

ITC

Marginal miss, recovery in sight

ITC's 4Q was marginally lower than estimates but lockdown impact was not as severe as it was visible in other cos. Net revenue was down by 6% yoy while HUL/Dabur/Colgate/Marico clocked decline of 9/17/7/8% yoy in the domestic business. Cig revenues declined by 6% yoy with ~10% yoy volume dip. FMCG comparable growth of 5% yoy was better than estimate (even better than Britannia's 2% growth). Recovery in Cig and FMCG in May and June is encouraging. FMCG, Paperboards and Packaging are now operating at 80-85% of normal levels. Co has not witnessed downtrading trend or any meaningful drop-outs of cig consumers due to lockdown. Packaged food enjoyed pantry loading benefits and part of personal care also recovered. Co has good portfolio to capitalise on health and hygiene trend. FCF grew by robust 30% yoy, FCF and dividend yield stands at 7% and 5% in FY20. We cut EPS estimate by 5% for FY21 to factor impact of extended lockdown. We value ITC on SoTP and arrive at a TP of Rs 221 (implied P/E of 17x). Risk reward remains attractive. Maintain BUY.

- Marginal miss in revenue:** Revenues dipped by 6% yoy for ITC (+13% in 4QFY19 and +5% in 3QFY20) vs HSIE est of 2% yoy decline. Cigarette/Hotels/Agri/Paper saw revenue decline of 7/9/10/5% yoy while FMCG biz saw LFL revenue growth of 5% yoy. Cigarettes saw the impact from the dual shock of excise hike and Covid-19 while the Hotels biz was severely impacted by consumers cutting back on travel. Paper biz was also severely impacted as co lost out on sales during March, which is typically the prime period for offtake in the segment.
- Cig margin falls, FMCG margin continues to expand:** GM expanded by 220bps yoy (-81bps in 4QFY19 and -23bps in 3QFY20) to 64.4% Cig EBIT declined by 12% yoy as the sharp increase in prices led to downtrading among consumers. FMCG saw EBITDA growth of 12% yoy (32% in FY20) while Hotels/Agri/Paper saw EBIT decline of 52/16/9% yoy. EBITDA declined by 9% yoy (+10% in 4QFY19 and +7% in 3QFY20) to Rs 41.64bn (HSIE Rs 44.22bn). PAT grew by 9% yoy to Rs 37.97bn (HSIE Rs 33.73bn) owing to lower taxes.
- Press release & other takeaways:** (1) FMCG biz was headed for double digit growth in Jan/Feb, (2) Co is functioning at close to 100% over the last few days, (3) Co has made significant new launches in FMCG and Hygiene, (4) FCF grew by 30% in FY20 vs. FY19, (5) Co has implemented several initiatives to use automation and process optimization to control costs and (6) Co continued to make strategic acquisitions (Sunrise Foods, B-Naturals, Savlon, Nimyle, etc) in order to expand its footprint.

Financial Summary

YE Mar (Rs mn)	4QFY20	4QFY19	YoY (%)	3QFY20	QoQ (%)	FY19	FY20P	FY21E	FY22E
Net Sales	114,200	122,060	(6.4)	120,130	(4.9)	483,527	494,041	476,483	539,692
EBITDA	41,635	45,717	(8.9)	46,127	(9.7)	184,064	192,602	180,836	206,800
APAT	37,971	34,324	10.6	37,766	0.5	127,864	152,275	139,404	159,332
Diluted EPS (Rs)	3.1	2.8	10.3	3.1	0.5	10.4	12.4	11.3	13.0
P/E (x)						18.7	15.7	17.2	15.0
EV / EBITDA (x)						11.5	10.7	11.3	9.7
RoCE (%)						39.2	44.8	39.3	44.2

Source: Company, HSIE Research

BUY

CMP (as on 26 June 2020)	Rs 196
Target Price	Rs 221
NIFTY	10,383

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	Rs 221	Rs 221
EPS %	FY21E -5%	FY22E 0%

KEY STOCK DATA

Bloomberg code	ITC IN
No. of Shares (mn)	12,293
MCap (Rs bn) / (\$ mn)	2,399/31,754
6m avg traded value (Rs mn)	5,055
52 Week high / low	Rs 283/135

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	24.8	(17.6)	(29.6)
Relative (%)	7.4	(3.0)	(18.5)

SHAREHOLDING PATTERN (%)

	Dec-19	Mar-20
Promoters	0.00	0.00
FIs & Local MFs	42.58	42.46
FPIs	15.18	14.65
Public & Others	42.24	42.89
Pledged Shares	0.00	0.00

Source : BSE

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Quarterly Financial Snapshot

Particulars	4QFY20	4QFY19	YoY (%)	3QFY20	QoQ (%)	FY20P	FY19	YoY (%)
Net Revenue	113,001	120,642	(6.3)	119,122	(5.1)	463,237	452,214	2.4
Other operating revenue	1,200	1,419	(15.4)	1,009	19.0	4,836	5,630	(14.1)
Total Revenue	114,200	122,060	(6.4)	120,130	(4.9)	468,073	457,844	2.2
Material Expenses	40,671	46,156	(11.9)	45,465	(10.5)	172,351	173,052	(0.4)
Employee Expenses	6,665	7,600	(12.3)	6,691	(0.4)	26,582	27,284	(2.6)
Other Operating Expenses	25,229	22,588	11.7	21,847	15.5	90,098	84,453	6.7
EBITDA	41,635	45,717	(8.9)	46,127	(9.7)	179,043	173,055	3.5
Depreciation	3,925	3,502	12.1	4,162	(5.7)	16,449	13,966	17.8
EBIT	37,710	42,215	(10.7)	41,965	(10.1)	162,593	159,089	2.2
Other Income	7,555	7,402	2.1	9,836	(23.2)	30,137	24,845	21.3
Interest Cost	147	77	90.3	124	18.4	557	342	63.0
PBT before exceptional	45,118	49,539	(8.9)	51,676	(12.7)	192,989	184,442	4.6
Exceptional	-	-	na	(1,321)	na	(1,321)	-	na
PBT	45,118	49,539	(8.9)	50,355	(10.4)	191,668	184,442	3.9
Tax	7,148	14,720	(51.4)	8,936	(20.0)	40,308	59,798	(32.6)
RPAT	37,971	34,819	9.1	41,419	(8.3)	151,361	124,643	21.4
Adjustment	-	(495)	na	(3,653)	na	(3,653)	(495)	na
APAT	37,971	34,324	10.6	37,766	0.5	147,708	124,148	19.0
EPS	3.1	2.8	10.3	3.1	0.5	12.0	10.1	19.0

