



Flexible Packaging



LEADING THE GROWTH ...

COSMO FILMS LTD

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COSMO FILMS LIMITED

CMP : 377

BUY

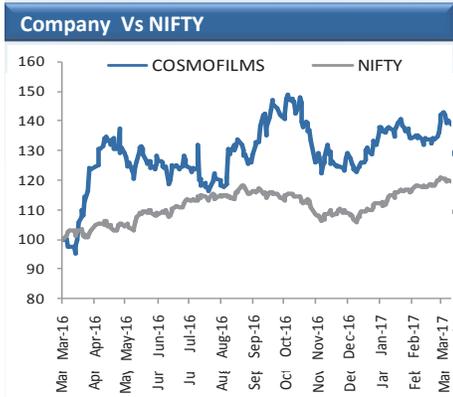
TP: 490 (+29%)

Target Price	
CMP	380
Target Price	490
Previous Target Price	-
Upside	29%
Change from Previous	-

Market Data	
BSE Code	508814
NSE Symbol	COSMOFILMS
52wk Range H/L	431/262
Mkt Capital (Rs Cr)	740
Av. Volume	69931
Nifty	9,144

Stock Performance			
	1Month	1Year	YTD
Absolute	5.2	15.4	40.4
Rel.to Nifty	3.5	2.8	23.2

Share Holding Pattern-%			
	3QFY17	2QFY17	1QFY17
Promoter	43.5	43.5	43.5
Public	56.5	56.5	56.5
Others	--	--	--
Total	100.0	100.0	100.0



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Cosmo is a leading manufacturer of BOPP (Biaxially Oriented Polypropylene) films in India with a 20% market share. It provides cost-effective innovative packaging solutions to leading FMCG & global brands. Company was first to manufacturer BOPP film in India. Now its products encompass newer categories of valued added products viz: Thermal, Coating, Metalizing films besides the traditional BOPP films. Cosmo is the largest manufacturer of value added thermal films in the world with 15% market share. It has diversified portfolio of marquee clients which like Britannia, Cadbury, Colgate, Cipla, ITC, Parle, UB, Uniliver etc. Cosmo has wide manufacturing footprint with 4 state of the art mfg. units in India and 2 outside, one is situated in US and another in South Korea. Cosmo's consistent efforts towards introducing innovative products has put it in a different category of film maker with highest margins among industry peers with commanding industry size.

READY FOR A NEW GROWTH PHASE ... Key Growth Drivers

◆ Cosmo has expanded its capacity in BOPP films by 60000 mt from 136000 mt/annum to 196000 mt/annum (44% increase), which is going to be the next growth driver for the company.

◆ Current positioning of BOPP film indust players augurs well, as there is no overcapacity in the industry at present and almost all the capacities in India running at 100% utilisation level. Increasing demand of BOPP to boost growth in the industry as demand for BOPP is expected to grow at 15% p.a.

◆ In recent years, with launch of value added newer and speciality products through innovations, Cosmo has positioned itself as a leader among its peers through growth in sales with sustainable high margins vs peers..

◆ New BOPP line which has commisioned from Feb 2017, to boost margins in BOPP film segment as new line is cost effective through higher production with lesser manufacturing cost vs its existing line..

◆ Cosmo's focus to increase share of value added films in its total product portfolio will augur well for the company in long run. By FY16 end, share of value added films in total reveue was 49%, improved from 40% in FY14. In volume terms speciality films contributed 40% in FY16. Management has targeted 50% volume from speciality films in long run.

◆ Cosmo has been working upon to improve its balance sheet and financial dynamaics in the past, which has given favourable results. Cosmo has positioned itself best financially structured player among its peer which will offer benifits in future and comfortable investment opportunity for investors.

◆ Cosmo is well poised to grow its sales and profitability with changing consumption pattern and increasing demand for flexible packaging, which will enhance capacity utilisation in Speciality and new added BOPP line, thus benefit of operating leverage will arise.

OUTLOOK & RECOMMENDATION

Commissioning of new added BOPP capacity will boost much awaited sales growth for the company. Also added capacity will give company cost advantage from the new line which is more efficient and productive vs older line, which will add to margins. Though initially in coming 3-4 quarters there will be contraction in margins, largely due to higher revenue share of BOPP films with lesser margins vs speciality films which has higher margins, according to management. We believe margins within BOPP film and overall profitability of company will see major boost with the enhanced sales from the new capacity. Cosmo's focused strategic target of maintaining revenue share of speciality films at 50% will augur well in the longer term.

At CMP of 380/- stock is available at 1.4x FY17, 1.15x FY18 and 1.0x FY19 expected book value. With growing and sustainable margins, we believe company to post healthy ROE of 24+% and 23% in FY18 & FY19 respectively, improve significantly from 21% delivered in FY16. We believe Cosmo is well positioned to see a major rerating once company start delivering sales from new capacity with improved margins and profitability. Keeping in mind above all positives, we initiate "BUY" on the stock with price target of 490/- and 570/- for FY18 & FY19 respectively, valuing stock at 1.5x and 1.5x of its FY18 & FY19 respective expected book value.

Rs. In crore

Financials	FY15	FY16	FY17E	FY18E	FY19E
Sales	1647	1621	1715	2276	2461
EBITDA	104	191	183	285	314
EBIT	70	156	144	234	263
PAT	28	96	95	155	169
EBIDTA%	6.3%	11.8%	10.7%	12.5%	12.7%
PAT %	1.7%	5.9%	5.5%	6.8%	6.9%

Ratios	FY15	FY16	FY17E	FY18E	FY19E
EPS	14	50	49	80	87
BV/Share	196	235	269	325	381
P/E	5	6	9	7	8
P/B	0.4	1.2	1.6	1.7	1.8
EV/EBITDA	3.5	3.8	6.1	4.4	4.5
EV/SALES	0.22	0.45	0.65	0.55	0.57
ROE	7.3%	21.1%	18.2%	25%	23%
ROCE	11.3%	22.9%	16.3%	26.1%	28.4%
ROA	2.6%	8.4%	6.7%	10.1%	10.4%
D/E	1.1	0.8	1.0	0.7	0.5
ATO	1.5	1.4	1.2	1.5	1.5
Sales/WC	9.5	11.4	11.3	12.5	12.7
Payout	25%	20%	25%	25%	30%

