

BSE SENSEX
34,451

S&P CNX
10,585

Infosys

Stock Info

Bloomberg	INFO IN
Equity Shares (m)	2,184
52-Week Range (INR)	1220 / 862
1, 6, 12 Rel. Per (%)	-4/22/11
M.Cap. (INR b)	2,570.8
M.Cap. (USD b)	38.9
Avg Val, INRM	5446.0
Free float (%)	87.1

Financials Snapshot (INR b)

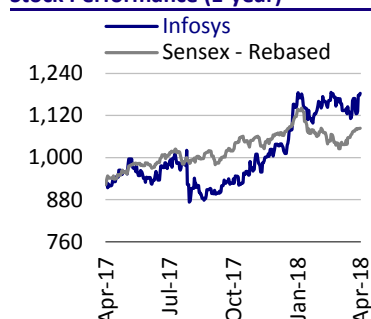
Y/E Mar	2018	2019E	2020E
Net Sales	705.2	779.6	861.4
EBITDA	190.1	202.6	220.7
PAT	161.0	151.0	162.7
EPS (INR)	64.8	70.1	77.7
Gr. (%)	3.1	8.3	10.8
BV/Sh (INR)	286.5	319.3	303.9
RoE (%)	24.1	22.9	24.9
RoCE (%)	24.1	22.9	24.9
P/E (x)	17.4	16.0	14.5
P/BV (x)	3.9	3.5	3.7

Shareholding pattern (%)

As On	Mar-18	Dec-17	Mar-17
Promoter	12.9	12.9	12.8
DII	21.6	21.7	20.3
FII	35.7	35.4	38.8
Others	29.8	30.0	28.1

FII Includes depository receipts

Stock Performance (1-year)



CMP: INR1,183 TP: INR1,330(+13%)

Buy

Stability (FY19) → Momentum → Accelerate (FY21)

Granular strategy articulated around Digital, Core, Sales and Talent

- On its Analyst Day, INFO's new CEO Mr Salil Parekh shed more light on the four pillars of its strategic plan: [1] scaling agile digital, [2] energizing the core, [3] re-skilling people and [4] expanding localization of talent.
- INFO's well-articulated strategy in digital, sales, talent re-skilling and localization, coupled with the USD2.79b base of digital revenues, provides a good base to kick-off its next innings. With previous distractions behind, INFO's focus is back on execution.
- The company cited that FY19 will be a year of stabilization, FY20 a year of momentum building, and FY21 a year of acceleration. It, however, refrained from divulging any further details about the implications of this strategy on its absolute/relative financial performance.
- With the benefits from productivity levers such as automation becoming visible, INFO indicated that pricing is not as big a concern and that the margin guidance cut is a function of ~USD100m worth of investments made to build capabilities imperative for the execution of its strategy.
- INFO's USD2.79b revenue base puts it in a strong position in the USD160b+ market, which is growing at more than 15%. It cited that knowledge of clients' core technology environment is a huge advantage, which, combined with energizing the core, means that firms such as INFO are best placed to drive Digital story.
- Its investments in sales & marketing will focus on six imperatives: [1] branding, [2] injecting digital specialists into accounts, [3] scaling large accounts, [4] shaping large deals, [5] acquiring new accounts and [6] enabling sales via continuous anytime-anywhere learning.
- We maintain our Buy rating on INFO with a price target of INR1,330 (16x FY20E earnings).

Articulates the granular execution focus of the strategy

INFO divulged further details about the four pillars of its execution, articulating the focus areas of its strategy under the new leadership. Its five-dimensional digital service architecture comprises: [1] Insights, [2] Innovate, [3] Accelerate, [4] Assure and [5] Experience.

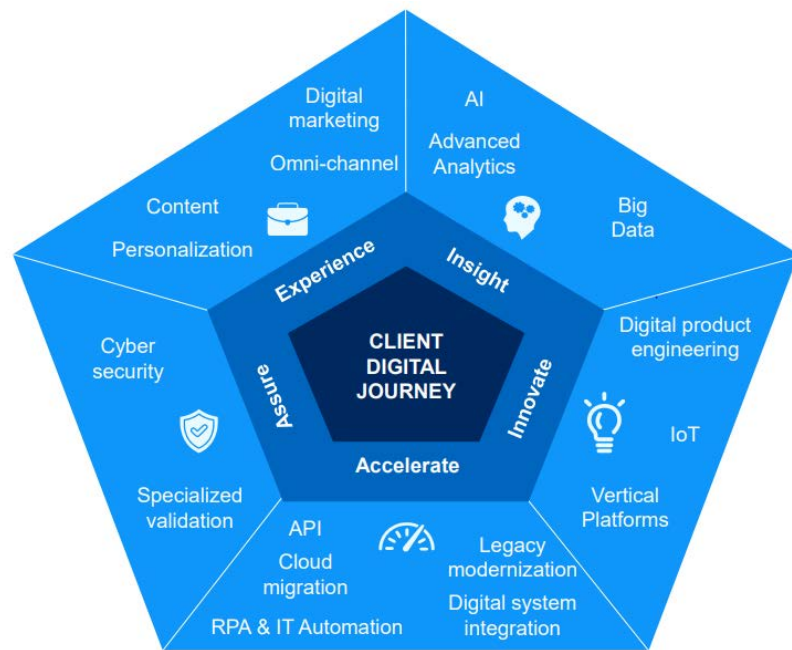
- **INSIGHT** – Data is one of the biggest opportunities in Digital. INFO is driving this through both IP-led differentiation (Genome, Hawkeye) and bundled solutions built with new-age partners.
- **ACCELERATE** – Transitioning Enterprise workloads. Digital workloads were always on the cloud.
- **INNOVATE** - Value of Digital is in interface of Digital and Physical objects. INFO is building platforms to drive that. It is co-creating IPs with clients leveraging its NIA framework.
- **ASSURE** – New-age assurance capabilities, cyber defense centers, security architecture capabilities are some of the aspects of Assure.
- It showcased examples of some of the work done with its large accounts, such as Telstra and Adecco, where one or many of these five tenets were put to practice.

