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# Stock Update Infosys Ltd.

26-July-2021





Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
IT Consulting & Software	Rs. 1590	Buy in Rs 1575-1605 band & add more on dips to Rs 1430-1450 band	Rs. 1739	Rs. 1828	2 quarters

HDFC Scrip Code	INFTEC
BSE Code	500209
NSE Code	INFY
Bloomberg	INFO IN
CMP July 23, 2021	1590
Equity Capital (Rs cr)	2093.3
Face Value (Rs)	5.0
Equity Share O/S (cr)	418.7
Market Cap (Rs cr)	677,344
Book Value (Rs)	180.8
Avg. 52 Wk Volumes	11043065
52 Week High	1598.5
52 Week Low	900.7

Share holding Pattern % (June, 2021)	
Promoters	13.0
Institutions	55.4
Non Institutions	31.6
Total	100.0

## Our Take:

Infosys is one of the leading Indian IT services companies, and has a diversified range of offerings across service segments and industry verticals. In terms of verticals, Infosys derived about 33% of its revenue from the financial services segment, 15% from retail, 12.2% from Communication, 12.1% from Energy & Utilities, 9.7% from Manufacturing, 8.3% from Hi-Tech, 6.8% from Life science in Q1FY22, supported by its leading market position, large scale of operations with a skilled resource base of 259,619 headcounts as on June 30, 2021, proven project execution skills, and strong offshore delivery capability. Besides core business, the revenue contribution from digital services has grown steadily to 53.9% in Q1FY22, vs. 51.5% in Q4FY21, 44.5% in Q1FY21 and 39% in FY20, driven by higher demand for transformation to cloud and other digital products and services, amid the pandemic.

Infosys has raised FY22E constant currency revenue growth forecast to 14-16% from 12-14% earlier and operating margin guidance for FY22 continues to be in the range of 22-24%. Clients' spending on new edge technologies could bring revenue generation opportunity in the near term. However, in the longer term, we expect favourable opportunity as enterprises accelerate their digital transformation initiatives and long term potential in BFSI. Investments made by Infosys in digital transformation, analytics, cloud, cyber security and AI will help the company to serve emerging demands of clients in these areas going forward. Infosys is also actively looking for acquisitions, especially in digital areas like cloud and data science in new geographies.

Over the medium term, revenue and margin will be supported by focus on critical areas for clients such as process digitisation, migration to cloud-based technologies, workplace transformation, business-model transformation and enhanced cyber security controls. The company could report rise in margins going forward led by higher utilisation, higher offshoring and lower discretionary spend. Hence, we expect company could report EBITDA margin at ~26% and PAT margin at ~18% in FY22E and FY23E. However, we expect margin pressure in the near term due to ongoing supply crunch in the industry, wage hike and expected increase in travel expenses.

On 31 Aug, 2020, we had [initiated coverage](#) on Infosys Ltd and recommended and buy in the Rs. 875-883 band & add on dips to Rs 804-812 band for base case target of Rs 950 and bull case target of Rs 1021. Given healthy growth outlook and strong set of numbers in Q1FY22, we have now revised earnings and increased target price for the stock.

## Fundamental Research Analyst

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## Valuation & Recommendation:

Infosys is a leading company in the Indian IT services space, with established position across verticals and service lines, offering a range of digital and traditional IT services. It caters to industry verticals such as financial services, retail, communication, manufacturing, hi-tech, life sciences, energy, utilities, resources & services. Taking into consideration, deal wins and client investment towards cloud computing, artificial intelligence and internet of things, the company is looking to expand its hiring program for college graduates to ~35,000 globally.

It raised the constant-currency revenue growth estimate to 14-16% for the ongoing fiscal from 12%-14%. It, however, maintained operating profit margin forecast at 22-24%. Its strong deal wins, robust financials as well as liquidity and expectation of inorganic growth could bring in better earning visibility in medium to long term. Its revenue guidance implies low revenue CQGR of 2.3- 3.2% for the remaining three quarters of FY2022. We see a possibility of the revenue guidance being exceeded led by new deals that can kickstart in Q2/Q3FY22. The company will be at the forefront of digital transformation opportunities. **We believe the base case fair value of the stock is Rs 1739 (29x FY23E EPS) and the bull case fair value of the stock is Rs 1828 (30.5x FY23E EPS) over the next two quarters. Investors can buy the stock in the band of Rs 1575-1605 and add further on dips in the Rs 1430-1450 band (24x FY23E EPS). At the LTP of Rs 1590, the stock is trading at 26.5x FY23E EPS.**

