

L&T Technology Services

BUY

Buy the dip!

We maintain **BUY** on **LTTTS** despite the **EPS downgrade** (~5%) on weak near-term outlook (2Q nos were in-line). While relative outperformance continues, deceleration in growth trajectory limits our optimism. Our TP is **Rs 1,705**, based on **18x Sep-21E** (20x earlier).

HIGHLIGHTS OF THE QUARTER

- Rev came at USD 198mn, +2.5/11.9% QoQ/YoY CC (in-line). Guidance was cut to 10% for FY20E (vs. 12-14% earlier) implying 2H rev at 7% YoY (vs. 13% YoY in 1H). Guidance was cut on soft 3Q sequential performance in client-specific areas within Telecom & Hi-tech vertical (20.6% of rev) and Transportation vertical (35% of rev).
- Transportation posted 2.4% QoQ following 5.1/5.5% CQGR over 4/8-qtrs. Telecom & Hi-tech vertical declined 5.6% QoQ (USD 2.4mn QoQ decline) on expected lines. Industrial products (high susceptibility to macro/trade war) grew 0.9% QoQ (vs. 1.3/1.9% CQGR 4/8-qtrs). Process industry (16.2% of rev) and Medical devices (8.8% of rev) continued the robust momentum of 8% and 12.2% QoQ, respectively.

- Incremental softness owes to slower client decision making and project ramp beyond the semiconductor segment, not to any loss of franchise. Commentary on deal wins/pipeline (higher TCV in 2Q vs. 1Q and increase in PoCs ~client stickiness) suggest a recovery post 3Q. Our estimates peg 3Q/4Q at 0.5/3.5% QoQ.
- EBIT% was flat at 17% with wage impact (-160bps QoQ), offset by absence of visa cost and INR depreciation (+140bps). Outperformance in high-margin segments (Process industry, Medical devices) and rising offshore mix helped margins. We've factored a flat trajectory ahead.

STANCE

LTTTS continues to outperform ER&D peers, even as near term growth has slowed. We believe this has more to do with macros, and reckon that LTTTS is reasonably resilient with its relatively stronger technical capabilities, diversified vertical mix and niche position in Process Industry and Industrial products. We build USD rev/EPS to post 11.5/14.5% CAGR over FY19-22E. That macros can play a bigger spoilsport than now is the only risk.

Financial Summary

YE March (Rs bn)	2QFY20	2QFY19	YoY (%)	1QFY20	QoQ (%)	FY18	FY19	FY20E	FY21E	FY22E
Net Revenue	14.02	12.66	10.7	13.48	4.1	37.47	50.78	56.22	63.48	73.01
EBIT	2.39	2.02	18.3	2.30	3.9	5.76	9.15	11.25	12.90	15.06
APAT	2.06	1.91	7.7	2.04	0.9	4.73	7.07	7.70	9.19	10.67
Adjusted EPS (Rs)	19.8	18.4	7.7	19.6	0.9	45.5	68.0	74.0	88.4	102.6
P/E (x)						36.0	24.1	22.1	18.5	16.0
EV / EBITDA (x)						29.1	17.9	14.2	12.1	10.1
RoE (%)						27.7	32.0	28.4	28.5	27.8

Source: Company, HDFC sec Inst Research

INDUSTRY	IT
CMP (as on 18 Oct 2019)	Rs 1,639
Target Price	Rs 1,705
Nifty	11,662
Sensex	39,298

KEY STOCK DATA

Bloomberg	LTTTS IN
No. of Shares (mn)	104
MCap (Rs bn) / (\$ mn)	171/2,403
6m avg traded value (Rs mn)	199

STOCK PERFORMANCE (%)

52 Week high / low	Rs 1,820/1,400		
	3M	6M	12M
Absolute (%)	(1.0)	(2.1)	6.1
Relative (%)	(2.0)	(2.5)	(6.9)

SHAREHOLDING PATTERN (%)

	Jun-19	Sep-19
Promoters	74.97	74.97
FIs & Local MFs	4.75	4.76
FPIs	8.50	8.93
Public & Others	11.78	11.34
Pledged Shares	0.00	0.00

Source : BSE

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Quarterly Financials Snapshot (Consolidated)

