

Future Lifestyle Fashions

BUY

Top line disappoints, margins protected!

FLFL's revenue grew 3.1% YoY to Rs. 16.7bn (4.4% below estimated Rs. 17.4bn). Revenue was mainly impacted by the poor performance of its off-price format Brand Factory. While, top-line disappointed, margins were protected. Gross margins grew by 146 bps YoY to 34.9% (vs est: 34.5%). Adj. EBITDA margins (Pre-IND-AS) stood at 10.2% (vs est: 8.4%). The beat was a function of trickledown effect of a depressed top line. However better than expected cost efficiencies helped reduce the operational beat. The company reported Adj. PAT at Rs 0.57 bn.

HIGHLIGHTS FOR THE QUARTER

- **Brand Factory performance cools off:** Brand Factory's growth remained largely flat at Rs 7.3 bn (vs. est. Rs 7.1 bn) as it was hit significantly by weak consumer sentiments courtesy economic slowdown. We estimate Brand Factory's SSSG to be at -8-9%. Estimated EBITDA margins at 7.5-8%. Given the pressure on footfalls in this quarter, Brand Factory cut down on promotion expenses to protect margins. FLFL added 1 Brand Factory store in 3Q bringing the store count to 104.
- **Central chugging along:** Central showed a resilient performance growing at 9.3% YoY to Rs 8.6 bn (vs est. Rs 7.1 bn). Key drivers for Central's growth were smart

promotion strategy and category expansion in innerwear, ceremonial wear and luggage segment. We estimate Central's SSSG to be at 4-5%. Estimated EBITDA margins at 10.5-11%. FLFL added 4 Central stores in 3Q bringing the store count to 49.

- **Heading in the right direction:** Related party transactions (RPT) and corporate governance issues have remained historically a concern in the Future group companies which FLFL is correctly trying to address by bringing down RPT. FLFL-FEL RPT expected to be brought down from 19% in FY19 to 9% in FY20. The retailer has completely stopped RPT sourcing effective Jan 2020.

STANCE

We believe that Brand Factory will continue to reel under the stress of a consumption slowdown for a couple of quarters. Ergo, the management has re-calibrated its expansion plans from 25 to 18 stores in FY20. While Brand Factory struggles, we believe Central will chug along and add 5 stores annually. We revise our DCF based TP downwards to Rs. 500 (earlier Rs. 550) which largely mimics the downward revision in FY21/22 EBITDA estimates by 8.8% and 11% respectively. Maintain BUY

Financial Summary

| (Rs mn) | 3QFY20 | 3QFY19 | YoY (%) | 2QFY20 | QoQ (%) | FY18 | FY19 | FY20E | FY21E | FY22E |
|---------------|--------|--------|---------|--------|---------|--------|--------|--------|--------|--------|
| Net Revenue | 16,666 | 16,161 | 3.1 | 14,576 | 14.3 | 44,980 | 57,281 | 64,780 | 74,155 | 84,725 |
| Adj EBITDA | 1,703 | 1,483 | 14.8 | 1,045 | 62.9 | 4,087 | 5,259 | 5,702 | 6,718 | 7,834 |
| APAT | 569 | 551 | 3.3 | 175 | 175.4 | 1,261 | 1,890 | 1,371 | 1,885 | 2,573 |
| EPS (Rs) | 2.82 | 2.83 | (0.4) | 0.38 | NM | 6.6 | 9.7 | 6.8 | 9.4 | 12.8 |
| P/E (x) | | | | | | 61.8 | 42.1 | 60.0 | 43.7 | 32.0 |
| EV/EBITDA (x) | | | | | | 21.2 | 16.4 | 15.3 | 13.0 | 10.8 |
| Core RoCE(%) | | | | | | 8.3 | 11.0 | 7.8 | 8.8 | 10.4 |

Source: Company, HDFC sec Inst Research

| INDUSTRY | RETAIL |
|--------------------------------|---------------|
| CMP (as on 13 Feb 2020) | Rs 391 |
| Target Price | Rs 500 |
| Nifty | 12,175 |
| Sensex | 41,460 |

KEY STOCK DATA

| | |
|-----------------------------|----------|
| Bloomberg | FLFL IN |
| No. of Shares (mn) | 201 |
| MCap (Rs bn)/(US\$ mn) | 79/1,104 |
| 6m avg traded value (Rs mn) | 65 |

STOCK PERFORMANCE (%)

| 52 Week high / low | Rs 504 / 381 | | |
|--------------------|--------------|--------|--------|
| | 3M | 6M | 12M |
| Absolute (%) | (0.6) | (13.0) | (9.7) |
| Relative (%) | (3.9) | (25.2) | (24.8) |

SHAREHOLDING PATTERN (%)

| | Dec-19 | Sep-19 |
|-----------------|--------|--------|
| Promoters | 45.86 | 45.89 |
| FIs & Local MFs | 18.93 | 19.38 |
| FPIs | 22.67 | 22.01 |
| Public & Others | 12.54 | 12.72 |
| Pledged shares | 45.76 | 44.70 |

