

Majesco

Niche and focussed

Majesco posted better than expected revenue and margin performance in 4QFY20. Revenue growth was led by +5.3/+25.0% QoQ/YoY growth in Products revenue (Cloud subscription + Licence + AMC), while Services revenue (Cloud implementation + On-prem + Professional Services) was down 0.5/9.3% QoQ/YoY. Majesco has now positioned itself as a pure-play Products company and is focussing on driving growth through SI partnerships. The first phase of the Metlife project went live and will act as a reference point for future deals. Impact of COVID-19 was felt on deal signings, some of the deals in pipeline got deferred by 1-2 quarters. EBIT margin expansion was healthy, supported by higher-margin cloud subscription revenue. FY21/22E USD revenue est. remains unchanged, and TP of Rs 375 implies EV/rev multiple of 1.0x on FY22E rev. Maintain BUY.

- Revenue stood at USD 37.9mn up 2.0/2.8% QoQ/YoY (est. 37.2mn) led by 4.7/43.1% QoQ/YoY rise in cloud subscription (17% of rev). For FY20, Products revenue was up 30% YoY, while services rev was down 8.8% YoY.
- Cloud implementation revenue was down 8.9% QoQ (24% of rev) due to the completion of one large implementation program. The order-book remains healthy at USD 109.8mn, up 8.0/13.3% QoQ/YoY led by cloud wins.
- EBIT margin expanded 161bps QoQ to 10.1% (est. 8.5%), led by a rise in cloud subscription revenue and lower R&D expenses. Cloud subscription/License revenue has a higher GM and offers non-linearity.
- Net cash stands at Rs 3.80bn (~42% of Mcap) vs. Rs 3.35bn in FY19. Cash generation improved significantly in FY20, OCF/EBITDA stands at 102% vs. 51% in FY19. Post the payout for Inspro acquisition (~USD 12mn) net cash will stand at USD 38mn. Recurring (Subscription + AMC) revenue stood at 37% of revenue and was up 1.3/22.8% QoQ/YoY.
- Valuation and view.** Majesco's growth will be led by Products (42.2% of rev) while Services (57.8% of rev) will remain under pressure. Inspro will be integrated from April-20 (~9-10% of rev), organic decline for FY21E will be ~6% YoY (Covid-19 impact). Partnership with Capgemini, IBM, and Microsoft (Azure) will drive large deal wins once things stabilize. Growth in cloud subscription and recurring revenue will lead to margin expansion. We expect a revenue CAGR of 7% over FY20-22E with a cloud CAGR of 14%. We maintain our positive stance on Majesco based on (1) Rising adoption of third-party software by insurers, (2) Solid partnerships, (3) Continued deal wins, and (4) Cloud traction. The stock trades at a P/E of 15.6/12.3x FY21/22E EPS.

Financial Summary

YE Mar (Rs bn)	4Q FY20	4Q FY19	YoY (%)	3Q FY20	QoQ (%)	FY18	FY19	FY20	FY21E	FY22E
Net Revenue	2.77	2.61	5.8	2.65	4.4	8.06	9.88	10.40	10.96	12.32
EBIT	0.28	0.13	115.6	0.23	24.1	0.05	0.73	0.83	0.93	1.23
APAT	0.18	0.09	110.4	0.14	30.0	-0.04	0.51	0.54	0.56	0.71
Diluted EPS (Rs)	6.4	3.1	110.4	5.0	30.0	-1.5	18.3	19.4	20.1	25.4
P/E (x)						NM	17.1	16.2	15.6	12.3
EV / Revenue (x)						0.7	0.5	0.5	0.5	0.4
RoE (%)						-1.0	8.4	7.9	7.8	9.1

Source: Company, HSIE Research

BUY

CMP (as on 29 May 2020)	Rs 313
Target Price	Rs 375
NIFTY	9,580

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	Rs 360	Rs 375
EPS %	FY21E	FY22E
	-2.0%	+2.6%

KEY STOCK DATA

Bloomberg code	MJCO IN
No. of Shares (mn)	29
MCap (Rs bn) / (\$ mn)	9/119
6m avg traded value (Rs mn)	11
52 Week high / low	Rs 588/168

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(14.3)	(23.8)	(38.7)
Relative (%)	1.0	(3.3)	(20.7)

SHAREHOLDING PATTERN (%)