INVESTMENT RATIONALE: KEY POINTS

CAPACITY EXPANSION IN BOPP TO PUSH THE GROWTH FORWARD

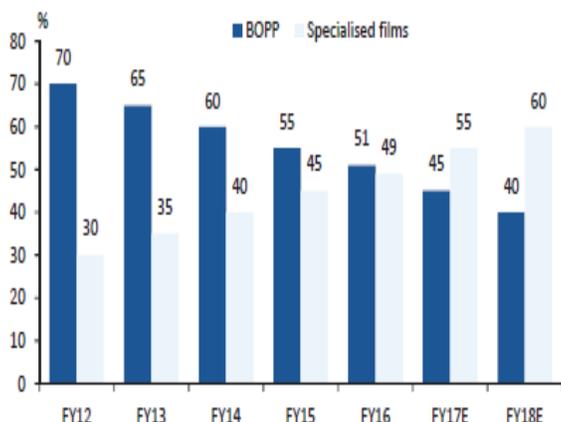
To cater to the growing demand of BOPP film, Cosmo has undertaken capacity expansion in its BOPP line situated at Baroda plant. Cosmo has enhanced its BOPP capacity from 136000 mt /annum to 196000 mt /annum, an increase of 44% and 60000 mt/annum. Currently company's BOPP capacity was running at full utilisation. Now with this new BOPP line, which has been commissioned now from Feb 2017, Cosmo is set to realise next level of growth through sales from new BOPP line. As per management, at full utilisation level, new line will add upto 600 cr to the topline, which is a significant revenue increase. Also Cosmo has increased its metalised films capacity by 7200 MTPA, which will increase revenue in speciality film segment.

MANUFACTURING FACILITIES OF COSMO FILMS LTD: NUMBER OF LINES				
LOCATION	BOPP	THERMAL	COATING	METALISING
Waluj, Aurangabad, India	5 Lines	3 Lines	2 Line	1 Line
Karjan, Vadodara, India	2 Lines	2 Lines	2 Line	1 Line
Shendra, Aurangabad, India	1 Line	3 Lines	1 Line	1 Line
Korea, Choongam		1 Line		
USA, Hagerstown		1 Line		
Total Installed Capacity	136000 TPA	40000 TPA	10000 TPA	15000 TPA
Enhanced Capacity	60000 TPA			7200 TPA
Grand Total	196000 TPA	40000 TPA	10000 TPA	22200 TPA

As management has indicated, this line may get upto 100% utilisation level within 5-6 months of its commissioning. Though FY17, will not see any big upmove in sales, FY18 onwards company to see big jump in sales its BOPP film segment, which in our view may see 30%+ growth in FY18 and 8-9% revenue growth in FY19. This expansion will give major boost to company's aspiration to become \$1bn company by 2020, targeted by management. With this new expanded capacity, Cosmo has become neck to neck player with the existed largest player in BOPP segment, which has capacity of 210000 mt/annum, giving Cosmo enough competitive edge in terms of capacity.

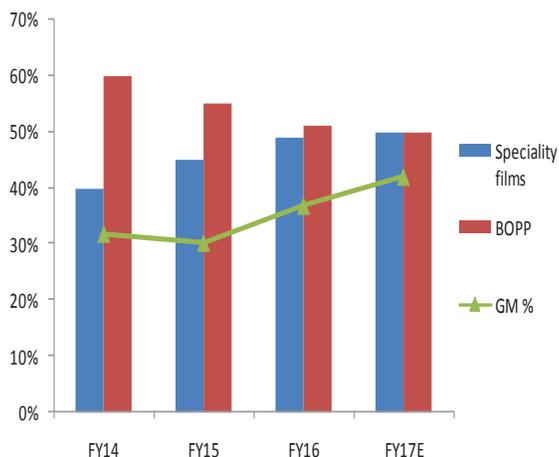
FOCUS ON GROWING SHARE OF SPECIALITY FILMS IN PRODUCT PORTFOLIO- "ERA OF INNOVATION"

Chart 1: Consistent increase in revenue share of specialised films



Cosmo films has not only grown as a Key BOPP Player within the country with 20% market share and became the largest exporter of BOPP film from India, also it has been able to sustain as a value added player with launching new innovative packaging film products through focus on R&D and technology. Now Cosmo's value added films contribute 49% to its revenue in FY16, grown from 40% in FY14. In value terms, speciality films now contribute almost 40% to the total volume. In traditional commodity (BOPP) films, industry is competitive and one could not enjoy edge over others as prices are largely dependent on prices of homopolymer, (key raw material) ,a derivative of crude oil; However unlike other BOPP players, Cosmo has been able to position and prove itself as a value added high margin packaging film player, through consistent innovations and R&D, providing Cosmo, big comfort on margins, generating above normal returns on shareholder's equity.

HIGH MARGINS IN VALUE ADDED SPECIALITY FILMS



Continuous focus on R&D and introduction of value added speciality films has helped company to position itself from a commodity film maker to value added industry player, which has been helping company to sustain its gross margin to higher level Vs. its industry peers.. Gross margins of the company has improved consistently over years and company has been able to sustain its margins even in the adverse quarters at much higher levels through increasing revenue share of speciality films.

According to management, value addition in normal BOPP films is Rs.25-50 on PPE (Raw material) prices, whereas in Speciality films, value addition is upto Rs.90-100, which improves overall margins significantly.

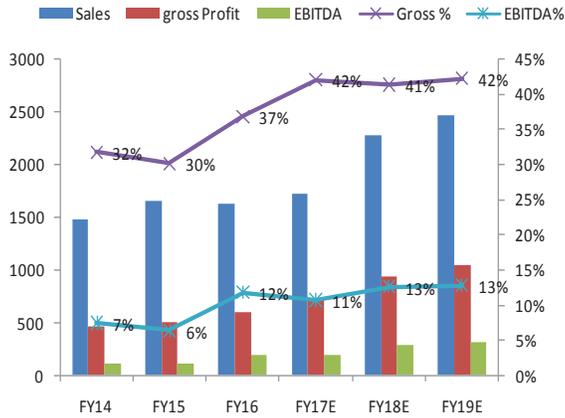
Due to higher share of value added films, Cosmo's gross margins has seen significant jump from 30-32% to 38-40% from FY13 to FY16.

