

## Steady quarter, Upside capped

We maintain **NEUTRAL** on Mindtree following inline 4QFY19. Our TP is Rs 1,040 implying 18x FY21E, with ~2% change in est.

### HIGHLIGHTS of the QUARTER

- Rev growth was inline at 4.2/15.8% QoQ/YoY and 18.3% in FY19 as annual rev crossed USD 1bn. Top account (19.8% of rev) grew 3.3% QoQ. **We expect Mindtree's growth trajectory to lower with moderation in top account performance.**
- Digital rev incl. Mindtree Interactive (front-end), Data science & Engg. (Analytics) and Cloud services contributed 49.3% to rev and grew 3.8/26.8% QoQ/YoY in 4Q, 32.3% in FY19. **Deal bookings in 4Q were insipid with book-to-bill at 10-qtr low.**
- EBITDA% stood at 15.2%, -62bps QoQ impacted by INR (-50bps impact) and sub-con (-58bps). Growth in BFSI segment margin (low-margin vertical) was offset by margin decline in high-margin verticals such as Travel & Hospitality, Retail & CPG and Hi-tech. APAT came higher at Rs 1.98bn supported by other income.
- Mgmt guided 'low-teens' CC rev growth and 100-120bps improvement in profitability for FY20

### Financial Summary

YE March (Rs bn)	4QFY19	4QFY18	YoY (%)	3QFY19	QoQ (%)	FY17	FY18	FY19	FY20E	FY21E
Net Revenues	18.39	14.64	25.6	17.87	2.9	52.36	54.63	70.22	78.78	87.66
EBIT	2.80	2.36	19.0	2.83	(1.1)	7.18	7.41	10.64	12.59	14.05
APAT	1.98	1.82	8.8	1.91	3.7	4.19	5.31	7.25	8.47	9.49
Diluted EPS (Rs)	12.1	10.3	17.0	9.9	22.2	25.5	32.3	44.2	51.6	57.8
P/E (x)						38.1	30.1	22.0	18.8	16.8
EV / EBITDA (x)						21.2	20.5	14.1	12.0	10.5
RoE (%)						16.8	21.4	24.9	24.9	25.0

Source: Company, HDFC sec Inst Research # Consolidated

supported by margin levers of: (1) Pyramid rationalisation (2,200 campus hires planned vs. ~1,600 in FY19), (2) Digital scale, (3) Business-mix (high-margin verticals). **We expect moderate expansion in margin (+80bps) with challenges of utilization, elevated subcontracting expense (up 51% in FY19) and competitive wage hike ahead.**

- Near term outlook:** L&T's open offer (for 31% stake in Mindtree) at Rs 980 per share commencing 14-May and Jun-qtr TCv (top-account renewal cycle) are key monitorables.

### STANCE: Limited upside, risk of attrition/key accounts

Mindtree's growth trajectory expected to lower following stellar show in FY19 (year of rev acceleration and margin expansion) as growth dichotomy between top account (36% CAGR over FY16-19) and residual biz (8% CAGR) normalises. **The risk of high velocity (attrition) and low velocity (client metrics) cannot be ignored in the current scenario. FCF conversion also moderated on higher capex. We expect USD rev/EPS at 12/14% CAGR over FY19-21E, however at ~17x FY21E (vs. 13.5x for midcap IT) upside seems capped.**

INDUSTRY	IT
<b>CMP (as on 16 Apr 2019)</b>	<b>Rs 972</b>
<b>Target Price</b>	<b>Rs 1,040</b>
Nifty	11,787
Sensex	39,276

### KEY STOCK DATA

Bloomberg	MTCL IN
No. of Shares (mn)	164
MCap (Rs bn) / (\$ mn)	160/2,292
6m avg traded value (Rs mn)	1,552

### STOCK PERFORMANCE (%)

52 Week high / low	Rs 1,184/752		
	3M	6M	12M
Absolute (%)	15.6	(1.3)	11.9
Relative (%)	7.4	(13.0)	(2.6)

### SHAREHOLDING PATTERN (%)

	Dec-18	Mar-19
Promoters	13.32	13.32
FIs & Local MFs	10.39	11.14
FPIs	40.18	39.26
Public & Others	36.11	36.28
Pledged Shares	0.00	0.00