	Dec-19	Mar-20
Promoters	38.46	38.25
FIs & Local MFs	12.11	12.49
FPIs	10.33	10.13
Public & Others	39.10	39.13
Pledged Shares	0.00	0.00

Source : BSE

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USD revenue stood at USD 37.9mn up 2/2.8% QoQ/YoY aided by growth in Cloud subscription (+4.7/43.1% QoQ/YoY)

GM stood at 46.7%, up 48bps QoQ. EBIT margin expanded 161bps QoQ to 10.1% (higher than our est. 8.5%), supported by higher cloud subscription revenue and lower R&D cost

APAT stood at Rs 0.18bn, up 30% QoQ supported by margin improvement

During the qtr, there was an extraordinary income due to reversal of earn-outs related to Exaxe acquisition (USD 1.4mn)

Quarterly consolidated Financial Snapshot

Particulars (Rs mn)	4QFY20	4QFY19	YoY (%)	3QFY20	QoQ (%)
Net Revenues (USD mn)	37.9	36.9	2.8	37.2	2.0
Net Revenues	2,767	2,615	5.8	2,651	4.4
Employee Expenses	1,474	1,389	6.1	1,425	3.4
SG&A and others	598	675	-11.5	584	2.3
R&D	329	355	-7.3	332	-0.8
EBITDA	366	196	86.9	310	18.1
Depreciation	86	66	30.6	84	2.3
EBIT	280	130	115.6	226	24.1
Interest Cost	6	10	-39.3	4	35.5
Other Income	118	57	107	138	-14.5
PBT	392	177	121.2	360	9.1
Minority Interest	79	21	280.1	66	19.8
Tax	79	71	11	59	33.2
RPAT	234	86	173.7	234	0.0
E/o (adj for tax)	54	0	NM	96	NM
APAT	180	86	110.4	139	30.0

Source: Company, HSIE Research

Margin Analysis

Particulars (% of Revenue)	4QFY20	4QFY19	YoY (bps)	3QFY20	QoQ (bps)
Employee Expenses %	53.3	53.1	15	53.8	-48
SG&A Expenses %	21.6	25.8	-421	22.0	-44
R&D Expenses %	11.9	13.6	-168	12.5	-62
Gross Margin %	46.7	46.9	-15	46.2	48
EBITDA Margin (%)	13.2	7.5	575	11.7	154
EBIT Margin %	10.1	5.0	515	8.5	161
Tax Rate (%)	20.1	40.0	-1991	16.4	363
APAT Margin (%)	6.5	3.3	324	5.2	128

Source: Company, HSIE Research

YoY growth remained muted due to decline in total cloud revenue

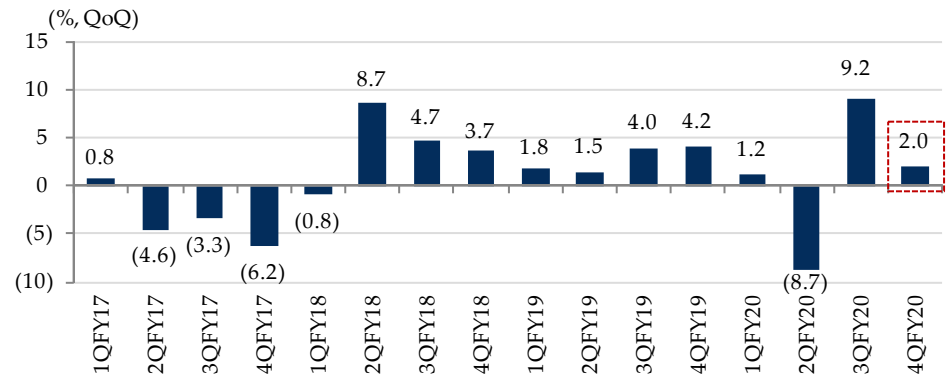
Continuous rise in active client base on back of increase in cloud customers

Due to COVID pandemic, clients will re-allocated their spend and move to cloud, automation, digitalisation which will benefit Majesco over a period of time

