

Wipro (WPRO) reported 1QFY19 that was a tad above the modest expectations; the 0.3-2.3% QoQ USD revenue growth guidance indicates the drag from client-specific issues visible over the last two quarters has subsided. The top client continues to grow (+31% YoY) + deal traction appears to be improving. However, continued uncertainties in HPS + near-term weakness in Utilities and Manufacturing verticals gives little confidence in USD revenue growth converging with peers over FY19-20 even after factoring in the Alight Solutions partnership announced with the 1QFY19 results. On the positive side, WPRO's differentiated digital portfolio, limited exposure to the US BFS, healthy cash-flows and a prudent capital allocation policy lends downside support. The stock's valuation too has moderated vs. peers, post the soft 4QFY18. That said, while an in-line 1QFY19 could give comfort, we believe investors' engagement may remain low pending a sustained recovery in the revenue growth. Maintain HOLD; our revised PT of INR 320 (INR 300 earlier) is at 14x target PER.

- **1QFY19 – broadly in-line results.** IT services revenues declined 1.7% QoQ to USD 2.03bn; 0.1% QoQ constant currency growth was above our/consensus estimates (-1.3%/-1.2%) and at the upper end of the guided band. EBIT margin, adjusted for one-off items (c.USD 37mn from the sale of data-center business) at 15.6% was also a tad above our estimates (15.3%) due to better treasury management. IT products business stayed weak (-44% YoY) with EBIT loss due to costs recognition and provisions in the India business. Consolidated PAT at INR 21.2bn (+15% QoQ), was above estimates.
- **FY19 outlook – not out of woods, yet?** WPRO has guided for 0.3%-2.3% QoQ growth in USD revenues, adjusted for the data center business divestment. It also announced a strategic partnership with Alight Solutions, a global leader in HRO services, wherein it is acquiring Alight's India based delivery entity for USD 117mn, likely as a precursor to a larger deal, in our view. The deal + continued buoyancy in the Top client (32% of incremental revenues over the last 4 quarters) should help growth to recover in 2HFY19 /FY20 as the drag from the recent client insolvencies normalises. However, convergence with peers could still be some-time away given the weak near-term prognosis on Utilities, Manufacturing and Telecom verticals (total c.22% of revenues, JMFe). We forecast 4% FY18-20 USD CAGR (assuming Alight deal offsets the impact of data-center divestment).
- **Margins pose a challenge but treasury could help optically.** Wipro's cash-flow hedge accounting policy + an active treasury management could help keep the reported margins in a narrow band around FY18 levels. However, with traditional levers maxed out, near-term margin management could be a challenge. We have raised our FY19/FY20 EPS by 3%/2% to build in the inorganic transactions.
- **Wait and watch.** Wipro's cash generation remains efficient, the slow revenue growth notwithstanding. The capital allocation policy (45-50% pay-out over a block of two years) implies 3.5% yield at current levels and at 13x FY20F EPS, WPRO trades c.2-22% discount to peers (ex-TCS). These could restrict downside but a 'hope' rally to play a potential turnaround may not come back quickly after the repeated disappointments, in our view.

Financial Summary

Y/E March	FY17A	FY18A	FY19E	FY20E	FY21E
Net Sales	5,50,402	5,44,871	5,85,662	6,29,934	6,82,254
Sales Growth (%)	7.4	-1.0	7.5	7.6	8.3
EBITDA	1,13,209	1,04,346	1,11,633	1,22,856	1,35,322
EBITDA Margin (%)	20.4	19.2	19.1	19.5	19.8
Adjusted Net Profit	84,895	80,487	87,649	99,045	1,11,695
Diluted EPS (INR)	17.4	16.9	19.4	22.0	24.8
Diluted EPS Growth (%)	-3.5	-2.9	14.8	13.0	12.8
ROIC (%)	23.3	20.5	23.1	25.8	27.7
ROE (%)	17.2	16.0	16.8	16.4	16.0
P/E (x)	16.2	16.7	14.6	12.9	11.4
P/B (x)	2.6	2.8	2.3	2.0	1.7
EV/EBITDA (x)	10.1	11.4	9.9	8.3	6.9
Dividend Yield (%)	0.4	0.4	0.5	0.7	0.9

Source: Company data, JM Financial. Note: Valuations as of 20/Jul/2018

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Recommendation and Price Target

Current Reco.	HOLD
Previous Reco.	HOLD
Current Price Target (12M)	320
Upside/(Downside)	13.1%
Previous Price Target	310
Change	3.2%

