

Dated : 24th January, 2019

| BUY         |                       |
|-------------|-----------------------|
| Price ₹     | 279                   |
| Fair Value  | 332                   |
| Upside      | 19.00%                |
| Div Yield   | 1.8%                  |
| Tenure      | 1Year                 |
| Sensex      | 36195.10              |
| Nifty       | 10849.80              |
| Group/Index | A / S&P BSE<br>SENSEX |

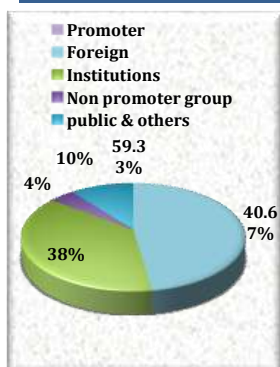
| Stock Details    |               |
|------------------|---------------|
| M.cap (₹ in cr)  | 341689        |
| Equity (₹ In cr) | 1224.69       |
| 52 wk H/L ₹      | 322.70/251.30 |
| Face Value ₹     | 1             |
| NSE code         | ITC           |
| BSE code         | 500875        |

| Key Valuation Ratios |       |
|----------------------|-------|
| RONW                 | 20%   |
| P/E                  | 29.68 |
| P/BV                 | 5.8   |
| EV/EBIDTA            | 18.21 |

IN ₹

| Key Financial Data |           |
|--------------------|-----------|
| EV (₹ in cr)       | 344490.58 |
| BV (₹ in cr)       | 47.86     |
| NW (₹ in cr)       | 58617.93  |
| Adj. EPS (TTM)     | 9.40      |

### Share Holding Pattern



### Investment Rationale

**FMCG business led by processed foods to show steady increase in profitability, personal care on urge of stabilizing, though Lifestyle retailing could remain a drag.**

#### Impressive market standing in short span

Many of ITC's products have assumed market leadership – **Aashirvaad** is No. 1 in Branded Atta, **Sunfeast** is No. 1 in Premium Cream Biscuits, **Bingo** is No. 1 in the Bridges segment of Snack Foods, **Classmate** is No. 1 in Notebooks. Other ITC brands are also gaining significant consumer franchise. **YiPee** being No. 2 in Noodles, **Engage**- No. 2 in Deodorants and **Mangaldeep** is No. 2 in Agarbattis and No. 1 in the Dhoop segment.

#### Integrated Manufacturing and Logistics facilities

Commissioned state-of-the-art consumer good manufacturing facility at **Trichy, Tamil Nadu** in Sep'18.

- Capacity Utilisation at **Kapurthala, Panchla, Uluberia, Mysuru and Guwahati** being progressively ramped up.
- Steady progress is being made towards development of other such facilities which are expected to be commissioned in the near to medium term.

#### Leveraging Agri-commodity

In the area of value added agriculture, initiative is taken to create new vectors of growth by leveraging agri-commodity sourcing and processing expertise and the strong distribution network. *These include the launch of packaged prawns, super safe spices, fresh fruits and vegetables and dehydrated onions under the ITC Master Chef and Farmland brands over the last 12 months.* During quarter 2, the Business forayed into the Frozen snacks category in the retail segment with the launch of an exciting array of products comprising **10 variants** of vegetarian and non-vegetarian snacks under the **ITC Master Chef brand**. The product range is currently available in **Bengaluru, Chandigarh and Ludhiana** and plans are afoot to rapidly scale up presence in the ensuing months.

#### Paper & Printing gaining traction

- ▶ **Leverage Company's paper & printing expertise and distribution network**  
*Classmate, Saathi and Paperkraft brands* continue to enhance market standing
- ▶ **Industry growth** driven by increasing literacy and enhanced scale of government and public private education initiatives
- ▶ **Classmate** being the Market leader in Notebooks segment  
*Deepening consumer engagement through Classmateshop.com and MyClassmate app to deliver customized notebooks*
- ▶ **Increase presence** in writing instruments and scholastic products segment leveraging the **Classmate** brand

*An extensive rebuild of a paperboard machine at the Bhadrachalam unit was completed during the quarter 2, adding 1.5 lakh TPA value-added paperboard capacity. The rebuilt paperboard machine incorporates state-of-the-art technologies and will enable manufacture of best-in-class coated boards delivering globally benchmarked parameters across the vectors of light-weighting and bulk improvement.*

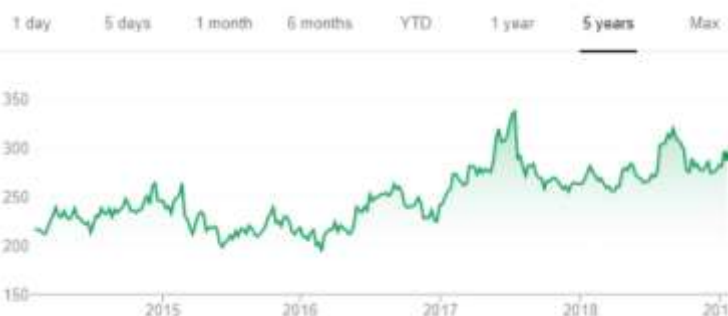
#### Lifestyle Retailing

##### 'WLS' brand positioned at the premium end of the market

*The brand is available in ~300 outlets across multiple channels including six exclusive boutique stores across ITC Hotels*

##### 'John Players' brand positioned in the youth fashion segment

*The brand is available in ~750 points-of-sale across leading national and regional department stores, exclusive stores and multi-brand outlets*

