

Emami

Miss on all fronts

Emami's 4QFY20 performance was disappointing as the co registered a 17% yoy decline in consolidated revenues. Boroplus, Male Grooming and Kesh King saw sharp revenue decline of 77/42/26% yoy. 4Q performance was impacted by weak category growth (even prior to Covid-19) and lockdown. Emami continued to gain market share in most of its portfolio. Co could not react fast enough to cut costs, resulting in EBITDA contraction of 36% yoy with EBITDAM declining by 569bps yoy. Co is now focusing on strategic launches and relaunches in hygiene and healthcare to drive revenue growth. Benign commodity inflation and expected savings of Rs 500-600mn from cost saving initiatives in FY21 could see margins expand for the co. However, Emami's portfolio is discretionary in nature and we expect recovery will take slightly longer than other FMCG cos. Hence, we cut EPS estimate by 6% for FY21E/FY22E. We value Emami at 17x on FY22E EPS and arrive at a TP of Rs 207. Maintain REDUCE.

- Revenue pressure across the board:** Domestic revenue declined by 19% yoy (+3% in 4QFY19 and -2% in 3QFY20) yoy vs. HSIE est decline of 10% yoy. Kesh King/Boroplus/Navratna/Male Grooming/Healthcare/Pain Mgt saw revenues decline by 26/77/12/42/9/5% yoy while 7 Oils in one clocked a growth of 5% yoy. However, co saw market share gains across most of its portfolio with the exception of Male Grooming. Domestic vol decline was at 19% yoy (flat in 4QFY19 and -2% in 3QFY20) vs est of 8% dip. International biz declined by 4% yoy (+19% in 4QFY19 and +18% in 3QFY20).
- Healthy GM expansion, EBITDA dip by 36%:** GM expanded by 436bps yoy to 65.2% owing to benign commodity inflation (-438bps in 4QFY19 and +124bps in 3QFY20). Employee/Other expenses grew by 6/16% yoy while ASP remained flat yoy. As a result, EBITDAM declined by 569bps yoy to 18.5% (-389bps in 4QFY19 and flat in 3QFY20) vs est decline of 152bps yoy. EBITDA declined by 36% yoy (exp -15%) to Rs 985mn (est of Rs 1,320mn). Dip in other income (-16% yoy) and higher depreciation (+37% yoy) negated the benefit of lower tax and led to a decline of 34% yoy in APAT to Rs 702mn vs exp. of Rs 994mn.
- Call & other takeaways:** (1) Co has now returned to normal operational levels, (2) MT and Ecomm saw strong growth and co has targeted doubling the revenue share of Ecomm in FY21, (3) New launches in the hygiene space are expected to drive revenue growth in FY21 and co expects revenue mix of new launches to be ~4%, (4) Receivable days increased to 42 days vs. 29 days in FY19. NWC days increased to 36 days vs. 9 days in FY19, (5) Emami Group is expected to receive money from the stake of sale of cement company over the next 7-10 days.

Financial Summary

YE Mar (Rs mn)	4Q FY20	4Q FY19	YoY (%)	3Q FY20	QoQ (%)	FY19	FY20P	FY21E	FY22E
Net Sales	5,327	6,404	(16.8)	8,126	(34.5)	26,938	26,540	25,141	27,168
EBITDA	985	1,554	(36.6)	2,640	(62.7)	7,295	6,896	6,696	7,307
APAT	702	1,068	(34.3)	1,949	(64.0)	5,002	4,966	4,954	5,525
Diluted EPS (Rs)	1.55	2.35	(34.1)	4.29	(63.9)	11.0	11.0	10.9	12.2
P/E (x)						18.7	18.8	18.8	16.9
EV / EBITDA (x)						12.7	13.6	13.6	12.3
RoCE (%)						21.3	22.5	24.4	30.8

Source: Company, HSIE Research

REDUCE

CMP (as on 29 June 2020)	Rs 206
Target Price	Rs 207
NIFTY	10,312

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	Rs 221	Rs 207
EPS %	FY21E	FY22E
	-6%	-6%

KEY STOCK DATA

Bloomberg code	HMN IN
No. of Shares (mn)	450
MCap (Rs bn) / (\$ mn)	93/1,225
6m avg traded value (Rs mn)	193
52 Week high / low	Rs 358/131

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	31.4	(33.0)	(31.3)
Relative (%)	14.2	(17.1)	(20.0)

SHAREHOLDING PATTERN (%)

	Dec-19	Mar-20
Promoters	52.74	52.74
FIs & Local MFs	28.67	31.46
FPIs	10.38	7.00
Public & Others	8.21	8.80
Pledged Shares	37.75	47.07

