

# United Spirits

## Estimate change

### TP change

### Rating change



Bloomberg	UNSP IN
Equity Shares (m)	727
M.Cap.(INRb)/(USDb)	598.1 / 7.7
52-Week Range (INR)	1020 / 607
1, 6, 12 Rel. Per (%)	-3/-5/26
12M Avg Val (INR M)	1789

## Financials & Valuations (INR b)

Y/E March	2022	2023E	2024E
Sales	93.8	97.0	100.1
Sales Gr. (%)	18.9	3.4	3.2
EBITDA	14.9	16.0	18.0
Margin (%)	15.8	16.5	18.0
PAT	9.1	10.0	11.7
EPS (INR)	12.5	13.7	16.1
EPS Gr. (%)	97.3	9.3	17.2
BV/Sh.(INR)	67.5	71.5	75.5
<b>Ratios</b>			
RoE (%)	18.6	19.2	21.3
RoCE (%)	25.4	26.7	29.3
Payout (%)	0.0	72.9	37.3
<b>Valuations</b>			
P/E (x)	65.6	60.0	51.2
P/BV (x)	12.2	11.5	10.9
EV/EBITDA (x)	40.1	37.2	33.0

## Shareholding pattern (%)

As On	Mar-22	Dec-21	Mar-21
Promoter	56.7	56.7	56.8
DII	10.4	10.4	9.7
FII	17.7	17.9	18.9
Others	15.1	14.9	14.7

FII Includes depository receipts

**CMP: INR823**
**TP: INR805 (-2%)**
**Neutral**

## Near term outlook challenging; valuations fair

- While EBITDA was ahead of our 4QFY22 estimate, underlying volume growth was weak. The pressure on gross margin was much higher than anticipated, with an over 200bp YoY and 300bp QoQ dip. There was significant inflation in ENA costs towards the end of 4QFY22. UNSP's entire commodity basket is seeing high inflation. Price increases have been granted only in Assam, Rajasthan, and Madhya Pradesh. If other states don't follow suit, gross margin pressures could be very significant over the next few quarters.
- The conclusion of the strategic review resulted in the sale of half (by net sales) of UNSP's Popular portfolio. While this is a welcome move, EBITDA margin on its Popular portfolio, at over 14% (shared for the first time), including franchisee income, is higher than anticipated. This means that its existing margin on its P&A portfolio is lower than the ~19-20% level that were assumed earlier, and the gap between UNSP and Pernod Ricard India's margin (at mid-20s level) is wider than expected.
- We maintain our **Neutral** rating, given: 1) an uncertain near-term outlook, 2) a gradual improvement in medium term profitability, and 3) fair valuations of 51x FY24E EPS.

## Sales and gross profit below our expectations, other expenses led EBITDA beat

- Standalone net sales grew 9.5% YoY to INR24.4b (est. INR25.5b).
- Reported volumes grew 5% (est. 8%).
- Gross margin contracted by 220bp YoY to 41.7%**, led by input cost inflation, but was partially offset by favorable product mix and productivity savings.
- As a percentage of sales, higher advertising costs (+80bp), lower other expenses (-200bp), and flat staff costs on a YoY basis led to a **100bp contraction in EBITDA margin to 17.5%** (est. 15.5%). On an absolute basis, ad spends rose 29% YoY.
- Reported EBITDA grew 3.6% YoY to INR4.3b (est. INR4b).
- PBT/adjusted PAT grew 15.2%/27% YoY to INR3.7b/INR3.1b (est. INR3.1b/INR2.3b).
- Sales/EBITDA/adjusted PAT grew 18.9%/50.5%/97.3% YoY in FY22. Volumes in FY22 grew 11.9% YoY.

## Highlights from the management commentary

- ENA is witnessing high single-digit inflation YoY on account of geopolitical tensions. Glass (bottles) inflation is even higher. The remainder of COGS is packaging costs, which are also inflating.
- Assam, Rajasthan, and MP have granted price increases, and the management awaits increases from other states.

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**Investors are advised to refer through important disclosures made at the last page of the Research Report.**

Motilal Oswal research is available on [www.motilaloswal.com/Institutional-Equities](http://www.motilaloswal.com/Institutional-Equities), Bloomberg, Thomson Reuters, Factset and S&P Capital.

- A&P's salience to sales will rise after the sale of Popular brands is concluded as the management was not spending much on the .non-P&A segment.
- EBITDA margin was ~14% for brands, which were part of the slump sale, as the management does not spend on A&P in these brands. The reason for the sale is that UNSP does not have a right to win in these segments, and the sale frees up management bandwidth towards P&A, which, in turn, also plays to Diageo's global strengths.
- There are encumbrances on some of the Popular brands, which have been franchised, but the management is confident of sorting these out as they have paid off any attached loans. This is the main approval required. There are no CCI approvals required.

