

# L&T Technology

 Estimate change 

TP change

 Rating change 
**CMP: INR4,244**
**TP: INR5,280 (+24%)**
**Buy**
**Strong demand and improving deal flow to drive growth in FY23**
**Supply pressures to keep margin stable**

Bloomberg	LTTT IN
Equity Shares (m)	106
M.Cap.(INRb)/(USDb)	447.9 / 5.9
52-Week Range (INR)	5958 / 2471
1, 6, 12 Rel. Per (%)	-12/-5/41
12M Avg Val (INR M)	1656

**Financials & Valuations (INR b)**

Y/E Mar	2022	2023E	2024E
Sales	65.7	78.6	93.1
EBIT Margin (%)	18.3	18.4	18.5
PAT	9.6	11.8	13.9
EPS (INR)	90.5	111.3	131.9
EPS Gr. (%)	44.1	22.9	18.5
BV/Sh. (INR)	394.5	459.2	535.9

**Ratios**

RoE (%)	25.0	26.0	26.5
RoCE (%)	20.3	20.9	21.1
Payout (%)	35.0	35.0	35.0

**Valuations**

P/E (x)	46.9	38.1	32.2
P/BV (x)	10.8	9.2	7.9
EV/EBITDA (x)	30.1	24.8	20.6
Div Yield (%)	0.7	0.9	1.1

**Shareholding pattern (%)**

As On	Dec-21	Sep-21	Dec-20
Promoter	73.9	74.2	74.3
DII	5.4	6.1	6.4
FII	9.2	9.5	8.9
Others	11.4	10.2	10.5

FII Includes depository receipts

- LTTT reported a 3.6% QoQ CC growth in 4QFY22, 90bp below our estimate due to softer growth in Industrial Products (-0.5% QoQ), Medical Devices (flat QoQ), and Telecom and Hi-Tech (+1.1% QoQ), while Transportation grew a robust 7.8% QoQ. Despite the large 400bp shift in its on-site revenue mix and lower utilization (-80bp QoQ), operating margin was flat QoQ. Attrition spiked to 20.4% (+290bp QoQ) in 4QFY22, indicating continued supply pressures. The company bagged its second over USD100m deal (after winning a historical first in Dec'21) from Jaunt Air Mobility in the Aerospace vertical. USD CC revenue/INR EBIT/INR PAT grew 20%/52%/44% YoY in FY22.
- While the management's initial FY23 revenue growth guidance of 13.5-15.5% was disappointing, their vertical commentary and deal momentum (six deals of over USD10m in 4QFY22) suggest that its guidance trajectory should mirror that of FY22 where there was a gap of almost 500bp between its initial guidance and final growth. With the scaling up of new deal wins from 2QFY22 onwards, we remain confident of LTTT delivering a revenue growth of 17.5% in FY23. With continued additions to its workforce (LTTT grew its staff count by 27% in FY22, despite elevated attrition) and an improving deal pipeline, we continue to view the company as a beneficiary of structural demand tailwinds.
- LTTT should see a flattish margin performance in FY23, despite a strong revenue growth, due to continued supply-side pressures (attrition rose to 20.4%). We expect it to deliver an EBIT margin of 18.4% in FY23, in line with its over 18% guidance. We expect the favorable pyramid and trimming of low margin accounts in the Telecom vertical to more than offset the continued pressure on employee expenses and travel resumption.
- We continue to view LTTT as a beneficiary of the growing penetration of ER&D Services and the best Tier II IT Services play within our coverage universe. We lower our FY23-24 growth estimate, but have factored in an 18%/21% USD revenue/INR EPS CAGR over FY22-24.
- We lower our FY23-24 EPS estimate by 4-5% due to the 4QFY22 miss and weaker guidance. We maintain our **Buy** rating and marginally tweak our TP to INR5,280 per share (40x FY24E EPS).

**Modest revenue growth in 4QFY22, FY23 guidance below our expectation**

- In CC terms, revenue grew 3.6% QoQ, INR EBIT rose 37% YoY, and INR PAT increased by 35% YoY in 4QFY22.
- USD revenue/INR EBIT/INR PAT grew by 19.5%/52.1%/44% in FY22.
- Revenue rose 3.1% QoQ CC to USD232m in 4Q and by 3.6% in FY22.
- LTTT bagged six deals, of which one was over USD100m, another was more than USD25m, and the rest were over USD10m.
- Revenue from Digital and leading-edge technologies stood at 57% in 4Q v/s 56% in 3QFY22.

**Mukul Garg – Research analyst** (Mukul.Garg@MotilalOswal.com)

**Raj Prakash Bhanushali – Research analyst** (raj.bhanushali@motilalosal.com)

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

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

- The top five/10 clients grew 2.5%/2.3% QoQ. The top 20 clients registered a softer growth of 2.4% QoQ.
- Telecom and Hi-Tech/Transportation/Plant Engineering grew by 1.1%/7.9%/3.1% QoQ, while Medical Devices/Industrial products fell by 0.4%/0.6%.
- The management guided at a FY23 USD revenue growth of 13.5-15.5%.
- EBIT margin was flat QoQ at 18.6% (missed our estimate by 40bp) in 4QFY22.
- The margin miss was due to a 400bp shift in on-site revenue mix, net employee addition of 743, and lower utilization (-80bp QoQ).
- PAT rose 5% QoQ to INR2.6b, 5% below our estimate.
- Total employee strength stood at 20,861 employees. Attrition rose 290bp sequentially to 20.4%.

