1QFY21 Result Update

Hindustan Unilever

22 July 2020

Reuters: HLL.BO; Bloomberg: HUVR IN

Performance above expectations; Rural yet to pickup

We are putting Hindustan Unilever (HUVR) 'Under Review' for a day to make relevant changes to our model based on the updates from the call on GSKCH merger to be hosted by the company (scheduled for 22nd July 2020, 4.00pm). We will reinstate our earnings estimates and recommendation post the call. For 1QFY21, standalone turnover (including other operating income - OOI and impact of merger with GSKCH) grew by 4.4% YoY to Rs105.6bn (est. 2.3% decline to Rs98.8bn). Underlying domestic consumer business sales (excluding the impact of merger of GSKCH India with HUL) declined by 7% YoY due to UVG (underlying volume growth) declining by 8% YoY (est. 10% volume decline). Home Care and Beauty & Personal Care businesses declined by ~2% and ~12% YoY, respectively while Foods & Refreshments grew by ~52% YoY (but declined ~4% excluding the impact of merger of GSKCH). The performance in ~80% of the portfolio (Health, Hygiene & Nutrition), which grew by 6% in the quarter was dragged by the rest of the portfolio, which is either discretionary and out-of-home in nature or was constrained by supply. For the overall business, gross margin contracted by 220bps YoY to 51.8%. Sharp cut in advertisement & promotion expenses (down 390bps YoY to 7.5%; declined 31% YoY on absolute basis) was slightly offset by higher staff cost as a % of sales (up 110bps) and increase in other operating expenses (up 170bps). EBITDA margin was down by 110bps YoY at 25% (vs. est. 24.4%). The GSKCH merger had a 60bps positive impact on the overall EBITDA margin. Overall EBITDA stood flattish at Rs26.4bn (est. 9% decline to Rs24.1bn). Recurring PAT grew by 7% YoY to Rs18.7bn (est. 2.3% growth to Rs17.9bn).

Key takeaways from the earnings call: 1) During the quarter, HUVR saw inflationary trends in skimmed milk powder (SMP), tea, vegetable oil and tomato paste prices; 2) In 1QFY21, there was month on month progress in the level of operations. As compared to pre-COVID levels, April was at 70% due to lockdown led restrictions and limited manufacturing while performance in May was relatively better and June growth was in mid-single digits; 3) The company hasn't seen any major revival in rural growth rate yet but is seeing some greenshoots; 4) Margins in the base business (excluding GSKCH merger) were affected in 1QFY21 due to adverse mix, deleverage, Covid related costs, commodity inflation and step-up of CSR spends; 5) The nutrition business is off to a good start with ~5% growth in 1QFY21 and is tracking well ahead of market with volume share gain.

UNDER REVIEW

Sector: FMCG

CMP: Rs2,317

Target Price: -

Upside: -

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Key Data

Current Shares O/S (mn)	2,347.7
Mkt Cap (Rsbn/US$bn)	5444.8/72.8
52 Wk H / L (Rs)	2,614/1,659
Daily Vol. (3M NSE Avg.)	7,622,419

Price Performance (%)

