

BSE SENSEX
17,753

S&P CNX
5,385

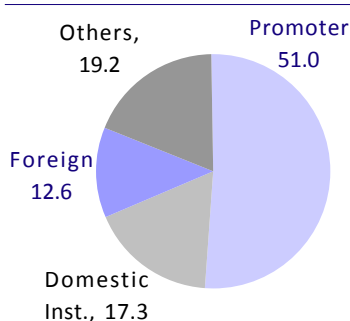
CMP: INR525
TP: INR473
Downgrade to Sell


Bloomberg	BRIT IN
Equity Shares (m)	119.5
52-Week Range (INR)	548/324
1,6,12 Rel. Perf. (%)	80/51
M.Cap. (INR b)	60.8
M.Cap. (USD b)	1.2

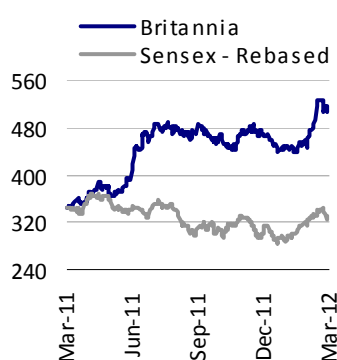
Valuation summary

Y/E March	2011	2012E	2013E
Sales (INR b)	42.1	49.9	57.9
EBITDA (INR b)	2.3	3.0	3.7
NP (INR b)	1.5	2.0	2.4
EPS (INR)	12.3	16.7	20.5
EPS Gr. (%)	-12.3	35.7	23.0
BV/Sh.(INR)	37.8	44.8	53.4
P/E (x)	42.7	31.5	25.6
P/BV (x)	13.9	11.7	9.8
EV/EBITDA (x)	27.3	20.4	16.2
EV/Sales (x)	1.5	1.2	1.0
RoE (%)	32.5	37.2	38.4
RoCE (%)	31.4	37.8	59.7

Shareholding pattern % (Dec-11)



Stock performance (1 year)



Multiple headwinds: Competition, input costs, packaging norms

Vulnerability to commodity prices merits lower valuations

- Biscuit industry slowing down; incremental gains from innovations likely to be lower
- Kraft, Parle and ITC upping the ante; margin expansion will be lower
- Stock trading at 38% premium to one year forward long term P/E, downgrade to Sell

Sales and volume growth to converge towards long-term averages: Britannia Industries (BRIT) reported 6% volume growth and 18% sales growth for 9MFY12 as biscuit industry's growth declined to 10-11%. While the company's increased focus on value-added biscuits have translated into major gains, incremental gains would come at a slower pace. We believe BRIT's volume and sales growth would converge to long-term averages of 8% and 17%, respectively.

Competitive intensity to increase; Kraft, ITC and Parle getting aggressive: We expect BRIT to face increased competition from Kraft, Parle and ITC. Kraft has grabbed ~31% share in the chocolate cream segment, Parle has shifted focus to creams, and ITC has launched new variants - Sunfeast Dream Cream. We believe product portfolio extension by Kraft and new launches by Parle and ITC, would increase competition and keep growth and margin expansion under check.

Standard pack sizes to impair pricing power; could impact near-term growth rates: We expect the regulations mandating standard pack sizes would have the maximum impact on the biscuit industry. Although a one-time adjustment in grammage and prices should not be much of a concern, being an industry-wide phenomenon, incremental price increases would be delayed due to frozen pack sizes. This would impact volume growth and increase volatility in margins.

Input costs up 6-8%; commodity inflation here to stay: BRIT's input costs have increased by ~8% despite wheat flour and sugar prices declining 5% and 3% YoY. We expect 5-6% input cost inflation as (1) sugar prices are unlikely to decline, (2) vegetable oil prices are firm, (3) wheat flour prices rise following the increase in minimum support prices (MSP), and (4) fuel prices are likely to remain firm.

Increasing estimates 3-5%; 100bp margin change impacts EPS by 17%: We are increasing our FY12 and FY13 estimates by 5% and 3% respectively to factor in higher margin expansion in FY12. We are also introducing our FY14 numbers with an estimated EPS of INR24.7. Our sensitivity analysis shows that EPS would change by 17% for every 100bp change in margins.

Valuation and view: We believe the coming quarters would result in lower margin expansion and profit growth in comparison to past few quarters due to (1) slowdown in sales growth of the biscuit market, (2) implementation of standard pack sizes and reduced margin flexibility, (3) rising competition in the premium segment from ITC, Parle and Kraft, and (4) increase in commodity costs. The stock is currently trading at 25.6x FY13E EPS, which is 38% premium to one year forward long-term average P/E multiple of 18.7x. **Downgrade to Sell.**

Sales and volume growth to converge towards long-term averages

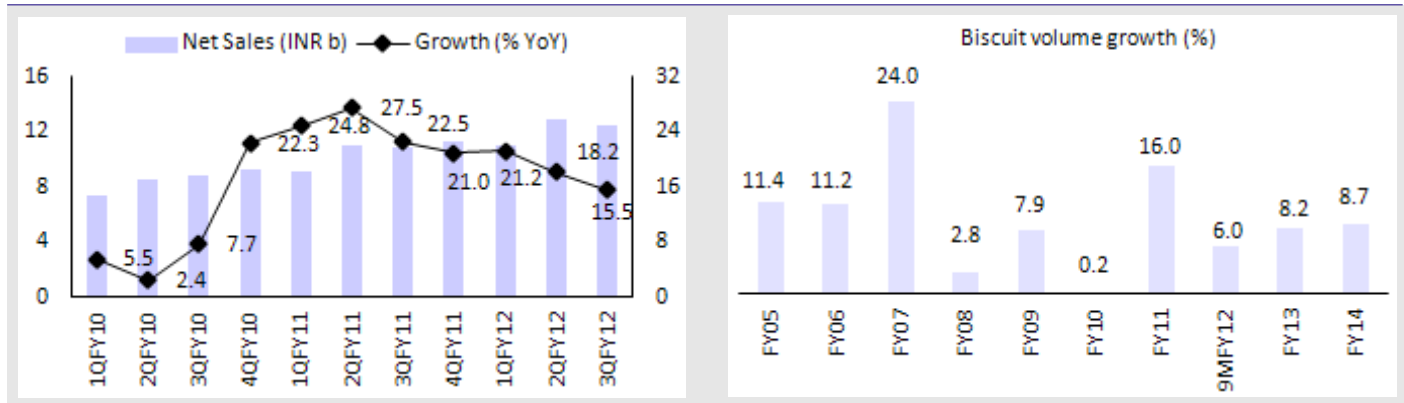
Volume growth has declined due to frequent grammage changes and cutback in consumer spends

BRIT's volume growth slowed down to 6% for 9MFY12 from 16% in FY11. Volume growth during the 3 quarters of 9MFY12 was 5-6.5% with 3QFY12 growth being 5.5%. The company has seen a decline in sales growth from 21% in 1QFY12 to 15.5% in 3QFY12. However, it is growing faster than the industry average. We believe decline in volume growth is due to the following reasons.

