

Demand Moderation Leads Result Miss; Guidance Retained

- HCLT's Revenues declined by 1.3% QoQ in CC terms (DE: +1.7%), due to demand moderation in Technology and Telco Media verticals. I.T Services, ER&D, and Software declined 0.1%/5.2%/3.1% QoQ respectively.
- OPM dipped 110bps QoQ to 17% (DE: 18.3%) due to lower utilization. Confidence of deal conversion and pick-up in remaining quarters led to mgmt retaining FY'24 guidance of 6-8% CC growth with OPM of 18-19%.
- Q1 saw miss, but sharp cost containment efforts should help HCLT achieve its in-line margin objectives despite revenue pressures. Maintain Reduce, with TP of Rs. 1,140, valued at 18x of FY25E earnings.

Uphill Climb to Meet Revenue Guidance; Management Confident

Post Q1'FY24, the implied ask rate, for lower end of the guidance projects 3.2% CQGR. Mgmt. expressed confidence to meet guidance based on current deal pipeline, expected conversions, while buffering for macro uncertainty. We believe this ask rate would be difficult to achieve, given moderating discretionary spends.. However, we believe the acquisition of ASAP (may contribute \$80mn odd for H2FY24) would now help it bridge that gap.

Employee Cost Optimization to Ensure Margin Guidance

Weak Q1'FY24 OPM of 17% reflected top-line pressure, however, HCLT reiterated its margin guidance of 18-19% for FY'24. Management has announced forgoing of wage hikes for E4 and leadership employees and deferred it for junior & mid employees by a quarter. This, along with declining attrition, muted hiring plans (Q4 saw net reduction of 2.5k employees), is likely to ensure that margin guidance would be met.

Generative AI Gets Higher Mentions, But Limited near term Trigger

HCLT is working on 140+ internal and external projects in Generative AI (with maturity ranging from POC to implementation), formed 3 dedicated labs, and is actively partnering with various Hyperscalers/specialists GSIs. HCLT expects Gen.AI projects to improve client efficiency, while causing some price deflation on deals. We believe this is an evolving area, exhibiting another extreme side of innovation and discretionary spends while most conversations veer towards cost optimization.

Q1FY24 Result (Rs Mn)

Particulars	Q1FY24	Q1FY23	YoY (%)	Q4FY23	QoQ (%)
Revenue	262,960	234,640	12.1	266,060	(1.2)
Total Expense	209,090	184,890	13.1	207,430	0.8
EBITDA	53,870	49,750	8.3	58,630	(8.1)
Depreciation	9,270	9,830	(5.7)	10,270	(9.7)
EBIT	44,600	39,920	11.7	48,360	(7.8)
Other Income	2,360	3,450	(31.6)	3,570	(33.9)
Interest	0	0		0	
EBT	46,960	43,370	8.3	51,930	(9.6)
Tax	11,650	10,560	10.3	12,140	(4.0)
RPAT	35,340	32,830	7.6	39,810	(11.2)
APAT	35,340	32,830	7.6	39,810	(11.2)
			(bps)		(bps)
Gross Margin (%)	34.1	34.1	(3)	34.9	(78)
EBITDA Margin (%)	20.5	21.2	(72)	22.0	(155)
NPM (%)	13.4	14.0	(55)	15.0	(152)
Tax Rate (%)	24.8	24.3	46	23.4	143
EBIT Margin (%)	17.0	17.0	(5)	18.2	(122)

CMP	Rs 1,111
Target / Upside	Rs 1,140 / 3%
NIFTY	19,384

Scrip Details

Equity / FV	Rs 5,430mn / Rs 2
Market Cap	Rs 3,014bn
	USD 36.7bn
52-week High/Low	Rs 1,203/ 877
Avg. Volume (no)	2,391,030
Bloom Code	HCLT IN

Price Performance	1M	3M	12M
Absolute (%)	0	4	21
Rel to NIFTY (%)		1	5

Shareholding Pattern

	Dec'22	Mar'23	Jun'23
Promoters	60.7	60.7	60.7
MF/Banks/FIs	16.6	16.6	16.6
FIs	17.2	17.2	17.2
Public / Others	5.6	5.6	5.6

Valuation (x)

