Oracle Financial Services Software Accumulate

Software | Q4FY24 Result Update

DOLAT ANALYSIS & RESEARCH THEMES
IN-DEPTH•PRECISE•ACTIONABLE

Result Update

Results miss, Healthy cloud wins adding to visibility.

- **OFSS reported rev. growth of 11.7% YoY in INR terms at Rs. 16.4bn (DE at Rs. 17bn, 17.3% growth). Revenue miss was led by sharp fall in Implementation Rev. (down 9.5% QoQ). OPM stood at 43.6% (DE: 43.3%), up 64bps YoY driven by operating leverage and operational efficiencies.**
- **License signings for Q4 stood at $19.9mn down 31% YoY, taking total signings for the year at $137mn which was up 43.6%. Headcount witnessed a continued decline, down 2% QoQ, taking the count at 8.7k, impacting implementation revenues for the quarter.**
- **We believe that healthy signings for FY24 would ensure double-digit growth in FY25E revenues and any further large deal wins would add more comfort on visibility. Maintain 'Accumulate' rating on the stock with DCF based TP of Rs. 7,900 (implies ~25x FY25E PER).**

Lumpiness in License win moderated by recurring natured cloud wins

OFSS signed new licenses worth $19.9mn as it added 22 new deal wins (34 product modules) across product offerings. **The Company's commentary highlights significant growth in the cloud offering pipeline, which has driven strong cloud bookings throughout FY24**. This trend is anticipated to continue due to increasing customer preference for cloud services. The shift in client behavior would reduce quarterly volatility, Eg: in Q4FY24 the company signed $19.9mn in New licence but realized $27mn in revenues as it gained from recurring revenues from past cloud wins.

Implementation traction takes a hit; expect recovery in FY25.

Implementation rev (51% of Product rev) witnessed a QoQ decline of 9.5% at Rs.7.6bn. We believe large wins of FY24 would support strong implementation pipeline in FY25E. AMC rev in Q4 was up 17% YoY (flat QoQ +0.6%) at Rs.5bn.

Traction improving across developed markets.

OFSS has been consistently winning deals in developed market over last 3 quarters. Q4 includes a deal from Banca Transilvania that went live across more than 500 branches across Romania and Italy making it largest customer by volumes for any Oracle installation in Europe.

Q4FY24 Result (Rs Mn)

Particulars	Q4FY24	Q4FY23	YoY (%)	Q3FY24	QoQ (%)
Revenue	16,424	14,705	11.7	18,236	(9.9)
Total Expense	9,081	8,197	10.8	9,550	(4.9)
EBITDA	7,343	6,509	12.8	8,686	(15.5)
Depreciation	178	187	(5.0)	190	(6.6)
EBIT	7,166	6,322	13.3	8,496	(15.7)
Other Income	687	536	28.1	846	(18.8)
Interest	0	0		0	
EBT	7,852	6,858	14.5	9,342	(15.9)
Tax	2,251	2,065	9.0	1,933	16.4
RPAT	5,601	4,793	16.9	7,408	(24.4)
APAT	5,601	4,793	16.9	7,408	(24.4)
			(bps)		(bps)
Gross Margin (%)	53.9	52.0	192	58.3	(443)
EBITDA Margin (%)	44.7	44.3	45	47.6	(292)
NPM (%)	34.1	32.6	151	40.6	(652)
Tax Rate (%)	28.7	30.1	(144)	20.7	797
EBIT Margin (%)	43.6	43.0	64	46.6	(296)

CMP	Rs 7,359
Target / Upside	Rs 7,900 / 7%
NIFTY	22,402

Scrip Details

Equity / FV	Rs 431mn / Rs 5
Market Cap	Rs 633bn
	USD 7.6bn
52-week High/Low	Rs 9,023/ 3,394
Avg. Volume (no)	2,86,137
Bloom Code	OFSS IN

Price Performance	1M	3M	12M
Absolute (%)	(12)	10	115
Rel to NIFTY (%)		7	94

Shareholding Pattern

	Sep'23	Dec'23	Mar'24
Promoters	72.8	72.8	72.8
MF/Banks/FIs	8.6	9.5	10.3
FIIs	7.7	6.6	6.1
Public / Others	10.9	11.2	10.9

Valuation (x)

	FY24A	FY25E	FY26E
P/E	28.7	26.0	23.0
EV/EBITDA	21.5	18.9	16.6
ROE (%)	29.0	30.8	33.7
RoACE (%)	28.8	30.5	33.3

Estimates (Rs bn)

	FY24A	FY25E	FY26E
Revenue	63.7	70.6	78.8
EBITDA	27.8	31.6	35.8
PAT	22.2	24.5	27.7
EPS (Rs.)	256.1	282.6	319.8

VP - Research: Rahul Jain
Tel: +9122 40969771
E-mail: rahulj@dolatcapital.com

Associate: Deepesh Lakhani
Tel: +9122 4096 9773
E-mail: deepeshl@dolatcapital.com

Associate: Ayur Bohra
Tel: +9122 61764824
E-mail: ayurb@dolatcapital.com

Exhibit 1: Quarterly performance versus estimates

Particulars (Rs mn)	Actual	Estimates		% Variation		Comment
		Dolat	Consensus	Dolat	Consensus	
Revenue	16,424	17,247	NA	(4.8)	NA	Weak implementations led to Rev. miss.
EBIT	7,166	7,476	NA	(4.1)	NA	OPM beat was led by lower opex.
EBIT, margin	43.6	43.3	NA	30 bps	NA	
PAT	5,601	5,948	NA	(5.8)	NA	Higher ETR contributed to PAT miss.

Source: Company, DART

Change in Estimates

Our FY25E/FY26E growth estimates are marginally declined by 2.5%/1.8% citing weak license signings in Q4. We have also slightly toned down our OPM estimates by +7bps/(-16bps) due to lower growth. Overall, EPS estimates cut by 1.3%/1%.

