

**Mixed Result; Commentary weak & Outlook uncertain; maintain Reduce**

- Wipro reported 7.5% QoQ decline in CC Revenues (DART estm: 6.5% decline) led by broad-based decline across verticals with Retail and Communication severely impacted by 16.2% and 12.4% QoQ de-growth. OPM improved by 150bps QoQ for IT services at 19.0% largely led by improved utilization (160bps QoQ) and cost control across expense items. (DART estm: 16.4%).
- New CEO & MD, Thierry Delaporte in his first address (joined a week prior) said is working on its renewed strategy that is focused more on growth and may see some impact on profitability based on need for investments. Apart from building vision, roadmap the new CEO has already shared his focus on near term operations and execution.
- Wipro's expects stability in Communications, Retail and Tech verticals but has limited visibility on stability over other verticals. This coupled with slow decision making in deals implies uncertain outlook in near term and thus we expect sequential decline in its revenues/OPM.
- We believe the commentary highlights continued limited visibility on recovery. Post the earnings, we expect 1.3% CAGR revenue de-growth over FY20-22E and 1.9% CAGR earning de-growth over FY20-22E. We maintain our Reduce rating with TP of Rs 230 (valued at 14x FY22E earnings – inline with its -1SD below its mean).

**Vertical Outlook highlights potential prolonged recovery**

Wipro expects improved stability in Communication, Retail and Technology Verticals (34% of Rev) implying potential recovery or QoQ growth in these verticals (steep decline witnessed in Communications and Consumer Business Unit at 16.2% and 12.4% in Q1FY20). Wipro expects BFSI vertical to remain under pressure due to declining profitability and higher provisioning. Commentary over other verticals is broadly implies wait & watch mode and general view of recovery (uncertain to achieve Q3FY20 run-rate) is also cautious implying continued slide in in Q2FY21.

**Cost savings unsustainable at current levels, OPM to slide downwards**

OPM for IT Services improved 150bp QoQ led by Utilization improvements (210bps QoQ), b) lower bonus, c) cutting variable workforce, d) furloughs, e) automation and f) Cut in discretionary spends in Travel. Most of the proactive cuts in spends will reverse as it reinvest on resources for chasing growth starting Q2 - expect OPM to decline by 100bps to 17.1% in FY21.

**Q1FY21 Result (Rs Mn)**

Particulars	Q1FY21	Q1FY20	YoY (%)	Q4FY20	QoQ (%)
Revenue	150,433	148,718	1.2	158,498	(5.1)
Total Expense	117,341	118,447	(0.9)	126,313	(7.1)
EBITDA	33,092	30,271	9.3	32,185	2.8
Depreciation	6,152	4,955	24.2	5,796	6.1
EBIT	26,940	25,316	6.4	26,389	2.1
Other Income	31	(16)	(293.8)	13	138.5
Interest	(3,982)	(5,363)	(25.8)	(3,254)	22.4
EBT	30,953	30,663	0.9	29,656	4.4
Tax	6,838	6,699	2.1	6,205	10.2
RPAT	23,904	23,817	0.4	23,260	2.8
APAT	23,904	23,817	0.4	23,260	2.8
			(bps)		(bps)
Gross Margin (%)	31.1	29.9	118	28.0	307
EBITDA Margin (%)	22.0	20.4	164	20.3	169
NPM (%)	15.9	16.0	(12)	14.7	121
Tax Rate (%)	22.1	21.8	24	20.9	117
EBIT Margin (%)	17.9	17.0	89	16.6	126

CMP	Rs 261
Target / Upside	Rs 230 / 12%
BSE Sensex	37,114
NSE Nifty	10,902

**Scrip Details**

Equity / FV	Rs 11,427mn / Rs 2
Market Cap	Rs 1,528bn
	USD 20bn
52-week High/Low	Rs 276/Rs 159
Avg. Volume (no)	10,930,500
NSE Symbol	WIPRO
Bloomberg Code	WPRO IN

**Shareholding Pattern Jun'20(%)**

Promoters	74.0
MF/Banks/FIs	7.0
FII	8.4
Public / Others	10.5

**Valuation (x)**

	FY20A	FY21E	FY22E
P/E	15.7	16.7	16.0
EV/EBITDA	10.0	9.9	9.2
ROE (%)	17.3	15.1	14.2
RoACE (%)	12.4	11.1	10.7

**Estimates (Rs mn)**

	FY20A	FY21E	FY22E
Revenue	614,545	596,480	628,390
EBITDA	126,532	122,434	124,829
PAT	97,161	89,012	93,440
EPS (Rs.)	16.6	15.6	16.4

**VP Research: Rahul Jain**

Tel: +9122 40969771

E-mail: rahulj@dolatcapital.com

**Associate: Divyesh Mehta**

Tel: +91 22 40969768

E-mail: divyesh.mehta@dolatcapital.com

**Exhibit 1: Quarterly performance versus estimates**

(in Rs mn)	Actual	Estimates		% Variation		Comment
		Dolat	Consensus	Dolat	Consensus	
Revenues (in US\$ mn)	1,922	1,939	2,009	(0.9)	(4.4)	USD Revenue below estimate due to severe impact across verticals.
Sales	150,433	150,228	149,927	0.1	0.3	
EBIT	26,940	23,362	23,436	15.3	15.0	EBIT margin above estimates due to strong cost control measures across expense items.
EBIT Margin (%)	17.9	15.6	15.6	240 bps	230 bps	
PAT	23,904	20,863	21,498	14.6	11.2	PAT above estimates but slightly negated by higher ETR at 22%.

