

Accumulate

Confident of Top-quartile growth, Offshore to support OPM

- LTI reported revenue growth of 2.3% QoQ in CC terms (DE: 1.8%) led by strong performance in BFS vertical (9.5% QoQ). OPM improved by 250bps to 19.9% (DE: 17.9%) led by sustainable improvement in offshore mix (170bps QoQ) and higher utilization (110bps QoQ). Announced Dividend of Rs. 15 per share.
- LTI guided growth to be in top quadrant for FY21 along with revenue reaching to Q4FY20 levels by Q3FY21 (implies atleast ~4% QoQ growth). This is largely led by the strong pipeline (up 22% YoY) despite modest Net New TCV of \$40mn in Q2; as large deal closure taking time.
- LTI reinstated the PAT Margin guidance at 14-15% despite H1 PAT Margins at ~14.7% and upcoming salary hike in Q4. Expects offshore leverage to sustain as most new deals are at ~99% offshore mix.
- We remain confident that LTI should continue its industry leading performance over next few years with a very-stable Net profitability (reinvest Fx/realization gains back into business). We have factored in a 14% revenue/earnings CAGR over FY20-23E with an Accumulate rating and TP of Rs. 3,250, valuing it at 25x FY23E EPS of Rs.130.

To stay in Leaders quadrant in FY21; Profit outlook restored

LTI continues its guidance for top quadrant growth for FY21. This continued (stronger) confidence is built on the following hypothesis 1) Improved pipeline (22% increase YoY - LQ 19% YoY), 2) conversions of large deals in Q3 which has been softer in H1FY21 and 3) expect increased traction on Tech spend across vertical/client size (large as well as small players) as these spend are done to avoid existential risk (Ex: customer acquisition and servicing by banks digitally, E-commerce channel creation by Retailers, online distribution channel by insurance). LTI believes following factors are driving the Digital acceleration theme for IT services vendors such as 1) Clients building Direct-to-customer sales channel, 2) Clients creating hybrid working environment (Office as well as WFH), 3) Clients investing in creating new channel/avenues for growth and 4) Doing all of this in a hyper-secure manner driving demand for cyber-security. LTI is also clearly focused to continue its investments into newer technology and sales capabilities and thus would reinvest most of the gains coming from offshore delivery shift into business, while ensuring stable Net profitability in its long held aspirational band of 14-15%.

Q2FY21 Result (Rs Mn)

Particulars	Q2FY21	Q2FY20	YoY (%)	Q1FY21	QoQ (%)
Revenue	29,984	25,707	16.6	29,492	1.7
Total Expense	23,128	21,049	9.9	23,572	(1.9)
EBITDA	6,856	4,658	47.2	5,920	15.8
Depreciation	899	664	35.4	781	15.1
EBIT	5,957	3,994	49.1	5,139	15.9
Other Income	386	47	721.3	440	(12.3)
Interest	0	0		0	
EBT	6,343	4,041	57.0	5,579	13.7
Tax	1,563	1,130	38.3	1,425	9.7
RPAT	4,780	2,911	64.2	4,154	15.1
APAT	4,780	2,911	64.2	4,154	15.1
			(bps)		(bps)
Gross Margin (%)	34.8	31.8	301	32.5	237
EBITDA Margin (%)	22.9	18.1	475	20.1	279
NPM (%)	15.9	11.3	462	14.1	186
Tax Rate (%)	24.6	28.0	(332)	25.5	(90)
EBIT Margin (%)	19.9	15.5	433	17.4	244

CMP	Rs 3,100
Target / Upside	Rs 3,250 / 5%
NIFTY	11,938

Scrip Details

Equity / FV	Rs 174mn / Rs 1
Market Cap	Rs 545bn
	USD 7bn
52-week High/Low	Rs 3,513/ 1,210
Avg. Volume (no)	328,783
Bloom Code	LTI IN

Price Performance

	1M	3M	12M
Absolute (%)	17	36	92
Rel to NIFTY (%)	17	35	96

Shareholding Pattern

	Mar'20	Jun'20	Sep'20
Promoters	74.5	74.5	74.4
MF/Banks/FIs	7.2	7.3	6.4
FIIIs	9.5	9.8	11.2
Public / Others	8.8	8.5	8.0

Valuation (x)

	FY21E	FY22E	FY23E
P/E	30.2	27.6	23.9
EV/EBITDA	19.4	17.2	14.6
ROE (%)	30.1	27.2	26.4
RoACE (%)	31.0	27.9	27.0

Estimates (Rs mn)

