

Infosys (INFO) reported a strong 4.2% QoQ constant currency (CC) revenue growth in 2QFY19 with an impressive operational construct – highest volume growth in the last 10 quarters (+3.2% QoQ) + highest ever large deal wins (USD 2bn) + highest headcount addition in the last 3 years. Management was optimistic about demand momentum sustaining in the core BFSI and Retail verticals. Thus, while the retention of FY19 CC revenue growth guidance could disappoint some, we see it more as a return to the traditional conservatism than a suggestion of any near-term headwind. On margins too, the QoQ flat EBIT margin in 2QFY19 + a static FY19 EBIT margin guidance indicate a preference to use the INR depreciation to build a buffer for managing potential cost pressures. Thus, the net impact on our FY19/FY20 EPS estimates is minimal. We expect the improving execution (CC growth was ahead of TCS after 4 quarters) + the 6.2% dividend + potential buyback yield could help the stock narrow the PER gap (18%) vs. TCS. BUY.

- **2QFY19 – Revenue impress, margin compress:** Consolidated revenue grew 3.2% QoQ to USD 2.92bn; CC growth (4.2%) was significantly ahead of our/consensus estimates (3%). Volume growth was strong (2.8%) and blended CC pricing was stable (+1% QoQ). However, EBIT margin was flat QoQ (vs. our/street's expectation of an increase) as currency gains (+80bps) and operational efficiencies (+70bps) were offset by wage hike/higher variable payouts (-100bps) and higher subcontracting/planned investments (-50bps). Thus, EBIT was c1% below our estimates. PAT at INR 41.1bn was marginally ahead of estimates due to higher translation gains.
- **Demand picture is incrementally better:** INFO indicated a strong demand outlook, recovery in large accounts after the softness in recent quarters, and healthy new logo additions, especially in the BFS. Further, 63% of USD 2bn+ TCV win in 2QFY19 was new-business + integration of Fluidio acquisition (after WongDoody in 1QFY19) could add a combined c.USD40mn (JMFe). While the FY19 revenue growth guidance was left unchanged and the revenue impact of deal wins would come with a lag, a good FY19 exit could provide a base for a stronger FY20. We have raised our FY19/FY20 USD revenue estimates by c1% each.
- **...But a conservative margin outlook dampens expectations:** We believe INFO could be retaining the currency gains to smoothen the impact of potential cost pressures (such as onsite capacity addition, higher subcontracting, and salary pressures for in-demand skill-sets) that typically follow a turnaround in demand recovery. Transition costs in recently won large deals could also pose a headwind. This could impair the recent currency-reset led consensus upgrades even though changes in our FY19/FY20 EPS estimates are minimal (0%/1%) given our conservative margin stance.
- **Maintain BUY.** We believe a visible return of operational stability + buoyant management commentary should sustain the interest in the stock; expectations for an INR 104bn potential buy-back in early 2019 could also help. Thus, we maintain our preference of INFO over TCS [TCS IN; HOLD] despite the comparable returns over the last 6 months. Our PT moves to 810 and values INFO at 18x 12-month forward PER.

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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	810
Upside/(Downside)	16.5%
Previous Price Target	800
Change	1.3%

Key Data – INFO IN

Current Market Price	INR695
Market cap (bn)	INR3,037.1/US\$41.3
Free Float	77%
Shares in issue (mn)	8,694.1
Diluted share (mn)	4,351.8
3-mon avg daily val (mn)	INR6,405.8/US\$87.2
52-week range	755/454
Sensex/Nifty	35,162/10,585
INR/US\$	73.5

Price Performance

%	1M	6M	12M
Absolute	-5.2	23.7	49.3
Relative*	2.7	20.7	38.5

* To the BSE Sensex

Financial Summary

Y/E March	FY17A	FY18A	FY19E	FY20E	FY21E
Net Sales	6,84,850	7,05,220	8,35,496	9,32,346	10,17,357
Sales Growth	9.7%	3.0%	18.5%	11.6%	9.1%
EBITDA	1,86,050	1,90,100	2,18,372	2,44,587	2,68,976
EBITDA Margin	27.2%	27.0%	26.1%	26.2%	26.4%
Adjusted Net Profit	1,43,530	1,60,280	1,63,300	1,83,263	2,04,270
Diluted EPS (INR)	31.4	35.5	37.5	42.1	46.9
Diluted EPS Growth	6.4%	13.1%	5.7%	12.2%	11.5%
ROIC	42.6%	43.1%	43.4%	47.1%	49.8%
ROE	22.0%	23.9%	24.5%	25.3%	25.3%
P/E (x)	22.1	19.6	18.5	16.5	14.8
P/B (x)	4.6	4.8	4.4	4.0	3.6
EV/EBITDA (x)	30.7	30.4	26.3	23.2	20.9
Dividend Yield	1.9%	2.4%	1.9%	2.9%	3.3%

Source: Company data, JM Financial. Note: Valuations as of 16/Oct/2018

JM Financial Research is also available on:
Bloomberg - JMFR <GO>,
Thomson Publisher & Reuters
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Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

