

# Jubilant FoodWorks

**BUY**

## Delivers a surprise!

JFL reported a quarter marked with several positives (healthy SSG, 15 qtr high store expansion, robust app downloads and GM expansion). 2QFY20 SSG beat the street and our expectations despite slowdown in consumption, flooding and heavy base (21% SSG base). We believe earnings upcycle will begin from 3QFY20 onwards which will re-rate the stock. We upgrade our EPS estimates by 1-3% and revise our TP to Rs 2,134 (earlier 2,092). JFL remains our top pick in the consumer space. Reiterate BUY.

### HIGHLIGHTS OF THE QUARTER

- SSG grew at 4.9% (exp 3.5%) while like-like SSG (adj. for splitting stores) stood at 6.5% (exp of 5%). Robust growth in delivery and price hikes (3-3.5%) compensated for dine-in pressure and slowdown in smaller towns. We believe SSG will accelerate hereon led by softer base, improvement in consumer sentiments and new launches (Indian masala pizza range and in-house beverages). We expect 8/9/7% SSG in 2HFY20/FY21/FY22E.
- Net revenues grew by 12% (vs. exp of 9.5%) as ex-SSG growth accelerated. JFL continues to split key markets (50% of new stores) with new store additions. In 2Q, JFL opened 40 stores (15 quarter high) with new store design. Management upgraded their store guidance to 120 stores in FY20 vs. 100 earlier. We don't expect margin pressure owing to aggressive store openings as co has levers to drive SSG, expand GM and deliver cost savings.

### Financial Summary (Consolidated)

YE March (Rs mn)	2QFY20	2QFY19	YoY (%)	1QFY20	QoQ (%)	FY18	FY19	FY20E	FY21E	FY22E
Net Revenues	9,882	8,814	12.1	9,401	5.1	30,184	35,631	40,210	46,556	52,571
EBITDA	2,351	1,475	59.3	2,191	7.3	4,401	5,998	9,717	11,819	13,558
APAT	1,046	777	34.7	815	28.3	1,918	3,180	4,382	5,562	6,682
Diluted EPS (Rs)	7.93	5.89	34.7	6.18	28.3	14.5	24.1	33.2	42.1	50.6
P/E (x)						98.4	59.3	43.1	33.9	28.2
EV / EBITDA (x)						42.0	30.3	26.6	20.7	17.3
Core RoCE (%)						26.5	45.8	35.5	25.8	31.7

Source: Company, HDFC sec Inst Research

- App downloads grew at 101/17% YoY/QoQ (25mn app downloads) led by in-store activations. This highlights JFL's success in new customer acquisition despite competition from aggregators. We now expect JFL to drive consumer frequency (loyalty program).
- GM expanded by 67bps to 75.3% (vs. exp 75.8%) despite steep dairy inflation. PepsiCo deal, optimisation in promotions and price hikes supported margin expansion. We expect dairy inflation to moderate in 2H led by onset of flush season and normal monsoons. We model 180bps GM expansion over FY19-21E owing to (1) PepsiCo deal, (2) Price hikes and (3) Pan-India launch of in-house beverages.
- Employee costs grew by 16% (in-line) owing to min. wage hike, store expansion and investments in tech team. Adjusting for IND-AS 116, rent/other expenses grew by 12/13% resulting in 10% adj. EBITDA growth (vs. exp of 8.5%). Adj EBITDAM declined by 36bps to 16.4%.

### STANCE

We foresee enough levers of growth in Domino's like (a) Splitting urban stores (margin accretive), (b) Menu expansion (pizza variants and in-house beverages), (c) Shorter delivery time (20min live in few stores), (d) Reimaging stores to combat slowdown in dine-in and (e) Loyalty program (winning strategy in Domino's US). Additionally, JFL is aspiring to grow non-linearly driven by its investments in technology, core team and creating more brands under JFL umbrella.

INDUSTRY	FMCG
<b>CMP (as on 22 Oct 2019)</b>	<b>Rs 1,430</b>
<b>Target Price</b>	<b>Rs 2,134</b>
Nifty	11,588
Sensex	38,964
KEY STOCK DATA	
Bloomberg	JUBI IN
No. of Shares (mn)	132
MCap (Rs bn) / (\$ mn)	189/2,656
6m avg traded value (Rs mn)	1,517
STOCK PERFORMANCE (%)	
<b>52 Week high / low</b>	<b>Rs 1,530/977</b>
	3M 6M 12M
Absolute (%)	19.1 7.3 15.7
Relative (%)	17.4 7.8 2.2
SHAREHOLDING PATTERN (%)	
	Jun-19 Sep-19
Promoters	41.94 41.94
FIs & Local MFs	11.36 17.06
FPIs	35.89 34.49
Public & Others	10.81 6.51
Pledged Shares (% of total shares)	0.99 1.06
Source : BSE	

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**JFL beat our revenue estimates (9.5%) owing to higher SSG and store openings**

**Reported SSG grew at 4.9% (exp 3.5%) while like-like SSG (adj. for splitting stores) stood at 6.5% vs. exp of 5%.**

**GM expanded by 67bps to 75.3% (vs. exp 75.8%) despite steep dairy inflation. PepsiCo deal, optimisation in promotions and price hikes supported margin expansion.**

**Adjusting for IND-AS 116, rent/other expenses grew by 12/13% resulting in 10% adj. EBITDA growth (vs. exp of 8.5%). Adj EBITDAM declined by 36bps to 16.4%.**

**We adjusted APAT with (1) IND-AS 116 impact, (2) One-time tax charge (DTA) and (3) Exceptional item (write-off in investments on DHFL, ILF&S and Reliance Capital)**

