

INDUSTRY	IT
<b>CMP (as on 30 Jul 2018)</b>	<b>Rs 655</b>
<b>Target Price</b>	<b>Rs 740</b>
Nifty	11,320
Sensex	37,494

#### KEY STOCK DATA

Bloomberg	TECHM IN
No. of Shares (mn)	981
MCap (Rs bn) / (\$ mn)	643/9,363
6m avg traded value (Rs mn)	2,274

#### STOCK PERFORMANCE (%)

52 Week high / low	Rs 730 / 379		
	3M	6M	12M
Absolute (%)	(2.3)	8.7	71.9
Relative (%)	(8.9)	4.7	55.9

#### SHAREHOLDING PATTERN (%)

Promoters	35.98
FIs & Local MFs	12.72
FPIs	38.77
Public & Others	12.53

Source : BSE

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## Weak quarter, revival soon

Tech Mahindra delivered poor revenue growth in 1QFY19 while margin performance was better than expected. Revenue stood at USD 1,224mn (-1.6% QoQ, +0.3% CC), vs our estimate of USD 1,228mn. Enterprise (+1.8%, +3.8% CC QoQ) continue to drive growth led by traction in Manufacturing (+2.5% QoQ) and BFSI (+2.9%). Digital (27% of rev, +30% YoY) is growing in-line with industry average and is driving enterprise growth. Telecom (39.6% of rev, -6.3% QoQ) is dragging overall revenue growth; however management sees it as a seasonal blip and expect recovery form 2QFY19E based on deal wins at the end of the quarter. Deal TCV stands at USD 260mn, out of which ~50% is Telecom.

Margins performance was encouraging, EBITDA margin contracted 113bps QoQ to 16.4% (higher than exp of 16.0%) led by Comviva (-90bps), visa (-40bps) and lower utilization (-50bps QoQ) offset by currency (+80bps). Management indicated that margin recovery will be gradual led by (1) Comviva & LCC turnaround (2) higher utilisation (82-85% range) & off-shoring and (3) Automation benefits. We maintain our positive view on TechM based on (1) Increase in Telecom spend on new

technology (5G) (2) Recovery in LCC & Comviva (3) Industry leading growth in Enterprise business and (4) Significant improvement in margin (+365bps YoY). We've factored USD revenue growth of 7.6/10.6% for FY19/20E, implying revenue CQGR of 3.2/2.2% for FY19/20E and factored EBITDA% at 16.7/17.1%. **Maintain BUY with a TP of Rs 740 based on 15x FY20E EPS.**

### Highlights of the quarter

- Manufacturing (20.1% of rev, +2.5% QoQ) & BFSI (+13.6% of rev, +2.9% QoQ) is driving Enterprise growth. TME/Retail was up down 2.9/3.2% QoQ.
- Comviva & LCC led to sharp fall in Telecom revenue, margin profile is in lower single digit. Top-5 client revenue was down 7.1% QoQ. Four out of Top-5 clients are in Telecom domain and three in UK region (CC growth in Telecom was -2% QoQ).
- **Near-term outlook:** Growth will revive owing to continued traction in Enterprise and revival in Telecom. Margins will face headwind of wage hike (for ~50% employees) offset by efficiencies.

### Financial Summary (Consolidated)

YE March (Rs bn)	1QFY19	1QFY18	YoY (%)	4QFY18	QoQ (%)	FY16	FY17	FY18	FY19E	FY20E
Net Sales	82.76	73.36	12.8	80.55	2.8	264.94	291.41	307.73	346.71	383.16
EBITDA	13.57	9.35	45.2	14.12	(3.9)	42.71	41.84	47.10	57.74	65.48
APAT	8.98	7.98	12.5	12.22	(26.5)	29.93	28.13	38.00	38.21	43.87
Diluted EPS (Rs)	10.1	9.0	12.5	13.7	(26.5)	33.7	31.6	42.7	42.9	49.3
P/E (x)						19.5	20.7	15.4	15.3	13.3
EV / EBITDA (x)						12.7	12.9	11.4	9.1	7.9
RoE (%)						22.8	18.1	21.5	19.1	19.4

