

# Asian Paints

Estimate change



TP change



Rating change

Bloomberg	APNT IN
Equity Shares (m)	959
M.Cap.(INRb)/(USD\$)	2014.6 / 27.6
52-Week Range (INR)	2143 / 1432
1, 6, 12 Rel. Per (%)	1/-13/14
12M Avg Val (INR M)	3930

## Financials & Valuations (INR b)

Y/E March	2020	2021E	2022E
Sales	202.1	198.1	231.4
Sales Gr. (%)	5.0	-2.0	16.8
EBITDA	41.6	44.0	51.5
EBIT Margin (%)	20.6	22.2	22.3
Adj. PAT	27.8	28.4	34.5
Adj. EPS (INR)	29.0	29.6	36.0
EPS Gr. (%)	25.5	2.1	21.5
BV/Sh.(INR)	105.6	117.9	131.9
<b>Ratios</b>			
RoE (%)	28.4	26.5	28.8
RoCE (%)	23.6	23.1	25.5
Payout (%)	75.3	60.8	61.2
<b>Valuation</b>			
P/E (x)	72.5	71.0	58.4
P/BV (x)	19.9	17.8	15.9
EV/EBITDA (x)	47.8	44.8	38.1
Div. Yield (%)	1.0	0.9	1.0

## Shareholding pattern (%)

As On	Sep-20	Jun-20	Sep-19
Promoter	52.8	52.8	52.8
DII	8.2	9.0	10.7
FII	19.8	18.2	17.0
Others	19.2	20.0	19.6
FII Includes depository receipts			

**CMP: INR2,100**
**TP: INR1,980 (-6%)**
**Neutral**

## Strong beat on estimates; Demand improving further

- Asian Paints (APNT) witnessed consistent MoM demand improvement in 2QFY21. This augurs well for growth in 2HFY21 unless a second wave of COVID plays spoilsport. With stable material cost as well as currency, elevated margins also appear likely to sustain over the next few quarters.
- However, valuations of 58.4x FY22E EPS appear to be fully capturing the growth revival. This is despite assuming 20% PBT growth and 21.5% PAT growth in FY22E, nearly 3x the PBT CAGR over FY16-FY21E. Maintain **Neutral**.

## Beat on all fronts

- In 2QFY21, APNT reported consol. net sales growth of 5.9% YoY to INR53.5b (v/s est. INR52b) with volume growth of 11% (v/s est. 8%) in the Domestic Decorative paints business.**
- Gross margin was up 200bp YoY to 44.4%. This, as % of sales, along with high employee costs (+20bp YoY) and low other expenses (-300bp YoY) meant that EBITDA margin expanded by 470bp YoY to 23.6% (v/s est. 21.6%).
- EBITDA grew 32.5% YoY to INR12.7b (v/s est. INR11.2b).**
- PBT grew 35.5% YoY to INR11.3b (v/s est. INR9.7b).
- Adj. PAT was flat YoY at INR8.5b (v/s est. INR7.2b) on account of low taxes in the base quarter.
- 1HFY21 sales/EBITDA/PAT declined by 18.5%/17.2%/29.5% YoY.
- As of Sep'20, inventory and payables were both down ~5% YoY, while receivables were up 6.4% YoY.
- 1HFY21 CFO was down 3.8% YoY, while FCF was up 1.8% YoY due to significantly lower capex during the period.
- The company has declared an interim dividend of INR3.35 per share (1HFY20: INR3.35; FY20: INR12).

## Highlights from management commentary

- Pent-up demand supported 2QFY21 sales across industries. Festival demand is leading the recovery; however, management is unsure whether demand will continue to be as good (post the festive season).
- Demand in metros while still weak (70-80% of pre-COVID level) is better than 1QFY21. Even within metros, Mumbai, Bengaluru and Chennai are more sluggish whereas Delhi and Kolkata are doing better.
- Both material cost and currency remain stable as of now, but they need to be watched.

## Valuation and view

- Changes to our model have led to 9%/5.7% increase in FY21/FY22E EPS estimates owing to improving commentary on top line growth and stable margins.
- APNT has creditably posted much faster recovery compared to most discretionary peers, which should ensure premium valuations.

- Nevertheless, valuations at 58.4x FY22E EPS appear rich on account of (a) weak earnings growth (FY16-21E PBT/earnings CAGR of 7.3%/8.9% with earnings boosted by corporate tax cuts), and (b) lower-than-peers ROCEs (mid-20% v/s early-30% for consumer peers) despite assuming more than 20% EPS growth for FY22E. Valuing the company at 50x Sep'22E EPS, we get a TP of INR1,980, 6% downside to CMP. Maintain **Neutral**.

