

Persistent Systems

Estimate change



TP change



Rating change



Bloomberg	PSYS IN
Equity Shares (m)	76
M.Cap.(INRb)/(USDb)	116.7 / 1.6
52-Week Range (INR)	1690 / 420
1, 6, 12 Rel. Per (%)	5/50/105
12M Avg Val (INR M)	177

Financials & Valuations (INR b)

Y/E Mar	2021E	2022E	2023E
Sales	41.9	49.1	55.9
EBIT Margin (%)	11.9	12.8	13.1
PAT	4.3	5.4	6.3
EPS (INR)	56.5	70.0	81.9
EPS Gr. (%)	26.8	23.9	17.1
BV/Sh. (INR)	336.5	385.5	442.9

Ratios

RoE (%)	17.4	19.4	19.8
RoCE (%)	14.5	16.4	16.7
Payout (%)	28.0	30.0	30.0

Valuations

P/E (x)	27.1	21.9	18.7
P/BV (x)	4.5	4.0	3.5
EV/EBITDA (x)	15.5	12.1	10.0
Div Yield (%)	1.0	1.4	1.6

Shareholding pattern (%)

As On	Dec-20	Sep-20	Dec-19
Promoter	31.3	31.3	31.9
DII	29.5	28.9	23.5
FII	21.5	21.6	22.7
Others	17.7	18.3	21.9

FII Includes depository receipts

CMP: INR1,530
TP: INR1,800 (+17%)
Buy

Growth to accelerate on recovery in Alliance business

Steady progress on turnaround; reiterate Buy

- Persistent (PSYS) reported better-than-expected USD revenue growth of 7.4% QoQ in 3QFY21, driven by seasonality in the Alliance business (+12% QoQ) and growth in the Technology Services business (TSU, +6% QoQ). The EBIT margin expanded 60bp QoQ to 12.7% despite the two-month impact of a wage hike (200bp) and c15% increase in the workforce during the quarter.
- It also reported order bookings of USD302m, the highest in the recent past. Of this, USD175m (1.2x book-to-bill) came from new deal wins.
- PSYS has delivered best-in-class growth in the TSU business, reporting 4.4% CQGR over 1QFY20–3QFY21, aided by improved operational focus. We expect the company to continue the momentum in the TSU vertical and deliver a 16%+ FY21–23E CAGR as new deal wins scale up.
- Over and above TSU growth, PSYS' management has guided for a strong rebound in its troubled Alliance business (flat revenues over the last six quarters) – as new deals and acceleration in the Cloud business with IBM should help improve performance. We see this as a key positive as it should help PSYS deliver strong 16.5% USD revenue growth in FY22, despite a high FY21 base effect (12.1% YoY estimated).
- Strong revenue growth (including at Alliance) should help PSYS deliver 120bp margin improvement over FY21–23E, leading to 20% PAT growth over this period.
- We upgrade our EPS estimates over FY21–23E by 6–8% as we gain further confidence on growth and margin momentum. We reiterate Persistent as our **top Buy** across our small-cap IT coverage.

Revenue and margins ahead of estimates

- Persistent reported revenue (USD) / EBIT / PAT growth of 13%/69%/38% YoY v/s our estimate of 11%/50%/20% YoY. For 9MFY21, the company reported revenue (USD) / EBIT / PAT growth of 10%/57%/22% YoY.
- Revenues grew 7.4% QoQ (USD), ahead of our expectations (5.4% QoQ).
- Growth was broad-based across geographies, with Europe (24.3% QoQ) leading growth. North America (5.1% QoQ) and RoW (14.2% QoQ) posted robust growth as well.
- Unlike in 2Q, the IP portfolio grew a strong 20% QoQ, with Services (5% QoQ) also posting robust growth.
- Tech. Cos. & Emerging Verticals (13.1% QoQ) and Healthcare (6.3% QoQ) did well, while Healthcare and Life Science reported marginal decline (-0.7% QoQ).
- Top client growth was decent at 2.4% growth sequentially.
- Adjusted for CSR activity, the EBIT margin expanded ~20bp QoQ. Reported margins stood at 12.7% (v/s 12.1% in 2Q) and were ahead of our estimates.
- The 2Q margin beat was primarily attributable to a decrease in SG&A expenses (100bp QoQ), partly offset by a marginal decrease in utilization.
- The attrition rate was 10.3%, an improvement of 30bp from 2Q.
- DSO days reduced by 6 days sequentially and stood at 57 days.
- The board announced INR14 per share as interim dividend.