Source : BSE

### Apurva Prasad

apurva.prasad@hdfcsec.com  
+91-22-6171-7327

### Amit Chandra

amit.chandra@hdfcsec.com  
+91-22-6171-7345

### Akshay Ramnani

akshay.ramnani@hdfcsec.com  
+91-22-6171-7334

**Revenue growth of 4.2% QoQ supported by 3.9% QoQ CC and FY19 rev growth at 18.3% YoY crossing USD 1bn**

**EBITDA% stood at 15.2%, -62bps QoQ and FY19 EBITDA% at 15.2% (+160bps YoY)**

**APAT at Rs 1.98bn supported by other income (forex gain of Rs 47mn vs. loss of Rs 374mn in 3Q)**

### Quarterly Consolidated Financials Snapshot

Particulars (Rs bn)	4QFY19	4QFY18	YoY (%)	3QFY19	QoQ (%)
<b>Net Revenues (USD mn)</b>	<b>262</b>	<b>226</b>	<b>15.8</b>	<b>251</b>	<b>4.2</b>
<b>Net Revenues</b>	<b>18.39</b>	<b>14.64</b>	<b>25.6</b>	<b>17.87</b>	<b>2.9</b>
Employee Costs	11.50	9.30	23.7	11.14	3.2
SG&A and Other Operating Expenses	4.09	2.98	37.0	3.90	4.9
<b>EBITDA</b>	<b>2.80</b>	<b>2.36</b>	<b>19.0</b>	<b>2.83</b>	<b>(1.1)</b>
Depreciation	0.43	0.38	11.7	0.41	4.4
<b>EBIT</b>	<b>2.37</b>	<b>1.97</b>	<b>20.4</b>	<b>2.42</b>	<b>(2.0)</b>
Interest Cost	-	0.06	NM	-	NM
Other Income	0.29	0.59	NM	(0.20)	NM
<b>PBT</b>	<b>2.66</b>	<b>2.51</b>	<b>6.3</b>	<b>2.22</b>	<b>19.8</b>
Tax	0.68	0.68	(0.3)	0.60	13.5
RPAT	1.98	1.82	8.8	1.91	3.7
E/o (adj for tax)	-	0.13	NM	0.29	NM
<b>APAT</b>	<b>1.98</b>	<b>1.70</b>	<b>17.0</b>	<b>1.62</b>	<b>22.2</b>

Source: Company, HDFC sec Inst Research

### Margin Analysis

	4QFY19	4QFY18	YoY (bps)	3QFY19	QoQ (bps)
Employee Cost % Net Revenues	62.5	63.5	(99)	62.3	20
SG&A and Other Expenses % Net Revenues	22.2	20.4	184	21.8	42
<b>EBITDA Margin (%)</b>	<b>15.2</b>	<b>16.1</b>	<b>(85)</b>	<b>15.9</b>	<b>(62)</b>
EBIT Margin (%)	12.9	13.5	(56)	13.6	(65)
Tax Rate (%)	25.6	27.3	(170)	27.0	(144)
<b>APAT Margin (%)</b>	<b>10.8</b>	<b>11.6</b>	<b>(80)</b>	<b>9.1</b>	<b>170</b>

Source: Company, HDFC sec Inst Research

**ADM and IMS led the growth among service-lines with 6.6% QoQ and 3.7% QoQ respectively**

**Digital grew below company average at 3.8% QoQ and stood at 49.3% of rev (vs. 49.5% in 3Q)**

**Deal TCV was flat at USD 242mn (vs. USD 256mn in 3Q) including moderation in Digital TCV at USD 126mn (vs. USD 136mn in 3Q)**

**Mindtree won its largest Salesforce AMS contract (new logo win), despite low overall TCV**

### Service Line Break-up

(% of revenue)	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19
ADM	49.9	50.2	50.3	50.7	50.8	50.7	51.9
IMS & Tech Support	21.8	21.1	21.0	21.6	23.4	23.4	23.3
Package Implementation	11.2	11.3	11.2	10.6	8.8	9.0	8.1
Independent Testing	12.1	12.6	12.7	13.1	13.1	12.8	12.3
Consulting	4.0	4.0	3.9	3.4	3.1	3.2	3.3
IP led	1.0	0.9	0.9	0.6	0.8	0.8	1.1
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Digital</b>	<b>42.6</b>	<b>43.9</b>	<b>45.0</b>	<b>47.5</b>	<b>48.1</b>	<b>49.5</b>	<b>49.3</b>

