

Hexaware Technologies

BUY

Growth drivers intact

We maintain BUY on Hexaware post its inline 1QCY19. Estimates and TP unchanged at Rs 430, implying 16x Mar-21E EPS.

HIGHLIGHTS of the QUARTER

- Revenue was in-line at USD 180mn, +2.0/13.0% QoQ/YoY CC. Strong performance in Manufacturing & Consumer and Professional services verticals was offset by weakness in BFS (capital market and secondary mortgage sub-segments) and Travel & transportation. This vertical skew is expected to continue.
- IMS (17.8% of rev) and BPM (7.6% of rev) continue to be growth drivers (9.5/5.0% CQGR over 8 qtrs and 1.4% for residual biz), driving company's strategy in areas of Automation, Cloud and Customer Experience.
- Guidance of 12 to 14% USD rev growth for CY19 maintained, implying 4.1% CQGR (at midpoint guidance). This will be supported by ramp-up of large NN deal (>USD 100mn TCV) won in 4Q as well as strong deal pipeline (29% YoY in 1Q TCV).
- Europe geography dipped in 1Q (a blip), however recovery is expected in the geo supported by

healthcare vertical and ramp-up of the earlier NN deals.

- EBITDA% came at 14.9%, -38bps QoQ impacted by increase in sub-contracting, visa expense (bigger headwind in 2Q) and INR appreciation. Margin headwinds include elevated sub-contracting and attrition (limiting utilization scope). Higher offshoring and better mix (lower BFS) will be tailwinds.

STANCE

Hexaware's low-teens organic growth trajectory is sustainable supported by its IMS/BPM led growth strategy (negligible legacy). Strong deal wins with 20% growth in TCV (TTM) provides growth visibility including its largest net-new deal (USD 100mn Nordic) which ramps up in 4Q. Geo expansion in Europe/APAC also expected to support growth. We build USD rev/EPS CAGR of 13/14% over CY18-21E factoring flat margin trajectory. Valuations at 12.8x (discount to tier-2 IT) to be supported by 14% EPS CAGR (in-line with tier-2 IT), 40% RoIC and 5% FCF yield. Key risks include appreciation in INR, slowdown in BFS and value destructive acquisition.

Financial Summary

YE March (Rs bn)	1QCY19	1QCY18	YoY (%)	4QCY18	QoQ (%)	CY17	CY18	CY19E	CY20E	CY21E
Net Revenues	12.64	10.49	20.5	12.52	0.9	39.42	46.48	53.50	61.16	68.59
EBITDA	1.89	1.63	16.1	1.92	(1.6)	6.55	7.34	8.26	9.57	10.79
APAT	1.38	1.34	3.1	1.23	12.1	4.99	5.83	6.36	7.76	8.75
Diluted EPS (Rs)	4.6	4.5	3.1	4.1	12.1	16.8	19.6	21.4	26.1	29.4
P/E (x)						19.8	17.0	15.6	12.8	11.3
EV / EBITDA (x)						14.3	12.3	10.4	8.6	7.1
RoE (%)						26.9	26.5	25.0	26.6	25.7

Source: Company, HDFC sec Inst Research

INDUSTRY	IT
CMP (as on 24 Apr 2019)	Rs 333
Target Price	Rs 430
Nifty	11,726
Sensex	39,055

KEY STOCK DATA	
Bloomberg	HEXW IN
No. of Shares (mn)	298
MCap (Rs bn) / (\$ mn)	99/1,417
6m avg traded value (Rs mn)	494

STOCK PERFORMANCE (%)			
52 Week high / low	Rs 558/294		
	3M	6M	12M
Absolute (%)	1.9	(5.2)	(21.9)
Relative (%)	(6.0)	(20.0)	(34.7)

SHAREHOLDING PATTERN (%)		
	Dec-18	Mar-19
Promoters	62.66	62.59
FIs & Local MFs	10.97	12.35
FPIs	17.14	16.06
Public & Others	9.23	9.00
Pledged Shares	0.00	0.00

Source : BSE

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Revenue growth of +2.0/13.0% QoQ/YoY CC

EBITDA margin decline of 38bps QoQ to 14.9% impacted by higher sub-contracting, INR appreciation, visa cost impact (2Q to have larger impact)