12-month executable order book remains strong supported by cloud deal wins

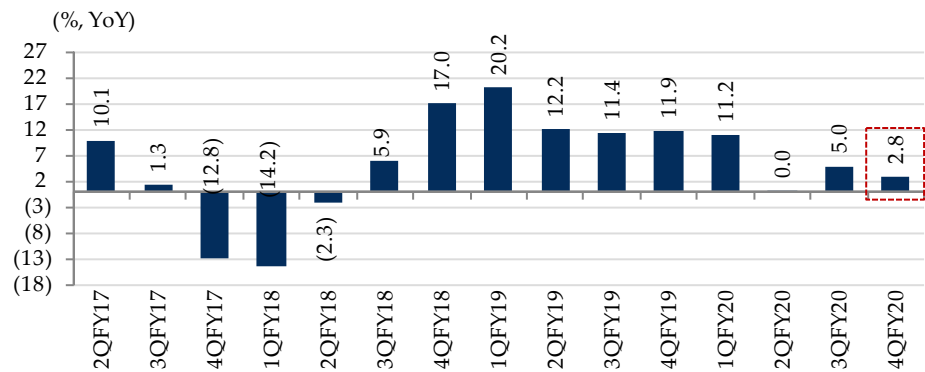
Order book is the highest ever and stands at ~75% of the FY20 revenue

USD Revenue Growth QoQ (Majesco US)



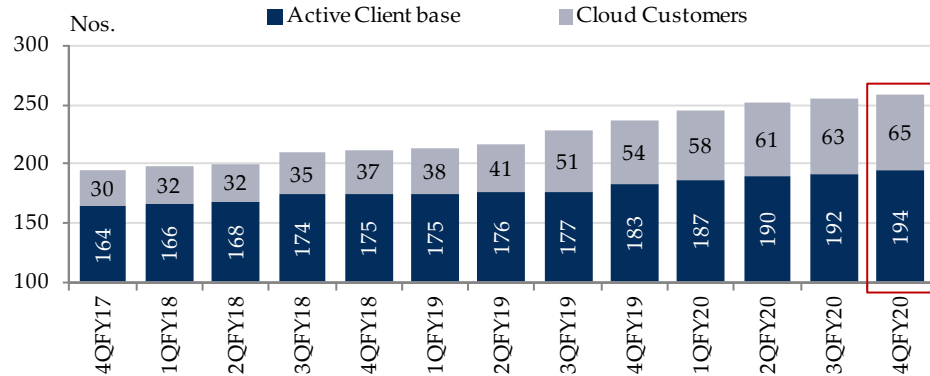
Source: Company, HSIE Research

USD Revenue Growth YoY (Majesco US)



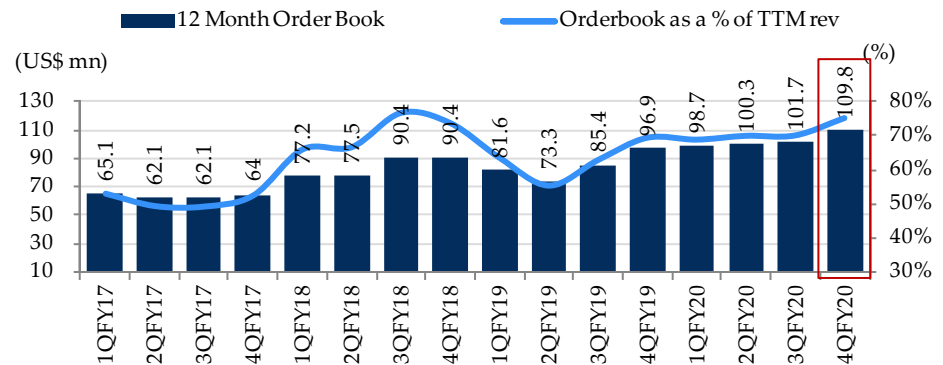
Source: Company, HSIE Research

Active Client Base (Nos.)



Source: Company, HSIE Research

12-Month Executable Order Book (USD)



Source: Company, HSIE Research

Europe continues to grow for the second consecutive qtr

On-premise revenue is 17% of revenue and has stabilised

Cloud (41.4% of rev) declined 3.6% QoQ dragged by sharp decline in Cloud implementation revenue

Sustainable growth in cloud subscription rev will result in strong product revenue in FY21

P&C (81.4% of rev) was up 8% QoQ while L&A (18.2% of rev) declined 18.6% QoQ

The Meltlife implementation project finally went live. This is a positive development as it will act as a reference point for large deals.

