KPIT Technologies Accumulate

IT Services | Q4FY24 Result Update

Result Update

Strong Beat Continues; Best Placed to Ride on Auto ER&D Spends

- **KPIT reported revenue growth of 5.1% QoQ in CC terms (DE: 4.2%), led by Passenger Vehicles segment in Europe and Asia. OPM stood at 16.7%, up 12bps QoQ (DE: 16.7%), supported by healthy operating efficiency.**
- **For FY2025E, the company has guided for revenue (organic) growth of 18-22% and expects an EBITDA margin of 20.5%+, post ESOP cost of Rs. 1bn.**
- **We believe KPIT has a strong growth trajectory for coming years given 1) its consistent performance, 2) benign client commentary, and 3) continued investments for improving moat places. Ex-of ESOP charges we keep our earnings estimate largely unchanged and retain 'Accumulate' rating on DCF based TP of Rs1,640 (implies ~2x on PEG basis).**

Industry leading growth guidance; Healthy TCV wins continue.

KPIT's organic 18-22% CC Growth guidance underpins strengths of its leadership in advanced solutions, long standing client relationships, despite global uncertainty. EBITDA margin guidance of 20.5%+ showcases tight execution. New TCV wins of $261mn in Q4 and $796mn on TTM basis support growth optimism.

Platinum and Gold customers to scale-up with newer solutions

Amongst T-25 strategic clients (86% of Revenue), KPIT has further classified clients into Platinum, Gold, Diamond etc. (approx.7-8 in each category). While Diamond clients are expected to sustain good momentum, few Gold and Platinum clients are lagging in terms of tech adoption; KPIT will roll-out newer solutions for them. Over the years, significant portion of its T-25 clients are now OEMs, implying direct connect and reduction of dependence of Tier-I OEMS for growth scalability.

Envisioning new growth areas

KPIT showcased its 5-year journey as an automotive & mobility focused entity, along with milestones achieved. Going forward, KPIT envisions a no. of objectives that include: Creating more immersive experience, Multiple monetization sources for end customers, Reducing cost of end product, etc. We believe these initiatives will further cement mindshare of KPIT as a strategic partner for not just technology, but also help in improving end-customer's competitiveness.

Q4FY24 Result (Rs Mn)

Particulars	Q4FY24	Q4FY23	YoY (%)	Q3FY24	QoQ (%)
Revenue	13,178	10,174	29.5	12,570	4.8
Total Expense	10,449	8,350	25.1	9,985	4.7
EBITDA	2,729	1,823	49.7	2,585	5.6
Depreciation	527	422	24.8	500	5.5
EBIT	2,202	1,401	57.2	2,085	5.6
Other Income	166	63	165.7	188	(11.5)
Interest	118	107	10.7	158	(25.1)
EBT	2,250	1,357	65.8	2,116	6.3
Tax	586	246	137.6	548	6.8
RPAT	1,644	1,116	47.3	1,553	5.8
APAT	1,644	1,116	47.3	1,553	5.8
			(bps)		(bps)
Gross Margin (%)	35.6	34.5	107	35.7	(8)
EBITDA Margin (%)	20.7	17.9	279	20.6	14
NPM (%)	12.5	11.0	150	12.4	11
Tax Rate (%)	26.0	18.2	786	25.9	11
EBIT Margin (%)	16.7	13.8	294	16.6	12

CMP	Rs 1,509
Target / Upside	Rs 1,640 / 9%
NIFTY	22,643

Scrip Details

Equity / FV	Rs 2,733mn / Rs 10
Market Cap	Rs 409bn
	USD 4.9bn
52-week High/Low	Rs 1,764/ 875
Avg. Volume (no)	1,255,230
Bloom Code	KPITTECH IN

Price Performance	1M	3M	12M
Absolute (%)	1	7	65
Rel to NIFTY (%)	0	3	34

Shareholding Pattern

	Sep'23	Dec'23	Mar'24
Promoters	39.5	39.5	39.5
MF/Banks/FIs	10.1	9.5	14.0
FIIs	25.7	26.5	24.0
Public / Others	24.8	24.6	22.6

Valuation (x)

	FY24A	FY25E	FY26E
P/E	68.8	52.6	43.2
EV/EBITDA	40.7	32.2	25.9
ROE (%)	31.1	31.7	30.5
RoACE (%)	33.5	32.8	31.7

Estimates (Rs bn)

	FY24A	FY25E	FY26E
Revenue	48.7	59.1	70.4
EBITDA	9.9	12.3	15.0
PAT	5.9	7.8	9.5
EPS (Rs.)	21.9	28.7	34.9

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Exhibit 1: Quarterly performance versus estimates

Particulars (Rs mn)	Actual	Estimates		% Variation		Comment
		Dolat	Consensus	Dolat	Consensus	
USD Revenue	159.0	155.1	155.5	2.5	2.2	Broad-based growth led to beat.
INR Revenue	13,178	12,889	13,012	2.2	1.3	
EBIT	2,202	2,153	2,173	2.3	1.3	Operating leverage led OPM beat.
EBIT, margin	16.7	16.7	16.7	0 bps	0 bps	
PAT	1,644	1,631	1,625	0.8	1.1	PAT inline.

