

# Persistent Systems

## Buy the dip

Persistent Systems (PSYS) ticked the box on growth and deal wins, while margins for the quarter faltered due to deal-specific dynamics. We expect PSYS' growth leadership to hold, supported by its pedigree in software product engineering, market-share gains from larger peers, and strong deal velocity – any recovery in discretionary is an upside risk to growth based on service portfolio and vertical mix. The margin improvement track for the company will continue—despite the Q4 miss on margin, the medium-term outlook on margin stays. While PSYS' valuation multiples have rerated over the past few years and return potential is likely to be a function of superior earnings growth, the correction presents an opportunity—buy the dip. Maintain BUY on PSYS with a TP of INR 4,110, based on 35x FY26E, supported by 25% EPS CAGR over FY24-26E.

- In-line revenue—healthcare vertical-led growth:** PSYS' posted in-line revenue print at USD 311mn, +3.4% QoQ and +13.2% YoY, supported by a strong uptick in the Healthcare & Lifescience vertical (large deal ramp-up). PSYS' BFSI revenue continued to outpace peers with growth of 1.8% QoQ. For FY24, PSYS posted revenue of USD 1,186mn, 14.5% growth. This followed 30% and 25% organic growth in FY22 and FY23 and doubling revenue in the last three years—enabled by (1) improved sales velocity and supported by advisory/private equity channel, (2) strong product development pedigree, (3) greater focus on services business, (4) improving annuity/duration, and (5) de-risking of portfolio. There remains an upside risk to growth 'when' discretionary demand returns; also, supported by the vertical mix of BFSI/Hi-Tech that could make it recover faster.
- Net new bookings remain robust:** Despite the macroeconomic impact on discretionary services, PSYS' net new bookings remained robust—the highest-ever new ACV bookings at USD 185mn or second-highest ever new TCV bookings at USD 302mn. Persistent has consistently secured several USD 50mn+ deals with a high component from managed services and cost optimization—this is reflected in the recent increase in higher spending on the purchase of software licenses. PSYS' addressability/win rate has improved substantially, which is reflected in its new deal TCV/ACV increase of 75/50% over FY22-24.
- Margin improvement on track:** The operating performance for Q4 came in lower than expected (flat QoQ at 14.5% EBITM) due to higher onsite and related sub-contracting expenses (deal specific/vendor consolidation). However, we reckon that the margin improvement track for the company will play out, based on (1) operating leverage over the next two years, (2) improvement in utilisation, (3) moderation in sub-contracting spend, and (4) large scope for sales efficiency (following 20% increase in S&M spend in FY24—we expect 40bps tailwind over two years). We've factored EBITM at 15.3/16.4% for FY25E and FY26E respectively with ~150bps improvement in gross margin and ~50% improvement in SG&A over FY24-26E.

## Financial Summary

YE March (INR bn)	Q4FY24	Q4FY23	YoY (%)	Q3FY24	QoQ (%)	FY23	FY24	FY25E	FY26E
Revenue (USD Mn)	311	275	13.2	301	3.4	1,036	1,186	1,374	1,629
Net Sales	25.91	22.54	14.9	24.98	3.7	83.51	98.22	114.78	138.45
EBIT	3.74	3.47	8.0	3.63	3.1	12.47	14.15	17.59	22.73
APAT	3.15	2.52	25.4	2.86	10.2	9.43	11.30	14.19	18.08
Diluted EPS (INR)	20.5	16.3	25.4	18.6	10.2	61.3	73.4	92.2	117.5
P/E (x)						57.2	47.8	38.0	29.9
EV / EBITDA (x)						34.3	30.3	24.6	18.9
RoE (%)						25.1	25.6	26.3	28.3

Source: Company, HSIE Research

**BUY**

CMP (as on 22 Apr 2024)	INR 3,509
Target Price	INR 4,110
NIFTY	22,336

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 4,220	INR 4,110
EPS %	FY25E	FY26E
	-0.7	-2.6

## KEY STOCK DATA

Bloomberg code	PSYS IN
No. of Shares (mn)	154
MCap (INR bn) / (\$ mn)	540/6,487
6m avg traded value (INR mn)	2,874
52 Week high / low	INR 4,490/2,163

## STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(11.4)	18.8	63.5
Relative (%)	(14.5)	6.2	40.0

## SHAREHOLDING PATTERN (%)

	Dec-23	Mar-24
Promoters	31.06	31.02
FIs & Local MFs	26.13	25.88
FPIs	24.41	24.96
Public & Others	18.40	18.14
Pledged Shares	0.00	0.00

Source : BSE

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**Strong software product engineering creds and GenAI beneficiary:** PSYS' strong credentials in software product development within enterprises position the company to benefit from GenAI opportunity. It has strong partnerships reflected in ~15.5k certifications across Microsoft, AWS, Google Cloud, Salesforce and IBM built over time with acquisitions such as MediaAgility, Data Glove, and PARX. PSYS' pedigree with its top customer (2k+ engineers, 115 active annual engagements and 400+ common enterprise customer pool) can drive growth ahead (recent partnership signing in data and AI services), following the planned partial ramp-down of a five-year deal.

