Persistent Systems SELL

IT Services | Q2FY24 Result Update

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Result Update

Strong Order Book and Execution; Valuation Limit Room for Error

- **Persistent posted healthy Rev. of $292mn, up 3.2% QoQ in CC terms (DE: 3%), led by growth in Software, Tech and Emerging vertical (up 3.8% QoQ).**
- **OPM stood at 13.7%, up 88bps QoQ (DE: 13.6%), despite wage hike as it had tailwinds in absence of 210bps one-time celebration costs in Q1.**
- **TCV/ACV stood $479mn/316mn, up 26%/16% QoQ respectively, but TTM ACV coverage continues to be sluggish at 1.1x (LQ 1.1x as well).**
- **Q2 saw sustained TCV wins and execution, company aims to deliver industry leading growth. However, we believe positives are well priced in, and hence Maintain SELL rating with TP of Rs.4,760 at 25x FY26E.**

Continued Top-Line Performance in Uncertain Environment

Persistent continued to deliver industry leading organic growth in an uncertain macro environment, across verticals. One key driver is Hi-tech, where PSYS leverages its traditional prowess in engineering services, while also successfully winning against larger Tier-1 peers. Continued revival in Top-client (up 3% QoQ and 33.8% YoY) is also aiding growth momentum.

Strong TCV/ACV Wins; ACV to Revenue Coverage Static

Persistent saw TCV/ACV wins of $479Mn/$316mn, up 26%/16% QoQ, which was also partly boosted by deal slips from Q1. TTM ACV stood at $1.23Bn, covering 1.1x of LTM Revenue, and this revenue coverage of 1.1x has been on a decline since past 9 quarters (Q2FY22 Rev Coverage: 1.31x), suggesting slower deal conversions. Management indicated that some deals have revenue leakage of 10-15% (on spillage), but overall order book has no cause of concern.

Profitability Lever Within Reach Once Growth Aspirations are Met

Persistent outlined its vision to achieve $2Bn Revenue over next 4 years. Hence, PSYS will continue investments in sales & marketing engine, improve execution (80.6% utilization in Q2, target of 83-84%), invest in skilling talent (Gen.AI/next gen tech) and provide right incen`tives/pay. Management shared that the need for investment in S&M has increased as there is need for 33% qualified pipeline on like-for-like basis to achieve per-unit of revenues. PSYS views reducing S&M as crucial lever for margins, as and when environment improves, while re-iterating its stand to improve margins by 200-300bps over next 2-3 years.

Q2FY24 Result (Rs Mn)

Particulars	Q2FY24	Q2FY23	YoY (%)	Q1FY24	QoQ (%)
Revenue	24,117	20,486	17.7	23,212	3.9
Total Expense	20,065	16,807	19.4	19,468	3.1
EBITDA	4,052	3,680	10.1	3,743	8.2
Depreciation	744	693	7.3	763	(2.5)
EBIT	3,308	2,987	10.8	2,980	11.0
Other Income	250	(31)	(918.8)	90	176.3
Interest	0	0		0	
EBT	3,558	2,956	20.4	3,070	15.9
Tax	925	756	22.4	783	18.2
RPAT	2,633	2,200	19.7	2,288	15.1
APAT	2,633	2,200	19.7	2,288	15.1
			(bps)		(bps)
Gross Margin (%)	33.1	33.5	(35)	32.1	105
EBITDA Margin (%)	16.8	18.0	(116)	16.1	67
NPM (%)	10.9	10.7	18	9.9	106
Tax Rate (%)	26.0	25.6	43	25.5	50
EBIT Margin (%)	13.7	14.6	(86)	12.8	88

CMP	Rs 5,849
Target / Downside	Rs 4,760 / 19%
NIFTY	19,625

Scrip Details

Equity / FV	Rs 764mn / Rs 10
Market Cap	Rs 447bn
	USD 5.4bn
52-week High/Low	Rs 6,035/ 3,585
Avg. Volume (no)	382,921
Bloom Code	PSYS IN