Source: Company, DART

Change in Estimates

For FY25E/FY26E - (1) We raise our USD revenue growth by 1% in FY25E, noting around mid-point of its guided range of 18-22% CC growth. (2) Toned down margin estimates by 34bps/52bps, taking into account the ESOP charges. (3) Overall, we saw a change of +1.3%/-3.2% to our earnings estimates.

Exhibit 2: Change in Estimates

Particulars (Rs. mn)	FY23A	FY24A			FY25E			FY26E		
	Actual	Old	New	% chg	Old	New	% chg	Old	New	% chg
USD Revenue	418	583	587	0.7	699	706	1.0	834	833	(0.1)
YoY growth,	27.3	39.6	40.5	93 bps	19.9	20.3	36 bps	19.3	18.0	(127 bps)
INR Revenue	33,650	48,442	48,715	0.6	58,497	59,150	1.1	70,490	70,415	(0.1)
YoY growth,	38.3	44.0	44.8	81 bps	20.8	21.4	66 bps	20.5	19.0	(146 bps)
EBIT	4,865	7,846	7,894	0.6	10,100	10,011	(0.9)	12,761	12,382	(3.0)
EBIT Margin,	14.5	16.2	16.2	1 bps	17.3	16.9	(34 bps)	18.1	17.6	(52 bps)
Net Profit	3,810	5,856	5,945	1.5	7,681	7,778	1.3	9,786	9,474	(3.2)
EPS (Rs)	14.0	21.5	21.8	1.5	28.1	28.5	1.3	35.9	34.7	(3.2)

Source: DART, Company

Exhibit 3: Quarterly Revenue Growth Trend

Particulars	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24
CC Growth QoQ (%)	5.6	5.2	6.0	8.3	4.9	8.5	7.1	9.0	4.3	5.1
USD Growth QoQ (%)	4.1	4.1	3.2	4.8	17.3	12.0	8.2	8.4	2.6	6.6
INR Growth QoQ (%)	5.3	4.7	5.2	8.6	23.1	10.9	7.9	9.3	4.8	4.8

Source: DART, Company

Exhibit 4: Quarterly Financial Summary

Particulars (Rs mn)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	QoQ	YoY	FY24	FY23	YoY
USD Revenue	**110.5**	**123.8**	**133.9**	**145.2**	**149.0**	**159.0**	**6.6**	**28.4**	**587.2**	**418.4**	**40.4**
INR Revenue	9,171	10,174	10,976	11,992	12,570	13,178	4.8	29.5	48,715	33,650	44.8
Operating Expenses	7,319	8,100	8,766	9,416	9,805	10,292	5.0	27.1	38,280	27,010	41.7
Employee Expenses	5,652	6,409	7,135	7,753	7,904	8,328	5.4	29.9	31,120	21,553	44.4
as % of sales	61.6	63.0	65.0	64.7	*62.9*	*63.2*	31 bps	20 bps	*63.9*	*64.0*	(0.3)
Other Expenses	1,667	1,691	1,631	1,664	1,901	1,964	3	16	7,160	5,457	31.2
as % of sales	18.2	16.6	14.9	13.9	*15.1*	*14.9*	(22 bps)	(172 bps)	*14.7*	*16.2*	(9.4)
EBITDA	1,669	1,823	2,139	2,399	2,585	2,729	5.6	49.7	9,852	6,204	58.8
Depreciation	404	422	450	481	500	527	5.5	24.8	1,958	1,464	33.8
EBIT	1,265	1,401	1,688	1,918	2,085	2,202	5.6	57.2	7,894	4,740	66.5
Other Income	211	63	215	95	188	166	(11.5)	165.7	664	527	26.0
PBT	1,394	1,362	1,766	1,877	2,116	2,245	6.1	64.8	8,004	4,968	61.1
Total Tax	353	246	422	463	548	586	6.8	137.6	2,019	1,100	83.6
Min. Int	36	(0)	4	5	14	16	9.5	(8,816.7)	40	59	(32.0)
Reported PAT	**1,005**	**1,116**	**1,340**	**1,409**	**1,553**	**1,644**	**5.8**	**47.3**	**5,945**	**3,810**	**56.1**
Reported EPS	**3.7**	**4.1**	**4.9**	**5.2**	**5.7**	**6.0**	**5.8**	**47.2**	**21.8**	**14.0**	**56.0**
Margins (%)							**(bps)**	**(bps)**			**(bps)**
EBIDTA	18.2	17.9	19.5	20.0	20.6	20.7	14 bps	279 bps	20.2	18.4	179 bps
EBIT	13.8	13.8	15.4	16.0	16.6	16.7	12 bps	294 bps	16.2	14.1	212 bps
PBT	15.2	13.4	16.1	15.7	16.8	17.0	20 bps	365 bps	16.4	14.8	167 bps
PAT	11.3	11.0	12.2	11.8	12.5	12.5	11 bps	150 bps	12.2	11.3	88 bps
Effective Tax rate	25.3	18.1	23.9	24.7	25.9	26.1	17 bps	799 bps	25.2	22.1	309 bps