**Strengthened senior management:** PSYS has strengthened its senior management cadre with hires from tier-1s with the most recent being Head of BFSI and Europe (former Wipro) (*exhibit: 5*). We believe that the recent induction of senior management can boost business scalability towards the USD 2bn revenue and drive larger client engagements—PSYS's USD 5mn+ accounts have doubled in the last three years (also supported by acquisitions). The company has consistently won deals displacing larger peers and recent sizeable wins include the deal to set up offshore development centres for the European conglomerate/energy segment.

**Outlook:** We expect PSYS' revenue growth at 15.9% and 18.5% in FY25E and FY26E respectively, following 14.5% growth in FY24 revenue growth—implying a CAGR of 4%/4.5% for FY25/26E. Factored EBITM at 15.3% and 16.4% for FY25E and FY26E, translating into an EPS CAGR of 25% over FY24-26E. Maintain BUY on PSYS with a TP of INR 4,110 based on 35x FY26E EPS (INR 117.5)—PEG of 1.4x. At CMP, PSYS trades at 30x FY26E—5Y average at 28x.

### Key highlights from the earnings call

**Growth:** Persistent Systems is winning in BFSI against larger peers and it's gaining with clients as a challenger to larger competitors. The growth pecking order in FY25E is expected to be led by the Healthcare & Lifescience vertical, followed by BFSI and tech verticals.

**GenAI update:** During the last quarter, several proofs of concepts have progressed to production programs. AI is opening opportunities for Persistent in both AI for product engineering and AI for enterprises. Persistent is leveraging its AI platform 'SASVA' for opportunities in AI for product engineering. The key deal in GenAI includes a three-year deal from the US insurer for straight-through processing and support documents such as policy contracts, employee records, and other policy admin documents.

**Q4 margin:** Sub-contractor cost increase in Q4 was a one-time impact related to ramp-up of multiple deals. Elevated travel & planning and budgeting costs had a 40bps incremental impact on the Q4 margin. The margin headwinds of 200bps were offset by a reduction in earn-out liability related to an earlier acquisition. Investments in GenAI and customer experience centres in the US, London, and Pune are at heightened levels. Blended utilisation was at 80% in Q4 as compared to 81.5% in Q3FY24. Persistent has targeted margin expansion of 200-300bps over the next three years.

**M&A strategy:** M&A areas/prospects are the payer-provider side within Healthcare vertical, certain micro verticals within BFSI, for Western Europe market penetration and for Eastern Europe delivery penetration.

**Exhibit 1: Quarterly consolidated Financial Snapshot**

Particulars (INR bn)	Q4FY24	Q4FY23	YoY (%)	Q3FY24	QoQ (%)
<b>Revenue (USD mn)</b>	<b>311</b>	<b>275</b>	<b>13.2</b>	<b>301</b>	<b>3.4</b>
Net Sales	<b>25.91</b>	<b>22.54</b>	<b>14.9</b>	<b>24.98</b>	<b>3.7</b>
Direct Expenses	17.29	14.89	16.1	16.54	4.5
SG&A Expenses	4.08	3.49	16.8	4.02	1.3
<b>EBITDA</b>	<b>4.54</b>	<b>4.16</b>	<b>9.1</b>	<b>4.42</b>	<b>2.8</b>
Depreciation	0.80	0.70	14.6	0.79	1.5
<b>EBIT</b>	<b>3.74</b>	<b>3.47</b>	<b>8.0</b>	<b>3.63</b>	<b>3.1</b>
Other Income	0.31	0.09	248.7	0.38	(19.6)
Interest Cost	0.10	0.15	(34.4)	0.12	(19.6)
<b>PBT</b>	<b>3.95</b>	<b>3.41</b>	<b>16.1</b>	<b>3.89</b>	<b>1.6</b>
Tax	0.80	0.89	(10.0)	1.03	(22.3)
<b>RPAT</b>	<b>3.15</b>	<b>2.52</b>	<b>25.4</b>	<b>2.86</b>	<b>10.2</b>
EO Items (Adj For Tax)	-	-	NA	-	NA
<b>APAT</b>	<b>3.15</b>	<b>2.52</b>	<b>25.4</b>	<b>2.86</b>	<b>10.2</b>