	1 M	6 M	1 Yr
Hindustan Unilever	10.8	12.8	34.8
Nifty Index	9.0	(8.3)	(2.3)

Source: Bloomberg

FY20 Annual Report

1QFY21 Investor Presentation

Particulars (Rs. Mn)	1QFY20	4QFY20	1QFY21	YoY (%)	QoQ (%)	FY19	FY20	YoY (%)
Net Sales	**1,01,140**	**90,110**	**1,05,600**	**4.4**	**17.2**	**3,82,240**	**3,87,850**	**1.5**
COGS	46,480	41,700	50,870	9.4	22.0	1,79,600	1,77,930	-0.9
% of sales	*46.0%*	*46.3%*	*48.2%*	*2.2%*	*1.9%*	*47.0%*	*45.9%*	*-1.1%*
Gross margin %	***54.0%***	***53.7%***	***51.8%***	***-2.2%***	***-1.9%***	***53.0%***	***54.1%***	***1.1%***
Employee costs	4,520	3,550	5,920	31.0	66.8	17,470	16,910	-3.2
% of sales	*4.5%*	*3.9%*	*5.6%*	*1.1%*	*1.7%*	*4.6%*	*4.4%*	*-0.2%*
Advertising costs	11,610	11,640	7,970	-31.4	-31.5	45,520	46,860	2.9
% of sales	*11.5%*	*12.9%*	*7.5%*	*-3.9%*	*-5.4%*	*11.9%*	*12.1%*	*0.2%*
Other expenses	12,060	12,570	14,400	19.4	14.6	53,280	50,150	-5.9
% of sales	*11.9%*	*13.9%*	*13.6%*	*1.7%*	*-0.3%*	*13.9%*	*12.9%*	*-1.0%*
EBITDA	**26,470**	**20,650**	**26,440**	**-0.1**	**28.0**	**86,370**	**96,000**	**11.1**
EBITDA margin %	***26.2%***	***22.9%***	***25.0%***	***-1.1%***	***2.1%***	***22.6%***	***24.8%***	***2.2%***
Depreciation	2,140	2,550	2,420	13.1	-5.1	5,240	9,380	79.0
EBIT	24,330	18,100	24,020	-1.3	32.7	81,130	86,620	6.8
EBIT margin %	***24.1%***	***20.1%***	***22.7%***	***-1.3%***	***2.7%***	***21.2%***	***22.3%***	***1.1%***
Interest expense	240	260	290	20.8	11.5	280	1,060	278.6
Other income	1,470	2,660	1,560	6.1	-41.4	6,640	7,330	10.4
Exceptional items	70	-580	-1,180	-1785.7	103.4	-2,270	-1,970	-13.2
PBT	25,630	19,920	24,110	-5.9	21.0	85,220	90,920	6.7
Tax	8,080	4,730	5,300	-34.4	12.1	24,860	23,540	-5.3
Effective tax rate %	*32%*	*24%*	*22%*	*-9.5%*	*-1.8%*	*29%*	*26%*	*-3.3%*
PAT	17,550	15,190	18,810	**7.2**	**23.8**	60,360	67,380	**11.6**
Adjusted PAT	**17,510**	**14,690**	**18,730**	**7.0**	**27.5**	**60,800**	**67,430**	**10.9**
Adj PAT margin %	***17.3%***	***16.3%***	***17.7%***	***0.4%***	***1.4%***	***15.9%***	***17.4%***	***1.5%***
EPS	**8.1**	**6.8**	**8.7**	**7.0**	**27.5**	**28.1**	**31.1**	**10.9**

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 1: Financial summary

Y/E March (Rs mn)	FY17	FY18	FY19	FY20
Net sales	3,18,900	3,45,250	3,82,240	3,87,850
EBITDA	60,470	72,760	86,370	96,000
EBITDA margin(%)	19.0	21.1	22.6	24.8
PAT	42,474	51,350	60,800	67,430
EPS	19.6	23.7	28.1	31.1
P/E (x)	118.0	97.7	82.5	74.4
P/BV (x)	77.2	70.9	65.5	62.5
EV/EBITDA (x)	82.6	68.4	57.6	51.7
ROCE (%)	96.7	108.6	119.1	119.8
ROE (%)	66.5	75.7	82.5	85.9
RoIC (%)	118.7	144.0	197.5	250.7

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 2: Segmental Performance

Particulars	1QFY20	4QFY20	1QFY21	*YoY (%)*	*QoQ (%)*	FY19	FY20	*YoY (%)*
Segment revenue	**1,01,140**	**90,110**	**1,05,600**	**4.4%**	**17.2%**	**382,240**	**387,850**	***1.5%***
Home care	34,650	33,500	33,920	-2.1%	1.3%	128,760	136,420	*5.9%*
Personal care	45,890	38,010	40,390	-12.0%	6.3%	176,550	173,450	*-1.8%*
Foods and Refreshments	19,500	17,880	29,580	51.7%	65.4%	71,330	74,500	*4.4%*
Others	1,100	720	1,710	55.5%	137.5%	5,600	3,480	*-37.9%*
Sales proportion %								
Home care	34.3%	37.2%	32.1%	-2.1%	-5.1%	33.7%	35.2%	*1.5%*
Personal care	45.4%	42.2%	38.2%	-7.1%	-3.9%	46.2%	44.7%	*-1.5%*
Foods and Refreshments	19.3%	19.8%	28.0%	8.7%	8.2%	18.7%	19.2%	*0.5%*
Others	1.1%	0.8%	1.6%	0.5%	0.8%	1.5%	0.9%	*-0.6%*
Segment results								
Home care	6,990	6,360	6,370	-8.9%	0.2%	21,590	25,590	*18.5%*
Personal care	13,580	9,450	11,340	-16.5%	20.0%	46,620	48,700	*4.5%*
Foods and Refreshments	3,790	2,250	5,820	53.6%	158.7%	12,290	12,320	*0.2%*
Others	20	40	490	2350.0%	1125.0%	-10	60	*-700.0%*
Total Segment Results	**24,380**	**18,100**	**24,020**	**-1.5%**	**32.7%**	**80,490**	**86,670**	***7.7%***
EBIT margin %								
Home care	20.2%	19.0%	18.8%	-1.4%	-0.2%	16.8%	18.8%	*2.0%*
Personal care	29.6%	24.9%	28.1%	-1.5%	3.2%	26.4%	28.1%	*1.7%*
Foods and Refreshments	19.4%	12.6%	19.7%	0.2%	7.1%	17.2%	16.5%	*-0.7%*
Others	1.8%	5.6%	28.7%	26.8%	23.1%	-0.2%	1.7%	*1.9%*
EBIT composition %								
Home care	28.7%	35.1%	26.5%	-2.2%	-8.6%	26.8%	29.5%	*2.7%*
Personal care	55.7%	52.2%	47.2%	-8.5%	-5.0%	57.9%	56.2%	*-1.7%*
Foods and Refreshments	15.5%	12.4%	24.2%	8.7%	11.8%	15.3%	14.2%	*-1.1%*
Others	0.1%	0.2%	2.0%	2.0%	1.8%	0.0%	0.1%	*0.1%*

