

Buy

Rev inline, License wins (up 16% YTD) drives up profitability

- OFSS reported inline results with a revenue growth of 6.8% YoY at Rs 12.4bn (DE Rs12.3bn). OPM for Q3 stood at 47.2% up 419bps YoY (up 125bps on QoQ basis), as cost efficiency got further deep. EBIT and PAT were ahead of estm at Rs 5.9bn (DE Rs5.5) and Rs4.2bn (DE 3.9bn).
- OFSS signed new Licenses worth US\$19.1mn ahead of our estm of \$16mn (\$12mn in Q2FY20) that included 17 new deals across Geos including 6 in developed markets (Exhibit 6) and also witnessed 23 go-lives in the quarter.
- Improved deal momentum (License wins up 16% YoY for 9MFY21) led by Digital acceleration theme (Banks investing both on creating digital channels), significant savings on cost in WFH (YTD EBIT margins up 364bps) could extend the overall earnings momentum significantly.
- Global leadership in underpenetrated CBS business, unmatched access, superior technology, integrated & reliable offering would ensure that OFSS emerge as most preferred vendor in the segment. Superior pricing and brand appeal would mean stronger profitability, improved cash generation (FCF Yield 5%+) and generous pay-outs. We continue to maintain OFSS as our preferred pick with Buy rating on the stock with DCF based TP of Rs4000 (implies 16x on FY23E PER).

Signed \$19.1mn in Licenses; won 17 new deals across markets

OFSS added 17 new deals that included 37 different product modules being sold across Geographies (6 deals in developed markets – UK/US/Netherlands/Canada) and product offerings – 8 Universal Banking, 3 Digital Experience and 16 Enterprise/Payments deals. The demand for Implementation (down 2.2% on YoY basis) continued to slide despite 23 go-lives indicating increased partner sales during the quarter. AMC were up 10% on YoY (1.3% QoQ), contributing about ~36% of revenues. Overall Product revenues were up 7% on YoY basis at Rs11bn (89% of revenues), Services business witnessed revenue growth of about 3.5% YoY. OFSS reported overall EBIT margins at 47.2% in Q3 led by sustained cost actions as it was able to optimize both on employee cost (down 3% QoQ) and Travel cost (down 12% QoQ). Gross margin improved in line with strong license signings - up 56% on YoY basis. We expect profitability to see some pressure in FY22E on cost normalizations.

Q3FY21 Result (Rs Mn)

Particulars	Q3FY21	Q3FY20	YoY (%)	Q2FY21	QoQ (%)
Revenue	12,384	11,601	6.8	11,974	3.4
Total Expense	6,272	6,339	(1.1)	6,195	1.2
EBITDA	6,112	5,262	16.2	5,778	5.8
Depreciation	262	268	(2.3)	272	(3.7)
EBIT	5,850	4,993	17.2	5,506	6.2
Other Income	177	596	(70.3)	123	43.4
Interest	0	0		0	
EBT	6,027	5,589	7.8	5,630	7.1
Tax	1,730	1,022	69.2	1,709	1.2
RPAT	4,297	4,567	(5.9)	3,921	9.6
APAT	4,297	4,567	(5.9)	3,921	9.6
			(bps)		(bps)
Gross Margin (%)	43.4	44.9	(152)	46.5	(306)
EBITDA Margin (%)	49.4	45.4	400	48.3	109
NPM (%)	34.7	39.4	(467)	32.7	195
Tax Rate (%)	28.7	18.3	1042	30.4	(165)
EBIT Margin (%)	47.2	43.0	419	46.0	125

CMP	Rs 3,270
Target / Upside	Rs 4,000 / 22%
NIFTY	13,818

Script Details

Equity / FV	Rs 429mn / Rs 5
Market Cap	Rs 281bn
	USD 4bn
52-week High/Low	Rs 3,542/ 1,506
Avg. Volume (no)	61,421
Bloom Code	OFSS IN

Price Performance	1M	3M	12M
Absolute (%)	2	5	13
Rel to NIFTY (%)	3	(12)	(1)

Shareholding Pattern

	Jun'20	Sep'20	Dec'20
Promoters	73.4	73.3	73.3
MF/Banks/FIs	6.4	7.0	8.0
FIIIs	13.2	12.4	11.0
Public / Others	7.0	7.3	7.7

Valuation (x)

	FY21E	FY22E	FY23E
P/E	15.8	15.0	13.4
EV/EBITDA	9.2	8.6	7.5
ROE (%)	26.9	27.9	30.1
RoACE (%)	26.5	27.5	29.6

Estimates (Rs mn)

	FY21E	FY22E	FY23E
Revenue	51,170	55,852	62,996
EBITDA	25,550	26,926	30,455
PAT	17,770	18,715	20,953
EPS (Rs.)	206.6	217.6	243.6

