Marico

Estimate change	↑
TP change	↑
Rating change	↔

Bloomberg	MRCO IN
Equity Shares (m)	1,290
M.Cap.(INRb)/(USDb)	452.5 / 6.2
52-Week Range (INR)	404 / 234
1, 6, 12 Rel. Per (%)	-6/11/-3
12M Avg Val (INR M)	936
Free float (%)	40.4

Financials & Valuations (INR b)

Y/E March	2020	2021E	2022E
Sales	73.2	74.2	84.7
Sales Gr. (%)	-0.3	1.4	14.1
EBITDA	14.7	15.4	17.3
EBITDA Margin (%)	20.1	20.7	20.4
Adj. PAT	10.5	10.8	12.3
Adj. EPS (INR)	8.1	8.4	9.5
EPS Gr. (%)	13.4	2.9	13.8
BV/Sh.(INR)	23.4	30.5	31.2
Ratios			
RoE (%)	34.9	31.1	30.9
RoCE (%)	31.9	28.0	28.0
Payout (%)	96.0	91.5	92.1
Valuations			
P/E (x)	43.1	41.9	36.8
P/BV (x)	15.0	11.5	11.2
EV/EBITDA (x)	30.5	28.5	25.4
Div. Yield (%)	2.2	2.2	2.5

Shareholding pattern (%)

As On	Jun-20	Mar-20	Jun-19
Promoter	59.6	59.6	59.7
DII	10.0	10.7	6.0
FII	23.8	22.8	25.8
Others	6.6	6.9	8.5

FII Includes depository receipts

CMP: INR350 TP: INR405 (+16%) Buy

Significant beat on expectations, outlook improving

Brief overview of results and stock

- Marico (MRCO) reported a beat on all fronts, barring volumes, in 1QFY21 results, with a surprise on margins. Importantly, May and June witnessed positive sales growth, and this trend has continued in July. Recovery has been seen in Value-Added Hair Oils (VAHO) as well, along with Parachute and Saffola continuing to do well. The base is also more favorable.
- With earnings much better than previously feared EPS decline, valuations still appear inexpensive at 36.8x FY22 EPS. Targeting 40x Jun'22 EPS, we arrive at **TP of INR405, implying 16% upside.**

Significant beat on estimates

- **Marico's 1QFY21 consol. net sales declined 11% YoY** to INR19.3b (est.: INR18.6b). EBITDA grew 1.3% YoY to INR4.7b (est.: INR4b). PBT was up 0.2% YoY to INR4.4b (est.: INR3.8b). Adj. PAT declined 3.1% YoY to INR3.2b (est.: INR2.7b).
- **Consol. gross margins expanded by 140bp YoY to 48.9%**. Lower A&P spends as a percentage of sales (down 300bp YoY to 7.1%; absolute spends at -37.4% YoY) were partially offset by higher staff cost (up 110bp YoY to 7%) and other expenses (up 20bp YoY to 10.5%). EBITDA margins thus expanded by 300bp YoY to 24.3%.
- **Domestic revenue/volumes declined** by 15%/14% YoY (est.: 12.5% domestic volume decline). Within domestic business, Parachute Rigids' volumes decline by 11% YoY, VAHO volumes decline by 30% and Saffola (Refined Edible Oil's) volumes were up 16%.

Highlights from management commentary

- Business has seen smart recovery, with 3% sales growth in May and June combined, and this momentum continues in July.
- MRCO has taken a 5–6% promotional pricing cut in Parachute and believes market share gains (62% currently) from both organized and unorganized players may be significant and, more importantly, permanent.
- The company targets flattish sales for the full year, with over 20% EBITDA margins. From around INR2b sales in FY20, the Foods business' sales are targeted at INR3–3.5b in FY21 and INR5b in FY22.

Valuation and view

- Changes to the model have resulted in a ~3% increase in FY21/FY22 EPS. Recovery in the Non-Discretionary portfolio is extremely encouraging, and ongoing momentum and significantly high growth targets in the Foods portfolio are encouraging. As highlighted in **our management meet note last month**, MRCO's traction on both topline growth and margins is encouraging v/s earlier fears of EPS decline in FY21.
- While the jury is still out on the success achieved in new product development, which would elevate the medium to longer term earnings trajectory as well as valuation multiples, the stock at 36.8x FY22 EPS appears to still provide healthy upside over the next year, with a superior outlook than most peers and a far less volatile international business. We target 40x Jun'22 EPS, giving us TP of INR405, implying 16% upside.

