Cyient Ltd.

4QFY18Result: Estimate (↑), PT (↑), Rating (↔) | **Regular Coverage**

Absolute :ADD
Relative : Benchmark
5% ATR in 11 Months

Enjoying the best of both worlds seems difficult; retain ADD

IT Services

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Rating Information	
Price (Rs)	647
Target Price (Rs)	660
Target Date	31st Mar '19
Target Set On	19th Apr '18
Implied yrs of growth (DCF)	15
Fair Value (DCF)	606
Fair Value (DDM)	313
Ind Benchmark	BSE IT
Model Portfolio Position	NA

Stock Information	
Market Cap (RsMn)	72,855
Free Float (%)	77.82 %
52 Wk H/L (Rs)	699/474
Avg Daily Volume (1yr)	379,973
Avg Daily Value (RsMn)	210
Equity Cap (RsMn)	563
Face Value (Rs)	5
Bloomberg Code	CYL IN

Ownership	Recent	3M	12M
Promoters	22.2 %	0.0 %	0.0 %
DII	20.3 %	0.6 %	-2.1 %
FII	41.4 %	-3.3 %	-0.9 %
Public	16.1 %	2.7 %	3.0 %

Price %	1M	3M	12M
Absolute	0.8 %	-1.0 %	31.1 %
Vs Industry	-4.6 %	-4.9 %	-1.2 %
HEXAWARE	16.4 %	20.1 %	103.1 %
NIITTECH	6.2 %	28.6 %	121.8 %

Consolidated Quarterly EPS forecast

Rs/Share	1Q	2Q	3Q	4Q
EPS (18A)	7.8	9.9	9.6	10.8
EPS (19E)	9.2	10.5	10.5	10.8

Cyient Limited (CYL) reported 4QFY18 earnings which though were better-than-expected on revenue growth, slipped on margins. Growth was led by DLM (80.5% qoq, US$ terms) and was aided by Services (2% qoq) while EBITDAM declined 50bps qoq to 14.1% (14.4% EE) due to higher contribution of DLM business. FY19e commentary remains encouraging with CYL expecting (1) double digit growth in services business, (2) ~20% yoy growth in legacy DLM (~35% including B&F), and (3) EBITDAM to be flat yoy as investments could offset tailwinds from operational efficiency (~100bps). We are raising estimates to account for 4Q beat and B&F contribution but maintain our ADD rating with TP of Rs. 660, at 16x Mar'19 TTM EPS of Rs. 41. Better growth guidance leads to increase in target PE multiple by a turn.

DLM leads quarterly growth: DLM growth in 4Q was led by organic growth (right shifting of order) and from B&F (consolidated for 2months) while Services growth was led by select verticals.

Select verticals drive 4q growth. Raising FY19e to accommodate guidance: Services growth during the quarter was primarily led by Communications (10.8% qoq in US$ terms), semiconductor (8.4%) and transportation (1%) while U&G (-0.2%), aero (-1.8%), industrial (-1.6%) and medical (-2.2%) segments were weak. We are raising our FY19E US$ revenue estimate to 13.3% to account for 4q beat and B&F contribution.

Services margins improve; DLM drags: EBITDAM declined 50bps qoq to 14.1% and were below our 17bps decline and 14.4% estimate led by higher contribution of DLM business. Segmentally, utilities geospatial communication (UGC) margins declined 42 bps qoq (-138bps qoq in 3q) to 17.1% while manufacturing & industrial (MI) margins decline 193 bps (+13bps) qoq to 13.1%. DLM margins increased 583 bps to 6.8%. We broadly are trimming our FY19e margin assumption by 45bps to 14%.

Top customers and services order book disappoints: Quarterly growth was led by non-top 10 (5.5% qoq) customers while top-5/top 6-10 (-1.1%/-1%) customer dragged. Overall customer specific commentary was largely stable. Services order book declined 22% qoq and grew 0.7% on yoy basis to US$ 187mn (US$ 241mn in 3Q & US$ 185.7mn in 4QFY17) and lead to decline of 15.9%/19.6% qoq/yoy in total bookings to US$ 206mn. DLM order book grew 375% qoq but declined 73% yoy to US$ 19mn.

Focus on profitable growth helps retain ADD: Improving execution and focus on profitable growth in DLM continues to influence our ADD rating. A miss on margin guidance, uneven growth in large customers, and delayed recovery in large verticals are key risks to our estimates.

