

Estimate change



TP change



Rating change



**CMP: INR394**

**TP: INR380 (-4%)**

**Neutral**

## FY24 revenue to dip despite strong order book

### Low growth visibility, margin improvement to be gradual

- Wipro (WPRO) reported a revenue decline of 2.8% QoQ CC in IT Services business in 1QFY24, due to adverse macro and a slowdown in discretionary spends in key verticals like BFS, Consumer and Hi-Tech. Despite healthy deal wins, the softness is expected to continue in 2Q, as the company has guided for revenue performance of -2% to +1% CC in 2QFY24. Given WPRO's boarder presence in the discretionary areas, the conversion is a challenge as enterprises are cautious and are reprioritizing spends.
- EBIT margin (IT Services) was down 30bp QoQ at 16.0%, in line with our estimate. Amid macro uncertainties, the management is confident of maintaining the margin in 2Q by deferring the wage hike cycle to 3Q.
- WPRO's weak 2Q revenue growth guidance, along with the absence of near-term demand visibility, is likely to more than negate the continued strength in deal momentum over the last few quarters. The management indicated that slower decision-making and cuts in discretionary spends should affect 2QFY24. Moreover, the revenue decline in 1HFY4 would result in WPRO delivering a rare revenue decline in FY24 (MOFSLe at -1.7% YoY CC), which is unlikely to help share price despite inexpensive valuations. We are factoring in USD revenue CAGR of 5.8% over FY23-25E, as we expect the company to see a pickup in FY25.
- In terms of margin, the company delivered IT Services EBIT margin of 16.0%, in line with our expectation and at the bottom end of its comfort range. More importantly, despite deferring the wage hikes and a sharp decline in net headcount, WPRO expects the softness in profitability to continue in the near term on account of adverse operating leverage. We expect FY24/FY25 IT Services margins to be at 15.8%/16.6%, below the management's medium-term guided range of 17.0-17.5%, and translating into an 8.4% INR PAT CAGR over FY23-25.
- We cut our FY24E/FY25E EPS by 3.5%/4.9% to factor in weaker FY24E growth due to a weak start in 1QFY24 and higher share count. **Reiterate Neutral as we view the current valuation as fair. Our TP of INR380 implies 16x FY25E EPS.**

### Disappointing 2Q guidance

- In 1QFY24, revenue from IT Services declined 1.1% YoY in CC terms (2.8% QoQ CC decline), INR EBIT was up 8.2% YoY, and INR PAT rose 12% YoY.
- EBIT margin in IT Services was down 30bp QoQ at 16.0%, in line with estimate.
- WPRO's 2QFY24 revenue guidance was again disappointing at -2.0% to +1.0% in CC terms.
- Headcount declined significantly by 8.8k in 1QFY24. Net utilization (excl. Trainees) improved 83.7% (vs. 81.7% in 4QFY23). Attrition (LTM) was down 190bp QoQ at 17.3%.
- Net profit grew 12% YoY to INR29bn, in line with our estimate.

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| Bloomberg             | WPRO IN       |
|-----------------------|---------------|
| Equity Shares (m)     | 5693          |
| M.Cap.(INRb)/(USDb)   | 2164.5 / 26.4 |
| 52-Week Range (INR)   | 445 / 352     |
| 1, 6, 12 Rel. Per (%) | -4/-8/-25     |
| 12M Avg Val (INR M)   | 2318          |

### Financials & Valuations (INR b)

| Y/E Mar         | 2023  | 2024E | 2025E |
|-----------------|-------|-------|-------|
| Sales           | 905   | 920   | 1,021 |
| EBIT Margin (%) | 15.4  | 15.4  | 16.2  |
| PAT             | 114   | 115   | 133   |
| EPS (INR)       | 20.7  | 20.8  | 23.8  |
| EPS Gr. (%)     | (5.5) | 0.4   | 14.6  |
| BV/Sh. (INR)    | 142.7 | 136.5 | 139.8 |

### Ratios

|            |      |       |      |
|------------|------|-------|------|
| RoE (%)    | 15.8 | 15.1  | 17.6 |
| RoCE (%)   | 12.8 | 12.1  | 14.3 |
| Payout (%) | 4.8  | 104.4 | 70.0 |

### Valuations

|               |      |      |      |
|---------------|------|------|------|
| P/E (x)       | 19.0 | 19.0 | 16.5 |
| P/BV (x)      | 2.8  | 2.9  | 2.8  |
| EV/EBITDA (x) | 11.0 | 10.7 | 9.1  |
| Div Yield (%) | 0.3  | 5.5  | 4.2  |

### Shareholding pattern (%)

| As On    | Mar-23 | Dec-22 | Mar-22 |
|----------|--------|--------|--------|
| Promoter | 72.9   | 72.9   | 73.0   |
| DII      | 8.0    | 7.9    | 3.3    |
| FII      | 9.0    | 8.9    | 8.4    |
| Others   | 10.1   | 10.4   | 15.4   |

FII Includes depository receipts

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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**

- Hi-Tech, Consumer and BFSI are the sectors that have been the most affected due to higher dependency on discretionary spends, especially in North America 1 where the slowdown is pronounced. However, demand is positive for Healthcare and Energy & Utility verticals.
- The management indicated that the demand slowdown is partly attributed to the strong uptick during the pandemic, which is currently normalizing. The focus is shifting to cost optimization, vendor consolidation and automation.
- The weak guidance in 2Q is majorly attributed to macro uncertainty and no near-term demand visibility. Clients are maintaining caution at this moment, otherwise business transformation remains integral to CIOs and CXOs.
- The consulting business is significantly hit by the slowdown in discretionary spends and WPRO expects the consulting-related spends to resume once the macro headwinds start receding.

