

ITC

25 July 2020

Reuters: ITC.NS; Bloomberg: ITC IN

FMCG-Others reduces pain seen in other businesses

ITC Ltd's (ITC) 1QFY21 standalone topline (adjusting for excise duty; given separately instead of clubbing in other operating expenses in the base quarter) declined by 22.5% YoY to Rs89bn (est. 25.7% decline to Rs85.5bn). EBITDA declined by 42% YoY to Rs26.5bn (est. 36.5% decline to Rs29bn) while the Adj. PAT declined by relatively lower 26.2% YoY to Rs23.4bn (est. 26% decline to Rs23.5bn), helped by higher other income (up 44.6% YoY) and lower tax rate at 25.1% vs 34% in the base quarter. Overall gross margin contracted by 830bps YoY to 55.7% due to adverse business mix. Negative operating leverage along with higher CSR spends, which were slightly offset by cost reduction, meant that EBITDA margin came in at 29.7%, down 1,000bps YoY (est. 33.9%). Cigarette net sales declined by 29.1% YoY to Rs38.5bn. We believe that calculated cigarette volume declined by 35-39% YoY (est. 40% cig. volume decline). During the quarter, manufacturing operations were resumed in mid-May and thereafter rapidly scaled up. Currently, production, sales and distribution operations have largely normalised. Cig. Business EBIT declined by 39% YoY with EBIT margin contracting by 970bps YoY to 61.1%. FMCG-Others revenue grew by 12.2% YoY. Excluding the Education and Stationery Products Business, which was affected by the closure of educational institutions, Segment Revenue grew by 18.8% YoY with robust growth in staples, noodles, biscuits, dairy, sanitizers, hand wash, floor cleaners etc. Segment EBITDA grew by 42% YoY to Rs2.6bn with EBITDA margin expanding by 170bps YoY. Agri business grew by 3.7% YoY while Paperboards, Paper & Packaging (PPP) and Hotels declined sharply by 32.8% and 94.2% YoY, respectively. Along with cigarettes, profitability was significantly hurt for the Hotels and PPP businesses. The company saw progressive normalisation in the latter part of the first quarter across all operating segments, except Hotels. However, re-imposition of localized lockdowns towards the end of June might hurt operations going forward. The stock is now trading at ~17x/15x FY21E/FY22E EPS. We maintain our Accumulate rating on ITC due to limited upside on one-year basis. We value ITC at a multiple of 16x on FY22E EPS, giving us a revised target price (TP) of Rs213 (earlier Rs210), implying an upside of 7% from the current market price (CMP).

Valuation and View: 1QFY21 operating margin was below our estimate but higher other income and lower tax rate meant that PAT was in-line with our estimate. There is minor change to our FY21/FY22 EPS estimates. In the cigarettes business, we are now building in ~8% volume decline in FY21 with a realization growth of ~8.5% (based on the price hike taken in Feb'2020). FMCG-Others business has ramped up well over the years and now contributes ~25% to the company's topline on a full year basis (ex. Inter-segment revenue) and is expected to do well in FY21 with robust pick-up in certain essentials (viz. staples, noodles, biscuits, dairy etc.). The profitability of the segment is improving year-on-year (segment EBITDA margin rose by 160bps to 7.1% in FY20), but it will take the segment a few more years to contribute meaningfully to the company's profit (Cigarette EBIT still contributes 84.7% to overall EBIT while FMCG-Others EBIT contributes 2.4% as on FY20). We are building in 3.6% EPS CAGR over FY20-22E due to tax rate of 25.17% in FY21/FY22 compared to 20.9% in FY20. The stock is now trading at ~17x/15x FY21E/FY22E EPS. We maintain our Accumulate rating on ITC due to limited upside on one-year basis. We value ITC at a multiple of 16x on FY22E EPS, giving us a revised TP of Rs213 (earlier Rs210), implying an upside of 7% from the CMP.

NBIE Values your patronage- Vote for The Tam in the Asia Money poll 2020. [Click Here](#)

ACCUMULATE
Sector: FMCG

CMP: Rs200

Target Price: Rs213

Upside: 7%

Vishal Punmiya

Research Analyst

vishal.punmiya@nirmalbang.com

+91-22-6273 8064

Key Data

Current Shares O/S (mn)	12,293.3
Mkt Cap (Rsbn/US\$bn)	2,453.7/32.8
52 Wk H / L (Rs)	273/135
Daily Vol. (3M NSE Avg.)	31,064,360

Price Performance (%)

	1 M	6 M	1 Yr
ITC	4.0	(16.2)	(26.3)
Nifty Index	8.6	(8.6)	(0.7)

Source: Bloomberg

[1QFY21 media statement](#)
[Corporate presentation](#)

