



HDFC securities

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20
YEARS

Initiating Coverage Mindtree Ltd.

22-December-2020





| Industry | LTP | Recommendation | Base Case Fair Value | Bull Case Fair Value | Time Horizon |
|--------------------------|------------|--|----------------------|----------------------|--------------|
| IT Consulting & Software | Rs. 1427.2 | Buy on dips to Rs 1356-1362 band & add more on dips to Rs 1252-1258 band | Rs. 1461 | Rs. 1599 | 2 quarters |

| | |
|------------------------|----------|
| HDFC Scrip Code | MINDTR |
| BSE Code | 532819 |
| NSE Code | MINDTREE |
| Bloomberg | MTCL IN |
| CMP Dec 21, 2020 | 1427.2 |
| Equity Capital (Rs cr) | 164.7 |
| Face Value (Rs) | 10.0 |
| Equity Share O/S (cr) | 16.5 |
| Market Cap (Rs cr) | 23506.2 |
| Book Value (Rs) | 191.7 |
| Avg. 52 Wk Volumes | 366844 |
| 52 Week High | 1605.9 |
| 52 Week Low | 692.0 |

| Share holding Pattern % (Sept, 2020) | |
|--------------------------------------|-------|
| Promoters | 67.6 |
| Institutions | 24.0 |
| Non Institutions | 8.4 |
| Total | 100.0 |

Fundamental Research Analyst

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Our Take:

Mindtree has created a large-deal pursuit team to increase win rates in large deals in the range of \$50-100 million with a significant part in managed services. Mindtree's top client outlook remains strong and is likely to recover from Q3 with immense growth opportunities. Mindtree added eight new clients in Q2FY21 and total active clients stood at 283 as on September 30, 2020. It added one more client of \$10 million client category, taking it to 24 such clients in total.

Mindtree has not seen any major impact of the COVID19 outbreak but the company has been efficiently managing from remote systems to ensure timely delivery of the outsourced business. Mindtree is focusing more on fixed price projects and cutting down tail projects. The results are also visible in terms of multiyear deal wins with higher annuity component, Company is also focusing on client mining, scaling up existing clients to US\$50 million. This gives us comfort on its long term revenue growth trajectory.

Mindtree plans for transitioning the company from project based to more annuity base, which will give it flexibility in utilisation and pricing. This brings visibility on the long term earning growth. Despite higher incremental spends like investment in leadership, increase in discretionary spends and wage hike, the company aims to sustain margins at current levels.

Valuations & Recommendation:

Mindtree has become an integral part of the overall IT segment of L&T group. All the three IT entities of L&T (Mindtree, LTI and L&T Technology Services Limited) operate in synergies with each other and continue to see traction in Hi-tech and CPG verticals due to high demand in collaborative tools, adoption of cloud, data, SAP, IT modernization and workplace automation. Also the company is working closely with its clients in helping them deal with current pandemic and has launched several co-innovation initiatives. This coupled with green shoots in travel, vendor consolidation opportunities and transformational projects is expected to drive revenues.

Healthy order book, higher pipeline, strategy to drive large deals, hire tier 1 leaders to scale growth and expertise in digital technology provides visibility for long term growth. Mindtree desires to be the business transformation partner for all strategic clients delivering business outcomes and not just providing standalone technology solutions. Mindtree has collaborated with L&T Infotech on certain deals

and is open to more such deals. However, the management denied the possibility of merger of the two entities at this point in time. Despite its smaller size, Mindtree reports lower OPM, PATM and RoE than its mid-sized and large peers.

We think the Base case fair value of the stock is Rs 1461 (21.0x FY22 EPS) and the bull case fair value of the stock is Rs 1599 (23.0x FY22 EPS) over the next 2 quarters. Investors can buy the stock in the Rs 1356-1362 band (19.5x FY22 EPS) and add further on dips to Rs. 1252-1258 band (18.0x FY22E EPS). At the LTP of Rs 1427.2, stock trades at 20.5x FY22E EPS.

Financial Summary (Consolidated)