Exhibit 2: Change in Estimates

Particulars (Rs. mn)	FY23A	FY24A	FY25E			FY26E		
	Actual	Actual	Old	New	Chg. (%)	Old	New	Chg. (%)
INR Revenue	56,983	63,730	72,454	70,615	(2.5)	80,254	78,790	(1.8)
YoY growth,	9.1	11.8	12.2	10.8	(144 bps)	10.8	11.6	81 bps
EBIT	23,907	27,083	31,278	30,536	(2.4)	35,672	34,899	(2.2)
EBIT Margin,	42.0	42.5	43.2	43.2	7 bps	44.4	44.3	(16 bps)
Net Profit	18,061	22,195	24,733	24,487	(1.0)	27,908	27,709	(0.7)
EPS (Rs)	208.2	254.5	284.4	280.8	(1.3)	320.9	317.8	(1.0)

Source: DART, Company

What to Expect Next Quarter

We expect flattish sequential recovery in Q1 and hence factor 0.8% QoQ growth in revenues. We also expect profitability to decline due to sustained investments– expect OPM at 42.8% for Q1FY25 (down 84bps QoQ). At earnings level basis, we expect some improvement in PAT for about 1.7% QoQ.

Exhibit 3: What to Expect Next Quarter

(Rs. Mn)	Q1FY25	Q4FY24	Q1FY24	QoQ (%)	YoY (%)
USD Revenue	199	197	178	0.8	11.7
INR Revenue	16,648	16,424	14,624	1.4	13.8
EBIT	7,123	7,166	6,030	(0.6)	18.1
PAT	5,695	5,601	5,010	1.7	13.7
EPS (Rs. Abs)	65.7	64.6	57.9	1.7	13.4
EBIT Margin (%)	42.8	43.6	41.2	(84 bps)	156 bps

Source: Company, DART

Valuation

Software companies' performance can be a bit volatile on an annualized basis and thus it is better to be valued on a DCF basis to capture the true potential in the near-to-medium term. We have factored in a Revenue CAGR of 10.5% over FY23-40E (earlier 9%), stable EBIT margin of 45.5% (from 44.6%) and Terminal growth rate of 2.5%. Taking these assumptions, we have arrived at TP of Rs. 7,900 per share (earlier Rs 6,260). Maintain 'Accumulate' rating on the stock.

Exhibit 4: Key Assumptions in Our Estimates

Metrics	FY22	FY23	FY24A	FY25E	FY26E
USD License Wins ($ Mn)	105	96	137	113	124
USD Product Revenue Growth	5.0	0.4	10.4	10.4	11.5
USD Services Revenue Growth	(6.1)	(0.2)	(0.3)	2.2	1.4
USD Revenue Growth	3.7	0.3	9.3	9.6	10.6
USD/INR (Abs)	74.4	81.0	82.9	83.8	84.5
INR Revenue Growth	4.8	9.1	11.8	10.8	11.6
EBIT Margin (%)	46.1	42.0	42.5	43.2	44.3
EPS Growth (%)	7.7	(5.3)	22.3	10.3	13.2

Source: Company, DART

Exhibit 5: Key Revenue Growth Matrix (YoY)

Particulars	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24
License Wins Growth	(30.3)	(40.7)	76.3	(1.7)	4.6	209.2	80.0	(30.9)
USD Product Revenue Growth	(4.7)	(2.2)	3.5	7.7	(1.4)	4.2	28.1	10.8
USD Other Revenue Growth	(5.9)	0.2	(0.4)	(14.7)	(75.3)	0.8	(6.2)	3.0
USD Revenue Growth	(4.8)	(2.0)	3.1	5.6	(1.2)	3.3	25.0	10.2
INR Revenue Growth	0.4	7.4	14.5	15.2	4.3	5.0	25.8	11.7

