

BSE SENSEX	S&P CNX
38,127	11,305
Bloomberg	INFO IN
Equity Shares (m)	4,571
M.Cap.(INRb)/(USDb)	3473.6 / 48.9
52-Week Range (INR)	847 / 597
1, 6, 12 Rel. Per (%)	-3/11/9
12M Avg Val (INR M)	6225
Free float (%)	86.9

Financials & Valuations (INR b)

Y/E Mar	2019	2020E	2021E
Net Sales	826.8	904.4	1,001.4
EBITDA	208.9	223.5	248.0
PAT	154.1	162.5	188.1
EPS (INR)	35.4	38.0	44.0
Gr. (%)	9.3	7.3	15.8
BV/Sh .INR	149.2	154.7	167.3
RoE (%)	25.0	24.8	27.3
RoCE (%)	21.7	21.9	23.6
P/E (x)	23.0	21.5	18.5
P/BV (x)	5.5	5.3	4.9

Estimate change

TP change

Rating change

CMP: INR816
TP: INR930 (+14%)
Buy
Outperformance calls for multiple convergence
Marginal beat on operational performance

- Infosys (INFO) reported constant currency (CC) revenue growth of 11.4% YoY (our estimate: 11.1%), an EBIT margin of 21.7% (+120bp YoY, 40bp beat) and a PAT decline of 2.2% YoY (our estimate: -3.5%) to INR40b.
- Revenue growth was broad-based, with five of its verticals (Financial Services, Communications, Energy/Utilities/Resources, Manufacturing and Hi-tech) delivering double-digit YoY CC growth.

Cautious outlook on BFSI and Retail

- Organic growth in BFSI (< 7% YoY CC) was lower than the company's growth. INFO attributed this to the weakness in (a) capital markets in the US and (b) European banks, which was led by the macro uncertainty and the lower interest rate regime. While the company's outlook on BFSI is cautious, the Insurance sub-vertical is likely to remain steady over the medium term.
- Weak consumer confidence and the resultant softness in IT spend by retail companies resulted in disappointing growth in Retail (+1.1% YoY). The outlook for this vertical remains cautiously optimistic.

Better confidence on margin recovery

- EBIT margin expanded 120bp QoQ, led by [1] the absence of visa and travel cost (+110bp) and [2] higher utilization and cost optimization (+110bp), the impact of which was partially offset by [1] compensation increase (-70bp) and [2] donations (-30bp). INR depreciation was offset by the cross-currency impact.
- INFO reiterated that cost discipline will be the key focus area and that it will deploy levers such as automation, onsite-offshore effort rationalization and pyramid correction to recover margins. We expect profitability to inch up over the next two quarters with an exit margin of 22%+.

Valuation view

- We upgrade our FY20 earnings estimate by 5%, largely to factor in better margin expectations.
- Over 1HFY20, INFO had outperformed TCS on growth. However, over the medium term, the performance of these companies is likely to converge.
- We expect a CAGR (FY19-21) of 9.3% in CC revenue and 11.5% in EPS. The stock price discounts FY20/21 earnings by 21.5/18.5x—10% discount to TCS (on FY21 multiples).
- Our price target of INR930 discounts forward earnings by 19x, implying an upside of 15%. Maintain **Buy**.

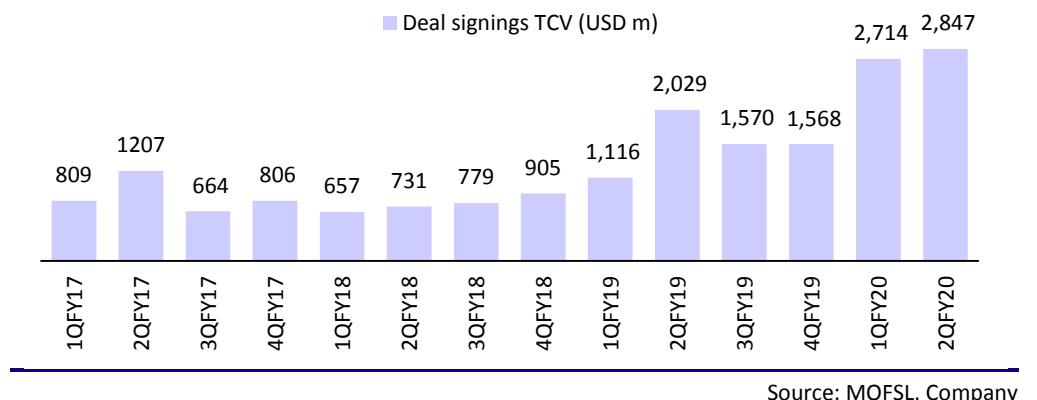
Y/E March	Quarterly Performance (IFRS)								(INR Million)		
	FY19E				FY20E				FY19	FY20E	Est.
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE	2QFY20E		Var. (%/bp)
Revenue (USD m)	2,831	2,921	2,987	3,060	3,131	3,210	3,255	3,317	11,799	12,913	3,197 0.4
QoQ (%)	0.9	3.2	2.3	2.4	2.3	2.5	1.4	1.9	7.9	9.4	2.1 42bp
Revenue (INR m)	1,91,280	2,06,090	2,14,000	2,15,390	2,18,030	2,26,290	2,27,835	2,32,200	8,26,760	9,04,355	2,25,688 0.3
YoY (%)	12.0	17.3	20.3	19.1	14.0	9.8	6.5	7.8	17.2	9.4	9.5 29bp
GPM (%)	38.0	37.8	37.2	36.2	35.3	36.6	36.7	37.1	37.3	36.4	36.1 50bp
SGA (%)	12.0	11.8	11.9	12.2	11.7	11.7	11.8	11.8	12.0	11.7	11.7 -4bp
EBITDA	49,730	53,580	54,100	51,490	51,520	56,390	56,817	58,746	2,08,890	2,23,473	55,037 2.5
EBITDA Margin (%)	26.0	26.0	25.3	23.9	23.6	24.9	24.9	25.3	25.3	24.7	24.4 53bp
EBIT Margin (%)	23.7	23.7	23.0	21.4	20.5	21.7	21.9	22.3	22.9	21.6	21.3 42bp
Other income	7,260	7,390	7,530	6,650	6,960	5,840	6,647	6,990	28,830	26,437	6,345 -8.0
ETR (%)	26.2	27.0	26.8	22.8	26.4	26.5	26.5	26.5	25.8	26.5	27.0
PAT	36,120	41,100	36,100	40,740	37,980	40,190	41,324	43,026	1,54,050	1,62,519	39,670 1.3
QoQ (%)	-2.1	13.8	-12.2	12.9	-6.8	5.8	2.8	4.1			4.4 137bp
YoY (%)	3.6	10.3	-2.4	10.4	5.1	-2.2	14.5	5.6	-3.9	5.5	-3.5 127bp
EPS (INR)	8.3	9.4	8.3	9.4	8.8	9.4	9.7	10.1	35.4	38.0	9.3
Headcount	2,09,905	2,17,739	2,25,501	2,28,123	2,29,029	2,36,486	2,35,425	2,36,419	2,28,123	2,36,419	2,27,649 3.9
Util excl. trainees (%)	86.1	86.0	84.2	82.7	83.5	84.9	85.3	87.0	85.4	85.8	87.2 -234bp
Attrition (%)	23.0	22.2	19.9	20.4	23.4	21.7			21.5		