**Valuation factors in muted growth; reiterate Neutral**

- Given WPRO's weak 1QFY24 earnings and muted 2Q guidance, we expect its FY24 organic growth to be one of the lowest among Tier-1 IT Services peers, with margin below the management's medium-term guided range of 17.0-17.5%.
- We cut our FY24E/FY25E EPS by 3.5%/4.9% to factor in weaker FY24 growth. We maintain our **Neutral** rating as we await: 1) further evidence of the execution of WPRO's refreshed strategy, and 2) a successful turnaround from its struggles over the last decade before turning more constructive on the stock. Our TP of INR380 implies 16x FY25E EPS.

**Quarterly performance (IFRS)**

| Y/E March                        | FY23  |       |       |       | FY24E |       |       |       | FY23   | FY24E  | FY24E | Var.<br>(% / bp) |
|----------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|--------|--------|-------|------------------|
|                                  | 1Q    | 2Q    | 3Q    | 4Q    | 1Q    | 2Q    | 3Q    | 4Q    | FY23   | 1QFY24 |       |                  |
| Revenue from IT Services (USD m) | 2,756 | 2,817 | 2,821 | 2,840 | 2,779 | 2,758 | 2,798 | 2,859 | 11,234 | 11,193 | 2,781 | -0.1             |
| QoQ (%)                          | 1.3   | 2.2   | 0.1   | 0.6   | -2.1  | -0.7  | 1.4   | 2.2   | 8.5    | -0.4   | -1.5  | -65bp            |
| Overall revenue (INR b)          | 215   | 225   | 232   | 232   | 228   | 227   | 230   | 235   | 905    | 920    | 230   | -0.8             |
| QoQ (%)                          | 3.2   | 4.7   | 3.1   | -0.2  | -1.5  | -0.5  | 1.4   | 2.2   |        |        | -0.8  | -75bp            |
| YoY (%)                          | 17.9  | 14.6  | 14.4  | 11.2  | 6.0   | 0.7   | -0.9  | 1.5   | 14.4   | 1.7    | 6.9   | -80bp            |
| GPM (%)                          | 27.7  | 27.3  | 29.7  | 29.8  | 29.4  | 29.4  | 29.1  | 29.4  | 28.7   | 29.3   | 29.4  | -3bp             |
| SGA (%)                          | 13.4  | 13.4  | 14.1  | 14.0  | 14.2  | 13.8  | 13.8  | 13.8  | 13.7   | 13.9   | 13.8  | 42bp             |
| EBITDA                           | 40    | 41    | 46    | 46    | 43    | 44    | 44    | 45    | 173    | 176    | 45    | -5.3             |
| EBITDA margin (%)                | 18.5  | 18.1  | 19.9  | 19.9  | 18.8  | 19.3  | 19.0  | 19.3  | 19.1   | 19.1   | 19.7  | -91bp            |
| IT Serv. EBIT (%)                | 14.9  | 15.1  | 16.3  | 16.3  | 16.0  | 15.9  | 15.6  | 15.9  | 15.7   | 15.8   | 16.2  | -16bp            |
| EBIT margin (%)                  | 14.8  | 14.4  | 16.2  | 16.2  | 15.1  | 15.6  | 15.3  | 15.6  | 15.4   | 15.4   | 16.0  | -91bp            |
| Other income                     | 2     | 2     | 2     | 3     | 3     | 2     | 2     | 2     | 8      | 11     | 1     | 180.5            |
| ETR (%)                          | 23.6  | 22.5  | 22.9  | 23.0  | 24.0  | 24.0  | 24.0  | 24.0  | 23.0   | 24.0   | 22.5  | 150bp            |
| PAT                              | 26    | 27    | 31    | 31    | 29    | 29    | 28    | 30    | 114    | 115    | 29    | -2.3             |
| QoQ (%)                          | -17.0 | 3.7   | 14.8  | 0.7   | -6.6  | -0.4  | -0.5  | 4.1   |        |        | -4.5  | -218bp           |
| YoY (%)                          | -20.7 | -9.3  | 2.9   | -0.4  | 12.0  | 7.5   | -6.9  | -3.8  | -7.1   | 1.5    | 14.6  | -261bp           |
| EPS (INR)                        | 4.7   | 4.9   | 5.6   | 5.6   | 5.1   | 5.1   | 5.1   | 5.3   | 20.7   | 20.8   | 5.3   | -4.2             |

