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Initiating Coverage

eClerx Services Ltd.

10-February-2021





Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
IT Consulting & Software	Rs. 969	Buy on dips to Rs.905-915 band and add more in the Rs.820-828 band	Rs. 1040	Rs. 1127	2 quarters

HDFC Scrip Code	ECLSER
BSE Code	532927
NSE Code	ECLERX
Bloomberg	ECLX IN
CMP Feb 10, 2021	969.0
Equity Capital (Rs cr)	34.9
Face Value (Rs)	10.0
Equity Share O/S (cr)	3.5
Market Cap (Rs cr)	3380.8
Book Value (Rs)	374.4
Avg. 52 Wk Volumes	366844
52 Week High	1043.1
52 Week Low	323.2

Share holding Pattern % (Dec, 2020)	
Promoters	53.8
Institutions	32.3
Non Institutions	13.9
Total	100.0

Fundamental Research Analyst

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Our Take:

Despite the modest performance in the recent past, eClerx is likely to witness a gradual recovery in growth on account of stable deal momentum, no client roll-offs and expanding delivery base which could boost the overall deal pipeline. Company expects growth momentum to pick up in H2FY21. While top 10 client's growth is likely to improve from hereon, emerging accounts are likely to grow faster than the company's average growth. Deal pipeline is better YoY, with 50% deal in financial services and the remaining in Cable and Digital. In Financial services, management is seeing more and more projects moving to a managed services model, which should aid productivity. We expect FY22E & FY23E to witness healthy growth led by higher exposure to banking, telecom & hi-tech clients and revival in growth.

eClerx had recently acquired Personiv through the purchase of Eclipse Global Holdings LLC. The firm provides services in the digital, creative, back office and customer contact segments, with offshore delivery centres in Manila, Coimbatore and Gurgaon. Last three-year average revenue stood at US\$ 27.6mn. Revenue of Personiv for 8 days at \$543K was in Q3FY21 numbers. It was less than usual runrate due to low volume during holidays. This acquisition could provide good synergies for eClerx. Personiv's client base provides an opportunity to cross-sell and up-sell automation, analytics and other managed services.

eClerx digital business consists of creative production, digital operations like SEO, ERP, e-commerce website management and analytics. This contributes ~40% of revenue and digital has seen some demand recovery. Also Company's core focus continues to have a constant client engagement resulting in higher proportion of long gestation annuity based contracts which provides good visibility of earnings growth. Apart from this, the global digital transformation is expected to expand at a compound annual growth rate (CAGR) of 22.5% from 2020 to 2027. We expect more client acquisition from digital side going forward.

Valuations & Recommendation:

The evolutionary as well as transformation phases of the Indian KPO industry are very similar to that of the Indian IT industry and it is expected that in the coming years both the volume and complexity of the work being outsourced to Indian KPO players will increase. We expect that the Company could witness a gradual improvement in revenues mainly led by improved deal wins, traction in digital and CLX revenues in FY22E and FY23E. Better outlook on growth rate and stable profitability, reasonable valuation, healthy balance sheet and the company's aspiration to reach industry level growth makes us positive on the stock.



Challenges faced by eClerx are reducing as top clients are now willing to increase their outsourcing to eClerx, managed services segment is giving visibility to revenue growth, shift to onshore delivery has stopped and offshoring is gaining traction. However process Management, whether mundane or high-end knowledge process, is likely to see the biggest impact from automation, which could result in a fall in headcount over the next three years. eClerx has deployed its RPA platform in couple of its clients and is venturing into new areas which was not possible using the older model. This is likely to drive high productivity gains over a three-year period.

The Q3FY21 performance reflects rising demand for and stickiness of the company's services. After posting flattish revenue for the past three-four years, Eclerx is finally showing signs of revival. eClerx could continue to get low valuations due to its lumpy mix of non-annuity business which makes the company comparable to BPO rather than IT services players. As and when it moves up the value chain in terms of services, its valuation could witness a rerating.

We think the Base case fair value of the stock is Rs 1040 (12.0x FY23E EPS) and the bull case fair value of the stock is Rs 1127 (13.0x FY23E EPS) over the next 2 quarters. Investors can buy the stock on dips to Rs 905-915 band (10.5x FY23E EPS) and add more on dips to Rs.820-828 band (9.50xFY23E EPS). At the LTP of Rs 969, stock trades at 11.2x FY23E EPS.