### Valuation and view

- Changes to our model have led to a 5%/-4.8%% impact on our FY23/FY24 EPS estimate as we factor in the impact from part sale of the Popular portfolio and rising raw material cost.
- We had [downgraded UNSP to Neutral in Nov'21](#) after the stock outperformed our coverage universe. Fair valuations after the outperformance, potential headwinds in the form of cost inflation (also highlighted in our [Feb'22 AlcoBev note](#)), and possible delays in price increases will affect the stock's performance. Around 70% of UNSP's sales accrue from markets where state governments regulate pricing. While the route-to-market change in Delhi and Madhya Pradesh are positives, differential excise on beer and spirits being experimented by a few states may be a potential headwind for spirits stocks if other states follow suit, especially if beer volume growth offsets the excise foregone.
- We maintain our **Neutral** rating with a TP of INR805, valuing the stock at 50x FY24E EPS.

### Quarterly performance

Y/E March (Standalone)	FY21				FY22				(INR m)			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	FY21	FY22	FY22E 4QE	Var. (%)
Volume growth (%)	-49.2	-3.9	-0.8	8.1	61.2	3.5	3.7	5.0	-11.3	11.9	8.0	
Total revenue	10,302	21,459	24,887	22,244	16,151	24,468	28,847	24,351	78,892	93,817	25,507	-4.5%
YoY change (%)	-53.6	-6.5	-3.6	11.6	56.8	14.0	15.9	9.5	-13.2	18.9	14.7	
Gross Profit	4,291	9,041	11,102	9,776	7,205	11,023	12,727	10,166	34,210	41,121	10,968	-7.3%
Margin (%)	41.7	42.1	44.6	43.9	44.6	45.1	44.1	41.7	43.4	43.8	43.0	
EBITDA	-776	2,697	3,838	4,118	1,677	4,014	4,907	4,267	9,877	14,865	3,954	7.9%
Margin (%)	-7.5	12.6	15.4	18.5	10.4	16.4	17.0	17.5	12.5	15.8	15.5	
EBITDA growth (%)	-119.5	-35.1	-9.5	51.7	L/P	48.8	27.9	3.6	-34.5	50.5	-4.0	
Depreciation	638	571	614	670	554	655	662	671	2,493	2,542	697	
Interest	499	507	377	275	198	230	338	127	1,658	893	196	
PBT From operations	-1,913	1,619	2,847	3,173	925	3,129	3,907	3,469	5,726	11,430	3,061	
Other income	95	128	194	61	106	35	16	258	478	415	82	
PBT	-1,818	1,747	3,041	3,234	1,031	3,164	3,923	3,727	6,204	11,845	3,143	18.6%
Tax	-415	463	742	797	168	921	1,012	633	1,587	2,734	817	
Rate (%)	22.8	26.5	24.4	24.6	16.3	29.1	25.8	17.0	25.6	23.1	26.0	
Adj. PAT	-1,403	1,284	2,299	2,437	863	2,243	2,911	3,094	4,617	9,111	2,326	33.0%
YoY change (%)	-170.6	-42.8	-11.2	124.1	L/P	74.7	26.6	27.0	-41.6	97.3	-4.6	

E: MOFSL estimate

## Key performance indicators

Y/E March (Standalone)	FY21				FY22			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
<b>Key Metrics</b>								
Sales Volume (m Cases)	9.8	19.9	21.3	19.7	15.8	20.5	22.1	20.7
Volume Growth (%)	-49.2	-3.9	-0.8	8.1	61.2	3.5	3.7	5.0
Realisation/case (INR)	1,051	1,081	1,166	1,126	1,022	1,191	1,303	1,175
Realisation growth (%)	-8.5	-3.0	-2.9	3.3	-2.8	10.2	11.7	4.3
EBIDTA/Case (INR)	-79.2	135.8	179.8	208.5	106.1	195.4	221.6	205.8
<b>Segmental performance</b>								
P&A Volumes (m Cases)	5.0	10.8	11.4	10.0	8.0	11.4	12.3	10.9
Popular Volumes (m Cases)	4.8	9.1	9.9	9.7	7.8	9.1	9.8	9.8
P&A Volumes Growth (%)	-51.5	-0.6	0.6	19.4	60.0	6.1	7.9	8.8
Popular Volumes Growth (%)	-46.7	-7.5	-2.3	-1.5	62.5	0.4	-1.1	1.0
P&A Sales Growth (%)	-52.0	1.0	-1.0	25.8	58.4	20.8	20.0	15.3
Popular Sales Growth (%)	-51.0	-12.5	-7.0	-3.1	60.2	0.0	-1.7	1.1
<b>Average growth for the last two years (%)</b>								
Volume	-21.6	-1.5	-1.3	-2.6	6.0	-0.2	1.5	6.6
Sales	-21.6	-1.7	-0.1	0.1	1.6	3.7	6.1	10.5
EBITDA	-26.6	-20.6	4.4	23.7	-28.9	6.9	9.2	27.7
PAT	-41.0	-28.0	5.3	53.6	-28.3	15.9	7.7	75.5
<b>As a percentage of Sales</b>								
COGS	58.3	57.9	55.4	56.1	55.4	54.9	55.9	58.3
Operating expenses	49.2	29.6	29.2	25.4	34.2	28.6	27.1	24.2
Depreciation	6.2	2.7	2.5	3.0	3.4	2.7	2.3	2.8
<b>YoY change (%)</b>								
COGS	-48.6	-1.7	-4.0	8.1	48.8	8.3	16.9	13.8
Operating expenses	-22.4	2.8	0.6	-0.6	9.1	10.5	7.7	4.3
Other Income	-5.9	-6.6	10.2	48.8	11.6	-72.7	-91.8	323.0
EBIT	-140.7	-40.7	-13.2	69.4	N/M	58.0	31.7	4.3