Exhibit 1. Key financials

(INR mn)	2QFY18	3QFY18	4QFY18	FY18	1QFY19	2QFY19	Comments
Consolidated revenues (USDmn)	2,728	2,755	2,805	10,939	2,831	2,921	
Change (QoQ/ YoY)	2.9%	1.0%	1.8%	7.2%	0.9%	3.2%	
Consolidated revenues (INR mn)	1,75,670	1,77,940	1,80,830	7,05,220	1,91,280	2,06,090	
Change (QoQ/ YoY)	2.9%	1.3%	1.6%	3.0%	12.0%	7.7%	■ In terms of cc, revenue grew c.4.2% QoQ in 2QFY19
Cost of revenue	1,07,710	1,09,520	1,10,960	4,32,690	1,18,520	1,28,180	
Gross profit	67,960	68,420	69,870	2,72,530	72,760	77,910	■ Growth in revenue was supported by 2.8% QoQ growth in volume while price realisation was up +1% QoQ
Gross margin	38.7%	38.5%	38.6%	38.6%	38.0%	37.8%	
Total operating expenses	20,940	20,250	20,570	82,430	23,030	24,340	
EBITDA	47,020	48,170	49,300	1,90,100	49,730	53,570	■ EBIT margin was flat at 23.7% QoQ. Margin tailwinds being currency (+80bps), better pricing and improved onsite/offshore mix (+70bps), offset by higher subcontracting charges (-50bps) and compensation hikes, variable pay and employee centric investments (-100bps)
EBITDA margin	26.8%	27.1%	27.3%	27.0%	26.0%	26.0%	
Depreciation & amortization	4,560	4,980	4,580	18,620	4,360	4,630	
EBIT	42,460	43,190	44,720	1,71,480	45,370	48,940	
EBIT margin	24.2%	24.3%	24.7%	24.3%	23.7%	23.7%	
Other income	8,830	9,620	5,340	31,220	4,560	7,390	■ Adjusted for reduction in Fair value of Panaya investments, PAT rose 6% QoQ.
Profit Before Tax	51,290	52,810	50,060	2,02,700	49,930	56,330	
Income tax expense	14,030	1,520	13,160	42,420	13,810	15,230	
Net income from operations	37,260	51,290	36,900	1,60,280	36,120	41,100	■ Adjusted for the Panaya write-off, EPS improved 5.8% QoQ
Share of minority interest	0	0	0	0	0	0	
PAT	37,260	51,290	36,900	1,60,280	36,120	41,100	
Change (QoQ/ YoY)	7.0%	37.7%	-28.1%	11.7%	3.7%	13.8%	
Adjusted Diluted EPS	8.1	11.3	8.5	35.5	8.3	9.4	
Change (QoQ/ YoY)	7.0%	38.3%	-24.7%	13.2%	-2.1%	13.8%	

Source: Company, JM Financial

Management commentary: Key takeaways

- **Vertical commentary.** BFSI – Client-specific issues in FS are behind and INFO sees momentum among clients in both the US and Europe; spending in the US banks is recovering aided by tax cuts and rise in the interest rates.. **Retail** –2QFY19 growth in retail was driven by digital deals; INFO is seeing strong momentum in Retail despite the structural shifts and notwithstanding the seasonal softness in 3QFY19. **Communications** – INFO expect near-term growth to remain strong due to recent deal wins, though 3QY19 is likely to be impacted by transition and seasonal factors. **Energy, utilities, resources and services** – INFO expressed uptick in growth from Energy side due to ramp-ups in previous deal wins with oil prices working as a tailwind to players in the value chain. **Manufacturing** – INFO highlighted of a momentum witnessed in automotive and industrial manufacturing in Europe and aerospace in America
- **Margins outlook.** The target margin was retained at 22-24%; the earlier guided investments in digital/onsite capacity built are likely to be higher in 2HFY19. Thus, while there are currency tailwinds + digital deals have a higher margin profile; INFO expects medium-term margins to be stable in 22-24% band given the increased employee-related investments (higher wages for in-demand skills/higher variable pay to retain attrition).
- **Deal wins.** INFO won 12 large deals with combined TCV of USD 2,039 mn in 2QFY19 of which 7 were in North America and 4 was in Europe. Among verticals, 3 were in FS, 3 in Manufacturing; 2 in Hi-tech, one in Retail and Communications.
- **Digital.** Digital grew c.13.5%QoQ in CC terms in 2QFY19 to 31% revenue share. The company indicated large digital-led deal pipeline. INFO sees a strong demand in cloud, IoT, cybersecurity and data analytics.
- **Others.** 2QFY19 OCF was affected by the USD 76mn of tax outgo on account of the conclusion of an Advance Pricing Agreement (APA) earlier in the year. INFO maintains the capital allocation policy to return up to 70% of the FCF to the shareholders (an interim dividend of INR 7 per share in 2QFY19) and the allocation of USD 1.6bn for a potential buy-back in early 2019 post the expiry of the 12-month regulatory moratorium.