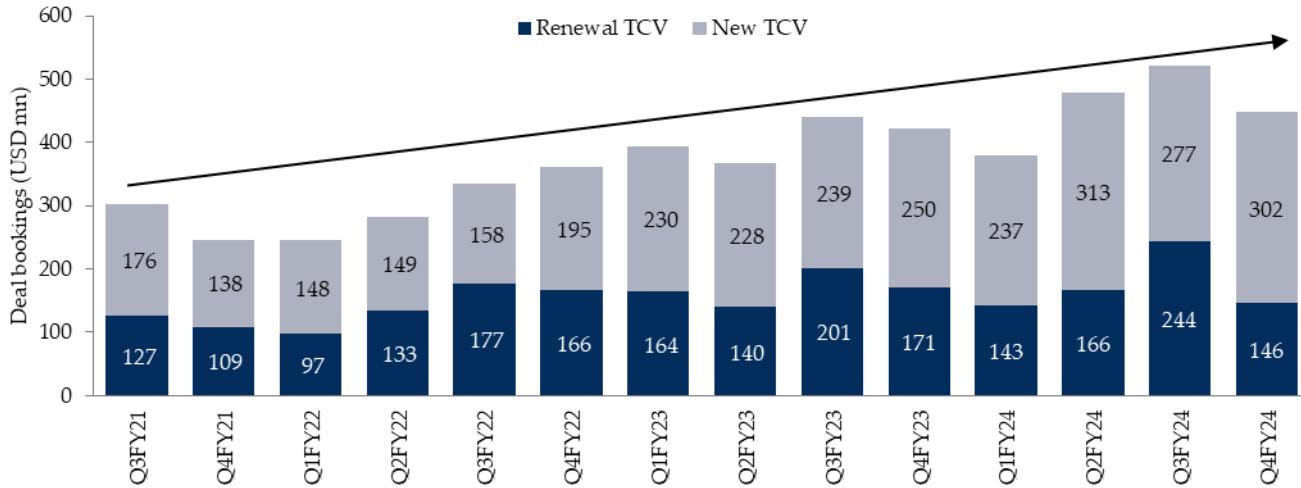
Source: Company, HSIE Research

**Margin Analysis**

MARGIN ANALYSIS %	Q4FY24	Q4FY23	YoY (bps)	Q3FY24	QoQ (bps)
Direct Expenses % Net Sales	66.7	66.1	67	66.2	53
SG&A Expenses % Net Sales	15.7	15.5	26	16.1	(38)
Gross Margin %	33.3	33.9	(67)	33.8	(53)
EBITDA Margin (%)	17.5	18.5	(93)	17.7	(15)
<b>EBIT Margin (%)</b>	<b>14.5</b>	<b>15.4</b>	<b>(92)</b>	<b>14.5</b>	<b>(8)</b>
Tax Rate (%)	20.3	26.2	(588)	26.5	(623)
APAT Margin (%)	12.2	11.2	102	11.5	72