Change in Estimates:

	Revised Estimates		% Change vs. older	
	FY19E	FY20E	FY19E	FY20E
Sales (Rs. mn)	45,050	50,503	3.9%	5.3%
$ Sales	688	765	3.9%	5.3%
EBITDA	6,316	7,144	0.7%	-0.1%
EBIT	5,258	6,016	-0.6%	-1.4%
PAT	4,615	5,239	1.1%	1.4%
EPS	41.0	46.5	1.1%	1.4%

Consolidated Financials

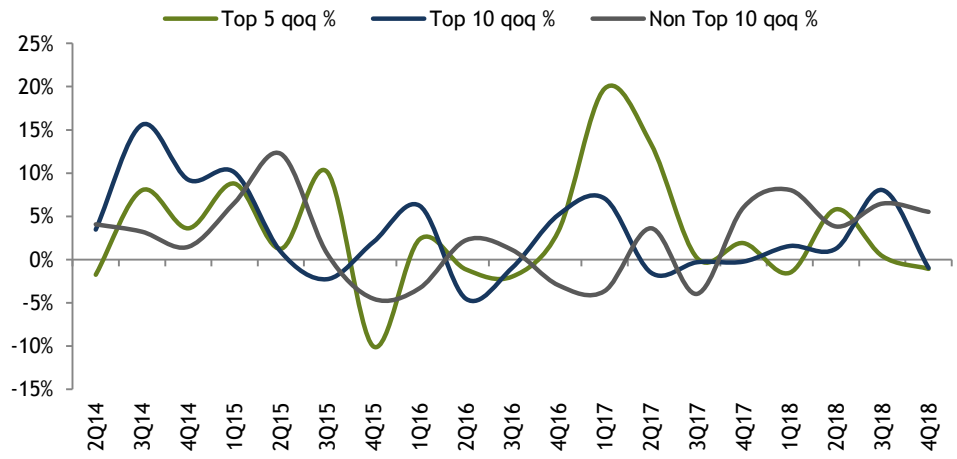
Rs. Mn YE Mar	FY18A	FY19E	FY20E	FY21E
Sales	39,176	45,050	50,503	54,718
EBITDA	5,493	6,316	7,144	7,901
Depreciation	1,051	1,058	1,128	1,232
Interest Expense	231	248	237	223
Other Income	1,438	1,174	1,271	1,307
Reported PAT	4,024	4,615	5,239	5,767
Recurring PAT	4,292	4,615	5,239	5,767
Total Equity	23,442	25,757	28,394	31,345
Gross Debt	1,780	1,451	1,376	1,289
Cash	10,937	12,063	13,348	14,422
Rs Per Share	**FY18A**	**FY19E**	**FY20E**	**FY21E**
Earnings	38.1	41.0	46.5	51.2
Book Value	208	229	252	278
Dividends	13.4	17.5	19.8	21.4
FCFF	21.5	38.9	38.1	38.2
P/E (x)	17.0	15.8	13.9	12.6
P/B (x)	3.1	2.8	2.6	2.3
EV/EBITDA (x)	12.0	10.1	8.8	7.8
ROE (%)	19 %	19 %	19 %	19 %
Core ROIC (%)	21 %	23 %	25 %	26 %
EBITDA Margin (%)	14 %	14 %	14 %	14 %
Net Margin (%)	11 %	10 %	10 %	11 %

Exhibit 1 a): Top customers disappoint

Average Rev/Client	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	6-Q CQGR
Top 5 ($ mn)	10.5	10.7	10.6	11.2	11.2	11.1	0.9%
qoq growth	0.2%	1.9%	-1.5%	5.8%	0.4%	-1.1%	
Top 6-10	1.8	1.7	1.8	1.8	1.9	1.9	1.5%
qoq Growth	-0.3%	-0.2%	1.6%	1.3%	8.0%	-1.0%	

Source: Company, Equirus Securities

Exhibit 1b): Non Top 10 growth stable



Source: Company, Equirus Securities

Exhibit 2: Services booking lowered; DLM recovers

Order Intake ($ mn)	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18
Services	188.9	185.7	130.3	107.2	241	187
DLM	13.7	70.7	29.9	11.7	4	19
Total	202.6	256.4	160.2	118.9	245	206

Source: Company, Equirus Securities

Exhibit 3: Attrition stable at high point

Employee Metrics	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18
Attrition %	19.9%	22.7%	22.6%	15.6%	16.6%	14.2%	16.8%	16.9%
Employee Cost % of Sales	55.2%	55.1%	54.7%	53.6%	55.7%	53.4%	55.5%	52.1%

Source: Company, Equirus Securities

Exhibit 4: DSO days constant after declining in previous quarter

Source: Company, Equirus Securities

Earnings call takeaways

Overall business

- US$ revenues grew 16.8%/8.3% yoy/qoq to US$ 164.6 mn which is highest ever.
- Growth in the services business is 14.3% yoy in US$ terms.