	FY23A	FY24E	FY25E
P/E	20.3	19.5	17.6
EV/EBITDA	13.0	12.6	11.5
ROE (%)	23.3	23.4	25.3
RoACE (%)	22.6	23.0	25.0

Estimates (Rs bn)

	FY23A	FY24E	FY25E
Revenue	1,014.6	1,106.4	1,202.4
EBITDA	226.3	234.7	256.5
PAT	148.5	154.6	171.3
EPS (Rs.)	54.8	57.0	63.2

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Exhibit 1: Quarterly performance versus estimates

Particulars (Rs mn)	Actual	Estimates		% Variation		Comment
		Dolat	Consensus	Dolat	Consensus	
USD Revenue	3,200	3,299	3,272	(3.0)	(2.2)	Decline in Technology and Telco Media led to Revenue Miss
INR Revenue	2,62,960	2,71,193	2,68,909	(3.0)	(2.2)	
EBIT	44,600	49,621	48,673	(10.1)	(8.4)	Lower utilization due to project rampdown lowered OPM
EBIT, margin	17.0	18.3	18.1	(130 bps)	(110 bps)	
PAT	35,340	38,989	37,916	(9.4)	(6.8)	Weak OI accentuated PAT Miss

Source: Company, DART

Change in Estimates

Due to Q1 Miss, we lower our USD revenue growth by 1.3%/1.6% for FY24E/FY25E, despite management confidence on achieving guidance (note this also includes contribution of its acquisition of ERS during the quarter). Cost management efforts should help margins, but will be limited by weak revenue growth, hence lower OPM by 46bps/8bps for FY24E/FY25E. On an overall basis we revise down our earnings estimates by 4.7%/2.4% for FY24E/FY25E respectively.

Exhibit 2: Change in Estimates

Particulars (Rs mn)	FY22A	FY23A	FY24E			FY25E		
	Actual	Actual	Old	New	% chg	Old	New	% chg
USD Revenue	11,481	12,602	13,609	13,436	(1.3)	14,769	14,540	(1.6)
YoY growth	12.8	9.8	8.0	6.6	(138 bps)	8.5	8.2	(31 bps)
INR Revenue	8,56,510	10,14,560	11,21,768	11,06,433	(1.4)	12,21,430	12,02,435	(1.6)
YoY growth,	13.6	18.5	10.6	9.1	(151 bps)	8.9	8.7	(21 bps)
EBIT	1,62,040	1,84,850	2,05,472	1,97,612	(3.8)	2,24,359	2,19,916	(2.0)
EBIT Margin	18.9	18.2	18.3	17.9	(46 bps)	18.4	18.3	(8 bps)
Net Profit	1,34,980	1,48,510	1,62,083	1,54,589	(4.6)	1,75,482	1,71,332	(2.4)
EPS (Rs. Abs)	49.8	54.8	59.8	57.0	(4.7)	64.7	63.2	(2.4)

Source: Company, DART

Exhibit 3: Key Assumptions in our estimates

Assumptions Table	FY22A	FY23A	FY24E	FY25E
CC revenue growth (%)	12.7	13.7	6.6	8.2
USD revenue growth (%)	12.8	9.8	9.1	8.7
INR revenue growth (%)	13.6	18.5	17.9	18.3
EBIT margins (% of sales)	18.9	18.2	4.0	10.8
EPS growth (%)	8.6	10.1	82.4	82.7
USD/INR	74.6	80.5	6.6	8.2

Source: Company, DART

Exhibit 4: Key Revenue Matrix

YoY Growth	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24
CC Growth	2.6	11.7	10.5	15.0	13.3	15.6	15.8	13.1	10.5	6.3
USD Growth	6.0	15.5	11.3	13.8	11.0	11.2	10.4	9.0	8.1	5.3
INR Growth	5.7	12.5	11.1	15.7	15.0	16.9	19.5	19.6	17.7	12.1

