

Results In-line, commentary comforting across biz, Deals-wins reassures

- HCLT reported 7.4% QoQ degrowth in CC terms (DE: 6%) led by -1.6% QoQ degrowth in Mode 2 but steep -9.5%/-4.7% QoQ decline in Mode 1/Mode 3 segments (project offshoring impact). OPM declined by 40bps to 20.5% (DE 19.8%) helped by tighter cost controls and Fx.
- HCLT reintroduced guidance of avg. quarterly growth of 1.5% to 2.5% QoQ on CC basis over Q1-Q4. Growth confidence is led by healthy order signings in June (30% of deal signed in last 15 days of the quarter) and robust jump in pipeline by 40% YoY providing visibility and comfort to the mgmt. Net New deals as well as Renewals were higher on YoY basis. OPM guidance implies gains in profitability for FY21 on YoY basis.
- HCLT expects growth to come in H2 as ramp up of deals (11 transformational deals won in Q1) and its relative strength in cost transformation deals and vendor consolidation deals. Improvement in supply-side situation in ER&DS to drive growth while sustained traction in P&P offerings to drive OPM gains.
- With strong lead indicators and expectations of performance revival starting Q2, we largely retain our estimates building in CC \$revenue and EPS CAGR of ~4%/7% over FY20-22E. We retain our Accumulate rating on the stock with TP of Rs700 valued at 15x PER on FY22E EPS (3yr Median +2SD – higher PE is justified given expected robust improvement in FCF profile on TMF basis).

Strong momentum across business units; believes worst is behind

HCLT reported 11 new transformational deals wins with robust increase of 40% YoY in pipeline across key industry verticals incl. Telecom, Financial Services, Manufacturing, Life sciences and Healthcare. In terms of P&P segment growth, HCLT added over 2000 customer footprints during the first year including 100+ in the June quarter alone led by Bigfix and Appscan. Some of its products have become a bright spot and supporting revenues - P&P segment declined by just 2.1% QoQ in Q1.

OPM to improve on cost control measures and improved mix.

OPM margin declined 40bps QoQ largely driven by increase in D&A expense (up 8% QoQ – achieved almost peak run rate) which was offset by operational efficiencies. Profitability in Mode2/Mode3 expected to be neutralized given planned investments in innovation/amortisation respectively. We expect 30bps YoY gains in OPM at 19.9% in FY21.

Q1FY21 Result (Rs Mn)

Particulars	Q1FY21	Q1FY20	YoY (%)	Q4FY20	QoQ (%)
Revenue	178,410	164,250	8.6	185,900	(4.0)
Total Expense	132,750	130,250	1.9	138,700	(4.3)
EBITDA	45,660	34,000	34.3	47,200	(3.3)
Depreciation	9,060	5,950	52.3	8,390	8.0
EBIT	36,600	28,050	30.5	38,810	(5.7)
Other Income	2,050	1,280	60.2	(130)	(1676.9)
Interest	0	0		0	
EBT	38,650	29,330	31.8	38,680	(0.1)
Tax	9,290	7,050	31.8	7,070	31.4
RPAT	29,230	22,200	31.7	31,530	(7.3)
APAT	29,230	22,200	31.7	31,530	(7.3)
			(bps)		(bps)
Gross Margin (%)	38.0	33.5	444	38.3	(30)
EBITDA Margin (%)	25.6	20.7	489	25.4	20
NPM (%)	16.4	13.5	287	17.0	(58)
Tax Rate (%)	24.0	24.0	0	18.3	576
EBIT Margin (%)	20.5	17.1	344	20.9	(36)

CMP	Rs 623
Target / Upside	Rs 700 / 12%
BSE Sensex	37,114
NSE Nifty	10,902

Scrip Details

Equity / FV	Rs 5,430mn / Rs 2
Market Cap	Rs 1,692bn
	USD 23bn
52-week High/Low	Rs 652/Rs 375
Avg. Volume (no)	5,716,750
NSE Symbol	HCLTECH
Bloomberg Code	HCLT IN

Shareholding Pattern Jun'20(%)

Promoters	60.0
MF/Banks/FIs	8.4
FII	27.7
Public / Others	4.0

Valuation (x)