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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, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Highlights from management commentary

- PSYS reported TCV of USD302m – one of the healthiest TCVs reported by the company. This included USD175.5m in new deals and the balance in renewals. PSYS is seeing strong traction within its biggest customer. The overall deal pipeline is healthy, which would aid strong growth.
- Margins for the quarter were affected by wage hikes (-200bps) and currency impact (-20bps). This was offset by lower doubtful debts and CSR spends. The management alluded that it still has efficiency levers in place to aid further margin expansion going forward.
- The company has reported net additions of 1600+ FTEs, of which 70% are lateral and the balance are fresher employees. The company is attempting to hire ahead of the curve and fulfill current deal requirements. The management expects strong deal momentum, which would require the company to bolster its workforce.

Valuation and view – improving growth profile at attractive valuation

- Historically, execution challenges and volatility in the IP portfolio have led to inconsistency in the company's performance. However, we have noticed steady progress on the execution front post the management/strategy change.
- This is evident from the Services segment's robust performance over the past few quarters, notwithstanding the COVID-19 disruption.
- Additionally, we expect the higher emphasis on annuity revenue to address the performance consistency issue, to some extent.
- The company's robust performance in 3QFY21, a healthy order book, and a strong deal pipeline indicate an encouraging near-term outlook. The guidance to defend margins is a key positive.
- The stock is currently trading at 19x FY23E EPS. Our Target Price is based on 22x FY23E EPS.

Quarterly Performance (IFRS)

Y/E March (Consolidated)	FY20				FY21E				(INR m)			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE	FY20	FY21E	Est. 3QFY21	Var. (%) / bp
Revenue (USD m)	119.6	125.5	129.4	127.1	131.0	136.1	146.2	149.0	502	562	143.4	1.9
QoQ (%)	1.1	4.9	3.1	-1.8	3.1	3.9	7.4	2.0	4.3	12.1	5.4	200bp
Revenue (INR m)	8,321	8,846	9,227	9,264	9,914	10,077	10,754	11,175	35,658	41,921	10,585	1.6
QoQ (%)	0.0	6.3	4.3	0.4	7.0	1.7	6.7	3.9			5.0	167bp
YoY (%)	-0.3	5.9	6.8	11.4	19.1	13.9	16.5	20.6	5.9	17.6	14.7	183bp
GPM (%)	34.7	34.7	33.3	33.8	33.0	34.7	34.3	34.5	34.1	34.1	33.2	115bp
SGA (%)	20.3	21.0	19.9	20.0	18.2	18.3	17.3	17.7	20.3	17.9	17.4	-6bp
Reported EBITDA	1,202	1,216	1,234	1,277	1,464	1,658	1,825	1,877	4,930	6,824	1,669	9.4
Reported EBITDA Margin (%)	14.4	13.8	13.4	13.8	14.8	16.4	17.0	16.8	13.8	16.3	15.8	120bp
Adj. EBITDA	1,202	1,216	1,234	1,277	1,560	1,729	1,860	1,877	4,930	7,026	1,669	11.5
Adj. EBITDA Margin (%)	14.4	13.8	13.4	13.8	15.7	17.2	17.3	16.8	13.8	16.8	15.8	153bp
Reported EBIT	816	792	806	857	1,029	1,218	1,364	1,390	3,270	5,000	1,207	13.0
Reported EBIT Margin (%)	9.8	8.9	8.7	9.2	10.4	12.1	12.7	12.4	9.2	11.9	11.4	128bp
Adj. EBIT	816	792	806	857	1,124	1,290	1,399	1,390	3,270	5,202	1,207	15.9
Adj. EBIT Margin (%)	9.8	8.9	8.7	9.2	11.3	12.8	13.0	12.4	9.2	12.4	11.4	161bp
Other income	282	364	334	274	192	157	286	215	1,254	850	207	38.3
ETR (%)	24.9	25.5	22.9	25.9	26.2	25.8	26.7	26.0	24.8	26.2	25.5	
PAT	825	861	879	838	900	1,020	1,209	1,188	3,403	4,317	1,053	14.8
QoQ (%)	-2.4	4.4	2.2	-4.7	7.4	13.3	18.6	-1.8			3.3	1530bp
YoY (%)	-5.6	-2.3	-4.1	-0.8	9.1	18.5	37.5	41.7	28.4	26.9	19.8	1774bp
EPS (INR)	10.7	11.3	11.5	11.0	11.8	13.3	15.8	15.5	44.5	56.5	13.8	14.8