- Frequent grammage reduction in the INR2, INR5 and INR10 price points packs resulting lower tonnage off-take, while growth in consumer packs sustains.
- Biscuit industry has seen decline in value growth from 24% in 1QFY12 to 10-11% currently. The industry registered 7-8% volume and 12-13% sales CAGR over the long-term, which was accompanied by lumpy growth years in between.
- Biscuits are a discretionary item and demand was impacted due to high inflation and cut back in consumer spend. However, the trends are not uniform as the premium segments continue to grow ahead of base varieties and rural and small towns are growing faster than larger cities.

Sales growth slows down ...

... due to lower volume growth



Source: Company/MOSL

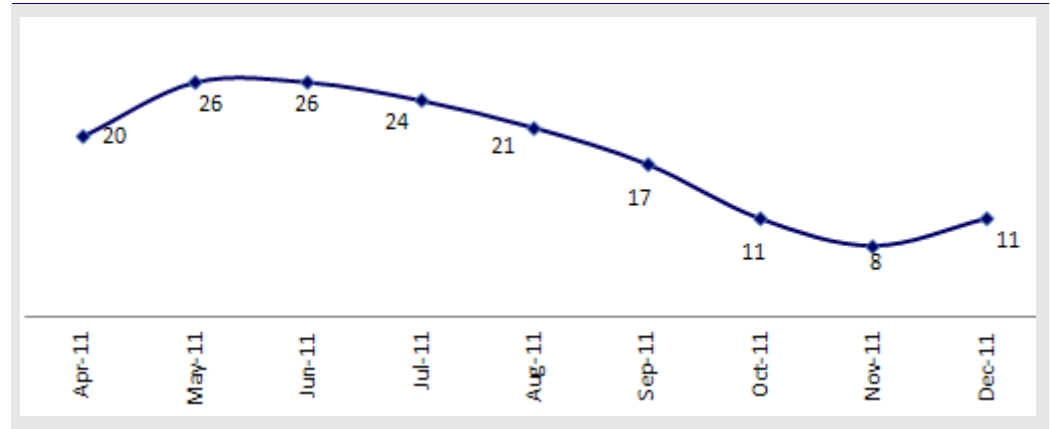
Kraft is unlikely to undertake irrational pricing in biscuits

Key takeaways from analyst meet

- BRIT reported 18% sales growth for 9MFY12; volumes increased by only 6% during the same period as against 16% in FY11. 3QFY12 volumes are up 5.5%.
- The industry's average growth declined from 24% in 1QFY12 to 10-11% in 3QFY12. The higher growth for BRIT and other organized players has come at the expense of unorganized players.
- BRIT has seen 6-8% YoY increase in input costs during rolling 12M ending Dec-11. Sugar and wheat flour prices have been benign, while cashew, fuel, vegetable oil and cocoa have seen sharp increases in costs. Labor rates have risen by 31%.
- Innovations and premiumization are focus area across segments like biscuits, dairy and other products. Innovations account for about 10% of BRIT's sales. Realizations on these products are 2-3x higher with margins 1.5x higher than those of base products.
- Notification on standard pack sizes in biscuits is under discussion. Small packs at INR2, INR3 and INR5 have been the key growth driver for biscuits. The management indicated that the issue relates to consumer affordability and accessibility and as the impact would be across the industry, price increases should not be an issue.
- The management expects more launches from Kraft. Kraft's entry is perceived to be good for the biscuit industry as the company is unlikely to undertake irrational pricing with focus on sustainable cash flows and RoCE.

We expect BRIT's volume growth to converge to the long-term average of 8-9% led by (1) competition from new snacking options, (2) rising competition from players like Parle, Kraft and ITC in the premium segment, and (3) nascent nature and niche presence in many new segments like breakfast cereals and dairy products.

The biscuit industry's growth has seen gradual slowdown (%)



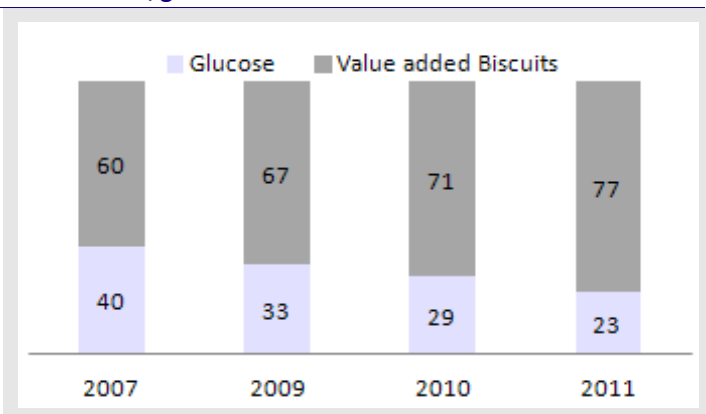
Source: Company/MOSL

Share of glucose biscuits has declined to 23% of sales

BRIT offers 50-gm Good Day Butter pack at INR5 while the INR10 pack has 91gm

BRIT has been leading the industry in new launches and value-added products. The share of glucose biscuits (the base variety) in BRIT's total biscuit sales has declined to 23% from 33% over the past two years. We believe the sharp decline in contribution of glucose biscuits is due to rising sales in out-of-home consumption and increased thrust in promoting premium products at the INR5 price point. BRIT has been very aggressive in pushing sales of premium products in small packs during the past 12-18 months. This trend was started by ITC selling creams and cookies under the brand *Special* and then followed by Parle with *50-50* and *Kreams*. However, BRIT is amongst the most aggressive player in the INR5 price point as it has 50-gm *Good Day Butter* pack priced at INR5 as against the 81gm pack priced at INR10. BRIT has launched *Good Day*, *Bourbon* and *Treat* small packs and also graduated *Tiger* into value-added creams and cookies at lower price points. Major players have hooked on to premium biscuits in small packs which is positive for the entire sector. Parle has launched premium products like *20-20* and *Kreams*, ITC's Sunfeast has creams and cookies under brand *Special*. Kraft in its maiden launch of *Oreo* cream biscuits has small packs priced at INR4.

