

BSE SENSEX
33,251

S&P CNX
10,309

CMP: INR260 TP: INR 280 (+8%)

Neutral



Stock Info

Bloomberg	ITC IN
Equity Shares (m)	12,147.4
52-Week Range (INR)	353/222
1,6,12 Rel. Perf. (%)	-7/-15/-17
M.Cap. (INR b)	3243.4
M.Cap. (USD b)	49.6
Avg Val, INRm	3546
Free float (%)	100.0

Financials Snapshot (INR b)

Y/E March	2017	2018E	2019E
Sales	396.4	410.7	456.2
EBITDA	145.8	155.6	171.7
Adj. PAT	102.0	110.6	121.9
Adj. EPS (INR)	8.4	9.1	10.0
EPS Gr. (%)	9.4	8.5	10.2
BV/Sh.(INR)	37.2	37.5	40.9
RoE (%)	23.5	24.4	25.6
RoCE (%)	22.6	23.5	24.7
Payout (%)	66.2	70.2	70.2

Valuations

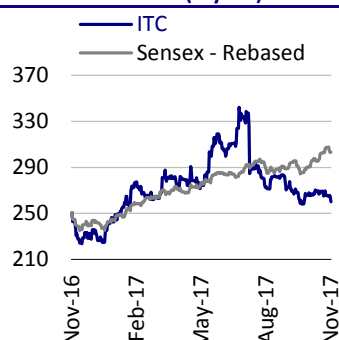
P/E (x)	31.0	28.6	25.9
P/BV (x)	7.0	6.9	6.4
EV/EBITDA (x)	20.2	18.9	17.0
Div. Yield (%)	2.1	2.5	2.7

Shareholding pattern (%)

As On	Sep-17	Jun-17	Sep-16
Promoter	0.0	0.0	0.0
DII	36.4	35.9	34.9
FII	19.3	20.2	21.1
Others	44.4	44.0	44.0

FII Includes depository receipts

Stock Performance (1-year)



Building blocks in place for ~10x growth in 'Other FMCG'

Our recent visits to ITC's e-Choupal and Choupal Saagar facilities in Madhya Pradesh's Sehore district underline the company's ambitious plans to grow its 'Other FMCG' business. Management too, in its recent interviews in the media, has demonstrated its focus on this business. Key highlights of ITC's strategy:

- The next generation of e-Choupal will involve large-scale use of technology and increased level of procurement from farmers by 2022 (from 4m to 10m farmers).
- In our view, apart from the existing large categories like atta, biscuits and noodles, the new categories such as dairy, juices, coffee and shrimp fishing should contribute significantly to incremental sales growth, benefiting from extensive expansion in sourcing.
- In recent years, management appears inclined toward acquiring small brands (e.g. Savlon, Shower to Shower, and B-Natural). In our view, to achieve the sales target of INR1t from the 'Other FMCG' business, ITC will become far more aggressive on acquisitions.
- We believe ITC's strong relationship with the farming community via its investments in social development initiatives is an understated but significant pillar of longer-term sourcing growth.
- Medium-term stock performance, however, will continue to be a function of regulations surrounding its cash-cow business of cigarettes. Massive investments in 'Other FMCG' also indicate that profitability in this segment is unlikely to increase sharply anytime soon.
- Nevertheless, from the longer-term diversification perspective, we believe the execution of the growth plans for 'Other FMCG' will be keenly observed. ITC's strength in sourcing, massive planned scale expansion and access to huge operating cash flows generated by the cigarettes business could pose a credible threat to listed players in categories where it is already present, is entering or is likely to enter.
- In view of the muted earnings growth prospects over the near-to-medium term, we maintain our Neutral rating on the stock. Valuations of 25.9x FY19 are fair for a business facing earnings risks from the higher GST rates. Eventual diversification away from cigarettes (86% of total EBIT in FY17) to other businesses is possible. However, as of now, the fate of the business is contingent on regulations governing the cigarettes business.

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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.

