HDFC securities

Equity Research

Pick of the week

RETAIL **DESK**

HDFC securities

HCL TECHNOLOGIES LTD

PICK OF THE WEEK
Mar 26, 2018

Industry	CMP	Recommendation	Add on dips to	Sequential Targets	Time Horizon
IT-Software	Rs. 957.40	Buy at CMP and add on declines	Rs. 872-880	Rs. 1062-1156	3-4 Quarters

HDFC Scrip Code	HCLTECEQNR
BSE Code	532281
NSE Code	HCLTECH
Bloomberg	HCLT IN
CMP Mar 23 2018	Rs. 957.40
Equity Capital (Mn)	2784.2
Face Value (Rs)	2.0
Eq- Share O/S(Mn)	1392.1
Market Cap(Rs Mn)	1332797
Book Value (Rs)	232.1
Avg.52 Wk Volume	1528879
52 Week High	1040.7
52 Week Low	796.2

Shareholding Pattern % (Dec 31, 17)	
Promoters	60.2
Institutions	36.1
Non Institutions	3.7
Total	100.0

FUNDAMENTAL ANALYST
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Company Profile:

HCL Technologies Ltd (HCL Tech) is India's fourth largest software company, and one of the fastest growing IT services brands globally. HCL has focussed on transformational outsourcing, and offers an integrated portfolios of services including software-led IT solutions, remote infrastructure management, engineering, R&D services and a BPO. HCL Tech helps global enterprises to restructure their businesses via innovative technology solutions built around Digital, IoT, Cloud, Automation, Cyber Security, Analytics, Infrastructure Management and Engineering Services.

HCL leverages its extensive global offshore infrastructure, and operates out of 32 countries to provide multi-service deliveries in key industry verticals including Financial Services, Manufacturing, Aerospace and Defense, Telecom, Retail and CPG, Life Sciences and Healthcare, Media and Entertainment, Travel, Transportation and Logistics, Automotive, Government, Energy and Utilities.

Investment rationale:

- Healthy order pipeline ensures better revenue visibility, going forward
- Fastest-growing large IT company, with industry-beating productivity metrics
- Growth engine gradually being shifted from IMS to ER&D, resulting in better margins
- Continued investment in internal IP creation, as well as innovative IP-based partnerships are likely to improve revenue visibility.

Concerns:

- Demand shifting to cloud-based business is a concern for its core business
- Large intangible assets (IP-related) could impact profitability because of higher amortisation
- Competition resulting in price undercutting, Dealing with IBM-like complex organisations
- INR appreciation against the USD.

View and valuation:

US tax reforms and increased technology spend forecast by Gartner are positive key factors for the IT industry. We expect decent deal momentum to aid in strong USD revenue growth in FY19E for the industry. Non-linear trends in revenue and headcount growth are likely to continue in the near-to-medium term, driven by productivity gains arising from automation, higher localisation of workforce by Indian IT companies (keeping in view stricter global immigration norms), and a rising share of digital revenues, which reflects higher productivity/employee.

HCL Tech has witnessed strong traction for its digital services driven by Mode2 and Mode3 services, coupled with a large number of IP partnerships. We expect the ER&D space could continue to witness double-digit growth, led by major contribution from acquired businesses (Geometric and Butler America), going forward.
In terms of valuations, HCL Tech could catch up with its peers. This is as the IT space could be defensive in times like this and HCL Tech offers sufficient visibility in growth. Once the investment in the IBM platform partnership is visible and starts delivering, the street could become aware to its potential, and further rerate the stock.

KEY HIGHLIGHTS

- ***HCL Technologies Ltd (HCL Tech) is India's fourth largest software company, and one of the fastest growing IT services brands globally. HCL has focussed on transformational outsourcing, and offers an integrated portfolios of services including software-led IT solutions, remote infrastructure management, engineering, R&D services and a BPO.***
- ***HCL leverages its extensive global offshore infrastructure, and operates out of 32 countries to provide multi-service delivery in key industry verticals, including Financial Services, Manufacturing, Aerospace and Defense, Telecom, Retail and CPG, Life Sciences and Healthcare, Media and Entertainment etc.***
- ***HCL Tech has witnessed strong traction for its digital services driven by Mode2 and Mode3 services, coupled with a large number of IP partnerships.***

We feel investors could buy the stock at the CMP and add on dips to Rs. 872-880 band (~11.75x FY20E EPS for sequential targets of Rs 1062 (14.25x FY20E EPS) and Rs 1156 (15.5x FY20E EPS). At the CMP of Rs 957.4 the stock trades at 12.8x FY20E EPS.

