

Guidance retained backed by deal wins, momentum to continue

- Coforge reported CC Rev growth of 2.3% QoQ (DE: 2%) led by broad based growth. Deal win stood at \$313mn incl. 3 large deal wins in BFSI & Travel.
- Adj. EBITDA Margin up 234bps QoQ to 17.6% (DE: 17.2%) led by increase in gross margin (110bps) offset by higher SG&A (20bps).
- Management retained Rev. Growth guidance of 13%-16% in CC terms and Adj. EBITDA margin (bef. ESOP) around 18.3% with 50bps improvement in Gross margin. NTM executable TCV up 4.2%/16.6% QoQ/YoY at \$935mn.
- Robust ACV and healthy guidance despite uncertainties in BFSI suggest strong execution and client bond. But we believe most of this is priced in and maintain "Sell" with TP of Rs. 4,880, valued at 25x FY26E.

Deal velocity remain healthy; Strong execution focus in key verticals

Coforge reported an order intake of \$313mn in Q2 (\$935mn up 16.6% YoY on TTM basis) along with addition of 8 new logos. It has signed 3 large deals, one in BFS (new client and new logo) and two in Travel (with Leading Middle east and Europe airlines) along with \$10mn TCV in BPS biz. and one with large US auto-home insurer. Focus on Improving BPS capabilities will be key. Its BFS segment grew 3.8% QoQ in CC, strongest among Indian IT peers. Management pointed it is seeing some green shoots in BFS and Travel segment and demand uptick in Insurance side but remain cautious about overall stressed demand environment.

Expect margins to improve sequentially over next 2 quarters

Coforge shared it expects margin expansion of 100 bps in Q3 led by hedge gains (around 40bps), absence of client event in Q3 (40bps), lower ESOP charges (around 30bps) and some benefit from ARC offset by furloughs impact. Company remained confident of achieving around 18.3% margin in FY24. Increase in offshore revenue share (up 220bps YoY) and target to achieve 55% (from 52%).

Guidance intact; Growth momentum to sustain

Management believes that its strong execution, strong NTM deal momentum & aggressive investments to drive further growth confidence despite weakening macros. We believe Coforge would continue its growth momentum beyond FY24 as evident from large wins in BFSI, confident positioning, and retained guidance.

Q2FY24 Result (Rs Mn)

Particulars	Q2FY24	Q2FY23	YoY (%)	Q1FY24	QoQ (%)
Revenue	22,762	19,594	16.2	22,210	2.5
Total Expense	19,288	16,150	19.4	19,059	1.2
EBITDA	3,474	3,444	0.9	3,151	10.2
Depreciation	772	614	25.7	757	2.0
EBIT	2,702	2,830	(4.5)	2,394	12.8
Other Income	(295)	(150)	96.7	(152)	94.1
Interest	0	0		0	
EBT	2,407	2,680	(10.2)	2,242	7.3
Tax	528	474	11.4	485	8.9
RPAT	1,810	2,011	(10.0)	1,653	9.5
APAT	1,810	2,011	(10.0)	1,653	9.5
			(bps)		(bps)
Gross Margin (%)	30.2	31.3	(113)	28.9	128
EBITDA Margin (%)	15.3	17.6	(232)	14.2	107
NPM (%)	8.0	10.3	(231)	7.4	51
Tax Rate (%)	21.9	17.7	425	21.6	31
EBIT Margin (%)	11.9	14.4	(257)	10.8	109

CMP	Rs 5,092		
Target / Downside	Rs 4,880 / 4%		
NIFTY	19,671		
Scrip Details			
Equity / FV	Rs 611mn / Rs 10		
Market Cap	Rs 313bn		
	USD 3.8bn		
52-week High/Low	Rs 5,763 / 3,565		
Avg. Volume (no)	7,81,713		
Bloom Code	COFORGE IN		
Price Performance			
1M	3M	12M	
Absolute (%)	(8)	4	34
Rel to NIFTY (%)	(6)	6	21

Shareholding Pattern			
	Mar'23	Jun'23	Sep'23
Promoters	30.2	26.6	26.6
MF/Banks/FIs	32.2	37.2	37.2
FII	25.4	24.8	24.8
Public / Others	12.2	11.4	11.4

Valuation (x)			
	FY24E	FY25E	FY26E
P/E	38.2	29.9	26.1
EV/EBITDA	20.9	17.4	15.1
ROE (%)	25.5	28.6	28.6
RoACE (%)	25.4	27.7	27.9

Estimates (Rs bn)			
	FY24E	FY25E	FY26E
Revenue	93.0	104.1	117.3
EBITDA	14.9	17.7	20.1
PAT	8.3	10.6	12.2
EPS (Rs.)	133.4	170.2	195.1