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Exhibit 1: Quarterly performance versus estimates

(in Rs mn)	Actual	Estimates		% Variation		Comment
		Dolat	Consensus	Dolat	Consensus	
Revenue	12,384	12,329	12,163	0.5	1.8	Strong licence signings drove rev beat.
EBIT	5,850	5,566	4,811	5.1	21.6	Stronger growth and significant cost savings in SG&A led to OPM beat
EBIT, margin	47.2	45.1	39.6	210 bps	770 bps	
PAT	4,297	1,852	3,948	132.0	8.8	normalization of tax rate and higher other income led to wider beat on PAT

Source: DART, Company

Change in Estimates

Given strong licence win momentum in Q3 and 9MFY21, we expect the growth traction to sustain/extend in FY22/23E and thus have factored in revenue growth of 8%/10% respectively (estimates largely retained). Factoring in further OPM beat in Q3 - we have scaled up our OPM estimates by 150bps/168bps for FY22/23E; resulting in earnings upgrade of about 2.5%/0.4%/2.4% for FY21/FY22/23E.

Change in Estimates

	FY20	FY21E			FY22E			FY23E		
In mn	Actual	Old	New	Change	Old	New	Change	Old	New	Change
USD Revenue	685	701	692	(1.2)	758	750	(1.1)	840	829	(1.4)
YoY growth (%)	(3.9)	2.3	1.1	(122 bps)	8.1	8.3	18 bps	10.9	10.6	(29 bps)
INR Revenue	48,613	51,821	51,170	(1.3)	57,606	55,852	(3.0)	63,860	62,996	(1.4)
YoY growth (%)	(2.0)	6.6	5.3	(134 bps)	11.2	9.1	(201 bps)	10.9	12.8	194 bps
EBIT	21,223	24,348	24,486	0.6	25,780	25,831	0.2	28,641	29,310	2.3
EBIT margin (%)	43.7	47.0	47.9	87 bps	44.8	46.2	150 bps	44.8	46.5	168 bps
PAT	14,622	17,267	17,770	2.9	18,647	18,715	0.4	20,473	20,953	2.3
EPS (Rs Abs)	169.7	200.8	205.8	2.5	216.8	217.7	0.4	238.1	243.7	2.4

Source: DART, Company

Exhibit 2: Key Assumptions in Our Estimates

Metrics	FY20A	FY21E	FY22E	FY23E
USD License Wins (\$ Mn)	76	89	101	115
USD Product Revenue Growth	(2.8)	1.4	9.5	11.6
USD Other Revenue Growth	(11.6)	(1.4)	(1.5)	1.0
USD Revenue Growth	(3.9)	1.1	8.3	10.6
USD/INR (Abs)	71.0	73.9	74.5	76.0
INR Revenue Growth	(2.0)	5.3	9.1	12.8
EBIT Margin (%)	43.7	47.9	46.2	46.5
EPS Growth (%)	5.3	21.3	5.8	12.0

Source: DART, Company

Exhibit 3: Key Revenue Growth Matrix (YoY)

Particulars	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21
License Wins Growth	3.6	(35.8)	(17.6)	12.7	1.7	11.7	56.6
USD Product Revenue Growth	(7.9)	(4.2)	(1.4)	2.7	(1.4)	(1.4)	3.5
USD Other Revenue Growth	(8.2)	(9.5)	(9.9)	(18.0)	(2.5)	(7.0)	(0.1)
USD Revenue Growth	(7.9)	(4.9)	(2.5)	0.5	(1.5)	(2.1)	3.1
INR Revenue Growth	(5.2)	(4.2)	(2.2)	4.0	4.9	3.0	6.8

