8 January 2019

Update | Sector: Consumer

P&G Hygiene and Healthcare

BSE SENSEX	S&P CNX
35,981	10,802

CMP: INR9,927 TP: INR10,520 (+6%) Neutral

Signs of revival after a couple of muted years

Distribution, new product launches and ad spends show encouraging trends

Stock Info

Bloomberg	PG IN
Equity Shares (m)	32
M.Cap.(INRb)/(USDb)	322.2 / 4.6
52-Week Range (INR)	11000 / 8714
1, 6, 12 Rel. Per (%)	3/-3/2
12M Avg Val (INR M)	72
Free float (%)	29.4

Financials Snapshot (INR b)

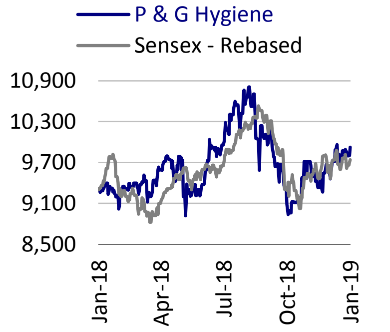
Y/E June	2018	2019E	2020E
Sales	24.6	29.1	33.6
EBITDA	6.3	8.1	9.6
Adj. PAT	3.7	5.2	6.2
Adj. EPS (INR)	117.8	157.0	191.6
EPS Gr. (%)	-11.5	33.3	22.0
BV/Sh. (INR)	248.2	298.1	357.5
RoE (%)	56.3	59.0	58.5
RoCE (%)	60.2	60.4	60.2
P/E (x)	84.4	63.3	51.9
P/BV (x)	40.1	33.3	27.8

Shareholding pattern (%)

As On	Sep-18	Jun-18	Sep-17
Promoter	70.6	70.6	70.6
DII	10.1	10.1	9.6
FII	3.7	3.6	3.9
Others	15.6	15.6	15.8

FII Includes depository receipts

Stock Performance (1-year)



PGHH's recent results, its management comments in the AGM and the annual report offer an encouraging outlook pointing towards a revival in sales and earnings momentum, in our view. Of particular interest are some key points:

- The aggression demonstrated by the PGHH management in recent quarters on increase in ad spends, new launches and price cuts, wherever required.
- Arresting the dip in *Whisper's* market share and achieving growth in share over the past six months.
- Increase in distribution of *Vicks* and *Whisper* to 3.5m outlets and 2m outlets, respectively, from 2m and 1.4m outlets four years ago.
- Continued market share gain in Vicks. New product - Vicks Baby Rub, launched in FY18 is reportedly doing very well.
- Recent change at the CEO level has made PGHH more dynamic than in the recent past.
- PGHH intends to launch their sanitary napkin recycling program in 10 major cities across the world by 2030; India will be one of the priority countries with launch in 2019. The company also aims to use 100% renewable or recyclable materials for its products and packaging; cut greenhouse gas emissions by half, power their plants with 100% renewable energy and source at least 5b liters of water from circular sources and design products.
- While we wait to see if 20% sales growth witnessed in 1QFY19 (June year-end) is sustainable, there seems little doubt that revenue and earnings growth prospects of the company are seeing a revival after a couple of tepid years. While valuations of 51.7x FY20 EPS implies that near-term upside is limited, two factors make PGHH an attractive long-term core holding: (1) Huge category growth potential in the Feminine Hygiene segment (~67% of sales) and potential for market share growth because of its considerable moats, and (2) Potentially huge margin gains from premiumization in Feminine Hygiene over the longer term. Increasing pace of distribution expansion, continuing strong pace of category development efforts in schools to boost awareness and growth, rising ad spends after a lull in preceding years, healthy pipeline of new products and willingness to take price cuts whenever required to boost growth are all encouraging developments that should aid rapid growth for the company over the long term.

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Feminine Hygiene Business (67% of FY18 sales) - Key points discussed in the Annual report and AGM

New initiatives

- During FY18, the annual report stated that PGHH strengthened value proposition on their longer length offerings in choice line-up as consumers are shifting towards longer length pads for a better protection experience.
- Three launches/ initiatives in this segment by PGHH in FY18.
  1. *Whisper Choice Ultra* (price reduced by 10%).
  2. Launched *Ultra Soft* (similar to cotton top sheet).
  3. Launched panty liners (an adjacency) for non- period wear.
- The company launched *Whisper Choice Aloe Vera* in 1HFY19, its first product in the naturals segment.
- PGHH built on the success of its *Whisper* portfolio expansion by extending it from 'Period protection' to overall 'Feminine Wellness' via the launch of *Whisper Daily Liners* in top channels.

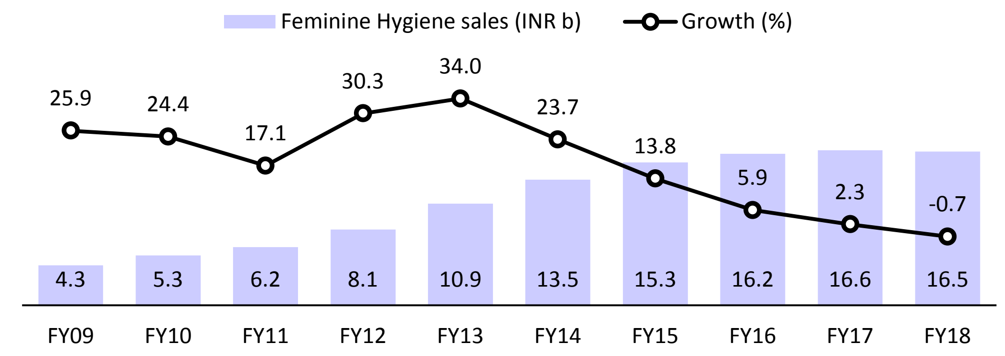
Distribution and category development

- Category development effort 'Parivartan' reached around 40,000 schools and 4.5m school-going girls last year.
- The company continued to drive depth and breadth of their portfolio via sharply defined go-to-market plans taking the category to more stores. *Whisper* now reaches around 2m outlets, up from 1.4m around four years ago.
- During FY18, P&G continued to make strong progress in growing more users for sanitary napkins, particularly among non-users in their early teen years via clutter-breaking 'Check Check' campaign and continued focus on the 'Point of Market' entry consumers via school programs. This was reflected in acceleration of *Whisper*'s penetration among teens, which was significantly ahead of category penetration growth. We believe this will be a very strong long-term driver of *Whisper*'s sales growth, going forward.

