

BSE SENSEX
31,596

S&P CNX
9,857

CMP: INR913 TP: INR1,050(+15%)

Buy



Stock Info

Bloomberg	INFO IN
Equity Shares (m)	2,297
52-Week Range (INR)	1081 / 862
1, 6, 12 Rel. Per (%)	-6/-19/-26
M.Cap. (INR b)	2,087.0
M.Cap. (USD b)	32.5
Avg Val, INRm	3831
Free float (%)	87.3

Financials Snapshot (INR b)

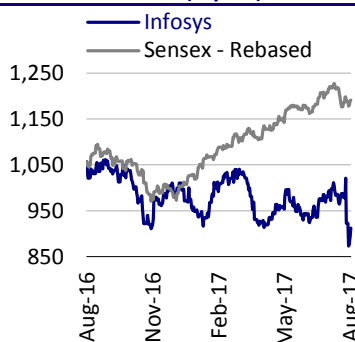
Y/E Mar	2017	2018E	2019E
Sales	684.9	706.5	781.8
EBITDA	186.1	184.6	203.4
PAT	143.8	142.2	153.6
EPS (INR)	62.9	62.2	67.2
EPS Gr. (%)	6.6	-1.1	8.0
RoE (%)	22.0	19.6	19.3
RoCE (%)	22.0	19.6	19.3
Payout (%)	40.9	48.2	50.6
P/E (x)	14.5	14.7	13.6
Div Yield (%)	2.8	3.3	3.7

Shareholding pattern (%)

As On	Jun-17	Mar-17	Jun-16
Promoter	12.8	12.8	12.8
DII	20.2	20.3	17.3
FII	38.0	38.8	41.0
Others	29.0	28.1	29.1

FII Includes depository receipts

Stock Performance (1-year)



Steadfast peace with the arrival of Mr. Nandan Nilekani

Addresses risk of further downside; more to do for gradual valuation re-rating

- Infosys (INFO) announced the appointment of Mr. Nandan Nilekani as non-executive non-independent Chairman of the Board.
- It also accepted the resignation of Mr. R. Seshasayee, Professor Jeffrey Lehman and Professor John Etchemendy with immediate effect.
- Dr. Sikka too stepped down as Executive Vice Chairman and as a Director.
- With Nandan Nilekani as Chairman, Ravi Venkatesan stepped down as the Co-Chairman of the Board; he would however continue as an Independent Director.

What do the developments mean for Infosys, the stock?

Steadfast return of peace puts downside risks behind

- At 14.6x FY18E and 13.6x FY9E earnings, only continued brawl in the open and prolonged Board and leadership uncertainty presented further downside risk. But INFO's steadfast actions around the near-dissolution of the Board and return of Mr. Nandan Nilekani – the consensus choice in the scenario – has taken care of that risk.
- The fact that it took only a week for this to play out, is a positive, as INFO can now look forward to addressing business issues.

Response to a few tough questions will determine the extent of upside

Who could be INFO's new CEO?

INFO's founder team collectively distanced itself from any role in the company when Dr. Sikka came in, as it was deemed necessary to attract a high caliber leader. The scenario this time prima-facie appears to be the opposite. Mr. Nilekani is on the board, and new appointments to the Board may have no less founder influence. The overpowering thought for any prospect will be the extent of free hand he / she will enjoy in the business – when it comes to matters such as employee compensations, strategic acquisitions and valuations thereof, etc. Also, it remains to be seen whether the current think-tank believes that an internal candidate may be better suited for the role. INFO's long term attractiveness will undoubtedly hinge on the new leader.

Panaya investigation documents – what next here?

Developments on this issue will be interesting, given that it was the latest bone of contention between Mr. Murthy and the Board. Nandan's return has received Murthy's thumbs-up, but if retracting from this demand will be perceived as inconsistent pitch for governance, and continued demand could open up multiple possibilities. One such is that if the documents are made public, and there is clear instance of wrong-doing, it leads to follow-up course of actions detrimental to INFO in the near future. Is there a middle path here? This will attract media interest contrary to Nandan's wish of getting dull and boring soon.

Possible downward revision of earnings growth

First steps have been swift, but expecting similar execution around the constitution of the Board and appointment of new CEO may just be asking for too much. Plus, there are a lot of personnel brought on-board by the previous leadership, many of them based overseas, who will be compelled to reassess their stay within the company – such a shake-up is not unusual in reaction to the events of this nature. In the interim, the distractions that admittedly hurt INFO's performance in last couple of quarters have been at their peak in this one, and hence, the impact on business is natural. As a result, the run-up in the stock will be tested with the company's commentary around the outlook in the near term.

