

DART Overview - MD&A

In the backdrop of an appreciating rupee and implementation of investments in sales, localization of workforce, and acquisitions to remain relevant, INFY's margins have declined in almost all its business segments. Although there was topline growth and materialization of the deal pipeline into several large deals, ramping up these deals have not proved margin-accretive, as seen historically. The company completed several large acquisitions and has put the unsuccessful deals of the past behind. The management has said strategic investments will continue in FY20. Attrition also rose, as onsite opportunities fell.

Annual Report FY19

INFY had strong revenue growth during the fiscal year 2019. However, the margins remained under pressure due to investment. INFY continues its IT transformation journey, powered by its Digital platform. This platform is based on next generation, cloud native, and internet scale architecture, and engineered using open source software, commodity hardware, and no lock in architecture through distributed agile delivery.

Industry Overview

The management commented that they were seeing signs of macro concerns and headwinds in certain pockets - US financial services, Europe manufacturing, and healthcare & life sciences segments globally. Digital demand remains strong across regions and client segments, especially in segments such as tele-communications, energy, utilities, retail, and insurance. Industries, such as BFSI and retail, are witnessing consolidation. In communication, investments in the deployment of 5G will drive growth. Customer acquisition, digital banking, cyber security, and lending are expected to be key areas of focus and spending in the current year.

Financial Snapshot

Revenues grew 9% in constant currency (CC) terms, at the upper end of the guidance of 8.5-9.0%, from US\$ 10.9 billion in FY18 to US\$ 11.8 billion in FY19. In INR terms, INFY reported a revenue growth of 17% on a YoY basis. The digital revenue constituted 31% of the total revenue in FY19, as compared to 25% in FY18. The TCV of large deals more than doubled during FY19, to US\$ 6.3 billion, from US\$ 3.1 billion. However, operating margins declined 150 bps, due to ramp up in large deals and investments in talent localization. Revenue productivity was flat and utilization fell marginally, from 84.6% in FY18 to 84.3% in FY19. Attrition also went up by 150 bps in this fiscal year to 21.5%. The management has guided for a revenue growth in the range of 7.5% - 9.5% (in CC terms) and operating margins in the range of 21%-23% for FY20. The OCF/FCFF conversion ratio declined to 81% in FY19, as compared to 87% in FY18, primarily due to a decline in free cash flow on account of higher capex, and also the margins fell to its lowest in the past five years.

CMP	₹ 710
Target / downside	₹ 700 / 1%
BSE Sensex	39,185
NSE Nifty	11,738

Script Details

Equity / FV	₹ 23,445mn / ₹ 5
Market Cap	₹ 3,077bn
	US\$ 44bn
52-week High/Low	₹ 773/₹ 591
Avg. Volume (no)	8,367,140
NSE Symbol	INFY
Bloomberg Code	INFO IN

Shareholding Pattern Mar'19(%)

Promoters	12.8
MF/Banks/FIs	22.4
FIIs	34.5
Public / Others	30.3

Valuation (x)

	FY19A	FY20E	FY21E
P/E	20.0	18.9	17.2
EV/EBITDA	13.5	12.8	11.3
ROE (%)	23.7	23.7	23.6
RoACE (%)	23.7	23.7	23.6

Estimates (₹ mn)

	FY19A	FY20E	FY21E
Revenue	826,734	895,500	975,060
EBITDA	208,889	219,078	246,527
PAT	153,997	162,571	178,752
EPS (₹)	35.5	37.5	41.2

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Annual Report Macro View

Particulars			
Key Management	The board appointed Mr. Nilanjan Roy as Chief Financial Officer and as a KMP, effective from March 1, 2019.		
Board of Directors	Mr. Michael Gibbs, effective from July 13, 2018, was appointed as an independent director of the board - Mr. Gibbs previously served as Group CIO for BP, PLC. having responsibility for setting and implementing BP's IT strategy and providing computing and telecommunications technology services worldwide. He completed the Executive Management Program at Penn State University in 1997 and the Concours/Cash CIO Leadership Program in 2004. In 2015, he was named to CIO magazine's list of the most influential Global CIOs and ranked as I-CIO's 2nd most powerful IT executive in Europe.		
Auditors	No change. M/s Deloitte Haskins & Sells LLP continues to be the auditor of the company.		
Insider Holdings	No. of securities acquired/disposed/pledged:		
	FY19	FY18	
	3,591,896	52,704,536	
Credit Ratings	The company has obtained a rating of A3 from Moody's during the current year. There has been no change in credit ratings from Standard & Poor's and Dun & Bradstreet during the year.		
Pledged Shares	No change.		
Macro-economic factors	As a result of a rapidly changing marketplace and new competitors in technology areas, INFY is facing intense competition. The company faces the challenge to build and maintain a strong brand value that will help attract clients. Wage pressures in various countries may cause a reduction of profits, while US clients are increasing their spending on cyber-security and analytics, providing a boost for revenues.		
Key Holders	Category of Shareholder (%)	FY19	FY18
	Promoters		
	i) Indian	12.84	12.90
	Bank, FIs, Insurance Companies, Mutual Funds, and FIIs		
	i) Mutual Funds	13.41	10.60
	ii) AIFs	0.16	0.15
	iii) FIs & Banks	0.12	0.10
	iv) Insurance Companies	9.20	10.71
	v) Foreign Institutional Investors	34.04	35.24
	Non-Institutions	13.12	12.91
	Shares held by custodians for ADRs	17.11	17.39
	Total	100.00	100.00