### Quarterly Financials (Standalone)

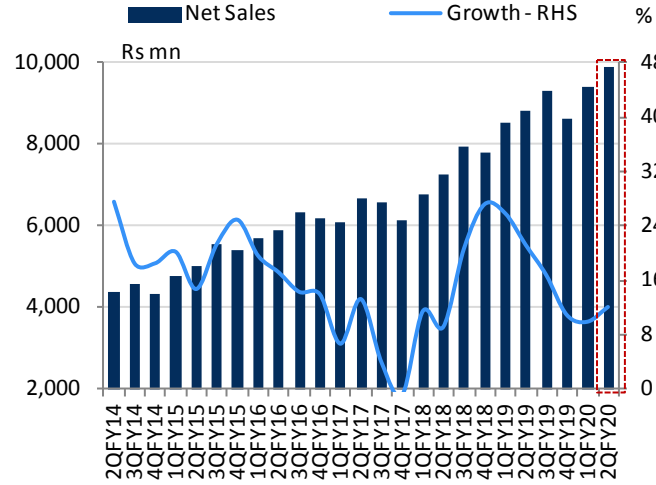
Year to March (Rs mn)	2QFY20	2QFY19	YoY (%)	1QFY20	QoQ (%)	FY19	FY18	YoY (%)
<b>Net Revenue</b>	<b>9,882</b>	<b>8,814</b>	<b>12.1</b>	<b>9,401</b>	<b>5.1</b>	<b>35,307</b>	<b>29,804</b>	<b>18.5</b>
Material Cost	2,443	2,238	9.2	2,307	5.9	8,759	7,514	16.6
Employee Expenses	1,972	1,702	15.8	1,842	7.0	6,725	6,041	11.3
Rent Expenses	930	829	12.2	921	1.0	3,411	3,157	8.0
Other Expenses	2,911	2,569	13.3	2,850	2.1	10,335	8,628	19.8
<b>EBITDA</b>	<b>2,351</b>	<b>1,475</b>	<b>59.3</b>	<b>2,191</b>	<b>7.3</b>	<b>6,078</b>	<b>4,464</b>	<b>36.2</b>
<b>Adj EBITDA</b>	<b>1,619</b>	<b>1,475</b>	<b>9.7</b>	<b>1,474</b>	<b>9.8</b>	<b>6,078</b>	<b>4,464</b>	<b>36.2</b>
Depreciation	838	385	117.8	808	3.7	1,523	1,559	(2.3)
<b>EBIT</b>	<b>1,513</b>	<b>1,091</b>	<b>38.7</b>	<b>1,383</b>	<b>9.4</b>	<b>4,555</b>	<b>2,905</b>	<b>56.8</b>
Interest	404	-	na	395	na	-	-	na
Other Income	172	108	58.9	153	12.8	469	227	106.5
<b>PBT before exceptional</b>	<b>1,281</b>	<b>1,199</b>	<b>6.8</b>	<b>1,536</b>	<b>(16.6)</b>	<b>5,024</b>	<b>3,133</b>	<b>60.4</b>
Exceptional item	125	-	na	-	na	79	-	na
<b>PBT</b>	<b>1,156</b>	<b>1,199</b>	<b>(3.6)</b>	<b>1,536</b>	<b>(24.7)</b>	<b>4,945</b>	<b>3,133</b>	<b>57.9</b>
Tax	396	422	(6.2)	393	0.9	1,717	1,068	60.7
<b>RPAT</b>	<b>760</b>	<b>777</b>	<b>(2.2)</b>	<b>1,143</b>	<b>(33.5)</b>	<b>3,228</b>	<b>2,064</b>	<b>56.4</b>
Adjustment (IND AS, Exceptional & one time tax)	286	-	na	(328)	na	53	(42)	na
<b>APAT</b>	<b>1,046</b>	<b>777</b>	<b>34.7</b>	<b>815</b>	<b>28.3</b>	<b>3,281</b>	<b>2,023</b>	<b>62.2</b>

As % Of Net Revenue	2QFY20	2QFY19	YoY (bps)	1QFY20	QoQ (bps)	FY19	FY18	YoY (bps)
Material Cost	24.7	25.4	(67)	24.5	18	24.8	25.2	(40)
Employee Expenses	20.0	19.3	64	19.6	36	19.0	20.3	(122)
Rent Expenses	9.4	9.4	-	9.8	(39)	9.7	10.6	(93)
Other Expenses	29.5	29.1	31	30.3	(86)	29.3	28.9	32
EBITDA	23.8	16.7	705	23.3	48	17.2	15.0	224
Adj EBITDA	16.4	16.7	(36)	15.7	70	17.2	15.0	224
Tax Rate	34.3	35.2	(96)	25.6	869	34.7	34.1	61
APAT	10.6	8.8	177	8.7	191	9.3	6.8	251

Source: Company, HDFC sec Inst Research

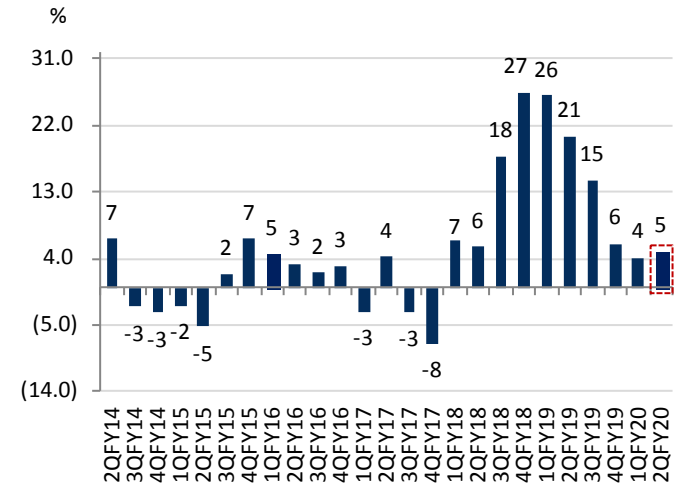
*S&G base in 2HFY20 will normalise and hence we expect S&G to accelerate hereon*