Consolidated Financial Summary

YE March (Rs mn)	Q3FY18	Q3FY17	YoY (%)	Q2FY18	QoQ (%)	FY17	FY18E	FY19E	FY20E
Net Sales	1,28,080	1,18,142	*8.4*	1,24,340	*3.0*	4,67,230	5,05,559	5,62,636	6,22,562
EBIT	25,090	24,082	*4.2*	24,510	*2.4*	94,740	98,332	1,08,208	1,20,697
APAT	21,940	20,712	*5.9*	21,880	*0.3*	81,540	86,342	93,021	1,03,453
Diluted EPS (Rs)	15.8	14.7	*7.4*	15.7	*0.3*	57.6	62.5	66.8	74.6
P/E (x)						16.8	15.4	14.3	12.8
EV / EBITDA (x)						12.2	11.4	10.3	9.2
RoE (%)						27.0	26.0	26.0	25.8

(Source: Company, HDFC sec)

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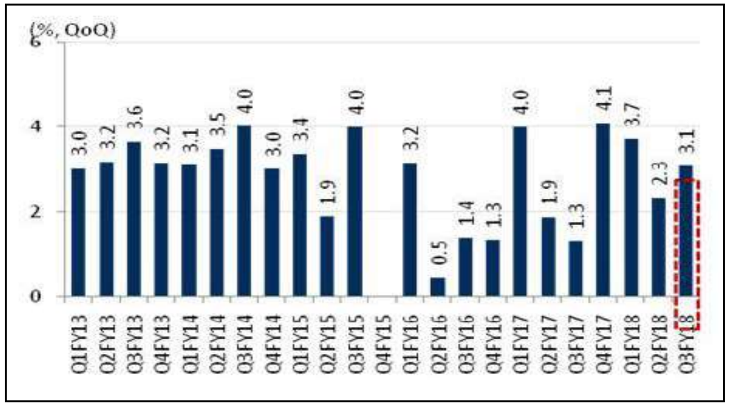
Q3FY18 result review:

- HCL Tech reported 3.1% (QoQ) revenue growth at US$ 1,988mn in Q3FY18, against USD 1,929mn in Q2FY18. In Constant Currency (CC) terms, the company posted revenue growth of 3.3% (QoQ). The company posted an EBIT of 19.6% in Q3FY18, as against 19.7% in Q2FY18.
- In terms of services, Engineering and R&D services (which constituted 24.2% of sales) posted a growth of 13.6% (QoQ in CC terms), while Application services (accounting for 35.3% of sales) grew by 1.6% (QoQ in CC terms). Infrastructure services, another important segment of the company, which contributes ~36.7% to overall sales, posted de-growth of 1.2% (QoQ in CC terms). Business services, which constituted 3.7% of sales, grew by 5.0% (QoQ in CC terms).
- HCL Tech's overall headcount increased by 10,460 to 1, 19,291 employees in Q3FY18. The attrition rate in IT services inched down to 15.2% against the 15.7% in Q2FY18, and the blended utilisation level of the company remained stagnant at 85.8%, against 86.0% in Q2FY18. It announced a dividend of Rs 2 per share, in the 60th consecutive quarter of dividend payout.

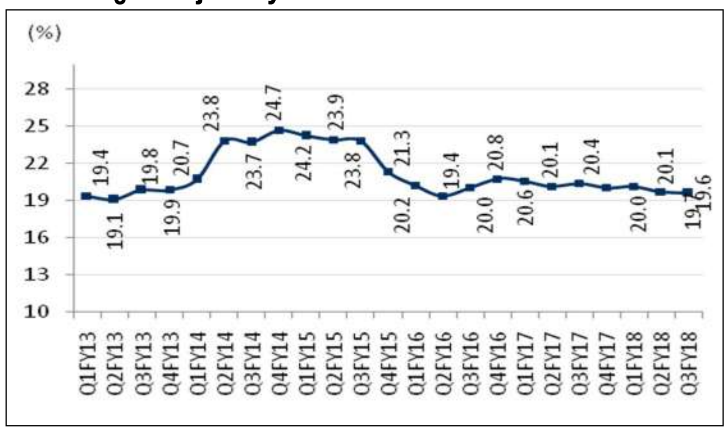
USD Revenue Growth Trajectory (QoQ)



