

HCL Technologies

Estimate change 

TP change 

Rating change 

CMP: INR989

TP: INR1,300 (+31%)

Buy

Product driven 3Q beat should ease viability concerns

All round performance; expect mid-teen growth for FY22

Bloomberg	HCLT IN
Equity Shares (m)	2,714
M.Cap.(INRb)/(USDb)	2684.9 / 38.2
52-Week Range (INR)	1074 / 376
1, 6, 12 Rel. Per (%)	6/25/49
12M Avg Val (INR M)	5192

Financials & Valuations (INR b)

Y/E Mar	2021E	2022E	2023E
Sales	761	875	990
EBIT Margin (%)	21.6	21.8	22.1
PAT	130	153	176
EPS (INR)	48.0	56.5	65.0
EPS Gr. (%)	18.0	17.5	15.1
BV/Sh. (INR)	217	241	260

Ratios

RoE (%)	23.6	24.6	25.9
RoCE (%)	20.8	21.7	22.9
Payout (%)	37.5	50.0	60.0

Valuations

P/E (x)	20.6	17.5	15.2
P/BV (x)	4.6	4.1	3.8
EV/EBITDA (x)	12.4	10.6	9.3
Div Yield (%)	1.8	2.9	3.9

Shareholding pattern (%)

As On	Dec-20	Sep-20	Dec-19
Promoter	60.3	60.3	60.0
DII	10.3	10.7	8.5
FII	24.9	24.9	27.7
Others	4.5	4.1	3.9

FII Includes depository receipts

- HCL Technologies (HCLT) delivered strong revenue growth (3.5% QoQ CC) in 3QFY21, above our expectation and its guidance, led by stronger than expected seasonality in the Products and Platforms vertical (P&P, +8.3% QoQ in CC) and continued traction in Mode 2 services (+10.9% QoQ in CC).
- We expect HCLT to return to mid-teens growth in FY22 (14% YoY in CC USD) as continued strength in P&P – due to improving deal wins and new client additions – complements improving demand environment in IT Services and R&D verticals. The P&P business should deliver low teen USD revenue growth over the next two years.
- We view the improvement in deal wins (+13% YoY), robust deal pipeline, and large ER&D exposure (~16% of revenue) as positive. It should also continue to benefit from high demand for Cloud migration (Digital foundation) work.
- EBIT margin expanded by 130bp QoQ to 22.9%, driven by lower SG&A spends (+80bp) and increased offshoring (+50bp), despite a partial wage hike impact (-50bp). While we see a wage hike and sales investments as margin headwinds in FY22, it should also benefit from growth led positive operating leverage. We expect the company to report 21.8% EBIT margin, up 20bp YoY, but still 110bp below the peak delivered in 3QFY21.
- We expect HCLT to deliver 4Q revenue growth and FY21 EBIT margin at the upper end of its guidance band of 2-3% and 21-21.5%, respectively.
- For 9MFY21 it delivered sales (USD)/EBIT/PAT growth of 1.2%/21.2%/20.1%. Along with robust operational performance, cash conversion (percentage) for the company more than doubled in 9MFY21 with FCF/PAT at 150% as against 63% in FY20.
- **HCLT is our preferred pick in IT Services space, and also a part of our model portfolio.** We upgrade our EPS estimate for FY21E/FY22E/FY23E by 4%/4%/7%. Maintain **Buy** as we expect HCLT to re-energize its Products business, while keeping positive traction in the Services business, driven by higher IMS/Cloud focused deals. Our TP of INR1,300 per share implies 20x FY23E EPS (~20% discount to TCS).

Performance ahead of estimates

- In constant currency (CC), revenue grew 3.5% QoQ in 3QFY21, above our estimate of 2.2%.
- Mode 1 (61% of business) grew 0.1% QoQ, Mode 2 (23%) grew 11% QoQ, and Mode 3 (16%) was up 7.1% QoQ CC. Growth in Mode 2 was led by good traction seen in Cloud native and Digital programs.
- Growth was driven by Telecom/Media/Entertainment vertical, up a significant 12% QoQ CC. Other key contributors were Technology and Services (+6.8% QoQ CC) and Manufacturing (+5.6% QoQ CC).
- HCLT won 13 large deals across industry verticals, including Life Sciences and Healthcare, Technology, and Financial Services.