Source : BSE

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Emami Quarterly Commentary

Particulars	1QFY20	2QFY20	3QFY20	4QFY20
Industry/ Co Strategy	<ul style="list-style-type: none"> - Macroeconomic environment continued to be challenging. - Rural development is expected to bounceback in coming quarters aided by govt initiatives. - Male fairness category recorded a decline. 	<ul style="list-style-type: none"> - Discretionary products faced a challenging liquidity and consumption environment - Expect the measures by the govt to boost the demand. 	<ul style="list-style-type: none"> - Rural demand continued to be weak - Liquidity concerns continued to affect sentiments - Male grooming category registered a degrowth 	<ul style="list-style-type: none"> - Co commenced production from 10th April. Capacity utilization is now back to pre-lockdown level. Revenue in June was on par with last year. - Co increased presence in MT with 26% yoy growth in 4QFY20. Revenue contribution from MT grew to 12%. - Ecomm also saw strong growth of 167% yoy in 4QFY20. Revenue contribution from EComm increased to 1% in FY20 vs 0.5% in FY19. Co intends to double this in FY21.
Revenue				
Domestic	<ul style="list-style-type: none"> - Seeing good momentum in Kesh King after the relaunch, which was also aided by slowdown in Kesh Kanti. - Pancharisht has failed to grow despite initiatives being taken to promote it. Co does not expect it to grow for the next 2 quarters. - Continue to be bullish on the healthcare range and have launched brands that will drive growth. - Reached target of direct distribution reach at 0.95 mn. 	<ul style="list-style-type: none"> - Boroplus saw strong growth due to channel filling in October. - 7Oils put up a strong performance, but Kesh King struggled. - Despite a high level of focus and investment, Pancharishta continues to be disappointing, hence the Co is now trying to push other brands in order to avoid a decline in Healthcare. - Performance in upcoming quarter is entirely dependent on winter setting in. 	<ul style="list-style-type: none"> - Domestic vol dip by 2% - Broad based growth was visible excluding winter portfolio and male grooming - Power brands continued to gain mkt share - Co launched Navratna Garam Tel and Zandu Cough Syrup - F&H struggled due to a shrinking market - Mgt expects double digit growth from 4QFY20 onwards provided Navratna sees timely stocking in channels 	<ul style="list-style-type: none"> - Emami launched hand sanitizers in April under the Boroplus brand. Co has also launched a personal care and hygiene range (Antiseptic wash, soap, aloe vera gel, etc). - Emami also launched Single Herb range and Ayush Kwath Powder under Zandu to capitalize on increased awareness around health. - Co plans to launch Home Care products in the near term under a new brand. - Revenue contribution from new launches is expected to be 3.5-4% in FY21.
International	<ul style="list-style-type: none"> - Margin level has been lower than at the domestic level. - Inventory at the distributor levels went up to 60-70 days. - Currency fluctuation did not have a material impact. 	<ul style="list-style-type: none"> - Satisfactory performance in Bangladesh drove the strong growth. - Middle East continued to struggle as the revenues declined YoY. - Most other geographies provided flattish performance. 	<ul style="list-style-type: none"> - Mgt expects 15% growth going forward - International growth excluding Crème-21 was at 3% 	<ul style="list-style-type: none"> - International biz has been hit worse than Domestic in 1QFY21. However, demand has begun recovering in June. - Co has planned multiple launches under the Crème 21 brand and it expects revenue in FY21 to be flat yoy.
Margin				
Gross Margin	<ul style="list-style-type: none"> - Increase in RM prices put pressure on the gross margins. However, prices are expected to soften going forward. - Favourable pricing in crude and mentha should see an improvement in GM in the next 2 quarters. 	<ul style="list-style-type: none"> - RM inflation softened and the trend indicates RM prices will remain tepid, which will contribute to margin improvements in the mid and long term. 	<ul style="list-style-type: none"> - Mentha prices have remained stable and prices of petroleum based products are also coming down - Benign RM will lead to a 50bps increase in GM going forward 	<ul style="list-style-type: none"> - Inflation in packaging material and mentha has been benign and co expects gross margins to expand by ~100bps.
Profitability	<ul style="list-style-type: none"> - Tax rate saw an increase on account of deferred tax impact, but it is expected to normalize for the rest of the year. 	<ul style="list-style-type: none"> - Expenses on strategic initiatives on cost rationalization projects and marketing initiatives will continue for 1 or 2 Qs. - Focus is on cost reduction in multiple areas including admin which could see margin expansion going forward. 	<ul style="list-style-type: none"> - New launches saw an increase in advertising expense - Advt expense is expected to be a 17.5-18% of sales going forward 	<ul style="list-style-type: none"> - Co expects cost savings of Rs 500-600mn in FY21, including savings on A&P.