Source: Company, HSIE Research

Quarterly Performance Analysis

MARGIN ANALYSIS (% of Net Sales)	4QFY20	4QFY19	YoY (bps)	3QFY20	QoQ (bps)	FY20P	FY19	YoY (bps)
Material Expenses	35.6	37.8	(220)	37.8	(223)	36.8	37.8	(98)
Employee Expenses	5.8	6.2	(39)	5.6	27	5.7	6.0	(28)
Other Expenses	22.1	18.5	359	18.2	391	19.2	18.4	80
EBITDA Margin	36.5	37.5	(100)	38.4	(194)	38.3	37.8	45
Tax Rate	15.8	29.7	(1,387)	17.7	(190)	21.0	32.4	(1,139)
APAT Margin	33.2	28.1	513	31.4	181	31.6	27.1	444

Source: Company, HSIE Research

Quarterly Segmental Performance

(Rs mn)	4QFY20	4QFY19	YoY (%)	3QFY20	QoQ (%)	FY20P	FY19	YoY (%)
Segmental Revenues								
Cigarettes	51,305	54,859	6.0	53,110	(3.4)	2,12,017	2,07,130	10.0
FMCG	31,836	32,739	6.5	33,123	(3.9)	1,28,442	1,25,053	12.6
Hotels	4,658	5,098	17.7	5,523	(15.7)	18,373	16,655	10.3
Agribusiness	18,873	21,009	19.3	20,947	(9.9)	1,02,407	93,965	9.0
Paperboards, Paper & Packaging	14,589	15,374	9.9	15,554	(6.2)	61,072	58,602	4.2
Total	1,21,260	1,29,079	8.7	1,28,257	(5.5)	5,22,311	5,01,404	4.2
Less: Inter-segment revenue	8,259	8,437	(2.1)	9,135	(9.6)	59,074	49,190	20.1
Total	1,13,001	1,20,642	(6.3)	1,19,122	(5.1)	4,63,237	4,52,214	2.4
Segmental EBIT								
Cigarettes	34,030	38,560	(11.7)	37,560	(9.4)	1,48,526	1,45,511	2.1
FMCG	1,470	2,010	(26.9)	1,076	36.5	4,231	3,862	9.5
Hotels	426	887	(52.0)	873	(51.2)	1,578	1,777	(11.2)
Agribusiness	1,231	1,472	(16.4)	2,134	(42.3)	7,889	7,766	1.6
Paperboards, Paper & Packaging	2,857	3,005	(4.9)	3,340	(14.5)	13,053	12,392	5.3
Total	40,014	45,934	(12.9)	44,983	(11.0)	1,75,276	1,71,309	2.3
Less:								
(a) Interest Cost & Bank Charges	147	77	90.3	124	18.4	557	342	63.0
(b) Other Un-allocable Expenses	(5,252)	(3,683)	42.6	(6,818)	(23.0)	(18,270)	(13,475)	35.6
PBT	45,118	49,539	(8.9)	51,676	(12.7)	1,92,989	1,84,442	4.6
Capital Employed								
Cigarettes	29,128	35,944	(19.0)	34,935	(16.6)	29,128	35,944	(19.0)
FMCG	65,609	60,758	8.0	68,285	(3.9)	65,609	60,758	8.0
Hotels	57,880	54,079	7.0	56,915	1.7	57,880	54,079	7.0
Agribusiness	29,323	29,937	(2.1)	30,496	(3.8)	29,323	29,937	(2.1)
Paperboards, Paper & Packaging	60,591	62,108	(2.4)	61,368	(1.3)	60,591	62,108	(2.4)
Total	2,42,532	2,42,826	(0.1)	2,51,998	(3.8)	2,42,532	2,42,826	(0.1)
Unallocated corporate assets	3,97,760	3,36,672	18.1	3,57,467	11.3	3,97,760	3,36,672	18.1
Total capital employed	6,40,292	5,79,498	10.5	6,09,465	5.1	6,40,292	5,79,498	10.5

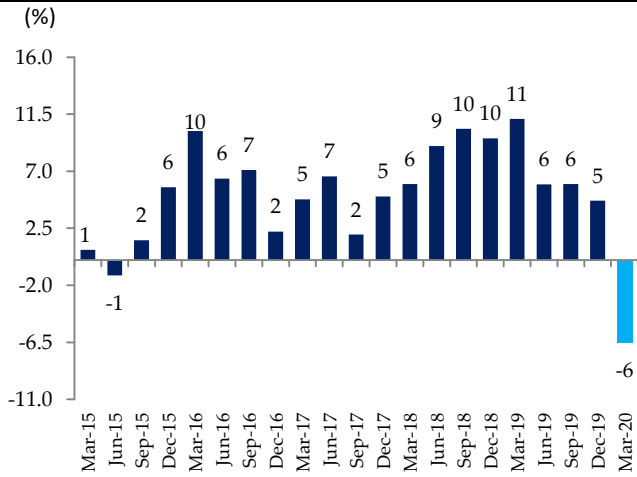
Source: Company, HSIE Research

Segmental EBIT Margin

(Rs mn)	4QFY20	4QFY19	YoY (bps)	3QFY20	QoQ (bps)	FY20P	FY19	YoY (bps)
Cigarettes	66.3	70.3	(396)	70.7	(439)	70.1	75.5	(544)
FMCG	4.6	6.1	(152)	3.2	137	3.3	3.1	21
Hotels	9.1	17.4	(825)	15.8	(667)	8.6	10.7	(209)
Agribusiness	6.5	7.0	(49)	10.2	(367)	7.7	8.3	(56)
Paperboards, Paper & Packaging	19.6	19.5	4	21.5	(189)	21.4	21.1	23
Total	33.0	35.6	(259)	35.1	(207)	33.6	34.2	(61)