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Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

- In terms of business segments, growth was led by P&P (+8.3% QoQ CC). E&D/IT Services business grew by 2.5%/2.7% QoQ CC.
- Despite a partial wage hike during the quarter, EBIT margin inched up 130bp QoQ to 22.9%, above our estimate of 21%.
- Improvement in EBIT margin was a function of 80bp QoQ improvement in gross margin and 70bp reduction in SG&A cost.
- Adjusted PAT stood at INR34.3b as against our expectation of INR 31.6b, a beat of 8.6%. During the quarter, there was a one-time tax reversal, which led to reported ETR of 12% as against 24.1% QoQ.
- The management pegged its 4QFY21 revenue growth guidance between 2% and 3% QoQ CC. This would imply FY21 growth of 1.2-1.4% YoY CC
- EBIT margin is expected to be in the 21-21.5% range in 4QFY21.
- Net cash stood at USD2.2b. OCF/PAT and FCF/PAT came in at 127% and 115%, respectively.
- Attrition in IT Services (LTM) stood at 10.2%, down 670bp YoY. There were net additions of 6,597 during the quarter.

Key highlights from the management commentary

- HCLT reported a 3.5% sequential growth in CC terms. Two out of the three segments are operating above the peak of pre-COVID levels. The ER&D segment is lagging, but is expected to catch up soon.
- The strong performance during the quarter was led by Digital, Cloud, and the P&P business. The demand environment continues to remain strong.
- In the current environment, it is seeing deals around: 1) commerce modernization; 2) customer experience, and 3) supply chain modernization.
- The management sees better growth in the next five years than the previous five years.
- 3QFY21 was a strong quarter. The company has completed the acquisition of select IBM products six quarters ago, of which two were majorly transition quarters. However, the same is yielding results now.
- The management sees a lot of opportunities to work with other software companies, though it would not enter into the product reseller business.
- Total new bookings during 3QFY21 stood at USD91m, a 250% YoY increase.
- There will be some margin pressure resulting from investments in sales and incremental R&D in products.
- The sequential expansion of 130bp was impacted by: 1) wage hike (-50bp), 2) SG&A leverage (80bp), 3) move to offshore (+50bp), and 4) reversal in some provisions.
- The company witnessed a revenue catch up in Mode 2 and ER&D business, which has flown to margin (40bp).
- The management expects margin in 4QFY21 to face a headwind of 80bp on account of salary increments.
- Going forward, higher offshoring would result in margin tailwinds. However, this would be offset by travel resuming and the company's investments in sales and marketing.
- It sees various opportunities, especially in asset heavy industries.

Valuation and view – Subdued multiples offer a safety margin

- HCLT's exposure to deeply troubled verticals (e.g., Energy, Travel, Transportation, Hospitality, and Retail) are lower v/s its peers. It has a higher exposure to Financial Services, Technology Services, and Life Sciences where we anticipate a better outlook.
- Higher exposure to IMS (~37% of revenue), comprising a larger share of non-discretionary spend, offers a better resilience to its portfolio in the current context, with increased demand for Cloud, Network, Security, and Digital workplace services.
- Broad-based sequential growth, coupled with healthy deal wins and a robust pipeline, indicates an improved outlook. We estimate strong performance in the Products business driven by HCLT's capabilities to rightly align and sell these products.
- Given its deep capabilities in the IMS space and strategic partnerships, investments in Cloud, and Digital capabilities, we expect HCLT to emerge stronger on the back of an expected increase in enterprise demand for these services. The stock is currently trading at a modest ~15x FY23E earnings, which offers a margin of safety. Our TP is based on 20x FY23E EPS (a 20% discount to TCS). Maintain Buy.

