

IT Services | Q4FY23 Result Update

Top-Client drives Q4; Growth confidence builds better macros in H2

- Persistent posted healthy Revenue of \$275mn, up 3.5% QoQ in CC terms. (DE: 3.1%), led by Top-Client growth of 30.5% QoQ. Excluding Top-Client, Revenue growth moderated at 1.7% QoQ.
- ACV degrew by 5% QoQ and on TTM basis implies revenue coverage of just 1.13x (LQ 1.15x). Organic growth trajectory further slowed down to 19.6% YoY (LQ 22.8%). Thus, suggesting further moderation in growth hereon.
- OPM stood at 15.4%, flat on QoQ basis (DE: 15.3%). Tailwind of better fresher billing was offset by travel costs and annual employee engagement events. Announced DPS of Rs.22.
- Revival in Top-client was marred by weak Non-Top client growth, while meaningful margin recovery will remain limited given declining growth rates (mgmt. remain confident on this). We think the current valuations captures the rewards but do not map risks pertaining to uncertain macros and thus we maintain our Sell rating with TP of Rs.3,800 valued at 24x FY25E earnings.

Top-Client Grew after 4 quarters; Sustainability will be the Key

After 4 quarters of decline, Top-client's growth revived strongly to 30.5% QoQ, backed by a \$100mn TCV win. Management attributed revival to forging new partnerships/collaborations. While deal win & growth (on lower base) is positive, it remains to be seen if revenue trajectory can be clawed back to FY22 quarterly run rate of \$31mn (\$25.5mn in Q4).

Slowing Organic Growth Remains a Concern; Moderating TCV/ACV

Organic growth has been declining consistently and reached 19.6% YoY in Q4 (Q1/Q2/Q3 stood at 31.4%/26.6%/22.8%) as the ACV traction continues to moderate (down 5% QoQ in Q4). TTM ACV stood at \$1.17bn implying 1.13x on revenues in Q4 (Q1/Q2/Q3 trends were at 1.21x/1.19x/1.15x), implying growth moving towards low-mid teens over FY23-FY25 (Exhibit: 10).

Outlook Relatively Bullish; Valuations Limit Room for Error

Persistent aspires to achieve better than industry growth estimates rate of 7-10% for FY24, and is confident to clock quarterly growth between 3-5%. While past growth provide comfort, we believe that ramp-down trends witnessed by peer set presents a downside risk to revenue growth, and limit OPM gains.

Q4FY23 Result (Rs Mn)

Particulars	Q4FY23	Q4FY22	YoY (%)	Q3FY23	QoQ (%)
Revenue	22,545	16,379	37.6	21,694	3.9
Total Expense	18,382	13,567	35.5	17,678	4.0
EBITDA	4,163	2,812	48.1	4,016	3.7
Depreciation	697	511	36.4	684	2.0
EBIT	3,466	2,300	50.7	3,332	4.0
Other Income	(60)	371	(116.2)	192	(131.2)
Interest	0	0		0	
EBT	3,406	2,672	27.5	3,228	5.5
Tax	891	662	34.6	848	5.0
RPAT	2,515	2,010	25.1	2,380	5.7
APAT	2,515	2,010	25.1	2,676	(6.0)
			(bps)		(bps)
Gross Margin (%)	33.9	33.7	24	33.8	13
EBITDA Margin (%)	18.5	17.2	130	18.5	(4)
NPM (%)	11.2	12.3	(112)	11.0	19
Tax Rate (%)	26.2	24.8	138	26.3	(13)
EBIT Margin (%)	15.4	14.0	133	15.4	1

CMP	Rs 4,472
Target / Downside	Rs 3,800 / 15%
NIFTY	17,360

Scrip Details

Equity / FV	Rs 764mn / Rs 10
Market Cap	Rs 342bn
	USD 4.2bn
52-week High/Low	Rs 5,135/ 3,092
Avg. Volume (no)	3,75,294
Bloom Code	PSYS IN

Price Performance	1M	3M	12M
Absolute (%)	3	(3)	12
Rel to NIFTY (%)	(1)	(3)	5

Shareholding Pattern

	Sep'22	Dec'22	Mar'23
Promoters	31.3	31.3	31.3
MF/Banks/FIs	25.9	26.4	26.4
FIs	19.7	20.3	20.3
Public / Others	23.1	22.1	22.1

Valuation (x)

	FY23A	FY24E	FY25E
P/E	35.2	31.1	28.3
EV/EBITDA	22.2	19.1	17.2
ROE (%)	25.1	25.5	24.1
RoACE (%)	23.9	23.8	22.7

Estimates (Rs bn)

	FY23A	FY24E	FY25E
Revenue	83.5	98.9	110.7
EBITDA	15.2	17.4	19.1
PAT	9.5	11.0	12.1
EPS (Rs.)	127.2	143.9	158.3