Key Data – WPRO IN

Current Market Price	INR283
Market cap (bn)	INR1,280.3/US\$18.6
Free Float	22%
Shares in issue (mn)	4,755.8
Diluted share (mn)	4,511.8
3-mon avg daily val (mn)	INR888.1/US\$12.9
52-week range	335/254
Sensex/Nifty	36,496/11,010
INR/US\$	68.9

Price Performance

%	1M	6M	12M
Absolute	9.0	-14.0	5.1
Relative*	6.1	-16.3	-8.1

* To the BSE Sensex

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Exhibit 1. Key Financials- Consolidated

(INR mn)	1QFY18	2QFY18	3QFY18	4QFY18	FY18	1QFY19	Comments
Consolidated revenues	1,36,261	1,34,234	1,36,690	1,37,686	5,44,871	1,39,777	
Change(YoY/QoQ)	-2.6%	-1.5%	1.8%	0.7%	-1.0%	1.5%	
Cost of revenue	92,735	90,086	91,295	92,323	3,66,439	96,511	▪ Consol. revenue for 1QFY19 declined by 3.5%/3.2% QoQ/YoY (vs. -2.2%/-1.9% QoQ/YoY JMFe) in USD terms
Gross profit	43,526	44,148	45,395	45,363	1,78,432	43,266	
Gross margin	31.9%	32.9%	33.2%	32.9%	32.7%	31.0%	
Total operating expenses	16,843	16,360	20,466	20,417	74,086	18,923	▪ IT services revenues declined 1.7% QoQ (marginal growth of 0.1% QoQ in CC terms) against JMFe of -2.9% QoQ, while Products business declined by 15.3% QoQ in USD terms
EBITDA	26,683	27,788	24,929	24,946	1,04,346	24,343	
EBITDA margin	19.6%	20.7%	18.2%	18.1%	19.2%	17.4%	
Depreciation & amortization	4,943	5,200	5,279	5,702	21,124	4,337	
EBIT	21,740	22,588	19,650	19,244	83,222	22,535	▪ Consol. EBIT margins improved by 215bps QoQ to 16.1% which also had a positive impact of INR 2,529mn through sale of hosted data centre services business, excluding which EBIT margins stood at 14.3% (+34bps QoQ)
EBIT margin	16.0%	16.8%	14.4%	14.0%	15.3%	16.1%	
Non-operating income (net)	5,079	5,728	5,054	3,796	19,657	4,319	
Profit before tax	26,819	28,316	24,704	23,040	1,02,879	26,854	
Income tax expense	5,994	6,426	5,355	4,615	22,390	5,865	▪ ETR for 1QFY19 increased by 160bps to 21.6% as 4QFY18 had tax benefits due to write down
Net income from ops	20,825	21,890	19,349	18,425	80,489	20,989	
Change(YoY/QoQ)	-8.1%	5.1%	-11.6%	-4.8%	-5.5%	13.9%	
Share in earnings of affiliates	-1	5	0	-3	1	-53	▪ Forex gains stood at INR 331mn in 1QFY19 vs. INR 68mn in 4QFY18
Share of minority interest	59	-22	-12	-22	3	-270	
PAT	20,765	21,917	19,361	18,444	80,487	21,206	▪ The company had a hedge book of USD 2.6bn at 1QFY19 exit
Change(YoY/QoQ)	-8.2%	5.5%	-11.7%	-4.7%	-5.2%	15.0%	
Adjusted basic EPS	4.3	4.5	4.0	4.1	16.9	4.7	
Change(YoY/QoQ)	-8.3%	5.5%	-10.9%	1.6%	-3.1%	15.0%	

