

# Stock Update Zensar Technologies Ltd.

Dec 31, 2021





# Zensar Technologies Ltd.

Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
IT Consulting & Software	Rs. 518.7	Buy in the Rs. 514-524 band & add more on dips to Rs. 458-468 band	Rs. 575	Rs. 613	2 quarters

HDFC Scrip Code	ZENTEC
BSE Code	504067
NSE Code	ZENSARTECH
Bloomberg	ZENT IN
CMP Dec 30, 2021	518.7
Equity Capital (Rs Cr)	45.2
Face Value (Rs)	2.0
Equity Share O/S (Cr)	22.6
Market Cap (Rs Cr)	11,768.1
Book Value (Rs)	103.8
Avg. 52 Wk Volumes	15,49,118
52 Week High	587.0
52 Week Low	223.4

Share holding Pattern % (Sept, 2021)	
Promoters	49.2
Institutions	36.7
Non Institutions	14.1
Total	100.0



**HDFCsec Retail research  
stock rating meter**

for details about the ratings, refer at the end of the report

\* Refer at the end for explanation on Risk Ratings

**Fundamental Research Analyst**

Abdul Karim

[Abdul.karim@hdfcsec.com](mailto:Abdul.karim@hdfcsec.com)

## Our Take:

Zensar Tech is a Pune based IT Services Company with revenues diversified across various service offerings, such as the digital application services (DAS) comprising core application services and digital services. The digital foundation services comprise cloud, digital led next gen core infrastructure service and core infrastructure services. Further, its clientele is distributed across the manufacturing (industrial and hi-tech), retail, and banking and financial services (BFSI) domains, resulting in sector wise diversification. With more than 10,000 employees across 33 locations, Zensar provides engineering and technology solutions to more than 140+ leading companies.

In Q2FY22, HI-Tech vertical grew 3.9% QoQ owing to strong demand across geographies. Banking grew by 37% QoQ, Insurance by 12.2% QoQ, and Consumer Services by 18.1% QoQ. Manufacturing also witnessed strong growth of 6.8% QoQ. Emerging services reported better recovery at 16% growth QoQ. Zensar has seen recovery in Hi-Tech and Manufacturing vertical, after muted performance in last several quarters. Zensar has redesigned Hi-Tech, Manufacturing and Emerging vertical with dedicated focus on new logo hunting. There is strong traction in Supply chain 4.0, connected supply chain and connected experiences. The company is optimistic about the demand for digital services. Zensar continues to strengthen its go-to-market along with stated focus areas. In line with this, the company completed the acquisition of M3bi, which augments and strengthens advanced engineering and data analytics capabilities. We expect strong revenue growth momentum going ahead and expect 15.7%/17%/12.4% revenue growth in FY22E/FY23E/FY24E, respectively.

Zensar's strong organic growth of more ~5% QoQ in USD terms for two consecutive quarters indicates that its refreshed strategy is on right track. Growth in H1FY22 was broad-based and strong revenue growth momentum is expected to continue in H2FY22, however there could be marginal impact due to furlough in Q3FY22. We expect, Zensar is focused on gaining market share which will help them in revenue acceleration going forward.

We had issued [Initiating Coverage Report](#) on 09 April, 2021, and [Stock Update](#) on 05 July, 2021 on Zensar Technologies Ltd. The stock achieved its both targets before expiry of calls. Given healthy growth outlook and expectation of strong set of numbers going forward, we have now revised earnings and increased target price for the stock.

## Valuation & Recommendation:

Zensar reported healthy client addition in Q2FY22. Client mining and new logo additions are expected to scale up revenues further. We believe Zensar Tech will deliver long term sustainable growth led by a healthy deal pipeline and strong execution. Zensar has grown organically and inorganically over the years. Driving deal momentum, annuity revenues, increasing investment in sales & talent, leadership and tuck in acquisition to build capability bode well for long term revenue growth. The company has guided for EBITDA margin in the range of 17-18%, this will be key monitorable.



We believe the base case fair value of the stock is Rs 575 (23x Dec FY23E EPS) and the bull case fair value of the stock is Rs 613 (24.5x Dec FY23E EPS) over the next two quarters. Investors can buy in Rs 514-524 band and add further on dips in the Rs 458-468 band (18.5x Dec FY23E EPS). At the LTP of Rs 518.7, the stock is trading at 20.7x Dec FY23E EPS.