	FY21E	FY22E	FY23E
Revenue	123,043	141,225	162,379
EBITDA	26,216	28,983	33,277
PAT	18,045	19,754	22,873
EPS (Rs.)	102.5	112.2	129.9

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Exhibit 1: Quarterly performance versus estimates

(Rs mn)	Actual	Estimates		% Variation		Comment
		Dolat	Consensus	Dolat	Consensus	
Revenue (\$ mn)	405	404	405	0.2	(0.1)	CC Revenue growth beat estimates but negated by lower than expected CC benefit (130bps v/s 160bps estm).
INR Revenue	29,984	30,011	29,852	(0.1)	0.4	
EBIT	5,957	5,354	5,362	11.3	11.1	OPM beat driven by higher off-shore mix (170bps QoQ) and SG&A cost control.
EBIT, margin	19.9	17.8	18.0	200 bps	190 bps	
PAT	4,568	4,188	4,221	9.1	8.2	PAT beat estimates but slightly negated by lower than expected Other Income.

Source: Company, DART

Change in Estimates

Given strong Q2 performance, robust growth outlook (FY21 and Q3), healthy pipeline and sustainable improvement in margins, we have upgraded our top-line estimates by 1.9% each and the EBIT margin by 155bps/ 95 bps for FY21/FY22E respectively. We introduce FY23 estimates building in 13.5% revenue growth and stable operating margins YoY at 17.8%.

Exhibit 2: Change in Estimates

All fig in Rs mn except EPS and %)	FY20A		FY21E		FY22E		FY23E	
	Actual	Old	New	% change	Old	New	% change	New
Revenues(US\$ mn)	1,525	1,620	1,650	1.8	1,819	1,883	3.5	2,137
YoY growth, %	13.0	6.3	8.2	191	12.2	14.1	191	13.5
Revenues	108,786	121,764	123,043	1.1	137,662	141,225	2.6	162,379
YoY growth, %	15.2	11.2	13.1	190	12.8	14.8	201	15.0
EBIT	17,561	20,440	22,693	11.0	22,922	25,065	9.4	28,977
EBIT margin, %	16.1	16.9	18.4	155	16.8	17.7	95	17.8
Net profits	15,199	16,982	18,144	6.8	19,284	20,129	4.4	22,873
Diluted EPS	86.4	96.8	103.1	6.5	109.9	114.4	4.0	129.9

Source: DART, Company

Exhibit 3: Key Assumptions in our Estimates

(in Rs mn)	FY20A	FY21E	FY22E	FY23E
USD revenue growth (%)	13.0	8.2	14.1	13.5
INR revenue growth (%)	15.2	13.1	14.8	15.0
EBIT margin (%)	16.1	18.4	17.7	17.8
EPS growth (%)	(0.0)	19.3	10.9	13.6
USD/INR	71.4	74.6	75.0	76.0

Source: DART, Company

Exhibit 4: Key Revenue Growth Matrix

YoY Growth	FY20	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21
CC Growth	14.2	12.9	11.9	14.2	17.4	10.6	10.5
USD Growth	13.0	11.4	10.7	13.7	15.9	9.5	11.2
INR Growth	15.2	15.3	10.3	13.7	21.2	18.7	16.6

Source: DART, Company

Exhibit 5: Quarterly and YTD Trend

Rs mn	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	YoY (%)	QoQ (%)	YTD FY20	YTD FY21	YoY (%)
Rev (US\$ mn)	356.5	363.8	394.4	409.9	390.3	404.5	11.2	3.6	720.3	794.8	10.3
Revenue	25,529	26,399	28,462	30,517	29,502	29,772	12.8	0.9	51,928	59,274	14.1
Operating Expenditure	20,270	21,049	22,837	24,338	23,572	23,128	9.9	(1.9)	41,319	46,700	13.0
Cost of revenues	16,625	17,525	19,188	20,251	19,916	19,537	11.5	(1.9)	34,150	39,453	15.5
as % of sales	65.1	66.4	67.4	66.4	67.5	65.6			65.8	66.6	
SG&A expenses	3,645	3,524	3,649	4,087	3,656	3,591	1.9	(1.8)	7,169	7,247	1.1
as % of sales	14.3	13.3	12.8	13.4	12.4	12.1			13.8	12.2	
EBITDA	5,259	5,350	5,625	6,179	5,930	6,644	24.2	12.0	10,609	12,574	18.5
Depreciation	611	664	709	747	781	899	35.4	15.1	1,275	1,680	31.8
EBIT	4,648	4,686	4,916	5,432	5,149	5,745	22.6	11.6	9,334	10,894	16.7
Other Income	132	47	82	81	440	386	721.3	(12.3)	179	826	361.5
PBT	4,780	4,733	4,998	5,513	5,589	6,131	29.5	9.7	9,513	11,720	23.2
Total Tax	1,225	1,130	1,231	1,239	1,425	1,563	38.3	9.7	2,355	2,988	26.9
Reported PAT	3,555	3,603	3,767	4,274	4,164	4,568	26.8	9.7	7,158	8,732	22.0
Reported EPS	20.5	20.7	21.7	24.5	23.9	26.1	26.0	9.2	41.2	50.1	21.4
Margins (%)							(bps)	(bps)			(bps)
EBIDTA	20.6	20.3	19.8	20.2	20.1	22.3	205	222	20.4	21.2	78
EBIT	18.2	17.8	17.3	17.8	17.5	19.3	155	184	18.0	18.4	40
EBT	18.7	17.9	17.6	18.1	18.9	20.6	266	165	18.3	19.8	145
PAT	13.9	13.6	13.2	14.0	14.1	15.3	170	123	13.8	14.7	95
Effective Tax rate	25.6	23.9	24.6	22.5	25.5	25.5	162	(0)	24.8	25.5	74