Expect recoupment of some lost ground on valuations

- Nandan cited that there are no second thoughts on the Buyback, that will compound to swift movement on the changes and drive some positive reaction on the stock, a relief rally after the sharp fall.
- We had lowered our price target to INR1,050, by cutting the target multiple to 15x (from 17x), at some discount to TCS' 16x. That will unlikely be breached for now, with the sleuth of changes yet to take place, but offers upside from current 13.6x.
- However, further re-rating needs to see a combination of: [1] The back of search process and focus on business growth, [2] At least comparable performance to those setting the industry pace.

Exhibit 1: Comparative valuation

Company	Mkt cap (USD b)	Rating	TP (INR)	Upside (%)	EPS (INR)			P/E (x)			RoE (%)			FY17-19E CAGR (%)	
					FY18E	FY19E	FY20E	FY18E	FY19E	FY20E	FY18E	FY19E	FY20E	USD rev.	EPS
TCS	72.9	Neutral	2,350	-5.2	131.3	143.0	148.8	18.9	17.3	16.7	31.5	32.9	30.2	7.6	3.5
Infosys	31.5	Buy	1,050	15.0	62.2	67.2	74.0	14.6	13.6	12.3	20.0	19.8	20.0	8.6	5.1
Wipro	21.2	Neutral	270	-6.5	18.1	19.1	21.0	15.9	15.1	13.7	16.1	16.1	15.9	6.0	6.2
HCL Tech	18.8	Neutral	950	9.5	61.8	65.9	69.6	14.0	13.2	12.5	24.9	23.8	22.9	9.8	4.9
TechM	6.2	Buy	490	15.5	34.4	37.3	41.9	12.3	11.4	10.1	17.4	16.9	17.0	8.8	8.9

Source: MOSL, Company

The Event: Nandan Nilekani returns, 4 Board members resign

- INFO announced the appointment of Mr. Nandan Nilekani as non-executive non-independent Chairman of the Board.
 - It also accepted the resignation of Mr. R. Seshasayee, Professor Jeffrey Lehman and Professor John Etchemendy with immediate effect.
 - Dr. Sikka too stepped down as Executive Vice Chairman and as a Director.
 - With Nandan Nilekani as Chairman, Ravi Venkatesan stepped down as the Co-Chairman of the Board; he would however continue as an Independent Director.
- **Locus of control back to Bangalore?** The changes mark the return of control to the founders, and will result in new independent appointments to the Board, that may establish the same over the longer run. A board rejig would result in a resolution of the issues raised by NRN on the Board and its way of functioning. Our worries after the events last week revolved around business stability at INFO, which needed to be settled on two fronts; [1] Appointment of a new CEO and [2] Peace between the Board and NRN. Given that primary issues raised by NRN were around the Panaya acquisition and governance issues associated with it, changes at the Board level were necessary to calm the tide. The second of the two stands largely addressed after the development.
- **Process expedited, stability could be sooner:** Dr. Sikka resigned as CEO and MD on August 18 and was appointed as Executive Vice Chairman (EVC) to facilitate a smooth transition. However, within six days, major alterations have already taken place. With a new leader on board to manage the transition, Dr. Sikka stepped down from the EVC role. While the risk of negatively impacted business performance remains, closure to backdrop hostilities is a welcome development and in quick time that. Focus can now shift to appointment of new CEO and chalking out the INFO strategy to get the business back on track.
- **New leadership would now be the focus:** With headway at the Board level, the search and appointment of a new CEO would be top priority. Till then, the possibility of some leadership flux and business disruption remains. Dr. Sikka's immediate resignation poses additional risk to some ongoing customer engagements where he played a key part. Challenges around comforting existing clients, especially during renewal of bread-n-butter contracts and keeping competition at bay remain for now.

Key Takeaways from Nandan's address to investors

Nandan's role

The key deliverables for Nandan would be Board oversight, governance (emphasized several times) and functioning. While no time frame has been defined at the moment, Nandan would be around till the problem is solved, and would move on once things are in the right direction. His key tasks would be:

- Ensure stability and consensus so that there is no discord between various stakeholders
- Get employees', among other stakeholders' focus away from the noise and back on business
- Ensure that the CEO search process is effectively carried out
- Make additions to the Board
- Assess strategy and new initiatives; and define path going forward

New CEO search

- Looking for a new CEO is of priority; the search-net for which will be broad and will range across internal candidates, external candidates and Infosys alumni. The new CEO would have the following qualities: be able to manage a global company, accelerate strategy and execution, have technology prowess and build/strengthen relationships with all stakeholders.
- The search will not need to follow the reconstitution of the Board, and the two activities will be carried out in parallel.

Friction between Board and founders is behind

NRN, other founders, the Board (in its previous state), management and various institutional holders were all supportive of Nandan's return at the helm. This uniform acceptance indicates stability, and focus will now move to operationalizing the broader agenda.