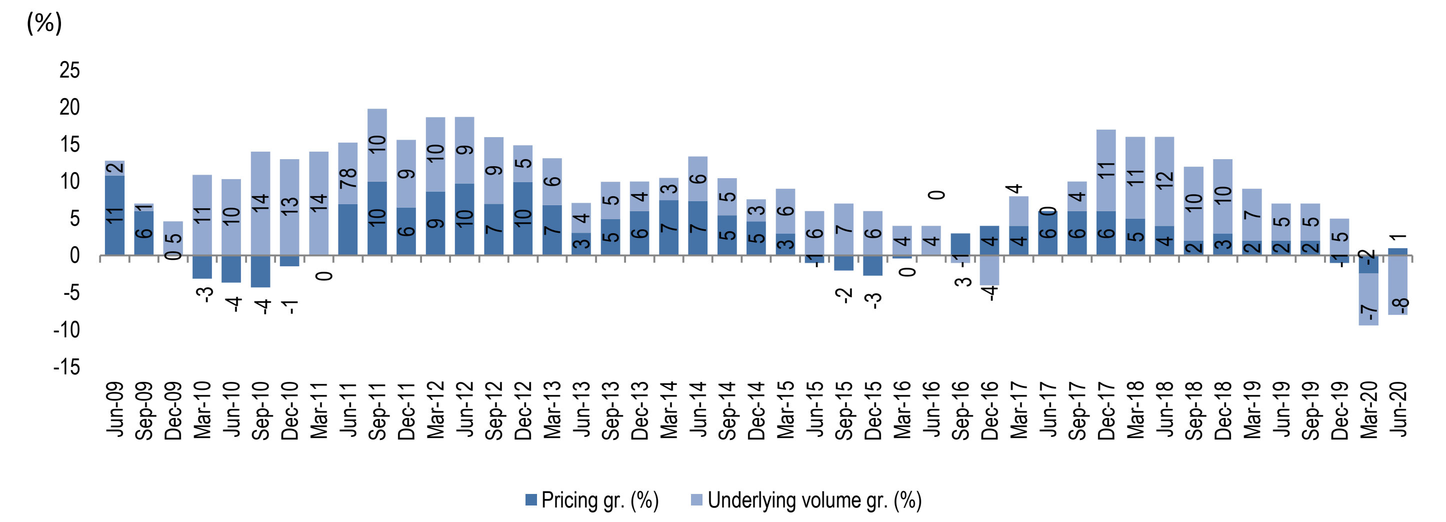
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 3: Our estimates versus actual performance

Particulars (Rs. mn)	1QFY20	4QFY20	1QFY21	*YoY (%)*	*QoQ (%)*	*NBIE Estimates*	*Deviation (%)*
Net Sales	1,01,140	90,110	1,05,600	4.4	17.2	98,845	6.8
EBITDA	26,470	20,650	26,440	-0.1	28.0	24,089	9.8
EBITDA margin (%)	26.2	22.9	25.0	-1.1	2.1	24.4	0.7
Adj PAT	17,510	14,690	18,730	7.0	27.5	17,916	4.5

