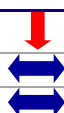


Estimate change

TP change

Rating change



Motilal Oswal values your support in the Asiamoney Brokers Poll 2020 for India Research, Sales and Trading team. We [request your ballot](#).



Bloomberg	ITC IN
Equity Shares (m)	12,259
M.Cap.(INRb)/(USDb)	2398.4 / 32.9
52-Week Range (INR)	283 / 135
1, 6, 12 Rel. Per (%)	-13/-3/-18
12M Avg Val (INR M)	4193
Free float (%)	100.0

Financials & Valuations (INR b)

Y/E March	2020	2021E	2022E
Sales	456.2	448.8	501.3
Sales Gr. (%)	1.4	-1.6	11.7
EBITDA	179.0	176.3	199.3
EBITDA Mrg. (%)	39.2	39.3	39.8
Adj. PAT	152.7	139.9	159.0
Adj. EPS (INR)	12.4	11.4	12.9
EPS Gr. (%)	22.2	-8.4	13.7
BV/Sh.(INR)	52.1	55.0	58.3

Ratios

RoE (%)	25.0	21.2	22.8
RoCE (%)	24.3	20.7	22.3
Payout (%)	82.7	82.0	82.0

Valuations

P/E (x)	15.7	17.1	15.1
P/BV (x)	3.7	3.5	3.3
EV/EBITDA (x)	11.3	11.3	9.8
Div. Yield (%)	5.2	4.8	5.4

Shareholding pattern (%)

As On	Mar-20	Dec-19	Mar-19
Promoter	0.0	0.0	0.0
DII	42.4	42.5	38.1
FII	14.8	15.3	17.2
Others	42.8	42.2	44.7

FII Includes depository receipts

CMP: INR195
TP: INR190 (-3%)
Neutral

Earnings disappoint, medium-term outlook hazy

- ITC's 4QFY20 results were lower than expectations. While our checks suggest that cigarette volumes have returned to near-normalcy now, the possibility of further GST increase is fairly high over the next few months. While valuations appear inexpensive at 15.1x FY22E EPS, the narrative on ITC has changed over the past year with ESG concerns over cigarettes increasing worldwide. Consequently, global tobacco peers have witnessed sharp contraction in their multiples.
- For ITC, 85% of EBIT came from cigarettes in FY20. We maintain **Neutral** on account of (a) ITC's overall profitability being highly dependent on cigarettes (which is likely to continue), and (b) risk to the already weak earnings growth projections over FY20-22E due to overhang of the GST increase.

Weak results; Likely low double-digit volume decline in cigarettes

- **ITC's 4QFY20 net revenue declined 9.6% YoY to INR108.4b** (v/s est. 5.7% growth to INR126.7b), EBITDA declined 8.9% YoY to INR41.6b (v/s est. INR50.9b), PBT declined 8.9% YoY to INR45.1b (v/s est. INR52.7b), while adj. PAT increased 9.1% YoY to INR38b (v/s est. INR41.7b). PAT growth was on account of low tax rate. Other income was up only 2.1% YoY. Overall gross/EBITDA margin expanded 100bp/30bp YoY to 62.5%/ 38.4%.
- **Cigarette volume is likely to have declined ~11% (v/s est. 1% decline)**, leading to cigarette net sales decline of 6.5% YoY. Cigarette EBIT margins contracted by 400bp YoY to 66.3%. Cigarette EBIT, thus, declined 11.7% YoY to INR34b (lower than est. INR40.4b).
- **FMCG-Others net sales declined 2.8% YoY** (up ~5% on comparable basis and excluding the Lifestyle Retailing Business) to INR31.8b. FMCG-Others EBIT improved YoY to INR1.5b in 4QFY20 (INR1.3b in 4QFY19). Revenues of Agri Business/Paperboards, Paper & Packaging/Hotels declined 10.2%/5.1%/8.6% and EBIT declined 16.4%/4.9%/52% respectively.
- **FY20 revenue/ EBITDA/ PAT** growth stood at 1.4%/ 3.3%/ 22.5% YoY.
- **Balance sheet performance:** Cash conversion cycle stood at 58 days on an average. This was driven by lower debtor days (23 days), stable creditor days (27 days) and higher inventory days (63 days). OCF was up 17.5% while PAT was up 22.5%. FCF stood at INR117b (+30% YoY). Net cash stood at INR371b. Dividend per share for FY20 stood at INR10.2 and payout ratio was ~83%.

