

# Persistent Systems

**BUY**

INDUSTRY		IT	
<b>CMP (as on 24 Apr 2018)</b>	<b>Rs 726</b>		
<b>Target Price</b>	<b>Rs 840</b>		
Nifty	10,614		
Sensex	34,617		
KEY STOCK DATA			
Bloomberg	PSYS IN		
No. of Shares (mn)	80		
MCap (Rs bn) / (\$ mn)	58/876		
6m avg traded value (Rs mn)	159		
STOCK PERFORMANCE (%)			
<b>52 Week high / low</b>	<b>Rs 878/558</b>		
	3M	6M	12M
Absolute (%)	(8.1)	10.8	28.7
Relative (%)	(3.8)	4.6	12.0
SHAREHOLDING PATTERN (%)			
Promoters	30.62		
FIs & Local MFs	18.41		
FPIs	23.99		
Public & Others	26.98		
<i>Source : BSE</i>			

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## Recovery ahead

Persistent posted rev decline (in-line) and margin contraction with lower IP revenue. Revenue stood at USD 117mn, -4.6%/+7.3% QoQ/YoY impacted by USD 6.8mn sequential decline in IP revenue (22.3% of 4Q rev). Services (46% of rev) and Digital (24% of rev) posted strong growth of 3.6% QoQ and 4.1% QoQ, respectively, while Accelerite (6% of rev) and Alliance business (24% of rev) declined. EBITDA margin contraction of 261bps QoQ to 14.8% was on IP decline. Margin contraction was mitigated by improvement in efficiencies (utilisation increase of 134bps QoQ to 81.2% with lower headcount), higher gross margin in services/ digital. APAT at Rs 0.74bn was supplemented by forex gain of Rs0.15bn (Rs0.05bn in 3Q).

We re-iterate our positive outlook on Persistent based on (1) Strong growth in digital (43% YoY with ~30% organic in FY18), (2) Market expansion in Europe supported by Parx Werk and increased sales focus, (3) Near-shore shift to improve profitability

### Financial Summary

YE March (Rs bn)	4QFY18	4QFY17	YoY (%)	3QFY18	QoQ (%)	FY16	FY17	FY18	FY19E	FY20E
Net Sales	7.53	7.27	3.5	7.92	(5.0)	23.12	28.78	30.34	33.15	37.26
EBITDA	1.11	1.19	(6.5)	1.38	(19.2)	4.17	4.54	4.69	5.35	6.32
APAT	0.74	0.73	1.3	0.92	(19.6)	2.97	3.10	3.23	3.53	4.22
Diluted EPS (Rs)	9.2	9.1	1.3	11.5	(19.6)	37.2	37.7	40.4	44.1	52.7
P/E (x)						19.5	19.3	18.0	16.5	13.8
EV / EBITDA (x)						13.6	12.5	12.1	10.5	8.8
RoE (%)						19.5	17.0	16.0	15.7	16.8

Source: Company, HDFC sec Inst Research # Consolidated

(alliance business), (4) Structural non-linear benefits from IP-led business, despite quarterly volatility (3Q-4Q seasonality), and (5) Improving cash generation (FCF/APAT improved from ~50 to 100% over FY17-18). Factored revenue/EPS growth of 10/14% CAGR over FY18-20E, based on revenue growth at 8.4/12.4% and EBITDA% at 16.2/17.0% for FY19/20E, respectively. Maintain BUY with TP of Rs 840, at 16x FY20E EPS.

### Highlights of the quarter

- (1) For FY19, management provided outlook of higher revenue growth and margin as compared to FY18 (9MFY18 for EBITDA%) growth. (2) Accelerite decline in 4Q was based on 'rCloud' IP, however IP traction in 'ShareInsights' (Analytics platform) and 'Neuro' IP (USAA partnership).
- **Near-term outlook:** Recovery in revenue (IP-led) and margin trajectory and continuity in strong traction in digital supported by Technology solutions unit (Services + Digital).

