

<b>BSE SENSEX</b>	<b>S&amp;P CNX</b>
34,865	10,513
Bloomberg	INFO IN
Equity Shares (m)	4,571
M.Cap.(INRb)/(USDb)	3042.1 / 41.4
52-Week Range (INR)	755 / 454
1, 6, 12 Rel. Per (%)	2/21/41
Avg Val, INRm	5620
Free float (%)	87.2

## Financials & Valuations (INR b)

Y/E Mar	2018	2019E	2020E
Net Sales	705.2	827.7	932.0
EBITDA	190.1	217.0	248.0
PAT	161.0	165.7	183.6
EPS (INR)	32.4	37.6	43.0
Gr. (%)	3.1	16.3	14.1
BV/Sh (INR)	143.3	145.2	166.5
RoE (%)	24.1	26.1	27.6
RoCE (%)	24.1	26.1	27.6
P/E (x)	21.4	18.4	16.1
P/BV (x)	4.8	4.8	4.2

Estimate change



TP change



Rating change



**CMP: INR699**

**TP: INR800(+15%)**

**Buy**

## Thesis of gestation for revenue-margin duality at play

- **Upbeat revenue but soft margins:** In our recent [report](#) on INFO, we had cited the gestation that one should expect for the company's revenue-margin duality, given the ongoing investments and the high attrition rate. 2QFY19 performance was a case in point, with CC revenue growth of 4.2% QoQ (8.1% YoY) exceeding our estimate of 3.5% and EBIT margin of 23.7% (flat QoQ despite currency tailwinds) missing our estimate by 40bp. PAT of INR41b grew 5.9% QoQ (1.8% QoQ excl. 1QFY19's one-off provision), marginally below our estimate of +6.9% QoQ, primarily due to lower margin.
- **Strong deals, expect quick conversion:** The highlight for the quarter (apart from strong CC sequential revenue growth) was deal wins with total contract value (TCV) of more than USD2b – this was on the back of USD1.1b in the previous quarter, which itself was a multi-quarter high. Management also cited that some of the deals have a shorter tenure, implying a quick conversion to revenues, boosting near-term visibility (notwithstanding the 2H seasonality).
- **Where is the currency tailwind?** INFO's flattish margin, despite currency tailwinds, is explained by two factors, in our view: [1] higher variable pay/interventions and promotions to stem elevated attrition and [2] higher sub-contracting costs to meet supply constraint in certain business opportunities.
- **Revenue optimism to support valuations:** For FY19/20, we upgrade our revenue estimate marginally by 0.4%/0.7% and lower our EBIT margin estimate by 60bp/85bp. The offset implies unchanged FY20 EPS of INR43. INFO trades at 16x FY20E earnings, still at a meaningful discount to TCS. Visibility on revenue growth lent by 2Q execution and deal wins makes a case for some convergence, though the respective executions on margins will continue to warrant a gap. Our TP of INR800 discounts forward earnings by 17x. Maintain **Buy**.

## Quarterly Performance (IFRS)

Y/E March	FY18				FY19E				FY18	FY19E	Est.	(INR Million)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			2QFY19	
Revenue (USD m)	2,651	2,728	2,755	2,805	2,831	2,921	2,950	2,965	10,939	11,667	2,906	0.5
QoQ (%)	3.2	2.9	1.0	1.8	0.9	3.2	1.0	0.5	7.2	6.7	2.7	53bp
Revenue (INR m)	170,780	175,670	177,940	180,830	191,280	206,090	213,865	216,455	705,220	827,690	204,008	1.0
YoY (%)	1.8	1.5	3.0	5.6	12.0	17.3	20.2	19.7	3.0	17.4	16.1	119bp
GPM (%)	38.8	38.7	38.5	38.6	38.0	37.8	38.0	38.4	38.6	38.1	38.3	-46bp
SGA (%)	12.1	11.9	11.4	11.4	12.0	11.8	11.9	11.7	11.7	11.9	12.0	-19bp
EBITDA	45,610	47,020	48,170	49,310	49,730	53,580	55,898	57,761	190,100	216,959	53,594	0.0
EBITDA Margin (%)	26.7	26.8	27.1	27.3	26.0	26.0	26.1	26.7	27.0	26.2	26.3	-27bp
EBIT Margin (%)	23.7	24.2	24.3	24.7	23.7	23.7	24.0	24.5	24.3	24.0	24.1	-39bp
Other income	8,140	8,830	9,620	5,340	7,260	7,390	7,167	6,086	31,930	27,903	7,632	-3.2
ETR (%)	28.2	27.4	2.9	26.3	26.2	27.0	27.0	27.0	20.9	26.8	27.0	
PAT	34,880	37,260	51,290	36,900	38,820	41,100	42,665	43,167	161,030	165,741	41,513	-1.0
QoQ (%)	-3.2	6.8	37.7	-28.1	5.2	5.9	3.8	1.2			6.9	-106bp
YoY (%)	1.5	3.3	38.3	2.4	11.3	10.3	-16.8	17.0	12.0	2.9	11.4	-111bp
EPS (INR)	7.6	8.1	8.1	8.5	8.3	9.4	9.8	10.1	32.4	37.6	9.5	
Headcount	198,553	198,440	201,691	204,107	209,905	217,739	222,778	224,186	204,107	224,186	217,528	0.1
Util excl. trainees (%)	84.5	85.1	85.4	85.1	86.1	85.6	86.9	84.1	85.5	85.4	86.0	-40bp

**Ashish Chopra – Research analyst** (Ashish.Chopra@MotilalOswal.com); +91 22 6129 1530

**Research analyst: Sagar Lele** (Sagar.Lele@MotilalOswal.com); +91 22 6129 1531; **Anmol Garg** (Anmol.Garg@MotilalOswal.com)

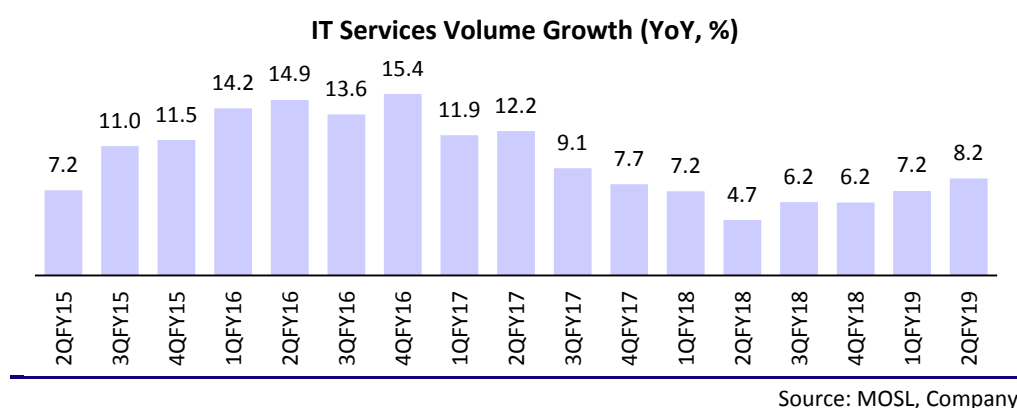
**Investors are advised to refer through important disclosures made at the last page of the Research Report.**