	FY20A	FY21E	FY22E
P/E	15.2	14.7	13.3
EV/EBITDA	10.3	9.1	7.8
ROE (%)	23.8	20.5	19.3
RoACE (%)	21.3	18.2	17.5

Estimates (Rs mn)

	FY20A	FY21E	FY22E
Revenue	706,780	739,489	818,251
EBITDA	166,930	183,470	201,802
PAT	111,451	114,792	126,966
EPS (Rs.)	41.0	42.3	46.8

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Exhibit 1: Quarterly performance versus estimates

(in Rs mn)	Actual	Estimates		% Variation		Comment
		Dolat	Consensus	Dolat	Consensus	
Revenues (in US\$ mn)	2,356	2,391	2,416	(1.5)	(2.5)	Revenue performance below estimate due to higher supply-side impact, some project offshoring
Sales	178,410	180,299	179,123	(1.0)	(0.4)	
EBIT	36,600	35,746	34,228	2.4	6.9	OPM ahead of the consensus led by strict cost controls
EBIT Margin (%)	20.5	19.8	19.1	70 bps	140 bps	
PAT	29,230	27,871	26,770	4.9	9.2	PAT beat by higher on strong cash generation led net other income

Source: Company, DART

Change in estimates

Factoring in weaker growth for the quarter and gradual sequential growth hereon for the next three quarter, we have reduced our revenue growth estimates for FY21/22E by 2% respectively. However, tight cost control measures, no wage hike for the year have resulted into improved OPM estimates by ~50bps for FY21/22E. Our estimate of 19.9% OPM is still lower than the mid-point guided band of 19.5-20.5% for FY21. Better OPM and improved cash-generation have helped in increased EPS estimates to the tune of 1.5% for FY21/22E.

Exhibit 2: Change in estimates

(Rs mn)	FY20	FY21E			FY22E		
	Actual	Old	New	% change	Old	New	% Change
Revenues (US\$ mn)	9,936	9,989	9,763	(2.3)	10,988	10,766	(2.0)
YoY growth (%)	15.1	0.5	(1.7)		10.0	10.3	
Revenues	706,780	753,203	739,489	(1.8)	835,091	818,251	(2.0)
YoY growth (%)	17.0	6.6	4.6		10.9	10.7	
EBIT	138,530	145,685	146,854	0.8	160,912	161,905	0.6
EBIT Margin (%)	19.6	19.3	19.9		19.3	19.8	
Net profits	111,451	113,264	114,792	1.3	125,145	126,966	1.5
EPS (Rs)	41.0	41.7	42.3	1.3	46.1	46.8	1.5

Source: Company, DART

Exhibit 3: Key assumptions in our estimates

Metrics	FY20	FY21E	FY22E
USD revenue growth (%)	15.1	(1.7)	10.3
INR revenue growth (%)	17.0	4.6	10.7
EBIT margins (% of sales)	19.6	19.9	19.8
EPS growth (%)	10.8	3.0	10.6
USD/INR	71.1	75.7	76.0

Source: Company, DART

Exhibit 4: Key Revenue growth matrix (% YoY)

YoY Growth	FY20	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
CC Growth	16.7	17.0	20.5	16.4	13.5	1.0
USD Growth	15.1	15.0	18.4	15.5	11.7	0.3
INR Growth	17.0	18.4	17.9	15.5	16.3	8.6