## Quarterly Performance (Consol.)

(INR m)

Y/E March	FY20				FY21				FY20	FY21E	FY20	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE				
Est. Dom. Deco. Vol. growth (%)	16.0	14.0	11.0	2.5	-38.0	11.0	17.0	23.0	10.9	3.3	8.0	
Net Sales	51,047	50,507	54,203	46,356	29,227	53,502	60,707	54,644	202,113	198,080	52,022	2.8%
Change (%)	16.3	9.4	3.0	-7.1	-42.7	5.9	12.0	17.9	5.0	-2.0	3.0	
Gross Profit	22,280	21,435	23,313	21,250	13,077	23,758	27,622	25,411	88,278	89,867	23,670	
Gross Margin (%)	43.6	42.4	43.0	45.8	44.7	44.4	45.5	46.5	43.7	45.4	45.5	
EBITDA	11,579	9,548	11,894	8,596	4,843	12,652	14,522	12,008	41,618	44,025	11,220	12.8%
Margin (%)	22.7	18.9	21.9	18.5	16.6	23.6	23.9	22.0	20.6	22.2	21.6	
Change (%)	24.5	13.0	7.7	-3.0	-58.2	32.5	22.1	39.7	10.5	5.8	17.5	
Interest	267	259	241	257	201	205	210	224	1,023	840	225	
Depreciation	1,918	1,972	1,971	1,945	1,912	1,936	1,950	1,973	7,805	7,771	1,920	
Other Income	735	1,052	698	558	471	826	700	561	3,043	2,558	650	
PBT	10,131	8,369	10,381	6,953	3,200	11,337	13,062	10,372	35,833	37,971	9,725	16.6%
Tax	3,511	72	2,776	2,190	862	2,936	3,292	2,480	8,549	9,569	2,451	
Effective Tax Rate (%)	34.7	0.9	26.7	31.5	26.9	25.9	25.2	23.9	23.9	25.2	25.2	
Adjusted PAT	6,742	8,450	7,797	4,803	2,196	8,519	9,645	8,028	27,791	28,389	7,154	19.1%
Change (%)	18.3	67.1	20.3	-1.8	-67.4	0.8	23.7	67.2	25.5	2.1	-15.3	

E: MOFSL Estimates

## Key Performance Indicators (Consol.)

Y/E March	FY20				FY21	
	1Q	2Q	3Q	4Q	1Q	2Q
Realization growth (%)	0.3	-4.6	-8.0	-9.6	-4.7	-5.1
2Y average growth (%)						
Volume	13.0	12.5	16.0	6.3	-11.0	12.5
Sales	15.7	8.8	13.3	2.1	-13.2	7.7
EBITDA	32.1	9.2	15.8	1.3	-16.8	22.8
PAT	24.2	31.6	17.3	-1.6	-24.6	34.0
3Y average growth (%)						
Volume	10.0	11.3	12.7	7.5	-4.0	12.0
% of Sales						
COGS	56.4	57.6	57.0	54.2	55.3	55.6
Operating Expenses	21.0	23.5	21.1	27.3	28.2	20.8
Depreciation	3.8	3.9	3.6	4.2	6.5	3.6
YoY change (%)						
COGS	15.4	4.8	-0.4	-13.7	-43.9	2.3
Operating Expenses	10.5	19.4	7.9	5.9	-23.0	-6.6
Other Income	19.2	62.1	41.6	-2.5	-35.9	-21.4
EBIT	21.7	8.1	5.6	-6.0	-69.7	41.4

**Consolidated segmental performance**

INR m	2QFY20	1QFY21	2QFY21
<b>Segment Revenue</b>			
Paints	49,297	28,706	52,329
Home Improvement	1,210	521	1,174
<b>Total</b>	<b>50,507</b>	<b>29,227</b>	<b>53,502</b>
<b>Segment revenue growth (%)</b>			
Paints	9.2	(42.6)	6.2
Home Improvement	18.6	(51.7)	(3.0)
<b>Total</b>	<b>9.4</b>	<b>(42.7)</b>	<b>5.9</b>
<b>EBIT</b>			
Paints	9,152	3,716	11,818
Home Improvement	(155)	(212)	(42)
<b>Total</b>	<b>8,997</b>	<b>3,504</b>	<b>11,776</b>
<b>EBIT margin</b>			
Paints	18.6	12.9	22.6
Home Improvement	(12.8)	(40.6)	(3.6)
<b>Total</b>	<b>17.8</b>	<b>12.0</b>	<b>22.0</b>

Source: Company, MOFSL

**Standalone performance**

- Standalone net sales grew 5.8% YoY to INR45.3b, with 6% YoY growth in standalone paints business.
- Gross margin was up 200bp YoY to 45.4% whereas EBITDA margin was up 500bp YoY to 25.4%.
- EBITDA grew 31.6% YoY to INR11.5b.
- PBT grew 33.7% YoY to INR10.6b.
- Adj. PAT was flat YoY at INR7.9b on account of low taxes in the base quarter.
- 1HFY21 sales/EBITDA/PAT declined by 19.5%/17.7%/27.6% YoY.