VP - Research: Rahul Jain

Tel: +9122 40969771

E-mail: rahulj@dolatcapital.com

Associate: Pranav Mashruwala

Tel: +9122 40969773

E-mail: pranavm@dolatcapital.com

Associate: Ayur Bohra

Tel: +9122 40969624

E-mail: ayurb@dolatcapital.com

Exhibit 1: Quarterly performance versus estimates

Particulars (Rs mn)	Actual	Estimates		% Variation		Comment
		Dolat	Consensus	Dolat	Consensus	
USD Revenue	275	273	275	0.4	0.0	Strong Top-Client growth led Rev. Beat
INR Revenue	22,545	22,498	22,539	0.2	0.0	
EBIT	3,466	3,447	3,503	0.5	(1.1)	Lower than est. employee cost led to slight beat
EBIT, margin (%)	15.4	15.3	15.5	10 bps	(20 bps)	
PAT	2,515	2,658	2,662	(5.4)	(5.5)	Miss due to F/X loss

Source: Company, DART

Change in Estimates

We believe that management's cautiously optimistic outlook is built in to our estimates, and hence leave USD Revenue growths unchanged for FY24E/FY25E. Margin improvement is expected to be limited, given return of travel costs and other overheads from pre-COVID period. Hence, revise OPM estimates by +37bps for FY24E and lower by 8bps FY25E. Overall, expect upward revision in our earnings estimates by 2.9% for FY24E but unchanged for FY25E.

Exhibit 2: Change in Estimates

Particulates (Rs. Mn)	FY22A	FY23E			FY24E			FY25E		
	Actual	Old	Actual	Chg. (%)	Old	New	Chg. (%)	Old	New	Chg. (%)
USD Revenue	766	1,035	1,036	0.1	1,199	1,199	0.0	1,338	1,339	0.0
YoY growth, %	35.2	35.2	35.3	16 bps	15.6	15.7	16 bps	11.6	11.7	5 bps
INR Revenue	57,107	83,460	83,506	0.1	98,923	98,923	0.0	1,10,664	1,10,718	0.0
YoY growth, %	36.4	46.1	46.2	8 bps	18.2	18.5	24 bps	11.9	11.9	5 bps
EBIT	7,922	12,454	12,472	0.2	14,095	14,465	2.6	15,865	15,787	(0.5)
EBIT Margin (%)	13.9	14.9	14.9	1 bps	14.2	14.6	37 bps	14.3	14.3	(8 bps)
Net Profit	6,904	9,354	9,211	(1.5)	10,687	10,995	2.9	12,101	12,095	(0.0)
EPS (Rs. Abs)	90.3	122.4	123.2	0.7	139.8	143.9	2.9	158.3	158.3	(0.0)

Source: DART

Exhibit 3: Key Assumptions in Our Estimates

Key Assumptions	FY21A	FY22A	FY23A	FY24E	FY25E
USD revenue growth (%)	12.9	35.2	35.3	15.7	11.7
INR revenue growth (%)	17.4	36.4	46.2	18.5	11.9
EBIT margin (%)	12.1	13.9	14.9	14.6	14.3
EPS growth (%)	32.5	53.2	36.4	16.7	10.0
USD/INR	74.0	74.6	80.6	82.5	82.7

Source: DART, Company

Exhibit 4: Key Growth Matrix

Growth YoY (%)	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23
USD Revenue	20.3	27.3	34.0	36.2	42.2	44.8	40.2	32.8	26.3
INR Revenue	20.2	24.1	34.1	38.7	47.1	52.7	51.6	45.4	37.6

Source: DART, Company

Exhibit 5: Quarterly and YTD Trend

Particulars (Rs mn)	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	YoY (%)	QoQ (%)	FY22	FY23	YoY (%)
USD Revenue	217.3	241.5	255.6	264.4	273.3	25.8	3.4	765.6	1,034.7	35.2
INR Revenue	16,379	18,781	20,486	21,694	22,498	37.4	3.7	57,107	83,460	46.1
Operating Expenses	13,567	15,448	16,807	17,678	18,358	35.3	3.8	47,526	68,291	43.7
Cost of revenue	10,859	12,433	13,628	14,360	14,781	36.1	2.9	37,895	55,203	45.7
as % of sales	66.3	66.2	66.5	66.2	65.7	(60 bps)	(49 bps)	66.4	66.1	(21 bps)
SG&A expenses	2,707	3,015	3,178	3,318	3,576	32.1	7.8	9,631	13,088	35.9
as % of sales	16.5	16.1	15.5	15.3	15.9	(63 bps)	60 bps	16.9	15.7	(118 bps)
EBITDA	2,812	3,333	3,680	4,016	4,141	47.3	3.1	9,582	15,169	58.3
Depreciation	511	645	693	684	694	35.6	1.5	1,660	2,715	63.6
EBIT	2,300	2,688	2,987	3,332	3,447	49.9	3.5	7,922	12,454	57.2
Other Income	371	131	(31)	(104)	159	(57.3)	(252.4)	1,321	155	(88.3)
PBT	2,672	2,819	2,956	3,228	3,606	35.0	11.7	9,243	12,609	36.4
Total Tax	662	703	756	848	948	43.2	11.7	2,339	3,255	39.1
Reported PAT	2,010	2,116	2,200	2,380	2,658	32.3	11.7	6,904	9,354	35.5
Reported EPS	26.3	28.5	29.6	31.9	35.6	35.5	11.7	90.3	125.6	39.1
Margins (%)						(bps)	(bps)			(bps)
EBIDTA	17.2	17.7	18.0	18.5	18.4	124	(11)	16.8	18.2	140
EBIT	14.0	14.3	14.6	15.4	15.3	128	(4)	13.9	14.9	105
EBT	16.3	15.0	14.4	14.9	16.0	(29)	115	16.2	15.1	(108)
PAT	12.3	11.3	10.7	11.0	11.8	(46)	85	12.1	11.2	(88)
Effective Tax rate	24.8	24.9	25.6	26.3	26.3	151	0	25.3	25.8	51