Source: Company, DART

Exhibit 5: Quarterly and YTD Trend

Particulars (Rs mn)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	YoY (%)	QoQ (%)	FY22	FY23	YoY (%)
USD Revenue	3,025	3,082	3,244	3,235	3,200	5.3	(1.1)	11,481	12,599	9.7
INR Revenue	2,34,640	2,46,860	2,67,000	2,66,060	2,62,960	12.1	(1.2)	8,56,510	10,14,560	18.5
Operating Expense	1,84,890	1,92,600	2,03,350	2,07,430	2,09,090	13.1	0.8	6,54,590	7,88,270	20.4
Cost of revenues	1,54,570	1,62,360	1,71,350	1,73,270	1,73,300	12.1	0.0	5,45,710	6,61,550	21.2
as % of sales	65.9	65.8	64.2	65.1	65.9	3 bps	78 bps	63.7	65.2	149 bps
SG&A expenses	30,320	30,240	32,000	34,160	35,790	18.0	4.8	1,08,880	1,26,720	16.4
as % of sales	12.9	12.2	12.0	12.8	13.6	69 bps	77 bps	12.7	12.5	(22 bps)
EBITDA	49,750	54,260	63,650	58,630	53,870	8.3	(8.1)	2,01,920	2,26,290	12.1
Depreciation	9,830	9,980	11,360	10,270	9,270	(5.7)	(9.7)	40,190	41,440	3.1
EBIT	39,920	44,280	52,290	48,360	44,600	11.7	(7.8)	1,61,730	1,84,850	14.3
Other Income	3,450	1,570	1,440	3,570	2,360	(31.6)	(33.9)	8,560	10,030	17.2
Share of PL in Assc	0	0	0	0	0			(10)	0	
PBT	43,370	45,850	53,730	51,930	46,960	8.3	(9.6)	1,70,280	1,94,880	14.4
Total Tax	10,560	10,970	12,760	12,140	11,650	10.3	(4.0)	34,430	46,430	34.9
PAT before MI	32,810	34,880	40,970	39,790	35,310	7.6	(11.3)	1,35,850	1,48,450	9.3
Minority Interest	(20)	(20)	0	(20)	(30)			410	(60)	(114.6)
PAT after MI	32,830	34,900	40,970	39,810	35,340	7.6	(11.2)	1,35,440	1,48,510	9.7
Reported EPS	12.1	12.9	15.1	14.7	13.0	7.5	(11.3)	49.8	54.8	10.0
Margins (%)						(bps)	(bps)			(bps)
EBIDTA	21.2	22.0	23.8	22.0	20.5	(72 bps)	(155 bps)	23.6	22.3	(127 bps)
EBIT	17.0	17.9	19.6	18.2	17.0	(5 bps)	(122 bps)	18.9	18.2	(66 bps)
EBT	18.5	18.6	20.1	19.5	17.9	(63 bps)	(166 bps)	19.9	19.2	(67 bps)
PAT	14.0	14.1	15.3	15.0	13.4	(55 bps)	(152 bps)	15.8	14.6	(118 bps)
Effective Tax rate	24.3	23.9	23.7	23.4	24.8	46 bps	143 bps	20.2	23.8	361 bps

Source: Company

What to expect next quarter

We expect improved sequential growth trajectory in Q2 led by IT Services and ER&D segments at 3.0% and 2.4% respectively. Expect margins to improve by 56bps QoQ, led by operating leverage, and absence of larger quantum of wage hikes pertaining to E4 and leadership.

Exhibit 6: What to Expect Next Quarter

Particulars	Q2FY24E	Q1FY24	Q2FY23	QoQ (%)	YoY (%)
USD Revenue	3,268	3,200	3,082	2.1	6.0
INR Revenue	2,69,621	2,62,960	2,46,860	2.5	9.2
EBIT	47,235	44,600	44,280	5.9	6.7
PAT	37,264	35,340	34,900	5.4	6.8
EPS (Rs. Abs)	13.7	13.0	12.9	5.4	6.6
EBIT Margin (%)	17.5	17.0	17.9	56 bps	(42 bps)

Source: Company, DART

Valuation

We expect that macro volatility will continue to weigh in on IT Services for near future, and thereby moderating Revenue momentum. We expect HCLT to deliver moderate revenue momentum over next 2-4 quarters (translating into mid-single digit revenue growth in FY23-FY25E) and expect it to sustain current valuations of 16x-19x which implies ~2x on PEG basis. We currently value HCLT at 18x on FY25E Earnings of Rs.63.2 with TP of Rs. 1,140 per share and maintain our **'REDUCE'** Rating on the stock.