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Exhibit 1: Quarterly performance versus estimates

Particulars (Rs mn)	Actual	Estimates		% Variation		Comment
		Dolat	Consensus	Dolat	Consensus	
USD Revenue	278.1	276.7	273	0.5	2.0	Rev. beat led by BFSI growth
INR Revenue	22,762	22,882	22,456	(0.5)	1.4	
EBIT	2,702	2,939	3,097	(8.1)	(12.8)	OPM miss due to higher ESOP costs
EBIT, margin	11.9	12.8	13.8	(100 bps)	(190 bps)	
PAT	1,810	2,169	2,263	(16.6)	(20.0)	PAT miss from lower OI

Source: Company, DART

Change in Estimates

We believe Management remain confident on its execution and see no risk on achieve its growth guidance. Factoring in Q2 performance and cautious outlook for Q3, we lower our USD revenue growth marginally by 0.9%/1.7% for FY24E/FY25E. Given the one-time ESOP costs impact in Q2, we have tweaked our OPM estimates by 55bps/8bps for FY24E/FY25E respectively. On an overall basis we our earnings estimates changed by -9%/-3% for FY24E/FY25E respectively. Introduce FY26E estimates with 11.2% Rev. growth, 13.9% OPM and EPS of Rs. 195.1.

Exhibit 2: Change in Estimates

Particulars (Rs. mn)	FY23A	FY24E			FY25E			FY26E
	Actual	Old	New	Chg. (%)	Old	New	Chg. (%)	Introduced
USD Revenue	1,002	1,139	1,129	(0.9)	1,271	1,249	(1.7)	1,388
YoY growth,	15.6	13.7	12.7	(106 bps)	11.5	10.7	(89 bps)	11.2
INR Revenue	80,146	93,593	93,002	(0.6)	1,04,824	1,04,096	(0.7)	1,17,323
YoY growth,	24.6	16.8	16.0	(74 bps)	12.0	11.9	(7 bps)	12.7
EBIT	10,665	12,410	11,817	(4.8)	14,463	14,282	(1.2)	16,265
EBIT Margin,	13.3	13.3	12.7	(55 bps)	13.8	13.7	(8 bps)	13.9
Net Profit	6,938	9,110	8,327	(8.6)	10,953	10,628	(3.0)	12,186
EPS (Rs)	111.5	146.3	133.4	(8.8)	175.9	170.2	(3.2)	195.1

Source: DART, Company

What to expect next Quarter

We have factored in revenue growth of 2% QoQ in CC for Q3FY24, due to seasonally weak quarter and incorporating guidance band of 13-16%. OPM is expected to increase by 150bps led by hedge gains, absence of one-off client event cost from Q2 and lower ESOP costs.

Exhibit 3: What to expect next Quarter

(Rs Mn)	Q3FY24E	Q2FY24	QoQ (%)	Q3FY23	YoY (%)
USD Revenue	283.7	278.1	2.0	251.7	12.7
INR Revenue	23,544	22,762	3.4	20,558	14.5
EBIT	3,149	2,702	16.6	2,991	5.3
PAT	2,269	1,810	25.4	2,282	(0.6)
EPS (Rs. Abs)	36.3	29.0	25.4	36.7	(1.0)
EBIT Margin (%)	13.4	11.9	151 bps	14.5	(117 bps)

Source: DART, Company

Valuation

Management remain confident of growth momentum backed by three large deal wins in BFS and travel vertical and continued focus on execution. We believe COFORGE would deliver decent growth momentum over next 4-6 quarters where other IT peers are reporting flat to low single digit growth, raising our growth confidence. Hence, we currently value COFORGE at 25x (Earlier 25x on FY25E) on FY26E Earnings of Rs. 195.1 with TP of Rs. 4,880 per share and maintain our "Sell" Rating on the stock.

Exhibit 4: Key Assumptions in our estimates

Assumptions Table	FY22A	FY23A	FY24E	FY25E	FY26E
CC Revenue growth (%)	37.9	22.2	13.9	10.6	11.2
USD Revenue growth (%)	38.0	15.6	12.7	10.7	11.2
USD/INR	74.2	80.0	82.4	83.4	84.5
INR Revenue growth (%)	37.9	24.6	16.0	11.9	12.7
EBIT Margins (%)	13.8	13.3	12.7	13.7	13.9
EPS growth (%)	44.6	4.6	19.6	27.6	14.7

Source: Company, DART

Exhibit 5: Key Revenue Matrix

YoY Growth	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24
CC Growth	34.7	37.2	37.0	24.3	22.8	21.1	20.7	18.4	14.1
USD Growth	37.7	37.8	35.0	19.5	16.0	13.6	13.8	13.9	12.6
INR Growth	36.0	39.3	38.2	25.2	24.9	24.0	24.5	21.4	16.2

Source: Company, DART.