Source: Company, DART

**Change in estimates**

To factor in the conservative outlook for FY21 as was implied by management commentary, we have curtailed our growth estimates by 3.4%/2.4% in FY21E/FY22E to reflect 1.3% CAGR de-growth revenues and increased earnings by 1.5% in FY21E and decrease earning by 1.1% in FY22E to reflect 1.9% CAGR de-growth in earnings.

**Exhibit 2: Change in estimates**

(Rs mn)	FY21E			FY22E		
	Old	New	% change	Old	New	% Change
IT Revenues (US\$ mn)	7,912	7,647	(3.4)	8,240	8,045	(2.4)
YoY growth (%)	(4.2)	(7.4)		4.1	5.2	
Revenues	614,684	596,480	(3.0)	641,858	628,390	(2.1)
EBIT	98,828	98,041	(0.8)	107,713	102,835	(4.5)
EBIT Margin (%)	16.1	16.4		16.8	16.4	
Net profits	87,664	89,012	1.5	94,501	93,440	(1.1)
EPS (Rs)	15.4	15.6	1.5	16.6	16.4	(1.1)

Source: Company, DART

**Exhibit 3: Key assumptions in our estimates**

Metrics	FY21E	FY22E
USD Revenue (Mn)	7,647	8,045
USD Revenue growth (%)	(7.4)	5.2
USD/INR	75.6	76.0
INR Revenue growth (%)	(2.9)	5.3
EBIT Margins (%)	16.4	16.4
EPS growth (%)	(6.1)	5.0

Source: Company, DART

**Exhibit 4: Quarterly and FY performance trends**

Rs mn	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	YoY (%)	QoQ (%)	YTD FY20	YTD FY21	YoY (%)
<b>US\$ revenues (IT Services)</b>	<b>2,039</b>	<b>2,049</b>	<b>2,095</b>	<b>2,074</b>	<b>1,922</b>	<b>(5.7)</b>	<b>(7.3)</b>	<b>2,039</b>	<b>1,922</b>	<b>(5.7)</b>
Revenue	148,718	151,897	155,432	158,498	150,433	1.2	(5.1)	148,718	150,433	1.2
<b>Operating Expenditure</b>	<b>123,402</b>	<b>125,162</b>	<b>128,199</b>	<b>132,109</b>	<b>123,493</b>	<b>0.1</b>	<b>(6.5)</b>	<b>123,402</b>	<b>123,493</b>	<b>0.1</b>
Cost of revenues	104,273	108,006	109,673	114,133	103,700	(0.5)	(9.1)	104,273	103,700	(0.5)
<i>as % of sales</i>	70.1	71.1	70.6	72.0	68.9			70.1	68.9	
SG&A expenses	19,129	17,156	18,526	17,976	19,793	3.5	10.1	19,129	19,793	3.5
<i>as % of sales</i>	12.9	11.3	11.9	11.3	13.2			12.9	13.2	
EBIT	25,316	26,735	27,233	26,389	26,940	6.4	2.1	25,316	26,940	6.4
Other Income	5,347	4,608	3,560	3,267	4,013	(24.9)	22.8	5,347	4,013	(24.9)
PBT	30,663	31,343	30,793	29,656	30,953	0.9	4.4	30,663	30,953	0.9
Total Tax	6,699	5,731	6,164	6,205	6,838	2.1	10.2	6,699	6,838	2.1
<b>Adjusted PAT</b>	<b>23,964</b>	<b>25,612</b>	<b>24,629</b>	<b>23,451</b>	<b>24,115</b>	<b>0.6</b>	<b>2.8</b>	<b>23,964</b>	<b>24,115</b>	<b>0.6</b>
(Profit)/loss from JV's/Ass/MI	(147)	(86)	(71)	(191)	(211)	43.5	10.5	(147)	(211)	43.5
APAT after MI	23,817	25,526	24,558	23,260	23,904	0.4	2.8	23,817	23,904	0.4
Reported PAT	23,817	25,526	24,558	23,260	23,904	0.4	2.8	23,817	23,904	0.4
Reported EPS	4.0	4.3	4.3	4.1	4.2	6.0	2.8	4.0	4.2	6.0
<b>Margins (%)</b>						<b>(bps)</b>	<b>(bps)</b>			<b>(bps)</b>
EBIT	17.0	17.6	17.5	16.6	17.9	88.5	125.9	17.0	17.9	89
EBT	20.6	20.6	19.8	18.7	20.6	(4.2)	186.5	20.6	20.6	(4)
PAT	16.0	16.8	15.8	14.7	15.9	(12.5)	121.5	16.0	15.9	(12)
Effective Tax rate	21.8	18.3	20.0	20.9	22.1	24.4	116.8	21.8	22.1	24

Source: DART, Company

**What to expect next Quarter**

We expect 2% QoQ decline in IT Services Revenue as weak commentary for some verticals imply continued slide in performance and stable commentary in Communications, Retail and Tech Vertical imply flat to 2% growth performance in these verticals that collectively account third of its revenues. OPM expected to decline by 225bps QoQ given the negative operating leverage and business spends needed to chase growth in Q2. Sustained freeze in business investments remains a bit risk to our earnings estimate for Q2 and FY21E.