**Quarterly Performance (Standalone)**

(INR m)

Y/E March	FY20				FY21	
	1Q	2Q	3Q	4Q	1Q	2Q
<b>Net Sales</b>	<b>43,802</b>	<b>42,780</b>	<b>46,569</b>	<b>38,790</b>	<b>24,466</b>	<b>45,267</b>
Change (%)	18.2	9.3	2.7	-8.4	-44.1	5.8
<b>Gross Profit</b>	<b>19,622</b>	<b>18,557</b>	<b>20,470</b>	<b>18,230</b>	<b>11,337</b>	<b>20,554</b>
Gross Margin (%)	44.8	43.4	44.0	47.0	46.3	45.4
<b>EBITDA</b>	<b>10,899</b>	<b>8,735</b>	<b>11,179</b>	<b>7,758</b>	<b>4,670</b>	<b>11,496</b>
Margin (%)	24.9	20.4	24.0	20.0	19.1	25.4
Change (%)	25.2	12.4	7.8	-5.4	-57.2	31.6
Interest	193	202	196	193	149	153
Depreciation	1,698	1,743	1,737	1,722	1,669	1,687
Other Income	855	1,141	928	651	518	945
<b>PBT</b>	<b>9,863</b>	<b>7,930</b>	<b>10,174</b>	<b>6,495</b>	<b>3,370</b>	<b>10,601</b>
Tax	3,339	25	2,585	1,642	851	2,670
Effective Tax Rate (%)	33.8	0.3	25.4	25.3	25.3	25.2
<b>Adjusted PAT</b>	<b>6,525</b>	<b>7,905</b>	<b>7,589</b>	<b>4,853</b>	<b>2,519</b>	<b>7,931</b>
Change (%)	20.5	64.5	20.1	1.5	-61.4	0.3

**Exhibit 1: Imputed Subsidiary Quarterly Performance**

INR m	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21
Sales	7,013	7,579	7,829	7,246	7,726	7,634	7,566	4,761	8,235
Sales growth (%)	5.8	12.6	10.5	5.9	10.2	5.0	(3.4)	(34.3)	6.6
EBITDA	674	572	529	681	814	715	838	173	1,156
EBITDA margin (%)	9.6	7.5	6.8	9.4	10.5	9.4	11.1	3.6	14.0
PAT	261	162	78	238	574	208	282	(323)	588

Source: Company, MOFSL



## Management call highlights

### Macro drivers and operating environment

- APNT had 11% volume growth in 2QFY21 with MoM improvement seen in the quarter.
- Pent-up demand supported 2QFY21 sales across industries.
- Festival demand is leading the recovery, but management is unsure whether demand will continue to be as good post the festive season.
- Since the company has a much wider distribution in smaller cities and rural areas, it believes that it is gaining share from other organized players and unorganized players that were struggling in 1HFY21.
- Although daily rise in COVID cases is lower than before, it is still at high levels. If a second round of lockdown is implemented, business could be affected.
- Growth is being led by Tier 2/3/4 markets (back to pre-COVID demand levels).
- IIP decline declining every successive month is a good sign for the industrial part of the business.
- Metro demand while still weak (70-80% of pre-COVID level) is better than 1QFY21. Within metros, Mumbai, Bengaluru and Chennai are more sluggish whereas Delhi and Kolkata are doing better.

### Premium products and innovation

- Premium products are also doing well along with mass products.
- Innovation has been strong in terms of 'health and hygiene'.
- APNT also launched a paint that is claimed to be effective against Coronavirus.
- APNT launched sanitizers and disinfectants in 1HFY21. It also launched a sanitizing service called 'Sanisure'.

### RM, currency and margins

- Both material cost and currency are stable now, but they need to be watched.
- There is inflation in some key raw materials.
- No price cuts were taken by the company despite low material costs.
- APNT has put in efforts to reduce fixed overheads, especially rentals.
- Travel costs have declined, which has helped margin growth.