Source: DART, Company

What's New

Acquisitions & Divestments

- On May 22, 2018, INFY acquired 100% of the voting interests in **WongDoody Holding Company Inc.**, a US-based, full-service creative and consumer insights agency. The business acquisition was conducted by signing a share purchase agreement for US\$75 million (approximately ₹5.1 billion on acquisition date).
- On October 11, 2018, Infosys Consulting Pte Limited (a wholly owned subsidiary of Infosys Limited) acquired 100% voting interests in **Fluidio Oy**, a Nordic-based Salesforce advisor and consulting partner in cloud consulting, implementation and training services, for about Euro 65 million (approximately ₹5.6 billion).
- On November 16, 2018, Infosys Consulting Pte Limited (a wholly owned subsidiary of Infosys Limited) acquired a 60% stake in **Infosys Compaz Pte. Ltd**, a Singapore-based IT services company. The business acquisition was conducted by signing a share purchase agreement for SGD 17 million (approximately ₹910 million on acquisition date).
- On April 1, 2019, Infosys Consulting Pte Limited (a wholly owned subsidiary of Infosys Limited) acquired a 81% of voting interests in **Hitachi Procurement Service Co., Ltd. (HIPUS)**, Japan, a wholly owned subsidiary of Hitachi Ltd., Japan for JPY 3.29 billion (approximately ₹2.1 billion), on fulfilment of closing conditions. HIPUS handles indirect materials purchasing functions for the Hitachi Group. The name of the company has been changed to HIPUS Co., Ltd. with effect from April 1, 2019
- During the year, the company divested its stake in two investments, resulting in a net gain of US\$8 million. As of March 31, 2019, the Infosys Innovation Fund has an additional US\$12 million in uncalled / pending capital commitments. The carrying value of investments as on March 31, 2019 was USD 20 million (₹1.4 billion).
- On March 28, 2019, Infosys Consulting Pte Limited (a wholly owned subsidiary of Infosys Limited) signed a definitive agreement to acquire 75% of the shareholding in **Stater N.V.**, a wholly owned subsidiary of ABN AMRO Bank N.V., Netherlands, for a base purchase price of up to €127 million (approximately ₹10 billion), subject to regulatory approvals.

Subsidiary Financials

- During the year ended March 2018, Kallidus and Skava (together referred to as "Skava") and Panaya were classified under 'held for sale', resulting in a reduction in fair value in respect of Panaya amounting to ₹1.2 billion. In the year ended March 31, 2019, a further reduction of ₹2.7 billion was recorded in respect of Panaya and on reclassification of Panaya and Skava from 'held for sale', the company recognized an adjustment in respect of excess of carrying amount over recoverable amount of ₹4.5 billion in respect of Skava.
- During the year, dividend from subsidiaries was ₹8.5 billion.
- EdgeVerve repaid debentures amounting to ₹3.3 billion during FY2019.
- The loans to subsidiaries as of March 31, 2019, includes ₹6.63 billion to Infosys Consulting Pte Ltd, ₹890 million to Infosys Consulting Holding AG, ₹820 million to Infosys China, and ₹70 million given to Brilliant Basics Holdings Limited.

Key Takeaways from the MD&A

“Attrition has marginally gone up from 17.8% to 18.3% on a standalone basis. A big part of the attrition is for people with three to five years’ experience and to this set of people the earlier value proposition was onsite opportunity that was a big thing.”

Pravin Rao, COO & Whole-Time Director

“Customer acquisition, digital banking, cyber security and lending are expected to be key areas of strategic focus and spending in the current year. The recently announced Stater deal will help in strengthening our mortgage servicing capabilities through digital platforms and enhance our presence in Europe.”

Pravin Rao, COO & Whole-Time Director

- The company’s overall revenues grew 9% in constant currency terms, to reach US\$ 12 billion. Digital revenue grew more than 30% annually. INFY generated 36% total shareholder return (TSR) for FY2019.
- The total contract value (TCV) of large deals more than doubled during FY19 to US\$ 6.3 billion, from US\$ 3.1 billion in FY18.
- The company’s recent acquisitions of Brilliant Basics, WongDoody, and Fluidio, are seeing strong traction with the clients. INFY is enhancing its digital presence by building a core capability set in experience, data, analytics, cloud, SaaS, IoT, cybersecurity, AI, and machine learning.
- The strategic partnerships with Temasek in Singapore and South-East Asia, and with Hitachi, Panasonic, and Pasona in Japan, have helped the company expand its footprint
- The company’s reskilling program with Lex, is progressing at a fast clip. Over 200,000 employees are benefiting from the app.
- Net of attrition, 24,016 employees were recruited in FY19, following expansion of recruitment to a diverse set of disciplines beyond STEM graduates The company also added 3 million sq. ft. of physical infrastructure space during the year.
- INFY derived 97% of its consolidated revenues from repeat business this fiscal. The company added 345 new clients, including a substantial number of large global corporations. Total client base at the end of the year was 1,279.
- The company was recognized as a Leader in The Forrester Wave™: Digital Process Automation Service Providers, Q3 2018, and as a leader in Gartner’s Magic Quadrant for Public Cloud Infrastructure Professional and Managed Services worldwide.
- It was rated for the second time in a row under the leadership category in a corporate governance study conducted jointly by BSE Limited and the International Finance Corporation.
- The board, at its meeting held on July 13, 2018, approved and recommended the issue of bonus shares to celebrate the 25th year of the company’s public listing in India.
- In line with the capital allocation policy announced in April 2018, the board approved the buyback of equity shares under the open market route through the Indian stock exchanges, amounting to ₹83 billion (maximum buyback size) at a price not exceeding ₹800 per share (maximum buyback price), subject to shareholders’ approval by way of a postal ballot. Approximately ~2.36% of the company’s paid-up equity share capital would be bought back at the indicative price.
- After the completion of this buyback, the company would complete the distribution ₹130 billion to the shareholders, which was announced as part of its capital allocation policy in April 2018.
- On a consolidated basis, the company had a capital expenditure commitment of ₹17 billion as at FY19, as compared to ₹14 billion as at FY18.
- For fiscal 2019, the board has announced a final dividend of ₹10.5 per share. After including the interim dividend of ₹7 per share, the aggregate dividend for FY19 stands at ₹17.5 per share, compared to ₹16.7 in FY18.