Exhibit 2. Movement in margin drivers

	2QFY18	1QFY19	2QFY19	Change (%)	Comments
				QoQ	YoY
INR/USD	64.40	67.57	70.55	4.4%	9.6%
Consolidated revenues (INR mn)	1,75,670	1,91,280	2,06,090	7.7%	17.3%
IT services revenues (INR mn)	1,57,576	1,71,769	1,84,451	7.4%	17.1%
A. EXECUTION METRICS					
Utilisation (ex-trainees)	84.7%	85.7%	85.6%	-10bp	94bp
Average realization (USD/person-month)					
- Onsite	12,279	12,347	12,322	-0.2%	0.3%
- Offshore	4,081	4,050	4,083	0.8%	0.0%
- Blended	6,489	6,423	6,423	0.0%	-1.0%
Billed effort- IT + Cons. (person-month)					
- Onsite	1,11,930	1,14,966	1,14,162	-0.7%	2.0%
- Offshore	2,69,202	2,87,013	2,87,817	0.3%	6.9%
- Total	3,81,132	4,01,980	4,01,980	0.0%	5.5%
B. COST DRIVERS					
Wage costs	85,830	93,480	99,760	6.7%	16.2%
As % of revenues	48.9%	48.9%	48.4%	-1.0%	-0.9%
Other cost of revenues	21,880	25,040	28,420	13.5%	29.9%
As % of revenues	12.5%	13.1%	13.8%	70bp	133bp
Gross profit	67,960	72,760	77,910	7.1%	14.6%
Gross margin	38.7%	38.0%	37.8%	-23bp	-88bp
Sales and marketing expenses	8,460	10,050	10,880	8.3%	28.6%
As % of revenues	4.8%	5.3%	5.3%	3bp	46bp
G&A expenses	12,480	12,980	13,460	3.7%	7.9%
As % of revenues	7.1%	6.8%	6.5%	-25bp	-57bp
EBITDA	47,020	49,730	53,570	7.7%	13.9%
EBITDA margin	26.8%	26.0%	26.0%	-1bp	-77bp