Integration of Inspro will contribute ~9-10% to FY21E revenue. Organic decline in revenue is ~6%

Geographical Revenue Break-up

(% Contribution)	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20
North America	88.2	88.0	82.6	84.4	88.3	89.3	88.6	88.9
Europe	4.2	4.9	9.9	8.4	6.3	4.7	5.7	6.2
Others	7.6	7.2	7.5	7.2	5.4	6.0	5.7	4.9
Total revenue	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Company, HSIE Research

Geographical Revenue Growth

Growth (USD, QoQ %)	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20
North America	4.4	1.2	-2.3	6.4	5.7	-7.6	8.4	2.3
Europe	-33.9	18.0	110.0	-11.1	-24.5	-31.6	31.0	12.0
Others	2.6	-4.3	9.2	-0.4	-23.8	1.2	4.0	-13.5
Total revenue	1.8	1.5	4.0	4.2	1.1	-8.6	9.2	2.0

Source: Company, HSIE Research

Revenue Break-up By Segments

(% Contribution)	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20
License	2.3	2.6	2.9	4.2	10.2	3.9	4.3	5.8
Professional Services	43.2	39.4	35.3	32.8	31.6	35.0	31.3	32.8
Cloud	35.9	38.7	41.7	44.2	37.4	38.5	43.8	41.4
Support	18.6	19.3	20.0	18.7	20.8	22.6	20.6	20.0
Total revenue	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Company, HSIE Research

Revenue Growth by Segments

Growth (USD, QoQ %)	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20
License	-17.7	12.9	19.5	50.3	143.7	-65.4	19.9	40.2
Professional Services	-11.0	-7.5	-6.8	-3.2	-2.8	1.2	-2.2	6.8
Cloud	16.8	9.4	12.0	10.3	-14.6	-5.8	24.0	-3.6
Support	15.3	5.6	7.8	-2.6	12.3	-0.6	-0.4	-1.4
Total revenue	1.8	1.5	4.0	4.2	1.1	-8.6	9.2	2.0

Source: Company, HSIE Research

Revenue Break by Verticals

(% Contribution)	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20
Property & Casualty	72.7	71.6	67.4	68.2	77.2	78.5	76.9	81.4
Life & Annuities	26.3	27.6	31.8	31.2	22.2	20.9	22.8	18.2
Non-Insurance	1.0	0.8	0.8	0.6	0.6	0.5	0.4	0.4
Total revenue	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Company, HSIE Research

Revenue Growth by Verticals

Growth (USD, QoQ %)	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20
Property & Casualty	2.6	-0.1	-2.1	5.4	14.4	-7.0	6.8	8.0
Life & Annuities	-0.7	6.4	20.0	2.1	-28.1	-13.8	18.7	-18.6
Non-Insurance	13.0	-15.0	-5.3	-21.3	5.6	-16.6	-24.8	12.8
Total revenue	1.8	1.5	4.0	4.2	1.1	-8.6	9.2	2.0

Source: Company, HSIE Research

Client Data

Client data (Nos.)	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20
Active client base	175	176	177	183	187	190	192	194
New Client additions	2	5	7	6	4	3	2	2
Cloud Customers	38	41	51	54	58	61	63	65
Clients accounting for >5% of revenue	2	1	1	1	2	0	1	1

Source: Company, HSIE Research

2 clients were added during the qtr

Top 5/10 client's revenue were up 4.2/0.8% QoQ supported by cloud subscription

Client Concentration

Client concentration (% of revenue)	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20
Top-5 clients	30.5	31.3	27.9	26.7	25.8	20.5	21.7	22.2
Top-10 clients	45.3	44.8	40.6	41.7	39.6	35.6	36.1	35.7

Source: Company, HSIE Research

Top Clients Growth

Growth (INR, QoQ %)	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20
Top-5 clients	-2.9	4.1	-7.3	-0.2	-2.5	-27.4	15.6	4.2
Top-10 clients	2.7	0.3	-5.7	7.0	-4.1	-17.8	10.7	0.8

Source: Company, HSIE Research

Five net additions were made in headcount after decline in two consecutive qtr

Headcount & Utilisation Data

Employee break-up (Nos.)	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20
Total Headcount	2,472	2,585	2,675	2,763	2,763	2,574	2,507	2,512
Technical	2,293	2,418	2,495	2,576	2,583	2,402	2,339	2,349
Technical Support	94	100	106	114	113	106	102	94
Marketing	85	67	74	73	67	66	66	69
Net Additions	0	113	90	88	0	-189	-67	5