E: MOFSL Estimates

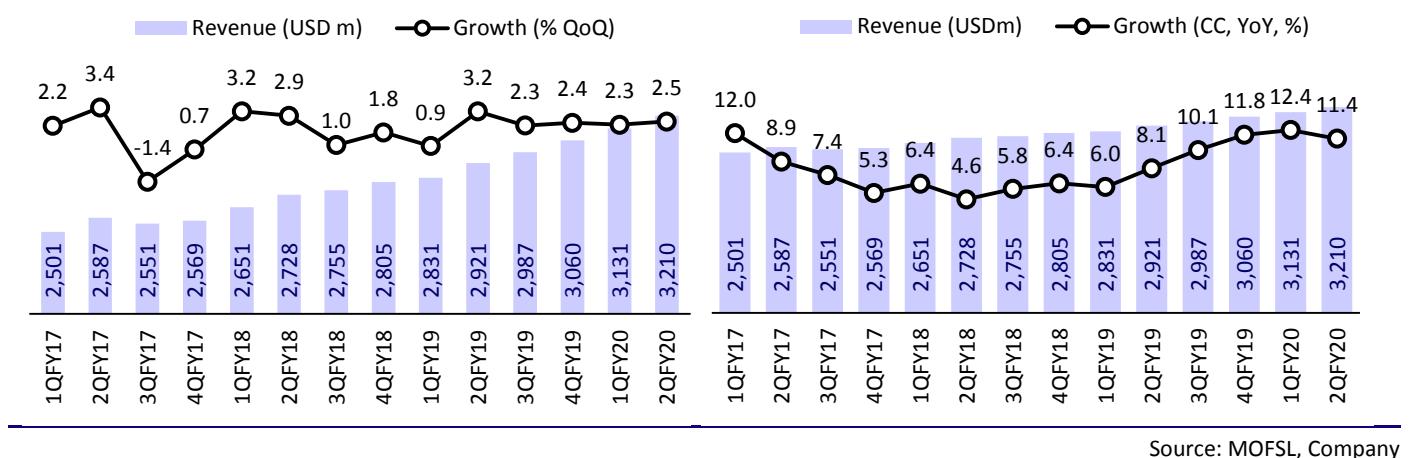
2QFY20: Marginal beat across the board

- INFO's CC revenue growth of 3.3% QoQ CC (+11.4% YoY CC) was ahead of our estimate of 3.0% QoQ. The acquisition of Stater NV contributed ~USD49m (90bp). Organic growth stood at 2.4% QoQ CC.
- Deal wins with a TCV of USD2.8b was the highest up till now, with a 10% contribution from net new wins.

Exhibit 1: Highest deal wins up till now



- INR revenue was at INR226b, +3.8% QoQ, 30bp above our estimate (+3.5% QoQ). Realized currency rate during the quarter was INR70.5/USD.

Exhibit 2: Double-digit YoY CC revenue growth for the fourth consecutive quarter

Source: MOFSL, Company

Broad-based growth

- US grew 11.9% YoY CC (vs. +13.5% in 1QFY20). Growth in Europe stood at 14.6% YoY CC (v/s 11.4% in 1QFY20). India too grew in double digits, while RoW was soft.
- All key verticals grew in double digits YoY CC, except Retail which was soft due to macro issues. Growth was a function of the outperformance in Communications (+19.2% YoY CC), Energy& Utilities (+19.1% YoY CC) and Manufacturing (+16.9% YoY CC). BFSI touched a double-digit growth rate (+10.3% YoY CC) on the back of the Stater acquisition. This was offset by slower growth in Retail (+1.1% YoY CC).