Source : BSE

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Quarterly Financials

| Rs. Mn | 3QFY20 | 3QFY19 | YoY (%) | 2QFY20 | QoQ (%) | FY20E | FY19 | YoY (%) |
|-------------------------------|---------------|---------------|------------------|---------------|------------------|---------------|---------------|------------------|
| Net Revenue | 16,666 | 16,161 | 3.1 | 14,576 | 14.3 | 64,780 | 57,281 | 13.1 |
| Material Expenses | 10,846 | 10,753 | 0.9 | 9,499 | 14.2 | 41,785 | 36,894 | 13.3 |
| Employee Expenses | 812 | 757 | 7.3 | 819 | (0.8) | 3,644 | 3,308 | 10.2 |
| Other Operating Expenses | 1,910 | 3,168 | (39.7) | 1,892 | 0.9 | 13,649 | 11,820 | 15.5 |
| Reported EBITDA | 3,098 | 1,483 | 108.9 | 2,366 | 30.9 | 5,702 | 5,259 | 8.4 |
| Depreciation | 1,747 | 502 | 248.0 | 1,692 | 3.2 | 2,749 | 2,071 | 32.8 |
| EBIT | 1,352 | 981 | 37.7 | 674 | 100.5 | 2,952 | 3,188 | (7.4) |
| Other Income | 114 | 124 | (8.0) | 113 | 0.8 | 450 | 383 | 17.3 |
| Interest Cost | 699 | 261 | 168.1 | 712 | (1.7) | 1,431 | 1,168 | 22.5 |
| PBT before exceptional | 766 | 845 | (9.3) | 76 | 911.1 | 1,971 | 2,403 | (18.0) |
| Exceptional | - | - | - | - | - | - | - | - |
| PBT | 766 | 845 | (9.3) | 76 | 911.1 | 1,971 | 2,403 | (18.0) |
| Tax | 198 | 294 | (32.5) | (0) | NM | 552 | 465 | 18.6 |
| Share of Associate Earnings | - | - | - | - | - | (48) | (48) | - |
| RPAT | 568 | 551 | 3.1 | 76 | 645.5 | 1,371 | 1,890 | (27.4) |
| APAT | 569 | 551 | 3.3 | 175 | 224.4 | 1,371 | 1,890 | (27.4) |
| EPS | 2.8 | 2.8 | (0.3) | 0.4 | NM | 6.8 | 9.7 | (29.8) |
| | | | | | | | | |
| % of Net Revenue | 3QFY20 | 3QFY19 | YoY (bps) | 2QFY20 | QoQ (bps) | FY20E | FY19 | YoY (bps) |
| Material Cost | 65.1 | 66.5 | (146) | 65.2 | (9) | 64.5 | 64.4 | 9 |
| Employee Expenses | 4.9 | 4.7 | 19 | 5.6 | (75) | 5.6 | 5.8 | (15) |
| Other Expenses | 11.5 | 19.6 | (814) | 13.0 | (152) | 21.1 | 20.6 | 43 |
| EBITDA | 18.6 | 9.2 | 941 | 16.2 | 236 | 8.8 | 9.2 | (38) |
| Tax Rate(% of PBT) | 25.9 | 34.8 | (891) | (0.5) | NM | 28.0 | 19.4 | 864 |
| APAT | 3.4 | 3.4 | 1 | 1.2 | 221 | 2.1 | 3.3 | (118) |

Source: Company, HDFC sec Inst Research

Net Revenues grew by 3.1% YoY affected primarily due to poor show of off-price format Brand Factory.

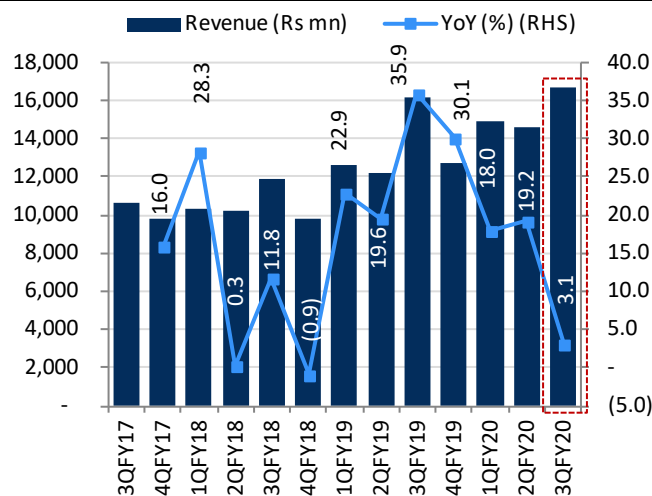
FLFL 9M SSSG at 2%. Central's 9M SSSG at 6%.

Adj EBITDA margins stable at 10.2% as FLFL focused heavily on cost efficiencies. Adj EBITDA margins to improve further in FY21 as FLFL will benefit from lower sourcing costs, employee costs, store overheads and shutting of 4 loss making Brand Factory and 2 Central stores.

Cost of retailing is well managed as op-ex/sales remains at 24.7%.

