Firstsource Solutions   Accumulate

BPO and KPO | Q4FY24 Result Update

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Result Update

Results beat; Commentary Upbeat led by record ACV wins

- **FSL reported CC Rev. growth of 4.2% QoQ (DE: 2.8%) led by Healthcare/CMT up 2.7%/9.6% growth, while BFS was up 2.1% QoQ. OPM was up 30bps QoQ to 11% (DE: 10.9%) despite investments in sales engine.**
- **FSL shared CC Rev. growth guidance of 10%-13% for FY25 inc. contribution of ~160bps from QBSS acq. (vs FY24: 1.1%) and OPM band of 11-12%. It aims to achieve $1bn exit organic revenue run-rate by FY26E.**
- **We believe strong execution focus and deal wins across existing/new clients will help in picking-up the growth momentum, while we remain watchful of pickup in Mortgage/Provider as it would be a key in driving robust growth. We tweak our FY25/FY26E EPS est. (-2.2%/+0.1%) and maintain 'Accumulate' rating with TP of Rs. 230 valuing at 22x on FY26E EPS (~2x PEG).**

Broad-based growth led to strong performance.

Vertical-wise commentary: **1) BFS (+2.1% QoQ):** Growth primarily due to higher volumes in collections led by surge in credit card spending & delinquencies. Mgmt. is focusing on new sub-segments i.e. compliance & financial crime. While card issuers may see a seasonal slowdown in Q1, it is expected to be minimal. **2) Healthcare (+2.7%):** Growth led volumes uptick in Payer segment, due to regulatory changes & enhanced cyber security measures. Expect slight impact in Provider biz. but overall growth to remain strong, **3) CMT (+ 9.6%):** Growth led by ramp-ups across clients (Top client up 14% QoQ). Mgmt. expects momentum to sustain despite headwinds from transitioning onshore to offshore operations.

Lead indicators suggest improved growth prospects.

Lead indicators such as Record ACV wins in Q4, employee addition of 2k (+21% YoY) in Q4 (3 consecutive quarters of additions), all time high pipeline and improved commentary across sub-segments suggest growth to improve hereon.

Revamped GTM strategy is progressing well.

Mgmt. shared that it expects broad-based growth in FY25 driven by expansion in existing and new logo wins supported by ongoing investments in strengthening sales, capabilities, and brand enhancement. Moreover, it expects to improve margins by 50-70bps each yr by higher offshoring, AI & automation.

Q4FY24 Result (Rs Mn)

Particulars	Q4FY24	Q4FY23	YoY (%)	Q3FY24	QoQ (%)
Revenue	16,705	15,568	7.3	15,966	4.6
Total Expense	14,201	13,127	8.2	13,595	4.5
EBITDA	2,503	2,441	2.5	2,371	5.6
Depreciation	673	642	4.8	663	1.6
EBIT	1,830	1,799	1.7	1,709	7.1
Other Income	28	127	(77.8)	154	(81.7)
Interest	265	207	28.3	254	4.3
EBT	1,593	1,719	(7.3)	1,608	(0.9)
Tax	258	306	(15.6)	321	(19.6)
RPAT	1,335	1,413	(5.5)	1,287	3.7
APAT	1,335	1,413	(5.5)	1,287	3.7
			(bps)		(bps)
Gross Margin (%)	36.8	37.8	(96)	38.0	(124)
EBITDA Margin (%)	15.0	15.7	(70)	14.9	13
NPM (%)	8.0	9.1	(108)	8.1	(7)
Tax Rate (%)	16.2	17.8	(160)	19.9	(375)
EBIT Margin (%)	11.0	11.6	(60)	10.7	25

CMP	Rs 208
Target / Upside	Rs 230 / 11%
NIFTY	22,476

Scrip Details

Equity / FV	Rs 6,970mn / Rs 10
Market Cap	Rs 142bn
	USD 1.7bn
52-week High/Low	Rs 229/ 112
Avg. Volume (no)	24,79,660
Bloom Code	FSOL IN

Price Performance	1M	3M	12M
Absolute (%)	3	4	76
Rel to NIFTY (%)	3	1	47

Shareholding Pattern

	Sep'23	Dec'23	Mar'24
Promoters	53.7	53.7	53.7
MF/Banks/FIs	16.2	18.2	19.3
FIIs	10.2	9.9	9.6
Public / Others	19.9	18.3	17.5

Valuation (x)

	FY24A	FY25E	FY26E
P/E	27.8	23.4	19.8
EV/EBITDA	15.5	13.2	11.2
ROE (%)	14.6	16.0	17.1
RoACE (%)	14.7	15.8	16.7

Estimates (Rs bn)

	FY24A	FY25E	FY26E
Revenue	63.4	72.4	80.7
EBITDA	9.6	11.1	12.7
PAT	5.1	6.2	7.3
EPS (Rs.)	7.5	8.9	10.5

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Exhibit 1: Quarterly performance versus estimates

Particulars (Rs mn)		Estimates		% Variation		Comment
	Actual	Dolat	Consensus	Dolat	Consensus	
USD Revenue	201	198	198	1.6	1.4	Strong CMT (incl Top client) & healthcare biz. growth led to rev beat
INR Revenue	16,705	16,464	16,505	1.5	1.2	
EBIT	1,830	1,795	1,844	2.0	(0.8)	Offshore leverage led to OPM beat
EBIT, margin	11.0	10.9	11.2	10	(20.0)	
PAT	1,335	1,368	1,368	(2.4)	(2.4)	PAT Miss led by OI normalization.

