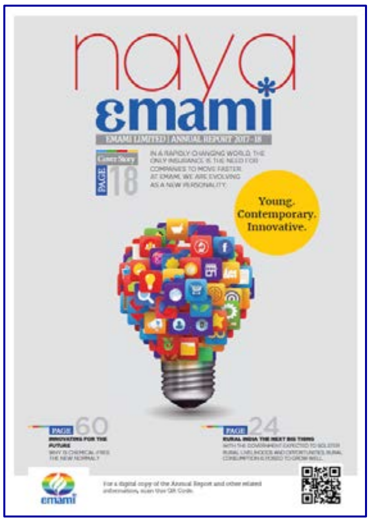
Emami

BSE SENSEX	S&P CNX
36,324	10,937



Stock Info

Bloomberg	HMN IN
Equity Shares (m)	454
M.Cap.(INRb)/(USDb)	238.4 / 3.5
52-Week Range (INR)	714 / 499
1, 6, 12 Rel. Per (%)	-7/-22/-16
12M Avg Val (INR M)	196
Free float (%)	27.3

Financials Snapshot (INR b)

Y/E Mar	2018	2019E	2020E
Net Sales	25.3	29.9	34.5
EBITDA	7.2	9.0	10.5
PAT	5.5	6.7	8.1
EPS (INR)	12.1	14.8	17.8
Gr. (%)	-8.5	22.0	20.1
BV/Sh (INR)	44.4	51.5	56.3
RoE (%)	29.2	30.9	33.0
RoCE (%)	28.2	34.6	39.0
P/E (x)	43.3	35.5	29.5
P/BV (x)	11.8	10.2	9.3

Shareholding pattern (%)

As On	Jun-18	Mar-18	Jun-17
Promoter	72.7	72.7	72.7
DII	6.1	5.5	3.5
FII	12.1	13.1	14.9
Others	9.1	8.7	8.9

FII Includes depository receipts

CMP: INR525 TP: INR690 (+31%) Buy

Transforming itself for the better

Credible long-term play, available at reasonable valuations

Key takeaways from Emami's (HMN) FY18 annual report:

- **HMN is transforming itself to stay ahead of industry with a continuing high focus on innovation and advertisements. Increased emphasis on data analytics – an area where it had lagged peers previously – is a welcome move. 'Naya Emami' seems to be the rallying cry.**
- **The company continues being aggressive on rural expansion. HMN has doubled its reach to villages with population less than 5000 people to ~25,000 in just one year. This enhances the growth prospects of its largely underpenetrated category portfolio where it has dominant brands. New launches (nine in FY18) and sustained high adspend (up 80bp YoY over already high levels) also boost HMN's growth prospects.**
- **Direct reach expansion (0.21m outlets added in about two years; 0.13m in FY18 alone) is reducing the dependence on wholesale trade. This augurs well from a longer-term perspective, as wholesale trade is at times uncertain and susceptible to disruptive events.**

The stock has been an underperformer over the past two years, which is not surprising, as absolute PAT declined by 4% over this period compared to 18% CAGR over the preceding five years. Earnings recovery will also be gradual, as HMN is likely to witness the impact of weak summer sales on its talcum powder and cooling oils businesses in 1QFY19. Nevertheless, we remain convinced about HMN's strong medium- to long-term revenue and earnings growth prospects as ongoing distribution expansion, continued high pace of innovation, problem-solving nature of its products, high advertisements, and importantly a normalized environment (unlike FY17 and FY18) lead to resumption of strong revenue growth both in the core portfolio and new launches. At 29.5x FY20E EPS, HMN is inexpensive relative to peers, particularly given its healthy long-term earnings growth opportunity and mid-30s return ratios. Our target price of INR690 implies an upside of 31%. Maintain Buy.

HMN's FY18 annual report also revealed commendable efforts undertaken to drive growth

- **Naya Emami:** In addition to reiterating its strategy to strengthen its core business and enhance its market reach, HMN, in its FY18 annual report, highlighted how it is transforming itself to adapt to the changing environment (implementation of GST, digitalization wave, changing technology, etc.). It is investing in technology, employing data mining extensively, and firming retail connect to capitalize on the growth opportunities. HMN is also investing in advanced analytics to mine data and take informed decisions, mapping customer journeys, accessing real-time data on market conditions, and using social media for enhancing consumer engagement.

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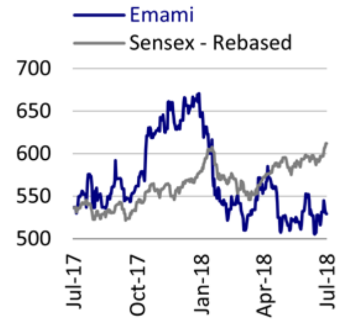
Stock Performance (1-year)



- **Continued focus on core brands and new launches**: HMN derives ~80% of its sales from categories where it is the market leader. These categories enjoy success and promise sustainability of longer-term growth, as they are problem-solving products with low penetration and/or room for distribution expansion. Along with high investments in advertisement and promotion (A&P), it will focus on brand extension and cutting-edge packaging technology to increase the relevance of its products. Investments behind new launches (nine new launches in FY18) increased 5.5x to INR627m, accounting for 13.4% of overall A&P cost in FY18. Overall A&P expense increased 6.1% from INR4.43b in FY17 to INR4.7b in FY18 (up 80bp to 18.6% of sales).
- **Ramping-up and improving distribution:** With 50% of HMN's sales coming through the wholesale channel two years ago, demonetization and GST significantly impacted growth, as the wholesale channel destocked significantly. HMN, thus, decided to increase its direct reach, especially in urban towns through the 'Project Race'. Notably, even when HMN struggled to grow sales in the past two years, it continued investing in direct reach as planned, adding 0.21m outlets over the last two years to 0.85m outlets (0.12m outlets added in FY18 alone). Consequently, the dependence on the wholesale channel reduced to 38% of domestic revenue. In FY17, HMN also initiated the 'Project Dhanush.' With these efforts, it is now present in more than 25,000 villages (doubling the reach of 12,000 villages in FY17) with population of <5,000.