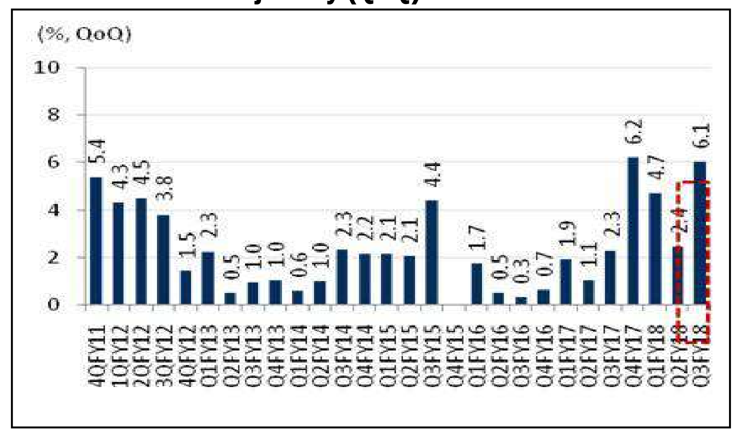
USD Revenue Growth Trajectory (YoY)

(Source: Company, HDFC sec)

EBIT Margin Trajectory



ER&D USD Revenue Trajectory (QoQ)



(Source: Company, HDFC sec)

Vertical Revenue Break-up

(% of rev)	Q1FY17	Q2FY17	Q3FY17	Q4FY17	Q1FY18	Q2FY18	Q3FY18
Manufacturing	33.2	32.2	33.9	34.6	34.9	35.4	36.5
Financial Services	23.6	24.1	24.3	24.2	24.9	25.0	24.6
Life Sciences and Healthcare	11.9	12.6	12.0	11.5	11.8	11.7	11.7
Public Services	11.7	10.9	11.2	11.7	11.1	10.6	10.2
Telecom, Media, Publishing & Entertainment	9.1	9.4	8.9	8.4	7.9	7.9	7.4
Retail & CPG	10.0	10.4	9.4	9.2	9.5	9.3	9.6
Others	0.5	0.4	0.3	0.4	0.0	0.1	0.0
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

(Source: Company, HDFC sec)

Service Line Contribution

(% of rev)	Q1FY17	Q2FY17	Q3FY17	Q4FY17	Q1FY18	Q2FY18	Q3FY18
Software Services (Apps + Engg)	56.1	55.6	56.1	57.3	57.8	57.9	59.6
Infrastructure Services	39.8	40.3	39.8	38.8	38.6	38.5	36.7
Business Services	4.1	4.1	4.0	3.9	3.6	3.6	3.7
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

(Source: Company, HDFC sec)

Geographic Contribution

(% of rev)	Q1FY17	Q2FY17	Q3FY17	Q4FY17	Q1FY18	Q2FY18	Q3FY18
Americas	59.9	61.9	61.9	62.6	62.8	62.4	63.5
Europe	31.4	29.3	29.6	27.7	27.4	29.1	28.7
Rest of the World	8.7	8.8	8.5	9.7	9.8	8.5	7.9
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.1**

(Source: Company, HDFC sec)

Headcount, Attrition and Utilisation Data

(Nos.)	Q1FY17	Q2FY17	Q3FY17	Q4FY17	Q1FY18	Q2FY18	Q3FY18
Total headcount	**1,07,968**	**1,09,795**	**1,11,092**	**1,15,973**	**1,17,781**	**1,19,040**	**1,19,291**
Technical	*98,225*	*99,897*	*1,01,154*	*1,05,547*	*1,07,029*	*1,08,351*	*1,08,831*
Support	*9,743*	*9,898*	*9,938*	*10,426*	*10,752*	*10,689*	*10,460*
Gross additions	10,515	9,083	8,467	10,605	9,462	8,645	7,113
Net additions	3,072	1,827	1,297	4,881	1,808	1,259	251
Voluntary LTM attrition (%)	17.8	18.6	17.9	16.9	16.2	15.7	15.2
Utilisation excluding trainees (%)	85.8	85.3	84.6	85.7	86.0	86.0	85.8

(Source: Company, HDFC sec)

Investment rationale:

Healthy order pipeline ensures better revenue visibility going forward

HCL Tech signed 20 transformational deals in Q3FY18, across service lines and industry verticals. The broad–based business wins were driven by next–generation integrated offerings or Next–Gen ITO, BEYONDigital, and IoT Works, reflecting investments in the Internet of Things, digital technologies, cloud, automation and artificial intelligence. The company added three clients each in the USD 5+mn and USD 40+ mn categories. This was the highest booking performance over the last 12 quarters.