Earnings call KTAs

- **Revenue:** Rev stood at \$3,200mn, down by 1.4% QoQ in CC terms. Though Q1 is a seasonally weak quarter, performance was weaker than expected due to moderation in demand in discretionary spends in 2 verticals, viz. Technology and Services and Telecom, Media and Communication. Amongst verticals, growth was led by Financial Services, which grew by 5.1% QoQ in CC terms, followed by Manufacturing, which grew by 3.6% QoQ in CC terms, with growth led by large deal ramp up and good execution. Telco & Media and Technology verticals declined for 2nd consecutive quarter, declining 14.4% and 7.8% QoQ in CC terms due (In Q4 FY23, these verticals declined 6.6%/3% respectively). Continued pressure on discretionary spends and associated ramp downs led to this decline. Weak vertical performance was also mirrored in ER&D business unit, which declined 5.2% QoQ in CC terms (In Q4, ER&D declined 3.8% QoQ in CC terms).
- **IT & Services Business (74.7% of Rev):** Q1'FY24 saw a flattish decline of 0.1% QoQ growth in CC terms in IT & Business Services Segment. While verticals like Financial Services, Manufacturing saw positive sequential growth, weaker than expected decline in Technology and Telco & Media segments affected overall performance. This slowdown was visible in 2nd half of Q1'FY24, where projects did not move forward. HCLT remains net incremental positive, which suggests that caution/pause in discretionary spends will be over-come by cost optimization/takeout deals. OPM in IT and Services business lowered by 102bps sequentially to 16.1%, affected by project ramp-downs leading to lower utilization and affecting margins.
- **ER&D Services (15.4% of Rev):** This segment growth declined 5.2% QoQ in CC terms. This was the 2nd consecutive quarter of decline post Q4 decline of 3.8% QoQ in CC terms. Cutback in discretionary spends by clients continued to flow in Q1 from Q4, especially in Technology and Telco & Media segments. Revenue dip led to weak cost absorption leading to EBIT margin of 16.8%, a sequential decline of 199bps. Management believes that the worst is now behind for ER&D services, and should revert to positive growth trajectory from Q2'FY24 onwards, including revival in Technology and Telco & media segments. Deal pipeline commentary is positive as well, with faster conversion cycle into revenue.
- **HCL Software (10.4% of Rev):** HCL Software Biz saw sequential decline of 3.1% in CC terms in-line with quarterly seasonal trend. On a YoY basis, segment was broadly flat, suggesting stabilization. ARR climbed to \$1,038mn, up 4.7% YoY in CC terms (Q4: \$1,028mn). HCL Software margins decline was minimal, declining 10bps on QoQ basis, but was up 35bps on YoY basis. Additional disclosure in Software vertical in terms of Revenue breakup suggests uptick of 2.4% in sequential and 2.8% in yearly terms (USD) in Subscription & Support Revenue (83% of Software revenue), which is a positive sign. *For more details please refer to Exhibit 7.*
- **Margin Commentary:** OPM stood at 17.0%, down 110bps. For IT Services, OPM was down 120bps, for which management shared the following margin walk, comprising of a) Forex headwind of 10bps, b) Impact of lower utilization, travel cost and other one-time cost, totaling to 33bps, and c) One time benefit of Q4 turned into a headwind of 42bps.
- **Employees:** Headcount stood at 223,438 and HCLT saw a net decline of 2.5K employees during Q1'FY24. Management mentioned that it company did not undertake any backfilling or replacement hiring during Q1, and stated that fresher hiring would be resumed in Q2. Lateral and experienced hires would be a function of demand visibility. LTM attrition continued to trend lower, and stood at 16.3% (down 320bps QoQ).
- **Deal Wins:** HCL won 18 new large deal wins, 7 in Services and 11 in Software business, totaling TCV to \$1,565mn. For past 7 quarters, HCLT had averaged a TCV of \$2Bn, but Q1 was soft. Management stated that lumpy nature of deal wins is attributed to the dip, and expects to more than overcome its \$2Bn TCV average in Q2'FY24.
- **Outlook:** HCLT re-iterated its FY'24 guidance of Revenue growth of 6-8% YoY in CC terms, Services Biz. growth between 6.5-8.5% YoY in CC terms. Despite dip in Q1, Management is confident of achieving this guidance, and stated that this guidance is based on current deal pipeline, conversion of deal pipeline and keeping a buffer for uncertain macro environment. OPM guidance was also re-iterated to be between 18-19%, where

management expressed undertaking incremental actions to contain cost and achieve margins. Wage hikes for E4 employees and leadership team has been foregone for FY'24, where management stated that this move was done in line with revised demand expectations as well hikes undertaken over past few years. Wage hike cycle for juniors and mid-level employees has been deferred to Q2 FY24.

