

Britannia Industries

16 June 2020

Reuters: BRIT.BO; Bloomberg: BRIT IN

Stage set for another good year

After delivering a strong earnings performance in FY20 despite challenging market conditions, FY21 is looking like another solid year for Britannia Industries (BRIT). We thus pored over BRIT's annual report for the financial year 2020 to get some further business insights. Below are the key excerpts from the same along with some key takeaways from a recent interview by Mr. Varun Berry (Managing Director, BRIT):-

Business Update: In FY20, despite challenging market environment, BRIT was able to increase its market share and improve profitability through innovations, cost efficiency programs and expansion in distribution. BRIT has started FY21 on a very strong note with first two months seeing 24% revenue growth. Mr. Berry did mention in a recent interview that they haven't seen such sales momentum in a while but don't think demand seen in April and May will sustain post lockdown. While prediction of volume growth outlook is very difficult, BRIT anticipates a 300bps improvement from pre-Covid levels in domestic volume.

Expansion of manufacturing footprint: For the past two months of FY21, BRIT was focusing on 20% of the products which give 80% volume but in this month itself it has moved away from the 80:20 strategy and has started manufacturing variety of brands/sku's. It has acquired extra capacities to produce varieties and is likely to reach the normal portfolio by the end of June 2020. Mr Berry recently also mentioned that the company will put some additional capacities in place after seeing huge demand in recent months. Tamil Nadu, Uttar Pradesh (UP) and Bihar are likely to see fresh investments of around Rs1.5bn each. During the last fiscal, BRIT commenced operations at its greenfield unit in Nepal and also scaled up lines at the Integrated Food Park, Ranjangaon, Maharashtra – commissioned 3 biscuit lines and 1 snack line at the unit. As of now, 5 biscuit lines, 2 cake lines, 1 croissant line and 1 snack line are now operational at the integrated food park.

Strategy on Biscuits: Company believes low per capita consumption (2 kgs versus 10 kgs in certain developed countries) and high level of penetration (reaching over 90% of the households) in India provide a good base to increase consumption through appropriate business strategies: - i) Localized strategies to win in "Many Indias" especially in large brands like *Good Day*, *Milk Bikis* and *Mariegold*; ii) Continuous differentiation through renovation and re-launches; iii) Increase depth and quality of distribution along with focused strategies to win in organized retail channels; iv) Consistently drive upgrades through right products, packs & communication; v) Launch of new-to-market concepts and innovations.

Innovations/Launches/Re-launches: FY20 saw 7 new product innovations by BRIT with new categories now contributing 2% of revenues. The year also saw relaunch of its biggest brand *Good Day* with new packaging along with re-launches of *NutriChoice Cream Crackers* and *NutriChoice Thin Arrowroot* (with improved product mix, visual product differentiation and differentiated packaging). The R&D cost for the fiscal stood at Rs335.7mn (Rs315.8mn as recurring). The R&D team has been working towards building technology capabilities to provide more nutrients in BRIT's product portfolio and has now also built capability to use alternate cereals, whole grains, super seeds and protein isolates in the product portfolio.

Technology Absorption: During FY20, BRIT invested in areas of automation & technology upgradation for the launch of new products in existing categories and to enter into adjacent categories. The initiatives resulted in improvement in labour productivity, accuracy of weightment, saving in fuel and wastage reduction. BRIT also saved ~Rs54mn in FY20 through use of renewable energy and Biomass.

Inter-Corporate Deposit (ICD): ICD's to group companies stood at Rs6bn (Rs3.5bn towards Bombay Dyeing and Rs2.5bn towards Go Airlines India Ltd.) at the end of FY20 compared to Rs6.85bn in FY19.

Our view and valuation: In the medium term, BRIT should continue to deliver strong earnings growth, led by growth in packaged foods, premiumization, moderate competition, distribution expansion (especially in Central India), increasing rural mix and sharp focus on cost optimization. While we remain positive on the opportunity, valuation limits upside on a one-year basis. The stock trades at ~50x/43x FY21/FY22E EPS. We thus have an Accumulate rating on BRIT with a target price (TP) of Rs3,765, valuing it at 48x FY22 EPS (superior performance and structural opportunity make a strong case for best-of-breed multiples), implying an upside of 12% from CMP.

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Accumulate

Sector: FMCG

CMP: Rs3,364

Target Price: Rs3,765

Upside: 12%

Vishal Punmiya

Research Analyst

vishal.punmiya@nirmalbang.com

+91-22-6273 8064

Key Data

Current Shares O/S (mn)	240.5
Mkt Cap (Rsbn/US\$bn)	803.9/10.5
52 Wk H / L (Rs)	3,708/2,100
Daily Vol. (3M NSE Avg.)	1,035,860

Price Performance (%)

	1 M	6 M	1 Yr
Britannia Industries	7.0	9.6	12.8
Nifty Index	8.7	(17.6)	(16.0)

Source: Bloomberg

Exhibit 1: Financial summary

Y/E March (Rsmn)	FY18	FY19	FY20	FY21E	FY22E
Net sales	99,140	1,10,547	1,15,996	1,28,650	1,42,583
YoY growth (%)	9.7	11.6	4.3	10.0	10.1
EBITDA	15,017	17,334	18,432	21,338	24,506
EBITDA margin (%)	15.1	15.7	15.9	16.6	17.2
Reported PAT	10,041	11,564	13,932	16,207	18,864
EPS	41.8	48.1	58.6	67.4	78.4
YoY change (%)	13.5	15.1	21.8	14.9	16.4
RoCE (%)	27.9	25.5	24.1	22.7	23.6
RoE (%)	32.9	30.2	32.6	33.2	32.1
P/E (x)	80.4	69.9	57.4	49.9	42.9
P/B (x)	23.7	19.0	18.4	15.1	12.7
EV/EBITDA (x)	53.1	45.8	43.1	36.8	31.6

Source: Company, Nirmal Bang Institutional Equities Research

Other key excerpts from the annual report (FY20) are as under: -
Category insights

- Bakery
 - 1) Biscuits
 - Company believes low per capita consumption (2 kgs versus 10 kgs in certain developed countries) and high level of penetration (reaching over 90% of the households) in India provide a good base to increase consumption through appropriate business strategies.
 - Business Strategy
 - i. Localized strategies to win in “Many Indias” especially in large brands like Good Day, Milk Bikis and Mariegold.
 - ii. Continuous differentiation through renovation and re-launches.
 - iii. Increase depth and quality of distribution along with focused strategies to win in the fast-growing organized retail channels.
 - iv. Consistently drive upgrades through right products, packs and communication.
 - v. Launch of new-to-market concepts and innovations.
 - 2) Cakes
 - The category has witnessed some breakthrough developments in formats, pricing and variants in the last few years. The category growths have slowed down due to sluggish economic conditions and there has been a significant increase in the competitive activity.
 - Immediate strategic priorities are to revitalize the base cake segment through interventions in key geographies and provide superior products in new-to-market formats, at affordable price points.
 - 3) Rusk
 - The category presents a reasonable level of unorganized play.
 - Business strategy is to continue to invest in technology and recipes to offer different varieties with superior taste and quality to consumers at affordable price points.
 - 4) Bread
 - Bread is considered as a staple food but consumer preference for healthy & premium products is providing opportunity in this category.
 - Business strategy is to focus on leading the health portfolio in the market, while working on developing differentiated products.