| Particulars (Rs Cr) | Q2FY21 | Q2FY20 | YoY (%) | Q1FY21 | QoQ (%) | FY19 | FY20 | FY21E | FY22E |
|------------------------|--------|--------|---------|--------|---------|---------|---------|---------|---------|
| Total Operating Income | 1926 | 1914.3 | 0.6 | 1908.8 | 0.9 | 7,021.5 | 7,764.3 | 7,890.0 | 8,992.0 |
| EBITDA | 390.3 | 248.2 | 57.3 | 322 | 21.2 | 1,064.4 | 1,062.3 | 1,499.1 | 1,677.9 |
| Depreciation | 56.9 | 70.7 | -19.5 | 59.7 | -4.7 | 164.1 | 275.4 | 242.1 | 239.8 |
| Other Income | 24.5 | 19.7 | 24.4 | 40.6 | -39.7 | 81.6 | 94.8 | 106.5 | 121.4 |
| Interest Cost | 13.2 | 13.8 | -4.3 | 13.1 | 0.8 | 2.9 | 52.9 | 52.2 | 50.2 |
| Tax | 91 | 48.4 | 88.0 | 76.8 | 18.5 | 232.7 | 197.9 | 336.3 | 362.2 |
| APAT | 253.7 | 135 | 17.5 | 213 | -33.0 | 746.3 | 630.9 | 974.9 | 1,147.1 |
| Diluted EPS (Rs) | 15.4 | 8.2 | 87.9 | 12.9 | 19.1 | 45.3 | 38.3 | 59.2 | 69.6 |
| RoE-% | | | | | | 24.7 | 19.5 | 27.9 | 27.0 |
| P/E (x) | | | | | | 31.5 | 37.3 | 24.1 | 20.5 |
| EV/EBITDA | | | | | | 21.1 | 20.8 | 14.6 | 12.7 |

(Source: Company, HDFC sec)

Q2FY21 Result Review

- Mindtree reported above expectation numbers in Q2FY21, Consolidated revenue grew by 0.9 per cent QoQ and 0.6 per cent YoY to Rs 1,926 crore. Revenue in dollar terms grew by 3.1 per cent QoQ and 3.7 per cent YoY to US\$ 261 million.
- Consolidated net profit grew by 19.1 per cent QoQ, 87.9 per cent YoY to Rs 253.7 crore supported by lower other expenses and depreciation expenses. In US dollar terms, the company reported a net profit of US\$34.3 million, 21.5 per cent on QoQ basis and growth of 79.2 per cent on a YoY basis.



- Company's revenue contribution from its biggest market North America declined. It constituted 77.4 per cent of the total revenue compared with 79 per cent in Q1FY21. The revenue share from Asia-Pacific also declined. However, the share of Continental Europe, UK and Ireland inched up.
- The revenue contribution from communications, media & technology segment dropped to 49.8 per cent of the total revenue from 51 per cent in Q1FY21, while revenue contribution from BFSI, retail CPG and manufacturing, and travel and hospitality segments edged higher. As per the management, they have guided to grow more than the industry average and expect CMT to continue to lead growth for the company. It also aims conversion of the pipeline in deals in next few quarters. The pipeline for large deals has increased significantly on the back of concerted efforts of large deals team.
- Company has 21,827 employees as on Sept 30, 2020, down from 21,955 as on June 30, 2020. Its trailing 12-month attrition stood at 13.8 per cent.

Recent Triggers

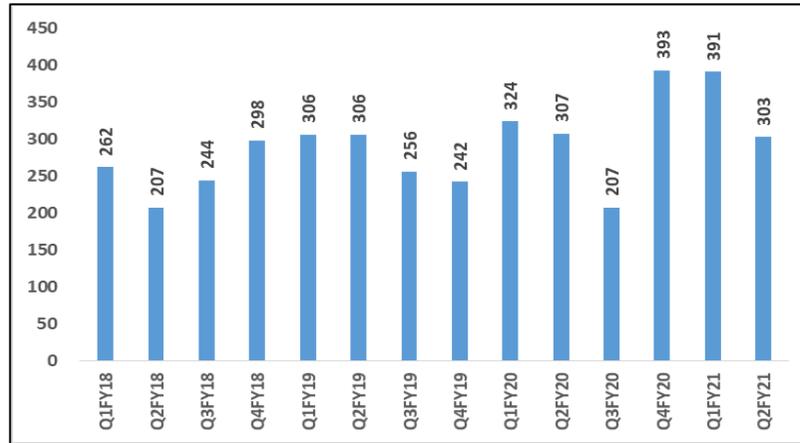
Increasing Customers, healthy order book and Geographical Concentration

Mindtree's top 10 customers contribute around 49.4 per cent to revenues in Q2FY21 (Q1FY21: 52.0 per cent and Q2FY20: 43.1 per cent). Also, revenue contribution from the top client increased over the last few quarters and stood at 24.8% (nearly USD270 million annually) of the total revenue in FY20. This is despite the company continuously adding new clients (283 active clients as of Sept 30, 2020 and US\$10 million clients grew by 1, total 24). However, Company has cut some of its tail clients. This has led to a dip in overall clients from 292 to 283.