Source: DART, Company

What to expect next Quarter

We expect growth of 4% CC QoQ in revenue led by continued traction across verticals and ramp-up in current and potential large deal wins in Q3. OPM margins are expected to decline by 117bps QoQ due to normalization of SG&A expenses (was down by 1.8% QoQ in Q2FY21 and 10.8% QoQ in Q1FY21).

Exhibit 6: What to expect next Quarter

(Rs Mn)	Q3FY21E	Q2FY21	Q3FY20	QoQ (%)	YoY (%)
Sales (US\$ mn)	420.7	404.5	394.4	4.0	6.7
Sales	31,283	29,984	28,111	4.3	11.3
EBIT	5,850	5,957	4,565	(1.8)	28.1
PAT	4,741	4,568	3,767	3.8	25.9
EPS (Rs)	27.1	26.1	21.7	3.8	25.0
EBIT Margin (%)	18.7	19.9	16.2	(117 bps)	246 bps

Source: DART, Company

Key Highlights of the earnings call

- **Revenue:** Revenue grew by 2.3% QoQ to \$405mn led by strong growth in BFS vertical at 9.5% QoQ in CC terms. The growth was driven by sustained spends by client on Tech as they are investing to create new revenue model or for survival factors (Ex: Traditional Retailers). INR Revenue grew 1.7% QoQ impacted by 1.9% INR appreciation.
- **Margins:** EBIT Margins improved by 250bps to 19.9% led by improvement in 1) onsite off shore mix (170bps QoQ) where-in off-shore revenue grew by 9.1% QoQ. 2) 110bps improvement utilization at 80.5% 3) More working days (an extra day). The improvement was slightly negated on PAT level due to Fx loss of Rs.212mn and lower other income (Rs.386mn (v/s Rs.440mn LQ). LTI onboarded 1000 freshers and paid annual incentive to employees during the quarter.
- **Sustainable Operating Margins:** LTI has highlighted that operating margins can sustain at current levels and reintroduced its aspirational PAT margins band of 14-15%. The higher share of off-shore delivery contributed significant part of margin improvement in Q2. LTI expects that near-term deals will continue at ~99% off-shoring level and this will lead to sustenance of the margins for FY21 despite the salary hike from Jan'21. LTI will re-invest some part of the gain for cloud and analytics segment.
- **Outlook:** LTI highlighted that it will reach the Q4FY20 level by Q3FY21 and also guided for top quadrant growth in FY21 as they witness broad-based demand in the environment. The confidence for Q3 is from the healthy pipeline and client mining effort. LTI continues to follow the same GTM: Focusing on digitizing the core and transformation. LTI is setting up a new unit for two areas with huge opportunities: Cloud (with hyper scalers) and Digital/Data products (Mosaic). Launched Canvas during the quarter an automated cloud migration and modernization framework that will focus on Cloud hyper-scalers such as AWS, GCP, Azure.
- **Deal Wins:** LTI reported a Net New TCV of \$40mn with one large deal in analytics segment. While, the Net New TCV is soft, LTI has won many small deals. The pipeline is 22% up YoY and large deal pipeline is strong on QoQ basis. The conversions for large deals have been soft in H1FY21, LTI expects some improvement in large deal conversions going forward. LTI added 26 new logos in the current quarter and one F500 client in Healthcare.
- **Vertical Commentary:** **BFS vertical** grew by 9.5% QoQ. BFSI has good pipeline and top client continues to grow well. **Insurance vertical** continued to struggle with de-growth of 4.1% QoQ due to COVID related claims and lower sales in the lockdown. **Manufacturing vertical** saw recovery performance with 5.4% growth QoQ. **ENU vertical** grew 0.6% QoQ as oil prices have stabilized but at much weaker levels than Covid. LTI has highlighted that recovery will be tepid in this vertical. **CPG & Retail** declined by 2.8% QoQ but LTI is positive as deal wins have improved (the analytics large deal won during the quarter happened in this vertical). **Hi-Tech Vertical** de-grew at 5.3% QoQ due to re-prioritization of work due to COVID but it will return to growth in coming quarter.
- **Service Offering Commentary:** ADM and Testing grew by 3.4% QoQ while Analytics, AI & Cognitive de-grew by 12.9% QoQ and grew only 3.6% YoY. The management has highlighted that weak growth in Analytics Service Offering as last year had an analytics drive which end and leading to lower growth but the current new analytics deal should help. Moreover, LTI highlighted that all segments (ADM and Enterprise) also have certain digital component, and the line between traditional and Digital is fading.

