

INDUSTRY		IT	
<b>CMP (as on 05 Feb 2019)</b>	<b>Rs 751</b>		
<b>Target Price</b>	<b>Rs 880</b>		
Nifty	10,934		
Sensex	36,617		
KEY STOCK DATA			
Bloomberg	TECHM IN		
No. of Shares (mn)	981		
MCap (Rs bn) / (\$ mn)	737/10,281		
6m avg traded value (Rs mn)	2,375		
STOCK PERFORMANCE (%)			
<b>52 Week high / low</b>	<b>Rs 781 / 564</b>		
		3M	6M
Absolute (%)		7.8	13.3
Relative (%)		3.1	15.8
			12M
			19.4
			14.0
SHAREHOLDING PATTERN (%)			
Promoters	35.94		
FIs & Local MFs	13.43		
FPIs	37.89		
Public & Others	12.74		
<i>Source : BSE</i>			

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## Growth acceleration

Tech Mahindra delivered healthy performance both on revenue and margin front. Revenue stood at USD 1,261mn (+3.5% QoQ, +4.3% CC), ahead of our est of USD 1,244mn. Enterprise (59% of rev) grew 4.2% QoQ led by Digital (33% of rev, +10% QoQ) and recovery in Manufacturing and BFSI. Management expects Enterprise segment to grow at ~10% CC YoY led by increased Digital adoption and strong TCV wins (USD 490mn in last two quarters). Telecom (41% of rev, +2.5% QoQ) growth was led by new deal wins. Spend related to 5G roll-out in USA will provide further thrust to Telecom growth. Net new TCV stand at USD 440mn, out of which USD 200mn is Enterprise and USD 240mn is Telecom (provides growth visibility and exit rate for 4Q will be strong).

Margins performance was encouraging, EBITDA margin expanded 50bps QoQ to 19.3% (higher than exp of 19.0%) led by operational efficiency, higher utilisation (+40bps) and lower SG&A expenses. Margins recovery have been robust over the past seven quarters (+730bps) but salary hikes in 1HFY20E (higher attrition), increase in SG&A expenses and spends related to large deal transition will limit further margin expansion. We maintain our positive view on TechM based on (1)

### Financial Summary (Consolidated)

YE March (Rs bn)	3QFY19	3QFY18	YoY (%)	2QFY19	QoQ (%)	FY17	FY18	FY19E	FY20E	FY21E
Net Sales	89.44	77.76	15.0	86.30	3.6	291.41	307.73	351.70	394.87	427.76
EBITDA	17.23	12.65	36.2	16.19	6.4	41.84	47.10	64.49	73.19	80.41
APAT	12.03	9.43	27.5	10.64	13.0	28.13	38.00	43.64	48.65	53.52
Diluted EPS (Rs)	13.5	10.5	27.5	11.9	13.0	31.5	42.5	48.8	54.4	59.8
P/E (x)						23.9	17.7	15.4	13.8	12.5
EV / EBITDA (x)						15.1	13.2	9.5	8.2	7.2
RoE (%)						18.1	21.5	21.6	21.0	20.3

Source: Company, HDFC sec Inst Research

HDFC securities Institutional Research is also available on Bloomberg HSLB <GO> & Thomson Reuters

Increase in Telecom spend on new technology (5G) (2) Growth recovery in Enterprise (3) Robust TCV wins and (4) Significant improvement in margin (+300bps YoY). We expect USD revenue CAGR of 7.6% over FY18-21E led by Telecom/Enterprise CAGR of 4/10%. Tech Mahindra is available at ~17% discount to Tier-1 IT average. Maintain BUY with a TP of Rs 880 based on 15x Dec-20E earnings.

### Highlights of the quarter

- Manufacturing (20.5% of rev, +5.6% QoQ), BFSI (+13.4% of rev, +2.71.2% QoQ) and Retail (+6.7% QoQ) led Enterprise growth. Others was up 5.4% QoQ led by HCI Group and Non Top-10 accounts grew 5.2% QoQ.
- BPS revenue was up 11.9% QoQ, automation through deployment of ~4.5K bots has helped expand margins. High performers attrition is lower than company average of 21%. LCC margins have recovered to lower double digits. Comviva growth was strong in the quarter led by seasonality and lower furlough impact.
- **Near-term outlook:** Revenue growth will continue led by deal wins in both Telecom & Enterprise segment. Margin is near peak level and further expansion seems difficult.

