

Estimate change	↔
TP change	↔
Rating change	↔

Bloomberg	ITC IN
Equity Shares (m)	12,259
M.Cap.(INRb)/(USD\$)	3284.1 / 42.3
52-Week Range (INR)	273 / 201
1, 6, 12 Rel. Per (%)	4/21/19
12M Avg Val (INR M)	5770
Free float (%)	100.0

Financials & Valuations (INR b)

Y/E March	2022	2023E	2024E
Sales	563.4	597.3	653.0
Sales Gr. (%)	23.9	6.0	9.3
EBITDA	189.3	205.3	242.5
EBITDA Mrg. %	33.6	34.4	37.1
Adj. PAT	150.6	164.6	193.4
Adj. EPS (INR)	12.2	13.4	15.7
EPS Gr. (%)	15.4	9.4	17.5
BV/Sh.(INR)	49.8	52.3	56.3

Ratios

RoE (%)	25.0	26.2	28.9
RoCE (%)	24.3	25.5	28.2
Payout (%)	94.0	90.0	80.0

Valuations

P/E (x)	21.8	19.9	17.0
P/BV (x)	5.3	5.1	4.7
EV/EBITDA (x)	15.6	14.2	11.8
Div. Yield (%)	4.3	4.5	4.7

Shareholding pattern (%)

As On	Mar-22	Dec-21	Mar-21
Promoter	0.0	0.0	0.0
DII	42.7	43.7	42.5
FII	12.1	10.1	12.9
Others	45.2	46.2	44.7

FII Includes depository receipts

CMP: INR267
TP: INR265 (-1%)
Neutral

EBITDA and PAT in line; cigarette volumes resilient

- ITC's 4QFY22 EBITDA and PAT growth came in line with our estimates.
- Cigarette volumes reportedly rebounded to the pre-Covid levels and grew 9% YoY (calculated) in 4QFY22, above our estimate of 4% YoY.
- In the ongoing environment where material cost inflation is a worry, ITC's resilient Cigarette margins render relatively better near-term visibility v/s peers. Longer term re-rating though will depend on diversification from cigarettes (81% of FY22 EBIT) and whether sustained earnings growth returns to the late-teen levels seen in the first half of the last decade. **We maintain our Neutral rating on the stock with a TP of INR265.**

Sales beat led by Agri business and Paperboards

- **ITC's revenue grew 16.8% YoY to INR155.3b** (est. INR138.4b) in 4QFY22. EBITDA/PBT/Adj. PAT grew 16.8%/12.1%/11.8% YoY to INR52.2b/INR54.4b/INR41.9b (in line), respectively.
- Gross margin contracted 120bp YoY to 53.1% (est. 54.3%), while EBITDA margin remained flat YoY at 33.67% (est. 36.3%) in 4QFY22.
- **Cigarette volumes likely to have increased 9% YoY (est. +4%).** The volume growth in the base quarter was 7% YoY; however, the three-year average volume growth has been flat at 1.3%. Sales grew 11% YoY to INR55.5b (est. INR53.2b). EBIT grew 12.2% YoY to INR41.1b (in line). The two-/three-year EBIT CAGR was 10%/2.2%, respectively. EBIT margin expanded 80bp YoY to 74.2%.
- **FMCG – Others** sales grew 12.3% YoY to INR41.4b in 4QFY22. EBIT grew 25.1% YoY to INR2.4b.
- Agri business/Paperboards/Hotels sales rose 29.6%/31.8%/35.4% YoY to INR43.7b/INR21.8b/INR3.9b, respectively.
- Other income declined 12.7% YoY to INR6.7b.
- **Sales/EBITDA/Adj. PAT rose 23.9%/21.9%/15.5% YoY in FY22, respectively.**
- In FY22, OCF/FCF improved by 28.8%/32.5% YoY to INR148b/INR131.3b.
- The Board declared a final dividend of INR6.25/share bringing its full year dividend to INR11.5/share representing a payout of 94% which was in line with our expectation.

Valuation and view

- ITC's re-rating would depend on sustained earnings growth going back to the high-teens levels witnessed in the first half of the last decade (at 18% CAGR) which had slowed down to 6.6% CAGR over the latter half of the decade. Valuation at 17x FY24E, although cheap, appears fair.
- We value ITC at a 15% premium to the global cigarette peer average, targeting 17x FY24E EPS, to arrive at our TP of INR265. **Retain Neutral.**

Quarterly Performance

(INR b)

