HDFC securities Equity Research

Pick of the week

RETAIL **DESK**

HDFC securities

INFOSYS LTD

PICK OF THE WEEK
Dec 26, 2017

Industry	CMP	Recommendation	Add on dips to	Sequential Targets	Time Horizon
IT-Software	Rs. 1039	Buy at CMP and add on declines	Rs. 942-954	Rs. 1167-1258	3-4 Quarters

HDFC Scrip Code	INFTECEQNR
BSE Code	500209
NSE Code	INFY
Bloomberg	INFO IN
CMP Dec 22 2017	Rs. 1039
Equity Capital (Bn)	10.9
Face Value (Rs)	5.0
Eq- Share O/S(Bn)	2.174
Market Cap (Rs Bn)	2258.8
Book Value (Rs)	301.7
Avg.52 Wk Volume	4854117
52 Week High	1045.0
52 Week Low	861.5

Shareholding Pattern % (Sept 30, 17)	
Promoters	12.8
Institutions	56.2
Non	31.0
Total	100.0

FUNDAMENTAL ANALYST
Abdul Karim
Abdul.karim@hdfcsec.com

Company Description:

Infosys is a global leader in technology services and consulting and enables clients in 45 countries to create and execute strategies for their digital transformation. Infosys is engaged in consulting, technology, outsourcing and next-generation services. The Company, along with its subsidiaries, provides business information technology services comprising application development and maintenance, independent validation, infrastructure management, engineering services comprising product engineering and life cycle solutions and business process management. It provides its products and business platforms and solutions to accelerate intellectual property-led innovation, including Finacle, its banking solution, and offerings in the areas of Analytics, Cloud and Digital Transformation. As on 30th Sept 2017, Infosys has 198440 employees from 127 nations and 1173 clients.

Investment Rationale:

- Induction of new CEO and MD could address the problem of competence and cultural fit;
- Cost optimization initiatives could help improve its profitability;
- Infosys's Client Centric approach could help to increase clientele going forward;
- Strength seen in BFSI could help generate more revenue;
- Renew and new offerings could derive incremental revenue opportunity going forward;

Concerns:

- Senior level attrition could impact its growth strategy;
- Recovery delay could result in a loss of revenue growth momentum;
- Competition, Decline in large orders;
- INR appreciation against the USD.

View and Valuation:

Infosys seems to have managed succession planning well post exit of Vishal Sikka. Investments made by Infosys in digital transformation, analytics, cloud, cyber security and AI would help the company to serve emerging demands of clients in these areas. Infosys has been struggling to grow even in high single digits as the global IT services market sees a tectonic shift from IT outsourcing to digital, cloud, artificial intelligence and automation. Infosys has seen a number of high-profile exits of late even as its bets on innovation and higher-value offerings are yet to pay off. Now, appointment of new CEO and MD Mr Salil Parekh and of the new founder member (Nandan Nilekani) as a Chairman & Non Executive Non Independent Director could lead the company to better days of non-turbulent growth going forward.

Infosys scores ahead of its large cap IT Peers like Wipro, HCL Tech etc in next gen tech services like IoT, block chain, cyber security etc being an early adopter and having higher exposure to BFSI and Manufacturing which will adapt to these fast. The company has not been underperforming its peers on the front of revenue growth and profitability, but its valuation to peers remains discounted amid the leadership mismatch and concerns around Governance. Under new leadership, gradual

KEY HIGHLIGHTS

- ***Infosys is a global leader in technology services and consulting and enables clients in 45 countries to create and execute strategies for their digital transformation. Infosys is engaged in consulting, technology, outsourcing and next-generation services.***
- ***Investments made by Infosys in digital transformation, analytics, cloud, cyber security and AI would help the company to serve emerging demands of clients in these areas.***
- ***Now, appointment of new CEO and MD Mr Salil Parekh and of the new founder member (Nandan Nilekani) as a Chairman & Non Executive Non Independent Director could lead the company to better days of non-turbulent growth going forward.***
- ***The current undemanding valuation (despite improving capital allocation, operational efficiency and business longevity) leaves scope for modest appreciation over the next few quarters.***

recovery on growth to normalcy could provide further case of rerating going forward. Further timely shift by the management towards newer areas of growth could reverse the topline growth slowdown. The incoming CEO could bring fresh thrust and direction to the business growth of Infosys though we are yet to hear from him in the matter. The current undemanding valuation (despite improving capital allocation, operational efficiency and business longevity) leaves scope for modest appreciation over the next few quarters.