Cosmo's consistent focus on R&D is giving it space to grow higher vs its peers and a reason for outperformance in adverse and difficult times when industry is depressed.. It is evident from the fact that Cosmo has been able to deliver above average industry margins in after FY12, when industry was going through the phase of overcapacity, low demand and adverse commodity cycle.

Though management has indicated for comparatively lower gross margins initially after commissioning of new BOPP line, they are also confident of achieving 50% revenue contribution back from speciality films, and 50% volume (slightly longer term target), which will give boost ROEs of company in longer term. Till date, Speciality films capacity is running at 60% utilisation on name plate capacity and they according to them, this is enough for next one year. After achieving 70% utilisation on name plate capacity.(considered 100% when 70% on name plate capacity).

NEW BOPP LINE A COST EFFICIENT ONE: TO BOOST MARGINS

The new BOPP line added by Cosmo at its Vadodara Plant with the cost of INR 2 bn (80% finance by debt and 20% by internal accruals) has started commercial production from Feb 2017. Based on the management guidance, this new line at its peak production will add approx. 6 bn to the topline. Also management is confident of achieving full utilisation within 5-6 months from start of commercial operations.

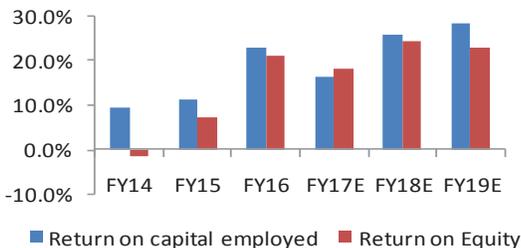
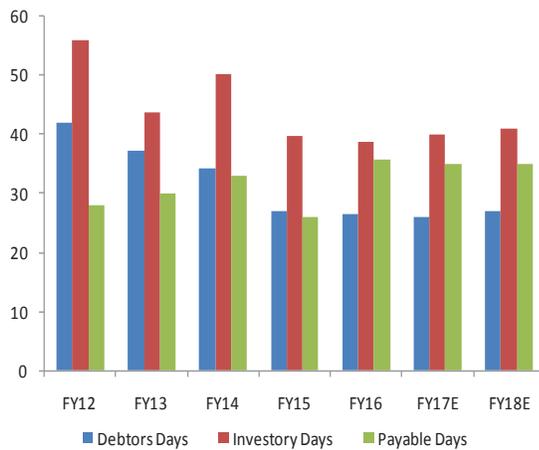
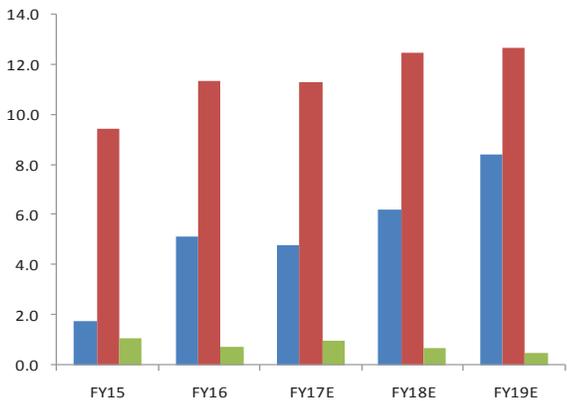


This new line will have 10.4 mtr width line. Currently, maximum 8.6 mtr width line is available in Indian films industry. On account of higher width line, management has indicated there will be substantial reduction in per unit power consumption and also wastage during production process. Management expects electricity consumption of new line to be 30% lower as compared to the current most efficient line of Cosmo Films. The new line is likely to reduce cost of production by Rs. 3./kg from the cost it currently incurs. Around 1 cr. savings on the electricity side could be seen with this new line, every quarter. Management expects the new line will play critical role in improvement in EBITDA margins.

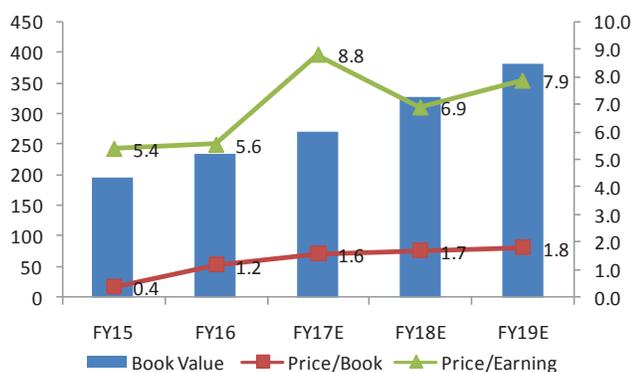
We strongly believe, with this line Cosmo will not only be able to achieve sales growth, also it will be able to command and sustain higher gross and EBITDA margins, outperforming industry.

IMPROVING FINANCIAL PICTURE & RETURN RATIOS: A HEALTHY FUTURISTIC PICTURE

On the back of strong product portfolio consisting high margin speciality films, higher bargain power, Cosmo has been able to generate healthy operating cash flows, resultant reduction in gross debt level over year. Cosmo has strengthened its financial health through improved balance sheet. Continuous reduction in Debtor, Inventory days lead to overall reduction in working capital requirement. This had an effect of generating higher FCFE, Return on equity and Return on capital employed, resultant value creation for business and investors.



Cosmo's Interest Coverage Ratio has improved significantly from 1.8 in FY15 to 5.2 in FY16 and expected to be 8.4 till by FY19 end. It's Debt to equity to improve from 0.75 in FY16 to 0.48 by FY19 end. Working Capital to turnover ratio has improved from 9.5 in FY15 to 11.4 by FY16 and expected to improve further to 12.7 by FY19. Cosmo's ROCE & ROE to show the same picture of improvement from FY15 continuously over long term as shown in graph.



Cosmo's improved financial health has helped creating value for investor by enhancing its book value per share, which was 196 and 235 in FY15 & FY16 respectively, and further expected to reach 380+ by FY19, thus registering CAGR of 18%.

On the back of improved CFO, ROE, ROCE and Asset Turnover Ratio, We strongly believe the stock to rerate going forward. Its P/B ratio and Price Earning ratio is expected to rerate going forward as shown in the chart.