Business Segments Analysis

“In localization, we actually see this as a cost lever as we get to the lower end of the pyramid. We are creating an onsite pyramid and the localization, which is hiring freshers at the lower levels and then we are staffing them onsite nearshore.

I think that will help margins.”

Ravi Kumar, President & Deputy COO

“We see strength on the retail banking side, in cards and payments business, in pockets of insurance but on the other hand, some of our regional banking clients where there have been some M&A activities or where there has been some leadership change we have seen a little bit of a slowdown.”

Mohit Joshi, President, Head-BFSI, Healthcare, Infosys Brazil & Mexico

“We also see that there are changes sometimes in the scope of some of the contracts and work and we also see, as I have shared earlier, some areas of concern, which was on manufacturing in Europe and healthcare and life sciences.”

Salil Parekh, CEO & Managing Director

Financial Services

The financial services margin declined 150 bps, due to weakness driven by budget constraints. However, deal wins in Europe enabled INFY to grow in Q4. Financial services is expected to remain strong as the company entered FY19, in Q1 the YoY growth was less than 5% (CC), but in Q4 it was 8.5% (CC) The management sees strength on the retail banking side, cards, payments business, and in pockets of insurance. However, on the other hand, some of the regional banking clients where there have been some M&A activities or where there has been some leadership change, a little bit of a slowdown is expected.

Retail

The revenue grew 19.5% in FY19. This segment continues to see pickup in the digital, cloud, analytics, modernization, M&A related business, and IT integration. The CPG industry is seeing higher consolidation, as channels are becoming more price competitive and there is more demand for post-merger integration capabilities.

Communication

The growth in communication segment was muted, due to a ramp up in the previous deal wins. Despite the structural issues affecting the sector, the management expects steady performance in FY20. The revenue in the segment grew 17.4% over the year. Most investments in the sector is around adoption and deployment of 5G, leading to advancement in enterprise IoT. The ongoing M&A in the industry is leading to integration opportunities.

Energy, Utilities, Resources & Services

The energy, utility, resources, and services revenue growth of 25.2% was supported mainly by the utility segment. The segment is seeing strong demand with investments in grid, pipeline modernization initiatives, and digitization of legacy stacks. The growth in the services sector was driven by ramp up of large deal wins. However, there was a margin impact of 460 bps through the year.

Manufacturing

The strong growth continued in the manufacturing segment, despite some concerns among automotive and industrial manufacturing clients, due to macro issues, especially in Europe. The revenue grew 22.2% during FY2019. The aerospace & defence clients are focusing on core areas, such as engineering, system integration, MRO, and the ERP backbone, bolstering INFY's order book.

Hi-Tech

The revenue from the segment grew 20.4%, but its margins fell 360 bps. A pickup in areas such as automation, analytics, BPM, cloud, ERP implementation etc. was observed, according to the management.

Life Sciences and Others

The performance of the life sciences segment remained muted, as clients are facing slowing growth and increased cost pressures. The revenues grew 10.7%, but margins reported a de-growth of 230 bps.

Profit & Loss Analysis

“The impact of these investments is visible in acceleration in our revenue trajectory and also our overseas local hiring. We now have opened five innovation and technology hubs in the US and two in Europe as we embark on our journey of intimacy with our clients. Consequently, operating margins for FY19 was 22.8%, near the midpoint of the guided margin band of 22%-24%.”

Nilanjan Roy, CFO

“While our margin band reflects the already made investments in various initiatives, we are also focused on deploying various cost optimization levers like onsite-offshore mix, utilization, onsite pyramid mix, automation and better digital pricing for our differentiated offerings.”