Source: Company, JM Financial

Management commentary: Key takeaways

- **Vertical comments.** **BFSI** - comprises c.30% of revenues grew fastest (3% QoQ in cc terms) among verticals; WPRO attributed it to improved demand in banking even as insurance also saw an uptick. Note, 22% of incremental revenues in this vertical came from the Top client. However, WPRO emphasised it is improving its client mining and is seeing large deal wins in this vertical that should help it diversify the growth profile. **Energy and utilities** - Growth momentum continues in Energy led by strong recovery in Oil and Gas sector. However, WPRO expects the softness in utilities to persist given the loss of few clients in Europe. However, on a combined basis, WPRO expects growth in this vertical. **Communication** – WPRO indicted the impact of client’s insolvency has bottomed out and while it sees some near-term headwinds, it expects limited incremental decline in the near-term. **Healthcare** – WPRO indicated HPS run-rate has declined to USD c.30mn per quarter; there could be incremental slippage as the operating environment remains weak. **Technology** – 1QFY19 was seasonally weak but WPRO expects the growth to come back from 2QFY19. **Manufacturing** – 1QFY19 was affected by the planned restructuring in the vertical as WPRO exited a few large low margin IMS contracts. WPRO sees a healthy pipeline and exuded confidence of growth recovering after a couple of quarters.
- **On the order Book** – WPRO indicated the growth in order book was in double digits as compared to same quarter last year with average deal size having increased.
- **Alight Solutions.** WPRO announced a strategic partnership with Alight Solutions, a global HRO services provider wherein it would take over Alight’s India operations that have a revenue run-rate of USD 174mn for USD 117mn. We believe this is likely a precursor to a large outsourcing deal from Alight.
- **Margin outlook.** WPRO attributed the 1QFY19 margin weakness to wage hike and business restructuring including one-time costs (with an estimated 40bps impact). It expect the margin to stay in a narrow band or even improve in 2QFY19 despite the two incremental months of the wage hike.

Exhibit 2. Key Financials- IT services

(INR mn)	1QFY18	2QFY18	3QFY18	4QFY18	FY18	1QFY19	Comments
Total revenues (USD mn)	1,972	2,014	2,013	2,062	8,060	2,027	
Change (QoQ/YoY)	0.9%	2.1%	0.0%	2.4%	4.6%	2.8%	
Total Revenues – ex FX gain/loss (INR mn)	1,29,903	1,31,236	1,32,221	1,33,562	5,26,922	1,36,232	▪ Excluding the one-gain on sale of hosted data centre services business, EBIT margin for the IT Services business stood at 15.6% (+121bps/-122bps QoQ/YoY), including the forex gains
Change(QoQ/YoY)	-2.5%	1.0%	0.8%	1.0%	0.4%	4.9%	
Cost of revenue – ex Dep. (INR mn)	86,822	87,357	87,101	88,475	3,49,754	92,583	
Gross profit (INR mn)	43,081	43,879	45,120	45,087	1,77,168	43,649	▪ YoY decline in margins was attributed to restructuring costs incurred in India and Middle-east business and lower profitability of Healthplan business
Gross margin	33.2%	33.4%	34.1%	33.8%	33.6%	32.0%	
Total operating expenses (INR mn)	16,588	16,348	17,202	18,539	68,677	18,650	
EBITDA (INR mn)	26,493	27,531	27,918	26,548	1,08,490	24,999	
EBITDA margin	20.4%	21.0%	21.1%	19.9%	20.6%	18.4%	▪ Management indicated 2QFY19 could have margin headwinds arising out of two months' impact of wage hike
EBIT (INR mn)	21,916	22,784	19,590	19,323	83,613	23,968	
EBIT margin (reported)	16.8%	17.2%	14.8%	14.3%	15.8%	17.4%	
EBIT margin (ex forex gain/loss)	16.6%	17.0%	17.1%	15.6%	16.6%	15.2%	

Source: Company, JM Financial

Exhibit 3. Key manpower and execution metrics – IT services

	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	Comments
Total employee base	1,66,790	1,63,759	1,62,553	1,63,827	1,64,659	▪ Utilisation improved by 150bps QoQ to 83.9% while revenue per employee increased by 4.1% YoY
Net addition	1,309	-3,031	-1,206	1,274	832	
Attrition (quarterly, annualized)	16.1%	16.7%	16.2%	17.5%	17.7%	
Utilization - net	80.3%	81.8%	80.0%	82.4%	83.9%	

Source: Company, JM Financial

Exhibit 4. 2QFY19 revenue guidance

	Guidance	Comments
2QFY19 Guidance	Lower	Higher
Revenue (USD mn)	2,009	2,049

▪ Excluding the impact of divestment of data centre services business, IT services revenue growth guidance is in the range of 0.3% to 2.3% sequential growth