Governance lapses so far

Will look into all the issues raised so far by NRN, and will examine the dynamics around it. Nandan is a strong follower of superior corporate governance standards and will ensure that the right steps are taken once the matter is probed into. However, the focus will be more forward-looking, with focus on returning to stable, super-normal growth.

Business continuity and client relationships

The management team at Infosys is committed to ensure business stability and unhampered client relationships. They will get in touch with customers and ensure concerns, if any, are addressed. Need be, Nandan will step in to ensure there is no disruption.

Valuation view

- **The strategy execution was on track so far:** INFO's strategy 'renew and new' – renewing the way of delivering existing services and also building new services of the future - resonates with the changing landscape of technology demand. Gradual progress on the strategy was helping INFO take steps towards regaining its bellwether status with industry-leading growth at strong profitability. A small metric of the same was INFO's latest disclosure around revenues from new areas. Since 1QFY15, nearly 50% of INFO USD2b incremental revenues have come from new services and software which did not exist before, and now constitute 8.3% of 1QFY18 revenues.
- **Addressed various pain points under new management:** Over FY16-FY17, INFO's improving traction is demonstrated in multiple areas:
 - ❖ Volume growth has picked up gradually from 9.3% in FY15 to 14.5% YoY in FY16.
 - ❖ Attrition rate in high performance employees is down to 7.3% while overall attrition is well within manageable levels.
 - ❖ Improvement in client mining—top-10 accounts, which were flattish till 1QFY15 have turned around impressively, till they hit a roadblock midway through FY17.
 - ❖ Cost optimization levers have helped deliver on margins despite pricing pressure—IT Services utilization excluding trainees is up to 84% in 1QFY18, and this was merely 73% in FY13.
 - ❖ Product revenue for FY17 grew by 16.5% YoY, the second consecutive year of strong growth (14.9% in FY15).
- **Recovery delayed amid turbulent environment:** The company faced multiple challenges in FY17; execution issues in Consulting and the loss of the RBS contract being the major ones, resulting in a loss of revenue growth momentum. The weak exit rate has also resulted in a tepid guidance of 6.5-8.5% CC growth in FY18. However, 1Q execution suggested that INFO remains on track to meet the same, despite this needing acceleration in required CQGR of 2.2-2.9%, after having printed 1.4% CC CQGR in FY17. Moreover, recent INR appreciation and investments laid towards augmenting onsite presence in the US will take a toll on margins despite efforts on cost optimization and automation.
- At 14.6/13.6x FY18/FY19E earnings, INFO now is the least expensive stock among the top-4 Indian IT. With the Founder-Board feud quickly redressed with the appointment of Mr. Nandan Nilekani as non-executive non-independent Director and Chairman of Board, along with resignation of four Directors. This takes care of the risk from further downside following the resignation of Dr.Sikka as the CEO, as the company now looks forward to the appointment of a new leader alongwith Board's reconstitution.
- Near-term attractiveness may be higher given the proposed buyback. However, beyond the event, the developments around new CEO, Panaya investigation and INFO's near term outlook will determine the extent of potential re-rating.
- We had lowered our price target to INR1,050, by cutting the target multiple to 15x (from 17x), at some discount to TCS' 16x. That will unlikely be breached for now, with the sleuth of changes yet to take place, but offers upside from current 13.6x, driving our Buy rating.

- However, further re-rating needs to see a combination of: [1] The back of search process and focus on business growth, [2] At least comparable performance to those setting the industry pace.

Key triggers

- Quick appointment of a new CEO
- Retention of guidance despite recent leadership and Board turmoil
- Business earnings tailwinds from BFSI / Currency

Key risk factors

- Adverse regulatory developments around current visa regime
- Additional instability in leadership and execution from multiple exits
- Issues in pockets like Retail, Life Sciences and Hi-tech weighing on overall growth.

