

### Annual Report Analysis FY21

FY21 was a challenging year as the company has witnessed significant headwinds in several key client accounts due to its high exposure in the high-impacted verticals of Travel-Hospitality that accounted for 16.6% of revenues in FY20 that witnessed decline in revenues by 45% during FY21. The segment however has slowly coming back on recovery path and has been reporting strong double digit CQGR over Q1FY21-Q4FY21. Despite severe impact in the vertical, Mindtree managed flattish revenue performance for the year helped by strong growth in CMT vertical that clocked growth in revenues of about 11% for the year (Top client revenues grew 28% during the year and now accounts for ~29% of revenues).

During the year, MTCL witnessed good deals (annual + multi-year) wins in all the 4 verticals marking a growth of 12% YoY at \$1.4bn. With its 4x4x4 strategy (4 industry groups + 4 service lines + 4 geographies) coupled with three strategic pillars (Simplify + Differentiate + Change), MTCL aspires to continue its growth journey (expect to achieve leading revenue growth for the year) with differentiated value-proposition and targeting EBITDA margin range to be in north of 20%. MTCL has emphasized that the six key growth levers that would drive its growth are 1) Expand wallet share, 2) Double down in Europe, 3) Industry partnership and consulting, 4) market and thought leadership, 5) white spaces opportunities and 6) hyper growth with hyperscalers.

### Takeaways from CEO's Address

Covid-19 pandemic has re-emphasized the importance of technology for organizations to gain competitive advantage and drive innovation. From education to healthcare, technology ensured continuity of critical business activity. Companies are leveraging technology for various use cases (development of vaccines through AI, digital collaboration tools for aiding essential services providers, contactless payment) in several industries.

In order to assist customers with best possible solution, MTCL worked closely with its clients to acutely understand their pain points in new normal. MTCL has identified key investment areas (healthcare business unit incubation, cybersecurity and IoT). To accelerate its cloud business, it launched a Microsoft go-to-market business unit and achieved specialization for application development partner in the Google Cloud Partner Advantage program.

MTCL will leverage its digital DNA to deliver transformative results through its differentiated business strategy and capabilities, strategic partnerships, and robust delivery with disciplined execution. MTCL's vision is to be a business transformation partner driven by purpose which enables clients to leverage technology solutions to drive holistic business outcomes.

### Outlook

Company's has indicated that it will be achieving sector leading growth (implies high teens growth in FY22) with stable profitability (EBIDTA margins will stay at 20%+) despite the headwinds pertaining to supply side challenges and normalisations of discretionary costs in FY22. However, given the sharp run up we think current valuations fairly captures the upside potential but underplays the risk (skewed growth from Top client) and maintain our Sell view on the stock with TP of Rs 2,010 (valued at 22x FY23E earnings).

CMP	Rs 2,472
Target/Downside	Rs 2,010 / 19%
BSE Sensex	52,480
NSE Nifty	15,683

### Scrip Details

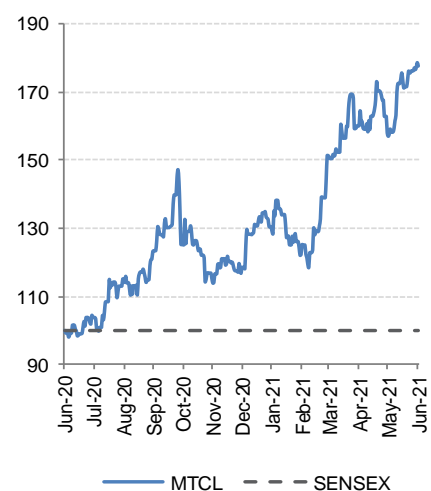
Equity / FV	Rs 1,647mn / Rs 10
Market Cap	Rs 407bn
	US\$ 6bn
52-week High/Low	Rs 2,525/Rs 899

Avg. Volume (no)	10,93,390
NSE Symbol	MINDTREE
Bloomberg Code	MTCL IN

### Shareholding Pattern Mar'21(%)

Promoters	67.6
MF/Banks/FIs	12.0
FIIIs	12.0
Public / Others	8.4

### Mindtree Relative to Sensex



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## M, D & A Key Takeaways

**Technology Key in New Normal:** MTCL believes technology to play an important part for continuity and progress in the changing environment.

**Growth to accelerate in FY21:** With vaccine backed global recovery coupled with policy support leading to ample liquidity and low rate, the global economy is expected to expand by 5.5% in 2021, as per IMF. For FY21, India's technology industry is expected to increase by 2.3% to \$194Bn. As per Nasscom's 2021 CEO survey, 67% expects Indian IT industry to witness better growth in FY21 compared to FY20.

**Faster Adoption of Cloud based Offerings:** With increasing preference for more-nimble, leaner and flexibility structure to respond to fast-paced changes in the environment, adoption of cloud-based products is expected to rise. As per Nasscom's 2021 CEO survey, 60% respondents expect larger digitization deals in 2021.

**New Opportunities:** New emerging technologies represent a large opportunity to drive innovation in several aspects (building & designing products, engaging customers via contextual experiences, managing enterprise processes and new business models). To tap these opportunities, MTCL has created an integrated Digital Engineering toolkit, which brings together an Agile journey matrix (DevSecOps solution accelerators + hyper-automation with bot library + automation Platform - Mindtree CAPE).

**Unified Next Generation Platform:** Mindtree aims to achieve unified platform which seamlessly combines engineering, project management and governance capabilities together. This will create a hyper-personalized digital ecosystem leading to increased efficiency in business performance.