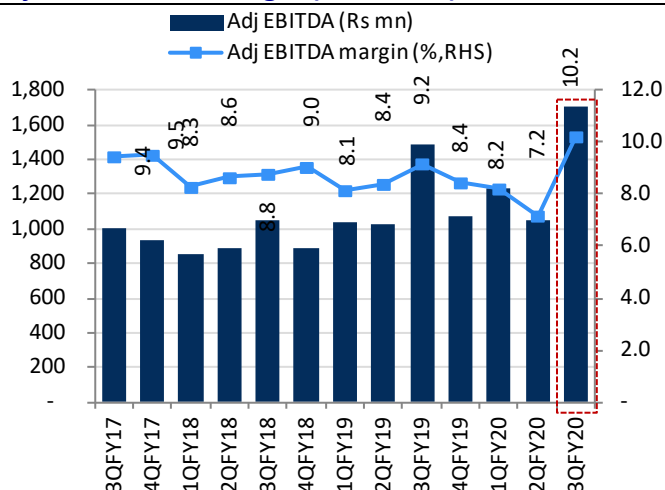
Story in Charts

Revenue and growth (Rs. mn, YoY %)



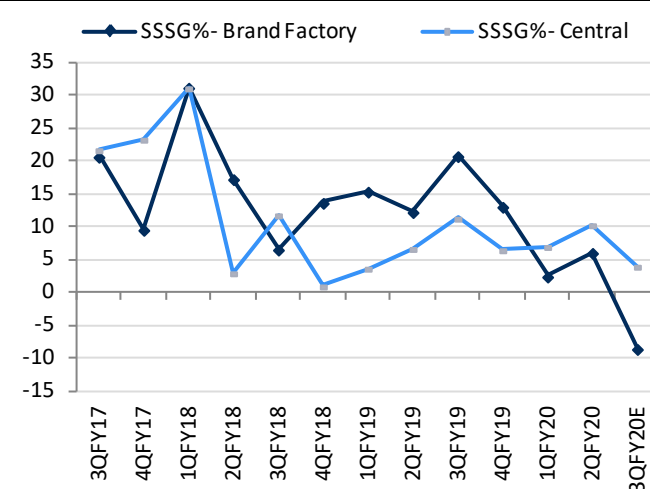
Source: Company, HDFC sec Inst Research

Adj. EBITDA and margin (Rs. mn, %)



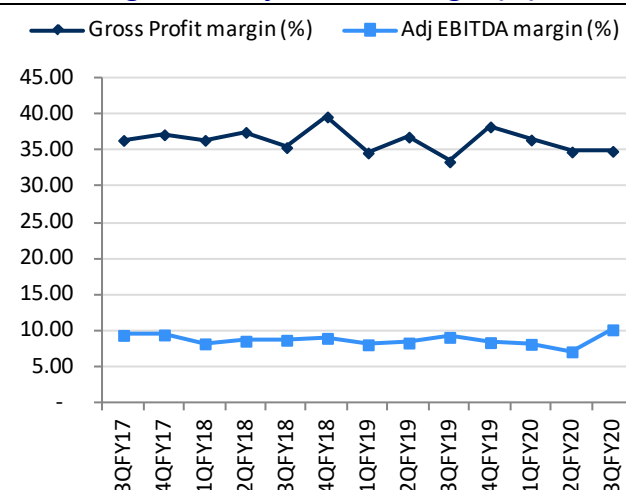
Source: Company, HDFC sec Inst Research

Est. SSSG of Brand Factory/Central at -8.5%/4%



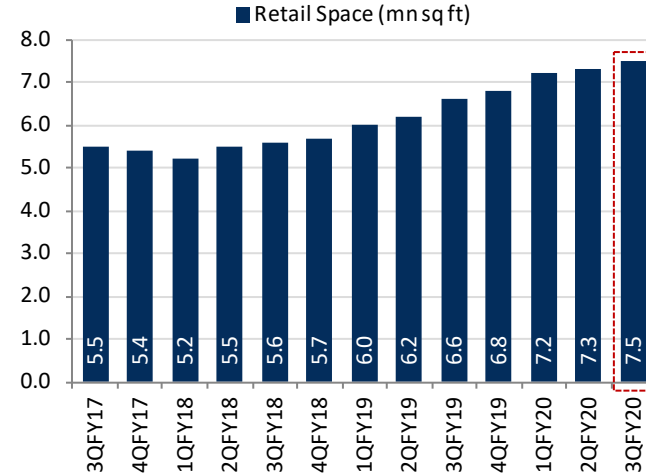
Source: Company, HDFC sec Inst Research

Gross margin and Adj. EBITDA margin (%)



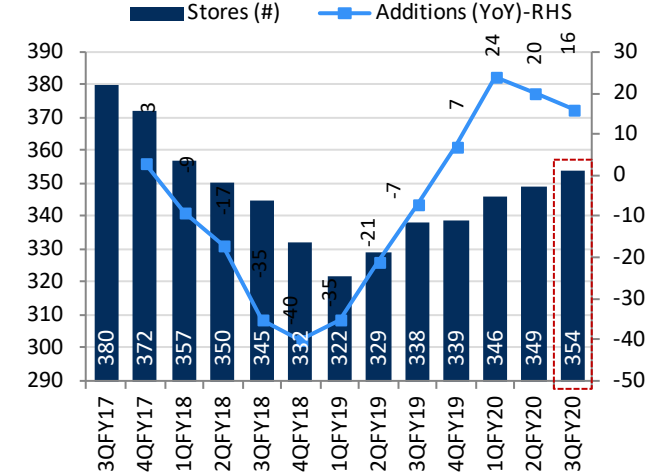
Source: Company, HDFC sec Inst Research

Retail space at 7.5 mn. sq. ft.



