

Estimate change	↑
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Rating change	↔

**CMP: INR550**      **TP: INR745 (+35%)**      **Buy**

## Improving demand outlook to drive strong FY22 growth

### Company-level improvements continue

Bloomberg	QUESS IN
Equity Shares (m)	147
M.Cap.(INRb)/(USDb)	81.6 / 1.1
52-Week Range (INR)	664 / 165
1, 6, 12 Rel. Per (%)	12/37/-22
12M Avg Val (INR M)	119

### Financials & Valuations (INR b)

Y/E Mar	2021E	2022E	2023E
Sales	109.0	141.5	174.3
EBIT Margin (%)	3.3	4.1	3.8
Adj. PAT	1.9	4.9	6.3
EPS (INR)	13.3	34.1	43.9
EPS Gr. (%)	-27.0	156.3	28.7
BV/Sh. (INR)	218.5	261.5	316.9
<b>Ratios</b>			
RoE (%)	8.0	17.9	19.2
RoCE (%)	8.9	15.6	17.0
Payout (%)	0.0	0.0	0.0

### Valuations

P/E (x)	41.2	16.1	12.5
P/BV (x)	2.5	2.1	1.7
EV/EBITDA (x)	13.3	9.3	8.0
EV/Sales (x)	0.7	0.5	0.4

### Shareholding pattern (%)

As On	Dec-20	Sep-20	Dec-19
Promoter	55.3	55.3	54.7
DII	15.9	15.7	13.2
FII	15.7	15.6	16.6
Others	13.2	13.5	15.5

FII Includes depository receipts

- QUESS' 3QFY21 result witnessed a marginal miss on operations. Adjusted for lockdown impact in the IFM Food Services and Excelus businesses, underlying revenue and EBITDA were resilient. It is now a net cash company (INR260m), helped by healthy cash conversion (OCF-to-EBITDA of 80%).
- As the economy opens up gradually, we expect a pick-up in General Staffing across companies. Continued demand for IT staffing should further aid growth and margin. The CLM/BPM business saw healthy revenue growth, with a rapid recovery in activity.
- We expect QUESS to deliver 30% revenue growth in FY22E after a flat FY21 due to the COVID-19 impact. A gradual increase in margin (80bp YoY in FY22E on improving efficiency and shift towards higher margin IT Staffing business) and lower net interest expense should help it deliver 34% EPS CAGR over FY20-23E.
- Over the medium term, we expect QUESS to be the biggest beneficiary of the recent labor law reforms. Our target price of INR745 per share implies a multiple of 17x FY23E EPS. Reiterate **Buy**.

### Debt reduction and healthy cash generation are key positives

- Revenue declined 4.8% YoY, but grew 7.4% QoQ to INR28b (in line).
- EBIT margin increased 30bp QoQ, but declined 50bp YoY, to 3.4% (v/s our expectation of 3.5%).
- PAT fell 39% YoY to INR455m (v/s our expectation of -22%) on lower operating income and higher ETR (43% v/s our estimate of 30%). This was due to additional tax of INR54m in FY20.
- Revenue from Work Force Management rose 9% QoQ, but fell 6% YoY. EBITDA from WFM stood at 3.7% (flat QoQ), despite a 9% improvement in core-to-associate ratio.
- Revenue from Operating Asset Management was flat sequentially, but fell 4% YoY. EBITDA from OAM stood at 6.8% (flat QoQ).
- GTS revenue rose 6.7% QoQ, but fell 1.4% YoY. EBITDA for GTS stood at 13.8% (50bp QoQ increase).
- General Staffing headcount grew 5% QoQ. Total headcount ended ~333k.
- The company achieved a net cash position of INR260m from a net debt of INR450m (reduction of INR710m).
- Gross debt reduced by INR1,030m QoQ to INR 5,210m.
- DSO improved by three days QoQ to 62 days, while OCF-to-EBITDA stood at a healthy 80% v/s 51% in 3QFY20.
- Tata Sons has exercised a put option for sale of their 30% stake in Conneqt. The latter is expected to become a 100% subsidiary of QUESS in 4QFY21.