We feel investors could buy the stock at the CMP and add on dips to Rs. 942-954 band (~13.0x FY20E EPS) for sequential targets of Rs 1167 (16.0x FY20E EPS) and Rs 1258 (17.25x FY20E EPS). At the CMP of Rs 1039 the stock trades at 14.25x FY20E EPS.

Consolidated Financial Summary:

YE March (Rs bn)	Q2FY18	Q2FY17	YoY (%)	Q1FY18	QoQ (%)	FY16	FY17	FY18E	FY19E	FY20E
Net Revenue	175.7	173.1	*1.5*	170.8	*2.9*	624.4	684.9	706.9	767.3	831.1
EBIT	42.5	43.1	*-1.5*	41.1	*3.3*	156.2	169.0	169.2	181.7	192.5
APAT	37.3	36.1	*3.3*	35.3	*5.4*	134.9	143.5	144.6	149.9	158.5
Diluted EPS (Rs)	16.3	15.8	*3.3*	15.5	*5.4*	59.0	62.8	64.9	69.0	72.9
P/E (x)						17.6	16.5	16.0	15.1	14.3
EV / EBITDA (x)						11.3	10.9	11.6	10.6	9.8
RoE (%)						23.2	22.0	23.1	25.3	24.9

(Source: Company, HDFC sec)

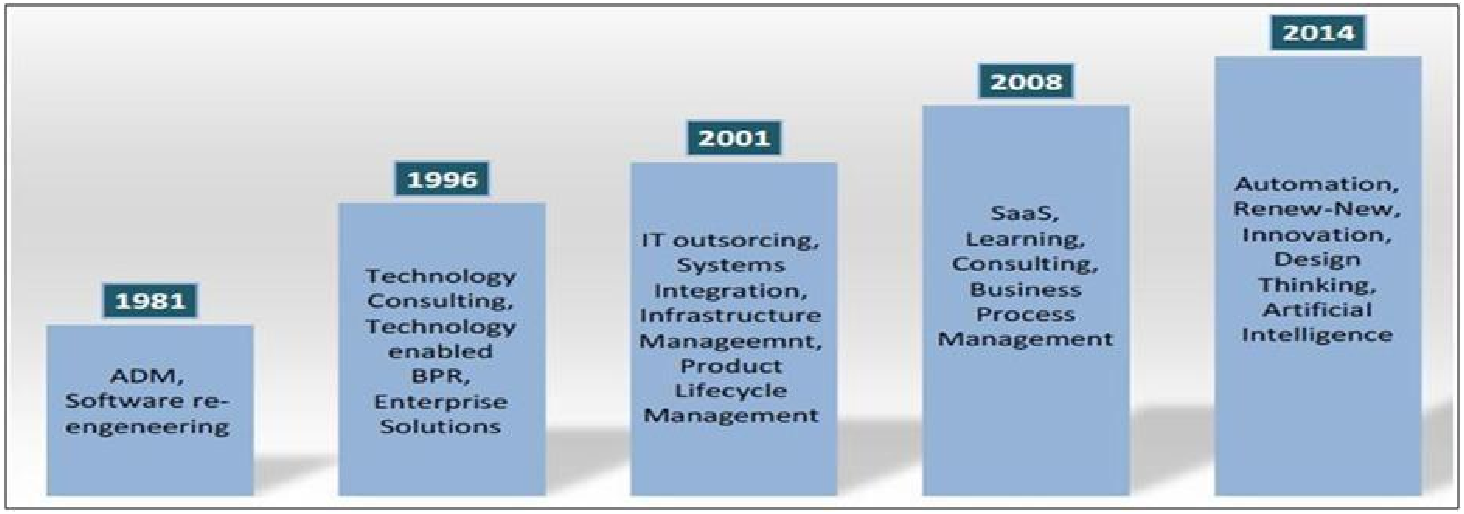
Q2FY18 result review:

- Infosys reported in-line revenue performance and better margins on operational efficiencies. Infosys Q2FY18 CC USD revenue grew 2.2% (QoQ) was largely in line with estimate. Reported USD revenue growth was 2.9% QoQ to Rs 17567 cr, indicating a 70bp positive impact due to the movement of currencies against the USD.
- Volume grew by 1.6% QoQ during the quarter, while blended realization increased by 1.3%. Volume growth was -0.7% (QoQ) at onsite and 2.6% (QoQ) at offshore.
- Company reported EBIT margin of 24.2% (+10bp, QoQ), led by yet another quarter of strong execution.
- PAT grew by 5.4% (QoQ) to Rs 3726 cr.
- On verticals, company reported strong growth in BFSI (Banking & Financial Services, and Insurance) 3.2% (QoQ) and ECS (Energy & Utilities, Comm. & Services) by 3.8% (QoQ). Below-average growth was seen in the verticals of Manufacturing and H-Tech by 2% (QoQ) and RCL (Retail, Logistics, CPG & Life Sciences) by 1.7% (QoQ).
- Among geographies, North America grew by 2.1% and Europe grew 6.6%. India, which was a significant growth driver in the previous quarter (16.1%) declined by 5.7% in Q2FY18 on QoQ basis. New services; Cloud Ecosystem, Big Data and Analytics, API and Micro Services, Data and Mainframe Modernization, Cyber Security, IoT Engineering Services contributed to 9.4% of total revenue, compared to 8.3% in the previous quarter; implying growth of 13.7% on QoQ basis.

- New software (Edge, NIA, Panaya and Skava) contributed to 1.6% of total revenue, the same as last quarter; implying growth of 0.4% on QoQ basis.
- Infosys cut its FY18 revenue growth outlook to 5.5-6.5% from 6.5-8.5%, and maintained its revised margin band of 23-25%.
- Infosys completed its Buy Back offer of Rs13000 crore ($2 billion) to improve returns for stakeholders, repurchased at Rs. Rs1150/Share.

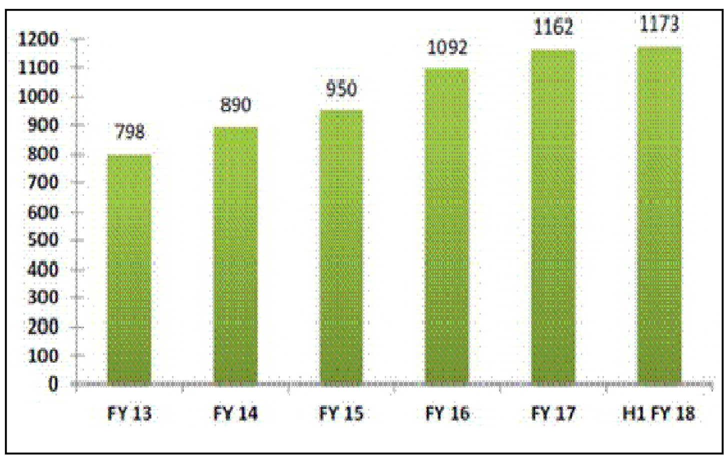
Key Business updates:

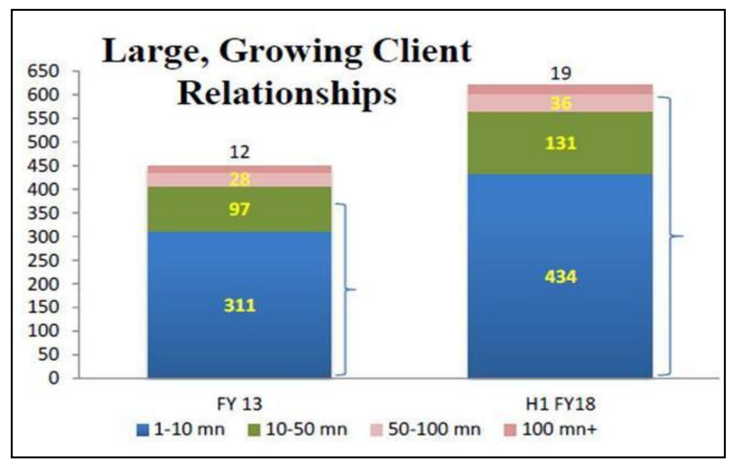
Expanding Service over the periods:



(Source: Company, HDFC sec)

Clients:





(Source: Company, HDFC sec)

Investment Rationale:

Induction of new CEO and MD could address the problem of competence and cultural fit:

Infosys nomination and remuneration committee declared the name of New CEO and MD, Mr Salil Parekh effective 2nd January 2018 for a period of 5 years, a 27-year veteran of Capgemini (including ~12 years of experience at E&Y Consulting). Currently, Mr. Parekh is Executive Chairman & Member of the Global Management Board in Capgemini. He has been Head of Cloud Infrastructure Services, Sogeti & Cloud Services and Head of Asia-Pacific, North America and United Kingdom at Capgemini since October 22, 2016.