Revenue was USD 1,261mn grew 4.4% QoQ in CC terms led by growth in both Enterprise and Telecom segment

Gross margin was flat (+8bps QoQ), EBITDA margin expanded 50bps QoQ to 19.3% supported by SG&A leverage & lower sub-contracting cost

Lower depreciation led margins at EBIT level expand 75bps QoQ to 16.1%

Lower ETR pushed PAT up 13% QoQ, PAT % expanded 112bps despite steep fall in other income

Other income was impacted by forex loss of Rs 0.78bn vs gain of Rs 0.50bn last quarter

ETR adjusted for write back of Rs 1.31bn is 26.9%

ETR for FY19/20 will be in the range of 24-25%

### Quarterly Consolidated Financials Snapshot

Particulars (Rs mn)	3QFY19	3QFY18	YoY (%)	2QFY19	QoQ (%)
Net Revenues (USD mn)	1,261	1,209	4.3	1,218	3.5
<b>Net Revenues</b>	<b>89,437</b>	<b>77,760</b>	<b>15.0</b>	<b>86,298</b>	<b>3.6</b>
Employee expenses	45,182	42,129	7.2	43,031	5.0
Sub-con expenses	10,900	9,779	11.5	11,154	(2.3)
SG&A and Other Operating Expenses	16,129	13,205	22.1	15,927	1.3
<b>EBITDA</b>	<b>17,226</b>	<b>12,647</b>	<b>36.2</b>	<b>16,186</b>	<b>6.4</b>
Depreciation	2,836	2,742	3.4	2,944	(3.7)
<b>EBIT</b>	<b>14,390</b>	<b>9,905</b>	<b>45.3</b>	<b>13,242</b>	<b>8.7</b>
Interest Cost	358	341	5.0	388	(7.7)
Other Income	806	2,251	(64.2)	1,751	(54.0)
<b>PBT</b>	<b>14,838</b>	<b>11,815</b>	<b>25.6</b>	<b>14,605</b>	<b>1.6</b>
Tax	2,638	2,570	2.6	3,914	(32.6)
Minority Interest and associate profits	171	(187)	(191.4)	49	249.0
<b>RPAT</b>	<b>12,029</b>	<b>9,432</b>	<b>27.5</b>	<b>10,642</b>	<b>13.0</b>
E/o (adj for tax)	0	0	-	0	-
<b>APAT</b>	<b>12,029</b>	<b>9,432</b>	<b>27.5</b>	<b>10,642</b>	<b>13.0</b>

Source: Company, HDFC sec Inst Research

### Margin Analysis

MARGIN ANALYSIS	3QFY19	3QFY18	YoY (bps)	2QFY19	QoQ (bps)
Employee Cost % Net Revenues	62.7	66.8	(405)	62.8	(8)
SG&A and Other Expenses % Net Revenues	18.0	17.0	105	18.5	(42)
Gross Margin (%)	37.3	33.2	405	37.2	8
<b>EBITDA Margin (%)</b>	<b>19.3</b>	<b>16.3</b>	<b>300</b>	<b>18.8</b>	<b>50</b>
EBIT Margin (%)	16.1	12.7	335	15.3	75
<b>Tax Rate (%)</b>	<b>17.8</b>	<b>21.8</b>	<b>(397)</b>	<b>26.8</b>	<b>(902)</b>
APAT Margin (%)	13.4	12.1	132	12.3	112

Source: Company, HDFC sec Inst Research

**QoQ USD revenue growth was strongest in the last five quarters. Recovery in Enterprise and reversal of HCL impact led to strong growth in the quarter**