- **Client Data:** LTI remains confident of its performance in top client growth in spite of change in Management at top client. Expect traction to continue as banks are turning more and more tech savvy, driving more growth opportunities from compliance, remotely management of finances, Govt. financing schemes, new customer acquisition. The top 2-10 clients have a client from Insurance and manufacturing sector, dampening the performance in the quarter. Hence, there is softness but LTI highlighted good pipeline here can revive the performance. LTI highlighted that the clients are not having any pricing discussions, the discussions are towards cost savings with incremental deployment of ML, automation.
- **Hedges:** Cash Flow hedges stood at \$1,030mn while Balance sheet hedges is \$115mn.
- **DSO:** The billed DSO improved by 8 days to 62 days and Unbilled DSO improved by 5 days to 94 days.
- **Dividend:** Announced a Dividend of Rs. 15 per share.

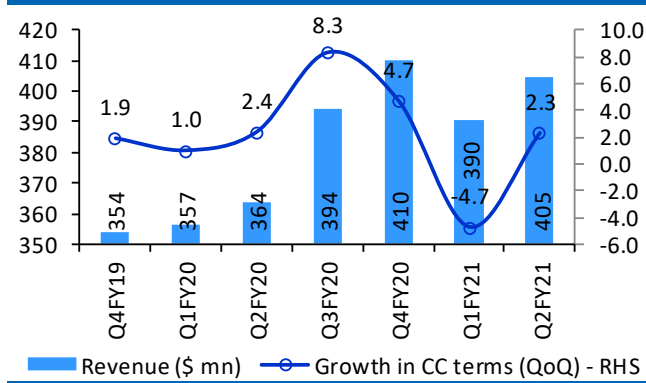
Exhibit 7: Deal Wins in Q2FY20

Company Description	Vertical	Type of Deal
Key government ministry	Government	Application transformation via AI, Analytics Led deal
Leading powerhouse semiconductor company	Hi Tech & Media	Shift from Oracle EBS on-prem to S/4 HANA on cloud
Leading provider and manufacturer of heating and cooling solutions and equipment	Manufacturing	Setup digital and AI driven Security Operations Centre
U.K. based wealth management firm	BFS	Manage all the testing services
Financial services provider	BFS	Provide services for legacy modernization and enterprise integration
Global HVAC manufacturer	Manufacturing	Rationalize and migrate data application landscape to cloud
Manufacturer of medical supplies and equipment	Healthcare	Application support and maintenance activities for COTS and custom applications
Multi-national manufacturer of industrial products	Manufacturing	Preferred partner to implement Extended Warehouse Management systems by SAP
Global Fortune 500 energy company	ENU	Maintenance and functional support for content server
Global Fortune 500 pharmaceutical company	Healthcare	Migrate it's on premise commercial database system to cloud
Drilling rig operator	ENU	Enhancements, maintenance and support to its business-critical IT system

Source: DART, Company

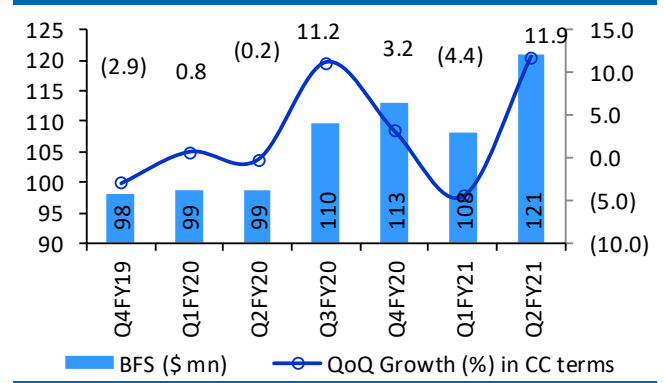
Key Charts

Exhibit 8: Revenue grew by 2.3% QoQ on CC basis led by...