Source: Company, HDFC sec Inst Research

**Revenue in INR terms grew 2.8% QoQ to Rs 82.76bn**

**EBITDA margin stood at 16.4%, impacted by wage hike, Comviva seasonality, visa fees offset by currency benefit and operational efficiency**

**PAT came at Rs 8.98bn down 26.5% QoQ led by EBITDA decline and lower forex gain (Rs 0.15 bn in 1Q vs Rs 1.74bn last quarter)**

**ETR will remain at ~24% for FY19E, was down in the quarter due MAT credit**

### Quarterly Consolidated Financials Snapshot

Particulars (Rs mn)	1QFY19	1QFY18	YoY (%)	4QFY18	QoQ (%)
<b>Net Revenues (USD mn)</b>	<b>1,224</b>	<b>1,138</b>	<b>7.5</b>	<b>1,244</b>	<b>(1.6)</b>
<b>Net Revenues</b>	<b>82,763</b>	<b>73,361</b>	<b>12.8</b>	<b>80,545</b>	<b>2.8</b>
Employee And Subcontracting Costs	53,499	49,697	7.6	52,092	2.7
SG&A and Other Operating Expenses	15,695	14,317	9.6	14,334	9.5
<b>EBITDA</b>	<b>13,569</b>	<b>9,347</b>	<b>45.2</b>	<b>14,119</b>	<b>(3.9)</b>
Depreciation	2,808	2,468	13.7	2,986	(6.0)
<b>EBIT</b>	<b>10,761</b>	<b>6,879</b>	<b>56.4</b>	<b>11,133</b>	<b>(3.3)</b>
Interest Cost	305	370	(17.6)	527	(42.1)
Other Income (including Forex)	1,114	4,106	(72.9)	4,513	(75.3)
<b>PBT</b>	<b>11,570</b>	<b>10,615</b>	<b>9.0</b>	<b>15,119</b>	<b>(23.5)</b>
Tax	2,457	2,698	(8.9)	2,810	(12.6)
Minority Interest And Associate Profits	134	(68)	(297.1)	88	51.9
<b>APAT</b>	<b>8,979</b>	<b>7,985</b>	<b>12.5</b>	<b>12,220</b>	<b>(26.5)</b>
E/o (Adj For Tax)	0	0	-	0	-
RPAT	8,979	7,985	12.5	12,220	(26.5)

Source: Company, HDFC sec Inst Research

### Margin Analysis

MARGIN ANALYSIS	1QFY19	1QFY18	YoY (bps)	4QFY18	QoQ (bps)
Employee Cost % Net Revenues	64.6	67.7	(310)	64.7	(3)
SG&A and Other Expenses % Net Revenues	19.0	19.5	(55)	17.8	117
Gross Margin (%)	35.4	32.3	310	35.3	3
<b>EBITDA Margin (%)</b>	<b>16.4</b>	<b>12.7</b>	<b>365</b>	<b>17.5</b>	<b>(113)</b>
EBIT Margin (%)	13.0	9.4	363	13.8	(82)
Tax Rate (%)	21.2	25.4	(418)	18.6	265
<b>APAT Margin (%)</b>	<b>10.8</b>	<b>10.9</b>	<b>(3)</b>	<b>15.2</b>	<b>(432)</b>

Source: Company, HDFC sec Inst Research

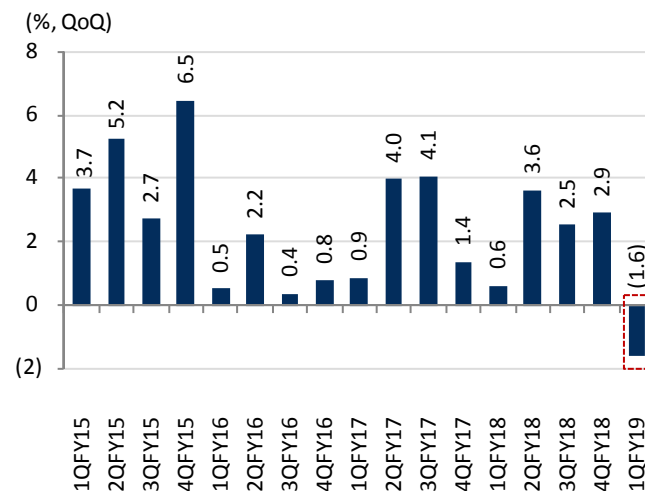
**Posted quarterly fall in revenue after many quarters**