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

## 2QFY19: CC revenue growth above expectations

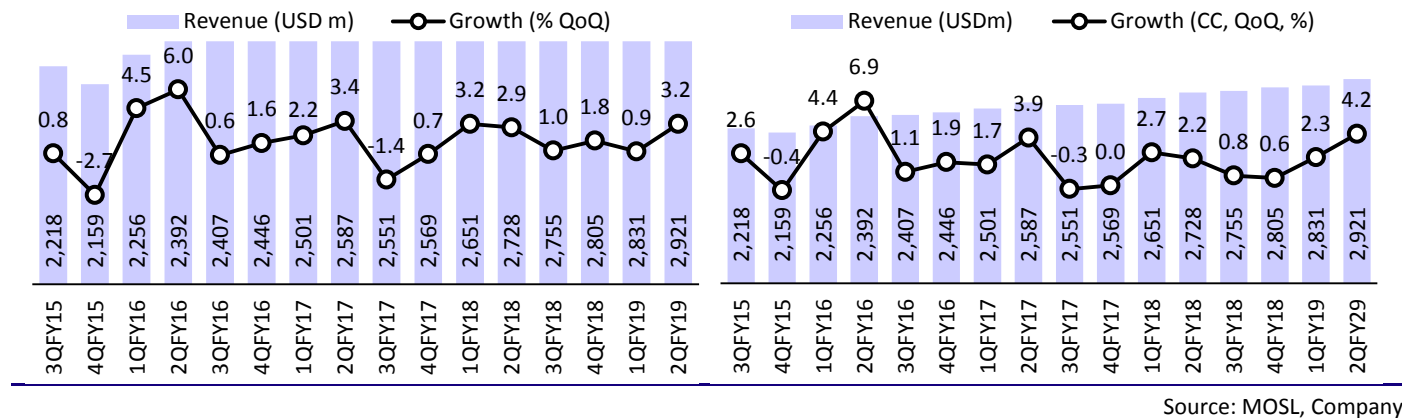
- Revenue growth at 4.2% QoQ CC was above expectations. This put growth for the quarter at 8% YoY CC and for the first half at 7% YoY CC.
- This marks improvement in growth on a sequential and year-over-year basis.
- Volume grew by 3.3% QoQ during the quarter, while blended realization grew 0.9% QoQ CC.

### Exhibit 1: Volume growth picking up as business transformation enters its first phase



- Rupee revenue was INR206.1b, +7.7% QoQ ahead of our estimate of INR204b; +6.7% QoQ). Realized currency rate during the quarter was INR70.56/USD.

### Exhibit 2: Revenue growth stood at 4.2% QoQ CC; and 3.2% QoQ in USD terms ( Cross Currency impact 100bp)



- During the quarter, growth was driven by Financial Services (5.8% QoQ CC), Retail (5.9% QoQ CC) and Manufacturing (4.8% QoQ CC).
- Relatively moderate growth was seen in Communication (1.2% QoQ CC) and Life Sciences (0.7% QoQ CC).
- Among geographies, growth was broad-based; North America grew 3.8% QoQ CC, Europe 4%, ROW 6.8% and India 3%.

**Exhibit 3: Growth returned in Financial services (5.8% QoQ) and Retail (5.9% QoQ)**

Verticals	Contribution to rev (%)	Growth - QoQ (%)
Financial Services	32.2	5.8
Retail	16.8	5.9
Communications	12.3	1.2
Energy, Utilities, Resources	12.3	2.8
Manufacturing	9.6	4.8
Hi Tech	7.5	3.6
Life Sciences	6.4	0.7
Others	2.9	3.8

Source: Company, MOSL

**Exhibit 4: Broad based growth across geographies**

Geographies	Contribution to rev (%)	Growth - QoQ (%)
North America	60.3	3.8
Europe	24.0	4.0
India	2.5	3.0
Rest of the world	13.2	6.8

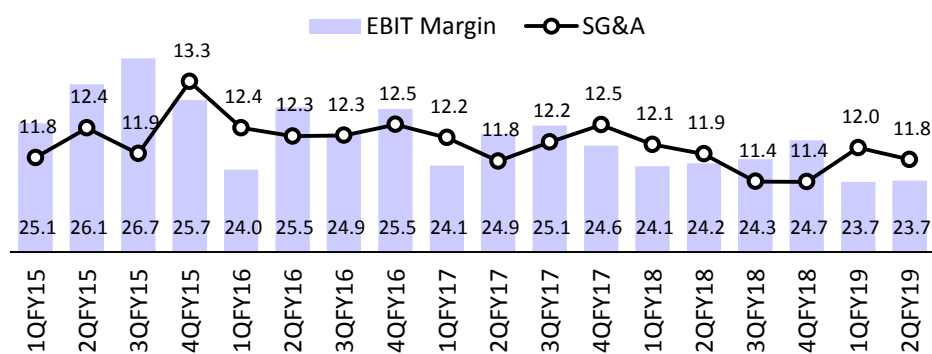
Source: Company, MOSL

**Digital at >30%**

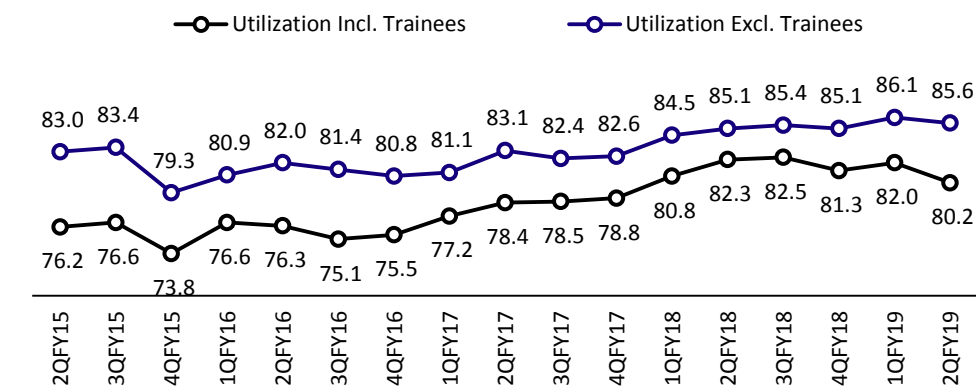
- Revenue from Digital contributed to 31% of total revenue in 2QFY19 and saw growth of 13.5% QoQ CC and 33.5% YoY.

