29th November 2018

Initiating Coverage I Sector: Specialty Chemicals

NOCIL Ltd.

BSE SENSEX	S&P CNX
35,717	10,729

NOCIL LIMITED

Stock Info

M.Cap. (INR b)	28.3
Avg. Turnover, INR m	38
Equity Shares (m)	165.4
Face value (INR)	10
52-Week Range (INR)	236 / 139
1, 6, 12m Rel. Per*(%)	7.7/-15.5/-11.1

Data as on 28th November, 2018
*relative to BSE Sensex

Financials Snapshot (INR b)

Y/E Mar	2018	2019E	2020E
Net Sales	9.7	11.1	14.8
Growth (%)	30.4	15.2	32.5
EBITDA	2.7	3.1	3.8
PAT	1.7	2.0	2.3
EPS (INR)	10.3	11.9	14.1
Gr. (%)	59.5	15.5	17.8
BV/sh. (INR)	64.0	72.4	82.3
Div. Yield (%)	1.5	1.9	2.2
P/E (x)	16.5	14.2	12.1
P/BV (x)	2.7	2.3	2.1
EV/EBITDA (x)	10.4	8.8	7.2
RoE (%)	17.3	17.6	18.3
RoCE (%)	17.3	17.6	18.3

Shareholding pattern (%)

As On	Sept-18	June-18	Mar-18
Promoter	34.1	35.1	35.8
MFs	5.1	4.4	4.1
FPIs	4.7	4.8	5.5
Others	56.1	55.7	54.6

Investors are advised to refer through disclosures made at the end of the Research Report.

CMP: INR170 TP: INR225(+32%) BUY

Niche play in the specialty chemicals industry

NOCIL, part of Arvind Mafatlal Group, is India's largest rubber chemicals company. Its portfolio includes accelerators, antidegradants, anti-oxidants, pre/post vulcanization products. Rubber chemicals, which possess properties such as antioxidation, antidegradation and lifespan extension, are used in the manufacture of tyres, tubes, latex goods, and footwear, among others.

Market leader in rubber chemicals in India: With a long-standing operating history of over four decades, Nocil commands ~45% in the domestic market and ~5% globally. It has established its presence in over 40 countries and boasts strong business relationships with some major global tyre manufacturers. A wide product range, global presence, technical know-how and a reputation of being a dependable supplier have ensured market share expansion not only at home but also globally.

Domestic players gaining an edge: China's quest to emerge as a global leader in the fight against pollution has accelerated closure of non-compliant companies there. Moreover, the imposition of anti-dumping duty in India from 2014 helped domestic producers withstand competition from Chinese and Korean firms. Nocil is one of the key beneficiaries of these developments.

Tyre industry to run the show: Growth in rubber chemicals is highly dependent on demand from the tyre industry – the largest consumer of rubber chemicals (~65%). According to the company, the global tyre industry has committed ~USD7.5b toward expansion plans, while the Indian tyre companies have lined up capex to the tune of INR-150-180b over the next few years. This is likely to drive tyre industry growth of 12-14% over the next 4-5 years, benefiting rubber chemicals behemoths like Nocil.

Building capacity for the future: To capitalize on the growth opportunities, Nocil has earmarked capex of INR4.25b. The company is expected to operate at 2x its current levels post setting up of expanded capacity at peak utilization levels. The new capacity will come on stream in phases until September 2019. Management expects asset turnover of 2x from this expansion, leading to annual incremental revenue of ~INR9b at current price trends.

Improved technology and change in product mix boosted margins: Nocil employed fully automated process at its Dahej plant (commenced operations in Mar'13), which apart from achieving higher productivity also aided in significant cost rationalization. Combination of product mix in the exports business which involved higher percentage of products in specialised applications helped the company to generate margins at similar levels vis a vis domestic sales. All these resulted in Nocil's operating margin expanding from 10.5% in FY14 to 27.4% in FY18.

Valuation and view: The stock is trading at 14.2x FY19E and 12.1x FY20E EPS. We believe Nocil is well positioned to capitalize on the structural changes in the industry and strengthen its competitive positioning against international peers. Robust demand for rubber chemicals backed by new capacity put by tyre companies only strengthens the growth narrative. We expect earnings CAGR of 17% over FY18–20. We, thus, initiate coverage on Nocil with a Buy rating and a target price of INR225, based on 16x FY20E EPS.

Initiating coverage

Anas Dadarkar
anas.dadarkar@motilaloswal.com

Company background

Nocil, part of Arvind Mafatlal Group, is India's largest rubber chemicals company offering a range of products such as accelerators (~45% of the portfolio), antidegradants/antioxidants (~45%), and pre-vulcanization inhibitors/post-vulcanization stabilizers (~10%) for over four decades now. It has manufacturing facilities in Navi Mumbai and Dahej.

Exhibit 1: Product portfolio

1 **ACCELERATORS**

Increase the speed of vulcanization to improve productivity

2 **ANTI-DEGRADANTS/ ANTI-OXIDANTS**

An ingredient in rubber compounds which deters the ageing or inhibits degradation due to oxygen attack of rubber products thereby enhancing service life

3 **SPECIALISED APPLICATIONS**

Pre vulcanization inhibitor, Post vulcanization stabilizer, Zinc based applications etc.

Source: Company, MOSL

Exhibit 2: Nocil's manufacturing facilities

Navi Mumbai Plant

Set up in 1976

Located in Trans-Thane Creek industrial area at Navi Mumbai, Thane - Belapur's industrial zone designated for the chemical Industry, about 40 kms away from Mumbai

State-of-the-art technology for the manufacture of the entire range of Rubber Chemicals for Tyre & other Rubber Products

Dahej Plant

Commercialized operation in March 2013

Located about 45 kms from Bharuch, Gujarat

Location has synergistic Chemicals & Petrochemicals industry and excellent connectivity with Dahej & Hazira Port

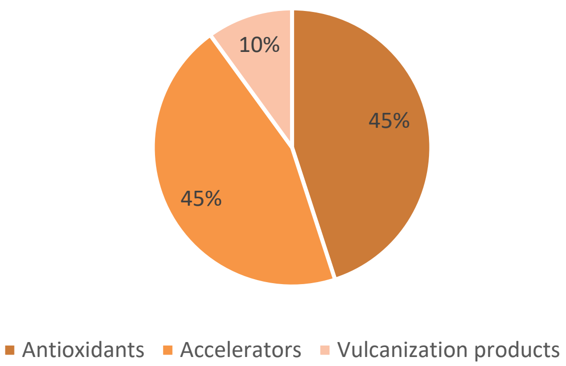
Fully automated continuous process plant developed completely with in-house technology

Source: Company, MOSL

The company's products find application used in both tyre and non-tyre industries (latex industry, footwear and other auto-ancillary products). Chemicals manufactured by the company are essential in the production of rubber and rubber-related products. The bulk (~65%) of rubber chemicals are sold to the tyre industry.