Elevated sub-contracting and high attrition are headwinds to margin

APAT increased to Rs 1.38bn supported by lower forex loss of Rs 83mn (vs. Rs 248mn forex loss in 4Q)

ETR expected to be at 20% ahead

Quarterly Consolidated Financials Snapshot

Particulars (Rs bn)	1QCY19	1QCY18	YoY (%)	4QCY18	QoQ (%)
Net Sales (USD mn)	180.0	162.2	10.9	176.1	2.2
Net Sales	12.64	10.49	20.5	12.52	0.9
Employee Expenses	6.66	5.82	14.5	6.56	1.5
SG&A and Other Operating Expenses	4.05	2.95	37.1	3.95	2.4
EBITDA	1.89	1.63	16.1	1.92	(1.6)
Depreciation	0.15	0.15	(2.0)	0.16	(6.3)
EBIT	1.74	1.47	17.9	1.76	(1.1)
Interest Costs	0.00	0.00	250.0	0.00	(70.8)
Other Income (incl. forex)	(0.04)	0.20	NM	(0.22)	NM
PBT	1.70	1.68	1.1	1.54	10.1
Tax	0.31	0.34	(6.9)	0.31	2.1
RPAT	1.38	1.34	3.1	1.23	12.1
E/o (adj for tax)	-	-	-	-	-
APAT	1.38	1.34	3.1	1.23	12.1

Source: Company, HDFC sec Inst Research

Margin Analysis

Particulars	1QCY19	1QCY18	YoY (bps)	4QCY18	QoQ (bps)
Employee Expenses % Net Sales	52.7	55.5	(277)	52.4	29
Other Expenses % Net Sales	32.0	28.2	389	31.6	47
EBITDA Margin (%)	14.9	15.5	(57)	15.3	(38)
EBIT Margin (%)	13.8	14.1	(30)	14.0	(29)
Tax Rate (%)	18.4	20.0	(158)	19.9	(144)
APAT Margin (%)	11.0	12.8	(185)	9.9	109

Source: Company, HDFC sec Inst Research

Offshore growth was stronger at 3.6% QoQ while onsite revenue grew 1.4% QoQ

Growth was led by Manufacturing & Consumer and Professional services vertical

BFS outlook is weak impacted by increased gestation period and delay in budget re-allocation by Hexaware's clients

Onsite-Offshore Revenue Break-up

(% of revenue)	2QCY17	3QCY17	4QCY17	1QCY18	2QCY18	3QCY18	4QCY18	1QCY19
Onsite Revenue	64.7	65.4	65.1	65.4	65.2	64.9	63.9	63.4
Offshore Revenue	35.3	34.6	34.9	34.6	34.8	35.1	36.1	36.6
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Company, HDFC Sec Inst Research

Onsite-Offshore Revenue Growth

(QoQ, %)	2QCY17	3QCY17	4QCY17	1QCY18	2QCY18	3QCY18	4QCY18	1QCY19
Onsite Revenue	5.8	2.0	0.9	4.4	3.4	1.2	1.4	1.4
Offshore Revenue	4.8	(1.1)	2.2	3.0	4.4	2.5	5.9	3.6
Total	5.4	0.9	1.3	3.9	3.8	1.6	3.0	2.2

Source: Company, HDFC Sec Inst Research

Vertical Revenue Break-up

(% of revenue)	2QCY17	3QCY17	4QCY17	1QCY18	2QCY18	3QCY18	4QCY18	1QCY19
Banking and Financial Services	43.3	43.4	44.4	43.7	42.8	42.5	42.1	40.8
Manufacturing, Consumer and Others	27.7	26.8	26.9	27.2	29.0	28.2	29.0	31.5
Insurance and Healthcare	15.6	16.6	16.7	16.0	17.1	18.8	19.1	18.3
Travel & Transportation	13.4	13.2	12.0	13.1	11.1	10.5	9.9	9.5
Total	100.0	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, %)	2QCY17	3QCY17	4QCY17	1QCY18	2QCY18	3QCY18	4QCY18	1QCY19
Banking and Financial Services	6.9	1.2	3.7	2.3	1.6	0.9	1.9	(1.0)
Manufacturing, Consumer and Others	4.3	(2.4)	1.7	5.1	10.6	(1.2)	5.7	11.0
Insurance And Healthcare	4.8	7.4	2.0	(0.4)	10.9	11.8	4.6	(2.1)
Travel & Transportation	3.9	(0.6)	(7.9)	13.4	(12.1)	(3.8)	(2.9)	(1.9)
Total	5.4	0.9	1.3	3.9	3.8	1.6	3.0	2.2