Source: DART, Company

What to expect next Quarter

For Q1'FY25, we expect a strong growth of 5% QoQ in USD terms, led by continued deal ramp-up and client spends. With FY'25 EBITDA guidance of 20.5%+, we expect operating leverage to play out with revenue growth and expect OPM expansion of 60bps for Q1'FY25E.

Exhibit 5: What to expect next Quarter

(Rs Mn)	Q1FY25E	Q4FY24	QoQ (%)	Q1FY24	YoY (%)
USD Revenue	167.0	159.0	133.9	5.0	24.7
INR Revenue	13,940	13,178	10,976	5.8	27.0
EBIT	2,413	2,202	1,688	9.6	42.9
PAT	1,864	1,644	1,340	13.4	39.1
EPS (Rs. Abs)	6.8	6.0	4.9	13.4	39.0
EBIT Margin (%)	17.3	16.7	15.4	60 bps	193 bps

Source: DART, Company

Earnings call KTAs

- **Revenue:** KPIT reported revenue growth of 5.1% QoQ in CC terms and 6.6% QoQ in USD terms. **Region-wise Mix**: Europe (51.7% of Rev) grew by 4.4% QoQ, followed by Asia (18.6% of Rev), up 14.6% QoQ, while USA region (29.7% of Rev) posted a strong 6% QoQ growth. **Revenue By** Vehicle **Type**: Passenger Cars (79% of Rev) posted 7.4% QoQ growth, while Commercial Vehicles (17.5% of Rev) grew by 7.2% QoQ.
- **TCV Wins**: For Q4, KPIT won new engagements of $261mn in TCV as compared to $189mn in Q2FY24. Out of this TCV, 2 key deal wins include: a) Asian OEM – for SDV, and b) European OEM for Integration. Both deals were above $50mn each.
- **Operating Margin:** EBIT margin improved by 12bps QoQ to 16.7% in Q3, while EBITDA margin improved by 14bps to 20.7%. KPIT guided for Rs.1bn of ESOP cost for FY2025, in order to include more employees in the ESOP program and incentivize them.
- **T-25 Strategic Clients (86% of Rev):** Revenue from T-25 strategic clients grew by 8% QoQ, while Non-Top 25 clients declined by 3% QoQ. Management shared that as part of its 4 pillars of strategy, one key pillar was its long-standing relationships with top global OEMs. To illustrate - KPIT has relationship of 17+ years with 6 OEMs, is associated for 12+ years with 4 OEMs, and has 7+ year relationship with 7 OEMs. Other pillars comprise of: a) Leadership in key practices (SDV, Middleware, electric powertrain, etc), b) Global Delivery Model (India, Tunisia, Munich), and c) 12.8K employees with low attrition.
- **Guidance:** For FY'2025E, KPIT guided revenue growth of 18-22% in CC terms, and an EBITDA Margin of 20.5% plus. Guidance is for organic growth.
- **Employees:** Employee base stood at 12,856, and KPIT added 129 employees sequentially. Though KPIT did not state its attrition numbers, but mentioned that it was in high single digits. Management is confident that KPIT will continue to attract capable talent, despite any short-term blips due to no. of captive centers of global OEMs/Tier-1s opening in India.
- **Outlook Commentary:** Management stated that despite global uncertainties, the automotive industry continues to have a lot of headroom. Based on client feedback, it does not foresee any drop in R&D spends for BEV (Battery E.V – Full or partial), or hybrid vehicles. KPIT is also undertaking steps to build presence in China – be it existing OEMs having a market in China, or Chinese OEMs working for global markets. Initially, it will commence with Technica (prototyping and validation), which already has presence in the market.
- **Cash & Dividend**: Net Cash balance stood at Rs. 8.5Bn, adding Rs.225mn over Dec-23. KPIT declared a dividend of Rs. 4.6 per share. The total dividend for FY2024 stood at Rs. 6.7 per share.
- **Update on QORIX J.V:** In May-23, KPIT and a global automotive supplier ZF announced formation of a J.V, 'QORIX'. J.V aimed to build on the expertise and relevant IPs of KPIT and ZF to develop open and scalable automotive middleware platforms and solutions for the mobility ecosystem. Management has shared that operations from this J.V are yet to commence only due to pending regulatory approvals, more so because ZF has a much larger global footprint. Product roadmap, including focus countries of operation within Europe, Asia, and North America have been finalized, hiring of key personnel, including senior management has been complete.
- **M&A Opportunities**: Management stated that if identified, it would aim to look for M&A opportunities in new practice areas, new technologies or new geographies. Guidance of 18-22% CC Revenue growth is entirely based on organic growth.
- **Vision and Way Forward**: KPIT outlined its way forward to be a preferred partner to its clients by: a) Evolving with Automotive industry needs, b) Creating lifelong relationships with end customers, c) Providing immersive digital user experiences, d) Creating multiple sources of monetization for end customers, e) Improving Business Efficiencies, f) Reducing total cost of their end product, and g) Increasing scope of collaboration with new partners like cloud and semiconductor companies.
- This vision will be achieved by a) Investing in creating new offerings to present technology solutions to our clients ahead of the curve, b) Increasing investments in new geographies eg. Asia, c) Looking at adjacencies in the overall mobility space (e.g. IFE – Industrial & Farm Equipment) which would have equal or more opportunities, led by similar technologies.