Source: Company, DART

Change in Estimates

For FY25E/FY26E – Factoring revenue guidance and incorporating growth from QBSS Acq, we revise our revenue growth estimates by +3%/+4.7%. Given the outlook on cost optimization and improved commentary on margin improvement, we have upgraded our OPM estimates by 19bps/42bps. Overall, this has led to earnings change by -2.2%/0.1%.

Exhibit 2: Change in Estimates

Particulars (Rs. mn)	FY23A	FY24A	FY25E			FY26E		
	Actual	Actual	Old	New	Chg.(%)	Old	New	Chg.(%)
USD Revenue	751	765	839	865	3.0	911	954	4.7
YoY growth,	(5.6)	1.8	10.1	13.1		8.6	10.3	
INR Revenue	60,223	63,362	70,124	72,377	3.2	77,094	80,682	4.7
YoY growth,	1.7	5.2	11.0	14.2		9.9	11.5	
EBIT	5,633	6,962	7,950	8,316	4.6	8,886	9,621	8.3
EBIT Margin,	9.4	11.0	11.3	11.5	19 bps	11.5	11.9	42 bps
Net Profit	5,137	5,147	6,364	6,206	(2.5)	7,331	7,322	(0.1)
EPS (Rs)	7.5	7.5	9.1	8.9	(2.2)	10.5	10.5	0.1

Source: DART, Company

What to expect next quarter

We expect revenue growth of 2.4% in USD terms on account of deal-ramping across all verticals. OPM expanded 54bps on account of operating leverage. Overall, PAT is expected to grow by 9% QoQ.

Exhibit 3: What to expect next Quarter

Particulars (Rs Mn)	Q1FY25E	Q4FY24	Q1FY24	QoQ (%)	YoY (%)
USD Revenue	206	201	186	2.4	10.7
INR Revenue	17,198	16,705	15,292	3.0	12.5
EBIT	1,978	1,830	1,789	8.1	10.5
PAT	1,456	1,335	1,260	9.0	15.5
EPS (Rs)	2.1	1.9	1.8	9.0	15.1
EBIT Margin (%)	11.5	11.0	11.7	54 bps	(20 bps)

Source: Company, DART

Valuation

FSL is working aggressively to widen its capabilities (QBSS acq) powered with platform led new offerings, exploring cross-selling opportunities in adjacencies. We believe strong performance in Q4, record deal pipeline and solid execution is reflective of that. Signs of pick-up in BFS would be key in driving further growth momentum. We currently value FSL at 22x FY26E Earnings of Rs. 10.5 with TP of Rs. 230 per share and maintain ‘**Accumulate**’ rating on the stock.

Exhibit 4: Key Revenue Assumptions

Key Assumptions	FY23A	FY24A	FY25E	FY26E
CC growth (%)	(1.7)	0.9	12.7	10.3
USD revenue growth (%)	(5.6)	1.8	13.1	10.3
INR revenue growth (%)	1.7	5.2	14.2	11.5
EBIT margin (%)	9.4	11.0	11.5	11.9
EPS growth (%)	(4.9)	(0.6)	19.0	18.0
USD/INR	79.7	82.8	83.6	84.5

Source: DART, Company

Exhibit 5: Key Revenue Growth Matrix

YoY Growth	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24
CC Growth	3.1	(0.4)	1.8	2.8	(2.8)	(1.6)	(1.9)	2.8	4.5
USD Growth	2.8	(5.1)	(3.1)	(6.3)	(7.5)	(2.6)	(0.5)	4.8	5.8
INR Growth	5.1	(1.7)	3.9	4.0	2.1	5.1	4.6	6.1	7.2

Source: DART, Company

Exhibit 6: Quarterly Trend (Rs mn)