Outlook

- For FY19, management has guided for double digit growth in services business and ~20% yoy in DLM business.
- Operating profit to grow in double digit in FY19. OPM will be flat yoy (100bps improvement due to operational efficiency offset by investments.
- DLM margin will improve by low single digit.

Aerospace & Defense

- Aerospace and Defense Business Unit (BU) witnessed a growth of 6.1% in FY18 driven by growth across emerging accounts.
- CYL expects the industry to grow by 10% driven by strong commercial aircraft order backlog.
- Increased Defense spending in the U.S. and Europe is expected to continue to support demand.
- Industry is witnessing risk of supply chain disruptions with Boeing and Airbus ramping up their narrow body production.

Transportation

- Transportation BU witnessed a growth of 31.1% in FY18 driven by key customer growth and new project wins.
- The industry is also expected to witness increased investment in technological advancements such as Internet of Things (IoT), cloud computing, and Big Data analytics.
- CYL expects strong growth in FY19E in focus segments of Rolling Stock and Signalling, strong long term customer relationships, healthy opportunity pipeline and increasing momentum in strategy execution.

Communications

- CYL expects the growth to continue to the next year driven by opportunities in fibre deployment, small cell design and new technology transformation.
- Communications BU witnessed a growth of 24.2% in FY18 driven predominantly by strong growth in key accounts and expansion across geographies.

Medical and Healthcare

- Growth in Medical & Healthcare business was driven by manufacturing services as part of our Design to Build strategy
- CYL expects FY19E to be positive on as company has started to scale new relationships with a number of recent wins across design and manufacturing.

Utilities & Geospatial

- Utilities & Geospatial BU posted growth of 8.1% in FY18 driven by broad base growth across key geographies.
- IP based solutions for the Utility market is generating strong interest in customers due to deployment of digital technologies.
- FY19E growth to be driven by new customers in Utilities and solution selling.

Semiconductor

- Semiconductor, IoT and Analytics grew 11.6% in FY18 driven by growth in key customers.
- Global semiconductor market is forecast to expand 7.5% driven by growth in the memory sector, adoption of AI, 5G and Autonomous vehicles.
- CYL expects various opportunities in semiconductor space and remains positive for FY19.

Industrial, Energy and Natural Resources

- CYL highlights their Asset management solution is generating interest in customers and expected to be the strong growth driver in FY19.
- Oil and gas industry is expected to continue its slow recovery as upstream companies increase production.
- Outlook for drilling and oil field services companies is also positive as upstream capital spending and the global rig count continue to increase.

Design-Led Manufacturing (DLM)

- DLM growth (13.2% FY18) was broad based across top customers in every segment.
- FY19E outlook is positive based on a healthy order book.
- Opportunities in Aerospace & Defence could be seen through Offsets and Synergy initiatives.

Others

- CYL expects DLM margin to be in low single digits due to continued investments.

Consolidated quarterly performance

	Q4FY18	Q4FY18E	Q3FY18	Q4FY17	% Change			Comments
					Q4FY18E	Q3FY18	Q4FY17	
Net Sales	**10,618**	**10,523**	**9,834**	**9,410**	**0.9%**	**8.0%**	**12.8%**	
Net Sales (US$ Mn)	164.6	152.0	150.1	135.8	8.3%	9.7%	21.2%	
Travelling Expense	223	242	232	220	-7.9%	-3.9%	1.4%	
Employee Cost	5,531	5,547	5,462	5,043	-0.3%	1.3%	9.7%	
Other Expenditure	2,052	1,821	1,933	1,826	12.7%	6.2%	12.4%	
Rangsons Expenses	1,320	1,400	776	1,072	-5.7%	70.1%	23.1%	
Total Expenditures	**9126**	**9010**	**8403**	**8161**	**1.3%**	**8.6%**	**11.8%**	
EBITDA	**1492**	**1514**	**1431**	**1249**	**-1.4%**	**4.3%**	**19.5%**	
Depreciation	257	282	274	255	-8.9%	-6.2%	0.8%	
EBIT	**1,235**	**1,232**	**1,157**	**994**	**0.3%**	**6.7%**	**24.2%**	
Interest	67	61	56	38	9.2%	19.6%	76.3%	
Other Income	408	288	273	265	41.5%	49.5%	54.0%	
PBT	**1,576**	**1,459**	**1,374**	**1,221**	**8.0%**	**14.7%**	**29.1%**	
Tax	336	387	251	221	-13.1%	33.9%	52.0%	
PAT before MI & Associates	**1240**	**1072**	**878**	**1000**	**15.7%**	**41.2%**	**24.0%**	
Minority Interest	0	0	0	0				
Profit from Assoc.	-28	-2	245	-214	1231.2%	-111.4%	-86.9%	
Recurring PAT	**1,212**	**1,070**	**878**	**786**	**13.3%**	**38.0%**	**54.2%**	
Extraordinaries	0	0	-7	0				
Reported PAT	1,214	1,072	1,086	786	13.2%	11.8%	54.4%	
EPS (Rs)	10.8	9.6	9.6	7.0	12.3%	11.6%	54.2%	
EBITDA Margin	14.1%	14.4%	14.6%	13.3%	-33	-50	78	
EBIT Margin	11.6%	11.7%	11.8%	10.6%	-7	-13	107	
PBT Margin	14.8%	13.9%	14.0%	13.0%	98	87	187	
PAT Margin	11.4%	10.2%	11.0%	8.4%	125	39	308	
Tax Rate	21.3%	26.5%	18.3%	18.1%	-518	305	322	