Source: Company, HDFC Sec Inst Research

IMS and BPM continued to lead the growth and remain key growth drivers

IMS grew 3.9% QoQ following 23% QoQ in 4Q and now contributes 17.8% to rev (vs. 10.7% in 1QCY17)

Net new deal wins of TCV USD 36mn likely to support growth in ADM

Service Line Break-up

(% of revenue)	2QCY17	3QCY17	4QCY17	1QCY18	2QCY18	3QCY18	4QCY18	1QCY19
ADM	36.5	36.3	37.2	35.9	36.6	36.0	35.1	34.5
Quality Assurance and Testing Services	19.7	20.0	19.5	19.1	18.4	17.7	17.5	17.5
Business Intelligence & Analytics	14.0	13.8	13.8	14.2	13.5	14.5	13.1	13.1
Enterprise Solutions	11.6	11.3	10.8	10.9	10.5	9.7	9.5	9.5
IMS	11.0	11.3	11.7	13.0	13.8	14.7	17.5	17.8
BPM	7.2	7.3	7.0	6.9	7.2	7.4	7.3	7.6
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Company, HDFC Sec Inst Research

Service Line Growth

(QoQ, %)	2QCY17	3QCY17	4QCY17	1QCY18	2QCY18	3QCY18	4QCY18	1QCY19
ADM	6.6	0.4	3.9	0.3	5.8	(0.0)	0.4	0.4
Quality Assurance and Testing Services	(0.6)	2.5	(1.2)	1.8	(0.1)	(2.2)	1.8	2.2
Business Intelligence & Analytics	7.0	(0.5)	1.3	6.9	(1.4)	9.2	(7.0)	2.2
Enterprise Solutions	1.1	(1.7)	(3.1)	4.9	(0.1)	(6.1)	0.8	2.2
IMS	8.4	3.7	4.9	15.5	10.1	8.3	22.6	3.9
BPM	18.6	2.3	(2.8)	2.4	8.3	4.5	1.6	6.4
Total	5.4	0.9	1.3	3.9	3.8	1.6	3.0	2.2

Source: Company, HDFC Sec Inst Research

Client Metrics

	2QCY17	3QCY17	4QCY17	1QCY18	2QCY18	3QCY18	4QCY18	1QCY19
Client Concentration (% of revenue)								
Top-5	46.1	43.5	42.8	42.1	42.4	42.1	42.0	41.7
Top-10	56.5	54.8	52.9	52.8	52.8	52.2	51.6	51.1
Clients (Nos)								
>USD 1mn	81	82	88	89	93	95	99	99
>USD 20mn	5	5	4	4	4	4	5	5

Source: Company, HDFC Sec Inst Research

Growth in 1Q was led by APAC geography which grew 14.3% QoQ

Recovery expected in Europe ahead supported by healthcare & insurance vertical as well as large deal wins

Utilisation improved marginally to 79%

Attrition continues to increase and is a concern at 18.2% impacted by tight onsite supply market and rise in offshore attrition

Intervention program to contain attrition include re-skilling program and employee experience intervention

Geographic Revenue Break-up

(% of revenue)	2QCY17	3QCY17	4QCY17	1QCY18	2QCY18	3QCY18	4QCY18	1QCY19
Americas	80.8	79.1	77.7	75.3	77.0	77.4	76.9	76.1
Europe	11.2	11.3	12.1	12.5	12.7	13.3	13.0	12.6
Asia-Pacific	8.0	9.6	10.2	12.2	10.3	9.3	10.1	11.3
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Company, HDFC Sec Inst Research

Geographic Revenue Growth

(QoQ, %)	2QCY17	3QCY17	4QCY17	1QCY18	2QCY18	3QCY18	4QCY18	1QCY19
Americas	4.4	(1.2)	(0.4)	0.7	6.1	2.2	2.3	1.1
Europe	7.3	1.8	8.5	7.3	5.4	6.5	0.6	(1.0)
Asia-Pacific	14.0	21.1	7.7	24.3	(12.4)	(8.2)	11.8	14.3
Total	5.4	0.9	1.3	3.9	3.8	1.6	3.0	2.2