E: MOFSL estimates

## Outcome of the strategic review of Popular brands

Following the strategic review of select Popular brands announced on 23rd Feb'21, the board on 27th May'22 approved the sale of the business undertaking associated with 32 brands and the franchising of 11 Popular brands to an unrelated party. The transaction is subject to the approval of the shareholders and other customary closing conditions. There is no impact of this transaction on the standalone and consolidated financials for the quarter and year-ended 31st Mar'22. The official press release can be read [here](#).

## Key takeaways from the press release:

- **Outcomes:** UNSP has approved the sale and franchise of certain Popular brands to Inbrew Beverages Pvt. (Inbrew).
- **Inbrew** is engaged in the business of brewing, distributing, and selling beer under its own brand (Thunderbolt) and franchise beer brands (Miller, Carling, and Blue Moon). It had gross/net revenue of INR3.4/INR1.4b in FY22.
- **Sale of Popular brands:** The sale involves the entire business undertaking associated with the 32 brands (refer detailed list on page three), including iconic brands Haywards, Old Tavern, White Mischief, Honey Bee, Green Label, and Romanov, for ~INR8.2b. The transaction includes related contracts, permits, intellectual property rights, associated employees, and a manufacturing facility.

The deal is subject to approvals, and hence, there is no timeline on when the cash proceeds will be received by UNSP.

- **Exclusions to the sales:** The transaction does not include the McDowell's or Director's Special brands, which will be retained by UNSP.
- **Franchisee agreement:** In addition to the above, USL and Inbrew has entered into a five-year franchise arrangement for 11 other brands (refer detailed list on page three), including Bagpiper. USL has also granted Inbrew a right, subject to certain conditions, to convert the fixed-term franchise arrangement into perpetual rights and/or a call option to acquire the brands at a pre-agreed consideration.
- **Option at the end of the fixed franchise period:** At any time during the term of the franchise agreement, Inbrew is entitled to convert the fixed-term franchise arrangement into perpetual rights by executing a 'Long Term Franchise Agreement', subject to payment of a pre-agreed consideration. Assuming that the long-term franchise agreement is executed at the end of five years from the date of commencement of the fixed-term franchise agreement, ~INR12.9b will be payable by Inbrew, of which an agreed amount will be payable upfront and the balance payable as royalty in 20 quarterly installments. Assuming that Inbrew exercises its option to convert the fixed-term franchise agreement into a long-term franchise agreement and all royalty installments under the latter are duly paid, INR378m will be payable by Inbrew at the time of assignment of the franchised brands by the company.

### Key financial highlights

- Revenue from the 32 brands sold stood at INR59.7b, which is 19% of consolidated sales and ~53% of Popular's portfolio sales in FY22.
- P&A's salience to consolidated sales was 73% in FY22. Excluding revenue from these 32 brands in FY22, P&A's salience to consolidated revenue will rise to 84%.
- It has a zero net debt position at the end of FY22. Completion of the deal will result in cash proceeds of INR8.2b for UNSP (no tax impact likely since it was a slump sale).
- We await details on its capital allocation plans in the conference call on 30th May'22.

### Brands covered by the slump sale agreement

1. Amber
2. Black Stallion
3. Bombay Deluxe
4. Derby
5. Diplomat
6. Doctor's Brandy
7. Doctor's Special
8. Doctor's Day and Night
9. Golconda
10. Gold Medal
11. Golden Grape

12. Green Label
13. Haywards
14. Honey Bee
15. John ExShaw/ExShaw
16. Joie De Franc
17. Kerala Malted
18. Kissan
19. Louis Vernant
20. Louis XI
21. Majestic
22. Men's Choice
23. Men's Club
24. Old Tavern
25. Old Adventurer
26. Regal Crest
27. Romanov
28. VIN
29. White Mischief
30. French VSOP
31. Bonaparte VSOP
32. Tiger

#### **Brands covered by the franchise agreement**

1. Bagpiper
2. Black Riband
3. Blue Riband
4. Carew's
5. Duet
6. Gold Riband
7. Old Cask
8. Red Riband
9. Silk Riband
10. Silver Riband
11. White Riband

#### **Highlights from the management commentary**

##### **Details after strategic review of Popular brands**

- Reported volumes in FY22 were ~79m cases with NSV of INR93b. P&A salience was 74% and Popular portfolio comprised 47 brands
- Post change volume would be around 56m cases with NSV INR80b, P&A NSV salience 85% with total brands reducing to 15 brands
- The total sales value of brands sold post review would be ~INR7.6b.
- The transaction is likely to be completed by 30<sup>th</sup> Sep'22, and the management will come back with its guidance on conclusion of the deal.
- Brands sold on a slump sale have an EBITDA margin of ~14%, as the company doesn't spend on advertisements on these brands.