Quarterly performance

Y/E March	(INR b)											
	FY20				FY21E				FY20	FY21E	3QFY21E	Variance (%/bp)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE				
Revenue (USD m)	2,364	2,486	2,543	2,543	2,356	2,507	2,617	2,709	9,936	10,188	2,575	1.6
QoQ (%)	3.8	5.2	2.3	0.0	-7.4	6.4	4.4	3.5	15.1	2.5	2.7	167bp
Revenue (INR b)	164	175	181	186	178	186	193	203	707	761	190	1.6
YoY (%)	18.4	17.9	15.5	16.3	8.6	6.1	6.4	9.3	17.0	7.6	4.8	166bp
GPM (%)	35.3	36.9	38.4	40.0	39.9	41.2	42.0	41.2	37.7	41.1	40.4	160bp
SGA (%)	12.8	11.6	11.9	12.9	12.4	12.7	12.0	12.6	12.3	12.4	12.5	-54bp
EBITDA	34	41	45	47	46	50	54	54	167	204	49	10.3
EBITDA margin (%)	20.7	23.4	24.6	25.4	25.6	26.6	28.2	26.7	23.6	26.8	26.0	224bp
EBIT	28	35	37	39	37	40	44	44	139	164	40	10.9
EBIT margin (%)	17.1	20.0	20.2	20.9	20.5	21.6	22.9	21.4	19.6	21.6	21.0	192bp
Other income	1	0	1	0	2	1	1	2	2	7	2	-33.7
ETR (%)	24.0	23.9	18.5	18.3	24.0	24.1	24.1	22.0	20.9	23.5	24.0	4bp
Adjusted PAT	22	27	30	32	29	31	34	35	111	130	32	8.6
QoQ (%)	-13.6	19.4	14.6	3.8	-7.3	7.5	9.2	3.4			0.5	869bp
YoY (%)	-7.7	4.4	16.4	22.8	31.7	18.5	13.0	12.5	9.3	17.9	4.0	899bp
EPS	8.2	9.8	11.2	11.6	10.7	11.6	12.6	13.1	40.7	48.0	11.6	8.6

Key performance indicators

Y/E March	FY20				FY21				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Revenue (QoQ CC %)	4.2	6.0	2.1	0.8	-7.2	4.5	3.5		16.7	
Costs (as a % of revenue)										
COGS	64.7	63.1	61.6	60.0	60.1	58.8	58.0	58.8	62.3	58.9
SGA	12.8	11.6	11.9	12.9	12.4	12.7	12.0	12.6	12.3	12.4
Margin										
Gross margin	35.3	36.9	38.4	40.0	39.9	41.2	42.0	41.2	37.7	41.1
EBIT margin	17.1	20.0	20.2	20.9	20.5	21.6	22.9	21.4	19.6	21.6
Net margin	13.5	15.1	16.8	17.0	16.4	16.9	17.8	17.5	15.7	17.2
Operating metrics										
Headcount (k)	144	147	149	150	150	153	160		150	
Attrition (%)	17.3	16.9	16.8	16.3	14.6	12.2	10.2		16.3	
Fixed price	63.5	66.5	67.8	68.3	66.7	67.4	68.4		66.5	
Key verticals (YoY CC %)										
BFSI	0.9	19.0	16.8	14.1	0.0	-2.5	-0.5		11.1	
Manufacturing	28.3	33.0	38.1	34.3	-15.5	-11.5	-13.1		33.9	
Key geographies (YoY CC %)										
North America	21.3	16.3	12.9	13.1	1.2	-1.3	2.2		15.8	
Europe	11.3	30.9	21.4	11.9	-0.3	-2.6	-1.0		18.3	



Key highlights from management commentary

Deal wins and demand outlook:

- HCLT reported a 3.5% sequential growth in CC terms. Two out of the three segments are operating above the peak of pre-COVID levels. The ER&D segment is lagging, but is expected to catch up soon.
- The strong performance during the quarter was led by Digital, Cloud, and the P&P business. The demand environment continues to remain strong.
- The three key drivers of growth for the company are: 1) strong strategy execution, 2) Better sales organization, and 3) greater customer focus.
- Growth in Media and Telecom was led by one-time deal activity, while in Manufacturing, growth was attributed to the ramp-up in deal wins.
- TCV signed by the company increased 13% YoY. HCLT won 12 transformational deals. Going forward, the pipeline remains strong and would accelerate.
- Deals in verticals like Manufacturing and Retail have returned, and clients in BFSI, Grocery, Telecom, etc. are now making golden bets.
- In the current environment, it is seeing deals around: 1) commerce modernization; 2) customer experience, and 3) supply chain modernization.
- The management sees better growth in the next five years than the previous five years.

