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Initiating Coverage Mastek Ltd.

22-February-2021





Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
IT Software Products	Rs. 1172	Buy on dips to Rs. 1118-1122 band & add further on dips to Rs 1016-1020 band	Rs. 1273	Rs. 1374	2 quarters

HDFC Scrip Code	MASLTD
BSE Code	523704
NSE Code	MASTEK
Bloomberg	MAST IN
CMP Feb 19, 2021	1172
Equity Capital (Rs cr)	12.5
Face Value (Re)	5.0
Equity Share O/S (cr)	2.5
Market Cap (Rs crs)	2937.8
Book Value (Rs)	322.1
Avg. 52 Wk Volumes	212,697
52 Week High	1460.0
52 Week Low	170.1

Share holding Pattern % (Dec, 2020)	
Promoters	44.3
Institutions	19.7
Non Institutions	36.0
Total	100.0

Our Take:

Mastek Ltd's 12 month order backlog was Rs 946.7 crore (\$129.6m) as on 31 st December, 2020 as compared to Rs 940.5 crore (US\$ 127.5 mn) in Q2FY21, reflecting a growth of 0.7% in rupee terms. The Company added 57 new clients in Q3FY21. Total client count as of 31 st December, 2020 was 618 (LTM) as compared to 542 (LTM) in Q2FY21. Mastek is expecting strong growth from multi-year deals led by integration of Evosys and its capability to offer end to end solution.

On Oct-2020, Mastek's material wholly-owned subsidiary -- Mastek (UK) was holding 20,18,192 stocks in Majesco (USA) had tendered its entire stake with the Acquirer of Majesco (USA) for cash, and has received the consideration aggregating to US\$ 32.30 mn on October 19, 2020. This decision to sale its stake in Majesco could help Mastek (UK) to drive its growth strategy and reduce the borrowings.

On Feb-2020, Mastek acquired Evosys, the combined business significantly expanded the portfolio of services and market opportunities. Evosys operates in a high growth segment of Enterprise Cloud Applications where Oracle is one of the leading players for cloud applications in HCM (Human Capital Management), ERP (Enterprise Resource Planning), SCM (Supply Chain Management) and BI (Business Intelligence). Evosys is a recognised leader and focused on Oracle Cloud implementation & consultancy with 13 years of experience and 1000+ Oracle Cloud customers across 30+ countries. The cloud services market continues to grow faster than traditional IT segments and Mastek has seen healthy opportunity on digital transformation phase in the industry.

Mastek reported robust margins over the last three quarters and has many levers to improve margins like higher offshoring, SG&A rationalisation and optimisation of employee cost along with sales as well as administration cost. We expect, EBIT margin of ~17-18% in FY22E and FY23E. UK Government & Evosys which is likely to contribute ~70% of Mastek FY22E revenues are expected to deliver higher margins (UK Govnment-18 & Evosys-22%) while the remaining 30% of the is likely to be low margin at ~13-14%.

Valuations & Recommendation:

Mastek has witnessed a sustained improvement in its business profile and geographical presence over the past, supported by increase in scale and diversification of revenues across business segments while generating adequate returns. Mastek has a longstanding relationship with the UK government as it has been working as a subcontractor to large IT companies for execution of UK government's projects over

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the past. This long-term relationship, experience in Government as well as private project in various geographies and excellent execution capabilities could help to Mastek as a prime beneficiary of UK government's digital spends.

Acquisition of Evosys, has helped the company in diversifying its geographical presence, product and service mix, along with customer diversification. Market share gains on the back of inorganic expansion are expected to drive the company's long term growth. **We think the Base case fair value of the stock is Rs 1273 (12.5x FY23E EPS) and the bull case fair value of the stock is Rs 1374 (13.5x FY23E EPS) over the next 2 quarters. Investors can buy the stock on dips to Rs 1118-1122 band (11.0x FY23E EPS) and add more on dips to Rs. 1016-1020 band (10.0x FY23E EPS). At the LTP of Rs 1172, stock trades at 11.5x FY23E EPS.**

Financial Summary (Consolidated)

Particulars (Rs cr)	Q3FY21	Q3FY20	YoY-%	Q2FY21	QoQ-%	FY20	FY21E	FY22E	FY23E
Total Operating Income	442.9	243.7	81.7	409.7	8.1	1,071.5	1,698.0	1,976.7	2,266.3
EBITDA	103.9	29.1	256.9	86.6	20.0	131.3	360.0	395.3	458.3
Depreciation	11.7	5.8	101.0	11.6	0.5	24.9	45.9	48.7	47.8
Other Income	3.9	9.6	-59.1	4.1	-3.7	41.3	40.2	45.7	47.6
Interest Cost	1.8	0.8	120.0	2.1	-15.4	3.6	8.8	9.3	8.8
Tax	24.0	6.0	298.7	17.7	35.3	30.3	91.2	94.8	110.7
Adj PAT	57.4	29.3	96.2	51.0	12.7	126.1	215.2	254.2	298.1
Diluted EPS (Rs)	19.6	10.0	96.2	17.4	12.7	43.0	73.5	86.8	101.8
RoE-%						16.7	24.3	23.2	22.3
P/E (x)						27.2	16.0	13.5	11.5
EV/EBITDA						22.1	7.5	6.2	4.7

