

## Better placed than earlier; visibility is the key for Titan

We hosted Mr C K Venkataraman – Managing Director of Titan (TTAN) for a discussion on the near-term and long-term prospects of the business. Here are the key takeaways:

- **Near-term outlook getting even better:** After reporting 15% growth in the festive season v/s the comparable period last year, wedding demand is also healthy, as expected. Additionally, demand is being boosted by the dearth of other discretionary consumption opportunities, especially travel and tourism related. Investment demand is also healthy as people prefer to park their money in tangible and relatively safe assets in times of crisis.
- **Long-term opportunity turning more attractive:** The challenges faced by unorganized and other organized players during and post the COVID-led lockdown are further strengthening the case for market share gains for TTAN. Currently, TTAN has less than 10% share in the Indian Jewelry market.
- **Cost savings, technological investments, and getting rid of the additional flab due to COVID:** The company is aggressively focusing on cost savings (across heads) and driving technology (both in selling and on loyalty programs).
- **Other changes** include questioning and monitoring sales, EBITDA, and particularly ROE, performance of all legacy businesses (5–6 years old and beyond).
- **Overall consumer demand** is yet to recover. TTAN has increased its share in all businesses, but the pie needs to grow.

## Titan Company



**Mr C K Venkataraman,**  
Managing Director

Mr Venkataraman has been working with Titan since 1990 and took over as MD on 1<sup>st</sup> Oct'19. Previously, he served as CEO of the Jewelry division. He has also worked in the Advertising and Marketing functions before becoming the Head of Sales & Marketing for the Titan brand in 2003. He holds a post-graduate diploma in Management from IIM-Ahmedabad.

### Detailed notes from the call under relevant sections:

#### Near-term outlook getting even better

- After reporting 15% growth in the festive season v/s the comparable period last year,
  - a) Wedding demand is healthy, as expected. Due to the lack of spending on travel and restricted guests lists, the wedding budget is being used for the purchase of jewelry and apparel.
  - b) Additionally, demand is healthy on account of the dearth of other discretionary opportunities, especially travel and tourism related. Massive decline in international and domestic holidays is boosting gold demand, particularly high-ticket diamond jewelry.
  - c) Investment demand is also healthy as people prefer to park their money in tangible and relatively safe assets in times of crisis.

#### Intrinsic competitive advantages have increased

- The competitive scenario is improving on account of (a) operational complexities created by COVID on the balance sheet and P&L for unorganized and other organized players as well as (b) customer migration to organized players that offer safety, authenticity, and trust. These challenges faced by the competition during and post the COVID-led lockdown are further strengthening the case for market share gains for TTAN. Currently, the company has less than 10% share in the Indian Jewelry market.
- The softer aspect to TTAN gaining favor is that the company has stood by its vendor partners, franchisees, and distributors, including provisioning insurance and hospitalization expenses for them. Inquiries for new franchises have been strong in the current year. TTAN's visible support to existing franchisees at the beginning of FY21 – through grants and the facilitation of low-interest loans – has instilled confidence in existing and new franchisees.

- The company has enhanced CSR efforts, instead of compromising on them, in these tough times – particularly in 1QFY21 (during the lockdown).

### Cost-saving exercise; ROE focus yielding benefits

- Titan's management council, consisting of around 30 people, discovered new components to implement cost savings and improved agility in activities without compromising on TTAN's essential values. The efforts enabled relatively faster recovery v/s peers.
- TTAN is aggressively focusing on cost savings across heads. Older and non-performing businesses such as Favre Leuba are seeing write-offs and/or no incremental investments.

### Key aspects of cost savings

- Cost-saving efforts were commenced in Nov'19, well before COVID.
- The management believes some of these savings are sustainable.
- Savings have been seen in all areas, right from sales-related savings (discounts to customers, discounts to trade partners, commissions to credit card companies) to material costs and sub-contracting fees, etc.
- The Eyewear business has done very well on profits in 2QFY21 owing to initiatives taken over the last 1.5 years. Having worked on the cost aspects in FY21, the company is now focusing on achieving an acceptable level of ROE by FY22 and then aims for a steeper growth curve going ahead. To improve ROE, TTAN is focusing on working capital and fixed asset turns. In this business, the focus has shifted to 'eye care' from 'eyewear', leading to increased importance on design – which is helping to boost sales.
- Asset productivity is being reemphasized. The acceptable ranges of return for all of the businesses are being redefined well ahead of cost of capital for the next 18–24 months. This is crucial for a Retail business.
- Other changes include questioning and monitoring sales, EBITDA, and particularly ROE, performance of all legacy businesses (5–6 years old and beyond).