Source: Company

What to expect next Quarter

We expect revenue growth of 3.8% QoQ in Q1, led by continued healthy deal conversions, and growth in Top-client. OPM is expected to improve by 48bps QoQ, led by operating leverage (wage hikes expected in Q2).

Exhibit 6: What to expect next Quarter

Particulars (Rs. Mn)	Q1FY24E	Q4FY23	Q1FY23	QoQ (%)	YoY (%)
USD Revenue	285	275	242	3.8	18.0
INR Revenue	23,511	22,545	18,781	4.3	25.2
EBIT	3,727	3,466	2,688	7.5	38.7
PAT	2,816	2,515	2,116	12.0	33.1
EPS (Rs. Abs)	36.9	32.9	27.7	12.0	33.1
EBIT Margin (%)	15.9	15.4	14.3	48	154

Source: DART, Company

Valuation

We believe that while PERSISTENT will continue to deliver strong revenue momentum over next 3-4 quarters (translating into mid-teens/low double digit revenue growth for FY24E-and FY25E), while also acknowledging macro risks. But we believe that as growth rates moderates the valuation may moderate further. We currently value PSYS at 24x on FY25E Earnings of Rs. 158 with TP of Rs. 3,800 per share and maintain our **Sell** Rating on the stock.

Earning Call KTAs

- **Revenue:** Persistent's Revenue stood at \$274.6mn, and grew by 3.5% QoQ in CC terms and 3.9% in USD term. For full-year FY23, Persistent crossed milestone of \$1Bn in Revenue. Growth was led by Top-Client, growing 30.5% QoQ, while Non-Top Client growth moderated to 1.7% QoQ. Growth moderated due to rampdown in a key hyperscaler account, amounting to ~\$3mn for Q4 and \$10mn on an annualized basis for FY23. Persistent's 2nd largest client (in BFSI segment) witnessed sequential growth of 7.6% during the quarter as it gained from absence of furloughs in this account on QoQ basis. Vertical-wise, growth was led by Software, Hi-Tech & Emerging (excl. Top Client), growing by 4.4% QoQ, followed by Healthcare at 4.4% QoQ, while BFSI Vertical grew 2.9% QoQ.
- **EBIT Margin:** EBIT stood at Rs. 3.4Bn, and EBIT margin was flat 15.4% as compared to Q3. Tailwind of better billing rate was offset by employee engagement event (30bps) and higher travel costs. For FY23, Persistent added over 3K freshers, which achieved billability in mid Q3 and early Q4. Management expects fresher billability to start aiding margins for FY24. For Q2FY24, management estimates wage hike quantum to be lower than last year (in FY23 Offshore was ~8%, onsite was ~5%). However management has not zeroed on the quantum yet as it would be effective in July'23.
- **Top-Client (9.3% of Rev):** Top-client revenue stood at \$25.5mn, up 30.5% QoQ. Top-client revenues was declining since past 4 quarters, as client had increased focus on cost restructuring, leading to project ramp downs. From Q4FY23 onwards, Company stated that it has partnered with Top-client for new opportunities and collaborations, leading to a TCV win of \$100mn in Q4FY23, and company expects healthy revenue growth going forward.
- **TCV:** Persistent reported TCV of \$422mn, down 4.2% QoQ. ACV stood at \$310mn, down 5% QoQ. On a TTM basis, TCV/ACV stood at \$1.6/\$1.2Bn, taking Book to Bill to 1.6x/1.13x of FY23 Revenue respectively.
- **Outlook:** Management maintained macro environment remains difficult, but expects to deliver better than industry leading growth (Management benchmarked industry growth estimate of 7-10% for CY23; Nasscom estm is 8-9% for FY23-FY25). On a quarterly basis, Persistent aspires to achieve Revenue growth of 3-5% QoQ (in USD terms). Persistent expects margin improvement by 200-300bps over next 2-3 years (FY23 OPM: 14.9%). Qualitatively, management also stated that layoffs in US are an opportunity for greater off-shoring which augurs well for Indian IT and Engineering services, and expects improved demand environment in next 1-2 quarters.
- **Employees:** Headcount stood at 22,889 employees. Company added 291 employees in Q4FY23. For FY24, Persistent shared that lateral hiring will be a function of revenue growth, while fresher addition would be between 850-1,000 employees. Attrition declined further to 19.8% (Q3: 21.6%). Persistent expects attrition to lower further due to easing supply side issues and appropriate interventions.
- **Utilization:** Blended utilization saw a mild dip to 77.3% as compared to 77.6% in Q3FY23. Onsite (Global Development Center) utilization rose to 87.9% from 86.8%.
- **Onsite and Offshore Mix:** On QoQ basis, Off-shore (60.4% of Rev.) reported strong growth of 9.5%, with volume growth of 9.3%, and 0.2% billing rate hike. However, Onsite (32.8% of Rev.), growth saw a decline of 1.3%, with 1.2% volume decline and billing rate decline of -0.4%.
- **Dividend:** Persistent announced final dividend of Rs. 12 per share and special dividend of Rs. 10 per share. Total dividend stood at Rs. 50 for full year FY23.
- **M&A Plans:** Management stated that in FY24, it would resume looking for M&A opportunities to add capabilities. Key areas of interest include: Consumer Tech, Cyber security, selective Financial Services and Generative AI. In terms of geography, Persistent would look at Eastern Europe with a view of nearshoring.