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Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Exhibit 1: INFO's 5five-pronged digital service architecture

Source: Company, MOSL

Three-year road-map: From Stabilizing to Accelerating

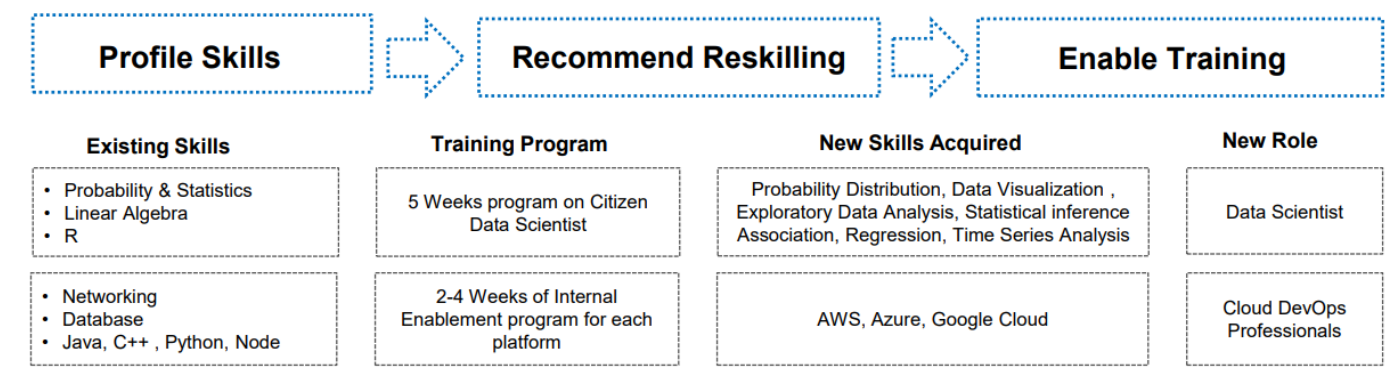
- In terms of INFO's outlook from a three-year perspective, it laid out that FY19 will be a year of stabilization after multiple distractions in the recent past. It will build momentum on top of this in FY20 and seek to accelerate with greater share of clients' wallets in FY21.
- The natural question followed – is it setting expectations for relatively subdued growth for the next couple of years. However, the company refrained from deducing or alluding to any financial implications of the same, citing this is more in terms of the changes to the structure and the necessary investments to be made to the team.

Multi-pronged investments in sales: from Digital to Large deals

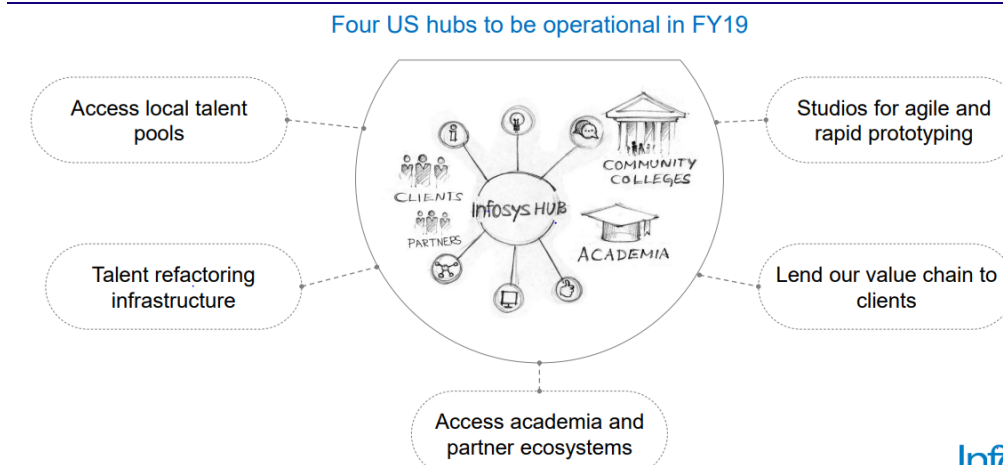
- INFO's investments in sales & marketing will focus on six imperatives: [1] Branding, [2] Injecting digital specialists into accounts, [3] Scaling large accounts, [4] Shaping large deals, [5] Acquiring new accounts and [6] Enabling sales via continuous anytime-anywhere learning.
- USD50m+ and USD100m+ were prime focus areas for the company. It is selecting its team very carefully per client to drive this agenda.