**Profitability: Below estimate**

- EBIT margin at 23.7% (flat QoQ) was below expectations of 40bp sequential expansion.
- Factors moving operating margins during the quarter were; +80bp:INR depreciation, +70bp: pricing and onsite mix change, -100bp: compensation, variable pay and intervention to control attrition, and -50bp: subcontracting and localization.
- PAT at INR41b saw growth of 6% QoQ, versus expectations of 7%; the slight miss can be attributed to the margin miss and lower other income.

**Exhibit 5: Flat margins was a function of wage hike, localization and INR depreciation**

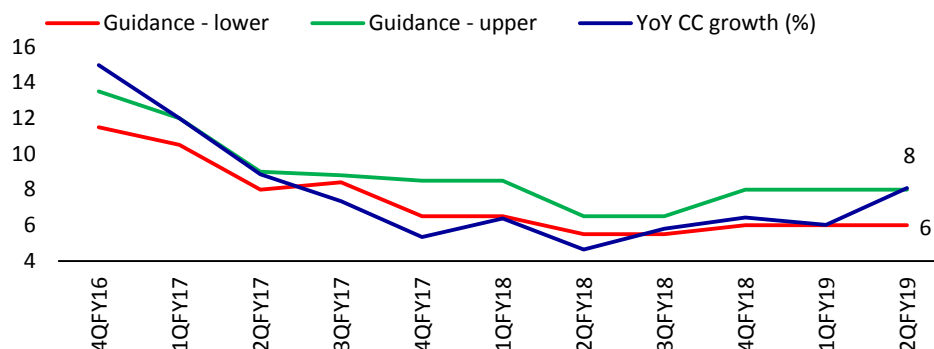
Source: MOSL, Company

**Exhibit 6: Record utilization may be tested against high attrition**

Source: MOSL, Company

**Guidance maintained for both revenue growth and margins**

- INFO maintained its revenue growth guidance for FY19 at 6-8% YoY CC despite the beat in 2Q. With 8% YoY CC growth in 2Q, it has seen acceleration compared to past quarters and delivered 7% YoY CC growth in 1HFY19.
- The guidance now implies an ask rate of -1.3% to +1.2% QoQ CC growth for the remainder of the year.
- Operating margin guidance was maintained at 22-24% despite the company currently being at the higher end of it.

**Exhibit 7: Guidance of 6-8% YoY CC for FY19**

Source: MOSL, Company

**Change in estimates**

- Revenue for INFO was higher than expectations during the quarter. The acceleration in growth, aided by a pick-up in verticals like Financial Services and Retail, and the visibility for its continual from recent deal wins provides confidence of improvement in the coming quarters. To that extent, we have raised our revenue growth estimates by 0.4/0.7/1.3% for FY19/20/21E.
- On the margin front however, INFO's miss in 2Q was attributed to higher subcontracting expenses and intervention to control attrition. The latter, coupled with increased thrust on investments in 2H weigh upon our earlier expectations and we have revised these estimates downward by 60bp for FY19.
- We now expect FY19 margins at 24%, which is at the higher end of the band. For FY20, we reckon INFO could see a pick-up in margins, led by revenue growth acceleration and normalization of investments.

- The increase in revenue growth estimates has largely offset the downward margin revision leading to little change to our earnings expectations.

**Exhibit 8: Change in estimates**

	Revised			Earlier			Change		
	FY19E	FY20E	FY21E	FY19E	FY20E	FY21E	FY19E	FY20E	FY21E
INR/USD	70.9	73.4	72.0	70.9	73.4	72.0	0.1%	0.0%	0.0%
USD Revenue (m)	11,667	12,696	13,892	11,621	12,612	13,719	0.4%	0.7%	1.3%
USD rev. growth (%)	6.7	8.8	9.4	6.2	8.5	8.8	42bp	29bp	65bp
EBIT Margin (%)	24.0	24.6	24.5	24.6	25.4	25.0	-60bp	-85bp	-53bp
EPS (INR)	37.6	43.0	46.5	37.0	43.1	46.6	1.8%	-0.2%	-0.2%
EPS Growth (%)	16.3	14.1	8.1	18.1	16.4	8.1	-185bp	-224bp	0bp

Source: Company, MOSL

**Takeaways from Management Commentary****Profitability**

**Margins:** Currency did benefit. But INFO made interventions on the compensation side. Had highlighted some strategic investments, and mentioned the trajectory will pick up in the second half. Hence maintaining the margin band.

**Pricing** environment in the recent past stable

**Margins in Digital:** Higher gross margin. Core IT – productivity led improvements.

**Margin break-up**

1. Rupee / cross currency: +80bp
2. Pricing / onsite mix: +70bp
3. Compensation / variable pay / intervention: -100bp
4. Sub-con costs / onsite localization: -50bp

Onsite employee costs 37.4%, -50bp QoQ. Lowest in several years.

Investments will continue till the rest of the year. However, not calibrated for FY20, and employee intervention costs should also come down.

**Revenues**

**Deal wins:** 63% is net-new. 12 large deal wins. Crossed USD2b for the first time. 3 each FS and Mfg. 2 in Hi-tech. 7 in Americas and 4 in Europe. **Some of the larger deals have a fairly short tenure which should support revenues.**

**Core services** are also growing. Smaller but seeing good traction.

**Outlook:** Strong demand. Robust pipeline. Good traction in Financial Services.

**Near term:** Typical softness of 3Q will play out. Majority of verticals are healthy otherwise. Manufacturing furloughs will have an impact.

**Verticals**

**BFSI:** FS improved in-line with expectations. Growth returned in top accounts in Americas. Cloud, Digital and Data are the key themes. Tax cuts and interest rates. Spending is likely to continue for next few quarters.

**Retail:** Expect momentum to continue. Deal pipeline remains strong.

**Communications:** Strong deal pipeline. Recent deal wins will drive growth (Verizon). Adoption of 5G will drive IoT

**Manufacturing:** Strong position in Automotives in Europe. Brilliant Basics, Fluidio and Wond Doody will further solidify the positioning

**Energy** – oil prices helping. Outsourcing is key theme in **Resources**

**Clients / employees**

**100m\$ clients:** A project run-off. So total revenues in LTM came down. Should come back over a period of time.

**Net employee additions:** The momentum should likely continue which is reflected in the hiring.

**Attrition:** Higher in 3-5 years experience band. Should come down to acceptable levels in 4-6 quarters

## Valuation view

**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 overall performance. India will continue to 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 in that industry backdrop

- **Inward focus will mean some catch-up play:** INFO has built capabilities to match spend shifts in the past three years. Its portfolio is not very different from the industry, but it has been investing in new services and solutions. Digital now contributes to north of 30% 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 they will be left playing catch up to the more focused players in the market over the next year or so.
- **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, investments in building capabilities and boosting the sales function are expected to ramp-up. However, these would fructify later, adding to the efficiency improvement efforts and business mix tailwinds, and aid expansion.

Basis the above, we expect INFO to grow revenues in line with the industry due to its heavy legacy exposure today. But 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, we are factoring in 8/13% CAGR in revenue/earnings over the next three years, which is slightly back-ended but at the median of the industry.