Valuation and view

- We have cut FY21/FY22E EPS by 11.1%/5.7% due to (a) weak 4QFY20 earnings, (b) sharp impact on 1QFY21 business due to the lockdown, and (c) hazy outlook.
- (a) Persistent global ESG concerns on cigarettes (85% of EBIT in FY20), (b) overhang of further GST increase on cigarettes, (c) ITC's valuation premium to global tobacco majors like Philip Morris (trading at 13.9x one-year forward P/E) and BAT (at 9.4x), (d) continuance of weak earnings trajectory (6.6% PBT CAGR in the last 5 years), outweigh the apparent relief of cigarette sales bouncing back to near pre-COVID levels and the dividend yield of 5-6% over the next 2 years. The stock is trading at 15.1x FY22 EPS. We value ITC at 14x Jun'22 EPS (20% premium to global peers average multiple) to arrive at TP of INR190. Maintain **Neutral**.

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Quarterly Performance (INR Billion)

Y/E March	FY19				FY20				FY19	FY20	FY20	Var. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	
Est. cigarette vol. gr. (%)	1.0	6.0	7.0	8.0	3.0	2.5	2.5	-11.0	5.5	-0.8	-1.0	
Net Sales	109	113	114	119	115	119	120	108	450	456	127	-14.4
YoY change (%)	9.2	9.3	17.0	13.3	5.8	5.3	5.1	-9.6	10.8	1.4	5.7	
Gross Profit	68	70	71	74	74	74	75	68	268	284	77	
Margin (%)	62.2	62.0	62.4	61.5	64.0	62.2	62.2	62.5	59.6	62.2	60.8	
EBITDA	42	42	43	46	46	46	46	42	173	179	51	-18.2
Growth (%)	12.2	11.8	11.2	10.3	8.7	8.5	6.6	-8.9	11.3	3.3	11.3	
Margins (%)	38.6	37.3	37.8	38.1	39.7	38.4	38.4	38.4	38.5	39.3	40.2	
Depreciation	3	3	3	4	4	4	4	4	13	16	4	
Interest	0	0	0	0	0	0	0	0	0	0	0	
Other Income	4	5	8	7	6	7	10	8	25	30	6	
PBT	43	44	48	50	48	48	52	45	184	193	53	-14.4
Tax	15	14	16	15	16	8	9	7	60	40	11	
Rate (%)	34.4	32.4	33.4	29.7	34.0	16.3	17.3	15.8	32.4	20.9	20.8	
Adj. PAT	28	30	32	34	32	40	42	38	125	153	42	-9.0
YoY change (%)	10.1	11.9	14.4	18.7	12.6	36.2	33.2	9.1	15.3	22.5	19.8	

E: MOFSL estimate; Full year COGS also includes contract processing charges (included in other op. exps. in quarterly)

Key Performance Indicators

Y/E March	FY19				FY20			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Cig Realization Gr %	1.3	4.4	2.6	3.1	3.0	3.5	2.2	4.5
2Y average growth %								
Cig Volumes	1.0	0.0	2.0	3.0	2.0	4.3	4.8	-1.5
Sales	4.1	8.0	11.3	4.2	7.5	7.3	11.0	1.8
EBITDA	9.2	7.7	10.4	8.6	10.4	10.1	8.9	0.7
PAT	8.7	8.8	10.2	14.3	11.3	24.0	23.8	13.9
% sales								
COGS	37.8	38.0	37.6	38.5	36.0	37.8	37.8	37.5
Staff cost	6.8	5.3	5.5	6.3	6.0	5.3	5.6	6.1
Others	16.7	19.4	19.0	17.1	18.3	18.5	18.2	17.9
Depreciation	2.7	2.9	2.9	2.9	3.1	3.3	3.5	3.6
YoY change %								
COGS	7.1	-1.8	19.6	15.4	0.7	4.7	5.7	-11.9
Staff cost	10.1	-1.7	5.7	24.3	-7.1	6.0	6.3	-12.3
Others	7.2	37.8	28.6	11.7	15.8	0.2	0.4	-4.9
Other income	-15.3	2.0	33.4	43.3	53.6	29.8	17.6	2.1
EBIT	12.2	11.5	10.9	9.9	7.8	7.4	5.2	-10.7

Cigarette volumes likely to have declined 11% in 4QFY20 with EBIT margin contraction of 400bp YoY

- Toward the year end, the COVID-19 pandemic caused operational disturbances, much before the nation-wide lockdowns came into force. During the initial phase of the lockdown, unprecedented disruption was witnessed across the value chain. Net cigarette revenues declined 6.5% YoY to INR51.3b with likely volume decline of ~11% on a base of 8% growth.
- ITC's performance during 4QFY20 reflected persistent weakness in the overall demand environment, especially in rural markets and the wholesale channel. Tight market liquidity conditions and increasing salience of illicit trade was also witnessed, especially at the premium end.
- Despite the extremely challenging operating environment, the company has continued to improve its standing in key competitive markets across the country.
- Key recent market interventions include the launch of innovative and differentiated offerings such as **Gold Flake Indie Mint** and **Gold Flake Luxury**, **Gold Flake Neo** and **Classic Rich & Smooth** in other markets, deployment of focused offers under the '**American Club**', '**Wave**', '**Player's Gold Leaf**', '**Pall Mall**', '**Navy Cut**' and '**Flake**' trademarks to effectively counter competition in strategic markets.
- Cigarette EBIT declined 11.7% YoY to INR34b (v/s est. 4.8% YoY growth to INR40.4b). Cigarette net EBIT margin contracted by 400bp YoY to 66.3%.