Stability and subsequent gain in market share

- P&G remains the dominant player in the feminine hygiene category with over 50% market share. While we reckon that there was a small blip in FY16-17 in terms of minor market share loss, management clarified at the AGM that P&G did not lose market share in *Whisper* in FY18; in fact the company grew market share in *Whisper* over the past six months.
- Revenue growth for the feminine hygiene category slowed over the past two years due to (a) IND-AS accounting and GST accounting, and (b) demonetization and GST related disruptions that affected categories dependent mainly on customer conversion for growth. There was also a blip in market share in the preceding years but is now in the past.
- The company reported 20% overall sales growth in 1QFY19 (with likely strong growth in feminine hygiene since it forms over two thirds of its sales (67% in FY18).

Exhibit 1: Feminine Hygiene saw a slight decline of 0.7% in FY18 to INR16.5b

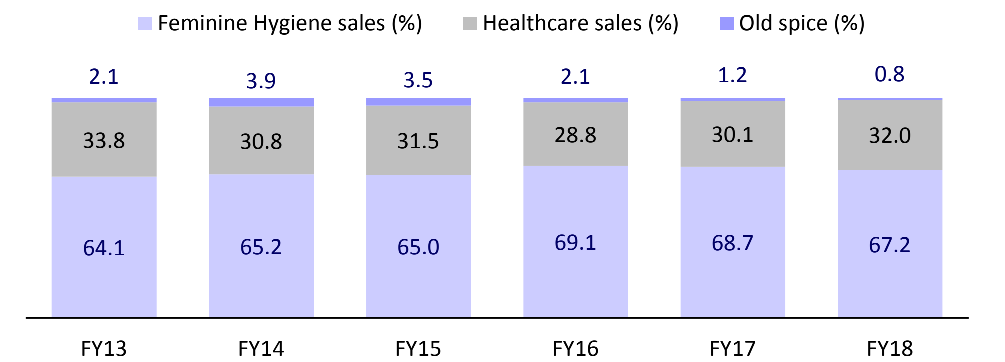


Source: Company, MOSL

Impact of GST reduction announced after the end of the financial year

- GST in sanitary napkins is now exempt from the earlier levy of 12%. The company has also taken price reduction whenever required. However, since the definition now says that the category is exempt and not zero GST, the input tax credit availed earlier is not available.

Exhibit 2: Feminine Hygiene continues to form the bulk of overall sales



Source: Company, MOSL

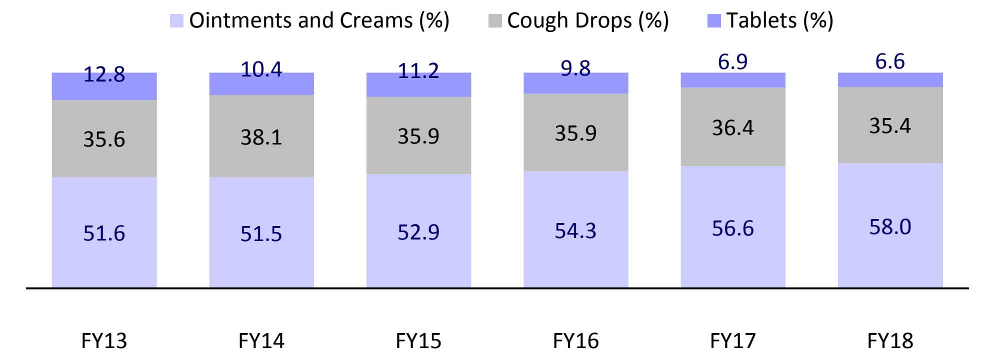
Health Care business (32% of sales in FY18) - Key points discussed in the Annual report and AGM

- PGHH continued to grow share in double-digits in the Cough & Cold category (excluding Cough Syrup) with a strong off take on the strength of its equity and portfolio, which includes *Vicks VapoRub*, *Vicks Cough Drops*, *Vicks Action 500 Advanced, Vicks Inhaler,* and *Vicks BabyRub* – its new launch in FY17-18.
- Across the three sub segments - VapoRub, Cough Drops and tablets - the company reportedly gained 0.5-4% market share in FY18.
- *Vicks BabyRub* is doing extremely well; the company even launched a smaller pack two months ago.
- Management revealed that *Vicks* now reaches 3.5m outlets, up from our estimate of ~2m four years ago.
- Growth was driven by a combination of plans to win consumers, winning versus competition and winning in whitespaces with the launch of *Vicks BabyRub.*
- *Vicks* Rubs grew penetration beyond the company's category Development Index program for the second year in a row, continuing to grow share in the

Financial Year 2017-18. *Vicks Cough Drops'* off take growth was strong with share gain in the cough lozenges category in a year of competitive launches.

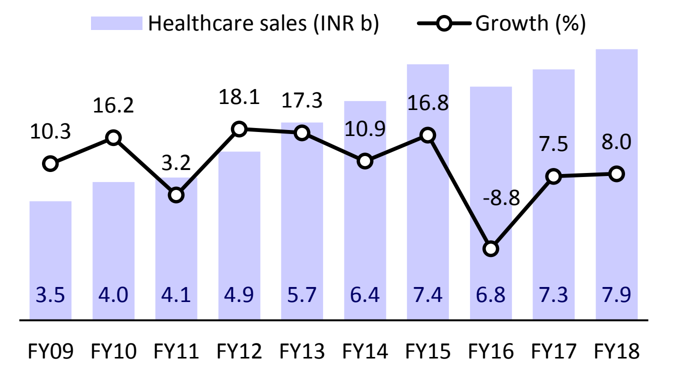
- Adjusted for Ind-AS and GST accounting impact (which is not visible in the reported data below) sales have been fairly healthy in healthcare segment (32% of sales in FY18) with *Vicks Vaporub,* in particular, driving share growth strongly.
- Share of *Vicks Vaporub* to healthcare segment is 58% of sales in FY18, from 52% in FY13. Share of tablets has come down as a proportion of segmental sales.