Exhibit 6: Deal Wins (Net New) velocity has improved across markets and across key offerings

Period	Company	Type
Q4FY24	European Car OEM	Significant engagements in the electric powertrain and connected domains.
Q4FY24	Asian Car OEM	Strategic engagements in the connected, autonomous and middleware domains.
Q4FY24	American Car OEM	Crucial engagements in connected, electric and conventional powertrain domains.
Q4FY24	American Car OEM	Strategic engagements in the autonomous, electric and conventional powertrain domains.
Q4FY24	American CV OEM	Key Engagements in powertrain and vehicle diagnostics domain
Q3FY24	Asian OEM	Multiple engagements in the Autonomous Driving and Vehicle Engineering domains
Q3FY24	European OEM	Strategic engagements in the System Engineering for Body electronics domains
Q3FY24	European OEMs	Several strategic engagements in the E-Powertrain domain
Q3FY24	European OEM	Strategic engagement in the Autonomous Driving domain
Q3FY24	American CV OEM	Several engagements in Vehicle Engineering domain
Q2FY24	European OEM	Multi- year engagement in the autonomous driving domain
Q2FY24	American OEM	A few engagements in the electric powertrain domain
Q2FY24	European OEM	Several engagements in the electric powertrain, autonomous driving and connected domains
Q2FY24	American OEM	A program in the powertrain domain
Q2FY24	Asian OEM	Various engagements in the connected and vehicle engineering domains
Q1FY24	European OEM	Multiple engagements in autonomous driving, body electronics and diagnostics
Q1FY24	American OEM	A few engagements in the electric powertrain domain
Q1FY24	American OEM	Several engagements in the middleware and architecture consulting and electric powertrain domains
Q1FY24	European OEM	Multiple programs in autonomous driving and body electronics domains
Q1FY24	American CV OEM	Various engagements in the vehicle engineering and connected domains
Q4FY23	Honda	Technology partner to realize the journey of Honda’s Software-Defined Mobility (SDM)
Q4FY23	American OEM	A engagement in middleware development and integration domain
Q4FY23	European OEM	Engagement in the electric powertrain domain
Q4FY23	American CV OEM	Multiple engagements in the vehicle engineering design and connected domains
Q4FY23	Asian OEM	Multiple programs in the connected vehicle domains
Q4FY23	European OEM	A engagement in the electric powertrain domain
Q3FY23	Renault Group	Technology partner for next generation Software-Defined Vehicle(SDV) program
Q3FY23	European OEM	Multiple engagements in the electric powertrain domain
Q3FY23	European OEM	Engagement in the connected vehicles domain
Q3FY23	American CV OEM	Multiple engagements in the vehicle engineering design and diagnostics domains
Q3FY23	Asian OEM	Programs in the autonomous driving and connected vehicle domains
Q3FY23	American OEM	Multiple programs in the middleware, electric powertrain and connected vehicles domains