Exhibit 6: Quarterly and YTD Trend

Particulars (Rs mn)	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	YoY (%)	QoQ (%)	H1FY23	H1FY24	YoY (%)
USD Revenue	246.9	251.7	264.4	271.8	278.1	12.6	2.3	485.6	549.9	13.2
INR Revenue	19,594	20,558	21,700	22,210	22,762	16.2	2.5	37,888	44,972	18.7
Operating Expense	16,150	16,943	18,427	19,059	19,288	19.4	1.2	31,526	38,347	21.6
Cost of revenues	13,463	13,880	15,277	15,795	15,897	18.1	0.6	26,292	31,692	20.5
as % of sales	68.7	67.5	70.4	71.1	69.8	113 bps	(128 bps)	69.4	70.5	108 bps
SG&A expenses	2,687	3,063	3,150	3,264	3,392	26.2	3.9	5,234	6,656	27.2
as % of sales	13.7	14.9	14.5	14.7	14.9	119 bps	20 bps	13.8	14.8	99 bps
EBITDA	3,444	3,615	3,273	3,151	3,474	0.9	10.2	6,362	6,625	4.1
Depreciation	614	624	717	757	772	25.7	2.0	1,244	1,529	22.9
EBIT	2,830	2,991	2,556	2,394	2,702	(4.5)	12.8	5,118	5,096	(0.4)
Other Income	(150)	83	(487)	(152)	(295)	96.7	94.1	(226)	(447)	97.8
PBT	2,680	3,074	1,546	2,242	2,407	(10.2)	7.3	4,892	4,649	(5.0)
Total Tax	474	715	379	485	528	11.4	8.9	967	1,013	4.8
PAT before MI	2,206	2,359	1,167	1,757	1,879	(14.8)	6.9	3,925	3,636	(7.4)
Minority Interest	195	77	19	104	69	(64.6)	(33.7)	417	173	(58.5)
PAT after MI	2,011	2,282	1,148	1,653	1,810	(10.0)	9.5	3,508	3,463	(1.3)
Reported EPS	32.4	36.7	18.5	26.5	29.0	(10.6)	9.2	56.6	55.5	(1.8)
Margins (%)						(bps)	(bps)			(bps)
EBITDA	17.6	17.6	15.1	14.2	15.3	(232 bps)	107 bps	16.8	14.7	(206 bps)
EBIT	14.4	14.5	11.8	10.8	11.9	(257 bps)	109 bps	13.5	11.3	(218 bps)
PBT	13.7	15.0	7.1	10.1	10.6	(310 bps)	48 bps	12.9	10.3	(258 bps)
PAT	10.3	11.1	5.3	7.4	8.0	(231 bps)	51 bps	9.3	7.7	(156 bps)
Effective Tax rate	17.7	23.3	24.5	21.6	21.9	425 bps	31 bps	19.8	21.8	202 bps

Source: Company, DART.