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Quarterly Performance

(INR Million)

Y/E March	FY20				FY21				FY20	FY21E	FY21	Var.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	(%)
Domestic volume growth (%)	6.0	1.0	-1.0	-3.0	-14.0	3.5	4.8	11.1	0.8	1.3	-12.5	
Net Sales	**21,660**	**18,290**	**18,240**	**14,960**	**19,250**	**19,022**	**19,426**	**16,493**	**73,150**	**74,190**	**18,628**	3.3%
YoY Change (%)	6.9	-0.4	-2.0	-7.0	-11.1	4.0	6.5	10.2	-0.3	1.4	-14.0	
Gross Profit	**10,290**	**9,080**	**8,960**	**7,370**	**9,410**	**9,291**	**9,426**	**8,004**	**35,700**	**36,131**	**8,887**	
Gross margin (%)	47.5	49.6	49.1	49.3	48.9	48.8	48.5	48.5	48.8	48.7	47.7	
EBITDA	**4,610**	**3,530**	**3,730**	**2,820**	**4,670**	**3,633**	**3,934**	**3,131**	**14,690**	**15,368**	**3,983**	17.2%
Margins (%)	21.3	19.3	20.4	18.9	24.3	19.1	20.2	19.0	20.1	20.7	21.4	
YoY Change (%)	26.0	15.7	3.9	-4.1	1.3	2.9	5.5	11.0	10.9	4.6	-13.6	
Depreciation	350	350	320	380	340	361	374	375	1,400	1,450	364	
Interest	120	130	120	130	90	131	133	139	500	493	126	
Other Income	280	350	290	320	190	354	392	367	1,240	1,302	300	
PBT	**4,420**	**3,400**	**3,580**	**2,630**	**4,430**	**3,495**	**3,817**	**2,984**	**14,030**	**14,726**	**3,793**	16.8%
Tax	1,080	880	820	530	1,170	926	993	618	3,310	3,707	986	
Rate (%)	24.4	25.9	22.9	20.2	26.4	26.5	26.0	20.7	23.6	25.2	26.0	
Minority Interest	70	50	40	60	90	50	40	40	220	220	70	
Adjusted PAT	**3,270**	**2,470**	**2,720**	**2,040**	**3,170**	**2,519**	**2,785**	**2,326**	**10,500**	**10,800**	**2,737**	15.8%
YoY Change (%)	28.2	16.5	10.6	-3.3	-3.1	2.0	2.4	14.0	13.4	2.9	-16.3	

E: MOFSL Estimates

Key Performance Indicators

Y/E March	FY20				FY21			
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE
Volume growth (%)								
Parachute rigid	9.0	-1.0	-2.0	-8.0	-11.0	5.0	6.0	9.5
Saffola (Refined Edible Oil)	3.0	1.0	11.0	25.0	16.0	16.5	13.5	16.0
VAHO	7.0	0.0	-7.0	-11.0	-30.0	-11.0	-5.0	13.0
Domestic	**6.0**	**1.0**	**-1.0**	**-3.0**	**-14.0**	**3.5**	**4.8**	**11.1**
International	6.0	10.0	12.5	-7.0	-8.0	8.0	10.0	13.0
Overall	**6.0**	**3.0**	**2.0**	**-4.0**	**-12.6**	**4.5**	**6.0**	**11.5**
Value growth (%)								
Parachute rigid	8.0	-4.0	-5.0	-12.0	-12.0	6.0	8.0	10.5
Saffola (Refined Edible Oil)	6.0	5.0	13.0	25.0	16.0	18.5	15.5	17.0
VAHO	11.0	-6.0	-17.0	-18.0	-32.0	-9.0	-3.0	14.5
Domestic	**6.0**	**-3.0**	**-5.0**	**-8.0**	**-15.0**	**3.2**	**4.9**	**10.5**
International	9.0	8.0	8.0	-5.0	2.0	10.0	12.0	14.5
International cc	7.0	9.0	10.0	-6.0	-4.0	3.0	5.0	7.5
Overall	**6.7**	**-0.6**	**-2.2**	**-7.3**	**-11.3**	**4.7**	**6.5**	**11.4**
2Y average growth (%)								
Sales	13.7	9.6	6.3	0.8	-2.1	1.8	2.3	1.6
EBITDA	19.3	16.7	11.5	6.2	13.6	9.3	4.7	3.5
PAT	19.1	16.7	11.1	6.8	12.6	9.2	6.5	5.4
% of Sales								
COGS	52.5	50.4	50.9	50.7	51.1	51.2	51.5	51.5
Operating Expenses	26.2	30.3	28.7	30.4	24.6	29.7	28.3	29.5
Depreciation	1.6	1.9	1.8	2.5	1.8	1.9	1.9	2.3
YoY change (%)								
COGS	-2.8	-10.4	-7.2	-7.4	-13.5	5.7	7.8	11.8
Operating Expenses	15.7	10.1	4.2	-8.1	-16.5	1.9	5.0	7.1
Other Income	16.7	20.7	31.8	14.3	-32.1	1.0	35.0	14.7
EBIT	27.2	16.1	4.0	-4.3	1.6	2.9	4.4	12.9