Quarterly Financial Snapshot

Particulars	Q4FY20	Q4FY19	YoY (%)	Q3FY20	QoQ (%)	FY20P	FY19	YoY (%)
Net Revenue	5,327	6,404	(16.8)	8,126	(34.5)	26,540	26,938	(1.5)
Material Expenses	1,856	2,508	(26.0)	2,582	(28.1)	8,761	9,230	(5.1)
Employee Expenses	721	681	5.8	749	(4)	2,995	2,797	7.1
ASP Expenses	989	990	(0.1)	1,383	(28.5)	4,711	4,702	0.2
Other Operating Expenses	776	671	15.7	773	0.3	3,176	2,914	9.0
EBITDA	985	1,554	(36.6)	2,640	(62.7)	6,896	7,295	(5.5)
Depreciation & amortisation	852	810	5.2	856	(0.4)	3,363	3,253	3.4
EBIT	133	744	(82.1)	1,785	(92.6)	3,533	4,042	(12.6)
Other Income (Inc exceptional)	145	166	(12.4)	156	(7.0)	473	422	12.0
Interest Cost	24	62	(61.2)	49	(51.1)	210	214	(1.9)
PBT	254	848	(70.1)	1,891	(86.6)	3,796	4,054	(6.4)
Tax	(74)	280	(126.3)	398	(118.5)	713	1,009	(29.4)
RPAT	327	568	(42.3)	1,493	(78.1)	3,023	3,045	(0.7)
Adjustment (Extra-ordinary items net of taxes)	375	500	(25.1)	456	(17.7)	1,944	1,956	(0.7)
APAT	702	1,068	(34.3)	1,949	(64.0)	4,966	5,002	(0.7)
EPS (Adjusted)	1.55	2.35	(34.1)	4.29	(63.9)	10.96	11.02	(0.6)

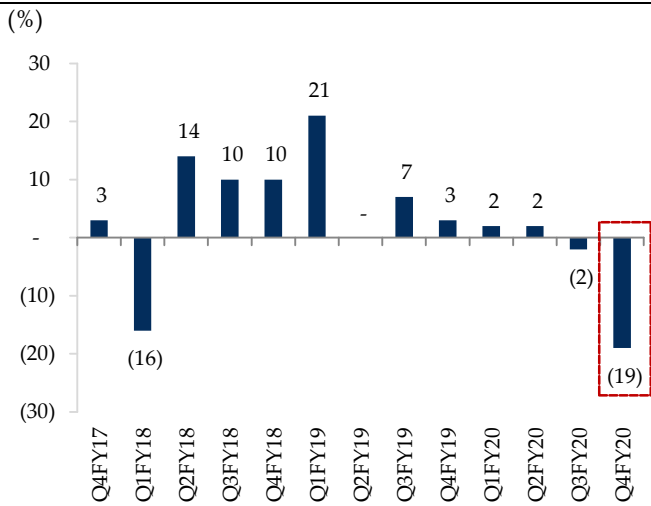
Source: Company, HSIE Research

Quarterly Performance Analysis

MARGIN ANALYSIS (% of Net Sales)	Q4FY20	Q4FY19	YoY Chg	Q3FY20	QoQ Chg	FY20P	FY19	YoY Chg
Material Expenses	34.8	39.2	(432)	31.8	307	33.0	34.3	(125)
Employee Expenses	13.5	10.6	289	9.2	432	11.3	10.4	90
ASP	18.6	15.5	311	17.0	155	17.8	17.5	30
Other Operating Expenses	14.6	10.5	409	9.5	505	12.0	10.8	115
EBITDA Margin (%)	18.5	24.3	(578)	32.5	(1,399)	26.0	27.1	(110)
Tax Rate (%)	(29.1)	33.0	(6,206)	21.1	(5,011)	18.8	24.9	(611)
APAT Margin (%)	13.2	16.7	(350)	24.0	(1,079)	18.7	18.6	15

