

Pidilite Industries

Estimate changes

TP change

Rating change


CMP: INR2,222
TP: INR2,150 (-3%)
Neutral

Motilal Oswal values your support in the Asiamoney Brokers Poll 2021 for India Research, Sales, Corporate Access and Trading team. We [request your ballot](#).



Bloomberg	PIDI IN
Equity Shares (m)	513
M.Cap.(INRb)/(USDb)	1129.1 / 15.2
52-Week Range (INR)	2335 / 1358
1, 6, 12 Rel. Per (%)	-7/20/20
12M Avg Val (INR M)	1392

Financials & Valuations (INR b)

Y/E March	2021	2022E	2023E
Sales	72.9	90.5	101.1
Sales Gr. (%)	-0.6	24.0	11.8
EBITDA	16.8	19.9	23.7
EBITDA Margin (%)	23.0	22.0	23.4
Adj. PAT	11.3	13.4	16.2
Adj. EPS (INR)	22.2	26.3	31.9
EPS Gr. (%)	-7.3	18.7	21.2
BV/Sh.(INR)	110.1	129.4	152.1
Ratios			
RoE (%)	22.4	22.0	22.6
RoCE (%)	20.0	19.6	20.7
Payout (%)	33.6	28.5	23.5
Valuations			
P/E (x)	100.3	84.5	69.7
P/BV (x)	20.2	17.2	14.6
EV/EBITDA (x)	66.8	56.2	47.0

Shareholding pattern (%)

As On	Jun-21	Mar-21	Jun-20
Promoter	70.1	70.2	70.2
DII	7.2	7.6	8.1
FII	12.1	11.9	11.2
Others	10.6	10.4	10.5

FII includes depository receipts

Remarkable result amid the second COVID wave; demand prospects healthy

- PIDI reported a strong beat v/s our estimate in its 1QFY22 result, with sales down only 4% over 1QFY20 levels, despite the lockdowns caused by the second COVID wave. Demand rebound was strong in Jun'21 and continued to sustain in Jul'21 as well.
- While gross margin was adversely impacted in 1QFY22 due to sharply higher VAM costs (up 2x YoY), leading to a 440bp YoY contraction in gross margin, there has been some reduction in VAM costs since Apr'21. The management expects gross margin to improve in 2HFY22.
- While a strong beat on our 1QFY22 expectations and continued good commentary have led to a 10.3%/7.3% increase in our FY22E/FY23E EPS forecast, valuations are rich at 69.7x FY23E EPS. We maintain our **Neutral** rating.

Beat on all fronts

- **Consolidated net sales grew 120.6% YoY to INR19.4b** (est. INR13.2b). Compared to 1QFY20 (normal quarter), net sales declined by 4%. EBITDA/PBT/ adjusted PAT grew 423.7%/821.3%/1,303% YoY to INR3.5b/INR2.9b/INR2.2b. **On a like-to-like basis, EBITDA/PBT/adjusted PAT grew 396%/745%/1,170%**.
- Standalone sales volume and mix stood at 105% YoY, with 103%/113% growth in sales volume and mix in C&B/B2B.
- Overall gross margin contracted by 440bp YoY to 49.1%. As a percentage of sales, lower employee expenses (-1,010bp YoY to 14.5%) and other expenses (-470bp to 16.7%) led to a **1,040bp YoY expansion in EBITDA margin to 17.9%** (est. 12.8%).
- Standalone revenue in the **C&B segment** grew 103.8% YoY to INR12.5b. Segmental EBIT rose 125% YoY to INR3.3b. Segmental EBIT margin expanded by 250bp YoY to 26.3%.
- Standalone revenue in the **B2B segment** grew 135.3% YoY to INR4b. Segmental margin expanded by 1,000bp YoY to 13.7%.
- In 1QFY22, imputed subsidiary revenue grew 194.7% YoY to INR3.1b. EBITDA stood at INR481m v/s a loss of INR290m YoY (includes Huntsman numbers and hence not comparable YoY).

Highlights from the management commentary

- The management is optimistic about demand going forward unless there is a third COVID wave. It sees additional pent up demand benefits in 2QFY22.
- Spiraling RM escalation has been mitigated to some extent by a 4-6% price increase covering 75% of material cost inflation. VAM consumption costs stood at USD1,610/mt in 1QFY22, nearly 2x that of 1QFY21. While costs remain elevated, they have fallen to USD1,400-1,500/mt at present from the USD2,000/mt levels seen in Apr'21. The management expects current levels to sustain in 2Q, before softening in 2HFY22.
- Capex will remain at the higher end of the usual 4-6% sales range.