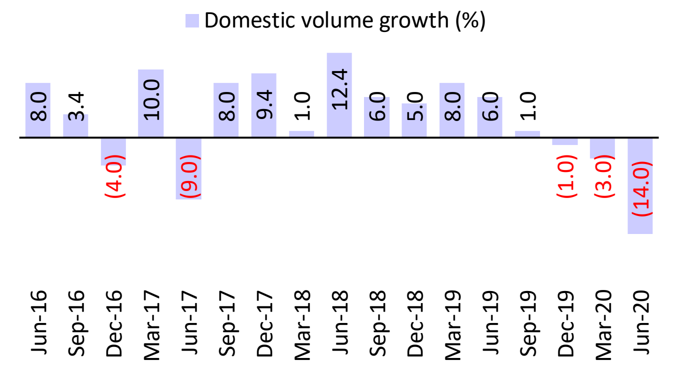
E: MOFSL Estimates

Exhibit 1: Overall volumes decline by 12.6% and India business volumes by 14% in 1QFY21

Marico India	1QFY20		2QFY20		3QFY20		4QFY20		1QFY21	
Segment growth (%)	**Volume**	**Value**	**Volume**	**Value**	**Volume**	**Value**	**Volume**	**Value**	**Volume**	**Value**
Parachute Rigid	9.0	8.0	(1)	(4)	(2)	(5)	(8.0)	(12.0)	(11.0)	(12.0)
Saffola (Refined Edible Oil)	3.0	6.0	1	5	11	13	25.0	25.0	16.0	16.0
Value added hair oils	7.0	11.0	0	(6)	(7)	(17)	(11.0)	(18.0)	(30.0)	(32.0)
Domestic Business	**6.0**	**6.0**	**1**	**(3)**	**(1)**	**(5)**	**(3.0)**	**(8.0)**	**(14.0)**	**(15.0)**

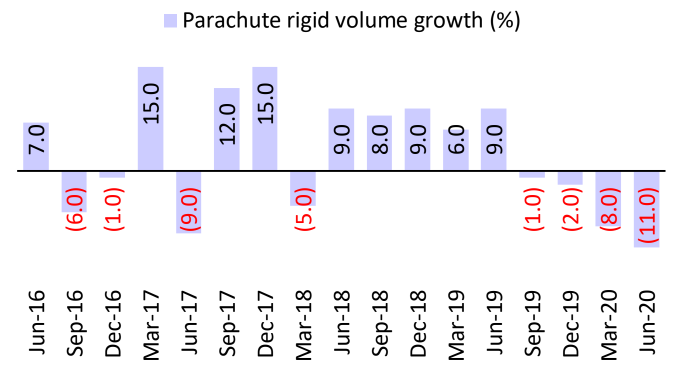
Source: Company, MOFSL

Exhibit 2: Domestic volumes decline by 14% in 1QFY21



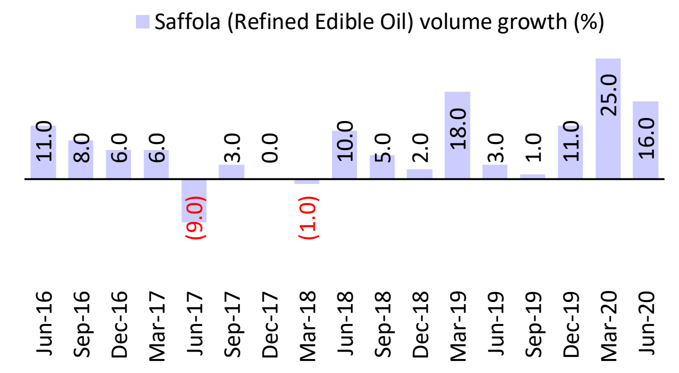
Source: MOFSL, Company

Exhibit 3: Parachute Rigids' volumes decline 11%



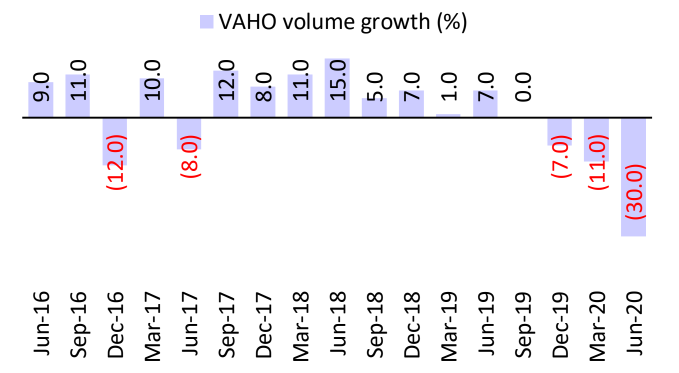
Source: MOFSL, Company

Exhibit 4: Saffola (Refined Edible Oil) volumes up 16%



Source: MOFSL, Company

Exhibit 5: VAHO volumes decline by 30%



Source: MOFSL, Company

Exhibit 6: Consolidated segmental details

	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21
Sales growth (%)									
Domestic	22.6	19.9	12.8	7.2	6.3	(2.8)	(4.8)	(7.6)	(14.5)
International	9.4	18.4	21.2	14.2	9.0	8.3	7.9	(5.1)	2.3
Total	**19.8**	**19.6**	**14.6**	**8.7**	**6.9**	**(0.4)**	**(2.0)**	**(7.0)**	**(11.1)**
EBIT margins (%)									
Domestic EBIT margins	18.4	17.1	19.7	19.4	21.1	19.2	21.6	20.8	24.2
International EBIT margins	20.1	17.7	19.1	16.3	24.4	20.4	19.1	16.3	28.1
Total	**18.7**	**17.2**	**19.6**	**18.6**	**21.7**	**19.5**	**21.0**	**19.7**	**25.1**

