

Estimate change	↔
TP change	↑
Rating change	↔

Bloomberg	TCS IN
Equity Shares (m)	3,752
M.Cap.(INRb)/(USD b)	14268.2 / 193
52-Week Range (INR)	3990 / 2701
1, 6, 12 Rel. Per (%)	2/4/-2
12M Avg Val (INR M)	9604
Free float (%)	27.8

#### Financials & Valuations (INR b)

Y/E Mar	2021	2022E	2023E
Sales	1,642	1,919	2,223
EBIT Margin (%)	25.9	25.4	25.8
PAT	335	390	464
EPS (INR)	86.7	105.1	125.1
EPS Gr. (%)	0.6	21.2	19.0
BV/Sh. (INR)	231	247	262

#### Ratios

RoE (%)	38.0	43.8	49.2
RoCE (%)	33.2	36.5	40.4
Payout (%)	112.1	75.0	75.0

#### Valuations

P/E (x)	44.5	36.7	30.9
P/BV (x)	16.7	15.7	14.7
EV/EBITDA (x)	30.9	26.5	22.6
Div Yield (%)	2.5	2.0	2.4

#### Shareholding pattern (%)

As On	Sep-21	Jun-21	Sep-20
Promoter	72.2	72.2	72.1
DII	7.9	8.0	7.9
FII	15.4	15.4	16.0
Others	4.5	4.4	4.0

FII Includes depository receipts

**CMP: INR3,860 TP: INR4,250 (+10%) Buy**  
**Healthy topline beat to assuage growth concern; outlook strong**  
**Share buyback on expected lines**

- TCS reported 3QFY22 revenue of USD6.52b, up 4.0% QoQ in constant currency (CC) – above our estimate of 3.2% QoQ growth. 3Q topline was driven by Communication, Technology and Regional markets, while Manufacturing and Retail verticals dragged down growth.
- EBIT margin contracted 60bp QoQ to 25.0%, 100bp lower than our estimate of 26.0%, as TCS augmented its employee intake (all-time high at 28k), along with a spike in sub-contracting cost. Net profit stood at INR97.7b, up 1.5% QoQ, which was below our estimate due to the miss on operating margin.
- TCS's 3Q deal wins remained stable at USD7.6b, with no mega deal (similar to 2Q). We view the stability in deal wins in the absence of mega deals as positive. This also implies a higher annual contract value (ACV) that should support near-term growth.
- We are encouraged by the company's robust topline growth in a seasonally weaker quarter. We expect this performance to alleviate the concerns on its growth potential and the likely drag from growing share of smaller deals in the market. Management commentary on demand environment continues to remain strong, with a high visibility on Cloud-led spending over the next 2-3 years. We are factoring in FY23E revenue growth of 15% YoY in CC.
- While 3QFY22 margins dipped QoQ, management indicated that TCS should start absorbing the cost as fresher intake will help rightsize their pyramid and better new-deals pricing will flow through to revenues. We expect EBIT margin to improve gradually – 50bp over the next two years. This should help TCS deliver a strong PAT growth of 19% YoY next year.
- LTM attrition again rose 340bp QoQ to 15.3%, though it indicated that attrition has peaked out and should start normalizing going forward. This suggests supply-side crunch in the industry is now easing. We see the current supply-side challenges to normalize over the next two quarters.
- The company reported an OCF/PAT of 111% and FCF/PAT of 102% on good working capital management, indicating the ability to generate strong cash flow. TCS' 9MFY22 Revenue/EBIT/PAT grew 17.5%/16.7%/22.7% YoY in USD.
- We have marginally lowered our FY22E EPS by 2%, but maintained for FY23E/FY24E EPS. We expect 13.9%/16.0% USD revenue/INR EPS CAGR over FY22-24. Our TP of INR4,250, implies 30x FY24E EPS, with a 10% upside potential. We maintain our **BUY** rating on the stock.

