

Results beat, commentary comforting across biz, FCF zooms

- HCLT reported 4.5% QoQ CC growth (DE: 3.8%) led by strong growth across business segments. OPM improved by 108bps to 21.6% (DE 20.7%) helped by operating efficiency (157bps) that funded investment in P&P 32bps and FX impact 24bps. Pat up 7.5% QoQ at Rs31.4bn.
- FCF generation took significant leap (swing of over 1bn\$ YoY basis) given strong earnings growth, low Capex/acquisition investments and improved DSO (by 11 days YoY). FCF/Ni now stands at 146% on TTM basis given increased non-cash charges in P&L. As a result, it has doubled up its quarterly dividend payouts to Rs. 4 per share.
- HCL retained revenue CQGR at 1.5%-2.5% for Q3/Q4 but has upped the OPM band guidance by 100bps to 20% to 21%. Transformational deal wins were 15, taking the booking TCV up 35% QoQ (flattish on YoY Basis). Growth indicators are strong with pipeline (all-time high), sustained traction in P&P and revival in ERS business due to cloud-led growth.
- Given result beat, confident outlook/commentary, strong lead indicators, improved FCF generation profile we retain HCLT as our Top pick with Buy rating and TP of Rs990 valued at 18x PER on FY23E EPS.

Stance remain confident, seasonality to moderate growth in H2

After a very strong execution in Q2 (**4.5% QoQ CC growth**), growth momentum is expected to moderate given expected seasonality impact in the Services business and slightly preponing of deal wins in Product segment in the Q2 (Expect P&P to deliver uniform performance across year, rather than any heavy quarter). Deal signing has improved with 15 deal wins in Q2 (11 in Q1 – TCV up 35% QoQ) but for these deals to drive run rate will take 2-3 quarters. HCL has well-calibrated its offerings in-line with the changes in the market towards technology adoptions and thus should be able to participate as the acceleration on these platform improves. It's **ERS segment witnessed 3.6% QoQ** growth led by both demand (Hi-tech) as well as recovery from supply side normalization. **P&P business segment revenues grew by 3.1% QoQ** as it continued robust sales transactions – did 5,000 transactions with total unique customer count to 12,000. The demand for its product is improving especially in the Commerce and Security offering and has witnessed mild improvement in pricing as well as select up-sell opportunity into Services business.

Q2FY21 Result (Rs Mn)

Particulars	Q2FY21	Q2FY20	YoY (%)	Q1FY21	QoQ (%)
Revenue	185,940	175,280	6.1	178,410	4.2
Total Expense	136,430	134,250	1.6	132,750	2.8
EBITDA	49,510	41,030	20.7	45,660	8.4
Depreciation	9,350	6,060	54.3	9,060	3.2
EBIT	40,160	34,970	14.8	36,600	9.7
Other Income	1,360	(30)	(4633.3)	2,050	(33.7)
Interest	0	0		0	
EBT	41,520	34,940	18.8	38,650	7.4
Tax	9,990	8,350	19.6	9,290	7.5
RPAT	31,420	26,510	18.5	29,230	7.5
APAT	31,420	26,510	18.5	29,230	7.5
			(bps)		(bps)
Gross Margin (%)	39.3	35.0	430	38.0	139
EBITDA Margin (%)	26.6	23.4	322	25.6	103
NPM (%)	16.9	15.1	177	16.4	51
Tax Rate (%)	24.1	23.9	16	24.0	2
EBIT Margin (%)	21.6	20.0	165	20.5	108

CMP	Rs 827
Target / Upside	Rs 990 / 20%
NIFTY	11,763

Scrip Details

Equity / FV	Rs 5,430mn / Rs 2		
Market Cap	Rs 2,245bn		
	USD 31bn		
52-week High/Low	Rs 911/ 375		
Avg. Volume (no)	9,722,480		
Bloom Code	HCLT IN		
Price Performance	1M	3M	12M
Absolute (%)	5	32	50
Rel to NIFTY (%)	3	22	47

Shareholding Pattern

	Mar'20	Jun'20	Sep'20
Promoters	60.3	60.3	60.3
MF/Banks/FIs	9.1	10.0	10.0
FIIIs	26.4	25.6	25.6
Public / Others	4.1	4.1	4.1

Valuation (x)

	FY21E	FY22E	FY23E
P/E	18.4	16.7	15.1
EV/EBITDA	11.1	9.8	8.7
ROE (%)	21.7	20.8	20.2
RoACE (%)	20.8	20.0	19.6

Estimates (Rs mn)

