HCL Technologies

BUY

INDUSTRY			IT
CMP *(as on 29 Jan 2019)*			Rs 988
Target Price			Rs 1,260
Nifty			10,652
Sensex			35,593
KEY STOCK DATA			
Bloomberg			HCLT IN
No. of Shares (mn)			1,393
MCap (Rs bn) / ($ mn)			1,377/19,354
6m avg traded value (Rs mn)			2,195
STOCK PERFORMANCE (%)			
52 Week high / low			Rs 1,125 / 880
	3M	6M	12M
Absolute (%)	0.3	2.6	(2.3)
Relative (%)	(4.2)	7.3	(0.4)
SHAREHOLDING PATTERN (%)			
Promoters			60.00
FIs & Local MFs			8.21
FPIs			28.28
Public & Others			3.51

Source : BSE

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Organic engine firing

HCL Tech (HCLT) posted robust revenue performance (10-qtr high QoQ) driven by strong uptick in IMS. Revenue came at USD 2,201mn, +5.6/13.0% QoQ/YoY CC, led by IMS (37.5% of rev) posting +10.4% QoQ CC on ramp-up of large deals. Revenue guidance was increased to top-end of 9.5 to 11.5% YoY band (at mid-point earlier) led by traction in organic business. EBIT% stood at 19.7%, -30bps QoQ on wage increase impact. APAT stood at Rs 26.11bn, 2.8/19.0% QoQ/YoY impacted by lower other income (forex loss of Rs 0.54bn), offset by lower ETR.

We maintain positive view on HCLT based on (1) Organic business recovery (trending to high single-digit in FY20), supported by ramp-up of large deals and continuity of strong deal wins (9MFY19 TCV up 40% YoY ex-renewals), (2) ER&D/IMS pedigree and recovery in BFSI portfolio (Europe) ahead, (3) Mode-2 business momentum and margin improvement ahead (currently at 12.3%), and (4) Strong 'option value' in synergies from product acquisition – cross-sell, market opportunity. Integration of product acquisition will remain a key challenge ahead as the business has transitioned into an asset-heavy, IP-led model.

Expect rev/EPS CAGR of 13/10% over FY19-21E factoring USD rev growth at 16.2/10.1% and EBIT% at 20.3/19.7% for FY20/21E, respectively. Valuations attractive at 11.7x FY20E, maintain BUY with TP of Rs 1,260, 14x-Dec-20E EPS.

Highlights of the quarter

- Mode-1 (70.9% of rev), Mode-2 (17.1%) and Mode-3 (11.9%) grew 3.9/13.1/6.2% QoQ CC respectively. Organic growth was ~4% QoQ in USD terms and H&D acquisition contributed USD 21mn or 1% QoQ. Rev guidance of 6.5% YoY organic for FY19E implies 2.5% QoQ for 4QFY19. Management maintained the EBIT% guidance of 19.5 to 20.5%.
- **Near-term outlook:** Growth traction and continuity in deal momentum combined with attractive valuations to support near term outperformance.

Financial Summary

YE March (Rs bn)	3QFY19	3QFY18	*YoY (%)*	2QFY19	*QoQ (%)*	FY17	FY18	FY19E	FY20E	FY21E
Net Sales	156.99	128.08	*22.6*	148.61	*5.6*	467.23	505.70	606.88	720.18	792.84
EBIT	30.86	25.09	*23.0*	29.66	*4.0*	94.74	99.88	119.32	146.06	156.25
APAT	26.11	21.94	*19.0*	25.40	*2.8*	81.54	87.80	101.86	114.18	122.03
Diluted AEPS (Rs)	19.3	16.2	*19.0*	18.7	*2.8*	60.1	64.7	75.1	84.2	90.0
P/E (x)						16.4	15.3	13.2	11.7	11.0
EV / EBITDA (x)						12.1	11.2	8.9	7.6	6.6
RoE (%)						26.9	25.3	26.3	25.9	24.2

Source: Company, HDFC sec Inst Research # Consolidated

Revenue came at USD 2,201mn, up 5.6%/13% QoQ/YoY in CC terms

EBIT contracted 30bps QoQ impacted by wage increase - 45bps which was offset by currency benefit +15bps