HCL Tech signed a few attractive deals in Q4. On 6-March-2018, HCL Tech signed a five-and-a-half year IT deal with Norway's largest energy company Statkraft, which is a leading generator of renewable energy as well. Statkraft produces hydropower, wind power, solar power, gas-fired power, and supplies district heating. The value of the deal was not shared with the media. As part of the deal, HCL will provide end-to-end integrated infrastructure services by implementing a modern, flexible and scalable infrastructure solution, including data centres, service desks, workplace, networks and security services, application operations and cross-functional services.

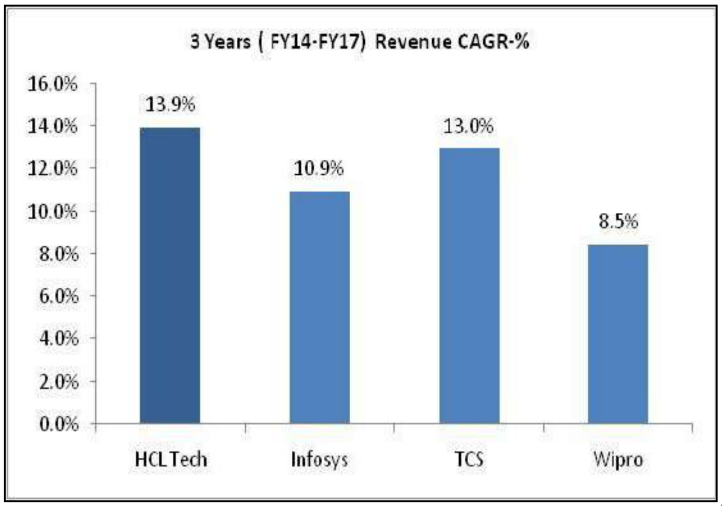
Taking into consideration the company's deals in hand, the company has maintained its view to achieve the lower end of revenue guidance for FY18E. It has retained CC revenue growth guidance of 10.5%-12.5%, translating into 12.1-14.1% in USD terms (based on 31-Dec-INR and USD rates), which includes a component of inorganic growth. Adjusting for this, organic growth would be in the range of 7.5-9.5% in CC for FY18. The operating margin (EBIT) for FY18 is expected to be in the range of 19.5-20.5%.

Fastest-growing large IT company with better industry productivity

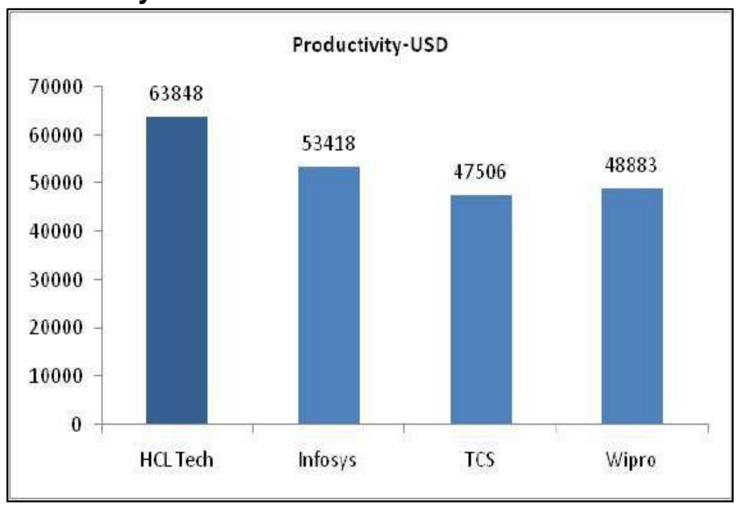
HCL Tech has been growing better than its peers like TCS, Infosys and Wipro in the topline over the last three years. HCL Tech reported ~14% revenue CAGR for three years (FY14 to FY17), followed by 13% by TCS, ~11% by Infosys and 8.5% by Wipro. On the PAT front, HCL Tech has maintained sustained 10% PAT CAGR growth, like TCS and Infosys over FY14 to FY17.

Going beyond FY18, HCL Tech guides FY19 to be better than FY18 (organic growth), as demand for new services is strong and deal bookings have been the highest in the past 12 quarters. We expect IMS growth revival by H1FY19 based on its recent large deal wins. Apart from this, HCL tech has better productivity (per employee revenue) than its peers on TTM basis.