### AI applications solution across different industries:

- AI-Driven Auto-Quotation System (Reduces time and effort of salesmen)
- Vision Analytics: (Better enable sales representatives to guide prospective customers)
- Virtual Assistants: Initial customer interaction via Chatbot using conversational AI.

Going forward, MTCL will keep on working for AI related applications across industries and process areas.

## Takeaways from CFO's Address

'Help and Grow' initiative by the Company (Focus on new delivery-models, cost-rationalization, and workplace modernization) has aided clients to seamlessly adapt to new normal. MTCL's strategic investments in its technology, people and partnerships will open countless opportunities for its clients.

MTCL witnessed good deals (annual + multi-year) win in all the 4 verticals during FY21. New Clients includes global wind turbine manufacturer, global airline company, leading sportswear brand and insurance and reinsurance Company. With its 4x4x4 strategy (4 industry groups + 4 service lines + 4 geographies) coupled with three strategic pillars (Simplify + Differentiate + Change), MTCL aspires to continue its growth journey with differentiated value-proposition and targeting EBITDA margin range to be in north of 20%. In order to keep up with the ever-changing technology landscape, MTCL invested in Global Microsoft Azure Experience Center and also Databricks's collaboration will offer advanced cloud-based data intelligence to the company.

## Capitalizing on Growth Opportunities

Due to necessity or preference, the pandemic has fast tracked the digital transformation process, in areas of cloud services and digital workplace deployment due to rising acceptance of digital technologies.

### Augmenting digital transformation efforts

MTCL aids organizations in their cloud infrastructure and create a pathway to build a digital foundation and improve IT agility. The proportion of IT spending on cloud migration is expected to increase to 14.2% by 2024 (9.1% in 2020), as per Gartner reports.

### Revamping and re-skilling the workforce

Through its cognitive platforms, MTCL has been accelerating its virtual workforce with continuous learning and re-skilling. 85% of the Respondent from Deloitte's Q2 2020 CFO survey expects majority of their workforce to operate remotely post pandemic.

### Intelligent automation and artificial intelligence happen at scale

Chatbots and AI-driven natural language processing bots will be key for initial stage customer interaction to improve customer experience, which is considered key factor driving digital transformation for 70.5% of the companies as per NTT's research. MTCL is renowned for its advancement in tech know-how in areas of automation, IoT, AI, and innovation.

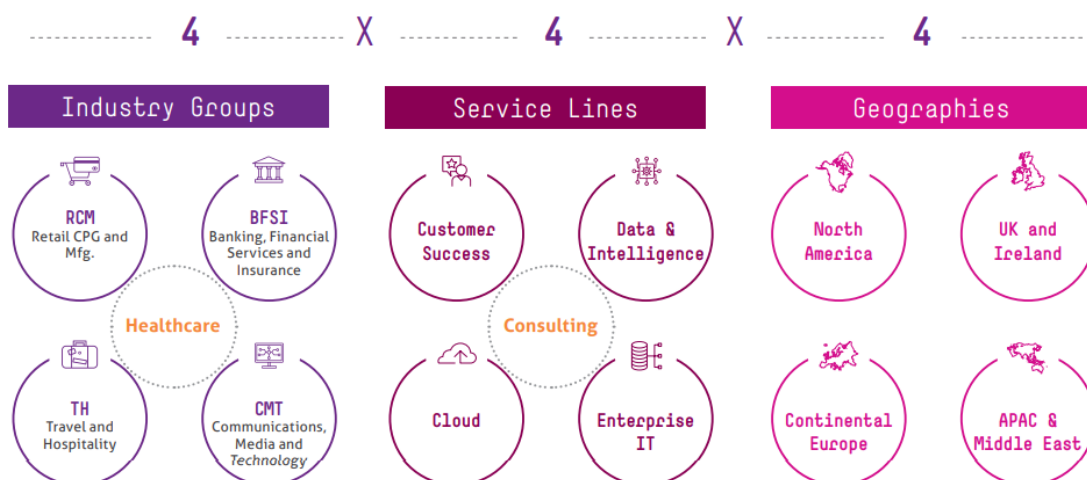
### Security and privacy gaining importance

MTCL helps to decrease security risk in data centers, servers and various other operating and managed IT infrastructure networks through its end-to-end IT security solutions. By 2021, the cyber security market is expected to rise by 10% to \$60Bn, as per Canalys.

## 4x4x4 Strategy

MTCL's 4x4x4 strategy (4 industry groups + 4 service lines + 4 geographies) coupled with three strategic pillars of Simplify, Differentiate and Change has increased client engagement and also increased up/cross sell opportunities with differentiated end-to-end solutions.

Exhibit 1: 4x4x4 Strategy



Source: DART, Company

## Investment Focus

**Partnerships:** Amidst rising demand and reliance on integrated solutions, MTCL partners with technology service providers and innovators to collaborate and create sustainable solutions. This helps in driving optimal result for clients, strategic partners and others involved.

**Large Deal Solutioning:** In recent times, MTCL has witnessed many large deal wins. In order to keep this momentum going, it will emphasis more on solutioning team to ensure the solution's relevancy and competitiveness.

### Investment in White-Space Opportunities:

**Cyber security:** MTCL will continue to strength its cyber security offerings to eliminate risk related to IT infrastructure, data center and other IT assets. With accelerated digital adoption, cyber security is vital for all the enterprises.

**Internet of Things (IoT):** MTCL will venture to transform the IoT value chain and build further capability in this space to improve customer experience and their efficiency by optimizing cost.

