

# Titan Company

Estimate change	↔
TP change	↔
Rating change	↔

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Bloomberg	TTAN IN
Equity Shares (m)	888
M.Cap.(INRb)/(USDb)	1597.8 / 21.5
52-Week Range (INR)	1858 / 1049
1, 6, 12 Rel. Per (%)	-1/11/23
12M Avg Val (INR M)	3442

## Financials & Valuations (INR b)

Y/E March	2021	2022E	2023E
Sales	216.4	253.2	324.1
Sales Gr. (%)	2.8	17.0	28.0
EBITDA	17.2	24.9	39.3
EBITDA Margin (%)	8.0	9.8	12.1
Adj. PAT	9.8	15.8	26.5
Adj. EPS (INR)	11.0	17.8	29.9
EPS Gr. (%)	-35.4	61.4	68.0
BV/Sh.(INR)	84.5	93.3	105.3
<b>Ratios</b>			
RoE (%)	13.8	20.0	30.1
RoCE (%)	13.0	18.9	27.7
Payout (%)	36.5	50.0	60.0
<b>Valuation</b>			
P/E (x)	163.2	101.1	60.2
P/BV (x)	21.3	19.3	17.1
EV/EBITDA (x)	90.8	62.5	39.6

## Shareholding pattern (%)

As On	Jun-21	Mar-21	Jun-20
Promoter	52.9	52.9	52.9
DII	10.1	11.5	11.2
FII	18.4	18.1	17.6
Others	18.6	17.5	18.4
FII Includes depository receipts			

**CMP: INR1,800 TP: INR2,065 (+15%) Buy**

## Commendable result amid the lockdown, further recovery underway

- Despite losing out on sales for a large part of May'21 due to the lockdowns across the country, TTAN reported a decline of only ~33% over 1QFY20 (normal) levels. This was to some extent aided by bullion sales of INR4.24b. Margin performance was also better than expected, led by cost savings and better than expected sales.
- Watches and Eyewear seem to be reporting a much faster recovery v/s that witnessed after the lifting of lockdown restrictions last year.
- With the recovery in Jun'21 continuing into Jul'21 as well, pent up demand and a healthy wedding season demand outlook appears attractive. We maintain our **Buy** rating.

## Strong beat on all fronts in 1QFY22

- Consolidated revenue grew 75.5% YoY to INR34.7b (est. INR29.2b).
- EBITDA stood at INR1.4b (est. INR299m) v/s a loss of INR2.5b in 1QFY21.
- PBT stood at INR390m (est. -INR654m) v/s a loss of INR3.6b in 1QFY21.
- Recurring PAT stood at INR180m (est. -INR654m) as against a loss of INR2.9b in 1QFY21.
- Consolidated gross margin rose 50bp YoY to 22.4%.
- As a percentage of sales, lesser other expenses (down 1250bp YoY to 8%), lower staff costs (down 410bp to 9%), but higher ad spends (up 30bp to 1.4%) led to **EBITDA margin expanding by 1670bp to 3.9%** (est. 1%).
- Segmental performance:** a) Jewelry sales grew 67.2% YoY to INR30.5b. Segment margin rose 1,020bp YoY to 6.5%. b) Sales of Watches were ~4x YoY to INR2.9b, with an EBIT margin of -20.8%.

## Highlights from the management commentary

- The management remains confident on growth in FY22, especially as the momentum in Jun'21 continued into Jul'21 as well.
- Similar to 2HFY21, pent up demand, wedding demand, and continued benefits of disposable incomes moving towards jewelry are factors that will aid growth in subsequent quarters.
- The change in its gold hedging policy will get rid of ineffective hedges arising on account of a delay in sales due to store closures.
- On a steady state basis, the management believes it can return to 12-13% EBIT margin that it used to earn on jewelry in the pre-COVID period.

## Valuation and view

- There is no material change to our forecasts.
- We continue to believe that TTAN can claw back some of the lost demand in 1QFY22. The recovery in Jun-Jul'21 was strong. Underlying demand remains robust, led by a decline in gold prices and strong wedding demand. Despite a decline of ~62% YoY in sales in 1QFY21, it ended up reporting positive sales growth in FY21.

