24 November 2017

Update | Sector: Aviation

InterGlobe Aviation

BSE SENSEX	S&P CNX
33,697	10,390

CMP: INR1,177 TP: INR1,291(+10%) Neutral

Temporary hiccups; long-term growth visible

Yet, rising oil prices a threat; maintain Neutral

Engine issues impact near-term growth

- Since the induction of A320 NEO planes in the fleet, INDIGO has faced frequent disruptions in operations due to technical glitches in the Pratt & Whitney engines used in these planes.
- The NEO engines have seen premature degradation of the combustion chamber lining and premature wear of the number-3 bearing seal. As a result, INDIGO witnessed high number of engine removals and lack of spare engines forced it to ground its NEOs.
- Owing to engine issues, the management had reduced its FY18 ASK growth guidance to 19% post 2QFY18 results. In 2QFY18, INDIGO increased its ASK by 13% YoY versus its guidance of 15% YoY. We believe capacity addition for INDIGO will remain slow till the engine issue persists.

Strong order book assures long-term growth visibility

- Given the under-penetration in the country, domestic demand has historically followed supply and will continue to do so till a respectable penetration is reached.
- India's aircraft order book is extremely strong and we expect domestic capacity to grow at 16% CAGR over FY17-20 (total capacity to grow at 14% CAGR).
- INDIGO has the largest order book among peers, which assures robust growth prospects for the airline. We model ~20% ASK CAGR over FY18-20 for INDIGO.

Rising crude oil prices a threat

- INDIGO's earnings are highly sensitive to ATF prices, which are linked to crude oil prices. A 5% change in ATF price would impact FY19 EPS by ~14%. Crude oil prices have rallied more than ~20% in since September 2017. Inability to pass on the increased prices would squeeze margins for the airline.
- INDIGO had outperformed peers during the high crude oil price era (FY11-15), led by (a) its focus on cost control, and (b) weak competition supporting yields. INDIGO was the only player to increase capacity – it added over 180% capacity during FY11-15.
- Sustained low crude oil prices have emboldened competition to increase their capacity by placing large fleet orders. Aggressive capacity expansion has increased competitive intensity in the industry post FY15.
- Slower capacity addition due to engine issues would allow INDIGO to maintain its yields in the near term. However, rising crude oil prices along with increased competition may put downward pressure on profitability.

Valuation and view

- We remain confident on INDIGO's execution capabilities and profitability focus. We model ASK growth at 19%/20% and RPK growth at 21%/22% for FY18/FY19, with PLF at 86%/88%. We model USD/INR at 64.5/66 and Brent at USD55.5/60/bbl for FY18/19.
- The stock trades at 15.6x FY19E EPS of INR75.4 and at 8.3x FY19E adjusted EV/EBITDAR. We value INDIGO at 14x 12-month rolling forward EPS to arrive at a September 2018E TP of INR1,291, implying 10% upside. Maintain **Neutral**.

Stock Info

Bloomberg	INDIGO IN
Equity Shares (m)	383.9
52-Week Range (INR)	1396/702
1, 6, 12 Rel. Per (%)	-2/-1/6
M.Cap. (INR b)	451.7
M.Cap. (USD b)	6.9
Avg Val, INRm	565
Free float (%)	22.1

Financials Snapshot (INR b)

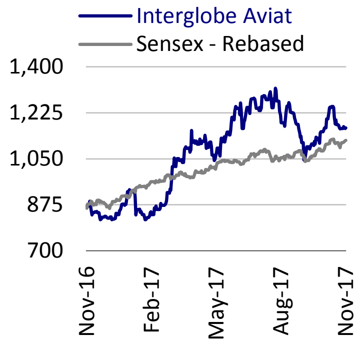
Y/E Mar	2018E	2019E	2020E
Sales	238.0	293.3	353.9
EBITDA	34.0	35.5	50.3
NP	24.2	28.9	41.9
EPS (INR)	63.2	75.4	109.1
EPS Gr. (%)	46.1	19.3	44.7
BV/Sh (INR)	171.3	179.5	191.4
RoE (%)	46.8	43.0	58.8
RoCE (%)	36.0	45.5	61.3
P/E (x)	18.6	15.6	10.8
P/BV (x)	6.9	6.6	6.1
Adj. EV/EBITDAR(x)	8.9	8.3	6.7
Div. Yield (%)	4.0	4.7	6.9

Shareholding pattern (%)

As On	Sep-17	Jun-17	Sep-16
Promoter	77.9	85.9	85.9
DII	5.8	2.8	1.8
FII	10.5	5.8	5.2
Others	5.8	5.5	7.1

FII Includes depository receipts

Stock Performance (1-year)



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Engine issues impact near-term growth

INDIGO's capacity addition stands 15% YoY YTD v/s 28% YoY in FY17

- **Since the induction of A320 NEO planes in the fleet, INDIGO has faced frequent disruptions in operations due to technical glitches in the Pratt & Whitney engines, which are used in these planes.**
- **The NEO engines suffered premature degradation of the combustion chamber lining and premature wear of the number-3 bearing seal. As a result, INDIGO witnessed high number of engine removals and lack of spare engines forced it to ground its NEOs.**
- **Owing to engine issues, the management had reduced its FY18 ASK growth guidance to 19% post 2QFY18 results. In 2QFY18, INDIGO has increased its ASK by 13% YoY versus its guidance of 15% YoY. We believe capacity addition for INDIGO will remain slow till the engine issue persists.**

INDIGO has faced NEO engine issues since the start

- INDIGO has faced NEO engine issues since the start. Even the delivery of the A320 NEO aircraft was delayed – against the original schedule of December 2015, the aircraft were delivered in March 2017.
- The NEOs have faced multiple operational issues like (a) engine cooling, which impacted INDIGO's TAT performance, (b) delay in production of fan blades, (c) premature degradation of the combustion chamber lining, and (d) premature wear of bearing seal, which results in lower engine life and needs to be replaced to continue operation.
- Due to high number of engine removals and lack of spare engines, INDIGO had to ground its NEOs. It grounded 9 NEOs in July.

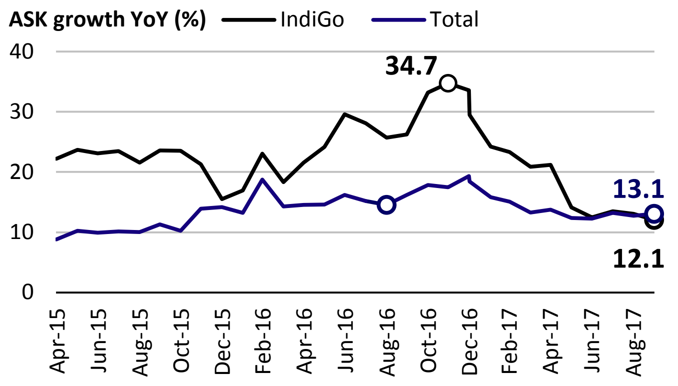
Exhibit 1: IndiGo faced engine issues from the start

- Delivery of NEOs were delayed by a year (Mar 17 vs Dec 15)
- Engine cool down issue impacted the TAT – **Resolved**
- Delay in production of fan blades – **Resolved**
- Premature degradation of the combustion chamber lining – **Not resolved** – P&W blames Indian weather for it
- Premature wear of bearing seal – **Not resolved**

- Due to high number of engine removals and lack of spare engines IndiGo had to ground its NEOs.
- Management has guided **12-15 month time** to resolve the engine issues
- Currently, none of the A320 NEOs are grounded, we expect better capacity addition going ahead