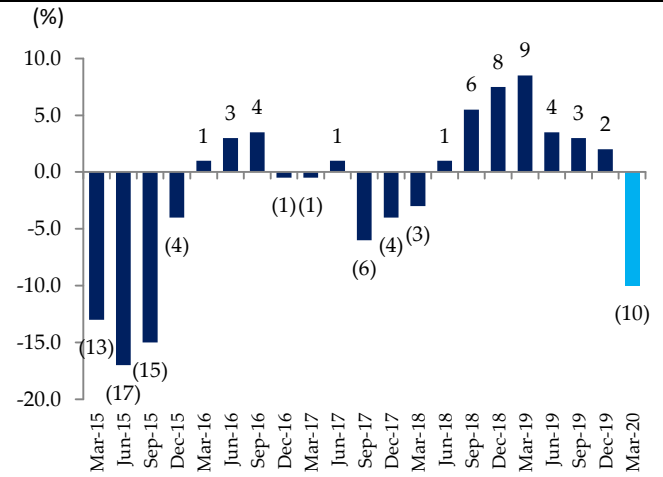
Source: Company, HSIE Research

Cigarette Value Growth



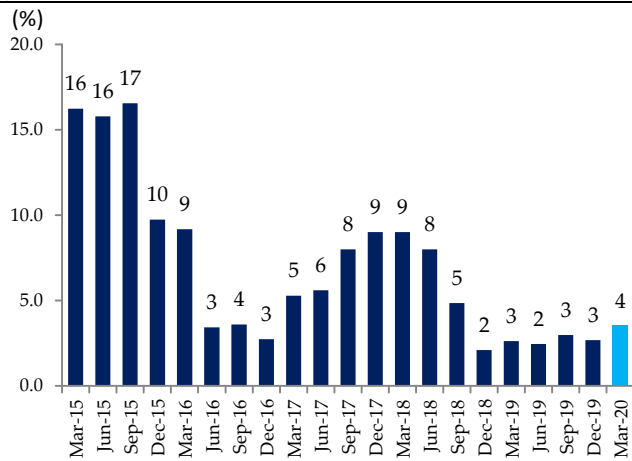
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Cigarette Volume Growth