Source: Company, JM Financial

Exhibit 5. Key client metrics – IT services

	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	Comments
Client base						
Active clients	1244	1274	1281	1248	1254	
Net client addition	-79	30	7	-33	6	
Revenue per active client (USD mn)	1.58	1.58	1.57	1.65	1.62	
Revenue concentration						
Top client	2.9%	3.1%	3.1%	3.5%	3.7%	▪ WPRO added 75 new clients (gross) in 1QFY19 with the total number of active clients at 1,254 as at 1QFY19 exit (+6/+10 QoQ/YoY)
Top 5 clients	10.3%	11.0%	11.3%	11.9%	11.7%	
Top 10 clients	17.5%	18.0%	17.8%	18.4%	18.3%	
Non-Top10 clients	82.5%	82.0%	82.2%	81.6%	81.7%	▪ Top client grew by 4% QoQ while Top 5 and Top 10 clients declined by 3% and 2% respectively
New business	7.9	16.1	36.2	53.6	10.1	
Revenue growth						
Top client	0.9%	9.2%	0.0%	15.7%	3.9%	
Top-2 to 5 clients	5.1%	9.0%	3.8%	4.9%	-6.4%	▪ WPRO added net one additional client in USD 50mn+ bucket while one client slipped out of USD 75mn+ bucket
Top-5 clients	3.9%	9.1%	2.7%	7.9%	-3.4%	
Top-6 to 10 clients	5.3%	-0.7%	-7.2%	2.4%	-0.2%	
Top-10 clients	4.5%	5.0%	-1.1%	5.9%	-2.3%	
Non-top-10 clients	0.1%	1.5%	0.2%	1.7%	-1.6%	
Relationship distribution						
USD1M+ Clients	624	627	635	631	624	▪ Proportion of repeat business stood at 99.5% for 1QFY19 (vs. 97.4% for 4QFY18)
Change	22	3	8	-4	-7	
USD5M+ Clients	262	270	272	277	278	▪ WPRO maintained their stance of being selective in picking up deals in India and the Middle East
Change	-6	8	2	5	1	
USD10M+ Clients	163	170	167	171	173	
Change	0	7	-3	4	2	
USD50M+ Clients	36	39	41	39	40	
Change	2	3	2	-2	1	
USD100M+ Clients	9	9	9	8	8	
Change	0	0	0	-1	0	

Source: Company, JM Financial

Exhibit 6. Services portfolio – IT services

	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	Comments
Distribution						
Global Infrastructure Services	28.1%	28.4%	28.2%	28.8%	27.4%	▪ Digital revenues grew 6.2% QoQ in cc terms and now contributes 28% of the overall revenues
Analytics	7.1%	7.1%	7.0%	7.0%	7.1%	
Business Process Services	12.0%	12.1%	12.6%	12.1%	12.1%	▪ Global Infrastructure Services business declined 6% QoQ which was attributed to restructuring in India and Middle East business, bulk of which belonged to the old GIS business, however, the order book and demand environment is robust, according to the management
Product Engineering	7.0%	6.9%	6.9%	7.3%	7.3%	
Application services	45.8%	45.5%	45.3%	44.8%	46.1%	
Total	100.0%	100.0%	100.0%	100.0%	100.0%	
Revenue (USD mn and QoQ growth)						
IMS	554	572	568	594	555	
Change	1.2%	3.2%	-0.7%	4.6%	-6.5%	
BPO	237	244	254	250	245	
Change	-1.6%	3.0%	4.1%	-1.6%	-1.7%	
Non-IMS, non-BPO	1,181	1,198	1,192	1,219	1,226	
Change	1.2%	1.4%	-0.5%	2.3%	0.6%	