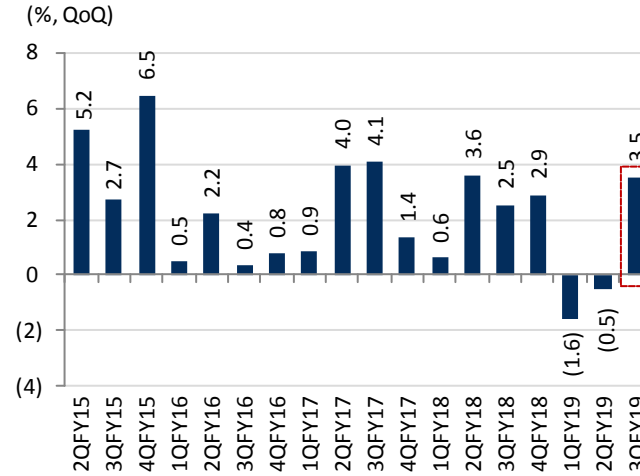
**Digital Stood at 33% of revenue, +10%QoQ**

**New deal wins in 3Q stood at USD 440mn (Vs USD 550mn in 2Q) of which USD 240mn were in communications**

**EBITDA margin has recovered strongly in the last seven quarters. Maximum of the traditional margin levers have exhausted, expansion from will be led by automation**

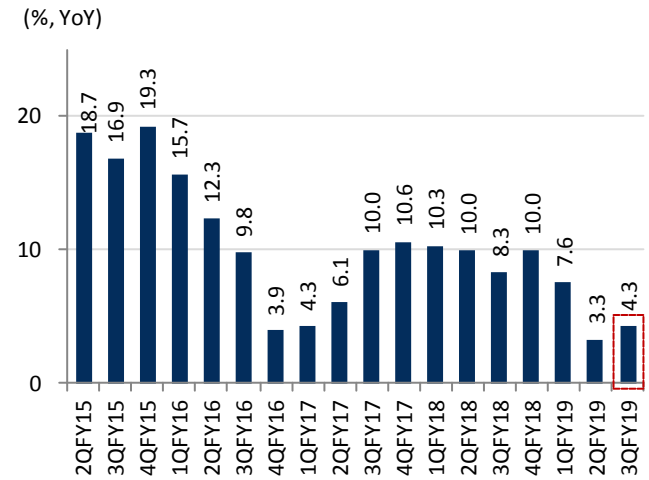
**Telecom growth has been strong for the second consecutive quarter, growth acceleration will be led by up-tick in 5G spending**

