

Software | Q2FY24 Result Update

Results miss, Signs record License wins, hiring momentum revives

- OFSS reported revenue growth of 5% YoY in INR terms at Rs14.4bn (DE at Rs14.5bn). Revenue miss was on account of weak signings in On-Premise license model. Robust signing of nearly \$30mn in cloud segment out of \$40.5mn license signing (up 47% on TTM basis) results in poor revenue recognition in Q2.
- License signings for Q2 stood at \$40.5mn (up 48% QoQ, up 209% YoY). Healthy hiring up 4% QoQ suggest sustained pipeline on implementation that would drive overall growth momentum in coming quarters.
- OPM stood at 37.3% (DE: 40.2%) given weak license recognition in Q2 sustained investments in talent costs – net added ~384 resources QoQ as it is building capacity to meet rising implementation revenue opportunities.
- Despite the result miss we believe the company's delivery continues to trend on improved track while healthy cloud signings adds to improved annuities and growth visibility over coming quarter. Maintain Accumulate with DCF based TP of Rs, 4,730 (implies 17x on FY25E).

License win momentum intact; Pipeline remains robust

OFSS signed new license worth \$40.5mn as it added 15 new deal wins. License revenues on TTM basis stood at \$124mn up 47% on YoY basis. Commentary on deal wins and pipeline suggests sustained traction with no challenges impacting demand at macro level across regions as Banks continues to invest in key transformational projects. Large cloud deals signings resulted in weaker revenue recognition in Q2 wherein revenues stood at \$11mn against signings of \$40mn License. We believe as these deals start to consummate the company would get incremental ~\$1.5mn in the license revenue line.

Headcount growth is back; hints uptick in Implementation revenue

Implementation revenues witnessed sequential growth of 8% at Rs7.3bn accounting for 56% of revenues led by strong consulting demand from existing customers as well as healthy new deal wins. To support the traction the company added ~400 more resources (4% QoQ), that lends further confidence on growth momentum. AMC revenues grew sharply by 7.2% QoQ at Rs4.8bn as collections from legacy customers backlog improved in the quarter.

Q2FY24 Result (Rs Mn)

Particulars	Q2FY24	Q2FY23	YoY (%)	Q1FY24	QoQ (%)
Revenue	14,445	13,760	5.0	14,624	(1.2)
Total Expense	8,863	8,092	9.5	8,409	5.4
EBITDA	5,581	5,668	(1.5)	6,215	(10.2)
Depreciation	190	217	(12.2)	185	2.9
EBIT	5,391	5,452	(1.1)	6,030	(10.6)
Other Income	571	403	41.7	1,037	(45.0)
Interest	0	0		0	
EBT	5,962	5,855	1.8	7,067	(15.6)
Tax	1,787	1,877	(4.8)	2,058	(13.2)
RPAT	4,175	3,977	5.0	5,010	(16.7)
APAT	4,175	3,977	5.0	5,010	(16.7)
			(bps)		(bps)
Gross Margin (%)	48.2	49.4	(118)	51.0	(276)
EBITDA Margin (%)	38.6	41.2	(255)	42.5	(386)
NPM (%)	28.9	28.9	0	34.3	(535)
Tax Rate (%)	30.0	32.1	(210)	29.1	86
EBIT Margin (%)	37.3	39.6	(230)	41.2	(391)

CMP	Rs 4,132		
Target / Upside	Rs 4,730 / 14%		
NIFTY	19,671		
Scrip Details			
Equity / FV	Rs 431mn / Rs 5		
Market Cap	Rs 355bn		
	USD 4.3bn		
52-week High/Low	Rs 4,528 / 2,883		
Avg. Volume (no)	65,730		
Bloom Code	OFSS IN		
Price Performance			
1M	3M	12M	
Absolute (%)	(3)	5	40
Rel to NIFTY (%)	(1)	6	28

Shareholding Pattern

	Mar'23	Jun'23	Sep'23
Promoters	73.0	73.0	72.8
MF/Banks/FIs	8.5	8.5	8.6
FIs	7.5	7.5	7.7
Public / Others	11.1	11.1	10.9

Valuation (x)

	FY24E	FY25E	FY26E
P/E	18.1	16.0	14.4
EV/EBITDA	12.8	11.0	9.8
ROE (%)	26.5	29.7	32.1
RoACE (%)	26.3	29.4	31.7

Estimates (Rs bn)

	FY24E	FY25E	FY26E
Revenue	61.2	68.0	73.9
EBITDA	26.2	30.4	33.8
PAT	19.8	22.4	24.9
EPS (Rs.)	228.7	258.4	287.8

VP - Research: Rahul Jain

Tel: +9122 40969771

E-mail: rahulj@dolatcapital.com

Associate: Deepesh Lakhani

Tel: +9122 4096 9773

E-mail: deepeshl@dolatcapital.com

Associate: Ayur Bohra

Tel: +9122 40969624

E-mail: ayurb@dolatcapital.com

Exhibit 1: Quarterly performance versus estimates

Particulars (Rs mn)	Estimates			% Variation		Comment
	Actual	Dolat	Consensus	Dolat	Consensus	
Revenue	174.7	176.0	NA	(0.7)	NA	Weak licence recognition led to Rev Miss.
EBIT	14,445	14,456	NA	(0.1)	NA	Weak OpLev led to OPM Miss.
EBIT, margin	5,391	5,817	NA	(7.3)	NA	
PAT	37.3	40.2	NA	(290 bps)	NA	Lower OI extended the PAT Miss.