#### 3Q performance was a mixed bag – better topline but margin miss

- In 3QFY22, TCS' revenue (CC) grew 4.0% QoQ, INR EBIT grew 9.4% YoY, and INR PAT rose 12.3% YoY.
- The company's revenue of USD6.52b rose 4.0% QoQ in CC and was above our estimate of 3.2% QoQ growth; reported growth in USD was +3.0% QoQ
- Strong growth was seen in Communication, Technology and Regional markets, while Manufacturing and Retail verticals dragged down growth
- EBIT margin at 25.0% dipped 60bp QoQ, 100bp lower than our estimates.
- TCS added a record 28k employees and its sub-contracting cost rose 7% QoQ

- TCS reported total contract value (TCV) of USD7.6b, which was flat QoQ
- The company reported an LTM attrition rate of 15.3% (+340bp QoQ)
- TCS' net profit of INR97.7b rose 1.5% QoQ, which was below our estimate due to the miss on operating margin
- TCS announced share buyback worth INR180b (1.08% of paid up equity) at INR4,500/share (17% upside to today's close) through a tender route.
- Net cash from operations dipped 9% YoY to INR108.53b (i.e. 111% of net income). Free cash flow declined 11% YoY to INR99.4b (i.e. 101% of net income).
- Total cash and investments stood at INR670b at end-3QFY22.
- TCS announced a dividend of INR7/share.

### Key highlights from the management commentary

- **Deal TCV:** The company reported a TCV of USD7.6b, of which USD2.9b and USD1b were in BFSI and Retail, respectively. North America posted a TCV of USD4.2b in 3QFY22. TCS' ACV is likely to be better as its TCV comprised relatively smaller deals with the absence of any mega "\$1b" deal wins. The management is witnessing a strong deal pipeline (of small and large deals) buoyed by robust industry demand.
- **Cloud:** Management reiterated that cloud will drive the growth. TCS enjoys strong partnership with each hyperscaler. The company has witnessed ample Horizon 1 deals and the management believes these deals will fuel short-term growth. TCS is also anticipating Horizon 2 opportunities. The management further indicated that demand from Horizon 3 deals would not be bound by time and will have long-term growth implications.
- **Margins** Operating margin stood at 25% in 3QFY22, down 60bp QoQ. There was a 50bp impact from backfilling and 60bp was from discretionary non-manpower expenses. These were, however, partially offset by favorable FX and lower SG&A. Management is perceiving a slight uptick in pricing and is confident to capitalize on it. However, TCS expects to maintain pricing for longer-term contracts. Management further indicated that reducing dependence on sub-contractors, as attrition stabilizes gradually, will be one of the key levers to support margins.

### Valuation and view – Growth to underpin valuation

- IT Services has entered into a technology upcycle, with Cloud migration and Digital transformation-led deals coming into the market.
- Given TCS' size, capabilities, and portfolio stretch, it is rightly positioned to leverage the anticipated industry growth.
- TCS has consistently maintained its market leadership position and shown best-in-class execution. This renders the company with ample room to maintain its industry-leading margin and demonstrate the superior return ratios.
- We maintain our positive stance on TCS, given its strong growth outlook. Our TP of INR4,250 implies 30x FY24E EPS, with a 10% upside potential. Maintain **BUY**.

## Quarterly performance (IFRS)

(INR b)

Y/E March	FY21				FY22				FY21	FY22E	FY22	VAS.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE				
Revenue from IT Services (USD m)	5,059	5,424	5,702	5,989	6,154	6,333	6,524	6,764	22,174	25,775	6,482	0.6
QoQ (%)	-7.1	7.2	5.1	5.0	2.8	2.9	3.0	3.7	0.6	16.2	2.4	66bp
Overall Revenue (INR b)	383	401	420	437	454	469	489	507	1,642	1,919	490	-0.2
QoQ (%)	-4.1	4.7	4.7	4.0	3.9	3.2	4.3	3.8			4.6	-25bp
YoY (%)	0.4	3.0	5.4	9.4	18.5	16.8	16.4	16.1	4.6	16.9	16.6	-28bp
GPM (%)	39.4	40.9	41.6	41.2	40.4	40.4	40.0	40.5	40.8	40.3	40.7	-70bp
SGA (%)	15.8	14.7	15.0	14.4	14.8	14.8	15.0	14.9	15.0	14.9	14.7	27bp
EBITDA	100	115	122	128	127	130	133	141	465	531	138	-3.7
EBITDA Margin (%)	26.2	28.7	29.1	29.3	27.9	27.8	27.2	27.8	28.4	27.7	28.2	-97bp
EBIT	90	105	112	117	116	120	122	130	425	488	127	-4.0
EBIT Margin (%)	23.6	26.2	26.6	26.8	25.5	25.6	25.0	25.6	25.9	25.4	26.0	-97bp
Other Income	5	7	5	8	6	10	10	10	25	35	9	8.2
PBT	95	113	117	125	122	130	132	140	450	523	136	-3.2
ETR (%)	25.8	24.8	25.4	25.9	25.8	25.6	25.7	25.0	25.5	25.5	25.0	66bp
Adj. PAT	70	85	87	93	90	97	98	105	335	390	102	-4.0
Exceptional Items	0	-10	0	0	0	0	0	0	-10	0	0	
Reported PAT	70	75	87	93	90	97	98	105	326	390	102	-4.0
QoQ (%)	-12.9	6.5	16.3	6.4	-2.7	6.9	1.6	7.2			5.8	-426bp
YoY (%)	-13.5	-6.9	7.2	14.7	28.1	28.6	12.4	13.3	0.4	19.8	17.1	-471bp
EPS (INR)	18.7	19.9	23.2	25.0	24.4	26.0	26.4	28.3	86.7	105.1	27.5	-4.1