Full year EBIT guidance of 19.5% to 20.5% maintained

ETR was lower at 17.7%, ETR band of 21-22% guided

Quarterly Consolidated Financials Snapshot

Particulars (Rs bn)	3QFY19	3QFY18	YoY (%)	2QFY19	QoQ (%)
Net Revenues (USD mn)	**2,201**	**1,988**	***10.8***	**2,099**	***4.9***
Net Revenues	**156.99**	**128.08**	***22.6***	**148.61**	***5.6***
Direct Costs	101.52	84.12	*20.7*	95.89	*5.9*
Gross Profit	**55.47**	**43.96**	***26.2***	**52.72**	***5.2***
SG&A Expenses	19.00	14.32	*32.7*	17.73	*7.2*
EBITDA	**36.47**	**29.64**	***23.0***	**34.99**	***4.2***
Depreciation	5.61	4.55	*23.3*	5.33	*5.3*
EBIT	**30.86**	**25.09**	***23.0***	**29.66**	***4.0***
Other Income	1.05	2.64	*(60.2)*	2.52	*(58.3)*
PBT	**31.91**	**27.73**	***15.1***	**32.18**	***(0.8)***
Tax	5.66	5.79	*(2.2)*	6.78	*(16.5)*
APAT	**26.11**	**21.94**	***19.0***	**25.40**	***2.8***
E/o (adj for tax)	-	-		-	
RPAT	26.11	21.94	*19.0*	25.40	*2.8*

Source: Company, HDFC sec Inst Research

Margin Analysis

	3QFY19	3QFY18	YoY (bps)	2QFY19	QoQ (bps)
Direct Costs % Net Revenues	64.7	65.7	*(101)*	64.5	*14*
Gross Profit Margin (%)	35.3	34.3	*101*	35.5	*(14)*
SG&A Expenses % Net Revenues	12.1	11.2	*92*	11.9	*17*
EBITDA Margin (%)	23.2	23.1	*9*	23.5	*(31)*
EBIT Margin (%)	**19.7**	**19.6**	***7***	**20.0**	***(30)***
Tax Rate (%)	17.7	20.9	*(314)*	21.1	*(333)*
APAT Margin (%)	16.6	17.1	*(50)*	17.1	*(46)*

Source: Company, HDFC sec Inst Research

EBIT margin for Mode-1/2/3 at 20.7%/12.3%/23%

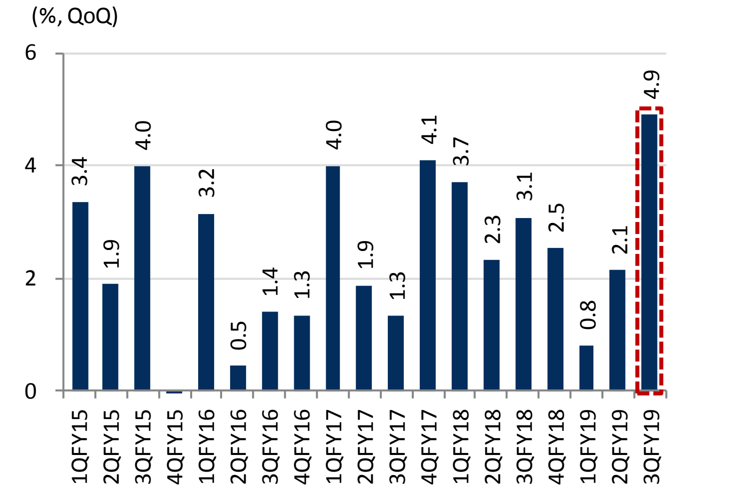
EBIT margin in Mode 2 expanded 150bps, expansion expected to continue in FY20E

Deal bookings (ex-renewals) were highest-ever, 9MFY19 deal bookings up 40% YoY

Deal bookings included large signings in financial services & technology services