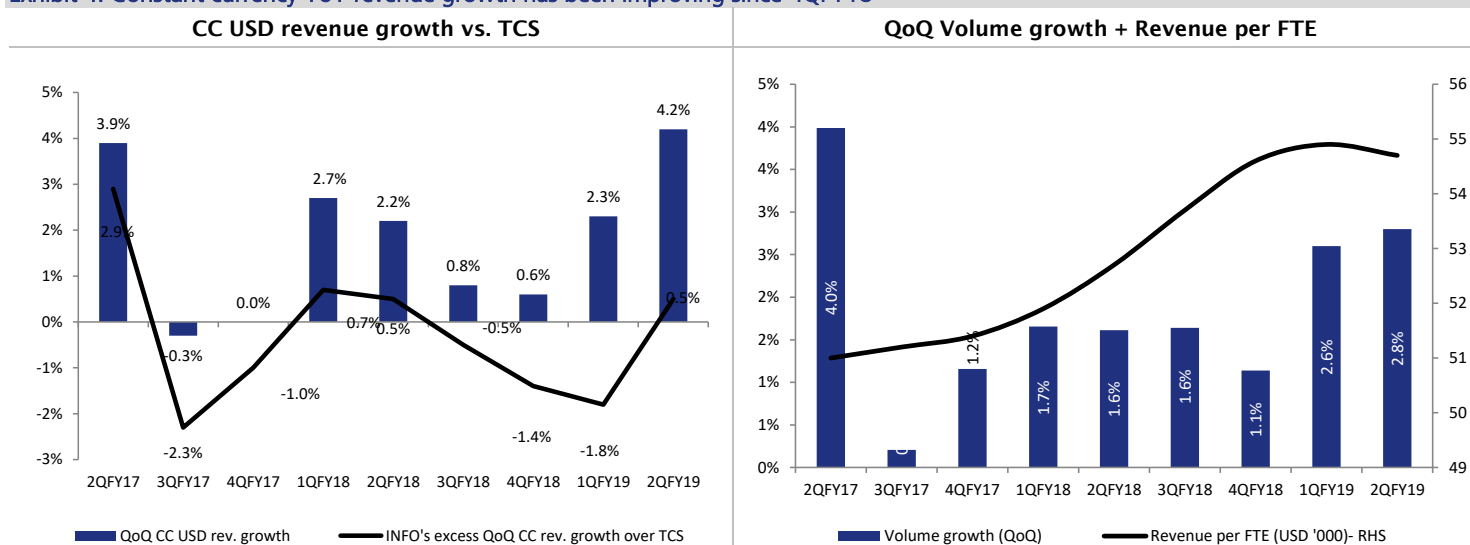
Source: Company, JM Financial

Exhibit 3. Key manpower and execution metrics

	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	Comments
Manpower base						
Total (Infosys cons)	1,98,440	2,01,691	2,04,107	2,09,905	2,17,739	Revenue per employee increased to USD 54,700 which was flat QoQ
Cons IT services	1,65,470	1,68,265	1,70,361	1,75,247	1,82,022	
BPO services	32,970	33,426	33,746	34,658	35,717	Utilisation (ex-trainees) contracted marginally by 10bps QoQ to 85.6%
Net addition	-113	3,251	2,416	5,798	7,834	
As % of opening base	-0.1%	1.6%	1.2%	2.8%	3.7%	
Utilisation (IT Services & consulting) – Incl. trainees	81.8%	82.1%	80.8%	81.5%	80.2%	
Utilisation (IT Services & consulting) – Excl. trainees	84.7%	84.9%	84.7%	85.7%	85.6%	High attrition was partly attributed to seasonality with bulk of attrition in the experience range of 3-5years
Attrition (TTM) - Infosys cons	19.5%	19.5%	20.1%	20.7%	20.9%	
Attrition (QA) - Infosys India	17.2%	15.8%	16.6%	20.6%	19.9%	

Source: Company, JM Financial

Exhibit 4. Constant currency YoY revenue growth has been improving since 4QFY18



Source: Company, JM Financial

Exhibit 5. Revenue by offering

	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	Comments
Revenue share (%)						
Services						
Digital	23.6%	24.2%	25.3%	26.7%	28.9%	
Core	71.2%	70.4%	69.8%	68.5%	66.0%	
Total	94.8%	94.6%	95.1%	95.2%	94.9%	
Products and platforms						
Digital	1.6%	1.9%	1.5%	1.7%	2.1%	▪ Digital revenues now comprise 31% of the total revenues growing by 13.5% QoQ in cc terms and 33.5% YoY
Core	3.6%	3.5%	3.4%	3.1%	3.0%	
Total	5.2%	5.4%	4.9%	4.8%	5.1%	
Consolidated						
Digital	25.2%	26.1%	26.8%	28.4%	31.0%	▪ While digital revenues grew 12.6% QoQ on reported basis, core services remained flat
Core	74.8%	73.9%	73.2%	71.6%	69.0%	
Revenue (USD mn and QoQ growth)						
Services						
Digital	644	667	710	756	844	▪ Products and platforms increased by 10% QoQ on reported basis while Services business grew by 3% in the same period
Change QoQ	8.4%	3.6%	6.4%	6.5%	11.7%	
Core	1,942	1,940	1,958	1,939	2,772	
Change QoQ	1.5%	-0.1%	0.9%	-1.0%	2.9%	▪ INFO stated strong deal pipeline and increasing spend of US banks
Total	2,586	2,606	2,668	2,695	3,616	
Change QoQ	3.1%	0.8%	2.4%	1.0%	4.8%	
Products and Platforms						
Digital	44	52	42	48	61	▪ INFO stated that a large part of the new deal wins for the quarter involved digital and also that the deal sizes are getting bigger
Change QoQ	9.8%	19.9%	-19.6%	14.4%	27.5%	
Core	98	96	95	88	88	
Change QoQ	-5.0%	-1.8%	-1.1%	-8.0%	-0.1%	
Total	142	149	137	136	149	
Change QoQ	-0.9%	4.9%	-7.6%	-1.1%	9.6%	
Consolidated						
Digital	687	719	752	804	906	
Change QoQ	8.5%	4.6%	4.5%	7.0%	12.6%	
Core	2,041	2,036	2,053	2,027	2,015	
Change QoQ	1.1%	-0.2%	0.9%	-1.3%	-0.6%	
Total	2,728	2,755	2,805	2,831	2,921	
Change QoQ	2.9%	1.0%	1.8%	0.9%	3.2%	

Source: Company, JM Financial

Exhibit 6. Vertical portfolio

Segment of Vertical portfolios	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	Comments
Distribution						
Financial Services	33.1%	32.8%	32.5%	31.8%	32.2%	▪ Financial services increased by 4.6% QoQ mainly due to recovery in the US BFSI and broadbased recovery in other geography as well. INFO stated that 3 out of the 12 large deal wins came from Financial services space.
Retail and CPG	16.0%	16.2%	15.9%	16.6%	16.8%	
Communications	12.4%	12.4%	12.9%	12.7%	12.3%	
Energy, Utilities, Resources and Services	11.7%	12.0%	12.0%	12.4%	12.3%	
Manufacturing	9.4%	9.6%	9.6%	9.6%	9.6%	
Hi Tech	7.2%	7.2%	7.4%	7.4%	7.5%	
Life Sciences	6.8%	6.6%	6.7%	6.6%	6.4%	
Others	3.4%	3.2%	2.9%	2.9%	2.9%	
Revenue (USDmn and QoQ growth)						
Financial Services	903	904	913	899	941	▪ Communication was weak, however, INFO stated that of strong pipeline in the communication segment with 5G being an opportunity
change QoQ	3.3%	0.1%	1.0%	-1.5%	4.6%	
Retail	435	447	447	469	491	▪ Retail & CPG continues to witness strong growth of 4.6% QoQ with with sud segments in retail continuing to see significant shift
change QoQ	1.1%	2.7%	-0.1%	5.0%	4.6%	
Communications	339	343	362	360	359	▪ Energy vertical grew on account of ramp ups in some previous deal wins. High crude oil prices continue to be a tailwind for the clients.
change QoQ	1.6%	1.0%	5.6%	-0.6%	-0.1%	
Energy, Utilities, Resources and Servcies	320	331	337	351	359	
change QoQ	6.6%	3.4%	1.9%	4.3%	2.3%	
Manufacturing	256	263	269	272	280	
change QoQ	3.7%	3.0%	2.2%	1.0%	3.2%	
Hi Tech	197	198	207	211	219	
change QoQ	1.4%	0.8%	4.6%	1.6%	4.1%	
Life Sciences	185	181	188	186	187	
change QoQ	5.8%	-2.2%	4.1%	-0.9%	0.3%	
Others	93	88	82	83	85	
change QoQ	-4.1%	-5.1%	-7.1%	1.3%	1.9%	