### Digital investments keeping TTAN ahead of the curve

- Digital investments began five years ago, with a Chief Digital Officer with a reasonably large team in analytics, website design, omni-channel, and customer relationship management.
- Emphasis was initially on customer experience and then shifted to the back-end. Browsing before purchasing has become common practice.
- The omni-channel for watches was launched last year with the 'book online and pick up from the store' scheme, which has leapfrogged in the last eight months.
- The omni-channel for jewelry is a more recent initiative, but there has been a substantial jump in the form of the video-demonstrated selling of jewelry. 6–7% of jewelry sales are now sourced from video demonstrations. While the final pick up happens at the store, this is an initiative that was unheard of in the past.
- Appointment-based shopping has also become more prevalent.
- The company has also launched the 'Endless Aisle' initiative:
  - a) During peak hours and season, this initiative enables waiting customers to browse for options through a tab, reducing the actual purchase time from 1 hour to 15 mins.
  - b) Over non-peak hours and days, Endless Aisle enables the browsing of products outside of the store or in different sizes than what was available in the store.
- Cross-functional targeted sales are also possible, e.g., Taneira sales for Tanishq customers.

### Other strengths

- TTAN has 17–18k sales staff in 1,800 EBOs, with 18m customers in the Encircle database. Of these, 5–6m customers are personally known to the sales staff. This is not common in the Indian Retail industry.
- Technologically as well, TTAN has developed a strong database on all the key events in the life of these 5–6m customers and captured their preferences. Using a forecasting mechanism on what the customers could buy also

supports the human touch mentioned above. The leapfrogging of safety-specific technology has helped consumers shed their reservations.

### Design emphasis improving across businesses

- Trust was the first factor that drove customers to Tanishq. However, the role of design has evolved significantly in the last 7–8 years and has now become central to Tanishq, as reflected in customer feedback.
- Tanishq has now, in fact, become the gold standard for design in the industry, especially based on customer requirements.
- Similarly, in their price range, Titan Watches with the Edge variants have been competing very well with peers. Collaborations with certain global peers occasionally also supplements TTAN's own design strength.

### Overall consumer demand yet to recover

- The management sounded a note of caution stating overall demand is yet to recover.
- TTAN has increased share in all of its businesses, but the pie needs to grow.

### Strategy on under-indexed markets such as Tamil Nadu, Kerala yielding success

- The dominance of regional jewelry companies and customers' overt value-for-money focus has led to jewelers offering low making charges in the region v/s the rest of the country. This has prevented Tanishq from having a substantial presence in these states.
- Nevertheless, the company shifted focus to Tamil Nadu (TN) two years ago with a niche product-specific strategy and has since been gaining share. This has been achieved without compromising on overall profitability using scale to deliver on EBIT margins.
- TTAN has also had success in Kerala in recent years by focusing on diamond jewelry and value-added gold jewelry.

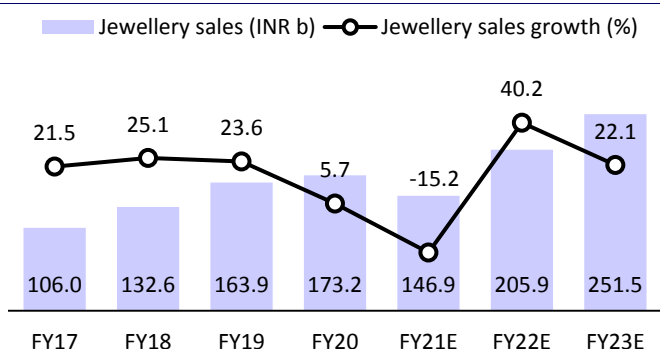
### International business foray

- TTAN wants to make the international business more meaningful over the next five years, with contribution targeted at the mid-single digits as a proportion of sales.
- The company has learned from its earlier venture over 2007–08, wherein it targeted the mainstream fashion-conscious customer. It is now focusing largely on the opportunity from the Non-Resident Indian / Person of Indian Origin category.
- Over 2007–08, while the customer experience was good, the company underestimated the cost of customer acquisition. The Global Financial Crisis hampered plans further. The recent Dubai store is its first small step toward its new venture, and the response has been very encouraging.
- Titan's brand recognition is very strong in the UAE, SA, Kuwait, Oman, Singapore, Malaysia, the Philippines, and the US.
- It would adopt a gradual approach to expansion in the international business.