Y/E March	FY21				FY22				FY21	FY22E	FY22 4QE	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE				
Est. cigarette vol. gr. (%)	-37.0	-12.0	-7.0	7.0	31.0	9.0	12.5	9.0	-12.3	15.4	4.0	
Net Sales	89.1	113.1	119.7	132.9	122.2	127.3	158.6	155.3	454.9	563.4	138.4	12.2%
YoY change (%)	-21.2	-3.0	1.4	22.6	37.1	12.6	32.5	16.8	-0.3	23.9	4.1	
Gross Profit	49.6	64.9	68.4	72.2	64.3	72.8	81.4	82.5	248.4	301.1	75.2	
Margin (%)	55.7	57.4	57.1	54.3	52.6	57.2	51.3	53.1	54.6	53.4	54.3	
EBITDA	26.5	40.9	43.1	44.7	39.9	46.2	51.0	52.2	155.3	189.3	50.3	3.9%
Growth (%)	-42.0	-10.4	-6.5	7.4	50.8	12.9	18.2	16.8	-13.4	21.9	12.4	
Margins (%)	29.7	36.1	36.0	33.6	32.7	36.3	32.2	33.6	34.2	33.6	36.3	
Depreciation	4.0	3.8	3.9	3.9	4.0	4.0	4.1	4.5	15.6	16.5	4.3	
Interest	0.2	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.6	0.4	0.1	
Other Income	9.0	6.1	9.7	7.7	4.3	6.8	8.1	6.7	32.5	25.9	9.9	
PBT	31.3	43.0	48.8	48.5	40.2	48.8	54.9	54.4	171.6	198.3	55.8	-2.5%
Tax	7.9	10.5	11.9	11.1	10.0	11.8	13.4	12.5	41.3	47.7	15.1	
Rate (%)	25.1	24.4	24.4	22.8	25.0	24.2	24.3	23.0	24.1	24.1	27.0	
Adj PAT	23.4	32.5	36.9	37.5	30.1	37.0	41.6	41.9	130.3	150.6	40.8	2.8%
YoY change (%)	-26.2	-19.2	-13.7	-1.3	28.6	13.7	12.7	11.8	-14.6	15.5	8.7	

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

Key performance indicators

Y/E March	FY21				FY22			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE
Growth in Cigarette realization (%)	-2.9	-6.8	-4.4	-9.6	3.2	2.4	0.1	2.0
Average growth in the last two years (%)								
Cigarette volumes	-17.0	-4.8	-2.3	-2.0	-3.0	-1.5	2.8	8.0
Sales	-8.6	0.2	2.3	6.5	7.9	4.8	17.0	19.7
EBITDA	-16.7	-1.0	0.1	-0.7	4.4	1.2	5.9	12.1
PAT	-6.8	8.5	9.7	3.9	1.2	-2.7	-0.5	5.3
As a percentage of sales								
COGS	44.3	42.6	42.9	45.7	47.4	42.8	48.7	46.9
Others	26.0	21.2	21.1	20.7	20.0	21.0	19.2	19.5
Depreciation	4.5	3.4	3.3	2.9	3.2	3.2	2.6	2.9
YoY change (%)								
COGS	-4.7	7.6	12.9	49.4	46.6	13.0	50.5	19.8
Others	-11.1	-8.2	-4.7	5.1	5.2	11.2	20.5	10.2
Other income	44.6	-6.7	-1.2	2.2	-52.2	10.9	-16.7	-12.7
EBIT	-46.6	-11.1	-6.5	8.3	60.0	13.7	19.6	17.0

E: MOFSL estimate

Cigarette volumes likely to have grown by 9% YoY in 4QFY22

- Cigarette revenue grew 11% YoY to INR55.5b, with likely volume growth of 9% YoY on a base of 7% YoY growth.
- The cigarette business progressively recovered on the back of improved mobility and easing of restrictions, surpassing the pre-pandemic levels in the latter half of the year.
- ITC continues to counter illicit trade and reinforce market standing by fortifying the product portfolio through innovation, premiumizing across segments, and enhancing product availability.
- Recent launches include 'Classic Connect', 'Gold Flake Neo SMART Filter', 'Wills Protech', 'Capstan Excel', 'American Club Smash', 'Gold Flake Kings Mixpod', 'Gold Flake Indie Mint', 'Wave Boss' and 'Flake Nova'.
- Manufacturing facilities continue to be modernized by inducting contemporary technologies towards securing higher levels of productivity, product excellence and driving innovation.
- While legitimate cigarette industry volumes have largely declined over the last decade, illicit cigarette trade volumes have grown rapidly during the same period, accounting for about one-fourth of the domestic industry. However, strong preventive actions by enforcement agencies have led to significant rise in seizure of illicit cigarettes in recent years.
- EBIT in cigarettes grew 12.2% YoY to INR41.1b (est. INR39.9b). Net EBIT margin for the segment expanded 80bp YoY to 74.2%.