Source: Company, DART

Exhibit 5: Quarterly and YTD Performance Trends

Rs mn	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	YoY (%)	QoQ (%)	YTD FY20	YTD FY21	YoY (%)
Revenues(US\$ mn)	2,363.6	2,485.4	2,543.0	2,585.3	2,387.2	1.0	(7.7)	2,363.6	2,387.2	1.0
Revenue	164,250	175,280	181,350	185,900	178,410	8.6	(4.0)	164,250	178,410	8.6
Operating Expenditure	130,250	134,250	136,650	138,700	132,750	1.9	(4.3)	130,250	132,750	1.9
Cost of revenues	109,200	113,860	115,100	114,790	110,700	1.4	(3.6)	109,200	110,700	1.4
as % of sales	66.5	65.0	63.5	61.7	62.0			66.5	62.0	
SG&A expenses	21,050	20,390	21,550	23,910	22,050	4.8	(7.8)	21,050	22,050	4.8
as % of sales	12.8	11.6	11.9	12.9	12.4			12.8	12.4	
EBITDA	34,000	41,030	44,700	47,200	45,660	34.3	(3.3)	34,000	45,660	34.3
Depreciation	5,950	6,060	8,000	8,390	9,060			5,950	9,060	52.3
EBIT	28,050	34,970	36,700	38,810	36,600	30.5	(5.7)	28,050	36,600	30.5
Other Income	1,280	(30)	670	(130)	2,050			1,280	2,050	60.2
PBT	29,330	34,940	37,370	38,680	38,650	31.8	(0.1)	29,330	38,650	31.8
Total Tax	7,050	8,350	6,910	7,070	9,290			7,050	9,290	31.8
Adjusted PAT	22,280	26,590	30,460	31,610	29,360	31.8	(7.1)	22,280	29,360	31.8
APAT after MI	22,360	26,670	30,540	31,690	29,490	31.9	(6.9)	22,360	29,490	31.9
Reported EPS	8.2	9.8	11.2	11.6	10.8	31.7	(7.3)	8.2	10.8	31.7
Margins (%)						(bps)	(bps)			
EBIDTA	20.7	23.4	24.6	25.4	25.6	489	20	20.7	25.6	489
EBIT	17.1	20.0	20.2	20.9	20.5	344	(36)	17.1	20.5	344
EBT	17.9	19.9	20.6	20.8	21.7	381	86	17.9	21.7	381
PAT	13.6	15.2	16.8	17.0	16.5	292	(52)	13.6	16.5	292
Effective Tax rate	24.0	23.9	18.5	18.3	24.0	(0)	576	24.0	24.0	(0)

Source: DART, Company

What to expect next Quarter

We expect revenues to grow by ~2.5% QoQ in CC terms led by small supply-side tailwind and also as deal ramp-up improves. Profitability is likely to decline QoQ by 40bps to 20.1% as the company revokes furloughs and incur business growth related costs.

Exhibit 6: What to expect next Quarter

(Rs Mn)	Q2FY21E	Q1FY21	Q2FY20	YoY (%)	QoQ (%)
Sales (US\$ mn)	2,424	2,356	2,485	(2.5)	2.9
Sales	183,581	178,410	175,280	4.7	2.9
EBIT	36,961	36,600	34,970	5.7	1.0
PAT	28,533	29,230	26,510	7.6	(2.4)
EPS	10.5	10.8	9.8	7.6	(2.4)
EBIT margin (%)	20.1	20.5	20.0	18 bps	(38 bps)

Source: DART, Company

Key Highlights

Business commentary and outlook

- **Management View:** Covid 19 impact stabilized after initial ramp down, volume reductions and some discounts in stressed sectors. Management believes worst is over and is confident about growth trajectory from here on and expects Avg quarterly growth of 1.5% to 2.5% QoQ on CC terms over Q1-Q4FY21.
- **Four areas** are likely to drive new deals: 1) Momentum in Vendor Consolidation; 2) Cost-cut theme in vertical such as Energy/Auto, 3) strong digital foundation (Infra, hybrid cloud, scale agile model), and 4) Security.
- **Pipeline:** It increased 40% QoQ in terms of life sciences, financial services, Tech segment and energy and Auto segment. Even its overall order book position is positive on YoY basis (both for New as well as Renewal).
- **Deals:** Deal closures have been decent – **11 net new transformational deal across verticals** led by key industry verticals including telecommunication, financial services, manufacturing, life sciences and healthcare – **30% of deal signed in Q1 got closed in last 15 days of the quarter.**

Verticals and Service Commentary

- **IT and Business Services (71% of revenues)** revenues declined 5.6% YoY on CC terms, mainly due to many of the segments such as manufacturing, media, retail, Energy, Travel and Hospitality witnessed decline. While Life sciences and healthcare, financial services, tech segment and CPG surged up quite well during the Quarter.
- **Engineering and R&D services (16% of revenues)** saw a revenue decline of 5.1% YoY on CC. this is primarily due to impact on Aero, Auto and office Automation Segments.
- IT and Engineering and R&D Services saw **impact of offshoring of large deals transitioned last year.** Bookings in IT BS and ER&D services has been healthy which provides confidence on the growth for the rest of the year.
- **Products & Platforms (13% of revenues)** solid performance in the HCL software business continued in the June quarter (modest 2% decline QoQ). First full year of operations for IBM software business completed wherein it completed 16500 sales transactions across 11000 unique customers in more than 100 countries. On boarded over 2400 business partners and resellers (refer exhibit 7 for product launches).
- **Partnerships & Acquisitions:** Acquisition of **Cisco's SON** (Self-optimisation-Network) will take some time for consolidation. This acquisition along-with other ER&D space capabilities will empower its positioning in 5G opportunity. Announced exclusive **partnership with Temenos** towards development of products for customers from Non-financials verticals.