**YoY revenue growth was at a seven quarter low**

**Levers for margin include Automation, turnaround of LCC, Comviva and off-shoring**

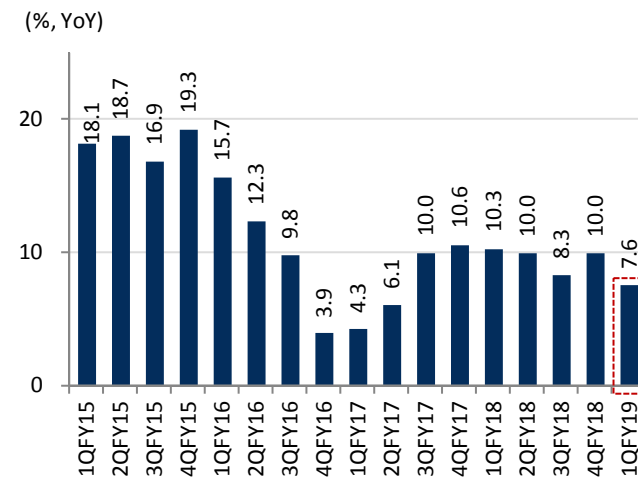
**Telecom drag was the highest in the last many years and is expected to stabilise led by ramp-up of deal wins**

### QoQ USD Revenue Growth Trajectory



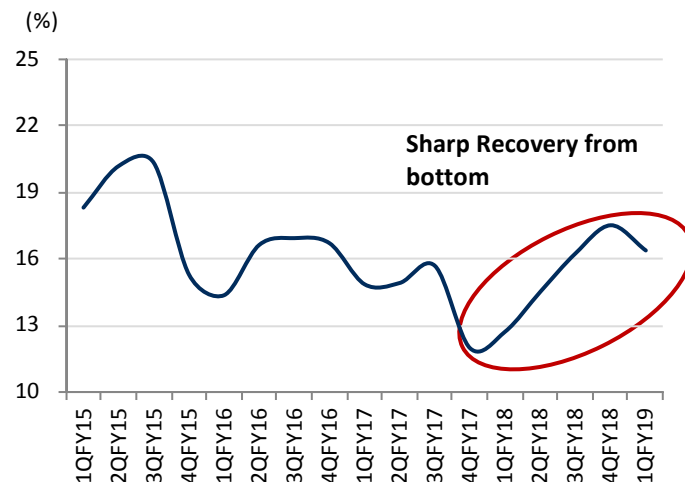
Source: Company, HDFC sec Inst Research

### YoY USD Revenue Growth Trajectory



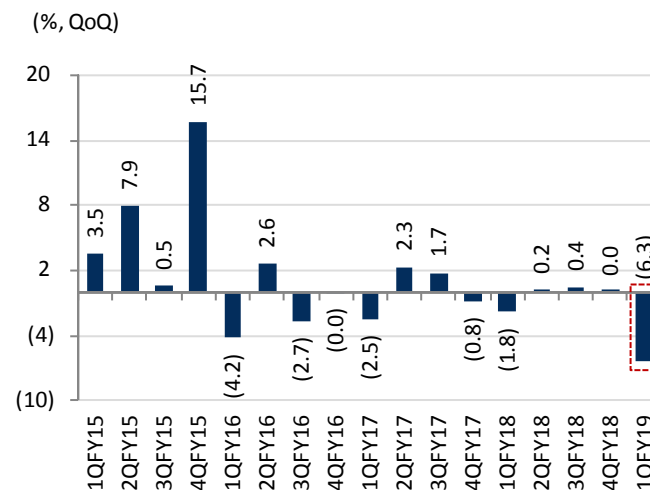
Source: Company, HDFC sec Inst Research

### EBITDA Margin Trajectory



Source: Company, HDFC sec Inst Research

### Telecom Segment Revenue Growth Trajectory



Source: Company, HDFC sec Inst Research

**Enterprise continued strong growth, supported by Manufacturing & BFSI**

**Manufacturing clients are looking to build IoT based smart solutions, factories of the future and there is increased focus on manufacturing analytics**