Source: Company, MOFSL

Key highlights on domestic business (77% of turnover)

- In 1QFY21, the domestic business was severely impacted in April due to supply chain disruptions following the extension of the national lockdown. However, the company was able to scale the business sequentially in May and June as restrictions had been eased relatively (volumes grew 3% over May–June on a

YoY basis). The domestic business clocked sales of 104% of the annual average monthly run-rate of FY20. However, given the very significant revenue skew in 1QFY20 (~31%; unrelated to portfolio seasonality), underlying volume decline was at 14% YoY. Secondary volume growth was in line with the reported primary volume growth as the company continued to operate at lower distributor inventory levels following the drop posted at the end of Q4FY20, to protect channel partner ROIs in the current environment.

- With social distancing becoming increasingly prevalent, consumers favored neighborhood GT stores as well as e-commerce platforms over modern trade during the quarter. The CSD business during the quarter was reduced to nearly half, which had a meaningful impact on overall volume growth in the India business.

Segmental performance:

Parachute Rigids declined 11% in volume terms on a high base following a slow start in April. In Q1FY21, the brand clocked sales at 111% of the annual average monthly run-rate of FY20. The brand has seen very healthy traction in May and June and is well-poised to gain on the back of its strong brand equity and accelerated upgrades from loose coconut oil.

- The volume market share of the Coconut Oil franchise (including Nihar Naturals and Oil of Malabar) strengthened to 62%.
- With mild deflation expected in copra prices, MRCO is expected to actively pass on value to consumers to maximize market share gains from branded coconut oil and accelerate upgrades from loose coconut oil.

Value-Added Hair Oils: VAHO declined 30% in volume terms, sharply impacted by the much-delayed resumption of billing in late April. Despite the slump in April, during the quarter, the franchise clocked sales at ~94% of the annual average monthly run-rate of FY20, primarily led by the bottom of the pyramid segment. As demand trends improved, the franchise grew over May–June.

- Nihar Shanti Amla Badam led recovery in May and June; among the newer introductions, Parachute Advanced Aloe Vera Enriched Coconut Hair Oil witnessed encouraging trends in June.
- Also, as per June offtake data, the Hair Oils category is now tracking ahead of pre-COVID-19 levels.
- The volume market share of the franchise expanded by ~130bps to 36%, while its value market share consolidated at 27%.

Saffola (Refined Edible Oil): Continuing its growth journey, the category posted 16% volume growth, building on strong brand credentials, a ramped-up presence, and increased in-home consumption.

- The brand's volume market share in the Super Premium Refined Edible Oils segment expanded by ~330bps to 77% in 1QFY21.
- The Foods franchise posted value growth of 30% in 1QFY21, led by 41% growth in the Saffola Oats franchise. Both the plain and savory offerings grew healthily.
- In response to the heightened immunity-boosting needs of consumers, the company launched Saffola Honey, a 100% pure honey with no added sugar.

Premium Hair Nourishment, comprising Leave-in Hair Serums, Male Grooming, and Premium Skin Care, bore the brunt of the ongoing COVID-19 crisis on account of its discretionary nature, witnessing sharp declines.

- However, June offtake trends signaled some recovery in personal care categories, with e-commerce emerging as a key business driver in some of the sub-categories. The company is expected to continue to lie low in these categories, while closely monitoring offtake trends.

The Hygiene portfolio started off well, with an encouraging response seen for Mediker Hand Sanitizers and Veggie Clean. The company expanded the range with the launch of indoor and outdoor surface disinfectants under the aegis of the brands House Protect and Travel Protect, respectively. Separately, a digital-first premium out-of-home hygiene range was also introduced under the brand KeepSafe.

Outlook for domestic business:

- **Parachute Rigids**: The company aims to grow volumes by 5–7% over the medium term.
- **VAHO**: It aims to revive volume growth in this franchise in the near term.
- **Saffola**: Remain cautiously optimistic. The company aims to deliver high single digit volume growth over the medium term.
- **Healthy Foods**: A 20% plus CAGR is expected over the medium term.
- **Premium Personal Care:** MRCO aims to build this category into a growth engine of the future, and expects to deliver double digit value growth in the portfolios over the medium term. Although, in the near term, expectations remain muted.