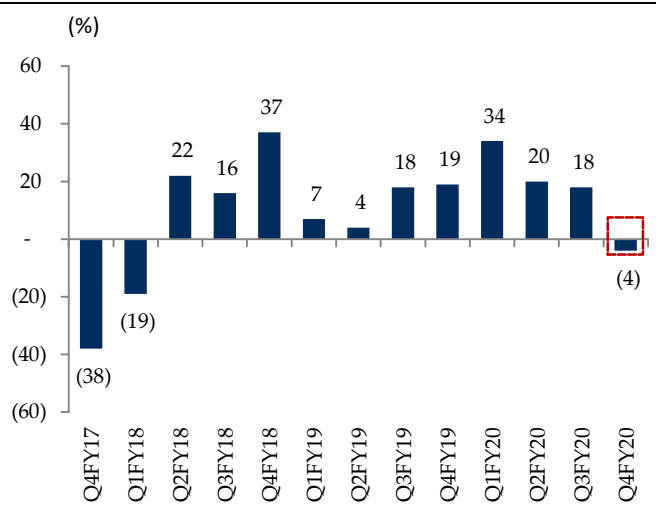
Source: Company, HSIE Research

Domestic Revenue Performance



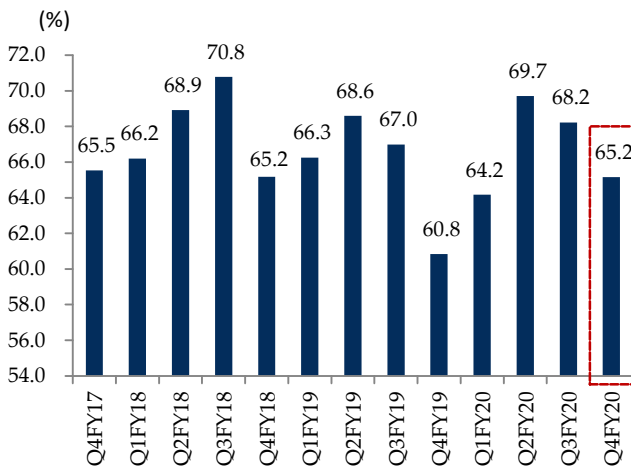
Source: Company, HSIE Research

International Revenue Performance



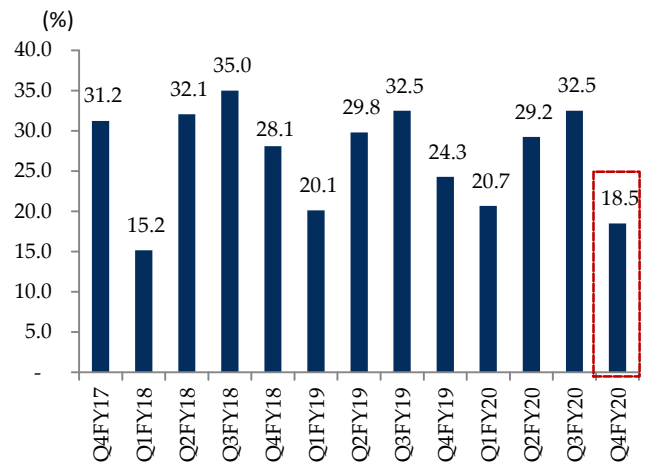
Source: Company, HSIE Research

Gross Margin



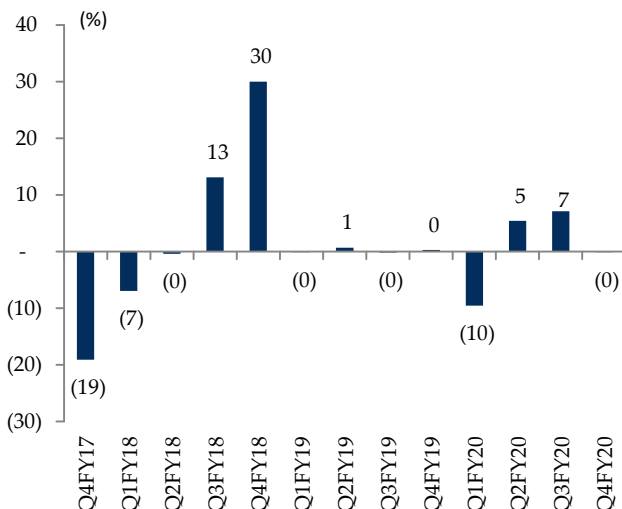
Source: Company, HSIE Research

EBITDA Margin



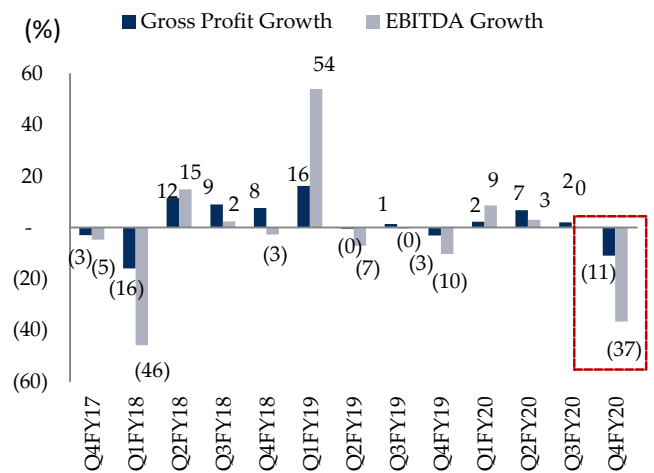
Source: Company, HSIE Research

ASP Growth



Source: Company, HSIE Research

Gross Profit Growth vs EBITDA Growth



Source: Company, HSIE Research

Brand-wise Performance

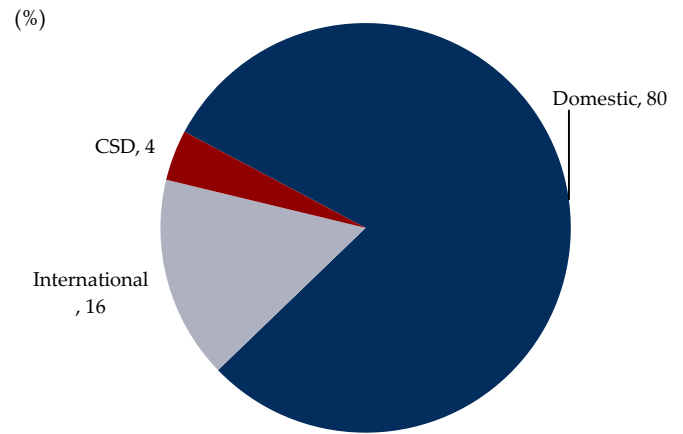
Brands	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20
Boroplus Cream	41%	38%	10%	-2%	-15%	-7%	4%	17%	-7%	39%	-12%	-77%
Navratana Oil	-15%	16%	15%	14%	19%	3%	10%	1%	4%	-3%	11%	-12%
Male Grooming	-21%	10%	20%	8%	8%	12%	-2%	-4%	-7%	-32%	-39%	-42%
Pain MGT	-21%	15%	17%	13%	39%	-8%	6%	1%	-6%	4%	13%	-5%
Kesh King Range	-28%	-16%	-19%	6%	10%	2%	26%	15%	30%	-11%	18%	-26%
Healthcare Range	-23%	2%	-3%	-2%	28%	1%	18%	9%	-3%	0%	4%	-9%
International	-19%	22%	16%	37%	7%	4%	18%	19%	34%	20%	18%	-4%

