Firstsource Solutions

BUY

Result Update

Top client recovery drives results beat; Guidance, Outlook uptick

- FSL reported Revenue growth of 14.6% in CC terms (DART estm: 5.6%) due to continued traction in BFSI Vertical (up 15.8% QoQ in $ terms) and top client growth of 24.9% QoQ in $ terms. OPM improvement of 20bps QoQ at 11.6% (DE: 11.4%) led by strong operating leverage which was part negated by strong hiring (added ~4.8k resources over Q2/Q3).
- FSL upgraded the FY21 Guidance to 16-17% from 9%-12% CC growth and lower end of OPM guidance by 30bps to 11.3%-11.5%. This implies 0.5% to 3.5% growth in Q4. Commentary is encouraging as provider segment is expected to recover gradually & client additions healthy (YTD added: 43 clients) with visible in-roads in Born-digital and Fintech segment.
- With revived operating structure, new leadership is making inroads into newer opportunities as evident from addition of 9 Born-digital cos to client roster in 9M & building domain capabilities. Mortgage Biz ($55mn in size) will continue traction driven by low interest rate.
- Strong growth guidance (16-17% for FY21), robust client additions, sustained profitability, widened bandwidth & market opportunities, generous payouts (imply 6% yield) and attractive valuations (FCF yield ~8%) make a strong case for significant re-rating of the stock. Factoring the same, we maintain our Buy rating on the stock with TP of Rs150 (valued at 15x PE on FY23E EPS of Rs 9.8).

Progress on all 3 tenets are on track; strengthening structurally

The progress on all three tenets are on track, **1) Sharp focus in leadership areas:** Investments in specific areas have resulted into healthy new client additions (9) in Born Digital companies and Fintech sector also expected to contribute meaningfully by Q1FY22. Also addition of Patientmatters business have added to end-to-end platform capabilities in Provider segment, **2) Modernising with Digital Capabilities:** Retooled its solution capabilities and these have become integral element in all its deal pursuit and **3) Scale with agility:** Added ~5400 to headcount in YTD up 20% YoY basis to a base of 21K employees on remote mode across markets and provided the necessary setup for remote working as well. The gradual Provider business recovery will help in gradual margins uptick starting FY22 (outcome based business model).

Q3FY21 Result (Rs Mn)

Particulars	Q3FY21	Q3FY20	YoY (%)	Q2FY21	QoQ (%)
Revenue	13,652	10,535	29.6	11,877	14.9
Total Expense	11,549	8,868	30.2	10,001	15.5
EBITDA	2,103	1,666	26.2	1,876	12.1
Depreciation	513	484	5.9	519	(1.1)
EBIT	1,590	1,182	34.6	1,358	17.1
Other Income	13	12	1.2	21	(40.0)
Interest	127	159	(19.8)	124	2.3
EBT	1,476	1,036	42.5	1,254	17.7
Tax	265	140	89.0	202	31.7
RPAT	1,210	895	35.2	1,053	15.0
APAT	1,210	895	35.2	1,053	15.0
			(bps)		(bps)
Gross Margin (%)	30.4	33.1	(266)	32.8	(237)
EBITDA Margin (%)	15.4	15.8	(41)	15.8	(39)
NPM (%)	8.9	8.5	37	8.9	0
Tax Rate (%)	18.0	13.6	443	16.1	191
EBIT Margin (%)	11.6	11.2	43	11.4	22

CMP	Rs 97
Target / Upside	Rs 150 / 55%
NIFTY	15,109

Scrip Details

Equity / FV	Rs 6,938mn / Rs 10
Market Cap	Rs 67bn
	USD 925mn
52-week High/Low	Rs 115/ 20
Avg. Volume (no)	4,179,140
Bloom Code	FSOL IN

Price Performance	1M	3M	12M
Absolute (%)	(5)	33	132
Rel to NIFTY (%)	(5)	33	138

Shareholding Pattern

	Jun'20	Sep'20	Dec'20
Promoters	53.9	53.8	53.8
MF/Banks/FIs	12.7	14.0	15.8
FIIs	8.1	7.0	8.3
Public / Others	25.4	25.2	22.1

Valuation (x)

	FY21E	FY22E	FY23E
P/E	15.3	11.7	9.9
EV/EBITDA	9.4	7.3	6.2
ROE (%)	15.6	19.7	21.9
RoACE (%)	14.2	17.7	19.8

Estimates (Rs mn)

	FY21E	FY22E	FY23E
Revenue	50,257	60,186	67,597
EBITDA	7,806	9,925	11,270
PAT	4,399	5,784	6,819
EPS (Rs.)	6.3	8.3	9.8

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Exhibit 1: Quarterly performance versus estimates