Exhibit 3: Growth was broad based across verticals, except Retail

Verticals	Contribution to rev (%)	Growth – YoY (CC)
Financial Services	31.9%	10.3%
Retail	15.2%	1.1%
Communications	13.1%	19.2%
Energy, Utilities, Resources	13.1%	19.1%
Manufacturing	10.1%	16.9%
Hi Tech	7.6%	11.7%
Life Sciences	6.4%	10.9%
Others	2.6%	0.3%

Source: Company, MOFSL

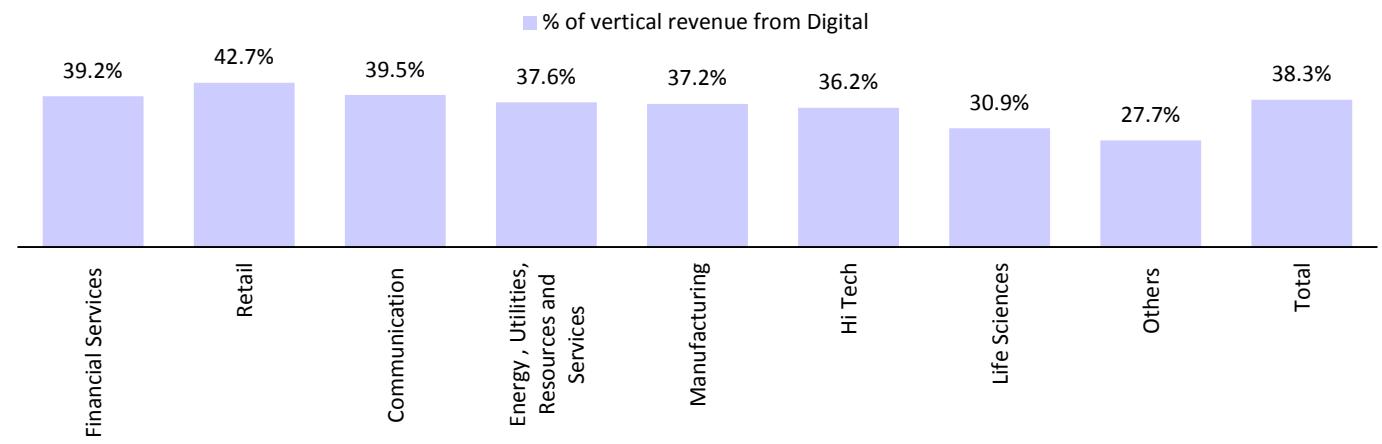
Exhibit 4: All geographies, except RoW, grew in double digits

Geographies	Contribution to rev (%)	Growth – YoY (CC)
North America	61.4%	11.9%
Europe	24.1%	14.6%
India	2.7%	17.9%
Rest of the world	11.8%	1.9%

Source: Company, MOFSL

Digital at >38% of revenues

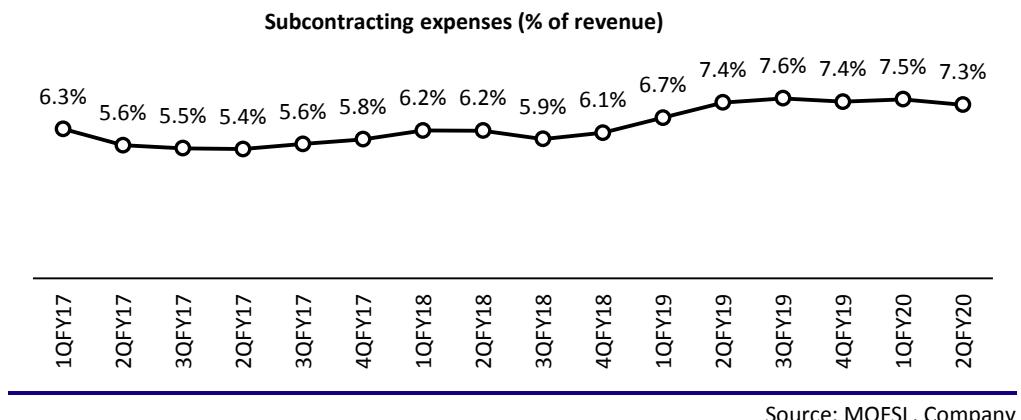
- Revenue from Digital grew 38.4% YoY CC, contributing 38.3% of total revenue in 2QFY20.

Exhibit 5: Retail dominates on digital spending (42.7%)