Background

ITC's management, headed by Mr Sanjiv Puri, in interviews to the media recently has repeatedly cited that it targets sales of INR1t (USD15.3b) from the 'Other FMCG' business by 2030. Mr Puri mentioned that the company plans to attain this target (18.9% CAGR over next 13 years) via:

- Placing primacy on growth in foods business, particularly given that ITC's enterprise strength best matches the opportunities in the market
- Identification of Agri business and value chains
- Preparing for the next generation of e-Choupal
- Adding one new commodity in the market every few months in Agri
- Developing a strategy for factory-to-retail point distribution within a day – work-in-progress

Exhibit 1: ITC's vision 2030

Business (INR b)	2017	% of Sales	2030	% of Sales	Delta Sales	CAGR (%)
Packaged Foods	80	77	650	65	570	17.4
Other FMCG	25	23	350	35	325	22.7
New FMCG/Packaged Goods	105	100	1,000	100	895	18.9

Source: Company, MOSL

Rationale for e-Choupal and Choupal Saagar visits

Since the growth plans primarily involve strengthening of the supply chain, we obtained permission from management to conduct visits to the company's e-Choupal center and Choupal Saagar at Sehore near Bhopal. Our intention was to get better understanding of the progress being made and the plans for the next generation of e-Choupal.

Massive opportunity ahead in packaged foods

- India's organised packaged food market is worth INR2.2tn (USD34b) food is expected to grow between 14-18% over 2016 and 2021.
- Nestle (domestic sales of INR88.3b or USD1.35b in CY16) and Britannia (domestic gross sales of INR90.5b or USD1.39b in FY17) are the only listed, large-sized packaged food players in India. ITC recorded total sales of INR105b (USD1.6b) in FY17, two thirds of which was contributed by the foods business (~INR80b or USD1.2b). Thus, the top two listed food companies and the food business of ITC put together had sales of less than USD4b, a fraction of the overall market size.
- Sales of the large unlisted players like Mondelez (formerly Cadbury's) and Haldiram's (all units put together) are smaller in size at INR54.11b (USD833.7m) and INR40.5b (USD 624.0m), respectively (FY16 – last available data).

ITC's advantages

- With ITC's advantages in terms of (i) sourcing and bulk procurement and (ii) access to massive operating cash flows (ITC's consolidated OCF was INR106.3b or USD1.6b in FY17) which are growing every year, we believe that the targeted growth rate (18.9% CAGR) for 'Packaged Goods' could be potentially achieved.

Observations from e-Choupal visit at Sehore (Bhau Kheda)

Background

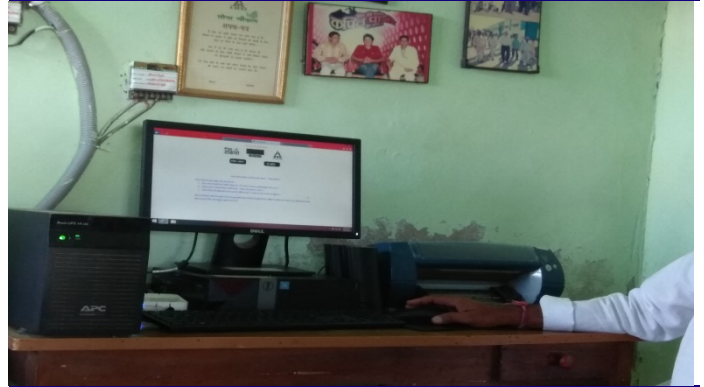
- This is one of ~2,000 e-Choupals in Madhya Pradesh (MP).
- It was started in 2000; its current head Mr Gulab Singh Verma is the first-ever e-Choupal sanchalak.

Exhibit 2: E-choupal sanchalak



Source: Company, MOSL

Exhibit 3: Bhaukheda e-choupal terminal



Source: Company, MOSL

How does the process work?