(Rs mn)	Actual	Estimates Dolat	Estimates Consensus	% Variation Dolat	% Variation Consensus	Comment
USD Revenue	185	170	NA	8.8	NA	Revenue beat lead by recovery in top client (up 24.9% QoQ)
INR Revenue	13,652	12,604	NA	8.3	NA	
EBIT	1,590	1,437	NA	10.7	NA	EBIT Margin beat led by positive operating leverage but largely reduced by strong hiring
EBIT, margin	11.6	11.4	NA	20	NA	
PAT	1,210	1,140	NA	6.2	NA	PAT beat slightly reduced by higher tax rate of 18.0%

Source: Company, DART

Change in Estimates

Accounting for big beat, guidance upgrade and confident stance across business segment in the management commentary, we have scaled up our revenue growth estimates by 4%/7%/8% respectively for FY21/22/23E. Also, given anticipation of improved business mix towards better margin business units (Healthcare Provider) hereon and also gradual normalization of investments, we would see pass-on benefits into OPM gains and thus have upgraded our estimates by 80bps/110bps for FY22/23E. Consequently, this has translated into EPS upgrade by 2.2%/11.2%/15.2% respectively for FY21/22/23E.

Exhibit 2: Change in Estimates

INR mn	FY20	FY21E			FY22E			FY23E		
	Actual	Old	New	Change	Old	New	Change	Old	New	Change
USD Revenue	578	651	676	4.0	753	803	6.6	823	884	7.5
YoY growth (%)	5.7	12.6	17.0	445.9	15.7	18.7	294.3	9.2	10.1	90.5
INR Revenue	40,986	48,412	50,257	3.8	56,864	60,186	5.8	62,916	67,597	7.4
YoY growth (%)	7.1	18.1	22.6	450.2	17.5	19.8	229.7	10.6	12.3	167.1
EBIT	4,437	5,488	5,719	4.2	6,440	7,307	13.5	7,178	8,466	17.9
EBIT margin (%)	10.8	11.3	11.4	4.3	11.3	12.1	81.6	11.4	12.5	111.6
PAT	3,397	4,299	4,399	2.3	5,197	5,784	11.3	5,913	6,819	15.3
EPS (Rs)	4.9	6.2	6.3	2.2	7.5	8.3	11.2	8.5	9.8	15.2

Source: DART, Company

Exhibit 3: Key Revenue Assumptions

Key Assumptions	FY20A	FY21E	FY22E	FY23E
USD revenue growth (%)	5.7	17.0	18.7	10.1
INR revenue growth (%)	7.1	22.6	19.8	12.3
EBIT margin (%)	10.8	11.4	12.1	12.5
EPS growth (%)	228.5	29.2	31.5	17.9
USD/INR	70.1	73.7	74.5	76.0

Source: DART, Company

Exhibit 4: Key Revenue Growth Matrix

YoY Growth	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21
CC Growth	5.2	4.5	8.3	8.2	1.6	13.1	23.8
USD Growth	2.9	2.9	8.0	8.8	0.0	14.1	24.9
INR Growth	6.7	2.9	7.4	10.7	9.0	21.3	29.3

