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# Re-Initiating Coverage HCL Technologies Ltd.

07-December-2020





Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
IT Consulting & Software	Rs. 858.5	Buy at LTP & add further on dips to Rs 777-787 band	Rs. 935	Rs.1010	2 quarters

HDFC Scrip Code	HCLTEC
BSE Code	532281
NSE Code	HCLTECH
Bloomberg	HCLT IN
CMP Dec 04, 2020	858.5
Equity Capital (Rs cr)	542.7
Face Value (Rs)	2.0
Equity Share O/S (cr)	271.4
Market Cap (Rs cr)	233,103
Book Value (Rs)	188.9
Avg. 52 Wk Volumes	6794420
52 Week High	910.8
52 Week Low	375.5

Share holding Pattern % (Sept, 2020)	
Promoters	60.3
Institutions	35.5
Non Institutions	4.2
Total	100.0

### Our Take:

HCL Tech won 15 transformational deals in Q2FY21 vs. 11 transformational deals in Q1FY21 and 14 transformational deals in Q4FY20 and its deal pipeline remains strong. The pace of contract renewals has been healthy and the pipeline has several large deals, according to the firm. In the post Covid-19 pandemic, the company could see improved traction in cloud consumption, cyber security, automation. Beyond FY21, there could be a faster adoption of digital services across industries, where HCL Tech is well-positioned to benefit from. We are impressed with execution, expansion of digital competencies and flow of large and mega-deal wins by HCL Tech.

HCL Tech's investments over the last few years in next-gen technologies have helped to sustain in good stead during these difficult times and positioned strongly to leverage the emerging market opportunities. This growth momentum was driven by its continued leadership in digital transformation and cloud businesses, and a strong stability in the products and platforms segment, all of which continue to open diverse growth avenues. Company has maintained its revenue guidance for the remaining two quarters of FY21 expects revenue to increase sequentially by an average 1.5-2.5% in constant currency in third and fourth quarters as well as for FY21. The company, however, has raised its EBIT margin guidance to 20-21% from 19.5-20.5% forecast earlier.

On July 06, 2020, we had issued a buy on HCL Technologies Ltd ([Click here](#)) at Rs 579 for base case Target of Rs 633 and bull case Target of Rs 668. The stock achieved its base case target on 16<sup>th</sup> July 2020 and bull case target on 24<sup>th</sup> July 2020. Company had recorded robust performance in Q1FY21 and Q2FY21 and its H2FY21 result is expected to be strong too. Taking into the consideration of its strong revenue and margin guidance, we are re-initiating coverage on the stock.

### Valuations & Recommendation:

Company has a good track record in client acquisitions and engaging in vendor consolidation opportunities over the recent past. HCL Tech signed 53 transformative deals this year and US\$100+ Mn clients increased by 5, from 10 to 15 (on YoY basis). HCL Tech has built up capabilities in UX design and has strong presence in data science and engineering. Further, taking into the consideration opportunities in cloud consumption, cyber security, automation, app modernisation, we remain optimistic on HCL Tech's revenue and margin trajectory as well as cost rationalisation efforts going forward.

### Fundamental Research Analyst

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HCL Tech has high skew towards IMS, which gains from cloud, cyber security, networks and WFH enablement demand. It has strong presence in ER&D (top-3 globally), which is showing first signs of recovery; and has margin accretive nature of products business, cushioning any pressure on IT services margins. HCLT can grow well led by capabilities in digital foundation, consistent mega deal wins and improving digital competencies. Its IT services business has improved in quality and is not overly reliant on IMS but better-rounded.