FAIR PRICING POWER WITH ALMOST NO COMMODITY RISK

Polypropelene which is by product of petrochemical industry is a key raw material for the company with a strong co-relation with crude prices. The relationship is not linear with less volatility, however the trend in the price movement of PPE is similar too that of the crude prices. There are about 4-5 domestic suppliers of PPE, and largest is Reliance Industries. Management commented that sourcing of this raw material is mainly done through a major private Oil & Gas refinery company. Nominal rebate and favourable terms are offered to the buyers of PPE who buy PPE in bulk form these suppliers.

Also there is transparent index globally known as PLATT index, which releases prices of PPE every fortnightly. Suppliers of PPE use this data for price identification and post this they supply PPE to domestic BOPP film producers with applicable rebate structure as discussed with each BOPP manufacturer. Cosmo films in turn revise its price list on the same day for all its customers. This practice is followed by the entire BOPP industry in India. This there is no or minimal commodity pricing risk for the companies and any fluctuations in the prices of PPE is fully passed-on to the customers.

WELL DIVERSIFIED PRODUCT PORTFOLIO AND MARKETS

Cosmo is fairly immune to the risk related to macro-economic environment of a particular country as it has strategically diversified its presence into 80 countries across the world. It does not have exposure of more than 4% of total turnover to a particular country except for US. Company will face minimal impact from Brexit, either directly or indirectly (through forex fluctuations) owing to raw material imports, which nullify and provides a natural hedge for the same, as Cosmo's value added films contributes almost 50% of the total turnover till FY17.

HEALTHY DIVIDEND YIELD WITH CONSISTENCY IN PAYOUT

Cosmo has long history of sharing its profits with the investors in form of dividend. Cosmo has been sustaining its dividend payout in the range of 20-30% depending on the capital which company needs from time to time for expansion and other capital needs. At CMP Cosmo's stock price offering 3% dividend yield as distributed by the company for FY16, providing investment opportunity with healthy dividend yield on the invested capital.

EXPECTED TURNAROUND IN US SUBSIDIARY TO HELP ACHIEVING BETTER CONSOLIDATED RESULTS

In FY15, Cosmo incurred a loss of \$5mn in its US subsidiary and this got reduced to \$2.2 mn in FY16. Of this loss in FY16, 50% was booked in only Q1FY16. Though the whole picture of US operations is not very rosy in FY17 despite serious steps taken by the company for turning it around through restructuring of business and launching of newer value added products especially for US markets, Management has guided for much better numbers and break even of US business by FY18. Cosmo is working for making US business cost efficient through manufacturing new value added products in US. In past, US business loss was mainly attributed from forex losses incurred by the US Subsidiary. We believe US break even will give major boost to company's consolidated performance which has been a drag on stock price since long, leading to rerating of stock in near future.

INDUSTRY STRUCTURE & DEMAND POSITIONING: GLOBAL & DOMESTIC

The Size of global packaging industry is \$700 bn and that of India is at \$ 32bn. The size of global packaging industry is expected to see a CAGR of 7.5% to \$ 1tn over FY15-20. Indian packaging industry is expected to reach \$73bn, to be more double over the same period.

Both organised and unorganised industry are established in Indian Packaging industry, and also giving intense competition to each other.

Indian Packaging industry is divided into rigid and flexible packaging. Rigid is expected to grow at 15% whereas flexible packaging is expected to grow at 25% annually, thereby gaining share from rigid packaging.

Growing consumption of packaged food, FMCG, personal care and other packaged products in level in Tier II and tier II cities leading to use demand and growth for flexible packaging. The continuous improvement in lifestyle and per capital income level will aid significant benefit to flexible packaging industry over medium to long term.

FLEXIBLE PACKAGING TAKING ON RIGID PACKAGING: BOPP EDGE

EXCELLENT CLARITY

Better Aesthetic High Gloss

LOWEST DENSITY

Higher Yield

CHEMICAL INERT

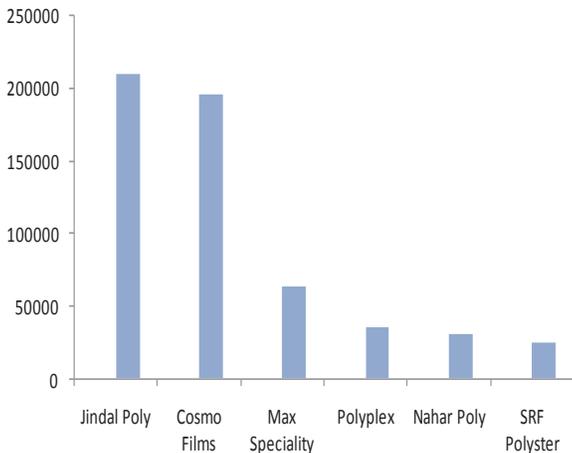
Better Shelf Life(perishable goods)

LOW MELTING POINT &

Suitable for Food & Pharma

BARRIER TO MOISTURE

Fully Recyclable



DOMESTIC INDUSTRY SIZE

Currently Indian BOPP Industry total production capacity is 560000 MTPA. Jindal Polyfilms is the largest player with total production capacity of 210000 MTPA. After recent expansion with total 196000 MTPA capacity, Cosmo has become neck to neck player with JindalPoly.

There is balance prevailing amongst players unlike 2011-2012, where there was sudden increase in supply on account of substantial capacity expansions by all major players in industry at same time.

With the growing demand of BOPP films over years, these excess capacities of those time got absorbed now and almost all the BOPP players are running at 100% utilisation currently.

DOMESTIC DEMAND SCENARIO FOR FLEXIBLE PACKAGING

The Indian Food & Beverage industry has nearly 25% yearly growth and major application of plastics in food products is in packaging. Thus growth in food and beverage sector highlights the growth potential for plastics in packaging. Similarly, personal care sector, which is growing at nearly 15%, will also drive demand for rigid plastics, as it is the most used material for packaging of personal care products. Other industrial sectors such as, pharmaceutical that is proposed to grow at 13-15% over next five years, retail industry, that is currently witnessing the shift from unorganized to organized retail; will also stimulate the demand of plastic in packaging material. Government's current campaign on "Make in India" which aims to turn the country into a global manufacturing hub will have positive impact on the growth packaging industry.