Exhibit 1: Cigarette volumes up 9% YoY in 4QFY22

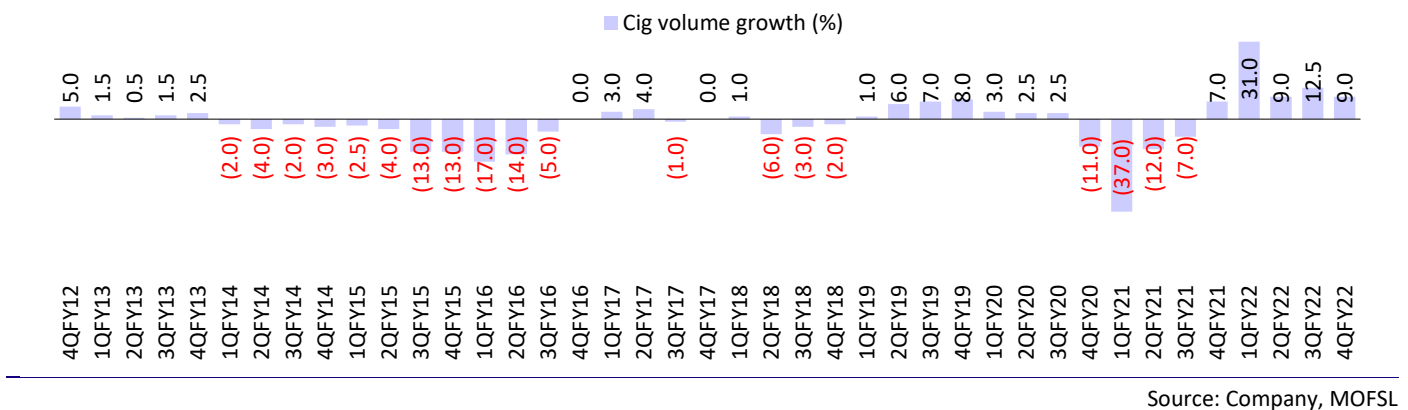


Exhibit 2: Cigarette EBIT up 12.2% YoY to INR41.1b in 4QFY22

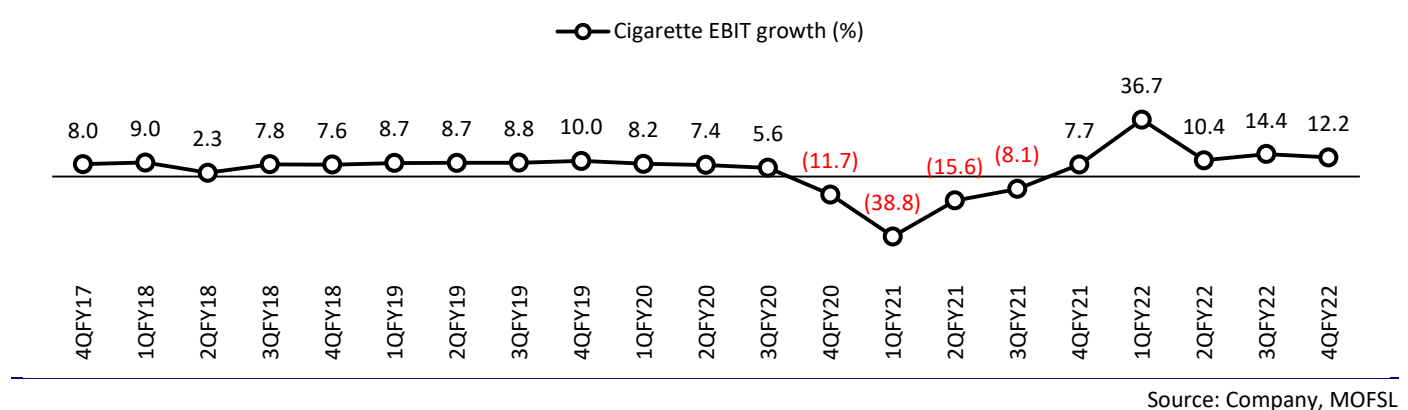


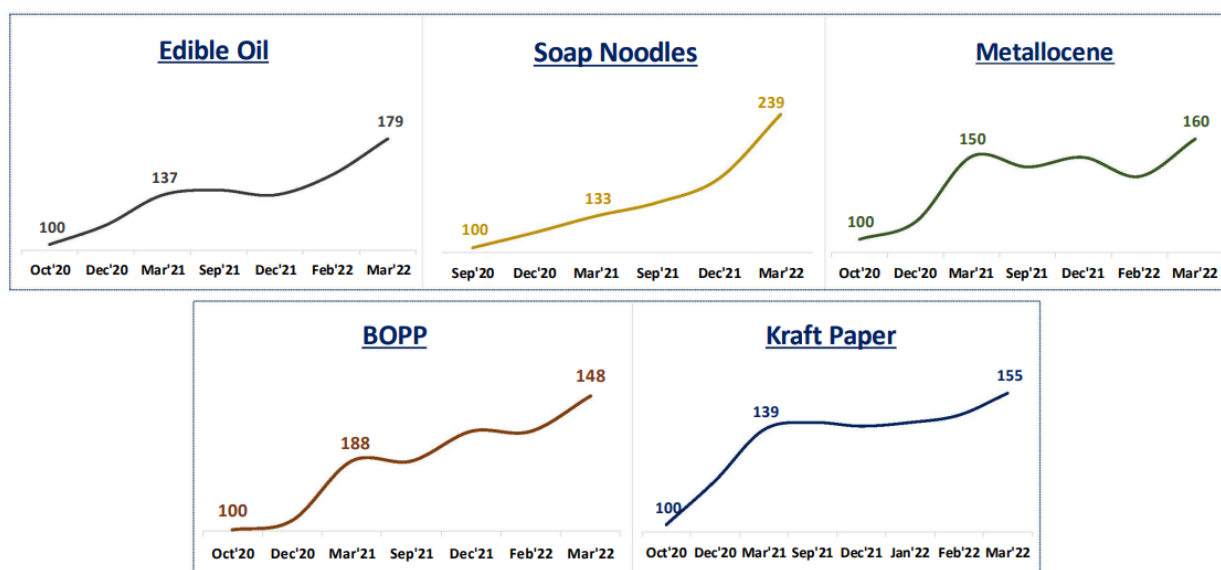
Exhibit 3: Contribution of the highly profitable Cigarettes business to total sales declined 580bp YoY in 3QFY22

Revenue contribution (%)	4Q FY19	1Q FY20	2Q FY20	3Q FY20	4Q FY20	1Q FY21	2Q FY21	3Q FY21	4Q FY21	1Q FY22	2Q FY22	3Q FY22	4Q FY22
Cigarettes	41.5	37.9	39.2	40.4	39.4	28.5	34.2	37.2	35.7	31.5	35.0	31.4	33.4
FMCG - Others	25.8	22.1	25.2	26.3	27.6	29.5	30.0	29.6	26.3	26.8	29.3	24.2	24.9
Hotels	4.0	2.8	3.3	4.4	4.0	0.2	0.6	1.9	2.1	0.9	2.1	2.8	2.3
Agri. business	16.6	26.1	20.3	16.6	16.3	32.8	23.6	19.6	24.1	29.4	20.2	29.4	26.3
Paper and Packaging	12.1	11.0	12.0	12.3	12.6	9.0	11.5	11.7	11.8	11.4	13.3	12.1	13.1
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Company, MOFSL

FMCG – Others: Discretionary/Out-of-Home categories record strong growth

- Segmental sales grew 12.3% YoY to INR41.4b, while segmental EBIT grew 25.1% YoY at INR2.4b in 4QFY22. EBIT margin expanded 60bp YoY to 5.7%.
- Staples and convenience foods remained resilient even as the pace of revenue growth witnessed moderation on a relatively high base.
- Discretionary/Out-of-Home categories recorded strong growth surpassing pre-pandemic levels driven by progressive improvement in mobility.
- Health & Hygiene portfolio witnessed demand volatility, albeit, remaining significantly above the pre-pandemic levels.
- The Education & Stationery products business witnessed gradual recovery driven by progressive resumption of physical classes at educational institutions; however, sales remained below pre-pandemic levels.