Source: Company, MOSL

Exhibit 2: P&W engine issue hits ASK growth of IndiGo and industry



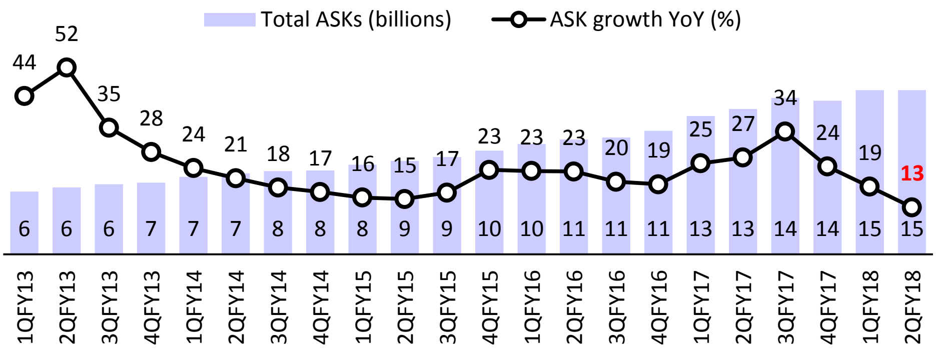
Source: DGCA, MOSL

ASK addition rate to remain slow in FY18

- Owing to engine issues, the management had reduced its FY18 ASK growth guidance to 19% post 2QFY18 results. In 2QFY18, INDIGO has increased its ASK by 13% YoY versus its guidance of 15% YoY.
- We believe capacity addition for INDIGO will remain slow till the engine issue persists. To maintain ASK growth, going ahead, INDIGO may induct used A320

CEO aircraft on short-term lease. Short-term leases are relatively expensive and will impact the cost structure.

Exhibit 3: 2QFY18 ASK addition rate is slowest for the company

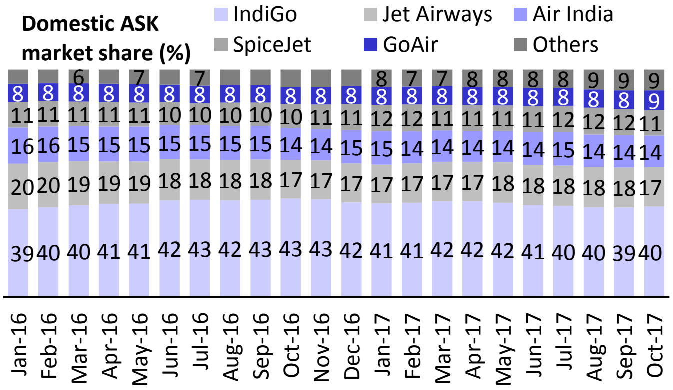


Source: DGCA, MOSL

INDIGO's slower ASK addition lowers industry growth

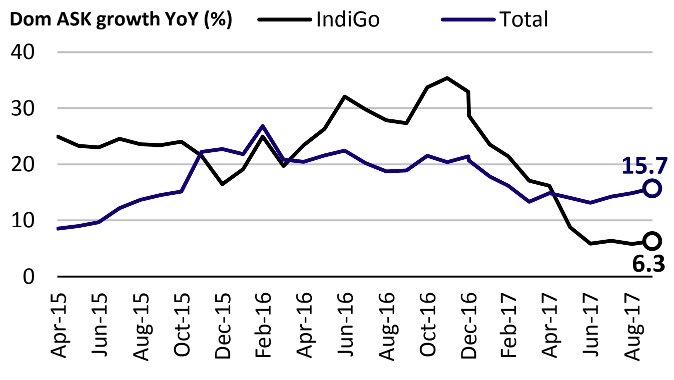
- INDIGO's ASK market share has consistently remained the highest and it was the only airline that constantly added capacity through the industry cycle. INDIGO accounts for ~85% of the total domestic capacity added in the last five years.
- Due to engine issues, INDIGO is struggling to add capacity and this has directly impacted the industry's domestic air passenger growth in the recent past.

Exhibit 4: IndiGo has +40% share in the domestic market…



Source: DGCA, MOSL

Exhibit 5: …and has been struggling to add capacity, recently



Source: DGCA, MOSL

Strong order book assures long-term growth visibility

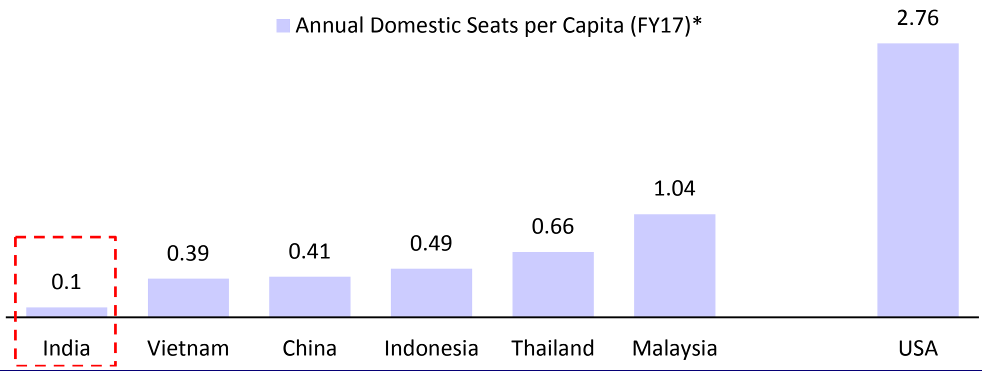
Domestic capacity to grow at 16% CAGR over FY17-20

- **Given the under-penetration in the country, domestic demand has historically followed supply and will continue to do so till respectable penetration is reached.**
- **India's aircraft order book is extremely strong and we expect domestic capacity to grow at 16% CAGR over FY17-20 (total capacity to grow at 14% CAGR).**
- **INDIGO has the largest order book among peers, which assures robust growth prospects for the airline. We model ~20% ASK CAGR over FY18-20 for INDIGO.**

Demand to follow supply till respectable penetration

- Despite ~12% passenger CAGR over the last two decades, the Indian aviation sector is significantly underpenetrated – per capita seats at 0.1 v/s 2.7 in the US and 0.4 in China.

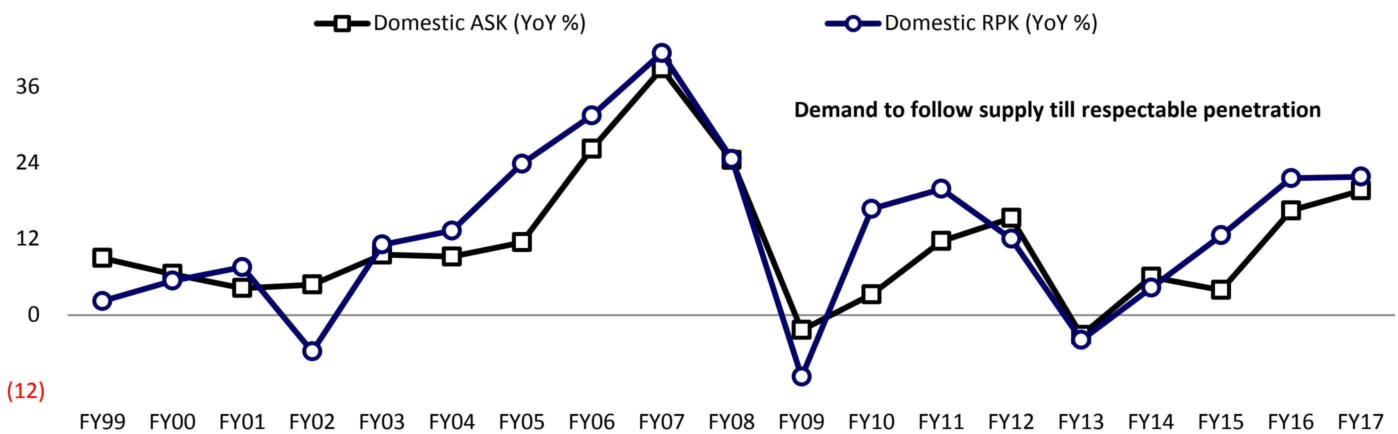
Exhibit 6: Penetration low even in comparison with other Asian countries



*Based on population data for CY16 and seats data for FY17 Source: Company, MOSL

- **Indian aviation market capacity-constrained:** An analysis of the last 15 years shows that all the incremental capacity continued to operate at higher utilization levels, implying that demand will follow supply in the Indian aviation market till penetration reaches a respectable level.