KEY GROWTH DRIVERS FOR FLEXIBLE PACKAGING INDUSTRY

CHANGING PACKAGING PATTERN FOR PRODUCTS TO BOOST INDUSTRY GROWTH

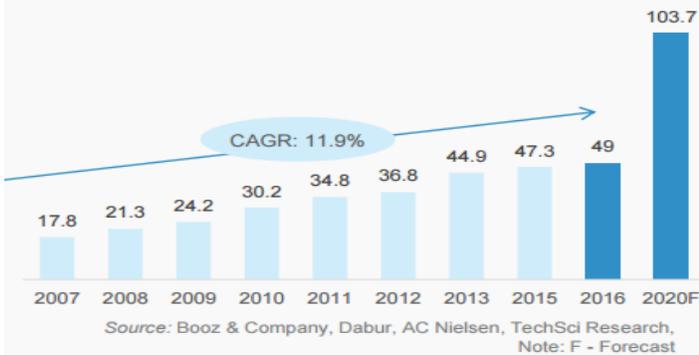
Products to be packed	Conventional Packaging	Current Packaging Trend
Milk	Glass	Flexible Pouches, Tetra packs
Beverage	Glass, tinplate, aluminium	PET Bottle, cans
Pharmaceuticals	Paper, glass, aluminium, tinplate	PVC, HDPE, blister, aluminium foils
Toothpaste	Aluminium tubes	Laminated tube, co-extruded tube
Soap	Paper cartons	Laminated carbons, BOPP/PE, PET/PE
Cosmetics	Metal, paper	HDPE, PP, Laminated tube
Shampoo	Plastic bottle	HDPE container, sachets
Fertilizer	Jute	Woven sacks
Shopping carry bags	Paper, jute	LDPE, HDPE
Edible Oils	Tinplate containers	Flexible pouch, laminates, co-extruded
Rice	Jute bags	BOPP coated bags

source: IBEF

Above changing packaging trend provides enough growth opportunities to expand and grow for BOPP and flexible packaging industry in future.

STRONG GROWTH IN INDIAN FMCG SECTOR

Trends in FMCG revenues over the years (USD billion)



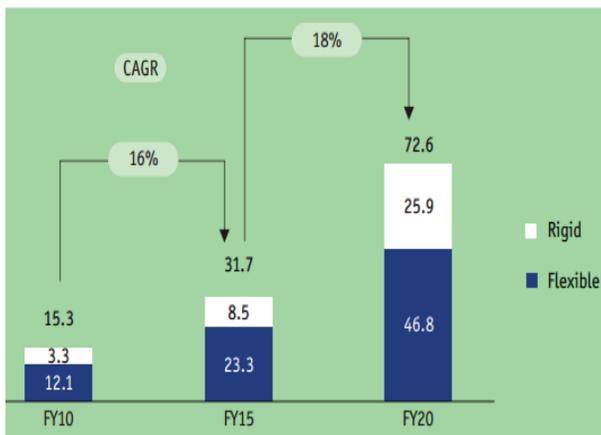
Key Growth Drivers

- ◆ Shift to Organised market
- ◆ Rising income driving purchase
- ◆ Greater awareness of products and brands
- ◆ Increasing consumer demand
- ◆ Availability of online grocery stores
- ◆ Strong distribution channels
- ◆ Growth of Modern Trade
- ◆ Growing Rural markets
- ◆ New Product launches
- ◆ Evolving consumer lifestyle
- ◆ Desire to experiment with brands
- ◆ Government reforms to encourage FDI inflow
- ◆ Increase in penetration

KEY POINTS

Packaging is one of the fastest growing industries stands at \$700 bn globally. It has grown higher than GDP in most of countries. In developing countries like India, it grew at a CAGR of 16% in last five years and touched \$32bn in FY15.

The Indian Packaging contributes 4% of the global packaging industry. The per capita packaging consumption in India is low at 4.3 kg compared to developed countries like Germany and Taiwan where it is 42 kg and 19 kg respectively. However in the coming years Indian packaging industry is expected to grow at 18% p.a. , thus providing visibility and enough growth opportunities for the industry. Within Packaging Flexible packaging will grow almost twice the rate of rigid packaging. BOPP players will largely be benefitted with the growing trend of flexible packaging.

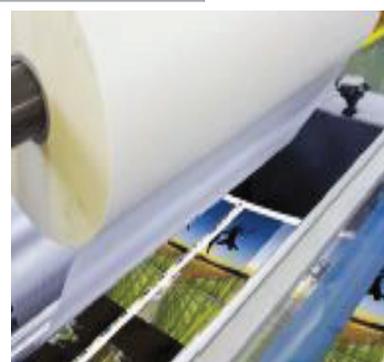
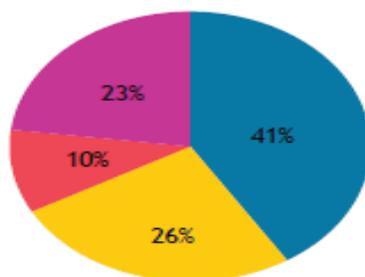


COSMO'S BUSINESS MATRIX : STRENGTHS & WEAKNESSES

PRODUCT PORTFOLIO

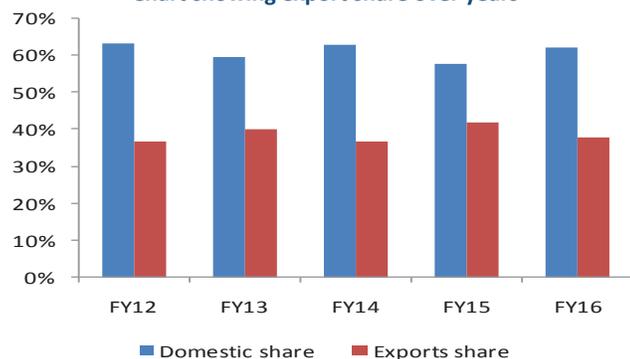
PACKAGING FILMS	LAMINATION FILMS	LABEL FILMS	INDUSTRIAL FILMS
1. Printing & Pouching Films 2. Barrier Films 3. Overwrap Films	1. Dry Thermal Lam. Films 2. Wet Print Lam. Films	1. Pressure Sensitive Label stock Films 2. Direct Thermal Printable Film 3. In-mould films 4. Wrap around label films	1. Pressure Sensitive films 2. Tape & textile Films

REVENUE SHARE AMONG PRODUCT CATEGORIES



■ Packaging
■ Lamination
■ Label
■ Industrial

Chart showing export share over years



Cosmo Films Limited is Pioneer of BOPP Industry in India and one of the global leaders and manufacturers of BOPP Films. Company is also the largest BOPP film exporter from India.