**Net Revenue**



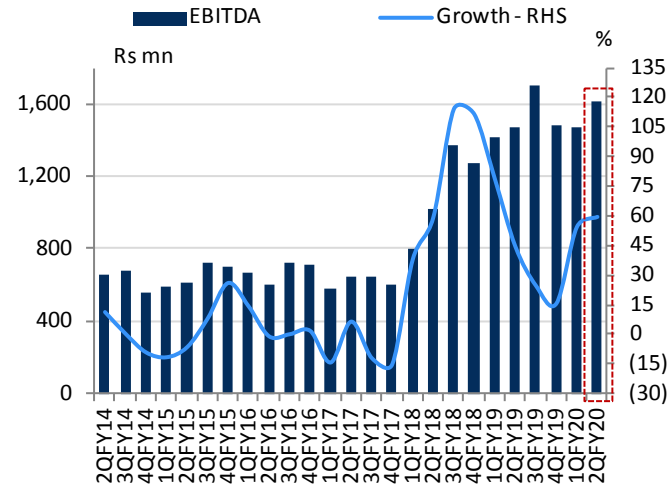
Source: Company, HDFC sec Inst Research

**Same Store Sales Growth**



Source: Company, HDFC sec Inst Research

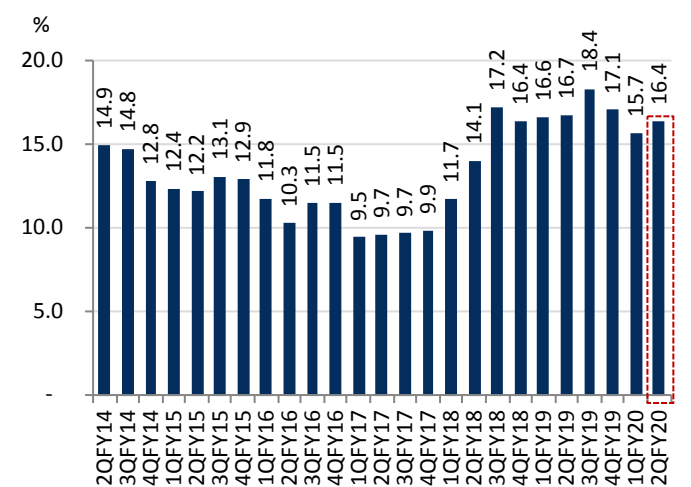
**EBITDA Performance**



Source: Company, HDFC sec Inst Research

*We don't believe that EBITDAM has peaked. JFL has enough levers to drive margin expansion.*

**EBITDA Margin**



Source: Company, HDFC sec Inst Research

**Domino's 34 stores were added (net) during the quarter**

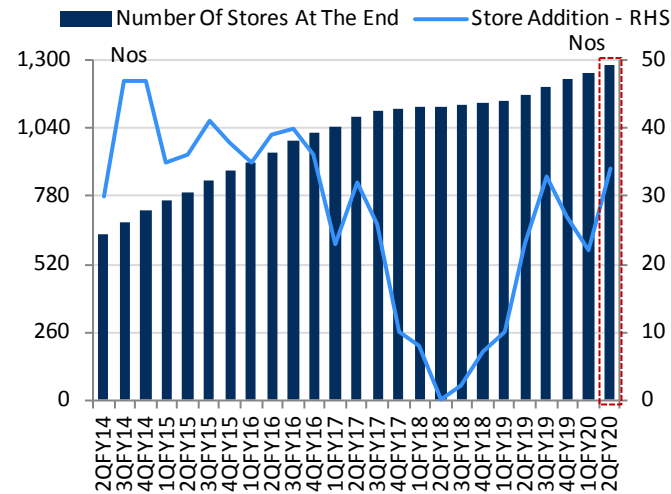
**Dunkin Donuts' store count was flat at 30 stores**

**There is a significant bump up in online ordering (OLO) particularly from mobile handsets**

**Dominos relaunched their app in 1QFY19 with added features like advanced ordering (upto 1 month) and 1 click re-order**

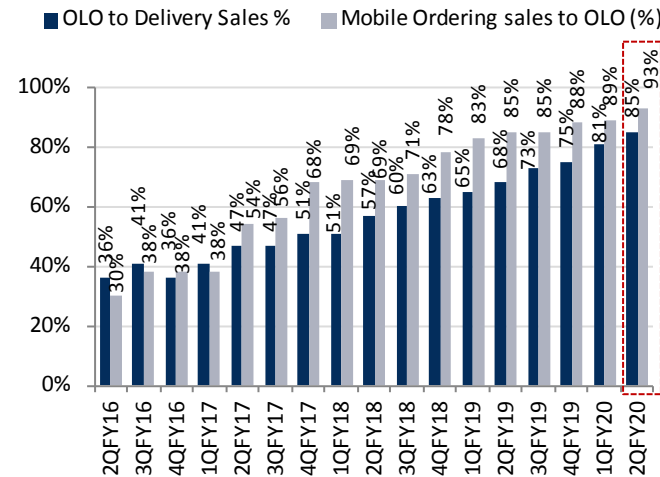
**App downloads grew at 101/17% YoY/QoQ (25mn app downloads) led by in-store activations. This highlights JFL's success in new customer acquisition despite competition from aggregators.**

