

Jyothy Laboratories

Estimate change	↔
TP change	↑
Rating change	↔

Bloomberg	JYL IN
Equity Shares (m)	367
M.Cap.(INRb)/(USD\$b)	189.2 / 2.3
52-Week Range (INR)	554 / 180
1, 6, 12 Rel. Per (%)	8/55/128
12M Avg Val (INR M)	377

Financials & Valuations (INR b)

Y/E March	2024E	2025E	2026E
Net Sales	27.8	30.7	33.8
Sales Gr. (%)	11.9	10.4	10.2
EBITDA	4.9	5.4	6.0
EBITDA Margins (%)	17.6	17.6	17.8
Adj PAT	3.7	4.1	4.6
Adj.EPS (INR)	10.0	11.1	12.5
EPS Gr. (%)	57.8	11.3	12.1
BV/Sh (INR)	47.2	51.8	57.7

Ratios

RoE (%)	22.4	22.5	22.8
RoCE (%)	22.6	22.7	23.0
Payout (%)	48.4	58.7	52.4

Valuation

P/E (x)	51.4	46.2	41.2
P/BV (x)	10.9	9.9	8.9
EV/EBITDA	37.8	33.9	29.9
Div. Yield (%)	0.8	1.1	1.1

Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	62.9	62.9	62.9
DII	13.9	14.1	17.1
FII	14.7	14.6	13.4
Others	8.6	7.8	6.6

FII Includes depository receipts

CMP: INR514 **TP: INR500 (-3%)** **Neutral**

In-line performance; focus on volume-driven growth

- Jyothy Laboratories (JYL) reported an in-line sales at INR 6.7b, a growth of 11% YoY (four-year CAGR at 13.6%). Volume growth stood at 11% YoY.
- Fabric care sustained double-digit growth (12%); healthy demand seen in the mid-price detergent powder. Dishwashing growth was slightly slow at 7%, after clocking a double-digit growth in 1HFY24, driven by competition from local or regional players. HI remained weak at 5% YoY growth; four-year CAGR stood at 2%.
- Gross margin tailwinds continued; GM was up 650/50bp YoY/QoQ to 50%. Thereby, EBITDA margin saw an improvement of 350bp to 17.5% (continue to enjoy historically best margin).
- We model 10%/11% revenue/EBITDA CAGR over FY24-26E. With a stable RM basket, we expect EBITDA margin to sustain at 17-18%.
- We believe a large part of GM led earnings growth witnessed in 9MFY24 will be normalized in FY25. Here onwards, market share gain and success of new launches will be critical drivers for earnings growth. With rich valuation, we maintain our Neutral rating with a **TP of INR 500 on 40x Dec'25E**.

Performance in line with estimates

- JYL registered net sales growth of 10.6% YoY to INR6,775m (est. INR6,788m).
- EBITDA grew 40.6% YoY to INR1,186m (est. of INR1,242m).
- PBT grew 37.0% YoY to INR1,152m (est. INR1,190m).
- Adj. PAT grew 34.9% YoY to INR909m (est. INR914m).
- Gross margin expanded ~670bp YoY and 60bp QoQ to 49.8%.
- As a percentage of sales, staff cost increased 30bp, ad-spends increased 210bp, and other expense increased 50bp YoY.
- EBITDA margin expanded 370bp YoY to 17.5%.
- In 9MFY24**, Net sales/EBITDA/Adj. PAT increased 12%/65%/71%,.

Consolidated segmental performance

- Fabric Care/Dishwashing/ Household Insecticides/Personal Care grew 11.9%/6.7%/5.4%/22.3% YoY to INR2,948m/INR2,361m/INR457m/INR723m in 3QFY24.
- Margins in the Fabric Care/Dishwashing expanded 680bp/270bp, while Personal Care segment/Household Insecticides margins contracted 240bp/450bp YoY to 25.2%/18%/12.9%/(20.4)%.
- Four-year CAGR for Fabric care stands at 14%, Dish-wash at 12%, HI at 2%, and Personal care at 19%.

Highlights from the management commentary

- Demand environment is mixed. Consumer spending has diminished due to inflation, which has intensified competitive pressures. The recovery in demand from rural India has not yet gained momentum.

