Tech Mahindra

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Result Update

Results Beat; TCV and Commentary assures early-teens growth

- TECHM reported CC growth of 3.9% QoQ (DE: 3.0%) led by traction in CMT and Enterprise Vertical at 2.9% and 4.5% sequential CC growth. EBIT margin declined by 133bps to 15.2% (DE: 14.9%) led by control on SG&A Expense (up 1.6% QoQ) & lower depreciation (down 3.9% QoQ).
- Net New TCV signings were strong at $815mn. TTM TCV is now at $2,735mn (52% Rev Coverage). TECHM is confident to capture more 5G related opportunities both in the Comms & Enterprise space.
- Tech Mahindra is keen on improving the margin performance further as it plans to use levers like centralizing the G&A for subsidiaries and acquisition and build more operating efficiencies.
- Factoring strong Q1 results, confident outlook and strong TCV performance, we increase our earnings estimates by 4%/3% for FY22E/FY23E and maintain Accumulate rating with TP of Rs1,220 valued at 20x FY23E EPS.

5G led Opportunities to drive growth and its right-to-win

TECHM delivered a strong quarter with growth of 3.9% QoQ despite the impact of Comiviva seasonality. The growth also has been fairly broad-based across verticals (Exhibit-1). The TCV performance is also sustaining as it delivered $1.8Bn in wins in last 2 quarters and also highlighted strong traction in sub $5mn deals (these are not included in TCV reporting). The strategy of 5G led deals (for enterprise, digital, network) seems to be behind the strong performance as it is witnessing 60%-70% signed deals having 5G or transformation related component in it. TECHM's strategy remains to position itself for more integrated and holistic transformation.

OPM Strong - 15.2%, Operating efficiencies playing out

TECHM has reported an EBIT Margin of 15.2% (down 133bps QoQ) in a quarter where it faced multiple headwinds in terms of wage hike, incremental hiring (headcount up 4.3% QoQ), visa cost (typically 50-100bps) and higher sub-con cost (up 22.0% QoQ). The performance has been commendable and was largely supported by 1) Operational Efficiency in SG&A which will continue to play out 2) Improved Utilization (88%), 3) Centralized G&A for subs and acquisitions. While there are upcoming headwinds from supply side issues (attrition at 17.2%), potential deal transitioning cost, we believe its 15%+ EBIT margin is achievable for FY22.

Q1FY22 Result (Rs Mn)

Particulars	Q1FY22	Q1FY21	YoY (%)	Q4FY21	QoQ (%)
Revenue	101,976	91,063	12.0	97,299	4.8
Total Expense	83,212	78,058	6.6	77,818	6.9
EBITDA	18,764	13,005	44.3	19,481	(3.7)
Depreciation	3,311	3,832	(13.6)	3,444	(3.9)
EBIT	15,453	9,173	68.5	16,037	(3.6)
Other Income	2,871	4,162	(31.0)	(179)	(1703.9)
Interest	381	503	(24.3)	417	(8.6)
EBT	17,943	12,832	39.8	15,441	16.2
Tax	4,286	3,276	30.8	4,998	(14.2)
RPAT	13,532	9,723	39.2	10,814	25.1
APAT	13,532	9,723	39.2	10,814	25.1
			(bps)		(bps)
Gross Margin (%)	31.7	28.5	316	33.7	(204)
EBITDA Margin (%)	18.4	14.3	412	20.0	(162)
NPM (%)	13.3	10.7	259	11.1	216
Tax Rate (%)	23.9	25.5	(164)	32.4	(848)
EBIT Margin (%)	15.2	10.1	508	16.5	(133)

CMP	Rs 1,128
Target / Upside	Rs 1,220 / 8%
NIFTY	15,779

Scrip Details

Equity / FV	Rs 4,370mn / Rs 5
Market Cap	Rs 984bn
	USD 13bn
52-week High/Low	Rs 1,153/ 643
Avg. Volume (no)	2,805,390
Bloom Code	TECHM IN

Price Performance	1M	3M	12M
Absolute (%)	3	17	67
Rel to NIFTY (%)	3	9	28

Shareholding Pattern

	Dec'20	Mar'21	Jun'21
Promoters	35.8	35.8	35.8
MF/Banks/FIs	13.5	14.4	14.4
FIIs	39.1	38.3	38.3
Public / Others	11.6	11.5	11.5

Valuation (x)

	FY21A	FY22E	FY23E
P/E	22.3	19.3	19.0
EV/EBITDA	14.2	12.2	11.3
ROE (%)	19.0	19.9	19.3
RoACE (%)	18.1	19.7	19.1

Estimates (Rs mn)