Revenue Growth-%



Productivity- USD



(Source: Company, HDFC sec)

Growth engine gradually being shifted from IMS to ER&D, resulting in better margins

HCL Tech has invested ~USD 1.2bn (~USD 350mn in Q3FY18) over the last six quarters to forge partnerships with technology majors across various IPs (taking ownership of product enhancement and maintenance). As challenges in IMS mount due to pricing, competition, and cloud, management is shifting lane to build strength in ER&D (Engineering Research & Development). We expect strong growth in ER&D to offset near-term challenges in IMS. ER&D services (24.2% of revenue) grew 13.6% (QoQ) basis. Application services (35.3% of revenue) grew 1.6% (QoQ), while, barring the impact of the IP partnership with DXC, application services grew 2.6% (QoQ). Company is confident of reporting healthy growth on the ER&D and application services space. HCL Tech's traditional business' margin in IMS has been under pressure, and ER&D business enjoys better margins.

HCL Tech has been bidding for contracts aggressively, and hence the blended margins of HCL Tech are lower than its peers. This has led to lower valuations for the company. Once ER&D services grow faster and IP partnerships start delivering, margins could improve sustainably, resulting in better valuations for the company.

Continue to invest in internal IP creation as well as enter into innovative IP-based partnerships is likely to add revenue going forward

HCL Tech continues to invest in internal IP creation as well as into innovative IP-based partnerships, which could bring specific growth opportunities. Company has established a new IP partnership with the West Coast-based technology major, which now becomes the third strategic IP partnership. This partnership includes areas of remote management and provisioning software. HCL Tech has filed patents in various next-generation technologies such as Automation, Data Analytics, Blockchain Applications, Predictive Analytics and Encrypt Data Systems, amongst others.

Recently, HCL Tech has entered into IP partnerships around areas of remote management and provisioning software. Overall, investment in the IP partnership remains in the range of $1.1-1.2bn. A major part of this investment has been used for the extension of its existing IP partnership with IBM, ~USD 50mn has gone into the IP partnership with DXC, and the rest into its partnership with a new IP vendor. We feel that margins from such IP-related revenues should ideally be very high (possibly a multiple of the current company margins).

Risk and concerns:

Demand shifting to cloud-based business is a concern for its core business

HCL Tech is known for its dominance in maintaining computers and data centres (or IMS, infrastructure management services), and the company has seen growth decline from its core business over the past two years. Slow revenue growth in its core business is the primary reason for the company's plans to move away from a people-led model to a company-focussed one, on offering solutions using IP platforms. HCL's old infrastructure maintenance contracts are getting squeezed, as clients shifted to cloud computing offered by Microsoft Azure and Amazon's AWS. HCL Tech had double the exposure to IMS businesses as compared to its peers, resulting in lower margins.

In the past, HCL Tech has focussed less on the BFSI segment, which has led to a lower margin profile compared to its peers.

Large intangible assets could impact profitability because of higher amortisation

One-third of the company's total assets are now in the form of goodwill and intangibles. A large part of this increase has been happened over the last 18 months, and is the highest among peers. HCL Tech has capitalized Rs 4214 cr towards

IPRs, including Rs 2644cr towards purchase of licensed IPRs. The amortisation expense has increased to Rs 455 cr in Q3FY18 from Rs 220 cr in Q2FY18 and Rs 104 cr in FY17. The intangible assets (Software, licensed IPRs, customer relationships, customer contracts and Intellectual property rights) are amortised over the estimated useful life of the assets (on an average between 2 to 15 years).
In case the company needs to provide for impairment on these assets due to a fall in their useful life, it could hit its profitability in that particular period.