### Valuation and view

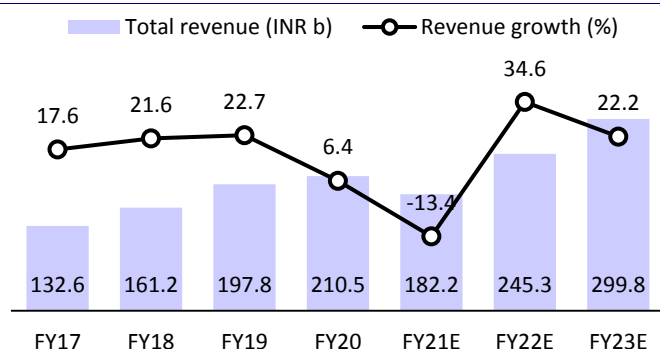
- The call with the CEO on TTAN's improving near-term and longer term prospects was highly informative. It gave us a sound perspective on TTAN's focus on cost savings, its efforts to improve overall RoEs, and its technological boost (the benefits of which are likely to be seen over the next few years).
- TTAN's medium- to long-term earnings growth opportunity is best-of-breed, reflected in the ~24% EPS CAGR over the past three years. TTAN has a strong runway for growth given its market share of less than 10% and the continuing struggles of unorganized and other organized peers.
- We maintain a BUY rating, with TP of INR1,650 – 10% upside to CMP.