Financial Summary (Consolidated)

Particulars (Rs cr)	Q3FY21	Q3FY20	YoY-%	Q2FY21	QoQ-%	FY19	FY20	FY21E	FY22E	FY23E
Total Operating Income	394.3	375.5	5.0	360.8	9.3	1,430.6	1,437.6	1,489.7	1,820.3	1,988.4
EBITDA	112.1	102.9	8.9	102.1	9.8	307.6	323.5	368.0	440.5	488.2
Depreciation	20.2	17.6	15.1	19.6	3.1	44.7	70.9	73.1	102.5	106.5
Other Income	8.9	11.8	-24.2	5.7	56.8	48.6	46.7	50.6	50.1	49.7
Interest Cost	4.8	4.8	0.2	4.9	-2.3	0.0	18.8	20.1	20.1	20.0
Tax	24.7	22.2	11.5	21.7	13.9	83.2	71.6	87.8	97.5	109.0
APAT	71.2	70.1	1.6	61.5	15.9	228.3	209.0	237.5	270.4	302.4
Diluted EPS (Rs)	20.4	20.1	1.6	17.6	15.9	60.1	57.3	68.1	77.5	86.7
RoE-%						17.7	15.6	16.7	16.2	15.5
P/E (x)						14.8	16.2	14.2	12.5	11.2
EV/EBITDA						8.6	8.6	7.5	5.7	4.5

(Source: Company, HDFC sec)



eClerx Services Q3FY21 results key takeaway

eClerx revenue was above expectation in Q3FY21. eClerx Consolidated revenue grew by 9.3% QoQ and 5.0% YoY to Rs 394.3 in INR term. Revenue of Personiv for 8 days at \$543K was consolidated in Q3FY21 numbers. It was less than usual runrate due to low volume during holidays. Acquisition of Personiv was completed on 23rd December, 2020. Constant currency (CC) growth was 1.9% (organic 0.8%); QoQ CC growth of 9.5% (organic 8.4%).

EBIT grew by 11.4% QoQ and 7.7% YoY to Rs 91.9 crore. EBIT margin was up by 50bps QoQ and 60bps YoY to 23.3% in Q3FY21, supported by strong organic revenue growth and operating leverage. Net Profit grew by 15.9% QoQ and 1.6% YoY to Rs 71.2 crore. Personiv impact on profit was negligible. PAT margin was up by 110bps QoQ and it was down by 60 bps YoY to 18.0% in Q3FY21.

Total Cash and Cash Equivalents of Rs 588.6 crore for Q3FY21 vs Rs 668.2 crore for Q3FY20 equivalent to Rs 173.1 per share in Q3FY21 vs Rs 185.1 in Q3FY20.

Recent Triggers

Recent acquisition of Personiv to bring synergies effects going forward

In Dec- 2020, eClerx Services Ltd has inked a pact to acquire Personiv, a US-based digital marketing and back office services provider, operated by Eclipse Global Holdings LLC, at an enterprise value of US\$ 34 mn (about Rs 250.5 crore). Through this acquisition, eClerx, a global leader in business transformation, adds over 2,000 team members and three delivery centers (Manila, Gurugram and Coimbatore) to its more than 8,500 employees and 14 locations worldwide taking the combined headcount upwards of 11,000. The acquisition will help eClerx leverage synergies in the digital and customer experience services segment, as well as help in expanding client relationships and its business.

Personiv provides digital, creative, back office and customer contact services to clients. Company reported consolidated revenue of US\$ 31.94 mn, US\$31.38 mn and US\$ 19.61 mn for 2019, 2018 and 2017 while the BITDA Margin for the company stood at 25% for CY17, 22.5% for CY18 and 14.1% for 9MCY20. Revenue of Personiv for 8 days was at US\$ 543K in Q3FY21. As per the management, the company is likely to clock a 20%+ margin for the entire year CY20. This is at least the third acquisition by eClerx over the past decade. In 2015, the company bought CLX Europe SPA for up to €25 mn (US\$ 27.13 mn then). In 2012, it purchased US-based Agilyst Inc. for US\$16 mn, the



data and research platform of Mosaic Digital. The acquisition of Personiv is the latest example this year of a company operating in the IT and knowledge process outsourcing space making an M&A move to augment its product and services portfolio.

Healthy deal pipeline could bring revenue visibility going forward

eClerx reported healthy growth in Q3FY21 mainly led by improving demand especially in Europe, as Company's European presence is via CLX, which although headquartered in Italy has been serving clients in France and Germany as well. eClerx has seen improving growth in the CLX business (contributes 18% to topline). In Europe, demand environment is positive and clients are focused to push for services from existing portfolio.