Mode 2 business:

- Application modernization plays a significant role in the market as clients transform them to Cloud. The management alluded that enterprises across industries are transforming themselves.
- With value chains being reimagined and delivery being virtual and agile, it expects HCLT to be a key beneficiary of the same.

Products and Platforms business:

- 3QFY21 was a strong quarter. The company has completed the acquisition of select IBM products six quarters ago, of which two were majorly transition quarters. However, the same is yielding results now.
- This business faces seasonality in the March quarter, whereas second and third quarters are strong.
- The company has made investments in every product and some products have performed better than the others.
- The management sees a lot of opportunities to work with other software companies, though it would not enter into the product reseller business.
- Total new bookings during 3QFY21 stood at USD91m, a 250% YoY increase.
- There will be some margin pressure resulting from investments in sales and incremental R&D in products.

Margin drivers:

- The sequential expansion of 130bp was impacted by: 1) wage hike (-50bp), 2) SG&A leverage (80bp), 3) move to offshore (+50bp), and 4) reversal in some provisions.
- The company witnessed a revenue catch up in Mode 2 and ER&D business, which has flown to margin (40bp).

- The management expects margin in 4QFY21 to face a headwind of 80bp on account of salary increments.
- Going forward, higher offshoring would result in margin tailwinds. However, this would be offset by travel resuming and the company's investments in sales and marketing.

Guidance:

- The management guided for 2-3% QoQ CC growth and EBIT margin of 21-21.5% in 4QFY21.
- It expects FY21/FY22 ETR to be ~20%/~23.5%.

Captive carve-outs:

- The management sees various opportunities, especially in asset heavy industries.
- This trend has picked up in most segments.

Exhibit 1: Americas and Europe report robust sequential growth

Geographies	Contr. To rev. (%)	CC QoQ Gr. (%)	CC YoY Gr. (%)
Americas	62.5	3.2	2.2
Europe	29.5	6.3	-1
ROW	8.0	-4.5	0.1

Source: Company, MOFSL

Exhibit 2: Financial Services, Life Sciences and Healthcare, and Public Service remained largely flat while other verticals posted robust growth

Verticals	Contr. To rev. (%)	CC QoQ Gr. (%)	CC YoY Gr. (%)
Financial Services	21.4	-0.4	-0.5
Manufacturing	17.7	5.6	-13.1
Technology	17.3	6.8	20.2
Life Sciences and Healthcare	13.6	0	13.3
Telecom MP&E	8.3	12.1	-7
Retail and CPG	10.5	3.7	3
Public Services	10.4	0.5	-3.4

Source: Company, MOFSL

Exhibit 3: All service lines reported growth, with Products and Platforms leading the pack

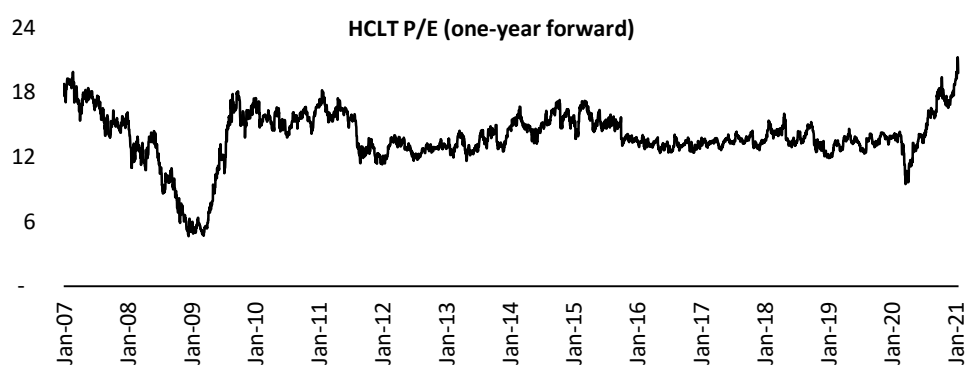
Segments	Contr. To rev. (%)	CC QoQ Gr. (%)	CC YoY Gr. (%)
IT and Business Services	70.4	2.7	1.1
Engineering and R&D Services	15.5	2.5	-5.1
Products and Platforms	14.1	8.3	9.3