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

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**Key highlights from the management commentary**

- QUESS has shown a sequential rise in revenue (+7%), led by a 9%/12% increase in General Staffing/Conneqt revenue. However, revenue fell 4.8% YoY. Increase in margin was due to better efficiency. This was partially offset by discounts in the General Staffing business. EBITDA margin increased 10bp sequentially. EBITDA was negatively impacted by INR290m from the Excelus and IFM Food business.
- The management has identified three key strategies: 1] growing EBITDA with rapid topline growth, 2] increasing EBITDA to PBT conversion, and 3] judicious capital management. Current cash reserves would be utilized to reduce debt. If there are any acquisitions it would be related to its ongoing business. QUESS may opt for an international acquisition to use All Sec's (INR1,200-1,500m) cash that is sitting outside India.
- The management expects over 20% RoE by FY23. Each business should see over 20% growth in FY22. During 3QFY21, the headcount increase has been sustainable (and less due to festive seasonality), which portends a good outlook.

**Valuation and view – Company-level improvement to drive re-rating**

- Given some level of uncertainty in the economy (due to back-and-forth lockdowns), some of the otherwise permanent roles are likely to be filled through flexi-staffing as employers attempt to keep cost variable. We noticed similar trends in the immediate aftermath of the GFC/demonetization, when staffing companies benefitted due to positive hiring trends in some verticals. Such a trend would likely play out in the near term, benefitting business services firms such as QUESS.
- Over the medium term, as both the Centre and state governments look forward to liberalizing and formalizing labor markets, QUESS should be among the biggest direct beneficiaries.
- We welcome corrective steps undertaken by the new management to address some investor concerns. The improvement in cash conversion/RoE should drive a re-rating. Our TP implies 17x FY23E EPS.

**Consol. quarterly earnings**

(INR m)

Y/E March	FY20				FY21				FY20	FY21E	3Q FY21E	Variance (%/bp)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE				
<b>Net Sales</b>	<b>23,966</b>	<b>26,503</b>	<b>29,500</b>	<b>29,946</b>	<b>24,094</b>	<b>26,151</b>	<b>28,079</b>	<b>30,651</b>	<b>1,09,915</b>	<b>1,08,975</b>	<b>28,700</b>	<b>-2.2</b>
YoY Change (%)	21.8	26.7	35.8	30.5	0.5	-1.3	-4.8	2.4	28.9	-0.9	-2.7	-211
Total Expenditure	22,474	24,889	27,706	28,260	22,797	24,753	26,571	28,904	1,03,329	1,03,025	27,093	-1.9
<b>EBITDA</b>	<b>1,492</b>	<b>1,614</b>	<b>1,794</b>	<b>1,686</b>	<b>1,297</b>	<b>1,397</b>	<b>1,508</b>	<b>1,747</b>	<b>6,586</b>	<b>5,950</b>	<b>1,607</b>	<b>-6.2</b>
Margin (%)	6.2	6.1	6.1	5.6	5.4	5.3	5.4	5.7	6.0	5.5	5.6	-22.8
Depreciation	579	652	658	596	594	578	562	600	2,486	2,334	603	-6.7
<b>EBIT</b>	<b>913</b>	<b>962</b>	<b>1,136</b>	<b>1,089</b>	<b>703</b>	<b>820</b>	<b>946</b>	<b>1,147</b>	<b>4,100</b>	<b>3,616</b>	<b>1,005</b>	<b>-5.8</b>
Margin (%)	3.8	3.6	3.9	3.6	2.9	3.1	3.4	3.7	3.7	3.3	3.5	-13
Interest	396	461	423	387	379	323	245	250	1,668	1,197	260	-5.9
Other Income	169	159	97	86	76	243	99	150	511	567	90	9.5
<b>PBT before EO expense</b>	<b>685</b>	<b>660</b>	<b>810</b>	<b>788</b>	<b>399</b>	<b>740</b>	<b>800</b>	<b>1,047</b>	<b>2,943</b>	<b>2,986</b>	<b>835</b>	<b>-4.1</b>
Recurring Tax	106	-29	51	69	178	318	345	136	196	977	250	
Rate (%)	15.4	-4.5	6.3	8.7	44.6	42.9	43.1	13.0	6.6	32.7	30.0	
<b>Adjusted PAT</b>	<b>582</b>	<b>650</b>	<b>749</b>	<b>628</b>	<b>114</b>	<b>423</b>	<b>455</b>	<b>911</b>	<b>2,609</b>	<b>1,903</b>	<b>584</b>	<b>-22.1</b>
Extraordinary items	0	0	0	6,928	-250	-77	0	0	6,928	-327	0	
<b>Reported PAT</b>	<b>582</b>	<b>650</b>	<b>749</b>	<b>-6,299</b>	<b>365</b>	<b>499</b>	<b>455</b>	<b>911</b>	<b>-4,318</b>	<b>2,230</b>	<b>584</b>	<b>-22.1</b>
YoY Change (%)	6.9	5.5	15.2	-934.3	-37.3	-23.2	-39.2	-114.5	-268.3	-151.6	-22.0	-1,725
Margin (%)	2.4	2.5	2.5	-21.0	1.5	1.9	1.6	3.0	-3.9	2.0	2.0	-41

