

### Record order win (\$38mn) drives results beat; earnings upgrade

- \$ Revenue increased by 8.3% QoQ and 12.2% YoY to \$23.3mn well above our estimate of \$21.9mn. Revenue recognition was better as the new clients accounted for 31% of revenues (v/s) 20% in Q2.
- Bookings for Q3 were strong at \$38.4mn (up 28.9% YoY) V/s 8 Qtr Avg of US\$26mn. Strong Booking also adds Revenue Visibility up by ~\$13mn, taking total unexecuted Order Book to \$177.7mn (2.1x revenue), indicating sustained momentum and improving revenue visibility.
- Profitability was stable after adjusting for Fx gains at 17.9% (up 16bps QoQ – best ever) despite normalization of cost – employee cist up 9% QoQ, SG&A up 8% QoQ. Expect to sustain 25%+ EBIDTA margin hereon.
- We continue to remain confident on improving business prospects (Faster go-lives, improved cost efficiencies and sustained deal momentum – added \$86mn in new deals on YTD basis up 12% YoY – 1.34x of its revenues) and have built in revenue/EPS CAGR of 17%/27% over FY21-23E and retain our Accumulate rating on the stock with a DCF-based TP of Rs700 (implies 21x PER on FY23E earnings).

### Aviation steals the show, from being a drag in past

Aviation Segment revenues were up 44% QoQ and 28% YoY. Its Bookings has also gone up by 45% on TTM basis to \$35mn, as it Clocked best ever quarterly revenues of \$7.8mn helped by two large deals (5mn\$+) in Q3 (Iberia and US Air Adversary player). The company's offering is getting significant traction with the US Defence contractors, who are enrolling it as their partner to target US Defence segment, which has opened up TAM significantly (26% of its pipeline is comprised by these deals). HCM segment revenues declined 15% QoQ (down 10% on TTM basis) during the quarter, largely impacted by soft bookings by Enterprises given cuts in the discretionary spending. However, this has started changing as evident from strong bookings during the quarter at \$15.7mn up 91% on QoQ basis. ERP Revenues grew 6.5% QoQ, however recorded soft order booking of about \$4.8mn (down 14% on TTM basis). Logistic segment is doing very well within the ERP segment, although rest of the market is still soft (targeting Digital Transformation opportunities) in this segment. The company has rolled back all its cost except Travel back to normalized run rate, and expect to maintain EBIDTA margins upwards of 25% hereon (Q3 EBIDTM 30.4%).

### Q3FY21 Result (Rs Mn)

Particulars	Q3FY21	Q3FY20	YoY (%)	Q2FY21	QoQ (%)
Revenue	1,714	1,471	16.5	1,598	7.2
Total Expense	1,192	1,179	1.1	1,160	2.7
EBITDA	522	292	78.8	438	19.1
Depreciation	171	169	1.2	174	(1.6)
EBIT	351	123	185.8	264	32.8
Other Income	28	21	32.8	53	(46.2)
Interest	18	32	(43.3)	27	(32.7)
EBT	361	112	222.1	290	24.5
Tax	180	53	240.8	121	49.0
RPAT	179	58	209.6	167	7.0
APAT	179	58	209.6	167	7.0
			(bps)		(bps)
Gross Margin (%)	57.2	53.3	391	58.0	(84)
EBITDA Margin (%)	30.4	19.8	1060	27.4	304
NPM (%)	10.4	3.9	651	10.5	(2)
Tax Rate (%)	49.8	47.0	274	41.6	817
EBIT Margin (%)	20.5	8.3	1212	16.5	394

CMP	Rs 639
Target / Upside	Rs 700 / 9%
NIFTY	14,924

### Scrip Details

Equity / FV	Rs 306mn / Rs 10		
Market Cap	Rs 20bn		
	USD 275mn		
52-week High/Low	Rs 785/ 64		
Avg. Volume (no)	259,904		
Bloom Code	RMCS IN		
Price Performance	1M	3M	12M
Absolute (%)	(12)	43	275
Rel to NIFTY (%)	(12)	43	282

### Shareholding Pattern

	Jun'20	Sep'20	Dec'20
Promoters	54.7	54.7	54.6
MF/Banks/FIs	13.3	8.9	8.9
FIIIs	5.4	0.7	1.5
Public / Others	26.6	35.7	35.0

### Valuation (x)

	FY21E	FY22E	FY23E
P/E	31.7	25.3	19.6
EV/EBITDA	11.0	9.5	7.8
ROE (%)	9.7	11.0	12.6
RoACE (%)	10.5	11.8	13.5

### Estimates (Rs mn)

	FY21E	FY22E	FY23E
Revenue	6,506	7,723	8,979
EBITDA	1,878	2,140	2,528
PAT	619	777	1,003
EPS (Rs.)	20.2	25.3	32.7

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**Exhibit 1: Quarterly performance versus estimates**

(in Rs mn)	Actual	Estimates		% Variation		Comment
		Dolat	Consensus	Dolat	Consensus	
USD Revenue	23	22	NA	6.6%	NA	Revenue beat lead by strong bookings in Aviation segment
INR Revenue	1,714	1,616	NA	6.1%	NA	
EBIT	351	250	NA	40.3%	NA	EBIT beat lead by Fx gains (Rs. 44mn).
EBIT, margin	20.5%	15.5%	NA	500 bps	NA	
PAT	181	144	NA	25.5%	NA	PAT beat slightly negated by higher tax rate (50%)