Source: Company, HDFC Sec Inst Research

### Service Line Growth

(QoQ, %)	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19
ADM	0.5	4.4	5.8	7.6	2.3	2.0	6.6
IMS & Tech Support	6.7	0.6	5.2	10.0	10.6	2.0	3.7
Package Implementation	0.7	4.4	5.0	0.7	(15.0)	4.5	(6.6)
Independent Testing	5.4	8.4	6.6	10.1	2.1	(0.6)	0.4
Consulting	21.5	3.5	2.8	(6.7)	(7.1)	6.1	6.8
IP led	(7.2)	(5.5)	7.0	(29.8)	32.4	9.5	37.2
<b>Total</b>	<b>3.0</b>	<b>3.9</b>	<b>5.5</b>	<b>6.8</b>	<b>2.0</b>	<b>2.1</b>	<b>4.2</b>
<b>Digital</b>	<b>3.7</b>	<b>7.2</b>	<b>8.3</b>	<b>12.6</b>	<b>3.3</b>	<b>5.0</b>	<b>3.8</b>

Source: Company, HDFC Sec Inst Research

### Deal Trend By Total Contract Value (TCV)

(USD mn)	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19
Digital TCV	83.6	132.0	102.0	139.0	162.0	136.0	126.0
Non-digital TCV	123.7	112.0	196.0	167.0	109.0	120.0	116.0
<b>Total TCV</b>	<b>207.3</b>	<b>244.0</b>	<b>298.0</b>	<b>306.0</b>	<b>271.0</b>	<b>256.0</b>	<b>242.0</b>
-Renewals	130.2	187.0	256.0	255.0	222.0	184.0	158.0
-New order	77.1	57.0	42.0	51.0	49.0	71.8	84.0
<b>Total TCV</b>	<b>207.3</b>	<b>244.0</b>	<b>298.0</b>	<b>306.0</b>	<b>271.0</b>	<b>255.9</b>	<b>242.0</b>

Source: Company, HDFC Sec Inst Research

**Growth was broad-based across verticals with leadership by Tech, Media vertical (includes top ac) and recovery in BFSI**

**Travel, Hitech and Retail, CPG verticals expected to outperform BFSI**

**Top account grew below company average at 3.3% QoQ as compared to its historical outperformance contributing bulk of incremental growth earlier**

**Top 2-10 accounts' performance continued to be muted following 3Q softness**

**Client additions of 15 was the lowest in last 16 qtrs**

### Revenue Mix by Verticals

(% of Revenue)	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19
Manufacturing, CPG & Retail	23.5	23.3	23.5	23.1	21.8	22.3	22.2
BFSI	24.7	24.8	22.7	22.3	22.4	21.7	21.8
Technology, Media and Services	37.3	36.6	38.0	38.9	39.3	39.4	39.6
Travel & Transportation	14.5	15.3	15.9	15.8	16.6	16.7	16.4
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: Company, HDFC Sec Inst Research

### Growth by Verticals

(% QoQ)	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19
Manufacturing, CPG & Retail	6.8	3.2	6.4	4.9	(3.8)	4.6	3.5
BFSI	1.4	4.2	(3.4)	5.0	2.3	(0.9)	4.8
Technology, Media and Services	1.4	2.0	9.3	9.3	3.1	2.3	4.9
Travel & Transportation	4.3	9.3	9.9	6.0	7.5	2.2	2.5
<b>Total</b>	<b>3.0</b>	<b>3.9</b>	<b>5.5</b>	<b>6.8</b>	<b>2.0</b>	<b>2.1</b>	<b>4.2</b>

Source: Company, HDFC Sec Inst Research

### Client Metrics

	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19
<b>(% of Revenue)</b>							
Top Client	16.1	16.6	17.8	19.4	20.2	20.0	19.8
Top-10	41.9	43.7	43.7	43.5	44.8	44.1	42.9
<b>Growth (% QoQ)</b>							
Top Client	8.3	7.3	13.2	16.3	6.3	0.9	3.3
Top-10	4.0	8.5	5.5	6.3	5.1	0.4	1.5
<b>Clients (Nos)</b>							
>USD 1mn	114	114	118	118	111	116	120
>USD 10mn	16	15	17	19	21	21	23
>USD 50mn	1	1	1	1	1	1	1
Gross client addition	24	28	23	24	18	23	15