- Dairy
 - In the past few years, the processed milk products market has witnessed sustained growth due to increasing urbanization, rising disposable income and proliferation of retail outlets beyond Tier 1 cities. While packaged liquid milk will remain a key driver of the industry growth, value added dairy products are also expected to witness healthy growth.
 - Business Strategy - Strengthening core categories (Cheese and Yoghurt), while innovating in other categories such as Drinks. BRIT intends to make significant investments in the back-end capabilities of the dairy business. BRIT's milk procurement in Maharashtra has been scaled up to 25,000 Litres/day from 1,000 farmers in and around Ranjangaon.
- Adjacent business
 - 1) Cream Wafers - A Rs7bn category growing at a healthy pace.
 - 2) Center Filled Croissants – A new category in India but a large category in many developing countries.
 - 3) Salted Snacks - The category is very large and highly competitive with more than 2000 players operating in it. Migration from unorganized or local to branded products will drive growth for national players like Britannia.
- International Business
 - International Business is largely in the Middle East, America, Africa, ASIAPAC and SAARC. The environment in these geographies is competitive with many local and international players. International business is also fraught with other challenges such as geo-political conflicts, import duty barriers, exchange rate dynamics etc.

Innovations/Launches/Re-launches

- FY20 saw 7 new product innovations. New categories contributed 2% of the revenues.
 - Britannia Treat Tiramisu/ Red Velvet - “in and out”
 - Little Hearts Strawberry - test marketing in Maharashtra
 - Britannia Winkin Cow Classic/Mango Lassi
 - Britannia Daily Bread Pizza Bread
 - Britannia Daily Bread Atta Pizza Bread
 - Britannia Daily Bread Cheese Garlic Bread
 - Britannia Cake Roll Yo Strawberry/Choco Swiss Roll
- The year also saw relaunch of Good Day with new packaging. BRIT also re-launched NutriChoice Cream Crackers and NutriChoice Thin Arrowroot with improved product mix, visual product differentiation and differentiated packaging.
- Research and Development (R&D) - The R&D cost for FY20 stood at Rs335.7mn (Rs315.8mn as recurring). The R&D team has been working towards building technology capabilities to provide more nutrients in BRIT's product portfolio. It has now built capability to use alternate cereals, whole grains, super seeds and protein isolates in the product portfolio.

Technology Absorption

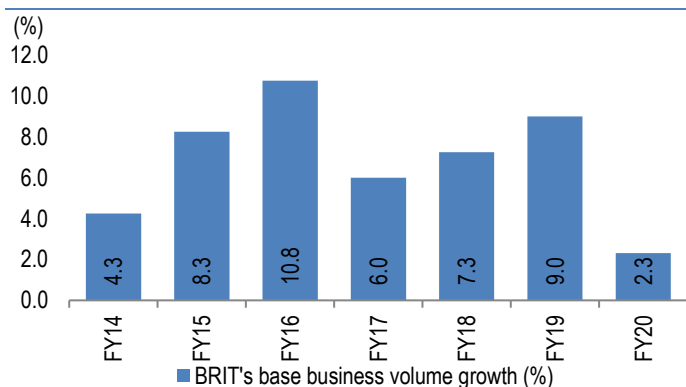
- a) Efforts in brief made towards absorption, adaptation and innovation:
 - During FY20, BRIT invested in areas of automation & technology upgradation for the launch of new products in existing categories and to enter into adjacent categories. Company had undertaken the following projects during FY20:
 1. Auto-feeding of biscuits to packaging machine in multiple lines at its plants in Guwahati & Hajipur and two of its subsidiaries.
 2. Installation of the minor ingredient weighing & batching system on hard dough & short dough in Guwahati factory.
 3. Implementation of improved version of thermic fluid oven at Ranjangaon plant which enabled six oven operations with three thermic fluid heating systems.

- b) Benefits derived as a result of the above: The initiatives mentioned above resulted in improvement in labour productivity, accuracy of weighment, saving in fuel and wastage reduction.
- c) Details of imported technology: BRIT imported technology for building capability to produce premium cream sandwiches enrobed with chocolate and cracker products filled with chocolate at Ranjangaon factory, Maharashtra.

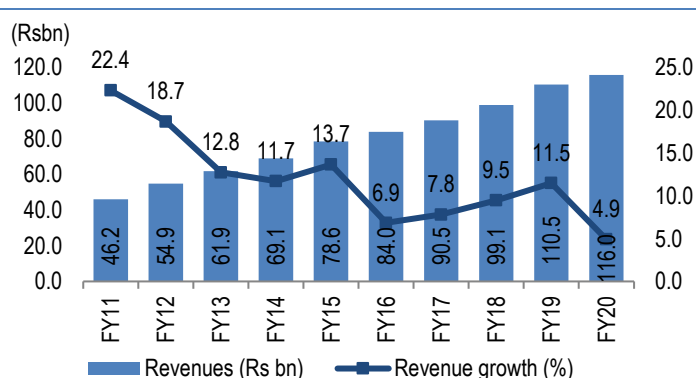
Other key highlights

- There were 4,535 permanent employees on the rolls of Company as on 31 March 2020. Total number of employees hired on temporary / contractual/casual basis stood at 8,440.
- The median remuneration of employees during FY20 was Rs0.34mn, 19.79% higher compared to FY19.
- Average percentage increase made in the salaries of Employees and the Managerial Personnel in FY20 on comparable basis was 8.2% over previous year.
- The Board of Directors at its meeting held on 23 April 2020 declared Interim Dividend @ 3500% i.e., Rs35 per Equity Share of Rs1 each for FY20. The total dividend payout for FY20 stands at Rs8.4bn.