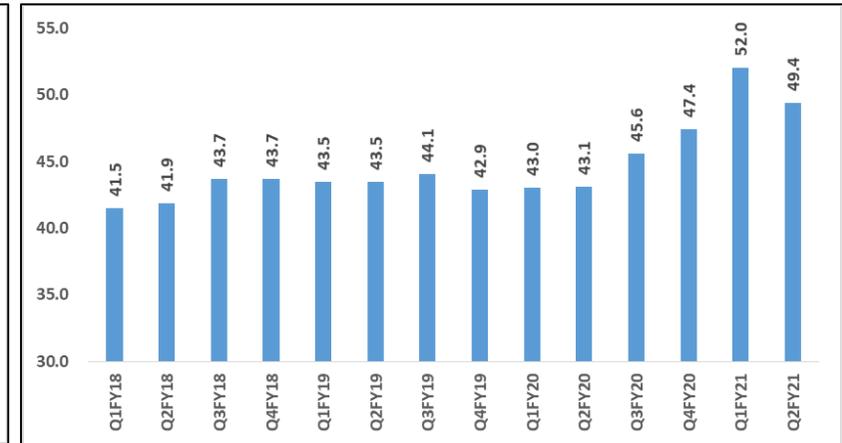
Mindtree's order book declined 1.3% YoY and 22.5% QoQ to US\$303 million. The company has not reported digital and new & renew order book in the quarter. The company has a healthy digital portfolio. We expect, Mindtree to be a key beneficiary of migration to cloud in coming quarters. Its geographic concentration has also increased, with revenue from the US increasing to 77.4 per cent in Q2FY21 from 73.7 per cent in Q2FY20 and it was down from 79 per cent in Q1FY21. Although the company has a hedging policy in place and there is no increase in debtor days which stood at 65 days as on 30th Sept, 2020 vs. 67 days as on 30th June, 2020 and 66 days as on 30th Sept 2020.



Order Book (US\$, Mn)



Revenue Contribution from Top-10 customers



Acquisition of majority stake by L&T could provide strategic, operational and legal support to Mindtree

L&T has become the parent of Mindtree, effective from 2 July 2019, Post the acquisition (holding stood at 61.1 per cent as on 30th Sept, 2020), there has been a churn in the top management team. However, there is no major change in its customer base and Company could continue to operate as a separate legal entity and could continue to deliver services to its clients. L&T is India's leading player in engineering and construction segment with presence in various sectors such as infrastructure, power, heavy engineering, electrical & automation, hydrocarbons, infrastructure development projects, information technology (IT) and technology services, financial services, etc. The contribution of IT & technology services in L&T's overall revenue and profitability has been increasing since the last few years. Mind tree could see key advantage from L&T, which are as follow

- L&T intends to increase the share of services business (including IT, technology services & financial services) in medium to long term as part of its value-creation strategy. L&T's latest initiative L&T Nxt is intended to act as a bridge between its core engineering business and the new gen IT business.

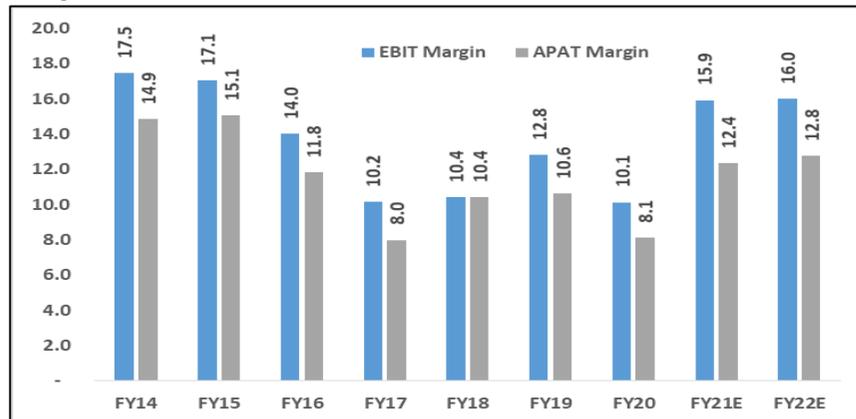


- Both the companies have a common chairman and some common board of directors. The operational support for Mindtree could also flow in the form of synergies with Larsen & Toubro Infotech Limited (LTI) – another IT subsidiary of L&T having minimal client overlap with Mindtree – by joint bidding for projects.
- As the global market for analytics and SaaS is growing all across the world, players like Mindtree and L&T Infotech are also gaining importance. The global economy is rapidly growing and the demand for cloud-based analytics and real-time data analytics is also creating new opportunities in this space.

Margins could ramp up led by Operational efficiencies

Mindtree reported healthy margins in Q2FY21, EBIT Margin ramped up by 360bps QoQ and 800 bps YoY to 17.3% and PAT margin was up by 200bps QoQ and 610bps YoY to 13.2% in Q2FY21. Company could maintain margins near Q2FY21 levels in coming quarters. Further, despite wage hikes effective January 2021, Mindtree aims to maintain margins closer to Q2FY21 levels led by higher utilisation, lower subcontracting cost and lower discretionary spend. Hence, we expect EBIT margin to improve to ~19% in FY21E and FY22E and PAT margin at 12-13% range in FY21E and FY22E, respectively.