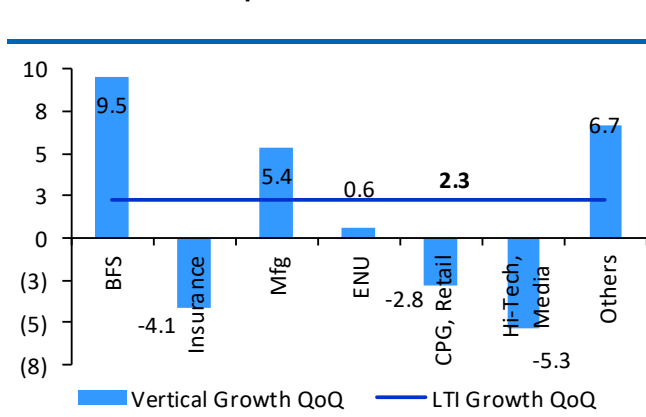
Source: DART, Company

Exhibit 9: Strong growth in BFS vertical at 9.5% QoQ in CC terms



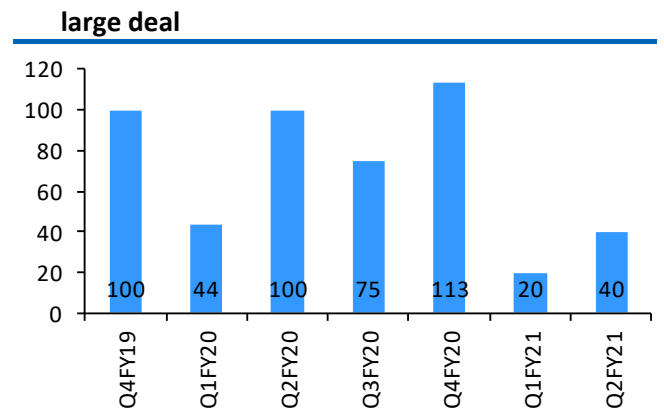
Source: DART, Company

Exhibit 10: Vertical performance was mixed QoQ



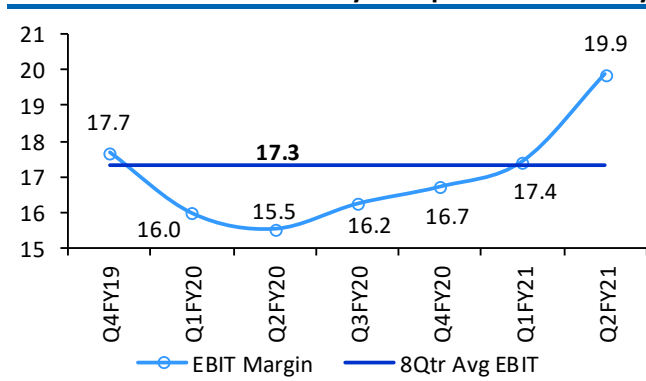
Source: DART, Company

Exhibit 11: Net New TCV stood at \$40mn with one large deal



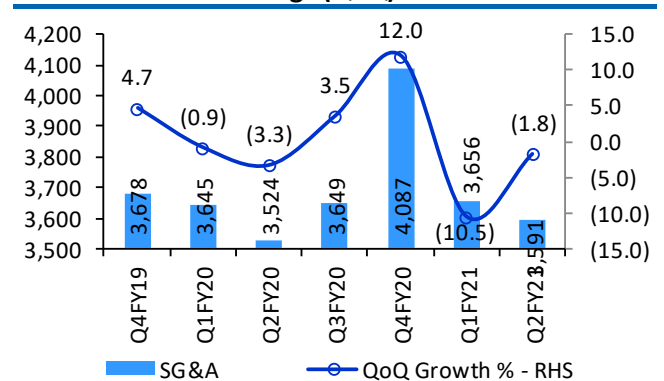
Source: DART, Company

Exhibit 12: OPM increased by 250bps to 19.9% led by



Source: DART, Company

Exhibit 13: SG&A savings (QoQ) and offshore shift



Source: DART, Company

Exhibit 14: Operating Metrics 1

Particulars	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21
CC growth (%) (QoQ)	5.1	3.5	6.1	1.9	1.0	2.4	8.3	4.7	(4.7)	2.3
CC growth (%) (YoY)	22.9	22.9	20.6	17.5	12.9	11.9	14.2	17.4	10.6	10.5
OPM (%)	20.8	21.4	19.0	18.8	18.2	17.8	17.3	17.8	17.5	19.3
OPM (%) (ex-hedging gl)	17.7	19.0	19.1	17.7	16.0	15.5	16.2	16.7	17.4	19.9
Vertical Amount (\$ mn)										
BFS	99	98	101	98	99	99	110	113	108	121
Insurance	58	59	62	63	65	68	70	69	67	65
Manufacturing	50	51	54	59	54	60	69	74	62	66
Energy & Utilities	32	35	37	39	38	44	45	47	42	43
CPG, Retail & Pharma	29	34	37	38	40	42	44	46	45	44
Hi-Tech, Media & Ent.	36	37	39	44	45	39	43	45	45	43
Other	14	15	16	14	16	13	15	16	21	23
Vertical Growth (YoY)										
BFS	42.3	33.0	26.9	10.5	(0.1)	0.4	8.6	15.4	9.5	22.7
Insurance	9.0	5.5	8.4	11.4	10.8	15.7	13.1	9.3	4.0	(4.9)
Manufacturing	16.7	16.8	7.2	9.9	7.9	17.9	27.5	25.6	13.8	9.8
Energy & Utilities	6.5	8.2	8.2	9.5	18.1	25.2	19.0	20.1	10.5	(2.6)
CPG, Retail & Pharma	32.1	37.6	36.2	34.9	35.9	24.9	20.1	22.4	13.4	6.4
