

Estimate change

TP change

Rating change

CMP: INR 5,907
TP: INR 6,430 (+9%)
Neutral
Strong growth to sustain, but valuations remain punchy
Talent supply a near-term limitation on growth

	LTI IN
Bloomberg	LTI IN
Equity Shares (m)	172
M.Cap.(INRb)/(USDb)	1034.8 / 13.7
52-Week Range (INR)	6498 / 2822
1, 6, 12 Rel. Per (%)	-1/18/38
12M Avg Val (INR M)	1570

Financials & Valuations (INR b)

Y/E Mar	2021	2022E	2023E
Sales	123.7	156.9	190.6
EBIT Margin (%)	19.3	17.3	17.5
PAT	18.8	23.3	28.2
EPS (INR)	107.0	132.3	160.7
EPS Gr. (%)	23.6	23.6	21.5
BV/Sh. (INR)	418.3	496.8	593.6

Ratios

RoE (%)	30.5	29.0	29.6
RoCE (%)	24.4	23.1	24.2
Payout (%)	37.4	40.0	40.0

Valuations

P/E (x)	55.2	44.6	36.8
P/BV (x)	14.1	11.9	9.9
EV/EBITDA (x)	36.2	31.8	25.8
Div Yield (%)	0.7	0.9	1.1

Shareholding pattern (%)

As On	Sep-21	Jun-21	Sep-20
Promoter	74.1	74.3	74.4
DII	4.7	4.8	6.4
FII	13.3	13.1	11.2
Others	7.9	7.9	8.0

FII Includes depository receipts

- LTI's revenue growth, in USD terms, stood at 8.9% QoQ CC in 2QFY22, above our estimate of 5.4%. Growth was broad based across verticals, service lines, geographies, and client buckets. Broad based industry growth was led by BFS and Manufacturing. EBIT margin expanded by 80bp QoQ to 17.2% in 2QFY22 (est. 16.7%), led by SG&A leverage, offshoring, and higher working days, partially offset by utilization and higher costs.
- The management highlighted that the demand environment is one of the strongest. It expects demand to remain strong over the next three years. Despite the absence of large new deal wins in recent quarters, LTI's growth momentum is one of the strongest in its history, indicating the broad based nature of the demand environment. We continue to view LTI as one the best placed companies in our coverage universe, with a strong client mining ability. We expect it to deliver 23% revenue CAGR in USD terms over FY21-23E, one of the highest in our Tier II coverage.
- We expect a better margin in 2H (v/s 1HFY22), driven by continued strong growth, which will offset the supply-side impact. The management continues to be focused on driving growth with a stable margin. We expect net margin to remain in the guided range of 14-15%.
- LTI's LTM attrition spiked by 440bp QoQ to 19.6% (six-year high) in 2QFY22. The management said the supply-side situation continues to be challenging and is expected to remain such for the next one-year. It added that growth in 2QFY22 would have been higher if supply-side issues were not present. The company has increased its hiring targets (for fresher and those with an experience of 1-2 years) to cater to the strong demand.
- We have raised our FY22E/FY23E EPS by ~7% on the back of strong demand outlook, which led to our revenue upgrades. Our margin estimates continue to be in line with the management's guidance. As Digital turns mainstream, we expect LTI to benefit from continued investments in Digital capabilities, strong client additions, and its mining abilities. This should result in industry-leading growth. Our TP of INR6,430/share implies 40x FY23E EPS. We maintain our **Neutral** rating.

Beat across line items

- LTI reported a revenue (USD)/EBIT/adjusted PAT growth of 25.8%/9%/21% YoY v/s our estimate of 22.2%/3%/14%.
- In 1HFY22, USD revenue/INR EBIT/INR PAT grew by 23%/10%/20%.
- Revenue growth of 8.9% QoQ CC was ahead of our estimate (+5.4% QoQ CC). In USD terms, revenue growth stood at 8.3% QoQ.
- Growth was led by Others/Manufacturing/BFS/Hi-Tech (+15%/+12.9%/+10.6%/7.0% QoQ CC), while growth in CPG, Retail, and Pharma was soft (+2.6% QoQ CC).
- In terms of geography, growth was broad based with core geographies – North America and Europe – growing 9.1% and 7.5% QoQ CC.