**Key performance indicators**

Y/E March	FY20				FY21				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
<b>Headcount (k)</b>	357	377	385	384	334	325	333		384	
<b>Segment Revenue (INR m)</b>										
Workforce Management	14,880	16,690	19,590	20,390	16,180	16,860	18,430		71,550	
Operating Asset Management	4,270	4,320	4,480	4,280	3,680	4,270	4,285		17,350	
Tech Services	4,800	5,510	5,440	5,280	4,230	5,020	5,360		21,030	
<b>EBITDA Margin (%)</b>										
Workforce Management	6.0	5.5	5.3	5.1	3.7	3.7	3.7		5.4	
Operating Asset Management	7.5	6.7	7.4	6.6	7.1	7.0	6.8		7.1	
Tech Services	9.6	11.5	12.1	10.9	13.0	13.4	13.9		11.1	

**Key highlights from the management commentary****Operating performance**

- QUESS has shown a sequential rise in revenue (+7%), led by a 9%/12% increase in General Staffing/Conneqt revenue. However, revenue fell 4.8% YoY. Increase in margin was due to better efficiency. This was partially offset by discounts in the General Staffing business. EBITDA margin increased 10bp sequentially. EBITDA was negatively impacted by INR290m from the Excelus and IFM Food business.
- PAT fell 39% YoY to INR455m on lower operating income and higher ETR (43%).
- The company turned net cash positive in 3QFY21. There was a debt reduction of INR710m in the quarter gone by.
- OCF-to-EBITDA was high at 80% as one of its customer made an early payment. The management said it would maintain OCF-to-EBITDA at 70%.

**Workforce Management**

- Within Workforce Management, revenue increased 9.3% sequentially.
- General Staffing revenue was up 9.1% QoQ, with 20 new clients. Headcount grew 5% QoQ, with core-to-associate ratio at a historical high of 337. The management's focus remains on strengthening sales and delivery capabilities through deeper verticalization and digital sourcing.
- Restructuring of IT Staffing towards high margin business is coping up well. EBITDA for the domestic business rose YoY with significant margin expansion. One-third of IT staffing has been employed at a higher margin. Core-to-associate ratio is lower due to higher investments in sourcing.
- EBITDA in Training and Skill Development fell INR190m YoY, led by the lockdown of training facilities and re-starting costs. Around 104 of 112 centers are currently running, with no COVID-19 cases to date.

**Global Technology Solutions**

- GTS revenue rose 6.7% QoQ, but fell 1.4% YoY. It has now become the largest EBITDA contributor at 19% of revenue and 49% of EBITDA.
- CLM/BPM business saw healthy revenue growth, with activity rapidly recovering (Conneqt/Allsec up 12%/6% QoQ). Its Collections business showed a strong recovery with the easing of the moratorium on term loan EMI payments.
- Tata Sons has exercised a put option for sale of their 30% stake in Conneqt. The latter is expected to become a 100% subsidiary of QUESS in 4QFY21.