**Exhibit 5: What to expect next Quarter**

(Rs Mn)	Q2FY21E	Q1FY21	Q2FY20	QoQ (%)	YoY (%)
Sales (US\$ mn)	1,883	1,922	2,049	(2.0)	(8.1)
Sales	146,679	150,433	151,897	(2.5)	(3.4)
EBIT (IT Services)	23,886	27,822	26,507	(14.1)	(9.9)
PAT	21,681	23,904	25,526	(9.3)	(15.1)
EPS (Rs)	3.8	4.2	4.3	(9.3)	(11.4)
EBIT Margin (%)	16.8	19.0	18.1	(225 bps)	(128 bps)

Source: DART, Company

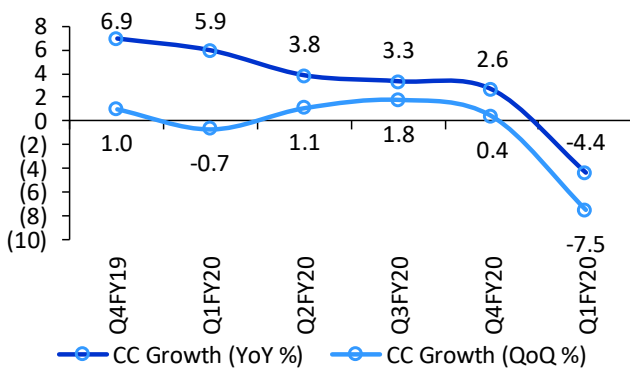
## Con-call Key Highlights

- **Revenue weaker than estimates:** USD Revenue declined by 7.5% QoQ in CC terms to \$1,922mn for IT Services business. Wipro highlighted that strong execution has helped it to deliver improved traction over the quarter and led to above (Wipro's) expected performance. INR Revenue declined only 4.8% on QoQ basis due to INR depreciation of 2.8% on QoQ basis.
- **Pricing decline to reduce:** Pricing (productivity) for the quarter declined nearly 7% QoQ for various factors such as discount offered and also on lowered due to certain element based contracts (eg: IMS deal in a Manufacturing Vertical could have revenues linked to output or infra usage – which have declined sharply due to lockdown but headcount in such projects remain intact) where only limited execution (with payment for only those elements) is done with full resource cost for WIPRO. This should revive hereon as lockdown eases.
- **Vertical Commentary:** BFSI Vertical (30% of Rev) declined 6.4% QoQ in CC terms. Wipro highlighted that banks and **financial institutions** are focusing on capital conservation given current environment. **Healthcare** business (14% of Rev) declined by 7.2% QoQ due to seasonality in payer business in Q1FY21 and decline in elective treatments. Wipro expects stability of **Retail, Communication and Tech Vertical** (34% of Revenue) and limited visibility over the other verticals. We believe implies prolong weakness and slow recovery.
- **Geographic Commentary:** Wipro has limited visibility over its' largest geographic market US (59% of Revenue, declined 7% QoQ in CC terms) due to upcoming election, COVID environment and potential economic impact. Europe and RoW declined by 9.7% and 6.1% QoQ in CC terms. Within ROW, Wipro is witnessing demand in Philippines.
- **Outlook weak:** Wipro's commentary continues to highlight fluidity of the situation and continued uncertainty. While pipeline has strong and order book has grown on YoY basis, Deal decisions continue to be delayed (Delay in execution of deals also possible).
- **New CEO Update:** In June'20, Wipro appoints Thierry Delaporte as CEO & MD (based in Paris). Mr Delaporte was COO and member of Executive Committee at Capgemini group and has in past has headed its BFSI vertical (CY13-17). Delaporte highlighted that he has been in touch with the senior team since 3-5 weeks and clients since joining. He is planning WIPRO's new strategy covering profitability and growth.
- **OPM Margin:** IT Services OPM increased by 150bps to 19%. Margin Walkthrough: Utilization (including furlough, automation, variable workforce): 1% gains, Fx impact: +1% and 0.5% negative impact of high ECL loss. While WIPRO expects OPM in same narrow band in Q2, we expect OPM will decline as it would spend to chase growth in Q2. While, there are certain expenses (Travel) that will come back but some will witness full positive benefit of certain cost savings in Q2 (example it has done wage cuts for Sr leadership in May'20).
- **Client Metrics:** Wipro's \$100plus clients decreased to 13 from 15 on QoQ basis. Similarly, Active clients decreased by 70 to 1004. Non-top 10 client's revenue declined by 8.5% QoQ. Within Top 10 clients, top 2-5 clients had decline of 8.3% QoQ, top 6-10 grew by 4.4% QoQ and top client de-grew 1.2%.

- **Products/ISRE remain weak:** IT products revenues declined by 6% on YoY basis at Rs2.2bn and slight OPM at 5.5% for the quarter. Revenues in the ISRE segment declined by 9.6% QoQ at Rs2bn and loss of about Rs0.1bn. Both these segments are likely to remain weak in current environment and would drag the overall performance for Wipro.
- **Acquisition:** WIPRO acquired a Brazil based IT services provider, IVIA Servigos de Informatica Ltd. The acquisition cost is \$22.4Mn (cash based) implying a 1.65x Revenue multiple (based on CY19 Revenue \$13.5Mn, 10% CAGR over CY17-CY19). Acquisition will provide access to new set of customers (across Verticals: BFSI, Retail, Public, Manufacturing) and regions (Latin America) where Wipro's presence is limited. It brings (cost competitive) talent sourcing ability in those regions. The transaction is expected to close before 30<sup>th</sup> Sept, 2020.