Price Performance	1M	3M	12M
Absolute (%)	0	14	60
Rel to NIFTY (%)	2	15	48

Shareholding Pattern

	Mar'23	Jun'23	Sep'23
Promoters	31.3	31.1	31.1
MF/Banks/FIs	27.6	28.0	28.0
FIIs	20.6	20.5	20.5
Public / Others	20.6	20.4	20.4

Valuation (x)

	FY24E	FY25E	FY26E
P/E	41.4	35.1	30.7
EV/EBITDA	26.2	22.1	19.1
ROE (%)	24.7	24.9	24.1
RoACE (%)	23.1	23.5	23.1

Estimates (Rs bn)

	FY24E	FY25E	FY26E
Revenue	97.9	110.4	125.9
EBITDA	16.7	19.4	22.1
PAT	10.6	12.5	14.3
EPS (Rs.)	141.4	166.5	190.4

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Exhibit 1: Quarterly performance versus estimates

Particulars (Rs mn)	Actual	Estimates		% Variation		Comment
		Dolat	Consensus	Dolat	Consensus	
USD Revenue	292	291	283	0.2	3.2	Beat led by strong growth in Software, Hi Tech verticals
INR Revenue	24,117	24,074	23,964	0.2	0.6	
EBIT	3,308	3,285	3,368	0.7	(1.8)	Modest OPM beat from better utilization & lower visa costs.
EBIT, margin (%)	13.7	13.6	14.1	10 bps	(30 bps)	
PAT	2,633	2,507	2,592	5.0	1.6	Higher F/X gain in OI led PAT beat.

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 growth unchanged. Management commentary remains confident on margin improvement but expected to be limited as company prioritizes growth. Hence, revise OPM estimates by -17bps/+15bps for FY24E/FY25E. Overall, expect upward revision in our earnings estimates by 0.7%/2.4% for FY24E/FY25E. Introduce FY26E estimates with Revenue growth of 12.5%, OPM of 14.8%, and EPS of Rs. 190.4.

Exhibit 2: Change in Estimates

Particulars (Rs. mn)	FY23A	FY24E			FY25E			FY26E
	Actual	Old	New	Chg. (%)	Old	New	Chg. (%)	Introduced
USD Revenue	1,036	1,183	1,183	0.0	1,324	1,324	0.0	1,490
YoY growth,	35.3	14.2	14.2	4 bps	11.9	11.9	(2 bps)	12.5
INR Revenue	83,506	97,466	97,855	0.4	109,506	110,427	0.8	1,25,874
YoY growth,	46.2	16.7	17.2	47 bps	12.4	12.8	50 bps	14.0
EBIT	12,472	13,785	13,671	(0.8)	15,894	16,190	1.9	18,617
EBIT Margin,	14.9	14.1	14.0	(17 bps)	14.5	14.7	15 bps	14.8
Net Profit	9,211	10,562	10,634	0.7	12,230	12,522	2.4	14,325
EPS (Rs)	123.2	138.2	141.4	2.3	160.0	166.5	4.0	190.4

Source: DART, Company

What to expect next Quarter

We expect revenue growth of 2.8% QoQ in Q3, incurring impact of seasonal slowdown. OPM is expected to improve by 67bps QoQ, led by operating leverage and calibrated costs in line with seasonality impact.

Exhibit 3: What to expect next Quarter

Particulars (Rs. Mn)	Q3FY24E	Q2FY24	Q3FY23	QoQ (%)	YoY (%)
USD Revenue	300	292	264	2.8	13.4
INR Revenue	24,890	24,117	21,694	3.2	14.7
EBIT	3,581	3,308	3,332	8.3	7.5
PAT	2,779	2,633	2,380	5.6	16.8
EPS (Rs. Abs)	36.1	34.2	31.1	5.6	16.0
EBIT Margin (%)	14.4	13.7	15.4	67 bps	(97 bps)

Source: DART, Company

Valuation

We believe that while Persistent will continue to deliver strong revenue momentum over next 2-3 quarters (translating into early-teens/low double digit revenue growth for FY24E-and FY25E), while also acknowledging macro risks. But we believe that as growth rates moderates due to increased pain led by weakened macros, thus risk the valuation as well. We currently value PSYS at 25x on FY26E Earnings of Rs. 138 with TP of Rs. 4,760 per share and maintain our **SELL** rating on the stock.

