

# Jyothy Labs

## Cruising ahead

We maintain Jyothy Labs (JYL) as a high conviction BUY idea, with a TP of Rs 575 (40x June-26 EPS), as it is one of the few FMCG companies structurally poised for high single-digit volume growth, mid-teen EBITDA growth, and high-teen net income growth. We pencil in revenue/EBITDA/PAT CAGRs of 12/16/17% for FY24-27, the second-highest amongst our coverage of consumer staple companies. Our confidence stems from the fact that a) JYL operates in categories which have a higher Total Addressable Market and, despite being a challenger brand, is trying to grab a pie of the same by making the product portfolio comprehensive, launching low unit packs, communicating product superiority vs. competition, and providing value-for-money offerings; b) it's got the basics of FMCG right under its new leadership – i) increasing the distribution network and, at the same time, improving productivity; ii) moving on to Above the Line (ATL) spends, away from BTL spends; iii) focusing on low unit packs across the product portfolio, so that it aligns with its objectives; c) competent key management personnel are ensuring smooth execution of the above strategy, which was not the case with the erstwhile management, who were more tuned towards doing M&A transactions. Reasonable valuation (34x FY26 EPS) provides a significant margin of safety. We call Jyothy Labs *sarva gunn sampann*—as it is completely versatile and has enough weapons in its armoury to combat any challenge.

We have gone through Jyothy Labs' recently published annual report in detail and have been able to cull out some relevant interesting insights, which have been segregated into three parts – a) Financial Metrics: significant improvement in return ratio; b) Operational KPI dashboard – which is again giving us the confidence that it will sustain high single digit volume growth; and c) category-related insights – more from distribution and advertisement perspective.

### Financial Summary (INR mn)

Year Ending March	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net Sales	21,951	24,842	27,550	30,618	34,338	38,515
EBITDA	2,482	3,159	4,798	5,465	6,310	7,285
APAT	1,620	2,327	3,693	4,302	5,027	5,870
Diluted EPS (Rs)	4.4	6.3	10.1	11.7	13.7	16.0
P/E (x)	108.2	75.3	47.5	40.7	34.9	29.9
EV / EBITDA (x)	70.3	54.6	36.2	31.3	26.6	22.5
Core RoCE (%)	10.6	15.0	21.2	21.8	25.2	29.2

Source: Company, HSIE Research

## BUY

CMP (as on 03 Jul 2024)	INR 480
Target Price	INR 575
NIFTY	24,287

### KEY STOCK DATA

Bloomberg code	JYL IN
No. of Shares (mn)	367
MCap (INR bn) / (\$ mn)	176/2,104
6m avg traded value (INR mn)	567
52 Week high / low	INR 554/215

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	8.0	(1.2)	114.5
Relative (%)	(0.3)	(13.3)	91.8

### SHAREHOLDING PATTERN (%)

	Dec-23	Mar-24
Promoters	62.89	62.89
FIs & Local MFs	13.85	13.29
FPIs	14.65	16.43
Public & Others	8.61	7.39
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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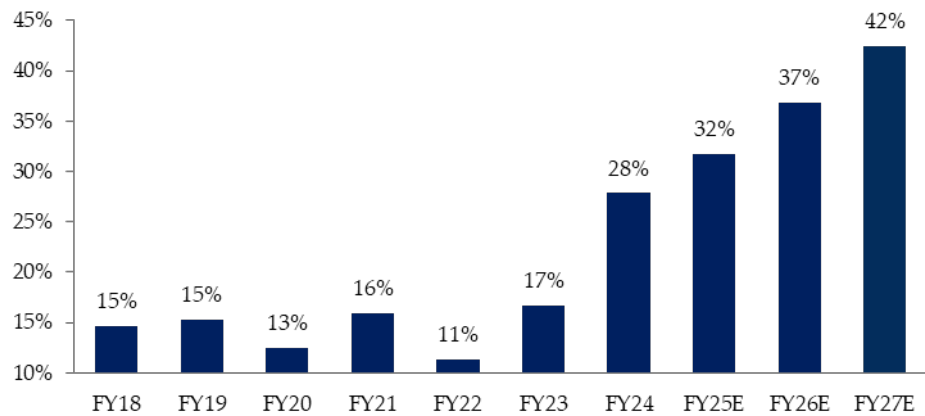
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## Financial metrics

**A sharp surge in ROIC:** Jyothy Labs’ ROIC has sharply surged, moving up from c17% in FY23 to c28% FY24, owing to a sharp spike in EBIT margin (up from 10.7% in FY23 to 15.6% in FY24) and doubling up of cash and cash equivalents (moved up from INR 2.8 bn in FY23 to INR 6.2 bn in FY24). Notably, the ROIC ratio has been static for last many years in the mid-teen range. We expect the ROIC ratio to rise to 42% in FY27. This is expected as the company can achieve double-digit growth without requiring incremental investments, given it already operates 23 manufacturing locations with decent utilisation levels.