	FY21A	FY22E	FY23E
Revenue	378,551	425,261	471,707
EBITDA	68,470	79,168	85,310
PAT	44,281	51,186	52,545
EPS (Rs.)	50.7	58.4	59.5

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Exhibit 1: Quarterly performance versus estimates

(Rs mn)	Actual	Estimates Dolat	Estimates Consensus	% Variation Dolat	% Variation Consensus	Comment
USD Revenue	1,384	1,372	1,351	0.8	2.4	Revenue Beat led by broad-based traction across verticals.
INR Revenue	1,01,976	1,01,097	1,00,692	0.9	1.3	
EBIT	15,453	15,013	14,576	2.9	6.0	EBIT Margin Beat led by cost control on SG&A Expenses (up only 1.6% QoQ).
EBIT, margin	15.2	14.9	14.5	30 bps	70 bps	
PAT	13,532	11,732	12,128	15.3	11.6	PAT beat was extended by higher fx gains at Rs. 1Bn.

Source: Company, DART

Change in Estimates

Factoring the double digit growth outlook backed by strong recovery in TCV wins in H1CY21 we have scaled up revenue growth estimates by 1.5%/2.9% for FY22/FY23E. Strong margin resilience in Q1 despite multiple headwinds implies that TechM would comfortably surpass its 5%+ OPM guidance (we have scaled up our OPM estimates by 23bps/14bps respectively). As a result, we have seen upgrade in our EPS estimates by 5%/3.6% respectively for FY22/23E.

Exhibit 2: Change in Estimates

(Rs. Mn)	FY21A	FY22E			FY23E		
	Actual	Old	New	Change	Old	New	Change
USD Revenue	5,111	5,666	5,749	1.5	6,155	6,333	2.9
YoY growth, %	(1.4)	10.8	12.5	162 bps	8.6	10.2	153 bps
INR Revenue	378,551	421,710	427,923	1.5	467,804	481,338	2.9
YoY growth, %	(1.4)	10.8	12.5	162 bps	8.6	10.2	153 bps
EBIT	53,894	63,106	65,010	3.0	67,057	69,695	3.9
EBIT Margin (%)	14.2	15.0	15.2	23 bps	14.3	14.5	14 bps
Net Profit	44,281	49,097	51,624	5.1	52,143	54,082	3.7
EPS (Rs. Abs)	50.2	55.7	58.4	5.0	59.1	61.2	3.6

Source: DART, Company

Exhibit 3: Key Assumptions in our estimates

	FY20A	FY21A	FY22E	FY23E
USD revenue growth (%)	4.3	(1.4)	12.5	10.2
USD/INR	71.1	74.1	74.4	76.0
INR revenue growth (%)	6.1	2.7	13.0	12.5
EBIT margins (%)	11.6	14.2	15.2	14.5
EPS growth (%)	(3.9)	9.5	16.4	4.8

Source: DART, Company

Exhibit 4: Key Revenue Growth Matrix

Particulars	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22
CC Growth YoY	-1.8%	-3.0%	-4.6%	-0.5%	10.8%
USD Growth YoY	-3.2%	-1.7%	-3.3%	2.7%	14.6%
INR Growth YoY	5.2%	3.3%	-0.1%	2.5%	12.0%

Source: DART, Company

Exhibit 5: Quarterly Financial Performance Trends

Rs mn	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	YoY (%)	QoQ (%)	YTDFY22	YTDFY21	YoY (%)
USD Revenue	1,208	1,265	1,309	1,330	1,384	14.6	4.1	1,384	1,208	14.6
INR Revenue	91,063	93,718	96,471	97,299	101,976	12.0	4.8	101,976	91,063	12.0
Operating Expenses	78,058	76,688	77,516	77,818	83,212	6.6	6.9	83,212	78,058	6.6
Cost of revenue	65,105	64,245	64,708	64,497	69,682	7.0	8.0	69,682	65,105	7.0
as % of sales	71.5	68.6	67.1	66.3	68.3	(316 bps)	204 bps	68.3	71.5	(316 bps)
SG&A expense	12,953	12,443	12,808	13,321	13,530	4.5	1.6	13,530	12,953	4.5
as % of sales	14.2	13.3	13.3	13.7	13.3	(96 bps)	(42 bps)	13.3	14.2	(96 bps)
EBITDA	13,005	17,030	18,955	19,481	18,764	44.3	(3.7)	18,764	13,005	44.3
Depreciation	3,832	3,717	3,584	3,444	3,311	(13.6)	(3.9)	3,311	3,832	(13.6)
EBIT	9,173	13,313	15,371	16,037	15,453	68.5	(3.6)	15,453	9,173	68.5
Finance Cost	503	399	421	417	381	(24.3)	(8.6)	381	503	(24.3)
Other Income	4,162	1,179	2,214	(179)	2,871	(31.0)	(1,703.9)	2,871	4,162	(31.0)
PBT	12,832	14,093	17,164	15,441	17,943	39.8	16.2	17,943	12,832	39.8
Total Tax	3,276	3,462	4,263	4,998	4,286	30.8	(14.2)	4,286	3,276	30.8
PAT Before MI	9,556	10,631	12,901	10,443	13,657	42.9	30.8	13,657	9,556	42.9
Minority Interest	167	15	197	371	(125)	(174.9)	(133.7)	(125)	167	(174.9)
Reported PAT	9,723	10,646	13,098	10,814	13,532	39.2	25.1	13,532	9,723	39.2
Reported EPS	11.1	12.1	14.9	12.3	15.3	38.4	25.0	15.3	11.1	38.4
Margins (%)						**(bps)**	**(bps)**			**(bps)**
EBIDTA	14.3	18.2	19.6	20.0	18.4	412	(162)	18.4	14.3	412
EBIT	10.1	14.2	15.9	16.5	15.2	508	(133)	15.2	10.1	508
EBT	14.1	15.0	17.8	15.9	17.6	350	173	17.6	14.1	350
PAT	10.7	11.4	13.6	11.1	13.3	259	216	13.3	10.7	259
Effective Tax rate	25.5	24.6	24.8	32.4	23.9	(164)	(848)	23.9	25.5	(164)