Exhibit 7: Vertical Trend for Q4FY23

Vertical	Amount (\$ mn)	Mix (%)	QoQ (%)	YoY (%)	Incremental Revenue (\$ mn)	% Contribution of Incremental Revenue
BFSI	89	32	2.9	25.9	3	25
Tech & Emerging Vertical	132	48	4.3	29.3	5	53
Healthcare	54	20	4.4	20.2	2	22
Total	275	100	3.9	26.3	10	100

Source: DART, Company

Exhibit 8: Geography Trend for Q4FY23

Geography	Amount (\$ mn)	Mix (%)	QoQ (%)	YoY (%)	Incremental Revenue (\$ mn)	% Contribution of Incremental Revenue
North America	214	78	4.9	25.2	10	99
Europe	28	10	18.9	54.9	4	44
India	27	10	(15.6)	14.8	(5)	(50)
RoW	5	2	16.8	13.7	1	7
Total	275	100	3.9	26.3	10	100

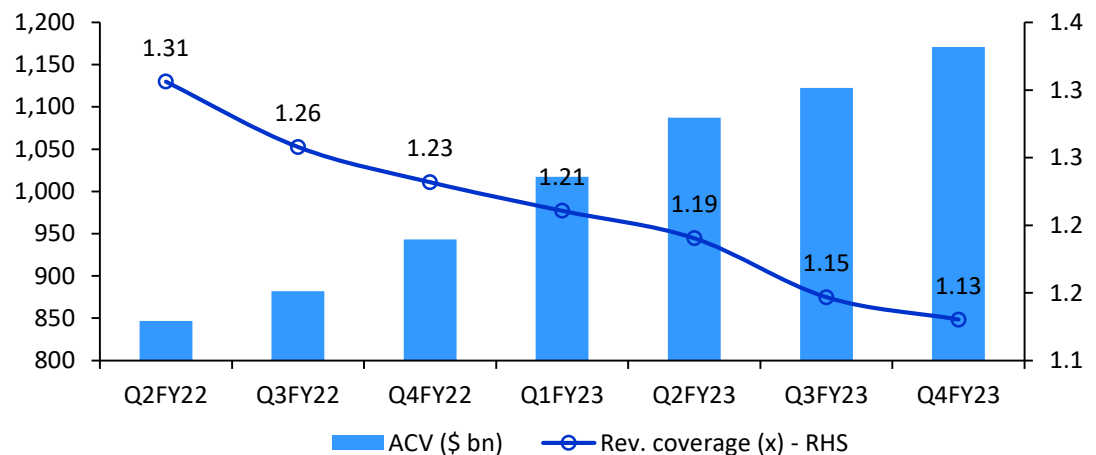
Source: DART, Company

Exhibit 9: Client Bucket Trend for Q4FY23

Client	Amount (\$ mn)	Mix (%)	QoQ (%)	YoY (%)	Incremental Revenue (\$ mn)	% Contribution of Incremental Revenue
Top client	26	9	30.5	(16.1)	6.0	58.5
Top 2-5 client	47	17	3.3	17.5	1.5	14.6
Top 6-10 client	30	11	9.9	43.4	2.7	26.4
Non-Top 10 clients	172	63	0.0	36.6	0.0	0.4
Total	275	100	3.9	26.3	10	100.0

Source: DART, Company

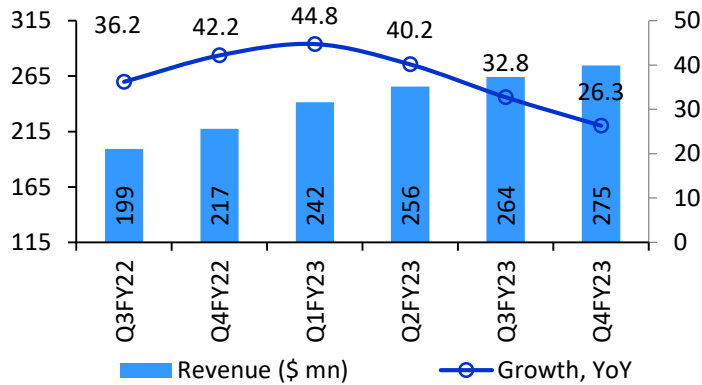
Exhibit 10: TTM ACV trends and Revenue Coverage Slowing