In our view, there is a high probability valuation multiple might get rerated vs historical averages if a) the company can deliver double-digit revenue growth and margin improvement and b) there is sustained improvement in the return ratio.

### Exhibit 1: ROIC and valuation multiples have direct co-relation



Source: Company, HSIE Research

**Improvement in working capital:** Working days (as days of sales) have improved from 33 days in FY23 to 28 days in FY24, after languishing in the range of 33-35 over the last few years. Notably, this improvement has been led via a reduction in inventory days and higher credit from vendors, partially compensated through an increase in debtor days. We expect working capital (days of sales) to gradually reduce to 25 days by FY27, as the company’s ability to command better terms and conditions with stakeholders keeps improving as it achieves a certain threshold level of sales.

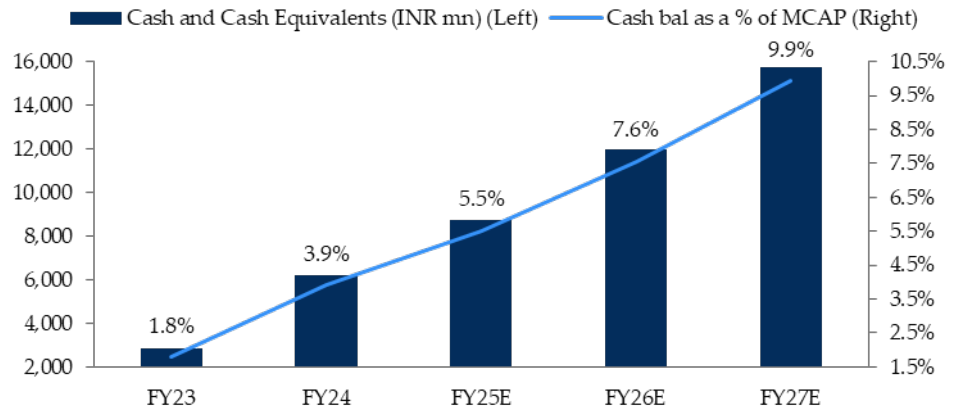
### Exhibit 2: Working capital intensity to gradually keep on reducing

Cash conversion cycle (days of sales)	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Inventory	41	41	48	53	49	44	38	38	38	38
Debtors	35	31	26	18	24	20	27	25	23	22
Payables	33	36	28	37	39	31	37	35	35	35
<b>Working capital days</b>	<b>43</b>	<b>36</b>	<b>46</b>	<b>35</b>	<b>34</b>	<b>33</b>	<b>28</b>	<b>28</b>	<b>26</b>	<b>25</b>

Source: Company, HSIE Research

The cash balance has more than doubled due to the sale of non-core assets and sharp improvement in profitability. Cash & cash equivalents have moved up from cINR 2.84 bn in FY23 to cINR 6.18 bn in FY24.

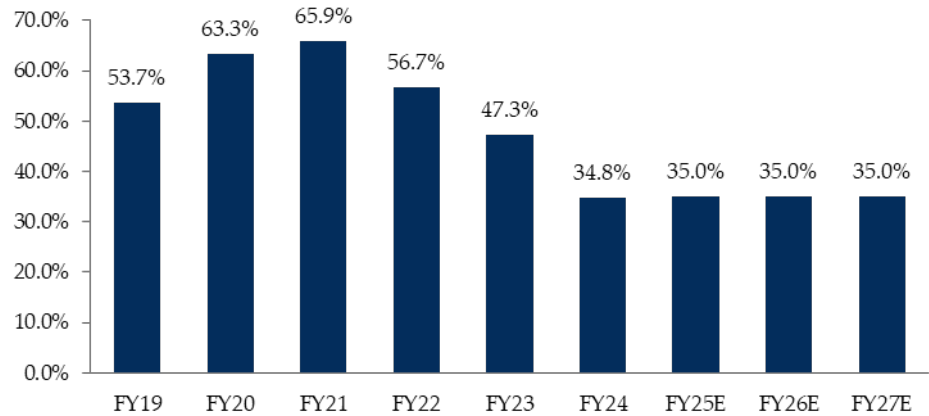
**Exhibit 3: Cash balance to form c10% of MCAP by FY27**



Source: Company, HSIE Research

**Decline in dividend payout ratio:** The dividend payout ratio has declined from an average of c60% over FY21-23 to 35% in FY24.

**Exhibit 4: Expected Dividend Payout ratio to hover around 35% over FY25-FY27**



Source: Company, HSIE Research

## Operational KPI

**New product launches**—JYL has launched the following new products in FY24 and we expect differentiated NPD launches to accelerate in FY25 as most of the COVID and COVID-related headwinds are behind us. In our view, maximum product launches will be directed towards the personal care segment.

### NPD across segments

#### Fabric Care

- **Ujala Liquid Detergent Front Load Variant** – After introducing the top-load variant in FY23, JYL made its liquid portfolio comprehensive by launching the front-load variant in FY24.
- **More Light liquid detergent** – Given it is a price-warrior brand, the company has recently introduced it at a highly disruptive price point (INR 70 per litre), far lower than the competition.