Y/E March (Rsmn)	1QFY20	4QFY20	1QFY21	YoY (%)	QoQ (%)	FY19	FY20	YoY (%)
Net Sales	1,15,028	1,08,423	89,113	-22.5	-17.8	4,49,957	4,56,197	1.4
COGS	41,399	40,671	39,469	-4.7	-3.0	1,73,052	1,72,351	-0.4
Gross margin %	64.0	62.5	55.7	-8.3	-6.8	61.5	62.2	0.7
Employee costs	6,903	6,665	6,969	1.0	4.6	27,284	26,582	-2.6
% of sales	6.0	6.1	7.8	1.8	1.7	6.1	5.8	-0.2
Other expenses	21,070	19,452	16,209	-23.1	-16.7	76,566	78,221	2.2
% of sales	18.3	17.9	18.2	-0.1	0.2	17.0	17.1	0.1
EBITDA	45,657	41,635	26,466	-42.0	-36.4	1,73,055	1,79,043	3.5
EBITDA margin %	39.7	38.4	29.7	-10.0	-8.7	38.5	39.2	0.8
Depreciation	3,589	3,925	3,982	10.9	1.4	13,117	15,633	19.2
EBIT	42,068	37,710	22,484	-46.6	-40.4	1,59,938	1,63,410	2.2
EBIT margin %	36.6	34.8	25.2	-11.3	-9.5	35.5	35.8	0.3
Interest expense	152	147	168	10.3	14.0	342	557	63.0
Other income	6,202	7,555	8,968	44.6	18.7	24,845	30,137	21.3
Exceptional items	0	0	0	NA	NA	0	-1,321	NA
PBT	48,117	45,118	31,284	-35.0	-30.7	1,84,442	1,91,668	3.9
Tax	16,378	7,148	7,857	-52.0	9.9	59,798	40,308	-32.6
Effective tax rate %	34.0	15.8	25.1	-8.9	9.3	32.4	21.0	-11.4
PAT	31,739	37,971	23,428	-26.2	-38.3	1,24,643	1,51,361	21.4
Adj PAT	31,739	37,971	23,428	-26.2	-38.3	1,24,643	1,52,682	22.5
PAT margin %	26.2	32.7	23.9	-2.3	-8.9	26.3	31.4	5.1
EPS	2.6	3.1	1.9	-26.2	-38.3	10.2	12.5	22.5

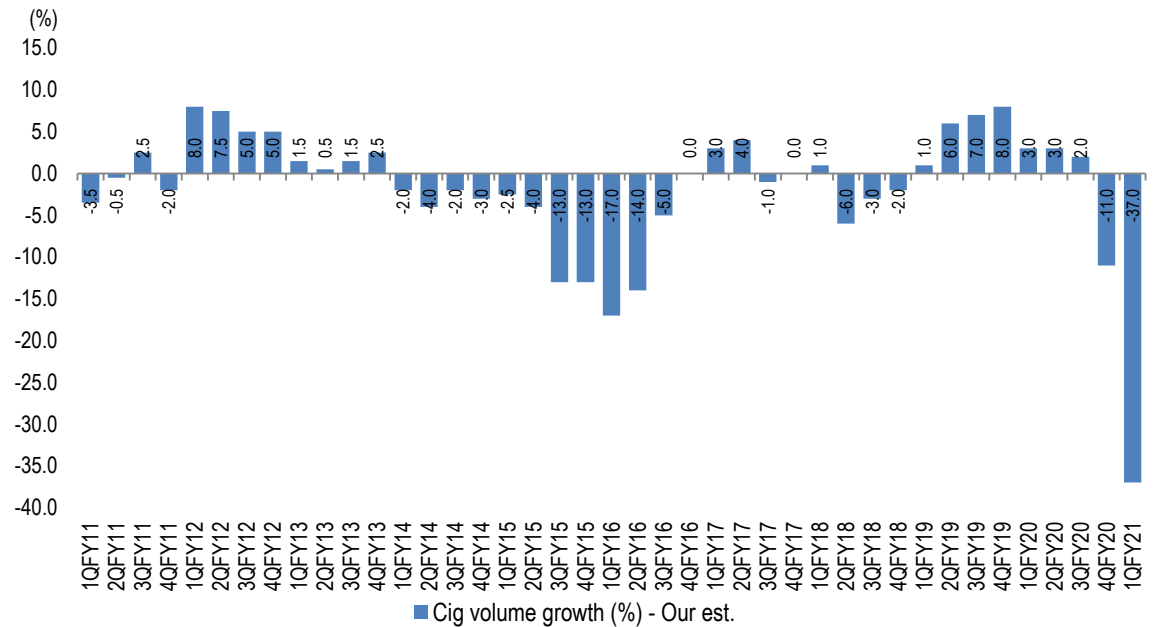
Source: Company, Nirmal Bang Institutional Equities Research

Please refer to the disclaimer towards the end of the document.

