

Ifs and buts remain

Wipro (WPRO) reported 2QFY19 that was a tad above expectations; the 0-2% QoQ USD revenue growth guidance (JMFe, adjusted for incremental revenues in the USD 1.5bn/10-years Alight Solutions deal) was on expected lines. Organic digital revenues grew 11% QoQ (30% YoY), on our estimates; management indicated a strong demand for cloud migration services. However, the presence of multiple moving parts – divestment of data center business, Alight acquisition and the planned carving out of domestic public sector business – lower the visibility of the internal construct. Further, the outlook for Healthcare vertical (13% of revenues) remains uncertain. Thus, we stay neutral. That said, we believe the stock's modest valuation (13.5x FY20F EPS; 12/13% discount/premium to INFO/HCLT) and attractive FCF yield (5%+) could spark a short-term play. Our INR 340 PT (unchanged) is at 14x target PER.

- 2QFY19 – broadly in-line results.** IT services revenues grew 1.9% QoQ to USD 2.04bn; 2.1% QoQ constant currency growth (ex Alight deals impact, JMFe) was marginally above our estimates (1.8%) and at the upper end of the guided band. EBIT margin, adjusted for one-off items (c.USD 4mn from the sale of the data-center business and USD 75mn charge for a settlement with National Grid, a client) at 18% was also above our estimates (16.2%) due to better treasury management. IT products business stayed weak (-4% YoY) with continued EBIT loss due to the ongoing portfolio realignment. Reported consolidated PAT was INR 18.9bn (+11% QoQ) was below estimates due to the one-offs.
- FY19 outlook – not out of woods, yet?** WPRO has guided for 1%-3% QoQ growth in USD revenues for 3QFY19; however, adjusting for incremental contribution (USD 25mn, JMFe) from the Alight Solutions deal, the implied guidance of 0-2% is similar to last year (3QFY18) suggesting a limited change in business momentum, outside the deal. HPS is still shrinking (annual run-rate is down USD 130mn since acquisition); even the organic Healthcare & Life Sciences business appears weak. It is hopeful of demand accelerating in Telecom and Energy & Utilities verticals and expects momentum to sustain in BFSI despite pockets of weaknesses. Overall, we have factored in an improved trajectory – 6%/8% USD revenue growth in FY19/20 – after a lacklustre 2% growth in FY19 for IT services business inclusive of all the changes in the business mix.
- Margins are helped by treasury management.** The margin surprise in 2QFY19 was attributed to productivity gains and WPRO exuded confidence is sustaining it going forward. Its cash-flow hedge accounting policy + an active treasury management also helps. That said, we are mindful of the potential costs in Alight transition + any uplift in volume growth will affect utilization/onsite-offshore mix. Thus, we are building in static to a gradual margin expansion; though admittedly, the changing business mix could lead to a surprise. Our FY19/FY20 EPS estimates are marginally down by 4%/1% due to the one-offs charges in 2QFY19/lower margin expansion vs. our earlier estimates.
- Wait and watch.** WPRO's cash generation stays efficient despite the slow revenue growth. The capital allocation policy (45-50% pay-out over a block of two years) implies c5% yield at current levels. Thus, we see limited downside and case for a short-term play even as a 'hope' rally on a potential turnaround would await a more consistent performance.

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Recommendation and Price Target

Current Reco.	HOLD
Previous Reco.	HOLD
Current Price Target (12M)	340
Upside/(Downside)	10.1%
Previous Price Target	340
Change	0.0%

Key Data – WPRO IN

Current Market Price	INR309
Market cap (bn)	INR1,397.0/US\$19.1
Free Float	22%
Shares in issue (mn)	4,524.1
Diluted share (mn)	4,513.0
3-mon avg daily val (mn)	INR1,527.5/US\$20.9
52-week range	339/254
Sensex/Nifty	34,034/10,225
INR/US\$	73.2

Price Performance

%	1M	6M	12M
Absolute	-7.2	7.6	4.0
Relative*	-1.0	9.5	-0.3

* To the BSE Sensex

JM Financial Research is also available on:
Bloomberg - JMFR <GO>,
Thomson Publisher & Reuters
S&P Capital IQ and FactSet

