

Estimate change	↔
TP change	↔
Rating change	↔

**CMP: INR4,092      TP: INR3,780 (-8%)      Neutral**

## Industry-leading growth at industry-leading valuations

### Growth focus to keep margins tethered

Bloomberg	LTI IN
Equity Shares (m)	172
M.Cap.(INRb)/(USDb)	714.7 / 9.8
52-Week Range (INR)	4500 / 1208
1, 6, 12 Rel. Per (%)	16/49/96
12M Avg Val (INR M)	799

### Financials & Valuations (INR b)

Y/E Mar	2021E	2022E	2023E
Sales	124.5	149.2	172.2
EBIT Margin (%)	19.1	18.6	19.1
PAT	18.9	22.5	26.6
EPS (INR)	107.3	128.2	151.1
EPS Gr. (%)	23.9	19.5	17.8
BV/Sh. (INR)	379.7	463.2	562

### Ratios

RoE (%)	31.3	30.6	29.7
RoCE (%)	24.7	24.5	24.4
Payout (%)	35	35	35

### Valuations

P/E (x)	38.2	32	27.1
P/BV (x)	10.8	8.9	7.3
EV/EBITDA (x)	25.1	21.1	17.6
Div Yield (%)	0.9	1.1	1.3

### Shareholding pattern (%)

As On	Dec-20	Sep-20	Dec-19
Promoter	74.3	74.4	74.6
DII	4.6	6.4	7.2
FII	13.3	11.2	9.1
Others	7.8	8.0	9.2

FII Includes depository receipts

- L&T Infotech (LTI)'s 3QFY21 USD revenue growth of 5.3% QoQ CC (est. 4.0% QoQ CC) was broad-based, barring Insurance (-0.6% QoQ) and E&U (0.1% QoQ). The 3Q EBIT margin expansion of only 70bp QoQ (to 20.6%) – despite high improvement in utilization (+220bp QoQ) and the offshore mix (+100bp QoQ) – was due to pass-through business and employee additions (1,500+).
- During the quarter, LTI reported the highest ever TCW of large deal wins of USD278m – inclusive of the earlier announced USD204m win with Injazat.
- We continue to expect LTI to deliver revenue growth on the higher end of our Coverage Universe – aided by large deal traction, a strong client mining ability, and a supportive demand environment. We expect FY21–23 USD revenue CAGR of 17%, supported by strong double-digit growth in FY22.
- While we expect 4QFY21 to see the impact of wage hikes (+160bp), PAT margins for FY22 should remain on the higher end of the company guidance of 14–15%. This is given the management's plan to increase investments in sales and normalization in operating metrics, such as employee utilization.
- We marginally upgrade our estimates for FY21/FY22/FY23 by 3%/1%/2%, factoring in an operational beat. As digital turns mainstream, we expect LTI to benefit from continued investments in digital capabilities, strong client additions, and mining abilities. This should result in industry-leading growth. However, saturated metrics and required investments should keep margins in the narrow range. Our TP of INR3,780 implies 25.0x FY23E EPS. Maintain **Neutral**.

### Strong broad-based topline performance

- The company reported revenue growth of 5.3% QoQ CC, ahead of our estimates (+4% QoQ CC).
- Barring Insurance (-1% QoQ CC) and Energy and Utilities (-0.3% QoQ CC), other verticals posted robust sequential growth, with the Others vertical (10.8% QoQ CC) leading the pack.
- While Analytics, AI & Cognitive reported strong growth of 18.5% QoQ CC, ADM and Testing remained a drag (-1.5% QoQ CC).
- In terms of geography, North America (4.4% QoQ CC) and Europe (3.9% QoQ CC) reported robust growth.
- India witnessed strong growth (29.7% QoQ CC), while RoW declined (-5.2% QoQ CC).
- Increase in utilization (+210bp) and the offshore mix (+220bp) **drove improvement of 20.6%** in the EBIT margin (+70bps QoQ / +440bps YoY). This was ahead of our flattish estimate of 19.7%.
- Attrition declined further by 110bp QoQ to 12.4%.
- PAT of INR5.2b was ahead of our expectation of INR4.8b, led by topline and margin beat.

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**Investors are advised to refer through important disclosures made at the last page of the Research Report.**

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

- The company announced two large deals with cumulative net new TCV of USD278m, including a USD204m deal win announced in December in the UAE.
- Overall DSO (including unbilled) reduced by 1 day QoQ to 93 days.
- OCF/EBITDA stood at 83%, while OCF/PAT was 116.4%.