Hi-Tech, Media & Ent.	32.8	22.5	26.0	33.9	23.3	6.8	8.7	2.8	1.6	9.1
Other	4.8	42.6	18.2	(2.9)	13.9	(17.5)	(8.6)	18.8	28.5	81.1
Service Amount (\$ mn)										
ADM	135	131	107	134	136	131	141	142	139	146
Enterprise Solutions	84	83	96	103	101	107	113	123	116	125
IMS	37	38	40	39	39	40	45	52	53	58
Testing Revenue	0	0	27	0	0	0	0	0	0	0
Analytics, AI & Cognitive	33	40	39	38	40	41	50	48	49	43
Enterprise Integr. & Mobility	21	26	26	28	29	33	34	36	34	34
Platform based Solutions	10	10	11	11	11	11	11	10	0	0
Service Growth (YoY)										
ADM and Testing	43.5	40.0	8.7	32.3	0.9	0.2	32.1	6.1	2.3	10.9
Enterprise Solutions	41.7	26.9	24.5	23.8	20.3	29.6	17.4	19.0	14.5	16.1
IMS	15.4	30.3	24.8	7.6	5.6	5.1	14.7	32.7	36.6	44.2
Testing Revenue	0.0	0.0	11.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Analytics, AI & Cognitive	31.1	35.9	23.7	14.5	21.2	2.6	28.8	25.6	22.2	4.3
Enterprise Integr. & Mobility	25.3	42.8	34.1	40.9	40.6	24.6	27.2	26.0	14.8	2.5
Platform based Solutions	6.3	(4.2)	8.1	18.2	11.4	10.7	(4.1)	(9.5)	(100.0)	(100.0)
Geography Amount (\$ mn)										
North America	213	221	232	235	245	250	274	282	276	278
Europe	57	56	58	58	57	60	62	62	56	65
India	20	21	27	29	25	22	30	32	27	28
ROW	29	30	31	32	30	32	29	33	31	33
Geography Growth (YoY)										
North America	19.6	16.2	17.3	15.2	15.0	12.9	18.3	20.2	12.8	11.2
Europe	24.1	18.6	9.7	1.0	(0.4)	6.2	6.2	6.7	(1.5)	9.2
India	11.3	41.3	9.8	17.4	20.1	3.8	10.8	10.2	9.5	27.9
ROW	78.3	66.7	62.5	40.8	4.1	7.1	(4.4)	3.1	1.8	2.4
TCV Data										
TCV (US\$ mn)	50	55	0	100	44	100	75	113	20	40
TCV - TTM basis (\$ mn)	150	155	155	205	199	244	319	332	308	248
Large Deal	1	1	0	2	1	3	2	2	1	1