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

Financial Summary					(INR mn)
Y/E March	FY17A	FY18A	FY19E	FY20E	FY21E
Net Sales	550,402	544,871	600,537	662,348	715,984
Sales Growth (%)	7.4	-1.0	10.2	10.3	8.1
EBITDA	113,209	104,346	109,070	128,218	141,477
EBITDA Margin (%)	20.4	19.2	18.2	19.4	19.8
Adjusted Net Profit	84,895	80,487	85,116	103,144	117,428
Diluted EPS (INR)	17.4	16.9	18.9	22.9	26.0
Diluted EPS Growth (%)	-3.5	-2.9	11.4	21.2	13.8
ROIC (%)	23.3	20.5	22.6	27.2	29.4
ROE (%)	17.2	16.0	16.3	17.0	16.7
P/E (x)	17.7	18.3	16.4	13.5	11.9
P/B (x)	2.9	3.0	2.5	2.1	1.8
EV/EBITDA (x)	10.6	11.9	10.6	8.4	6.9
Dividend Yield (%)	0.3	0.3	0.5	0.6	0.8

Source: Company data, JM Financial. Note: Valuations as of 24/Oct/2018

Exhibit 1. Key Financials- Consolidated

(INR mn)	2QFY18	3QFY18	4QFY18	FY18	1QFY19	2QFY19	Comments
Consolidated revenues	1,34,234	1,36,690	1,37,686	5,44,871	1,39,777	1,45,410	
Change(YoY/QoQ)	-1.5%	1.8%	0.7%	-1.0%	1.5%	4.0%	
Cost of revenue	90,086	91,295	92,323	3,66,439	96,511	97,902	
Gross profit	44,148	45,395	45,363	1,78,432	43,266	47,508	▪ Reported Consol. revenue for 2QFY19 declined by 1.8%/2.5% QoQ/YoY.
Gross margin	32.9%	33.2%	32.9%	32.7%	31.0%	32.7%	
Total operating expenses	16,360	20,466	20,417	74,086	18,923	24,008	▪ Revenue from IT services for 2QFY19 increased by 1.9% QoQ (vs. 1.1% QoQ JMFe) in USD terms, after adjusting for the IFOX divestment.
EBITDA	27,788	24,929	24,946	1,04,346	24,343	23,500	
EBITDA margin	20.7%	18.2%	18.1%	19.2%	17.4%	16.2%	
Depreciation & amortization	5,200	5,279	5,702	21,124	4,337	4,370	▪ Consol. EBIT margins declined by 278bps QoQ to 13.3%, primarily due to claim settlement of INR 5,141mn.
EBIT	22,588	19,650	19,244	83,222	22,535	19,399	
EBIT margin	16.8%	14.4%	14.0%	15.3%	16.1%	13.3%	
Non-operating income (net)	5,728	5,054	3,796	19,657	4,319	4,784	▪ ETR for 2QFY19 increased by 30bps to 22.1%
Profit before tax	28,316	24,704	23,040	1,02,879	26,854	24,183	
Income tax expense	6,426	5,355	4,615	22,390	5,865	5,347	▪ Forex gains stood at INR 775mn in 2QFY19 vs. INR 331mn in 1QFY19 as the translation gains offset the hedge losses and exchange loss on foreign currency borrowings
Net income from ops	21,890	19,349	18,425	80,489	20,989	18,836	
Change(YoY/QoQ)	5.1%	-11.6%	-4.8%	-5.5%	13.9%	-10.3%	
Share in earnings of affiliates	5	0	-3	1	-53	20	
Share of minority interest	-22	-12	-22	3	-270	-33	▪ The company had a hedge book of USD 2.6bn at 2QFY19 exit
PAT	21,917	19,361	18,444	80,487	21,206	18,889	
Change(YoY/QoQ)	5.5%	-11.7%	-4.7%	-5.2%	15.0%	-10.9%	
Adjusted basic EPS	4.5	4.0	4.1	16.9	4.7	4.2	
Change(YoY/QoQ)	5.5%	-10.9%	1.6%	-3.1%	15.0%	-11.3%	