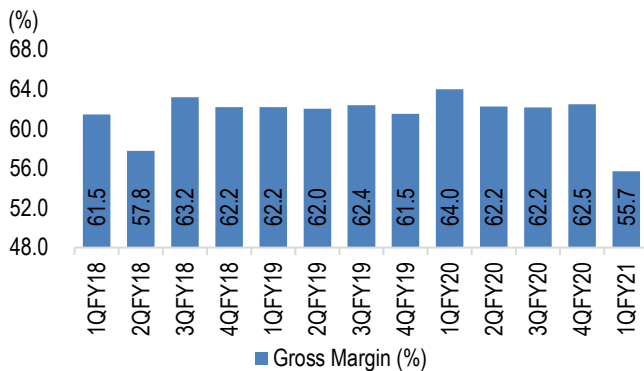
Exhibit 1: ITC's segmental quarterly performance

	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21
Net sales (INR m)									
Cigarettes	51,276	50,261	50,734	54,859	54,334	53,268	53,110	51,305	38,538
FMCG - Others	28,700	31,604	32,010	32,739	30,601	32,883	33,123	31,836	33,746
Hotels	3,413	3,626	4,519	5,098	3,926	4,266	5,523	4,658	226
Agri business	31,513	22,197	19,246	21,009	36,112	26,475	20,947	18,873	37,463
Paper and packaging	13,558	14,245	15,425	15,374	15,275	15,654	15,554	14,589	10,264
Sales growth (YoY)									
Cigarettes	2.3	10.4	9.6	11.1	6.0	6.0	4.7	(6.5)	(29.1)
FMCG - Others	10.7	12.7	11.5	7.3	6.6	4.0	3.5	(2.8)	10.3
Hotels	11.9	20.8	11.7	24.9	15.0	17.7	22.2	(8.6)	(94.2)
Agri business	14.2	12.8	25.7	16.2	14.6	19.3	8.8	(10.2)	3.7
Paper and packaging	5.7	8.8	20.5	18.2	12.7	9.9	0.8	(5.1)	(32.8)
Sales Mix (%)									
Cigarettes	39.9	41.2	41.6	42.5	38.7	40.2	41.4	42.3	32.1
FMCG - Others	22.3	25.9	26.3	25.4	21.8	24.8	25.8	26.3	28.1
Hotels	2.7	3.0	3.7	3.9	2.8	3.2	4.3	3.8	0.2
Agri business	24.5	18.2	15.8	16.3	25.7	20.0	16.3	15.6	31.2
Paper and packaging	10.6	11.7	12.7	11.9	10.9	11.8	12.1	12.0	8.5
Volume growth (YoY)									
Cigarettes – our estimate	1.0	6.0	7.0	8.0	3.0	3.0	2.0	(12.0)	(37.0)
EBIT (INR m)									
Cigarettes	35,584	35,791	35,577	38,560	38,491	38,445	37,560	34,030	23,564
FMCG - Others	501	585	767	1,305	780	905	1,076	1,470	1,254
Hotels	132	156	603	887	104	174	873	426	-2,426
Agri business	1,945	2,361	1,988	1,472	2,030	2,494	2,134	1,231	1,787
Paper and packaging	2,957	3,109	3,321	3,005	3,298	3,559	3,340	2,857	1,601
EBIT growth (YoY)									
Cigarettes	9	9	9	10	8	7	6	-12	-39
FMCG - Others	823	185	63	43	56	55	40	13	61
Hotels	149	267	10	17	(21)	12	45	-52	NA
Agri business	(17)	(8)	(15)	19	4	6	7	-16	-12
Paper and packaging	15	13	24	24	12	14	1	-5	-51
EBIT mix (%)									
Cigarettes	86.5	85.2	84.2	85.3	86.1	84.4	83.5	85.0	91.4
FMCG - Others	1.2	1.4	1.8	2.9	1.7	2.0	2.4	3.7	4.9
Hotels	0.3	0.4	1.4	2.0	0.2	0.4	1.9	1.1	-9.4
Agri business	4.7	5.6	4.7	3.3	4.5	5.5	4.7	3.1	6.9
Paper and packaging	7.2	7.4	7.9	6.6	7.4	7.8	7.4	7.1	6.2
EBIT margin (%)									
Cigarettes	69.4	71.2	70.1	70.3	70.8	72.2	70.7	66.3	61.1
FMCG - Others	1.7	1.8	2.4	4.0	2.5	2.8	3.2	4.6	3.7
Hotels	3.9	4.3	13.3	17.4	2.6	4.1	15.8	9.1	NA
Agri business	6.2	10.6	10.3	7.0	5.6	9.4	10.2	6.5	4.8
Paper and packaging	21.8	21.8	21.5	19.5	21.6	22.7	21.5	19.6	15.6
EBIT margin change (%)									
Cigarettes	4.1	(1.1)	(0.5)	(0.7)	1.4	1.0	0.6	(4.0)	(9.7)
FMCG - Others	1.5	1.1	0.8	1.0	0.8	0.9	0.9	0.6	1.2
Hotels	2.1	2.9	(0.2)	(1.1)	(1.2)	(0.2)	2.5	(8.2)	NA
Agri business	(2.3)	(2.4)	(4.9)	0.2	(0.6)	(1.2)	(0.1)	(0.5)	(0.8)
Paper and packaging	1.8	0.9	0.6	0.9	(0.2)	0.9	(0.1)	0.0	(6.0)