**Quarterly Financials Snapshot (Consolidated)**

Particulars (Rs bn)	4QFY18	4QFY17	YoY (%)	3QFY18	QoQ (%)
<b>Revenue (USD mn)</b>	<b>117.0</b>	<b>109.0</b>	<b>7.3</b>	<b>122.5</b>	<b>(4.6)</b>
<b>Net Revenue</b>	<b>7.53</b>	<b>7.27</b>	<b>3.5</b>	<b>7.92</b>	<b>(5.0)</b>
Employee Expenses	4.92	4.64	5.9	5.01	(1.8)
Other Operating Expenses	1.50	1.44	4.0	1.53	(2.5)
<b>EBITDA</b>	<b>1.11</b>	<b>1.19</b>	<b>(6.5)</b>	<b>1.38</b>	<b>(19.2)</b>
Depreciation	0.42	0.39	6.8	0.39	7.2
<b>EBIT</b>	<b>0.69</b>	<b>0.79</b>	<b>(13.1)</b>	<b>0.98</b>	<b>(29.8)</b>
Other Income	0.29	0.14	105.2	0.19	52.6
Interest Cost	0.00	0.00	88.2	0.00	128.6
<b>PBT</b>	<b>0.98</b>	<b>0.94</b>	<b>5.0</b>	<b>1.18</b>	<b>(16.3)</b>
Tax	0.25	0.21	18.2	0.26	(4.7)
<b>RPAT</b>	<b>0.74</b>	<b>0.73</b>	<b>1.3</b>	<b>0.92</b>	<b>(19.6)</b>
EO Items (Adj For Tax)	-	-	NA	-	NA
<b>APAT</b>	<b>0.74</b>	<b>0.73</b>	<b>1.3</b>	<b>0.92</b>	<b>(19.6)</b>

Source: Company, HDFC Sec Inst Research

**Margin Analysis (%)**

	4QFY18	4QFY17	YoY (bps)	3QFY18	QoQ (bps)
Employee Expenses % Net Sales	65.4	63.9	148	63.3	210
SG&A Expenses % Net Sales	19.9	19.8	9	19.4	51
Gross Margin %	34.6	36.1	(148)	36.7	-210
<b>EBITDA Margin (%)</b>	<b>14.8</b>	<b>16.3</b>	<b>(157)</b>	<b>17.4</b>	<b>-261</b>
EBIT Margin (%)	9.2	10.9	(175)	12.4	-324
Tax Rate (%)	25.0	22.3	278	22.0	306
APAT Margin (%)	9.8	10.0	(22)	11.6	-178

Source: Company, HDFC Sec Inst Research

**Revenue stood at USD 117mn, -4.6% QoQ and 7.3% YoY, FY18 revenue at USD 471mn, 9.7% YoY (6.6% organic)**

**4Q EBITDA% at 14.8%, -261bps QoQ expected to recover ahead**

**APAT supplemented by Rs 0.15bn forex gain (Rs0.05bn in 3Q)**

**Regular cycle (2Q) of wage hike ahead**

*Services/ Digital/ Alliance/  
Accelerite growth expected at  
3/32/6/-3% CAGR over FY18-  
20*

### Service Line Revenue Break-up

(% of revenue)	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18
ISV	44.4	42.5	41.9	40.8	39.9	38.5	40.6
Enterprise	27.8	29.1	30.5	32.0	34.1	34.7	37.1
IP	27.8	28.4	27.6	27.2	26.0	26.8	22.3
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: Company, HDFC Sec Inst Research

### Service Line Revenue Growth

(QoQ, %)	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18
ISV	(1.8)	0.1	(2.3)	0.9	2.2	0.1	0.7
Enterprise	5.7	9.5	3.9	8.7	11.4	5.6	2.0
IP	(0.8)	6.9	(3.9)	2.4	0.0	6.8	(20.6)
<b>Total</b>	<b>0.4</b>	<b>4.6</b>	<b>(0.9)</b>	<b>3.6</b>	<b>4.5</b>	<b>3.8</b>	<b>(4.6)</b>