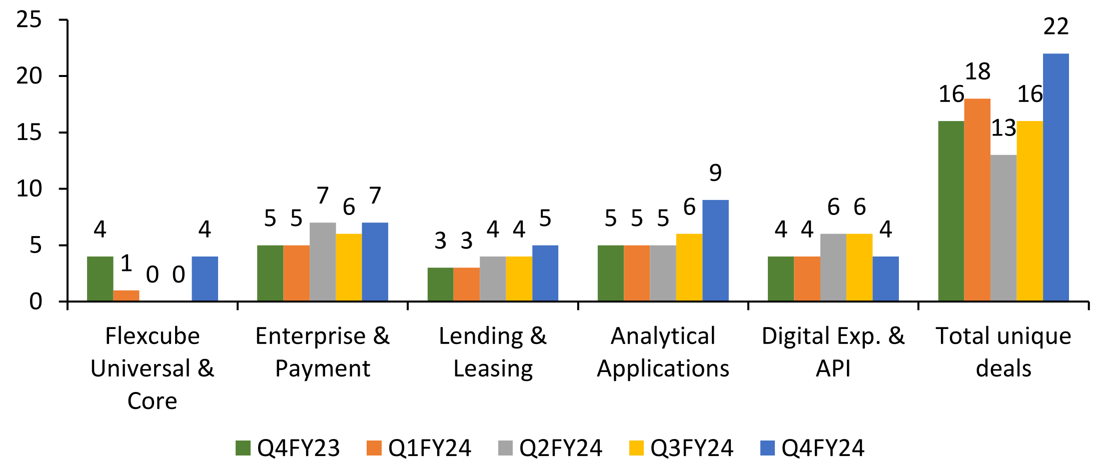
Source: Company, DART

Exhibit 6: Quarterly Trend

Particular (Rs mn)	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	YoY (%)	QoQ (%)	FY23	FY24	YoY (%)
USD Revenue	179.0	178.0	174.7	219.1	197.3	10.2	(9.9)	704	769	9.3
INR Revenue	14,705	14,624	14,445	18,236	16,424	11.7	(9.9)	56,983	63,730	11.8
Operating Exp.	8,197	8,409	8,863	9,550	9,081	10.8	(4.9)	32,269	35,904	11.3
Employee Exp.	7,064	7,169	7,480	7,604	7,575	7.2	(0.4)	27,742	29,828	7.5
as % of sales	*48.0*	*49.0*	*51.8*	*41.7*	*46.1*	(192 bps)	443 bps	*48.7*	*46.8*	(188 bps)
Other Expenses	1,132	1,240	1,383	1,947	1,506	33.0	(22.7)	4,528	6,076	34.2
as % of sales	*7.7*	*8.5*	*9.6*	*10.7*	*9.2*	147 bps	(151 bps)	*7.9*	*9.5*	159 bps
EBITDA	6,509	6,215	5,581	8,686	7,343	12.8	(15.5)	24,714	27,825	12.6
Depreciation	187	185	190	190	178	(5.0)	(6.6)	807	743	(7.9)
EBIT	6,322	6,030	5,391	8,496	7,166	13.3	(15.7)	23,907	27,083	13.3
Other Income	536	1,037	571	846	687	28.1	(18.8)	1,792	3,141	75.3
PBT	6,858	7,067	5,962	9,342	7,852	14.5	(15.9)	25,699	30,224	17.6
Total Tax	2,065	2,058	1,787	1,933	2,251	9.0	16.4	7,638	8,029	5.1
Reported PAT	4,793	5,010	4,175	7,408	5,601	16.9	(24.4)	18,061	22,195	22.9
Reported EPS	55.5	57.9	48.3	85.6	64.6	16.5	(24.5)	209	256	22.6
Margins (%)						**(bps)**	**(bps)**			**(bps)**
EBIDTA	44.3	42.5	38.6	47.6	44.7	45 bps	(292 bps)	43.4	43.7	29
EBIT	43.0	41.2	37.3	46.6	43.6	64 bps	(296 bps)	42.0	42.5	54
PBT	46.6	48.3	41.3	51.2	47.8	118 bps	(342 bps)	45.1	47.4	233
PAT	32.6	34.3	28.9	40.6	34.1	151 bps	(652 bps)	31.7	34.8	313
Eff Tax rate	30.1	29.1	30.0	20.7	28.7	(144 bps)	797 bps	29.7	26.6	(315)

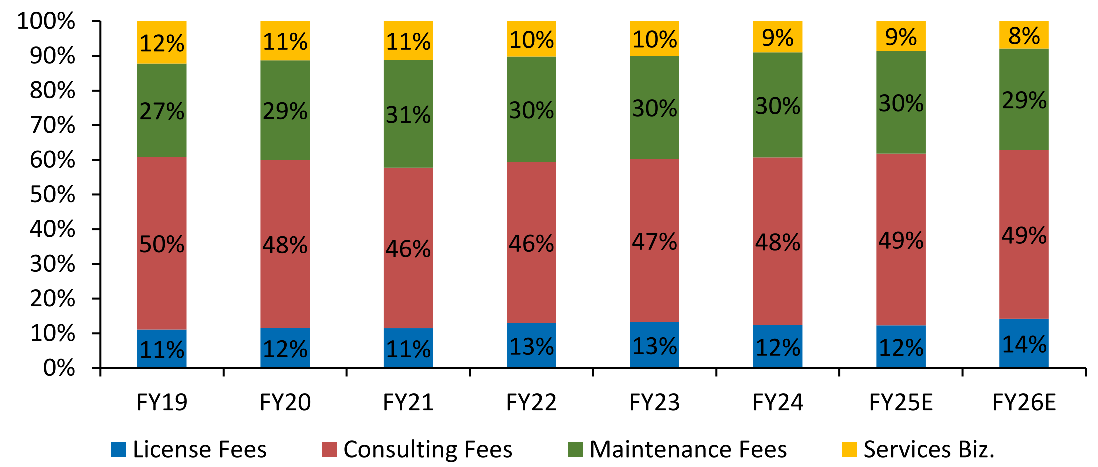
Source: Company, DART

Exhibit 7: Product and module sales quarterly



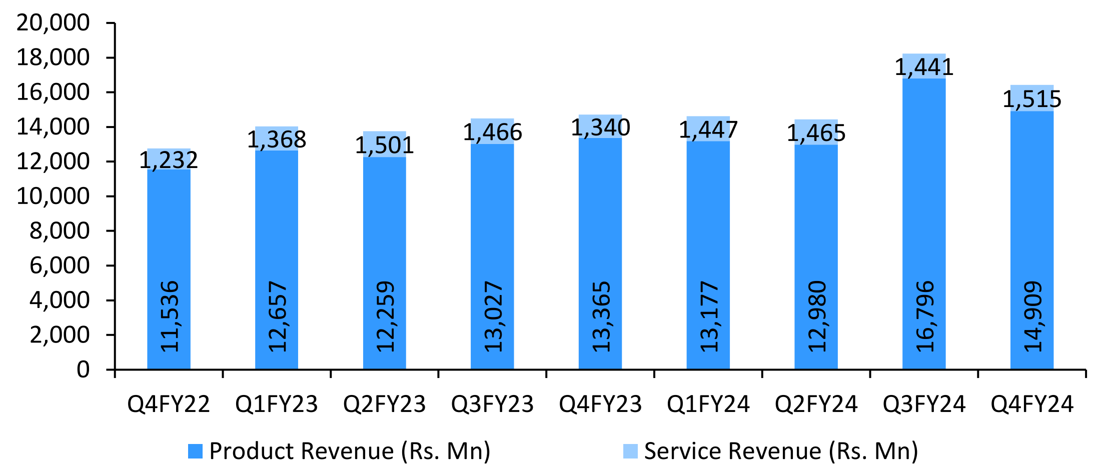
Source: Company, DART

Exhibit 8: Revenue Mix Trends (Product sub-segments and Services)