Brand-wise Performance

Domesitic Brands	FY15	FY16	FY17	FY18	FY19	FY20
Navratna oil	18	6	3	8	8	4
Boroplus cream	11	8	15	22	2	-
Zandu & Mentho plus balm	16	12	6	6	7	5
Fair & Handsome	15	9	(6)	4	3	(25)
Navratna cool talc	32	4	26	2	8	4
Kesh King	na	na	48	(15)	13	12

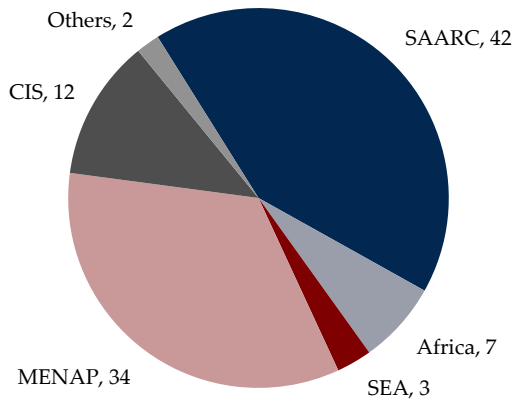
Source: Company, HSIE Research

Channel Breakup - FY20



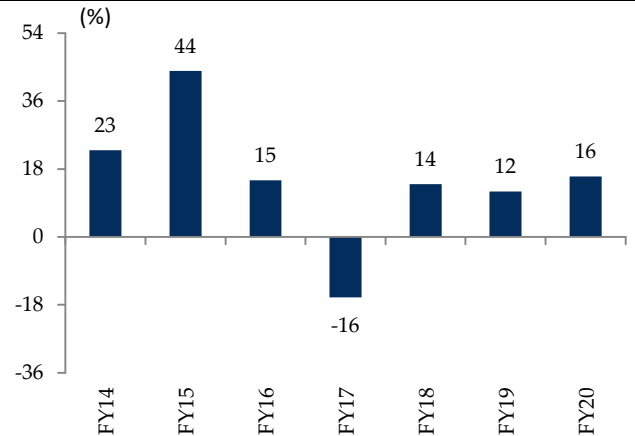
Source: Company, HSIE Research

Geographical Breakup – FY20



Source: Company, HSIE Research

International Performance



Source: Company, HSIE Research

Assumptions

Year to March (Rs mn)	FY15	FY16	FY17	FY18	FY19	FY20P	FY21E	FY22E
Revenue Growth (%)								
Domestic Gr. (%)	19.0	18.3	10.0	4.5	4.1	(2.7)	(5.1)	8.2
Navratna oil	18.0	6.0	3.0	7.5	8.0	4.0	(22.0)	13.0
Boroplus cream	10.5	8.0	15.0	21.8	2.0	-	3.0	5.5
Zandu & Mentho plus balm	15.5	12.0	6.0	6.0	7.0	5.0	10.0	6.5
Fair & Handsome	14.5	9.0	(6.0)	4.3	3.0	(25.0)	(20.0)	10.0
Kesh King			48.0	(15.4)	13.0	12.0	(8.0)	7.0
International Gr. (%)	42.0	18.3	(16.0)	14.0	12.0	6.4	(6.2)	7.1
Gross Margin (%)	64.8	64.5	66.7	68.0	65.7	67.0	67.8	68.0
Employee (% of sales)		8.7	9.4	10.1	10.4	11.3	11.8	11.6
ASP (% of sales)	17.7	18.0	17.7	18.6	17.5	17.8	16.9	17.1
Distribution (% of sales)	2.6	2.5	2.5	2.4	2.3	2.3	2.3	2.3
Other Expenses (% of sales)	20.4	6.7	6.7	8.5	8.5	9.7	10.2	10.2
EBITDA Margin (%)	24.2	28.7	30.4	28.4	27.1	26.0	26.6	26.9
Tax Rate (%)	18.1	14.1	19.7	21.9	24.9	18.8	18.8	18.8

Change in Estimates

	FY21E			FY22E		
	OLD	NEW	Chg (%)	OLD	NEW	Chg (%)
Net Sales	26,696	25,141	(5.8)	28,715	27,168	(5.4)
EBITDA	7,087	6,696	(5.5)	7,764	7,307	(5.9)
APAT	5,285	4,954	(6.3)	5,910	5,525	(6.5)
EPS	11.6	10.9	(6.3)	13.0	12.2	(6.4)

