

## Hope continues...

Emami's 2Q was in-line with no negative surprises. Domestic business performance continues to be muted and own initiatives are still a WIP. Strong winter, recovery in macros and asset sales (drive lower pledged shares) are the key triggers for re-rating in the stock. Benign RM and favorable base will support 2HFY20 profit growth. We cut EPS estimates by 2% and value Emami at 30x on Sep-21E EPS, arriving at a TP of Rs 463. Maintain BUY.

### HIGHLIGHTS OF THE QUARTER

- Domestic revenues grew by 2% (2%/flat in 1QFY20/2QFY19) with 1% volume growth (exp. flat). Co benefited from stocking winter products (Boroplus grew by 39%) prior to the upcoming season. Ex-Boroplus, domestic biz degrew owing to dent in demand for discretionary products (F&H/Kesh King grew by -32/-11%). Emami's healthcare portfolio has underperformed vs. Dabur over the last 8 qtrs (6% growth vs. 16%). Market share gains have become irrelevant as core categories are struggling to grow.
- Rural grew at par with urban in 2QFY20 which was a key positive given its underperformance in 1QFY20 and sectors weak show in rural. Wholesale channel continues to contribute a high share of revenues (38-40% vs. 50-55% prior to GST). As a result, quarterly volatility in brand performance is expected to sustain.
  - International biz growth of 20% (34/4% in 1QFY20/2QFY19) was owing to 'Crème 21' acquisition

### Financial Summary (Consolidated)

YE March (Rs mn)	2QFY20	2QFY19	YoY (%)	1QFY20	QoQ (%)	FY18	FY19	FY20E	FY21E	FY22E
Net Revenues	6,600	6,280	5.1	6,486	1.8	25,021	25,306	26,929	28,480	30,748
EBITDA	1,929	1,872	3.1	1,341	43.8	7,602	7,195	7,320	7,833	8,797
APAT	1,486	1,298	14.5	830	79.0	5,491	5,132	5,002	5,739	6,633
Diluted EPS (Rs)	3.27	2.86	14.5	1.83	79.0	12.1	11.3	11.0	12.6	14.6
P/E (x)						27.0	28.8	29.6	25.8	22.3
EV / EBITDA (x)						20.0	20.7	20.1	18.6	16.2
Core RoCE (%)						24.0	21.8	21.4	25.8	31.9

Source: Company, HDFC sec Inst Research

(acquired in Jan-19). Organic growth was at 7% driven by robust growth in Bangladesh (+30%) and partially offset by MENA (-3%) and CIS (-10%).

- GM expanded by 111bps to 69.7% (exp -140ps) owing to softening raw material (Menthol). We expect GM expansion to sustain over 2HFY20 (+200bps).
- Employee/A&P/Other expenses grew by 5/5/19% resulting in 3% EBITDA growth to Rs 1.92bn (exp Rs 1.85bn). EBITDAM expanded by -57bps to 29.2%. Lower taxes (-464bps) resulted in 15% growth in APAT to Rs 1,486mn vs. exp of Rs 1,295mn.

### STANCE

Emami's underperformance over the last 3 years has not been caused by competitive intensity rather its own challenges like (1) High wholesale dependence, (2) Core brands' dependence on seasonality, (3) Limited portfolio for premiumisation and (4) Pledge related disturbance.

The company has made some progress in the last 2 years in diversifying its distribution from wholesale (~38% mix now vs. 52% earlier) to modern trade (9% mix now vs. 4% earlier) and direct reach (0.95mn stores vs. 0.63mn earlier). Benefits are coming at a gradual pace.

Recovery in macros (rural) coupled with a favorable season can lead to a rebound in Emami's performance. We remain believers, given favorable risk-reward and high probability for a consumer business to rebound.

INDUSTRY	FMCG
<b>CMP (as on 06 Nov 2019)</b>	<b>Rs 326</b>
<b>Target Price</b>	<b>Rs 463</b>
Nifty	11,966
Sensex	40,470

### KEY STOCK DATA

Bloomberg	HMN IN
No. of Shares (mn)	454
MCap (Rs bn) / (\$ mn)	148/2,088
6m avg traded value (Rs mn)	406

### STOCK PERFORMANCE (%)

52 Week high / low	Rs 470/246		
	3M	6M	12M
Absolute (%)	3.9	(13.8)	(21.7)
Relative (%)	(5.5)	(18.6)	(37.3)

### SHAREHOLDING PATTERN (%)

	Jun-19	Sep-19
Promoters	52.74	52.74
FIs & Local MFs	25.13	25.51
FPIs	11.92	11.72
Public & Others	10.21	10.03
Pledged Shares (% of total shares)	24.69	36.54