Source: Company, HDFC Sec Inst Research

### Revenue Segment (Re-organised structure)

(% of revenue)	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18
Services	46.6	43.9	43.9	44.5	43.7	41.9	45.5
Digital	15.2	16.9	18.9	18.0	20.9	22.0	24.0
Alliance	29.4	30.6	27.6	29.2	27.3	29.6	24.3
Accelerite	8.8	8.6	9.6	8.3	8.1	6.5	6.2
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: Company, HDFC Sec Inst Research

### Revenue-Segment (Re-organised Structure) Growth

(QoQ, %)	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18
Services	(1.7)	(1.5)	(0.9)	5.0	2.7	(0.5)	3.6
Digital	7.5	16.3	10.8	(1.3)	21.4	9.2	4.1
Alliance	(1.6)	8.9	(10.6)	9.6	(2.3)	12.5	(21.6)
Accelerite	7.7	2.2	10.6	(10.4)	2.0	(16.7)	(9.0)
<b>Total</b>	<b>0.4</b>	<b>4.6</b>	<b>(0.9)</b>	<b>3.6</b>	<b>4.5</b>	<b>3.8</b>	<b>(4.6)</b>

Source: Company, HDFC Sec Inst Research

*Onsite/offshore revenue growth of 1.4% and 1.3% QoQ, while IP decline of 20.6% QoQ*

### Onsite-Offshore Revenue Break-up

(% of revenue)	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18
Onsite	26.3	26.7	27.8	29.9	31.9	32.1	34.1
Offshore	45.9	44.9	44.6	42.9	42.1	41.1	43.6
IP-led	27.8	28.4	27.6	27.2	26.0	26.8	22.3
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: Company, HDFC Sec Inst Research

### Onsite-Offshore Revenue Growth

(QoQ, %)	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18
Onsite	0.4	6.2	3.2	11.4	11.5	4.4	1.4
Offshore	1.3	2.3	(1.6)	(0.3)	2.6	1.3	1.3
IP-led	(1.0)	6.9	(3.7)	2.1	(0.1)	6.9	(20.6)
<b>Total</b>	<b>0.4</b>	<b>4.6</b>	<b>(0.9)</b>	<b>3.6</b>	<b>4.5</b>	<b>3.8</b>	<b>(4.6)</b>

Source: Company, HDFC Sec Inst Research

*Sequential increase in billing rate while volumes were flat*

### IT Services: Billing Rates

(USD/p.p.m)	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18
Onsite	16,101	15,704	15,917	16,037	16,023	16,314	16,662
Offshore	4,288	4,257	4,244	4,212	4,148	4,220	4,349

Source: Company, HDFC Sec Inst Research

### IT Services: Billing Rates Growth

(QoQ, %)	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18
Onsite	4.3	(2.5)	1.4	0.8	(0.1)	1.8	2.1
Offshore	(0.9)	(0.7)	(0.3)	(0.8)	(1.5)	1.7	3.1

Source: Company, HDFC Sec Inst Research

### Volumes: IT Services And IP-led

Person Months	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18
Onsite	1,720	1,867	1,907	2,104	2,346	2,413	2,391
Offshore	11,246	11,610	11,459	11,507	11,994	11,922	11,728
<b>Total Volumes</b>	<b>12,966</b>	<b>13,477</b>	<b>13,366</b>	<b>13,611</b>	<b>14,340</b>	<b>14,335</b>	<b>14,119</b>
IP-led	5,015	4,843	4,884	5,113	4,931	4,936	5,003