## Key performance indicators

Y/E March	FY21				FY22				FY21	FY22E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Revenue (QoQ CC %)	-6.3	4.8	4.1	4.2	2.4	4.0	3.9		-0.8	
Costs (as a percentage of revenue)										
COGS	60.6	59.1	58.4	58.8	59.6	59.6	60.0	59.5	59.2	59.7
SGA	15.8	14.7	15.0	14.4	14.8	14.8	15.0	14.9	15.0	14.9
Margins										
Gross Margin	39.4	40.9	41.6	41.2	40.4	40.4	40.0	40.5	40.8	40.3
EBIT Margin	23.6	26.2	26.6	26.8	25.5	25.6	25.0	25.6	25.9	25.4
Net Margin	18.4	21.1	20.8	21.2	19.9	20.6	20.1	20.7	20.4	20.3
Operating Metrics										
Headcount (k)	444	454	469	489	509	529	557		489	
Attrition (%)	11.1	8.9	7.6	7.2	8.6	11.9	15.3		7.2	
Deal Win TCV (USD b)	6.9	8.6	6.8	9.2	8.1	7.6	7.6		31.5	
Key Verticals (YoY CC %)										
BFSI	-4.9	-1.1	2.4	13.3	19.3	17.0	17.9		2.4	
Retail	-12.9	-5.7	-5.1	-0.9	21.7	18.4	20.4		-6.2	
Key Geographies (YoY CC %)										
North America	-6.1	-3.0	-0.2	5.9	15.8	17.4	18.0		-0.9	
UK	-8.5	-8.1	-1.6	1.0	16.3	15.6	12.7		-4.3	
Continental Europe	2.7	3.7	3.6	11.7	19.7	13.5	17.5		5.5	

**Highlights from the management commentary****3QFY22 performance and demand outlook**

- In 3QFY22, TCS reported revenue growth of 4.0% QoQ and 15.4% YoY in constant currency (CC) terms, buoyed by continued demand traction.
- The company reported a TCV of USD7.6b, of which USD2.9b and USD1b were in BFSI and Retail, respectively. North America posted a TCV of USD4.2b in 3QFY22.
- TCS' ACV is likely to be better as its TCV comprised relatively smaller deals with the absence of any mega "\$1b" deal wins.
- According to the management, demand traction is led by: 1) improved outsourcing, 2) core modernization, and 3) growth acceleration as well as transformational agenda of clients.
- Management reiterated that cloud will drive the growth. TCS enjoys strong partnership with each hyperscaler. The company has witnessed ample Horizon 1 deals and the management believes these deals will fuel short-term growth. TCS is also anticipating Horizon 2 opportunities. The management further indicated that demand from Horizon 3 deals would not be bound by time and will have long-term growth implications.
- The management is witnessing a strong deal pipeline (of small and large deals) buoyed by robust industry demand.

**Margin performance and outlook**

- Operating margin stood at 25% in 3QFY22, down 60bp QoQ. There was a 50bp impact from backfilling and 60bp was from discretionary non-manpower expenses. These were, however, partially offset by favorable FX and lower SG&A.
- Management is perceiving a slight uptick in pricing and is confident to capitalize on it. However, TCS expects to maintain pricing for longer-term contracts.
- Management highlighted that the employee churn is stabilizing for now.
- Management further indicated that reducing dependence on sub-contractors, as attrition stabilizes gradually, will be one of the key levers to support margins.