#### Dishwashing

- **Scrubber portfolio** (10% of dishwashing sales) – **It introduced two new SKUs** – a) Exo Bactoscrub – An innovative scrub material equipped with Bactogard that arrests bacterial growth and b) Exo 2-in-1 steel sponge.
- **Exo Super Gel** – Introduced a new variant - Citrus Fresh – which is enabling the company to make inroads into the Kerala market.

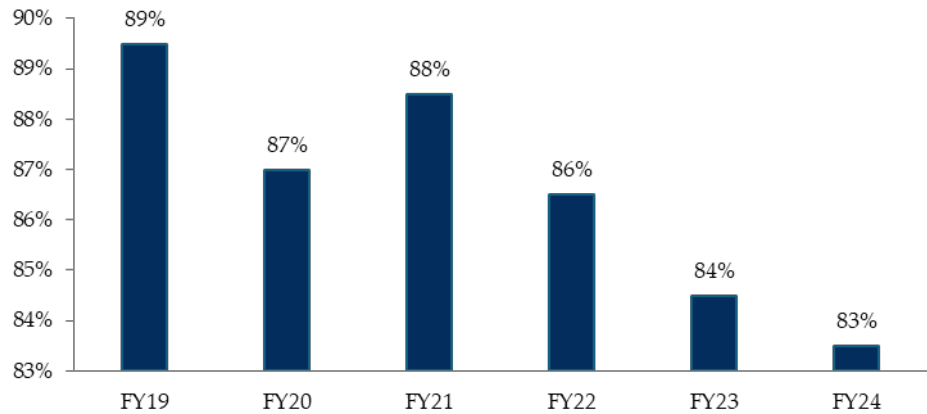
#### Home Care

- **Maya Sarvasugandhi** – Launched a pouch pack at a price point of INR50, making it affordable for a larger consumer base.

## Operational KPI dashboard

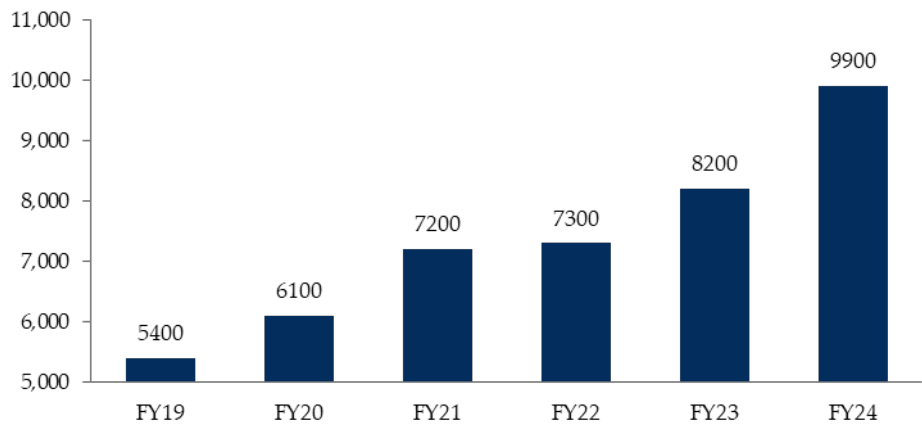
	FY19	FY20	FY21	FY22	FY23	FY24	5yr Change/ CAGR	Comments
<b>Market Share of Brands (%)</b>								
Ujala Fabric Whitener	80.6	81.7	82.6	84.4	84	84	340 bps	Maintaining good market share
Ujala IDD (Kerela)	16.6	15.8	20.7	20.3	21.1	22.9	630 bps	Healthy market share gains in FY24
Maxo Coil	21.3	21.1	22.9	23.4	23.1	23.8	250 bps	Gains shares in coils, but loses in liquid
Maxo Liquid Vaporiser	7.7	8.1	8.8	9.4	8.9	8.3	60 bps	
Exo Dishwash Bar	11.1	11.2	12.5	14	13.8	13.7	260 bps	Gains shares in bars, but loses in liquids
Pril Liquid	16.6	16	17.4	15	14.8	13.7	(290) bps	
<b>Power brand contribution (% of revenue)</b>								
6 power brands	89.0%	86.5%	88.0%	86.0%	84.0%	83.0%	(600) bps	Reducing dependence
<b>Distribution Network</b>								
Direct Reach (mn)	0.80	0.86	NA	1.00	1.10	1.20	8.4%	Healthy increase in distributor network on Cagr basis
Stockists	5,400	6,100	7,200	7,300	8,200	9,900	12.9%	
Total reach (mn)	2.80	2.80	2.80	2.80	2.80	2.80		
<b>Manufacturing assets</b>								
Number of plants	26	27	23	22	23	23		JYL has rationalized 4 mfg plants over last 5 years

