

HCL Technologies

| | |
|-----------------|---|
| Estimate change | ↔ |
| TP change | ↑ |
| Rating change | ↔ |

CMP: INR1,541 TP: INR1,880 (+22%) Buy

Exceptional all-round performance

Implied 4Q guidance suggests a continuation of industry-leading growth

| Bloomberg | HCLT IN |
|-----------------------|---------------|
| Equity Shares (m) | 2714 |
| M.Cap.(INRb)/(USD\$b) | 4181.2 / 50.4 |
| 52-Week Range (INR) | 1555 / 1016 |
| 1, 6, 12 Rel. Per (%) | 7/26/21 |
| 12M Avg Val (INR M) | 3224 |

Financials & Valuations (INR b)

| Y/E Mar | 2024E | 2025E | 2026E |
|-----------------|-------|-------|-------|
| Sales | 1,102 | 1,220 | 1,382 |
| EBIT Margin (%) | 18.5 | 18.8 | 19.2 |
| PAT | 160 | 183 | 213 |
| EPS (INR) | 58.9 | 67.5 | 78.3 |
| EPS Gr. (%) | 7.5 | 14.5 | 16.1 |
| BV/Sh. (INR) | 238 | 235 | 231 |

Ratios

| | | | |
|------------|------|------|------|
| RoE (%) | 24.6 | 28.6 | 33.7 |
| RoCE (%) | 22.7 | 26.3 | 31.0 |
| Payout (%) | 90.0 | 90.0 | 90.0 |

Valuations

| | | | |
|---------------|------|------|------|
| P/E (x) | 26.2 | 22.9 | 19.7 |
| P/BV (x) | 6.5 | 6.6 | 6.7 |
| EV/EBITDA (x) | 16.8 | 14.9 | 12.9 |
| Div Yield (%) | 3.4 | 3.9 | 4.6 |

Shareholding pattern (%)

| As On | Sep-23 | Jun-23 | Sep-22 |
|----------|--------|--------|--------|
| Promoter | 60.8 | 60.8 | 60.7 |
| DII | 15.7 | 15.4 | 16.5 |
| FII | 19.0 | 19.2 | 17.4 |
| Others | 4.6 | 4.6 | 5.3 |

FII Includes depository receipts

■ HCL Technologies (HCLT) delivered a robust 3QFY24 performance, with a 6.0% QoQ revenue growth in constant currency (CC) terms, ahead of our estimate of +4.4%. This growth was driven by seasonal gains in HCL Software (P&P), which rose 34% QoQ. HCLT's Services grew 3.1% QoQ in CC terms (110bp ahead of MOFSLe), with healthy growth in both the IT and ER&D verticals. The TCV was at USD1.9b, down from 2Q's high base of USD4.0b. HCLT narrowed its FY24 USD revenue growth guidance to 5.0%-5.5% YoY in CC (vs. 5.0-6.0% YoY earlier, including ASAP) for both consolidated and Services segment.

■ The EBIT margin also exceeded expectations at 19.8% (+130bp QoQ), led by HCL Software, which achieved 32.9% margin. The Services margin contracted 50bp QoQ though. HCLT retained its EBIT margin guidance band of 18-19%.

■ We were impressed by the strong beat on both Services and P&P from the company, despite various macro headwinds that have led to a decline in growth among key competitors. More importantly, the implied 4Q guidance for the Services vertical indicates that it will grow next quarter despite lower deal wins and a high base. This is in contrast with peers who have indicated a tough quarter led by macro challenges. In our view, this should help HCLT narrow the valuation gap with our coverage universe.

■ HCL Software delivered strong growth, even adjusted for the seasonality. The organic growth of 5.0% YoY was also one of the strongest performances it has delivered post-acquisition. With growth picking up in this business over the next two years, it can become a tailwind for the stock price.

■ We forecast HCLT to deliver an FY24 USD CC revenue growth at the mid-point of its guidance, which should help it report a revenue CAGR of 9.8% over FY23-26. We project HCLT to deliver an FY24 margin near the mid-point of its guidance, and further improve it to 19.2% in FY26. This should lead to an INR PAT CAGR of 12.7% over FY23-26E.

■ The strong growth guidance and margin performance in a weak demand environment should boost investor confidence on HCLT's business and reduce the valuation gap with larger Tier-1 peers. **HCLT remains our top pick in the IT Services coverage for 2024.**

■ After the strong 3Q results and beat, we have raised our FY24-26E EPS by 3-4%. **We reiterate our BUY rating with a TP of INR1,880, as we roll forward our P/E-based valuation to FY26 and assign a multiple of 24x.**

Strong operating performance, but guidance disappointed

■ HCLT posted revenue of USD3.4b, up 6.0% QoQ in CC (+5.9% QoQ reported), beating our estimates of +4.4% QoQ.