Exhibit 2: INFO 1 year forward PE chart

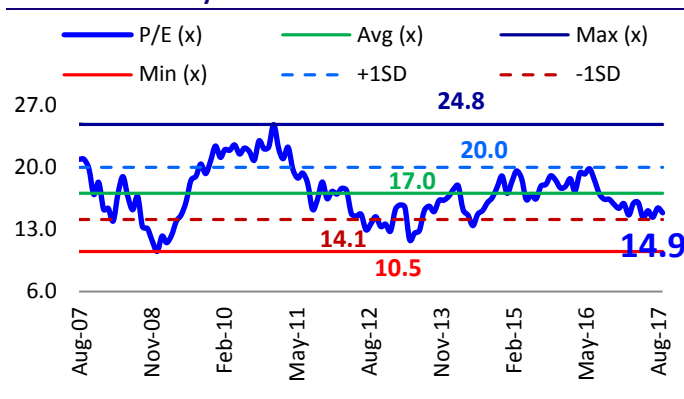


Exhibit 3: INFO 1-year forward PB chart

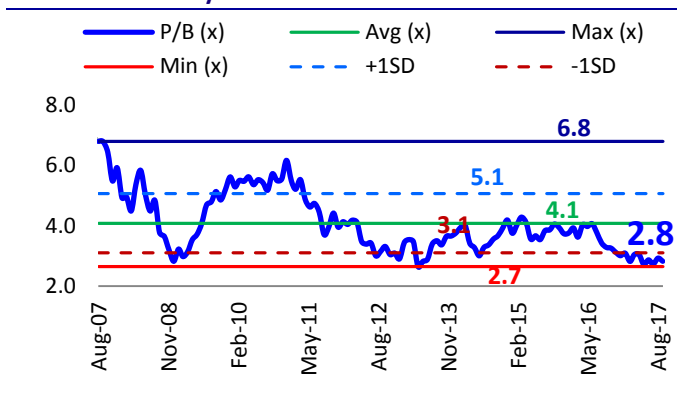


Exhibit 4: Comparative valuation

Company	Mkt cap (USD b)	Rating	TP (INR)	Upside (%)	EPS (INR)			P/E (x)			RoE (%)			FY17-19E CAGR (%)	
					FY18E	FY19E	FY20E	FY18E	FY19E	FY20E	FY18E	FY19E	FY20E	USD rev.	EPS
TCS	72.9	Neutral	2,350	-5.2	131.3	143.0	148.8	18.9	17.3	16.7	31.5	32.9	30.2	7.6	3.5
Infosys	31.5	Buy	1,050	15.0	62.2	67.2	74.0	14.6	13.6	12.3	20.0	19.8	20.0	8.6	5.1
Wipro	21.2	Neutral	270	-6.5	18.1	19.1	21.0	15.9	15.1	13.7	16.1	16.1	15.9	6.0	6.2
HCL Tech	18.8	Neutral	950	9.5	61.8	65.9	69.6	14.0	13.2	12.5	24.9	23.8	22.9	9.8	4.9
TechM	6.2	Buy	490	15.5	34.4	37.3	41.9	12.3	11.4	10.1	17.4	16.9	17.0	8.8	8.9

Source: MOSL, Company

Operating metrics

Exhibit 5: Operating metrics

	4QFY15	1QFY16	2QFY16	3QFY16	4QFY16	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18
Verticals (%)										
Banking and Financial Services	27.2	27.1	27.2	27.6	27.4	27.2	27.4	27.2	27.4	27.1
Insurance	6.4	6.0	5.6	5.9	5.4	5.6	5.7	6.1	6.1	6.2
Manufacturing	23.8	24.1	23.8	22.8	22.7	22.8	22.5	22.5	22.4	22.2
Retail & CPG	15.1	15.0	14.9	14.7	15.0	15.5	14.9	14.6	14.1	14.2
Transport & Logistics	1.6	1.5	1.9	1.9	2.0	1.9	1.9	2.0	2.0	1.9
Life Sciences	5.1	5.6	5.9	5.8	5.7	5.8	4.7	4.6	4.6	4.6
Healthcare	1.7	2.0	1.9	1.9	2.0	1.9	2.1	2.3	2.0	2.0
Energy & Utilities	4.5	4.2	4.7	5.1	5.2	4.7	4.8	5.0	5.0	5.2
Communication & Services	8.3	8.4	7.9	8.0	8.6	9.4	9.4	9.1	9.9	10.4
Others	6.3	6.2	6.2	6.3	6.2	6.3	6.1	6.6	6.5	6.2
Service Lines (%)										
Development	14.3	14.0	14.0	14.1	13.7	14.4	15.6	15.5	15.3	15.4
Maintenance	19.7	19.9	19.6	19.1	19.7	19.5	18.1	17.0	16.8	16.7
Infrastructure Management	8.1	8.3	8.7	7.5	8.0	8.3	8.4	8.6	8.5	8.4
Testing	8.9	8.9	9.0	9.2	9.0	9.1	9.2	9.1	9.0	9.3
Business process management	5.3	5.0	4.9	4.9	5.0	4.9	4.9	4.9	5.1	5.0
Engg Services	3.5	3.5	3.3	3.4	3.4	3.5	3.7	3.9	4.0	4.1
Others	2.5	2.7	2.8	3.0	2.8	2.8	2.7	3.0	3.0	3.1
BITS	62.3	62.3	62.3	61.2	61.6	62.5	62.6	62.0	61.7	62.0
CSI	32.7	32.8	32.8	33.8	33.2	32.1	32.1	32.4	32.6	32.6
Products	3.4	3.2	2.8	3.0	3.2	3.1	3.0	3.2	3.2	Nm
BPM Platforms	1.0	1.0	1.0	0.9	0.8	0.9	2.1	1.9	1.9	Nm
Others	0.6	0.7	1.1	1.1	1.2	1.0	0.4	0.5	0.5	Nm
PPS	5.0	4.9	4.9	5.0	5.2	5.0	5.5	5.6	5.6	5.4
Geography (%)										
North America	62.8	63.2	63.2	62.5	61.9	62.0	61.5	62.0	62.3	61.1
Europe	23.1	22.4	22.9	23.2	23.4	23.0	22.5	22.2	22.1	22.4
India	2.5	2.2	2.3	2.8	3.0	2.7	3.4	3.4	3.2	3.6
RoW	11.6	12.2	11.5	11.5	11.7	12.3	12.6	12.4	12.4	12.9
Clients (%)										
Revenues from top client	3.5	3.7	3.7	3.5	3.6	3.6	3.5	3.1	3.3	3.3
Revenues from top 5 clients	13.9	14.0	14.0	13.9	13.7	13.7	13.1	12.3	12.2	Nm
Revenues from top 10 clients	22.7	23.0	22.8	22.6	21.8	22.2	21.8	20.1	20.2	20.0
Revenues from 2-5 client	10.4	10.3	10.3	10.4	10.1	10.1	9.6	9.2	8.9	Nm
Revenues from 6-10 clients	8.8	9.0	8.8	8.7	8.1	8.5	8.7	7.8	8.0	Nm
Revenues from Non-Top 10 clients	77.3	77.0	77.2	77.4	78.2	77.8	78.2	79.9	79.8	80.0
Clients added during the quarter	52	79	82	75	89	95	78	77	71	71
Total active client	950	987	1,011	1,045	1092	1126	1136	1152	1162	1162

