

Estimate change 

 TP change 

 Rating change 
CMP: INR1,503
TP: INR1,760 (+17%)
Buy
Stronger revenue outlook to drive valuation premium
Margin to gradually normalize

Motilal Oswal values your support in the Asiamoney Brokers Poll 2022 for India Research, Sales, Corporate Access and Trading team. We [request your ballot](#).



| | INFO IN |
|-----------------------|---------------|
| Bloomberg | INFO IN |
| Equity Shares (m) | 4,572 |
| M.Cap.(INRb)/(USD b) | 6323.4 / 79.3 |
| 52-Week Range (INR) | 1954 / 1367 |
| 1, 6, 12 Rel. Per (%) | -2/-9/-11 |
| 12M Avg Val (INR M) | 11531 |

Financials & Valuations (INR b)

| Y/E Mar | 2022 | 2023E | 2024E |
|-----------------|-------|-------|-------|
| Sales | 1,216 | 1,449 | 1,609 |
| EBIT Margin (%) | 23.0 | 20.9 | 22.1 |
| PAT | 221 | 241 | 284 |
| EPS (INR) | 52.4 | 57.5 | 67.6 |
| EPS Gr. (%) | 15.0 | 9.6 | 17.7 |
| BV/Sh. (INR) | 179 | 187 | 195 |

Ratios

| | | | |
|------------|------|------|------|
| RoE (%) | 29.2 | 31.4 | 35.4 |
| RoCE (%) | 24.4 | 25.5 | 28.5 |
| Payout (%) | 59.0 | 75.0 | 75.0 |

Valuations

| | | | |
|---------------|------|------|------|
| P/E (x) | 28.7 | 26.1 | 22.2 |
| P/BV (x) | 8.4 | 8.0 | 7.7 |
| EV/EBITDA (x) | 20.1 | 17.9 | 15.4 |
| Div Yield (%) | 2.1 | 2.9 | 3.4 |

Shareholding pattern (%)

| As On | Jun-22 | Mar-22 | Jun-21 |
|----------|--------|--------|--------|
| Promoter | 13.1 | 13.1 | 13.0 |
| DII | 18.9 | 17.1 | 22.0 |
| FII | 32.0 | 33.6 | 33.8 |
| Others | 36.0 | 36.2 | 31.3 |

FII Includes depository receipts

- INFO reported a growth of 5.5% QoQ in CC terms, above our estimate of 3.9%, led by strong growth across industry verticals, excluding Financials. While large deal TCV (USD1.7b, net new at 50%) was soft, the management indicated continued traction in the large deal pipeline and demand. Though it indicated weakness in parts of Financials and Retail, INFO raised its FY23 revenue growth guidance to 14-16% from 13-15% in last quarter. EBIT margin dipped by 150bp QoQ to 20.1%, below our estimate of 20.8%, on higher wage hikes and robust employee hiring in 1QFY23 (up 21k QoQ).
- We were positively surprised by INFO's guidance revision, especially given the moderating macroeconomic environment. While a large part of the revision was on account of its 1QFY23 performance, the robust headcount addition (42k employees over the last two quarters, a 15% increase) shows the confidence of the management in their client pipeline and leaves room for further upward changes. We factor in 12% revenue CAGR over FY22-24.
- The weak margin performance remains a drag on earnings growth, although the same was visible across the largecap IT Services industry. With a lion's share of the salary hike factored in its 1QFY23 print and the up fronted hiring of freshers, INFO should be able to deliver an improvement in margin over the remaining three quarters. We factor in a margin of 20.9%/22.1% in FY23/ FY24. This should lead to a PAT CAGR of 13.3% over FY22-24.
- INFO has de-rated by over 20% on YTD basis due to macro slowdown related concerns on revenue growth. We expect the upward revision in its revenue guidance to provide comfort to investors on its near to medium term growth and support the share price, given its relative outperformance.
- INFO reported a strong FCF/PAT conversion of 95% in 1QFY23.
- We have lowered our FY23/FY24 EPS estimate by 3.5%/2.5%, given the margin pressure. We view INFO as a key beneficiary of an acceleration in IT spends, given its capabilities around Cloud and Digital transformation. We value the stock at 26x FY24E EPS and reiterate our **Buy** rating.