#### Key highlights from management commentary

- Management is confident of continued growth momentum in 4QFY21 as well and would deliver high-single-digit growth for FY21. The company intends to be in the leadership quadrant of growth, if not the leader.
- LTI won two large deals during the quarter: 1) Injazat – with a deal value of USD204m (Hi-Tech vertical) and 2) a Fortune 500 Energy client with net new TCV of USD74m.
- Revenue from both these deals is expected to reflect from 1QFY22.
- In the case of Injazat, the deal is for multiple areas: 1) journey to cloud, 2) best shoring, and 3) ERP modernization. The deal is currently in the transition period and would see a major pickup from the next quarter.
- Furloughs in 3Q were entirely offset by 1) an improved offshore mix, 2) SGA enhancements, and 3) good revenue growth.
- Utilizations for the industry have been at high levels. Improvement is seen in both onsite as well as offshore. Offshore utilization improvement was largely attributable to higher-than-expected growth. In the case of onsite, the management would like to maintain utilization at past levels.
- Management alluded that it would continue to invest in the business (sales and marketing) to drive the growth momentum. Despite this, it reiterated PAT margin guidance of 14–15%.
- Management foresees the highest levels of partnerships in cloud – LTI is now an elite partner with Snowflake (most relevant company for data-driven cloud). The company has created separate units that focus on the cloud.

#### Valuation and view – industry-leading growth, but punchy valuations

- LTI has deep domain capabilities, strong partnerships, and low exposure to segments that faced headwinds (legacy IMS, BPO); this is helping the company secure industry-leading growth rates.
- However, on the margin front, we expect some normalization from current levels on account of the easing of utilization levels and investments needed by the management in S&M to drive growth.
- While we remain confident of the company's execution capabilities, we remain on the sidelines on the stock, led by significant multiple expansions recently. We value the stock at 25.0x FY23 EPS (in-line with our TCS valuation given LTI's industry leading growth). Our new TP is INR3,780, implying a 8% downside.

**Maintain Neutral.**

## Quarterly Performance

(INR m)

Y/E March	FY20				FY21E				FY20	FY21E	Est. 3QFY21	Var. (% / bp)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE				
Revenue (USD m)	357	364	394	410	390	405	428	446	1,525	1,669	423	1.2
QoQ (%)	0.8	2.0	8.4	3.9	-4.8	3.6	5.8	4.2	13.1	9.4	4.5	127
Revenue (INR m)	24,849	25,707	28,111	30,119	29,492	29,984	31,528	33,446	1,08,786	1,24,450	31,194	1.1
YoY (%)	15.3	10.3	13.7	21.2	18.7	16.6	12.2	11.0	15.2	14.4	11.0	119
GPM (%)	33.1	31.8	31.7	32.8	32.5	34.8	35.0	33.7	32.4	34.0	35.0	(4)
SGA (%)	14.7	13.7	13.0	13.6	12.4	12.0	11.7	12.6	13.7	12.2	12.4	(66)
EBITDA	4,579	4,658	5,274	5,781	5,920	6,856	7,320	7,048	20,292	27,144	7,050	3.8
EBITDA Margin (%)	18.4	18.1	18.8	19.2	20.1	22.9	23.2	21.1	18.7	21.8	22.6	62
EBIT	3,968	3,994	4,565	5,034	5,139	5,957	6,501	6,145	17,561	23,742	6,145	5.8
EBIT Margin (%)	16.0	15.5	16.2	16.7	17.4	19.9	20.6	18.4	16.1	19.1	19.7	92
Other income	812	739	433	479	450	174	492	502	2,463	1,618	312	58
ETR (%)	25.6	23.9	24.6	22.5	25.5	25.5	25.8	25.8	24.1	25.6	25.0	
Adj PAT	3,557	3,603	3,767	4,274	4,164	4,568	5,192	4,935	15,201	18,859	4,843	7.2
QoQ (%)	-6.1	1.3	4.6	13.5	-2.6	9.7	13.7	-4.9			6.0	
YoY (%)	-1.5	-10.0	0.3	12.9	17.1	26.8	37.8	15.5	0.3	24.1	28.6	
EPS (INR)	20.3	20.5	21.5	24.3	23.7	26.0	29.5	28.1	86.6	107.3	27.5	7.3