**Exhibit 5: Dependency on six power brands reduces**



Source: Company, HSIE Research

**Exhibit 6: Stockists' distribution network rapidly improves**

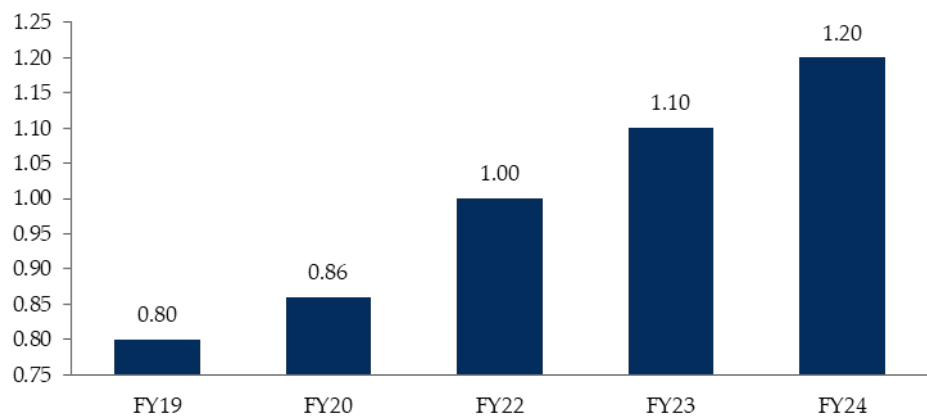


Source: Company, HSIE Research

**Distribution network-related insights**

The distribution reach has now scaled to 1.2 mn (addition of 100,000 outlets in FY24) and has seen an 8.5% CAGR over the past five years. We believe some of the initiatives taken at times are unique and have made its distribution network truly contemporised.

**Exhibit 7: Gradual and steady increase in direct reach (mn)**



Source: Company, HSIE Research

**The differentiated approach adopted in increasing reach in its wholesale channel:** Most Jyothy Labs brands across key segments are challenger brands, so it has become difficult to gain shelf space in outlets that have wholesale channel services, which are typically low-throughput. To overcome this, it introduced the “moped” model of distribution through which JYL’s salespeople directly service these outlets on mopeds,

carrying the entire product portfolio, and collecting cash on the sale of goods (mainly low unit packs or LUPs). In addition to this service, it offers higher margins to these small shops and visibility pay-outs (for prominently displaying products) to drive higher sales.

### **Innovating their distribution reach through mopeds**



Source: IndiaMART, HSIE Research

**Appointment of merchandisers to brighten medium-term prospects:** JYL has started supporting its sales infrastructure team with merchandisers, which other mainstream FMCG companies have been doing for years. The primary KTA of merchandisers is to ensure proper placement and positioning of the product, which in turn ensures better shelf space visibility vs. competing brands.

**Increasing salesman visits (beat) to once a week vs. once a fortnight earlier:** Especially in areas where the distribution network (north/west India) is relatively weaker.

#### **Installing best-in-class distributor management system:**

- A new improved distributor management system (DMS) has been launched across the entire network. Moreover, the company has migrated its DMS from Adhaar Software to Botree, which would result in better report production and benefits that will be obvious in FY25.
- Digitisation of Rural Distribution through Mobile DMS, VAN/Moped sales through SFA (Sales Force Automation).
- Launched Multiple Mobile APPs to optimise operational control and focus anytime anywhere, also enabling partner connect for real-time updates.
- Maximising usage of Cloud & Analytics - a) Improving secondary sales using predictive must-sell SKUs and b) Cloud Deployments for higher availability, flexibility, scalability, and security.

## Category-related insights

**Fabric care (43% of consolidated revenue):** Fabric care has seen 12% revenue growth in FY24 and has seen a CAGR of 10% over FY19-24.

- **Ujala Supreme (20% of fabric care revenue):** Through a School Outreach programme, the brand has been able to maximise visibility amongst a large base of schools/students across 50 cities. JYL began targeting festive months to build association and visibility (usage of wall paintings) throughout the year.
- **Detergents (80% of fabric care revenues)**
  - Ujala IDD (25% of detergent sales) is trying to make inroads into West Bengal after making a mark in Kerala:
  - **Leading mid-priced detergent powder in Kerala:** The brand revamped its packaging to match its leading status in Kerala, as well as leveraged regional festivals to demonstrate its cultural association with Malyalees.
  - **Trying to make inroads into the West Bengal market:** Ujala Detergent Powder was introduced in West Bengal alongside a sampling of Ujala Supreme. Market penetration efforts were spearheaded by local influencers and key opinion leaders on social media. HUL's Sunlight brand is very prominent in both these states (Kerala and West Bengal) and JYL is trying to grab some market share from HUL. Notably, West Bengal is much bigger than Kerala (3x in terms of population).
  - **What is the company doing outside the core markets of Kerala and West Bengal?** The brand continued to drive focused visibility on LUPs to generate trials and acquire new consumers.
  - **Ujala Liquid spreading its wing into other southern states after proving its worth in Kerala:** Understanding consumer usage habits, Ujala Liquid detergent bifurcated its offering into Front Load and Top Load variants during FY24, and spread its footprint into other Southern States, after making its presence felt in Kerala, considering the growing liquid detergents category there.
  - **Advertising campaigns:** JYL launched a new communication, where superstar Manju Warriar can be seen candidly talking about the effortless washing experience of using Ujala Detergent Powder. On TV, Ujala Detergent Powder & Liquid were associated with high-impact shows like Bigg Boss Malayalam which garnered instant eyeballs and visibility amongst the target audience.