Particulars (Rs bn)	2QFY20	2QFY19	YoY (%)	1QFY20	QoQ (%)
Net Sales USD mn	197.7	177.2	11.6	193.9	2.0
Net Sales	14.02	12.66	10.7	13.48	4.1
Employee expenses	8.63	7.92	8.9	8.35	3.3
Operating Expenses	2.56	2.45	4.6	2.39	7.0
EBITDA	2.83	2.29	23.8	2.73	3.9
Depreciation	0.44	0.27	64.4	0.43	3.7
EBIT	2.39	2.02	18.3	2.30	3.9
Other Income (incl forex)	0.47	0.55	(14.7)	0.57	(17.0)
Interest Cost	0.09	0.00	2175.0	0.09	0.0
PBT	2.77	2.56	7.9	2.77	(0.3)
Tax	0.70	0.65	9.0	0.73	(3.8)
RPAT	2.06	1.91	7.7	2.04	0.9
EO Items (Adj For Tax)	-	-	NA	-	NA
APAT	2.06	1.91	7.7	2.04	0.9

Source: Company, HDFC sec Inst Research

Margin Analysis (%)

	2QFY20	2QFY19	YoY (bps)	1QFY20	QoQ (bps)
Direct cost % Net Sales	61.5	62.6	(105)	62.0	(46)
Operating Expenses % Net Sales	18.3	19.3	(108)	17.8	50
Gross Margin %	38.5	37.4	105	38.0	46
EBITDA Margin (%)	20.2	18.1	213	20.2	(4)
EBIT Margin (%)	17.0	15.9	109	17.1	(3)
Tax Rate (%)	25.5	25.2	26	26.4	(95)
APAT Margin (%)	14.7	15.1	(41)	15.1	(45)

Source: Company, HDFC sec Inst Research

Revenue stood at USD 197.7mn, up 1.9/11.6% QoQ/YoY CC

EBIT% was 17.0%, flat QoQ margin was impacted by wage hike (-160bps) which was offset by currency benefit (+50bps) and absence of Visa expenses (+90bps)

On YoY basis, LTTS has improved margins by 109bps, significantly outperforming peers' operating performance

Recent tax cuts in India are not expected to have any impact on the ETR, LTTS will migrate to the new tax regime after 2 years

Transportation (35% of rev) growth moderated to 2.4% QoQ, Transportation is expected to face client-specific challenges impacted by US-China Trade war

In Telecom & Hi-Tech we build-in no growth for 3QFY20, 4QFY20 & FY21 and mid-single digit growth in FY22

Process Industry continued higher than co avg growth for the past 6 qtrs

Continued robust growth in Medical devices (highest margin) for the past 10 qtrs, medical devices expected to continue its strong growth trajectory

IP strategy of LTTS expected to fructify soon

Revenue Mix By Vertical

(% of revenue)	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20
Transportation	32.3	30.9	30.8	30.9	32.0	31.7	32.9	34.9	35.0
Telecom & Hi-tech	24.3	27.9	29.5	28.7	26.7	27.0	26.2	22.3	20.6
Industrial Products	23.6	21.8	20.9	20.4	20.6	20.2	19.3	19.6	19.4
Process Industry	12.8	12.7	12.3	13.5	14.2	14.4	14.7	15.3	16.2
Medical Devices	7.0	6.7	6.5	6.5	6.5	6.7	7.0	8.0	8.8
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Company, HDFC sec Inst Research

Vertical Revenue Growth

(QoQ, %)	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20
Transportation	4.9	3.7	7.2	4.3	8.6	3.8	6.8	7.5	2.4
Telecom & Hi-tech	32.0	24.4	13.8	1.2	(2.4)	6.0	(0.2)	(13.8)	(5.6)
Industrial Products	1.0	0.1	3.1	1.5	5.9	2.8	(1.6)	2.9	0.9
Process Industry	0.5	7.5	4.2	14.1	10.3	6.3	5.2	5.5	8.0
Medical Devices	10.7	3.7	4.4	4.0	4.9	8.0	7.6	15.8	12.2
Total	9.2	8.4	7.6	4.0	4.9	4.8	3.0	1.4	2.0