### International, industrial, kitchen and bathroom fixture businesses

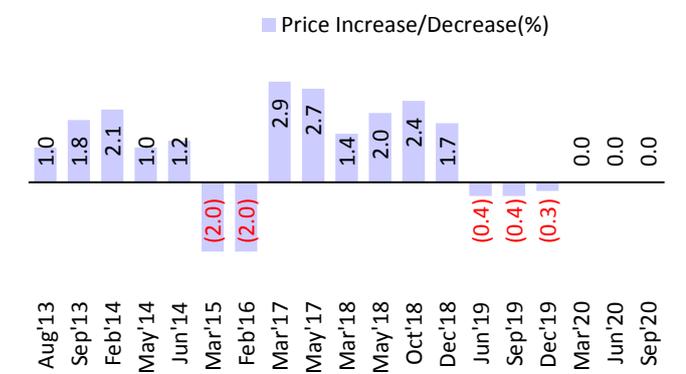
- International business volume growth was close to double-digit in 2QFY21 with 7.8%/44% sales/profit growth.
- Industrial paints: Two-wheeler business demand is recovering. Re-finish is still sluggish while OEM business has reported good growth after a muted 1QFY21.
- Kitchen equipment business revenues were flat YoY at INR610m in 2QFY21; 1HFY21 witnessed 26% decline to INR860m.
- Bath equipment business saw 4%/25% sales decline in 2QFY21/1HFY21.
- Management believes that home décor will be an integral part of their business growth in the future. The company has also launched sanitaryware recently. APNT's aim is to be an increasingly large player in products 'between the walls' as well.
- Wood Finish is also a category that the company could look at.

### Other points

- INR3.35 per share interim dividend was declared in 2QFY21. Last year, the total dividend was INR12 per share.

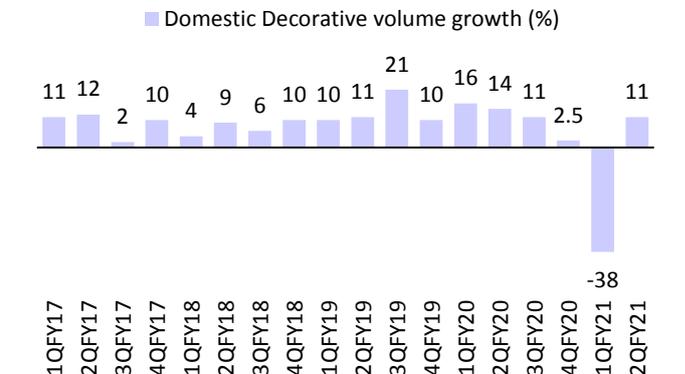
Key exhibits

Exhibit 2: No price cuts in 2QFY21



Source: Company, MOFSL

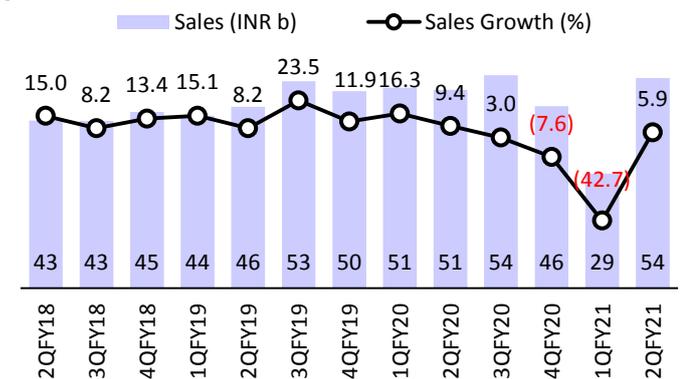
Exhibit 3: Volume decline for Decorative domestic business stood at 11% in 2QFY21



Source: Company, MOFSL

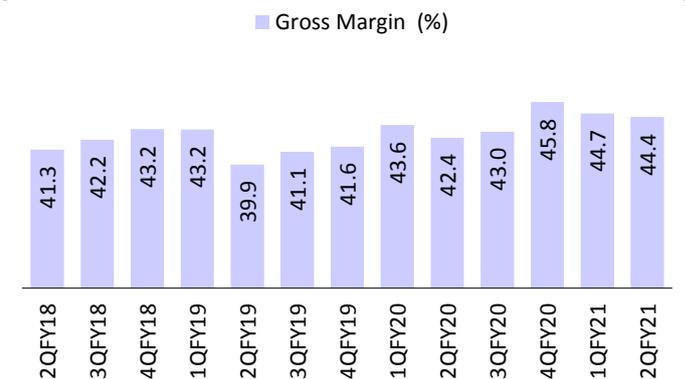
- **Consol. gross margins were up 200bp YoY to 44.4%.** As % of sales, high employee costs (+20bp YoY) and low other expenses (-300bp YoY), led to EBITDA margin expanding by 470bp YoY to 23.6% (v/s est. 21.6%).