Source: DART, Company

Exhibit 4: Quarterly and YTD Trends

Rs mn	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	QoQ	YoY	YTD FY20	YTD FY21	YoY
USD Revenue	164.9	162.9	173.6	180.7	161.4	167.9	4.1	3.1	511.3	510.1	(0.2)
INR Revenue	11,625	11,601	12,636	13,373	11,974	12,384	3.4	6.8	35,977	37,731	4.9
Operating Expenses	6,441	6,339	6,983	6,472	6,195	6,272	1.2	(1.1)	19,343	18,940	(2.1)
Employee Expenses	5,298	5,214	5,535	5,455	5,566	5,378	(3.4)	3.1	15,643	16,399	4.8
as % of sales	45.6	44.9	43.8	40.8	46.5	43.4	569 bps	(152 bps)	43.5	43.5	(2 bps)
Other Expense	1,142	1,125	1,448	1,017	629	895	42.1	(20.5)	3,700	2,541	(31.3)
as % of sales	9.8	9.7	11.5	7.6	5.3	7.2	(235 bps)	(248 bps)	10.3	6.7	(355 bps)
EBITDA	5,184	5,262	5,653	6,901	5,778	6,112	5.8	16.2	16,634	18,791	13.0
Depreciation	256	268	274	266	272	262	(3.7)	(2.3)	790	800	1.3
EBIT	4,928	4,993	5,379	6,635	5,506	5,850	6.2	17.2	15,844	17,991	13.5
Other Income	435	596	(25)	435	123	177	43.4	(70.3)	1,324	735	(44.5)
PBT	5,363	5,589	5,354	7,070	5,630	6,027	7.1	7.8	17,169	18,727	9.1
Total Tax	1,775	1,022	2,661	2,272	1,709	1,730	1.2	69.2	5,239	5,711	9.0
Reported PAT	3,588	4,567	2,693	4,798	3,921	4,297	9.6	(5.9)	11,929	13,016	9.1
Reported EPS	41.8	53.2	31.3	55.8	45.6	50.0	9.6	(6.1)	139.0	151.4	8.9
Margins (%)							(bps)	(bps)			(bps)
EBIDTA	44.6	45.4	44.7	51.6	48.3	49.4	109 bps	400 bps	46.2	49.8	357 bps
EBIT	42.4	43.0	42.6	49.6	46.0	47.2	125 bps	419 bps	44.0	47.7	364 bps
PBT	46.1	48.2	42.4	52.9	47.0	48.7	165 bps	48 bps	47.7	49.6	191 bps
PAT	30.9	39.4	21.3	35.9	32.7	34.7	195 bps	(467 bps)	33.2	34.5	134 bps
Effective Tax rate	33.1	18.3	49.7	32.1	30.4	28.7	(165 bps)	1042 bps	30.5	30.5	(2 bps)

Source: DART, Company

What to Expect Next Quarter

We are assumed Licence revenues of \$27mn for Q4 - which should drive revenue growth of 6.4% on YoY basis. Also we expect OPM to improve further by 109bps QoQ in Q4 given strong licence bookings led operating leverage. PAT is expected to improve 11% QoQ basis (inline with EBIT) and expected to improve by 76% on YoY basis as it had one-off higher tax charges resulting in ETR of 49.7% in base quarter last year, versus normal ETR of 32% in Q3FY21.

Exhibit 5: What to Expect Next Quarter

(Rs. Mn)	Q4FY21E	Q3FY21	Q4FY20	QoQ (%)	YoY (%)
USD Revenue	182	168	174	8.5	5.0
INR Revenue	13,439	12,384	12,636	8.5	6.4
EBIT	6,495	5,850	5,379	11.0	20.8
PAT	4,754	4,297	2,693	10.7	76.6
EPS (Rs. Abs)	55.3	50.0	31.3	10.7	76.9
EBIT Margin (%)	48.3	47.2	42.6	109 bps	576 bps

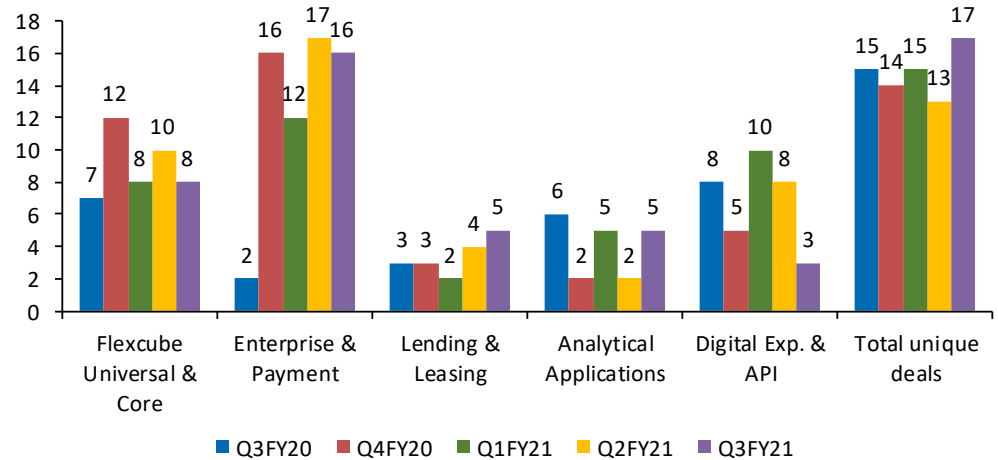
Source: DART, Company

Valuation

Unlike the consistent secular growth trends in IT Services business, Software companies' performance can be bit volatile on annualized basis and thus it is better to be valued on DCF basis to capture the true potential in near-to-medium term. We have factored in Revenue CAGR of 8.6% over FY20-30E, stable EBIT margin of 47.5% and Terminal growth rate of 2%. Taking these assumptions, we have arrived at TP of Rs. 4,000 per share (from Rs. 4,000) and UNCHANGED Rating of BUY.