Exhibit 2: Base business volume growth for FY20 stood at ~2.3% **Exhibit 3: Consolidated revenue for the year grew by 4.9%**



Source: Company, Nirmal Bang Institutional Equities Research



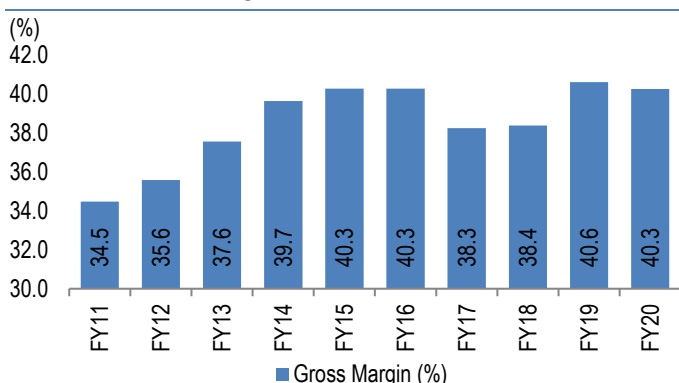
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 4: Trade discounts, promotions & channel margins as a % of sales

Reconciliation of net sale of goods (Rsmn)	FY18	FY19	FY20
Gross Sales Value	96,734	1,15,763	1,20,833
Add: Customer loyalty programme	59	14	-9
Less: Stock returns	801	1,044	1,310
Less: Trade discounts, promotions & channel margins	3,171	4,998	5,073
<i>Trade discounts, promotions & channel margins as a % of sales</i>	<i>3.3</i>	<i>4.3</i>	<i>4.2</i>
Sale of goods / Income from operations	92,820	1,09,735	1,14,440

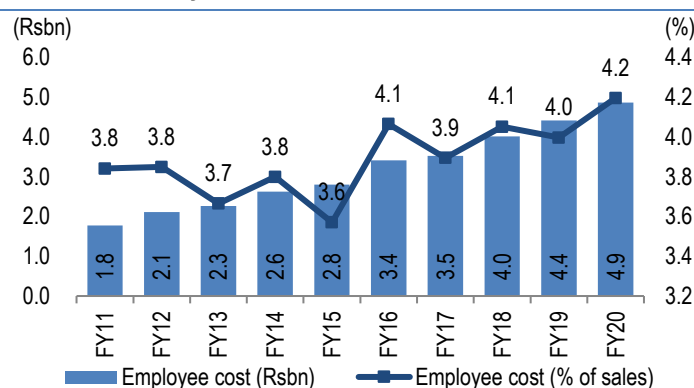
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 5: Gross margins down ~40bps to 40.3% in FY20

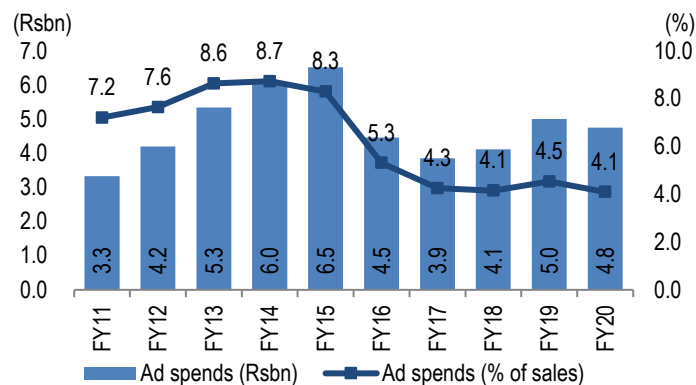


Source: Company, Nirmal Bang Institutional Equities Research

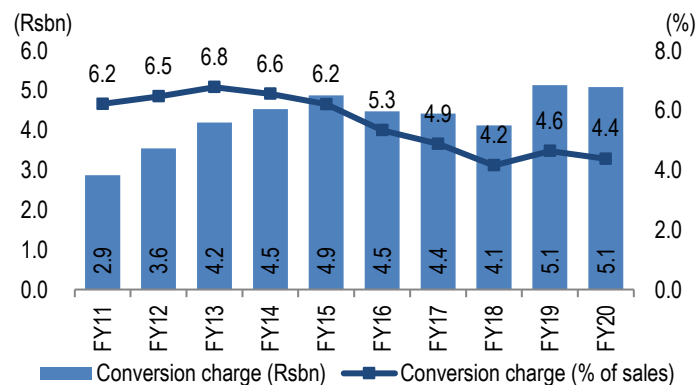
Exhibit 6: Employee cost as a % of sales up 20bps



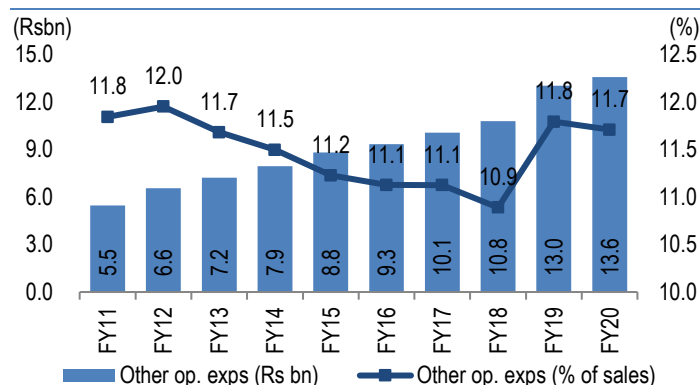
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 7: Ad spends as a % of sales down 40bps


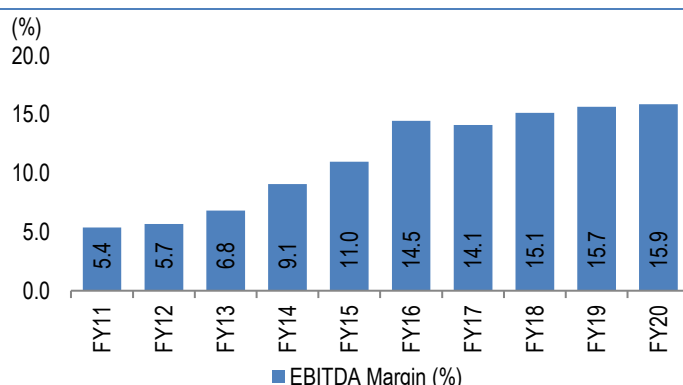
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 8: Conversion charge as a % of sales down 30bps


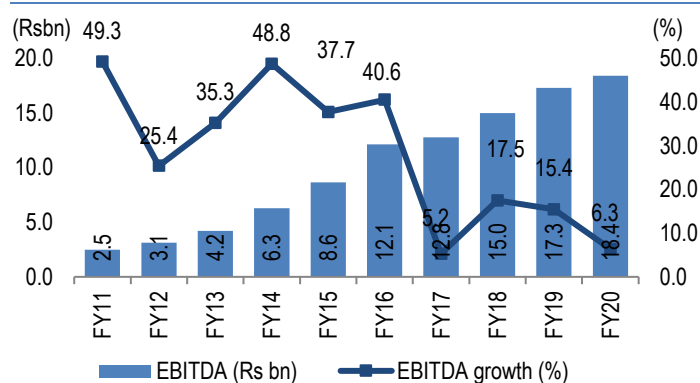
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 9: Other operating expense (ex. employees cost, as spends and conversion charges) and as a % of sales down 10bps