Financial highlights and Commentary

- **Profitability:** Given the sharp revenue fall, reduction in Gross margins could have been significant but was offset by operational efficiencies leaving a small impact off 70 bps. **EBITDA margin**, the closest representation of its cash generation ability, came in at a very healthy 25.6% of Rev at \$ 603mn up 20bps QoQ (4 Year CAGR: 15.4% for EBIDTA).

- **EBIT and EBIT Margin:** EBIT at Rs36.6bn decreased 5.7% QoQ and EBIT margins came in at 20.5%, higher 100 bps than FY20 run rate, exceeding the last 3 quarters' average and was 340 bps higher YoY. This strong improvement in margins has been achieved through company's continuous focus on automation, right-shoring, supply-chain efficiencies and other cost management initiatives, even amidst the challenging environment, changing mix of the business that is mix of Mode 2 and Mode 3 revenues. Mode2/mode3 profitability reduced by 70bps, M1 by 20bps.
- **Cash Flow's: Operating Cash Flow (OCF)** at US \$ 819 mn, with **OCF / NI** conversion at 211.9%. – Free Cash Flow (FCF) at US \$ 757 mn with FCF / NI conversion at 195.9%. **FCF adjusted for Acquisition** payment of \$812mn towards final tranche to IBM was down about \$60mn – **Gross Cash** stands at US \$ 1,952 mn and **Net Cash** at US \$ 1,329 mn at the end of June 30th, 2020.
- **Headcount flat:** Total Employee Count stood at 150,287 with technical staff at 138,888 (92% of total headcount), Support at 11399 (8% of total headcount). Headcount remained flat during the quarter as it added just 1000 freshers and 2000 laterals.
- **Attrition** on LTM basis is at 14.6% vs 16.3% in Q4FY20. IT Services attrition declines to 14.6%, down 270 bps on YoY basis. As of June 30, 2020, localization in US stood at 67.8%.

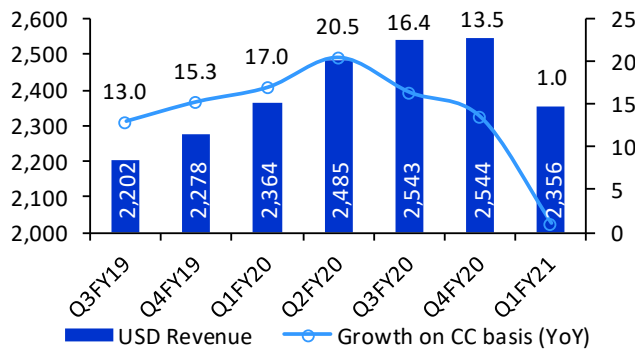
Exhibit 7: P&P - product launches during the quarter

Product	Solutions Provided
Unica V12.1	Does precision marketing by scaling billions of personalized interactions having complex data infrastructures
Domino Volt -	It will empower businesses dealing with daily processes and issues to build their own apps that not only solve their challenges, but align with their business processes and workflows
DevOps	Software DevOps practice and portfolio, including the General Availability (GA) of three new major product releases to help clients tackle 'Day 2' DevOps challenges beyond automation.
HCL Accelerate V2.0	HCL Accelerate enables users to visualize, orchestrate, and optimize their continuous delivery value streams using a unique 'dots' visualization method.
HCL Launch V7.1	Modernizes continuous delivery with hundreds of integrations to build on an organization's existing toolchain and automates corporate governance and ensures that deployments only proceed if they have passed specific business rules.
HCL OneTest V10.1	HCL OneTest consists of UI testing, performance testing, API testing, test data management, and service virtualization.
Digital Experience	It provides the ability to seamlessly combine digital content, complex business applications, and digitized business processes - all through authenticated access – on a secure cloud-native platform that scales.
Commerce V9.1	HCL Commerce is used by innovative businesses across multiple industries around the world to drive more than \$100 billion in annual client revenues.
Intello-Fi	"Intello-Fi" is a cloud hosted, rapidly deployable intelligent campus solution that helps organizations ensure safety and well-being of employees and assets
Fluid Connect Work from Home SD-WAN Solution	Enhances enterprise productivity by providing employees working from home a transport-agnostic, centralized managed SD-WAN technology.
SafeSense	A solution that offers precision thermal scanning, smart wearables, powered social distancing, sensors enabled queue and occupancy management, computer vision powered face mask detection and contactless IT.