Going forward, eClerx is likely to continue to generate healthy revenues from CLX business. In addition, eClerx has been seeing healthy deal wins that is also driving growth in non-top 10 clients. Non-top client's revenue contribution increased to 36% in Q3FY21 vs. 34% in Q2FY21. We expect this trend to continue leading to improving revenues over the coming quarters.

We expect the company could see a growth trajectory in FY22E & FY23E led by higher exposure to banking, telecom and hi-tech clients (~70% of topline) and revival in growth. We expect eClerx could report 9% CAGR in FY21E-23E and we have not factored inorganic growth, as company also has plans to grow inorganically.

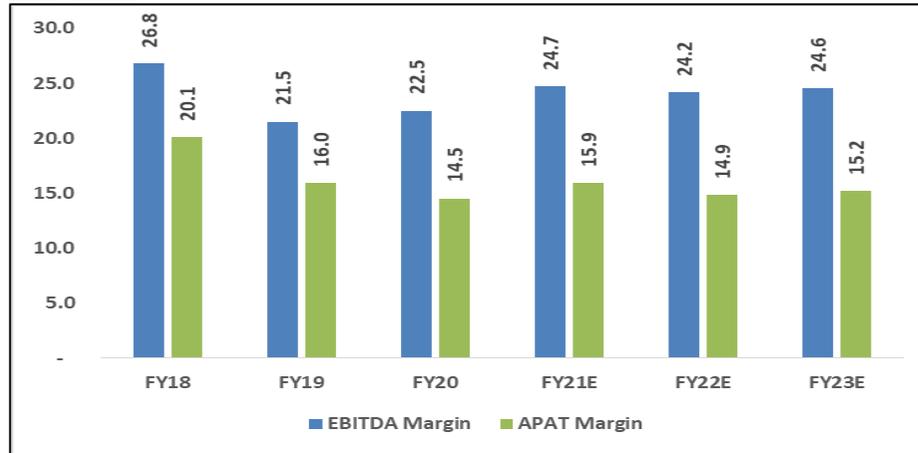
Margins stability led by Operational efficiencies

eClerx witnessed healthy EBIT margin expansion due to healthy demand, lower facility and travel cost partially offset by wage hikes..Wage increase for 95% of India staff were effective from 1st July, however, increments for others in upper management will be effective from 1st October.

We expect FY21E margins to improve 350 bps to 26.0%. However, we expect contraction in margins from FY21E levels due to tapering of lower work from home cost benefits, lower travelling cost, increase in attrition and other facility cost. Hence, we expect EBITDA margins of 24.2%, 24.6% in FY22E, FY23E, respectively.



Margins-%



Long term Triggers

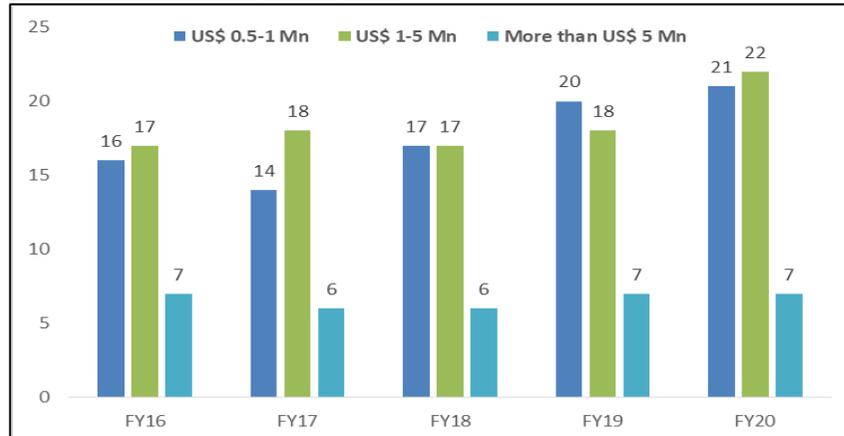
Well established and geographically diversified Company

eClerx provides critical business operations services to global Fortune 500 clients, including several of the world's leading companies across financial services, cable and telecommunications, retail, fashion, media & entertainment, manufacturing, travel and leisure, software and high-tech. Company provides innovative business process management, change management, data-driven insights, Natural Language Processing, Image Processing, Text Mining, Virtual Assistants and Inferential Analytics, advanced analytics powered by subject matter experts and smart automation.

eClerx has long-standing relations across various sectors and most of its customers are established players in various industries. The top 10 customers generated revenue of 64% in Q3FY21. Diversity in geographic reach and clientele is likely to continue to support the business going forward.