Cosmo's healthy export share in overall topline is evident of its product quality and strength. Company exports its products to more than 80 countries worldwide.

Cosmo operates from its units in India, Korea and US. Korea facility completely caters to Japanese market. Cosmo is in process of restructuring its US subsidiary business by launching new products there.

SUBSIDIARIES(WHOLLY OWNED) INFORMATION

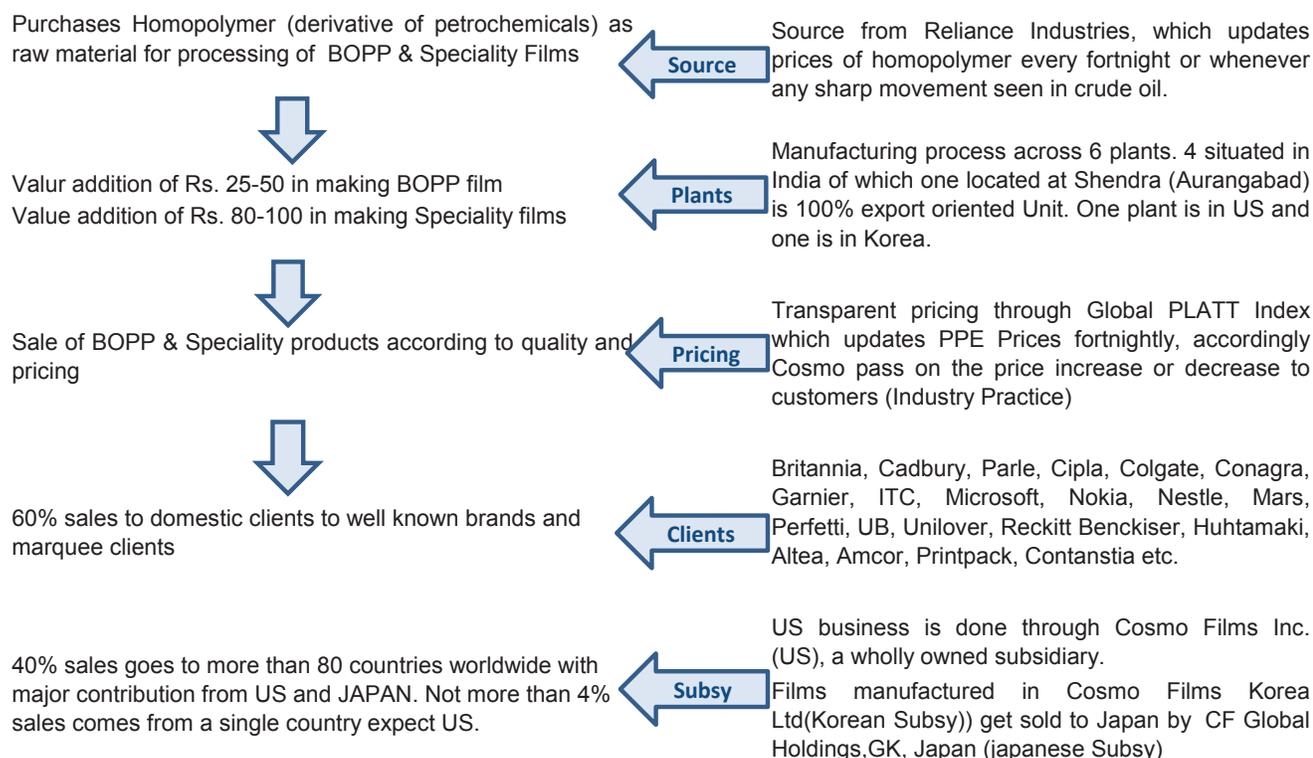
CF Global Holdings Limited GK (CGHG) (Japan)
 Cosmo Films (Netherlands) Cooperatief U.A
 CF (Netherlands) Holdings Limited B.V.
 Cosmo Films Japan, GK
 Cosmo Films Singapore Pte Limited
 Cosmo Films Korea Limited
 Cosmo Films Inc
 CF Investment Holding Private (Thailand) Company
 Cosmo Films Inc. (US)

CORPORATE GOVERNANCE: BOARD

Cosmo has fairly large Board with 3/4th number of independent directors on the Board with persons having decent qualification and rich experience in different industry working..

Mr. Ashok Jaipuria, Chairman & MD
 Mr. A.K Jain, Whole time Director
 Mr. H.K Aggarwal, Independent Director
 Mr. Rajeev Gupta, Independent Director
 Ms. Alpana, Non Ecex. Non Independent Director
 Mr. Ashish Kumar Guha, Independent Director
 Mr. Pratip Chaudhary, Independent Director
 Mr. H.N. Sinor, Independent Director

COSMO FILMS: HOW COMPANY OPERATES



METHODOLOGY OF CHECKING CAPACITY UTILISATION

In BOPP Industry in India and across globe, name plate (a unit measurement) capacity is calculated based on 25 micron film under standard 24 hour unit of production for 365 days. Based on customer requirements, Cosmo can produce different micron films. If a company produces 70% of total name plate capacity, it is considered as 100% utilisation. In FY16, Cosmo has produced 100000 MT on a name plate installed capacity of 136000 MT. p.a., thereby implying a 100% capacity utilisation. Currently Cosmo is operating at 72-73% utilisation on name plate capacity which is more than 100%, as guided by management.

FINANCIALS & VALUATIONS

Consolidated - Income Statement

(INR Cr.)