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Valuation and view

- Changes to our model and good commentary on sales growth have led to a 10.3%/7.3% increase in our FY22E/FY23E EPS forecasts.
- Over the next two quarters, PIDI faces an exceptionally high base in terms of EBITDA margin. This will be compounded by the gradual recovery in margin (VAM consumption costs were up 2x YoY in 1QFY22, despite some decline from its peak) in FY22.
- Topline growth in the past two quarters is a vindication of the latent growth opportunity in the Core, Pioneer, and Growth categories. Once material costs stabilize (their ongoing rise is not driven by structural factors), earnings growth could potentially be healthy post FY22.
- While the structural investment case remains intact, valuations are expensive at 69.7x FY23E EPS. We maintain our Neutral stance with a TP of INR2,150 per share (60x Sep'23E EPS).

Consolidated quarterly earnings model

(INR m)

Y/E March	FY21				FY22				FY21	FY22E	FY22 1QE	Var. (%)
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE				
Net Sales	8,778	18,803	22,990	22,355	19,368	23,504	25,289	22,295	72,927	90,457	13,168	47.1
YoY change (%)	-56.5	4.1	19.3	44.7	120.6	25.0	10.0	-0.3	-0.6	24.0	50.0	
Gross Profit	4,694	10,520	12,588	11,359	9,511	11,987	13,277	11,796	39,160	46,570	6,781	
Margin (%)	53.5	55.9	54.8	50.8	49.1	51.0	52.5	52.9	53.7	51.5	51.5	
EBITDA	664	5,126	6,408	4,608	3,476	5,547	6,017	4,883	16,806	19,923	1,681	106.7
YoY change (%)	-85.0	39.2	38.4	53.1	423.7	8.2	-6.1	6.0	4.0	18.5	153.3	
Margin (%)	7.6	27.3	27.9	20.6	17.9	23.6	23.8	21.9	23.0	22.0	12.8	
Depreciation	461	479	495	572	566	600	600	724	2,007	2,490	550	
Interest	91	87	121	74	96	80	85	77	372	339	80	
Other Income	200	217	204	173	61	180	235	297	794	773	215	
PBT	312	4,778	5,997	4,135	2,875	5,047	5,567	4,378	15,221	17,867	1,266	127.0
Tax	159	1,220	1,548	1,038	721	1,272	1,436	1,073	3,964	4,502	281	
Rate (%)	50.8	25.5	25.8	25.1	25.1	25.2	25.8	24.5	26.1	25.2	22.2	
Adj. PAT	154	3,558	4,449	3,097	2,154	3,775	4,131	3,305	11,258	13,364	985	118.6
YoY change (%)	-94.8	2.8	29.1	63.6	#	6.1	-7.1	6.7	-4.1	18.7	541.8	
Margin (%)	1.7	18.9	19.3	13.9	11.1	16.1	16.3	14.8	15.4	14.8	7.5	

E: MOFSL estimates

#: An inordinately high number

Key Performance Indicators

Y/E March	FY21				FY22			
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE
2-year CAGR (%)								
Sales	-30.8	3.4	11.5	16.8	-2.0	14.1	14.6	20.1
EBITDA	-58.3	18.3	37.9	28.6	-11.5	22.7	14.0	27.4
PAT	-74.7	23.4	42.8	12.1	-14.4	4.4	9.5	32.1
As a percentage of Sales								
COGS	46.5	44.1	45.2	49.2	50.9	49.0	47.5	47.1
Operating Expenses	45.9	28.7	26.9	30.2	31.2	27.4	28.7	31.0
Depreciation	5.3	2.5	2.2	2.6	2.9	2.6	2.4	3.2
YoY change (%)								
COGS	-58.3	-1.6	16.8	59.5	141.3	39.0	15.5	-4.5
Operating Expenses	-32.0	-9.5	7.8	21.8	49.8	19.4	17.5	2.4
Other Income	-49.8	-61.1	-48.8	24.1	-69.4	-17.0	15.3	71.1
EBIT	-95.0	41.7	40.4	60.9	#	6.4	-8.4	3.1