Exhibit 7: Domestic RPK and ASK are highly correlated, implying that demand follows supply in India, given the huge under-penetration

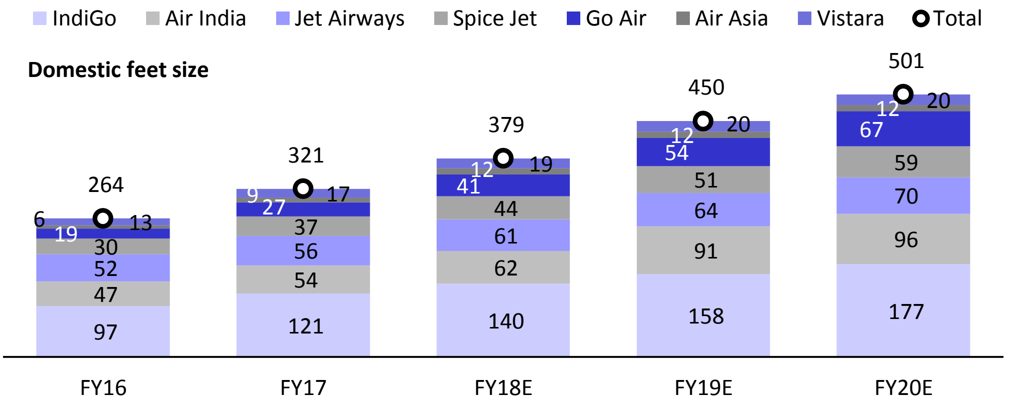


Source: DGCA, MOSL

India's aircraft order book is extremely strong

- Continued low oil prices have emboldened airlines to announce fleet additions. All the Indian airlines have placed orders with aircraft manufacturers to increase their capacities, given the continued low oil prices.
- India's aircraft order book is strong and gives visibility of future growth for the sector. Our supply model suggests that domestic capacity should grow at a CAGR of 16% over FY17-20.

Exhibit 8: Order book is strong and domestic capacity is expected to grow at 16% CAGR over FY17-20 (total by 14% CAGR)

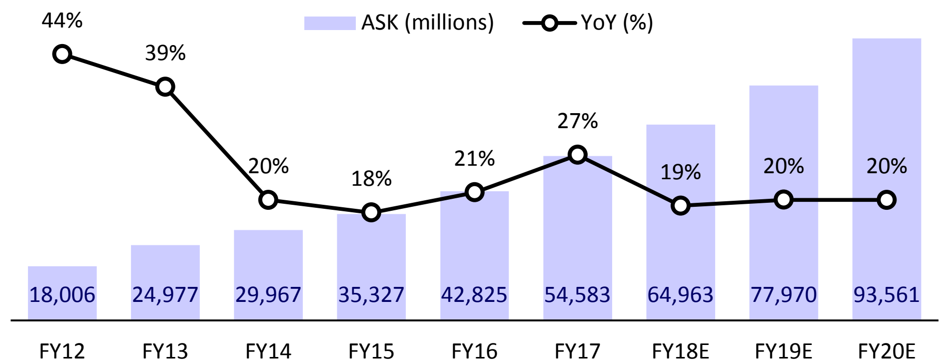


Source: Company, MOSL

INDIGO's ASK to grow at 20% CAGR over FY18-20

- INDIGO has the largest order book among peers, which assures robust growth prospects for the airline. We model ~20% ASK CAGR over FY18-20 for INDIGO. We assume improving PLF for the airline at 86/88/88% for FY18/29/20 to arrive at 21% RPK CAGR over FY18-20.

Exhibit 9: We model ~20% ASK CAGR over FY18-20 for IndiGo



Source: Company, MOSL

Rising crude oil prices a threat

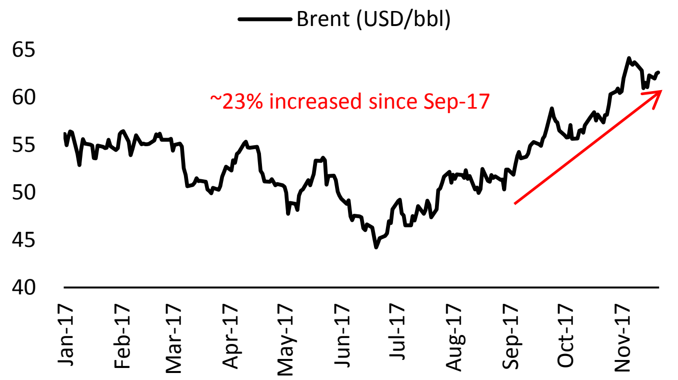
Increased competition may put pressure on margins

- **INDIGO's earnings are highly sensitive to ATF prices, which are linked to crude oil prices. A 5% change in ATF price would impact FY19 EPS by ~14%. Crude oil prices have rallied more than ~20% in since September 2017. Inability to pass on the increased prices would squeeze margins for the airline.**
- **INDIGO had outperformed peers during the high crude oil price era (FY11-15), led by (a) its focus on cost control, and (b) weak competition supporting yields. INDIGO was the only player to increase capacity – it added over 180% capacity during FY11-15.**
- **Sustained low crude oil prices have emboldened competition to increase their capacity by placing large fleet orders. Aggressive capacity expansion has increased competitive intensity in the industry post FY15.**
- **Slower capacity addition due to engine issues would allow INDIGO to maintain its yields in the near term. However, rising crude oil prices along with increased competition may put downward pressure on profitability.**

Crude oil prices have rallied ~20% recently

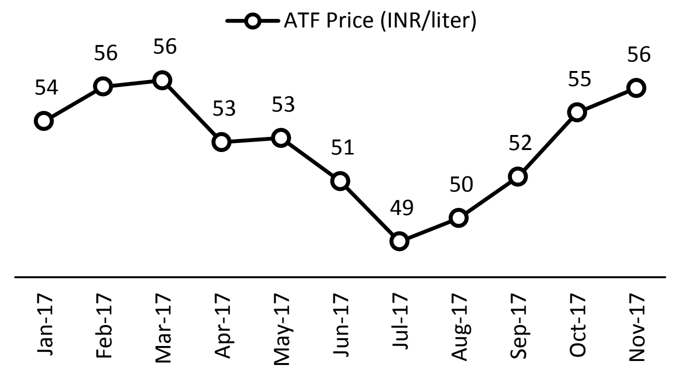
- Fuel expenses are the biggest cost component for any airline, ranging from 30-50%. INDIGO's earnings are also sensitive to change in ATF prices, which are linked to crude oil prices. A 5% change in ATF price would impact FY19 EPS by ~14%.
- ATF prices in India are linked to crude oil prices and move in line with them. As ATF prices are changed once monthly, price reflects the increase with a lag. ATF prices are already up 10% YoY/QoQ in 3QFY18YTD v/s 2% YoY and -5% QoQ change in 2QFY18.