**Historical numbers restated as per Ind-AS*

Exhibit 5: Operating metrics for last 10 quarters

	Q3FY16	Q4FY16	Q1FY17	Q2FY17	Q3FY17	Q4FY17	Q1FY18	Q2FY18	Q3FY18	Q4FY18
$ revenue(in mn)	118.4	120.6	124.7	136.5	135.8	141.0	140.6	150.1	152.0	164.6
Revenue by Client Tier (US$ mn)										
Top-5	37.4	38.7	46.3	52.5	52.6	53.6	52.8	55.9	56.1	55.5
Top 6-10	15.8	16.7	17.9	17.6	17.5	17.5	17.8	18.0	19.4	19.3
Non Top-10	54.5	53.0	51.1	52.9	50.8	53.9	58.2	60.4	64.3	67.9
Revenue by geography										
US	63.6%	60.2%	60.0%	59.1%	58.0%	57.1%	55.8%	54.2%	55.1%	53.3%
Europe	23.2%	25.5%	24.6%	24.0%	24.0%	25.1%	26.6%	26.7%	27.7%	29.2%
APAC & Others	13.2%	14.3%	15.4%	16.9%	18.0%	18.0%	18.0%	18.0%	17.2%	17.5%
Attrition	20.6%	18.4%	19.9%	22.7%	22.6%	15.6%	16.6%	14.2%	16.8%	16.9%
DSO	86	80	76	77	75	73	79	82	80	80

Source: Company, Equirus Securities

Company Snapshot

How we differ from Consensus

	-	Equirus	Consensus	% Diff	Comment
EPS	FY19E	41.0	41.6	-2 %	Consensus numbers before earnings
	FY20E	46.5	48.1	-3 %	
Sales	FY19E	45,050	44,515	1%	
	FY20E	50,503	50,584	0%	
PAT	FY19E	4,638	4,695	-1%	
	FY20E	5,287	5,431	-3%	

Our Key Investment arguments:

- Acceleration in Aero, Transport, and recovery in Communication, Utilities, and Energy bodes well
- Defense "offset" orders could boost DLM growth
- Profitable growth in DLM business

Key parameters	FY18A	FY19E	FY20E	FY21E
Overall revenue (US$ Mn)	607	688	765	829
Overall revenue (Rs. Mn)	39,176	45,050	50,503	54,718
EBIT Margin(%)	11.3%	11.7%	11.9%	12.2%
PBT Margin(%)	14.4%	13.7%	14.0%	14.2%
PAT Margin(%)	11.0%	10.2%	10.4%	10.5%
Overall Headcount	13,322	13,641	14,045	14,534
Utilization - UT&C	80%	84%	83%	83%
Utilization - Engg.	73%	76%	75%	75%

Risks to Our View: Aggressive margin guidance, uneven growth in top 20 customers, delayed recovery in large verticals, and unforeseen impact of tough visa regime in Australia are key risks to our estimates.

Key Triggers

Growth acceleration in Aero, Communications, better DLM margin profile, improvement in execution, rupee depreciation

Sensitivity to Key Variables	% Change	% Impact on EPS
Rupee Appreciation	1 %	-40 bps
Utilization	1 %	+50 bps

DCF Valuations & Assumptions

Rf	Beta	Ke	Term. Growth	Debt/IC in Term. Yr
6.9 %	0.5	10.8 %	3.0 %	6.4 %

-	FY19E	FY20E	FY21-23E	FY24-28E	FY29-33E
Sales Growth	15 %	12 %	8 %	6 %	6 %
NOPAT Margin	9 %	9 %	9 %	8 %	8 %
IC Turnover	2.64	2.74	2.71	2.71	2.71
RoIC	23.0 %	25.4 %	25.8 %	22.5 %	22.5 %
Years of strong growth	1	2	5	10	15
Valuation as on date (Rs)	448	487	536	530	564
Valuation as on 31st Mar '19	482	523	576	569	606

Based on DCF, assuming 15 years of 6% CAGR growth and 23% average ROIC, we derive our current fair value of Rs 564 and 31st Mar'19 fair value of Rs 606.