**QoQ USD Revenue Growth Trajectory**



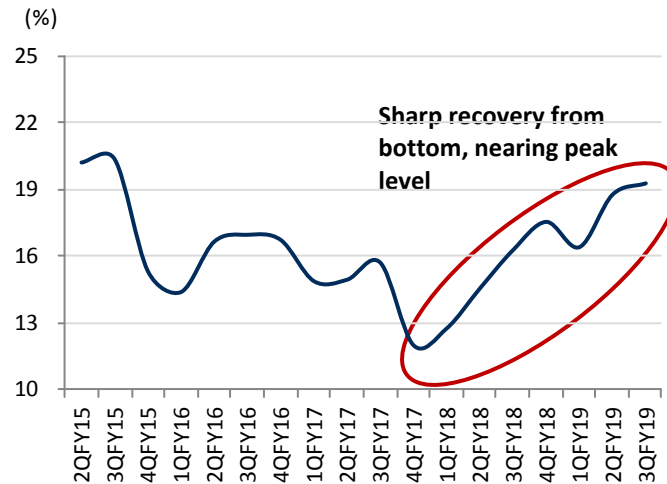
Source: Company, HDFC sec Inst Research

**YoY USD Revenue Growth Trajectory**



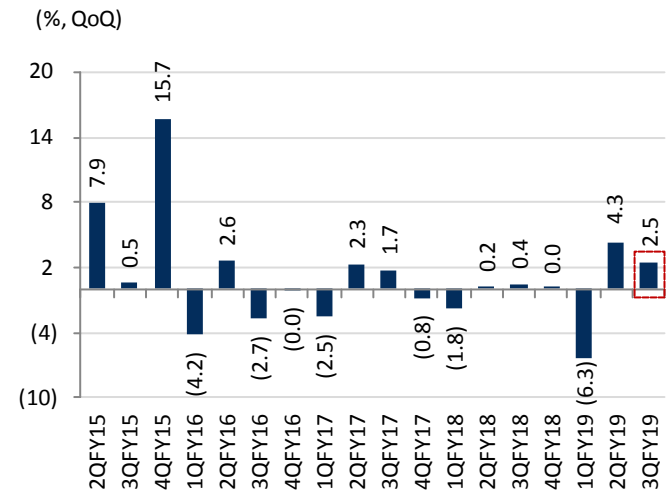
Source: Company, HDFC sec Inst Research

**EBITDA Margin Trajectory**



Source: Company, HDFC sec Inst Research

**Telecom Segment Revenue Growth Trajectory**



Source: Company, HDFC sec Inst Research

**Telecom (41.1% of revenue) grew 2.5% QoQ led by Comviva**

**BPS segment posted strong growth of 12% QoQ**

**Front office transformation strategy is helping win deals in BPS**

**Non Top-20 customers grew higher than company average at 6.5% QoQ**

**Manufacturing, BFSI & Others recovered subsequent to posting a steep fall**

### Vertical Revenue Break-up

(% of revenue)	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19
Telecom	45.2	43.7	42.8	41.6	39.6	41.5	41.1
Manufacturing	19.3	19.0	19.1	19.3	20.1	20.1	20.5
BFSI	14.4	14.1	13.3	13.0	13.6	13.5	13.4
Others	8.3	10.1	11.2	12.6	13.4	11.1	11.3
Retail, Transport & Logistics	6.8	7.2	7.1	6.2	6.1	6.5	6.7
Tech, Media & Entertainment (TME)	6.0	5.9	6.5	7.3	7.2	7.3	7.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: Company, HDFC sec Inst Research

### Vertical-wise Revenue Growth

(QoQ, %)	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19
Telecom	(1.8)	0.2	0.4	0.0	(6.3)	4.3	2.5
Manufacturing	1.1	2.0	3.1	4.0	2.5	(0.5)	5.6
BFSI	2.8	1.5	(3.3)	0.6	2.9	(1.2)	2.7
Others	8.4	26.1	13.7	15.8	4.6	(17.6)	5.4
Retail, Transport & Logistics	5.3	9.7	1.1	(10.1)	(3.2)	6.0	6.7
Technology, Media & Entertainment	(2.6)	1.9	13.0	15.6	(2.9)	0.9	(0.8)
<b>Total</b>	<b>0.6</b>	<b>3.6</b>	<b>2.5</b>	<b>2.9</b>	<b>(1.6)</b>	<b>(0.5)</b>	<b>3.5</b>

Source: Company, HDFC sec Inst Research

*Americas & RoW posted strong growth while Europe was soft*

*IT services revenue growth was onsite led, up 4.4% QoQ*

### Geographic Revenue Break-up

(% of revenue)	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19
Americas	46.8	45.3	46.9	47.4	48.2	47.0	47.4
Europe	29.8	30.0	29.8	29.6	30.0	29.6	28.9
Rest of the World	23.4	24.7	23.3	23.0	21.8	23.4	23.7
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: Company, HDFC sec Inst Research

### Geographic Revenue Growth

(QoQ, %)	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19
Americas	4.4	0.3	6.1	4.0	0.1	(3.0)	4.4
Europe	1.3	4.3	1.8	2.2	(0.3)	(1.8)	1.0
Rest of the World	(6.9)	9.4	(3.3)	1.6	(6.7)	6.8	4.8
<b>Total</b>	<b>0.6</b>	<b>3.6</b>	<b>2.5</b>	<b>2.9</b>	<b>(1.6)</b>	<b>(0.5)</b>	<b>3.5</b>

Source: Company, HDFC sec Inst Research

### Onsite-Offshore Split (IT Services)

(% of revenue)	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19
Onsite	63.7	64.1	65.8	67.0	66.6	64.5	65.5
Offshore	36.3	35.9	34.2	33.0	33.4	35.5	34.5
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: Company, HDFC Sec Inst Research

### Onsite-Offshore Growth (IT Services)

(QoQ, %)	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19
Onsite	0.2	3.8	4.0	5.5	(2.3)	(3.9)	4.4
Offshore	2.8	2.1	(3.5)	(0.0)	(0.5)	5.5	(0.1)
<b>Total</b>	<b>1.1</b>	<b>3.2</b>	<b>1.3</b>	<b>3.6</b>	<b>(1.7)</b>	<b>(0.8)</b>	<b>2.8</b>

Source: Company, HDFC sec Inst Research

*Attrition increased to 21%, top performers' attrition is relatively low. Wage hikes will be implemented to bring attrition under control*