**Newer Ways of Working and Nearshore Capability:** The company will channel its investments to strengthen its hybrid delivery model (remote working +-based collaboration).

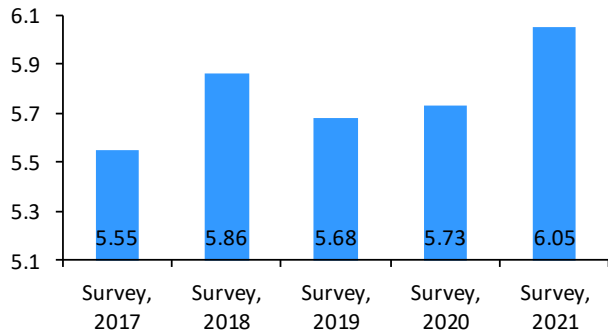
**M&A:** Geared towards to its 4x4x4 strategy, MTCL has initiated a targeted M&A program to gain access to new markets, capabilities or domain expertise, or quick scale in targeted regions.

## Navigating through pandemic year

MTCL ensured continuous and uninterrupted services to its customers through its robust risk and crisis management capabilities during the COVID-19 pandemic. The company formed a war room and crisis management team to support its employees and their projects. This resulted in 98.5% of the Indian employees achieving WFH level by March 24, 2020, and 99% global WFH level by March 24, 2020. These efforts led to achieving highest

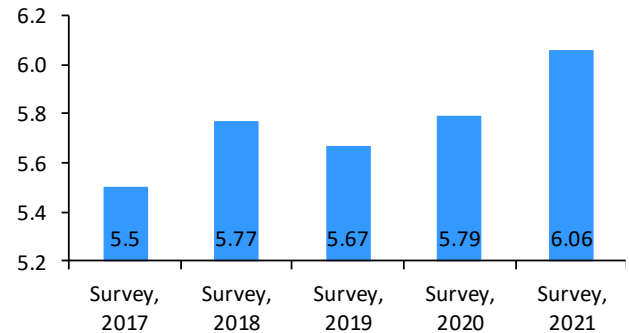
## Customer Experience Survey

**Exhibit 2: CES Survey for Satisfaction**



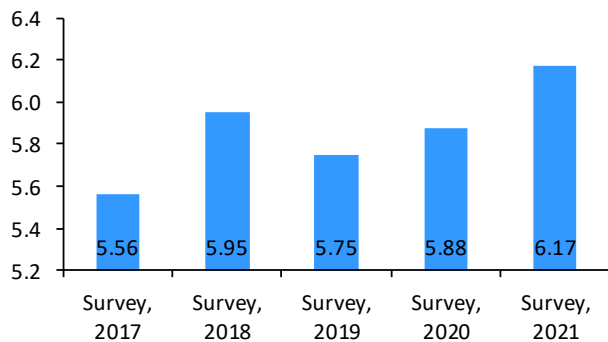
Source: Company, DART, Scale of scores unknown

**Exhibit 3: CES Survey for Loyalty**



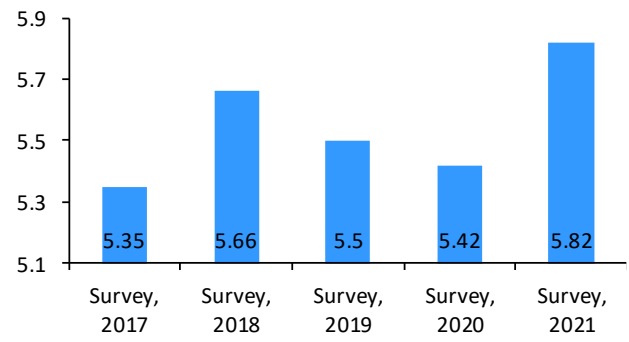
Source: Company, DART, Scale of scores unknown

**Exhibit 4: CES Survey for Advocacy**



Source: Company, DART, Scale of scores unknown

**Exhibit 5: CES Survey for Value for Money**



Source: Company, DART, Scale of scores unknown

## Immersive Experiences

MTCL will leverage disruptive technologies to augment and replace physical interaction to enhance customer experience. Launch of 'Immersive Aurora', to bring together emerging technologies with legacy, the company will continue to expand its horizons and create new business opportunities and use cases for its clients.

**Virtual Marketplaces:** Personalized virtual walkthroughs of stores for future e-commerce journeys.

**AR TWIN:** IoT coupled with AI will aid in proactive monitoring and predicting of issues and downtime.

**AR Remote Support:** Reducing onsite physical interaction and presence via augmented reality remote support.

**Immersive Training:** Conversational AI with virtual simulations will help in interactive AR/VR trainings.

**Cognitive Contact Centre:** Mix of voice (Smart IVR), non-voice (Chatbot) and AR/VR based products and solutions.

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## Key accelerators and IPs for Cloud Migration and Modernization

**Minimum Viable Cloud (MVC):** MVC is a cloud application management framework which enables faster 'go to cloud' deployment and lowers total cost of ownership. Due to repeatability, time to value decreases and also reduces the count of technology tools that need to be maintained.

**Cloud Management Platform:** The company's proprietary cloud management platform (MWatch) has strong integration capabilities and functionality (IT service management, monitoring, application performance management and log analytics) to offer integrated cloud operations and governance.

