

BSE SENSEX 59,806 S&P CNX 17,590



#### Stock Info

Bloomberg	ITC IN
Equity Shares (m)	12259
M.Cap.(INRb)/(USDb)	4817.4 / 58.8
52-Week Range (INR)	394 / 226
1, 6, 12 Rel. Per (%)	5/19/62
12M Avg Val (INR M)	4983
Free float (%)	100.0

#### Financials & Valuations (INR b)

Y/E March	2023E	2024E	2025E
Sales	675.3	734.6	808.4
Sales Gr. (%)	19.9	8.8	10.0
EBITDA	242.5	279.2	312.2
Margins (%)	35.9	38.0	38.6
Adj. PAT	185.1	215.1	243.1
Adj. EPS (INR)	15.0	17.5	19.7
EPS Gr. (%)	23.0	16.2	13.0
BV/Sh.(INR)	51.7	55.5	59.7
<b>Ratios</b>			
RoE (%)	29.6	32.6	34.2
RoCE (%)	28.8	31.8	33.5
<b>Valuation</b>			
P/E (x)	25.8	22.2	19.7
P/BV (x)	7.5	7.0	6.5
EV/EBITDA (x)	18.3	15.7	13.9
Div. Yield (%)	3.5	3.6	4.1

#### Shareholding pattern (%)

As On	Dec-22	Sep-22	Dec-21
Promoter	0.0	0.0	0.0
DII	71.4	71.6	43.7
FII	13.9	13.5	10.1
Others	14.8	14.9	46.2

FII Includes depository receipts

#### Stock's performance (one-year)

— ITC — Nifty - Rebased



**CMP: INR388**

**TP: INR450 (+16%)**

**Buy**

#### Earnings visibility continues to drive outperformance

As consumer companies continue to struggle in an uncertain operating environment, ITC is better placed than peers with accelerated earnings growth over the past two years, especially in FY23, and strong earnings visibility compared to peers into FY24 as well. Key factors behind its positive outlook are:

- Healthy cigarette volume growth in the recent quarters is likely to sustain in the near term, leading to the best three-year and four-year average volume growth for over a decade.
- With no high indirect tax increase in the FY24 budget, the operating environment is far more conducive compared to the punitive regime of the preceding years.
- Over the past five to six quarters, the company has sparingly used its pricing lever and can continue to take leverage on the same going forward.
- Unlike staples peers, the company has displayed resilient operating performance of its 'Other FMCG' business in the past few quarters. If wheat costs decline sharply post the Rabi harvest, performance on the segmental margin front can be even better in FY24.
- Hotels business prospects are likely to be buoyant going forward as highlighted in our [thematic report on hotels](#) by our mid-cap team.
- We maintain our Buy rating on the stock as a result of (a) better earnings visibility over peers in the next few quarters, (b) inexpensive valuations; and (c) attractive dividend yield.

#### Cigarette business outlook remains healthy

At a time when consumer companies have witnessed a slowdown, cigarette volumes for ITC have registered a strong double-digit YoY growth in the recent quarters and three-year and four-year average volume growth have been in mid-single digits. This has been the best growth levels in over a decade and far superior to the flattish volumes of the past 10 and 20 years. In a relatively less stringent indirect tax environment, ITC is better placed owing to its judicious pricing actions and its recent recuperation of some temporary market share loss in the capsule segment. Smuggling has also been a relatively lower factor due to government crackdown as well as a less punitive indirect tax regime compared to the past.

#### Absence of material tax increases in the budget is a relief

In the FY24 national budget, National Calamity Contingent Duty (NCCD) on all four filter cigarette categories viz. less than 65mm, 65-70mm, 70-75mm, and above 75mm was increased by 15-16%. However, the total NCCD across these segments is less than 10% of the total indirect taxation, which is ~60% of MRP. Hence, the effective increase would be less than 1%, dodging a significant hurdle in the near term. While subsequent GST council meetings can drive up cigarette GST, the outlook on cigarette volumes looks positive as of now.

### **'Other FMCG' growth momentum remains strong; better times ahead**

ITC's 'Other FMCG' segment (the second-largest contributor to sales) is also witnessing strong sales and earnings momentum unlike most consumer staples peers. Over the past three quarters, 'Other FMCG' Sales growth has been hovering in high teens to early 20% at a time when staples peer growth is much lower. This is also despite a significantly high base in terms of absolute scale. We expect 'Other FMCG' business to register revenue of over INR190b in FY23, the fourth largest in our coverage universe after HUVR, TTAN, and APNT. Margins have been resilient, registering a YoY growth in the recent quarters, despite steep inflation in commodity costs. The likelihood of a good Rabi season could lead to substantial cooling off in wheat prices from 1QFY24 onwards, which could boost 'Other FMCG' further in FY24.

### **Outlook for Hotel business bright**

The Indian hospitality industry has been witnessing steady rise over the recent quarters as highlighted in our recent [Hotel business thematic note](#) by our mid cap team. For ITC, the Hotel business sales and EBIT are witnessing new highs after over a decade, with the adverse impact of overcapacity fading away. Within discretionary consumption, this segment has not been significantly impacted by the ongoing consumption slowdown and with various events such as the G20 summit, women's and men's IPL tournaments, and the Cricket World Cup in FY24, outlook for the industry appears to be bright.

### **Valuation and view**

- ITC has demonstrated a healthy 23% EPS growth in FY23E and we expect a likely EPS CAGR of ~15% over the next two years as well. ITC's earnings outlook is better than other large cap staples players both on a two-year CAGR ending FY23E as well as FY24 earnings growth expectations.
- At a time when uncertainty looms over the industry, led by high inflation, unpredictable monsoons, continued weak rural sales, and delay in commodity costs decline, ITC's earnings performance in the last couple of years and in FY24 shines like a beacon.
- The stock has done well [since our detailed upgrade](#) note in Jun'22 with ~45% stock price appreciation at a time when consumer peers both staples, and recently, discretionaries have struggled. ITC's dividend yield is healthy at 3.5-4% despite the stock price appreciations and valuations remain inexpensive at 22.2xFY24 EPS and less than 20xFY25 EPS.
- The challenges for ITC led by (a) an extremely punitive tax regime of the past, (b) covid related disruptions and (c) commodity cost inflation now seems to be receding. **We maintain BUY rating and our target price of INR450.**

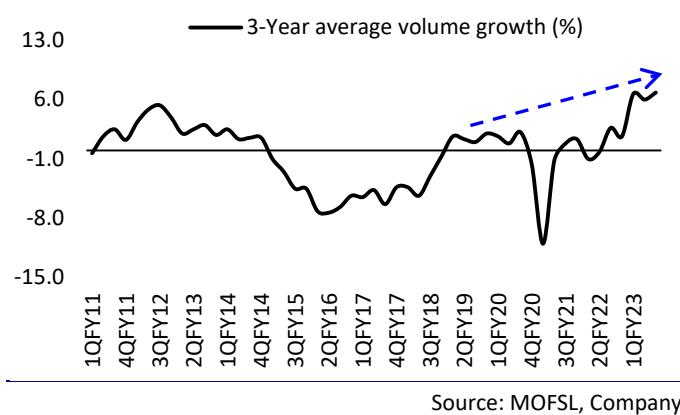
## Cigarettes business is witnessing remarkable traction

- Over the last few quarters, the cigarette business of ITC has been doing remarkably well, led by a series of events in the recent years:
  - Absence of steep GST/NCCD increases since Jul'17
  - Absence of steep price hike by the company
  - The recuperation of some temporary market share loss in the capsule segment with ITC augmenting its domestic manufacturing capability.
- Unlike the period before Jul'17, where a series of steep excise/VAT increases led to an intensification of smuggling activity, the less onerous regime of recent years has meant that contraband proportion has not intensified.
- Government actions to check the smuggling of illegal cigarettes into the country.
- This has manifested into better numbers for ITC's cigarette business in myriad ways, starting with volume growth.