### Henko (40% of detergent sales) – Covering from Top to Toe

- It continued with its focused activities and drives on LUPs by way of displays and POS visibility.
- **Large packs:** JYL remained focused on pushing large packs in institutional channels; whereas it introduced a new 2 kg pack in an attractive container in the northeast market for better consumer preference and adoption.

### Mr White (15% of detergent sales)

- The Mr. White brand, being a price warrior brand, continued to shine in the mid/mass-priced detergent category, on the back of consumer promotions and distribution push.
- It launched a new 10 kg offering in the Bulk Pack segment, specifically for online consumers.

### Morelight (20% of detergent sales)

- Continuing consumer promotions and BTL activities are helping the brand find headroom to grow in the largest detergent powder segment across the country.
- During recent months, Morelight too has forayed into the liquid detergent category at a highly disruptive price point.

**Dishwashing segment (34% of consol revenue):** The dishwashing segment has seen 8% revenue growth in FY24 and has seen a CAGR of 10% over FY19-24.

- **Exo (60% of dishwashing sales) – LUPs drive growth:** Distribution coverage of the 10-pack of Exo Dish Wash increased by more than 50% on the back of a focused distribution strategy.
- **High market share in large packs:** Exo continues to enjoy a high market share in the larger pack (700g+ segment), making the brand a favourite among heavy-bar users. We believe this high market share can be attributed to the success of “Exo Round,” where Vim (HUL’s brand) has not been able to make a mark
- **Scrubber portfolio (10% of dishwashing sales) moving northwards:** The Scrubber portfolio of Exo, comprising Exo Safai Steel and Anti-Bacterial Exo Bacto Scrub, recorded significant growth on the back of our sustained distribution drive. The strategy has led to Exo Bacto Scrub becoming a formidable player in the southern markets while being the all-India market leader in the steel scrubbers portfolio.
- **Exo also making inroads into the liquid segment:** With the introduction of a new variant - Citrus Fresh - and a larger pack relevant for Modern Trade, Exo Super Gel was able to make significant inroads in Kerala’s dishwashing liquid segment.
- **Interesting ad campaign for Exo brand:** Exo has been able to engage its core TG through the “Healthy Tiffin, Healthy Kids” campaign, which centres around the risk of bacterial infestation in tiffin boxes, which are often brought back from school unwashed. Exo endeavours to make mothers realise that the stench in the box is due to bacterial growth and that Exo, which not only cleans but also sanitises utensils, is an ideal solution. This message is being spread among mothers through various school activities.
- **Pril (30% of dishwashing sales) – Targeting Top to Toe**

**Pril brand has a dual strategy – a)** focusing on driving saliency of LUP amongst new users and **b)** emphasis on large value-oriented packs in the MT channel.

**Large packs:** It introduced the Pril 1.8 L pouch pack in MT/e-commerce channels, where it finds salience, enabling faster growth of the brand.

**Innovation:** The premium variant of Pril, Pril Tamarind Shine Specialist, is gaining better traction and higher salience in MT/e-commerce channels. This is helping drive the lead innovation player imagery of the brand in the category.

**Ad campaign:** JYL organised a ‘shining relationship moments series’ featuring celebrity couple Riteish Deshmukh and Genelia Deshmukh, who talk about how they keep their relationship shining.

**Personal care (11% of consolidated revenues):** The personal care segment saw 21% revenue growth in FY24 and has seen a CAGR of 10% over FY19-24.



**JYL took the following initiatives to drive growth in FY24**

- **Forayed into the mainstream toilet soap category** by launching a new sub-brand in the name of Margo Neem Naturals. Margo Neem Naturals has three variants in the form of Neem Honey and Lemon, Neem Almond Oil and Rose, Neem Aloe Vera and Jasmine.
- **Ad campaign and promotions:**
  - a. Tied up with the women’s team of Delhi Capital for FY24 Season.
  - b. Sales activities were supported by a pan-India coverage promoting Margo Original Neem and the newly launched Margo Neem Naturals on prime and non-prime time channels.
  - c. **To drive penetration**, outdoor activation was carried out in the priority markets through ~200 sites panning across 60+ days. The sites included billboards, digital sites, buses, bus shelters and metro pillars. Moreover, management was able to put up 31,000 dealer boards at strategic locations.