Source: DART, Company

Exhibit 5: Quarterly & YTD Trend

Rs mn	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	QoQ	YoY	YTDFY20	YTDFY21	YoY
USD Revenue	**141**	**140**	**148**	**149**	**141**	**160**	**185**	**15.6**	**24.9**	**429**	**486**	**13.2**
INR Revenue	**9,798**	**9,849**	**10,535**	**10,804**	**10,622**	**11,877**	**13,652**	**14.9**	**29.6**	**30,182**	**36,151**	**19.8**
Operating Expenses	8,141	8,525	8,868	9,163	8,954	10,001	11,549	15.5	30.2	25,534	30,504	19.5
Employee Expenses	6,611	6,722	7,053	7,350	7,128	7,985	9,503	19.0	34.7	20,386	24,616	20.8
as % of sales	67.5	68.2	66.9	68.0	67.1	67.2	*69.6*			*67.5*	*68.1*	
Other Expenses	1,530	1,803	1,816	1,813	1,826	2,016	2,046	1.5	12.7	5,149	5,888	14.4
as % of sales	15.6	18.3	17.2	16.8	17.2	17.0	*15.0*			*17.1*	*16.3*	
EBITDA	**1,657**	**1,325**	**1,666**	**1,641**	**1,668**	**1,876**	**2,103**	**12.1**	**26.2**	**4,648**	**5,648**	**21.5**
Depreciation	439	455	484	474	498	519	513	(1.1)	5.9	1,378	1,530	11.0
EBIT	**1,217**	**870**	**1,182**	**1,168**	**1,170**	**1,358**	**1,590**	**17.1**	**34.6**	**3,269**	**4,118**	**26.0**
Net interest	(115)	(129)	(159)	(142)	(134)	(124)	(127)	2.3	(19.8)	(402)	(385)	(4.3)
Other Income	(34)	65	12	6	(1)	21	13	(40.0)	1.2	44	32	(27)
PBT	1,069	806	1,036	1,031	1,035	1,254	1,476	17.7	42.5	2,911	3,765	29.3
Total Tax	157	132	140	115	148	202	265	31.7	89.0	430	615	43.0
Minorities	(0)	(0)	0	0	0	(0)	(0)	(85.7)	(150.0)	(0)	(0)	
Reported PAT	**912**	**674**	**895**	**916**	**887**	**1,053**	**1,210**	**15.0**	**35.2**	**2,481**	**3,150**	**27.0**
Reported EPS	**1.3**	**1.0**	**1.3**	**1.3**	**1.3**	**1.5**	**1.7**	**13.5**	**33.3**	**3.6**	**4.5**	**26.2**
Margins (%)								**(bps)**	**(bps)**			**(bps)**
EBIDTA	16.9	13.4	15.8	15.2	15.7	15.8	15.4	(39)	(41)	15.4	15.6	(22)
EBIT	12.4	8.8	11.2	10.8	11.0	11.4	11.6	22	43	10.8	11.4	(56)
PBT	10.9	8.2	9.8	9.5	9.7	10.6	10.8	25	98	9.6	10.4	(77)
PAT	9.3	6.8	8.5	8.5	8.3	8.9	8.9	0	37	8.2	8.7	(49)
Effective Tax rate	14.7	16.4	13.6	11.2	14.3	16.1	18.0	191	443	14.8	16.3	(156)

Source: DART, Company

What to expect next Quarter

We expect sequential growth of 3.3% in revenues, that should help it achieve top end of its growth guidance. Also we expect sequential decline in OPM, as operating leverage gains would be negated by wage hike effective in the quarter.

Exhibit 6: What to expect next Quarter

(Rs Mn)	Q4FY21E	Q3FY20	Q4FY20	QoQ (%)	YoY (%)
USD Revenue	191	185	149	3.3	28.1
INR Revenue	14,106	13,652	10,804	3.3	30.6
EBIT	1,601	1,590	1,168	0.7	37.1
PAT	1,249	1,210	916	3.1	36.3
EPS (Rs)	1.8	1.7	1.3	4.4	36.0
EBIT Margin (%)	11.4	11.6	10.8	(30) bps	54 bps

Source: Company, DART

Valuation

First Source has under its new CEO is strengthening its capabilities by revamped leadership powered with platform led offerings to build structural scalable growth opportunities over next 2-5 years and thus would help it narrow its valuation gap with other small-cap peers that are trading at ~1.5x on growth. We currently value FSL at 15x (from 14times) on FY23E Earnings of Rs. 9.8 (earlier Rs. 8.5) with TP of Rs. 150 per share (from Rs. 120) and maintain our **Buy** Rating on the stock.

Key Highlights from Earning Call

- **Revenue:** The Revenue grew by 14.6% QoQ in CC terms to $184.8mn. The USD terms and INR growth stood at 15.6% and 14.7% QoQ (excluding other operating income). This implies cross currency gain of 100bps and fx impact of 90bps. The organic growth stood at 14.9% QoQ in $ terms as Patientmatters added $1.2mn in Q3 for one month consolidation.
- **BFSI (52% of Revenue):** Current quarter performance of 49% growth YoY in CC terms was led by sustained traction in the mortgage segment and recovery in volumes in the UK retail banking side (led by improved economic situation from Brexit jitters). FSL has also built a healthy pipeline in UK as business have started investing coming out of Brexit. Collection was soft during the quarter but should revive as its platform for collection is winning market share. Momentum in the mortgage (now $55-56mn business) is expected to continue led by sustained low interest rates driving refinancing volumes, while increased disposable income is driving up record new home sales. Company has added 10 new clients (1 Fintech) in the segment during the quarter adding up the confidence on sustained momentum.
- **Healthcare (25% of Revenue):** Healthcare grew 5.7% QoQ in organic CC terms, but Revenue declined 2.7% on YoY basis. Volumes were down on YoY basis as business continues to struggle from new COVID wave observed in US. However, the commentary remains confident as it won a large deal from a Payer client and is also getting improved interest for its platform-led offerings. Company is hopeful to see gradual gains in the Provider segment hereon (added 3 clients) and is enhancing GTM offerings in the space and it has made new in-roads with telehealth space with 1 client win.
- **Patientmatters:** FSL expects to gain from the integration of Patientmatters acquisition (accounted for $1.2mn to revenues in Q3 – 1 month and is expected to add about $4mn in Q4), which will add further capabilities in the Self-pay portion (front-office) of the volumes, which should help it drive up per-hospital revenue potential significantly (company have aggressive growth plans for the acquired business led by cross-sell offerings that should help it materially improve per-hospital revenues). This also opens up newer market for its existing Mediassist offering in markets such as Texas, New York where FSL wasn't present erstwhile. Patientmatters largely focuses on patient advocacy and revenue management capability. In the $13mn acquisition, $1.5mn is recognized in net assets and remaining in goodwill.
- **CMT (21% of Revenue)**: The robust growth (17% on YoY basis) in the quarter was led by strong recovery in the Top client led by traction in the OTT-streaming segment and improved growth in other media clients. The company has added new client, an International Weekly publisher to its roster. The company is also adding clients in the New Tech side as it started a small relationship with an ecommerce giant and 1 born digital company.
- **Diverse Vertical (2% of Revenue)**: The Diverse Vertical grew by 17.3% QoQ and 1.5% YoY.
- **Headcount:** FSL added 5,400 people remotely on YTD basis - Q2 (~2100) and Q3 (~2600). This included providing resources for WFH setup as well. FSL expects to continue the hiring trend to sustain demand. It is building 2 new centers (one of which is in Mumbai) due to which the Capex is relatively higher in Q3.
- **Tax rate:** The expected tax rate for FY21 is 16-18% for FY21. From FY22, FSL expects tax rate to inch up to 18%-20%.