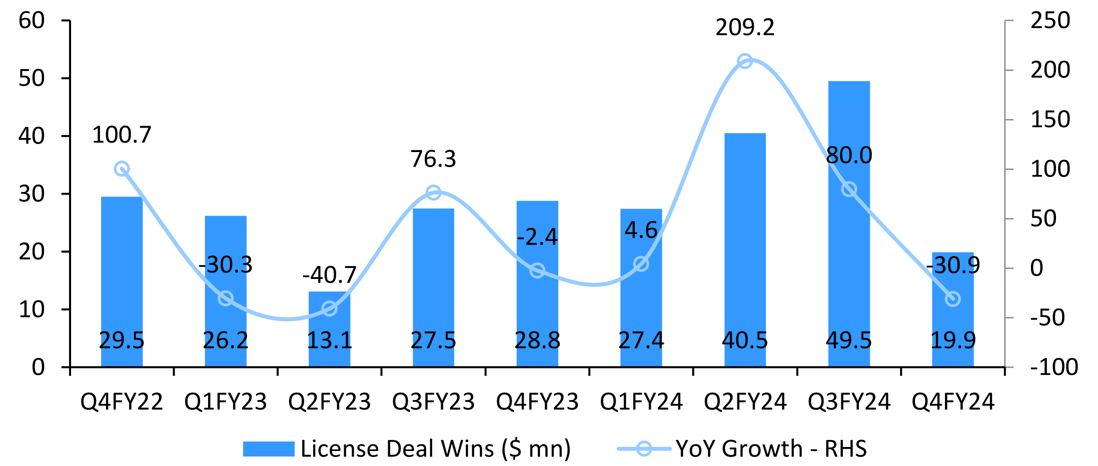
Source: Company, DART

Exhibit 9: Revenue Breakup in Product and Services segment



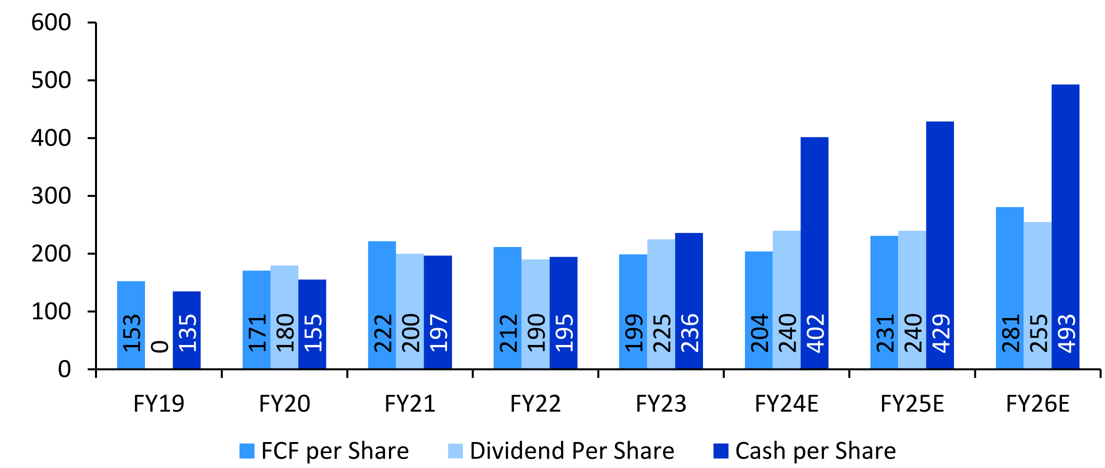
Source: Company, DART

Exhibit 10: License Wins (signings) – Quarterly trends



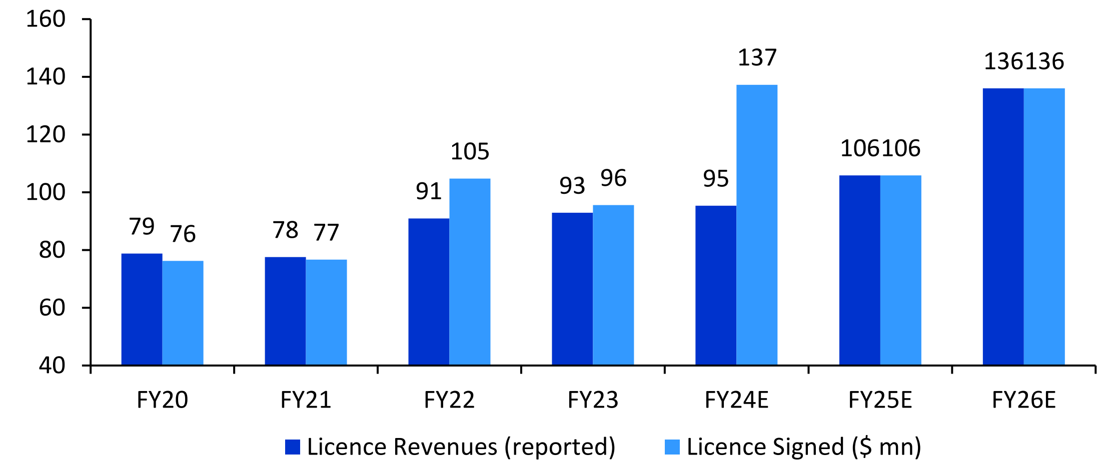
Source: Company, DART

Exhibit 11: Dividend Payouts to remain high as robust FCF Generation continues



Source: Company, DART

Exhibit 12: License revenue to gain excess momentum

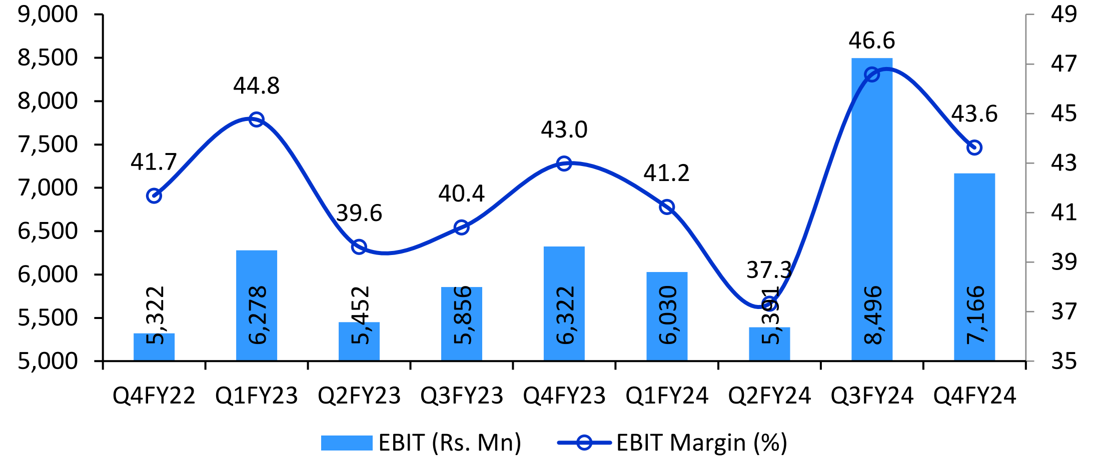


Source: Company, DART

OPM to revive further as revenue picks traction.

We expect incremental shift to cloud could lead to slight deceleration in profitability compared to On-premises model but in long term helps in better Lifetime Value from the customer. We expect OPM to revive as the pipeline remains healthy with a good combination of Cloud as well as On-prem deals. We expect OFSS to register OPM of 43.2%/44.3 % for FY25/26E respectively.