BRIT has launched premium biscuits at INR5; glucose biscuit sales have declined to 23% of total



Source: Company/MOSL

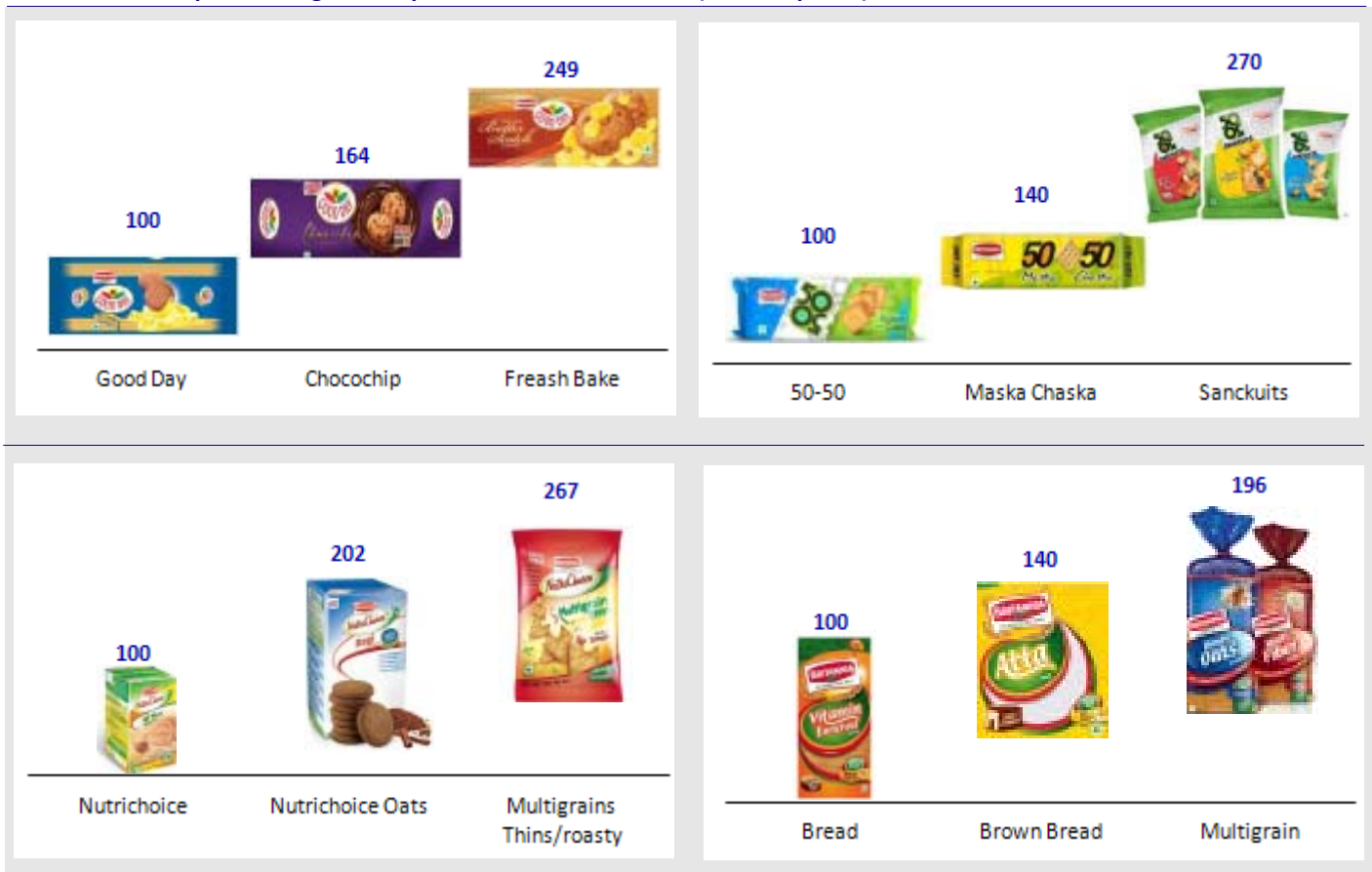
Good Day, Tiger and NutriChoice have seen heightened level of innovation

BRIT leading premiumization initiatives across bakery segments

BRIT has increased its launch of differentiated products to garner a higher share of consumer wallet across segments. Product differentiation holds the key to superior margins in the bakery segment due to the presence of large number of players and low entry barriers. We note that these new launches are priced at 2-3x the base variant with margins which are 1.5x higher than the base variant.

- BRIT has extended its *Good Day* brand from cookies to chocó chips, which is at 64% premium, and now to fresh bake which is a 150% premium to the base variant.
- The *50-50* brand has been transformed from just a plain biscuit to *Maska Chaska* and now to *Snackuits* which is at 170% premium to base product.
- *NutriChoice* brand has moved from digestive biscuits to the healthier raggi, oats and 5 grains and now to *NutriChoice Thins*.
- BRIT bread has seen a transition from plain bread to brown bread and now to honey and oats and multigrain bread.
- In the dairy segment, BRIT has moved from cheese to slim and now to gourmet cheese.

New innovations priced at significant premium to base varieties (indexed prices)



Source: Company/MOSL

Parle recently test-marketed *Cream Crackers* at 15-20% discount to BRIT's pricing

However, we note that bakery industry has low-entry barriers and it is difficult to maintain product differentiation for a long time. We believe that launching a similar product is very easy in the cookies and creams segment. *NutriChoice*, which has been positioned on health platform has seen little competition so far. However, Parle recently launched *Cream Crackers* at 15-20% discount to BRIT's pricing. We believe sustaining product differentiation would be key factor to drive growth and margin expansion in coming periods.

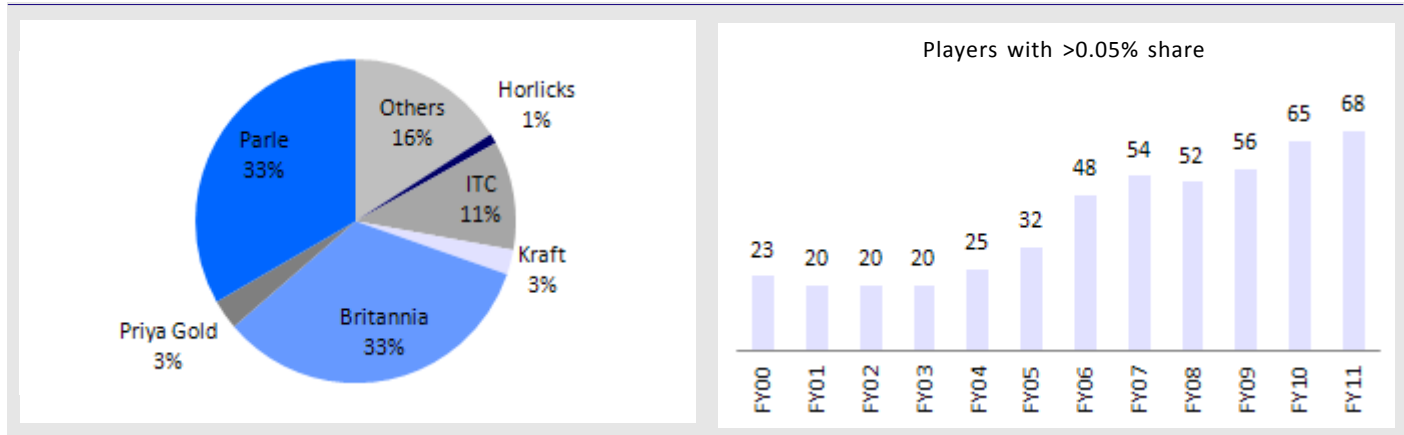
Competition to increase from Kraft, ITC and Parle

Biscuits will continue to see entry of new players due to large industry size and low entry barriers

The biscuit industry is the largest processed foods segment in India with size exceeding INR115b, growing at 13-14% CAGR. Parle and BRIT have ~33% market-share each, ITC has 11% and Kraft and Priyagold have 3% each. The industry has very low entry barriers and this has resulted in the entry of 20 more players with greater than 0.05% market share in the past five years, despite margin erosion. We believe that the industry would continue to witness entry of new players as: (1) it is an USD2.5b segment growing at 13-14% CAGR, (2) high product awareness which requires less advertising, (3) low technology barriers, and (4) high acceptability of biscuits as a snacking product in India. While BRIT continues to innovate and launch new products and variants, competitive intensity is likely to increase. In addition to Parle and ITC, BRIT also faces threat in the premium segment from Kraft which has made a presence for itself in the premium cream segment with its first launch.