Exhibit 1: Cigarette volumes were down ~11% YoY in 4QFY20

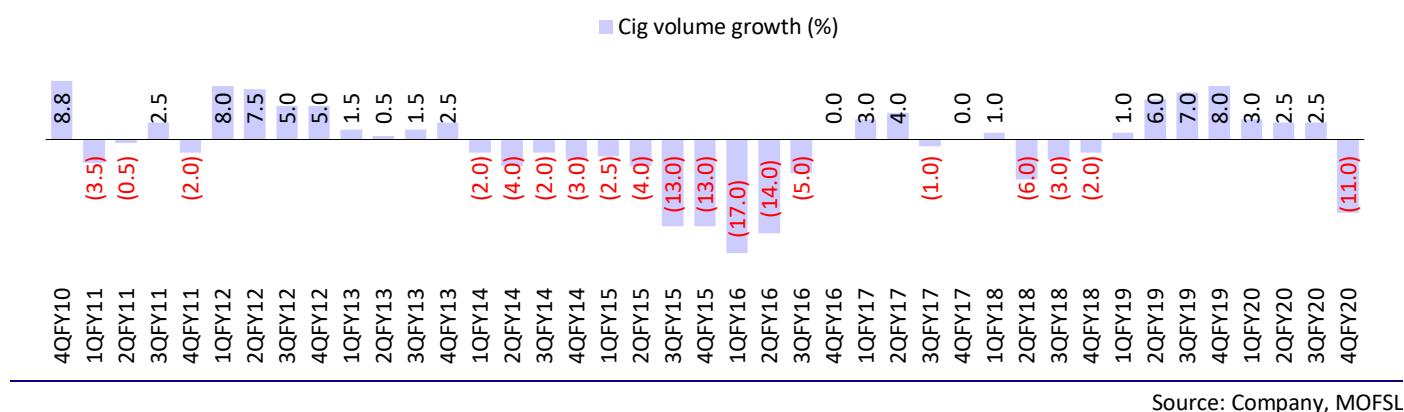
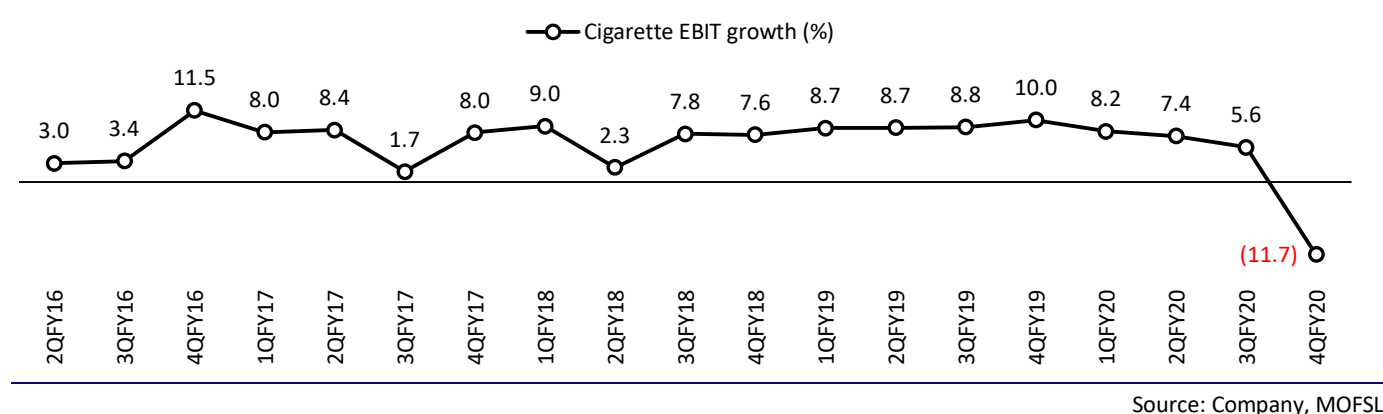