Exhibit 7: Vertical Trend for Q3FY21

Vertical	Amount ($ mn)	Mix (%)	QoQ (%)	YoY (%)	Incremental Revenue ($ mn)	% Contribution of Incremental Revenue
BFSI	96	52	15.8	51.1	13	53
CMT	38	21	25.9	17.1	8	31
Healthcare	47	25	8.0	(2.7)	3	14
Others	4	2	17.3	1.5	1	2
Total	**185**	**100**	**15.6**	**24.9**	**25**	**100**

Source: DART, Company

Exhibit 8: Geography Trend for Q3FY21

Geography	Amount ($ mn)	Mix (%)	QoQ (%)	YoY (%)	Incremental Revenue ($ mn)	% Contribution of Incremental Revenue
US& Canada	124	67	13.9	32.4	15	61
UK	58	32	19.0	11.4	9	37
Rest of world	3	1	24.5	24.9	1	2
Total	**185**	**100**	**15.6**	**24.9**	**25**	**100**

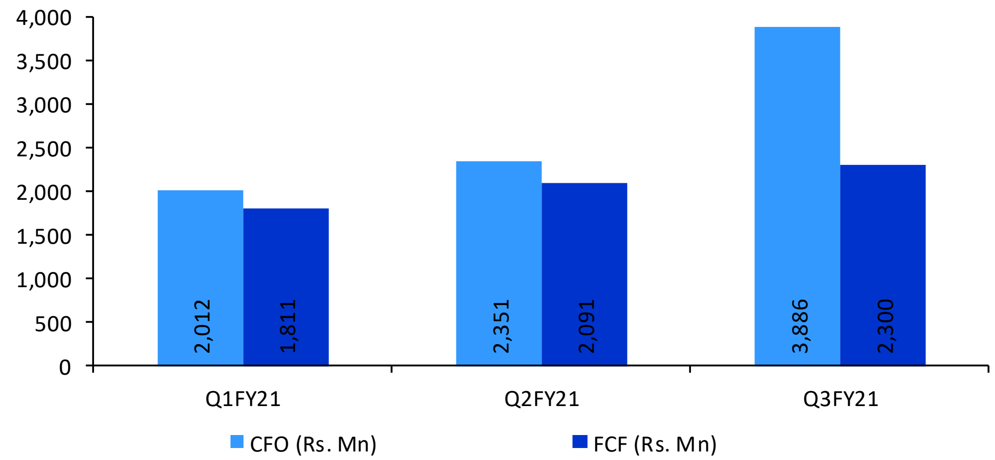
Source: DART, Company

Exhibit 9: Client Trend for Q3FY21

Client	Amount ($ mn)	Mix (%)	QoQ (%)	YoY (%)	Incremental Revenue ($ mn)	% Contribution of Incremental Revenue
Top Clients	32	18	24.9	12.1	6	26
Top 2-5 Clients	44	24	14.2	32.0	5	22
Non-Top 5 Clients	108	59	13.7	26.4	13	52
Total	**185**	**100**	**15.6**	**24.9**	**25**	**100**