- Services available at the e-Choupal terminal for the farmers include weather report, commodity price details of over 50 mandis (local markets), fertilizers, best practices on irrigation, and seed-related information, among others. Soil testing facilities are also provided.
- Expert advice is provided on best practices in agriculture.
- The place also acts as a meeting point for farmers to interact with each other and also with the sanchalak.
- Choupal Parchi is given to farmers choosing to sell to ITC (which reportedly happens over 95% of the time). This enables farmers to visit the procurement center at a scheduled date.
- ITC has around 25 procurement centers in Madhya Pradesh. Based on the Choupal Parchis issued by the sanchalak, the procurement centers regulate traffic by allotting time slots to farmers.

Advantages of e-Choupal over mandis

- **Time saving:** Earlier, farmers used to spend considerable time in queues at the mandis to sell crops. However, ITC's e-Choupal facilitates price recognition on the website, and farmers can decide on the time schedule to sell crops. Besides, crops are sold immediately after checking quality with the use of modern equipment. We note that minimum support prices (MSPs) announced by the government every year (applicable in case of commodities like wheat) act only as the base price, and transactions occur above MSPs.
- **Faster payment:** At mandis, farmers earlier had to wait until the end of the day or sometimes even for the next day for payment. However, e-Choupal facilitates instant payment. Farmers can opt for cash or cheque/ fund transfer receipts based on his preference. Typically half of the total payment is through cash and remaining via cheque/funds transfer.

- **Trust and lower hassles:** Farmers also usually sell to ITC to avoid getting cheated and to reduce travel. We note that the trust level is so high that farmers wait for ITC to start procuring before they make a decision on sale.
- **Better realizations:** Assuming that quality is the same, realization from ITC is ~INR20-25 higher per quintal.
- **Loss of output avoided:** ~1kg per quintal is lost by traders at the mandis due to inefficiencies. However, via e-Choupal, farmers get realization for the entire quantity.

Consequently, over 95% of the time, the farmer ends up selling to ITC.

Benefits of crop insurance

- Crop insurance levels are increasing. A farmer's production cost is insured via crop insurance.
- Crop insurance helps in years when monsoon is weak.
- Crop insurance is to cover costs, which is ~INR39,000 per hectare.

Demographics of Bhau Kheda village and a look at how e-Choupal's benefits have percolated over past 17 years

- The Bhau Kheda village houses 1,200 families, comprising 7,500 people in all.
- ~90% families have two-wheelers. Interestingly, demand for two-wheeler loans is miniscule. This can be ascribed to the improving livelihood of families in the village as they are able to fund purchases of two wheelers on their own
- ~5% families have cars.
- Most families have one member from the younger generation involved in the agri business. In addition, around 80% of families have at least one member in government service. This practice also ensures that land holdings do not get uneconomically small.
- On average, ~20% of agri income of the villagers comes from dairy. It is considered as a side business for most of the farmers. Dairy also helps in years when agricultural output is lower. For people having farming area less than 1 acre, dairy is their main business.
- Only five families out of the 1200 families in the village are joint families now. Nuclear families tend to consume more
- Sugarcane was the highest grown crop in this area before 1998. Now, wheat, soya and chana are the key crops. Even if rains are below normal, wheat and chana witness healthy output. Improved irrigation facilities through guidance from ITC help reduce dependence on rains. ITC uses wheat for its own manufacturing purposes, and trades in soya and chana.

Choupal Saagar, Sehore (Bhopal)

- Choupal Saagar is a combination of procurement center, warehouse and large retail outlet, where farmers can buy items to meet their monthly/daily needs.
- With its network of e-Choupals, ITC offers an attractive option for farmers to sell their produce. By setting up a retail outlet (rural mall) next to the procurement center, ITC leverages the farmer footfall to sell its products (as farmers have money and an empty vehicle at that time).