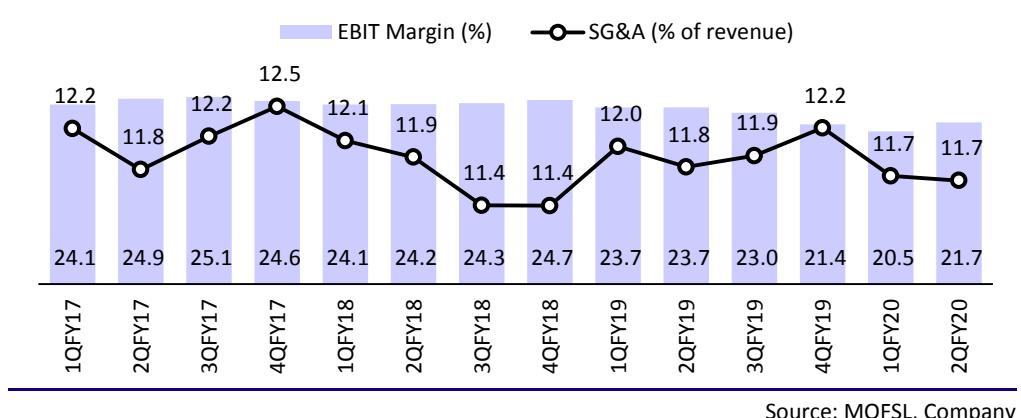
Source: MOFSL, Company

Marginally better profitability

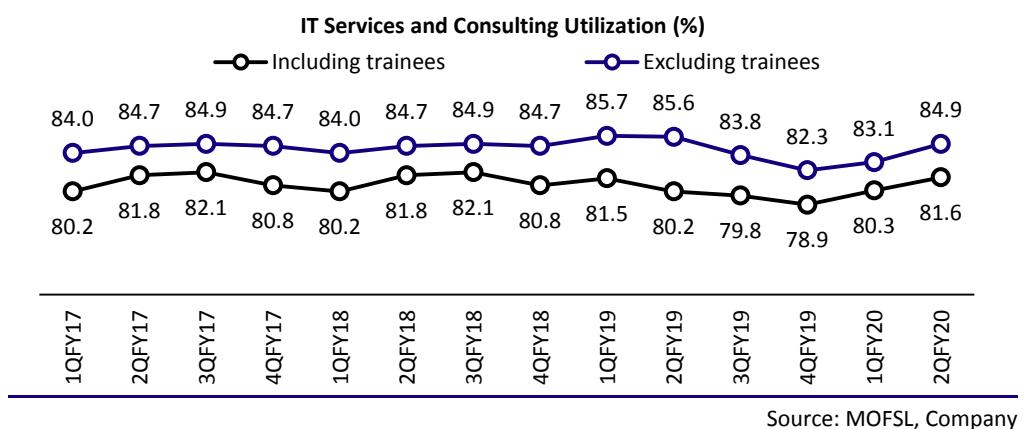
- EBIT margin improved 120bp QoQ to 21.7%, 40bp beat to our estimate of 21.3%.
- 2QFY20 margin factored in [1] the impact from the absence of visa costs (+110bp) and [2] higher utilization and cost optimization (+110bp), partially offset by [1] compensation increase (-70bp) and [2] donations (-30bp). INR depreciation was offset by cross-currency headwinds.
- PAT declined 2.2% YoY (+5.8% QoQ) to INR40.2b, implying a 1.3% beat to our estimate.

Exhibit 6: Sub-contracting expenses elevated; expected to remain between 6.5-7.5%

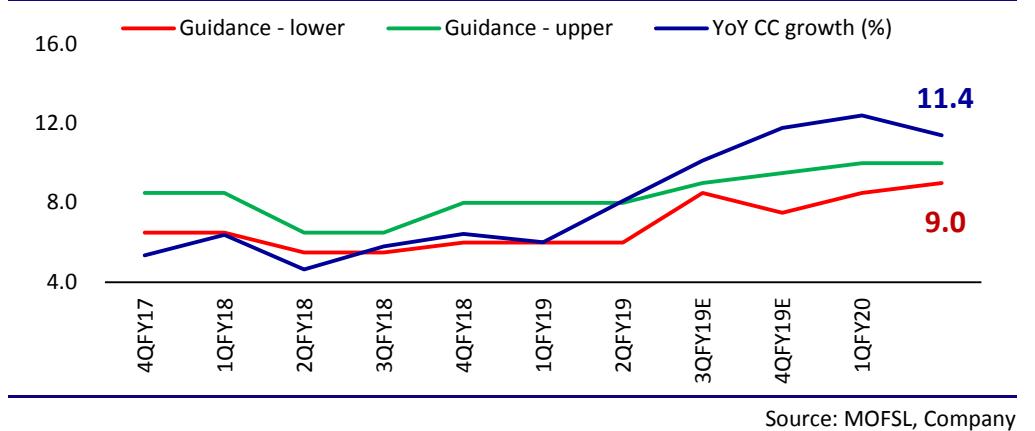
Source: MOFSL, Company

Exhibit 7: Margin improved 120bp QoQ due to no visa costs and cost optimization

Source: MOFSL, Company

Exhibit 8: Utilization increased 180bp QoQ, little to no room for further expansion**Lower end of revenue guidance raised**

- INFO raised the lower end of its revenue guidance by 50bp, taking the full-year revenue growth guidance to 9%-10% CC.
- The company maintained the EBIT margin guidance band at 21-23%.

Exhibit 9: Guidance raised to 9-10% YoY CC for FY20**Change in estimates**

- We have marginally changed our revenue estimate based on the slight miss during the quarter. Our CC revenue growth estimate for FY20/21 stands at 10.8%/9.4%.
- We have increased our margin estimate for FY20/21 by 80bp/40bp. Based on factors like onsite pyramid rationalization and the likely improvement in the efforts mix, we assume a gradual margin recovery throughout the year.
- Also, we have increased our EPS estimate by 4.9/4.8% for FY20/21.

Exhibit 10: Change in estimates

	Revised			Earlier			Change		
	FY19	FY20E	FY21E	FY19	FY20E	FY21E	FY19	FY20E	FY21E
INR/USD	70.1	70.0	71.0	70.1	70.1	71.0	0.0%	0.0%	0.0%
USD Revenue (m)	11,799	12,913	14,104	11,799	12,847	14,173	0.0%	0.5%	-0.5%
USD rev. growth (%)	7.9	9.4	9.2	7.9	8.9	10.3	0bp	56bp	-110bp
EBIT Margin (%)	22.9	21.6	22.0	22.9	20.8	21.6	0bp	82bp	42bp
EPS (INR)	35.4	38.0	44.0	35.4	36.2	42.0	0.0%	4.9%	4.8%
EPS Growth (%)	9.3	7.3	15.8	9.3	2.3	15.9	0bp	504bp	-10bp

Source: Company, MOFSL

Takeaways from Management Commentary

- **Performance:** INFY delivered another strong quarter with double-digit growth. There was an expansion in the operating margin and a reduction in attrition. Both the US and Europe grew in double digits.
- **Guidance:** The company increased the lower end of the revenue guidance from 8.5%-10% to 9-10% YoY CC. It maintained the EBIT margin guidance of 21-23%. Vertical-wise, Energy and Utilities, Telecom and HiTech appear strong. Some pockets of weakness in BFSI and macro weakness in Retail remain prevalent. 3Q will likely see some seasonality. Current guidance bakes in the seasonality impact.
- **Deal wins:** INFY won 13 large deals of USD2.8b. Geography wise, deals were spread as six in the Americas, five in Europe and two in ROW. Large deal win TCV was up 75% YoY for 1HFY20. 10% of deal wins were net new which is on lower side compared to the previous average.
- **Margins:** On a sequential basis, [1] the absence of visa cost boosted the margin by +110bp, [2] INR depreciation was offset by cross-currency headwinds, resulting in a negligible impact, [3] higher utilization and cost optimization (automation, increased offshore mix) had +110bp impact, which was offset by [4] compensation increases (-70bp) and [5] donations (-30bp). No new investments going ahead. H1 margins are within the band. Title holder impact will be coming in the next quarter - this is not a major impact. Cost-optimization levers for a further improvement are pyramid rationalization, onshore mix reduction and automation.
- **Digital:** In terms of the digital projects with medium- and long-term contracts, INFY is winning in a very competitive environment. Digital margins are higher than legacy part. Automation play allows clients to achieve productivity benefit through legacy transformation and cost take-out from fixed-price projects. However, the company does see some pricing pressure whenever there is renewal of contracts.
- **Utilization:** INFY will operate between 83-85%, currently at higher end of the band. Sometimes it will not want to leave business on the table, and will increase or decrease it as necessary.
- **Capital allocation:** INFO will return 85% of its free cash to the shareholders with the remaining being kept for any required tuck acquisitions.
- **Investments:** Investments are completed.
- **Tax:** Currently, INFY India's ETR is around 23-24%. It will continue with this tax regime and take a call on moving to newer tax regime after a few quarters as the benefit as of now is minimal.
- **Subcontractors:** It is the integral part of the business. This quarter it held on to the sub- contractor cost. Going forward, it will be able to control the cost and hire employees - one of the levers to improve the margins.
- **Attrition** remains at an elevated level but came down 210bp on a QoQ basis at 19.4% (standalone LTM). INFY will continue focusing here and try to reduce it further.