Source: Company, DART

Change in Estimates

Despite moderate Q2 performance, Strong License winning has led to slight upgrade in our Revenue estimates by 0.5%/1.6% for FY24E/FY25E respectively. Incremental shift to cloud v/s on premise model will lead to deceleration in profitability in near term and hence we cut our OPM estimates by 100bps/16bps for FY24E/FY25E respectively. Overall, EPS estimates cut by 3.2%/0.8% for FY24E/FY25E respectively. Introduce FY26 estimates with Revenue growth of 9% and OPM at 44.4%.

Exhibit 2: Change in Estimates

Particulars (Rs. mn)	FY23A	FY24E			FY25E			FY26E
	Actual	Old	New	Chg. (%)	Old	New	Chg. (%)	Introduced
INR Revenue	56,983	60,919	61,234	0.5	66,980	68,025	1.6	73,919
YoY growth,	9.1	6.9	7.5	55 bps	9.9	11.1	114 bps	8.7
EBIT	23,907	25,892	25,412	(1.9)	29,011	29,357	1.2	32,838
EBIT Margin,	42.0	42.5	41.5	(100 bps)	43.3	43.2	(16 bps)	44.4
Net Profit	18,061	20,443	19,787	(3.2)	22,513	22,364	(0.7)	24,903
EPS (Rs)	208.2	235.3	227.5	(3.3)	259.2	257.2	(0.8)	286.4

Source: DART, Company

Exhibit 3: Key Assumptions in Our Estimates

Metrics	FY21A	FY22A	FY23	FY24E	FY25E
USD License Wins (\$ Mn)	77	105	96	120	102
USD Product Revenue Growth	(1.2)	5.0	0.4	5.7	11.4
USD Services Revenue Growth	(1.6)	(6.1)	(0.2)	0.9	4.5
USD Revenue Growth	(1.3)	3.7	0.3	5.2	10.7
USD/INR (Abs)	73.7	74.4	81.0	82.7	83.0
INR Revenue Growth	2.5	4.8	9.1	7.5	11.1
EBIT Margin (%)	47.4	46.1	42.0	41.5	43.2
EPS Growth (%)	20.2	7.7	(5.3)	9.3	13.0

Source: Company, DART

Exhibit 4: Key Revenue Growth Matrix (YoY)

Particulars	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24
License Wins Growth	(18.3)	100.7	(30.3)	(40.7)	76.3	(1.7)	4.6	209.2
USD Product Revenue Growth	1.9	3.9	(4.7)	(2.2)	3.5	7.7	(1.4)	4.2
USD Other Revenue Growth	(4.6)	(13.1)	(5.9)	0.2	(0.4)	(14.7)	(75.3)	0.8
USD Revenue Growth	1.2	1.9	(4.8)	(2.0)	3.1	5.6	(1.2)	3.3
INR Revenue Growth	2.3	5.4	0.4	7.4	14.5	15.2	4.3	5.0

Source: Company, DART

Exhibit 5: Quarterly Trend

Particular (Rs mn)	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	YoY (%)	QoQ (%)	H1FY23	H1FY24	YoY (%)
USD Revenue	169.1	175.2	179.0	178.0	174.7	3.3	(1.9)	349	353	0.9
INR Revenue	13,760	14,493	14,705	14,624	14,445	5.0	(1.2)	27,785	29,069	4.6
Operating Exp.	8,092	8,431	8,197	8,409	8,863	9.5	5.4	15,642	17,273	10.4
Employee Exp.	6,963	7,238	7,064	7,169	7,480	7.4	4.3	13,439	14,649	9.0
as % of sales	50.6	49.9	48.0	49.0	51.8	118 bps	276 bps	48.4	50.4	202 bps
Other Expenses	1,129	1,193	1,132	1,240	1,383	22.5	11.5	2,203	2,624	19.1
as % of sales	8.2	8.2	7.7	8.5	9.6	137 bps	109 bps	7.9	9.0	110 bps
EBITDA	5,668	6,062	6,509	6,215	5,581	(1.5)	(10.2)	12,143	11,796	(2.9)
Depreciation	217	206	187	185	190	(12.2)	2.9	414	375	(9.4)
EBIT	5,452	5,856	6,322	6,030	5,391	(1.1)	(10.6)	11,729	11,421	(2.6)
Other Income	403	342	536	1,037	571	41.7	(45.0)	914	1,608	76.0
PBT	5,855	6,198	6,858	7,067	5,962	1.8	(15.6)	12,643	13,030	3.1
Total Tax	1,877	1,825	2,065	2,058	1,787	(4.8)	(13.2)	3,748	3,845	2.6
Reported PAT	3,977	4,373	4,793	5,010	4,175	5.0	(16.7)	8,895	9,185	3.3
Reported EPS	46.1	50.6	55.5	57.9	48.3	4.8	(16.7)	103	106	3.1
Margins (%)						(bps)	(bps)			(bps)
EBIDTA	41.2	41.8	44.3	42.5	38.6	(255 bps)	(386 bps)	43.7	40.6	(312)
EBIT	39.6	40.4	43.0	41.2	37.3	(230 bps)	(391 bps)	42.2	39.3	(292)
PBT	42.5	42.8	46.6	48.3	41.3	(127 bps)	(705 bps)	45.5	44.8	(68)
PAT	28.9	30.2	32.6	34.3	28.9	0 bps	(535 bps)	32.0	31.6	(42)
Eff Tax rate	32.1	29.4	30.1	29.1	30.0	(210 bps)	86 bps	29.6	29.5	(14)

Source: Company, DART

What to Expect Next Quarter

We expect strong Q3 performance given the strong hiring numbers suggesting further room for improvement in implementation rev along-with consummation of large cloud deal wins. We have factored in revenue growth of 9% on QoQ basis and 8% in YoY basis. We also expect profitability to improve as growth scales up – expect OPM at 42.7% for Q3FY24 (gains of 536bps QoQ). At earnings level basis, we expect growth of 17% on YoY basis.