E: MOFSL estimates

#: An inordinately high number

Exhibit 1: Consolidated segmental performance

Segmental	1QFY19	2QFY19	3QFY19	4QFY19*	1QFY20*	2QFY20*	3QFY20*	4QFY20*	1QFY21*	2QFY21*	3QFY21*	4QFY21*	1QFY22*
Consumer and Bazaar													
Sales (INR m)	15,941	15,114	15,974	11,975	15,743	13,969	14,783	11,244	7,020	15,277	18,489	17,303	14,862
Sales growth (%)	11.3	15.0	22.1	-2.4	-1.2	-7.6	-7.5	-6.1	-55.4	9.4	25.1	53.9	111.7
EBIT (INR m)	4,030	3,661	3,584	2,874	4,423	3,782	4,494	2,787	1,305	5,324	6,451	4,692	3,704
Contribution (%)	92.1	90.1	92.5	84.0	87.3	86.2	86.8	79.4	124.3	94.7	92.1	89.7	84.5
EBIT growth (%)	20.6	-4.6	-2.7	1.9	9.7	3.3	25.4	-3.0	-70.5	40.7	43.5	68.4	180.6
EBIT margin (%)	25.3	24.2	22.4	24.0	28.1	27.1	30.4	24.8	18.6	34.8	34.9	27.1	24.9
Business-to-Business													
Sales (INR m)	2,576	2,537	2,618	4,549	4,592	4,333	4,626	4,411	1,882	3,771	4,751	5,350	4,820
Sales growth (%)	3.7	11.9	6.0	66.8	78.3	70.8	76.7	-3.0	-59.0	-13.0	2.7	21.3	156.1
EBIT (INR m)	379	420	309	565	653	629	681	732	-220	290	558	524	420
Contribution (%)	8.7	10.3	8.0	16.5	12.9	14.3	13.2	20.9	-21.0	5.2	8.0	10.0	9.6
EBIT growth (%)	3.3	28.6	-26.0	20.3	72.2	49.7	120.2	29.7	-133.7	-53.9	-18.1	-28.4	L/P
EBIT margin (%)	14.7	16.6	11.8	12.4	14.2	14.5	14.7	16.6	-11.7	7.7	11.7	9.8	8.7

*reflects performance as per restructured segments

Source: Company, MOFSL

**Highlights from the management commentary****Performance and outlook**

- Demand recovered from mid-Jun'21, with most market reaching normalcy.
- Rural and semi-urban markets are sustaining growth.
- The management is optimistic about demand going forward unless there is a third COVID wave. It sees additional pent up demand benefits in 2QFY22.
- Recovery in the Industrial business has also been healthy.
- Real Estate: There has been a substantial reduction in inventory, but a full-blown recovery has not yet happened.
- The international business is growing at a faster pace than the domestic business.

Material costs and margin

- Spiraling RM escalation has been mitigated to some extent by a 4-6% price increase covering 75% of material cost inflation.
- VAM consumption costs stood at USD1,610/mt in 1QFY22, nearly 2x that of 1QFY21. While costs remain elevated, they have fallen to USD1,400-1,500/mt at present from the USD2,000/mt levels seen in Apr'21. The management expects current levels to sustain in 2Q, before softening in 2HFY22.
- Given the huge volatility in Global Chemical prices, the management said it is difficult to provide an outlook. It expects gross margin to return to normalized levels by 4QFY22.

Other points

- Capex will remain at the higher end of the usual 4-6% sales range.
- Waterproofing: PIDI is certainly not losing market share and is likely to gain share in this fast growing category.
- e-commerce sales in some consumer brands have risen sharply. Currently, monthly e-commerce sales are similar to that of FY20 levels.
- In Bihar, PIDI is using HUVR's 'Shakti Amma' network to sell its consumer products.

Key exhibits

Consolidated performance in 1QFY22

- Net sales grew 120.6% YoY to INR19.4b (est. INR13.2b). Compared to 1QFY20 (normal quarter), net sales declined by 4%.
- On a like-to-like basis, excluding Pidilite Adhesives (PAPL), net sales grew 113% YoY.
- Revenue for the Consumer and Bazaar (C&B) segment grew 111.7% YoY to INR14.9b, with segmental EBIT up 180.6% YoY to INR3.7b. Segmental EBIT margin expanded by 610bp YoY to 24.9%.
- Revenue for the B2B segment grew 156.1% YoY to INR4.8b, with segmental EBIT at INR420m (v/s a loss of INR227m YoY).
- Overall gross margin contracted by 440bp YoY to 49.1%.
- As a percentage of sales, lower employee expenses (-1,010bp YoY to 14.5%) and other expenses (-470bp to 16.7%) led to a 1,040bp YoY expansion in EBITDA margin to 17.9% (est. 12.8%).
- EBITDA grew 423.7% YoY to INR3.5b (est. INR1.7b). On a like-to-like basis (excluding PAPL), EBITDA was up 396%.
- PBT grew 821.3% YoY to INR2.9b (est. INR1.3b). On a like-to-like basis (excluding PAPL), PBT was up 745%.
- Adjusted PAT grew 1,303% YoY to INR2.2b (est. INR985m). On a like-to-like basis (excluding PAPL), PAT rose 1,170%.