**Exhibit 1: Despite decline in FY21, Jewelry segment to register 13.2% sales CAGR and...**



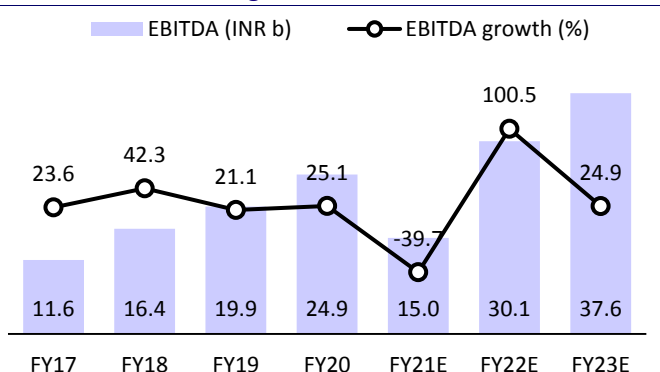
Source: Company, MOFSL

**Exhibit 2: ...total revenue to register 12.5% CAGR over FY20–23E**



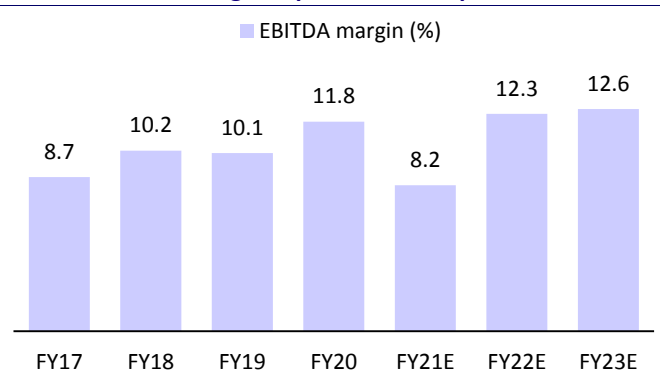
Source: Company, MOFSL

**Exhibit 3: EBITDA to register 14.7% CAGR over FY20–23E...**



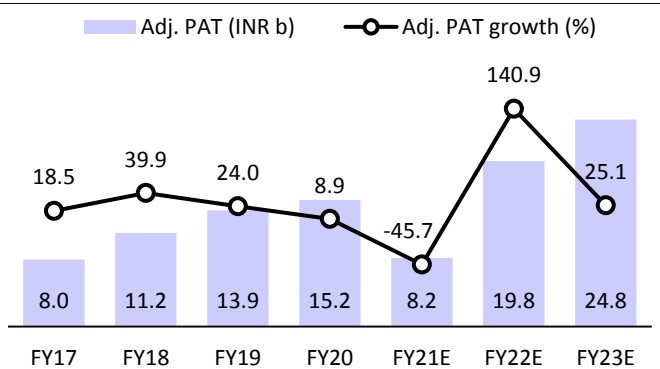
Source: Company, MOFSL

**Exhibit 4: ...with margin expansion of 80bp**



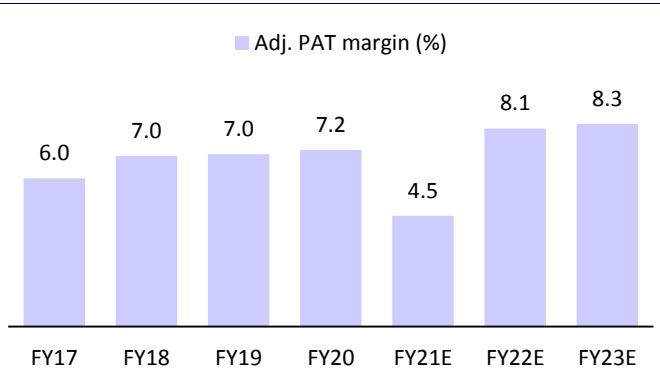
Source: Company, MOFSL

**Exhibit 5: Adj. PAT to register 17.8% CAGR over FY20–23E...**



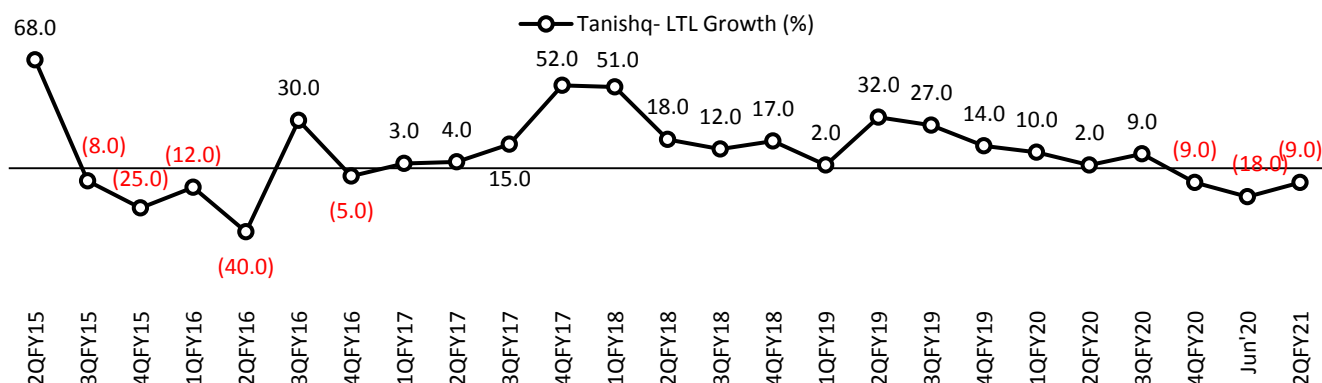
Source: Company, MOFSL

**Exhibit 6: ...with margin expansion of 110bp**



Source: Company, MOFSL

Exhibit 7: Tanishq's LTL quarterly growth trends



Source: Company, MOFSL

Exhibit 8: Quarterly segmental performance

| INR m              | 1QFY19        | 2QFY19        | 3QFY19        | 4QFY19        | 1QFY20        | 2QFY20        | 3QFY20        | 4QFY20        | 1QFY21        | 2QFY21        |
|--------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>Total sales</b> | <b>44,872</b> | <b>45,951</b> | <b>59,341</b> | <b>49,451</b> | <b>52,082</b> | <b>46,933</b> | <b>65,501</b> | <b>47,532</b> | <b>20,200</b> | <b>46,010</b> |
| Watches            | 5,963         | 6,788         | 6,412         | 5,312         | 7,161         | 7,201         | 6,272         | 5,583         | 760           | 4,010         |
| YoY Growth         | 15.0%         | 17.5%         | 18.2%         | 7.9%          | 20.1%         | 6.1%          | -2.2%         | 5.1%          | -89.4%        | -44.3%        |
| Jewellery          | 36,426        | 36,451        | 49,970        | 41,054        | 41,641        | 36,500        | 56,058        | 38,993        | 18,240        | 39,830        |
| YoY Growth         | 6.3%          | 29.0%         | 37.0%         | 22.3%         | 14.3%         | 0.1%          | 12.2%         | -5.0%         | -56.2%        | 9.1%          |
| Eyewear            | 1,316         | 1,200         | 1,295         | 1,277         | 1,488         | 1,542         | 1,333         | 1,077         | 300           | 940           |
| YoY Growth         | 16.4%         | 19.3%         | 39.7%         | 17.6%         | 13.1%         | 28.5%         | 2.9%          | -15.7%        | -79.8%        | -39.0%        |
| Others             | 1,167         | 1,512         | 1,664         | 1,808         | 1,792         | 1,690         | 1,837         | 1,879         | 900           | 1,230         |
| YoY Growth         | 55.7%         | 52.1%         | 65.6%         | 8.5%          | 53.5%         | 11.8%         | 10.4%         | 4.0%          | -49.8%        | -27.2%        |
| <b>Total EBIT</b>  | <b>4,778</b>  | <b>4,523</b>  | <b>6,153</b>  | <b>4,640</b>  | <b>5,536</b>  | <b>4,692</b>  | <b>7,183</b>  | <b>5,520</b>  | <b>-3,090</b> | <b>2,660</b>  |
| Watches            | 996           | 1,115         | 434           | 123           | 1,192         | 1,037         | 390           | 543           | -1,730        | -120          |
| YoY Growth         | 149.5%        | 34.9%         | -36.8%        | -29.3%        | 19.7%         | -7.0%         | -10.1%        | 340.1%        | -245.2%       | -111.6%       |
| EBIT Margin        | 16.7%         | 16.4%         | 6.8%          | 2.3%          | 16.6%         | 14.4%         | 6.2%          | 9.7%          | -227.6%       | -3.0%         |
| Jewellery          | 3,842         | 3,784         | 6,466         | 4,989         | 4,370         | 3,794         | 7,297         | 5,301         | -680          | 2,860         |
| YoY Growth         | 18.8%         | 8.6%          | 76.5%         | 17.5%         | 13.7%         | 0.3%          | 12.8%         | 6.2%          | -115.6%       | -24.6%        |
| EBIT Margin        | 10.5%         | 10.4%         | 12.9%         | 12.2%         | 10.5%         | 10.4%         | 13.0%         | 13.6%         | -3.7%         | 7.2%          |
| Eyewear            | 17            | 5             | -1            | -45           | -114          | 20            | -67           | 18            | -310          | 90            |