Exhibit 10: Crude oil prices have rallied ~23% since September 2017



Source: Bloomberg, MOSL

Exhibit 11: ATF prices reflect the increase with a month's lag; already up 10% YoY/QoQ in 3QFY18YTD

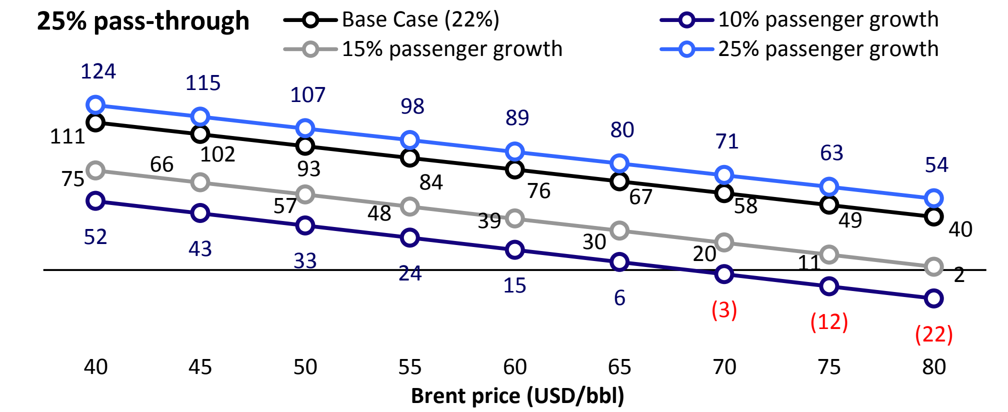


Source: IOC, MOSL

- We have done a sensitivity analysis for FY19 EPS with respect to ATF prices and passenger growth. Aviation fuel cost stands at 30-50% of revenue and has a direct impact on ticket prices, and in turn, passenger growth.
- For scenario analysis, we have assumed three scenarios:
  - **Scenario 1:** 25% pass-through of fuel price change
  - **Scenario 2:** 50% pass-through of fuel price change
  - **Scenario 3:** 75% pass-through of fuel price change

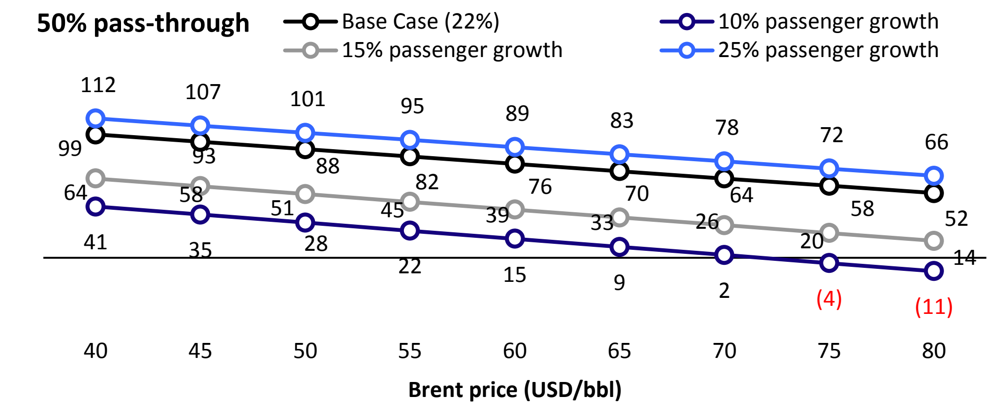
- And within these scenarios, our passenger traffic growth (assumed in-line with RPK growth) ranges between 10% and 25%.

Exhibit 12: FY19E EPS sensitivity-Scenario 1: 25% pass-through of fuel price change



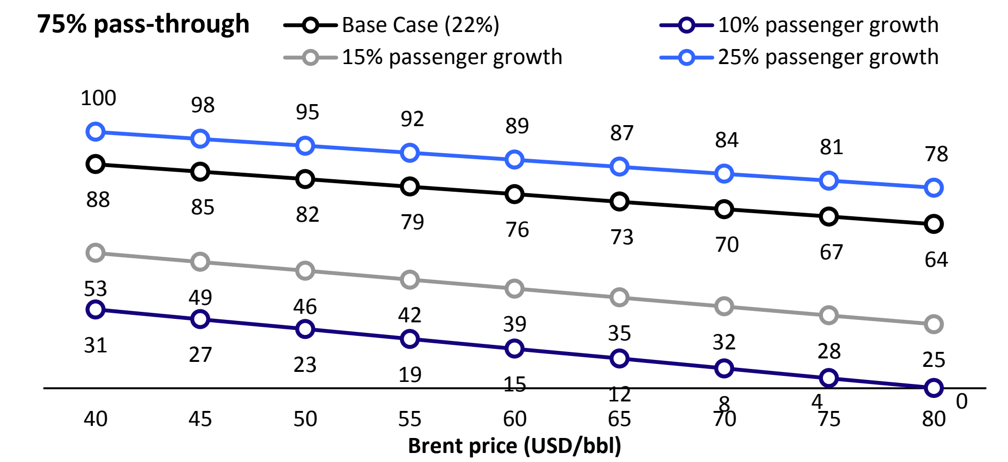
Source: MOSL

Exhibit 13: FY19E EPS sensitivity-Scenario 2: 50% pass-through of fuel price change



Source: MOSL

Exhibit 14: FY19E EPS sensitivity-Scenario 3: 75% pass-through of fuel price change

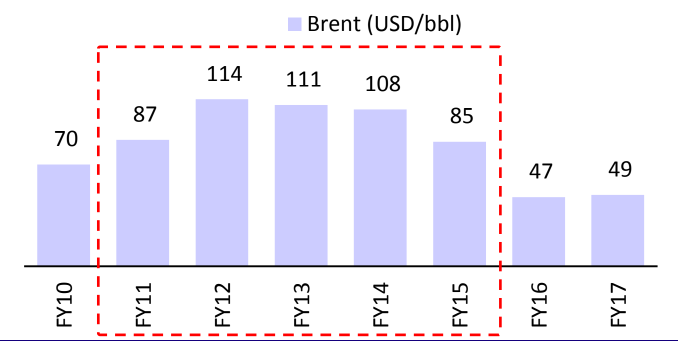


Source: MOSL

INDIGO benefited due to weak competition during high crude oil price era

- INDIGO was the only airline to remain consistently profitable during the high crude oil price era (FY11-15). Apart from its superior business model, weak competition had helped INDIGO to maintain its yields and remain profitable.

Exhibit 15: During FY11-15, crude oil prices were at elevated levels



Source: Bloomberg, MOSL

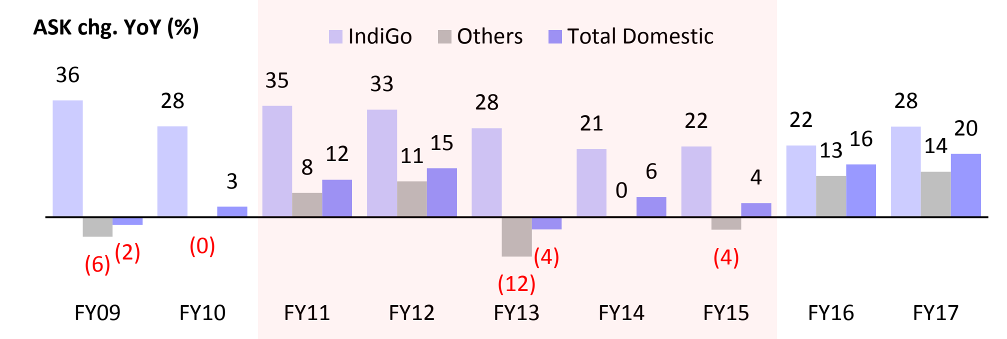
Exhibit 16: INDIGO was the only airline to remain consistently profitable