- Choupal Saagar enables the company to showcase the extensive variety of its own brands (atta, snacks, biscuits, noodles, soaps, deodorants, juices, classroom equipment, garments, etc.).
- For all other categories, ITC has a wide variety of third party brands. Interestingly, many premium products/brands are available at Choupal Saagar (including olive oil), indicating the premiumization trend even among the farming community, particularly smart phone-savvy younger generation.
- Because of bulk procurement, Choupal Saagar is able to offer a discount on most brands (higher discounts on its own brands).
- Choupal Saagar outlets are established just 50-60km away from each other, ensuring they are easily reached by farmers.
- ITC also has tie-ups with 125 other companies for rural marketing through the “Choupal Haats” concept.

ITC has thus moved the ecosystem from dissemination to integrated development, best practices and rural marketing.

Exhibit 4: Front side of the Choupal Saagar (Retail outlet)



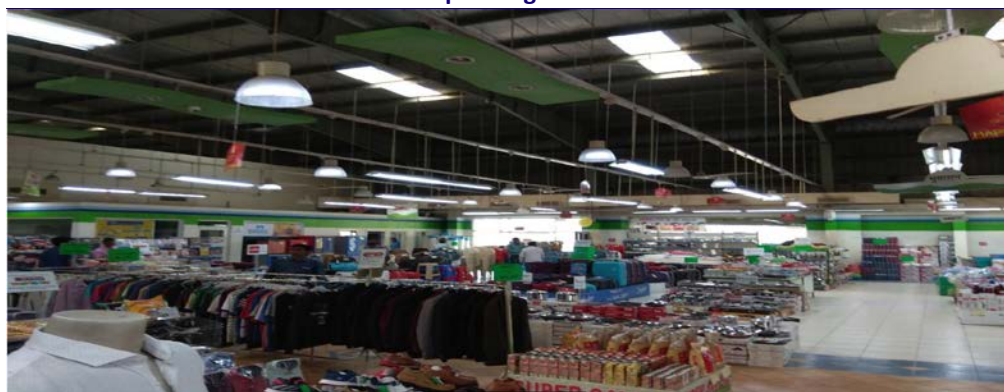
Source: Company, MOSL

Exhibit 5: Procurement center and warehouse in the Choupal Saagar premises



Source: Company, MOSL

Exhibit 6: Inside the retail store at Choupal Saagar



Source: Company, MOSL

The future of e-Choupal/Choupal Saagar

- **New generation of Choupal Saagar:** ITC launched its mobile application six months ago for families to see products available for them at the Choupal Saagar stores. Smartphone usage is increasing – 50% of families have already downloaded the Choupal Saagar app. Gradually, the app will allow them to purchase online as well.

- **e-Choupal on mobile:** Eventually, information available on the e-Choupal platform will also be available on the mobile.
- **e-Choupal version 4.0:** The aim here is to make farmers even more self-sufficient, allowing them to sell produce to other farmers or third-parties via mobile phones. ITC will act as an aggregator of agricultural services, with e-commerce as an integral part of growth. Already the e-Choupal program reaches around 4m farmers, which management aims to increase to 10m.

ITC's Mission Sunehra Kal – developing the whole ecosystem

- Water harvesting structures
 - We visited two sites where dams were built.
 - These were constructed with an initial investment of ~INR1m, with only 25-30% contribution from ITC.
 - Villages benefitting from the dam took over complete responsibility of maintaining these dams.
 - Post construction of these dams, the ground water level has increased.
 - Therefore, even though Madhya Pradesh witnessed deficient rainfall this year, these areas did not face any problems.
 - One of the dams (built in 2006) benefits five villages with ~570acres of land.

Exhibit 7: One of the water harvesting structures



Source: Company, MOSL

Exhibit 8: House of one of the beneficiaries of the cattle development initiatives



Source: Company, MOSL

- Cattle Development Centre
 - Started in 2003-04.
 - There are 76 Cattle Development Centers in MP catering to nine districts.
 - The center we visited caters to 18 villages in and around Bhau Kheda.
 - Services provided: Artificial insemination for cows and buffaloes, fodder, knowledge about care & diet for cattle.
 - Farmers had to earlier take their animals to the veterinarian for treatment (in case of a government veterinary). This initiative by ITC facilitates visit of the vet to the farmer's house (as the veterinarian is a local person stationed at the village itself).
 - This initiative has helped in increasing the yield of cows.
 - MP State Cooperative Dairy Federation (Sanchi) is the biggest procurer of milk from these areas, followed by Modern and Dinshaw.
 - Gradually women are being involved more in the dairy business.