Client base over the past 5 years



Increasing focus on digital transformation could increase demand in KPO industry, it is positive for eClerx

Over the past year, technology industry has witnessed an increasing focus on the digital transformation of businesses and also the expansion of digital-driven services. The initial investments were in front-end consumer facing applications to provide better user experience and are expected to continue. Now, investments are moving to the back-end which are likely to be large scale digital transformation programs intending to modernize /replace core legacy systems and size of the budgets is also expected to grow significantly. The company has a 3000+ full-time digital delivery employees at its five production hubs in Mumbai, Pune, Chandigarh, Verona, and Phuket which apply deep digital expertise to effectively support the most demanding global clients utilizing a follow the sun delivery model.

IT-BPM sector grew by 7.7% YOY garnering a total revenue of US\$ 191 bn in FY20, as reported by NASSCOM (National Association of Software and Services Companies). It is estimated to reach US\$ 350 bn by 2025. Moreover, revenue from the digital segment is expected to form 38% of the total industry revenue by 2025. Digital economy is estimated to reach Rs. 69,89,000 crore (US\$ 1 trillion) by 2025. The domestic revenue of the IT industry was estimated at US\$ 44 billion and export revenue was estimated at US\$ 147 billion in FY20.

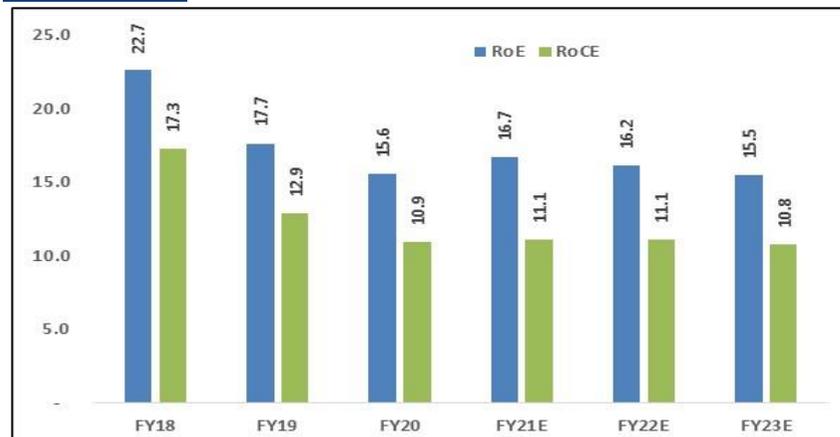


As per ICRA, the industry is expected to witness flattish to muted growth (3-5%) in the next financial year causing simultaneous supply and demand shocks owing to Coronavirus outbreak. However, the credit profile of Indian IT Services companies is expected to remain stable underpinned by its ability to sustain free cash flows despite pressure on short term revenue growth and margins. Taking into the consideration of healthy growth outlook of IT-BPM sector, eClerx could report healthy growth going forward. We expect. eClerx could report 22.2% and 9.2% revenue growth in FY22E and FY23E.

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

- eClerx financial profile remains healthy marked by stable earnings, sizeable network, and strong liquidity with large cash reserves, healthy capital structure and coverage metrics. Company has achieved substantial and sustained growth in revenue and profit, revenue CAGR of 17.3% and 5.3% of PAT CAGR over the past 9 years.
- eClerx's financial profile looks strong supported by healthy cash accruals, almost debt free balance sheet and robust liquidity (cash and cash equivalent surpluses of ~Rs. 588.6 crore, as on 31st Dec 2020).
- 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 ratios in the future.

Return Ratio-%



(Source: Company, HDFC sec)



- Capital spending is expected to remain moderate; this and incremental working capital needs are likely to be funded through cash accruals.
- eClerx has always been generous in declaring dividends and engaging share buybacks. Company has initiated buyback offers three times over the last five years and has recommended total dividend of Rs 1 per share in FY20 followed by buy back offers. We expect company could recommend more buyback offers or higher dividends in FY22E and FY23E, due to sufficient balance of liquidity going forward. The promoters did not offer their shares for buyback in the buyback offer in Q2FY21 and raised their stake in the company from 50.76% to 53.8%.