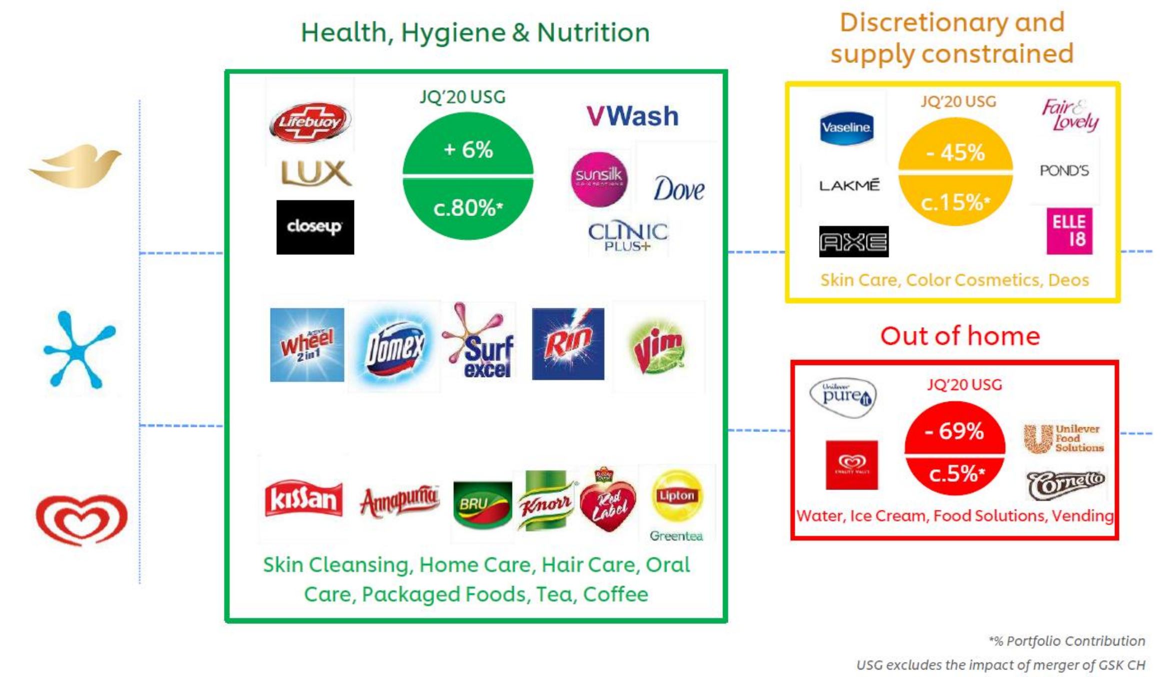
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 4: Underlying volume growth (base business) declined 8% impacted by Covid-19 related lockdown



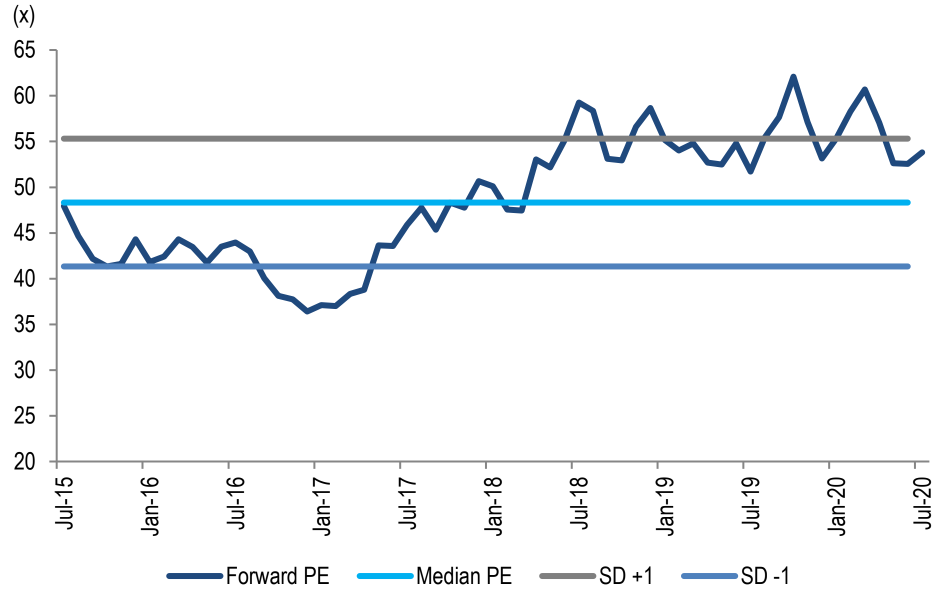
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 5: Portfolio snapshot in the times of COVID



Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 6: 1-yr forward P/E



Source: Company, Nirmal Bang Institutional Equities Research

Hindustan Unilever (HUVR) 1QFY21 results conference call and presentation highlights