**Domino's Quarterly Store Additions**



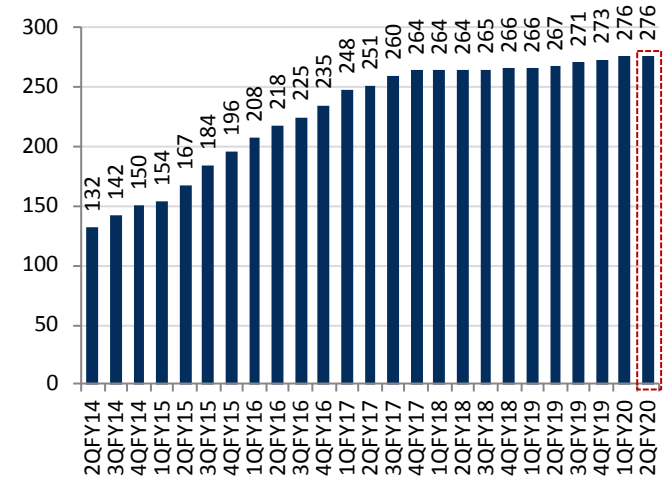
Source: Company, HDFC sec Inst Research

**OLO And Mobile Ordering Performance**



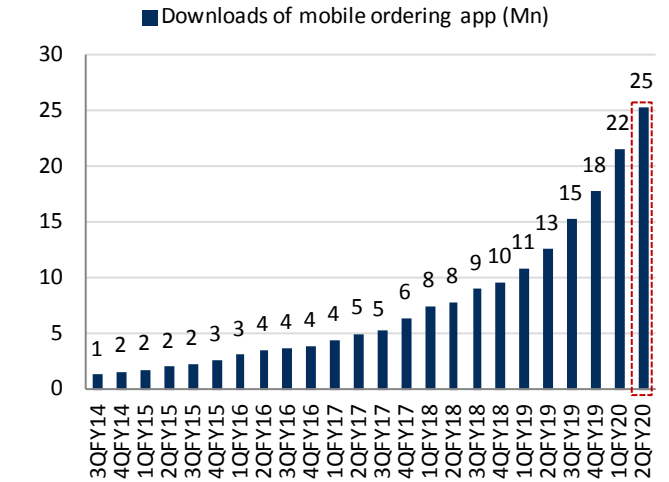
Source: Company, HDFC sec Inst Research, OLO - Online Ordering

**Cities Covered**



Source: Company, HDFC sec Inst Research

**Download of Mobile Ordering App**

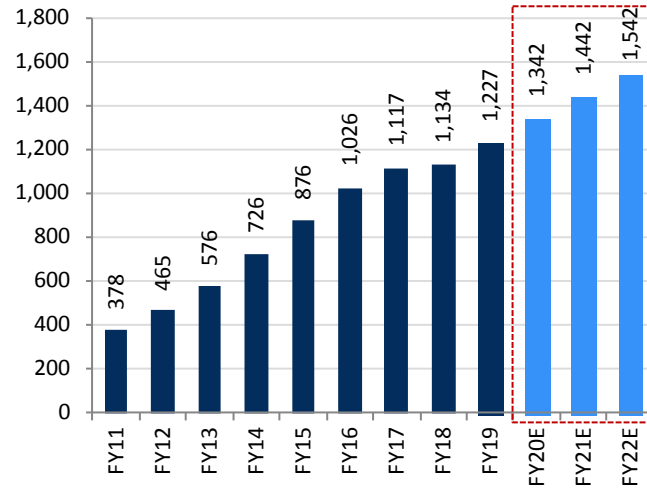


Source: Company, HDFC sec Inst Research

*We expect store expansion of - 120/100 stores over FY20/21*

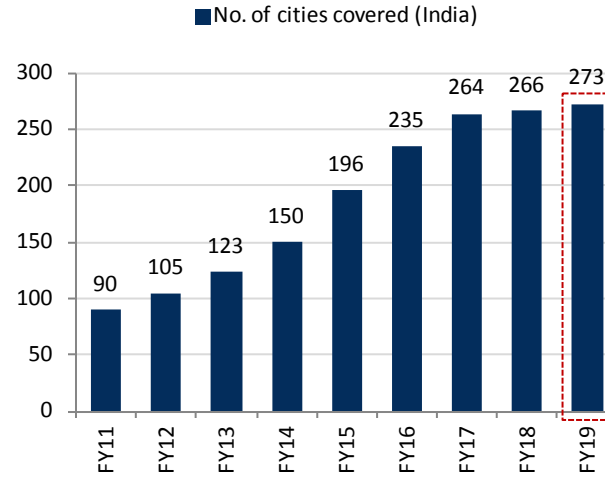
*We expect 8/9/7% SSG in 2HFY20/FY21/FY22E. Like-like SSG will be healthier by 1-1.5%*