Source : BSE

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**Domestic revenues grew by 2% (2%/flat in 1QFY20/2QFY19) with 1% volume growth**

**International biz growth of 20% (34/4% in 1QFY20/2QFY19) was owing to 'Crème 21' acquisition (acquired in Jan-19)**

**GM expanded by 111bps to 69.7% (exp -140ps) owing to softening raw material (Menthol)**

**Employee/A&P/Other expenses grew by 5/5/19% resulting in 3% EBITDA growth to Rs 1.92bn (exp Rs 1.85bn)**

### Quarterly Financials

Year to March (Rs mn)	2QFY20	2QFY19	YoY (%)	1QFY20	QoQ (%)	FY19	FY18	YoY (%)
<b>Net Revenue</b>	<b>6,600</b>	<b>6,280</b>	<b>5.1</b>	<b>6,486</b>	<b>1.8</b>	<b>26,929</b>	<b>25,306</b>	<b>9.0</b>
Material Expenses	1,999	1,972	1.4	2,324	(14.0)	9,230	8,099	14.0
Employee Expenses	753	714	5.5	773	(3)	2,797	2,547	9.8
ASP Expenses	1,049	995	5.4	1,291	(18.7)	4,702	4,696	0.1
Other Operating Expenses	870	728	19.5	757	14.8	2,880	2,770	4.0
<b>EBITDA</b>	<b>1,929</b>	<b>1,872</b>	<b>3.1</b>	<b>1,341</b>	<b>43.8</b>	<b>7,320</b>	<b>7,195</b>	<b>1.7</b>
Depreciation & amortisation	819	815	0.5	837	(2.2)	3,253	3,109	4.7
<b>EBIT</b>	<b>1,111</b>	<b>1,057</b>	<b>5.1</b>	<b>505</b>	<b>120.1</b>	<b>4,067</b>	<b>4,086</b>	<b>(0.5)</b>
Other Income (Inc exceptional)	164	52	217.4	115	42.6	201	195	3.1
Interest Cost	93	44	112.3	44	113.8	214	343	(37.6)
<b>PBT</b>	<b>1,182</b>	<b>1,065</b>	<b>11.0</b>	<b>576</b>	<b>105.1</b>	<b>4,054</b>	<b>3,938</b>	<b>3.0</b>
Tax	211	240	(11.8)	177	19.4	1,009	863	16.9
<b>RPAT</b>	<b>970</b>	<b>825</b>	<b>17.6</b>	<b>399</b>	<b>143.0</b>	<b>3,023</b>	<b>3,075</b>	<b>(1.7)</b>
Adjustment (Extra-ordinary items net of taxes)	516	473	9.1	431	19.7	1,978	2,057	(3.8)
<b>APAT</b>	<b>1,486</b>	<b>1,298</b>	<b>14.5</b>	<b>830</b>	<b>79.0</b>	<b>5,002</b>	<b>5,132</b>	<b>(2.5)</b>
<b>EPS (Adjusted)</b>	<b>3.27</b>	<b>2.86</b>	<b>14.5</b>	<b>1.83</b>	<b>79.0</b>	<b>11.02</b>	<b>11.31</b>	<b>(2.5)</b>

As a % of revenues	2QFY20	2QFY19	YoY (bps)	1QFY20	QoQ (bps)	FY19	FY18	YoY (bps)
Material Expenses	30.3	31.4	(111)	35.8	(555)	34.3	32.0	227
Employee Expenses	11.4	11.4	4	11.9	(51)	10.4	10.1	32
ASP	15.9	15.8	5	19.9	(400)	17.5	18.6	(110)
Other Operating Expenses	13.2	11.6	159	11.7	150	10.7	10.9	(25)
EBITDA Margin	29.2	29.8	(57)	20.7	855	27.2	28.4	(125)
Tax Rate	17.9	22.5	(463)	30.7	(1,282)	24.9	21.9	298
APAT Margin	22.5	20.7	185	12.8	972	18.6	20.3	(171)