People: Re-skilling through Lex and localization

- INFO's COO Mr Pravin Rao cited that fresh hiring was being diversified to myriad of areas encompassing traditional engineering campuses, selecting top programmers from IITs, and also tying up with third-parties to source talent.
- All said and done, the talent gap is real – this is why INFO is also looking at adjacent skills and up-skilling talent for newer technologies.
- INFO has also set up its anytime-anywhere learning platform Lex to facilitate learning by its employees.

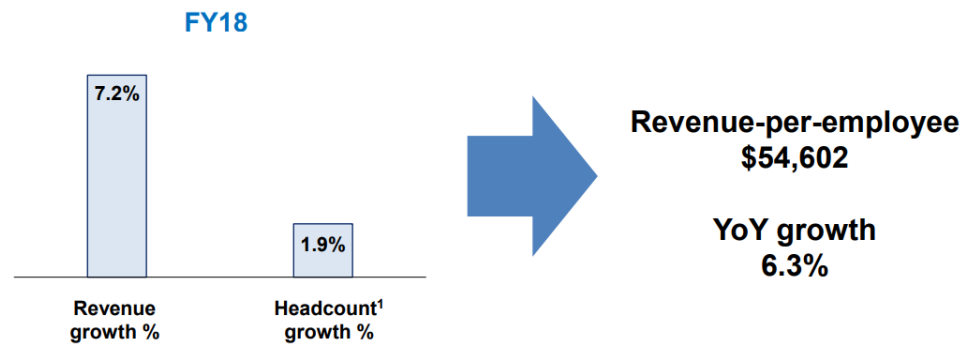
Exhibit 2: INFO's reskilling model

- On the localization front, INFO is building local innovation and tech hubs, which are situated closer to its clients. Four US hubs will be operational in FY19.

Exhibit 3: Four US hubs to be operational in FY19

The issue of margins and demand: more of the same

- INFO reiterated its commentary of four investment areas, which have dragged margin guidance down by 1pp – sales, re-skilling, localization and digital.
- INFO's utilization as a lever has been used to the extent possible, and further room in expanding the same is limited. However, its productivity drive continues, whereby headcount growth will continue to be lesser than revenue growth.
- The per capita constant currency pricing has been stable at both onsite and offshore in FY18, implying that if Digital growth continues its recent trend, there might be some uptick in realization.
- On the revenue front, FY19 should be a better year for BFS than FY18. The traction in faster-growing segments such as E&U, Communications and Insurance remains intact.

Exhibit 4: Productivity improvements (including utilization) drove better revenue per employee

A foreword on the long-term industry view: Growth for Indian IT should gradually pick-up from current 6-7% as Digital services proliferate, which today are still small to move the needle on the overall performance. India will remain the hotbed for talent supply en masse, making a case for increasing shift of Digital business from onsite. That said, with Automation the top priority of every Board, without exceptions, delineation of revenue growth with headcount growth appears obvious – and the only lever to stem the decline in profitability witnessed in recent years.

INFO against that industry backdrop

- **Inward focus will mean some catch-up play:** INFO has built capabilities to match spend shifts over the past three years. Its portfolio is not very different from the industry, but it has been investing in new services and solutions, and currently 11% of revenues come from services/solutions that didn't exist two years ago. Digital contributes to north of 25% of overall revenue for the company. Execution rigor is the mantra for the company going forward, having boiled down the strategic imperatives. Its inward focus – thanks to the recent distractions – mean that the company will be left playing catch up to the more focused players in the market over the next year or so, at least.
- **Operational efficiency commendable:** On the profitability front, it has been among the most disciplined companies in terms of operational efficiency in the last couple of years. This has helped hold margins in a tight band while investing aggressively in building capabilities and going through a price reset in competitive traditional large deals. Going forward, despite the plan to invest further to build capabilities and boost the sales function, onsite roll ratios continue offering potential to improve efficiencies further, and productivity from Automation will only keep inching up with greater maturity.
- Considering this, we expect INFO to grow revenues in line with the industry due to its heavy legacy exposure today. However, it should be able to hold on to its margins, which will be a function of greater revenue per employee and lower headcount growth v/s revenue growth. As a result, our roll forward earnings CAGR over the next three years for INFO is aligned with the revenues at 8.8%, which is slightly back-ended but at the median of the industry.

Exhibit 5: INFO – Business Construct

Y/E March	2013	2014	2015	2016	2017	2018	2019E	2020E	2021E
USD revenue growth (%)	5.8	11.5	5.6	9.1	7.4	7.2	8.8	9.0	8.6
Employee growth (%)	4.5	2.4	9.8	10.1	3.3	1.9	10.2	8.5	6.0
Revenue per employee (USDk per annum)	48,245	52,029	51,760	51,325	51,764	54,090	55,478	55,312	56,066
EBITDA margin (%)	28.6	27.2	27.9	27.4	27.2	27.0	26.0	25.6	25.3
EPS growth (%)	13.3	13.0	15.8	9.4	6.4	3.1	8.3	10.8	8.8

Source: Company, MOSL

Valuation and view

- **It had been about revenue growth:** Valuation multiples have historically ascribed the highest valuation to revenue growth, which is not surprising as it is also the single-largest lever for margins. Thus, as growth at INFO has come down from 20%+ to single digits, the current forward P/E multiple is at 14x v/s the long-term average of 17x.
- **Longevity may be the offsetting play:** As the industry shifts its gears to Digital, there remains a tremendous need to up investments in technology across the board. Companies participating in this wave may not be materially outgrowing their peers, but will still enjoy significantly higher multiples for the other key determinant of valuation – Longevity. Digital-ready vendors offer healthier visibility of profits and cash flow generation today, while legacy businesses are faced with the dual pressure of shrinking revenue pie.
- **Case for re-rating supported by examples of Accenture and CTSH:** The test for Indian IT has now been stern than ever, and we see growth from newer technologies as a strong case in point for accretion of valuation multiples, even without acceleration in revenues. CTSH, which is growing lower than its enamored history, and Accenture are case in points that drive our thesis.