	FY21E	FY22E	FY23E
Revenue	747,615	833,300	922,026
EBITDA	192,026	209,648	227,921
PAT	121,795	134,789	148,961
EPS (Rs.)	44.9	49.7	54.9

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Exhibit 1: Quarterly performance versus estimates

(Rs mn)	Actual	Estimates		% Variation		Comment
		Dolat	Consensus	Dolat	Consensus	
Revenues (in US\$ mn)	2,507	2,478	2,512	1.1	(0.2)	Beat led by traction in all 3 business segments
Sales	185,940	184,292	184,813	0.9	0.6	
EBIT	40,160	38,063	37,178	5.5	8.0	OPM beat was led by operating efficiency.
EBIT, margin	21.6	20.7	20.1	90 bps	150 bps	
PAT	31,530	29,667	24,792	6.3	27.2	Profit beat narrowed on slightly higher ETR.

Source: DART, Company

Change in Estimates

Given no guidance upgrade yet strong outlook and in-line commentary, we largely retain our revenue estimates. We have scaled up our EBIT estimates by ~60bps/40bps for FY21/FY22 given the guidance upgrade and factoring in the sustainable improvement in margins. We introduce FY23 estimates with Revenue growth of 9.2% and flat operating margins at 20.7% (on YoY basis).

Exhibit 2: Change in Estimates

(All fig in Rs mn except EPS)	FY20A	FY21E			FY22E			FY23E
	Actual	Old	New	% change	Old	New	% change	New
Revenues(US\$ mn)	9,936	10,073	10,076	0.0	11,105	11,111	0.0	12,132
YoY growth, %	15.1	1.4	1.4	3.9	10.3	10.3	1.2	9.2
Revenues	706,780	752,239	747,615	(0.6)	832,884	833,300	0.0	922,026
EBIT	138,530	151,441	154,932	2.3	168,937	172,628	2.2	190,921
EBIT margins, %	19.6	20.1	20.7	59.1	20.3	20.7	43.3	20.7
Net profits	110,620	118,054	121,795	3.2	131,355	134,789	2.6	148,961
EPS	40.8	43.5	44.9	3.2	48.4	49.7	2.6	54.9

Source: Company, DART

Exhibit 3: Key Assumptions in our estimates

Assumptions Table	FY20A	FY21E	FY22E	FY23E
USD revenue growth (%)	15.1	1.4	10.3	9.2
INR revenue growth (%)	17.0	5.8	11.5	10.6
EBIT margins (% of sales)	19.6	20.7	20.7	20.7
EPS growth (%)	10.8	10.1	10.7	10.5
USD/INR	71.1	74.2	75.0	76.0

Source: Company, DART

Exhibit 4: Quarterly & YTD Trend

Rs mn	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	YoY (%)	QoQ (%)	YTD FY20	YTD FY21	YoY (%)
Revenues(US\$ mn)	2,364	2,485	2,543	2,544	2,356	2,507	0.9	6.4	4,849.0	4,862.1	0.3
Revenue	164,250	175,280	181,350	185,900	178,410	185,940	6.1	4.2	339,530	364,350	7.3
Operating Expenditure	130,250	134,250	136,650	138,700	132,750	136,430	1.6	2.8	264,500	269,180	1.8
Cost of revenues	109,200	113,860	115,100	114,790	110,700	112,790	(0.9)	1.9	223,060	223,490	0.2
as % of sales	66.5	65.0	63.5	61.7	62.0	60.7			65.7	61.3	
SG&A expenses	21,050	20,390	21,550	23,910	22,050	23,640	15.9	7.2	41,440	45,690	10.3
as % of sales	12.8	11.6	11.9	12.9	12.4	12.7			12.2	12.5	
EBITDA	34,000	41,030	44,700	47,200	45,660	49,510	20.7	8.4	75,030	95,170	26.8
Depreciation	5,950	6,060	8,000	8,390	9,060	9,350			12,010	18,410	53.3
EBIT	28,050	34,970	36,700	38,810	36,600	40,160	14.8	9.7	63,020	76,760	21.8
Other Income	1,280	(30)	670	(130)	2,050	1,360			1,250	3,410	172.8
PBT	29,330	34,940	37,370	38,680	38,650	41,520	18.8	7.4	64,270	80,170	24.7
Total Tax	7,050	8,350	6,910	7,070	9,290	9,990			15,400	19,280	25.2
PAT before MI	22,280	26,590	30,460	31,610	29,360	31,530	18.6	7.4	48,870	60,890	24.6
Minority Interest	80	80	80	80	130	110	37.5	(15.4)	160	240	
PAT after MI	22,360	26,670	30,540	31,690	29,490	31,420	18.5	7.5	48,710	60,650	24.5
Reported EPS	8.2	9.8	11.2	11.6	10.8	11.6	18.5	7.5	18.0	22.4	24.5
Margins (%)							(bps)	(bps)			
EBIDTA	20.7	23.4	24.6	25.4	25.6	26.6	322	103	22.1	26.1	402.2
EBIT	17.1	20.0	20.2	20.9	20.5	21.6	165	108	18.6	21.1	250.7
EBT	17.9	19.9	20.6	20.8	21.7	22.3	240	67	18.9	22.0	307.4
PAT	13.6	15.2	16.8	17.0	16.5	16.9	177	51	14.3	16.6	230.0
Effective Tax rate	24.0	23.9	18.5	18.3	24.0	24.1	16	2	24.0	24.0	8.7