Source: Company, DART

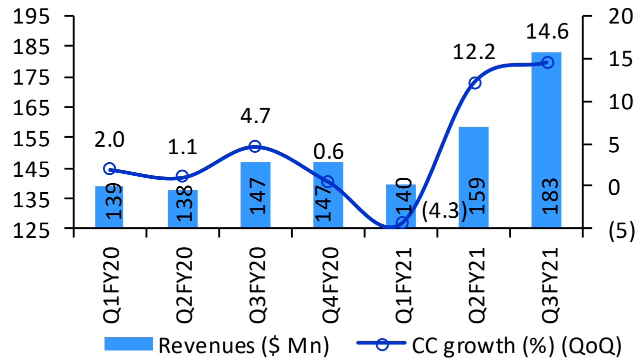
Exhibit 10: Cash Flow Trend



Source: DART, Company

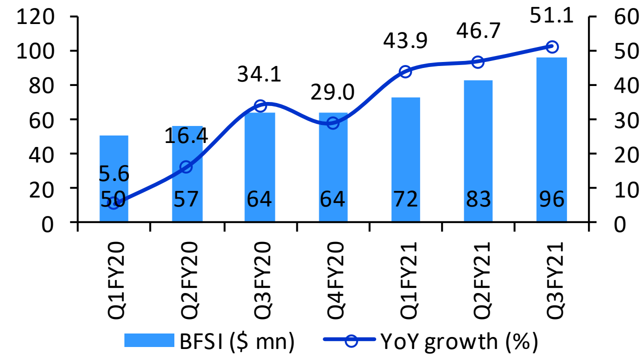
Charts

Exhibit 11: Revenue grew 14.6% QoQ led by …



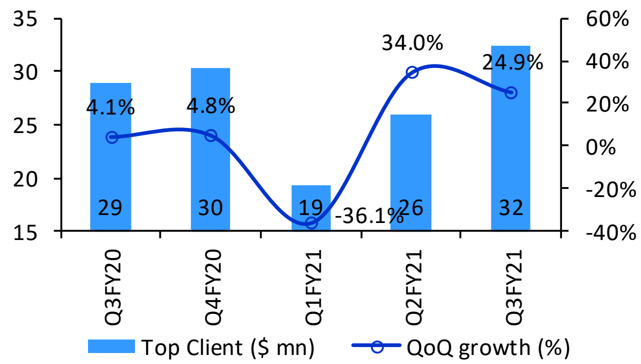
Source: DART, Company

Exhibit 12: … Continued Traction in BFSI Vertical



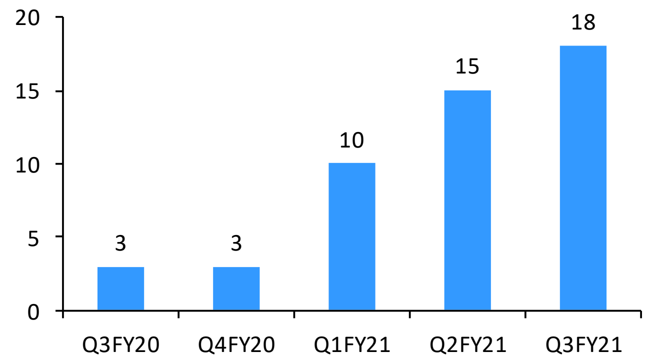
Source: DART, Company

Exhibit 13: Top Client Recovery continues …



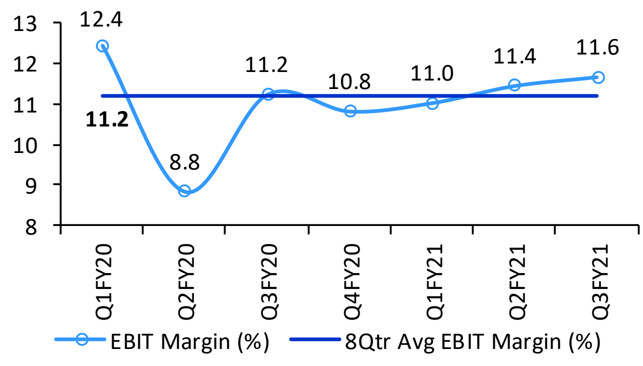
Source: DART, Company

Exhibit 14: Client Addition (18)traction strong



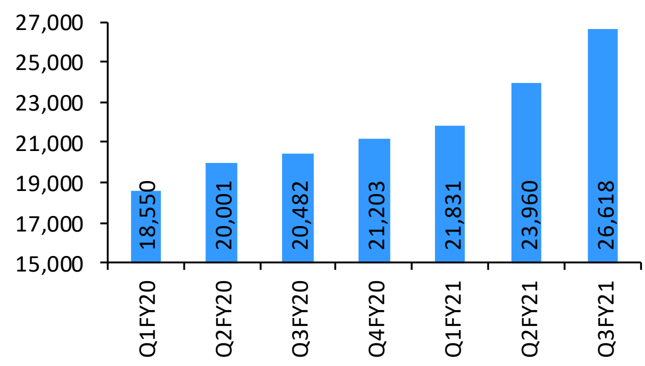
Source: DART, Company

Exhibit 15: OPM grew 20bps QoQ to 11.6%



Source: DART, Company

Exhibit 16: Strong Hiring in Q2/Q3 restricted OPM gains



Source: DART, Company

Exhibit 17: Operating Metrics 1

Operating Metrics	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21
$ Revenue	136	137	137	141	140	148	149	141	160	185
CC growth (%) (YoY)	3.2	3.5	3.8	5.2	4.5	8.3	8.2	1.6	13.1	23.8
CC growth (%) (QoQ)	1.8	0.9	0.7	2.0	1.1	4.7	0.6	(4.3)	12.2	14.6
Geographical Segment Amount										
US& Canada	75	76	76	80	86	94	94	97	109	124
UK	60	60	60	59	52	52	53	42	49	58
Rest of world	1	1	2	2	2	2	2	2	2	3
Geographical Segment YoY Growth										
US& Canada	9.1	4.8	0.6	8.4	15.1	23.9	24.3	21.2	26.2	32.4
UK	0.1	(0.2)	2.1	(4.2)	(13.3)	(12.9)	(11.9)	(28.6)	(5.3)	11.4
Rest of world	(56.3)	2.5	(7.3)	20.1	40.4	51.2	48.3	(14.3)	(1.1)	24.9
Vertical Segment Amount										
BFSI	49	47	49	50	57	64	64	72	83	96
Telecom & Media	38	39	38	38	31	32	34	23	30	38