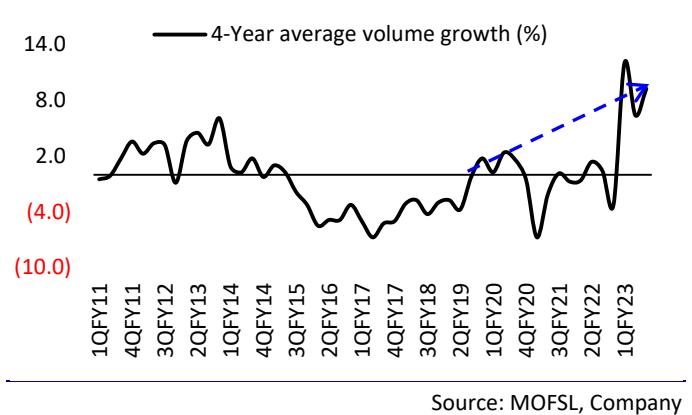
## Volume growth trend is the best in over a decade

- To smoothen the impact of Covid-related disturbances in FY21 and FY22, we look at three-and four-year average volume growth on a quarterly basis. On both these metrics, ITC's performance in recent quarters has been its best in over a decade.

**Exhibit 1: Average volume growth rate at decadal highs from 3 year perspective...**

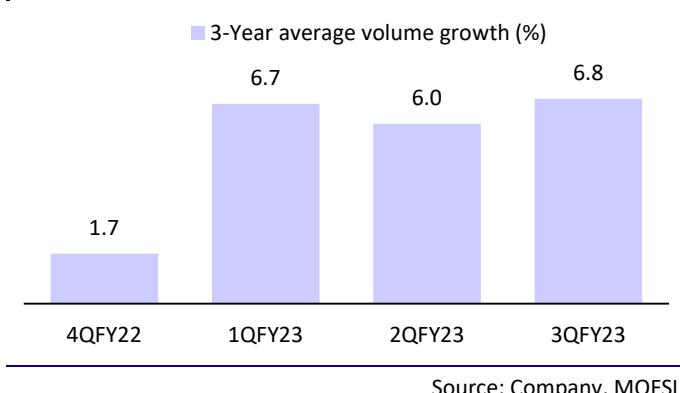


**Exhibit 2: ...as well as from four years perspective**



- Importantly, unlike other consumer peers, which are bearing the brunt of inflation, there has been no let-up in momentum in the past three to four quarters.

**Exhibit 3: Robust cigarette volume growth witnessed in the past four quarters...**



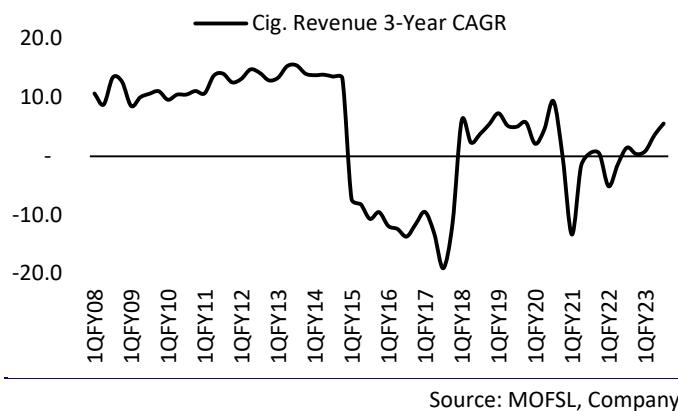
**Exhibit 4: ...indicating better performance than staple peers**



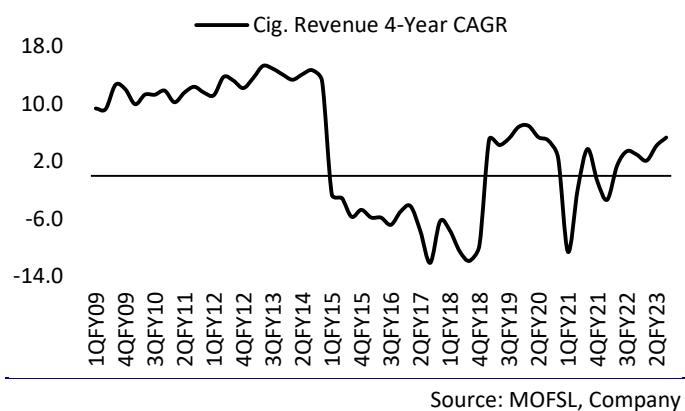
### Other cigarette metrics are also at their best levels

- Three-and four-year cigarette sales CAGR are at their best levels since FY15 despite the company not taking material price increases over the last 13-14 months. Given healthy volume growth and the absence of any material indirect tax increases over this period, the company can utilize modest price increases lever if need be.

**Exhibit 5: Outstanding cigarette revenue growth in three...**

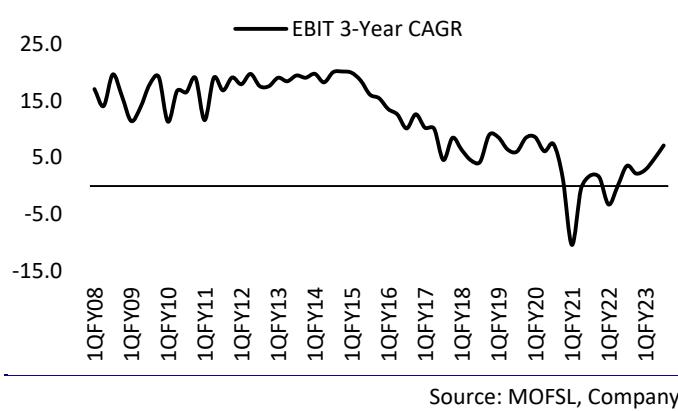


**Exhibit 6: ...as well as four years**

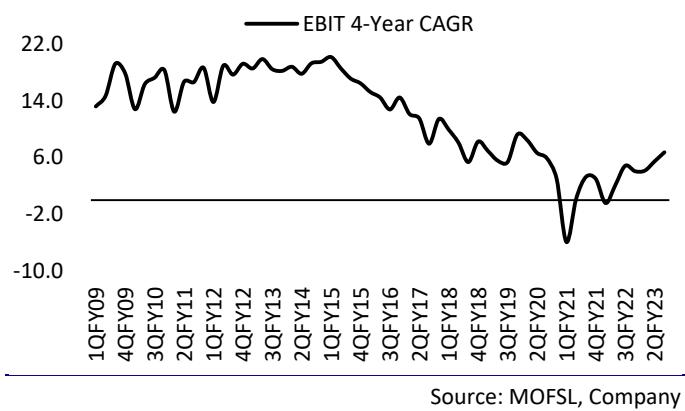


- Cigarette EBIT growth has returned to its healthy levels in the recent quarters despite the company not taking price increases for several quarters now.

**Exhibit 7: Despite not taking a price hike in the recent quarters, EBIT performance has been robust in three...**



**Exhibit 8: ...as well as four years**



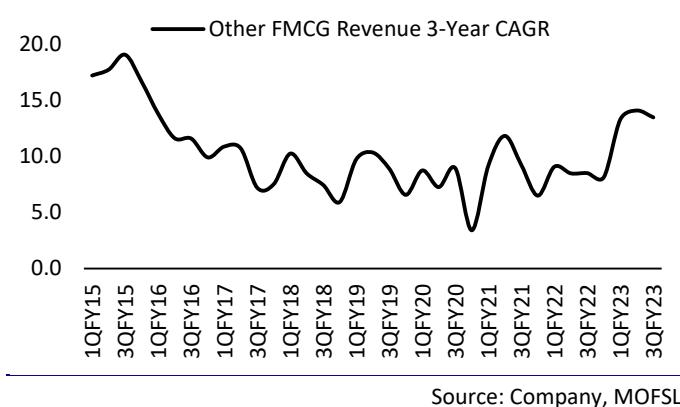
### FY24 budget: No steep increase in indirect tax

- In the FY24 national budget, National Calamity Contingent Duty (NCCD) on all four filter cigarette categories viz. less than 65mm, 65-70mm, 70-75mm, and above 75mm was increased by 15-16%. However, total NCCD across these segments is less than 10% of the total indirect taxation, which is ~60% of MRP. Hence, effective increase would be less than 1%.
- Thus, a significant hurdle to the near-term Cigarette volume momentum was surmounted.