Revenue beat and unexpected increase in its guidance

- In CC terms, revenue grew 21.4% YoY, INR EBIT rose 5%, and INR PAT increased by 3% in 1QFY23.
- Revenue stood at USD4.44b, up 5.5% QoQ in CC terms, above our estimate of 3.9%.
- EBIT margin fell 150bp QoQ to 20.1% (est. 20.8%).
- It revised its FY23 revenue growth guidance up to 14-16% (from 13-15% YoY earlier) in CC terms. Margin guidance moved to the lower end of its 21-23% range.
- PAT fell 6% QoQ to INR54b, below our INR57b estimate on a higher tax rate.

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

 Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Key highlights from the management commentary

- It is seeing small pockets of weakness in Mortgage, Lending, and Retail in terms of slower decision making, but the pipeline remains strong.
- The management raised its revenue guidance to 14-16% CC in FY23 from 13-15% CC in last quarter.
- Margin has bottomed out in 1QFY23. The management expects FY23 margin to be at the lower end of its guidance of 21-23% due to supply pressures.

Valuation and view

- INFO posted strong earnings in 1QFY23. Demand and the order book remain robust. The increase its FY23 growth guidance and high headcount addition provides further visibility on demand.
- We expect INFO to deliver margin on the lower side of its guidance band, with strong growth and reduced dependence on sub-contractors as attrition falls.
- We expect INFO to be a key beneficiary of an acceleration in IT spends. Based on our revised estimates, the stock is currently trading at 22x FY24E EPS. We value the stock at 26x FY24E EPS, implying a TP of INR1,760.

Quarterly performance (IFRS)

| Y/E March | FY22 | | | | FY23 | | | | FY22 | FY23 | FY23E | Var. |
|--------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|--------------|---------------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2QE | 3QE | 4QE | | 1QE | (%/bp) | |
| Revenue (USD m) | 3,782 | 3,998 | 4,250 | 4,280 | 4,444 | 4,580 | 4,634 | 4,760 | 16,310 | 18,417 | 4,396 | 1.1 |
| QoQ (%) | 4.7 | 5.7 | 6.3 | 0.7 | 3.8 | 3.1 | 1.2 | 2.7 | 20.3 | 12.9 | 2.7 | 113bp |
| Revenue (INR m) | 279 | 296 | 319 | 323 | 345 | 362 | 366 | 376 | 1,216 | 1,449 | 338 | 1.8 |
| YoY (%) | 17.9 | 20.5 | 22.9 | 22.7 | 23.6 | 22.2 | 14.9 | 16.5 | 21.1 | 19.1 | 21.3 | 224bp |
| GPM (%) | 33.7 | 33.1 | 32.8 | 31.0 | 29.3 | 30.3 | 31.2 | 31.5 | 32.6 | 30.6 | 30.7 | -137bp |
| SGA (%) | 10.0 | 9.5 | 9.3 | 9.4 | 9.2 | 9.7 | 9.8 | 9.9 | 9.6 | 9.6 | 9.9 | -63bp |
| EBITDA | 74 | 78 | 84 | 79 | 78 | 84 | 88 | 92 | 315 | 342 | 80 | -1.4 |
| EBITDA Margin (%) | 26.6 | 26.4 | 26.3 | 24.4 | 22.8 | 23.3 | 24.1 | 24.4 | 25.9 | 23.6 | 23.5 | -74bp |
| EBIT | 66 | 70 | 75 | 70 | 69 | 74 | 78 | 81 | 280 | 303 | 70 | -1.8 |
| EBIT Margin (%) | 23.7 | 23.6 | 23.5 | 21.6 | 20.1 | 20.6 | 21.4 | 21.7 | 23.0 | 20.9 | 20.8 | -74bp |
| Other income | 6 | 5 | 5 | 6 | 6 | 7 | 7 | 7 | 21 | 26 | 7 | -8.4 |
| ETR (%) | 27.5 | 27.1 | 26.7 | 24.5 | 28.8 | 26.0 | 26.0 | 26.0 | 26.4 | 26.6 | 26.0 | 283bp |
| PAT | 52 | 54 | 58 | 57 | 54 | 60 | 63 | 65 | 221 | 241 | 57 | -5.9 |
| QoQ (%) | 2.3 | 4.4 | 7.2 | -2.1 | -5.7 | 11.6 | 4.8 | 4.0 | | | 0.2 | -595bp |
| YoY (%) | 22.3 | 11.9 | 11.8 | 12.0 | 3.2 | 10.3 | 7.9 | 14.6 | 14.2 | 9.1 | 9.7 | -651bp |
| EPS (INR) | 12.2 | 12.9 | 13.8 | 13.5 | 12.8 | 14.2 | 14.9 | 15.5 | 52.2 | 57.3 | 13.5 | -5.5 |