E: MOFSL Estimates

Key Perfor. Indicators

Y/E March	FY20				FY21				FY20	FY21
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Revenue Breakup (USD M)										
Services	93.9	97.3	102.0	106.3	108.2	114.0	119.7		399.5	
IP Led	25.7	28.2	27.4	20.7	22.8	22.0	26.5		102.1	
Margins (%)										
Gross Margin	34.7	34.7	33.3	33.8	33.0	34.7	34.3	34.5	34.1	34.1
EBIT Margin	9.8	8.9	8.7	9.2	10.4	12.1	12.7	12.4	9.2	11.9
Net Margin	9.9	9.7	9.5	9.0	9.1	10.1	11.2	10.6	9.5	10.3
Operating metrics										
Headcount	10,167	10,543	10,532	10,632	10,829	10,820	12,438		10,632	
Utilization (%)	77.9	77.6	79.8	78.7	78.5	81.2	81		78.5	
Attrition (%)	17.1	15.7	14.9	14.3	12.7	10.6	10.3		14.3	
Billing Rate (US\$/ppm)										
Onsite	16,742	17,155	16,761	17,276	17,036	16,993	16,790		16,984	
Offshore	4,427	4,437	4,420	4,427	4,308	4,304	4,204		4,428	

Highlights from management commentary

Growth and demand outlook

- PSYS reported TCV of USD302m – one of the healthiest TCVs reported by the company. This included USD175.5m in new deals and the balance in renewals.
- The BFS segment was soft due to ramp-downs in large customers, coupled with the seasonality factor. However, the management stated that this was temporary given that a number of clients are working on modernizations and ample work related to compliance and security is cropping up.
- The Services segment reported broad-based and secular growth during the quarter. The company had an inorganic contribution of 1% to revenue on account of the Capiot acquisition.
- The management is seeing good traction in its Alliance business and is confident of seeing growth revival. This confidence is supported by a good demand pipeline for the business.
- The IP business is expected to have seasonality in the coming quarter as well. However, strong growth in Services shall mitigate this impact.
- PSYS is seeing strong traction within its biggest customer. The overall deal pipeline is healthy, which would aid strong growth.
- Over the next 3–4 years, the management aims to grow the Europe business' contribution to 15–18% of overall revenues.
- The management sees a 3–5 year technology upcycle and is confident of PSYS' ability to execute and ride this wave.
- The company has built strong partnerships, which is supporting its growth trajectory.

Margin drivers

- Margins for the quarter were affected by wage hikes (-200bps) and currency impact (-20bps). This was offset by lower doubtful debts and CSR spends.
- The increase in depreciation was on account of the Capiot acquisition.
- The management alluded that it still has efficiency levers in place to aid further margin expansion going forward.
- Moreover, the management is constantly working on optimizing the IP months.

- The company reported DSO days of 57 (at normal levels). The spike seen in earlier quarters was on account of COVID-19.

Capital allocation

- PSYS announced an interim dividend of INR14 per share.
- Management stated that it would continue with the same payout levels and seeks inorganic opportunities.
- The company is looking for companies with IP; however, it is not looking to acquire product companies. Furthermore, for inorganic opportunities, the management's focus is on Europe.

Employee hiring

- The company has reported net additions of 1600+ FTEs, of which 70% are lateral and the balance are fresher employees.
- The company is attempting to hire ahead of the curve and fulfill current deal requirements. The management expects strong deal momentum, which would require the company to bolster its workforce.
- Furthermore, with companies posting good results, the management expects attrition to increase, for which it is hiring in advance.

Exhibit 1: Unlike 2Q, IP portfolio posts sequential growth

Industry Classification	Contri. To Rev (%)	Growth (QoQ %)	Growth (YoY %)
Services	81.9	5.0	17.4
IP-led	18.1	20.0	-3.6

Source: Company, MOFSL

Exhibit 2: Tech. Cos. & Emerging Verticals and Healthcare post strong growth

Verticals	Contri. To Rev (%)	Growth (QoQ %)	Growth (YoY %)
BFSI	29.5	-0.7	9.2
Healthcare & Life Science	19.1	6.3	14.1
Tech. Cos. & Emerging Verticals	51.4	13.1	14.7

Source: Company, MOFSL

Exhibit 3: Both IP and Services see strong sequential growth in 3QFY21

Service Classification	Contri. To Rev (%)	Growth (QoQ %)	Growth (YoY %)
Technology Services	76.3	6.0	17.5
Alliance	23.7	12.1	0.2