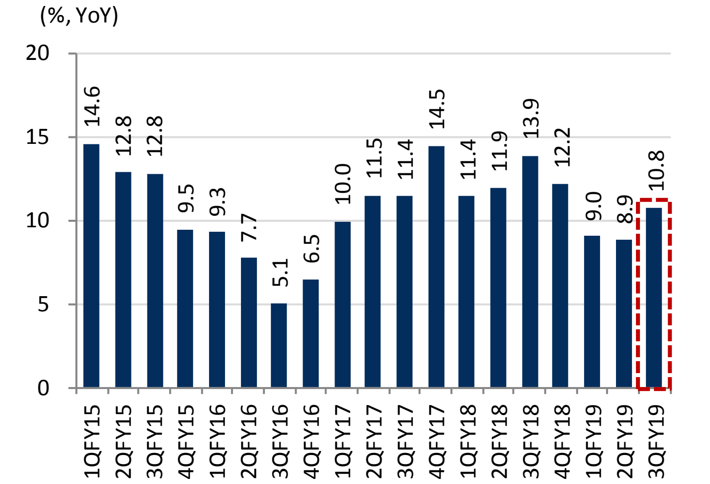
Deal pipeline is also highest ever

QoQ USD Revenue Growth Trajectory



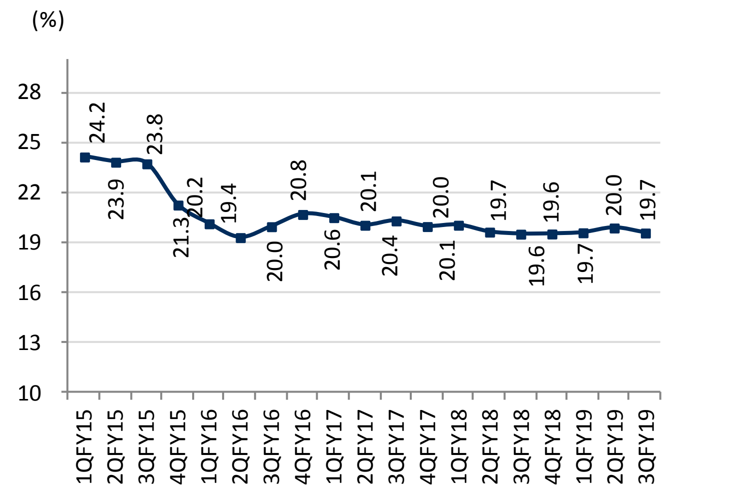
Source: Company, HDFC sec Inst Research

YoY USD Revenue Growth Trajectory



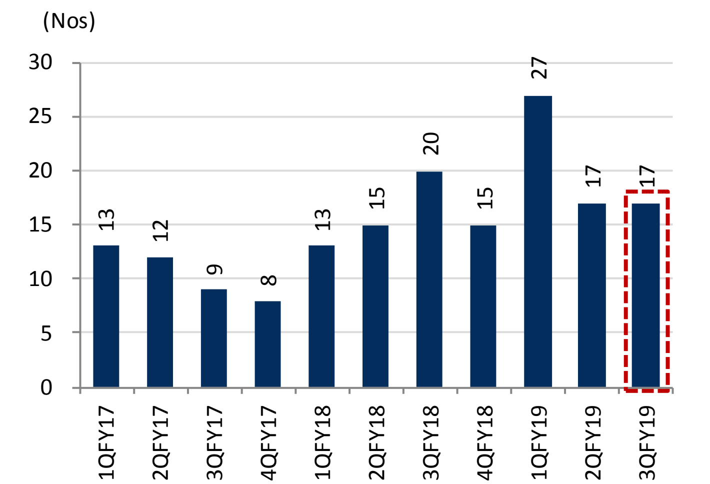
Source: Company, HDFC sec Inst Research

EBIT Margin Trajectory



Source: Company, HDFC sec Inst Research

Transformational Deals Trend



Source: Company, HDFC sec Inst Research, *Financial services (FS) was flat impacted by 2 large European clients, client ramp down in FS is at rear end*