Verticals:

- **BFSI:** Performance will be sluggish going ahead due to the weakness in capital markets in the US and large banks in Europe. Focus is on consolidation. Digital spend is mainly in three areas: [1] User experience, [2] Enterprise Implementation and [3] Cloud migration. This is more prominent in the US, while some European banks are also doing cloud transformation. Corporate banking is strong, especially in the payment space. Yield rates in Europe are affecting clients' IT spends. Regional banking and Insurance continue growing steadily.
- **Retail** was muted due to geopolitical tension and a reduction in consumption. There is a sense of nervousness and the outlook remains muted or uncertain in the same.
- **Communication:** Cost takeout journey and high digital spends to remain relevant in the market.
- **E&U:** Broad-based growth should continue.
- **Automobile:** Trade war is hurting, though pipeline is healthy for now.

Valuation view

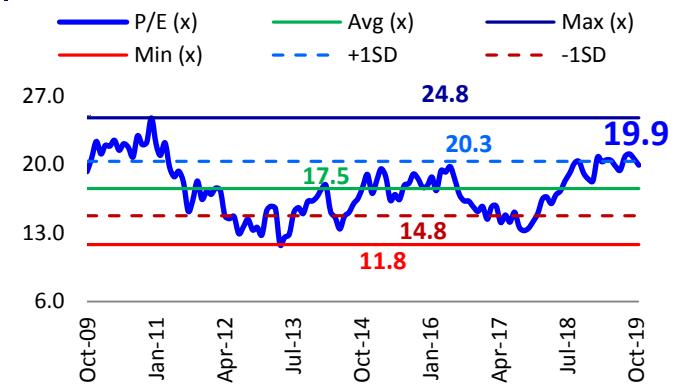
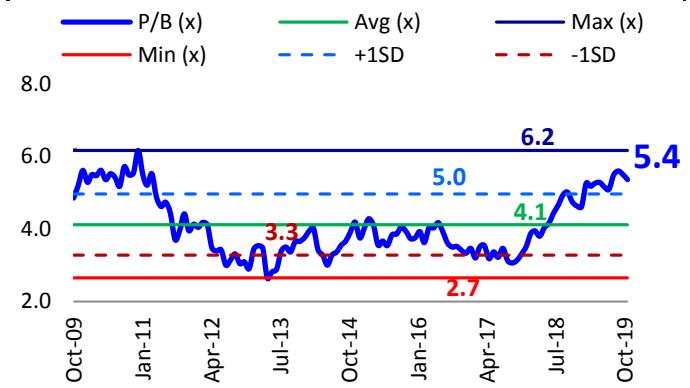
- **It had been about revenue growth:** Valuation multiples for IT Services players have historically ascribed highest valuation to revenue growth, which is not surprising – it is also the single largest lever for margins. So, as growth at INFO has come down from 20%+ to single digits, the current forward P/E multiple remains below its long-period average.
- **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. INFO has seen its margins correct amid investments in delivery and sales capabilities to win in the Digital era, and that has finally been yielding strong deal wins and improved revenue growth – also reflected in Digital surpassing 35% of revenues.
- **Case for re-rating supported by example of Accenture:** 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. This is supported further by improved payout ratios. Accenture, in our view, is a case study toward that end.
- **Valuation View**
 - We upgrade our FY20 earnings estimate by 5%, largely to factor in better margin expectations.
 - Over 1HFY20, INFO had outperformed TCS on growth. However, over the medium term, the performance of these companies is likely to converge.
 - We expect a CAGR (FY19-21) of 9.3% in CC revenue and 11.5% in EPS. The stock price discounts FY20/21 earnings by 21.5/18.5x—10% discount to TCS (on FY21 multiples).
 - Our price target of INR930 discounts forward earnings by 19x, implying an upside of 15%. Maintain **Buy**.

Key triggers

- Continued 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.