Source: DART, Company

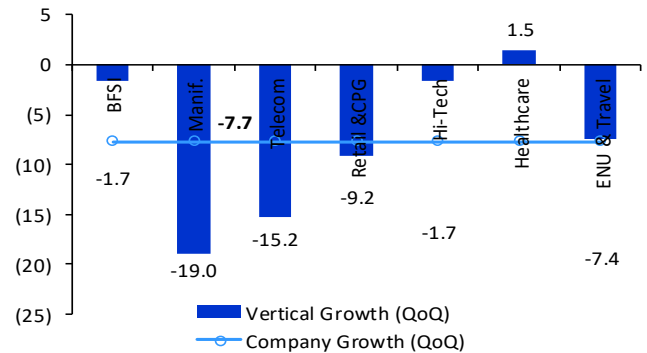
Story in Charts

Exhibit 8: Revenue grew 1% YoY in CC terms



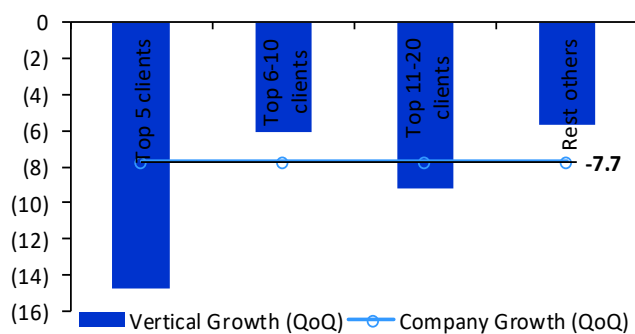
Source: Company, DART

Exhibit 9: Vertical-wise v/s Company (\$ growth)



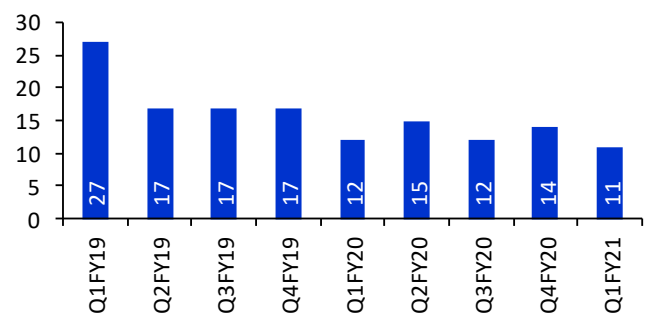
Source: Company, DART

Exhibit 10: Client buckets and Co. Growth (in \$ terms)