Nilanjan Roy, CFO

- The company gross profit rose 13.1% in FY19, from FY18, driven by various factors.
- The operating margins fell 150 bps during the year, due to continued ramp-up in large deals, investments in sales, and localization and rupee appreciation.
- The company experienced a decline in net profits of 11.5% in dollar terms, from FY18, due to reclassification of assets, lower margins, and reduction in other income.
- During FY19, Skava and Panaya were reclassified from ‘held for sale’, due to which a reduction of USD 39 million and USD 65 million, for Panaya and Skava, respectively. This resulted in a decrease in basic EPS by ₹1.68 and ₹1.66 at a standalone and consolidated level, respectively.
- The reported EPS for the year was lower 4% at ₹35.5, as against ₹37 in FY18. The normalized EPS for the year was higher by 13% in INR terms, compared to fiscal 2018. The RoE for the year was 23.7%, as compared to 23.9% in the previous year.
- The revenue productivity per employee fell to USD 54,038 in FY19, due to pricing headwinds from USD 54,602 per employee in FY18.
- The effective tax rate for Q4FY19 was 22.7%, versus 29.7% in Q3FY19. The tax rate was lower on account of benefits from the signing of an advanced pricing agreement, with an overseas jurisdiction, and reversals of tax provisions, as a result of completion of assessments in certain overseas jurisdictions. The management expects the tax rate for FY20 to be within 27%-28%.

Balance Sheet Analysis

- The current investments increased 3.4% to ₹66 billion in FY19.
- The cash and cash equivalents declined 1.3% in FY19, from FY18. As of FY2019, INFY had ₹342 billion in working capital on a consolidated basis.
- The non-current liabilities grew 6.1% in FY2019, amounting to ₹10.9 billion.
- The DSO for the year improved to 65 days, compared to 68 days in FY18.
- The trade payables have significantly increased to ₹16.5 billion, from ₹ 6.9 billion in FY18.

Cash Flow Analysis

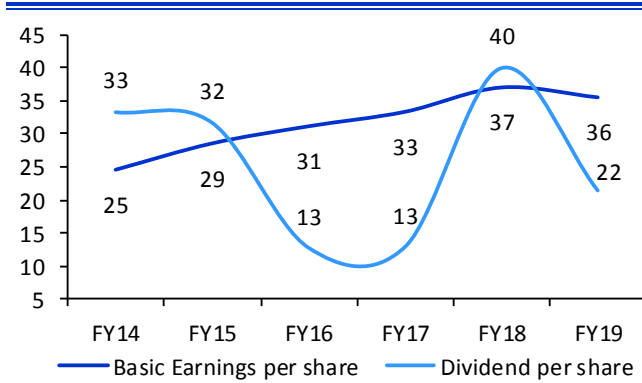
“Capex for the quarter was US\$116 mn, due to additional capacity being created largely in new SEZs and overseas hubs. Hence, we expect capex to remain at these elevated levels for FY20 as well.”

Nilanjan Roy, CFO

- The net cash flow from operating activities de-grew by 2% to ₹169.7 billion in FY19, from ₹173.6 billion in FY18. The operating cash flows were 110% and free cash flows were 89% of net profits for the year.
- The operating cash flow to EBITDA ratio decreased to 81% in FY19, from 91% in FY18, and the free-cash-flow fell ₹ 138bn in FY19, as compared to ₹ 151bn in FY18, due to lower cash flow from operations and a higher capex during the year.
- The net cash flow from investing activities decreased 53%, from ₹41.4 billion to negative ₹19.5 billion in FY19.
- The capital expenditure rose to ₹32 billion, as compared to ₹23 billion in FY18.

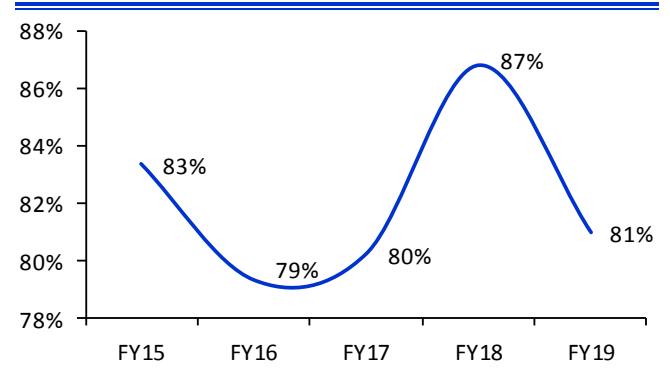
Financial Metrics and Charts

Exhibit 1: Basic EPS & DPS (₹ per share)



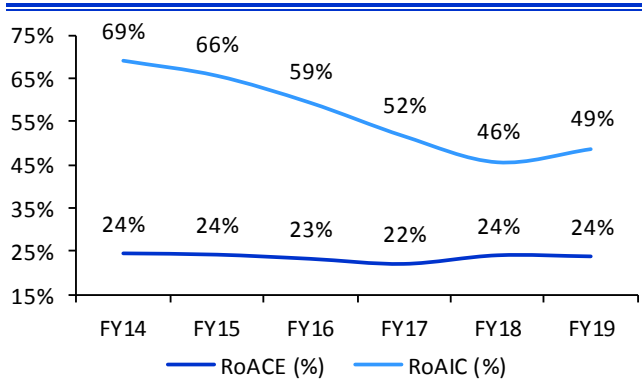
Source: DART, Company

Exhibit 2: OCF/FCFF Conversion (%)



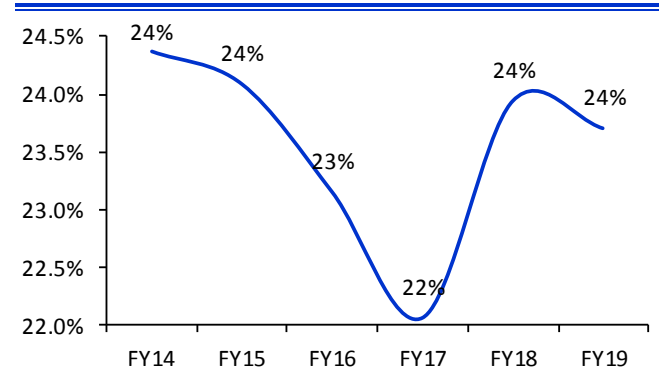
Source: DART, Company

Exhibit 3: RoACE and RoAIC (%)