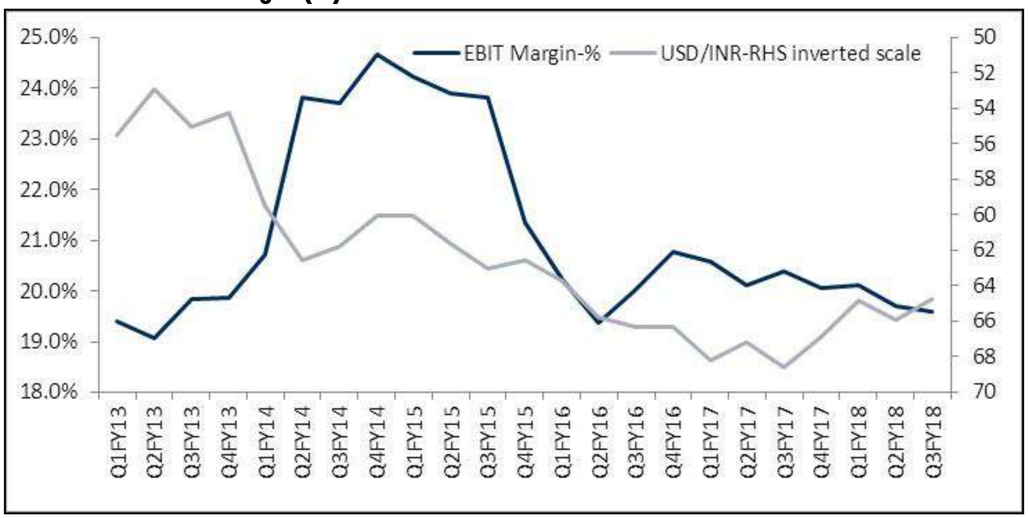
Competition

Larger players among IT companies have witnessed competition from other global players on the pricing front. Indian IT continues to lose its share of the global outsourcing market. With digitalisation, automation and IOT (Internet of the Things), the industry needs additional flexible players who are more suited for those requirements. This is where mid-sized and niche companies are tough competitors to the larger players.

INR appreciation against the USD

The signal of the Indian rupee appreciation continues for some time. If it continues to do so, it will have a significant impact on profitability. Indian IT services companies could see a decline in margins, if the Rupee strengthens to below 64 vs the USD.

USD/INR vs EBIT Margin (%)



(Source: Company, HDFC sec)

Dealing with IBM-like complex organisations

HCL Tech has a revenue-sharing agreement with IBM, but it has the permission to make changes to the IBM product (i.e. make IP derivatives) as per the agreement signed between the two entities. Currently, most sales are being generated through the IBM sales channel, but HCL Tech is also investing in developing its independent 'Go to Market' sales team for selling these products to its own clients as well. Dissolving of or an amendment of the agreement with IBM could be negative for HCL Tech.

HCL Tech has invested a large sum of money in the partnership with IBM. In case this doesn't go as planned over the next few years, it will take a hit on its investments. However, in case this takes off, it could change the margin and revenue trajectory well, going forward.

Peer comparison:

Company	Mkt Cap-Mn	EPS- Rs			P/E-x			RoE-%		
		FY18E	FY19E	FY20E	FY18E	FY19E	FY20E	FY18E	FY19E	FY20E
TCS	5391495	134.8	145.6	159.2	20.9	19.3	17.7	30.4	30.9	29.2
INFY	2534130	66.1	71.1	78.0	17.7	16.4	15.0	25.7	26.0	26.4
Wipro	1261241	20.6	21.6	23.4	13.8	13.2	12.2	17.5	18.7	18.4
HCL Tech	1332820	62.5	66.8	74.6	15.3	14.3	12.8	26.0	26.0	25.8
TECHM	610680	36.3	39.2	43.4	17.2	15.9	14.4	18.6	18.0	18.0

View and valuation:

US tax reforms and increased technology spend forecast by Gartner are positive key factors for the IT industry. We expect decent deal momentum to aid in strong USD revenue growth in FY19E for the industry. Non-linear trends in revenue and headcount growth are likely to continue in the near-to-medium term, driven by productivity gains arising from automation, higher localisation of workforce by Indian IT companies (keeping in view stricter global immigration norms), and a rising share of digital revenues, which reflects higher productivity/employee.

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Quarterly Consolidated Financials

Particulars, Rs in mn	Q3FY18	Q3FY17	YoY (%)	Q2FY18	QoQ (%)
Net Revenues (US $mn)	1,988	1,745	*13.9*	1,928	3.1
Net Revenues	1,28,080	1,18,142	*8.4*	1,24,340	3.0
Direct Costs	84,120	78,090	*7.7*	82,080	2.5
Gross Profit	43,960	40,052	*9.8*	42,260	4.0
SG&A Expenses	14,320	13,770	*4.0*	14,670	(2.4)
EBITDA	29,640	26,282	*12.8*	27,590	7.4
Depreciation	4,550	2,200	*106.8*	3,080	47.7
EBIT	25,090	24,082	*4.2*	24,510	2.4
Other Income	2,640	2,310	*14.3*	2,980	(11.4)
PBT	27,730	26,392	*5.1*	27,490	0.9
Tax	5,790	5,680	*1.9*	5,610	3.2
APAT	21,940	20,712	*5.9*	21,880	0.3
E/o (adj for tax)	0	0	-	0	-
RPAT	21,940	20,712	*5.9*	21,880	0.3