Earnings call KTDAs

- Revenue:** Revenue grew by 2.3% QoQ in CC terms in Q2FY24. The growth was driven by broad-based growth across all 3 verticals, aided by strong execution and continued order conversions. Coforge added 8 new logos during Q2 and acknowledged the backdrop of challenging market environment amidst uncertain macros.
- Margin walk:** Gross Margin expanded by 42bps QoQ to 32.5%. Adj. EBITDA margin expanded by 234bps QoQ (Excl. milestone celebration cost of \$2mn) and by 160bps on a reported basis to 17.6%. Margin included headwinds in form of forex loss on hedges of 40bps, higher than trend ESOP expense of 30bps on QoQ basis. For Q3, management expects forex gain of ~100bps and normalization of ESOP costs, which will lead to margin expansion despite expected tepid growth in Q3 on account of seasonality. It expects SG&A to be around 15%. On protecting margins, management stated that cost optimization would be limited to the extent that it does not affect long term growth aspirations. Management reiterated the company's growth focus to continue beyond FY'24.
- Vertical Commentary:** Vertical-wise growth was led by Banking and Financial Services (31.6%), reporting 3.8% QoQ growth in CC terms. Insurance vertical (22.6%) reported 2.4% QoQ growth in CC terms, while Travel vertical (18.5% of Rev) grew 2.3% sequentially in CC terms. For Banking, management continues to see green shoots for deal wins, but is also seeing caution on account of geo-political uncertainty. Specific areas such as – payment processing, regulatory and compliance, veer largely towards non-discretionary spends, and have not seen impact on spends. For Insurance, Coforge is witnessing good demand in P&C space led by core transformation opportunities with large software companies such as Duckcreek and Guidewire. For Travel, vertical, there is demand in productization, customer experience, and cybersecurity, and although this segment is seeing some normalization of demand, vertical growth will be in-line (if not outperforming) with overall company growth.
- Guidance:** Coforge has retained revenue guidance of 13-16% growth in CC terms. Coforge also re-affirmed 50bps expansion in Gross margins and Adjusted EBITDA Margin at 18.3% (FY'23 level).
- Deals TCV:** Coforge saw TCV wins of \$313mn (includes 3 large deals). 3 large deals include: a) New BFS account, b) Travel vertical in EMEA region with a leading Middle East Airline, and c) Renewal deal with a major European airline. Additionally, Coforge won a \$10mn TCV for its BPS business and also won a sizable digital transformation win in Guidewire space for a large US auto and home insurer. 12M executable order book stood at \$935mn, a 16.6% growth on YoY basis. Management also stated that deal velocity remained healthy for Coforge in areas like Product innovation, legacy modernization, and cloud migration.
- Hiring:** Headcount stood at 24,638, up by 414 employees on a sequential basis. Management highlighted it will continue to hire for both categories – freshers as well as laterals, in line with revenue growth for the rest of FY24. Utilization levels dipped by 100bps on account of campus fresher additions.
- Dividend:** Announced dividend of Rs. 19/share.

Exhibit 7: Vertical Trend for Q2FY24

Vertical	Amount (\$ mn)	Mix (%)	QoQ (%)	YoY (%)	Incremental Revenue (\$ mn)	% Contribution of Incremental Revenue
Transportation	51	19	2.3	7.9	1.2	19
BFS	88	32	4.0	12.2	3.3	53
Insurance	63	23	2.3	9.6	1.4	23
Others	76	27	0.5	19.1	0.4	6
Total	278	100	2.3	12.5	6.3	100

Source: Company, DART

Exhibit 8: Geography Trend for Q2FY24

Geography	Amount (\$ mn)	Mix (%)	QoQ (%)	YoY (%)	Incremental Revenue (\$ mn)	% Contribution of Incremental Revenue
America	137	49	1.7	8.4	2.3	36
EMEA	108	39	2.8	13.4	3.0	47
Rest of World	33	12	3.2	30.2	1.0	16
Total	278	100	2.3	12.5	6.3	100

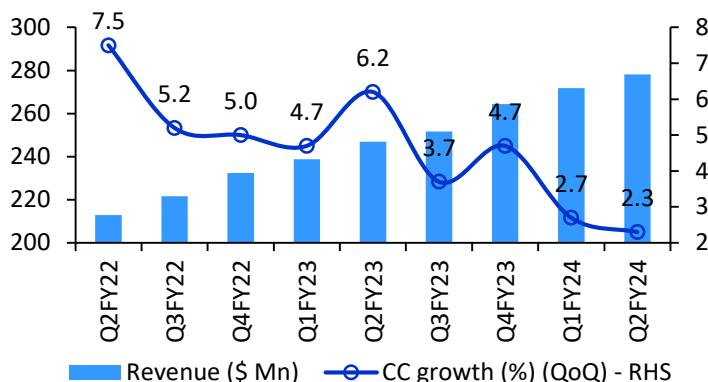
Source: Company, DART

Exhibit 9: Client Growth Trend for Q2FY24

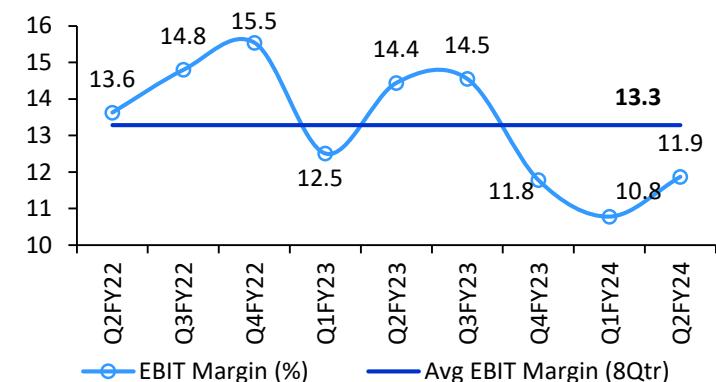
Client	Amount (\$ mn)	Mix (%)	QoQ (%)	YoY (%)	Incremental Revenue (\$ mn)	% Contribution of Incremental Revenue
Top 5	65	24	(4.2)	14.5	(2.9)	(46)
Top 6 - 10 Client	33	12	(5.0)	3.7	(1.7)	(27)
Top 11-20 client	17	6	(1348)	29.5	18.3	291
Non Top 20 client	163	59	(4.4)	12.1	(7.4)	(118)
Total	278	100	2.3	12.5	6.3	100