Source: DART, Company

What to expect next Quarter

We have factored in revenue growth of about 2.9% QoQ in Q2 led by deal rampup, inorganic contribution for two acquisitions. We expect OPM cut of about 25bps QoQ led by sustained investments and supply side factors.

Exhibit 6: What to expect next Quarter

(Rs. Mn)	Q2FY22E	Q1FY22	Q2FY21	QoQ (%)	YoY (%)
USD Revenue	1,424	1,384	1,265	2.9	12.5
INR Revenue	105,376	101,976	93,718	3.3	12.4
EBIT	15,701	15,453	13,313	1.6	17.9
PAT	12,006	13,532	10,646	(11.3)	12.8
EPS (Rs Abs.)	13.6	15.3	12.1	(11.3)	12.2
EBIT Margin (%)	14.9	15.2	14.2	-25bps	69bps

Source: DART, Company

Valuations

We believe TECHM and other Tier I IT companies would continue to deliver strong revenue momentum over next 5-6 quarters (translating into double digit revenue growth in FY22/FY23E) and thus would sustain current valuations of 20x-25x which implies over 1.5x-2x on PEG basis. We currently value TECHM at 20x (from 18times) on FY23E Earnings of Rs. 61.1 (earlier Rs. 58.8) with TP of Rs. 1,220 per share (from Rs. 1,060) and maintain our **Accumulate** Rating.

Key Highlights from the Earning Call

- **Revenue:** Revenue grew by 3.9% in CC terms led by 2.9% CC growth in Communications, Media and Entertainment Revenue and 4.5% CC growth in Enterprise Vertical. The growth in USD and INR terms stood at 4.1% and 4.8% implying a 20bps favorable CC benefit and 70bps USD/INR benefit. The BPO Segment (11.6% of Revenue) grew 11.8% QoQ.
- **EBIT Margins:** EBIT Margin declined by 133bps QoQ to 15.2. The Cost of Revenue increased by 8.0% QoQ due to wage hike impact and Headcount increase of 4.3% QoQ. On Absolute basis, the employee cost increased by 9.9% QoQ and 7.4% YoY. SG&A Expenses control (up 1.6% QoQ) helped in lower OPM impact in the quarter. Tech Mahindra has also guided that it will further work on profitability with the operating efficiency improvement program.
- **Vertical Commentary:** CMT Vertical grew 3.2% and contributed 32% to incremental revenue growth. The other vertical also delivered growth in Q1FY22. Tech Vertical led the growth at 8.1% QoQ. Overall, performance was very broad-based.

Exhibit 7: Vertical Trend for Q1FY22

Vertical	Amount ($ mn)	Mix (%)	QoQ (%)	YoY (%)	Incremental Revenue ($ mn)	% Contribution of Incremental Revenue
CMT	554	40	3.2	12.6	17	32
Manufacturing	229	17	4.5	12.2	10	19
Tech	122	9	8.1	22.7	9	17
BFSI	227	16	3.7	19.7	8	15
Retail, Transport & Logistics	106	8	3.2	16.4	3	6
Others	147	11	4.3	11.1	6	11
Total	**1,384**	**100**	**4.0**	**14.6**	**53**	**100**

Source: DART, Company

- **Geographical Commentary:** Americas market grew 6.8% QoQ and contributed to 78% of the growth. The Europe market grew 6.6% QoQ. While Rest of the World declined by 3.1% QoQ after 6.2% QoQ growth in Q4FY21.