	FY09	FY10	FY11	FY12	FY13	FY14	FY15
IndiGo	Profit	Profit	Profit	Profit	Profit	Profit	Profit
Air India	Loss	Loss	Loss	Loss	Loss	Loss	Loss
SpiceJet	Loss	Profit	Profit	Loss	Loss	Loss	Loss
Go Air	Loss	Loss	Profit	Loss	Profit	Profit	Profit
Jet Airways	Loss	Loss	Loss	Loss	Loss	Loss	Loss
Kingfisher	Loss	Loss	Loss	Loss	Ceased Operations		

Source: Company, MOSL

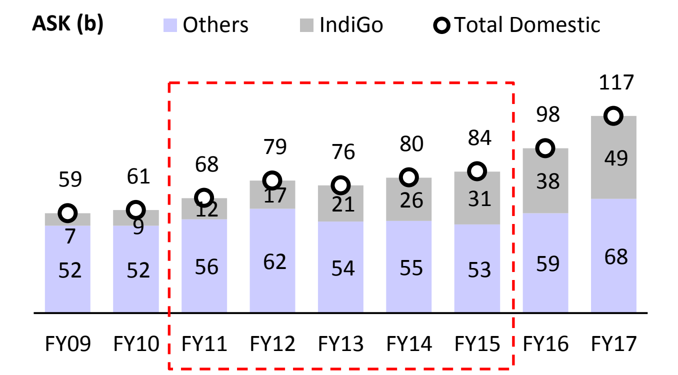
- Weak balance sheets and poor business models did not allow other airlines to increase capacity and remain profitable during high crude oil price era. INDIGO increased its total capacity by over 183%, while total industry capacity grew only 16% during FY11-15.
- Kingfisher's falling out in FY13 helped INDIGO to gain domestic market share. It also resulted in improvement in yields for the airline.

Exhibit 17: INDIGO was the only airline to consistently grow its capacity during FY11-15



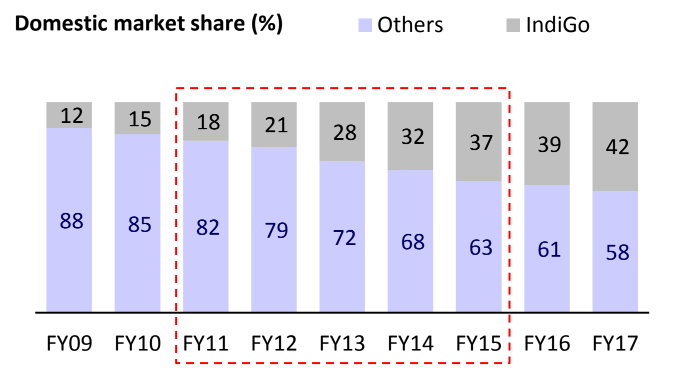
Source: DGCA, MOSL

Exhibit 18: While INDIGO consistently increased its capacity, competition's capacity fell



Source: DGCA, MOSL

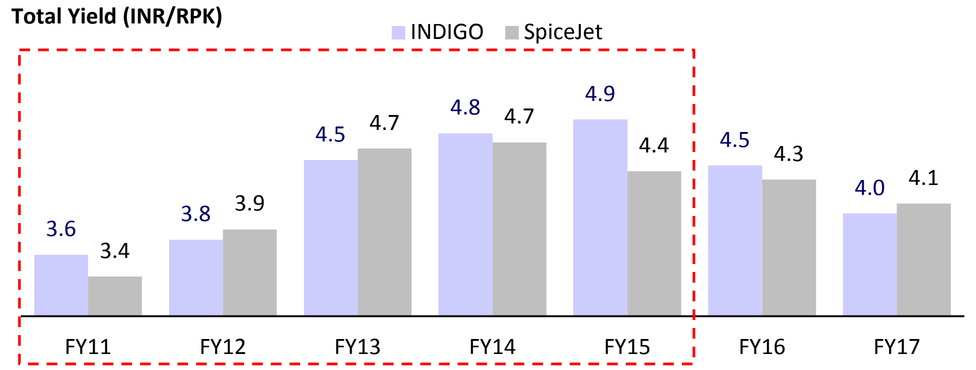
Exhibit 19: INDIGO gained major market share during FY11-15



Source: DGCA, MOSL

- Lower capacity addition from the competition resulted in lower fare wars during FY11-15. This resulted in improvement in yields for the industry.

Exhibit 20: Total yield improved for both INDIGO and SpiceJet due to lower fare wars

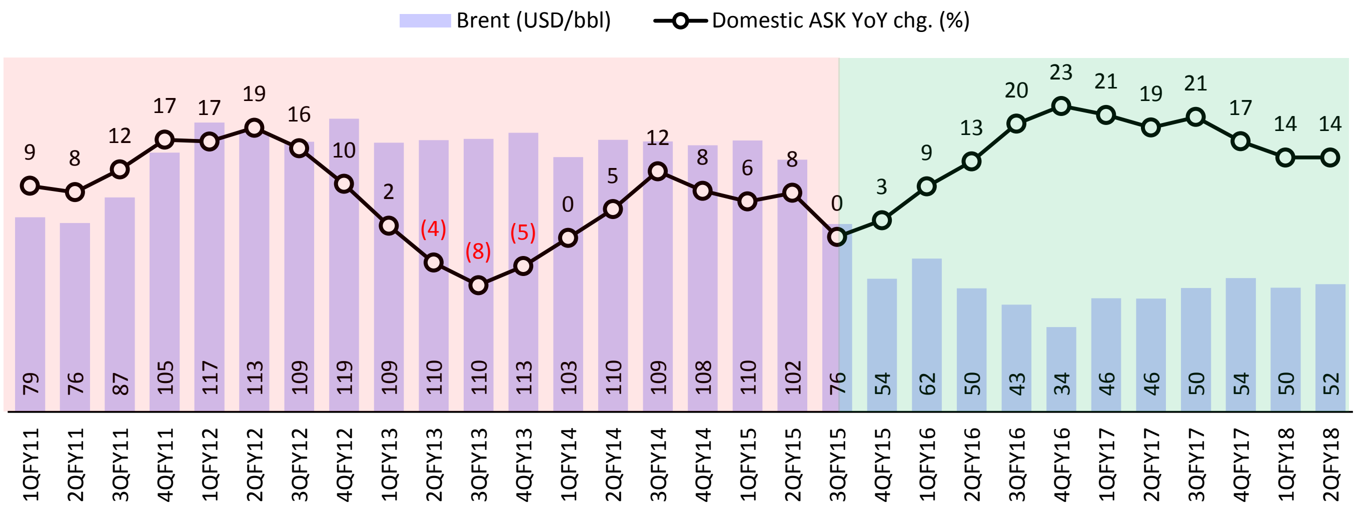


Source: Company, MOSL

Increased competitive intensity could put pressure on yields

- Sustained low crude oil prices have strengthened airlines' balance sheets and emboldened competition to announce fleet expansions. Large order books and aggressive capacity expansion plans have resulted in consistent double-digit growth in capacity addition post the sharp decline in crude oil prices.