Peer Set Comparison

Company	Mcap (Rs bn)	CMP (Rs/sh)	Reco	TP	EPS (Rs)			P/E (x)			EV/EBITDA (x)			Core RoCE (%)		
					FY20E/ CY19P	FY21E/ CY20E	FY22E/ CY21E	FY20E/ CY19P	FY21E/ CY20E	FY22E/ CY21E	FY20E/ CY19P	FY21E/ CY20E	FY22E/ CY21E	FY20E/ CY19P	FY21E/ CY20E	FY22E/ CY21E
HUL	4,720	2,181	REDUCE	1,969	31.7	37.1	41.9	68.8	58.8	52.2	47.1	40.6	36.1	230.7	46.5	28.8
ITC	2,422	198	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	1,612	16,715	REDUCE	14,042	206.0	237.6	278.2	81.2	70.3	60.1	54.0	48.4	42.3	75.0	70.7	69.1
Dabur	819	465	REDUCE	404	8.6	9.0	10.1	53.9	51.4	46.0	44.8	42.3	37.4	44.6	40.6	44.5
Britannia	848	3,530	REDUCE	2,852	58.5	65.6	75.1	60.4	53.8	47.0	44.8	39.1	34.6	42.8	49.1	55.5
GCPL	701	686	REDUCE	529	14.4	15.7	17.6	47.6	43.6	38.9	33.6	33.0	30.1	19.0	18.9	21.4
Marico	447	346	REDUCE	283	8.0	8.4	9.4	43.1	41.1	36.7	30.4	29.0	26.6	41.8	43.2	46.5
United Spirits	424	583	ADD	586	10.9	11.0	14.0	53.6	52.9	41.7	29.0	28.9	24.1	16.0	19.6	23.5
Colgate	380	1,395	ADD	1,328	30.0	31.2	35.0	46.5	44.7	39.9	31.2	28.9	25.9	64.7	63.9	75.2
Jubilant	231	1,751	REDUCE	1,420	26.8	20.7	35.5	65.3	84.5	49.3	39.2	46.5	29.6	28.4	11.5	21.7
Emami	93	206	REDUCE	207	11.0	10.9	12.2	18.8	18.8	16.9	13.6	13.6	12.3	22.5	24.4	30.8
Radico Khaitan	48	362	BUY	363	16.0	18.2	22.7	22.7	19.9	15.9	14.0	12.5	10.4	14.5	12.8	14.7

Source: Company, HSIE Research

Financials

Income Statement

Year End (March)	FY15	FY16	FY17	FY18	FY19	FY20P	FY21E	FY22E
Net Revenues	22,172	23,970	25,021	25,306	26,938	26,540	25,141	27,168
<i>Growth (%)</i>	<i>21.8</i>	<i>18.3</i>	<i>4.4</i>	<i>4.5</i>	<i>6.5</i>	<i>(1.5)</i>	<i>(5.3)</i>	<i>8.1</i>
Material Expense	7,800	8,507	8,327	8,099	9,230	8,761	8,087	8,684
Employee Expense	1,671	2,078	2,347	2,547	2,797	2,995	2,962	3,140
ASP Expense	3,919	4,305	4,428	4,696	4,702	4,711	4,257	4,640
Distribution Expense	573	611	638	619	624	615	582	629
Other Expense	2,854	1,595	1,679	2,151	2,290	2,561	2,557	2,769
EBITDA	5,355	6,873	7,602	7,195	7,295	6,896	6,696	7,307
<i>EBITDA Growth (%)</i>	<i>20.5</i>	<i>28.4</i>	<i>10.6</i>	<i>(5.4)</i>	<i>1.4</i>	<i>(5.5)</i>	<i>(2.9)</i>	<i>9.1</i>
<i>EBITDA Margin (%)</i>	<i>24.2</i>	<i>28.7</i>	<i>30.4</i>	<i>28.4</i>	<i>27.1</i>	<i>26.0</i>	<i>26.6</i>	<i>26.9</i>
Depreciation & Amortisation	343	2,550	3,086	3,109	3,253	3,363	3,454	3,500
EBIT	5,012	4,324	4,516	4,086	4,042	3,533	3,242	3,807
Other Income (Including EO Items)	964	444	311	195	324	579	542	663
Interest	51	539	580	343	214	210	220	204
PBT	5,924	4,229	4,247	3,938	4,054	3,796	3,563	4,266
Tax	1,070	598	836	863	1,009	713	669	801
RPAT	4,856	3,635	3,415	3,064	3,023	3,023	2,894	3,465
Adjustment	44	1,691	2,076	2,069	1,978	1,944	2,059	2,059
Adjusted PAT	4,812	5,326	5,491	5,132	5,002	4,966	4,954	5,525
<i>APAT Growth (%)</i>	<i>18.8</i>	<i>10.7</i>	<i>3.1</i>	<i>(6.5)</i>	<i>(2.5)</i>	<i>(0.7)</i>	<i>(0.3)</i>	<i>11.5</i>
Adjusted EPS (Rs)	10.6	11.7	12.1	11.3	11.0	11.0	10.9	12.2
<i>EPS Growth (%)</i>	<i>18.8</i>	<i>10.7</i>	<i>3.1</i>	<i>(6.5)</i>	<i>(2.5)</i>	<i>(0.6)</i>	<i>(0.3)</i>	<i>11.5</i>