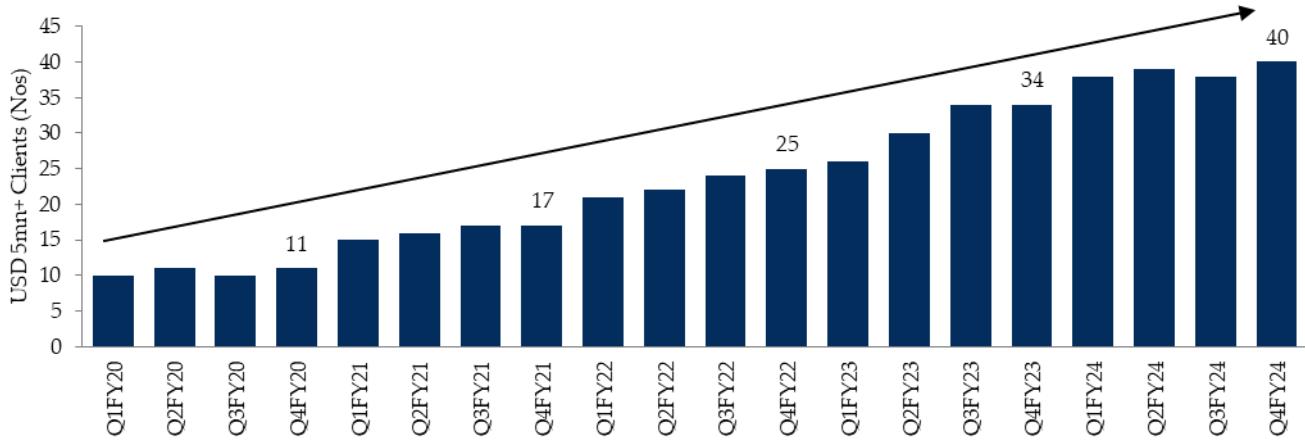
Source: Company, HSIE Research

**Exhibit 2: Consistent growth in new deals provide revenue visibility**



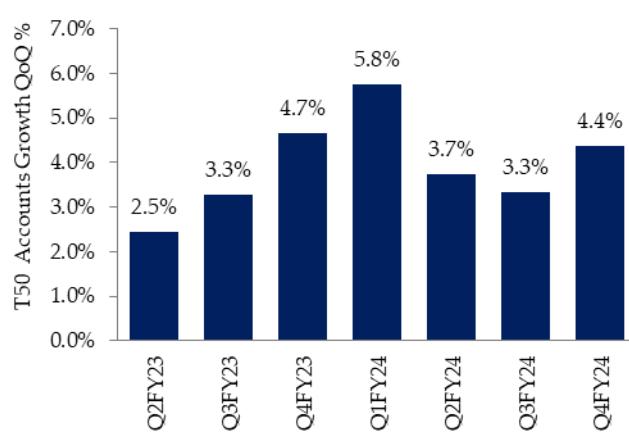
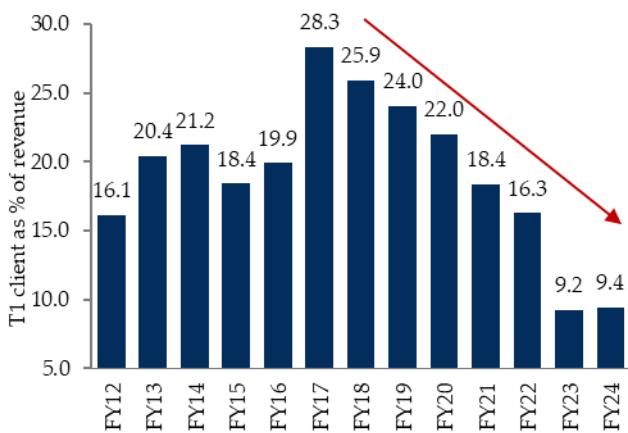
Source: Company, HSIE Research

**Exhibit 3: Large client mining (USD 5mn+ clients)**



Source: Company, HSIE Research

**Exhibit 4: Top client concentration risk have reduced significantly and broad-based growth across T50**



Source: Company, HSIE Research

## Persistent Systems: Results Review Q4FY24

### Exhibit 5: Recent senior management additions

Management	Designation	Prior Organisation
Barath Narayanan	Global Head – BFSI & Europe	Wipro
Gurvinder Sahni	Chief Marketing Officer	Wipro
Rajiv Sodhi	SVP - Hyperscalers BU and Global Partnerships	Microsoft
Ayon Banerjee	Chief Strategy & Growth Officer	ANSR, BCG, Tech Mahindra
Dhanashree Bhat	Chief Operating Officer	Tech Mahindra
Sumit Arora	SVP & Global Head - Consulting Practice	Wells Fargo

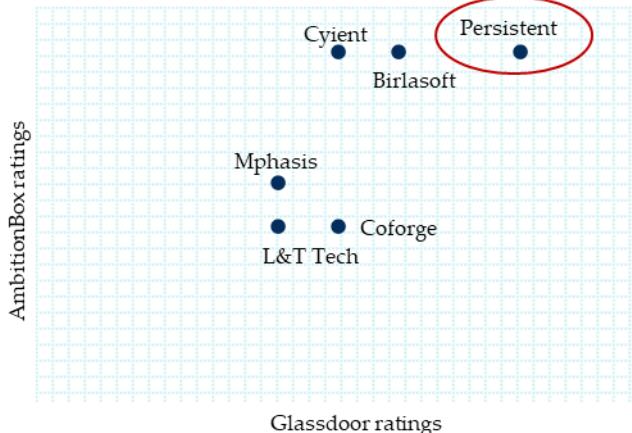
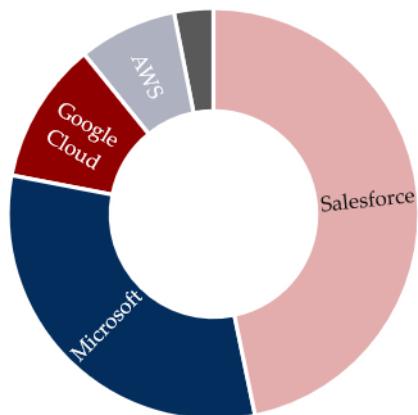
Source: Company, LinkedIn, HSIE Research