Exhibit 4: Key Assumptions in Our Estimates

Key Assumptions	FY21A	FY22A	FY23	FY24E	FY25E	FY26E
USD revenue growth (%)	12.9	35.2	35.3	14.2	11.9	12.5
INR revenue growth (%)	17.4	36.4	46.2	17.2	12.8	14.0
EBIT margin (%)	12.1	13.9	14.9	14.0	14.7	14.8
EPS growth (%)	32.5	53.2	36.4	14.7	17.8	14.4
USD/INR	74.0	74.6	80.6	82.7	83.4	84.5

Source: DART, Company

Exhibit 5: Key Growth Matrix

Growth YoY (%)	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24
USD Revenue	34.0	36.2	42.2	44.8	40.2	32.8	26.3	17.1	14.1
INR Revenue	34.1	38.7	47.1	52.7	51.6	45.4	37.6	23.6	17.7

Source: DART, Company

Exhibit 6: Quarterly and YTD Trend

Particulars (Rs mn)	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	YoY (%)	QoQ (%)	H1FY23	H1FY24	YoY (%)
USD Revenue	**255.6**	**264.4**	**273.3**	**282.9**	**291.7**	**14.1**	**3.1**	**497.1**	**574.6**	**15.6**
INR Revenue	**20,486**	**21,694**	**22,498**	**23,212**	**24,117**	**17.7**	**3.9**	**39,268**	**47,328**	**20.5**
Operating Expenses	16,807	17,678	18,358	19,468	20,065	19.4	3.1	32,255	39,534	22.6
Cost of revenue	13,628	14,360	14,781	15,765	16,127	18.3	2.3	26,062	31,892	22.4
as % of sales	*66.5*	*66.2*	*65.7*	*67.9*	*66.9*	35 bps	(105 bps)	*66.4*	*67.4*	101 bps
SG&A expenses	3,178	3,318	3,576	3,704	3,938	23.9	6.3	6,193	7,642	23.4
as % of sales	*15.5*	*15.3*	*15.9*	*16.0*	*16.3*	81 bps	37 bps	*15.8*	*16.1*	37 bps
EBITDA	**3,680**	**4,016**	**4,141**	**3,743**	**4,052**	**10.1**	**8.2**	**7,013**	**7,795**	**11.2**
Depreciation	693	684	694	763	744	7.3	(2.5)	1,338	1,507	12.6
EBIT	**2,987**	**3,332**	**3,447**	**2,980**	**3,308**	**10.8**	**11.0**	**5,674**	**6,288**	**10.8**
Other Income	(31)	(104)	159	90	250	N.M	176.3	100	340	239.0
PBT	**2,956**	**3,228**	**3,606**	**3,070**	**3,558**	**20.4**	**15.9**	**5,775**	**6,628**	**14.8**
Total Tax	756	848	948	783	925	22.4	18.2	1,459	1,708	17.1
Reported PAT	**2,200**	**2,380**	**2,658**	**2,288**	**2,633**	**19.7**	**15.1**	**4,316**	**4,920**	**14.0**
Reported EPS	**29.6**	**31.9**	**35.6**	**30.5**	**35.0**	**18.2**	**14.8**	**58.1**	**65.5**	**12.7**
Margins (%)						**(bps)**	**(bps)**			**(bps)**
EBIDTA	18.0	18.5	18.4	16.1	16.8	(116 bps)	67 bps	17.9	16.5	(139)
EBIT	14.6	15.4	15.3	12.8	13.7	(86 bps)	88 bps	14.5	13.3	(117)
EBT	14.4	14.9	16.0	13.2	14.8	32 bps	152 bps	14.7	14.0	(70)
PAT	10.7	11.0	11.8	9.9	10.9	18 bps	106 bps	11.0	10.4	(60)
Effective Tax rate	25.6	26.3	26.3	25.5	26.0	43 bps	50 bps	25.3	25.8	51