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**Investors are advised to refer through important disclosures made at the last page of the Research Report.**

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- TTAN's medium to long-term earnings growth opportunity is the best-of-breed, which is reflected in the EPS CAGR of ~24% over the past three years before the COVID-19 impact in FY21. There is a strong growth runway, given TTAN's market share of less than 10% and the continuing struggles of unorganized and other organized peers.
- While valuations of 60.2x FY23E EPS appear expensive, the long runway for profitable growth deserve a premium multiple. TTAN remains our top pick on the discretionary consumption space. We maintain our Buy rating with a TP of INR2,065 per share (60x Sep'23E EPS).

## Consolidated quarterly performance

Y/E March	FY21				FY22				FY21	FY22E	FY22E	Var. (%)
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE				
<b>Net Sales</b>	<b>19.8</b>	<b>45.5</b>	<b>76.2</b>	<b>74.9</b>	<b>34.7</b>	<b>57.6</b>	<b>85.0</b>	<b>75.9</b>	<b>216.4</b>	<b>253.2</b>	<b>29.2</b>	19.0
YoY change (%)	-61.6	-2.3	16.7	59.1	75.5	26.5	11.6	1.3	2.8	17.0	47.5	
<b>Gross Profit</b>	<b>4.3</b>	<b>14.2</b>	<b>17.2</b>	<b>16.6</b>	<b>7.8</b>	<b>14.4</b>	<b>22.6</b>	<b>20.5</b>	<b>52.3</b>	<b>65.3</b>	<b>6.7</b>	
Margin (%)	21.9	31.2	22.6	22.1	22.4	25.0	26.6	27.1	24.2	25.8	23.0	
<b>EBITDA</b>	<b>-2.5</b>	<b>3.1</b>	<b>8.5</b>	<b>8.2</b>	<b>1.4</b>	<b>5.2</b>	<b>9.9</b>	<b>8.4</b>	<b>17.2</b>	<b>24.9</b>	<b>0.3</b>	358.2
EBITDA growth (%)	P/L	-40.1	8.2	33.4	L/P	67.0	16.4	3.1	-30.8	44.4	-111.8	
Margin (%)	-12.8	6.9	11.1	10.9	3.9	9.1	11.6	11.1	8.0	9.8	1.0	
Depreciation	0.9	0.9	1.0	0.9	1.0	1.0	1.0	1.0	3.8	3.9	0.9	
Interest	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	2.0	2.0	0.5	
Other Income	0.4	0.5	0.4	0.6	0.5	0.6	0.5	0.6	1.9	2.2	0.5	
<b>PBT</b>	<b>-3.6</b>	<b>2.2</b>	<b>7.4</b>	<b>7.3</b>	<b>0.4</b>	<b>4.3</b>	<b>8.9</b>	<b>7.5</b>	<b>13.3</b>	<b>21.1</b>	<b>-0.7</b>	N/M
Tax	-0.6	0.4	2.1	1.6	0.2	1.1	2.2	1.8	3.5	5.3	0.0	
Rate (%)	17.9	20.2	28.5	22.2	53.8	25.2	25.2	23.7	26.5	25.2	0.0	
<b>Adjusted PAT</b>	<b>-2.9</b>	<b>1.7</b>	<b>5.3</b>	<b>5.7</b>	<b>0.2</b>	<b>3.2</b>	<b>6.7</b>	<b>5.7</b>	<b>9.8</b>	<b>15.8</b>	<b>-0.7</b>	N/M
YoY change (%)	P/L	-44.6	7.5	65.5	L/P	86.0	25.7	0.8	-35.4	61.4	-77.7	

E: MOFSL estimates

## Key performance indicators

Y/E March	FY21				FY22
	1Q	2Q	3Q	4Q	
<b>Two-year CAGR (%)</b>					
Sales	-33.3	-0.2	13.9	23.8	-17.9
EBITDA	N/M	-18.3	19.8	35.0	-51.1
PAT	N/M	-24.2	13.5	27.7	-77.8
<b>As a percentage of sales</b>					
COGS	78.1	68.8	77.4	77.9	77.6
Operating Expenses	34.7	24.3	11.4	11.2	18.5
Depreciation	4.7	2.1	1.3	1.2	2.7
<b>YoY change (%)</b>					
COGS	-58.7	-4.4	21.4	78.1	74.4
Operating Expenses	-17.9	28.2	-1.2	2.3	-6.7
Other Income	-28.2	51.2	76.3	36.7	12.2
EBIT	-169.6	-50.2	8.1	41.9	-112.1