Source: Company, DART

What to expect next quarter?

We expect Revenue to grow by ~2.6% QoQ in CC terms in line with top-end of its guided band and factoring in some integration gains from DWS acquisition. Profitability is likely to decline QoQ by 97bps to 20.6% on account of salary hike (to junior level employees till E3 levels; rest in Q4).

Exhibit 5: What to Expect Next Quarter

HCL Tech	Q3FY21E	Q2FY21	Q2FY20	QoQ (%)	YoY (%)
Sales (US\$ mn)	2,573	2,507	2,543	2.6	1.2
Sales	189,106	185,940	181,350	1.7	4.3
EBIT	39,019	40,160	36,700	-2.8	6.3
PAT	30,521	31,420	30,380	-2.9	0.5
EPS	11.2	11.6	11.2	-2.9	0.5
EBIT margin (%)	20.6	21.6	20.2	-97 bps	40 bps

Source: Company, DART

Key Highlights from the earnings call

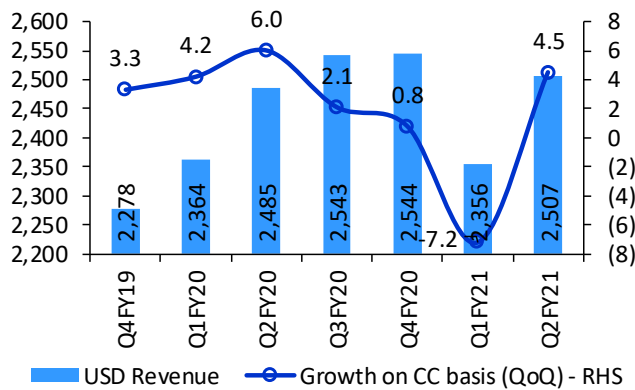
- **Revenue:** Revenue stood at \$2,507mn grew 4.5% QoQ in CC terms led by strong traction across the board (Hi-Tech, Retail & CPG, Comm & Media and Life Science). The Financial Services growth remained below company average at 2.6% given relatively better base in last quarter (decline in Q1 was lower). HCL highlighted that the strong performance was 1) on account of businesses re-calibrating their tech spends in the new normal 2) clients giving new short projects (new scope).
- **OPM:** EBIT Margins stood at 21.6% an increase of 108bps QoQ. The 108bps improvement was largely from improvement in operating efficiency having 157bps advantage (volume return, resolution of supply side challenge in ERD, positive operating leverage) and lower D&A having 7bps advantage. These were negated by INR appreciation having 24bps impact and SG&A investments for P&P business having 32bps impact. Most of the cost saving for quarter is structural in nature. The variable pay for current year will be same as last year.
- **Outlook:** HCL won 15 transformation deals during the quarter compared to average of ~13 deal per quarter in FY20. The Booking TCV is up by 35% over Last Quarter. This quarter had many transformations, expanded scope of projects (implying client stickiness).
- **Guidance:** HCL Tech maintained the revenue guidance (although on elevated Q2 base) but has increased the EBIT guidance by 100bps on lower and upper band to 20% to 21%. The reason for no increase in revenue growth despite strong performance is given as seasonality and furloughs in Q3. The guidance increase on margin side despite planned hike (delayed by 3months) in Q3 (Junior Employees) and in Q4 (E4 and above: senior employees) does re-inforce our confidence in margin sustainability.
- **Tech trends:** Cloud, Cyber Security, networks have become more important in current environment as they are a pre-requisite for cloud transformation projects. HCL Tech has opened a Cyber Security Center in Sweden to help European organizations to comply with data sovereignty and other requirements. Larger customers are implementing multi-cloud or hybrid cloud approach which is very beneficial for large players. Hyperscaler's have lot of growth and HCL has partnered with them and built decent pipeline.
- **Vertical Commentary:** BFSI (22.1% of Rev) grew 2.6% QoQ while the growth rate was lower compared to the Q2 reported peers. HCL Tech attributed that to stronger performance in BFSI in Q1. Hence, lower growth rate. They still continue to see good demand across geography/clients largely for digital "foundation" and transformation (some from open banking). **Retail & CPG** (10.4% of Rev) grew 8.4% QoQ from strong participation in e-commerce solutions. Other verticals on the manufacturing side continues to gain from automation/supply-chain theme.
- **Geographic Commentary:** Americas revenues grew by 4.9% QoQ in CC terms. Europe grew 2.2% QoQ CC as Q2 is a lean quarter for Europe (seasonal trend). HCL Tech highlights that Pipeline and demand environment is still good and major geographic within Europe have recovered. Major growth was led by Rest of World at 9.0% QoQ CC.
- **Business Segment:** IT and Business Services grew 4.9% QoQ led by digital foundation in Mode 1 and digital and analytics and cloud native offerings in Mode 2 (Broadly growth was from modernizing digital foundation). Engineering and R&D services grew from incremental product innovation request as well as new engagements. In ERS segment, growth was largely demand led (from software, High tech, medical devices) but has some supply side advantage. P&P segment grew at 3.1% QoQ and witnessed positive traction.
- **Product & Platform:** Within P&P, HCL Software saw 5,000 sales transactions and total clients increased to 12,000 (last quarter: total customers were 11,000 and