Exhibit 2: Standalone C&B volumes grew by 105% in 1QFY22

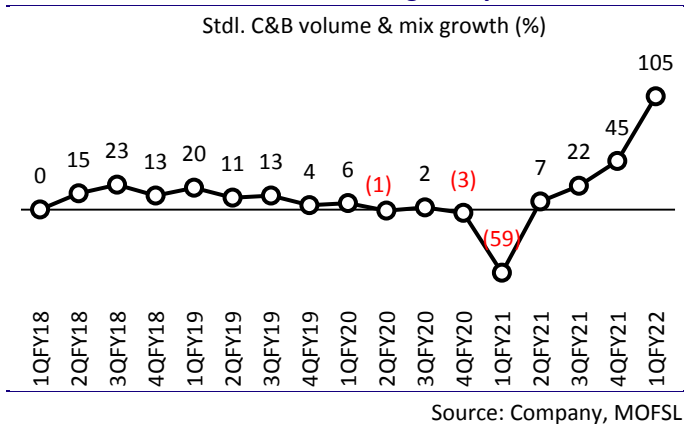


Exhibit 3: Consolidated sales grew 121% YoY to INR19.4b in 1QFY22

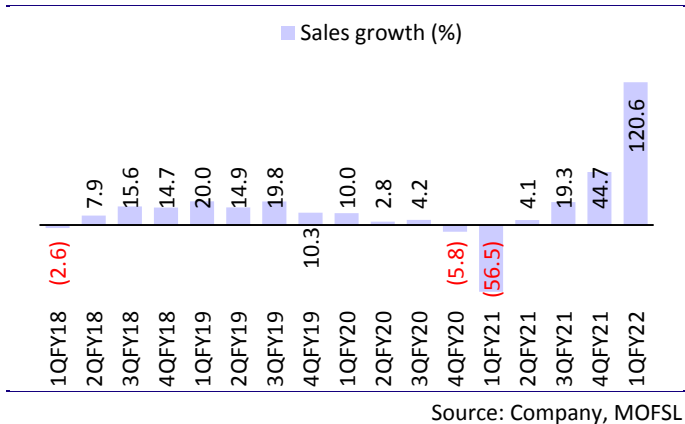


Exhibit 4: Consolidated gross margin contracts by 440bp YoY to 50.8% in 4QFY21

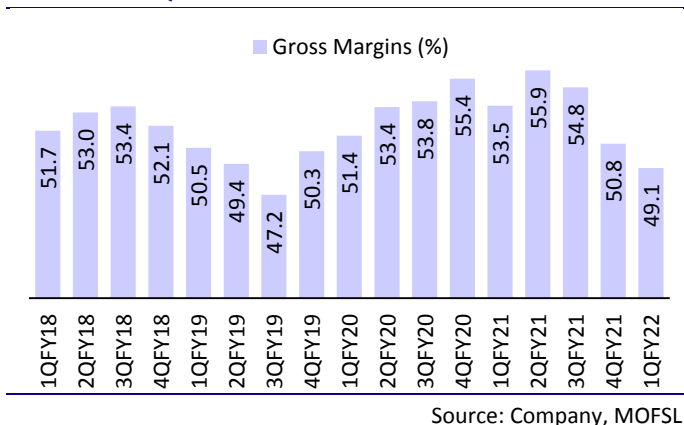


Exhibit 5: Consolidated employee expenses (as a percentage of sales) fell 1,010bp YoY to 14.5%

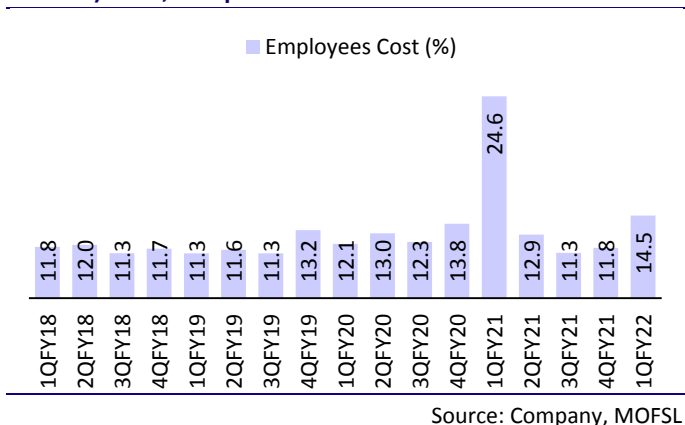
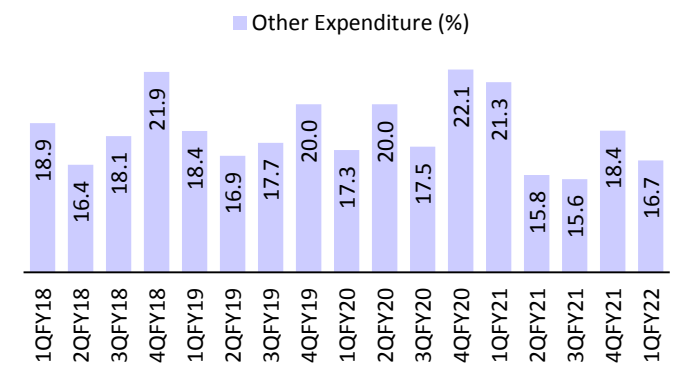
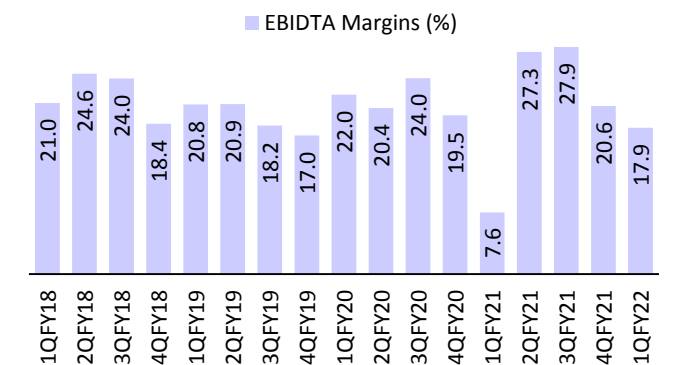