Source: DART, Company

Exhibit 15: Operating Metrics 2

Particulars	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21
Client Data										
100 Million dollar +	1	1	1	1	1	1	1	1	1	1
50 Million dollar +	4	4	5	5	5	6	6	6	6	6
20 Million dollar +	13	14	15	17	19	18	18	16	16	16
10 Million dollar +	25	25	25	26	26	27	28	27	30	32
5 Million dollar +	42	44	47	49	49	48	48	53	59	61
1 Million dollar +	114	114	121	123	124	137	153	165	164	169
Number of Active Clients	301	312	314	343	354	366	429	424	409	419
New Clients Added	19	22	17	14	20	20	29	27	16	26
Client Amount (\$ mn)										
Top 5 clients	117	119	120	114	112	115	129	128	119	121
Top 6-10 clients	44	45	48	52	49	50	55	60	50	52
Top 11-20 clients	211	215	223	224	223	223	245	245	227	234
Non-Top 20	109	113	124	129	134	140	150	165	163	171
Client Growth (YoY)										
Top 5 clients	18.6	15.6	12.0	4.7	(4.7)	(3.0)	8.1	12.3	6.7	5.2
Top 6-10 clients	32.1	28.9	14.1	17.7	11.4	11.6	14.5	14.3	3.1	3.9
Top 11-20 clients	22.9	20.5	15.0	11.5	5.5	3.8	9.6	9.3	1.9	4.7
Non-Top 20	24.5	23.2	24.5	20.1	22.9	23.9	21.0	27.3	22.0	21.6
Effort Mix										
Onsite	23.0	22.6	22.0	21.9	22.0	22.0	21.9	21.5	21.1	19.4
Offshore	77.0	77.4	78.0	78.1	78.0	78.0	78.1	78.5	78.9	80.6
Revenue mix (\$ mn)										
Onsite	150	156	166	169	176	177	193	209	192	188
Offshore	170	172	181	185	180	187	201	201	198	216
Rev mix Growth (YoY)										
Onsite	23.4	24.0	22.3	19.8	17.9	13.1	16.5	23.4	8.8	6.4
Offshore	23.4	19.1	14.7	10.1	5.8	8.6	11.1	9.0	10.1	15.7
Billed Person Months										
Onsite	12,463	13,034	13,664	13,681	14,143	14,384	15,198	15,044	14,634	13,887
Offshore	41,713	44,719	48,357	48,923	50,042	51,143	54,133	55,034	55,034	57,533
Utilization										
Including Trainees	79.7	80.4	82.1	80.1	80.5	78.9	79.2	79.3	79.4	80.5
Excluding Trainees	81.2	82.3	83.0	81.1	81.3	80.6	81.3	80.6	79.6	82.0
Attrition % (LTM)	15.1	15.3	16.5	17.5	18.3	18.4	17.7	16.5	15.2	13.5
Employees										
Development	23,656	24,923	25,985	26,572	27,665	29,266	29,669	29,683	29,712	30,682
Sales & Support	1,494	1,491	1,528	1,597	1,682	1,713	1,750	1,754	1,765	1,773
Total Headcount	25,150	26,414	27,513	28,169	29,347	30,979	31,419	31,437	31,477	32,455
Net Addition	1,011	1,264	1,099	656	1,178	1,632	440	18	40	978

Source: DART, Company

Profit and Loss Account

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
Revenue	108,786	123,043	141,225	162,379
Total Expense	88,494	96,827	112,242	129,102
COGS	73,589	81,761	94,371	108,278
Employees Cost	0	0	0	0
Other expenses	14,905	15,066	17,871	20,824
EBIDTA	20,292	26,216	28,983	33,277
Depreciation	2,731	3,523	3,917	4,300
EBIT	17,561	22,693	25,065	28,977
Interest	0	0	0	0
Other Income	342	1,561	1,579	1,725
Exc. / E.O. items	0	0	0	0
EBT	17,903	24,254	26,644	30,702
Tax	4,825	6,208	6,890	7,829
RPAT	13,078	18,045	19,754	22,873
Minority Interest	0	0	0	0
Profit/Loss share of associates	0	0	0	0
APAT	13,078	18,045	19,754	22,873

Balance Sheet

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
Sources of Funds				
Equity Capital	174	174	174	174
Minority Interest	11	11	11	11
Reserves & Surplus	53,866	65,848	78,937	93,888
Net Worth	54,040	66,022	79,111	94,062
Total Debt	320	320	320	320
Net Deferred Tax Liability	(2,121)	(2,121)	(2,121)	(2,121)
Total Capital Employed	52,250	64,232	77,321	92,272