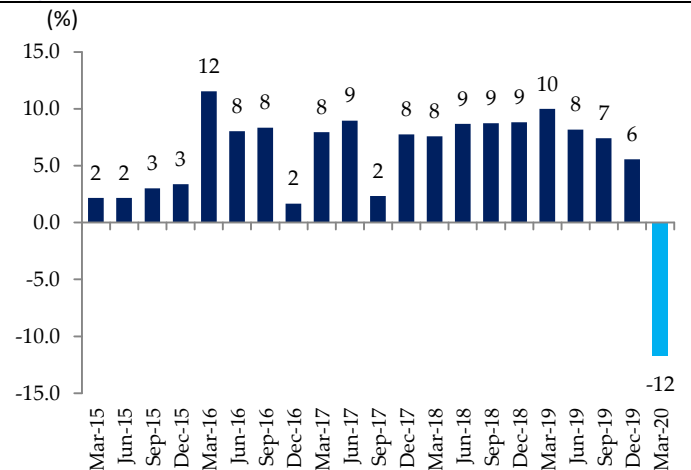
Source: Company, HSIE Research

Cigarette Price Growth



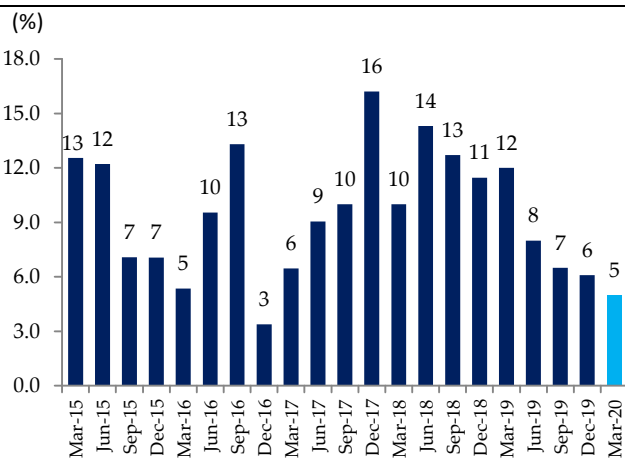
Source: Company, HSIE Research

Cigarette EBIT Growth



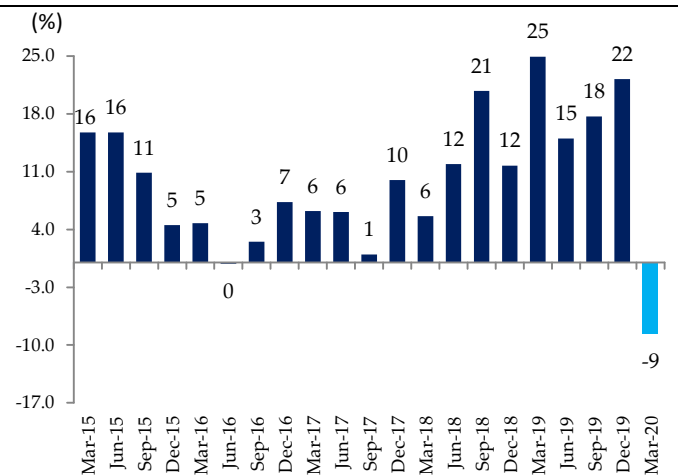
Source: Company, HSIE Research

FMCG Revenue Growth



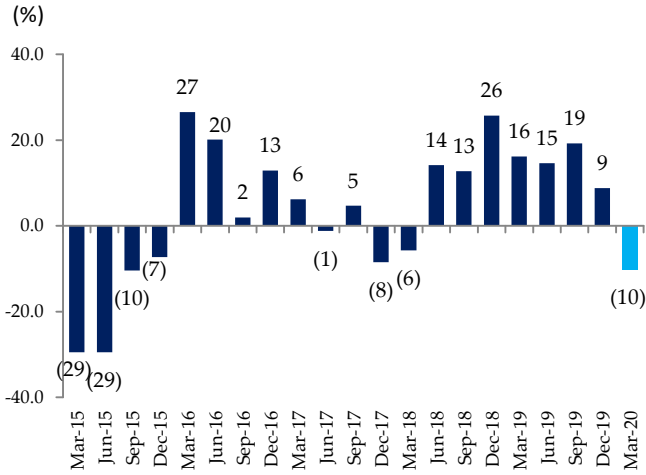
Source: Company, HSIE Research

Hotel Revenue Growth



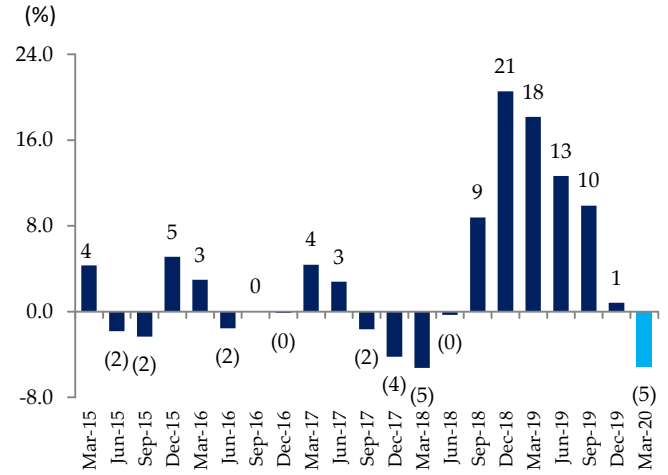
Source: Company, HSIE Research

Agri Revenue Growth



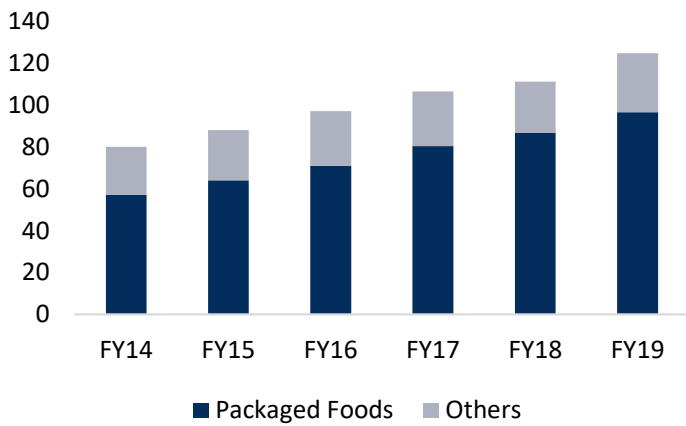
Source: Company, HSIE Research

Paper Revenue Growth



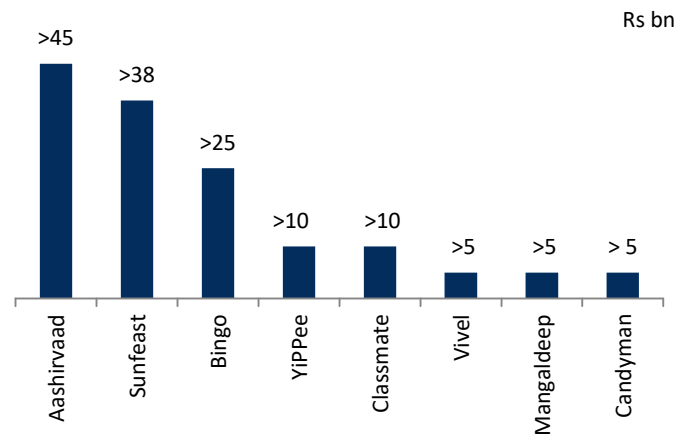
Source: Company, HSIE Research

FMCG Revenue Mix: Packaged Food Dominates



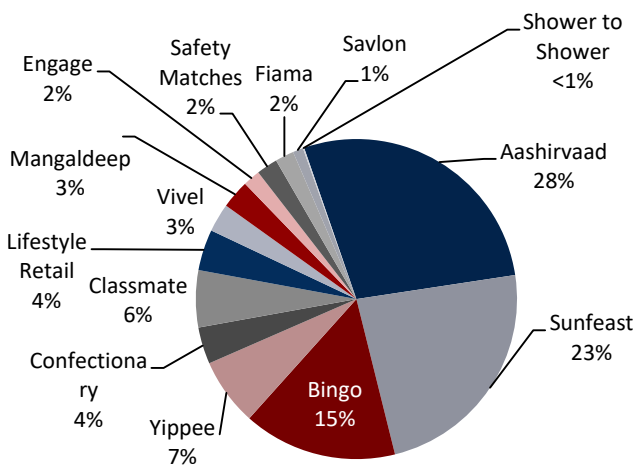
Source: Company, HSIE Research

Top FMCG Brands (Size at consumer level)