Biscuits: Top 4 players have 80% share of market

Industry remains attractive despite low margins



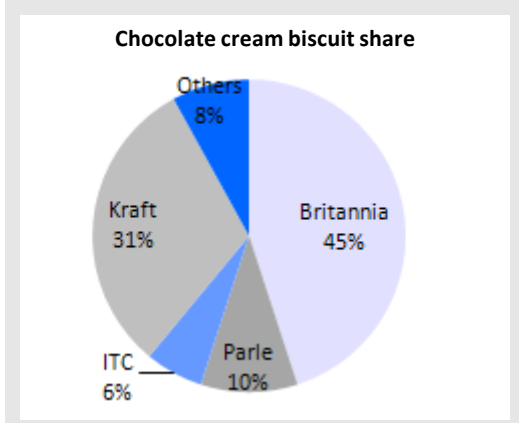
Source: Company/MOSL

BRIT's market share in the chocolate cream segment declined from 75% to 45% post launch of Kraft's *Oreo*

Kraft forayed into the Indian biscuit market riding on the distribution strength of Cadbury and has created ripples in the market with its launch of *Oreo Cookies*. BRIT's market-share in the chocolate cream biscuit segment declined from 75% to 45% within just 6 months of *Oreo*'s launch. Although we believe the success of *Oreo* has also expanded the category, BRIT has been a loser. We expect Kraft to launch more products from its global range which could impact growth of existing players in the premium segment.

Kraft's Oreo has dented BRIT's market-share in the chocolate cream biscuit segment

Kraft's Oreo has grabbed 31% share in niche chocolate cream biscuit segment



Source: MOSL

Parle is boosting its presence in creams and cookies with *Hide & Seek* and *Festo* brands

Parle has launched its *Festo* range of creams after the success of its *Kreams* range. Parle also test-marketed *Parle Cream Cracker* in the premium wellness range, a segment completely dominated by BRIT. Parle has also started positioning its chocolate cream biscuits under its popular *Hide & Seek* brand with (1) 3 variants under *Hide & Seek*, (2) *Hide & Seek Bourbon*, and (3) *Hide & Seek Milano* at the top-end.

Parle is aggressively promoting creams under its *Hide & Seek* and *Festo* brands



Source: MOSL

ITC's Sunfeast *Dream Cream Double* flavors has been well received

ITC is also looking to strengthen its position in the premium segment under the Sunfeast brand. The company has been aggressively promoting *Sunfeast Fresh Bake* and *Dark Fantasy Chocofills*. In addition, it has recently launched *Dream Cream Strawberry Vanilla* and *Chocolate Vanilla* biscuits which have been very well received in the market. We expect ITC to maintain increased focus on the premium segment which will further add to the competition.

Sunfeast is promoting *Dark Fantasy* and *Double Flavors* in *Dream Cream*



Source: MOSL

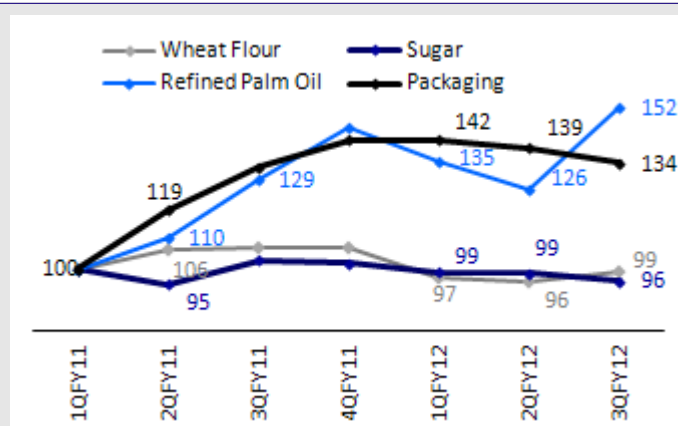
Input costs up 6-8% despite benign wheat flour and sugar prices

Input cost inflation will sustain at 5-6%

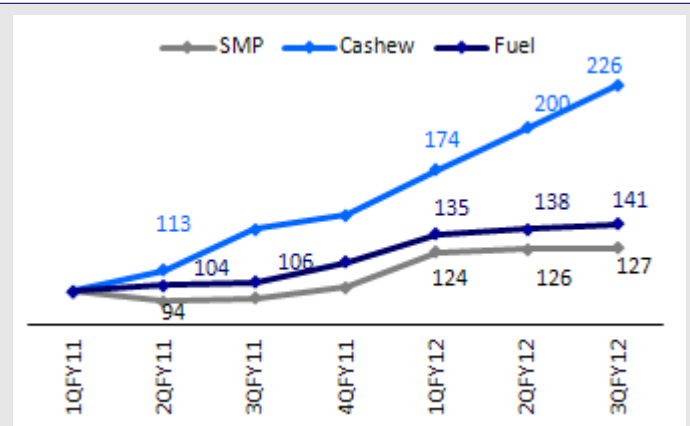
BRIT's input costs have increased by ~8% in 9MFY12 despite wheat flour and sugar prices declining by 5% and 3% YoY over the same period. Wheat flour and sugar account for 45% of raw material costs. However prices of vegetable oils (up 18%), packaging (up 34%), cashews (64%), skimmed milk powder or SMP up 32%, cocoa up 33% and fuel (33%) have led to an increase in overall costs.

We expect input cost scenario to remain mixed as sugar prices are likely to remain benign in the near term. Vegetable oil prices are ruling firm and wheat flour prices are expected to rise with the hike in MSP for wheat. Fuel prices are likely to remain firm led by firm crude oil prices. SMP prices are likely to remain soft in the near-term and steady in the long-term.

Sugar and wheat flour prices benign ...



... cashew, SMP and fuel prices have risen sharply



Palm oil prices near highs (monthly prices) ...



... sugar prices likely to remain benign (sugar prices (INR/Qtl)



Source: Company/MOSL

We expect BRIT to witness material cost inflation of 5-6% every year as prices of many inputs like sugar and wheat flour are linked to the MSP, which usually increases every year.