E: MOFSL Estimates

## Key Perfor. Indicators

Y/E March	FY20				FY21				FY20	FY21
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Revenue (QoQ CC %)	1.0	2.4	8.3	4.7	-4.7	2.3	5.3		14.2	
<b>Margins (%)</b>										
Gross Margin	33.1	31.8	31.7	32.8	32.5	34.8	35.0	33.7	32.4	34.0
EBIT Margin	16.0	15.5	16.2	16.7	17.4	19.9	20.6	18.4	16.1	19.1
Net Margin	14.3	14.0	13.4	14.2	14.1	15.2	16.5	14.8	14.0	15.2
<b>Operating metrics</b>										
Headcount	29,347	30,979	31,419	31,437	31,477	32,455	33,983		31,437	
Attrition (%)	18.3	18.4	17.7	16.5	15.2	13.5	12.4		16.5	
Offshore rev (%)	50.5	51.4	51.0	49.1	50.8	53.5	55.7		50.5	
Utilization (incl. trainees)	80.5	78.9	79.2	79.3	79.4	80.5	81.1		79.5	
<b>Key Verticals (YoY %)</b>										
BFS	0.2	0.4	8.6	15.4	9.5	22.7	19.4		6.2	
Insurance	11.1	15.7	13.1	9.3	4.0	-4.9	-8.1		12.3	
CPG, Retail and Pharma	36.3	24.9	20.1	22.4	13.4	6.4	5.6		25.3	
<b>Key Geographies (YoY %)</b>										
North America	15.3	12.9	18.3	20.2	12.8	11.2	6.0		16.8	
Europe	-0.1	6.2	6.2	6.7	-1.5	9.2	11.9		4.8	

## Key highlights from management commentary

### Growth, deal pipeline, and demand outlook

- The BFSI vertical posted revenue growth of 8.4% QoQ (USD), with continued growth in the Top client. This is on the back of investments in core infrastructure to make it data-driven.
- Manufacturing also reported strong growth during the quarter. Pass-through revenues in the segment remain similar to those in the previous quarter. Despite a large win in Energy & Utilities, the segment remained flat sequentially, and the management remains cautious on this vertical.
- Management is confident of continued growth momentum in 4QFY21 as well and would deliver high-single-digit growth for FY21. The company intends to be in the leadership quadrant of growth, if not the leader.

### Deal wins

- LTI won two large deals during the quarter: 1) Injazat – with a deal value of USD204m (Hi-Tech vertical) and 2) a Fortune 500 Energy client with net new TCV of USD74m.
- Revenue from both these deals is expected to reflect from 1QFY22.
- In the case of Injazat, the deal is for multiple areas: 1) journey to cloud, 2) best shoring, and 3) ERP modernization. The deal is currently in the transition period and would see a major pickup from the next quarter.

### Margin drivers and outlook

- Furloughs in 3Q were entirely offset by 1) an improved offshore mix, 2) SGA enhancements, and 3) good revenue growth.
- Utilizations for the industry have been at high levels. Improvement is seen in both onsite as well as offshore. Offshore utilization improvement was largely attributable to higher-than-expected growth. In the case of onsite, the management would like to maintain utilization at past levels.
- In terms of onsite-offshore mix, the management stated clients have expanded their offshoring. They are satisfied with the current offshore mix.
- Attrition reduced further to ~12% in 3Q.
- OCF/PAT stood at 116%. FCF for the quarter was at INR5.6b, 108% to PAT.
- As the company gives out wage hikes in 4QFY21 (6–7% for offshore and 2% for onsite), margins are expected to be impacted by 160bps. Decline in utilization is expected to have some impact on the next quarter.
- Management alluded that it would continue to invest in the business (sales and marketing) to drive the growth momentum. Despite this, it reiterated PAT margin guidance of 14–15%.

### Other highlights

- Management foresees the highest levels of partnerships in cloud – LTI is now an elite partner with Snowflake (most relevant company for data-driven cloud). The company has created separate units that focus on the cloud.

**Exhibit 1: While RoW declined, other geographies posted robust growth**

Geographies	Contri. To Rev. (%)	QoQ Growth (% CC)	YoY Growth (% CC)
North America	67.9	4.4	5.9
Europe	16.1	3.9	4.8
RoW	7.4	-5.2	8.4
India	8.6	29.7	25.5

Source: Company, MOFSL

**Exhibit 2: Barring ADM and Testing, other service lines grew sequentially**

Service Offerings	Contri. To Rev. (%)	QoQ Growth (% CC)	YoY Growth (% CC)
ADM and Testing	33.6	-1.5	0.9
Enterprise Solutions	31.4	7.3	7.5
Infrastructure Management Services	14.3	4.7	32.4
Analytics, AI & Cognitive	11.9	18.5	0.2
Enterprise Integration & Mobility	8.8	11.3	11.6

Source: Company, MOFSL

**Exhibit 3: Company reported robust growth despite flattish growth in Insurance and ENU**

Verticals	Contri. To Rev. (%)	QoQ Growth (% CC)	YoY Growth (% CC)
BFS	30.6	7.5	17.3
Insurance	15.0	-1	-8.3
Manufacturing	16.8	9.2	3.6
Energy & Utilities	10.0	-0.3	-5
CPG, Retail & Pharma	10.9	4.5	3.7
High-Tech, Media & Entertainment	10.6	5.8	6.5
Others	6.0	10.8	78.3