Exhibit 2: Cigarette EBIT declined by 11.7% YoY to INR34b in 4QFY20



FMCG - Others: Spurt in FMCG sales, especially in biscuits and noodles

- Despite the challenging conditions, ITC's FMCG-Others businesses recorded segment revenue growth of ~5% on comparable YoY basis, excluding the Lifestyle Retailing Business. Prior to the COVID-19 outbreak, the segment was on track to register double-digit revenue growth for 4QFY20, on a comparable basis.
- FMCG - Others net sales declined by 2.8% YoY to INR31.8b. Segment EBIT posted growth of 12.6% YoY to INR1.5b in 4QFY20. EBIT margins expanded by 60bp YoY to 4.6%.
- **In the Staples, Snacks and Meals Business**, *Aashirvaad atta* continued its robust growth, consolidating its leadership position across markets. The range of value-added products was augmented with the launch of *Aashirvaad Nature's Super Foods*. Moreover, *Aashirvaad Salt* also gained traction in key focus geographies and posted healthy performance during the year.
- Increasing consumer traction for '*Bingo!*' *Potato Chips* and *Tedhe Medhe* continued to drive growth in the Snacks Business.
- **In the Instant Noodles category**, *YiPPee!* sustained its growth momentum and overall market standing. It led the industry in terms of packaging innovation (family packs), enabling impactful visibility, reducing breakages and driving growth in Modern Trade.
- **In the Biscuits category**, *Dark Fantasy Choco Fills* sustained its high growth trajectory. The recently launched innovative offers such as *Bounce Cake* variants, '*Sunfeast*' *Veda Marie Light*, and *Bounce Loops* continued to receive excellent response from consumers and are now available in all target markets.
- **In the Dairy & Beverages Business**, the premium range of juices comprising *Ratnagiri Alphonso*, *Himalayan Mixed Fruit* and *Dakshin Guava*, continued receiving excellent response from consumers and is now available in all target markets.
- **Launches in personal care products**: Body wash '*Fiama*' Scents in two variants, *Fiama 'mood uplifting' handwash*, and *Dermafique's Hydration* range was extended with the launch of two new variants tailor-made for summer skincare needs. '*Savlon Surface Disinfectant Spray*' and '*Savlon Hexa*' - hand sanitizing liquid were also launched. *Nimyle* – floor cleaner witnessed strong growth in the East and also expanded its geographical footprint to the South.

Paperboards, Paper & Packaging

- While capacity addition in the value-added Paperboards' segment bolstered revenue, slowdown in customer off-take due to sluggish demand in end-user industries (FMCG and liquor industry) weighed on the performance of the packaging segment.
- Net sales of Paper and Paperboard business declined 5.1% YoY to INR14.6b.
- Paper business reported decline due to muted realizations.
- Segment EBIT declined 4.9% YoY to INR2.9b. EBIT margins remained flat YoY to 19.6%.

Agri Business

- Subdued demand for leaf tobacco in international markets, relatively steeper depreciation in currencies of competing origins and adverse business mix weighed on segment results. Performance in the fourth quarter was impacted

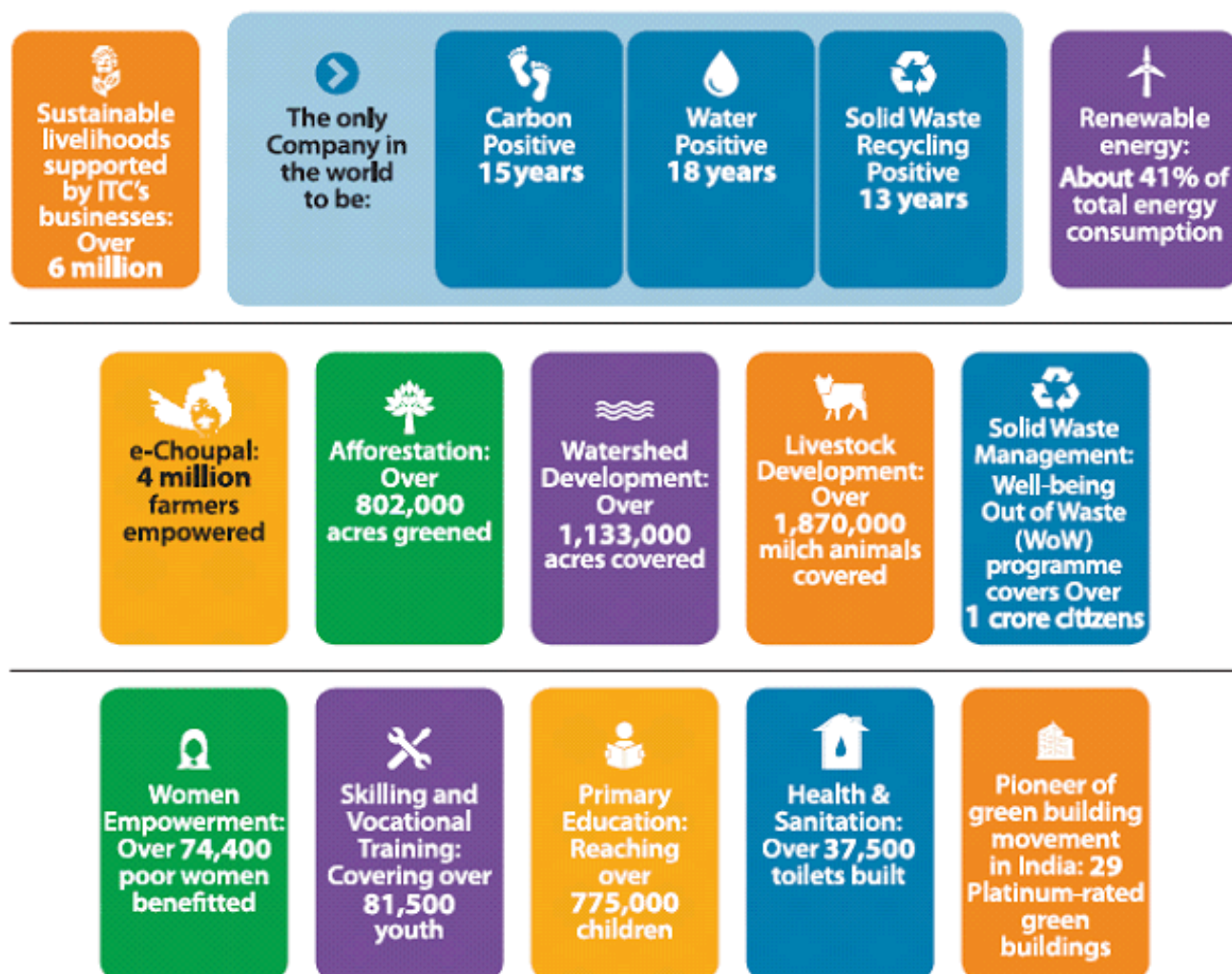
due to supply-chain disruptions toward the year end, caused by the COVID-19 pandemic. Operations in the Agri Business have since then normalized.