- **Dividend:** Announced dividend of Rs.10 during the quarter.
- **Acquisition:** HCLT announced 100% acquisition of ASAP Holding GmbH, a German automotive engineering technology provider for Rs. 22.9Bn. ASAP has presence in areas such as autonomous driving, e-mobility and connectivity. Rationale for acquisition is stated as an opportunity to augment HCLT's presence in areas such as autonomous driving, e-mobility and connectivity. ASAP reported CY22 sales of Rs. 14.1Bn, growing at 2-year CAGR of 24.5%, valuing the acquisition at an attractive 1.6x of CY22 Sales.

Exhibit 7: HCL Software Revenue

HCL Software Revenue	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24
Perpetual License & upfront	48	45.7	71.6	49.8	36
Subscription & Support	269.4	240.8	304.2	270.4	277.1
Professional Services	16.4	17.1	21.8	22	19.4
Total Revenue	333.8	303.6	397.6	342.2	332.5

Source: Company

Exhibit 8: HCL Software ARR

HCL Software ARR	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24
ARR	987.4	967.7	1024.8	1028.2	1038.3
ARR growth YoY CC (%)	4.2	2.9	3	5.2	4.7

Source: Company

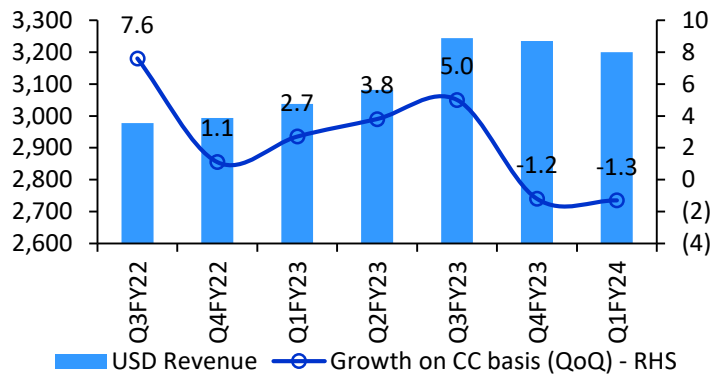
Exhibit 9: Segment Breakup

Segment Breakup	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24
Segment Amount (\$ mn)									
IT and Business services	1,947	2,027	2,103	2,199	2,201	2,269	2,323	2,387	2,385
Engineering & R&D services	417	438	473	490	503	525	539	521	494
Products & Platforms	355	325	402	304	321	288	382	330	333
Segment Growth CC YoY (%)									
IT and Business services	13.0	13.2	15.3	16.2	18.1	18.2	15.3	11.4	9.1
Engineering & R&D services	10.7	12.7	19.7	23.7	23.0	22.3	16.0	7.3	(1.8)
Products & Platforms	6.0	(5.5)	8.2	(13.9)	(6.5)	(7.2)	(1.5)	8.2	(0.1)
Segment Growth CC QoQ (%)									
IT and Business services	0.3	5.2	4.7	5.2	2.0	5.3	2.1	1.6	(0.1)
Engineering & R&D services	4.3	5.4	8.3	3.9	3.7	5.0	2.5	(3.8)	(5.2)
Products & Platforms	(1.0)	(8.0)	24.5	(24.0)	5.1	(7.8)	30.5	(14.6)	(3.1)
Segmental OPM (%)									
IT and Business services	20.0	18.8	18.8	16.6	15.7	16.7	16.8	17.1	16.1
Engineering & R&D services	21.4	20.0	19.3	18.6	18.7	21.4	21.6	18.8	16.8
Products & Platforms	28.3	23.7	19.4	31.9	22.5	20.3	32.6	23.0	22.9