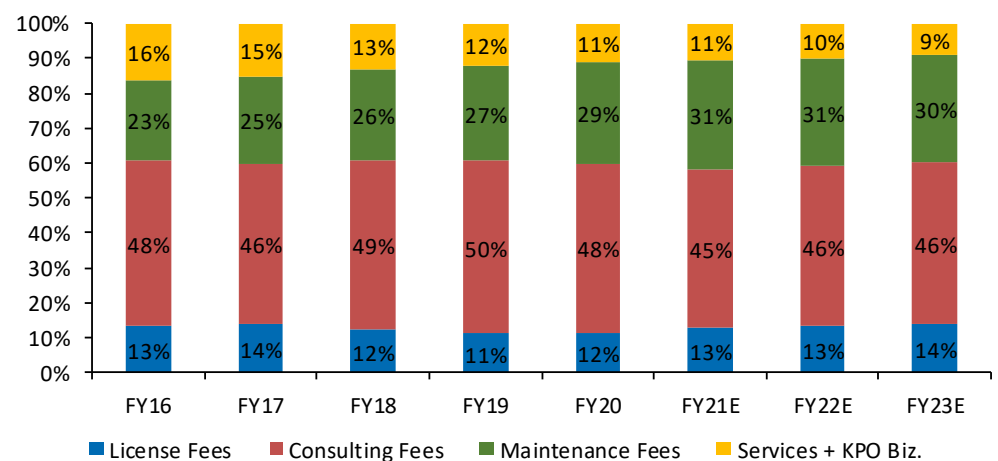
Story in Charts

Exhibit 6: Product and module sales quarterly



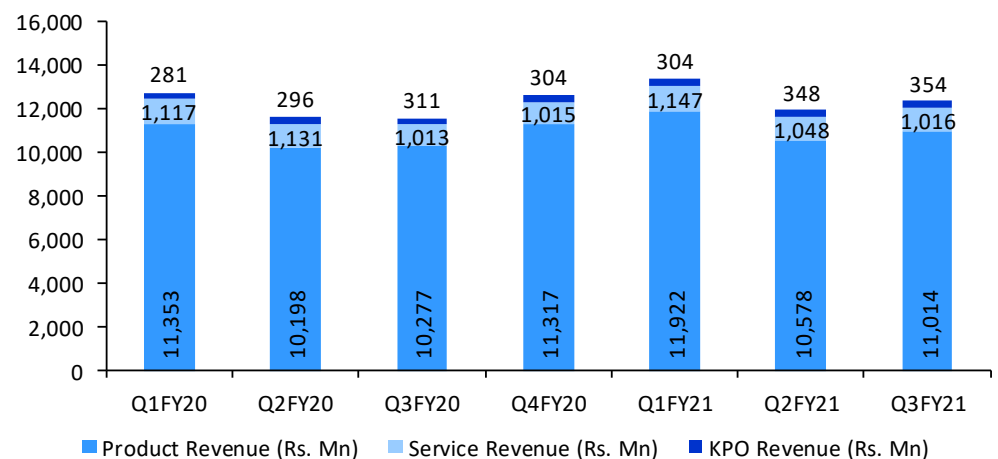
Source: DART, Company

Exhibit 7: Revenue Mix Trends



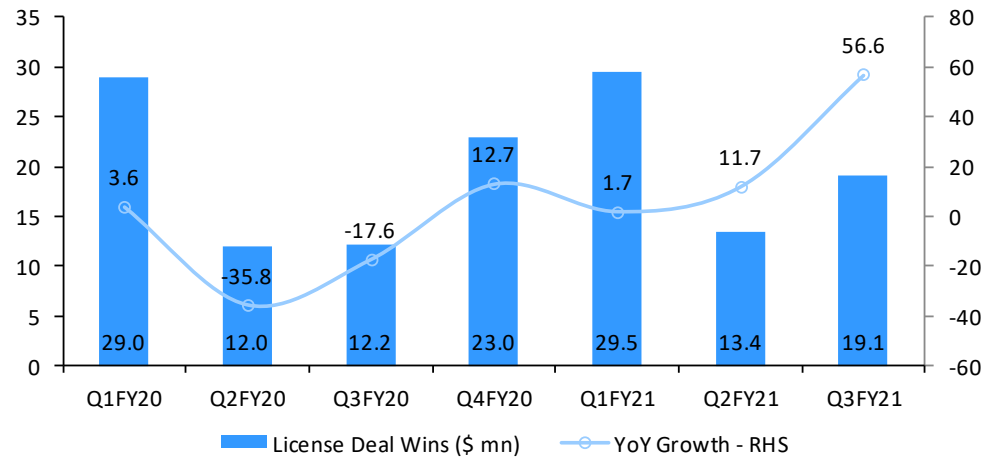
Source: DART, Company

Exhibit 8: Revenue Breakup in Product, Services and BPO Business



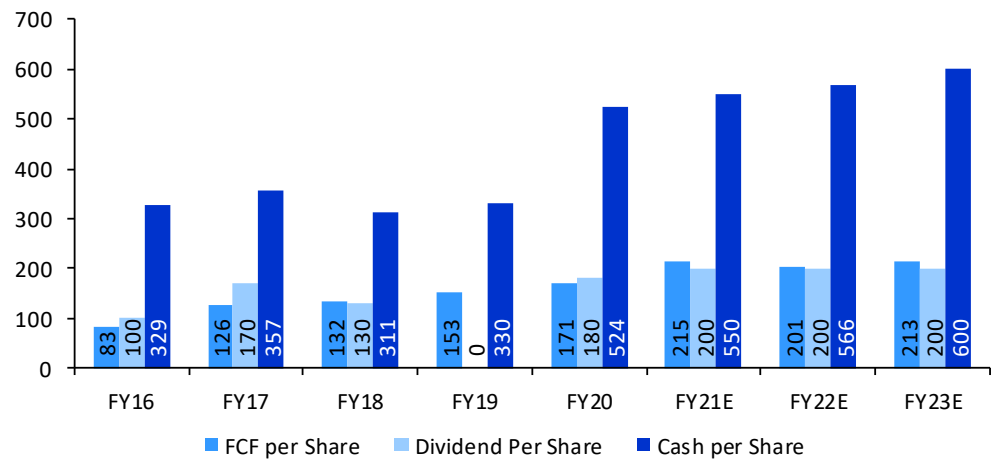