in first full year of operations for IBM (the acquired biz) they had done 16,500 transactions). HCL Tech is repositioning the **Domino** product with new releases (V10 and V11) and is building adjacent products (workflow apps). They have faced headwinds in some pockets (Office 365). HCL Tech rolled out Volt, a low code tool running on top of dominos and has other new announcement coming later this year.

- **Acquisition of DWS Limited:** HCL Tech had announced acquisition of DWS Limited, IT Services and Consulting company based in Australia, with revenue of about \$168mn in FY20 (13% CAGR over FY18-20). DWS is involved in application development, digital transformation, and consulting in ANZ (largely to Govt). HCL Tech expects DWS to give enhanced access to ANZ Market and Australian Govt (which is a big spender). Although the acquisition price appears attractive given the growth profile, company paid good premium over DWS quoted stock price.
- **Witnessing some Acceleration:** Client who were not so willing to adopt global delivery are now changing their stance. Certain geographies have started opening up more to global delivery model (Healthcare vertical as well). **Digital Area:** Companies are investing to improve employee experience and customer experiment, supply chain transformation, make ecommerce platform (significantly scale up in CPG for E-com). This is driven in revenue and visible in pipeline. **HCL believes that cloud migration and app modernization** can happen together and has witnessed good wins and recognition from large client despite being relatively late entrant in app modernization space.
- **Localization:** HCL Tech highlighted that it is relatively better off than peers (from impact of new rule) as its localization is higher at 66%.
- **Cash Flows:** OCF stood at \$1,643mn and FCF at \$578mn. For LTM, OCF was \$2.7Bn and FCF was \$2.4Bn. DSO improvement by 7 days helped cash flow improvement furthermore.