Exhibit 8: Geography Trend for Q1FY22

Geography	Amount ($ mn)	Mix (%)	QoQ (%)	YoY (%)	Incremental Revenue ($ mn)	% Contribution of Incremental Revenue
Americas	646	47	6.8	8.5	41	78
Europe	376	27	6.6	20.6	23	44
Rest of world	361	26	(3.1)	20.0	(12)	(22)
Total	**1,384**	**100**	**4.0**	**14.6**	**53**	**100**

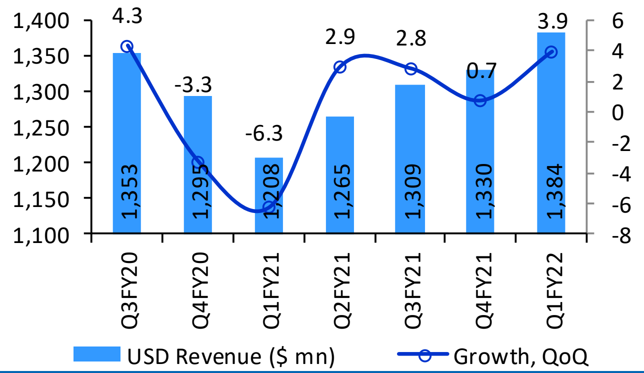
Source: DART, Company

- **Deals:** Tech Mahindra delivered $815mn in Net New Deal Wins in Q1FY22. The CME deal wins were at $352mn during the quarter ($1.1Bn on TTM basis). The Enterprise Vertical deal wins were at $463mn during the quarter ($1.55Bn on TTM basis). During the quarter, TECHM won one large deal in Healthcare vertical wherein it will do hospital and patient care modernization and another large BPO Deal where it will digitize the back office, provisioning and fulfillment areas.

- **Outlook:** Tech Mahindra largely remain confident on the growth outlook as it sees 5G opportunities in the market. It is prepared to take on them and also built proactive pipeline for 5G opportunities. Despite strong start to the year, the company has retained its qualitative guidance of double digit growth and 15% OPM for the year.