## Change in Estimates

Rs in Cr	FY22E		FY23E		FY24E
	Old	New	Old	New	New
Revenue	3804	4245	4238	4965	5581
EBIT	525	535	589	660	780
APAT	392	417	436	499	597
EPS	17.9	18.2	20.3	21.8	26.1

(Source: Company, HDFC sec)

## Financial Summary (Consolidated)

Particulars (Rs Cr)	Q2FY22	Q2FY21	YoY (%)	Q1FY22	QoQ (%)	FY20	FY21	FY22E	FY23E	FY24E
Total Operating Income	1051	979	7.3	937	12.1	4010	3668	4245	4965	5581
EBITDA	161	184	-12.5	173	-6.6	504	684	707	837	963
Depreciation	47	43	8.3	43	9.8	157	173	172	177	183
Other Income	23	-4	-687.2	18	24.5	88	26	68	60	71
Interest Cost	9	13	-34.1	9	-2.2	61	54	35	37	38
Tax	33	33	-0.3	37	-11.4	104	126	146	179	211
APAT	95	89	5.8	101	-6.4	263	350	417	499	596
Diluted EPS (Rs)	4.2	3.9	5.8	4.4	-6.3	11.5	15.3	18.2	21.8	26.1
RoE-%						13.0	15.8	17.0	18.4	19.8
P/E (x)						46.1	34.6	29.1	23.8	19.9
EV/EBITDA						22.1	15.6	14.9	12.5	10.7

(Source: Company, HDFC sec)

## Q2FY22 Result Update

- Zensar's consolidated revenue grew by 12.1% QoQ and 7.3% YoY to Rs 1051 crore in Q2FY22. The company reported revenue of US\$141.9 mn, a constant currency sequential QoQ growth of 12.3%.
- EBIT was down by 12% QoQ, and 18.9% YoY to Rs 114 crore. Adjusted net profit stood at Rs 94 crore in Q2FY22, it was down by 6.4% QoQ, but grew 5.8% YoY. On operating metrics, revenue contribution from Digital was 71.1% in Q2FY22 vs 68% of the revenue in



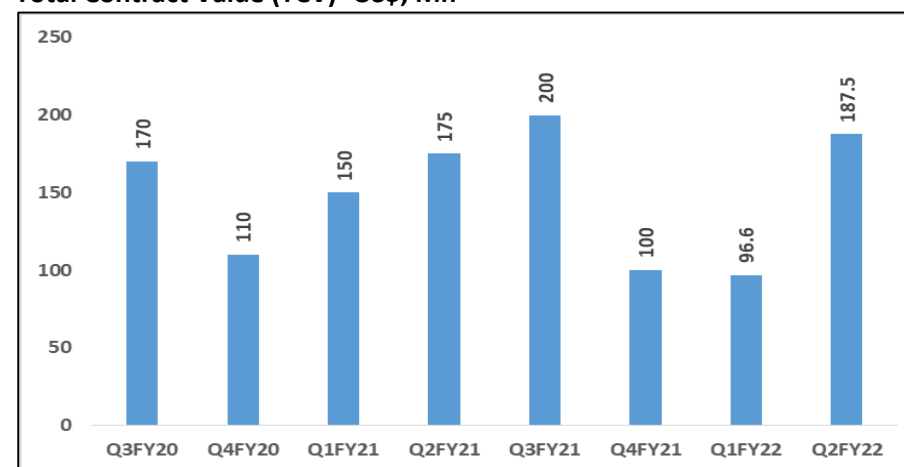
- Q1FY22 vs. 63.8% in Q2FY21. On QoQ, the US region reported growth of 11.9%, UK region reported growth of 11.2%, and South Africa reported growth of 10.0%.
- From a vertical perspective, on QoQ basis, the Banking vertical posted growth of 37.0%, while Insurance grew by 12.2%. Revenues from Hi-Tech clients grew sequentially by 3.9%, while Manufacturing posted a QoQ growth of 6.8%. The Consumer Services vertical posted a QoQ growth of 18.1%.
  - Total active clients stood at 143, as on 30 Sept, 2021 vs. 135, as on 30 June 2021. The company has 10,375 employees as of 30 Sept, 2021 vs. 9,512 employees as of 30 June, 2021.

## Key Updates

### Expectation of healthy deal wins and strong deal pipeline going forward

Zensar's total contract value (TCV) of deal wins stood at US\$187.5 mn in Q2FY22 vs. US\$ 96.6 mn in Q1FY22 and US\$625 mn in FY21, with the company maintaining healthy mix of large and mid-sized deals, including renewals and new deals. TCV in Q2FY22 grew by 94%+ QoQ, 7% YoY. The company added 14 new logos vs. 8 new last quarter and remains focused on hunting new logos as well as mining existing clients. On 13 Aug, 2021, the company won a large deal with maximum contract value of US\$ 122mn with City of San Diego to modernize the city's Data Center and End user services. The pipeline remains strong and expected to continue growth momentum on the back of new deal signings and strong pipeline across the geographies.