Source: Company, HSIE Research

Balance Sheet

Year End (March)	FY15	FY16	FY17	FY18	FY19	FY20P	FY21E	FY22E
SOURCES OF FUNDS								
Share Capital - Equity	227	227	227	227	454	453	453	453
Reserves	12,079	15,889	17,320	19,909	20,307	17,784	17,537	17,181
Total Shareholders Funds	12,306	16,116	17,547	20,136	20,761	18,238	17,990	17,635
Minority interest	46	41	14	6	(2)	(9)	(9)	(9)
Long Term Debt	17	3,000	-	-	-	-	-	-
Short Term Debt	177	3,714	4,730	3,259	1,098	2,102	1,902	1,804
Total Debt	194	6,714	4,730	3,259	1,098	2,102	1,902	1,804
Net Deferred Taxes	120	9	282	118	122	35	35	35
Non Current Liabilities	408	327	367	580	505	601	589	578
TOTAL SOURCES OF FUNDS	13,075	23,208	22,939	24,098	22,484	20,967	20,508	20,043
APPLICATION OF FUNDS								
Net Block	4,137	4,706	7,504	8,005	8,038	8,229	8,864	9,569
CWIP (Including capital advances)	288	671	129	226	352	69	-	-
Goodwill	392	15,088	12,520	10,095	8,774	6,203	3,655	1,106
Non Current Investments	66	355	944	1,855	1,791	881	881	881
Other Non Current Assets	437	1,103	526	790	737	1,070	1,070	1,070
Total Non-current Assets	5,320	21,923	21,622	20,971	19,692	16,452	14,470	12,627
Inventories	1,267	1,505	1,792	1,940	2,217	2,447	2,318	2,504
Debtors	1,027	1,309	970	1,559	2,164	3,080	2,411	2,568
Other Current Assets	663	889	814	1,433	2,000	2,933	2,810	3,110
Cash & Equivalents	8,488	1,204	834	2,076	2,113	1,874	4,252	5,407
Total Current Assets	11,444	4,907	4,409	7,008	8,493	10,333	11,791	13,589
Creditors	1,932	2,477	1,847	2,420	2,914	3,245	2,995	3,216
Other Current Liabilities	1,756	1,201	1,245	1,460	2,787	2,574	2,758	2,957
Total Current Liabilities	3,688	3,678	3,092	3,880	5,700	5,818	5,753	6,173
Net Current Assets	7,755	1,229	1,317	3,127	2,793	4,515	6,038	7,416
TOTAL APPLICATION OF FUNDS	13,075	23,208	22,939	24,098	22,485	20,967	20,508	20,043

Source: Company, HSIE Research

Cash Flow

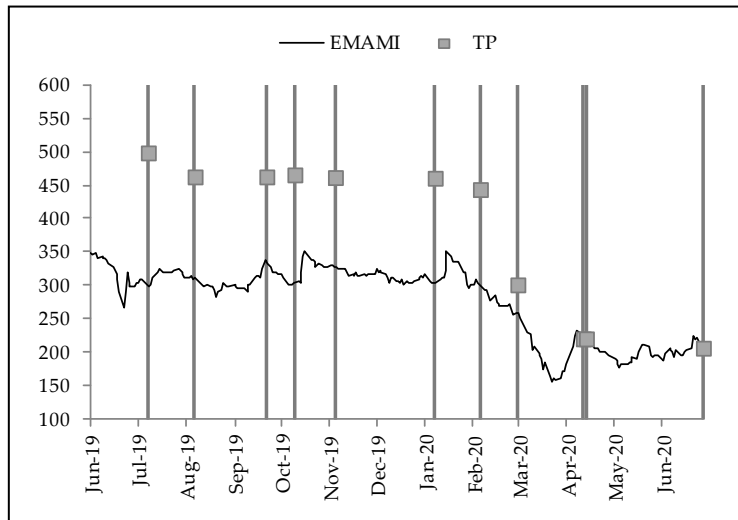
Year ending March	FY15	FY16	FY17	FY18	FY19	FY20P	FY21E	FY22E
Reported PBT	5,924	4,171	4,236	3,938	4,034	3,736	3,563	4,266
Non-operating & EO Items	(396)	663	(124)	(90)	(297)	(442)	-	-
Interest Expenses	51	539	580	343	214	210	220	204
Depreciation	34	2,101	3,086	3,109	3,253	3,363	3,454	3,500
Working Capital Change	734	(542)	226	(612)	(739)	(800)	133	(524)
Tax Paid	(956)	(957)	(707)	(809)	(927)	(760)	(669)	(801)
OPERATING CASH FLOW (a)	5,788	5,312	7,296	5,878	5,537	5,307	6,701	6,645
Capex	(1,085)	(18,153)	(2,814)	(1,232)	(1,392)	(1,591)	(1,472)	(1,657)
Free Cash Flow (FCF)	4,703	(12,841)	4,483	4,646	4,145	3,717	5,229	4,989
Investments	(2,836)	4,260	(904)	(2,278)	(8,488)	(18,055)	-	-
Non-operating Income	1,584	823	742	719	9,646	17,369	-	-
INVESTING CASH FLOW (b)	(2,337)	(13,070)	(2,975)	(2,791)	(234)	(2,277)	(1,472)	(1,657)
Debt Issuance/(Repaid)	19	3,357	(1,985)	(1,470)	(2,189)	174	(200)	(98)
Interest Expenses	(52)	(519)	(583)	(344)	(214)	(207)	(220)	(204)
FCFE	3,418	(4,921)	1,753	1,273	2,900	2,997	4,809	4,687
Share Capital Issuance	-	3,000	-	-	-	-	-	-
Dividend paid	(2,120)	(818)	(2,353)	(1,423)	(1,902)	(4,191)	(3,141)	(3,821)
Others	-	13	(37)	-	5	138	(12)	(12)
FINANCING CASH FLOW (c)	(2,154)	5,032	(4,958)	(3,237)	(4,301)	(4,087)	(3,573)	(4,134)
NET CASH FLOW (a+b+c)	1,297	(2,726)	(637)	(150)	1,003	(1,056)	1,656	854
EO Items, Others	456	(269)	(53)	(445)	(236)	(213)	(222)	200
Closing Cash & Equivalents	3,541	1,084	501	795	2,034	1,191	3,069	3,723