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.
- The Indian IT as well as BPM industry continues to face geopolitical uncertainties such as proposed legislations on restricting outsourcing or immigration in its key markets, which may have an adverse impact on the current business model of the industry.
- Company derived 64% of its total revenue in Q3FY21 from its top ten clients. The concentration risk continues to be high. The Company's profitability and revenues would be significantly affected in case of loss of any of these clients or a significant downsizing or insourcing. Further, any mergers or acquisition of or by any of such large clients could cause change in outsourcing strategy.
- Company derived over 94% of its revenue in Q3FY21 from US and Western Europe. Challenging business and economic conditions and protectionist policies in these regions and continued policy changes could enhance cost pressure on clients and thus may affect the company.
- Privacy and protection of personal data is an area of increasing concern globally. Legislations like GDPR (General Data Protection Regulation) in Europe carry severe consequences for non-compliance or breach. Any violation or security breach, observed non-compliance or inadequacy of privacy policies and procedures could have an adverse impact.
- Most of the contracts with existing clients are on long-term-basis. Any non-renewal of contracts or changes in their terms can impact the sustainability and scalability from such clients.
- Process automation or any large any large technological disruption and inability of the company to adopt change can impact the traditional cost arbitrage led KPO model of the company.
- Any abrupt regulatory change could have an adverse impact the existing business.



- Inability to expand the client base, get higher wallet share from existing clients can impact revenue and earnings growth of the company.
- Lower than expected synergy benefits from the Personiv acquisition can be an overhang on companies performance
- Any significant debt-funded acquisitions could impact its liquidity.
- Any reputation loss on account of breach in compliance can impact the growth prospects and new order inflows of the company.
- eClerx’s revenues have been flat in the USD 190-200mn mark since 4-5 years due to ongoing struggles from automation, market share losses V/s captives etc

Company Profile:

eClerx Services Limited is a leading provider of Knowledge Process Outsourcing (KPO), analytics and automation services to global companies. Company provides data management analytics solutions and process outsourcing services through a network of multiple locations in India and abroad. eClerx Research and Development Centre is located in Mumbai India. eClerx employs 11,000 people across Australia, Canada, Denmark, Germany, India, Italy, Netherlands, Philippines, Singapore, Thailand, UK, and the USA with 5 delivery centres located in India (Airoli, Pune, Chandigarh), Thailand (Phuket), and the United States (Fayetteville, NC).

eClerx has built a strong position in specific high opportunity segments such as data analytics & management and process improvement solutions. It inks multi-year annuity contracts facilitated by ongoing engagements, which has helped the company forge a predictable revenue stream and attractive profitability.

Business overview

Financial Markets: eClerx Markets offers consulting, technological innovation, and process management expertise to uniquely solve operational challenges for financial organizations across the world. Company delivers holistic solutions across the trade lifecycle, change management, settlements and clearing, asset servicing, data and analytics, as well as the client lifecycle.

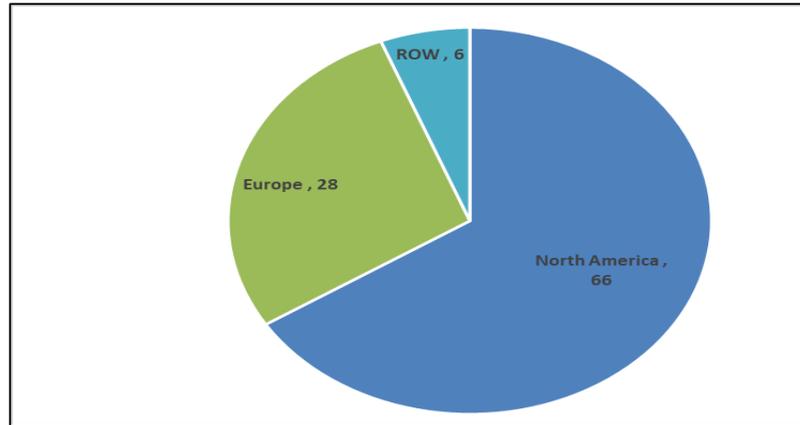
Digital: eClerx Digital offers creative production, eCommerce / web operations, and analytics & insights services. Company increased profitability for their digital businesses. Company’s has deep digital expertise to effectively support the most demanding global clients utilizing a follow the sun delivery model. eClerx Digital’s innovative delivery model drives the “metrics that matter” for clients.