■ Services business grew 3.1% QoQ in CC, led by IT Services (+1.9% QoQ in CC) and ER&D (+8.7% QoQ in CC, including ASAP's inorganic impact).

- EBIT margin improved sharply by 120bp to 19.7%, beating our estimates of 60bp decline QoQ. The improvement was led by ER&D business (up 190bp QoQ), which largely offset the margin decline for the IT business (down 103bp QoQ) in 3QFY24.
- Services EBIT margin contracted 48bp QoQ, while P&P jumped 1,357bp QoQ (beating our estimates).
- Net employee count was up 3.7k post-two consecutive quarters of decline. Attrition at 12.8%, was down 140bp QoQ during the quarter.
- HCLT's PAT was at INR43.5b, up 13.5% QoQ and 120bp above our estimate of INR40b. This was fueled by HCLT's strong operating performance in 3Q.

Key highlights from the management commentary

- The inorganic contribution (ASAP integration) to the topline was ~110bp QoQ in 3QFY24, which translated into a consolidated organic USD growth of 4.8%; while ER&D and IT Services' organic growth stood at 2.5% and 2.0% QoQ, respectively.
- Telecom and Media growth was fueled by a large deal ramp-up, followed by Manufacturing aided by ASAP integration. The FSI declined due to higher furloughs.
- Management expects small projects in Gen AI to ramp up going forward. The company reported 30 wins in Gen AI-related projects.
- The pipeline remained healthy and well distributed across the large and mid-sized deals. The strong bookings beyond the mega deal wins, coupled with vendor consolidation opportunities, are driving the overall growth momentum.
- Management was confident enough to sustain the margin band and even aspired to achieve and sustain a 20% margin trajectory in the longer term.

Valuation and view: Our top pick in the IT Services coverage for 2024

- Higher exposure to Cloud, which comprises a larger share of non-discretionary spending, offers better resilience to its portfolio in the current context, with higher demand for Cloud, Network, Security, and Digital workplace services.
- Given its capabilities in the IMS and Digital space, along with strategic partnerships and investments in Cloud, we expect HCLT to emerge stronger on the back of healthy demand for these services in the medium term. The stock is trading at ~20x FY26E EPS, which offers a margin of safety. Our TP of INR1,880 is based on 24x FY26E EPS. We reiterate our **BUY** rating.