## Other Key Takeaways

- MTCL's Non-Executive Chairman, expects trend of digital transformation and increased role of technology in business model of organization to continue in the years to come. Mindtree is amongst the one who is spearheading the change of enterprises rapid adoption to cloud and digital.
- With organizations, transitioning to enterprise application in cloud, Non-Executive Chairman, A M Naik expects opening up of many opportunities for Mindtree in the near future.
- During FY21, 98% of the employees completed one or more training programs. More than 153,000 courses were completed during the year which included more than 16,900 courses focused on upskilling interventions.
- More than 138,000 courses were completed on Yorbit (home grown, cloud-based learning platform) during FY21.
- The company launched 'Project Velocity' to increase speed and precision across the talent-supply-chain.
- MTCL launched Supplier360 portal, its in-house and one-stop-shop self-service, real-time platform which enhances overall user-experience by providing multiple functionality (tracking vendor-invoices, PO acknowledgment and payments).

## Annual Report Marco View

Particulars	Details																											
<b>Key Management</b>	<p><b>Exits:</b> Senthil Kumar, Vedavalli S have resigned during the year.</p> <p><b>Induction:</b> Dayapatra Nevatia joined as COO &amp; Executive Director on 15 October 2020. Mr. Vinit Ajit Teredesai was appointed as CFO on June-15,2020.</p>																											
<b>Board of Directors</b>	<p>Milind Sarwate, Independent Director resigned from the Board due to the re-organisation of his portfolio of Board membership across various companies with effect from 24 April 2020. Chandrasekaran Ramakrishnan appointed as Independent Director on 15 July 2020.</p> <p>Dayapatra Nevatia appointed as Executive Director and Chief Operating Officer on 15 Oct 2020. Venugopal Lambu appointed as Executive Director and President – Global Markets with effect to 15 Oct 2020. Jayant Damodar Patil, Non-Executive Director resigned from the board on 15 October 2020.</p>																											
<b>Auditors</b>	No change. M/s Deloitte Haskins & Sells LLP continues to be the Auditors of the company.																											
<b>Credit Ratings</b>	Long Term Issuer rating upgraded to 'IND AAA' from 'IND AA+'. Short Term facilities re-affirmed with IND 'A1+' by India Ratings and Research																											
<b>Pledged Shares</b>	No Change.																											
<b>Macro-economic factors</b>	Mindtree expects that the pandemic will bring long-term changes in the IT industry (remote delivery, improvement in productivity, increased offshore work, restructuring of contracts, and new compensation structures with IT customers).																											
<b>Key Holders</b>	<table border="1"> <thead> <tr> <th>Particulars (%)</th> <th>FY20</th> <th>FY21</th> </tr> </thead> <tbody> <tr> <td colspan="3"><b>Promoters</b></td> </tr> <tr> <td>i) Promoter Shareholding *</td> <td>74.11</td> <td>61.03</td> </tr> <tr> <td colspan="3"><b>Bank, FIs, Insurance Companies &amp; Mutual Funds</b></td> </tr> <tr> <td>i) Mutual Funds</td> <td>3.75</td> <td>7.81</td> </tr> <tr> <td>ii) FIs &amp; Banks</td> <td>1.24</td> <td>0.31</td> </tr> <tr> <td>iii) Insurance Companies</td> <td>0.79</td> <td>2.74</td> </tr> <tr> <td>iv) FIs</td> <td>11.86</td> <td>13.92</td> </tr> <tr> <td>Non-Institutions #</td> <td>8.25</td> <td>14.19</td> </tr> </tbody> </table>	Particulars (%)	FY20	FY21	<b>Promoters</b>			i) Promoter Shareholding *	74.11	61.03	<b>Bank, FIs, Insurance Companies &amp; Mutual Funds</b>			i) Mutual Funds	3.75	7.81	ii) FIs & Banks	1.24	0.31	iii) Insurance Companies	0.79	2.74	iv) FIs	11.86	13.92	Non-Institutions #	8.25	14.19
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Source: DART, Company, # in FY20 Non-Institution includes Escrow Holding; \*During FY21, Krishnakumar Natarajan, Rostow Ramanan, Subroto Bagchi, N S Parthasarathy and their relatives, LSO Investment Private Limited, Kamran Ozair and Scott Staples have reclassified their shareholding pattern from Promoters/ Promoter Group to Public. Larsen and Toubro Limited is the only Promoter of the Company holding 61.03%.

### Exhibit 6: Partnerships done during FY21

Date	Partnership Information
Jul-20	Partnered with Husqvarna Group to drive digital transformation
Sep-20	Collaborated with Mölnlycke for Enterprise application and cloud transformation journey
Nov-20	Partnered with the Nordex Group to drive forward the company's digital transformation journey
Dec-20	Partnered with Databricks to offer advanced, cloudbased data intelligence
Dec-20	Accelerated cloud business through Global Microsoft Azure Experience Center and New Skills Academy
Feb-21	Achieved Google Cloud Partner specialization in application development