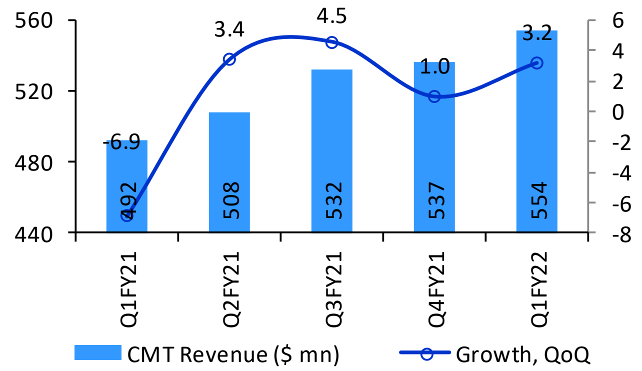
Key Charts

Exhibit 9: Revenue grew by 3.9% CC QoQ



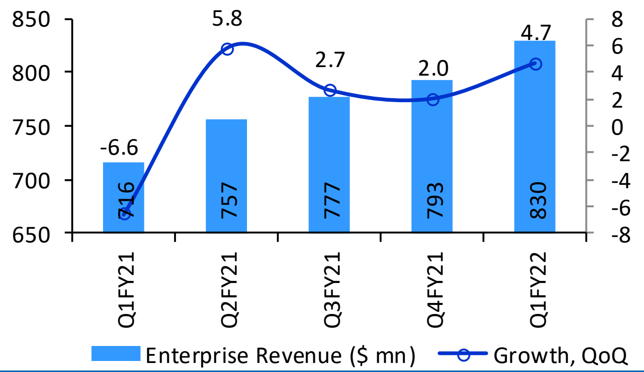
Source: DART, Company

Exhibit 10: CMT grew at 3.2% QoQ in USD terms



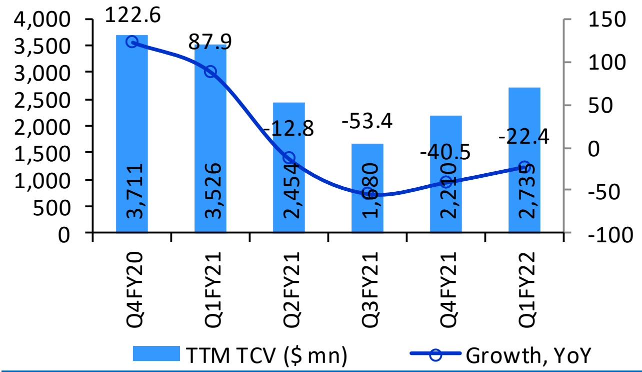
Source: DART, Company

Exhibit 11: Enterprise Vertical growth at 4.7% QoQ



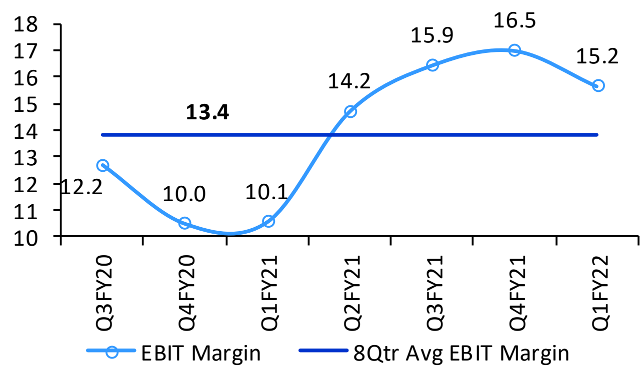
Source: DART, Company

Exhibit 12: TTM TCV is gradually improving ($2.7Bn)



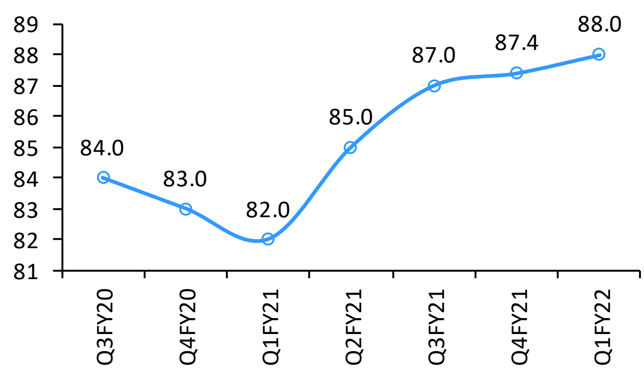
Source: DART, Company

Exhibit 13: EBIT Margin down by 133bps QoQ to 15.2% on wage hike impact



Source: DART, Company

Exhibit 14: Utilization up by 60bps QoQ, leaving no more headroom



Source: DART, Company

Exhibit 15: Operating Metrics 1

Particulars	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22
Growth CC									
Revenue (QoQ)	(1.1)	4.1	4.3	(3.3)	(6.3)	2.9	2.8	0.7	3.9
Revenue (YoY)	3.7	7.3	7.5	3.9	(1.8)	(3.0)	(4.6)	(0.5)	10.8
CMT / Telecom (QoQ)					(8.2)	0.8	3.6	0.2	2.9
CMT / Telecomm (YoY)					(6.5)	(7.8)	(11.3)	(4.3)	7.8
Enterprise (QoQ)					(5.1)	4.3	2.3	1.1	4.5
Enterprise (YoY)					1.6	0.3	0.2	2.1	12.9
TCV Data ($mn)									
Communication	100	1,079	150	174	105	208	104	518	352
Enterprise	375	414	1,081	339	185	214	352	525	463
Total	475	1,493	1,231	513	290	421	456	1,043	815
TCV Growth YoY									
Communication	(22.5)	259.4	(38.9)	1.5	5.0	(80.8)	(30.7)	197.7	233.0
Enterprise	176.5	62.9	455.5	43.3	(50.7)	(48.4)	(67.4)	54.9	150.7
Total	79.2	169.5	179.5	22.5	(38.9)	(71.8)	(63.0)	103.3	181.0
TTM TCV ($mn)									