## Financial Summary (Consolidated)

Particulars (Rs Cr)	Q1FY22	Q1FY21	YoY (%)	Q4FY21	QoQ (%)	FY20	FY21E	FY22E	FY23E
Total Operating Income	27896	23665	17.9	26311	6.0	90,791	1,00,472	1,18,281	1,35,984
EBITDA	7432	6121	21.4	7271	2.2	22,268	27,889	31,016	35,658
Depreciation	829	756	9.7	831	-0.2	2,894	3,268	3,816	4,312
Other Income	622	475	30.9	545	14.1	2,803	2,201	2,432	2,608
Interest Cost	49	48	2.1	50	-2.0	169	195	196	196
Tax	1975	1520	29.9	1857	6.4	5,368	7,205	8,102	8,608
APAT	5195	4233	22.7	5076	2.3	16,640	19,422	21,335	25,150
Diluted EPS (Rs)	12.4	10.1	22.7	12.1	2.3	39.1	46.2	50.8	59.9
RoE-%						25.2	27.3	28.8	33.6
P/E (x)						40.6	34.4	31.3	26.5
EV/EBITDA						28.7	22.5	20.5	17.7

(Source: Company, HDFC sec)



## Infosys Q1FY22 results key takeaway

- Infosys reported better than expected numbers in Q1FY22, driven by strong demand across the verticals, strong deal wins, healthy deal pipeline and normalization of economic activities. The company raised FY22 constant currency revenue growth forecast to 14-16% from 12-14% earlier.
- Consolidated revenue grew by 6% QoQ and 17.9% YoY to Rs 27,896 crore in Rupee terms, driven by broad-based growth in verticals and geographies. Revenue in USD terms was up by 4.7% QoQ and 21.2% YoY to US\$ 3782 mn. The revenue growth in constant currency was at 4.8% QoQ. This was one of the best quarters over last decade in terms of revenue growth. Segment-wise BFSI/Retail/Telecom/ Manufacturing and E&U grew by 4.7/6.1/6.4/5.8 and 3% sequentially.
- EBIT was up 2.5% QoQ and up by 23.1% YoY to Rs 6,603 crore. EBIT margin was down by 80bps QoQ but up 100bps YoY to 23.7% in Q1FY22. Net Profit grew by 2.3% QoQ and 22.7% YoY to Rs 5195 crore, supported by strong demand-led revenue growth. Net profit margin declined by 70bps sequentially and up by 80bps YoY to 18.6% in Q1FY22
- In geography mix, North America contributed 61.7%, Europe contributed 24.2%, Rest of World 11.2% and India contributed 2.9% in Q1FY22. North America contributed 61.6%, Europe contributed 24.4%, Rest of World 11% and India contributed 3% in Q4FY21.
- On business segment, financial services contributed 33%, Retail 15%, Communication 12.2%, Energy & Utilities 12.1%, Mfg 9.7%, Hi Tech 8.3%, Life Science 6.8% and others contributed 2.9% in Q1FY22. Financial services contributed 33%, Retail 14.8%, Communication 12%, Energy & Utilities 12.3%, Mfg 9.6%, Hi Tech 8.1%, Life Science 6.8% and others contributed 3.4% in Q4FY21.
- Digital revenue grew at 42.1% YoY (in CC) while its contribution increased to 53.9% in Q1FY22 vs. 51.5% in Q4FY21 and 44.5% in Q1FY21 and Core revenue stood at 46.1% in Q1FY22.
- The company has 267,953 employees as of June 30, 2021 and Trailing 12 month's attrition increased to 13.9% in Q1FY22 vs. 10.9% in Q4FY21.