**We think the Base case fair value of the stock is Rs 935 (18.5x FY22E EPS) and the bull case fair value of the stock is Rs 1010 (20.0x FY22E EPS) over the next 2 quarters. Investors can buy at LTP and add further on dips to Rs. 777-787 band (15.5x FY22E EPS. At the LTP of Rs 858.50, stock trades at 17.0x FY22E EPS.**

## Financial Summary (Consolidated)

Particulars (Rs Cr)	Q2FY21	Q2FY20	YoY-%	Q1FY21	QoQ-%	FY19	FY20	FY21E	FY22E
Total Operating Income	18594.0	17527.0	6.1	17842.0	4.2	60,427.0	70,678.0	75,095.2	85,424.2
EBITDA	5118.0	4259.0	20.2	4757.0	7.6	13,969.0	16,693.0	19,813.1	21,507.2
Depreciation	1092.0	747.0	46.2	1065.0	2.5	2,148.0	2,663.0	4,347.2	3,861.6
Other Income	199.0	102.0	95.1	295.0	-32.5	978.0	684.0	826.0	897.0
Interest Cost	80.0	136.0	-41.2	125.0	-36.0	174.0	505.0	369.4	363.8
Tax	999.0	767.0	30.2	927.0	7.8	2,481.0	2,938.0	3,979.9	4,526.5
RPAT	3143.0	2711.0	15.9	2931.0	7.2	10,144.0	11,271.0	11,942.8	13,652.3
Diluted EPS (Rs)	11.6	5.0	132.1	10.8	7.2	37.5	41.7	44.1	50.4
RoE-%						26.1	24.4	21.7	21.5
P/E (x)						22.9	20.6	19.5	17.0
EV/EBITDA						16.2	13.5	11.2	10.2

(Source: Company, HDFC sec)

## Q2FY21 Result Review

- HCL Tech's Q2FY21 numbers were better than expectations. Consolidated revenue grew by 4.2% QoQ and 6.1% YoY to Rs 18,594 crore. It reported sequential growth of 6.4% in the dollar denominated revenue in Q2FY21. Consolidated net profit grew by 7.4% QoQ and 18.5% YoY to Rs 3,142 crore.



- HCL Tech reported 110 basis point improvement in the operating margin to 21.6 per cent QoQ in Q2FY21. It was the highest quarterly margin since the December 2014 quarter when it had risen to 23.8%.
- HCL Tech won 15 transformational deals in September quarter. The deal wins during the quarter were secured from life sciences, healthcare, public services (energy and utilities) and manufacturing.
- The management has maintained its guidance of a 1.5-2.5% growth in revenue in constant currency terms for the rest of the quarters in the financial year. EBIT margin for FY21 could be seen at 20-21% range.
- HCL Tech also reported lower employee attrition and announced to take up salary increases in the current quarter. Its attrition fell to 12.2% from 14.6% in the prior quarter. Company board announced an interim dividend of Rs 4 per share, it is higher than previous trend of dividend payment.

## Recent Triggers

### **Healthy deal pipeline and client's acquisition could bring revenue visibility going forward**

Healthy deal pipeline and high revenue contribution from digital services provides visibility of strong future growth. HCL Tech signed 15 transformational deals in Q2FY21 for another straight quarter driven by life sciences & healthcare, public services (energy & utilities) and manufacturing. Order pipeline as well as order intake in Q2FY21 are similar to the same quarter last year, and is 35% higher than the last quarter.

On an order pipeline front, the company is witnessing good deal creation activity across all verticals and geographies and also witnessing good momentum in the digital transformation opportunities. Q2FY21 pipeline grew by 20% QoQ and currently it stands at an all time high. The company has revised revenue and margin guidance upwards. With continuity of robust growth across Mode-2 and Mode-3 business (36.7% of revenue combined), we expect the growth momentum to continue in the near term supported by strong deal pipeline and ramp up of large deals.