### Exhibit 6: Acquisition history

Year	Acquisition	Domain	Consideration	Revenue-rate
2022	MediaAgility	Google Cloud services (500+ employees)	USD 72mn	USD 25mn
2022	Data Glove	Microsoft Cloud services (700+ employees)	USD 90mn	USD 50mn
2021	Shree Partners	IT services	USD 7mn	USD 8mn
2021	SCI	consulting services in Payments domain (90 employees)	USD 53mn	USD 17mn
2020	Capitot	IT services in Mulesoft, Red Hat, TIBCO	USD 6mn	USD 1.1mn
2019	Youperience	Salesforce consulting services (170 employees)	USD 2mn	USD 1mn
2017	PARX	Salesforce consulting services	USD 15mn	USD 8mn

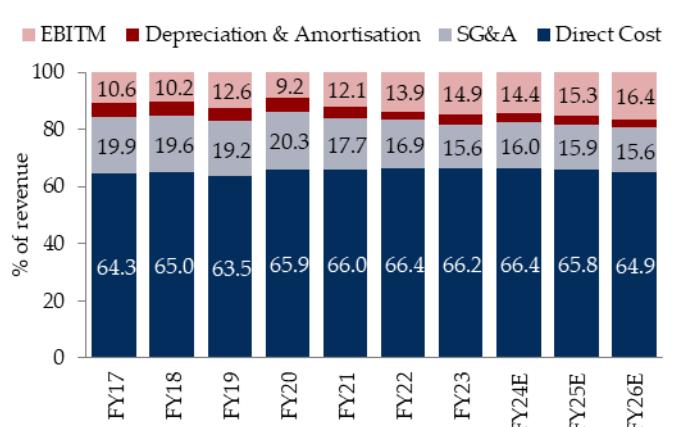
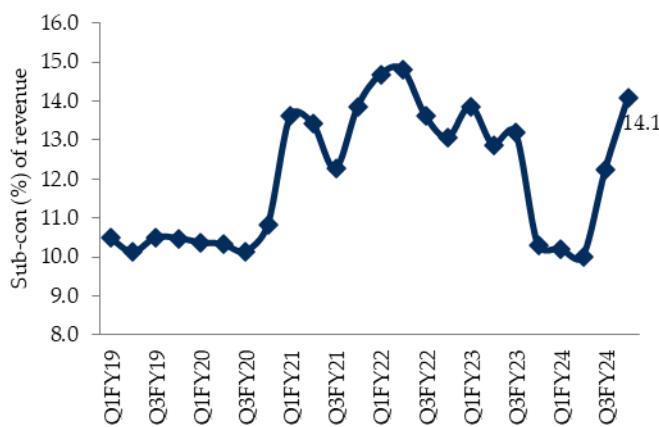
Source: Company, HSIE Research

### Exhibit 7: Strong technology credentials (certifications) and high employee ratings



Source: Company, Glassdoor, AmbitionBox, HSIE Research. Note: number of certifications ~15,500

### Exhibit 8: Sub-contracting surged in Q4 – margin expansion ahead both on Gross% and SG&A%



Source: Company, HSIE Research

## Persistent Systems: Results Review Q4FY24

### Exhibit 9: PSYS - Performance by Verticals

(% of revenue)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24
BFSI	33.7	32.8	32.6	32.3	33.3	32.3	31.2	30.7
Healthcare & Lifesciences	19.9	19.7	19.6	19.7	18.6	19.3	21.8	24.2
Technology Cos & Emerging Verticals	46.4	47.5	47.8	48.0	48.1	48.4	47.0	45.1
<b>Total</b>	<b>100.0</b>							

QoQ %	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24
BFSI	15.6	3.0	2.8	2.9	6.2	0.0	(0.5)	1.8
Healthcare & Lifesciences	6.8	4.7	2.9	4.4	(2.7)	7.0	16.4	14.8
Technology Cos & Emerging Verticals	10.0	8.3	4.1	4.3	3.3	3.8	0.1	(0.7)
<b>Total</b>	<b>11.1</b>	<b>5.8</b>	<b>3.4</b>	<b>3.9</b>	<b>3.0</b>	<b>3.1</b>	<b>3.0</b>	<b>3.4</b>

YoY %	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24
BFSI	58.4	49.8	34.4	25.9	15.7	12.4	8.8	7.6
Healthcare & Lifesciences	40.5	30.3	25.7	20.2	9.5	11.8	26.5	39.1
Technology Cos & Emerging Verticals	37.9	38.4	34.7	29.3	21.4	16.3	11.8	6.4
<b>Total</b>	<b>44.8</b>	<b>40.2</b>	<b>32.8</b>	<b>26.3</b>	<b>17.1</b>	<b>14.1</b>	<b>13.7</b>	<b>13.2</b>

Source: Company, HSIE Research

### Exhibit 10: PSYS - Performance by Geography

(% of revenue)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24
North Americas	78.4	78.6	77.1	77.9	79.2	79.2	79.7	80.1
Europe	8.5	8.3	9.0	10.3	9.7	9.5	8.9	7.8
ROW	13.1	13.1	13.9	11.8	11.1	11.3	11.4	12.1
<b>Total</b>	<b>100.0</b>							