*Net additions were strong at 3,442 led by BPS*

*There are ~4.5k bots implemented in BPS services*

*Utilisation ex trainees was flat at 83%*

*Telecom growth will recover in FY10/21E while Enterprise growth will accelerate*

### Headcount, Attrition And Utilisation Data

(Nos.)	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19
<b>Total Headcount</b>	<b>115,980</b>	<b>117,225</b>	<b>115,241</b>	<b>112,807</b>	<b>113,552</b>	<b>118,400</b>	<b>121,842</b>
Software Employees	78,996	75,587	73,460	72,437	72,462	72,543	71,785
BPO Employees	30,322	35,287	35,496	34,190	34,700	39,407	43,439
Sales & Support	6,662	6,351	6,285	6,180	6,390	6,450	6,618
<b>Net Additions</b>	<b>(1,713)</b>	<b>1,245</b>	<b>(1,984)</b>	<b>(2,434)</b>	<b>745</b>	<b>4,848</b>	<b>3,442</b>
IT Attrition (%)	17.0	16.0	17.0	18.0	19.0	20.0	21.0
Utilisation Including Trainees (%)	81.0	81.0	83.0	84.0	81.0	81.0	82.0
Utilisation Excluding Trainees (%)	77.0	81.0	83.0	84.0	84.0	83.0	83.0

Source: Company, HDFC sec Inst Research

### Key Assumptions

Particulars	FY17	FY18	FY19E	FY20E	FY21E
Telecom growth (%)	(0.9)	(0.7)	(0.6)	5.5	6.0
Enterprise growth (%)	17.1	19.0	9.5	12.0	9.8
Total USD revenue growth (%)	7.8	9.6	5.1	9.3	8.3
USD/INR rate	67.0	64.5	70.1	72.0	72.0
EBITDA margin (%)	14.4	15.3	18.3	18.5	18.8

Source: Company, HDFC sec Inst Research

### Change in Estimates

Particulars	Earlier estimates	Revised estimates	% change
<b>FY20E</b>			
Revenue (USD bn)	5.37	5.48	2.1
Revenue (Rs bn)	386.61	394.87	2.1
EBITDA (Rs bn)	71.85	73.19	1.9
EBITDA margin (%)	18.6	18.5	(5) bps
EPS (Rs)	52.0	54.4	4.6
<b>FY21E</b>			5.00
Revenue (USD bn)	5.83	5.94	1.9
Revenue (Rs bn)	419.89	427.76	1.9
EBITDA (Rs bn)	78.40	80.41	2.6
EBITDA margin (%)	18.7	18.8	13 bps
EPS (Rs)	56.6	59.8	5.8

Source: Company, HDFC sec Inst Research

### Peer Set Comparison

Company	Mcap (Rs bn)	CMP (Rs)	Reco.	TP (Rs)	EPS (Rs)				P/E (x)				EV/EBITDA (x)				RoE (%)			
					FY18	FY19E	FY20E	FY21E	FY18	FY19E	FY20E	FY21E	FY18	FY19E	FY20E	FY21E	FY18	FY19E	FY20E	FY21E
TCS	7,672	2,045	BUY	2,430	68.8	84.1	93.8	104.2	29.7	24.3	21.8	19.6	22.3	18.1	15.7	14.0	30.1	36.2	38.1	39.2
Infosys	3,284	755	BUY	830	33.9	36.8	41.2	45.7	22.3	20.5	18.3	16.5	15.6	13.6	11.7	10.4	24.5	22.5	23.6	24.0
Wipro	1,664	368	NEU	330	17.7	19.3	21.3	23.2	20.8	19.1	17.3	15.9	14.5	12.7	10.4	9.3	16.5	17.5	17.0	16.6
HCL Tech	1,459	1,048	BUY	1,260	64.7	75.1	84.2	90.0	16.2	14.0	12.4	11.6	12.2	9.8	8.3	7.3	25.3	26.3	25.9	24.2
<b>TechM</b>	<b>737</b>	<b>751</b>	<b>BUY</b>	<b>880</b>	<b>42.5</b>	<b>48.8</b>	<b>54.4</b>	<b>59.8</b>	<b>17.7</b>	<b>15.4</b>	<b>13.8</b>	<b>12.5</b>	<b>13.2</b>	<b>9.5</b>	<b>8.2</b>	<b>7.2</b>	<b>21.5</b>	<b>21.6</b>	<b>21.0</b>	<b>20.3</b>
<b>Tier-1 IT AVG</b>									<b>21.3</b>	<b>18.7</b>	<b>16.7</b>	<b>15.2</b>	<b>15.6</b>	<b>12.7</b>	<b>10.9</b>	<b>9.6</b>	<b>23.6</b>	<b>24.8</b>	<b>25.1</b>	<b>24.9</b>