Particulars	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	YoY	QoQ	FY23	FY24	YoY
USD Revenue	190	186	186	192	201	5.8	4.9	751	765	1.8
INR Revenue	**15,568**	**15,292**	**15,400**	**15,966**	**16,705**	**7.3**	**4.6**	**60,223**	**63,362**	**5.2**
Operating Exp	13,127	12,890	13,112	13,595	14,201	8.2	4.5	51,958	53,798	3.5
Employee Ex	9,690	9,237	9,400	9,893	10,558	9.0	6.7	38,675	39,089	1.1
as % of sales	*62.2*	*60.4*	*61.0*	*62.0*	*63.2*	96 bps	124 bps	*64.2*	*61.7*	(253 bps)
Other Expenses	3,437	3,653	3,712	3,701	3,643	6.0	(1.6)	13,283	14,710	10.7
as % of sales	*22.1*	*23.9*	*24.1*	*23.2*	*21.8*	(27 bps)	(137 bps)	*22.1*	*23.2*	116 bps
EBITDA	**2,441**	**2,402**	**2,288**	**2,371**	**2,503**	**2.5**	**5.6**	**8,265**	**9,564**	**15.7**
Depreciation	642	613	654	663	673	4.8	1.6	2,632	2,602	(1.1)
EBIT	**1,799**	**1,789**	**1,634**	**1,709**	**1,830**	**1.7**	**7.1**	**5,633**	**6,962**	**23.6**
Net interest	(207)	(254)	(261)	(254)	(265)	28.3	4.3	(790)	(1,034)	30.9
Other Income	127	17	169	154	28	(77.8)	(81.7)	1,309	368	(72)
PBT	1,719	1,553	1,543	1,608	1,593	(7.3)	(0.9)	6,152	6,297	2.4
Total Tax	306	293	278	321	258	(15.6)	(19.6)	1,015	1,150	13.2
Reported PAT	**1,413**	**1,260**	**1,265**	**1,287**	**1,335**	**(5.5)**	**3.7**	**5,137**	**5,147**	**0.2**
Actual PAT	1,413	1,260	1,265	1,287	1,335	(5.5)	3.7	5,137	5,147	0.2
Actual EPS	2.0	1.8	1.8	1.8	1.9	(5.9)	3.3	7.3	7.3	0.3
Margins (%)						**(bps)**	**(bps)**			**(bps)**
EBIDTA	15.7	15.7	14.9	14.9	15.0	(70 bps)	13 bps	13.7	15.1	137 bps
EBIT	11.6	11.7	10.6	10.7	11.0	(60 bps)	25 bps	9.4	11.0	163 bps
PBT	11.0	10.2	10.0	10.1	9.5	(150 bps)	(54 bps)	10.2	9.9	(28 bps)
PAT	9.1	8.2	8.2	8.1	8.0	(108 bps)	(7 bps)	8.5	8.1	(41 bps)
Eff. Tax rate	17.8	18.9	18.0	19.9	16.2	(160 bps)	(375 bps)	16.5	18.3	176 bps

Source: Company

Earning Call KTAs

- **Revenue:** Firstsource reported $ revenue growth of 4.9% QoQ at $201mn (vs estm. Of $198mn). INR Revenue stood at Rs. 16.7bn (Estm. Rs.16.5bn) and grew by 4.6% QoQ and 7.3% YoY. Growth was broad based across all verticals and geographies.
- **EBIT Margin:** FSL reported Operating Margins at 11% up by 25bps QoQ. The sequential expansion in margins on a reported basis was led by a decline in other expenses (1.6% QoQ), while it was partially offset by an increase in employee expenses (up 4.9% QoQ, Headcount up by 2k on QoQ basis).
- **BFSI (37% of Revenues):** BFS segment Revenue was up 1.7% QoQ in CC primarily due to some revival in volumes. The segmental margin witnessed an expansion of 200bps QoQ and stood at 15.2% (highest in the last 8qtrs). Despite challenges posed by elevated interest rates, the segment sees a focus on cost optimization among clients and driving efficiency. Rising volumes in collection services, notably with record-high credit card spending and delinquencies. Positive momentum in acquiring new clients, especially in retail and commercial banks, indicates growth potential. Expectations of seasonal moderation in the card issuer business in Q1 exist, but overall outlook remains optimistic, supported by a robust deal pipeline and promising growth prospects within the segment. The mortgage business segment remained largely stable, with some expected quarterly volatility in Q4. FSOL is focused on expanding market presence beyond mono liners to mid-tier and regional banks. Additionally, they have diversified their service portfolio to include servicing and HELOC markets and ventured into adjacent areas within the real estate vertical.
- **Healthcare (34% of Revenues):** Healthcare reported CC Revenue growth of 3% QoQ, while segmental margin declined 370 by bps QoQ at 13.6%. This growth trajectory was propelled by two significant deals secured in Q3 from existing clientele, which successfully ramped up during the period. Management observed a sudden drop in transactions which impacted the provider business, while the payer segment experienced heightened activity driven by regulatory shifts and cybersecurity fortifications. Notably, falling reimbursement rates spurred transformative initiatives within the payer segment, reporting 60% growth in ACV in FY24. The burgeoning interest in generative AI solutions within the payer sector indicates a promising avenue for growth, with anticipated involvement from providers expected to follow suit. Acquiring the offshore-based company QBSS, brings in 1800 new personnel and access to newer market (physician market), enhancing capabilities across hospitals, physicians, and integrated health systems.
- **CMT (22% of Revenues):** CMT segment reported 8% QoQ growth in CC terms. Its margin expanded by 20bps QoQ to 14.7%. This vertical demonstrated robust growth, highlighted by the company's success in securing additional business amidst the shift from onshore to offshore operations within its top client. In AdTech, differentiated solutions covering the entire learner lifecycle have led to promising pipeline conversions. Expansion into consumer tech has also shown traction among marquee consumer tech logos, bolstered by a nontraditional service proposition. Despite potential short-term headwinds, such as onshore-to-offshore transitions, the overall vertical exhibits a positive trajectory, supported by a strong deal pipeline, indicative of favorable demand dynamics and growth prospects moving forward.
- **Diverse Portfolio (6% of Revenues):** Others segment further reported strong Revenue growth of 7% QoQ in CC. Segmental margin stood at 21.9% up 420bps QoQ. Management remains optimistic about the utilities and energy sectors, noting continued strong demand as they expand their presence with existing clients in this vertical.
- **Headcount:** Headcount addition continued to remain strong and stood at 2k on QoQ basis (added 20% of the employee base in last 3 qtrs) with total being 28k employees' v/s 23k employees in Q4FY23. Offshore attrition stood at 30.8% v/s 33.8% in Q3. Onshore attrition stood at 42.5% v/s 43.3% in Q3. Management anticipates further decline in Attrition.
- **Guidance:** FSL has shared its Revenue growth guidance of 10%-13% in CC terms in FY25 (vs FY24: 1.1%). Operating Margin guidance retained at 11%-12% for FY25. The Company sets a vision to surpass $1bn in Revenues by FY26, with an annual improvement of 50bps-75bps in margins over medium term.