Performance and demand environment

- The economic fallout due to the current crisis is inevitable. Indian economy started slowing down before the pandemic and the lockdown led to further problems.
- Macro-economic environment is becoming more challenging with the increase in number of Covid cases.
- It is difficult to predict the timing of recovery in the macro environment with accuracy, as various variables are at play, including trajectory of virus, extent of postponement in demand, unemployment trend etc.
- Hopefully, the economy should pick up and demand should be back on track by the end of this year or early next year.
- Currently, it is difficult to gauge demand at the end-consumer level. It will be easier to gauge the underlying demand trend once supply is normalized and trade pipeline is filled up, hopefully by 2QFY21.
- The company expects the government to take necessary steps to stimulate demand.
- Strategy remains unchanged with the company wanting to drive and deliver consistent, competitive, profitable and responsible growth on the back of 5 fundamentals of growth, which include ‘purposeful brands’, ‘improved penetration’, ‘impactful innovations’, ‘design 4 channel’ and ‘fuel for growth’.
- Number of SKUs has reached 50% of pre-COVID levels.
- In response to consumer demands, production of sanitizers and handwash was ramped up by 100x and 5x, respectively. Over 50 new products were launched to cater to the rapid change in demand in the hygiene and sanitization space. HUL utilized spare capacities to address the demand in Health, Hygiene and Nutrition (HHN) category.
- The management is confident of the medium to long term prospect of the FMCG sector.
- UVG declined by 8%. As per Kantar Worldpanel, 80% of business has gained share in the last three months in value terms.
- There has been month on month progress in the level of operations. As compared to pre-COVID levels, April was at 70% due to lockdown led restrictions and limited manufacturing while the performance in May was relatively better and June growth was in mid-single digits.
- It is difficult to have a demand prognosis at this stage. Liquidity pressure remains elevated and there is volatility in costs. There are vertical/localized lockdowns putting pressure on operations.
- In 2QFY21, with the distributor pipelines normalizing, the company would get a sense of the underlying demand.
- The company wants to focus on demand generation for which it believes it has the right portfolio and execution capabilities.
- The company is confident that its portfolio is largely recession resistant and is good from a short, medium and long-term perspective.

- The company won't shift focus to categories like biscuits, which have an inherent demand in the current scenario.
- Distribution pipeline that was lost in March was re-gained in June. Out of the 12% decline in pipeline, 6% at distributor level has been regained. Out of the balance 6%, 3-4% was towards trade stock and some was the underlying demand which was lost due to the shut-down. It is difficult to gauge the trade stock as Neilsen data is unavailable and lot of stores are still shut.
- Secondary growth was lagging primary growth during the quarter.
- Consumers are gravitating towards trusted brands.
- Many consumers are gravitating to low price points. If the economy does not pick up, more consumers will move towards value products.
- Till February 2020, rural sector had not picked up. After the crisis, the limelight was on rural growth rate due to good harvest and the government's pro-active intervention. Urban has been impacted much more than rural due to stricter implementation of lockdown. The company hasn't seen any major revival in rural growth rate yet but is seeing some green shoots.

Merger with GSK CH

- Despite the lockdown, the company closed and consummated the merger with all activities, including IT system transfer
- The nutrition business is off to a good start with 5% growth in 1QFY21 and is tracking well ahead of market with volume share gain.
- During the quarter, the company launched pouch packs of Horlicks and Boost.
- HUL will come out with more innovations as the market grows.
- GSK sales (Nutrition business) form 10% of the overall business.

Distribution network

- The Shikhar app is available in more than 150,000 stores. The app saw doubling of order value as compared to pre-COVID levels.
- E-commerce, albeit their smaller contribution to the overall business, and grocers, for their proximity from the consumer, are the two channels have done very well. Modern trade (MT) suffered as stores were shut.
- Bringing in technology in retailing is important for the country and the GT channels.
- As on June 2020, 20% of outlets serviced by the company were closed.
- There is no prioritization in supply to urban distributors over rural distributors. HUL's rural network - Shakti channel - is very resilient and working well.

Progress on focus areas

- People: Safety of employees as well as people withing the entire ecosystem (who are engaged with the company) will remain the most important priority. HUL was one of the first companies to provide insurance to their distributor sales team. In the Haridwar facility, focus is to get all employees in this plant tested, decontaminate premises and restart the operations with employees who have been tested negative. The company is not in a rush to restart offices. The entire internship programme has been implemented virtually.
- Supply: Ensured dynamic response to the changing environment. Currently, supply chain is well sufficient and is based on just in time and just in place requirement.
- Demand: HUL has been able to assess the demand within categories and is able to bring in innovation in the health and hygiene categories.
- Community: HUL has Rs1bn committed towards the fight against the pandemic. The company has donated ventilators to facilities, Horlicks packs to hospitals, 20mn soaps to hospitals and vulnerable community, etc.
- Cost & Cash: The company has heightened focus on cost agility.