Healthcare	47	47	45	47	48	48	47	42	43	47
Others	3	4	4	5	4	4	4	4	4	4
Vertical Segment YoY Growth										
BFSI	26.3	21.1	16.3	5.6	16.4	34.1	29.0	43.9	46.7	51.1
Telecom & Media	(17.8)	(12.2)	(10.3)	(1.9)	(17.9)	(17.1)	(9.5)	(40.4)	(2.4)	17.1
Healthcare	(0.1)	(6.5)	(10.7)	(2.4)	1.9	2.7	2.5	(10.6)	(10.4)	(2.7)
Others	NA	NA	NA	157.6	70.9	6.8	2.1	(28.9)	(19.7)	1.5
Business Segment Amount										
Digitally Empowered Contact Center				79	74	74	77	68	79	91
Intelligent Back Office				57	60	67	64	62	69	84
Platforms, Automation & Analytics				7	8	8	10	12	13	12
Business Segment YoY Growth										
Digitally Empowered Contact Center								(13.5)	7.6	22.9
Intelligent Back Office								9.8	14.3	24.6
Platforms, Automation & Analytics								58.8	62.1	51.6
Delivery Type Amount										
Off-Shore	27	25	25	32	32	37	38	35	43	55
On-Shore	109	112	112	109	108	111	111	106	117	130
Delivery Type YoY Growth										
Off-Shore	(3.5)	(15.3)	(13.8)	0.2	17.9	50.4	50.5	10.2	35.2	47.7
On-Shore	8.8	8.9	6.9	3.7	(0.8)	(1.3)	(0.7)	(3.0)	7.9	17.2
Top Client Amount										
Top client	32	34	34	35	28	29	30	19	26	32
Top 2-5 client	24	22	24	23	28	33	33	37	39	44
Top 5 client	57	56	58	58	55	62	63	56	65	77
Non-Top 5 clients	79	81	79	83	85	86	86	85	95	108
Top Client YoY Growth										
Top client	(15.5)	(12.6)	(7.8)	3.8	(14.4)	(15.4)	(10.3)	(45.0)	(6.6)	12.1
Top 2-5 client	1.0	(8.7)	(1.1)	(6.8)	13.9	49.8	34.6	60.7	40.2	32.0
Top 5 client	(9.1)	(11.1)	(5.1)	(0.7)	(2.3)	10.4	8.5	(3.2)	16.7	22.8
Non-Top 5 clients	14.5	14.8	6.3	5.6	6.6	6.4	8.9	2.2	12.4	26.4