Source: Company

Earning Call KTAs

- **Revenue:** Persistent's Revenue stood at $292mn, and grew by 3.2% QoQ in CC terms and 3.1% in USD term. Growth was led by Software, Hi Tech & Emerging industrial segment (48% of Rev), which grew 3.8% QoQ. BFSI (32% of Rev) was flat sequentially. Healthcare (19% of Rev) grew by 7% QoQ.
- **EBIT Margin:** EBIT stood at Rs. 3.3Bn, and EBIT margin was up 88bps QoQ at 13.7%. Margin uptick led by absence of Rev-1bn$ milestone related one-time payout of nearly Rs.486mn (helped margins by 210bps that offset the wage hike impact during the quarter). Provision for doubtful debts declined by 47% QoQ to Rs. 35mn from Rs. 66mn. On a reported basis, OPM declined by 120bps (adjusting for one-time charges), primarily due to wage-hike impact. Wage hike for all employees was effective 1st July, and Persistent gave wage-hikes of up to 7% for off-shore employees and between 3-4% for on-site employees. Wage hike had a 2.7% impact on margin, which was partially offset by improved utilization, currency benefit and absence of visa costs.
- **Top-Client (10% of Rev)**: Top-client revenue stood at $30Mn, up 3.1% QoQ, delivering growth in 3 quarters in a row. Management mentioned that relationship and work scope with top-client remained healthy, though on a QoQ basis, quantum of work could vary.
- **TCV:** Persistent reported a strong TCV of $479.3mn, up 26% QoQ. ACV stood at $316mn, up 16% QoQ. On a TTM basis, TCV/ACV stood at $1.7/$1.2Bn, taking Book to Bill to 1.5x/1.1x respectively. Revenue coverage of 1.1x has been on a decline since past 9 quarters (Q2FY22 Revenue Coverage: 1.31x), thus indicating slower deal conversions.
- **Outlook:** Management maintained macro environment remains difficult, but remains cautiously optimistic. On a quarterly basis, Persistent aspires to achieve Revenue growth of 3-5% QoQ (in USD terms) in good environment while 2-4% QoQ growth in bad environment. Persistent expects margin improvement by 200-300bps over next 2-3 years (FY23 OPM: 14.9%).
- **Employees:** Headcount stood at 22,842 employees. Headcount was lower sequentially by 288 employees. Decline due to measures taken for bottom performers, and lower gross hiring (vs. exits). Attrition declined further to 13.5% (Q1:15.5%). Management stated that this attrition level was in a comfortable band and decline in attrition was due to moderation in hiring across industry as well as company led interventions.
- **Utilization**: Blended utilization increased to 80.6% as compared to 78.3% in Q1FY24. Increase in utilization was aided by volume growth and decline in net headcount.
- **Leadership**: Persistent added 2 senior hires – Mr. Ayon Mukherjee, as Chief Strategy and Growth officer and Mr. Rajiv Sodhi, as Senior VP- Hyperscaler Business and Strategic Alliances. Mr. Ayon Mukherjee has 30+ years background in consulting industry. Mr. Rajiv Sodhi has worked with Microsoft where he spent 16+ years leading global GTM strategy, ecosystem partnerships, organization transformation, sales and marketing and was COO of Microsoft India.

Exhibit 7: Vertical Trend for Q2FY24

Vertical	Amount ($ mn)	Mix (%)	QoQ (%)	YoY (%)	Incremental Revenue ($ mn)	% Contribution of Incremental Revenue
BFSI	94	32	0.0	12.4	0	0
Tech & Emerging Vertical	141	48	3.8	16.3	5	58
Healthcare	56	19	7.0	11.8	4	42
Total	**292**	**100**	**3.1**	**14.1**	**9**	**100**