QoQ %	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24
North Americas	10.9	6.1	1.5	4.9	4.8	3.1	3.7	4.0
Europe	12.5	3.3	12.2	18.9	(3.0)	1.0	(3.5)	(9.3)
ROW	12.0	5.8	9.8	(11.8)	(3.1)	5.0	3.9	9.8
<b>Total</b>	<b>11.1</b>	<b>5.8</b>	<b>3.4</b>	<b>3.9</b>	<b>3.0</b>	<b>3.1</b>	<b>3.0</b>	<b>3.4</b>

YoY %	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24
North Americas	43.9	40.0	29.2	25.2	18.3	15.0	17.5	16.4
Europe	29.5	32.2	44.0	54.9	33.7	30.6	12.4	(14.2)
ROW	63.5	46.9	47.6	14.7	(0.7)	(1.5)	(6.8)	16.1
<b>Total</b>	<b>44.8</b>	<b>40.2</b>	<b>32.8</b>	<b>26.3</b>	<b>17.1</b>	<b>14.1</b>	<b>13.7</b>	<b>13.2</b>

Source: Company, HSIE Research. Note: RoW includes India revenue

### Exhibit 11: Client & Headcount Metrics

(Nos)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24
USD 5mn+	26	30	34	34	38	39	38	40
USD 1mn+	130	146	152	160	167	175	176	178
Top Client % of revenue	11.7	8.7	7.4	9.3	10.2	10.2	9.3	8.0
Top-10 % of revenue	40.7	36.7	35.0	37.4	39.6	39.5	39.3	40.0
<b>Total headcount</b>	<b>21,638</b>	<b>22,476</b>	<b>22,598</b>	<b>22,889</b>	<b>23,130</b>	<b>22,842</b>	<b>23,336</b>	<b>23,850</b>
<b>Addition (Net)</b>	<b>3,039</b>	<b>838</b>	<b>122</b>	<b>291</b>	<b>241</b>	<b>-288</b>	<b>494</b>	<b>514</b>
<b>Attrition (%)</b>	<b>24.8</b>	<b>23.7</b>	<b>21.6</b>	<b>19.8</b>	<b>15.5</b>	<b>13.5</b>	<b>11.9</b>	<b>11.5</b>

Source: Company, HSIE Research

## Persistent Systems: Results Review Q4FY24

### Exhibit 12: Change in estimates

YE March (INR bn)	FY25E Old	FY25E Revised	Change %	FY26E Old	FY26E Revised	Change %
Revenue (USD Mn)	1,372	1,374	0.2	1,626	1,629	0.2
Revenue	114.59	114.78	0.2	138.22	138.45	0.2
EBIT	17.85	17.59	(1.4)	23.54	22.73	(3.4)
EBIT margin (%)	15.6	15.3	-25bps	17.0	16.4	-61bps
APAT	14.29	14.19	(0.7)	18.56	18.08	(2.6)
EPS (INR)	92.9	92.2	(0.7)	120.6	117.5	(2.6)

Source: Company, HSIE Research

## Financials

### Consolidated Income Statement

YE March (INR bn)	FY22	FY23	FY24	FY25E	FY26E
Net Revenues (USD mn)	766	1,036	1,186	1,374	1,629
<i>Growth (%)</i>	<b>35.2%</b>	<b>35.3%</b>	<b>14.5%</b>	<b>15.9%</b>	<b>18.5%</b>
Net Revenues	57.11	83.51	98.22	114.78	138.45
<i>Growth (%)</i>	<b>36.4%</b>	<b>46.2%</b>	<b>17.6%</b>	<b>16.9%</b>	<b>20.6%</b>
Employee Expenses	37.89	55.32	65.23	75.54	89.85
SG&A Expenses	9.63	13.00	15.74	18.25	21.66
<b>EBITDA</b>	<b>9.58</b>	<b>15.19</b>	<b>17.24</b>	<b>20.99</b>	<b>26.93</b>
Depreciation	1.66	2.72	3.09	3.40	4.20
<b>EBIT</b>	<b>7.92</b>	<b>12.47</b>	<b>14.15</b>	<b>17.59</b>	<b>22.73</b>
<b>EBIT Margin (%)</b>	<b>13.9%</b>	<b>14.9%</b>	<b>14.4%</b>	<b>15.3%</b>	<b>16.4%</b>
<i>EBIT Growth (%)</i>	<b>56.1%</b>	<b>57.4%</b>	<b>13.4%</b>	<b>24.3%</b>	<b>29.2%</b>
Other Income (Incl. EO Items)	1.44	0.41	0.79	1.72	1.76
Interest	0.12	0.47	0.47	0.39	0.39
<b>PBT</b>	<b>9.24</b>	<b>12.41</b>	<b>14.48</b>	<b>18.92</b>	<b>24.10</b>
Tax (Incl Deferred)	2.34	3.20	3.54	4.73	6.03
RPAT	6.90	9.21	10.93	14.19	18.08
<b>APAT</b>	<b>6.90</b>	<b>9.43</b>	<b>11.30</b>	<b>14.19</b>	<b>18.08</b>
<i>APAT Growth (%)</i>	<b>53.2%</b>	<b>36.6%</b>	<b>19.8%</b>	<b>25.6%</b>	<b>27.4%</b>
<b>Adjusted EPS (INR)</b>	<b>44.9</b>	<b>61.3</b>	<b>73.4</b>	<b>92.2</b>	<b>117.5</b>
<i>EPS Growth (%)</i>	<b>53.2%</b>	<b>36.6%</b>	<b>19.8%</b>	<b>25.6%</b>	<b>27.4%</b>