Source: DART, Company

### Exhibit 7: Awards and Recognition

Date	Awards
Apr-20	Recognized as Leader in ISG Provider Lens™ Quadrant Report on Salesforce Ecosystem Partners 2020 (US & Germany)
Jul-20	Named Leader in ISG Provider Lens Archetype Report on Next-Gen Private/Hybrid Cloud - Data Center Services & Solutions
Jul-20	Named Leader in the ISG Provider Lens™ Report 2020 on SAP HANA and Leonardo Ecosystem Partners (US)
Jul-20	Mindtree case study 'Delivering on the Promise of Data' included in ISG's Top 25 digital case studies book
Aug-20	Named Leader in three categories in the ISG Provider Lens™ Report on SAP HANA and Leonardo Ecosystem Partners (UK)
Sep-20	Recognized as an Expert Managed Service Provider for Microsoft Azure
Nov-20	Named leader in ISG Provider Lens™ Public Cloud – Solutions and Services for Midmarket 2020
Nov-20	Honored with the title of IT Pride of Karnataka – 2019-20 by STPI IT Export Awards, granted by STPI (Software Technology Parks of India) of Karnataka
Dec-20	Named Leader in ISG Provider Lens™ - Digital Business Solutions and Service Partners 2020 – Australia
Dec-20	Recognized as a winner in SHRM HR Excellence Awards 2020 under Excellence in HR Analytics Award category
Jan-21	Named Leader in ISG Provider Lens™ for Next-gen Application Development & Maintenance (ADM) Services (US) 2020
Feb-21	Won two awards at the People First ACE Awards 2020 presented by the National HRD Network
Mar-21	Named 'Best Employer for Women' by The Associated Chambers of Commerce and Industry of India (ASSOCHAM)
Mar-21	Named winner at BW HR Excellence Award for outstanding contribution to the HR industry
Mar-21	Won the Golden Peacock award for Corporate Social Responsibility from the Institute of Directors

Source: DART, Company

### Exhibit 8: Induction in key personnel

Name	Designation	Date of Joining
Chandrasekaran Ramakrishnan	Independent Director	Jul-20
Dayapatra Nevatia	Executive Director and Chief Operating Officer	Oct-20
Venugopal Lambu	Executive Director and President – Global Markets	Oct-20
Vinit Ajit Teredesai	Chief Financial Officer	Jun-20
Subhodh Shetty	Company Secretary	Nov-20

Source: DART, Company

## Exhibit 9: Top 10 employees in terms of remuneration

Name	Designation	Remuneration (INR Mn)	As % of Net Profit
Mr. Debashis Chatterjee	CEO & Managing Director	113	1.02%
Mr. Sreedhar Bhagavatheeswaran	Senior Vice President	46	0.41%
Mr. Venugopal Lambu	Executive Director and President, Global Markets	45	0.41%
Mr. Anil Kumar Gandharve	Chief Business Officer-RCM	45	0.41%
Mr. Manish Bhargava	Associate Vice President	41	0.37%
Mr. Manikandesh Venkatachalam	Chief Business Officer-TTH	38	0.34%
Mr. Gaurav Zibbu	General Manager	37	0.34%
Mr. Sumit Ralli	Vice President	35	0.31%
Mr. Schahin Sengul	Senior Director-Business Development	34	0.31%
Mr. Vijayaram Parupudi	Chief Business Officer	33	0.30%

Source: DART, Company

## Financial Performance – FY21

### Profit & Loss Analysis

- Mindtree reported 0.5% YoY growth in revenues in CC terms for the year, largely due to weak performance by BFSI and Travel and Hospitality verticals (declined YoY by 8.6% and 47.5%, respectively- accounting for 20% and 9% of Rev, respectively) which was counterbalanced by growth in Communications, Media & Technology vertical (grew 20.7% YoY- accounting for 50% of Rev). Cross Currency impact and INR depreciation lead by 3% growth in revenues on reported basis.
- Geographic Growth: US (77% of rev) grew 2.6% YoY in USD terms. Continental Europe (7% of rev) de-grew 16.6% YoY USD terms, UK and Ireland (8% of Rev) de-grew 9.3% YoY USD terms and Asia Pacific (8% of rev) de-grew 10.2% YoY in USD terms.
- Service Offerings Growth: Cloud (19% of rev) led the growth at 27.1% YoY in USD terms, followed by Data & Intelligence (15% of rev) which advanced at 9.6% YoY in USD terms. However, Customer Success (39% of rev) declined by 6.5% YoY in USD terms and Enterprise IT (27% of rev) declined by 12.5% YoY in USD terms.
- EBIT Margin advanced by 700bps to 17.5% for FY21. This was largely driven by decrease in other expenses (declined by 25.6% YoY) mainly due to cost savings on travel, power and fuel expenses. Other Expenses as a % of Rev declined 580bps to 15.0%.
- Net profit grew by 76.0% to INR 11.1Bn. Net Profit margin increased by 580bps YoY to 13.9% largely driven by increase in operating margins. EPS advanced by 76.0% to INR 67.4 per share.
- Attrition rate has dropped to 12.1% on LTM basis from 17.4% and total headcount has increased to 23,814 (up 8.3% YoY).

## Balance Sheet Analysis

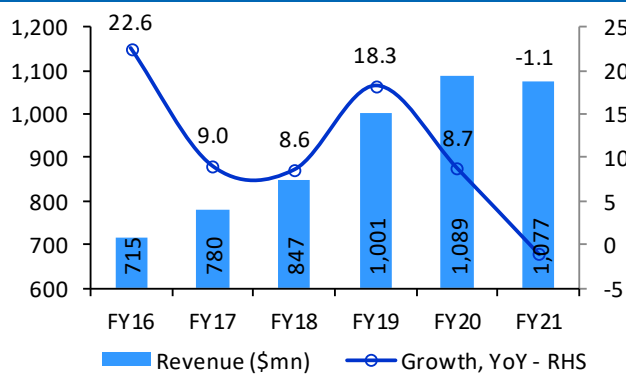
- Current Investments increased almost three times to INR 19.3Bn in FY21. Cash and cash equivalents stood at Rs. 7.6bn up from Rs3.9bn YoY, on favourable working capital cycle movement.
- Days Sales Outstanding improved to 60 days for FY21 compared to 66 days from last year.
- Current liabilities increased by 20.3% to INR 15.9Bn due to increase in provision for compensated absences, provision for disputed dues and increase in tax liabilities.
- Mindtree issued 145,700 shares in ESOPs and added INR 1Mn in Equity.