Source: HDFC sec Inst Research

**Consolidated Income Statement**

YE March (Rs bn)	FY17	FY18	FY19E	FY20E	FY21E
<b>Net Revenues (USD bn)</b>	<b>4.35</b>	<b>4.77</b>	<b>5.02</b>	<b>5.48</b>	<b>5.94</b>
<b>Growth (%)</b>	<b>7.8</b>	<b>9.6</b>	<b>5.1</b>	<b>9.3</b>	<b>8.3</b>
<b>Net Revenues</b>	<b>291.41</b>	<b>307.73</b>	<b>351.70</b>	<b>394.87</b>	<b>427.76</b>
<b>Growth (%)</b>	<b>10.0</b>	<b>5.6</b>	<b>14.3</b>	<b>12.3</b>	<b>8.3</b>
Employee Costs	154.54	166.24	178.16	197.30	212.60
SG&A & Other Expenses	95.02	94.39	109.06	124.38	134.74
<b>EBITDA</b>	<b>41.84</b>	<b>47.10</b>	<b>64.49</b>	<b>73.19</b>	<b>80.41</b>
<b>EBITDA (%)</b>	<b>14.4</b>	<b>15.3</b>	<b>18.3</b>	<b>18.5</b>	<b>18.8</b>
<b>EBITDA Growth (%)</b>	<b>(2.0)</b>	<b>12.6</b>	<b>36.9</b>	<b>13.5</b>	<b>9.9</b>
Depreciation	9.78	10.85	11.51	12.57	13.86
<b>EBIT</b>	<b>32.06</b>	<b>36.25</b>	<b>52.98</b>	<b>60.62</b>	<b>66.55</b>
Other Income	7.78	14.17	5.59	6.32	6.92
Interest	1.29	1.62	1.41	1.43	1.47
<b>PBT</b>	<b>38.55</b>	<b>48.79</b>	<b>57.16</b>	<b>65.51</b>	<b>72.01</b>
Tax (incl deferred)	10.02	10.93	13.05	16.38	18.00
Minority Interest and associate profit	0.40	-0.14	0.48	0.49	0.49
<b>RPAT</b>	<b>28.13</b>	<b>38.00</b>	<b>43.64</b>	<b>48.65</b>	<b>53.52</b>
Extraordinary item	0.00	0.00	0.00	0.00	0.00
<b>APAT</b>	<b>28.13</b>	<b>38.00</b>	<b>43.64</b>	<b>48.65</b>	<b>53.52</b>
<b>APAT Growth (%)</b>	<b>(6.0)</b>	<b>35.1</b>	<b>14.9</b>	<b>11.5</b>	<b>10.0</b>
<b>EPS</b>	<b>31.5</b>	<b>42.5</b>	<b>48.8</b>	<b>54.4</b>	<b>59.8</b>
<b>EPS Growth (%)</b>	<b>(6.0)</b>	<b>35.1</b>	<b>14.9</b>	<b>11.5</b>	<b>10.0</b>