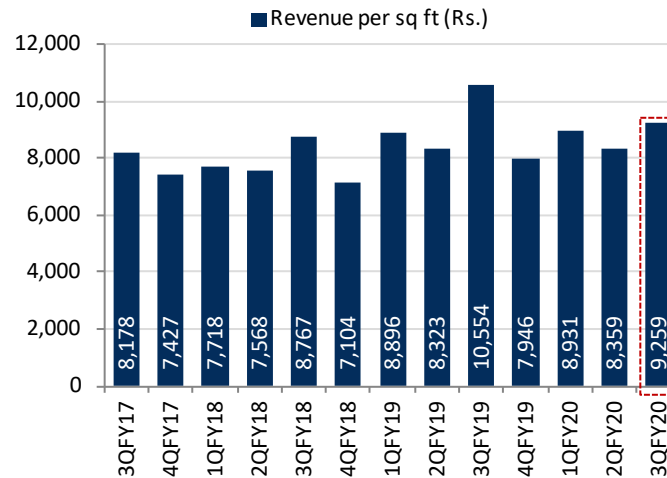
Source: Company, HDFC sec Inst Research

Total no. stores at 354



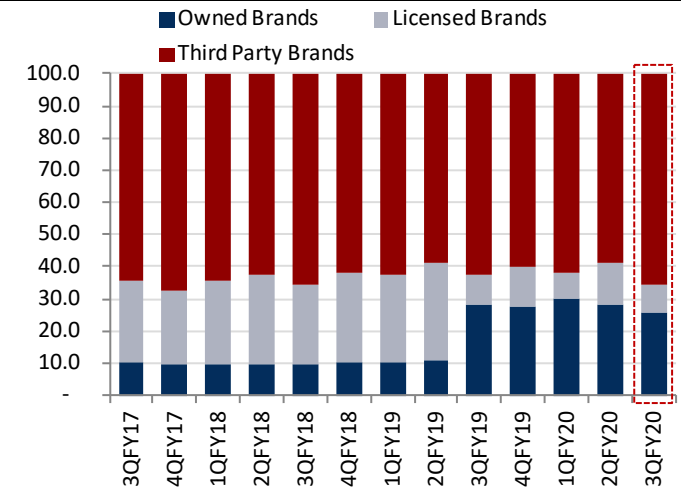
Source: Company, HDFC sec Inst Research

Revenue per sq. ft. at Rs 9259



Source: Company, HDFC sec Inst Research

Sales Mix (%)



Source: Company, HDFC sec Inst Research

Revenue per sq ft declined 12.3% YoY to Rs. 9259 mainly impacted by the dip in revenue growth due to the slowdown.

Sales mix strongly focuses on Third Party Brands.

Quarterly snapshot (Actual vs HDFC estimates)

| Rs. Mn | 3QFY19 | 2QFY20 | 3QFY20 | YoY (%) | QoQ (%) | 3QFY20E | Variance (%) |
|-----------------------------|--------|--------|--------|-----------|---------|---------|--------------|
| Net Revenue | 16,161 | 14,576 | 16,666 | 3.1 | 14.3 | 17,437 | (4.4) |
| Total COGS | 10,753 | 9,499 | 10,846 | 0.9 | 14.2 | 11,421 | (5.0) |
| Gross Profit | 5,408 | 5,077 | 5,820 | 7.6 | 14.6 | 6,016 | (3.3) |
| Gross Profit Margin (%) | 33.5 | 34.8 | 34.9 | 146 bps | 9 bps | 34.5 | 42 bps |
| Total Operating expenses | 3,925 | 2,711 | 2,722 | (30.7) | 0.4 | 3,174 | (14.2) |
| Reported EBITDA | 1,483 | 2,366 | 3,098 | 108.9 | 30.9 | 2,842 | 9.0 |
| EBITDA Margin (%) | 9.2 | 16.2 | 18.6 | 941 bps | 236 bps | 16.3 | 229 bps |
| Adj EBITDA | 1,483 | 1,045 | 1,703 | 14.8 | 62.9 | 1,470 | 15.8 |
| Adj EBITDA Margin (%) | 9.2 | 7.2 | 10.2 | 104 bps | 305 bps | 8.4 | 179 bps |
| Depreciation | 502 | 1,692 | 1,747 | 248.0 | 3.2 | 1,712 | 2.0 |
| EBIT | 981 | 674 | 1,352 | 37.7 | 100.5 | 1,130 | 19.6 |
| EBIT Margin (%) | 6.1 | 4.6 | 8.1 | 204 bps | 348 bps | 6.5 | 163 bps |
| Finance cost | 261 | 712 | 699 | 168.1 | (1.7) | 742 | (5.7) |
| Other income | 124 | 113 | 114 | (8.0) | 0.8 | 115 | (1) |
| PBT | 845 | 76 | 766 | (9.3) | 911.1 | 503 | 52.3 |
| Exceptional Item | - | - | - | | | - | |
| Tax Expenses | 294 | (0) | 198 | (32.5) | NM | 101 | 97.0 |
| Effective Tax Rate (%) | 34.8 | NM | 25.9 | (891 bps) | NM | 20.0 | 587 bps |
| Share of associate earnings | - | - | - | | | - | - |
| EO items | - | - | - | | | - | - |
| PAT | 551 | 76 | 568 | 3.1 | 645.5 | 403 | 41.1 |
| APAT | 551 | 175 | 569 | 3.3 | 224.4 | 411 | 38.4 |
| APAT margin (%) | 3.4 | 1.2 | 3.4 | 1 bps | 221 bps | 2.4 | 106 bps |