## Key updates

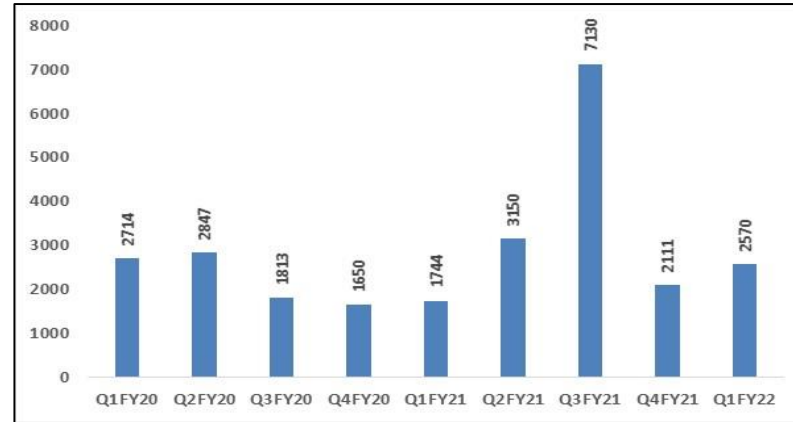
### **Strong deal momentum and clients acquisition to drive growth**

- Infosys signed 22 large deals in Q1FY22, with Total contract Value (TCV) of US\$ 2,570mn vs. US\$ 2111mn in Q4FY21 and US\$ 1,744mn in Q1FY21. The book-to bill ratio stood at 0.7x in Q1FY22 vs. 0.6x in Q4FY21. The share of new deals was 30% of total deal TCVs in Q1FY22, it was lower from 52% in Q4FY21 and 73% in Q3FY21.
- Out of 22 large deals, the company won nine deals in financial services, four deals each in retail and Energy & Utilities, two deals in manufacturing and one each in other verticals. Management mentioned they will look to replicate the past trends in net new deals.

Geography wise, the company signed 14 deals in North America, five deals in Europe, two deals from the Rest of World geographies and one from India.

- Infosys added two clients in the US\$ 100 mn-category, 12 in US\$10-mn category, 26 in the \$1-mn category. The total active clients at the end of June 2021 stood at 1659, added 113 clients during the quarter, vs. 130 clients in Q4FY21. Top 5 clients, top 10 clients and top 25 clients contributed 11.3%, 18.8%, and 34.4% in Q1FY22.

**TCV (US\$ -Mn)**



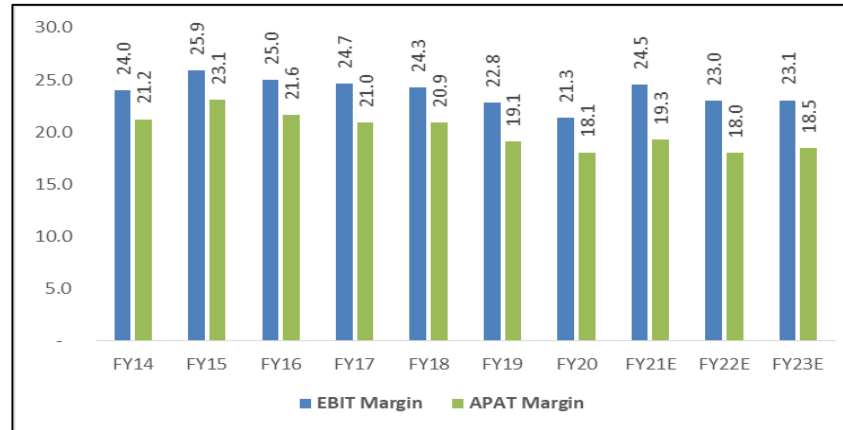
**Active Clients and new addition (Nos)**



## Margins stability as well as expansion led by operational efficiencies

Infosys EBIT margin was down by 80bps QoQ but up 100bps YoY to 23.7% and net profit margin declined by 70bps sequentially though up 80bps YoY to 18.6% in Q1FY22. The company has given margins guidance at 22-24% for FY22E. Management is confident of achieving operating margin guidance despite wage hikes, higher attrition and more hiring. In our view, taking into consideration many levers like cost rationalisation, offshoring, pyramid rationalisation, rupee depreciation, pricing and automation, the company could achieve the margins target of 22-24% in FY22E. However, we expect margin headwinds in next on or two quarters led by lower utilisation, higher travel cost, large deal transition cost, higher sub-contracting cost and wage hike starting from July 2021. Hence, we expect EBIT margins of 23% & 23.1% in FY22E & FY23E, respectively.