- In 3QFY21, Monster Jobs listing increased by 94%, daily active seekers rose to ~200k in Dec'20 from ~90k in Sep'20, and recruiter searches grew by 9%. Monster has become more prominent than it was before QUESS' acquisition.

### Operating Asset Management

- Revenue from Operating Asset Management was flat sequentially, but fell 4% YoY. EBITDA from OAM stood at 6.8% (flat QoQ).
- IFM performance was flat QoQ, with early signs of improvements in Education and ITS verticals, and the Food business. IFM won 21 logos in 3QFY21, with a strong sales pipeline going forward. QUESS is among the top three players in India.
- Terrier Security revenue rose marginally QoQ with a growth in Manufacturing and Logistics verticals. Cross selling of IFM and Security Services is seeing traction as seven of the 21 new IFM deals in 3QFY21 were bundled with Security Services.

### Strategy

- The management has identified three key strategies: 1] growing EBITDA with rapid topline growth, 2] increasing EBITDA to PBT conversion, and 3] judicious capital management.
- Current cash reserves would be utilized to reduce debt.
- If there are any acquisitions it would be related to its ongoing business. QUESS may opt for an international acquisition to use All Sec's (INR1,200-1,500m) cash that is sitting outside India.
- The Board would look at paying dividend in coming quarters.

### Guidance

- The management expects over 20% RoE by FY23.
- Each business should see over 20% growth in FY22.
- During 3QFY21, the headcount increase has been sustainable (and less due to festive seasonality), which portends a good outlook.
- The management said SGA savings of ~INR100m would flow through after the pandemic ends. However, this would be partially used to invest in technology.

**Valuation and view – Company-level improvement to drive re-rating**

- Given some level of uncertainty in the economy (due to back-and-forth lockdowns), some of the otherwise permanent roles are likely to be filled through flexi-staffing as employers attempt to keep cost variable. We noticed similar trends in the immediate aftermath of the GFC/demonetization, when staffing companies benefitted due to positive hiring trends in some verticals. Such a trend would likely play out in the near term, benefitting business services firms such as QUESS.
- Over the medium term, as both the Centre and state governments look forward to liberalizing and formalizing labor markets, QUESS should be among the biggest direct beneficiaries.
- We welcome corrective steps undertaken by the new management to address some investor concerns. The improvement in cash conversion/RoE should drive a re-rating. Our TP implies 17x FY23E EPS.

**Exhibit 1: Revision to our estimates**

	Revised			Earlier			Change		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Revenue (m)	1,08,975	1,41,527	1,74,333	1,10,068	1,42,158	1,67,000	-1.0%	-0.4%	4.4%
Rev. growth (%)	(0.8)	29.9	23.2	0.2	29.2	17.5	-100bp	72bp	571bp
EBITDA (m)	5,950	8,209	10,809	6,076	8,245	10,225	-2.1%	-0.4%	5.7%
EBITDA Margin (%)	5.5	5.8	6.2	5.5	5.8	6.1	-6bp	0bp	8bp
EBIT Margin (%)	3.3	4.1	4.6	3.3	3.8	3.8	0bp	32bp	78bp
EPS (INR)	13.3	34.1	43.9	13.4	28.8	49.5	-0.7%	18.5%	-11.3%