- Business leveraged trading opportunities, especially in Oilseeds & Pulses and scaled up value-added products. It continued to leverage its strong farm linkages and wide sourcing network across geographies to secure supplies.
- Despite these efforts, revenues declined 10.2% YoY to INR18.9b. Segment reported EBIT decline of 16.4% YoY to INR1.2b with EBIT margin contraction of 50bp YoY to 6.5%.
- During the year, the '*ITC Master Chef*' range of frozen snacks was augmented with the launch of a unique range of kebabs for the retail segment.

Hotels – prospects appear weak for the next few months

- The Hotels business posted strong revenue growth during 9MFY20. This momentum was also sustained in Jan-Feb'20. However, business was severely impacted by the COVID-19 outbreak toward the year end.
- Revenue declined 8.6% YoY to INR4.7b. Segment EBIT declined 52% YoY to INR426m (INR887m in 4QFY19); EBIT margin contracted 820bp YoY to 9.1%.

Exhibit 3: Contribution to Sustainable Development



Source: Company, MOFSL

Exhibit 4: Products & Services launched during the lockdown



Disinfectant Spray



Hexa Sanitizer



Germ Protection Wipes



Hexa Soap



50p Sanitizer Pouch



Vegetable & Fruit Wash



Aashirvaad Svasti Lassi



Immunity Supporting & Other Juices



Premium Ball Pens

Source: Company, MOFSL

Key Exhibits

Exhibit 5: Segmental performance

	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20
Sales (INR b)									
Cigarettes	49	51	50	51	55	54	53	53	51
FMCG - Others	30	29	32	32	33	31	33	33	32
Hotels	4	3	4	5	5	4	4	6	5
Agri business	18	32	22	19	21	36	26	21	19
Paper and packaging	13	14	14	15	15	15	16	16	15
Sales growth (YoY)									
Cigarettes	-4.3	2.3	10.4	9.6	11.1	6.0	6.0	4.7	(6.5)
FMCG - Others	6.0	10.7	12.7	11.5	7.3	6.6	4.0	3.5	(2.8)
Hotels	5.6	11.9	20.8	11.7	24.9	15.0	17.7	22.2	(8.6)
Agri business	-5.7	14.2	12.8	25.7	16.2	14.6	19.3	8.8	(10.2)
Paper and packaging	0.4	5.7	8.8	20.5	18.2	12.7	9.9	0.8	(5.1)
Estimated volume growth (YoY)									
Cigarettes	-2.0	1.0	6.0	7.0	8.0	3.0	2.5	2.5	(11.0)
EBIT (INR b)									
Cigarettes	35	36	36	36	39	38	38	38	34
FMCG - Others	0.9	0.5	0.6	0.8	1	0.8	0.9	1	1
Hotels	0.8	0.1	0.1	0.6	0.9	0.1	0.2	0.9	0.4
Agri business	1	2	2	2	1	2	2	2	1
Paper and packaging	2	3	3	3	3	3	4	3	3
EBIT growth (YoY)									
Cigarettes	7.6	8.7	8.7	8.8	10.0	8.2	7.4	5.6	(11.7)
FMCG - Others	64.2	823.0	185.3	63.1	43.1	55.7	54.8	40.4	12.6
Hotels	12.8	149.0	267.0	10.1	17.5	-21.4	12.0	44.8	(52.0)
Agri business	-8.1	-17.3	-7.9	-14.8	18.8	4.3	5.7	7.4	(16.4)
Paper and packaging	0.7	14.9	13.4	23.8	24.0	11.5	14.5	0.6	(4.9)
EBIT Margin (%)									
Cigarettes	71.0	69.4	71.2	70.1	70.3	70.8	72.2	70.7	66.3
FMCG - Others	3.0	1.7	1.8	2.4	4.0	2.5	2.8	3.2	4.6
Hotels	18.5	3.9	4.3	13.3	17.4	2.6	4.1	15.8	9.1
Agri business	6.9	6.2	10.6	10.3	7.0	5.6	9.4	10.2	6.5
Paper and packaging	18.6	21.8	21.8	21.5	19.5	21.6	22.7	21.5	19.6