Source: Company, HDFC sec Inst Research

### Business Break-up

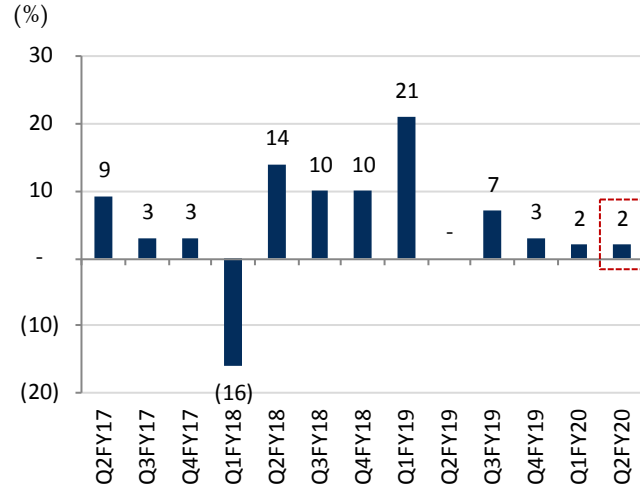
Revenue Mix (%)	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20
Domestic	85.0	85.0	85.0	83.0	87.0	85.0	86.0	84.0	84.0	83.0	83.0	81.0
IMD	11.0	11.0	11.0	14.0	9.0	11.0	10.0	13.0	12.0	13.0	14.0	15.0
CSD	4.0	4.0	4.0	3.0	4.0	4.0	4.0	3.0	4.0	4.0	3.0	4.0

Source: Company, HDFC sec Inst Research

*Emami has underperformed vs. other FMCG companies in the last 2 years although gained market share in their respective categories*

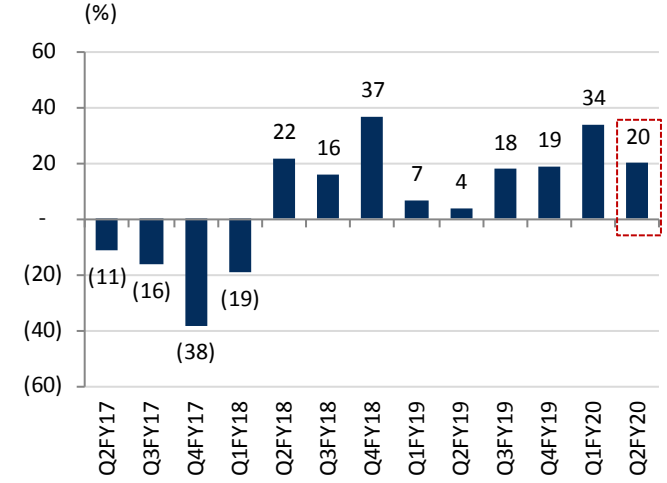
*International business has rebounded led by acquisition of Crème 21. Management believes >10% growth is sustainable for organic business*