Exhibit 3: *Vicks Vaporub* forms the majority of the healthcare business, contributing to 58% of sales



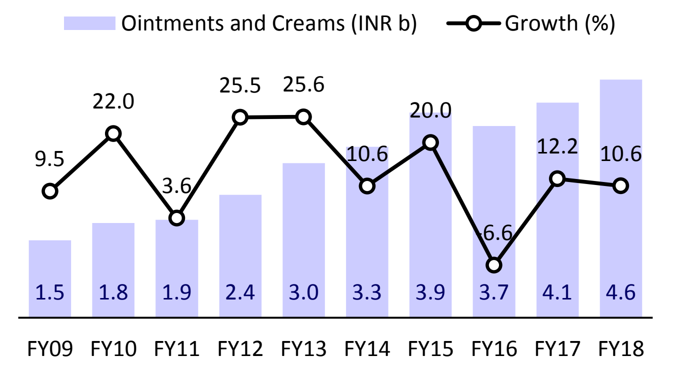
Source: Company, MOSL

Exhibit 4: The healthcare segment saw a growth of 8%YoY in FY18 to INR7.9b



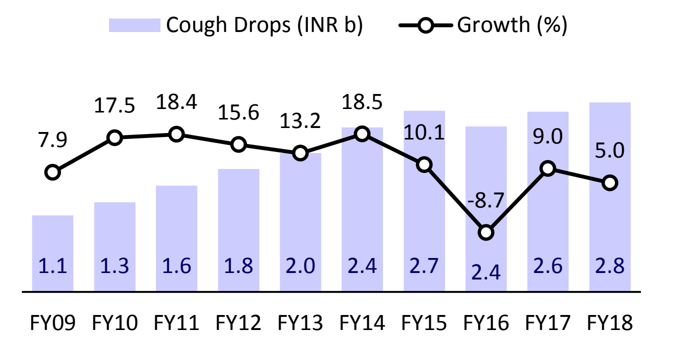
Source: Company, MOSL

Exhibit 5: Ointments and creams saw a strong growth of 10.6% YoY in FY18



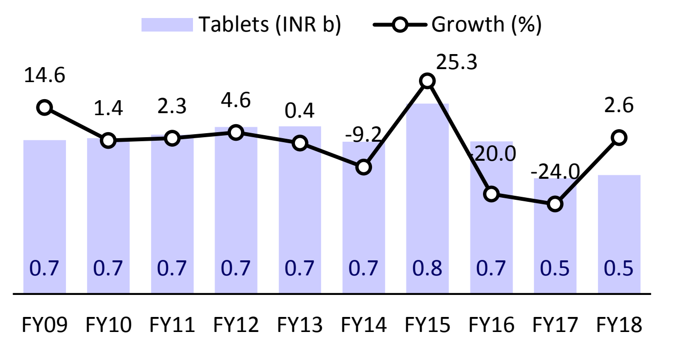
Source: Company, MOSL

Exhibit 6: Cough drops contributed 35.4% to sales in FY18 and saw a growth of 5% YoY



Source: Company, MOSL

Exhibit 7: Tablets saw growth of 2.6% YoY in FY18 despite the low base of a 24% decline in FY17



Source: Company, MOSL

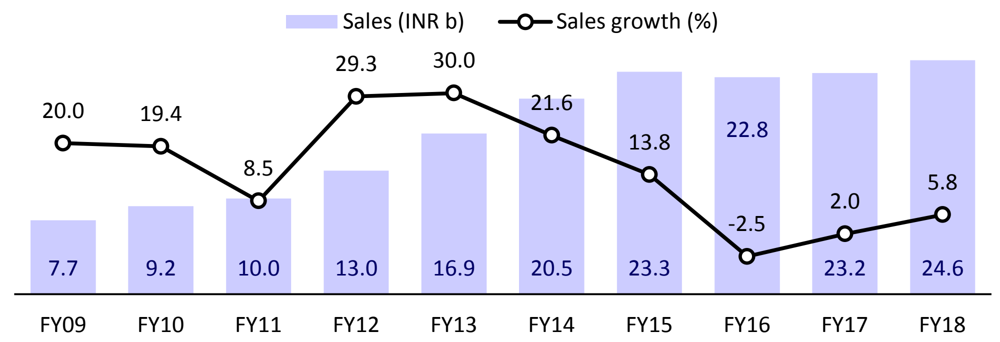
Old Spice (1% of sales in FY18)

- *Old Spice* continued to have a challenging 2017-18 driven by sales decline. Management stated in the annual report that it is a conscious business choice to hold back investments in *Old Spice,* until a winning proposition emerges in the category, which is highly dynamic and competitive.

Overall pace of sales growth remained moderate

- While sales growth at 6% YoY for FY18 was better than the preceding year, it was well below the average growth of the past decade.
- Adjusted for GST accounting, sales growth was up 10% YoY.
- As we have seen, moderation in sales growth was primarily led by the largest segment - Feminine Hygiene, which forms around two thirds of sales.
- There has been a revival in the past few quarters in the feminine hygiene segment. In fact, overall sales growth at 20% in 1QFY19 demonstrates initial signs of a broad-based revival.