Communication	817	1,596	1,500	1,503	1,508	637	591	935	1,187
Enterprise	1,060	1,220	2,107	2,209	2,019	1,819	1,090	1,276	1,547
Total	1,877	2,816	3,606	3,698	3,513	2,441	1,666	2,210	2,735
TTM TCV Growth YoY									
Communication				77.6	84.6	(60.1)	(60.6)	(37.8)	(21.3)
Enterprise				169.1	90.4	49.1	(48.3)	(42.2)	(23.4)
Total	60.0	98.7	131.3	121.8	87.2	(13.3)	(53.8)	(40.5)	(22.4)
Vertical Amount ($mn)									
CMT	524	529	576	528	483	497	520	527	554
Manufacturing	242	232	234	229	203	204	213	217	229
Tech	95	104	103	96	109	124	123	123	122
BFSI	160	167	179	198	190	208	209	219	227
Retail, Transp. & Logistics	77	90	97	95	88	95	103	100	106
Others	148	165	165	149	135	138	141	144	147
Vertical Amount (YoY)									
CMT	8.1	4.6	11.2	(2.4)	(7.8)	(6.0)	(9.8)	(0.2)	12.6
Manufacturing	(1.7)	(5.4)	(9.4)	(10.5)	(16.2)	(12.1)	(9.1)	(5.4)	12.2
Tech	7.5	17.2	16.5	0.8	14.7	18.9	19.2	28.6	22.7
BFSI	(4.1)	1.8	5.7	19.3	18.8	24.0	16.9	10.6	19.7
Retail, Transp. & Logistics	3.5	13.8	15.3	16.5	14.0	5.3	6.1	5.8	16.4
Others	(9.5)	20.8	15.9	15.2	(8.9)	(16.3)	(14.4)	(3.6)	11.1
Geography Amount ($mn)									
North America	594	624	655	618	595	612	612	605	646
Europe	344	344	365	343	312	319	345	352	376
Rest of the World	309	321	333	334	301	334	351	372	361
Geography Amount (YoY)									
North America	0.6	9.0	9.6	5.0	0.3	(1.9)	(6.5)	(2.1)	8.5
Europe	(6.3)	(4.7)	0.3	(5.4)	(9.5)	(7.2)	(5.4)	2.7	20.6
Rest of the World	15.4	12.4	11.4	5.8	(2.8)	4.2	5.4	11.5	20.0
New/Old Revenue									
New Business ($mn)	29	67	118	180	32	69	74	103	49
Repeat Business ($mn)	1218	1220	1235	1115	1175	1197	1234	1226	1334