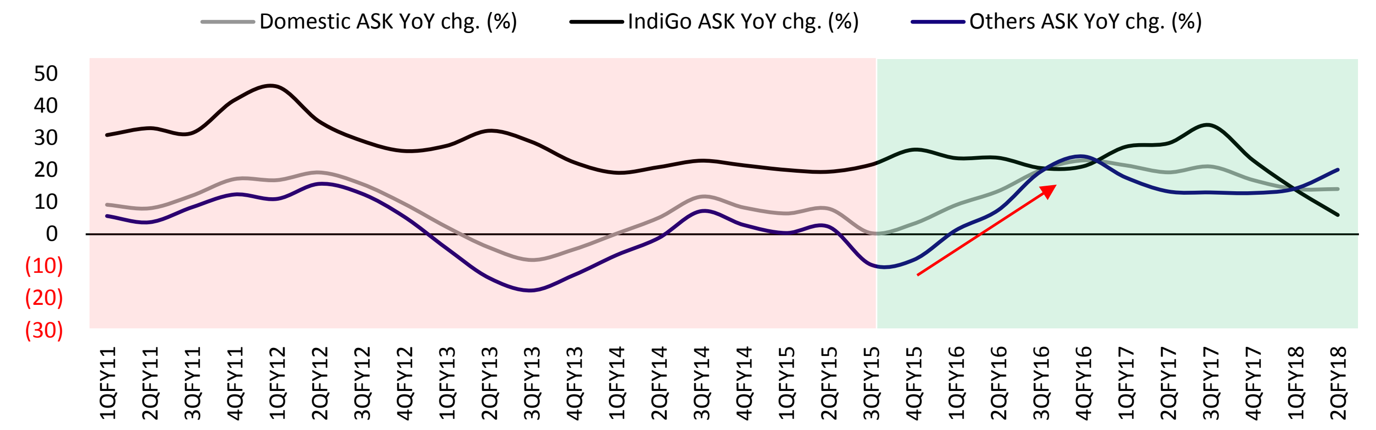
Exhibit 21: Sharp decline in crude oil prices emboldened airlines to increase their capacities, visible in double-digit ASK growth



Source: Bloomberg, DGCA, MOSL

- Decline in crude oil prices enabled competition to repair their balance sheets and aspire for growth by placing large fleet orders. Almost all the existing airlines announced fleet expansions, and new airlines like Air Asia and Vistara began their operations in India. This has resulted in aggressive capacity addition, causing increase in competitive intensity and pulling industry yields downwards.

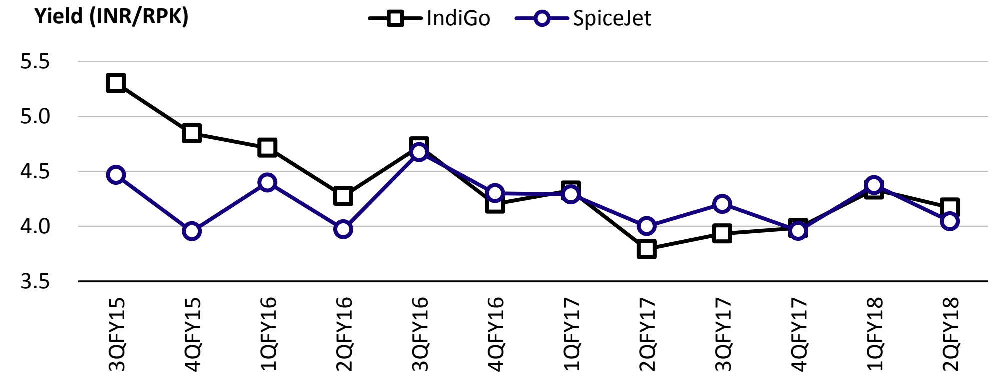
Exhibit 22: Unlike pre 3QFY15, competition has increased capacity aggressively post 3QFY15



Source: Bloomberg, DGCA, MOSL

- Post 3QFY15, both INDIGO and SpiceJet have seen declining yields due to increased competitive intensity in the industry.

Exhibit 23: Post 3QFY15, yields are on a declining trend for both INDIGO and SpiceJet



Source: Company, MOSL

- We believe slower capacity addition due to engine issues would allow INDIGO to maintain its yields in the near term. However, rising crude oil prices along with increased competition may put downward pressure on profitability.

Valuation and view

- **Change in pricing strategy could impact valuation premium:** INDIGO's superior economics versus peers should lead to premium valuations. However, the management's admission that it intends to respond to competitors' fares indicates a change in its pricing stance. This coupled with its planned capacity addition will put pressure on load factors as well as yields in the near term.
- **Foray into regional markets:** INDIGO has placed an order for 50 ATR 72-600 aircraft (plans ATR operation at end-2017). It also expects to induct up to seven ATR aircraft by March 2018 and 20 ATR aircraft by December 2018. We would like to wait for a few quarters for more clarity.
- **High growth, low oil prices revive industry-wide fleet addition plans:** Sustained low oil prices is strengthening airlines' balance sheets and emboldening competition to announce fleet expansions.
- We remain confident on INDIGO's execution capabilities and profitability focus. We model ASK growth at 19%/20% and RPK growth at 21%/22% for FY18/FY19, with PLF at 86%/88%. We model USD/INR at 64.5/66 and Brent at USD55.5/60/bbl for FY18/19.
- The stock trades at 15.6x FY19E EPS of INR75.4 and at 8.3x FY19E adjusted EV/EBITDAR. We value INDIGO at 14x 12-month rolling forward EPS to arrive at a September 2018E TP of INR1,291, implying 10% upside. Maintain **Neutral**.

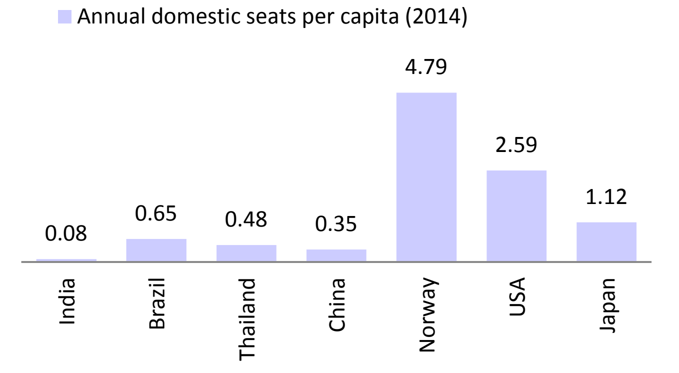
Exhibit 24: IndiGo – Key assumptions

Y/E March	FY12	FY13	FY14	FY15	FY16	FY17	FY18E	FY19E	FY20E
Capacity and Utilization									
ASK (millions)	18,006	24,977	29,967	35,327	42,825	54,583	64,963	77,970	93,561
YoY (%)	44%	39%	20%	18%	21%	27%	19%	20%	20%
Load Factor	82%	81%	77%	80%	84%	85%	86%	88%	88%
RPK (millions)	14,826	20,260	23,136	28,177	35,967	46,288	56,012	68,614	82,333
YoY (%)	39%	37%	14%	22%	28%	29%	21%	22%	20%
Revenue Calculation									
Ticket Revenue (INRm)	49,873	82,667	99,240	122,939	140,626	161,971	207,118	257,301	310,397
Yield (INR/RPK)	3.36	4.08	4.29	4.36	3.91	3.50	3.70	3.75	3.77
Ancillary revenues	5,774	9,365	11,926	16,314	20,773	23,834	30,841	36,022	43,456
Total Revenue (INR mn)	**55,647**	**92,031**	**111,166**	**139,253**	**161,399**	**185,805**	**237,958**	**293,323**	**353,852**
YoY (%)	45%	65%	21%	25%	16%	15%	*28%*	*23%*	*21%*
Fuel Cost									
Exchange rate (INR/USD)	47.9	54.4	60.5	61.2	65.4	67.1	64.5	66.1	67.0
Brent Price (USD/bbl)	114.5	110.5	107.6	85.5	47.3	49.0	55.5	60.0	60.0
ATF Prices (INR/ltr)	63.8	70.8	75.7	68.4	47.8	52.8	55.4	59.4	60.1
YoY (%)	33%	11%	7%	-10%	-30%	10%	*5%*	*7%*	*1%*
Avg. aircraft utiliz. (block hours / day)	10.4	11.1	11.4	11.4	12.1	13.0	12.7	13.0	13.0
Aircraft fuel expenses (INR m)	**28,736**	**43,126**	**55,134**	**57,485**	**47,793**	**63,415**	**81,361**	**106,426**	**116,422**