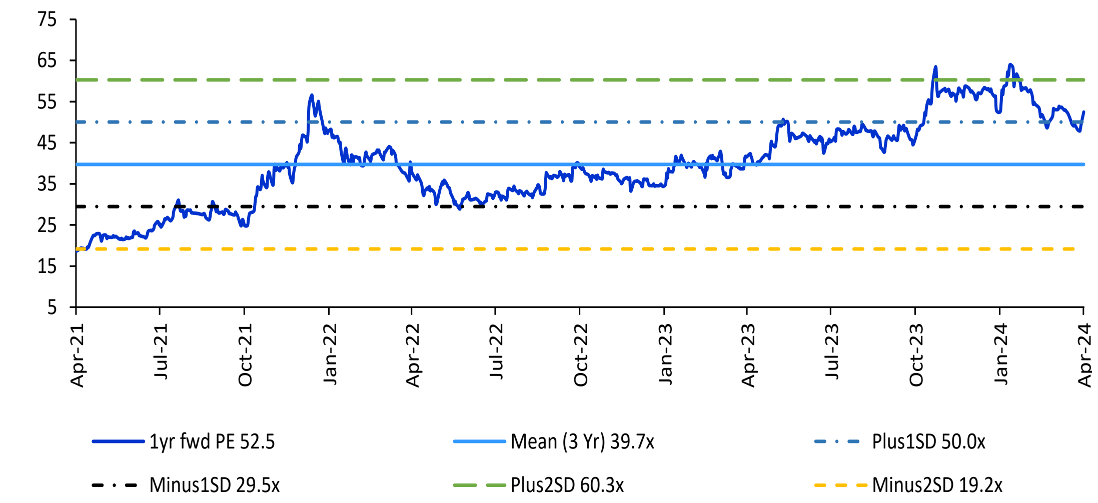
Source: DART, Company

Valuation

KPIT is a strong ER&D player with focused capabilities in automotive industry’s sunrise technologies. Technologies like software defined vehicles, autonomous driving and electrification will continue to act as multi-year tailwinds for the Automotive ER&D and thus for super-specialized player like KPIT will continue to win and grow in this market. We concur that the absolute valuations are stretched but would remain elevated till the time superlative growth performance continues.

We expect Revenue CAGR of 21% over FY24-FY26E (10-year revenue CAGR of 22%) with average EBITDA margins of ~20.5%, Cost of Capital of 11% and Terminal growth of 2%. Taking these assumptions, we retain “ACCUMULATE” rating on the stock with a DCF based TP of Rs. 1,640 per share (implies ~2x on PEG basis).

Exhibit 7: KPIT trades at 52.5x, at +1 Std. Dev. Higher than its 3-year mean PE of 39.7x

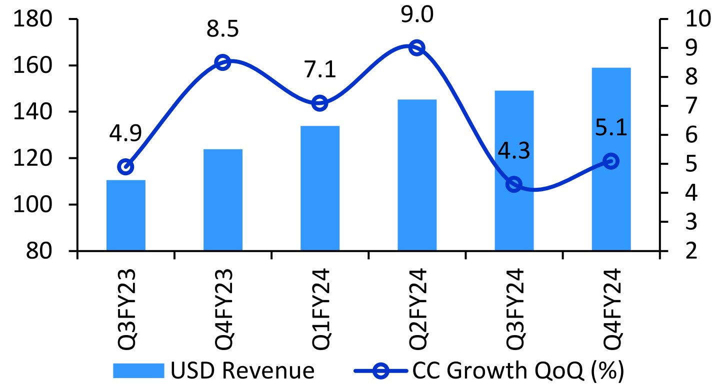


Source: DART, Company

While KPIT's valuations are on the higher side, we believe that KPIT's industry leading growth, strong execution, deal wins, and client relationships continue to provide a reasonable support to our valuations.