Y/E March	FY14	FY15	FY16	FY17E	FY18E	FY19E
Total Income from Operations	1468	1647	1621	1715	2276	2461
Change (%)	16%	12%	-2%	6%	33%	8%
Total Expenditure	1360	1542	1429	1532	1991	2147
% of Sales	93%	94%	88%	89%	87%	87%
EBITDA	109	104	191	183	285	314
Margin (%)	7.4%	6.3%	11.8%	10.7%	12.5%	12.7%
Depreciation	45.3	34.5	35.7	39.4	50.6	50.7
EBIT	63	70	156	144	234	263
Int. and Finance Charges	43	40	30	30	38	31
Other Income	7	5	6	5	5	3
PBT bef. EO Exp.	27	35	131	119	202	235
EO Items	28.68	-3.33	6.94	3.32	0	0
PBT after EO Exp	-2	38	124	115	202	235
Income Tax	4	11	28	20	46	66
Tax Rate (%)	-206%	28%	22%	18%	23%	28%
Less: Mionrity Interest	-	-	-	-	-	-
Reported PAT	-6	28	96	95	155	169
Change (%)	-	-	247.9%	-1.3%	63.6%	8.8%
Margin (%)	-0.4%	1.7%	5.9%	5.5%	6.8%	6.9%

Consolidated - Balance Sheet

(INR Cr.)

Y/E March	FY14	FY15	FY16	FY17E	FY18E	FY19E
Equity Share Capital	19	19	19	19	19	19
Preference Capital	-	-	-	-	-	-
Total Reserves	341	361	437	503	612	720
Net Worth	360	381	456	523	631	739
Minority Interest	-	-	-	-	-	-
Deferred Liabilities	51	57	79	79	79	79
Total Loans	525	412	344	507	430	355
Capital Employed	937	850	879	1108	1140	1174
Other Current Liabilities	78	99	99	103	137	148
Short Term Provisions	4	14	5	33	50	65
Accounts Payables	132	117	159	164	218	236
Total Liabilities	1151	1079	1142	1409	1545	1622
Net Fixed Assets	639	610	659	845	846	866
Goodwill on consolidation	-	-	-	-	-	-
Capital WIP	2	14	12	12	12	12
Current Assets, Loans & Advances	475	399	405	452	588	642
Inventory	202	180	172	188	256	283
Accounts Recievables	138	122	117	122	168	182
Cash & Bank Balances	60	25	32	83	92	106
Loans & Advances	74	72	83	59	72	71
Net Current Assets	476	404	406	452	588	642
Deffered Tax Assets	-	-	-	-	-	-
Misc. Expenditure	-	-	-	-	-	-
Appl. Of Funds	1151	1079	1142	1409	1545	1622

Ratios

Y/E March	FY14	FY15	FY16	FY17E	FY18E	FY19E
Basic (INR)						
EPS	-3	14	50	49	80	87
Book Value/Share	186	196	235	269	325	381
Payout %						
Profitability Ratios						
EBITDA margins(%)	7%	6%	12%	11%	13%	13%
PAT Margins (%)	0%	2%	6%	6%	7%	7%
Valuation (x)						
P/E	-	5.4	5.6	8.8	6.9	7.9
P/BV	0.3	0.4	1.2	1.6	1.7	1.8
EV/Sales	0.2	0.2	0.4	0.6	0.5	0.6
EV/EBITDA	3.3	3.5	3.8	6.1	4.4	4.5
Return Ratios						
ROE	-1.5%	7.3%	21.1%	18.2%	24.6%	22.9%
ROCE	9.3%	11.3%	22.9%	16.3%	26.1%	28.4%
Working Capital Ratios						
Asset Turnover(x)	1.28	1.53	1.42	1.22	1.47	1.52
Inventory Days	50	40	39	40	41	42
Debtors Days	34	27	26	26	27	27
Working Capital /Turnover	5.6	9.5	11.4	11.3	12.5	12.7
Leverage Ratios						
Debt/Equity	1.46	1.08	0.75	0.97	0.68	0.48
Coverage Ratios						
Interest coverage(x)	1.5	1.8	5.2	4.8	6.2	8.4

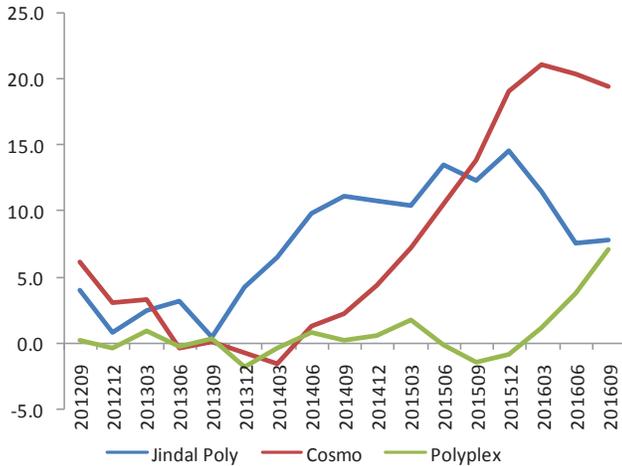
Consolidated Cash Flow Statement

(INR Cr.)

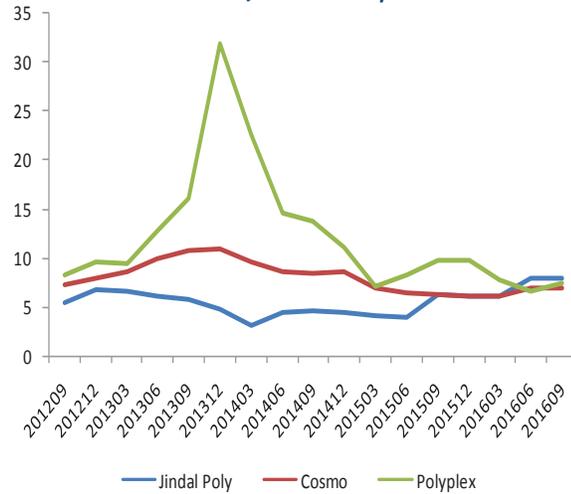
Y/E March	FY14	FY15	FY16	FY17E	FY18E	FY19E
Profit before tax	-2	38	124	115	202	235
Depreciation	45	35	36	39	51	51
Interest & Finance Charges	36	33	25	30	38	31
Other adjustments	-1	6	0	0	-4	-2
Direct Taxes Paid	-2	5	33	20	46	66
(inc.)/Dec. In WC	-22	23	71	17	-9	2
CF from Operations	59	129	222	181	231	251
Purchase of fixed assets & CWIP	-89	-48	-88	-225	-51	-71
Proceeds from Sale of fixed assets	13	10	4		0	0
Purchase of Investments	0	-6	1	-13	0	0
Other Adjustments	4	1	5	6	-9	2
CF from Investing activities	-72	-43	-79	-232	-60	-69
Proceeds for Long term borrowings	127	16	56	134	-89	-80
Repayments of long term borrowings	-65	-68	-82			
Proceeds/(Repay.) of short term borrowings	2	-35	-52	29	13	6
Interest Paid	-39	-33	-27	-30	-38	-31
Dividend Paid	-5	-2	-26	-24	-39	-51
Dividend Distribution Tax Paid	-1	0	-5	-5	-8	-10
CF from Financing activities	19	-121	-138	104	-161	-167
Inc./Dec. in cash or cash equivalent	7	-35	6	53	10	15
Opening Balance	27	54	18	32	86	95
Effects of change in Forex on cash	21	-1	1			
Closing Cash & Cash Equivalent	55	18	25	86	95	110