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

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- The overall growth is primarily led by volume growth at 11% YoY. The company has not taken any major price cuts during the quarter.
- Direct distribution reached 1.1m outlets in FY23 and the company targets to add 75k-100k outlets in FY24.
- Currently, the company has 23 manufacturing plants and it is not looking for more capacity extensions. Capex for the development of new category in FY25 is expected to exceed INR 300-400m.
- There's heightened competition from local regional players, adding to the existing competitive landscape. The current scenario reflects increased intensity in the market.

Valuation and view

- We do not make any material changes to our EPS estimates for FY24E/FY25E.
- We reiterate our Neutral rating with a revised TP of **INR500 (40x Dec'25E P/E)** as JYL's product portfolio is in highly penetrated categories, limiting future volume growth to single digits. Margin expansion beyond 17-18% is constrained by a focus on mass and rural segments. Despite short-term gains in FY24E, further gains in the medium term is unlikely.

Consolidated Quarterly Performance

(INR m)

Y/E March	FY23				FY24				FY23	FY24E	FY24	Var. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE				
Net Sales	5,972	6,592	6,127	6,170	6,871	7,323	6,775	6,837	24,860	27,807	6,788	-0.2
YoY change (%)	14.4	14.0	15.9	13.0	15.1	11.1	10.6	10.8	13.2	11.9	10.8	
Gross Profit	2,380	2,670	2,640	2,821	3,289	3,604	3,371	3,361	10,511	13,625	3,197	5.4
Margins (%)	39.9	40.5	43.1	45.7	47.9	49.2	49.8	49.2	42.3	49.0	47.1	5.6
EBITDA	599	804	844	913	1,174	1,354	1,186	1,170	3,159	4,885	1,242	-4.5
EBITDA growth %	-7.9	19.9	39.4	59.4	96.2	68.3	40.6	28.2	26.4	54.6	47.3	
Margins (%)	10.0	12.2	13.8	14.8	17.1	18.5	17.5	17.1	12.7	17.6	18.3	
Depreciation	130	130	122	119	120	123	128	134	501	505	139	
Interest	33	35	32	31	11	12	12	10	131	45	28	
Other Income	44	53	153	57	79	132	106	117	395	435	114	
PBT	479	693	842	819	1,123	1,351	1,152	1,143	2,922	4,770	1,190	-3.2
Tax	90	109	169	227	250	311	243	292	595	1,097	276	
Rate (%)	18.8	15.8	20.0	27.7	22.3	23.0	21.1	25.6	19.9	23.0	23.2	
Adjusted PAT	389	584	674	593	873	1,040	909	851	2,327	3,673	914	-0.5
YoY change (%)	-2.9	38.5	90.4	78.0	124.1	78.2	34.9	43.6	54.2	57.8	35.6	

E: MOFSL Estimates

Key Performance Indicators

Y/E March	FY23				FY24		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
2Y average growth %							
Sales	18.1	14.9	14.3	12.5	14.7	12.5	13.2
EBITDA	-12.4	-2.3	7.6	20.7	44.1	44.1	40.0
PAT	-11.7	4.0	29.1	22.0	60.6	58.4	62.6
% sales							
COGS	60.1	59.5	56.9	54.3	52.1	50.8	50.2
Other expenditure	29.8	28.3	29.3	30.9	30.8	30.7	32.3
Depreciation	2.2	2.0	2.0	1.9	1.7	1.7	1.9
YoY change %							
COGS	21.0	12.5	11.9	4.8	-0.3	-5.2	-2.4
Other expenditure	11.4	14.8	14.9	12.9	18.7	20.6	21.6
Other income	-8.9	1.9	259.1	2.7	80.0	147.8	-30.6
EBIT	5.4	44.9	82.6	122.0	125.2	82.6	46.5

E: MOFSL Estimates



Highlights from the management commentary

Performance and outlook

- Demand environment is mixed. Consumer spending has diminished due to inflation, which has intensified competitive pressures.
- The recovery in demand from rural India has not yet gained momentum.
- The overall growth is primarily led by volume growth at 11% YoY. The company has not taken any major price cuts during the quarter.
- The company continues to invest in brand building, direct distribution, and augmentation of its manufacturing capacity.
- The company operates across all channels, which helps in the growth of both premiumisation and LUPs.
- The three key initiatives are – increasing the distribution reach, including direct distribution, enhancing the digital spends on other platforms such as social media, newspapers, in addition to TV for a wider reach, and focusing on R&D, which resulted in new launches such as liquid detergent Ujala and Henko.
- The management aspires to achieve INR 50b revenue in the next four years.
- Direct distribution reached 1.1m outlets in FY23 and the company targets to add 75k-100k outlets in FY24.
- The E-commerce contribution is 5-6% of sales. All SKUs are available on the e-commerce platform.