Source: Company, MOFSL

Valuation and view – Subdued multiples offer a safety margin

- HCLT's exposure to deeply troubled verticals (e.g., Energy, Travel, Transportation, Hospitality, and Retail) are lower v/s its peers. It has a higher exposure to Financial Services, Technology Services, and Life Sciences where we anticipate a better outlook.
- Higher exposure to IMS (~37% of revenue), comprising a larger share of non-discretionary spend, offers a better resilience to its portfolio in the current context, with increased demand for Cloud, Network, Security, and Digital workplace services.
- Broad-based sequential growth, coupled with healthy deal wins and a robust pipeline, indicates an improved outlook. We estimate strong performance in the Products business driven by HCLT's capabilities to rightly align and sell these products.
- Given its deep capabilities in the IMS space and strategic partnerships, investments in Cloud, and Digital capabilities, we expect HCLT to emerge stronger on the back of an expected increase in enterprise demand for these services. The stock is currently trading at a modest ~15x FY23E earnings, which offers a margin of safety. Our TP is based on 20x FY23E EPS (a 20% discount to TCS). Maintain Buy.

Exhibit 4: Over the long term, P/E multiple averaged ~14x



Source: Bloomberg, MOFSL

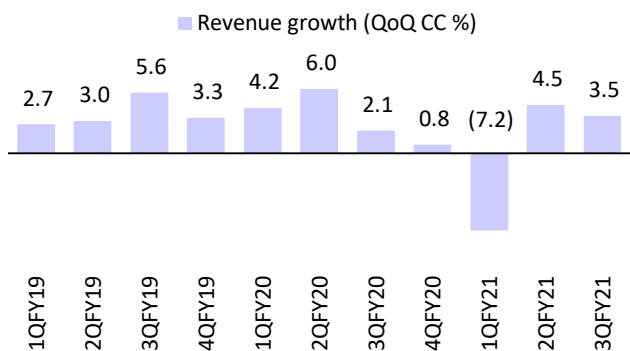
Exhibit 5: Revision to our estimates

	Revised			Earlier			Change		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
USD:INR	74.7	75.0	75.0	74.7	75.0	75.0	0.0%	0.0%	0.0%
Revenue (USD m)	10,188	11,666	13,202	10,112	11,516	12,842	0.8%	1.3%	2.8%
Growth (%)	2.5	14.5	13.2	1.8	13.9	11.5	80bps	60bps	170bps
EBIT margin (%)	21.6	21.8	22.1	21.0	21.3	21.3	60bps	60bps	80bps
PAT (INR b)	130	153	176	126	148	165	3.7%	3.6%	6.7%
EPS	48.0	56.5	65.0	46.3	54.5	60.9	3.7%	3.6%	6.7%

Source: MOFSL

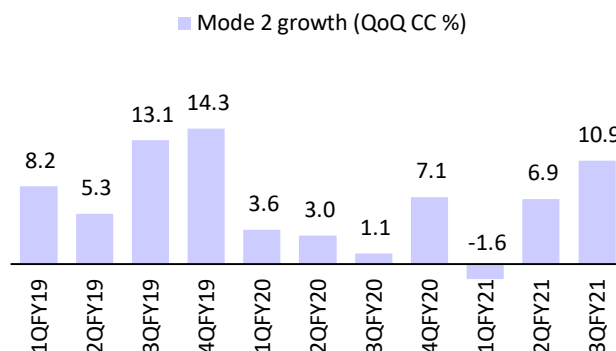
Story in charts

Exhibit 6: HCLT reports robust growth on the back of...