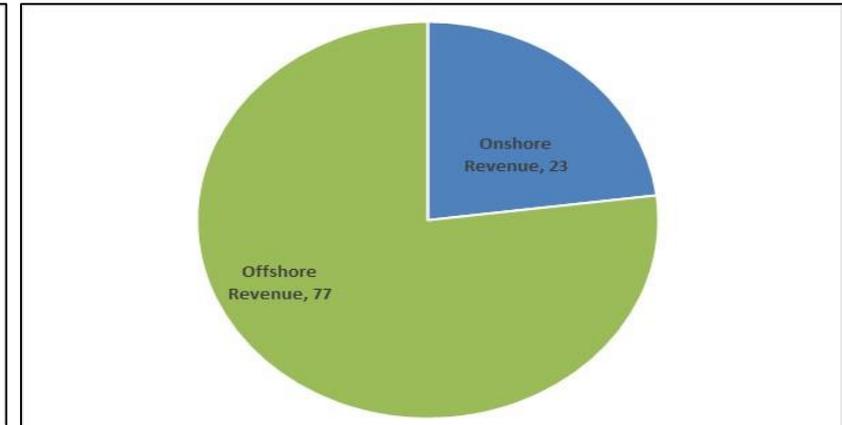
Customer Operations: eClerx Customer Operations specializes in providing operational expertise and process excellence throughout the customer journey. Company creates solutions and services, utilizing a blend of technology and domain knowledge that support our clients' evolving needs. Company offerings enhances the customer experience by providing quality monitoring/insights, advanced analytics, automation, superior technical operations support and digital care services.

Revenue Mix (%)

Geographic Concentration



Billing Mix



Operating Metrics

Geographic Concentration

(% of revenue)	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21
North America	64.4%	63.6%	64.3%	65.1%	67.0%	67.0%	66.0%	68.0%	71.0%	66.0%	66.0%
Europe	28.2%	29.3%	28.9%	28.6%	27.0%	27.0%	28.0%	26.0%	23.0%	28.0%	28.0%
ROW	7.4%	7.0%	6.8%	6.3%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%



Client Concentration

(% of revenue)	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21
Top 10 contribution	70.2%	69.5%	70.3%	67.9%	66.0%	65.0%	65.1%	67.0%	70.0%	67.0%	64.0%
Emerging (\$ 0.5 mm)	10.5	10.3	10.0	12.0	13.4	12.9	14.3	10.8	9.6	11.9	14.4
Emerging (\$ others)	4.2	5.0	4.9	4.4	3.9	4.4	3.8	4.7	4.0	4.3	4.9

Billing Mix

(% of revenue)	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21
Managed Services	23.5%	26.2%	27.3%	29.7%	28.0%	28.0%	31.1%	28.0%	24.0%	31.0%	34.0%
Onshore Revenue	21.7%	22.4%	22.6%	22.2%	23.5%	24.6%	25.2%	23.0%	21.0%	23.0%	23.0%
Offshore Revenue	78.3%	77.6%	77.4%	77.8%	76.5%	75.4%	74.8%	77.0%	79%	77%	77%

Employee Metrics

No's	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21
Delivery and Support Staff	9,520	9,509	9,377	9,123	8,785	8,550	8,595	8,502	11,484
Operations HC	7,788	7,747	7,596	7,321	6,983	6,766	6,819	6,764	9,484
Support Services HC	641	635	639	629	638	639	625	619	790
Tech Services	393	388	376	422	430	441	438	458	440
R&D	91	90	90	90	85	85	71	72	66
Onshore HC	520	558	579	572	568	538	557	508	609
Selling and Distr- Staff	87	91	97	89	81	81	85	81	95
India Attrition	44%	44%	41%*	46%*	36%*	31%*	16%*	19%*	26.1%*
Overall Staff utilization	61.7%	63.5%	63.4%	61.3%	65.0%	63.1%	61.1%	65.4%	65.4%
Staff utilization (Delivery)	71.9%	74.3%	73.4%	71.9%	77.2%	75.1%	72.9%	79.1%	81.2%

*from Q1 FY20 India Attrition excludes involuntary and not included Personiv in Q3FY21

Client Contribution (based on 12 month accrued revenue)

No's	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21
US\$ 500k-1mm Clients	20	17	16	20	20	22	21	21	17	16	17
US\$ 1mm-3mm Clients	12	16	17	16	17	18	18	17	16	19	16
US\$ 3mm +	11	9	9	9	10	10	10	11	11	10	12

