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Stock Update Zensar Technologies Ltd.

05-July-2021





Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
IT Consulting & Software	Rs. 335.5	Buy at LTP & add more on dips to Rs 304- 308 band	Rs. 367	Rs. 397	2 quarters

HDFC Scrip Code	ZENTEC
BSE Code	504067
NSE Code	ZENSARTECH
Bloomberg	ZENT IN
CMP July 05, 2021	335.5
Equity Capital (Rs cr)	45.2
Face Value (Re)	2.0
Equity Share O/S (cr)	22.6
Market Cap (Rs cr)	7569.6
Book Value (Rs)	103.8
Avg. 52 Wk Volumes	415712
52 Week High	345.0
52 Week Low	121.5

Share holding Pattern % (Mar, 2021)	
Promoters	49.2
Institutions	40.6
Non Institutions	10.2
Total	100.0

Fundamental Research Analyst

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Our Take:

Zensar's primary business involves providing digital and technology solutions to global customers. It is engaged in key business verticals like high-tech manufacturing, infrastructure and BFSI. The company intends to continue its focus on cloud and digital transformation and has been targeting on improving its deal pipeline. Zensar's revenue from the digital segment has grown from 5.0% in FY14 to 64.2% in FY21 and 65.9% of the revenue in Q4FY21 vs. 65% in Q3FY21 and 59.6% in Q4FY20. The digital revenues continue to grow for the company even as the technology upgradation cycle has emerged. Over FY15-21, the company acquired six companies to build its digital capabilities. It has made two acquisitions in the digital customer experience (Foolproof and Indigo Slate) while the two other companies, Keystone Logistic Solution and Professional Access, were acquired to strengthen its Oracle practice. Also, the acquisition of Cynosure was aimed at strengthening its Guidewire Implementation Services. Recently acquired M3bi is in data engineering, analytics, artificial intelligence/machine learning and advanced engineering services. Going forward, we expect certain verticals like Consumer Services and BFS to show growth and we believe that the company is likely to resume its growth momentum from FY22E.

The company is currently managed by a new CEO and the company is focusing on improving client mining, new logo addition and driving sustainable & profitable growth. This coupled with investment in sales, leadership and tuck-in acquisition to build capability bodes well for long term revenue growth.

On 09 April, 2021, the company announced that it has entered into a global strategic partnership with US based IT giant. This partnership combines Claimatic with Zensar's strategic consulting, enterprise delivery, and implementation services. This new, innovative partnership leverages the respective strengths of Claimatic and Zensar to create compelling value for both companies and their mutual clients.

Zensar has been investing in building up its sales strength on increasing/restructuring the sales team, and enriching the sales process. It is also hiring/restructuring several business heads and bringing in senior delivery personnel. Apart from better training of fresher, the company has also invested in the recruitment process to onboard laterals and on-site talent, especially in East Europe. The company has already started operations in Poland.

On 09 April, 2021, we had issued **Initiating Coverage Report** on Zensar Technologies Ltd for a base case target of Rs 300 and bull case target of Rs 315 for two quarters. The stock achieved its both targets on 26th May and 9th June, 2021. Given healthy growth outlook and expectation of strong set of numbers in Q1FY22, we have now revised earnings and increased target price for the stock.

Valuations & Recommendation:

Zensar's revenues are 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.

The company's financial profile remains healthy, supported by improved profitability, strong capital structure and robust liquidity position in the form of strong cash and liquid investment of US\$ 166.3mn as on 31 March, 2021 (16% of marketcap). The company has repaid all its bank debts in FY21. New strategy roadmap laid out by the incoming CEO could change the growth trajectory for the company. Zensar is amongst the cheaper mid-tier IT Services stock; due to a reason of long term streak of growth underperformance. We think that a gradual turnaround in fortunes may be round the corner. **We believe the base case fair value of the stock is Rs 367 (18x FY23E EPS) and the bull case fair value of the stock is Rs 397 (19.5x FY23E EPS) over the next two quarters. Investors can buy at LTP and add further on dips in the Rs 304-308 band (15x FY23E EPS). At the LTP of Rs 335.5, the stock is trading at 16.5x FY23E EPS.**

Financial Summary (Consolidated)