Key highlights on international business (23% of turnover)

- The COVID-19 pandemic and subsequent partial/complete lockdowns impacted the international markets in varying degrees. While the international business de-grew by 4% in CC terms, Bangladesh continued to hold the fort by delivering a commendable 10% constant currency growth, while other geographies recorded double-digit declines.
- **Bangladesh (46% of international business)** revenues grew 10% in CC terms during the quarter. The business in Bangladesh is likely to continue its momentum as medium-term macro prospects look promising.
- **South East Asia, majorly Vietnam and Myanmar (26% of international),** sales saw a decline of 14% in CC terms in 1QFY21.
- **Middle East and North Africa (12% of international)** revenues declined 27% in CC terms in 1QFY21.
- **South Africa (7% of international)** sales declined 25% in CC terms in 1QFY21 on continued macro headwinds, coupled with restrictions imposed to contain the COVID-19 outbreak in the region. Macros continue to be weak. Some revival is expected in the business over the medium term, led by a pipeline of new products.
- **New Country Development & Exports (6% of the international)** de-grew by 16% in CC terms in 1QFY21, led by lockdowns and restrictions across countries.
- **Outlook for international business:**
  - **Bangladesh** is likely to continue the momentum as medium-term macro prospects look promising.

- **MENA**: The company remains cautious on the business outlook, but would be aggressive on cost management to enable it to tide over challenging macros.
- **South Africa:** MRCO is cautious on the near-term outlook for the business, but expects to protect the core franchise of Ethnic Hair Care and Healthcare over the medium term.
- **New Country Development & Exports**: The company remains positive on future business prospects as it incubates new geographies to expand the franchise.

Outlook for consolidated

- **The company holds the medium-term aspiration of delivering 8–10% volume growth and 13–15% revenue growth.**
- **Operating margin:** The company would be comfortable maintaining the operating margin at 19% plus over the medium term. However, it expects operating margins to be circa 20% for the rest of the year.
- **A&P spends:** These are expected to be 7.5–8% of sales on an annualized basis.
- **Capex:** FY20 is likely to be around INR1.25–1.5b.
- **Other expense:** This is likely to remain in the range of 11–13% of turnover in the medium term.
- **Tax rate:** The ETR (excl. one-offs) was 23.1% for 1QFY21. In view of the recent changes in corporate tax rates, MRCO would continue to recognize tax expense after availing exemptions/deductions as per the existing provisions of the Income Tax Act and not opt for the revised rate structure. However, from a cash flow perspective, the company would utilize MAT credit accumulated over the years. The current MAT credit stood at INR1.41b as of 30th June 2020.

Update on new launches

- **VAHO –** Parachute Naturale Shampoo would come in three variants: Nourishing Care, Damage Repair, and Anti Hair Fall.
- **Personal Care and Hygiene –** New launches comprise Mediker SafeLife Hand Sanitizer and Hand Wash, Mediker SafeLife Veggie Wash, Veggi Clean, Mediker Hand Sanitizer, Protect surface disinfectant, the Keepsafe premium personal and out-of-home hygiene range, and the Omex Go cleansing gel.
- **Foods** – New products consist of Saffola Honey and Saffola Healthy Snackathon.

CONFERENCE CALL

Conference call highlights

Recovery is happening well

- The business has seen smart recovery in May and June (~3% sales growth combined), which continues in July. MRCO is confident of growth for the remainder of the year, unless the COVID-19 situation worsens significantly. This is despite a higher base in 1QFY20.
- Market share gains were posted in 90% of the portfolio on a MAT basis. The quarterly YoY trend is even higher.
- Rural grew 120% of the FY20 run-rate, while urban growth was on par with FY20 levels.
- MRCO targets flattish sales for the full year.
- Operating margins are likely to be over 20% for the rest of the year.

Key products and channels

- Parachute and Saffola are doing well. The 'untouched by hand' campaign for Parachute has received a good response. MRCO has taken a 5–6% promotional pricing cut in Parachute and believes market share gains (62% currently) from both organized and unorganized players may be highly significant and, more importantly, permanent. The company launched Saffola Honey, with high purity.
- Even VAHO sales were at 94% of prior-year levels for the recent month. The Hair Oils category is recovering. Only the small Discretionary portfolio is seeing slow offtake.
- The CSD channel declined by 48% YoY in 1QFY21. Modern trade sales are recovering, but expected to be sub-optimal in the near future. The *kirana* channel is expected to continue to do well.
- Owing to an increase in direct distribution (currently 0.9–1m), MRCO now has a critical mass of portfolio, particularly in VAHO with Sarson (mustard), in addition to Shanti Amla.
- E-Commerce was 7% of sales in 1QFY21.