Source: Company, HDFC Sec Inst Research

Headcount, Utilisation Data

(Nos.)	2QCY17	3QCY17	4QCY17	1QCY18	2QCY18	3QCY18	4QCY18	1QCY19
Total headcount	13,098	13,488	13,705	14,619	15,357	16,050	16,205	16,509
Technical Employees	12,063	12,409	12,636	13,493	14,205	14,862	15,006	15,206
Sales & Marketing	432	445	452	468	461	482	486	479
General Management/Support	603	634	617	658	691	706	713	824
Net Employee Addition	364	390	217	914	738	693	155	304
Attrition (%)	13.8	13.7	13.1	13.4	14.4	15.7	17.0	18.2
Utilisation including trainees (%)	80.8	79.7	80.9	81.3	78.2	79.0	78.7	79.0

Source: Company, HDFC Sec Inst Research

Key Assumptions

Particulars	CY16	CY17	CY18	CY19E	CY20E	CY21E
Onsite USD Revenue Growth (%)	11.0	20.3	11.4	11.4	17.0	13.8
Offshore USD Revenue Growth (%)	4.0	7.8	11.9	15.1	9.9	8.9
Total USD Revenue Growth (%)	8.3	15.6	11.6	12.7	14.4	12.1
USD/INR Rate	67.3	64.9	68.5	70.1	70.0	70.0
EBITDA Margin (%)	16.4	16.6	15.8	15.4	15.6	15.7

Source: Company, HDFC Sec Inst Research

Hexaware has earmarked USD 250mn to 300mn to be spent on acquisitions over 2-3 years with minimum revenue size of USD 25mn per acquired entity

Acquisition targets include focus areas of cloud and customer experience with entities having high rev/client and profitability close to Hexaware

Management stated that there are no plans to merge Hexaware with NIIT Tech (acquired by Barings)

Net cash of Rs 8.7bn and reduction in receivable days (including unbilled) to 77 (vs. 85 in 4Q)

Change In Estimates

Particulars	OLD	NEW	% change
CY19E			
Revenue (USD mn)	766	764	(0.3)
Revenue (Rs bn)	53.61	53.50	(0.2)
EBITDA (Rs bn)	7.98	8.26	3.6
EBITDA margin (%)	14.9	15.4	56bps
EPS (Rs)	20.7	21.4	3.2
CY20E			
Revenue (USD mn)	879	874	(0.6)
Revenue (Rs bn)	61.51	61.16	(0.6)
EBITDA (Rs bn)	9.54	9.57	0.2
EBITDA margin (%)	15.5	15.6	12bps
EPS (Rs)	25.9	26.1	0.7