Source: Company, DART

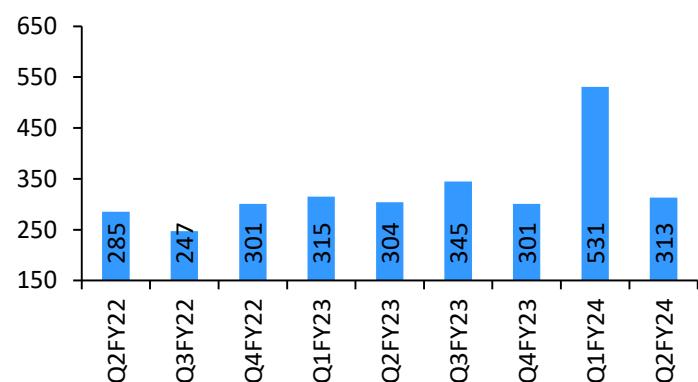
Story in Charts

Exhibit 10: Rev. grew 2.3% QoQ in CC terms


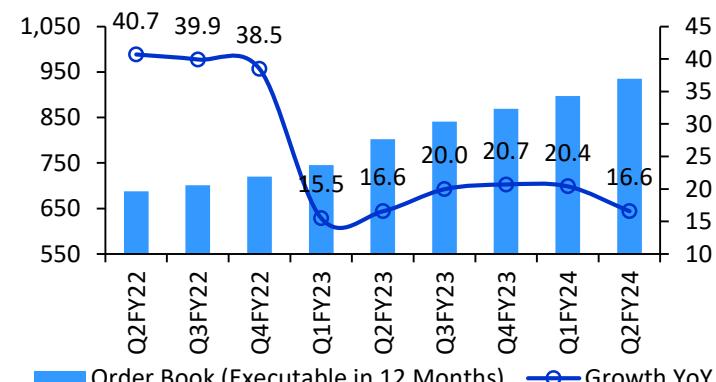
Source: Company, DART

Exhibit 11: OPM expanded by 110bps on QoQ Basis


Source: Company, DART

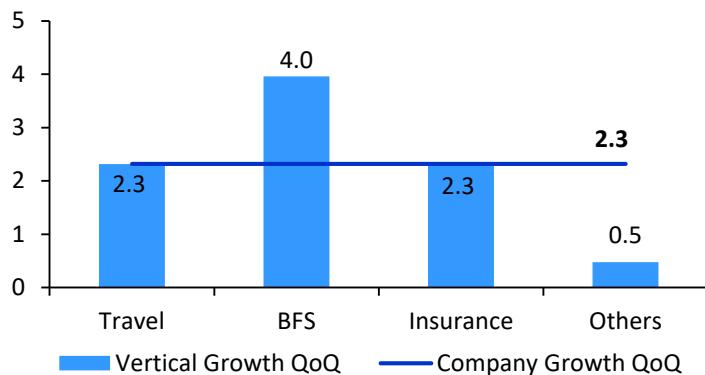
Exhibit 12: Robust Deal wins continues (\$313mn)


Source: Company, DART

Exhibit 13: 12m Order Book rose to \$935mn (up 16.6% YoY)