### **Cost rationalisation to help margin expansion in near to medium term**

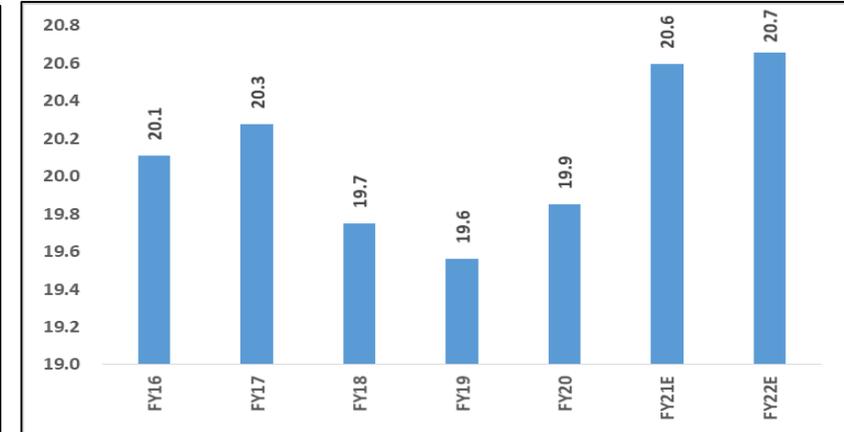
HCL Tech expanded EBIT margin by 110 bps QoQ to to 21.6% in Q2FY21 and EBIT margin has been expanding over the last six quarters from 17.3 percent in Q1FY20 to 21.7 per cent in Q2FY21. HCL Tech has various margin levers in terms of higher utilisation, lower subcontracting cost, lower travel and lower discretionary spend. While we believe that some of the cost benefits are expected to reduce and some structural changes could be there. Further, a gradual improvement in mode 2 business could support to add margins.

HCL Tech has raised its EBIT margin guidance to 20-21% from 19.5-20.5% forecast earlier. Hence, we expect the company to achieve the upper end of guided operating margin of 20.0-21.0% in FY21E with margins expected to further improve 10bps in FY22E, led by improvement in revenues & cost rationalisation initiatives.

**EBIT Margin (Quarterly)-%**



**EBIT Margin (Yearly)-%**



**Emerging segments like Cloud, cyber security, digital transformation, and automation could bring revenue visibility going forward**

HCL Tech could see revenue pressure in terms of pricing discount in impacted verticals (like retail, oil& gas, manufacturing) in the near term, reduction in volume-based billing and deferral of discretionary spend in B2B business. Company could see vendor consolidation opportunities due to pricing pressure in traditional as well as emerging segments. HCL Tech empowers global enterprises with technology for the next decade and its Mode 1-2-3 strategy, through its deep-domain industry expertise, customer-centricity and entrepreneurial culture could enable businesses to transform into next-gen enterprises.



HCL signed 53 transformative deals in FY20 and signed 11 net new transformational deals, led by key industry verticals including telecommunication, financial services, manufacturing, life sciences and healthcare in Q1FY21. Company signed 15 deals in Q2FY21 led by key industry verticals, including life science, healthcare, public services and manufacturing and driven by strong end market demand for cloud migration and digital transformation projects. This will help in ramping up volumes from Q3FY21E and Q4FY21E, the company could see improved traction in cloud consumption, cyber securities, automation.

## Long term Triggers

### **Collaboration with various Companies could give edge for niche technologies and client acquisitions**

HCL Tech's ecosystem consists of close to 100 companies in various technology areas and it has formed go-to-market alliances, specialist partnerships for niche technologies, and teaming partnerships for specific customers.

**HCL's Top Global Strategic Alliances:** Microsoft, Cisco, EMC, SAP,

**Other Strategic Alliances:** Oracle, IBM,VMware, TIBCO, HP, ServiceNow, CA Technologies, Amazon Web Services, CSC

**Specialist Partnerships:** Salesforce, Informatica, SAS,Splunk, BMC Software, Net App, VMware, Pega, MicroStrategy, Teradata, Avataq, Misys, eBaoTech, JDA, Guidewire, Hybris, Appian

On 31<sup>st</sup> Oct 2019, HCL Tech has announced a broad alliance with Google Cloud that will strengthen its go-to-market strategy. And, on 05<sup>th</sup> June 2020, HCL Tech has announced expansion of its strategic partnership with Google to bring HCL Tech's software offerings, starting with HCL Commerce, to the Google Cloud. The collaboration between Google Cloud and HCL Commerce is helping customers rapidly execute their digital transformation strategy that is rooted in the new normal. Google Cloud Business Unit could accelerate execution of digital transformation of global organisations.