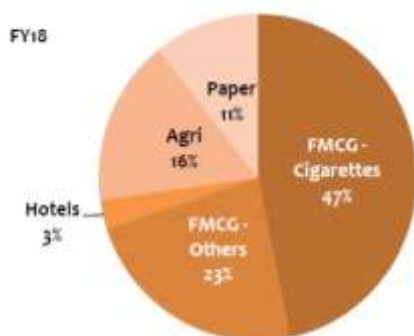


Source: Google

### Corporate Governance Transparency Ratio's

| Year End       | 201803 | 201703 | 201603 | 201503 |
|----------------|--------|--------|--------|--------|
| Tax Rate %     | 33.98  | 34.62  | 36.06  | 32.00  |
| Receivable day | 21     | 15     | 13     | 14     |
| Div. Payout %  | 53.10% | 57.97% | 52.53% | 52.45% |

Segmental Revenue Share (%)



### Recent category launches- personal care segment

Premium skin care range - 'Dermafique'

Premium bath care range - 'Fiama'

Moisturising skin cream - 'Charmis'

Floor cleaner - 'Nimyle'

Essential Oils - 'Fiama'

### Key Strategies ahead

▲ **Focus** on the FMCG; Hotels; Paperboards, Paper & Packaging; Agri Business; Information Technology business portfolio.

▲ **Blend** diverse core competencies residing in various Businesses to enhance the competitive power of the portfolio.

▲ **Position** each business to attain leadership on the strength of world-class standards in quality and costs

## Results Corner

### Key Highlights (Q2FY 19)

- **FMCG-Others Segment** witnessed robust growth. Revenue grew 12.7%, mainly led by Staples, Snacks & Meals and Biscuits in the Branded Packaged Foods Business, Fragrancing Products and Liquids (handwash & bodywash) in the Personal Care Products Business and Classmate Notebooks in the Education & Stationery Products Business partly offset by restructuring of retail footprint & trade presence in the Lifestyle Retailing Business.

EBITDA for the mentioned segment stood at ₹ 158.84 crores with a strong growth of 77% driven by *enhanced scale, product mix enrichment and cost management initiatives*, despite sustained investment in brand building, gestation costs of new categories viz. Juices, Dairy & Chocolates in the Branded Packaged Foods Business and Health & Hygiene segment in the Personal Care Products Business and input cost pressures.

### Products driven sales in the FMCG-Others segment

**Aashirvaad atta** consolidated its leadership position across markets with a pick-up in sales momentum. Increasing consumer traction for **Bingo- Potato Chips** and **Tedhe Medhe** continued to drive growth in the Snacks Business. In the Instant Noodles Category, **YiPPee! Magic Masala** continued to garner consumer franchise anchored on superior quality and a differentiated value proposition. The Company continued to launch **innovative** and **first-to-market products** such as **Dark Fantasy Choco Jellifills, Bounce Minis & Bounce cakes**.

**B Natural juices** scaled up volumes during the quarter leveraging a portfolio of differentiated products anchored on the '**Not from Concentrate**' platform. **Aashirvaad Svasti milk** was extended to Patna during the quarter and has received encouraging response from consumers. Product portfolio of the **Fabelle range** of luxury chocolates was augmented with the introduction of a **new range of truffles — Dessert Collection**.

- The **Personal Care Products** Business enhanced its market standing during the quarter with **fragrancing products and liquids (handwash and bodywash)** being the key drivers of growth. **Dermafique**, a premium range of creams, cleansing and toning products launched in the previous quarter continued to receive encouraging response from consumers. **The recently acquired 'Nimyle' range** of herbal floor cleaners was extended to new markets even as it recorded robust growth in existing markets. *Plans are on the anvil to scale up the brand's presence across target markets. During the quarter, also launched an exciting range of essential oils in 4 variants under the 'Flame' brand.*

Moreover, has reintroduced '**Charmis' skin creams** with a fresh look & enhanced sensorial experience supported by a focussed campaign showcasing the brand's core value proposition - '*it is the goodness within that glows on the face*'. In line with its commitment towards an inclusive society, Savlon introduced first-of-its kind braille-enabled packs of antiseptic liquid.

**The Branded Packaged Foods and Personal Care Products Businesses** continue to leverage state-of-the-art integrated consumer goods manufacturing facilities (ICML) to service proximal markets in a highly efficient and responsive manner. During the quarter a new ICML was commissioned at Trichy, Tamil Nadu. Over 15 projects are underway and in various stages of development — viz. land acquisition/site development, construction of buildings, equipment installation and other infrastructure

Operations of the Bleached Chemical Thermo Mechanical Pulp mill were further scaled up during the quarter, thereby reducing import dependency and delivering substantial savings to the business, especially in view of the sharp increase in imported pulp prices in recent months. Capacity utilisation of the recently commissioned décor machine at the Tribeni unit was also scaled up during the quarter," the company said.

- **Cigarettes volumes** grew by a healthy ~7% YoY, but on a low base of -7%. Segmental revenues grew by 10.4% YoY, as the price growth was lower. Considering 2% QoQ decline in revenues, we believe there has not been much improvement sequential growth in volume. The segment registered an EBIT growth of 9% YoY, as the cost increased by 14% YoY. Notably, the cigarettes volumes have started normalising after years of sluggishness, but the future continues to be uncertain. Whilst the volume growth ahead largely depends on *taxation environment, the high growth of illicit cigarettes owing to high tax environment has markedly dented the legal cigarettes business.*
- Hotels business registered a solid revenue growth of 21% YoY with all the key operating metrics registering an upbeat performance. Paper and Paperboards business grew by 9% YoY after reporting sluggish growth for a prolonged period. The paper business is impacted by the cigarettes business volume growth to an extent, which has seen recovery. EBIT growth of hotels business remained strong at 270% YoY, while the paper segment registered an EBIT growth of 13% YoY. Agri business was a mixed bag with higher revenues and lower EBIT YoY, as quarterly business fluctuations are difficult to predict.