Source: DART, Company

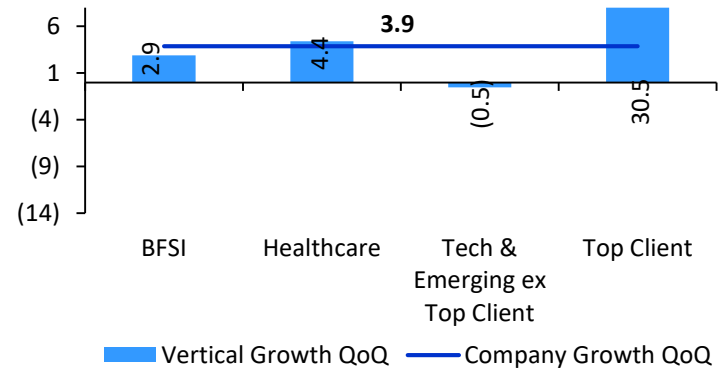
Story in Charts

Exhibit 11: USD Rev. at 3.9%; Non-Top Client Slows



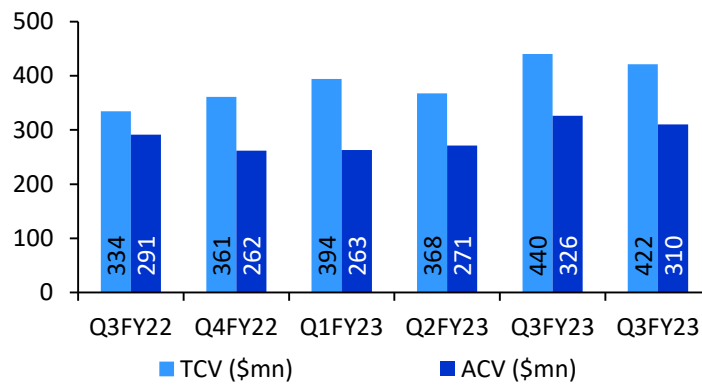
Source: DART, Company

Exhibit 12: Top-Client Led Growth for Q4FY23



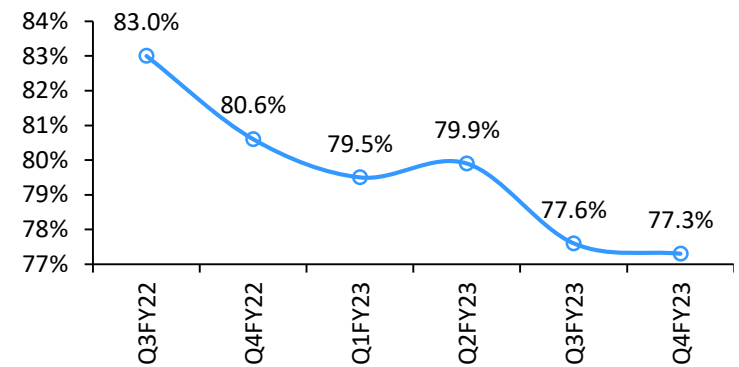
Source: DART, Company

Exhibit 13: Moderation in TCV/ACV Win Trajectory



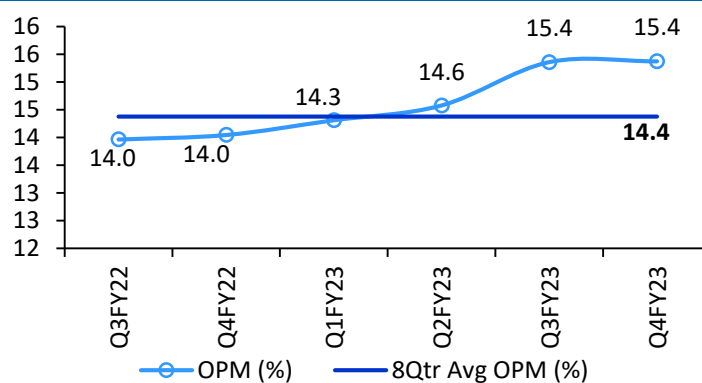
Source: DART, Company

Exhibit 14: Fresher Addition Led to Utilization dip



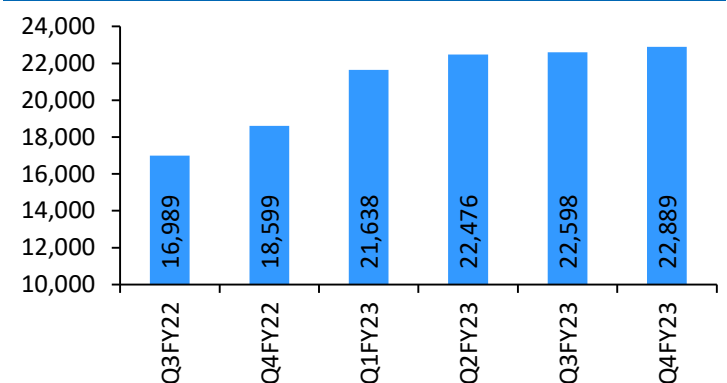
Source: DART, Company

Exhibit 15: OPM Flat on QoQ Basis



Source: DART, Company

Exhibit 16: Headcount Addition QoQ Slowed Further



Source: DART, Company

Exhibit 17: Operating Metrics 1

Operating Metrics	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23
\$ Revenue	152.8	166.8	182.3	199.1	217.3	241.5	255.6	264.4	274.6
USD Growth, QoQ %	4.6	9.2	9.3	9.2	9.1	11.1	5.8	3.4	3.9
USD Growth, YoY %	20.3	27.3	34.0	36.2	42.2	44.8	40.2	32.8	26.3
Geographical Amount									
US & Canada	121.0	131.6	143.5	157.7	170.8	189.3	200.9	203.8	213.9
UK	15.3	15.8	16.0	16.5	18.3	20.5	21.2	23.8	28.3
India	13.6	16.3	19.1	21.7	23.9	27.3	29.4	32.5	27.5
RoW	2.9	3.0	3.6	3.2	4.3	4.3	4.1	4.2	4.9
Geographical YoY % Growth									
US & Canada	18.8	24.9	27.2	33.1	41.1	43.8	40.0	29.2	25.2
UK	36.7	18.6	55.1	28.5	19.5	29.5	32.2	44.0	54.9
India	18.9	57.9	73.7	72.7	75.8	66.9	53.5	49.8	14.8
RoW	14.3	52.8	91.4	45.3	49.7	44.8	12.1	32.8	13.7
Vertical Amount									
BFSI	46.0	51.4	56.0	64.1	70.4	81.4	83.8	86.2	88.7
CMT	77.3	81.2	87.7	93.8	101.9	112.1	121.4	126.4	131.8
CMT ex Top Client	50.0	52.9	56.9	58.9	71.5	83.8	99.2	106.8	106.3
Top Client	27.4	28.4	30.8	34.8	30.4	28.3	22.2	19.6	25.5
Healthcare	29.5	34.2	38.7	41.2	45.0	48.1	50.3	51.8	54.1
Vertical YoY % Growth									
BFSI	15.7	23.3	28.9	48.7	53.1	58.4	49.8	34.4	25.9
CMT	23.0	27.8	32.0	24.8	31.8	37.9	38.4	34.7	29.3
CMT ex Top Client	29.8	31.0	42.2	22.6	43.1	58.5	74.3	81.2	48.6
Top Client	12.1	22.3	16.7	28.9	11.2	(0.4)	(27.8)	(43.9)	(16.1)