Source: DART, Company

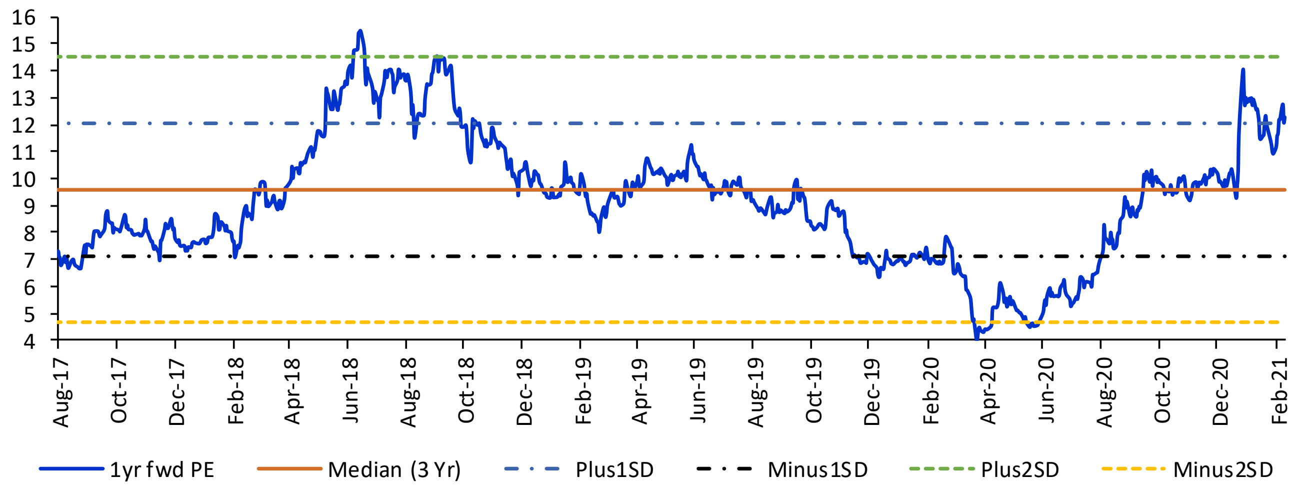
Exhibit 18: Operating Metrics 2

Employee Data	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21
Total Employees	19,615	18,595	18,712	18,550	20,001	20,482	21,203	21,831	23,960	26,618
Breakup										
India	9,040	8,621	8,968	9,305	10,493	10,982	11,450	11,684	13,536	15,381
Outside India	10,575	9,974	9,744	9,245	9,508	9,500	9,753	10,147	10,424	11,237
Seats	16,617	16,449	15,964	15,956	16,594	17,261	17,559	17,537	17,500	17,158
Seat fill factor	71.0	78.0	82.0	74.0	75.0	87.0	79.0	NA	NA	NA
Attrition										
Offshore(India and Phillliphines)	44.8	39.3	41.5	45.3	40.0	36.0	33.5	15.1	26.3	28.8
Onshore (US and Europe)	54.9	45.8	42.9	46.8	54.6	45.8	41.9	30.2	47.3	34.6

Source: DART, Company

Band Chart

Exhibit 19: FSL is trading at attractive valuations of Median +1SD with a PER of ~12.3x



Source: DART, Company

Profit and Loss Account

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
Revenue	**40,986**	**50,257**	**60,186**	**67,597**
Total Expense	**34,697**	**42,451**	**50,261**	**56,327**
COGS	27,735	34,490	41,338	46,203
Employees Cost	0	0	0	0
Other expenses	6,962	7,961	8,923	10,124
EBIDTA	**6,289**	**7,806**	**9,925**	**11,270**
Depreciation	1,852	2,087	2,618	2,804
EBIT	**4,437**	**5,719**	**7,307**	**8,466**
Interest	545	506	439	400
Other Income	50	56	145	250
Exc. / E.O. items	0	0	0	0
EBT	**3,942**	**5,269**	**7,013**	**8,316**
Tax	545	871	1,229	1,497
RPAT	3,397	4,399	5,784	6,819
Minority Interest	0	0	0	0
Profit/Loss share of associates	**0**	**0**	**0**	**0**
APAT	**3,397**	**4,399**	**5,784**	**6,819**

Balance Sheet

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
Sources of Funds				
Equity Capital	6,938	6,938	6,938	6,938
Minority Interest	6	6	6	6
Reserves & Surplus	20,716	21,636	23,247	25,197
Net Worth	**27,654**	**28,575**	**30,185**	**32,136**
Total Debt	8,369	7,869	7,369	6,869
Net Deferred Tax Liability	(1,776)	(1,776)	(1,785)	(1,785)
Total Capital Employed	**34,252**	**34,673**	**35,775**	**37,225**
Applications of Funds				
Net Block	**28,709**	**28,371**	**27,278**	**26,124**
CWIP	0	0	0	0
Investments	122	122	122	122
Current Assets, Loans & Advances	**14,528**	**15,804**	**18,756**	**21,772**
Inventories	0	0	0	0
Receivables	5,567	6,609	7,750	8,519
Cash and Bank Balances	1,907	1,564	2,379	3,926
Loans and Advances	0	0	0	0
Other Current Assets	7,054	7,631	8,627	9,326
Less: Current Liabilities & Provisions	**9,107**	**9,624**	**10,382**	**10,792**
Payables	953	1,163	1,377	1,389
Other Current Liabilities	8,154	8,461	9,005	9,404
sub total				
Net Current Assets	5,422	6,180	8,375	10,979
Total Assets	**34,252**	**34,673**	**35,775**	**37,225**

