

BSE SENSEX	S&P CNX
36,010	10,795
Bloomberg	INFO IN
Equity Shares (m)	4,571
M.Cap.(INRb)/(USD\$)	2986.8 / 42.4
52-Week Range (INR)	755 / 522
1, 6, 12 Rel. Per (%)	-1/6/23
12M Avg Val (INR M)	6012
Free float (%)	87.2

CMP: INR684 TP: INR800 (+17%) Buy

Catching up with leading peers on growth

Margin under pressure due to investments and secular trends

Highest growth in 10 quarters at lowest-ever margin: INFO's 3QFY19 constant currency revenue growth accelerated to 10.1% (our estimate: 9.0%) from 4.6% YoY CC five quarter ago. Investments, however, continued to take a toll, with the adjusted EBIT margin down 70bp QoQ to 23% (our estimate: 23.5%). Notably, INFO's EBIT margin has shrank by 210bp over the last eight quarters, during which the INR has depreciated by ~6%. Adj. PAT grew 8% YoY to INR39.9b (1% beat) in 3QFY19. INFO announced (a) buyback of INR82.6b under the open market route at a maximum price of INR800/share and (b) special dividend of INR4/share, in line with its announcement of USD2b payout to shareholders.

Deals/guidance imply intact revenue momentum: INFO won 14 large deals in the quarter with a TCV of USD1.57b, taking the 9MFY18 deal value to USD4.7b (+2.2x YoY). INFO raised its full-year revenue guidance to 8.5-9.0% QoQ CC, which implies a 4Q ask-rate of 0.3-1.9% QoQ CC (0.5-2.5% as per INFO). This also means that YoY growth will accelerate further to 9.8%-11.6% in 4QFY19.

Elevated costs weighing on profitability: As we had highlighted in [our recent report](#) and also in our commentary post TCS' [earnings announcement](#), the scarcity of local talent pool at onsite has been driving companies toward more sub-contractors (among other initiatives), thereby impacting margins. INFO missed our margin estimate by 40bp in 2Q and again by 50bp in 3Q (margin now down by 110bp YoY) and the INR has depreciated by 11% over this period. Like TCS, the approach is to prioritize revenues over margins – a trade-off due to limited talent availability.


Valuation and view: Driven by INFO's robust show on revenue growth, deal wins and upgraded guidance, we increase our FY19/20/21 revenue estimate by 0.6/1.1/2.0%. However, given the cost challenges, we trim our FY19/20/21 EBIT margin estimate by 42/62/44bp to 23.3/22.8/23%. Our earnings estimates are down by 0.3-1.6% as a consequence. INFO's impressive catch up on revenue growth with industry leaders is encouraging, while challenges on the margins are secular. 3QFY19 performance will make a case for the narrowing of the valuation gap with leading peers such as TCS, in line with our thesis. Our price target of INR800 discounts forward earnings by 18x, implying a 17% upside. Maintain **Buy**.

Financials & Valuations (INR b)

Y/E Mar	2019E	2020E	2021E
Net Sales	828.6	926.9	1,022.2
EBITDA	211.4	231.5	255.3
PAT	162.5	171.4	191.6
EPS (INR)	36.4	39.5	44.1
Gr. (%)	12.4	8.5	11.8
BV/Sh (INR)	150.1	152.2	173.9
RoE (%)	25.0	26.1	27.1
RoCE (%)	25.0	26.1	27.1
P/E (x)	18.8	17.3	15.5
P/BV (x)	4.6	4.5	3.9

Estimate change 

TP change 

Rating change 

Quarterly Performance (IFRS)

Y/E March	FY18			FY19E			FY18	FY19E	Est.	(INR Million)		
	1Q	2Q	3Q	4Q	1Q	2Q				3Q	4Q	3QFY19
Revenue (USD m)	2,651	2,728	2,755	2,805	2,831	2,921	2,987	3,017	10,939	11,756	2,949	1.3
QoQ (%)	3.2	2.9	1.0	1.8	0.9	3.2	2.3	1.0	7.2	7.5	1.0	130bp
Revenue (INR m)	1,70,780	1,75,670	1,77,940	1,80,830	1,91,280	2,06,090	2,14,000	2,17,200	7,05,220	8,28,570	2,12,911	0.5
YoY (%)	1.8	1.5	3.0	5.6	12.0	17.3	20.3	20.1	3.0	17.5	19.7	61bp
GPM (%)	38.8	38.7	38.5	38.6	38.0	37.8	37.2	37.2	38.6	37.5	37.5	-31bp
SGA (%)	12.1	11.9	11.4	11.4	12.0	11.8	11.9	12.3	11.7	12.0	11.9	3bp
EBITDA	45,610	47,020	48,170	49,310	49,730	53,580	54,100	54,028	1,90,100	2,11,428	54,554	-0.8
EBITDA Margin (%)	26.7	26.8	27.1	27.3	26.0	26.0	25.3	24.9	27.0	25.5	25.6	-34bp
EBIT Margin (%)	24.1	24.2	24.3	24.7	23.7	23.7	23.0	22.7	24.3	23.3	23.5	-47bp
Other income	8,140	8,830	9,620	5,340	7,260	7,390	7,530	7,081	31,930	29,261	4,238	77.7
ETR (%)	28.2	27.4	2.9	26.3	26.2	27.0	29.7	27.0	20.9	26.8	27.0	
PAT	34,880	37,260	36,970	36,900	36,120	41,100	39,891	41,086	1,61,030	1,62,486	39,546	0.9
QoQ (%)	-3.2	6.8	-0.8	-0.2	-2.1	13.8	-2.9	3.0			-3.8	84bp
YoY (%)	1.5	3.3	-0.3	2.4	3.6	10.3	7.9	11.3	12.0	0.9	7.0	94bp
EPS (INR)	7.6	8.1	8.1	8.5	8.3	9.4	9.2	9.5	32.4	36.4	9.1	
Headcount	1,98,553	1,98,440	2,01,691	2,04,107	2,09,905	2,17,739	2,25,501	2,31,775	2,04,107	2,31,775	2,24,434	0.5
Util excl. trainees (%)	84.5	85.1	85.4	85.1	86.1	86.0	84.2	83.9	85.5	85.0	84.3	-5bp

Ashish Chopra – Research analyst (Ashish.Chopra@MotilalOswal.com); +91 22 6129 1530