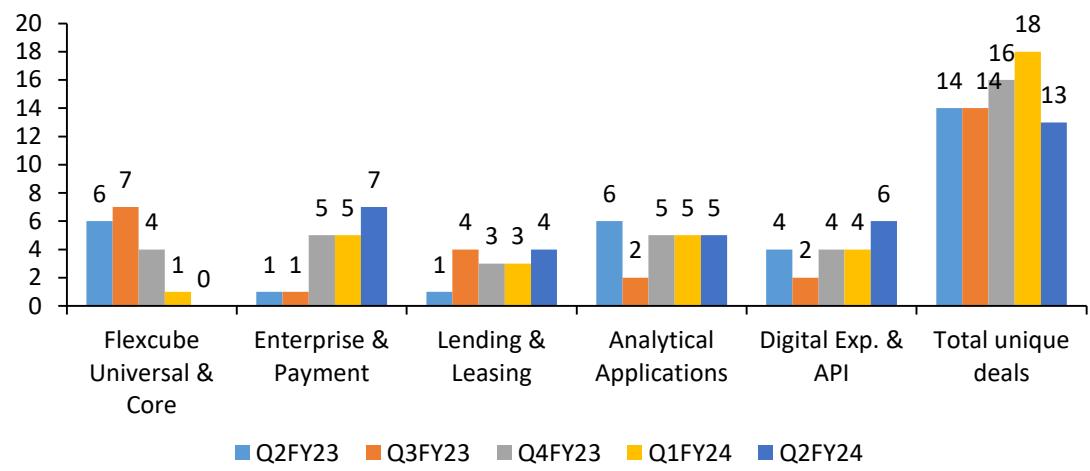
Exhibit 6: What to Expect Next Quarter

(Rs. Mn)	Q3FY24E	Q2FY23	Q3FY23	QoQ (%)	YoY (%)
USD Revenue	190	175	175	8.6	8.3
INR Revenue	15,748	14,445	14,493	9.0	8.7
EBIT	6,721	5,391	5,856	24.7	14.8
PAT	5,104	4,175	4,373	22.2	16.7
EPS (Rs. Abs)	59.0	48.3	50.6	22.2	16.5
EBIT Margin (%)	42.7	37.3	40.4	536 bps	227 bps

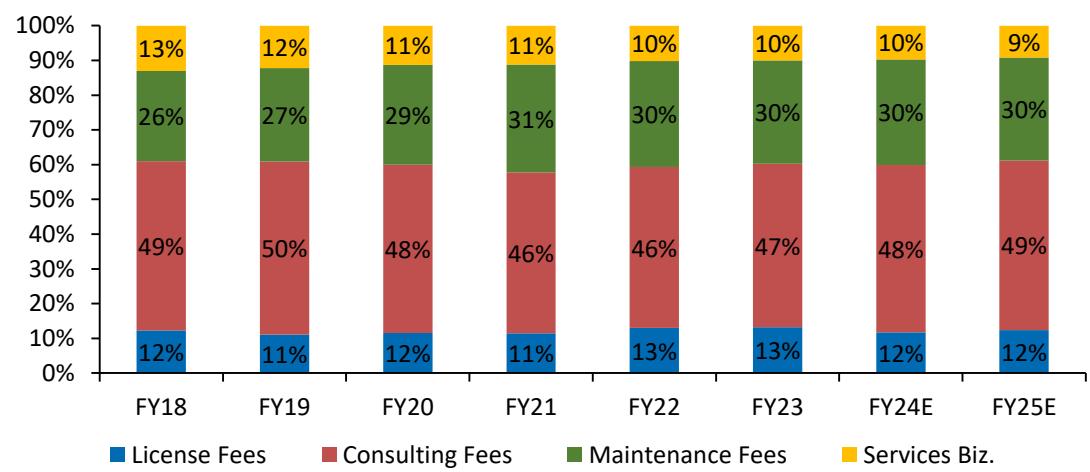
Source: Company, DART

Valuation

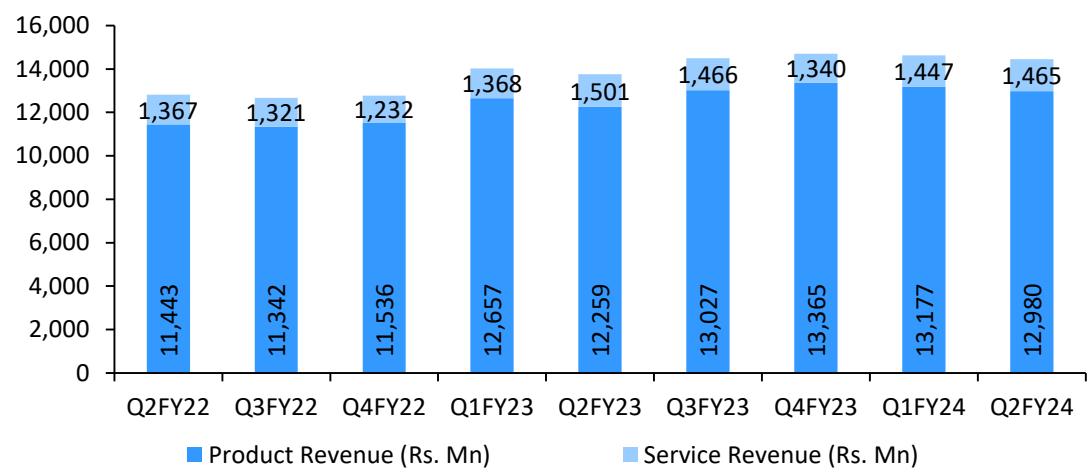
Software companies' performance can be a bit volatile on annualized basis and thus it is better to be valued on DCF basis to capture the true potential in near-to-medium term. We have factored in Revenue CAGR of 8.5% over FY23-30E, stable EBIT margin of 43% (from 44.9%) and Terminal growth rate of 2%. Taking these assumptions, we have arrived at TP of Rs.4,730 per share (earlier Rs 4,330) and Maintain our Accumulate rating of the stock.