Margins





Long term Triggers

Established market position supported by strong digital presence and partnership

Mindtree has been recognized as a market Leader in Digital Business Solutions in US by Information Services Group (ISG). The contribution of digital technology to Mindtree's total revenue increased to ~40%, it stands at much higher proportion than the industry average of around 30%. This supports Mindtree's strong market position in the sector. Digital is now in the fast lane. Mindtree's revenue growth rate from digital technology, which encompasses cloud computing, artificial intelligence, machine learning and productised end-to-end solutions, is likely to pick up momentum in the next two-to-three years and will grow at a much faster pace than revenue from traditional offerings.

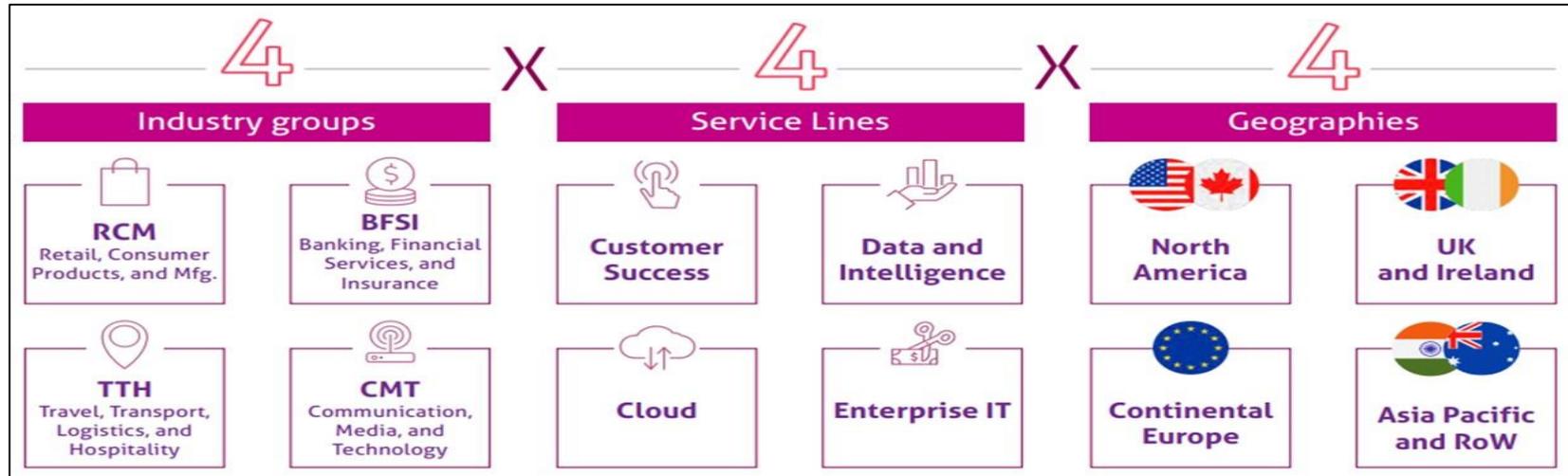
Strong partnership & IP ecosystem

| | | | | |
|----------------------------------|---|--|--|---|
| Service lines |  Customer Success |  Data & Intelligence |  Cloud |  Enterprise IT |
| Mindtree IP and platforms | <i>Mindtree Customer Data Hub</i>   | Decision Moments <i>APEX MatchPoint</i> | <i>ComPass MVC</i> <i>CAPE MWatch</i> | <i>Intelyzers RAPID</i>   |
| Partners |   |  |  |   |
| Advisors & Analysts |   |  |  |    |

Mindtree outlines 4x4x4 strategy to focus on growth

Mindtree Ltd has outlined a 4x4x4 strategy. The strategy focuses on four industries, four service lines, and four geographies aimed at growth, building existing strengths and developing strategic partnerships. As part of its strategy, Mindtree will be focusing on four industry groups—retail, consumer products and manufacturing (RCM), banking financial services and insurance (BFSI); travel, tourism & hospitality (TTH), communication media and technology (CMT); four service lines—customer success, data & intelligence, cloud, and enterprise IT; and four geographies—North America, UK & Ireland, Continental Europe, Asia Pacific & rest of world. In order to tap into increased demand coming from the healthcare sector post the pandemic, the company will be carving out a new vertical that is currently in its incubation phase. This healthcare vertical will focus on payers, device manufacturers and insurance providers, but will stay away from life sciences. Work here has already begun with a few large deals coming from insurance providers and medical device manufacturers. Mindtree will continue its focus on driving profitable growth with better account mining, multi-year annuity deals, seamless delivery, partnerships and targeted mergers & acquisitions.