**Exhibit 9: 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	6.6	8.6	8.7
Employee growth (%)	4.5	2.4	9.8	10.1	3.3	1.9	9.1	8.6	6.1
Revenue per employee (USDk per annum)	48,245	52,029	51,760	51,325	51,764	54,090	54,636	54,498	55,208
EBITDA margin (%)	28.6	27.2	27.9	27.4	27.2	27.0	26.2	26.9	26.1
EPS growth (%)	13.3	13.0	15.8	9.4	6.4	3.1	12.3	18.0	7.9

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 it is also the single largest lever for margins. So, as growth at INFO has come down from 20%+ to single digits, the current forward PE multiple is at 16x compared to the long term average of 18x.

- **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 partaking 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 been stern than ever before, and we see growth from newer technologies as a strong case in point for accretion of valuation multiples, even without the acceleration in revenues. CTSH, which is growing lower than its enamored history, and Accenture, are case in points which drive our thesis.

#### What it means for the target price

- **3-year view:** This key premise drives our expectation of a target multiple not very divergent from the historical average for INFO: 3-year forward price target works out to INR1,000 when forward earning ascribed a multiple of 18x. This implies a return CAGR of 13% at INFO.
- **1-year view:** We have marginally upgraded our revenue estimates (0.4%/0.7%) for FY19E/FY20E, and lowered our EBIT margin estimates by 60bp / 85bp for the period. The offset implies unchanged FY20 EPS at INR43. INFO trades at 16x FY20E earnings, still at a meaningful discount to TCS. Visibility on revenue growth lent by 2Q execution and deal wins makes a case for some convergence, though the respective executions on margins will continue to warrant a gap. Our price target of INR800 discounts forward earnings by 17x. Maintain Buy.

#### Key triggers

- Pick-up in growth led by strength seen 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 10: INFO 1 year forward PE chart

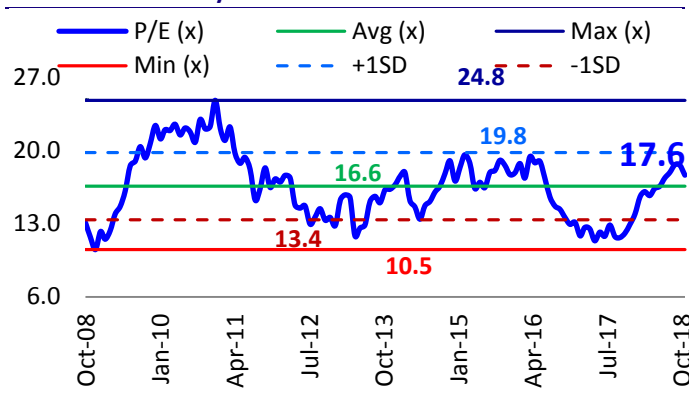
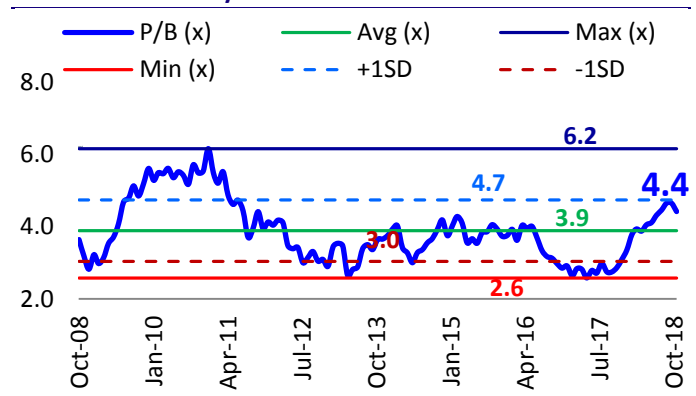


Exhibit 11: INFO 1-year forward PB chart





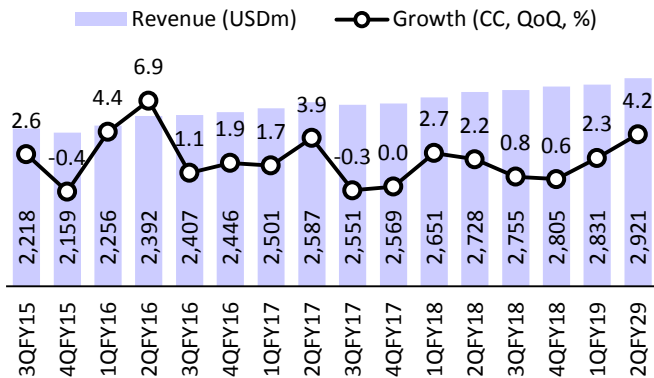
**Exhibit 12: Operating metrics**

	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19
<b>Verticals (%)</b>										
Financial Services					32.9	33.1	32.1	32.5	31.7	32.2
Retail					16.2	15.9	16.2	15.9	16.5	16.8
Communications					12.5	12.4	12.4	12.9	12.7	12.3
Energy, Utilities, Resources					11.3	11.7	12.0	12.0	12.4	12.3
Manufacturing					9.3	9.3	9.5	9.5	9.6	9.6
Hi Tech					7.3	7.2	7.1	7.3	7.4	7.5
Life Sciences					6.5	6.7	6.5	6.7	6.5	6.4
Others					3.6	3.4	3.2	2.9	2.9	2.9
<b>Service Lines (%)</b>										
Digital					22.4	23.6	24.2	25.3	26.7	28.9
Core					72.2	71.2	70.4	69.8	68.5	66.0
<b>Products &amp; Platforms (%)</b>										
Digital					1.5	1.6	1.9	1.5	1.7	2.1
Core					3.9	3.6	3.5	3.4	3.1	3.0
<b>Geography (%)</b>										
North America	62.0	61.5	62.0	62.3	61.1	60.6	60.4	59.4	60	60.3
Europe	23.0	22.5	22.2	22.1	22.4	23.2	24.4	24.8	24.3	24.0
India	2.7	3.4	3.4	3.2	3.6	3.3	3.0	2.8	2.6	2.5
RoW	12.3	12.6	12.4	12.4	12.9	12.9	12.2	13.0	13.0	13.2
<b>Clients (%)</b>										
Revenues from top client	3.6	3.5	3.1	3.3	3.3	3.4	3.4	3.6	3.7	8.8
Revenues from top 5 clients	13.7	13.1	12.3	12.2	Nm	Nm	Nm	Nm	Nm	Nm
Revenues from top 10 clients	22.2	21.8	20.1	20.2	20.0	19.5	19.2	19.5	19.2	19.4
Revenues from 2-5 client	10.1	9.6	9.2	8.9	Nm	Nm	Nm	Nm	Nm	Nm
Revenues from 6-10 clients	8.5	8.7	7.8	8.0	Nm	Nm	Nm	Nm	Nm	Nm
Revenues from Non-Top 10 clients	77.8	78.2	79.9	79.8	80.0	80.5	80.8	80.5	80.8	80.6
<b>Clients added during the quarter</b>										
	95	78	77	71	59	72	79	73	70	73
<b>Total active client</b>										
	1126	1136	1152	1162	1164	1173	1191	1204	1214	1222