On 21<sup>st</sup> Sept, 2020, HCL Tech announced to acquire Australian IT solutions firm DWS Ltd, a move that will help the Indian company strengthen its position in the Australia and New Zealand market. The total equity value pay-out will be 158.2 million Australian dollars (about Rs 850.33 crore) after considering a total number of shares at 131.83 million on a fully diluted basis. The acquisition of DWS will strongly enhance HCL's contribution to digital initiatives in Australia and New Zealand while strengthening HCL's client portfolio across key industries. Acquisition will be done by a process of Scheme of Arrangement to be approved by the court(s) in Australia, and the deal will also be subject to the approvals of Australia's Foreign Investment Review Board, Australian Competition Commission and New Zealand's Overseas Investment Office.



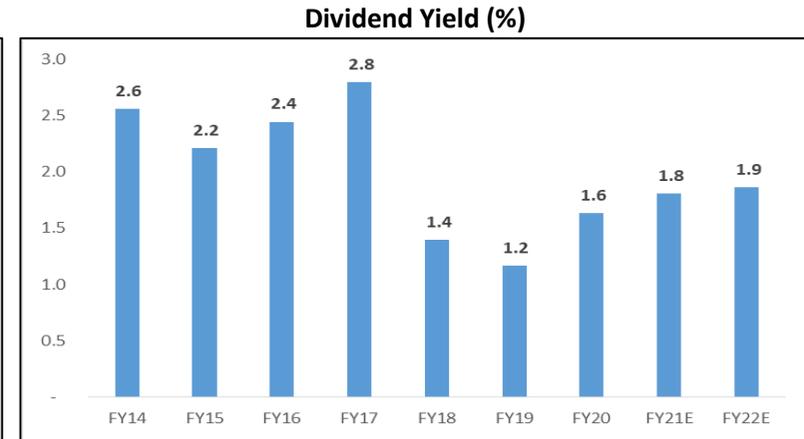
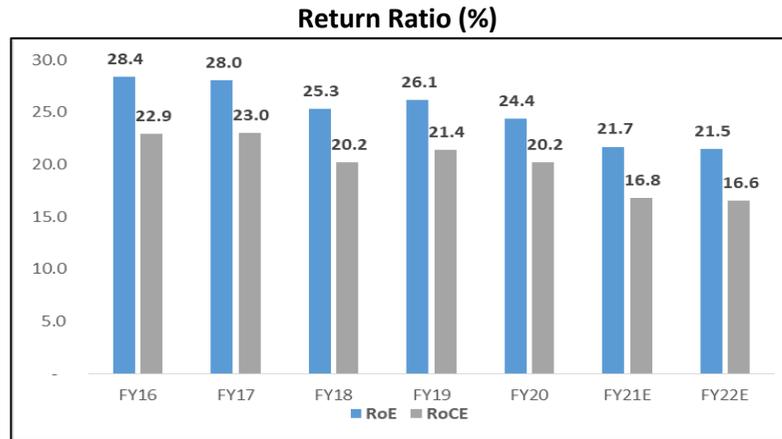
## **Ability to transform into new technologies to generate business and healthy new deal pipeline**

To expand its presence across the geographies for business gains in next generation technologies, HCL Tech had implemented the Mode 1-2-3 strategy. As on 30<sup>st</sup> Sept 2020, Mode 1 services accounted for 63.3 per cent of the revenues of the company. The IBM products acquisition is reflected in Mode 3 business. Mode 2 (digital business) and mode 3 (product business), which are into newer age technologies, together constituted 36.7 per cent of revenues. Mode 2 revenues increased 7.3% QoQ while Mode 3 revenues was up by 1.6% (QoQ) in Q2FY21. Mode 1, encompassing the traditional technology and services, remains the largest revenue driver at present and grew by 4.3% on QoQ basis. . In terms of margins, Mode 2 margins improved 110 bps QoQ to 18.5% due to low base in Q1FY21, Mode 3 margins declined 20 bps QoQ to 28.7%. Investments in product development as well as expansion of service mix through acquisitions are targeted at achieving the management's guidance of generating over 30 per cent revenues from Mode 2 and Mode 3 by FY21E.