Source: Company, HSIE Research

Majesco Valuations Scenarios

Majesco Ltd	Bear Case	Base Case	Bull Case
Revenue FY22 (Rs mn)	11,087	12,319	13,550
Guidewire (EV/Revenue) (x)	7	7	7
Discount to Guidewire Valuations %	89	86	81
Target (EV/Revenue) (x)	0.8	1.0	1.3
Majesco EV (Rs mn)	8,869	12,319	17,616
Stake (75%) + Holding Discount (20%)	50.0%	40.0%	35.0%
EV (Rs mn)	4,435	7,391	11,450
Less: Debt (Rs mn)	238	238	238
Add: Cash @ 20% Discount (Rs mn)	3,340	3,340	3,340
Add: Net QIP proceeds (Rs mn)	0	0	0
Market Cap (Rs mn)	7,537	10,493	14,552
No of Shares (Rs mn)	28	28	28
Price per share (Rs)	269	375	520
Upside	-14.0%	19.7%	66.0%

Source: HSIE Research

Change in Estimates

(Rs bn)	FY21E			FY22E		
	Earlier	New	% Change	Earlier	New	% Change
Revenue (USD Mn)	149	150	0.9	166	166	0.3
Revenue	10.86	10.96	0.9	12.28	12.32	0.3
EBIT	0.98	0.93	-4.5	1.20	1.23	2.8
EBIT Margin (%)	9.0	8.5	(48)bps	9.8	10.0	24bps
APAT	0.57	0.56	-2.0	0.69	0.71	2.6

Source: HSIE Research

Peer Set Comparison

Company	MCap (Rs bn)	CMP (Rs)	TP (Rs)	RECO	EPS (Rs)				P/E (x)				RoE (%)			
					FY19	FY20	FY21E	FY22E	FY19	FY20	FY21E	FY22E	FY19	FY20	FY21E	FY22E
TCS	7,433	1,981	1,680	REDUCE	83.9	86.2	78.9	88.3	23.6	23.0	25.1	22.4	36.1	37.3	35.1	38.9
Infosys	2,938	692	680	BUY	37.1	38.6	36.7	42.4	18.6	17.9	18.9	16.3	24.3	25.2	23.2	25.3
HCL Tech	1,497	552	565	BUY	37.3	40.8	38.8	46.9	14.8	13.5	14.2	11.8	26.0	23.8	19.0	19.9
Wipro	1,209	212	185	REDUCE	15.8	17.0	15.6	17.0	13.4	12.4	13.5	12.5	17.3	17.3	14.9	14.2
TechM	512	531	625	BUY	48.9	48.3	42.4	48.0	10.9	11.0	12.5	11.0	22.0	20.2	16.5	17.4
Tier-1 IT Median									14.8	13.5	14.2	12.5	24.3	23.8	19.0	19.9
LTI	313	1,799	1,800	ADD	87.0	87.3	86.2	112.6	20.7	20.6	20.9	16.0	34.6	29.5	25.7	28.4
Mphasis	162	868	825	ADD	57.6	61.3	57.5	68.7	15.1	14.2	15.1	12.6	20.0	20.6	17.9	20.1
L&T Tech	121	1,160	1,125	ADD	65.8	71.9	66.1	80.3	17.6	16.1	17.6	14.4	31.1	28.6	23.2	24.2
Mindtree	147	891	830	ADD	44.1	40.5	43.7	55.1	20.2	22.0	20.4	16.2	24.9	19.5	21.6	24.0
Hexaware#	76	254	300	ADD	19.6	21.5	19.8	22.9	13.0	11.8	12.8	11.1	26.5	24.9	20.2	20.9
Persistent	40	527	525	REDUCE	47.8	47.0	37.1	43.9	11.0	11.2	14.2	12.0	15.7	14.4	11.5	12.6
Cyient	22	199	240	REDUCE	44.4	33.9	23.2	26.8	4.5	5.9	8.5	7.4	20.0	14.5	9.8	10.8
Zensar	20	87	98	ADD	14.2	11.7	9.4	12.3	6.1	7.4	9.3	7.1	17.7	12.9	9.7	12.0
Sonata	21	202	240	BUY	23.7	28.9	21.4	26.4	8.5	7.0	9.4	7.6	34.7	41.7	31.3	34.4
Majesco	9	313	375	BUY	18.3	19.4	20.1	25.4	17.1	16.2	15.6	12.3	8.4	7.9	7.8	9.1
Mastek*	8	265	333	BUY	39.9	39.8	39.6	43.2	6.6	6.7	6.7	6.1	15.9	15.0	13.3	12.8
Tier-2 IT AVG									12.8	12.6	13.7	11.2	22.7	20.9	17.4	19.0
Tier-2 IT Median									13.0	11.8	14.2	12.0	20.0	19.5	17.9	20.1