- **Other interesting pointers from the annual report**
  - In FY18, HMN acquired a strategic stake in the online male grooming startup Helios Lifestyle (brand 'The Man Company') and the professional personal care company Brillare Science Pvt. Ltd.
  - Non-current investments grew 97% in FY18, mainly due to the acquisition of the aforementioned companies.
  - Average inventory days increased to 27 days in FY18 from 24 days in FY17. Average debtor days increased from 17 days in FY17 to 18 days in FY18, while absolute trade receivables increased to INR1.6b from INR970m over the same period. HMN attributed this increase to the growing international business volumes. Net working capital days increased by 5 days YoY to 14 days in FY18.

Valuation and view

- It is pertinent to note that before facing the impact from demonetization- and GST-led disruption, HMN was the strongest performer among domestic businesses up to 1HFY17. Rural has already recovered and wholesale is gradually coming back to normalcy. We remain convinced about the strong medium- to long-term revenue and earnings growth prospects of HMN as ongoing distribution expansion, continued high pace of innovation, problem-solving nature of its products, high advertisements, and importantly a normalized environment (unlike FY17 and FY18) lead to resumption of strong revenue growth both in the core portfolio and new launches.
- At 29.5x FY20E EPS, HMN is inexpensive relative to peers, particularly given its healthy long-term earnings growth opportunity and mid-30s return ratios. Our target price of INR690 implies an upside of 31%. Maintain **Buy**.

"We believe that most consumer segments we are present in are underpenetrated, offering substantial room for growth"

RS Agarwal

"The big message is that Emami is virtually reinventing itself across every dimension to accelerate its growth momentum"

RS Goenka

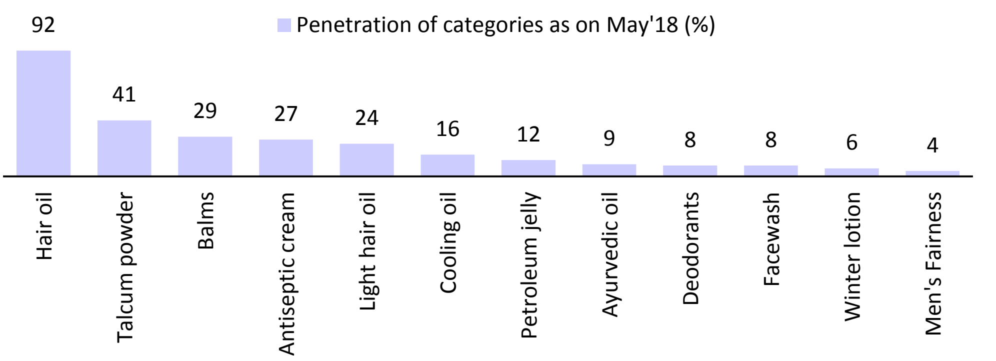
'Naya Emami' – HMN is transforming

- In addition to reiterating its strategy to strengthen its core business and enhance its market reach, HMN, in its FY18 annual report, highlighted how it is transforming itself to adapt to the changing environment (implementation of GST, digitalization wave, changing technology, etc.). It is investing in technology, employing data mining extensively, and firming retail connect to capitalize on the growth opportunities.

Core brands remain active revenue generators; investments behind new launches continue

- HMN derives ~80% of its sales from categories where it is the market leader. These categories enjoy success and promise sustainability of longer-term growth, as they encompass problem-solving products with low penetration and/or room for distribution expansion. The company has seven power brands, all of which have clocked sales of at least INR1b. Being a dominant player in its leading categories, HMN is at the forefront to drive category growth even after being in the business for many years.
- Along with a strong focus on A&P, HMN will look to emphasize on brand extensions and cutting-edge packaging technology to increase product relevance.
- Investments behind new launches (nine new launches in FY18) increased 5.5x to INR627m, accounting for 13.4% of overall A&P cost in FY18. Overall A&P expenses increased 6.1% from INR4.43b in FY17 to INR4.7b in FY18 (up 80bp to 18.6% of sales).
- In FY18, HMN also acquired a strategic stake in the online male grooming startup Helios Lifestyle (brand 'The Man Company') and the professional personal care company Brillare Science Pvt. Ltd.

Exhibit 1: Penetration levels remain low for HMN's categories

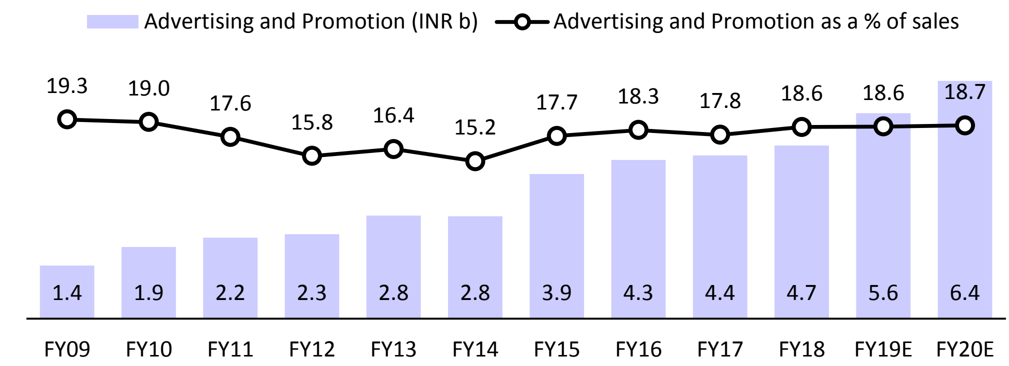


Source: Company, MOSL

Exhibit 2: New launches in FY18

Source: Company, MOSL

Exhibit 3: Adspend trend over the years



Source: Company, MOSL

Exhibit 4: Helios Lifestyle – "The Man Company"

Source: Company, MOSL

Exhibit 5: Brillare Science Pvt. Ltd.