Healthcare	20.9	32.5	46.7	47.7	52.5	40.5	30.3	25.7	20.2
Top Client Amount									
Top client	27.4	28.4	30.8	34.8	30.4	28.3	22.2	19.6	25.5
Top 2-5 client	28.3	32.5	34.5	37.0	40.2	46.1	46.5	45.7	47.2
Top 6-10 client	15.1	17.0	17.5	17.7	20.9	23.9	25.0	27.2	29.9
Non-Top 10 clients	82.1	88.9	99.5	109.5	125.8	143.2	161.8	171.8	171.9
Top Client YoY % Growth									
Top client	12.1	22.3	16.7	28.9	11.2	(0.4)	(27.8)	(43.9)	(16.1)
Top 2-5 client	(0.2)	7.5	14.1	31.3	42.2	41.8	35.0	23.5	17.5
Top 6-10 client	41.8	58.4	44.5	31.8	37.9	40.5	43.1	53.6	43.4
Non-Top 10 clients	28.9	33.1	47.8	41.4	53.3	61.1	62.5	56.9	36.6

Exhibit 18: Operating Metrics 2

Operating Metrics	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23
Billed Person Month									
Onsite	2,794	3,080	3,354	3,891	4,578	5,364	5,495	5,712	5,639
Offshore	19,892	21,596	24,149	25,928	28,472	31,123	32,603	34,237	37,428
IP Led Person Months	3,546	3,918	4,000	3,911	3,225	3,278	3,036	3,286	3,986
Billable Person Months									
Onsite	3,345	3,480	3,840	4,519	5,260	6,336	6,438	6,578	6,417
Offsite	25,325	27,327	29,372	31,419	35,766	39,564	41,266	44,887	49,315
Calculated Utilization (%)									
Onsite	84	89	87	86	87	85	85	87	88
Offsite	79	79	82	83	80	79	79	76	76
Reported Utilization (%)									
Blended	79	80	83	83	81	80	80	78	77
GDC	84	89	87	86	87	85	85	87	88
India	79	79	82	83	80	79	79	76	76
Customers Billed									
For Services business	558	568	596	625	678	735	767	770	743
For IP Led business	140	132	130	122	125	129	134	134	133
Client Engagement Size									
Large > USD 5M	17	21	22	24	25	26	30	34	34
Medium > USD 1M, < USD 5M	66	76	84	90	93	104	116	118	126
DSO	55	54	55	58	59	60	60	67	68
Employee Data									
Technical	12,706	13,833	14,657	15,721	17,283	20,144	20,941	21,033	21,295
Sales and BD	273	308	296	294	317	367	387	405	414
Others	701	763	926	974	999	1,127	1,148	1,160	1,180
Total Employees	13,680	14,904	15,879	16,989	18,599	21,638	22,476	22,598	22,889
Attrition Rates(LTM)	11.7	16.6	23.6	26.9	26.6	24.8	23.7	21.6	19.8