Source: Company, HDFC sec Inst Research

Geography Revenue Break-up

(% of revenue)	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20
North America	60.8	58.7	57.6	56.3	57.7	57.8	58.9	60.9	61.7
Europe	16.5	17.2	18.6	18.5	17.2	16.2	16.0	15.6	14.4
India	10.5	11.5	11.7	12.4	12.5	14.4	13.9	12.8	13.2
Rest of the World	12.2	12.6	12.1	12.8	12.6	11.6	11.2	10.7	10.8
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Company, HDFC sec Inst Research

Growth in 2Q was powered by NorthAm (61.7% of rev) up 3.3% QoQ

India growth recovered after two soft qtrs

Offshore powered revenue growth, up 2.9% QoQ vs. flat onsite, offshore has grown strongly for the past 8 qtrs

T5 clients' growth was impacted by client-specific issue, Top 6-10 clients grew at a strong 8.8% QoQ

Growth in Top 11-20 was soft at 0.7% but Non-Top 20 clients growth was strong at 4.5% QoQ

UTC (among top clients) selected LTTs as a strategic partner for its subsidiary Collins Aerospace

Geography Revenue Growth

(QoQ, %)	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20
North America	2.9	4.6	5.6	1.7	7.5	5.0	5.0	4.8	3.3
Europe	8.5	13.0	16.3	3.4	(2.5)	(1.3)	1.8	(1.2)	(5.9)
India	23.2	18.7	9.5	10.2	5.7	20.8	(0.6)	(6.7)	4.7
Rest of the World	38.7	11.9	3.3	10.0	3.2	(3.5)	(0.5)	(3.2)	2.4
Total	9.2	8.4	7.6	4.0	4.9	4.8	3.0	1.4	2.0

Source: Company, HDFC sec Inst Research

Revenue Mix By Delivery

(% of revenue)	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20
Onsite	50.8	50.7	50.0	49.4	47.1	47.4	44.8	44.3	43.8
Offshore	49.2	49.3	50.0	50.6	52.9	52.6	55.2	55.7	56.2
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Company, HDFC sec Inst Research

Revenue Growth By Delivery

(QoQ, %)	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20
Onsite	12.7	8.1	6.1	2.7	(0.0)	5.5	(2.6)	0.2	0.8
Offshore	5.7	8.6	9.1	5.2	9.6	4.2	8.1	2.3	2.9
Total	9.2	8.4	7.6	4.0	4.9	4.8	3.0	1.4	2.0

Source: Company, HDFC sec Inst Research

Client-wise Revenue Break-up

(% of revenue TTM)	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20
Top 5 clients	26.8	28.8	28.6	28.3	28.2	27.4	26.4	24.7	22.9
Top 10 clients	39.8	41.2	41.4	40.5	39.9	38.9	37.7	36.7	35.7
Top 20 clients	54.9	56.4	56.7	55.6	55.1	54.4	53.5	52.5	51.3

Source: Company, HDFC sec Inst Research

Client-wise Revenue Growth

(% of revenue TTM)	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20
Top 5 clients	22.9	16.4	6.8	2.9	4.5	1.8	(0.7)	(5.2)	(5.5)
Top 10 clients	17.4	12.2	8.1	1.7	3.3	2.2	(0.2)	(1.3)	(0.8)
Top 20 clients	13.9	11.3	8.2	2.0	3.9	3.5	1.3	(0.5)	(0.4)

Source: Company, HDFC sec Inst Research

Headcount, Utilisation Data

(Nos.)	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20
Total Headcount	11,532	11,941	12,307	13,081	13,585	14,777	15,140	15,913	16,789
Billable headcount	10,573	11,009	11,360	12,147	12,604	13,711	14,034	14,755	15,614
Sales & support	959	932	947	934	981	1,066	1,106	1,158	1,175
Employee net additions	727	409	366	774	504	1,192	363	773	876
Attrition rate (%)	13.4	13.2	13.5	15.4	15.0	14.9	14.8	15.8	13.4
Utilisation (incl. trainees) (%)	76.1	78.8	80.7	78.6	80.3	81.3	80.2	79.6	77.8