Source: Company, HSIE Research

### Consolidated Balance Sheet

YE March (INR bn)	FY22	FY23	FY24	FY25E	FY26E
<b>SOURCES OF FUNDS</b>					
Share Capital - Equity	0.76	0.76	0.77	0.77	0.77
Reserves	32.92	38.89	48.81	57.61	68.77
<b>Total Shareholders Funds</b>	<b>33.68</b>	<b>39.65</b>	<b>49.58</b>	<b>58.38</b>	<b>69.54</b>
Total Debt	2.80	2.06	2.07	2.07	2.07
Net Deferred Taxes	(1.12)	(1.13)	(1.36)	(1.36)	(1.36)
Long Term Provisions & Others	3.45	4.90	2.22	2.22	2.22
<b>TOTAL SOURCES OF FUNDS</b>	<b>38.81</b>	<b>45.48</b>	<b>52.51</b>	<b>61.32</b>	<b>72.47</b>
<b>APPLICATION OF FUNDS</b>					
Net Block	5.90	11.21	11.30	12.22	13.02
CWIP	1.07	0.16	0.34	0.34	0.34
Goodwill & Intangibles	2.79	7.18	10.91	10.91	10.91
Investments	0.18	0.18	0.18	0.18	0.18
Other Non-current Assets	4.39	1.79	2.33	2.33	2.33
<b>Total Non-current Assets</b>	<b>14.34</b>	<b>20.53</b>	<b>25.06</b>	<b>25.98</b>	<b>26.78</b>
<b>Cash &amp; Equivalents</b>	<b>23.83</b>	<b>20.26</b>	<b>19.04</b>	<b>24.95</b>	<b>32.47</b>
Debtors	9.48	15.70	16.76	19.59	23.63
Other Current Assets	5.36	8.56	11.52	13.46	16.23
<b>Total Current Assets</b>	<b>38.67</b>	<b>44.53</b>	<b>47.32</b>	<b>57.99</b>	<b>72.33</b>
Creditors	4.30	5.69	8.14	9.51	11.47
Other Current Liabilities & Prov.	9.91	13.89	11.73	13.15	15.17
<b>Total Current Liabilities</b>	<b>14.21</b>	<b>19.58</b>	<b>19.87</b>	<b>22.66</b>	<b>26.64</b>
<b>Net Current Assets</b>	<b>24.46</b>	<b>24.95</b>	<b>27.45</b>	<b>35.34</b>	<b>45.69</b>
<b>TOTAL APPLICATION OF FUNDS</b>	<b>38.81</b>	<b>45.48</b>	<b>52.51</b>	<b>61.32</b>	<b>72.47</b>