(Source: Company, HDFC sec)

Q3FY21 Result Review

- Mastek's consolidated revenue grew by 8.1% QoQ to Rs 442.3 crore in Q3FY21. In US\$ term, consolidated revenue stood at US\$ 60.1 Mn, growth of 9.1 per cent QoQ, led by Evosys acquisition (up 10.5% QoQ) and 8.3% QoQ growth in organic revenues.
- Company's EBIT grew by 23% QoQ to Rs 92.2 crore. EBIT margin ramped up by 250 bps QoQ to 20.8%, it was mainly led by 40 bps expansion in gross margins and rationalisation of SG&A expenses in Q3FY21. PAT was up by 12.7% QoQ to Rs 57.4 crore.



- Mastek has added 12 new customers in US\$1 billion in revenue category in Q3FY21 and Company has added 248 employees in the quarter and plans to add similar number of employees in the next quarters.

Recent Triggers

Stake sale in Majesco USA to strengthen its liquidity profile as well as drive growth strategy

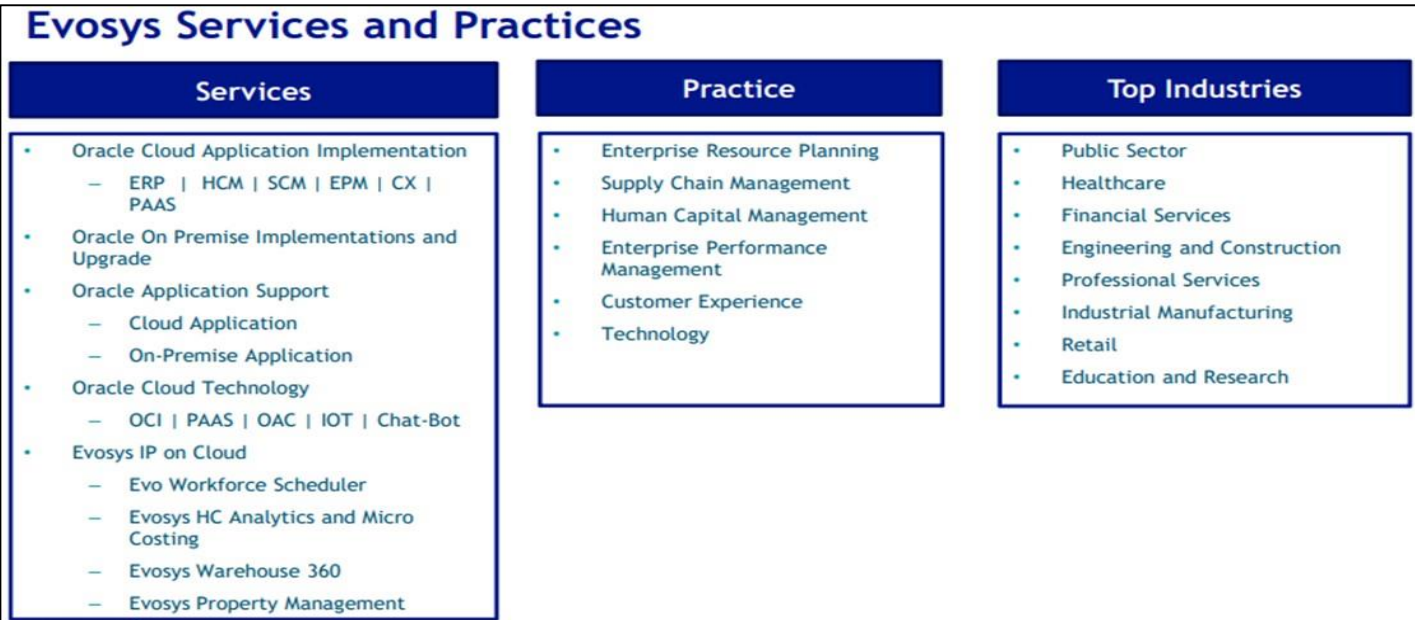
On Oct-2020, Mastek's wholly-owned subsidiary - Mastek (UK) was holding 2,018,192 stocks in Majesco (USA), has tendered its entire stake with the Acquirer of Majesco (USA) for cash, and has received the consideration aggregating to \$32.30 Million on October 19, 2020. This amount will help Mastek (UK) to drive its growth strategy and reduce the borrowings. Company had offloaded about 2 million shares, or a 4.7% stake, in Majesco USA at a consideration aggregating to US\$32.30 Million on October 19, 2020.

Ongoing integration of Evosys could bring huge opportunity for long run

On February 8, 2020, Mastek Ltd acquired Evolutionary Systems Private Ltd (Evosys) in a two-stage transaction. The first leg of the transaction involved cash buyout of the Evosys middle-east business by Mastek Arabia FZ LLC for a cash consideration of US\$ 64.9 million (~Rs. 460 crore). Under the second leg of the transaction, rest of the world business which includes India, US, UK and other markets of Evosys was demerged and consequently merged into Trans American Information Systems Private Limited (100% subsidiary of Mastek Ltd). In consideration of demerger, the promoters of Evosys will get 15% stake, (which amounted to ~Rs. 220 crore at the time of deal) in Mastek Limited through issuance of new shares. Thus, the total consideration of ~Rs. 680 crore (\$96.6 million) for 70% economic interest will be paid by Mastek for the proposed acquisition. The balance 30% stake of Evosys will be acquired over the next three years, in equal tranches, at a pre-agreed formula, based on the financial performance. Acquisition of residual stake will be via mix of cash and equity. Post the completion of the transaction, the promoter shareholding will come down to 38.45% in Mastek from the existing 44.25%. The transaction is subject to the necessary statutory and regulatory approvals.