Source: DART, Company

**Change in Estimates**

Accounting for result beat, confident commentary, increased cost base, led to improved growth estimate for FY21/FY22/FY23E by 4%/10%/9%; and further favourable swing in profitability by 172bps/254bps/25bps respectively for FY21/22/23E. The confidence in big improvement is emanating from improved implementation cycle (led by increased automation), and remote deployment that would mean better gross margins, which along with remote selling as well as lower digital-led marketing cost would lead to further gains in operating margins. As a result, we see significant improvement in our EPS estimates.

**Exhibit 2: Change in Estimates**

(Rs mn)	FY20A	FY21E			FY22E			FY23E		
	New	Old	New	% chg	Old	New	% chg	Old	New	% chg
USD Revenue	81	85	88	3.7	94	104	9.9	108	118	9.4
YoY growth, %	3.5	4.7	8.6	387	11.1	17.7	666	14.5	14.0	-54
INR Revenue	5,689	6,284	6,506	3.5	7,073	7,723	9.2	8,208	8,979	9.4
YoY growth, %	4.9	10.4	14.4	392	12.6	18.7	615	16.1	16.3	21
EBIT	365	1,035	1,184	14.4	1,111	1,410	26.9	1,589	1,761	10.8
EBIT mgns, %	6.4	16.5	18.2	172	15.7	18.3	254	19.4	19.6	25
Net profits	102	569	619	8.8	684	777	13.5	977	1,003	2.6
EPS	3.3	18.5	20.2	8.8	22.3	25.3	13.4	31.9	32.7	2.5

Source: DART, Company

**Exhibit 3: Key Assumptions in Our Estimates**

Key assumptions	FY20	FY21E	FY22E	FY23E
Growth in \$ HCM Biz.	(0.9)	(6.2)	30.4	22.8
Growth in \$ ERP Biz.	13.5	1.9	8.7	12.7
Growth in \$ Aviation Biz.	(4.0)	44.1	15.3	5.0
Growth in \$ Revenue	3.5	8.6	17.7	14.0
Growth in INR Revenue	4.9	14.4	18.7	16.3
INR/US\$ realized rate	70.2	73.9	74.5	76.0
EBIT Margin	6.4	18.2	18.3	19.6

Source: DART, Company

**Exhibit 4: YoY Growth Matrix**

Particulars	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21
License Revenue	(33.0)	(13.2)	(31.9)	(74.3)	(10.4)	(11.3)	29.0
Recurring Revenue	9.2	12.4	14.3	9.8	6.3	10.8	6.1
BPO Revenue	14.3	32.9	52.1	81.8	70.0	41.2	27.9
Implementation Revenue	41.5	40.4	28.3	34.0	(9.5)	(3.7)	3.8

Source: DART, Company

### Exhibit 5: Quarterly and YTD Trend

Rs mn	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	YoY (%)	QoQ (%)	YTD FY20	YTD FY21	YoY (%)
USD Revenue	22	21	19	19	22	23	12.2	8.3	62	64	3.0
INR Revenue	1,493	1,471	1,329	1,452	1,598	1,714	16.5	7.2	4,360	4,764	9.3
Operating Expenses	1,182	1,179	1,141	1,003	1,160	1,192	1.1	2.7	3,518	3,355	(4.6)
Cost of revenue	657	688	599	650	671	734	6.8	9.4	1,963	2,056	4.7
as % of sales	44.0	46.7	45.1	44.8	42.0	42.8			45.0	43.1	
SG&A expenses	525	491	543	353	489	458	(6.8)	(6.4)	1,554	1,299	(16.4)
as % of sales	35.2	33.4	40.9	24.3	30.6	26.7			35.6	27.3	
EBITDA	311	292	187	450	438	522	78.8	19.1	843	1,409	67.2
Depreciation	164	169	167	174	174	171	1.2	(1.6)	498	519	4.3
EBIT	147	123	21	276	264	351	185.8	32.8	345	890	158.2
Other Income	(10)	(11)	(3)	5	26	10	(196.2)	(60.3)	(28)	41	(248.2)
PBT	137	112	18	281	290	361	222.1	24.5	317	931	193.9
Total Tax	62	53	75	139	121	180	240.8	49.0	153	439	186.5
Adjusted PAT	75	59	(57)	142	169	181	205.4	7.1	164	492	200.8
Minority Interest	(1)	(2)	(2)	(4)	(2)	(2)	52.2	10.6	(3)	(8)	137.6
Reported PAT	74	58	(59)	138	167	179	209.6	7.0	160	484	202.1
Reported EPS	2.4	1.9	(1.9)	4.5	5.4	5.8	208.8	6.9	5.2	15.8	201.7
Margins (%)							(bps)	(bps)			
EBIDTA	20.8	19.8	14.1	31.0	27.4	30.4	1,060	304	19.3	29.6	1,025
EBIT	9.8	8.3	1.6	19.0	16.5	20.5	1,212	394	7.9	18.7	1,078
EBT	9.2	7.6	1.4	19.3	18.1	21.1	1,344	292	7.3	19.5	1,228
PAT	5.0	3.9	(4.4)	9.5	10.5	10.4	651	(2)	3.7	10.2	649
Effective Tax rate	45.2	47.0	411.8	49.5	41.6	49.8	274	817	48.3	47.1	(121)

Source: Company, DART

### What to expect Next Quarter

We expect flattish revenue performance in Q3 (up 1.5% QoQ) as surprise growth in Aviation would normalize while the traction in Logistic-ERP would drive up the run-rate. Profitability is also likely to normalize to some degree in absence of Fx gains in Q4 and sustained business investments (180 people added).