Particulars (Rs Cr)	Q4FY21	Q4FY20	YoY (%)	Q3FY21	QoQ (%)	FY19	FY20	FY21	FY22E	FY23E
Total Operating Income	876	1018	-13.9	934	-6.2	3725	4010	3668	3804	4238
EBITDA	172	142	21.6	185	-7.1	525	504	684	689	767
Depreciation	45	42	7.1	43	4.5	86	157	173	164	178
Other Income	7	16	-59.0	5	37.7	79	88	26	55	55
Interest Cost	12	17	-29.1	13	-6.4	37	61	54	40	46
Tax	31	27	14.4	36	-13.3	137	104	126	143	157
APAT	89	72	23.1	138	-35.8	339	263	350	392	436
Diluted EPS (Rs)	3.9	3.0	27.6	6.1	-36.5	14.8	11.5	15.7	17.9	20.3
RoE-%						18.8	13.0	15.8	16.3	16.8
P/E (x)						22.6	29.2	21.3	18.7	16.5
EV/EBITDA (x)						14.0	13.9	9.5	9.3	8.3

(Source: Company, HDFC sec)



Zensar's Q4FY21 results key takeaway

- Zensar reported inline revenue and profitability was below expected numbers in Q4FY21. Consolidated revenue declined by 6.2% QoQ and 13.9% YoY to Rs 876 crore. Revenue in US\$ terms was down by 2% QoQ and 10.9% YoY to US\$ 120 mn.
- EBIT was down 10.6% QoQ, impacted by higher other expenses in the quarter but it was up by 27.6% YoY to Rs 128 crore, supported by lower employee cost, subcontracting costs and other expenses. EBIT margin was down by 70bps QoQ and it ramped up 480bps YoY to 14.6% in Q4FY21. Net Profit declined by 35.8% QoQ and it was up by 23.1% YoY to Rs 89 crore. PAT margin declined to 10.1% in Q4FY21 vs. 14.8% in Q3FY21 and 7.1% in Q4FY20.
- Digital contributed 65.9% of the revenue in Q4FY21 vs. 65% in Q3FY21 and 59.6% in Q4FY20 and 64.2% for FY21. On segment front, BFSI business has reported QoQ growth of 2.0% in Banking and 2.2% in Insurance in Q4FY21, Emerging services reported a YoY growth of 6.2% in Q4FY21. On the geography front, Europe region reported sequential growth of 4.7% QoQ, revenue from North America declined 3.1% QoQ and Africa reported 6.2% QoQ decline in revenue. North America, Europe and Africa contributed 69.6%, 18.6% and 11.8% of revenue in Q4FY21, respectively.
- For FY21, revenue stood at Rs 3,668 crore, de grew by 8.5% YoY in rupee terms. Net profit stood at Rs 350 crore, up 33% YoY.
- The company has 9,111 employees as of 31 March, 2021 vs 8,809 as of 31 Dec, 2020 and Trailing 12 months attrition 14.8% fell from 16.3% in March 2020 and it was 12.9% in December 2020.

Q1FY22, Result preview

Zensar Tech is likely to report 3.4% QoQ revenue in US\$ term to US\$ 124mn, 4.5% QoQ in INR terms to Rs 916 crore. Net profit could grow by 5.5% QoQ to Rs 95 crore and we expect 100bps QoQ decline in EBIT margin to 13.8% in Q1FY22.

Key updates

New strategy under new leadership to transform new opportunity and revenue generation

In Dec-2020, Zensar has designated Ajay S. Bhutoria who succeeded Sandeep Kishore as the chief executive officer (CEO) and managing director (MD), Ajay S. Bhutoria took charge of his office on 11 Jan, 2021. Ajay S. Bhutoria has over 30 years of industry experience across the Americas, Europe and India. Prior to a brief stint as the Chief Executive of L&T-NxT, Mr Bhutoria had a 17-year long career at Cognizant where he led the Retail, Consumer Goods, Travel and Hospitality global verticals and also led the Banking & Financial Services in the Americas. Earlier, he was the country head for Cognizant Switzerland, responsible for incubating businesses in the Swiss markets. Before joining Cognizant, Ajay S. Bhutoria was the Regional Head of Tata Consultancy Services (TCS) in the Netherlands.