**Margins (%)**



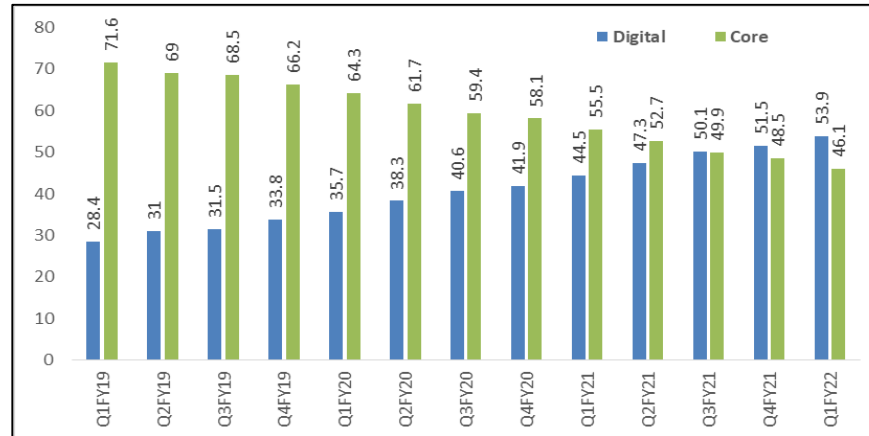
## Digital acceleration and transformation could bring more opportunity to generate revenue

Infosys has a strong track record for dealing with clients across the geographies, verticals and services over the past and the company has been actively participating in signing deals. Infosys could see benefit in the medium term from accelerated cloud migration and digital transformation by customers. Infosys CC revenue of the digital business increased to 53.9% vs. 51.5% in Q4FY21. Core business declined to 46.1% in Q1FY22.

Infosys is well-placed to capture opportunities from increasing spends on multi-year core modernisation, higher adoption of digital transformation initiatives (including cloud migration, application modernisation, and data modernisation), and increasing outsourcing to drive efficiency and greater productivity. We expect that the increased demand in data and analytics, cloud, security, cost efficiency, legacy modernisation, and IoT could continue to drive growth in the digital space.

In the recent past, Infosys has aggressively invested in digital technologies to capture the large portion of upcoming digital spends. With strong relationships with clients and robust execution capabilities, Infosys is well-positioned to quantify the opportunities of transformation by clients.

Digital/core business contributions to revenue-%



## Infosys customer engagement platform Infosys Cortex to strengthen capabilities and relationship with customers

In Jan-2021, Infosys launched Infosys Cortex, its customer engagement platform. The platform leverages technology from Genesys, a global leader in cloud customer experience and contact center solutions, along with Contact Center AI services from Google Cloud and its managed artificial intelligence (AI) and analytics services.

### Features

- Infosys Cortex helps its businesses to reimagine customer care operations by providing communication, smarter and faster decision-making, and deliver value at scale.
- Using the power of cloud and a modular microservices based architecture, it helps enterprises achieve up to 40% faster and more effective agent hiring and learning. It also brings up to 30% improvement in agent performance with training before operationalizing the contact center.
- Infosys Cortex drives up to 30% improvement in satisfaction for customers through intent prediction and self-service, along with up to 40% improvement in operations through cognitive automation and analysis of contextual data across systems using Infosys Data and Analytics Platform powered by Google Cloud.





- Infosys' ability to provide deeper integration in the enterprise by developing and reusing connectors for existing enterprise information systems makes implementation smooth and seamless.
- Infosys Cortex is integrated with Genesys Engage™, a robust omnichannel engagement solution built on a multicloud architecture. This solutions will allow organizations to deliver fast, convenient, and personalized interactions at every touchpoint.
- Infosys Cortex will help to AI services from Google Cloud. Together with Google AI-powered voicebots, chatbots, interaction analytics, and an industry-leading IVR from Genesys, businesses can shift from being remote-ready to driving digital customer service from anywhere.