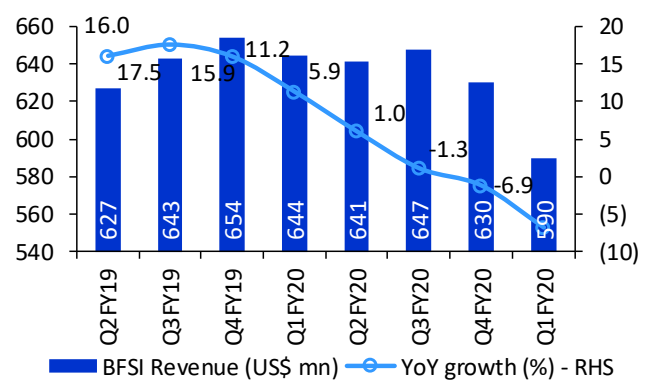
## Story in Charts

**Exhibit 6:** Rev growth in CC terms declined due to weakness across verticals



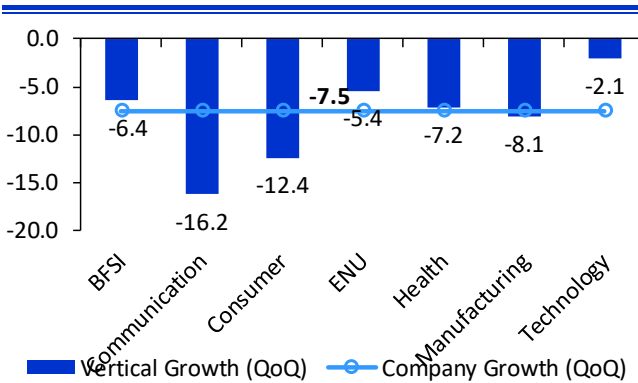
Source: Company, DART

**Exhibit 7:** BFSI Vertical pains to extend further given weak business macros



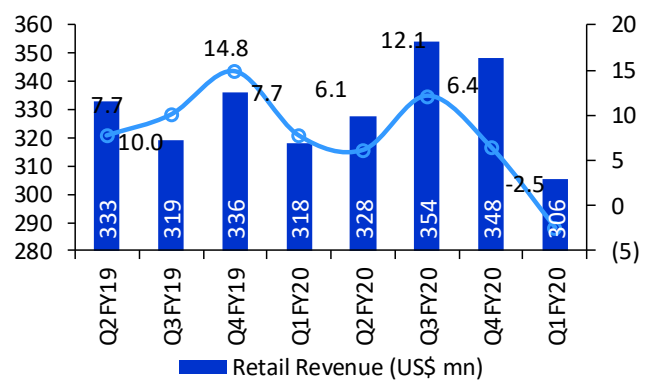
Source: Company, DART

**Exhibit 8:** Revenues declined across segment - YoY



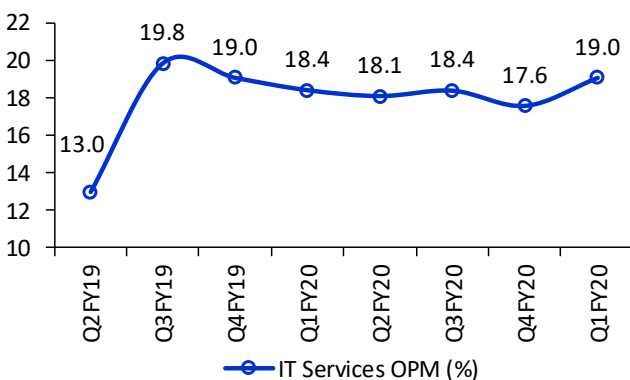
Source: Company, DART

**Exhibit 9:** Retail Vertical is expected to stabilize after 12% QoQ and 2% YoY decline in revenues in Q1.



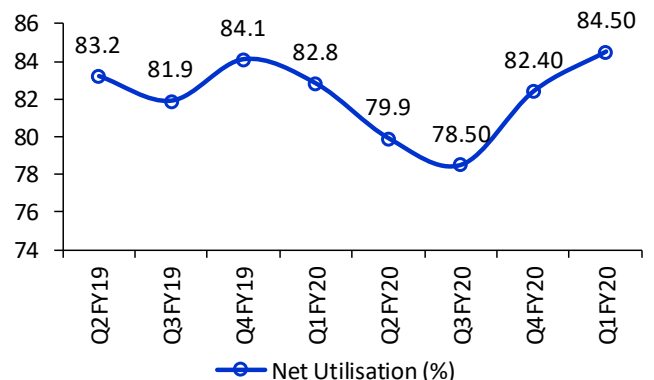
Source: Company, DART

**Exhibit 10:** IT services OPM improved by 150bps QoQ led by Utilization and favourable Fx



Source: Company, DART

**Exhibit 11:** Utilization improved by 210bps QoQ.



Source: Company, DART

**Exhibit 12: Key Metrics**

<b>Operating Metrics</b>	<b>Q2FY19</b>	<b>Q3FY19</b>	<b>Q4FY19</b>	<b>Q1FY20</b>	<b>Q2FY20</b>	<b>Q3FY20</b>	<b>Q4FY20</b>	<b>Q1FY21</b>
Revenue Growth in CC (QoQ)	2.8	2.8	1.0	(0.7)	1.1	1.8	0.4	(7.5)
Revenue Growth in CC (YoY)	5.1	7.0	6.9	5.9	3.8	3.3	2.6	(4.4)
<b>Vertical Amount (INR mn)</b>								
Banking, Financial Services and Insurance	627	643	654	644	641	647	630	590
Communications	116	119	118	120	117	119	114	98
Consumer Business Unit	333	319	336	318	328	354	348	306
Energy, Natural Resources and Utilities	257	266	266	261	264	270	265	254
Health Business Unit	261	268	274	269	266	274	280	259
Manufacturing	169	166	166	161	166	172	170	156
Technology	284	266	262	265	266	258	265	259
<b>Vertical Growth (YoY)</b>								
Banking, Financial Services and Insurance	16.0	17.5	15.9	11.2	5.9	1.0	(1.3)	(6.9)