Source: MOSL, Company

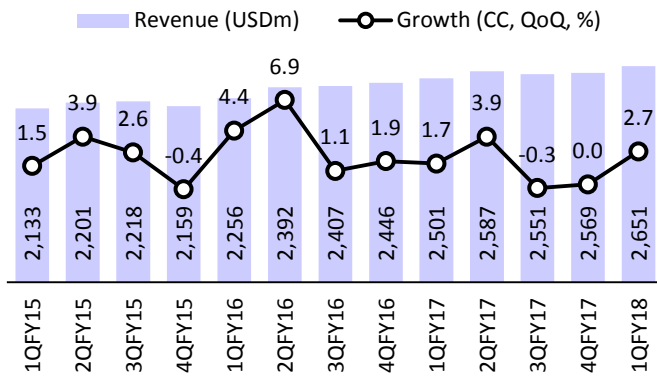
Exhibit 6: Operating metrics

QoQ Growth (%)	4QFY15	1QFY16	2QFY16	3QFY16	4QFY16	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18
Verticals										
Banking and Financial Services	-1.2	2.9	5.1	2.8	-0.5	2.2	4.4	-0.8	1.3	2.6
Energy & Utilities	-10.6	-2.5	18.7	9.2	3.6	-7.6	5.6	2.7	0.7	7.3
Insurance	-1.1	-2.0	-1.0	6.0	-7.0	6.0	5.3	5.5	0.7	4.9
Manufacturing	-1.0	5.8	4.7	-3.6	1.2	2.7	2.1	-1.4	0.3	2.3
Others	-5.5	9.3	8.4	0.6	-0.6	-3.7	7.4	-0.7	-2.3	0.8
Retailing	-1.4	3.8	5.3	-0.7	3.7	5.7	-0.6	-3.4	-2.7	3.9
Telecom	-7.1	5.8	-0.3	1.9	9.2	11.8	3.4	-4.5	9.6	8.4
Transportation	3.8	-2.0	34.3	0.6	7.0	-2.9	3.4	3.8	0.7	-2.0
Service Lines										
Development	-6.6	2.3	6.0	1.3	-1.3	7.5	12.1	-2.0	-0.6	3.9
Maintenance	-1.7	5.6	4.4	-1.9	4.8	1.2	-4.0	-7.4	-0.5	2.6
Infrastructure Management	-3.8	7.1	11.1	-13.3	8.4	6.1	4.7	1.0	-0.5	2.0
Consulting & Package Implementation	-2.4	4.8	6.0	3.7	-0.2	-1.1	3.4	-0.5	1.3	3.2
Testing	-4.8	4.5	7.2	2.9	-0.6	3.4	4.6	-2.5	-0.4	6.6
Engg Services	0.2	4.5	0.0	3.7	1.6	5.3	9.3	3.9	3.3	5.8
Business process management	-4.5	-1.4	3.9	0.6	3.7	0.2	3.4	-1.4	4.8	1.2
Others	5.8	12.9	10.0	7.8	-5.2	-1.4	11.1	2.0	7.4	0.0
Products	5.8	2.4	6.0	2.7	5.7	8.1	-4.1	8.3	-1.1	1.3
Geography										
North America	-0.8	5.2	6.2	-0.6	0.6	2.4	2.6	-0.6	1.2	1.2
Europe	-6.3	1.3	8.4	1.9	2.5	0.5	1.2	-2.7	0.3	4.6
India	-2.7	-8.0	10.8	22.5	8.9	-8.0	30.3	-1.4	-5.2	16.1
RoW	-5.1	9.9	-0.1	0.6	3.4	7.5	6.0	-3.0	0.7	7.4
Clients										
Revenues from top client	6.5	10.5	6.0	-4.8	4.5	2.2	0.6	-12.7	7.2	3.2
Revenues from top 5 clients	1.7	5.2	6.0	-0.1	0.2	2.2	-1.1	-7.4	-0.1	Nm
Revenues from top 10 clients	-1.4	5.9	5.1	-0.3	-2.0	4.1	1.6	-9.1	1.2	2.2
Revenues from Non-Top 10 clients	-3.0	4.1	6.3	0.9	2.7	1.7	4.0	0.8	0.6	3.5
Revenues from 2-5 client	0.2	3.5	6.0	1.6	-1.3	2.2	-1.7	-5.5	-2.6	Nm
Revenues from 6-10 clients	-5.9	6.9	3.7	-0.5	-5.4	7.3	5.9	-11.6	3.3	Nm