Strategic Focus Area

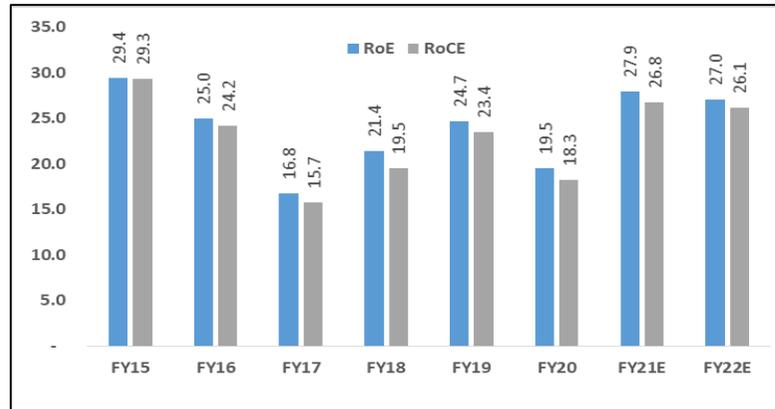




Strong fundamentals supported by healthy liquidity, zero debt and dividend payment

- Mindtree has achieved substantial and sustained growth in revenue and profit, revenue CAGR of 17.1% and 6.8% of PAT CAGR over the past 6 years.
- Mindtree recorded cash and cash equivalent of Rs 1281cr, as on 31st March 2020 against nearly zero debt levels (other than lease obligations). The company's cash flow generation has been healthy and more than sufficient to meet capex and dividend payment requirements in the five years ended FY20.
- Mindtree enjoys healthy capital structure and zero debt status which will continue to remain so due to no major debt-funded expansion plans over the medium term.
- The company has always been generous in declaring dividends and engaging share buybacks. We expect the FCF could remain positive going forward, even after factoring in annual capex.
- Because of cost rationalization efforts, Company could see growth in profitability as well as better return ratio in the future.
- Mindtree has maintained ~1% dividend yield, except ~2.3% in FY20 due to special dividend. Company has maintained its dividend payout at ~30% over the past. Company also declared an interim dividend of Rs 7.5 per share (Face Value of Rs 10/ share), 26th Oct, 2020 was ex date.

Return Ratio-%



Dividend Per Share (Rs)



(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.
- Any significant debt-funded acquisitions and higher-than-expected dividend payouts could impact its liquidity.
- Mindtree's top client contributes 28.9 percent revenue, as on 30th Sept 2020. An uncertainty with client / loss of client could impact its business. Apart from this, number of clients has declined over the period, number of clients stood 283 in Q1FY21, vs. 292 in Q1FY20.
- Success with its top clients has not been repeated across other accounts, which is visible in flat US\$25 mn accounts.
- Mindtree expects near-term margins to be impacted due to utilisation dip. However, the company aims to mitigate these pressures by reducing sub-contracting cost and pyramid rationalization.
- Any reputation loss on account of breach in compliance can impact the growth prospects and new order inflows of the company.

Company Profile:

Mindtree Ltd incorporated in 1999, is a technology solution provider, engaged in providing digital transformation and technology services to its clients globally. MindTree was started by industry professionals from Cambridge Technology Partners, Lucent Technologies & Wipro. The company classifies its business into four verticals, hi-tech and media (49.8 per cent of sales) followed by retail, CPG and manufacturing (21.5 per cent of sales), BFSI (20.4 per cent) and travel and hospitality (8.2 per cent). The company's service offerings include digital, test engineering, package solutions, infrastructure management & tech support, application development & maintenance and product engineering. As on 30th Sept 2020, Company derives 77.1 per cent of its revenue from the US followed by Europe (15.4 per cent), and the rest of world (7.2 per cent). Now, Company is a Larsen & Toubro Group Company, Operating in more than 18 countries across the world and company has more than 21,827 headcounts, as on 30th Sept 2020.



Operating Metrics

Revenue Verticals

| (% of revenue) | Q1FY19 | Q2FY19 | Q3FY19 | Q4FY19 | Q1FY20 | Q2FY20 | Q3FY20 | Q4FY20 | Q1FY21 | Q2FY21 |
|-----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Hitech & Media | 38.9 | 38.9 | 39.4 | 39.6 | 39.4 | 39.8 | 41.4 | 43.0 | 51.0 | 49.8 |
| Retail, CPG & Manufacturing | 23.1 | 23.1 | 22.3 | 22.2 | 22.2 | 21.7 | 20.6 | 20.3 | 20.6 | 21.5 |
| BFSI | 22.3 | 22.3 | 21.7 | 21.8 | 21.6 | 21.6 | 21.3 | 20.5 | 20.3 | 20.4 |
| Travel & Hospitality | 15.8 | 15.8 | 16.7 | 16.4 | 16.8 | 17.0 | 16.6 | 16.2 | 8.1 | 8.3 |
| Total | 100.0 |