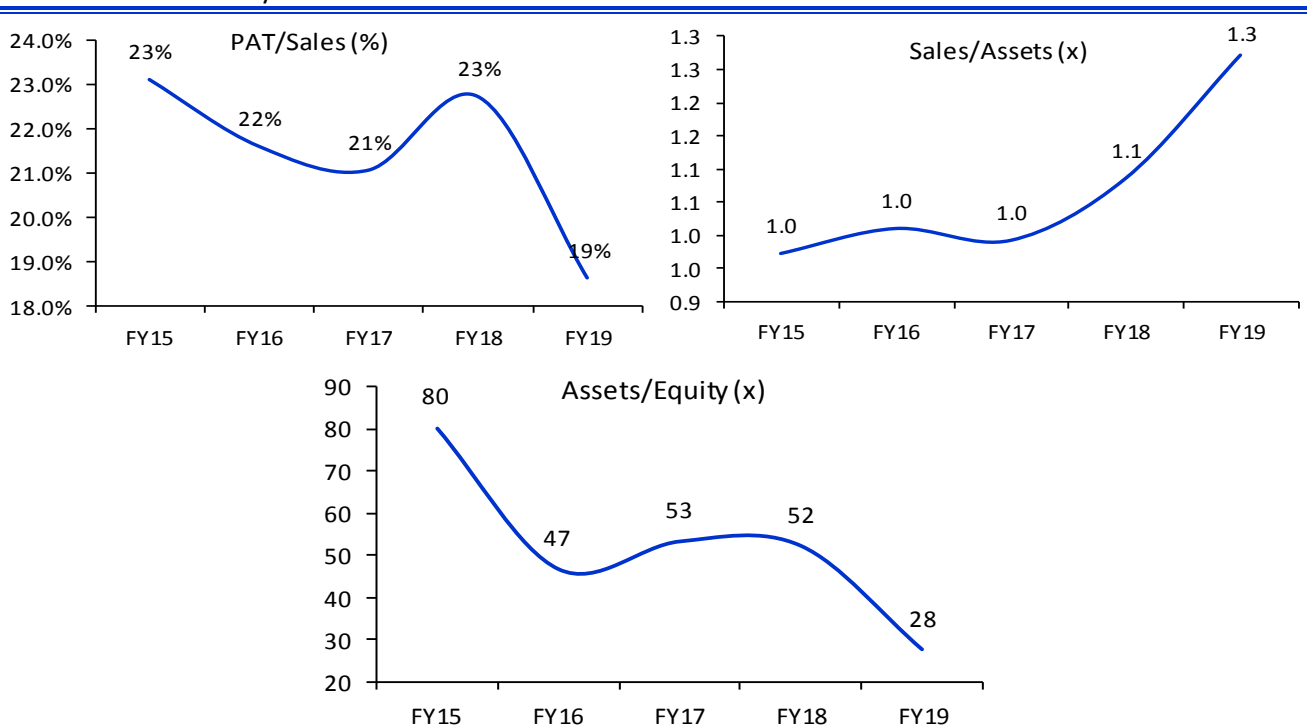
Source: DART, Company

Exhibit 4: RoANW (%)



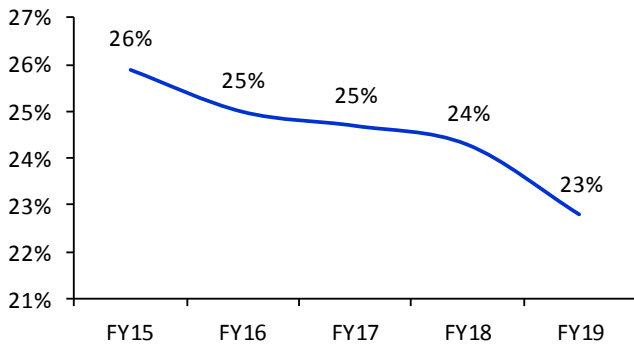
Source: DART, Company

Exhibit 5: DuPont Analysis



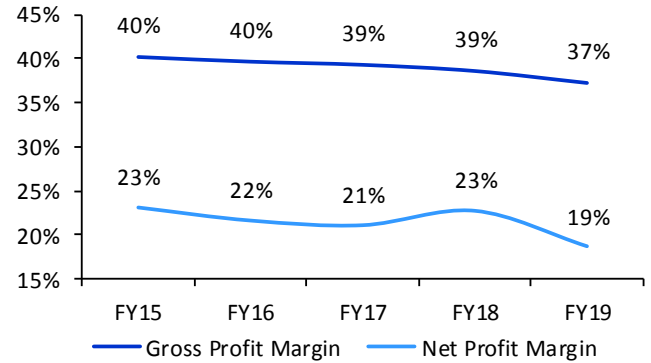
Source: DART, Company

Exhibit 6: Operating EBIT Margin (%)