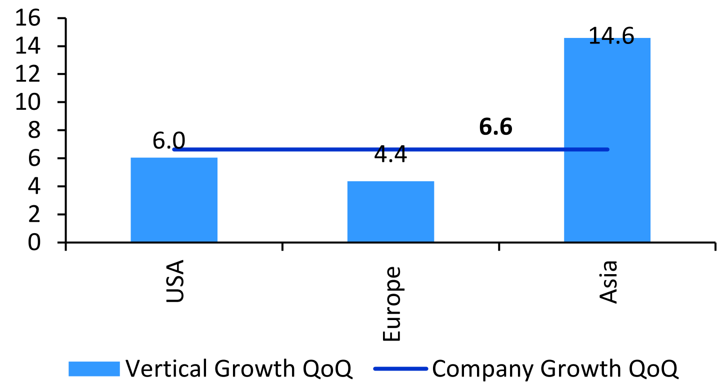
Story in Charts

Exhibit 8: Revenue grew by 5.1% QoQ in CC terms



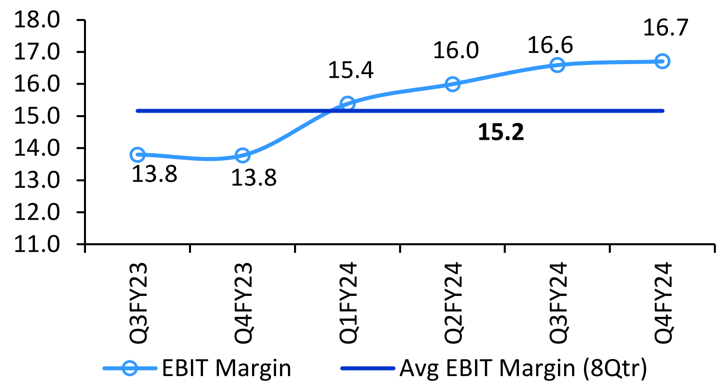
Source: DART, Company

Exhibit 9: Asia Led Growth; US Re-bounds



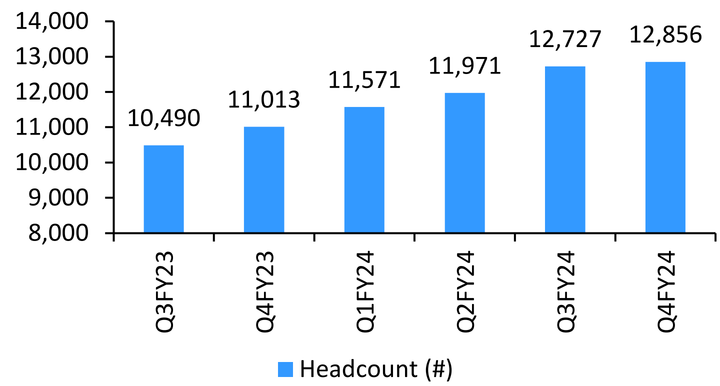
Source: DART, Company

Exhibit 10: OPM at 8Qtr High at 16.7%



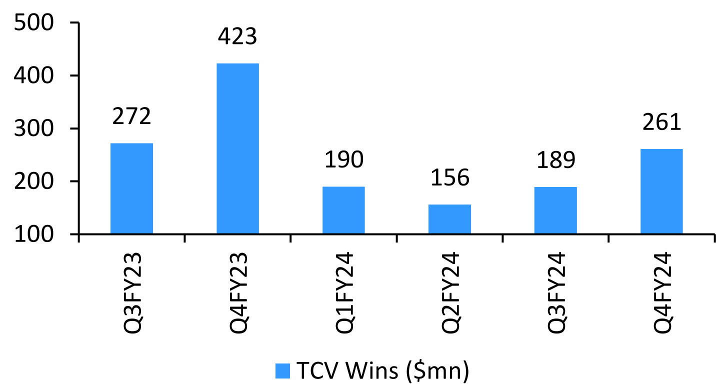
Source: DART, Company

Exhibit 11: KPIT Added 129 employees in Q4



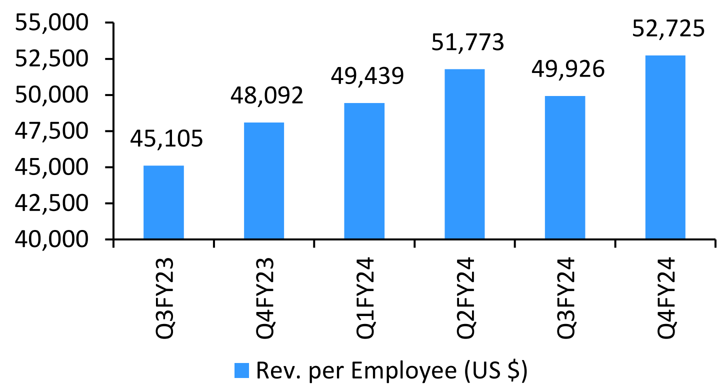
Source: DART, Company

Exhibit 12: Net New TCV Wins healthy at $261mn



Source: DART, Company

Exhibit 13: Rev. per Employee up 5.6%/9.6% QoQ/YoY



Source: DART, Company

Exhibit 14: Operating Metrics

Particulars	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24
USD Revenue	83.7	87.1	89.9	94.2	110.5	123.8	133.9	145.2	149	159.0
CC Growth QoQ (%)	5.6	5.2	6	8.3	4.9	8.5	7.1	9	4.3	5.1
USD Growth QoQ (%)	4.1	4.1	3.2	4.8	17.3	12.0	8.2	8.4	2.6	6.6
Region Amount ($mn)										
USA	30.4	33.1	35.0	34.8	35.4	44.7	44.9	44.2	44.6	47.2
Europe	35.1	34.3	35.9	41.1	57.0	61.4	68.1	76.4	78.8	82.3
Asia	18.1	19.7	19.0	18.2	18.1	17.7	21.0	24.7	25.8	29.5
Region Growth YoY (%)										
USA	6.5	5.6	10.0	7.0	16.3	34.9	28.5	26.8	25.9	5.8
Europe	15.2	15.1	18.2	27.9	62.2	79.2	89.7	85.8	38.4	34.0
Asia	69.9	47.5	26.3	16.3	(0.2)	(10.1)	10.1	35.4	42.4	66.5
Vertical Amount ($mn)										
Passenger Cars	61.4	62.9	67.0	69.3	86.0	92.1	100.5	110.1	116.9	125.6
Commercial Vehicles	20.4	22.0	22.4	23.8	23.5	30.8	28.8	29.1	25.9	27.8
Others	1.9	2.2	0.6	1.2	1.0	0.9	4.6	6.1	6.3	5.7
Vertical Growth YoY (%)										
Passenger Cars	16.0	10.9	14.6	16.1	40.0	46.5	50.2	58.8	35.9	36.3
Commercial Vehicles	29.0	32.4	24.7	20.8	15.1	39.5	28.6	22.4	10.3	(9.7)
Others	92.8	90.4	(32.9)	16.2	(46.0)	(58.4)	NA	N.M	N.M	N.M
Client Amount ($mn)										
Top 25	69.4	73.0	76.3	80.4	89.9	98.4	110.6	122.0	126.7	137.4
Non - Top Client	14.3	14.1	13.6	13.8	20.6	25.4	23.3	23.2	22.4	21.6
Client Growth YoY (%)										
Top 21	16.8	14.5	16.8	19.4	29.6	34.8	44.9	51.6	40.8	39.6
Non - Top Client	39.1	31.5	14.3	5.7	43.9	80.4	71.6	68.9	8.7	(14.8)
Project Type ($mn)										
Fixed Project	36.4	48.1	45.8	50.4	56.4	67.6	73.6	70.6	68.5	78.2
T&M	47.3	39.0	44.1	43.8	54.1	56.2	60.3	74.6	80.5	80.8