Exhibit 8: Overall sales growth stood at 5.8% YoY to INR24.6b in FY18

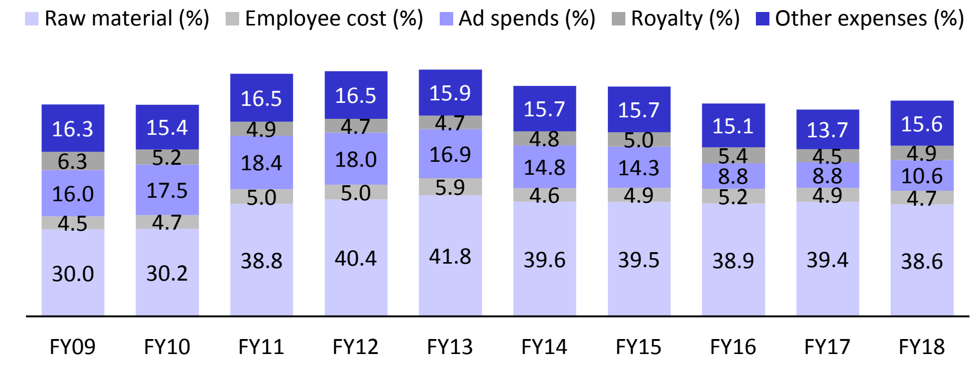


Source: Company, MOSL

Comments on key cost items

- Over the past five years, material costs to sales have declined by 320bp (30bp down over the past two years).
- Employee costs have declined by 120bp over the past five years, including 50bp over the past two years.
- Ad spends to sales has declined by 630bp over the past five years, primarily due to netting off of promotion spends against sales as part of IND-AS. But, there was also some reduction in the ad spend intensity, which was addressed over the past three quarters (3QFY18, 4QFY18 and 1QFY19). Ad spend to sales in FY18 was up 180bp YoY.
- Royalty to sales has increased marginally by 20bp over the past five years.
- Other expense to sales has declined by 30bp over the past five years. Note that it had dipped sharply to unusually low levels in FY17, which then normalized in FY18.

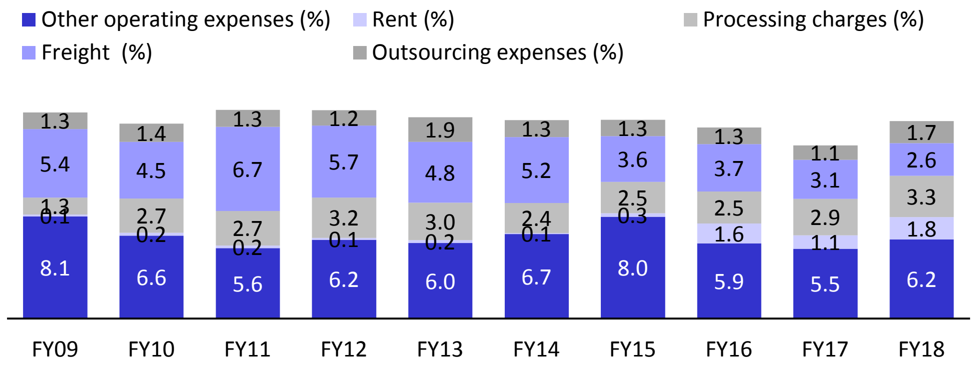
Exhibit 9: Breakdown of key operating expenses



Source: Company, MOSL

- Further breakdown of key other operating expenses to sales reveals that processing charges are increasing over the past few years (management attributed it to increase in contract manufacturing, which we believe is on the *Vicks* business). Freight costs on the other hand are steadily declining as proportion of sales. Outsourcing charges to sales has also increased sharply by 60bp YoY in FY18.

Exhibit 10: Breakdown of key other operating expenses



Source: Company, MOSL

Comments on employee costs

- Increase in the median remuneration of employees in FY18 was 8%.
- There were 359 permanent employees on the rolls of company at end-FY18.
- The average percentage increase made in the salaries of employees other than the managerial personnel in FY18 was 6.94%, whereas increase in salaries paid to managerial personnel was 14%. The average increase every year is an outcome of the company's market competitiveness against peer group companies.

Personnel changes- Director and Key Managerial personnel

- During the Financial Year, Mr. Al Rajwani ceased to be the Director and Managing Director of the Company effective 30 June 2018, consequent to his retirement after 37 years of service with the P&G group. Subsequently, Mr. Madhusudan Gopalan was appointed as Director and Managing Director of the Company effective 1 July 2018.
- Mr. Madhusudan Gopalan is an alumnus of IIM Calcutta who joined P&G in 1999. He has more than 18 years of experience working across business units and diverse geographies like India, the US and ASEAN countries. Prior to this

role, he was leading the P&G business in Indonesia where he led strong sales growth, share turnaround, strong value creation and cash productivity.

- Mr. Ishan Sonthalia ceased to be the Company Secretary and Compliance Officer of the company effective 31 March 2018. Ms. Flavia Machado has been appointed as the Company Secretary and Compliance Officer effective 18 September 2018.

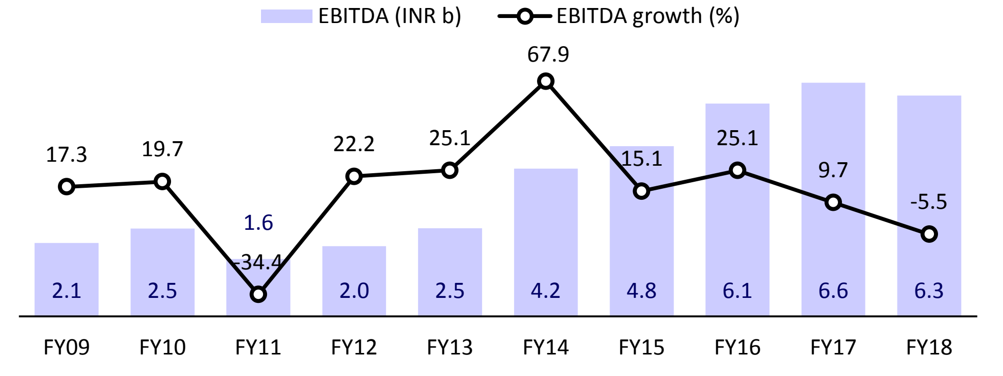
Exhibit 11: Remuneration of key personnel

Remuneration (INR m)	Mr. Al Rajwani* (Managing Director)		Prashant Bhatnagar (CFO)		Mr. R.A Shah (Independent Director)	
	FY17	FY18	FY17	FY18	FY17	FY18
Salary	110.5	81.6	4.6	4.8	0.0	0.0
Commission	0.0	0.0			1.1	1.1
Sitting fees	0.0	0.0			0.3	0.3
Others	32.5	0.0			0.0	0.0
Total	**110.5**	**81.6**	**4.6**	**4.8**	**1.4**	**1.4**
YoY change (%)		-26.2		5.0		-0.7
As a % of Sales	0.5	0.3	0.0	0.0	0.0	0.0
As a % of EBITDA	1.7	1.3	0.1	0.1	0.0	0.0
As a % of PAT	2.6	2.2	0.1	0.1	0.0	0.0

*Ceased to be the Managing Director of the company effective June 30, 2018 Source: Company, MOSL

- Mainly due to the sharp increase YoY in other expenses and increase in ad spends off a low base, there was an EBITDA margin decline in FY18 leading to the first year of EBITDA decline since the massive price cut led impact in FY11.