Source: DART, Company

Exhibit 8: Geography Trend for Q2FY24

Geography	Amount ($ mn)	Mix (%)	QoQ (%)	YoY (%)	Incremental Revenue ($ mn)	% Contribution of Incremental Revenue
North America	231	79	3.1	15.0	7	79
Europe	28	10	1.0	30.6	0	3
India	28	10	1.0	(3.7)	0	3
RoW	5	2	37.5	14.1	1	14
Total	**292**	**100**	**3.1**	**14.1**	**9**	**100**

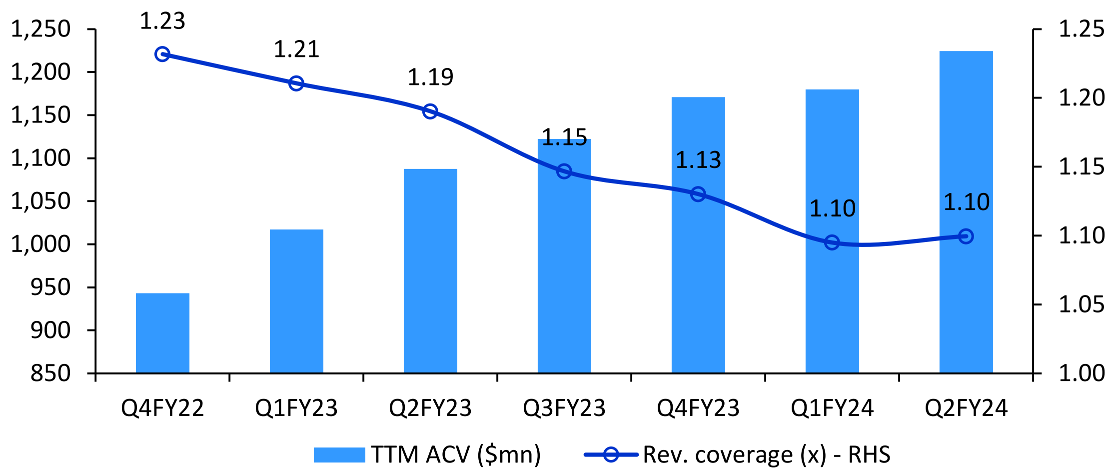
Source: DART, Company

Exhibit 9: Client Bucket Trend for Q2FY24

Client	Amount ($ mn)	Mix (%)	QoQ (%)	YoY (%)	Incremental Revenue ($ mn)	% Contribution of Incremental Revenue
Top client	30	10	3.1	33.8	0.9	10.2
Top 2-5 client	53	18	5.4	13.5	2.7	30.9
Top 6-10 client	33	11	(1.3)	30.5	(0.4)	(4.9)
Non-Top 10 clients	176	61	3.3	9.1	5.6	63.7
Total	**292**	**100**	**3.1**	**14.1**	**9**	**100.0**

Source: DART, Company

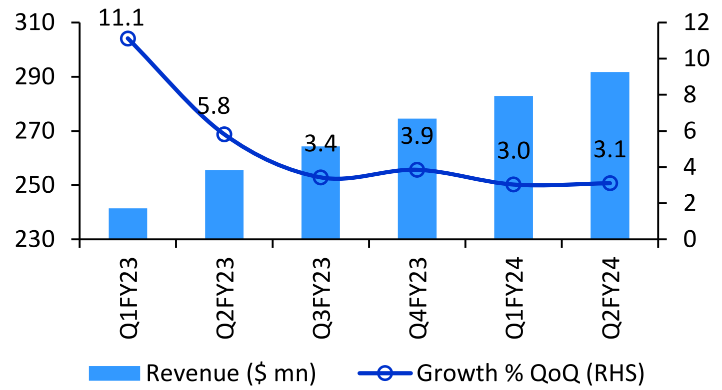
Exhibit 10: TTM ACV to Revenue Coverage moderating