**Household insecticides (8% of consol revenue):** The household insecticide segment has remained flat over FY19-24.

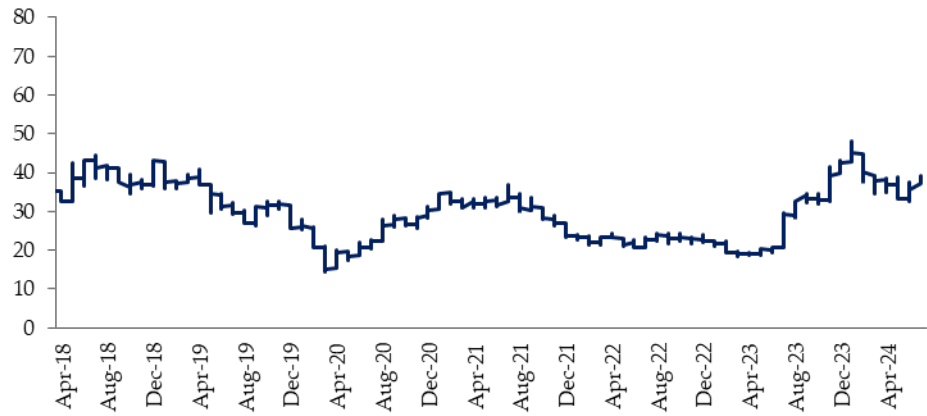
JYL took the following initiatives to revive growth in FY24:

- Hired Kareena Kapoor as a brand ambassador
- JYL advertisement campaign for Maxo Liquid, introduced in key markets, showcases the automatic feature of the machine which is unique in the category.

**Valuation matrix – Jyothy Labs trades at reasonable valuations**

Name	Mcap (Rs bn)	CMP	Rating	TP	TP X	P/E (x)			EV/EBITDA (x)			% CAGR FY24-27E			ROE			Dividend Yield (%)	
						FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	Rev	Ebitda	PAT	FY25E	FY26E	FY27E	FY27E	
<b>Large Caps</b>																			
ITC	5,284	426	REDUCE	400	25	25	23	21	20	18	16	8	9	8	29	30	32	4.1	
HUL	5,787	2,485	REDUCE	2,500	50	55	51	45	38	35	31	6	8	8	21	22	25	2.1	
<b>Mid Cap</b>																			
CLGT	775	2,871	REDUCE	2,900	48	51	46	41	36	32	29	10	11	12	85	91	97	2.3	
MRCO	775	603	BUY	660	45	47	42	37	33	30	26	10	12	12	39	41	42	2.2	
HMN	309	723	ADD	600	27	36	32	28	29	26	23	9	11	11	31	30	30	1.7	
DABUR	1,057	603	ADD	595	45	52	46	41	37	32	29	9	12	13	20	21	22	1.5	
GCPL	1,377	1,371	BUY	1,450	50	60	48	42	40	34	30	12	16	20	16	18	19	1.2	
JYL	169	477	BUY	575	40	41	35	30	31	27	23	12	15	17	22	22	23	1.2	
<b>Food companies</b>																			
NEST	2,449	2,544	ADD	2,750	70	72	64	57	48	43	37	10	11	11	86	81	85	1.6	
BRIT	1,319	5,402	ADD	5,556	50	56	49	43	38	33	29	10	12	12	57	58	59	1.9	

**Valuation re-rating to play out as underlying business undergoes fundamental reset. Notably average 10 years 1 year forward P/E is at 33x**



### Consolidated P&L

(INR mn)	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net Revenues	17,097	19,080	21,951	24,842	27,550	30,618	34,338	38,515
Growth (%)	(5.67)	11.60	15.05	13.17	10.90	11.14	12.15	12.17
Material Expenses	9,009	10,104	12,830	14,349	14,038	15,512	17,296	19,285
Employee Expense	2,193	2,325	2,474	2,644	3,005	3,306	3,636	4,000
Other Expenses	3,398	3,517	4,178	4,709	5,728	6,358	7,121	7,975
EBITDA	2,510.9	3,145.1	2,482.3	3,158.7	4,798.0	5,465.1	6,310.1	7,284.8
EBITDA Growth (%)	(10.66)	25.26	(21.08)	27.25	51.90	13.90	15.46	15.45
EBITDA Margin (%)	14.69	16.48	11.31	12.72	17.42	17.85	18.38	18.91
Depreciation	529	556	582	501	500	527	573	619
EBIT	1,982	2,589	1,901	2,657	4,298	4,938	5,737	6,665
Other Income	200	185	187	396	537	618	741	890
Interest	329	192	118	131	47	40	34	29
PBT	1,853	2,581	1,969	2,922	4,788	5,516	6,444	7,526
Tax	189	440	378	595	1,095	1,213	1,418	1,656
RPAT	1,703	1,994	1,620	2,398	3,693	4,302	5,027	5,870
Adjustment	(38)	(235)	-	70	-	-	-	-
Adjusted PAT	1,741	2,230	1,620	2,327	3,693	4,302	5,027	5,870
APAT Growth (%)	-15.10	28.05	-27.35	43.69	58.68	16.50	16.83	16.79
Adjusted EPS	4.74	6.07	4.41	6.34	10.06	11.72	13.69	15.99
EPS Growth (%)	-15%	28%	-27%	44%	59%	16%	17%	17%