Geography Mix (%)

| (% of revenue) | Q1FY19 | Q2FY19 | Q3FY19 | Q4FY19 | Q1FY20 | Q2FY20 | Q3FY20 | Q4FY20 | Q1FY21 | Q2FY21 |
|----------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| US | 72.7 | 73.6 | 73.4 | 73.6 | 73.7 | 73.7 | 74.6 | 76.8 | 79.0 | 77.4 |
| Europe | 20.1 | 18.7 | 18.7 | 18.5 | 17.8 | 17.6 | 17.0 | 15.3 | 13.1 | 15.4 |
| Asia Pacific | 7.3 | 7.7 | 7.9 | 7.9 | 8.5 | 8.7 | 8.4 | 7.9 | 7.9 | 7.2 |
| Total | 100.0 |

IT Services: Effort-mix

| Particulars | Q1FY19 | Q2FY19 | Q3FY19 | Q4FY19 | Q1FY20 | Q2FY20 | Q3FY20 | Q4FY20 | Q1FY21 | Q2FY21 |
|-----------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| (% of Revenue) | | | | | | | | | | |
| Top Client | 19.4 | 19.4 | 20.0 | 19.8 | 20.1 | 20.6 | 23.1 | 24.8 | 30.1 | 28.9 |
| Top-10 | 43.5 | 43.5 | 44.1 | 42.9 | 43.0 | 43.1 | 45.6 | 47.4 | 52.0 | 49.4 |
| Clients (Nos) | | | | | | | | | | |
| >USD 1mn | 118 | 118 | 116 | 120 | 122 | 130 | 134 | 134 | 127 | 125 |
| >USD 10mn | 19 | 19 | 21 | 23 | 23 | 21 | 22 | 23 | 23 | 24 |
| >USD 50mn | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Gross client addition | 24 | 24 | 23 | 15 | 12 | 14 | 7 | 5 | 6 | 8 |

Headcount, Utilisation data

| (Nos.) | Q1FY19 | Q2FY19 | Q3FY19 | Q4FY19 | Q1FY20 | Q2FY20 | Q3FY20 | Q4FY20 | Q1FY21 | Q2FY21 |
|------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Total headcount | 18,990 | 18,990 | 19,908 | 20,204 | 20,935 | 21,267 | 21,561 | 21,991 | 20,851 | 20,633 |
| Attrition (%) | 12.2 | 13.0 | 13.4 | 14.2 | 15.1 | 16.5 | 17.2 | 17.4 | 16.6 | 13.8 |
| Utilisation including trainees (%) | 75.4 | 75.4 | 74.6 | 75.3 | 77.2 | 77.0 | 75.9 | 76.5 | 75.5 | 78.8 |

Peer Comparison

| (Rs Cr) | CMP | Mkt Cap | EPS,Rs | Div Yield-% | RoE-% | P/E | P/BV | EBITDAM-% | PATM-% |
|------------------|---------------|----------------|-------------|-------------|-------------|-------------|------------|-------------|-------------|
| TCS | 2820.2 | 1058228.8 | 81.7 | 1.2 | 37.3 | 33.4 | 11.1 | 27.4 | 20.0 |
| Infosys | 1177.3 | 501481.3 | 41.9 | 1.5 | 25.3 | 28.0 | 7.1 | 26.1 | 19.0 |
| HCL Technologies | 870.5 | 236211.0 | 44.9 | 0.8 | 23.7 | 19.4 | 4.2 | 26.5 | 16.7 |
| Wipro | 354.0 | 202294.4 | 16.9 | 0.3 | 17.5 | 20.9 | 3.3 | 21.1 | 15.8 |
| Tech Mahindra | 906.9 | 87718.7 | 41.3 | 1.7 | 18.5 | 22.8 | 3.7 | 15.1 | 10.2 |
| L & T Infotech | 3395.5 | 59299.4 | 96.2 | 0.8 | 29.5 | 35.4 | 9.4 | 20.3 | 14.3 |
| Mindtree | 1427.2 | 23506.2 | 52.9 | 0.9 | 19.5 | 27.0 | 6.4 | 17.1 | 11.1 |

(Source: Company, HDFC sec)

Financials (Consolidated)