Source: Company, MOFSL

## Financials and valuation

### Consolidated Income Statement

	(INR m)								
Y/E March	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
<b>Total income from Operations</b>	<b>25,671</b>	<b>34,350</b>	<b>43,149</b>	<b>61,673</b>	<b>85,270</b>	<b>1,09,915</b>	<b>1,08,975</b>	<b>1,41,527</b>	<b>1,74,333</b>
Change (%)	155.2	33.8	25.6	42.9	38.3	28.9	-0.9	29.9	23.2
Cost of services	717	481	714	1,422	2,624	3,382	3,354	4,355	5,365
Employees Cost	22,684	30,069	36,339	50,793	67,132	86,535	85,794	1,11,423	1,37,251
Other Expenses	965	2,289	3,718	5,914	10,868	13,420	13,877	17,540	22,296
<b>Total Expenditure</b>	<b>24,366</b>	<b>32,839</b>	<b>40,771</b>	<b>58,129</b>	<b>80,624</b>	<b>1,03,337</b>	<b>1,03,025</b>	<b>1,33,319</b>	<b>1,64,912</b>
% of Sales	94.9	95.6	94.5	94.3	94.6	94.0	94.5	94.2	94.6
<b>EBITDA</b>	<b>1,305</b>	<b>1,511</b>	<b>2,378</b>	<b>3,544</b>	<b>4,646</b>	<b>6,578</b>	<b>5,950</b>	<b>8,209</b>	<b>9,421</b>
Margin (%)	5.1	4.4	5.5	5.7	5.4	6.0	5.5	5.8	5.4
Depreciation	101	144	275	747	1,232	2,486	2,334	2,400	2,789
<b>EBIT</b>	<b>1,203</b>	<b>1,367</b>	<b>2,103</b>	<b>2,796</b>	<b>3,414</b>	<b>4,092</b>	<b>3,616</b>	<b>5,809</b>	<b>6,632</b>
Int. and Finance Charges	218	310	471	755	1,144	1,668	1,197	800	655
Other Income	57	91	154	569	712	511	567	600	999
<b>PBT bef. EO Exp.</b>	<b>1,042</b>	<b>1,147</b>	<b>1,787</b>	<b>2,611</b>	<b>2,983</b>	<b>2,935</b>	<b>2,986</b>	<b>5,609</b>	<b>6,976</b>
EO Items	0	0	0	0	0	6,641	-327	0	0
<b>PBT after EO Exp.</b>	<b>1,042</b>	<b>1,147</b>	<b>1,787</b>	<b>2,611</b>	<b>2,983</b>	<b>-3,706</b>	<b>3,313</b>	<b>5,609</b>	<b>6,976</b>
Total Tax	370	335	534	-483	329	474	977	729	698
Tax Rate (%)	35.5	29.2	29.9	-18.5	11.0	-12.8	29.5	13.0	10.0
Minority Interest	0	0	-1	-4	88	138	106	0	0
<b>Reported PAT</b>	<b>672</b>	<b>812</b>	<b>1,254</b>	<b>3,098</b>	<b>2,565</b>	<b>-4,318</b>	<b>2,230</b>	<b>4,879</b>	<b>6,278</b>
<b>Adjusted PAT</b>	<b>672</b>	<b>812</b>	<b>1,254</b>	<b>3,098</b>	<b>2,565</b>	<b>2,609</b>	<b>1,904</b>	<b>4,879</b>	<b>6,278</b>
Change (%)	276.3	20.8	54.5	147.0	-17.2	1.7	-27.0	156.3	28.7
Margin (%)	2.6	2.4	2.9	5.0	3.0	2.4	1.7	3.4	3.6