Segment and brand specific commentary

- Consumers are clearly showing a heightened awareness of hygiene.
- ~80% of the company's portfolio addresses the HHN needs of the consumer and has grown at 6%. Out of home and certain discretionary categories were disproportionally impacted, thereby dragging down the overall growth to -7%.

- If consumers' income is under pressure, they will gravitate towards value for money products. HUL's portfolio offers products across all price points and hence the company believes that even if the consumers were to down trade, its portfolio would be able to cater to such need.
- Certain products within the HHN segment will sustain performance at least in the next 6-9 months, till there is a cure for the pandemic.

I. Home Care (HC)

- Segment has delivered a healthy performance across household care and fabric care.
- Household care growth was led by penetration gains.
- Fabric wash registered steady performance across mass and premium portfolio.
- Purifiers with its 'Consumer Durables' nature and with many stores staying shut dragged down the segment growth rate.

II. Beauty and Personal Care (BPC)

- Skin care outperformed given the heightened awareness around hand hygiene. Growth was led by *Lifebuoy*, which grew in double digits across formats, and *Hamam*. The company has started gaining market share in the skin cleansing portfolio.
- Oral Care: Good delivery with momentum in *CloseUp* strengthening.
- Hair Care was initially impacted as there was no production in April. Demand picked up during the latter half of the quarter. Hair care is a key part of consumers' consideration set for 'Hygiene' needs and hence the company is confident of category growth.
- Discretionary segments of Skin, Deos and Color Cosmetics were adversely impacted due to supply chain constraints and muted consumer demand in discretionary category.
- The company has started witnessing green shoots in parts of Skin Care portfolio.
- Deos and cosmetics are likely to remain muted for some more time.
- The management believes that once the vaccine comes into the market, the sanitizer demand will remain at a high level as compared to pre-COVID levels, but definitely not at the current heightened levels. The pandemic has done the market development work for the handwash category and the habit will sustain going ahead. Usage of disinfectants will also become a sustainable habit going ahead.
- Hair care: From a rural perspective, focus continues on sachets and smaller packs. This is in tier 2 and tier 3 towns and wherever there is stress on income. In urban areas, large packs have come into play but it is difficult to see whether this is due to fear of scarcity in the consumer's mind or fundamental change in demand.
- HUL has commenced production of 'Glow & Handsome'. HUL does not comment on competition and the management did not comment on the suit filed by Emami.
- For the formerly named 'Fair & Lovely', once HUL shifted focus from 'fairness' to 'HD Glow', it has seen an unprecedented penetration and market share. This gives the company the confidence that the 'Glow & Lovely' will add consumers to the existing users of the formerly named 'Fair & Lovely'.
- Market share of players within sanitizers will play out like the personal wash market, where more credible brands will have a larger share in the market. In the current context, it is better to have more players which will also enable market growth.
- HUL's internal capacity is fluid and can be shifted between liquids.

III. Foods and Refreshment (FR)

- Food business delivered broad based double-digit growth driven by consumption shift to in-home.
- Tea and coffee portfolio also registered strong double-digit growth.
- Nutrition business performed well with mid-single digit topline growth.
- Out of home portfolio, including ice cream, food solutions, vending and water business form 5% of business. The portfolio was severely impacted during the quarter and declined by 69%.
- Jams and ketchups are growing at a fairly robust pace.

IV. **Others segment** now comprises export business of HUL and GSKCH as well as GSKCH's OTC portfolio.

One-offs items for the quarter

- Received benefit of taxes pertaining to prior period and amounting to ~Rs960mn.
- Exceptional items include restructuring expenses of Rs290mn and acquisition & disposal related costs of Rs890mn.

Financial performance

I. Revenue

- Company's topline benefited from rationalising trade spends.

II. Margins

- Overall gross margin contracted 220bps YoY. Higher material costs for base business were partially offset by lower material costs of nutrition business. Adverse mix also impacted margins as high margin categories like BPC witnessed a sales decline. Going forward the mix is expected to improve.
- Staff costs as a % of sales were up 110bps YoY. Employee costs are higher for the nutrition business.
- Overall EBITDA margin contracted by 110bps as decline in base business margin of 170bps was partially offset by 60bps of benefit from nutrition business.