Company Description:

Cyient Enterprises Limited is a global engineering services and solutions company headquartered in, Hyderabad, India and is among top 100 outsourcing companies in the world.

Comparable valuation			Mkt Cap	Price	Target	EPS			P/E			BPS	P/B	RoE			Div Yield	
Company	Reco.	CMP	Rs. Mn.	Target	Date	FY18A/E	FY19E	FY20E	FY18A/E	FY19E	FY20E	FY18A/E	FY19E	FY18A/E	FY19E	FY20E	FY18A/E	FY19E
Cyient	ADD	647	72,855	660	31st Mar '19	38.1	41.0	46.5	17.0	15.8	13.9	208.2	2.8	19 %	19 %	19 %	2.1 %	2.7 %
Hexaware	REDUCE	418	125,234	342	31st Mar'19	16.9	18.5	20.8	24.8	22.6	20.1	69.7	5.3	26 %	25 %	24 %	1.0 %	1.9 %
NIIT Tech	ADD	940	57,708	745	31th Mar '19	45.4	52.5	58.3	20.7	17.9	16.1	319.9	2.6	15 %	16 %	15 %	1.4 %	1.4 %

Quarterly Earnings Forecast and Key Drivers

Rs in Mn	1Q18A	2Q18A	3Q18A	4Q18A	1Q19E	2Q19E	3Q19E	4Q19E	1Q20E	2Q20E	3Q20E	4Q20E	FY18A	FY19E	FY20E	FY21E
Revenue	9,070	9,654	9,834	10,618	10,794	11,147	11,367	11,743	12,116	12,557	12,735	13,095	39,176	45,050	50,503	54,718
Travelling Expense	189	214	232	223	227	234	239	247	254	264	267	275	858	946	1,061	1,149
Employee Cost	5,052	5,155	5,462	5,531	5,775	5,885	6,002	6,200	6,543	6,718	6,775	6,940	21,200	23,862	26,976	29,229
Other Expenditure	1,854	1,866	1,933	2,052	2,191	2,140	2,182	2,208	2,181	2,229	2,331	2,226	7,705	8,721	8,966	10,083
Rangsons Expenses	815	1,009	776	1,320	1,184	1,285	1,321	1,415	1,527	1,585	1,564	1,680	3,920	5,204	6,356	6,356
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
EBITDA	1,160	1,410	1,431	1,492	1,418	1,602	1,623	1,673	1,611	1,761	1,798	1,974	5,493	6,316	7,144	7,901
Depreciation	261	259	274	257	261	263	266	268	274	280	284	291	1,051	1,058	1,128	1,232
EBIT	899	1,151	1,157	1,235	1,157	1,339	1,357	1,405	1,337	1,481	1,514	1,683	4,442	5,258	6,016	6,669
Interest	51	57	56	67	63	63	62	61	61	60	59	58	231	248	237	223
Other Income	351	406	273	408	281	302	297	294	312	328	313	318	1,438	1,174	1,271	1,307
PBT	1,199	1,500	1,374	1,576	1,375	1,578	1,592	1,638	1,589	1,749	1,768	1,943	5,649	6,184	7,050	7,753
Tax	373	421	251	336	344	395	398	410	397	437	442	486	1,381	1,546	1,762	1,938
PAT bef. MI & Assoc.	827	1,079	1,123	1,240	1,032	1,184	1,194	1,229	1,192	1,312	1,326	1,457	4,024	4,638	5,287	5,815