E: MOFSL estimates

## Key performance indicators

| Y/E March                       | FY23 |      |      |      | FY24E |      |      |      | FY23 | FY24E |
|---------------------------------|------|------|------|------|-------|------|------|------|------|-------|
|                                 | 1Q   | 2Q   | 3Q   | 4Q   | 1Q    | 2Q   | 3Q   | 4Q   |      |       |
| Revenue (QoQ CC %)              | 1.9  | 4.1  | 0.6  | -0.7 | -2.8  |      |      |      |      |       |
| <b>Margins</b>                  |      |      |      |      |       |      |      |      |      |       |
| Gross margin                    | 27.7 | 27.3 | 29.7 | 29.8 | 29.4  | 29.4 | 29.1 | 29.4 | 28.7 | 29.3  |
| EBIT margin                     | 14.8 | 14.4 | 16.2 | 16.2 | 15.1  | 15.6 | 15.3 | 15.6 | 15.4 | 15.4  |
| Net margin                      | 11.9 | 11.8 | 13.1 | 13.3 | 12.6  | 12.6 | 12.3 | 12.6 | 12.5 | 12.5  |
| <b>Operating metrics</b>        |      |      |      |      |       |      |      |      |      |       |
| Headcount (k)                   | 262  | 263  | 262  | 259  | 250   |      |      |      | 259  |       |
| Attrition (%)                   | 23   | 22.9 | 21.2 | 19.4 | 17    |      |      |      | 19   |       |
| Utilization                     | 83.8 | 79.8 | 79.7 | 81.7 | 83.7  |      |      |      | 81.3 |       |
| <b>Key verticals (YoY CC %)</b> |      |      |      |      |       |      |      |      |      |       |
| BFSI                            | 2.4  | 3.6  | -0.2 | -2.4 | -4.3  |      |      |      | 42.8 |       |
| Retail                          | 5.0  | 5.5  | 0.6  | -0.9 | -3.5  |      |      |      | 36.0 |       |



## Highlights from the management commentary

### Performance and demand outlook: 1QFY24

- IT Services USD revenue declined 2.8% QoQ in CC to USD2.78b. Despite muted growth, the company was able to largely maintain the IT service margin at 16% (down 30bp QoQ).
- Hi-Tech, Consumer and BFSI are the sectors that have been affected the most due to higher dependency on discretionary spends, especially in North America 1 where the slowdown is pronounced. However, demand is positive for Healthcare and Energy & Utility verticals.
- The management indicated that the demand slowdown is partly attributed to the strong uptick during the pandemic, which is currently normalizing. The focus is shifting to cost optimization, vendor consolidation and automation.
- The weak guidance in 2Q is majorly attributed to macro uncertainty and no near-term demand visibility. Clients are maintaining caution at this moment, otherwise business transformation remains integral to CIOs and CXOs.
- The large deal signings remain strong at USD1.2b (up 9% YoY CC), aided by the restructuring service lines with four global business units in last Q. The management was quite optimistic about maintaining the momentum in deal flows as it has built a strong account executive team for large deal mining activities.
- The consulting business is significantly hit by the slowdown in discretionary spends and it expects the consulting-related spends to resume once the macro headwinds start receding.

### Margin outlook

- The company is leveraging multiple margin levers: Fixed-price contract mix, utilization, and fixed costs. WPRO believes that it has further room for improvement in utilization in the coming quarter.
- It aspires to reach 17-17.5% operating margin in the medium term and it continues to progress toward achieving the thresholds, but near-term uncertainty weighs on the improvement.
- Despite muted 2Q growth guidance, the company expects to stabilize operating margin in 2Q at the current level through multiple margin levers.
- The management indicated that the wage hike cycle would defer to 3Q.

**Other highlights on Generative AI**

- Wipro has launched an AI 360 platform and it has 2,000+ global engagement in Gen AI. The company is building a full range of capability solutions, services, platforms, and partnerships to fuel growth in this area.
- The company plans to invest USD1.0b over three years in Generative AI. The investments would be a combination of accelerators, capabilities, methods and trainings in AI, with some portion of inorganic investment through M&A activities.
- It is planning to train all its employees in the Generative AI technology within 12 months.

**Exhibit 1: ENU, BFSI, and Consumer dragged down growth in 1QFY24**

| Verticals                                | Contribution to revenue (%) | CC growth (QoQ %) |
|--|-----------------------------|-------------------|
| BFSI                                     | 33.9                        | -4.3              |
| Communications                           | 4.6                         | -0.5              |
| Consumer Business Unit                   | 18.7                        | -3.5              |
| Energy, Natural Resources, and Utilities | 12.0                        | -4.9              |
| Health Business Unit                     | 12.2                        | -1.3              |
| Manufacturing                            | 7.3                         | 0.9               |
| Technology                               | 11.3                        | 0.1               |