**Domestic Revenue Performance**



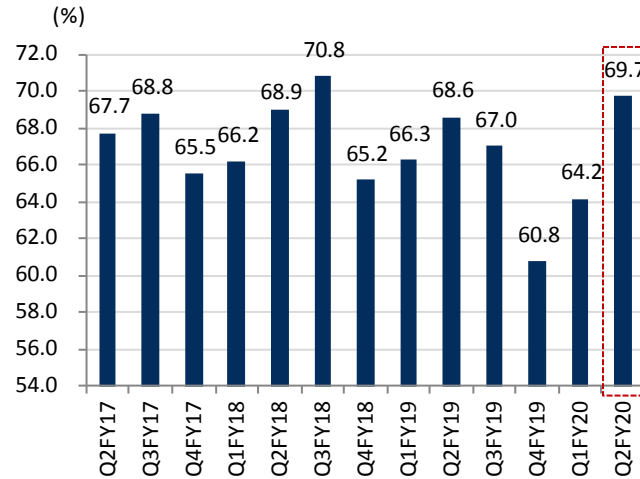
Source: Company, HDFC sec Inst Research

**International Revenue Performance**



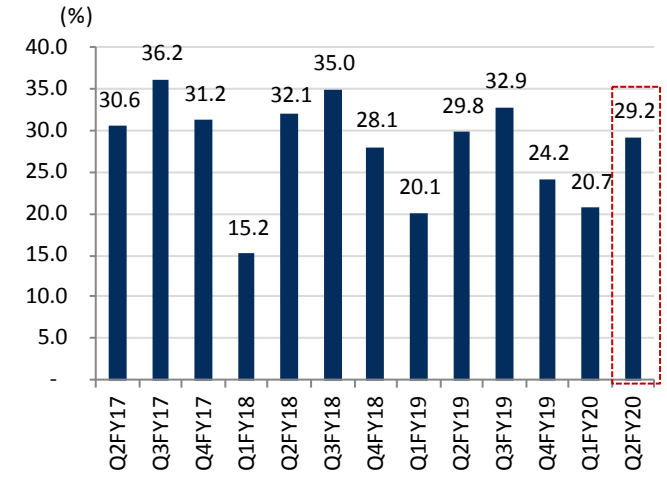
Source: Company, HDFC sec Inst Research

**Gross Margin**



Source: Company, HDFC sec Inst Research

**EBITDA Margin**



Source: Company, HDFC sec Inst Research

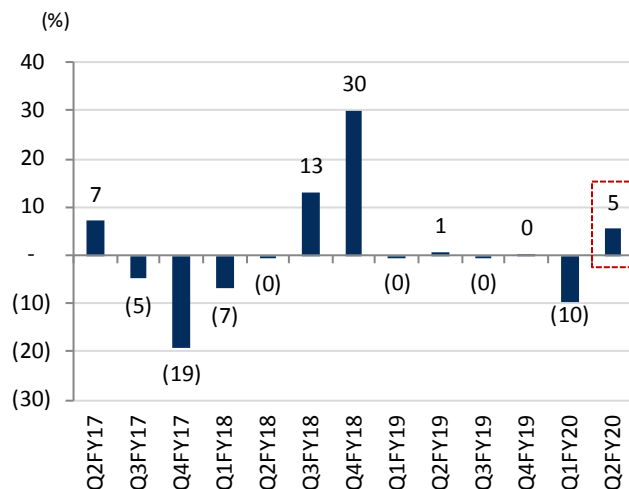
*A&P spend has been muted during the last 4-5 quarters on account of weak performance. However as a % of sales it still stands high at ~20%*

*Boroplus performance benefited from stocking prior to season*

*Ex-Boroplus, domestic biz degrew owing to dent in demand for discretionary products (F&H/Kesh King grew by -32/-11%)*

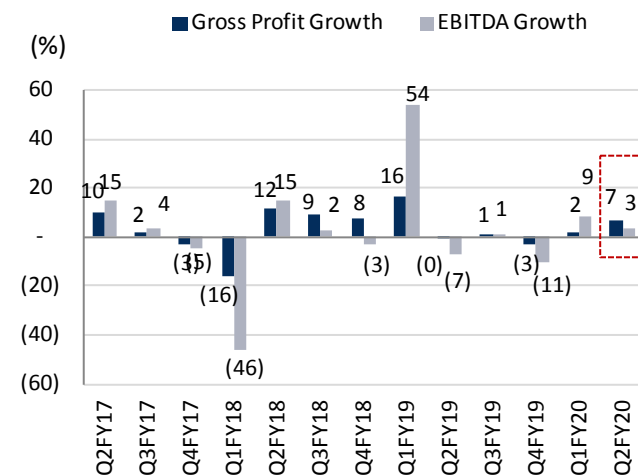
*Emami's healthcare portfolio has underperformed vs. Dabur over the last 8 qtrs (6% growth vs. 16%).*

**ASP Growth**



Source: Company, HDFC sec Inst Research

**Gross Profit Growth vs. EBITDA Growth**



Source: Company, HDFC sec Inst Research

**Brand-wise Performance**

Brands	Q3FY17	Q4FY17	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20
Boroplus Cream	13%	2%	41%	38%	10%	-2%	-15%	-7%	4%	17%	-7%	39%
Navratana Oil	-4%	5%	-15%	16%	15%	14%	19%	3%	10%	1%	4%	-3%
Male Grooming Range	-18%	-5%	-21%	10%	20%	8%	8%	12%	-2%	-4%	-7%	-32%
Pain Management	-5%	1%	-21%	15%	17%	13%	39%	-8%	6%	1%	-6%	4%
Kesh King Range	2%	1%	-28%	-16%	-19%	6%	10%	2%	26%	15%	30%	11%
Healthcare Range	-6%	-11%	-23%	2%	-3%	-2%	28%	1%	18%	9%	-3%	0%
International	-16%	-38%	-19%	22%	16%	37%	7%	4%	18%	19%	34%	20%

Source: Company, HDFC sec Inst Research

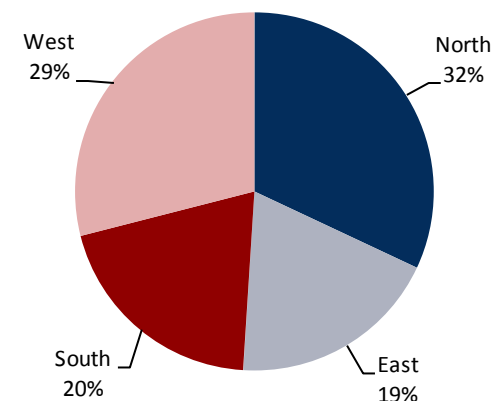
## Emami's Core Strength And Past Performance

### Brand-wise Performance

Domestic Brands Gr. (%)	FY14	FY15	FY16	FY17	FY18	FY19
Navratna Cooling Oil	3	18	6	3	8	8
Boroplus Cream	(2)	11	8	15	22	2
Zandu & Mentho plus balm	2	16	12	6	6	7
Fair & Handsome	11	15	9	(6)	4	3
Navratna Cool Talc	7	32	4	26	2	na
HCD	36	25	34	(1)	2	12
Kesh King	na	na	na	48	(15)	13
<b>Total</b>	<b>5</b>	<b>19</b>	<b>17</b>	<b>12</b>	<b>5</b>	<b>7</b>