### Segment Revenue- Q2 FY18-19

|         |   | (₹ crs) |         |         |
|---------|---|---------|---------|---------|
| Q1      |   | Q2      |         |         |
| 2018-19 |   | 2018-19 | 2017-18 | Goly(%) |
|         | <b>Segment Revenue (Gross)</b>                            |         |         |         |
| 5128    | a) FMCG - Cigarettes                                      | 5026    | 4554    | 10.4    |
| 2870    | - Others  | 3160    | 2804    | 12.7    |
| 7998    | <b>Total FMCG</b>   | 8186    | 7358    | 11.3    |
| 341     | b) Hotels   | 363     | 300     | 20.8    |
| 3151    | c) Agri Business  | 2220    | 1968    | 12.8    |
| 1356    | d) Paperboards, Paper & Packaging                         | 1424    | 1309    | 8.8     |
| 12846   | <b>Total</b>  | 12193   | 10936   | 11.5    |
| 2124    | Less : Inter segment revenue                              | 1098    | 1260    | (12.8)  |
| 10722   | <b>Gross Revenue from sale of products &amp; services</b> | 11095   | 9676    | 14.7    |

**FMCG Cigarettes** reported growth in Volumes on a soft base.

**FMCG Others:** Revenue growth driven by Staples, Snacks & Meals, Biscuits, Notebooks, Fragrancing Products & Liquids (handwash & bodywash) partly offset by ongoing restructuring in Apparel

**Hotels:** Higher room rates, increase in Occupancy and strong F&B Sales.

**Agri Business:** Trading opportunities in Wheat, Pulses, Oilseeds and Spices partly offset by pressure on legal cigarette industry volumes.

**Paperboards, Paper & Packaging:** Enriched mix, higher realisation and higher volumes – strong demand and capacity augmentation in Value added Paperboard and Décor segments

### Segment Results- Q2 FY18-19

FMCG-Others: Segment EBITDA at 159 cr. (+77%) driven by enhanced scale, mix enrichment, cost management initiatives; despite sustained brand building investments and gestation of new categories

Hotels: Margin expansion driven by higher room rates & operating leverage; gestation cost of ITC Kohenur and WH Coimbatore absorbed

Agri Business: Margin compression in leaf tobacco exports & lower export incentives.

Paperboards, Paper & Packaging: margin expansion driven by enriched mix, higher realisation, scale up of in-house pulp utilisation, improvement in pulp yield and benefits of cost competitive fibre chain

|         |   | (₹ crs) |         |         |
|---------|---|---------|---------|---------|
| Q1      |   | Q2      |         |         |
| 2018-19 |   | 2018-19 | 2017-18 | Goly(%) |
|         | <b>Segment Results</b>  |         |         |         |
| 3558    | a) FMCG - Cigarettes  | 3579    | 3292    | 8.7     |
| 50      | - Others  | 58      | 20      | 185.3   |
| 3609    | <b>Total FMCG</b>   | 3638    | 3312    | 9.8     |
| 13      | b) Hotels   | 16      | 4       | 267.0   |
| 195     | c) Agri Business  | 236     | 256     | (7.9)   |
| 296     | d) Paperboards, Paper & Packaging                               | 311     | 274     | 13.4    |
| 4112    | <b>Total</b>  | 4200    | 3847    | 9.2     |
| 7       | Less : i) Finance Cost  | 14      | 29      |         |
| (195)   | ii) Other un-allocable (income) net of un-allocable expenditure | (183)   | (127)   |         |
| 4300    | <b>Profit Before Tax</b>  | 4369    | 3944    | 10.8    |

### Q2FY19 (in Cr)

|                                       |       |
|---------------------------------------|-------|
| <b>Segment Capital Employed</b>       |       |
| a) FMCG - Cigarettes *                | 3847  |
| - Others                              | 6388  |
| <b>Total FMCG</b>                     | 10235 |
| b) Hotels                             | 5193  |
| c) Agri Business                      | 2373  |
| d) Paperboards, Paper & Packaging     | 6108  |
| <b>Total Segment Capital Employed</b> | 23909 |

### Capital Employed increased on account of

**FMCG-Others:** Capacity augmentation and business expansion

**Hotels:** Investments in new/upcoming Hotels

**Agri Business:** Higher working capital in-line with Agri Commodities business expansion

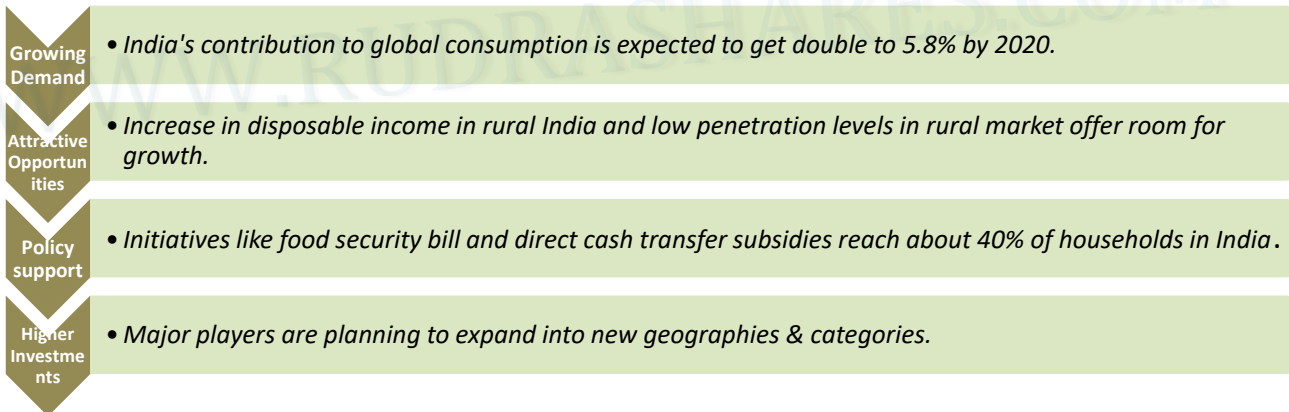
**Paperboards, Paper & Packaging:** Investment in Value Added Paperboard and Décor capacity augmentation

## INDUSTRY AT A GLANCE

India remains the fastest growing major economy in the world. The pace of GDP growth is expected to gather momentum in the medium term on the back of favorable global economic tailwinds, pick-up in Private Investment and implementation of key policy reforms.