COMPARISON WITH KEY INDUSTRY PEERS

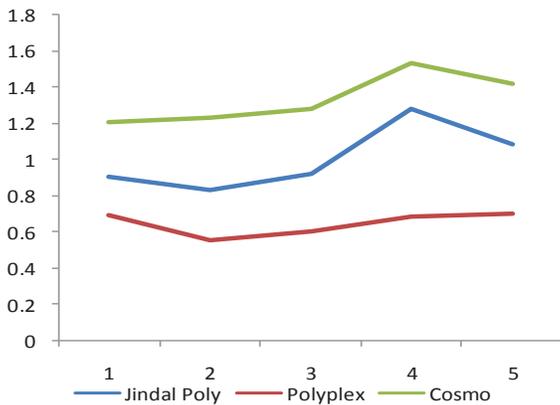
Return on equity



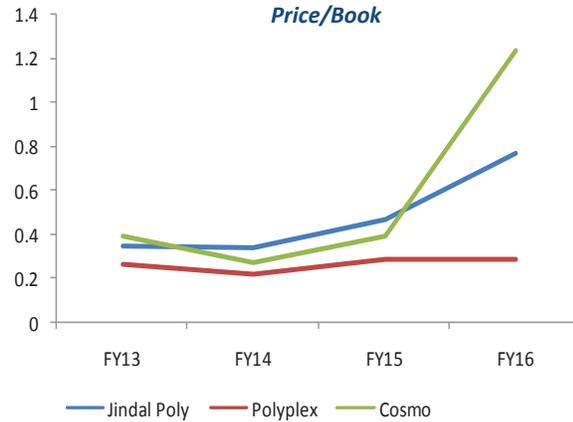
EV/EBITDA comparison



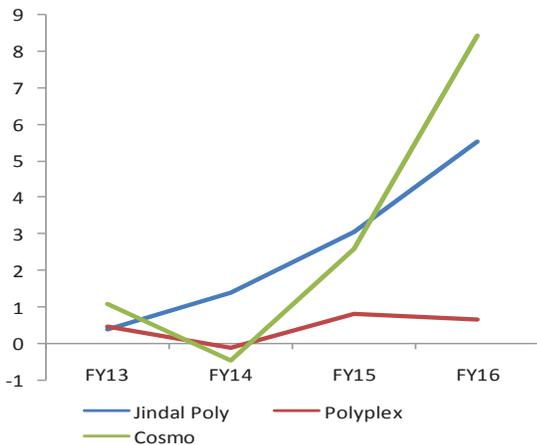
Asset Turnover



Price/Book



Return on Assets



A quick look into comparison between Cosmo and its nearest listed industry peers suggests that Cosmo will be able to command higher valuation vis-à-vis its peers such as JindalPoly (Highest Capacity in BOPP) and Polyplex.

Cosmo has highest ROE, Assets Turnover, ROCE, Return on Assets and Book value in comparison to Jindal Poly Films and Polyplex Corp. as shown here in the respective charts, however its stock price quoting at approx. similar valuations on EV/EBITDA, EV/Sales and other valuations parameters.

With ROE to enhance further in FY18&FY19, with operating leverage to come in play and higher margins management intent of consistently growing share of value added films in total portfolio, We strongly believe Cosmo will be able to command premium valuations in future.

RECENT DEVELOPMENTS TOWARDS FUTURE GROWTH

Cosmo Has recently acquired 34 acres of adjoining land available for sale close to its Waluj plant. Cosmo has entered into a definite agreement to purchase this land, for which advance has been paid and deal will be concluded by FY17 end. This land is acquired to target future growth plans of Cosmo. Management has guided that whatever the growth plans will be, it will be in direction to create value addition in current portfolio. New land will only be used to either to add speciality film capacity or any related value added project complementary to packaging business, of which company Cosmo possess knowledge.

KEY RISKS TO OUR EARNING PROJECTIONS

◆ FOREX FLUCTUATIONS

Cosmo's almost 40% sales comes from the export markets. Cosmo has been incurring huge losses in the past due to adverse currency movements. Cosmo is being exposed to USD/INR and USD/YEN . It sells its products in US and is exposed to USD/INR fluctuation risk. Also It sells its products manufactured in Korean plant to Japanese local markets in yen and pays to Korean Subsidiary in USD, thus exposed to cross currency fluctuation risk. Any future adverse movement may impact Cosmo's earnings.

◆ THREAT OF NEW CAPACITY AND INCREASED COMPETITION

Though Cosmo's new capacity addition will easily be get absorbed as Indian markets need 50000 MTPA additional BOPP film. Also it takes 12-15 months for any additional capacity to come in the market and there is no expansion announced by any other player in India till date, as per management, However any new capacity going forward may impact future sales growth in future.

◆ PRICING RISK

As per management there is no raw material commodity risk as far as product pricing is concerned as any increase or decrease in raw material is passed on to customers every time whenever PPE prices are updated through Global PLATT Index, however lots of economic conditions play role in product pricing. Thus any delay in pass on of raw material price hike may hamper gross margins for the short duration.

◆ DELAY IN RAMP UP OF NEWLY EXPANDED CAPACITY

As per management , within 5-6 months of the commercial production start in new capacity, Company is hopeful of achieving 100% utilisation, however any delay in ramp up of utilisation may adversely impact our revenue and profit projections.

◆ DELAY IN TURN AROUND OF US SUBSIDIARY

Management has guided for break even in US subsidiary's business by FY18 end, however any delay in earning turnaround in US business may impact consolidated earnings in future.