It will be important to see, how the new CEO will deal with the initiatives of previous CEO Dr Sikka. Investment in its home grown automation software Nia, the product-driven services initiatives through Edgeverve, the zero-distance programme to drive grass root innovation, the incomplete restructuring and reprioritization of the consulting division, and the plan to hire 10,000 locals in two years' time in the US were some of the initiatives of Dr. Sikka.

We expect the new CEO to shift back the focus to services with a potential tilt towards consulting, considering his background in E&Y Consulting. The new CEO may layout the new strategy for FY19 by Q4FY18 which could be in continuation with the current strategy with focus on products, platforms, and solutions, along with focus on digital, cloud and inorganic initiatives with some changes. His focus on 'Innovation' and 'Competitiveness' in Capgemini reminds the 'New-Renew' strategy of Dr. Vishal Sikka (Ex CEO and MD of Infosys) and 'Run Better- Run Different' of Cognizant Technology Solutions. Corporate governance failures under the tenure of Dr Vishal Sikka and the previous board have been laid to rest by the new Chairman, Mr. Nandan Nilekani. It remains to be seen whether Mr. Parekh will be given a completely free hand. The fact that the new CEO was handling business size and diversity, similar to what he will now be entrusted to do at Infosys is heartening.

Cost optimization initiating could help to improve its profitability:

Infosys has been focused in cost optimization effort to ramp up its margins, and company has witnessed few results as;

- Productivity improved led by revenue per employee of $52684 in Q2FY18 growth of 1.5% (QoQ) and 3.3% (YoY).
- Company has highest utilisation in 15 years at 84.7% in Q2FY18. Utilization including trainee are highest ever at 81.8%.
- Sub contract cost stood at 6.2% in Q2FY18 led by higher utilization.
- Company also plans to acquire new clients and increase presence in new geographies and market segments by investing in targeted business development and marketing.
- Company is looking at artificial intelligence-based automation techniques and software automation platforms to boost productivity of projects, and leveraging software process engineering and collaboration technologies to improve process productivity.
- Attrition rate was ~16% overall in fiscal 2017 and inched higher to 17.2% in Q2FY18. Company management is working out with some manpower related program to reduce its attrition.

- Operating margins have remained stable within the stated band of 24%-25% despite pricing headwinds and employee wage increases. Cost optimization levers have helped deliver on margins despite pricing pressure—IT Services utilization excluding trainees is up to ~85% in Q2FY18, and this was merely 73% in FY13.

Infosys's Client Centric approach could help to increase clientele going forward:

Infosys client-centric approach continues to bring high levels of client satisfaction. Company has derived 97.3% of its consolidated revenues from repeat business in FY17, and company received the highest satisfaction score from customer's survey for FY17 as compared to any score that Infosys had received in the past 12 years. Along with its subsidiaries, Company added 321 new clients, including a substantial number of large global corporations. Its total client base at the end of the year stood at 1,162. The number of 100 million dollar+ clients increased from 14 last year to 19 during the year.

Strength seen in BFSI could help to generate more revenue:

BFSI contributes 33.4% of Infosys sales as on 30th Sept 2018. Performance in BFSI (Banking, Financial Services and Insurance) was strong, especially in Insurance. 13 new customers were added in this space, with one account being a large deal (>USD50m). The strength seen in Banking, Capital Markets and Insurance isn't restricted to a particular region, but is geographically well-spread. However, seasonal softness and a few account-specific factors would lead to a loss of momentum going forward. Tracking the performance in BFSI over the last 3 quarters, the mood remains optimistic.

BFSI Performance over the 7 quarters

(QoQ growth, %)	Q4FY16	Q1FY17	Q2FY17	Q3FY17	Q4FY17	Q1FY18	Q2FY18
BFSI	**(0.5)**	**2.2**	**4.4**	**(0.8)**	**1.3**	**2.6**	**3.2**
Insurance	(7.0)	6.0	5.3	5.5	0.7	4.9	6.2
Banking & Financial Services	0.9	1.5	4.2	(2.1)	1.4	2.1	2.5

(Source: Company, HDFC sec)

Renew and new offerings could derive incremental revenue opportunity going forward:

Over the two years, Infosys grew multiple new services in the areas of cloud applications and infrastructure, mainframe modernization to cloud, cyber security, developing new digital end-user experiences, advanced analytics and data science, engineering services and Internet of Things and many more. These services represent a rapidly growing portion of its incremental revenue each year, demonstrating its continued relevance to the transformation of clients' businesses. Infosys continued to renew its core service offerings and traditional business, largely work in maintenance, operations and run areas, by driving automation, agility and innovation into every service line.