Source: Company, JM Financial

Management commentary: Key takeaways

- **Guidance.** WPRO guided for a sequential revenue growth of 1.0-3.0% for 3QFY19. The guidance takes into account the incremental business that would flow as a result of Alight acquisition and would exclude the revenues of India business which is being carved out (revenue share in 2QFY19 USD 34mn) Excluding the effect of IFOX divestment, WPRO grew at 1.9% (at the top end of their 2QFY19 guidance of 0.3-2.3%)
- **Vertical comments.** **BFSI** - comprises c.31% of revenues (grew 4.4% QoQ in cc terms) among verticals; WPRO attributed it to improved demand in digital transformation business. **Communication** – WPRO indicted of acceleration in this vertical with some 5G related projects. **Healthcare** – (de-grew 3% QoQ in cc terms) WPRO indicated decline in annual run rate of HPS by USD 130-150mn and due to prevalence of high cost in this platform business, margins are affected. The company indicated that Q3 will lend much clarity on the outlook of HPS business.
- **Margin outlook.** Barring, claim settlement cost, the margins improved 234 bps QoQ. Currency benefit stood at +80bps and remaining benefit bps was flowing from operational efficiencies driven by automation (effort saving from automation on FPP projects increased from 1.1% to 3% QoQ) and higher utilization partially offset by wage hike. WPRO expects the margins to sustain in future.
- **On Services business.** **Infrastructure services** (grew +2.6% in cc terms) WPRO indicated of a strong deal pipeline in the cloud migration services while at the same time allayed the concerns over the traditional infrastructure managing business. **Application services** (grew +1.0% in cc terms) WPRO reassured on the healthy demand environment prevailing in this space evident from the pick-up in the digital transformation projects

Exhibit 2. Key Financials- IT services

(INR mn)	2QFY18	3QFY18	4QFY18	FY18	1QFY19	2QFY19	Comments
Total revenues (USD mn)	2,014	2,013	2,062	8,060	2,027	2,041	
Change (QoQ/YoY)	2.1%	0.0%	2.4%	4.6%	2.8%	1.4%	▪ EBIT margin for the IT Services business stood at 17.3% (+212bps/28bps QoQ/YoY) after adjusting the one time claim settlement of INR 5,141
Total Revenues – ex FX gain/loss (INR mn)	1,31,236	1,32,221	1,33,562	5,26,922	1,36,232	1,42,556	
Change(QoQ/YoY)	1.0%	0.8%	1.0%	0.4%	4.9%	8.6%	
Cost of revenue – ex Dep. (INR mn)	87,357	87,101	88,475	3,49,754	92,583	94,977	
Gross profit (INR mn)	43,879	45,120	45,087	1,77,168	43,649	47,579	▪ Total Operating expenses are higher on account of inclusion of claim settlement of INR 5,141mn
Gross margin	33.4%	34.1%	33.8%	33.6%	32.0%	33.4%	
Total operating expenses (INR mn)	16,348	17,202	18,539	68,677	18,650	23,704	
EBITDA (INR mn)	27,531	27,918	26,548	1,08,490	24,999	23,875	▪ Reported EBIT margins include hedge gains of INR 1,217mn vs INR 771mn in 1QFY19
EBITDA margin	21.0%	21.1%	19.9%	20.6%	18.4%	16.7%	
EBIT (INR mn)	22,784	19,590	19,323	83,613	23,968	20,996	
EBIT margin (reported)	17.2%	14.8%	14.3%	15.8%	17.4%	14.5%	
EBIT margin (ex forex gain/loss)	17.0%	17.1%	15.6%	16.6%	15.2%	13.7%	

Source: Company, JM Financial

Exhibit 3. Key manpower and execution metrics – IT services

	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	Comments
Total employee base	1,63,759	1,62,553	1,63,827	1,64,659	1,75,346	
Net addition	-3,031	-1,206	1,274	832	10,687	▪ Utilisation (excluding trainees) increased to all time high of 85.5%
Attrition (quarterly, annualized)	16.7%	16.2%	17.5%	17.7%	18.3%	
Utilization – net (incl trainees)	81.8%	80.0%	82.4%	83.9%	83.2%	

Source: Company, JM Financial

Exhibit 4. 3QFY19 revenue guidance

	Guidance	Comments
3QFY19 Guidance	Lower	Higher
Revenue (USD mn)	2,028	2068
		▪ Excluding the impact of India business of USD 34mn in 2QFY19, IT services revenue growth guidance is in the range of 1.0% to 3.0% sequential growth