Source: Company, MOFSL

Exhibit 4: Broad-based growth across geographies

Geographies	Contri. To Rev (%)	Growth (QoQ %)	Growth (YoY %)
North America	81.1	5.1	14.3
Europe	8.8	24.3	-6.3
ROW	10.1	14.2	22.6

Source: Company, MOFSL

Exhibit 5: Barring Top 2–5 clients, other client buckets post sequential growth

Client Metrics	Contri. To Rev (%)	Growth (QoQ %)	Growth (YoY %)
Top Client	18.5	2.4	-2.8
Top 2-5 Clients	19.3	-6.6	4.8
Top 6-10 Clients	9.2	11.0	18.1

Source: Company, MOFSL

Valuation and view – improving growth profile at attractive valuation

- Historically, execution challenges and volatility in the IP portfolio have led to inconsistency in the company's performance. However, we have noticed steady progress on the execution front post the management/strategy change.
- This is evident from the Services segment's robust performance over the past few quarters, notwithstanding the COVID-19 disruption.
- Additionally, we expect the higher emphasis on annuity revenue to address the performance consistency issue, to some extent.
- The company's robust performance in 3QFY21, a healthy order book, and a strong deal pipeline indicate an encouraging near-term outlook. The guidance to defend margins is a key positive.
- The stock is currently trading at 19x FY23E EPS. Our Target Price is based on 22x FY23E EPS.

Exhibit 6: Change in 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	-0.1%	0.0%	0.0%
USD Revenue - m	562	655	746	556	630	712	1.2%	4.0%	4.7%
Growth (%)	12.1	16.5	13.8	10.8	13.4	13.0	130bps	320bps	80bps
EBIT margin (%)	11.9	12.8	13.1	11.4	12.0	12.6	50bps	80bps	50bps
PAT (INR M)	4,317	5,350	6,264	4,074	4,914	5,794	6.0%	8.9%	8.1%
EPS	56.5	70.0	81.9	53.3	64.3	75.8	6.0%	8.9%	8.1%

Source: MOFSL, Company

Exhibit 7: Operating metrics

	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21
Geography (%)											
North America	79.7	82.6	83.7	80.9	82.5	81.4	80.1	80.2	80.4	82.9	81.1
Europe	12.0	7.5	7.6	7.9	8.5	9.9	10.6	8.8	10.2	7.6	8.8
RoW	8.3	9.9	8.7	11.2	9.0	8.7	9.3	11.0	9.4	9.5	10.1
Vertical Mix (%)											
BFSI	23.7	24.7	25.7	27.0	27.7	28.4	30.5	31.3	31.8	31.9	29.5
Healthcare & Life Science	17.6	18.2	18.2	19.6	18.9	18.4	18.9	19.2	19.7	19.3	19.1
Tech. Cos. & Emerging Verticals	58.7	57.1	56.1	53.4	53.4	53.2	50.6	49.5	48.5	48.8	51.4
Industry Classification (%)											
Services	72.6	74.4	75.0	78.4	78.5	77.5	78.8	83.7	82.6	83.8	81.9
IP Led	27.4	25.6	25.0	21.6	21.5	22.5	21.2	16.3	17.4	16.2	18.1
Revenue Mix (%)											
Services: Onsite	31.1	29.7	29.9	31.4	30.5	31.0	31.5	33.0	33.7	33.1	30.5
Services: Offshore	41.5	44.7	45.1	47.0	48.0	46.5	47.3	50.7	48.9	50.7	51.4
IP Led	27.4	25.6	25.0	21.6	21.5	22.5	21.2	16.3	17.4	16.2	18.1
Client Metrics (%)											
Top Client	23.8	25.7	26.3	20.2	23.6	23.7	21.5	19.2	17.7	19.4	18.5
Top 5 Clients	43.8	43.3	45.0	40.0	44.6	44.3	42.3	41.5	40.8	41.6	37.8
Top 10 Clients	53.7	52.4	54.6	50.2	52.6	53.4	51.1	49.9	49.0	50.5	47.0
Clients billed											
Services	438	433	437	420	429	470	483	501	508	487	530
IP Led	181	178	192	185	167	156	154	151	140	135	142
Customer Engagement Size											
USD5m+	NA	NA	NA	NA	10	11	10	11	15	16	17
USD1-5m	NA	NA	NA	NA	68	65	65	61	63	63	65
DSO	68	63	61	63	65	64	68	65	69	63	57
Employee Metrics											
Technical People	8,196	8,566	8,761	9,185	9,363	9,726	9,729	9,835	10,027	10,001	11,533
Sales & BD	237	247	266	273	272	285	266	263	274	268	277
Others	469	489	503	504	532	532	537	534	528	551	628
Total	8,902	9,302	9,530	9,962	10,167	10,543	10,532	10,632	10,829	10,820	12,438
Billable Person Months											
- Onsite	2,757	2,656	2,659	2,630	2,658	2,779	2,893	2,872	3,060	3,086	3,104
- Offshore	14,836	14,827	15,163	16,034	16,783	17,067	17,526	18,708	19,186	19,920	22,238
Linear Utilization %	80.7	81.9	82.1	79.7	77.9	77.6	79.8	78.7	78.5	81.2	81.0
Onsite Utilization %	85.2	83.6	83.9	83.9	82.0	81.7	84.0	84.4	84.8	85.8	85.4
Offshore Utilization %	79.9	81.6	81.8	79.0	77.2	77.0	79.1	77.8	77.5	80.5	80.4
Attrition (%)	14.8	15.4	16.4	16.7	17.1	15.7	14.9	14.3	12.7	10.6	10.3
IP Led Person Months	4,891	4,704	4,613	4,618	4,711	4,602	4,325	4,317	4,031	3,893	3,606
Billing Rates (USD/p.p.m)											
Onsite	16,360	15,787	16,204	16,846	16,742	17,155	16,761	17,276	17,036	16,993	16,790
Offshore	4,333	4,372	4,392	4,385	4,427	4,437	4,420	4,427	4,308	4,304	4,204