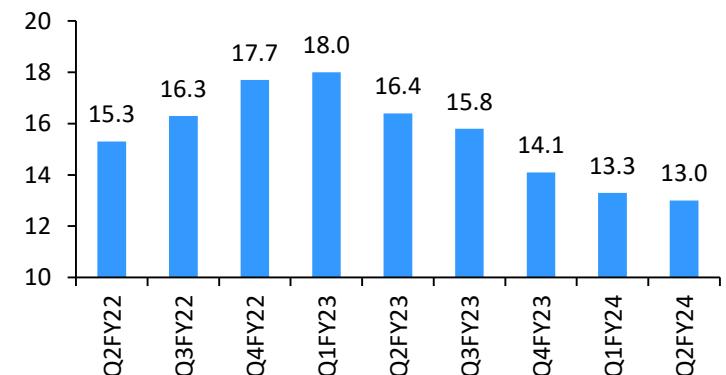
Source: Company, DART

Exhibit 14: BFS vertical outperformed



Source: Company, DART

Exhibit 15: Attrition (13%) declined by 30bps QoQ



Source: Company, DART

Exhibit 16: Operating Metrics 1

Operating Metrics	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24
\$ Revenue	212.8	221.6	232.4	238.7	246.9	251.7	264.4	271.8	278.1
CC growth (%) (YoY)	34.7	37.2	37.0	22.1	22.8	21.1	20.7	18.4	14.1
CC growth (%) (QoQ)	7.5	5.2	5.0	2.8	6.2	3.7	4.7	2.7	2.3
Geographical Amount									
America	110.9	118.0	116.2	122.7	126.8	122.3	127.7	135.1	137.4
EMEA	68.9	74.6	92.7	88.1	95.2	100.1	104.7	104.9	107.9
Rest of World	32.5	28.8	24.0	28.3	25.2	26.1	32.0	31.8	32.8
Geographical YoY Growth									
America	53.0	49.8	45.2	19.1	14.3	3.6	10.1	10.1	8.4
EMEA	23.2	28.9	35.7	25.1	38.0	34.2	13.2	19.0	13.4
Rest of World	24.6	19.4	(1.3)	8.4	(22.5)	(9.4)	33.7	12.2	30.2
Vertical Amount									
Transportation	39.5	40.6	46.8	46.4	47.7	48.0	49.7	50.3	51.4
BFS	51.2	63.0	64.5	70.6	78.3	77.3	82.0	84.5	87.9
Insurance	62.0	61.6	59.8	55.3	57.3	55.0	58.7	61.4	62.9
Others	59.7	56.3	61.7	67.0	63.8	68.2	74.0	75.6	75.9
Vertical YoY Growth									
Transportation	34.6	26.2	43.6	23.0	20.7	18.2	6.4	8.4	7.9
BFS	94.9	117.5	122.7	67.6	53.1	22.8	27.3	19.8	12.2
Insurance	18.0	19.8	11.3	(10.1)	(7.5)	(10.8)	(1.7)	11.2	9.6
Others	28.7	16.7	8.1	14.9	6.8	21.1	20.2	12.8	19.1
Order Data (\$ mn)									
America	123	91	158	123	141	208	130	155	118
EMEA	114	110	104	151	134	113	113	346	138
Rest of World	48	47	40	41	29	24	58	30	57
Order In-Take Total	285	247	301	315	304	345	301	531	313
Order Book (12M)	688	701	720	745	802	841	869	897	935
Growth YoY (%)	40.7	39.9	38.5	15.5	16.6	20.0	20.7	20.4	16.6
Revenue Coverage (%)	92.3	87.0	83.1	82.3	85.4	86.7	86.8	86.7	87.7
Revenue Area Mix									
Off-Shore	44.0	46.0	47.0	50.0	50.0	50.0	50.0	51.0	52.0
On-Shore	56.0	54.0	53.0	50.0	50.0	50.0	50.0	49.0	48.0
Project Type Mix									
Fixed Project	53.5	53.9	53.1	51.9	49.8	50.4	50.2	48.9	49.3
T&M	46.5	46.1	46.9	48.1	50.2	49.6	49.8	51.1	50.7
Top Client Amount									
Top 5	47.8	55.8	53.8	54.8	57.1	59.4	60.8	68.2	65.4
Top 6 - 10 Client	22.3	24.1	27.7	30.1	31.4	30.8	33.1	34.2	32.5
Top 11-19 client	27.6	28.6	32.6	14.6	13.1	8.7	15.9	(1.4)	17.0
Non Top 20 Client	114.7	112.9	118.7	139.7	145.6	149.6	154.7	170.7	163.2
Top Client YoY Growth									
Top 5	23.7	44.6	22.8	11.6	19.5	6.4	13.3	24.5	14.5
Top 6 - 10 Client	31.2	50.1	44.8	33.6	40.7	27.6	19.5	13.6	3.7
Top 11-20 client	11.7	26.9	30.4	(48.2)	(52.6)	(69.6)	(51.2)	(109.3)	29.5
Non Top 20 Client	54.6	35.1	40.6	40.0	26.9	32.4	30.5	22.2	12.1