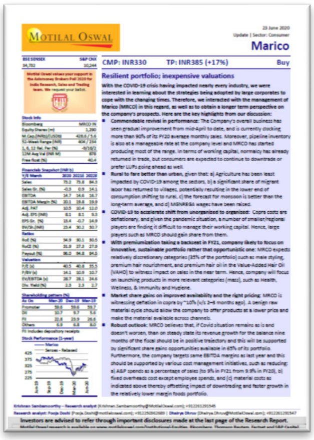
Other points

- Ad spends were at 90% of normal levels for the core portfolio. Cuts were implemented on non-core products. The remainder of the year would also witness a 100–150bps decline YoY.
- The New Hygiene portfolio would be INR800m–1b for MRCO in FY21 (Veggie Clean, Sanitizer, Home and Travel Protect, etc., launched recently).
- Foods – INR3–3.5b sales are targeted in FY21 and INR5b in FY22. They were at INR2b in FY20. Margins in Foods would also increase despite remaining lower than the overall portfolio.
- Expect copra prices to see mild deflation from a full-year perspective.
- Cost savings are targeted in all areas, barring innovation, safety, and employee costs (jobs and salaries).
- Among the newer categories, virgin coconut oil, green coffee, and Coco Soul offer promise.

Valuation and view

What has happened in the last 10 years?

- In key categories such as Coconut Oil and VAHO, MRCO reported healthy sales growth, with volume growth in Parachute actually improving in recent years.
- In Saffola Foods (oats), the company was able to establish strength and grow significantly in the Masala Oats category.
- Growth in Saffola (edible oil brand) has tapered off in recent years, partly as a result of strategic mistakes in terms of pricing and partly due to the company being unable to cater to the recently emerged Super Premium market segment.
- Similarly, the brands acquired from Paras/Reckitt – Livon, Set Wet, and Zatak – have not scaled up as expected despite high category growth potential.
- Topline and earnings growth have, nevertheless, been healthy over the past 10 years, with a ~11% topline CAGR, 15% EBITDA CAGR, and 16% PAT CAGR. Over the past five years, growth has been healthy, but has tapered off compared with the past, at ~5% sales growth, 11% EBITDA growth, and ~13% PAT growth.



Our view on the stock

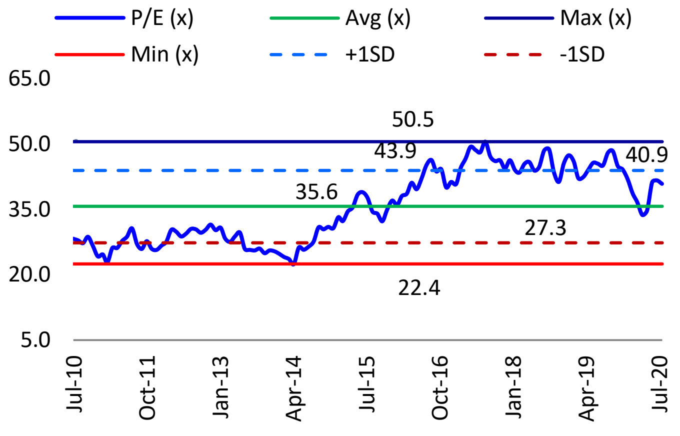
- Changes to the model have resulted in a ~3% increase in FY21/FY22 EPS. Recovery in the Non-Discretionary portfolio is extremely encouraging, as are the ongoing momentum and significantly high growth targets in the Foods portfolio. As highlighted in **our management meet note last month**, MRCO's traction on both topline growth and margin is optimistic v/s prior fears of EPS decline in FY21.
- While the jury is still out on success achieved in terms of new product development, which would elevate the medium to longer term earnings trajectory as well as valuation multiples, the stock at 36.8x FY22 EPS appears to still provide healthy upside over the next year, with superior outlook than most peers and a far less volatile international business. We target 40x Jun'22 EPS, giving us TP of INR405, implying 16% upside.

Exhibit 7: 2.7%/2.1% upgrade in FY21/FY22E EPS

INR m	Old		New		Change	
	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
Sales	73,824	84,265	74,190	84,687	0.5%	0.5%
EBITDA	14,749	16,812	15,368	17,265	4.2%	2.7%
PAT	10,520	12,037	10,800	12,292	2.7%	2.1%

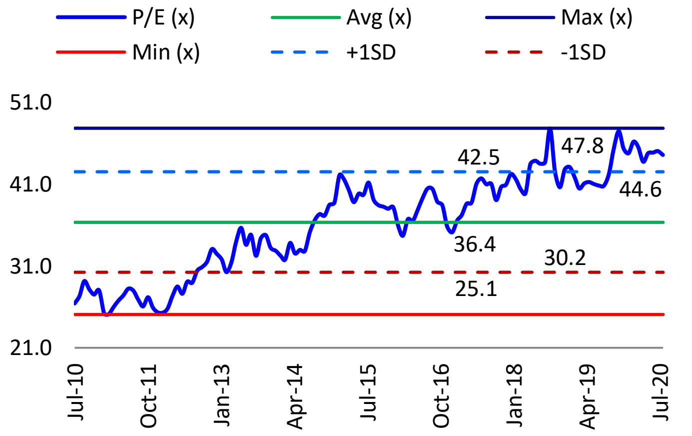
Source: Company, MOFSL

Exhibit 8: Marico P/E (x)