Exhibit 12: EBITDA declined 5.5% YoY to INR6.3b in FY18

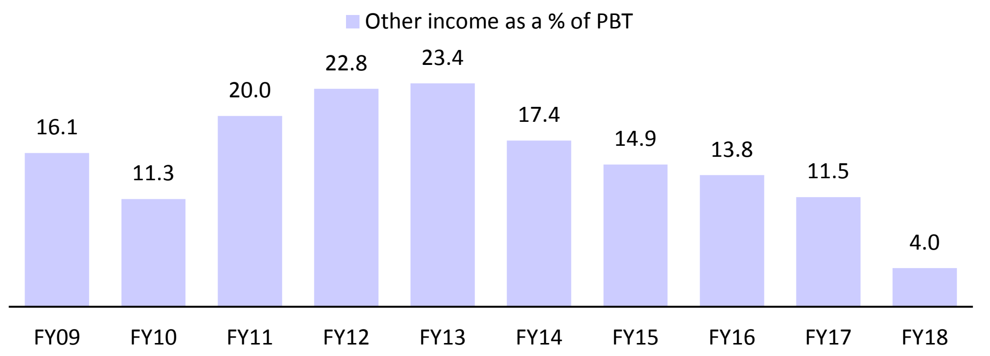


Source: Company, MOSL

Reduction in salience of other income

- The massive payout of the entire cash balance meant that other income as a proportion of PBT declined significantly from 11% in FY17 to 4% in FY18.

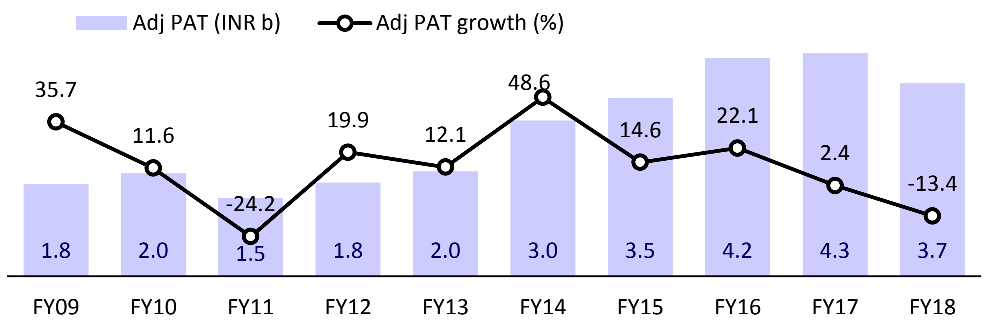
Exhibit 13: Other income as a % of PBT has declined significantly in FY18 to 4%



Source: Company, MOSL

- Sharp reduction in other income, along with the absolute 5.5% EBITDA decline meant that PAT declined in double-digits YoY in FY18.

Exhibit 14: Adj. PAT declined sharply by 13.4% YoY in FY18 to INR3.7b



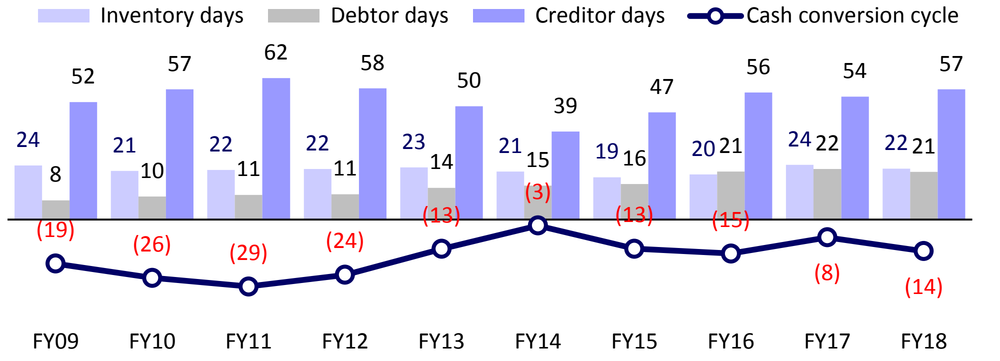
Source: Company, MOSL

- With revival in sales momentum leading to better fixed costs absorption, eventual moderation in ad spends to sales YoY, and premiumization, we expect EBITDA margins to grow, going forward. Severe impact of low cash and equivalents witnessed after the payout in May 2017 is also unlikely to be repeated in later years, which should boost other income.

Balance Sheet-Working capital improves YoY, cash payout also boosts ROCE

- Negative Net Working Capital days declined to 14 days in FY18 from eight days in FY17.
- Reduction in inventory days and higher creditor days led to the improvement.
- From a longer-term perspective, FY18 goes back to the trend of double-digit negative NWC days witnessed by the company before FY17.

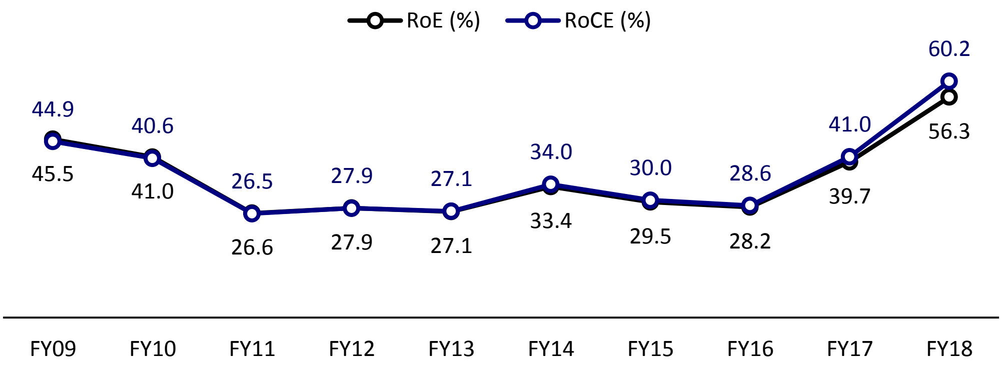
Exhibit 15: Sharp improvement in working capital, with cash conversion cycle down to negative 14 days in FY18