Telecom was up 35.4% QoQ CC on ramp up of large deals

Manufacturing, Life-science & healthcare posted strong sequential growth

Management commentary on digital spend is that it is becoming less discretionary

Vertical Revenue Break-up

(% of rev)	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19
Manufacturing	34.9	35.4	36.5	36.0	36.5	36.2	36.3
Financial Services	24.9	25.0	24.6	25.0	23.8	23.0	21.6
Life Sciences and Health Care	11.8	11.7	11.7	11.5	12.8	12.9	13.0
Public Services	11.1	10.6	10.2	10.5	10.5	10.7	9.7
Telecom, Media, Publishing & Entertainment	7.9	7.9	7.4	7.4	7.3	7.2	9.2
Retail & CPG	9.5	9.3	9.6	9.6	9.1	10.0	10.2
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: Company, HDFC Sec Inst Research

Vertical-wise Revenue Growth

(QoQ, % CC)	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19
Manufacturing	3.3	2.4	6.6	0.2	(1.3)	1.7	3.9
Financial Services	5.3	1.2	1.4	2.0	(1.4)	0.1	(0.6)
Life Sciences and Health Care	4.8	1.8	2.4	(0.2)	13.4	3.2	5.8
Public Services	(2.7)	(4.6)	0.2	4.1	3.5	5.3	(4.4)
Telecom, Media, Publishing & Entertainment	(2.5)	1.7	(3.8)	1.8	0.2	1.1	35.4
Retail & CPG	4.9	(0.5)	6.6	1.1	(1.6)	13.0	8.4
Total	**2.6**	**0.9**	**3.3**	**1.2**	**2.7**	**3.0**	**5.6**

Source: Company, HDFC Sec Inst Research

Vertical-wise Revenue Growth

(YoY, % CC)	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19
Manufacturing	17.1	21.9	21.0	13.8	(3.9)	(3.9)	1.5
Financial Services	19.2	14.2	10.6	9.4	2.9	2.3	0.1
Life Sciences and Health Care	10.6	3.8	9.7	9.0	18.1	19.8	23.4
Public Services	6.4	6.2	1.0	(3.1)	3.4	13.3	8.1
Telecom, Media, Publishing & Entertainment	(2.7)	(6.3)	(6.8)	(3.2)	(0.1)	(0.8)	40.3
Retail & CPG	7.1	(1.0)	13.1	11.8	5.3	19.2	21.5
Total	**12.2**	**10.6**	**11.2**	**8.2**	**8.5**	**10.5**	**13.0**

Source: Company, HDFC Sec Inst Research

IMS posted strong growth on ramp up of large deals and acquisition of H&D (USD 11mn)

ER&D services posted healthy growth of 5.1%/17.4% QoQ/YoY in CC terms

Service Line Break-up

(% of rev)	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19
Infrastructure Services	38.6	38.5	36.7	37.3	36.2	36.0	37.5
Application Services	36.4	35.9	35.4	34.7	34.1	33.1	32.1
ER&D Services	21.5	22.0	24.2	24.1	24.5	25.5	25.5
Business Services	3.6	3.6	3.7	3.9	5.2	5.4	5.0
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: Company, HDFC Sec Inst Research

Service Line Growth

(QoQ, % CC)	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19
Infrastructure Services	1.7	(0.2)	(1.2)	2.5	0.6	2.5	10.4
Application Services	1.6	0.0	1.6	(0.9)	0.8	0.4	2.3
ER&D Services	7.9	4.4	13.6	1.7	3.1	6.3	5.1
Business Services	(6.7)	2.9	5.0	5.3	38.8	7.3	(3.7)
Total	**2.6**	**0.9**	**3.3**	**1.2**	**2.7**	**3.0**	**5.6**

Source: Company, HDFC Sec Inst Research

Service Line Growth

(QoQ, % CC)	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19
Infrastructure Services	9.2	4.8	1.6	2.9	2.0	4.4	16.5
Application Services	6.4	5.0	4.4	1.6	1.2	1.8	2.5
ER&D Services	34.7	38.4	47.7	30.4	24.2	26.3	17.4
Business Services	(2.3)	(1.3)	1.2	6.0	59.6	64.8	50.1
Total	**12.2**	**10.6**	**11.2**	**8.2**	**8.5**	**10.5**	**13.0**