Source: Company, DART

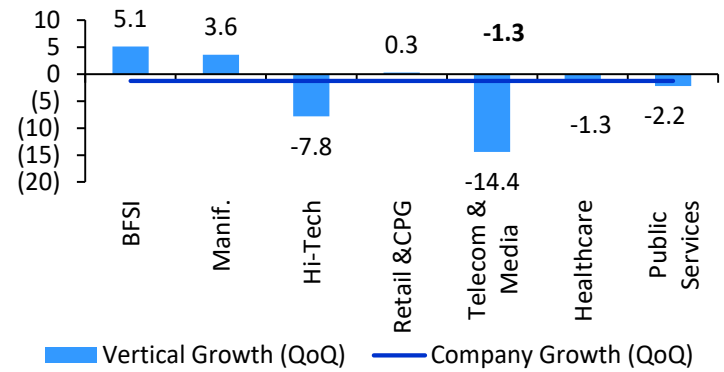
Key Trends in Charts

Exhibit 10: CC Rev Decline 1.3% QoQ led by ER&D & IT Svcs



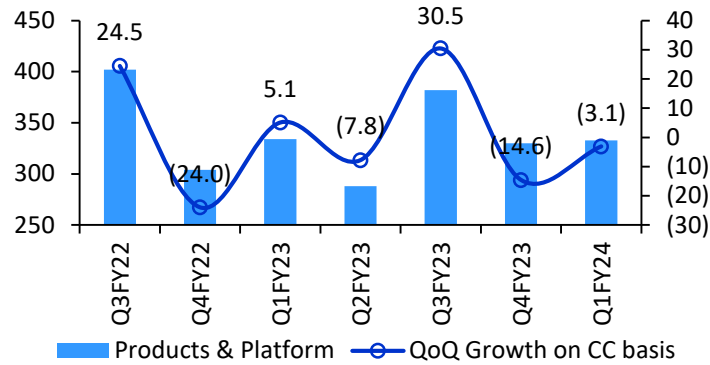
Source: Company, DART

Exhibit 11: Growth Decline Led by Tech and Telco Media



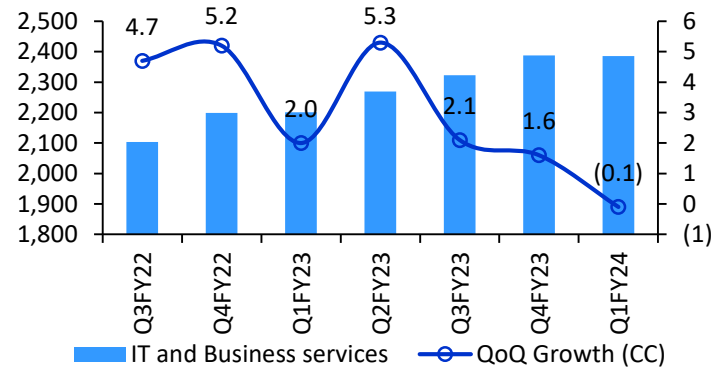
Source: Company, DART

Exhibit 12: HCL Soft Rev declined 3.1%



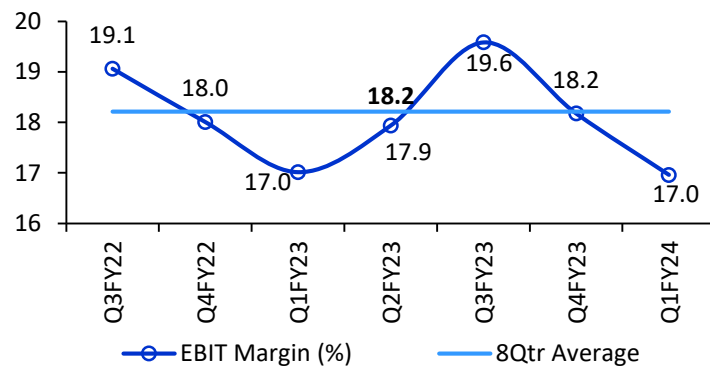
Source: Company, DART

Exhibit 13: IT Svcs Saw Flattish Decline of 0.1% QoQ in CC



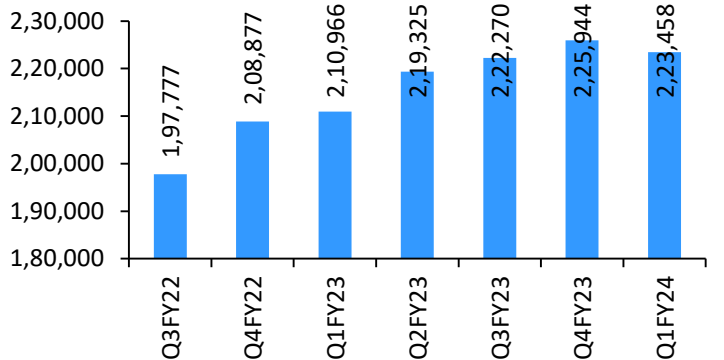
Source: Company, DART

Exhibit 14: EBIT Margin declined 120bps QoQ



Source: Company, DART

Exhibit 15: Headcount Saw Reduction of 2.5K Employees



Source: Company, DART

Financial Performance

Profit and Loss Account

(Rs Mn)	FY22A	FY23A	FY24E	FY25E
Revenue	856,510	1,014,560	1,106,433	1,202,435
Total Expense	651,210	788,270	871,695	945,983
COGS	542,860	661,550	725,175	788,511
Employees Cost	0	0	0	0
Other expenses	108,350	126,720	146,520	157,473
EBIDTA	205,300	226,290	234,739	256,452
Depreciation	43,260	41,440	37,127	36,536
EBIT	162,040	184,850	197,612	219,916
Interest	0	0	0	0
Other Income	7,470	10,030	9,080	10,060
Exc. / E.O. items	0	0	0	0
EBT	169,510	194,880	206,692	229,976
Tax	34,280	46,430	52,133	58,644