- **Acquisition:** FSOL acquired a 100% stake in Quintessence Business Solutions (QBSS), a company that specializes in RCM (in healthcare), for $39.2mn. The acquisition included an upfront payment of $25.9mn, deferred compensation of $5.6mn, and an earn-out base payment of $7.8mn and is expected to be completed by 15th May'24. This move is part of the company's strategy to expand its service offerings and gain market share in growing revenue cycle management space. Additionally, the company sees opportunities to benefit from consolidation of CX market, both from large players facing concentration risk and from smaller players struggling to compete. The transaction is valued at 2.6x P/S. Revenues for QBSS in FY24 stood at $14.8mn, growing at a CAGR of 24% over FY22-FY24.

Exhibit 7: Vertical Trend for Q4FY24

Vertical	Amount (INR mn)	Mix (%)	QoQ (%)	YoY (%)	Incremental Revenue (INR mn)	% Contribution of Incremental Revenue	Segmental Margin (%)
BFSI	6,230	37	2.1	(0.7)	128	17	15.2
CMT	3,931	24	9.6	13.3	346	46	14.7
Healthcare	5,498	33	2.7	6.3	146	20	13.6
Others	1,033	6	13.8	59.9	125	17	21.9
Total	**16,693**	**100**	**4.7**	**7.2**	**745**	**100**	**15.1**

Source: DART, Company

Exhibit 8: Geography Trend for Q4FY24

Geography	Amount (INR mn)	Mix (%)	QoQ (%)	YoY (%)	Incremental Revenue (INR mn)	% Contribution of Incremental Revenue
US & Canada	10,850	65	4.0	10.1	420	56
UK	5,826	35	5.9	1.7	324	43
Rest of world	17	0	4.7	(73.6)	1	0
Total	**16,693**	**100**	**4.7**	**7.2**	**745**	**100**