| YoY Growth         | -45.1%        | -63.0%        | -97.1%        | -295.2%       | -756.9%       | 298.0%        | 5053.8%       | -140.3%       | 171.2%        | 352.3%        |
| EBIT Margin        | 1.3%          | 0.4%          | -0.1%         | -3.5%         | -7.7%         | 1.3%          | -5.0%         | 1.7%          | -103.3%       | 9.6%          |
| Others             | (77)          | (380)         | (746)         | (428)         | 89            | (159)         | (437)         | (342)         | (370)         | (170)         |

Source: Company, MOFSL

## Financials and valuations

| Income Statement           |                |                |                |                |                |                |                | (INR m)        |
|----------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Y/E March                  | 2016           | 2017           | 2018           | 2019           | 2020           | 2021E          | 2022E          | 2023E          |
| <b>Net Sales</b>           | <b>112,759</b> | <b>132,608</b> | <b>161,198</b> | <b>197,785</b> | <b>210,515</b> | <b>182,228</b> | <b>245,295</b> | <b>299,836</b> |
| Change (%)                 | -5.3           | 17.6           | 21.6           | 22.7           | 6.4            | -13.4          | 34.6           | 22.2           |
| <b>Gross Profit</b>        | <b>30,949</b>  | <b>37,534</b>  | <b>44,336</b>  | <b>53,843</b>  | <b>58,965</b>  | <b>49,013</b>  | <b>69,595</b>  | <b>85,344</b>  |
| Margin (%)                 | 27.4           | 28.3           | 27.5           | 27.2           | 28.0           | 26.9           | 28.4           | 28.5           |
| Other expenditure          | 21,601         | 25,979         | 27,889         | 33,928         | 34,046         | 33,987         | 39,464         | 47,712         |
| <b>EBITDA</b>              | <b>9,347</b>   | <b>11,555</b>  | <b>16,447</b>  | <b>19,915</b>  | <b>24,919</b>  | <b>15,026</b>  | <b>30,132</b>  | <b>37,633</b>  |
| Change (%)                 | -19.4          | 23.6           | 42.3           | 21.1           | 25.1           | -39.7          | 100.5          | 24.9           |
| Margin (%)                 | 8.3            | 8.7            | 10.2           | 10.1           | 11.8           | 8.2            | 12.3           | 12.6           |
| Depreciation               | 982            | 1,105          | 1,314          | 1,628          | 3,480          | 3,860          | 3,904          | 4,208          |
| Int. and Fin. Charges      | 424            | 377            | 529            | 525            | 1,662          | 2,174          | 1,783          | 1,674          |
| Other Income - Recurring   | 739            | 705            | 889            | 1,829          | 1,532          | 1,829          | 2,039          | 1,385          |
| <b>Profit before Taxes</b> | <b>8,681</b>   | <b>10,777</b>  | <b>15,492</b>  | <b>19,591</b>  | <b>21,310</b>  | <b>10,821</b>  | <b>26,483</b>  | <b>33,136</b>  |
| Change (%)                 | -17.8          | 24.1           | 43.7           | 26.5           | 8.8            | -49.2          | 144.7          | 25.1           |
| Tax                        | 1,710          | 3,021          | 4,500          | 6,150          | 5,770          | 2,597          | 6,674          | 8,350          |
| Deferred Tax               | -206           | 261            | 221            | 467            | -388           | 0              | 0              | 0              |
| Tax Rate (%)               | 22.1           | 25.6           | 27.6           | 29.0           | 28.9           | 24.0           | 25.2           | 25.2           |
| <b>Profit after Taxes</b>  | <b>6,765</b>   | <b>8,018</b>   | <b>11,213</b>  | <b>13,908</b>  | <b>15,152</b>  | <b>8,224</b>   | <b>19,810</b>  | <b>24,786</b>  |
| Change (%)                 | -17.8          | 18.5           | 39.9           | 24.0           | 8.9            | -45.7          | 140.9          | 25.1           |
| Margin (%)                 | 6.0            | 6.0            | 7.0            | 7.0            | 7.2            | 4.5            | 8.1            | 8.3            |
| <b>Reported PAT</b>        | <b>6,765</b>   | <b>6,991</b>   | <b>11,019</b>  | <b>13,887</b>  | <b>14,927</b>  | <b>8,224</b>   | <b>19,810</b>  | <b>24,786</b>  |