These non-profit efforts from ITC have resulted in a tremendous increase in goodwill. Along with the Choupal initiatives, such efforts are expanding ITC's footprint across many regions in the country.

Our view on ITC's roadmap going ahead

- Expansion of the procurement backbone and soft power gained through ecosystem development efforts should lead to a sustained increase in procurement strength, which is essential to achieve targeted growth by 2030.
- Existing categories like atta, biscuits, noodles and snacks offer huge growth potential. However, to grow the business nearly 10x over the next 13 years, there is a need to scale up in areas that are currently small but have bright prospects.
- In our view, dairy, juices and coffee are the three categories that are currently very small, but could emerge as huge growth drivers.

Growing existing categories rapidly and entering into new categories

- **Dairy:** The size of the Indian dairy market is INR5tn (organized market is around INR800b), and ITC is present only in ghee and milk powder as of now. We believe dairy fits in very well in terms of both size and growth potential, and also plays well to ITC's strength in sourcing, which is crucial in this category. Currently, ghee is sold in south India through a plant in Munger in Bihar. This site was a cattle development center, which was then converted into commercial operations. There are a host of cattle development centers in the central Indian states of Bihar and Madhya Pradesh which the company can gradually commercialize, creating a behemoth in terms of milk procurement. Importantly, we note that central India is not a region where government or cooperative dairy agencies are extremely strong. Products like curd, flavored milk-based drinks and packaged buttermilk (chaas) are potentially attractive growth areas.
- ITC is able to create a positioning for itself even in products that are generally regarded as commodity products with low margins. In ghee, for example, its differentiation is granularity, color, aroma and being based on cow milk, which enables better than market margin for ghee. The company does not think it offers any differentiation in cheese, and thus, is not getting into that category. However, we believe there is a lot of potential in other parts of the dairy business.
- **Juices:** ITC is traditionally strong in different agricultural produce in different regions of the country. It has reasonable presence in horticultural (fruits and vegetables) sourcing in south India, which is used as a procurement base for B-Natural juices brand. With (i) ongoing spike in demand for natural fruit-based drinks as a result of the shift away from carbonated beverages (INR251b market as of 2015) and (ii) expansion of ITC's horticultural product procurement efforts, growth opportunity is huge, in our view. Within horticultural produce, vegetables may also be a tremendous growth opportunity, both from the sourcing and category expansion perspective for Bingo, as well as for sales through Choupal Saagar and third-parties.
- **Coffee:** ITC is already perhaps the largest supplier of coffee in India. It has recently made an entry into gourmet coffee through 'Sunbeam' brand, and if

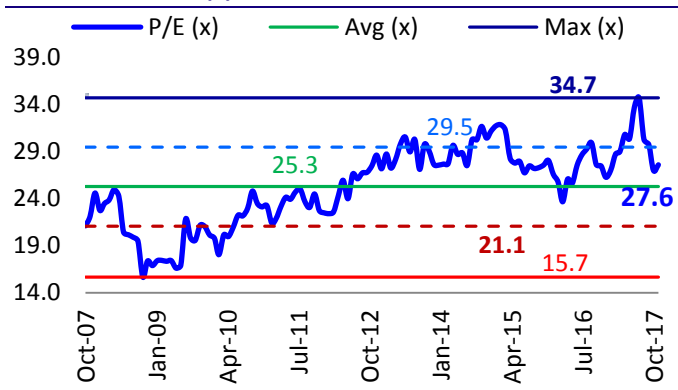
the coffee market in India grows rapidly, it could be another useful pillar for strong growth in 'Other FMCG'.

- **Shrimp fishing:** Over the past few months, ITC has created the Masterchef brand for shrimp products. Given burgeoning demand for sea food, this could be another strong area of growth. This was an only exports product earlier. Shrimp fishing can even be conducted on land allocated for industrial purposes.