#### Key highlights from the management commentary

- Within **Transportation**, demand remains strong in Auto, Trucks, Aerospace, and Off-Highway Equipment. ESEV is a huge tailwind for the segment, with a visibility of three-to-five years. The management continues to remain bullish on this segment. It won one USD100m multi-year deal in the Aerospace segment.
- Within **Plant Engineering**, it sees good demand for EPCM and Automation. The management said that clients are increasingly looking at smaller local plants. It sees good traction in sustainability, carbon capture, water waste management, etc.
- For **Industrial Products**, demand is intact and the deal pipeline continues to remain strong.
- In **Telecom and Hi-Tech** segment, the management said that semiconductors will propel growth and the outlook remains strong. It shared its plans to open 5G laboratory to tap this opportunity.
- LTTS has established a new **Metaverse** unit to tap the huge opportunity that lies ahead in this space.
- Within **Medical Devices**, it bagged a few projects in component engineering and medical devices. It continues to remain bullish on this business.
- The management guided at 13.5-15.5% revenue growth for FY23 and said it remains conservative like last year. However, it is confident of an USD1b run-rate in 2Q/3QFY23.
- The management continued with its sustainable long-term margin guidance of over 18%. While its current margin performance trends over 18%, it sees a few headwinds from: 1) a gradual increase in travel cost, 2) supply-side challenges and a wage hike, and 3) inorganic investments. Tailwinds to margin include: a) growth and the quality of revenue, b) economies of scale, and c) productivity improvements.

**Valuation and view**

- Digitization is driving the accelerated spends in ER&D and LTTS should benefit due to: 1) its strong capabilities, 2) multi-vertical presence, and 3) solid wallet share. We expect the company to deliver strong revenue growth over the coming years and retain it as our top pick in the Tier II IT Services space.
- The management expects strong growth in the medium term, which implies a growth momentum of ~20% over FY21-25E. We view this as an indication that there can be potential upside risk to its USD1.5b revenue aspiration by FY25.
- After a sharp dip in margin in FY21, LTTS has managed to clock a record high margin. We expect it to sustain in a narrow band.
- Our TP of INR5,280/share implies 40x FY24E EPS. We expect improved industry spends v/s the preceding five years. We maintain our **Buy** rating.

**Quarterly performance**

Y/E March	(INR m)											
	FY21				FY22				FY21	FY22	FY22E	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	(%/bp)
Revenue (USD m)	171	178	190	198	206	217	225	232	737	880	235	-1.3
QoQ (%)	-12.5	4.1	6.8	3.9	4.2	5.7	3.5	3.1	-6.3	19.5	4.4	-135bp
Revenue (INR m)	12,947	13,138	14,007	14,405	15,184	16,077	16,875	17,561	54,497	65,697	17,674	-0.6
YoY (%)	-3.9	-6.3	-1.6	-0.4	17.3	22.4	20.5	21.9	-3.0	20.6	22.7	-79bp
GPM (%)	26.8	30.1	30.8	32.3	33.4	33.3	33.7	33.0	30.1	33.3	34.2	-122bp
SGA (%)	10.9	12.4	11.1	11.9	12.4	11.6	12.0	11.3	11.6	11.8	12.1	-76bp
EBITDA	2,059	2,328	2,756	2,931	3,177	3,493	3,675	3,804	10,074	14,149	3,911	-2.7
EBITDA Margin (%)	15.9	17.7	19.7	20.3	20.9	21.7	21.8	21.7	18.5	21.5	22.1	-47bp
EBIT	1,567	1,801	2,132	2,391	2,623	2,964	3,144	3,274	7,891	12,005	3,363	-2.6
EBIT Margin (%)	12.1	13.7	15.2	16.6	17.3	18.4	18.6	18.6	14.5	18.3	19.0	-38bp
Other income	30	457	374	221	334	180	259	314	1,082	1,087	353	-11.2
ETR (%)	26.0	26.4	25.4	25.2	26.6	26.6	26.7	26.6	25.7	26.6	26.0	64bp
PAT	1,173	1,655	1,861	1,945	2,162	2,300	2,488	2,620	6,634	9,570	2,748	-4.7
QoQ (%)	-42.7	41.1	12.4	4.5	11.2	6.4	8.2	5.3			10.5	
YoY (%)	-42.4	-19.6	-8.8	-5.0	84.3	39.0	33.7	34.7	-19.0	44.3	41.3	
EPS (INR)	11.1	15.7	17.6	18.4	20.4	21.8	23.6	24.8	62.8	90.5	26.0	-4.8

**Key performance indicators**

Y/E March	FY21				FY22				FY21	FY22
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Revenue (QoQ CC %)	-12.7	2.9	6.6	3.8	4.3	6.0	4.2	3.6		
<b>Margins (%)</b>										
Gross margin	26.8	30.1	30.8	32.3	33.4	33.3	33.7	33.0	30.1	33.3
EBIT margin	12.1	13.7	15.2	16.6	17.3	18.4	18.6	18.6	14.5	18.3
Net margin	9.1	12.6	13.3	13.5	14.2	14.3	14.7	14.9	12.2	14.6
<b>Operating metrics</b>										
Headcount	16,641	15,902	16,069	16,452	16,972	17,983	20,118	20,861	16,452	20,861
Attrition (%)	11.4	10.8	10.7	12.2	14.5	16.5	17.5	20.4	12.2	20.4
Utilization (incl. trainees)	70.9	75.4	77.5	78.9	79.2	78.1	75.9	75.1	75.7	77.1
<b>Key verticals (YoY %)</b>										
Transportation	-20.4	-19.0	-19.0	-11.7	19.1	21.7	23.9	25.4	-17.5	22.6
Industrial Products	-12.7	-9.5	-4.1	-1.5	20.9	25.3	19.6	16.8	-7.0	20.6
Telecom and Hi-Tech	-11.4	-6.5	18.1	19.5	18.1	20.4	10.7	11.6	3.9	14.9
<b>Key geographies (YoY %)</b>										
North America	-11.4	-12.4	-4.6	1.6	22.5	28.0	20.9	19.0	-6.7	22.5
Europe	-9.5	0.0	8.9	1.1	26.3	27.5	21.4	13.2	0.0	21.7