Source: HDFC sec Inst Research

Peer Set Comparison

Company	MCap (Rs bn)	CMP (Rs)	TP (Rs)	RECO	EPS (Rs)				P/E (x)				RoE (%)			
					FY18	FY19E	FY20E	FY21E	FY18	FY19E	FY20E	FY21E	FY18	FY19E	FY20E	FY21E
TCS	8,193	2,183	2,410	BUY	68.8	83.9	90.4	100.5	31.7	26.0	24.2	21.7	30.1	36.1	37.1	39.1
Infosys	3,204	736	755	NEU	33.8	36.4	37.5	41.9	21.8	20.3	19.6	17.6	24.5	23.7	23.2	23.6
Wipro	1,671	293	250	SELL	14.0	15.8	16.5	17.9	20.9	18.6	17.7	16.4	16.5	17.3	16.9	17.0
HCL Tech	1,586	1,139	1,210	BUY	64.7	73.9	78.7	86.5	17.6	15.4	14.5	13.2	25.3	26.0	24.5	23.8
TechM	732	819	850	BUY	42.5	48.5	51.6	56.6	19.3	16.9	15.9	14.5	21.5	21.4	20.0	19.4
Tier-1 IT Median									20.9	18.6	17.7	16.4	24.5	23.7	23.2	23.6
LTI	292	1,696	2,145	BUY	67.0	88.8	95.0	107.3	25.3	19.1	17.8	15.8	33.2	35.8	31.5	29.8
Mphasis	187	966	1,370	BUY	45.4	56.9	64.9	76.2	21.3	17.0	14.9	12.7	14.6	20.1	22.4	23.0
LTTS	176	1,695	1,845	BUY	45.7	65.6	70.5	92.1	37.1	25.8	24.0	18.4	27.7	31.6	28.3	30.8
Mindtree	161	979	1,040	NEU	32.3	44.2	51.6	57.8	30.3	22.2	19.0	17.0	21.4	24.9	24.9	25.0
Hexaware *	99	333	430	BUY	16.8	19.6	21.4	26.1	19.8	17.0	15.6	12.8	26.6	26.5	25.0	26.6
Cyient	66	589	735	BUY	38.6	37.2	41.8	46.5	15.3	15.8	14.1	12.7	18.1	17.0	17.4	17.7
Tata Elxsi	58	930	875	NR	38.5	45.6	46.8	54.6	24.1	20.4	19.9	17.0	37.0	34.2	28.8	28.0
Zensar	53	234	294	BUY	10.6	13.4	15.8	18.4	22.0	17.4	14.8	12.7	15.1	16.7	17.3	17.5
Persistent	51	642	605	NEU	40.4	42.5	40.6	46.6	15.9	15.1	15.8	13.8	16.0	15.2	13.5	14.1
eClerx	44	1,138	1,005	SELL	70.8	57.7	67.2	77.3	16.1	19.7	16.9	14.7	24.1	18.0	19.9	21.6
Sonata	34	330	465	BUY	18.6	23.8	26.0	29.0	17.8	13.9	12.7	11.4	31.0	35.5	34.2	33.9
Intellect	28	224	310	BUY	3.7	7.1	10.2	15.0	NM	31.6	21.9	14.9	6.5	9.8	12.4	15.8
Majesco	14	499	720	BUY	(1.5)	22.1	28.2	33.5	NM	22.6	17.7	14.9	(1.1)	11.2	14.0	17.2
HGS	13	634	770	NR	96.5	72.5	86.4	96.4	6.6	8.7	7.3	6.6	14.3	9.8	10.7	10.9
Mastek	11	473	657	BUY	27.8	40.6	44.7	52.2	17.0	11.7	10.6	9.1	13.7	16.1	14.8	15.4
Tier-2 IT Median									19.8	17.4	15.8	13.8	18.1	18.0	19.9	21.6

Company	MCap (USD bn)	CMP USD	TP	RECO	EPS (USD)				P/E (x)				RoE (%)			
					FY18	FY19E	FY20E	FY21E	FY18	FY19E	FY20E	FY21E	FY18	FY19E	FY20E	FY21E
Accenture	115	180	NA	NR	5.6	6.5	7.3	8.0	32.5	27.9	24.7	22.7	41.7	42.0	39.9	36.7
Cognizant	41	73	NA	NR	2.5	3.6	4.4	4.9	28.7	20.2	16.4	14.9	14.1	19.0	20.9	20.6
Capgemini^	21	112	NA	NR	4.9	4.4	6.5	7.1	23.0	25.6	17.2	15.7	11.5	10.1	13.1	13.3
Global IT Median									28.7	25.6	17.2	15.7	14.1	19.0	20.9	20.6

Source: HDFC sec Inst Research, Bloomberg, *Dec YE, ^CMP and EPS in EUR terms

Consolidated Income Statement

YE December (Rs bn)	CY17	CY18	CY19E	CY20E	CY21E
Net Sales (USD mn)	607	678	764	874	980
Growth (%)	15.6	11.6	12.7	14.4	12.1
Net Sales	39.42	46.48	53.50	61.16	68.59
Growth (%)	11.5	17.9	15.1	14.3	12.1
Employee Expenses	21.43	24.80	28.00	31.42	35.16
Other Operating Expenses	11.44	14.34	17.23	20.18	22.63
EBITDA	6.55	7.34	8.26	9.57	10.79
EBITDA (%)	16.6	15.8	15.4	15.6	15.7
EBITDA Growth (%)	13.3	12.0	12.6	15.8	12.8
Depreciation	0.63	0.65	0.72	0.79	0.85
EBIT	5.92	6.69	7.54	8.78	9.94
Other Income	0.49	0.58	0.41	0.93	1.00
Interest	0.00	0.00	0.00	-	-
PBT	6.40	7.27	7.96	9.70	10.94
Tax (incl deferred)	1.41	1.43	1.60	1.94	2.19
RPAT	4.99	5.83	6.36	7.76	8.75
APAT	4.99	5.83	6.36	7.76	8.75
APAT Growth (%)	18.9	16.9	9.0	22.1	12.7
EPS	16.8	19.6	21.4	26.1	29.4
EPS Growth (%)	18.9	16.9	9.0	22.1	12.7