Volatile margins due to commodity impact; margin expansion to slowdown

BRIT has reported steady recovery in gross and EBIDTA margins in the past three quarters from a low base. The recovery in margins was led by (1) gradual increase in product prices, (2) decline in sugar prices from the previous year's highs, and (3) improved sales mix (share of glucose biscuits declined to 23% of sales and

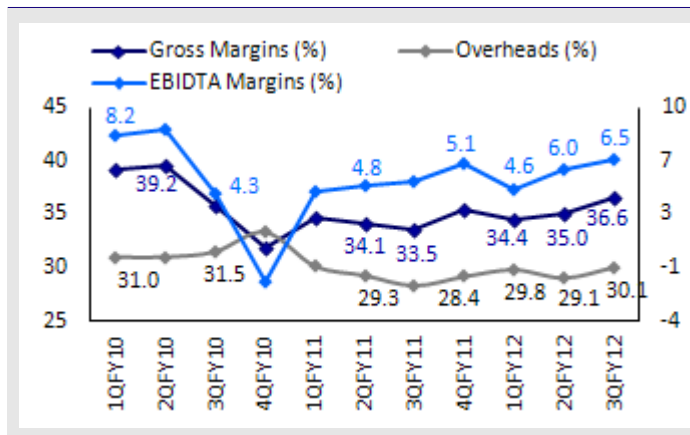
innovations and new value-added products account for 10% of sales). However, we believe that the phase of sharp margin expansion would be over in 4QFY12 as the base effect catches up.

Expect margin expansion to slow down as base effect catches up

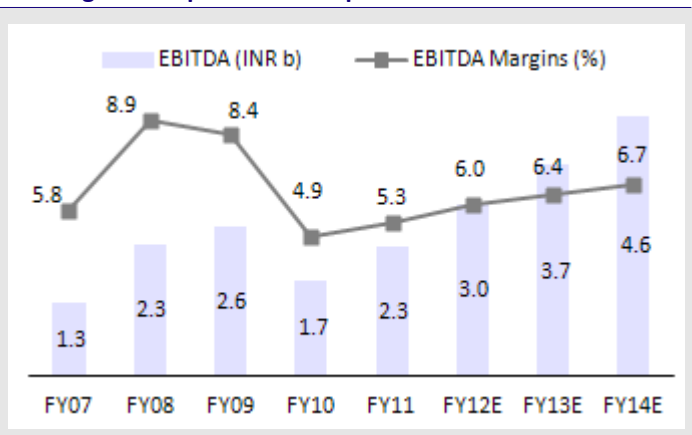
- We expect BRIT to register mid to high single-volume growth, in-line with the long-term average. Volume growth could suffer a temporary setback on introduction of standard pack sizes.
- We expect competition to increase as Kraft launches new products and Parle and ITC try to strengthen their positions in the fast-growing premium segment.
- BRIT is undertaking an INR1.7b capex on three new units in Bihar, Orissa and Karnataka. These units don't have any tax benefits and would result in increase in overheads in the interim.
- Biscuits have limited pricing power and are a big play on commodity costs. BRIT had the benefit of benign prices of wheat flour and sugar in the past few quarters. However going forward, we believe the increase in wheat and sugar prices, and rising crude prices could impair margin expansion.

We believe quarters of a low base effect are over and margin expansion would be more gradual, going forward. We expect 70bp margin expansion over FY12-14 as against 110bp in FY10-12. Any sharp rise in commodity costs or competitive intensity is a risk to our margin expansion estimate. We note that BRIT has a history of sharp volatility in margins due to swings in commodity prices.

Low base effect over ...

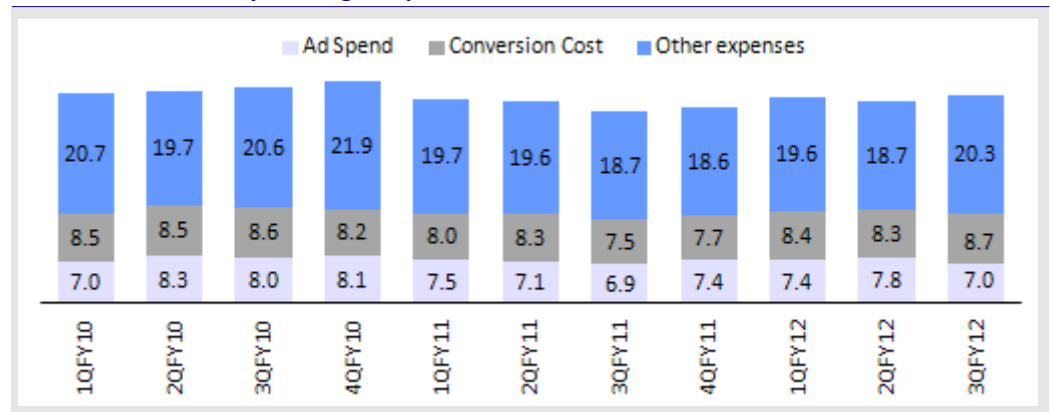


... margins to expand at lower pace



Source: Company/MOSL

Overheads are the key to margin expansion



Source: Company/MOSL

Conversion cost and overheads have increased sharply

Standard pack sizes to impair pricing power; could impact near-term growth rates

Implementation of standard pack sizes is in discussion

The Ministry of Consumer Affairs has issued a notification to enforce uniform packaging from July 1, 2012. The new guidelines will curtail the flexibility to adjust grammage content instead of hiking prices, especially at lower price points (INR2, INR5, INR10 and INR20). BRIT's management believes that small pack sizes have ensured the affordability and accessibility of products. Discussions are on with the Central government. As the impact would be felt by the overall industry, price increases should not be an issue. In addition, consumer companies can give per kg price on the pack to let consumer know the exact price. However, in its present form, the notification will have far reaching implications for the industry. Major companies like BRIT, Parle, ITC and Cadbury have used the INR5 price point as an effective tool for enabling consumer uptrading. Most brands have their priced their entry level packs at these prices and used the flexibility to alter grammage to hold on to the effective consumer outlay.

Biscuit manufacturers have to sacrifice either growth or margins to stick to the INR5 price point

We believe consumer companies would shift to the closest permissible pack sizes and price realizations might rise or fall by a few percentage points initially. A large number of stock-keeping units (SKUs) would have to shift to pack sizes of different grammage and this would impact volume growth in the medium-term. However, we expect companies to face problems in maintaining price points (under the new norms, grammage cannot be tinkered). Further, coinage issue would result in sharp price increases or companies would have to maintain price points and sacrifice margins. As companies cannot reduce grammage to below 50gm, they will have to increase prices by at least 10% to take it to INR5.5. We believe that biscuit companies might have to sacrifice sales growth or margins in the near term.