Key performance indicators

| Y/E March | FY22 | | | | FY23 | | | | FY22 | FY23E |
|-----------------------------------|------|------|------|------|------|------|------|------|------|-------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2QE | 3QE | 4QE | | |
| Revenue (QoQ CC %) | 4.8 | 6.3 | 7.0 | 1.2 | 5.5 | | | | | 19.7 |
| Margins | | | | | | | | | | |
| Gross Margin | 33.7 | 33.1 | 32.8 | 31.0 | 29.3 | 30.3 | 31.2 | 31.5 | 32.6 | 30.6 |
| EBIT Margin | 23.7 | 23.6 | 23.5 | 21.6 | 20.1 | 20.6 | 21.4 | 21.7 | 23.0 | 20.9 |
| Net Margin | 18.6 | 18.3 | 18.2 | 17.6 | 15.5 | 16.5 | 17.1 | 17.3 | 18.2 | 16.7 |
| Operating metrics | | | | | | | | | | |
| Headcount | 268 | 280 | 292 | 314 | 335 | | | | | 314 |
| Voluntary attrition (%) | 13.9 | 20.1 | 25.5 | 27.7 | 28.4 | | | | | 28 |
| Deal win TCV (USD b) | 2.6 | 2.2 | 2.5 | 2.3 | 1.7 | | | | | 9.6 |
| Key verticals (YoY CC %) | | | | | | | | | | |
| BFSI | 22.6 | 20.5 | 15.5 | 14.1 | 12.1 | | | | | 17.8 |
| Retail | 22.2 | 17.2 | 19.8 | 16.5 | 17.8 | | | | | 18.3 |
| Key geographies (YoY CC %) | | | | | | | | | | |
| North America | 21.1 | 23.1 | 21.4 | 18.5 | 18.4 | | | | | 21.0 |
| Europe | 12.2 | 19.6 | 27.2 | 28.3 | 33.2 | | | | | 22.0 |

Highlights from the management commentary

1QFY23 performance and demand outlook

- In CC terms, INFO reported a growth of 5.5% QoQ and 21.4% YoY in 1QFY23.
- The company witnessed broad-based growth across all sectors and core geographies, with the Digital business growing 37.5% YoY in CC terms.
- INFO reported a TCV of USD1.7b, with 19 large deals, of which 50% were net new. The pipeline is healthy and larger than what it had in the last few months.
- It is seeing small pockets of weakness in Mortgage, Lending, and Retail in terms of slower decision making, but the pipeline remains strong.
- It saw good volume growth, with mega deals in the pipeline.
- The Financial Services vertical remains strong, but there is some softness in the Mortgage and Lending business.
- The Retail segment is seeing strong demand, with large-scale cost optimization initiatives. The pipeline remains robust.
- The Communications vertical is seeing rapid digitalization.
- In the Energy and Utilities segment, there is strong traction in vendor consolidation, Cloud adoption, and cost optimization deals.
- In the Manufacturing vertical, the management sees strong traction in the areas such as Cloud and IoT.
- It raised its revenue guidance to 14-16% CC in FY23 from 13-15% CC in last quarter.

Margin performance

- Margin fell 150bp QoQ to 20.1% in 1QFY23, impacted by higher than normal wage hikes (160bp), lower utilization (40bp), and sub-contractor expenses (30bp), but was partly offset by tailwinds – higher working days and reversal in client contractual provisions, which were, in turn, offset by discounts (50bp) and a favorable forex rate (30bp).
- The salary increases were higher than usual (high single-digit for offshore and higher than usual for onshore) in order to control the supply situation.
- Higher utilization, pricing, pyramid rationalization, reduced dependency on sub-contractor costs, and efficiencies from automation are margin tailwinds for FY23.
- The pricing environment remains stable, with new deals. The company is inserting COLA clauses in agreements.
- Margin has bottomed out in 1QFY23. The management expects FY23 margin to be at the lower end of its guidance of 21-23% due to supply pressures.