Source: Company, MOFSL

Financials and valuations

Income Statement							(INR m)		
Y/E March	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E
Sales	18,913	23,123	28,784	30,337	33,659	35,658	41,921	49,144	55,928
Change (%)	13.3	22.3	24.5	5.4	11.0	5.9	17.6	17.2	13.8
Cost of Goods Sold	11,317	14,305	18,518	19,704	21,378	23,494	27,607	31,831	36,074
Gross Profit	7,596	8,819	10,266	10,633	12,281	12,164	14,314	17,313	19,855
Selling Expenses	3,690	4,648	5,613	5,946	6,476	7,234	7,489	8,883	10,067
EBITDA	3,906	4,170	4,653	4,687	5,805	4,930	6,824	8,430	9,787
Depreciation	939	965	1,490	1,585	1,692	1,660	1,824	2,145	2,441
EBIT	2,967	3,205	3,163	3,102	4,113	3,270	5,000	6,285	7,347
Other Income	932	750	958	1,190	864	1,254	850	945	1,119
PBT	3,900	3,956	4,121	4,293	4,977	4,523	5,850	7,230	8,465
Tax	993	983	992	1,062	2,327	1,121	1,534	1,880	2,201
Net Profit	2,906	2,973	3,129	3,231	2,650	3,403	4,317	5,350	6,264
Change (%)	16.6	2.3	5.2	3.3	-18.0	28.4	26.9	23.9	17.1
Extraordinary Item	0	0	114	0	0	0	0	0	0
Net Income after EO	2,906	2,973	3,015	3,231	2,650	3,403	4,317	5,350	6,264

Balance Sheet							(INR m)		
Y/E March	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E
Share Capital	800	800	800	800	791	764	764	764	764
Other Reserves	13,255	15,593	18,193	20,472	22,656	23,093	24,965	28,710	33,095
Net Worth	14,055	16,393	18,993	21,272	23,447	23,858	25,730	29,475	33,860
Loans	25	26	22	17	12	46	46	46	46
Other liabilities	120	126	277	430	177	544	640	750	853
Capital Employed	14,200	16,544	19,291	21,719	23,636	24,448	26,415	30,271	34,759
Net Block	3,057	3,007	2,768	2,581	2,331	2,791	3,102	1,708	17
CWIP	40	24	48	8	12	166	166	166	166
Intangibles	1,019	1,597	2,832	2,585	1,980	1,661	1,661	1,661	1,661
Investments	2,116	1,348	2,339	2,881	4,346	4,621	4,621	4,621	4,621
Deferred Tax Assets	315	233	306	642	405	960	1,129	1,323	1,506
Other	137	1,721	1,130	272	577	866	1,019	1,194	1,359
Current Assets	11,065	13,136	14,039	17,620	18,905	19,856	22,609	28,420	35,127
Debtors	3,586	4,275	4,754	4,847	4,923	5,922	6,375	7,473	9,960
Investments	4,620	4,828	4,500	5,916	3,296	5,165	5,165	5,165	5,165
Cash & BB	1,416	1,432	1,510	2,414	6,729	4,572	6,166	10,066	13,521
Loans & Advances	407	812	10	7	8	14	14	14	14
Other Current Assets	1,035	1,788	3,266	4,436	3,950	4,183	4,889	5,703	6,468
Current Liab. & Prov	3,549	4,521	4,173	4,870	4,920	6,474	7,891	8,823	9,698
Trade payables	529	1,651	1,209	1,673	1,517	2,247	3,358	3,937	4,480
Other Liabilities	1,265	1,647	1,572	1,597	1,639	2,616	2,639	2,666	2,691
Provisions	1,755	1,224	1,391	1,599	1,764	1,611	1,894	2,220	2,527
Net Current Assets	7,516	8,614	9,866	12,750	13,985	13,382	14,718	19,598	25,429
Application of Funds	14,200	16,544	19,291	21,719	23,636	24,448	26,415	30,270	34,759