Biscuits would face the maximum impact of the new standard pack sizes

Brand	Price Point (INR)	Current Wt (gm)	Std wt (gm)	Variation (gm)	New Price (INR)	Realization Impact (%)
Tiger	5	88	75	-13	4.5	4.0
		88	100	12	5.5	-3.0
Britannia Milk Bikis	5	60	50	-10	4	-3.5
Britannia Mariegold	5	64	50	-14	4	2.0
Goodday Butter	10	81	75	-6	10	8.0
		5	50	50	0	5
Goodday Cashew	15	90	100	10	17	2.0
Nicetime	10	80	75	-5	9	-4.0
Maska Chaska	10	61.5	50	-11.5	8	-1.5
Parle G	2	33	25	-7.9	1.5	lower tonnage
Parle Creams	5	70	75	5	5	-6.0
Parle 20-20 Butter	5	50	50	0	5	No Impact
Sunfeast Bourbon	10	74	75	1	10	-1.3
Special butter	5	50	50	0	5	No Impact
Special Cashew	6	50	50	0	6	No Impact

Source: Company/MOSL

Subsidiaries' losses have seen sharp reduction

Losses incurred by BRIT's subsidiaries are lower although meaningful contribution is unlikely

BRIT's major subsidiaries have seen sharp improvement in performance with losses declining from INR621m in FY09 to INR82m in FY11. Britannia Dairy Products reported 16% sales growth in FY11, although profit growth was lower. The company is also moving towards value-added products. It has launched imported Austrian gourmet cheese varieties targeting premium-end consumers.

Strategic Foods International (which services the Middle East market) reported reduction in losses, while Al-Sallan has reported a profits in FY11. The management indicated that these subsidiaries are not a cash drain on standalone operations now. However, we believe their contribution to overall sales and profits would not be meaningful.

Subsidiaries' losses have declined considerably (INR m)

	Stake (%)	FY11		FY10		FY09	
		Sales	NP	Sales	NP	Sales	NP
Britannia Dairy Products	100	2,188	42	1,888	101	1,619	-35
Daily Bread	100	195	-12	145	-46	163	-248
Strategic Food Int	100	1,361	-131	1,280	-185	1,578	-269
Al-Sallan	66	873	18	924	-83	730	-69
Total		4,617	-82	4,237	-213	4,090	-621

Source: Company/MOSL

Stock fairly-priced given volatility in earnings

We are increasing our estimates for FY12 and FY13 by 5% and 3%, respectively, which factors in higher margin expansion and sales growth in FY12, and higher sales growth led by higher realization growth in FY13. We are also introducing FY14 numbers with an estimated EPS of INR24.7. BRIT has shown strong outperformance, driven by high sales growth and margin expansion in the past few quarters.

Revising estimates

	Earlier Estimates		New Estimates		Change (%)	
	FY12E	FY13E	FY12E	FY13E	FY12E	FY13E
Sales (INR m)	49,597	57,419	49,880	57,948	0.6	0.9
Sales Growth (%)	17.7	15.8	18.4	16.2		
EBIDTA (INR m)	2,937	3,657	3,004	3,690	2.3	0.9
EBIDTA Margin (%)	5.9	6.4	6.0	6.4		
PAT (INR m)	1,898	2,371	1,991	2,449	4.9	3.3
PAT Growth (%)	29.4	24.9	35.7	23.0		
EPS (INR)	15.9	19.9	16.7	20.5	4.9	3.3

Source: MOSL

BRIT's EPS is highly sensitive to change in profit margins due to high sales of INR417/share. Our sensitivity analysis shows that EPS will change by 17% for every 100bp change in margins. This has been resulting in sharp volatility in earnings in the past few years.

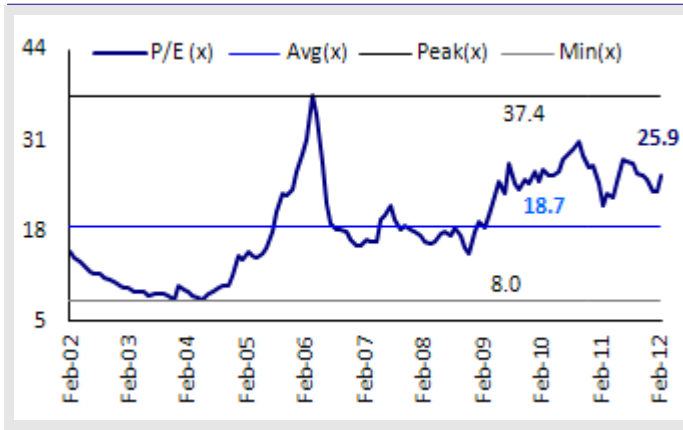
Sensitivity: 100bp change in margin impacts EPS by ~17%

	Bear Case2	Bear Case1	Base Case	Bull case1	Bull Case2
FY13 EBIDTA Margin	6.0	6.2	6.4	6.6	6.8
FY13 EPS	19.2	20.1	20.5	21.3	22
FY14 EBIDTA Margin	5.7	6.4	6.7	7.0	7.4
FY14 EPS	20.4	23.1	24.7	26.1	27.5

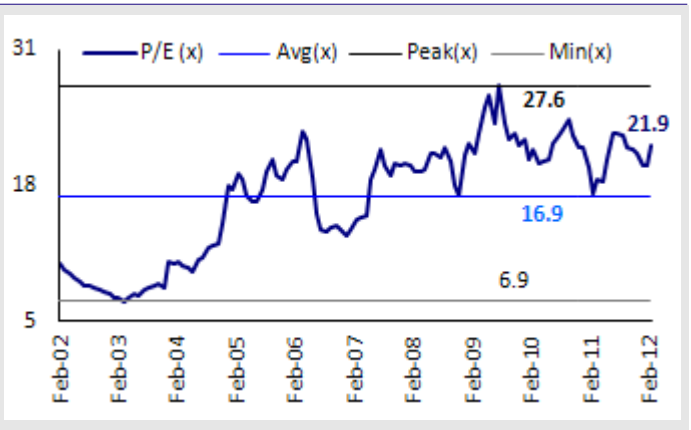
Source: MOSL

The stock is currently trading at 25.6x FY13E and 21.2x FY14E EPS, which is 38% premium to one year forward long-term average P/E multiple of 18.7x. However, we believe the company would register lower margin expansion and profit growth, going forward due to (1) slowdown in sales growth in biscuit market,(2) implementation of standard pack sizes could also impact growth and reduce margin flexibility, (3) rising competition in the premium segment from ITC, Parle and Kraft, and (4) increase in commodity costs. **Downgrade to Sell.**