Costs and margins

- The prices of raw materials such as soda ash and palm oil prices have been stable during the quarter, which helped sustain margins.
- A&P spends increased 45% YoY in 3QFY24 to 9% of sales. The management plans to maintain 8-9% going forward.
- The management maintains an EBITDA guidance of 16-17% in FY24.

Segmental details

Fabric Care

- The segment has seen healthy growth across post wash and main wash brands and liquid detergent launched last year.
- Good demand seen in the mid-price detergent powder.
- The company continues to distribute Mr. white and Morelight to increase the brand penetration across geographies.
- Ujala detergent powder is also expanding its reach beyond Kerala to other states.
- Henko liquid growth was higher than the category growth.

Dishwashing

- Category primarily faces competition from local and regional players. However, it performs better than the other organized players.
- Category also faces pressure in the rural market.
- The company continues focus on LUPs, enabling it to reach a broader consumer base.
- Premium SKUs supported by the OFOs and e-commerce.
- Pril has consistently registered high growth on e-commerce channels.

Household Insecticides

- The company continue to focus on innovations such as liquid format and the automatic features of the machine.
- The market share of coil is 23.9% in CY23 vs 23.3% in CY22 and liquid vaporizer is 8.5% in CY23 vs 8.9% in CY22.
- The category has a higher market share in eastern India such as Bihar, Eastern UP, and Bengal.

Personal Care

- Good consumer attraction seen in Neem-based Margo soaps along with its new variants of Rose, lemon, and jasmine. It delivered double-digit growth.

Other points

- The management is more focused on the organic business growth, recognizing the untapped potential for further expansion in that segment.
- In the event of any M&A, the company intends to explore opportunities within the FMCG product category.
- Currently, the company has 23 manufacturing plants and is not looking for more capacity extensions.
- Capex for the development of new category in FY25 is expected to exceed INR 300-400m

Key exhibits

Exhibit 1: Consolidated quarterly performance

Category sales (INR m)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24
Fabric Care	2,511	2,862	2,635	2,553	2,966	3,166	2,948
Dishwashing	2,093	2,279	2,213	2,062	2,315	2,507	2,361
Household Insecticides	448	435	434	800	494	450	457
Personal Care	694	733	591	524	841	896	723
Other Products	225	284	253	230	256	304	286
Total	5,972	6,592	6,127	6,170	6,871	7,323	6,775
Category salience (%)							
Fabric Care	42.0	43.4	43.0	41.4	43.2	43.2	43.5
Dishwashing	35.1	34.6	36.1	33.4	33.7	34.2	34.8
Household Insecticides	7.5	6.6	7.1	13.0	7.2	6.1	6.8
Personal Care	11.6	11.1	9.7	8.5	12.2	12.2	10.7
Other Products	3.8	4.3	4.1	3.7	3.7	4.2	4.2
Total	100	100	100	100	100	100	100
Category growth (%)							
Fabric Care	38.6	33.6	26.0	20.1	18.1	10.6	11.9
Dishwashing	9.6	5.6	10.0	8.7	10.6	10.0	6.7
Household Insecticides	(37.5)	(30.7)	(15.6)	0.9	10.1	3.4	5.4
Personal Care	2.1	10.8	11.6	12.1	21.1	22.3	22.3
Other Products	67.6	7.3	3.7	25.8	13.6	7.3	13.1
Total	13.7	12.6	13.7	12.8	15.1	11.1	10.6
Category results (INR m)							
Fabric Care	308	433	485	499	656	828	744
Dishwashing	275	352	338	361	463	523	425
Household Insecticides	(45)	(79)	(69)	(9)	(94)	(79)	(93)
Personal Care	25	74	90	70	153	98	93
Other Products	(10)	(15)	(15)	(8)	5	1	15
Total	554	765	830	912	1,184	1,370	1,183
Result salience (%)							
Fabric Care	55.7	56.6	58.5	54.7	55.4	60.4	62.8
Dishwashing	49.7	46.0	40.8	39.6	39.1	38.2	35.9
Household Insecticides	(8.1)	(10.4)	(8.3)	(1.0)	(7.9)	(5.8)	(7.9)
Personal Care	4.5	9.6	10.9	7.7	13.0	7.2	7.9
Other Products	(1.8)	(2.0)	(1.9)	(0.9)	0.4	0.0	1.3
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
EBIT margin (%)							
Fabric Care	12.3	15.1	18.4	19.5	22.1	26.1	25.2
Dishwashing	13.2	15.4	15.3	17.5	20.0	20.9	18.0
Household Insecticides	(10.0)	(18.2)	(15.9)	(1.2)	(19.0)	(17.6)	(20.4)
Personal Care	3.6	10.1	15.3	13.3	18.2	10.9	12.9
Other Products	(4.4)	(5.3)	(6.1)	(3.5)	1.9	0.2	5.3
Total	9.3	11.6	13.5	14.8	17.2	18.7	17.5