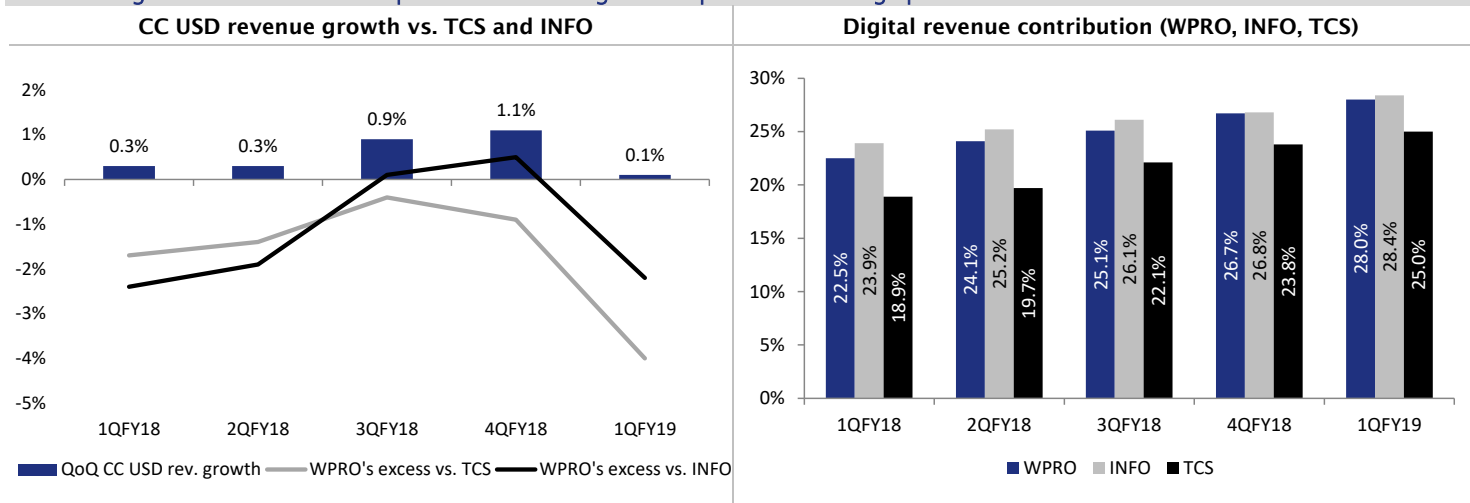
Source: Company, JM Financial

Exhibit 7. Vertical portfolio – IT services

	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	Comments
Distribution						
Communications	6.8%	6.5%	6.4%	5.8%	5.6%	▪ Growth was led by BFSI, which grew 3% QoQ in cc terms, followed by Consumer Business Unit (+2.6% QoQ) and Energy, Natural Resources and Utilities (+1.7% QoQ) while Technology (-1.3% QoQ), communications (-1.3% QoQ), Health Business Unit (-4.7% QoQ) and Manufacturing (-5.4% QoQ) lagged behind
Consumer	15.8%	15.9%	16.0%	15.6%	16.0%	
Energy, Natural Resources & Utilities	13.4%	13.5%	12.4%	12.5%	12.5%	
Finance Solutions	26.7%	27.6%	28.5%	29.2%	30.0%	
Healthcare, Life Sciences & Services	14.8%	13.7%	14.0%	13.9%	13.4%	
Manufacturing & Technology	22.5%	22.8%	22.7%	23.0%	22.5%	
Revenue (USD mn and growth)						
Communications	134	131	129	120	113	▪ Renewed demand in Oil and Gas segment drove ENR unit while communications is showing signs of recovery after the bankruptcy of one of the clients in India, according to the management
Change	-0.6%	-2.4%	-1.6%	-7.2%	-5.1%	
Consumer	312	320	322	322	324	
Change	0.9%	2.8%	0.6%	-0.1%	0.8%	
Energy, Natural Resources & Utilities	264	272	250	258	253	
Change	3.2%	2.9%	-8.2%	3.3%	-1.7%	
Finance Solutions	526	556	574	602	608	▪ Core health business is robust while decline in HPS affected Healthcare vertical, according to the management
Change	3.6%	5.6%	3.2%	5.0%	1.0%	
Healthcare, Life Sciences & Services	292	276	282	287	272	
Change	-3.1%	-5.5%	2.2%	1.7%	-5.3%	
Manufacturing & Technology	444	459	457	474	456	
Change	-0.5%	3.5%	-0.5%	3.8%	-3.9%	

Source: Company, JM Financial

Exhibit 8. Digital revenue share for Wipro has been the highest but peers are catching up



Source: Company, JM Financial

Maintain HOLD; price target revised to INR 320

Exhibit 9. What has changed in our forecasts and assumptions?

	Old			New			Change		
	FY19E	FY20E	FY21E	FY19E	FY20E	FY21E	FY19E	FY20E	FY21E
Exchange rate (INR/USD)	67.80	68.75	69.50	68.77	69.75	69.85	1.4%	1.5%	0.5%
Consolidated revenue (USD mn)*	8,266	8,822	9,477	8,303	8,801	9,528	0.4%	-0.2%	0.5%
Growth in USD revenues (YoY)*	2.6%	6.7%	7.4%	3.0%	6.0%	8.3%	46bp	-73bp	85bp
Consolidated revenue (INR mn)*	5,60,429	6,06,524	6,58,617	5,70,963	6,13,847	6,65,526	1.9%	1.2%	1.0%
EBITDA margin ex forex*	20.3%	20.8%	21.3%	19.7%	20.0%	20.3%	-68bp	-83bp	-101bp
EBIT margin ex forex*	16.3%	16.9%	17.6%	16.6%	16.9%	17.3%	23bp	7bp	-26bp
PAT (INR mn)#	85,205	96,792	1,11,238	87,649	99,045	1,11,695	2.9%	2.3%	0.4%
EPS#	18.9	21.5	24.7	19.4	22.0	24.8	2.9%	2.3%	0.4%