- The unprecedented increase in prices of key inputs was mitigated through focused cost management, premiumization, better product mix, judicious pricing actions and fiscal incentives. Inflation continues to remain a key monitorable for the segment in the near term.
- ITC launched over 110 new products across target markets.
- ITC's market and outlet coverage were stepped up to ~1.4x and 1.1x, respectively, over FY21. Direct reach enhancement in rural markets was aided by a hub-and-spoke distribution model with the expansion of rural stockists network to 1.4x over FY21 and collaborations with rural-focused eB2B players.
- E-commerce sales increased 1.5x in FY22, taking the channel salience to 7%. The company's eB2B platform, UNNATI, was rapidly scaled up during the year covering nearly 300k outlets.
- The recently announced PLI scheme is expected to provide further fillip to ITC's exports across Biscuits & Cakes, Snacks, Dairy and Ready-to-Eat categories.

Exhibit 4: Sharp escalation in various input costs continues

Source: Company, MOFSL

Paperboards, Paper, and Packaging

- Paper and Paperboard sales grew 31.8% YoY to INR21.8b.
- Segmental EBIT grew 39.1% YoY to INR4.5b. EBIT margin expanded 110bp YoY to 20.6%.
- Strong sales performance was on account of demand revival across most of the end-user segments, higher realizations, product mix enrichment and exports.
- The business achieved record volumes despite significant operational challenges due to the pandemic coupled with continued global supply chain disruptions.
- The packaging and printing business demonstrated resilience with an uptick in demand across most of the end-use segments, leading to strong growth in domestic as well as exports businesses.
- ITC has initiated investments to expand its manufacturing footprint in the West and the facility is expected to be commissioned in FY23.