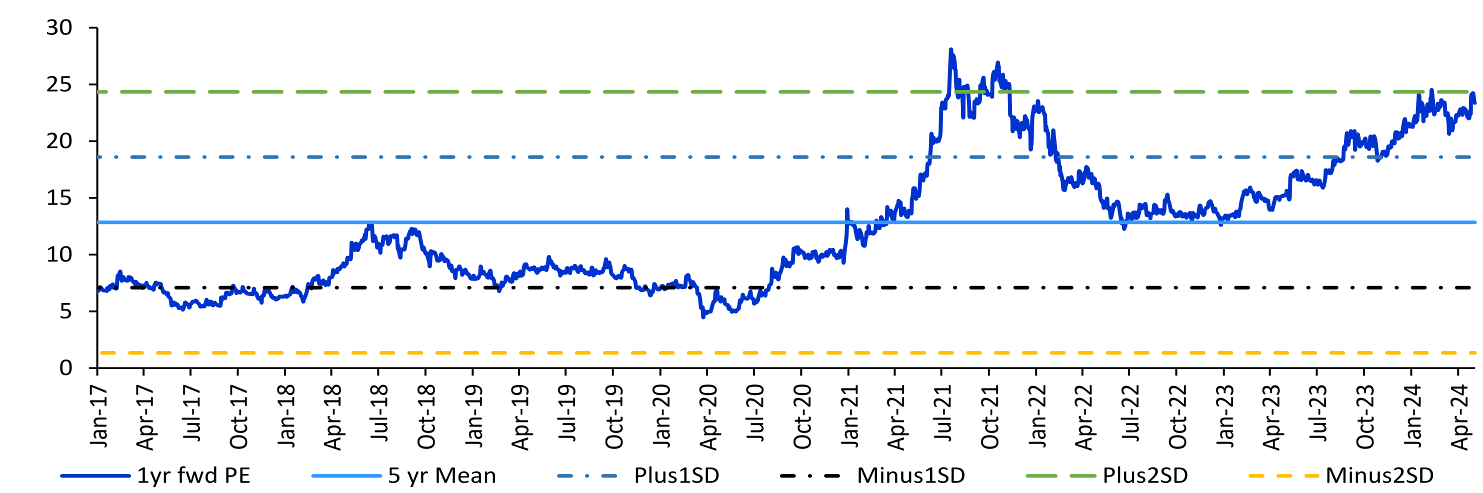
Source: DART, Company

Exhibit 9: Client Trend for Q4FY24

Client	Amount (INR mn)	Mix (%)	QoQ (%)	YoY (%)	Incremental Revenue (INR mn)	% Contribution of Incremental Revenue
Top Client	2,487	15	13.8	3.8	302	41
Top 2-5 Clients	3,639	22	3.2	6.3	114	15
Non-Top 5 Clients	10,567	63	3.2	8.4	328	44
Total	**16,693**	**100**	**4.7**	**7.2**	**745**	**100**

Source: Company, DART

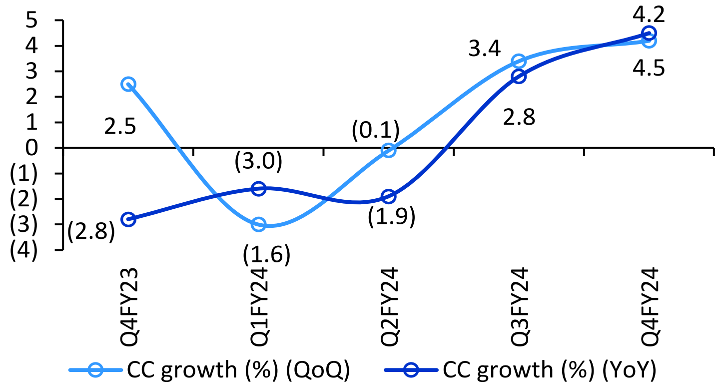
Exhibit 10: FSL currently trades at 25x on FY26E.