**Wealth and core banking transformation driving BFSI vertical**

**Large implementation cycle in Healthcare driving growth in other vertical**

### Vertical Revenue Break-up

(% of revenue)	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19
Telecom	47.3	46.3	45.2	43.7	42.8	41.6	39.6
Manufacturing	18.4	19.2	19.3	19.0	19.1	19.3	20.1
BFSI	13.1	14.1	14.4	14.1	13.3	13.0	13.6
Others	7.2	7.7	8.3	10.1	11.2	12.6	13.4
Retail, Transport & Logistics	7.6	6.5	6.8	7.2	7.1	6.2	6.1
Tech, Media & Entertainment (TME)	6.4	6.2	6.0	5.9	6.5	7.3	7.2
<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

### Vertical-wise Revenue Growth

(QoQ, %)	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19
Telecom	1.7	(0.8)	(1.8)	0.2	0.4	0.0	(6.3)
Manufacturing	(0.3)	5.8	1.1	2.0	3.1	4.0	2.5
BFSI	18.6	9.1	2.8	1.5	(3.3)	0.6	2.9
Others	8.6	8.4	8.4	26.1	13.7	15.8	4.6
Retail, Transport & Logistics	16.3	(13.3)	5.3	9.7	1.1	(10.1)	(3.2)
Technology, Media & Entertainment	(7.5)	(1.8)	(2.6)	1.9	13.0	15.6	(2.9)
<b>Total</b>	<b>4.1</b>	<b>1.4</b>	<b>0.6</b>	<b>3.6</b>	<b>2.5</b>	<b>2.9</b>	<b>(1.6)</b>

Source: Company, HDFC sec Inst Research

*Large telecom clients are in the UK region, impacted by cross currency and seasonality*

*US growth is driven by enterprise traction*

*Onsite revenue declined after six quarters of growth*

### Geographic Revenue Break-up

(% of revenue)	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19
Americas	46.7	45.1	46.8	45.3	46.9	47.4	48.2
Europe	29.4	29.6	29.8	30.0	29.8	29.6	30.0
Rest of the World	23.9	25.3	23.4	24.7	23.3	23.0	21.8
<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

### Geographic Revenue Growth

(QoQ, %)	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19
Americas	0.6	(2.1)	4.4	0.3	6.1	4.0	0.1
Europe	3.0	2.0	1.3	4.3	1.8	2.2	(0.3)
Rest of the World	13.1	7.3	(6.9)	9.4	(3.3)	1.6	(6.7)
<b>Total</b>	<b>4.1</b>	<b>1.4</b>	<b>0.6</b>	<b>3.6</b>	<b>2.5</b>	<b>2.9</b>	<b>(1.6)</b>

Source: Company, HDFC sec Inst Research

### Onsite-Offshore Split (IT Services)

(% of revenue)	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19
Onsite	63.9	64.3	63.7	64.1	65.8	67.0	66.6
Offshore	36.1	35.7	36.3	35.9	34.2	33.0	33.4
<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 Growth (IT Services)

(QoQ, %)	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19
Onsite	4.5	2.0	0.2	3.8	4.0	5.5	(2.3)
Offshore	2.7	0.3	2.8	2.1	(3.5)	(0.0)	(0.5)
<b>Total</b>	<b>3.8</b>	<b>1.4</b>	<b>1.1</b>	<b>3.2</b>	<b>1.3</b>	<b>3.6</b>	<b>(1.7)</b>

Source: Company, HDFC sec Inst Research

**Attrition increased to 19% due to no wage hikes for mid level managers and utilisation including trainee declined to 81% due to addition of ~1.8K fresher's**