Source: Company, MOSL

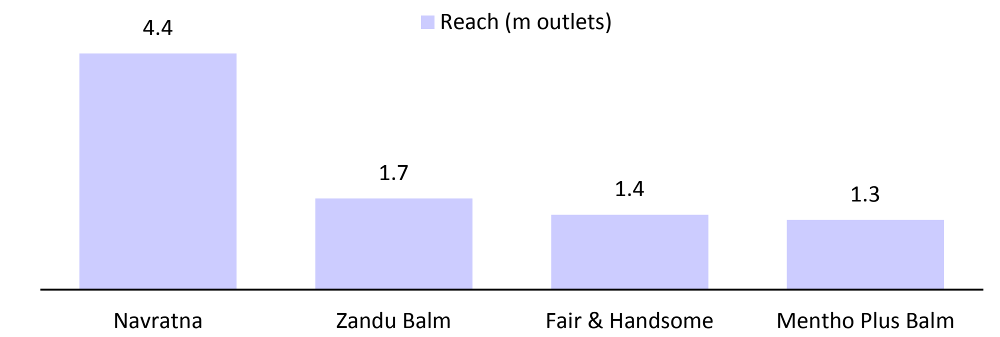
Strategy to revive Kesh King

- Kesh King and Pancharistha encountered a very bad phase in FY18 as they are highly wholesale dependent products. There seems to be some revival in Kesh King in 4QFY18 and is expected to better in FY19 led by change in strategy by Emami. Company has initiated launched focused promotions for both the wholesale driven brands. They have now strengthened the formulations, set an attractive pricing and are engaging consumers in a 360 degree marketing campaign. Along with key portfolio brands Navratna and Boro Plus, company is taking Kesh King to rural consumers through BTL activities in trade fairs and festivals. Apart from domestic, it is also rolling out Kesh King in other geographies like Bangladesh and test-marketed in Nepal and UAE, among others.

Adding new avenues of growth; higher focus on rural

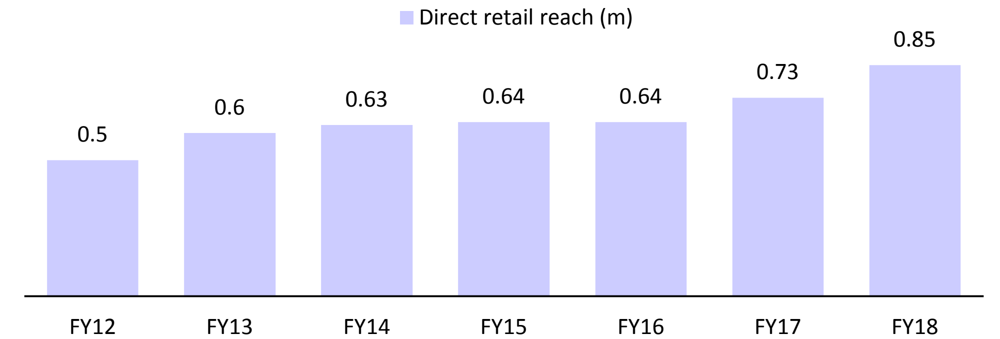
- HMN had more than 50% of sales coming through the wholesale channel two years ago. This resulted in a significant impact on growth, first during demonetization and then pre and post GST implementation, as the wholesale channel destocked significantly. HMN, thus, decided to increase its direct reach, especially in urban towns, through the 'Project Race'.
- Notably, even when HMN struggled to grow (in FY17 and FY18 when reported sales grew just 5.5% and 1.7%, respectively), it continued investing in sales infrastructure as planned, adding 0.21m outlets over the last two years (0.12m outlets in FY18 alone) . Consequently, the dependence on the wholesale channel reduced to 38% of domestic revenue. The company now has a direct reach of 0.85m outlets, up from 0.73m in FY17, but still well below that of peers and also weak in terms of proportion of total outlets.
- HMN also initiated the 'Project Dhanush' to enhance its rural direct reach (towns with population of below 5,000) via van operations. At end-FY18, it expanded the direct rural reach further by introducing ~250 vans to ply across >3,000 routes. With these efforts, it is now present in more than 25,000 villages (doubling the reach of 12,000 villages in FY17) with population of <5,000.
- It also sharpened its focus on newer channels of distribution (modern trade and e-com). Contribution of modern trade channels increased from 4% of revenues in FY17 to 6% in FY18, led by organic growth and also via partnerships with key modern trade accounts to create joint business plans to drive sales.
- HMN increased its salesforce by ~500 to improve its direct coverage. It also rolled out SAP-enabled handheld devices to enhance execution at point of sales (POS).

Exhibit 6: Reach of some of the key brands for HMN still remain low



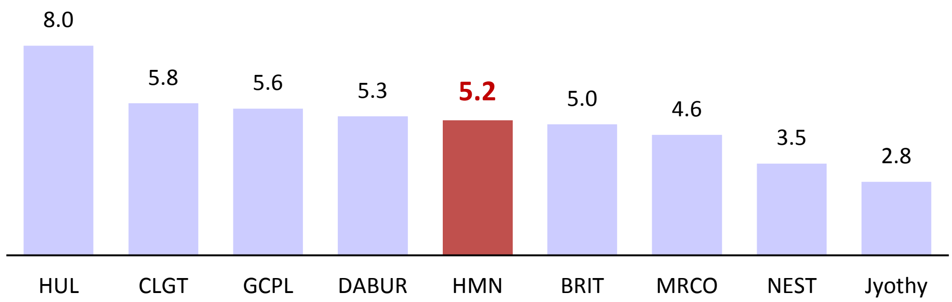
Source: Company, MOSL

Exhibit 7: Direct reach – Added 0.21m outlets over last two years



Source: Company, MOSL

Exhibit 8: Reach comparison to peers



Source: Company, MOSL

Investing for future

- HMN is also spending on technology to stay relevant in this modern age.
- According to the FY18 annual report, HMN is investing in advanced analytics to mine data and take informed decisions, mapping customer journeys, accessing real-time data on market conditions, and using social media for enhancing consumer engagement.
- To cater to growing demand for personal and healthcare products in the domestic markets, HMN commenced commercial operations at the new fully automated unit in Pacharia, Assam in FY18. The unit was commissioned with an investment of INR3b and has secured 10 years of fiscal benefits. It also commissioned a third-party manufacturing unit in Sri Lanka to market products like *BoroPlus* and *Navratna*.
- HMN also spends more on R&D than most FMCG companies in India; it incurred INR232m (0.98% of sales) in FY18 v/s INR231m (0.99% of sales) in FY17.