Source: Company, HDFC Sec Inst Research

**Growth was largely balanced across regions with US leading the growth at 4.4% QoQ**

**Utilisation improved to 77.1% (vs. 76.4% in 3Q) and attrition increased to 14.2% (vs. 13.4% in 3Q)**

**470 campus hires in 4Q (~1,600 in FY19) and 2,200 planned for FY20**

### Geographic Revenue Break-up

(% of revenue)	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19
US	67.5	69.7	71.0	72.7	73.6	73.4	73.6
Europe	22.8	20.9	21.1	20.1	18.7	18.7	18.5
India	3.5	3.2	3.2	3.1	3.3	3.6	3.7
Rest of the World	6.3	6.2	4.7	4.2	4.4	4.2	4.2
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: Company, HDFC Sec Inst Research

### Geographic Revenue Growth

(QoQ, %)	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19
US	(0.1)	7.3	7.5	9.2	3.4	1.8	4.4
Europe	11.2	(4.6)	6.4	1.6	(5.0)	2.4	2.9
India	19.5	(4.4)	6.4	2.6	8.0	13.1	5.9
Rest of the World	2.5	2.8	(20.1)	(4.5)	7.6	(2.8)	3.7
<b>Total</b>	<b>3.0</b>	<b>3.9</b>	<b>5.5</b>	<b>6.8</b>	<b>2.0</b>	<b>2.1</b>	<b>4.2</b>

Source: Company, HDFC Sec Inst Research

### Headcount, Utilisation Data

(Nos.)	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19
<b>Total headcount</b>	<b>16,910</b>	<b>17,200</b>	<b>17,723</b>	<b>18,990</b>	<b>19,402</b>	<b>19,908</b>	<b>20,204</b>
Software Professionals	15,782	16,068	16,595	17,837	18,214	18,713	19,017
Sales	276	273	255	242	243	257	256
Support	852	859	873	911	945	938	931
<b>Net additions</b>	<b>349</b>	<b>290</b>	<b>523</b>	<b>1,267</b>	<b>412</b>	<b>506</b>	<b>296</b>
Utilisation Including Trainees (%)	73.2	72.8	73.8	75.4	74.5	74.6	75.3
Utilisation Excluding Trainees (%)	74.6	74.3	75.2	76.3	76.5	76.4	77.1

Source: Company, HDFC Sec Inst Research

**Special dividend of Rs 20 per share announced (to be approved in AGM in Jun/July) besides the Rs 3 (interim) and Rs 4 (final dividend)**

**FCF conversion (FCF/APAT) was lower in FY19 at 60% vs. 90% in FY18 impacted by higher capex towards onshore centers**

**Receivable days (including unbilled) was steady at 85 days (vs. 86 in FY18)**

**USD rev estimates imply CQGR of 2.6/2.8% in FY20/21**

### Key Assumptions

Particulars	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Volume Growth (%)	13.4	16.5	5.0	5.7	18.4	12.9	10.6
Pricing Change (%)	3.0	5.2	3.8	2.7	(0.7)	(0.3)	0.6
<b>USD Revenue Growth (%)</b>	<b>16.4</b>	<b>22.1</b>	<b>9.4</b>	<b>8.6</b>	<b>18.3</b>	<b>12.4</b>	<b>11.3</b>
USD/INR Rate	61.01	65.80	67.15	64.52	70.12	70.00	70.00
<b>EBITDA Margin (%)</b>	<b>19.9</b>	<b>17.6</b>	<b>13.7</b>	<b>13.6</b>	<b>15.2</b>	<b>16.0</b>	<b>16.0</b>

Source: Company, HDFC Sec Inst Research

### Change In Estimates

Particulars	Earlier estimates	Revised estimates	% change
	FY20E	FY20E	
Revenue (USD mn)	1,131	1,125	(0.5)
Revenue (Rs bn)	79.17	78.78	(0.5)
EBITDA (Rs bn)	11.84	12.59	6.3
<b>EBITDA margin (%)</b>	<b>15.0</b>	<b>16.0</b>	<b>102bps</b>
EPS (Rs)	48.0	51.6	7.6
	<b>FY21E</b>	<b>FY21E</b>	<b>% change</b>
Revenue (USD mn)	1,259	1,252	(0.5)
Revenue (Rs bn)	88.11	87.66	(0.5)
EBITDA (Rs bn)	13.82	14.05	1.6
<b>EBITDA margin (%)</b>	<b>15.7</b>	<b>16.0</b>	<b>34bps</b>
EPS (Rs)	56.3	57.8	2.5