Source: HSIE Research, # Dec Y/E, * is FY20E numbers

Financials

Consolidated Income Statement

YE March (Rs bn)	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
Net Revenues USD (mn)	113.0	122.0	123.0	140.0	146.0	150.0	166.0
<i>Growth (%)</i>	42.9%	7.5%	1.0%	13.7%	4.7%	2.5%	10.9%
Net Revenues	7.57	8.28	8.06	9.88	10.40	10.96	12.32
<i>Growth (%)</i>	56.0%	9.4%	-2.7%	22.6%	5.3%	5.3%	12.4%
Employee Cost	4.00	4.14	4.19	4.92	5.08	5.44	5.95
Research and development expenses	1.04	1.12	1.08	1.33	1.29	1.24	1.38
Selling, general and administrative expenses	2.43	2.69	2.56	2.70	2.87	2.99	3.36
EBIDTA	0.10	0.32	0.23	0.93	1.17	1.30	1.63
<i>EBIDTA (%)</i>	1.3%	3.9%	2.8%	9.4%	11.2%	11.8%	13.2%
<i>EBIDTA Growth (%)</i>	2.0%	225.3%	-29.8%	311.9%	25.3%	11.3%	25.4%
Depreciation	0.18	0.22	0.18	0.2	0.34	0.36	0.39
EBIT	-0.08	0.11	0.05	0.73	0.83	0.93	1.23
<i>EBIT (%)</i>		1.3%	0.6%	7.4%	7.9%	8.5%	10.0%
Other Income	0.04	0.07	0.21	0.33	0.37	0.09	0.06
Interest	0.04	0.07	0.05	0.04	0.02	0.02	0.02
PBT	-0.08	0.11	0.21	1.03	1.17	1.00	1.28
Tax (Incl deferred)	-0.15	-0.01	0.19	0.31	0.27	0.28	0.36
Minority Interest and associate profit	0.00	0.02	-0.03	0.18	0.21	0.16	0.21
RPAT	0.07	0.10	0.06	0.54	0.69	0.56	0.71
EO items	-0.05	-0.03	0.11	0.03	0.15	0.00	0.00
APAT	0.12	0.12	-0.04	0.51	0.54	0.56	0.71
<i>APAT Growth (%)</i>	-383.8%	5.5%	NM	NM	5.5%	3.6%	26.7%
EPS	4.1	4.4	-1.5	18.3	19.4	20.1	25.4
<i>EPS Growth (%)</i>	316.4%	5.5%	NM	NM	5.5%	3.6%	26.7%