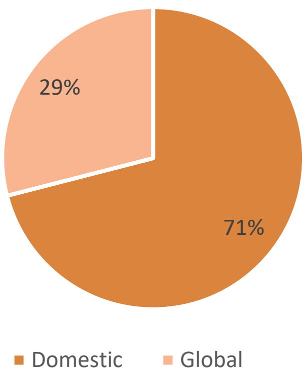
Nocil commands a share of ~45% in the domestic market and 5% in the global market. It has business relationships with clients in over 40 countries and has major tyre manufacturers as its clients. Exports accounted for ~27% of Nocil's revenue in FY18. The company strategically focuses on high-value-added specialty products in the exports market. It has consciously decided to stay away from certain traditional but non-strategic markets due to acute competition from Chinese and Korean suppliers and unrealistically low pricing.

Exhibit 3: Product-wise revenue break-up (FY18)



Source: Company, MOSL

Exhibit 4: Geography-wise revenue break-up (H1FY19)



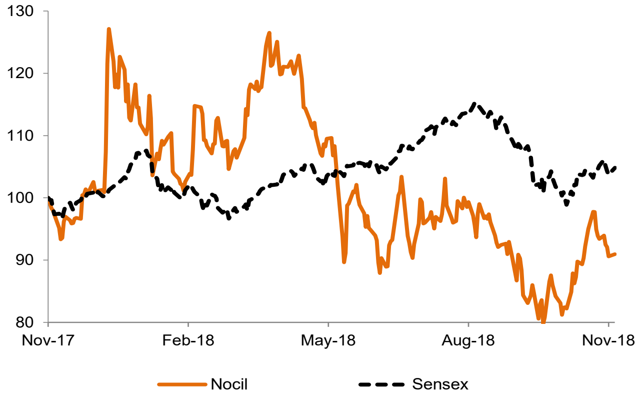
Source: Company, MOSL

Exhibit 5: Auditors

Name	Type
M/s. Kalyaniwalla & Mistry LLP	Statutory Auditors
M/s. Makarand M. Joshi & Co.	Secretarial Auditor
M/s Kishore Bhatia & Associates	Cost Auditor

Source: Company, MOSL

Exhibit 6: One-year stock performance rebased to 100



Source: Bloomberg, MOSL

Industry Overview

Tyre industry

The Indian tyre industry size is estimated at ~INR600b (as of FY18), with demand largely coming from two segments: (1) original equipment manufacturers (OEM ~35-40% of demand) and (2) replacement market (aftermarket ~60-65%). The Indian automobile sales have grown consistently at ~10% p.a. over FY08-18, driving tyre demand from OEMs. This growth adds on to the on-road vehicle population in India, which fuels replacement demand.

Exhibit 7: Product category-wise breakup of Indian tyre industry

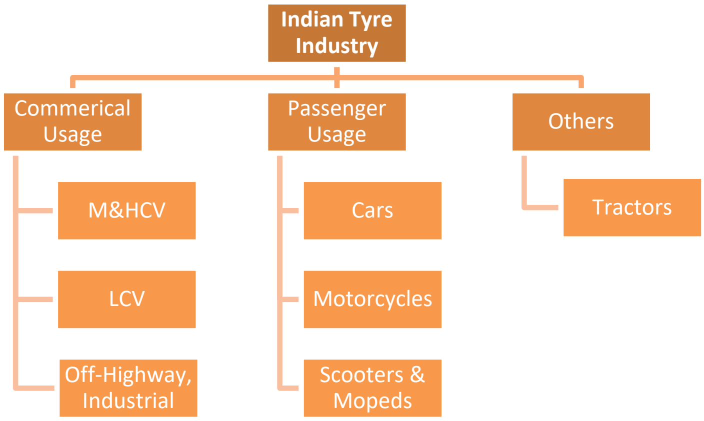
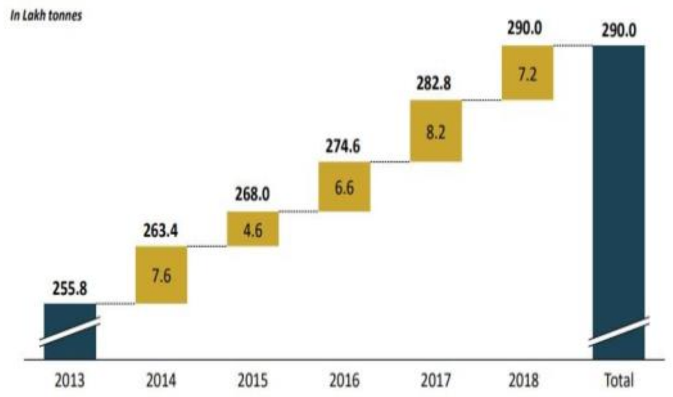


Exhibit 8: Typical tyre replacement cycle

Segment	Time
MHCVs	6-8 months
PVs (PC & UV)	3-4 years
2Ws	2-3 years
LCVs	3-4 years
Tractors	3-4 years