## Key highlights from the management commentary

### Demand and industry outlook

- LTTS bagged six deals, of which one was over USD100m, another was more than USD25m, and the rest were over USD10m. The deal pipeline remains healthy.
- Within **Transportation**, demand remains strong in Auto, Trucks, Aerospace, and Off-Highway Equipment. ESEV is a huge tailwind for the segment, with a visibility of three-to-five years. The management continues to remain bullish on this segment. It won one USD100m multi-year deal in the Aerospace segment.
- Within **Plant Engineering**, it sees good demand for EPCM and Automation. The management said that clients are increasingly looking at smaller local plants. It sees good traction in sustainability, carbon capture, water waste management, etc.
- For **Industrial Products**, demand is intact and the deal pipeline continues to remain strong.
- In **Telecom and Hi-Tech** segment, the management said that semiconductors will propel growth and the outlook remains strong. It shared its plans to open 5G laboratory to tap this opportunity.
- LTTS has established a new **Metaverse** unit to tap the huge opportunity that lies ahead in this space.
- Within **Medical Devices**, it bagged a few projects in component engineering and medical devices. It continues to remain bullish on this business.
- Revenue from Digital Engineering contributed ~57% in 4Q v/s 56% in 3Q.
- The management guided at 13.5-15.5% revenue growth for FY23 and said it remains conservative like last year. However, it is confident of an USD1b run-rate in 2Q/3QFY23.
- The large deal pipeline is bigger than FY22.

### Margin performance

- EBIT margin in 4QFY22 was flat at 18.6% after six consecutive quarters of improvement.
- In 4QFY22, utilization and revenue mix were headwinds to margin, while tailwinds include operational efficiencies, economies of scale, and a currency depreciation.
- The management continued with its sustainable long-term margin guidance of over 18%. While its current margin performance trends over 18%, it sees a few headwinds from: 1) a gradual increase in travel cost, 2) supply-side challenges and a wage hike, and 3) inorganic investments. Tailwinds to margin include: a) growth and the quality of revenue, b) economies of scale, and c) productivity improvements.

### Other highlights

- Total DSO (including unbilled) was still higher than the management's comfort range of below 95 days. The management expects a further reduction in DSO.
- LTTS plans to ramp up its fresher addition in FY23 to rationalize the pyramid.
- Patent filing rose 3x in FY22 v/s a mere 98 in FY21.
- It expects utilization levels to stabilize at 78% and offshoring at 57%.
- Attrition will stay elevated in the near term.

**Exhibit 1: India leads the growth across geographies with a 9.1% QoQ increase**

Geographies	Contribution to revenue (%)	QoQ growth (%)	YoY growth (%)
North America	62.3	2.7	19.0
Europe	16.1	0.6	13.2
India	14.5	9.1	30.0
RoW	7.1	0.2	(4.1)

Source: Company, MOFSL

**Exhibit 2: Growth broad-based, but Industrial Products and Medical Devices decline**

Verticals	Contribution to revenue (%)	QoQ growth (%)	YoY growth (%)
Transportation	33.3	7.9	25.4
Industrial Products	18.8	(0.6)	16.8
Telecom and Hi-Tech	21.0	1.1	11.6
Plant Engineering	15.4	3.1	16.7
Medical Devices	11.5	(0.4)	9.8

Source: MOFSL, Company

**Valuation and view**

- Digitization is driving the accelerated spends in ER&D and LTTS should benefit due to: 1) its strong capabilities, 2) multi-vertical presence, and 3) solid wallet share. We expect the company to deliver strong revenue growth over the coming years and retain it as our top pick in the Tier II IT Services space.
- The management expects strong growth in the medium term, which implies a growth momentum of ~20% over FY21-25E. We view this as an indication that there can be potential upside risk to its USD1.5b revenue aspiration by FY25.
- After a sharp dip in margin in FY21, LTTS has managed to clock a record high margin. We expect it to sustain in a narrow band.
- Our TP of INR5,280/share implies 40x FY24E EPS. We expect improved industry spends v/s the preceding five years. We maintain our **Buy** rating.

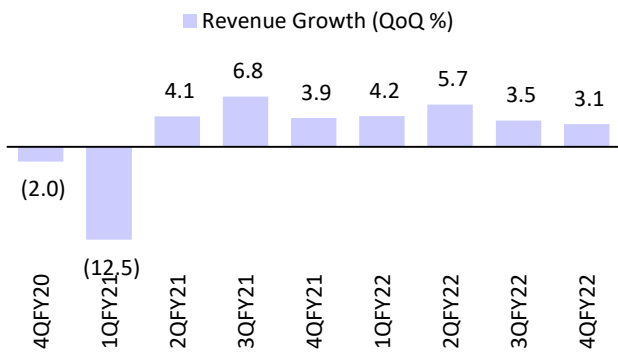
**Exhibit 3: Revisions to our estimates**