Source: Company, MOFSL

Valuation and view

What has happened over the past 10 years?

- Given JYL (INR11.1b/INR24.9b revenue in FY13/FY23) is much smaller than its peers, its financial performance has been disappointing over the past 10 years.
- While it has reported a ~8.4% sales CAGR over this period, the EBITDA/PAT CAGR has been tepid at ~9.3%/~14.7%. The company has registered sales/EBITDA/PAT CAGR of 8.3%/4.2%/5.4% over the last five years.
- Growth has been restricted by: 1) higher penetration and regional dependence of its largest brand Ujala, and 2) limited success in achieving profitable growth in other categories/geographies outside South India.
- The expiration of the Henkel option, which had the potential to expand its portfolio by adding more brands, has also been a setback.
- Given the above factors, it is not surprising that the stock has been an underperformer in recent years.

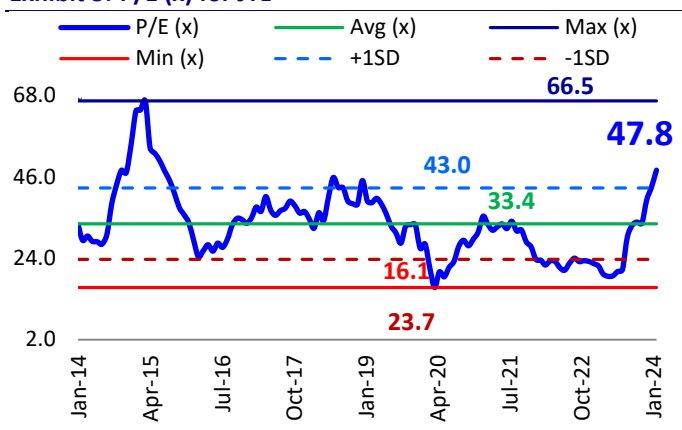
Our view on the stock

- We do not make any material changes in our EPS estimates for FY24E/FY25E.
- We reiterate our Neutral rating with a revised TP of **INR500 (40x Dec'25E P/E)** as JYL's product portfolio is in highly penetrated categories, limiting future volume growth to single digits. Margin expansion beyond 17-18% is constrained by a focus on mass and rural segments. Despite short-term gains in FY24E, further gains in the medium term is unlikely.

Exhibit 2: No material change in our estimation for FY24/FY25

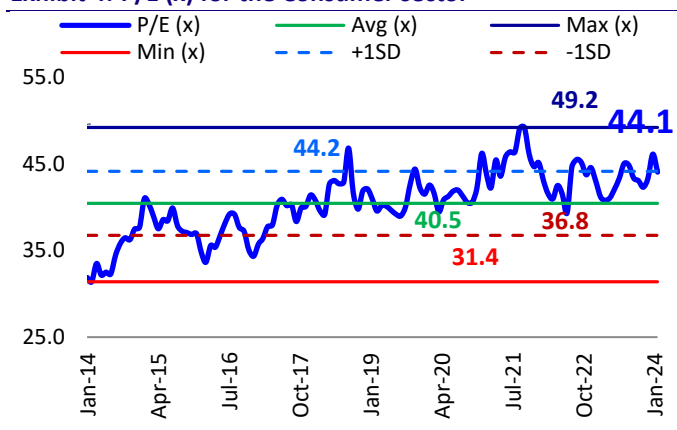
	New		Old		Change (%)	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Sales	27,807	30,696	27,906	30,990	-0.4%	-0.9%
EBITDA	4,885	5,394	4,939	5,618	-1.1%	-4.0%
PAT	3,673	4,086	3,667	4,196	0.2%	-2.6%