Exhibit 9: HMN's plant locations

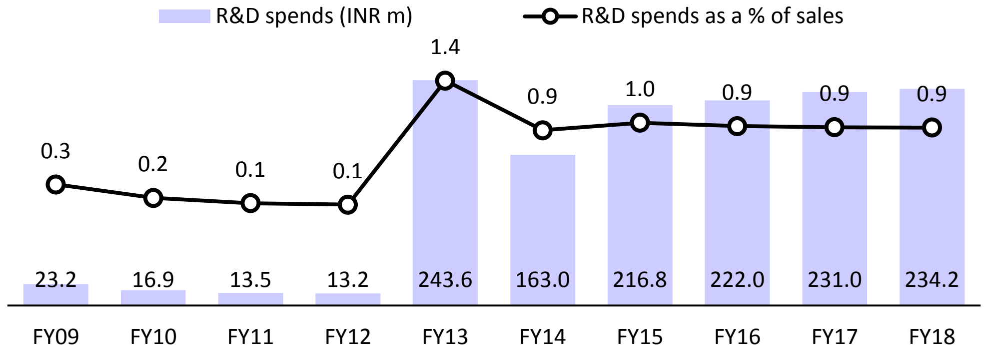
Plant (#)	Locations
1	West Bengal
2	Assam (Amingaon Plant)
3	Assam (Abhoypur Plant)
4	Assam (Pacharia Plant)
5	Maharashtra
6	Gujarat
7	Uttarakhand
8	Dadra & Nagar Haveli
9	Bangladesh (Gazipur Plant)
10	Srilanka (Third Party Plant)

Source: Company, MOSL

Exhibit 10: Newly commenced fully automated unit in Pacharia, Assam

Source: Company, MOSL

Exhibit 11: R&D spend by HMN remains high

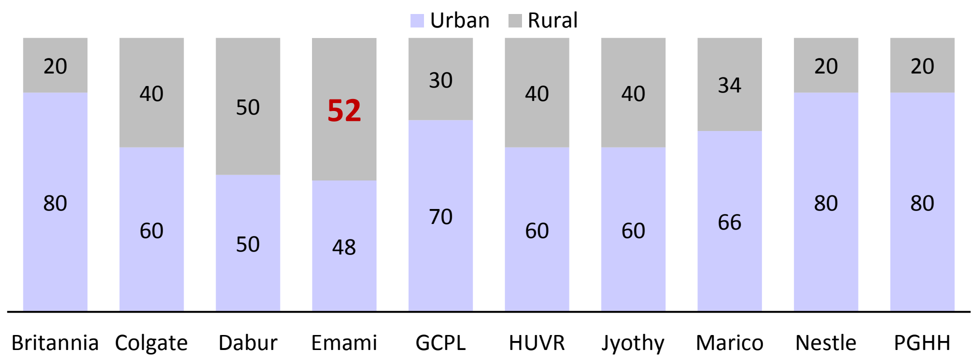


Source: Company, MOSL

Banking on rural for the big push

- We had highlighted in our recently **released note** that all consumer companies under our coverage with a rural reach of over 30% have reported higher rural than urban growth in the past three quarters. The rural growth story is expected to strengthen even further in FY19, supported by factors mentioned earlier.
- HMN has been taking steps, especially over the last few years, to increase its rural reach. It believes that rural consumption is poised to grow over the next few years, led by a number of government initiatives like direct benefit transfer (into the bank accounts of beneficiaries), higher daily wage rates, loan waivers, higher minimum support prices (MSP) and increased budgetary allocation to rural.
- Among the listed consumer peers, HMN continues to have the highest share of domestic revenues from rural India at ~52%. Over the years, HMN has built a robust rural network (~0.4m direct rural outlets) with a product mix relevant for the rural consumer (problem solving over discretionary), right price (introduced smaller SKUs of core brands) and targeted below-the-line (BTL) activations.

Exhibit 12: Rural sales mix compared to peers



Source: Company, MOSL

Domestic business performance (85% of sales)

- In FY18, ***BoroPlus*** sales increased 15%, with antiseptic cream (17% growth) maintaining leadership with a market share of 74.4%.
- **Pain management** sales grew 9%, with balms (*Zandu* & *Mentho Plus*) maintaining leadership with a market share of 53.3%.
- ***Navratna*** sales grew 5%, with the cool oil portfolio increasing its market share during the year by 190bp to 53.8%.
- **Male grooming** sales grew 3%, with *Fair and Handsome* cream gaining market share by 110bp to 65.7% during the year. *Fair and Handsome* face wash also grew ahead of the market, with the share increasing by 230bp to 15.9%.
- ***Kesh King*** range sales declined ~14% in FY18 due to challenges in the wholesales channel. *Kesh King* Ayurvedic medicinal oil maintained its market leadership in the segment with a 27.9% share.
- Within the **Healthcare range**, *Chyawanprash* range sales grew 43%, while *Nityam* range sales rose 11% in FY18. *Pancharishta*, a wholesale driven brand, faced challenges in FY18.