Source: Company, HDFC sec Inst Research

Consolidated Balance Sheet

YE December (Rs bn)	CY17	CY18	CY19E	CY20E	CY21E
SOURCES OF FUNDS					
Share Capital - Equity	0.59	0.59	0.60	0.60	0.60
Reserves	19.48	23.32	26.46	30.82	36.16
Total Shareholders' Funds	20.07	23.92	27.05	31.41	36.76
Net Deferred Taxes	(1.34)	(1.78)	(1.78)	(1.78)	(1.78)
Long-term Provisions & Others	0.21	0.31	0.31	0.31	0.31
TOTAL SOURCES OF FUNDS	18.95	22.44	25.58	29.93	35.28
APPLICATION OF FUNDS					
Net Block	3.76	3.93	4.02	4.04	4.01
CWIP	2.56	2.24	2.24	2.24	2.24
Goodwill	1.66	1.81	1.81	1.81	1.81
Investments	0.02	0.03	0.03	0.03	0.03
Other non-current assets	1.58	1.67	1.81	1.96	2.10
Total Non Current Assets	9.58	9.68	9.90	10.07	10.20
Debtors	5.36	8.03	9.24	10.57	11.85
Cash & Equivalents	5.49	8.31	10.42	13.74	18.11
Other Current Assets	3.69	3.53	4.06	4.64	5.20
Total Current Assets	14.54	19.87	23.72	28.94	35.16
Creditors	2.20	3.30	3.80	4.34	4.87
Other Current Liabilities & Provns	2.97	3.81	4.25	4.74	5.20
Total Current Liabilities	5.17	7.11	8.05	9.08	10.07
Net Current Assets	9.37	12.76	15.67	19.86	25.08
TOTAL APPLICATION OF FUNDS	18.95	22.44	25.58	29.93	35.28

Source: Company, HDFC sec Inst Research

Consolidated Cash Flow

YE December (Rs bn)	CY17	CY18	CY19E	CY20E	CY21E
Reported PBT	6.40	7.27	7.96	9.70	10.94
Non-operating & EO items	0.37	0.33	(0.33)	(0.74)	(0.80)
Interest expenses	0.00	0.00	0.00	-	-
Depreciation	0.63	0.65	0.72	0.79	0.85
Working Capital Change	(0.90)	(1.17)	(0.80)	(0.87)	(0.85)
Tax paid	(1.75)	(1.59)	(1.60)	(1.94)	(2.19)
OPERATING CASH FLOW (a)	4.76	5.49	5.95	6.94	7.96
Capex	(0.95)	(0.61)	(1.45)	(1.39)	(1.44)
<i>Free cash flow (FCF)</i>	<i>3.81</i>	<i>4.88</i>	<i>4.50</i>	<i>5.54</i>	<i>6.52</i>
<i>Non-operating income</i>	<i>0.02</i>	<i>0.07</i>	<i>0.33</i>	<i>0.74</i>	<i>0.80</i>
INVESTING CASH FLOW (b)	(0.94)	(0.54)	(1.12)	(0.65)	(0.64)
Debt Issuance	-	-	-	-	-
Interest expenses	(0.00)	(0.00)	(0.00)	-	-
<i>FCFE</i>	<i>3.81</i>	<i>4.88</i>	<i>4.50</i>	<i>5.54</i>	<i>6.52</i>
Share capital Issuance	(0.01)	0.00	0.00	-	-
Dividend/Buyback	(2.81)	(2.51)	(3.23)	(3.40)	(3.40)
FINANCING CASH FLOW (c)	(2.82)	(2.51)	(3.22)	(3.40)	(3.40)
NET CASH FLOW (a+b+c)	1.00	2.44	1.61	2.88	3.92
Closing Cash & Equivalents	5.49	8.31	10.42	13.74	18.11