Exhibit 7: Product and module sales quarterly – 22 products sold to 13 clients


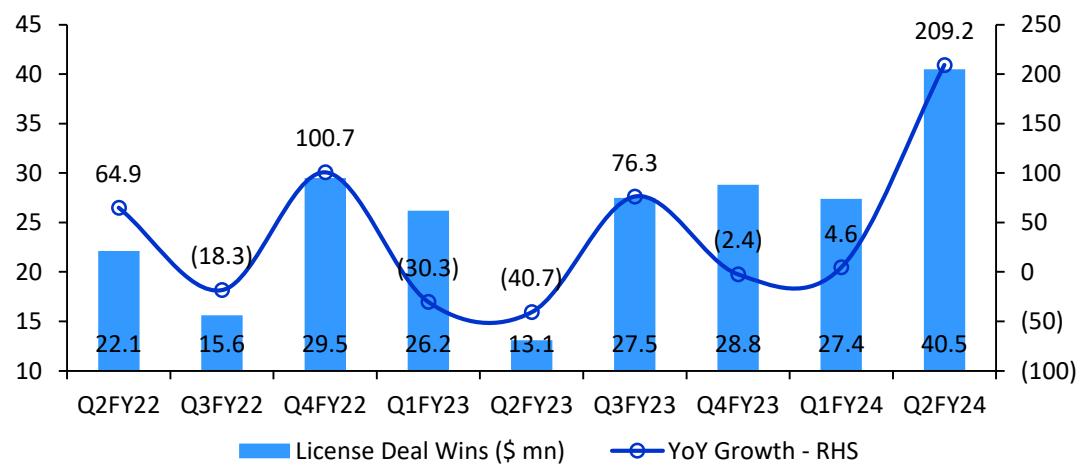
Source: Company, DART

Exhibit 8: Revenue Mix Trends (Product sub-segments and Services)


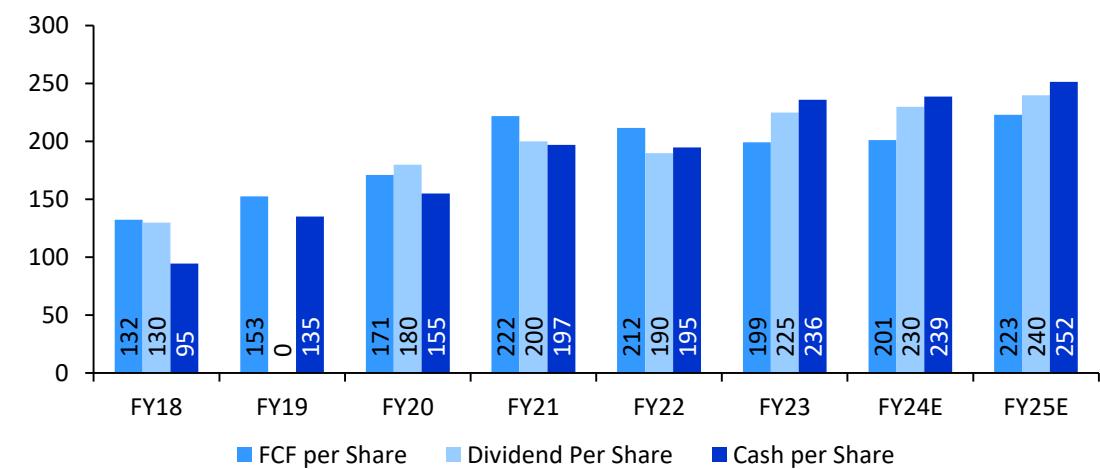
Source: Company, DART

Exhibit 9: Revenue Breakup in Product, Services (KPO merged in Services)