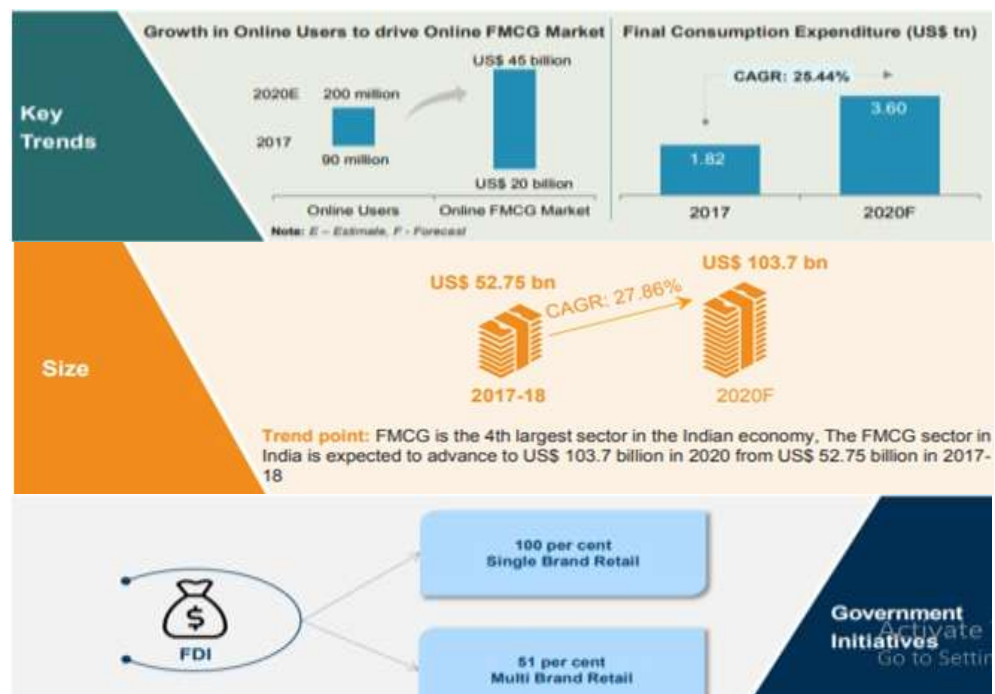
**Fast moving consumer goods (FMCG)** are the 4th largest sector in the Indian economy. The FMCG sector has grown from US\$ 31.6 billion in 2011 to US\$ 52.75 billion in 2017-18. The sector is further expected to grow at a Compound Annual Growth Rate (CAGR) of 27.86 per cent to reach US\$ 103.7 billion by 2020. The sector witnessed growth of 16.5 per cent in value terms between June–September 2018; supported by moderate inflation, increase in private consumption and rural income. It is forecasted to grow at 12-13 per cent between September– December 2018. Post GST and demonetisation, modern trade share grew to 10 per cent of the overall FMCG revenue, as of August 2018.

*Growing awareness, easier access, and changing lifestyles are the key growth drivers for the consumer market. The focus on agriculture, MSMEs, education, healthcare, infrastructure and employment under the Union Budget 2018-19 is expected to directly impact the FMCG sector. These initiatives are expected to increase the disposable income in the hands of the common people, especially in the rural area, which will be beneficial for the sector.*



## Infographic

### FMCG SECTOR





## COMPANY OVERVIEW

ITC is one of India's foremost multi-business enterprises and is rated among the World's Best Big Companies, Asia's 'Fab 50' and the World's Most Reputable Companies by Forbes magazine and as 'India's Most Admired Company' in a survey conducted by Fortune India magazine and Hay Group. ITC also features as one of world's largest sustainable value creator in the consumer goods industry. The Company is among India's '10 Most Valuable (Company) Brands'. Within a relatively short span of time, ITC has established vital brands like Aashirvaad, Sunfeast, Fabelle, Sunbean, Dark Fantasy, Mom's Magic Bingo!, Yippee!, Candyman, mint-o, Kitchens of India, Farmland, B Natural, ITC MasterChef in the Branded Foods space; Essenza Di Wills, Fiamma, Vivel, Engage, Savlon, Charmis, Shower to Shower and Superia in the Personal Care products segment; Classmate and Paperkraft in Education & Stationery products; Wills Lifestyle and John Players in the Lifestyle Apparel business; Mangaldeep in Agarbattis and Aim in the Safety Matches segment.

## Valuation Conclusion

ITC's cigarette business has stabilised recently after adverse impact of the GST implementation. With the government's impetus to boost rural incomes coupled with normal monsoons this year, we expect to witness a broad based recovery in volume growth.

Slight dip in profitability on account of stocks damaged due to floods in Kerala and costs relating to changeover to the new graphic health warnings on cigarette packs. However, Calamity cess of 1 percent limited to Kerala is significantly positive for the company as the street was expecting a Pan-India calamity cess at a higher rate.

Recently, a few of ITC's businesses have witnessed encouraging growth traction –volume growth in FMCG business, growth outlook in the hotel business and paper business and stabilization in the cigarette business. As the growth drivers are broadening, we are increasingly positive on the stock which is currently trading at a significant discount to the FMCG sector's peers.