Source: Company, HDFC Sec Inst Research

### Volumes: IT Services And IP-led Growth

(QoQ, %)	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18
Onsite	(3.7)	8.5	2.1	10.3	11.5	2.9	(0.9)
Offshore	2.0	3.2	(1.3)	0.4	4.2	(0.6)	(1.6)
<b>Total Volumes</b>	<b>1.2</b>	<b>3.9</b>	<b>(0.8)</b>	<b>1.8</b>	<b>5.4</b>	<b>(0.0)</b>	<b>(1.5)</b>
IP-Led	(4.2)	(3.4)	0.8	4.7	(3.6)	0.1	1.4

Source: Company, HDFC Sec Inst Research

### Geographical Revenue Break-up

(% of revenue)	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18
North Americas	85.4	86.6	86.5	85.5	83.4	84.4	80.9
Europe	6.1	5.3	5.3	5.9	8.5	7.3	8.2
RoW	8.5	8.1	8.2	8.6	8.1	8.3	10.9
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: Company, HDFC Sec Inst Research

### Geographical Revenue Growth

(QoQ, %)	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18
North Americas	(1.4)	6.1	(1.0)	2.4	2.0	5.0	(8.5)
Europe	17.8	(9.1)	(0.9)	15.3	50.6	(10.9)	7.2
RoW	9.4	(0.3)	0.3	8.7	(1.5)	6.3	25.3
<b>Total</b>	<b>0.4</b>	<b>4.6</b>	<b>(0.9)</b>	<b>3.6</b>	<b>4.5</b>	<b>3.8</b>	<b>(4.6)</b>

Source: Company, HDFC Sec Inst Research

### Client-wise Revenue Break-up

(% of revenue)	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18
Top Client	28.4	29.5	26.5	27.9	25.9	28.0	21.7
Top-5 Clients	44.3	46.0	43.3	45.7	43.8	46.3	40.9
Top-10 Clients	52.8	54.6	52.4	55.2	53.5	55.3	49.9

Source: Company, HDFC Sec Inst Research

### Client-wise Revenue Growth

(QoQ, %)	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18
Top Client	(1.7)	8.7	(11.0)	9.1	(3.0)	12.2	(26.0)
Top-5 Clients	(0.5)	8.6	(6.7)	9.4	0.2	9.7	(15.7)
Top-10 Clients	0.6	8.2	(4.9)	9.2	1.3	7.2	(13.9)

Source: Company, HDFC Sec Inst Research

*Top account/alliance business decline in 4Q, to recover ahead*

**Utilisation increase of 134bps QoQ to 81.2% with decline in headcount**

### Headcount, Utilisation Data

(Nos.)	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18
<b>Total headcount</b>	<b>9,305</b>	<b>9,229</b>	<b>9,460</b>	<b>9,401</b>	<b>9,246</b>	<b>9,109</b>	<b>8,976</b>
<i>Software Professionals</i>	8,612	8,562	8,808	8,744	8,599	8,460	8,329
<i>Sales</i>	207	200	193	210	208	206	211
<i>Support</i>	486	467	459	447	439	443	436
<b>Net Additions</b>	<b>(84)</b>	<b>(76)</b>	<b>231</b>	<b>(59)</b>	<b>(155)</b>	<b>(137)</b>	<b>(133)</b>
Attrition Rate (%)	15.9	15.8	15.7	15.5	15.5	14.7	14.7
Utilisation (%)	74.2	78.9	77.8	77.2	78.6	79.9	81.2

Source: Company, HDFC Sec Inst Research

### Key Assumptions

Particulars	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
Services Revenue Growth (%)	14.2	11.0	11.2	11.4	13.3	12.1	13.0
Services Volume Growth (%)	6.9	4.7	6.2	7.5	7.2	4.0	8.8
IP Revenue Growth (%)	20.4	19.6	25.8	61.7	0.3	(2.4)	10.5
IP-led Volume Growth (%)	1.9	11.6	32.4	47.9	0.0	4.3	6.3
<b>Total USD Revenue Growth (%)</b>	<b>15.2</b>	<b>12.6</b>	<b>14.0</b>	<b>22.0</b>	<b>9.7</b>	<b>8.4</b>	<b>12.4</b>
USD/INR Rate	60.9	61.3	65.8	67.1	64.5	65.0	65.0
<b>EBITDA Margin (%)</b>	<b>25.8</b>	<b>20.7</b>	<b>18.0</b>	<b>15.8</b>	<b>15.4</b>	<b>16.2</b>	<b>17.0</b>