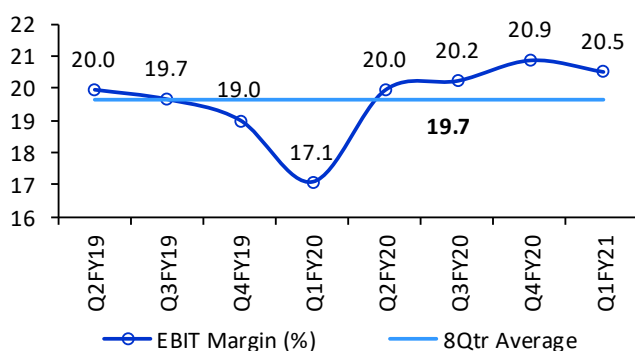
Source: Company, DART

Exhibit 11: Trends in Transformational Deal wins



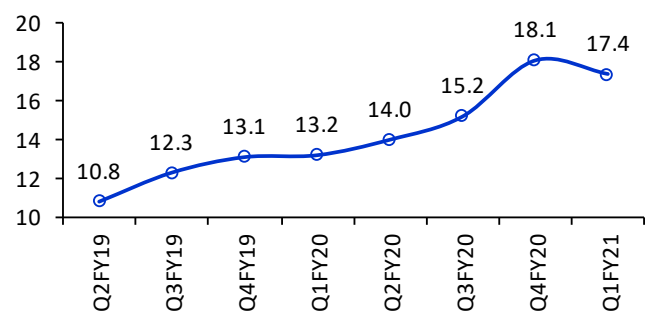
Source: Company, DART

Exhibit 12: Strict cost measures secured OPM in Q1



Source: Company, DART

Exhibit 13: Mode 2 OPM improving structurally



Source: Company, DART

Exhibit 14: Key Metrics

Metrics	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Revenue Growth in CC (QoQ)	3.0	5.6	3.3	4.2	6.0	2.1	0.8	(7.2)
Revenue Growth in CC (YoY)	10.5	13.0	15.3	17.0	20.5	16.4	13.5	1.0
OPM Margin (%)	20.0	19.7	19.0	17.1	20.0	20.2	20.9	20.5
Segment Amount (\$ mn)								
IT and Business Services	NA	NA	NA	1,779	1,775	1,785	1,796	1,663
Engineering and R&D Services	NA	NA	NA	400	421	425	415	384
Products & Platforms	NA	NA	NA	184	290	333	333	309
Segment Growth CC QoQ (%)								
IT and Business Services				3.6	0.9	0.1	1.6	(7.8)
Engineering and R&D Services				5.6	5.4	0.7	(1.6)	(9.0)
Products & Platforms				7.0	56.8	16.8	(0.1)	(2.1)
Segmental OPM (%)								
IT and Business Services				16.6	17.5	17.8	19.1	18.8
Engineering and R&D Services				16.0	21.4	20.7	19.0	18.7
Products & Platforms				24.1	32.9	32.9	32.8	31.6
Deals								
New Transformational deals	17	17	17	12	15	12	14	11
Vertical Amount (\$ mn)								
BFSI	483	476	481	480	557	549	537	528
Manufacturing	378	390	399	470	492	531	527	426
Telecom	151	203	196	189	209	229	211	179
Retail & CPG	210	225	228	225	249	262	259	236
Hi-Tech	382	412	426	447	383	384	412	405
Healthcare	271	286	296	303	321	310	318	323
Energy-Utilities-Travel-Govt	225	214	253	248	273	277	280	259
Vertical Growth YoY (%)								
BFSI	0.1	(2.8)	(5.7)	(1.9)	15.3	15.5	11.7	10.0
Manufacturing	(6.3)	(1.5)	1.9	25.1	30.3	36.4	32.1	(9.4)
Telecom	(0.8)	37.7	29.9	26.1	38.2	13.0	7.8	(5.3)
Retail & CPG	17.0	17.7	16.4	20.1	18.4	16.6	13.9	4.9
Hi-Tech	36.6	24.0	24.4	19.5	0.2	-6.7	(3.2)	(9.3)
Healthcare	20.0	23.0	26.3	15.0	18.4	8.4	7.4	6.7
Energy-Utilities-Travel-Govt	9.9	5.3	17.0	15.0	21.8	29.8	10.7	4.4
Geography Amount (\$ mn)								
Americas	1,381	1,418	1,433	1,600	1,601	1,597	1,615	1,500
Europe	562	621	677	612	701	743	730	667
ROW	155	161	169	149	184	203	198	188
Geography Growth YoY (%)								
Americas	15	12	14	21	16	13	13	(6)
Europe	0	9	11	6	25	20	8	9
ROW	(5)	2	(3)	(3)	18	27	18	27
Client Amount (\$ mn)								
Top 5 Clients	363	383	387	392	388	387	384	327
Top 6-10 Clients	157	163	162	173	186	183	176	165
Top 11-20 Clients	197	205	212	243	263	270	257	233
Non-Top 20 Clients	1,381	1,451	1,515	1,555	1,648	1,704	1,727	1,630
Client Growth YoY (%)								
Top 5 Clients	24.7	22.0	16.6	12.3	6.8	0.9	(0.8)	(16.6)
Top 6-10 Clients	4.7	6.4	5.8	10.5	18.4	12.4	8.5	(4.4)
Top 11-20 Clients	(0.7)	3.0	5.0	23.4	33.5	31.7	21.3	(4.2)
Non-Top 20 Clients	7.2	9.9	12.2	15.2	19.3	17.4	14.0	4.8