E: MOFSL estimates

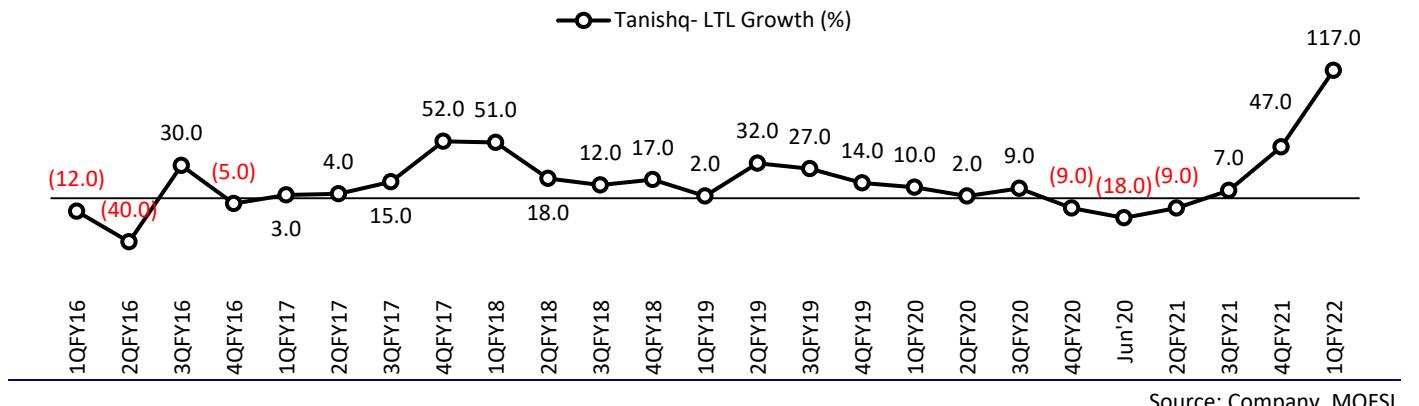
## Key exhibits

### Exhibit 1: Consolidated segmental snapshot

(INR m)	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22
<b>Total Sales</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>	<b>76,590</b>	<b>75,510</b>	<b>35,190</b>
Watches	7,161	7,201	6,272	5,583	760	4,010	5,510	5,590	2,930
YoY Growth	20.1%	6.1%	-2.2%	5.1%	-89.4%	-44.3%	-12.2%	0.1%	285.5%
Jewelry	41,641	36,500	56,058	38,993	18,240	39,830	68,360	66,780	30,500
YoY Growth	14.3%	0.1%	12.2%	-5.0%	-56.2%	9.1%	21.9%	71.3%	67.2%
Eyewear	1,488	1,542	1,333	1,077	300	940	1,240	1,270	670
YoY Growth	13.1%	28.5%	2.9%	-15.7%	-79.8%	-39.0%	-7.0%	17.9%	123.3%
Others	1,792	1,690	1,837	1,879	900	1,230	1,480	1,870	1,090
YoY Growth	53.5%	11.8%	10.4%	4.0%	-49.8%	-27.2%	-19.4%	-0.5%	21.1%
<b>Total EBIT</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>	<b>7,920</b>	<b>7,810</b>	<b>880</b>
Watches	1,192	1,037	390	543	-1,730	-120	150	380	-610
YoY Growth	19.7%	-7.0%	-10.1%	340.1%	P/L	P/L	-61.6%	-30.0%	N/M
EBIT Margin	16.6%	14.4%	6.2%	9.7%	-227.6%	-3.0%	2.7%	6.8%	-20.8%
Jewelry	4,370	3,794	7,297	5,301	-680	2,860	7,660	7,170	1,980
YoY Growth	13.7%	0.3%	12.8%	6.2%	P/L	-24.6%	5.0%	35.3%	L/P
EBIT Margin	10.5%	10.4%	13.0%	13.6%	-3.7%	7.2%	11.2%	10.7%	6.5%
Eyewear	-114	20	-67	18	-310	90	220	230	-130
YoY Growth	P/L	298.0%	N/M	L/P	N/M	352.3%	L/P	1170.7%	N/M
EBIT Margin	-7.7%	1.3%	-5.0%	1.7%	-103.3%	9.6%	17.7%	18.1%	-19.4%
Others	89	(159)	(437)	(342)	(370)	(170)	(110)	30	(360)