Agri

- Revenue grew 29.6% YoY to INR43.7b, driven by strong revenue growth in wheat, rice, spices, and leaf tobacco exports. The segment reported an EBIT growth of 28.5% YoY to INR2.4b, with EBIT margin remaining flat YoY at 5.6%.
- ITC consolidated its well-known position as the largest Indian exporter of unmanufactured tobacco, improving its market share by about 300bp.
- Strategic cost management across the value chain continues to be a key focus area. The AI/ML powered smart buying platform continues to be scaled up to facilitate efficient leaf tobacco buying across auction platforms.
- Notwithstanding the challenging operating environment, the business leveraged market opportunities and delivered strong growth with wheat exports expanding three-fold and rice exports doubling over FY21.
- The strategic focus in recent years has been to accelerate growth and enhance value capture by rapidly developing and scaling up the value-added Agri Products (VAAP) portfolio straddling multiple value chains comprising spices, coffee, frozen marine products and processed fruits among others.

Hotels

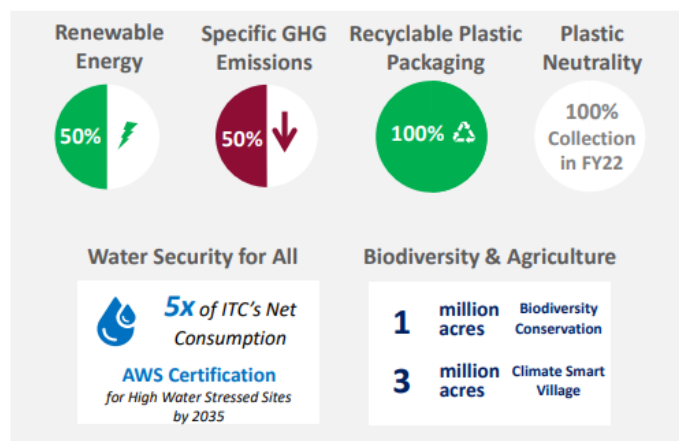
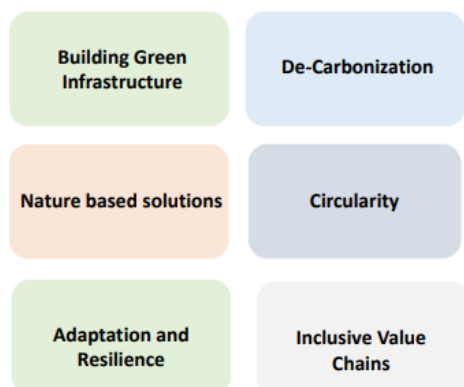
- Revenue grew 35.4% YoY to INR3.9b on a very weak base (a sales decline of 38.2% YoY). Segmental EBIT delivered a loss of INR0.3b in 4QFY22 v/s a loss of INR0.4b in 4QFY21.
- The Hotels segment witnessed smart recovery driven by the domestic leisure and wedding segments. Business travel also saw progressive improvement, albeit, remaining below the pre-pandemic levels.
- While the third wave in Jan'22 briefly halted the recovery momentum, the industry bounced back towards the end of FY22, with exit occupancy levels surpassing pre-pandemic levels and business travel sentiments improving.
- While Average Room Rates (ARRs) improved over the previous year, they remain below the pre-pandemic levels.
- During the year, nine new properties were added to the Group portfolio, including four in the Welcomhotel portfolio at Bhubaneswar & Guntur (owned), and at Katra & Chail (managed). ITC Narmada project in Ahmedabad is progressing well and the hotel is expected to be commenced shortly.

ITC Infotech

- ITC Infotech delivered an impressive revenue growth of 16.3% YoY to INR28.5b, with EBITDA growing 16% YoY to INR7.2b in FY22.
- EBITDA margin contracted 10bp YoY to 25.1% in FY22.
- The company signed a 10-year strategic partnership agreement with PTC Inc.