Source: Company, HDFC Sec Inst Research

Growth was seen across geographies (ex-India) with Europe leading growth

Geographic Revenue Break-up

(% of rev)	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19
Americas	62.8	62.4	63.5	61.5	64.5	65.8	64.5
Europe	27.4	29.1	28.7	30.0	28.1	26.8	28.3
Rest of the World	9.8	8.5	7.9	8.5	7.5	7.4	7.3
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: Company, HDFC Sec Inst Research

Geographic Revenue Growth

(QoQ, % CC)	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19
Americas	3.8	1.5	4.9	(0.7)	5.9	4.4	2.7
Europe	(0.4)	4.4	1.9	3.6	(1.0)	(0.9)	12.9
Rest of the World	3.1	(12.0)	(3.9)	8.1	(7.1)	4.9	4.5
Total	**2.6**	**0.9**	**3.3**	**1.2**	**2.7**	**3.0**	**5.6**

Source: Company, HDFC Sec Inst Research

Geographic Revenue Growth

(YoY, % CC)	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19
Americas	16.9	12.7	16.6	9.6	11.9	15.1	12.9
Europe	0.3	7.4	2.5	9.7	9.3	3.5	14.5
Rest of the World	22.3	6.3	2.5	(5.2)	(15.5)	0.7	8.4
Total	**12.2**	**10.6**	**11.2**	**8.2**	**8.5**	**10.5**	**13.0**

Source: Company, HDFC Sec Inst Research

HCLT has 134 delivery centers outside India, 61 centers are of 100+ people of which 21 are in US

HCL has highest ever localization rates in US at 65.6% in 3QFY19 Vs. 64.7% in 2QFY19

HCLT plans to hire ~2,000 people in US & ~10,000 freshers in India in FY20

Headcount, Attrition And Utilisation Data

(Nos.)	**1QFY18**	**2QFY18**	**3QFY18**	**4QFY18**	**1QFY19**	**2QFY19**	**3QFY19**
Total headcount	**117,781**	**119,040**	**119,291**	**120,081**	**124,121**	**127,875**	**132,328**
Technical	*107,029*	*108,351*	*108,831*	*109,565*	*113,404*	*116,910*	*121,273*
Support	*10,752*	*10,689*	*10,460*	*10,516*	*10,717*	*10,965*	*11,055*
Gross Additions	9,462	8,645	7,113	8,476	12,558	11,683	11,055
Net Additions	1,808	1,259	251	790	4,040	3,754	4,453
Voluntary LTM Attrition (%)	16.2	15.7	15.2	15.5	16.3	17.1	17.8
Utilisation Excluding Trainees (%)	86.0	86.0	85.8	85.9	85.5	86.7	86.6

Source: Company, HDFC Sec Inst Research

Business Lines

(% of rev)	**FY16**	**FY17**	**FY18**	**1QFY19**	**2QFY19**	**3QFY19**
Mode 1	84.1	81.4	76.6	73.4	72.0	71.0
Mode 2	12.3	12.8	14.7	15.7	16.0	17.2
Mode 3	3.6	5.8	8.7	11.0	12.0	11.9
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: Company, HDFC Sec Inst Research

Key Assumptions

Particulars	**FY15**	**FY16**	**FY17**	**FY18**	**FY19E**	**FY20E**	**FY21E**
Software Services USD Rev. Growth (%)	9.1	4.8	6.4	16.9	8.9	19.4	11.5
IMS USD Rev. Growth (%)	16.6	10.3	25.0	6.9	7.2	12.5	8.1
BPO USD Rev. Growth (%)	27.5	13.0	(14.8)	2.7	53.1	6.2	7.3
Total USD Revenue Growth (%)	**12.4**	**7.1**	**11.9**	**12.4**	**9.9**	**16.2**	**10.1**
USD/INR Rate	61.5	65.6	67.0	64.5	70.5	72.0	72.0
EBIT Margin (%)	**23.3**	**20.1**	**20.3**	**19.8**	**19.7**	**20.3**	**19.7**