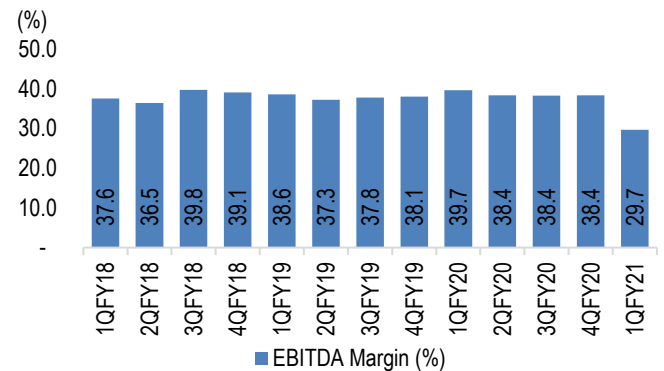
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 2: Cigarette volume trend


Source: Nirmal Bang Institutional Equities Research Estimates

Exhibit 3: Gross margin stood at 55.7%; down ~830bps YoY and ~680bps QoQ


Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 4: EBITDA margin stood at 29.7%; down ~1000bps YoY and ~870bps QoQ


Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 5: Financial summary

Y/E March (Rsmn)	FY18	FY19	FY20	FY21E	FY22E
Net sales	4,06,275	4,49,957	4,56,197	4,68,745	5,15,366
YoY growth (%)	1.3	10.8	1.4	2.8	9.9
EBITDA	1,55,639	1,73,294	1,79,043	1,75,810	2,00,996
EBITDA margin (%)	38.3	38.5	39.2	37.5	39.0
Reported PAT	1,12,233	1,24,643	1,51,361	1,45,167	1,63,979
Adjusted PAT	1,08,104	1,24,643	1,52,682	1,45,167	1,63,979
EPS	8.9	10.2	12.4	11.8	13.3
YoY change (%)	5.5	14.8	22.2	-4.9	13.0
RoCE (%)	21.6	22.1	24.4	21.6	23.1
RoE (%)	22.3	22.8	25.0	22.0	23.6
ROIC (%)	42.4	44.6	50.0	45.6	50.9
P/E (x)	22.6	19.7	16.1	16.9	15.0
P/B (x)	4.7	4.2	3.8	3.6	3.4
EV/EBITDA (x)	14.1	12.4	11.6	11.7	10.0

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 6: Our estimates versus actual performance

Y/E March (Rsmn)	1QFY20	4QFY20	1QFY21	YoY (%)	QoQ (%)	NBIE Estimates	Deviation (%)
Net sales	1,15,028	1,08,423	89,113	-22.5	-17.8	85,480	4.3
EBITDA	45,657	41,635	26,466	-42.0	-36.4	28,982	-8.7
EBITDA margin (%)	39.7	38.4	29.7	-10.0	-8.7	33.9	-4.2
PAT	31,739	37,971	23,428	-26.2	-38.3	23,492	-0.3

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 7: Change in our estimates

Y/E March (Rsmn)	Old estimates		New estimates		Change (%)	
	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
Net sales	4,69,727	5,16,238	4,68,745	5,15,366	-0.2	-0.2
EBITDA	1,82,328	2,02,303	1,75,810	2,00,996	-3.6	-0.6
EBITDA margin (%)	38.8	39.2	37.5	39.0	-1.3	-0.5
PAT	1,46,834	1,62,134	1,45,167	1,63,979	-1.1	1.1

Source: Company, Nirmal Bang Institutional Equities Research

Segment wise excerpts from ITC's 1QFY21 media statement
▪ Cigarettes

- Production resumed in mid-May. Currently, all factories are operational and production has been scaled up to pre-COVID levels.
- Sales and distribution operations have largely normalized.
- Vertical/local lockdowns from the end of June have been challenging operations as they have caused closure of outlets and restrictions in operations in the containment zones.
- ITC leveraged its extensive footprint to scale up availability through the grocery channel. The company also augmented its stockist network to service rural and semi-urban markets.
- Innovations/Extensions
 - In the Longs segment, 'Gold Flake Luxury' filter and in the RSFT segment, 'Navy Cut Deluxe' Filter, 'Gold Flake Indie Mint' and 'Capstan Fresh' were extended to target markets.
 - In the DSFT segment, ITC introduced 'Gold Flake Super Star (Supermint)', 'Gold Flake Star' and 'Royal' in competitive markets at key price points.
 - The 'Flake' brand was launched in a 5s pack in target markets.

▪ FMCG-Others

- There is a rising trend of at-home consumption versus out-of-home consumption.
- Staples, convenience foods and health & hygiene products, contributing ~75% to the portfolio (excluding education and stationery products), recorded strong growth of 34% YoY. Consequently, staples, noodles, biscuits, dairy, sanitizers, hand wash, floor cleaners etc. witnessed robust demand.
- During the quarter, discretionary and out-of-home consumption categories declined by 25% YoY, but are witnessing progressive normalization with improved growth momentum.
- Shift in consumer preference towards larger pack formats was led by reduction in frequency of purchase.
- Shift in consumer preference towards trusted brands was led by increase in hygiene and safety concerns.
- In 1QFY21, sales through modern trade and e-commerce grew at over 20% and 90%, respectively for the company.
- Sales in rural markets grew rapidly as the company leveraged its stockist channel.