Exhibit 13: Category performance table

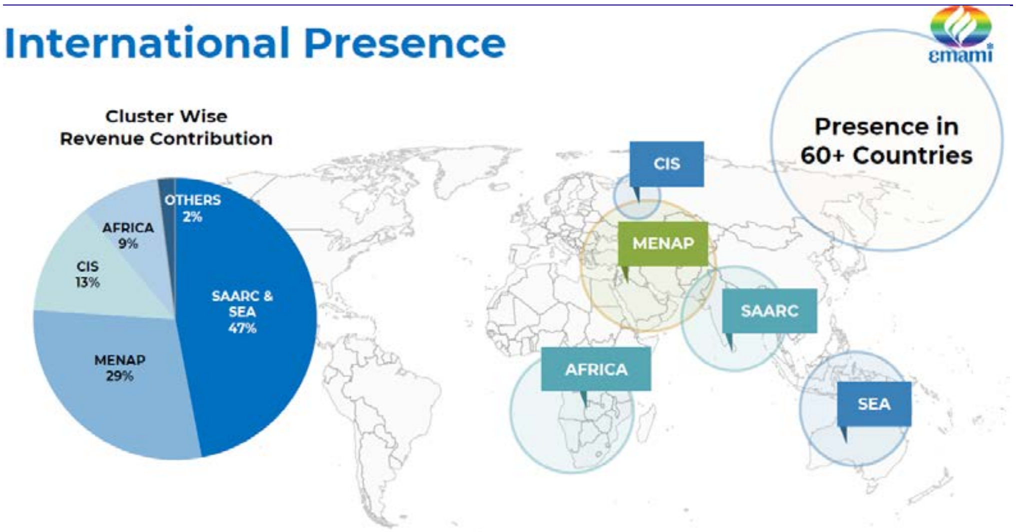
Brand/category	Product portfolio	Growth in FY18
Navratna	Navratna Cool Oil	5%
	Navratna Extra Thanda Cool Oil	
	Navratna Almond Cool Oil	
	Navratna Cool Talc	
	Navratna i-Cool Talc	
Boroplus	BoroPlus Antiseptic Cream	15%
	BoroPlus Total Results Moisturizing lotion	
	BoroPlus Prickly Heat Powder	
	BoroPlus Healthy White Fairness Cream	
	BoroPlus Zero Oil Zero Pimple Face wash	
Pain Management Range	Zandu Balm	9%
	Mentho plus Ultra Power	
	Zandu Balm Ultra Power	
	Fast Relief	
	Zandu Gel, Spray & Roll On	
Male Grooming Range	Hair & Handsome Fairness Cream	3%
	Hair & Handsome Laser 12 Advanced Whitening	
	Hair & Handsome Complete Winter Solution	
	Hair & Handsome Instant Fairness & Oil Control Face wash	
	HE Deodorants	
Kesh King	Kesh King Ayurvedic Medicinal Oil	-14%
	Kesh King Shampoo & Conditioner	
	Kesh King Ayurved Capsules	
Healthcare Range	Zandu Pancharishtha	-7%
	Zandu Nityam Churna & Tablets	
	Zandu Kesare Jivan	
	Zandu Sona Chandi Chyawanplus	
	Zandu Chyawanprash	
	Zandu Pure Honey	
	Zandu Vigorex	
Others	7 Oils in One	NA
	Diamond Shine Luxury Crème Hair Colour	
	Vasocare Herbal Petroleum Jelly	
	Malai Kesar Cold Cream	

Source: Company, MOSL

International business performance (11% of sales)

- HMN's international business, which caters to 60+ countries, grew 14% in FY18.
- **SAARC & South East Asia (47% contribution to international business)** reported flat numbers in FY18.
- **MENAP (29% contribution to international business)** grew in healthy double-digits, even as the UAE and Saudi Arabia introduced VAT and other countries faced recession due to suppressed crude oil prices for major part of the year.
- **CIS & EU (13% contribution to international business)** reported robust growth, even as Russia (largest contributing country) continued to be in turmoil.
- **Africa (9% contribution to international business)** saw modest growth in FY18, as most countries faced severe inflation, currency depreciation, foreign currency shortage and trade embargos.

Exhibit 14: HMN's international presence



Source: Company, MOSL

Exhibit 15: HMN has leadership position in some key international markets

Source: Company, MOSL

Key pointers on financials

- In FY18, domestic LTL sales grew ~4%, while international sales increased 14%. CSD business de-grew by 10%.
- Gross margin shrank 20bp to 68% and EBITDA margin contracted 210bp to 28.4% in FY18, as HMN continued to invest behind new launches. Adspend to sales increased 80bp YoY.
- Total number of permanent employees stood at 3,292 (up 6.2% from 3,097 in FY17). Employee expenses grew 9% to INR2.5b in FY18 (up 70bp to 10.1% of sales). Remuneration of key management personnel stood at INR155.2m (0.6% of sales). Average increase in salaries of employees other than managerial personnel was 7.44%. Managerial remuneration increased 9.92%.
- Finance cost reduced to INR34.3m in FY18 from INR58m in the previous year due repayment of liabilities. Average cost of debt also reduced by ~150bp.
- Depreciation on tangible assets increased 43.5% to INR672.8m, largely due to capex in the new Pacharia plant.
- Non-current investment grew 97% in FY18, mostly due to HMN's investment in Helios Lifestyle Private Limited and Brillare Science Private Limited.
- Average inventory days increased to 27 days in FY18 from 24 days in FY17. Average debtor days increased from 17 days in FY17 to 18 days in FY18, while

absolute trade receivables increased to INR1.6b from INR970m over the same period. HMN attributed this increase to the growing international business volumes. However, with recovery-led faster growth likely in the domestic business growth in FY19, this issue should be addressed. Nevertheless, net working capital days increased by 5 days YoY to 14 days in FY18.

- Forex outgo was INR400.2m (1.6% of sales) largely due to raw materials, while forex income stood at INR1.1b (4.2% of sales) during the year, mainly accrued due to exports.
- In FY18, HMN overspent on CSR expenditure relative to the prescribed amount (INR96.2m v/s INR92.1m prescribed).

Exhibit 16: Net working capital days (average basis on sales) increased in FY18 due to higher inventory days and debtor days

Cash conversion cycle	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
INR m													
Inventory	401	738	826	1,234	1,122	1,140	1,411	1,267	1,505	1,792	1,940	1,882	2,158
Account Receivables	350	710	755	1,087	1,005	1,122	793	1,027	1,309	970	1,559	1,213	1,772
Account Payables	477	1,201	890	883	1,071	1,061	1,480	1,990	2,487	1,847	2,420	2,395	2,986
Days													
Inventory days	26	28	28	30	30	24	26	22	21	24	27	23	21
Debtor days	26	26	26	27	26	23	19	15	18	17	18	17	16
Creditor days	28	41	37	26	25	23	25	29	35	32	31	29	29
Cash conversion cycle (Days)	**23**	**13**	**17**	**31**	**31**	**24**	**19**	**8**	**5**	**9**	**14**	**11**	**9**

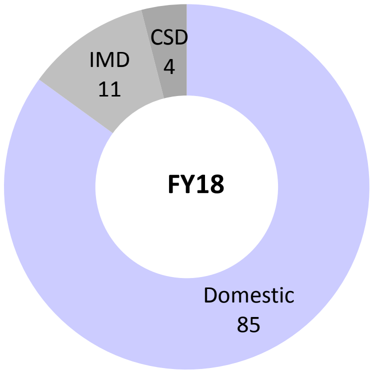
Source: Company, MOSL

Valuation and view

- It is pertinent to note that before facing the impact from demonetization- and GST-led disruption, HMN was the strongest performer among domestic businesses up to 1HFY17. Rural has already recovered and wholesale is gradually coming back to normalcy.
- The stock has been an underperformer over the past two years which is not a surprise as absolute PAT declined by 4% over this period compared to 18% CAGR over the preceding five years. Earnings recovery will also be gradual as the company is likely to witness impact of weak summer sales on its talcum powder and cooling oils business in 1QFY19.
- Nevertheless, we remain convinced about the strong medium- to long-term revenue and earnings growth prospects of HMN as ongoing distribution expansion, continued high pace of innovation, problem solving nature of its products, high advertisement and importantly a normalized environment unlike FY17 and FY18 leads to resumption of strong topline growth both in core portfolio and well as through new launches.
- At 29.5x FY20E EPS, HMN is inexpensive relative to peers, particularly given its healthy long-term earnings growth opportunity and mid-30s return ratios. Our target price of INR690 implies an upside of 31%. Maintain Buy.