Source: Company, HDFC sec Inst Research

Key Assumptions

Particulars	FY17	FY18	FY19	FY20E	FY21E	FY22E
Headcount (Nos)	10,463	12,307	15,140	17,503	19,128	20,492
Utilisation (%)	75.9	77.7	80.1	78.4	78.7	79.5
USD revenue growth (%)	3.4	19.8	24.6	10.2	11.5	12.7
USD/INR rate	67.1	64.6	70.2	70.6	71.5	73.0
EBIT margin (%)	16.1	13.0	16.0	17.0	17.3	17.6

Source: Company, HDFC sec Inst Research

Attrition reduced substantially by 240bps to 13.4%, at 7 qtr low

Utilisation dipped 180bps QoQ, utilisation fell for two straight quarters (margin lever)

Change In Estimates

Particulars	Earlier estimates	Revised estimates	% change
FY20E			
Revenue (USD mn)	816	797	(2.4)
Revenue (Rs bn)	57.35	56.22	(2.0)
EBITDA (Rs bn)	9.80	9.57	(2.4)
EBITDA Margin (%)	17.1%	17.0%	(8)bps
EPS (Rs)	78.4	74.0	(5.5)
FY21E			
Revenue (USD mn)	937	888	(5.3)
Revenue (Rs bn)	67.01	63.48	(5.3)
EBITDA (Rs bn)	11.56	11.00	(4.8)
EBITDA Margin (%)	17.2%	17.3%	8bps
EPS (Rs)	92.9	88.4	(4.9)
FY22E			
Revenue (USD mn)	1,065	1,000	(6.1)
Revenue (Rs bn)	77.75	73.01	(6.1)
EBITDA (Rs bn)	13.59	12.87	(5.3)
EBITDA Margin (%)	17.5%	17.6%	14bps
EPS (Rs)	108.4	102.6	(5.4)

Source: HDFC sec Inst Research

Lower EPS est. on revenue growth cuts of 2.4/5.3/6.1% for FY20/21/22E

Peer Set Comparison

Company	MCap (Rs bn)	CMP (Rs)	TP (Rs)	RECO	EPS (Rs)				P/E (x)				RoE (%)			
					FY18	FY19	FY20E	FY21E	FY18	FY19	FY20E	FY21E	FY18	FY19	FY20E	FY21E
TCS	7,720	2,057	1,975	NEU	68.8	83.9	85.5	92.9	29.9	24.5	24.1	22.1	30.1	36.1	35.3	37.1
Infosys	3,267	768	835	NEU	34.6	37.2	37.9	43.7	22.2	20.6	20.3	17.6	22.0	24.4	25.4	28.5
Wipro	1,480	249	230	NEU	13.5	15.1	16.8	18.0	18.5	16.4	14.8	13.8	16.5	17.3	17.8	17.7
HCL Tech	1,486	1,096	1,275	BUY	64.7	74.6	73.1	83.7	16.9	14.7	15.0	13.1	25.3	26.0	22.6	23.2
TechM	646	734	650	NEU	43.2	48.9	45.4	51.0	17.0	15.0	16.2	14.4	21.5	22.0	19.4	20.0
Tier-1 IT Median									18.5	16.4	16.2	14.4	22.0	24.4	22.6	23.2
LTI	280	1,611	1,845	BUY	66.9	87.3	83.7	95.5	24.1	18.4	19.2	16.9	33.2	34.6	27.5	27.1
Mphasis	174	936	1,180	BUY	45.4	57.6	58.3	69.1	20.6	16.2	16.1	13.5	14.6	20.0	19.7	20.9
LTTS	171	1,639	1,705	BUY	45.5	68.0	74.0	88.4	36.0	24.1	22.1	18.5	27.7	32.0	28.4	28.5
Mindtree	121	736	760	NEU	32.3	44.1	36.4	47.9	22.8	16.7	20.2	15.4	21.4	24.9	17.3	22.9
Hexaware *	113	379	450	BUY	16.8	19.6	20.4	24.6	22.7	19.4	18.6	15.5	26.6	26.5	23.5	24.4
Cyient	50	448	485	NEU	38.6	43.6	39.8	42.7	11.6	10.3	11.3	10.5	18.1	19.5	16.6	16.2
Zensar	48	211	295	BUY	10.6	14.1	15.5	19.1	19.9	15.0	13.6	11.1	15.1	17.3	16.7	17.8
Persistent	48	623	655	BUY	42.0	47.5	43.3	47.5	14.8	13.1	14.4	13.1	16.0	15.7	13.8	14.7
Tata Elxsi	44	708	645	NR	38.5	46.6	33.1	41.3	18.4	15.2	21.4	17.1	37.0	34.5	20.5	22.2
Sonata	32	312	448	BUY	18.6	24.0	26.5	29.9	16.8	13.0	11.8	10.4	31.0	35.1	33.7	33.8
Intellect	25	190	315	BUY	3.5	7.7	7.6	11.7	NM	24.9	25.2	16.3	6.7	11.1	9.3	12.8
eClerx	16	428	460	NEU	74.0	61.7	50.1	51.2	5.8	6.9	8.5	8.4	24.1	17.6	13.8	14.1
Majesco	12	416	700	BUY	(1.5)	18.3	20.9	31.1	NM	22.7	19.9	13.4	NM	8.4	8.3	11.4
HGS	12	579	760	NR	96.5	84.6	85.3	101.2	6.0	6.8	6.8	5.7	10.5	8.5	11.2	11.8
Mastek	8	342	505	BUY	27.7	40.4	38.3	42.7	12.4	8.5	8.9	8.0	13.7	16.1	12.9	13.0
Tier-2 IT Median									18.4	15.2	16.1	13.4	19.8	19.5	16.7	17.8