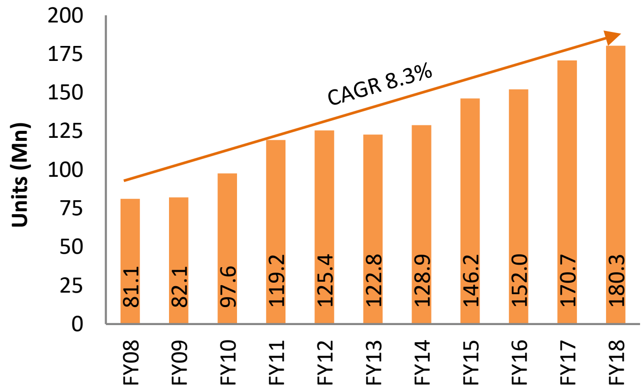
Source: Industry, MOSL

Exhibit 9: Global rubber consumption (Natural & Synthetic)



Source: Company, MOSL

Exhibit 10: Domestic tyre production



Source: ATMA, Industry, MOSL

Rubber chemicals industry

Rubber chemicals (also called rubber additives) are used in the manufacture of rubber-based products such as tyres, tubes, latex goods, belting and footwear. These ingredients are used to blend into either natural or synthetic rubber to produce rubber products that possess properties such as antioxidation, antidegradation and lifespan extension. Although these chemicals form a small component (~3-4%) of overall rubber consumption, it is an indispensable intermediate that improves the quality of the end-product. Demand for rubber chemicals is directly linked to overall rubber consumption (natural & synthetic rubber), which, in turn, is linked to the level of economic activity.

Exhibit 11: Illustration of chemical additives used in making rubber products

Source: China Sunsine Chemical Holdings Annual Report, MOSL

Of the many rubber-based industries, tyre is the single largest consumer (~65%) of rubber chemicals. Performance of the rubber chemicals industry is, thus, largely dependent on demand from the tyre and automobile industry. While the Indian rubber chemicals market is estimated at ~70,000 tonnes, the global rubber chemicals market stands at ~1m tonnes. Globally, ~70-75% of demand is met by the Chinese and Korean players, ~20% by European players and ~7% by Indian companies.

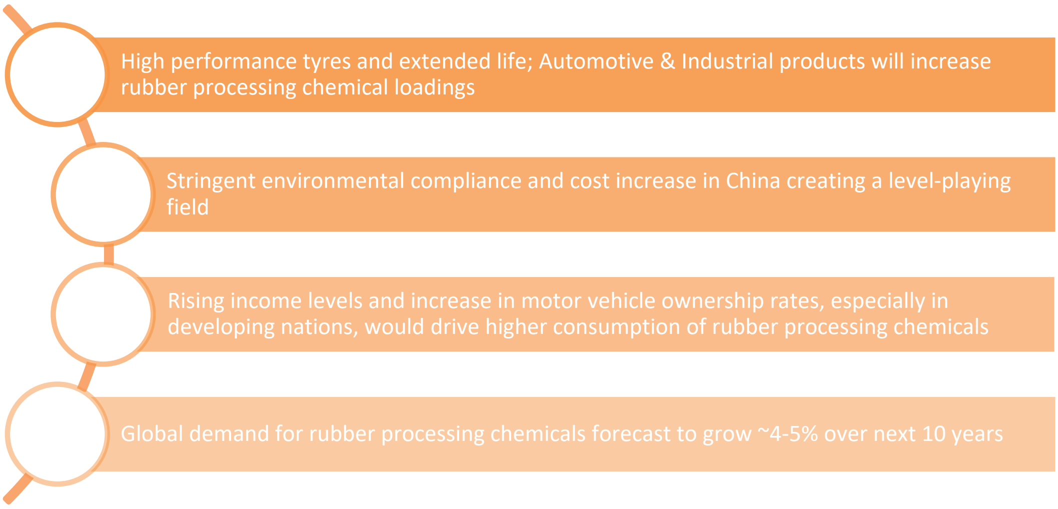
Investment Argument

Market leader in rubber additives in India

Nocil is the largest rubber chemicals company in India, with a share of ~45%. Globally, it has a market share of ~5%. The Indian rubber chemicals industry is highly consolidated, with presence of just three players and excess demand being met by imports.

Nocil's expertise in the rubber chemical business spans over four decades. It has business relationships with clients in over 40 countries and has major tyre manufacturers as its clients. It has a wide product range, global presence, technical know-how and reputation of being a dependable supplier. This makes it a suitable alternative to Chinese players. Other domestic producers include Laxness India and PMC Rubber. Nocil has been steadily increasing its share in the rubber chemical market in India as well as globally. We expect it to further increase its market share on the back of consolidation in the Chinese market due to tightening environment norms and aggressive capacity expansion.

Exhibit 12: Key growth drivers for Nocil



Source: Company, MOSL

Domestic players gaining an edge globally

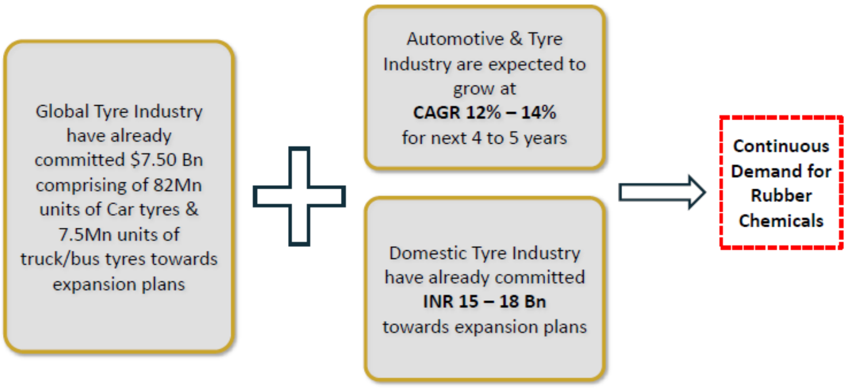
China's push toward environment protection has resulted in closure of non-compliant companies, bringing about disruption in rubber chemicals supply from China. Rising compliance costs among Chinese players has also improved the competitive positioning of Indian players. Moreover, the imposition of anti-dumping duty from 2014 has helped domestic producers to withstand competition from China and Korea. Nocil is one of the key beneficiaries of these developments in terms of realizations and margins. The outlook therefore appears promising, considering reduced competitive intensity from China, healthy demand growth, and capacity addition.