Source: Company, HDFC Sec Inst Research

### Change In Estimates

Particulars	Earlier estimates	Revised estimates	% change
<b>FY19E</b>			
Revenue (USD mn)	516	510	(1.1)
Revenue (Rs bn)	33.51	33.15	(1.1)
EBITDA (Rs bn)	5.39	5.35	(0.7)
EBITDA Margin (%)	16.1%	16.2%	6bps
EPS (Rs)	43.3	44.1	1.9
<b>FY20E</b>			
Revenue (USD mn)	586	573	(2.2)
Revenue (Rs bn)	38.09	37.26	(2.2)
EBITDA (Rs bn)	6.57	6.32	(3.8)
EBITDA Margin (%)	17.2%	17.0%	(28)bps
EPS (Rs)	52.6	52.7	0.2

Source: HDFC sec Inst Research

### Peer Valuation

Company	Mcap (Rs bn)	CMP (Rs)	Reco.	TP (Rs)	EPS (Rs)				P/E (x)				RoE (%)			
					FY17	FY18E	FY19E	FY20E	FY17	FY18E	FY19E	FY20E	FY17	FY18E	FY19E	FY20E
LTI	265	1,540	BUY	1,690	56.9	64.7	74.0	84.3	27.1	23.8	20.8	18.3	36.9	32.1	30.9	30.0
Mphasis	190	982	BUY	1,000	38.8	42.5	49.2	55.7	25.3	23.1	20.0	17.6	13.4	14.2	16.7	17.3
Mindtree	168	1,000	BUY	970	24.9	29.4	39.6	48.6	40.2	34.0	25.3	20.6	16.8	21.4	22.3	24.2
Hexaware *	126	426	BUY	450	13.9	16.9	20.2	23.0	30.6	25.3	21.1	18.5	26.7	26.9	27.2	26.3
LTT	125	1,223	BUY	1,500	41.8	43.9	54.9	68.4	29.3	27.8	22.3	17.9	33.3	28.2	27.3	27.7
Cyient	81	719	BUY	780	32.9	38.6	42.8	50.4	21.8	18.6	16.8	14.3	17.4	18.1	19.4	20.6
<b>Persistent</b>	<b>58</b>	<b>726</b>	<b>BUY</b>	<b>840</b>	<b>37.7</b>	<b>40.4</b>	<b>44.1</b>	<b>52.7</b>	<b>19.3</b>	<b>18.0</b>	<b>16.5</b>	<b>13.8</b>	<b>17.0</b>	<b>16.0</b>	<b>15.7</b>	<b>16.8</b>
Zensar	52	1,148	BUY	1,200	51.6	52.2	66.0	80.2	22.3	22.0	17.4	14.3	16.7	14.9	16.6	17.6
eClerx	52	1,338	NEU	1,310	87.8	71.2	82.5	93.6	15.2	18.8	16.2	14.3	30.8	24.3	24.9	26.2
KPIT Tech	48	242	NEU	202	11.1	12.1	13.3	16.8	21.8	19.9	18.1	14.4	14.8	14.5	14.3	16.2
Sonata	39	374	BUY	375	14.6	16.9	20.3	23.3	25.6	22.2	18.4	16.0	31.2	32.8	35.3	35.7