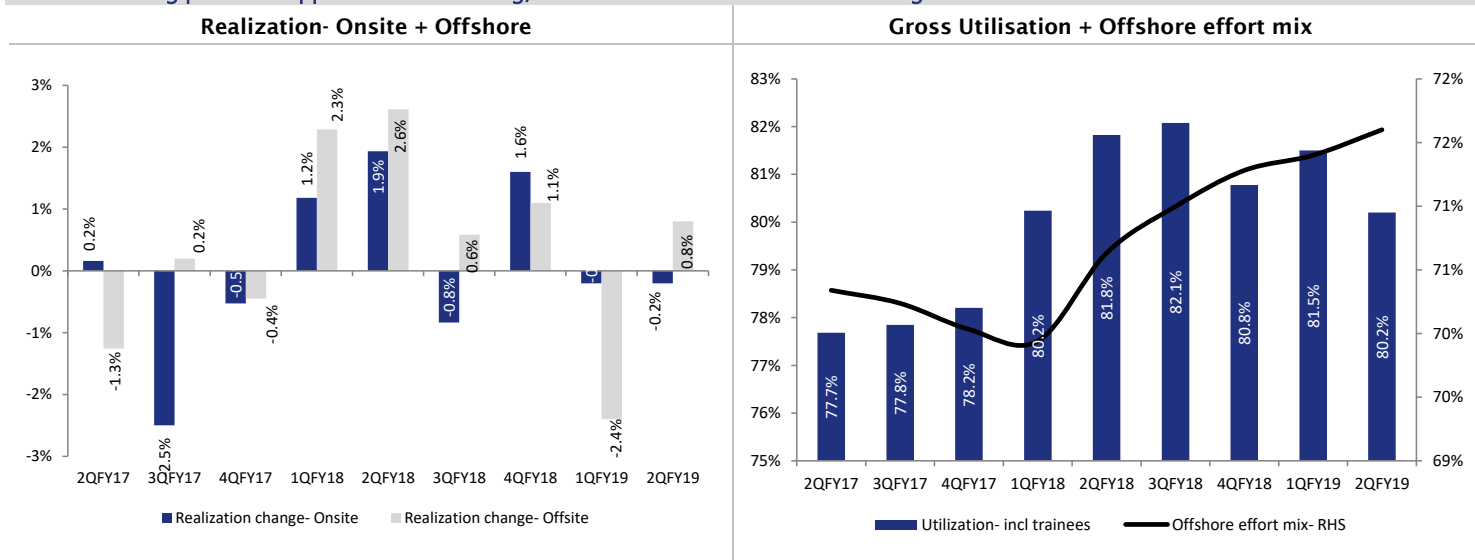
Source: Company, JM Financial

Exhibit 7. Key client metrics

	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	Comments
Client base						
Active clients	1,173	1,191	1,204	1,214	1,222	
Net client addition	9	18	13	10	8	
Clients attrition	63	61	60	273	65	
Revenue per active client (USD mn)	2.33	2.31	2.33	2.33	2.39	
Revenue concentration						
Top client	3.4%	3.4%	3.6%	3.7%	3.9%	▪ 12 large deals were signed in the quarter with a combined TCV of USD 2.03bn; 7 of these large deals were in North America
Top 10 clients	19.5%	19.2%	19.2%	19.2%	19.4%	
Non-Top10 clients	80.5%	80.8%	80.8%	80.8%	80.6%	
Repeat business	98.7%	98.3%	97.6%	99.5%	98.2%	▪ Gross client additions were strong at 73
Revenue growth						
Top client	6.0%	1.0%	7.8%	3.7%	8.8%	▪ 63% of the large deals signed in the quarter are net-new deals
Top-10 clients	0.3%	-0.6%	1.8%	0.9%	4.3%	
Non-top-10 clients	3.5%	1.4%	1.8%	0.9%	2.9%	▪ The 10 largest accounts grew at 5%QoQ, faster than the company.
Repeat business	2.2%	0.6%	1.1%	2.9%	1.8%	
Relationship distribution						
USD 1mn+ Clients	620	630	634	627	633	▪ INFO stated that many clients in the US banking space are increasing their spending on account of tax cuts and increased interest rates
Change QoQ	14	10	4	-7	6	
USD 10mn+ Clients	159	198	198	200	205	
Change QoQ	-31	39	0	2	5	
USD 50mn+ Clients	55	56	57	56	58	
Change QoQ	-1	1	1	-1	2	
USD 100mn+ Clients	19	20	20	24	23	
Change QoQ	1	1	0	4	-1	