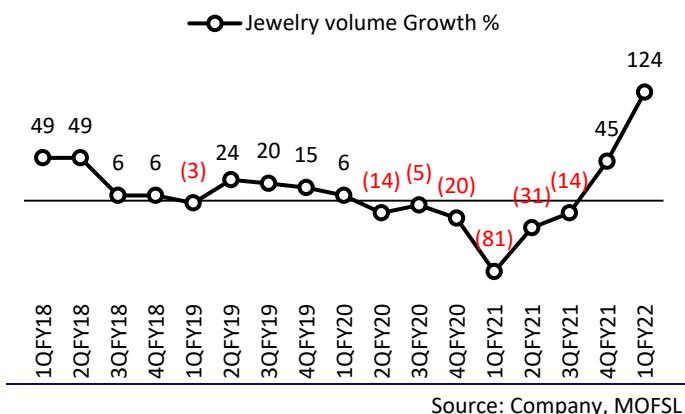
Source: Company, MOFSL

### Exhibit 2: Tanishq's LTL growth stood at 117% in 1QFY22



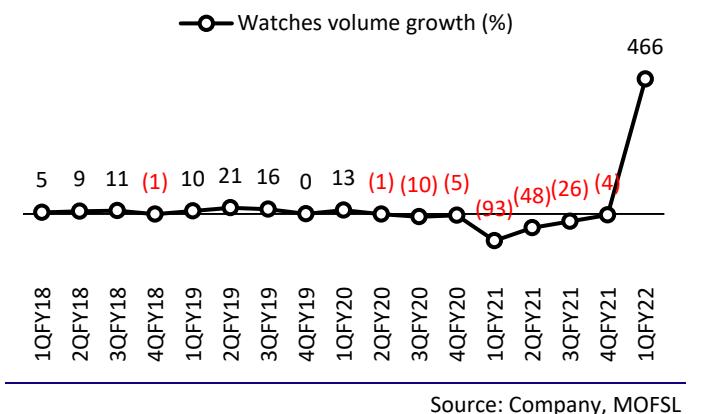
Source: Company, MOFSL

### Exhibit 3: Jewelry grammage grew 124% YoY in 1QFY22



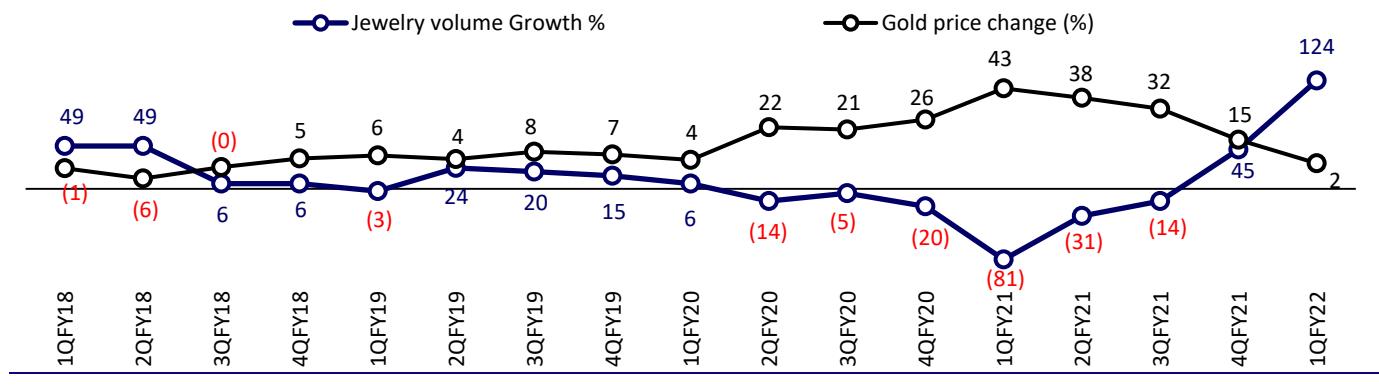
Source: Company, MOFSL

### Exhibit 4: Volume grew 466% YoY in Watches in 1QFY22



Source: Company, MOFSL

## Exhibit 5: Quarterly trend – Volume growth in Jewelry against the movement in gold prices



Source: Company, MOFSL

## Exhibit 6: Jewelry – Key operating parameters

Jewelry	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22
Volume Gr. (%)	(3)	24	20	15	6	(14)	(5)	(20)	(81)	(31)	(14)	45	124
Studded Share (%)	25	35	25	36	25	38	27	37	18	26	26	30	22
Sales Gr. (%)	6	29	37	22	14	0	12	(5)	(56)	9	22	71	67
LTL Growth (%)	2	32	27	14	10	2	9	(9)	(18)*	(9)	7	47	117
Stores	265	270	280	290	302	311	324	331	337	345	355	357	362