Exhibit 5: ITC's contribution to sustainable development

Strategic Interventions to Combat Climate Change



Proactively work towards achieving 'Net Zero' emission status

Source: Company, MOFSL

Key exhibits

Exhibit 6: Segmental performance

Net Sales (INR b)	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22
Cigarettes	51.3	32.6	43.3	47.1	50.0	43.8	48.2	53.0	55.5
FMCG - Others	31.8	33.7	39.2	35.6	36.9	37.3	40.4	40.9	41.4
Hotels	4.7	0.2	0.8	2.4	2.9	1.3	2.9	4.7	3.9
Agri business	18.9	37.5	29.9	24.8	33.7	40.9	27.8	49.6	43.7
Paper and Packaging	14.6	10.3	14.6	14.8	16.6	15.8	18.3	20.5	21.8
Sales growth (YoY %)									
Cigarettes	(6.5)	(39.9)	(18.8)	(11.4)	(2.6)	34.2	11.4	12.6	11.0
FMCG - Others	(2.8)	10.3	19.3	7.5	15.8	10.4	2.9	9.3	12.3
Hotels	(8.6)	(94.2)	(80.8)	(57.4)	(38.2)	463.5	259.6	101.3	35.4
Agri business	(10.2)	3.7	12.8	18.5	78.5	9.2	(7.0)	100.0	29.6
Paper and Packaging	(5.1)	(32.8)	(6.8)	(5.0)	13.5	54.2	25.4	38.5	31.8
Estimated volume growth (YoY)									
Cigarettes (%)	(11.0)	(37.0)	(12.0)	(7.0)	7.0	31.0	9.0	12.5	9.0
EBIT (INR b)									
Cigarettes	34.0	23.6	32.4	34.5	36.7	32.2	35.8	39.5	41.1
FMCG – Others	1.5	1.3	2.5	2.1	1.9	1.7	2.7	2.4	2.4
Hotels	0.4	(2.4)	(1.8)	(0.7)	(0.4)	(1.5)	(0.5)	0.5	(0.3)
Agri business	1.2	1.8	2.6	2.0	1.9	2.0	3.0	3.0	2.4
Paper and Packaging	2.9	1.6	3.3	2.9	3.2	3.9	4.1	4.5	4.5
EBIT growth (YoY %)									
Cigarettes	(11.7)	(38.8)	(15.6)	(8.1)	7.7	36.7	10.4	14.4	12.2
FMCG – Others	12.6	60.8	179.3	92.7	28.4	38.3	7.6	1.1	25.1
Hotels	(52.0)	P/L	P/L	P/L	P/L	(37.6)	#	L/P	#
Agri business	(16.4)	(11.9)	2.7	(8.1)	54.2	9.5	15.7	50.6	28.5
Paper and Packaging	(4.9)	(51.4)	(7.2)	(14.7)	13.1	145.3	23.8	57.3	39.1
EBIT margin (%)									
Cigarettes	66.3	72.2	75.0	73.4	73.4	73.5	74.4	74.5	74.2
FMCG – Others	4.6	3.7	6.4	5.8	5.1	4.7	6.7	5.9	5.7
Hotels	9.1	(1,074.3)	(225.6)	(28.6)	(13.9)	(119.0)	(16.3)	10.7	(8.8)
Agri business	6.5	4.8	8.6	7.9	5.6	4.8	10.7	6.0	5.6
Paper and Packaging	19.6	15.6	22.6	19.3	19.5	24.8	22.4	21.9	20.6

Source: Company, MOFSL

Valuation and view

What has happened over the last 10 years?

- ITC's financial performance over the last 10 years has been a story of two halves.
- It performed strongly in the first half of the decade, with a 16-22% CAGR in sales, EBITDA, PBT, and PAT.
- However, in the subsequent five years, sales/EBITDA/PBT CAGR declined to 4.6%/5.8%/6.6% – one-third of the growth seen in the preceding five years. PAT growth has been in the high single-digits, led by the corporate tax cut.

Our view

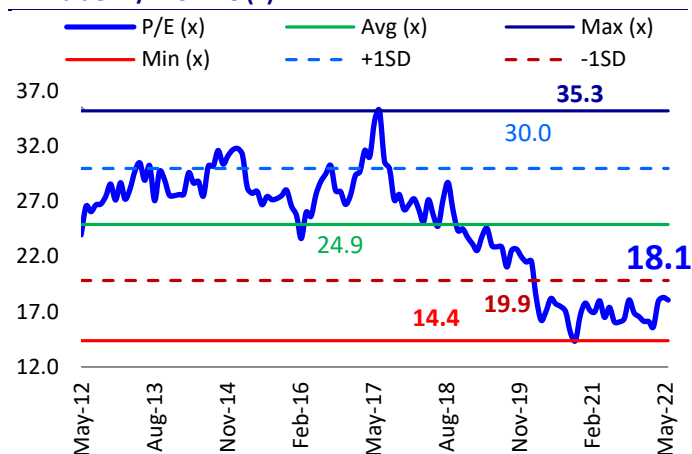
- ITC's re-rating would depend on sustained earnings growth going back to the high-teens levels witnessed in the first half of the last decade (at 18% CAGR) which had slowed down to 6.6% CAGR over the latter half of the decade. Valuation at 17x FY24E, although cheap, appears fair.
- We value ITC at a 15% premium to the global cigarette peer average, targeting 17x FY24E EPS, to arrive at our TP of INR265. Retain **Neutral**.