What it means for the target price?

- **Three-year view:** This key premise drives our expectation of a target multiple not very divergent from the historical average for INFO: 18x 1-year forward, which on FY21E earnings works out to INR1,500. This implies a return CAGR of 15% at INFO.
- **One-year view:** INFO's performance in recent years has been in line with peers. The guidance on revenues was on expected lines. However, we believe that 22% EBIT at the lower end of margin band is conservative, with pricing pressures seemingly tailing off and the share of higher-margin Digital inching up. Our price target of INR1,300 discounts forward earnings by 16x. Maintain **Buy**.

Key triggers

- Pick-up in growth led by strength in multiple areas
- Better profitability performance
- Unhindered operational performance despite changes at board/leadership

Key risk factors

- Adverse regulatory developments around current visa regime
- Additional instability in leadership and execution from multiple exits
- Issues in certain pockets weighing on overall growth

Exhibit 6: INFO 1-year forward P/E

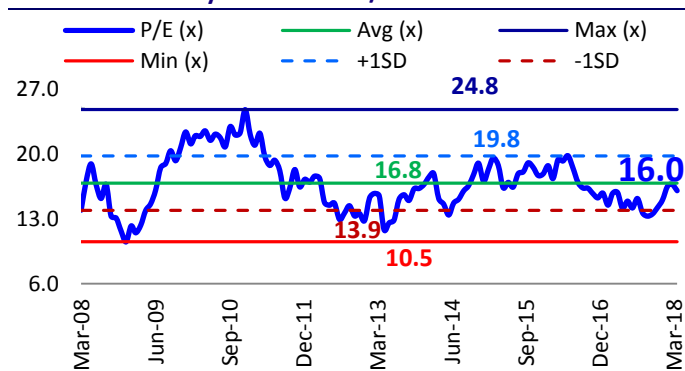


Exhibit 7: INFO 1-year forward P/B

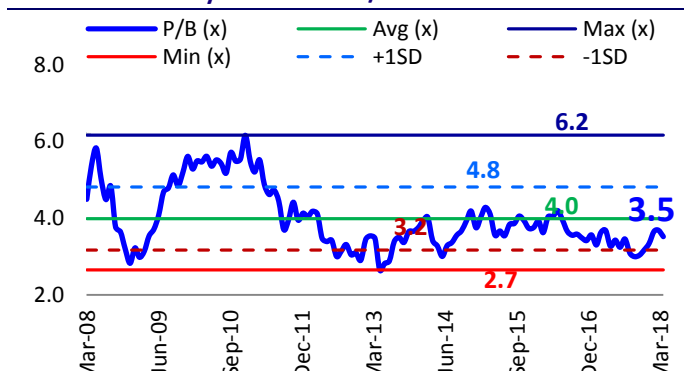


Exhibit 8: Comparative Valuation

Company	Mkt cap (USD b)	Rating	TP (INR)	EPS (INR)			P/E (x)			RoE (%)			FY18-20E CAGR (%)	
				FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E	USD rev.	EPS
Source:	87.5	Neutral	2,700	131.8	147.1	161.3	22.2	19.9	18.2	30.7	32.8	31.3	8.9	10.6
Infosys	40.1	Buy	1,300	64.8	70.1	77.7	17.2	15.9	14.3	24.1	22.9	24.9	8.9	9.5
Wipro	21.0	Neutral	300	17.9	18.8	21.1	15.9	15.2	13.5	17.2	17.0	16.9	6.9	8.6
HCL Tech	20.5	Neutral	950	63.4	66.3	71.6	14.9	14.3	13.2	25.7	24.4	24.0	8.9	6.3
TechM	9.1	Buy	700	40.2	42.8	49.8	15.5	14.6	12.5	20.9	20.1	20.2	10.5	11.3