Source: HDFC sec Inst Research

**Peer Set Comparison**

Company	MCap (Rs bn)	CMP (Rs)	TP (Rs)	RECO	EPS (Rs)				P/E (x)				RoE (%)			
					FY18	FY19E	FY20E	FY21E	FY18	FY19E	FY20E	FY21E	FY18	FY19E	FY20E	FY21E
TCS	7,999	2,132	2,410	BUY	68.8	83.9	90.4	100.5	31.0	25.4	23.6	21.2	30.1	36.1	37.1	39.1
Infosys	3,150	724	755	NEU	33.8	36.4	37.5	41.9	21.4	19.9	19.3	17.3	24.5	23.7	23.2	23.6
Wipro	1,691	281	250	SELL	14.5	15.9	16.5	17.9	19.4	17.6	17.0	15.7	16.5	17.3	16.9	17.0
HCL Tech	1,541	1,107	1,210	BUY	64.7	73.9	78.7	86.5	17.1	15.0	14.1	12.8	25.3	26.0	24.5	23.8
TechM	714	798	850	BUY	42.5	48.5	51.6	56.6	18.8	16.5	15.5	14.1	21.5	21.4	20.0	19.4
<b>Tier-1 IT Median</b>									<b>19.4</b>	<b>17.6</b>	<b>16.5</b>	<b>15.1</b>	<b>24.5</b>	<b>23.7</b>	<b>23.2</b>	<b>23.6</b>
LTI	281	1,633	2,145	BUY	67.0	88.8	95.0	107.3	24.4	18.4	17.2	15.2	33.2	35.8	31.5	29.8
Mphasis	190	981	1,370	BUY	45.4	56.9	64.9	76.2	21.6	17.2	15.1	12.9	14.6	20.1	22.4	23.0
LTTTS	173	1,665	1,845	BUY	45.7	65.6	70.5	92.1	36.4	25.4	23.6	18.1	27.7	31.6	28.3	30.8
<b>Mindtree</b>	<b>160</b>	<b>972</b>	<b>1,040</b>	<b>NEU</b>	<b>32.3</b>	<b>44.2</b>	<b>51.6</b>	<b>57.8</b>	<b>30.1</b>	<b>22.0</b>	<b>18.8</b>	<b>16.8</b>	<b>21.4</b>	<b>24.9</b>	<b>24.9</b>	<b>25.0</b>
Hexaware *	102	345	430	BUY	16.8	19.6	20.7	25.9	20.5	17.6	16.7	13.3	26.6	26.5	24.8	27.6
Cyient	66	587	735	BUY	38.6	37.3	41.8	46.0	15.2	15.7	14.0	12.8	18.1	17.1	17.4	17.5
Tata Elxsi	61	983	875	NR	38.5	45.6	46.8	54.6	25.5	21.6	21.0	18.0	37.0	34.2	28.8	28.0
Zensar	55	241	294	BUY	10.6	13.4	15.8	18.4	22.7	18.0	15.2	13.1	15.1	16.7	17.3	17.5
Persistent	49	616	605	NEU	40.4	42.5	40.6	46.6	15.3	14.5	15.2	13.2	16.0	15.2	13.5	14.1
eClerx	44	1,131	1,005	SELL	70.8	57.7	67.2	77.3	16.0	19.6	16.8	14.6	24.1	18.0	19.9	21.6
Sonata	35	338	465	BUY	18.6	23.8	26.0	29.0	18.2	14.2	13.0	11.6	31.0	35.5	34.2	33.9
Intellect	29	229	310	BUY	3.7	7.1	10.2	15.0	NM	32.3	22.4	15.3	6.5	9.8	12.4	15.8
Majesco	14	498	720	BUY	(1.5)	22.1	28.2	33.5	NM	22.6	17.6	14.9	(1.1)	11.2	14.0	17.2
HGS	14	658	770	NR	96.5	72.5	86.4	96.4	6.8	9.1	7.6	6.8	14.3	9.8	10.7	10.9
Mastek	11	463	657	BUY	27.8	40.6	44.7	52.2	16.8	11.5	10.5	9.0	13.7	16.1	14.8	15.4
<b>Tier-2 IT Median</b>									<b>20.5</b>	<b>18.0</b>	<b>16.7</b>	<b>13.3</b>	<b>18.1</b>	<b>18.0</b>	<b>19.9</b>	<b>21.6</b>