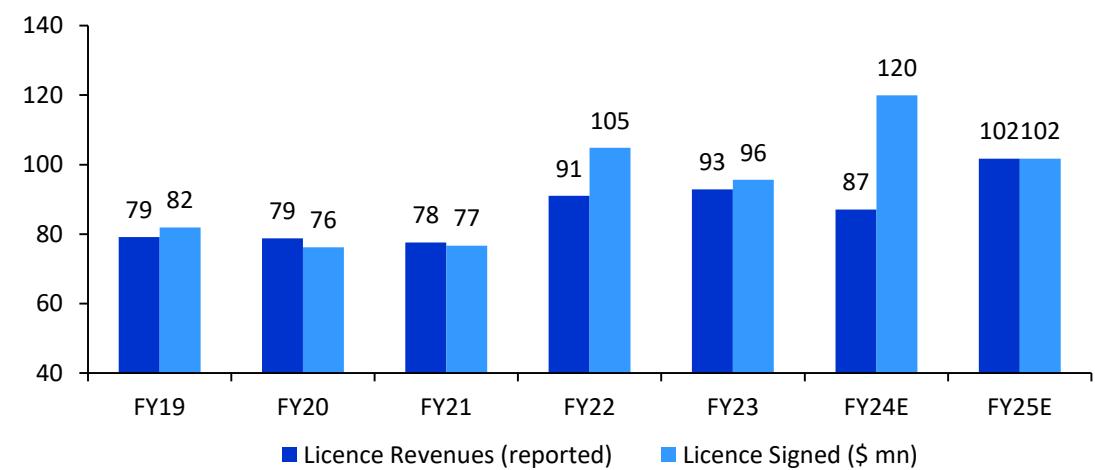
Source: Company, DART

Exhibit 10: Sharp uptick in License Wins (signings) – Quarterly trends


Source: Company, DART

Exhibit 11: Dividend Payouts to remain high as robust FCF Generation continues


Source: Company, DART

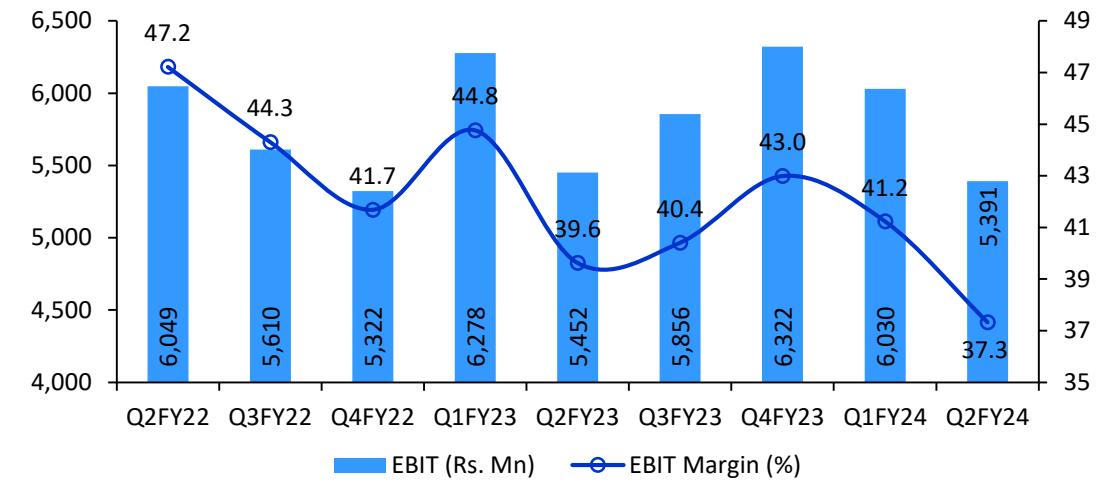
Exhibit 12: License revenue to gain excess momentum


Source: Company, DART

OPM to revive further as revenue picks traction

We expect incremental shift to cloud could lead to slight deceleration in the profitability compared to On-premise model but in long term helps in better Lifetime Value from the customer. We expect OPM to revive back as the pipeline still consists of large number of On-prem deals as well. We expect OFSS to register OPM of 41.5%/43.2%/44.4% for FY24/FY25/FY26E respectively.

Exhibit 13: EBIT Margin (%) performance to improve in H2FY24



Source: Company, DART

Exhibit 14: Operating Metrics 1

Operating Metrics	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24
\$ Revenue	166.3	189.5	172.6	170.0	169.5	180.3	169.1	175.2	179.0	178.0	174.7
CC growth (%) (YoY)	(4.2)	4.5	7.0	2.3	5.4	(2.3)	7.4	14.5	15.2	4.3	5.0
CC growth (%) (QoQ)	(2.2)	15.4	(8.3)	(1.1)	0.8	9.8	(1.9)	5.3	1.5	(0.6)	(1.2)
License Wins	14.7	37.6	22.1	15.6	29.5	26.2	13.1	27.5	28.8	27.4	40.5
Growth YoY (%)	(36.1)	27.5	64.9	(18.3)	100.7	(30.3)	(40.7)	76.3	(2.4)	4.6	209.2
TTM License Wins	76.7	84.8	93.5	90.0	104.8	93.4	84.4	96.3	95.6	96.8	124.2
Growth YoY (%)	0.7	10.6	19.7	5.9	36.6	10.1	(9.7)	7.0	(8.8)	3.6	47.2
Segmental Revenue											
Products	10,738	12,596	11,443	11,342	11,536	12,657	12,259	13,027	13,365	51,308	13,177
Services	1,016	999	1,055	1,321	1,232	1,368	1,501	1,466	1,340	5,675	1,447
BPO	355	379	312	Na	Na	0	0	0	0	0	0
Segmental QoQ Growth											
Products	(2.5)	17.3	(9.2)	(0.9)	1.7	9.7	(3.1)	6.3	2.6	283.9	(74.3)
Services	(0.1)	(1.6)	5.6	25.2	(6.7)	11.0	9.7	(2.3)	(8.6)	323.5	(74.5)
BPO	0.1	6.9	(17.7)	Na	Na	Na	Na	Na	Na	Na	Na
Segmental Profit Margin											
Products	52.0	57.7	52.5	51.4	46.9	50.9	45.1	47.3	49.8	47.7	46.3
Services	26.9	21.5	21.2	24.6	24.6	23.2	26.5	19.8	21.0	23.0	32.3
BPO	47.7	46.2	42.7	Na	Na	Na	Na	Na	Na	Na	Na
Product Revenue											
License Fees	14.7	37.6	20.0	16.7	16.8	26.0	13.6	25.2	28.1	24.1	11.0
Consulting Fees	51.6	52.9	54.0	54.8	52.1	53.7	51.2	52.0	53.6	54.5	59.6
Maintenance Fees	79.6	80.3	80.2	80.7	84.2	83.0	85.9	80.3	83.3	81.8	86.3
Product Revenue Growth YoY											
License Fees	(36.8)	22.7	40.5	(6.6)	14.2	(30.7)	(32.3)	50.5	66.5	(7.6)	(19.0)
AMC	3.7	2.7	2.3	1.9	0.9	1.4	(5.0)	(5.2)	3.0	1.6	16.4
Consulting fees	(3.4)	1.7	4.1	3.9	5.8	3.4	7.2	(0.4)	(1.1)	(1.4)	0.5
Service Rev											
Fixed Price	5.1	5.2	5.2	6.9	7.9	8.1	9.4	10.1	7.3	11.8	13.5
Time & Material Basis	13.7	13.5	13.3	10.8	8.5	9.5	9.0	7.6	6.7	5.8	4.3
Service Rev. Growth YoY											
Fixed Price	16.8	(4.7)	9.6	28.3	54.5	21.3	82.5	45.6	(7.5)	45.9	43.1
Time & Material Basis	(0.3)	(4.7)	(6.1)	(18.0)	(38.1)	(44.6)	(31.8)	(29.8)	(21.2)	(38.8)	(53.0)
Staff Data											
Employees	7,977	7,730	7,762	7,720	7,884	8,063	8,657	8,687	8,593	8,691	9,075
Products - Emp	6,238	6,045	6,139	6,214	6,398	6,615	7,158	7,235	7,189	7,318	7,594
Services - Emp	840	817	865	1,315	1,305	1,271	1,325	1,282	1,236	1,204	1,314
BPO - Emp	719	683	568	Na	0	0	0	0	0	0	0
Corporate - Emp	180	185	190	191	181	177	174	170	168	169	167
Attrition Rate (%)	15.0	20.0	25.0	29.0	28.0	26.0	21.0	17.0	15.0	12.0	11.0
Trade Receivable											
0-180 days	97	98	97	97	98	99	98	96	95	93	88
More than 180 days	3	2	3	3	2	1	2	4	5	7	12
DSO	54	63	63	64	59	67	57	59	62	69	61