**With EPS of FY20 Estimated at ₹ 11.03, we value ITC at a target of ₹ 332.**

| Quarterly Results (₹ in cr except per share) |                |                |                |                |                |  |
|--|----------------|----------------|----------------|----------------|----------------|--|
| Particulars                                  | LTM            | 201809         | 201806         | 201803         | 201712         |  |
| Net Sales                                    | 41597.7        | 10891.23       | 10554.66       | 10479.24       | 9672.57        |  |
| <b>EBITDA</b>                                | <b>18920.9</b> | <b>4710.09</b> | <b>4605.97</b> | <b>4660.51</b> | <b>4944.32</b> |  |
| Depreciation                                 | 1220.9         | 327.47         | 298.69         | 303.99         | 290.75         |  |
| Op Income                                    | 17700          | 4382.62        | 4307.28        | 4356.52        | 4653.57        |  |
| Misc.Inc (Exp.)                              | 2464.3         | 504.12         | 403.85         | 516.5          | 1039.82        |  |
| Interest Exp                                 | 68.1           | 13.5           | 7.34           | 23.24          | 24.02          |  |
| EBT  | 17631.9        | 4369.12        | 4299.94        | 4333.28        | 4629.55        |  |
| Taxes  | 5835.6         | 1414.45        | 1481.26        | 1400.57        | 1539.35        |  |
| <b>Net Inc(Reg)</b>                          | <b>11796.3</b> | <b>2954.67</b> | <b>2818.68</b> | <b>2932.71</b> | <b>3090.2</b>  |  |
| Extraord. Items                              | 275.6          | -              | -              | -              | 275.61         |  |
| <b>Rep Net Inc</b>                           | <b>11520.6</b> | 2954.67        | 2818.68        | 2932.71        | 2814.59        |  |
| <b>EPS</b>                                   | <b>9.7</b>     | <b>2.41</b>    | <b>2.31</b>    | <b>2.4</b>     | <b>2.53</b>    |  |
| <b>Adjusted EPS</b>                          | <b>9.4</b>     | 2.4            | 2.3            | 2.4            | 2.3            |  |

| Income Statement and Estimates (₹ in Cr except per share) |                 |                 |                 |                 |                 |                 |                 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Particulars   | 201503          | 201603          | 201703          | 201803          | 2019E           | 2020E           | 2021E           |
| Sales(net of excise)                                      | 38433.31        | 39192.10        | 42360.04        | 43122.90        | 45420.30        | 47236.23        | 49873.11        |
| Other operating Income                                    | 401.50          | -               | 416.57          | 326.04          | 391.25          | 473.41          | 572.83          |
| <b>Total Inc. from operations</b>                         | <b>38834.81</b> | <b>39192.10</b> | <b>42776.61</b> | <b>43448.94</b> | <b>45811.55</b> | <b>47709.64</b> | <b>50445.94</b> |
| <b>Operating EBITA</b>                                    | <b>13173.66</b> | <b>13373.45</b> | <b>14283.12</b> | <b>15246.68</b> | <b>16581.12</b> | <b>17663.90</b> | <b>19121.25</b> |

| Profit & Loss  |                 |                 |                 |                 |                 |                 |                 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b>Total Inc. from operations</b>                          | <b>38834.81</b> | <b>39192.10</b> | <b>42776.61</b> | <b>43448.94</b> | <b>45811.55</b> | <b>47709.64</b> | <b>50445.94</b> |
| <b>TOTAL EXPENDITURE</b>                                   | <b>24633.19</b> | <b>24741.25</b> | <b>27340.70</b> | <b>26965.98</b> | <b>27853.42</b> | <b>28554.22</b> | <b>29712.66</b> |
| EBITDA   | 14201.62        | 14450.85        | 15435.91        | 16482.96        | 17958.13        | 19155.42        | 20733.28        |
| Depreciation   | (1027.96)       | (1077.40)       | (1152.79)       | (1236.28)       | (1377.01)       | (1491.52)       | (1612.02)       |
| Rep. profit before othrinc., fin.cost,tax & excp. Item     | 13173.66        | 13373.45        | 14283.12        | 15246.68        | 16581.12        | 17663.90        | 19121.25        |
| Goodwill amortization                                      | -               | -               | -               | -               | -               | -               | -               |
| Rep. profit before othrinc., fin.cost,tax & excp. Item     | 13173.66        | 13373.45        | 14283.12        | 15246.68        | 16581.12        | 17663.90        | 19121.25        |
| OTHER INCOME   | 1256.51         | 1530.80         | 1761.53         | 2244.76         | 2495.25         | 2878.89         | 3616.51         |
| Profit from ordinary act. Before Fin.Cost ,TAX & Exp.Items | 14430.17        | 14904.25        | 16044.65        | 17491.44        | 19076.36        | 20542.79        | 22737.76        |

| Net financials                                   |                 |                 |                 |                 |                 |                 |                 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Interest income                                  | -               | -               | -               | -               | -               | -               | -               |
| Interest expenses                                | (68.12)         | (53.60)         | (24.30)         | (89.91)         | (68.42)         | (73.06)         | (75.45)         |
| <b>Net Financial Items</b>                       | <b>(68.12)</b>  | <b>(53.60)</b>  | <b>(24.30)</b>  | <b>(89.91)</b>  | <b>(68.42)</b>  | <b>(73.06)</b>  | <b>(75.45)</b>  |
| <b>Reported Pre-tax profit</b>                   | <b>14362.05</b> | <b>14850.65</b> | <b>16020.35</b> | <b>17401.53</b> | <b>19007.94</b> | <b>20469.73</b> | <b>22662.31</b> |
| Reported Tax charge                              | (4596.42)       | (5358.21)       | (5549.09)       | (5916.43)       | (6462.70)       | (6959.71)       | (7705.18)       |
| <b>Reported Net profit</b>                       | <b>9765.63</b>  | <b>9492.44</b>  | <b>10471.26</b> | <b>11485.10</b> | <b>12545.24</b> | <b>13510.02</b> | <b>14957.12</b> |
| Minorities                                       | 115.35          | 156.41          | -               | -               | -               | -               | -               |
| P/L OF ASSOCIATE CO.                             | 12.89           | 8.42            | 5.97            | 7.58            | -               | -               | -               |
| Rep. NP after min. Int.                          | 9663.17         | 9344.45         | 10477.23        | 11492.68        | 12545.24        | 13510.02        | 14957.12        |
| Extra Ordinary income                            | -               | -               | -               | 272.52          | -               | -               | -               |
| <b>Rep.Net Income after extra ordinary items</b> | <b>9663.17</b>  | <b>9344.45</b>  | <b>10477.23</b> | <b>11220.16</b> | <b>12545.24</b> | <b>13510.02</b> | <b>14957.12</b> |