Source: MOSL, Company

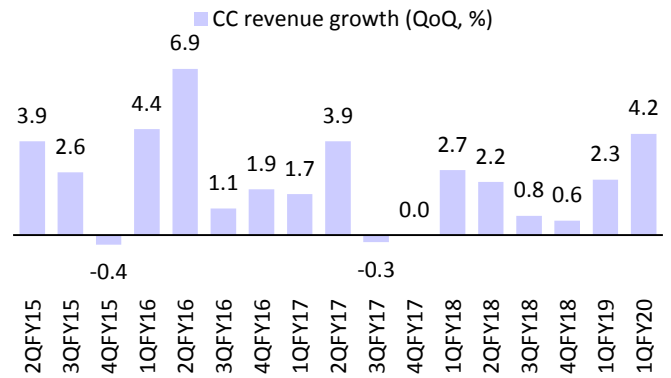
## Story in charts

**Exhibit 13: Gradually getting past growth issues**



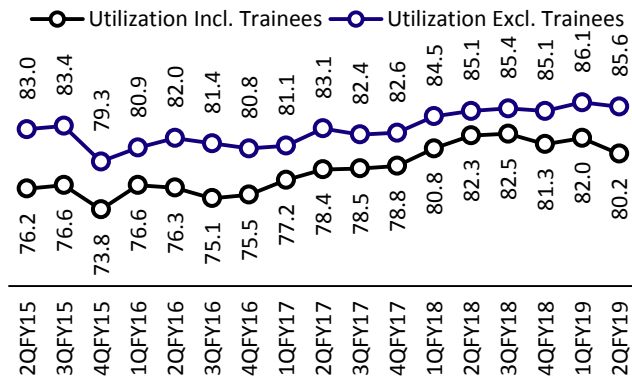
Source: Company, MOSL

**Exhibit 14: Resulting in expectations of improved performance going forward**



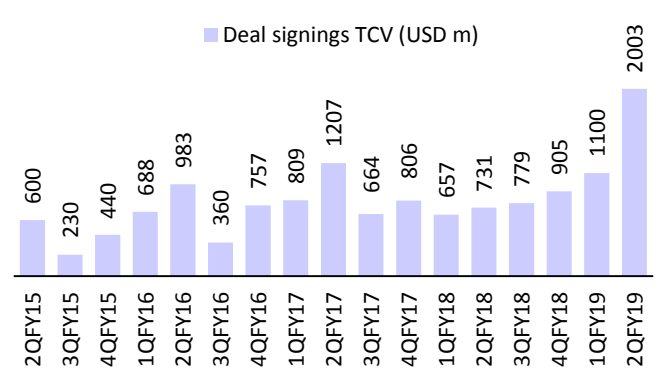
Source: Company, MOSL

**Exhibit 15: Utilization at an all-time high**



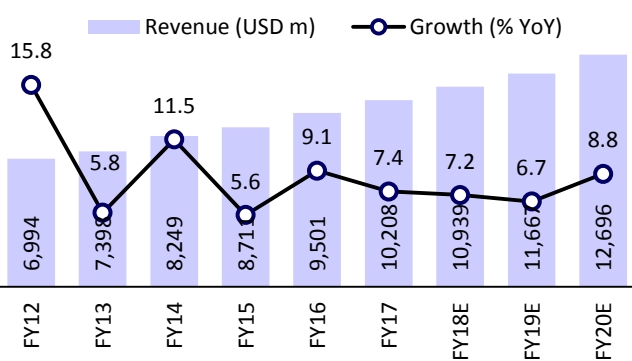
Source: Company, MOSL

**Exhibit 16: Deal signings crossed USD 2b for the first time**



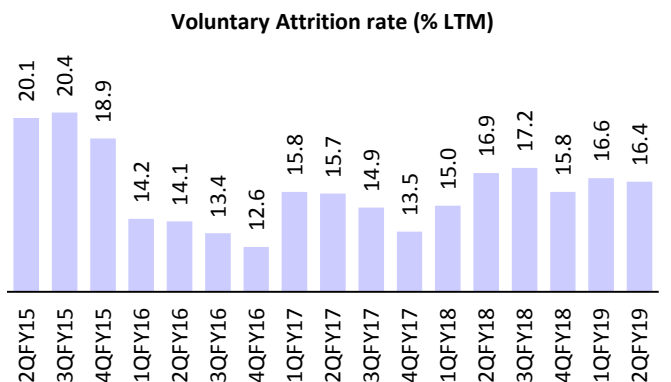
Source: Company, MOSL

**Exhibit 17: Gap with industry growth has reduced**



Source: Company, MOSL

**Exhibit 18: Attrition levels however have spiked**



Source: Company, MOSL

## Financials and Valuations

### Key assumption

Y/E Mar	2013	2014	2015	2016	2017	2018	2019E	2020E
<b>INR/USD Rate</b>	54.5	60.8	61.2	65.7	67.1	64.5	70.9	73.4
Revenues (USD m)	7,398	8,249	8,711	9,501	10,208	10,939	11,667	12,696
<b>Per Capita Revenue Productivity (USD)</b>	48,245	52,029	51,760	51,325	51,764	54,090	54,481	54,343
Offshore Revenue (%)	49.0	48.0	48.8	47.3	46.8	47.9	48.3	48.4
<b>Total Headcount</b>	156,688	160,405	176,187	194,044	200,364	204,107	2,24,186	2,43,076
Net Addition	6,694	3,717	15,782	17,857	6,320	3,743	20,079	18,890
<b>Gross Addition</b>	37,036	39,985	53,386	52,545	44,235	44,110	55,330	44,000
Utilization Incl. trainees (%)	69.5	73.6	76.2	76.5	78.9	82.4	81.5	82.0
Utilization Excl. trainees (%)	73.0	77.4	82.0	81.7	82.8	85.5	85.4	85.9

### Income Statement

(INR Million)