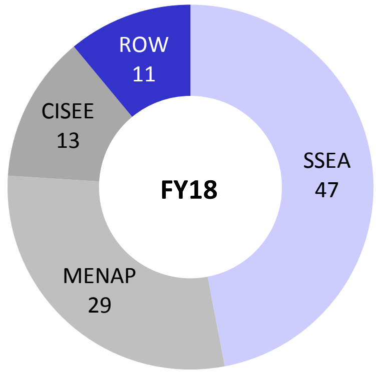
Story in charts

Exhibit 17: Business-wise revenue share (%)



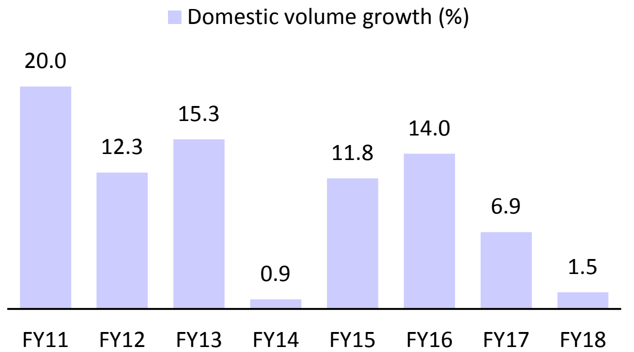
Source: Company, MOSL

Exhibit 18: Region-wise contribution to export revenues (%)