Source: DART, Company

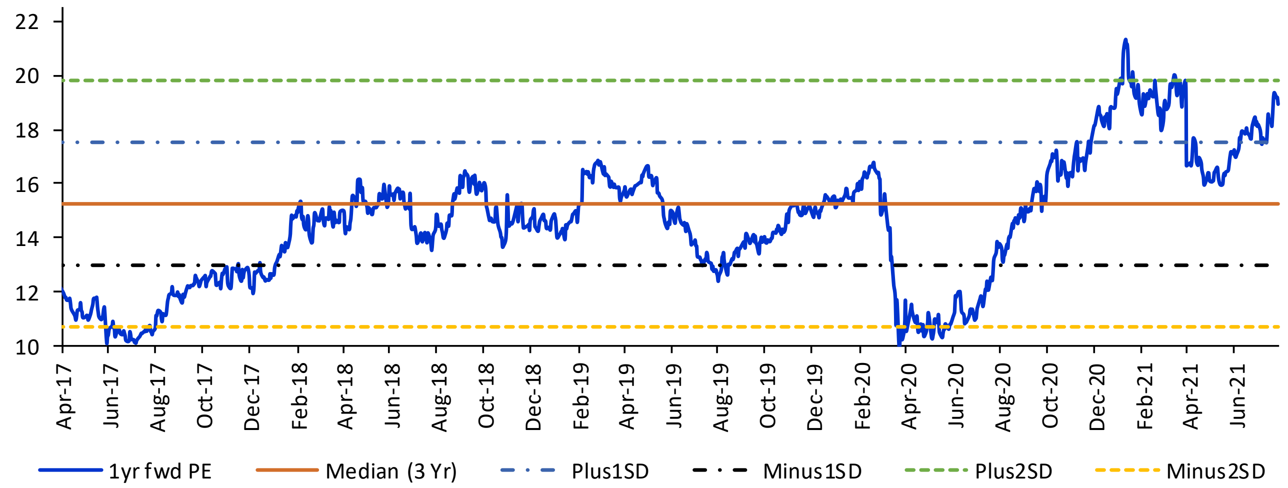
Exhibit 16: Operating Metrics 2

Particulars	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22
Revenue Metrics ($mn)									
Onsite Revenue	814	842	884	844	774	797	824	835	863
Offshore Revenue	433	445	469	451	433	468	484	495	521
Revenue Metrics (YoY)									
Onsite Revenue	(0.1)	7.1	7.0	2.1	(5.0)	(5.3)	(6.7)	(1.1)	11.5
Offshore Revenue	5.8	3.0	7.9	2.1	0.2	5.1	3.1	9.8	20.2
Employee Data									
S/W professionals	74,093	72,597	73,079	71,515	71,020	69,512	68,734	68,427	69,877
Support and sales	6,680	6,732	6,664	6,905	6,842	6,284	6,335	6,502	6,718
BPO	45,000	52,193	51,096	46,816	45,554	48,462	46,832	46,125	49,668
Total Employees	1,25,773	1,31,522	1,30,839	1,25,236	1,23,416	1,24,258	1,21,901	1,21,054	1,26,263
Net Addition	4,691	5,749	(683)	(5,603)	(1,820)	842	(2,357)	(847)	5,209
Utilization (%) incl. Trainee	80	82	84	83	82	85	87	87.4	88.0
Attrition (IT Services)	21	21	20	19	17	13.5	12.4	13.3	17.2
Client Metrics ($mn)									
Top 5 client	267	278	302	277	263	272	286	296	306
Top 6-10 client	116	127	118	124	112	112	115	116	123
Top 11-19 client	161	156	150	163	150	156	155	163	169
Non Top 20 client	703	726	783	730	682	724	753	755	785
Client Metrics (YoY)									
Top 5 client	(0.4)	(2.0)	5.9	(4.1)	(1.5)	(2.1)	(5.3)	6.8	16.6
Top 6-10 client	(10.6)	11.3	3.7	6.6	(3.3)	(11.8)	(2.6)	(6.3)	9.3
Top 11-19 client	(4.1)	(0.9)	(3.9)	(1.8)	(6.8)	0.4	3.4	(0.3)	12.8
Non Top 20 client	6.8	9.5	11.0	4.9	(3.0)	(0.2)	(3.9)	3.4	15.1
Revenue by Type									
IT	1,132	1,167	1,220	1,182	1,109	1,137	1,165	1,185	1,223
BPO	115	120	133	112	98	129	143	144	160
Revenue by Type (YoY)									
IT	-0.1	3.8	5.7	2.3	-2.0	-2.6	-4.5	0.2	10.3
BPO	26.1	27.8	24.9	0.3	-14.5	7.2	7.9	28.8	63.5
EBITDA Margin									
IT	15.3	17.0	16.1	14.1	14.9	17.8	19.1	19.1	18.0
BPO	14.2	12.1	16.7	14.9	6.8	21.9	23.7	28.0	21.3
Client Data									
>US$1 million	429	437	446	446	451	460	454	451	466
>US$5 million	160	155	164	160	161	165	162	169	168
>US$10 million	81	80	83	85	81	82	83	85	86
>US$20 million	49	49	50	49	48	50	50	50	51
>US$50 million	21	22	22	22	21	21	21	21	22
Number of active clients	**941**	**946**	**964**	**973**	**981**	**988**	**997**	**1007**	**1058**
DSO	**110**	**114**	**112**	**112**	**107**	**97**	**95**	**92**	**93**

Source: DART, Company

Band Chart

Exhibit 17: Tech Mahindra is trading above 3 Year Median valuation with PER of 18.9x



Source: DART, Company

Profit and Loss Account

(Rs Mn)	FY20A	FY21A	FY22E	FY23E
Revenue	**368,677**	**378,551**	**425,261**	**471,707**
Total Expense	**311,416**	**310,081**	**346,094**	**386,396**
COGS	259,743	258,555	287,299	320,126
Employees Cost	0	0	0	0
Other expenses	51,673	51,525	58,795	66,270
EBIDTA	**57,261**	**68,470**	**79,168**	**85,310**
Depreciation	14,458	14,576	15,220	17,694
EBIT	**42,803**	**53,894**	**63,947**	**67,617**
Interest	1,919	1,740	1,585	1,548
Other Income	9,694	7,376	6,225	5,012
Exc. / E.O. items	0	0	0	0
EBT	**50,578**	**59,530**	**68,587**	**71,081**
Tax	11,604	15,999	17,287	18,481
RPAT	40,330	44,281	51,186	52,545
Minority Interest	(1,356)	(750)	115	55
Profit/Loss share of associates	**0**	**0**	**0**	**0**
APAT	**40,330**	**44,281**	**51,186**	**52,545**

Balance Sheet

(Rs Mn)	FY20A	FY21A	FY22E	FY23E
Sources of Funds				
Equity Capital	4,359	4,370	4,359	4,359
Minority Interest	3,933	3,795	3,910	3,965
Reserves & Surplus	213,772	244,280	260,386	275,833
Net Worth	**218,131**	**248,650**	**264,745**	**280,192**
Total Debt	24,282	16,618	15,870	15,159
Net Deferred Tax Liability	(8,087)	(8,372)	(8,372)	(8,372)
Total Capital Employed	**238,259**	**260,691**	**276,153**	**290,944**
Applications of Funds				
Net Block	**87,276**	**89,294**	**90,414**	**86,065**
CWIP	501	1,183	1,183	1,183
Investments	59,927	103,267	108,867	114,467
Current Assets, Loans & Advances	**217,388**	**193,903**	**208,483**	**227,286**
Inventories	358	242	396	441
Receivables	75,809	64,753	73,426	82,735
Cash and Bank Balances	31,483	28,352	30,681	35,586
Loans and Advances	45	47	47	47
Other Current Assets	109,693	100,509	103,933	108,476
Less: Current Liabilities & Provisions	**126,833**	**126,956**	**132,794**	**138,057**
Payables	32,566	27,850	32,239	35,993
Other Current Liabilities	94,267	99,106	100,555	102,064
sub total				
Net Current Assets	90,555	66,947	75,689	89,229
Total Assets	**238,259**	**260,691**	**276,153**	**290,944**