Source: Company, MOFSL

Exhibit 9: Consumer sector P/E (x)



Source: Company, MOFSL

Financials and Valuations

Income Statement								(INR M)
Y/E March	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021E**	**2022E**
Net Sales	**57,330**	**60,173**	**59,178**	**63,220**	**73,340**	**73,150**	**74,190**	**84,687**
Change (%)	22.3	5.0	-1.7	6.8	16.0	-0.3	1.4	14.1
COGS	31,356	30,887	28,472	33,720	40,170	37,450	38,059	43,580
Gross Profit	**25,974**	**29,286**	**30,706**	**29,500**	**33,170**	**35,700**	**36,131**	**41,107**
Margin (%)	45.3	48.7	51.9	46.7	45.2	48.8	48.7	48.5
Operating Expenses	17,274	18,773	19,113	18,130	19,920	21,010	20,763	23,842
EBITDA	**8,701**	**10,514**	**11,593**	**11,370**	**13,250**	**14,690**	**15,368**	**17,265**
Change (%)	16.4	20.8	10.3	-1.9	16.5	10.9	4.6	12.3
Margin (%)	15.2	17.5	19.6	18.0	18.1	20.1	20.7	20.4
Depreciation	843	949	903	890	1,310	1,400	1,450	1,571
Int. and Fin. Charges	230	206	166	160	400	500	493	563
Other Income - Recurring	589	933	973	850	1,030	1,240	1,302	1,589
Profit before Taxes	**8,217**	**10,292**	**11,497**	**11,170**	**12,570**	**14,030**	**14,726**	**16,720**
Change (%)	18.2	27.2	11.7	-2.8	12.5	11.6	5.0	13.5
Margin (%)	14.3	17.1	19.4	17.7	17.1	19.2	19.8	19.7
Current Tax (excl MAT Ent)	2,383	2,503	2,922	2,840	3,310	3,470	3,633	4,125
Deferred Tax	-15	551	455	60	-180	-160	74	84
Tax Rate (%)	28.8	29.7	29.4	26.0	24.9	23.6	25.2	25.2
Minority Interest	-114	-5	-10	-130	-180	-220	-220	-220
Profit after Taxes	**5,735**	**7,233**	**8,110**	**8,140**	**9,260**	**10,500**	**10,800**	**12,292**
Change (%)	18.1	26.1	12.1	0.4	13.8	13.4	2.9	13.8
Margin (%)	10.0	12.0	13.7	12.9	12.6	14.4	14.6	14.5
Extraordinary items	0	-5	0	0	1,880	-290	0	0
Reported PAT	**5,735**	**7,228**	**8,110**	**8,140**	**11,140**	**10,210**	**10,800**	**12,292**

Balance Sheet								(INR M)
Y/E March	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021E**	**2022E**
Share Capital	1,290	1,290	1,291	1,290	1,290	1,290	1,290	1,290
Reserves	16,958	18,884	21,966	24,140	28,700	28,940	38,035	39,007
Net Worth	**18,248**	**20,174**	**23,257**	**25,430**	**29,990**	**30,230**	**39,325**	**40,297**
Minority Interest	137	143	133	120	110	130	130	130
Loans	4,279	3,313	2,388	3,090	3,490	5,580	6,030	6,480
Capital Employed	**22,664**	**23,630**	**25,778**	**28,640**	**33,590**	**35,940**	**45,485**	**46,907**
Gross Fixed Assets	8,807	6,119	7,440	8,120	9,140	13,110	11,790	13,090
Intangibles	1,034	328	361	600	550	410	605	605
Less: Accum. Depn.	-3,973	-917	-1,749	-2,480	-3,250	-4,650	-6,100	-7,671
Net Fixed Assets	**5,868**	**5,531**	**6,053**	**6,240**	**6,440**	**8,870**	**6,295**	**6,024**
Capital WIP	30	367	112	270	450	580	580	580
Goodwill	4,892	4,974	4,795	4,860	5,030	5,380	5,480	5,580
Investments	**2,838**	**5,439**	**6,082**	**5,430**	**4,500**	**7,040**	**13,000**	**12,000**
Curr. Assets, L&A	**17,625**	**16,852**	**19,191**	**23,920**	**29,120**	**26,560**	**34,894**	**39,114**
Inventory	9,947	9,256	12,534	15,110	14,110	13,800	15,580	17,446
Account Receivables	1,768	2,521	2,470	3,400	5,170	5,390	6,306	6,775
Cash and Bank Balance	2,049	3,171	2,360	2,010	5,520	2,790	7,329	8,311
Others	3,861	1,904	1,828	3,400	4,320	4,580	5,678	6,583
Curr. Liab. and Prov.	**8,511**	**9,953**	**10,329**	**11,880**	**13,710**	**14,020**	**14,763**	**16,392**
Current Liabilities	7,471	8,395	9,040	10,560	12,260	12,690	13,248	14,743
Accounts Payable	5,643	6,690	6,966	8,220	9,440	9,780	10,082	11,325
Provisions	1,040	1,558	1,289	1,320	1,450	1,330	1,515	1,649
Net Current Assets	**9,115**	**6,899**	**8,862**	**12,040**	**15,410**	**12,540**	**20,130**	**22,722**
Deferred Tax Liability	-79	421	-125	-200	1,760	1,530	0	0
Application of Funds	**22,664**	**23,630**	**25,778**	**28,640**	**33,590**	**35,940**	**45,485**	**46,906**