Total Contract Value (TCV)- US\$, Mn



(Source: Company, HDFC sec)



## **City of San Diego deal to boost organic revenue**

The City of San Diego signed a four year, multi-million-dollar contract with Zensar Technologies to modernize the city's Data Center and End-user services. The contract has the option to be extended for two additional two-year terms with a total, maximum value of US\$ 122 mn. Through this agreement, Zensar will support over 1,000 city servers and associated storage and software that host over 300 city application systems. The announcement said it will also centralize the city's IT support services, new public cloud support and device support for about 6,000 city-owned devices and employee-owned devices that have been critical during the pandemic. On our conservative estimate, this deal could add revenue by Rs 200-220 crore annually for next four years and this deal will be a key achievement toward supporting, modernizing, and enhancing its ever-growing portfolio of digitized services.

## **Strategy to work on five focus areas and acquisition will add more capabilities going forward**

Zensar Tech has rolled out the new strategy at the start of this fiscal, three months after Mr. Ajay S Bhutoria (ex-Cognizant) took charge as CEO. He has to deliver profitable growth with emphasis on prioritizing growth, which is lagging peers. The company has identified five strategic focus areas, and all its acquisitions in the future will add capabilities in one or more of these areas.

Earlier, Zensar Tech operated in three verticals and two key service lines across three core geographies. Its new thrust is on (1) experienced services, (2) advanced engineering services, (3) data engineering and analytics, (4) application services and (5) digital foundation services. Now, the company is in the process of executing according to the strategy. The new strategy will tap into areas where clients are starting to invest. It has been operating in the area of digital foundation services for some time and has a healthy demand pipeline at present.

The execution is based on four key pillars—sales expansion, talent expansion including expansion of geographies, strategic partnerships and acquisitions. Recently, Zensar acquired data engineering and advanced analytics firm M3bi, giving it access to advanced engineering and data engineering services, with strong clients in each category. This acquisition is priced at a total value of \$33 million out of which \$24 million will be paid upfront whereas US\$9 mn are going to be paid over a three-year period based on performance-based targets. M3bi also showed strong performance in Q2FY22 contributing US\$7.9 mn vs quarterly run-rate of US\$6.68 mn in CY20.

Zensar Technologies announced a partnership with FRISS in Sept-2021, the most widely adopted provider of AI-powered end-to-end fraud prevention and detection solutions for P&C insurers worldwide. This global, strategic partnership will enable Zensar's clients to access the latest market-ready AI, a multitude of data sources and unparalleled customer service directly through FRISS.

Under the new strategy, Zensar will pursue two kinds of partnerships, strategic partnerships with hyperscalers and platforms like Oracle, and growth partnerships, where it will work with a partner to serve a client. Over time, some of these could evolve into strategic partnerships and focus will remain on the three geographies—North America, the United Kingdom and South Africa. The company is also exploring adjacent markets. The UK team has started exploring opportunities in continental Europe, in countries like the Netherlands, Switzerland and Germany.



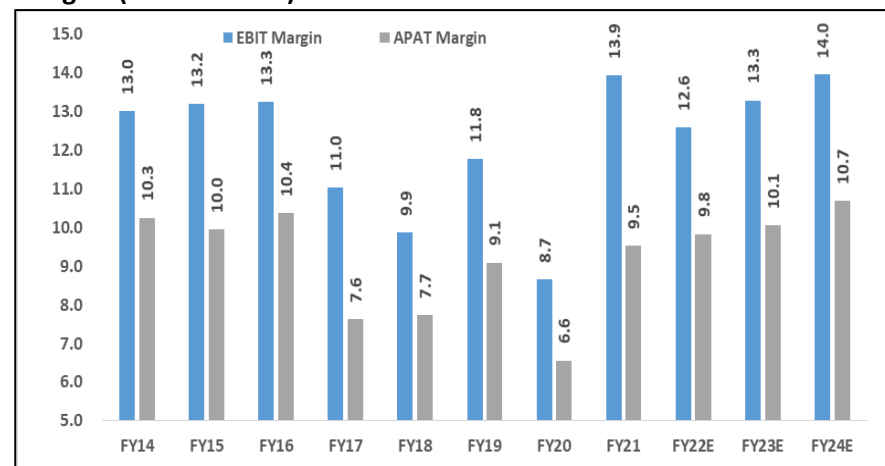


## Offshoring, cost rationalization to maintain sustainable margins

EBIT margin was down by 300bps QoQ and 350bps YoY to 10.9% in Q2FY22, impacted by wage hikes and higher hiring costs. Wage hikes program was implemented since July 2021. PAT margin inched down by 180bps QoQ and 10bps YoY to 9%. Zensar plans to invest in leadership, invest in sales & marketing to drive growth, which is likely to act as headwind to margins in near term. However, the company has many levers like offshoring, automation and lower sub-contracting cost, which could help to report healthy margins, going forward.