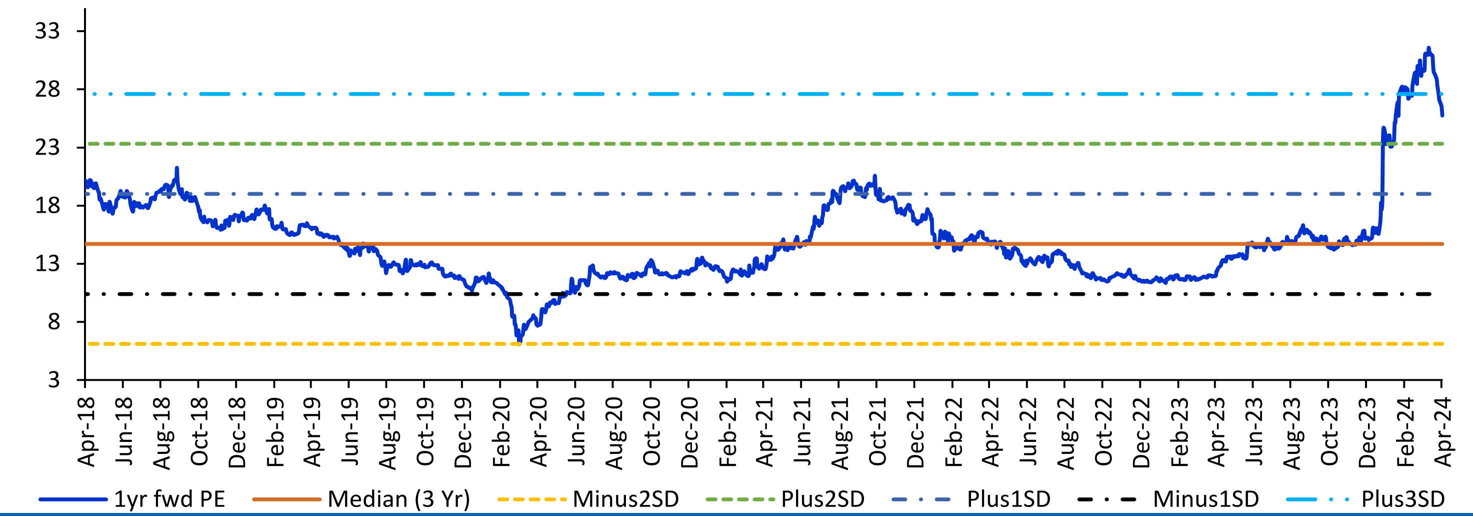
Exhibit 13: EBIT Margin (%) performance.



Source: Company, DART

PE Band Chart

Exhibit 14: OFSS PE Band Chart: Valuation is approaching +2SD on its mean



Source: DART

Exhibit 15: Operating Metrics 1

Operating Metrics	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24
$ Revenue	172.6	170.0	169.5	180.3	169.1	175.2	179.0	178.0	174.7	219.1	197.3
CC growth (%) (YoY)	7.0	2.3	5.4	(2.3)	7.4	14.5	15.2	4.3	5.0	25.8	11.7
CC growth (%) (QoQ)	(8.3)	(1.1)	0.8	9.8	(1.9)	5.3	1.5	(0.6)	(1.2)	26.2	(9.9)
License Wins	22.1	15.6	29.5	26.2	13.1	27.5	28.8	27.4	40.5	49.5	19.9
Growth YoY (%)	64.9	(18.3)	100.7	(30.3)	(40.7)	76.3	(2.4)	4.6	209.2	80.0	(30.9)
TTM License Wins	93.5	90.0	104.8	93.4	84.4	96.3	95.6	96.8	124.2	146.2	137.3
Growth YoY (%)	19.7	5.9	36.6	10.1	(9.7)	7.0	(8.8)	3.6	47.2	51.8	43.6
Segmental Revenue											
Products	11,443	11,342	11,536	12,657	12,259	13,027	13,365	51,308	13,177	16,796	14,909
Services	1,055	1,321	1,232	1,368	1,501	1,466	1,340	5,675	1,447	1,441	1,515
BPO	312	Na	Na	0	0	0	0	0	0	0	0
Segmental QoQ Growth											
Products	(9.2)	(0.9)	1.7	9.7	(3.1)	6.3	2.6	283.9	(74.3)	29.4	(11.2)
Services	5.6	25.2	(6.7)	11.0	9.7	(2.3)	(8.6)	323.5	(74.5)	(1.7)	5.2
BPO	(17.7)	Na	Na	Na	Na	Na	Na	Na	Na	Na	Na
Segmental Profit Margin											
Products	52.5	51.4	46.9	50.9	45.1	47.3	49.8	47.7	46.3	51.6	48.1
Services	21.2	24.6	24.6	23.2	26.5	19.8	21.0	23.0	32.3	25.8	25.8
BPO	42.7	Na	Na	Na	Na	Na	Na	Na	Na	Na	Na
Product Rev (reportd)											
License Fees	20.0	16.7	16.8	26.0	13.6	25.2	28.1	24.1	11.0	40.3	26.9
Consulting Fees	54.0	54.8	52.1	53.7	51.2	52.0	53.6	54.5	59.6	60.5	60.9
Maintenance Fees	80.2	80.7	84.2	83.0	85.9	80.3	83.3	81.8	86.3	100.9	91.3
Product Revenue Growth YoY											
License Fees	40.5	(6.6)	14.2	(30.7)	(32.3)	50.5	66.5	(7.6)	(19.0)	60.1	(2.2)
AMC	2.3	1.9	0.9	1.4	(5.0)	(5.2)	3.0	1.6	16.4	16.4	16.0
Consulting fees	4.1	3.9	5.8	3.4	7.2	(0.4)	(1.1)	(1.4)	0.5	25.6	11.9
Service Rev											
Fixed Price	5.2	6.9	7.9	8.1	9.4	10.1	7.3	11.8	13.5	14.0	14.9
Time & Material Basis	13.3	10.8	8.5	9.5	9.0	7.6	6.7	5.8	4.3	3.3	3.3
Service Rev. Growth YoY											
Fixed Price	9.6	28.3	54.5	21.3	82.5	45.6	(7.5)	45.9	43.1	39.2	65.4
Time & Material Basis	(6.1)	(18.0)	(38.1)	(44.6)	(31.8)	(29.8)	(21.2)	(38.8)	(53.0)	(56.7)	(60.7)
Staff Data											
Employees	7,762	7,720	7,884	8,063	8,657	8,687	8,593	8,691	9,075	8,920	8,754
Products - Emp	6,139	6,214	6,398	6,615	7,158	7,235	7,189	7,318	7,594	7,470	7,341
Services - Emp	865	1,315	1,305	1,271	1,325	1,282	1,236	1,204	1,314	1,307	1,269
BPO - Emp	568	Na	0	0	0	0	0	0	0	0	0
Corporate - Emp	190	191	181	177	174	170	168	169	167	143	144
Attrition Rate (%)	25.0	29.0	28.0	26.0	21.0	17.0	15.0	12.0	11.0	10.0	10.0
Trade Receivable											
0-180 days	97	97	98	99	98	96	95	93	88	94	94
More than 180 days	3	3	2	1	2	4	5	7	12	6	6
DSO	63	64	59	67	57	59	62	69	61	76	69