Source: Company, JM Financial

Exhibit 5. Key client metrics – IT services

	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	Comments
Client base						
Active clients	1274	1281	1248	1254	1193	
Net client addition	30	7	-33	6	-55	
Revenue per active client (USD mn)	1.58	1.57	1.65	1.62	1.71	
Revenue concentration						
Top client	3.1%	3.1%	3.5%	3.7%	3.6%	▪ WPRO added 76 new clients (gross) in 2QFY19 with the total number of active clients at 1,193 as at 2QFY19 exit (-61/-81 QoQ/YoY). Some client loss was due to closure of datacentre business
Top 5 clients	11.0%	11.3%	11.9%	11.7%	12.1%	
Top 10 clients	18.0%	17.8%	18.4%	18.3%	18.8%	
Non-Top10 clients	82.0%	82.2%	81.6%	81.7%	81.2%	
New business	16.1	36.2	53.6	10.1	28.6	
Revenue growth						
Top client	9.2%	0.0%	15.7%	3.9%	-2.0%	▪ Top client de grew by 2% QoQ. However, strong growth of 3.5% was witnessed in Top 10 clients
Top-2 to 5 clients	9.0%	3.8%	4.9%	-6.4%	7.0%	
Top-5 clients	9.1%	2.7%	7.9%	-3.4%	4.2%	
Top-6 to 10 clients	-0.7%	-7.2%	2.4%	-0.2%	2.3%	
Top-10 clients	5.0%	-1.1%	5.9%	-2.3%	3.5%	▪ WPRO added one additional client in USD 50mn+ bucket and 7 clients in USD10mn+
Non-top-10 clients	1.5%	0.2%	1.7%	-1.6%	0.1%	
Relationship distribution						
USD1M+ Clients	627	635	631	624	612	▪ Proportion of repeat business stood at 98.6% for 2QFY19 (vs. 99.5% for 1QFY19)
Change	3	8	-4	-7	-12	
USD5M+ Clients	270	272	277	278	274	
Change	8	2	5	1	-4	▪ WPRO also highlighted that middleeast have stopped de growing.
USD10M+ Clients	170	167	171	173	180	
Change	7	-3	4	2	7	
USD50M+ Clients	39	41	39	40	39	
Change	3	2	-2	1	-1	
USD100M+ Clients	9	9	8	8	9	
Change	0	0	-1	0	1	

Source: Company, JM Financial

Exhibit 6. Services portfolio – IT services

	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	Comments
Distribution						
Cloud and Infrastructure services	28.4%	28.2%	28.8%	27.4%	26.5%	
Data, Analytics and AI	7.1%	7.0%	7.0%	7.1%	7.8%	
Digital Operations and Platforms	12.1%	12.6%	12.1%	12.1%	12.7%	▪ Digital revenues grew 13.4% QoQ and now contributes 31.4% of the overall revenues
Industrial and Engineering Services	6.9%	6.9%	7.3%	7.3%	7.3%	
Modern Application services	45.5%	45.3%	44.8%	46.1%	45.7%	
Total	100.0%	100.0%	100.0%	100.0%	100.0%	▪ Global Infrastructure Services business declined 3% QoQ. According to management, there is a good traction in the cloud migration services
Revenue (USD mn and QoQ growth)						
IMS	572	568	594	555	541	
Change	3.2%	-0.7%	4.6%	-6.5%	-2.6%	
BPO	244	254	250	245	259	
Change	3.0%	4.1%	-1.6%	-1.7%	5.7%	
Non-IMS, non-BPO	1,198	1,192	1,219	1,226	1,241	
Change	1.4%	-0.5%	2.3%	0.6%	1.2%	