The ongoing trade war between US and China is also adding opportunities for manufactures in India. US implemented a duty of 10% on import of rubber chemicals from China in Sept'18 and is likely to impose an additional 15% duty from Jan'19. These measures would impact China - the largest exporter of rubber chemicals and provide opportunities for Indian players like Nocil.

Prospects closely tied to tyre industry

Indian automobile sales have grown consistently at ~10% p.a. over FY08-18, driving demand for tyres from OEMs. This growth adds on to the on-road vehicle population in India, fueling replacement demand. To grab this opportunity, tyre companies have lined up huge capex plans. According to the company, the global tyre industry has committed ~USD7.5b toward expansion plans, while Indian tyre companies have lined up capex to the tune of INR-150-180b over the next few years. This is likely to accelerate tyre industry growth to 12-14% over the next 4-5 years. Given that the tyre industry is the largest consumer of rubber chemicals (~65%), growth in tyre demand bodes well for companies like Nocil.

Exhibit 13: Growth of rubber chemicals tied to tyre industry



Source: Company, MOSL

Exhibit 14: Expansion plans of tyre industry

Bridgestone: Committed to invest USD 304.3 million over the next five years to expand two manufacturing plants in Pune (Chakan) and Indore (Kheda). The production capacity of the two plants is expected to increase by approximately 15,000 tyres per day, enhancing total daily production to approximately 42,000 tyres by 2020.

Michelin: Aims to double production capacity at its Indian facility to 30,000 tonnes per annum by 2018 by investing Rs. 3,500 crore in its factory and R&D centre.

Goodyear: Restarted its Ballabgarh plant in November 2017.

MRF: Plans to invest around Rs. 800-1,000 crore per annum through brownfield expansion. Earmarked an investment of Rs. 45 billion in Gujarat over the next decade. One more unit is to be operationalised in Chennai by 2020.

Apollo: Planned a capital expenditure of Rs. 4,500 crore during FY2017-18 and FY2018-19 at its Hyderabad facility.

CEAT: Plans to increase output by 35-40% and ramp up capacity for bus and truck radials at its Halol plant. Set up a greenfield unit for passenger car radials at an investment of Rs. 12-15 billion at Chennai and embark on Phase-II at its Nagpur plant.

Yokohama: Intends to expand capacity from 7,00,000 to 15,30,000 tyres per annum at an investment of approximately Rs. 3.8 billion. Production scheduled to begin in Q4 FY2018-19.

JKIL India: Double capacity expansion for truck and bus radials at the Cavendish Plant, Laksar, by end-2019.

Maxxis: Improving output to 15,000 tyres per day and setting up three more plants in India over the next eight years.

Vee Rubber: Produces 5,000 tyres per day and embarked on Phase-II effective in 2020.

(Source: Economic Times, Business Standard, Yokohama India)

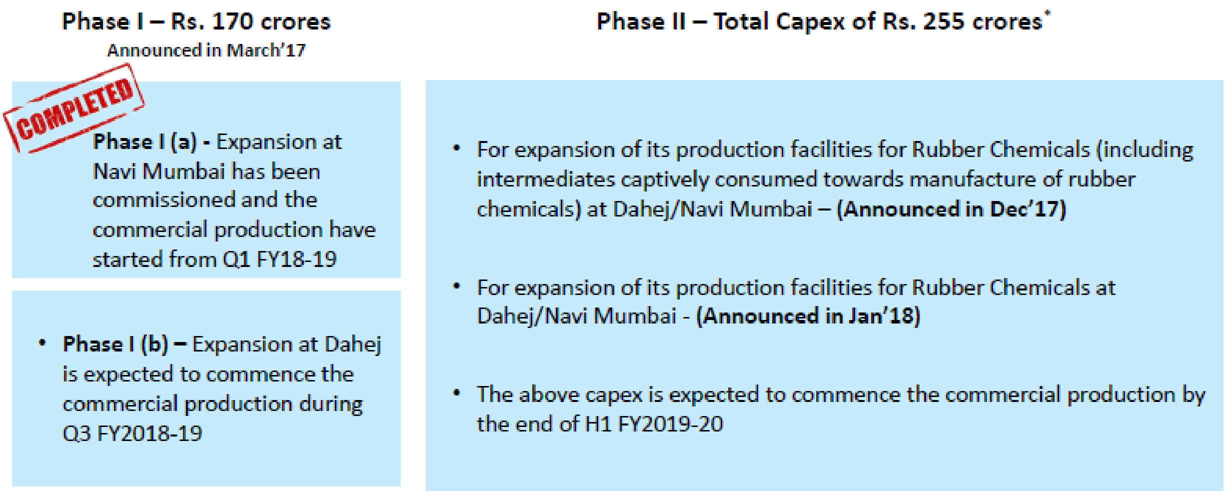
Source: Rajratan Global Wires 2018 Annual Report, MOSL

Capacity expansion to support revenues

To capitalize on growth opportunities amid favorable market conditions, Nocil has earmarked capex of INR4.25b at its Navi Mumbai and Dahej plants. It is expected to operate at 2x its current capacity post setting up of expansion plans at peak utilization levels. The new capacity will come on stream in phases until September 2019. Management expects asset turnover of 2x from this expansion, leading to annual incremental revenue of ~INR9b at current price trends.

Given its healthy balance sheet position, the company plans to fund a significant portion of the capex through internal accruals. In our view, volumes from these new capacities would support revenue and profit growth in future.

Exhibit 15: Doubling capacity to maximise growth



Source: Company, MOSL

Improved technology and change in product mix aided margin expansion

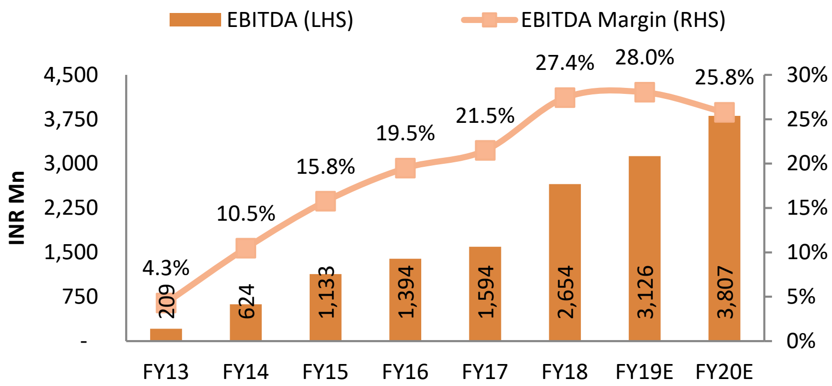
Nocil implemented state-of-the-art technology at its new Dahej plant which commenced operations in Mar’13. The company employed fully automated process plant which apart from achieving higher productivity also aided in significant cost rationalization.