Source: Company, DART

Exhibit 17: Operating Metrics 2

Particulars	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24
Total Employees	20,747	22,130	22,144	22,742	22,991	22,505	23,224	24,224	24,638
Breakup									
India - Billable	3,458	3,360	3,360	N.A	N.A	N.A	N.A	N.A	N.A
Outside India - Billable	16,121	17,578	17,578	N.A	N.A	N.A	N.A	N.A	N.A
Sales and Marketing	258	281	278	285	291	317	350	363	360
Others	910	911	928	963	1,008	1,035	1,059	1,099	1,147
Utilization (%)	78.5	77.1	76.1	76.2	77.3	80.3	81.5	81.0	80.0
Attrition (%)	15.3	16.3	17.7	18.0	16.4	15.8	14.1	13.3	13.0
DSO	66	70	63	72	70	73	61	61	64
Client Bucket Data									
\$1mn Bucket	NA								
\$1-5mn Bucket	92	94	100	98	97	98	101	102	104
\$5-10mn Bucket	22	21	19	24	26	23	23	24	23
above \$10mn Bucket	16	18	18	19	19	21	21	21	23
New / Old Revenue									
Repeat Biz	198	204	215	230	232	231	242	260	264
New Biz	15	18	17	9	15	21	22	12	14
New / Old Revenue Growth									
Repeat Biz YoY	43.6	45.6	45.3	19.8	17.6	13.4	12.0	13.0	13.8
New Biz YoY	(10.2)	(14.6)	(28.8)	12.0	(4.5)	15.4	38.1	35.1	(5.5)
Practice Mix									
Product Engineering	27.0	23.9	24.8	25.1	26.0	24.6	25.0	25.4	24.5
Data & Integration	43.8	45.4	51.0	55.7	57.1	59.4	62.2	64.9	67.4
Intelligent Automation	30.4	31.0	29.4	30.1	31.1	29.3	29.2	31.1	33.3
CIMS	36.1	41.2	41.9	43.5	43.3	46.2	50.1	54.1	50.9
ADM	50.8	54.7	58.6	57.9	63.8	66.3	73.0	69.2	73.2
BPM	24.6	25.2	25.9	26.6	25.7	22.6	23.7	25.7	26.2

Source: Company, DART

Financial Performance

Profit and Loss Account

(Rs Mn)	FY23A	FY24E	FY25E	FY26E
Revenue	80,146	93,002	1,04,096	1,17,323
Total Expense	66,896	78,095	86,378	97,186
COGS	55,449	64,307	70,922	79,592
Employees Cost	0	0	0	0
Other expenses	11,447	13,788	15,456	17,594
EBIDTA	13,250	14,907	17,717	20,137
Depreciation	2,585	3,090	3,435	3,872
EBIT	10,665	11,817	14,282	16,265
Interest	0	0	0	0
Other Income	(630)	(797)	(480)	(440)
Exc. / E.O. items	(523)	0	0	0
EBT	9,512	11,020	13,802	15,825
Tax	2,061	2,415	3,175	3,640
RPAT	6,938	8,327	10,628	12,186
Minority Interest	513	278	0	0
Profit/Loss share of associates	0	0	0	0
APAT	7,461	8,327	10,628	12,186

Balance Sheet

(Rs Mn)	FY23A	FY24E	FY25E	FY26E
Sources of Funds				
Equity Capital	611	611	611	611
Minority Interest	874	1,152	1,152	1,152
Reserves & Surplus	30,214	33,927	39,050	44,998
Net Worth	30,825	34,538	39,661	45,609
Total Debt	3,382	3,382	3,382	3,382
Net Deferred Tax Liability	(3,174)	(3,224)	(3,334)	(3,519)
Total Capital Employed	31,907	35,848	40,861	46,624

Applications of Funds

Net Block	20,754	20,564	20,329	19,957
CWIP	46	46	46	46
Investments	0	15	47	62
Current Assets, Loans & Advances	32,277	36,300	41,556	49,292
Inventories	0	0	0	0
Receivables	17,903	20,627	22,591	24,272
Cash and Bank Balances	5,787	5,770	8,294	13,138
Loans and Advances	0	0	0	0
Other Current Assets	8,587	9,903	10,671	11,881
Less: Current Liabilities & Provisions	21,170	21,077	21,116	22,733
Payables	6,813	7,329	7,757	8,835
Other Current Liabilities	14,357	13,749	13,360	13,898
<i>sub total</i>				
Net Current Assets	11,107	15,223	20,440	26,559
Total Assets	31,907	35,848	40,861	46,624