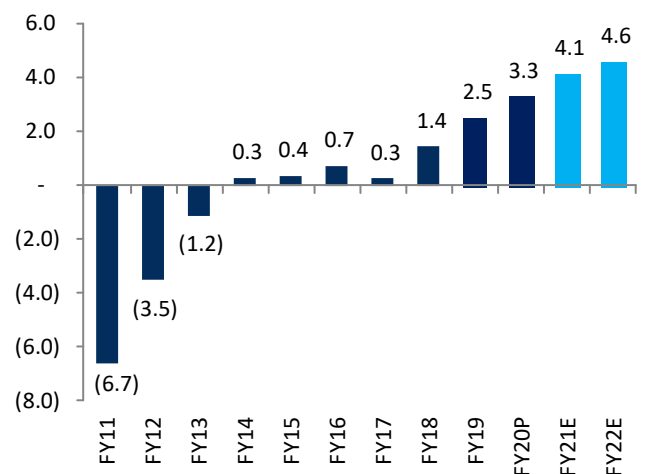
Source: Company, HSIE Research

FMCG Revenue Product Mix



Source: Company, HSIE Research

FMCG EBIT margins: ~10% swing over FY11-20



Source: Company, HSIE Research

FMCG segment mapping: ITC's addressable market offers a 13x opportunity headroom

Brand	Current Presence	Possible Extension	Brand Position	Mkt Position	Est. Market Size (Rs mn)	Est. ITC Revenue at Consumer level (Rs mn)	Key competitors
Food							
Aashirvaad	- Wheat - Ghee - Spices - Instant mixes - Read-to-eat - Rice - Milk, Curd, Paneer - Salt	- Pickles - Grains (white flour, semolina, gram flour) - Distribution expansion of new launches	Mid	No. 1	150,000	45,000	- Pillsbury Atta (General Mills) - Silver Coin (Sanghvi Group) - Mother's Recipe
Sunfeast	- Biscuits - Cookies - Cake - Beverage - Pasta	- Modern milk products - Rusk/Bread - Chocolates - Oats - Breakfast packaged food	Mid to Premium	No.1 in premium biscuit segment	590,000	38,000	- Britannia, Parle, PriyaGold, Anmol
Bingo	- Extruded snacks - Potato Chips	- Healthy variants in salty snacks	Mid to Premium	No. 1	219,000	25,000	- Lays (Pepsi), Diamond (Prataap snacks), Too Yumm!, Haldiram
YiPPee	- Noodles - Pasta	- Oats	Mid	No. 2	153,000	11,000	- Maggi (Nestle), Top Ramen (Nissin)
Mint-o, Candyman, GumOn	- Confectionery	- More variants	Mid	Top 5	40,800	6,000	
B-Naturals	- Juices	- More variants - Healthy supplements	Mid to Premium	Emerging	20,000	4,800	- Real (Dabur), Tropicana (Pepsi)
Fabelle	- Chocolate	- Mass premium - Eventually, capture full portfolio	Super-premium	Emerging	80,000	150	- Cadburry (Mondelez), Nestle
Sunbean	- Coffee paste	- Ready to drink - Distribution expansion	Premium	Emerging	15,000	100	- Nescafe (Nestle), Bru (HUL)
ITC Master Chef	- Ready-to-eat - Frozen foods (prawns) - Fresh vegetables and fruits - Spices - Masala	- Variants in frozen foods - Distribution expansion	Mid to Premium	Emerging	4,000		
Personal Care							
Fiama	- Shower Gel - Soap Bar - Talc	- Shampoo - Shaving Cream - Talc - Face wash	Premium	No. 2	20,000	3,600	- Nivea: leader with 20% share (Beiersdorf Global) - Palmolive - Dove
Vivel Superia	- Soap Bar - Soap Bar	-More variants -More variants	Mid Mass	na na	200,000	6,000	- Lux, Lifebuoy, Dove, Pears, Hamam (HUL) - Godrej No 1, Cinthol (GCPL) - Santoor (Wipro) - Dettol (RB)

Brand	Current Presence	Possible Extension	Brand Position	Mkt Position	Est. Market Size (Rs mn)	Est. ITC Revenue at Consumer level (Rs mn)	Key competitors
Superia	- Shampoo	-More variants	Mass	na	60,000		
Engage	- Deos - Perfume - Pocket Perfume	- Face Wash - Talc - More variants	Mid to Premium	No. 2	30,000	3,300	- Fogg : market leader with 17% (Vini) - Wild Stone - Nivea - Park Avenue - Axe
Essenza Di Wills	- Perfume	- Face cream - Moisturiser - Deo	Super-premium	Emerging	20,000	na	- Fogg (Vini) - Skinn (Titan) - Park Avenue (Raymond)
Savlon	- Anti-septic liquid - Soaps - Handwash - Hand sanitizer	- Hand wash - Shaving Cream - Shower Gel - Disinfectant liquid	Mid	No. 2	10,000	2,000	- Dettol (RB)
Charmis	- Cold cream	- Moisturiser	Mid	na	na	na	- Nivea (Beiersdorf Global) - Pond's (HUL)
Dermafique	- Anti-aging	- More variants	Premium	Emerging	na	na	- Olay (P&G) - Lakme (HUL) - Nivea (BG)
Shower to Shower	- Talc	- Shower Gel - Soap Bar - Talc	Mid	na	4,000	240	- Himalaya - Dermi Cool (RB) - Boroplus (Emami) - Nycil (Kraft Heinz)
Home Care							
Nimyle	Floor Cleaner	- Kitchen cleaner - More Variants	Mid	Emerging	100,000	na	- Lizol (RB) - Domex (HUL) - Mr. Muscle (SC Johnson)
Others							
Classmate	- Notebooks	- More variants	Premium	No. 2	100,000	10,000	- Navneet
Paperkraft	- Pen - Pencil - Geometric box - Art instruments	- Office stationery					- Luxor - BILT (Balrampur)
Wills	Life Style	- Restructure business	Premium	na	na	7,185	- All leading mens formal wear brands
Aim Ship Home Lites	Safety Matches	- Cigarette and gas stove lighters	Mid	No. 1	10,000	2,422	- Largely unorganised