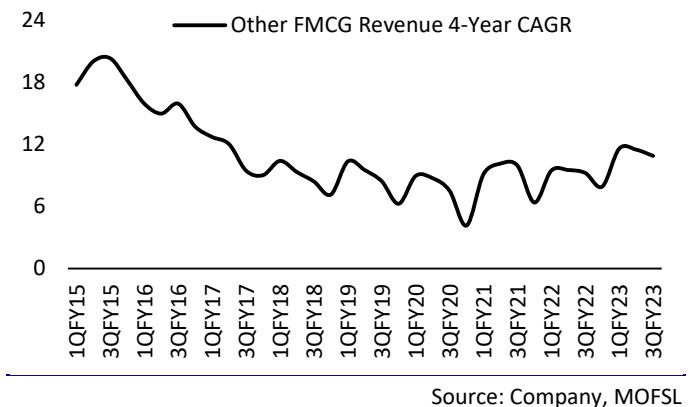
### Other FMCG momentum remains strong; better times ahead

- ITC's Other FMCG segment (the second largest contributor to sales) is also witnessing strong earnings and growth momentum unlike most consumer staples peers.
- Other FMCG sales growth over the past three quarters has been in high teens to early 20% at a time when staples peer growth is much lower. This is also despite a significant base. ITC's Other FMCG business revenue is expected to be over INR190b in FY23, the fourth largest in our coverage universe after HUVR, TTAN, and APNT.

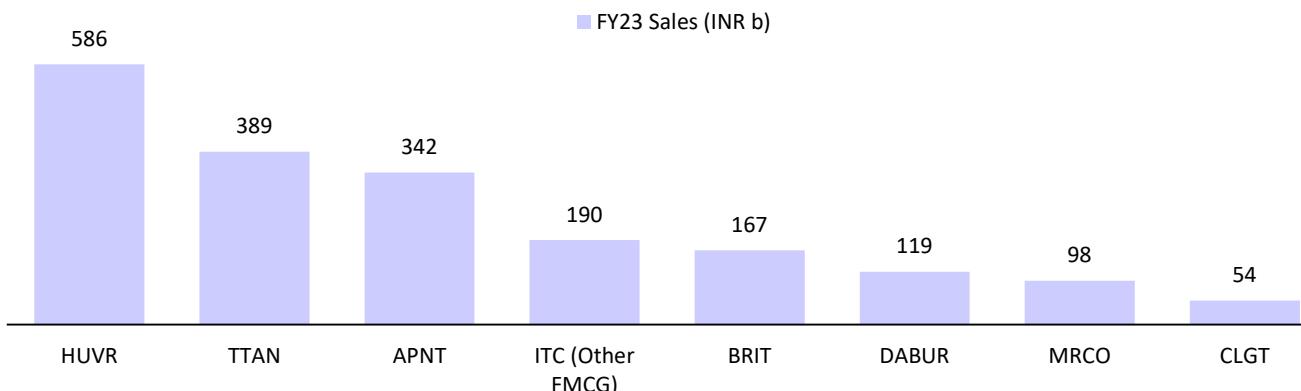
#### Exhibit 9: Other FMCG business delivering strong performance in three...



#### Exhibit 10: ...as well as four years

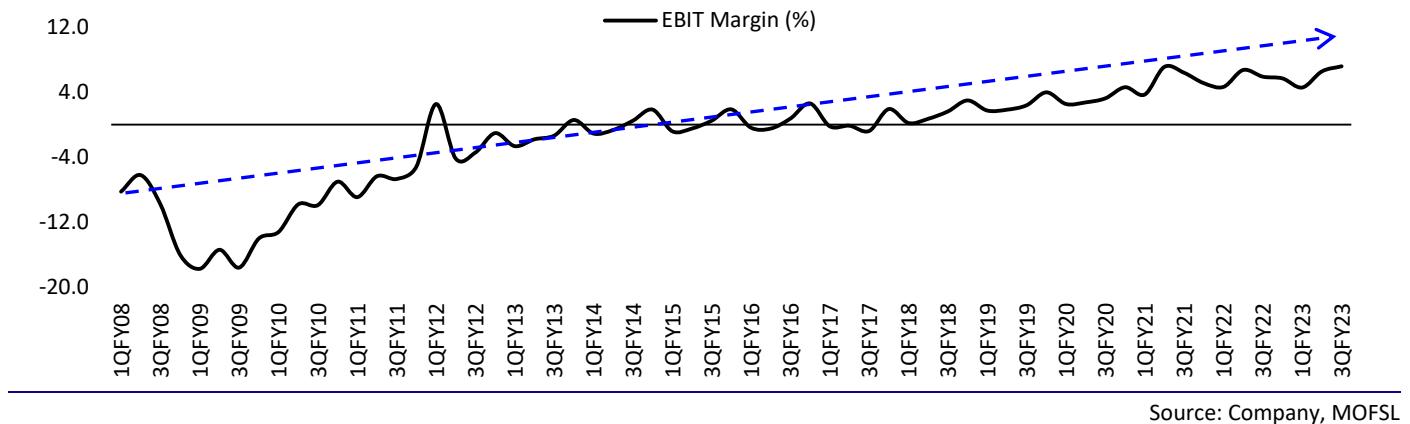


#### Exhibit 11: ITC other FMCG business growth has been phenomenal and it is the fourth largest in our coverage Universe



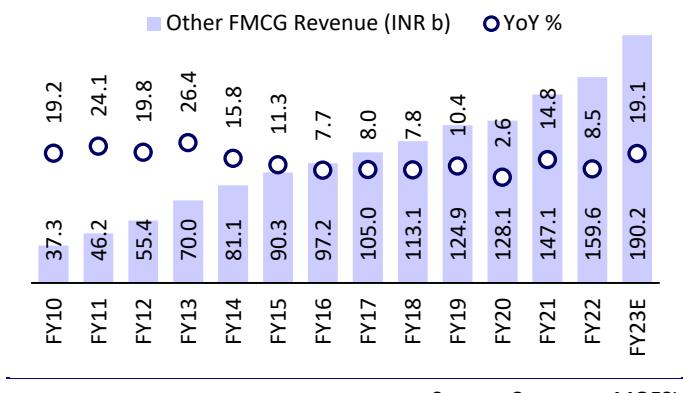
Source: Company, MOFSL

- Despite intense commodity costs pressures, EBIT/EBITDA margins have been stable or growing unlike peers.
- This has meant that the gradual but continued improvement in Other FMCG EBIT margin has continued in recent years as well despite severe commodity cost increases.

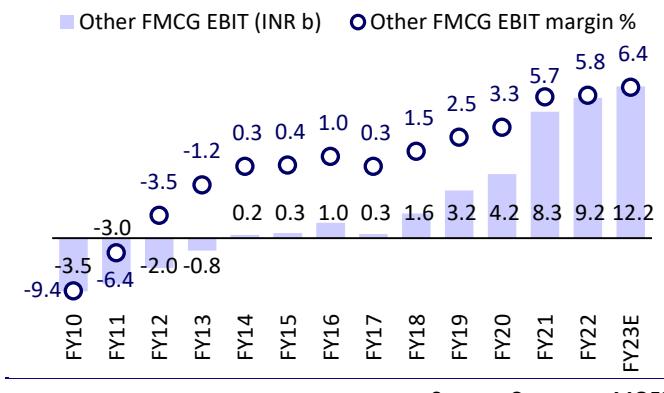
**Exhibit 12: Even in the times of elevated input costs, EBIT margin has been stable and gradually expanding**


Source: Company, MOFSL

- Healthy sales growth and steady EBIT margin improvement are also visible in annual performance charts of these segments.