Source: MOSL, Company

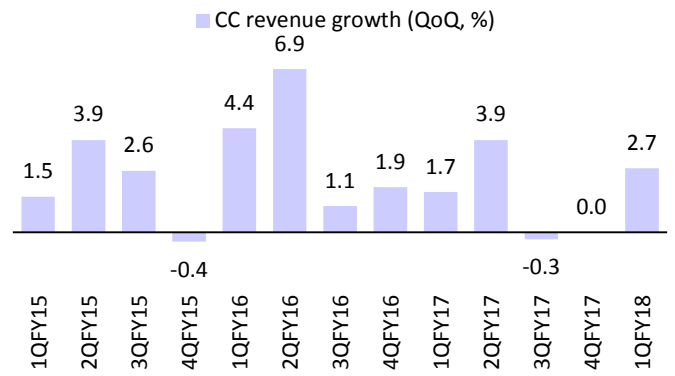
Story in charts

Exhibit 7: Structural growth recovery playing out...



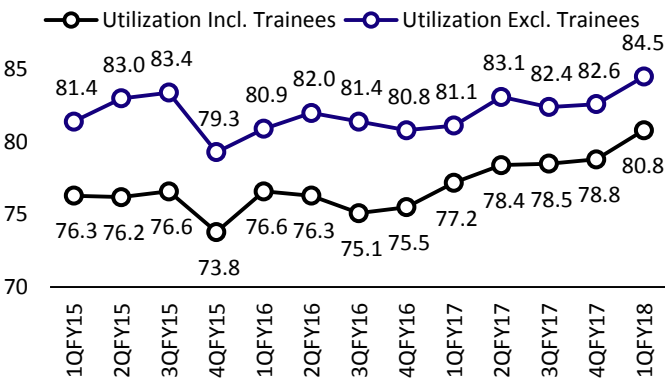
Source: Company, MOSL

Exhibit 8: ...minus weakness in 2HFY17



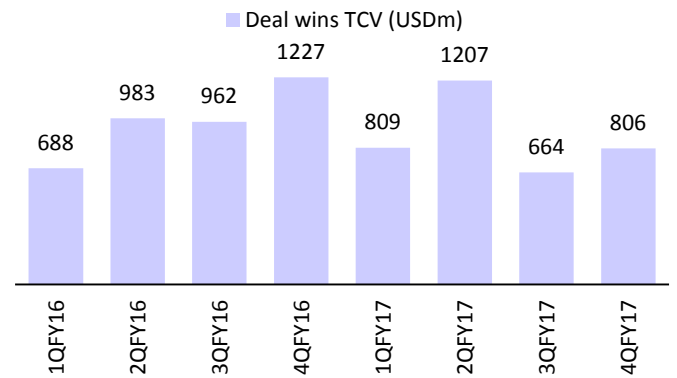
Source: Company, MOSL

Exhibit 9: Expect a higher normal for utilization (including products) with focus on increasing productivity