Infosys has made six new investments in FY17 in startup companies working in AI, autonomous unmanned vehicles, data insights, cloud, and more — all areas relevant to company and clients' futures — thus extending the innovation and investing in new generation services by Infosys bring new clients.

In May 2017, Infosys announced its plans to hire 10,000 American technology professionals over the next two years. Indiana is the first of four hubs where company will build a strong local presence, with a focus on education and innovation in areas such as AI, Big Data, and more. This journey to increase local hiring efforts first started in the fall of 2014 with endeavor to hire 2000+ visa-independent talent into workforce.

Renew and new strategy was planned and executed by Ex CEO and MD Dr Vishal Sikka. Post, exit of Dr Sikka, the new Chairman Mr Nandan Nilkeni expressed a positive stance on such initiative and said that Infosys strategy refresh reiterated in many ways the "Renew & New" journey through a combination of "Software + Services" Therefore, renew and new offerings could generate incremental revenue and company could continue with this initiative going forward.

Risk and Concerns:

Senior level attrition could impact its growth strategy:

Over the past few months, four directors resigned followed by the resignation of Dr. Sikka as the CEO and a few heads. The recent appointment of a new Chairman and a CEO prevented the risk of state of flux/stagnation. Over the past, Infosys has seen more exits of business heads and senior management compared to its peers. Therefore senior level attrition and instability in leadership and execution from multiple exits could impact its growth strategy.
We hope that post the joining of the new CEO, the senior management will not see any major exits in the next few quarters.

Recovery delayed could result in a loss of revenue growth momentum:

The company has seen multiple challenges over one and half years, like 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 also resulted in a tepid guidance of 6.5-8.5% growth in FY18E. If this continues in future, it could impact revenue growth momentum.

Competitions:

Larger players among IT Companies have seen competition with other global players on pricing front. Indian IT continues to lose its share of the global outsourcing market. With the digitalization, automation and IOT (Internet of the Things) the industry needs more flexible players who are more suited for that kind of requirements. That is where; the mid-sized companies and niche companies are giving tough competition to the larger players.

Decline in large orders:

As a result of Brexit, the Royal Bank of Scotland (RBS) had cancelled a major $200 million contract with Infosys in July 2017, that impacted as many as 3,000 of its employees. Any decline in larger orders could impact its growth in revenues and profits.

INR appreciation against the USD;

A sign of Indian rupee appreciation continues for some time, if this continues it will have a significant impact on profitability. Indian IT services companies could see a decline in margins, if the Rupee improves to below 64 vs the USD.

Stricter H1 B visa and immigration norms could hit its margins:

US President Donald Trump's decision regarding stricter enforcement of H1B visa and proposed changes in the non-immigrant employment visa include doubling the minimum salary of acquiring the visa to $130,000 impacted margin of Indian IT companies. Any further adverse change or continuation of such policies in this regard could impact profitability going forward.

View and Valuation:

Infosys seems to have managed succession planning well post exit of Vishal Sikka. Investments made by Infosys in digital transformation, analytics, cloud, cyber security and AI would help the company to serve emerging demands of clients in these areas. Infosys has been struggling to grow even in high single digits as the global IT services market sees a tectonic shift from IT outsourcing to digital, cloud, artificial intelligence and automation. Infosys has seen a number of high-profile exits of late even as its bets on innovation and higher-value offerings are yet to pay off. Now, appointment of new CEO and MD Mr Salil Parekh and of the new founder member (Nandan Nilekani) as a Chairman & Non Executive Non Independent Director could lead the company to better days of non-turbulent growth going forward.

Infosys scores ahead of its large cap IT Peers like Wipro, HCL Tech etc in next gen tech services like IoT, block chain, cyber security etc being an early adopter and having higher exposure to BFSI and Manufacturing which will adapt to these fast. The company has not been underperforming its peers on the front of revenue growth and profitability, but its valuation to peers remains discounted amid the leadership mismatch and concerns around Governance. Under new leadership, gradual recovery on growth to normalcy could provide further case of rerating going forward. Further timely shift by the management towards newer areas of growth could reverse the topline growth slowdown. The incoming CEO could bring fresh thrust and direction to the business growth of Infosys though we are yet to hear from him in the matter. The current undemanding valuation (despite improving capital allocation, operational efficiency and business longevity) leaves scope for modest appreciation over the next few quarters.