E – Estimates

Important Ratios

Particulars	FY23A	FY24E	FY25E	FY26E
(A) Margins (%)				
Gross Profit Margin	30.8	30.9	31.9	32.2
EBIDTA Margin	16.5	16.0	17.0	17.2
EBIT Margin	13.3	12.7	13.7	13.9
Tax rate	21.7	21.9	23.0	23.0
Net Profit Margin	8.7	9.0	10.2	10.4
(B) As Percentage of Net Sales (%)				
COGS	69.2	69.1	68.1	67.8
Employee	0.0	0.0	0.0	0.0
Other	14.3	14.8	14.8	15.0
(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	82	81	79	76
Average Cost of Debt	0.0	0.0	0.0	0.0
Payable days	31	29	27	27
Working Capital days	51	60	72	83
FA T/O	3.9	4.5	5.1	5.9
(D) Measures of Investment				
AEPS (Rs)	119.9	133.4	170.2	195.1
CEPS (Rs)	161.5	182.8	225.2	257.1
DPS (Rs)	62.8	78.4	88.1	99.9
Dividend Payout (%)	52.4	58.8	51.8	51.2
BVPS (Rs)	495.4	553.1	635.2	730.4
RoANW (%)	23.9	25.5	28.6	28.6
RoACE (%)	25.8	25.4	27.7	27.9
RoAIC (%)	41.4	42.1	45.6	49.2
(E) Valuation Ratios				
CMP (Rs)	5092	5092	5092	5092
P/E	42.5	38.2	29.9	26.1
Mcap (Rs Mn)	3,13,420	3,13,420	3,13,420	3,13,420
MCap/ Sales	3.9	3.4	3.0	2.7
EV	3,11,015	3,11,032	3,08,508	3,03,664
EV/Sales	3.9	3.3	3.0	2.6
EV/EBITDA	23.5	20.9	17.4	15.1
P/BV	10.3	9.2	8.0	7.0
Dividend Yield (%)	1.2	1.5	1.7	2.0
(F) Growth Rate (%)				
Revenue	24.6	16.0	11.9	12.7
EBITDA	18.8	12.5	18.9	13.7
EBIT	20.1	10.8	20.9	13.9
PBT	10.4	15.9	25.2	14.7
APAT	12.8	11.6	27.6	14.7
EPS	12.5	11.2	27.6	14.7

E – Estimates

Cash Flow

Particulars	FY23A	FY24E	FY25E	FY26E
Profit before tax	9,512	11,020	13,802	15,825
Depreciation & w.o.	2,585	3,090	3,435	3,872
Net Interest Exp	0	797	480	440
Direct taxes paid	(2,800)	(2,415)	(3,175)	(3,640)
Change in Working Capital	(1,027)	(4,350)	(4,544)	(1,714)
Non Cash	1,235	0	0	0
(A) CF from Operating Activities	9,505	8,142	9,999	14,783
Capex {(Inc.)/ Dec. in Fixed Assets n WIP}	(2,759)	(2,900)	(3,200)	(3,500)
Free Cash Flow	6,746	5,242	6,799	11,283
(Inc.)/ Dec. in Investments	0	(15)	(32)	(15)
Other	43	(797)	(480)	(440)
(B) CF from Investing Activities	(2,716)	(3,712)	(3,712)	(3,955)
Issue of Equity/ Preference	18	0	0	0
Inc./ (Dec.) in Debt	(180)	0	0	0
Interest exp net	0	0	0	0
Dividend Paid (Incl. Tax)	(4,285)	(4,892)	(5,504)	(6,238)
Other	(1,135)	278	0	0
(C) CF from Financing	(5,582)	(4,614)	(5,504)	(6,238)
Net Change in Cash	2,438	(368)	1,566	9,181
Opening Cash balances	4,468	5,699	5,515	6,298
Closing Cash balances	5,699	5,515	6,298	10,888

E – Estimates

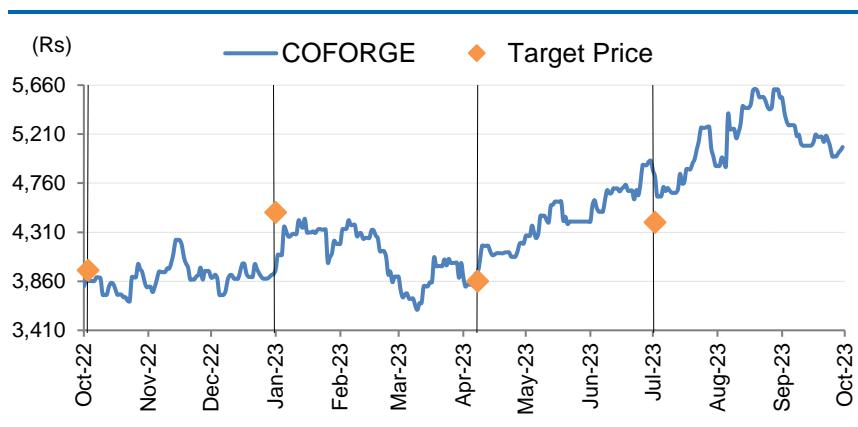
Notes

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	Accumulate	3,960	3,862
Jan-23	Accumulate	4,490	3,967
Apr-23	Reduce	3,860	3,944
Jul-23	SELL	4,400	4,819

*Price as on recommendation date

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