**Total of 4K fresher's will join the company in FY19**

### Headcount, Attrition And Utilisation Data

(Nos.)	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19
<b>Total Headcount</b>	<b>117,095</b>	<b>117,693</b>	<b>115,980</b>	<b>117,225</b>	<b>115,241</b>	<b>112,807</b>	<b>113,552</b>
Software Employees	80,858	82,403	78,996	75,587	73,460	72,437	72,462
BPO Employees	29,372	28,414	30,322	35,287	35,496	34,190	34,700
Sales & Support	6,865	6,876	6,662	6,351	6,285	6,180	6,390
<b>Net Additions</b>	<b>4,209</b>	<b>598</b>	<b>(1,713)</b>	<b>1,245</b>	<b>(1,984)</b>	<b>(2,434)</b>	<b>745</b>
IT Attrition (%)	18.0	17.0	17.0	16.0	17.0	18.0	19.0
Utilisation Including Trainees (%)	83.0	81.0	81.0	81.0	83.0	84.0	81.0
Utilisation Excluding Trainees (%)	77.0	77.0	77.0	81.0	83.0	84.0	84.0

Source: Company, HDFC sec Inst Research

### Key Assumptions

Particulars	FY16	FY17	FY18	FY19E	FY20E
IT services volume growth (%)	12.2	11.0	(0.2)	2.4	4.7
IT services pricing change (%)	(1.1)	(2.3)	9.5	5.1	5.7
BPO USD revenue growth (%)	(1.0)	0.3	13.4	7.9	9.1
<b>Total USD revenue growth (%)</b>	<b>9.9</b>	<b>7.8</b>	<b>9.6</b>	<b>7.6</b>	<b>10.6</b>
USD/INR rate	65.6	67.0	64.5	67.5	67.5
EBITDA margin (%)	16.1	14.4	15.3	16.7	17.1

Source: Company, HDFC sec Inst Research

### Change in Estimates

Particulars	Earlier estimates	Revised estimates	% change
<b>FY19E</b>			
Revenue (USD bn)	5.17	5.13	(0.7)
Revenue (Rs bn)	348.58	346.71	(0.5)
EBITDA (Rs bn)	58.00	57.74	(0.5)
EBITDA margin (%)	16.6	16.7	1
EPS (Rs)	45.9	42.9	(6.6)
<b>FY20E</b>			
Revenue (USD bn)	5.75	5.68	(1.3)
Revenue (Rs bn)	388.22	383.16	(1.3)
EBITDA (Rs bn)	65.71	65.48	(0.3)
EBITDA margin (%)	16.9	17.1	16
EPS (Rs)	51.8	49.3	(4.9)

Source: Company, HDFC sec Inst Research

### Peer Set Comparison

Company	Mcap (Rs bn)	CMP (Rs)	Reco.	TP (Rs)	EPS (Rs)				P/E (x)				EV/EBITDA (x)				RoE (%)			
					FY17	FY18	FY19E	FY20E	FY17	FY18	FY19E	FY20E	FY17	FY18	FY19E	FY20E	FY17	FY18	FY19E	FY20E
TCS	7,297	1,945	2,130	BUY	66.7	67.5	79.5	88.8	29.2	28.8	24.5	21.9	21.2	21.1	17.9	15.6	33.4	30.1	35.5	37.6
Infosys	2,936	1,351	1,415	BUY	66.0	67.7	72.2	78.5	20.5	19.9	18.7	17.2	13.7	13.8	12.5	11.1	22.0	24.5	24.1	25.7
HCL Tech	1,319	947	1,160	BUY	60.1	64.8	70.6	77.0	15.7	14.6	13.4	12.3	11.8	11.0	9.6	8.5	27.0	25.3	25.2	24.8
Wipro	1,236	273	270	NEU	17.9	18.3	18.6	20.8	15.3	15.0	14.7	13.2	9.5	10.4	9.4	7.8	16.4	16.5	16.5	16.6
<b>Tech Mahindra</b>	<b>643</b>	<b>655</b>	<b>740</b>	<b>BUY</b>	<b>31.6</b>	<b>42.7</b>	<b>42.9</b>	<b>49.3</b>	<b>20.7</b>	<b>15.4</b>	<b>15.3</b>	<b>13.3</b>	<b>12.9</b>	<b>11.4</b>	<b>9.1</b>	<b>7.9</b>	<b>18.1</b>	<b>21.5</b>	<b>19.1</b>	<b>19.4</b>