E – Estimates

Important Ratios

Particulars	FY20A	FY21E	FY22E	FY23E
(A) Margins (%)				
Gross Profit Margin	32.3	31.4	31.3	31.7
EBIDTA Margin	15.3	15.5	16.5	16.7
EBIT Margin	10.8	11.4	12.1	12.5
Tax rate	13.8	16.5	17.5	18.0
Net Profit Margin	8.3	8.8	9.6	10.1
(B) As Percentage of Net Sales (%)				
COGS	67.7	68.6	68.7	68.3
Employee	0.0	0.0	0.0	0.0
Other	17.0	15.8	14.8	15.0
(C) Measure of Financial Status				
Gross Debt / Equity	0.3	0.3	0.2	0.2
Interest Coverage	8.1	11.3	16.6	21.2
Inventory days	0	0	0	0
Debtors days	50	48	47	46
Average Cost of Debt	7.9	6.2	5.8	5.6
Payable days	8	8	8	7
Working Capital days	48	45	51	59
FA T/O	1.4	1.8	2.2	2.6
(D) Measures of Investment				
AEPS (Rs)	4.9	6.3	8.3	9.8
CEPS (Rs)	7.6	9.3	12.1	13.8
DPS (Rs)	3.0	5.0	6.0	6.0
Dividend Payout (%)	61.5	79.1	72.2	61.2
BVPS (Rs)	39.9	41.1	43.4	46.2
RoANW (%)	12.4	15.6	19.7	21.9
RoACE (%)	12.1	14.2	17.7	19.8
RoAIC (%)	14.2	17.5	22.0	25.4
(E) Valuation Ratios				
CMP (Rs)	97	97	97	97
P/E	19.8	15.3	11.7	9.9
Mcap (Rs Mn)	67,399	67,399	67,399	67,399
MCap/ Sales	1.6	1.3	1.1	1.0
EV	73,861	73,705	72,389	70,342
EV/Sales	1.8	1.5	1.2	1.0
EV/EBITDA	11.7	9.4	7.3	6.2
P/BV	2.4	2.4	2.2	2.1
Dividend Yield (%)	3.1	5.2	6.2	6.2
(F) Growth Rate (%)				
Revenue	7.1	22.6	19.8	12.3
EBITDA	17.5	24.1	27.1	13.6
EBIT	(3.8)	28.9	27.8	15.9
PBT	(9.6)	33.7	33.1	18.6
APAT	(10.1)	29.5	31.5	17.9
EPS	(10.4)	29.2	31.5	17.9

Cash Flow

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
CFO	4,104	5,890	7,453	8,966
CFI	143	(2,256)	(1,964)	(2,050)
CFF	(2,768)	(3,978)	(4,673)	(5,369)
FCFF	2,972	4,140	5,928	7,316
Opening Cash	474	1,907	1,564	2,379
Closing Cash	1,907	1,564	2,379	3,926

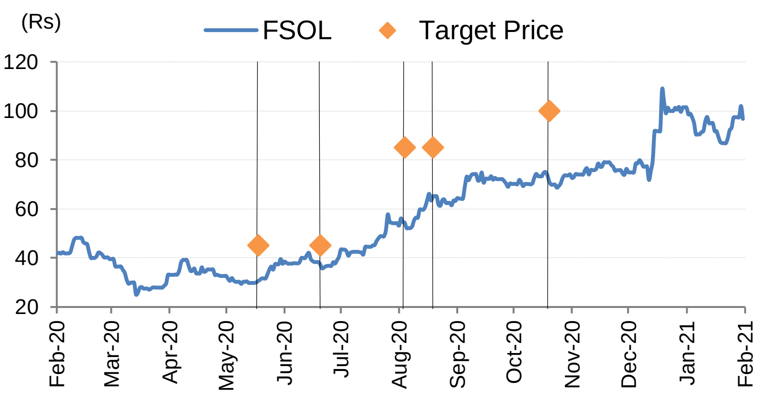
E – Estimates

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.)
May-20	Buy	45	31
Jun-20	Buy	45	37
Aug-20	Buy	85	54
Aug-20	Buy	85	65
Oct-20	BUY	100	71

*Price as on recommendation date

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