Source: Company, JM Financial

Exhibit 8. Pricing pressures appear to be stabilising; and utilisation continue to remain high



Source: Company, JM Financial

Maintain BUY; target price revised to INR 810

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)	70.61	72.00	72.00	71.08	73.00	73.00	0.7%	1.4%	1.4%
Consolidated revenue (USD mn)	11,677	12,674	13,807	11,754	12,772	13,936	0.7%	0.8%	0.9%
Growth in USD revenues (YoY)	6.7%	8.5%	8.9%	7.4%	8.7%	9.1%	70bp	12bp	18bp
Consolidated revenue (INR mn)	8,24,481	9,12,527	9,94,106	8,35,496	9,32,346	10,17,357	1.3%	2.2%	2.3%
EBITDA margin	26.7%	26.7%	26.9%	26.1%	26.2%	26.4%	-55bp	-44bp	-46bp
EBIT margin	24.4%	24.4%	24.7%	23.9%	24.1%	24.4%	-47bp	-22bp	-24bp
PAT (INR mn)	1,63,267	1,81,550	2,03,543	1,63,300	1,83,263	2,04,270	0.0%	0.9%	0.4%
EPS	37.5	41.7	46.8	37.5	42.1	46.9	0.0%	0.9%	0.3%

Source: JM Financial

Exhibit 10. How we differ from consensus

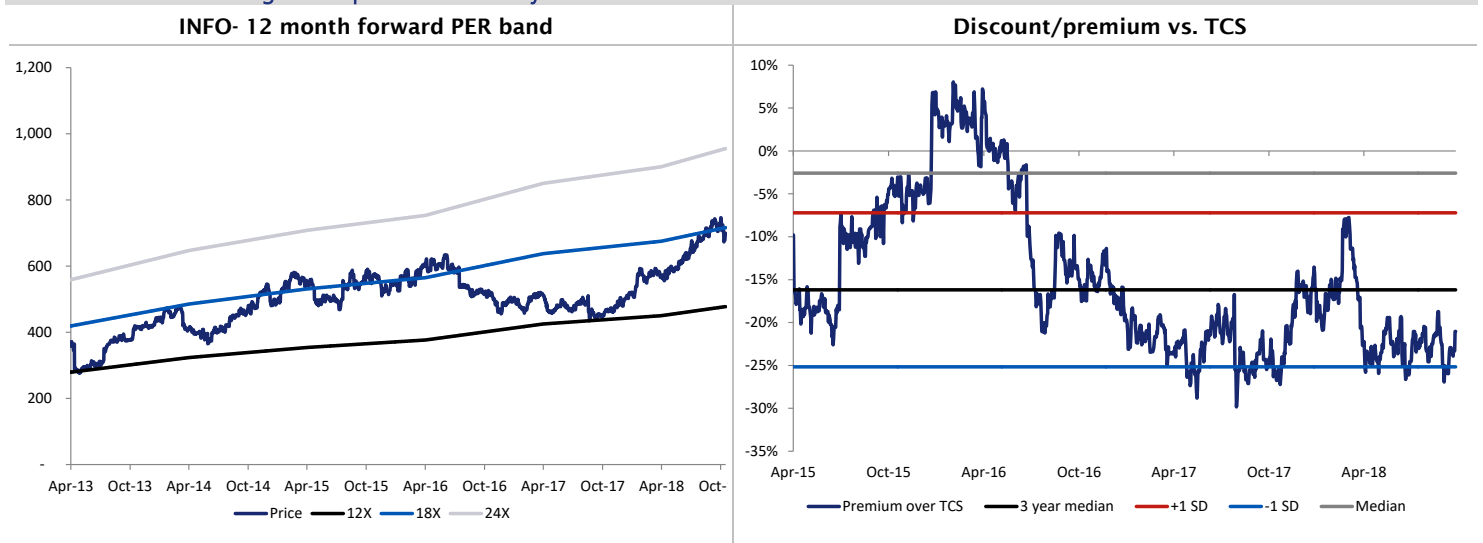
	Consensus estimates			JMFe			Difference		
	FY19E	FY20E	FY21E	FY19E	FY20E	FY21E	FY19E	FY20E	FY21E
Sales (INR mn)	8,10,377	8,92,346	9,80,752	8,35,496	9,32,346	10,17,357	3.1%	4.5%	3.7%
EBITDA (INR mn)	2,12,344	2,33,786	2,56,284	2,18,372	2,44,587	2,68,976	2.8%	4.6%	5.0%
EBITDA margin	26.2%	26.2%	26.1%	26.1%	26.2%	26.4%	-7bp	3bp	31bp
Net Income (INR mn)	1,58,252	1,76,648	1,90,136	1,63,300	1,83,263	2,04,270	3.2%	3.7%	7.4%
EPS (INR)	37.0	40.8	45.0	37.5	42.1	46.9	1.4%	3.3%	4.3%

Source: JM Financial, Bloomberg

Key Risks

- Key downside risks to our price target are: (1) INR appreciation beyond the levels we currently assume and/or adverse cross-currency movements; (2) a further economic slowdown in key markets, affecting the corporate IT spending pattern and volumes; (3) higher-than-expected pricing pressures;
- Upside could come from: (1) INR depreciation more than the level we assume; (2) faster-than-anticipated recovery in project awards/ramp-ups or large deal wins ahead of numbers or contract value factored into our estimates; and (3) acquisitions/large deal wins not currently built into our model.