Source: HDFC sec Inst Research, \* Dec Y-E

**Income Statement(Consolidated)**

Year ending March (Rs bn)	FY16	FY17	FY18	FY19E	FY20E
Net Revenues (USD mn)	352	429	471	510	573
<b>Growth (%)</b>	<b>14.0%</b>	<b>22.0%</b>	<b>9.7%</b>	<b>8.4%</b>	<b>12.4%</b>
Net Revenues	23.12	28.78	30.34	33.15	37.26
<b>Growth (%)</b>	<b>22.3%</b>	<b>24.5%</b>	<b>5.4%</b>	<b>9.3%</b>	<b>12.4%</b>
Personal Expenses	14.30	18.52	19.70	21.30	23.92
SG&A Expenses	4.65	5.73	5.95	6.50	7.02
<b>EBITDA</b>	<b>4.17</b>	<b>4.54</b>	<b>4.69</b>	<b>5.35</b>	<b>6.32</b>
<b>EBITDA Margin (%)</b>	<b>18.0%</b>	<b>15.8%</b>	<b>15.4%</b>	<b>16.2%</b>	<b>17.0%</b>
<b>EBITDA Growth (%)</b>	<b>6.8%</b>	<b>8.8%</b>	<b>3.2%</b>	<b>14.2%</b>	<b>18.1%</b>
Depreciation	0.97	1.49	1.58	1.64	1.84
<b>EBIT</b>	<b>3.21</b>	<b>3.05</b>	<b>3.10</b>	<b>3.71</b>	<b>4.48</b>
Other Income (Including EO Items)	0.75	0.96	1.19	0.96	1.14
Interest	0.00	0.00	0.00	0.00	0.00
<b>PBT</b>	<b>3.96</b>	<b>4.01</b>	<b>4.29</b>	<b>4.67</b>	<b>5.62</b>
Tax (Incl Deferred)	0.98	0.99	1.06	1.14	1.41
<b>RPAT</b>	<b>2.97</b>	<b>3.01</b>	<b>3.23</b>	<b>3.53</b>	<b>4.22</b>
<b>APAT</b>	<b>2.97</b>	<b>3.10</b>	<b>3.23</b>	<b>3.53</b>	<b>4.22</b>
<b>APAT Growth (%)</b>	<b>2.3%</b>	<b>4.4%</b>	<b>4.1%</b>	<b>9.2%</b>	<b>19.5%</b>
<b>Adjusted EPS (Rs)</b>	<b>37.2</b>	<b>37.7</b>	<b>40.4</b>	<b>44.1</b>	<b>52.7</b>
<b>EPS Growth (%)</b>	<b>2.3%</b>	<b>1.4%</b>	<b>7.2%</b>	<b>9.2%</b>	<b>19.5%</b>