	Revised			Earlier			Change (%)		
	FY22	FY23E	FY24E	FY22	FY23E	FY24E	FY22	FY23E	FY24E
USD:INR	74.6	76.0	76.0	74.5	75.0	75.0	0.2	1.3	1.3
Revenue (USD m)	880	1,034	1,225	883	1,069	1,274	-0.3	-3.3	-3.9
Growth (%)	19.5	17.5	18.4	19.9	21.0	19.2	-40bp	-350bp	-80bp
EBIT margin (%)	18.3	18.4	18.5	18.4	18.6	18.7	-10bp	-20bp	-20bp
PAT (INR m)	9,570	11,767	13,946	9,698	12,218	14,594	-1.3	-3.7	-4.4
EPS	90.5	111.3	131.9	91.8	115.7	138.2	-1.4	-3.8	-4.6

Source: MOFSL

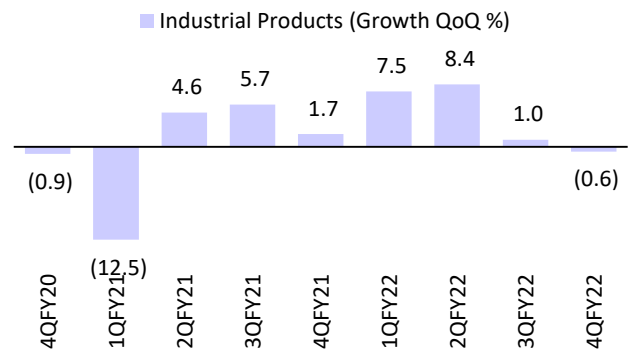
Story in charts

Exhibit 4: LTTS reports a sequential growth of 3.1%



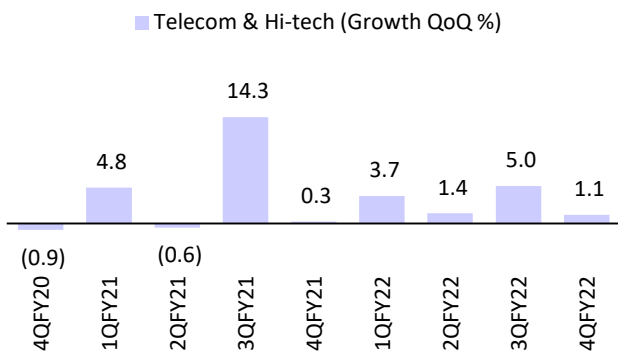
Source: Company, MOFSL

Exhibit 5: Growth in Industrial Products declines in 4QFY22



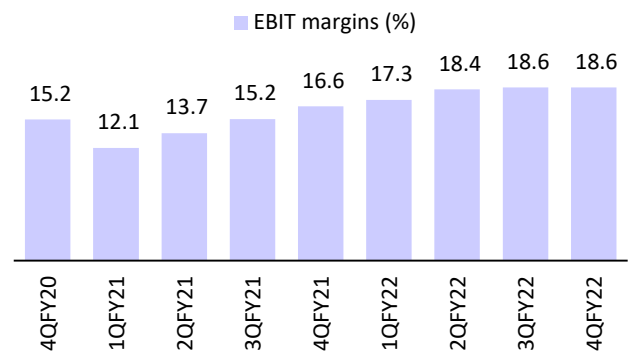
Source: Company, MOFSL

Exhibit 6: Telecom and Hi-Tech grew by 1.1% QoQ in 4QFY22



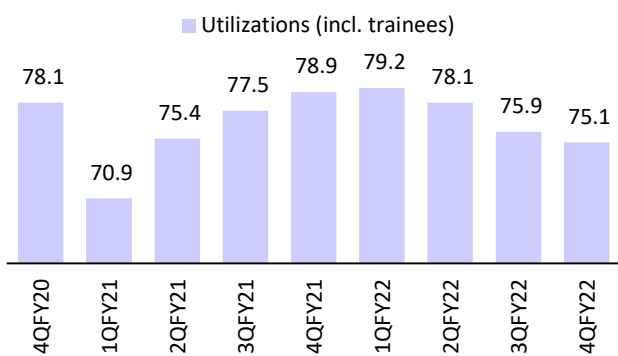
Source: Company, MOFSL

Exhibit 7: EBIT margin was flat QoQ



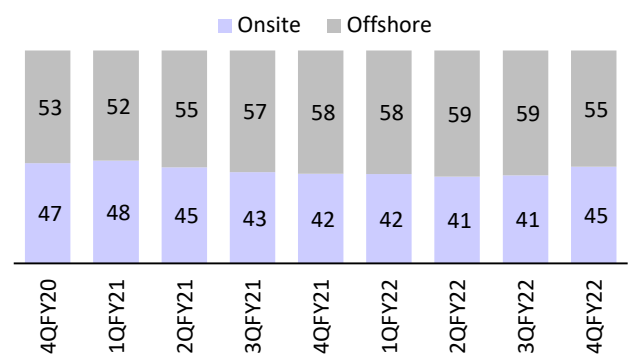
Source: Company, MOFSL

Exhibit 8: Utilization dips further in 4QFY22



Source: Company, MOFSL

Exhibit 9: Offshoring declines in 4QFY22



Source: Company, MOFSL

## Operating metrics

### Exhibit 10: Operating metrics

	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22
<b>Revenue by verticals (%)</b>									
Transportation	35.7	31.5	31.5	30.4	31.2	31.2	31.4	31.8	33.3
Industrial Products	19.4	19.4	19.5	19.3	18.9	19.5	20.0	19.5	18.8
Telecom and Hi-Tech	18.7	22.4	21.4	22.9	22.1	22.0	21.1	21.4	21.0
Plant Engineering	16.0	13.8	14.4	14.7	15.5	15.5	15.3	15.4	15.4
Medical Devices	10.3	12.8	13.2	12.7	12.3	11.7	12.2	11.9	11.5
<b>Revenue by geographies (%)</b>									
North America	61.2	61.2	60.0	61.2	61.5	62.3	62.9	62.5	62.3
Europe	16.7	16.0	16.0	16.1	16.7	16.8	16.7	16.5	16.1
India	12.8	13.0	13.6	13.9	13.1	12.9	13.0	13.7	14.5
RoW	9.3	9.8	10.4	8.8	8.7	8.0	7.4	7.3	7.1
<b>Client metrics</b>									
Top five clients	19.2	17.8	17.0	16.3	16.1	16.4	17.0	17.3	17.2
Top 10 clients	31.8	29.7	28.3	27.3	26.9	27.4	28.2	28.5	28.3
Top 20 clients	48.5	46.8	44.9	44.0	43.8	43.9	44.1	43.8	43.5
<b>Clients (USD m)</b>									
Over USD30m	2	1	1	1	-	-	1	2	2