Combination of product mix in the exports business which involved higher percentage of products in specialised applications helped the company to generate margins at similar levels vis a vis domestic sales. All these resulted in Nocil’s operating margin expanding from 10.5% in FY14 to 27.4% in FY18.

The current antidumping duty on imports of certain rubber chemicals from China and Korea was implemented in 2014 and is in effect until July 2019. Anti-dumping duty had been imposed on 6 of the 20 products manufactured by Nocil which contribute 50% of its revenues. This added about 4% to the gross margin of the company.

Going forward, we forecast a dip in margins from 28% in FY19 to ~26% in FY20 assuming that the antidumping duty would not be extended beyond July’19. However there may be a case of renewal of the antidumping duty by the government if it continues to find threat of excess supply from China and Korea. In that scenario, there could be further upside potential to our estimates.

Exhibit 16: Significant margin expansion



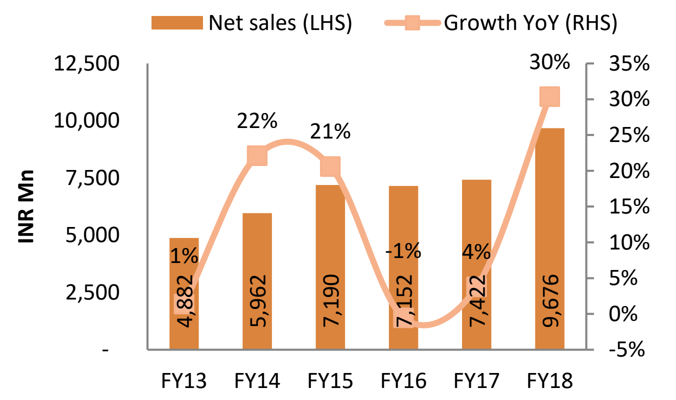
Source: Company, MOSL

Healthy financials

Nocil's revenue/EBITDA/PAT grew at a CAGR of 13%/44%/63% over FY14-18, driven by capacity expansion, operational efficiencies, improvement in product mix and imposition of antidumping duty. Strong earnings growth was majorly driven by EBITDA margin expansion, with further support from declining interest cost (as the company became debt-free in FY18 from a D/E ratio of 0.4x in FY14) and rising other income (supported by increasing cash & investment levels). This led to a sharp improvement in the return ratios, with RoE/RoCE improving to ~17.3%/ 26.1% in FY18 from 6.8%/10.9% in FY14.

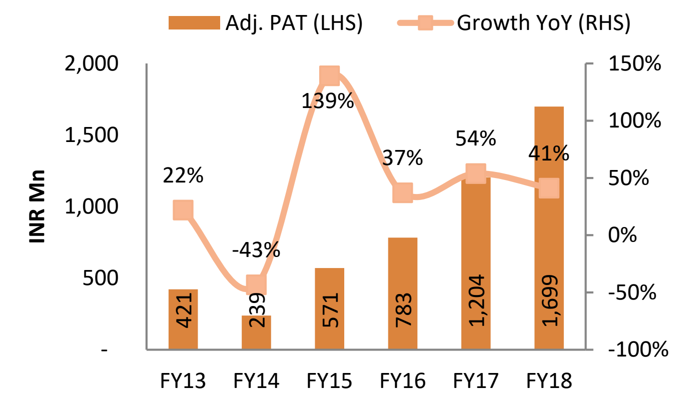
Strong earnings growth and prudent working capital management helped Nocil generate strong free cash flow, helping it to repay its entire debt. By FY18, its cash & investments stood at INR3.1bn, with no debt on the books. Given its leading market position, competitive advantages, robust growth potential, capacity expansion plans and steady operating margins underpinned by growing consumption of rubber, we expect revenue/PAT CAGR (FY18-20) of 23.5%/16.7%, with an EBITDA margin of 25.8% in FY20.