Branded Packaged Foods

- Staples, Snacks and Meals:** 'Aashirvaad' atta posted strong growth across markets along with significant growth in value and volume within the branded packaged atta industry. Growth in 'Yippee!' Noodles was led by increased 'at-home' consumption. 'Bingo!' Snacks saw subdued operational performance during the initial phase of the lockdown but operations rapidly normalized once restrictions were gradually lifted.
- Biscuits and Cakes:** Increase in at-home consumption and shift in consumer preference towards trusted brands led to robust growth during the quarter.

- iii. **Dairy and Beverages:** The 'Aashirvaad Svasti' portfolio recorded strong growth. Launch of two immunity variants of 'B Natural' juices have received an encouraging response.
- iv. **Chocolates and Confectionery:** During the quarter, the category was severely impacted on account of its discretionary nature. The category is witnessing progressive normalization as the lockdowns are being eased across the country.

Personal Care Products

- i. Revenue growth was driven by heightened awareness and demand for hygiene products such as hand sanitizers, handwash, antiseptic liquids and floor cleaners.
- ii. **Fragrances:** 'Engage' witnessed significant decline in demand.
- iii. **Floor cleaner:** ITC has been gaining market leadership in Odisha and has further strengthened its market standing in West Bengal in the Floor Cleaner category by leveraging the 'Nimyle' brand. The brand also posted healthy growth in the South.
- iv. 'Nimwash' has received encouraging response and is being ramped up.

Education and Stationery Products (ESPB)

- i. ESPB remained affected due to deferment of academic session across the country.
- ii. In order to mitigate the impact, ITC is undertaking steps, including online orders, direct to consumer delivery in select cities, alternative hyperlocal delivery models and increasing availability through e-com channels.
- iii. Short-term outlook remains challenging as timelines for the resumption of academic activities remain uncertain.

Incense Sticks (Agarbattis) and Safety Matches

- i. Due to higher focus of consumers and trade channels on essential products, the agarbatti industry faced significant operational challenges during the initial phase of the lockdown.
- ii. However, ITC has witnessed recovery in June on account of proactive steps taken towards revival.
- iii. To drive growth across all key segments, the company will continue focusing on increasing the availability of recently launched innovative products, sustaining product superiority and enhancing supply chain efficiency.

▪ Paperboards, Paper and Packaging

- a. On account of COVID led disruptions, segment revenue and EBIT declined by 32.8% and 51.4%, respectively.
- b. Demand from Pharma and FMCG end-user customer segments was relatively stable.
- c. Relatively subdued offtake in certain segments, including liquor, cup-stock, tobacco, hosiery, and significant adverse impact in other segments, including publications, décor and wedding cards affected operational performance.
- d. Closure of educational institutions and offices due to the pandemic affected demand for writing and printing paper.
- e. Within packaging, flexibles packaging witnessed robust demand, but demand for cartons packaging was subdued.
- f. ITC further strengthened its market share in the value-added paperboards segment by quicker resumption of business versus competition, strong dealer network and agility in servicing customer needs.

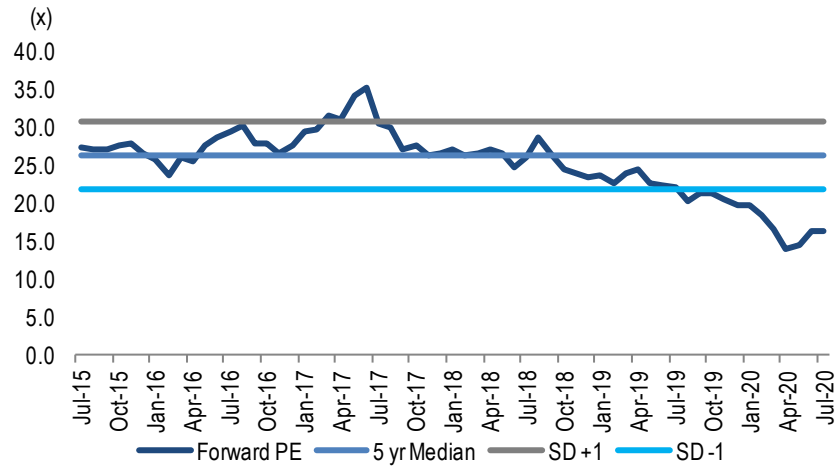
▪ Agri Business

- a. Segment revenue increased 3.7% YoY on the back of trading opportunities in oil seeds and rice.
- b. The business was able to substantially ramp up volume of wheat procurement to cater to the surge in demand for 'Aashirvaad' atta by leveraging the e-choupal network and with the help of a multi-modal procurement and supply chain model.
- c. Segment EBIT declined by 11.9% YoY on account of subdued demand for leaf tobacco in the international markets and an adverse business mix.
- d. In 1QFY21, the business also ramped up its direct milk sourcing network in West Bengal to cater to the increasing requirements on the back of the growing franchise of the 'Aashirvaad Svasti' range of dairy products.
- e. ITC's frozen snacks range under the brand 'ITC Master Chef' posted robust growth in the retail channel. The company augmented this range with the launch of eight new variants and extending the availability to 70+ cities in 1QFY21 from 50+ cities as on 4QFY20.