Zensar revealed its GTM (Go To Market) strategy under the new leadership of Mr. Ajay Bhutoria. The company highlighted its focus on five strategic growth opportunities (SGOs) to better target the enterprise market. The company has been focusing on its current services into five key divisions;

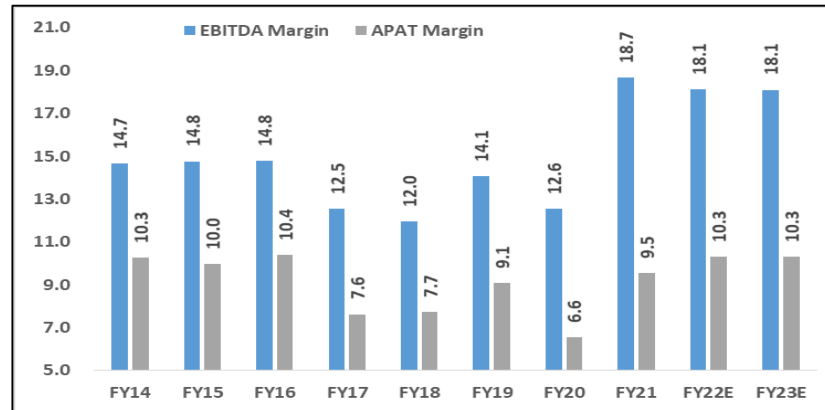
- (1) Experience Services – Spearheaded through earlier acquired entities – Foolproof and Indigo Slate;
- (2) Advanced Engineering Services – to tap downstream demand;
- (3) Data Engineering – leverage AI/ML;
- (4) Application Services, and
- (5) Digital Foundation Services – experience led infra services.

The company expects its capabilities under Experience Services (10% of revenue growth in cross currency term) to fuel business in Advanced Engineering Services, Data Engineering, Analytics, and Infra Services. Application Services will remain a focus area, given it is the largest volume generator in the business.

Offshoring, cost rationalization to maintain sustainable margins

EBIT margin was down by 70bps QoQ and it ramped up 480bps YoY to 14.6% in Q4FY21. PAT margin declined to 10.1% in Q4FY21 vs. 14.8% in Q3FY21 and 7.1% in Q4FY20. Zensar plans to give wage hikes effective July 2021 and also plans to invest in leadership, invest in sales & marketing to drive growth, which is likely to act as headwind to margins.

Margins (Consolidated)-%

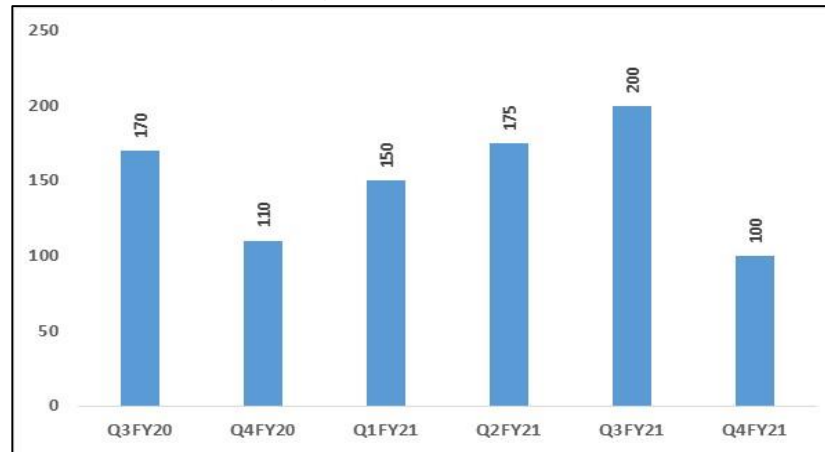


Margins at current levels are not sustainable, given salary hikes and certain travel costs emanating as business normalizes. However, the company has many levers like offshoring, automation and lower sub-contracting cost, which could help to report healthy margins, going forward. The significant offshore shift (~580bps over the last 12 months) and lower subcontracting expenses have acted as margin tailwinds through FY21. Apart from this, the completion of TPM business divestment in Dec '20, margins could be slightly impacted. 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.