Exhibit 17: Steady revenue growth



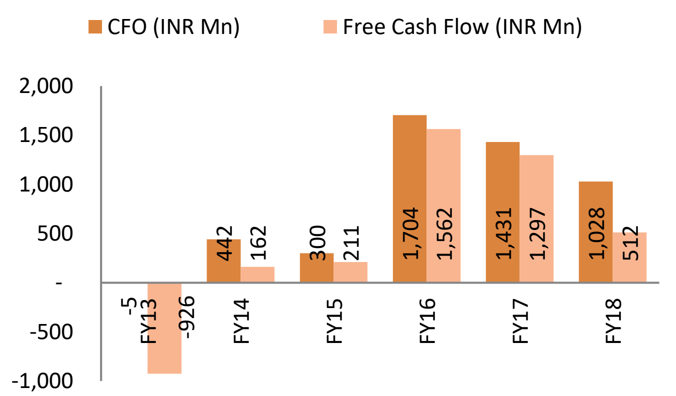
Source: Company, MOSL

Exhibit 18: High net profit growth



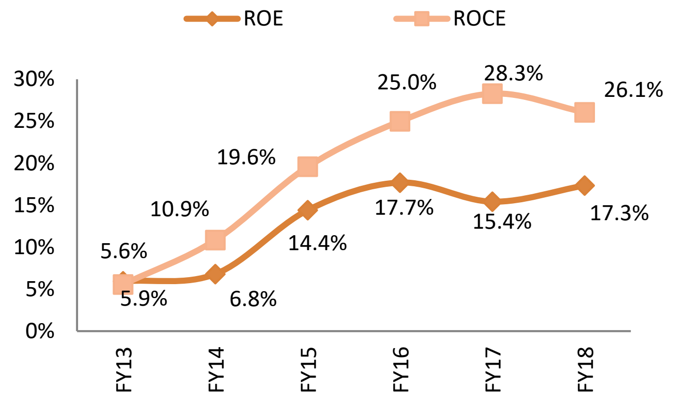
Source: Company, MOSL

Exhibit 19: Strong cash flows



Source: Company, MOSL

Exhibit 20: Improving returns profile



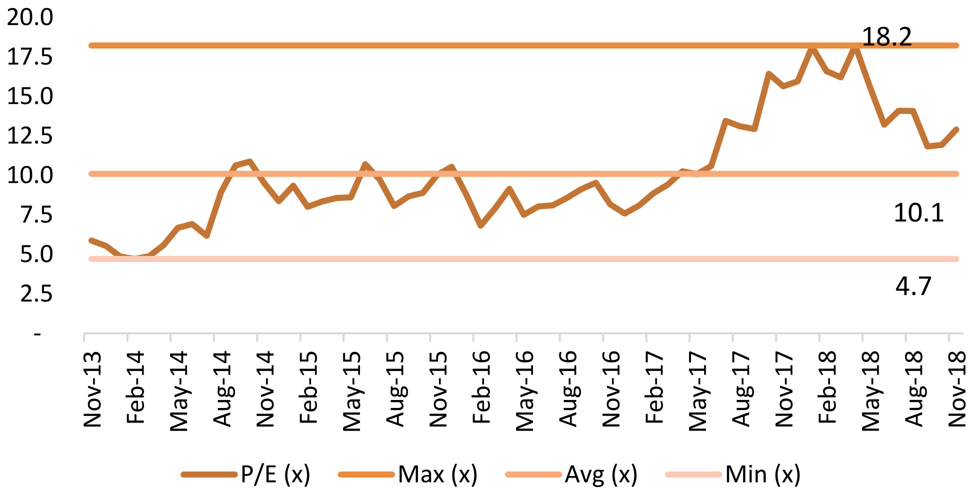
Source: Company, MOSL

Valuation

Nocil is the largest rubber chemicals manufacturer in India and has long-established relationships with leading domestic and global tyre manufacturers. The company is expected to be a major beneficiary of tyre investments in India and globally. It has been steadily increasing its share in the rubber chemicals market, which is likely to inch up even further led by consolidation in the Chinese market due to tightening environment norms. Moreover, with major tyre companies shifting their procurement from China to India, Nocil has emerged as a reliable supplier.

The stock is trading at 14.2x FY19E and 12.1x FY20E EPS. We believe Nocil is well positioned to capitalize on the structural changes in the industry and strengthen its competitive positioning against international peers. Robust demand for rubber chemicals backed by new capacity put by tyre companies only strengthens the growth narrative. We expect earnings CAGR of 17% over FY18-20. We, thus, initiate coverage on Nocil with a Buy rating and a target price of INR225, based on 16x FY20E EPS.

Exhibit 21: 1-year forward P/E (x)



Source: Company, MOSL

Exhibit 22: Peer comparison

Company	MKT CAP (INR mn)	FY18 (INR mn)		Revenue Growth (%)			EBITDA Margin (%)			PAT Growth (%)		
		Revenue	PAT	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E
Phillips Carbon	36,630	25,470	2,288	32.2	28.7	13.6	14.4	18.9	19.4	560.6	71.7	12.9
Nocil Ltd	28,103	9,676	1,699	30.4	15.2	32.5	27.4	28.0	25.8	59.5	15.5	17.8
Oriental Carbon	11,840	3,688	568	11.2	19.1	13.5	27.5	28.3	29.0	10.9	28.9	21.3

Company	D/E (x)	RoE (%)			EV/EBITDA (x)			P/E (x)		
	FY18	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E
Phillips Carbon	0.5	18.2	22.7	21.6	11.7	6.8	5.9	16.0	9.3	8.3
Nocil Ltd	-	17.3	17.6	18.3	10.4	8.8	7.2	16.5	14.2	12.1
Oriental Carbon	0.3	15.8	17.4	18.2	10.7	9.9	8.5	20.8	16.2	13.3

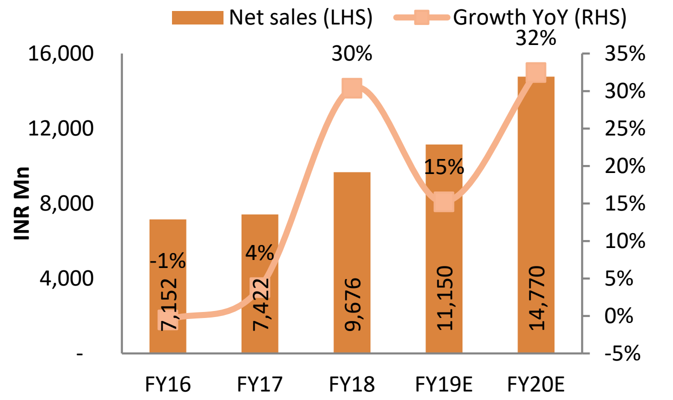
Source: Bloomberg (for Peer companies), MOSL est. for Nocil
Note: Share price data as on 28th Nov'18

Key risks

- Slowdown in tyre industry, which accounts for about two thirds of global rubber consumption can adversely impact demand for rubber chemicals.
- Although environmental scrutiny in China currently serves as a boon, any relaxation of environmental laws there can lead to increase in global supply impacting realizations.
- Sharp movement in crude oil prices could impact prices of key raw materials and hurt margins.