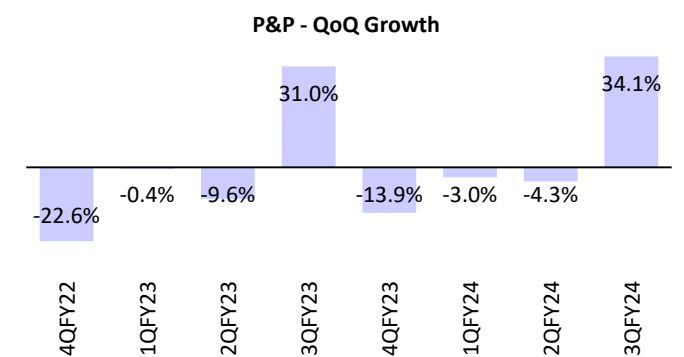
Quarterly performance

| Y/E March | (INR b) | | | | | | | | | | | |
|-------------------|---------|-------|-------|-------|-------|-------|-------|-------|--------|--------|-------|--------|
| | FY23 | | | | FY24E | | | | FY23 | FY24E | FY24 | Var. |
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4QE | | | 3QE | (%/bp) |
| Revenue (USD m) | 3,025 | 3,082 | 3,244 | 3,235 | 3,200 | 3,225 | 3,415 | 3,466 | 12,586 | 13,306 | 3,366 | 1.5 |
| QoQ (%) | 1.1 | 1.9 | 5.3 | -0.3 | -1.1 | 0.8 | 5.9 | 1.5 | 9.6 | 5.7 | 4.4 | 153bp |
| Revenue (INR b) | 235 | 247 | 267 | 266 | 263 | 267 | 284 | 288 | 1,015 | 1,102 | 280 | 1.5 |
| YoY (%) | 16.9 | 19.5 | 19.6 | 17.7 | 12.1 | 8.0 | 6.5 | 8.1 | 18.5 | 8.6 | 5.0 | 153bp |
| GPM (%) | 35.8 | 35.8 | 37.4 | 36.5 | 35.6 | 36.2 | 36.7 | 36.3 | 36.4 | 36.2 | 35.6 | 113bp |
| SGA (%) | 12.9 | 12.2 | 12.0 | 12.8 | 13.6 | 12.4 | 11.5 | 12.3 | 12.5 | 12.4 | 12.6 | -110bp |
| EBITDA | 50 | 54 | 63 | 59 | 55 | 60 | 67 | 64 | 226 | 246 | 60 | 11.1 |
| EBITDA margin (%) | 21.1 | 22.0 | 23.7 | 22.3 | 20.8 | 22.3 | 23.6 | 22.4 | 22.3 | 22.3 | 21.5 | 204bp |
| EBIT | 40 | 44 | 52 | 48 | 45 | 49 | 56 | 53 | 185 | 203 | 50 | 11.8 |
| EBIT margin (%) | 17.0 | 17.9 | 19.6 | 18.2 | 17.0 | 18.5 | 19.7 | 18.5 | 18.2 | 18.5 | 17.9 | 182bp |
| Other income | 3 | 2 | 1 | 4 | 2 | 2 | 3 | 3 | 10 | 10 | 3 | -7.6 |
| ETR (%) | 24.3 | 23.9 | 23.8 | 23.4 | 24.8 | 25.3 | 25.9 | 24.0 | 23.8 | 25.0 | 24.0 | 193bp |
| Adjusted PAT | 33 | 35 | 41 | 40 | 35 | 38 | 44 | 43 | 148 | 160 | 40 | 7.9 |
| QoQ (%) | -8.7 | 6.3 | 17.4 | -2.8 | -11.2 | 8.4 | 13.5 | -2.0 | | | 5.2 | 834bp |
| YoY (%) | 2.1 | 6.9 | 19.0 | 10.8 | 7.6 | 9.8 | 6.2 | 7.1 | 9.9 | 7.6 | -1.6 | 781bp |
| EPS | 12.1 | 12.9 | 15.1 | 14.7 | 13.0 | 14.1 | 16.0 | 15.7 | 54.8 | 58.9 | 14.9 | 7.9 |

Key performance indicators

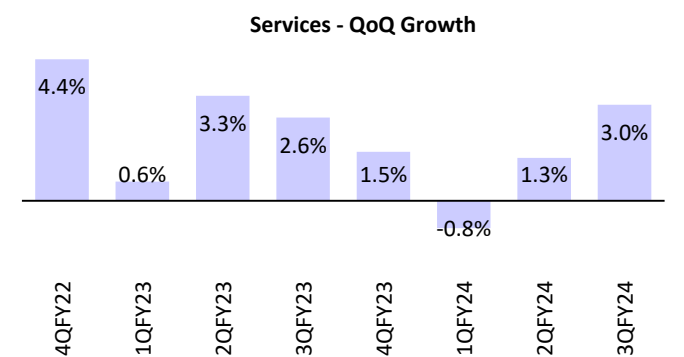
| Y/E March | FY23 | | | | FY24 | | | FY23 | FY24E |
|------------------------------------|------|------|------|------|------|------|------|------|-------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | | |
| Revenue (QoQ CC %) | 2.7 | 3.8 | 5.0 | -1.2 | -1.3 | 1.0 | 6.0 | | |
| Costs (as a percentage of revenue) | | | | | | | | | |
| COGS | 64.2 | 64.2 | 62.6 | 63.5 | 64.4 | 63.8 | 63.3 | 63.6 | 63.8 |
| SGA | 12.9 | 12.2 | 12.0 | 12.8 | 13.6 | 12.4 | 11.5 | 12.5 | 12.4 |
| Margins | | | | | | | | | |
| Gross margin | 35.8 | 35.8 | 37.4 | 36.5 | 35.6 | 36.2 | 36.7 | 36.4 | 36.2 |
| EBIT margin | 17.0 | 17.9 | 19.6 | 18.2 | 17.0 | 18.5 | 19.7 | 18.2 | 18.5 |
| Net margin | 14.0 | 14.1 | 15.3 | 15.0 | 13.4 | 14.4 | 15.3 | 14.6 | 14.5 |
| Operating metrics | | | | | | | | | |
| Headcount (k) | 211 | 219 | 222 | 226 | 223 | 221 | 225 | 226 | |
| Attrition (%) | 23.8 | 23.8 | 21.7 | 19.5 | 16.3 | 14.2 | 12.8 | 19.5 | |
| Key verticals (YoY CC %) | | | | | | | | | |
| BFSI | 16.4 | 15.4 | 8.8 | 9.6 | 14.4 | 12.5 | 12.9 | 12.4 | |
| Manufacturing | 19.1 | 21.8 | 21.2 | 11.8 | 16.5 | 3.3 | 5.8 | 18.3 | |
| Key geographies (YoY CC %) | | | | | | | | | |
| North America | 17.5 | 18.2 | 12.3 | 10.0 | 7.3 | 3.9 | 6.7 | 14.4 | |
| Europe | 22.5 | 21.8 | 23.3 | 14.6 | 10.5 | 3.9 | 1.7 | 20.5 | |