Source: Company, DART

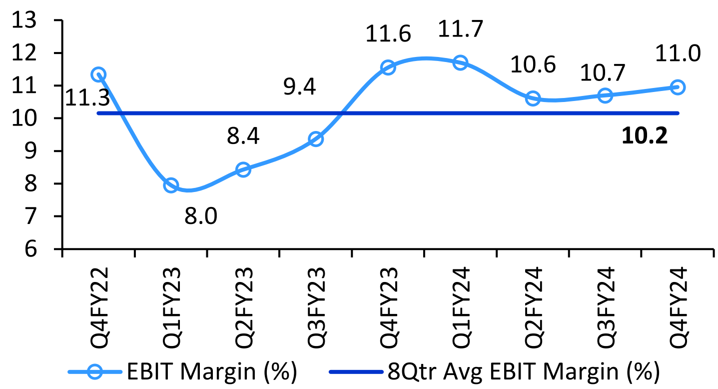
Story in Charts

Exhibit 11: Revenue saw growth of 4.2% QoQ in CC terms



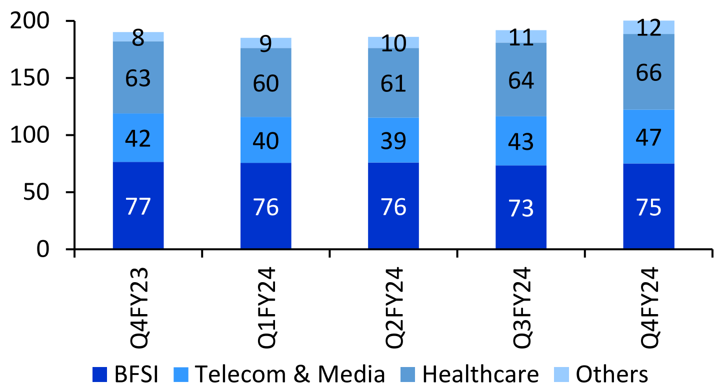
Source: Company, DART

Exhibit 12: EBIT margin expanded by 25bps QOQ



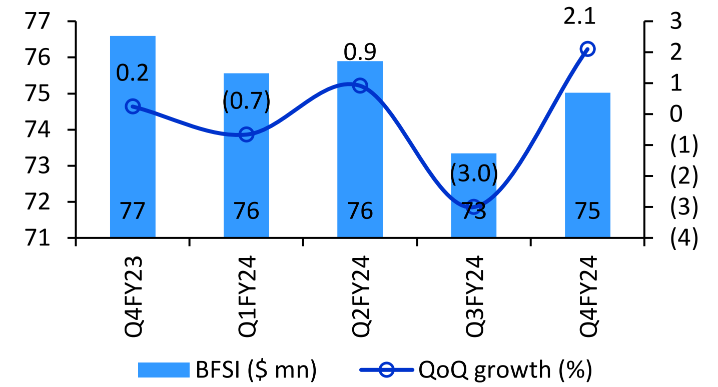
Source: Company, DART

Exhibit 13: Vertical-wise revenue breakup



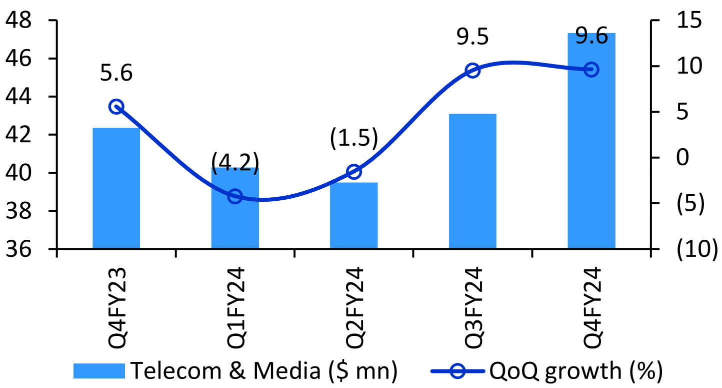
Source: Company, DART

Exhibit 14: BFS vertical bounced back, up 2.1 % QoQ



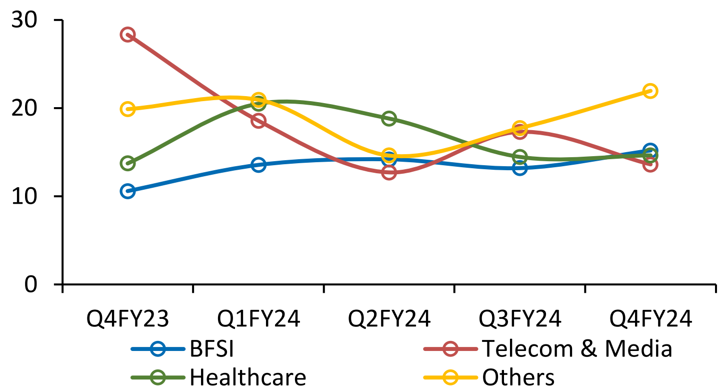
Source: Company, DART

Exhibit 15: CMT vertical grew 9.6% QoQ



Source: Company, DART

Exhibit 16: Segment wise EBIT margins trend



Source: Company, DART

Exhibit 17: Operating Metrics 1

Operating Metrics	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24
$ Revenue	206	191	187	183	190	186	186	192	201
CC growth (%) (YoY)	3.1	(5.1)	1.8	(0.3)	(2.8)	(1.6)	(1.9)	2.8	4.5
CC growth (%) (QoQ)	5.2	(2.7)	0.2	(0.9)	2.5	(3.0)	(0.1)	3.4	4.2
Geographical Amount									
US & Canada	145	131	126	119	120	118	121	125	131
UK	57	57	59	62	69	68	65	66	70
Rest of world	4	3	3	2	1	0	0	0	0
Geographical YoY Growth									
US & Canada	10.3	(0.6)	2.1	(3.3)	(8.5)	(2.4)	1.4	6.9	10.1
UK	(10.3)	(8.2)	0.8	12.1	22.0	17.8	10.6	6.0	1.7
Rest of world	68.2	9.5	(3.1)	(44.9)	(79.5)	(93.5)	(93.4)	(89.5)	(73.6)
Vertical Amount									
BFSI	101	88	81	76	77	76	76	73	75
Telecom & Media	39	38	38	40	42	40	39	43	47
Healthcare	62	61	65	63	63	61	61	64	66
Others	3	3	4	4	8	9	10	11	12
Vertical YoY Growth									
BFSI	(1.5)	(11.9)	(7.9)	(10.4)	(15.9)	(7.3)	(1.6)	(2.5)	(0.7)
Telecom & Media	(3.5)	0.9	6.7	16.3	19.5	13.6	10.6	9.1	13.3
Healthcare	28.2	18.1	21.2	17.3	12.1	6.7	(0.8)	4.2	6.3
Others	(17.6)	(30.8)	8.5	34.1	151.4	256.6	170.9	160.2	59.9
Segment Amount									
Digitally Empowered Contact Center	91	89	89	92	100	96	98	103	110
Intelligent Back Office	75	62	58	53	51	50	47	49	52
Platforms, Automation & Analytics	39	40	40	37	39	39	41	40	39
Segment YoY Growth									
Digitally Empowered Contact Center	(3.3)	(4.5)	(1.2)	2.8	9.5	8.2	10.3	11.2	10.4
Intelligent Back Office	(21.7)	(34.8)	(34.3)	(37.8)	(31.6)	(19.6)	(18.9)	(7.4)	1.1
Platforms, Automation & Analytics	300.7	222.0	172.8	89.2	(1.2)	(0.3)	1.8	6.3	0.1
Delivery Type Amount									
Off-Shore	39	52	48	46	47	48	50	58	63
On-Shore	167	139	139	137	143	138	136	134	138
Delivery Type YoY Growth									
Off-Shore	(36.5)	(11.3)	(19.0)	(23.7)	20.3	(9.0)	2.5	26.5	35.0
On-Shore	20.1	(2.6)	4.1	1.4	(14.0)	(0.2)	(1.6)	(2.5)	(3.8)
Client Amount									
Top client	30	29	28	29	29	27	24	26	30
Top 2-5 client	43	40	41	42	42	42	41	42	44
Top 5 client	74	70	68	70	71	69	65	69	74
Non-Top 5 clients	132	121	119	113	119	117	121	123	127
Client YoY Growth									
Top client	(11.1)	(8.4)	(2.0)	8.1	6.3	1.0	(10.8)	(8.0)	3.8
Top 2-5 client	(10.6)	(18.9)	(11.2)	5.4	6.5	12.1	7.5	3.3	6.3
Top 5 client	(10.8)	(14.8)	(7.7)	6.5	6.4	7.4	0.1	(1.4)	5.2
Non-Top 5 clients	16.8	7.8	12.0	2.5	(0.2)	3.8	7.3	10.7	8.4