### Exhibit 6: What to expect next Quarter

Particulars	Q4FY21E	Q3FY21	Q4FY20	QoQ (%)	YoY (%)
USD Revenue	23.7	23.3	18.6	1.5	27.4
INR Revenue	1,742	1,714	1,329	1.6	31.1
EBIT	294	351	21	(16.2)	1,322.1
PAT	135	179	(59)	(24.8)	(330.0)
EPS (Rs)	4.4	5.8	(1.9)	(24.8)	(329.4)
EBIT Margin (%)	16.9	20.5	1.6	(358 bps)	1532 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 16% over FY20-23E and 11% over FY23-30E. We have overall Revenue CAGR of 13% over FY20-30E and a near-term EBIT margin of 18% and Terminal growth rate of 2.5%. Taking these assumptions, we have arrived at TP of Rs. 700 per share (from Rs. 600) and UNCHANGED Rating of Accumulate.

## Key Highlights from Earning Call

- **Revenue:** \$ Revenue increased by 8.3% QoQ and 12.2% YoY to \$23.3mn well above our estimate of \$21.9mn. Revenues in reported terms grew 7% QoQ to Rs1.7bn (up 16.5% on YoY basis) ahead of our estimate of Rs1.6bn. Revenue recognition was better as the new clients accounted for 31% of revenues during the quarter versus 20% in the previous quarter.
- **Streamwise revenues:** Licence revenues were pretty strong in the quarter with a growth of 26% QoQ led by strong signings in Aviation (mostly on-premise), which in turn also led the revenue beat for the quarter. Other revenue stream performance was broadly inline. Recurring revenues were flat QoQ accounting for 24% of revenues but is likely to grow hereon given strong booking growth in Logistics as well as HRP segment (both of these segments have cloud deployment and thus faster booking-to-AMC lifecycle).

### Exhibit 7: Revenue Trend for Q3FY21

Revenue	Amount (\$ mn)	Mix (%)	QoQ (%)	YoY (%)	Incremental Revenue (\$ mn)	% Contribution of Incremental Revenue
License Revenue	6.6	28	26.3	29.0	1.4	78%
Recurring Revenue	5.5	24	0.2	6.1	0.0	1%
BPO Revenue	1.4	6	3.6	27.9	0.0	3%
Implementation Revenue	9.6	41	3.8	3.8	0.4	20%
Resale of Material	0.2	1	4.8	46.7	0.0	1%
<b>Total</b>	<b>23.4</b>	<b>100</b>	<b>8.3</b>	<b>12.1</b>	<b>1.8</b>	<b>100%</b>

Source: DART, Company

- **Bookings & Order Book:** Bookings for Q3 were strong at \$38.4mn (up 28.9% YoY) way above the 8 quarter average of about US\$26.2mn. This strong Booking also adds Revenue Visibility up by ~\$13mn, taking total unexecuted Order Book to \$177.7mn. The two landmark deal for the quarter came in Aviation segment that includes deal with 1) Iberia Maintenance and 2) US Air Adversary Air Services Operator.

### Exhibit 8: Booking Trend for Q3FY21

Bookings	Amount (\$ mn)	Mix (%)	QoQ (%)	YoY (%)	Incremental Revenue (\$ mn)	% Contribution of Incremental Revenue
ERP	4.8	12	(63.1)	82.8	(8.2)	(69)
HCM	15.7	41	91.4	0.6	7.5	63
Aviation	18.0	47	234.3	54.5	12.6	106
<b>Total</b>	<b>38.4</b>	<b>100</b>	<b>44.7</b>	<b>28.9</b>	<b>11.9</b>	<b>100</b>

Source: DART, Company

- **Segmental performance:** The revenue growth was led by robust revenue growth of 44% QoQ at \$7.8mn in **Aviation segment (34% of revenues)** let by record order wins of \$18mn in the quarter (up over 100% in 9MFY21 on YoY basis) and sustained traction in the **ERP vertical (38% of revenues)** that grew by 6.5% QoQ. Surprisingly **HRP segment (28% of revenues)** witnessed sequential decline of 15% in revenues.