Anmol Garg – Research analyst (Anmol.Garg@MotilalOswal.com); +91 22 6129 1574

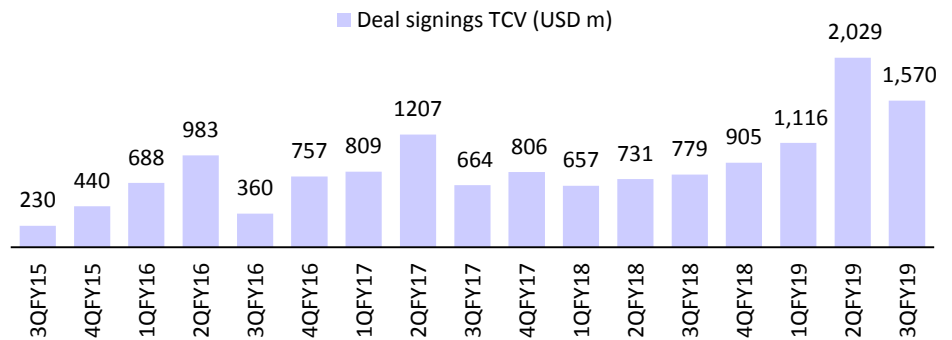
Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

3QFY19: CC revenue growth above expectations

- INFO’s CC revenue growth of 2.7% QoQ CC (10.1% YoY CC) beat our estimate of 1.6% QoQ – accelerating over last five quarters from 4.6% YoY CC in 2QFY18.
- Volume grew by 2.6% QoQ during the quarter, while blended realization grew 0.1% QoQ CC.
- Deal wins with TCV of USD1.57b remained healthy, another quarter of deal signings above its targeted threshold of USD1b. 9MFY19 deals stand at USD4.715b, already higher than full year deal TCV in the last five years.

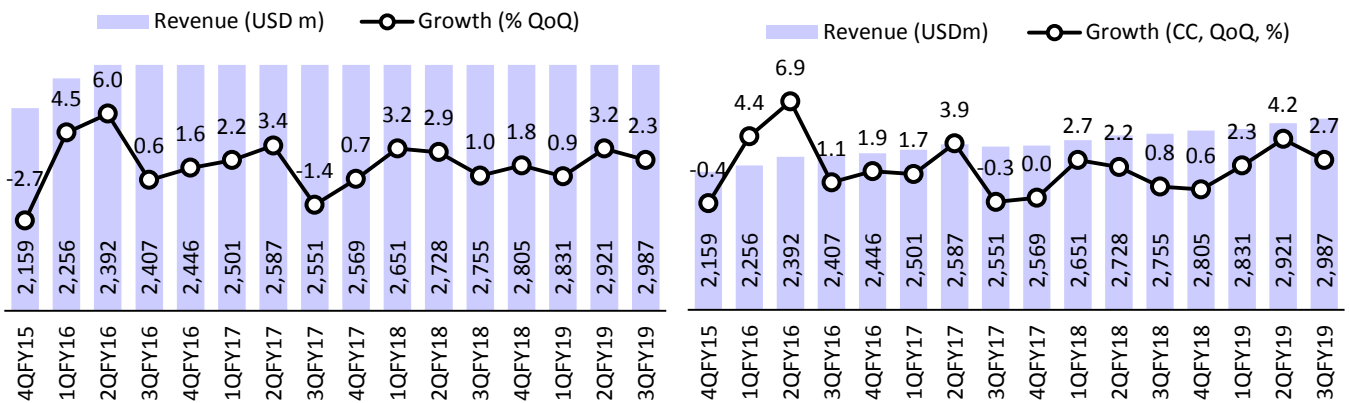
Exhibit 1: Healthy pick-up in deal wins



Source: MOSL, Company

- INR revenue was at INR214b, +3.8% QoQ ahead of our estimate of INR213b; +3.3% QoQ). Realized currency rate during the quarter was INR71.64/USD.

Exhibit 2: Revenue growth stood at 2.7% QoQ CC and 2.3% QoQ in USD terms (Cross Currency impact 50bp)



Source: MOSL, Company

- Broad-based across geographies: North America (+2.6% QoQ CC), Europe (+3.8% QoQ CC) and India (5.2% QoQ CC) all contributed towards a healthy revenue momentum
- FS, E&U and Manufacturing were drivers among verticals: FS grew 3.6% QoQ CC while the other two vertical grew 7% QoQ CC+. Retail and Communications saw marginal declines.
- Revenues from the top-client were weak during the quarter, down to USD102m from USD114m in the previous quarter – owing mainly to furloughs

Exhibit 3: Growth was driven by FS (+3.6%), Energy (+7.4%) & Manufacturing (+7.6%)

Verticals	Contribution to rev (%)	Growth – QoQ (%)
Financial Services	32.5	3.6
Retail	16.4	-0.1
Communications	11.9	-0.5
Energy, Utilities, Resources	12.8	7.4
Manufacturing	10.1	7.6
Hi Tech	7.3	0.6
Life Sciences	6.2	0.0
Others	2.8	-1.3

Source: Company, MOSL

Exhibit 4: Above-average growth in Europe (+3.8) and ROW (+5.2%)

Geographies	Contribution to rev (%)	Growth – QoQ (%)
North America	60.4	2.60
Europe	24.2	3.80
India	2.6	0.80
Rest of the world	12.8	5.20

Source: Company, MOSL

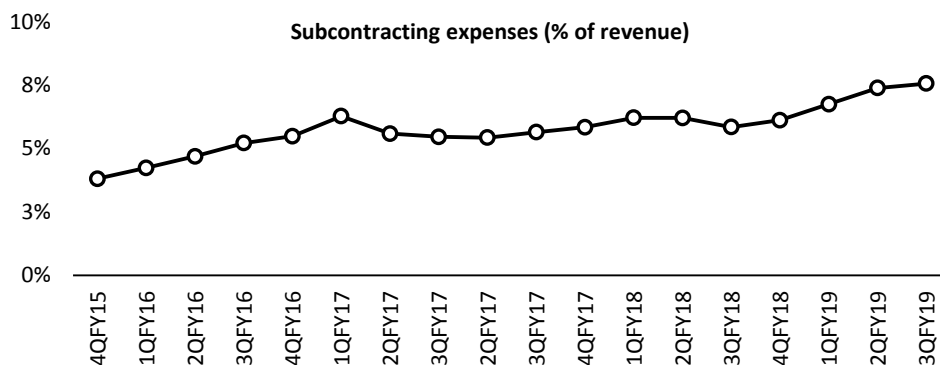
Digital at >30%

- Revenue from Digital contributed to 31.5% of total revenue in 3QFY19 and saw growth of 5% QoQ CC and 33.1% YoY CC.