Source: Company, HDFC Sec Inst Research

Change In Estimates

Particulars	Earlier estimates	Revised estimates	% change
		FY20E	
Revenue (USD mn)	9,872	10,002	*1.3*
Revenue (Rs bn)	710.78	720.18	*1.3*
EBIT (Rs bn)	143.98	146.06	*1.4*
EBIT margin (%)	*20.3*	*20.3*	*2bps*
EPS (Rs)	82.8	84.2	*1.7*
		FY21E	
Revenue (USD mn)	10,921	11,012	*0.8*
Revenue (Rs bn)	786.32	792.84	*0.8*
EBIT (Rs bn)	156.17	156.25	*0.1*
EBIT margin (%)	*19.9*	*19.7*	*(15)bps*
EPS (Rs)	89.8	90.0	*0.2*

Peer Set Comparison

Company	Mcap (Rs bn)	CMP (Rs)	Reco.	TP (Rs)	EPS (Rs)				P/E (x)				RoE (%)			
					FY18	FY19E	FY20E	FY21E	FY18	FY19E	FY20E	FY21E	FY18	FY19E	FY20E	FY21E
TCS	7,440	1,983	BUY	2,460	68.8	84.1	93.8	104.2	28.8	23.6	21.1	19.0	30.1	36.2	38.1	39.2
Infosys	3,164	727	BUY	830	33.9	36.8	41.2	45.7	21.5	19.8	17.7	15.9	24.5	22.5	23.6	24.0
Wipro	1,623	359	NEU	325	17.7	19.3	21.3	23.2	20.3	18.6	16.9	15.5	16.5	17.5	17.0	16.6
HCL Tech	**1,377**	**988**	**BUY**	**1,260**	**64.7**	**75.1**	**84.2**	**90.0**	**15.3**	**13.2**	**11.7**	**11.0**	**25.3**	**26.3**	**25.9**	**24.2**
TechM	652	732	BUY	830	42.7	47.0	52.0	56.6	17.1	15.6	14.1	12.9	21.5	20.8	20.1	19.3
Tier-1 IT AVG									**20.6**	**18.1**	**16.3**	**14.9**	**23.6**	**24.7**	**24.9**	**24.7**

Source: HDFC sec Inst Research

Consolidated Income Statement

YE March (Rs bn)	FY17	FY18	FY19E	FY20E	FY21E
Net Revenues (USD mn)	**6,975**	**7,838**	**8,612**	**10,002**	**11,012**
Growth (%)	***11.9***	***12.4***	***9.9***	***16.2***	***10.1***
Net Sales	**467.23**	**505.70**	**606.88**	**720.18**	**792.84**
Growth (%)	***14.2***	***8.2***	***20.0***	***18.7***	***10.1***
Cost of Revenue	308.90	332.37	394.34	461.33	510.54
SG&A Expenses	55.24	58.93	70.88	83.54	90.38
EBITDA	**103.09**	**114.40**	**141.66**	**175.31**	**191.92**
EBITDA (%)	***22.1***	***22.6***	***23.3***	***24.3***	***24.2***
EBITDA Growth (%)	***17.2***	***11.0***	***23.8***	***23.8***	***9.5***
Depreciation	8.35	14.52	22.34	29.25	35.66
EBIT	**94.74**	**99.88**	**119.32**	**146.06**	**156.25**
Other Income	10.24	11.78	9.40	5.28	5.52
Interest	0.89	0.69	0.65	3.05	3.30
PBT	**104.09**	**110.97**	**128.08**	**148.29**	**158.48**
Tax (incl deferred)	19.52	23.17	26.08	34.11	36.45
RPAT	**84.57**	**87.80**	**101.86**	**114.18**	**122.03**
APAT	**81.54**	**87.80**	**101.86**	**114.18**	**122.03**
APAT Growth (%)	***10.9***	***7.7***	***16.0***	***12.1***	***6.9***
AEPS (Rs)	**60.1**	**64.7**	**75.1**	**84.2**	**90.0**
EPS Growth (%)	***10.9***	***7.7***	***16.0***	***12.1***	***6.9***