Further, HCL Tech signed 15 transformational deals in Q2FY21, 11 in Q1FY21 and 14 transformational deals in the fourth quarter. These deals were mainly secured in verticals such as telecom, hi-tech, healthcare, manufacturing and financial services. In FY20, HCL Tech signed 53 transformational deals led by industries such as Manufacturing, Retail and CPG, Life Sciences and Healthcare and Hi-Tech among others. Going forward, integration as well as diversification of service mix from several acquisitions coupled with strong deal awards augur well for revenue and accrual growth prospects for the company.

## **Sound fundamentals led by Comfortable capital structure and robust liquidity**

- FY20 has been a landmark year, where HCL Technologies witnessed its highest growth in recent years and an industry leading performance for the fourth consecutive year. PAT was up by 9.3 per cent (YoY) and Revenue was up by 17.0 per cent (YoY) in FY20. EBIT margin stood at 19.9 per cent in FY20.
- The credit profile of HCL Tech remains robust with cash and liquid investments of ~Rs. 12,000 crore as on 30<sup>th</sup> Sept, 2020 vs Rs 9720 crore as on 30<sup>st</sup> Sept 2019.
- HCL Tech enjoys healthy capital structure and zero debt status. Company is expected to remain so due to no major debt-funded expansion plans over the medium term, maintained ~0.1x debt to equity ratio in FY20. Growth in margins helped to increase return ratios.
- HCL Tech has recommended second interim dividend of Rs 4 per equity share (FV at Rs 2) in Sept 2020.



(Source: Company, HDFC sec)

## What could go wrong?

- INR appreciation against the USD, pricing pressure, retention of the skilled headcount, strict immigration norms and rise in visa costs are key concerns.
- Company has to compete with Indian IT majors such as TCS, Infosys, Cognizant, and Wipro; and also global players such as IBM, Accenture, and Computer Sciences Corporation.
- The large size as well as multiple acquisitions and increased participation in the products business as against services, which is its core strength, could cause execution challenges. However, the management's track record of integrating and scaling up acquired businesses gives comfort.
- Current dividend payout of 33.6 per cent is below that of peers.
- HCL Tech suffers from the return-dilutive (for some time) IP acquisitions though these have led to margin accretion. Goodwill on the books due to continuous acquisitions can come for testing for impairment especially during downturns.
- Any reputation loss on account of breach in compliance can impact the growth prospects and new order inflows of the company.



## Company Profile:

HCL Technologies Ltd (HCL Tech) is third largest IT Company in India and is engaged in computer programming, consultancy, and related activities. It operates through the segments like, Software Services, Information Technology (IT) Services, and Business Process Outsourcing Services. The Software Services segment provides application development and maintenance, enterprise application, next generation software as a service application services, engineering, and research and development. The IT Services segment provides management services involving customer's information technology assets. The Business Process Outsourcing Services segment offers traditional contact centre and help desk services. Company's total employee headcount stood at 147,123, as on 30th Sept, 2020.

## Operating Metrics

### Vertical contribution

(% of rev)	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21
Manufacturing	18.3	18.0	17.7	17.5	19.9	18.7	20.9	20.7	18.1	19.8
Technology & Services	18.2	18.2	18.6	18.7	18.9	21.7	15.1	16.2	17.2	15.4
Financial Services	23.8	23.0	21.6	21.1	20.4	20.4	21.6	21.1	22.4	22.4
Life Sciences and Healthcare	12.8	12.9	13.0	13.0	12.8	12.6	12.2	12.5	13.7	12.9
Public Services	10.5	10.7	9.7	11.1	10.5	9.5	10.9	11.1	11.0	11.0
Retail & CPG	9.1	10.0	10.2	10.0	9.5	9.1	10.3	10.2	10.0	10.0
Telecom, Media, Publishing & Ent	7.3	7.2	9.2	8.6	8.0	8.0	9.0	8.3	7.6	8.4
<b>Total</b>	<b>100.0</b>									