## Exhibit 9: Business Segment Trend for Q3FY21

Business Segment	Amount (\$ mn)	Mix (%)	QoQ (%)	YoY (%)	Incremental Revenue (\$ mn)	% Contribution of Incremental Revenue
ERP	9.0	39	6.5	40.2	0.5	31
HCM	6.5	28	(15.1)	(21.6)	(1.2)	(64)
Aviation	7.8	34	43.9	28.6	2.4	134
<b>Total</b>	<b>23.4</b>	<b>100</b>	<b>8.3</b>	<b>12.2</b>	<b>1.8</b>	<b>100</b>

Source: DART, Company

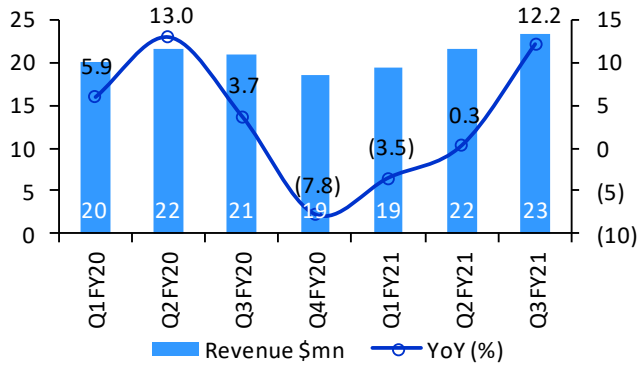
- ERP segment (39% of revenues):** Revenues grew 6.5% on sequential basis, however recorded soft order booking of about \$4.8mn (down 14% on TTM basis – at \$28.9mn). Logistic segment is doing very well within the ERP segment and has seen doubling of bookings, although rest of the market is still soft. The company here is targeting Digital Transformation opportunities and is getting interest from large industrial houses in India as these companies are not happy with the amount they pay to Big4 ERP and thus are now coming to Ramco (won deal with DLF in Q3) and select few in Asian markets (MMC group in Malaysia in Q2). The company has also worked on pre-configured deployment capabilities which has helped it reduce implementation cycles by almost 25% in case of on-premise deployment and about 50% in case of cloud based deals.
- HRP Segment (28% of revenues):** HCM segment revenues declined 15% QoQ (down 10% on TTM basis) during the quarter, largely impacted by soft bookings by Enterprises given cuts in the discretionary spending. However, this has started changing as evident from strong bookings during the quarter at \$15.7mn up 91% on QoQ basis (still down on TTM basis by 32% YoY). During the quarter company won two big deals 1) EN deal from Johnson Controls in Japan for 5000 resources and another 2) with a F20 company in Childcare business that covers scope for over 18 countries. The company is also witnessing some early gains from its partnership with Workday/Oracle HCM and could act as a potential trigger going forward.
- Aviation Segment (34% of revenues):** Segment revenues were up 44% QoQ and 28% YoY. Bookings has gone up by 45% on TTM basis to \$35mn. Clocked best ever quarterly revenues of \$7.8mn as it won two large deals (5mn\$+) during the quarter (Iberia and US Air Adversary player). The company's offering is getting significant traction with the US Defence contractors, who are enrolling it as their partner to target US Defence segment, which has opened up TAM significantly (98% of the market is still available; 26% of its pipeline is comprised by these deals). Currently about fleet strength of 200 fighter jets are serviced on Ramco System software. The company is also looking at add more clients in the Aerial taxi and space-related players apart from Sustainment programs by US Defence. In the Air-Adversary segment it has now on boarded with all top-4 players in the US market (rest all are much smaller).
- Other KTAs:** The company is investing on giving a **Product refresh** over next 12 months - Product architecture was created 20 year ago and thus more APIs are integrated to improve the CX and would also power-up its offerings with more advanced features. The company has improved significantly on **faster Go-lives** to improve cash collections. It has been able to reduce its deployment time by 25%-50% for its cloud/on-premise deals. **Scaling on order win size** – Company has won 5 deals with \$3mn+ TCV and 2 deals with \$5mn. **Provisioning** would stay high for another 6 quarters and should tone down post that period. Company has **added about 185 people** to its headcount.

- **EBIT:** EBIT margins for the quarter on the reported basis stood at 20.5% as against our expectations of 15.5% due to positive Fx gains. Profitability was stable after adjusting for Fx gains at 17.9% (up 16bps QoQ – best ever). The Employee Cost and Core SG&A Cost both witnessed an increase of 9.4% and 8.3% QoQ (implying gradual normalisation of discretionary costs). The company has rolled back all its wage cuts and now have all the cost except Travel in normalized run rate. Company expect to maintain EBIDTA margins upwards of 25% on going forward basis
- **PAT:** Company reported profit for the quarter of Rs179mn in Q3FY21 as against our estimate of Rs143mn largely on account of higher revenues and fx gains of Rs. 44Mn.
- **ETR** is expected to stay high till all the accumulated losses are taken credit against (will appear for atleast 3 years). Currently it is under MAT Tax and can't get long term credit as it is setting it off against foreign withholding tax. Also as profit and loss of different subsidiaries are netting off the actual tax outgo appears much higher than the net PBT of the business.