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- LTI added one/three/five new clients in the over USD50m/USD20m/USD10m bracket in 2QFY22. Total active clients increased to 463 (v/s 438 in 1QFY22).
- Growth in 2QFY22 was led by the top 11-20/five accounts, which grew by 11.4%/8.3% QoQ.
- EBIT margin expanded by 80bp QoQ to 17.2% (above our estimate of 16.7%), led by operating leverage and offshoring, but was partially offset by utilization and higher costs.
- Utilizations stabilized at 83.7% (-40bp QoQ), but still continues to be elevated. Offshore revenue mix rose 190bp QoQ to 59.2%.
- PAT increased by 20.8% YoY to INR5.5b, 6% above our estimate, led by strong revenue and better margin.
- Overall DSO (including unbilled) was flat QoQ at 98 days.
- Attrition rose 440bp QoQ to 19.6%.
- Headcount increased by 4,084 to 42,382 in 2QFY22.
- LTI announced a dividend of INR15/share.

Key highlights from the management commentary

- **Vertical takeaways:** **BFS** is witnessing strong growth, with spends shifting to modernization from operations. **Insurance** has been a laggard for LTI, but growth has picked up since 1QFY22. The new leadership is driving traction in the pipeline. Strong growth in **Manufacturing** was led by demand in Industrial Manufacturing and the Capital Goods sector. Within **E&U**, Energy continues to be choppy, while the momentum in Utilities remains strong. **Retail, CPG, and Pharma** saw relatively softer sequential growth, but is expected to pick up in 2HFY22, led by demand in Cloud, ERP, Data, and Security.
- The management said growth in 2QFY22 could have been higher if supply-side issues were not present. The second half of the fiscal is seasonally strong for LTI and seasonality is expected to continue in FY22.
- The demand environment is one of the strongest and has three core drivers: 1) new business models (discretionary spends on business transformation), 2) new areas of spends (for instance ESG and Cloud Security), and 3) supply-side situation (tech supply crunch is creating opportunities for IT Services vendors). The management expects the demand environment to sustain over the next three years.
- The company reported an EBIT margin of 17.2% (+80bp QoQ) in 2QFY22. Margin was aided by SG&A leverage (70bp), which was offset by a dip in utilization (70bp impact). Moreover, benefits from offshoring and higher working days were partially offset by higher costs. The management maintained its PAT margin guidance in the 14-15% range.
- The company is looking to hire 5.5k freshers in FY22 (v/s its previous target of 4,500 freshers). It is also looking to hire ~1k employees, with 1-2 years of experience. It continues to invest in upskilling its existing workforce.

Industry-leading growth to defend rich valuations

- LTI's deep domain capabilities, strong partnerships with hyperscalers, and robust sales engine will continue to drive industry-leading growth rates. We

expect ~23% revenue CAGR, in USD terms, over FY21-23E, which is at the top end of our Tier II IT coverage universe.

- Margin has been steady, driven by growth and offshoring. While there can be some headwinds from supply-side challenges and utilization normalization, we continue to expect strong growth and continued offshoring to drive margin resilience. We maintain PAT margin within our guided range of 14-15% as the management's focus is to drive growth with a stable margin.
- While we remain confident of the company's execution capabilities, we remain on the sidelines on the back of a significant valuation re-rating. We value the stock at 40x FY23E EPS to arrive at our TP of INR6,430, We maintain our Neutral rating.