III. **Other**

- During the quarter, HUVR saw inflationary trends in SMP, tea, vegetable oil and tomato paste prices.
- The company has seen many headwinds on the cost front, including adverse mix and on account of supply constraints and safety.
- There are COVID related costs within line items of material and conversion costs and other overhead costs. Some of it will come out but some will continue on an ongoing basis.
- It has stepped up cost agility and taken various steps to dial up savings
- The company calibrated BMI spends. In April, HUL had taken significant reduction and as the country started opening up, it started making investments.
- Synergy benefits from nutrition business are ahead of business case.
- Given the stock positions the company already had, it did not get the full benefit of lower crude prices.
- The nutrition business also had certain adverse impact coming from inflation in commodities such as SMP. During 1QFY21, HUL could bring in savings in BMI and overheads. There are no royalty pay-outs now but HUL is paying for transition services like IT. For another year, HUL will be paying GSK for IT and other transition services, till it is shifted to SAP.
- Dividend: In 2016, shareholders had approved the scheme of arrangement for transfer of ~Rs2.2bn from the General Reserve to the P&L Account. Subsequently in August 2018, the scheme was sanctioned by the Mumbai NCLT. However, on account of the merger with GSK CH, the dividend could not be distributed as per the earlier timeline. The board has approved the distribution of the reserves to shareholders by means of a special dividend of Rs9.50/share for FY21.

Guidance and other takeaways

- HUL is looking to pass on benefits of lower crude oil prices to consumer.
- Tea has seen inflation. In tea portfolio, the company has taken judicious price increases in some products and will be taking in few other products soon i.e., wherever it makes sense.
- SMP prices have softened.
- Trend in vegetable oils is upwards as of now.
- 1QFY21 is an exceptional one with elements unique to it and the performance should not be extrapolated going forward.
- ETR will be 26% for FY21.

Financials (Standalone)

Exhibit 7: Income statement

Y/E March (Rsmn)	FY17	FY18	FY19	FY20
Net Sales	3,18,900	3,45,250	3,82,240	3,87,850
% Growth	***2.7***	***8.3***	***10.7***	***1.5***
COGS	1,56,850	1,62,320	1,79,600	1,77,930
Staff costs	16,200	17,450	17,470	16,910
Advertising costs	34,700	41,050	45,520	46,860
Other expenses	50,680	51,670	53,280	50,150
Total expenses	2,58,430	2,72,490	2,95,870	2,91,850
EBITDA	60,470	72,760	86,370	96,000
% growth	***5.2***	***20.3***	***18.7***	***11.1***
EBITDA margin (%)	*19.0*	*21.1*	*22.6*	*24.8*
Other income	5,260	5,690	6,640	7,330
Interest costs	220	200	280	1,060
Depreciation	3,960	4,780	5,240	9,380
Profit before tax (before exceptional items)	61,550	73,470	87,490	92,890
Exceptional items	2,410	-620	-2,270	-1,970
Tax	18,650	21,480	25,650	22,020
PAT (before excep items)	44,900	52,370	60,360	67,380
Adj. PAT	42,474	51,350	60,800	67,430
PAT margin (%)	13.3	14.9	15.9	17.4
% Growth	***8.5***	***20.9***	***18.4***	***10.9***

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 8: Cash flow

Y/E March (Rsmn)	FY17	FY18	FY19	FY20
Operating profit (before Tax)	61,550	72,850	85,220	90,920
Depreciation	3,960	4,780	5,240	9,380
Other income	5,260	5,690	6,640	7,330
(Inc.)/dec. in working capital	5,380	8,640	-2,610	2,970
Cash flow from operations	**49,530**	**59,130**	**57,280**	**73,050**
Capital expenditure (-)	-8,520	-8,270	-7,240	-7,130
Net cash after capex	**41,010**	**50,860**	**50,040**	**65,920**
Dividends paid (-)	-35,610	-38,960	-45,460	-51,960
Inc./(dec.) in investments	-9,700	7,790	3,270	15,820
Cash from financial activities	**-42,640**	**-46,510**	**-54,620**	**-66,760**
Opening cash balance	27,590	16,710	33,730	36,880
Closing cash balance	16,710	33,730	36,880	50,170
Change in cash balance	-10,880	17,020	3,150	13,290

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 9: Balance sheet

Y/E March (Rsmn)	FY17	FY18	FY19	FY20
Share capital	2,164	2,164	2,165	2,165
Reserves	62,740	68,590	74,430	78,150
Net worth	64,904	70,754	76,595	80,315
Total debt	0	0	0	0
Total liabilities	**64,904**	**70,754**	**76,595**	**80,315**
Gross block	65,827	71,787	79,037	95,547
Depreciation	-25,587	-30,367	-35,607	-44,987
Net block	40,240	41,420	43,430	50,560
CWIP	2,030	4,300	3,730	5,130
Investments	37,790	31,110	29,490	15,000
Inventories	23,620	23,590	24,220	26,360
Debtors	9,280	11,470	16,730	10,460
Cash	16,710	33,730	36,880	50,170
Other current assets	16,240	23,320	20,785	35,730
Total current assets	65,850	92,110	98,615	1,22,720
Creditors	60,060	70,130	70,700	73,990
Other current liabilities & provisions	22,546	30,606	31,360	41,715
Total current liabilities	82,606	1,00,736	1,02,060	1,15,705
Net current assets	-16,756	-8,626	-3,445	7,015
Total assets	**64,904**	**70,754**	**76,595**	**80,315**