Source: Company, DART

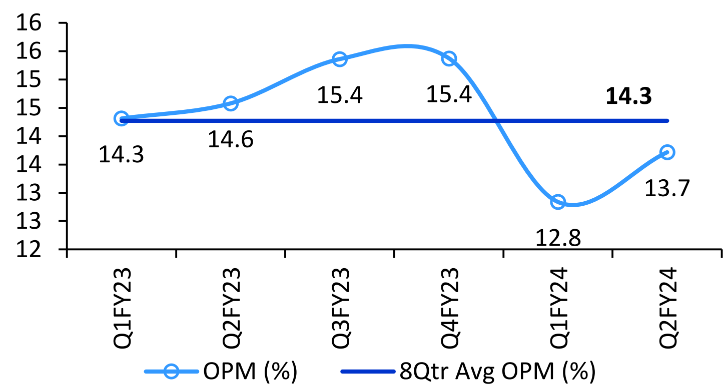
Story in Charts

Exhibit 11: Revenue Grew by 3.2% QoQ in CC terms



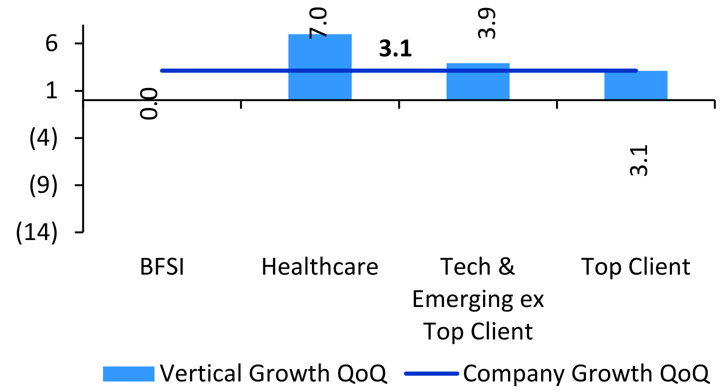
Source: DART, Company

Exhibit 12: Absence of celebration exp offset by wage hike



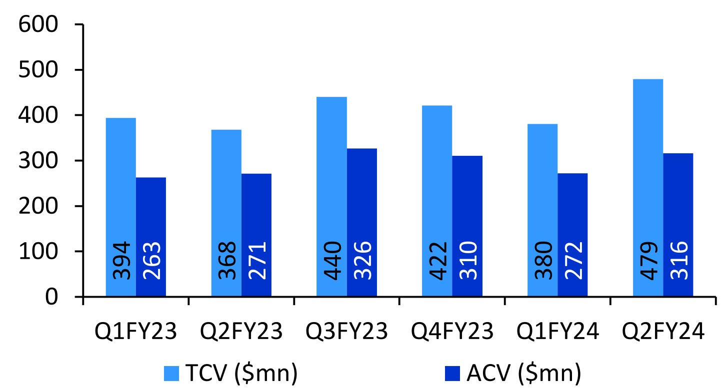
Source: DART, Company

Exhibit 13: Tech and Healthcare Shine; BFSI drag



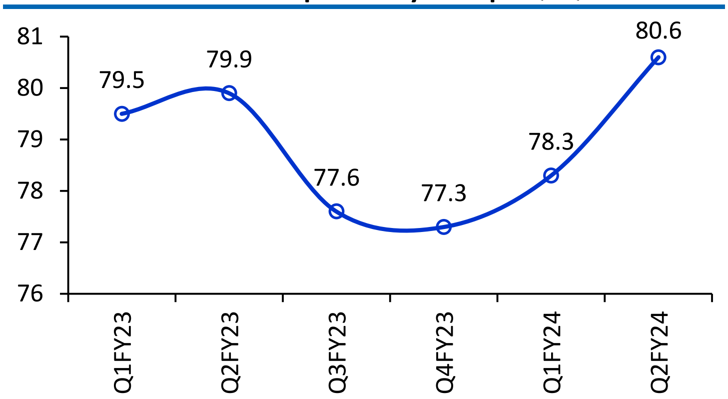
Source: DART, Company

Exhibit 14: TCV/ACV see strong traction



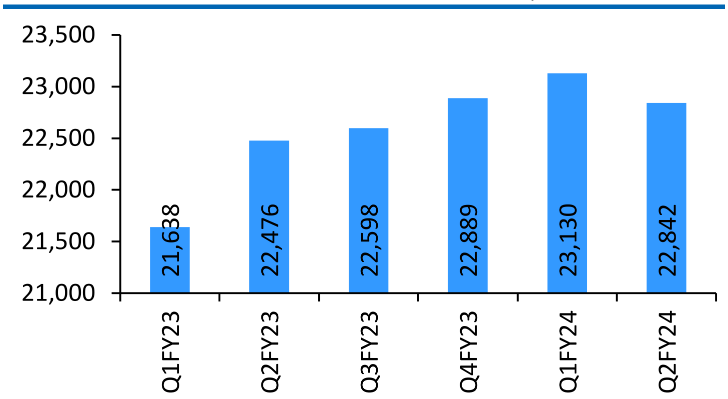
Source: DART, Company

Exhibit 15: Utilization Improves by 230bps QoQ



Source: DART, Company

Exhibit 16: 1st Headcount Reduction since Q1'FY2021



Source: DART, Company

Exhibit 17: Operating Metrics 1

Operating Metrics	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24
$ Revenue	182.3	199.1	217.3	241.5	255.6	264.4	274.6	282.9	291.7
USD Growth, QoQ	9.3	9.2	9.1	11.1	5.8	3.4	3.9	3.0	3.1
USD Growth, YoY	34.0	36.2	42.2	44.8	40.2	32.8	26.3	17.1	14.1
Geographical Amount									
US & Canada	143.5	157.7	170.8	189.3	200.9	203.8	213.9	224.1	231.0
UK	16.0	16.5	18.3	20.5	21.2	23.8	28.3	27.4	27.7
India	19.1	21.7	23.9	27.3	29.4	32.5	27.5	28.0	28.3
RoW	3.6	3.2	4.3	4.3	4.1	4.2	4.9	3.4	4.7
Geographical YoY % Growth									