Exhibit 7: We revise our FY23E/FY24E EPS by -4.3%/-4.3%, respectively

(INR b)	New estimate		Old estimate		Change (%)	
	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E
Sales	590.5	645.9	595.1	649.9	-0.8	-0.6
EBITDA	205.3	242.5	215.1	254.1	-4.6	-4.6
PAT	164.6	193.4	171.9	202.1	-4.3	-4.3

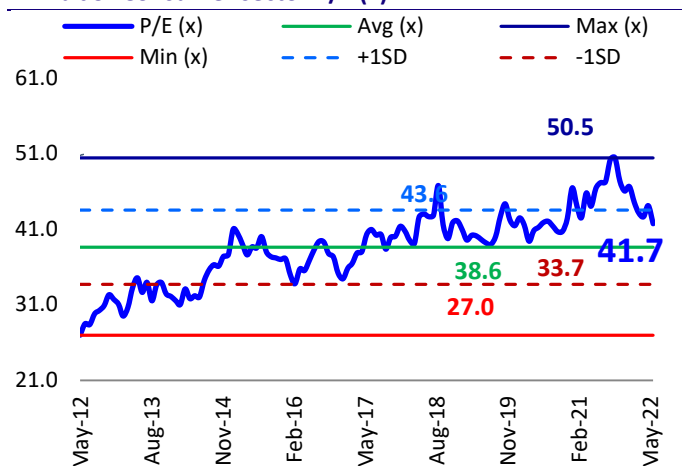
Source: Company, MOFSL

Exhibit 8: P/E for ITC (x)



Source: Bloomberg, Company, MOFSL

Exhibit 9: Consumer sector P/E (x)



Source: Bloomberg, Company, MOFSL

Financials and valuations

Income Statement							(INR b)
Y/E March	2018	2019	2020	2021	2022	2023E	2024E
Net Sales	402.5	444.3	451.4	451.1	557.0	590.5	645.9
Operational Income	3.7	5.6	4.8	3.7	6.4	6.8	7.1
Total Revenue	406.3	450.0	456.2	454.9	563.4	597.3	653.0
Change (%)	1.3	10.8	1.4	-0.3	23.9	6.0	9.3
Gross Profit	240.1	268.3	275.5	248.4	301.1	335.4	383.7
Margin (%)	59.1	59.6	60.4	54.6	53.4	56.2	58.8
Other operating expenditure	84.5	95.0	96.2	93.0	111.8	130.1	141.2
EBITDA	155.6	173.3	179.3	155.3	189.3	205.3	242.5
Change (%)	6.6	11.3	3.5	-13.4	21.9	8.4	18.1
Margin (%)	38.3	38.5	39.3	34.2	33.6	34.4	37.1
Depreciation	11.5	13.1	15.6	15.6	16.5	18.5	19.2
Int. and Fin. Charges	1.1	0.6	0.8	0.6	0.4	0.2	0.2
Other Inc. - Recurring	21.3	24.8	30.1	32.5	25.9	33.3	35.3
Profit before Taxes	164.4	184.4	193.0	171.6	198.3	219.9	258.4
Change (%)	6.0	12.2	4.6	-11.1	15.5	10.9	17.5
Margin (%)	40.5	41.0	42.3	37.7	35.2	36.8	39.6
Tax	56.0	58.5	44.4	40.4	48.3	55.4	65.1
Deferred Tax	0.3	1.3	-4.1	1.0	-0.6	0.0	0.0
Tax Rate (%)	34.2	32.4	20.9	24.1	24.1	25.2	25.2
Profit after Taxes	108.1	124.6	152.7	130.3	150.6	164.6	193.4
Change (%)	6.0	15.3	22.5	-14.6	15.5	9.3	17.5
Margin (%)	26.6	27.7	33.5	28.7	26.7	27.6	29.6
Non-rec. (Exp)/Income	4.1	0.0	-1.3	0.0	0.0	0.0	0.0
Reported PAT	112.2	124.6	151.4	130.3	150.6	164.6	193.4
Balance Sheet							(INR b)
Y/E March	2018	2019	2020	2021	2022	2023E	2024E
Share Capital	12.2	12.3	12.3	12.3	12.3	12.3	12.3
Reserves	501.8	567.2	628.0	577.7	601.7	631.2	680.9
Net Worth	514.0	579.5	640.3	590.0	614.0	643.5	693.2
Loans	0.1	0.0	3.3	3.3	3.1	0.1	0.1
Deferred Liability	19.2	20.4	16.2	17.3	16.7	17.3	17.3
Capital Employed	533.2	600.0	659.8	610.6	633.8	660.9	710.5
Gross Block	258.1	300.4	336.3	362.7	389.7	405.7	425.7
Less: Accum. Depn.	102.3	115.5	131.1	146.7	163.2	181.7	200.9
Net Fixed Assets	155.7	185.0	205.2	216.0	226.4	224.0	224.8
Capital WIP	50.2	33.9	27.8	33.3	24.7	24.7	24.7
Goodwill	0.0	0.0	0.0	5.8	5.8	5.8	5.8
Investments	234.0	265.8	306.3	270.0	272.8	303.5	345.5
Curr. Assets, L&A	183.9	213.3	213.1	190.8	221.2	233.0	254.8
Inventory	72.4	75.9	80.4	94.7	100.0	106.3	110.7
Account Receivables	23.6	36.5	20.9	20.9	19.5	27.5	30.1
Cash and Bank Balance	25.9	37.7	68.4	40.0	38.8	52.3	65.8
Others	62.0	63.3	43.3	35.1	63.0	46.9	48.2
Curr. Liab. and Prov.	90.6	98.0	92.6	105.2	117.1	130.0	139.2
Account Payables	33.8	33.7	34.5	41.2	42.2	53.3	55.1
Other Liabilities	56.7	64.3	58.1	64.0	74.9	76.8	84.1
Net Current Assets	93.4	115.3	120.5	85.6	104.1	102.9	115.5
Application of Funds	533.2	600.0	659.8	610.6	633.8	660.9	710.5