### Consolidated Balance Sheet

	(INR m)								
Y/E March	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
Equity Share Capital	258	1,133	1,268	1,455	1,461	1,475	1,475	1,475	1,475
Total Reserves	2,267	2,433	11,780	23,153	25,795	21,284	23,287	28,166	34,445
<b>Net Worth</b>	<b>2,525</b>	<b>3,566</b>	<b>13,048</b>	<b>24,608</b>	<b>27,256</b>	<b>22,759</b>	<b>24,762</b>	<b>29,641</b>	<b>35,920</b>
Minority Interest	0	0	9	16	31	769	875	875	875
Total Loans	2,170	3,783	7,440	9,662	7,502	9,976	8,979	8,081	7,273
Deferred Tax Liabilities	-35	-1,345	-1,633	-3,647	-5,046	-6,166	-6,067	-6,067	-6,067
<b>Capital Employed</b>	<b>4,660</b>	<b>6,005</b>	<b>18,864</b>	<b>30,638</b>	<b>29,742</b>	<b>27,339</b>	<b>28,549</b>	<b>32,531</b>	<b>38,001</b>
Gross Block	604	1,043	3,504	7,485	8,152	9,295	11,295	14,295	16,445
Less: Accum. Deprn.	415	541	976	2,126	3,357	5,843	8,178	10,578	13,367
<b>Net Fixed Assets</b>	<b>189</b>	<b>502</b>	<b>2,529</b>	<b>5,359</b>	<b>4,795</b>	<b>3,451</b>	<b>3,117</b>	<b>3,717</b>	<b>3,078</b>
Goodwill on Consolidation	1,104	2,020	9,187	10,959	11,769	8,358	8,358	8,358	8,358
Capital WIP	0	24	77	22	147	46	59	79	99
<b>Total Investments</b>	<b>0</b>	<b>37</b>	<b>776</b>	<b>888</b>	<b>820</b>	<b>725</b>	<b>725</b>	<b>725</b>	<b>725</b>
<b>Curr. Assets, Loans and Adv.</b>	<b>5,869</b>	<b>8,573</b>	<b>14,433</b>	<b>28,111</b>	<b>27,540</b>	<b>34,439</b>	<b>36,008</b>	<b>43,872</b>	<b>54,696</b>
Inventory	4	18	71	85	221	284	284	284	284
Account Receivables	2,755	6,926	8,966	13,936	16,164	18,795	19,406	25,203	33,434
Cash and Bank Balance	818	1,094	3,039	5,661	5,855	7,587	8,503	9,986	10,321
Loans and Advances	2,292	536	2,357	8,430	5,300	7,773	7,815	8,399	10,657
<b>Curr. Liability and Prov.</b>	<b>2,502</b>	<b>5,151</b>	<b>8,138</b>	<b>14,701</b>	<b>15,328</b>	<b>19,681</b>	<b>19,718</b>	<b>24,221</b>	<b>28,954</b>
Account Payables	414	674	778	1,481	1,729	1,633	1,628	2,557	3,163
Other Current Liabilities	1,941	4,138	6,825	12,166	12,351	16,494	16,457	19,543	23,179
Provisions	147	339	536	1,054	1,248	1,554	1,633	2,121	2,613
<b>Net Current Assets</b>	<b>3,367</b>	<b>3,423</b>	<b>6,294</b>	<b>13,411</b>	<b>12,212</b>	<b>14,759</b>	<b>16,290</b>	<b>19,652</b>	<b>25,741</b>
<b>Appl. of Funds</b>	<b>4,660</b>	<b>6,005</b>	<b>18,864</b>	<b>30,638</b>	<b>29,742</b>	<b>27,339</b>	<b>28,548</b>	<b>32,530</b>	<b>38,000</b>

E: MOSL estimates



## Financials and valuation

### Ratios

Y/E March	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
<b>Basic (INR)</b>									
<b>EPS</b>	<b>5.9</b>	<b>7.0</b>	<b>10.1</b>	<b>21.8</b>	<b>17.5</b>	<b>18.3</b>	<b>13.3</b>	<b>34.1</b>	<b>43.9</b>
Cash EPS	6.8	8.3	12.3	27.1	25.9	35.7	29.7	50.9	63.5
BV/Share	22.3	31.5	115.1	217.1	240.5	200.8	218.5	261.5	316.9
DPS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Payout (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Valuation (x)</b>									
P/E	92.8	78.1	54.3	25.2	31.4	30.1	41.2	16.1	12.5
Cash P/E	80.6	66.3	44.5	20.3	21.2	15.4	18.5	10.8	8.7
P/BV	24.6	17.4	4.8	2.5	2.3	2.7	2.5	2.1	1.7
EV/Sales	2.5	1.9	1.7	1.3	1.0	0.7	0.7	0.5	0.4
EV/EBITDA	48.8	43.7	30.5	23.1	17.7	12.3	13.3	9.3	8.0
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FCF per share	-1.1	-6.2	2.4	1.1	7.2	21.3	17.1	18.1	5.6
<b>Return Ratios (%)</b>									
RoE	30.8	26.7	15.1	16.5	9.9	10.4	8.0	17.9	19.2
RoCE	22.6	17.1	11.4	14.6	10.6	15.4	8.9	15.6	17.0
ROIC	25.9	22.3	14.9	17.0	12.9	22.0	13.3	24.6	24.6
<b>Working Capital Ratios</b>									
Asset Turnover (x)	5.5	5.7	2.3	2.0	2.9	4.0	3.8	4.4	4.6
Debtor (Days)	39	74	76	82	69	62	65	65	70
Creditor (Days)	6	7	7	9	7	5	5	7	7
<b>Leverage Ratio (x)</b>									
Net Debt/Equity	0.5	0.7	0.3	0.1	0.0	0.1	0.0	-0.1	-0.1