▪ **Hotels**

- a. Segment revenue declined by 94.2% YoY on account of operations coming to a standstill due to COVID led restrictions on travel and hotel operations.
- b. Since the onset of the pandemic led restrictions, segment operations resumed from the second week of June. Before June, they were limited primarily to service stranded guests and as quarantine facilities wherever required.
- c. Segmental loss before interest and tax stood at Rs2.4bn on account of negative operating leverage. Strict cost reduction measures to control fixed costs partly mitigated the impact on operational performance.
- d. ITC continues to believe that the sector holds immense potential, which is driven by positive long-term economic and tourism prospects of the country, and outweighs the COVID led near-term challenges. The positive outlook is coupled with the company's ability to sustain its pre-eminent position in the Indian hospitality industry.

Exhibit 8: One-year forward P/E



Source: Company, Nirmal Bang Institutional Equities Research

Financials (standalone)
Exhibit 9: Income statement

Y/E March (Rsmn)	FY18	FY19	FY20	FY21E	FY22E
Net Sales	4,06,275	4,49,957	4,56,197	4,68,745	5,15,366
% Growth	1.3	10.8	1.4	2.8	9.9
COGS	2,09,651	2,29,854	2,29,225	2,46,679	2,58,866
Other expenses	40,986	46,809	47,930	46,255	55,503
Total expenses	2,50,636	2,76,663	2,77,154	2,92,934	3,14,370
EBITDA	1,55,639	1,73,294	1,79,043	1,75,810	2,00,996
% growth	6.6	11.3	3.3	-1.8	14.3
EBITDA margin (%)	38.3	38.5	39.2	37.5	39.0
Other income	21,298	24,845	30,137	35,329	36,243
Interest costs	1,096	580	557	552	552
Depreciation	11,454	13,117	15,633	16,592	17,552
Profit before tax (before exceptional items)	1,64,388	1,84,442	1,92,989	1,93,996	2,19,136
Exceptional items	4,129	0	-1,321	0	0
Tax	56,285	59,798	40,308	48,829	55,156
PAT	1,12,233	1,24,643	1,51,361	1,45,167	1,63,979
Adj PAT	1,08,104	1,24,643	1,52,682	1,45,167	1,63,979
Adj PAT margin (%)	25.3	26.3	31.4	28.8	29.7
% Growth	6.0	15.3	22.5	-4.9	13.0

Source: Company, Nirmal Bang Institutional Equities Research; Note: Full year COGS also includes contract processing charges (included in other op. exps. in quarterly)

Exhibit 11: Balance sheet

Y/E March (Rsmn)	FY18	FY19	FY20	FY21E	FY22E
Share capital	12,204	12,259	12,292	12,292	12,292
Reserves	5,01,796	5,67,239	6,27,999	6,64,404	7,02,460
Minority Interest	0	0	0	0	0
Net worth	5,14,001	5,79,498	6,40,292	6,76,696	7,14,752
Total debt	69	32	56	56	56
Deferred tax liability	19,179	20,441	16,177	16,177	16,177
Total liabilities	5,33,249	5,99,972	6,56,524	6,92,929	7,30,985
Gross block	2,58,097	3,00,430	3,25,659	3,45,659	3,65,659
Depreciation	1,02,350	1,15,467	1,31,100	1,47,691	1,65,243
Net block	1,55,747	1,84,963	1,94,559	1,97,967	2,00,416
Capital work-in-progress	50,169	33,915	27,763	27,763	27,763
Investments	2,33,972	2,65,780	3,06,306	3,29,346	3,56,492
Inventories	72,372	75,872	80,380	83,016	85,885
Debtors	23,570	36,462	20,920	38,110	41,933
Cash	25,949	37,687	68,433	67,185	76,424
Loans and advances	49,451	56,351	34,859	35,556	36,268
Other current assets	12,584	6,949	8,477	8,901	9,346
Total current assets	1,83,925	2,13,322	2,23,725	2,43,423	2,60,511
Creditors	33,823	33,683	34,467	38,335	40,499
Other current liabilities and provisions	56,742	64,325	61,362	67,236	73,698
Total current liabilities	90,564	98,008	95,829	1,05,572	1,14,197
Net current assets	93,361	1,15,314	1,27,896	1,37,852	1,46,314
Total assets	5,33,249	5,99,972	6,56,524	6,92,929	7,30,985