Over USD20m	8	4	5	4	3	5	6	6	6
Over USD10m	21	22	20	18	20	20	21	22	22
Over USD5m	43	43	44	41	39	43	45	44	48
Over USD1m	113	113	116	118	122	122	125	126	136
<b>Employee metrics</b>									
Billable	15,667	15,481	14,778	14,975	15,335	15,896	16,875	18,975	19,534
Sales and support	1,216	1,160	1,124	1,094	1,117	1,076	1,108	1,143	1,327
Total employees	16,883	16,641	15,902	16,069	16,452	16,972	17,983	20,118	20,861
Attrition (%)	13.8	11.4	10.8	10.7	12.2	14.5	16.5	17.5	20.4
Utilization (incl. trainees)	78.1	70.9	75.4	77.5	78.9	79.2	78.1	75.9	75.1

Source: Company, MOFSL

## Financials and valuations

### Consolidated Income Statement

(INR m)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
<b>Total Income from Operations</b>	<b>37,471</b>	<b>50,783</b>	<b>56,192</b>	<b>54,497</b>	<b>65,697</b>	<b>78,605</b>	<b>93,064</b>
Change (%)	15.4	35.5	10.7	-3.0	20.6	19.6	18.4
Employees Cost	24,600	31,440	32,747	33,550	36,505	42,952	50,750
Other Expenses	7,060	10,185	12,340	10,873	15,043	18,798	22,335
<b>Total Expenditure</b>	<b>31,660</b>	<b>41,625</b>	<b>45,087</b>	<b>44,423</b>	<b>51,548</b>	<b>61,750</b>	<b>73,086</b>
As a percentage of Sales	84.5	82.0	80.2	81.5	78.5	78.6	78.5
<b>EBITDA</b>	<b>5,811</b>	<b>9,158</b>	<b>11,105</b>	<b>10,074</b>	<b>14,149</b>	<b>16,855</b>	<b>19,978</b>
Margin (%)	15.5	18.0	19.8	18.5	21.5	21.4	21.5
Depreciation	888	1,053	1,829	2,183	2,144	2,358	2,792
<b>EBIT</b>	<b>4,923</b>	<b>8,105</b>	<b>9,276</b>	<b>7,891</b>	<b>12,005</b>	<b>14,497</b>	<b>17,187</b>
Other Income	1,910	2,210	1,727	1,082	1,087	1,415	1,675
<b>PBT</b>	<b>6,833</b>	<b>10,315</b>	<b>11,003</b>	<b>8,973</b>	<b>13,092</b>	<b>15,912</b>	<b>18,862</b>
Total Tax	1,712	2,630	2,779	2,307	3,486	4,137	4,904
Tax Rate (%)	25.1	25.5	25.3	25.7	26.6	26.0	26.0
<b>Reported PAT</b>	<b>5,121</b>	<b>7,685</b>	<b>8,224</b>	<b>6,666</b>	<b>9,606</b>	<b>11,775</b>	<b>13,958</b>
Change (%)	20.5	50.1	7.0	-18.9	44.1	22.6	18.5
Margin (%)	13.7	15.1	14.6	12.2	14.6	15.0	15.0
Minority Interest	-6	-28	-38	-32	-36	-8	-12
<b>PAT to shareholders</b>	<b>5,115</b>	<b>7,657</b>	<b>8,186</b>	<b>6,634</b>	<b>9,570</b>	<b>11,767</b>	<b>13,946</b>