- Management shared the reason for sale of these brands is that UNSP does not have a right to win in these segments, and the sale frees up management time towards P&A which in turn also plays to Diageo's global strengths.
- Working Capital is an integral component of brand sales and new franchise agreement.
- There are encumbrances on some of the Popular brands sold which management is confident on sorting out as they have paid off the loans. There are no CCI approvals required for the review.
- There will be additional transaction cost over to the net of slump sale value of INR8.3b
- Inbrew (the purchaser of Popular brands) will not be a competitive threat, as Management believes there is room for everyone to grow and UNSP would like to focus more on P&A segment
- Management has not indicated any plans with the consideration received. And would need to wipe out accumulated losses before paying dividend.
- Royalty details on franchise brands have not been shared. It will be lower in the initial years of the new agreement.

#### Strategic refresh update

- **Luxury and premium portfolio**
  - (a) The management is boosting P&A communications and growth, especially in the Scotch portfolio. Also, it now has a new visual identity in 400 walk-in stores
  - (b) Black & White campaign with Master Chef – 'Heston Blumenthal'. Also, 'Hipster' witnessing higher visibility
  - (c) 'Black Dog' is witnessing good traction since its relaunch
- Scotch portfolio saw a strong double-digit growth in FY22
- Prestige- Royal Challenge is witnessing positive momentum in Telangana and Andhra Pradesh
- McDowell No 1 is also doing well
- **UNSP's new growth engines** – Craft Whisky and Gin launches – Its Epite Reserve limited range did well. It launched Godawan Single Malt artisanal Whisky, which has received a good response. Its Hapusa craft Gin has been received well and can be a good brand for Indian origin expats overseas.
- The company exceeded annual targets on marketing initiatives. Also launched "in.bar.com" under its **Digital initiative**, in FY22
- Launched Diageo India distillation and maturing university to boost capabilities
- The management expects to be plastic neutral by the end of FY23
- 'Hipster' packaging would be moving to biodegradable and recyclable packs. Already moved for its 'Black and White' variant and would implement the same for other brands in their Hipster platform.
- The company's 48% of hires were women, in the last 16 months

#### Other financial highlights

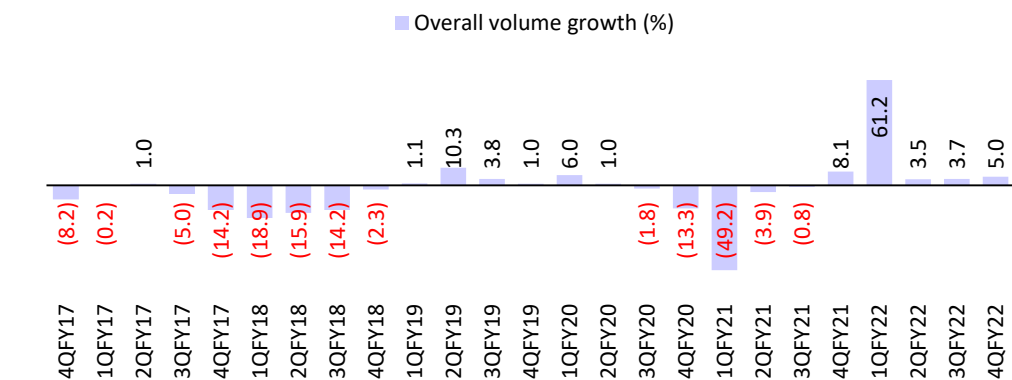
- The company achieved debt free status by the end of 3QFY22 and was net cash positive by the end of FY22

- Interest cost of INR920m in FY22, included INR650m on non-debt finance costs
- Management believes that near term outlook to remain challenging. And is also seeing global supply chain disruptions.
- ENA and Glass accounts for two-thirds of COGS and both commodities are under inflationary pressure. Whereas packaging accounts for remaining cost which is also witnessing cost increases
- **Price increases**- Assam, Rajasthan and MP have granted price increases and management is awaiting price increases from other states
- Ad spend was affected due to the Omicron COVID wave during the quarter. A&P, as a proportion to sales, will go up after the sales of Popular brand, as the company's spending on the non P&A portfolio was low
- Management remains bullish on medium to long term opportunity despite near term challenges.