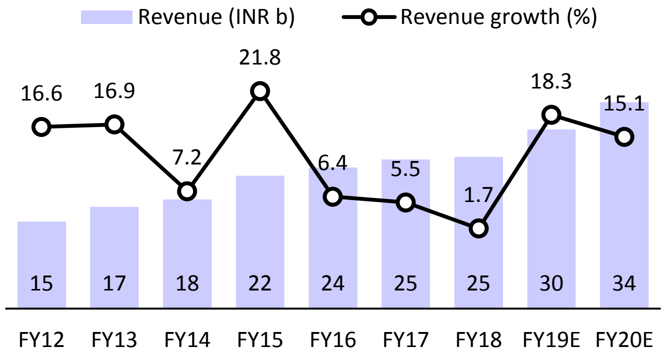
Source: Company, MOSL

Exhibit 19: Domestic volumes grew just 1.5% in FY18



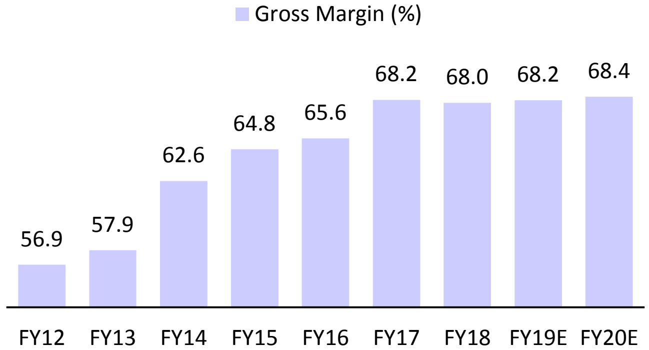
Source: Company, MOSL

Exhibit 20: Expect revenue CAGR of 16.7% over FY18-20



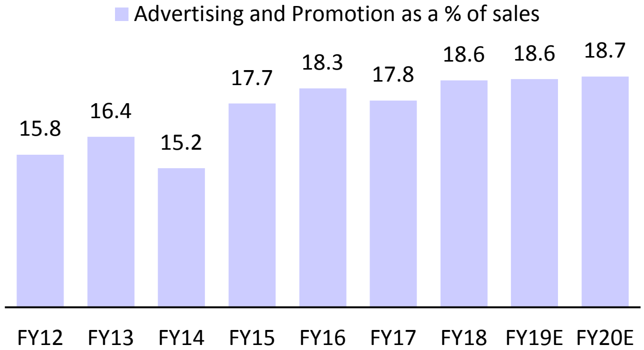
Source: Company, MOSL

Exhibit 21: Gross margin to contract by 40bp over FY18-20



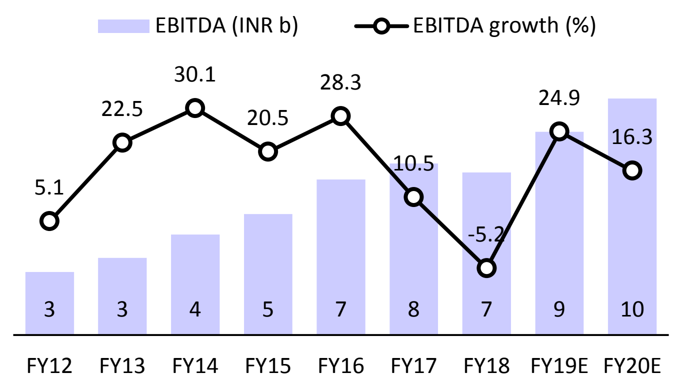
Source: Company, MOSL

Exhibit 22: Adspend to increase led by new launches



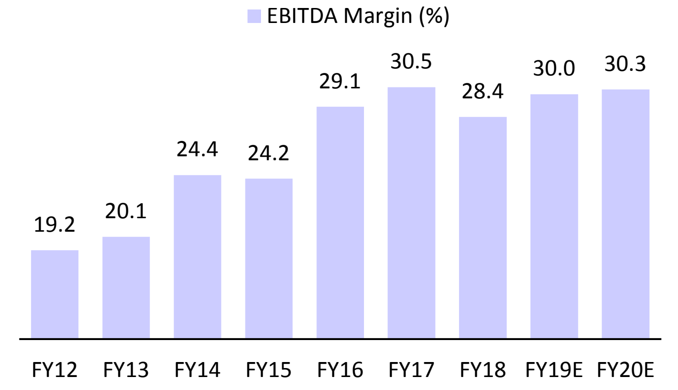
Source: Company, MOSL

Exhibit 23: Expect EBITDA CAGR of 16.7% over FY18-20



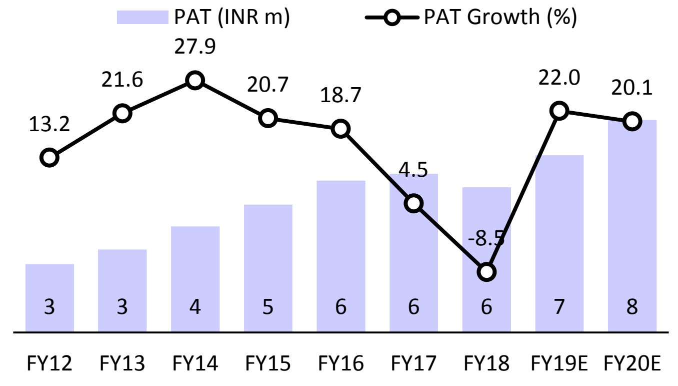
Source: Company, MOSL

Exhibit 24: EBITDA margin to expand 190bp over FY18-20



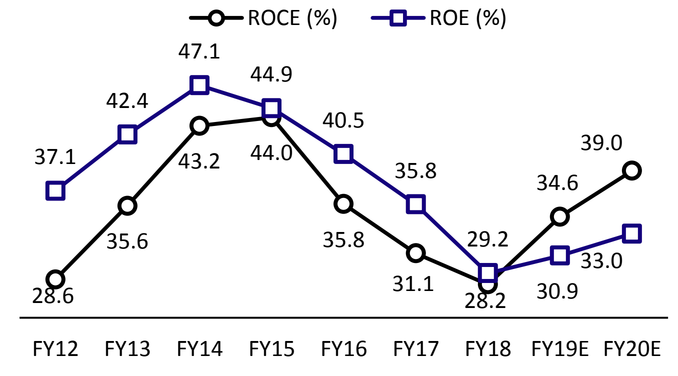
Source: Company, MOSL

Exhibit 25: Expect adj. PAT CAGR of 16.7% over FY18-20



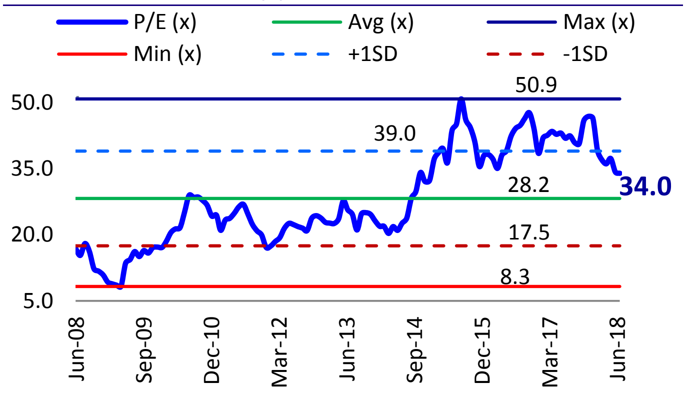
Source: Company, MOSL

Exhibit 26: Return ratios expected to improve



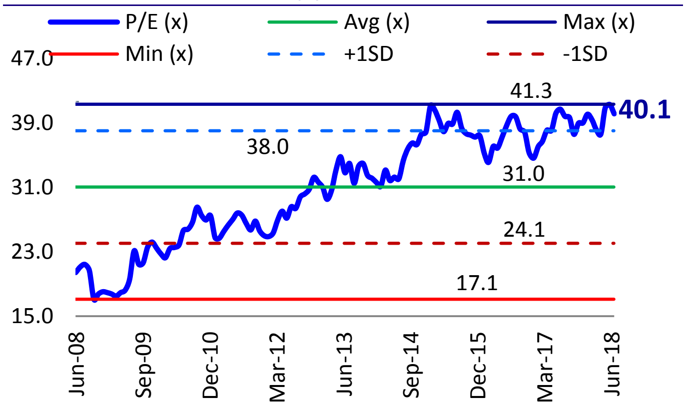
Source: Company, MOSL

Exhibit 27: Emami P/E (x)



Source: Company, MOSL

Exhibit 28: Consumer P/E (x)



Source: Company, MOSL

Financials and Valuations

Income Statement

(INR Million)

Y/E March	2014	2015	2016	2017	2018	2019E	2020E
Net Sales	**18,208**	**22,172**	**23,583**	**24,882**	**25,306**	**29,936**	**34,455**
Change (%)	7.2	21.8	6.4	5.5	1.7	18.3	15.1
COGS	6,803	7,800	8,121	7,910	8,098	9,525	10,879
Gross Profit	**11,405**	**14,373**	**15,462**	**16,972**	**17,207**	**20,411**	**23,575**
Gross Margin (%)	62.6	64.8	65.6	68.2	68.0	68.2	68.4
Operating expenses	6,961	9,018	8,589	9,380	10,013	11,422	13,119
EBITDA	**4,444**	**5,355**	**6,873**	**7,591**	**7,195**	**8,989**	**10,457**
Change (%)	30.1	20.5	28.3	10.5	-5.2	24.9	16.3
Margin (%)	24.4	24.2	29.1	30.5	28.4	30.0	30.3
Depreciation	352	343	423	469	673	698	715
Int. and Fin. Charges	54	51	540	580	343	188	0
Financial Other Income	622	964	445	311	195	299	345
Profit before Taxes	**4,660**	**5,924**	**6,354**	**6,853**	**6,374**	**8,402**	**10,087**
Change (%)	26.4	27.1	7.3	7.9	-7.0	31.8	20.1
Margin (%)	25.6	26.7	26.9	27.5	25.2	28.1	29.3
Tax	636	994	597	836	863	1,680	2,017
Deferred Tax	-89	76	-125	130	-5	0	0
Tax Rate (%)	11.7	18.1	7.4	14.1	13.5	20.0	20.0
Adjusted PAT	**4,025**	**4,856**	**5,762**	**6,021**	**5,508**	**6,721**	**8,069**
Change (%)	27.9	20.7	18.7	4.5	-8.5	22.0	20.1
Margin (%)	22.1	21.9	24.4	24.2	21.8	22.5	23.4
Amortization	0.0	0.0	2,127	2,617	2,436	2,400	2,400
Reported PAT	**4,025**	**4,856**	**3,635**	**3,404**	**3,072**	**4,321**	**5,669**