Source: Company, HDFC sec Inst Research

KPIs (Actual vs HDFC estimates)

| | 3QFY19 | 2QFY20 | 3QFY20 | YoY (%) | QoQ (%) | 3QFY20E | Variance (%) |
|-----------------------------------|---------------|---------------|---------------|---------------|-------------|---------------|--------------|
| Revenue Mix | 16,161 | 14,576 | 16,666 | 3.1 | 14.3 | 17,437 | (4.4) |
| Central | 7,870 | 8,190 | 8,600 | 9.3 | 5.0 | 7,100 | 21.1 |
| Brand Factory | 7,270 | 5,740 | 7,290 | 0.3 | 27.0 | 7,109 | 2.6 |
| EBO | 1,021 | 646 | 776 | (24.0) | 20.2 | 3,228 | (76.0) |
| No. of Stores | 338 | 349 | 354 | 16.0 | 5.0 | - | |
| Central | 44 | 48 | 49 | 5.0 | 1.0 | - | |
| Brand Factory | 89 | 100 | 104 | 15.0 | 4.0 | - | |
| EBOs | 205 | 201 | 201 | (4.0) | - | - | |
| Retail Space (mn sq ft) | 6.6 | 7.3 | 7.5 | 0.9 | 0.2 | - | |
| Revenue per sq ft (Rs) | 10,554 | 8,359 | 9,259 | (12.3) | 10.8 | | |
| Operating Expenses (Rs mn) | 3,925 | 4,062 | 4,148 | 5.7 | 2.1 | 4,574 | (9.3) |
| Employee expenses | 757 | 819 | 812 | 7.3 | (0.8) | 959 | (15.3) |
| Rent and Other expenses | 3,168 | 3,243 | 3,336 | 5.3 | 2.9 | 3615 | (7.7) |

Source: Company, HDFC sec Inst Research (Note: Operating expenses are comparable as Pre INDAS-116)

Change in estimates

| (Rs mn) | FY20E | | | FY21E | | | FY22E | | |
|-------------------------|--------|--------|------------|--------|--------|------------|--------|--------|------------|
| | New | Old | Change (%) | New | Old | Change (%) | New | Old | Change (%) |
| Revenue | 64,780 | 68,013 | (4.8) | 74,155 | 80,903 | (8.3) | 84,725 | 95,166 | (11.0) |
| Gross Profit | 22,995 | 24,098 | (4.6) | 26,373 | 28,580 | (7.7) | 30,112 | 33,487 | (10.1) |
| Gross Profit Margin (%) | 35.5 | 35.4 | 7 bps | 35.6 | 35.3 | 24 bps | 35.5 | 35.2 | 35 bps |
| EBITDA | 5,702 | 6,037 | (5.6) | 6,718 | 7,366 | (8.8) | 7,834 | 8,798 | (11.0) |
| EBITDA margin (%) | 8.8 | 8.9 | (7 bps) | 9.1 | 9.1 | (5 bps) | 9.2 | 9.2 | 0 bps |
| APAT | 1,371 | 1,861 | (26.3) | 1,885 | 2,429 | (22.4) | 2,573 | 3,286 | (21.7) |
| APAT margin (%) | 2.1 | 2.7 | (62 bps) | 2.5 | 3.0 | (46 bps) | 3.0 | 3.5 | (42 bps) |
| EPS (Rs) (Reported) | 6.8 | 9.3 | (26.3) | 9.4 | 12.1 | (22.4) | 12.8 | 16.3 | (21.7) |
| EPS (Rs) (Adjusted) | 64,780 | 68,013 | (4.8) | 74,155 | 80,903 | (8.3) | 84,725 | 95,166 | (11.0) |