Source: Company, HDFC sec Inst Research

Consolidated Balance Sheet

YE March (Rs bn)	FY17	FY18	FY19E	FY20E	FY21E
SOURCES OF FUNDS					
Share Capital - Equity	2.85	2.78	2.75	2.75	2.75
Reserves	326.64	361.08	406.74	468.86	533.94
Total Shareholders' Funds	**329.49**	**363.86**	**409.49**	**471.61**	**536.68**
Total Debt	**4.38**	**3.80**	**3.80**	**25.40**	**25.40**
Long-term Provisions & Others (Net)	9.22	11.92	11.92	11.92	11.92
TOTAL SOURCES OF FUNDS	**344.82**	**379.58**	**425.21**	**508.93**	**574.00**
APPLICATION OF FUNDS					
Net Block	87.31	119.54	133.11	197.49	187.97
CWIP	4.48	3.20	3.20	3.20	3.20
Goodwill	65.04	67.99	67.99	112.72	112.72
Investments	1.60	0.43	0.43	0.43	0.43
Other non-current assets	34.56	40.89	42.82	44.99	46.38
Total Non Current Assets	**192.99**	**232.05**	**247.55**	**358.83**	**350.69**
Debtors	83.01	96.39	116.26	138.51	152.77
Cash & Equivalents	101.90	66.35	77.89	29.51	89.38
Other Current Assets	79.72	85.44	93.63	102.80	108.67
Total Current Assets	**264.63**	**248.18**	**287.77**	**270.82**	**350.83**
Creditors	8.01	9.18	11.01	13.05	14.36
Other Current Liabilities & Provns	104.79	91.47	99.11	107.67	113.15
Total Current Liabilities	**112.80**	**100.65**	**110.12**	**120.72**	**127.52**
Net Current Assets	**151.83**	**147.53**	**177.65**	**150.10**	**223.31**
TOTAL APPLICATION OF FUNDS	**344.82**	**379.58**	**425.21**	**508.93**	**574.00**

Source: Company, HDFC sec Inst Research

Consolidated Cash Flow

YE March (Rs bn)	FY17	FY18	FY19E	FY20E	FY21E
Reported PBT	104.09	110.97	128.08	148.29	158.48
Non-operating & EO items	(8.32)	(9.32)	(7.49)	(4.06)	(4.25)
Interest expenses	0.89	0.69	0.65	3.05	3.30
Depreciation	8.35	14.52	22.34	29.25	35.66
Working Capital Change	(3.90)	(11.95)	(19.85)	(22.23)	(14.25)
Tax paid	(19.52)	(23.17)	(26.08)	(34.11)	(36.45)
OPERATING CASH FLOW (a)	**81.59**	**81.74**	**97.65**	**120.19**	**142.48**
Capex	(58.52)	(43.44)	(33.76)	(136.88)	(35.68)
Free cash flow (FCF)	*23.07*	*38.30*	*63.89*	*(16.69)*	*106.81*
Investments	(0.14)	1.17	-	-	-
INVESTING CASH FLOW (b)	**(50.34)**	**(32.95)**	**(26.27)**	**(132.82)**	**(31.42)**
Debt Issuance	(5.14)	(0.58)	-	21.60	-
Interest expenses	(0.89)	(0.69)	(0.65)	(3.05)	(3.30)
FCFE	*17.04*	*37.03*	*63.24*	*1.86*	*103.50*
Share capital Issuance	0.03	(0.07)	(0.03)	-	-
Dividend/ Buyback	(41.10)	(56.05)	(56.27)	(52.07)	(56.95)
FINANCING CASH FLOW (c)	**(47.10)**	**(57.39)**	**(56.95)**	**(33.51)**	**(60.25)**
NET CASH FLOW (a+b+c)	**(15.84)**	**(8.60)**	**14.43**	**(46.14)**	**50.81**
Closing Cash & Equivalents	101.90	66.35	77.89	29.51	89.38