Source: Company, HSIE Research

Consolidated Balance Sheet

YE March (Rs bn)	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
SOURCES OF FUNDS							
Share Capital - Equity	0.12	0.12	0.14	0.14	0.14	0.14	0.14
Reserves	2.64	2.81	5.29	6.63	6.84	7.34	7.98
Total Shareholders' Funds	2.76	2.93	5.43	6.77	6.98	7.48	8.13
Minority Interest	0.72	0.75	0.79	1.28	1.47	1.63	1.84
Total Debt	0.92	0.72	0.69	0.24	0.24	0.24	0.24
Net Deferred Taxes	-0.38	-0.40	-0.46	-0.52	-0.65	-0.65	-0.65
Long Term Provisions & Others	0.52	0.49	0.50	0.51	0.33	0.34	0.39
TOTAL SOURCES OF FUNDS	4.54	4.49	6.95	8.28	8.36	9.04	9.94
APPLICATION OF FUNDS							
Net Block	0.67	0.75	0.67	0.91	1.06	1.79	2.01
Goodwill	1.92	1.88	1.89	2.47	2.62	2.62	2.62
Investments	0.00	0.00	0.00	0.00	0.00	0.00	0.00
LT Loans & Advances	0.11	0.10	0.08	0.20	0.32	0.33	0.35
Total Non-current Assets	2.70	2.73	2.63	3.59	3.99	4.74	4.98
Inventories	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Debtors	1.52	0.83	1.28	1.20	1.98	1.77	2.23
Other Current Assets	0.84	0.79	0.94	1.78	1.68	2.03	2.28
Cash & Equivalents	1.30	1.79	4.03	4.04	4.18	3.73	3.91
Total Current Assets	3.66	3.41	6.26	7.01	7.83	7.52	8.42
Creditors	0.18	0.14	0.16	0.17	0.30	0.32	0.34
Other Current Liabilities & Provns	1.64	1.51	1.79	2.15	3.16	2.90	3.12
Total Current Liabilities	1.82	1.65	1.95	2.32	3.46	3.22	3.46
Net Current Assets	1.84	1.76	4.31	4.70	4.37	4.31	4.96
TOTAL APPLICATION OF FUNDS	4.54	4.49	6.95	8.28	8.36	9.04	9.94

Source: Company, HSIE Research

Consolidated Cash Flow

YE March (Rs bn)	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
Reported PBT	-0.08	0.11	0.21	1.03	1.17	1.00	1.28
Non-operating & EO items	-0.04	0.11	0.00	-0.07	-0.05	-0.09	-0.06
Interest expenses	0.04	0.06	0.05	0.04	0.02	0.02	0.02
Depreciation	0.18	0.18	0.18	0.20	0.34	0.36	0.39
Working Capital Change	-0.19	0.48	-0.42	-0.41	0.10	-0.38	-0.45
Tax Paid	0.15	-0.05	-0.25	-0.31	-0.39	-0.28	-0.36
OPERATING CASH FLOW (a)	0.06	0.88	-0.23	0.48	1.19	0.64	0.82
Capex	-0.33	-0.25	-0.14	-0.88	-1.33	-1.10	-0.62
Free cash flow (FCF)	-0.27	0.63	-0.36	-0.40	-0.13	-0.46	0.20
Investments	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Non Operating Income	0.04	0.06	0.03	0.03	0.10	0.09	0.06
INVESTING CASH FLOW (b)	-0.29	-0.18	-0.11	-0.84	-1.23	-1.01	-0.56
Debt issuance/(repayment)	0.11	-0.18	0.07	-0.65	-0.11	0.00	0.00
Interest expenses	-0.04	-0.06	-0.04	-0.03	-0.02	-0.02	-0.02
FCFE	-0.43	0.76	-0.47	0.21	-0.04	-0.48	0.19
Share capital Issuance/QIP proceeds	0.00	0.04	2.32	0.85	0.16	0.00	0.00
Dividend	0.00	0.00	-0.03	0.00	-0.12	-0.06	-0.07
FINANCING CASH FLOW (c)	0.07	-0.20	2.32	0.17	-0.09	-0.07	-0.09
NET CASH FLOW (a+b+c)	-0.16	0.49	1.99	-0.19	-0.13	-0.44	0.18
Non-operating and EO items	0.00	0.01	0.25	0.20	0.27	0.00	0.00
Closing Cash & Equivalents	1.30	1.79	4.03	4.04	4.18	3.73	3.91