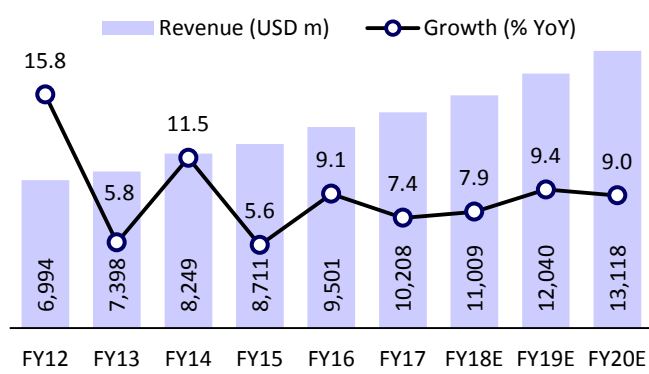
Source: Company, MOSL

Exhibit 10: Deal signings in 1QFY18 similar to that in the previous quarter



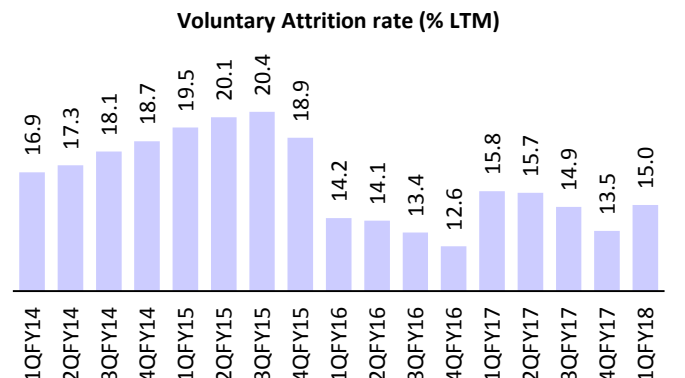
Source: Company, MOSL

Exhibit 11: Gap with industry growth has reduced



Source: Company, MOSL

Exhibit 12: Attrition improving again



Source: Company, MOSL

Financials and Valuations

Key assumption

Y/E Mar	2013	2014	2015	2016	2017	2018E	2019E	2020E
INR/USD Rate	54.5	60.8	61.2	65.7	67.1	65.2	66.8	67.0
Revenues (USD m)	7,398	8,249	8,711	9,501	10,208	11,009	12,040	13,118
Offshore Revenue (%)	49.0	48.0	48.8	47.3	46.8	46.8	46.9	47.2
Total Headcount	156,688	160,405	176,187	194,044	200,364	217,798	237,863	264,867
Net Addition	6,694	3,717	15,782	17,857	6,320	17,434	20,065	27,004
Gross Addition	37,036	39,985	53,386	52,545	44,235	43,895	44,500	54,000
Utilization Incl. trainees (%)	69.5	73.6	76.2	76.5	78.9	80.5	80.0	79.0
Utilization Excl. trainees (%)	73.0	77.4	82.0	81.7	82.8	85.2	84.0	83.5
Per Capita Revenue Productivity (USD)	48,245	52,029	51,760	51,325	51,764	52,656	52,846	52,185

Income Statement

(INR Million)

Y/E Mar	2013	2014	2015	2016	2017	2018E	2019E	2020E
Net Sales	403,520	501,330	533,190	624,410	684,850	718,306	803,702	878,876
Change (%)	19.6	24.2	6.4	17.1	9.7	4.9	11.9	9.4
EBITDA	115,570	136,340	149,020	170,790	186,050	189,125	210,692	232,124
EBITDA Margin (%)	28.6	27.2	27.9	27.4	27.2	26.3	26.2	26.4
Depreciation	11,284	13,740	10,690	14,590	17,030	18,045	18,632	18,896
EBIT	104,286	122,600	138,330	156,200	169,020	171,080	192,060	213,227
Other Income	23,590	26,690	34,270	31,250	30,790	33,135	31,677	32,351
Extraordinary items	0	-2,190	0	0	0	0	0	0
PBT	127,876	147,100	172,600	187,450	199,810	204,215	223,737	245,579
Tax	33,670	40,620	49,290	52,520	55,980	58,635	64,884	71,218
Tax Rate (%)	26.3	27.6	28.6	28.0	28.0	28.7	29.0	29.0
Min. Int. & Assoc. Share	0	0	10	0	0	0	0	0
Reported PAT	94,206	106,480	123,300	134,930	143,830	145,580	158,853	174,361
Adjusted PAT	94,206	108,670	123,300	134,930	143,830	145,580	158,853	174,361
Change (%)	13.3	15.4	13.5	9.4	6.6	1.2	9.1	9.8

Balance Sheet

(INR Million)