Other highlights

- INFO hired 21k employees in 1QFY23.
- Though LTM attrition rose 70bp to 28.4%, it saw a cool-off in attrition by 1% on a quarterly annualized basis in 1QFY23. It expects attrition to reduce in FY23.

Exhibit 1: ENU, Manufacturing, and Communications led the sequential growth

| Verticals | Contribution to revenue (%) | Growth YoY (CC) |
|----------------------------------|-----------------------------|-----------------|
| Financial Services | 30.6 | 12.1 |
| Retail | 14.5 | 17.8 |
| Communications | 13.0 | 30.0 |
| Energy, Utilities, and Resources | 12.4 | 24.6 |
| Manufacturing | 12.1 | 55.2 |
| Hi-Tech | 8.2 | 16.4 |
| Life Sciences | 6.5 | 15.8 |
| Others | 2.7 | 15.4 |

Source: Company, MOFSL

Exhibit 2: Europe leads the growth

| Geographies | Contribution to revenue (%) | Growth YoY (CC) |
|---------------|-----------------------------|-----------------|
| North America | 61.8 | 18.4 |
| Europe | 25.0 | 33.2 |
| India | 2.6 | 5.8 |
| RoW | 10.6 | 17.8 |

Source: Company, MOFSL

Valuation and view

- INFO posted strong earnings in 1QFY23. Demand and the order book remain robust. The increase its FY23 growth guidance and high headcount addition provides further visibility on demand.
- We expect INFO to deliver margin on the lower side of its guidance band, with strong growth and reduced dependence on sub-contractors as attrition falls.
- We expect INFO to be a key beneficiary of an acceleration in IT spends. Based on our revised estimates, the stock is currently trading at 22x FY24E EPS. We value the stock at 26x FY24E EPS, implying a TP of INR1,760.

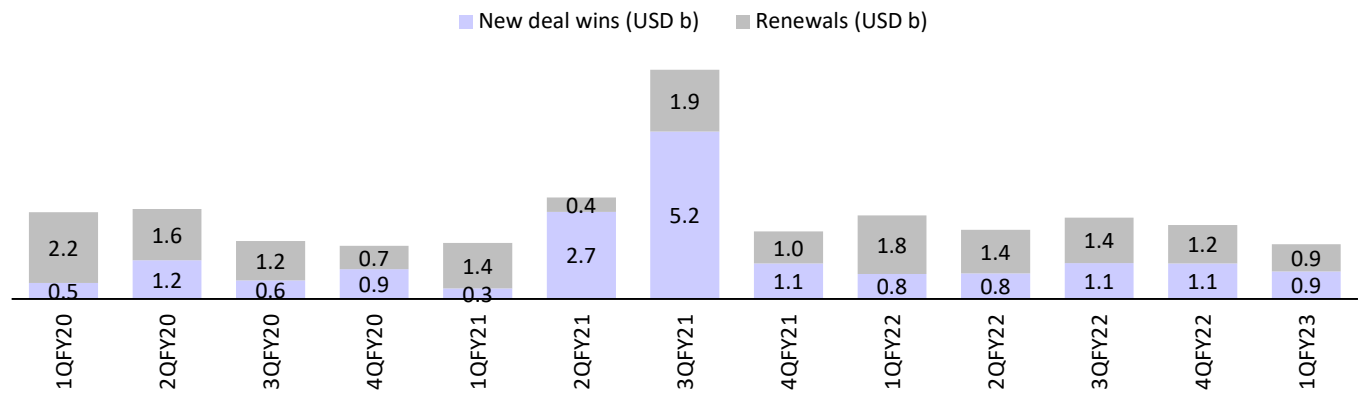
Exhibit 3: Revisions to our estimates

| | Revised estimate | | Earlier estimate | | Change | |
|-----------------|------------------|--------|------------------|--------|--------|--------|
| | FY23E | FY24E | FY23E | FY24E | FY23E | FY24E |
| USD:INR | 78.6 | 79.0 | 78.5 | 79.0 | 0.2% | 0.0% |
| Revenue (USD m) | 18,417 | 20,362 | 18,199 | 20,305 | 1.2% | 0.3% |
| Growth (%) | 12.9 | 10.6 | 11.6 | 11.6 | 130bp | -100bp |
| EBIT margin (%) | 20.9 | 22.1 | 21.7 | 22.7 | -80bp | -60bp |
| PAT (INR b) | 241 | 284 | 251 | 292.6 | -3.7% | -2.9% |
| EPS (INR) | 57.3 | 67.6 | 59.4 | 69.4 | -3.5% | -2.5% |