Source: DART, Company

Exhibit 9: License Wins Trend improving



Source: DART, Company

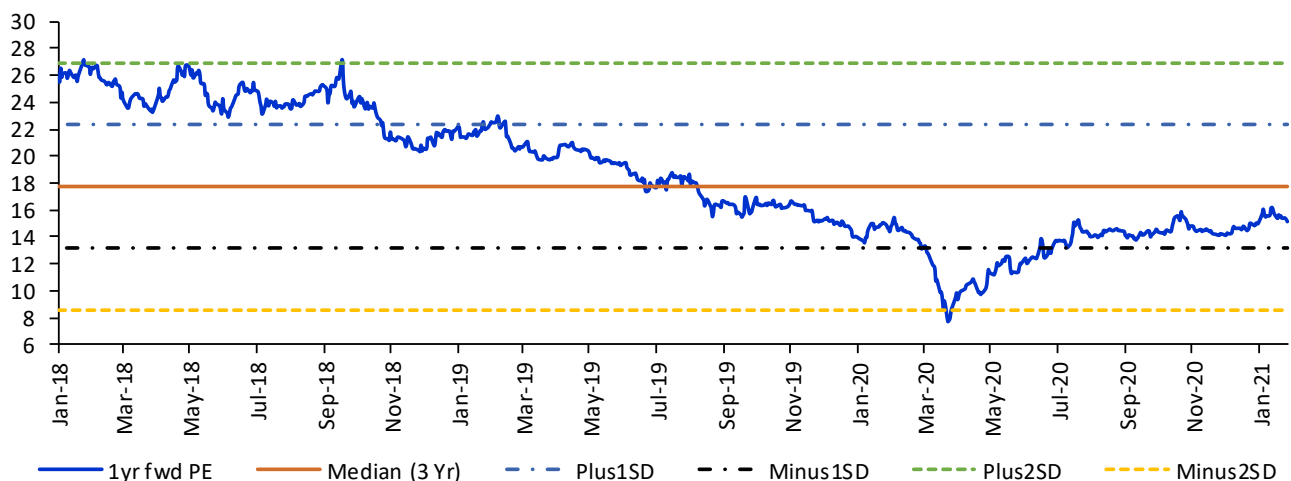
Exhibit 10: Dividend Payout to get revived as robust FCF Generation continues



Source: DART, Company

PE Band Chart

Exhibit 11: OFSS PE Band Chart: Valuation is recovering as growth is improving over quarters