Source: Company, MOFSL

Valuation view

What has happened in the last 10 years?

- ITC's financial performance in the last 10 years has been a story of two halves.
- Spectacular performance in the first half of the decade witnessed 16-22% CAGR in sales/ EBITDA/ PBT and PAT.
- But in the subsequent 5 years, sales/EBITDA/ PBT growth has declined to 4.6%, 5.8% and 6.6% CAGR (one-third of the growth witnessed during the preceding 5 years). PAT growth has still been better in high single-digits led by the corporate tax cut.

Our view

- (a) Weak earnings in 4QFY20, (b) sharp impact on 1QFY21 business due to the lockdown, and (3) hazy outlook lead to 11.1%/5.7% cut in FY21/FY22E EPS.
- (a) Persistent global ESG concerns on cigarettes (85% of EBIT in FY20), (b) overhang of further GST increase on cigarettes, (c) ITC's valuation premium to

global tobacco majors like Philip Morris and BAT, and (d) continuance of weak earnings trajectory (6.6% PBT CAGR in the last 5 years), outweigh the apparent relief of cigarette sales bouncing back to near pre-COVID levels and the dividend yield of 5-6% over the next 2 years. Maintain **Neutral**.

Exhibit 6: We cut our FY21 EPS estimates by 11.1% and FY21 by 5.7%

INR Billion	New		Old		Change	
	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
Sales	444	496	508	551	-12.6%	-10.0%
EBITDA	176	199	198	212	-11.0%	-6.1%
PAT	140	159	157	169	-11.1%	-5.7%

Source: Company, MOFSL

Exhibit 7: ITC P/E (x)

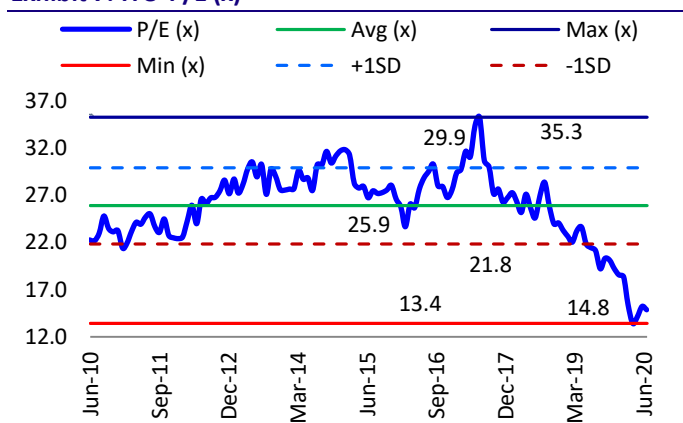
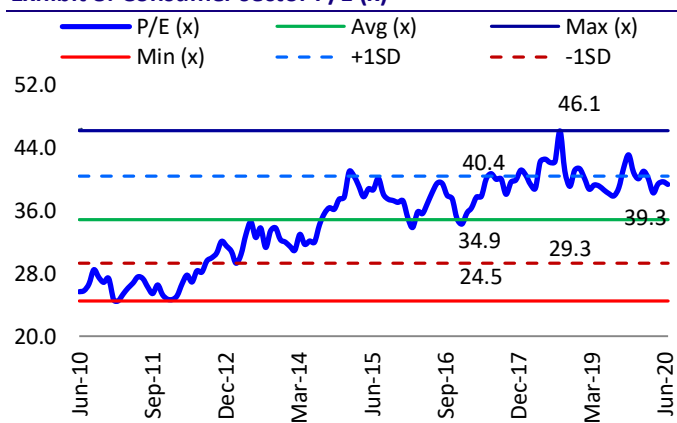