Communications	(6.7)	(3.2)	3.2	8.8	2.4	1.3	2.0	(16.9)
Consumer Business Unit	7.7	10.0	14.8	7.7	6.1	12.1	6.4	(2.5)
Energy, Natural Resources and Utilities	0.0	9.8	9.4	7.8	6.3	2.6	4.9	(1.7)
Health Business Unit	(4.4)	(4.1)	(2.3)	0.4	3.0	4.2	3.6	(2.1)
Manufacturing	(1.6)	(0.2)	(3.2)	(0.1)	0.9	4.9	4.2	(2.0)
Technology	4.6	0.1	(5.3)	(1.6)	(2.5)	(1.7)	3.5	(1.4)
<b>Geography Amount (INR mn)</b>								
US	1,145	1,169	1,208	1,197	1,221	1,240	1,226	1,134
Europe	525	522	511	502	481	496	500	455
Rest of World	371	356	357	340	346	358	348	332
<b>Geography Growth (YoY)</b>								
US	7.9	12.7	14.2	11.2	9.4	7.2	2.3	(4.4)
Europe	5.0	2.9	(2.6)	0.0	(2.7)	(4.3)	(2.2)	(7.7)
Rest of World	0.0	(3.2)	0.2	(1.8)	(4.1)	2.0	(2.6)	0.5
<b>Client Amount \$mn</b>								
Top client	73	76	77	75	66	63	62	61
Top 2-5 client	174	190	208	206	197	195	191	175
Top 5 client	247	266	284	281	262	258	253	236
Top 6-10 client	137	137	139	141	143	145	147	154
Top 10 client	384	403	423	422	406	402	400	390
Non Top 10 client	1,657	1,643	1,652	1,617	1,643	1,693	1,673	1,532
<b>Client Growth (YoY)</b>								
Top client	17.7	21.3	6.4	0.6	(10.8)	(17.0)	(19.0)	(18.5)
Top 2-5 client	9.1	15.3	19.8	27.0	13.4	2.4	(8.1)	(15.1)
Top 5 client	11.5	17.0	15.9	18.7	6.2	(3.2)	(11.0)	(16.0)
Top 6-10 client	(3.0)	4.8	3.8	5.2	4.9	5.4	5.9	9.3
Top 10 client	5.9	12.5	11.6	13.8	5.7	(0.2)	(5.5)	(7.6)
Non Top 10 client	0.4	(0.7)	(1.8)	(2.3)	(0.9)	3.0	1.3	(5.3)
<b>Segment Revenue \$mn</b>								
Traditional Revenue	1,400	1,367	1,353	1,276	1,248	1,261	1,219	NA
Digital Revenue	641	679	722	763	801	834	854	NA
<b>Segment Growth (YoY)</b>								
Traditional Revenue	(8.4)	(9.5)	(10.6)	(11.6)	(10.9)	(7.8)	(9.9)	NA
Digital Revenue	32.1	35.0	31.7	30.9	25.0	22.7	18.3	NA