Peer Comparison

Company, Rs in Cr	Mkt Cap, Cr	Sales			EBITDA			PAT			ROE-%			P/E (x)		
		FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Newgen Software	2153.9	657.6	778.9	926.9	95.85	122.2	148.8	76.535	89.81	109.2	13.9	14.3	15.9	26.3	22.4	18.4
eClerx	3380.8	1489.7	1820.3	1988.4	368.0	440.5	488.2	237.5	270.4	302.4	16.7	16.2	15.5	14.2	12.5	11.2

(Source: Company, HDFC sec)



Financials (Consolidated)

Income Statement

(Rs Cr)	FY19	FY20	FY21E	FY22E	FY23E
Net Revenues	1430.6	1437.6	1489.7	1820.3	1988.4
Growth (%)	4.8	0.5	3.6	22.2	9.2
Operating Expenses	1123.0	1114.1	1121.7	1379.8	1500.3
EBITDA	307.6	323.5	368.0	440.5	488.2
Growth (%)	-16.0	5.2	13.7	19.7	10.8
EBITDA Margin (%)	21.5	22.5	24.7	24.2	24.6
Depreciation	44.7	70.9	73.1	102.5	106.5
EBIT	262.9	252.6	294.9	338.0	381.7
Other Income	48.6	46.7	50.6	50.1	49.7
Interest expenses	0.0	18.8	20.1	20.1	20.0
PBT	311.5	280.5	325.4	367.9	411.4
Tax	83.2	71.6	87.8	97.5	109.0
RPAT	228.3	209.0	237.5	270.4	302.4
Growth (%)	-16.8	-8.4	13.7	13.9	11.8
EPS	60.1	57.3	68.1	77.5	86.7

Balance Sheet

As at March	FY19	FY20	FY21E	FY22E	FY23E
SOURCE OF FUNDS					
Share Capital	37.8	36.1	34.9	34.9	34.9
Reserves	1343.5	1270.1	1504.2	1771.1	2070.0
Shareholders' Funds	1381.3	1306.2	1539.0	1806.0	2104.9
Long Term Debt	0.8	132.0	107.0	97.0	87.0
Net Deferred Taxes	-7.1	-25.5	-19.1	-20.0	-21.0
Long Term Provisions & Others	53.4	54.0	51.3	53.8	51.1
Minority Interest	0.6	0.6	0.0	0.0	0.0
Total Source of Funds	1429.0	1467.3	1678.2	1936.8	2222.0
APPLICATION OF FUNDS					
Net Block & Goodwill	348.1	480.5	732.4	709.9	693.4
CWIP	0.0	0.0	0.0	0.0	0.0
Other Non-Current Assets	68.7	42.3	44.3	46.6	48.9
Total Non Current Assets	416.7	522.8	776.8	756.5	742.3
Current Investments	0.0	0.0	0.0	0.0	0.0
Inventories	0.4	0.3	0.0	0.0	0.0
Trade Receivables	242.6	237.8	244.9	299.2	326.9
Cash & Equivalents	737.6	771.1	731.1	977.8	1275.7
Other Current Assets	179.7	165.6	157.3	146.3	136.0
Total Current Assets	1160.2	1174.7	1133.2	1423.3	1738.6
Short-Term Borrowings	0.9	24.6	14.1	11.6	15.1
Trade Payables	11.6	13.9	16.3	19.9	21.8
Other Current Liab & Provisions	135.4	191.8	201.3	211.4	222.0
Total Current Liabilities	147.9	230.3	231.8	243.0	258.9
Net Current Assets	1012.3	944.4	901.4	1180.3	1479.7
Total Application of Funds	1429.0	1467.3	1678.2	1936.8	2222.0

Cash Flow Statement

(Rs Cr)	FY19	FY20	FY21E	FY22E	FY23E
Reported PBT	311.5	280.5	325.4	367.9	411.4
Non-operating & EO items	-26.7	-27.1	-21.2	-25.2	-15.7
Interest Expenses	0.0	18.8	20.1	20.1	20.0
Depreciation	44.7	70.9	73.1	102.5	106.5
Working Capital Change	-30.0	48.7	-22.3	-211.1	-205.9
Tax Paid	-93.3	-59.0	-87.8	-97.5	-109.0
OPERATING CASH FLOW (a)	206.2	332.8	287.3	156.9	207.3
Capex	-52.0	-33.5	-323.9	-78.4	-88.4
Free Cash Flow	154.1	299.2	-36.6	78.5	118.9
Investments	-207.1	23.8	0.0	0.0	0.0
Non-operating income	28.3	28.1	50.6	50.1	49.7
INVESTING CASH FLOW (b)	-230.8	18.3	-273.2	-28.3	-38.7
Debt Issuance / (Repaid)	-4.7	-26.9	-4.7	154.9	-35.5
Interest Expenses	0.0	-18.8	-20.1	-20.1	-20.0
FCFE	149.4	253.6	-61.4	213.4	63.4
Share Capital Issuance	-44.6	-258.2	-1.2	0.0	0.0
Dividend	-4.6	-4.4	-3.5	-3.5	-3.5
FINANCING CASH FLOW (c)	-53.9	-308.2	-29.5	131.4	-59.0
NET CASH FLOW (a+b+c)	-78.5	42.9	-15.4	259.9	109.6