Source: MOFSL

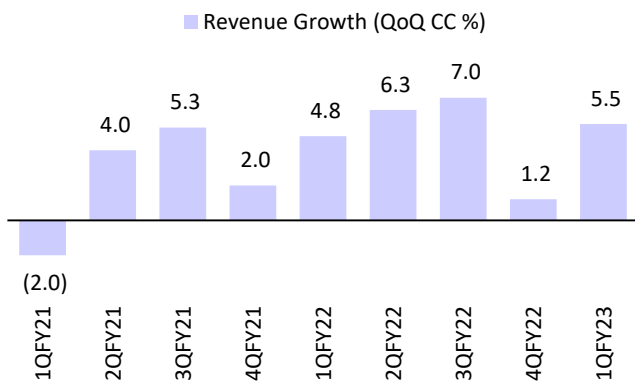
Story in charts

Exhibit 4: Net new deal wins constitute 50% of total large deals in 1QFY23



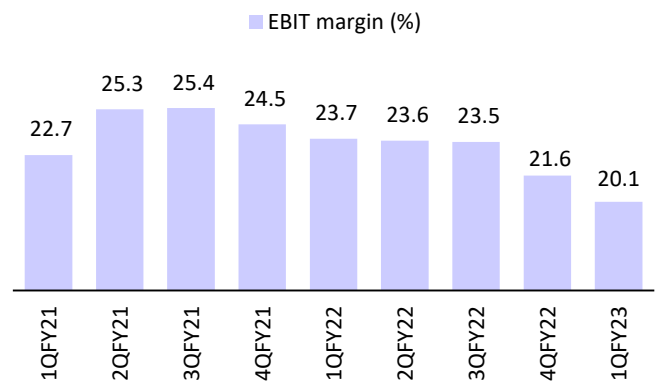
Source: Company, MOFSL

Exhibit 5: Revenue grew 5.5% QoQ CC in 1QFY23



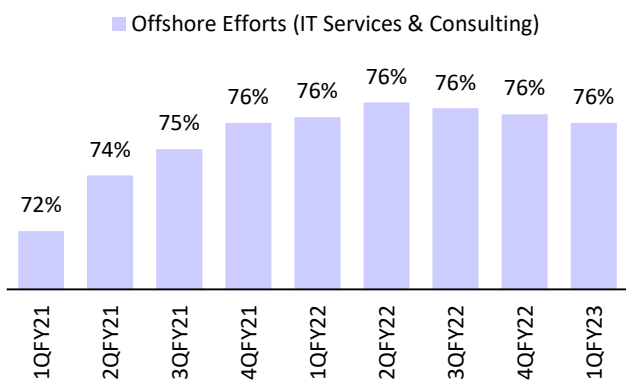
Source: Company, MOFSL

Exhibit 6: Margin dips by 150bp in 1QFY23



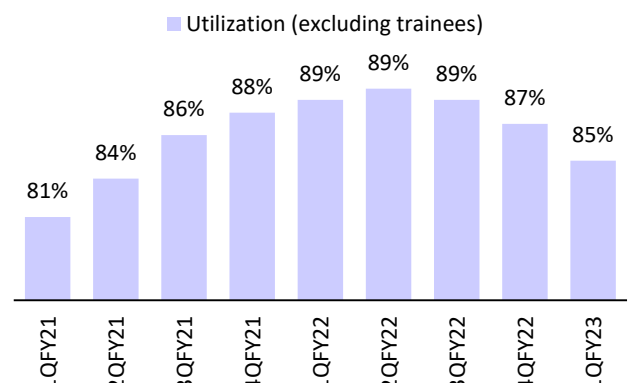
Source: Company, MOFSL

Exhibit 7: Offshoring ratio largely stable



Source: Company, MOFSL

Exhibit 8: Utilization moderates to 85% in 1QFY23



Source: Company, MOFSL

Exhibit 9: Operating metrics

| | 1QFY21 | 2QFY21 | 3QFY21 | 4QFY21 | 1QFY22 | 2QFY22 | 3QFY22 | 4QFY22 | 1QFY23 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Effort (IT Services and Consulting) | | | | | | | | | |
| On-site | 28% | 26% | 25% | 24% | 24% | 24% | 24% | 24% | 24% |
| Offshore | 72% | 74% | 75% | 76% | 76% | 76% | 76% | 76% | 76% |
| Utilization (IT Services and Consulting) | | | | | | | | | |
| Including trainees | 78% | 81% | 82% | 82% | 83% | 84% | 83% | 80% | 78% |
| Excluding trainees | 81% | 84% | 86% | 88% | 89% | 89% | 89% | 87% | 85% |
| Employee metrics | | | | | | | | | |
| Total employees (consolidated, in k) | 239 | 240 | 249 | 260 | 268 | 280 | 292 | 314 | 335 |
| S/W professional (k) | 225 | 226 | 235 | 245 | 253 | 265 | 277 | 298 | 318 |
| Support and sales (k) | 14 | 14 | 14 | 15 | 14 | 15 | 15 | 16 | 17 |
| Revenue by client geography | | | | | | | | | |
| North America | 62% | 61% | 62% | 62% | 62% | 62% | 62% | 61% | 62% |
| Europe | 24% | 24% | 24% | 24% | 24% | 25% | 25% | 25% | 25% |
| India | 3% | 3% | 3% | 3% | 3% | 3% | 3% | 3% | 3% |
| RoW | 12% | 12% | 12% | 11% | 11% | 11% | 10% | 10% | 11% |
| Revenue by business segments | | | | | | | | | |
| Financial Services | 32% | 32% | 33% | 33% | 33% | 32% | 32% | 31% | 31% |
| Retail | 14% | 15% | 15% | 15% | 15% | 15% | 15% | 14% | 15% |
| Communications | 13% | 13% | 12% | 12% | 12% | 12% | 13% | 13% | 13% |