Exhibit 8: Consumer sector P/E (x)



Financials and Valuations

Income Statement							(INR Million)	
Y/E March	2015	2016	2017	2018	2019	2020	2021E	2022E
Net Sales	3,60,832	3,62,206	3,96,419	4,02,547	4,44,327	4,51,361	4,44,161	4,96,040
Operational Income	4,242	3,621	4,468	3,729	5,630	4,836	4,594	5,275
Total Revenue	3,65,074	3,65,827	4,00,887	4,06,275	4,49,957	4,56,197	4,48,756	5,01,316
Change (%)	9.8	0.2	9.6	1.3	10.8	1.4	-1.6	11.7
Gross Profit	2,10,170	2,23,312	2,32,908	2,40,142	2,68,260	2,83,846	2,81,067	3,15,692
Margin (%)	57.6	61.0	58.1	59.1	59.6	62.2	62.6	63.0
Other operating expenditure	75,224	85,938	86,903	84,503	94,966	1,04,803	1,04,718	1,16,382
EBITDA	1,34,946	1,37,374	1,46,004	1,55,639	1,73,294	1,79,043	1,76,349	1,99,309
Change (%)	8.2	1.8	6.3	6.6	11.3	3.3	-1.5	13.0
Margin (%)	37.0	37.6	36.4	38.3	38.5	39.2	39.3	39.8
Depreciation	9,617	10,007	10,380	11,454	13,117	15,633	15,944	16,799
Int. and Fin. Charges	785	719	453	1,096	580	557	501	451
Other Inc. - Recurring	15,431	17,693	19,859	21,298	24,845	30,137	27,019	30,380
Profit before Taxes	1,39,975	1,44,341	1,55,030	1,64,388	1,84,442	1,92,989	1,86,922	2,12,439
Change (%)	10.6	3.1	7.4	6.0	12.2	4.6	-3.1	13.7
Margin (%)	38.3	39.5	38.7	40.5	41.0	42.3	41.7	42.4
Tax	40,210	48,961	52,857	55,998	58,492	44,420	47,048	53,471
Deferred Tax	3,688	2,096	164	286	1,306	-4,112	0	0
Tax Rate (%)	31.4	35.4	34.2	34.2	32.4	20.89	25.17	25.17
Profit after Taxes	96,077	93,284	1,02,009	1,08,104	1,24,643	1,52,682	1,39,873	1,58,968
Change (%)	9.4	-2.9	9.4	6.0	15.3	22.5	-8.4	13.7
Margin (%)	26.3	25.5	25.4	26.6	27.7	33.5	31.2	31.7
Non-rec. (Exp)/Income	0	0	0	4,129	0	-1,321	0	0
Reported PAT	96,077	93,284	1,02,009	1,12,233	1,24,643	1,51,361	1,39,873	1,58,968

Balance Sheet							(INR Million)	
Y/E March	2015	2016	2017	2018	2019	2020	2021E	2022E
Share Capital	12,100	12,147	12,147	12,204	12,259	12,292	12,292	12,292
Reserves	2,95,257	4,04,417	4,41,262	5,01,796	5,67,239	6,27,999	6,64,208	7,03,858
Net Worth	3,07,357	4,16,564	4,53,410	5,14,001	5,79,498	6,40,292	6,76,500	7,16,150
Loans	143	165	79	69	32	3,298	705	705
Deferred Liability	16,316	18,674	18,717	19,179	20,441	16,177	16,177	16,177
Capital Employed	3,23,816	4,35,403	4,72,205	5,33,249	5,99,972	6,59,766	6,93,382	7,33,032
Gross Block	2,09,908	2,20,933	2,40,156	2,58,097	3,00,430	3,36,314	3,54,314	3,73,314
Less: Accum. Depn.	72,136	80,516	90,896	1,02,350	1,15,467	1,31,100	1,47,044	1,63,843
Net Fixed Assets	1,37,771	1,40,417	1,49,259	1,55,747	1,84,963	2,05,215	2,07,270	2,09,471
Capital WIP	25,155	23,884	34,913	50,169	33,915	27,763	27,763	27,763
Investments	84,055	1,33,245	1,85,853	2,33,972	2,65,780	3,06,306	3,35,238	3,67,321
Curr. Assets, L&A	1,94,976	2,02,636	1,72,134	1,83,925	2,13,322	2,13,070	2,21,476	2,36,788
Inventory	78,368	85,198	78,640	72,372	75,872	80,381	74,757	82,717
Account Receivables	17,224	16,864	22,075	23,570	36,462	20,920	41,374	46,206
Cash and Bank Balance	75,886	56,392	27,473	25,949	37,687	68,433	60,887	62,251
Others	23,498	44,182	43,946	62,035	63,300	43,337	44,458	45,614
Curr. Liab. and Prov.	1,18,140	64,780	69,954	90,564	98,008	92,588	98,366	1,08,311
Account Payables	19,046	22,280	25,512	33,823	33,683	34,467	34,695	38,535
Other Liabilities	48,997	42,500	44,442	56,742	64,325	58,121	63,671	69,776
Net Current Assets	76,835	1,37,856	1,02,180	93,361	1,15,314	1,20,482	1,23,110	1,28,476
Application of Funds	3,23,816	4,35,403	4,72,206	5,33,249	5,99,972	6,59,766	6,93,382	7,33,032