Source: DART, Company

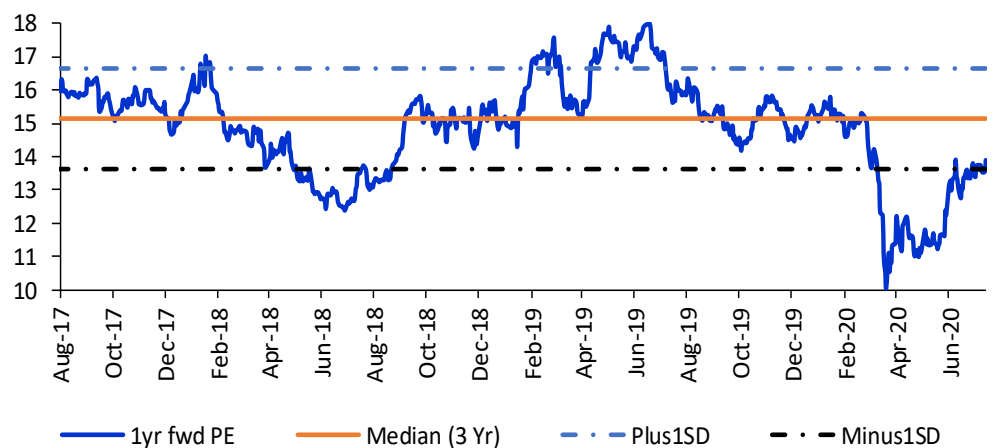
**Exhibit 13: Key Metrics (continued)**

Operating Metrics	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
<b>Total Employees</b>	171,451	172,379	171,425	174,850	181,453	187,318	182,886	181,804
Gross Additions	17,964	8,429	6,200	11,096	13,597	11,535	1,469	3,810
Net Addition	10,605	928	(954)	3,425	6,603	5,865	(4,432)	(1,082)
Attrition (Quarter) (%)	18.3	17.5	16.6	17.9	16.0	12.5	12.6	10.7
Gross Utilization	74.4	73.4	75.4	73.9	71.4	70.2	73.4	75.0
Net Utilization	83.2	81.9	84.1	82.8	79.9	78.5	82.4	84.5
<b>Revenue Area (Mix)</b>								
Onsite	52.8	52.2	51.5	52.3	53.3	53.2	51.8	51.5
Offshore	47.2	47.8	48.5	47.7	46.7	46.8	48.2	48.5
<b>Service Type (Mix)</b>								
FPP	58.9	59.8	60.0	61.6	61.9	62.6	63.2	61.7
TTM	41.1	40.2	40.0	38.4	38.1	37.4	36.8	38.3
<b>Client Data</b>								
>US\$1 million	584	578	571	564	569	572	574	577
>US\$3 million	348	339	339	340	341	344	341	348
>US\$5 million	265	269	262	259	261	260	260	258
>US\$10 million	177	171	172	166	165	169	166	163
>US\$20 million	92	99	96	92	92	96	96	97
>US\$50 million	39	41	41	41	41	41	40	39
>US\$100 million	9	10	10	13	13	14	15	13
Number of active clients	1,131	1,132	1,115	1,060	1,027	1,070	1,074	1,004
Number of New Customers	76	57	63	41	57	77	65	42

Source: DART

## PE Performance

**Exhibit 14: 1 year Fwd PER Chart of WIPRO trading below median valuation of 15x.**



Source: Company, DART



**Profit and Loss Account**

(Rs Mn)	FY19A	FY20A	FY21E	FY22E
<b>Revenue</b>	<b>590,606</b>	<b>614,545</b>	<b>596,480</b>	<b>628,390</b>
<b>Total Expense</b>	<b>474,022</b>	<b>488,013</b>	<b>474,046</b>	<b>503,561</b>
COGS	411,564	436,085	421,008	446,860
Employees Cost	0	0	0	0
Other expenses	62,458	51,928	53,038	56,701
<b>EBIDTA</b>	<b>116,584</b>	<b>126,532</b>	<b>122,434</b>	<b>124,829</b>
Depreciation	19,472	20,859	24,393	21,994
<b>EBIT</b>	<b>97,112</b>	<b>105,673</b>	<b>98,041</b>	<b>102,835</b>
Interest	(15,548)	(16,753)	(16,378)	(17,556)
Other Income	2,757	29	86	70
Exc. / E.O. items	0	0	0	0
<b>EBT</b>	<b>115,417</b>	<b>122,455</b>	<b>114,505</b>	<b>120,461</b>
Tax	25,242	24,799	24,967	26,501
RPAT	90,033	97,161	89,012	93,440
Minority Interest	142	495	526	520
<b>Profit/Loss share of associates</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>APAT</b>	<b>90,033</b>	<b>97,161</b>	<b>89,012</b>	<b>93,440</b>

**Balance Sheet**

(Rs Mn)	FY19A	FY20A	FY21E	FY22E
<b>Sources of Funds</b>				
Equity Capital	12,068	11,427	11,422	11,422
Minority Interest	2,637	1,875	2,401	2,921
Reserves & Surplus	556,048	546,031	612,301	677,204
<b>Net Worth</b>	<b>568,116</b>	<b>557,458</b>	<b>623,723</b>	<b>688,626</b>
Total Debt	99,467	78,042	63,402	51,689
Net Deferred Tax Liability	(2,187)	(3,180)	(3,180)	(3,180)
<b>Total Capital Employed</b>	<b>668,033</b>	<b>634,195</b>	<b>686,345</b>	<b>740,056</b>

**Applications of Funds**

Net Block	<b>201,343</b>	<b>245,242</b>	<b>240,849</b>	<b>239,855</b>
CWIP	0	0	0	0
Investments	8,151	10,685	10,685	10,685
<b>Current Assets, Loans &amp; Advances</b>	<b>618,073</b>	<b>555,130</b>	<b>610,599</b>	<b>669,609</b>
Inventories	3,951	1,865	1,827	1,926
Receivables	142,780	152,875	158,517	165,275
Cash and Bank Balances	158,529	144,499	193,008	242,722
Loans and Advances	0	0	0	0
Other Current Assets	92,097	66,256	65,813	66,250
<b>Less: Current Liabilities &amp; Provisions</b>	<b>159,534</b>	<b>176,862</b>	<b>175,788</b>	<b>180,093</b>
Payables	113,072	96,904	95,302	99,465
Other Current Liabilities	46,462	79,958	80,486	80,627
sub total				
Net Current Assets	458,539	378,268	434,811	489,516
<b>Total Assets</b>	<b>668,033</b>	<b>634,195</b>	<b>686,345</b>	<b>740,056</b>