Company	MCap (USD bn)	CMP USD	TP	RECO	EPS (USD)				P/E (x)				RoE (%)			
					FY18	FY19E	FY20E	FY21E	FY18	FY19E	FY20E	FY21E	FY18	FY19E	FY20E	FY21E
Accenture	115	179	NA	NR	5.6	6.5	7.3	8.0	32.2	27.8	24.5	22.5	41.7	42.0	39.9	36.7
Cognizant	43	74	NA	NR	2.5	3.6	4.4	4.9	29.3	20.6	16.8	15.2	14.1	19.0	20.9	20.6
Capgemini^	21	112	NA	NR	4.9	4.4	6.5	7.1	23.0	25.7	17.2	15.7	11.5	10.1	13.1	13.3
<b>Global IT Median</b>									<b>29.3</b>	<b>25.7</b>	<b>17.2</b>	<b>15.7</b>	<b>14.1</b>	<b>19.0</b>	<b>20.9</b>	<b>20.6</b>

Source: HDFC sec Inst Research, Bloomberg, \*Dec YE, ^CMP and EPS in EUR terms

**Consolidated Income Statement**

YE March (Rs bn)	FY17	FY18	FY19	FY20E	FY21E
<b>Net Revenues (USD mn)</b>	<b>780</b>	<b>847</b>	<b>1,001</b>	<b>1,125</b>	<b>1,252</b>
<b>Growth (%)</b>	<b>9.4</b>	<b>8.6</b>	<b>18.3</b>	<b>12.4</b>	<b>11.3</b>
<b>Net Revenues</b>	<b>52.36</b>	<b>54.63</b>	<b>70.22</b>	<b>78.78</b>	<b>87.66</b>
<b>Growth (%)</b>	<b>12.1</b>	<b>4.3</b>	<b>28.5</b>	<b>12.2</b>	<b>11.3</b>
Employee Costs	34.13	35.64	44.21	48.90	54.34
SG&A and Other Operating Exp.	11.06	11.58	15.36	17.29	19.27
<b>EBITDA</b>	<b>7.18</b>	<b>7.41</b>	<b>10.64</b>	<b>12.59</b>	<b>14.05</b>
<b>EBITDA (%)</b>	<b>13.7</b>	<b>13.6</b>	<b>15.2</b>	<b>16.0</b>	<b>16.0</b>
<b>EBITDA Growth (%)</b>	<b>(12.5)</b>	<b>3.1</b>	<b>43.7</b>	<b>18.3</b>	<b>11.6</b>
Depreciation	1.86	1.72	1.64	1.86	2.17
<b>EBIT</b>	<b>5.32</b>	<b>5.69</b>	<b>9.00</b>	<b>10.73</b>	<b>11.88</b>
Other Income	0.42	1.90	0.82	0.96	1.21
Interest	0.19	0.17	0.03	0.00	0.00
<b>PBT</b>	<b>5.55</b>	<b>7.42</b>	<b>9.79</b>	<b>11.69</b>	<b>13.08</b>
Tax (incl deferred)	1.36	1.72	2.33	3.21	3.60
<b>RPAT</b>	<b>4.19</b>	<b>5.70</b>	<b>7.54</b>	<b>8.47</b>	<b>9.49</b>
E/o (net of tax)	-	0.39	0.29	0.00	0.00
<b>APAT</b>	<b>4.19</b>	<b>5.31</b>	<b>7.25</b>	<b>8.47</b>	<b>9.49</b>
<b>APAT Growth (%)</b>	<b>(24.2)</b>	<b>26.8</b>	<b>36.6</b>	<b>16.9</b>	<b>11.9</b>
<b>EPS</b>	<b>25.5</b>	<b>32.3</b>	<b>44.2</b>	<b>51.6</b>	<b>57.8</b>
<b>EPS Growth (%)</b>	<b>(24.2)</b>	<b>26.8</b>	<b>36.6</b>	<b>16.9</b>	<b>11.9</b>