Source: Company, MOSL

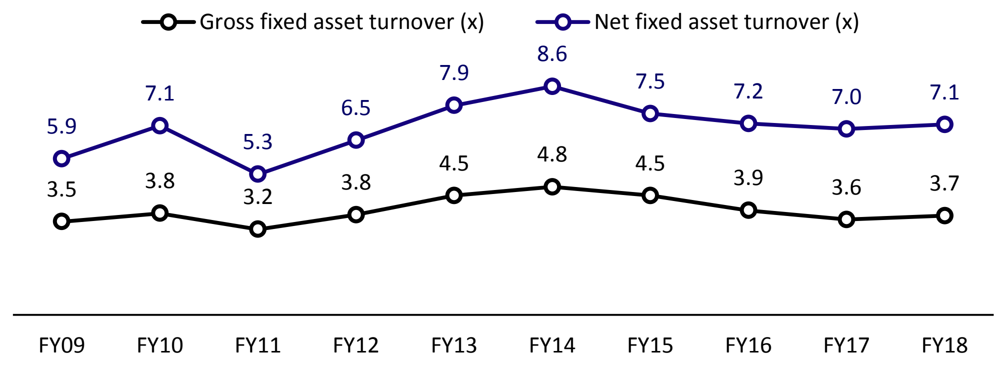
- Massive special dividend payout in May 2017 means that return ratios were significantly higher in FY18 compared to the preceding years, despite tepid P&L performance.

Exhibit 16: Return ratio's saw significant improvement in FY18



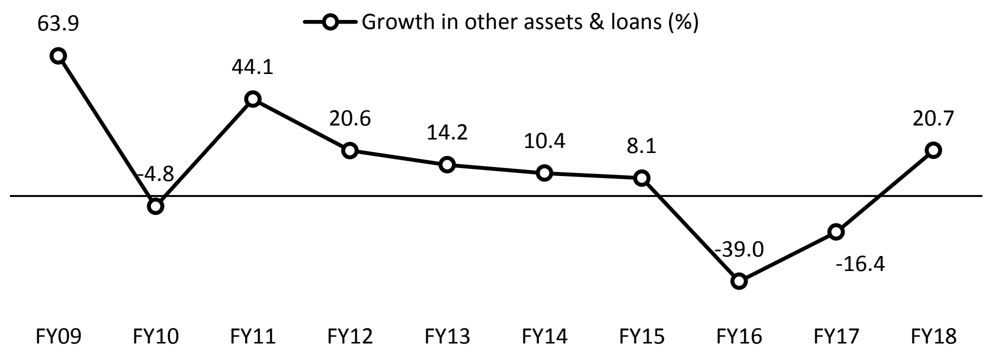
Source: Company, MOSL

Exhibit 17: Fixed asset turns inched up further in FY18



Source: Company, MOSL

Exhibit 18: Other assets grew 20.7% YoY in FY18 after a couple of preceding years of decline



Source: Company, MOSL

- Increase in other assets YoY was not on account of loans to related parties, which declined from INR 1.5b in FY17 to INR 1b in FY18 but was on account of higher advance tax paid.

Exhibit 19: Breakdown of other assets & loans over the past five years

Particulars (INR m)	FY13	FY14	FY15	FY16	FY17	FY18
Loans & Advances						
Loan to related party	4,300	4,832	4,632	2,417	1,469	1,009
Other deposits	936	1,050	1,026	775	723	900
Balances with custom & excise	88	96	21	72	120	583
Advance tax paid	864	847	1,739	1,070	1,436	1,958
Total loans & advances	**6,188**	**6,826**	**7,418**	**4,334**	**3,748**	**4,450**
Other assets						
Interest accrued on Loan to fellow subsidiary	53	62	9	163	52	135
Interest accrued on bank deposits	1	0	1	1	2	2
Others	2	7	26	53	2	5
Total other assets	56	69	36	217	56	142
Total other assets & loans	**6,245**	**6,894**	**7,454**	**4,550**	**3,803**	**4,591**

Source: Company, MOSL

Other comments

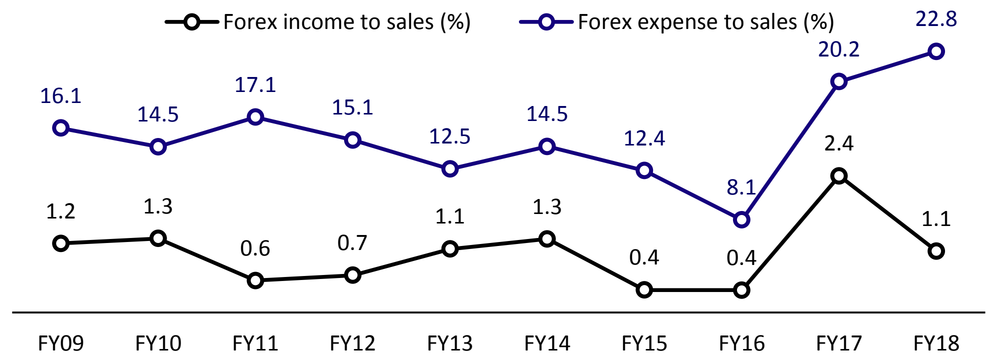
- Forex income declined sharply YoY in FY18, whereas forex expenses, already a high number at 20.2% of sales in FY17 increased further to 22.8% of sales in FY18.

Exhibit 20: Breakdown of net forex earnings

Particulars (INR m)	FY17	FY18
Foreign Exchange earnings	554	264
Change (%)		-52.4
Foreign Exchange outgo	4,678	5,600
Change (%)		19.7
Net Foreign Exchange earnings	**(4,124)**	**(5,336)**
Change (%)		29.4

Source: Company, MOSL

Exhibit 21: Forex expense to sales increased to 22.8% while Forex income to sales declined to 1.1%



Source: Company, MOSL

- The company managed to fulfil its CSR obligation of INR 122m for FY18.