Evosys is a leading, Oracle Cloud implementation and consultancy company serving 1,000+ Oracle Cloud customers across 30+ countries. An Oracle Platinum partner, Evosys provides solution offerings like Oracle HCM Cloud, Oracle ERP Cloud, Oracle SCM Cloud, Oracle CX, Oracle EPM Cloud, PaaS solutions (including custom-built solutions), AI, IoT and machine learning. On the back of Oracle, Cloud Migration, and large deal pipeline, we expect strong growth visibility for FY22. –Sustainable Margins for Evosys is likely to be ~22%. -

Headquartered in Ahmedabad, Evosys was founded in 2006 by Umang Nahata, Ummed Nahata and Rakesh Raman. Company possesses 13 years of experience and more than 1,000 Oracle Cloud customers across over 30 countries with 300 plus active customers.



(Source: Company, HDFC sec)

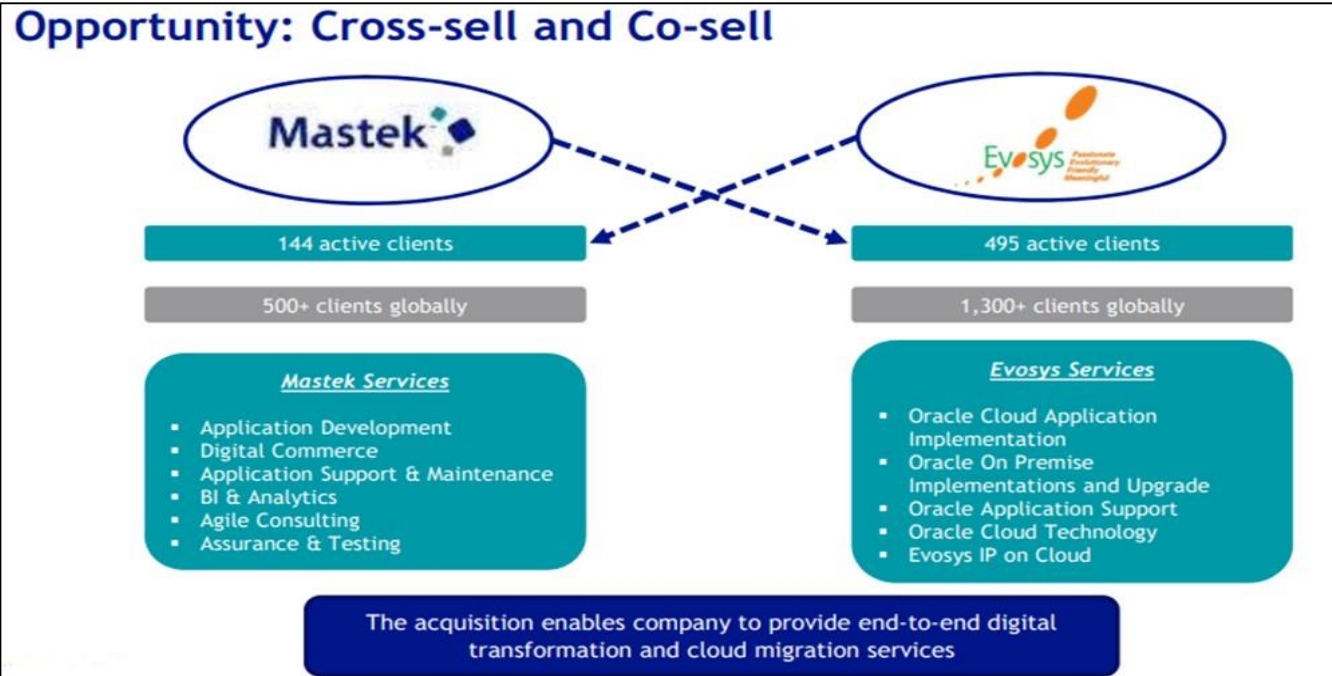
Key advantage of this acquisition

- Mastek has clear strategic direction focused on geographical diversification and customer acquisition aided by the acquisition of Evosys.
- Evosys has a proven business model to deliver EBS implementation for its customer and migrate them to cloud solutions using its unique IP.
- Evosys brings, and provide an immediate addressable opportunity to increase share of wallet and deliver more value for customers. This has helped to achieve geographic diversity and access to newer markets of Europe, Middle East and South East Asia.
- Evosys has a proven business model addressing the ERP market, which in turn leverages its unique IP. Its digital service offering and delivery reputation, creates an ideal opportunity for customers to accelerate their digital advantage and extract more value from all their digital assets.