Project Type YoY (%)										
Fixed Project	12.8	42.2	30.8	43.4	54.8	40.6	60.6	40.0	21.6	15.7
T&M	26.3	(4.0)	4.5	(3.2)	14.5	44.0	36.8	70.4	48.6	43.7
Employee Base										
Development	7,220	7,628	8,570	9,284	9,795	10,297	10,837	11,219	11,949	12,064
Enabling sales	606	617	613	632	695	716	734	752	778	792
Total	7,826	8,245	9,183	9,916	10,490	11,013	11,571	11,971	12,727	12,856
DSO	48	53	46	48	51	54	50	47	46	51

Source: DART, Company51

Financial Performance

Profit and Loss Account

(Rs Mn)	FY23A	FY24A	FY25E	FY26E
Revenue	**33,650**	**48,715**	**59,150**	**70,415**
Total Expense	**27,296**	**38,863**	**46,880**	**55,454**
COGS	404	584	770	835
Employees Cost	21,553	31,120	37,661	44,834
Other expenses	5,338	7,160	8,449	9,785
EBIDTA	**6,329**	**9,852**	**12,270**	**14,961**
Depreciation	1,464	1,958	2,259	2,579
EBIT	**4,865**	**7,894**	**10,011**	**12,382**
Interest	323	548	392	527
Other Income	402	664	821	862
Exc. / E.O. items	0	0	0	0
EBT	**4,944**	**8,010**	**10,440**	**12,717**
Tax	1,099	2,019	2,662	3,243
RPAT	3,810	5,945	7,778	9,474
Minority Interest	59	40	0	0
Profit/Loss share of associates	**24**	**(5)**	**0**	**0**
APAT	**3,810**	**5,945**	**7,778**	**9,474**

Balance Sheet

(Rs Mn)	FY23A	FY24A	FY25E	FY26E
Sources of Funds				
Equity Capital	2,703	2,712	2,733	2,733
Minority Interest	118	171	171	171
Reserves & Surplus	13,812	18,746	24,490	31,795
Net Worth	**16,633**	**21,630**	**27,395**	**34,699**
Total Debt	492	447	496	544
Net Deferred Tax Liability	(99)	(92)	(17)	59
Total Capital Employed	**17,026**	**21,985**	**27,874**	**35,302**
Applications of Funds				
Net Block	**14,250**	**16,120**	**16,930**	**18,121**
CWIP	56	5	35	75
Investments	0	0	0	0
Current Assets, Loans & Advances	**19,000**	**24,765**	**33,070**	**43,275**
Inventories	588	902	1,217	1,532
Receivables	5,924	7,489	9,013	10,633
Cash and Bank Balances	5,491	7,705	13,622	21,327
Loans and Advances	0	0	0	0
Other Current Assets	6,607	7,805	8,205	8,670
Less: Current Liabilities & Provisions	**16,281**	**18,906**	**22,162**	**26,170**
Payables	1,643	2,398	2,860	3,345
Other Current Liabilities	14,637	16,509	19,302	22,824
sub total				
Net Current Assets	2,720	5,859	10,908	17,106
Total Assets	**17,026**	**21,985**	**27,874**	**35,302**