Source: DART, Company

Financial Performance

Profit and Loss Account

(Rs Mn)	FY22A	FY23A	FY24E	FY25E
Revenue	57,107	83,506	98,923	1,10,718
Total Expense	47,526	68,315	81,474	91,588
COGS	37,895	55,315	65,453	73,470
Employees Cost	0	0	0	0
Other expenses	9,631	12,999	16,021	18,118
EBIDTA	9,582	15,191	17,449	19,130
Depreciation	1,660	2,719	2,984	3,343
EBIT	7,922	12,472	14,465	15,787
Interest	0	0	0	0
Other Income	1,321	233	393	558
Exc. / E.O. items	0	(297)	0	0
EBT	9,243	12,409	14,859	16,345
Tax	2,339	3,198	3,863	4,250
RPAT	6,904	9,211	10,995	12,095
Minority Interest	0	0	0	0
Profit/Loss share of associates	0	0	0	0
APAT	6,904	9,507	10,995	12,095

Balance Sheet

(Rs Mn)	FY22A	FY23A	FY24E	FY25E
Sources of Funds				
Equity Capital	764	764	764	764
Minority Interest	0	0	0	0
Reserves & Surplus	32,918	38,887	45,755	53,264
Net Worth	33,682	39,651	46,519	54,029
Total Debt	4,325	4,285	4,130	3,980
Net Deferred Tax Liability	(1,123)	(1,129)	(1,131)	(1,136)
Total Capital Employed	36,885	42,807	49,518	56,873

Applications of Funds

Net Block	15,336	23,413	23,129	23,086
CWIP	1,071	161	161	161
Investments	8,225	6,396	6,396	6,396
Current Assets, Loans & Advances	28,387	35,092	42,655	50,887
Inventories	0	0	0	0
Receivables	9,484	15,830	18,284	20,146
Cash and Bank Balances	9,145	9,033	12,135	17,547
Loans and Advances	3,538	0	0	0
Other Current Assets	6,220	10,229	12,237	13,194
Less: Current Liabilities & Provisions	16,133	22,256	22,824	23,658
Payables	4,299	5,689	6,635	7,246
Other Current Liabilities	11,835	16,566	16,189	16,411
<i>sub total</i>				
Net Current Assets	12,253	12,836	19,832	27,229
Total Assets	36,885	42,807	49,518	56,873

E – Estimates

Important Ratios

Particulars	FY22A	FY23A	FY24E	FY25E
(A) Margins (%)				
Gross Profit Margin	33.6	33.8	33.8	33.6
EBIDTA Margin	16.8	18.2	17.6	17.3
EBIT Margin	13.9	14.9	14.6	14.3
Tax rate	25.3	25.8	26.0	26.0
Net Profit Margin	12.1	11.0	11.1	10.9
(B) As Percentage of Net Sales (%)				
COGS	66.4	66.2	66.2	66.4
Employee	0.0	0.0	0.0	0.0
Other	16.9	15.6	16.2	16.4
(C) Measure of Financial Status				
Gross Debt / Equity	0.1	0.1	0.1	0.1
Interest Coverage				
Inventory days	0	0	0	0
Debtors days	61	69	67	66
Average Cost of Debt	0.0	0.0	0.0	0.0
Payable days	27	25	24	24
Working Capital days	78	56	73	90
FA T/O	3.7	3.6	4.3	4.8
(D) Measures of Investment				
AEPS (Rs)	90.3	127.2	143.9	158.3
CEPS (Rs)	112.1	163.6	182.9	202.0
DPS (Rs)	31.0	51.1	54.0	60.0
Dividend Payout (%)	34.3	40.2	37.5	37.9
BVPS (Rs)	440.7	530.5	608.7	707.0
RoANW (%)	22.4	25.1	25.5	24.1
RoACE (%)	21.6	23.9	23.8	22.7
RoAIC (%)	35.3	40.6	40.7	41.2
(E) Valuation Ratios				
CMP (Rs)	4472	4472	4472	4472
P/E	49.5	35.2	31.1	28.3
Mcap (Rs Mn)	3,41,788	3,41,788	3,41,788	3,41,788
MCap/ Sales	6.0	4.1	3.5	3.1
EV	3,36,969	3,37,040	3,33,783	3,28,221
EV/Sales	5.9	4.0	3.4	3.0
EV/EBITDA	35.2	22.2	19.1	17.2
P/BV	10.1	8.4	7.3	6.3
Dividend Yield (%)	0.7	1.1	1.2	1.3
(F) Growth Rate (%)				
Revenue	36.4	46.2	18.5	11.9
EBITDA	40.3	58.5	14.9	9.6
EBIT	56.1	57.4	16.0	9.1
PBT	51.7	34.3	19.7	10.0
APAT	53.2	37.7	15.6	10.0
EPS	53.2	40.8	13.1	10.0