Exhibit 1: Seasonality in the P&P led to 34% QoQ growth



Source: MOFSL, Company

Exhibit 2: Service business recovered sharply



Source: MOFSL, Company



Key highlights from management commentary

Demand and industry outlook

- The inorganic contribution (ASAP integration) to the topline was ~110bp QoQ in 3QFY24, which translated into a consolidated organic USD growth of 4.8%; while ER&D and IT Services' organic growth stood at 2.5% and 2% QoQ, respectively.
- Telecom and Media growth was fueled by a large deal ramp-up, followed by Manufacturing aided by ASAP integration. The FSI declined due to higher furloughs.
- Management expects small projects in Gen AI to ramp up going forward. The company reported 30 wins in Gen AI-related projects.
- The pipeline remained healthy and well distributed across the large and mid-sized deals. The strong bookings beyond the mega deal wins, coupled with vendor consolidation opportunities, are driving the overall growth momentum. The company is also witnessing strong traction around big tech clients, and many of them are growing above the company's average growth rate.
- Management has been confident to sustain the growth momentum for the ER&D business. Although the ER&D spending has not witnessed any meaningful increase, it is the earlier investments in capabilities that are enabling the company to participate in the broader service lines and geographies.
- Management was confident to deliver a healthy growth in 4QFY24 over a 3Q high base, due to: (1) the absence of furloughs, (2) continued momentum in the ER&D and other portfolio businesses, and (3) continued ramp-up of mega deals. The P&P business would normalize in 4Q from a seasonal uptick in 3Q, despite the fact that management believes the service business growth will achieve the upper end of the ask-rate band.
- Management indicated that the P&P business is gradually progressing from the earlier trend of muted growth. The P&P business delivered a 5% YoY growth in CC terms in 3Q, which is expected to improve even further. The strategy has been playing out well in transforming the part of the P&P portfolio from a perpetual license model to a subscription & support model.

Margin performance

- The third quarter has witnessed exceptional margin improvement for the consolidated business. The substantial growth in P&P drove the sharp improvement (186bp QoQ) in margin, which was partly offset by the ~50bp QoQ decline in the Service business, although ER&D contributed quite meaningfully to the margin improvement.
- Management was confident enough to sustain the margin band and even aspired to achieve and sustain a 20% margin trajectory in the longer term.

Exhibit 3: Strong growth in key geographies

| Geographies | Contribution to revenue (%) | CC QoQ growth (%) | CC YoY growth (%) |
|-------------|-----------------------------|-------------------|-------------------|
| Americas | 64.5 | 3.1 | 6.7 |
| Europe | 29.0 | 5.0 | 1.7 |
| RoW | 6.4 | -5.3 | -7.5 |

Source: Company, MOFSL

Exhibit 4: Manufacturing, Telecom and Retail drove the growth in 3QFY24

| Verticals | Contribution to revenue (%) | CC QoQ growth (%) | CC YoY growth (%) |
|------------------------------|------------------------------------|--------------------------|--------------------------|
| Financial Services | 21.7 | -1.3 | 12.9 |
| Manufacturing | 20.1 | 7.6 | 5.8 |
| Technology | 12.8 | 0.5 | -9.2 |
| Life Sciences and Healthcare | 16.4 | -3.2 | 0.5 |
| Telecom MP&E | 9.7 | 25.9 | 8.3 |
| Retail and CPG | 9.6 | 2.9 | 11.7 |
| Public Services | 9.7 | 0.7 | -0.6 |

Source: Company, MOFSL

Exhibit 5: HCL Software (P&P) led the growth in 3QFY24 on seasonality

| Segments | Contribution to revenue (%) | CC QoQ growth (%) | CC YoY growth (%) |
|------------------------------|------------------------------------|--------------------------|--------------------------|
| IT and Business Services | 71.7 | 1.9 | 4.3 |
| Engineering and R&D Services | 16.4 | 8.7 | 3.6 |
| HCL Software (P&P) | 11.9 | 32.0 | 5.0 |

Source: Company, MOFSL

Valuations offer a margin of safety

- Higher exposure to Cloud, which comprises a larger share of non-discretionary spending, offers better resilience to its portfolio in the current context, with higher demand for Cloud, Network, Security, and Digital workplace services.
- Given its capabilities in the IMS and Digital space, along with strategic partnerships and investments in Cloud, we expect HCLT to emerge stronger on the back of healthy demand for these services in the medium term. The stock is trading at ~20x FY26E EPS, which offers a margin of safety. Our TP of INR1,880 is based on 24x FY26E EPS. We reiterate our **BUY** rating.