Expectation of healthy deal wins and strong deal pipeline going forward

Zensar's total contract value (TCV) of deal wins stood at US\$100 mn in Q4FY21 vs. US\$200 mn in Q3FY21 and US\$625 mn in FY21, with the company maintaining healthy mix of large and mid-sized deals, including renewals and new deals. Digital revenue mix is at 65.9% (+90 bps QoQ) in Q4FY21. Two significant deals for Zensar in the BFS segment were deferred to Q1FY22 and the company reported decline in the BFS segment due to delay in project completion in a large BFS account. 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)



Acquisition of US-based subsidiaries M3bi to brings a combination of capabilities and strong client relationships

Zensar Technologies Inc acquired the entire share capital of M3bi LLC. This acquisition will be completely funded by internal accruals. Zensar acquired US-based M3bi in a US\$ 30.6mn deal, a move that will help Zensar to strengthen its thrust in data engineering, analytics, artificial intelligence/machine learning and advanced engineering services. The transaction entails an aggregate upfront payment of US\$ 21.60mn and performance-based deferred payments over 36 months not exceeding US\$ 9mn. The deal is expected to close on or before August 31, 2021 or upon fulfilment of closing conditions, whichever is earlier.

Post-acquisition, M3bi will continue to be managed by co-founders Anir Khandekar and Suresh Potluri. Revenue from operations of M3bi, LLC was about US\$ 26.75 mn for the calendar year ended December 31, 2020. M3bi was founded in April 2010 and is headquartered in Scottsdale, Arizona in the US. M3bi has 445 professionals across the US and India.

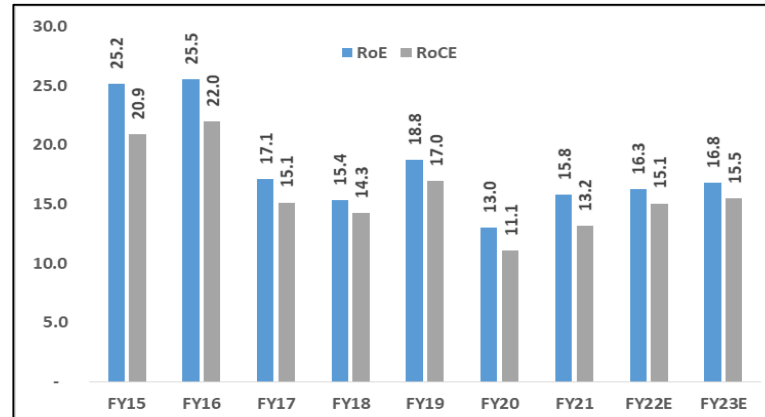
The acquisition of M3bi could allow Zensar to concentrate organization resources, investments and alliances to deliver maximum business impact. M3bi strongly augments Zensar's thrust in the data engineering, analytics and AI/ML and advanced engineering services.

The acquisition will also add marquee clients to Zensar's portfolio in Banking, Financial Services and Insurance, and other verticals, allowing Zensar and M3bi to jointly drive an expanded set of offerings to global firms.

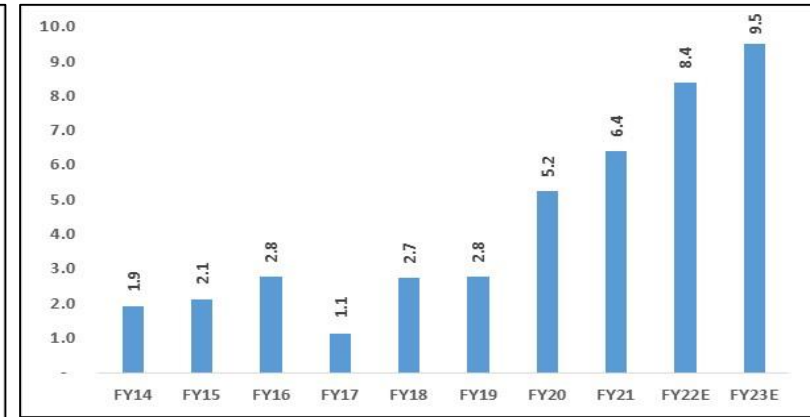
Strong fundamentals led by healthy debt protection metrics and liquidity

- 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. We expect consolidated revenue to grow by 3.7% and 11.4% in FY22E and FY23E, respectively.
- Zensar is now a zero-debt company with highest ever net cash position of Rs ~1,062 crore (US\$ 166.3mn) as on 31st March, 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 15-15.5% and RoE at 16-17% in FY22E and FY23E, 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 1.9%.