Adjusted EBIT margin of 23% (50bp miss) dragged by investments

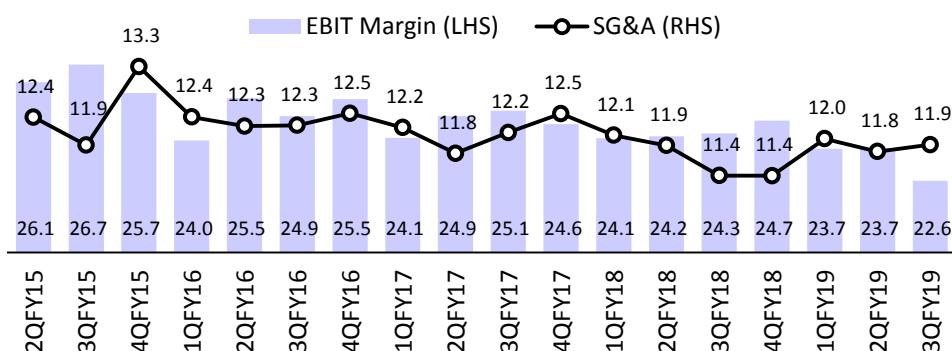
- Reported EBIT margin of 22.6% is after excluding adjustments in Panaya & Skava. However, it includes additional depreciation and amortization impact of 0.4% due to reclassification of assets of Panaya and Skava from “Held for Sale”.
- Adjusted for the same, the EBIT margin for the quarter would be 23%, v/s estimate of 23.5%. However, unlike TCS, and unlike INFO’s 2QFY19, this was not on account of “surge” in employee / sub-contractor expenses entirely, both of which saw modest increase.
- 3QFY19 margin factored in [1] -20bp Impact from acquisition of Fluidio [2] -40bp effect from additional depreciation of Panaya and Skava (now reclassified from asset to sale), [3] -80bp from lower utilization, [4]-30bp from investment in sales [5] -30bp from wage increments. This was partially offset by Currency benefit (+50bps) and lower leaves & other cost (+40bp) marking the difference of 110bp sequentially.

Exhibit 5: Subcontracting cost continues to rise



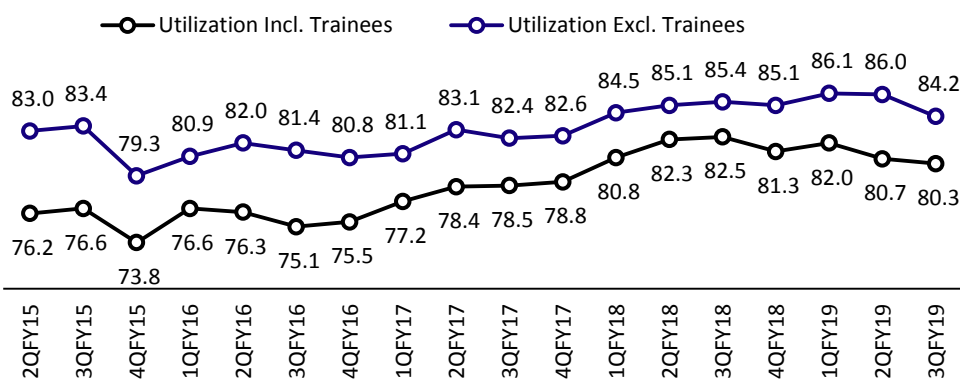
Source: MOSL, Company

Exhibit 6: Lower margin was due to localization and sales investments – at 23% after adjusting for one-offs



Source: MOSL, Company

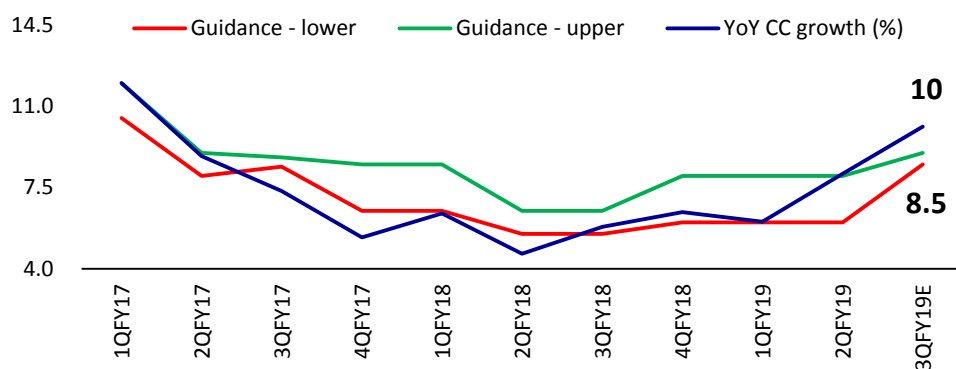
Exhibit 7: Utilization settling at sustainable levels



Source: MOSL, Company

Guidance increased to 8.5-9%

- INFO raised its full year guidance to 8.5-9.0% QoQ CC, which implies 4Q ask rate of 0.3-1.9% QoQ CC (0.5-2.5% as per company). This also means that YoY growth will accelerate further in 4QFY19 to 9.8%-11.6%
- Operating margin guidance maintained at 22-24%. We expect INFY to end the fiscal with mid-point of this guidance level

Exhibit 8: Guidance of 6-8% YoY CC for FY19

Source: MOSL, Company

Change in estimates

- On the back of a robust show on revenue growth, deal wins and upgraded guidance, we have increased our FY19/20/21 revenue estimates by 0.6/1.1/2.0%.
- However, given the cost challenges, we have trimmed our FY19/20/21 EBIT margin estimate by 42/62/44bp to 23.3/22.8/23%.
- Our earnings estimates are down by 0.3-1.6% as a consequence.

Exhibit 9: Change in estimates

	Revised			Earlier			Change		
	FY19E	FY20E	FY21E	FY19E	FY20E	FY21E	FY19E	FY20E	FY21E
INR/USD	70.5	72.0	72.0	70.6	72.0	72.0	-0.2%	0.0%	0.0%
USD Revenue (m)	11,756	12,874	14,197	11,691	12,737	13,924	0.6%	1.1%	2.0%
USD rev. growth (%)	7.5	9.5	10.3	6.9	9.0	9.3	59bp	56bp	96bp
EBIT Margin (%)	23.3	22.8	23.0	23.7	23.5	23.5	-42bp	-62bp	-44bp
EPS (INR)	36.4	39.5	44.1	36.7	40.1	44.3	-0.8%	-1.6%	-0.3%
EPS Growth (%)	12.4	8.5	11.8	13.3	9.4	10.3	-94bp	-88bp	148bp

Source: Company, MOSL

Takeaways from Management Commentary

- **Investments in growth yielding results:** INFO has been investing in sales personnel to improve its large deals success; scaling existing accounts, Digital specialists in every large strategic account. It has also been reskilling employees intensively in new technologies. All these efforts have yielded encouraging results, as witnessed in improved YoY growth, deal wins and a healthy pipeline.
- **Margins should contract in 4Q:** Multiple headwinds/cost pressures prevail for the margins to contract sequentially from adjusted 3Q base of 23% EBIT. These include the prevailing INR/USD, ramp-up of large deals that involve employee re-badging, and accelerated investments in localization initiatives.
- **Segmental color**
 - Growth in **BFSI** has been consistent across geographies. Some slowdown in Europe was due to end of quarter furloughs. Finacle grew in double-digits. That said, drop in AUMs is reflecting in weakness on the buy-side sub-segment (asset management). If interest rate hikes don't come through, spending strength may wane.