Source: HDFC sec Inst Research

## Consolidated Income Statement

YE March (Rs bn)	FY16	FY17	FY18	FY19E	FY20E
<b>Net Revenues (USD bn)</b>	<b>4.04</b>	<b>4.35</b>	<b>4.77</b>	<b>5.13</b>	<b>5.68</b>
<b>Growth (%)</b>	<b>9.5</b>	<b>7.8</b>	<b>9.6</b>	<b>7.6</b>	<b>10.6</b>
<b>Net Revenues</b>	<b>264.94</b>	<b>291.41</b>	<b>307.73</b>	<b>346.71</b>	<b>383.16</b>
<b>Growth (%)</b>	<b>17.1</b>	<b>10.0</b>	<b>5.6</b>	<b>12.7</b>	<b>10.5</b>
Employee Costs	139.47	154.54	166.24	180.86	198.90
SG&A & Other Expenses	82.76	95.02	94.39	108.12	118.78
<b>EBITDA</b>	<b>42.71</b>	<b>41.84</b>	<b>47.10</b>	<b>57.74</b>	<b>65.48</b>
<b>EBITDA (%)</b>	<b>16.1</b>	<b>14.4</b>	<b>15.3</b>	<b>16.7</b>	<b>17.1</b>
<b>EBITDA Growth (%)</b>	<b>1.9</b>	<b>(2.0)</b>	<b>12.6</b>	<b>22.6</b>	<b>13.4</b>
Depreciation	7.59	9.78	10.85	12.00	13.08
<b>EBIT</b>	<b>35.12</b>	<b>32.06</b>	<b>36.25</b>	<b>45.74</b>	<b>52.41</b>
Other Income	4.39	7.78	14.17	6.53	7.81
Interest	0.97	1.29	1.62	1.98	2.06
<b>PBT</b>	<b>38.54</b>	<b>38.55</b>	<b>48.79</b>	<b>50.29</b>	<b>58.15</b>
Tax (incl deferred)	8.30	10.02	10.93	11.75	13.96
Minority Interest and associate profit	0.34	0.38	(0.14)	(0.14)	(0.15)
<b>RPAT</b>	<b>29.90</b>	<b>28.15</b>	<b>38.00</b>	<b>38.68</b>	<b>44.35</b>
Extraordinary item	0.00	0.00	0.00	0.00	0.00
<b>APAT</b>	<b>29.90</b>	<b>28.15</b>	<b>38.00</b>	<b>38.68</b>	<b>44.35</b>
<b>APAT Growth (%)</b>	<b>13.8</b>	<b>(5.9)</b>	<b>35.0</b>	<b>1.8</b>	<b>14.7</b>
<b>EPS</b>	<b>33.7</b>	<b>31.6</b>	<b>42.7</b>	<b>42.9</b>	<b>49.3</b>
<b>EPS Growth (%)</b>	<b>13.9</b>	<b>(6.0)</b>	<b>34.8</b>	<b>0.6</b>	<b>14.8</b>