Source: Company, MOFSL

**Exhibit 2: Americas 2 drags 1QFY24 growth**

| Geographies | Contribution to revenue (%) | CC growth (QoQ %) |
|-------------|-----------------------------|-------------------|
| Americas 1  | 28.8                        | -1.1              |
| Americas 2  | 30.0                        | -4.2              |
| Europe      | 29.5                        | -3.4              |
| APMEA       | 11.7                        | -1.9              |

Source: Company, MOFSL

**Valuation factors in muted growth; reiterate Neutral**

- Given WPRO's weak 1QFY24 earnings and muted guidance for 2QFY24, we expect its FY24 organic growth to be one of the lowest among Tier-1 IT Services peers, with margin below the management's medium-term guided range of 17.0-17.5%.
- We cut our FY24E/FY25E EPS by 3.5%/4.9% to factor in weaker FY24 growth. We maintain our **Neutral** rating as we await: 1) further evidence of the execution of WPRO's refreshed strategy, and 2) a successful turnaround from its struggles over the last decade before turning more constructive on the stock. Our TP of INR380 implies 16x FY25E EPS.

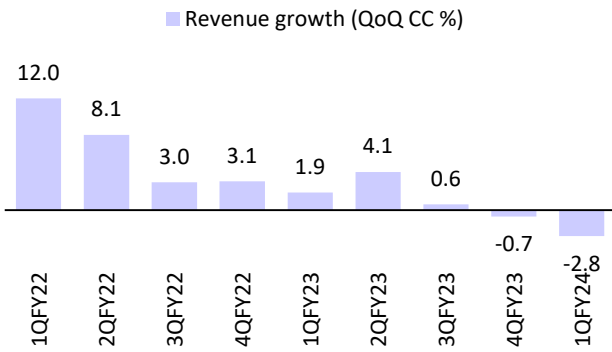
**Exhibit 3: Revisions to our estimates**

|                                  | Revised estimates |        | Earlier estimates |          | Change in estimates |        |
|----------------------------------|-------------------|--------|-------------------|----------|---------------------|--------|
|                                  | FY24E             | FY25E  | FY24E             | FY25E    | FY24E               | FY25E  |
| USD:INR                          | 82.0              | 82.0   | 82.1              | 82.0     | -0.1%               | 0.0%   |
| Revenue from IT Services (USD m) | 11,193            | 12,417 | 11,395.9          | 12,629.0 | -1.8%               | -1.7%  |
| Overall growth (%)               | 0.9               | 10.9   | 3.0               | 10.7     | -210bps             | 20bps  |
| EBIT margin – overall (%)        | 15.4              | 16.2   | 15.8              | 16.6     | -40bps              | -50bps |
| EBIT margin – IT Services (%)    | 15.8              | 16.6   | 16.0              | 16.8     | -10bps              | -20bps |
| PAT (INR b)                      | 115.2             | 133.4  | 118.2             | 137.4    | -2.5%               | -2.9%  |
| EPS (INR)                        | 20.78             | 23.82  | 21.5              | 25.1     | -3.5%               | -4.9%  |