*IT services, #Consolidated
Source: JM Financial

Exhibit 10. How we differ from consensus

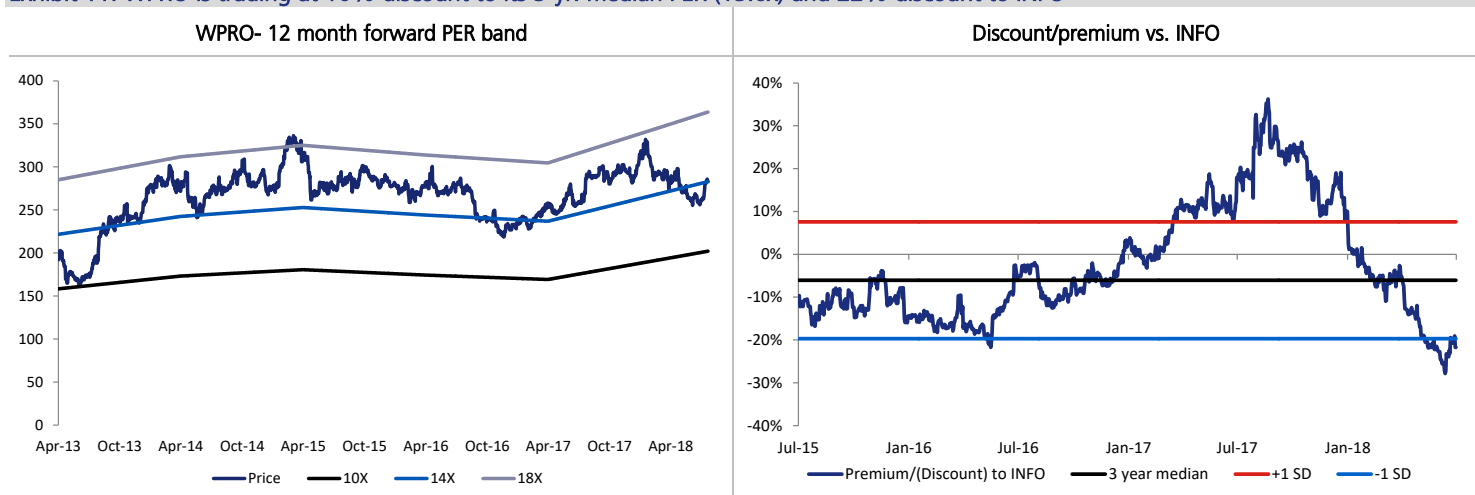
	Consensus estimates			JMFe			Difference		
	FY19E	FY20E	FY21E	FY19E	FY20E	FY21E	FY19E	FY20E	FY21E
Sales (INR mn)	5,71,227	6,11,071	6,51,245	5,85,662	6,29,934	6,82,254	2.5%	3.1%	4.8%
EBITDA (INR mn)	1,12,389	1,21,818	1,30,107	1,11,633	1,22,856	1,35,322	-0.7%	0.9%	4.0%
EBITDA margin	19.7%	19.9%	20.0%	19.1%	19.5%	19.8%	-61bp	-43bp	-14bp
Net Income (INR mn)	83,814	92,585	1,00,016	87,649	99,045	1,11,695	4.6%	7.0%	11.7%
EPS (INR)	18.59	20.53	21.89	19.4	22.0	24.8	4.5%	6.9%	13.1%

Source: JM Financial, Bloomberg

Key Risks

- Key downside risks to our price target are: (1) rupee appreciation beyond our assumed levels and/or adverse cross-currency movements; (2) a slower-than-anticipated pricing recovery; (3) delay in the implementation of the direct tax code; and (4) strong regulatory action against outsourcing in Wipro's key geographical markets.
- Key upside risks could come from: (1) rupee depreciation at a pace faster than our assumption; (2) a faster-than-expected recovery in project awards/ramp-up; (3) large deal wins ahead of numbers or the contract value in our estimates; and (4) acquisitions/large deal wins that are not built into our model.