Exhibit 4: Consol. net sales grew 5.9% YoY to INR53.5b



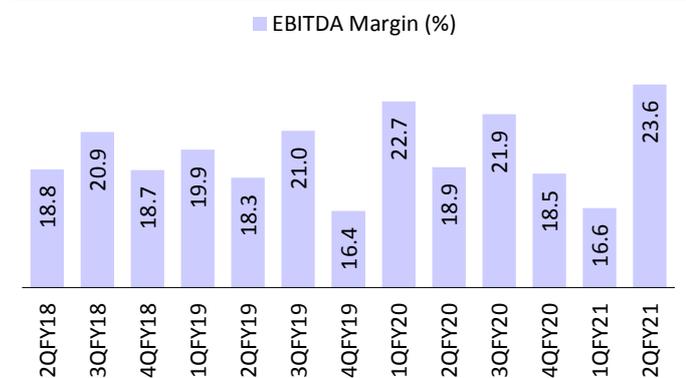
Source: Company, MOFSL

Exhibit 5: Gross margin expanded 200bp YoY



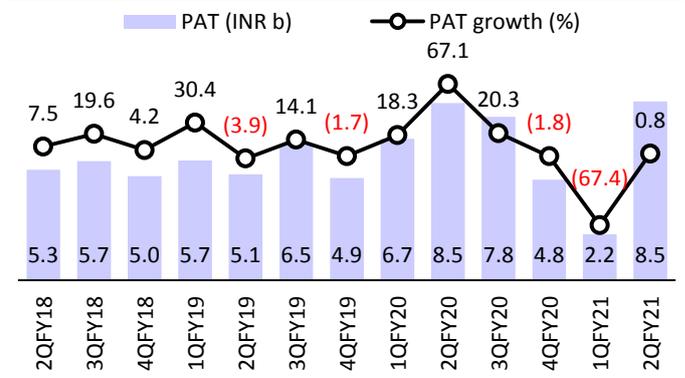
Source: Company, MOFSL

Exhibit 6: EBITDA margin contracted by 470bp YoY



Source: Company, MOFSL

Exhibit 7: PAT was flat YoY at INR8.5b



Source: Company, MOFSL

## Valuation and view

### Asian Paints – a wealth creator in the past decade

- Despite an already sizeable sales base of ~INR67b in FY10, APNT reported healthy CAGR of 12-13% on sales/EBITDA/PAT for the 10 years ending FY20.
- Broadening of its dealer network and increased thrust in non-metro cities has led to faster shift from unorganized paints, which still forms ~30% of the market.
- Its successful entry into categories such as 'Putty' has also led to new growth regions, particularly in the hinterland.

### APNT's top line growth momentum to continue

- We do believe that paints continue to be one of the few categories wherein double-digit top line growth, led by volumes, is possible. This is especially true given the 30% unorganized market, from which top players have started gaining share (post GST) and superior growth opportunities in the hinterland.
- It is also true that while the Real Estate market continues to see bleak prospects in the near term, longer-term prospects for Decorative Paints on recovery in this segment remain attractive.
- Over the past few years, APNT has also done well in terms of widening its distribution network and broadening its product portfolio. More recently, it has been in midst of massive expansion (it is nearly doubling its capacity), which would create further entry barriers for peers.

### Concerns persist despite superior performance v/s peers

- **Modest trend in profit in recent years:** While the decadal average is still healthy at ~13%, PBT growth (which adjusts for the one-off corporate tax cut), it has significantly slowed to 7.7% in the four years ending FY20.
- **Deteriorating RoCE over the past decade:** From over 45% at the start of the decade, RoCE has come down to early-20s in recent years, driven by: (a) declining net fixed asset turnover, (b) slowing sales and EBIT growth, and (c) worsening cash conversion cycle.
- **Valuations:** Despite modest earnings growth for five years in succession (FY16-21E, PBT CAGR of 7.3% and earnings CAGR of 8.9%, with latter boosted by corporate tax cuts), and declining RoCE, valuations at 58x FY22E EPS seem high compared with a 5/10/15 years average of 53x/43x/36x.