Y/E Mar	2013	2014	2015	2016	2017	2018	2019E	2020E
<b>Net Sales</b>	<b>4,03,520</b>	<b>5,01,330</b>	<b>5,33,190</b>	<b>6,24,410</b>	<b>6,84,850</b>	<b>7,05,220</b>	<b>8,27,690</b>	<b>9,31,963</b>
Change (%)	19.6	24.2	6.4	17.1	9.7	3.0	17.4	12.6
<b>EBITDA</b>	<b>1,15,570</b>	<b>1,36,340</b>	<b>1,49,020</b>	<b>1,70,790</b>	<b>1,86,050</b>	<b>1,90,100</b>	<b>2,16,959</b>	<b>2,47,988</b>
EBITDA Margin (%)	28.6	27.2	27.9	27.4	27.2	27.0	26.2	26.6
Depreciation	11,284	13,740	10,690	14,590	17,030	18,580	18,334	19,021
<b>EBIT</b>	<b>1,04,286</b>	<b>1,22,600</b>	<b>1,38,330</b>	<b>1,56,200</b>	<b>1,69,020</b>	<b>1,71,520</b>	<b>1,98,624</b>	<b>2,28,968</b>
Other Income	23,590	26,690	34,270	31,250	30,790	31,930	27,903	22,551
Extraordinary items	0	-2,190	0	0	0	-14,320	-2,700	0
<b>PBT</b>	<b>1,27,876</b>	<b>1,47,100</b>	<b>1,72,600</b>	<b>1,87,450</b>	<b>1,99,810</b>	<b>1,89,130</b>	<b>2,23,827</b>	<b>2,51,519</b>
Tax	33,670	40,620	49,290	52,520	55,980	42,420	60,786	67,910
Tax Rate (%)	26.3	27.6	28.6	28.0	28.0	22.4	27.2	27.0
Min. Int. & Assoc. Share	0	0	10	0	0	0	0	0
<b>Reported PAT</b>	<b>94,206</b>	<b>1,06,480</b>	<b>1,23,300</b>	<b>1,34,930</b>	<b>1,43,830</b>	<b>1,46,710</b>	<b>1,63,041</b>	<b>1,83,609</b>
<b>Adjusted PAT</b>	<b>94,206</b>	<b>1,08,670</b>	<b>1,23,300</b>	<b>1,34,930</b>	<b>1,43,830</b>	<b>1,61,030</b>	<b>1,65,741</b>	<b>1,83,609</b>
Change (%)	13.3	15.4	13.5	9.4	6.6	12.0	2.9	10.8

### Balance Sheet

(INR Million)

Y/E Mar	2013	2014	2015	2016	2017	2018	2019E	2020E
Share Capital	5,720	5,720	11,440	22,880	22,880	21,760	21,760	21,760
Reserves	3,92,250	4,69,580	5,36,190	5,94,910	6,66,550	6,27,470	5,98,968	6,89,671
<b>Net Worth</b>	<b>3,97,970</b>	<b>4,75,300</b>	<b>5,47,630</b>	<b>6,17,790</b>	<b>6,89,430</b>	<b>6,49,230</b>	<b>6,20,728</b>	<b>7,11,431</b>
<b>Total Capital Employed</b>	<b>3,97,970</b>	<b>4,75,300</b>	<b>5,47,630</b>	<b>6,17,790</b>	<b>6,89,430</b>	<b>6,49,230</b>	<b>6,20,728</b>	<b>7,11,431</b>
Gross Fixed Assets	1,17,540	1,40,790	1,78,360	2,08,370	2,27,210	2,47,620	2,75,620	3,03,620
Less: Acc Depreciation	42,080	55,250	64,220	74,510	85,810	1,02,820	1,21,154	1,40,175
<b>Net Fixed Assets</b>	<b>75,460</b>	<b>85,540</b>	<b>1,14,140</b>	<b>1,33,860</b>	<b>1,41,400</b>	<b>1,44,800</b>	<b>1,54,466</b>	<b>1,63,445</b>
Capital WIP	16,600	18,320	14,400	18,930	19,650	21,320	21,320	21,320
Investments	17,390	45,230	24,130	21,050	1,67,070	1,21,790	1,61,790	2,01,790
<b>Current Assets</b>	<b>3,54,060</b>	<b>4,21,460</b>	<b>5,10,850</b>	<b>5,80,050</b>	<b>5,05,040</b>	<b>5,10,500</b>	<b>4,69,711</b>	<b>5,32,195</b>
Debtors	95,180	1,11,620	1,25,580	1,43,590	1,59,700	1,74,030	2,04,252	2,29,984
Cash & Bank	2,18,320	2,59,500	3,03,670	3,26,970	2,26,250	1,98,710	1,53,322	1,75,562
Loans & Adv, Others	40,560	50,340	81,600	1,09,490	1,19,090	1,37,760	1,12,136	1,26,649
<b>Curr Liabs &amp; Provns</b>	<b>65,540</b>	<b>95,250</b>	<b>1,15,890</b>	<b>1,36,100</b>	<b>1,43,730</b>	<b>1,49,180</b>	<b>1,86,519</b>	<b>2,07,275</b>
Curr. Liabilities	41,300	56,180	70,180	79,760	83,640	1,01,490	1,13,778	1,27,425
Provisions	24,240	39,070	45,710	56,340	60,090	47,690	72,741	79,849
<b>Net Current Assets</b>	<b>2,88,520</b>	<b>3,26,210</b>	<b>3,94,960</b>	<b>4,43,950</b>	<b>3,61,310</b>	<b>3,61,320</b>	<b>2,83,191</b>	<b>3,24,920</b>
<b>Total Assets</b>	<b>3,97,970</b>	<b>4,75,300</b>	<b>5,47,630</b>	<b>6,17,790</b>	<b>6,89,430</b>	<b>6,49,230</b>	<b>6,20,767</b>	<b>7,11,475</b>

## Financials and Valuations

### Ratios

Y/E Mar	2013	2014	2015	2016	2017	2018	2019E	2020E
<b>Basic (INR)</b>								
<b>EPS</b>	<b>20.6</b>	<b>23.3</b>	<b>27.0</b>	<b>29.5</b>	<b>31.4</b>	<b>32.4</b>	<b>37.6</b>	<b>43.0</b>
Cash EPS	23.1	26.8	29.3	32.7	35.2	39.6	43.1	47.4
Book Value	87.1	104.0	119.8	135.1	150.8	143.3	145.2	166.5
DPS	5.2	7.9	9.3	12.4	12.9	16.2	18.1	19.0
Payout (incl. Div. Tax.)	25.5	33.1	34.3	41.9	40.9	45.4	108.4	44.2

### Valuation(x)

P/E	0.0	29.7	25.7	23.5	22.0	21.4	18.4	16.1
Cash P/E	0.0	25.8	23.6	21.2	19.7	17.5	16.1	14.6
Price / Book Value	0.0	6.7	5.8	5.1	4.6	4.8	4.8	4.2
EV/Sales	0.0	5.7	5.3	4.5	4.0	4.0	3.2	2.8
EV/EBITDA	0.0	21.0	19.0	16.5	14.9	14.8	12.2	10.4
Dividend Yield (%)	0.0	1.1	1.3	1.8	1.9	2.3	2.6	2.7

### Profitability Ratios (%)

RoE	25.7	24.9	24.1	23.2	22.0	24.1	26.1	27.6
RoCE	25.7	24.9	24.1	23.2	22.0	24.1	26.1	27.6