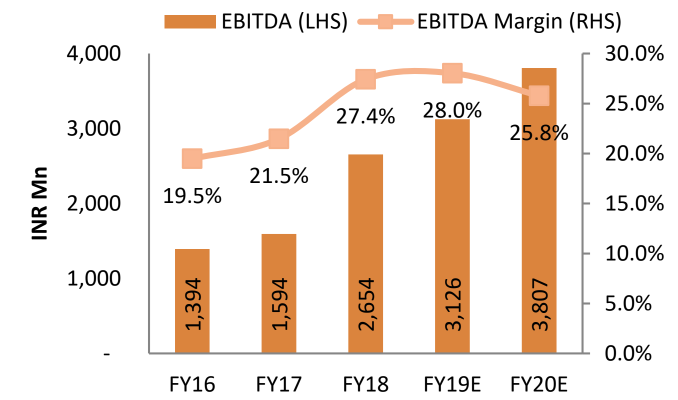
Story in Charts

Exhibit 23: Expect 23.5% revenue CAGR over FY18-20



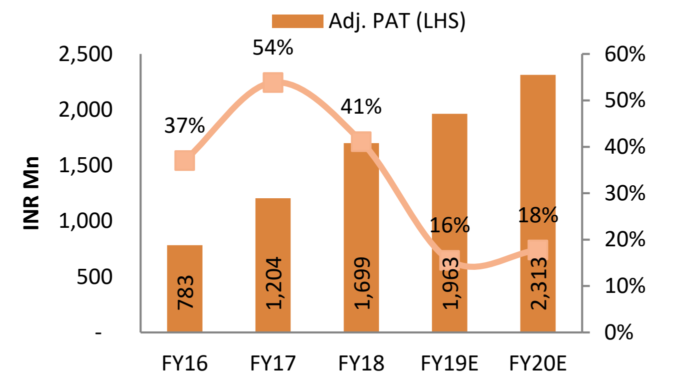
Source: Company, MOSL

Exhibit 24: EBITDA and margins profile



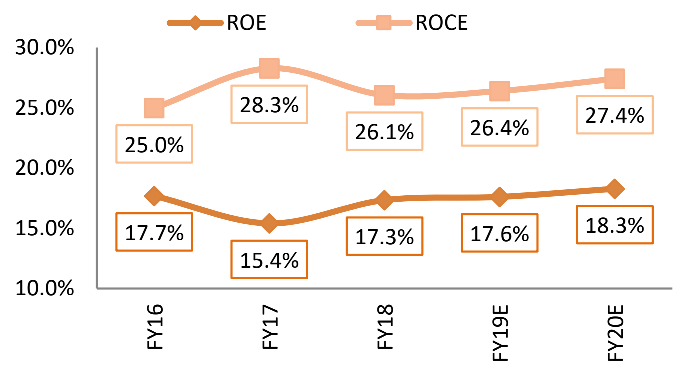
Source: Company, MOSL

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



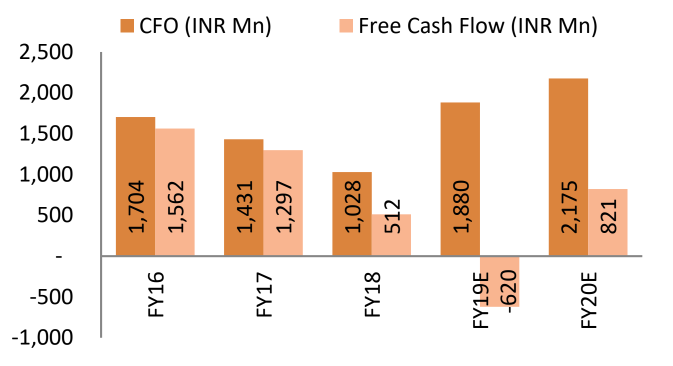
Source: Company, MOSL

Exhibit 26: Stable return ratios



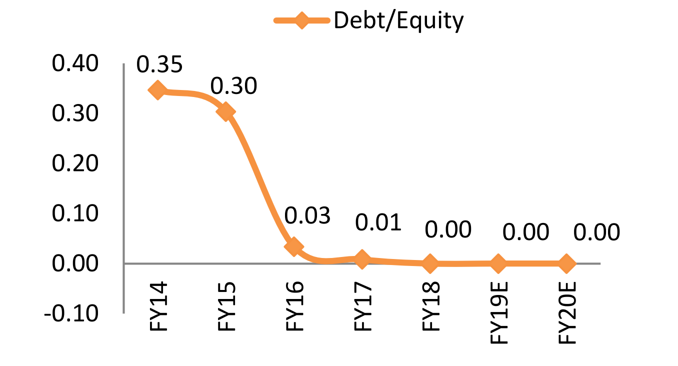
Source: Company, MOSL

Exhibit 27: Strong free cash flow to continue



Source: Company, MOSL

Exhibit 28: Zero debt company



Source: Company, MOSL

Management Overview

Mr Hrishikesh A. Mafatlal, Promoter & Chairman

Mr Mafatlal is the Executive Chairman and Promoter Director of Nocil Ltd. He is a B.Com. (Hons.) graduate and has attended the Advanced Management Programme at the Harvard Business School, USA.

Mr S. R. Deo – Managing Director

Mr Deo is M. Tech. in Chemical Engineering from IIT Kanpur. He is associated with the company for nearly 39 years in various technical capacities.

Mr P. Srinivasan – Chief Financial Officer

Mr Srinivasan is Chartered Accountant with over 29 years of experience. He has been associated with the company since 2005.

Mr R. M. Gadgil - President – Marketing

Mr Gadgil is B. Tech in Chemical Engineering from IIT Mumbai. He has been associated with the company in various marketing capacities for nearly 36 years.

Dr. Chinmoy Nandi - Vice President (Research & Development)

Mr Nandi is Post Graduate & Ph.D. in Science. He is associated with the company for nearly 34 years in various R&D capacities.