E: MOSL Estimates

Financials and Valuations

Ratios

Y/E March	2015	2016	2017	2018	2019	2020	2021E	2022E
Basic (INR)								
EPS	**4.4**	**5.6**	**6.3**	**6.3**	**7.2**	**8.1**	**8.4**	**9.5**
Cash EPS	5.0	6.3	6.8	7.0	9.7	9.0	9.5	10.7
BV/Share	14.1	15.6	18.0	19.7	23.2	23.4	30.5	31.2
DPS	1.2	3.5	4.3	4.6	6.6	7.6	7.7	8.8
Payout %	28.1	62.4	67.6	72.4	76.3	96.0	91.5	92.1
Valuation (x)								
P/E	78.8	62.5	55.8	55.5	48.8	43.1	41.9	36.8
Cash P/E	70.1	55.3	51.2	50.1	36.3	38.9	36.9	32.6
EV/Sales	7.9	7.4	7.5	7.1	6.1	6.1	5.9	5.2
EV/EBITDA	51.9	42.5	38.5	39.4	33.6	30.5	28.5	25.4
P/BV	24.8	22.4	19.4	17.8	15.1	15.0	11.5	11.2
Dividend Yield (%)	0.4	1.0	1.2	1.3	1.9	2.2	2.2	2.5
Return Ratios (%)								
RoE	36.0	37.7	37.3	33.4	33.4	34.9	31.1	30.9
RoCE	27.7	31.9	33.3	30.8	31.3	31.9	28.0	28.0
RoIC	35.7	41.5	47.4	40.7	40.7	41.7	41.6	46.4
Leverage Ratio								
Debt/Equity (x)	0.2	0.2	0.1	0.1	0.1	0.2	0.2	0.2

Cash Flow Statement **(INR M)**

Y/E March	2015	2016	2017	2018	2019	2020	2021E	2022E
OP/(loss) before Tax	8,217	10,287	11,487	11,170	12,630	13,740	14,726	16,720
Int./Div. Received	-185	-594	-43	-280	320	-1,000	-1,302	-1,589
Depreciation	843	949	903	890	960	1,500	1,450	1,571
Interest Paid	39	206	-197	-180	-300	500	493	563
Direct Taxes Paid	-2,097	-2,474	-2,964	-2,950	-3,200	-2,890	-3,633	-4,125
(Incr)/Decr in WC	-169	-197	-2,698	-3,490	210	330	-3,051	-1,611
CF from Operations	**6,648**	**8,176**	**6,487**	**5,160**	**10,620**	**12,180**	**8,684**	**11,529**
(Incr)/Decr in FA	-581	-864	-815	-1,280	-1,430	-1,860	1,125	-1,300
Free Cash Flow	**6,068**	**7,312**	**5,673**	**3,880**	**9,190**	**10,320**	**9,809**	**10,229**
(Pur)/Sale of Investments	410	-1,180	15	700	1,030	-2,540	-5,960	1,000
Others	-2,238	1,000	-760	740	-180	-4,125	10,013	-770
CF from Invest.	**-2,408**	**-1,044**	**-1,560**	**160**	**-580**	**-8,525**	**5,178**	**-1,070**
Issue of Shares	6	5	0	0	0	0	0	0
(Incr)/Decr in Debt	-437	0	0	0	0	2,090	450	450
Dividend Paid	-3,001	-5,023	-5,088	-6,360	-6,820	-8,495	-9,799	-9,886
Others	-2,824	-992	-652	690	290	20	27	-43
CF from Fin. Activity	**-6,255**	**-6,010**	**-5,740**	**-5,670**	**-6,530**	**-6,385**	**-9,322**	**-9,479**
Incr/Decr of Cash	**-2,015**	**1,122**	**-812**	**-350**	**3,510**	**-2,730**	**4,540**	**980**
Add: Opening Balance	4,064	2,049	3,171	2,360	2,010	5,520	2,790	7,330
Closing Balance	**2,049**	**3,171**	**2,360**	**2,010**	**5,520**	**2,790**	**7,330**	**8,310**

E: MOSL Estimates

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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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