Source: MOFSL, Company

**Exhibit 4: Broad-based growth across all client buckets**

Clients	Contri. To Rev. (%)	QoQ Growth (%)	YoY Growth (%)
Top 5 clients	29.3	3.3	-3.1
Top 10 clients	42.0	3.5	-2.7
Top 20 clients	57.1	4.5	-0.1

Source: MOFSL, Company

**Valuation and view – industry-leading growth to defend rich multiples**

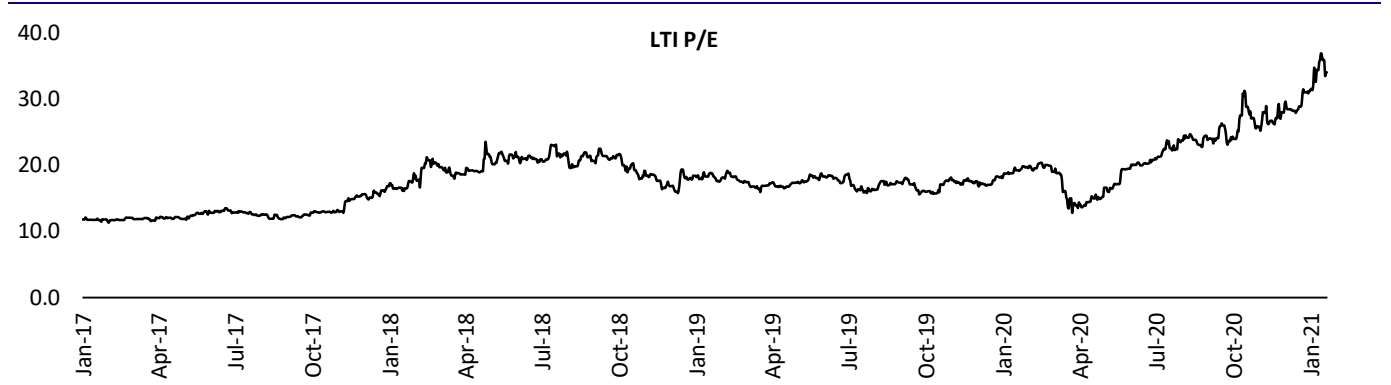
- LTI has deep domain capabilities, strong partnerships, and low exposure to segments that faced headwinds (legacy IMS, BPO); this is helping the company secure industry-leading growth rates.
- However, on the margin front, we expect some normalization from current levels on account of the easing of utilization levels and investments needed by the management in S&M to drive growth.
- While we remain confident of the company's execution capabilities, we remain on the sidelines on the stock, led by significant multiple expansions recently. We value the stock at 25.0x FY23 EPS (in-line with TCS valuation given LTI's industry leading growth). Our new TP is INR3,780, implying a 8% downside. **Maintain Neutral.**

**Exhibit 5: Revisions to our estimates**

	Revised			Earlier			Change		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
INR/USD	74.6	75.0	75.0	74.6	75.0	75.0	0.0%	0.0%	0.0%
USD Revenue - m	1,669	1,990	2,296	1,658	1,962	2,252	0.6%	1.4%	1.9%
Growth (%)	9.4	19.3	15.4	8.8	18.3	14.8	70bps	90bps	60bps
EBIT margin(%)	19.1	18.6	19.1	18.6	18.8	19.0	40bps	-10bps	10bps
PAT (INR m)	18,859	22,545	26,567	18,300	22,358	25,966	3.1%	0.8%	2.3%
EPS	107.3	128.2	151.1	104.1	127.0	147.5	3.1%	1.0%	2.4%

Source: MOFSL

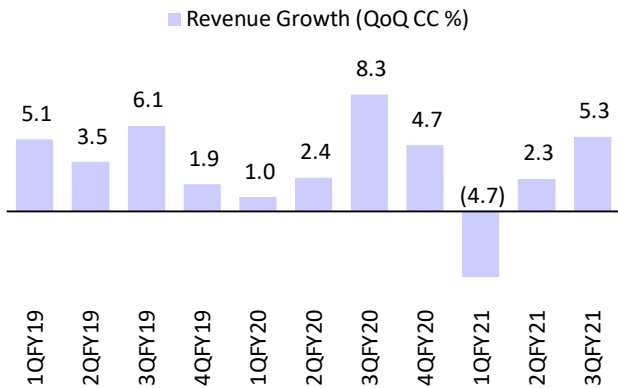
**Exhibit 6: Over the long term, company's P/E multiples averaged ~18x**



Source: Bloomberg, MOFSL

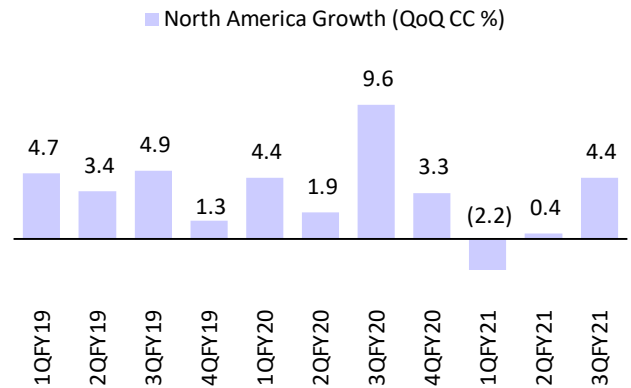
Story in charts

Exhibit 7: LTI reported strong sequential growth due to...