Source: Company, MOSL

Operating metrics

Exhibit 9: Operating metrics

	3QFY16	4QFY16	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18
Verticals (%)										
Banking and Financial Services	27.6	27.4	27.2	27.4	27.2	27.4	27.1	27.0	26.3	26.2
Insurance	5.9	5.4	5.6	5.7	6.1	6.1	6.2	6.4	6.8	6.8
Manufacturing	22.8	22.7	22.8	22.5	22.5	22.4	22.2	22.0	21.8	21.9
Retail & CPG	14.7	15.0	15.5	14.9	14.6	14.1	14.2	13.8	14.1	13.3
Transport & Logistics	1.9	2.0	1.9	1.9	2.0	2.0	1.9	2.0	2.1	2.5
Life Sciences	5.8	5.7	5.8	4.7	4.6	4.6	4.6	4.6	4.6	4.8
Healthcare	1.9	2.0	1.9	2.1	2.3	2.0	2.0	2.1	2.0	2.0
Energy & Utilities	5.1	5.2	4.7	4.8	5.0	5.0	5.2	5.5	5.8	5.9
Communication & Services	8.0	8.6	9.4	9.4	9.1	9.9	10.4	10.4	10.5	10.8
Others	6.3	6.2	6.3	6.1	6.6	6.5	6.2	6.5	6.2	6.1
Service Lines (%)										
Development	14.1	13.7	14.4	15.6	15.5	15.3	15.4	15.6	15.4	15.5
Maintenance	19.1	19.7	19.5	18.1	17.0	16.8	16.7	16.0	16.2	15.6
Infrastructure Management	7.5	8.0	8.3	8.4	8.6	8.5	8.4	9.0	8.8	9.3
Testing	9.2	9.0	9.1	9.2	9.1	9.0	9.3	9.4	9.4	9.8
Business process management	4.9	5.0	4.9	4.9	4.9	5.1	5.0	5.1	5.3	5.4
Engg Services	3.4	3.4	3.5	3.7	3.9	4.0	4.1	4.1	4.0	4.0
Others	3.0	2.8	2.8	2.7	3.0	3.0	2.9	3.1	3.1	2.8
BITS	61.2	61.6	62.5	62.6	62.0	61.7	61.8	62.3	62.2	62.4
CSI	33.8	33.2	32.1	32.1	32.4	32.6	32.6	32.5	32.8	32.4
Products	3.0	3.2	3.1	3.0	3.2	3.2	Nm	Nm	Nm	Nm
BPM Platforms	0.9	0.8	0.9	2.1	1.9	1.9	Nm	Nm	Nm	Nm
Others	1.1	1.2	1.0	0.4	0.5	0.5	Nm	Nm	Nm	Nm
PPS	5.0	5.2	5.0	5.5	5.6	5.6	5.4	5.2	5.3	4.9
Geography (%)										
North America	62.5	61.9	62.0	61.5	62.0	62.3	61.1	60.6	60.4	59.4
Europe	23.2	23.4	23.0	22.5	22.2	22.1	22.4	23.2	24.4	24.8
India	2.8	3.0	2.7	3.4	3.4	3.2	3.6	3.3	3.0	2.8
RoW	11.5	11.7	12.3	12.6	12.4	12.4	12.9	12.9	12.2	13.0
Clients (%)										
Revenues from top client	3.5	3.6	3.6	3.5	3.1	3.3	3.3	3.4	3.4	3.6
Revenues from top 5 clients	13.9	13.7	13.7	13.1	12.3	12.2	Nm	Nm	Nm	Nm
Revenues from top 10 clients	22.6	21.8	22.2	21.8	20.1	20.2	20.0	19.5	19.2	19.5
Revenues from 2-5 client	10.4	10.1	10.1	9.6	9.2	8.9	Nm	Nm	Nm	Nm
Revenues from 6-10 clients	8.7	8.1	8.5	8.7	7.8	8.0	Nm	Nm	Nm	Nm
Revenues from Non-Top 10 clients	77.4	78.2	77.8	78.2	79.9	79.8	80.0	80.5	80.8	80.5
Clients added during the quarter	75	89	95	78	77	71	59	72	79	73
Total active client	1,045	1092	1126	1136	1152	1162	1164	1173	1191	1204