## Strong fundamentals supported by healthy liquidity, zero debt and high dividend payout

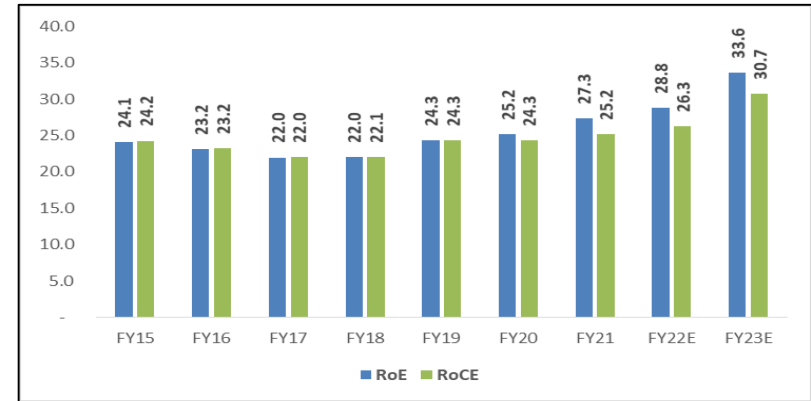
- Infosys financial profile has been robust led by debt free balance sheet and healthy cash generating ability over the past. Financial flexibility is strong, supported by robust liquidity.
- The company raised FY22E constant currency revenue growth forecast to 14-16% from 12-14% earlier and operating margin for FY22 to be in the range of 22-24%. The company has achieved substantial and sustained growth in revenue and profit, revenue CAGR of 11.1% and 8% of PAT CAGR over the past six years.
- Liquidity will remain robust supported by sufficient funds to finance working capital and capital expenditure (capex) requirement over the medium term. Its cash and cash equivalent stood at Rs 26,000 crore as on June 30, 2021, free cash conversion was strong at 122.3% of net profit.
- Infosys is also expected to invest in niche acquisitions to strengthen its domain expertise in the medium term. These will be largely funded from its cash surplus and healthy accrual.
- Infosys has always been generous in declaring dividends and engaging share buybacks and has recommended a final dividend of Rs 28 per equity share (F.V of Rs 5 per equity share) in FY21 to the shareholders, dividend yield stands at 1.8% at current market price. We expect dividend Rs 35 and Rs 45 per share to shareholders in FY22E and FY23E, respectively. Infosys has announced a buyback for an aggregate amount of not more than Rs. 9,200 crore at a price not exceeding Rs 1750 per share from the open market. The buyback has opened on Jun 25, 2021, and closes on Dec 24, 2021.
- Its DSO is almost stable at 70 days in FY21 vs. 74 days in FY20. Because of cost rationalization efforts, Company could see growth in profitability as well as better return ratios in the future, we expect RoE at 28.8% and 33.6% in FY22E and FY23E, respectively.



**Dividend per share (Rs)**



**Return Ratio (%)**



(Source: Company, HDFC sec)

## What could go wrong?

- Indian rupee appreciation against the USD, cross currency moves, pricing pressure, retention of the skilled headcount, strict immigration norms and rise in visa costs are key concerns.
- Many of its clients' business operations may be negatively impacted due to the economic downturn – resulting in postponement, termination, suspension of some ongoing projects with Infosys and / or reduced demand for its services and solutions.
- US is the largest contributor to Infosys revenue, any geopolitical risk or economic uncertainty could impact its business, US contributed 62% to revenue in Q1FY22.
- The slowdown in IT spend by global clients and the consequent decline in contract value in the industry has intensified competition among players. Infosys derived around 53.9% of revenue in Q1FY22 from digital services and remaining from traditional IT services.
- Infosys American arm is facing a race discrimination suit in a Texas district court filed by its former diversity chief. Any significant adverse observations or findings from the ongoing investigations by regulators and government agencies into the whistle-blower complaints could impact its profitability.
- Any change in the contract nitty gritty from large clients like non-renewal of contracts or higher discounts due to aggressive competition intensity can impact the sustainability and scalability from such clients.

- The whole industry is facing talent constraint, this has led to higher use of subcontractors and unsustainable increase in utilization rates. All this has a cost which may be reflected in EBIT margin decline for Infosys and its peers.

## Operating Metrics

### Geographic contribution

(% of revenue)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22
North America	61.6	61.4	61.3	61.6	61.5	60.7	61.6	61.6	61.7
Europe	23.6	24.1	24.4	24.4	24	24.3	24	24.4	24.2
India	2.3	2.7	2.8	2.6	2.9	3	2.6	3	2.9
Rest of the World	12.5	11.8	11.5	11.4	11.6	12	11.8	11	11.2
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

### Vertical contribution

(% of revenue)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22
Financial services	31.4	31.9	31.5	31.3	31.5	32.0	33.1	33.0	33.0
Retail	15.8	15.2	15.3	15.5	14.3	14.9	14.7	14.8	15.0
Communication	13.8	13.1	13.0	13.0	13.4	12.6	12.4	12.0	12.2
Energy, Utilities, Resources & Services	13.0	13.1	12.8	12.9	12.8	12.3	12.5	12.3	12.1
Manufacturing	9.6	10.1	10.3	10.1	9.5	9.1	9.3	9.6	9.7
Hi Tech	7.7	7.6	7.6	7.9	8.7	9.1	8.2	8.1	8.3
Life Sciences	6.1	6.4	6.7	6.4	6.7	6.8	7.1	6.8	6.8
Others	2.6	2.6	2.8	2.9	3.1	3.2	2.7	3.4	2.9
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