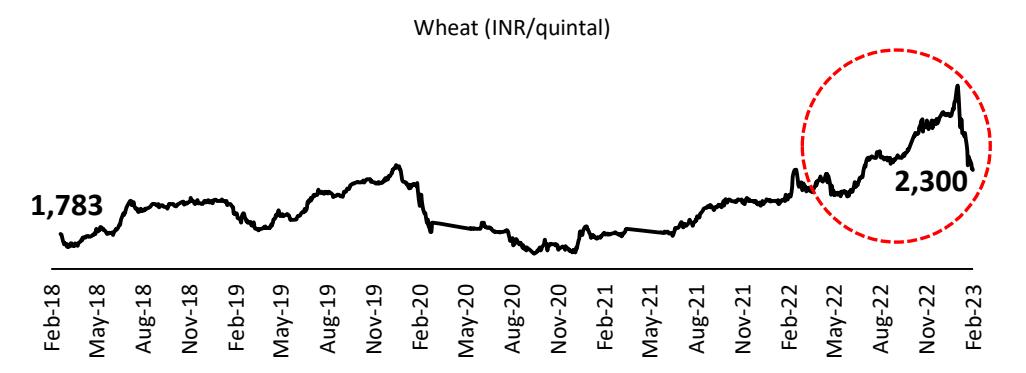
**Exhibit 13: Robust growth even during uncertain times...**


Source: Company, MOFSL

**Exhibit 14: ...along with steady growth in EBIT margin**


Source: Company, MOFSL

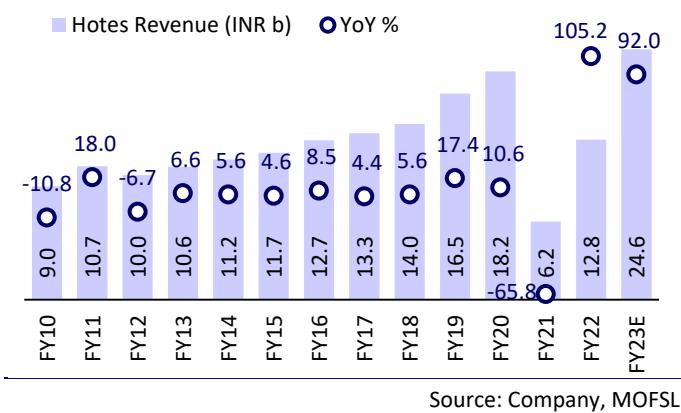
- The likelihood of a good Rabi season could lead to substantial cooling off in wheat prices from 1QFY24 onwards. ITC has been able to maintain/grow Other FMCG margins despite extremely high wheat costs inflation and profitability could be higher in subsequent years, if wheat costs decline sharply.

**Exhibit 15: Other FMCG margin could expand, if wheat costs come down post rabi season**


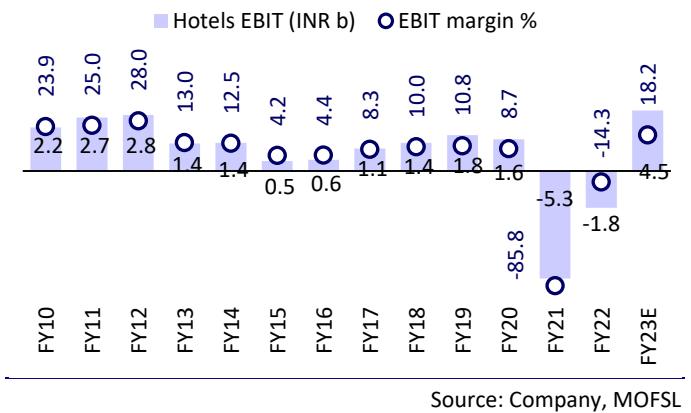
## Hotels

- While small as a proportion of the overall business the operating environment of the Hotel business in India has clearly taken a turn for the better as highlighted in our recent [Hotel business thematic note](#) by our mid cap team.
- Hotel business sales and EBIT are witnessing new highs after over a decade with the adverse impact of overcapacity fading away.

**Exhibit 16: Hotel business revenue is showing signs of resilience**

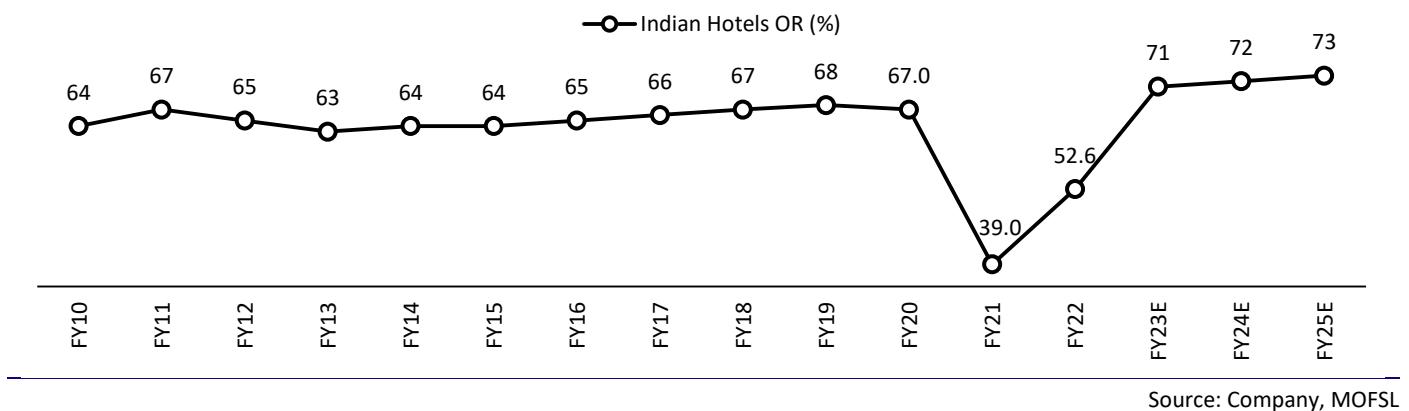


**Exhibit 17: EBIT margin to expand going ahead**



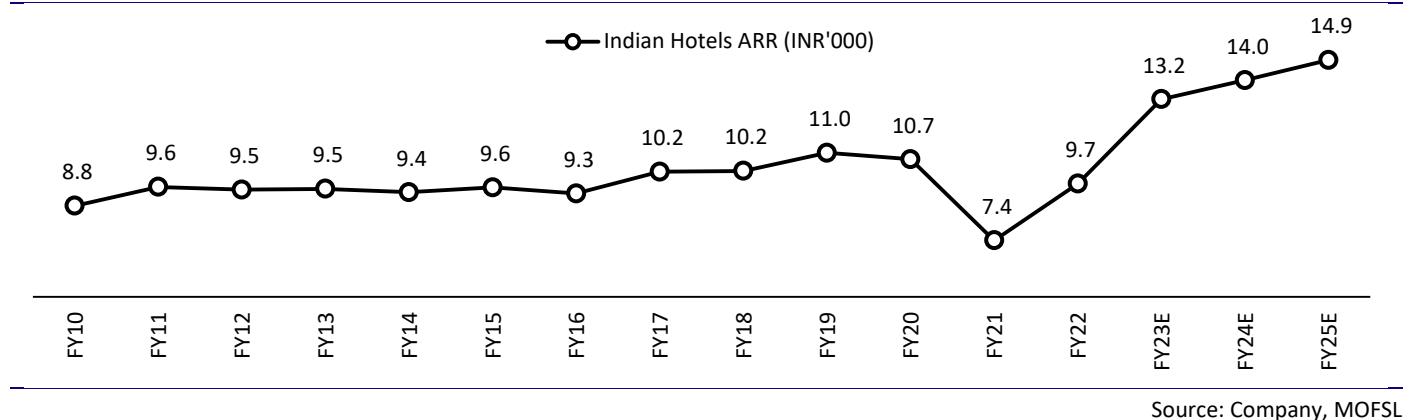
- ITC, equipped with the second largest number of rooms (both owned and managed) among leading hotel companies in India, is also witnessing buoyancy in the last few quarters.
- Within discretionary consumption, this segment has not experienced the impact of the slowdown and with various events such as the G20 summit, women's and men's IPL tournaments, and the Cricket World Cup in FY24, the industry outlook appears bright.
- While granular data on ITC's Hotel business is not available, it is evident from the key parameters of Indian Hotels, the largest hotel chain in the country, that after a decade of occupancy rate languishing in the mid-60s, we expect to cross 70% levels in FY23 and continue at similar levels going forward.

**Exhibit 18: Occupancy rates to gradually improve going ahead**



- The improvement in Average Room Rates (ARRs) for Indian Hotels has been even more remarkable and if our hotel business analyst's projections come through, then bountiful growth are likely for leading category players.