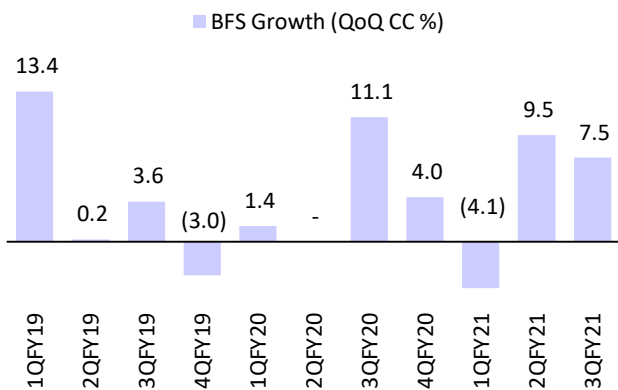
Source: Company, MOFSL

Exhibit 8: ...robust growth in its key geography and...



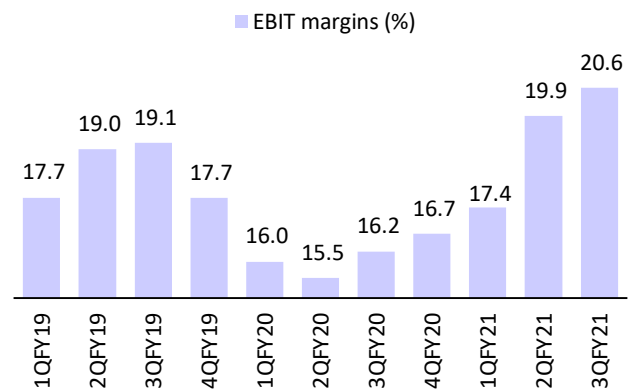
Source: Company, MOFSL

Exhibit 9: ...its key vertical as well



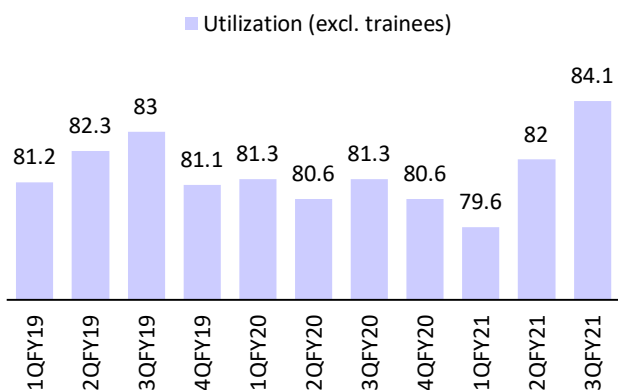
Source: Company, MOFSL

Exhibit 10: Margin expansion was a function of...



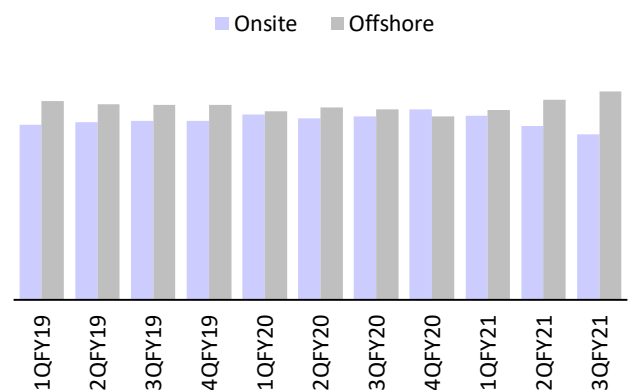
Source: Company, MOFSL

Exhibit 11: ...increased utilization sequentially and...