Exhibit 6: Consolidated other expenses (as a percentage of sales) fell 470bp YoY to 16.7%



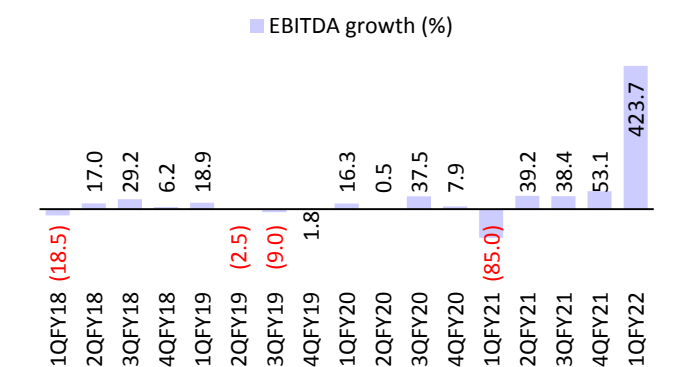
Source: Company, MOFSL

Exhibit 7: Consolidated EBITDA margin expands by 1,040bp YoY to 17.9%



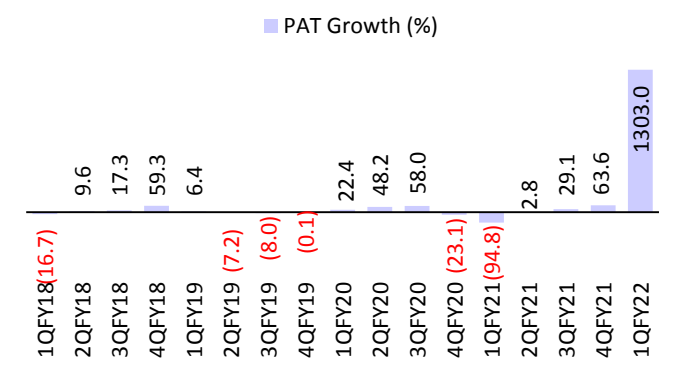
Source: Company, MOFSL

Exhibit 8: Consolidated EBITDA grew 424% YoY to INR3.5b



Source: Company, MOFSL

Exhibit 9: Consolidated adjusted PAT grew 1,303% YoY to INR2.2b



Source: Company, MOFSL

Standalone performance in 1QFY22

- Overall growth in sales volume and mix stood at 105% YoY, with 103%/113% growth in sales volume and mix in C&B/B2B.
- Net sales grew 110.5% YoY to INR16.2b.
- Revenue in the C&B segment grew 103.8% YoY to INR12.5b. Segmental EBIT rose 125% YoY to INR3.3b. Segmental EBIT margin expanded by 250bp YoY to 26.3%.
- Revenue in the B2B segment grew 135.3% YoY to INR4b. Segmental margin expanded by 1,000bp YoY to 13.7%.
- Gross margin contracted by 530bp YoY to 49.2%, while EBITDA margin expanded by 610bp YoY to 18.4%.
- EBITDA grew 213.9% YoY to INR3b.
- PBT grew 361.2% YoY to INR3.5b.
- Adjusted PAT increased by 408.7% YoY to INR2.9b.

Imputed subsidiary performance

- Revenue grew 194.7% YoY to INR3.1b. EBITDA stood at INR481m v/s a loss of INR290m YoY (includes Huntsman numbers and hence not comparable YoY).