Exhibit 19: ARR is expected to be decadal high in FY23 and the momentum is expected to continue going ahead

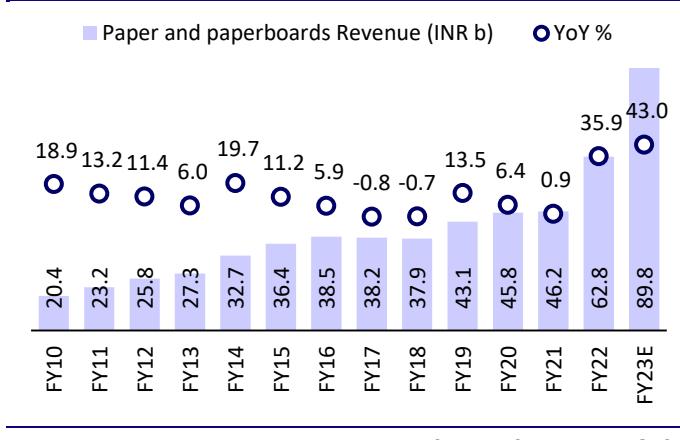


Source: Company, MOFSL

### Other businesses

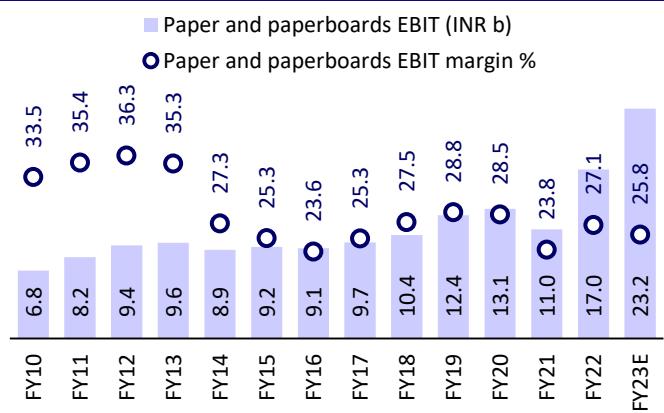
- Performance outlook continues to be positive in both the paper and paperboard business and the agri business.
- While extraordinarily high EBIT margins for paper and paperboard business are likely to slide down to more normalized levels from 4QFY23 onwards, demand outlook remains healthy.

Exhibit 20: Paper and paperboards sales remain healthy



Source: Company, MOFSL

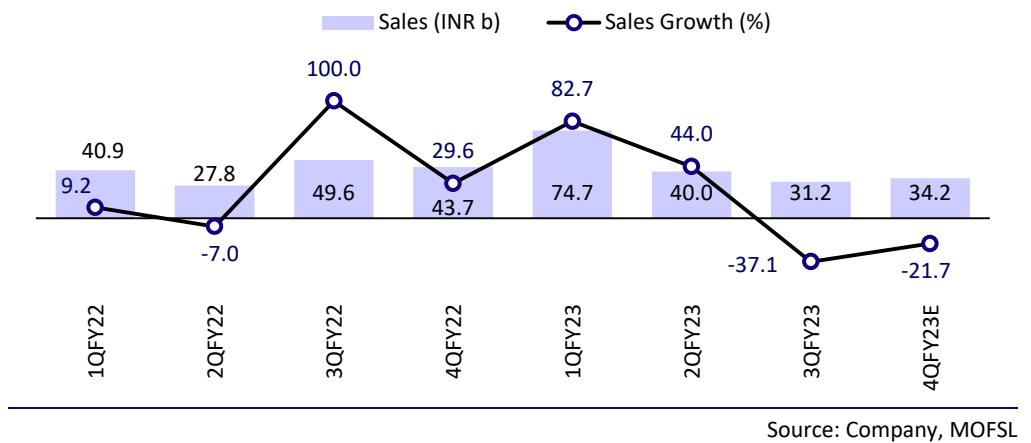
Exhibit 21: Normalized realizations to bring EBIT margin to normal levels



Source: Company, MOFSL

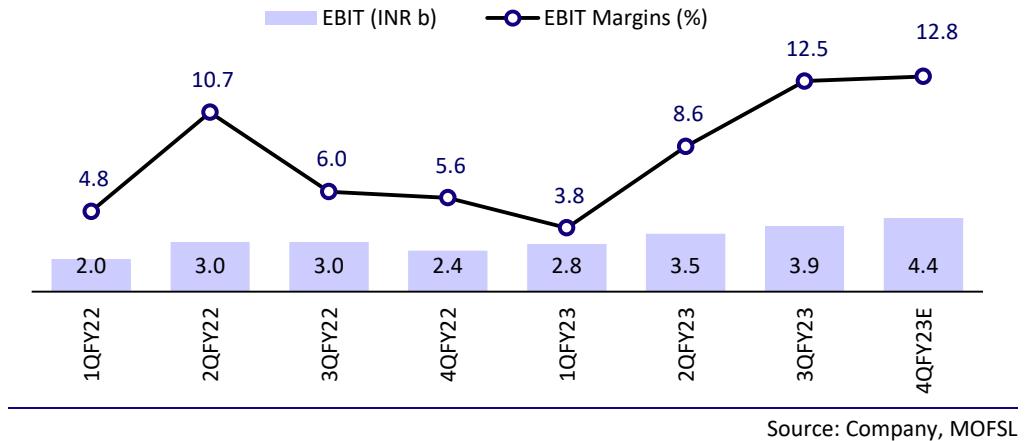
- On the other hand, while the absence of wheat and rice exports would lead to a decline in agri business sales as was witnessed in 3QFY23, it could also lead to improving agri business margins (wheat and rice exports are far lower margin businesses compared to leaf tobacco trade) and also overall EBITDA margins for ITC. An extraordinarily strong growth in agri business sales in 3QFY22, 4QFY22, and 1QFY23 led to a lower-than-usual overall EBITDA margin for the company.

Exhibit 22: Lower exports to lead to lower revenues...



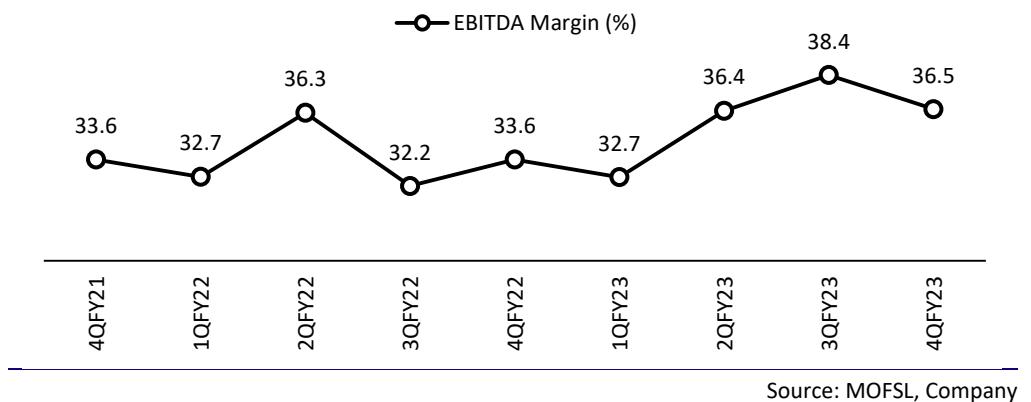
Source: Company, MOFSL

Exhibit 23: ...but improving margins...



Source: Company, MOFSL

Exhibit 24: ...which is leading to superior EBITDA margin for ITC



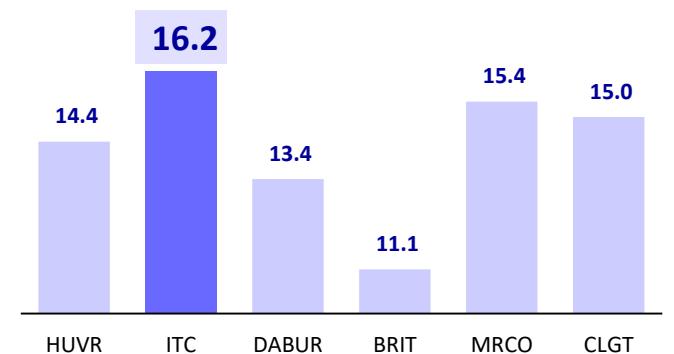
Source: MOFSL, Company

- All in all, we do not expect and paper and paperboard business or the Agri business to detract from the likely strong performance in the Cigarettes, Other FMCG, and Hotels business going forward.