Source: MOSL, Company

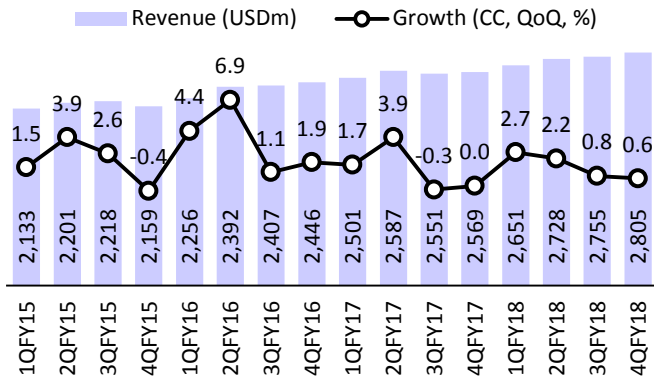
Exhibit 10: Operating metrics

QoQ Growth (%)	3QFY16	4QFY16	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18
Verticals										
Banking and Financial Services	2.8	-0.5	2.2	4.4	-0.8	1.3	2.6	3.2	0.1	1.5
Energy & Utilities	9.2	3.6	-7.6	5.6	2.7	0.7	7.3	8.8	6.5	3.6
Insurance	6.0	-7.0	6.0	5.3	5.5	0.7	4.9	6.2	7.3	1.8
Manufacturing	-3.6	1.2	2.7	2.1	-1.4	0.3	2.3	2.0	0.1	2.3
Others	0.6	-0.6	-3.7	7.4	-0.7	-2.3	0.8	3.7	-1.4	1.8
Retailing	-0.7	3.7	5.7	-0.6	-3.4	-2.7	3.9	0.0	3.2	-4.0
Telecom	1.9	9.2	11.8	3.4	-4.5	9.6	8.4	2.9	2.0	4.7
Transportation	0.6	7.0	-2.9	3.4	3.8	0.7	-2.0	8.3	6.0	21.2
Service Lines										
Development	1.3	-1.3	7.5	12.1	-2.0	-0.6	3.9	4.2	-0.3	2.5
Maintenance	-1.9	4.8	1.2	-4.0	-7.4	-0.5	2.6	-1.4	2.3	-2.0
Infrastructure Management	-13.3	8.4	6.1	4.7	1.0	-0.5	2.0	10.3	-1.3	7.6
Consulting & Package Implementation	3.7	-0.2	-1.1	3.4	-0.5	1.3	3.2	2.6	1.9	0.6
Testing	2.9	-0.6	3.4	4.6	-2.5	-0.4	6.6	4.0	1.0	6.1
Engg Services	3.7	1.6	5.3	9.3	3.9	3.3	5.8	2.9	-1.5	1.8
Business process management	0.6	3.7	0.2	3.4	-1.4	4.8	1.2	5.0	5.0	3.7
Others	7.8	-5.2	-1.4	11.1	2.0	7.4	0.0	2.9	-8.8	12.7
Products	2.7	5.7	8.1	-4.1	8.3	-1.1	1.3	-0.9	2.9	-5.9
Geography										
North America	-0.6	0.6	2.4	2.6	-0.6	1.2	1.2	2.1	0.7	0.1
Europe	1.9	2.5	0.5	1.2	-2.7	0.3	4.6	6.6	6.2	3.5
India	22.5	8.9	-8.0	30.3	-1.4	-5.2	16.1	-5.7	-8.2	-5.0
RoW	0.6	3.4	7.5	6.0	-3.0	0.7	7.4	2.9	-4.5	8.5
Clients										
Revenues from top client	-4.8	4.5	2.2	0.6	-12.7	7.2	3.2	6.0	1.0	7.8
Revenues from top 5 clients	-0.1	0.2	2.2	-1.1	-7.4	-0.1	Nm	Nm	Nm	Nm
Revenues from top 10 clients	-0.3	-2.0	4.1	1.6	-9.1	1.2	2.2	0.3	-0.6	3.4
Revenues from Non-Top 10 clients	0.9	2.7	1.7	4.0	0.8	0.6	3.5	3.5	1.4	1.4
Revenues from 2-5 client	1.6	-1.3	2.2	-1.7	-5.5	-2.6	Nm	Nm	Nm	Nm
Revenues from 6-10 clients	-0.5	-5.4	7.3	5.9	-11.6	3.3	Nm	Nm	Nm	Nm

Source: MOSL, Company

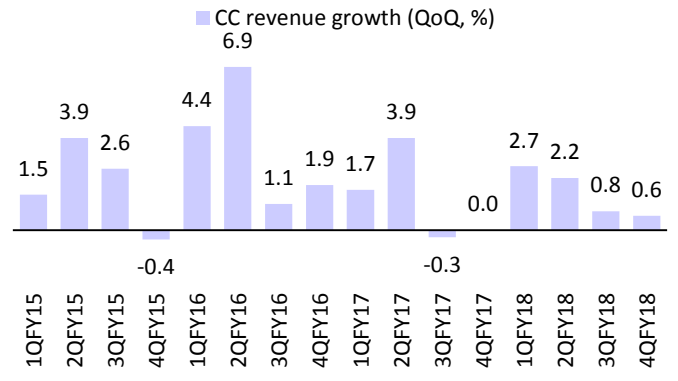
Story in charts

Exhibit 11: Gradually getting past growth issues



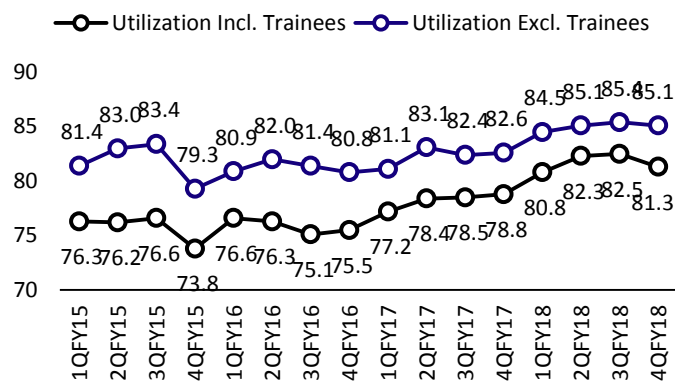
Source: Company, MOSL

Exhibit 12: Resulting in expectations of improved performance going forward



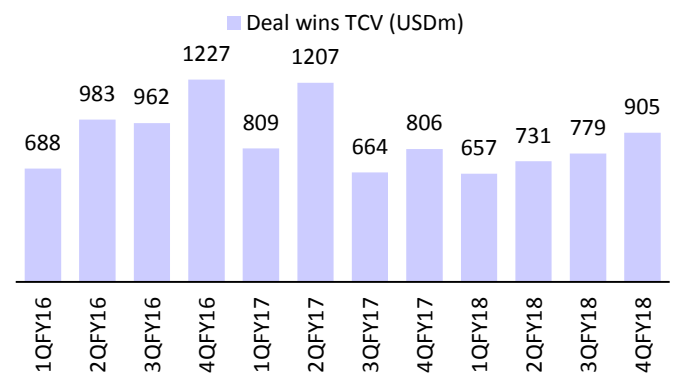
Source: Company, MOSL

Exhibit 13: Encouraging execution on the profitability front; utilization at an all-time high