Balance Sheet

Y/E March	2014	2015	2016	2017	2018	2019E	2020E
Share Capital	454	454	454	454	454	454	454
Reserves	8,867	11,852	15,662	17,093	19,682	22,904	25,106
Net Worth	**9,321**	**12,306**	**16,116**	**17,547**	**20,136**	**23,358**	**25,560**
Minority Interest	0	46	41	14	6	6	6
Loans	450	470	6,838	4,846	3,343	843	0
Deferred Liability	48	120	90	282	118	118	118
Capital Employed	**9,819**	**12,942**	**23,086**	**22,689**	**23,602**	**24,324**	**25,683**
Goodwill on consolidation	0	41	41	41	41	41	41
Gross Block	10,341	6,393	24,162	25,600	26,825	27,825	28,825
Less: Accum. Depn.	6,382	1,882	4,408	5,616	8,767	9,465	10,180
Net Fixed Assets	**3,959**	**4,511**	**19,754**	**19,983**	**18,058**	**18,360**	**18,645**
Capital WIP	119	265	616	129	226	226	226
Investments	**2,958**	**5,013**	**474**	**1,277**	**3,136**	**3,136**	**3,136**
Curr. Assets, L&A	**5,987**	**6,934**	**6,037**	**4,602**	**6,517**	**6,902**	**8,574**
Inventory	1,411	1,267	1,505	1,792	1,940	1,882	2,158
Account Receivables	793	1,027	1,309	970	1,559	1,213	1,772
Cash and cash equivalents	2,700	3,541	1,084	501	795	1,337	2,024
Others	1,083	1,100	2,138	1,340	2,224	2,470	2,619
Curr. Liab. and Prov.	**3,203**	**3,821**	**3,836**	**3,343**	**4,376**	**4,340**	**4,938**
Account Payables	1,480	1,990	2,487	1,847	2,420	2,395	2,986
Other Liabilities	341	468	660	622	1,077	978	889
Provisions	1,383	1,363	689	873	879	967	1,063
Net Current Assets	**2,783**	**3,113**	**2,200**	**1,259**	**2,141**	**2,562**	**3,635**
Application of Funds	**9,819**	**12,942**	**23,086**	**22,689**	**23,602**	**24,325**	**25,683**

E: MOSL Estimates

Financials and Valuations

Ratios							
Y/E March	**2014**	**2015**	**2016**	**2017**	**2018**	**2019E**	**2020E**
Basic (INR)							
EPS	**8.9**	**10.7**	**12.7**	**13.3**	**12.1**	**14.8**	**17.8**
Cash EPS	9.6	11.5	13.6	14.3	13.6	16.3	19.4
BV/Share	20.5	27.1	35.5	38.7	44.4	51.5	56.3
DPS	3.5	3.5	1.5	4.4	2.6	5.5	7.5
Payout %	39.5	32.7	11.8	33.0	21.6	37.1	42.2
Valuation (x)							
P/E			41.7	39.9	43.7	35.8	29.8
Cash P/E			38.9	37.1	38.9	32.4	27.4
EV/Sales			10.4	9.8	9.5	7.9	6.8
EV/EBITDA			35.8	32.1	33.3	26.4	22.5
P/BV			14.9	13.7	11.9	10.3	9.4
Dividend Yield (%)			0.3	0.8	0.5	1.0	1.4
Return Ratios (%)							
RoE	47.1	44.9	40.5	35.8	29.2	30.9	33.0
RoCE	43.2	44.0	35.8	31.1	28.2	34.6	39.0
RoIC	56.3	50.9	39.1	28.2	25.3	29.3	33.7
Working Capital Ratios							
Debtor (Days)	16	17	20	14	23	15	19
Asset Turnover (x)	1.6	1.4	1.1	1.1	1.1	1.2	1.3
Leverage Ratio							
Debt/Equity (x)	-0.8	-0.3	0.3	0.2	0.1	0.0	-0.1

Cash Flow Statement							(INR Million)
Y/E March	**2014**	**2015**	**2016**	**2017**	**2018**	**2019E**	**2020E**
OP/(loss) before Tax	4,444	5,355	6,873	7,591	7,195	8,989	10,457
Int./Div. Received	177	1,012	705	721	817	0	0
Interest Paid	-54	-51	-540	-580	-343	-188	0
Direct Taxes Paid	-547	-1,070	-472	-966	-858	-1,680	-2,017
(Incr)/Decr in WC	139	512	-1,544	357	-587	120	-386
CF from Operations	**4,159**	**5,758**	**5,022**	**7,124**	**6,223**	**7,241**	**8,054**
(Incr)/Decr in FA	-591	3,802	-18,121	-950	-1,322	-1,000	-1,000
Free Cash Flow	**3,568**	**9,560**	**-13,099**	**6,174**	**4,901**	**6,241**	**7,054**
(Pur)/Sale of Investments	-1,327	-2,054	4,539	-803	-1,859	0	0
CF from Invest.	**-1,918**	**1,748**	**-13,582**	**-1,753**	**-3,181**	**-1,000**	**-1,000**
(Incr)/Decr in Debt	-751	19	6,369	-1,992	-1,504	-2,500	-843
Dividend Paid	-1,743	-1,727	-820	-2,354	-1,421	-2,978	-4,061
Others	60	-4,956	554	-1,608	178	-221	-1,463
CF from Fin. Activity	**-2,358**	**-6,664**	**6,103**	**-5,954**	**-2,747**	**-5,699**	**-6,367**
Incr/Decr of Cash	**-118**	**842**	**-2,457**	**-584**	**295**	**542**	**687**
Add: Opening Balance	2,817	2,700	3,541	1,084	501	795	1,337
Closing Balance	**2,700**	**3,541**	**1,084**	**501**	**796**	**1,337**	**2,024**

E: MOSL Estimates

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	> - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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