### Earnings visibility and outlook better than peers

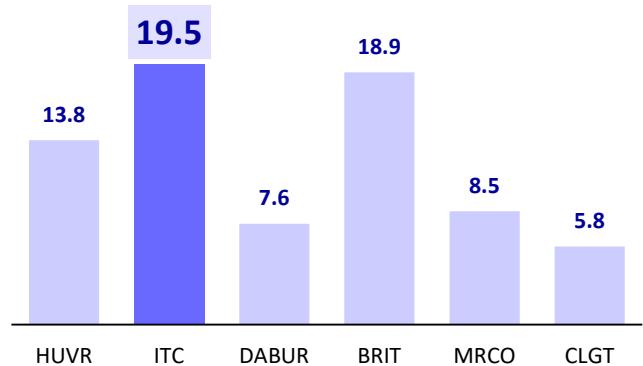
- ITC has demonstrated a healthy 23% EPS growth in FY23 and is likely to register an EPS CAGR of ~15% over the next two years as well.
- ITC's earnings outlook is better than other large cap staples players both on two-year CAGR ending FY23E as well as FY24 earnings growth expectations.

**Exhibit 25: ITC FY24 EPS growth is the highest compared to peers...**



Source: Company, MOFSL

**Exhibit 26: ...along with the highest 2-year EPS CAGR ending FY23E**



Source: Company, MOFSL

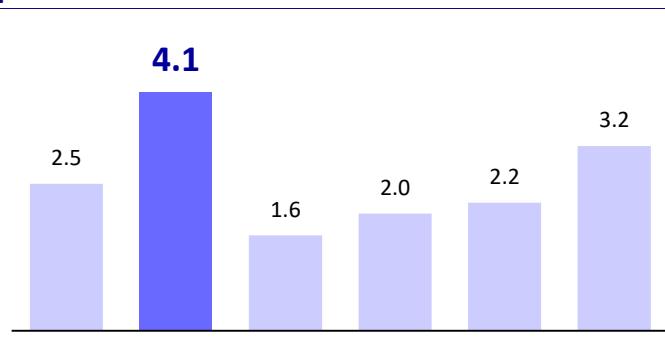
- With uncertainty looming over the industry, led by high inflation, unpredictable monsoon, continued weak rural sales, and delay in commodity costs decline, ITC's earnings performance in the last couple of years and in FY24 shines like a beacon.

**Exhibit 27: Valuation far cheaper than peers**

Company	P/E (x)		
	FY23E	FY24E	FY25E
Hind. Unilever	57.7	50.4	43.6
ITC	25.8	22.2	19.7
Dabur India	50.1	44.1	36.7
Britannia Inds.	53.6	48.2	42.2
Marico	50.9	44.1	39.0
Colgate-Palm.	39.7	34.5	31.4

Source: Company, MOFSL

**Exhibit 28: Attractive dividend yield (FY25, %) compared to peers**



Source: Company, MOFSL

## Financials and valuations

Income Statement								(INR b)
Y/E March	2018	2019	2020	2021	2022	2023E	2024E	2025E
<b>Net Sales</b>	<b>402.5</b>	<b>444.3</b>	<b>451.4</b>	<b>451.1</b>	<b>557.0</b>	<b>668.5</b>	<b>727.5</b>	<b>801.0</b>
Operational Income	3.7	5.6	4.8	3.7	6.4	6.8	7.1	7.5
<b>Total Revenue</b>	<b>406.3</b>	<b>450.0</b>	<b>456.2</b>	<b>454.9</b>	<b>563.4</b>	<b>675.3</b>	<b>734.6</b>	<b>808.4</b>
Change (%)	1.3	10.8	1.4	-0.3	23.9	19.9	8.8	10.0
<b>Gross Profit</b>	<b>240.1</b>	<b>268.3</b>	<b>275.5</b>	<b>248.4</b>	<b>292.9</b>	<b>375.5</b>	<b>431.5</b>	<b>481.0</b>
Margin (%)	59.1	59.6	60.4	54.6	52.0	55.6	58.7	59.5
Other operating expenditure	84.5	95.0	96.2	93.0	103.4	132.9	152.3	168.8
<b>EBITDA</b>	<b>155.6</b>	<b>173.3</b>	<b>179.3</b>	<b>155.3</b>	<b>189.5</b>	<b>242.5</b>	<b>279.2</b>	<b>312.2</b>
Change (%)	6.6	11.3	3.5	-13.4	22.0	28.0	15.1	11.8
Margin (%)	38.3	38.5	39.3	34.2	33.6	35.9	38.0	38.6
Depreciation	11.5	13.1	15.6	15.6	16.5	17.2	18.3	19.2
Int. and Fin. Charges	1.1	0.6	0.8	0.6	0.6	0.4	0.4	0.3
Other Inc. - Recurring	21.3	24.8	30.1	32.5	25.9	22.5	26.9	32.1
<b>Profit before Taxes</b>	<b>164.4</b>	<b>184.4</b>	<b>193.0</b>	<b>171.6</b>	<b>198.3</b>	<b>247.4</b>	<b>287.4</b>	<b>324.9</b>
Change (%)	6.0	12.2	4.6	-11.1	15.5	24.8	16.2	13.0
Margin (%)	40.5	41.0	42.3	37.7	35.2	36.6	39.1	40.2
Tax	56.0	58.5	44.4	40.4	48.3	62.3	72.3	81.8
Deferred Tax	0.3	1.3	-4.1	1.0	-0.6	0.0	0.0	0.0
Tax Rate (%)	34.2	32.4	20.9	24.1	24.1	25.2	25.2	25.2
<b>Profit after Taxes</b>	<b>108.1</b>	<b>124.6</b>	<b>152.7</b>	<b>130.3</b>	<b>150.6</b>	<b>185.1</b>	<b>215.1</b>	<b>243.1</b>
Change (%)	6.0	15.3	22.5	-14.6	15.5	23.0	16.2	13.0
Margin (%)	26.6	27.7	33.5	28.7	26.7	27.4	29.3	30.1
Non-rec. (Exp)/Income	4.1	0.0	-1.3	0.0	0.0	0.0	0.0	0.0
<b>Reported PAT</b>	<b>112.2</b>	<b>124.6</b>	<b>151.4</b>	<b>130.3</b>	<b>150.6</b>	<b>185.1</b>	<b>215.1</b>	<b>243.1</b>
Balance Sheet								(INR b)
Y/E March	2018	2019	2020	2021	2022	2023E	2024E	2025E
Share Capital	12.2	12.3	12.3	12.3	12.3	12.3	12.3	12.3
Reserves	501.8	567.2	628.0	577.7	601.7	624.2	671.2	723.8
<b>Net Worth</b>	<b>514.0</b>	<b>579.5</b>	<b>640.3</b>	<b>590.0</b>	<b>614.0</b>	<b>636.5</b>	<b>683.5</b>	<b>736.1</b>
Loans	0.1	0.0	3.3	3.3	3.1	0.0	0.0	0.0
Deferred Liability	19.2	20.4	16.2	17.3	16.7	16.7	16.7	16.7
<b>Capital Employed</b>	<b>533.2</b>	<b>600.0</b>	<b>659.8</b>	<b>610.6</b>	<b>633.8</b>	<b>653.2</b>	<b>700.2</b>	<b>752.8</b>
Gross Block	258.1	300.4	336.3	362.7	389.7	405.7	425.7	445.7
Less: Accum. Depn.	102.3	115.5	131.1	146.7	163.2	180.5	198.8	218.0
<b>Net Fixed Assets</b>	<b>155.7</b>	<b>185.0</b>	<b>205.2</b>	<b>216.0</b>	<b>226.4</b>	<b>225.2</b>	<b>226.9</b>	<b>227.7</b>
Capital WIP	50.2	33.9	27.8	33.3	24.7	24.7	24.7	24.7
Goodwill	0.0	0.0	0.0	5.8	5.8	5.8	5.8	0.0
<b>Investments</b>	<b>234.0</b>	<b>265.8</b>	<b>306.3</b>	<b>270.0</b>	<b>272.8</b>	<b>265.0</b>	<b>297.9</b>	<b>333.8</b>
<b>Curr. Assets, L&amp;A</b>	<b>183.9</b>	<b>213.3</b>	<b>213.1</b>	<b>190.8</b>	<b>221.2</b>	<b>275.5</b>	<b>296.9</b>	<b>332.4</b>
Inventory	72.4	75.9	80.4	94.7	100.0	121.6	124.9	136.4
Account Receivables	23.6	36.5	20.9	20.9	19.5	31.1	33.9	37.3
Cash and Bank Balance	25.9	37.7	68.4	40.0	38.8	52.3	65.8	84.5
Others	62.0	63.3	43.3	35.1	63.0	70.5	72.3	74.2
<b>Curr. Liab. and Prov.</b>	<b>90.6</b>	<b>98.0</b>	<b>92.6</b>	<b>105.2</b>	<b>117.1</b>	<b>143.0</b>	<b>151.9</b>	<b>165.8</b>
Account Payables	33.8	33.7	34.5	41.2	42.2	60.8	61.8	66.9
Other Liabilities	56.7	64.3	58.1	64.0	74.9	82.2	90.1	98.9
<b>Net Current Assets</b>	<b>93.4</b>	<b>115.3</b>	<b>120.5</b>	<b>85.6</b>	<b>104.1</b>	<b>132.6</b>	<b>145.0</b>	<b>166.6</b>
<b>Application of Funds</b>	<b>533.2</b>	<b>600.0</b>	<b>659.8</b>	<b>610.6</b>	<b>633.8</b>	<b>653.2</b>	<b>700.2</b>	<b>752.8</b>