- **Energy and Utilities** grew 17.3% YoY CC. This was driven by ramp-up in utilities deals in Europe and Services in the Americas.
- **Manufacturing** grew 16.2% YoY CC despite weak seasonality. Automotives is seeing growth from trends such autonomous cars and electric vehicles. Aerospace and Defense is optimizing spending in core areas. Pipeline of deals remains healthy and INFO has opened new accounts across geographies.
- Tepid QoQ growth in **Retail** was on account of 3Q seasonality. Deal wins and pipeline remain steady.
- **Communications** remains under pressure. But that is opening up new opportunities. Two large deals won in the last couple of quarters will help change the trajectory.
- **Panaya and Skava:** As things stand, the sale of Panaya / Skava will unlikely be complete by March. In the meanwhile, INFO has chosen to re-focus the work it does in Skava and is reorienting the Panaya product. These created the one-offs during the quarter.
- **Localization on track:** Progress on the localization initiatives remains on track. INFO has completed hiring 7,600+ employees in the US in past 18 months. 2,000+ of these are freshers. Client response has been very healthy, and INFO has onset similar programs in the UK and Australia.

Valuation view

A foreword on the long term industry view: Growth for Indian IT should gradually pick-up from current 6-7% as Digital services proliferate, which today are still small to move the needle on overall performance. India will continue to remain the hotbed for talent supply en masse, making a case for increasing shift of Digital business from onsite. That said, with Automation the top priority of every Board, without exceptions, delineation of revenue growth with headcount growth appears obvious – and the only lever to stem the decline in profitability witnessed in recent years.

INFO in that industry backdrop

- **Inward focus will mean some catch-up play:** INFO has built capabilities to match spend shifts in the past three years. Its portfolio is not very different from the industry, but it has been investing in new services and solutions. Digital now contributes to north of 30% of overall revenue for the company. Execution rigor is the mantra for the company going forward, having boiled down the strategic imperatives. Its inward focus thanks to the recent distractions mean that they will be left playing catch up to the more focused players in the market over the next year or so.
- **Operational efficiency commendable:** On the profitability front, it has been among the most disciplined companies in terms of operational efficiency in the last couple of years. This has helped hold margins in a tight band while investing aggressively in building capabilities, and going through a price reset in competitive traditional large deals. Going forward, investments in building capabilities and boosting the sales function are expected to ramp-up. This is compounded by localization investments, keeping margins under some pressure in the foreseeable future.

Basis the above, we expect INFO to grow revenues in line with the industry thanks to the benefits from its initiatives in sales expansion and localization. But we expect margins to reset at lower levels, which will be a function of elevated costs of doing business at onsite. As a result, we are factoring in 10/11% CAGR in revenue/earnings over FY18-21E.

Exhibit 10: INFO – Business Construct

Y/E March	2013	2014	2015	2016	2017	2018	2019E	2020E	2021E
USD revenue growth (%)	5.8	11.5	5.6	9.1	7.4	7.2	7.5	9.5	10.3
Employee growth (%)	4.5	2.4	9.8	10.1	3.3	1.9	13.6	9.3	10.1
Revenue per employee (USDk per annum)	48,245	52,029	51,760	51,325	51,764	54,090	53,940	53,080	53,347
EBITDA margin (%)	28.6	27.2	27.9	27.4	27.2	27.0	25.5	25.0	25.0
EPS growth (%)	13.3	13.0	15.8	9.4	6.4	3.1	12.4	8.5	11.8

Source: Company, MOSL

Valuation and view

- **It had been about revenue growth:** Valuation multiples have historically ascribed the highest valuation to revenue growth, which is not surprising it is also the single largest lever for margins. So, as growth at INFO has come down from 20%+ to single digits, the current forward PE multiple is at 16x compared to the long term average of 18x.

- Longevity may be the offsetting play:** As the industry shifts its gears to Digital, there remains a tremendous need to up investments in technology across the Board. Companies partaking in this wave may not be materially outgrowing their peers, but will still enjoy significantly higher multiples for the other key determinant of valuation – Longevity. Digital-ready vendors offer healthier visibility of profits and cash flow generation today, while legacy businesses are faced with the dual pressure of shrinking revenue pie.
- Case for Re-rating supported by examples of Accenture and CTSH:** The test for Indian IT has been stern than ever before, and we see growth from newer technologies as a strong case in point for accretion of valuation multiples, even without the acceleration in revenues. CTSH, which is growing lower than its enamored history, and Accenture, are case in points which drive our thesis.
- Making a case for convergence:** On the back of a robust show on revenue growth, deal wins and upgraded guidance, we have increased our FY19/20/21E revenue estimates by 0.6/1.1/2.0% respectively. However, given the cost challenges, we have trimmed or EBIT margin estimates by 42/62/44bp respective during this period to 23.3/22.8/23%. Our earnings estimates are down by 0.3-1.6% as a consequence. INFO’s impressive catch up on revenues growth with industry leaders is encouraging, while challenges on the margins are secular. 3QFY19 performance will make a case for narrowing of the valuation gap to leading peers such as TCS, in line with our thesis. Our price target of INR800 discounts forward earnings by 18x, implying a 17% upside. Maintain **Buy**

Key triggers

- Pick-up in growth led by strength seen in multiple areas
- Turnaround in direction of profitability
- Stemming of attrition to historical norms

Key risk factors

- Adverse regulatory developments around current visa regime
- Additional instability in leadership and execution from multiple exits
- Issues in certain pockets weighing on overall growth