Minority Interest	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Profit from Assoc.	52	36	245	-28	-1	-2	-9	-11	-5	-12	-14	-17	305	-23	-48	-48
Recurring PAT	879	1,115	1,086	1,212	1,030	1,182	1,185	1,218	1,187	1,300	1,311	1,441	4,292	4,615	5,239	5,767
Extraordinaries	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Reported PAT	879	1,115	1,086	1,212	1,030	1,182	1,185	1,218	1,187	1,300	1,311	1,441	4,292	4,615	5,239	5,767
EPS (Rs)	7.80	9.90	9.64	10.76	9.15	10.50	10.52	10.82	10.54	11.54	11.65	12.79	38.11	40.99	46.53	51.21
Key Drivers																
$ revenue(in mn)	141	150	152	165	165	170	174	179	184	190	193	198	607	688	765	829
Net manpower addition	44	44	44	44	132	64	49	74	177	34	74	119	176	319	404	489
$-Re exchange rate	65	64	65	65	66	66	66	66	66	66	66	66	65	66	66	66
$ Revenue Sequential Growth(%)	-0.3%	6.8%	1.3%	8.3%	0.1%	3.3%	2.0%	3.3%	2.4%	3.6%	1.4%	2.8%	12.9%	13.3%	11.3%	8.3%
Sequential Growth (%)																
Revenue	9 %	6 %	2 %	8 %	2 %	3 %	2 %	3 %	3 %	4 %	1 %	3 %	-	-	-	-
Travelling Expense	-8 %	13 %	8 %	-4 %	2 %	3 %	2 %	3 %	3 %	4 %	1 %	3 %	-	-	-	-
EBITDA	6 %	22 %	1 %	4 %	-5 %	13 %	1 %	3 %	-4 %	9 %	2 %	10 %	-	-	-	-
EBIT	4 %	28 %	1 %	7 %	-6 %	16 %	1 %	4 %	-5 %	11 %	2 %	11 %	-	-	-	-
Recurring PAT	19 %	27 %	-3 %	12 %	-15 %	15 %	0 %	3 %	-3 %	9 %	1 %	10 %	-	-	-	-
EPS	19 %	27 %	-3 %	12 %	-15 %	15 %	0 %	3 %	-3 %	9 %	1 %	10 %	-	-	-	-
Yearly Growth (%)																
Revenue	17 %	23 %	20 %	27 %	19 %	15 %	16 %	11 %	12 %	13 %	12 %	12 %	9 %	15 %	12 %	8 %
EBITDA	1 %	33 %	35 %	37 %	22 %	14 %	13 %	12 %	14 %	10 %	11 %	18 %	13 %	15 %	13 %	11 %
EBIT	-6 %	37 %	51 %	42 %	29 %	16 %	17 %	14 %	16 %	11 %	12 %	20 %	14 %	18 %	14 %	11 %
Recurring PAT	-12 %	35 %	60 %	64 %	17 %	6 %	9 %	1 %	15 %	10 %	11 %	18 %	25 %	8 %	14 %	10 %
EPS	-12 %	35 %	60 %	64 %	17 %	6 %	9 %	1 %	15 %	10 %	11 %	18 %	25 %	8 %	14 %	10 %
Margin (%)																
EBITDA	13 %	15 %	15 %	14 %	13 %	14 %	14 %	14 %	13 %	14 %	14 %	15 %	14 %	14 %	14 %	14 %
EBIT	10 %	12 %	12 %	12 %	11 %	12 %	12 %	12 %	11 %	12 %	12 %	13 %	11 %	12 %	12 %	12 %
PBT	13 %	16 %	14 %	15 %	13 %	14 %	14 %	14 %	13 %	14 %	14 %	15 %	14 %	14 %	14 %	14 %
PAT	10 %	12 %	11 %	11 %	10 %	11 %	10 %	10 %	10 %	10 %	10 %	11 %	11 %	10 %	10 %	11 %