Source: Company, MOSL

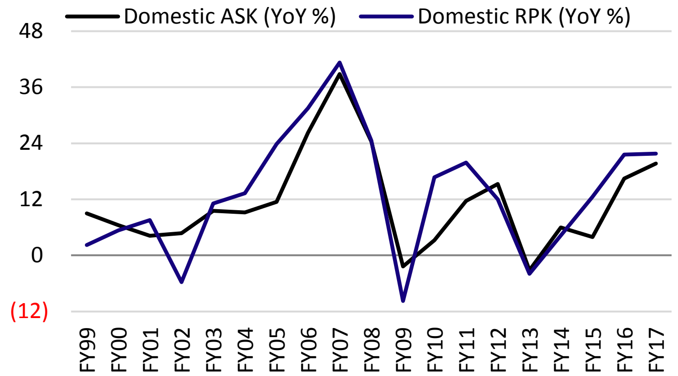
InterGlobe Aviation: Story in charts

Exhibit 25: India aviation underpenetrated despite the last decade domestic passenger CAGR of 12%



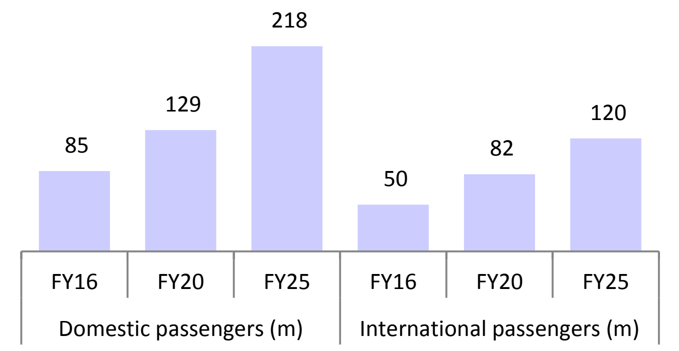
Source: CAPA, Company, MOSL

Exhibit 26: Domestic aviation: Demand follows supply; RPK growth at 2.3x real GDP growth



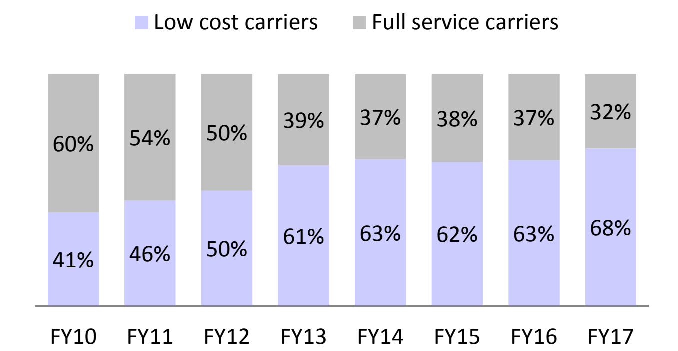
Source: DGCA, MOSL

Exhibit 27: India to be the 3rd largest aviation market by FY25



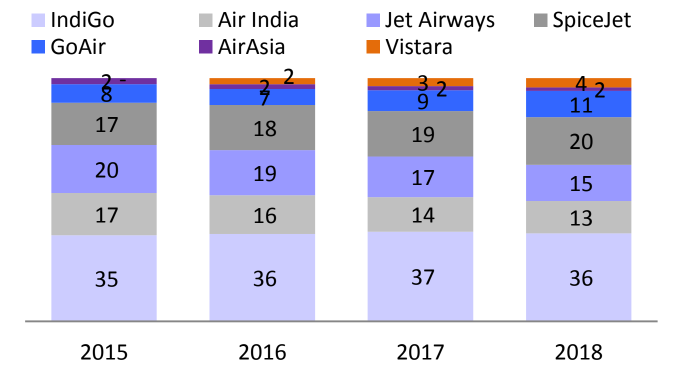
Source: Industry, Company, MOSL

Exhibit 28: Like globally, value migrating to LCCs even in India



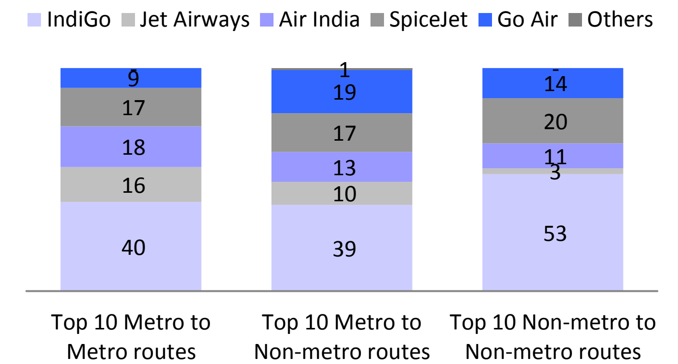
Source: DGCA, CAPA, Company MOSL

Exhibit 29: IndiGo, the market leader to benefit most from this trend



Share on basis of future fleet Source: Industry, Company, MOSL

Exhibit 30: IndiGo has >50% market share in non-metro destinations



Source: DGCA, CAPA, Company, MOSL

Financials and Valuations

Standalone - Income Statement (INR Million)

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18E	FY19E	FY20E
Total Income from Operations	**92,031**	**111,166**	**139,253**	**161,399**	**185,805**	**237,958**	**293,323**	**353,852**
YoY Chg (%)	65.4	20.8	25.3	15.9	15.1	28.1	23.3	20.6
Aircraft Fuel Expenses	43,126	55,134	57,485	47,793	63,415	81,361	106,426	116,422
% of Sales	46.9	49.6	41.3	29.6	34.1	34.2	36.3	32.9
Employees Cost	6,905	9,206	11,887	17,899	20,482	25,870	33,184	42,607
Other Expenses	19,503	25,057	31,662	39,530	49,221	60,280	72,348	86,815
Total Expenditure	**69,533**	**89,396**	**101,034**	**105,223**	**133,118**	**167,510**	**211,959**	**245,844**
EBITDAR	**22,498**	**21,769**	**38,219**	**56,176**	**52,687**	**70,448**	**81,364**	**108,008**
Margin (%)	24.4	19.6	27.4	34.8	28.4	29.6	27.7	30.5
Aircraft & Engine Lease Rentals	13,561	16,703	19,522	26,122	31,254	36,449	45,869	57,671
EBITDA	**8,936**	**5,066**	**18,697**	**30,055**	**21,433**	**33,999**	**35,495**	**50,337**
Margin (%)	9.7	4.6	13.4	18.6	11.5	14.3	12.1	14.2
Depreciation	856	2,260	3,022	5,031	4,573	4,476	3,827	3,136
EBIT	**8,080**	**2,806**	**15,675**	**25,024**	**16,861**	**29,523**	**31,668**	**47,202**
Int. and Finance Charges	578	1,226	1,155	1,349	3,308	3,016	1,496	1,496
Other Income	2,371	3,155	3,946	4,614	7,891	7,342	7,219	8,410
PBT	**9,873**	**4,736**	**18,465**	**28,290**	**21,443**	**33,849**	**37,391**	**54,116**
EO Items	0	0	0	0	0	0	0	0
PBT after EO Exp.	**9,873**	**4,736**	**18,465**	**28,290**	**21,443**	**33,849**	**37,391**	**54,116**
Tax	2,040	-9	5,387	8,392	4,852	9,600	8,460	12,244
Tax Rate (%)	20.7	-0.2	29.2	29.7	22.6	28.4	22.6	22.6
Reported PAT	**7,834**	**4,744**	**13,078**	**19,897**	**16,592**	**24,249**	**28,931**	**41,873**
Adjusted PAT	**7,834**	**4,744**	**13,078**	**19,897**	**16,592**	**24,249**	**28,931**	**41,873**
Change (%)	457.2	-39.4	175.6	52.1	-16.6	46.1	19.3	44.7
Margin (%)	8.5	4.3	9.4	12.3	8.9	10.2	9.9	11.8