- Evosys is a leading, Oracle Cloud implementation and consultancy company serving 1,000+ Oracle Cloud customers across 30+ countries. An Oracle Platinum partner, Evosys provides solution offerings like Oracle HCM Cloud, Oracle ERP Cloud, Oracle SCM Cloud, Oracle CX, Oracle EPM Cloud, PaaS solutions (including custom-built solutions), AI, IoT and RPA.
- Evosys is one of the market leaders which is driving on premise to cloud migration, having successfully transformed more than 80 customers across Oracle EBS, SAP, and Peoplesoft to Oracle Cloud Application.
- Evosys' diverse customer portfolio includes Government, Healthcare, Engineering and Construction, Retail, Hospitality, Manufacturing and Distribution organisations and is a testimony to their expertise and leadership in Oracle Cloud implementation.

Opportunity



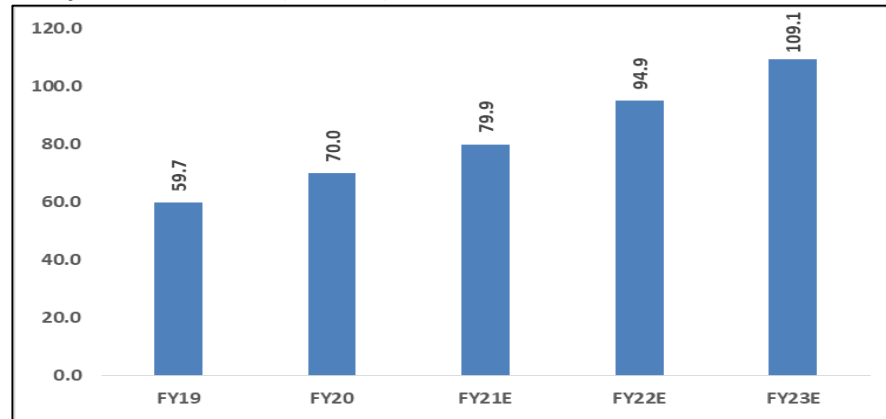


Outlook

Mastek's business through the acquisition and growth in its organic UK business will support its improved margin trajectory. However, some of the gains on travel/other discretionary costs in 9MFY21 are unlikely to be sustainable once business returns to normalcy in FY22E. The combined entity has a stronger portfolio, expanded digital offerings and act as a customer acquisition engine. A wave of digital transformation was there in the pre-COVID era and it has increased a lot. But the biggest thing is about Cloud, as every company that was operating in the cloud space will be benefitted a lot from it. Therefore, the cloud has become a business enabler today and Mastek is getting its benefits.

Evosys expertise in Oracle cloud migration coupled with Mastek's capability to cross-sell data analytics, application support and digital commerce will help the company win integrated and larger deals. This will result in multi-million dollar deals and annuity type of deals in long run. We expect USD revenue growth of 14.7% and 12.4% in FY22 and FY23E with Mastek growth at 12.7% and 11% and Evosys growth at 18.7% and 14.9% in FY22 and FY23E, respectively.

Evosys Total Revenue (US\$ mn)



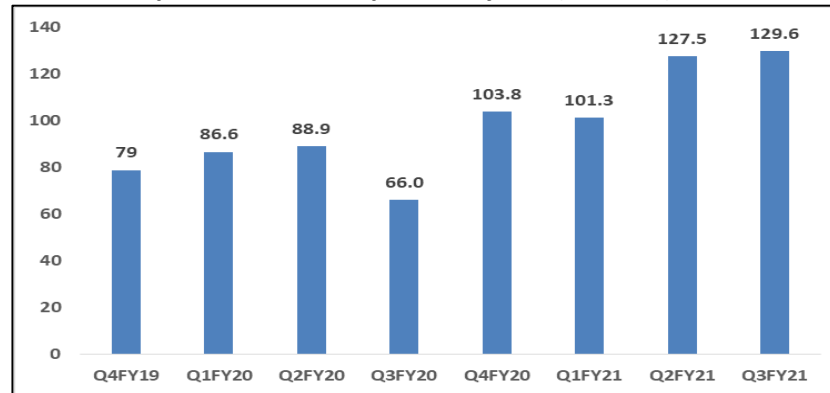
(Source: Company, HDFC sec)



Stable order book position to drive revenue

Mastek's 12-month order book was flat QoQ to US\$129.6 mn in Q3FY21. Mastek has reported a strong revenue growth of 57.0% YoY in 9MFY21, led by inorganic expansion of Evosys, along with organic growth. The acquisition provides Mastek access to the value-accretive and fast-growing cloud ERP market and further integration of the same is expected to provide cross-sell opportunities, which will support its revenue growth. The organic growth is mainly contributed by the UK public sector with higher revenue visibility following clarity on the Government spending. Going forward, we expect strong growth momentum in FY22 due to entry into the new department ie-HMRC (UK Government contributes ~35% of FY20 revenues). Also the company is bidding for ministry of defence (60Mn Pound) deal as a part of consortium. Margins for this business can be ~18-20%

Order book position over the past two years (USD Mn)



(Source: Company, HDFC sec)

Large end-to-end transformation deals as well as migration to cloud could drive growth

Revenue in the quarter was driven by UK government and US retail. While the UK private sector was flat in the current quarter, Mastek believes the UK private sector has bottomed out. Hence, with traction in UK government revenues, US retail and UK private sector, we expect the company to register improving revenues in coming quarters.