## Key exhibits

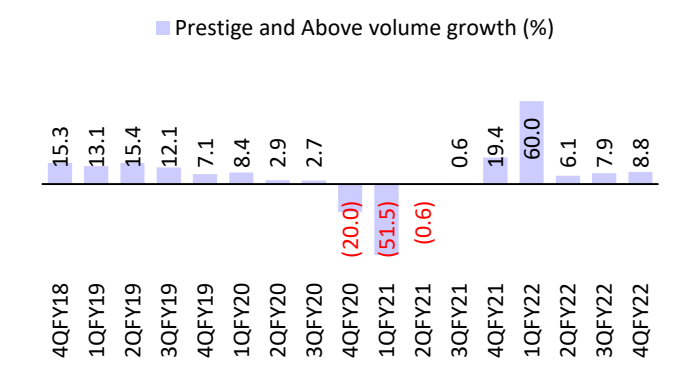
- **Prestige and above (P&A)** volumes rose 8.8% YoY, while the Popular segment rose 1%.
- Net sales for the **P&A** segment grew 15.3% YoY, by ongoing portfolio renovation, premiumization, and accelerated momentum in states with the route to market unlock. P&A accounted for 72.5% of net sales in FY22.
- Net sales for the **Popular** segment grew 1.1% YoY.