RPAT	134,980	148,510	154,589	171,332
Minority Interest	240	(60)	(30)	0
Profit/Loss share of associates	(10)	0	0	0
APAT	134,980	148,510	154,589	171,332

Balance Sheet

(Rs Mn)	FY22A	FY23A	FY24E	FY25E
Sources of Funds				
Equity Capital	5,430	5,430	5,430	5,430
Minority Interest	920	(70)	(100)	(100)
Reserves & Surplus	613,710	648,620	662,174	678,910
Net Worth	619,140	654,050	667,604	684,340
Total Debt	39,850	22,510	21,810	21,160
Net Deferred Tax Liability	(10,640)	(10,910)	(10,952)	(11,019)
Total Capital Employed	649,270	665,580	678,362	694,382

Applications of Funds

Net Block	350,770	346,190	369,013	364,447
CWIP	1,290	400	250	100
Investments	84,770	111,540	111,290	109,990
Current Assets, Loans & Advances	441,740	463,460	472,873	506,715
Inventories	1,610	2,280	2,521	2,736
Receivables	154,760	195,720	206,130	220,721
Cash and Bank Balances	105,100	90,650	82,912	90,387
Loans and Advances	32,080	26,030	26,290	26,553
Other Current Assets	148,190	148,780	155,020	166,318
Less: Current Liabilities & Provisions	229,300	256,010	275,064	286,871
Payables	22,970	25,260	26,270	28,509
Other Current Liabilities	206,330	230,750	248,793	258,361
<i>sub total</i>				
Net Current Assets	212,440	207,450	197,809	219,845
Total Assets	649,270	665,580	678,362	694,382