Source: Company, MOFSL

Exhibit 12: ...higher offshoring during the quarter



Source: Company, MOFSL

## Operating metrics

### Exhibit 13: Operating metrics

	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21
<b>Revenue by verticals (%)</b>											
BFS	30.9	29.9	29.1	27.7	27.7	27.1	27.8	27.6	27.7	29.9	30.6
Insurance	18.2	17.9	17.8	17.8	18.1	18.7	17.7	16.8	17.2	16.0	15.0
Manufacturing	15.7	15.4	15.6	16.6	15.2	16.4	17.5	18.0	15.8	16.2	16.8
Energy & utilities	10.1	10.7	10.8	11.0	10.2	12.1	11.3	11.4	10.8	10.6	10.0
CPG, retail & pharma	9.1	10.2	10.6	10.6	11.1	11.5	11.2	11.2	11.5	11.0	10.9
High tech, media & entertainment	11.3	11.2	11.3	12.4	12.5	10.8	10.8	11.0	11.6	10.6	10.6
Others	4.5	4.7	4.6	3.9	4.6	3.5	3.7	4.0	5.4	5.7	6.0
<b>Revenue by service offerings (%)</b>											
ADM and Testing	34.0	32.0	30.8	29.7	38.1	36.1	35.8	34.7	35.6	36.0	33.6
Enterprise solutions	26.3	25.2	27.8	29.2	28.4	29.5	28.7	30.0	29.7	30.8	31.4
IMS	11.5	11.7	11.4	11.0	10.9	11.1	11.5	12.6	13.6	14.4	14.3
Analytics, AI & Cognitive	10.3	12.2	11.3	10.7	11.2	11.3	12.8	11.6	12.5	10.6	11.9
Enterprise Integration & mobility	6.5	8.0	7.6	8.0	8.2	9.0	8.5	8.7	8.6	8.3	8.8
<b>Revenue by geography (%)</b>											
North America	66.6	67.4	66.8	66.4	68.7	68.7	69.5	68.9	70.8	68.7	67.9
Europe	17.9	17.1	16.7	16.4	16.0	16.4	15.6	15.1	14.4	16.1	16.1
ROW	9.1	9.2	8.8	9.1	8.5	8.9	7.4	8.1	7.9	8.2	7.4
India	6.4	6.4	7.8	8.2	6.9	6.0	7.6	7.8	6.9	6.9	8.6
<b>Client metrics (% of revenues)</b>											
Top 5 client	36.6	36.2	34.5	32.2	31.3	31.7	32.8	31.2	30.5	30.0	29.3
Top 10 client	50.3	49.9	48.4	47.0	45.0	45.5	46.8	45.8	43.4	42.9	42.0
Top 20 client	66.0	65.5	64.3	63.4	62.5	61.4	62.0	59.8	58.2	57.8	57.1
Non Top 20 clients	34.0	34.5	35.7	36.6	37.5	38.6	38.0	40.2	41.8	42.2	42.9
Number of active clients	301	312	314	343	354	366	429	424	409	419	419
New clients added in the period	19	22	17	14	20	20	29	27	16	26	22
<b>Million \$ clients</b>											
5 Million \$ clients	42	44	47	49	49	48	48	53	59	61	60
10 Million \$ clients	25	25	25	26	26	27	28	27	30	32	32
20 Million \$ clients	13	14	15	17	19	18	18	16	16	16	18
50 Million \$ clients	4	4	5	5	5	6	6	6	6	6	5
100 Million \$ clients	1	1	1	1	1	1	1	1	1	1	1
<b>Employee metrics</b>											
Development	23,656	24,923	25,985	26,572	27,665	29,266	29,669	29,683	29,712	30,682	32,194
Sales and support	1,494	1,491	1,528	1,597	1,682	1,713	1,750	1,754	1,765	1,773	1,789
<b>Total employees</b>	<b>25,150</b>	<b>26,414</b>	<b>27,513</b>	<b>28,169</b>	<b>29,347</b>	<b>30,979</b>	<b>31,419</b>	<b>31,437</b>	<b>31,477</b>	<b>32,455</b>	<b>33,983</b>
<b>Efforts mix</b>											
Onsite	23.0	22.6	22.0	21.9	22.0	22.0	21.9	21.5	21.1	19.4	18.4
Offshore	77.0	77.4	78.0	78.1	78.0	78.0	78.1	78.5	78.9	80.6	81.6
<b>Utilization measures</b>											
Including trainees	79.7	80.4	82.1	80.1	80.5	78.9	79.2	79.3	79.4	80.5	81.1
Excluding trainees	81.2	82.3	83.0	81.1	81.3	80.6	81.3	80.6	79.6	82.0	84.1
<b>Attrition LTM (%)</b>	<b>15.1</b>	<b>15.3</b>	<b>16.5</b>	<b>17.5</b>	<b>18.3</b>	<b>18.4</b>	<b>17.7</b>	<b>16.5</b>	<b>15.2</b>	<b>13.5</b>	<b>12.4</b>