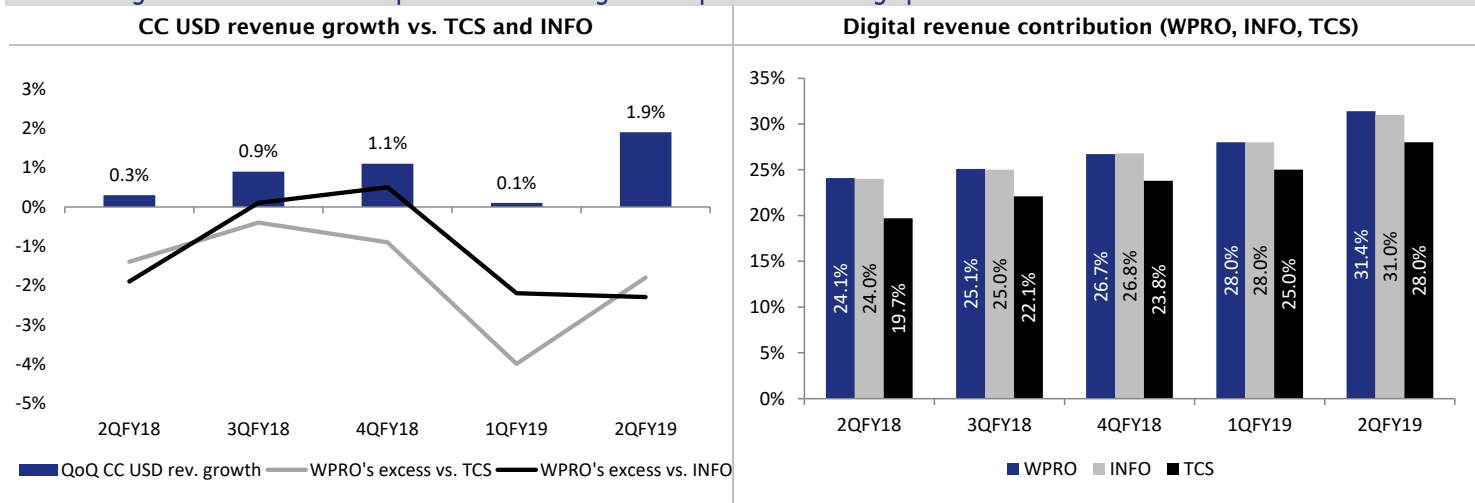
Source: Company, JM Financial

Exhibit 7. Vertical portfolio – IT services

	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	Comments
Distribution						
Communications	6.5%	6.4%	5.8%	5.6%	5.7%	
Consumer	15.9%	16.0%	15.6%	16.0%	16.3%	▪ Growth was led by consumer, which grew 4.8% QoQ in cc terms, followed by BFSI (+4.4% QoQ) and Communications (+4.2% QoQ), Energy, Natural Resources and Utilities (+4.0% QoQ), Technology (+1.8% QoQ) Manufacturing (1.7% QoQ) while Health Business Unit (-3.0% QoQ) lagged behind
Energy, Natural Resources & Utilities	13.5%	12.4%	12.5%	12.5%	12.6%	
Finance Solutions	27.6%	28.5%	29.2%	30.0%	30.7%	
Healthcare, Life Sciences & Services	13.7%	14.0%	13.9%	13.4%	12.8%	
Manufacturing & Technology	22.8%	22.7%	23.0%	22.5%	21.9%	
Revenue (USD mn and growth)						
Communications	131	129	120	113	116	
Change	-2.4%	-1.6%	-7.2%	-5.1%	2.5%	
Consumer	320	322	322	324	333	▪ An uptick in activity in ENR unit was indicated and also, deal flow in communication aided by 5G was mentioned
Change	2.8%	0.6%	-0.1%	0.8%	2.6%	
Energy, Natural Resources & Utilities	272	250	258	253	257	
Change	2.9%	-8.2%	3.3%	-1.7%	1.5%	
Finance Solutions	556	574	602	608	627	
Change	5.6%	3.2%	5.0%	1.0%	3.1%	▪ Core health business continues to face challenges stemming from HPS unit
Healthcare, Life Sciences & Services	276	282	287	272	261	
Change	-5.5%	2.2%	1.7%	-5.3%	-3.8%	
Manufacturing & Technology	459	457	474	456	447	
Change	3.5%	-0.5%	3.8%	-3.9%	-2.0%	

Source: Company, JM Financial

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



Source: Company, JM Financial

Maintain HOLD; price target unchanged at INR 340

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)	70.47	72.50	72.50	70.85	73.15	73.15	0.5%	0.9%	0.9%
Consolidated revenue (USD mn)*	8,263	8,760	9,484	8,229	8,722	9,449	-0.4%	-0.4%	-0.4%
Growth in USD revenues (YoY)*	2.5%	6.0%	8.3%	2.1%	6.0%	8.3%	-42bp	-3bp	8bp
Consolidated revenue (INR mn)*	5,82,315	6,35,105	6,87,556	5,83,021	6,37,985	6,91,192	0.1%	0.5%	0.5%
EBITDA margin ex forex*	19.5%	20.5%	20.8%	19.8%	20.1%	20.5%	30bp	-38bp	-34bp
EBIT margin ex forex*	16.4%	17.5%	17.8%	16.8%	17.2%	17.7%	32bp	-23bp	-9bp
PAT (INR mn)#	88,505	1,04,266	1,17,399	85,116	1,03,144	1,17,428	-3.8%	-1.1%	0.0%
EPS#	19.6	23.1	26.0	18.9	22.9	26.0	-3.9%	-1.1%	0.0%