Making investments to expand manufacturing capacity

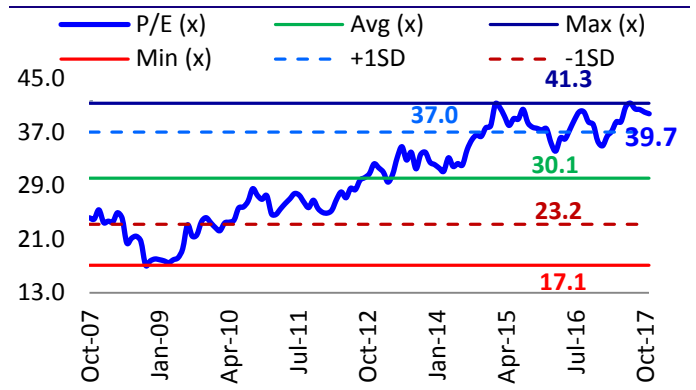
- ITC plans to set up 20 integrated factories for its FMCG business, with logistics facilities in place at an investment of INR250b in 65 projects.
- As per a recent media article, three of the planned factories will be operational in FY18 and four more in FY19.
- The company believes that these facilities will aid in reducing wastage from multiple handling and transportation.

Exhibit 9: ITC P/E (x)



Source: Company, MOSL

Exhibit 10: Consumer P/E



Source: Company, MOSL

Exhibit 11: Valuation Matrix

Company	Reco	CMP		Target Price		M Cap		EPS Growth YoY (%)			P/E (x)			RoE (%)	Div. (%)
		(INR)	(INR)	Upside (%)	INR B	USD B	FY17	FY18E	FY19E	FY17	FY18E	FY19E	FY17	FY17	
Consumer															
Asian Paints	Neutral	1,195	1,280	7	1,146	17.7	8.7	2.6	19.8	56.9	55.4	46.2	28.5	0.8	
Britannia Inds.	Buy	4,759	5,165	9	571	8.8	7.3	15.8	22.6	64.6	55.8	45.5	36.9	0.0	
Colgate-Palm.	Buy	1,039	1,328	28	283	4.4	-5.7	10.2	22.1	48.9	44.4	36.4	50.4	1.0	
Dabur India	Buy	348	395	14	613	9.4	1.9	6.8	20.0	48.0	44.9	37.5	28.4	0.7	
Emami	Buy	1,252	1,435	15	284	4.4	4.5	0.2	25.0	47.2	47.1	37.7	35.8	0.7	
Godrej Cons.	Neutral	977	1,015	4	665	10.2	12.4	11.9	15.8	51.7	46.2	39.8	24.6	0.6	
GlaxoSmith C H L	Neutral	5,936	5,400	-9	250	3.8	0.9	3.0	13.4	38.0	36.9	32.6	22.2	0.9	
Hind. Unilever	Buy	1,253	1,440	15	2,712	41.8	1.9	16.2	21.0	63.8	54.9	45.4	66.5	1.3	
ITC	Neutral	260	280	8	3,160	48.6	9.4	8.5	10.2	31.0	28.6	25.9	23.5	2.1	
Jyothy Lab.	Neutral	346	365	6	63	1.0	175.7	-18.3	18.9	30.8	37.7	31.7	21.1	1.7	
Marico	Neutral	314	340	8	404	6.2	12.1	3.5	21.8	49.9	48.2	39.6	36.7	1.0	
Nestle India	Neutral	7,793	6,160	-21	751	11.6	-1.6	-2.5	16.1	66.1	67.7	58.3	39.0	0.8	
P & G Hygiene	Neutral	8,808	9,200	4	286	4.4	2.3	14.0	16.1	66.3	58.1	50.0	39.3	3.7	
Page Industries	Buy	22,314	25,580	15	249	3.8	15.0	24.3	39.3	93.5	75.2	54.0	40.0	0.4	
Parag Milk Foods	Neutral	254	275	8	21	0.3	-46.4	147.7	38.7	70.6	28.5	20.5	6.0	0.0	
Pidilite Inds.	Neutral	813	865	6	417	6.4	6.7	7.9	14.0	48.6	45.0	39.5	28.2	0.6	
United Breweries	Buy	1,101	1,320	20	291	4.5	-23.0	68.9	22.4	126.8	75.1	61.3	10.2	0.1	
United Spirits	Neutral	3,109	2,970	-4	452	7.0	87.1	30.6	53.8	116.3	89.0	57.9	21.3	0.0	
Retail															
Jubilant Food.	Sell	1,650	1,270	-23	109	1.7	-32.1	114.2	28.0	164.9	77.0	60.1	8.2	0.2	
Titan Company	Buy	778	850	9	690	10.6	18.5	38.5	27.0	86.1	62.2	49.0	20.6	0.5	