### Valuation and view

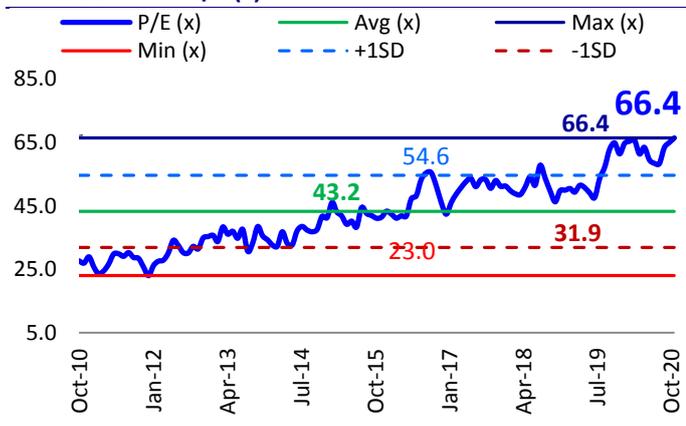
- Changes to the model have resulted in 9%/5.7% increase in FY21/FY22E EPS estimates owing to improving commentary on top line growth and stable margins.
- APNT has creditably posted much faster recovery compared to most discretionary peers, which should ensure premium valuations.
- Nevertheless, valuations at 58.4x FY22E EPS appear rich on account of (a) weak earnings growth (FY16-21E PBT/earnings CAGR of 7.3%/8.9% with earnings boosted by corporate tax cuts), and (b) lower-than-peers ROCEs (mid-20% v/s early-30% for consumer peers) despite assuming more than 20% EPS growth for FY22E. Valuing the company at 50x Sep'22E EPS, we get a TP of INR1,980, 6% downside to CMP. Maintain **Neutral**.

**Exhibit 8: 40%/10% increase in our EPS forecasts for FY21/FY22E**

INR m	New		Old		Change (%)	
	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
Sales	198,080	231,429	195,988	236,114	1.1	-2.0
EBITDA	44,025	51,503	41,392	49,783	6.4	3.5
PAT	28,389	34,505	26,050	32,646	9.0	5.7

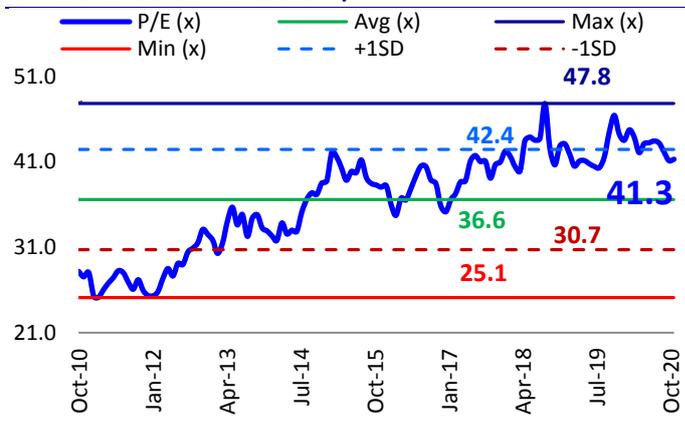
Source: Company, MOFSL

**Exhibit 9: APNT P/E (x)**



Source: Bloomberg, Company, MOFSL

**Exhibit 10: Consumer sector P/E**



Source: Bloomberg, Company, MOFSL

## Financials and valuations

Income Statement consol.							(INR m)	
Y/E March	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	
<b>Net Sales</b>	<b>142,715</b>	<b>150,620</b>	<b>168,246</b>	<b>192,401</b>	<b>202,113</b>	<b>198,080</b>	<b>231,429</b>	
Change (%)	1.9	5.5	11.7	14.4	5.0	-2.0	16.8	
Raw Materials	80,497	83,289	96,912	112,646	113,835	108,213	126,472	
<b>Gross Profit</b>	<b>62,218</b>	<b>67,331</b>	<b>71,334</b>	<b>79,756</b>	<b>88,278</b>	<b>89,867</b>	<b>104,957</b>	
Margin (%)	43.6	44.7	42.4	41.5	43.7	45.4	45.4	
Operating Expenses	34,527	37,467	39,358	42,100	46,660	45,842	53,453	
<b>EBITDA</b>	<b>27,692</b>	<b>29,864</b>	<b>31,976</b>	<b>37,655</b>	<b>41,618</b>	<b>44,025</b>	<b>51,503</b>	
Change (%)	34.6	7.8	7.1	17.8	10.5	5.8	17.0	
Margin (%)	19.4	19.8	19.0	19.6	20.6	22.2	22.3	
Depreciation	2,756	3,348	3,605	6,221	7,805	7,771	7,873	
Int. and Fin. Charges	407	300	351	1,053	1,023	840	851	
Other Income	2,134	2,624	2,206	2,330	3,043	2,558	2,786	
<b>Profit before Taxes</b>	<b>26,663</b>	<b>28,841</b>	<b>30,227</b>	<b>32,712</b>	<b>35,833</b>	<b>37,971</b>	<b>45,565</b>	
Change (%)	26.7	8.2	4.8	8.2	9.5	6.0	20.0	
Margin (%)	18.7	19.1	18.0	17.0	17.7	19.2	19.7	
Tax	7,972	8,936	10,414	9,428	9,501	8,999	10,799	
Deferred Tax	473	497	-5	1,553	-953	570	683	
Tax Rate (%)	31.7	32.7	34.4	33.6	23.9	25.2	25.2	
<b>PAT Before Minority</b>	<b>18,218</b>	<b>19,408</b>	<b>19,817</b>	<b>21,731</b>	<b>27,284</b>	<b>28,403</b>	<b>34,083</b>	
Minority Interest	-334	-496	-458	-407	-507	14	-423	
<b>Adjusted PAT</b>	<b>18,552</b>	<b>19,904</b>	<b>20,275</b>	<b>22,138</b>	<b>27,791</b>	<b>28,389</b>	<b>34,505</b>	
Change (%)	30.4	7.3	1.9	9.2	25.5	2.1	21.5	
Margin (%)	13.0	13.2	12.1	11.5	13.8	14.3	14.9	
<b>Reported PAT</b>	<b>18,028</b>	<b>19,904</b>	<b>20,275</b>	<b>22,080</b>	<b>27,742</b>	<b>28,389</b>	<b>34,505</b>	