Assumptions

Particulars	FY15	FY16	FY17	FY18	FY19	FY20P	FY21E	FY22E
Cigarette								
Revenue Gr (%)	4.7	6.2	5.1	4.9	10.0	2.5	(8.8)	12.7
Volume Gr (%)	(8.8)	(8.8)	1.4	(3.0)	5.6	(0.4)	(4.9)	5.9
Cig. Price Gr (%)	13.5	15.0	3.7	7.9	4.4	2.9	(4.0)	6.8
EBIT Gr (%)	11.8	5.0	6.5	6.6	9.1	2.1	(8.2)	13.8
FMCG								
Revenue Gr (%)	11.3	7.7	8.0	11.3	12.6	2.9	14.7	10.8
EBIT Margin (%)	0.4	0.7	0.3	1.4	2.5	3.3	4.1	4.6
Hotel								
Revenue Gr (%)	4.6	11.5	1.6	5.6	17.3	10.3	(31.1)	20.0
EBIT Gr (%)	(64.9)	13.4	99.3	26.0	27.1	(11.2)	(21.3)	27.2
EBIT Margin (%)	4.1	4.3	8.3	9.9	10.7	8.6	9.8	10.4
Agri business								
Revenue Gr (%)	10.6	0.2	(5.8)	(15.0)	16.9	10.7	10.4	10.4
EBIT Gr (%)	8.3	2.8	(2.6)	(6.3)	(8.5)	1.6	(5.0)	18.2
EBIT Margin (%)	10.8	12.5	11.0	10.5	8.3	7.7	8.1	8.1
Paper & Paper boards								
Revenue Gr (%)	11.2	5.9	(0.8)	(0.7)	10.1	11.5	11.6	11.7
EBIT Gr (%)	3.3	(1.5)	6.4	7.9	18.9	5.3	(8.7)	16.9
EBIT Margin (%)	18.5	17.0	18.0	19.9	21.1	21.4	21.0	21.3
Gross Margin (%)	61.6	65.4	62.5	63.5	64.0	64.9	64.2	64.3
Employee (% of sales)	7.2	8.8	8.5	8.7	8.6	8.7	9.0	8.5
ASP (% of sales)	2.2	2.5	1.9	2.1	2.1	2.1	1.8	2.0
Distribution (% of sales)	2.4	2.2	2.0	2.1	2.4	2.3	2.2	2.3
Other Expenses (% of sales)	13.8	15.0	14.1	12.8	12.8	12.8	13.3	13.2
EBITDA Margin (%)	36.0	36.9	36.1	37.9	38.1	39.0	38.0	38.3
Tax Rate (%)	32.0	36.1	34.6	34.0	33.0	22.2	25.2	25.2

SOTP Valuation

Particulars (Rs mn)	Criteria	Value
Cigarette	EBITDA (Rs mn)	163
	EV/EBITDA (x)	11
	EV (Rs mn)	1,793
FMCG	Revenue (Rs mn)	163
	EV/Revenue (x)	2
	EV (Rs mn)	326
Hotel	EBITDA (Rs mn)	4
	EV/EBITDA (x)	8
	EV (Rs mn)	34
Agri	EBITDA (Rs mn)	10
	EV/EBITDA (x)	8
	EV (Rs mn)	78
Paper	EBITDA (Rs mn)	18
	EV/EBITDA (x)	8
	EV (Rs mn)	145
Total EV		2,376
Cash + Investment		339
Debt		0
Mkt Cap		2,715
TP		221

Change in Estimates

	FY21E			FY22E		
	NEW	OLD	Chg (%)	NEW	OLD	Chg (%)
Net Sales	476,483	499,255	(4.6)	539,692	544,484	(0.9)
EBITDA	180,836	184,640	(2.1)	206,800	202,199	2.3
APAT	139,404	146,098	(4.6)	159,332	159,333	(0.0)
EPS	11.3	11.9	(4.8)	13.0	13.0	(0.3)

Peer Set Comparison

Company	Mcap (Rs bn)	CMP (Rs/sh)	Reco	TP	EPS (Rs)			P/E (x)			EV/EBITDA (x)			Core RoCE (%)		
					FY20P/ CY19P	FY21E/ CY20E	FY22E/ CY21E	FY20P/ CY19P	FY21E/ CY20E	FY22E/ CY21E	FY20P/ CY19P	FY21E/ CY20E	FY22E/ CY21E	FY20P/ CY19P	FY21E/ CY20E	FY22E/ CY21E
HUL	4,656	2,151	REDUCE	1,969	31.7	37.1	41.9	67.9	58.0	51.5	46.5	40.0	35.6	230.7	46.5	28.8
ITC	2,399	195	BUY	221	12.4	11.3	13.0	15.7	17.2	15.0	10.7	11.3	9.7	44.8	39.3	44.2
Nestle	1,611	16,708	REDUCE	14,042	206.0	237.6	278.2	81.1	70.3	60.1	54.0	48.4	42.3	75.0	70.7	69.1
Dabur	811	461	REDUCE	404	8.6	9.0	10.1	53.4	51.0	45.6	44.4	41.8	37.0	44.6	40.6	44.5
Britannia	830	3,454	REDUCE	2,852	58.5	65.6	75.1	59.1	52.7	46.0	43.8	38.3	33.8	42.8	49.1	55.5
GCPL	700	686	REDUCE	529	14.4	15.7	17.6	47.6	43.6	38.9	33.5	33.0	30.1	19.0	18.9	21.4
Marico	445	345	REDUCE	283	8.0	8.4	9.4	43.0	40.9	36.5	30.2	28.8	26.5	41.8	43.2	46.5
United Spirits	431	593	ADD	586	10.9	11.0	14.0	54.5	53.8	42.4	29.4	29.4	24.6	16.0	19.6	23.5
Colgate	380	1,396	ADD	1,328	30.0	31.2	35.0	46.5	44.8	39.9	31.2	29.0	25.9	64.7	63.9	75.2
Jubilant	234	1,770	REDUCE	1,420	26.8	20.7	35.5	66.0	85.4	49.8	39.6	47.0	30.0	28.4	11.5	21.7
Emami	101	222	REDUCE	221	11.7	11.6	13.0	20.3	21.7	19.1	14.7	15.2	13.6	23.2	24.1	29.9
Radico Khaitan	50	379	BUY	363	16.0	18.2	22.7	23.7	20.9	16.7	14.6	13.1	10.8	14.5	12.8	14.7