E: MOFSL Estimates

## Financials and valuations

Ratios								
Y/E March	2018	2019	2020	2021	2022	2023E	2024E	2025E
<b>Basic (INR)</b>								
EPS	<b>8.9</b>	<b>10.2</b>	<b>12.4</b>	<b>10.6</b>	<b>12.2</b>	<b>15.0</b>	<b>17.5</b>	<b>19.7</b>
Cash EPS	9.8	11.2	13.7	11.9	13.6	16.4	18.9	21.3
BV/Share	42.1	47.3	52.1	47.9	49.8	51.7	55.5	59.7
DPS	6.2	6.9	10.2	10.8	11.5	13.5	14.0	15.8
Payout %	68	68	82	102	94	90	80	80
<b>Valuation (x)</b>								
P/E	43.8	38.1	31.2	36.6	31.7	25.8	22.2	19.7
Cash P/E	39.6	34.5	28.3	32.7	28.6	23.6	20.5	18.2
EV/Sales	11.2	10.0	9.7	9.9	8.0	6.6	6.0	5.4
EV/EBITDA	28.9	25.7	24.5	28.6	23.5	18.3	15.7	13.9
P/BV	9.2	8.2	7.4	8.1	7.8	7.5	7.0	6.5
Dividend Yield (%)	1.6	1.8	2.6	2.8	3.0	3.5	3.6	4.1
<b>Return Ratios (%)</b>								
RoE	22.3	22.8	25.0	21.2	25.0	29.6	32.6	34.2
RoCE	21.6	22.1	24.3	20.6	24.3	28.8	31.8	33.5
RoIC	42.4	44.6	49.8	40.4	46.5	55.4	62.6	70.5
<b>Working Capital Ratios</b>								
Debtor (Days)	21	25	23	17	13	14	16	16
Asset Turnover (x)	0.8	0.7	0.7	0.7	0.9	1.0	1.0	1.1
<b>Cash Flow Statement</b>								
(INR b)								
Y/E March	2018	2019	2020	2021	2022	2023E	2024E	2025E
OP/(loss) before Tax	168.5	184.4	191.7	171.6	198.3	247.4	287.4	324.9
Financial other income	7.2	8.1	13.1	17.0	13.9	22.5	26.9	32.1
Depreciation and Amort.	11.5	13.1	15.6	15.6	16.5	17.2	18.3	19.2
Interest Paid	-8.3	-12.1	-13.8	-11.8	-9.6	0.4	0.4	0.3
Direct Taxes Paid	57.2	54.9	46.5	39.6	45.1	62.3	72.3	81.8
Incr in WC	-19.2	5.0	-4.2	3.9	-1.8	15.0	-1.1	2.9
<b>CF from Operations</b>	<b>126.5</b>	<b>117.5</b>	<b>138.1</b>	<b>114.9</b>	<b>148.1</b>	<b>165.3</b>	<b>207.9</b>	<b>227.5</b>
Other items	-7.6	3.2	44.6	-30.8	12.4	-1.5	22.3	16.4
Incr Decr in FA	25.5	27.6	21.1	15.8	16.7	16.0	20.0	20.0
<b>Free Cash Flow</b>	<b>101.0</b>	<b>89.9</b>	<b>116.9</b>	<b>99.1</b>	<b>131.3</b>	<b>149.2</b>	<b>187.9</b>	<b>207.5</b>
Pur of Investments	34.8	15.3	51.9	-87.0	11.6	-7.9	32.9	35.9
<b>CF from Invest.</b>	<b>-67.8</b>	<b>-39.7</b>	<b>-28.4</b>	<b>40.4</b>	<b>-15.9</b>	<b>-9.7</b>	<b>-30.6</b>	<b>-39.6</b>
Issue of shares	9.1	9.7	6.3	2.9	2.9	3.0	3.0	3.0
Incr in Debt	-0.1	-0.1	-0.5	-0.5	-0.5	-3.1	0.0	0.0
Net Interest Paid	0.5	0.9	0.5	0.4	0.4	0.4	0.4	0.3
Dividend Paid	57.7	62.9	84.2	186.2	135.5	141.7	166.6	172.1
Others	-11.1	-11.9	0.0	0.4	0.2	0.2	0.2	0.2
<b>CF from Fin. Activity</b>	<b>-60.2</b>	<b>-66.0</b>	<b>-78.9</b>	<b>-183.8</b>	<b>-133.4</b>	<b>-142.1</b>	<b>-163.8</b>	<b>-169.2</b>
<b>Incr of Cash</b>	<b>-1.5</b>	<b>11.7</b>	<b>30.7</b>	<b>-28.4</b>	<b>-1.2</b>	<b>13.5</b>	<b>13.5</b>	<b>18.7</b>
Add: Opening Balance	27.5	25.9	37.7	68.4	40.0	38.8	52.3	65.8
<b>Closing Balance</b>	<b>25.9</b>	<b>37.7</b>	<b>68.4</b>	<b>40.0</b>	<b>38.8</b>	<b>52.3</b>	<b>65.8</b>	<b>84.5</b>

E: MOSL Estimates

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 be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

#### Disclosures

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations).

Motilal Oswal Financial Services Ltd. (MOFSL) is a SEBI Registered Research Analyst having registration no. INH000000412. MOFSL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock broking services, Depository participant services & distribution of various financial products. MOFSL is a listed public company, the details in respect of which are available on [www.motilaloswal.com](http://www.motilaloswal.com). MOFSL (erstwhile Motilal Oswal Securities Limited - MOSL) is registered with the Securities & Exchange Board of India (SEBI) and is a registered Trading Member with National Stock Exchange of India Ltd. (NSE) and Bombay Stock Exchange Limited (BSE), Multi Commodity Exchange of India Limited (MCX) and National Commodity & Derivatives Exchange Limited (NCDEX) for its stock broking activities & is Depository participant with Central Depository Services Limited (CDSL) National Securities Depository Limited (NSDL), NERL, COMRIS and CCR and is member of Association of Mutual Funds of India (AMFI) for distribution of financial products and Insurance Regulatory & Development Authority of India (IRDA) as Corporate Agent for insurance products. Details of associate entities of Motilal Oswal Financial Services Limited are available on the website at <http://onlinereports.motilaloswal.com/Dormant/documents/ListOf%20of%20Associate%20companies.pdf>. MOFSL and its associate company(ies), their directors and Research Analyst and their relatives may; (a) from time to time, have a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein; (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.

MOFSL and / or its affiliates do and seek to do business including investment banking with companies covered in its research reports. As a result, the recipients of this report should be aware that MOFSL may have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. Details of pending Enquiry Proceedings of Motilal Oswal Financial Services Limited are available on the website at <https://galaxy.motilaloswal.com/ResearchAnalyst/PublishViewLitigation.aspx>

A graph of daily closing prices of securities is available at [www.nseindia.com](http://www.nseindia.com), [www.bseindia.com](http://www.bseindia.com). Research Analyst views on Subject Company may vary based on Fundamental research and Technical Research. Proprietary trading desk of MOFSL or its associates maintains arm's length distance with Research Team as all the activities are segregated from MOFSL research activity and therefore it can have an independent view with regards to Subject Company for which Research Team have expressed their views.