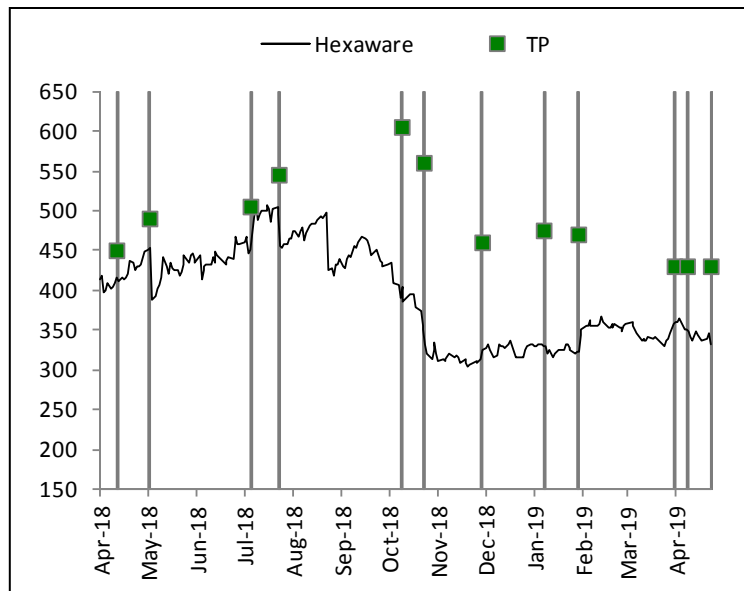
Source: Company, HDFC sec Inst Research

Key Ratios

	CY17	CY18	CY19E	CY20E	CY21E
PROFITABILITY (%)					
EBITDA Margin	16.6	15.8	15.4	15.6	15.7
APAT Margin	12.7	12.6	11.9	12.7	12.8
RoE	26.6	26.5	25.0	26.6	25.7
RoIC or Core RoCE	36.2	38.9	41.2	44.8	47.7
RoCE	28.2	28.2	26.5	28.0	26.8
EFFICIENCY					
Tax Rate (%)	22.0	19.7	20.1	20.0	20.0
Fixed Asset Turnover (x)	3.3	3.7	3.9	4.1	4.3
<i>Debtors (days)</i>	<i>50</i>	<i>63</i>	<i>63</i>	<i>63</i>	<i>63</i>
<i>Other current assets (days)</i>	<i>34</i>	<i>28</i>	<i>28</i>	<i>28</i>	<i>28</i>
<i>Payables (days)</i>	<i>20</i>	<i>26</i>	<i>26</i>	<i>26</i>	<i>26</i>
<i>Other current liab & provn (days)</i>	<i>27</i>	<i>30</i>	<i>29</i>	<i>28</i>	<i>28</i>
<i>Cash Conversion Cycle (days)</i>	<i>36</i>	<i>35</i>	<i>36</i>	<i>37</i>	<i>37</i>
Net Debt/EBITDA (x)	(0.8)	(1.1)	(1.3)	(1.4)	(1.7)
Net Debt/Equity (x)	(0.3)	(0.3)	(0.4)	(0.4)	(0.5)
Interest Coverage (x)	5,016	15,923	NA	NA	NA
PER SHARE DATA					
EPS (Rs/sh)	16.8	19.6	21.4	26.1	29.4
CEPS (Rs/sh)	18.9	21.8	23.8	28.7	32.3
DPS (Rs/sh)	4.0	8.5	9.0	9.5	9.5
BV (Rs/sh)	67.4	80.3	90.9	105.5	123.5
VALUATION					
P/E	19.8	17.0	15.6	12.8	11.3
P/BV	4.9	4.1	3.7	3.2	2.7
EV/EBITDA	14.3	12.4	10.7	8.9	7.5
OCF/EV (%)	5.1	6.0	6.7	8.1	9.8
FCF/EV (%)	4.1	5.4	5.1	6.5	8.1
FCFE/mkt cap (%)	3.8	4.9	4.5	5.6	6.6
Dividend Yield (%)	1.2	2.6	2.7	2.9	2.9

Source: Company, HDFC sec Inst Research

RECOMMENDATION HISTORY



Date	CMP	Reco	Target
12-Apr-18	409	BUY	450
3-May-18	454	BUY	490
6-Jul-18	450	BUY	505
25-Jul-18	496	BUY	545
10-Oct-18	404	BUY	605
25-Oct-18	351	BUY	560
30-Nov-18	315	BUY	460
8-Jan-19	329	BUY	475
31-Jan-19	323	BUY	470
1-Apr-19	345	BUY	430
9-Apr-19	351	BUY	430
25-Apr-19	333	BUY	430

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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