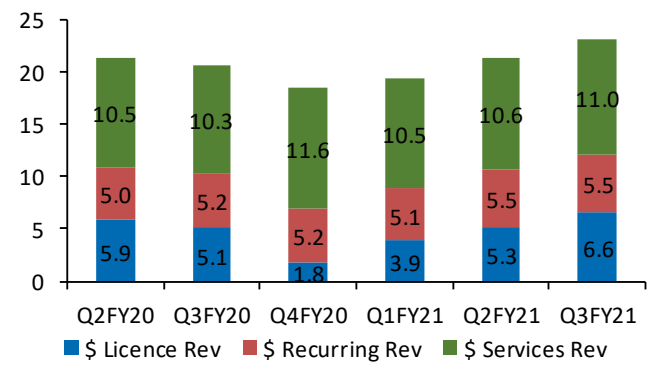
## Story in Charts

**Exhibit 10: Revenue momentum improving..**



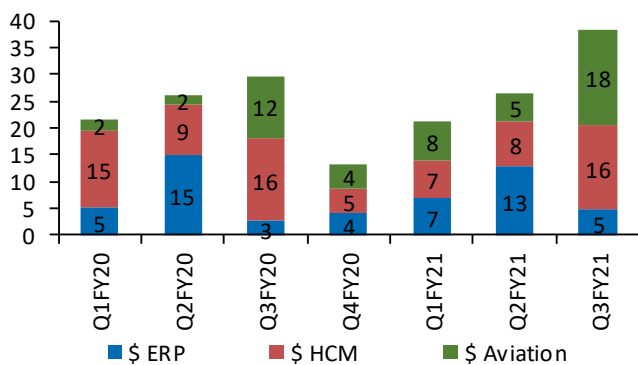
Source: DART, Company

**Exhibit 11: Led by improved licence recognition,**



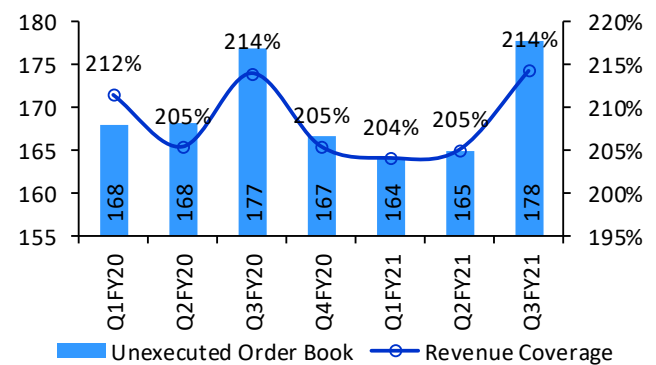
Source: DART, Company

**Exhibit 12: Fueled by strong order intake,**



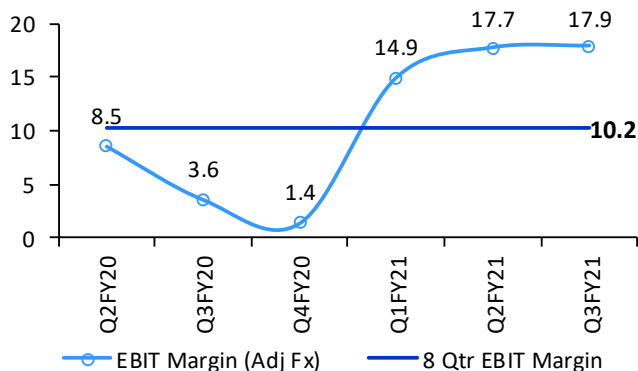
Source: DART, Company

**Exhibit 13: That is adding to strong visibility**



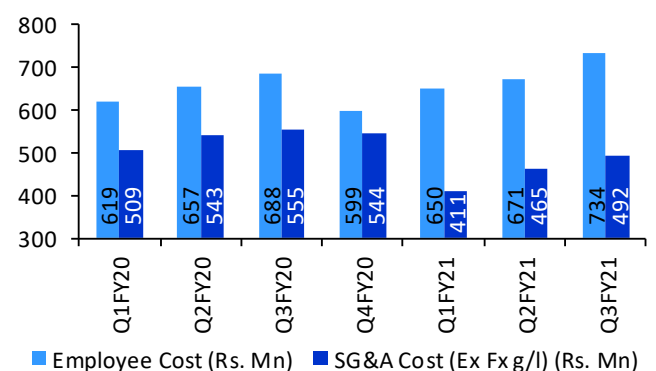
Source: DART, Company

**Exhibit 14: OPM improving consistently,**



Source: DART, Company

**Exhibit 15: Despite cost getting normalised**



Source: DART, Company

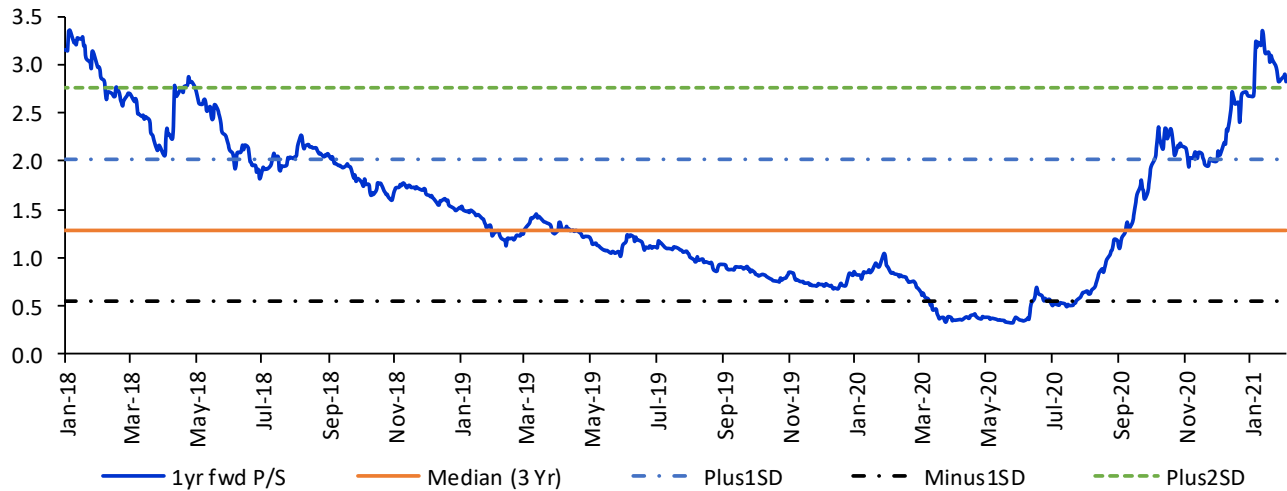
**Exhibit 16: Operating Metrics**

Metrics	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21
USD Growth QoQ	0.1	5.5	0.5	(0.1)	6.7	(3.2)	(10.6)	4.5	10.9	8.3
USD Growth YoY	5.6	3.5	8.7	5.9	13.0	3.7	(7.8)	(3.5)	0.3	12.2
LTM Revenues rolling	76.0	76.7	78.3	79.4	81.9	82.6	81.1	80.4	80.4	82.9
Growth YoY	10.0	7.0	7.0	5.9	7.7	7.8	3.5	1.2	(1.8)	0.4
<b>Bookings - Business (\$mn)</b>										
ERP	5.8	6.7	11.1	5.1	14.9	2.6	4.1	7.1	13.0	4.8
HCM	14.6	15.8	12.5	14.5	9.4	15.6	4.8	6.7	8.2	15.7
Aviation	9.1	6.7	9.0	1.9	1.8	11.6	4.3	7.6	5.4	18.0
Total	29.6	29.2	32.6	21.5	26.0	29.8	13.1	21.4	26.5	38.4
<b>Unexecuted Order Book</b>	<b>161.0</b>	<b>168.0</b>	<b>166.0</b>	<b>168.0</b>	<b>168.2</b>	<b>176.9</b>	<b>166.6</b>	<b>164.0</b>	<b>164.9</b>	<b>177.8</b>
YoY	19.9	20.1	8.5	11.6	4.5	5.3	0.3	(2.4)	(2.0)	0.5
<b>Revenue segments (\$mn)</b>										
Products - Core	11.3	12.1	11.8	9.1	10.9	10.4	7.0	8.9	10.8	12.2
- Licence revenues	6.8	7.6	7.1	4.3	5.9	5.1	1.8	3.9	5.3	6.6
- Recurring	4.4	4.6	4.7	4.8	5.0	5.2	5.2	5.1	5.5	5.5