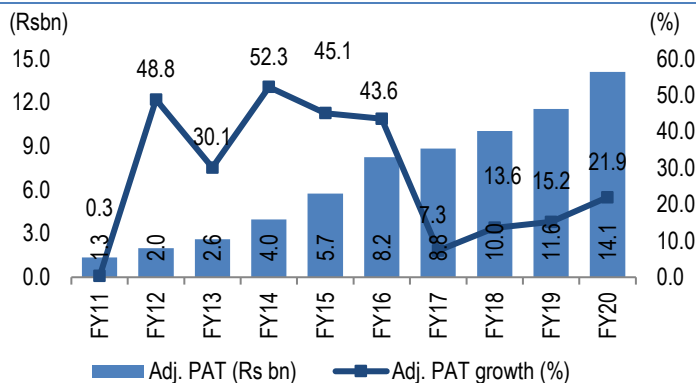
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 10: EBITDA margin was thus up 20bps to 15.9%


Source: Company, Nirmal Bang Institutional Equities Research

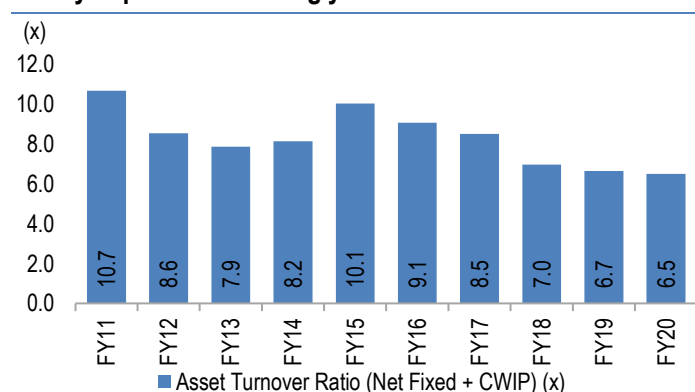
Exhibit 11: EBITDA grew by 6.3% in FY20


Source: Company, Nirmal Bang Institutional Equities Research

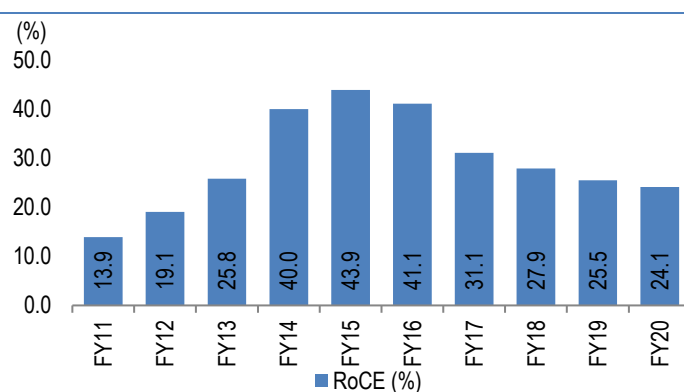
Exhibit 12: Adj. PAT grew by 21.9% to Rs14.1bn


Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 13: Fixed asset turns to improve as utilization of new facility improves in coming years **Exhibit 14: RoCE (%)**



Source: Company, Nirmal Bang Institutional Equities Research



Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 15: Cash conversion cycle

a) Cash conversion cycle (avg basis)	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
Inventory days	26	26	24	21	19	18	22	24	24	24
Debtor days	6	6	7	6	6	7	7	9	12	11
Creditor days	17	22	23	25	29	32	31	32	35	36
Cash conversion cycle	15	11	8	2	-4	-7	-2	1	0	0

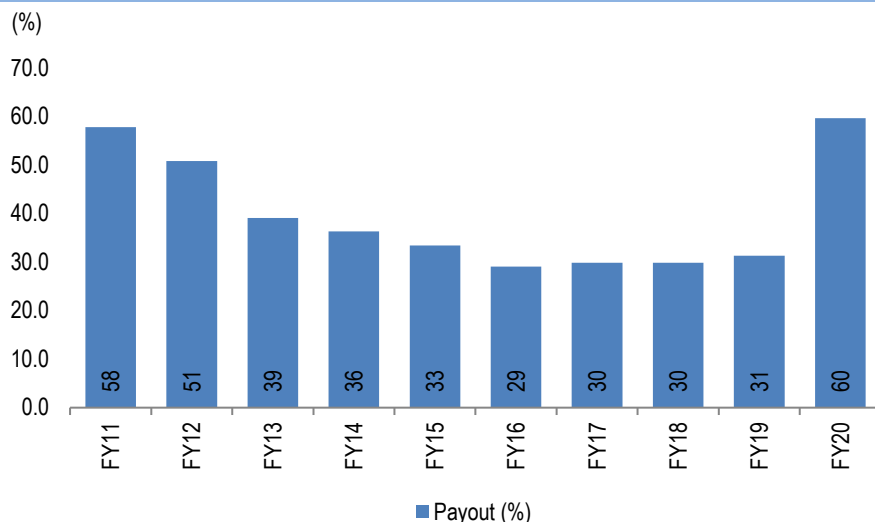
b) Cash conversion cycle (year-end basis)	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
Inventory days	27	29	22	22	19	19	27	24	26	23
Debtor days	6	8	7	6	6	7	7	11	13	10
Creditor days	21	26	23	29	33	33	31	37	38	35
Cash conversion cycle	13	10	6	-1	-8	-7	3	-1	1	-2

Source: Company, Nirmal Bang Institutional Equities Research; **Note: in 15a and 15b, Days calculated on Sales**

c) Cash conversion cycle (avg basis)	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
Inventory days	39	40	38	35	32	31	36	39	40	40
Debtor days	6	6	7	6	6	7	7	9	12	11
Creditor days	26	34	37	42	49	54	50	52	59	59
Cash conversion cycle	19	13	8	-1	-11	-16	-7	-4	-8	-8

d) Cash conversion cycle (year-end basis)	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
Inventory days	42	45	35	37	31	32	43	39	43	39
Debtor days	6	8	7	6	6	7	7	11	13	10
Creditor days	32	40	37	49	55	56	49	59	63	59
Cash conversion cycle	16	12	5	-6	-17	-16	1	-9	-7	-10

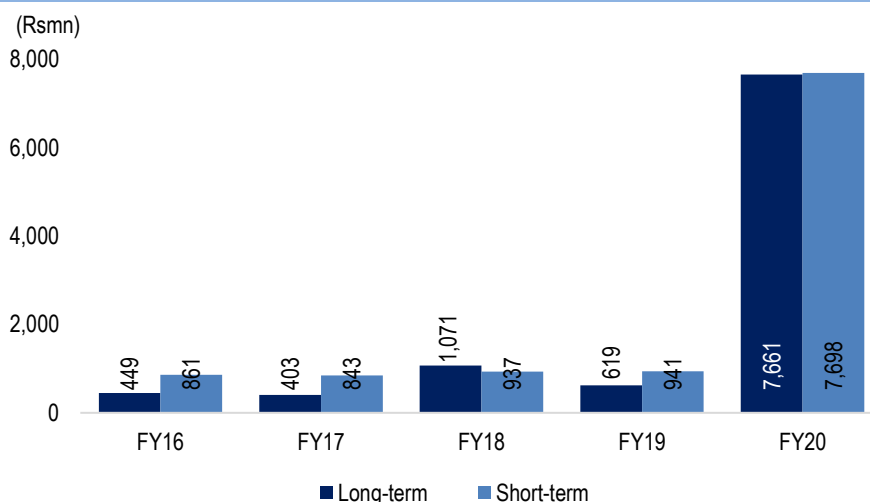
Source: Company, Nirmal Bang Institutional Equities Research; **Note: in 15c and 15d, Debtor days calculated on Sales and Inventory/Creditor days calculated on COGS**