Source: Company, HDFC sec Inst Research

## Consolidated Balance Sheet

YE March (Rs bn)	FY16	FY17	FY18	FY19E	FY20E
<b>SOURCES OF FUNDS</b>					
Share Capital - Equity	4.36	4.39	4.42	4.42	4.42
Reserves	141.55	159.98	184.01	207.91	235.36
<b>Total Shareholders' Funds</b>	<b>145.91</b>	<b>164.37</b>	<b>188.43</b>	<b>212.33</b>	<b>239.78</b>
Minority Interest	1.93	4.64	5.09	5.09	5.09
<b>Total Debt</b>	<b>10.02</b>	<b>12.19</b>	<b>17.26</b>	<b>17.26</b>	<b>17.26</b>
Net Deferred Taxes	(5.32)	(2.67)	(5.77)	(5.77)	(5.77)
Long Term Provisions & Others	19.09	23.87	23.98	25.14	26.43
<b>TOTAL SOURCES OF FUNDS</b>	<b>171.62</b>	<b>202.40</b>	<b>228.99</b>	<b>254.06</b>	<b>282.79</b>
<b>APPLICATION OF FUNDS</b>					
Net Block	25.31	38.32	48.50	55.22	62.84
CWIP	6.29	3.73	2.40	2.40	2.40
Goodwill & Other Intangible Assets	21.23	30.76	30.33	30.33	30.33
Investments	0.00	0.00	0.00	0.00	0.00
LT Loans & Advances	10.68	13.14	17.83	19.08	20.41
<b>Total Non Current Assets</b>	<b>63.52</b>	<b>85.96</b>	<b>99.06</b>	<b>107.03</b>	<b>115.98</b>
Inventories	0.40	0.61	0.66	0.66	0.66
Debtors	57.70	53.38	64.98	73.14	80.83
Cash & Equivalents	52.60	56.14	77.35	85.24	94.46
Other Current Assets	40.32	55.44	50.54	58.91	64.53
<b>Total Current Assets</b>	<b>151.04</b>	<b>165.57</b>	<b>193.53</b>	<b>217.95</b>	<b>240.47</b>
Creditors	22.76	18.06	20.37	27.71	30.46
Other Current Liabilities & Provns	25.54	37.53	49.25	49.65	50.10
<b>Total Current Liabilities</b>	<b>48.30</b>	<b>55.59</b>	<b>69.62</b>	<b>77.36</b>	<b>80.56</b>
<b>Net Current Assets</b>	<b>102.74</b>	<b>109.99</b>	<b>123.91</b>	<b>140.58</b>	<b>159.92</b>
Misc Expenses & Others	5.36	6.46	6.02	6.44	6.90
<b>TOTAL APPLICATION OF FUNDS</b>	<b>171.62</b>	<b>202.40</b>	<b>228.99</b>	<b>254.06</b>	<b>282.79</b>

Source: Company, HDFC sec Inst Research



## Consolidated Cash Flow

Year ending March (Rs bn)	FY16	FY17	FY18	FY19E	FY20E
Reported PBT	38.54	38.55	48.79	50.29	58.15
Non-operating & EO items	2.01	(3.53)	(2.63)	(6.86)	(8.13)
Interest expenses	0.97	1.29	1.62	1.98	2.06
Depreciation	7.59	9.78	10.85	12.00	13.08
Working Capital Change	(4.61)	5.44	(7.83)	(9.29)	(10.61)
Tax paid	(13.15)	(10.80)	(15.26)	(11.75)	(13.96)
<b>OPERATING CASH FLOW ( a )</b>	<b>31.34</b>	<b>40.74</b>	<b>35.53</b>	<b>36.37</b>	<b>40.59</b>
Capex	(8.96)	(21.40)	(19.22)	(18.72)	(20.69)
<i>Free cash flow (FCF)</i>	<i>22.38</i>	<i>19.34</i>	<i>16.31</i>	<i>17.65</i>	<i>19.90</i>
Investments	0.00	0.00	0.00	0.00	0.00
Non-operating income	(2.01)	3.53	2.63	6.53	7.81
<b>INVESTING CASH FLOW ( b )</b>	<b>(10.97)</b>	<b>(17.87)</b>	<b>(16.59)</b>	<b>(12.20)</b>	<b>(12.88)</b>
Debt Issuance	1.15	(2.55)	7.49	0.00	0.00
Interest expenses	(0.97)	(1.29)	(1.62)	(1.98)	(2.06)
<i>FCFE</i>	<i>22.56</i>	<i>15.50</i>	<i>22.17</i>	<i>15.66</i>	<i>17.84</i>
Share capital Issuance	0.36	0.35	0.25	0.00	0.00
Dividend	(5.55)	(12.39)	(9.44)	(14.30)	(16.43)
<b>FINANCING CASH FLOW ( c )</b>	<b>(5.01)</b>	<b>(15.88)</b>	<b>(3.33)</b>	<b>(16.29)</b>	<b>(18.49)</b>
<b>NET CASH FLOW (a+b+c)</b>	<b>15.37</b>	<b>6.98</b>	<b>15.62</b>	<b>7.88</b>	<b>9.22</b>
Non-operating and EO items	4.37	(3.45)	5.59	0.00	0.00
Closing Cash & Equivalents	52.60	56.14	77.35	85.24	94.46