Source: Company, HSIE Research

Financials

Consolidated Income Statement

Year End (March)	FY15	FY16	FY17	FY18	FY19	FY20P	FY21E	FY22E
Net Revenues	384,333	391,921	428,036	434,489	483,527	494,041	476,483	539,692
Growth (%)	9.9	2.0	9.2	4.5	11.3	2.2	(3.6)	13.3
Material Expenses	147,722	135,685	160,492	158,555	174,203	173,455	170,581	192,670
Employee Expense	27,723	34,410	36,317	37,609	41,779	42,958	42,827	45,983
ASP Expense	8,385	9,887	8,107	9,041	9,946	10,424	8,577	10,794
Distribution Expense	9,050	8,528	8,560	9,041	11,765	11,363	10,483	12,413
Other Expenses	53,225	58,903	60,201	55,414	61,770	63,239	63,180	71,032
EBITDA	138,229	144,509	154,359	164,830	184,064	192,602	180,836	206,800
EBITDA Growth (%)	8.5	4.5	6.8	6.8	11.7	4.6	(6.1)	14.4
EBITDA Margin (%)	36.0	36.9	36.1	37.9	38.1	39.0	38.0	38.3
Depreciation	10,279	10,774	11,528	12,363	13,966	16,449	17,739	19,119
EBIT	127,950	133,735	142,831	152,467	170,098	176,153	163,096	187,681
Other Income	16,580	15,308	17,615	18,319	21,738	25,979	23,219	25,234
Interest	910	536	243	899	454	547	148	136
PBT	143,621	148,507	160,204	174,016	191,381	200,264	186,167	212,780
Total Tax	45,964	53,582	55,491	59,164	63,139	44,418	46,858	53,557
RPAT	96,632	95,009	104,772	114,927	128,359	155,928	139,404	159,332
Exceptional Gain/(loss)	-	-	-	2,725	495	3,653	-	-
Adjusted PAT	96,632	95,009	104,772	112,202	127,864	152,275	139,404	159,332
APAT Growth (%)	8.4	(1.7)	10.3	7.1	14.0	19.1	(8.5)	14.3
Adjusted EPS (Rs)	8.0	7.9	8.6	9.2	10.4	12.4	11.3	13.0
EPS Growth (%)	7.6	(2.1)	9.6	6.6	13.5	18.8	(8.5)	14.3

Source: Company, HSIE Research

Consolidated Balance Sheet

Particulars (Rs mn)	FY15	FY16	FY17	FY18	FY19	FY20P	FY21E	FY22E
SOURCES OF FUNDS								
Share Capital - Equity	8,016	8,047	12,147	12,204	12,259	12,292	12,292	12,292
Reserves	309,339	418,748	451,982	512,897	565,114	632,552	647,190	694,999
Total Shareholders Funds	317,355	426,795	464,129	525,101	577,372	644,845	659,482	707,291
Minority Interest	2,251	2,609	2,947	3,345	3,435	3,775	3,680	3,571
Long Term Debt	607	267	184	115	82	59	59	59
Short Term Debt	1,954	440	191	174	19	14	16	17
Total Debt	2,561	706	375	289	100	73	75	76
Net Deferred Taxes	16,045	18,395	18,333	18,749	19,927	15,709	11,342	6,626
Other non current liabilities	1,668	2,756	2,174	2,596	2,419	3,194	3,194	3,194
TOTAL SOURCES OF FUNDS	339,880	451,261	487,959	550,080	603,253	667,596	677,773	720,759
APPLICATION OF FUNDS								
Net Block	150,674	149,060	157,778	163,907	191,530	201,343	212,152	219,733
CWIP	31,116	35,759	49,180	77,353	63,618	54,873	48,369	43,167
Goodwill	2,369	2,314	2,314	2,314	2,314	2,314	2,314	2,314
LT Loans & Advances	11,554	29,457	20,849	21,014	16,960	18,349	19,852	21,481
Total Non-current Assets	195,712	216,590	230,120	264,587	274,422	276,878	282,688	286,695
Inventories	85,868	90,621	81,161	74,951	79,440	89,655	86,809	96,000
Debtors	19,812	19,178	24,743	26,823	40,353	25,625	24,714	27,993
Other assets	9,743	11,109	17,471	26,523	30,852	32,394	34,014	35,715
Cash & Equivalents	148,389	179,800	205,488	249,525	278,288	339,481	351,055	387,036
Total Current Assets	263,812	300,707	328,863	377,821	428,932	487,156	496,592	546,743
Creditors	20,205	23,393	26,593	34,962	35,096	36,298	35,495	40,203
Other Current Liabilities & Provnns	99,439	42,643	44,430	57,367	65,006	60,139	66,012	72,476
Total Current Liabilities	119,644	66,036	71,023	92,328	100,101	96,438	101,507	112,679
Net Current Assets	144,168	234,672	257,839	285,493	328,831	390,718	395,086	434,064
TOTAL APPLICATION OF FUNDS	339,880	451,261	487,960	550,080	603,253	667,596	677,773	720,759