Exhibit 22: PGHH left no amount of its prescribed CSR expenditure unspent

Year	FY18
Average net profit for last 3 years	6,101
Prescribed CSR expenditure for FY18 (2% of average net profit)	**122.0**
Total amount actually spent on CSR activities	122.0
Amount unspent	**Nil**

Source: Company, MOSL

Dividend

- The Directors recommended a final dividend of` INR40/- for each Equity Share for the Financial Year ended 30 June 2018. Payout at 35% was lower-than-expected and harks back to the period before the special dividend was paid.

Environmental sustainability front:

- On the environmental sustainability front, PGHH is making good progress as its already on the way to achieve several goals set for 2020.
- Looking ahead, they have established broad-reaching Ambition 2030 goals aimed at enabling positive impact on the environment while creating value for consumers and shareholders.

Safety & Sustainability in supply chain:

- **Manufacturing**: Between the procurement of raw materials and the creation of a product, the company has strived to reduce waste, water, energy, and CO2 through systemic conservation efforts. PGHH applies smart eco-design through innovative construction process improvements, and it re-uses when feasible, giving new life to what was once waste.
- **Finished Product Logistics**: In the logistics stage, the company reduces waste in customization by applying more sustainable designs. The company has also optimized its transportation efficiency by making changes to the rate, route, mode and method of transportation. PGHH has focused on eliminating inefficiencies such as loading and unloading delays, rush transport upcharges, dead legs (empty trucks) and P&G production line stoppage.
- **Supplier Engagement**: The company has collaborated closely with suppliers across the entire supply chain. It has implemented a supplier sustainability

scorecard, which assesses the environmental footprint of its suppliers, enabling P&G to partner and help reduce the environmental impact along the supply chain.

Environmental Protection:

- As the company is on its way to achieve many of its 2020 environmental sustainability goals, during the last year, the company announced its broad-reaching global environmental sustainability goals for 2030 titled - Ambition 2030. As a responsible corporate citizen, environmental sustainability is one of PGHH's focus areas and it continues to positively impact communities that it operates in.
- P&G's Ambition 2030 environmental sustainability goals aim to enable and inspire positive impact while creating value for the company, its partners, and consumers.
- The framework for PGHH's goals span across four areas – brands, supply chain, society and employees. It seeks to address two of the world's most pressing environmental challenges – finite resources and growing consumption.
- The company's vision is to bring about a positive difference by aiming to use 100% renewable or recyclable materials for its products and packaging; cut greenhouse gas emissions by half, power its plants with 100% renewable energy, and source at least 5b liters of water from circular sources and design products that delight consumers while maximizing conservation of resources.
- The new Managing Director, Mr. Madhusudan Gopalan announced the company's broad-reaching environmental sustainability goals designed to enable responsible consumption and sustainable manufacturing:
  a) All of P&G's brands will enable responsible consumption through packaging that is 100% recyclable or reusable by 2030.
  b) As a company, it will launch sanitary napkin recycling programs in 10 major cities across the world by 2030; with India as one of the priority countries where PGHH will launch in 2019.
  c) By 2030, 100% of P&G's manufacturing sites across the globe will cut greenhouse gas emissions in half as compared to their 2010 baseline. Globally, the company will source at least 5b liters of water by re-using water it uses in existing operations.
- Company's Head Office in Mumbai reduced its annual energy consumption by over 23.5% over the last 15 years. The company's Goa plant is a 'zero waste to landfill' site, which means there is no manufacturing discharge into the environment.
- In the last five years, the Goa plant has reduced its carbon emission by 17.5%. During this period, the plant also improved its energy and water consumption at 78.9%.
- The plant is also leveraging technology, experts, employees and renewable sources of energy to reduce overall footprint and make its operations more sustainable.

Financials and Valuations

Standalone - Income Statement (INR M)

Y/E June	FY15	FY16	FY17	FY18	FY19E	FY20E	FY21E
Total Income from Operations	**23,338**	**22,754**	**23,204**	**24,553**	**29,119**	**33,580**	**39,885**
Change (%)	13.8	-2.5	2.0	5.8	18.6	15.3	18.8
Raw Materials	9,209	8,848	9,150	9,487	11,269	12,895	15,156
% of Sales	39.5	38.9	39.4	38.6	38.7	38.4	38.0
Employees Cost	1,133	1,174	1,141	1,152	1,427	1,645	1,875
% of Sales	4.9	5.2	4.9	4.7	4.9	4.9	4.7
Other Expenses	8,152	6,674	6,267	7,634	8,353	9,485	11,367
% of Sales	34.9	29.3	27.0	31.1	28.7	28.2	28.5
Total Expenditure	**18,494**	**16,696**	**16,558**	**18,273**	**21,049**	**24,024**	**28,398**
% of Sales	79.2	73.4	71.4	74.4	72.3	71.5	71.2
EBITDA	**4,844**	**6,059**	**6,646**	**6,280**	**8,070**	**9,555**	**11,487**
Margin (%)	20.8	26.6	28.6	25.6	27.7	28.5	28.8
Depreciation	525	517	597	524	562	658	748
EBIT	**4,319**	**5,542**	**6,049**	**5,756**	**7,508**	**8,897**	**10,739**
Int. and Finance Charges	57	63	104	53	35	35	36
Other Income	746	876	773	241	448	572	587
PBT bef. EO Exp.	**5,008**	**6,355**	**6,718**	**5,944**	**7,921**	**9,433**	**11,289**
EO Items	0	0	0	0	-126	0	0
PBT after EO Exp.	**5,008**	**6,355**	**6,718**	**5,944**	**7,795**	**9,433**	**11,289**
Total Tax	1,547	2,130	2,390	2,116	2,693	3,207	3,838
Tax Rate (%)	30.9	33.5	35.6	35.6	34.5	34.0	34.0
Reported PAT	**3,461**	**4,225**	**4,327**	**3,828**	**5,102**	**6,226**	**7,451**
Adjusted PAT	**3,461**	**4,225**	**4,327**	**3,746**	**5,228**	**6,226**	**7,451**
Change (%)	14.6	22.1	2.4	-13.4	39.6	19.1	19.7
Margin (%)	14.8	18.6	18.6	15.3	18.0	18.5	18.7