Source: Company, DART

Exhibit 16: Geography Data

Geography Data	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24
Product Revenue											
India	12.3	12.2	12.3	16.3	13.6	12.6	17.3	17.6	15.7	24.2	17.9
USA	32.4	35.0	30.6	37.4	36.2	42.5	40.4	40.1	43.9	42.4	41.2
Rest of America	10.8	13.7	13.8	13.0	12.1	15.8	11.6	11.2	14.1	18.2	17.9
Europe	27.7	25.9	24.5	27.7	21.1	23.6	21.5	22.5	20.4	28.2	30.4
Asia Pacific	40.1	42.6	41.3	42.3	40.7	36.2	29.7	35.3	29.8	52.5	37.6
MEA	30.8	22.8	30.6	26.0	27.1	26.8	44.6	33.7	33.0	36.3	34.0
Product Revenue YoY Growth											
India	23.6	16.5	18.7	19.1	10.0	3.5	41.3	8.5	15.7	92.1	5.6
USA	19.5	17.2	(9.7)	(4.7)	11.7	21.5	31.9	7.2	21.5	(0.4)	4.1
Rest of America	(5.4)	1.9	3.9	(15.3)	11.7	15.0	(16.2)	(13.7)	17.2	15.3	58.3
Europe	(2.7)	(8.8)	(7.7)	(10.0)	(24.0)	(8.7)	(12.5)	(18.8)	(3.3)	19.5	44.9
Asia Pacific	(6.3)	(4.9)	0.1	(4.7)	1.5	(15.0)	(28.2)	(16.6)	(26.7)	44.8	29.3
MEA	35.1	(4.4)	38.5	(4.7)	(12.0)	17.3	45.5	29.4	21.5	35.6	(22.0)
Service+BPO Revenue											
India	0.2	0.2	0.0	0.0	0.0	0.0	0.1	0.2	0.2	0.2	0.2
USA	13.4	12.1	11.4	12.5	12.4	12.4	9.1	11.6	12.0	11.9	12.0
Rest of America	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Europe	2.4	2.5	2.5	2.6	2.8	2.5	2.3	3.2	2.7	2.6	3.1
Asia Pacific	1.8	2.1	1.8	1.8	2.4	1.9	1.7	1.8	1.9	1.6	1.6
MEA	0.6	0.9	0.7	0.7	0.9	0.9	0.7	0.9	0.9	1.0	1.3
Service+BPO Rev. YoY Growth											
India	(2.2)	(4.6)	N.A	N.A	N.A	N.A	N.A,	N.A.	N.A.	N.A.	4.9
USA	(3.5)	(13.5)	(18.9)	(12.1)	(8.0)	2.5	(20.2)	(6.9)	(2.5)	(3.4)	5.7
Rest of America	N.A	N.A	N.A	N.A	N.A	N.A	N.A.	N.A.	N.A.	N.A.	N.A.
Europe	6.0	11.3	18.5	17.6	15.6	(0.4)	(6.2)	20.2	(4.0)	5.0	8.1
Asia Pacific	8.7	27.2	6.2	4.6	30.2	(8.7)	(6.9)	0.2	(18.7)	(19.8)	(21.3)
MEA	(2.2)	59.0	15.9	88.2	67.0	(0.4)	6.7	25.2	(4.0)	17.6	46.8
Total Revenue											
India	12.1	11.9	11.9	16.2	13.5	12.3	17.9	17.8	15.7	24.1	17.8
USA	44.9	47.6	42.4	48.7	49.1	54.3	49.2	51.6	55.9	54.8	53.3
Rest of America	12.1	13.6	15.3	14.4	11.8	15.8	12.5	12.5	14.0	17.5	17.8
Europe	29.3	28.9	27.1	28.8	23.7	26.3	25.1	24.9	22.7	30.7	39.5
Asia Pacific	43.1	44.2	42.4	45.1	44.0	38.5	30.4	37.4	31.4	54.8	33.5
MEA	31.1	23.8	30.5	27.0	27.1	28.0	44.7	33.8	34.9	37.2	35.5
Total Revenue YoY Growth											
India	6.9	1.2	1.9	22.3	12.0	3.1	50.8	9.7	16.2	96.5	4.4
USA	11.2	9.0	(12.1)	(14.4)	9.3	14.1	16.1	6.1	13.9	0.8	6.3
Rest of America	6.9	1.2	14.7	(4.8)	(2.0)	15.9	(17.9)	(13.6)	18.0	11.1	41.7
Europe	(35.1)	(36.3)	(37.3)	(36.6)	(19.3)	(9.1)	(7.6)	(13.6)	(4.1)	16.7	29.7
Asia Pacific	40.7	46.2	49.9	39.9	1.9	(12.8)	(28.2)	(17.0)	(28.5)	42.1	33.9
MEA	37.5	1.2	31.1	1.9	(12.9)	17.8	46.6	25.1	29.1	32.9	(19.0)