### Geographic contribution

(% of rev)	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21
Americas	64.5	65.8	64.5	62.9	67.7	67.9	62.8	63.5	63.7	64.4
Europe	28.1	26.8	28.3	29.7	26.0	25.7	29.2	28.8	28.3	28.2
Rest of the World	7.5	7.4	7.3	7.4	6.3	6.4	8.0	7.8	8.0	7.4
<b>Total</b>	<b>100.0</b>									



## Business Lines

(% of rev)	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21
Mode 1	73.4	72.0	71.0	70.5	70.3	67.0	66.0	65.1	63.4	63.3
Mode 2	15.7	16.0	17.2	18.9	18.8	18.3	18.2	19.2	20.3	20.9
Mode 3	11.0	12.0	11.9	10.6	10.9	14.7	15.8	15.7	16.2	15.8
<b>Total</b>	<b>100.0</b>									

## Headcount, attrition and utilisation data

(Nos.)	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21
Total headcount	1,24,121	1,27,875	1,32,328	1,37,965	1,43,900	1,47,123	1,49,173	1,50,423	1,50,287	1,47,123
Technical	1,13,404	1,16,910	1,21,273	1,26,717	1,32,384	1,35,957	1,37,725	1,39,302	1,38,888	1,35,957
Support	10,717	10,965	11,055	11,248	11,516	11,166	11,448	11,121	11,399	11,166
Gross additions	12,558	11,683	11,055	11,248	16,332	13,430	11,502	10,278	7,005	13,430
Voluntary LTM attrition (%)	16.3	17.1	17.8	17.7	17.3	16.9	16.8	16.3	14.6	16.9

## Peer Comparison

(on TTM Basis)

Company	CMP Rs.	Mar Cap Rs.Cr.	EPS 12M Rs.	Div Yld %	ROE %	P/E	P/BV	OPM %	PATM-%
TCS	2727.6	1023481.7	81.7	1.2	37.3	32.3	10.8	27.4	20.0
Infosys	1134.7	483304.1	41.9	1.5	25.3	27.0	6.8	26.1	19.0
<b>HCL Technologies</b>	<b>858.5</b>	<b>232968.2</b>	<b>44.9</b>	<b>0.8</b>	<b>23.7</b>	<b>19.1</b>	<b>4.1</b>	<b>26.5</b>	<b>16.7</b>
Wipro	360.8	206209.4	16.9	0.3	17.5	21.3	3.4	21.1	15.8
Tech Mahindra	923.1	89276.8	41.3	1.6	18.5	23.2	3.8	15.1	10.2
L & T Infotech	3265.2	57008.8	96.2	0.9	29.5	34.0	9.0	20.3	14.3
Mindtree	1438.0	23685.9	52.9	0.9	19.5	27.2	6.4	17.1	11.1

(Source: Company, HDFC sec)