Source: Company, MOSL

Financials and Valuations

Income Statement						(INR Million)
Y/E March	2015	2016	2017	2018E	2019E	2020E
Net Sales	360,832	362,206	396,419	410,707	456,226	511,243
Operational Income	4,242	3,621	4,468	4,914	5,406	5,947
Total Revenue	365,074	365,827	400,887	415,622	461,632	517,189
Change (%)	9.8	0.2	9.6	3.7	11.1	12.0
Total Expenditure	230,128	228,681	255,106	260,030	289,957	322,407
EBITDA	134,946	137,146	145,780	155,592	171,675	194,782
Change (%)	8.2	1.6	6.3	6.7	10.3	13.5
Margin (%)	37.4	37.9	36.8	37.9	37.6	38.1
Depreciation	9,617	10,007	10,380	11,707	12,607	13,507
Int. and Fin. Charges	785	491	230	689	689	689
Other Inc. - Recurring	15,431	17,693	19,859	21,923	23,626	25,670
Profit before Taxes	139,975	144,341	155,030	165,119	182,005	206,256
Change (%)	10.6	3.1	7.4	6.5	10.2	13.3
Margin (%)	38.8	39.9	39.1	40.2	39.9	40.3
Tax	40,210	48,961	52,857	49,536	54,602	61,877
Deferred Tax	3,688	2,096	164	4,954	5,460	6,188
Tax Rate (%)	31.4	35.4	34.2	33.0	33.0	33.0
Profit after Taxes	96,077	93,284	102,009	110,630	121,943	138,192
Change (%)	9.4	-2.9	9.4	8.5	10.2	13.3
Margin (%)	26.6	25.8	25.7	26.9	26.7	27.0
Reported PAT	96,077	93,284	102,009	110,630	121,943	138,192

Balance Sheet						(INR Million)
Y/E March	2015	2016	2017	2018E	2019E	2020E
Share Capital	12,100	12,147	12,147	12,147	12,147	12,147
Reserves	295,257	404,417	439,352	443,761	485,100	531,281
Net Worth	307,357	416,564	451,500	455,908	497,247	543,429
Loans	143	165	180	180	180	180
Deferred Liability	16,316	18,674	18,717	18,889	19,439	12,822
Capital Employed	323,816	435,403	470,397	474,977	516,866	556,430
Gross Block	209,908	220,933	240,156	260,156	280,156	300,156
Less: Accum. Depn.	72,136	80,516	90,896	102,603	115,210	128,717
Net Fixed Assets	137,771	140,417	149,259	157,552	164,945	171,438
Capital WIP	25,155	23,884	34,913	34,913	34,913	34,913
Investments	84,055	133,245	185,723	190,030	218,866	242,134
Current	59,638	64,713	100,868	102,690	116,192	129,192
Non-current	24,416	68,532	84,855	87,341	102,675	112,942
Curr. Assets, L&A	194,976	202,636	170,354	172,037	186,575	206,335
Inventory	78,368	85,198	78,640	91,123	101,745	113,987
Account Receivables	17,224	16,864	22,075	22,505	24,999	28,013
Cash and Bank Balance	75,886	56,392	27,473	22,742	20,911	21,494
Others	23,498	44,182	42,166	35,667	38,921	42,841
Curr. Liab. and Prov.	118,140	64,780	69,853	79,555	88,434	98,391
Account Payables	53,817	56,700	59,024	65,710	73,202	81,599
Other Liabilities	14,226	7,796	9,818	12,855	14,140	15,554
Provisions	50,097	284	1,011	991	1,092	1,238
Net Current Assets	76,835	137,856	100,501	92,482	98,141	107,944
Application of Funds	323,816	435,403	470,397	474,978	516,866	556,430