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E
EPS	17.3	17.7	39.1	40.4	33.1	44.5	56.5	70.0	81.9
Cash EPS	22.9	23.4	57.7	60.2	54.3	66.3	80.3	98.0	113.9
Book Value	84.0	97.8	237.4	265.9	293.2	312.2	336.5	385.5	442.9
DPS	10.0	8.0	9.0	0.0	11.0	12.0	15.8	21.0	24.6
Payout %	57.8	45.2	23.0	0.0	33.2	26.9	28.0	30.0	30.0
Valuation (x)									
P/E	88.4	86.5	39.1	37.9	46.2	34.4	27.1	21.9	18.7
Cash P/E	66.8	65.3	26.5	25.4	28.2	23.1	19.0	15.6	13.4
EV/EBITDA	64.0	60.0	25.0	24.3	19.3	21.7	15.5	12.1	10.0
EV/Sales	13.2	10.8	4.0	3.8	3.3	3.0	2.5	2.1	1.8
Price/Book Value	18.2	15.6	6.4	5.8	5.2	4.9	4.5	4.0	3.5
Dividend Yield (%)	0.7	0.5	0.6	0.0	0.7	0.8	1.0	1.4	1.6
Profitability Ratios (%)									
RoE	22.1	19.5	17.7	16.0	11.9	14.4	17.4	19.4	19.8
RoCE	16.5	15.7	13.4	11.4	9.7	10.2	14.5	16.4	16.7
Turnover Ratios									
Debtors (Days)	69	67	60	58	53	61	56	56	65
Asset Turnover (x)	6.5	7.6	10.0	11.3	13.7	13.9	14.2	20.4	64.9

Cash Flow Statement

(INR m)

Y/E March	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E
CF from Operations	3,392	3,378	3,926	4,156	4,536	4,597	6,141	7,495	8,705
Chg. in Working Capital	-276	-838	-1,062	56	-213	-1,369	33	-1,241	-2,620
Net Operating CF	3,116	2,541	2,864	4,212	4,323	3,229	6,174	6,254	6,085
Net Purchase of FA	-954	-1,647	-2,169	-651	-374	-746	-700	-750	-750
Free Cash Flow	2,162	893	695	3,560	3,949	2,483	5,474	5,504	5,335
Net Purchase of Invest.	-1,362	486	-50	-2,822	-1,885	597	0	0	0
Net Cash from Inv.	-2,315	-1,162	-2,219	-3,474	-2,259	-148	-700	-750	-750
Issue of shares	0	0	0	0	0	0	0	0	0
Proceeds from LTB/STB	439	-412	10	1,016	3,913	-2,344	-2,671	0	0
Dividend Payments	-667	-1,251	-578	-950	-1,590	-2,978	-1,209	-1,605	-1,879
Net CF from Finan.	-229	-1,663	-568	66	2,323	-5,321	-3,880	-1,605	-1,879
Net Cash Flow	572	-284	77	804	4,386	-2,241	1,594	3,899	3,456
Exchange difference	11	301	1	101	-71	84	0	0	0
Opening Cash Balance	833	1,416	1,432	1,510	2,414	6,729	4,572	6,166	10,066
Closing Cash Balance	1,416	1,432	1,510	2,414	6,729	4,572	6,166	10,066	13,521

E: MOFSL Estimates

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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