Quarterly performance

Y/E March	FY21				FY22				(INR m)			Var. (%/bp)
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE	FY21	FY22E	FY22E 2QE	
Revenue (USD m)	390	405	428	447	470	509	543	585	1,670	2,107	494	2.9
QoQ (%)	-4.8	3.6	5.8	4.6	5.1	8.3	6.7	7.7	9.5	26.2	5.2	309
Revenue (INR m)	29,492	29,984	31,528	32,694	34,625	37,670	40,742	43,873	1,23,698	1,56,910	36,639	2.8
YoY (%)	18.7	16.6	12.2	8.5	17.4	25.6	29.2	34.2	13.7	26.8	22.2	344
GPM (%)	32.5	34.8	35.0	32.0	31.0	31.0	31.7	32.3	33.6	31.5	30.9	5
SGA (%)	12.4	12.0	11.7	10.1	12.3	11.5	12.0	12.0	11.5	11.9	11.9	(41)
EBITDA	5,920	6,856	7,320	7,155	6,478	7,332	8,026	8,914	27,251	30,750	6,961	5.3
EBITDA Margin (%)	20.1	22.9	23.2	21.9	18.7	19.5	19.7	20.3	22.0	19.6	19.0	46
EBIT	5,139	5,957	6,501	6,329	5,682	6,482	7,110	7,927	23,926	27,201	6,120	5.9
EBIT Margin (%)	17.4	19.9	20.6	19.4	16.4	17.2	17.5	18.1	19.3	17.3	16.7	50
Other income	450	174	492	268	1,039	938	978	1,009	1,384	3,964	806	16
ETR (%)	25.5	25.5	25.8	25.9	26.1	25.6	25.0	25.0	25.7	25.4	25.0	
Adjusted PAT	4,164	4,568	5,192	4,886	4,968	5,517	6,066	6,702	18,810	23,252	5,195	6.2
QoQ (%)	-2.6	9.7	13.7	-5.9	1.7	11.1	9.9	10.5			4.6	
YoY (%)	17.1	26.8	37.8	14.3	19.3	20.8	16.8	37.2	23.7	23.6	13.7	
EPS (INR)	23.7	26.0	29.5	31.0	28.3	31.4	34.5	38.1	107.0	132.3	29.6	6.3

E: MOFSL estimates

Key performance indicators

Y/E March	FY21				FY22				FY21	FY22E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Revenue (QoQ CC %)	-4.7	2.3	5.3	4.4	4.8	8.9				
Margins (%)										
Gross Margin	32.5	34.8	35.0	32.0	31.0	31.0	31.7	32.3	33.6	31.5
EBIT Margin	17.4	19.9	20.6	19.4	16.4	17.2	17.5	18.1	19.3	17.3
Net Margin	14.1	15.2	16.5	14.9	14.3	14.6	14.9	15.3	15.2	14.8
Operating metrics										
Headcount	31,477	32,455	33,983	35,991	38,298	42,382			35,991	
Attrition (%)	15.2	13.5	12.4	12.3	15.2	19.6			12.3	
Offshore revenue (%)	50.8	53.5	55.7	55.9	57.3	59.2			54.0	
Utilization (incl. trainees)	79.4	80.5	81.1	80.8	83.7	81.6			80.5	
Key verticals (YoY %)										
BFS	9.5	22.7	19.4	21.4	39.6	36.8			18.4	
Insurance	4.0	-4.9	-8.1	-5.8	1.6	11.7			-3.8	
CPG, Retail, and Pharma	13.4	6.4	5.6	5.3	12.1	15.5			7.5	
Key geographies (YoY %)										
North America	12.8	11.2	6.0	4.9	14.0	23.6			8.5	
Europe	-1.5	9.2	11.9	19.3	38.9	25.8			10.0	



Key highlights from the management commentary

Demand and industry outlook

- LTI posted its best ever performance in the second quarter, with broad based growth. The company added 44 new logos in 2QFY22.
- Within verticals, Others (professional services, India government), Manufacturing, and BFSI posted double-digit sequential growth.
- **Vertical takeaways:** **BFSI** is witnessing strong growth, with spends shifting to modernization from operations. **Insurance** has been a laggard for LTI, but growth has picked up since 1QFY22. The new leadership is driving traction in the pipeline. Strong growth in **Manufacturing** was led by demand in Industrial Manufacturing and the Capital Goods sector. Within **E&U**, Energy continues to be choppy, while the momentum in Utilities remains strong. **Retail, CPG, and Pharma** saw relatively softer sequential growth, but is expected to pick up in 2HFY22, led by demand in Cloud, ERP, Data, and Security.
- The management said growth in 2QFY22 could have been higher if supply-side issues were not present. The second half of the fiscal is seasonally strong for LTI and seasonality is expected to continue in FY22.
- The demand environment is one of the strongest and has three core drivers: 1) new business models (discretionary spends on business transformation), 2) new areas of spends (for instance ESG and Cloud Security), and 3) supply-side situation (tech supply crunch is creating opportunities for IT Services vendors). The management expects the demand environment to sustain over the next three years.