E – Estimates

Cash Flow

Particulars	FY22A	FY23A	FY24E	FY25E
Profit before tax	9,243	12,409	14,859	16,345
Depreciation & w.o.	1,660	2,719	2,984	3,343
Net Interest Exp	(121)	721	(393)	(558)
Direct taxes paid	(2,367)	(3,405)	(3,863)	(4,250)
Change in Working Capital	(407)	(4,377)	(3,896)	(1,990)
Non Cash	442	1,491	0	0
(A) CF from Operating Activities	8,450	9,558	9,690	12,890
Capex {(Inc.)/ Dec. in Fixed Assets n WIP}	(9,962)	(8,632)	(2,700)	(3,300)
Free Cash Flow	4,642	5,237	6,990	9,590
(Inc.)/ Dec. in Investments	2,992	3,879	0	0
Other	(2,803)	539	393	558
(B) CF from Investing Activities	(9,773)	(4,213)	(2,307)	(2,742)
Issue of Equity/ Preference	0	0	0	0
Inc./(Dec.) in Debt	4,279	(40)	(155)	(150)
Interest exp net	(118)	(473)	0	0
Dividend Paid (Incl. Tax)	(1,987)	(2,981)	(4,127)	(4,586)
Other	(351)	(545)	0	0
(C) CF from Financing	1,823	(4,039)	(4,282)	(4,736)
Net Change in Cash	559	1,692	3,102	5,413
Opening Cash balances	2,419	2,978	4,670	7,772
Closing Cash balances	2,978	4,670	7,772	13,185

E – Estimates

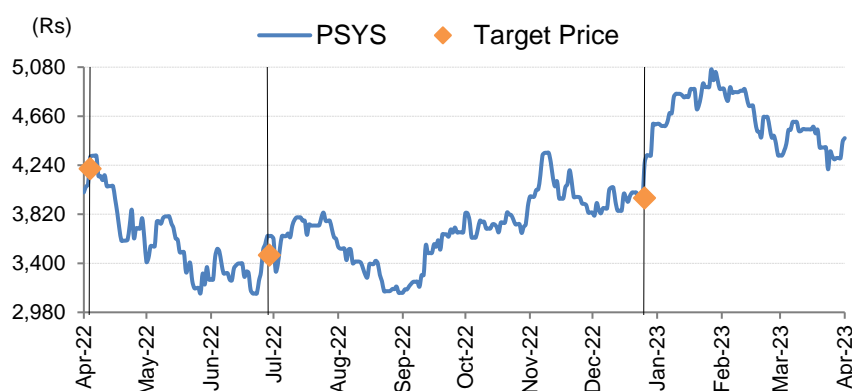
Notes

DART RATING MATRIX

Total Return Expectation (12 Months)

Buy	> 20%
Accumulate	10 to 20%
Reduce	0 to 10%
Sell	< 0%

Rating and Target Price History



Month	Rating	TP (Rs.)	Price (Rs.)
Apr-22	Reduce	4,210	4,309
Jul-22	Reduce	3,470	3,633
Jan-23	Reduce	3,960	4,258

*Price as on recommendation date

DART Team

Purvag Shah	Managing Director	purvag@dolatcapital.com	+9122 4096 9747
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Amit Khurana, CFA	Head of Equities	amit@dolatcapital.com	+9122 4096 9745
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CONTACT DETAILS

Equity Sales	Designation	E-mail	Direct Lines
Dinesh Bajaj	VP - Equity Sales	dineshb@dolatcapital.com	+9122 4096 9709
Kapil Yadav	VP - Equity Sales	kapil@dolatcapital.com	+9122 4096 9735
Jubbin Shah	VP - Equity Sales	jubbins@dolatcapital.com	+9122 4096 9779
Girish Raj Sankunny	VP - Equity Sales	girishr@dolatcapital.com	+9122 4096 9625
Pratik Shroff	AVP - Equity Sales	pratiks@dolatcapital.com	+9122 4096 9621
Equity Trading	Designation	E-mail	
P. Sridhar	SVP and Head of Sales Trading	sridhar@dolatcapital.com	+9122 4096 9728
Chandrakant Ware	VP - Sales Trading	chandrakant@dolatcapital.com	+9122 4096 9707
Shirish Thakkar	VP - Head Domestic Derivatives Sales Trading	shirisht@dolatcapital.com	+9122 4096 9702
Kartik Mehta	Asia Head Derivatives	kartikm@dolatcapital.com	+9122 4096 9715
Bhavin Mehta	VP - Derivatives Strategist	bhavinm@dolatcapital.com	+9122 4096 9705

Dolat Capital Market Private Limited.

Naman Midtown, A-1203, 12th Floor, Senapati Bapat Marg, Prabhadevi, Mumbai 400013

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SEBI Registration No: BSE - INZ000274132, NSE - INZ000274132, Research: INH000000685

Regd. office: 1401-1409, Dalal Street Commercial, Block 53 (Bldg. No.53E) Zone-5, Road-5E, Gift City, Sector 9, Gandhinagar-382355 Gujarat, India.

Board: +9122 40969700 | Fax: +9122 22651278 | Email: research@dolatcapital.com | www.dolatresearch.com