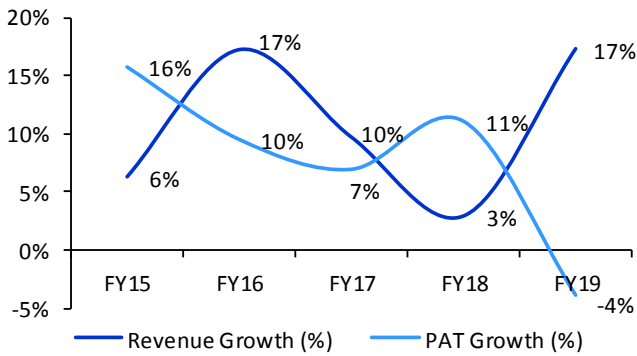
Source: DART, Company

Exhibit 7: Gross Profit and Net Profit Margin (%)



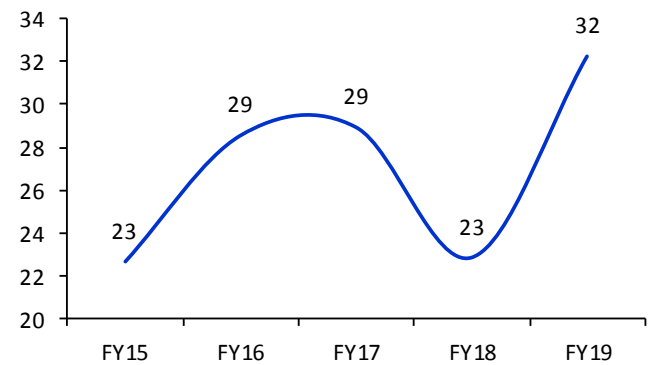
Source: DART, Company

Exhibit 8: Revenue and PAT Growth (%)



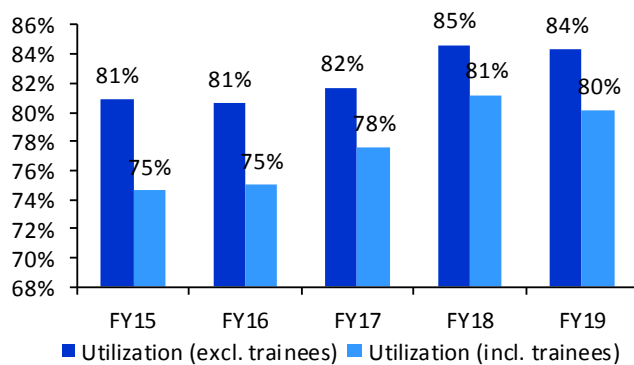
Source: DART, Company

Exhibit 9: CapEx (₹ bn)



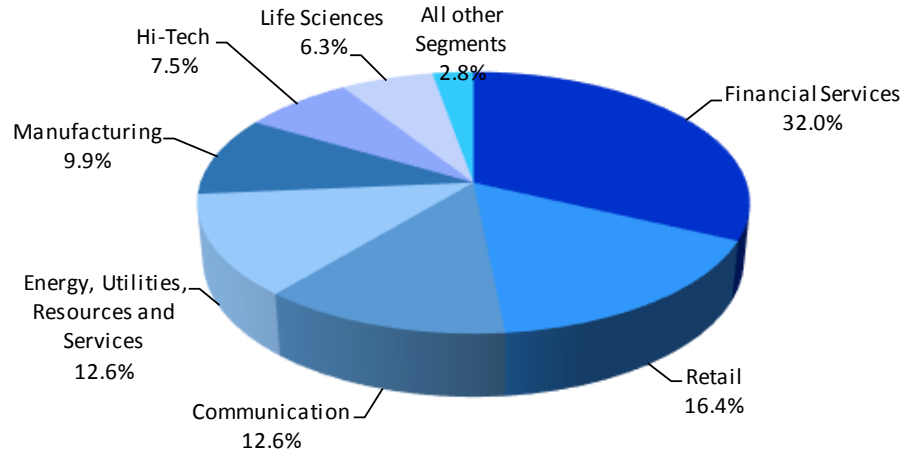
Source: DART, Company

Exhibit 10: Utilization (%)



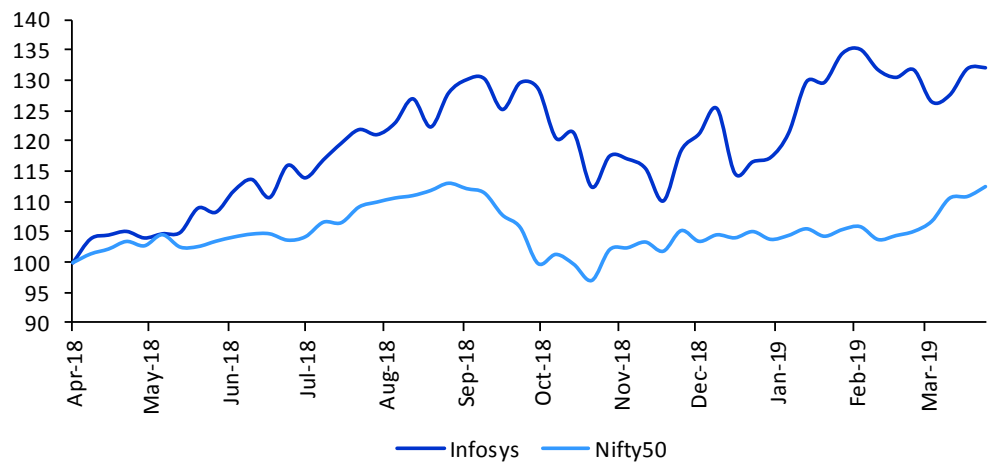
Source: DART, Company

Exhibit 11: Revenue Segmentation (%)