E – Estimates

Important Ratios

Particulars	FY22A	FY23A	FY24E	FY25E
(A) Margins (%)				
Gross Profit Margin	36.6	34.8	34.5	34.4
EBIDTA Margin	24.0	22.3	21.2	21.3
EBIT Margin	18.9	18.2	17.9	18.3
Tax rate	20.2	23.8	25.2	25.5
Net Profit Margin	15.8	14.6	14.0	14.2
(B) As Percentage of Net Sales (%)				
COGS	63.4	65.2	65.5	65.6
Employee	0.0	0.0	0.0	0.0
Other	12.7	12.5	13.2	13.1
(C) Measure of Financial Status				
Gross Debt / Equity	0.1	0.0	0.0	0.0
Interest Coverage				
Inventory days	1	1	1	1
Debtors days	66	70	68	67
Average Cost of Debt	0.0	0.0	0.0	0.0
Payable days	10	9	9	9
Working Capital days	91	75	65	67
FA T/O	2.4	2.9	3.0	3.3
(D) Measures of Investment				
AEPS (Rs)	49.8	54.8	57.0	63.2
CEPS (Rs)	65.7	70.1	70.7	76.6
DPS (Rs)	44.0	48.0	52.0	57.0
Dividend Payout (%)	88.4	87.6	91.2	90.2
BVPS (Rs)	228.3	241.3	246.1	252.3
RoANW (%)	22.2	23.3	23.4	25.3
RoACE (%)	21.2	22.6	23.0	25.0
RoAIC (%)	29.3	33.0	33.8	36.7
(E) Valuation Ratios				
CMP (Rs)	1111	1111	1111	1111
P/E	22.3	20.3	19.5	17.6
Mcap (Rs Mn)	3,013,661	3,013,661	3,013,661	3,013,661
MCap/ Sales	3.5	3.0	2.7	2.5
EV	2,948,411	2,945,521	2,952,559	2,944,433
EV/Sales	3.4	2.9	2.7	2.4
EV/EBITDA	14.4	13.0	12.6	11.5
P/BV	4.9	4.6	4.5	4.4
Dividend Yield (%)	4.0	4.3	4.7	5.1
(F) Growth Rate (%)				
Revenue	13.6	18.5	9.1	8.7
EBITDA	6.2	10.2	3.7	9.2
EBIT	5.6	14.1	6.9	11.3
PBT	5.9	15.0	6.1	11.3
APAT	8.6	10.0	4.1	10.8
EPS	8.6	10.1	4.0	10.8

E – Estimates

Cash Flow

Particulars	FY22A	FY23A	FY24E	FY25E
Profit before tax	169,510	194,880	206,692	229,976
Depreciation & w.o.	43,260	41,450	37,127	36,536
Net Interest Exp	(4,720)	(6,370)	(9,080)	(10,060)
Direct taxes paid	(34,430)	(36,980)	(52,133)	(58,644)
Change in Working Capital	(5,490)	(13,050)	1,860	(14,626)
Non Cash	870	1,860	0	0
(A) CF from Operating Activities	169,000	180,090	184,466	183,181
Capex {(Inc.)/ Dec. in Fixed Assets n WIP}	(15,260)	(21,520)	(59,800)	(31,820)
Free Cash Flow	153,740	158,570	124,666	151,361
(Inc.)/ Dec. in Investments	25,140	(22,500)	250	1,300
Other	4,890	4,710	0	0
(B) CF from Investing Activities	14,770	(39,310)	(59,550)	(30,520)
Issue of Equity/ Preference	0	0	0	0
Inc./(Dec.) in Debt	(600)	(18,480)	(700)	(650)
Interest exp net	(690)	(800)	9,080	10,060
Dividend Paid (Incl. Tax)	(113,890)	(129,950)	(141,035)	(154,596)
Other	(29,900)	(9,580)	0	0
(C) CF from Financing	(145,080)	(158,810)	(132,655)	(145,186)
Net Change in Cash	38,690	(18,030)	(7,738)	7,476
Opening Cash balances	66,490	105,180	87,150	79,412
Closing Cash balances	105,180	87,150	79,412	86,887

E – Estimates

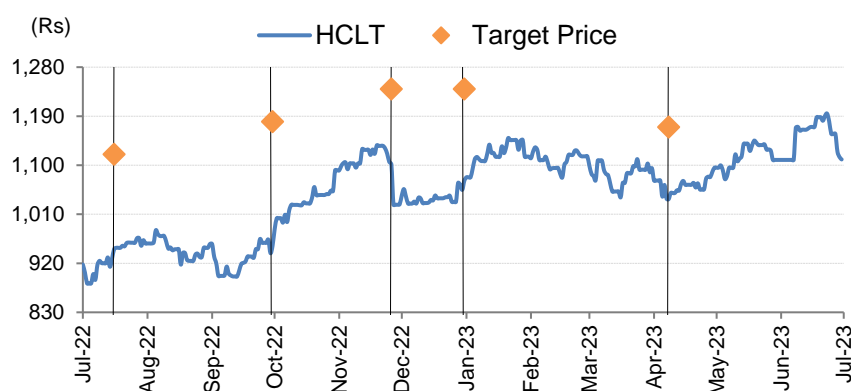
Notes

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.)
Jul-22	Buy	1,120	946
Oct-22	Buy	1,180	952
Dec-22	Buy	1,240	1,101
Jan-23	Accumulate	1,240	1,072
Apr-23	Accumulate	1,170	1,038

*Price as on recommendation date

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