**Other highlights**

- Management has carried out large-scale hiring and added 28k employees in 3QFY22. It has indicated that the company will continue to hire freshers in 4QFY22.
- Though attrition is stabilizing, this would not be reflected in the attrition numbers as it is reported on an LTM basis. LTM attrition will start to flatten in a few quarters and then decline.
- In the BFSI vertical, TCS is likely to see the base effect in 4QFY22 as 4QFY21 benefitted from large deals.

**Exhibit 1: Strong growth witnessed in India and America**

Geographies	Contribution to revenue (%)	QoQ growth (%)
North America	50.7	3.8
Latin America	1.7	9.5
UK	15.6	-0.2
Continental Europe	16.0	3.7
India	5.5	11.1
Asia Pacific	8.6	-1.6
MEA	1.9	-2.1

Source: Company, MOFSL

**Exhibit 2: Regional markets and others led the growth**

Verticals	Contribution to revenue (%)	QoQ CC growth (%)
BFSI	32.1	2.1
Retail and CPG	14.5	-0.4
Communications and Media	6.6	4.6
Manufacturing	9.6	-0.1
Life Sciences and Healthcare	9.8	1.0
Technology and Services	8.6	0.7
Regional Markets and Others	18.8	11.3

Source: Company, MOFSL

**Valuation and view: Maintain BUY with a TP of INR4,250****Growth to support valuation**

- IT Services has entered into a technology upcycle, with Cloud migration and Digital transformation-led deals coming into the market.
- Given TCS' size, capabilities, and portfolio stretch, it is rightly positioned to leverage the anticipated industry growth.
- TCS has consistently maintained its market leadership position and shown best-in-class execution. This renders the company with ample room to maintain its industry-leading margin and demonstrate the superior return ratios.
- We maintain our positive stance on TCS, given its strong growth outlook. Our TP of INR4,250 implies 30x FY24E EPS, with a 10% upside potential. Maintain **BUY**.

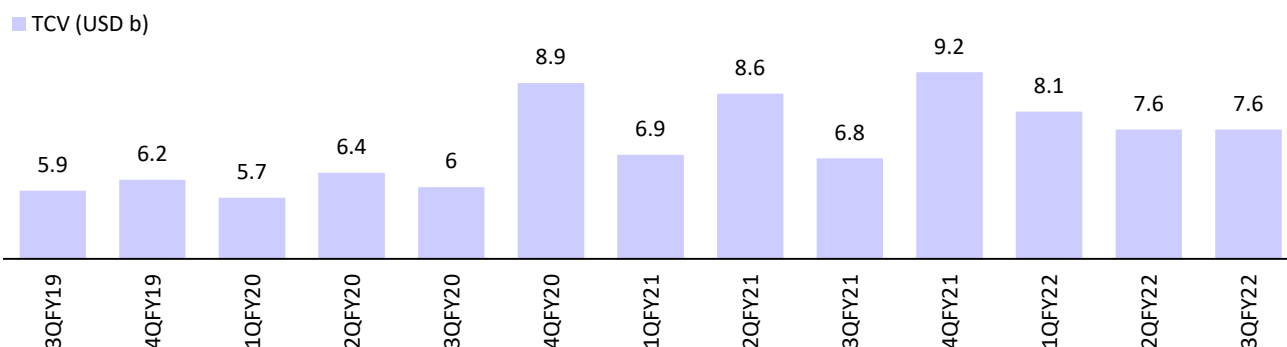
**Exhibit 3: Revisions to our estimates**

	Revised			Earlier			Change		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
USD:INR	74.4	75.0	75.0	74.6	75.0	75.0	-0.2%	0.0%	0.0%
USD Revenue (m)	25,775	29,635	33,439	25,699	29,308	33,034.5	0.3%	1.1%	1.2%
Growth (%)	16.2	15.0	12.8	15.9	14.0	12.7	30bps	90bps	10bps
EBIT Margin (%)	25.4	25.8	25.9	25.9	26.2	26.3	-50bps	-40bps	-40bps
PAT (INR b)	389	463	523	395	462	521.3	-1.6%	0.2%	0.3%
EPS	105.1	125.1	141.4	106.8	124.9	140.9	-1.6%	0.2%	0.3%