## Onsite-offshore contribution (IT services + consulting)

(% of revenue)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22
Onsite revenue	56.0	55.0	54.0	53.8	55.4	52.2	50.9	49.3	51.8
Offshore revenue	44.0	45.0	46.0	46.2	44.6	47.8	49.1	50.7	48.2

## Services contribution

(% of revenue)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22
Digital Services	35.7	38.3	40.6	41.9	44.5	47.3	50.1	51.5	53.9
Core/ Legacy Services	64.3	61.7	59.4	58.1	55.5	52.7	49.9	48.5	46.1
<b>Total Services</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Digital Product & Platform	94.3	93.6	94.0	93.8	93.0	92.5	92.9	93.3	93.3
Core/ Legacy Product & Platform	5.7	6.4	6.0	6.2	7.0	7.5	7.1	6.7	6.7
<b>Total Product &amp; Platform</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

## Client metrics

(% of revenue)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22
Top 5 client contribution to revenues	12.1	11.5	11.3	11.3	11.8	11.3	10.8	10.9	11.3
Top 10 client contribution to revenues	20.0	19.2	18.9	18.7	19.3	18.7	18.5	18.3	18.8
Top 25 client contribution to revenues	34.9	34.6	34.2	34.1	34.6	34.2	34.6	34.2	34.4

## Clients Nos

(% of revenue)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22
Number of active clients-Nos	1336	1364	1384	1411	1458	1487	1562	1626	1659
New clients added in the period-Nos	112	96	84	84	110	96	139	130	113
Million \$ clients	680.0	693.0	705.0	718.0	729.0	745.0	761.0	779.0	805.0
10 Million \$ clients	228.0	228.0	232.0	234.0	236.0	242.0	246.0	252.0	264.0
50 Million \$ clients	59.0	61.0	61.0	61.0	60.0	60.0	60.0	59.0	59.0
100 Million \$ clients	27.0	27.0	28.0	28.0	25.0	30.0	29.0	32.0	34.0

## Headcount, attrition data

(Nos.)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22
Total headcount	229029	236486	243454	242371	239233	240208	249312	259619	267953
Net additions	906	7457	6968	-1083	-3138	975	9104	10307	8334
Utilisation including trainees (%)	80.3	81.6	80.4	79.0	78.2	80.6	82.3	82.2	83.3
Utilisation excluding trainees (%)	83.1	84.9	84.4	83.5	81.2	83.6	86.3	87.7	88.5

## Change in Estimates

Rs in Cr	FY21		FY22E		FY23E
	Estimates	Actual	Old	New	New
Revenue (US\$ mn)	12907	13658	14233	16030	18131
Revenue	97061	100472	108171	118281	135984
EBIT	21805	24621	23867	27200	31346
APAT	17947	19350	20159	21311	25126
EPS	42.3	46.2	47.5	50.8	59.9

(Source: Company, HDFC sec)

## Peer comparison

Company, Rs in Cr	Mkt Cap, Cr	Sales			EBIT			PAT			ROE-%			P/E (x)		
		FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E
TCS	1188634	164177	189571	212813	42481	48898	56565	33356	38260	43888	39.1	43.4	47.2	35.6	31.1	27.1
Infosys	677344	100472	118281	135984	24621	27200	31346	19350	21311	25126	27.3	28.8	33.6	34.4	31.3	26.5
Wipro	328319	61943	73003	80462	12014	13021	14652	10795	11720	13100	19.4	20.8	21.2	30.7	27.4	24.0
HCL Tech	269628	75379	83819	94362	16071	16772	19374	12462	13428	15680	22.4	21.1	22.0	21.7	20.1	17.2