Exhibit 11. INFO is trading at 7% premium to its 5-year median PER of 16.4x and 18% discount to TCS



Source: JM Financial, Bloomberg

Financial Tables (Consolidated)

Income Statement					(INR mn)
Y/E March	FY17A	FY18A	FY19E	FY20E	FY21E
Net Sales	6,84,850	7,05,220	8,35,496	9,32,346	10,17,357
Sales Growth	9.7%	3.0%	18.5%	11.6%	9.1%
Other Operating Income	0	0	0	0	0
Total Revenue	6,84,850	7,05,220	8,35,496	9,32,346	10,17,357
Cost of Goods Sold/Op. Exp	4,15,500	4,32,690	5,18,590	5,79,812	6,31,919
Personnel Cost	0	0	0	0	0
Other Expenses	83,300	82,430	98,534	1,07,948	1,16,462
EBITDA	1,86,050	1,90,100	2,18,372	2,44,587	2,68,976
EBITDA Margin	27.2%	27.0%	26.1%	26.2%	26.4%
EBITDA Growth	8.9%	2.2%	14.9%	12.0%	10.0%
Depn. & Amort.	17,030	18,620	18,700	19,514	20,354
EBIT	1,69,020	1,71,480	1,99,672	2,25,072	2,48,622
Other Income	30,540	31,220	24,506	26,835	32,161
Finance Cost	0	0	0	0	0
PBT before Excep. & Forex	1,99,560	2,02,700	2,24,178	2,51,907	2,80,784
Excep. & Forex Inc./Loss(-)	0	0	0	0	0
PBT	1,99,560	2,02,700	2,24,178	2,51,907	2,80,784
Taxes	55,980	42,420	60,878	68,645	76,514
Extraordinary Inc./Loss(-)	0	0	0	0	0
Assoc. Profit/Min. Int.(-)	50	0	0	0	0
Reported Net Profit	1,43,530	1,60,280	1,63,300	1,83,263	2,04,270
Adjusted Net Profit	1,43,530	1,60,280	1,63,300	1,83,263	2,04,270
Net Margin	21.0%	22.7%	19.5%	19.7%	20.1%
Diluted Share Cap. (mn)	4,572.3	4,512.9	4,351.8	4,352.2	4,352.2
Diluted EPS (INR)	31.4	35.5	37.5	42.1	46.9
Diluted EPS Growth	6.4%	13.1%	5.7%	12.2%	11.5%
Total Dividend + Tax	70,853	90,980	70,710	1,04,765	1,20,479
Dividend Per Share (INR)	12.9	16.7	13.5	20.0	23.0

Source: Company, JM Financial

Cash Flow Statement					(INR mn)
Y/E March	FY17A	FY18A	FY19E	FY20E	FY21E
Profit before Tax	1,43,530	1,60,290	1,63,300	1,83,263	2,04,270
Depn. & Amort.	17,030	18,630	18,700	19,514	20,354
Net Interest Exp. / Inc. (-)	-3,480	-8,290	-7,130	-7,413	-8,798
Inc (-) / Dec in WCap.	-19,440	-1,060	-15,886	-11,428	-14,321
Others	59,520	44,310	60,878	68,645	76,514
Taxes Paid	-56,530	-68,290	-66,966	-75,509	-84,165
Operating Cash Flow	1,40,630	1,45,590	1,52,896	1,77,071	1,93,854
Capex	-27,600	-19,980	-23,549	-24,931	-25,596
Free Cash Flow	1,13,030	1,25,610	1,29,347	1,52,140	1,68,258
Inc (-) / Dec in Investments	-1,43,620	48,440	0	0	0
Others	480	2,650	0	0	0
Investing Cash Flow	-1,70,740	31,110	-23,549	-24,931	-25,596
Inc / Dec (-) in Capital	0	50	0	0	0
Dividend + Tax thereon	-69,390	-74,640	0	0	0
Inc / Dec (-) in Loans	0	0	0	0	0
Others	0	-1,30,460	0	0	0
Financing Cash Flow	-69,390	-2,05,050	0	0	0
Inc / Dec (-) in Cash	-99,500	-28,350	1,29,347	1,52,140	1,68,258
Opening Cash Balance	3,27,720	3,25,950	2,62,250	2,92,817	3,57,166
Closing Cash Balance	2,28,220	2,97,600	3,91,597	4,44,957	5,25,424