Source: MOFSL

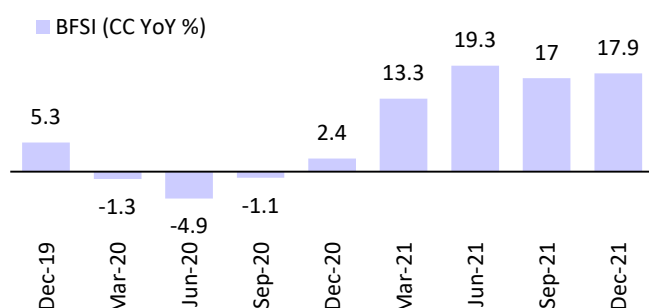
## Story in charts

**Exhibit 4: TCS reported stable deal wins in 3QFY22**



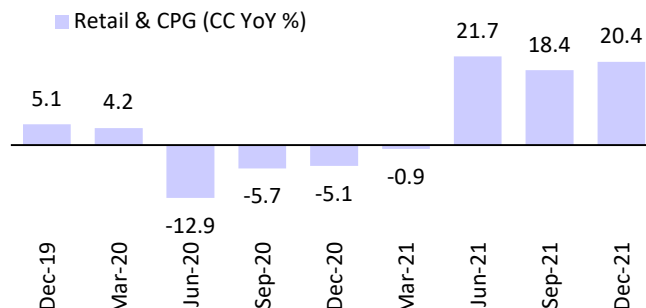
Source: Company, MOFSL

**Exhibit 5: Strong growth in BFSI and...**



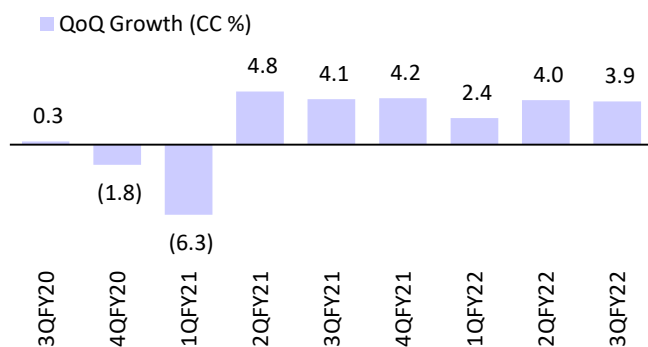
Source: Company, MOFSL

**Exhibit 6: ...further improvement in Retail led to...**



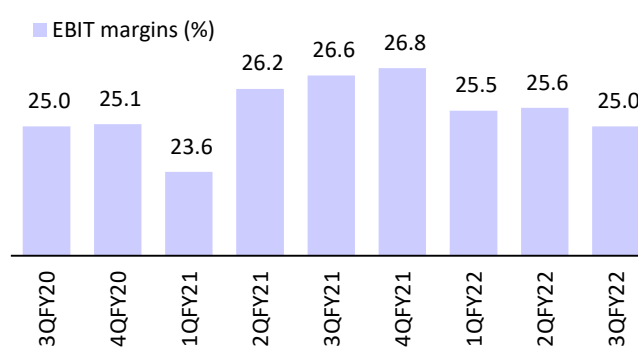
Source: Company, MOFSL

**Exhibit 7: ...a strong performance in 3QFY22, though...**



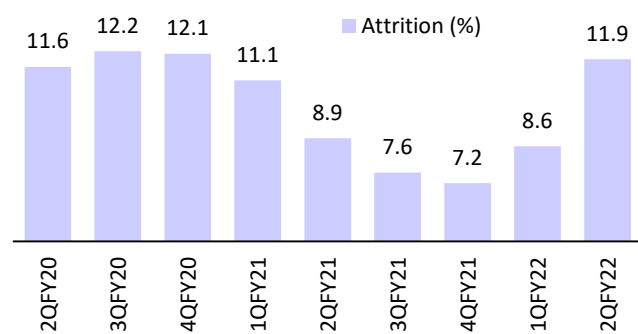
Source: Company, MOFSL

**Exhibit 8: ...impacted by backfilling & discretionary spends**



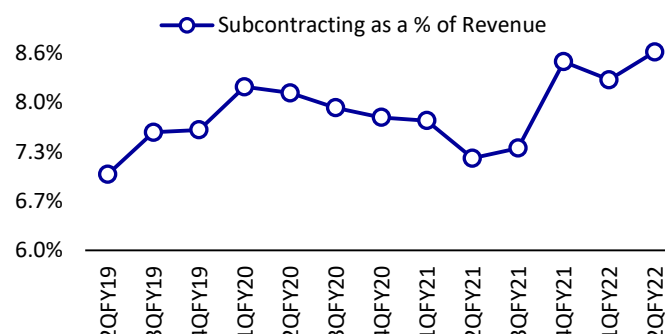
Source: Company, MOFSL

**Exhibit 9: Attrition increased sharply**



Source: Company, MOFSL

**Exhibit 10: Sub-contracting cost spiked 40bp QoQ**



Source: Company, MOFSL

## Operating metrics

Exhibit 11: Operating metrics

	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22
<b>Verticals (%)</b>									
BFSI	30.4	29.7	31.3	31.9	31.3	32.2	32.5	32.4	32.1
Retail and CPG	15.2	15.4	14	14.6	14.5	14.5	14.8	15.0	14.5
Communications and Media	7.0	7.2	7.1	6.5	6.6	6.5	6.4	6.5	6.6
Manufacturing	10.0	10.1	9.7	9.4	9.6	9.6	9.8	9.9	9.6
Life Sciences and Healthcare	8.3	8.8	9.6	9.8	9.8	9.7	10.2	10.0	9.8
Technology and Services	8.4	8.7	9.1	8.9	8.6	8.4	8.6	8.8	8.6
Regional Markets and Others	20.7	20.1	19.2	18.9	19.6	19.1	17.7	17.4	18.8
<b>Geographies (%)</b>									
North America	50.1	50.3	51.4	49.9	49.1	48.6	49.4	50.3	50.7