Source: DART, Company

Exhibit 12: Operating Metrics 1

Operating Metrics	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21
\$ Revenue	173.3	167.0	172.8	183.5	164.9	162.9	173.6	180.7	161.4	167.9
CC growth (%) (YoY)	2.0	12.0	13.0	(5.2)	(4.2)	(2.2)	4.0	4.9	3.0	6.8
CC growth (%) (QoQ)	(9.8)	(2.3)	2.4	5.0	(8.8)	(0.2)	8.9	5.8	(10.5)	3.4
License Wins	18.7	14.8	20.4	29.0	12.0	12.2	23.0	29.5	13.4	19.1
Growth YoY (%)	(1.6)	(7.5)	104.0	3.6	(35.8)	(17.6)	12.7	1.7	11.7	56.6
TTM License Wins	72.7	71.5	81.9	82.9	76.2	73.6	76.2	76.7	78.1	85.0
Growth YoY (%)	(30.2)	(11.3)	26.0	13.6	4.8	2.9	(7.0)	(7.5)	2.5	15.5
Segmental Revenue										
Products	10,568	10,394	10,595	11,353	10,198	10,277	11,317	11,922	10,578	11,014
Services	1,287	1,191	1,278	1,117	1,131	1,013	1,015	1,147	1,048	1,016
BPO	278	274	276	281	296	311	304	304	348	354
Segmental YoY Growth										
Products	(11.7)	(1.6)	1.9	7.2	(10.2)	0.8	10.1	5.3	(11.3)	4.1
Services	8.2	(7.5)	7.3	(12.6)	1.3	(10.4)	0.2	13.0	(8.6)	(3.1)
BPO	(3.8)	(1.4)	0.8	1.7	5.2	5.2	(2.3)	0.0	14.5	1.8
Segmental Profit Margin										
Products	47.1	48.0	48.9	51.3	47.9	48.0	50.5	55.8	52.3	55.0
Services	12.0	7.6	27.2	25.6	17.5	13.2	15.9	20.7	15.5	20.2
BPO	27.3	32.5	26.3	30.9	32.9	37.9	28.3	34.9	44.0	46.6
Product Revenue										
License Fees	15.1	14.6	19.6	31.0	13.0	11.5	23.3	30.6	14.3	17.9
Consulting Fees	49.8	46.8	45.2	47.4	49.2	50.5	49.8	51.6	52.8	53.8
Maintenance Fees	86.1	84.9	85.9	84.9	82.5	82.3	82.4	78.9	77.0	77.7
Product Revenue Growth YoY										
License Fees	(41.3)	(6.3)	93.6	3.0	(13.8)	(21.1)	19.0	(1.4)	9.5	55.2
AMC	5.7	3.1	0.9	(4.6)	(1.3)	7.8	10.1	8.8	7.3	6.4
Consulting fees	(2.7)	4.9	(4.1)	(12.9)	(4.2)	(3.1)	(4.1)	(7.1)	(6.6)	(5.6)
Service+BPO Revenue										
Fixed Price	4.9	5.2	6.0	4.8	5.5	4.5	4.3	5.5	4.7	5.4
Time & Material Basis	17.4	15.5	16.1	15.3	14.8	14.1	13.8	14.1	14.1	13.2
Service+BPO Rev. Growth YoY										
Fixed Price	(16.6)	0.9	34.9	(24.0)	11.1	(13.5)	(27.1)	13.7	(13.9)	20.8
Time & Material Basis	(1.5)	(9.6)	(8.8)	(1.8)	(15.3)	(8.7)	(14.6)	(7.6)	(4.4)	(6.6)
Staff Data										
Employees	8,589	8,383	8,054	7,774	7,917	7,919	8,001	7,982	8,058	8,110
Products - Emp	6,490	6,339	6,135	5,998	6,119	6,122	6,188	6,185	6,319	6,367
Services - Emp	1,219	1,182	1,080	946	957	954	958	953	906	865
BPO - Emp	672	654	633	635	653	654	664	651	644	694
Corporate - Emp	208	208	206	195	188	189	191	193	189	184
Attrition Rate (%)	17.0	18.0	20.0	22.0	22.0	22.0	21.0	17.0	15.0	14.0
Trade Receivable										
0-180 days	94	91	88	92	91	92	93	97	97	98
More than 180 days	6	9	12	8	9	8	7	3	3	2
DSO	71	63	63	68	62	65	63	64	55	56