Margin performance

- The company reported an EBIT margin of 17.2% (+80bp QoQ) in 2QFY22. Margin was aided by SG&A leverage (70bp), which was offset by a dip in utilization (70bp impact). Moreover, benefits from offshoring and higher working days were partially offset by higher costs.
- LTI is a growth company with stable margin. The management maintained its PAT margin guidance in the 14-15% range.

Other highlights

- The industry is witnessing a sharp increase in attrition, particularly in the 3-6 year experience bracket. This is primarily because of a bounce back in demand and lack of industrywide fresher hiring in the past 3-4 years.
- The company is looking to hire 5.5k freshers in FY22 (v/s its previous target of 4,500 freshers). It is also looking to hire ~1k employees, with 1-2 years of experience. It continues to invest in upskilling its existing workforce.
- Net employee additions in 2QFY22 stood ~4k.

Exhibit 1: Broad based growth across geographies

Geographies	Contribution to revenue (%)	QoQ Growth (% CC)	YoY Growth (% CC)
North America	67.5	9.1	23.3
Europe	16.1	7.5	25.5
RoW	9.8	11.5	48.5
India	6.6	6.6	19.5

Source: Company, MOFSL

Exhibit 2: Strong growth across service lines

Service offerings	Contribution to revenue (%)	QoQ Growth (% CC)	YoY Growth (% CC)
ADM and Testing	34.2	9.2	19.3
Enterprise Solutions	30.4	8.1	23.6
Infrastructure			
Management Services	14.0	2.7	22.7
Analytics, AI, and Cognitive	12.1	12.1	43.6
Enterprise Integration and Mobility	9.3	16.7	41.4

Source: Company, MOFSL

Exhibit 3: BFS, Manufacturing, and Others led strong growth

Verticals	Contribution to revenue (%)	QoQ Growth (% CC)	YoY Growth (% CC)
BFS	32.5	10.6	36.0
Insurance	14.2	6.1	10.9
Manufacturing	15.6	12.9	20.8
Energy and Utilities	8.9	6.9	5.9
CPG, Retail, and Pharma	10.1	2.6	15.4
Hi-Tech, Media, and Entertainment	12.5	7.0	48.8
Others	6.2	15.0	38.4

Source: MOFSL, Company

Exhibit 4: Growth across client buckets

Clients	Contribution to revenue (%)	QoQ growth (%)	YoY growth (%)
Top five clients	28.2	8.3	18.3
Top 10 clients	40.7	6.7	19.4
Top 20 clients	55.0	7.9	19.7

Source: MOFSL, Company

Industry-leading growth to defend rich valuations

- LTI's deep domain capabilities, strong partnerships with hyperscalers, and robust sales engine will continue to drive industry-leading growth rates. We expect ~23% revenue CAGR, in USD terms, over FY21-23E, which is at the top end of our Tier II IT coverage universe.
- Margin has been steady, driven by growth and offshoring. While there can be some headwinds from supply-side challenges and utilization normalization, we continue to expect strong growth and continued offshoring to drive margin resilience. We maintain PAT margin within our guided range of 14-15% as the management's focus is to drive growth with a stable margin.
- While we remain confident of the company's execution capabilities, we remain on the sidelines on the back of a significant valuation re-rating. We value the stock at 40x FY23E EPS to arrive at our TP of INR6,430, We maintain our Neutral rating.