\*LTL growth is for Jun'20 only

Source: Company, MOFSL

## Exhibit 7: Watches' segment sales were ~4x YoY in 1QFY22

Watches	1QFY21			4QFY21			1QFY22			
	Gr. (%)	Sales growth*	LTL growth*	Stores (x)	Sales growth	LTL growth	Stores (x)	Sales growth	LTL growth	Stores (x)
World of Titan	(59)	(51)	(51)	505	8	7	511	86	91	509
Helios	(51)	(29)	(29)	93	10	6	103	73	78	106
Fastrack	(64)	(58)	(58)	182	(4)	(2)	168	63	80	166
LFS - Watches	(86)	(84)	(84)	NA	(3)	(3)	NA	323	324	NA
Sales Gr. (%)		(89.4)				0.1			285.5	
Net sales (INR b)		0.8				5.6			2.9	

\*pertains to Jun'20 only

Source: Company, MOFSL

## Exhibit 8: Titan Eye+: Sales grew 74% YoY, with LTL retail growth of 47% YoY in 1QFY22

Titan Eye+	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21*	2QFY21	3QFY21	4QFY21	1QFY22
Stores	509	513	525	537	556	561	578	584	569	557	571	599	605
Sales Gr. (%)	19	18	23	21	20	35	11	(8)	(46)	(35)	(3)	28	74
LTL Gr. (%)	8	8	13	14	14	28	3	(16)	(44)	(34)	(3)	27	47

\*Sales and LTL growth are for Jun'20 only

Source: Company, MOFSL



## Highlights from the management commentary

### Environment and outlook

- The management remains confident on growth in FY22.
- The momentum in Jun'21 continued into Jul'21 as well.
- An increase in the pace of vaccinations will boost customer confidence further.
- TTAN has stopped disclosing QTD sales growth, unlike the past, due to stricter disclosure norms.
- Watches and Eyewear are seeing a faster recovery in footfalls than last year.
- Wedding purchases are being advanced to some extent due to attractive gold prices.
- Similar to 2HFY21, TTAN expects a) bunching up of wedding demand, and b) continued benefits of disposable incomes moving towards jewelry to aid growth in 2HFY22.

### Cost and margin

- Studded mix at the Retail level was 25% in 1QFY22, higher (21%) compared to 1QFY21 but lower than 1QFY20 levels. So, the mix has recovered YoY, but the same is not back to pre-COVID levels.
- The management feels there is no reason why it cannot return to 12-13% EBIT margin that it used to earn on jewelry in the pre-COVID period.
- Other expenses are lower sequentially because of savings on travel, rent savings, etc.

### Change in its gold hedging policy

- TTAN's erstwhile hedging was on value arising on the sale of jewelry, which led to the ineffectiveness of hedges due to delayed sales on account of store closures, etc.
- It will now hedge directly against inventory and will still have no exposure to gold price volatility.
- All old contracts will continue, but new contracts from 1<sup>st</sup> Jul'21 will be on the inventory method.
- TTAN now hedges gold through Titan Commodities Trading, a 100% subsidiary and a registered broker. Thus, avoiding counterparty exposure when dealing with third-party brokers, who may have solvency risks.

### Hallmarking progress

- Mandatory hallmarking has been rolled out from 16<sup>th</sup> Jun'21.
- TTAN has been compliant from the first day itself.
- There is some disruption in the gold supply chain that BIS is trying to resolve.
- It feels hallmarking UID is a good move to check the quality of hallmarking.
- The management said that hallmarking is good for organized players as it increases the making charges of smaller players, who weren't complying with purity norms, and thus were having lower making charges.
- It feels that the actual cost of getting jewelry hallmark is negligible.

### Expansion

- Around 35 stores are likely to be opened in FY22. TTAN is on track to achieve this target with the opening of 11 stores opened until Jul'21.