Company	MCap (USD bn)	CMP USD	TP	RECO	EPS (USD)				P/E (x)				RoE (%)			
					FY18	FY19E	FY20E	FY21E	FY18	FY19E	FY20E	FY21E	FY18	FY19E	FY20E	FY21E
Accenture	126	188	NA	NR	5.6	6.5	7.8	8.6	33.8	29.1	24.1	21.9	41.7	42.0	34.9	35.0
Cognizant	34	61	NA	NR	2.5	3.6	4.0	4.3	23.9	16.9	15.4	14.1	14.1	19.0	19.0	20.4
Capgemini^	20	109	NA	NR	4.9	4.4	6.5	7.2	22.3	24.9	16.7	15.2	11.5	10.1	13.4	13.6
Global IT Median									23.9	24.9	16.7	15.2	14.1	19.0	19.0	20.4

Source: HDFC sec Inst Research, Bloomberg, *Dec YE, ^CMP and EPS in EUR terms

Income Statement (Consolidated)

YE March (Rs bn)	FY18	FY19	FY20E	FY21E	FY22E
Net Revenues (US\$ mn)	580	723	797	888	1,000
Growth (%)	19.8%	24.6%	10.2%	11.5%	12.7%
Net Revenues	37.47	50.78	56.22	63.48	73.01
Growth (%)	15.4%	35.5%	10.7%	12.9%	15.0%
Employee Expenses	24.60	31.79	34.77	38.67	43.81
SG&A expenses	7.12	9.85	10.20	11.90	14.15
EBITDA	5.76	9.15	11.25	12.90	15.06
Depreciation	0.89	1.04	1.69	1.90	2.19
EBIT	4.87	8.11	9.57	11.00	12.87
EBIT Margin (%)	13.0%	16.0%	17.0%	17.3%	17.6%
EBIT Growth (%)	-6.8%	66.5%	18.0%	15.0%	17.0%
Other Income (Including EO Items)	1.93	2.23	1.19	1.73	1.84
Interest	0.02	0.02	0.36	0.36	0.36
PBT	6.78	10.31	10.39	12.36	14.35
Tax	1.71	2.63	2.67	3.15	3.66
RPAT	5.06	7.66	7.70	9.19	10.67
E/o (net of tax)	0.33	0.58	-	-	-
APAT	4.73	7.07	7.70	9.19	10.67
APAT Growth (%)	11.4%	49.5%	8.9%	19.4%	16.1%
Adjusted EPS (Rs)	45.5	68.0	74.0	88.4	102.6
EPS Growth (%)	11.4%	49.5%	8.9%	19.4%	16.1%

Source: Company, HDFC sec Inst Research

Balance Sheet (Consolidated)