E – Estimates

Important Ratios

Particulars	FY23A	FY24A	FY25E	FY26E
(A) Margins (%)				
Gross Profit Margin	34.7	34.9	35.0	35.1
EBIDTA Margin	18.8	20.2	20.7	21.2
EBIT Margin	14.5	16.2	16.9	17.6
Tax rate	22.2	25.2	25.5	25.5
Net Profit Margin	11.3	12.2	13.1	13.5
(B) As Percentage of Net Sales (%)				
COGS	1.2	1.2	1.3	1.2
Employee	64.0	63.9	63.7	63.7
Other	15.9	14.7	14.3	13.9
(C) Measure of Financial Status				
Gross Debt / Equity	0.0	0.0	0.0	0.0
Interest Coverage	15.1	14.4	25.6	23.5
Inventory days	6	7	8	8
Debtors days	64	56	56	55
Average Cost of Debt	124.8	116.7	83.1	101.3
Payable days	18	18	18	17
Working Capital days	29	44	67	89
FA T/O	2.4	3.0	3.5	3.9
(D) Measures of Investment				
AEPS (Rs)	14.0	21.9	28.7	34.9
CEPS (Rs)	19.4	29.1	37.0	44.4
DPS (Rs)	4.1	6.7	7.5	8.0
Dividend Payout (%)	29.1	30.6	26.2	22.9
BVPS (Rs)	61.3	79.8	101.0	127.9
RoANW (%)	25.5	31.1	31.7	30.5
RoACE (%)	28.2	33.5	32.8	31.7
RoAIC (%)	64.4	61.2	70.2	87.7
(E) Valuation Ratios				
CMP (Rs)	1509	1509	1509	1509
P/E	107.4	68.8	52.6	43.2
Mcap (Rs Mn)	409,112	409,112	409,112	409,112
MCap/ Sales	12.2	8.4	6.9	5.8
EV	403,723	400,991	394,973	387,216
EV/Sales	12.0	8.2	6.7	5.5
EV/EBITDA	63.8	40.7	32.2	25.9
P/BV	24.6	18.9	14.9	11.8
Dividend Yield (%)	0.3	0.4	0.5	0.5
(F) Growth Rate (%)				
Revenue	38.3	44.8	21.4	19.0
EBITDA	44.3	55.7	24.5	21.9
EBIT	52.5	62.3	26.8	23.7
PBT	43.6	62.0	30.3	21.8
APAT	38.9	56.0	30.8	21.8
EPS	38.9	56.0	30.8	21.8

E – Estimates

Cash Flow

Particulars	FY23A	FY24A	FY25E	FY26E
Profit before tax	**4,968**	**8,004**	**10,440**	**12,717**
Depreciation & w.o.	1,464	1,958	2,259	2,579
Net Interest Exp	183	436	(430)	(335)
Direct taxes paid	(989)	(1,371)	(2,662)	(3,243)
Change in Working Capital	768	119	0	0
Non Cash	(1,769)	871	907	1,502
(A) CF from Operating Activities	**4,624**	**10,018**	**10,515**	**13,220**
Capex {(Inc.)/ Dec. in Fixed Assets n WIP}	(1,276)	(1,549)	(3,119)	(3,834)
Free Cash Flow	**3,348**	**8,469**	**7,396**	**9,386**
(Inc)./ Dec. in Investments	5,260	(428)	(150)	(100)
Other	(6,008)	(3,660)	821	862
(B) CF from Investing Activities	**(2,023)**	**(5,637)**	**(2,448)**	**(3,072)**
Issue of Equity/ Preference	0	0	21	0
Inc./(Dec.) in Debt	(19)	(3)	48	48
Interest exp net	(87)	(195)	0	0
Dividend Paid (Incl. Tax)	(892)	(1,287)	(2,034)	(2,170)
Other	(834)	(915)	(392)	(527)
(C) CF from Financing	**(1,831)**	**(2,400)**	**(2,357)**	**(2,648)**
Net Change in Cash	777	2,035	5,710	7,500
Opening Cash balances	**3,421**	**4,542**	**6,550**	**12,261**
Closing Cash balances	**4,542**	**6,550**	**12,261**	**19,760**

E – Estimates

Notes

DART RATING MATRIX

Total Return Expectation (12 Months)

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

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