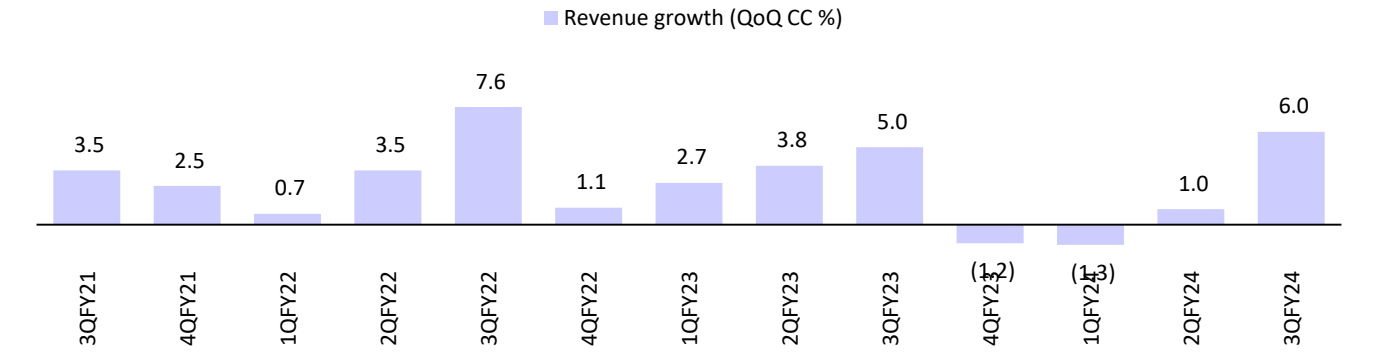
Exhibit 6: Revisions to our estimates

| | Revised | | | Earlier | | | Change | | |
|-----------------|---------|--------|--------|---------|--------|--------|--------|--------|--------|
| | FY24E | FY25E | FY26E | FY24E | FY25E | FY26E | FY24E | FY25E | FY26E |
| USD:INR | 82.8 | 83.0 | 83.0 | 82.8 | 83.0 | 83.0 | 0.0% | 0.0% | 0.0% |
| Revenue (USD m) | 13,306 | 14,701 | 16,645 | 13,169 | 14,325 | 16,016 | 1.0% | 2.6% | 3.9% |
| Growth (%) | 5.7 | 10.5 | 13.2 | 4.6 | 8.8 | 11.8 | 110bps | 170bps | 140bps |
| EBIT margin (%) | 18.5 | 18.8 | 19.2 | 17.9 | 18.5 | 19.2 | 50bps | 20bps | 10bps |
| PAT (INR b) | 160 | 183 | 213 | 155 | 176 | 204 | 3.0% | 3.9% | 4.3% |
| EPS | 58.9 | 67.5 | 78.3 | 57.2 | 65.0 | 75.1 | 3.0% | 3.8% | 4.3% |