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 10: Key ratios

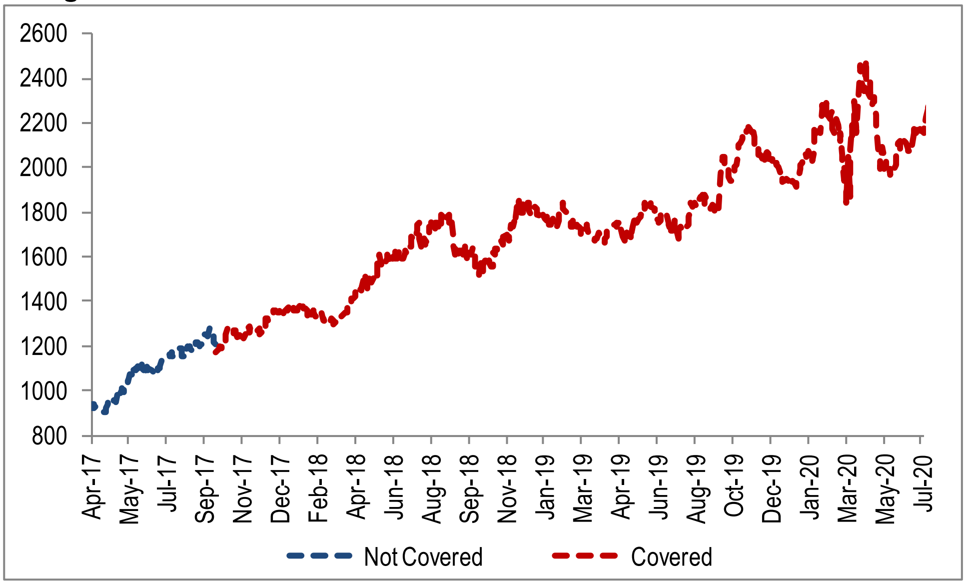
Y/E March	FY17	FY18	FY19	FY20
Per share (Rs)				
EPS	19.6	23.7	28.1	31.1
Book value	30.0	32.7	35.4	37.1
DPS	17.0	20.0	22.0	25.0
Valuation (x)				
EV/sales	16.0	14.7	13.2	13.0
EV/EBITDA	82.6	68.4	57.6	51.7
P/E	118.0	97.7	82.5	74.4
P/BV	77.2	70.9	65.5	62.5
Return ratios (%)				
RoCE	96.7	108.6	119.1	119.8
RoE	66.5	75.7	82.5	85.9
RoIC	118.7	144.0	197.5	250.7
Profitability ratios (%)				
Gross margin	50.8	53.0	53.0	54.1
EBITDA margin	19.0	21.1	22.6	24.8
EBIT margin	17.7	19.7	21.2	22.3
PAT margin	13.3	14.9	15.9	17.4
Liquidity ratios (%)				
Current ratio	0.8	0.9	1.0	1.1
Quick ratio	0.5	0.7	0.7	0.8
Solvency ratio (%)				
Debt to Equity ratio	0.0	0.0	0.0	0.0
Turnover ratios				
Total asset turnover ratio (x)	4.9	4.9	5.0	4.8
Fixed asset turnover ratio (x)	7.9	8.3	8.8	7.7
Debtor days	11	11	13	13
Inventory days	55	53	49	54
Creditor days	66	69	67	68

Source: Company, Nirmal Bang Institutional Equities Research

Rating track

Date	Rating	Market price (Rs)	Target price (Rs)
29 September 2017	Buy	1,170	1,425
26 October 2017	Buy	1,272	1,460
20 December 2017	Buy	1,350	1,570
18 January 2018	Buy	1,371	1,700
15 May 2018	Buy	1,503	1,750
17 July	Buy	1,751	2,025
15 October 2018	Buy	1,570	1,900
18 January 2019	Buy	1,750	2,025
9 April 2019	Buy	1,672	2,015
6 May 2019	Buy	1,692	2,000
24 July 2019	Buy	1,693	1,980
15 October 2019	Buy	2,014	2,255
1 February 2020	Buy	2,034	2,445
1 May 2020	Buy	2,205	2,535
8 June 2020	Buy	2,087	2,535
22 July 2020	Under Review	2,317	-

Rating chart



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BUY > 15%

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SELL < -5%

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