## Cash Flow Analysis

- Net Cash Flow from Operating Activities grew by 141% to INR 19.9Bn in FY21. Operating cash flows growth was led by favourable WC changes that generated cash of about 6bn as against a negative WC of about Rs1.5bn. apart from that robust growth in the earnings by 76% in the year.
- Capex stood at INR 0.6Bn in FY21 v/s INR 1,2Bn YoY, further boosting FCF to Rs19.3bn from Rs7bn in FY20.

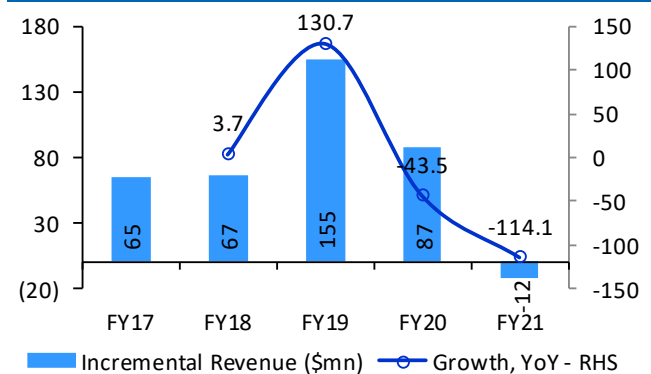
## Financial Performance Trends

**Exhibit 10: Revenue de-grew in FY21**



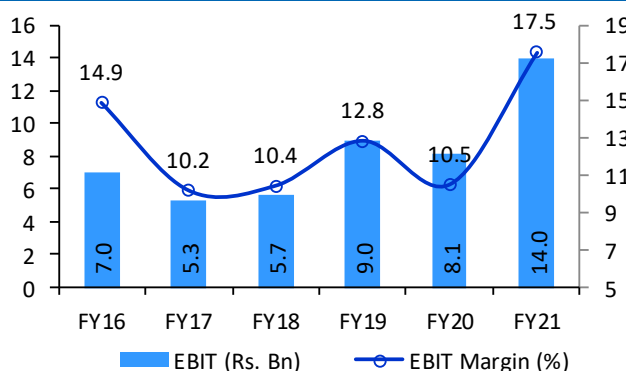
Source: DART, Company

**Exhibit 11: Incremental Revenue Trend**



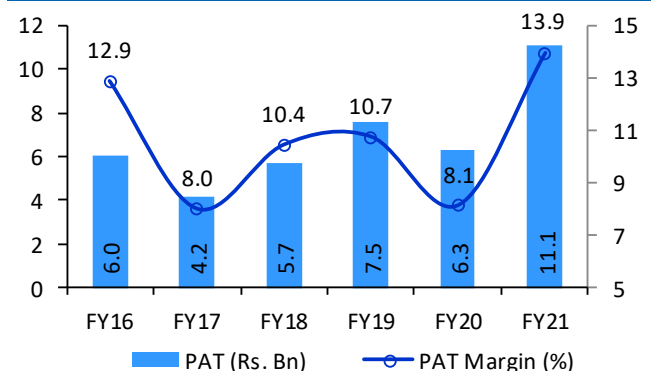
Source: DART, Company

**Exhibit 12: EBIT Margin up 700bps in FY21**



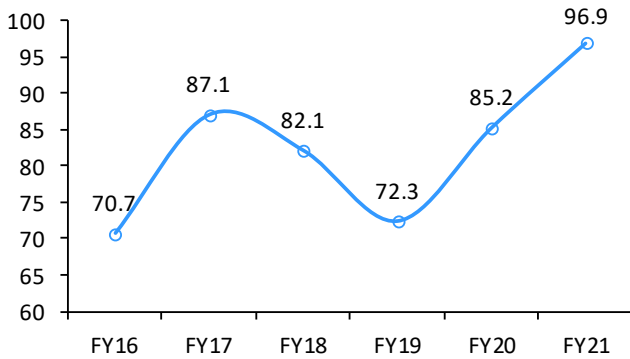
Source: DART, Company

**Exhibit 13: PAT Margin improved by 58bps in FY21**



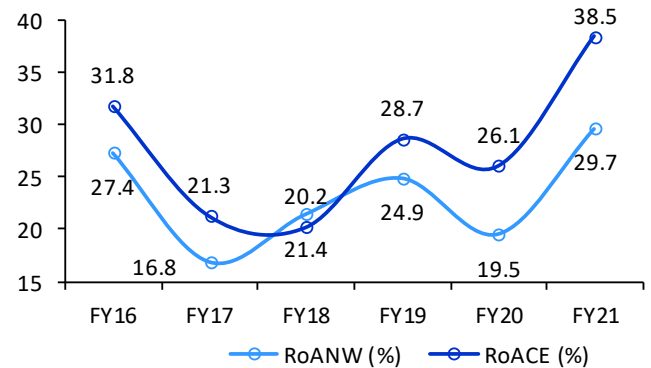
Source: DART, Company

**Exhibit 14: OCF/FCFF Conversion Trend (%)**



Source: DART, Company

**Exhibit 15: RoANW & RoACE Trend (%)**



Source: DART, Company

**Exhibit 16: Key Assumptions in our estimates**

Key Assumptions	FY20	FY21	FY22E	FY23E
USD Revenue growth	8.7	(1.1)	16.5	13.2
USD/INR	71.3	74.0	74.5	76.0
INR growth	10.6	2.6	17.3	15.5
EBIT Margins	10.5	17.5	17.8	18.0
EPS growth (%)	(16.4)	75.8	16.4	16.7