Latin America	1.9	1.8	1.7	1.7	1.7	1.6	1.6	1.6	1.7
UK	15.9	16.0	15.3	15.5	15.7	16.0	16.3	16.1	15.6
Continental Europe	14.9	15.2	15.6	16.3	16.2	16.8	16.7	15.9	16.0
India	5.7	5.5	4.3	5.0	5.6	5.6	4.6	5.1	5.5
Asia Pacific	9.3	9.3	9.8	9.7	9.7	9.4	9.3	9.0	8.6
MEA	2.2	1.9	1.9	1.9	2	2	2.1	2.0	1.9
<b>QoQ growth (%)</b>									
BFSI	(0.7)	(4.8)	(2.1)	9.3	3.1	8.1	3.7	2.6	2.1
Retail and CPG	4.0	(1.3)	(15.5)	11.8	4.4	5.0	4.9	4.3	-0.4
Communications and Media	1.3	0.2	(8.4)	(1.8)	6.7	3.4	1.2	4.5	4.6
Manufacturing	3.3	(1.6)	(10.8)	3.9	7.4	5.0	4.9	4.0	-0.1
Life Sciences and Healthcare	3.8	3.3	1.4	9.4	5.1	4.0	8.1	0.9	1.0
Technology and Services	(2.2)	0.9	(2.8)	4.9	1.6	2.6	5.2	5.3	0.7
Regional markets and others	1.7	(5.4)	(11.2)	5.5	9.0	2.4	(4.8)	1.2	11.3
North America	0.3	(2.2)	(5.0)	4.1	3.4	4.0	4.4	4.8	3.8
Latin America	1.3	(7.7)	(12.2)	7.2	5.1	(1.1)	2.8	2.9	9.5
UK	3.2	(1.9)	(11.1)	8.6	6.5	7.0	4.7	1.6	-0.2
Continental Europe	3.3	(0.6)	(4.6)	12.0	4.5	8.9	2.1	-2.0	3.7
India	1.3	(6.0)	(27.3)	24.7	17.7	5.0	(15.6)	14.1	11.1
Asia Pacific	0.2	(2.5)	(2.1)	6.1	5.1	1.8	1.7	-0.4	-1.6
MEA	1.3	(15.8)	(7.1)	7.2	10.7	5.0	7.9	-2.0	-2.1
<b>Total Employees (k)</b>	<b>447</b>	<b>448</b>	<b>444</b>	<b>454</b>	<b>469</b>	<b>489</b>	<b>509</b>	<b>528.7</b>	<b>557.0</b>
<b>Net Additions (k)</b>	<b>-4</b>	<b>2</b>	<b>-5</b>	<b>10</b>	<b>16</b>	<b>19</b>	<b>20</b>	<b>19.7</b>	<b>28.2</b>
<b>Attrition (LTM %)</b>	<b>12.2</b>	<b>12.1</b>	<b>11.1</b>	<b>8.9</b>	<b>7.6</b>	<b>7.2</b>	<b>8.6</b>	<b>11.9</b>	<b>15.3</b>