### Turnover Ratios (%)

Fixed Asset Turnover (x)	6.5	6.6	5.7	5.3	5.2	5.2	5.7	6.0
Debtors (No. of Days)	86.1	81.3	86.0	83.9	85.1	90.1	90.1	90.1

### Leverage Ratios (%)

Net Debt/Equity (x)	-0.5	-0.5	-0.6	-0.5	-0.3	-0.3	-0.2	-0.2
---------------------	------	------	------	------	------	------	------	------

### Cash Flow Statement

(INR Million)

Y/E Mar	2013	2014	2015	2016	2017	2018	2019E	2020E
Adjusted EBITDA	1,15,570	1,36,340	1,49,020	1,70,790	1,86,050	1,90,100	2,16,959	2,47,988
Non cash opr. exp (inc)	21,880	23,920	37,320	32,830	30,550	24,840	-2,700	0
(Inc)/Dec in Wkg. Cap.	-9,760	390	-11,310	-22,540	-19,440	-1,060	32,741	-19,489
Tax Paid	-32,910	-38,780	-67,510	-58,650	-56,530	-68,290	-60,786	-67,910
<b>CF from Op. Activity</b>	<b>94,780</b>	<b>1,21,870</b>	<b>1,07,520</b>	<b>1,22,430</b>	<b>1,40,630</b>	<b>1,45,590</b>	<b>1,86,213</b>	<b>1,60,589</b>
(Inc)/Dec in FA & CWIP	-19,280	-27,450	-22,470	-27,230	-27,600	-19,980	-28,000	-28,000
<b>Free cash flows</b>	<b>75,500</b>	<b>94,420</b>	<b>85,050</b>	<b>95,200</b>	<b>1,13,030</b>	<b>1,25,610</b>	<b>1,58,213</b>	<b>1,32,589</b>
(Pur)/Sale of Invt	-31,230	-22,580	9,680	-3,930	-1,43,140	51,090	-40,000	-40,000
<b>CF from Inv. Activity</b>	<b>-50,510</b>	<b>-50,030</b>	<b>-12,790</b>	<b>-31,160</b>	<b>-1,70,740</b>	<b>31,110</b>	<b>-68,000</b>	<b>-68,000</b>
Inc/(Dec) in Net Worth	0	0	0	0	0	0	0	0
Inc / (Dec) in Debt	0	0	0	0	0	0	0	0
Divd Paid (incl Tax) & Others	-31,860	-30,660	-50,560	-68,130	-69,390	-74,640	-1,95,771	-98,067
<b>CF from Fin. Activity</b>	<b>-31,860</b>	<b>-30,660</b>	<b>-50,560</b>	<b>-68,130</b>	<b>-69,390</b>	<b>-74,640</b>	<b>-1,95,771</b>	<b>-98,067</b>
<b>Inc/(Dec) in Cash</b>	<b>12,410</b>	<b>41,180</b>	<b>44,170</b>	<b>23,140</b>	<b>-99,500</b>	<b>1,02,060</b>	<b>-77,557</b>	<b>-5,477</b>
Add: Opening Balance	2,05,910	2,18,320	2,59,500	3,03,670	3,26,970	2,26,250	1,98,710	1,53,322
<b>Closing Balance</b>	<b>2,18,320</b>	<b>2,59,500</b>	<b>3,03,670</b>	<b>3,26,810</b>	<b>2,27,470</b>	<b>3,28,310</b>	<b>1,21,153</b>	<b>1,47,844</b>

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
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

\*In case the recommendation given by the Research Analyst becomes inconsistent with the investment rating legend, the Research Analyst shall within 28 days of the inconsistency, take appropriate measures to make the recommendation consistent with the investment rating legend.

#### Disclosures

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations).

Motilal Oswal Securities Ltd. (MOSL)\* is a SEBI Registered Research Analyst having registration no. INH000000412. MOSL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing stock broking services, Investment Advisory Services, Depository participant services & distribution of various financial products. MOSL is a subsidiary company of Motilal Oswal Financial Service Ltd. (MOFSL). MOFSL is a listed public company, the details in respect of which are available on [www.motilaloswal.com](http://www.motilaloswal.com). MOSL is registered with the Securities & Exchange Board of India (SEBI) and is a registered Trading Member with National Stock Exchange of India Ltd. (NSE) and Bombay Stock Exchange Limited (BSE), Multi Commodity Exchange of India (MCX) & National Commodity & Derivatives Exchange Ltd. (NCDEX) for its stock broking activities & is Depository participant with Central Depository Services Limited (CDSL) & National Securities Depository Limited (NSDL) and is member of Association of Mutual Funds of India (AMFI) for distribution of financial products. Details of associate entities of Motilal Oswal Securities Limited are available on the website at <http://onlinereports.motilaloswal.com/Dormant/documents/List%20of%20Associate%20companies.pdf>

MOSL and its associate company(ies), their directors and Research Analyst and their relatives may; (a) from time to time, have a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report

MOSL and / or its affiliates do and seek to do business including investment banking with companies covered in its research reports. As a result, the recipients of this report should be aware that MOSL may have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. Details of pending Enquiry Proceedings of Motilal Oswal Securities Limited are available on the website at <https://galaxy.motilaloswal.com/ResearchAnalyst/PublishViewLitigation.aspx>

A graph of daily closing prices of securities is available at [www.nseindia.com](http://www.nseindia.com), [www.bseindia.com](http://www.bseindia.com). Research Analyst views on Subject Company may vary based on Fundamental research and Technical Research. Proprietary trading desk of MOSL or its associates maintains arm's length distance with Research Team as all the activities are segregated from MOSL research activity and therefore it can have an independent view with regards to Subject Company for which Research Team have expressed their views.

#### Regional Disclosures (outside India)

This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOSL & its group companies to registration or licensing requirements within such jurisdictions.

#### For Hong Kong:

This report is distributed in Hong Kong by Motilal Oswal capital Markets (Hong Kong) Private Limited, a licensed corporation (CE AYY-301) licensed and regulated by the Hong Kong Securities and Futures Commission (SFC) pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) "SFO". As per SEBI (Research Analyst Regulations) 2014 Motilal Oswal Securities (SEBI Reg No. INH000000412) has an agreement with Motilal Oswal capital Markets (Hong Kong) Private Limited for distribution of research report in Hong Kong. This report is intended for distribution only to "Professional Investors" as defined in Part I of Schedule 1 to SFO. Any investment or investment activity to which this document relates is only available to professional investor and will be engaged only with professional investors." Nothing here is an offer or solicitation of these securities, products and services in any jurisdiction where their offer or sale is not qualified or exempt from registration. The Indian Analyst(s) who compile this report is/are not located in Hong Kong & are not conducting Research Analysis in Hong Kong.