Standalone quarterly performance

(INR m)

Y/E March	FY21				FY22
	1Q	2Q	3Q	4Q	1Q
Sales	7,724	16,302	19,567	18,570	16,261
Change (%)	-56.6	3.7	17.6	40.8	110.5
Gross Profit	4,210	9,213	10,777	9,627	8,004
Gross Margin (%)	54.5	56.5	55.1	51.8	49.2
Operating Expenses	3,256	4,494	5,050	5,549	5,009
% of sales	42.2	27.6	25.8	29.9	30.8
EBITDA	954	4,719	5,727	4,077	2,995
EBITDA Margin (%)	12.4	28.9	29.3	22.0	18.4
Change (%)	-77.2	34.4	33.4	43.0	213.9
Depreciation	348	359	371	393	405
Interest	34	30	62	44	63
Other Income	197	225	195	119	1,020
PBT	769	4,554	5,489	3,759	3,548
Tax	202	1,162	1,394	994	663
Effective Tax Rate (%)	26.3	25.5	25.4	26.4	18.7
Adj. PAT	567	3,392	4,094	2,765	2,885
Change (%)	-80.3	-2.1	23.9	40.6	408.7

Exhibit 10: Standalone segmental performance

Segmental	1QFY19	2QFY19	3QFY19	4QFY19*	1QFY20*	2QFY20*	3QFY20*	4QFY20*	1QFY21*	2QFY21*	3QFY21*	4QFY21*	1QFY22*
Consumer and Bazaar													
Sales (INR m)	13,683	12,719	13,388	10,436	14,349	12,447	13,263	9,939	6,145	13,352	15,975	14,510	12,522
Sales growth (%)	9.6	10.7	17.3	2.7	4.9	-2.1	-0.9	-4.8	-57.2	7.3	20.4	46.0	103.8
EBIT (INR m)	4,219	3,743	3,607	2,843	4,378	3,692	4,426	2,832	1,464	4,911	5,911	4,295	3,295
Contribution (%)	92.4	90.3	92.6	85.0	88.8	85.0	88.6	79.4	98.2	91.7	91.2	87.4	85.8
EBIT growth (%)	31.0	-4.9	-1.0	6.0	3.8	-1.4	22.7	-0.4	-66.6	33.0	33.5	51.6	125.0
EBIT margin (%)	30.8	29.4	26.9	27.2	30.5	29.7	33.4	28.5	23.8	36.8	37.0	29.6	26.3
Business-to-Business													
Sales (INR m)	2,576	2,537	2,618	3,462	3,563	3,441	3,443	3,332	1,683	3,150	3,786	4,207	3,961
Sales Growth (%)	3.7	11.9	6.0	27.0	38.3	35.7	31.5	-3.7	-52.7	-8.5	10.0	26.3	135.3
EBIT (INR m)	379	420	309	516	566	679	570	746	62	438	576	606	541
Contribution (%)	8.3	10.1	7.9	15.4	11.5	15.6	11.4	20.9	4.1	8.2	8.9	12.3	14.1
EBIT growth (%)	3.3	28.6	-26.0	9.9	49.1	61.5	84.1	44.5	-89.1	-35.4	1.2	-18.8	779.5
EBIT margin (%)	14.7	16.6	11.8	14.9	15.9	19.7	16.5	22.4	3.7	13.9	15.2	14.4	13.7

*reflects performance as per restructured segments

Source: Company, MOFSL

Valuation and view

PIDI has done exceptionally well in the past 10 years

- Stringent focus on topline growth, market share gains, and pricing discipline has facilitated strong growth in the past decade. This has been aided in recent years by gains from the unorganized segment.
- Its pioneering advertising strategy has strengthened the brand in a perceived commoditized category.
- A consistently uniform performance across lines over the past 10 years ending FY20 is reflected in the sales/EBITDA/PAT CAGR of ~13%/~15%/~16%.
- Earnings growth in the past five years has been strong (~18% CAGR), but this has been on the back of ~8% sales CAGR. This indicates further dependence on margin expansion over the second half of the decade.

Comments on valuations

- Changes to our model and good commentary on sales growth have led to a 10.3%/7.3% increase in our FY22E/FY23E EPS forecasts.

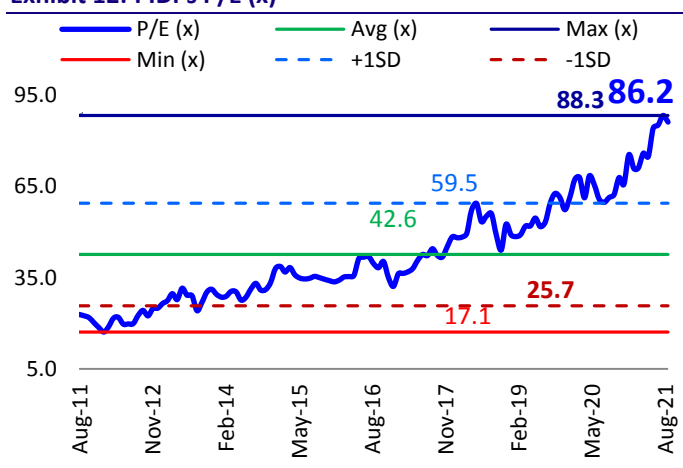
- Over the next two quarters, PIDI faces an exceptionally high base in terms of EBITDA margin. This will be compounded by the gradual recovery in margin (VAM consumption costs were up 2x YoY in 1QFY22, despite some decline from its peak) in FY22.
- Topline growth in the past two quarters is a vindication of the latent growth opportunity in the Core, Pioneer, and Growth categories. Once material costs stabilize (their ongoing rise is not driven by structural factors), earnings growth could potentially be healthy post FY22.
- While the structural investment case remains intact, valuations are expensive at 69.7x FY23E EPS. We maintain our Neutral stance with a TP of INR2,150 per share (60x Sep'23E EPS).