| Energy, Utilities, Resources, and Services | 13% | 12% | 13% | 12% | 12% | 12% | 12% | 12% | 12% |
| Manufacturing | 10% | 9% | 9% | 10% | 10% | 11% | 11% | 12% | 12% |
| Hi-Tech | 9% | 9% | 8% | 8% | 8% | 9% | 8% | 8% | 8% |
| Life Sciences | 7% | 7% | 7% | 7% | 7% | 7% | 8% | 7% | 7% |
| Others | 3% | 3% | 3% | 3% | 3% | 2% | 3% | 3% | 3% |
| Revenue by offerings | | | | | | | | | |
| Digital | 45% | 47% | 50% | 51% | 54% | 56% | 59% | 59% | 61% |
| Core | 55% | 53% | 50% | 49% | 46% | 44% | 42% | 41% | 39% |
| Geography (YoY CC) | | | | | | | | | |
| North America | 0% | 2% | 9% | 12% | 21% | 23% | 21% | 19% | 18% |
| Europe | 4% | 1% | 1% | 5% | 12% | 20% | 27% | 28% | 33% |
| India | 33% | 20% | 4% | 31% | 21% | 4% | 40% | 30% | 6% |
| RoW | -2% | 4% | 6% | -1% | 5% | 5% | 7% | 14% | 18% |
| Business segments (YoY CC) | | | | | | | | | |
| Financial Services | 2% | 3% | 12% | 16% | 23% | 21% | 16% | 14% | 12% |
| Retail | -7% | 0% | 2% | 5% | 22% | 17% | 20% | 17% | 18% |
| Communications | -1% | -2% | 1% | -1% | 5% | 17% | 22% | 29% | 30% |
| Energy, Utilities, Resources, and Services | 0% | -4% | 5% | 5% | 11% | 15% | 14% | 18% | 25% |
| Manufacturing | 0% | -8% | -4% | 3% | 19% | 43% | 48% | 51% | 55% |
| Hi-Tech | 13% | 24% | 17% | 16% | 15% | 12% | 19% | 21% | 16% |
| Life Sciences | 8% | 7% | 11% | 18% | 21% | 26% | 29% | 16% | 16% |
| Others | 24% | 25% | 3% | 26% | 10% | -10% | 36% | 7% | 15% |
| DSO | 71 | 69 | 73 | 71 | 70 | 66 | 71 | 67 | 63 |
| Large deal TCV (USD m) | 1,740 | 3,150 | 7,130 | 2,100 | 2,600 | 2,152 | 2,530 | 2,300 | 1,700 |
| Clients (as a percentage of revenue) | | | | | | | | | |
| Top 10 clients | 19.3% | 18.7% | 18.5% | 18.3% | 18.8% | 19.4% | 20.2% | 19.4% | 20.8% |
| Top 25 clients | 34.6% | 34.2% | 34.6% | 34.2% | 34.4% | 35.4% | 35.9% | 35.4% | 36.3% |
| Number of active clients | 1,458 | 1,487 | 1,562 | 1,626 | 1,659 | 1,714 | 1,738 | 1,741 | 1,778 |
| New clients added in the period | 110 | 96 | 139 | 130 | 113 | 117 | 111 | 110 | 106 |