Source: Company, HDFC sec Inst Research

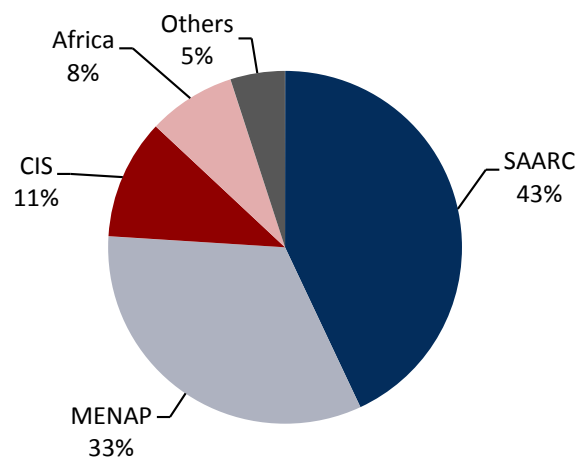
### Regional Breakup



Source: Company, HDFC sec Inst Research

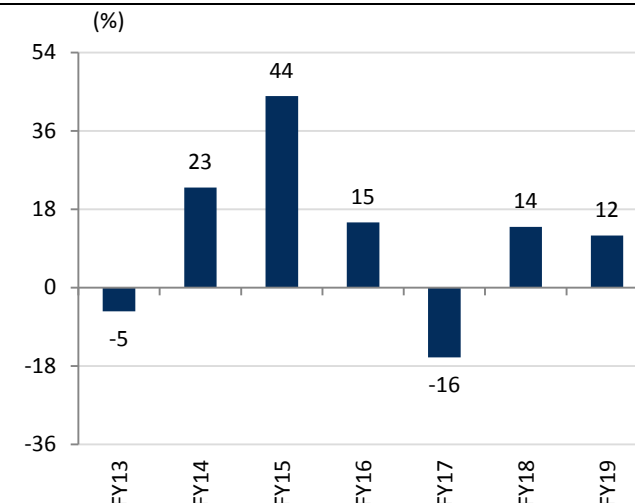
*Emami has high dependence on SAARC and MENAP as they constitute ~75% of Emami's international sales*

### Geographic Breakup (FY19)



Source: Company, HDFC sec Inst Research

### International Performance



Source: Company, HDFC sec Inst Research

**Acquisition of 'Crème 21 will accelerate international growth in FY20**

**We cut estimates by ~2% to factor slower than expected recovery in volume growth**

### Assumptions

Year to March (Rs mn)	FY17	FY18	FY19	FY20E	FY21E	FY22E
<b>Revenue Growth (%)</b>						
Domestic Gr. (%)	10.0	4.5	4.0	3.5	8.0	8.3
Navratna oil	3.0	7.5	8.0	2.5	8.0	8.0
Boroplus cream	15.0	21.8	2.0	11.5	8.0	8.0
Zandu & Mentho plus balm	6.0	6.0	7.0	1.0	7.0	8.0
Fair & Handsome	(6.0)	4.3	3.0	(5.0)	8.0	8.0
Kesh King	48.0	(15.4)	13.0	5.0	10.0	10.0
International Gr. (%)	(16.0)	14.0	12.0	20.6	7.6	7.6
Gross Margin (%)	66.7	68.0	65.7	66.5	67.5	67.5
Employee (% of sales)	9.4	10.1	10.4	10.8	10.9	11.1
ASP (% of sales)	17.7	18.6	17.5	16.9	16.9	16.6
Distribution (% of sales)	2.5	2.4	2.3	2.3	2.3	2.3
Other Expenses (% of sales)	6.7	8.5	8.4	9.0	8.8	8.7
EBITDA Margin (%)	30.4	28.4	27.2	27.5	28.6	28.8
Tax Rate (%)	19.7	21.9	24.9	21.2	20.0	20.0

Source: Company, HDFC sec Inst Research

### Change in estimates

	FY20E			FY21E			FY22E		
	OLD	NEW	Chg (%)	OLD	NEW	Chg (%)	OLD	NEW	Chg (%)
Net Sales	29,150	28,480	(2.3)	31,665	30,748	(2.9)	34,401	33,263	(3.3)
EBITDA	8,117	7,833	(3.5)	9,022	8,797	(2.5)	9,825	9,579	(2.5)
APAT	5,883	5,739	(2.5)	6,671	6,633	(0.6)	7,492	7,369	(1.7)
EPS	13.0	12.6	(2.5)	14.7	14.6	(0.6)	16.5	16.2	(1.7)