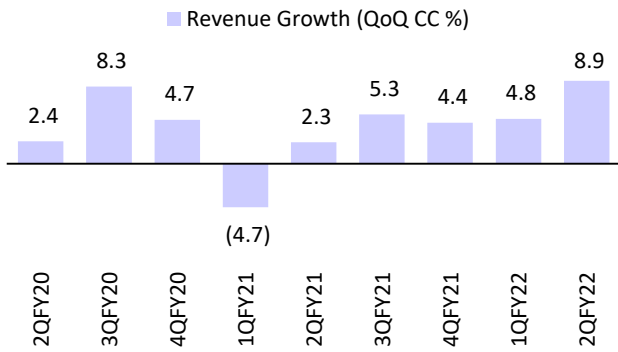
Exhibit 5: Revisions to our estimates

	Revised estimate		Earlier estimate		Changes (%)	
	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E
USD:INR	74.5	75.0	73.9	75.6	0.7%	-0.8%
Revenue (USD m)	2,107	2,542	2,012	2,355	4.8%	7.9%
Growth (%)	26.2	20.6	20.5	17.1	570bp	350bp
EBIT margin (%)	17.3	17.5	17.1	17.7	30bp	-30bp
PAT (INR m)	23,252	28,241	21,608	26,330	7.6%	7.3%
EPS (INR)	132.3	160.7	123.0	149.8	7.6%	7.3%

Source: MOFSL

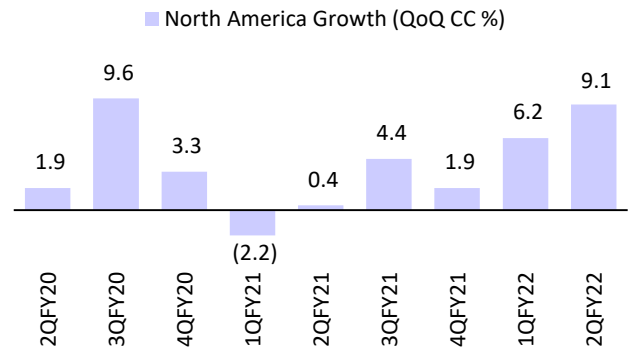
Story in charts

Exhibit 6: LTI reports sequential growth on the back of...



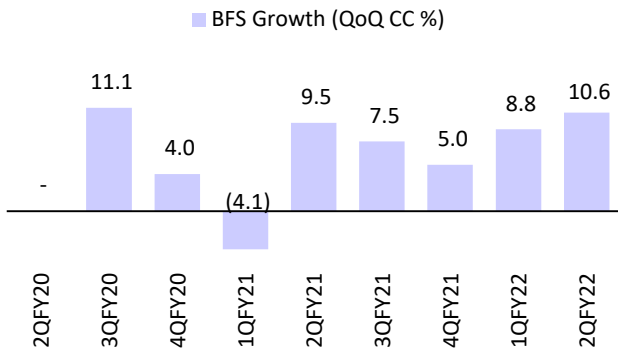
Source: Company, MOFSL

Exhibit 7: ...robust growth in North America and...