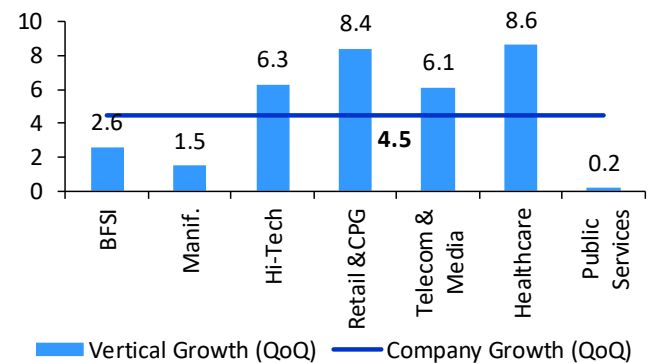
Key Trends in Charts

Exhibit 6: Revenue grew 4.5% QoQ on CC basis led by



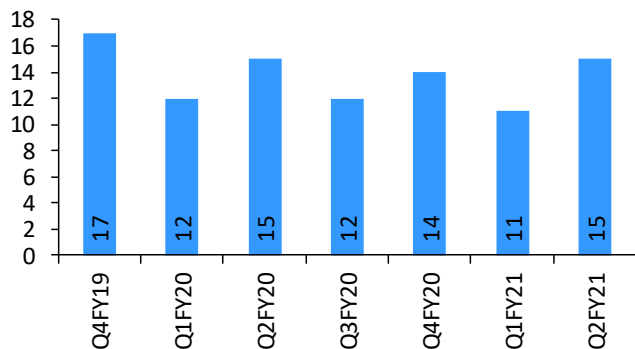
Source: Company, DART

Exhibit 7: ... Broad-based traction across verticals



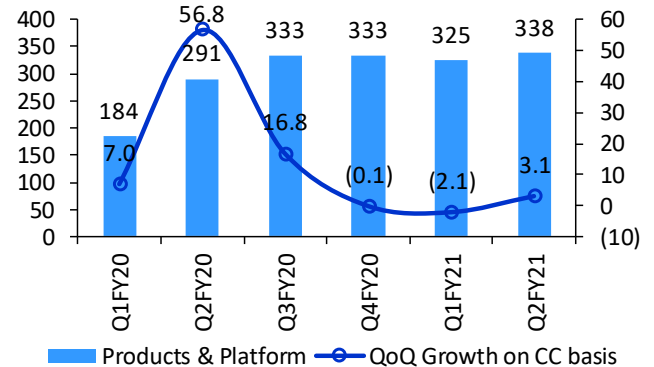
Source: Company, DART

Exhibit 8: Transformational Deal wins remain strong at 15 with pipeline at all-time high; TCV (up 35%)



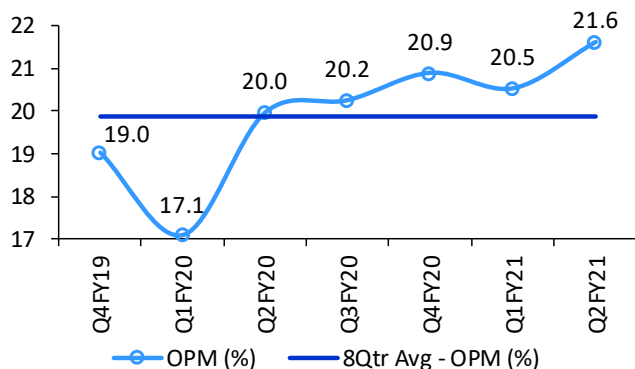
Source: Company, DART

Exhibit 9: Products & Platforms business grew by 3.1% QoQ on CC basis



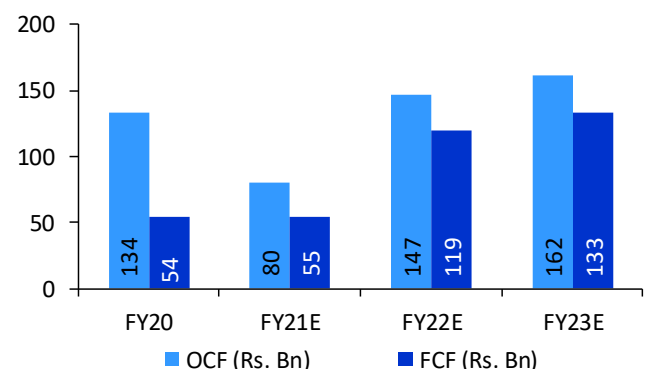
Source: Company, DART

Exhibit 10: EBIT Margin up by 108bps led by operating efficiency.



Source: Company, DART

Exhibit 11: FCF Generation to take a big leap in FY22 and FY23.