Exhibit 3: P/E (x) for JYL



Source: Company, MOFSL

Exhibit 4: P/E (x) for the Consumer sector



Source: Company, MOFSL

Financials and valuations

Consolidated - Income Statement

(INR m)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Total Income from Operations	18,136	17,112	19,091	21,965	24,860	27,807	30,696	33,835
Change (%)	8.4	-5.6	11.6	15.1	13.2	11.9	10.4	10.2
Cost of Materials Consumed	9,707	9,009	10,104	12,830	14,349	14,182	15,594	17,087
As a percentage of Sales	53.5	52.6	52.9	58.4	57.7	51.0	50.8	50.5
Gross Profit	8,429	8,103	8,987	9,135	10,511	13,625	15,103	16,748
Margin (%)	46.5	47.4	47.1	41.6	42.3	49.0	49.2	49.5
Personnel Expenses	2,076	2,193	2,325	2,475	2,644	3,059	3,407	3,722
As a percentage of Sales	11.4	12.8	12.2	11.3	10.6	11.0	11.1	11.0
Other Expenses	3,542	3,398	3,517	4,178	4,709	5,682	6,301	7,019
% of Sales	19.5	19.9	18.4	19.0	18.9	20.4	20.5	20.7
Total Expenditure	15,325	14,601	15,946	19,483	21,702	22,922	25,302	27,828
As a percentage of Sales	84.5	85.3	83.5	88.7	87.3	82.4	82.4	82.2
EBITDA	2,811	2,511	3,145	2,482	3,159	4,885	5,394	6,007
Margin (%)	15.5	14.7	16.5	11.3	12.7	17.6	17.6	17.8
Depreciation	306	529	556	582	501	505	512	519
EBIT	2,505	1,982	2,589	1,901	2,657	4,380	4,882	5,488
Int. and Finance Charges	352	329	192	118	131	45	45	47
Other Income	278	203	185	187	395	435	470	507
PBT bef. EO Exp.	2,430	1,856	2,581	1,969	2,922	4,770	5,307	5,948
EO Items	0	-38	-235	0	70	0	0	0
PBT after EO Exp.	2,430	1,818	2,346	1,969	2,992	4,770	5,307	5,948
Current Tax	454	189	440	378	595	1,097	1,221	1,368
Tax Rate (%)	18.7	10.4	18.7	19.2	19.9	23.0	23.0	23.0
Reported PAT	2,051	1,706	1,994	1,620	2,397	3,673	4,086	4,580
Adjusted PAT	1,976	1,667	2,142	1,591	2,327	3,673	4,086	4,580
Change (%)	10.5	-15.6	28.5	-25.7	46.2	57.8	11.3	12.1

Consolidated - Balance Sheet

(INR m)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY23	FY25E	FY25E
Equity Share Capital	367	367	367	367	367	367	367	367
Total Reserves	12,898	11,919	13,918	14,068	15,123	16,958	18,645	20,826
Net Worth	13,265	12,286	14,286	14,435	15,490	17,325	19,012	21,193
Minority Interest	-215	-291	-379	-407	21	21	21	21
Deferred Liabilities	-928	-1,027	-962	-907	-845	-845	-845	-845
Total Loans	2,809	2,830	1,169	1,265	0	0	0	0
Capital Employed	14,932	13,798	14,114	14,387	14,665	16,501	18,188	20,368
Gross Block	12,046	13,050	13,556	13,764	14,125	14,325	14,525	14,725
Less: Accum. Deprn.	1,040	1,558	2,089	2,546	2,962	3,467	3,979	4,498
Net Fixed Assets	11,006	11,492	11,467	11,218	11,163	10,858	10,546	10,227
Capital WIP	143	245	101	76	155	123	123	123
Total Investments	1,044	0	0	0	0	0	0	0
Curr. Assets, Loans&Adv.	6,301	5,598	7,029	8,027	8,454	11,819	14,844	18,564
Inventory	1,974	2,251	2,786	2,972	3,019	3,893	4,297	4,737
Account Receivables	1,534	1,224	944	1,431	1,378	1,390	1,535	1,692
Cash and Bank Balance	964	289	1,938	2,112	2,835	3,919	6,123	8,951
Loans and Advances & Others	1,830	1,834	1,361	1,512	1,222	2,617	2,889	3,184
Curr. Liability & Prov.	3,563	3,537	4,483	4,933	5,107	6,300	7,326	8,545
Account Payables	2,134	1,450	2,143	2,364	2,143	2,781	3,070	3,384
Other Current Liabilities	715	1,299	1,520	1,767	2,037	2,546	3,182	3,978
Provisions	715	788	820	802	927	973	1,074	1,184
Net Current Assets	2,738	2,061	2,546	3,093	3,347	5,519	7,518	10,018
Appl. of Funds	14,932	13,798	14,114	14,387	14,665	16,501	18,188	20,368