We feel investors could buy the stock at the CMP and add on dips to Rs. 942-954 band (~13.0x FY20E EPS) for sequential targets of Rs 1167 (16.0x FY20E EPS) and Rs 1258 (17.25x FY20E EPS). At the CMP of Rs 1039 the stock trades at 14.25x FY20E EPS.

Quarterly Consolidated Financials

Particulars	Q2FY18	Q2FY17	YoY (%)	Q1FY18	QoQ (%)
Net Revenues (USD mn)	**2,728**	**2,587**	***5.5***	**2,651**	***2.9***
Net Revenues	**1,75,670**	**1,73,100**	***1.5***	**1,70,780**	***2.9***
Software development expenses	1,07,710	1,05,380	*2.2*	1,04,500	*3.1*
SG&A expenses	20,940	20,390	*2.7*	20,670	*1.3*
EBITDA	**47,020**	**47,330**	*(0.7)*	**45,610**	*3.1*
Depreciation	4,560	4,240	*7.5*	4,500	*1.3*
EBIT	**42,460**	**43,090**	***(1.5)***	**41,110**	***3.3***
Other Income	8,830	7,570	*16.6*	8,140	*8.5*
PBT	**51,290**	**50,660**	***1.2***	**49,250**	***4.1***
Tax	14,030	14,600	*(3.9)*	13,710	*2.3*
APAT	**37,260**	**36,060**	***3.3***	**35,339**	***5.4***

(Source: Company, HDFC sec)

Financials (Consolidated):

Income Statement

Year ending March, Rs Bn	FY16	FY17	FY18E	FY19E	FY20E
Net Revenues (US $mn)	**9501.0**	**10208.0**	**10924.7**	**11805.1**	**12786.7**
Growth (%)	***9.1***	***7.4***	***7.0***	***8.1***	***8.3***
Net Revenues	**624.4**	**684.9**	**706.9**	**767.3**	**831.1**
Growth (%)	***17.1***	***9.7***	***3.2***	***8.5***	***8.3***
Software development expense	376.4	415.5	434.2	472.8	517.6
SG&A expense	77.2	83.3	85.4	92.8	98.0
EBIDTA	**170.8**	**186.1**	**187.3**	**201.8**	**215.6**
EBIDTA (%)	***27.4***	***27.2***	***26.5***	***26.3***	***25.9***
EBIDTA Growth (%)	***14.6***	***8.9***	***0.6***	***7.7***	***6.9***
Depreciation	14.6	17.0	18.1	20.1	23.1
EBIT	**156.2**	**169.0**	**169.2**	**181.7**	**192.5**
Other Income	31.2	30.5	33.4	29.5	30.8
PBT	**187.4**	**199.5**	**202.6**	**211.1**	**223.3**
Tax (incl deferred)	52.5	56.0	57.1	61.2	64.7
RPAT	**134.9**	**143.5**	**145.5**	**149.9**	**158.5**
APAT	**134.9**	**143.5**	**144.6**	**149.9**	**158.5**
APAT Growth (%)	***9.4***	***6.4***	***0.7***	***3.7***	***5.7***
EPS	**59.0**	**62.8**	**64.9**	**69.0**	**72.9**
EPS Growth (%)	***9.4***	***6.4***	***3.3***	***6.3***	***5.7***

(Source: Company, HDFC sec)

Balance Sheet

As at March, Rs Bn	FY16	FY17	FY18E	FY19E	FY20E
SOURCES OF FUNDS					
Share Capital - Equity	11.4	11.4	10.9	10.9	10.9
Reserves	606.4	678.4	557.7	604.2	649.3
Total Shareholders' Funds	**617.8**	**689.8**	**568.6**	**615.1**	**660.1**
Net Deferred Taxes	(2.8)	(3.3)	(4.8)	(4.8)	(4.8)
Long Term Provisions & Others	1.2	1.5	1.2	1.2	1.2
TOTAL SOURCES OF FUNDS	**616.1**	**688.0**	**564.9**	**611.5**	**656.5**
APPLICATION OF FUNDS					
Net Block	86.4	97.5	95.2	99.4	105.3
CWIP	18.9	19.7	23.0	25.5	28.4
Goodwill & Other Intangible Assets	47.5	44.3	48.3	49.0	49.9
LT Loans & Advances, Others	59.7	65.8	68.3	68.7	69.1
Total Non Current Assets	**212.4**	**227.3**	**234.8**	**242.6**	**252.8**