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 10: Cash flow

Y/E March (Rsmn)	FY18	FY19	FY20	FY21E	FY22E
PBT	1,68,517	1,84,442	1,91,668	1,93,996	2,19,136
Depreciation	11,454	13,117	15,633	16,592	17,552
Other income	-7,157	-8,307	-13,086	-35,329	-36,243
(Inc./dec.) in working capital	19,202	-4,818	4,180	-11,204	777
Other items	-65,507	-66,943	-60,333	-48,277	-54,605
Cash from operations	1,26,509	1,17,491	1,38,062	1,15,778	1,46,617
Capital expenditure (-)	-25,478	-27,595	-21,136	-20,000	-20,000
Net cash after capex	1,01,030	89,896	1,16,926	95,778	1,26,617
Inc./(dec.) in other investments	-42,356	-12,151	-5,951	31,133	7,124
Cash from investments	-67,834	-39,746	-27,087	11,133	-12,876
Issue of share capital	9,128	9,691	6,253	10,000	10,000
Dividends paid (-)	-57,700	-62,852	-70,487	-1,24,741	-1,19,763
Other items	-11,626	-12,845	-14,675	-14,739	-14,739
Cash from financial activities	-60,199	-66,006	-80,230	-1,29,479	-1,24,502
Opening cash balance	27,473	25,949	37,687	68,433	67,185
Closing cash balance	25,949	37,687	68,433	67,185	76,424
Change in cash balance	-1,524	11,739	30,745	-1,248	9,240

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 12: Key ratios

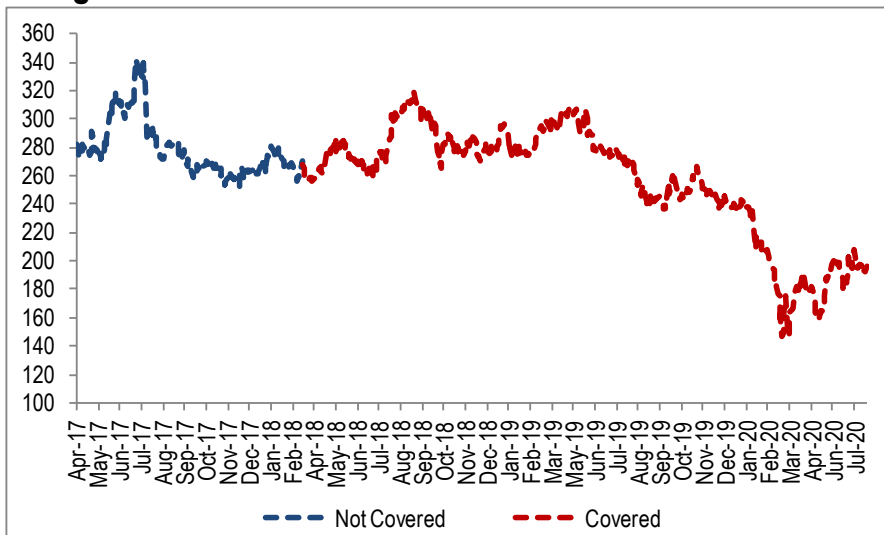
Y/E March	FY18	FY19	FY20	FY21E	FY22E
Per share (Rs)					
EPS	8.9	10.2	12.4	11.8	13.3
Book value	42.1	47.3	52.1	55.1	58.1
DPS	6.2	6.9	12.1	9.7	11.1
Valuation (x)					
EV/sales	5.4	4.8	4.6	4.4	4.0
EV/EBITDA	14.1	12.4	11.6	11.7	10.0
P/E	22.6	19.7	16.1	16.9	15.0
P/BV	4.7	4.2	3.8	3.6	3.4
Return ratios (%)					
RoCE	21.6	22.1	24.4	21.6	23.1
RoE	22.3	22.8	25.0	22.0	23.6
RoIC	42.4	44.6	50.0	45.6	50.9
Profitability ratios (%)					
Gross margin	59.1	59.6	60.2	58.0	60.5
EBITDA margin	38.3	38.5	39.2	37.5	39.0
EBIT margin	35.5	35.6	35.8	34.0	35.6
PAT margin	25.3	26.3	31.4	28.8	29.7
Liquidity ratios (%)					
Current ratio	2.0	2.2	2.3	2.3	2.3
Quick ratio	1.2	1.4	1.5	1.5	1.5
Solvency ratio (%)					
Debt to Equity ratio	0.0	0.0	0.0	0.0	0.0
Turnover ratios					
Total asset turnover ratio (x)	0.8	0.7	0.7	0.7	0.7
Fixed asset turnover ratio (x)	2.6	2.4	2.3	2.4	2.6
Inventory days	126	120	128	123	121
Debtors days	21	25	23	23	29
Creditor days	59	53	55	57	57

Source: Company, Nirmal Bang Institutional Equities Research

Rating track

Date	Rating	Market price (Rs)	Target price (Rs)
13 March 2018	Accumulate	270	290
17 May 2018	Accumulate	286	290
27 July 2018	Accumulate	287	300
29 October 2018	Accumulate	281	310
24 January 2019	Accumulate	277	310
9 April 2019	Accumulate	292	320
14 May 2019	Accumulate	289	320
5 August 2019	Accumulate	264	300
25 October 2019	Buy	249	300
1 February 2020	Buy	235	285
30 March 2020	Buy	157	205
27 June 2020	Accumulate	196	210
25 July 2020	Accumulate	200	213

Rating chart



DISCLOSURES

This Report is published by Nirmal Bang Equities Private Limited (hereinafter referred to as “NBEPL”) for private circulation. NBEPL is a registered Research Analyst under SEBI (Research Analyst) Regulations, 2014 having Registration no. INH000001436. NBEPL is also a registered Stock Broker with National Stock Exchange of India Limited and BSE Limited in cash and derivatives segments.