BRIT: One year forward P/E (x) - 38% premium to LTA

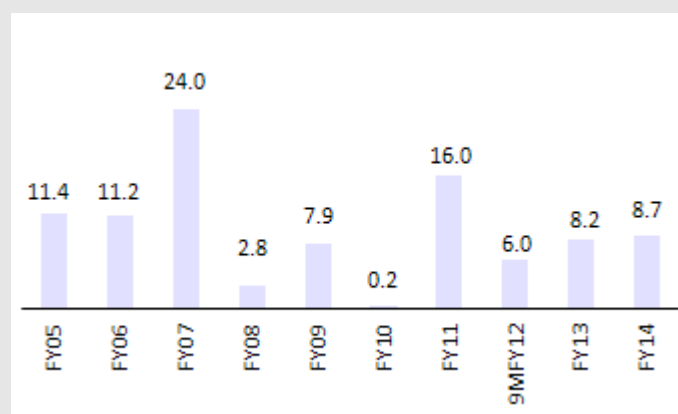


BRIT: Two year forward P/E (x) - 30% premium to LTA

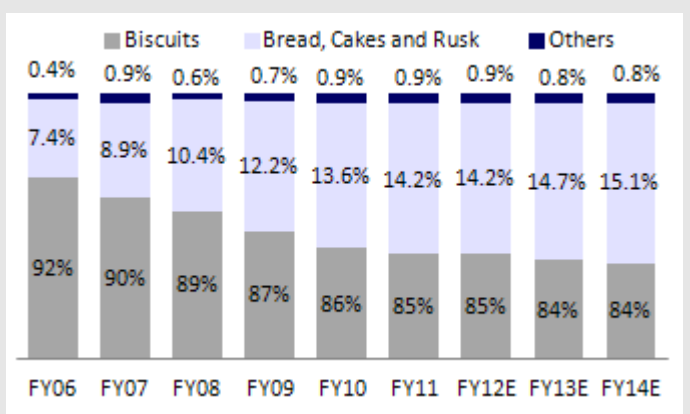


Source: Bloomberg/MOSL

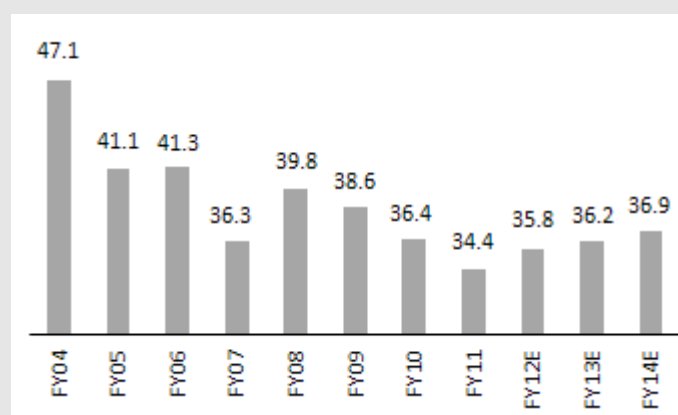
Biscuit segment's volume growth volatile (%)



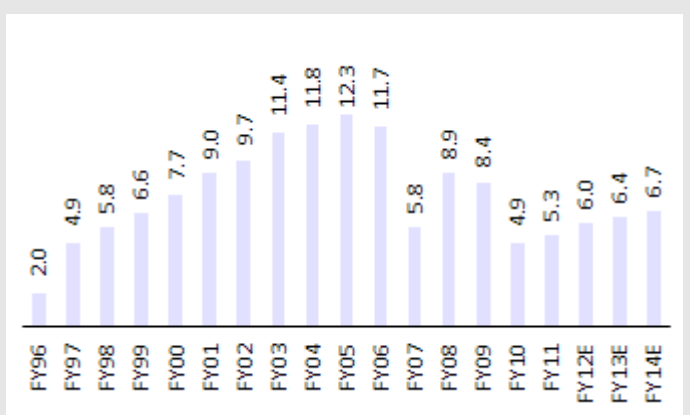
Contribution of biscuits to total sales has declined to 85%



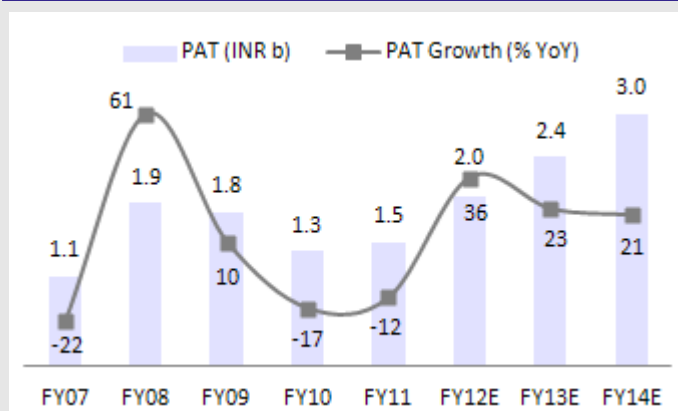
Gross margins recovering from the low of FY11 (%)



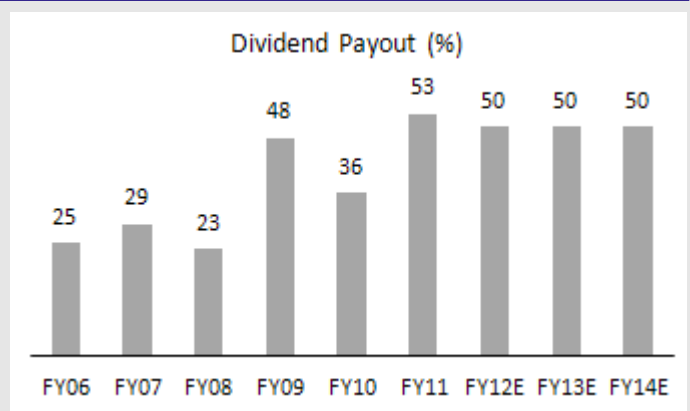
EBIDTA margins remain volatile (%)