- New stores will be added more in smaller towns.
- It has made a small entry into the US. But what is different now? Eleven years ago it had targeted mainstream American customers in malls. TTAN had back then underestimated investments that were needed to get customers to the store, and was also affected by the global financial crisis. It is now focusing on the NRI/PIO market in the US. The per capita income of these consumers is USD100,000 v/s an average USD65,000. The market for this segment is unorganized and can potentially be high ticket for TTAN.

## Valuation and view

### Strong growth in the last 10 years

- The company has delivered strong growth in the Jewelry business, aided by: a) store expansion, b) focus on erstwhile weak cities, c) increased focus on Wedding and Studded Jewelry, d) attractive schemes such as Golden Harvest, and e) greater emphasis on exchange gold. With regulatory tailwinds in the form of GST implementation and reduced limit to INR200k (from INR500k earlier) due to PAN card requirement, TTAN has performed well in the past 10 years.
- In the past 10 years ended FY21, net sales/EBITDA/PAT grew ~13%/~11%/~9% CAGR. However, this performance was subdued by the COVID-led disruption. The respective numbers for 10 years ended FY20 were significantly better ~16%/~20%/~20%. This easily places it among the best performers over this period.

### Our view on the stock

- There is no material change to our forecasts.
- We continue to believe that TTAN can claw back some of the lost demand in 1QFY22. The recovery in Jun-Jul'21 was strong. Underlying demand remains robust, led by a decline in gold prices and strong wedding demand. Despite a decline of ~62% YoY in sales in 1QFY21, it ended up reporting positive sales growth in FY21.
- TTAN's medium to long-term earnings growth opportunity is the best-of-breed, which is reflected in the EPS CAGR of ~24% over the past three years before the COVID-19 impact in FY21. There is a strong growth runway, given TTAN's market share of less than 10% and the continuing struggles of unorganized and other organized peers.
- While valuations of 60.2x FY23E EPS appear expensive, the long runway for profitable growth deserve a premium multiple. TTAN remains our top pick on the discretionary consumption space. We maintain our **Buy** rating with a TP of INR2,065 per share (60x Sep'23E EPS).

### Exhibit 9: There are no material changes to our FY22E/FY23E estimate

(INR b)	New estimate		Old estimate		Change (%)	
	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E
Sales	253.2	324.1	249.9	319.8	1.3	1.3
EBITDA	24.9	39.3	25.4	38.4	-1.9	2.3
PAT	15.8	26.5	16.2	25.9	-2.3	2.5