#### Regional Disclosures (outside India)

This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL & its group companies to registration or licensing requirements within such jurisdictions.

#### For Hong Kong:

This report is distributed in Hong Kong by Motilal Oswal Capital Markets (Hong Kong) Private Limited, a licensed corporation (CE AYY-301) licensed and regulated by the Hong Kong Securities and Futures Commission (SFC) pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) "SFO". As per SEBI (Research Analyst Regulations) 2014 Motilal Oswal Securities (SEBI Reg. No. INH000000412) has an agreement with Motilal Oswal Capital Markets (Hong Kong) Private Limited for distribution of research report in Hong Kong. This report is intended for distribution only to "Professional Investors" as defined in Part I of Schedule 1 to SFO. Any investment or investment activity to which this document relates is only available to professional investor and will be engaged only with professional investors." Nothing here is an offer or solicitation of these securities, products and services in any jurisdiction where their offer or sale is not qualified or exempt from registration. The Indian Analyst(s) who compile this report is/are not located in Hong Kong & are not conducting Research Analysis in Hong Kong.

#### For U.S.

Motilal Oswal Financial Services Limited (MOFSL) is not a registered broker - dealer under the U.S. Securities Exchange Act of 1934, as amended (the "1934 Act") and under applicable state laws in the United States. In addition MOFSL is not a registered investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act" and together with the 1934 Act, the "Acts"), and under applicable state laws in the United States. Accordingly, in the absence of specific exemption under the Acts, any brokerage and investment services provided by MOFSL, including the products and services described herein are not available to or intended for U.S. persons. This report is intended for distribution only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the Exchange Act and interpretations thereof by SEC (henceforth referred to as "major institutional investors"). This document must not be acted on or relied on by persons who are not major institutional investors. Any investment or investment activity to which this document relates is only available to major institutional investors and will be engaged in only with major institutional investors. In reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") and interpretations thereof by the U.S. Securities and Exchange Commission ("SEC") in order to conduct business with Institutional Investors based in the U.S., MOFSL has entered into a chaperoning agreement with a U.S. registered broker-dealer, Motilal Oswal Securities International Private Limited. ("MOSIPL"). Any business interaction pursuant to this report will have to be executed within the provisions of this chaperoning agreement. The Research Analysts contributing to the report may not be registered /qualified as research analyst with FINRA. Such research analyst may not be associated persons of the U.S. registered broker-dealer, MOSIPL, and therefore, may not be subject to NASD rule 2711 and NYSE Rule 472 restrictions on communication with a subject company, public appearances and trading securities held by a research analyst account.

#### For Singapore

In Singapore, this report is being distributed by Motilal Oswal Capital Markets Singapore Pte Ltd ("MOCMSPL") (Co. Reg. NO. 201129401Z) which is a holder of a capital markets services license and an exempt financial adviser in Singapore. As per the approved agreement under Paragraph 9 of Third Schedule of Securities and Futures Act (CAP 289) and Paragraph 11 of First Schedule of Financial Advisors Act (CAP 110) provided to MOCMSPL by Monetary Authority of Singapore. Persons in Singapore should contact MOCMSPL in respect of any matter arising from, or in connection with this report/publication/communication. This report is distributed solely to persons who qualify as "Institutional Investors", of which some of whom may consist of "accredited" institutional investors as defined in section 4A(1) of the Securities and Futures Act, Chapter 289 of Singapore ("the SFA"). Accordingly, if a Singapore person is not or ceases to be such an institutional investor, such Singapore Person must immediately discontinue any use of this Report and inform MOCMSPL.

#### Specific Disclosures

- 1 MOFSL, Research Analyst and/or his relatives does not have financial interest in the subject company, as they do not have equity holdings in the subject company.
- 2 MOFSL, Research Analyst and/or his relatives do not have actual/beneficial ownership of 1% or more securities in the subject company
- 3 MOFSL, Research Analyst and/or his relatives have not received compensation/other benefits from the subject company in the past 12 months
- 4 MOFSL, Research Analyst and/or his relatives do not have material conflict of interest in the subject company at the time of publication of research report
- 5 Research Analyst has not served as director/officer/employee in the subject company
- 6 MOFSL has not acted as a manager or co-manager of public offering of securities of the subject company in past 12 months
- 7 MOFSL has not received compensation for investment banking/ merchant banking/brokerage services from the subject company in the past 12 months
- 8 MOFSL has not received compensation for other than investment banking/merchant banking/brokerage services from the subject company in the past 12 months
- 9 MOFSL has not received any compensation or other benefits from third party in connection with the research report
- 10 MOFSL has not engaged in market making activity for the subject company

The associates of MOFSL may have:

- financial interest in the subject company
- actual/beneficial ownership of 1% or more securities in the subject company at the end of the month immediately preceding the date of publication of the Research Report or date of the public appearance.
- received compensation/other benefits from the subject company in the past 12 months
- any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.
- acted as a manager or co-manager of public offering of securities of the subject company in past 12 months
- be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies)
- received compensation from the subject company in the past 12 months for investment banking / merchant banking / brokerage services or from other than said services.
- Served subject company as its clients during twelve months preceding the date of distribution of the research report.

The associates of MOFSL has not received any compensation or other benefits from third party in connection with the research report

Above disclosures include beneficial holdings lying in demat account of MOFSL which are opened for proprietary investments only. While calculating beneficial holdings, It does not consider demat accounts which are opened in name of MOFSL for other purposes (i.e holding client securities, collaterals, error trades etc.). MOFSL also earns DP income from clients which are not considered in above disclosures.

#### Analyst Certification

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report.

#### Terms & Conditions:

This report has been prepared by MOFSL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of MOFSL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. MOFSL will not treat recipients as customers by virtue of their receiving this report.

#### Disclaimer:

The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent. This report and information herein is solely for informational purpose and may not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. Certain transactions -including those involving futures, options, another derivative products as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. No representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document. The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. This information is subject to change without any prior notice. The Company reserves the right to make modifications and alterations to this statement as may be required from time to time without any prior approval. MOFSL, its associates, their directors and the employees may from time to time, effect or have effected an own account transaction in, or deal as principal or agent in or for the securities mentioned in this document. They may perform or seek to perform investment banking or other services for, or solicit investment banking or other business from, any company referred to in this report. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting the document. This report has been prepared on the basis of information that is already available in publicly accessible media or developed through analysis of MOFSL. The views expressed are those of the analyst, and the Company may or may not subscribe to all the views expressed therein. This document is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction. Neither the Firm, not its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The person accessing this information specifically agrees to exempt MOFSL or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold MOFSL or any of its affiliates or employees responsible for any such misuse and further agrees to hold MOFSL or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

Registered Office Address: Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai-400025; Tel No.: 022-3980 4263; [www.motilaloswal.com](http://www.motilaloswal.com). Correspondence Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad (West), Mumbai- 400 064. Tel No: 022 71881000. Details of Compliance Officer: Neeraj Agarwal, Email Id: [na@motilaloswal.com](mailto:na@motilaloswal.com), Contact No.:022-40548085.

Registration details of group entities.: Motilal Oswal Financial Services Ltd. (MOFSL): INZ000158836 (BSE/NSE/MCX/NCDEX); CDSL: IN-DP-16-2015; NSDL: IN-DP-NSDL-152-2000; Research Analyst: INH000000412 . AMFI: ARN : 146822. IRDA Corporate Agent – CA0579. Motilal Oswal Financial Services Ltd. is a distributor of Mutual Funds, PMS, Fixed Deposit, Insurance, Bond, NCDs and IPO products. Customer having any query/feedback/ clarification may write to [query@motilaloswal.com](mailto:query@motilaloswal.com). In case of grievances for any of the services rendered by Motilal Oswal Financial Services Limited (MOFSL) write to [grievances@motilaloswal.com](mailto:grievances@motilaloswal.com), for DP to [dgrievances@motilaloswal.com](mailto:dgrievances@motilaloswal.com).