Source: HDFC sec Inst Research

**Peer Comparison**

Companies	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	4,628	2,172	NEU	2,017	28.1	34.3	42.2	77.2	63.3	51.5	52.1	47.1	36.3	248.6	38.7	28.0
ITC	2,960	263	BUY	368	10.4	12.9	14.0	25.2	20.3	18.8	16.0	14.5	13.0	39.2	46.3	49.1
Nestle	1,413	14,650	NR	13,640	167.1	233.6	278.1	87.7	62.7	52.7	50.8	43.6	37.3	82.1	114.7	137.3
Dabur	846	476	BUY	511	8.2	9.4	11.6	58.6	51.2	41.2	47.2	40.1	34.1	50.1	54.8	61.5
Britannia	776	3,231	BUY	3,594	48.1	58.6	71.9	67.2	55.1	44.9	44.0	39.8	32.5	39.2	43.1	49.8
Marico	472	366	NEU	391	7.2	8.7	10.3	50.8	42.0	35.7	36.7	29.6	26.0	48.8	47.5	52.9
Colgate	421	1,547	NEU	1,400	27.6	32.3	37.2	56.1	47.9	41.5	33.8	31.3	27.4	67.2	74.4	83.3
<b>Emami</b>	<b>148</b>	<b>326</b>	<b>BUY</b>	<b>463</b>	<b>11.0</b>	<b>12.6</b>	<b>14.6</b>	<b>29.6</b>	<b>25.8</b>	<b>22.3</b>	<b>20.1</b>	<b>18.6</b>	<b>16.2</b>	<b>21.4</b>	<b>25.8</b>	<b>31.9</b>
Jub. Food	205	1,557	BUY	2,134	24.1	33.2	42.1	64.6	46.9	36.9	33.1	29.1	22.7	45.8	35.5	25.8
United Spirits	465	640	BUY	738	10.2	12.6	16.4	62.5	50.8	39.1	36.1	29.7	25.1	15.8	18.4	21.6
Radico Khaitan	42	318	BUY	496	14.1	18.9	21.2	22.5	16.9	15.0	13.0	11.9	9.7	11.5	14.9	15.2

Source: HDFC sec Inst Research

**Income Statement**

(Rs mn)	FY18	FY19	FY20E	FY21E	FY22E
<b>Net Revenues</b>	<b>25,306</b>	<b>26,929</b>	<b>28,480</b>	<b>30,748</b>	<b>33,263</b>
<b>Growth (%)</b>	<b>4.5</b>	<b>6.4</b>	<b>5.8</b>	<b>8.0</b>	<b>8.2</b>
Material Expense	8,099	9,230	9,550	9,982	10,803
Employee Expense	2,547	2,797	3,071	3,355	3,691
ASP Expense	4,696	4,702	4,803	5,198	5,536
Distribution Expense	619	624	660	712	771
Other Expense	2,151	2,256	2,563	2,703	2,884
<b>EBITDA</b>	<b>7,195</b>	<b>7,320</b>	<b>7,833</b>	<b>8,797</b>	<b>9,579</b>
<b>EBITDA Growth (%)</b>	<b>(5.4)</b>	<b>1.7</b>	<b>7.0</b>	<b>12.3</b>	<b>8.9</b>
<b>EBITDA Margin (%)</b>	<b>28.4</b>	<b>27.2</b>	<b>27.5</b>	<b>28.6</b>	<b>28.8</b>
Depreciation & Amortisation	3,109	3,253	3,319	3,389	3,435
<b>EBIT</b>	<b>4,086</b>	<b>4,067</b>	<b>4,514</b>	<b>5,408</b>	<b>6,145</b>
Other Income (Inc. EO Items)	195	299	440	436	570
Interest	343	214	219	99	55
<b>PBT</b>	<b>3,938</b>	<b>4,054</b>	<b>4,736</b>	<b>5,745</b>	<b>6,660</b>
Tax	863	1,009	1,004	1,149	1,332
<b>RPAT</b>	<b>3,064</b>	<b>3,023</b>	<b>3,732</b>	<b>4,596</b>	<b>5,328</b>
Adjustment	2,069	1,978	2,007	2,037	2,040
<b>APAT</b>	<b>5,132</b>	<b>5,002</b>	<b>5,739</b>	<b>6,633</b>	<b>7,369</b>
<b>APAT Growth (%)</b>	<b>(6.5)</b>	<b>(2.5)</b>	<b>14.7</b>	<b>15.6</b>	<b>11.1</b>
<b>Adjusted EPS (Rs)</b>	<b>11.3</b>	<b>11.0</b>	<b>12.6</b>	<b>14.6</b>	<b>16.2</b>
<b>EPS Growth (%)</b>	<b>(6.5)</b>	<b>(2.5)</b>	<b>14.7</b>	<b>15.6</b>	<b>11.1</b>