Source: DART, Company

Exhibit 18: Operating Metrics 2

Employee Data	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24
Total Employees	26,557	25,234	23,932	23,627	23,018	22,384	23,953	25,947	27,940
Breakup									
India	16,045	14,769	13,431	12,489	12,395	12,457	14,437	16,269	17,987
Outside India	10,512	10,465	10,501	11,138	10,623	9,927	9,516	9,678	9,953
Attrition									
Offshore(India and Philippines)	45.9	43.8	45.7	44.4	44.9	39.1	36.1	33.8	30.8
Onshore (US and Europe)	50.2	56.9	52.0	47.2	42.3	45.3	44.8	43.3	42.5

Source: DART, Company

Financial Performance

Profit and Loss Account

(Rs Mn)	FY23A	FY24A	FY25E	FY26E
Revenue	**60,223**	**63,362**	**72,377**	**80,682**
Total Expense	**51,958**	**53,798**	**61,256**	**67,956**
COGS	38,675	39,089	44,820	49,602
Employees Cost	0	0	0	0
Other expenses	13,283	14,710	16,436	18,354
EBIDTA	**8,265**	**9,564**	**11,121**	**12,726**
Depreciation	2,632	2,602	2,805	3,106
EBIT	**5,633**	**6,962**	**8,316**	**9,621**
Interest	790	1,034	963	870
Other Income	1,309	368	124	233
Exc. / E.O. items	0	0	0	0
EBT	**6,152**	**6,297**	**7,477**	**8,984**
Tax	1,015	1,150	1,271	1,662
RPAT	5,137	5,147	6,206	7,322
Minority Interest	0	0	0	0
Profit/Loss share of associates	**0**	**0**	**0**	**0**
APAT	**5,137**	**5,147**	**6,206**	**7,322**

Balance Sheet

(Rs Mn)	FY23A	FY24A	FY25E	FY26E
Sources of Funds				
Equity Capital	6,970	6,970	6,970	6,970
Minority Interest	4	4	4	4
Reserves & Surplus	26,699	30,034	33,626	38,161
Net Worth	**33,668**	**37,004**	**40,596**	**45,131**
Total Debt	8,270	8,123	7,923	7,573
Net Deferred Tax Liability	(1,752)	(1,450)	(1,450)	(1,450)
Total Capital Employed	**40,190**	**43,680**	**47,073**	**51,257**
Applications of Funds				
Net Block	**37,162**	**38,530**	**39,376**	**38,820**
CWIP	34	171	171	171
Investments	711	415	565	715
Current Assets, Loans & Advances	**15,788**	**18,793**	**22,114**	**26,966**
Inventories	0	0	0	0
Receivables	6,800	8,607	8,725	9,284
Cash and Bank Balances	1,556	1,884	3,472	7,009
Loans and Advances	0	0	0	0
Other Current Assets	7,432	8,302	9,917	10,672
Less: Current Liabilities & Provisions	**13,506**	**14,229**	**15,153**	**15,415**
Payables	2,314	3,056	3,021	2,979
Other Current Liabilities	11,192	11,173	12,132	12,436
sub total				
Net Current Assets	2,282	4,564	6,961	11,551
Total Assets	**40,190**	**43,680**	**47,073**	**51,257**