Source: Company, DART

Financial Performance

Profit and Loss Account

(Rs Mn)	FY23A	FY24A	FY25E	FY26E
Revenue	**56,983**	**63,730**	**70,615**	**78,790**
Total Expense	**32,269**	**35,904**	**39,019**	**42,960**
COGS	27,742	29,828	31,498	33,986
Employees Cost	0	0	0	0
Other expenses	4,528	6,076	7,521	8,974
EBIDTA	**24,714**	**27,825**	**31,596**	**35,830**
Depreciation	807	743	1,060	931
EBIT	**23,907**	**27,083**	**30,536**	**34,899**
Interest	0	0	0	0
Other Income	1,792	3,141	3,474	3,720
Exc. / E.O. items	0	0	0	0
EBT	**25,699**	**30,224**	**34,010**	**38,619**
Tax	7,638	8,029	9,523	10,910
RPAT	18,061	22,195	24,487	27,709
Minority Interest	0	0	0	0
Profit/Loss share of associates	**0**	**0**	**0**	**0**
APAT	**18,061**	**22,195**	**24,487**	**27,709**

Balance Sheet

(Rs Mn)	FY23A	FY24A	FY25E	FY26E
Sources of Funds				
Equity Capital	432	433	431	431
Minority Interest	0	0	0	0
Reserves & Surplus	74,157	78,155	80,113	83,559
Net Worth	**74,589**	**78,588**	**80,544**	**83,990**
Total Debt	0	0	0	0
Net Deferred Tax Liability	595	521	742	942
Total Capital Employed	**75,184**	**79,110**	**81,286**	**84,932**
Applications of Funds				
Net Block	**8,366**	**7,949**	**7,609**	**7,488**
CWIP	6	28	28	28
Investments	34,399	20,651	20,651	20,651
Current Assets, Loans & Advances	**48,417**	**68,867**	**72,403**	**78,169**
Inventories	0	0	0	0
Receivables	10,834	13,193	14,570	16,203
Cash and Bank Balances	20,401	34,833	35,727	39,102
Loans and Advances	0	0	0	0
Other Current Assets	17,183	20,841	22,105	22,864
Less: Current Liabilities & Provisions	**16,003**	**18,385**	**19,404**	**21,403**
Payables	381	1,020	535	588
Other Current Liabilities	15,622	17,365	18,870	20,815
sub total				
Net Current Assets	32,414	50,482	52,998	56,766
Total Assets	**75,184**	**79,110**	**81,286**	**84,932**

E – Estimates

DART

Important Ratios

Particulars	FY23A	FY24A	FY25E	FY26E
(A) Margins (%)				
Gross Profit Margin	51.3	53.2	55.4	56.9
EBIDTA Margin	43.4	43.7	44.7	45.5
EBIT Margin	42.0	42.5	43.2	44.3
Tax rate	29.7	26.6	28.0	28.3
Net Profit Margin	31.7	34.8	34.7	35.2
(B) As Percentage of Net Sales (%)				
COGS	48.7	46.8	44.6	43.1
Employee	0.0	0.0	0.0	0.0
Other	7.9	9.5	10.7	11.4
(C) Measure of Financial Status				
Gross Debt / Equity	0.0	0.0	0.0	0.0
Interest Coverage				
Inventory days	0	0	0	0
Debtors days	69	76	75	75
Average Cost of Debt				
Payable days	2	6	3	3
Working Capital days	208	289	274	263
FA T/O	6.8	8.0	9.3	10.5
(D) Measures of Investment				
AEPS (Rs)	209.1	256.1	282.6	319.8
CEPS (Rs)	9.3	8.6	12.2	10.7
DPS (Rs)	225.0	240.0	260.0	280.0
Dividend Payout (%)	107.6	93.7	92.0	87.6
BVPS (Rs)	863.4	906.9	929.5	969.3
RoANW (%)	24.8	29.0	30.8	33.7
RoACE (%)	24.7	28.8	30.5	33.3
RoAIC (%)	43.7	54.7	68.0	76.4
(E) Valuation Ratios				
CMP (Rs)	7359	7359	7359	7359
P/E	35.2	28.7	26.0	23.0
Mcap (Rs Mn)	6,32,656	6,32,656	6,32,656	6,32,656
MCap/ Sales	11.1	9.9	9.0	8.0
EV	6,12,255	5,97,823	5,96,928	5,93,554
EV/Sales	10.7	9.4	8.5	7.5
EV/EBITDA	24.8	21.5	18.9	16.6
P/BV	8.5	8.1	7.9	7.6
Dividend Yield (%)	3.1	3.3	3.5	3.8
(F) Growth Rate (%)				
Revenue	9.1	11.8	10.8	11.6
EBITDA	(1.1)	12.6	13.6	13.4
EBIT	(0.6)	13.3	12.8	14.3
PBT	1.6	17.6	12.5	13.6
APAT	(4.4)	22.9	10.3	13.2
EPS	(4.5)	22.5	10.3	13.2

E – Estimates

Cash Flow

Particulars	FY23A	FY24A	FY25E	FY26E
Profit before tax	**25,699**	**30,223**	**34,010**	**38,619**
Depreciation & w.o.	807	743	1,060	931
Net Interest Exp	(651)	(3,036)	(3,474)	(3,720)
Direct taxes paid	(6,926)	(8,057)	(9,523)	(10,910)
Change in Working Capital	(1,059)	(3,500)	(1,401)	(193)
Non Cash	(294)	1,572	0	0
(A) CF from Operating Activities	**17,576**	**17,945**	**20,673**	**24,727**
Capex {(Inc.)/ Dec. in Fixed Assets n WIP}	(378)	(266)	(720)	(810)
Free Cash Flow	**17,198**	**17,679**	**19,953**	**23,917**
(Inc)./ Dec. in Investments	1,770	16,245	0	0
Other	(21)	0	3,474	3,720
(B) CF from Investing Activities	**1,371**	**15,979**	**2,754**	**2,910**
Issue of Equity/ Preference	79	207	(2)	0
Inc./(Dec.) in Debt	(273)	(299)	0	0
Interest exp net	(46)	(33)	0	0
Dividend Paid (Incl. Tax)	(16,416)	(19,460)	(22,530)	(24,263)
Other	0	0	0	0
(C) CF from Financing	**(16,654)**	**(19,585)**	**(22,532)**	**(24,263)**
Net Change in Cash	3,593	14,469	895	3,374
Opening Cash balances	**16,948**	**16,948**	**34,833**	**35,727**
Closing Cash balances	**20,401**	**34,833**	**35,727**	**39,101**