Source: Company, DART

Exhibit 15: Geography Data

Geography Data	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24
Product Revenue											
India	10.3	13.7	12.3	12.2	12.3	16.3	13.6	12.6	17.3	17.6	15.7
USA	33.9	39.3	32.4	35.0	30.6	37.4	36.2	42.5	40.4	40.1	43.9
Rest of America	13.3	15.4	10.8	13.7	13.8	13.0	12.1	15.8	11.6	11.2	14.1
Europe	26.5	30.7	27.7	25.9	24.5	27.7	21.1	23.6	21.5	22.5	20.4
Asia Pacific	41.3	44.4	40.1	42.6	41.3	42.3	40.7	36.2	29.7	35.3	29.8
MEA	22.1	27.3	30.8	22.8	30.6	26.0	27.1	26.8	44.6	33.7	33.0
Product Revenue YoY Growth											
India	(5.2)	6.0	23.6	16.5	18.7	19.1	10.0	3.5	41.3	8.5	15.7
USA	(0.9)	21.9	19.5	17.2	(9.7)	(4.7)	11.7	21.5	31.9	7.2	21.5
Rest of America	42.2	6.0	(5.4)	1.9	3.9	(15.3)	11.7	15.0	(16.2)	(13.7)	17.2
Europe	(5.2)	19.2	(2.7)	(8.8)	(7.7)	(10.0)	(24.0)	(8.7)	(12.5)	(18.8)	(3.3)
Asia Pacific	(11.5)	(1.6)	(6.3)	(4.9)	0.1	(4.7)	1.5	(15.0)	(28.2)	(16.6)	(26.7)
MEA	(16.3)	(10.7)	35.1	(4.4)	38.5	(4.7)	(12.0)	17.3	45.5	29.4	21.5
Service+BPO Revenue											
India	0.2	0.2	0.2	0.2	0.0	0.0	0.0	0.0	0.1	0.2	0.2
USA	14.1	14.2	13.4	12.1	11.4	12.5	12.4	12.4	9.1	11.6	12.0
Rest of America	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Europe	2.1	2.2	2.4	2.5	2.5	2.6	2.8	2.5	2.3	3.2	2.7
Asia Pacific	1.7	1.7	1.8	2.1	1.8	1.8	2.4	1.9	1.7	1.8	1.9
MEA	0.6	0.4	0.6	0.9	0.7	0.7	0.9	0.9	0.7	0.9	0.9
Service+BPO Rev. YoY Growth											
India	N.A.	(4.7)	(2.2)	(4.6)	N.A.						
USA	8.1	0.6	(3.5)	(13.5)	(18.9)	(12.1)	(8.0)	2.5	(20.2)	(6.9)	(2.5)
Rest of America	N.A.										
Europe	26.9	(23.8)	6.0	11.3	18.5	17.6	15.6	(0.4)	(6.2)	20.2	(4.0)
Asia Pacific	(37.7)	22.5	8.7	27.2	6.2	4.6	30.2	(8.7)	(6.9)	0.2	(18.7)
MEA	3.8	(52.4)	(2.2)	59.0	15.9	88.2	67.0	(0.4)	6.7	25.2	(4.0)
Total Revenue											
India	11.6	13.3	12.1	11.9	11.9	16.2	13.5	12.3	17.9	17.8	15.7
USA	48.2	56.8	44.9	47.6	42.4	48.7	49.1	54.3	49.2	51.6	55.9
Rest of America	13.3	15.2	12.1	13.6	15.3	14.4	11.8	15.8	12.5	12.5	14.0
Europe	43.2	45.5	29.3	28.9	27.1	28.8	23.7	26.3	25.1	24.9	22.7
Asia Pacific	28.3	32.2	43.1	44.2	42.4	45.1	44.0	38.5	30.4	37.4	31.4
MEA	23.3	26.5	31.1	23.8	30.5	27.0	27.1	28.0	44.7	33.8	34.9
Total Revenue YoY Growth											
India	11.7	4.8	6.9	1.2	1.9	22.3	12.0	3.1	50.8	9.7	16.2
USA	2.9	25.8	11.2	9.0	(12.1)	(14.4)	9.3	14.1	16.1	6.1	13.9
Rest of America	27.7	4.8	6.9	1.2	14.7	(4.8)	(2.0)	15.9	(17.9)	(13.6)	18.0
Europe	46.5	(3.2)	(35.1)	(36.3)	(37.3)	(36.6)	(19.3)	(9.1)	(7.6)	(13.6)	(4.1)
Asia Pacific	(41.9)	11.4	40.7	46.2	49.9	39.9	1.9	(12.8)	(28.2)	(17.0)	(28.5)
MEA	(16.2)	(18.5)	37.5	1.2	31.1	1.9	(12.9)	17.8	46.6	25.1	29.1