Y/E Mar	2013	2014	2015	2016	2017	2018E	2019E	2020E
Share Capital	2,860	2,860	5,720	11,440	11,440	11,440	11,440	11,440
Reserves	395,110	472,440	541,910	606,350	677,990	754,028	824,439	899,302
Net Worth	397,970	475,300	547,630	617,790	689,430	765,468	835,879	910,742
Total Capital Employed	397,970	475,300	547,630	617,790	689,430	765,468	835,879	910,742
Gross Fixed Assets	117,540	140,790	178,360	208,370	227,210	264,278	292,278	320,278
Less: Acc Depreciation	42,080	55,250	64,220	74,510	85,810	111,455	130,087	148,983
Net Fixed Assets	75,460	85,540	114,140	133,860	141,400	152,823	162,191	171,295
Capital WIP	16,600	18,320	14,400	18,930	19,650	17,110	17,110	17,110
Investments	17,390	45,230	24,130	21,050	167,070	22,920	22,920	22,920
Current Assets	354,060	421,460	510,850	580,050	505,040	741,818	821,582	904,925
Debtors	95,180	111,620	125,580	143,590	159,700	171,213	191,567	209,486
Cash & Bank	218,320	259,500	303,670	326,970	226,250	443,290	491,434	544,881
Loans & Adv, Others	40,560	50,340	81,600	109,490	119,090	127,315	138,581	150,559
Curr Liabs & Provns	65,540	95,250	115,890	136,100	143,730	169,203	187,924	205,507
Curr. Liabilities	41,300	56,180	70,180	79,760	83,640	98,587	110,479	120,491
Provisions	24,240	39,070	45,710	56,340	60,090	70,616	77,445	85,016
Net Current Assets	288,520	326,210	394,960	443,950	361,310	572,615	633,658	699,418
Total Assets	397,970	475,300	547,630	617,790	689,430	765,468	835,879	910,742

Financials and Valuations

Ratios

Y/E Mar	2013	2014	2015	2016	2017	2018E	2019E	2020E
Basic (INR)								
EPS	41.2	46.6	53.9	59.0	62.9	63.7	69.5	76.3
Cash EPS	46.2	53.6	58.6	65.4	70.4	71.6	77.7	84.6
Book Value	174.1	208.0	239.6	270.3	301.6	335.0	365.7	398.5
DPS	10.5	15.8	18.5	24.8	25.8	30.0	34.0	38.0
Payout (incl. Div. Tax.)	25.5	33.1	34.3	41.9	40.9	47.1	48.9	49.8
Valuation(x)								
P/E				15.5	14.5	14.7	13.6	12.4
Cash P/E				14.0	13.0	13.0	12.1	11.1
EV/EBITDA				10.2	9.1	8.8	7.8	6.8
EV/Sales				2.8	2.5	2.3	2.0	1.8
Price/Book Value				3.4	3.0	2.7	2.5	2.3
Dividend Yield (%)				2.7	2.8	3.3	3.7	4.2
Profitability Ratios (%)								
RoE	25.7	24.9	24.1	23.2	22.0	20.0	19.8	20.0
RoCE	25.7	24.9	24.1	23.2	22.0	20.0	19.8	20.0
Turnover Ratios (%)								
Fixed Asset Turnover (x)	6.5	6.6	5.7	5.3	5.2	5.1	5.3	5.5
Debtors (No. of Days)	86.1	81.3	86.0	83.9	85.1	87.0	87.0	87.0
Leverage Ratios (%)								
Net Debt/Equity (x)	-0.5	-0.5	-0.6	-0.5	-0.3	-0.6	-0.6	-0.6

Cash Flow Statement

(INR Million)

Y/E Mar	2013	2014	2015	2016	2017	2018E	2019E	2020E
Adjusted EBITDA	115,570	138,530	149,020	170,790	186,050	189,125	210,692	232,124
Non cash opr. exp (inc)	21,960	22,500	35,450	31,260	30,750	33,695	31,677	32,351
(Inc)/Dec in Wkg. Cap.	-9,580	390	-25,770	-24,275	-18,040	5,175	-12,900	-12,313
Tax Paid	-32,930	-38,780	-49,290	-52,520	-55,980	-58,635	-64,884	-71,218
CF from Op. Activity	95,020	122,640	109,410	125,255	142,780	169,360	164,586	180,944
(Inc)/Dec in FA & CWIP	-32,470	-27,450	-35,370	-37,278	-25,290	-26,928	-28,000	-28,000
Free cash flows	62,550	95,190	74,040	87,977	117,490	142,432	136,586	152,944
(Pur)/Sale of Invt	-18,040	-22,580	21,100	3,287	-132,201	144,150	0	0
CF from Inv. Activity	-50,510	-50,030	-14,270	-33,991	-157,491	117,222	-28,000	-28,000
Inc/(Dec) in Net Worth	0	0	0	0	0	0	0	0
Inc / (Dec) in Debt	-890	0	0	0	0	0	0	0
Divd Paid (incl Tax) & Others	-31,210	-31,430	-50,970	-68,403	-71,168	-82,915	-93,970	-105,025
CF from Fin. Activity	-32,100	-31,430	-50,970	-68,403	-71,168	-82,915	-93,970	-105,025
Inc/(Dec) in Cash	12,410	41,180	44,170	22,861	-85,879	203,668	42,616	47,919
Add: Opening Balance	205,910	218,320	259,500	303,670	326,531	240,652	444,319	486,936
Closing Balance	218,320	259,500	303,670	326,531	240,652	444,319	486,935	534,855

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