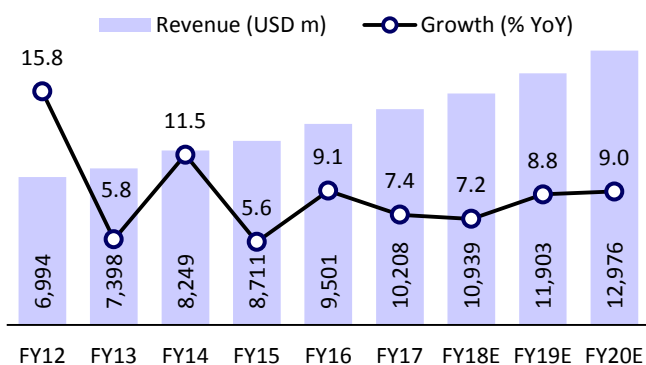
Source: Company, MOSL

Exhibit 14: Deal signings consistently better



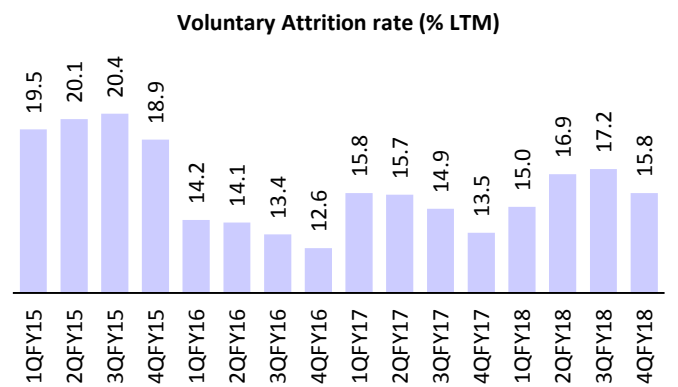
Source: Company, MOSL

Exhibit 15: Gap with industry growth has reduced



Source: Company, MOSL

Exhibit 16: Attrition levels in control despite recent upheaval



Source: Company, MOSL

Financials and Valuations

Key assumption

Y/E Mar	2013	2014	2015	2016	2017	2018	2019E	2020E
INR/USD Rate	54.5	60.8	61.2	65.7	67.1	64.5	65.5	66.4
Revenues (USD m)	7,398	8,249	8,711	9,501	10,208	10,939	11,903	12,976
Per Capita Rev. Productivity (USD)	48,245	52,029	51,760	51,325	51,764	54,090	55,478	55,312
Offshore Revenue (%)	49.0	48.0	48.8	47.3	46.8	47.9	48.4	48.7
Total Headcount	156,688	160,405	176,187	194,044	200,364	204,107	225,001	244,190
Net Addition	6,694	3,717	15,782	17,857	6,320	3,743	20,894	19,189
Gross Addition	37,036	39,985	53,386	52,545	44,235	44,110	44,000	44,250
Utilization Incl. trainees (%)	69.5	73.6	76.2	76.5	78.9	82.4	81.0	82.0
Utilization Excl. trainees (%)	73.0	77.4	82.0	81.7	82.8	85.5	85.7	85.9

Income Statement

(INR Million)

Y/E Mar	2013	2014	2015	2016	2017	2018	2019E	2020E
Net Sales	403,520	501,330	533,190	624,410	684,850	705,220	779,648	861,359
Change (%)	19.6	24.2	6.4	17.1	9.7	3.0	10.6	10.5
EBITDA	115,570	136,340	149,020	170,790	186,050	190,100	202,614	220,659
EBITDA Margin (%)	28.6	27.2	27.9	27.4	27.2	27.0	26.0	25.6
Depreciation	11,284	13,740	10,690	14,590	17,030	18,580	19,202	19,534
EBIT	104,286	122,600	138,330	156,200	169,020	171,520	183,411	201,126
Other Income	23,590	26,690	34,270	31,250	30,790	31,930	23,479	21,795
Extraordinary items	0	-2,190	0	0	0	-14,320	0	0
PBT	127,876	147,100	172,600	187,450	199,810	189,130	206,891	222,920
Tax	33,670	40,620	49,290	52,520	55,980	42,420	55,860	60,188
Tax Rate (%)	26.3	27.6	28.6	28.0	28.0	22.4	27.0	27.0
Min. Int. & Assoc. Share	0	0	10	0	0	0	0	0
Reported PAT	94,206	106,480	123,300	134,930	143,830	146,710	151,030	162,732
Adjusted PAT	94,206	108,670	123,300	134,930	143,830	161,030	151,030	162,732
Change (%)	13.3	15.4	13.5	9.4	6.6	12.0	-6.2	7.7

Balance Sheet

(INR Million)