Source: Company, HDFC sec Inst Research

Assumptions

| | FY16 | FY17 | FY18 | FY19E | FY20E | FY21E | FY22E |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Revenue (Rs. Mn) | 33,002 | 38,928 | 44,980 | 57,281 | 64,780 | 74,155 | 84,725 |
| YoY (%) | | 18.0 | 15.5 | 27.3 | 13.1 | 14.5 | 14.3 |
| Central revenue (Rs. Mn) | 19,110 | 22,740 | 25,130 | 28,590 | 32,168 | 36,420 | 40,946 |
| YoY (%) | | 19.0 | 10.5 | 13.8 | 12.5 | 13.2 | 12.4 |
| -No. of stores (#) | 31 | 35 | 40 | 44 | 50 | 55 | 60 |
| -Retail Area (mn. Sq. ft) | 3.2 | 3.5 | 3.7 | 4.0 | 4.5 | 4.9 | 5.3 |
| -Avg. Store size (Sq. ft) | 102,903 | 100,000 | 92,500 | 91,545 | 90,160 | 89,236 | 88,467 |
| -Revenue per sq. ft (Rs.) | 5,991 | 6,910 | 7,409 | 7,770 | 7,608 | 7,791 | 8,016 |
| -SSSG (%) | | 18.1 | 10.0 | 5.7 | 5.3 | 6.1 | 6.2 |
| -Expansion-led growth (%) | | 0.75 | 0.47 | 7.61 | 6.83 | 6.73 | 5.86 |
| BF Revenue (Rs. Mn) | 7,400 | 10,450 | 14,120 | 21,600 | 25,295 | 29,836 | 34,984 |
| YoY (%) | | 41.2 | 35.1 | 53.0 | 17.1 | 18.0 | 17.3 |
| -No. of stores (#) | 42 | 53 | 63 | 93 | 111 | 126 | 146 |
| -Retail Area (mn. Sq. ft) | 1.4 | 1.5 | 1.8 | 2.6 | 3.0 | 3.4 | 3.8 |
| -Avg. Store size (Sq. ft) | 32,381 | 28,302 | 28,571 | 27,419 | 27,027 | 26,726 | 26,353 |
| -Revenue per sq. ft (Rs.) | 6,302 | 7,341 | 8,342 | 9,290 | 9,115 | 9,371 | 9,698 |
| -SSSG (%) | | 16.6 | 15.8 | 13.9 | (1.0) | 4.5 | 4.8 |
| -Expansion-led growth (%) | | 21.1 | 16.6 | 34.4 | 18.3 | 12.9 | 11.9 |
| EBOs and Others revenue (Rs. Mn) | 2,610 | 2,610 | 1,920 | 1,770 | 1,464 | 1,529 | 1,591 |
| YoY (%) | | - | (26.4) | (7.8) | (17.3) | 4.5 | 4.0 |
| -No. of stores (#) | 296 | 284 | 229 | 202 | 200 | 198 | 198 |
| -Retail Area (mn. Sq. ft) | 0.5 | 0.4 | 0.3 | 0.2 | 0.2 | 0.2 | 0.2 |
| -Avg. Store size (Sq. ft) | 1,655 | 1,408 | 1,223 | 1,200 | 1,200 | 1,200 | 1,190 |
| -Revenue per sq. ft (Rs.) | 5,168 | 5,865 | 5,647 | 6,776 | 6,099 | 6,404 | 6,724 |
| Own brands - Non-FLF Channels | 3,882 | 3,128 | 3,810 | 5,321 | 5,853 | 6,369 | 7,204 |
| YoY (%) | | (19.4) | 21.8 | 39.7 | 10.0 | 8.8 | 13.1 |
| Gross Profit (Rs. Mn) | 12,547 | 14,226 | 16,514 | 20,387 | 22,995 | 26,373 | 30,112 |
| Gross Margin (%) | 38.0 | 36.5 | 36.7 | 35.6 | 35.5 | 35.6 | 35.5 |
| EBITDA (Rs. Mn) | 3,252 | 3,294 | 4,087 | 5,259 | 5,702 | 6,718 | 7,834 |
| EBITDA margin (%) | 9.9 | 8.5 | 9.1 | 9.2 | 8.8 | 9.1 | 9.2 |

Source: Company, HDFC sec Inst Research

Income Statement

| Year End March (Rs mn) | FY18 | FY19 | FY20E | FY21E | FY22E |
|--|----------------|---------------|---------------|---------------|---------------|
| Net Revenues | 44,980 | 57,281 | 64,780 | 74,155 | 84,725 |
| <i>Growth (%)</i> | <i>15.5</i> | <i>27.3</i> | <i>13.1</i> | <i>14.5</i> | <i>14.3</i> |
| COGS | 28,466 | 36,894 | 41,785 | 47,782 | 54,613 |
| Employee Expense | 2,649 | 3,308 | 3,644 | 4,052 | 4,558 |
| A&P Expense | 1,107 | 1,495 | 1,639 | 1,866 | 2,119 |
| Rent Expense | 4,528 | 5,499 | 6,792 | 7,821 | 8,904 |
| Other Expenses | 4,143 | 4,826 | 5,218 | 5,916 | 6,696 |
| EBITDA | 4,087 | 5,259 | 5,702 | 6,718 | 7,834 |
| EBITDA Growth (%) | 24.1 | 28.7 | 8.4 | 17.8 | 16.6 |
| EBITDA Margin (%) | 9.1 | 9.2 | 8.8 | 9.1 | 9.2 |
| Depreciation | 1,539 | 2,071 | 2,749 | 3,013 | 3,205 |
| EBIT | 2,548 | 3,188 | 2,952 | 3,705 | 4,630 |
| Other Income (Including EO Items) | 341 | 383 | 450 | 514 | 605 |
| Interest | 1,033 | 1,168 | 1,431 | 1,536 | 1,595 |
| PBT | 1,856 | 2,403 | 1,971 | 2,683 | 3,640 |
| Total Tax | 586 | 465 | 552 | 751 | 1,019 |
| RPAT before share of associate earnings | 1,271 | 1,937 | 1,419 | 1,932 | 2,621 |
| Share of associate earnings | (10) | (48) | (48) | (48) | (48) |
| Minority share of Profit/(Loss) | - | - | - | - | - |
| RPAT | 1,261 | 1,890 | 1,371 | 1,885 | 2,573 |
| Exceptional (Gain)/loss | - | - | - | - | - |
| Adjusted PAT | 1,261 | 1,890 | 1,371 | 1,885 | 2,573 |
| APAT Growth (%) | 1,651.2 | 49.9 | (27.4) | 37.4 | 36.5 |
| Adjusted EPS (Rs) | 6.6 | 9.7 | 6.8 | 9.4 | 12.8 |
| EPS Growth (%) | NM | 46.7 | (29.8) | 37.4 | 36.5 |