The significant offshore shift (~270bps over the last 12 months) and lower subcontracting expenses have acted as margin tailwinds through FY21. The company added ~1500 employee for offshore projects vs. 240 employee for onsite projects on YoY basis. Over the next 2-3 quarters this could be compensated by other margin levers. Hence, Zensar expects to maintain high teen EBIT margins, going forward.

## Margins (Consolidated)-%



## Past headwinds now ebbing

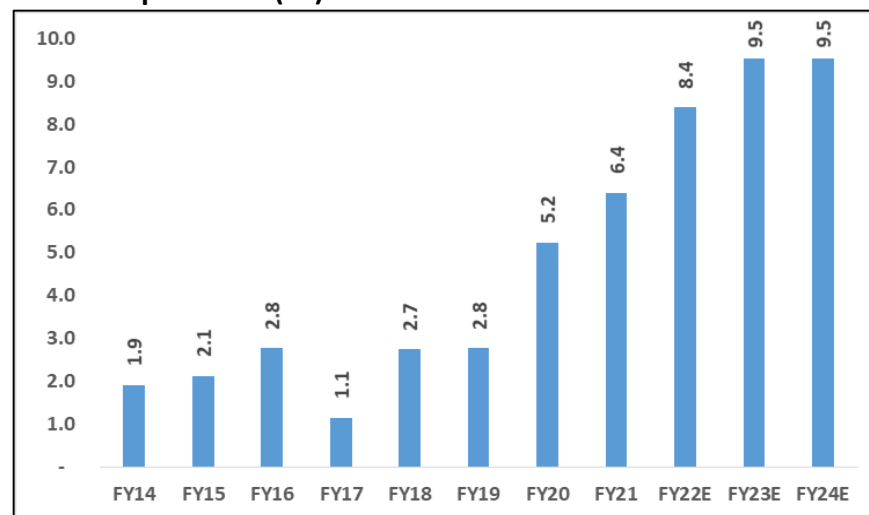
Many of the past headwinds have subsided. Slow growing and low-margin non-core businesses - Rest of World and Third Party Maintenance - were divested in FY19 and FY21, respectively. Top client revenues fell in FY21 as it got impacted due to the pandemic and thus reduced its budget by US\$ 1bn. This has been offset by Retail delinquency. Revenue from declining Oracle ATG platform is no more a headwind. Declining legacy Core application services business has now reduced to less than a quarter of total revenue from half about 4 years back as client focus is shifting towards digitalisation and core modernisation.



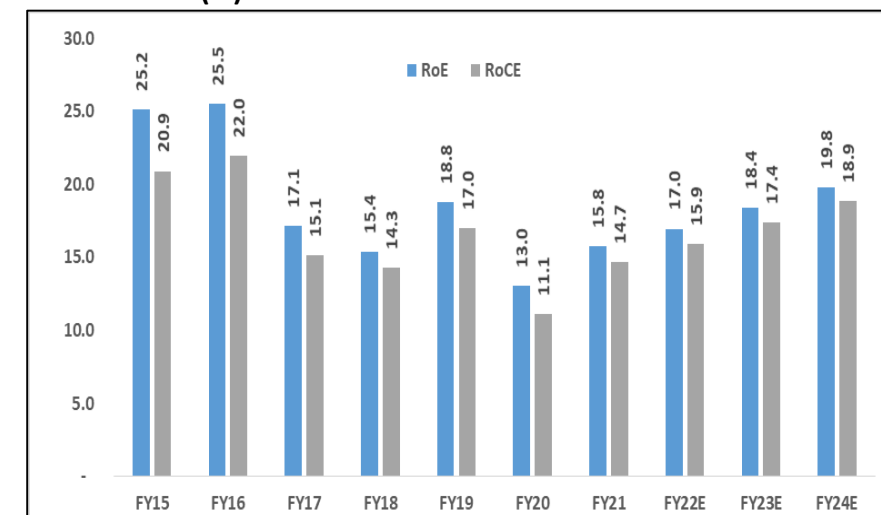
## Strong fundamentals led by healthy debt protection metrics and liquidity

- Zensar's portfolio has witnessed multiple challenges over the past, however, the lead indicators of deal wins and pipeline continue to look strong. The company has reported stable growth in the past, reported 7% revenue CAGR and PAT CAGR of 6% over the past last seven years. We expect consolidated revenue to grow by 15% CAGR and PAT CAGR of 19.5% over the FY21-FY24E, respectively.
- Zensar is now a zero-debt company with highest ever net cash position of US\$ 160.8mn as on 30 Sept, 2021.
- We expect the FCF to remain positive, going forward, even after factoring in annual capex. Because of cost rationalization efforts, the company could see growth in profitability as well as better return ratios in the future.
- The expectation of a rise in net profit margin could result in a healthy return ratio. We expect RoCE at 16-19% and RoE at 17-20% in FY22E to FY24E, respectively.
- The company has been maintaining a healthy dividend pay-out over the past, which stood at ~40.7% in FY21 and dividend yield stood at 1.2%.