Source: MOFSL

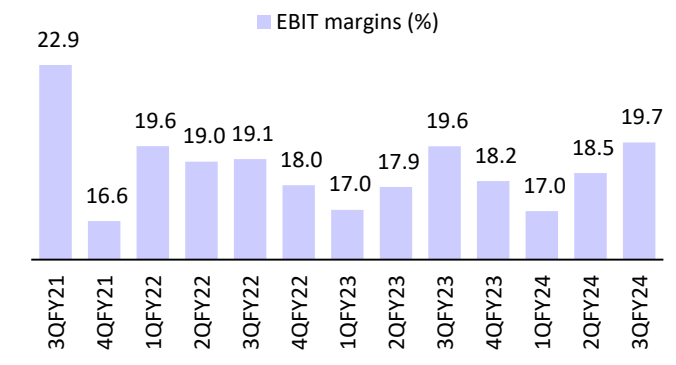
Story in charts

Exhibit 7: HCLT reported strong 6% sequential revenue growth in CC



Source: Company, MOFSL

Exhibit 8: Margin surged 120bp QoQ in 3QFY24



Source: Company, MOFSL

Exhibit 9: Gross margin improved 50bp QoQ

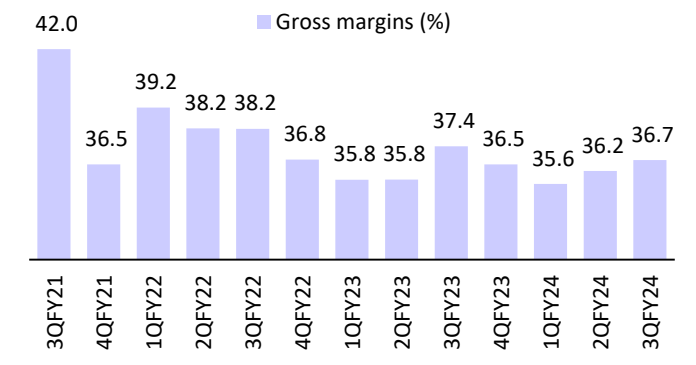
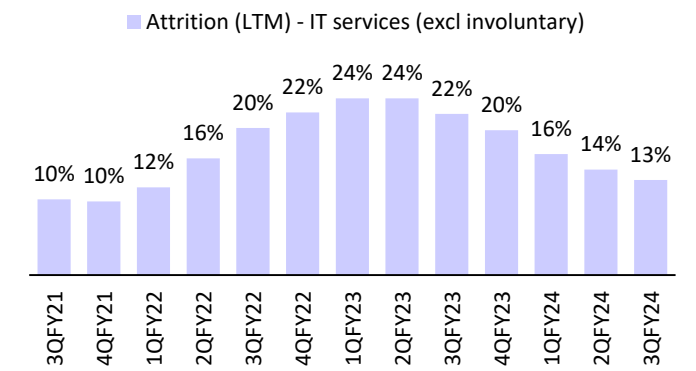
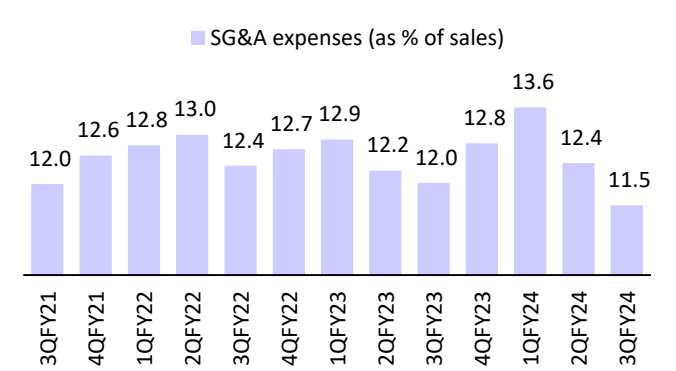


Exhibit 11: Attrition moderated 100bp in 3QFY24



Source: Company, MOFSL

Exhibit 10: SG&A expenses moderated further in 3QFY24



Source: Company, MOFSL

Operating metrics

Exhibit 12: Operating metrics

| | 3QFY22 | 4QFY22 | 1QFY23 | 2QFY23 | 3QFY23 | 4QFY23 | 1QFY24 | 2QFY24 | 3QFY24 |
|------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Service-wise (%) | | | | | | | | | |
| IT and Business Services | 70.6 | 73.4 | 72.8 | 73.6 | 71.7 | 73.8 | 74.7 | 74.6 | 71.7 |
| Engineering and R&D Services | 15.9 | 16.4 | 16.6 | 17.0 | 16.6 | 16.1 | 15.4 | 16.0 | 16.4 |
| Products and Platform | 13.5 | 10.3 | 10.6 | 9.4 | 11.7 | 10.1 | 9.9 | 9.4 | 11.9 |
| Vertical-wise (%) | | | | | | | | | |
| BFSI | 21.4 | 21.6 | 21.1 | 20.6 | 19.9 | 21.2 | 22.6 | 22.6 | 21.7 |
| Manufacturing | 17.5 | 18.0 | 18.3 | 18.3 | 18.3 | 19.0 | 19.0 | 19.0 | 20.1 |
| Technology and Services | 18.4 | 17.5 | 15.4 | 15.4 | 15.4 | 14.4 | 14.4 | 14.4 | 12.8 |
| Retail and CPG | 10.8 | 9.8 | 9.4 | 9.2 | 8.9 | 9.0 | 9.1 | 9.6 | 9.6 |
| Telecom MP&E | 8.4 | 9.0 | 9.2 | 9.2 | 9.4 | 8.8 | 7.6 | 8.0 | 9.7 |
| Life Sciences | 16.1 | 16.2 | 16.4 | 16.5 | 17.1 | 17.5 | 17.5 | 17.5 | 16.4 |
| Public Services | 10.3 | 10.5 | 10.2 | 10.2 | 10.2 | 10.2 | 10.0 | 9.9 | 9.7 |
| Geography-wise (%) | | | | | | | | | |
| US | 63.4 | 63.1 | 63.1 | 64.8 | 63.5 | 63.8 | 64.5 | 64.5 | 64.5 |
| Europe | 28.7 | 28.7 | 28.6 | 27.5 | 29.1 | 28.9 | 28.7 | 28.5 | 29.0 |
| RoW | 7.9 | 8.2 | 8.3 | 7.7 | 7.4 | 7.3 | 6.8 | 7.0 | 6.4 |
| Client-wise (%) | | | | | | | | | |
| Top five clients | 12.2 | 11.6 | 11.2 | 10.7 | 10.3 | 10.1 | 9.8 | 9.8 | 9.8 |
| Top 10 clients | 20.3 | 19.8 | 19.4 | 18.8 | 18.2 | 17.7 | 17.2 | 17.2 | 17.7 |
| Top 20 clients | 29.4 | 29.1 | 28.9 | 28.6 | 28.2 | 27.8 | 27.2 | 27.3 | 28.0 |