**Domino's Yearly Store Additions**



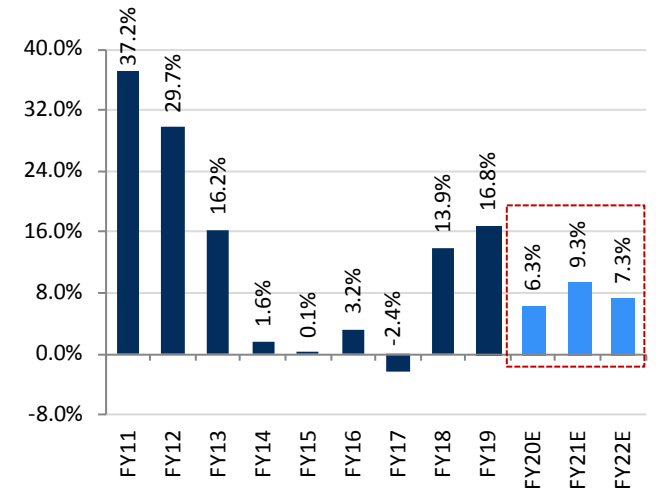
Source: Company, HDFC sec Inst Research

**Domino's City Coverage**



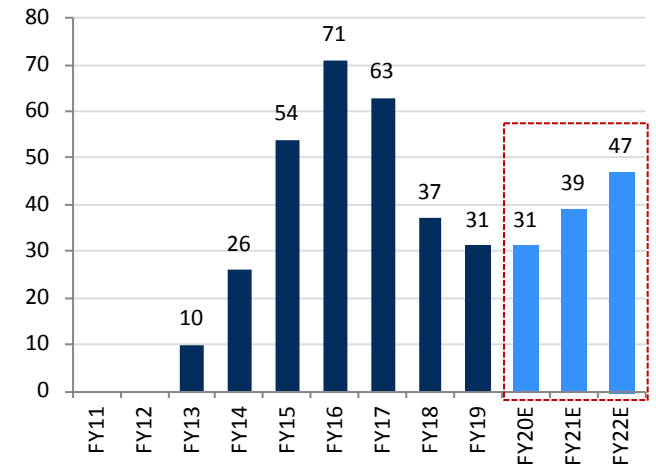
Source: Company, HDFC sec Inst Research

**Domino's Yearly SSG (Reported)**



Source: Company, HDFC sec Inst Research

**Dunkin' Stores**

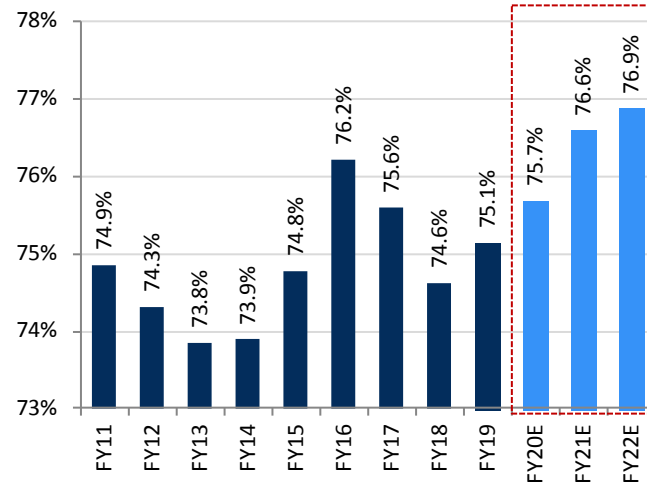


Source: Company, HDFC sec Inst Research

**We model 180bps GM expansion over FY19-22E owing to PepsiCo deal, price hike of 3.5% and in-house beverages.**

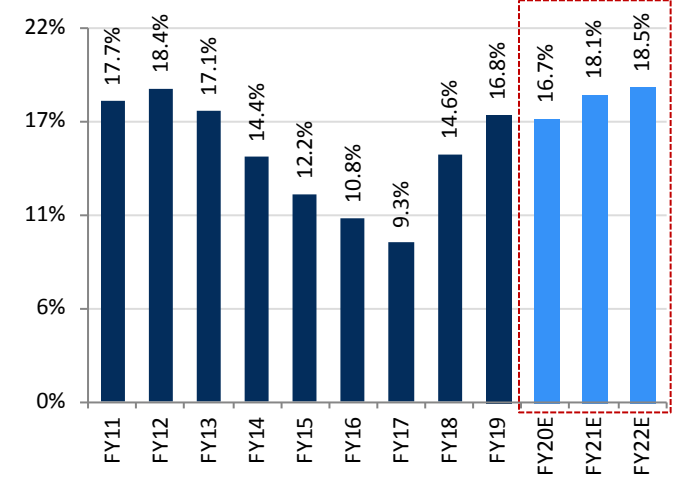
**GM expansion, splitting stores, investment in tech (labor efficiencies and higher marketing ROI) drives our adj. EBITDAM expansion by 170bps over FY19-22E.**

**Gross Margin Trend**



Source: Company, HDFC sec Inst Research

**EBITDA Margin Trend**



Source: Company, HDFC sec Inst Research

### Assumptions

Particulars	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E	FY22E
<b>Revenue</b>										
Stores at beginning	465	576	726	876	1,026	1,117	1,134	1,227	1,342	1,442
Additions	111	150	150	150	91	17	93	115	100	100
Stores at the end	576	726	876	1,026	1,117	1,134	1,227	1,342	1,442	1,542
Revenue Growth (%)	38.4%	22.4%	20.4%	16.2%	5.6%	17.1%	18.5%	12.9%	15.8%	12.9%
SSG (%)	16.2%	1.6%	0.1%	3.2%	-2.4%	13.9%	16.8%	6.3%	9.3%	7.3%
Like-like SSG (%)	16.2%	1.6%	0.1%	3.2%	-2.4%	13.9%	17.3%	7.8%	10.4%	8.0%
<b>Margin</b>										
Gross Margin (%)	73.9%	74.0%	74.9%	76.3%	75.8%	74.8%	75.2%	75.8%	76.4%	76.7%
Employee (% of sales)	19.1%	19.5%	21.2%	23.6%	23.0%	20.3%	19.0%	19.7%	19.6%	19.7%
Rent (% of sales)	8.3%	9.0%	9.9%	10.5%	11.7%	10.6%	9.7%	2.2%	2.1%	2.1%
Adj. Rent (% of sales)	8.3%	9.0%	9.9%	10.5%	11.7%	10.6%	9.7%	9.7%	9.5%	9.4%
ASP (% of sales)	4.5%	5.1%	5.5%	5.2%	5.6%	4.8%	4.8%	5.2%	5.2%	5.2%
Power & Fuel (% of sales)	5.2%	5.9%	5.8%	5.7%	5.6%	5.3%	4.7%	4.7%	4.7%	4.7%
Franchisee Fee (% of sales)	3.4%	3.2%	3.3%	3.3%	3.3%	3.3%	3.5%	3.5%	3.5%	3.5%
Others (% of sales)	16.1%	16.4%	16.6%	16.8%	16.9%	15.6%	16.2%	16.0%	15.6%	15.4%
<b>Margin Breakup</b>										
EBITDA Margin (%)	17.4%	14.8%	12.7%	11.3%	9.7%	15.0%	17.2%	24.5%	25.7%	26.1%
Adj EBITDA Margin (%)	17.4%	14.8%	12.7%	11.3%	9.7%	15.0%	17.2%	17.0%	18.4%	18.8%
Employee (No)	19,734	24,969	27,108	27,719	26,604	27,539	29,184	31,584	33,433	35,751
Employee/store (No)	37.9	38.4	33.8	29.1	24.8	24.5	24.0	24.6	24.0	24.0
Tax Rate	32%	33%	28%	33%	31%	34%	35%	27%	25%	25%
NPM (%)	9.3%	6.8%	5.3%	4.0%	2.6%	6.4%	8.9%	10.9%	11.9%	12.7%