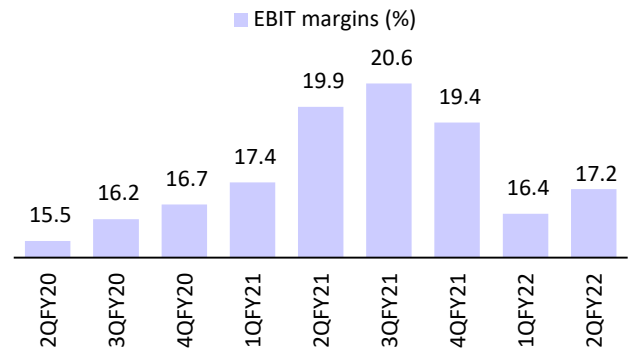
Source: Company, MOFSL

Exhibit 8: ...strong growth in the BFS space



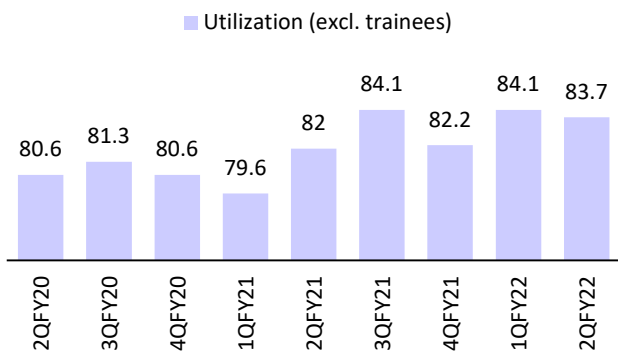
Source: Company, MOFSL

Exhibit 9: Margin expansion aided by strong growth



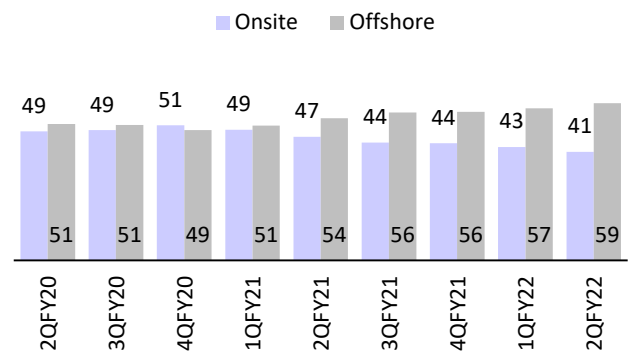
Source: Company, MOFSL

Exhibit 10: Utilizations stabilize, remains elevated



Source: Company, MOFSL

Exhibit 11: Offshore revenue mix increases by 190bp QoQ



Source: Company, MOFSL

Operating metrics

Exhibit 12: Operating metrics

	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22
Revenue by verticals (%)									
BFS	27.1	27.8	27.6	27.7	29.9	30.6	30.7	32.1	32.5
Insurance	18.7	17.7	16.8	17.2	16.0	15.0	14.5	14.5	14.2
Manufacturing	16.4	17.5	18.0	15.8	16.2	16.8	16.9	15.0	15.6
Energy and Utilities	12.1	11.3	11.4	10.8	10.6	10.0	9.1	9.1	8.9
CPG, Retail, and Pharma	11.5	11.2	11.2	11.5	11.0	10.9	10.8	10.7	10.1
Hi-Tech, Media, and Entertainment	10.8	10.8	11.0	11.6	10.6	10.6	11.8	12.7	12.5
Others	3.5	3.7	4.0	5.4	5.7	6.0	6.2	5.9	6.2
Revenue by service offerings (%)									
ADM and Testing	36.1	35.8	34.7	35.6	36.0	33.6	33.3	34.0	34.2
Enterprise solutions	29.5	28.7	30.0	29.7	30.8	31.4	32.3	30.7	30.4
IMS	11.1	11.5	12.6	13.6	14.4	14.3	15.1	14.9	14.0
Analytics, AI, and Cognitive	11.3	12.8	11.6	12.5	10.6	11.9	11.1	11.7	12.1
Enterprise Integration and mobility	9.0	8.5	8.7	8.6	8.3	8.8	8.2	8.7	9.3
Revenue by geography (%)									
North America	68.7	69.5	68.9	70.8	68.7	67.9	66.2	67.0	67.5
Europe	16.4	15.6	15.1	14.4	16.1	16.1	16.5	16.6	16.1
RoW	8.9	7.4	8.1	7.9	8.2	7.4	8.4	9.6	9.8
India	6.0	7.6	7.8	6.9	6.9	8.6	8.9	6.7	6.6
Client metrics (as a percentage of revenue)									
Top five client	31.7	32.8	31.2	30.5	30.0	29.3	27.8	28.2	28.2
Top 10 client	45.5	46.8	45.8	43.4	42.9	42.0	41.0	41.3	40.7
Top 20 client	61.4	62.0	59.8	58.2	57.8	57.1	55.6	55.2	55.0
Non-top 20 clients	38.6	38.0	40.2	41.8	42.2	42.9	44.4	44.8	45.0
Number of active clients	366	429	424	409	419	419	427	438	463
New clients added in the period	20	29	27	16	26	22	14	23	25
Clients									
USD5m clients	48	48	53	59	61	60	63	66	71
USD10m clients	27	28	27	30	32	32	35	38	43
USD20m clients	18	18	16	16	16	18	18	18	21
USD50m clients	6	6	6	6	6	5	5	6	7
USD100m clients	1	1	1	1	1	1	1	1	1
Employee metrics									
Development	29,266	29,669	29,683	29,712	30,682	32,194	34,176	36,431	40,395
Sales and support	1,713	1,750	1,754	1,765	1,773	1,789	1,815	1,867	1,987
Total employees	30,979	31,419	31,437	31,477	32,455	33,983	35,991	38,298	42,382
Efforts mix									
Onsite	22.0	21.9	21.5	21.1	19.4	18.4	17.9	17.3	16.4
Offshore	78.0	78.1	78.5	78.9	80.6	81.6	82.1	82.7	83.6
Utilization measures									
Including trainees	78.9	79.2	79.3	79.4	80.5	81.1	80.8	83.7	81.6
Excluding trainees	80.6	81.3	80.6	79.6	82.0	84.1	82.2	84.1	83.7
Attrition LTM (%)	18.4	17.7	16.5	15.2	13.5	12.4	12.3	15.2	19.6