Source: Company, DART

Exhibit 12: Operating Metrics

Particulars	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21
Revenue Growth in CC (QoQ)	2.7	3.0	5.6	3.3	4.2	6.0	2.1	0.8	-7.2	4.5
Revenue Growth in CC (YoY)	8.5	10.5	13.0	15.3	17.0	20.5	16.4	13.5	1.0	-0.4
OPM Margin (%)	19.7	20.0	19.7	19.0	17.1	20.0	20.2	20.9	20.5	21.6
Segment Amount (\$ mn)										
IT and Business Services	na	na	na	na	1,779	1,775	1,785	1,796	1,653	1,774
Engineering and R&D Services	na	na	na	na	400	421	425	415	378	394
Products & Platforms	na	na	na	na	184	290	333	333	325	338
Segment Growth CC QoQ (%)										
IT and Business Services					3.6	0.9	0.1	1.6	-7.8	4.9
Engineering and R&D Services					5.6	5.4	0.7	-1.6	-9.0	3.6
Products & Platforms					7.0	56.8	16.8	-0.1	-2.1	3.1
Segmental OPM (%)										
IT and Business Services					16.6	17.5	17.8	19.1	18.8	19.8
Engineering and R&D Services					16.0	21.4	20.7	19.0	18.7	22.2
Products & Platforms					24.1	32.9	32.9	32.8	31.6	30.5
Vertical Amount (\$ mn)										
BFSI	489	483	476	481	480	557	549	537	528	554
Manufacturing	376	378	390	399	470	492	531	527	426	444
Telecom	150	151	203	196	189	209	229	211	179	193
Retail & CPG	187	210	225	228	225	249	262	259	236	261
Hi-Tech	374	382	412	426	447	383	384	412	405	434
Healthcare	263	271	286	296	303	321	310	318	323	353
Energy-Utilities-Travel-Govt	216	225	214	253	248	273	277	280	259	268
Vertical Growth YoY (%)										
BFSI	4.2	0.1	-2.8	-5.7	-1.9	15.3	15.5	11.7	10.0	-0.5
Manufacturing	-3.6	-6.3	-1.5	1.9	25.1	30.3	36.4	32.1	-9.4	-9.8
Telecom	0.8	-0.8	37.7	29.9	26.1	38.2	13.0	7.8	-5.3	-7.6
Retail & CPG	4.4	17.0	17.7	16.4	20.1	18.4	16.6	13.9	4.9	4.9
Hi-Tech	39.8	36.6	24.0	24.4	19.5	0.2	-6.7	-3.2	-9.3	13.3
Healthcare	18.3	20.0	23.0	26.3	15.0	18.4	8.4	7.4	6.7	10.2
Energy-Utilities-Travel-Govt	3.1	9.9	5.3	17.0	15.0	21.8	29.8	10.7	4.4	-1.9
Geography Amount (\$ mn)										
Americas	1,325	1,381	1,418	1,433	1,600	1,601	1,597	1,613	1,500	1,582
Europe	577	562	621	677	612	701	743	730	667	712
ROW	154	155	161	169	149	184	203	198	188	213
Geography Growth YoY (%)										
Americas	12	15	12	14	21	16	13	13	-6	-1
Europe	12	0	9	11	6	25	20	8	9	2
ROW	-17	-5	2	-3	-3	18	27	18	27	16
TCV										
Transformational deals	27	17	17	17	12	15	12	14	11	15
Client Amount (\$ mn)										
Top 5 Clients	349	363	383	387	392	388	387	384	327	343
Top 6-10 Clients	156	157	163	162	173	186	183	176	165	180
Top 11-20 Clients	197	197	205	212	243	263	270	257	233	243
Non-Top 20 Clients	1,351	1,381	1,451	1,515	1,555	1,648	1,704	1,727	1,630	1,740
Client Growth YoY (%)										
Top 5 Clients	28.7	24.7	22.0	16.6	12.3	6.8	0.9	-0.8	-16.6	-11.4
Top 6-10 Clients	3.6	4.7	6.4	5.8	10.5	18.4	12.4	8.5	-4.4	-3.2
Top 11-20 Clients	-1.2	-0.7	3.0	5.0	23.4	33.5	31.7	21.3	-4.2	-7.7
Non-Top 20 Clients	7.0	7.2	9.9	12.2	15.2	19.3	17.4	14.0	4.8	5.6