### Unit Level Economics

Unit Level Economics	FY13	FY14	FY15	FY16	FY17	FY18	FY19P	FY20E	FY21E	FY22E
Net Sales/Store	27.0	26.5	25.9	25.3	23.8	26.5	29.9	31.0	33.2	34.9
Gross Profit/Store	20.0	19.6	19.4	19.3	18.0	19.8	22.5	23.5	25.3	26.8
Employee/Store	5.2	5.2	5.5	6.0	5.5	5.4	5.7	6.1	6.5	6.9
Rent/Store	2.2	2.4	2.6	2.7	2.8	2.8	2.9	3.0	3.1	3.3
ASP/Store	1.2	1.3	1.4	1.3	1.3	1.3	1.4	1.6	1.7	1.8
Franchise/Store	0.9	0.9	0.8	0.8	0.8	0.9	1.1	1.1	1.2	1.2
Packaging material/Store	1.1	1.1	1.0	0.9	0.8	0.8	1.0	1.0	1.1	1.2
Freight/Store	0.8	0.8	0.8	0.7	0.7	0.8	0.9	0.9	1.0	1.0
Adj EBITDA/Store	4.7	3.9	3.3	2.9	2.3	4.0	5.1	5.3	6.1	6.6
Adj Depreciation/Store	1.1	1.2	1.2	1.3	1.4	1.4	1.3	1.3	1.3	1.3
PAT/Store	2.6	1.9	1.5	1.1	0.7	1.8	2.8	3.3	4.0	4.4

Source: Company, HDFC sec Inst Research

*We raise our estimates by 1-3% to factor 2Q SSG beat and higher other income*

*JFL is our top pick in the consumer space. Current valuations provide an attractive entry point.*

### Changes in Estimates

Rs Mn	FY20E			FY21E			FY22E		
	Old	New	Chg (%)	Old	New	Chg (%)	Old	New	Chg (%)
Net Revenue	39,863	40,210	0.9	45,999	46,556	1.2	51,780	52,571	1.5
EBITDA	9,656	9,717	0.6	11,630	11,819	1.6	13,376	13,558	1.4
Adj EBITDA	6,640	6,706	1.0	8,310	8,419	1.3	9,681	9,734	0.5
APAT	4,238	4,382	3.4	5,431	5,562	2.4	6,571	6,682	1.7
EPS	32.1	33.2	3.4	41.2	42.1	2.4	49.8	50.6	1.7

### Peer Set Comparison

Company	MCap (Rs bn)	CMP (Rs)	Reco.	TP (Rs)	EPS (Rs)			P/E (x)			EV/EBITDA (x)			Core RoCE (%)		
					FY19	FY20E	FY21E	FY19	FY20E	FY21E	FY19	FY20E	FY21E	FY19	FY20E	FY21E
HUL	4,531	2,127	NEU	2,017	28.1	34.3	42.2	75.6	62.0	50.4	51.0	46.1	35.6	248.6	38.7	28.0
ITC	2,790	249	BUY	370	10.4	12.8	14.1	23.9	19.4	17.7	15.1	13.6	12.1	39.2	45.9	49.5
Nestle	1,448	15,020	NR	13,640	167.1	233.6	278.1	89.9	64.3	54.0	52.1	44.7	38.3	82.1	114.7	137.3
Dabur	833	473	BUY	490	8.2	9.5	11.4	57.7	49.6	41.5	46.4	39.8	34.4	50.1	52.9	58.3
Britannia	780	3,248	BUY	3,594	48.1	58.6	71.9	67.5	55.4	45.2	44.2	40.0	32.7	39.2	43.1	49.8
Marico	510	395	NEU	400	7.2	8.7	10.4	54.8	45.4	38.0	39.7	31.9	27.7	48.8	47.4	53.4
Colgate	414	1,520	NEU	1,398	27.6	33.2	37.5	55.2	45.7	40.5	33.2	30.2	27.0	67.2	76.0	82.5
Emami	157	338	BUY	468	11.0	13.0	14.7	30.7	26.1	23.0	20.7	18.3	16.0	21.5	26.5	32.0
<b>Jub. Food</b>	<b>189</b>	<b>1,430</b>	<b>BUY</b>	<b>2,134</b>	<b>24.1</b>	<b>33.2</b>	<b>42.1</b>	<b>59.3</b>	<b>43.1</b>	<b>33.9</b>	<b>30.3</b>	<b>26.6</b>	<b>20.7</b>	<b>45.8</b>	<b>35.5</b>	<b>25.8</b>
United Spirits	448	616	BUY	760	10.2	13.4	17.0	60.2	46.1	36.1	35.1	27.9	23.6	15.6	20.2	22.8
Radico Khaitan	41	308	BUY	496	14.1	17.8	21.5	21.8	17.3	14.3	12.6	11.2	9.3	11.5	13.8	15.3