Source: Company, HDFC sec Inst Research

Balance Sheet

| Year End March (Rs mn) | FY18 | FY19 | FY20E | FY21E | FY22E |
|---|---------------|---------------|---------------|---------------|---------------|
| SOURCES OF FUNDS | | | | | |
| Share Capital - Equity | 381 | 389 | 402 | 402 | 402 |
| Reserves | 14,915 | 17,881 | 21,899 | 23,536 | 25,769 |
| Total Shareholders Funds | 15,296 | 18,270 | 22,301 | 23,938 | 26,171 |
| Minority Interest | 0 | 0 | 0 | 0 | 0 |
| Long Term Debt | 6,123 | 6,733 | 7,931 | 9,131 | 9,931 |
| Short Term Debt | 1,711 | 2,303 | 2,078 | 2,078 | 2,078 |
| Total Debt | 7,834 | 9,036 | 10,009 | 11,209 | 12,009 |
| Net Deferred Taxes | (392) | (283) | (283) | (283) | (283) |
| Other Non-current Liabilities & Provns | 50 | 63 | 63 | 63 | 63 |
| TOTAL SOURCES OF FUNDS | 22,788 | 27,086 | 32,089 | 34,926 | 37,959 |
| APPLICATION OF FUNDS | | | | | |
| Net Block | 9,245 | 12,737 | 13,648 | 13,904 | 14,221 |
| CWIP | 2,905 | 1,578 | 1,578 | 1,578 | 1,578 |
| Other Non-current Assets | 1,749 | 2,526 | 5,526 | 5,526 | 5,526 |
| Total Non-current Assets | 13,899 | 16,842 | 20,752 | 21,008 | 21,325 |
| Inventories | 14,829 | 20,315 | 22,797 | 25,893 | 29,351 |
| Debtors | 3,032 | 3,903 | 4,325 | 4,849 | 5,425 |
| Other Current Assets | 4,959 | 7,043 | 7,787 | 8,711 | 9,721 |
| Cash & Equivalents | 874 | 2,221 | 2,352 | 3,735 | 5,115 |
| Total Current Assets | 23,694 | 33,481 | 37,261 | 43,188 | 49,612 |
| Creditors | 10,932 | 17,999 | 20,178 | 22,895 | 25,926 |
| Other Current Liabilities & Provns | 3,872 | 5,238 | 5,747 | 6,375 | 7,052 |
| Total Current Liabilities | 14,804 | 23,237 | 25,924 | 29,270 | 32,978 |
| Net Current Assets | 8,889 | 10,244 | 11,337 | 13,918 | 16,634 |
| TOTAL APPLICATION OF FUNDS | 22,788 | 27,086 | 32,089 | 34,926 | 37,959 |

Source: Company, HDFC sec Inst Research

Cash Flow Statement

| Year End March (Rs mn) | FY18 | FY19 | FY20E | FY21E | FY22E |
|----------------------------------|----------------|----------------|----------------|----------------|----------------|
| Reported PBT | 1,261 | 1,890 | 1,971 | 2,683 | 3,640 |
| Non-operating & EO Items | 1,184 | 605 | (497) | (561) | (653) |
| Interest Expenses | 586 | 1,168 | 1,431 | 1,536 | 1,595 |
| Depreciation | 1,539 | 2,071 | 2,749 | 3,013 | 3,205 |
| Working Capital Change | 967 | 350 | (962) | (1,199) | (1,336) |
| Tax Paid | (456) | (463) | (552) | (751) | (1,019) |
| OPERATING CASH FLOW (a) | 5,081 | 5,622 | 4,141 | 4,720 | 5,432 |
| Capex | (4,614) | (4,313) | (6,660) | (3,268) | (3,522) |
| Free Cash Flow (FCF) | 467 | 1,309 | (2,519) | 1,452 | 1,910 |
| Investments | (10) | (1,361) | - | - | - |
| Non-operating Income | (253) | (605) | 450 | 514 | 605 |
| INVESTING CASH FLOW (b) | (4,877) | (6,280) | (6,211) | (2,755) | (2,917) |
| Debt Issuance/(Repaid) | 183 | 34 | (458) | (336) | (795) |
| FCFE | 650 | 1,343 | (2,977) | 1,117 | 1,115 |
| Share Capital Issuance | 4 | 1,710 | 3,000 | - | - |
| Dividend | (183) | (281) | (341) | (248) | (340) |
| Others | - | - | - | - | - |
| FINANCING CASH FLOW (c) | 4 | 1,462 | 2,201 | (583) | (1,135) |
| NET CASH FLOW (a+b+c) | 209 | 805 | 131 | 1,383 | 1,380 |
| EO Items, Others | - | - | - | - | - |
| Closing Cash & Equivalents | 452 | 1,256 | 1,387 | 2,770 | 4,150 |