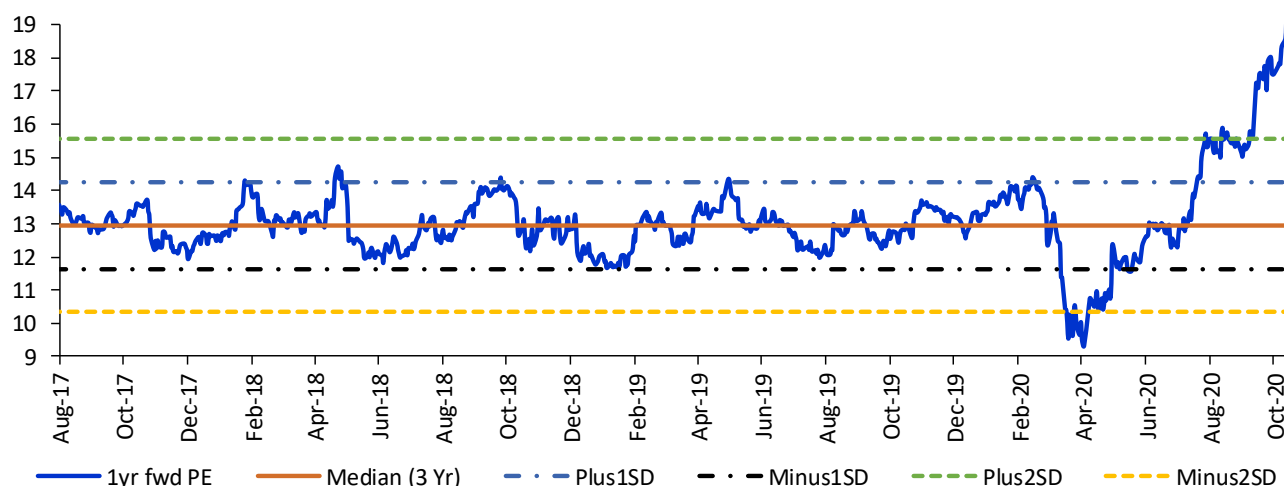
Source: DART, Company

Exhibit 13: Operating Metrics 2

Particulars	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21
Client Data										
1mn \$ +	571	575	597	623	633	667	712	791	848	865
5mn \$ +	267	269	276	283	293	299	302	308	320	317
10mn \$ +	162	165	164	166	172	171	167	171	173	172
20mn \$ +	87	90	95	95	93	93	94	96	93	91
50mn \$ +	32	31	29	29	29	30	32	30	29	29
100mn \$ +	9	9	10	10	12	13	15	15	15	14
Employee Data										
Total Employees	124,121	127,875	132,328	137,965	143,900	147,123	149,173	150,423	150,287	153,085
Gross Additions	12,558	11,683	13,191	14,249	16,332	13,430	11,502	10,278	7,005	8,390
Net Addition	4,040	3,754	4,453	5,637	5,935	3,223	2,050	1,250	-136	2,798
Attrition (LTM) (%)	16.3	17.1	17.8	17.7	17.3	16.9	16.8	16.3	14.6	12.2
Revenue by Contract										
T&M	781	802	808	827	863	833	819	806	784	817
FP	1,274	1,297	1,394	1,451	1,501	1,653	1,724	1,738	1,571	1,689
Revenue by Contract (YoY)										
T&M	3.1	5.0	3.7	5.7	10.5	3.9	1.3	-2.5	-9.1	-1.9
FP	13.0	11.4	15.3	17.1	17.8	27.4	23.7	19.8	4.7	2.2

Source: DART, Company

Exhibit 14: HCL trading above its' +2SD multiple after years of consolidation but can sustain current valuation given attractive valuation on PEG (1.5x) and FCF Yield basis (5%).



Source: DART, Company

Profit and Loss Account

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
Revenue	706,780	747,615	833,300	922,026
Total Expense	539,850	555,588	623,652	694,105
COGS	452,950	461,707	520,019	578,623
Employees Cost	0	0	0	0
Other expenses	86,900	93,882	103,633	115,482
EBIDTA	166,930	192,026	209,648	227,921
Depreciation	28,400	37,095	37,020	37,001
EBIT	138,530	154,932	172,628	190,921
Interest	0	0	0	0
Other Income	1,790	6,462	7,105	8,733
Exc. / E.O. items	0	0	0	0
EBT	140,320	161,393	179,733	199,653
Tax	29,380	39,098	44,484	50,313
RPAT	110,620	121,795	134,789	148,961
Minority Interest	320	500	460	380
Profit/Loss share of associates	0	0	0	0
APAT	110,620	121,795	134,789	148,961

Balance Sheet

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
Sources of Funds				
Equity Capital	5,430	5,430	5,430	5,430
Minority Interest	1,540	2,040	2,500	2,880
Reserves & Surplus	507,240	602,875	685,344	775,446
Net Worth	512,670	608,305	690,774	780,876
Total Debt	46,930	46,930	46,930	46,930
Net Deferred Tax Liability	(22,300)	(22,313)	(22,413)	(22,513)
Total Capital Employed	538,840	634,962	717,791	808,173