*IT services, #Consolidated
Source: JM Financial

Exhibit 10. How we differ from consensus

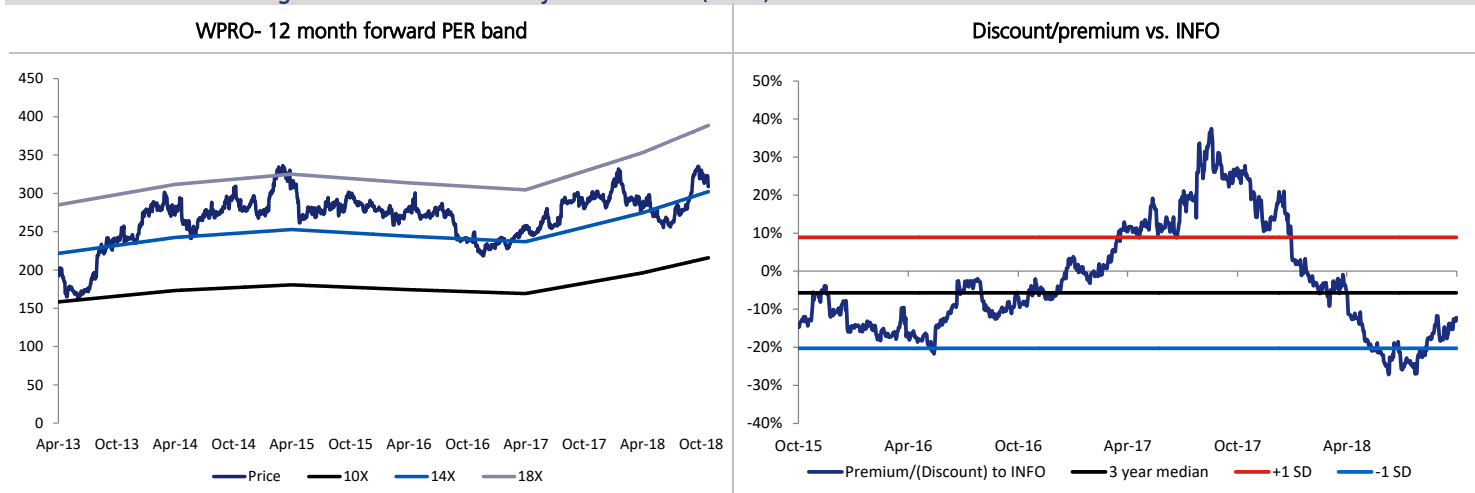
	Consensus estimates			JMFe			Difference		
	FY19E	FY20E	FY21E	FY19E	FY20E	FY21E	FY19E	FY20E	FY21E
Sales (INR mn)	5,78,792	6,20,164	6,57,363	6,00,537	6,62,348	7,15,984	3.8%	6.8%	8.9%
EBITDA (INR mn)	1,10,348	1,20,698	1,28,029	1,09,070	1,28,218	1,41,477	-1.2%	6.2%	10.5%
EBITDA margin	19.1%	19.5%	19.5%	18.2%	19.4%	19.8%	-90bp	-10bp	28bp
Net Income (INR mn)	84,914	93,813	1,00,576	85,116	1,03,144	1,17,428	0.2%	9.9%	16.8%
EPS (INR)	18.74	20.64	22.08	18.9	22.9	26.0	0.7%	10.7%	17.9%

Source: JM Financial, Bloomberg

Key Risks

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

Exhibit 11. WPRO is trading at 8% discount to its 5-yr. median PER (15.6x) and 12% discount to INFO



Source: JM Financial, Bloomberg

Financial Tables (Consolidated)