Source: Company, MOFSL

Financials and valuations

| Income Statement | | | | | | | (INR b) | |
|------------------------------|------------|------------|------------|------------|--------------|--------------|--------------|--------------|
| Y/E March | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 | FY23E | FY24E |
| Sales | 685 | 705 | 827 | 908 | 1,005 | 1,216 | 1,449 | 1,609 |
| Change (%) | 9.7 | 3.0 | 17.2 | 9.8 | 10.7 | 21.1 | 19.1 | 11.0 |
| Software Develop. Exp. | 433 | 451 | 539 | 607 | 654 | 820 | 1,005 | 1,094 |
| SGA expenses | 83 | 82 | 99 | 107 | 104 | 116 | 140 | 159 |
| EBITDA | 186 | 190 | 209 | 223 | 279 | 315 | 351 | 408 |
| As a percentage of Net Sales | 27.2 | 27.0 | 25.3 | 24.5 | 27.8 | 25.9 | 24.2 | 25.4 |
| Depreciation | 17 | 19 | 20 | 29 | 33 | 35 | 48 | 53 |
| Interest | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Income | 31 | 32 | 29 | 26 | 20 | 21 | 26 | 29 |
| PBT | 200 | 204 | 218 | 220 | 266 | 301 | 329 | 384 |
| Tax | 56 | 57 | 56 | 54 | 72 | 80 | 88 | 100 |
| Rate (%) | 28.1 | 27.8 | 25.9 | 24.4 | 27.0 | 26.4 | 26.6 | 26.0 |
| Minority Interest | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| Adjusted PAT | 144 | 147 | 161 | 166 | 194 | 221 | 241 | 284 |
| Extraordinary Items | 0 | -13 | 7 | 0 | 0 | 0 | 0 | 0 |
| Reported PAT | 144 | 160 | 154 | 166 | 194 | 221 | 241 | 284 |
| Change (%) | 6.4 | 11.7 | -3.9 | 7.7 | 16.7 | 14.2 | 9.1 | 17.7 |

| Balance Sheet | | | | | | | (INR b) | |
|--------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Y/E March | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 | FY23E | FY23E |
| Share Capital | 24 | 19 | 22 | 21 | 21 | 21 | 21 | 21 |
| Reserves | 666 | 631 | 628 | 633 | 742 | 733 | 763 | 798 |
| Net Worth | 690 | 649 | 649 | 655 | 764 | 754 | 784 | 819 |
| Capital Employed | 693 | 658 | 661 | 719 | 845 | 843 | 899 | 947 |
| Gross Block | 274 | 278 | 328 | 428 | 479 | 511 | 550 | 594 |
| Less: Depreciation | 113 | 132 | 152 | 181 | 213 | 248 | 296 | 349 |
| Net Block | 161 | 146 | 176 | 247 | 266 | 263 | 254 | 245 |
| Investments and Other Assets | 135 | 153 | 143 | 134 | 211 | 244 | 262 | 272 |
| Curr. Assets | 537 | 500 | 529 | 546 | 607 | 672 | 710 | 784 |
| Debtors | 160 | 174 | 202 | 240 | 268 | 343 | 362 | 402 |
| Cash and Bank Balance | 226 | 198 | 196 | 186 | 247 | 175 | 194 | 219 |
| Investments | 100 | 64 | 66 | 47 | 23 | 67 | 67 | 67 |
| Other Current Assets | 51 | 64 | 65 | 73 | 69 | 88 | 87 | 97 |
| Current Liab. and Prov. | 140 | 141 | 186 | 209 | 239 | 336 | 327 | 354 |
| Net Current Assets | 397 | 359 | 342 | 337 | 369 | 336 | 383 | 430 |
| Application of Funds | 693 | 658 | 661 | 719 | 845 | 843 | 899 | 947 |