E – Estimates

Important Ratios

Particulars	FY23A	FY24A	FY25E	FY26E
(A) Margins (%)				
Gross Profit Margin	35.8	38.3	38.1	38.5
EBIDTA Margin	13.7	15.1	15.4	15.8
EBIT Margin	9.4	11.0	11.5	11.9
Tax rate	16.5	18.3	17.0	18.5
Net Profit Margin	8.5	8.1	8.6	9.1
(B) As Percentage of Net Sales (%)				
COGS	64.2	61.7	61.9	61.5
Employee	0.0	0.0	0.0	0.0
Other	22.1	23.2	22.7	22.7
(C) Measure of Financial Status				
Gross Debt / Equity	0.2	0.2	0.2	0.2
Interest Coverage	7.1	6.7	8.6	11.1
Inventory days	0	0	0	0
Debtors days	41	50	44	42
Average Cost of Debt	8.6	12.6	12.0	11.2
Payable days	14	18	15	13
Working Capital days	14	26	35	52
FA T/O	1.6	1.6	1.8	2.1
(D) Measures of Investment				
AEPS (Rs)	7.5	7.5	8.9	10.5
CEPS (Rs)	11.1	11.3	12.9	15.0
DPS (Rs)	3.4	3.5	3.8	4.0
Dividend Payout (%)	45.4	46.8	42.1	38.1
BVPS (Rs)	48.1	53.8	58.2	64.8
RoANW (%)	16.1	14.6	16.0	17.1
RoACE (%)	15.1	14.7	15.8	16.7
RoAIC (%)	14.8	17.3	19.5	21.9
(E) Valuation Ratios				
CMP (Rs)	208	208	208	208
P/E	27.6	27.8	23.4	19.8
Mcap (Rs Mn)	1,42,424	1,42,424	1,42,424	1,42,424
MCap/ Sales	2.4	2.2	2.0	1.8
EV	1,49,138	1,48,662	1,46,875	1,42,987
EV/Sales	2.5	2.3	2.0	1.8
EV/EBITDA	18.0	15.5	13.2	11.2
P/BV	4.3	3.9	3.6	3.2
Dividend Yield (%)	1.6	1.7	1.8	1.9
(F) Growth Rate (%)				
Revenue	1.7	5.2	14.2	11.5
EBITDA	(13.9)	15.7	16.3	14.4
EBIT	(20.7)	23.6	19.4	15.7
PBT	(4.9)	2.4	18.7	20.2
APAT	(4.4)	0.2	20.6	18.0
EPS	(4.9)	(0.6)	19.0	18.0

E – Estimates

Cash Flow

Particulars	FY23A	FY24A	FY25E	FY26E
Profit before tax	**6,152**	**6,297**	**7,477**	**8,984**
Depreciation & w.o.	2,632	2,602	2,805	3,106
Net Interest Exp	732	962	963	870
Direct taxes paid	(656)	(718)	(1,271)	(1,662)
Change in Working Capital	765	(2,404)	(810)	(1,052)
Non Cash	0	0	0	0
(A) CF from Operating Activities	**7,950**	**6,448**	**9,164**	**10,245**
Capex {(Inc.)/ Dec. in Fixed Assets n WIP}	(514)	(850)	(3,650)	(2,550)
Free Cash Flow	**7,436**	**5,598**	**5,514**	**7,695**
(Inc)./ Dec. in Investments	667	261	(150)	(150)
Other	10	10	(963)	(870)
(B) CF from Investing Activities	**164**	**(580)**	**(4,763)**	**(3,570)**
Issue of Equity/ Preference	(89)	(1,551)	0	0
Inc./(Dec.) in Debt	(3,896)	(1,087)	(200)	(350)
Interest exp net	0	0	0	0
Dividend Paid (Incl. Tax)	(2,384)	(1,410)	(2,614)	(2,788)
Other	(1,064)	(1,594)	0	0
(C) CF from Financing	**(7,434)**	**(5,642)**	**(2,814)**	**(3,138)**
Net Change in Cash	680	226	1,587	3,538
Opening Cash balances	**828**	**1,515**	**1,781**	**3,368**
Closing Cash balances	**1,515**	**1,781**	**3,368**	**6,906**

E – Estimates

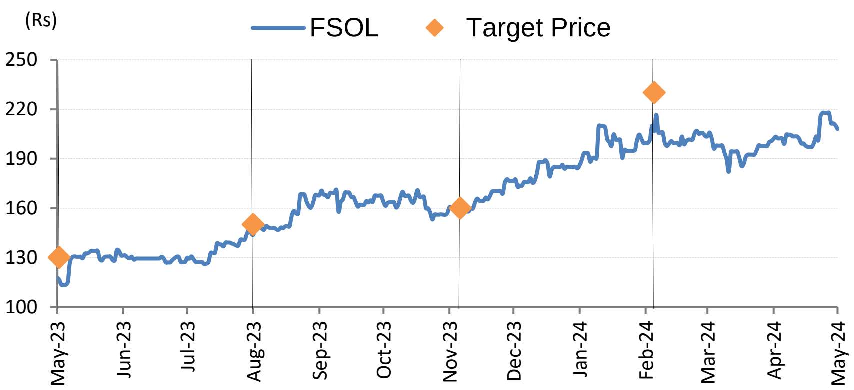
Notes

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.)
May-23	Accumulate	130	116
Aug-23	Accumulate	150	144
Nov-23	REDUCE	160	160
Feb-24	Accumulate	230	207

**Price as on recommendation date*

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