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Basic (INR)								
EPS	5.4	4.5	5.8	4.3	6.3	10.0	11.1	12.5
Cash EPS	6.2	6.0	7.3	5.9	7.7	11.4	12.5	13.9
BV/Share	36.1	33.5	38.9	39.3	42.2	47.2	51.8	57.7
DPS	6.0	0.0	4.0	2.5	3.0	4.0	5.4	5.4
Payout (%)	134	0	83	70	57	48	59	52
Valuation (x)								
P/E	95.5	113.2	88.1	118.6	81.1	51.4	46.2	41.2
Cash P/E	82.7	85.9	70.0	86.9	66.7	45.2	41.0	37.0
P/BV	14.2	15.4	13.2	13.1	12.2	10.9	9.9	8.9
EV/Sales	10.5	11.2	9.8	8.6	7.5	6.6	5.9	5.3
EV/EBITDA	67.4	76.2	59.8	75.7	58.9	37.8	33.9	29.9
Dividend Yield (%)	1.2	0.0	0.8	0.5	0.6	0.8	1.1	1.1
FCF per share	7.2	3.5	10.3	4.9	8.6	6.7	11.4	13.0
Return Ratios (%)								
RoE	16.0	13.0	16.1	11.1	15.6	22.4	22.5	22.8
RoCE	13.7	12.6	14.7	10.8	15.7	22.6	22.7	23.0
RoIC	15.7	13.6	16.6	12.7	17.8	27.9	30.8	36.4
Working Capital Ratios								
Asset Turnover (x)	1.2	1.2	1.4	1.5	1.7	1.7	1.7	1.7
Inventory (Days)	39.7	48.0	53.3	49.4	44.3	51.1	51.1	51.1
Debtor (Days)	30.9	26.1	18.0	23.8	20.2	18.3	18.3	18.3
Creditor (Days)	80.2	58.7	77.4	67.3	54.5	71.6	71.9	72.3
Working Cap. Turnover (Days)	35.7	37.8	11.6	16.3	7.5	21.0	16.6	11.5
Leverage Ratio (x)								
Current Ratio	1.8	1.6	1.6	1.6	1.7	1.9	2.0	2.2
Interest Cover Ratio	7	6	13	16	20	97	108	116
Debt/Equity	0.2	0.2	0.1	0.1	0.0	0.0	0.0	0.0

Consolidated - Cash Flow Statement

Y/E March	FY19E	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
OP/(Loss) before Tax	2,430	1,815	2,346	1,969	2,992	4,770	5,307	5,948
Depreciation	306	529	556	582	501	505	512	519
Interest & Finance Charges	314	304	161	82	54	45	45	47
Other income	-25	-21	232	-36	-197	-495	-470	-507
Direct Taxes Paid	-418	-386	-327	-313	-567	-1,097	-1,221	-1,368
(Inc)/Dec in WC	409	-527	1,055	-259	502	-1,088	206	327
CF from Operations	3,016	1,715	4,022	2,025	3,286	2,640	4,379	4,967
CF from Operating incl EO	3,016	1,715	4,022	2,025	3,286	2,640	4,379	4,967
(inc)/dec in FA	-383	-415	-257	-214	-122	-168	-200	-200
(Pur)/Sale of Investments	112	1,061	0	0	0	0	0	0
Others	37	4	45	29	65	435	470	507
CF from Investments	-234	650	-212	-185	-57	267	270	307
Issue of Shares	4	0	0	0	0	0	0	0
(Inc)/Dec in Debt	-610	41	-1,669	100	-1,250	0	0	0
Interest Paid	-342	-212	-281	-74	-104	-45	-45	-47
Dividend Paid	-182	-2,656	0	-1,469	-918	-1,777	-2,399	-2,399
Others	-2,055	-211	-212	-224	-235	0	0	0
CF from Fin. Activity	-3,185	-3,039	-2,161	-1,667	-2,507	-1,822	-2,444	-2,447
Inc/Dec of Cash	-403	-674	1,649	174	723	1,084	2,205	2,827
Opening Balance	1,367	964	289	1,938	2,112	2,835	3,919	6,123
Closing Balance	964	289	1,938	2,112	2,835	3,919	6,123	8,951

E: MOFSL Estimates

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