NBEPL has other business divisions with independent research teams separated by Chinese walls, and therefore may, at times, have different or contrary views on stocks and markets.

NBEPL or its associates have not been debarred / suspended by SEBI or any other regulatory authority for accessing / dealing in securities Market. NBEPL, its associates or analyst or his relatives do not hold any financial interest in the subject company. NBEPL or its associates or Analyst do not have any conflict or material conflict of interest at the time of publication of the research report with the subject company. NBEPL or its associates or Analyst or his relatives do not hold beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of this research report.

NBEPL or its associates / analyst has not received any compensation / managed or co-managed public offering of securities of the company covered by Analyst during the past twelve months. NBEPL or its associates have not received any compensation or other benefits from the company covered by Analyst or third party in connection with the research report. Analyst has not served as an officer, director or employee of Subject Company and NBEPL / analyst has not been engaged in market making activity of the subject company.

Analyst Certification: I, Mr. Vishal Punmiya, the research analyst, the author of this report, hereby certify that the views expressed in this research report accurately reflects my/our personal views about the subject securities, issuers, products, sectors or industries. It is also certified that no part of the compensation of the analyst was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views in this research. The analyst is principally responsible for the preparation of this research report and has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations.

Disclaimer

Stock Ratings Absolute Returns

BUY > 15%

ACCUMULATE -5% to 15%

SELL < -5%

This report is for the personal information of the authorized recipient and does not construe to be any investment, legal or taxation advice to you. NBEPL is not soliciting any action based upon it. Nothing in this research shall be construed as a solicitation to buy or sell any security or product, or to engage in or refrain from engaging in any such transaction. In preparing this research, we did not take into account the investment objectives, financial situation and particular needs of the reader.

This research has been prepared for the general use of the clients of NBEPL and must not be copied, either in whole or in part, or distributed or redistributed to any other person in any form. If you are not the intended recipient you must not use or disclose the information in this research in any way. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. NBEPL will not treat recipients as customers by virtue of their receiving this report. This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject NBEPL and its group companies to registration or licensing requirements within such jurisdictions.

The report is based on the information obtained from sources believed to be reliable, but we do not make any representation or warranty that it is accurate, complete or up-to-date and it should not be relied upon as such. We accept no obligation to correct or update the information or opinions in it. NBEPL or any of its affiliates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. NBEPL or any of its affiliates or employees do not provide, at any time, any express or implied warranty of any kind, regarding any matter pertaining to this report, including without limitation the implied warranties of merchantability, fitness for a particular purpose, and non-infringement. The recipients of this report should rely on their own investigations.

This information is subject to change without any prior notice. NBEPL reserves its absolute discretion and right to make or refrain from making modifications and alterations to this statement from time to time. Nevertheless, NBEPL is committed to providing independent and transparent recommendations to its clients, and would be happy to provide information in response to specific client queries.

Before making an investment decision on the basis of this research, the reader needs to consider, with or without the assistance of an adviser, whether the advice is appropriate in light of their particular investment needs, objectives and financial circumstances. There are risks involved in securities trading. The price of securities can and does fluctuate, and an individual security may even become valueless. International investors are reminded of the additional risks inherent in international investments, such as currency fluctuations and international stock market or economic conditions, which may adversely affect the value of the investment. Opinions expressed are subject to change without any notice. Neither the company nor the director or the employees of NBEPL accept any liability whatsoever for any direct, indirect, consequential or other loss arising from any use of this research and/or further communication in relation to this research. Here it may be noted that neither NBEPL, nor its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profit that may arise from or in connection with the use of the information contained in this report.

Copyright of this document vests exclusively with NBEPL.

Our reports are also available on our website www.nirmalbang.com

Access all our reports on Bloomberg, Thomson Reuters and Factset.

Team Details:			
Name		Email Id	Direct Line
Rahul Arora	CEO	rahul.arora@nirmalbang.com	-
Girish Pai	Head of Research	girish.pai@nirmalbang.com	+91 22 6273 8017 / 18
Dealing			
Ravi Jagtiani	Dealing Desk	ravi.jagtiani@nirmalbang.com	+91 22 6273 8230, +91 22 6636 8833
Michael Pillai	Dealing Desk	michael.pillai@nirmalbang.com	+91 22 6273 8102/8103, +91 22 6636 8830

Nirmal Bang Equities Pvt. Ltd.

Correspondence Address

B-2, 301/302, Marathon Innova,
 Nr. Peninsula Corporate Park,
 Lower Parel (W), Mumbai-400013.

Board No. : 91 22 6273 8000/1; Fax. : 022 6273 8010