### Consolidated Balance Sheet

(INR m)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Equity Share Capital	205	208	209	210	211	211	211
Total Reserves	19,159	24,583	27,477	34,521	41,414	48,239	56,327
<b>Net Worth</b>	<b>19,364</b>	<b>24,791</b>	<b>27,686</b>	<b>34,731</b>	<b>41,625</b>	<b>48,450</b>	<b>56,538</b>
Minority Interest	3	31	69	101	137	145	157
Borrowings	702	702	303	0	0	0	0
Other Long term liabilities	47	194	4,890	4,915	5,359	7,089	8,393
<b>Capital Employed</b>	<b>20,116</b>	<b>25,718</b>	<b>32,948</b>	<b>39,747</b>	<b>47,121</b>	<b>55,684</b>	<b>65,089</b>
<b>Net Fixed Assets</b>	<b>2,173</b>	<b>2,435</b>	<b>6,275</b>	<b>6,997</b>	<b>6,946</b>	<b>5,678</b>	<b>4,177</b>
Goodwill	4,921	5,365	5,460	5,827	5,881	5,881	5,881
Capital WIP	1	0	87	119	99	99	99
Other Assets	1,349	2,123	2,109	2,760	4,733	5,210	5,575
<b>Curr. Assets, Loans, and Adv.</b>	<b>18,607</b>	<b>23,715</b>	<b>29,102</b>	<b>35,026</b>	<b>43,251</b>	<b>53,855</b>	<b>64,945</b>
Account Receivables	9,623	10,643	13,807	12,346	16,959	17,228	20,398
Cash and Bank Balance	1,541	2,048	2,179	1,751	2,347	8,173	12,661
Current Investments	2,208	5,752	6,370	15,725	18,313	20,813	23,313
Other Current Assets	5,235	5,272	6,746	5,204	5,632	7,640	8,573
<b>Curr. Liability and Prov.</b>	<b>6,935</b>	<b>7,920</b>	<b>10,085</b>	<b>10,982</b>	<b>13,789</b>	<b>15,039</b>	<b>15,589</b>
Account Payables	1,807	1,879	1,975	2,352	1,720	2,970	3,520
Other Current Liabilities	3,922	4,700	6,456	7,046	10,117	10,117	10,117
Provisions	1,206	1,341	1,654	1,584	1,952	1,952	1,952
<b>Net Current Assets</b>	<b>11,672</b>	<b>15,795</b>	<b>19,017</b>	<b>24,044</b>	<b>29,462</b>	<b>38,816</b>	<b>49,356</b>
<b>Appl. of Funds</b>	<b>20,116</b>	<b>25,718</b>	<b>32,948</b>	<b>39,747</b>	<b>47,121</b>	<b>55,684</b>	<b>65,089</b>



## Financials and valuations

### Ratios

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
<b>Basic EPS (INR)</b>	48.1	72.6	77.5	62.8	90.5	111.3	131.9
Cash EPS	56.6	82.6	94.9	83.5	110.8	133.6	158.3
BV/Share	188.9	238.4	264.9	330.8	394.5	459.2	535.9
DPS	15.6	21.0	21.0	22.0	31.7	39.0	46.2
Payout (%)	32.4	28.9	27.1	35.0	35.0	35.0	35.0
<b>Valuation (x)</b>							
P/E	88.2	58.4	54.7	67.5	46.9	38.1	32.2
Cash P/E	75.0	51.4	44.7	50.8	38.3	31.8	26.8
P/BV	22.5	17.8	16.0	12.8	10.8	9.2	7.9
EV/Sales	11.6	8.5	7.7	7.8	6.5	5.3	4.4
EV/EBITDA	74.6	47.1	39.1	42.4	30.1	24.8	20.6
Dividend Yield (%)	0.4	0.5	0.5	0.5	0.7	0.9	1.1
<b>Return Ratios (%)</b>							
RoE	29.6	34.7	31.1	21.2	25.0	26.0	26.5
RoCE	21.5	27.2	24.0	16.2	20.3	20.9	21.1

### Consolidated Cash Flow Statement

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
OP/(Loss) before Tax	6,778	10,314	11,002	8,973	13,092	15,912	18,862
Depreciation	888	1,042	1,829	2,183	2,144	2,358	2,792
Interest and Finance Charges	24	19	365	455	437	0	0
Direct Taxes Paid	-1,721	-2,808	-2,119	-2,523	-3,563	-4,137	-4,904
(Inc.)/Dec. in WC	-1,701	-739	-4,287	4,245	-1,452	226	-2,614
Others	-132	234	-409	-60	-597	0	0
<b>CF from Operations</b>	<b>4,136</b>	<b>8,062</b>	<b>6,381</b>	<b>13,273</b>	<b>10,061</b>	<b>14,359</b>	<b>14,136</b>
(Inc.)/Dec. in FA	-851	-885	-1,511	-756	-1,555	-1,090	-1,291
<b>Free Cash Flow</b>	<b>3,285</b>	<b>7,177</b>	<b>4,870</b>	<b>12,517</b>	<b>8,506</b>	<b>13,268</b>	<b>12,845</b>
(Pur.)/Sale of Investments	-1,231	-4,389	-1,039	-9,653	-3,393	-2,500	-2,500
Others	78	181	328	355	465	0	0
<b>CF from Investments</b>	<b>-2,004</b>	<b>-5,093</b>	<b>-2,222</b>	<b>-10,054</b>	<b>-4,483</b>	<b>-3,590</b>	<b>-3,791</b>
Issue of Shares	2	3	1	1	1	0	0
Inc./(Dec.) in Debt	-317	2	-1,028	-995	-913	0	0
Interest Paid	-25	-19	-365	-455	-437	0	0
Dividend Paid	-983	-2,440	-2,636	-2,198	-3,633	-4,942	-5,857
<b>CF from Fin. Activity</b>	<b>-1,323</b>	<b>-2,454</b>	<b>-4,028</b>	<b>-3,647</b>	<b>-4,982</b>	<b>-4,942</b>	<b>-5,857</b>
<b>Inc./Dec. in Cash</b>	<b>809</b>	<b>515</b>	<b>131</b>	<b>-428</b>	<b>596</b>	<b>5,826</b>	<b>4,488</b>
Forex Adjustment	60	-8	0	0	0	0	0
Opening Balance	672	1,541	2,048	2,179	1,751	2,347	8,173
<b>Closing Balance</b>	<b>1,541</b>	<b>2,048</b>	<b>2,179</b>	<b>1,751</b>	<b>2,347</b>	<b>8,173</b>	<b>12,661</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

\*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

#### Disclosures

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations).