Source: HDFC sec Inst Research



## Income Statement

(Rs mn)	FY18	FY19	FY20E	FY21E	FY22E
<b>Net Revenues</b>	<b>30,184</b>	<b>35,631</b>	<b>40,210</b>	<b>46,556</b>	<b>52,571</b>
<b>Growth (%)</b>	<b>16.8%</b>	<b>18.0%</b>	<b>12.8%</b>	<b>15.8%</b>	<b>12.9%</b>
Material Expenses	7,660	8,861	9,780	10,901	12,158
Employee Expense	6,140	6,818	7,865	9,029	10,288
A&P Expense	1,428	1,709	2,072	2,400	2,711
Rent	3,157	3,411	859	965	1,085
Other Expenses	7,399	8,835	9,916	11,441	12,770
<b>EBITDA</b>	<b>4,401</b>	<b>5,998</b>	<b>9,717</b>	<b>11,819</b>	<b>13,558</b>
<b>EBITDA Growth (%)</b>	<b>82.5%</b>	<b>36.3%</b>	<b>62.0%</b>	<b>21.6%</b>	<b>14.7%</b>
<b>EBITDA Margin (%)</b>	<b>14.6%</b>	<b>16.8%</b>	<b>24.2%</b>	<b>25.4%</b>	<b>25.8%</b>
<b>Adj EBITDA</b>	<b>4,401</b>	<b>5,998</b>	<b>6,706</b>	<b>8,419</b>	<b>9,734</b>
<b>Adj. EBITDA Growth (%)</b>	<b>82.5%</b>	<b>36.3%</b>	<b>11.8%</b>	<b>25.5%</b>	<b>15.6%</b>
<b>Adj. EBITDA Margin (%)</b>	<b>14.6%</b>	<b>16.8%</b>	<b>16.7%</b>	<b>18.1%</b>	<b>18.5%</b>
Depreciation	1,601	1,575	3,422	3,568	3,941
<b>EBIT</b>	<b>2,800</b>	<b>4,423</b>	<b>6,295</b>	<b>8,251</b>	<b>9,617</b>
Other Income (Including EO Items)	231	474	651	800	1,133
Interest	-	-	1,637	1,618	1,820
<b>PBT</b>	<b>3,031</b>	<b>4,897</b>	<b>5,309</b>	<b>7,433</b>	<b>8,930</b>
Total Tax	1,068	1,717	1,433	1,871	2,248
<b>RPAT</b>	<b>1,962</b>	<b>3,180</b>	<b>3,875</b>	<b>5,562</b>	<b>6,682</b>
Exceptional Gain/(loss) - net of taxes	44	-	(507)	-	-
<b>Adjusted PAT</b>	<b>1,918</b>	<b>3,180</b>	<b>4,382</b>	<b>5,562</b>	<b>6,682</b>
<b>APAT Growth (%)</b>	<b>189.3%</b>	<b>65.8%</b>	<b>37.8%</b>	<b>26.9%</b>	<b>20.1%</b>
<b>Adjusted EPS (Rs)</b>	<b>14.5</b>	<b>24.1</b>	<b>33.2</b>	<b>42.1</b>	<b>50.6</b>
<b>EPS Growth (%)</b>	<b>189.2%</b>	<b>65.8%</b>	<b>37.8%</b>	<b>26.9%</b>	<b>20.1%</b>

Source: Company, HDFC sec Inst Research

Note: We adjust our APAT with IND-AS 116 impact

## Balance Sheet

(Rs mn)	FY18	FY19	FY20E	FY21E	FY22E
<b>SOURCES OF FUNDS</b>					
Share Capital - Equity	660	1,320	1,320	1,320	1,320
Reserves	9,017	11,140	13,035	17,850	23,619
<b>Total Shareholders Funds</b>	<b>9,677</b>	<b>12,459</b>	<b>14,354</b>	<b>19,170</b>	<b>24,939</b>
<b>Minority Interest</b>	<b>-</b>	<b>26</b>	<b>28</b>	<b>31</b>	<b>34</b>
Long Term Debt	-	-	-	-	-
Short Term Debt	-	-	-	-	-
<b>Total Debt</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Deferred Taxes	550	500	500	500	500
Other Non-current Liabilities & Provns	5	5	14,742	13,850	12,703
<b>TOTAL SOURCES OF FUNDS</b>	<b>10,232</b>	<b>12,990</b>	<b>29,624</b>	<b>33,550</b>	<b>38,176</b>
<b>APPLICATION OF FUNDS</b>					
Net Block	7,527	7,712	8,578	8,992	9,255
CWIP	124	152	152	152	152
Other Non Current Assets	1,881	2,189	15,363	14,948	14,291
Intangible Assets	383	388	388	388	388
<b>Total Non-current Assets</b>	<b>9,915</b>	<b>10,441</b>	<b>24,481</b>	<b>24,480</b>	<b>24,086</b>
Inventories	642	771	870	1,007	1,137
Debtors	157	274	310	358	405
Other Current Assets	333	271	293	324	353
Cash & Equivalents	3,921	6,687	10,017	14,622	20,301
<b>Total Current Assets</b>	<b>5,053</b>	<b>8,003</b>	<b>11,489</b>	<b>16,311</b>	<b>22,196</b>
Creditors	3,890	4,167	4,957	5,740	6,481
Other Current Liabilities & Provns	845	1,287	1,389	1,501	1,624
<b>Total Current Liabilities</b>	<b>4,735</b>	<b>5,454</b>	<b>6,346</b>	<b>7,241</b>	<b>8,106</b>
<b>Net Current Assets</b>	<b>318</b>	<b>2,549</b>	<b>5,143</b>	<b>9,070</b>	<b>14,090</b>
<b>TOTAL APPLICATION OF FUNDS</b>	<b>10,232</b>	<b>12,990</b>	<b>29,624</b>	<b>33,550</b>	<b>38,176</b>