YE March (Rs bn)	FY18	FY19	FY20E	FY21E	FY22E
SOURCES OF FUNDS					
Share Capital - Equity	0.21	0.21	0.21	0.21	0.21
Reserves	19.16	24.61	29.25	34.75	41.74
Total Shareholders Funds	19.37	24.82	29.46	34.96	41.94
Long Term Debt	-	-	-	-	-
Short Term Debt	0.70	0.70	0.70	0.70	0.70
Total Debt	0.70	0.70	0.70	0.70	0.70
Net Deferred Taxes	(0.07)	0.06	0.06	0.06	0.06
Long Term Provisions & Others	-	-	-	-	-
TOTAL SOURCES OF FUNDS	20.00	25.59	30.22	35.73	42.71
APPLICATION OF FUNDS					
Net Block	1.25	1.44	2.07	2.77	3.59
Goodwill & intangibles	5.84	6.33	6.37	6.42	6.48
LT Loans & Advances	1.08	2.00	1.08	1.08	1.08
Total Non-current Assets	8.17	9.76	9.51	10.27	11.14
Cash & Equivalents	3.75	7.83	11.58	14.81	18.93
Other Current Assets	5.24	5.27	5.67	6.21	6.91
Debtors	9.62	10.64	11.78	13.30	15.30
Total Current Assets	14.86	15.92	17.45	19.51	22.21
Creditors	1.81	1.88	2.08	2.35	2.70
Other Current Liabilities & Prov.	4.97	6.05	6.25	6.52	6.88
Total Current Liabilities	6.78	7.92	8.33	8.87	9.58
Net Current Assets	8.08	7.99	9.13	10.64	12.63
TOTAL APPLICATION OF FUNDS	20.00	25.59	30.22	35.73	42.71

Source: Company, HDFC sec Inst Research

Cash Flow Statement (Consolidated)

YE March (Rs bn)	FY18	FY19	FY20E	FY21E	FY22E
Reported PBT	6.78	10.31	10.39	12.36	14.35
Non-operating & EO items	(0.13)	0.23	(0.88)	(1.29)	(1.37)
Interest expenses	0.02	0.02	0.36	0.36	0.36
Depreciation	0.89	1.04	1.69	1.90	2.19
Working Capital Change	(1.70)	(0.74)	(1.13)	(1.52)	(1.99)
Tax Paid	(1.72)	(2.81)	(2.67)	(3.15)	(3.66)
OPERATING CASH FLOW (a)	4.14	8.06	7.75	8.68	9.88
Capex	(0.87)	(0.89)	(1.24)	(1.40)	(1.61)
Free cash flow (FCF)	3.27	7.18	6.51	7.28	8.27
Investments	-	-	-	-	-
Non-operating Income	0.13	(0.23)	0.88	1.29	1.37
INVESTING CASH FLOW (b)	(0.87)	(0.89)	(1.24)	(1.40)	(1.61)
Debt Issuance/(Repaid)	(0.32)	-	-	-	-
Interest Expenses	(0.02)	(0.02)	(0.36)	(0.36)	(0.36)
FCFE	2.93	7.16	6.15	6.91	7.91
Share Capital Issuance	0.00	0.00	-	-	-
Dividend	(0.98)	(2.44)	(3.07)	(3.69)	(3.69)
FINANCING CASH FLOW (c)	(1.32)	(2.46)	(3.43)	(4.05)	(4.05)
NET CASH FLOW (a+b+c)	1.95	4.72	3.08	3.23	4.22
Closing Cash & Equivalents	3.75	7.83	11.58	14.81	18.93