Mastek has added 12 customers with US\$1 billion in revenues indicating robust potential for client mining via cross selling of Evosys and Mastek capabilities. The company is also seeing healthy growth in US non retail clients (added five new logos) and plans to hire a US based CEO to further drive growth.

Apart from this, Evosys expertise in Oracle cloud migration coupled with Mastek’s capability to cross-sell data analytics, application support and digital commerce will help the company win integrated and larger deals. This will result in multi-million dollar deals and annuity type of deals in long run. This, coupled with a large deal from the UK government (above US\$25 mn annually via participation through consortium), large customer wins across geographies, inorganic growth (led by healthy cash balance), improving deal pipeline in cloud and market share gains are some of the long term drivers for Mastek revenues.

Long term Triggers

Well established company in enterprise technology solution with presence in Government and retail spaces

Mastek is an established technology player of vertically-focused enterprise technology solutions. Company has wide portfolio includes business and technology services comprising of Application Development, Application Maintenance, Business Intelligence and Data Warehousing, Testing & Assurance and Legacy Modernisation.

Company has a strong track record in the Government, health, finance services and retail verticals with each generating 33%, 21.9%, 13% and 17.1% of the total sales, respectively, in Q3FY21. Mastek already has successful relationships with the industry, where more IT spends has been allocated over the recent past like health, retail and government’s project and it is likely to have a bigger share of IT spends to support changes in the existing systems and create new systems post Brexit, which will provide significant growth opportunities for the company.

Diversified across the geographies and client concentration

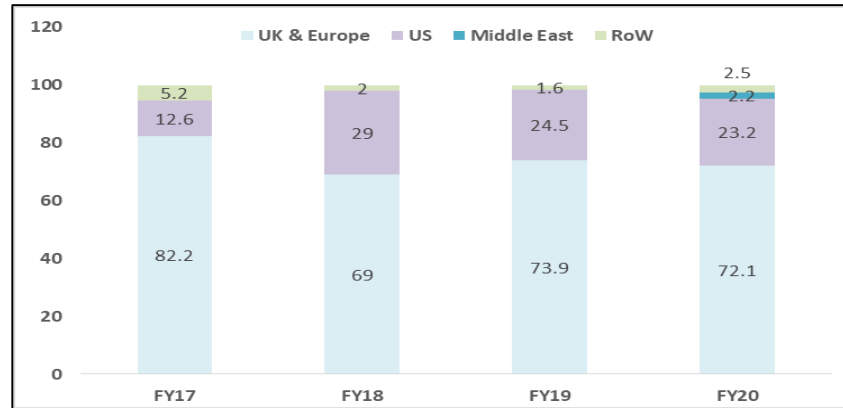
Mastek has diversified across the geographies over the period and has major presence in UK, which contributed to 96% of the company’s overall revenues in FY16. However, the geographical concentration towards the UK declined to 72% in FY20 from 96% in FY16 with TAISTech acquisition, which has further dipped to less than 67% in Q3FY21 with the acquisition of Evosys in Q4FY20. Mastek, after the acquisition of TAISTech, has a presence in digital commerce enabling implementations and support for the Oracle ATG and Oracle Commerce Cloud



applications. Further, the acquisition of Evosys strengthened its addressable market in Middle East, US, Europe and the local government of UK through cross-selling and up-selling of Mastek’s service offerings.

UK and Europe contributed to 66.7% of the overall revenues in Q3FY21, followed by the US and Middle East with revenue contribution of 17.6% and 10.2%, respectively. Moreover, in the Q3FY21, the top 10 customers contributed to 44.2% of the revenues compared to 63% in Q3FY20 (pre-acquisition of Evosys) and top 5 customers contributed 30.4% in Q3FY21 vs. 43.3% in Q3FY20 (pre-acquisition of Evosys) leading to higher customer diversification with the acquisition of Evosys.

Revenue by Region (%)



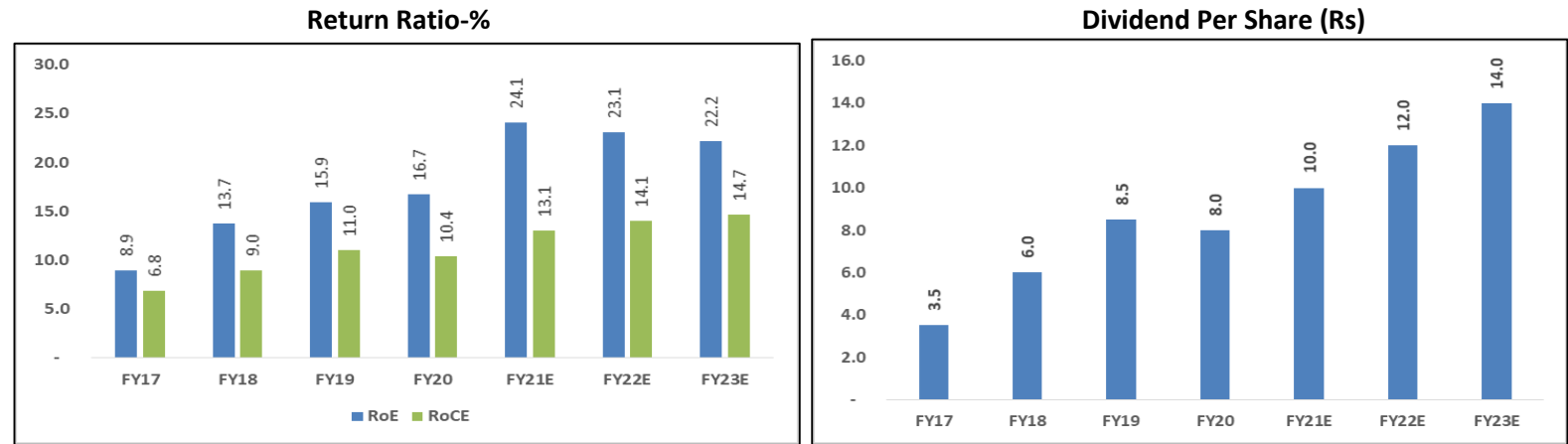
(Source: Company, HDFC sec)