Source: Company, MOFSL

## Financials and valuations

Income Statement							(INR b)
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
<b>Net Sales</b>	<b>132.6</b>	<b>161.2</b>	<b>197.8</b>	<b>210.5</b>	<b>216.4</b>	<b>253.2</b>	<b>324.1</b>
Change (%)	17.6	21.6	22.7	6.4	2.8	17.0	28.0
<b>Gross Profit</b>	<b>37.5</b>	<b>44.3</b>	<b>53.8</b>	<b>59.0</b>	<b>52.3</b>	<b>65.3</b>	<b>88.2</b>
Margin (%)	28.3	27.5	27.2	28.0	24.2	25.8	27.2
Other expenditure	26.0	27.9	33.9	34.0	35.1	40.4	48.9
<b>EBITDA</b>	<b>11.6</b>	<b>16.4</b>	<b>19.9</b>	<b>24.9</b>	<b>17.2</b>	<b>24.9</b>	<b>39.3</b>
Change (%)	23.6	42.3	21.1	25.1	-30.8	44.4	57.8
Margin (%)	8.7	10.2	10.1	11.8	8.0	9.8	12.1
Depreciation	1.1	1.3	1.6	3.5	3.8	3.9	4.3
Int. and Fin. Charges	0.4	0.5	0.5	1.7	2.0	2.0	1.8
Other Income - Recurring	0.7	0.9	1.8	1.5	1.9	2.2	2.3
Deferred Revenue Expenditure	0	0	0	0	0	0	0
<b>Profit before Taxes</b>	<b>10.8</b>	<b>15.5</b>	<b>19.6</b>	<b>21.3</b>	<b>13.3</b>	<b>21.1</b>	<b>35.5</b>
Change (%)	24.1	43.7	26.5	8.8	-37.5	58.6	68.0
Margin (%)	8.1	9.6	9.9	10.1	6.2	8.3	11.0
Tax	3.0	4.5	6.1	5.8	3.6	5.3	8.9
Deferred Tax	0.3	0.2	0.5	-0.4	0.1	0.0	0.0
Tax Rate (%)	25.6	27.6	29.0	28.9	26.5	25.2	25.2
<b>Profit after Taxes</b>	<b>8.0</b>	<b>11.2</b>	<b>13.9</b>	<b>15.2</b>	<b>9.8</b>	<b>15.8</b>	<b>26.5</b>
Change (%)	18.5	39.9	24.0	8.9	-35.4	61.4	68.0
Margin (%)	6.0	7.0	7.0	7.2	4.5	6.2	8.2
Extraordinary income	-1,027	-167	0	-185	0	0	0
<b>Reported PAT</b>	<b>7.0</b>	<b>11.0</b>	<b>13.9</b>	<b>14.9</b>	<b>9.7</b>	<b>15.8</b>	<b>26.5</b>
Balance Sheet							(INR b)
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
Share Capital	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Preference Share Capital	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Reserves	41.7	50.0	60.0	65.8	74.1	82.0	92.6
<b>Net Worth</b>	<b>42.6</b>	<b>50.9</b>	<b>60.8</b>	<b>66.7</b>	<b>75.0</b>	<b>82.9</b>	<b>93.5</b>
Loans	0.0	0.8	0.3	7.2	1.7	1.0	0.5
Lease liabilities	0.0	0.0	0.0	12.4	12.6	12.6	12.6
Deferred Tax	0.0	-0.3	-0.7	-1.5	-1.0	-1.0	-1.0
<b>Capital Employed</b>	<b>42.6</b>	<b>51.3</b>	<b>60.5</b>	<b>84.9</b>	<b>88.3</b>	<b>95.5</b>	<b>105.6</b>
Gross Block	9.9	13.4	15.4	17.7	20.7	23.0	25.3
Less: Accum. Depn.	1.2	2.1	3.3	4.6	8.3	12.3	16.6
<b>Net Fixed Assets</b>	<b>8.6</b>	<b>11.2</b>	<b>12.1</b>	<b>13.1</b>	<b>12.4</b>	<b>10.8</b>	<b>8.7</b>
Intangibles	3.3	3.5	3.6	4.0	3.8	3.8	3.8
Capital WIP	1.4	0.4	0.3	0.1	0.2	0.2	0.2
Right of use asset	0.0	0.0	0.0	9.3	9.2	9.2	9.2
Investments	3.9	0.0	0.7	1.1	28.1	33.7	34.0
<b>Curr. Assets, L&amp;A</b>	<b>66.7</b>	<b>79.7</b>	<b>99.7</b>	<b>106.3</b>	<b>109.9</b>	<b>122.0</b>	<b>150.5</b>
Inventory	49.3	59.2	70.4	81.0	84.1	90.2	115.9
Account Receivables	2.1	3.0	4.2	3.1	3.7	5.2	6.7
Cash and Bank Balance	8.2	6.5	11.1	4.3	5.8	8.6	9.8
Others	7.2	11.0	14.1	17.9	16.3	18.0	18.1
<b>Curr. Liab. and Prov.</b>	<b>41.5</b>	<b>43.5</b>	<b>55.9</b>	<b>49.0</b>	<b>75.2</b>	<b>84.1</b>	<b>100.7</b>
Current Liabilities	40.1	41.9	53.9	46.1	73.4	81.6	98.0
Provisions	1.4	1.6	2.1	2.9	1.9	2.5	2.7
<b>Net Current Assets</b>	<b>25.2</b>	<b>36.2</b>	<b>43.8</b>	<b>57.2</b>	<b>34.7</b>	<b>37.9</b>	<b>49.7</b>
Misc. Expenditure	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Application of Funds</b>	<b>42.6</b>	<b>51.3</b>	<b>60.5</b>	<b>84.9</b>	<b>88.3</b>	<b>95.5</b>	<b>105.6</b>