Dividend per share (Rs)



Return Ratio (%)



(Source: Company, HDFC sec)

## What could go wrong?

- Indian rupee appreciation against the USD/ZAR, pricing pressure, retention of the skilled headcounts, strict immigration norms and rise in visa costs are key concerns.
- The increasing competition and pricing pressures from the existing incumbents may impact the company's future growth and profitability indicators. Zensar is adapting to the changing technology landscape by focusing on digital technologies.



- Zensar derived 35% of its revenues from its top five clients and 47% from the top ten clients in Q2FY22 with moderately high dependence on a single client, exposing it to client concentration risks. However, this risk is partially mitigated by a strong and established relationship and the growing wallet share of business with the client.
- Inability to grow organically. The company historically has mainly grown on the back of acquisitions. In case it is unable to turn around any acquisitions it can impact the margins in the near term.
- Steep decline in revenues or sustained deterioration in margin can impact cash generation.
- Trailing 12months attrition increased to 23.2% in Q2FY22 vs. 18.1% in Q1FY22 from 14.8% in Q2FY21, led by intense competition and demand for talent.
- 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.
- Margins of Zensar are lower than of its similar sized peers. However margins will improve going forward driven by operating leverage, decline in many of the one-time investments on building capabilities and leadership and higher contribution from higher margin offshore and digital services.
- Any major cut in US technology budgets, particularly in digital, could mar the expected growth surge at Zensar.
- Any adverse regulatory provisions and visa restrictions in key client markets may affect Zensar's capability to execute profitably.

## Segment Metrics (Consolidated)

Rs. Cr	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22
<b>Segment Revenue</b>												
Digital and Application Services	861	895	888	918	857	852	805	797	770	745	800	891
Digital Foundation Services	175	162	183	155	163	165	186	182	165	132	137	160
<b>Total Rev</b>	<b>1036</b>	<b>1057</b>	<b>1071</b>	<b>1072</b>	<b>1021</b>	<b>1018</b>	<b>991</b>	<b>979</b>	<b>934</b>	<b>876</b>	<b>937</b>	<b>1051</b>
<b>Segment Revenue-%</b>												
Digital and Application Services	83.1	84.7	82.9	85.6	84.0	83.7	81.2	81.4	82.4	85.0	85.4	84.8
Digital Foundation Services	16.9	15.3	17.1	14.4	16.0	16.3	18.8	18.6	17.6	15.0	14.6	15.2
<b>PBIT</b>												
Digital and Application Services	109	124	137	144	62	127	119	155	171	160	153	149
Digital Foundation Services	12	5	13	19	28	21	25	29	23	21	17	24
<b>Total PBIT</b>	<b>121</b>	<b>129</b>	<b>149</b>	<b>163</b>	<b>90</b>	<b>148</b>	<b>144</b>	<b>184</b>	<b>194</b>	<b>181</b>	<b>170</b>	<b>173</b>
<b>PBIT-%</b>												
Digital and Application Services	12.7	13.9	15.4	15.7	7.2	14.9	14.7	19.4	22.2	21.5	19.1	16.7
Digital Foundation Services	7.0	3.2	6.9	12.1	17.3	12.6	13.6	15.9	14.1	15.6	12.6	14.9





## Operating Metrics

### Industry %

Particulars	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22
Manufacturing &Hi-Tech	50.9	51.8	52.0	52.1	54.2	53.1	57.9	55.0	51.9	51.5	53.2	49.8
Retail and Consumer Services	21.0	21.6	18.0	16.5	13.8	15.0	12.4	13.9	15.3	15.3	14.5	15.4
Financial Services	24.1	22.2	25.1	28.9	29.3	29.4	27.3	29.0	28.9	30.2	28.6	31.0
Emerging	4.0	4.4	4.9	2.5	2.7	2.5	2.4	2.1	3.9	3.0	3.7	3.8