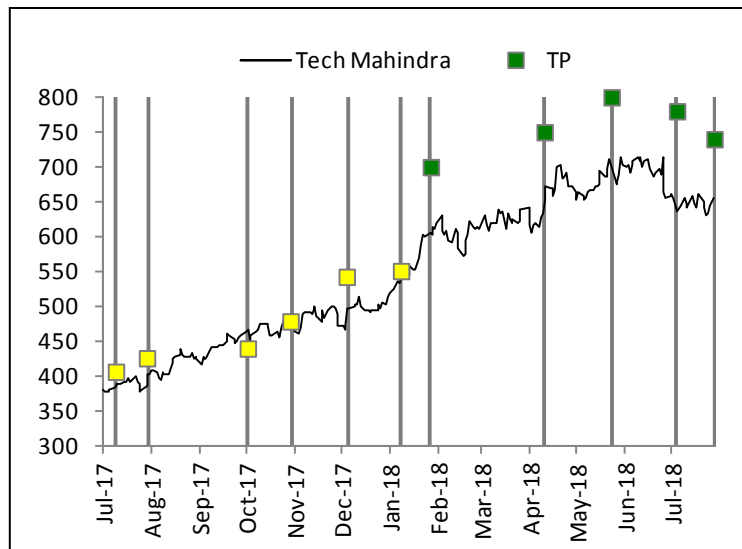
Source: Company, HDFC sec Inst Research

## Key Ratios

	FY16	FY17	FY18	FY19E	FY20E
<b>PROFITABILITY (%)</b>					
EBITDA Margin	16.1	14.4	15.3	16.7	17.1
APAT Margin	11.4	9.8	12.3	11.1	11.5
RoE	22.8	18.1	21.5	19.3	19.6
RoIC or Core RoCE	23.2	16.2	18.6	20.8	21.1
RoCE	19.7	14.3	14.7	16.1	16.4
<b>EFFICIENCY</b>					
Tax Rate (%)	21.5	26.0	22.4	23.4	24.0
Fixed Asset Turnover (x)	4.6	3.6	3.0	2.9	2.7
Debtors (days)	79	67	77	77	77
Other current assets (days)	56	69	60	62	61
Payables (days)	37	26	35	35	35
Other current liabilities (days)	35	47	58	52	48
Cash Conversion Cycle (days)	63	64	44	52	56
Net Debt/EBITDA (x)	(1.2)	(1.3)	(1.3)	(1.2)	(1.2)
Net Debt/Equity (x)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
Interest Coverage (x)	36.2	24.9	22.3	23.1	25.4
<b>PER SHARE DATA</b>					
EPS (Rs/sh)	33.7	31.6	42.7	42.9	49.3
CEPS (Rs/sh)	42	43	55	56	64
DPS (Rs/sh)	6	12	14	14	16
BV (Rs/sh)	164	185	212	239	270
<b>VALUATION</b>					
P/E	19.5	20.7	15.4	15.3	13.3
P/BV	4.0	3.5	3.1	2.7	2.4
EV/EBITDA	12.7	12.9	11.4	9.1	7.9
OCF/EV (%)	5.8	7.5	6.6	6.9	7.8
FCF/EV (%)	4.1	3.6	3.0	3.3	3.8
FCFE/mkt cap (%)	3.9	2.7	3.8	2.7	3.1
Dividend Yield (%)	0.9	1.8	2.1	2.1	2.4

Source: Company, HDFC sec Inst Research

## RECOMMENDATION HISTORY



Date	CMP	Reco	Target
11-Jul-17	385	NEU	406
1-Aug-17	385	NEU	425
4-Oct-17	463	NEU	440
2-Nov-17	489	NEU	477
11-Dec-17	496	NEU	540
10-Jan-18	534	NEU	550
30-Jan-18	605	BUY	700
12-Apr-18	633	BUY	750
26-May-18	705	BUY	800
6-Jul-18	635	BUY	780
31-Jul-18	655	BUY	740

### 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

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