Y/E Mar	2013	2014	2015	2016	2017	2018	2019E	2020E
Share Capital	2,860	2,860	5,720	11,440	11,440	10,880	10,875	10,875
Reserves	395,110	472,440	541,910	606,350	677,990	638,350	658,096	625,705
Net Worth	397,970	475,300	547,630	617,790	689,430	649,230	668,971	636,580
Total Capital Employed	397,970	475,300	547,630	617,790	689,430	649,230	668,971	636,580
Gross Fixed Assets	117,540	140,790	178,360	208,370	227,210	241,820	292,278	320,278
Less: Acc Depreciation	42,080	55,250	64,220	74,510	85,810	97,020	131,192	150,726
Net Fixed Assets	75,460	85,540	114,140	133,860	141,400	144,800	161,085	169,552
Capital WIP	16,600	18,320	14,400	18,930	19,650	21,320	17,110	17,110
Investments	17,390	45,230	24,130	21,050	167,070	121,790	22,920	22,920
Current Assets	354,060	421,460	510,850	580,050	505,040	510,500	645,378	622,866
Debtors	95,180	111,620	125,580	143,590	159,700	174,030	185,834	205,310
Cash & Bank	218,320	259,500	303,670	326,970	226,250	198,180	347,669	310,863
Loans & Adv, Others	40,560	50,340	81,600	109,490	119,090	138,290	111,875	106,693
Curr Liabs & Provns	65,540	95,250	115,890	136,100	143,730	149,180	177,523	195,868
Curr. Liabilities	41,300	56,180	70,180	79,760	83,640	101,490	107,502	119,363
Provisions	24,240	39,070	45,710	56,340	60,090	47,690	70,021	76,505
Net Current Assets	288,520	326,210	394,960	443,950	361,310	361,320	467,855	426,998
Total Assets	397,970	475,300	547,630	617,790	689,430	649,230	668,971	636,580

Financials and Valuations

Ratios

Y/E Mar	2013	2014	2015	2016	2017	2018	2019E	2020E
Basic (INR)								
EPS	41.2	46.6	53.9	59.0	62.8	64.8	70.1	77.7
Cash EPS	46.2	53.6	58.6	65.4	70.3	79.3	81.3	87.0
Book Value	174.1	208.0	239.6	270.3	301.5	286.5	319.3	303.9
DPS	10.5	15.8	18.5	24.7	25.7	32.3	44.8	38.0
Payout (incl. Div. Tax.)	25.5	33.1	34.3	41.9	40.9	45.4	62.1	48.9
Valuation(x)								
P/E				19.0	17.9	17.4	16.0	14.5
Cash P/E				17.2	16.0	14.2	13.8	12.9
Price / Book Value				4.2	3.7	3.9	3.5	3.7
EV/Sales				3.6	3.2	3.2	2.5	2.3
EV/EBITDA				13.0	11.7	11.7	9.8	9.2
Dividend Yield (%)				2.2	2.3	2.9	4.0	3.4
Profitability Ratios (%)								
RoE	25.7	24.9	24.1	23.2	22.0	24.1	22.9	24.9
RoCE	25.7	24.9	24.1	23.2	22.0	24.1	22.9	24.9
Turnover Ratios (%)								
Fixed Asset Turnover (x)	6.5	6.6	5.7	5.3	5.2	5.2	5.3	5.3
Debtors (No. of Days)	86.1	81.3	86.0	83.9	85.1	90.1	87.0	87.0
Leverage Ratios (%)								
Net Debt/Equity (x)	-0.5	-0.5	-0.6	-0.5	-0.3	-0.3	-0.5	-0.5

Cash Flow Statement

(INR Million)

Y/E Mar	2013	2014	2015	2016	2017	2018	2019E	2020E
Adjusted EBITDA	115,570	138,530	149,020	170,790	186,050	204,420	202,614	220,659
Non cash opr. exp (inc)	21,960	22,500	35,450	31,260	30,750	10,190	31,459	21,795
(Inc)/Dec in Wkg. Cap.	-9,580	390	-25,770	-24,275	-18,040	-20,660	34,974	4,051
Tax Paid	-32,930	-38,780	-49,290	-52,520	-55,980	-56,740	-55,860	-60,188
CF from Op. Activity	95,020	122,640	109,410	125,255	142,780	137,210	213,186	186,317
(Inc)/Dec in FA & CWIP	-32,470	-27,450	-35,370	-37,278	-25,290	-23,650	-31,278	-28,000
Free cash flows	62,550	95,190	74,040	87,977	117,490	113,560	181,909	158,317
(Pur)/Sale of Invt	-18,040	-22,580	21,100	3,287	-132,201	45,280	98,870	0
CF from Inv. Activity	-50,510	-50,030	-14,270	-33,991	-157,491	21,630	67,592	-28,000
Inc/(Dec) in Net Worth	0	0	0	0	0	0	0	0
Inc / (Dec) in Debt	-890	0	0	0	0	0	0	0
Divd Paid (incl Tax) & Others	-31,210	-31,430	-50,970	-68,403	-71,168	-88,491	-113,501	-96,185
CF from Fin. Activity	-32,100	-31,430	-50,970	-68,403	-71,168	-88,491	-113,501	-96,185
Inc/(Dec) in Cash	12,410	41,180	44,170	22,861	-85,879	70,349	167,278	62,131
Add: Opening Balance	205,910	218,320	259,500	303,670	326,531	240,652	311,000	478,279
Closing Balance	218,320	259,500	303,670	326,531	240,652	311,000	478,278	540,411

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	> - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
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