(Source: Company, HDFC sec)

Financials (Consolidated):

Income Statement

Particulars, Rs in mn	FY15	FY16	FY17	FY18E	FY19E	FY20E
Net Revenues (USD mn)	*5,821.7*	6,235.4	6,975.2	7,825.1	8,655.9	9,577.9
Growth (%)	*12.4*	7.1	11.9	12.2	10.6	10.7
Net Sales	*357.1*	409.1	467.2	505.6	562.6	622.6
Growth (%)	*13.5*	14.6	14.2	8.2	11.3	10.7
Cost of Revenue	*225.8*	269.0	308.9	334.0	372.7	412.3
SG&A Expenses	*43.1*	52.2	55.2	58.4	65.7	72.2
EBITDA	*88.2*	88.0	103.1	113.2	124.2	138.1
EBITDA (%)	*24.7*	21.5	22.1	22.4	22.1	22.2
EBITDA Growth (%)	*9.3*	-0.3	17.2	9.8	9.8	11.2
Depreciation	*5.0*	5.7	8.4	14.8	16.0	17.4
EBIT	*83.2*	82.3	94.7	98.3	108.2	120.7
Other Income net	*9.5*	11.0	10.2	12.1	13.4	14.6
Interest	*1.0*	1.0	0.9	0.7	0.8	0.9
PBT	*91.7*	92.4	104.1	109.7	120.8	134.5
Tax (incl deferred)	*18.6*	18.8	19.5	23.4	27.8	31.0
Minority Interest and associate profit	*0.0*	0.0	0.0	0.0	0.0	0.0

RPAT	*73.1*	73.5	84.6	86.3	93.0	103.5
APAT	*73.1*	73.5	81.5	86.3	93.0	103.5
APAT Growth (%)	*27.6*	0.6	10.9	5.9	7.7	11.2
EPS	*52.0*	52.2	57.6	62.5	66.8	74.6

(Source: Company, HDFC sec)

Balance Sheet

Particulars, Rs in bn	FY15	FY16	FY17	FY18E	FY19E	FY20E
SOURCES OF FUNDS						
Share Capital - Equity	*2.81*	2.82	2.85	2.78	2.78	2.78
Reserves	*240.85*	271.09	326.64	332.96	375.87	420.86
Total Shareholders' Funds	*243.67*	273.91	329.50	335.74	378.65	423.64
Long Term Debt	*1.68*	7.37	3.83	5.06	5.63	6.23
Short Term Debt	*3.55*	2.14	0.62	0.82	0.91	1.01
Total Debt	*5.23*	9.52	4.45	5.88	6.54	7.24
Long Term Provisions & Others	*-5.00*	-4.27	-5.57	-4.80	-3.65	-2.47
TOTAL SOURCES OF FUNDS	***243.90***	**279.16**	**328.38**	**336.82**	**381.54**	**428.41**
APPLICATION OF FUNDS						
Net Block	*31.68*	35.95	39.98	48.87	54.46	61.45
CWIP	*5.54*	6.11	4.48	5.37	6.03	6.76
Goodwill & Other Intangible Assets	*48.83*	61.21	112.38	133.73	150.64	168.51
Investments	*0.10*	1.62	1.60	1.60	1.60	1.60
LT Loans & Advances, Others	*19.48*	20.59	18.04	19.52	21.72	24.04
Total Non Current Assets	*105.63*	125.48	176.48	209.09	234.46	262.36
Debtors	*65.63*	77.21	83.01	94.19	104.82	115.98
Cash & Equivalents	*106.00*	98.71	101.90	64.25	76.48	88.14
Other Current Assets	*59.74*	73.89	79.79	89.79	99.94	110.58
Total Current Assets	*231.37*	249.82	264.70	248.23	281.25	314.71
Creditors	*6.27*	7.03	8.01	7.53	8.41	9.29
Other Current Liabilities & Provns	*86.83*	89.11	104.79	112.98	125.76	139.36
Total Current Liabilities	*93.09*	96.14	112.80	120.51	134.16	148.66
Net Current Assets	*138.27*	153.68	151.90	127.73	147.09	166.05
TOTAL APPLICATION OF FUNDS	***243.90***	**279.16**	**328.38**	**336.82**	**381.54**	**428.41**

(Source: Company, HDFC sec)