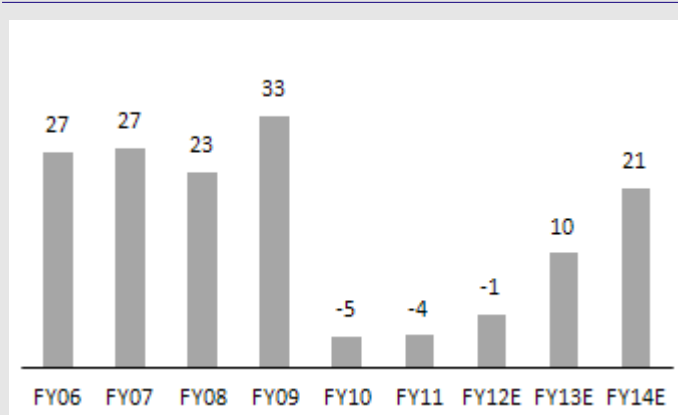
PAT growth to stabilize at lower rates



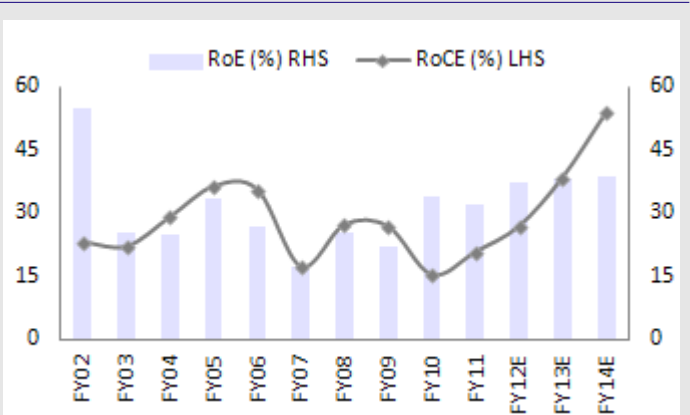
Dividend stepped up post DANONE exit



Bonus debenture results in negative net cash



RoE remains steady; RoCE to expand after FY12



Source: Company/MOSL

Financials and Valuation

Income Statement		(INR Million)				
Y/E March	2009	2010	2011	2012E	2013E	2014E
Net Revenues	31,122	34,014	42,137	49,880	57,948	67,745
Change (%)	20.4	9.3	23.9	18.4	16.2	16.9
Raw Material Cost	19,104	21,636	27,643	32,043	36,943	42,735
Gross Profit	12,018	12,378	14,494	17,837	21,005	25,010
Margin (%)	38.6	36.4	34.4	35.8	36.2	36.9
Advertising	2,112	2,688	3,041	3,741	4,346	5,081
% of Sales	6.8	7.9	7.2	7.5	7.5	7.5
Other Expenditure	7,279	8,025	9,198	11,092	12,969	15,378
EBITDA	2,627	1,665	2,254	3,004	3,690	4,551
Change (%)	13.7	-36.6	35.4	33.2	22.9	23.3
Margin (%)	8.4	4.9	5.3	6.0	6.4	6.7
Depreciation	335	375	446	481	547	617
Int. and Fin. Charges	160	82	401	413	236	71
Financial Other Income	250	409	467	500	357	150
Operating Other Income	149	99	121	130	137	144
PBT	2,532	1,716	1,996	2,741	3,401	4,157
Change (%)	12.8	-32.2	16.3	37.3	24.1	22.2
Margin (%)	8.1	5.0	4.7	5.5	5.9	6.1
Tax	398	208	400	822	1,020	1,247
Deferred Tax	123	-165	128	-73	-68	-42
Tax Rate (%)	20.6	2.5	26.5	27.4	28.0	29.0
PAT	2,011	1,673	1,467	1,991	2,449	2,951
Change (%)	9.7	-16.8	-12.3	35.7	23.0	20.5
Margin (%)	6.5	4.9	3.5	4.0	4.2	4.4
Non-rec. (Exp.)/Income	-206	-329	-14	0	0	0
Reported PAT	1,804	1,344	1,453	1,991	2,449	2,951

Balance Sheet		(INR Million)				
Y/E March	2009	2010	2011	2012E	2013E	2014E
Share Capital	239	239	239	239	239	239
Reserves	8,007	3,724	4,274	5,108	6,135	7,371
Networth	8,245	3,963	4,513	5,347	6,373	7,610
Loans	252	4,328	4,607	4,326	316	316
Capital Employed	8,497	8,291	9,120	9,674	6,690	7,926
Gross Block	5,115	5,478	5,936	6,386	7,636	8,386
Less: Accum. Depn.	-2,337	-2,663	-2,899	-3,379	-3,926	-4,543
Net Fixed Assets	2,778	2,815	3,037	3,007	3,710	3,843
Capital WIP	60	100	117	1,000	250	250
Investments	4,231	4,906	5,450	5,264	2,449	3,714
Deferred Liability	-99	66	-62	10	78	120
Currents Assets	5,393	5,389	6,254	7,387	8,317	9,431
Inventory	2,536	2,683	3,112	3,741	4,346	5,081
Account Receivables	496	395	573	690	830	1,005
Cash and Bank Balance	408	234	287	614	659	709
Others	1,953	2,077	2,282	2,343	2,482	2,636
Curr. Liab. & Prov.	4,133	4,985	5,676	6,995	8,115	9,431
Account Payables	2,601	2,869	3,329	4,560	5,262	6,117
Other Liabilities	414	1,187	1,073	1,073	1,175	1,288
Provisions	1,118	929	1,274	1,362	1,678	2,027
Net Current Assets	1,261	404	578	393	202	0
Misc Expenditure not w/off	266	0	0	0	0	0
Net Assets	8,497	8,291	9,120	9,674	6,690	7,926

E: MOSL Estimates

Financials and Valuation

Ratios

Y/E March	2009	2010	2011	2012E	2013E	2014E
Basic (INR)						
EPS	16.8	14.0	12.3	16.7	20.5	24.7
BV/Share	69.0	33.2	37.8	44.8	53.4	63.7
DPS	8.0	5.0	6.5	8.3	10.3	12.4
Payout (%)	47.5	35.7	52.9	50.0	50.0	50.0
Valuation (x)						
P/E			42.7	31.5	25.6	21.2
EV/Sales			1.5	1.2	1.0	0.9
EV/EBITDA			27.3	20.4	16.2	12.9
P/BV			13.9	11.7	9.8	8.2
Dividend Yield			1.2	1.6	2.0	2.4
Return Ratios (%)						
RoE	24.4	42.2	32.5	37.2	38.4	38.8
RoCE	34.6	26.6	31.4	37.8	59.7	55.2
Working Capital Ratios						
Debtor (Days)	6	4	5	5	5	5
Asset Turnover (x)	3.7	4.1	4.6	5.2	8.7	8.5
Leverage Ratio						
Debt/Equity (x)	0.0	1.1	1.0	0.8	0.0	0.0

Cash Flow Statement

(INR Million)

Y/E March	2009	2010	2011	2012E	2013E	2014E
OP Profit	2,627	1,665	2,254	3,004	3,690	4,551
Financial Other Income	250	409	467	500	357	150
Interest Paid	160	82	401	413	236	71
Direct Taxes Paid	398	208	400	822	1,020	1,247
Inc in WC	-758	-682	121	-512	-236	-253
CF from Operations	3,077	2,467	1,799	2,781	3,027	3,636
(Inc)/Dec in FA	547	403	475	1,333	500	750
(Pur.)/Sale of Investments	423	675	544	-186	-2,815	1,265
Other Non Rec Exp	206	329	14	0	0	0
CF from Investments	1,175	1,407	1,033	1,147	-2,315	2,015
Inc in Debt	-809	4,077	279	-281	-4,010	0
Dividend Paid	503	1,727	696	902	1,157	1,423
Other Item	619	3,583	295	124	129	148
CF from Fin. Activity	-1,931	-1,234	-713	-1,307	-5,296	-1,571
Inc/Dec of Cash	-29	-174	54	326	46	50
Add: Beginning Balance	438	408	234	287	614	659
Closing Balance	408	234	288	614	659	710

E: MOSL Estimates

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