E: MOFSL estimates

## Financials and valuations

### Ratios

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
<b>Basic (INR)</b>							
EPS	<b>9.0</b>	<b>12.6</b>	<b>15.7</b>	<b>17.1</b>	<b>11.0</b>	<b>17.8</b>	<b>29.9</b>
Cash EPS	10.2	14.0	17.3	18.9	15.3	22.2	34.8
BV/Share	48.0	57.3	68.5	75.2	84.5	93.3	105.3
DPS	3.6	4.6	6.0	4.1	4.0	8.9	17.9
Payout (%)	39.7	36.4	38.5	23.8	36.5	50.0	60.0
<b>Valuation (x)</b>							
P/E	199.3	142.5	114.9	105.5	163.2	101.1	60.2
Cash P/E	176.0	128.5	103.8	95.4	118.0	81.0	51.8
EV/Sales	12.0	9.9	8.0	7.6	7.2	6.1	4.8
EV/EBITDA	137.3	96.8	79.7	64.2	90.8	62.5	39.6
P/BV	37.5	31.4	26.3	23.9	21.3	19.3	17.1
Dividend Yield (%)	0.2	0.3	0.3	0.2	0.2	0.5	1.0
<b>Return Ratios (%)</b>							
RoE	20.6	24.0	24.9	23.8	13.8	20.0	30.1
RoCE	21.0	24.7	25.5	22.5	13.0	18.9	27.7
RoIC	24.8	29.8	28.0	23.9	14.8	29.2	45.6
<b>Working Capital Ratios</b>							
Debtor (Days)	6	7	8	5	6	8	8
Asset Turnover (x)	3.1	3.1	3.3	2.5	2.5	2.7	3.1
<b>Leverage Ratio</b>							
Debt/Equity (x)	0.0	0.0	0.0	0.1	0.0	0.0	0.0

### Cash Flow Statement

(INR b)

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
<b>OP/(loss) before Tax</b>							
9.7	15.3	19.6	21.0	13.3	21.1	35.5	
Int./Div. Received	0.0	-0.1	1.1	-0.2	-0.6	-2.2	-2.3
Deferred Revenue Exp.	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Depreciation and Amort.	1.1	1.3	1.6	3.5	3.8	3.9	4.3
Interest Paid	-0.1	-0.1	-0.5	0.7	1.4	2.0	1.8
Direct Taxes Paid	2.8	4.6	6.4	5.6	2.7	5.3	8.9
Incr. in WC	-9.2	12.4	3.0	22.7	-26.2	0.5	10.6
<b>CF from Operations</b>	<b>17.1</b>	<b>-0.5</b>	<b>12.4</b>	<b>-3.3</b>	<b>41.4</b>	<b>19.1</b>	<b>19.7</b>
Extraordinary Income	0.0	0.0	0.0	-185.0	0.0	0.0	0.0
Incr. in FA	2.5	3.0	2.6	3.5	1.4	2.3	2.3
<b>Free Cash Flow</b>	<b>14.6</b>	<b>-3.5</b>	<b>9.8</b>	<b>-6.9</b>	<b>40.0</b>	<b>16.8</b>	<b>17.5</b>
Investments	3.3	-4.1	0.2	-3.2	27.3	5.6	0.3
Others	3.0	-0.3	0.2	0.6	-1.0	2.2	5.0
<b>CF from Invest.</b>	<b>-8.7</b>	<b>1.4</b>	<b>-3.0</b>	<b>-1.1</b>	<b>-27.7</b>	<b>-10.1</b>	<b>-7.6</b>
Issue of Shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Incr. in Debt	0.0	0.0	0.0	6.9	-5.6	-0.7	-0.5
Dividend Paid	0.0	2.8	4.0	5.4	3.6	3.6	8.6
Others	1.6	-0.2	0.9	4.0	3.2	2.0	1.8
<b>CF from Fin. Activity</b>	<b>-1.7</b>	<b>-2.5</b>	<b>-4.9</b>	<b>-2.4</b>	<b>-12.3</b>	<b>-6.2</b>	<b>-10.9</b>
<b>Incr./Decr. in Cash</b>	<b>6.7</b>	<b>-1.6</b>	<b>4.5</b>	<b>-6.8</b>	<b>1.4</b>	<b>2.8</b>	<b>1.2</b>
Add: Opening Balance	1.4	8.2	6.5	11.1	4.4	5.8	8.6
<b>Closing Balance</b>	<b>8.2</b>	<b>6.5</b>	<b>11.1</b>	<b>4.3</b>	<b>5.8</b>	<b>8.6</b>	<b>9.8</b>

E: MOFSL estimates

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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

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