Strong fundamentals led by healthy debt protection metrics and liquidity

- The ongoing integration of Evosys and continued organic growth for Mastek ensured the expansion of size and improvement in its profitability and scale. We expect consolidated revenue could grow by 16.4% and 14.7% in FY22E and FY23E, respectively.
- Debt protection metrics are robust, backed by minimal debt of Rs 333cr and sizeable networth of Rs 790.5 crore, and cash and cash equivalents stood at Rs 779 crore as on 9MFY21.



- Mastek's healthy cash generation leading to strong credit metrics as evinced by gearing of 0.2 times as on September 30, 2020 and interest coverage of 34 times in 9MFY21. Additionally, the company has sold its stake in Majesco US, held through its subsidiary, Mastek UK, for a cash consideration of USD 32.3 million on October 19, 2020, further strengthening its liquidity profile.
- Capital spending is expected to remain moderate, this and incremental working capital needs are likely to be funded through cash accruals.
- Expectation of rise in net profit margin could help to report healthy return ratio. We expect RoCE at 14-15% and RoE at 22-23% band in FY22E and FY23E, respectively.



(Source: Company, HDFC sec)

- Mastek has recommended total Rs 8 per share and dividend pay-out ratio stood at 18.7% in FY20. Company has always been generous in declaring dividends. Company has recommended an Interim Dividend of Rs. 5.50/- per equity share and Nov 09, 2020 was record date for such payment.
- We expect the FCF to remain positive going forward, even after factoring in annual capex. Because of cost rationalization efforts, Company could see growth in profitability as well as better return ratios in the future.



What could go wrong?

- INR appreciation against the USD, pricing pressure, retention of the skilled headcounts, strict immigration norms and rise in visa costs are key concerns.
- 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.
- Any shift in customer preferences, priorities, and internal strategies can have an adverse impact on the Company's operations and outlook. Mastek does have the benefit of being very well entrenched with its customers.
- Any reputation loss on account of breach in compliance or can impact the growth prospects and new order inflows of the company.
- Company faces delivery and execution risk arising out of changing customer requirement, comprehension of those requirements and timeliness of the response.
- Brexit and the new Euro trade and cooperation agreement may throw some negatives for Mastek in terms of order inflows, employee flexibility, employee costs and tax incidence.
- Second phase of lock down due to ongoing COVID-19 pandemic in UK as well as in Europe region could impact Mastek's business, as company has more than 60% revenue exposures in these regions.

Company Profile:

Mastek is a global technology services company offering digital services and software for large public and private enterprises in the UK, US, Middle East, Asia-Pacific and India. Company is engaged in services of developing and modernising applications, accelerating digital advantage and delivering measurable value with Oracle Cloud solutions. Mastek is one of the leading global technology companies, delivering enterprise-level digital transformation services and solutions. In September 2014, demerger of insurance products and service business of Mastek formed a new company named Majesco Ltd. Company's total employee headcount stood at 3602 as on 31st Dec, 2020.

Operating Metrics

Revenue in USD

Mn	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21
Revenue in USD	35.5	34.4	34.1	46.3	50.6	55.1	60.1



Revenue By Industry

Particulars	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21
Government'	30.7%	31.3%	32.4%	32.1%	33.6%	35.1%	33.0%
Retail Services	37.4%	37.1%	33.5%	22.2%	17.7%	19.9%	17.1%
Financial Services	16.5%	17.6%	17.3%	14.1%	12.8%	12.1%	13.0%
Health	9.7%	8.7%	11.4%	17.0%	19.9%	18.2%	21.9%
Others	5.7%	5.3%	5.4%	14.5%	16.0%	14.7%	15.0%

Revenue By Market Region

Particulars	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21
UK & Europe	72.9%	71.5%	75.9%	69.1%	65.3%	67.2%	66.8%
US	25.5%	26.6%	23.1%	19.2%	17.1%	17.7%	17.6%
MEA				7.0%	14.1%	10.8%	10.2%
RoW	1.6%	1.9%	1.0%	4.7%	3.5%	43.0%	5.4%