Source: Company, HDFC sec Inst Research

**Consolidated Balance Sheet**

YE March (Rs bn)	FY17	FY18	FY19E	FY20E	FY21E
<b>SOURCES OF FUNDS</b>					
Share Capital - Equity	4.39	4.42	4.42	4.42	4.42
Reserves	159.98	184.01	211.82	242.83	276.94
<b>Total Shareholders' Funds</b>	<b>164.37</b>	<b>188.43</b>	<b>216.24</b>	<b>247.24</b>	<b>281.35</b>
Minority Interest	4.64	5.09	5.09	5.09	5.09
<b>Total Debt</b>	<b>12.19</b>	<b>17.26</b>	<b>17.26</b>	<b>17.26</b>	<b>17.26</b>
Net Deferred Taxes	(2.67)	(5.77)	(5.77)	(5.77)	(5.77)
Long Term Provisions & Others	23.87	23.98	25.14	26.43	27.84
<b>TOTAL SOURCES OF FUNDS</b>	<b>202.40</b>	<b>228.99</b>	<b>257.97</b>	<b>290.25</b>	<b>325.78</b>
<b>APPLICATION OF FUNDS</b>					
Net Block	38.32	48.50	55.98	61.18	65.28
CWIP	3.73	2.40	2.40	2.40	2.40
Goodwill & Other Intangible Assets	30.76	30.33	30.33	30.33	30.33
Investments	-	-	-	-	-
LT Loans & Advances	13.14	17.83	19.08	20.41	21.84
<b>Total Non Current Assets</b>	<b>85.96</b>	<b>99.06</b>	<b>107.79</b>	<b>114.32</b>	<b>119.86</b>
Inventories	0.61	0.66	0.66	0.66	0.66
Debtors	53.38	64.98	74.19	83.30	90.24
Cash & Equivalents	56.14	77.35	86.65	100.27	120.39
Other Current Assets	55.44	50.54	59.43	65.75	71.14
<b>Total Current Assets</b>	<b>165.57</b>	<b>193.53</b>	<b>220.93</b>	<b>249.98</b>	<b>282.43</b>
Creditors	18.06	20.37	27.54	30.85	33.31
Other Current Liabilities & Provns	37.53	49.25	49.65	50.10	50.58
<b>Total Current Liabilities</b>	<b>55.59</b>	<b>69.62</b>	<b>77.19</b>	<b>80.94</b>	<b>83.89</b>
<b>Net Current Assets</b>	<b>109.99</b>	<b>123.91</b>	<b>143.74</b>	<b>169.04</b>	<b>198.54</b>
Misc Expenses & Others	6.46	6.02	6.44	6.90	7.38
<b>TOTAL APPLICATION OF FUNDS</b>	<b>202.40</b>	<b>228.99</b>	<b>257.97</b>	<b>290.25</b>	<b>325.78</b>

Source: Company, HDFC sec Inst Research



## Consolidated Cash Flow

Year ending March (Rs bn)	FY17	FY18	FY19E	FY20E	FY21E
Reported PBT	38.55	48.79	57.16	65.51	72.01
Non-operating & EO items	(3.53)	(2.63)	(6.07)	(6.81)	(7.41)
Interest expenses	1.29	1.62	1.41	1.43	1.47
Depreciation	9.78	10.85	11.51	12.57	13.86
Working Capital Change	5.44	(7.83)	(11.03)	(12.18)	(9.88)
Tax paid	(10.80)	(15.26)	(13.05)	(16.38)	(18.00)
<b>OPERATING CASH FLOW ( a )</b>	<b>40.74</b>	<b>35.53</b>	<b>39.94</b>	<b>44.14</b>	<b>52.04</b>
Capex	(21.40)	(19.22)	(18.99)	(17.77)	(17.97)
<i>Free cash flow (FCF)</i>	<i>19.34</i>	<i>16.31</i>	<i>20.94</i>	<i>26.38</i>	<i>34.08</i>
Investments	0.00	0.00	0.00	0.00	0.00
Non-operating income	3.53	2.63	5.59	6.32	6.92
<b>INVESTING CASH FLOW ( b )</b>	<b>(17.87)</b>	<b>(16.59)</b>	<b>(13.40)</b>	<b>(11.45)</b>	<b>(11.04)</b>
Debt Issuance	(2.55)	7.49	0.00	0.00	0.00
Interest expenses	(1.29)	(1.62)	(1.41)	(1.43)	(1.47)
<i>FCFE</i>	<i>15.50</i>	<i>22.17</i>	<i>19.53</i>	<i>24.94</i>	<i>32.61</i>
Share capital Issuance	0.35	0.25	0.00	0.00	0.00
Dividend	(12.39)	(9.44)	(15.83)	(17.64)	(19.41)
<b>FINANCING CASH FLOW ( c )</b>	<b>(15.88)</b>	<b>(3.33)</b>	<b>(17.24)</b>	<b>(19.08)</b>	<b>(20.88)</b>
<b>NET CASH FLOW (a+b+c)</b>	<b>6.98</b>	<b>15.62</b>	<b>9.30</b>	<b>13.62</b>	<b>20.12</b>
Non-operating and EO items	(3.45)	5.59	0.00	0.00	0.00
Closing Cash & Equivalents	56.14	77.35	86.65	100.27	120.39