## Financials (Consolidated)

### Income Statement

(Rs Cr)	FY19	FY20	FY21	FY22E	FY23E
<b>Net Revenues</b>	<b>82676</b>	<b>90791</b>	<b>100472</b>	<b>118281</b>	<b>135984</b>
Growth (%)	7.9	8.3	6.9	17.4	13.1
Operating Expenses	61787	68523	72583	87265	100326
<b>EBITDA</b>	<b>20889</b>	<b>22268</b>	<b>27889</b>	<b>31016</b>	<b>35658</b>
<b>Growth (%)</b>	<b>9.9</b>	<b>6.6</b>	<b>25.2</b>	<b>11.2</b>	<b>15.0</b>
<b>EBITDA Margin (%)</b>	<b>25.3</b>	<b>24.5</b>	<b>27.8</b>	<b>26.2</b>	<b>26.2</b>
Depreciation	2010	2894	3268	3816	4312
<b>EBIT</b>	<b>18879</b>	<b>19374</b>	<b>24621</b>	<b>27200</b>	<b>31346</b>
Other Income	2161	2803	2201	2432	2608
Interest expenses	0	169	195	196	196
<b>PBT</b>	<b>21040</b>	<b>22008</b>	<b>26627</b>	<b>29436</b>	<b>33758</b>
Tax	5631	5368	7205	8102	8608
<b>RPAT</b>	<b>15409</b>	<b>16640</b>	<b>19422</b>	<b>21335</b>	<b>25150</b>
APAT	15773	16404	19350	21311	25126
Growth (%)	7.0	4.0	18.0	10.1	17.9
EPS	37.6	39.1	46.2	50.8	59.9

### Balance Sheet

As at March	FY19	FY20	FY21	FY22E	FY23E
<b>SOURCE OF FUNDS</b>					
Share Capital	2170	2122	2124	2093	2093
Reserves	62778	63328	74227	69519	75781
<b>Shareholders' Funds</b>	<b>64948</b>	<b>65450</b>	<b>76351</b>	<b>71612</b>	<b>77874</b>
Long Term Debt	0	0	0	0	0
Net Deferred Taxes	-700	-776	-223	-223	-223
Long Term Provisions & Others	422	5100	6864	6864	6864
<b>Minority Interest</b>	<b>58</b>	<b>394</b>	<b>431</b>	<b>431</b>	<b>431</b>
<b>Total Source of Funds</b>	<b>64728</b>	<b>70168</b>	<b>83423</b>	<b>78684</b>	<b>84946</b>
<b>APPLICATION OF FUNDS</b>					
Net Block & Goodwill	15710	23789	25505	26576	28013
CWIP	1388	954	922	922	922
Other Non-Current Assets	9136	7972	8683	8711	8739
<b>Total Non Current Assets</b>	<b>26234</b>	<b>32715</b>	<b>35110</b>	<b>36209</b>	<b>37674</b>
Current Investments	0	0	0	0	0
Inventories	0	0	0	0	0
Trade Receivables	14827	18487	19294	22714	26114
Cash & Equivalents	30690	27276	38660	31212	34370
Other Current Assets	11615	12546	14224	16134	18069
<b>Total Current Assets</b>	<b>57132</b>	<b>58309</b>	<b>72178</b>	<b>70060</b>	<b>78553</b>
Short-Term Borrowings	0	0	0	0	0
Trade Payables	1655	2852	2645	3114	3580
Other Current Liab & Provisions	16983	18004	21220	24470	27701
<b>Total Current Liabilities</b>	<b>18638</b>	<b>20856</b>	<b>23865</b>	<b>27584</b>	<b>31281</b>
Net Current Assets	38494	37453	48313	42476	47272
<b>Total Application of Funds</b>	<b>64728</b>	<b>70168</b>	<b>83423</b>	<b>78684</b>	<b>84946</b>

## Cash Flow Statement

(Rs Cr)	FY19	FY20	FY21	FY22E	FY23E
Reported PBT	21,040	22,008	26,627	29,436	33,758
Non-operating & EO items	-926	-980	-1,050	-1,763	-1,943
Interest Expenses	0	169	195	196	196
Depreciation	2,010	2,894	3,268	3,816	4,312
Working Capital Change	-453	-2,367	768	-1,610	-1,639
Tax Paid	-6,832	-4,550	-6,389	-8,102	-8,608
<b>OPERATING CASH FLOW ( a )</b>	<b>14,839</b>	<b>17,174</b>	<b>23,419</b>	<b>21,974</b>	<b>26,076</b>
Capex	-3,219	-5,173	-3,486	-4,519	-5,385
Free Cash Flow	11,620	12,001	19,933	17,454	20,692
Investments	77	-26	-94	0	0
Non-operating income	926	980	1,050	1,763	1,943
<b>INVESTING CASH FLOW ( b )</b>	<b>-2,216</b>	<b>-4,219</b>	<b>-2,530</b>	<b>-2,757</b>	<b>-3,441</b>
Debt Issuance / (Repaid)	0	0	0	0	0
Interest Expenses	0	-169	-195	-196	-196
FCFE	11,620	11,832	19,738	17,258	20,496
Share Capital Issuance	6	6	15	0	0
Dividend/Buyback	-14,518	-17,026	-9,137	-26,049	-18,864
Others	0	0	0	0	0
<b>FINANCING CASH FLOW ( c )</b>	<b>-14,512</b>	<b>-17,189</b>	<b>-9,317</b>	<b>-26,245</b>	<b>-19,060</b>
<b>NET CASH FLOW (a+b+c)</b>	<b>-1,889</b>	<b>-4,234</b>	<b>11,572</b>	<b>-7,028</b>	<b>3,575</b>