E – Estimates

Important Ratios

Particulars	FY20A	FY21A	FY22E	FY23E
(A) Margins (%)				
Gross Profit Margin	29.5	31.7	32.4	32.1
EBIDTA Margin	15.5	18.1	18.6	18.1
EBIT Margin	11.6	14.2	15.0	14.3
Tax rate	22.9	26.9	25.2	26.0
Net Profit Margin	10.9	11.7	12.0	11.1
(B) As Percentage of Net Sales (%)				
COGS	70.5	68.3	67.6	67.9
Employee	0.0	0.0	0.0	0.0
Other	14.0	13.6	13.8	14.0
(C) Measure of Financial Status				
Gross Debt / Equity	0.1	0.1	0.1	0.1
Interest Coverage	22.3	31.0	40.3	43.7
Inventory days	0	0	0	0
Debtors days	75	62	63	64
Average Cost of Debt	10.0	8.5	9.8	10.0
Payable days	32	27	28	28
Working Capital days	90	65	65	69
FA T/O	4.2	4.2	4.7	5.5
(D) Measures of Investment				
AEPS (Rs)	46.2	50.7	58.4	59.5
CEPS (Rs)	62.8	67.3	75.7	79.5
DPS (Rs)	14.8	45.0	40.0	42.0
Dividend Payout (%)	31.9	88.8	68.5	70.6
BVPS (Rs)	249.9	284.4	301.9	317.2
RoANW (%)	19.2	19.0	19.9	19.3
RoACE (%)	18.0	18.1	19.7	19.1
RoAIC (%)	21.3	24.5	26.8	27.0
(E) Valuation Ratios				
CMP (Rs)	1128	1128	1128	1128
P/E	24.4	22.3	19.3	19.0
Mcap (Rs Mn)	984,273	984,273	984,273	984,273
MCap/ Sales	2.7	2.6	2.3	2.1
EV	977,072	972,539	969,462	963,846
EV/Sales	2.7	2.6	2.3	2.0
EV/EBITDA	17.1	14.2	12.2	11.3
P/BV	4.5	4.0	3.7	3.6
Dividend Yield (%)	1.3	4.0	3.5	3.7
(F) Growth Rate (%)				
Revenue	6.1	2.7	12.3	10.9
EBITDA	(9.6)	19.6	15.6	7.8
EBIT	(17.8)	25.9	18.7	5.7
PBT	(8.8)	17.7	15.2	3.6
APAT	(6.2)	9.8	15.6	2.7
EPS	(4.7)	9.6	15.2	1.9

Cash Flow

(Rs Mn)	FY20A	FY21A	FY22E	FY23E
CFO	43,581	80,938	56,526	58,207
CFI	10,286	(54,501)	(16,774)	(13,945)
CFF	(44,655)	(29,869)	(37,424)	(39,357)
FCFF	35,288	75,213	40,186	44,862
Opening Cash	20,427	30,167	26,904	29,233
Closing Cash	30,167	26,904	29,233	34,138

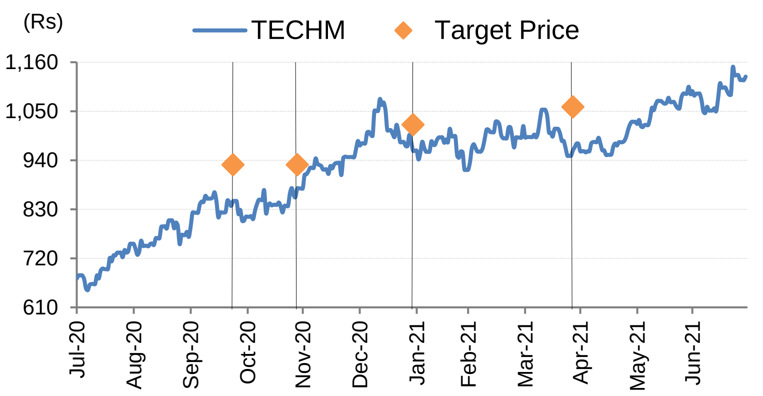
E – Estimates

DART RATING MATRIX

Total Return Expectation (12 Months)

Buy	**> 20%**
Accumulate	**10 to 20%**
Reduce	**0 to 10%**
Sell	**< 0%**

Rating and Target Price History



Month	Rating	TP (Rs.)	Price (Rs.)
Oct-20	Accumulate	930	848
Nov-20	Accumulate	930	877
Jan-21	Accumulate	1,020	961
Apr-21	Accumulate	1,060	962

*Price as on recommendation date

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