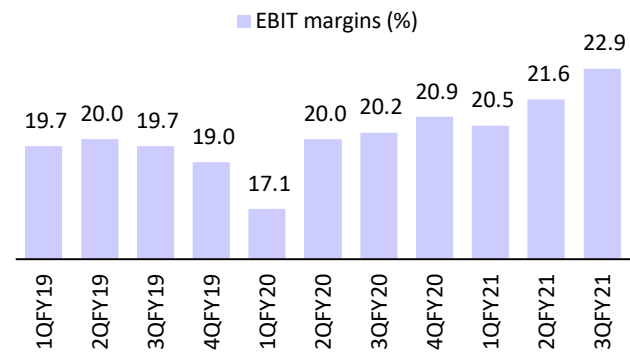
Source: Company, MOFSL

Exhibit 7: ...increase traction in its Mode 2 business



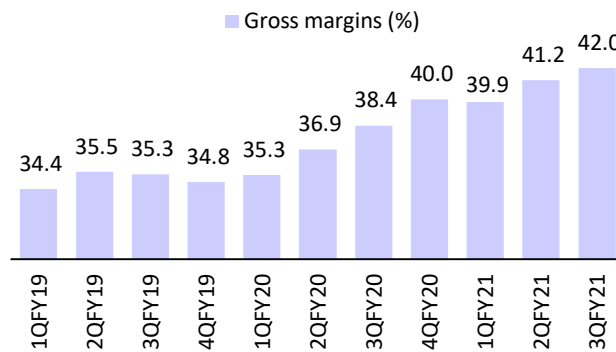
Source: Company, MOFSL

Exhibit 8: Sequential expansion of 130bp in 3QFY21 due to...



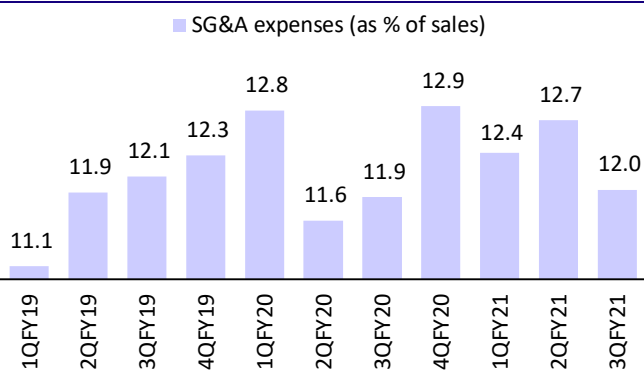
Source: Company, MOFSL

Exhibit 9: ...an improvement in gross margin despite wage hikes and...