Source: Company, MOFSL



## Financials and valuations

Income Statement						(INR b)		
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
<b>Sales</b>	<b>1,180</b>	<b>1,231</b>	<b>1,465</b>	<b>1,569</b>	<b>1,642</b>	<b>1,919</b>	<b>2,223</b>	<b>2,508</b>
Change (%)	8.6	4.4	19.0	7.2	4.6	16.9	15.8	12.8
Cost of Services	669	713	852	923	971	1,145	1,323	1,493
SG&A Expenses	208	213	239	260	246	286	325	366
<b>EBITDA</b>	<b>323</b>	<b>325</b>	<b>395</b>	<b>421</b>	<b>465</b>	<b>536</b>	<b>630</b>	<b>712</b>
As a percentage of Net Sales	27.4	26.4	27.0	26.8	28.4	27.9	28.3	28.4
Depreciation	20	20	21	35	41	48	56	63
<b>EBIT</b>	<b>303</b>	<b>305</b>	<b>375</b>	<b>386</b>	<b>425</b>	<b>488</b>	<b>574</b>	<b>649</b>
As a percentage of Net Sales	25.7	24.8	25.6	24.6	25.9	25.4	25.8	25.9
Other Income	42	36	41	37	25	35	44	50
<b>PBT</b>	<b>345</b>	<b>341</b>	<b>416</b>	<b>422</b>	<b>450</b>	<b>523</b>	<b>619</b>	<b>699</b>
Tax	82	82	100	98	115	133	155	175
Rate (%)	23.6	24.1	24.1	23.2	25.5	25.5	25.0	25.0
<b>PAT</b>	<b>264</b>	<b>259</b>	<b>316</b>	<b>324</b>	<b>335</b>	<b>390</b>	<b>464</b>	<b>525</b>
Extraordinary Gains/Losses	0	0	0	0	-10	0	0	0
<b>Adjusted PAT</b>	<b>264</b>	<b>259</b>	<b>316</b>	<b>324</b>	<b>326</b>	<b>390</b>	<b>464</b>	<b>525</b>
Minority Interest	1	1	1	1	1	1	2	2
<b>Reported PAT</b>	<b>263</b>	<b>258</b>	<b>315</b>	<b>323</b>	<b>324</b>	<b>389</b>	<b>463</b>	<b>523</b>
Change (%)	8.6	-1.8	21.9	2.8	0.3	19.9	19.0	13.1

Balance Sheet						(INR b)		
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Share capital	2	2	4	4	4	4	4	4
Reserves	860	849	891	838	861	908	965	1,029
<b>Net Worth</b>	<b>862</b>	<b>851</b>	<b>894</b>	<b>841</b>	<b>864</b>	<b>912</b>	<b>969</b>	<b>1,033</b>
Minority Interest and Others	25	33	34	97	102	118	136	152
Loans	1	1	0	0	0	0	0	0
<b>Capital Employed</b>	<b>888</b>	<b>885</b>	<b>929</b>	<b>938</b>	<b>966</b>	<b>1,030</b>	<b>1,104</b>	<b>1,185</b>
Gross Block	247	266	287	408	449	492	544	603
Depreciation	131	151	171	207	247	295	351	413
<b>Net Block</b>	<b>116</b>	<b>115</b>	<b>116</b>	<b>201</b>	<b>201</b>	<b>197</b>	<b>193</b>	<b>190</b>
Intangibles	44	52	44	45	57	62	67	73
Other LT assets	67	84	69	60	56	65	75	84
<b>Current Assets</b>	<b>805</b>	<b>812</b>	<b>921</b>	<b>902</b>	<b>993</b>	<b>1,102</b>	<b>1,223</b>	<b>1,345</b>
Debtors	280	316	325	363	367	426	494	557
Cash and Bank Balance	41	49	72	97	69	69	69	76
Investments	416	380	347	261	316	331	341	351
Other Current Assets	67	67	177	182	241	276	319	360
<b>Current Liab. and Prov.</b>	<b>145</b>	<b>178</b>	<b>221</b>	<b>271</b>	<b>342</b>	<b>396</b>	<b>454</b>	<b>507</b>
<b>Net Current Assets</b>	<b>660</b>	<b>634</b>	<b>700</b>	<b>632</b>	<b>651</b>	<b>706</b>	<b>769</b>	<b>837</b>
<b>Application of Funds</b>	<b>887</b>	<b>885</b>	<b>929</b>	<b>938</b>	<b>966</b>	<b>1,030</b>	<b>1,104</b>	<b>1,185</b>