| Balance Sheet                |               |               |               |               |                |               |                | (INR m)        |
|------------------------------|---------------|---------------|---------------|---------------|----------------|---------------|----------------|----------------|
| Y/E March                    | 2016          | 2017          | 2018          | 2019          | 2020           | 2021E         | 2022E          | 2023E          |
| Share Capital                | 888           | 888           | 888           | 888           | 888            | 888           | 888            | 888            |
| Reserves                     | 34,178        | 41,700        | 49,993        | 59,955        | 65,844         | 67,401        | 77,305         | 87,220         |
| <b>Net Worth</b>             | <b>35,066</b> | <b>42,587</b> | <b>50,881</b> | <b>60,842</b> | <b>66,731</b>  | <b>68,288</b> | <b>78,193</b>  | <b>88,108</b>  |
| Loans                        | 1,131         | 0             | 790           | 318           | 7,229          | 5,000         | 1,000          | 500            |
| Lease liabilities            | 0             | 0             | 0             | 0             | 12,430         | 12,430        | 12,430         | 12,430         |
| Deferred Tax                 | 131           | -33           | -329          | -688          | -1,528         | -1,528        | -1,528         | -1,528         |
| <b>Capital Employed</b>      | <b>36,327</b> | <b>42,555</b> | <b>51,342</b> | <b>60,472</b> | <b>84,862</b>  | <b>84,190</b> | <b>90,095</b>  | <b>99,509</b>  |
| Gross Block                  | 13,559        | 9,858         | 13,384        | 15,398        | 17,692         | 19,967        | 22,242         | 24,517         |
| Less: Accum. Depn.           | 6,054         | 1,220         | 2,137         | 3,335         | 4,600          | 8,460         | 12,364         | 16,573         |
| <b>Net Fixed Assets</b>      | <b>7,506</b>  | <b>8,638</b>  | <b>11,247</b> | <b>12,063</b> | <b>13,093</b>  | <b>11,508</b> | <b>9,878</b>   | <b>7,945</b>   |
| Intangibles                  | 200           | 3,337         | 3,495         | 3,631         | 3,960          | 3,960         | 3,960          | 3,960          |
| Capital WIP                  | 1,067         | 1,432         | 430           | 290           | 115            | 115           | 115            | 115            |
| Right of use asset           | 0             | 0             | 0             | 0             | 9,349          | 9,349         | 9,349          | 9,349          |
| Investments                  | 26            | 3,937         | 16            | 692           | 1,136          | 1,136         | 1,136          | 1,136          |
| <b>Curr. Assets, L&amp;A</b> | <b>54,624</b> | <b>66,698</b> | <b>79,694</b> | <b>99,735</b> | <b>106,256</b> | <b>88,896</b> | <b>111,238</b> | <b>131,007</b> |
| Inventory                    | 44,472        | 49,257        | 59,248        | 70,388        | 81,030         | 57,860        | 72,944         | 84,736         |
| Account Receivables          | 1,925         | 2,076         | 2,957         | 4,205         | 3,116          | 3,744         | 5,040          | 6,161          |
| Cash and Bank Balance        | 1,442         | 8,159         | 6,523         | 11,057        | 4,255          | 10,329        | 14,595         | 18,653         |
| Others                       | 6,785         | 7,205         | 10,965        | 14,085        | 17,855         | 16,963        | 18,659         | 21,458         |
| <b>Curr. Liab. and Prov.</b> | <b>27,095</b> | <b>41,488</b> | <b>43,540</b> | <b>55,939</b> | <b>49,046</b>  | <b>30,774</b> | <b>45,581</b>  | <b>54,002</b>  |
| Current Liabilities          | 25,794        | 40,056        | 41,909        | 53,881        | 46,103         | 27,689        | 41,682         | 49,762         |
| Provisions                   | 1,302         | 1,433         | 1,631         | 2,057         | 2,943          | 3,084         | 3,898          | 4,240          |
| <b>Net Current Assets</b>    | <b>27,529</b> | <b>25,210</b> | <b>36,154</b> | <b>43,796</b> | <b>57,210</b>  | <b>58,123</b> | <b>65,657</b>  | <b>77,005</b>  |
| <b>Application of Funds</b>  | <b>36,327</b> | <b>42,555</b> | <b>51,342</b> | <b>60,472</b> | <b>84,862</b>  | <b>84,190</b> | <b>90,095</b>  | <b>99,509</b>  |