Motilal Oswal Financial Services Ltd. (MOFSL) is a SEBI Registered Research Analyst having registration no. INH000000412. MOFSL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock broking services, Investment Advisory Services, Depository participant services & distribution of various financial products. MOFSL is a subsidiary company of Passionate Investment Management Pvt. Ltd.. (PIMPL). MOFSL is a listed public company, the details in respect of which are available on [www.motilaloswal.com](http://www.motilaloswal.com). MOFSL (erstwhile Motilal Oswal Securities Limited - MOSL) is registered with the Securities & Exchange Board of India (SEBI) and is a registered Trading Member with National Stock Exchange of India Ltd. (NSE) and Bombay Stock Exchange Limited (BSE), Multi Commodity Exchange of India Limited (MCX) and National Commodity & Derivatives Exchange Limited (NCDEX) for its stock broking activities & is Depository participant with Central Depository Services Limited (CDSL) National Securities Depository Limited (NSDL), NERL, COMRIS and CCRL and is member of Association of Mutual Funds of India (AMFI) for distribution of financial products and Insurance Regulatory & Development Authority of India (IRDA) as Corporate Agent for insurance products. Details of associate entities of Motilal Oswal Financial Services Limited are available on the website at <http://onlinereports.motilaloswal.com/Dormant/documents/List%20of%20Associate%20companies.pdf>

MOFSL and its associate company(ies), their directors and Research Analyst and their relatives may; (a) from time to time, have a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report

MOFSL and / or its affiliates do and seek to do business including investment banking with companies covered in its research reports. As a result, the recipients of this report should be aware that MOFSL may have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. Details of pending Enquiry Proceedings of Motilal Oswal Financial Services Limited are available on the website at <https://galaxy.motilaloswal.com/ResearchAnalyst/PublishViewLitigation.aspx>

A graph of daily closing prices of securities is available at [www.nseindia.com](http://www.nseindia.com), [www.bseindia.com](http://www.bseindia.com). Research Analyst views on Subject Company may vary based on Fundamental research and Technical Research. Proprietary trading desk of MOFSL or its associates maintains arm's length distance with Research Team as all the activities are segregated from MOFSL research activity and therefore it can have an independent view with regards to Subject Company for which Research Team have expressed their views.

#### Regional Disclosures (outside India)

This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL & its group companies to registration or licensing requirements within such jurisdictions.

#### For Hong Kong:

This report is distributed in Hong Kong by Motilal Oswal capital Markets (Hong Kong) Private Limited, a licensed corporation (CE AYY-301) licensed and regulated by the Hong Kong Securities and Futures Commission (SFC) pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) "SFO". As per SEBI (Research Analyst Regulations) 2014 Motilal Oswal Securities (SEBI Reg No. INH000000412) has an agreement with Motilal Oswal capital Markets (Hong Kong) Private Limited for distribution of research report in Hong Kong. This report is intended for distribution only to "Professional Investors" as defined in Part I of Schedule 1 to SFO. Any investment or investment activity to which this document relates is only available to professional investor and will be engaged only with professional investors." Nothing here is an offer or solicitation of these securities, products and services in any jurisdiction where their offer or sale is not qualified or exempt from registration. The Indian Analyst(s) who compile this report is/are not located in Hong Kong & are not conducting Research Analysis in Hong Kong.

#### For U.S.

Motilal Oswal Financial Services Limited (MOFSL) is not a registered broker - dealer under the U.S. Securities Exchange Act of 1934, as amended (the "1934 act") and under applicable state laws in the United States. In addition MOFSL is not a registered investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act" and together with the 1934 Act, the "Acts"), and under applicable state laws in the United States. Accordingly, in the absence of specific exemption under the Acts, any brokerage and investment services provided by MOFSL, including the products and services described herein are not available to or intended for U.S. persons. This report is intended for distribution only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the Exchange Act and interpretations thereof by SEC (henceforth referred to as "major institutional investors"). This document must not be acted on or relied on by persons who are not major institutional investors. Any investment or investment activity to which this document relates is only available to major institutional investors and will be engaged in only with major institutional investors. In reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") and interpretations thereof by the U.S. Securities and Exchange Commission ("SEC") in order to conduct business with Institutional Investors based in the U.S., MOFSL has entered into a chaperoning agreement with a U.S. registered broker-dealer, Motilal Oswal Securities International Private Limited. ("MOSIPL"). Any business interaction pursuant to this report will have to be executed within the provisions of this chaperoning agreement.

The Research Analysts contributing to the report may not be registered /qualified as research analyst with FINRA. Such research analyst may not be associated persons of the U.S. registered broker-dealer, MOSIPL, and therefore, may not be subject to NASD rule 2711 and NYSE Rule 472 restrictions on communication with a subject company, public appearances and trading securities held by a research analyst account.

#### For Singapore

In Singapore, this report is being distributed by Motilal Oswal Capital Markets Singapore Pte Ltd ("MOCMSPL") (Co.Reg. NO. 201129401Z) which is a holder of a capital markets services license and an exempt financial adviser in Singapore. As per the approved agreement under Paragraph 9 of Third Schedule of Securities and Futures Act (CAP 289) and Paragraph 11 of First Schedule of Financial Advisors Act (CAP 110) provided to MOCMSPL by Monetary Authority of Singapore. Persons in Singapore should contact MOCMSPL in respect of any matter arising from, or in connection with this report/publication/communication. This report is distributed solely to persons who qualify as "Institutional Investors", of which some of whom may consist of "accredited" institutional investors as defined in section 4A(1) of the Securities and Futures Act, Chapter 289 of Singapore ("the SFA"). Accordingly, if a Singapore person is not or ceases to be such an institutional investor, such Singapore Person must immediately discontinue any use of this Report and inform MOCMSPL.