Source: Company, MOFSL

Financials and valuations

Income Statement								(INR m)
Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
Sales	58,463	65,009	73,064	94,458	1,08,786	1,23,698	1,56,910	1,90,638
Change (%)	17.4	11.2	12.4	29.3	15.2	13.7	26.8	21.5
Cost of Services	38,230	42,122	48,506	61,643	73,589	82,193	1,07,430	1,30,298
SG&A Expenses	10,000	10,581	12,065	13,980	14,905	14,254	18,730	22,877
EBITDA	10,233	12,306	12,493	18,835	20,292	27,251	30,750	37,463
As a percentage of Net Sales	17.5	18.9	17.1	19.9	18.7	22.0	19.6	19.7
Depreciation	1,738	1,780	1,563	1,471	2,731	3,325	3,549	4,194
Other Income	1,855	1,836	4,102	2,915	2,463	1,384	3,964	4,385
PBT	10,350	12,362	15,032	20,279	20,024	25,310	31,165	37,654
Tax	1,983	2,649	3,291	5,122	4,823	6,500	7,912	9,414
Rate (%)	19.2	21.4	21.9	25.3	24.1	25.7	25.4	25.0
Minority Interest	0	0	0	0	0	0	0	0
Extraordinary	0	0	617	0	0	-571	0	0
Adjusted PAT	8,367	9,713	11,741	15,157	15,201	18,810	23,252	28,241
Change (%)	10	16	21	29	0	24	24	21
Reported PAT	8,367	9,713	11,124	15,157	15,201	19,381	23,252	28,241

Balance Sheet								(INR m)
Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
Share Capital	170	171	172	174	174	175	175	175
Reserves	21,075	31,273	38,426	48,764	53,866	72,859	86,810	1,03,755
Net Worth	21,245	31,444	38,598	48,938	54,040	73,034	86,985	1,03,930
Minority Interest	5	8	13	8	11	37	37	37
Other liabilities	483	456	1,453	1,283	10,886	7,697	7,706	7,794
Capital Employed	21,733	31,908	40,064	50,229	64,937	80,768	94,729	1,11,761
Net Block	2,801	2,587	2,508	3,084	12,104	10,481	9,932	9,238
Intangibles	3,772	2,845	4,298	6,330	7,684	9,241	9,241	9,241
Other LT Assets	4,848	5,626	5,047	5,614	5,170	6,056	7,340	8,641
Curr. Assets	20,203	33,287	41,645	51,664	63,290	81,313	99,831	1,21,116
Current Investments	429	9,406	12,643	17,402	22,186	36,282	42,282	48,282
Debtors	15,449	16,421	22,327	23,845	27,541	26,906	30,092	37,083
Cash and Bank Balance	2,035	3,795	3,323	4,150	5,252	7,594	14,786	21,011
Other Current Assets	2,290	3,665	3,352	6,267	8,311	10,531	12,671	14,740
Current Liab. and Prov.	9,891	12,437	13,434	16,463	23,311	26,323	31,616	36,476
Trade payables	3,405	3,366	3,792	4,669	7,269	8,277	10,356	12,391
Other liabilities	5,029	7,457	7,798	9,686	13,454	14,504	17,718	20,542
Provisions	1,457	1,614	1,844	2,108	2,588	3,542	3,542	3,542
Net Current Assets	10,312	20,850	28,211	35,201	39,979	54,990	68,215	84,641
Application of Funds	21,733	31,908	40,064	50,229	64,937	80,768	94,729	1,11,761