Source: Company, HSIE Research

**Consolidated Cash Flow**

YE March (INR bn)	FY22	FY23	FY24P	FY25E	FY26E
Reported PBT	9.24	12.41	14.96	18.92	24.10
Non-operating & EO items	0.20	1.74	(0.36)	(1.00)	(1.03)
Interest expenses	0.12	0.47	0.47	0.39	0.39
Depreciation	1.66	2.72	3.09	3.40	4.20
Working Capital Change	(0.41)	(4.38)	(2.05)	(1.98)	(2.83)
Tax Paid	(2.37)	(3.40)	(3.41)	(4.73)	(6.03)
<b>OPERATING CASH FLOW</b>	<b>8.45</b>	<b>9.56</b>	<b>12.70</b>	<b>15.00</b>	<b>18.81</b>
Capex	(10.01)	(8.64)	(2.84)	(4.32)	(5.00)
<i>Free cash flow (FCF)</i>	<i>(1.56)</i>	<i>0.91</i>	<i>9.86</i>	<i>10.68</i>	<i>13.81</i>
<b>INVESTING CASH FLOW</b>	<b>(10.21)</b>	<b>(10.38)</b>	<b>(2.48)</b>	<b>(3.32)</b>	<b>(3.97)</b>
Debt Issuance/(Repaid)	4.28	(0.04)	(0.00)	-	-
Interest Expenses	(0.12)	(0.47)	(0.29)	(0.39)	(0.39)
FCFE	2.60	0.40	9.57	10.29	13.42
Share Capital Issuance	-	-	-	-	-
Dividend/Buyback	(1.99)	(2.98)	(4.08)	(5.38)	(6.92)
<b>FINANCING CASH FLOW</b>	<b>2.17</b>	<b>(3.49)</b>	<b>(4.37)</b>	<b>(5.77)</b>	<b>(7.31)</b>
<b>NET CASH FLOW</b>	<b>0.41</b>	<b>(4.32)</b>	<b>5.85</b>	<b>5.91</b>	<b>7.52</b>
<b>Closing Cash &amp; Equivalents</b>	<b>23.83</b>	<b>20.26</b>	<b>19.04</b>	<b>24.95</b>	<b>32.47</b>

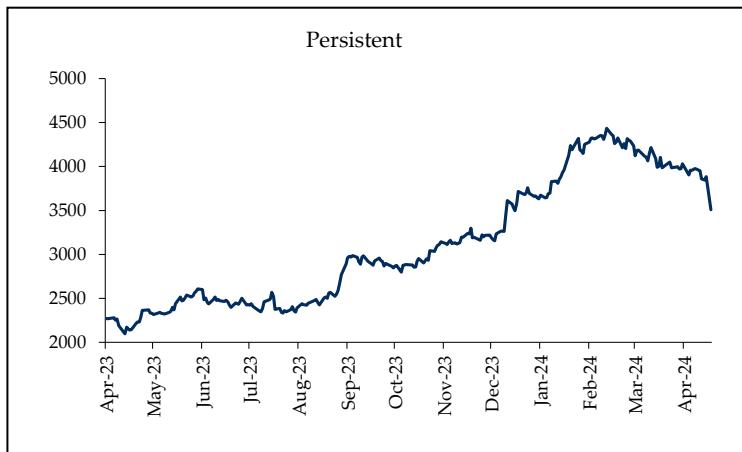
Source: Company, HSIE Research

**Key Ratios**

YE March	FY22	FY23	FY24	FY25E	FY26E
<b>PROFITABILITY (%)</b>					
GPM	33.6	33.8	33.6	34.2	35.1
EBITDA Margin	16.8	18.2	17.6	18.3	19.5
APAT Margin	12.1	11.3	11.5	12.4	13.1
RoE	22.4	25.1	25.6	26.3	28.3
RoIC (or Core RoCE)	50.8	46.1	36.8	37.8	44.6
RoCE	21.0	22.7	24.0	25.5	27.5
<b>EFFICIENCY</b>					
Tax Rate (%)	25.3	25.8	23.7	25.0	25.0
Fixed Asset Turnover (x)	6.4	7.0	8.0	8.3	8.7
<i>Debtors (days)</i>	61	69	62	62	62
<i>Other Current Assets (days)</i>	34	37	43	43	43
<i>Payables (days)</i>	27	25	30	30	30
<i>Other Current Liab &amp; Provs (days)</i>	63	61	44	42	40
Cash Conversion Cycle (days)	4	20	31	33	35
Debt/EBITDA (x)	0.3	0.1	0.1	0.1	0.1
Net D/E (x)	(0.6)	(0.5)	(0.3)	(0.4)	(0.4)
Interest Coverage (x)	67	26	30	45	58
<b>PER SHARE DATA (INR)</b>					
EPS	44.9	61.3	73.4	92.2	117.5
CEPS	112.1	156.1	94.3	114.4	144.8
Dividend	16	25	25	35	45
Book Value	441	519	322	379	452
<b>VALUATION</b>					
P/E (x)	78.2	57.2	47.8	38.0	29.9
P/BV (x)	8.0	6.8	10.9	9.2	7.8
EV/EBITDA (x)	54.1	34.3	30.3	24.6	18.9
OCF/EV (%)	1.6	1.8	2.4	2.9	3.7
FCF/EV (%)	-0.3	0.2	1.9	2.1	2.7
FCFE/Mkt Cap (%)	0.5	0.1	1.8	1.9	2.5
Dividend Yield (%)	0.9	1.4	0.7	1.0	1.3

Source: Company, HSIE Research

**1 Yr Price Movement**



**Rating Criteria**

BUY:	>+15% return potential
ADD:	+5% to +15% return potential
REDUCE:	-10% to +5% return potential
SELL:	> 10% Downside return potential

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