Debtors	113.3	123.2	130.9	138.2	153.3
Cash & Equivalents	346.9	389.8	255.8	286.5	312.1
Other Current Assets	75.9	87.9	84.1	97.0	103.1
Total Current Assets	**536.1**	**600.9**	**470.8**	**521.7**	**568.5**
Creditors	3.9	3.7	3.6	3.9	4.2
Other Current Liabilities & Provns	128.5	136.5	137.0	148.9	160.5
Total Current Liabilities	**132.4**	**140.1**	**140.6**	**152.8**	**164.8**
Net Current Assets	**403.7**	**460.7**	**330.1**	**368.9**	**403.7**
TOTAL APPLICATION OF FUNDS	**616.1**	**688.0**	**564.9**	**611.5**	**656.5**

(Source: Company, HDFC sec)

Cash Flow

Year ending March, Rs Bn	FY16	FY17	FY18E	FY19E	FY20E
Reported PBT	187.4	199.5	202.6	211.1	223.3
Non-operating & EO items	(14.7)	(6.3)	(4.3)	(0.4)	(0.4)
Interest expenses	-	-	-	-	-
Depreciation	14.6	17.0	18.1	20.1	23.1
Working Capital Change	(11.1)	(14.1)	(3.4)	(8.0)	(9.2)
Tax paid	(52.5)	(56.0)	(57.1)	(61.2)	(64.7)
OPERATING CASH FLOW (a)	**123.7**	**140.1**	**155.8**	**161.6**	**172.0**
Capex	(32.1)	(26.8)	(23.1)	(27.5)	(32.9)
Free cash flow (FCF)	*91.6*	*113.3*	*132.7*	*134.1*	*139.1*
Investments	(6.7)	1.1	-	-	-
Non-operating income	-	-	-	-	-
INVESTING CASH FLOW (b)	**(38.8)**	**(25.7)**	**(23.1)**	**(27.5)**	**(32.9)**
FCFE	*91.6*	*113.3*	*132.7*	*134.1*	*139.1*
Share capital Issuance	0.0	-	(0.6)	-	-
Dividend	(72.3)	(68.9)	(225.0)	(103.4)	(113.5)
FINANCING CASH FLOW (c)	**(72.3)**	**(68.9)**	**(225.5)**	**(103.4)**	**(113.5)**
NET CASH FLOW (a+b+c)	**12.6**	**45.5**	**(92.9)**	**30.7**	**25.6**
Closing Cash & Equivalents	346.9	389.8	255.8	286.5	312.1

(Source: Company, HDFC sec)

Key Ratios

Year ending March	FY16	FY17	FY18E	FY19E	FY20E
PROFITABILITY (%)					
EBIT Margin	25.0	24.7	23.9	23.7	23.2
APAT Margin	21.6	21.0	20.6	19.5	19.1
RoE	23.2	22.0	23.1	25.3	24.9
RoIC or Core RoCE	43.2	37.9	33.2	34.0	34.2
RoCE	23.3	22.0	23.2	25.5	25.0
EFFICIENCY					
Tax Rate (%)	28.0	28.1	28.2	29.0	29.0

Fixed Asset Turnover (x)	3.6	3.4	3.2	3.1	3.0
Inventory (days)	0.0	0.0	0.0	1.0	1.0
Debtors (days)	66.2	65.7	67.6	65.7	67.3
Payables (days)	2.3	2.0	1.9	1.9	1.9
Cash Conversion Cycle (days)	64.0	63.7	65.7	63.8	65.5
Net Debt/EBITDA (x)	-1.9	-1.2	-0.5	-0.6	-0.7
Net Debt/Equity (x)	-0.5	-0.3	-0.2	-0.2	-0.2
Interest Coverage (x)	0.0	0.0	0.0	0.0	0.0
PER SHARE DATA					
EPS (Rs/sh)	59.0	62.8	64.9	69.0	72.9
CEPS (Rs/sh)	65.4	70.2	71.6	74.4	79.5
DPS (Rs/sh)	24.3	25.8	37.0	41.0	45.0
BV (Rs/sh)	270.3	301.7	261.5	282.9	303.6
VALUATION					
P/E	17.6	16.5	16.0	15.1	14.3
P/BV	3.8	3.4	4.0	3.7	3.4
EV/EBITDA	11.3	10.9	11.6	10.6	9.8
OCF/EV (%)	6.4	6.9	7.2	7.6	8.1
FCF/EV (%)	4.7	5.6	6.1	6.3	6.6
FCFE/mkt cap (%)	4.1	5.0	5.9	5.9	6.2
Dividend Yield (%)	2.3	2.5	3.6	3.9	4.3