Source: DART, Company

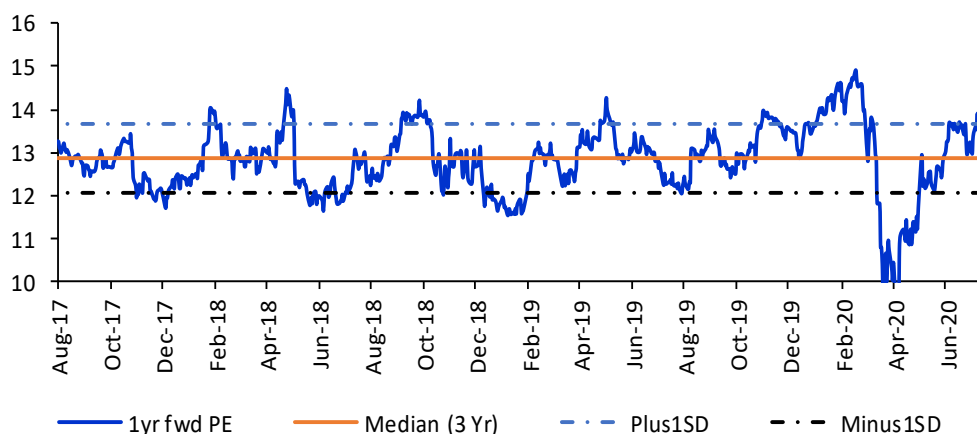
Exhibit 15: Key Metrics 2

Key Metrics	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Client Data								
1mn \$ +	575	597	623	633	667	712	791	848
5mn \$ +	269	276	283	293	299	302	308	320
10mn \$ +	165	164	166	172	171	167	171	173
20mn \$ +	90	95	95	93	93	94	96	93
50mn \$ +	31	29	29	29	30	32	30	29
100mn \$ +	9	10	10	12	13	15	15	15
Total Employees								
	127,875	132,328	137,965	143,900	147,123	149,173	150,423	150,287
Gross Additions	11,683	13,191	14,249	16,332	13,430	11,502	10,278	7,005
Net Addition	3,754	4,453	5,637	5,935	3,223	2,050	1,250	(136)
Attrition (LTM) (%)	17.1	17.8	17.7	17.3	16.9	16.8	16.3	14.6
Revenue by Contract								
T&M	802	808	827	863	833	819	806	784
FP	1,297	1,394	1,451	1,501	1,653	1,724	1,738	1,571
Revenue by Contract (YoY)								
T&M	5.0	3.7	5.7	10.5	3.9	1.3	(2.5)	(9.1)
FP	11.4	15.3	17.1	17.8	27.4	23.7	19.8	4.7

Source: DART, Company

PE Performance

Exhibit 16: 1 year Fwd PER - Trading at ~15x with its long term mean of ~13x.



Source: Company, DART

Profit and Loss Account

(Rs Mn)	FY19A	FY20A	FY21E	FY22E
Revenue	604,280	706,780	739,489	818,251
Total Expense	464,590	539,850	556,019	616,448
COGS	392,680	452,950	462,711	515,116
Employees Cost	0	0	0	0
Other expenses	71,910	86,900	93,308	101,333
EBIDTA	139,690	166,930	183,470	201,802
Depreciation	21,480	28,400	36,616	39,897
EBIT	118,210	138,530	146,854	161,905
Interest	0	0	0	0
Other Income	8,050	2,301	4,224	5,155
Exc. / E.O. items	0	0	0	0
EBT	126,260	140,831	151,078	167,061
Tax	24,810	29,380	36,286	40,095
RPAT	101,450	111,451	114,792	126,966
Minority Interest	0	0	0	0
Profit/Loss share of associates	0	0	0	0
APAT	101,450	111,451	114,792	126,966

Balance Sheet

(Rs Mn)	FY19A	FY20A	FY21E	FY22E
Sources of Funds				
Equity Capital	2,710	5,430	5,430	5,430
Minority Interest	0	0	0	0
Reserves & Surplus	419,530	508,780	601,852	704,383
Net Worth	422,240	514,210	607,283	709,814
Total Debt	39,860	68,720	68,720	68,720
Net Deferred Tax Liability	0	0	0	0
Total Capital Employed	462,100	582,930	676,003	778,534