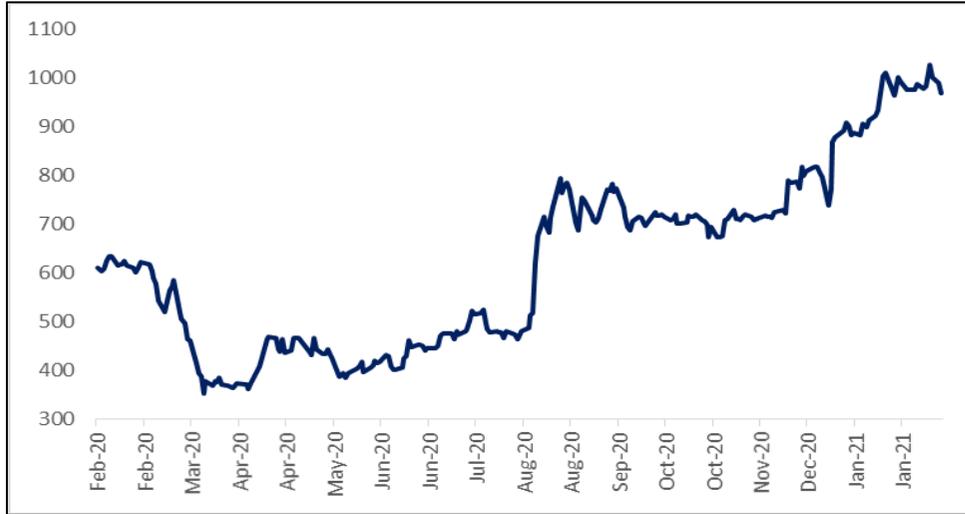
Key Ratios

(Rs Cr)	FY19	FY20	FY21E	FY22E	FY23E
EBITDA Margin	21.5	22.5	24.7	24.2	24.6
EBIT Margin	18.4	17.6	19.8	18.6	19.2
APAT Margin	16.0	14.5	15.9	14.9	15.2
RoE	17.7	15.6	16.7	16.2	15.5
RoCE	12.9	10.9	11.1	11.1	10.8
Solvency Ratio					
Net Debt/EBITDA (x)	0.0	0.5	0.3	0.2	0.2
Net D/E	0.0	0.1	0.1	0.1	0.0
PER SHARE DATA					
EPS	65.4	59.9	68.1	77.5	86.7
CEPS	78.2	80.2	89.0	106.9	117.2
BV	395.9	374.4	441.1	517.6	603.3
Dividend	1.0	1.0	1.0	1.0	1.0
Turnover Ratios (days)					
Debtor days	61.9	60.4	60.0	60.0	60.0
Inventory days	0.1	0.1	0.0	0.0	0.0
Creditors days	3.0	3.5	4.0	4.0	4.0
VALUATION					
P/E	14.8	16.2	14.2	12.5	11.2
P/BV	2.4	2.6	2.2	1.9	1.6
EV/EBITDA	8.6	8.6	7.5	5.7	4.5
EV / Revenues	1.8	1.9	1.9	1.4	1.1
Dividend Yield (%)	0.1	0.1	0.1	0.1	0.1

(Source: Company, HDFC sec)

598.71	685.65	685.65	685.65	203.88	118.92	118.92
(+2.11)	(-14.51)	(-0.21)	(-0.01)	(-11.19)	(-11.87)	(-1.46)
142.09	167.22	154.12	393.13	-62.95	-187.58	-42.88
(-3.51)	(+17.46)	(-7.88)	(+7.59)	(-115.98)	(-71.46)	(-19.99)

One Year Stock Price Chart



(Source: Company, HDFC sec)



Disclosure:

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