(Source: Company, HDFC sec)

Daily Closing Price Chart

(Source: Company, HDFC sec)

Fundamental Research Analyst: Abdul Karim (abdul.karim@hdfcsec.com)

HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066
Website: www.hdfcsec.com Email: hdfcsecretailresearch@hdfcsec.com.
Compliance Officer: Binkle R. Oza Email: complianceofficer@hdfcsec.com Phone: (022) 3045 3600

Disclosure:

I, (Abdul Karim, MBA), authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. HSL has no material adverse disciplinary history as on the date of publication of this report. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

Research Analyst or his/her relative or HDFC Securities Ltd. does not have any financial interest in the subject company. Also Research Analyst or his relative or HDFC Securities Ltd. or its Associate does not have beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of the Research Report. Further Research Analyst or his relative or HDFC Securities Ltd. or its associate does not have any material conflict of interest.

Any holding in stock – No

HDFC Securities Limited (HSL) is a SEBI Registered Research Analyst having registration no. INH000002475.

Disclaimer:

This report has been prepared by HDFC Securities Ltd and is meant for sole use by the recipient and not for circulation. The information and opinions contained herein have been compiled or arrived at, based upon information obtained in good faith from sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. This document is for information purposes only. Descriptions of any company or companies or their securities mentioned herein are not intended to be complete and this document is not, and should not be construed as an offer or solicitation of an offer, to buy or sell any securities or other financial instruments.

This report is not directed to, or intended for display, downloading, printing, reproducing or for distribution to or use by, any person or entity who is a citizen or resident or located in any locality, state, country or other jurisdiction where such distribution, publication, reproduction, availability or use would be contrary to law or regulation or what would subject HSL or its affiliates to any registration or licensing requirement within such jurisdiction.

If this report is inadvertently send or has reached any individual in such country, especially, USA, the same may be ignored and brought to the attention of the sender. This document may not be reproduced, distributed or published for any purposes without prior written approval of HSL.

Foreign currencies denominated securities, wherever mentioned, are subject to exchange rate fluctuations, which could have an adverse effect on their value or price, or the income derived from them. In addition, investors in securities such as ADRs, the values of which are influenced by foreign currencies effectively assume currency risk.

It should not be considered to be taken as an offer to sell or a solicitation to buy any security. HSL may from time to time solicit from, or perform broking, or other services for, any company mentioned in this mail and/or its attachments.

HSL and its affiliated company(ies), their directors and employees may; (a) from time to time, have a long or short position in, and buy or sell the securities of the company(ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.

HSL, its directors, analysts or employees do not take any responsibility, financial or otherwise, of the losses or the damages sustained due to the investments made or any action taken on basis of this report, including but not restricted to, fluctuation in the prices of shares and bonds, changes in the currency rates, diminution in the NAVs, reduction in the dividend or income, etc.

HSL and other group companies, its directors, associates, employees may have various positions in any of the stocks, securities and financial instruments dealt in the report, or may make sell or purchase or other deals in these securities from time to time or may deal in other securities of the companies / organizations described in this report.

HSL or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

HSL or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from t date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction in the normal course of business.

HSL or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither HSL nor Research Analysts have any material conflict of interest at the time of publication of this report. Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. HSL may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Research entity has not been engaged in market making activity for the subject company. Research analyst has not served as an officer, director or employee of the subject company. We have not received any compensation/benefits from the subject company or third party in connection with the Research Report.

This report is intended for non-Institutional Clients only. The views and opinions expressed in this report may at times be contrary to or not in consonance with those of Institutional Research or PCG Research teams of HDFC Securities Ltd. and/or may have different time horizons

HDFC Securities Limited, SEBI Reg. No.: NSE-INB/F/E 231109431, BSE-INB/F 011109437, AMFI Reg. No. ARN: 13549, PFRDA Reg. No. POP: 04102015, IRDA Corporate Agent License No.: HDF 2806925/HDF C000222657, SEBI Research Analyst Reg. No.: INH000002475, CIN - U67120MH2000PLC152193