## Financials (Consolidated)

### Income Statement

(Rs Cr)	FY18	FY19	FY20	FY21E	FY22E
<b>Net Revenues</b>	<b>50569.0</b>	<b>60427.0</b>	<b>70678.0</b>	<b>75095.2</b>	<b>85424.2</b>
Growth (%)	8.2	19.5	17.0	6.2	13.8
Operating Expenses	39130.0	46458.0	53985.0	55282.1	63916.9
<b>EBITDA</b>	<b>11439.0</b>	<b>13969.0</b>	<b>16693.0</b>	<b>19813.1</b>	<b>21507.2</b>
<b>Growth (%)</b>	<b>11.0</b>	<b>22.1</b>	<b>19.5</b>	<b>18.7</b>	<b>8.6</b>
<b>EBITDA Margin (%)</b>	<b>22.6</b>	<b>23.1</b>	<b>23.6</b>	<b>26.4</b>	<b>25.2</b>
Depreciation	1452.0	2148.0	2663.0	4347.2	3861.6
<b>EBIT</b>	<b>9987.0</b>	<b>11821.0</b>	<b>14030.0</b>	<b>15465.9</b>	<b>17645.6</b>
Other Income	1178.0	978.0	684.0	826.0	897.0
Interest expenses	69.0	174.0	505.0	369.4	363.8
<b>PBT</b>	<b>11096.0</b>	<b>12625.0</b>	<b>14209.0</b>	<b>15922.6</b>	<b>18178.8</b>
Tax	2317.0	2481.0	2938.0	3979.9	4526.5
<b>RPAT</b>	<b>8779.0</b>	<b>10144.0</b>	<b>11271.0</b>	<b>11942.8</b>	<b>13652.3</b>
APAT	<b>8779.0</b>	<b>10166.0</b>	<b>11303.0</b>	<b>11969.8</b>	<b>13683.3</b>
Growth (%)	3.8	15.8	11.2	5.9	14.3
<b>EPS</b>	<b>32.4</b>	<b>37.3</b>	<b>40.8</b>	<b>38.8</b>	<b>46.9</b>

### Balance Sheet

As at March (Rs Cr)	FY18	FY19	FY20	FY21E	FY22E
<b>SOURCE OF FUNDS</b>					
Share Capital	278.0	271.0	543.0	542.0	542.0
Reserves	36108.0	41095.0	50724.0	58487.6	67829.0
<b>Shareholders' Funds</b>	<b>36386.0</b>	<b>41366.0</b>	<b>51267.0</b>	<b>59029.6</b>	<b>68371.0</b>
Long Term Debt	338.0	2977.0	2848.0	2348.0	2148.0
Net Deferred Taxes	0.0	0.0	0.0	0.0	0.0
Long Term Provisions & Others	1192.0	1830.0	4907.0	3680.3	2024.1
<b>Minority Interest</b>	<b>0.0</b>	<b>103.0</b>	<b>154.0</b>	<b>154.0</b>	<b>154.0</b>
<b>Total Source of Funds</b>	<b>37916.0</b>	<b>46276.0</b>	<b>59176.0</b>	<b>65211.8</b>	<b>72697.1</b>
<b>APPLICATION OF FUNDS</b>					
Net Block & Goodwill	18753.0	22888.0	37490.0	34142.8	31781.2
CWIP	320.0	235.0	400.0	400.0	400.0
Other Non-Current Assets	4132.0	5730.0	6604.0	7255.9	7973.0
<b>Total Non-Current Assets</b>	<b>23205.0</b>	<b>28853.0</b>	<b>44494.0</b>	<b>41798.7</b>	<b>40154.1</b>
Current Investments	0.0	0.0	0.0	0.0	0.0
Inventories	0.0	0.0	0.0	0.0	0.0
Trade Receivables	9639.0	11706.0	14131.0	15019.0	17084.8
Cash & Equivalents	8544.0	7924.0	12324.0	12447.2	13069.6
Other Current Assets	6635.0	10092.0	11957.0	15401.5	16940.4
<b>Total Current Assets</b>	<b>24818.0</b>	<b>29722.0</b>	<b>38412.0</b>	<b>42867.8</b>	<b>47094.8</b>
Short-Term Borrowings	42.0	724.0	1845.0	1645.0	1545.0
Trade Payables	918.0	1305.0	1166.0	1234.4	1404.2
Other Current Liab & Provisions	9147.0	10270.0	20719.0	16575.2	11602.6
<b>Total Current Liabilities</b>	<b>10107.0</b>	<b>12299.0</b>	<b>23730.0</b>	<b>19454.6</b>	<b>14551.9</b>
Net Current Assets	14711.0	17423.0	14682.0	23413.1	32543.0
<b>Total Application of Funds</b>	<b>37916.0</b>	<b>46276.0</b>	<b>59176.0</b>	<b>65211.8</b>	<b>72697.1</b>