**Exhibit 1: Overall volumes grew 5% YoY to 20.7m cases in 4QFY22**



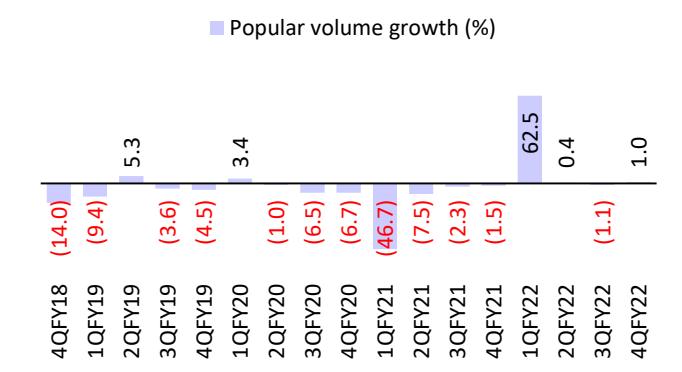
Source: Company, MOFSL

**Exhibit 2: P&A volumes grew 8.8% YoY in 4QFY22**



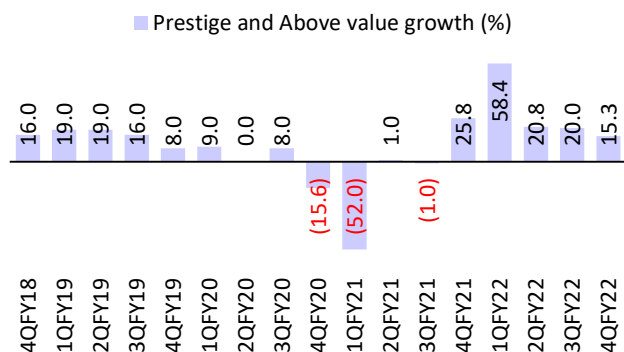
Source: Company, MOFSL

**Exhibit 3: Popular volumes grew 1% YoY in 4QFY22**

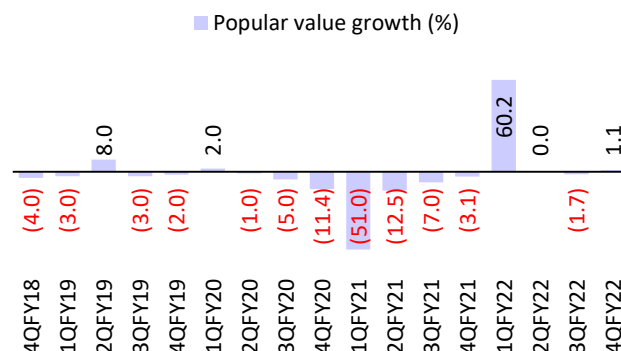


Source: Company, MOFSL

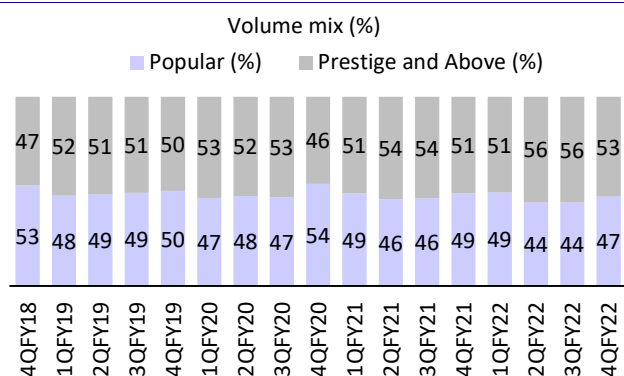


**Exhibit 4: Value growth in P&A stood at 15.3% YoY in 4QFY22**

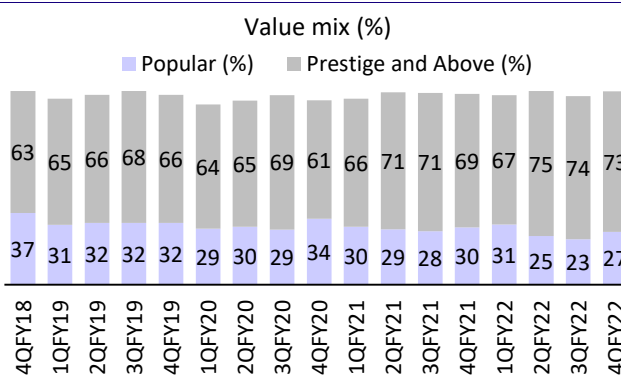
Source: Company, MOFSL

**Exhibit 5: Popular sales grew by 1.1% YoY in 4QFY22**

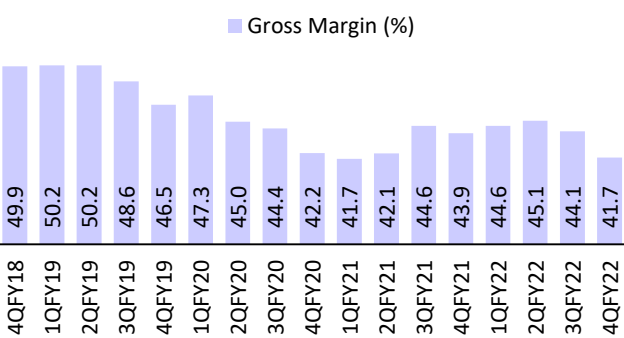
Source: Company, MOFSL

**Exhibit 6: Contribution of P&A volumes stood at 53%...**

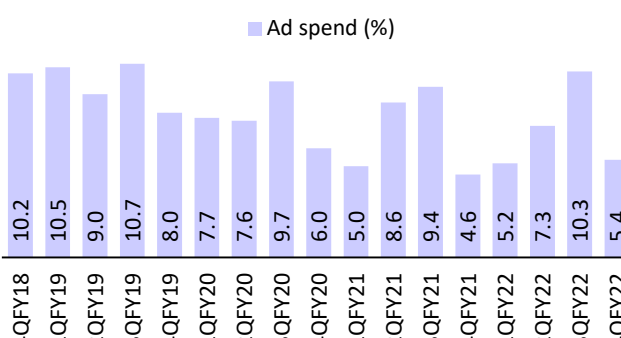
Source: Company, MOFSL

**Exhibit 7: ...while the value contribution stood at 73%**

Source: Company, MOFSL

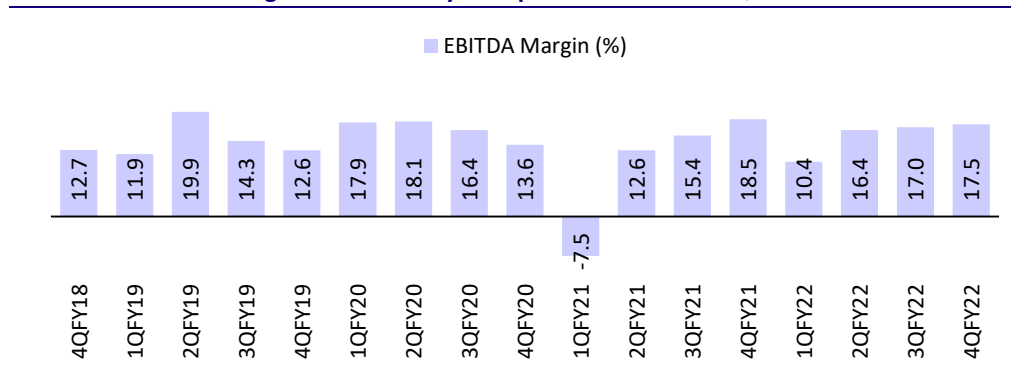
**Exhibit 8: Gross margin contracts by 220bp YoY to 41.7%**

Source: Company, MOFSL

**Exhibit 9: Ad spends rose 80bp YoY to 5.4% of sales**

Source: Company, MOFSL



**Exhibit 10: EBITDA margin contracted by 100bp YoY to 17.5% in 4QFY22**

Source: Company, MOFSL

**Valuation and view**

- Changes to our model have led to a 5%/-4.8%% impact to our FY23/FY24E EPS estimate as we factor in the impact of the sale of part of the Popular portfolio and rising raw material cost impact.
- We had [downgraded UNSP to Neutral in Nov'21](#) after the stock outperformed our coverage universe. Fair valuations after the outperformance, and potential headwinds in the form cost inflation (also highlighted in our [Feb'22 AlcoBev note](#)), and possible delays in price increases will affect stock performance. ~70% of UNSP's sales comes from markets where state governments regulate pricing. While the route-to-market change in Delhi and Madhya Pradesh are positives, differential excise on beer and spirits being experimented in a few states could be a potential headwind for spirits stocks if other states follow suit, especially if beer volume growth offsets the excise foregone.
- We maintain our Neutral rating with a TP of INR805, valuing the stock at 50x FY24E EPS.