E: MOSL Estimates

Financials and valuations

Ratios

Y/E March	2018	2019	2020	2021	2022	2023E	2024E
Basic (INR)							
EPS	8.9	10.2	12.4	10.6	12.2	13.4	15.7
Cash EPS	9.8	11.2	13.7	11.9	13.6	14.9	17.3
BV/Share	42.1	47.3	52.1	47.9	49.8	52.3	56.3
DPS	6.2	6.9	10.2	10.8	11.5	12.0	12.6
Payout %	68	68	82	102	94	90	80
Valuation (x)							
P/E	30.1	26.2	21.5	25.2	21.8	19.9	17.0
Cash P/E	27.2	23.7	19.5	22.5	19.7	17.9	15.4
EV/Sales	7.5	6.7	6.4	6.6	5.3	4.9	4.4
EV/EBITDA	19.3	17.1	16.1	19.1	15.6	14.2	11.8
P/BV	6.3	5.6	5.1	5.6	5.3	5.1	4.7
Dividend Yield (%)	2.3	2.6	3.8	4.0	4.3	4.5	4.7
Return Ratios (%)							
RoE	22.3	22.8	25.0	21.2	25.0	26.2	28.9
RoCE	21.6	22.1	24.3	20.6	24.3	25.5	28.2
RoIC	42.4	44.6	49.8	40.4	46.5	48.4	60.2
Working Capital Ratios							
Debtor (Days)	21	25	23	17	13	15	16
Asset Turnover (x)	0.8	0.7	0.7	0.7	0.9	0.9	0.9
Leverage Ratio							
Debt/Equity (x)	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Cash Flow Statement

Y/E March	2018	2019	2020	2021	2022	2023E	2024E
(INR b)							
OP/(loss) before Tax	168.5	184.4	191.7	171.6	198.3	219.9	258.4
Financial other income	7.2	8.1	13.1	17.0	13.9	33.3	35.3
Depreciation and Amort.	11.5	13.1	15.6	15.6	16.5	18.5	19.2
Interest Paid	-8.3	-12.1	-13.8	-11.8	-9.6	0.2	0.2
Direct Taxes Paid	57.2	54.9	46.5	39.6	45.1	55.4	65.1
Incr in WC	-19.2	5.0	-4.2	3.9	-1.8	-14.6	-0.9
CF from Operations	126.5	117.5	138.1	114.9	148.1	164.6	178.3
Other items	-7.6	3.2	44.6	-30.8	12.4	30.3	35.3
Incr Decr in FA	25.5	27.6	21.1	15.8	16.7	16.0	20.0
Free Cash Flow	101.0	89.9	116.9	99.1	131.3	148.5	158.3
Pur of Investments	34.8	15.3	51.9	-87.0	11.6	30.7	42.0
CF from Invest.	-67.8	-39.7	-28.4	40.4	-15.9	-16.4	-26.7
Issue of shares	9.1	9.7	6.3	2.9	2.9	10.0	10.0
Incr in Debt	-0.1	-0.1	-0.5	-0.5	-0.5	-3.1	0.0
Net Interest Paid	0.5	0.9	0.5	0.4	0.4	0.2	0.2
Dividend Paid	57.7	62.9	84.2	186.2	135.5	141.6	148.1
Others	-11.1	-11.9	0.0	0.4	0.2	0.2	0.2
CF from Fin. Activity	-60.2	-66.0	-78.9	-183.8	-133.4	-134.7	-138.2
Incr of Cash	-1.5	11.7	30.7	-28.4	-1.2	13.5	13.5
Add: Opening Balance	27.5	25.9	37.7	68.4	40.0	38.8	52.3
Closing Balance	25.9	37.7	68.4	40.0	38.8	52.3	65.8

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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