Exhibit 16: Dividend payout ratio


Source: Company, Nirmal Bang Institutional Equities Research

During FY20, gross debt for the company increased to Rs15.4bn from prior gross debt levels hovering around Rs1.2-2bn. The breakup of the same is as follows: -

- Long term loans increased from Rs619mn in FY19 to Rs7,661mn in FY20. The primary reason for the same is issue of 8% secured non-convertible redeemable fully paid-up debentures as Bonus Debentures of Rs30 each amounting to Rs7,210mn by the company, in the ratio of 1:1. The term of bonus debentures is 3 years from the date of allotment.
- Short term loans increased from Rs941mn in FY19 to Rs7,698mn in FY20. This is on account of (i) commercial paper borrowings amounting to Rs4,785mn largely for working capital requirements (especially for buying commodities) and (ii) liability towards a financial institution relating to bill discounting transactions under reverse factoring arrangement of Rs1,807mn.

Exhibit 17: Gross debt stood at Rs15.4bn


Source: Company, Nirmal Bang Institutional Equities Research

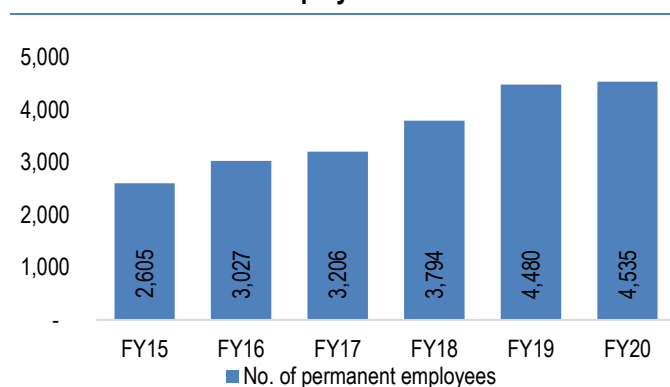
Exhibit 18: Remuneration of Key Managerial Personnel

Name	Designation	Remuneration (Rsmn)					% change
		FY16	FY17	FY18	FY19	FY20	
Varun Berry	Managing Director	67	74	86	91	98	7.5
Gross salary		38	41	45	52	58	9.8
Performance-linked		28	30	39	39	40	4.4
Others		2	2	2	0	0	NA
N Venkataraman *	Chief Financial Officer	NA	5	18	19	26	32.8
T.V. Thulsidass #	Company Secretary	NA	NA	NA	3	6	123.1
Amlan Datta Majumdar *	Chief Financial Officer	20	9	NA	NA	NA	NA
Rajesh Arora #	Company Secretary	5	5	1	NA	NA	NA
Jairaj Bham #	Company Secretary	NA	NA	NA	4	NA	NA
Total remuneration to KMP (excluding Independent directors)		92	93	106	117	129	10.2
As a % of adjusted PAT		1.1	1.1	1.1	1.0	0.9	

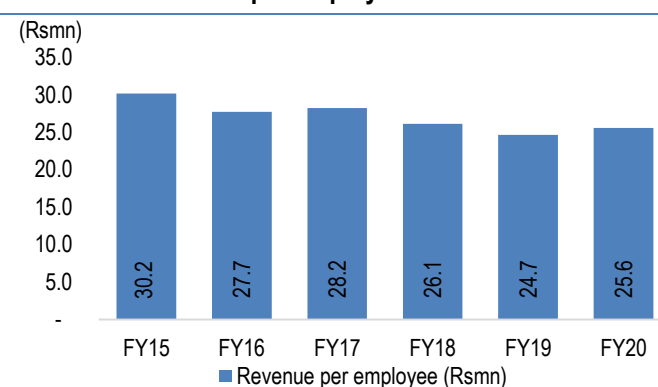
* Mr. N.Venkataraman appointed as CFO on 1st Dec 2016; Mr. Amlan Datta Majumdar relinquished office on 30th Nov 2016.

Mr. T.V. Thulsidass was appointed as CS w.e.f. 15th Oct 2018; Mr. Jairaj Bham was the CS from 15th May 2018 to 12th Oct 2018; Mr. Rajesh Arora was CS upto 30th Jun 2017.

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 19: Number of employees


Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 20: Turnover per employee


Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 21: R&D expenditure as a % of sales

Expenditure on R&D (Rsmn)	FY16	FY17	FY18	FY19	FY20
Capital	219	217	19	8	20
Recurring	220	261	267	338	316
Total	438	478	285	346	336
Total R&D expenditure as a % of sales	0.5	0.6	0.3	0.3	0.3

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 22: Forex net outgo for the year stood at Rs122mn

Foreign exchange transactions (Rsmn)	FY16	FY17	FY18	FY19	FY20
Earnings	1,737	1,846	2,021	3,191	2,810
Outgo	1,285	1,547	1,653	1,948	2,933
Net earnings	453	299	367	1,243	-122

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 23: ICD exposure breakup

ICDs (Rsmn)	FY19	FY20
To group companies	6,850	6,000
Bombay Dyeing & Manufacturing Co. Ltd.	3,500	3,500
Go Airlines (India) Limited	3,350	2,500
To others	5,142	6,884
Total inter corporate deposits	11,992	12,884