Exhibit 11: INFO 1 year forward P/E

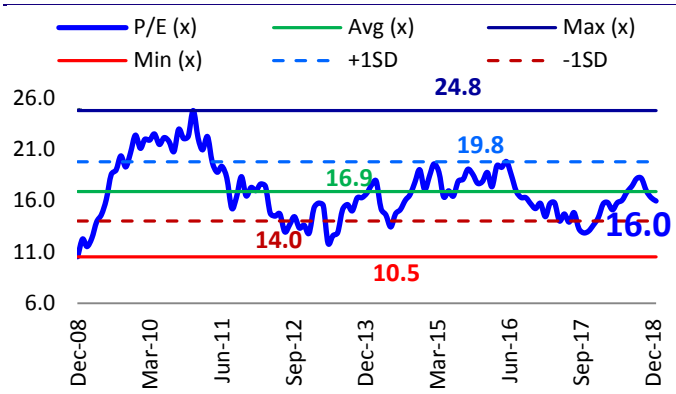


Exhibit 12: INFO 1-year forward P/B

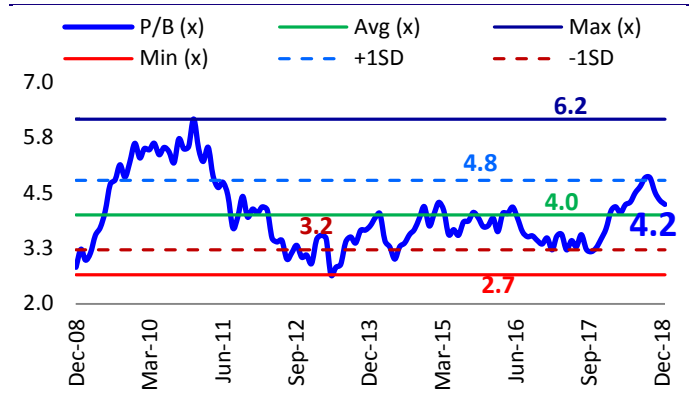


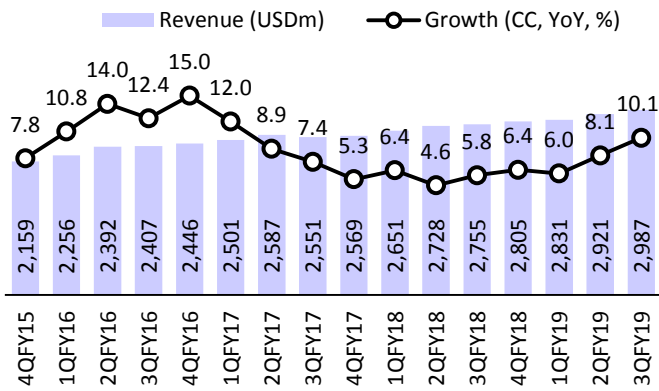
Exhibit 13: Operating metrics

	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19
Verticals (%)										
Financial Services				32.9	33.1	32.1	32.5	31.7	32.2	32.5
Retail				16.2	15.9	16.2	15.9	16.5	16.8	16.4
Communications				12.5	12.4	12.4	12.9	12.7	12.3	11.9
Energy, Utilities, Resources				11.3	11.7	12.0	12.0	12.4	12.3	12.8
Manufacturing				9.3	9.3	9.5	9.5	9.6	9.6	10.1
Hi Tech				7.3	7.2	7.1	7.3	7.4	7.5	7.3
Life Sciences				6.5	6.7	6.5	6.7	6.5	6.4	6.2
Others				3.6	3.4	3.2	2.9	2.9	2.9	2.8
Service Lines (%)				94.6	94.8	94.6	95.1	95.2	94.9	94.5
Digital				22.4	23.6	24.2	25.3	26.7	28.9	29.3
Core				72.2	71.2	70.4	69.8	68.5	66.0	65.2
Products & Platforms (%)				5.4	5.2	5.4	4.9	4.8	5.1	5.5
Digital				1.5	1.6	1.9	1.5	1.7	2.1	2.2
Core				3.9	3.6	3.5	3.4	3.1	3.0	3.3
Geography (%)										
North America	61.5	62.0	62.3	61.1	60.6	60.4	59.4	60	60.3	60.4
Europe	22.5	22.2	22.1	22.4	23.2	24.4	24.8	24.3	24.0	24.2
India	3.4	3.4	3.2	3.6	3.3	3.0	2.8	2.6	2.5	2.6
RoW	12.6	12.4	12.4	12.9	12.9	12.2	13.0	13.0	13.2	12.8
Clients (%)										
Revenues from top client	3.5	3.1	3.3	3.3	3.4	3.4	3.6	3.7	3.9	3.4
Revenues from top 5 clients	13.1	12.3	12.2	Nm	Nm	Nm	Nm	Nm	Nm	Nm
Revenues from top 10 clients	21.8	20.1	20.2	20.0	19.5	19.2	19.5	19.2	19.4	19.2
Revenues from 2-5 client	9.6	9.2	8.9	Nm	Nm	Nm	Nm	Nm	Nm	Nm
Revenues from 6-10 clients	8.7	7.8	8.0	Nm	Nm	Nm	Nm	Nm	Nm	Nm
Revenues from Non-Top 10 clients	78.2	79.9	79.8	80.0	80.5	80.8	80.5	80.8	80.6	80.8
Clients added during the quarter	78	77	71	59	72	79	73	70	73	101
Total active client	1136	1152	1162	1164	1173	1191	1204	1214	1222	1251