Source: Company, JM Financial

Balance Sheet					(INR mn)
Y/E March	FY17A	FY18A	FY19E	FY20E	FY21E
Shareholders' Fund	6,89,820	6,49,240	6,85,250	7,63,872	8,47,805
Share Capital	11,440	10,880	21,760	21,760	21,760
Reserves & Surplus	6,78,380	6,38,360	6,63,490	7,42,112	8,26,045
Preference Share Capital	0	0	0	0	0
Minority Interest	0	0	0	0	0
Total Loans	0	0	0	0	0
Def. Tax Liab. / Assets (-)	-3,330	-7,410	-8,860	-8,860	-8,860
Total - Equity & Liab.	6,86,490	6,41,830	6,76,390	7,55,012	8,38,945
Net Fixed Assets	1,61,440	1,46,010	1,50,860	1,56,276	1,61,518
Gross Fixed Assets	2,10,730	2,24,530	2,44,219	2,69,151	2,94,746
Intangible Assets	36,520	22,110	24,960	24,960	24,960
Less: Depn. & Amort.	85,810	1,00,630	1,18,320	1,37,834	1,58,188
Capital WIP	0	0	0	0	0
Investments	64,530	57,560	51,650	51,650	51,650
Current Assets	6,02,180	5,82,510	6,52,689	7,42,020	8,35,215
Inventories	0	0	0	0	0
Sundry Debtors	1,59,700	1,74,030	2,11,976	2,32,017	2,53,172
Cash & Bank Balances	3,25,950	2,62,250	2,92,817	3,57,166	4,24,144
Loans & Advances	0	0	0	0	0
Other Current Assets	1,16,530	1,46,230	1,47,896	1,52,837	1,57,899
Current Liab. & Prov.	1,41,660	1,44,250	1,78,808	1,94,935	2,09,438
Current Liabilities	5,200	10,140	16,000	16,000	16,000
Provisions & Others	1,36,460	1,34,110	1,62,808	1,78,935	1,93,438
Net Current Assets	4,60,520	4,38,260	4,73,880	5,47,086	6,25,777
Total - Assets	6,86,490	6,41,830	6,76,390	7,55,012	8,38,945

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY17A	FY18A	FY19E	FY20E	FY21E
Net Margin	21.0%	22.7%	19.5%	19.7%	20.1%
Asset Turnover (x)	1.0	1.0	1.2	1.3	1.2
Leverage Factor (x)	1.0	1.0	1.0	1.0	1.0
RoE	22.0%	23.9%	24.5%	25.3%	25.3%

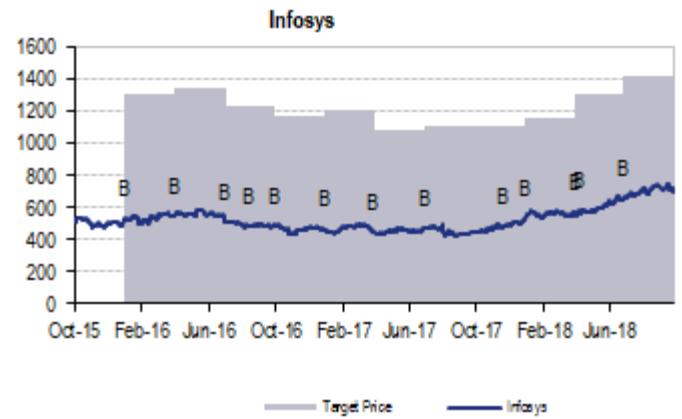
Key Ratios					
Y/E March	FY17A	FY18A	FY19E	FY20E	FY21E
BV/Share (INR)	150.9	143.5	157.5	175.5	194.8
ROIC	42.6%	43.1%	43.4%	47.1%	49.8%
ROE	22.0%	23.9%	24.5%	25.3%	25.3%
Net Debt/Equity (x)	-0.5	-0.4	-0.4	-0.5	-0.5
P/E (x)	22.1	19.6	18.5	16.5	14.8
P/B (x)	4.6	4.8	4.4	4.0	3.6
EV/EBITDA (x)	30.7	30.4	26.3	23.2	20.9
EV/Sales (x)	8.3	8.2	6.9	6.1	5.5
Debtor days	85	90	93	91	91
Inventory days	0	0	0	0	0
Creditor days	3	5	7	6	6

Source: Company, JM Financial

History of Earnings Estimate and Target Price

Date	Recommendation	Target Price	% Chg.
14-Jan-16	Buy	655	
15-Apr-16	Buy	670	2.3
15-Jul-16	Buy	615	-8.2
6-Oct-16	Buy	585	0.0
14-Oct-16	Buy	585	-4.9
13-Jan-17	Buy	605	3.4
13-Apr-17	Buy	540	-10.7
4-Dec-17	Buy	555	2.8
12-Jan-18	Buy	575	0.0
20-Mar-18	Buy	650	3.6
14-Apr-18	Buy	650	13.0
23-Apr-18	Buy	650	0.0
18-Jun-18	Buy	710	9.2
13-Jul-18	Buy	710	0.0
3-Oct-18	Buy	800	9.0

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.

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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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