Standalone - Balance Sheet (INR Million)

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18E	FY19E	FY20E
Equity Share Capital	344	344	344	3,604	3,615	3,839	3,839	3,839
Total Reserves	3,547	3,874	3,863	23,628	34,177	61,901	65,064	69,642
Net Worth	**3,890**	**4,217**	**4,207**	**27,232**	**37,792**	**65,739**	**68,902**	**73,481**
Deferred Tax Liabilities	537	529	4,091	1,468	1,618	2,634	3,755	5,379
Total Loans	18,004	33,462	35,884	30,071	23,957	14,957	14,957	14,957
Capital Employed	**22,432**	**38,208**	**44,182**	**58,770**	**63,367**	**83,330**	**87,615**	**93,816**
Gross Block	20,362	44,505	56,715	53,251	46,432	40,481	33,836	27,052
Less: Accum. Deprn.	2,718	4,945	7,955	5,777	8,493	12,970	16,797	19,933
Net Fixed Assets	**17,645**	**39,560**	**48,760**	**47,474**	**37,938**	**27,512**	**17,039**	**7,119**
Capital WIP	69	0	5	237	233	-635	-809	-844
Total Investments	**11,383**	**12,715**	**5,168**	**9,862**	**37,134**	**37,134**	**37,134**	**37,134**
Curr. Assets, Loans&Adv.	**29,428**	**38,759**	**53,750**	**68,614**	**76,792**	**132,545**	**163,256**	**200,839**
Inventory	523	673	1,306	763	1,632	2,053	2,598	3,013
Account Receivables	685	891	1,046	1,571	1,587	2,032	2,505	3,022
Cash and Bank Balance	13,406	11,015	19,994	37,187	46,325	93,563	115,138	142,911
Loans and Advances	14,814	26,180	31,405	29,093	27,248	34,896	43,015	51,892
Curr. Liability & Prov.	**36,093**	**52,826**	**63,500**	**67,417**	**88,730**	**113,226**	**129,006**	**150,432**
Account Payables	2,648	3,828	4,755	7,412	7,746	9,747	12,334	14,305
Other Current Liabilities	32,906	43,985	56,694	58,575	79,093	92,680	103,788	117,480
Provisions	539	5,013	2,051	1,430	1,891	10,799	12,884	18,647
Net Current Assets	**-6,665**	**-14,067**	**-9,751**	**1,197**	**-11,938**	**19,319**	**34,251**	**50,407**
Deferred Tax assets	0	0	0	0	0	0	0	0
Appl. of Funds	**22,432**	**38,208**	**44,182**	**58,770**	**63,367**	**83,330**	**87,615**	**93,817**

E: MOSL Estimates

Financials and Valuations

Ratios

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18E	FY19E	FY20E
Basic (INR)								
EPS	**20.4**	**12.4**	**34.1**	**51.8**	**43.2**	**63.2**	**75.4**	**109.1**
Cash EPS	22.6	18.2	41.9	64.9	55.1	74.8	85.3	117.3
BV/Share	10.1	11.0	11.0	70.9	98.5	171.3	179.5	191.4
DPS	14.3	9.8	28.1	40.2	32.0	46.7	55.8	80.7
Payout incl. tax (%)	81.4	93.1	98.7	93.4	89.1	89.1	89.1	89.1
Valuation (x)								
P/E		95.2	34.5	22.7	27.2	18.6	15.6	10.8
Cash P/E		64.5	28.1	18.1	21.3	15.7	13.8	10.0
P/BV		107.1	107.4	16.6	12.0	6.9	6.6	6.1
EV/Sales		4.3	3.4	2.8	2.3	1.6	1.2	0.9
Adj. EV/EBITDAR		27.2	15.8	11.2	12.3	8.9	8.3	6.7
EV/EBITDA		93.6	25.0	14.8	20.0	11.0	9.9	6.4
Dividend Yield (%)	1.2	0.8	2.4	3.4	2.7	4.0	4.7	6.9
Return Ratios (%)								
RoE	247.7	117.0	310.5	126.6	51.0	46.8	43.0	58.8
RoCE	47.4	19.7	33.7	40.5	31.4	36.0	45.5	61.3
RoIC	-157.1	46.7	66.3	115.4	-295.1	-63.1	-44.3	-48.9
Working Capital Ratios								
Asset Turnover (x)	4.1	2.9	3.2	2.7	2.9	2.9	3.3	3.8
Inventory (Days)	2	2	3	2	3	3	3	3
Debtor (Days)	6	6	7	12	9	9	9	9
Creditor (Days)	11	13	12	17	15	15	15	15
Working Cap. Turnover (Days)	-80	-82	-78	-81	-114	-114	-101	-95
Leverage Ratio (x)								
Net Debt / Equity	1.2	5.3	3.8	-0.3	-0.6	-1.2	-1.5	-1.7

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

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18E	FY19E	FY20E
OP/(Loss) before Tax	9,932	4,778	18,465	28,290	21,443	33,849	37,391	54,116
Depreciation	856	2,260	3,022	5,031	4,573	4,476	3,827	3,136
Interest & Finance Charges	543	1,019	1,037	1,157	-4,583	-4,326	-5,723	-6,914
Direct Taxes Paid	-1,852	-1,076	-3,951	-5,761	-4,208	-8,585	-7,338	-10,620
(Inc)/Dec in WC	9,819	11,309	7,765	3,081	21,102	18,465	12,595	16,578
CF from Operations	**19,299**	**18,291**	**26,338**	**31,797**	**38,326**	**43,879**	**40,753**	**56,296**
Others	-1,892	-2,341	-2,499	-640	-506	0	0	0
CF from Operating incl EO	**17,407**	**15,950**	**23,839**	**31,157**	**37,820**	**43,879**	**40,753**	**56,296**
(Inc)/Dec in FA	-9,153	-23,237	-10,171	-2,320	12,829	4,334	867	1,858
Free Cash Flow	**8,254**	**-7,287**	**13,668**	**28,837**	**50,649**	**48,213**	**41,619**	**58,154**
(Pur)/Sale of Investments	0	0	7,079	-2,623	-27,273	0	0	0
Others	-8,298	-7,952	1,313	3,344	9,951	7,342	7,219	8,410
CF from Investments	**-17,451**	**-31,189**	**-1,779**	**-1,598**	**-4,493**	**11,677**	**8,085**	**10,268**
Issue of Shares	0	0	0	12,138	11	25,296	0	0
Inc/(Dec) in Debt	7,270	13,637	3,817	-10,241	-6,114	-9,000	0	0
Interest Paid	-169	-186	-770	-825	-3,308	-3,016	-1,496	-1,496
Dividend Paid	-6,376	0	-16,128	-13,437	-14,778	-21,598	-25,768	-37,294
Others	-363	-603	0	0	0	0	0	0
CF from Fin. Activity	**361**	**12,848**	**-13,081**	**-12,366**	**-24,188**	**-8,318**	**-27,264**	**-38,790**
Inc/Dec of Cash	**317**	**-2,390**	**8,978**	**17,193**	**9,139**	**47,238**	**21,574**	**27,774**
Opening Balance	13,089	13,406	11,015	19,994	37,187	46,326	93,563	115,138
Closing Balance	**13,406**	**11,015**	**19,994**	**37,187**	**46,326**	**93,563**	**115,138**	**142,911**

E: MOSL Estimates

NOTES

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