Services	7.5	7.9	8.4	10.9	10.5	10.3	11.6	10.5	10.6	11.0
- BPO	0.7	0.7	0.8	0.8	1.0	1.1	1.4	1.4	1.4	1.4
- Implementation	6.8	7.2	7.6	10.1	9.6	9.2	10.2	9.2	9.2	9.6
Resale of Material	0.3	0.1	0.0	0.2	0.1	0.2	0.1	0.0	0.2	0.2
<b>Segment Growth (YoY)</b>										
Products - Core	19.3	7.4	17.6	(15.9)	(3.1)	(14.5)	(40.7)	(1.8)	(1.1)	17.4
- Licence revenues	24.5	7.9	26.9	(33.0)	(13.2)	(31.9)	(74.3)	(10.4)	(11.3)	29.0
- Recurring	12.4	6.5	6.1	9.2	12.4	14.3	9.8	6.3	10.8	6.1
Services	(12.2)	(2.6)	(1.9)	39.2	39.6	30.5	38.3	(3.8)	0.6	6.3
- BPO	0.0	1.4	11.6	14.3	32.9	52.1	81.8	70.0	41.2	27.9
- Implementation	(13.4)	(3.0)	(3.1)	41.5	40.4	28.3	34.0	(9.5)	(3.7)	3.8
Resale of Material	2,400.0	500.0	33.3	(59.0)	(68.0)	150.0	50.0	(87.5)	162.5	46.7
<b>Revenue by Industry Practice (\$mn)</b>										
ERP	6.0	5.8	7.4	8.1	10.5	6.4	7.0	7.2	8.5	9.0
HCM	8.2	9.8	7.6	7.8	7.0	8.3	7.1	6.2	7.6	6.5
Aviation	4.8	4.5	5.3	4.2	3.9	6.1	4.5	6.0	5.4	7.8
<b>Industry Practice Growth (YoY)</b>										
ERP	(0.3)	(0.2)	0.0	(0.1)	0.7	0.1	(0.1)	(0.1)	(0.2)	0.4
HCM	0.6	0.5	0.0	0.6	(0.1)	(0.2)	(0.1)	(0.2)	0.1	(0.2)
Aviation	0.1	(0.2)	0.4	(0.2)	(0.2)	0.4	(0.1)	0.4	0.4	0.3
<b>Geography segments (\$mn)</b>										
America	4.7	4.1	4.9	3.6	3.6	3.9	3.4	5.6	4.4	5.5
Europe	0.6	0.4	0.6	0.8	0.5	0.6	0.6	0.5	0.5	1.9
APAC	7.5	8.2	8.0	7.4	10.5	9.3	7.9	6.9	9.7	7.8
India	4.0	3.9	3.9	6.5	5.1	4.2	4.4	4.3	4.4	6.3
Middle East and North Africa	2.3	3.4	2.9	1.8	1.8	2.8	2.3	2.2	2.5	1.8
<b>Customer Metrics</b>										
No. of New Customers Added	15	25	16	14	17	13	6	12	15	9
% Rev from New Customers	27	38	36	17	24	21	14	18	20	31
Bookings carried over	21.6	18.1	20.8	17.9	19.8	23.5	11.3	17.5	21.2	26.5
Revenues from existing customers	13.9	12.4	12.9	16.7	16.3	16.4	16.0	15.9	17.2	16.1