Standalone - Balance Sheet (INR M)

Y/E June	FY15	FY16	FY17	FY18	FY19E	FY20E	FY21E
Equity Share Capital	325	325	325	325	325	325	325
Total Reserves	13,133	16,193	4,937	7,730	9,351	11,281	13,591
Net Worth	**13,457**	**16,518**	**5,261**	**8,055**	**9,676**	**11,606**	**13,915**
Deferred Tax Liabilities	-40	-89	-263	-230	-253	-278	-306
Total Loans	0	0	0	0	0	0	0
Capital Employed	**13,418**	**16,428**	**4,999**	**7,825**	**9,423**	**11,328**	**13,610**
Gross Block	5,222	5,819	6,505	6,612	7,504	8,604	9,748
Less: Accum. Deprn.	2,128	2,645	3,173	3,169	3,731	4,389	5,138
Net Fixed Assets	**3,093**	**3,174**	**3,332**	**3,443**	**3,773**	**4,215**	**4,611**
Capital WIP	390	347	408	215	422	422	420
Total Investments	**0**	**0**	**0**	**0**	**0**	**0**	**1**
Curr. Assets, Loans&Adv.	**15,962**	**18,053**	**8,073**	**11,308**	**16,744**	**19,926**	**24,011**
Inventory	1,191	1,275	1,774	1,236	1,755	2,024	2,404
Account Receivables	1,139	1,496	1,328	1,485	1,675	1,932	2,295
Cash and Bank Balance	6,178	10,732	1,168	3,996	8,708	11,350	14,674
Loans and Advances	7,454	4,550	3,803	4,591	4,605	4,621	4,638
Curr. Liability & Prov.	**6,027**	**5,146**	**6,815**	**7,140**	**11,517**	**13,236**	**15,433**
Account Payables	3,723	3,241	3,632	4,062	4,570	5,267	6,252
Other Current Liabilities	2,234	1,838	2,625	2,548	2,803	3,083	3,391
Provisions	70	67	558	530	4,143	4,886	5,790
Net Current Assets	**9,934**	**12,907**	**1,258**	**4,168**	**5,227**	**6,691**	**8,578**
Appl. of Funds	**13,418**	**16,428**	**4,999**	**7,825**	**9,423**	**11,328**	**13,610**

E: MOSL Estimates

Financials and Valuations

Ratios

Y/E June	FY15	FY16	FY17	FY18	FY19E	FY20E	FY21E
Basic (INR)							
EPS	**106.5**	**130.0**	**133.1**	**117.8**	**157.0**	**191.6**	**229.3**
Cash EPS	122.8	146.1	151.7	131.5	178.4	212.1	252.6
BV/Share	414.6	508.9	162.1	248.2	298.1	357.5	428.7
DPS	0.0	36.0	389.0	40.0	111.1	132.3	158.4
Payout (%)	0.0	27.7	292.2	34.0	70.8	69.0	69.0
Valuation (x)							
P/E	93.3	76.5	74.7	84.4	63.3	51.9	43.4
Cash P/E	80.9	68.0	65.5	75.6	55.7	46.9	39.4
P/BV	24.0	19.5	61.3	40.1	33.3	27.8	23.2
EV/Sales	13.6	13.7	13.9	13.0	10.8	9.3	7.7
EV/EBITDA	65.3	51.5	48.4	50.7	38.9	32.6	26.8
Dividend Yield (%)	0.0	0.4	3.9	0.4	1.1	1.3	1.6
FCF per share	131.4	92.5	123.7	116.3	240.4	198.0	244.7
Return Ratios (%)							
RoE	29.5	28.2	39.7	56.3	59.0	58.5	58.4
RoCE	30.0	28.6	41.0	60.2	60.4	60.2	59.9
Working Capital Ratios							
Asset Turnover (x)	1.7	1.4	4.6	3.1	3.1	3.0	2.9
Inventory (Days)	19	18	24	22	22	22	22
Debtor (Days)	16	19	22	21	21	21	21
Creditor (Days)	47	51	54	57	57	57	57
Leverage Ratio (x)							
Debt/Equity	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Standalone - Cash Flow Statement **(INR**

Y/E June	FY15	FY16	FY17	FY18	FY19E	FY20E	FY21E
PBT	5,008	6,355	6,718	5,818	7,795	9,433	11,289
Depreciation	525	517	597	524	562	658	748
Net interest expense	-658	-785	-644	-147	-413	-537	-551
Others	212	66	146	225	0	0	0
(Inc)/Dec in WC	1,225	-615	135	466	3,653	1,178	1,437
Taxes	-2,056	-2,013	-2,500	-2,731	-2,693	-3,207	-3,838
CF from Operations	**4,256**	**3,525**	**4,453**	**4,155**	**8,904**	**7,526**	**9,086**
(Inc)/Dec in FA	10	-523	-438	-381	-1,100	-1,100	-1,142
Free Cash Flow	**4,266**	**3,002**	**4,015**	**3,774**	**7,804**	**6,426**	**7,944**
(Pur)/Sale of Investments	0	0	0	0	0	0	-1
Others	274	2,770	2,009	115	551	547	559
CF from Investments	**284**	**2,247**	**1,571**	**-266**	**-549**	**-553**	**-584**
Issue of Shares	0	0	0	0	0	0	0
Inc/(Dec) in Debt	0	0	0	0	0	0	0
Dividend Paid	-893	-1,182	-15,550	-1,055	-3,607	-4,296	-5,141
Interest Paid	-9	-35	-37	-6	-35	-35	-36
Others	-152	0	0	0	0	0	0
CF from Fin. Activity	**-1,053**	**-1,217**	**-15,587**	**-1,061**	**-3,642**	**-4,331**	**-5,177**
Inc/Dec of Cash	**3,487**	**4,554**	**-9,564**	**2,828**	**4,712**	**2,642**	**3,324**
Opening Balance	2,691	6,178	10,732	1,168	3,996	8,708	11,350
Closing Balance	**6,178**	**10,732**	**1,168**	**3,996**	**8,708**	**11,350**	**14,674**

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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