### Services Mix %

Particulars	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22
Digital Services	39.7	41.1	43.1	46.1	49.4	52.3	52.8	54.3	55.0	55.9	57.9	61.5
Core Application Services	43.2	43.6	43.1	43.1	37.9	35.0	32.1	30.8	29.9	29.0	27.5	23.3
<b>Digt &amp; Application Services (DAS)</b>	<b>82.9</b>	<b>84.7</b>	<b>86.2</b>	<b>89.3</b>	<b>87.3</b>	<b>87.3</b>	<b>84.9</b>	<b>85.1</b>	<b>84.9</b>	<b>84.9</b>	<b>85.4</b>	<b>84.8</b>
<b>Third Party Maintenance (MVS)</b>	<b>4.5</b>	<b>4.2</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Cloud, Digital Led next gen CIS	5.2	5.3	7.4	6.1	6.9	7.3	9.3	9.5	10.0	10.0	10.1	9.6
Core Infrastructure Services	7.4	5.8	6.4	4.6	5.8	5.4	5.8	5.4	5.1	5.1	4.5	5.6
<b>Total IMS Services</b>	<b>12.6</b>	<b>11.1</b>	<b>13.8</b>	<b>10.7</b>	<b>12.7</b>	<b>12.7</b>	<b>15.1</b>	<b>14.9</b>	<b>15.1</b>	<b>15.1</b>	<b>14.6</b>	<b>15.2</b>

### Geography %

Particulars	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22
North Americas	76.0	76.2	75.3	72.9	73.1	73.2	74.9	73.3	70.3	69.6	70.2	70.4
Europe	14.3	14.9	15.6	16.0	16.3	15.6	14.9	16.0	17.4	18.6	17.6	17.6
Africa	8.3	8.0	9.1	11.1	10.6	11.3	10.2	10.8	12.3	11.8	12.2	12.0
RoW	1.4	0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

### Project Type Mix %

Particulars	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22
Fixed Price	53.7	54.6	55.3	56.6	56.6	58.8	59.8	60.5	61.4	61.5	64.4	60.8
T&M	46.3	45.4	44.7	43.4	43.4	41.2	40.2	39.5	38.6	38.5	35.6	39.2

### Client Engagement Size (Nos).

Particulars	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22
1+ mn	100	92	84	88	87	82	80	81	83	78	79	85
5+ mn	20	19	20	23	24	24	24	23	24	24	24	26
10+ mn	7	9	9	9	10	10	9	8	8	7	8	10
20+ mn	2	2	2	2	2	2	2	2	2	2	3	3



## Revenue Concentration %

Particulars	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22
Top 5	39.1	37.6	39.6	39.2	41.2	39.6	43.1	39.8	37.8	37.0	38.4	35.0
Top 10	49.5	48.4	51.2	50.0	51.2	49.0	53.7	51.0	47.8	48.0	49.4	47.4
Top 20	60.2	59.7	63.8	65.3	66.1	62.9	68.1	65.8	61.9	63.0	63.7	61.9
No of active clients	322	327	149	145	142	138	132	134	134	134	135	143

## Utilization, Attrition and DSO(Days)

Particulars	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22
Utilization %	81.7	83.4	82.4	84.1	81.0	83.5	82.2	83.3	80.1	81.3	80.4	83.3
Attrition %	15.8	15.6	16.7	17.0	16.0	16.3	13.5	11.7	12.9	14.8	18.1	23.2
DSO Days (Billed)	72	73	64	56	57	51	44	51	48	51	55	60
DSO Days (Unbilled)	34	32	39	47	36	35	29	25	25	26	25	22

## Employee Headcount-Nos

Particulars	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22
Total	9813	10073	10095	10147	9879	9452	8955	8542	8809	9111	9512	10375
Gross Addition	1045	1035	1281	981	611	471	229	394	991	1332	1508	1545

## Peer Comparison

Company, Rs in Cr	Mkt Cap, Cr	Sales			EBIT			PAT			ROE-%			P/E (x)		
		FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Zensar Tech	11768	4245	4965	5581	535	660	780	417	499	596	17.0	18.4	19.8	28.5	23.8	19.9
Cyient	10989	4599	5387	6200	631	750	863	496	602	683	15.5	17.2	17.7	22.2	18.3	16.1
Mastek	7530	2154	2521	2932	383	452	565	272	334	411	28.5	28.7	26.9	31.5	25.7	20.9