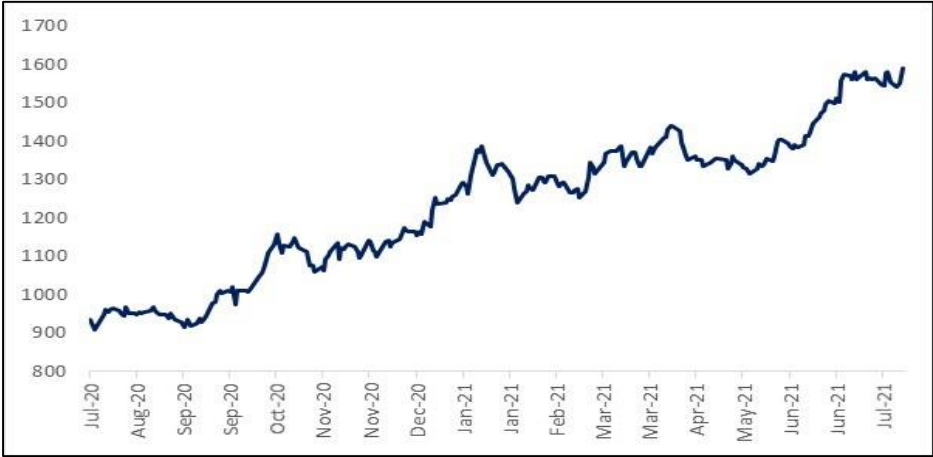
## Key Ratios

Particulars	FY19	FY20	FY21	FY22E	FY23E
<b>Profitability Ratio (%)</b>					
EBITDA Margin	25.3	24.5	27.8	26.2	26.2
EBIT Margin	22.8	21.3	24.5	23.0	23.1
APAT Margin	19.1	18.1	19.3	18.0	18.5
RoE	24.3	25.2	27.3	28.8	33.6
RoCE	24.3	24.3	25.2	26.3	30.7
<b>Solvency Ratio (x)</b>					
Net Debt/EBITDA	0.0	0.0	0.0	0.0	0.0
Net D/E	0.0	0.0	0.0	0.0	0.0
<b>Per Share Data (Rs)</b>					
EPS	37.6	39.1	46.2	50.8	59.9
CEPS	42.4	46.0	54.0	59.9	70.2
Dividend	21.5	17.5	27.0	35.0	45.0
BVPS	153.1	155.1	180.8	236.8	251.6
<b>Turnover Ratios (days)</b>					
Debtor days	51	50	52	50	49
Inventory days	0	0	0	0	0
Creditors days	7	11	10	10	10
<b>Valuation (x)</b>					
P/E	42.3	40.6	34.4	31.3	26.5
P/BV	10.4	10.3	8.8	6.7	6.3
EV/EBITDA	30.4	28.7	22.5	20.5	17.7
EV / Revenues	7.7	7.0	6.2	5.4	4.6
Dividend Yield (%)	1.4	1.1	1.7	2.2	2.8
Dividend Payout (%)	57.1	44.7	58.5	68.8	75.1

(Source: Company, HDFC sec)

598.71	685.65	62.56	13.09	203.88	118.82	188.82
(+22.11)	(+14.11)	(-7.74)	(+13.09)	(+11.82)	(+11.82)	(+11.82)
142.09	167.72	154.12	393.13	-62.55	-187.58	-42.86
(+35.11)	(+17.72)	(-7.84)	(+7.13)	(-11.82)	(-11.82)	(-11.82)

One Year Stock Price Chart



(Source: Company, HDFC sec)