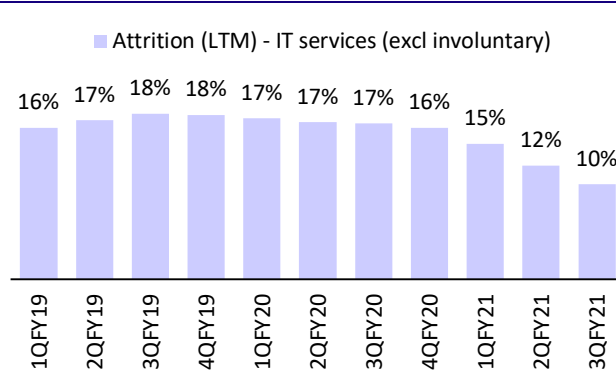
Source: Company, MOFSL

Exhibit 10: ...decrease in SG&A expenses



Source: Company, MOFSL

Exhibit 11: Attrition inches down further during the quarter



Source: Company, MOFSL

Operating metrics

Exhibit 12: Operating metrics

	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21
Service line wise (%)											
IT and Business Services	74.9	73.8	74.0	75.8	75.3	71.4	70.2	70.6	70.2	70.8	70.4
Engineering and R&D Services	17.3	17.5	17.1	16.6	16.9	16.9	16.7	16.3	16.0	15.7	15.5
Products and Platform	7.8	8.7	8.9	7.6	7.8	11.7	13.1	13.1	13.8	13.5	14.1
Vertical wise (%)											
BFSI	23.8	23.0	21.6	21.1	20.3	22.4	21.6	21.1	22.4	22.1	21.4
Manufacturing	18.3	18.0	17.7	17.9	18.3	18.7	20.9	20.7	18.1	17.7	18.1
Technology and Services	18.2	18.2	18.7	18.5	18.2	16.5	15.1	16.2	17.2	17.3	17.8
Retail and CPG	9.1	10.0	10.2	10.0	9.5	10.0	10.3	10.2	10.0	10.4	10.5
Telecom MP&E	7.3	7.2	9.2	8.6	8.0	8.4	9.0	8.3	7.6	7.7	8.3
Life Sciences	12.8	12.9	13.0	13.0	12.8	12.9	12.2	12.5	13.7	14.1	13.6
Public Services	10.5	10.7	9.7	11.1	10.5	11.0	10.9	11.1	11.0	10.7	10.4
Geography wise (%)											
US	64.5	65.8	64.4	62.9	67.7	64.4	62.8	63.4	63.7	63.1	62.5
Europe	28.1	26.8	28.2	29.7	25.9	28.2	29.2	28.7	28.3	28.4	29.5
RoW	7.5	7.4	7.3	7.4	6.4	7.4	8.0	7.9	8.0	8.5	8.0
Client wise (%)											
Top 5 clients	17.0	17.3	17.4	17.0	16.6	15.6	15.2	15.1	13.9	13.7	13.5
Top 10 clients	24.6	24.8	24.8	24.1	23.9	23.1	22.4	22.0	20.9	20.9	21.0
Top 20 clients	34.2	34.2	34.1	33.4	34.2	33.7	33.0	32.1	30.8	30.6	30.9
QoQ growth (%)											
Vertical wise (%)											
BFSI	(4.0)	(1.4)	(1.6)	1.2	(0.2)	(1.0)	(1.3)	(2.3)	(1.7)	5.0	1.1
Manufacturing	(3.9)	0.5	3.2	4.6	6.1	7.5	14.4	(1.0)	(19.0)	4.1	6.7
Technology and Services	9.2	2.1	7.8	2.4	2.1	(4.7)	(6.4)	7.3	(1.7)	7.0	7.4
Retail and CPG	(4.4)	12.1	6.9	1.5	(1.4)	15.6	5.4	(1.0)	(9.2)	10.7	5.4
Telecom MP&E	(0.5)	0.6	33.9	(3.2)	(3.5)	21.0	9.6	(7.8)	(15.2)	7.8	12.5
Life Sciences	12.2	2.8	5.6	3.6	2.2	6.0	(3.2)	2.5	1.5	9.5	0.7
Public Services	(0.1)	4.0	(5.0)	18.5	(1.9)	10.2	1.4	1.8	(8.2)	3.5	1.5
Geography wise (%)											
US	5.6	4.2	2.7	1.1	11.7	-	(0.2)	1.0	(6.9)	5.4	3.4
Europe	(5.6)	(2.6)	10.4	9.0	(9.5)	14.5	6.0	(1.7)	(8.7)	6.8	8.4
RoW	(11.0)	0.8	3.5	4.9	(10.3)	23.5	10.6	(1.3)	(6.2)	13.1	(1.8)

Source: Company, MOFSL:

Financials and valuations

Income Statement								(INR b)
Y/E March	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
Sales	409	467	506	604	707	761	875	990
Change (%)	14.6	14.2	8.2	19.5	17.0	7.6	15.0	13.2
Cost of Goods Sold	268	309	332	393	453	462	528	595
Gross Profit	141	158	173	212	254	298	347	395
Selling and Admin Exp.	52	55	59	72	87	94	110	125
EBITDA	89	103	114	140	167	204	237	270
% of Net Sales	21.8	22.1	22.6	23.1	23.6	26.8	27.0	27.3
Depreciation	6	8	15	21	28	39	45	51
EBIT	83	95	100	118	139	164	191	219
% of Net Sales	20.4	20.3	19.8	19.6	19.6	21.6	21.8	22.1
Other Income	10	9	11	8	2	7	10	12
PBT	94	104	111	126	140	171	201	231
Tax	19	23	23	25	29	40	47	54
Rate (%)	20.4	21.7	20.9	19.6	20.9	23.5	23.5	23.5
PAT	74	82	88	101	111	131	154	177
Net Income	74	85	88	101	111	130	153	176
Change (%)	1.9	13.5	3.8	15.3	9.3	17.9	17.5	15.1