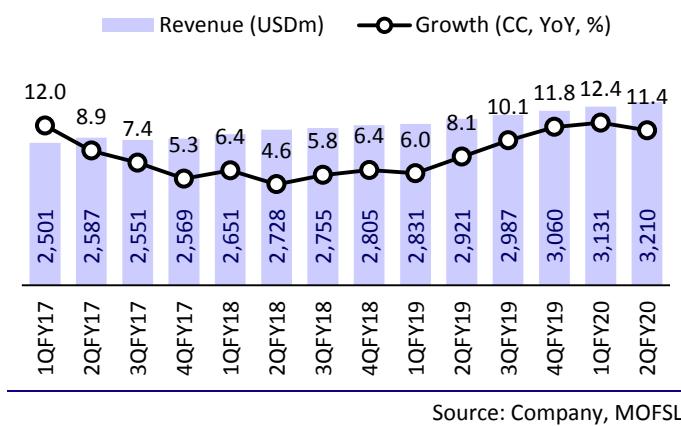
Exhibit 11: INFO one-year forward P/E**Exhibit 12: INFO one-year forward P/B****Exhibit 13: Operating metrics**

	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20
Verticals (%)										
Financial Services	32.9	33.1	32.1	32.5	31.7	32.2	32.5	31.6	31.4	31.9
Retail	16.2	15.9	16.2	15.9	16.5	16.8	16.4	15.9	15.8	15.2
Communications	12.5	12.4	12.4	12.9	12.7	12.3	11.9	13.5	13.8	13.1
Energy, Utilities, Resources	11.3	11.7	12.0	12.0	12.4	12.3	12.8	12.7	13.0	13.1
Manufacturing	9.3	9.3	9.5	9.5	9.6	9.6	10.1	10.0	9.6	10.1
Hi Tech	7.3	7.2	7.1	7.3	7.4	7.5	7.3	7.7	7.7	7.6
Life Sciences	6.5	6.7	6.5	6.7	6.5	6.4	6.2	6.0	6.1	6.4
Others	3.6	3.4	3.2	2.9	2.9	2.9	2.8	2.6	2.6	2.6
Revenue by offering										
Digital	23.90	25.20	26.10	26.80	28.40	31.00	31.50	33.80	35.70	38.30
Core	76.10	74.80	73.90	73.20	71.60	69.00	68.50	66.20	64.30	61.7
Type of offerings										
Services	94.60	94.80	94.60	95.10	95.20	94.90	94.50	94.60	94.30	94.30
Products and Platforms	22.40	23.60	24.20	25.30	26.70	28.90	29.30	31.40	31.40	31.40
Geography (%)										
North America	61.1	60.6	60.4	59.4	60	60.3	60.4	61.2	61.6	61.4
Europe	22.4	23.2	24.4	24.8	24.3	24.0	24.2	24.0	23.6	24.1
India	3.6	3.3	3.0	2.8	2.6	2.5	2.6	2.3	2.3	2.7
RoW	12.9	12.9	12.2	13.0	13.0	13.2	12.8	12.5	12.5	11.8
Clients (%)										
Revenues from top client	3.3	3.4	3.4	3.6	3.7	3.9	3.4	3.3	3.2	3.2
Revenues from top 5 clients	Nm									
Revenues from top 10 clients	20.0	19.5	19.2	19.5	19.2	19.4	19.2	19.7	20	19.2
Revenues from 2-5 client	Nm									
Revenues from 6-10 clients	Nm									
Revenues from Non-Top 10 clients	80.0	80.5	80.8	80.5	80.8	80.6	80.8	80.3	80	80.8
Clients added during the quarter	59	72	79	73	70	73	101	101	112	96
Total active client	1164	1173	1191	1204	1214	1222	1251	1279	1336	1364