Source: Company, HDFC sec Inst Research

**Balance Sheet (Consolidated)**

Year ending March (Rs bn)	FY16	FY17	FY18	FY19E	FY20E
<b>SOURCES OF FUNDS</b>					
Share Capital - Equity	0.80	0.80	0.80	0.80	0.80
Reserves	15.59	18.19	20.47	22.86	25.74
<b>Total Shareholders' Funds</b>	<b>16.39</b>	<b>18.99</b>	<b>21.27</b>	<b>23.66</b>	<b>26.54</b>
<b>Total Debt</b>	<b>0.03</b>	<b>0.02</b>	<b>0.02</b>	<b>0.02</b>	<b>0.02</b>
Net Deferred Taxes	(0.23)	(0.20)	(0.37)	(0.37)	(0.37)
Long-term Provisions & Others	0.13	0.17	0.16	0.17	0.20
<b>TOTAL SOURCES OF FUNDS</b>	<b>16.31</b>	<b>18.98</b>	<b>21.08</b>	<b>23.48</b>	<b>26.39</b>
<b>APPLICATION OF FUNDS</b>					
Net Block	3.01	2.77	2.58	2.36	2.12
CWIP	0.02	0.05	0.01	0.01	0.01
Goodwill & intangibles	1.60	2.83	2.58	3.14	3.76
Investments	1.35	2.34	2.88	3.15	3.54
LT Loans & Advances	1.72	1.13	0.27	0.29	0.31
<b>Total Non-current Assets</b>	<b>7.70</b>	<b>9.11</b>	<b>8.33</b>	<b>8.94</b>	<b>9.73</b>
Debtors	4.28	4.75	4.85	5.27	5.92
Other Current Assets	2.60	3.28	4.44	4.85	5.46
Cash & Equivalents	6.26	6.01	8.33	9.74	11.26
<b>Total Current Assets</b>	<b>13.14</b>	<b>14.04</b>	<b>17.62</b>	<b>19.86</b>	<b>22.63</b>
Creditors	1.65	1.21	1.67	1.83	2.05
Other Current Liabilities & Prov.	2.87	2.96	3.20	3.49	3.93
<b>Total Current Liabilities</b>	<b>4.52</b>	<b>4.17</b>	<b>4.87</b>	<b>5.32</b>	<b>5.98</b>
<b>Net Current Assets</b>	<b>8.61</b>	<b>9.87</b>	<b>12.75</b>	<b>14.54</b>	<b>16.65</b>
<b>TOTAL APPLICATION OF FUNDS</b>	<b>16.31</b>	<b>18.98</b>	<b>21.08</b>	<b>23.48</b>	<b>26.39</b>

Source: Company, HDFC sec Inst Research

**CashFlow(Consolidated)**

Year ending March (Rs bn)	FY16	FY17	FY18	FY19E	FY20E
Reported PBT	3.96	4.01	4.29	4.67	5.62
Non-operating & EO items	(2.03)	0.84	0.88	0.15	0.22
Interest expenses	0.00	0.00	0.00	0.00	0.00
Depreciation	0.97	1.49	1.58	1.64	1.84
Working Capital Change	(0.84)	(1.67)	(0.77)	(0.53)	(0.81)
Tax Paid	(0.98)	(0.99)	(1.06)	(1.14)	(1.41)
<b>OPERATING CASH FLOW ( a )</b>	<b>1.07</b>	<b>3.67</b>	<b>4.93</b>	<b>4.79</b>	<b>5.46</b>
Capex	(1.66)	(2.18)	(1.33)	(1.82)	(2.05)
Free cash flow (FCF)	(0.59)	1.50	3.60	2.97	3.42
Investments	0.50	0.44	(1.18)	0.58	0.33
Non-operating Income	-	-	-	-	-
<b>INVESTING CASH FLOW ( b )</b>	<b>(1.16)</b>	<b>(1.73)</b>	<b>(2.50)</b>	<b>(1.25)</b>	<b>(1.72)</b>
Debt Issuance/(Repaid)	0.00	(0.00)	(0.01)	0.00	0.00
Interest Expenses	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
FCFE	(0.59)	1.49	3.60	2.97	3.42
Share Capital Issuance	-	-	-	-	-
Dividend	(0.76)	(0.85)	(0.95)	(1.14)	(1.33)
<b>FINANCING CASH FLOW ( c )</b>	<b>(0.76)</b>	<b>(0.85)</b>	<b>(0.96)</b>	<b>(1.14)</b>	<b>(1.33)</b>
<b>NET CASH FLOW (a+b+c)</b>	<b>(0.85)</b>	<b>1.08</b>	<b>1.47</b>	<b>2.40</b>	<b>2.42</b>
<b>Closing Cash &amp; Equivalents</b>	<b>6.26</b>	<b>6.01</b>	<b>8.33</b>	<b>9.74</b>	<b>11.26</b>