Income Statement		(INR mn)				
Y/E March	FY17A	FY18A	FY19E	FY20E	FY21E	
Net Sales	550,402	544,871	600,537	662,348	715,984	
Sales Growth	7.4%	-1.0%	10.2%	10.3%	8.1%	
Other Operating Income	4,082	0	0	0	0	
Total Revenue	554,484	544,871	600,537	662,348	715,984	
Cost of Goods Sold/Op. Exp	371,088	366,439	408,310	448,782	482,387	
Personnel Cost	0	0	0	0	0	
Other Expenses	70,187	74,086	83,156	85,348	92,120	
EBITDA	113,209	104,346	109,070	128,218	141,477	
EBITDA Margin	20.4%	19.2%	18.2%	19.4%	19.8%	
EBITDA Growth	4.7%	-7.8%	4.5%	17.6%	10.3%	
Depn. & Amort.	23,107	21,124	17,857	18,503	19,012	
EBIT	90,102	83,222	91,213	109,715	122,464	
Other Income	19,744	20,548	16,400	21,538	27,103	
Finance Cost	0	0	0	0	0	
PBT before Excep. & Forex	109,846	103,770	107,614	131,253	149,567	
Excep. & Forex Inc./Loss(-)	510	-891	1,406	500	500	
PBT	110,356	102,879	109,020	131,753	150,067	
Taxes	25,213	22,390	24,280	28,986	33,015	
Extraordinary Inc./Loss(-)	0	0	0	0	0	
Assoc. Profit/Min. Int.(-)	-248	-2	376	376	376	
Reported Net Profit	84,895	80,487	85,116	103,144	117,428	
Adjusted Net Profit	84,895	80,487	85,116	103,144	117,428	
Net Margin	15.3%	14.8%	14.2%	15.6%	16.4%	
Diluted Share Cap. (mn)	4,869.4	4,755.8	4,513.0	4,513.0	4,513.0	
Diluted EPS (INR)	17.4	16.9	18.9	22.9	26.0	
Diluted EPS Growth	-3.5%	-2.9%	11.4%	21.2%	13.8%	
Total Dividend + Tax	5,861	5,724	8,148	10,864	13,580	
Dividend Per Share (INR)	1.0	1.0	1.5	2.0	2.5	

Source: Company, JM Financial

Cash Flow Statement		(INR mn)				
Y/E March	FY17A	FY18A	FY19E	FY20E	FY21E	
Profit before Tax	85,143	80,084	87,538	102,768	117,052	
Depn. & Amort.	23,107	21,124	17,857	18,503	19,012	
Net Interest Exp. / Inc. (-)	-16,259	-14,569	0	0	0	
Inc (-) / Dec in WCap.	4,541	-936	12,355	-9,391	-8,149	
Others	21,717	26,635	14,508	17,617	18,575	
Taxes Paid	-25,476	-28,105	-30,477	-36,384	-41,442	
Operating Cash Flow	92,773	84,233	101,780	93,113	105,049	
Capex	-20,853	-21,870	-24,447	-21,891	-19,958	
Free Cash Flow	71,920	62,363	77,333	71,221	85,091	
Inc (-) / Dec in Investments	-80,183	47,973	0	0	0	
Others	-15,247	9,475	0	0	0	
Investing Cash Flow	-116,283	35,578	-24,447	-21,891	-19,958	
Inc / Dec (-) in Capital	0	24	0	0	0	
Dividend + Tax thereon	-33,734	-115,732	0	0	0	
Inc / Dec (-) in Loans	13,119	-10,983	0	0	0	
Others	-2,137	-3,287	0	0	0	
Financing Cash Flow	-22,752	-129,978	0	0	0	
Inc / Dec (-) in Cash	-46,262	-10,167	77,333	71,221	85,091	
Opening Cash Balance	99,049	52,710	44,925	112,296	191,783	
Closing Cash Balance	52,787	42,543	122,258	183,517	276,874	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E March	FY17A	FY18A	FY19E	FY20E	FY21E	
Shareholders' Fund	520,304	482,936	560,653	652,919	756,750	
Share Capital	4,861	9,048	9,048	9,048	9,048	
Reserves & Surplus	515,443	473,888	551,605	643,871	747,702	
Preference Share Capital	0	0	0	0	0	
Minority Interest	2,391	2,410	2,312	2,312	2,312	
Total Loans	142,412	138,259	115,055	115,055	115,055	
Def. Tax Liab. / Assets (-)	-3,098	-6,908	-8,861	-8,861	-8,861	
Total - Equity & Liab.	662,009	616,697	669,159	761,425	865,256	
Net Fixed Assets	211,512	200,140	217,086	220,474	221,420	
Gross Fixed Assets	69,794	64,443	71,033	74,421	75,367	
Intangible Assets	141,718	135,697	146,053	146,053	146,053	
Less: Depn. & Amort.	0	0	0	0	0	
Capital WIP	0	0	0	0	0	
Investments	299,239	258,009	257,631	257,631	257,631	
Current Assets	279,667	295,583	365,478	465,657	578,348	
Inventories	3,915	3,370	4,357	4,806	5,195	
Sundry Debtors	143,939	147,922	167,535	184,779	199,742	
Cash & Bank Balances	52,710	44,925	112,296	191,783	286,520	
Loans & Advances	0	0	0	0	0	
Other Current Assets	79,103	99,366	81,290	84,289	86,892	
Current Liab. & Prov.	128,409	137,035	171,036	182,337	192,143	
Current Liabilities	87,153	90,860	107,714	117,081	125,209	
Provisions & Others	164,057	139,166	126,048	127,982	129,660	
Net Current Assets	151,258	158,548	194,442	283,320	386,205	
Total - Assets	662,009	616,697	669,159	761,425	865,256	