Source: MOSL, Company

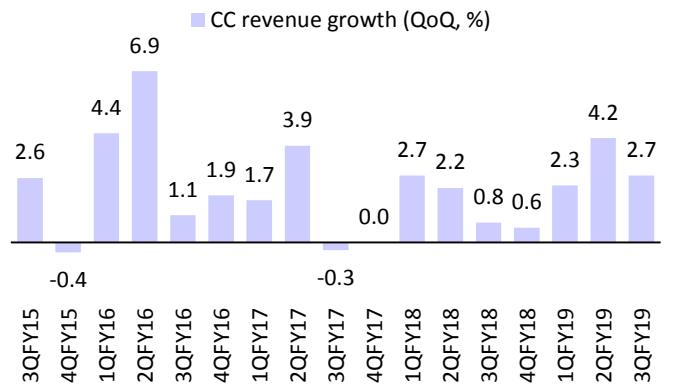
Story in charts

Exhibit 14: Gradually getting past growth issues



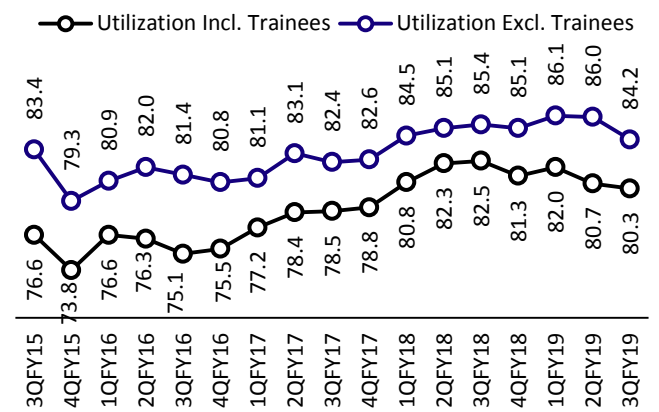
Source: Company, MOSL

Exhibit 15: Resulting in expectations of improved performance going forward



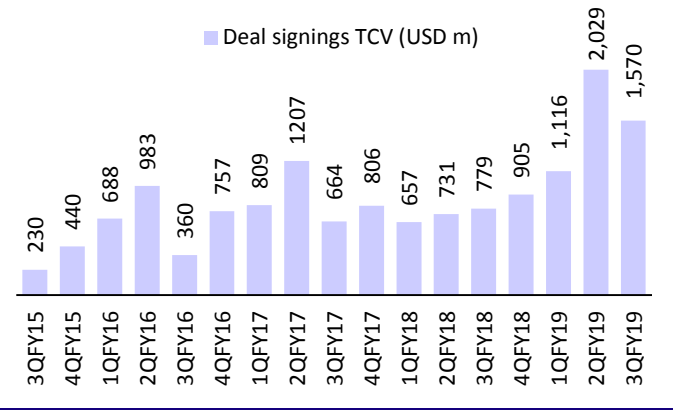
Source: Company, MOSL

Exhibit 16: Utilization cooling off from all-time highs



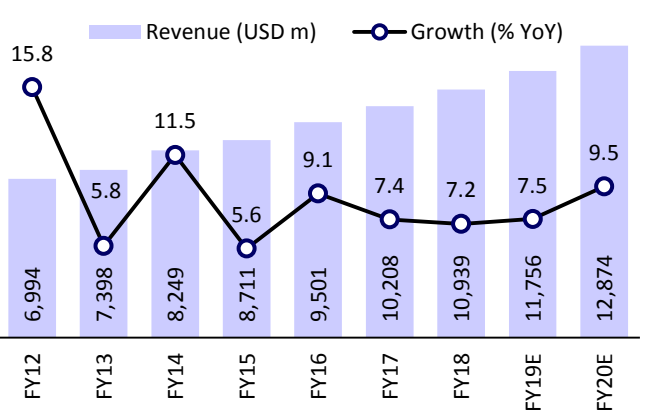
Source: Company, MOSL

Exhibit 17: Deal signings sustaining above benchmark (USD1B)



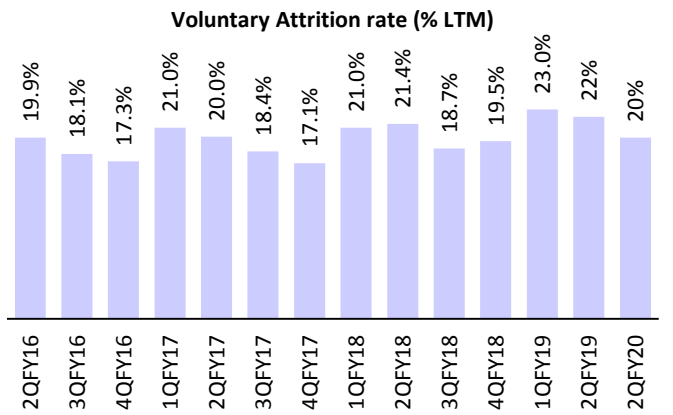
Source: Company, MOSL

Exhibit 18: Gap with industry growth has reduced



Source: Company, MOSL

Exhibit 19: Slight relief on attrition levels



Source: Company, MOSL

Financials and Valuations

Key Assumptions

Y/E March	2014	2015	2016	2017	2018	2019E	2020E	2021E
INR/USD Rate	60.8	61.2	65.7	67.1	64.5	70.5	72.0	72.0
Revenues (USD m)	8,249	8,711	9,501	10,208	10,939	11,756	12,874	14,197
Per Capita Revenue Productivity (USD)	52,029	51,760	51,325	51,764	54,090	53,940	53,080	53,347
Offshore Revenue (%)	48.0	48.8	47.3	46.8	47.9	48.5	48.7	49.3
Total Headcount	1,60,405	1,76,187	1,94,044	2,00,364	2,04,107	2,31,775	2,53,311	2,78,921
Net Addition	3,717	15,782	17,857	6,320	3,743	27,668	21,536	25,611
Gross Addition	39,985	53,386	52,545	44,235	44,110	74,203	70,500	79,250
Utilization Incl. trainees (%)	73.6	76.2	76.5	78.9	82.4	81.9	82.0	83.0
Utilization Excl. trainees (%)	77.4	82.0	81.7	82.8	85.5	85.0	84.8	85.9

Income Statement

(INR M)

Y/E March	2014	2015	2016	2017	2018	2019E	2020E	2021E
Sales	5,01,330	5,33,190	6,24,410	6,84,850	7,05,220	8,28,570	9,26,947	10,22,152
Change (%)	24.2	6.4	17.1	9.7	3.0	17.5	11.9	10.3
Software Develop. Exp.	3,07,670	3,18,140	3,76,390	4,15,500	4,32,690	5,17,465	5,86,439	6,48,236
Selling and Mktg. Exp.	26,250	29,400	34,310	35,910	35,580	44,219	48,656	53,152
Administration Exp.	31,070	36,630	42,920	47,390	46,850	55,459	60,324	65,478
EBITDA	1,36,340	1,49,020	1,70,790	1,86,050	1,90,100	2,11,428	2,31,529	2,55,287
% of Net Sales	27.2	27.9	27.4	27.2	27.0	25.5	25.0	25.0
Depreciation	13,740	10,690	14,590	17,030	18,580	18,746	19,818	20,034
Other Income	26,690	34,270	31,250	30,790	31,930	29,261	23,068	27,223
PBT	1,49,290	1,72,600	1,87,450	1,99,810	2,03,450	2,21,942	2,34,779	2,62,476
Tax	40,620	49,290	52,520	55,980	42,420	59,456	63,390	70,868
Rate (%)	27.2	28.6	28.0	28.0	20.9	26.8	27.0	27.0
Minority Interest	0	10	0	0	0	0	0	0
Adjusted PAT	1,08,670	1,23,300	1,34,930	1,43,830	1,61,030	1,62,486	1,71,389	1,91,607
Extraordinary Items	2,190	0	0	0	14,320	-1,091	0	0
Reported PAT	1,06,480	1,23,300	1,34,930	1,43,830	1,46,710	1,63,578	1,71,389	1,91,607
Change (%)	13.0	15.8	9.4	6.6	2.0	11.5	4.8	11.8

Balance Sheet

(INR M)

Y/E March	2014	2015	2016	2017	2018	2019E	2020E	2021E
Share Capital	5,720	11,440	22,880	22,880	21,760	21,760	21,760	21,760
Reserves	4,69,580	5,36,190	5,94,910	6,66,550	6,27,470	6,29,920	6,39,062	7,33,400
Net Worth	4,75,300	5,47,630	6,17,790	6,89,430	6,49,230	6,51,680	6,60,822	7,55,160
Capital Employed	4,75,300	5,47,630	6,17,790	6,89,430	6,49,230	6,51,680	6,60,822	7,55,160
Gross Block	1,40,790	1,78,360	2,08,370	2,27,210	2,47,620	2,59,900	2,87,900	3,15,900
Less : Depreciation	55,250	64,220	74,510	85,810	1,02,820	1,11,820	1,31,638	1,51,673
Net Block	85,540	1,14,140	1,33,860	1,41,400	1,44,800	1,48,080	1,56,262	1,64,227
CWIP	18,320	14,400	18,930	19,650	21,320	20,440	20,440	20,440
Investments	45,230	24,130	21,050	1,67,070	1,21,790	1,27,660	1,67,660	2,07,660
Curr. Assets	4,21,460	5,10,850	5,80,050	5,05,040	5,10,500	5,18,650	5,23,924	5,85,692
Debtors	1,11,620	1,25,580	1,43,590	1,59,700	1,74,030	1,99,680	2,23,388	2,46,332
Cash & Bank Balance	2,59,500	3,03,670	3,26,970	2,26,250	1,98,710	1,79,930	1,82,624	2,06,354
Loans & Advances	43,780	76,230	1,04,130	1,13,690	1,24,940	1,26,860	1,05,732	1,20,826
Other Current Assets	6,560	5,370	5,360	5,400	12,820	12,180	12,180	12,180
Current Liab. & Prov	95,250	1,15,890	1,36,100	1,43,730	1,49,180	1,63,150	2,07,463	2,22,859
Current Liabilities	56,180	70,180	79,760	83,640	1,01,490	1,21,750	1,29,557	1,42,868
Provisions	39,070	45,710	56,340	60,090	47,690	41,400	77,906	79,991
Net Current Assets	3,26,210	3,94,960	4,43,950	3,61,310	3,61,320	3,55,500	3,16,461	3,62,832
Application of Funds	4,75,300	5,47,630	6,17,790	6,89,430	6,49,230	6,51,680	6,60,822	7,55,160