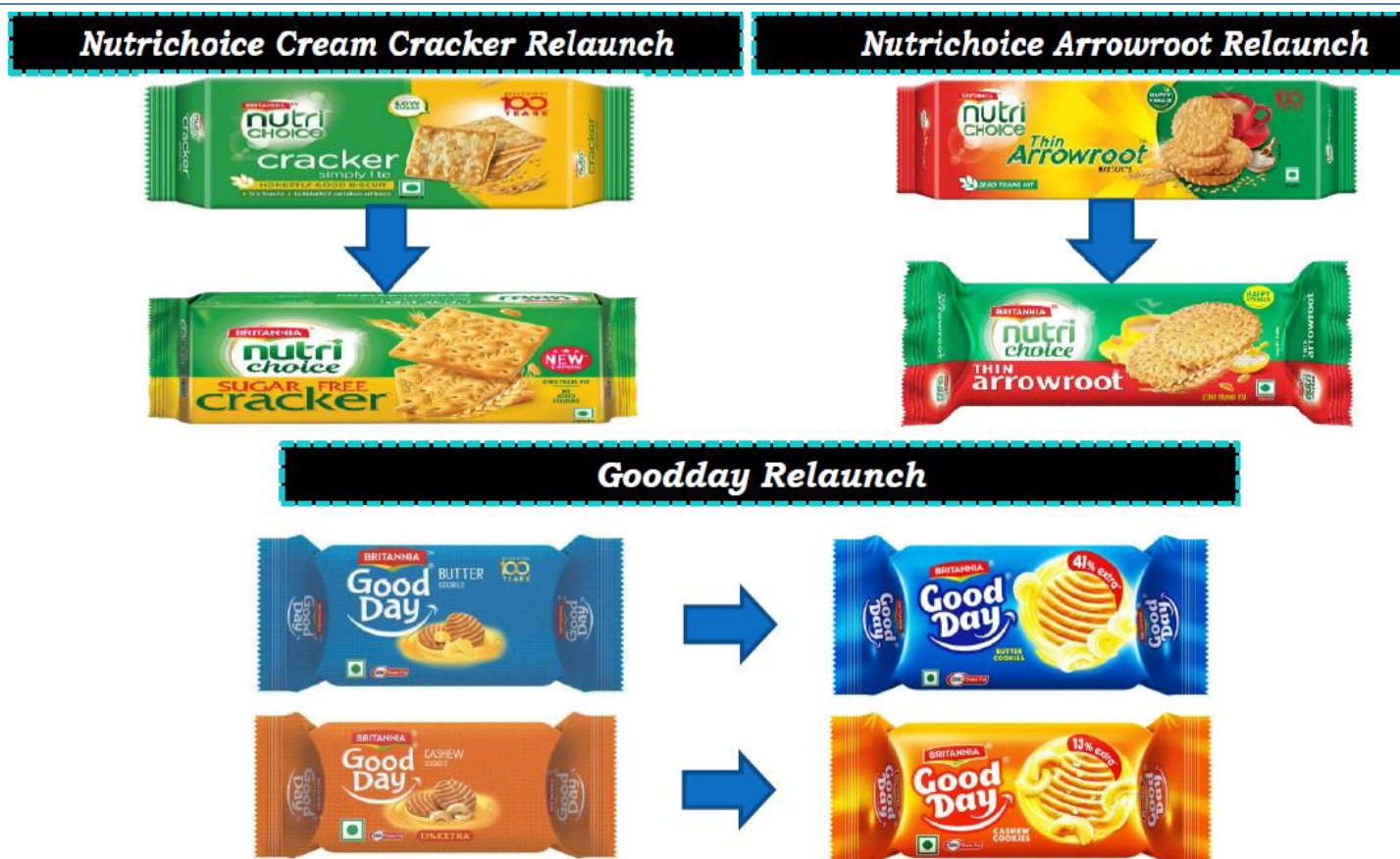
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 24: Innovations/New launches



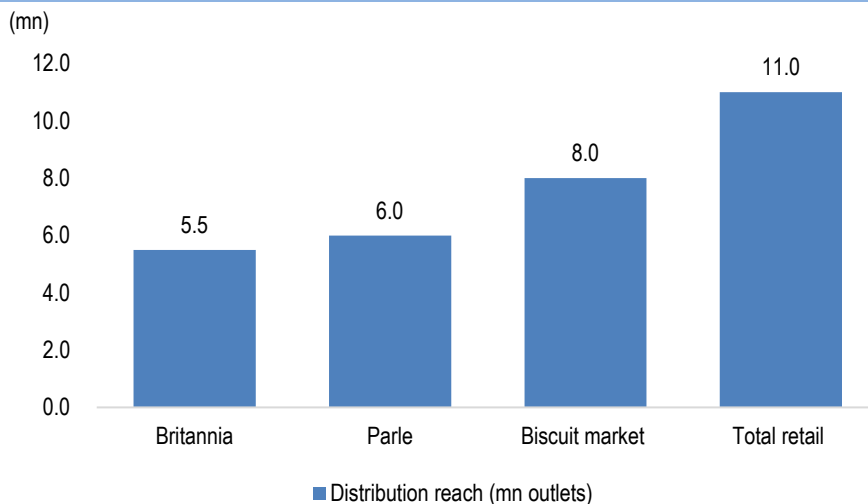
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 25: Relaunches during FY20



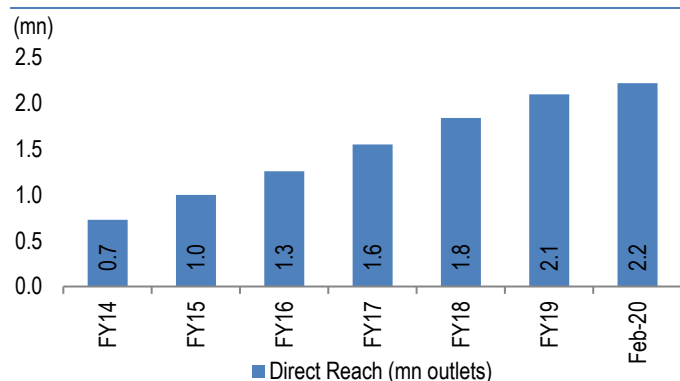
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 26: Outlet reach vs Parle and Industry



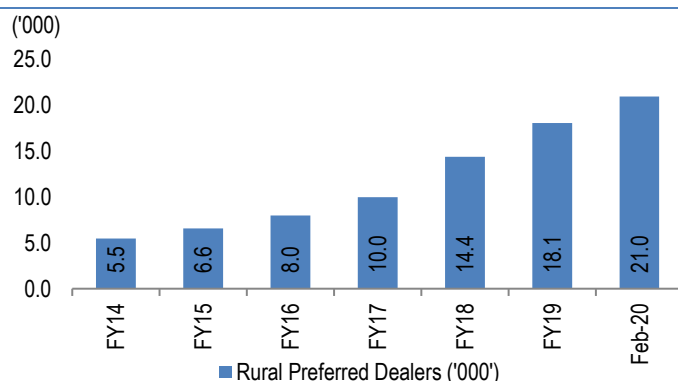
Source: Company, Media Source, Nirmal Bang Institutional Equities Research; Last available number taken for Parle reach

Exhibit 27: Direct reach now stands at 2.2mn (40% of total reach)