Source: Company, HSIE Research

### Consolidated Balance Sheet

(INR mn)	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
<b>SOURCES OF FUNDS</b>								
Share Capital – Equity	367	367	367	367	367	367	367	367
Reserves	11,919	13,918	14,068	15,123	17,716	20,512	23,780	27,595
Total Shareholders Funds	12,286	14,286	14,436	15,490	18,083	20,880	24,147	27,963
Minority Interest	(291)	(378)	(407)	21	19	19	19	19
Long Term Debt	3	-	-	-	-	-	-	-
Short Term Debt	2,209	1,169	1,265	-	-	-	-	-
Total Debt	2,212	1,169	1,265	-	-	-	-	-
Net Deferred Taxes	(1,027)	(962)	(907)	(845)	(594)	(594)	(594)	(594)
Other Non-current Liabilities & Provns	918	926	991	1,044	1,102	1,102	1,102	1,102
<b>TOTAL SOURCES OF FUNDS</b>	<b>14,098</b>	<b>15,040</b>	<b>15,379</b>	<b>15,709</b>	<b>18,610</b>	<b>21,406</b>	<b>24,673</b>	<b>28,489</b>
<b>APPLICATION OF FUNDS</b>								
Net Block	11,492	11,467	11,218	11,163	11,253	11,226	11,152	11,033
CWIP	245	101	76	155	134	134	134	134
Other Non Current Assets	1,111	781	786	703	637	637	637	637
Total Non-current Assets	12,848	12,350	12,080	12,021	12,023	11,996	11,923	11,803
Inventories	2,251	2,786	2,972	3,019	2,835	3,188	3,575	4,010
Debtors	1,224	943	1,431	1,378	2,014	2,097	2,164	2,321
Other Current Assets	723	580	726	520	4,882	4,882	4,882	4,882
Cash & Equivalents	289	1,938	2,112	2,835	1,661	4,224	7,467	11,210
Total Current Assets	4,487	6,248	7,241	7,751	11,392	14,391	18,088	22,424
Creditors	1,298	1,920	2,364	2,143	2,761	2,936	3,293	3,693
Other Current Liabilities & Provns	1,939	1,638	1,578	1,920	2,045	2,045	2,045	2,045
Total Current Liabilities	3,237	3,558	3,942	4,064	4,805	4,981	5,338	5,738
Net Current Assets	1,250	2,690	3,299	3,688	6,587	9,410	12,750	16,685
<b>TOTAL APPLICATION OF FUNDS</b>	<b>14,098</b>	<b>15,040</b>	<b>15,379</b>	<b>15,709</b>	<b>18,610</b>	<b>21,406</b>	<b>24,673</b>	<b>28,489</b>

Source: Company, HSIE Research

**Consolidated Cash Flow**

(INR mn)	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Reported PBT	1,815	2,346	1,969	2,992	4,788	5,516	6,444	7,526
Non-operating & EO Items	(46)	200	(72)	(273)	(416)	-	-	-
Interest Expenses	329	192	118	131	47	-	-	-
Depreciation	529	556	582	501	500	527	573	619
Working Capital Change	(527)	1,055	(258)	509	387	(260)	(97)	(192)
Tax Paid	(386)	(327)	(313)	(567)	(793)	(1,213)	(1,418)	(1,656)
<b>OPERATING CASH FLOW ( a )</b>	<b>1,715</b>	<b>4,022</b>	<b>2,026</b>	<b>3,294</b>	<b>4,513</b>	<b>4,569</b>	<b>5,503</b>	<b>6,298</b>
Capex	(420)	(259)	(261)	(355)	(371)	(500)	(500)	(500)
Free Cash Flow (FCF)	1,295	3,763	1,765	2,939	4,142	4,069	5,003	5,798
Investments	1,115	(1,048)	(132)	(433)	(3,512)	-	-	-
Non-operating Income	30	16	75	304	440	-	-	-
<b>INVESTING CASH FLOW ( b )</b>	<b>725</b>	<b>(1,291)</b>	<b>(317)</b>	<b>(483)</b>	<b>(3,444)</b>	<b>(500)</b>	<b>(500)</b>	<b>(500)</b>
Debt Issuance/(Repaid)	41	(1,669)	100	(1,250)	-	-	-	-
Interest Expenses	(212)	(281)	(74)	(104)	-	-	-	-
FCFE	2,610	4,680	1,682	4,165	1,069	4,069	5,003	5,798
Share Capital Issuance	-	-	-	-	-	-	-	-
Dividend	(2,656)	-	(1,469)	(918)	(1,102)	(1,506)	(1,759)	(2,055)
Others	(211)	(212)	(224)	(235)	(247)	-	-	-
<b>FINANCING CASH FLOW ( c )</b>	<b>(3,039)</b>	<b>(2,161)</b>	<b>(1,667)</b>	<b>(2,507)</b>	<b>(1,348)</b>	<b>(1,506)</b>	<b>(1,759)</b>	<b>(2,055)</b>
<b>NET CASH FLOW (a+b+c)</b>	<b>(599)</b>	<b>569</b>	<b>42</b>	<b>304</b>	<b>(279)</b>	<b>2,563</b>	<b>3,243</b>	<b>3,743</b>
EO Items, Others	748	149	719	760	1,056	843	3,406	6,650
Closing Cash & Equivalents	149	719	760	1,056	843	3,406	6,650	10,393