Source: Company, MOFSL

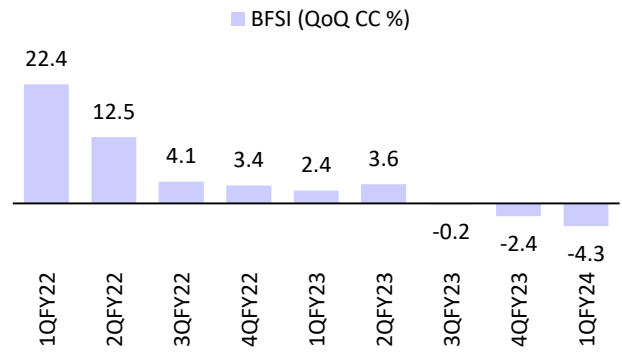
Story in charts

Exhibit 4: WPRO reports sharp revenue decline in 1QFY24



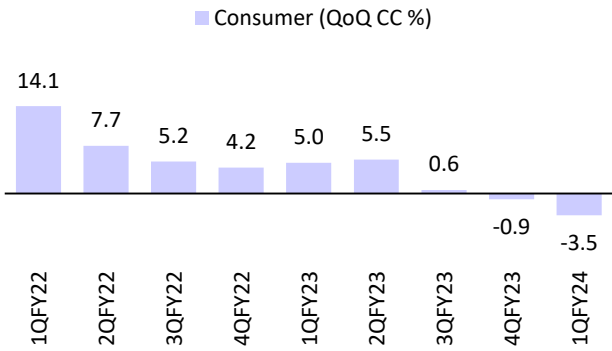
Source: Company, MOFSL

Exhibit 5: BFSI declines 4.3% sequentially



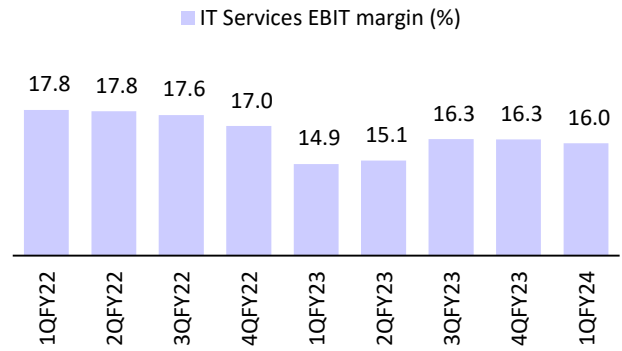
Source: Company, MOFSL

Exhibit 6: Consumer down 3.5% sequentially



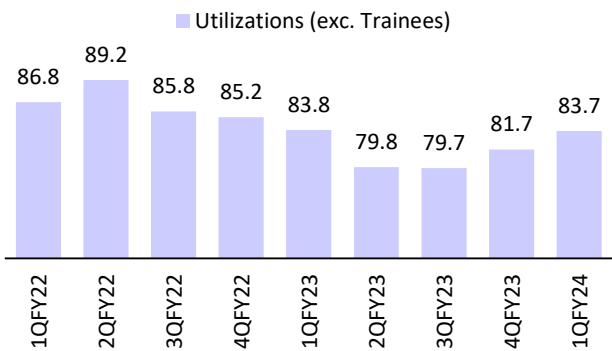
Source: Company, MOFSL

Exhibit 7: Margin contracts 30bp QoQ



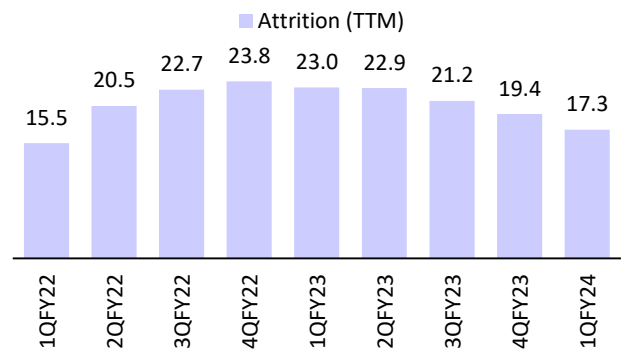
Source: Company, MOFSL

Exhibit 8: Utilization improves 200bp QoQ



Source: Company, MOFSL

Exhibit 9: Attrition continues to moderate in 1QFY24



Source: Company, MOFSL

## Operating metrics

Exhibit 10: Operating metrics

|   | 1QFY22 | 2QFY22 | 3QFY22 | 4QFY22 | 1QFY23 | 2QFY23 | 3QFY23 | 4QFY23 | 1QFY24 |
|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| <b>Verticals (%)</b>                      |        |        |        |        |        |        |        |        |        |
| Finance Solutions                         | 33.4   | 34.8   | 35.2   | 35.4   | 35.4   | 35.2   | 34.9   | 34.2   | 33.9   |
| Manufacturing                             | 7.0    | 6.7    | 6.7    | 7.0    | 6.7    | 6.9    | 6.9    | 7.0    | 7.3    |
| Healthcare Life Sciences                  | 11.9   | 11.7   | 11.8   | 11.5   | 11.5   | 11.4   | 12.0   | 12.2   | 12.2   |
| Energy, Natural Resources, and Utilities  | 13.1   | 12.3   | 11.7   | 11.5   | 11.1   | 11.2   | 11.4   | 12.3   | 12.0   |
| Communications                            | 5.1    | 5.0    | 5.0    | 4.8    | 5.0    | 4.9    | 4.6    | 4.5    | 4.6    |
| Consumer                                  | 17.3   | 17.3   | 17.7   | 17.9   | 18.5   | 18.8   | 18.9   | 18.8   | 18.7   |
| Technology                                | 12.2   | 12.2   | 11.9   | 11.9   | 11.8   | 11.6   | 11.3   | 11.0   | 11.3   |
| <b>Geography (%)</b>                      |        |        |        |        |        |        |        |        |        |
| Americas 1                                | 27.6   | 27.5   | 28.2   | 28.3   | 29.1   | 29.2   | 29.4   | 28.8   | 28.8   |
| Americas 2                                | 30.5   | 30.6   | 30.4   | 31.0   | 31.3   | 31.3   | 30.8   | 30.7   | 30.0   |
| Europe                                    | 30.2   | 30.2   | 29.7   | 29.3   | 28.3   | 28.1   | 28.8   | 29.3   | 29.5   |
| APMEA                                     | 11.7   | 11.7   | 11.7   | 11.4   | 11.3   | 11.4   | 11.0   | 11.2   | 11.7   |
| <b>Customer size distribution (TTM)</b>   |        |        |        |        |        |        |        |        |        |
| Over USD100m                              | 13     | 15     | 17     | 19     | 20     | 19     | 19     | 19     | 21     |
| Over USD75m                               | 27     | 28     | 29     | 29     | 30     | 29     | 29     | 29     | 28     |
| Over USD50m                               | 42     | 44     | 47     | 50     | 50     | 52     | 52     | 53     | 51     |
| Over USD20m                               | 95     | 100    | 110    | 117    | 120    | 122    | 119    | 117    | 123    |
| Over USD10m                               | 176    | 182    | 189    | 194    | 195    | 198    | 202    | 208    | 207    |
| Over USD5m                                | 273    | 279    | 286    | 297    | 306    | 308    | 307    | 311    | 319    |
| Over USD3m                                | 361    | 390    | 399    | 410    | 417    | 425    | 431    | 427    | 444    |
| Over USD1m                                | 601    | 623    | 661    | 679    | 703    | 729    | 739    | 750    | 769    |
| <b>Customer metrics</b>                   |        |        |        |        |        |        |        |        |        |
| Revenue from existing customers (%)       | 97.2   | 95.1   | 94.9   | 93.7   | 98.7   | 97.4   | 96.9   | 97.4   | 99.6   |
| Number of new customers                   | 129    | 116    | 67     | 116    | 164    | 128    | 80     | 63     | 65     |
| Total number of active customers          | 1229   | 1284   | 1315   | 1369   | 1433   | 1471   | 1484   | 1441   | 1444   |
| <b>Employee metrics</b>                   |        |        |        |        |        |        |        |        |        |
| Closing headcount – IT Services (k)       | 210    | 221    | 232    | 243    | 259    | 259    | 259    | 257    | 250    |
| Sales and support staff – IT Services (k) | 17     | 17     | 18     | 18     | 18     | 17     | 17     | 17     | 17     |
| <b>Utilization</b>                        |        |        |        |        |        |        |        |        |        |
| Net utilization (excluding trainees, %)   | 86.8   | 89.2   | 85.8   | 85.2   | 83.8   | 86.8   | 79.7   | 81.7   | 83.7   |
| <b>Attrition</b>                          |        |        |        |        |        |        |        |        |        |
| Voluntary TTM                             | 15.5   | 20.5   | 22.7   | 23.8   | 23.3   | 23.0   | 21.2   | 19.2   | 17.3   |
| BPO – post-training                       | 8.0    | 8.7    | 10.0   | 9.0    | 11.4   | 10.3   | 8.7    | 9.0    | 9.2    |
| <b>Customer concentration (%)</b>         |        |        |        |        |        |        |        |        |        |
| Top customer                              | 3.1    | 3.1    | 3.2    | 3.2    | 3.2    | 3.2    | 3.2    | 3.2    | 3.1    |
| Top five                                  | 12.1   | 12.5   | 12.7   | 12.9   | 13.0   | 13.1   | 13.3   | 12.6   | 12.5   |
| Top 10                                    | 19.8   | 20.1   | 20.2   | 20.5   | 20.9   | 21.0   | 21.3   | 20.3   | 20.5   |