Source: Company, HDFC sec Inst Research

Note: Acquisition of 'Crème 21' is factored from FY20

**Balance Sheet**

(Rs mn)	FY18	FY19	FY20E	FY21E	FY22E
<b>SOURCES OF FUNDS</b>					
Share Capital - Equity	227	454	454	454	454
Reserves	19,909	20,355	21,052	21,751	22,750
<b>Total Shareholders' Funds</b>	<b>20,136</b>	<b>20,809</b>	<b>21,506</b>	<b>22,205</b>	<b>23,204</b>
Minority interest	6	(2)	(2)	(2)	(2)
Long Term Debt	-	-	-	-	-
Short Term Debt	3,259	1,098	298	98	-
<b>Total Debt</b>	<b>3,259</b>	<b>1,098</b>	<b>298</b>	<b>98</b>	<b>-</b>
Net Deferred Taxes	118	160	160	160	160
Non Current Liabilities	580	505	494	482	471
<b>TOTAL SOURCES OF FUNDS</b>	<b>24,098</b>	<b>22,570</b>	<b>22,456</b>	<b>22,943</b>	<b>23,833</b>
<b>APPLICATION OF FUNDS</b>					
Net Block	8,005	7,490	8,225	8,860	9,565
CWIP (Including capital advances)	226	-	-	-	-
Goodwill	10,095	8,774	7,186	4,647	2,109
Non Current Investments	1,855	1,855	1,855	1,855	1,855
Other Non Current Assets	790	790	790	790	790
<b>Total Non-current Assets</b>	<b>20,971</b>	<b>18,910</b>	<b>18,056</b>	<b>16,153</b>	<b>14,319</b>
Inventories	1,940	2,217	2,345	2,532	2,739
Debtors	1,559	2,164	2,249	2,386	2,536
Other Current Assets	1,433	1,953	2,053	2,153	2,253
Cash & Equivalents	2,076	2,239	2,908	5,165	7,856
<b>Total Current Assets</b>	<b>7,008</b>	<b>8,572</b>	<b>9,555</b>	<b>12,235</b>	<b>15,383</b>
Creditors	2,420	2,914	3,015	3,151	3,410
Other Current Liabilities	1,460	1,998	2,140	2,293	2,459
<b>Total Current Liabilities</b>	<b>3,880</b>	<b>4,912</b>	<b>5,155</b>	<b>5,444</b>	<b>5,869</b>
<b>Net Current Assets</b>	<b>3,127</b>	<b>3,660</b>	<b>4,400</b>	<b>6,791</b>	<b>9,514</b>
<b>TOTAL APPLICATION OF FUNDS</b>	<b>24,098</b>	<b>22,570</b>	<b>22,456</b>	<b>22,943</b>	<b>23,833</b>

Source: Company, HDFC sec Inst Research



## Cash Flow Statement

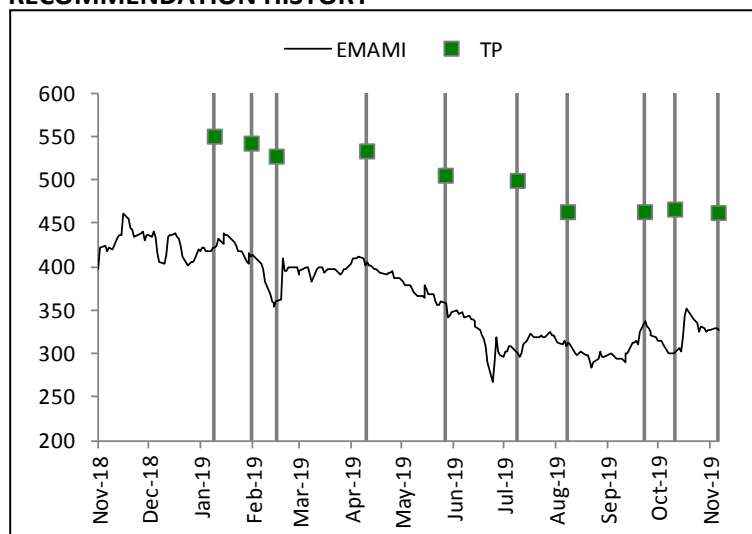
(Rs mn)	FY18	FY19	FY20E	FY21E	FY22E
Reported PBT	3,938	4,054	4,736	5,745	6,660
Non-operating & EO Items	(90)	-	-	-	-
Interest Expenses	343	214	219	99	55
Depreciation	3,109	3,253	3,319	3,389	3,435
Working Capital Change	(612)	740	(570)	(634)	(532)
Tax Paid	(809)	(1,009)	(1,004)	(1,149)	(1,332)
<b>OPERATING CASH FLOW ( a )</b>	<b>5,878</b>	<b>7,253</b>	<b>6,699</b>	<b>7,450</b>	<b>8,285</b>
Capex	(1,232)	(1,192)	(2,465)	(1,485)	(1,601)
Free Cash Flow (FCF)	4,646	6,061	4,234	5,965	6,684
Investments	(2,278)	-	-	-	-
Non-operating Income	719	3	-	-	-
<b>INVESTING CASH FLOW ( b )</b>	<b>(2,791)</b>	<b>(1,188)</b>	<b>(2,465)</b>	<b>(1,485)</b>	<b>(1,601)</b>
Debt Issuance/(Repaid)	(1,470)	-	(800)	(200)	(98)
Interest Expenses	(344)	(214)	(219)	(99)	(55)
FCFE	1,273	5,850	3,215	5,665	6,532
Share Capital Issuance	-	-	-	-	-
Dividend	(1,423)	(2,351)	(3,034)	(3,897)	(4,329)
Others	-	(35)	(12)	(12)	(12)
<b>FINANCING CASH FLOW ( c )</b>	<b>(3,237)</b>	<b>(2,600)</b>	<b>(4,064)</b>	<b>(4,208)</b>	<b>(4,493)</b>
<b>NET CASH FLOW (a+b+c)</b>	<b>(150)</b>	<b>3,464</b>	<b>169</b>	<b>1,757</b>	<b>2,191</b>
EO Items, Others	(445)	2,099	-	-	-
<b>Closing Cash &amp; Equivalents</b>	<b>795</b>	<b>2,160</b>	<b>2,329</b>	<b>4,086</b>	<b>6,277</b>