Income Statement

| (Rs Cr) | FY18 | FY19 | FY20 | FY21E | FY22E |
|--------------------------|---------------|---------------|---------------|---------------|---------------|
| Net Revenues | 5462.8 | 7021.5 | 7764.3 | 7890.0 | 8992.0 |
| Growth (%) | 4.3 | 28.5 | 10.6 | 1.6 | 14.0 |
| Operating Expenses | 4722.3 | 5957.1 | 6702.0 | 6390.9 | 7314.1 |
| EBITDA | 740.5 | 1064.4 | 1062.3 | 1499.1 | 1677.9 |
| Growth (%) | 3.1 | 43.7 | -0.2 | 41.1 | 11.9 |
| EBITDA Margin (%) | 13.6 | 15.2 | 13.7 | 19.0 | 18.7 |
| Depreciation | 171.5 | 164.1 | 275.4 | 242.1 | 239.8 |
| EBIT | 569.0 | 900.3 | 786.9 | 1257.0 | 1438.1 |
| Other Income | 190.2 | 81.6 | 94.8 | 106.5 | 121.4 |
| Interest expenses | 16.9 | 2.9 | 52.9 | 52.2 | 50.2 |
| PBT | 742.3 | 979.0 | 828.8 | 1311.3 | 1509.3 |
| Tax | 172.2 | 232.7 | 197.9 | 336.3 | 362.2 |
| RPAT | 570.1 | 746.3 | 630.9 | 974.9 | 1147.1 |
| Growth (%) | 36.2 | 30.9 | -15.5 | 54.5 | 17.7 |
| EPS | 34.6 | 45.3 | 38.3 | 59.2 | 69.6 |

Balance Sheet

| As at March, Rs Cr | FY18 | FY19 | FY20 | FY21E | FY22E |
|-----------------------------------|---------------|---------------|---------------|---------------|---------------|
| SOURCE OF FUNDS | | | | | |
| Share Capital | 163.9 | 164.2 | 164.6 | 164.6 | 164.6 |
| Reserves | 2577.5 | 3141.9 | 2992.2 | 3670.7 | 4488.3 |
| Shareholders' Funds | 2741.4 | 3306.1 | 3156.8 | 3835.3 | 4652.9 |
| Long Term Debt | 0.9 | 0.5 | 0.0 | 0.0 | 0.0 |
| Net Deferred Taxes | -31.8 | -38.8 | -183.5 | -183.5 | -183.5 |
| Long Term Provisions & Others | 8.5 | 17.4 | 676.2 | 270.5 | 243.4 |
| Minority Interest | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total Source of Funds | 2719.0 | 3285.2 | 3649.5 | 3922.2 | 4712.9 |
| APPLICATION OF FUNDS | | | | | |
| Net Block & Goodwill | 956.8 | 966.9 | 1409.2 | 1416.9 | 1407.1 |
| CWIP | 9.2 | 29.7 | 13.6 | 15.4 | 16.5 |
| Other Non-Current Assets | 229.8 | 256.4 | 215.0 | 215.0 | 215.0 |
| Total Non-Current Assets | 1195.8 | 1253.0 | 1637.8 | 1647.2 | 1638.6 |
| Current Investments | | | | | |
| Inventories | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Trade Receivables | 1015.5 | 1335.6 | 1438.9 | 1513.2 | 1724.5 |
| Cash & Equivalents | 1055.3 | 1059.8 | 1361.8 | 1551.6 | 2166.3 |
| Other Current Assets | 438.1 | 491.8 | 534.6 | 534.6 | 534.6 |
| Total Current Assets | 2508.9 | 2887.2 | 3335.3 | 3599.3 | 4425.4 |
| Short-Term Borrowings | 300.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Trade Payables | 171.0 | 213.1 | 258.7 | 259.4 | 286.2 |
| Other Current Liab & Provisions | 514.7 | 641.9 | 1064.9 | 1064.9 | 1064.9 |
| Total Current Liabilities | 985.7 | 855.0 | 1323.6 | 1324.3 | 1351.1 |
| Net Current Assets | 1523.2 | 2032.2 | 2011.7 | 2275.0 | 3074.3 |
| Total Application of Funds | 2719.0 | 3285.2 | 3649.5 | 3922.2 | 4712.9 |