Return Ratio (Consolidated)-%



Dividend Per Share (Rs)



(Source: Company, HDFC sec)

What could go wrong?

- INR appreciation against the USD, pricing pressure, retention of the skilled headcount, 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.
- The company has seen pressure in its key verticals in FY21 on demand side, the hi-tech segment has witnessed softness from its top client, coupled with closure of some projects from other clients, led to a reduction in its revenues. The BFSI segment witnessed de growth in FY21 due to closure of a certain significant project.
- Zensar plans to give wage hikes effective July 2021 and also plans to invest in leadership, invest in sales & marketing to drive growth, which is likely to act as headwind to margins.
- Zensar derived 37% of its revenues from its top five clients and 48% from the top ten clients in Q4FY21 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 acquisition can impact the margins in the near term.
- Unlike other Tier II peers who saw a revival in sequential growth post a decline in Q1FY21, Zensar's revenues continued to decline sequentially through all quarters of FY21. This falling trend needs to be arrested and reversed soon.
- Any shift in customer preferences, priorities, and internal strategies can have an adverse impact on the company's operations and outlook. Zensar does have the benefit of being well-entrenched with its customers.
- Acquisition of companies with significant negative cash flow and P&L variation or nonalignment with the overall company strategy and growth outlook can lead to derailment of overall growth objective and business loss.
- Stake sale by Apax Partners that has made a part-exit from its investment in Zensar. The PE firm sold close to half its shares for Rs 760 crore on June 14, 2021, which is close to 11%. Apax Partners, via its holding firm Marina Holdco, will continue to retain around 2.57 crore shares. Marina Holdco had invested in 2015 in the company, so they have been holding on for the last 5.5 yrs. As of March, they held close to 23% stake and half of that has been cashed out. Further, stake sale by investors could bring pressure on the stock prices.
- The company faces delivery and execution risk arising out of changing customer requirements, comprehension of those requirements, and timeliness of the response.

Segment Metrics (Consolidated)

Rs. Cr	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21
Segment Revenue										
Digital and Application Services	861	895	888	918	857	852	805	797	770	745
Digital Foundation Services	175	162	183	155	163	165	186	182	165	132
Total Rev	1036	1057	1071	1072	1021	1018	991	979	934	876
Segment Revenue-%										
Digital and Application Services	83.1	84.7	82.9	85.6	84.0	83.7	81.2	81.4	82.4	85.0
Digital Foundation Services	16.9	15.3	17.1	14.4	16.0	16.3	18.8	18.6	17.6	15.0
PBIT										
Digital and Application Services	109	124	137	144	62	127	119	155	171	160
Digital Foundation Services	12	5	13	19	28	21	25	29	23	21
Total PBIT	121	129	149	163	90	148	144	184	194	181

PBIT-%										
Digital and Application Services	12.7	13.9	15.4	15.7	7.2	14.9	14.7	19.4	22.2	21.5
Digital Foundation Services	7.0	3.2	6.9	12.1	17.3	12.6	13.6	15.9	14.1	15.6

Operating Metrics

Industry %

Rs. Cr	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21
Manufacturing	50.9	51.8	52.0	52.1	54.2	53.1	57.9	55.0	51.9	51.5
Retail and Consumer Services	21.0	21.6	18.0	16.5	13.8	15.0	12.4	13.9	15.3	15.3
Financial Services	24.1	22.2	25.1	28.9	29.3	29.4	27.3	29.0	28.9	30.2
Emerging	4.0	4.4	4.9	2.5	2.7	2.5	2.4	2.1	3.9	3.0

Project Type Mix %

Rs. Cr	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21
Fixed Price	53.7	54.6	55.3	56.6	56.6	58.8	59.8	60.5	61.4	61.5
T&M	46.3	45.4	44.7	43.4	43.4	41.2	40.2	39.5	38.6	38.5

Services Mix %

	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21
Digital Services	39.7	41.1	43.1	46.1	49.4	52.3	52.8	54.3	55.0	55.9
Core Application Services	43.2	43.6	43.1	43.1	37.9	35.0	32.1	30.8	29.9	29.0
Digital & Application Services (DAS)	82.9	84.7	86.2	89.3	87.3	87.3	84.9	85.1	84.9	84.9
Third Party Maintenance (MVS)	4.5	4.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
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
Core Infrastructure Services	7.4	5.8	6.4	4.6	5.8	5.4	5.8	5.4	5.1	5.1
Total IMS Services	12.6	11.1	13.8	10.7	12.7	12.7	15.1	14.9	15.1	15.1

Geography %

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

Client Engagement Size (Nos).