| EPS and Dividend    |              |              |             |             |              |              |              |
|---------------------|--------------|--------------|-------------|-------------|--------------|--------------|--------------|
| Dividend Paid       | (4809.30)    | (7242.48)    | (6073.70)   | (6102.15)   | (6122.08)    | (6120.04)    | (6132.42)    |
| Retained earnings   | 4853.87      | 2101.97      | 4403.53     | 5118.01     | 6423.16      | 7389.98      | 8824.70      |
| <b>Reported EPS</b> | <b>12.06</b> | <b>11.61</b> | <b>8.63</b> | <b>9.42</b> | <b>10.24</b> | <b>11.03</b> | <b>12.21</b> |
| DPS                 | 6.00         | 9.00         | 5.00        | 5.00        | 5.00         | 5.00         | 5.00         |

| Number Of Shares               |               |               |                |                |                |                |                |
|--------------------------------|---------------|---------------|----------------|----------------|----------------|----------------|----------------|
| <b>Opening Balance</b>         | <b>801.55</b> | <b>801.55</b> | <b>804.72</b>  | <b>1214.74</b> | <b>1220.43</b> | <b>1224.69</b> | <b>1224.69</b> |
| Issued                         | -             | 3.17          | 410.02         | 5.69           | 4.26           | -              | -              |
| Bought Back                    | -             | -             | -              | -              | -              | -              | -              |
| <b>Closing Balance</b>         | <b>801.55</b> | <b>804.72</b> | <b>1214.74</b> | <b>1220.43</b> | <b>1224.69</b> | <b>1224.69</b> | <b>1224.69</b> |
| FV                             | 1.00          | 1.00          | 1.00           | 1.00           | 1.00           | 1.00           | 1.00           |
| <b>Wtd. Avg. no. of shares</b> | <b>801.55</b> | <b>804.72</b> | <b>1214.74</b> | <b>1220.43</b> | <b>1224.69</b> | <b>1224.69</b> | <b>1224.69</b> |

Note:- The figures shown in the brackets means NEGATIVE.

| BALANCE SHEET                   |                 |                 |                 |                 |                 |                 |                 |
|---------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Particulars                     | 201503          | 201603          | 201703          | 201803          | 2019E           | 2020E           | 2021E           |
| <b>Equity &amp; Liabilities</b> |                 |                 |                 |                 |                 |                 |                 |
| <b>Shareholders' Fund</b>       |                 |                 |                 |                 |                 |                 |                 |
| Share Capital                   | 801.55          | 804.72          | 1214.74         | 1220.43         | 1224.69         | 1224.69         | 1224.69         |
| Reserves and Surplus            | 30933.94        | 41874.80        | 45198.19        | 51289.68        | 57712.84        | 65102.83        | 73927.53        |
| Minority Interests              | 225.11          | 260.90          | 294.74          | 334.47          | 334.47          | 334.47          | 334.47          |
| <b>Total Shareholders' Fund</b> | <b>31960.60</b> | <b>42940.42</b> | <b>46707.67</b> | <b>52844.58</b> | <b>59272.00</b> | <b>66661.99</b> | <b>75486.69</b> |
| <b>Non-Current Liabilities</b>  |                 |                 |                 |                 |                 |                 |                 |
| Long-term Borrowings            | 60.68           | 26.66           | 18.40           | 11.50           | 10.36           | 9.80            | 8.10            |
| Other LT Liabilities            | 42.67           | 50.92           | 59.00           | 109.98          | 81.23           | 92.48           | 101.56          |
| Deferred Tax Liability          | 1642.77         | 1880.00         | 1878.77         | 1923.02         | 2019.17         | 2120.13         | 2226.14         |
| Long term Provisions            | 124.16          | 135.42          | 158.42          | 149.63          | 164.59          | 181.05          | 199.16          |
| <b>Total Non-Current Liab.</b>  | <b>1870.28</b>  | <b>2093.00</b>  | <b>2114.59</b>  | <b>2194.13</b>  | <b>2275.35</b>  | <b>2403.46</b>  | <b>2534.95</b>  |
| <b>Current Liabilities</b>      |                 |                 |                 |                 |                 |                 |                 |
| Short term Borrowings           | 195.39          | 43.95           | 19.11           | 17.35           | 16.10           | 14.98           | 13.10           |
| Trade Payables                  | 2020.47         | 2339.29         | 2659.33         | 3496.18         | 3664.92         | 3721.35         | 4035.67         |
| Other current liability         | 3782.04         | 4203.82         | 4381.41         | 5672.82         | 5818.07         | 6011.41         | 6356.19         |
| Short term Provisions           | 6162.01         | 71.40           | 61.16           | 63.80           | 70.18           | 77.20           | 84.92           |
| <b>Total current Liab.</b>      | <b>12159.91</b> | <b>6658.46</b>  | <b>7121.01</b>  | <b>9250.15</b>  | <b>9569.27</b>  | <b>9824.94</b>  | <b>10489.88</b> |
| <b>Total Equity &amp; Liab.</b> | <b>45990.79</b> | <b>51691.88</b> | <b>55943.27</b> | <b>64288.86</b> | <b>71116.63</b> | <b>78890.39</b> | <b>88511.52</b> |
| <b>Assets</b>                   |                 |                 |                 |                 |                 |                 |                 |
| <b>Non-Current Assets</b>       |                 |                 |                 |                 |                 |                 |                 |
| <b>Fixed Assets</b>             |                 |                 |                 |                 |                 |                 |                 |
| Tangible fixed Assets           | 17771.51        | 17463.82        | 19420.84        | 21829.76        | 23659.56        | 25626.99        | 27697.52        |
| G/W On Consolidation            | 231.97          | 202.53          | 202.53          | 202.53          | 202.53          | 202.53          | 202.53          |
| Non-current Investment          | 807.68          | 5125.81         | 6693.99         | 11483.79        | 11937.76        | 13001.05        | 16058.65        |
| Long term L&A                   | 1565.47         | 12.96           | 8.54            | 9.69            | 10.23           | 10.81           | 11.41           |
| Other Non current Ass.          | 1.24            | 3983.72         | 3303.32         | 4321.49         | 5301.42         | 5865.46         | 6456.97         |
| Deferred tax receiv.            | 38.57           | 40.54           | 44.95           | 47.98           | 52.78           | 58.06           | 63.86           |
| <b>Total Non-Current Ass.</b>   | <b>20416.44</b> | <b>26829.38</b> | <b>29674.17</b> | <b>37895.24</b> | <b>41164.28</b> | <b>44764.89</b> | <b>50490.94</b> |
| <b>Current Assets</b>           |                 |                 |                 |                 |                 |                 |                 |
| Current Investments             | 6135.09         | 6621.78         | 10887.39        | 10569.07        | 10867.90        | 12797.36        | 13452.02        |
| Inventories                     | 8586.87         | 9062.10         | 8116.10         | 7495.09         | 9162.31         | 9589.64         | 10089.19        |
| Trade Receivables               | 1982.07         | 1917.18         | 2474.29         | 2682.28         | 3710.74         | 4389.29         | 5095.04         |
| Cash & cash Equi.               | 7896.22         | 6063.30         | 2967.40         | 2899.60         | 3366.04         | 4339.14         | 6202.33         |
| Short Term L&A                  | 568.67          | 8.07            | 6.78            | 5.84            | 5.05            | 4.36            | 3.92            |
| Other current Assets            | 405.43          | 1190.07         | 1817.14         | 2741.74         | 2840.32         | 3005.71         | 3178.09         |
| <b>Total current Assets</b>     | <b>25574.35</b> | <b>24862.50</b> | <b>26269.10</b> | <b>26393.62</b> | <b>29952.35</b> | <b>34125.49</b> | <b>38020.59</b> |
| <b>Total Assets</b>             | <b>45990.79</b> | <b>51691.88</b> | <b>55943.27</b> | <b>64288.86</b> | <b>71116.63</b> | <b>78890.39</b> | <b>88511.52</b> |