Balance Sheet							(INR m)	
Y/E March	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	
Share Capital	959	959	959	959	959	959	959	
Reserves	64,289	75,080	83,143	93,746	100,342	112,114	125,517	
<b>Net Worth</b>	<b>65,248</b>	<b>76,039</b>	<b>84,102</b>	<b>94,706</b>	<b>101,302</b>	<b>113,073</b>	<b>126,476</b>	
Loans	3,233	5,604	5,334	6,156	3,401	2,801	2,301	
Other Liability	2,968	3,467	4,011	12,137	11,984	10,239	9,303	
Minority Interest	3,837	3,755	3,277	3,613	4,035	4,049	3,626	
<b>Capital Employed</b>	<b>75,286</b>	<b>88,864</b>	<b>96,724</b>	<b>116,611</b>	<b>120,722</b>	<b>130,163</b>	<b>141,707</b>	
Gross Block	34,921	37,203	43,781	66,983	69,895	71,395	74,395	
Less: Accum. Depn.	2,748	6,100	9,731	13,942	19,573	27,344	35,216	
<b>Net Fixed Assets</b>	<b>32,173</b>	<b>31,103</b>	<b>34,050</b>	<b>53,041</b>	<b>50,322</b>	<b>44,051</b>	<b>39,179</b>	
Capital WIP	1,066	2,575	14,051	2,097	1,402	1,402	1,402	
Right to Use Assets	0	0	0	8,711	9,201	9,201	9,201	
<b>Investments</b>	<b>27,121</b>	<b>26,520</b>	<b>21,407</b>	<b>25,686</b>	<b>20,189</b>	<b>35,370</b>	<b>41,383</b>	
Current	15,853	13,007	10,567	11,745	5,125	14,281	15,233	
Non-current	11,268	13,513	10,840	13,941	15,064	21,089	26,151	
<b>Curr. Assets, L&amp;A</b>	<b>43,240</b>	<b>61,919</b>	<b>64,854</b>	<b>69,740</b>	<b>77,066</b>	<b>81,981</b>	<b>98,558</b>	
Inventory	19,982	26,269	26,583	31,499	33,898	32,018	37,409	
Account Receivables	11,917	14,466	17,371	19,134	17,994	19,537	22,826	
Cash and Bank Balance	4,242	8,012	4,047	4,449	7,828	10,053	12,004	
Others	7,099	13,172	16,854	14,659	17,345	20,374	26,319	
<b>Curr. Liab. and Prov.</b>	<b>30,304</b>	<b>35,188</b>	<b>40,911</b>	<b>45,878</b>	<b>40,658</b>	<b>45,043</b>	<b>51,216</b>	
Account Payables	15,651	19,228	21,600	23,943	21,366	23,718	27,720	
Other Liabilities	11,906	14,008	17,344	19,617	16,860	18,546	20,401	
Provisions	2,748	1,952	1,967	2,318	2,432	2,779	3,096	
<b>Net Current Assets</b>	<b>12,936</b>	<b>26,731</b>	<b>23,944</b>	<b>23,863</b>	<b>36,408</b>	<b>36,938</b>	<b>47,342</b>	
Godwill on Cons.	1,990	1,935	3,273	3,213	3,200	3,200	3,200	
<b>Application of Funds</b>	<b>75,286</b>	<b>88,864</b>	<b>96,724</b>	<b>116,611</b>	<b>120,722</b>	<b>130,163</b>	<b>141,707</b>	