Revenue by Contract Type

Particulars	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21
Time & Material	75%	81%	81%	59%	55%	54%	55%
Fixed Price	25%	19%	19%	41%	45%	46%	45%

Revenue by Service Line (%)

Particulars	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21
Application Development	40%	44%	48%	40%	41%	41%	37%
Digital Commerce	25%	26%	22%	13%	11%	11%	11%
Application Support	18%	16%	19%	13%	8%	7%	13%
BI & Analytics	11%	9%	7%	5%	3%	4%	3%
ERP & Cloud Migration				26%	35%	35%	35%
Assurance & Testing	4%	4%	4%	3%	2%	2%	2%
Agile Consulting	2%	1%		1%	1%	0%	0%



Evosys Client

Particulars	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21
Glid EBS						87	90
Glide SAP						6	8
Glide PS						6	7

Client Base

Particulars	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21
Client Added	9	11	9	24	48	37	57
Active Client	154	144	143	436	504	542	618
Top-5	40.3%	40.0%	43.3%	35.8%	34.5%	35.1%	30.4%
Top-10	57.7%	57.0%	63.4%	50.9%	48.1%	45.8%	44.2%

Employee Base

Particulars	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21
Total	2035	1937	1880	3404	3321	3354	3602
Offshore	1257	1171	1155	2229	2227	2283	2541
Onsite	778	766	725	1175	1094	1071	1061
LTM Attrition	20.4%	24.1%	24.9%	23.2%	18.3%	14.7%	12.3%
DSO	76	78	71	81	72	71	73

Peer Comparison

Company, Rs in Cr	Mkt Cap, Cr	Sales			EBITDA			PAT			ROE-%			P/E (x)		
		FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Cyient	6543.8	4,034.0	4,318.0	4,736.0	568.8	641.2	726.6	320.4	357.8	408.3	11.7	12.2	13.0	20.4	18.3	16.0
Mphasis	31573.8	9,888.0	11,443.0	12,747.0	1,731.4	2,049.4	2,337.8	1,242.1	1,475.4	1,686.8	20.5	22.2	22.7	25.4	21.6	18.7
Mastek Ltd	2937.8	1,698.0	1,976.7	2,266.3	360.0	395.3	458.3	215.2	254.2	298.1	24.3	23.2	22.3	16.0	13.5	11.5

Financials (Consolidated)

Income Statement

(Rs Cr)	FY19	FY20	FY21E	FY22E	FY23E
Net Revenues	1033.2	1071.5	1698.0	1976.7	2266.3
Growth (%)	26.4	3.7	58.5	16.4	14.7
Operating Expenses	902.1	940.2	1338.1	1581.4	1808.1
EBITDA	131.1	131.3	360.0	395.3	458.3
Growth (%)	31.6	0.1	174.2	9.8	15.9
EBITDA Margin (%)	12.7	12.3	21.2	20.0	20.2
Depreciation	17.4	24.9	45.9	48.7	47.8
EBIT	113.8	106.4	314.1	346.6	410.5
Other Income	25.3	41.3	40.2	45.7	47.6
Interest expenses	6.1	3.6	8.8	9.3	8.8
PBT	133.0	144.1	345.5	383.0	449.2
Tax	31.9	30.3	91.2	94.8	110.7
RPAT	101.0	113.8	254.3	288.2	338.5
APAT	100.6	126.1	215.2	254.2	298.1
Growth (%)	43.8	25.3	70.7	18.1	17.3
EPS	34.4	43.0	73.5	86.8	101.8

Balance Sheet

As at March	FY19	FY20	FY21E	FY22E	FY23E
SOURCE OF FUNDS					
Share Capital	12.0	12.1	14.6	14.6	14.6
Reserves	704.4	778.3	968.5	1192.6	1455.6
Shareholders' Funds	716.4	790.5	983.1	1207.2	1470.3
Long Term Debt	69.2	240.9	215.6	150.6	110.5
Net Deferred Taxes	-15.9	-23.0	-28.0	-20.7	-25.4
Long Term Provisions & Others	11.7	250.8	218.3	248.3	269.0
Minority Interest	0.0	137.1	176.1	210.1	250.5
Total Source of Funds	781.4	1396.2	1565.1	1795.6	2074.8
APPLICATION OF FUNDS					
Net Block & Goodwill	168.8	858.4	847.1	838.4	840.4
Other Non-Current Assets	297.0	141.7	58.1	59.2	60.3
Total Non Current Assets	465.8	1000.1	905.2	897.6	900.7
Trade Receivables	208.5	315.7	325.7	379.1	434.6
Cash & Equivalents	207.4	374.7	523.3	707.6	921.7
Other Current Assets	68.6	174.1	194.9	175.8	163.8
Total Current Assets	484.4	864.5	1043.8	1262.5	1520.1
Short-Term Borrowings	0.0	92.3	81.8	66.3	51.0
Trade Payables	9.5	105.4	69.8	54.2	62.1
Other Current Liab & Provisions	159.4	270.8	232.3	243.9	232.9
Total Current Liabilities	168.8	468.5	383.9	364.4	346.0
Net Current Assets	315.6	396.0	659.9	898.1	1174.1
Total Application of Funds	781.4	1396.2	1565.1	1795.6	2074.8