|                                  |                  |                  |                  |                  |                  |                  |                  |
|----------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Cash & cash equivalents          | 7896.22          | 6063.3           | 2967.4           | 2899.6           | 3366.04          | 4339.14          | 6202.33          |
| Other int. bearing assets        | 6942.77          | 11747.59         | 17581.38         | 22052.86         | 22805.67         | 25798.42         | 29510.67         |
| Interest-bearing debt            | 4038.11          | 4274.43          | 4418.92          | 5701.67          | 5844.53          | 6036.19          | 6377.39          |
| <b>Net interest-bearing debt</b> | <b>(10800.9)</b> | <b>(13536.5)</b> | <b>(16129.9)</b> | <b>(19250.8)</b> | <b>(20327.2)</b> | <b>(24101.4)</b> | <b>(29335.6)</b> |
| <b>Net gearing (%)</b>           | <b>-33.79%</b>   | <b>-31.52%</b>   | <b>-34.53%</b>   | <b>-36.43%</b>   | <b>-34.29%</b>   | <b>-36.15%</b>   | <b>-38.86%</b>   |

| Investments            |                  |                  |                  |                  |                  |                  |                  |
|------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| <b>Tangible assets</b> |                  |                  |                  |                  |                  |                  |                  |
| Gross capex            | (3300.06)        | (2347.68)        | (3121.61)        | (2878.20)        | (3206.81)        | (3458.95)        | (3682.55)        |
| Sale of fixed assets   | 8.73             | 7.53             | 50.07            | 79.72            | -                | -                | -                |
| <b>Net capex</b>       | <b>(3291.33)</b> | <b>(2340.15)</b> | <b>(3071.54)</b> | <b>(2798.48)</b> | <b>(3206.81)</b> | <b>(3458.95)</b> | <b>(3682.55)</b> |
| Depreciation tangibles | (1027.96)        | (1077.40)        | (1152.79)        | (1236.28)        | (1377.01)        | (1491.52)        | (1612.02)        |