Source: MOFSL, Company

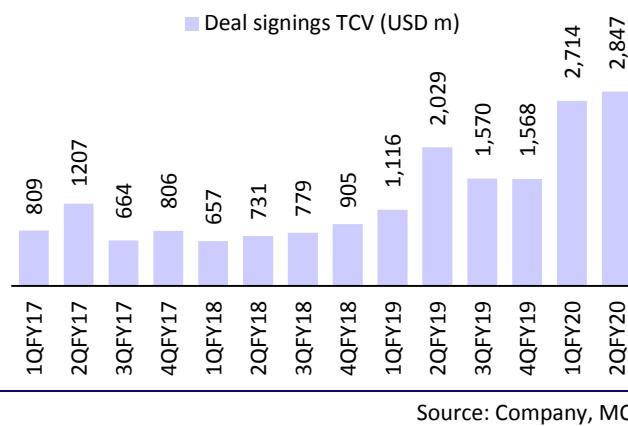
Story in charts

Exhibit 14: Gradually getting past growth issues



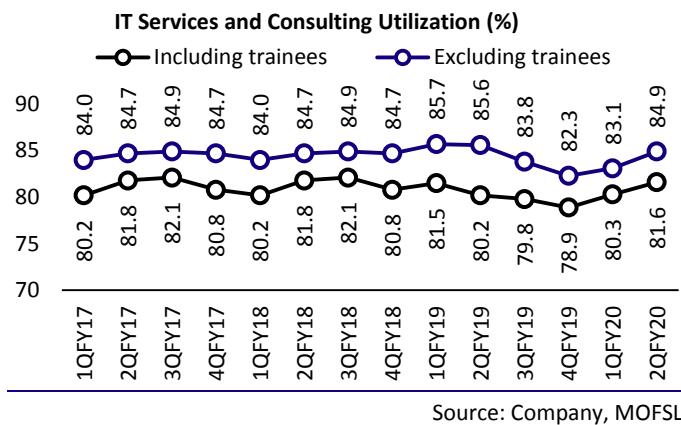
Source: Company, MOFSL

Exhibit 15: Led by deal wins



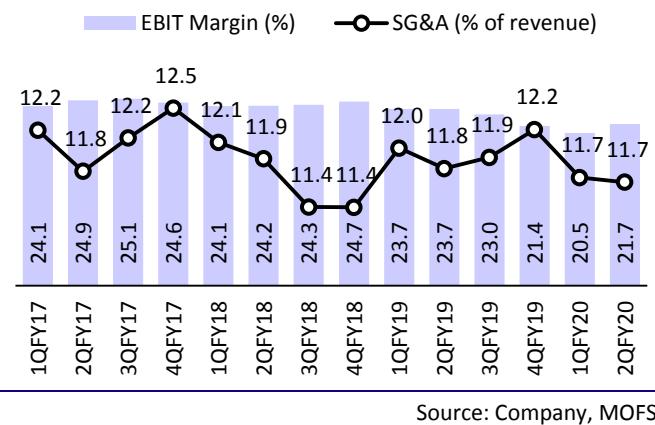
Source: Company, MOFSL

Exhibit 16: Utilization increased to higher level of 85%



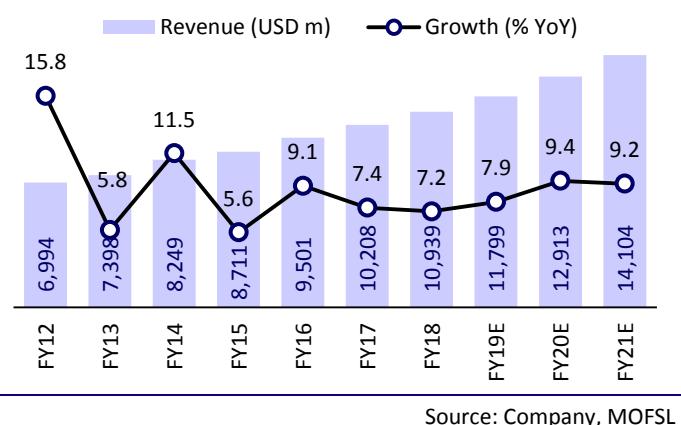
Source: Company, MOFSL

Exhibit 17: Investments have dragged margins



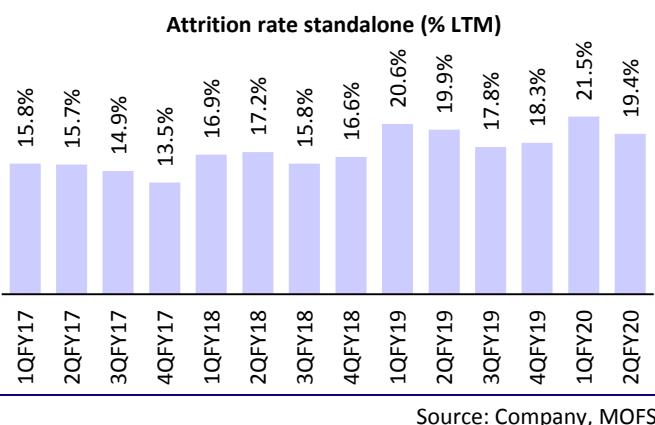
Source: Company, MOFSL

Exhibit 18: From lagging growth in the industry, to leading it



Source: Company, MOFSL

Exhibit 19: Attrition declined in 2QFY20 but still high



Source: Company, MOFSL

Financials and Valuations

Key Assumptions

Y/E March	2014	2015	2016	2017	2018	2019	2020E	2021E
INR/USD Rate	60.8	61.2	65.7	67.1	64.5	70.1	70.0	71.0
Revenues (USD m)	8,249	8,711	9,501	10,208	10,939	11,799	12,913	14,104
Per Capita Revenue Productivity (USD)	52,029	51,760	51,325	51,764	54,090	54,596	55,594	55,766
Offshore Revenue (%)	48.0	48.8	47.3	46.8	47.9	48.5	48.4	48.9
Total Headcount	1,60,405	1,76,187	1,94,044	2,00,364	2,04,107	2,28,123	2,36,419	2,69,404
Net Addition	3,717	15,782	17,857	6,320	3,743	24,016	8,296	32,986
Gross Addition	39,985	53,386	52,545	44,235	44,110	70,406	59,615	84,000
Utilization Incl. trainees (%)	73.6	76.2	76.5	78.9	82.4	82.3	83.3	83.0
Utilization Excl. trainees (%)	77.4	82.0	81.7	82.8	85.5	85.4	85.8	85.9

Income Statement

Y/E March	2014	2015	2016	2017	2018	2019	2020E	2021E
Sales	5,01,330	5,33,190	6,24,410	6,84,850	7,05,220	8,26,760	9,04,355	10,01,374
Change (%)	24.2	6.4	17.1	9.7	3.0	17.2	9.4	10.7
Software Develop. Exp.	3,07,670	3,18,140	3,76,390	4,15,500	4,32,690	5,18,580	5,74,723	6,39,306
Selling and Mktg. Exp.	26,250	29,400	34,310	35,910	35,580	44,750	48,202	51,070
Administration Exp.	31,070	36,630	42,920	47,390	46,850	54,540	57,957	62,994
EBITDA	1,36,340	1,49,020	1,70,790	1,86,050	1,90,100	2,08,890	2,23,473	2,48,004
% of Net Sales	27.2	27.9	27.4	27.2	27.0	25.3	24.7	24.8
Depreciation	13,740	10,690	14,590	17,030	18,580	19,230	28,029	27,396
Interest	0	0	0	0	0	0	0	0
Other Income	26,690	34,270	31,250	30,790	31,930	28,830	26,437	36,305
Exceptional Item	0.0	0.0	0.0	-710.0	0.0	0.0	0.0	0.0
PBT	1,49,290	1,72,600	1,87,450	1,99,810	2,03,450	2,18,490	2,21,881	2,56,912
Tax	40,620	49,290	52,520	55,980	42,420	56,310	58,781	68,082
Rate (%)	27.2	28.6	28.0	28.0	20.9	25.8	26.5	26.5
Minority Interest	0	10	0	0	0	40	580	720
Adjusted PAT	1,08,670	1,23,300	1,34,930	1,43,830	1,61,030	1,62,140	1,62,519	1,88,111
Extraordinary Items	2,190	0	0	0	14,320	8,090	0	0
Reported PAT	1,06,480	1,23,300	1,34,930	1,43,830	1,46,710	1,54,050	1,62,519	1,88,111
Change (%)	13.0	15.8	9.4	6.6	2.0	5.0	5.5	15.7