Source: Company, MOFSL:

Financials and valuations

| Income Statement | | | | | | | | (INR b) |
|------------------------------|------------|------------|------------|------------|--------------|--------------|--------------|--------------|
| Y/E March | FY19 | FY20 | FY21 | FY22 | FY23 | FY24E | FY25E | FY26E |
| Sales | 604 | 707 | 754 | 857 | 1,015 | 1,102 | 1,220 | 1,382 |
| Change (%) | 19.5 | 17.0 | 6.7 | 13.6 | 18.5 | 8.6 | 10.7 | 13.2 |
| Cost of Goods Sold | 393 | 453 | 467 | 546 | 662 | 719 | 790 | 886 |
| Gross Profit | 212 | 254 | 287 | 311 | 353 | 383 | 430 | 495 |
| Selling and Admin Exp. | 72 | 87 | 93 | 109 | 127 | 137 | 152 | 173 |
| EBITDA | 140 | 167 | 193 | 202 | 226 | 246 | 278 | 323 |
| As a percentage of Net Sales | 23.1 | 23.6 | 25.6 | 23.6 | 22.3 | 22.3 | 22.8 | 23.3 |
| Depreciation | 21 | 28 | 40 | 40 | 41 | 42 | 49 | 57 |
| EBIT | 118 | 139 | 153 | 162 | 185 | 203 | 229 | 266 |
| As a percentage of Net Sales | 19.6 | 19.6 | 20.4 | 18.9 | 18.2 | 18.5 | 18.8 | 19.2 |
| Other Income | 8 | 2 | 7 | 8 | 10 | 10 | 12 | 14 |
| PBT | 126 | 140 | 160 | 170 | 195 | 213 | 241 | 280 |
| Tax | 25 | 29 | 41 | 34 | 46 | 53 | 58 | 67 |
| Rate (%) | 19.6 | 20.9 | 25.4 | 20.3 | 23.8 | 25.0 | 24.0 | 24.0 |
| PAT | 101 | 111 | 119 | 136 | 148 | 160 | 183 | 213 |
| Net Income | 101 | 111 | 119 | 135 | 148 | 160 | 183 | 213 |
| Change (%) | 15.3 | 9.3 | 7.4 | 13.7 | 9.9 | 7.6 | 14.6 | 16.1 |

| Balance Sheet | | | | | | | | (INR b) |
|--------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Y/E March | FY19 | FY20 | FY21 | FY22 | FY23 | FY24E | FY25E | FY26E |
| Reserves | 422 | 517 | 615 | 620 | 654 | 646 | 636 | 626 |
| Net Worth | 422 | 517 | 615 | 620 | 654 | 646 | 636 | 626 |
| Loans | 40 | 51 | 39 | 39 | 21 | 21 | 21 | 21 |
| Other liabilities | 15 | 55 | 55 | 43 | 45 | 46 | 49 | 53 |
| Capital Employed | 477 | 623 | 709 | 703 | 720 | 713 | 706 | 699 |
| Gross Block | 335 | 511 | 546 | 560 | 596 | 640 | 689 | 744 |
| Less: Depreciation | 100 | 128 | 168 | 208 | 249 | 292 | 341 | 397 |
| Net Block | 235 | 383 | 378 | 352 | 347 | 348 | 348 | 347 |
| Other assets | 57 | 65 | 69 | 57 | 51 | 52 | 54 | 57 |
| Investments | 55 | 105 | 140 | 85 | 112 | 112 | 112 | 112 |
| Curr. Assets | 243 | 279 | 291 | 397 | 425 | 434 | 451 | 476 |
| Debtors | 146 | 178 | 175 | 207 | 255 | 275 | 302 | 339 |
| Cash and Bank Balance | 59 | 38 | 65 | 105 | 91 | 73 | 53 | 29 |
| Other Current Assets | 37 | 64 | 50 | 85 | 80 | 86 | 96 | 108 |
| Current Liab. and Prov. | 111 | 209 | 168 | 188 | 214 | 233 | 258 | 292 |
| Net Current Assets | 131 | 70 | 123 | 209 | 211 | 202 | 193 | 184 |
| Application of Funds | 477 | 623 | 709 | 703 | 720 | 713 | 706 | 699 |