Cash Flow Statement

| (Rs Cr) | FY18 | FY19 | FY20 | FY21E | FY22E |
|----------------------------------|---------------|---------------|---------------|----------------|----------------|
| Reported PBT | 742.3 | 979.0 | 828.8 | 1,311.3 | 1,509.3 |
| Non-operating & EO items | -119.8 | -61.8 | -13.9 | -67.0 | -85.7 |
| Interest Expenses | 16.9 | 2.9 | 52.9 | 52.2 | 50.2 |
| Depreciation | 171.5 | 164.1 | 275.4 | 242.1 | 239.8 |
| Working Capital Change | -83.3 | -236.0 | -154.1 | -73.6 | -184.5 |
| Tax Paid | -163.2 | -225.5 | -164.0 | -336.3 | -362.2 |
| OPERATING CASH FLOW (a) | 564.4 | 622.7 | 825.1 | 1,128.7 | 1,166.9 |
| Capex | -102.0 | -174.7 | -124.1 | -250.0 | -230.0 |
| Free Cash Flow | 462.4 | 448.0 | 701.0 | 878.7 | 936.9 |
| Investments | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Non-operating income | 119.8 | 61.8 | 13.9 | 63.9 | 85.0 |
| INVESTING CASH FLOW (b) | 17.8 | -112.9 | -110.2 | -186.1 | -145.0 |
| Debt Issuance / (Repaid) | 196.0 | -300.4 | -0.5 | 0.0 | 0.0 |
| Interest Expenses | -16.9 | -2.9 | -52.9 | -52.2 | -50.2 |
| FCFE | 641.5 | 144.7 | 647.6 | 826.5 | 886.7 |
| Share Capital Issuance | 1.0 | 3.0 | 4.0 | 0.0 | 0.0 |
| Dividend | -478.2 | -218.0 | -594.0 | -296.5 | -329.4 |
| Others | -1.0 | -3.0 | -4.0 | 0.0 | 0.0 |
| FINANCING CASH FLOW (c) | -299.1 | -521.3 | -647.4 | -348.7 | -379.6 |
| NET CASH FLOW (a+b+c) | 283.1 | -11.5 | 67.5 | 594.0 | 642.2 |

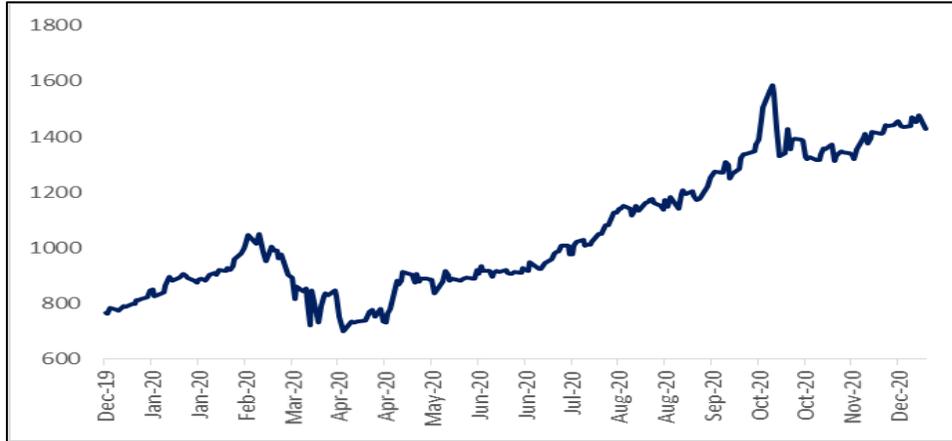
Key Ratios

| Particulars | FY18 | FY19 | FY20 | FY21E | FY22E |
|-------------------------------|-------|-------|-------|-------|-------|
| EBITDA Margin (%) | 13.6 | 15.2 | 13.7 | 19.0 | 18.7 |
| EBIT Margin (%) | 10.4 | 12.8 | 10.1 | 15.9 | 16.0 |
| APAT Margin (%) | 10.4 | 10.6 | 8.1 | 12.4 | 12.8 |
| RoE (%) | 21.4 | 24.7 | 19.5 | 27.9 | 27.0 |
| RoCE (%) | 19.5 | 23.4 | 18.3 | 26.8 | 26.1 |
| Solvency Ratio (x) | | | | | |
| Net Debt/EBITDA | 0.4 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net D/E | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 |
| PER SHARE DATA (Rs) | | | | | |
| EPS | 34.6 | 45.3 | 38.3 | 59.2 | 69.6 |
| CEPS | 45.0 | 55.3 | 55.0 | 73.9 | 84.2 |
| BV | 166.4 | 200.7 | 191.7 | 232.9 | 282.5 |
| Dividend | 13.0 | 13.0 | 33.0 | 18.0 | 20.0 |
| Turnover Ratios (days) | | | | | |
| Debtor days | 67.9 | 69.4 | 67.6 | 70.0 | 70.0 |
| Inventory days | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Creditors days | 11.4 | 11.1 | 12.2 | 12.0 | 11.6 |
| VALUATION (x) | | | | | |
| P/E | 41.2 | 31.5 | 37.3 | 24.1 | 20.5 |
| P/BV | 8.6 | 7.1 | 7.4 | 6.1 | 5.1 |
| EV/EBITDA | 30.7 | 21.1 | 20.8 | 14.6 | 12.7 |
| EV / Revenues | 4.2 | 3.2 | 2.9 | 2.8 | 2.4 |
| Dividend Yield (%) | 0.9 | 0.9 | 2.3 | 1.3 | 1.4 |
| Dividend Payout (%) | 37.6 | 28.7 | 86.1 | 30.4 | 28.7 |

(Source: Company, HDFC sec)



One Year Stock Price Chart



(Source: Company, HDFC sec)



Disclosure:

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