Source: DART, Company

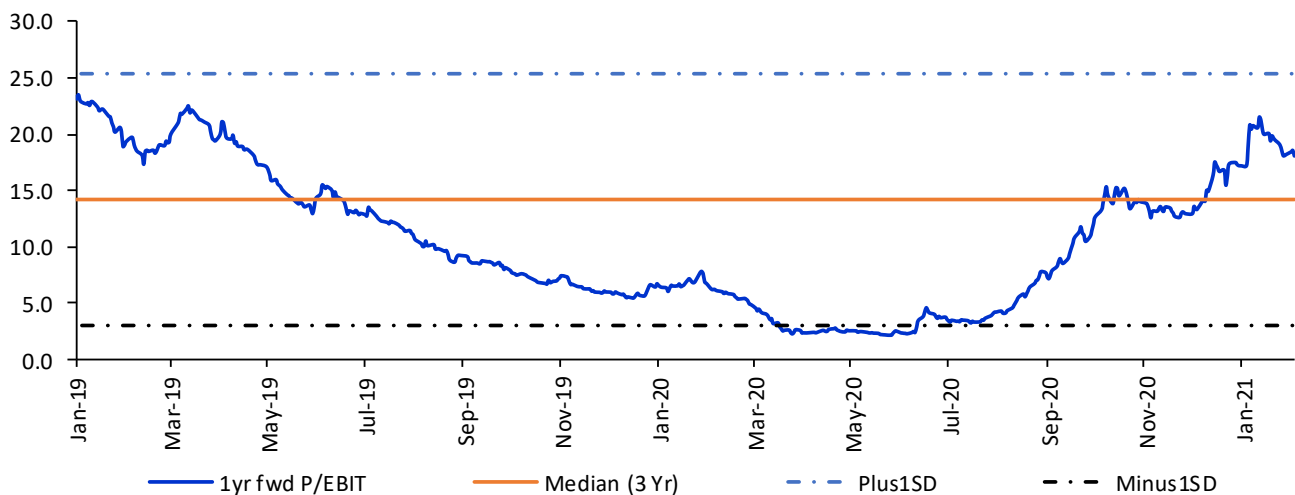


**Exhibit 17: Price / Sales is attractive at ~3x much lower than ~5-10x valuations for cloud businesses**



Source: DART, Company

**Exhibit 18: Price / EBIT basis valuations are improving as profitability is turning better**



Source: DART, Company

### Profit and Loss Account

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
<b>Revenue</b>	<b>5,689</b>	<b>6,506</b>	<b>7,723</b>	<b>8,979</b>
<b>Total Expense</b>	<b>4,659</b>	<b>4,628</b>	<b>5,583</b>	<b>6,451</b>
COGS	2,562	2,806	3,307	3,637
Employees Cost	0	0	0	0
Other expenses	2,097	1,822	2,276	2,814
<b>EBIDTA</b>	<b>1,030</b>	<b>1,878</b>	<b>2,140</b>	<b>2,528</b>
Depreciation	665	694	730	767
<b>EBIT</b>	<b>365</b>	<b>1,184</b>	<b>1,410</b>	<b>1,761</b>
Interest	122	95	84	88
Other Income	92	147	152	184
Exc. / E.O. items	0	0	0	0
<b>EBT</b>	<b>335</b>	<b>1,236</b>	<b>1,478</b>	<b>1,857</b>
Tax	228	610	701	854
RPAT	102	619	777	1,003
Minority Interest	7	7	0	0
<b>Profit/Loss share of associates</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>APAT</b>	<b>102</b>	<b>619</b>	<b>777</b>	<b>1,003</b>

### Balance Sheet

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
<b>Sources of Funds</b>				
Equity Capital	306	306	306	306
Minority Interest	21	28	28	28
Reserves & Surplus	5,752	6,371	7,147	8,150
<b>Net Worth</b>	<b>6,058</b>	<b>6,677</b>	<b>7,454</b>	<b>8,456</b>
Total Debt	929	569	409	299
Net Deferred Tax Liability	(278)	(278)	(278)	(278)
<b>Total Capital Employed</b>	<b>6,730</b>	<b>6,996</b>	<b>7,613</b>	<b>8,505</b>