Source: Company, HDFC sec Inst Research

**Cash Flow Statement**

(Rs mn)	FY18	FY19	FY20E	FY21E	FY22E
Reported PBT	3,031	4,897	5,309	7,433	8,930
Non-operating & EO Items	(25)	26	-	-	-
Interest Expenses (Net)	(166)	(314)	986	818	687
Depreciation	1,601	1,575	3,422	3,568	3,941
Working Capital Change	912	(14)	736	677	659
Tax Paid	(1,262)	(1,779)	(1,433)	(1,871)	(2,248)
<b>OPERATING CASH FLOW ( a )</b>	<b>4,091</b>	<b>4,390</b>	<b>9,020</b>	<b>10,626</b>	<b>11,970</b>
Capex	(1,160)	(1,657)	(2,500)	(2,200)	(2,200)
Free Cash Flow (FCF)	2,931	2,733	6,520	8,426	9,770
Investments	(2,258)	(3,134)	(464)	(566)	(547)
Non-operating Income	99	216	651	800	1,133
<b>INVESTING CASH FLOW ( b )</b>	<b>(3,319)</b>	<b>(4,575)</b>	<b>(2,313)</b>	<b>(1,966)</b>	<b>(1,614)</b>
Debt Issuance/(Repaid)					
Interest Expenses	-	-	(1,637)	(1,618)	(1,820)
FCFE	2,931	2,733	4,882	6,807	7,949
Share Capital Issuance	(150)	186	-	-	-
Dividend	(198)	(397)	(660)	(858)	(1,056)
Others	-	-	(1,279)	(1,779)	(2,001)
<b>FINANCING CASH FLOW ( c )</b>	<b>(347)</b>	<b>(211)</b>	<b>(3,577)</b>	<b>(4,255)</b>	<b>(4,877)</b>
<b>NET CASH FLOW (a+b+c)</b>	<b>424</b>	<b>(396)</b>	<b>3,130</b>	<b>4,405</b>	<b>5,479</b>
EO Items, Others	(512)	(3,985)	(0)	0	-
Closing Cash & Equivalents	1,290	4,879	8,009	12,414	17,893

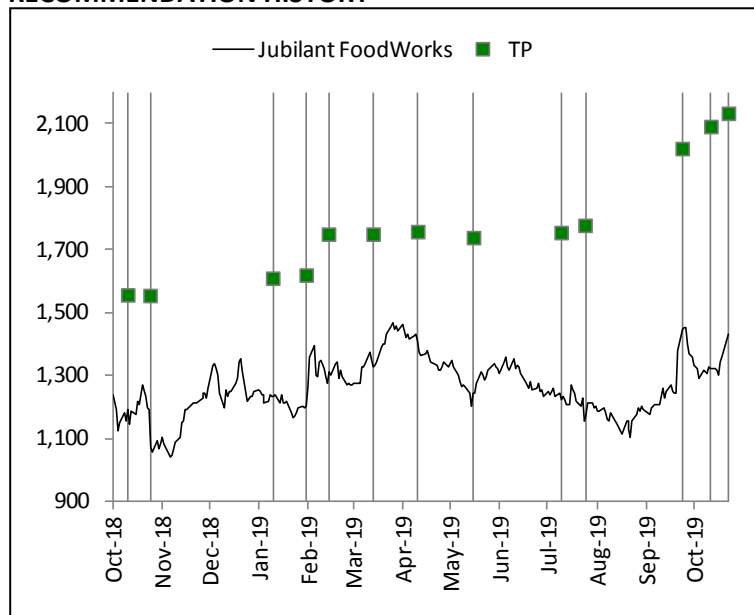
Source: Company, HDFC sec Inst Research

**Key Ratios**

Particulars	FY18	FY19	FY20E	FY21E	FY22E
<b>PROFITABILITY (%)</b>					
GPM	74.6	75.1	75.7	76.6	76.9
EBITDA Margin	14.6	16.8	24.2	25.4	25.8
EBIT Margin	9.3	12.4	15.7	17.7	18.3
APAT Margin	6.4	8.9	10.9	11.9	12.7
RoE	21.6	28.7	32.7	33.2	30.3
RoIC (or Core RoCE)	26.5	45.8	35.5	25.8	31.7
RoCE	20.2	27.4	26.2	21.4	22.4
<b>EFFICIENCY</b>					
Tax Rate (%)	35.3	35.1	27.0	25.2	25.2
Fixed Asset Turnover (x)	3.9	4.5	4.6	5.1	5.6
Inventory (days)	7.8	7.9	7.9	7.9	7.9
Debtors (days)	1.9	2.8	2.8	2.8	2.8
Other Current Assets (days)	4.0	2.8	2.7	2.5	2.5
Payables (days)	47.0	42.7	45.0	45.0	45.0
Other Current Liab & Provns (days)	10.2	13.2	12.6	11.8	11.3
Cash Conversion Cycle (days)	(43.6)	(42.4)	(44.2)	(43.5)	(43.1)
<b>PER SHARE DATA (Rs)</b>					
EPS	14.5	24.1	33.2	42.1	50.6
CEPS	26.7	36.0	59.1	69.2	80.5
Dividend	3.0	5.0	6.5	8.0	9.5
Book Value	73.3	94.4	108.8	145.3	189.0
<b>VALUATION</b>					
P/E (x)	98.4	59.3	43.1	33.9	28.2
P/BV (x)	19.5	15.1	13.1	9.8	7.6
EV/EBITDA (x)	42.0	30.3	26.6	20.7	17.3
EV/Revenues (x)	6.1	5.1	4.4	3.7	3.2
OCF/EV (%)	2.2	2.4	5.0	6.1	7.1
FCF/EV (%)	1.6	1.5	3.6	4.8	5.8
FCFE/Mkt Cap (%)	1.6	1.4	2.6	3.6	4.2
Dividend Yield (%)	0.2	0.3	0.5	0.6	0.7

Source: Company, HDFC sec Inst Research

**RECOMMENDATION HISTORY**



Date	CMP	Reco	Target
10-Oct-18	1,156	BUY	1,557
24-Oct-18	1,193	BUY	1,555
9-Jan-19	1,240	BUY	1,610
31-Jan-19	1,200	BUY	1,620
13-Feb-19	1,276	BUY	1,750
14-Mar-19	1,326	BUY	1,750
10-Apr-19	1,430	BUY	1,758
16-May-19	1,243	BUY	1,739
9-Jul-19	1,222	BUY	1,755
25-Jul-19	1,158	BUY	1,778
22-Sep-19	1,380	BUY	2,022
11-Oct-19	1,300	BUY	2,092
23-Oct-19	1,430	BUY	2,134

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- BUY : Where the stock is expected to deliver more than 10% returns over the next 12 month period
- NEUTRAL : Where the stock is expected to deliver (-)10% to 10% returns over the next 12 month period
- SELL : Where the stock is expected to deliver less than (-)10% returns over the next 12 month period

## INSTITUTIONAL RESEARCH

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