Source: Company, MOFSL



## Financials and valuations

Income Statement						(INR m)		
Y/E March	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
<b>Sales</b>	<b>58,463</b>	<b>65,009</b>	<b>73,064</b>	<b>94,458</b>	<b>1,08,786</b>	<b>1,24,450</b>	<b>1,49,243</b>	<b>1,72,175</b>
Change (%)	17.4	11.2	12.4	29.3	15.2	14.4	19.9	15.4
Cost of Services	38,230	42,122	48,506	61,643	73,589	82,144	98,668	1,12,820
SG&A Expenses	10,000	10,581	12,065	13,980	14,905	15,162	18,724	21,866
<b>EBITDA</b>	<b>10,233</b>	<b>12,306</b>	<b>12,493</b>	<b>18,835</b>	<b>20,292</b>	<b>27,144</b>	<b>31,851</b>	<b>37,489</b>
% of Net Sales	17.5	18.9	17.1	19.9	18.7	21.8	21.3	21.8
Depreciation	1,738	1,780	1,563	1,471	2,731	3,402	4,030	4,649
Other Income	1,855	1,836	4,102	2,915	2,463	1,618	2,238	2,582
<b>PBT</b>	<b>10,350</b>	<b>12,362</b>	<b>15,032</b>	<b>20,279</b>	<b>20,024</b>	<b>25,360</b>	<b>30,059</b>	<b>35,422</b>
Tax	1,983	2,649	3,291	5,122	4,823	6,501	7,515	8,856
Rate (%)	19.2	21.4	21.9	25.3	24.1	25.6	25.0	25.0
Minority Interest	0	0	0	0	0	0	0	0
Extraordinary	0	0	617	0	0	0	0	0
<b>Adjusted PAT</b>	<b>8,367</b>	<b>9,713</b>	<b>11,741</b>	<b>15,157</b>	<b>15,201</b>	<b>18,859</b>	<b>22,545</b>	<b>26,567</b>
Change (%)	10	16	21	29	0	24	20	18
<b>Reported PAT</b>	<b>8,367</b>	<b>9,713</b>	<b>11,124</b>	<b>15,157</b>	<b>15,201</b>	<b>18,859</b>	<b>22,545</b>	<b>26,567</b>

Balance Sheet						(INR m)		
Y/E March	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
Share Capital	170	171	172	174	174	174	174	174
Reserves	21,075	31,273	38,426	48,764	53,866	66,124	80,778	98,047
<b>Net Worth</b>	<b>21,245</b>	<b>31,444</b>	<b>38,598</b>	<b>48,938</b>	<b>54,040</b>	<b>66,298</b>	<b>80,952</b>	<b>98,221</b>
Minority Interest	5	8	13	8	11	11	11	11
Other liabilities	483	456	1,453	1,283	10,886	11,700	11,350	11,488
<b>Capital Employed</b>	<b>21,733</b>	<b>31,908</b>	<b>40,064</b>	<b>50,229</b>	<b>64,937</b>	<b>78,009</b>	<b>92,314</b>	<b>1,09,720</b>
<b>Net Block</b>	<b>2,801</b>	<b>2,587</b>	<b>2,508</b>	<b>3,084</b>	<b>12,104</b>	<b>12,202</b>	<b>12,172</b>	<b>11,524</b>
Intangibles	3,772	2,845	4,298	6,330	7,684	7,684	7,684	7,684
Other LT Assets	4,848	5,626	5,047	5,614	5,170	5,817	6,840	7,786
<b>Curr. Assets</b>	<b>20,203</b>	<b>33,287</b>	<b>41,645</b>	<b>51,664</b>	<b>63,290</b>	<b>72,399</b>	<b>89,181</b>	<b>1,09,499</b>
Current Investments	429	9,406	12,643	17,402	22,186	26,686	31,186	35,686
Debtors	15,449	16,421	22,327	23,845	27,541	30,686	36,800	42,454
Cash & Bank Balance	2,035	3,795	3,323	4,150	5,252	7,684	12,737	21,869
Other Current Assets	2,290	3,665	3,352	6,267	8,311	7,342	8,458	9,490
<b>Current Liab. &amp; Prov</b>	<b>9,891</b>	<b>12,437</b>	<b>13,434</b>	<b>16,463</b>	<b>23,311</b>	<b>20,092</b>	<b>23,563</b>	<b>26,774</b>
Trade payables	3,405	3,366	3,792	4,669	7,269	6,223	7,462	8,609
Other liabilities	5,029	7,457	7,798	9,686	13,454	11,282	13,513	15,577
Provisions	1,457	1,614	1,844	2,108	2,588	2,588	2,588	2,588
<b>Net Current Assets</b>	<b>10,312</b>	<b>20,850</b>	<b>28,211</b>	<b>35,201</b>	<b>39,979</b>	<b>52,307</b>	<b>65,618</b>	<b>82,726</b>
<b>Application of Funds</b>	<b>21,733</b>	<b>31,908</b>	<b>40,064</b>	<b>50,229</b>	<b>64,937</b>	<b>78,009</b>	<b>92,314</b>	<b>1,09,720</b>