## Financials (Consolidated)

### Income Statement

(Rs Cr)	FY20	FY21	FY22E	FY23E	FY24E
<b>Net Revenues</b>	<b>4010</b>	<b>3668</b>	<b>4245</b>	<b>4965</b>	<b>5581</b>
Growth (%)	7.7	-8.5	15.7	17.0	12.4
Operating Expenses	3507	2984	3538	4128	4618
<b>EBITDA</b>	<b>504</b>	<b>684</b>	<b>707</b>	<b>837</b>	<b>963</b>
Growth (%)	-4.0	35.8	3.4	18.3	15.1
<b>EBITDA Margin (%)</b>	<b>12.6</b>	<b>18.7</b>	<b>16.7</b>	<b>16.9</b>	<b>17.3</b>
Depreciation	157	173	172	177	183
<b>EBIT</b>	<b>347</b>	<b>511</b>	<b>535</b>	<b>660</b>	<b>780</b>
Other Income	88	26	68	60	71
Interest expenses	61	54	35	37	38
<b>PBT</b>	<b>375</b>	<b>483</b>	<b>568</b>	<b>683</b>	<b>813</b>
Tax	104	126	146	179	211
<b>Adj PAT</b>	<b>263</b>	<b>350</b>	<b>417</b>	<b>499</b>	<b>596</b>
Growth (%)	-22.4	33.0	19.4	19.6	19.5
<b>EPS</b>	<b>11.5</b>	<b>15.3</b>	<b>18.2</b>	<b>21.8</b>	<b>26.1</b>

### Balance Sheet

As at March	FY20	FY21	FY22E	FY23E	FY24E
<b>SOURCE OF FUNDS</b>					
Share Capital	45	45	45	45	45
Reserves	2045	2297	2534	2808	3133
<b>Shareholders' Funds</b>	<b>2090</b>	<b>2342</b>	<b>2579</b>	<b>2853</b>	<b>3178</b>
Long Term Debt	65	0	0	0	0
Net Deferred Taxes	-50	-49	-50	-50	-50
Long Term Provisions & Others	377	324	340	357	375
<b>Minority Interest</b>	<b>24</b>	<b>29</b>	<b>35</b>	<b>40</b>	<b>40</b>
<b>Total Source of Funds</b>	<b>2506</b>	<b>2646</b>	<b>2904</b>	<b>3200</b>	<b>3544</b>
<b>APPLICATION OF FUNDS</b>					
Net Block & Goodwill	1323	1133	1246	1318	1378
CWIP	11	0	7	7	7
Other Non-Current Assets	75	258	233	221	210
<b>Total Non Current Assets</b>	<b>1409</b>	<b>1391</b>	<b>1486</b>	<b>1546</b>	<b>1595</b>
Inventories	94	0	0	0	0
Trade Receivables	666	589	675	789	887
Cash & Equivalents	863	1062	1191	1240	1366
Other Current Assets	514	342	376	414	455
<b>Total Current Assets</b>	<b>2137</b>	<b>1993</b>	<b>2242</b>	<b>2443</b>	<b>2708</b>
Short-Term Borrowings	223	0	0	0	0
Trade Payables	265	220	279	327	367
Other Current Liab & Provisions	551	518	544	463	393
<b>Total Current Liabilities</b>	<b>1039</b>	<b>738</b>	<b>823</b>	<b>789</b>	<b>760</b>
Net Current Assets	1098	1254	1419	1654	1948
<b>Total Application of Funds</b>	<b>2506</b>	<b>2646</b>	<b>2904</b>	<b>3200</b>	<b>3544</b>

(Source: Company, HDFC sec)



## Cash Flow Statement

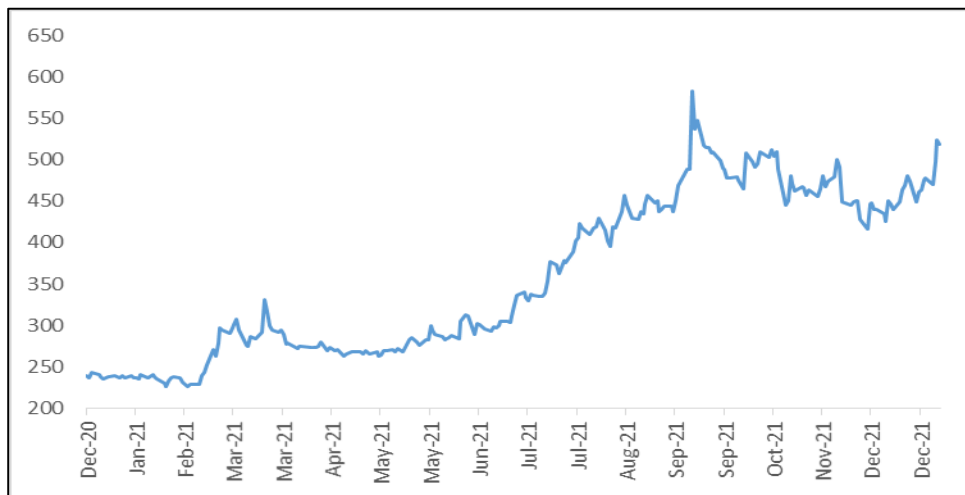
(Rs Cr)	FY20	FY21	FY22E	FY23E	FY24E
Reported PBT	375	482	568	683	813
Non-operating & EO items	-20	-16	-68	-60	-71
Interest Expenses	52	42	35	37	38
Depreciation	159	175	172	177	183
Working Capital Change	235	315	-35	-186	-168
Tax Paid	-115	-140	-146	-179	-211
<b>OPERATING CASH FLOW ( a )</b>	<b>686</b>	<b>858</b>	<b>526</b>	<b>472</b>	<b>583</b>
Capex	-138	4	-250	-220	-220
Free Cash Flow	548	862	276	252	363
Investments	0	0	0	0	0
Non-operating income	5	-194	68	60	71
<b>INVESTING CASH FLOW ( b )</b>	<b>-133</b>	<b>-190</b>	<b>-182</b>	<b>-160</b>	<b>-149</b>
Debt Issuance / (Repaid)	11	-438	0	0	0
Interest Expenses	-12	-4	-35	-37	-38
FCFE	548	421	242	215	326
Share Capital Issuance	2	1	0	0	0
Dividend	-120	-27	-180	-226	-271
<b>FINANCING CASH FLOW ( c )</b>	<b>-119</b>	<b>-467</b>	<b>-215</b>	<b>-262</b>	<b>-308</b>
<b>NET CASH FLOW (a+b+c)</b>	<b>435</b>	<b>201</b>	<b>129</b>	<b>49</b>	<b>126</b>