E – Estimates

**Important Ratios**

Particulars	FY19A	FY20A	FY21E	FY22E
<b>(A) Margins (%)</b>				
Gross Profit Margin	30.3	29.0	29.4	28.9
EBIDTA Margin	19.7	20.6	20.5	19.9
EBIT Margin	16.4	17.2	16.4	16.4
Tax rate	21.9	20.3	21.8	22.0
Net Profit Margin	15.2	15.8	14.9	14.9
<b>(B) As Percentage of Net Sales (%)</b>				
COGS	69.7	71.0	70.6	71.1
Employee	0.0	0.0	0.0	0.0
Other	10.6	8.4	8.9	9.0
<b>(C) Measure of Financial Status</b>				
Gross Debt / Equity	0.2	0.1	0.1	0.1
Interest Coverage	(6.2)	(6.3)	(6.0)	(5.9)
Inventory days	2	1	1	1
Debtors days	88	91	97	96
Average Cost of Debt	(13.1)	(18.9)	(23.2)	(30.5)
Payable days	70	58	58	58
Working Capital days	283	225	266	284
FA T/O	2.9	2.5	2.5	2.6
<b>(D) Measures of Investment</b>				
AEPS (Rs)	15.0	16.6	15.6	16.4
CEPS (Rs)	18.2	20.2	19.9	20.2
DPS (Rs)	1.0	3.9	4.0	5.0
Dividend Payout (%)	6.7	23.5	25.5	30.5
BVPS (Rs)	94.4	95.4	109.4	120.7
RoANW (%)	17.1	17.3	15.1	14.2
RoACE (%)	11.8	12.4	11.1	10.7
RoAIC (%)	18.2	21.2	19.9	20.8
<b>(E) Valuation Ratios</b>				
CMP (Rs)	261	261	261	261
P/E	17.5	15.7	16.7	16.0
Mcap (Rs Mn)	1,527,568	1,527,568	1,527,568	1,527,568
MCap/ Sales	2.6	2.5	2.6	2.4
EV	1,247,790	1,271,476	1,206,526	1,143,100
EV/Sales	2.1	2.1	2.0	1.8
EV/EBITDA	10.7	10.0	9.9	9.2
P/BV	2.8	2.7	2.4	2.2
Dividend Yield (%)	0.4	1.5	1.5	1.9
<b>(F) Growth Rate (%)</b>				
Revenue	8.1	4.1	(2.9)	5.3
EBITDA	10.6	8.5	(3.2)	2.0
EBIT	15.2	8.8	(7.2)	4.9
PBT	12.6	6.1	(6.5)	5.2
APAT	12.5	7.9	(8.4)	5.0
EPS	16.6	11.1	(6.1)	5.0
<b>Cash Flow</b>				
<b>(Rs Mn)</b>	<b>FY19A</b>	<b>FY20A</b>	<b>FY21E</b>	<b>FY22E</b>
CFO	116,316	100,643	91,319	95,407
CFI	50,652	34,012	(303)	(465)
CFF	(49,369)	(149,076)	(42,507)	(45,228)
FCFF	95,475	78,416	71,319	74,407
Opening Cash	40,926	158,525	144,104	192,613
Closing Cash	158,525	144,104	192,613	242,327

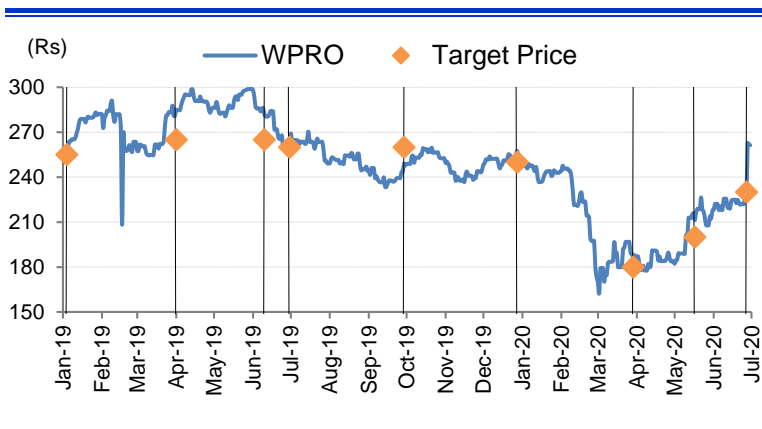
E – Estimates

### DART RATING MATRIX

Total Return Expectation (12 Months)

<b>Buy</b>	<b>&gt; 20%</b>
<b>Accumulate</b>	<b>10 to 20%</b>
<b>Reduce</b>	<b>0 to 10%</b>
<b>Sell</b>	<b>&lt; 0%</b>

### Rating and Target Price History



Month	Rating	TP (Rs.)	Price (Rs.)
Jan-19	Reduce	255	253
Apr-19	Reduce	265	285
Jun-19	Reduce	265	282
Jul-19	Reduce	260	260
Oct-19	Reduce	260	249
Jan-20	Reduce	250	257
Apr-20	Reduce	180	187
Jun-20	Sell	200	211
Jul-20	Reduce	230	225

\*Price as on recommendation date

### DART Team

<b>Purvag Shah</b>	<b>Managing Director</b>	<b>purvag@dolatcapital.com</b>	<b>+9122 4096 9747</b>
--------------------	--------------------------	--------------------------------	------------------------