Applications of Funds

Net Block	18,301	18,820	19,125	19,204
CWIP	382	382	382	382
Investments	2	2	2	2
Current Assets, Loans & Advances	67,342	80,439	94,259	110,590
Inventories	0	0	0	0
Receivables	23,121	26,631	30,567	34,700
Cash and Bank Balances	4,853	10,467	16,082	24,008
Loans and Advances	689	692	694	697
Other Current Assets	16,094	16,314	16,681	17,050
Less: Current Liabilities & Provisions	33,777	35,410	36,447	37,906
Payables	6,950	7,693	7,995	8,843
Other Current Liabilities	26,827	27,717	28,451	29,063
<i>sub total</i>				
Net Current Assets	33,565	45,029	57,812	72,684
Total Assets	52,250	64,232	77,321	92,272

E – Estimates

Important Ratios

Particulars	FY20A	FY21E	FY22E	FY23E
(A) Margins (%)				
Gross Profit Margin	32.4	33.6	33.2	33.3
EBIDTA Margin	18.7	21.3	20.5	20.5
EBIT Margin	16.1	18.4	17.7	17.8
Tax rate	27.0	25.6	25.9	25.5
Net Profit Margin	12.0	14.7	14.0	14.1
(B) As Percentage of Net Sales (%)				
COGS	67.6	66.4	66.8	66.7
Employee	0.0	0.0	0.0	0.0
Other	13.7	12.2	12.7	12.8
(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	78	79	79	78
Average Cost of Debt	0.0	0.0	0.0	0.0
Payable days	23	23	21	20
Working Capital days	113	134	149	163
FA T/O	5.9	6.5	7.4	8.5
(D) Measures of Investment				
AEPS (Rs)	74.4	102.5	112.2	129.9
CEPS (Rs)	89.9	122.5	134.5	154.4
DPS (Rs)	28.0	35.0	40.0	45.0
Dividend Payout (%)	37.7	34.1	35.6	34.6
BVPS (Rs)	307.2	375.1	449.4	534.4
RoANW (%)	25.4	30.1	27.2	26.4
RoACE (%)	26.2	31.0	27.9	27.0
RoAIC (%)	38.4	44.9	43.6	44.8
(E) Valuation Ratios				
CMP (Rs)	3100	3100	3100	3100
P/E	41.7	30.2	27.6	23.9
Mcap (Rs Mn)	545,216	545,216	545,216	545,216
MCap/ Sales	5.0	4.4	3.9	3.4
EV	518,098	508,734	499,220	487,393
EV/Sales	4.8	4.1	3.5	3.0
EV/EBITDA	25.5	19.4	17.2	14.6
P/BV	10.1	8.3	6.9	5.8
Dividend Yield (%)	0.9	1.1	1.3	1.5
(F) Growth Rate (%)				
Revenue	15.2	13.1	14.8	15.0
EBITDA	7.7	29.2	10.6	14.8
EBIT	1.1	29.2	10.5	15.6
PBT	(3.0)	35.5	9.9	15.2
APAT	(1.9)	38.0	9.5	15.8
EPS	(2.2)	37.9	9.5	15.8

Cash Flow

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
CFO	16,435	17,502	18,615	21,742
CFI	(6,520)	(7,288)	(7,538)	(7,620)
CFF	(8,813)	(4,600)	(5,462)	(6,196)
FCFF	13,418	13,964	14,977	18,022
Opening Cash	4,150	5,252	10,866	16,481
Closing Cash	5,252	10,866	16,481	24,407

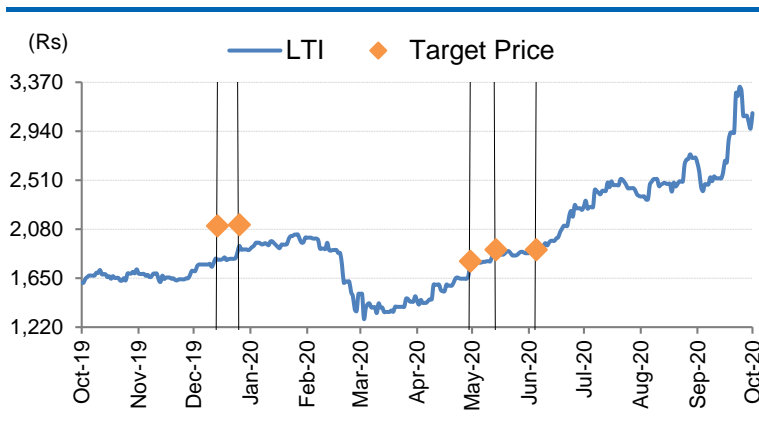
E – Estimates

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-20	Buy	2,110	1,813
Jan-20	Buy	2,120	1,934
May-20	Reduce	1,800	1,784
Jun-20	Reduce	1,900	1,848
Jun-20	Reduce	1,900	1,893

*Price as on recommendation date

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