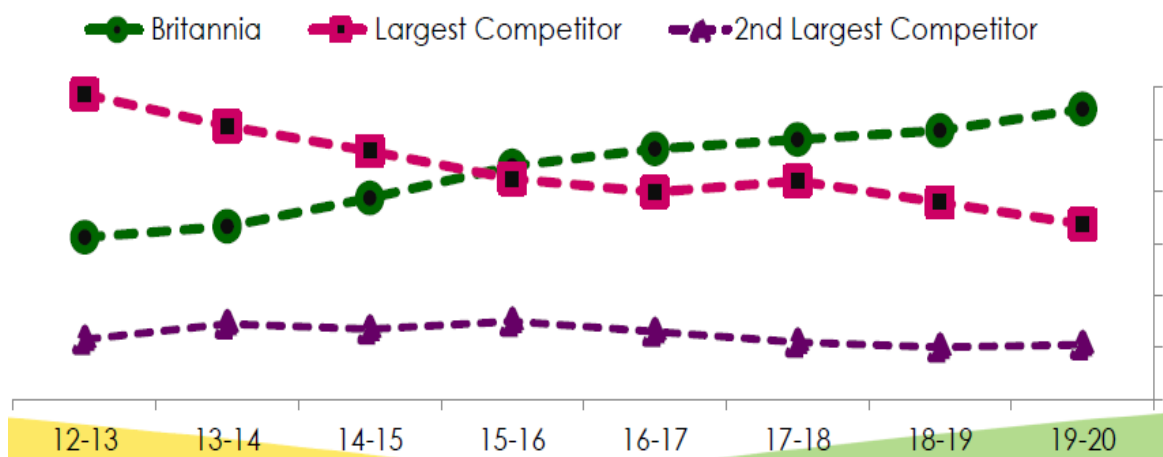
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 28: Number of Rural Preferred Dealers (RPD) continues to increase



Source: Company, Nirmal Bang Institutional Equities Research

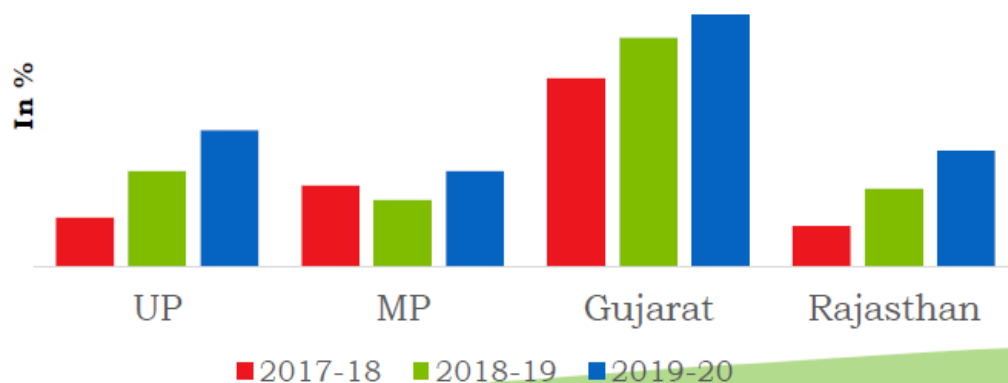
Exhibit 29: Market share gap with Parle widens further



Source: Company, Nirmal Bang Institutional Equities Research

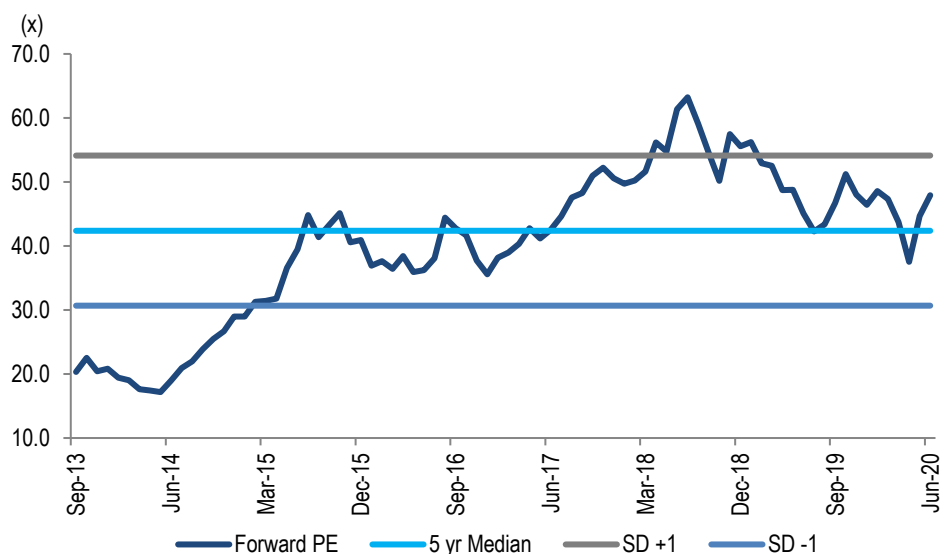
Exhibit 30: BRIT has been gaining market share in Hindi Belt in the last few years

Market share gains in Hindi belt



Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 31: One year forward P/E



Source: Company, Nirmal Bang Institutional Equities Research

Financials (Consolidated)

Exhibit 32: Income statement

Y/E March (Rsmn)	FY18	FY19	FY20	FY21E	FY22E
Net Sales	99,140	1,10,547	1,15,996	1,28,650	1,42,583
% Growth	9.7	11.6	4.3	10.0	10.1
COGS	61,071	65,615	69,275	76,144	83,727
Staff costs	4,016	4,418	4,867	5,413	6,098
Other expenses	19,036	23,180	23,422	25,756	28,251
Total expenses	84,123	93,213	97,564	1,07,312	1,18,076
EBITDA	15,017	17,334	18,432	21,338	24,506
% growth	17.5	15.4	6.3	15.8	14.8
EBITDA margin (%)	15.1	15.7	15.9	16.6	17.2
Other income	1,664	2,065	2,794	3,665	4,450
Interest costs	76	91	769	1,178	1,277
Depreciation	1,421	1,619	1,848	2,167	2,471
Profit before tax (before exceptional items)	15,184	17,689	18,609	21,658	25,209
Exceptional items	0	0	-170	0	0
Tax	5,142	6,125	4,507	5,451	6,345
Rate of Tax (%)	33.9	34.6	24.2	25.2	25.2
PAT	10,041	11,564	13,932	16,207	18,864
Adj PAT	10,041	11,564	14,102	16,207	18,864
Adj PAT margin (%)	10.0	10.3	11.9	12.2	12.8
% Growth	13.6	15.2	21.9	14.9	16.4