**Exhibit 11: Change our FY23/FY24 PAT estimate by 5%/-4.8%**

(INR b)	New estimate		Old estimate		Change (%)	
	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E
Total Income	97.0	100.1	104.5	117.6	-7.2	-14.9
EBITDA	16.0	18.0	15.7	19.2	2.1	-6.0
Adjusted PAT	10.0	11.7	9.5	12.3	5.0	-4.8

Source: Company, MOFSL

## Financials and valuations

### Income Statement

(INR m)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
<b>Net Sales</b>	<b>81,269</b>	<b>89,322</b>	<b>90,565</b>	<b>78,652</b>	<b>93,817</b>	<b>96,971</b>	<b>1,00,078</b>
Other Operating Inc.	432	484	344	240	0	0	0
<b>Total Revenue</b>	<b>81,701</b>	<b>89,806</b>	<b>90,909</b>	<b>78,892</b>	<b>93,817</b>	<b>96,971</b>	<b>1,00,078</b>
Change (%)	-4.4	9.9	1.2	-13.2	18.9	3.4	3.2
<b>Gross Profit</b>	<b>39,725</b>	<b>43,857</b>	<b>40,689</b>	<b>34,210</b>	<b>41,121</b>	<b>42,667</b>	<b>45,335</b>
Margin (%)	48.6	48.8	44.8	43.4	43.8	44.0	45.3
Other Expenditure	-29,446	-30,983	-25,608	-24,333	-26,256	-26,667	-27,321
<b>EBITDA</b>	<b>10,279</b>	<b>12,874</b>	<b>15,081</b>	<b>9,877</b>	<b>14,865</b>	<b>16,000</b>	<b>18,014</b>
Change (%)	5.9	25.2	17.1	-34.5	50.5	7.6	12.6
Margin (%)	12.6	14.3	16.6	12.5	15.8	16.5	18.0
Depreciation	-1,351	-1,445	-2,275	-2,493	-2,542	-2,796	-2,936
Int. and Fin. Charges	-2,675	-2,200	-1,907	-1,658	-893	-447	-223
Other Income	1,080	952	455	478	415	560	756
<b>Profit before Taxes</b>	<b>7,333</b>	<b>10,181</b>	<b>11,354</b>	<b>6,204</b>	<b>11,845</b>	<b>13,318</b>	<b>15,611</b>
Change (%)	26.3	38.8	11.5	-45.4	90.9	12.4	17.2
Margin (%)	9.0	11.3	12.5	7.9	12.6	13.7	15.6
Tax	2,433	3,416	3,445	1,587	2,734	3,356	3,934
Tax Rate (%)	33.2	33.6	30.3	25.6	23.1	25.2	25.2
<b>Adjusted PAT</b>	<b>4,900</b>	<b>6,765</b>	<b>7,909</b>	<b>4,617</b>	<b>9,111</b>	<b>9,962</b>	<b>11,677</b>
Change (%)	26.1	38.1	16.9	-41.6	97.3	9.3	17.2
Margin (%)	6.0	7.5	8.7	5.9	9.7	10.3	11.7
Non-rec. (Exp.)/Income	717	-179	-862	-1,514	-1,413	0	0
<b>Reported PAT</b>	<b>5,617</b>	<b>6,586</b>	<b>7,047</b>	<b>3,103</b>	<b>7,698</b>	<b>9,962</b>	<b>11,677</b>

### Balance Sheet

(INR m)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Share Capital	1,453	1,453	1,453	1,453	1,453	1,453	1,453
Reserves	23,585	29,862	36,644	39,815	47,564	50,457	53,416
<b>Net Worth</b>	<b>25,038</b>	<b>31,315</b>	<b>38,097</b>	<b>41,268</b>	<b>49,017</b>	<b>51,910</b>	<b>54,869</b>
Loans	32,505	25,825	15,195	7,134	2,637	1,137	637
Deferred Tax Liabilities	-856	-1,878	-1,590	-1,711	-1,478	-1,478	-1,478
<b>Capital Employed</b>	<b>56,687</b>	<b>55,262</b>	<b>51,702</b>	<b>46,691</b>	<b>50,176</b>	<b>51,569</b>	<b>54,028</b>
Gross Block	13,561	16,406	19,315	21,469	24,015	25,015	26,015
Less: Accum. Depn.	-3,540	-5,124	-5,968	-8,461	-11,003	-13,799	-16,735
<b>Net Fixed Assets</b>	<b>10,021</b>	<b>11,282</b>	<b>13,347</b>	<b>13,008</b>	<b>13,012</b>	<b>11,216</b>	<b>9,280</b>
Capital WIP	980	1,171	1,187	865	897	897	897
Investments	2,775	2,984	2,526	2,021	4,390	3,890	3,090
<b>Curr. Assets, L&amp;A</b>	<b>71,778</b>	<b>69,308</b>	<b>66,895</b>	<b>63,807</b>	<b>64,376</b>	<b>70,185</b>	<b>76,899</b>
Inventory	18,694	18,767	18,361	19,810	20,771	20,364	21,016
Account Receivables	26,998	25,181	22,835	21,601	23,021	26,567	27,419
Cash and Bank	1,198	588	345	553	328	611	406
Others	24,888	24,772	25,354	21,843	20,256	22,643	28,058
<b>Curr. Liab. and Prov.</b>	<b>28,867</b>	<b>29,483</b>	<b>32,253</b>	<b>33,010</b>	<b>32,499</b>	<b>34,619</b>	<b>36,138</b>
Account Payables	13,935	13,360	11,712	13,813	15,048	15,988	16,198
Other Liabilities	11,490	12,346	16,196	13,743	12,743	14,017	15,419
Provisions	3,442	3,777	4,345	5,454	4,708	4,614	4,522
<b>Net Current Assets</b>	<b>42,911</b>	<b>39,825</b>	<b>34,642</b>	<b>30,797</b>	<b>31,877</b>	<b>35,566</b>	<b>40,761</b>
<b>Application of Funds</b>	<b>56,687</b>	<b>55,262</b>	<b>51,702</b>	<b>46,691</b>	<b>50,176</b>	<b>51,569</b>	<b>54,028</b>