E: MOFSL estimates

Financials and valuations

Ratios

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
EPS	49.4	56.1	63.6	86.4	86.6	107.0	132.3	160.7
Cash EPS	59.3	65.9	72.4	94.8	102.0	129.2	152.5	184.6
Book Value	125.1	184.2	224.7	282.5	310.0	418.3	496.8	593.6
DPS	38.2	16.5	21.5	28.1	28.0	40.0	52.9	64.3
Payout (%)	77.4	29.5	33.8	32.5	32.3	37.4	40.0	40.0
Valuation (x)								
P/E	119.5	105.4	92.9	68.3	68.2	55.2	44.6	36.8
Cash P/E	99.6	89.6	81.5	62.3	57.9	45.7	38.7	32.0
EV/EBITDA	97.8	80.9	79.9	53.2	49.4	36.2	31.8	25.8
EV/Sales	17.1	15.3	13.7	10.6	9.2	8.0	6.2	5.1
Price/Book Value	47.2	32.1	26.3	20.9	19.0	14.1	11.9	9.9
Dividend Yield (%)	0.6	0.3	0.4	0.5	0.5	0.7	0.9	1.1
Profitability Ratios (%)								
RoE	40.8	36.9	31.8	34.6	29.5	30.5	29.0	29.6
RoCE	32.7	30.8	23.7	28.7	23.2	24.4	23.1	24.2
Turnover Ratios								
Debtors (Days)	96.45	92.20	111.54	92.14	92.41	79.39	70	71
Fixed Asset Turnover (x)	20.9	25.1	29.1	30.6	9.0	11.8	15.8	20.6

Cash Flow Statement

(INR m)

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
CF from Operations	9,690	12,111	12,198	17,011	18,748	21,292	26,801	32,435
Cash for Working Capital	-1,105	1,606	-3,760	-3,061	-2,313	2,704	-1,308	-5,413
Net Operating CF	8,585	13,717	8,438	13,950	16,435	23,996	25,493	27,022
Net Purchase of FA	-1,142	-754	-982	-1,531	-2,426	-2,665	-3,000	-3,500
Free Cash Flow	7,443	12,963	7,456	12,419	14,009	21,331	22,493	23,522
Net Purchase of Invest.	711	-8,756	-3,933	-5,596	-4,007	-13,895	-6,000	-6,000
Net Cash from Invest.	-431	-9,510	-4,915	-7,127	-6,433	-16,560	-9,000	-9,500
Proc. from equity issues	69	4	3	3	0	1	0	0
Proceeds from LTB/STB	-1,722	-469	-545	-605	-3,221	230	0	0
Dividend Payments	-6,516	-1,888	-3,534	-5,341	-5,679	-5,319	-9,301	-11,296
Cash Flow from Fin.	-8,169	-2,353	-4,076	-5,943	-8,900	-5,088	-9,301	-11,296
Exchange difference	45	-94	81	-53	0	-6	0	0
Net Cash Flow	30	1,760	-472	827	1,102	2,342	7,192	6,226
Opening Cash Bal.	2,005	2,035	3,795	3,323	4,150	5,252	7,594	14,786
Add: Net Cash	30	1,760	-472	827	1,102	2,342	7,192	6,226
Closing Cash Bal.	2,035	3,795	3,323	4,150	5,252	7,594	14,786	21,011

E: MOFSL estimates

NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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