### Consolidated Cash Flow Statement

(INR m)

Y/E March	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
OP/(Loss) before Tax	1,049	1,147	1,723	2,615	2,566	-4,319	2,986	5,609	6,976
Depreciation	101	144	333	747	3	2,486	2,334	2,400	2,789
Interest and Finance Charges	218	310	479	755	1,144	1,668	1,197	800	655
Direct Taxes Paid	-412	-482	-839	-744	-1,750	-1,449	-977	-729	-698
(Inc.)/Dec. in WC	-942	-1,622	-941	-1,858	-1,248	-1,933	-517	-1,878	-5,755
<b>CF from Operations</b>	<b>15</b>	<b>-503</b>	<b>755</b>	<b>1,515</b>	<b>714</b>	<b>-3,547</b>	<b>5,024</b>	<b>6,201</b>	<b>3,967</b>
Others	9	8	-71	-428	1,302	7,157	-567	-600	-999
<b>CF from Operating incl. EO</b>	<b>24</b>	<b>-495</b>	<b>684</b>	<b>1,087</b>	<b>2,016</b>	<b>3,611</b>	<b>4,457</b>	<b>5,601</b>	<b>2,969</b>
(Inc.)/Dec. in FA	-145	-226	-383	-928	-957	-570	-2,020	-3,020	-2,170
<b>Free Cash Flow</b>	<b>-120</b>	<b>-721</b>	<b>301</b>	<b>159</b>	<b>1,058</b>	<b>3,041</b>	<b>2,437</b>	<b>2,581</b>	<b>799</b>
(Pur.)/Sale of Investments	-525	0	0	-1,808	-117	732	0	0	0
Others	375	129	-5,434	-5,333	2,898	-1,865	0	0	0
<b>CF from Investments</b>	<b>-295</b>	<b>-97</b>	<b>-5,817</b>	<b>-8,069</b>	<b>1,823</b>	<b>-1,703</b>	<b>-2,020</b>	<b>-3,020</b>	<b>-2,170</b>
Issue of Shares	0	34	3,693	8,485	5	478	106	0	0
Inc./Dec. in Debt	1,015	1,137	3,816	1,785	-74	2,197	-998	-898	-808
Interest Paid	-217	-304	-443	-665	-865	-1,158	-1,197	-800	-655
Dividend Paid	0	0	0	0	0	-144	0	0	0
Others	0	0	13	0	-2,706	-1,244	567	600	689
CF from Fin. Activity	798	867	7,079	9,605	-3,640	129	-1,521	-1,098	-774
<b>Inc./Dec. in Cash</b>	<b>527</b>	<b>275</b>	<b>1,946</b>	<b>2,622</b>	<b>199</b>	<b>2,037</b>	<b>916</b>	<b>1,483</b>	<b>25</b>
<b>Closing Balance</b>	<b>818</b>	<b>1,093</b>	<b>3,039</b>	<b>5,661</b>	<b>5,860</b>	<b>7,589</b>	<b>8,505</b>	<b>9,988</b>	<b>10,321</b>

**NOTES**



Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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