Source: MOFSL, Company

## Financials and valuations

| Income Statement             |            |            |            |            |            |            |            | (INR b)      |  |
|------------------------------|------------|------------|------------|------------|------------|------------|------------|--------------|--|
| Y/E March                    | FY18       | FY19       | FY20       | FY21       | FY22       | FY23       | FY24E      | FY25E        |  |
| <b>Sales</b>                 | <b>545</b> | <b>586</b> | <b>610</b> | <b>619</b> | <b>791</b> | <b>905</b> | <b>920</b> | <b>1,021</b> |  |
| Change (%)                   | -1.0       | 7.5        | 4.2        | 1.5        | 27.7       | 14.4       | 1.7        | 10.9         |  |
| Operating Costs              | 386        | 413        | 436        | 423        | 556        | 645        | 651        | 712          |  |
| SG&A                         | 75         | 75         | 69         | 73         | 97         | 120        | 128        | 144          |  |
| <b>EBITDA</b>                | <b>105</b> | <b>117</b> | <b>126</b> | <b>151</b> | <b>169</b> | <b>173</b> | <b>176</b> | <b>203</b>   |  |
| As a percentage of Net Sales | 19.3       | 19.9       | 20.6       | 24.3       | 21.4       | 19.1       | 19.1       | 19.9         |  |
| Depreciation and Amort.      | 21         | 19         | 21         | 28         | 31         | 33         | 34         | 38           |  |
| <b>EBIT</b>                  | <b>84</b>  | <b>97</b>  | <b>105</b> | <b>123</b> | <b>138</b> | <b>140</b> | <b>142</b> | <b>165</b>   |  |
| Margin                       | 15.5       | 16.6       | 17.2       | 19.8       | 17.5       | 15.4       | 15.4       | 16.2         |  |
| Other Income                 | 18         | 18         | 17         | 16         | 13         | 8          | 11         | 11           |  |
| <b>PBT</b>                   | <b>102</b> | <b>115</b> | <b>123</b> | <b>139</b> | <b>151</b> | <b>148</b> | <b>152</b> | <b>176</b>   |  |
| Tax                          | 22         | 25         | 25         | 30         | 29         | 34         | 37         | 42           |  |
| Rate (%)                     | 21.8       | 21.9       | 20.2       | 21.8       | 19.1       | 23.0       | 24.0       | 24.0         |  |
| <b>PAT</b>                   | <b>80</b>  | <b>90</b>  | <b>98</b>  | <b>109</b> | <b>122</b> | <b>114</b> | <b>116</b> | <b>134</b>   |  |
| Minority Interest            | 0          | 0          | 0          | 1          | 0          | 0          | 1          | 1            |  |
| <b>Adjusted PAT</b>          | <b>80</b>  | <b>90</b>  | <b>97</b>  | <b>108</b> | <b>122</b> | <b>114</b> | <b>115</b> | <b>133</b>   |  |
| Change (%)                   | -5.7       | 12.4       | 8.0        | 11.0       | 13.2       | -7.1       | 1.5        | 15.8         |  |