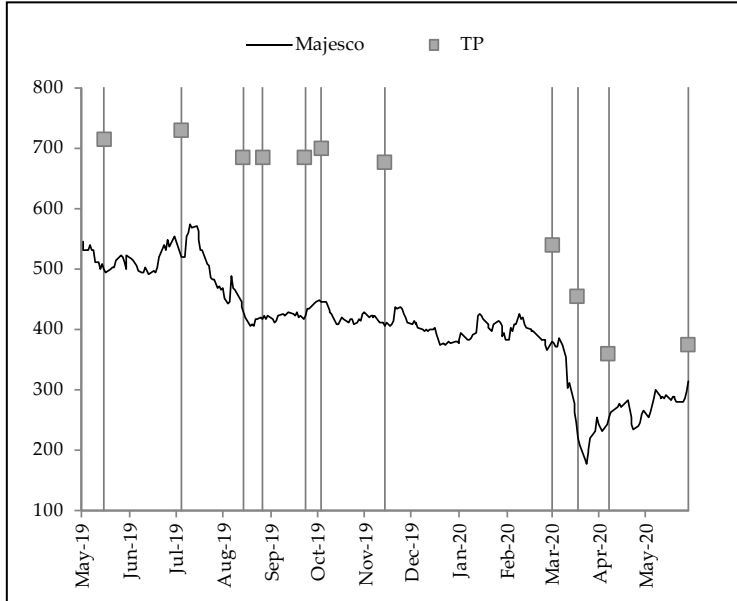
Source: Company, HSIE Research

Key Ratios

	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
PROFITABILITY (%)							
GPM	47.1%	50.0%	48.0%	50.2%	51.2%	50.4%	51.7%
EBITDA Margin	1.3%	3.9%	2.8%	9.4%	11.2%	11.8%	13.2%
APAT Margin	1.5%	1.5%	-0.5%	5.2%	5.2%	5.1%	5.8%
RoE	4.2%	4.3%	-1.0%	8.4%	7.9%	7.8%	9.1%
RoIC or Core RoCE	2.6%	4.0%	0.2%	14.3%	15.1%	14.2%	15.7%
RoCE	-1.9%	1.7%	-0.1%	6.4%	7.5%	7.7%	9.4%
EFFICIENCY							
Tax Rate (%)	N.M.	-12.6%	86.9%	30.2%	23.1%	28.0%	28.0%
Fixed Asset Turnover (x)	7.6	6.4	5.8	5.4	4.5	3.2	3.1
Debtors (days)	73	37	58	44	69	59	66
Other Current Assets (days)	41	35	43	66	59	68	68
Payables (days)	9	6	7	6	11	11	10
Other Current Liab & Provsns (days)	79	66	81	79	111	97	92
Cash Conversion Cycle (days)	26	-1	13	24	7	19	31
Net Debt/EBITDA (x)	-3.8	-3.3	-14.8	-4.1	-3.4	-2.7	-2.3
Net D/E	-0.1	-0.4	-0.6	-0.6	-0.6	-0.5	-0.5
Interest Coverage	2.3	4.8	4.6	25.8	57.5	73.8	104.5
PER SHARE DATA							
EPS (Rs/sh)	4.1	4.4	-1.5	18.3	19.4	20.1	25.4
CEPS (Rs/sh)	10.5	12.1	4.9	25.4	31.5	33.1	39.5
DPS (Rs/sh)	0.0	0.0	1.2	2.1	2.6	2.0	2.5
BV (Rs/sh)	98.6	104.8	194.2	242.0	249.5	267.5	290.4
VALUATION							
P/E	75.8	71.8	NM	17.1	16.2	15.6	12.3
P/BV	3.2	3.0	1.6	1.3	1.3	1.2	1.1
EV/Revenue	1.1	0.9	0.7	0.5	0.5	0.5	0.4
EV/EBITDA	84.7	23.9	24.0	5.3	4.1	4.1	3.1
OCF/EV (%)	N.A.	11.4%	-4.2%	9.6%	24.7%	12.1%	16.1%
FCF/EV (%)	N.A.	8.2%	-6.7%	-8.1%	-2.7%	-8.7%	4.0%
FCFE/mkt cap (%)	N.A.	8.6%	-5.4%	2.4%	-0.4%	-5.4%	2.1%
Dividend Yield (%)	0.0%	0.0%	0.3%	0.6%	0.7%	0.6%	0.8%

Source: Company, HSIE Research

RECOMMENDATION HISTORY



Date	CMP	Reco	Target
17-May-19	501	BUY	715
5-Jul-19	520	BUY	730
16-Aug-19	437	BUY	685
27-Aug-19	420	BUY	685
22-Sep-19	421	BUY	685
4-Oct-19	448	BUY	700
15-Nov-19	406	BUY	677
7-Jan-20	384	BUY	655
11-Feb-20	417	BUY	663
2-Mar-20	366	BUY	540
18-Mar-20	262	BUY	455
6-Apr-20	230	BUY	360
30-May-20	313	BUY	375

From 2nd March 2020, we have moved to new rating system

Rating Criteria

- BUY: >+15% return potential
- ADD: +5% to +15% return potential
- REDUCE: -10% to +5% return potential
- SELL: >10% Downside return potential

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