E: MOFSL estimates

## Financials and valuations

### Ratios

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
<b>Basic (INR)</b>							
<b>EPS</b>	<b>6.7</b>	<b>9.3</b>	<b>10.9</b>	<b>6.4</b>	<b>12.5</b>	<b>13.7</b>	<b>16.1</b>
Cash EPS	8.6	11.3	14.0	9.8	16.0	17.6	20.1
BV/Share	34.5	43.1	52.4	56.8	67.5	71.5	75.5
DPS	0.0	0.0	0.0	0.0	0.0	10.0	6.0
Payout (%)	0.0	0.0	0.0	0.0	0.0	72.9	37.3
<b>Valuation (x)</b>							
P/E	122.0	88.4	75.6	129.5	65.6	60.0	51.2
Cash P/E	95.7	72.8	58.7	84.1	51.3	46.9	40.9
EV/Sales	1.8	1.6	1.5	1.6	1.3	1.2	1.2
EV/EBITDA	61.0	48.2	40.5	61.0	40.1	37.2	33.0
P/BV	23.9	19.1	15.7	14.5	12.2	11.5	10.9
<b>Return Ratios (%)</b>							
RoE	19.6	21.6	20.8	11.2	18.6	19.2	21.3
RoCE	11.6	14.7	17.3	16.8	25.4	26.7	29.3
RoIC	11.3	14.9	18.2	12.1	21.6	21.8	23.5
<b>Working Capital Ratios</b>							
Asset Turnover (x)	1.4	1.6	1.8	1.7	1.9	1.9	1.9
<b>Leverage Ratio</b>							
Debt/Equity ratio (x)	1.3	0.8	0.4	0.2	0.1	0.0	0.0

### Cash Flow Statement

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
<b>(INR m)</b>							
OP/(loss) before Tax	8,403	9,914	11,347	4,690	10,240	13,318	15,611
Int./Div. Received	205	1,245	-559	1,887	2,248	-560	-756
Depreciation and Amort.	1,351	1,445	2,275	2,493	2,542	2,796	2,936
Interest Paid	1,708	1,775	1,626	1,428	377	447	223
Direct Taxes Paid	-3,898	-8,238	-5,658	-1,253	-4,463	-3,356	-3,934
Incr./Decr. in WC	1,694	2,434	-2,361	8,036	-2,059	-3,405	-5,401
<b>CF from Operations</b>	<b>9,463</b>	<b>8,575</b>	<b>6,670</b>	<b>17,281</b>	<b>8,885</b>	<b>9,239</b>	<b>8,679</b>
(Incr.)/Decr. in FA	41	-656	-1,978	-1,062	-778	-1,000	-1,000
<b>Free Cash Flow</b>	<b>9,621</b>	<b>8,332</b>	<b>6,331</b>	<b>16,410</b>	<b>8,277</b>	<b>8,799</b>	<b>8,435</b>
(Pur.)/Sale of Investments	213	319	0	0	-2,221	500	800
Other investing items	1,174	-142	599	993	554	196	-4,359
<b>CF from Invest.</b>	<b>1,545</b>	<b>-66</b>	<b>260</b>	<b>122</b>	<b>-2,275</b>	<b>256</b>	<b>-3,803</b>
Issue of Shares	0	0	0	0	0	0	0
Incr./Decr. in Debt	-7,902	-7,004	-5,572	-15,981	-6,558	-1,500	-500
Dividend Paid	0	0	0	0	0	-7,265	-4,359
Others	-2,431	-2,115	-1,601	-1,214	-277	-447	-223
<b>CF from Fin. Activity</b>	<b>-10,333</b>	<b>-9,119</b>	<b>-7,173</b>	<b>-17,195</b>	<b>-6,835</b>	<b>-9,212</b>	<b>-5,082</b>
<b>Incr./Decr. in Cash</b>	<b>675</b>	<b>-610</b>	<b>-243</b>	<b>208</b>	<b>-225</b>	<b>283</b>	<b>-206</b>
Add: Opening Balance	523	1,198	588	345	553	328	611
<b>Closing Balance</b>	<b>1,198</b>	<b>588</b>	<b>345</b>	<b>553</b>	<b>328</b>	<b>611</b>	<b>406</b>

E: MOFSL estimates

NOTES

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

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