Source: DART, Company

Exhibit 13: Geography Data

Geography Data	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21
Product Revenue										
India	7.5	8.8	9.0	9.8	10.1	10.1	10.9	12.9	10.0	10.5
USA	34.7	32.2	37.7	32.7	30.4	30.3	34.2	32.2	27.1	29.9
Rest of America	12.1	10.2	9.0	9.8	13.0	11.5	9.3	14.5	11.4	13.4
Europe	22.6	24.9	22.6	26.1	23.1	24.5	28.0	25.8	28.5	28.4
Asia Pacific	43.8	39.5	43.7	44.1	39.1	39.0	46.7	45.1	42.8	44.8
MEA	30.2	30.7	28.6	40.8	28.9	28.9	26.4	30.6	22.8	23.9
Product Revenue YoY Growth										
India	(21.8)	(11.6)	4.3	(21.0)	34.1	15.0	20.4	31.5	(1.4)	3.5
USA	(13.6)	3.1	8.6	(7.9)	(12.5)	(5.9)	(9.2)	(1.4)	(10.8)	(1.4)
Rest of America	(16.6)	3.1	(10.6)	(21.0)	7.8	12.7	3.2	47.9	(12.4)	16.4
Europe	(12.0)	16.9	(13.1)	5.3	2.2	(1.4)	23.8	(1.4)	23.2	15.7
Asia Pacific	0.8	(0.6)	20.9	(14.2)	(10.8)	(1.4)	6.7	2.3	9.5	15.0
MEA	10.4	3.1	(1.0)	0.1	(4.2)	(6.1)	(7.7)	(25.0)	(21.1)	(17.2)
Service+BPO Revenue										
India	0.0	0.2	0.0	0.0	0.2	0.2	0.0	0.2	0.2	0.2
USA	15.0	14.4	15.7	14.7	14.2	13.6	13.0	14.1	13.9	13.9
Rest of America	0.4	0.4	0.2	0.2	0.2	0.2	0.2	0.2	0.0	0.2
Europe	4.2	2.9	3.8	2.6	3.2	2.2	1.6	2.9	2.3	2.2
Asia Pacific	2.0	1.9	1.5	1.6	1.6	2.0	2.7	1.4	1.7	1.7
MEA	0.7	0.8	0.9	1.0	0.8	0.4	0.5	0.8	0.6	0.6
Service+BPO Rev. YoY Growth										
India	NA	(7.2)	NA	NA	NA	(9.9)	NA	NA	(7.0)	(0.1)
USA	2.4	(3.0)	5.9	9.8	(5.4)	(6.0)	(16.8)	(3.8)	(1.7)	2.7
Rest of America	(52.6)	(38.1)	(50.0)	(69.4)	(54.7)	(54.9)	(18.0)	(2.5)	(100.0)	(0.1)
Europe	(14.3)	(27.8)	(19.1)	(43.2)	(23.8)	(22.8)	(56.6)	12.5	(30.2)	(0.1)
Asia Pacific	(5.3)	(7.2)	(12.6)	(18.4)	(19.6)	10.1	75.7	(14.7)	4.7	(18.2)
MEA	(5.3)	85.6	299.6	14.7	20.7	(54.9)	(38.5)	(22.0)	(30.2)	49.9
Total Revenue										
India	8.7	10.0	8.6	9.2	9.9	9.8	10.4	12.7	11.3	11.8
USA	48.5	46.8	53.6	47.7	44.5	44.0	46.9	45.2	40.4	43.7
Rest of America	12.1	10.0	10.4	11.0	13.2	11.4	10.4	14.5	11.3	13.4
Europe	27.7	26.7	25.9	29.4	26.4	26.1	29.5	47.0	45.2	45.3
Asia Pacific	45.1	41.8	44.9	45.9	41.2	42.4	48.6	28.9	30.7	30.2
MEA	31.2	31.7	29.4	40.4	29.7	29.3	27.8	32.5	22.6	23.5
Total Revenue YoY Growth (%)										
India	(6.0)	1.7	(13.6)	(34.2)	14.2	(2.5)	20.6	37.9	14.2	20.3
USA	(12.3)	1.7	7.1	(4.2)	(8.3)	(5.9)	(12.5)	(5.3)	(9.4)	(0.7)
Rest of America	(17.8)	(12.8)	3.7	(7.9)	8.7	13.8	0.5	31.3	(14.3)	17.8
Europe	(6.0)	1.7	(13.6)	(1.8)	(4.9)	(2.5)	13.9	60.1	71.3	73.9
Asia Pacific	(6.0)	1.7	22.5	(11.5)	(8.5)	1.5	8.2	(37.0)	(25.6)	(28.6)
MEA	12.8	7.4	(2.1)	(3.5)	(4.9)	(7.6)	(5.4)	(19.4)	(23.9)	(19.8)

Source: DART, Company

Profit and Loss Account

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
Revenue	48,613	51,170	55,852	62,996
Total Expense	26,326	25,620	28,926	32,541
COGS	21,178	21,938	23,735	26,185
Employees Cost	0	0	0	0
Other expenses	5,148	3,681	5,191	6,356
EBIDTA	22,287	25,550	26,926	30,455
Depreciation	1,064	1,064	1,095	1,145
EBIT	21,223	24,486	25,831	29,310
Interest	0	0	0	0
Other Income	1,300	1,032	1,292	1,731
Exc. / E.O. items	0	0	0	0
EBT	22,523	25,519	27,123	31,041
Tax	7,901	7,748	8,408	10,088
RPAT	14,622	17,770	18,715	20,953
Minority Interest	0	0	0	0
Profit/Loss share of associates	0	0	0	0
APAT	14,622	17,770	18,715	20,953

Balance Sheet

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
Sources of Funds				
Equity Capital	429	429	429	429
Minority Interest	0	0	0	0
Reserves & Surplus	65,266	65,838	67,355	71,109
Net Worth	65,696	66,268	67,784	71,538
Total Debt	0	0	0	0
Net Deferred Tax Liability	962	1,107	1,137	1,202
Total Capital Employed	66,658	67,375	68,921	72,740