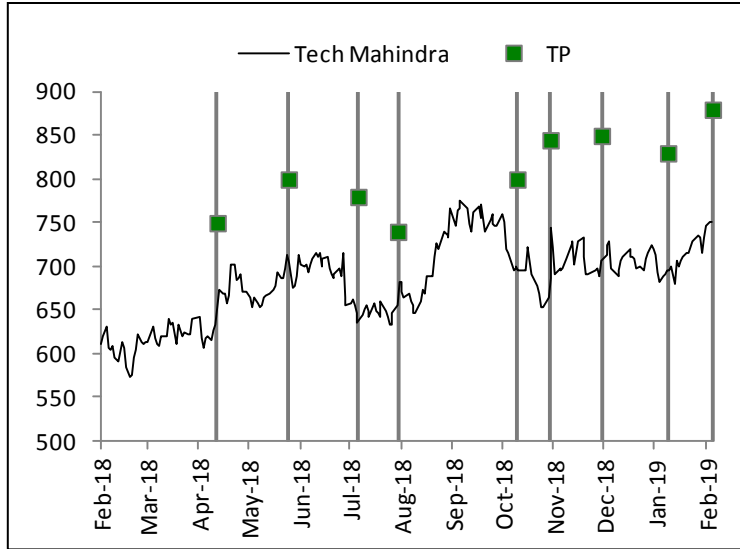
Source: Company, HDFC sec Inst Research

## Key Ratios

	FY17	FY18	FY19E	FY20E	FY21E
<b>PROFITABILITY (%)</b>					
EBITDA Margin	14.4	15.3	18.3	18.5	18.8
APAT Margin	9.8	12.3	12.5	12.4	12.6
RoE	18.1	21.5	21.6	21.0	20.3
RoIC or Core RoCE	16.2	18.6	23.9	23.9	24.3
RoCE	14.3	14.7	18.6	18.3	17.7
<b>EFFICIENCY</b>					
Tax Rate (%)	26.0	22.4	22.8	25.0	25.0
Fixed Asset Turnover (x)	3.6	3.0	2.9	2.9	2.7
Debtors (days)	67	77	77	77	77
Other current assets (days)	69	60	62	61	61
Payables (days)	26	35	35	35	35
Other current liabilities (days)	47	58	52	46	43
Cash Conversion Cycle (days)	64	44	53	57	60
Net Debt/EBITDA (x)	(1.3)	(1.3)	(1.1)	(1.2)	(1.4)
Net Debt/Equity (x)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
Interest Coverage (x)	24.9	22.3	37.6	42.3	45.3
<b>PER SHARE DATA</b>					
EPS (Rs/sh)	31.5	42.5	48.8	54.4	59.8
CEPS (Rs/sh)	42	55	62	68	75
DPS (Rs/sh)	12	14	15	17	19
BV (Rs/sh)	184	211	242	276	315
<b>VALUATION</b>					
P/E	23.9	17.7	15.4	13.8	12.5
P/BV	4.1	3.6	3.1	2.7	2.4
EV/EBITDA	15.1	13.2	9.5	8.2	7.2
OCF/EV (%)	6.5	5.7	6.5	7.3	9.0
FCF/EV (%)	3.1	2.6	3.4	4.4	5.9
FCFE/mkt cap (%)	2.3	3.3	2.9	3.7	4.9
Dividend Yield (%)	1.6	1.9	2.0	2.2	2.5

Source: Company, HDFC sec Inst Research

**RECOMMENDATION HISTORY**



Date	CMP	Reco	Target
12-Apr-18	633	BUY	750
26-May-18	705	BUY	800
6-Jul-18	635	BUY	780
31-Jul-18	655	BUY	740
10-Oct-18	699	BUY	800
31-Oct-18	685	BUY	845
30-Nov-18	690	BUY	850
9-Jan-19	690	BUY	830
6-Feb-19	751	BUY	880

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- 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

**INSTITUTIONAL RESEARCH**
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