Exhibit 11. WPRO is trading at 10% discount to its 5-yr. median PER (15.6x) and 22% discount to INFO



Source: JM Financial, Bloomberg

Financial Tables (Consolidated)

Income Statement		(INR mn)				
Y/E March	FY17A	FY18A	FY19E	FY20E	FY21E	
Net Sales	5,50,402	5,44,871	5,85,662	6,29,934	6,82,254	
Sales Growth	7.4%	-1.0%	7.5%	7.6%	8.3%	
Other Operating Income	4,082	0	0	0	0	
Total Revenue	5,54,484	5,44,871	5,85,662	6,29,934	6,82,254	
Cost of Goods Sold/Op. Exp	3,71,088	3,66,439	3,98,302	4,26,222	4,57,971	
Personnel Cost	0	0	0	0	0	
Other Expenses	70,187	74,086	75,727	80,856	88,962	
EBITDA	1,13,209	1,04,346	1,11,633	1,22,856	1,35,322	
EBITDA Margin	20.4%	19.2%	19.1%	19.5%	19.8%	
EBITDA Growth	4.7%	-7.8%	7.0%	10.1%	10.1%	
Depn. & Amort.	23,107	21,124	17,650	18,718	19,963	
EBIT	90,102	83,222	93,983	1,04,138	1,15,358	
Other Income	19,744	20,548	17,202	21,634	27,144	
Finance Cost	0	0	0	0	0	
PBT before Excep. & Forex	1,09,846	1,03,770	1,11,185	1,25,772	1,42,502	
Excep. & Forex Inc./Loss(-)	510	-891	731	500	500	
PBT	1,10,356	1,02,879	1,11,916	1,26,272	1,43,002	
Taxes	25,213	22,390	25,135	28,096	32,176	
Extraordinary Inc./Loss(-)	0	0	0	0	0	
Assoc. Profit/Min. Int.(-)	-248	-2	868	868	868	
Reported Net Profit	84,895	80,487	87,649	99,045	1,11,695	
Adjusted Net Profit	84,895	80,487	87,649	99,045	1,11,695	
Net Margin	15.3%	14.8%	15.0%	15.7%	16.4%	
Diluted Share Cap. (mn)	4,869.4	4,755.8	4,511.8	4,511.8	4,511.8	
Diluted EPS (INR)	17.4	16.9	19.4	22.0	24.8	
Diluted EPS Growth	-3.5%	-2.9%	14.8%	13.0%	12.8%	
Total Dividend + Tax	5,861	5,724	8,145	10,861	13,576	
Dividend Per Share (INR)	1.0	1.0	1.5	2.0	2.5	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E March	FY17A	FY18A	FY19E	FY20E	FY21E	
Shareholders' Fund	5,20,304	4,82,936	5,60,495	6,48,698	7,46,842	
Share Capital	4,861	9,048	9,048	9,048	9,048	
Reserves & Surplus	5,15,443	4,73,888	5,51,447	6,39,650	7,37,794	
Preference Share Capital	0	0	0	0	0	
Minority Interest	2,391	2,410	2,172	2,172	2,172	
Total Loans	1,42,412	1,38,259	1,17,728	1,17,728	1,17,728	
Def. Tax Liab. / Assets (-)	-3,098	-6,908	-6,724	-6,724	-6,724	
Total - Equity & Liab.	6,62,009	6,16,697	6,73,671	7,61,874	8,60,018	
Net Fixed Assets	2,11,512	2,00,140	2,15,596	2,18,260	2,19,297	
Gross Fixed Assets	69,794	64,443	68,115	70,779	71,816	
Intangible Assets	1,41,718	1,35,697	1,47,481	1,47,481	1,47,481	
Less: Depn. & Amort.	0	0	0	0	0	
Capital WIP	0	0	0	0	0	
Investments	2,99,239	2,58,009	2,58,418	2,58,418	2,58,418	
Current Assets	2,79,667	2,95,583	3,49,600	4,42,742	5,48,469	
Inventories	3,915	3,370	4,061	4,369	4,731	
Sundry Debtors	1,43,939	1,47,922	1,58,666	1,70,660	1,84,835	
Cash & Bank Balances	52,710	44,925	1,12,993	1,91,702	2,80,372	
Loans & Advances	0	0	0	0	0	
Other Current Assets	79,103	99,366	73,878	76,011	78,531	
Current Liab. & Prov.	1,28,409	1,37,035	1,49,943	1,57,545	1,66,166	
Current Liabilities	87,153	90,860	96,077	1,02,175	1,09,381	
Provisions & Others	1,64,057	1,39,166	1,24,534	1,26,039	1,27,453	
Net Current Assets	1,51,258	1,58,548	1,99,657	2,85,197	3,82,303	
Total - Assets	6,62,009	6,16,697	6,73,671	7,61,874	8,60,018	