E: MOSL Estimates

Financials and Valuations

Ratios

Y/E March	2014	2015	2016	2017	2018	2019E	2020E	2021E
Basic (INR)								
EPS	23.3	27.0	29.5	31.4	32.4	36.4	39.5	44.1
Cash EPS	26.8	29.3	32.7	35.2	39.6	41.7	44.0	48.7
Book Value	104.0	119.8	135.1	150.8	143.3	150.1	152.2	173.9
DPS	7.9	9.3	12.4	12.9	16.2	22.0	19.0	19.0
Payout % (excl.div.tax, inc. buyback)	33.1	34.3	41.9	40.9	126.2	67.2	87.1	42.0
Valuation (x)								
P/E	29.4	25.4	23.2	21.8	21.1	18.8	17.3	15.5
Cash P/E	25.5	23.3	20.9	19.4	17.3	16.4	15.5	14.0
EV/EBITDA	20.7	18.8	16.3	14.7	14.6	12.6	11.3	10.0
EV/Sales	5.6	5.2	4.5	4.0	3.9	3.2	2.8	2.5
Price/Book Value	6.6	5.7	5.1	4.5	4.8	4.6	4.5	3.9
Dividend Yield (%)	1.2	1.4	1.8	1.9	2.4	3.2	2.7	2.7
Profitability Ratios (%)								
RoE	24.9	24.1	23.2	22.0	24.1	25.0	26.1	27.1
RoCE	24.9	24.1	23.2	22.0	24.1	25.0	26.1	27.1
Turnover Ratios								
Debtors (Days)	81	86	84	85	90	88	88	88
Fixed Asset Turnover (x)	6.6	5.7	5.3	5.2	5.2	5.9	6.2	6.5

Cash Flow Statement

(INR M)

Y/E March	2014	2015	2016	2017	2018	2019E	2020E	2021E
CF from Operations	1,21,480	1,18,830	1,44,970	1,60,070	1,46,650	1,46,657	1,68,139	1,84,418
Cash for Working Capital	390	-11,310	-22,540	-19,440	-1,060	-13,600	41,734	-22,642
Net Operating CF	1,21,870	1,07,520	1,22,430	1,40,630	1,45,590	1,33,057	2,09,872	1,61,777
Net Purchase of FA	-27,450	-22,470	-27,230	-27,600	-19,980	-13,160	-28,000	-28,000
Free Cash Flow	94,420	85,050	95,200	1,13,030	1,25,610	1,19,897	1,81,872	1,33,777
Net Purchase of Invest.	-22,580	9,680	-3,930	-1,43,140	51,090	-5,870	-40,000	-40,000
Net Cash from Invest.	-50,030	-12,790	-31,160	-1,70,740	31,110	-19,030	-68,000	-68,000
Proceeds from Equity	770	-1,210	160	-1,220	-1,29,600	-3,639	26,925	27,223
Others	0	0	0	0	0	0	0	0
Dividend Payments	-31,430	-49,350	-68,130	-69,390	-74,640	-1,29,168	-1,66,103	-97,270
Cash Flow from Fin.	-30,660	-50,560	-67,970	-70,610	-2,04,240	-1,32,807	-1,39,178	-70,047
Net Cash Flow	41,180	44,170	23,300	-1,00,720	-27,540	-18,780	2,694	23,730
Opening Cash Bal.	2,18,320	2,59,500	3,03,670	3,26,970	2,26,250	1,98,710	1,79,930	1,82,624
Add: Net Cash	41,180	44,170	23,300	-1,00,720	-27,540	-18,780	2,694	23,730
Closing Cash Bal.	2,59,500	3,03,670	3,26,970	2,26,250	1,98,710	1,79,930	1,82,624	2,06,354

E: MOSL Estimates

NOTES

Explanation of Investment Rating

Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	> - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst becomes inconsistent with the investment rating legend, the Research Analyst shall within 28 days of the inconsistency, take appropriate measures to make the recommendation consistent with the investment rating legend.

Disclosures:

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations).

Motilal Oswal Securities Ltd. (MOSL)* is a SEBI Registered Research Analyst having registration no. INH000000412. MOSL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock broking services, Investment Advisory Services, Depository participant services & distribution of various financial products. MOSL is a subsidiary company of Motilal Oswal Financial Service Ltd. (MOFSL). MOFSL is a listed public company, the details in respect of which are available on www.motilalosal.com. MOSL is registered with the Securities & Exchange Board of India (SEBI) and is a registered Trading Member with National Stock Exchange of India Ltd. (NSE) and BSE Limited (BSE), Multi Commodity Exchange of India (MCX) & National Commodity & Derivatives Exchange Ltd. (NCDEX) for its stock broking activities & is Depository participant with Central Depository Services Limited (CDSL) & National Securities Depository Limited (NSDL) and is member of Association of Mutual Funds of India (AMFI) for distribution of financial products. Details of associate entities of Motilal Oswal Securities Limited are available on the website at <http://onlinereports.motilalosal.com/Dormant/documents/Associate%20Details.pdf>

MOSL, its associates, Research Analyst or their relative may have any financial interest in the subject company. MOSL and/or its associates and/or Research Analyst may have actual/beneficial ownership of 1% or more securities in the subject company at the end of the month immediately preceding the date of publication of the Research Report. MOSL and its associate company(ies), their directors and Research Analyst and their relatives may; (a) from time to time, have a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report. Research Analyst may have served as director/officer, etc. in the subject company in the last 12 month period. MOSL and/or its associates may have received any compensation from the subject company in the past 12 months.

In the last 12 months period ending on the last day of the month immediately preceding the date of publication of this research report, MOSL or any of its associates may have:

- managed or co-managed public offering of securities from subject company of this research report,
- received compensation for investment banking or merchant banking or brokerage services from subject company of this research report,
- received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company of this research report.
- Subject Company may have been a client of MOSL or its associates during twelve months preceding the date of distribution of the research report.