E: MOSL Estimates

Financials and Valuations

Ratios

Y/E March	2015	2016	2017	2018E	2019E	2020E
Basic (INR)						
EPS	7.9	7.7	8.4	9.1	10.0	11.4
Cash EPS	8.7	8.5	9.3	10.1	11.1	12.5
BV/Share	25.4	34.3	37.2	37.5	40.9	44.7
DPS	5.0	6.8	5.6	6.4	7.0	8.0
Payout %	62.8	88.3	66.2	70.2	70.2	70.2
Valuation (x)						
P/E	32.8	33.9	31.0	28.6	25.9	22.9
Cash P/E	29.8	30.6	28.1	25.8	23.5	20.8
EV/Sales	8.3	8.2	7.4	7.2	6.4	5.7
EV/EBITDA	22.2	21.7	20.2	18.9	17.0	14.9
P/BV	10.2	7.6	7.0	6.9	6.4	5.8
Dividend Yield (%)	1.9	2.6	2.1	2.5	2.7	3.1
Return Ratios (%)						
RoE	33.7	25.8	23.5	24.4	25.6	26.6
RoCE	32.2	24.7	22.6	23.5	24.7	25.8
RoIC	63.8	45.6	40.1	42.9	45.4	48.6
Working Capital Ratios						
Debtor (Days)	20	17	18	20	19	19
Asset Turnover (x)	1.1	0.8	0.8	0.9	0.9	0.9
Leverage Ratio						
Debt/Equity (x)	0.0	0.0	0.0	0.0	0.0	0.0

Cash Flow Statement

(INR Million)

Y/E March	2015	2016	2017	2018E	2019E	2020E
OP/(loss) before Tax	139,975	144,341	155,030	165,119	182,005	206,256
Int./Div. Received	15,431	17,693	19,859	21,923	23,626	25,670
Depreciation and Amort.	9,617	10,007	10,380	11,707	12,607	13,507
Interest Paid	785	491	230	689	689	689
Direct Taxes Paid	43,898	51,057	53,021	54,489	60,062	68,065
Incr in WC	-10,583	80,515	-8,436	-3,289	7,491	9,220
CF from Operations	101,381	7,202	101,196	104,392	104,122	117,497
Incr Decr in FA	29,709	9,755	30,252	20,000	20,000	20,000
Free Cash Flow	71,673	-2,553	70,944	84,392	84,122	97,497
Pur of Investments	-4,180	49,191	52,478	4,308	28,836	23,267
CF from Invest.	-25,529	-58,945	-82,729	-24,308	-48,836	-43,267
Issue of shares	9,726	5,285	5,000	5,000	5,000	5,000
Incr in Debt	-12	21	15	0	0	0
Interest Income	15,431	17,693	19,859	21,923	23,626	25,670
Interest Paid	785	491	230	689	689	689
Dividend Paid	47,719	50,097	68,401	57,737	66,378	73,166
Others	-9,501	59,839	-3,630	-53,312	-18,677	-30,462
CF from Fin. Activity	-32,860	32,250	-47,386	-84,815	-57,118	-73,647
Incr of Cash	42,992	-19,494	-28,920	-4,731	-1,832	583
Add: Opening Balance	32,894	75,886	56,392	27,473	22,742	20,911
Closing Balance	75,886	56,392	27,472	22,742	20,911	21,494

E: MOSL Estimates

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