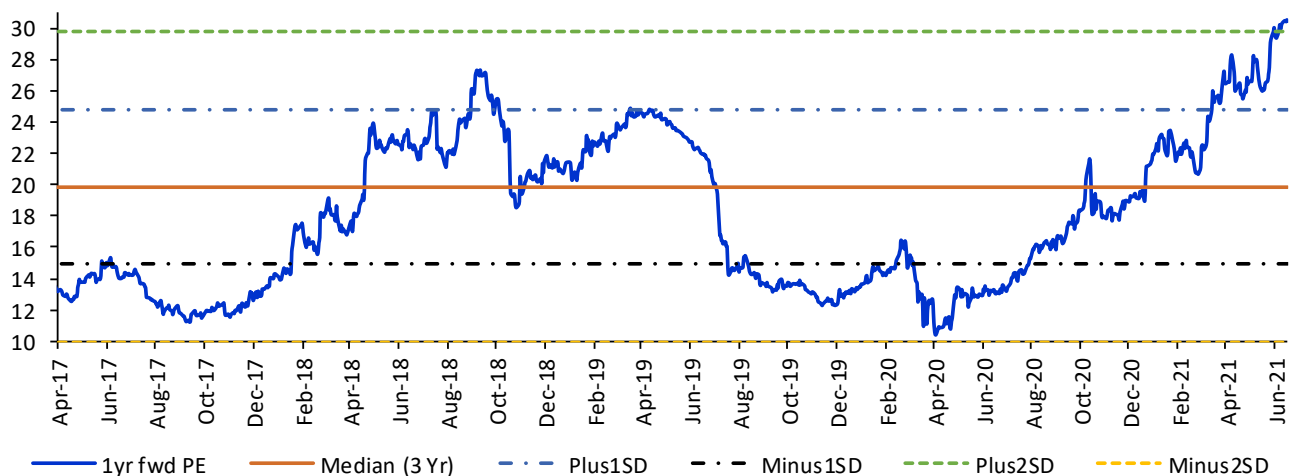
Source: Company, DART

## Valuation

We believe MINDTREE and other Tier I IT companies would continue to deliver strong revenue momentum over next 4-5 quarters (translating into double digit revenue growth) and thus would sustain current valuations of ~23x which implies 1.5x to 2x on PEG basis. We currently value MINDTREE at 22x (from 20times) on FY23E Earnings of Rs. 91.5 with TP of Rs. 2,010 per share and UNCHANGED Rating of SELL.

## PE Performance

**Exhibit 17: Mindtree is trading above Median Plus2SD Valuations**



Source: DART, Company

**Profit and Loss Account**

(Rs Mn)	FY20A	FY21A	FY22E	FY23E
<b>Revenue</b>	<b>77,643</b>	<b>79,678</b>	<b>93,449</b>	<b>1,07,890</b>
<b>Total Expense</b>	<b>66,745</b>	<b>63,111</b>	<b>73,744</b>	<b>85,148</b>
COGS	50,647	51,132	58,082	64,152
Employees Cost	0	0	0	0
Other expenses	16,098	11,979	15,662	20,996
<b>EBIDTA</b>	<b>10,898</b>	<b>16,567</b>	<b>19,705</b>	<b>22,742</b>
Depreciation	2,754	2,596	3,092	3,358
<b>EBIT</b>	<b>8,144</b>	<b>13,971</b>	<b>16,613</b>	<b>19,384</b>
Interest	529	504	500	539
Other Income	673	1,517	1,298	1,535
Exc. / E.O. items	0	0	0	0
<b>EBT</b>	<b>8,288</b>	<b>14,984</b>	<b>17,411</b>	<b>20,380</b>
Tax	1,979	3,879	4,487	5,299
RPAT	6,309	11,105	12,925	15,081
Minority Interest	0	0	0	0
<b>Profit/Loss share of associates</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>APAT</b>	<b>6,309</b>	<b>11,105</b>	<b>12,925</b>	<b>15,081</b>

**Balance Sheet**

(Rs Mn)	FY20A	FY21A	FY22E	FY23E
<b>Sources of Funds</b>				
Equity Capital	1,646	1,647	1,647	1,647
Minority Interest	0	0	0	0
Reserves & Surplus	29,922	41,543	49,856	59,832
<b>Net Worth</b>	<b>31,568</b>	<b>43,190</b>	<b>51,503</b>	<b>61,479</b>
Total Debt	0	0	0	0
Net Deferred Tax Liability	(1,835)	(351)	(351)	(351)
<b>Total Capital Employed</b>	<b>29,733</b>	<b>42,839</b>	<b>51,152</b>	<b>61,128</b>