MOSL and its associates have not received any compensation or other benefits from the subject company or third party in connection with the research report. To enhance transparency, MOSL has incorporated a Disclosure of Interest Statement in this document. This should, however, not be treated as endorsement of the views expressed in the report. MOSL and / or its affiliates do and seek to do business including investment banking with companies covered in its research reports. As a result, the recipients of this report should be aware that MOSL may have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

Terms & Conditions:

This report has been prepared by MOSL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of MOSL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. MOSL will not treat recipients as customers by virtue of their receiving this report.

Analyst Certification

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report.

Disclosure of Interest Statement

Infosys

Analyst ownership of the stock

No

A graph of daily closing prices of securities is available at www.nseindia.com, www.bseindia.com. Research Analyst views on Subject Company may vary based on Fundamental research and Technical Research. Proprietary trading desk of MOSL or its associates maintains arm's length distance with Research Team as all the activities are segregated from MOSL research activity and therefore it can have an independent view with regards to subject company for which Research Team have expressed their views.

Regional Disclosures (outside India)

This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOSL & its group companies to registration or licensing requirements within such jurisdictions.

For Hong Kong:

This report is distributed in Hong Kong by Motilal Oswal capital Markets (Hong Kong) Private Limited, a licensed corporation (CE AYY-301) licensed and regulated by the Hong Kong Securities and Futures Commission (SFC) pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) "SFO". As per SEBI (Research Analyst Regulations) 2014 Motilal Oswal Securities (SEBI Reg No. INH000000412) has an agreement with Motilal Oswal capital Markets (Hong Kong) Private Limited for distribution of research report in Hong Kong. This report is intended for distribution only to "Professional Investors" as defined in Part 1 of Schedule 1 to SFO. Any investment or investment activity to which this document relates is only available to professional investor and will be engaged only with professional investors." Nothing here is an offer or solicitation of these securities, products and services in any jurisdiction where their offer or sale is not qualified or exempt from registration. The Indian Analyst(s) who compile this report is/are not located in Hong Kong & are not conducting Research Analysis in Hong Kong.

For U.S.

Motilal Oswal Securities Limited (MOSL) is not a registered broker - dealer under the U.S. Securities Exchange Act of 1934, as amended (the "1934 act") and under applicable state laws in the United States. In addition MOSL is not a registered investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act" and together with the 1934 Act, the "Acts"), and under applicable state laws in the United States. Accordingly, in the absence of specific exemption under the Acts, any brokerage and investment services provided by MOSL, including the products and services described herein are not available to or intended for U.S. persons. This report is intended for distribution only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the Exchange Act and interpretations thereof by SEC (henceforth referred to as "major institutional investors"). This document must not be acted on or relied on by persons who are not major institutional investors. Any investment or investment activity to which this document relates is only available to major institutional investors and will be engaged in only with major institutional investors. In reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") and interpretations thereof by the U.S. Securities and Exchange Commission ("SEC") in order to conduct business with Institutional Investors based in the U.S., MOSL has entered into a chaperoning agreement with a U.S. registered broker-dealer, Motilal Oswal Securities International Private Limited. ("MOSIPL"). Any business interaction pursuant to this report will have to be executed within the provisions of this chaperoning agreement.

The Research Analysts contributing to the report may not be registered /qualified as research analyst with FINRA. Such research analyst may not be associated persons of the U.S. registered broker-dealer, MOSIPL, and therefore, may not be subject to NASD rule 2711 and NYSE Rule 472 restrictions on communication with a subject company, public appearances and trading securities held by a research analyst account.

For Singapore

In Singapore, this report is being distributed by Motilal Oswal Capital Markets Singapore Pte Ltd ("MOCMSPL") (Co.Reg. NO. 201129401Z) which is a holder of a capital markets services license and an exempt financial adviser in Singapore, as per the approved agreement under Paragraph 9 of Third Schedule of Securities and Futures Act (CAP 289) and Paragraph 11 of First Schedule of Financial Advisers Act (CAP 110) provided to MOCMSPL by Monetary Authority of Singapore. Persons in Singapore should contact MOCMSPL in respect of any matter arising from, or in connection with this report/publication/communication. This report is distributed solely to persons who qualify as "Institutional Investors", of which some of whom may consist of "accredited" institutional investors as defined in section 4A(1) of the Securities and Futures Act, Chapter 289 of Singapore ("the SFA"). Accordingly, if a Singapore person is not or ceases to be such an institutional investor, such Singapore Person must immediately discontinue any use of this Report and inform MOCMSPL.

Disclaimer:

The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent. This report and information herein is solely for informational purpose and may not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. Certain transactions -including those involving futures, options, another derivative products as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. No representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document. The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. This information is subject to change without any prior notice. The Company reserves the right to make modifications and alternations to this statement as may be required from time to time without any prior approval. MOSL, its associates, their directors and the employees may from time to time, effect or have effected an own account transaction in, or deal as principal or agent in or for the securities mentioned in this document. They may perform or seek to perform investment banking or other services for, or solicit investment banking or other business from, any company referred to in this report. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting the document. This report has been prepared on the basis of information that is already available in publicly accessible media or developed through analysis of MOSL. The views expressed are those of the analyst, and the Company may or may not subscribe to all the views expressed therein. This document is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOSL to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction. Neither the Firm, nor its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The person accessing this information specifically agrees to exempt MOSL or any of its affiliates or employees from, and any all responsibility/liability arising from such misuse and agrees not to hold MOSL or any of its affiliates or employees responsible for any such misuse and further agrees to hold MOSL or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

Registered Office Address: Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai-400025; Tel No.: 022-3980 4263; www.motilalosal.com. Correspondence Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad (West), Mumbai- 400 064. Tel No: 022.3080 1000. Compliance Officer: Neeraj Agarwal, Email Id: na@motilalosal.com, Contact No.:022-38281085.

Registration details of group entities: MOSL: SEBI Registration: INZ000158836 (BSE/NSE/MCX/NCDEX); CDSL: IN-DP-16-2015; NSDL: IN-DP-NSDL-152-2000; Research Analyst: INH000000412. AMFI: ARN 17397. Investment Adviser: INA000007100.Motilal Oswal Asset Management Company Ltd. (MOAMC): PMS (Registration No.: INP000000670) offers PMS and Mutual Funds products. Motilal Oswal Wealth Management Ltd. (MOWML): PMS (Registration No.: INP000004409) offers wealth management solutions. *Motilal Oswal Securities Ltd. is a distributor of Mutual Funds, PMS, Fixed Deposit, Bond, NCDs, Insurance and IPO products. * Motilal Oswal Real Estate Investment Advisors II Pvt. Ltd. offers Real Estate products. * Motilal Oswal Private Equity Investment Advisors Pvt. Ltd. offers Private Equity products

*MOSL has been amalgamated with Motilal Oswal Financial Services Limited (MOFSL) w.e.f. August 21, 2018 pursuant to order dated July 30, 2018 issued by Hon'ble National Company Law Tribunal, Mumbai Bench. The existing registration no(s) of MOSL would be used until receipt of new MOFSL registration numbers.