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

Revenue Concentration %

	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21
Top 5	39.1	37.6	39.6	39.2	41.2	39.6	43.1	39.8	37.8	37.0
Top 10	49.5	48.4	51.2	50.0	51.2	49.0	53.7	51.0	47.8	48.0
Top 20	60.2	59.7	63.8	65.3	66.1	62.9	68.1	65.8	61.9	63.0
Number of active clients	322	327	149	145	142	138	132	134	134	134

Utilization, Attrition and DSO(Days)

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

Employee Headcount-Nos

	Q3FY19	Q4FY19	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21
Onsite	2360	2420	2511	2537	2308	2151	1883	1811	1820
Offshore	6259	6501	6213	6292	6474	5919	5768	6071	6338
BPO/others	283	275	0	0	0	0	0	0	0
Marketing	76	79	0	0	0	0	0	0	0
Support	835	798	1081	1039	1097	885	891	927	953
Total	9813	10073	10095	10147	9879	8955	8542	8809	9111
Gross Addition	1045	1035	1281	981	611	229	394	991	1332

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
Zensar Tech	7570	3668	3804	4238	511	525	589	350	392	436	15.8	16.3	16.8	21.3	18.7	16.5
Cyient	9617	4112	4574	5175	416	555	663	372	427	527	13.5	13.9	15.9	25.9	22.5	18.3
Mastek	5600	1722	2054	2380	320	363	428	209	256	307	25.4	26.8	26.4	30.5	24.9	20.8

Zensar Technologies Ltd.

Financials (Consolidated)

Income Statement

(Rs Cr)	FY19	FY20	FY21	FY22E	FY23E
Net Revenues	3725	4010	3668	3804	4238
Growth (%)	19.6	7.7	-8.5	3.7	11.4
Operating Expenses	3201	3507	2984	3115	3471
EBITDA	525	504	684	689	767
Growth (%)	40.8	-4.0	35.8	0.7	11.3
EBITDA Margin (%)	14.1	12.6	18.7	18.1	18.1
Depreciation	86	157	173	164	178
EBIT	438	347	511	525	589
Other Income	79	88	26	55	55
Interest expenses	37	61	54	40	46
PBT	480	375	483	540	599
Tax	137	104	126	143	157
Adj PAT	339	263	350	392	436
Growth (%)	40.4	-22.4	33.0	12.1	11.3
EPS	14.8	11.5	15.7	17.9	20.3

Balance Sheet

As at March	FY19	FY20	FY21	FY22E	FY23E
SOURCE OF FUNDS					
Share Capital	45	45	45	45	45
Reserves	1897	2045	2297	2428	2676
Shareholders' Funds	1942	2090	2342	2473	2721
Long Term Debt	102	65	0	0	0
Net Deferred Taxes	-45	-50	-49	-50	-50
Long Term Provisions & Others	78	377	324	340	357
Minority Interest	17	24	29	35	40
Total Source of Funds	2094	2506	2646	2798	3068
APPLICATION OF FUNDS					
Net Block & Goodwill	950	1323	1133	1219	1261
CWIP	12	11	0	7	7
Other Non-Current Assets	43	75	258	233	221
Total Non Current Assets	1004	1409	1391	1459	1490
Inventories	98	94	0	0	0
Trade Receivables	876	666	589	604	673
Cash & Equivalents	474	863	1062	1153	1232
Other Current Assets	592	514	342	376	414
Total Current Assets	2041	2137	1993	2134	2320
Short-Term Borrowings	156	223	0	0	0
Trade Payables	301	265	220	250	279
Other Current Liab & Provisions	494	551	518	544	463
Total Current Liabilities	951	1039	738	794	741
Net Current Assets	1090	1098	1254	1339	1579
Total Application of Funds	2094	2506	2646	2798	3068