| Balance Sheet                  |            |            |            |            |            |            |            | (INR b)    |  |
|--------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|--|
| Y/E March                      | FY18       | FY19       | FY20       | FY21       | FY22       | FY23       | FY24E      | FY25E      |  |
| Share Capital                  | 9          | 12         | 11         | 11         | 11         | 11         | 11         | 11         |  |
| Reserves                       | 474        | 556        | 546        | 542        | 647        | 770        | 738        | 755        |  |
| <b>Net Worth</b>               | <b>483</b> | <b>568</b> | <b>557</b> | <b>553</b> | <b>658</b> | <b>781</b> | <b>749</b> | <b>766</b> |  |
| Minority Interest and others   | 19         | 22         | 38         | 41         | 56         | 66         | 56         | 62         |  |
| Loans                          | 138        | 99         | 78         | 83         | 152        | 150        | 140        | 130        |  |
| <b>Capital Employed</b>        | <b>640</b> | <b>690</b> | <b>674</b> | <b>677</b> | <b>866</b> | <b>997</b> | <b>944</b> | <b>958</b> |  |
| Gross Block                    | 194        | 220        | 268        | 299        | 338        | 369        | 383        | 403        |  |
| Less: Depreciation             | 130        | 149        | 170        | 198        | 228        | 262        | 296        | 333        |  |
| Net Block                      | 64         | 71         | 98         | 102        | 110        | 107        | 87         | 70         |  |
| Investments                    | 13         | 13         | 11         | 12         | 20         | 22         | 22         | 22         |  |
| Intangible Assets              | 136        | 131        | 147        | 152        | 291        | 351        | 351        | 351        |  |
| Other non-current assets       | 41         | 47         | 41         | 42         | 38         | 35         | 52         | 57         |  |
| <b>Curr. Assets</b>            | <b>506</b> | <b>572</b> | <b>520</b> | <b>523</b> | <b>621</b> | <b>661</b> | <b>692</b> | <b>740</b> |  |
| Debtors                        | 143        | 123        | 130        | 121        | 176        | 187        | 189        | 210        |  |
| Inventories                    | 3          | 4          | 2          | 1          | 1          | 1          | 1          | 1          |  |
| Cash and Bank Balance          | 45         | 159        | 144        | 170        | 104        | 92         | 98         | 98         |  |
| Adv., Other Current Assets     | 65         | 46         | 54         | 55         | 98         | 72         | 74         | 81         |  |
| Investments                    | 249        | 240        | 190        | 176        | 242        | 309        | 329        | 349        |  |
| <b>Current Liab. and Prov.</b> | <b>121</b> | <b>143</b> | <b>143</b> | <b>154</b> | <b>213</b> | <b>179</b> | <b>258</b> | <b>281</b> |  |
| <b>Net Current Assets</b>      | <b>386</b> | <b>429</b> | <b>377</b> | <b>369</b> | <b>408</b> | <b>482</b> | <b>433</b> | <b>459</b> |  |
| <b>Application of Funds</b>    | <b>640</b> | <b>690</b> | <b>674</b> | <b>677</b> | <b>866</b> | <b>997</b> | <b>944</b> | <b>958</b> |  |