Source: Company, HDFC sec Inst Research

## Key Ratios

	FY18	FY19	FY20E	FY21E	FY22E
<b>PROFITABILITY (%)</b>					
GPM	68.0	65.7	66.5	67.5	67.5
ASP (% of sales)	18.6	17.5	16.9	16.9	16.6
EBITDA Margin	28.4	27.2	27.5	28.6	28.8
EBIT Margin	16.1	15.1	15.9	17.6	18.5
APAT Margin	20.3	18.6	20.1	21.6	22.2
RoE	27.2	24.4	27.1	30.3	32.5
RoIC (or Core RoCE)	21.8	21.4	25.8	31.9	38.8
RoCE	13.6	13.1	15.8	19.1	21.0
<b>EFFICIENCY</b>					
Tax Rate (%)	21.9	24.9	21.2	20.0	20.0
Fixed Asset Turnover (x)	3.2	3.6	3.5	3.5	3.5
Inventory (days)	28.0	30.1	30.1	30.1	30.1
Debtors (days)	22.5	29.3	28.8	28.3	27.8
Other Current Assets (days)	20.7	26.5	26.3	25.6	24.7
Payables (days)	34.9	39.5	38.6	37.4	37.4
Other Current Liab & Provns (days)	21.1	27.1	27.4	27.2	27.0
Cash Conversion Cycle (days)	15.2	19.3	19.1	19.3	18.2
Net D/E (x)	0.1	(0.1)	(0.1)	(0.2)	(0.3)
Interest Coverage (x)	11.9	19.0	20.7	54.4	112.1
<b>PER SHARE DATA (Rs)</b>					
EPS	11.3	11.0	12.6	14.6	16.2
CEPS	12.8	12.7	14.4	16.5	18.2
Dividend	7.0	4.4	5.7	7.3	8.1
Book Value	44.4	45.8	47.4	48.9	51.1
<b>VALUATION</b>					
P/E (x)	28.8	29.6	25.8	22.3	20.1
P/BV (x)	7.3	7.1	6.9	6.7	6.4
EV/EBITDA (x)	20.7	20.1	18.6	16.2	14.6
EV/Revenues (x)	5.9	5.5	5.1	4.6	4.2
OCF/EV (%)	3.9	4.9	4.6	5.2	5.9
FCF/EV (%)	3.1	4.1	2.9	4.2	4.8
FCFE/Mkt Cap (%)	0.9	4.0	2.2	3.8	4.4
Dividend Yield (%)	2.1	1.4	1.7	2.2	2.5

Source: Company, HDFC sec Inst Research

**RECOMMENDATION HISTORY**


Date	CMP	Reco	Target
9-Jan-19	423	BUY	551
1-Feb-19	411	BUY	543
19-Feb-19	362	BUY	528
10-Apr-19	402	BUY	534
28-May-19	356	BUY	506
9-Jul-19	300	BUY	500
9-Aug-19	312	BUY	464
22-Sep-19	324	BUY	464
11-Oct-19	299	BUY	467
6-Nov-19	326	BUY	463

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**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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