Source: Company, DART

Financial Performance

Profit and Loss Account

(Rs Mn)	FY23A	FY24E	FY25E	FY26E
Revenue	56,983	61,234	68,025	73,919
Total Expense	32,269	35,028	37,609	40,149
COGS	27,742	29,910	32,229	34,582
Employees Cost	0	0	0	0
Other expenses	4,528	5,117	5,380	5,567
EBIDTA	24,714	26,207	30,417	33,769
Depreciation	807	795	1,060	931
EBIT	23,907	25,412	29,357	32,838
Interest	0	0	0	0
Other Income	1,792	2,757	2,579	2,724
Exc. / E.O. items	0	0	0	0
EBT	25,699	28,169	31,936	35,562
Tax	7,638	8,382	9,572	10,659
RPAT	18,061	19,787	22,364	24,903
Minority Interest	0	0	0	0
Profit/Loss share of associates	0	0	0	0
APAT	18,061	19,787	22,364	24,903

Balance Sheet

(Rs Mn)	FY23A	FY24E	FY25E	FY26E
Sources of Funds				
Equity Capital	432	431	431	431
Minority Interest	0	0	0	0
Reserves & Surplus	74,157	74,041	75,637	78,474
Net Worth	74,589	74,472	76,068	78,905
Total Debt	0	0	0	0
Net Deferred Tax Liability	595	710	931	1,131
Total Capital Employed	75,184	75,183	76,999	80,037

Applications of Funds

Net Block	8,366	8,281	7,941	7,820
CWIP	6	6	6	6
Investments	34,399	34,399	34,399	34,399
Current Assets, Loans & Advances	48,417	50,099	53,751	58,844
Inventories	0	0	0	0
Receivables	10,834	11,576	12,860	13,974
Cash and Bank Balances	20,401	20,659	21,763	24,983
Loans and Advances	0	0	0	0
Other Current Assets	17,183	17,864	19,128	19,887
Less: Current Liabilities & Provisions	16,003	17,602	19,097	21,032
Payables	381	480	515	550
Other Current Liabilities	15,622	17,122	18,582	20,482
<i>sub total</i>				
Net Current Assets	32,414	32,497	34,654	37,812
Total Assets	75,184	75,183	76,999	80,037

E – Estimates

Important Ratios

Particulars	FY23A	FY24E	FY25E	FY26E
(A) Margins (%)				
Gross Profit Margin	51.3	51.2	52.6	53.2
EBIDTA Margin	43.4	42.8	44.7	45.7
EBIT Margin	42.0	41.5	43.2	44.4
Tax rate	29.7	29.8	30.0	30.0
Net Profit Margin	31.7	32.3	32.9	33.7
(B) As Percentage of Net Sales (%)				
COGS	48.7	48.8	47.4	46.8
Employee	0.0	0.0	0.0	0.0
Other	7.9	8.4	7.9	7.5
(C) Measure of Financial Status				
Gross Debt / Equity	0.0	0.0	0.0	0.0
Interest Coverage				
Inventory days	0	0	0	0
Debtors days	69	69	69	69
Average Cost of Debt				
Payable days	2	3	3	3
Working Capital days	208	194	186	187
FA T/O	6.8	7.4	8.6	9.5
(D) Measures of Investment				
AEPS (Rs)	209.1	228.7	258.4	287.8
CEPS (Rs)	9.3	9.2	12.2	10.8
DPS (Rs)	225.0	230.0	240.0	255.0
Dividend Payout (%)	107.6	100.6	89.0	79.9
BVPS (Rs)	863.4	860.6	879.1	911.8
RoANW (%)	24.8	26.5	29.7	32.1
RoACE (%)	24.7	26.3	29.4	31.7
RoAIC (%)	43.7	46.5	53.5	59.5
(E) Valuation Ratios				
CMP (Rs)	4132	4132	4132	4132
P/E	19.8	18.1	16.0	14.4
Mcap (Rs Mn)	3,55,248	3,55,248	3,55,248	3,55,248
MCap/ Sales	6.2	5.8	5.2	4.8
EV	3,34,847	3,34,588	3,33,484	3,30,264
EV/Sales	5.9	5.5	4.9	4.5
EV/EBITDA	13.5	12.8	11.0	9.8
P/BV	4.8	4.8	4.7	4.5
Dividend Yield (%)	5.4	5.6	5.6	5.6
(F) Growth Rate (%)				
Revenue	9.1	7.5	11.1	8.7
EBITDA	(1.1)	6.0	16.1	11.0
EBIT	(0.6)	6.3	15.5	11.9
PBT	1.6	9.6	13.4	11.4
APAT	(4.4)	9.6	13.0	11.4
EPS	(4.5)	9.4	13.0	11.4