Cash Flow Statement

(Rs Cr)	FY19	FY20	FY21	FY22E	FY23E
Reported PBT	480	375	482	540	599
Non-operating & EO items	-42	-20	-16	56	77
Interest Expenses	30	52	42	40	46
Depreciation	89	159	175	164	178
Working Capital Change	-262	235	315	-123	-237
Tax Paid	-139	-115	-140	-143	-157
OPERATING CASH FLOW (a)	156	686	858	534	505
Capex	-417	-138	4	-250	-220
Free Cash Flow	-261	548	862	284	285
Investments	0	0	0	0	0
Non-operating income	4	5	-194	28	66
INVESTING CASH FLOW (b)	-413	-133	-190	-222	-155
Debt Issuance / (Repaid)	276	11	-438	0	0
Interest Expenses	-13	-12	-4	-40	-46
FCFE	2	548	421	244	239
Share Capital Issuance	1	2	1	0	0
Dividend	-63	-120	-27	-180	-226
FINANCING CASH FLOW (c)	201	-119	-467	-220	-271
NET CASH FLOW (a+b+c)	-56	435	201	92	79

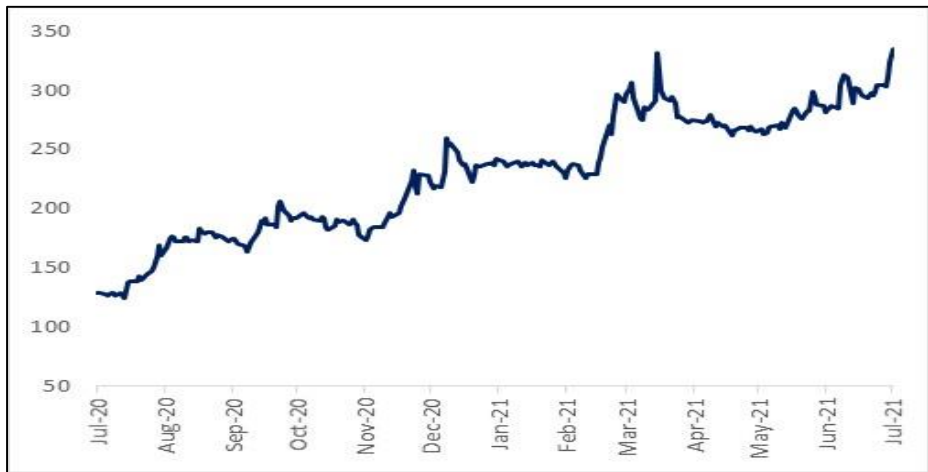
Key Ratios

Particulars	FY19	FY20	FY21	FY22E	FY23E
Profitability Ratio (%)					
EBITDA Margin	14.1	12.6	18.7	18.1	18.1
EBIT Margin	11.8	8.7	13.9	13.8	13.9
APAT Margin	9.1	6.6	9.5	10.3	10.3
RoE	18.8	13.0	15.8	16.3	16.8
RoCE	17.0	11.1	14.7	15.1	15.5
Solvency Ratio					
Net Debt/EBITDA (x)	0.5	0.6	0.0	0.0	0.0
Net D/E	0.1	0.1	0.0	0.0	0.0
PER SHARE DATA (Rs)					
EPS	14.8	11.5	15.7	17.9	20.3
CEPS	18.8	18.6	23.2	24.6	27.2
Dividend	2.8	5.2	6.4	8.4	9.5
BV	86.1	92.6	103.8	109.6	120.6
Turnover Ratios (days)					
Debtor days	85.9	60.6	58.6	58.0	58.0
Inventory days	9.6	8.6	0.0	0.0	0.0
Creditors days	29.5	24.1	21.9	24.0	24.0
VALUATION (x)					
P/E	22.6	29.2	21.3	18.7	16.5
P/BV	3.9	3.6	3.2	3.1	2.8
EV/EBITDA	14.0	13.9	9.5	9.3	8.3
EV / Revenues	2.0	1.7	1.8	1.7	1.5
Dividend Yield (%)	0.8	1.6	1.9	2.5	2.8
Dividend Payout (%)	18.7	45.5	40.7	46.8	46.8

(Source: Company, HDFC sec)



One Year Stock Price Chart



(Source: Company, HDFC sec)

Disclosure:

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