Financials and Valuations

Consolidated – Income Statement (INR Million)

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
Net Sales	**5,962**	**7,190**	**7,152**	**7,422**	**9,676**	**11,150**	**14,770**
Change (%)	22.1	20.6	-0.5	3.8	30.4	15.2	32.5
Total Expenditure	**5,338**	**6,057**	**5,758**	**5,828**	**7,022**	**8,024**	**10,962**
% of Sales	89.5	84.2	80.5	78.5	72.6	72.0	74.2
EBITDA	**624**	**1,133**	**1,394**	**1,594**	**2,654**	**3,126**	**3,807**
Margin (%)	10.5	15.8	19.5	21.5	27.4	28.0	25.8
Depreciation	187	145	146	152	240	297	410
EBIT	**436**	**988**	**1,247**	**1,442**	**2,414**	**2,829**	**3,397**
Int. and Finance Charges	174	165	93	22	12	0	0
Other Income	108	40	35	95	146	115	70
PBT	**351**	**862**	**1,189**	**1,712**	**2,547**	**2,944**	**3,467**
Tax	112	291	407	507	848	980	1,155
Tax Rate (%)	31.9	33.8	34.2	29.6	33.3	33.3	33.3
Min. Int. & Assoc. Share	0	0	0	0	0	0	0
Reported PAT	**239**	**571**	**783**	**1,204**	**1,699**	**1,963**	**2,313**
Adjusted PAT	**252**	**571**	**783**	**1,066**	**1,699**	**1,963**	**2,313**
Change (%)	21.8	126.2	37.1	36.2	59.5	15.5	17.8
Margin (%)	4.2	7.9	10.9	14.4	17.6	17.6	15.7

Consolidated - Balance Sheet (INR Million)

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
Share Capital	1,608	1,608	1,608	1,636	1,645	1,645	1,645
Reserves	2,168	2,542	3,091	7,496	8,822	10,193	11,815
Net Worth	**3,776**	**4,150**	**4,699**	**9,131**	**10,467**	**11,838**	**13,460**
Debt	1,522	1,473	259	150	0	0	0
Deferred Tax (Net)	403	429	480	1,063	1,041	1,041	1,041
Total Capital Employed	**5,700**	**6,052**	**5,438**	**10,345**	**11,508**	**12,879**	**14,501**
Net Fixed Assets	**3,204**	**3,109**	**3,066**	**5,421**	**5,273**	**7,900**	**8,844**
Capital WIP	29	34	61	45	425	0	0
Investments	224	224	224	1,901	3,120	1,832	1,832
Current Assets	**3,866**	**4,184**	**3,467**	**4,243**	**4,659**	**5,255**	**6,262**
Inventory	1,601	1,877	1,326	1,146	1,553	1,756	2,145
Debtors	1,477	1,672	1,510	1,665	2,434	2,749	3,237
Cash and Bank Balance	153	75	154	1,234	320	397	527
Loans and Advances & OCA	635	559	477	197	353	353	353
Curr. Liability & Provisions	**1,623**	**1,499**	**1,380**	**1,265**	**1,969**	**2,108**	**2,437**
Account Payables	1,173	839	729	812	1,157	1,283	1,538
Current Liabilities	196	304	215	245	612	626	699
Other Long Term Liab. & Provs.	255	357	436	208	201	200	200
Net Current Assets	**2,243**	**2,685**	**2,087**	**2,978**	**2,690**	**3,147**	**3,825**
Appl. of Funds	**5,700**	**6,052**	**5,438**	**10,345**	**11,508**	**12,879**	**14,501**

Source: Company, MOSL

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
Basic (INR)							
EPS	**1.5**	**3.5**	**4.8**	**6.5**	**10.3**	**11.9**	**14.1**
Cash EPS	2.7	4.4	5.7	7.4	11.9	13.8	16.6
BV/Share	23.1	25.4	28.7	55.8	64.0	72.4	82.3
DPS	0.6	1.0	1.2	1.8	2.5	3.0	3.5
Payout (%)	47.3	33.9	29.7	29.2	29.0	30.2	29.9
Valuation (x)							
P/E	110.1	48.7	35.5	26.1	16.5	14.2	12.1
Cash P/E	63.2	38.8	29.9	22.8	14.3	12.3	10.2
P/BV	7.4	6.7	5.9	3.0	2.7	2.3	2.1
EV/Sales	4.9	4.1	3.9	3.6	2.8	2.5	1.8
EV/EBITDA	46.8	25.8	20.0	16.8	10.4	8.8	7.2
Dividend Yield (%)	0.3	0.6	0.7	1.1	1.5	1.8	2.1
FCF per share	1.0	1.3	9.5	7.9	3.1	-3.8	5.0
Return Ratios (%)							
RoE	6.8	14.4	17.7	15.4	17.3	17.6	18.3
RoCE	7.1	12.5	16.0	15.2	17.3	17.6	18.3
Working Capital Ratios							
Asset Turnover (x)	1.0	1.2	1.3	0.7	0.8	0.9	1.0
Inventory (Days)	98	95	68	56	59	58	53
Debtor (Days)	90	85	77	82	92	90	80
Creditor (Days)	72	43	37	40	44	42	38
Leverage Ratio (x)							
Net Debt/Equity	0.3	0.3	0.0	-0.3	-0.3	-0.2	-0.2

Consolidated - Cash Flow Statement **(INR Million)**

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
OP/(Loss) before Tax	350	862	1,189	1,712	2,547	2,944	3,467
Depreciation	187	145	146	152	240	297	410
Interest & Finance Charges	174	165	93	22	35	0	0
Direct Taxes Paid	-36	-188	-309	-457	-806	-980	-1,155
(Inc)/Dec in WC	-234	-684	583	2	-988	-380	-548
CF from Operations	**442**	**300**	**1,704**	**1,431**	**1,028**	**1,880**	**2,175**
Others							
CF from Operating incl EO	**442**	**300**	**1,704**	**1,431**	**1,028**	**1,880**	**2,175**
(Inc)/Dec in FA	-280	-90	-142	-134	-516	-2,500	-1,354
Free Cash Flow	**162**	**211**	**1,562**	**1,297**	**512**	**-620**	**821**
(Pur)/Sale of Investments	0	0	0	222	0	1,288	0
Others	102	36	19	-144	-907	0	0
CF from Investments	**-178**	**-53**	**-123**	**-56**	**-1,423**	**-1,212**	**-1,354**
Issue of Shares	0	0	0	57	41	0	0
Inc/(Dec) in Debt	54	-49	-1,214	-109	-100	0	0
Interest Paid	-174	-165	-101	-23	-13	0	0
Dividend Paid	-112	-112	-192	-231	-351	-592	-691
Others							
CF from Fin. Activity	**-232**	**-326**	**-1,508**	**-306**	**-422**	**-592**	**-691**
Inc/Dec of Cash	**31**	**-79**	**73**	**1,069**	**-817**	**76**	**130**

Source: Company, MOSL

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