Applications of Funds

Net Block	374,900	363,255	354,035	346,335
CWIP	4,000	3,700	3,400	3,100
Investments	770	970	1,070	1,170
Current Assets, Loans & Advances	426,220	473,997	574,211	683,897
Inventories	910	937	1,051	1,170
Receivables	141,310	149,474	166,606	184,345
Cash and Bank Balances	48,480	83,055	157,003	239,628
Loans and Advances	34,220	34,662	35,108	35,557
Other Current Assets	130,130	134,299	142,673	151,227
Less: Current Liabilities & Provisions	267,050	206,961	214,925	226,329
Payables	11,660	12,000	13,470	14,992
Other Current Liabilities	255,390	194,961	201,455	211,337
<i>sub total</i>				
Net Current Assets	159,170	267,037	359,286	457,568
Total Assets	538,840	634,962	717,791	808,173

E – Estimates

Important Ratios

Particulars	FY20A	FY21E	FY22E	FY23E
(A) Margins (%)				
Gross Profit Margin	35.9	38.2	37.6	37.2
EBIDTA Margin	23.6	25.7	25.2	24.7
EBIT Margin	19.6	20.7	20.7	20.7
Tax rate	20.9	24.2	24.8	25.2
Net Profit Margin	15.7	16.3	16.2	16.2
(B) As Percentage of Net Sales (%)				
COGS	64.1	61.8	62.4	62.8
Employee	0.0	0.0	0.0	0.0
Other	12.3	12.6	12.4	12.5
(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	73	73	73	73
Average Cost of Debt	0.0	0.0	0.0	0.0
Payable days	6	6	6	6
Working Capital days	82	130	157	181
FA T/O	1.9	2.1	2.4	2.7
(D) Measures of Investment				
AEPS (Rs)	40.8	44.9	49.7	54.9
CEPS (Rs)	51.2	58.6	63.3	68.5
DPS (Rs)	6.0	9.6	19.3	19.3
Dividend Payout (%)	14.8	21.5	38.8	35.1
BVPS (Rs)	188.9	224.2	254.6	287.8
RoANW (%)	23.9	21.7	20.8	20.2
RoACE (%)	22.9	20.8	20.0	19.6
RoAIC (%)	32.2	29.7	31.0	33.8
(E) Valuation Ratios				
CMP (Rs)	827	827	827	827
P/E	20.3	18.4	16.7	15.1
Mcap (Rs Mn)	2,244,608	2,244,608	2,244,608	2,244,608
MCap/ Sales	3.2	3.0	2.7	2.4
EV	2,171,888	2,136,913	2,062,765	1,979,940
EV/Sales	3.1	2.9	2.5	2.1
EV/EBITDA	13.0	11.1	9.8	8.7
P/BV	4.4	3.7	3.2	2.9
Dividend Yield (%)	0.7	1.2	2.3	2.3
(F) Growth Rate (%)				
Revenue	17.0	5.8	11.5	10.6
EBITDA	19.5	15.0	9.2	8.7
EBIT	17.2	11.8	11.4	10.6
PBT	11.1	15.0	11.4	11.1
APAT	9.3	10.1	10.7	10.5
EPS	10.8	10.1	10.7	10.5

Cash Flow

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
CFO	133,590	80,023	146,963	162,051
CFI	(123,740)	(25,750)	(27,800)	(29,300)
CFF	(31,680)	(19,698)	(45,215)	(50,127)
FCFF	54,370	54,873	119,463	133,051
Opening Cash	61,260	39,430	74,005	147,953
Closing Cash	39,430	74,005	147,953	230,578

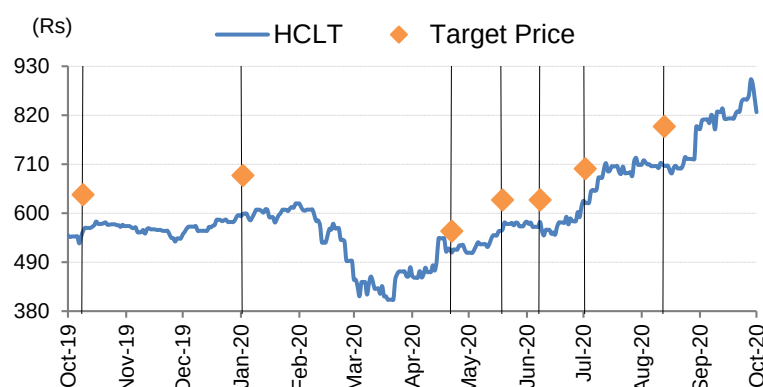
E – Estimates

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.)
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
Jul-20	Accumulate	700	623
Aug-20	Accumulate	795	706

*Price as on recommendation date

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