Exhibit 11: Change our FY22E/FY23E EPS estimate by 10.3%/7.3%

(INR m)	New estimate		Old estimate		Change (%)	
	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E
Net Sales	90,457	1,01,130	81,706	92,959	10.7	8.8
EBITDA	19,923	23,652	18,031	21,938	10.5	7.8
Adjusted PAT	13,364	16,192	12,114	15,092	10.3	7.3

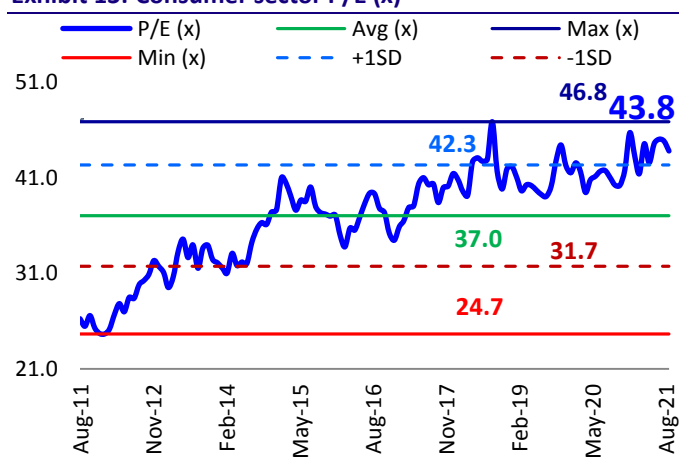
Source: Company, MOFSL

Exhibit 12: PIDI's P/E (x)



Source: Company, MOFSL

Exhibit 13: Consumer sector P/E (x)



Source: Company, MOFSL

Financials and valuations

Income Statement						(INR m)	
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
Net Sales	56,168	60,784	70,780	73,348	72,927	90,457	1,01,130
Change (%)	4.8	8.2	16.4	3.6	-0.6	24.0	11.8
Raw Materials	26,396	28,877	35,866	34,025	33,767	43,886	46,795
Gross Profit	29,772	31,908	34,914	39,323	39,160	46,570	54,335
Margin (%)	53.0	52.5	49.3	53.6	53.7	51.5	53.7
Operating Expenses	17,174	18,495	21,232	23,160	22,354	26,648	30,683
EBITDA	12,598	13,412	13,682	16,163	16,806	19,923	23,652
Change (%)	7.4	6.5	2.0	18.1	4.0	18.5	18.7
Margin (%)	22.4	22.1	19.3	22.0	23.0	22.0	23.4
Depreciation	1,151	1,199	1,327	1,699	2,007	2,490	2,720
Int. and Fin. Charges	139	155	261	336	372	339	297
Other Income	1,123	1,484	1,466	1,494	794	773	1,012
Profit before Taxes	12,430	13,542	13,560	15,622	15,221	17,867	21,648
Change (%)	9.3	8.9	0.1	15.2	-2.6	17.4	21.2
Margin (%)	22.1	22.3	19.2	21.3	20.9	19.8	21.4
Tax	3,851	3,927	4,132	3,477	3,964	4,502	5,455
Tax Rate (%)	31.0	29.0	30.5	22.3	26.0	25.2	25.2
Adj. PAT	8,579	9,615	9,428	12,145	11,258	13,364	16,192
Change (%)	6.7	12.1	-1.9	28.8	-7.3	18.7	21.2
Margin (%)	15.3	15.8	13.3	16.6	15.4	14.8	16.0