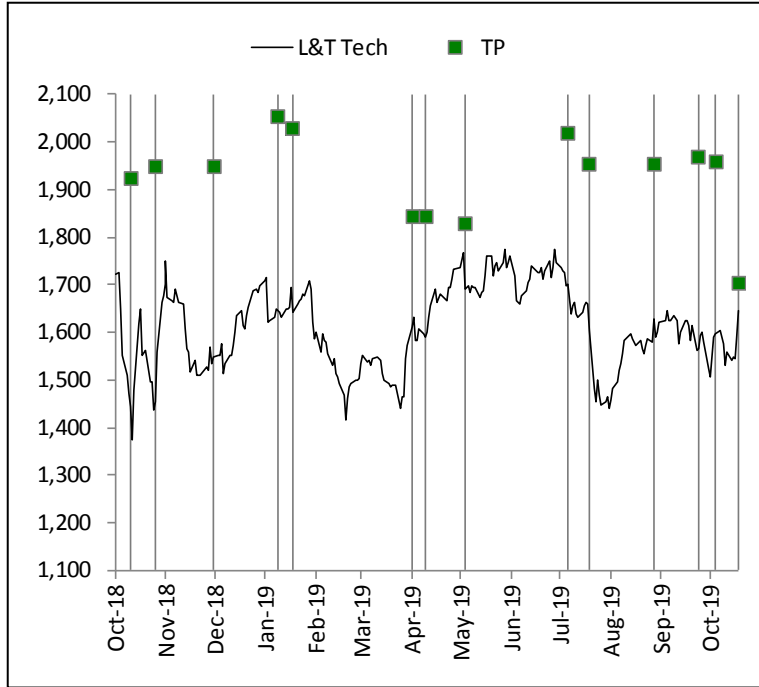
Source: Company, HDFC sec Inst Research

Key Ratios (Consolidated)

YE March	FY18	FY19	FY20E	FY21E	FY22E
PROFITABILITY (%)					
GPM	34.3	37.4	38.2	39.1	40.0
EBIT Margin	13.0	16.0	17.0	17.3	17.6
APAT Margin	12.6	13.9	13.7	14.5	14.6
RoE	27.7	32.0	28.4	28.5	27.8
RoIC (or Core RoCE)	24.9	35.5	39.0	41.4	42.9
RoCE	26.7	31.1	28.6	28.7	27.9
EFFICIENCY					
Tax Rate (%)	25.3	25.5	25.7	25.5	25.5
Fixed Asset Turnover (x)	5.3	6.5	6.7	6.9	7.3
Debtors (days)	94	76	76	76	76
Other Current Assets (days)	51	38	37	36	35
Payables (days)	18	14	14	14	14
Other Current Liab & Provns (days)	48	43	41	37	34
Cash Conversion Cycle (days)	79	57	59	61	63
Debt/EBITDA (x)	0.1	0.1	0.1	0.1	0.0
Net D/E (x)	(0.2)	(0.3)	(0.4)	(0.4)	(0.4)
Interest Coverage (x)	203	427	26	30	35
PER SHARE DATA (Rs)					
EPS	45.5	68.0	74.0	88.4	102.6
CEPS	54.0	78.0	90.3	106.7	123.7
Dividend	12	21	25	30	30
Book Value	186	239	283	336	403
VALUATION					
P/E (x)	36.0	24.1	22.1	18.5	16.0
P/BV (x)	8.8	6.9	5.8	4.9	4.1
EV/EBITDA (x)	29.1	17.9	14.2	12.1	10.1
OCF/EV (%)	2.5	4.9	4.9	5.5	6.5
FCF/EV (%)	2.0	4.4	4.1	4.7	5.4
FCFE/Mkt Cap (%)	1.7	4.2	3.6	4.1	4.6
Dividend Yield (%)	0.7	1.3	1.5	1.8	1.8

Source: Company, HDFC sec Inst Research

RECOMMENDATION HISTORY



Date	CMP	Reco	Target
10-Oct-18	1,445	BUY	1,925
26-Oct-18	1,455	BUY	1,950
30-Nov-18	1,524	BUY	1,950
8-Jan-19	1,650	BUY	2,055
18-Jan-19	1,693	BUY	2,030
1-Apr-19	1,572	BUY	1,845
9-Apr-19	1,595	BUY	1,845
4-May-19	1,691	BUY	1,830
5-Jul-19	1,703	BUY	2,020
20-Jul-19	1,605	BUY	1,955
27-Aug-19	1,580	BUY	1,955
22-Sep-19	1,618	BUY	1,970
4-Oct-19	1,591	BUY	1,960
18-Oct-19	1,639	BUY	1,705

Rating Definitions

- BUY : Where the stock is expected to deliver more than 10% returns over the next 12 month period
- NEUTRAL : Where the stock is expected to deliver (-)10% to 10% returns over the next 12 month period
- SELL : Where the stock is expected to deliver less than (-)10% returns over the next 12 month period

INSTITUTIONAL RESEARCH
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