## Key Ratios

(Rs Cr)	FY20	FY21	FY22E	FY23E	FY24E
<b>Profitability Ratio (%)</b>					
EBITDA Margin	12.6	18.7	16.7	16.9	17.3
EBIT Margin	8.7	13.9	12.6	13.3	14.0
APAT Margin	6.6	9.5	9.8	10.1	10.7
RoE	13.0	15.8	17.0	18.4	19.8
RoCE	11.1	14.7	15.9	17.4	18.9
<b>Solvency Ratio (x)</b>					
Net Debt/EBITDA	0.6	0.0	0.0	0.0	0.0
Net D/E	0.1	0.0	0.0	0.0	0.0
<b>PER SHARE DATA (Rs)</b>					
EPS	11.5	15.3	18.2	21.8	26.1
CEPS	18.6	23.2	26.1	30.0	34.5
Dividend	5.2	6.4	8.4	9.5	9.5
BV	92.6	103.8	114.3	126.4	140.9
<b>Turnover Ratios (days)</b>					
Debtor days	60.6	58.6	58.0	58.0	58.0
Inventory days	8.6	0.0	0.0	0.0	0.0
Creditors days	24.1	21.9	24.0	24.0	24.0
<b>VALUATION (x)</b>					
P/E	45.1	33.9	28.5	23.8	19.9
P/BV	5.6	5.0	4.5	4.1	3.7
EV/EBITDA	22.1	15.6	14.9	12.5	10.7
EV / Revenues	2.8	2.9	2.5	2.1	1.9
Dividend Yield (%)	1.0	1.2	1.6	1.8	1.8
Dividend Payout (%)	45.5	41.8	46.1	43.7	36.5



## One Year Price Chart



## HDFC Sec Retail Research Rating description

### Green Rating stocks

This rating is given to stocks that represent large and established business having track record of decades and good reputation in the industry. They are industry leaders or have significant market share. They have multiple streams of cash flows and/or strong balance sheet to withstand downturn in economic cycle. These stocks offer moderate returns and at the same time are unlikely to suffer severe drawdown in their stock prices. These stocks can be kept as a part of long term portfolio holding, if so desired. These stocks offer low risk and lower reward and are suitable for beginners. They offer stability to the portfolio.

### Yellow Rating stocks

This rating is given to stocks that have strong balance sheet and are from relatively stable industries which are likely to remain relevant for long time and unlikely to be affected much by economic or technological disruptions. These stocks have emerged stronger over time but are yet to reach the level of green rating stocks. They offer medium risk, medium return opportunities. Some of these have the potential to attain green rating over time.

### Red Rating stocks

This rating is given to emerging companies which are riskier than their established peers. Their share price tends to be volatile though they offer high growth potential. They are susceptible to severe downturn in their industry or in overall economy. Management of these companies need to prove their mettle in handling cyclical of their business. If they are successful in navigating challenges, the market rewards their shareholders with handsome gains; otherwise their stock prices can take a severe beating. Overall these stocks offer high risk high return opportunities.



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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

Compliance Officer: Binkle R. Oza Email: [complianceofficer@hdfcsec.com](mailto:complianceofficer@hdfcsec.com) Phone: (022) 3045 3600

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