E: MOSL Estimates

Financials and Valuations

Ratios

Y/E March	2015	2016	2017	2018	2019	2020	2021E	2022E
Basic (INR)								
EPS	7.9	7.7	8.4	8.9	10.2	12.4	11.4	12.9
Cash EPS	8.7	8.5	9.3	9.8	11.2	13.7	12.7	14.3
BV/Share	25.4	34.3	37.3	42.1	47.3	52.1	55.0	58.3
DPS	5.0	6.7	5.7	6.2	6.9	10.2	9.3	10.6
Payout %	63	88	68	68	68	83	82	82

Valuation (x)

P/E	24.6	25.4	23.2	22.0	19.2	15.7	17.1	15.1
Cash P/E	22.3	22.9	21.1	19.9	17.4	14.2	15.4	13.6
EV/Sales	6.2	6.1	5.5	5.3	4.7	4.5	4.5	4.0
EV/EBITDA	16.5	16.0	14.9	13.7	12.0	11.3	11.3	9.8
P/BV	7.7	5.7	5.2	4.6	4.1	3.7	3.5	3.3
Dividend Yield (%)	2.6	3.5	2.9	3.2	3.6	5.2	4.8	5.4

Return Ratios (%)

RoE	33.7	25.8	23.5	22.3	22.8	25.0	21.2	22.8
RoCE	32.2	24.7	22.5	21.6	22.1	24.3	20.7	22.3
RoIC	63.8	45.7	40.0	42.4	44.6	49.7	45.6	50.1

Working Capital Ratios

Debtor (Days)	20	17	18	21	25	23	26	32
Asset Turnover (x)	1.1	0.8	0.8	0.8	0.7	0.7	0.6	0.7

Leverage Ratio

Debt/Equity (x)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
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Cash Flow Statement

(INR Million)

Y/E March	2015	2016	2017	2018	2019	2020	2021E	2022E
OP/(loss) before Tax	1,39,975	1,44,341	1,55,030	1,68,517	1,84,442	1,92,989	1,86,922	2,12,439
Financial other income	9,010	3,408	5,475	7,157	8,128	30,137	27,019	30,380
Depreciation and Amort.	9,617	10,007	10,380	11,454	13,117	15,633	15,944	16,799
Interest Paid	-5,538	-8,025	-8,416	-8,312	-12,084	557	501	451
Direct Taxes Paid	42,258	48,277	52,130	57,196	54,859	40,308	47,048	53,471
Incr in WC	-302	2,518	-631	-19,202	4,997	673	10,174	4,002
CF from Operations	93,089	92,119	1,00,020	1,26,509	1,17,491	1,38,062	1,19,126	1,41,836
Other items	18,748	-1,720	15,164	-7,587	3,174	33,333	35,664	15,984
Incr Decr in FA	30,445	21,377	28,971	25,478	27,595	21,136	18,000	19,000
Free Cash Flow	62,644	70,743	71,049	1,01,030	89,896	1,16,926	1,01,127	1,22,836
Pur of Investments	-7,337	33,866	43,756	34,769	15,325	40,526	28,932	32,083
CF from Invest.	-4,360	-56,962	-57,563	-67,834	-39,746	-28,329	-11,268	-35,099
Issue of shares	9,788	5,317	10,670	9,128	9,691	9,921	10,000	10,000
Incr in Debt	-154	-143	-129	-78	-69	3,265	-2,593	0
Net Interest Paid	57	231	218	453	867	557	501	451
Dividend Paid	47,719	50,097	68,401	57,700	62,852	70,487	1,03,824	95,114
Others	-7,594	-9,497	-13,298	-11,095	-11,909	-19,808	-19,808	-19,808
CF from Fin. Activity	-45,736	-54,651	-71,376	-60,199	-66,006	-78,987	-1,16,726	-1,05,373
Incr of Cash	42,992	-19,494	-28,919	-1,524	11,739	30,746	-8,867	1,364
Add: Opening Balance	32,894	75,886	56,392	27,473	25,949	37,687	69,754	60,887
Closing Balance	75,886	56,392	27,473	25,949	37,687	68,433	60,887	62,251

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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