Balance Sheet						(INR m)	
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
Share Capital	513	508	508	508	508	508	508
Reserves	34,196	35,233	40,973	44,048	55,421	65,257	76,799
Net Worth	34,709	35,740	41,481	44,556	55,930	65,765	77,307
Loans	975	1,226	1,111	2,806	3,223	1,736	1,414
Deferred Liability	877	1,048	1,094	693	3,814	3,814	3,814
Minority Interest	1,273	1,750	2,072	2,157	2,400	2,400	2,400
Capital Employed	37,835	39,764	45,757	50,211	65,367	73,716	84,936
Gross Block	20,329	21,624	23,518	28,728	45,847	49,847	54,347
Less: Accum. Depn.	8,915	9,976	10,892	12,501	14,507	16,997	19,717
Net Fixed Assets	11,414	11,648	12,626	16,227	31,340	32,850	34,630
Capital WIP	1,477	2,277	2,421	2,593	2,939	2,939	2,939
Goodwill	1,338	1,774	1,850	1,840	12,840	12,840	12,840
Others	754	793	889	728	941	941	941
Investments	14,431	12,459	15,477	11,862	5,160	10,367	15,581
Curr. Assets, L&A	18,290	23,034	25,775	31,977	34,919	31,655	37,732
Inventory	7,209	8,043	9,345	9,295	12,342	11,526	13,438
Account Receivables	7,685	9,381	10,560	10,885	13,210	13,498	16,347
Cash and Bank Balance	999	1,636	1,904	7,033	4,515	1,374	2,223
Others	2,397	3,974	3,966	4,765	4,853	5,257	5,725
Curr. Liab. and Prov.	9,870	12,222	13,281	15,016	22,771	17,875	19,726
Current liabilities	9,231	11,573	12,534	14,194	21,942	16,971	18,736
Provisions	639	649	747	822	829	904	991
Net Current Assets	8,420	10,812	12,494	16,961	12,148	13,780	18,006
Application of Funds	37,835	39,764	45,757	50,211	65,367	73,716	84,936

E: MOFSL estimates

Financials and valuations

Ratios

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
Basic (INR)							
EPS	16.7	18.9	18.6	23.9	22.2	26.3	31.9
Cash EPS	19.0	21.3	21.2	27.2	26.1	31.2	37.2
BV/Share	67.7	70.4	81.7	87.7	110.1	129.4	152.1
DPS	4.7	6.0	6.5	7.0	7.5	7.5	7.5
Payout (%)	28.2	31.5	35.0	29.3	33.6	28.5	23.5
Valuation (x)							
P/E	132.8	117.4	119.7	93.0	100.3	84.5	69.7
Cash P/E	117.1	104.3	104.9	81.5	85.1	71.2	59.7
EV/Sales	20.0	18.4	15.7	15.2	15.4	12.4	11.0
EV/EBITDA	89.3	83.2	81.3	68.9	66.8	56.2	47.0
P/BV	32.8	31.6	27.2	25.3	20.2	17.2	14.6
Dividend Yield (%)	0.2	0.3	0.3	0.3	0.3	0.3	0.3
Return Ratios (%)							
RoE	28.1	27.3	24.4	28.2	22.4	22.0	22.6
RoCE	26.2	25.1	22.5	25.9	20.0	19.6	20.7
RoIC	40.2	39.1	34.8	41.1	26.9	23.3	25.4
Working Capital Ratios							
Debtor (Days)	50	56	54	54	66	54	59
Creditor (Days)	77	89	80	91	143	88	88
Asset Turnover (x)	2.8	2.7	2.8	2.2	1.7	1.9	1.9
Leverage Ratio							
Debt/Equity (x)	0.0	0.0	0.0	0.1	0.1	0.0	0.0

Cash Flow Statement

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
(INR m)							
PBT before Extra Ord.	12,483	13,588	13,416	14,698	15,225	17,867	21,648
Add: Depreciation	1,151	1,199	1,327	1,699	2,007	2,490	2,720
Interest Paid	80	81	55	211	204	339	297
Less: Taxes Paid	3,733	4,276	4,093	3,931	3,709	0	0
Non-operating income	645	854	467	448	73	773	1,012
(Incr.)/Decr. in WC	-1,399	-1,774	-1,791	565	268	-4,772	-3,377
CF from Operations	7,938	7,964	8,448	12,796	13,921	15,150	20,275
Incr. in FA	-1,224	-1,760	-2,538	-4,439	-3,520	-4,000	-4,500
Acquisition of companies	0	0	0	0	-20,569	0	0
Free Cash Flow	6,713	6,204	5,910	8,356	-10,167	11,150	15,775
Pur. of Investments	-6,613	2,896	-2,317	4,713	7,069	-5,207	-5,214
Others	-825	-566	281	551	1,343	-2,609	-4,443
CF from Invest.	-8,662	570	-4,574	825	-15,677	-11,816	-14,157
Change in share capital	0	0	0	28	-291	0	0
Incr. in Debt	55	-4	-92	328	168	-1,487	-322
Dividend Paid	-316	-2,930	-3,635	-8,254	-7	-4,650	-4,650
Interest Paid	-139	-155	-167	-254	-293	-339	-297
Others	807	-4,808	287	-340	-339	0	0
CF from Fin. Activity	407	-7,898	-3,606	-8,492	-762	-6,475	-5,269
Incr./Decr. in Cash	-318	636	269	5,128	-2,518	-3,141	849
Add: Opening Balance	1,318	999	1,636	1,904	7,033	4,515	1,374
Closing Balance	999	1,636	1,904	7,032	4,515	1,374	2,223

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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