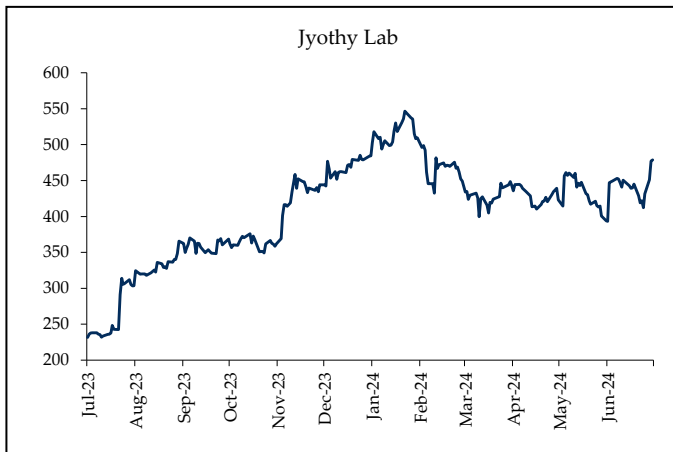
Source: Company, HSIE Research

**Ratios**

KEY RATIOS	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
<b>PROFITABILITY (%)</b>								
GPM	47.4	47.1	41.6	42.3	49.1	49.4	49.7	50.0
EBITDA Margin	14.7	16.5	11.3	12.7	17.4	17.8	18.4	18.9
EBIT Margin	11.6	13.6	8.7	10.7	15.6	16.1	16.7	17.3
APAT Margin	10.2	11.7	7.4	9.4	13.4	14.1	14.6	15.2
RoE	13.6	16.8	11.3	15.6	22.0	22.1	22.3	22.5
RoIC (or Core RoCE)	11.9	14.5	10.6	15.0	21.2	21.8	25.2	29.2
RoCE	13.0	15.0	10.4	14.6	20.9	21.1	21.4	21.7
<b>EFFICIENCY</b>								
Tax Rate (%)	10.2	17.0	19.2	20.4	22.9	22.0	22.0	22.0
Fixed Asset Turnover (x)	3.82	3.95	4.47	4.91	5.30	5.37	5.54	5.75
Inventory (days)	48.0	53.3	49.4	44.4	37.6	38.0	38.0	38.0
Debtors (days)	26.1	18.0	23.8	20.2	26.7	25.0	23.0	22.0
Other Current Assets (days)	15.4	11.1	12.1	7.6	64.7	58.2	51.9	46.3
Payables (days)	27.7	36.7	39.3	31.5	36.6	35.0	35.0	35.0
Other Current Liab & Provns (days)	41.4	31.3	26.2	28.2	27.1	24.4	21.7	19.4
Cash Conversion Cycle (days)	20.5	14.4	19.7	12.5	65.3	61.8	56.2	51.9
Net D/E (x)	0.2	(0.1)	(0.1)	(0.2)	(0.1)	(0.2)	(0.3)	(0.4)
Interest Coverage (x)	6.0	13.5	16.1	20.3	90.9	122.8	167.9	229.5
<b>PER SHARE DATA (Rs)</b>								
EPS	4.7	6.1	4.4	6.3	10.1	11.7	13.7	16.0
CEPS	6.2	7.6	6.0	7.7	11.4	13.2	15.2	17.7
Dividend	3.0	4.0	2.5	3.0	3.5	4.1	4.8	5.6
Book Value	33.5	38.9	39.3	42.2	49.2	56.9	65.8	76.1
<b>VALUATION</b>								
P/E (x)	100.6	78.6	108.2	75.3	47.5	40.7	34.9	29.9
P/BV (x)	14.3	12.3	12.1	11.3	9.7	8.4	7.3	6.3
EV/EBITDA (x)	70.6	55.5	70.3	54.6	36.2	31.3	26.6	22.5
EV/Revenues (x)	10.4	9.1	7.9	6.9	6.3	5.6	4.9	4.3
OCF/EV (%)	1.0	2.3	1.2	1.9	2.6	2.7	3.3	3.8
FCF/EV (%)	1.5	2.7	1.0	2.4	0.6	2.4	3.0	3.5
FCFE/Mkt Cap (%)	1.5	2.7	1.0	2.4	0.6	2.3	2.9	3.3
Dividend Yield (%)	0.6	0.8	0.5	0.6	0.7	0.9	1.0	1.2

Source: Company, HSIE Research

**1 Yr Price Movement**



**Rating Criteria**

- BUY: >+15% return potential
- ADD: +5% to +15% return potential
- REDUCE: -10% to +5% return potential
- SELL: > 10% Downside return potential

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