E: MOFSL Estimates

## Financials and valuations

### Ratios

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
<b>EPS</b>	<b>49.4</b>	<b>56.1</b>	<b>63.6</b>	<b>86.4</b>	<b>86.6</b>	<b>107.3</b>	<b>128.2</b>	<b>151.1</b>
Cash EPS	59.3	65.9	72.4	94.8	102.0	126.7	151.1	177.5
Book Value	125.1	184.2	224.7	282.5	310.0	379.7	463.2	562.0
DPS	38.2	16.5	21.5	28.1	28.0	37.6	44.9	52.9
Payout %	77.4	29.5	33.8	32.5	32.3	35.0	35.0	35.0
<b>Valuation (x)</b>								
P/E	83.0	73.1	64.5	47.4	47.3	38.2	32.0	27.1
Cash P/E	69.2	62.2	56.6	43.2	40.2	32.4	27.1	23.1
EV/EBITDA	67.8	55.8	55.1	36.6	33.9	25.1	21.1	17.6
EV/Sales	11.9	10.6	9.4	7.3	6.3	5.5	4.5	3.8
Price/Book Value	32.8	22.3	18.2	14.5	13.2	10.8	8.9	7.3
Dividend Yield (%)	0.9	0.4	0.5	0.7	0.7	0.9	1.1	1.3
<b>Profitability Ratios (%)</b>								
RoE	40.8	36.9	31.8	34.6	29.5	31.3	30.6	29.7
RoCE	32.7	30.8	23.7	28.7	23.2	24.7	24.5	24.4
<b>Turnover Ratios</b>								
Debtors (Days)	96.45	92.20	111.54	92.14	92.41	90	90	90
Fixed Asset Turnover (x)	20.9	25.1	29.1	30.6	9.0	10.2	12.3	14.9

### Cash Flow Statement

(INR m)

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
CF from Operations	9,690	12,111	12,198	17,011	18,748	22,261	26,574	31,216
Cash for Working Capital	-1,105	1,606	-3,760	-3,061	-2,313	-5,229	-5,130	-4,285
<b>Net Operating CF</b>	<b>8,585</b>	<b>13,717</b>	<b>8,438</b>	<b>13,950</b>	<b>16,435</b>	<b>17,033</b>	<b>21,444</b>	<b>26,931</b>
Net Purchase of FA	-1,142	-754	-982	-1,531	-2,426	-3,500	-4,000	-4,000
<b>Free Cash Flow</b>	<b>7,443</b>	<b>12,963</b>	<b>7,456</b>	<b>12,419</b>	<b>14,009</b>	<b>13,533</b>	<b>17,444</b>	<b>22,931</b>
Net Purchase of Invest.	700	-8,756	-3,624	-5,907	-4,007	-4,500	-4,500	-4,500
<b>Net Cash from Invest.</b>	<b>-442</b>	<b>-9,510</b>	<b>-4,606</b>	<b>-7,438</b>	<b>-6,433</b>	<b>-8,000</b>	<b>-8,500</b>	<b>-8,500</b>
Proc. from equity issues	69	4	3	3	0	0	0	0
Proceeds from LTB/STB	-1,722	-469	-545	-605	-3,221	0	0	0
Dividend Payments	-6,516	-1,888	-3,534	-5,341	-5,679	-6,601	-7,891	-9,298
<b>Cash Flow from Fin.</b>	<b>-8,169</b>	<b>-2,353</b>	<b>-4,076</b>	<b>-5,943</b>	<b>-8,900</b>	<b>-6,601</b>	<b>-7,891</b>	<b>-9,298</b>
Exchange difference	45	-94	81	-53	0	0	0	0
<b>Net Cash Flow</b>	<b>19</b>	<b>1,760</b>	<b>-163</b>	<b>516</b>	<b>1,102</b>	<b>2,432</b>	<b>5,053</b>	<b>9,132</b>
<b>Opening Cash Bal.</b>	<b>2,005</b>	<b>2,024</b>	<b>3,784</b>	<b>3,621</b>	<b>4,137</b>	<b>5,239</b>	<b>7,671</b>	<b>12,724</b>
Add: Net Cash	19	1,760	-163	516	1,102	2,432	5,053	9,132
<b>Closing Cash Bal.</b>	<b>2,024</b>	<b>3,784</b>	<b>3,621</b>	<b>4,137</b>	<b>5,239</b>	<b>7,671</b>	<b>12,724</b>	<b>21,856</b>

E: MOFSL Estimates

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
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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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