Cash Flow

Particulars, Rs in bn	FY15	FY16	FY17	FY18E	FY19E	FY20E
Reported PBT	*91.7*	92.4	104.1	109.7	120.8	134.5
Non-operating & EO items	*-5.6*	-1.3	2.2	0.6	0.9	0.9
Interest expenses	*1.0*	1.0	0.9	0.7	0.8	0.9
Depreciation	*5.0*	5.7	8.4	14.8	16.0	17.4
Working Capital Change	*-23.5*	-23.2	5.0	-13.5	-7.1	-7.3

Tax paid	*-18.6*	-18.8	-19.5	-23.4	-27.8	-31.0
OPERATING CASH FLOW (a)	***50.0***	**55.8**	**101.0**	**88.9**	**103.5**	**115.3**
Capex	*-9.7*	-18.1	-58.5	-54.1	-30.5	-32.2
Free cash flow (FCF)	*40.3*	37.7	42.5	34.9	73.0	83.0
Investments	*-2.6*	-7.5	-0.8	6.6	-10.9	-13.0
INVESTING CASH FLOW (b)	***-12.3***	**-25.5**	**-59.4**	**-47.4**	**-41.4**	**-45.3**
Debt Issuance	*1.2*	4.3	-5.1	1.4	0.7	0.7
Interest expenses	*-1.0*	-1.0	-0.9	-0.7	-0.8	-0.9
FCFE	*40.5*	41.0	36.5	35.6	72.9	82.9
Share capital Issuance	*0.0*	0.0	0.0	-0.0	0.0	0.0
Dividend	*-31.3*	-34.7	-41.1	-45.1	-50.1	-58.5
FINANCING CASH FLOW (c)	***-31.1***	**-31.3**	**-47.0**	**-79.4**	**-50.2**	**-58.6**
NET CASH FLOW (a+b+c)	***6.6***	**-1.1**	**-5.4**	**-37.9**	**12.0**	**11.4**
Non-operating and EO items	***5.2***	**-6.2**	**8.6**	**0.2**	**0.3**	**0.3**
Closing Cash & Equivalents	***106.0***	**98.7**	**101.9**	**64.3**	**76.5**	**88.1**

(Source: Company, HDFC sec)

Key Ratios

Particulars	FY15	FY16	FY17	FY18E	FY19E	FY20E
PROFITABILITY (%)						
EBITDA Margin	*24.7*	21.5	22.1	22.4	22.1	22.2
APAT Margin	*20.5*	18.0	17.5	17.1	16.5	16.6
RoE	*33.3*	28.4	27.0	26.0	26.0	25.8
RoIC or Core RoCE	*54.1*	41.1	37.8	31.0	28.8	28.8
RoCE	*32.9*	28.2	26.9	26.0	25.9	25.6
EFFICIENCY						
Tax Rate (%)	*20.3*	20.4	18.8	21.3	23.0	23.1
Fixed Asset Turnover (x)	*5.4*	5.7	6.0	5.5	5.4	5.4
Debtors (days)	*67.1*	68.9	64.8	68.0	68.0	68.0
Payables (days)	*6.4*	6.3	6.3	5.4	5.5	5.4
Cash Conversion Cycle (days)	*62.3*	65.0	60.7	64.7	64.7	64.7
Net Debt/EBITDA (x)	*-1.1*	-1.0	-0.9	-0.5	-0.6	-0.6
Net Debt/Equity (x)	*-0.4*	-0.3	-0.3	-0.2	-0.2	-0.2
Interest Coverage (x)	*85.4*	86.2	106.3	148.8	140.2	138.4
PER SHARE DATA						
EPS (Rs/sh)	*52.0*	52.2	57.6	62.5	66.8	74.6
CEPS (Rs/sh)	*55.6*	56.1	63.0	72.7	78.3	86.8

DPS (Rs/sh)	*19.0*	21.0	24.0	27.0	30.0	35.0
BV (Rs/sh)	*173.3*	195.6	232.1	242.4	273.3	305.6
VALUATION						
P/E	*18.4*	18.4	16.8	15.4	14.3	12.8
P/BV	*5.5*	4.9	4.1	3.9	3.5	3.1
EV/EBITDA	*14.2*	14.3	12.2	11.4	10.3	9.2
OCF/EV (%)	*4.0*	4.4	8.1	6.9	8.1	9.1
FCF/EV (%)	*3.2*	3.0	3.4	2.7	5.7	6.5
FCFE/mkt cap (%)	*3.0*	3.0	2.7	2.6	5.4	6.1

(Source: Company, HDFC sec)

Daily Closing Price Chart

(Source: Company, HDFC sec)

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