E: MOFSL estimates

## Financials and valuations

### Ratios

| Y/E March                       | FY18        | FY19        | FY20        | FY21        | FY22        | FY23        | FY24E       | FY25E       |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>Basic (INR)</b>              |             |             |             |             |             |             |             |             |
| <b>EPS</b>                      | <b>12.5</b> | <b>14.6</b> | <b>16.4</b> | <b>18.8</b> | <b>21.9</b> | <b>20.7</b> | <b>20.8</b> | <b>23.8</b> |
| Cash EPS                        | 16.0        | 18.2        | 20.2        | 23.9        | 27.9        | 26.8        | 26.6        | 30.6        |
| Book Value                      | 76.5        | 94.8        | 95.6        | 97.9        | 120.4       | 142.7       | 136.5       | 139.8       |
| DPS                             | 1.0         | 1.0         | 1.0         | 1.0         | 6.0         | 1.0         | 21.7        | 16.7        |
| Payout (% Div+Buyback)          | 145.3       | 6.7         | 113.9       | 93.3        | 26.9        | 4.8         | 104.4       | 70.0        |
| <b>Valuation (x)</b>            |             |             |             |             |             |             |             |             |
| P/E ratio                       | 31.5        | 27.0        | 24.0        | 21.0        | 18.0        | 19.0        | 19.0        | 16.5        |
| Cash P/E ratio                  | 24.6        | 21.6        | 19.5        | 16.5        | 14.1        | 14.7        | 14.8        | 12.9        |
| EV/EBITDA ratio                 | 22.1        | 17.7        | 16.2        | 13.0        | 11.6        | 11.0        | 10.7        | 9.1         |
| EV/Sales ratio                  | 4.3         | 3.5         | 3.3         | 3.2         | 2.5         | 2.1         | 2.0         | 1.8         |
| Price/Book Value ratio          | 5.2         | 4.2         | 4.1         | 4.0         | 3.3         | 2.8         | 2.9         | 2.8         |
| Dividend Yield (%)              | 0.3         | 0.3         | 0.3         | 0.3         | 1.5         | 0.3         | 5.5         | 4.2         |
| <b>Profitability Ratios (%)</b> |             |             |             |             |             |             |             |             |
| RoE                             | 16.0        | 17.1        | 17.3        | 19.4        | 20.2        | 15.8        | 15.1        | 17.6        |
| RoCE                            | 11.9        | 13.1        | 13.7        | 16.0        | 16.3        | 12.8        | 12.1        | 14.3        |
| <b>Turnover Ratios</b>          |             |             |             |             |             |             |             |             |
| Debtors (Days)                  | 96          | 77          | 78          | 72          | 81          | 75          | 75          | 75          |
| Asset Turnover ratio (x)        | 0.7         | 0.7         | 0.7         | 0.8         | 0.8         | 0.8         | 0.8         | 0.8         |

### Cash Flow Statement

| Y/E March                    | FY18        | FY19       | FY20        | FY21        | FY22        | FY23       | FY24E       | FY25E       |
|------------------------------|-------------|------------|-------------|-------------|-------------|------------|-------------|-------------|
| <b>(INR b)</b>               |             |            |             |             |             |            |             |             |
| CF from Operations           | 85          | 89         | 124         | 125         | 147         | 145        | 149         | 171         |
| Cash for Wkg. Capital        | -1          | 27         | -24         | 23          | -36         | -15        | 49          | -6          |
| <b>Net Operating CF</b>      | <b>84</b>   | <b>116</b> | <b>101</b>  | <b>148</b>  | <b>111</b>  | <b>131</b> | <b>198</b>  | <b>166</b>  |
| Net Purchase of FA           | -21         | -21        | -22         | -19         | -19         | -14        | -14         | -20         |
| Other change in investments  | 56          | 71         | 56          | 27          | -205        | -70        | -20         | -20         |
| <b>Net Cash from Invest.</b> | <b>36</b>   | <b>50</b>  | <b>34</b>   | <b>8</b>    | <b>-224</b> | <b>-84</b> | <b>-34</b>  | <b>-40</b>  |
| Issue of Shares/Other adj    | 0           | 0          | 0           | 0           | 0           | 0          | 0           | 0           |
| Proceeds from LTB/STB        | -14         | -44        | -143        | -122        | 53          | -28        | -19         | -19         |
| Dividend Payments            | -116        | -5         | -8          | -6          | -7          | -33        | -139        | -107        |
| <b>Net CF from Finan.</b>    | <b>-130</b> | <b>-49</b> | <b>-151</b> | <b>-129</b> | <b>47</b>   | <b>-61</b> | <b>-158</b> | <b>-126</b> |
| Free Cash Flow               | 64          | 95         | 78          | 129         | 91          | 116        | 184         | 145         |
| <b>Net Cash Flow</b>         | <b>-10</b>  | <b>117</b> | <b>-16</b>  | <b>26</b>   | <b>-67</b>  | <b>-14</b> | <b>6</b>    | <b>0</b>    |
| Forex difference             | 0           | 1          | 2           | -1          | 1           | 2          | 0           | 0           |
| <b>Opening Cash Bal.</b>     | <b>49</b>   | <b>39</b>  | <b>157</b>  | <b>142</b>  | <b>168</b>  | <b>102</b> | <b>90</b>   | <b>96</b>   |
| Add: Net Cash                | -10         | 118        | -14         | 26          | -66         | -12        | 6           | 0           |
| <b>Closing Cash Bal.</b>     | <b>39</b>   | <b>157</b> | <b>142</b>  | <b>168</b>  | <b>102</b>  | <b>90</b>  | <b>96</b>   | <b>96</b>   |

E: MOFSL estimates

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|----------------------------------|--|
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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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Registration details of group entities.: Motilal Oswal Financial Services Ltd. (MOFSL): INZ000158836 (BSE/NSE/MCX/NCDEX); CDSL and NSDL: IN-DP-16-2015; Research Analyst: INH000000412 . AMFI: ARN : 146822. IRDA Corporate Agent – CA0579. Motilal Oswal Financial Services Ltd. is a distributor of Mutual Funds, PMS, Fixed Deposit, Insurance, Bond, NCDs and IPO products.

Customer having any query/feedback/ clarification may write to query@motilaloswal.com. In case of grievances for any of the services rendered by Motilal Oswal Financial Services Limited (MOFSL) write to grievances@motilaloswal.com, for DP to dpgrievances@motilaloswal.com.