Cash Flow Statement

(Rs Cr)	FY19	FY20	FY21E	FY22E	FY23E
Reported PBT	101.5	113.8	345.5	383.0	449.2
Non-operating & EO items	31.4	54.0	51.9	60.5	75.7
Interest Expenses	6.1	2.4	8.8	9.3	8.8
Depreciation	17.4	24.9	45.9	48.7	47.8
Working Capital Change	-50.7	36.5	-127.2	-16.6	-26.2
Tax Paid	-30.6	-47.1	-91.2	-94.8	-110.7
OPERATING CASH FLOW (a)	75.1	184.5	233.7	390.1	444.6
Capex	-14.8	-15.5	-33.5	-38.3	-48.2
Free Cash Flow	60.2	169.0	200.2	351.8	396.4
Investments	-23.8	-241.9	85.3	0.0	0.0
Non-operating income	-14.7	-11.3	-59.8	-54.3	-52.4
INVESTING CASH FLOW (b)	-53.3	-268.7	-8.0	-92.6	-100.6
Debt Issuance / (Repaid)	0.2	242.7	-35.8	-80.5	-55.5
Interest Expenses	-1.9	-1.8	-8.8	-9.3	-8.8
FCFE	58.5	409.9	155.6	262.1	332.0
Share Capital Issuance	2.9	2.1	2.5	0.0	0.0
Dividend	-17.7	-31.5	-25.1	-30.1	-35.1
FINANCING CASH FLOW (c)	-16.6	211.6	-67.1	-119.9	-99.4
NET CASH FLOW (a+b+c)	5.2	127.4	158.6	177.6	244.6

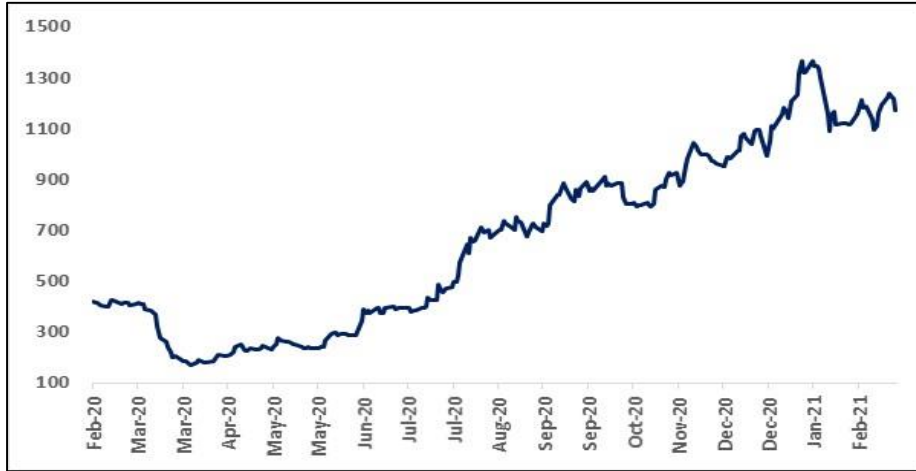
Key Ratios

(Rs Cr)	FY19	FY20	FY21E	FY22E	FY23E
EBITDA Margin (%)	12.7	12.3	21.2	20.0	20.2
EBIT Margin (%)	11.0	9.9	18.5	17.5	18.1
APAT Margin (%)	9.7	11.8	12.7	12.9	13.2
RoE (%)	15.9	16.7	24.3	23.2	22.3
RoCE (%)	11.0	10.4	13.2	14.1	14.7
Solvency Ratio (x)					
Net Debt/EBITDA	0.5	2.5	0.8	0.5	0.4
Net D/E	0.1	0.4	0.3	0.2	0.1
PER SHARE DATA (Rs)					
EPS	34.4	43.0	73.5	86.8	101.8
CEPS	40.3	51.5	89.1	103.4	118.1
BV	244.6	269.8	335.6	412.1	501.9
Dividend	8.5	8.0	10.0	12.0	14.0
Turnover Ratios (days)					
Debtor days	73.7	107.6	70.0	70.0	70.0
Inventory days	0.0	0.0	0.0	0.0	0.0
Creditors days	3.3	35.9	15.0	10.0	10.0
VALUATION (x)					
P/E	34.1	27.2	16.0	13.5	11.5
P/BV	4.8	4.3	3.5	2.8	2.3
EV/EBITDA	21.3	22.1	7.5	6.2	4.7
EV / Revenues	2.7	2.7	1.6	1.2	1.0
Dividend Yield (%)	0.7	0.7	0.8	1.0	1.1
Dividend Payout (%)	24.7	18.6	13.6	13.8	13.8

(Source: Company, HDFC sec)

598.71	685.65	68.56	11.39	203.88	118.92	118.92
(+22.11)	(-14.51)	(-7.74)	(-13.05)	(-11.98)	(-11.87)	(-1.46)
142.09	167.22	154.12	393.13	-62.95	-187.58	-42.88
(-35.1)	(-17.46)	(-7.88)	(-7.58)	(-115.88)	(-71.48)	(-15.88)

One Year Stock Price Chart



(Source: Company, HDFC sec)



Disclosure:

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