Source: Company, HSIE Research

Consolidated Cash Flow

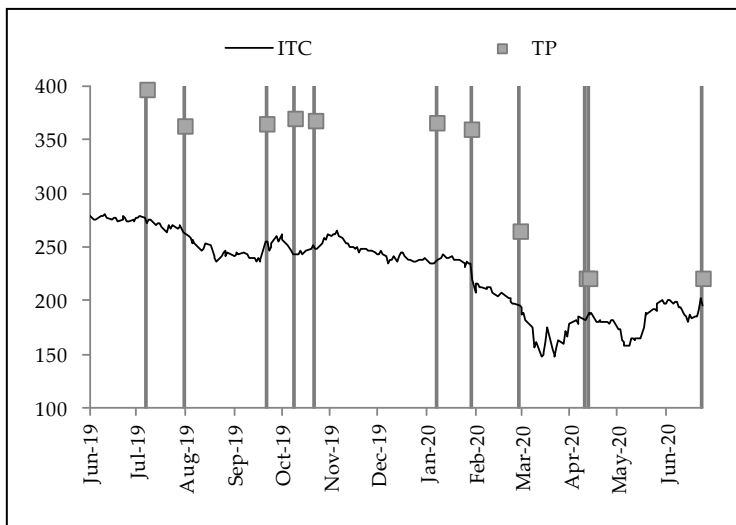
Particulars (Rs mn)	FY15	FY16	FY17	FY18	FY19	FY20P	FY21E	FY22E
Reported PBT	143,621	154,332	160,263	174,091	191,498	200,346	186,167	212,780
Non-operating & EO Items	(5,784)	(5,980)	(2,257)	(3,379)	(17,295)	(23,177)	-	-
Interest Expenses	(5,510)	(8,227)	(8,789)	(8,748)	454	547	(14,949)	(16,169)
Depreciation	10,280	11,528	11,528	12,363	13,966	16,449	17,739	19,119
Working Capital Change	312	(1,666)	444	17,364	(4,755)	2,962	5,702	(4,626)
Tax Paid	(44,486)	(50,812)	(54,916)	(59,996)	(58,035)	(50,229)	(51,225)	(58,273)
OPERATING CASH FLOW (a)	98,432	99,176	106,273	131,694	125,834	146,898	143,434	152,830
Capex	(32,913)	(23,835)	(30,715)	(27,985)	(31,443)	(24,142)	(22,045)	(21,497)
Free Cash Flow (FCF)	65,519	75,340	75,558	103,709	94,391	122,756	121,389	131,333
Investments	9,165	(34,379)	(10,749)	(50,814)	14,219	(54,421)	(15,000)	(15,000)
Non-operating Income	(29,006)	18,558	8,955	7,660	2,971	8,659	15,097	16,305
INVESTING CASH FLOW (b)	(52,754)	(39,657)	(32,509)	(71,139)	(14,253)	(69,904)	(21,948)	(20,193)
Debt Issuance/(Repaid)	315	(127)	(132)	24	(106)	-	1	2
Interest Expenses	(161)	(324)	(255)	(486)	(980)	(438)	(148)	(136)
FCFE	65,672	74,890	75,171	103,247	93,305	122,318	121,242	131,199
Share Capital Issuance	9,788	5,317	10,670	9,128	9,691	6,253	0	(0)
Dividend	(48,756)	(61,258)	(83,330)	(70,884)	(77,328)	(87,090)	(124,766)	(111,523)
Others	(7,796)	(1,300)	37	8	37	(539)	-	-
FINANCING CASH FLOW (c)	(46,610)	(57,692)	(73,010)	(62,211)	(68,686)	(81,814)	(124,912)	(111,657)
NET CASH FLOW (a+b+c)	(932)	1,827	754	(1,656)	42,895	(4,820)	(3,426)	20,981

Key Ratios

	FY15	FY16	FY17	FY18	FY19	FY20P	FY21E	FY22E
PROFITABILITY (%)								
GPM	61.6	65.4	62.5	63.5	64.0	64.9	64.2	64.3
EBITDA Margin	36.0	36.9	36.1	37.9	38.1	39.0	38.0	38.3
EBIT Margin	33.3	34.1	33.4	35.1	35.2	35.7	34.2	34.8
APAT Margin	25.1	24.2	24.5	25.8	26.4	30.8	29.3	29.5
RoE	32.8	25.5	23.5	22.7	23.2	24.9	21.4	23.3
RoIC (or Core RoCE)	50.8	40.3	36.4	37.2	39.2	44.8	39.3	44.2
RoCE	32.5	25.4	23.4	22.6	23.1	24.8	21.3	23.2
EFFICIENCY								
Tax Rate (%)	32.0	36.1	34.6	34.0	33.0	22.2	25.2	25.2
Fixed Asset Turnover (x)	0.6	0.6	0.6	0.6	0.7	0.7	0.8	0.7
Inventory (days)	81.5	84.4	69.2	63.0	60.0	66.2	66.5	64.9
Debtors (days)	18.8	17.9	21.1	22.5	30.5	18.9	18.9	18.9
Other Current Assets (days)	9.3	10.3	14.9	22.3	23.3	23.9	26.1	24.2
Payables (days)	19.2	21.8	22.7	29.4	26.5	26.8	27.2	27.2
Other Current Liab & Provs (days)	94.4	39.7	37.9	48.2	49.1	44.4	50.6	49.0
Cash Conversion Cycle (days)	(4.0)	51.1	44.6	30.2	38.2	37.9	33.7	31.8
Net D/E (x)	(0.5)	(0.4)	(0.4)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)
Interest Coverage (x)	140.7	249.5	587.8	169.6	374.5	322.2	1,103.3	1,382.8
PER SHARE DATA (Rs)								
EPS	8.0	7.9	8.6	9.2	10.4	12.4	11.3	13.0
CEPS	8.9	8.8	9.6	10.2	11.6	13.7	12.8	14.5
Dividend	4.2	5.7	4.7	5.2	5.8	10.2	9.1	10.4
Book Value	26.4	35.4	38.2	43.0	47.1	52.5	53.7	57.5
VALUATION								
P/E (x)	24.3	24.8	22.6	21.2	18.7	15.7	17.2	15.0
P/BV (x)	7.4	5.5	5.1	4.5	4.1	3.7	3.6	3.4
EV/EBITDA (x)	15.9	15.0	14.0	12.9	11.5	10.7	11.3	9.7
EV/Revenues (x)	5.7	5.5	5.1	4.9	4.4	4.2	4.3	3.7
OCF/EV (%)	4.5	4.6	4.9	6.2	6.0	7.1	7.0	7.6
FCF/EV (%)	3.0	3.5	3.5	4.8	4.5	6.0	5.9	6.5
FCFE/Mkt Cap (%)	2.8	3.2	3.2	4.3	3.9	5.1	5.1	5.5
Dividend Yield (%)	2.1	2.9	2.4	2.6	2.9	5.2	4.7	5.3

Source: Company, HSIE Research

RECOMMENDATION HISTORY



Date	CMP	Reco	Target
9-Jul-19	273	BUY	397
5-Aug-19	265	BUY	362
22-Sep-19	238	BUY	365
11-Oct-19	238	BUY	370
25-Oct-19	249	BUY	368
9-Jan-20	236	BUY	366
1-Feb-20	235	BUY	360
2-Mar-20	198	BUY	265
13-Apr-20	185	BUY	221
14-Apr-20	182	BUY	221
28-Jun-20	196	BUY	221

From 2nd March 2020, we have moved to new rating system

Rating Criteria

- BUY: >+15% return potential
 ADD: +5% to +15% return potential
 REDUCE: -10% to +5% return potential
 SELL: >10% Downside return potential

Disclosure:

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