Source: Company, HDFC sec Inst Research

**Consolidated Balance Sheet**

YE March (Rs bn)	FY17	FY18	FY19	FY20E	FY21E
<b>SOURCES OF FUNDS</b>					
Share Capital - Equity	1.68	1.64	1.64	1.64	1.64
Reserves	24.09	25.78	31.42	33.39	39.33
<b>Total Shareholders' Funds</b>	<b>25.77</b>	<b>27.41</b>	<b>33.06</b>	<b>35.03</b>	<b>40.97</b>
<b>Total Debt</b>	<b>0.99</b>	<b>3.01</b>	<b>0.01</b>	<b>0.01</b>	<b>0.01</b>
Net Deferred Taxes	(0.62)	(0.32)	(0.39)	(0.39)	(0.39)
Long-term Provisions & Others	0.30	0.09	0.17	0.17	0.17
<b>TOTAL SOURCES OF FUNDS</b>	<b>26.44</b>	<b>30.19</b>	<b>32.85</b>	<b>34.82</b>	<b>40.76</b>
<b>APPLICATION OF FUNDS</b>					
Net Block	5.75	5.03	4.94	5.76	6.74
CWIP	0.19	0.09	0.30	0.35	0.41
Other non-current assets	6.67	6.84	7.30	7.71	8.20
<b>Total Non Current Assets</b>	<b>12.61</b>	<b>11.96</b>	<b>12.53</b>	<b>13.81</b>	<b>15.35</b>
Debtors	8.96	10.16	13.36	15.11	16.81
Cash & Equivalents	8.44	10.55	10.60	9.67	12.56
Other Current Assets	3.27	4.38	4.92	5.56	6.19
<b>Total Current Assets</b>	<b>20.67</b>	<b>25.09</b>	<b>28.87</b>	<b>30.34</b>	<b>35.56</b>
Creditors	1.65	1.71	2.13	2.13	2.13
Other Current Liabilities & Provns	5.19	5.15	6.42	7.20	8.01
<b>Total Current Liabilities</b>	<b>6.84</b>	<b>6.86</b>	<b>8.55</b>	<b>9.33</b>	<b>10.14</b>
<b>Net Current Assets</b>	<b>13.83</b>	<b>18.23</b>	<b>20.32</b>	<b>21.01</b>	<b>25.42</b>
<b>TOTAL APPLICATION OF FUNDS</b>	<b>26.44</b>	<b>30.19</b>	<b>32.85</b>	<b>34.82</b>	<b>40.76</b>

Source: Company, HDFC sec Inst Research



**Consolidated Cash Flow**

YE March (Rs bn)	FY17	FY18	FY19	FY20E	FY21E
Reported PBT	5.55	7.42	9.79	11.69	13.08
Non-operating & EO items	(0.32)	(1.03)	(0.59)	(0.75)	(0.97)
Interest expenses	0.19	0.17	0.03	0.00	0.00
Depreciation	1.86	1.72	1.64	1.86	2.17
Working Capital Change	1.22	(0.83)	(2.36)	(1.77)	(1.68)
Tax paid	(1.77)	(1.63)	(2.26)	(3.21)	(3.60)
<b>OPERATING CASH FLOW ( a )</b>	<b>6.73</b>	<b>5.81</b>	<b>6.26</b>	<b>7.82</b>	<b>9.01</b>
Capex	(0.87)	(1.02)	(1.75)	(2.73)	(3.21)
Free cash flow (FCF)	5.85	4.79	4.51	5.09	5.80
Non-operating income	0.42	1.28	0.46	0.49	0.64
<b>INVESTING CASH FLOW ( b )</b>	<b>(0.45)</b>	<b>0.26</b>	<b>(1.29)</b>	<b>(2.24)</b>	<b>(2.57)</b>
Debt Issuance	0.56	2.02	(3.00)	-	-
Interest expenses	(0.19)	(0.17)	(0.03)	(0.00)	(0.00)
FCFE	6.22	6.64	1.48	5.09	5.80
Share capital Issuance	0.00	(0.04)	0.00	-	-
Dividend/Buyback	(1.93)	(4.78)	(2.18)	(6.50)	(3.55)
<b>FINANCING CASH FLOW ( c )</b>	<b>(1.57)</b>	<b>(2.97)</b>	<b>(5.21)</b>	<b>(6.50)</b>	<b>(3.55)</b>
<b>NET CASH FLOW (a+b+c)</b>	<b>4.71</b>	<b>3.10</b>	<b>(0.24)</b>	<b>(0.93)</b>	<b>2.89</b>
Closing Cash & Equivalents	8.44	10.55	10.60	9.67	12.56