Applications of Funds

Net Block	9,526	9,322	9,187	9,152
CWIP	0	2	2	2
Investments	102	102	102	102
Current Assets, Loans & Advances	69,571	71,846	74,678	79,761
Inventories	0	0	0	0
Receivables	9,254	8,832	9,793	11,218
Cash and Bank Balances	13,316	15,669	17,060	19,933
Loans and Advances	0	0	0	0
Other Current Assets	15,349	15,693	16,173	16,958
Less: Current Liabilities & Provisions	12,542	13,898	15,048	16,278
Payables	355	351	396	446
Other Current Liabilities	12,187	13,547	14,652	15,832
<i>sub total</i>				
Net Current Assets	57,029	57,948	59,629	63,484
Total Assets	66,658	67,375	68,921	72,740

E – Estimates

Important Ratios

Particulars	FY20A	FY21E	FY22E	FY23E
(A) Margins (%)				
Gross Profit Margin	43.6	42.9	42.5	41.6
EBIDTA Margin	45.8	49.9	48.2	48.3
EBIT Margin	43.7	47.9	46.2	46.5
Tax rate	35.1	30.4	31.0	32.5
Net Profit Margin	30.1	34.7	33.5	33.3
(B) As Percentage of Net Sales (%)				
COGS	43.6	42.9	42.5	41.6
Employee	0.0	0.0	0.0	0.0
Other	10.6	7.2	9.3	10.1
(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	69	63	64	65
Average Cost of Debt				
Payable days	3	3	3	3
Working Capital days	428	413	390	368
FA T/O	5.1	5.5	6.1	6.9
(D) Measures of Investment				
AEPS (Rs)	170.4	206.6	217.6	243.6
CEPS (Rs)	182.8	219.0	230.3	256.9
DPS (Rs)	180.0	200.0	200.0	200.0
Dividend Payout (%)	105.6	96.8	91.9	82.1
BVPS (Rs)	765.5	770.5	788.1	831.8
RoANW (%)	25.4	26.9	27.9	30.1
RoACE (%)	25.3	26.5	27.5	29.6
RoAIC (%)	46.9	46.6	49.9	56.0
(E) Valuation Ratios				
CMP (Rs)	3270	3270	3270	3270
P/E	19.2	15.8	15.0	13.4
Mcap (Rs Mn)	2,81,126	2,81,126	2,81,126	2,81,126
MCap/ Sales	5.8	5.5	5.0	4.5
EV	2,36,158	2,33,806	2,32,414	2,29,541
EV/Sales	4.9	4.6	4.2	3.6
EV/EBITDA	10.6	9.2	8.6	7.5
P/BV	4.3	4.2	4.1	3.9
Dividend Yield (%)	5.5	6.1	6.1	6.1
(F) Growth Rate (%)				
Revenue	(2.0)	5.3	9.1	12.8
EBITDA	3.9	14.6	5.4	13.1
EBIT	1.5	15.4	5.5	13.5
PBT	(0.7)	13.3	6.3	14.4
APAT	5.5	21.5	5.3	12.0
EPS	5.2	21.3	5.3	12.0

Cash Flow

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
CFO	15,218	19,381	18,257	19,451
CFI	(13,841)	170	332	621
CFF	(474)	(17,198)	(17,198)	(17,198)
FCFF	14,688	18,519	17,297	18,341
Opening Cash	11,563	13,316	15,669	17,060
Closing Cash	13,316	15,669	17,060	19,933

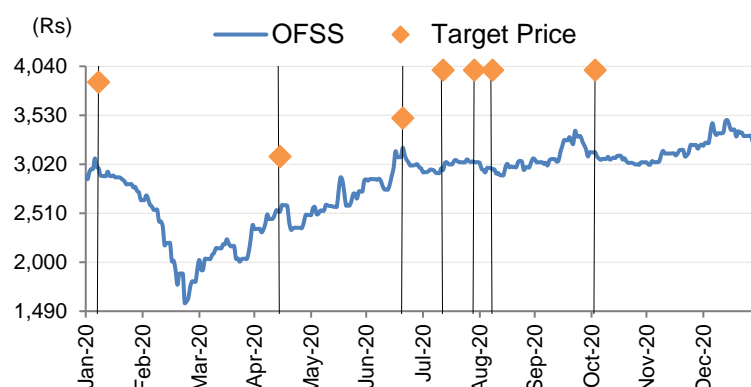
E – Estimates

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.)
Feb-20	Buy	3,875	2,982
May-20	Buy	3,100	2,526
Jul-20	Buy	3,500	3,191
Aug-20	Buy	4,000	2,960
Aug-20	Buy	4,000	3,042
Sep-20	Buy	4,000	2,965
Nov-20	Buy	4,000	3,145

*Price as on recommendation date

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