<b>Amit Khurana, CFA</b>	<b>Head of Equities</b>	<b>amit@dolatcapital.com</b>	<b>+9122 4096 9745</b>
--------------------------	-------------------------	------------------------------	------------------------

### CONTACT DETAILS

Equity Sales	Designation	E-mail	Direct Lines
Dinesh Bajaj	VP - Equity Sales	dineshb@dolatcapital.com	+9122 4096 9709
Kapil Yadav	VP - Equity Sales	kapil@dolatcapital.com	+9122 4096 9735
Yomika Agarwal	VP - Equity Sales	yomika@dolatcapital.com	+9122 4096 9772
Jubbin Shah	VP - Derivatives Sales	jubbins@dolatcapital.com	+9122 4096 9779
Ashwani Kandoi	AVP - Equity Sales	ashwanik@dolatcapital.com	+9122 4096 9725
Lekha Nahar	AVP - Equity Sales	lekhan@dolatcapital.com	+9122 4096 9740
Equity Trading	Designation	E-mail	
P. Sridhar	SVP and Head of Sales Trading	sridhar@dolatcapital.com	+9122 4096 9728
Chandrakant Ware	VP - Sales Trading	chandrakant@dolatcapital.com	+9122 4096 9707
Shirish Thakkar	VP - Head Domestic Derivatives Sales Trading	shirisht@dolatcapital.com	+9122 4096 9702
Kartik Mehta	Asia Head Derivatives	kartikm@dolatcapital.com	+9122 4096 9715
Dinesh Mehta	Co- Head Asia Derivatives	dinesh.mehta@dolatcapital.com	+9122 4096 9765
Bhavin Mehta	VP - Derivatives Strategist	bhavinm@dolatcapital.com	+9122 4096 9705

**Dolat** Capital Market Private Limited.

Sunshine Tower, 28th Floor, Senapati Bapat Marg, Dadar (West), Mumbai 400013

---

**Analyst(s) Certification**

The research analyst(s), with respect to each issuer and its securities covered by them in this research report, certify that: All of the views expressed in this research report accurately reflect his or her or their personal views about all of the issuers and their securities; and No part of his or her or their compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this research report.

---

**I. Analyst(s) and Associate (S) holding in the Stock(s): (Nil)****II. Disclaimer:**

This research report has been prepared by Dolat Capital Market Private Limited. to provide information about the company(ies) and sector(s), if any, covered in the report and may be distributed by it and/or its affiliated company(ies) solely for the purpose of information of the select recipient of this report. This report and/or any part thereof, may not be duplicated in any form and/or reproduced or redistributed without the prior written consent of Dolat Capital Market Private Limited. This report has been prepared independent of the companies covered herein. Dolat Capital Market Private Limited. and its affiliated companies are part of a multi-service, integrated investment banking, brokerage and financing group. Dolat Capital Market Private Limited. and/or its affiliated company(ies) might have provided or may provide services in respect of managing offerings of securities, corporate finance, investment banking, mergers & acquisitions, financing or any other advisory services to the company(ies) covered herein. Dolat Capital Market Private Limited. and/or its affiliated company(ies) might have received or may receive compensation from the company(ies) mentioned in this report for rendering any of the above services. Research analysts and sales persons of Dolat Capital Market Private Limited. may provide important inputs to its affiliated company(ies) associated with it. While reasonable care has been taken in the preparation of this report, it does not purport to be a complete description of the securities, markets or developments referred to herein, and Dolat Capital Market Private Limited. does not warrant its accuracy or completeness. Dolat Capital Market Private Limited. may not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. This report is provided for information only and is not an investment advice and must not alone be taken as the basis for an investment decision. The investment discussed or views expressed herein may not be suitable for all investors. The user assumes the entire risk of any use made of this information. The information contained herein may be changed without notice and Dolat Capital Market Private Limited. reserves the right to make modifications and alterations to this statement as they may deem fit from time to time. Dolat Capital Market Private Limited. and its affiliated company(ies), their directors and employees may; (a) from time to time, have a long or short position in, and buy or sell the securities of the company(ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions. This report is neither an offer nor solicitation of an offer to buy and/or sell any securities mentioned herein and/or not an official confirmation of any transaction. This report is not directed or intended for distribution to, or use by any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject Dolat Capital Market Private Limited. and/or its affiliated company(ies) to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to a certain category of investors. Persons in whose possession this report may come, are required to inform themselves of and to observe such restrictions.

**For U.S. Entity/ persons only:** This research report is a product of Dolat Capital Market Private Limited., which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is intended for distribution by Dolat Capital Market Private Limited. only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person or entity.

In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, Dolat Capital Market Private Limited. has entered into an agreement with a U.S. registered broker-dealer Ltd Marco Polo Securities Inc. ("Marco Polo"). Transactions in securities discussed in this research report should be effected through Marco Polo or another U.S. registered broker dealer/Entity as informed by Dolat Capital Market Private Limited. from time to time.

---

**Dolat Capital Market Private Limited.**

Corporate Identity Number: U65990DD1993PTC009797

Member: BSE Limited and National Stock Exchange of India Limited.

SEBI Registration No: BSE - INB010710052 & INF010710052, NSE - INB230710031& INF230710031, Research: INH000000685

Registered office: Office No. 141, Centre Point, Somnath, Daman – 396 210, Daman & Diu

Board: +9122 40969700 | Fax: +9122 22651278 | Email: research@dolatcapital.com | www.dolatresearch.com

---