## Cash Flow Statement

(Rs Cr)	FY18	FY19	FY20	FY21E	FY22E
Reported PBT	11,096.0	12,625.0	14,209.0	15,922.6	18,178.8
Non-operating & EO items	-511.0	-761.0	-174.0	-815.0	-922.8
Interest Expenses	22.0	124.0	251.0	369.4	363.8
Depreciation	1,383.0	2,073.0	3,420.0	4,347.2	3,861.6
Working Capital Change	-1,234.0	-2,466.0	-1,560.0	-6,385.3	-9,193.1
Tax Paid	-2,356.0	-2,621.0	-2,558.0	-3,979.9	-4,526.5
<b>OPERATING CASH FLOW ( a )</b>	<b>8,400.0</b>	<b>8,974.0</b>	<b>13,588.0</b>	<b>9,459.0</b>	<b>7,761.8</b>
Capex	-5,451.0	-6,293.0	-7,957.0	-1,000.0	-1,500.0
Free Cash Flow	2,949.0	2,681.0	5,631.0	8,459.0	6,261.8
Investments	117.0	-42.0	0.0	0.0	0.0
Non-operating income	511.0	761.0	174.0	289.1	313.9
<b>INVESTING CASH FLOW ( b )</b>	<b>-4,823.0</b>	<b>-5,574.0</b>	<b>-7,783.0</b>	<b>-710.9</b>	<b>-1,186.1</b>
Debt Issuance / (Repaid)	-148.0	3,614.0	-246.0	-700.0	-300.0
Interest Expenses	-14.0	-71.0	-136.0	-369.4	-363.8
FCFE	2,787.0	6,224.0	5,249.0	7,389.7	5,598.0
Share Capital Issuance	0.0	0.0	0.0	-1.0	0.0
Dividend	-5,531.0	-5,321.0	-1,625.0	-4,206.2	-4,341.9
Others	0.0	0.0	0.0	0.0	0.0
<b>FINANCING CASH FLOW ( c )</b>	<b>-5,693.0</b>	<b>-1,778.0</b>	<b>-2,007.0</b>	<b>-5,276.5</b>	<b>-5,005.6</b>
<b>NET CASH FLOW (a+b+c)</b>	<b>-2,116.0</b>	<b>1,622.0</b>	<b>3,798.0</b>	<b>3,471.6</b>	<b>1,570.1</b>

## Key Ratios

Particulars	FY18	FY19	FY20	FY21E	FY22E
EBITDA Margin (%)	22.6	23.1	23.6	26.4	25.2
EBIT Margin (%)	19.7	19.6	19.9	20.6	20.7
APAT Margin (%)	17.4	16.8	16.0	15.9	16.0
RoE (%)	25.3	26.1	24.4	21.7	21.5
RoCE (%)	20.2	21.4	20.2	16.8	16.6
<b>Solvency Ratio (X)</b>					
Net Debt/EBITDA (x)	0.0	0.3	0.3	0.2	0.2
Net D/E	0.0	0.1	0.1	0.1	0.1
<b>PER SHARE DATA (Rs)</b>					
EPS	32.4	37.5	41.7	44.1	50.4
CEPS	37.7	45.4	51.5	60.1	64.7
Dividend	12.0	10.0	14.0	15.5	16.0
BVPS	134.1	152.4	188.9	217.5	252.0
<b>Turnover Ratios (days)</b>					
Debtor days	69.6	70.7	73.0	73.0	73.0
Inventory days	0.0	0.0	0.0	0.0	0.0
Creditors days	6.6	7.9	6.0	6.0	6.0
<b>VALUATION (X)</b>					
P/E	26.6	22.9	20.6	19.5	17.0
P/BV	6.4	5.6	4.5	3.9	3.4
EV/EBITDA	19.8	16.2	13.5	11.2	10.2
EV / Revenues	4.5	3.8	3.2	3.0	2.6
Dividend Yield (%)	1.4	1.2	1.6	1.8	1.9
Dividend Payout (%)	37.1	26.7	33.6	35.1	31.7

(Source: Company, HDFC sec)



One Year Stock Price Chart



(Source: Company, HDFC sec)



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