### Applications of Funds

Net Block	3,394	3,364	3,359	3,342
CWIP	0	0	0	0
Investments	15	15	15	15
<b>Current Assets, Loans &amp; Advances</b>	<b>6,094</b>	<b>6,391</b>	<b>7,157</b>	<b>8,197</b>
Inventories	0	0	0	0
Receivables	1,938	2,175	2,539	2,903
Cash and Bank Balances	152	35	212	651
Loans and Advances	1,035	1,146	1,310	1,467
Other Current Assets	2,969	3,035	3,095	3,175
<b>Less: Current Liabilities &amp; Provisions</b>	<b>2,772</b>	<b>2,774</b>	<b>2,918</b>	<b>3,049</b>
Payables	597	558	658	742
Other Current Liabilities	2,175	2,216	2,261	2,307
<i>sub total</i>				
Net Current Assets	3,321	3,617	4,238	5,148
<b>Total Assets</b>	<b>6,730</b>	<b>6,996</b>	<b>7,613</b>	<b>8,505</b>

E – Estimates

### Important Ratios

Particulars	FY20A	FY21E	FY22E	FY23E
<b>(A) Margins (%)</b>				
Gross Profit Margin	55.0	56.9	57.2	59.5
EBIDTA Margin	18.1	28.9	27.7	28.2
EBIT Margin	6.4	18.2	18.3	19.6
Tax rate	68.0	49.4	47.5	46.0
Net Profit Margin	1.8	9.5	10.1	11.2
<b>(B) As Percentage of Net Sales (%)</b>				
COGS	45.0	43.1	42.8	40.5
Employee	0.0	0.0	0.0	0.0
Other	36.9	28.0	29.5	31.3
<b>(C) Measure of Financial Status</b>				
Gross Debt / Equity	0.2	0.1	0.1	0.0
Interest Coverage	3.0	12.5	16.8	20.0
Inventory days	0	0	0	0
Debtors days	124	122	120	118
Average Cost of Debt	14.0	12.6	17.2	24.8
Payable days	38	31	31	30
Working Capital days	213	203	200	209
FA T/O	1.7	1.9	2.3	2.7
<b>(D) Measures of Investment</b>				
AEPS (Rs)	3.3	20.2	25.3	32.7
CEPS (Rs)	25.0	42.8	49.1	57.6
DPS (Rs)	0.0	0.0	0.0	0.0
Dividend Payout (%)	0.0	0.0	0.0	0.0
BVPS (Rs)	197.8	217.4	242.7	275.4
RoANW (%)	1.7	9.7	11.0	12.6
RoACE (%)	3.5	10.5	11.8	13.5
RoAIC (%)	5.8	17.5	19.6	23.1
<b>(E) Valuation Ratios</b>				
CMP (Rs)	639	639	639	639
P/E	192.5	31.7	25.3	19.6
Mcap (Rs Mn)	20,043	20,043	20,043	20,043
MCap/ Sales	3.5	3.1	2.6	2.2
EV	20,821	20,578	20,241	19,691
EV/Sales	3.7	3.2	2.6	2.2
EV/EBITDA	20.2	11.0	9.5	7.8
P/BV	3.2	2.9	2.6	2.3
Dividend Yield (%)	0.0	0.0	0.0	0.0
<b>(F) Growth Rate (%)</b>				
Revenue	4.9	14.4	18.7	16.3
EBITDA	17.1	82.4	13.9	18.1
EBIT	(0.9)	224.0	19.1	24.9
PBT	(20.8)	269.0	19.5	25.6
APAT	(39.8)	508.2	25.5	29.1
EPS	(38.4)	506.7	25.5	29.1

### Cash Flow

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
CFO	505	1,003	1,146	1,387
CFI	(573)	(665)	(725)	(750)
CFE	(20)	(455)	(244)	(198)
FCFF	(80)	338	421	637
Opening Cash	94	116	(1)	176
Closing Cash	116	(1)	176	616

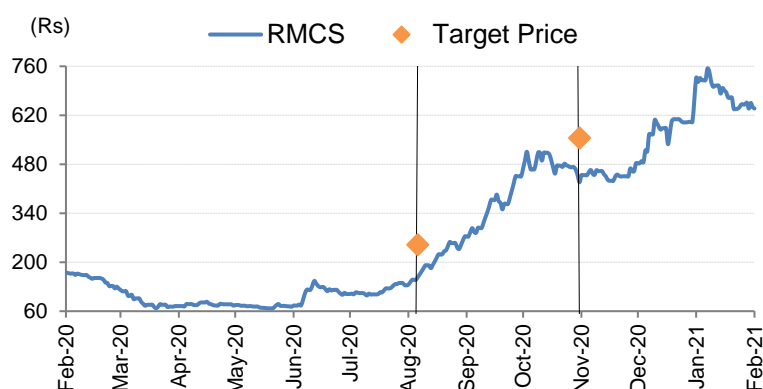
E – Estimates

### 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.)
Aug-20	Buy	250	157
Nov-20	Buy	555	428

\*Price as on recommendation date

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