Key Ratios

	FY15	FY16	FY17	FY18	FY19	FY20P	FY21E	FY22E
PROFITABILITY (%)								
GPM	64.8	64.5	66.7	68.0	65.7	67.0	67.8	68.0
ASP (% of sales)	17.7	18.0	17.7	18.6	17.5	17.8	16.9	17.1
EBITDA Margin	24.2	28.7	30.4	28.4	27.1	26.0	26.6	26.9
EBIT Margin	22.6	18.0	18.0	16.1	15.0	13.3	12.9	14.0
APAT Margin	21.7	22.2	21.9	20.3	18.6	18.7	19.7	20.3
RoE	44.5	37.5	32.6	27.2	24.5	25.5	27.3	31.0
RoIC (or Core RoCE)	92.6	38.8	24.0	21.8	21.3	22.5	24.4	30.8
RoCE	35.8	20.5	15.7	13.6	13.0	13.2	12.7	15.2
EFFICIENCY								
Tax Rate (%)	18.1	14.1	19.7	21.9	24.9	18.8	18.8	18.8
Fixed Asset Turnover (x)	5.4	5.1	3.3	3.2	3.4	3.2	2.8	2.8
Inventory (days)	20.8	22.9	26.1	28.0	30.0	33.6	33.6	33.6
Debtors (days)	16.9	19.9	14.2	22.5	29.3	42.4	35.0	34.5
Other Current Assets (days)	10.9	13.5	11.9	20.7	27.1	40.3	40.8	41.8
Payables (days)	31.8	37.7	26.9	34.9	39.5	44.6	43.5	43.2
Other Current Liab & Provns (days)	28.9	18.3	18.2	21.1	37.8	35.4	40.0	39.7
Cash Conversion Cycle (days)	(12.1)	0.4	7.0	15.2	9.2	36.3	25.9	27.0
Net D/E (x)	(0.7)	0.3	0.2	0.1	(0.0)	0.0	(0.1)	(0.2)
Interest Coverage (x)	97.5	8.0	7.8	11.9	18.9	16.8	14.7	18.7
PER SHARE DATA (Rs)								
EPS	10.6	11.7	12.1	11.3	11.0	11.0	10.9	12.2
CEPS	11.4	12.7	13.1	12.8	12.7	12.8	12.9	14.3
Dividend	3.5	7.0	7.0	7.0	4.4	4.9	6.9	8.4
Book Value	27.1	35.5	38.7	44.4	45.7	40.2	39.7	38.9
VALUATION								
P/E (x)	19.4	17.6	17.0	18.2	18.7	18.8	18.8	16.9
P/BV (x)	7.6	5.8	5.3	4.6	4.5	5.1	5.2	5.3
EV/EBITDA (x)	15.9	14.4	12.8	13.2	12.7	13.6	13.6	12.3
EV/Revenues (x)	3.8	4.1	3.9	3.7	3.4	3.5	3.6	3.3
OCF/EV (%)	6.8	5.4	7.5	6.2	6.0	5.7	7.4	7.4
FCF/EV (%)	5.5	(13.0)	4.6	4.9	4.5	4.0	5.7	5.6
FCFE/Mkt Cap (%)	3.7	(5.3)	1.9	1.4	3.1	3.2	5.2	5.0
Dividend Yield (%)	1.7	3.4	3.4	3.4	2.1	2.4	3.4	4.1

Source: Company, HSIE Research

RECOMMENDATION HISTORY



Date	CMP	Reco	Target
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
9-Jan-20	303	BUY	462
8-Feb-20	300	BUY	445
2-Mar-20	257	ADD	302
13-Apr-20	229	REDUCE	221
14-Apr-20	226	REDUCE	221
30-Jun-20	206	REDUCE	207

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

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