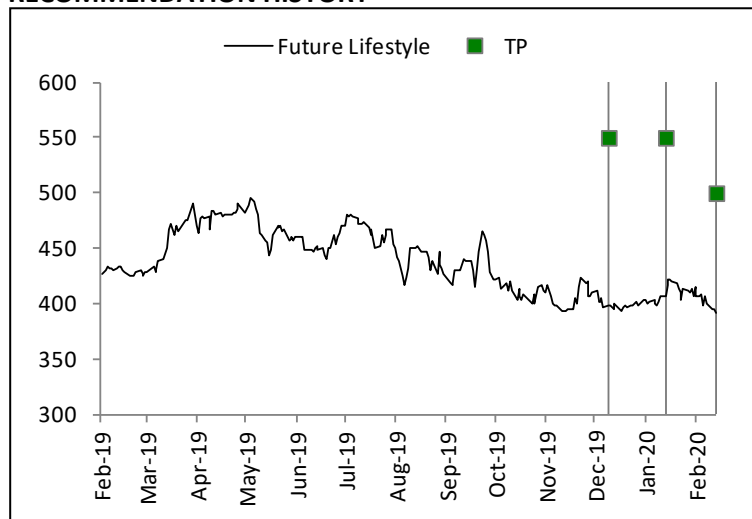
Source: Company, HDFC sec Inst Research

Key Ratios

| | FY18 | FY19 | FY20E | FY21E | FY22E |
|------------------------------------|-------|-------|-------|-------|-------|
| PROFITABILITY (%) | | | | | |
| GPM | 36.7 | 35.6 | 35.5 | 35.6 | 35.5 |
| EBITDA Margin | 9.1 | 9.2 | 8.8 | 9.1 | 9.2 |
| EBIT Margin | 5.7 | 5.6 | 4.6 | 5.0 | 5.5 |
| APAT Margin | 2.8 | 3.3 | 2.1 | 2.5 | 3.0 |
| RoE | 8.7 | 11.3 | 6.8 | 8.2 | 10.3 |
| RoIC (or Core RoCE) | 8.3 | 11.0 | 7.8 | 8.8 | 10.4 |
| RoCE | 9.0 | 11.4 | 8.1 | 8.9 | 10.2 |
| EFFICIENCY | | | | | |
| | | | | | (1.1) |
| Tax Rate (%) | 31.6 | 19.4 | 28.0 | 28.0 | 28.0 |
| Fixed Asset Turnover (x) | 4.1 | 3.6 | 3.3 | 3.2 | 3.2 |
| Inventory (days) | 120 | 129 | 128 | 127 | 126 |
| Debtors (days) | 25 | 25 | 24 | 24 | 23 |
| Other Current Assets (days) | 40 | 45 | 44 | 43 | 42 |
| Payables (days) | 89 | 115 | 114 | 113 | 112 |
| Other Current Liab & Provns (days) | 31 | 33 | 32 | 31 | 30 |
| Cash Conversion Cycle (days) | 65 | 51 | 51 | 50 | 50 |
| Net Debt (Rs mn) | 6,960 | 6,815 | 7,657 | 7,474 | 6,894 |
| Net D/E (x) | 0.5 | 0.4 | 0.3 | 0.3 | 0.3 |
| Interest Coverage (x) | 2.5 | 2.7 | 2.1 | 2.4 | 2.9 |
| PER SHARE DATA (Rs) | | | | | |
| EPS | 6.6 | 9.7 | 6.8 | 9.4 | 12.8 |
| CEPS | 14.7 | 20.4 | 20.5 | 24.4 | 28.7 |
| Dividend | | | | | |
| Book Value | 80.3 | 93.9 | 110.9 | 119.1 | 130.2 |
| VALUATION | | | | | |
| P/E (x) | 61.8 | 42.1 | 60.0 | 43.7 | 32.0 |
| P/BV (x) | 5.1 | 4.4 | 3.7 | 3.4 | 3.1 |
| EV/EBITDA (x) | 21.2 | 16.4 | 15.3 | 13.0 | 10.8 |
| EV/Revenues (x) | 1.9 | 1.5 | 1.3 | 1.2 | 1.0 |
| OCF/EV (%) | 5.9 | 6.5 | 4.7 | 5.4 | 6.4 |
| FCF/EV (%) | 0.5 | 1.5 | (2.9) | 1.7 | 2.3 |
| FCFE/Mkt Cap (%) | 0.8 | 1.7 | (3.7) | 1.4 | 1.4 |

Source: Company, HDFC sec Inst Research

RECOMMENDATION HISTORY



| Date | CMP | Reco | Target |
|-----------|-----|------|--------|
| 9-Dec-19 | 396 | BUY | 550 |
| 12-Jan-20 | 407 | BUY | 550 |
| 13-Feb-20 | 391 | BUY | 500 |

Rating Definitions

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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