## Financials and valuations

### Ratios

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
<b>Basic (INR)</b>								
<b>EPS</b>	<b>66.7</b>	<b>67.0</b>	<b>82.3</b>	<b>86.2</b>	<b>86.7</b>	<b>105.1</b>	<b>125.1</b>	<b>141.4</b>
Cash EPS	71.8	72.2	87.6	95.6	97.6	118.1	140.1	158.4
Book Value	218.8	220.9	233.8	224.2	231.1	246.5	261.9	279.2
DPS	27.5	70.7	76.9	71.4	97.2	78.8	93.8	106.1
Payout (%)	41.2	105.6	93.5	82.8	112.1	75.0	75.0	75.0
<b>Valuation (x)</b>								
P/E	57.9	57.6	46.9	44.8	44.5	36.7	30.9	27.3
Cash P/E	53.8	53.4	44.1	40.4	39.6	32.7	27.6	24.4
EV/EBITDA	47.0	45.6	37.2	34.2	30.9	26.5	22.6	19.9
EV/Sales	12.9	12.0	10.0	9.2	8.8	7.4	6.4	5.7
Price/Book Value	17.6	17.5	16.5	17.2	16.7	15.7	14.7	13.8
Dividend Yield (%)	0.7	1.8	2.0	1.8	2.5	2.0	2.4	2.7
<b>Profitability Ratios (%)</b>								
RoE	34.7	30.1	36.1	37.3	38.0	43.8	49.2	52.3
RoCE	29.7	26.1	31.4	31.7	33.2	36.5	40.4	42.5
<b>Turnover Ratios</b>								
Debtors (Days)	87	94	81	84	82	81	81	81
Fixed Asset Turnover (x)	10.1	10.7	12.7	7.8	8.1	9.7	11.5	13.2

### Cash Flow Statement

(INR b)

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
CF from Operations	259	282	308	370	379	432	511	576
Cash for Working Capital	-6	0	-22	-47	9	-38	-52	-52
<b>Net Operating CF</b>	<b>252</b>	<b>282</b>	<b>286</b>	<b>324</b>	<b>388</b>	<b>393</b>	<b>459</b>	<b>525</b>
Net Purchase of FA	-20	-19	-21	-32	-32	-37	-43	-49
<b>Free Cash Flow</b>	<b>232</b>	<b>263</b>	<b>265</b>	<b>291</b>	<b>356</b>	<b>356</b>	<b>416</b>	<b>476</b>
Net Purchase of Invest.	-147	16	36	118	-50	-15	-10	-10
<b>Net Cash from Invest.</b>	<b>-167</b>	<b>-3</b>	<b>16</b>	<b>86</b>	<b>-81</b>	<b>-52</b>	<b>-53</b>	<b>-59</b>
Proceeds from Equity Issues	-1	0	0	0	0	0	0	0
Proceeds from LTB/STB	0	0	-2	-13	-211	0	0	0
Others	0	0	-2	-9	-6	0	0	0
Dividend Payments	-110	-268	-275	-377	-109	-341	-406	-459
<b>Cash Flow from Fin.</b>	<b>-110</b>	<b>-268</b>	<b>-279</b>	<b>-399</b>	<b>-326</b>	<b>-341</b>	<b>-406</b>	<b>-459</b>
<b>Net Cash Flow</b>	<b>-27</b>	<b>13</b>	<b>23</b>	<b>14</b>	<b>-18</b>	<b>0</b>	<b>0</b>	<b>7</b>
<b>Opening Cash Balance</b>	<b>68</b>	<b>41</b>	<b>54</b>	<b>77</b>	<b>91</b>	<b>73</b>	<b>73</b>	<b>74</b>
Add: Net Cash	-27	13	23	14	-18	0	0	7
<b>Closing Cash Balance</b>	<b>41</b>	<b>54</b>	<b>77</b>	<b>91</b>	<b>73</b>	<b>73</b>	<b>74</b>	<b>81</b>

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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