Source: Company, JM Financial

Cash Flow Statement		(INR mn)				
Y/E March	FY17A	FY18A	FY19E	FY20E	FY21E	
Profit before Tax	85,143	80,084	89,310	98,177	1,10,827	
Depn. & Amort.	23,107	21,124	17,650	18,718	19,963	
Net Interest Exp. / Inc. (-)	-16,259	-14,569	0	0	0	
Inc (-) / Dec in WCap.	4,541	-936	6,211	-6,831	-8,437	
Others	21,717	26,635	15,860	16,563	17,602	
Taxes Paid	-25,476	-28,105	-31,551	-35,267	-40,388	
Operating Cash Flow	92,773	84,233	97,481	91,360	99,567	
Capex	-20,853	-21,870	-21,322	-21,382	-21,000	
Free Cash Flow	71,920	62,363	76,159	69,978	78,567	
Inc (-) / Dec in Investments	-80,183	47,973	0	0	0	
Others	-15,247	9,475	0	0	0	
Investing Cash Flow	-1,16,283	35,578	-21,322	-21,382	-21,000	
Inc / Dec (-) in Capital	0	24	0	0	0	
Dividend + Tax thereon	-33,734	-1,15,732	0	0	0	
Inc / Dec (-) in Loans	13,119	-10,983	0	0	0	
Others	-2,137	-3,287	0	0	0	
Financing Cash Flow	-22,752	-1,29,978	0	0	0	
Inc / Dec (-) in Cash	-46,262	-10,167	76,159	69,978	78,567	
Opening Cash Balance	99,049	52,710	44,925	1,12,993	1,91,702	
Closing Cash Balance	52,787	42,543	1,21,084	1,82,971	2,70,269	

Source: Company, JM Financial

Dupont Analysis		FY17A	FY18A	FY19E	FY20E	FY21E
Net Margin		15.3%	14.8%	15.0%	15.7%	16.4%
Asset Turnover (x)		0.9	0.8	0.9	0.9	0.8
Leverage Factor (x)		1.3	1.3	1.3	1.2	1.2
RoE		17.2%	16.0%	16.8%	16.4%	16.0%

Key Ratios		FY17A	FY18A	FY19E	FY20E	FY21E
BV/Share (INR)		106.9	101.5	124.2	143.8	165.5
ROIC		23.3%	20.5%	23.1%	25.8%	27.7%
ROE		17.2%	16.0%	16.8%	16.4%	16.0%
Net Debt/Equity (x)		-0.4	-0.3	-0.4	-0.5	-0.6
P/E (x)		16.2	16.7	14.6	12.9	11.4
P/B (x)		2.6	2.8	2.3	2.0	1.7
EV/EBITDA (x)		10.1	11.4	9.9	8.3	6.9
EV/Sales (x)		2.1	2.2	1.9	1.6	1.4
Debtor days		95	99	99	99	99
Inventory days		3	2	3	3	3
Creditor days		54	56	62	62	63

Source: Company, JM Financial

History of Earnings Estimate and Target Price

Date	Recommendation	Target Price	% Chg.
23-Jul-15	Buy	325	
21-Oct-15	Buy	330	1.5
18-Jan-16	Buy	315	-4.5
19-Jul-16	Buy	315	0.0
6-Oct-16	Buy	260	-17.5
22-Oct-16	Buy	260	0.0
25-Apr-17	Buy	265	1.9
20-Mar-18	Buy	330	24.5
26-Apr-18	Hold	300	-9.1
18-Jun-18	Hold	310	3.3

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

(formerly known as JM Financial Securities Limited)

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd., National Stock Exchange of India Ltd. and Metropolitan Stock Exchange of India Ltd.

SEBI Registration Nos.: Stock Broker - INZ000163434, Research Analyst – INH000000610

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Rating	Meaning
Buy	Total expected returns of more than 15%. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 15% upside from the current market price.
Sell	Price expected to move downwards by more than 10%

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