Financials and valuations

Ratios

| Y/E March | FY19 | FY20 | FY21 | FY22 | FY23 | FY24E | FY25E | FY26E |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Diluted (INR) | | | | | | | | |
| EPS | 36.8 | 40.7 | 43.8 | 49.8 | 54.8 | 58.9 | 67.5 | 78.3 |
| Cash EPS | 44.6 | 51.2 | 58.5 | 64.6 | 70.1 | 74.5 | 85.4 | 99.2 |
| Book Value | 153.5 | 190.4 | 226.7 | 228.6 | 241.6 | 238.5 | 235.0 | 231.0 |
| DPS | 4.0 | 8.0 | 26.0 | 44.0 | 48.0 | 53.0 | 60.7 | 70.5 |
| Payout (%) | 50.4 | 19.6 | 59.4 | 88.3 | 87.6 | 90.0 | 90.0 | 90.0 |
| Valuation (x) | | | | | | | | |
| P/E | 42.0 | 37.9 | 35.2 | 31.0 | 28.2 | 26.2 | 22.9 | 19.7 |
| Cash P/E | 34.6 | 30.1 | 26.4 | 23.9 | 22.0 | 20.7 | 18.1 | 15.6 |
| EV/EBITDA | 30.2 | 25.2 | 21.5 | 20.4 | 18.2 | 16.8 | 14.9 | 12.9 |
| EV/Sales | 7.0 | 5.9 | 5.5 | 4.8 | 4.0 | 3.7 | 3.4 | 3.0 |
| Price/Book Value | 10.1 | 8.1 | 6.8 | 6.7 | 6.4 | 6.5 | 6.6 | 6.7 |
| Dividend Yield (%) | 0.3 | 0.5 | 1.7 | 2.9 | 3.1 | 3.4 | 3.9 | 4.6 |
| Profitability Ratios (%) | | | | | | | | |
| RoE | 25.6 | 23.6 | 21.0 | 21.9 | 23.3 | 24.6 | 28.6 | 33.7 |
| RoCE | 22.8 | 21.3 | 18.7 | 19.6 | 21.1 | 22.7 | 26.3 | 31.0 |
| Turnover Ratios | | | | | | | | |
| Debtors (Days) | 88 | 92 | 85 | 88 | 92 | 91 | 90 | 90 |
| Asset Turnover (x) | 2.6 | 1.8 | 2.0 | 2.4 | 2.9 | 3.2 | 3.5 | 4.0 |

Cash Flow Statement

(INR b)

| Y/E March | FY19 | FY20 | FY21 | FY22 | FY23 | FY24E | FY25E | FY26E |
|-----------------------------|------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| CF from Operations | 123 | 149 | 166 | 174 | 193 | 202 | 232 | 269 |
| Chg. in Working Capital | -34 | -16 | 30 | -5 | -13 | -8 | -11 | -15 |
| Net Operating CF | 88 | 134 | 196 | 169 | 180 | 195 | 221 | 254 |
| Net Purchase of FA | -61 | -18 | -18 | -16 | -14 | -44 | -49 | -55 |
| Net Purchase of Invest. | 29 | -105 | -40 | 30 | -25 | 0 | 0 | 0 |
| Net Cash from Inv. | -32 | -124 | -57 | 15 | -39 | -44 | -49 | -55 |
| Issue of shares/other adj. | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Proceeds from LTB/STB | 35 | -15 | -79 | -31 | -29 | 0 | 0 | 0 |
| Dividend Payments | -51 | -16 | -33 | -114 | -130 | -168 | -192 | -223 |
| Net CF from Finan. | -16 | -32 | -112 | -145 | -159 | -168 | -192 | -223 |
| Free Cash Flow | 28 | 115 | 179 | 153 | 166 | 150 | 172 | 199 |
| Net Cash Flow | 41 | -22 | 27 | 39 | -18 | -18 | -20 | -24 |
| Forex difference | 5 | 0 | 1 | 1 | 4 | 0 | 0 | 0 |
| Opening Cash Balance | 13 | 60 | 38 | 66 | 106 | 91 | 74 | 54 |
| Closing Cash Balance | 60 | 38 | 66 | 106 | 91 | 74 | 54 | 29 |

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| 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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