**Applications of Funds**

Net Block	8,891	7,985	7,543	6,970
CWIP	136	224	224	224
Investments	0	0	0	0
<b>Current Assets, Loans &amp; Advances</b>	<b>40,704</b>	<b>55,054</b>	<b>65,369</b>	<b>77,830</b>
Inventories	0	0	0	0
Receivables	15,193	13,903	15,242	18,305
Cash and Bank Balances	5,870	7,597	15,967	24,250
Loans and Advances	0	0	0	0
Other Current Assets	12,697	14,247	14,852	15,968
<b>Less: Current Liabilities &amp; Provisions</b>	<b>19,998</b>	<b>20,424</b>	<b>21,984</b>	<b>23,896</b>
Payables	2,587	2,676	2,829	3,359
Other Current Liabilities	17,411	17,748	19,155	20,537
		<i>sub total</i>		
Net Current Assets	20,706	34,630	43,385	53,934
<b>Total Assets</b>	<b>29,733</b>	<b>42,839</b>	<b>51,152</b>	<b>61,128</b>

E – Estimates

**Important Ratios**

Particulars	FY20A	FY21A	FY22E	FY23E
<b>(A) Margins (%)</b>				
Gross Profit Margin	34.8	35.8	37.8	40.5
EBIDTA Margin	14.0	20.8	21.1	21.1
EBIT Margin	10.5	17.5	17.8	18.0
Tax rate	23.9	25.9	25.8	26.0
Net Profit Margin	8.1	13.9	13.8	14.0
<b>(B) As Percentage of Net Sales (%)</b>				
COGS	65.2	64.2	62.2	59.5
Employee	0.0	0.0	0.0	0.0
Other	20.7	15.0	16.8	19.5
<b>(C) Measure of Financial Status</b>				
Gross Debt / Equity	0.0	0.0	0.0	0.0
Interest Coverage	15.4	27.7	33.2	36.0
Inventory days	0	0	0	0
Debtors days	71	64	60	62
Average Cost of Debt	21160.0			
Payable days	12	12	11	11
Working Capital days	97	159	169	182
FA T/O	8.7	10.0	12.4	15.5
<b>(D) Measures of Investment</b>				
AEPS (Rs)	38.3	67.4	78.4	91.5
CEPS (Rs)	55.1	83.1	97.2	111.9
DPS (Rs)	30.0	25.0	28.0	31.0
Dividend Payout (%)	78.3	37.1	35.7	33.9
BVPS (Rs)	191.8	262.1	312.5	373.0
RoANW (%)	19.5	29.7	27.3	26.7
RoACE (%)	21.9	32.0	28.6	27.8
RoAIC (%)	30.2	47.3	47.2	53.8
<b>(E) Valuation Ratios</b>				
CMP (Rs)	2472	2472	2472	2472
P/E	64.5	36.7	31.5	27.0
Mcap (Rs Mn)	4,07,425	4,07,425	4,07,425	4,07,425
MCap/ Sales	5.2	5.1	4.4	3.8
EV	3,94,611	3,80,521	3,72,150	3,63,868
EV/Sales	5.1	4.8	4.0	3.4
EV/EBITDA	36.2	23.0	18.9	16.0
P/BV	12.9	9.4	7.9	6.6
Dividend Yield (%)	1.2	1.0	1.1	1.3
<b>(F) Growth Rate (%)</b>				
Revenue	10.6	2.6	17.3	15.5
EBITDA	2.4	52.0	18.9	15.4
EBIT	(9.6)	71.5	18.9	16.7
PBT	(16.0)	80.8	16.2	17.1
APAT	(16.3)	76.0	16.4	16.7
EPS	(16.4)	75.8	16.4	16.7

**Cash Flow**

(Rs Mn)	FY20A	FY21A	FY22E	FY23E
CFO	8,251	19,960	14,434	14,738
CFI	(229)	(11,833)	(1,452)	(1,350)
CFF	(6,960)	(4,225)	(4,612)	(5,106)
FCFF	7,031	19,341	11,684	11,853
Opening Cash	2,559	3,909	7,597	15,967
Closing Cash	3,909	7,597	15,967	24,250

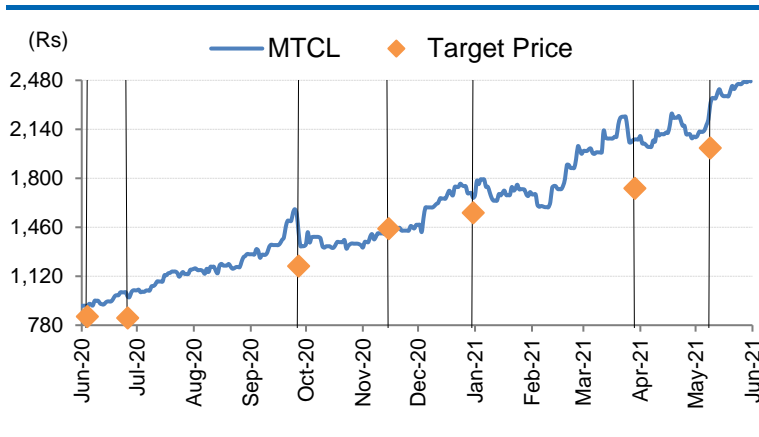
E – Estimates

### DART RATING MATRIX

Total Return Expectation (12 Months)

<b>Buy</b>	<b>&gt; 20%</b>
<b>Accumulate</b>	<b>10 to 20%</b>
<b>Reduce</b>	<b>0 to 10%</b>
<b>Sell</b>	<b>&lt; 0%</b>

### Rating and Target Price History



Month	Rating	TP (Rs.)	Price (Rs.)
Jun-20	SELL	840	909
Jul-20	SELL	830	978
Oct-20	SELL	1,190	1,425
Dec-20	Reduce	1,450	1,442
Jan-21	Sell	1,560	1,664
Apr-21	Sell	1,730	2,070
May-21	Sell	2,010	2,310

\*Price as on recommendation date

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