Source: Company, JM Financial

Dupont Analysis						
Y/E March	FY17A	FY18A	FY19E	FY20E	FY21E	
Net Margin	15.3%	14.8%	14.2%	15.6%	16.4%	
Asset Turnover (x)	0.9	0.8	0.9	0.9	0.9	
Leverage Factor (x)	1.3	1.3	1.3	1.2	1.2	
RoE	17.2%	16.0%	16.3%	17.0%	16.7%	

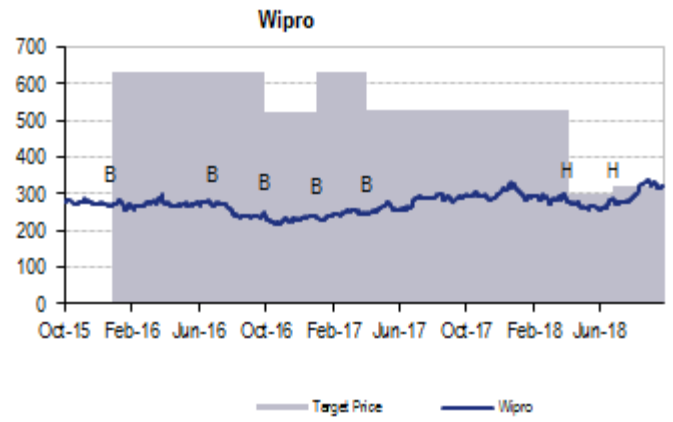
Key Ratios						
Y/E March	FY17A	FY18A	FY19E	FY20E	FY21E	
BV/Share (INR)	106.9	101.5	124.2	144.7	167.7	
ROIC	23.3%	20.5%	22.6%	27.2%	29.4%	
ROE	17.2%	16.0%	16.3%	17.0%	16.7%	
Net Debt/Equity (x)	-0.4	-0.3	-0.4	-0.5	-0.6	
P/E (x)	17.7	18.3	16.4	13.5	11.9	
P/B (x)	2.9	3.0	2.5	2.1	1.8	
EV/EBITDA (x)	10.6	11.9	10.6	8.4	6.9	
EV/Sales (x)	2.2	2.3	1.9	1.6	1.4	
Debtor days	95	99	102	102	102	
Inventory days	3	2	3	3	3	
Creditor days	54	56	68	69	69	

Source: Company, JM Financial

History of Earnings Estimate and Target Price

Date	Recommendation	Target Price	% Chg.
18-Jan-16	Buy	630	
19-Jul-16	Buy	630	0.0
22-Oct-16	Buy	520	-17.5
26-Jan-17	Buy	630	21.2
26-Apr-17	Buy	530	-15.9
26-Apr-18	Hold	300	-43.4
21-Jul-18	Hold	320	6.7

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

(formerly known as JM Financial Securities Limited)

Corporate Identity Number: U67100MH2017PLC296081

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

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

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

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