E: MOFSL Estimates

## Financials and valuations

### Ratios

| Y/E March                     | 2016       | 2017       | 2018        | 2019        | 2020        | 2021E      | 2022E       | 2023E       |
|-------------------------------|------------|------------|-------------|-------------|-------------|------------|-------------|-------------|
| <b>Basic (INR)</b>            |            |            |             |             |             |            |             |             |
| <b>EPS</b>                    | <b>7.6</b> | <b>9.0</b> | <b>12.6</b> | <b>15.7</b> | <b>17.1</b> | <b>9.3</b> | <b>22.3</b> | <b>27.9</b> |
| Cash EPS                      | 8.7        | 10.2       | 14.0        | 17.3        | 18.9        | 13.6       | 26.7        | 32.7        |
| BV/Share                      | 39.5       | 48.0       | 57.3        | 68.5        | 75.2        | 76.9       | 88.1        | 99.2        |
| DPS                           | 5.4        | 3.6        | 4.6         | 6.0         | 4.1         | 4.2        | 11.2        | 16.8        |
| Payout %                      | 70.3       | 39.7       | 36.4        | 38.5        | 23.8        | 45.0       | 50.0        | 60.0        |
| <b>Valuation (x)</b>          |            |            |             |             |             |            |             |             |
| P/E                           | 197.1      | 166.3      | 118.9       | 95.9        | 88.0        | 162.1      | 67.3        | 53.8        |
| Cash P/E                      | 172.8      | 146.8      | 107.2       | 86.6        | 79.6        | 110.3      | 56.2        | 46.0        |
| EV/Sales                      | 11.8       | 10.0       | 8.2         | 6.7         | 6.3         | 7.3        | 5.4         | 4.4         |
| EV/EBITDA                     | 142.6      | 114.3      | 80.7        | 66.4        | 53.6        | 88.3       | 43.8        | 34.9        |
| P/BV                          | 38.0       | 31.3       | 26.2        | 21.9        | 20.0        | 19.5       | 17.1        | 15.1        |
| Dividend Yield (%)            | 0.4        | 0.2        | 0.3         | 0.4         | 0.3         | 0.3        | 0.7         | 1.1         |
| <b>Return Ratios (%)</b>      |            |            |             |             |             |            |             |             |
| RoE                           | 19.7       | 20.6       | 24.0        | 24.9        | 23.8        | 12.2       | 27.0        | 29.8        |
| RoCE                          | 20.0       | 21.0       | 24.7        | 25.5        | 22.5        | 11.7       | 24.3        | 27.5        |
| RoIC                          | 19.9       | 24.8       | 29.8        | 28.0        | 23.9        | 11.2       | 26.7        | 32.5        |
| <b>Working Capital Ratios</b> |            |            |             |             |             |            |             |             |
| Debtor (Days)                 | 6          | 6          | 7           | 8           | 5           | 8          | 8           | 8           |
| Asset Turnover (x)            | 3.1        | 3.1        | 3.1         | 3.3         | 2.5         | 2.2        | 2.7         | 3.0         |
| <b>Leverage Ratio</b>         |            |            |             |             |             |            |             |             |
| Debt/Equity (x)               | 0.0        | 0.0        | 0.0         | 0.0         | 0.1         | 0.1        | 0.0         | 0.0         |