Balance Sheet								(INR b)
Y/E March	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
Reserves	280	335	368	422	517	590	654	706
Net Worth	280	335	368	422	517	590	654	706
Loans	10	5	4	40	51	51	51	51
Other liabilities	13	13	13	15	55	58	65	72
Capital Employed	303	353	385	477	623	699	770	829
Gross Block	163	225	274	335	511	572	642	721
Less: Depreciation	55	64	78	100	128	167	213	264
Net Block	107	161	196	235	383	404	429	457
Other assets	40	39	40	57	65	68	75	82
Investments	111	114	83	55	105	105	105	105
Curr. Assets	139	151	165	243	279	335	393	433
Debtors	107	108	123	146	178	186	212	238
Cash and Bank Balance	7	13	17	59	48	93	115	121
Other Current Assets	24	30	25	37	53	57	65	74
Current Liab. and Prov.	95	111	99	111	209	213	232	248
Net Current Assets	44	40	66	131	70	122	161	185
Application of Funds	303	353	385	477	623	699	770	829

Financials and valuations

Ratios

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
Diluted (INR)								
EPS	52.8	28.9	31.3	36.8	40.7	48.0	56.5	65.0
Cash EPS	56.8	32.9	36.4	44.6	51.2	62.6	73.2	83.9
Book Value	199.4	118.6	131.4	153.5	190.3	217.3	240.9	260.3
DPS	22.0	12.0	6.0	4.0	8.0	18.0	28.2	39.0
Payout (%)	41.7	41.6	19.2	10.9	19.7	37.5	50.0	60.0
Valuation (x)								
P/E	18.7	34.3	31.6	26.9	24.3	20.6	17.5	15.2
Cash P/E	17.4	30.1	27.1	22.2	19.3	15.8	13.5	11.8
EV/EBITDA	15.6	27.0	24.1	19.3	16.1	13.0	11.1	9.7
EV/Sales	3.4	6.0	5.5	4.5	3.8	3.5	3.0	2.6
Price/Book Value	5.0	8.3	7.5	6.4	5.2	4.6	4.1	3.8
Dividend Yield (%)	2.2	1.2	0.6	0.4	0.8	1.8	2.9	3.9
Profitability Ratios (%)								
RoE	28.2	26.5	25.0	25.6	23.6	23.6	24.6	25.9
RoCE	24.5	23.6	22.2	22.8	21.3	20.8	21.7	22.9
Turnover Ratios								
Debtors (Days)	96	84	88	88	92	89	89	88
Asset Turnover (x)	3.8	2.9	2.6	2.6	1.8	1.9	2.0	2.2

Cash Flow Statement

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
(INR b)								
CF from Operations	80	90	102	123	103	171	199	228
Chg. in Working Capital	-8	5	-35	-34	31	-8	-16	-19
Net Operating CF	72	95	68	88	134	163	182	209
Net Purchase of FA	-11	-62	-49	-61	-176	-61	-70	-79
Net Purchase of Invest.	-7	-2	30	29	-51	0	0	0
Net Cash from Inv.	-18	-64	-19	-32	-227	-61	-70	-79
Issue of shares/other adj.	0	0	0	0	0	0	0	0
Proceeds from LTB/STB	5	9	-1	35	104	0	0	0
Dividend Payments	-31	-34	-17	-11	-22	-57	-90	-124
Net CF from Finan.	-26	-25	-18	24	82	-57	-90	-124
Free Cash Flow	61	33	18	28	-43	102	112	130
Net Cash Flow	29	6	31	81	-11	45	23	6
Forex difference	-35	0	-27	-41	0	0	0	0
Opening Cash Balance	13	7	13	17	57	46	91	114
Closing Cash Balance	7	13	17	57	46	91	114	120

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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