E: MOFSL Estimates

## Financials and valuations

### Ratios

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
<b>Basic (INR)</b>							
<b>EPS</b>	<b>19.3</b>	<b>20.8</b>	<b>21.1</b>	<b>23.1</b>	<b>29.0</b>	<b>29.6</b>	<b>36.0</b>
Cash EPS	22.2	24.2	24.9	29.6	37.1	37.7	44.2
BV/Share	68.0	79.3	87.7	98.7	105.6	117.9	131.9
DPS	7.8	9.6	12.4	10.7	21.8	18.0	22.0
Payout %	40.4	46.1	58.6	46.4	75.3	60.8	61.2
<b>Valuation (x)</b>							
P/E	108.6	101.2	99.3	91.0	72.5	71.0	58.4
Cash P/E	94.5	86.6	84.4	71.0	56.6	55.7	47.5
EV/Sales	13.9	13.2	11.9	10.3	9.8	10.0	8.5
EV/EBITDA	71.7	66.5	62.4	52.9	47.8	44.8	38.1
P/BV	30.9	26.5	24.0	21.3	19.9	17.8	15.9
Dividend Yield (%)	0.4	0.5	0.6	0.5	1.0	0.9	1.0
<b>Return Ratios (%)</b>							
RoE	32.9	28.2	25.3	24.8	28.4	26.5	28.8
RoCE	28.1	23.9	21.6	21.0	23.6	23.1	25.5
RoIC	27.9	24.1	23.7	22.1	23.2	23.6	26.4
<b>Working Capital Ratios</b>							
Debtor (Days)	30	35	38	36	32	36	36
Asset Turnover (x)	1.9	1.7	1.7	1.6	1.7	1.5	1.6
<b>Leverage Ratio</b>							
Debt/Equity (x)	0.0	0.1	0.1	0.1	0.0	0.0	0.0

### Cash Flow Statement

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
<b>(INR m)</b>							
OP/(loss) before Tax	26,139	29,642	31,391	33,107	36,283	37,971	45,565
Depreciation	2,756	3,388	3,605	4,307	7,819	7,771	7,873
Net interest	-509	-765	-422	-282	96	-1,718	-1,934
Others	90	-1,711	-1,835	-896	-401	0	0
Direct Taxes Paid	-8,024	-9,254	-10,807	-9,820	-10,108	-8,999	-10,799
(Incr)/Decr in WC	1,978	-6,028	-797	-4,274	-7,371	1,694	-8,452
<b>CF from Operations</b>	<b>22,430</b>	<b>15,273</b>	<b>21,134</b>	<b>22,143</b>	<b>26,319</b>	<b>36,720</b>	<b>32,253</b>
Incr in FA	-8,022	-6,672	-14,088	-11,336	-3,669	-1,500	-3,000
<b>Free Cash Flow</b>	<b>14,408</b>	<b>8,601</b>	<b>7,047</b>	<b>10,807</b>	<b>22,650</b>	<b>35,220</b>	<b>29,253</b>
Pur of Investments	-775	2,039	426	1,602	-2,536	-15,182	-6,013
Others	-2,945	694	2,353	-3,177	7,918	-1,843	-1,798
<b>CF from Invest.</b>	<b>-11,742</b>	<b>-3,939</b>	<b>-11,309</b>	<b>-12,911</b>	<b>1,713</b>	<b>-18,525</b>	<b>-10,811</b>
Incr in Debt	-1,103	2,134	-440	631	-2,614	-600	-500
Dividend Paid	-7,642	-9,473	-12,178	-10,487	-21,207	-17,266	-21,102
Net interest Paid	-402	-357	-352	-512	-1,009	1,718	1,934
Others	658	132	-822	1,539	178	178	178
<b>CF from Fin. Activity</b>	<b>-8,490</b>	<b>-7,564</b>	<b>-13,791</b>	<b>-8,830</b>	<b>-24,652</b>	<b>-15,970</b>	<b>-19,490</b>
<b>Incr/Decr of Cash</b>	<b>2,198</b>	<b>3,770</b>	<b>-3,966</b>	<b>402</b>	<b>3,380</b>	<b>2,224</b>	<b>1,952</b>
Add: Opening Balance	2,044	4,242	8,012	4,047	4,449	7,828	10,053
<b>Closing Balance</b>	<b>4,242</b>	<b>8,012</b>	<b>4,047</b>	<b>4,449</b>	<b>7,828</b>	<b>10,053</b>	<b>12,004</b>

E: MOFSL Estimates

## NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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