E – Estimates

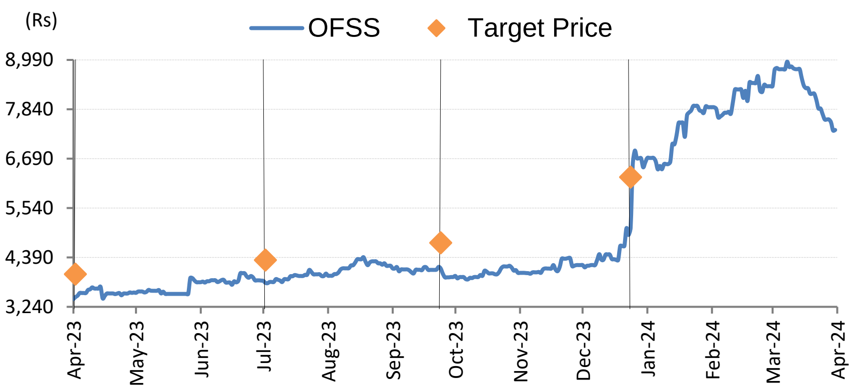
Notes

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.)
Apr-23	BUY	4,000	3,467
Jul-23	BUY	4,330	3,798
Oct-23	Accumulate	4,730	4,132
Jan-24	BUY	6,260	5,086

*Price as on recommendation date

DART Team

Purvag Shah	**Managing Director**	**purvag@dolatcapital.com**	**+9122 4096 9747**
Amit Khurana, CFA	**Head of Equities**	**amit@dolatcapital.com**	**+9122 4096 9745**

CONTACT DETAILS

Equity Sales	**Designation**	**E-mail**	**Direct Lines**
Dinesh Bajaj	VP - Equity Sales	dineshb@dolatcapital.com	+9122 4096 9709
Kapil Yadav	VP - Equity Sales	kapil@dolatcapital.com	+9122 4096 9735
Jubbin Shah	VP - Equity Sales	jubbins@dolatcapital.com	+9122 4096 9779
Girish Raj Sankunny	VP - Equity Sales	girishr@dolatcapital.com	+9122 4096 9625
Pratik Shroff	AVP - Equity Sales	pratiks@dolatcapital.com	+9122 4096 9621
Rajeev Lala	AVP - Equity Sales	rajeevl@dolatcapital.com	+9122 4096 9767
Equity Trading	**Designation**	**E-mail**	
P. Sridhar	SVP and Head of Sales Trading	sridhar@dolatcapital.com	+9122 4096 9728
Chandrakant Ware	VP - Sales Trading	chandrakant@dolatcapital.com	+9122 4096 9707
Shirish Thakkar	VP - Head Domestic Derivatives Sales Trading	shirisht@dolatcapital.com	+9122 4096 9702
Kartik Mehta	Asia Head Derivatives	kartikm@dolatcapital.com	+9122 4096 9715
Bhavin Mehta	VP - Derivatives Strategist	bhavinm@dolatcapital.com	+9122 4096 9705

Analyst(s) Certification

The research analyst(s), with respect to each issuer and its securities covered by them in this research report, certify that: All of the views expressed in this research report accurately reflect his or her or their personal views about all of the issuers and their securities; and No part of his or her or their compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this research report.

I. Analyst(s) and Associate (S) holding in the Stock(s): (Nil)

II. Disclaimer:

This research report has been prepared by Dolat Capital Market Private Limited. to provide information about the company(ies) and sector(s), if any, covered in the report and may be distributed by it and/or its affiliated company(ies) solely for the purpose of information of the select recipient of this report. This report and/or any part thereof, may not be duplicated in any form and/or reproduced or redistributed without the prior written consent of Dolat Capital Market Private Limited. This report has been prepared independent of the companies covered herein. Dolat Capital Market Private Limited. and its affiliated companies are part of a multi-service, integrated investment banking, brokerage and financing group. Dolat Capital Market Private Limited. and/or its affiliated company(ies) might have provided or may provide services in respect of managing offerings of securities, corporate finance, investment banking, mergers & acquisitions, financing or any other advisory services to the company(ies) covered herein. Dolat Capital Market Private Limited. and/or its affiliated company(ies) might have received or may receive compensation from the company(ies) mentioned in this report for rendering any of the above services. Research analysts and sales persons of Dolat Capital Market Private Limited. may provide important inputs to its affiliated company(ies) associated with it. While reasonable care has been taken in the preparation of this report, it does not purport to be a complete description of the securities, markets or developments referred to herein, and Dolat Capital Market Private Limited. does not warrant its accuracy or completeness. Dolat Capital Market Private Limited. may not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. This report is provided for information only and is not an investment advice and must not alone be taken as the basis for an investment decision. The investment discussed or views expressed herein may not be suitable for all investors. The user assumes the entire risk of any use made of this information. The information contained herein may be changed without notice and Dolat Capital Market Private Limited. reserves the right to make modifications and alterations to this statement as they may deem fit from time to time. Dolat Capital Market Private Limited. and its affiliated company(ies), their directors and employees may; (a) from time to time, have a long or short position in, and buy or sell the securities of the company(ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions. This report is neither an offer nor solicitation of an offer to buy and/or sell any securities mentioned herein and/or not an official confirmation of any transaction. This report is not directed or intended for distribution to, or use by any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject Dolat Capital Market Private Limited. and/or its affiliated company(ies) to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to a certain category of investors. Persons in whose possession this report may come, are required to inform themselves of and to observe such restrictions.

For U.S. persons only: This research report is a product of Dolat Capital Market Private Limited, under Marco Polo Securities 15a-6 chaperone service, which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

Research reports are intended for distribution only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a-6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor. In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, Dolat Capital Market Private Limited has entered into a chaperoning agreement with a U.S. registered broker-dealer, Marco Polo Securities Inc. ("Marco Polo"). Transactions in securities discussed in this research report should be affected through Marco Polo or another U.S. registered broker dealer.

***Dolat* Capital Market Private Limited.**

Corporate Identity Number: U65990GJ993PTC116741
Member: BSE Limited and National Stock Exchange of India Limited.
SEBI Registration No: BSE - INZ000274132, NSE - INZ000274132, Research: INH000014012
Regd. office: 1401-1409, Dalal Street Commercial, Block 53 (Bldg. No.53E) Zone-5, Road-5E, Gift City, Sector 9, Gandhinagar-382355 Gujarat, India.
Board: +9122 40969700 | Fax: +9122 22651278 | Email: research@dolatcapital.com | www.dolatresearch.com