Balance Sheet

Y/E March	2014	2015	2016	2017	2018	2019	2020E	2021E
Share Capital	5,720	11,440	22,880	22,880	21,760	21,700	21,371	21,371
Reserves	4,69,580	5,36,190	5,94,910	6,66,550	6,27,470	6,27,570	6,39,667	6,93,596
Net Worth	4,75,300	5,47,630	6,17,790	6,89,430	6,49,230	6,49,270	6,61,038	7,14,966
Capital Employed	4,75,300	5,47,630	6,17,790	6,89,430	6,49,230	6,49,270	6,61,038	7,14,966
Gross Block	1,40,790	1,78,360	2,08,370	2,27,210	2,47,620	2,82,150	2,96,150	3,24,150
Less : Depreciation	55,250	64,220	74,510	85,810	1,02,820	1,22,050	1,35,999	1,63,396
Net Block	85,540	1,14,140	1,33,860	1,41,400	1,44,800	1,60,100	1,60,151	1,60,754
CWIP	18,320	14,400	18,930	19,650	21,320	18,770	18,770	18,770
Investments	45,230	24,130	21,050	1,67,070	1,21,790	1,15,970	1,35,970	1,75,970
Curr. Assets	4,21,460	5,10,850	5,80,050	5,05,040	5,10,500	5,51,310	5,60,826	5,90,239
Debtors	1,11,620	1,25,580	1,43,590	1,59,700	1,74,030	2,02,010	2,09,095	2,31,527
Cash & Bank Balance	2,59,500	3,03,670	3,26,970	2,26,250	1,98,710	1,95,680	2,31,845	2,30,197
Loans & Advances	43,780	76,230	1,04,130	1,13,690	1,24,940	1,39,900	1,05,766	1,14,395
Other Current Assets	6,560	5,370	5,360	5,400	12,820	13,720	14,120	14,120
Current Liab. & Prov	95,250	1,15,890	1,36,100	1,43,730	1,49,180	1,96,880	2,14,679	2,30,767
Current Liabilities	56,180	70,180	79,760	83,640	1,01,490	1,48,760	1,26,849	1,40,354
Provisions	39,070	45,710	56,340	60,090	47,690	48,120	87,830	90,413
Net Current Assets	3,26,210	3,94,960	4,43,950	3,61,310	3,61,320	3,54,430	3,46,147	3,59,472
Application of Funds	4,75,300	5,47,630	6,17,790	6,89,430	6,49,230	6,49,270	6,61,038	7,14,966

Financials and Valuations

Ratios

Y/E March	2014	2015	2016	2017	2018	2019	2020E	2021E
Basic (INR)								
EPS	23.3	27.0	29.5	31.4	32.4	35.4	38.0	44.0
Cash EPS	26.8	29.3	32.7	35.2	39.8	41.7	44.6	50.4
Book Value	104.0	119.8	135.1	150.8	144.0	149.2	154.7	167.3
DPS	7.9	9.3	12.4	12.9	16.2	21.5	22.0	26.0
Payout % (excl.div.tax, inc. buyback)	33.1	34.3	41.9	40.9	126.2	66.1	108.2	58.8
Valuation (x)								
P/E	35.0	30.2	27.6	26.0	25.2	23.0	21.5	18.5
Cash P/E	30.4	27.8	24.9	23.2	20.5	19.6	18.3	16.2
EV/EBITDA	25.1	22.8	19.8	17.9	17.6	15.5	13.9	12.4
EV/Sales	6.8	6.4	5.4	4.9	4.8	3.9	3.4	3.1
Price/Book Value	7.8	6.8	6.0	5.4	5.7	5.5	5.3	4.9
Dividend Yield (%)	1.0	1.1	1.5	1.6	2.0	2.6	2.7	3.2
Profitability Ratios (%)								
RoE	24.9	24.1	23.2	22.0	24.1	25.0	24.8	27.3
RoCE	20.4	19.3	19.3	18.6	20.3	21.7	21.9	23.6
Turnover Ratios								
Debtors (Days)	81	86	84	85	90	89	84	84
Fixed Asset Turnover (x)	6.6	5.7	5.3	5.2	5.2	5.6	5.8	6.5

Cash Flow Statement

(INR Million)

Y/E March	2014	2015	2016	2017	2018	2019	2020E	2021E
CF from Operations	1,21,480	1,18,830	1,44,970	1,60,070	1,46,650	1,52,940	1,64,292	1,79,922
Cash for Working Capital	390	-11,310	-22,540	-19,440	-1,060	-4,530	44,847	-14,972
Net Operating CF	1,21,870	1,07,520	1,22,430	1,40,630	1,45,590	1,48,410	2,09,139	1,64,950
Net Purchase of FA	-27,450	-22,470	-27,230	-27,600	-19,980	-24,450	-14,000	-28,000
Free Cash Flow	94,420	85,050	95,200	1,13,030	1,25,610	1,23,960	1,95,139	1,36,950
Net Purchase of Invest.	-22,580	9,680	-3,930	-1,43,140	51,090	18,700	-20,000	-40,000
Net Cash from Invest.	-50,030	-12,790	-31,160	-1,70,740	31,110	-5,750	-34,000	-68,000
Proceeds from Equity	770	-1,210	160	-1,220	-1,29,600	-8,640	0	0
Others	0	0	0	0	0	0	26,277	36,145
Dividend Payments	-31,430	-49,350	-68,130	-69,390	-74,640	-1,37,050	-1,65,252	-1,34,742
Cash Flow from Fin.	-30,660	-50,560	-67,970	-70,610	-2,04,240	-1,45,690	-1,38,975	-98,597
Net Cash Flow	41,180	44,170	23,300	-1,00,720	-27,540	-3,030	36,165	-1,647
Opening Cash Bal.	2,18,320	2,59,500	3,03,670	3,26,970	2,26,250	1,98,710	1,95,680	2,31,845
Add: Net Cash	41,180	44,170	23,300	-1,00,720	-27,540	-3,030	36,165	-1,647
Closing Cash Bal.	2,59,500	3,03,670	3,26,970	2,26,250	1,98,710	1,95,680	2,31,845	2,30,197

E: MOFSL Estimates

NOTES

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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

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