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 34: Balance sheet

Y/E March (Rsmn)	FY18	FY19	FY20	FY21E	FY22E
Share capital	240	240	241	241	241
Reserves	33,822	42,292	43,788	53,504	63,618
Minority Interest	131	327	357	357	357
Net worth	34,062	42,533	44,028	53,744	63,858
Total debt	2,007	1,560	15,358	12,358	9,358
Deferred tax liability	-226	-99	-69	-69	-69
Total liabilities	35,975	44,321	59,674	66,390	73,504
Gross block	15,554	20,615	24,750	28,750	32,250
Depreciation	3,380	5,035	7,358	9,525	11,995
Net block	12,174	15,579	17,392	19,225	20,255
Intangible assets	1,282	1,304	1,390	1,390	1,390
Capital work-in-progress	2,028	1,012	396	396	396
Investments	10,793	14,763	28,932	35,093	42,913
Inventories	6,528	7,814	7,410	8,434	9,286
Debtors	3,046	3,942	3,204	3,735	4,098
Cash	1,864	1,098	1,229	1,385	1,525
Loans & advances	11,883	15,160	16,854	15,953	15,062
Other current assets	2,056	1,608	1,422	1,422	1,422
Total current assets	25,377	29,623	30,117	30,928	31,393
Creditors	9,941	11,405	11,163	12,597	14,078
Other current liabilities & provisions	5,738	6,555	7,389	8,044	8,764
Total current liabilities	15,678	17,960	18,552	20,641	22,842
Net current assets	9,698	11,663	11,565	10,287	8,551
Total assets	35,975	44,321	59,675	66,390	73,504

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 33: Cash flow

Y/E March (Rsmn)	FY18	FY19	FY20	FY21E	FY22E
PAT	10,041	11,564	14,102	16,207	18,864
Depreciation	1,421	1,619	1,848	2,167	2,471
Other income	1,664	2,065	2,794	3,665	4,450
(Inc.)/dec. in working capital	2,283	-2,730	228	1,434	1,876
Cash flow from operations	12,488	8,606	14,183	17,320	20,038
Capital expenditure (-)	-5,001	-4,008	-3,044	-4,000	-3,500
Net cash after capex	7,487	4,598	11,139	13,320	16,538
Dividends paid (-)	-3,174	-4,364	-10,150	-6,841	-9,100
Inc./(dec.) in investments	-2,318	-4,901	2,879	-11,019	-13,377
Cash from financial activities	1,208	1,864	1,098	1,228	1,385
Opening cash balance	1,864	1,098	1,228	1,385	1,524
Closing cash balance	657	-766	130	156	140
Change in cash balance	10,041	11,564	14,102	16,207	18,864

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 35: Key ratios

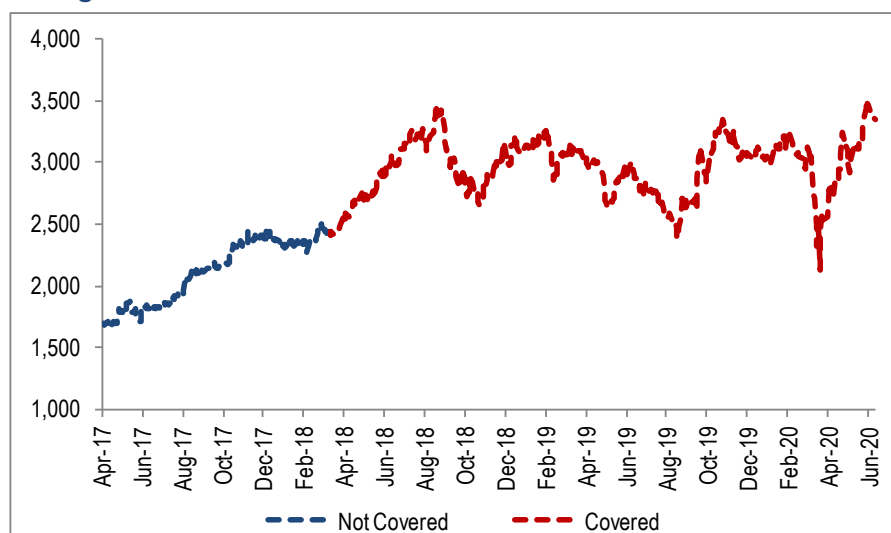
Y/E March	FY18	FY19	FY20	FY21E	FY22E
Per share (Rs)					
EPS	41.8	48.1	58.6	67.4	78.4
Book value	141.9	177.0	183.1	223.5	265.5
DPS	12.5	15.1	35.0	23.6	31.4
Valuation (x)					
EV/sales	8.0	7.2	6.8	6.1	5.4
EV/EBITDA	53.1	45.8	43.1	36.8	31.6
P/E	80.4	69.9	57.4	49.9	42.9
P/BV	23.7	19.0	18.4	15.1	12.7
Return ratios (%)					
RoCE	27.9	25.5	24.1	22.7	23.6
RoE	32.9	30.2	32.6	33.2	32.1
Profitability ratios (%)					
Gross margin	38.4	40.6	40.3	40.8	41.3
EBITDA margin	15.1	15.7	15.9	16.6	17.2
EBIT margin	13.7	14.2	14.3	14.9	15.5
PAT margin	10.0	10.3	11.9	12.2	12.8
Liquidity ratios (%)					
Current ratio	1.6	1.6	1.6	1.5	1.4
Quick ratio	1.2	1.2	1.2	1.1	1.0
Solvency ratio (%)					
Debt to Equity ratio	0.1	0.0	0.3	0.2	0.1
Turnover ratios					
Total asset turnover ratio (x)	2.7	2.5	1.9	1.9	1.9
Fixed asset turnover ratio (x)	7.0	6.7	6.5	6.6	6.9
Inventory days	39	40	40	38	39
Debtors days	9	12	11	10	10
Creditor days	52	59	59	57	58

Source: Company, Nirmal Bang Institutional Equities Research

Rating track

Date	Rating	Market price (Rs)	Target price (Rs)
13 March 2018	Buy	4,867	5,850
18 May 2018	Buy	5,477	6,350
8 August 2018	Buy	6,200	7,120
14 November 2018	Buy	5,812	6,700
12 February 2019	Buy	3,108	3,600
2 May 2019	Buy	2,786	3,500
13 Aug 2019	Buy	2,587	3,380
3 September 2019	Buy	2,705	3,220
23 September 2019	Buy	2,867	3,645
18 November 2019	Buy	3,196	3,680
11 February 2020	Buy	3,155	3,655
30 March 2020	Buy	2,594	3,500
03 June 2020	Accumulate	3,511	3,780
16 June 2020	Accumulate	3,364	3,765

Rating chart



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BUY > 15%

ACCUMULATE -5% to 15%

SELL < -5%

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Team Details:			
Name		Email Id	Direct Line
Rahul Arora	CEO	rahul.arora@nirmalbang.com	-
Girish Pai	Head of Research	girish.pai@nirmalbang.com	+91 22 6273 8017 / 18
Dealing			
Ravi Jagtiani	Dealing Desk	ravi.jagtiani@nirmalbang.com	+91 22 6273 8230, +91 22 6636 8833
Michael Pillai	Dealing Desk	michael.pillai@nirmalbang.com	+91 22 6273 8102/8103, +91 22 6636 8830

Nirmal Bang Equities Pvt. Ltd.

Correspondence Address

B-2, 301/302, Marathon Innova,

Nr. Peninsula Corporate Park,

Lower Parel (W), Mumbai-400013.

Board No. : 91 22 6273 8000/1; Fax. : 022 6273 8010