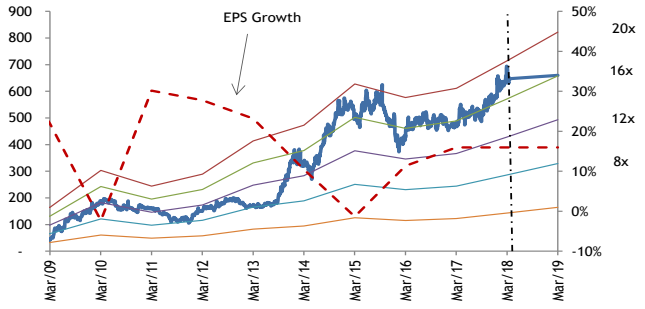
Consolidated Financials

P&L (Rs Mn)	FY18A	FY19E	FY20E	FY21E
Revenue	39,176	45,050	50,503	54,718
Op. Expenditure	33,683	38,734	43,359	46,817
EBITDA	5,493	6,316	7,144	7,901
Depreciation	1,051	1,058	1,128	1,232
EBIT	4,442	5,258	6,016	6,669
Interest Expense	231	248	237	223
Other Income	1,438	1,174	1,271	1,307
PBT	5,649	6,184	7,050	7,753
Tax	1,381	1,546	1,762	1,938
PAT bef. MI & Assoc.	4,024	4,638	5,287	5,815
Minority Interest	0	0	0	0
Profit from Assoc.	305	-23	-48	-48
Recurring PAT	4,292	4,615	5,239	5,767
Extraordinaires	0	0	0	0
Reported PAT	4,292	4,615	5,239	5,767
FDEPS (Rs)	38.1	41.0	46.5	51.2
DPS (Rs)	13.4	17.5	19.8	21.4
CEPS (Rs)	45.1	50.4	56.5	62.2
FCFPS (Rs)	21.5	38.9	38.1	38.2
BVPS (Rs)	208.2	228.7	252.2	278.4
EBITDAM (%)	14 %	14 %	14 %	14 %
PATM (%)	11 %	10 %	10 %	11 %
Tax Rate (%)	24 %	25 %	25 %	25 %
Sales Growth (%)	9 %	15 %	12 %	8 %
FDEPS Growth (%)	25 %	8 %	14 %	10 %

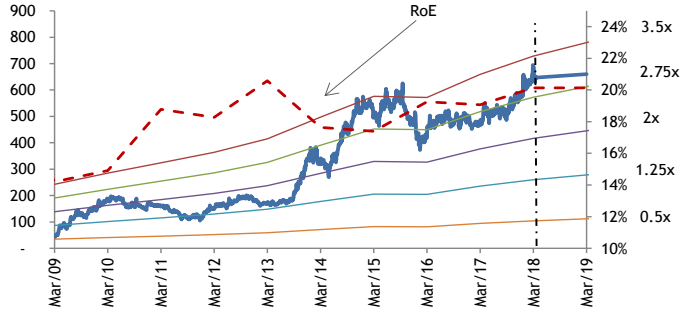
Balance Sheet (Rs Mn)	FY18A	FY19E	FY20E	FY21E
Equity Capital	563	563	563	563
Reserve	22,879	25,194	27,831	30,782
Networth	23,442	25,757	28,394	31,345
Long Term Debt	1,780	1,451	1,376	1,289
Def Tax Liability	2,263	1,845	1,749	1,639
Minority Interest	0	0	0	0
Account Payables	3,813	4,554	5,146	5,576
Other Curr Liabi	3,028	4,290	4,810	5,211
Total Liabilities & Equity	34,326	37,897	41,475	45,060
Net Fixed Assets	8,490	8,432	8,404	8,271
Capital WIP	0	0	0	0
Others	2,380	3,339	4,529	5,920
Inventory	1,312	1,509	1,691	1,833
Account Receivables	6,913	7,950	8,912	9,656
Other Current Assets	4,294	4,605	4,591	4,958
Cash	10,937	12,063	13,348	14,422
Total Assets	34,326	37,897	41,475	45,060
Non-cash Working Capital	5,678	5,219	5,238	5,659
Cash Conv Cycle	52.9	42.3	37.9	37.7
WC Turnover	6.9	8.6	9.6	9.7
FA Turnover	4.6	5.3	6.0	6.6
Net D/E	-0.4	-0.4	-0.4	-0.4
Revenue/Capital Employed	1.5	1.6	1.7	1.7
Capital Employed/Equity	1.2	1.1	1.1	1.1

Cash Flow (Rs Mn)	FY18A	FY19E	FY20E	FY21E
PBT	5,649	6,184	7,050	7,753
Depreciation	1,051	1,058	1,128	1,232
Others	0	0	0	0
Taxes Paid	1,381	1,546	1,762	1,938
Change in WC	-1,826	459	-19	-421
Operating C/F	3,494	6,155	6,396	6,627
Capex	-1,766	-1,000	-1,100	-1,100
Change in Invest	734	-734	0	0
Others	-215	-225	-1,190	-1,391
Investing C/F	-1,247	-1,959	-2,290	-2,491
Change in Debt	621	-329	-75	-87
Change in Equity	-324	0	0	0
Others	-1,313	-2,741	-2,746	-2,974
Financing C/F	-1,016	-3,070	-2,822	-3,061
Net change in cash	1,231	1,126	1,285	1,074
RoE (%)	19 %	19 %	19 %	19 %
RoIC (%)	17 %	17 %	18 %	18 %
Core RoIC (%)	21 %	23 %	25 %	26 %
Div Payout (%)	41 %	50 %	50 %	49 %
P/E	17.0	15.8	13.9	12.6
P/B	3.1	2.8	2.6	2.3
P/FCFF	30.1	16.6	17.0	16.9
EV/EBITDA	12.0	10.1	8.8	7.8
EV/Sales	1.7	1.4	1.2	1.1
Dividend Yield (%)	2.1 %	2.7 %	3.1 %	3.3 %