### Cash Flow Statement

| Y/E March                    | 2016          | 2017          | 2018          | 2019          | 2020          | 2021E         | 2022E         | 2023E          |
|------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|
| <b>(INR m)</b>               |               |               |               |               |               |               |               |                |
| OP/(loss) before Tax         | 8,681         | 9,733         | 15,298        | 19,569        | 21,017        | 10,821        | 26,483        | 33,136         |
| Int./Div. Received           | -95           | 31            | -81           | 1,140         | -171          | -1,829        | -2,039        | -1,385         |
| Depreciation & Amort.        | 982           | 1,105         | 1,314         | 1,628         | 3,480         | 3,860         | 3,904         | 4,208          |
| Interest Paid                | -152          | -136          | -113          | -512          | 677           | 2,174         | 1,783         | 1,674          |
| Direct Taxes Paid            | 2,025         | 2,768         | 4,561         | 6,360         | 5,577         | 2,597         | 6,674         | 8,350          |
| Incr in WC                   | 1,631         | -9,158        | 12,365        | 3,036         | 22,715        | -5,161        | 3,269         | 7,290          |
| <b>CF from Operations</b>    | <b>5,761</b>  | <b>17,123</b> | <b>-507</b>   | <b>12,429</b> | <b>-3,289</b> | <b>17,590</b> | <b>20,189</b> | <b>21,992</b>  |
| Incr in FA                   | 2,522         | 2,511         | 2,993         | 2,634         | 3,456         | 2,275         | 2,275         | 2,275          |
| <b>Free Cash Flow</b>        | <b>3,239</b>  | <b>14,613</b> | <b>-3,500</b> | <b>9,796</b>  | <b>-6,930</b> | <b>15,315</b> | <b>17,914</b> | <b>19,717</b>  |
| Investments                  | -55           | 3,254         | -4,115        | 177           | -3,183        | 0             | 0             | 0              |
| Others                       | -1,058        | 2,986         | -273          | 197           | 638           | 1,472         | 3,829         | 2,681          |
| <b>CF from Invest.</b>       | <b>-1,409</b> | <b>-8,750</b> | <b>1,395</b>  | <b>-3,007</b> | <b>-1,096</b> | <b>-3,747</b> | <b>-6,104</b> | <b>-4,956</b>  |
| Incr in Debt                 | 0             | 0             | 0             | 0             | 6,934         | -2,229        | -4,000        | -500           |
| Dividend Paid                | 3,944         | 36            | 2,774         | 3,974         | 5,356         | 3,551         | 4,037         | 10,805         |
| Others                       | 1,104         | 1,621         | -249          | 915           | 3,995         | 2,174         | 1,783         | 1,674          |
| <b>CF from Fin. Activity</b> | <b>-5,048</b> | <b>-1,656</b> | <b>-2,524</b> | <b>-4,888</b> | <b>-2,417</b> | <b>-7,954</b> | <b>-9,820</b> | <b>-12,979</b> |
| <b>Incr/Decr of Cash</b>     | <b>-696</b>   | <b>6,717</b>  | <b>-1,637</b> | <b>4,534</b>  | <b>-6,802</b> | <b>5,890</b>  | <b>4,265</b>  | <b>4,058</b>   |
| Add: Opening Balance         | 2,138         | 1,442         | 8,159         | 6,523         | 11,057        | 4,440         | 10,330        | 14,595         |
| <b>Closing Balance</b>       | <b>1,442</b>  | <b>8,159</b>  | <b>6,523</b>  | <b>11,057</b> | <b>4,255</b>  | <b>10,330</b> | <b>14,595</b> | <b>18,652</b>  |

E: MOFSL Estimates

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NOTES



| Explanation of Investment Rating |  |
|----------------------------------|--|
| Investment Rating                | Expected return (over 12-month)  |
| BUY                              | >=15%  |
| SELL                             | < - 10%  |
| NEUTRAL                          | < - 10 % to 15%  |
| UNDER REVIEW                     | Rating may undergo a change  |
| NOT RATED                        | We have forward looking estimates for the stock but we refrain from assigning recommendation |

\*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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