Applications of Funds

Net Block	58,010	85,420	126,804	116,907
CWIP	0	0	0	0
Investments	88,900	67,240	67,240	67,240
Current Assets, Loans & Advances	442,050	676,400	740,588	861,266
Inventories	0	910	910	910
Receivables	117,060	141,310	163,810	182,710
Cash and Bank Balances	59,290	48,480	90,168	191,946
Loans and Advances	22,200	69,890	69,890	69,890
Other Current Assets	243,500	415,810	415,810	415,810
Less: Current Liabilities & Provisions	126,860	246,130	258,630	266,880
Payables	111,480	235,650	248,150	256,400
Other Current Liabilities	15,380	10,480	10,480	10,480
sub total				
Net Current Assets	315,190	430,270	481,958	594,386
Total Assets	462,100	582,930	676,003	778,534

E – Estimates

Important Ratios

Particulars	FY19A	FY20A	FY21E	FY22E
(A) Margins (%)				
Gross Profit Margin	35.0	35.9	37.4	37.0
EBIDTA Margin	23.1	23.6	24.8	24.7
EBIT Margin	19.6	19.6	19.9	19.8
Tax rate	19.6	20.9	24.0	24.0
Net Profit Margin	16.8	15.8	15.5	15.5
(B) As Percentage of Net Sales (%)				
COGS	65.0	64.1	62.6	63.0
Employee	0.0	0.0	0.0	0.0
Other	11.9	12.3	12.6	12.4
(C) Measure of Financial Status				
Gross Debt / Equity	0.1	0.1	0.1	0.1
Interest Coverage				
Inventory days	0	0	0	0
Debtors days	71	73	81	82
Average Cost of Debt	0.0	0.0	0.0	0.0
Payable days	67	122	122	114
Working Capital days	190	222	238	265
FA T/O	10.4	8.3	5.8	7.0
(D) Measures of Investment				
AEPS (Rs)	37.4	41.0	42.3	46.8
CEPS (Rs)	45.4	51.5	55.8	61.5
DPS (Rs)	4.9	6.0	8.0	9.0
Dividend Payout (%)	13.0	14.6	18.9	19.2
BVPS (Rs)	155.8	189.4	223.7	261.4
RoANW (%)	25.7	23.8	20.5	19.3
RoACE (%)	24.3	21.3	18.2	17.5
RoAIC (%)	31.2	29.6	26.2	27.6
(E) Valuation Ratios				
CMP (Rs)	623	623	623	623
P/E	16.6	15.2	14.7	13.3
Mcap (Rs Mn)	1,691,852	1,691,852	1,691,852	1,691,852
MCap/ Sales	2.8	2.4	2.3	2.1
EV	1,672,422	1,712,092	1,670,405	1,568,626
EV/Sales	2.8	2.4	2.3	1.9
EV/EBITDA	12.0	10.3	9.1	7.8
P/BV	4.0	3.3	2.8	2.4
Dividend Yield (%)	0.8	1.0	1.3	1.4
(F) Growth Rate (%)				
Revenue	19.5	17.0	4.6	10.7
EBITDA	22.1	19.5	9.9	10.0
EBIT	18.4	17.2	6.0	10.2
PBT	13.8	11.5	7.3	10.6
APAT	15.5	9.9	3.0	10.6
EPS	18.7	9.7	3.0	10.6

Cash Flow

(Rs Mn)	FY19A	FY20A	FY21E	FY22E
CFO	89,710	133,590	141,408	156,213
CFI	(30,730)	(123,740)	(78,000)	(30,000)
CFF	(16,540)	(31,260)	(21,720)	(24,435)
FCFF	27,050	54,370	63,408	126,213
Opening Cash	16,570	59,010	26,720	46,648
Closing Cash	59,010	37,600	68,408	148,426

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 (Rs.)	Price (Rs.)
Jan-19	Buy	675	494
May-19	Accumulate	615	543
Jun-19	Accumulate	615	540
Aug-19	Accumulate	605	544
Oct-19	Accumulate	642	560
Jan-20	Accumulate	685	599
May-20	Buy	560	512
Jun-20	Accumulate	630	563
Jun-20	Accumulate	630	580

*Price as on recommendation date

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