#### For U.S.

Motilal Oswal Securities Limited (MOSL) is not a registered broker - dealer under the U.S. Securities Exchange Act of 1934, as amended (the "1934 act") and under applicable state laws in the United States. In addition MOSL is not a registered investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act" and together with the 1934 Act, the "Acts"), and under applicable state laws in the United States. Accordingly, in the absence of specific exemption under the Acts, any brokerage and investment services provided by MOSL, including the products and services described herein are not available to or intended for U.S. persons. This report is intended for distribution only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the Exchange Act and interpretations thereof by SEC (henceforth referred to as "major institutional investors"). This document must not be acted on or relied on by persons who are not major institutional investors. Any investment or investment activity to which this document relates is only available to major institutional investors and will be engaged in only with major institutional investors. In reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") and interpretations thereof by the U.S. Securities and Exchange Commission ("SEC") in order to conduct business with Institutional Investors based in the U.S., MOSL has entered into a chaperoning agreement with a U.S. registered broker-dealer, Motilal Oswal Securities International Private Limited. ("MOSIPL"). Any business interaction pursuant to this report will have to be executed within the provisions of this chaperoning agreement.

The Research Analysts contributing to the report may not be registered /qualified as research analyst with FINRA. Such research analyst may not be associated persons of the U.S. registered broker-dealer, MOSIPL, and therefore, may not be subject to NASD rule 2711 and NYSE Rule 472 restrictions on communication with a subject company, public appearances and trading securities held by a research analyst account.

#### For Singapore

In Singapore, this report is being distributed by Motilal Oswal Capital Markets Singapore Pte Ltd ("MOCMSPL") (Co.Reg. NO. 201129401Z) which is a holder of a capital markets services license and an exempt financial adviser in Singapore. As per the approved agreement under Paragraph 9 of Third Schedule of Securities and Futures Act (CAP 289) and Paragraph 11 of First Schedule of Financial Advisors Act (CAP 110) provided to MOCMSPL by Monetary Authority of Singapore. Persons in Singapore should contact MOCMSPL in respect of any matter arising from, or in connection with this report/publication/communication. This report is distributed solely to persons who qualify as "Institutional Investors", of which some of whom may consist of "accredited" institutional investors as defined in section 4A(1) of the Securities and Futures Act, Chapter 289 of Singapore ("the SFA"). Accordingly, if a Singapore person is not or ceases to be such an institutional investor, such Singapore Person must immediately discontinue any use of this Report and inform MOCMSPL.

#### Specific Disclosures

- 1 MOSL, Research Analyst and/or his relatives does not have financial interest in the subject company, as they do not have equity holdings in the subject company.
- 2 MOSL, Research Analyst and/or his relatives do not have actual/beneficial ownership of 1% or more securities in the subject company
- 3 MOSL, Research Analyst and/or his relatives have not received compensation/other benefits from the subject company in the past 12 months
- 4 MOSL, Research Analyst and/or his relatives do not have material conflict of interest in the subject company at the time of publication of research report
- 5 Research Analyst has not served as director/officer/employee in the subject company
- 6 MOSL has not acted as a manager or co-manager of public offering of securities of the subject company in past 12 months
- 7 MOSL has not received compensation for investment banking/ merchant banking/brokerage services from the subject company in the past 12 months
- 8 MOSL has not received compensation for other than investment banking/merchant banking/brokerage services from the subject company in the past 12 months
- 9 MOSL has not received any compensation or other benefits from third party in connection with the research report
- 10 MOSL has not engaged in market making activity for the subject company

The associates of MOSL may have:

- financial interest in the subject company
- actual/beneficial ownership of 1% or more securities in the subject company
- received compensation/other benefits from the subject company in the past 12 months
- other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.
- acted as a manager or co-manager of public offering of securities of the subject company in past 12 months
- be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies)
- received compensation from the subject company in the past 12 months for investment banking / merchant banking / brokerage services or from other than said services.

The associates of MOSL has not received any compensation or other benefits from third party in connection with the research report

Above disclosures include beneficial holdings lying in demat account of MOSL which are opened for proprietary investments only. While calculating beneficial holdings, It does not consider demat accounts which are opened in name of MOSL for other purposes (i.e holding client securities, collaterals, error trades etc.). MOSL also earns DP income from clients which are not considered in above disclosures.

#### Analyst Certification

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report.

#### Terms & Conditions:

This report has been prepared by MOSL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of MOSL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. MOSL will not treat recipients as customers by virtue of their receiving this report.

#### Disclaimer:

The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent. This report and information herein is solely for informational purpose and may not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. Certain transactions -including those involving futures, options, another derivative products as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. No representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document. The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. This information is subject to change without any prior notice. The Company reserves the right to make modifications and alterations to this statement as may be required from time to time without any prior approval. MOSL, its associates, their directors and the employees may from time to time, effect or have effected an own account transaction in, or deal as principal or agent in or for the securities mentioned in this document. They may perform or seek to perform investment banking or other services for, or solicit investment banking or other business from, any company referred to in this report. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting the document. This report has been prepared on the basis of information that is already available in publicly accessible media or developed through analysis of MOSL. The views expressed are those of the analyst, and the Company may or may not subscribe to all the views expressed therein. This document is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOSL to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction. Neither the Firm, nor its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The person accessing this information specifically agrees to exempt MOSL or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold MOSL or any of its affiliates or employees responsible for any such misuse and further agrees to hold MOSL or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

Registered Office Address: Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai-400025; Tel No.: 022-3980 4263; www.motilaloswal.com. Correspondence Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad (West), Mumbai- 400 064. Tel No: 022 3080 1000. Compliance Officer: Neeraj Agarwal, Email Id: [na@motilaloswal.com](mailto:na@motilaloswal.com), Contact No.:022-38281085.

Registration details: MOSL: SEBI Registration: INZ000158836 (BSE/NSE/MCX/NCDEX); CDSL: IN-DP-16-2015; NSDL: IN-DP-NSDL-152-2000; Research Analyst: INH000000412. AMFI: ARN 17397. Investment Adviser: INA000007100. Motilal Oswal Asset Management Company Ltd. (MOAMC): PMS (Registration No.: INP000000670) offers PMS and Mutual Funds products. Motilal Oswal Wealth Management Ltd. (MOWML): PMS (Registration No.: INP000004409) offers wealth management solutions. \*Motilal Oswal Securities Ltd. is a distributor of Mutual Funds, PMS, Fixed Deposit, Bond, NCDs, Insurance and IPO products. \*Motilal Oswal Real Estate Investment Advisors II Pvt. Ltd. offers Real Estate products. \* Motilal Oswal Private Equity Investment Advisors Pvt. Ltd. offers Private Equity products.

\* MOSL has been amalgamated with Motilal Oswal Financial Services Limited (MOFSL) w.e.f August 21, 2018 pursuant to order dated July 30, 2018 issued by Hon'ble National Company Law Tribunal, Mumbai Bench. The existing registration no(s) of MOSL would be used until receipt of new MOFSL registration numbers.