E – Estimates

Cash Flow

Particulars	FY23A	FY24E	FY25E	FY26E
Profit before tax	25,699	28,169	31,936	35,562
Depreciation & w.o.	807	795	1,060	931
Net Interest Exp	(651)	(2,757)	(2,579)	(2,724)
Direct taxes paid	(6,926)	(8,382)	(9,572)	(10,659)
Change in Working Capital	(1,051)	290	(831)	262
Non Cash	(294)	0	0	0
(A) CF from Operating Activities	17,584	18,115	20,013	23,372
Capex {(Inc.)/ Dec. in Fixed Assets n WIP}	(378)	(710)	(720)	(810)
Free Cash Flow	17,206	17,405	19,293	22,562
(Inc.)/ Dec. in Investments	1,770	0	0	0
Other	(21)	2,757	2,579	2,724
(B) CF from Investing Activities	1,371	2,047	1,859	1,914
Issue of Equity/ Preference	79	(1)	0	0
Inc./ (Dec.) in Debt	(273)	0	0	0
Interest exp net	(46)	0	0	0
Dividend Paid (Incl. Tax)	(16,416)	(19,903)	(20,768)	(22,066)
Other	0	0	0	0
(C) CF from Financing	(16,654)	(19,904)	(20,768)	(22,066)
Net Change in Cash	3,601	259	1,104	3,220
Opening Cash balances	16,948	20,401	20,659	21,763
Closing Cash balances	20,401	20,659	21,763	24,983

E – Estimates

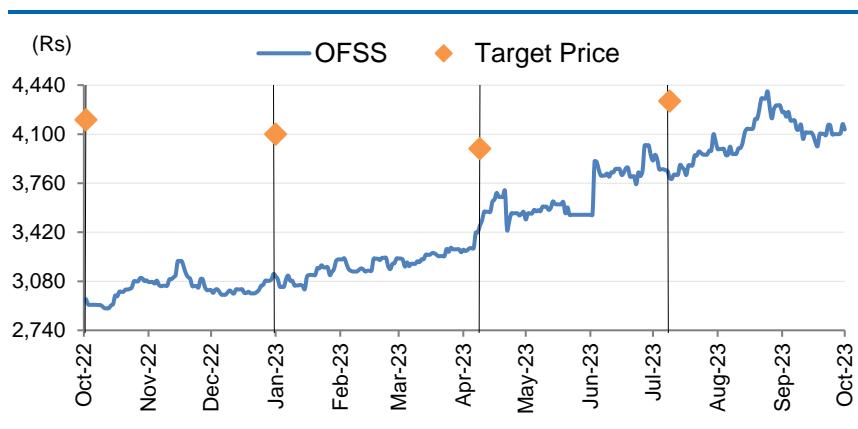
Notes

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.)
Oct-22	BUY	4,200	2,956
Jan-23	BUY	4,100	3,115
Apr-23	BUY	4,000	3,467
Jul-23	BUY	4,330	3,798

**Price as on recommendation date*

DART Team

Purvag Shah	Managing Director	purvag@dolatcapital.com	+9122 4096 9747
-------------	-------------------	-------------------------	-----------------

Amit Khurana, CFA	Head of Equities	amit@dolatcapital.com	+9122 4096 9745
-------------------	------------------	-----------------------	-----------------

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

Analyst(s) Certification

The research analyst(s), with respect to each issuer and its securities covered by them in this research report, certify that: All of the views expressed in this research report accurately reflect his or her or their personal views about all of the issuers and their securities; and No part of his or her or their compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this research report.

I. Analyst(s) and Associate (S) holding in the Stock(s): (Nil)**II. Disclaimer:**

This research report has been prepared by Dolat Capital Market Private Limited. to provide information about the company(ies) and sector(s), if any, covered in the report and may be distributed by it and/or its affiliated company(ies) solely for the purpose of information of the select recipient of this report. This report and/or any part thereof, may not be duplicated in any form and/or reproduced or redistributed without the prior written consent of Dolat Capital Market Private Limited. This report has been prepared independent of the companies covered herein. Dolat Capital Market Private Limited. and its affiliated companies are part of a multi-service, integrated investment banking, brokerage and financing group. Dolat Capital Market Private Limited. and/or its affiliated company(ies) might have provided or may provide services in respect of managing offerings of securities, corporate finance, investment banking, mergers & acquisitions, financing or any other advisory services to the company(ies) covered herein. Dolat Capital Market Private Limited. and/or its affiliated company(ies) might have received or may receive compensation from the company(ies) mentioned in this report for rendering any of the above services. Research analysts and sales persons of Dolat Capital Market Private Limited. may provide important inputs to its affiliated company(ies) associated with it. While reasonable care has been taken in the preparation of this report, it does not purport to be a complete description of the securities, markets or developments referred to herein, and Dolat Capital Market Private Limited. does not warrant its accuracy or completeness. Dolat Capital Market Private Limited. may not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. This report is provided for information only and is not an investment advice and must not alone be taken as the basis for an investment decision. The investment discussed or views expressed herein may not be suitable for all investors. The user assumes the entire risk of any use made of this information. The information contained herein may be changed without notice and Dolat Capital Market Private Limited. reserves the right to make modifications and alterations to this statement as they may deem fit from time to time. Dolat Capital Market Private Limited. and its affiliated company(ies), their directors and employees may; (a) from time to time, have a long or short position in, and buy or sell the securities of the company(ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions. This report is neither an offer nor solicitation of an offer to buy and/or sell any securities mentioned herein and/or not an official confirmation of any transaction. This report is not directed or intended for distribution to, or use by any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject Dolat Capital Market Private Limited. and/or its affiliated company(ies) to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to a certain category of investors. Persons in whose possession this report may come, are required to inform themselves of and to observe such restrictions.

For U.S. persons only: This research report is a product of Dolat Capital Market Private Limited, under Marco Polo Securities 15a-6 chaperone service, which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

Research reports are intended for distribution only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a-6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor. In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, Dolat Capital Market Private Limited has entered into a chaperoning agreement with a U.S. registered broker-dealer, Marco Polo Securities Inc. ("Marco Polo"). Transactions in securities discussed in this research report should be affected through Marco Polo or another U.S. registered broker dealer.

**Dolat Capital Market Private Limited.**

Corporate Identity Number: U65990GJ993PTC116741

Member: BSE Limited and National Stock Exchange of India Limited.

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