Source: Company, DART

Exhibit 12: Infosys share price performance with Nifty50



Source: Company, DART

4-Quarter ConCall Trend Analysis

	Q1FY19	Q2FY19	Q3FY19	Q4FY19
Attrition	Attrition increased to 20.6%, with a few senior level exits.	Attrition declined marginally to 22.2% on a consolidated basis.	Attritions declined 2.3% to 19.9% at the group level.	Attrition has picked up by 0.5% to 18.3% at standalone level and 20.4% at the group level.
Utilization	Utilization was at a new high of 85.7%, as compared to 84.7% in the last quarter.	Utilization excluding trainees was stable at 85.6%.	Utilization, excluding trainees, was 83.8%, compared to 85.6% in Q2.	Utilization, excluding trainees was 83.3%, compared to 83.8% in Q3.
Wage Hike	Compensation increase for about 85% employees was rolled out, with hikes of 6% to 8% in India and 1% to 2% onsite.	Compensation hikes for 15% employees was seen during the quarter, which impacted margins by 100 bps.		85% of workforce will get compensation increase of 6% offshore and 1.5% onsite.
Hedging	Hedge position as of 30th June, 2018, was \$1,956 million.	Hedge position as on 30th September, 2018, was \$1,966 million.	Hedge position as of December 31st was US\$2.1 billion.	Hedging position as on 31st March, 2019 was US\$2.2 billion.
Management Guidance	Operating margin guidance for FY19 in the range of 22%-24%. Revenue guidance in CC terms will be 6% to 8% and in US dollar terms 7% to 9%.	Management guidance for operating margin for FY19 remains in the range of 22.0%-24.0%.	The company revised its full year revenue growth guidance to 8.5% to 9% in constant currency terms, and there was no change in the operating margin guidance.	Guidance for FY20 for revenue growth is 7.5% to 9.5% in constant currency terms and operating margins between 21% and 23%.
New Initiatives	A new 75-acre campus was launched in Indiana in the US and four other locations in the US, six in Europe and three in Australia are being planned. Announced a 5 year partnership with Rhode Island School of Design.	The company is working with clients and industry forums to develop 5G use cases.	The company plans to repurpose Skava's business and refocus Panaya's suite of products.	Opened five innovation and technology hubs in the US and two in Europe.
Deal Pipeline	Deals pipeline shows a steady increase. Eight large deal wins with a TCV of US \$1.1 billion.	12 large deal wins, with a TCV of \$2.03 billion.	14 large deal wins, with a TCV of \$1.57 billion for the quarter.	13 large deal wins of US\$1.6 billion for the quarter. TCV of large deals doubles for the year.
Comments on Macro Environment	Many clients in the US are increasing their spending, therefore US business is expected to outperform the portfolio in the coming quarters.	The demand environment looks stable across US, Continental Europe, UK and Australia.	Slowdown in Europe was due to quarter furloughs. Telecom sectors is under stress, but momentum will pick up in the coming quarters.	Manufacturing business in Europe experienced some headwinds.
CapEx & Acquisitions	Capex for the quarter was \$79 million. The company acquired Brilliant Basics in the UK and WongDoody in the US.	Capex for the quarter was US\$78 million.	Fluidio was acquired by the company.	Capex for the quarter was US\$116 million.
Capital Allocation	The final dividend of ₹ 20.5 per share was paid. A bonus issue has been approved and recommended by the board.	An interim dividend of ₹7 per share, approximately US\$0.10 per ADS was announced.	Recommended a buyback of ₹83 billion, at a max buyback price of ₹800 per share; ₹21 billion to be paid as special dividend amounting to ₹4 per share.	Special dividend paid of ₹ 4 per share for ₹20980 million. Final dividend of ₹ 10.5 per share.

Profit and Loss Account

(₹ Mn)	FY18A	FY19A	FY20E	FY21E
Revenue	705,106	826,734	895,500	975,060
Total Expense	515,083	617,846	676,422	728,533
COGS	432,643	518,569	577,833	632,978
Employees Cost	0	0	0	0
Other expenses	82,440	99,277	98,589	95,556
EBIDTA	190,023	208,889	219,078	246,527
Depreciation	18,629	20,131	22,394	22,370
EBIT	171,394	188,758	196,685	224,157
Interest	0	0	0	0
Other Income	31,201	21,484	27,551	22,398
Exc. / E.O. items	0	0	0	0
EBT	202,595	210,242	224,236	246,555
Tax	42,323	56,315	61,665	67,803
RPAT	160,272	153,997	162,571	178,752
Minority Interest	0	(70)	0	0
Profit/Loss share of associates	0	0	0	0
APAT	160,272	153,997	162,571	178,752

Balance Sheet

(₹ Mn)	FY18A	FY19A	FY20E	FY21E
Sources of Funds				
Equity Capital	12,384	23,445	23,730	23,730
Minority Interest	0	0	0	0
Reserves & Surplus	636,809	626,659	695,379	772,669
Net Worth	649,193	650,104	719,109	796,399
Total Debt	0	0	0	0
Net Deferred Tax Liability	0	0	0	0
Total Capital Employed	649,193	650,104	719,109	796,399