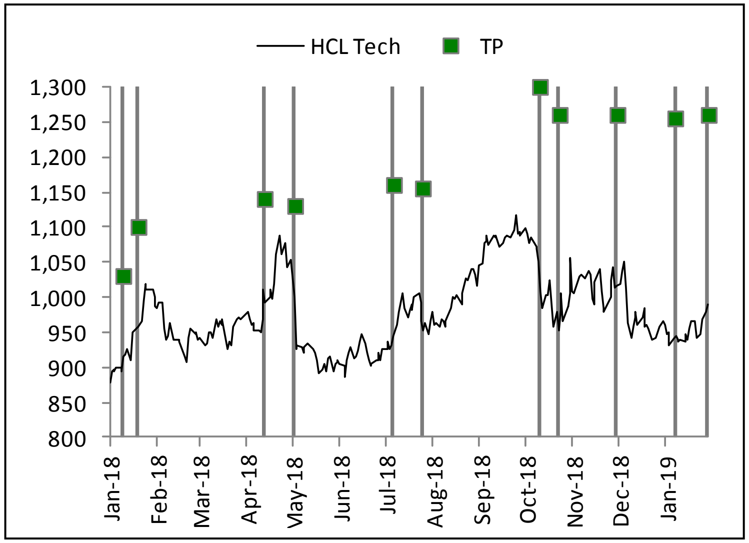
Source: Company, HDFC sec Inst Research

Key Ratios

	FY17	FY18	FY19E	FY20E	FY21E
PROFITABILITY (%)					
EBITDA Margin	20.3	19.8	19.7	20.3	19.7
APAT Margin	17.5	17.4	16.8	15.9	15.4
RoE	26.9	25.3	26.3	25.9	24.2
RoIC or Core RoCE	34.9	28.4	28.8	27.2	25.0
RoCE	25.6	24.4	25.4	24.9	23.0
EFFICIENCY					
Tax Rate (%)	18.8	20.9	20.4	23.0	23.0
Fixed Asset Turnover (x)	1.0	1.1	1.1	1.1	1.1
Debtors (days)	*65*	*70*	*70*	*70*	*70*
Other current assets (days)	*62*	*62*	*56*	*52*	*50*
Payables (days)	*6*	*7*	*7*	*7*	*7*
Other current liab & prov (days)	*82*	*66*	*60*	*55*	*52*
Cash Conversion Cycle (days)	41	60	61	62	63
Net Debt/EBITDA (x)	(0.9)	(0.5)	(0.5)	(0.0)	(0.3)
Net Debt/Equity (x)	(0.3)	(0.2)	(0.2)	(0.0)	(0.1)
Interest Coverage (x)	106	145	185	48	47
PER SHARE DATA					
EPS (Rs/sh)	60.1	64.7	75.1	84.2	90.0
CEPS (Rs/sh)	68.5	75.5	91.6	105.8	116.3
DPS (Rs/sh)	24.0	12.0	10.0	32.0	35.0
BV (Rs/sh)	244.3	268.4	302.0	347.8	395.8
VALUATION					
P/E	16.4	15.3	13.2	11.7	11.0
P/BV	4.0	3.7	3.3	2.8	2.5
EV/EBITDA	12.1	11.2	8.9	7.6	6.6
OCF/EV (%)	6.6	6.4	7.7	9.0	11.2
FCF/EV (%)	1.9	3.0	5.0	(1.2)	8.4
FCFE/mkt cap (%)	1.4	2.9	5.0	0.1	8.1
Dividend Yield (%)	2.4	1.2	1.0	3.2	3.5

Source: Company, HDFC sec Inst Research

RECOMMENDATION HISTORY



Date	CMP	Reco	Target
10-Jan-18	894	BUY	1,030
19-Jan-18	958	BUY	1,100
12-Apr-18	967	BUY	1,140
2-May-18	1,101	BUY	1,130
6-Jul-18	944	BUY	1,160
28-Jul-18	964	BUY	1,155
10-Oct-18	1,050	BUY	1,300
24-Oct-18	952	BUY	1,260
30-Nov-18	1,013	BUY	1,260
8-Jan-19	945	BUY	1,255
30-Jan-19	988	BUY	1,260

Rating Definitions

BUY : Where the stock is expected to deliver more than 10% returns over the next 12 month period
NEUTRAL : Where the stock is expected to deliver (-)10% to 10% returns over the next 12 month period
SELL : Where the stock is expected to deliver less than (-)10% returns over the next 12 month period

Disclosure:

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