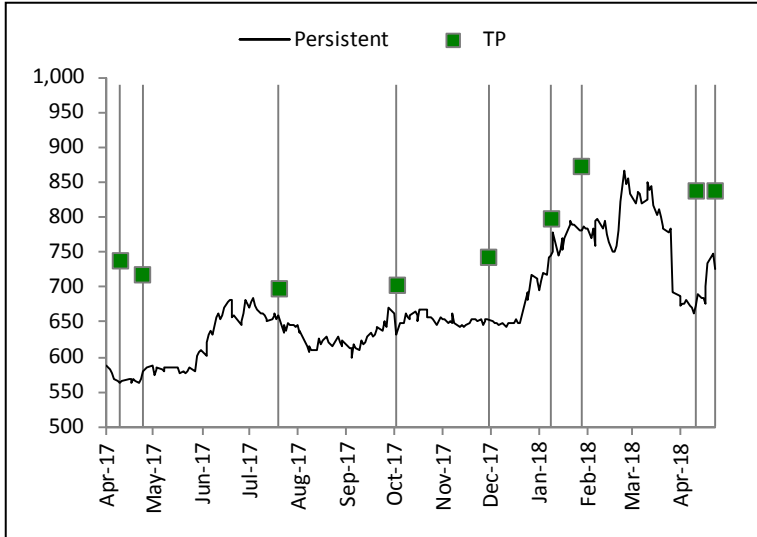
Source: Company, HDFC sec Inst Research

**Key Ratios(Consolidated)**

	FY16	FY17	FY18	FY19E	FY20E
<b>PROFITABILITY (%)</b>					
GPM	38.1	35.7	35.0	35.7	35.8
EBITDA Margin	18.0	15.8	15.4	16.2	17.0
APAT Margin	12.9	10.5	10.6	10.6	11.3
RoE	19.5	17.0	16.0	15.7	16.8
RoIC (or Core RoCE)	26.9	19.9	18.2	21.2	23.3
RoCE	19.7	17.1	16.1	15.8	16.9
<b>EFFICIENCY</b>					
Tax Rate (%)	24.8	24.8	24.7	24.5	25.0
Fixed Asset Turnover (x)	3.4	4.1	4.1	4.2	4.4
Debtors (days)	67	60	58	58	58
Payables (days)	26	15	20	20	20
Cash Conversion Cycle (days)	41	45	38	38	38
Debt/EBITDA (x)	0.0	0.0	0.0	0.0	0.0
Net D/E (x)	(0.4)	(0.3)	(0.4)	(0.4)	(0.4)
Interest Coverage (x)	3,485	3,351	3,926	3,539	3,823
<b>PER SHARE DATA (Rs)</b>					
EPS	37.2	37.7	40.4	44.1	52.7
CEPS	49	56	60	65	76
Dividend	8	9	10	12	14
Book Value	205	237	266	296	332
<b>VALUATION</b>					
P/E (x)	19.5	19.3	18.0	16.5	13.8
P/BV (x)	3.5	3.1	2.7	2.5	2.2
EV/EBITDA (x)	13.6	12.5	12.1	10.5	8.8
OCF/EV (%)	1.9	6.5	8.7	8.5	9.9
FCF/EV (%)	-1.0	2.6	6.3	5.3	6.2
FCFE/Mkt Cap (%)	-1.0	2.6	6.2	5.1	5.9
Dividend Yield (%)	1.1	1.2	1.4	1.7	1.9

Source: Company, HDFC sec Inst Research

**RECOMMENDATION HISTORY**



Date	CMP	Reco	Target
11-Apr-17	565	BUY	740
26-Apr-17	568	BUY	720
21-Jul-17	657	BUY	700
4-Oct-17	660	BUY	705
4-Dec-17	654	BUY	745
10-Jan-18	743	BUY	800
29-Jan-18	782	BUY	875
12-Apr-18	663	BUY	840
25-Apr-18	726	BUY	840

**Rating Definitions**

- BUY : Where the stock is expected to deliver more than 10% returns over the next 12 month period
- NEUTRAL : Where the stock is expected to deliver (-)10% to 10% returns over the next 12 month period
- SELL : Where the stock is expected to deliver less than (-)10% returns over the next 12 month period

**INSTITUTIONAL RESEARCH**
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