Applications of Funds

Net Block	319,252	318,689	353,086	383,636
CWIP	0	0	0	0
Investments	0	0	0	0
Current Assets, Loans & Advances	479,529	528,659	569,448	620,597
Inventories	0	0	0	0
Receivables	131,403	148,279	161,977	176,371
Cash and Bank Balances	262,219	261,909	278,188	303,455
Loans and Advances	85,907	118,471	129,283	140,772
Other Current Assets	0	0	0	0
Less: Current Liabilities & Provisions	149,588	197,244	203,425	207,835
Payables	6,974	16,529	18,294	19,981
Other Current Liabilities	142,614	180,715	185,131	187,854
Net Current Assets	329,941	331,415	366,022	412,762
Total Assets	649,193	650,104	719,109	796,399

E – Estimates

Important Ratios

Particulars	FY18A	FY19A	FY20E	FY21E
(A) Margins (%)				
Gross Profit Margin	38.6	37.3	35.5	35.1
EBIDTA Margin	26.9	25.3	24.5	25.3
EBIT Margin	24.3	22.8	22.0	23.0
Tax rate	20.9	26.8	27.5	27.5
Net Profit Margin	22.7	18.6	18.2	18.3
(B) As Percentage of Net Sales (%)				
COGS	61.4	62.7	64.5	64.9
Employee	0.0	0.0	0.0	0.0
Other	11.7	12.0	11.0	9.8
(C) Measure of Financial Status				
Gross Debt / Equity	0.0	0.0	0.0	0.0
Interest Coverage				
Inventory days	0	0	0	0
Debtors days	68	65	66	66
Average Cost of Debt				
Payable days	4	7	7	7
Working Capital days	171	146	149	155
FA T/O	2.2	2.6	2.5	2.5
(D) Measures of Investment				
AEPS (₹)	37.0	35.5	37.5	41.2
CEPS (₹)	41.3	40.2	42.7	46.4
DPS (₹)	40.1	21.5	20.0	20.0
Dividend Payout (%)	108.4	60.5	53.3	48.5
BVPS (₹)	149.7	149.9	165.8	183.7
RoANW (%)	23.9	23.7	23.7	23.6
RoACE (%)	23.9	23.7	23.7	23.6
RoAIC (%)	45.7	48.7	47.4	48.0
(E) Valuation Ratios				
CMP (₹)	710	710	710	710
P/E	19.2	20.0	18.9	17.2
Mcap (₹ Mn)	3,077,476	3,077,476	3,077,476	3,077,476
MCap/ Sales	4.4	3.7	3.4	3.2
EV	2,815,257	2,815,567	2,799,288	2,774,021
EV/Sales	4.0	3.4	3.1	2.8
EV/EBITDA	14.8	13.5	12.8	11.3
P/BV	4.7	4.7	4.3	3.9
Dividend Yield (%)	5.6	3.0	2.8	2.8
(F) Growth Rate (%)				
Revenue	2.9	17.2	8.3	8.9
EBITDA	2.1	9.9	4.9	12.5
EBIT	1.4	10.1	4.2	14.0
PBT	1.3	3.8	6.7	10.0
APAT	11.1	(3.9)	5.6	10.0
EPS	11.1	(3.9)	5.6	10.0

Cash Flow

(₹ Mn)	FY18A	FY19A	FY20E	FY21E
CFO	173,586	169,745	166,503	179,649
CFI	(41,387)	(19,568)	(56,791)	(52,920)
CFF	(195,982)	(150,487)	(93,433)	(101,462)
FCFF	150,711	137,497	111,961	126,729
Opening Cash	326,001	262,219	261,909	278,188
Closing Cash	262,219	261,909	278,188	303,455

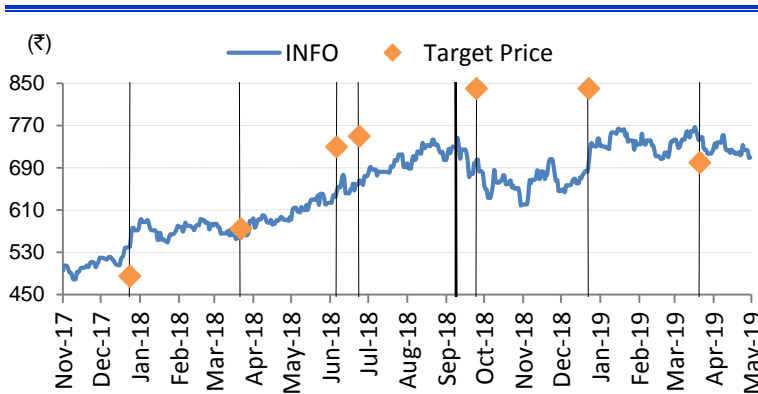
E – Estimates

DART RATING MATRIX

Total Return Expectation (12 Months)

Buy	> 20%
Accumulate	10 to 20%
Reduce	0 to 10%
Sell	< 0%

Rating and Target Price History



Month	Rating	TP (₹)	Price (₹)
Jan-18	Sell	485	541
Apr-18	Sell	575	586
Jun-18	Accumulate	730	645
Jul-18	Accumulate	750	666
Oct-18	Buy	840	705
Jan-19	Buy	840	702
Apr-19	Sell	700	748

*Price as on recommendation date

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