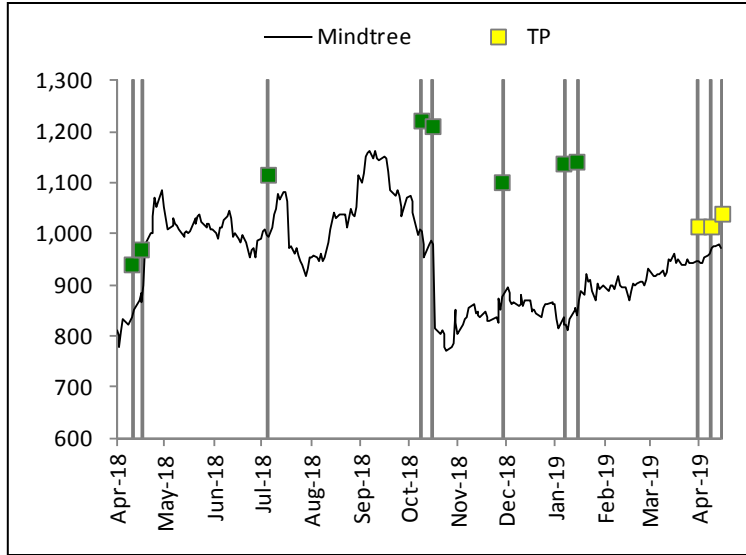
Source: Company, HDFC sec Inst Research

**Key Ratios**

	FY17	FY18	FY19	FY20E	FY21E
<b>PROFITABILITY (%)</b>					
EBITDA Margin	13.7	13.6	15.2	16.0	16.0
APAT Margin	8.0	9.7	10.3	10.8	10.8
RoE	16.8	21.4	24.9	24.9	25.0
RoIC or Core RoCE	21.1	25.2	33.6	30.8	30.5
RoCE	15.1	18.7	21.6	22.1	22.0
<b>EFFICIENCY</b>					
Tax Rate (%)	24.6	23.2	23.8	27.5	27.5
Fixed Asset Turnover (x)	4.7	4.5	5.3	5.1	4.8
Debtors (days)	62	68	69	70	70
Other Current assets (days)	23	29	26	26	26
Payables (days)	12	11	11	10	9
Other Current liabilities (days)	36	34	33	33	33
Cash Conversion Cycle (days)	38	51	51	53	54
Net Debt/EBITDA (x)	(1.0)	(1.0)	(0.9)	(0.7)	(0.8)
Net Debt/Equity (x)	(0.3)	(0.3)	(0.3)	(0.2)	(0.3)
Interest Coverage (x)	28	34	310	NM	NM
<b>PER SHARE DATA</b>					
EPS (Rs/sh)	25.5	32.3	44.2	51.6	57.8
CEPS (Rs/sh)	36.0	44.2	54.7	61.6	69.5
DPS (Rs/sh)	11.0	13.0	13.0	33.0	18.0
BV (Rs/sh)	153	167	201	213	250
<b>VALUATION</b>					
P/E	38.1	30.1	22.0	18.8	16.8
P/BV	6.3	5.8	4.8	4.6	3.9
EV/EBITDA	21.2	20.5	14.1	12.0	10.5
OCF/EV (%)	4.4	3.8	4.2	5.2	6.1
FCF/EV (%)	3.9	3.2	3.0	3.4	3.9
FCFE/mkt cap (%)	4.1	4.4	1.0	3.4	3.9
Dividend Yield (%)	1.1	1.3	1.3	3.4	1.9

Source: Company, HDFC sec Inst Research

**RECOMMENDATION HISTORY**



Date	CMP	Reco	Target
12-Apr-18	830	BUY	940
19-Apr-18	865	BUY	970
6-Jul-18	993	BUY	1,115
10-Oct-18	1,007	BUY	1,220
17-Oct-18	978	BUY	1,210
30-Nov-18	850	BUY	1,100
8-Jan-19	821	BUY	1,135
17-Jan-19	841	BUY	1,140
1-Apr-19	945	NEU	1,015
9-Apr-19	957	NEU	1,015
18-Apr-19	972	NEU	1,040

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- BUY : Where the stock is expected to deliver more than 10% returns over the next 12 month period
- NEUTRAL : Where the stock is expected to deliver (-)10% to 10% returns over the next 12 month period
- SELL : Where the stock is expected to deliver less than (-)10% returns over the next 12 month period

**INSTITUTIONAL RESEARCH**
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**HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066**

**Compliance Officer: Binkle R. Oza Email: [complianceofficer@hdfcsec.com](mailto:complianceofficer@hdfcsec.com) Phone: (022) 3045 3600**

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Unit No. 1602, 16th Floor, Tower A, Peninsula Business Park,  
Senapati Bapat Marg, Lower Parel, Mumbai - 400 013  
Board : +91-22-6171-7330 [www.hdfcsec.com](http://www.hdfcsec.com)