TTM P/E vs. 2 yr forward EPS growth



TTM P/B vs. 2 yr forward RoE



Historical Consolidated Financials

P&L (Rs Mn)	FY15A	FY16A	FY17A	FY18A
Revenue	27,359	31,014	36,066	39,176
Op. Expenditure	23,350	26,829	31,216	33,683
EBITDA	4,010	4,185	4,850	5,493
Depreciation	713	889	953	1,051
EBIT	3,297	3,296	3,897	4,442
Interest Expense	77	192	189	231
Other Income	1,236	1,064	874	1,438
PBT	4,456	4,168	4,583	5,649
Tax	1,096	1,011	1,046	1,381
PAT bef. MI & Assoc.	3,361	3,157	3,536	4,269
Minority Interest	0	0	0	0
Profit from Assoc.	173	89	-96	305
Recurring PAT	3,534	3,246	3,441	4,269
Extraordinaires	0	0	0	0
Reported PAT	3,534	3,246	3,441	4,269
EPS (Rs)	31.4	28.8	30.6	38.1
DPS (Rs)	8.0	7.0	10.8	13.4
CEPS (Rs)	37.9	36.8	39.0	45.1
FCFPS (Rs)	-3.3	20.1	21.7	21.5
BVPS (Rs)	164.6	163.4	188.3	208.2
EBITDAM (%)	15 %	13 %	13 %	14 %
PATM (%)	13 %	10 %	10 %	11 %
Tax Rate (%)	25 %	24 %	23 %	24 %
Sales growth (%)	24 %	13 %	16 %	9 %
FDEPS growth (%)	33 %	-8 %	6 %	25 %

Balance Sheet (Rs Mn)	FY15A	FY16A	FY17A	FY18A
Equity Capital	562	562	563	563
Reserve	17,879	17,810	20,636	22,879
Networth	18,441	18,372	21,199	23,442
Long Term Debt	813	1,147	1,159	1,780
Def Tax Liability	1,103	2,268	1,874	2,263
Minority Interest	122	0	0	0
Account Payables	2,754	3,098	3,922	3,813
Other Curr Liabi	2,553	2,423	3,210	3,028
Total Liabilities & Equity	25,785	27,308	31,364	34,326
Net Fixed Assets	4,981	6,672	7,775	8,490
Capital WIP	96	0	0	0
Others	5,006	2,721	2,899	2,380
Inventory	606	979	935	1,312
Account Receivables	5,336	6,145	6,496	6,913
Other Current Assets	3,197	3,052	3,553	4,294
Cash	6,565	7,739	9,706	10,937
Total Assets	25,786	27,308	31,364	34,326
Non-cash Working Capital	3,832	4,655	3,852	5,678
Cash Conv Cycle	51.1	54.8	39.0	52.9
WC Turnover	7.1	6.7	9.4	6.9
FA Turnover	5.4	4.6	4.6	4.6
Net D/E	-0.3	-0.4	-0.4	-0.4
Revenue/Capital Employed	1.5	1.5	1.6	1.5
Capital Employed/Equity	1.1	1.1	1.2	1.2

Cash Flow (Rs Mn)	FY15A	FY16A	FY17A	FY18A
PBT	4,456	3,968	3,989	5,649
Depreciation	713	836	880	1,051
Others	-715	44	-113	0
Taxes Paid	1,171	1,024	965	1,381
Change in WC	335	-41	511	-1,826
Operating C/F	3,617	3,783	4,302	3,494
Capex	-803	-648	-852	-1,766
Change in Invest	-4,479	0	0	734
Others	1,236	-1,019	-1,153	-215
Investing C/F	-4,046	-1,667	-2,005	-1,247
Change in Debt	455	369	-28	621
Change in Equity	66	21	14	-324
Others	-840	-1,328	-319	-1,313
Financing C/F	-319	-938	-333	-1,016
Net change in cash	-748	1,178	1,964	1,231
RoE (%)	21 %	18 %	17 %	19 %
RoIC (%)	19 %	16 %	16 %	17 %
Core RoIC (%)	22 %	18 %	21 %	21 %
Div Payout (%)	30 %	28 %	41 %	41 %
P/E	20.6	22.4	21.2	17.0
P/B	3.9	4.0	3.4	3.1
P/FCFF	-195.4	32.2	29.8	30.1
EV/EBITDA	17.3	16.9	14.0	12.0
EV/Sales	2.5	2.3	1.9	1.7
Dividend Yield (%)	1.2 %	1.1 %	1.7 %	2.1 %

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