#### Specific Disclosures

- 1 MOFSL, Research Analyst and/or his relatives does not have financial interest in the subject company, as they do not have equity holdings in the subject company.
- 2 MOFSL, Research Analyst and/or his relatives do not have actual/beneficial ownership of 1% or more securities in the subject company
- 3 MOFSL, Research Analyst and/or his relatives have not received compensation/other benefits from the subject company in the past 12 months
- 4 MOFSL, Research Analyst and/or his relatives do not have material conflict of interest in the subject company at the time of publication of research report
- 5 Research Analyst has not served as director/officer/employee in the subject company
- 6 MOFSL has not acted as a manager or co-manager of public offering of securities of the subject company in past 12 months
- 7 MOFSL has not received compensation for investment banking/ merchant banking/brokerage services from the subject company in the past 12 months
- 8 MOFSL has not received compensation for other than investment banking/merchant banking/brokerage services from the subject company in the past 12 months
- 9 MOFSL has not received any compensation or other benefits from third party in connection with the research report
- 10 MOFSL has not engaged in market making activity for the subject company

The associates of MOFSL may have:

- financial interest in the subject company
- actual/beneficial ownership of 1% or more securities in the subject company
- received compensation/other benefits from the subject company in the past 12 months
- other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.
- acted as a manager or co-manager of public offering of securities of the subject company in past 12 months
- be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies)
- received compensation from the subject company in the past 12 months for investment banking / merchant banking / brokerage services or from other than said services.

The associates of MOFSL has not received any compensation or other benefits from third party in connection with the research report

Above disclosures include beneficial holdings lying in demat account of MOFSL which are opened for proprietary investments only. While calculating beneficial holdings, It does not consider demat accounts which are opened in name of MOFSL for other purposes (i.e holding client securities, collaterals, error trades etc.). MOFSL also earns DP income from clients which are not considered in above disclosures.

#### Analyst Certification

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report.

#### Terms & Conditions:

This report has been prepared by MOFSL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of MOFSL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. MOFSL will not treat recipients as customers by virtue of their receiving this report.

#### Disclaimer:

The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent. This report and information herein is solely for informational purpose and may not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. Certain transactions -including those involving futures, options, another derivative products as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. No representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document. The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. This information is subject to change without any prior notice. The Company reserves the right to make modifications and alternations to this statement as may be required from time to time without any prior approval. MOFSL, its associates, their directors and the employees may from time to time, effect or have effected an own account transaction in, or deal as principal or agent in or for the securities mentioned in this document. They may perform or seek to perform investment banking or other services for, or solicit investment banking or other business from, any company referred to in this report. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting the document. This report has been prepared on the basis of information that is already available in publicly accessible media or developed through analysis of MOFSL. The views expressed are those of the analyst, and the Company may or may not subscribe to all the views expressed therein. This document is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction. Neither the Firm, not its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The person accessing this information specifically agrees to exempt MOFSL or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold MOFSL or any of its affiliates or employees responsible for any such misuse and further agrees to hold MOFSL or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

Registered Office Address: Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai-400025; Tel No.: 022 71934200/ 022-71934263; Website [www.motilaloswal.com](http://www.motilaloswal.com).CIN no.: L67190MH2005PLC153397. Correspondence Office Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad(West), Mumbai- 400 064. Tel No: 022 7188 1000.

Registration Nos.: Motilal Oswal Financial Services Limited (MOFSL)\*: INZ000158836(BSE/NSE/MCX/NCDEX); CDSL and NSDL: IN-DP-16-2015; Research Analyst: INH000000412. AMFI: ARN - 146822; Investment Adviser: INA000007100; Insurance Corporate Agent: CA0579;PMS:INP000006712. Motilal Oswal Asset Management Company Ltd. (MOAMC): PMS (Registration No.: INP00000670); PMS and Mutual Funds are offered through MOAMC which is group company of MOFSL. Motilal Oswal Wealth Management Ltd. (MOWML): PMS (Registration No.: INP000004409) is offered through MOWML, which is a group company of MOFSL. Motilal Oswal Financial Services Limited is a distributor of Mutual Funds, PMS, Fixed Deposit, Bond, NCDs, Insurance Products and IPOs. Real Estate is offered through Motilal Oswal Real Estate Investment Advisors II Pvt. Ltd. which is a group company of MOFSL. Private Equity is offered through Motilal Oswal Private Equity Investment Advisors Pvt. Ltd which is a group company of MOFSL. Research & Advisory services is backed by proper research. Please read the Risk Disclosure Document prescribed by the Stock Exchanges carefully before investing. There is no assurance or guarantee of the returns. Investment in securities market is subject to market risk, read all the related documents carefully before investing. Details of Compliance Officer: Name: Neeraj Agarwal, Email ID: [na@motilaloswal.com](mailto:na@motilaloswal.com), Contact No.:022-71881085.

\* MOSL has been amalgamated with Motilal Oswal Financial Services Limited (MOFSL) w.e.f August 21, 2018 pursuant to order dated July 30, 2018 issued by Hon'ble National Company Law Tribunal, Mumbai Bench.