Financials and valuations

Ratios

| Y/E March | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 | FY23E | FY24E |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Basic (INR) | | | | | | | | |
| EPS | 31.4 | 35.5 | 35.4 | 38.9 | 45.6 | 52.4 | 57.5 | 67.6 |
| Cash EPS | 35.1 | 39.6 | 40.0 | 45.7 | 53.3 | 60.7 | 68.8 | 80.3 |
| Book Value | 150.9 | 144.0 | 149.4 | 153.7 | 180.0 | 179.0 | 186.9 | 195.3 |
| DPS | 12.9 | 21.8 | 21.5 | 17.5 | 27.0 | 31.0 | 43.0 | 50.7 |
| Payout (%) | 41.0 | 75.5 | 109.2 | 45.4 | 106.7 | 59.0 | 75.0 | 75.0 |
| Valuation (x) | | | | | | | | |
| P/E ratio | 47.8 | 42.3 | 42.4 | 38.6 | 33.0 | 28.7 | 26.1 | 22.2 |
| Cash P/E ratio | 42.8 | 37.9 | 37.5 | 32.9 | 28.2 | 24.8 | 21.8 | 18.7 |
| EV/EBITDA ratio | 36.9 | 35.6 | 31.3 | 28.7 | 22.8 | 20.1 | 17.9 | 15.4 |
| EV/Sales ratio | 10.0 | 9.6 | 7.9 | 7.0 | 6.3 | 5.2 | 4.3 | 3.9 |
| Price/Book Value ratio | 10.0 | 10.4 | 10.1 | 9.8 | 8.3 | 8.4 | 8.0 | 7.7 |
| Dividend Yield (%) | 0.9 | 1.4 | 1.4 | 1.2 | 1.8 | 2.1 | 2.9 | 3.4 |
| Profitability Ratios (%) | | | | | | | | |
| RoE | 22.0 | 22.0 | 24.8 | 25.5 | 27.3 | 29.2 | 31.4 | 35.4 |
| RoCE | 18.5 | 18.3 | 21.2 | 21.2 | 23.0 | 24.4 | 25.5 | 28.5 |
| Turnover Ratios | | | | | | | | |
| Debtors (Days) | 85 | 90 | 89 | 96 | 97 | 103 | 91 | 91 |
| Fixed Asset Turnover (x) | 4.2 | 4.8 | 4.7 | 3.7 | 3.8 | 4.6 | 5.7 | 6.6 |

Cash Flow Statement

(INR b)

| Y/E March | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 | FY23E | FY24E |
|------------------------------|-------------|-------------|-------------|-------------|------------|-------------|-------------|-------------|
| CF from Operations | 160 | 147 | 164 | 205 | 235 | 261 | 280 | 327 |
| Cash for Working Capital | -19 | -1 | -6 | -19 | 6 | -12 | -20 | -20 |
| Net Operating CF | 141 | 146 | 158 | 186 | 241 | 250 | 260 | 308 |
| Net Purchase of FA | -28 | -20 | -24 | -34 | -21 | -22 | -30 | -34 |
| Free Cash Flow | 113 | 126 | 134 | 152 | 220 | 228 | 230 | 274 |
| Net Purchase of Invest. | -143 | 51 | 9 | 16 | -63 | -53 | 0 | 0 |
| Net Cash from Invest. | -171 | 31 | -16 | -18 | -84 | -75 | -30 | -34 |
| Proceeds from Equity | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Others | 0 | 0 | 0 | -6 | -7 | -8 | 0 | 0 |
| Dividend Payments | -69 | -205 | -145 | -95 | -91 | -127 | -211 | -249 |
| Buyback of shares | 0 | 0 | 0 | -75 | 0 | -111 | 0 | 0 |
| Cash Flow from Fin. | -69 | -205 | -145 | -176 | -98 | -246 | -211 | -249 |
| Net Cash Flow | -100 | -28 | -2 | -8 | 60 | -72 | 19 | 25 |
| Effect of forex on cash flow | -1 | 0 | 0 | -1 | 1 | -1 | 0 | 0 |
| Opening Cash Bal. | 327 | 226 | 198 | 196 | 186 | 247 | 175 | 194 |
| Add: Net Cash | -101 | -28 | -2 | -9 | 61 | -72 | 19 | 25 |
| Closing Cash Bal. | 226 | 198 | 196 | 186 | 247 | 175 | 194 | 219 |

| 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.

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