**Note:-** The figures shown in the brackets means **NEGATIVE**.

| CASH FLOW ANALYSIS           |                  |                  |                  |                  |                  |                  |                  |
|------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Particulars                  | 201503           | 201603           | 201703           | 201803           | 2019E            | 2020E            | 2021E            |
| <b>EBIT</b>                  | <b>14430.2</b>   | <b>14904.25</b>  | <b>16044.65</b>  | <b>17491.44</b>  | <b>19076.36</b>  | <b>20542.79</b>  | <b>22737.76</b>  |
| Depreciation                 | 1027.96          | 1077.40          | 1152.79          | 1236.28          | 1377.01          | 1491.52          | 1612.02          |
| <b>Dep.(ex goodwill)</b>     | <b>1027.96</b>   | <b>1077.40</b>   | <b>1152.79</b>   | <b>1236.28</b>   | <b>1377.01</b>   | <b>1491.52</b>   | <b>1612.02</b>   |
| Mov.in Inventories           | (504.78)         | (692.53)         | 592.55           | 601.62           | (1667.22)        | (427.33)         | (499.55)         |
| Mov. in Debtors              | 558.50           | (206.61)         | (869.55)         | (963.73)         | (1028.46)        | (678.55)         | (705.75)         |
| Mov. in Creditors            | (22.51)          | 622.16           | 321.38           | 2098.49          | 168.74           | 56.43            | 314.32           |
| Movement in L&A              | -                | -                | -                | -                | -                | -                | -                |
| Other W.C Inc./dec.          | (1049.72)        | (547.42)         | (1065.42)        | (1378.27)        | -                | -                | -                |
| Change in W.C                | (1018.51)        | (824.40)         | (1021.04)        | 358.11           | (2526.93)        | (1049.45)        | (890.98)         |
| Tax paid                     | (4596.42)        | (5358.21)        | (5549.09)        | (5916.43)        | (6462.70)        | (6959.71)        | (7705.18)        |
| <b>Operating Cash Flow</b>   | <b>9843.20</b>   | <b>9799.04</b>   | <b>10627.31</b>  | <b>13169.40</b>  | <b>11463.74</b>  | <b>14025.15</b>  | <b>15753.62</b>  |
| Net interest                 | (68.12)          | (53.60)          | (24.30)          | (89.91)          | (68.42)          | (73.06)          | (75.45)          |
| <b>Cash Earnings</b>         | <b>9775.08</b>   | <b>9745.44</b>   | <b>10603.01</b>  | <b>13079.49</b>  | <b>11395.32</b>  | <b>13952.09</b>  | <b>15678.17</b>  |
| Gross CapEx                  | (3300.06)        | (2347.68)        | (3121.61)        | (2878.20)        | (3206.81)        | (3458.95)        | (3682.55)        |
| Sale of fixed assets         | 8.73             | 7.53             | 50.07            | 79.72            | -                | -                | -                |
| <b>Net CapEx</b>             | <b>(3291.33)</b> | <b>(2340.15)</b> | <b>(3071.54)</b> | <b>(2798.48)</b> | <b>(3206.81)</b> | <b>(3458.95)</b> | <b>(3682.55)</b> |
| <b>Free CF pre div.</b>      | <b>6483.75</b>   | <b>7405.29</b>   | <b>7531.47</b>   | <b>10281.01</b>  | <b>8188.51</b>   | <b>10493.14</b>  | <b>11995.62</b>  |
| Dividend                     | (4809.30)        | (7242.48)        | (6073.70)        | (6102.15)        | (6122.08)        | (6120.04)        | (6132.42)        |
| <b>Free CF post Dividend</b> | <b>1674.45</b>   | <b>162.81</b>    | <b>1457.77</b>   | <b>4178.86</b>   | <b>2066.44</b>   | <b>4373.10</b>   | <b>5863.20</b>   |
| Net acqui./disposals         | -                | -                | -                | -                | -                | -                | -                |
| <b>Net cash flow</b>         | <b>1674.45</b>   | <b>162.81</b>    | <b>1457.77</b>   | <b>4178.86</b>   | <b>2066.44</b>   | <b>4373.10</b>   | <b>5863.20</b>   |

| RATIO ANALYSIS            |        |              |              |              |              |              |              |
|---------------------------|--------|--------------|--------------|--------------|--------------|--------------|--------------|
| Particulars               | 201503 | 201603       | 201703       | 201803       | 2019E        | 2020E        | 2021E        |
| Return on assets          | -      | 19.13%       | 19.47%       | 18.66%       | 18.53%       | 18.01%       | 17.87%       |
| Return on equity          | -      | 24.95%       | 23.37%       | 22.54%       | 22.38%       | 21.46%       | 21.04%       |
| ROCE                      | -      | 32.29%       | 29.13%       | 28.19%       | 27.39%       | 26.11%       | 25.16%       |
| EBIT Margin               | -      | 38.03%       | 37.51%       | 40.26%       | 41.64%       | 43.06%       | 45.07%       |
| Pre tax margin            | -      | 37.89%       | 37.45%       | 40.05%       | 41.49%       | 42.90%       | 44.92%       |
| Net Profit Margin         | -      | 23.84%       | 24.49%       | 25.82%       | 27.38%       | 28.32%       | 29.65%       |
| Total asset turnover      | -      | 0.80         | 0.79         | 0.72         | 0.68         | 0.64         | 0.60         |
| Fixed asset turnover      | -      | 2.22         | 2.32         | 2.11         | 2.01         | 1.94         | 1.89         |
| Equity turnover           | -      | 1.05         | 0.95         | 0.87         | 0.82         | 0.76         | 0.71         |
| Current Ratio             | -      | 3.73         | 3.69         | 2.85         | 3.13         | 3.47         | 3.62         |
| Quick Ratio               | -      | 2.37         | 2.55         | 2.04         | 2.17         | 2.50         | 2.66         |
| Cash Ratio                | -      | 0.91         | 0.42         | 0.31         | 0.35         | 0.44         | 0.59         |
| Receivable Days           | -      | 18.16        | 18.74        | 21.66        | 25.47        | 30.98        | 34.31        |
| Inventory Days            | -      | 82.18        | 73.29        | 65.57        | 66.36        | 71.73        | 71.19        |
| Payable Days              | -      | 20.06        | 21.81        | 26.23        | 27.53        | 28.00        | 27.79        |
| Conversion Cycle (Days)   | -      | <b>80.28</b> | <b>70.22</b> | <b>61.00</b> | <b>64.30</b> | <b>74.71</b> | <b>77.72</b> |
| Financial Leverage Effect | -      | 1.55         | 1.47         | 1.47         | 1.43         | 1.42         | 1.39         |
| Debt to Capital           | -      | 0.09         | 0.09         | 0.10         | 0.09         | 0.08         | 0.08         |
| Debt to Equity            | -      | 0.10         | 0.09         | 0.11         | 0.10         | 0.09         | 0.08         |

**Note:-** The figures shown in the brackets means **NEGATIVE**.



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