US & Canada	27.2	33.1	41.1	43.8	40.0	29.2	25.2	18.3	15.0
UK	55.1	28.5	19.5	29.5	32.2	44.0	54.9	33.7	30.6
India	73.7	72.7	75.8	66.9	53.5	49.8	14.8	2.6	(3.7)
RoW	91.4	45.3	49.7	44.8	12.1	32.8	13.7	(21.9)	14.1
Vertical Amount									
BFSI	56.0	64.1	70.4	81.4	83.8	86.2	88.7	94.2	94.2
CMT	87.7	93.8	101.9	112.1	121.4	126.4	131.8	136.1	141.2
CMT ex Top Client	56.9	58.9	71.5	83.8	99.2	106.8	106.3	107.2	111.4
Top Client	30.8	34.8	30.4	28.3	22.2	19.6	25.5	28.9	29.8
Healthcare	38.7	41.2	45.0	48.1	50.3	51.8	54.1	52.6	56.3
Vertical YoY % Growth									
BFSI	28.9	48.7	53.1	58.4	49.8	34.4	25.9	15.8	12.4
CMT	32.0	24.8	31.8	37.9	38.4	34.7	29.3	21.4	16.3
CMT ex Top Client	42.2	22.6	43.1	58.5	74.3	81.2	48.6	27.9	12.4
Top Client	16.7	28.9	11.2	(0.4)	(27.8)	(43.9)	(16.1)	2.1	33.8
Healthcare	46.7	47.7	52.5	40.5	30.3	25.7	20.2	9.5	11.8
Top Client Amount									
Top client	30.8	34.8	30.4	28.3	22.2	19.6	25.5	28.9	29.8
Top 2-5 client	34.5	37.0	40.2	46.1	46.5	45.7	47.2	50.1	52.8
Top 6-10 client	17.5	17.7	20.9	23.9	25.0	27.2	29.9	33.1	32.7
Non-Top 10 clients	99.5	109.5	125.8	143.2	161.8	171.8	171.9	170.9	176.5
Top Client YoY % Growth									
Top client	16.7	28.9	11.2	(0.4)	(27.8)	(43.9)	(16.1)	2.1	33.8
Top 2-5 client	14.1	31.3	42.2	41.8	35.0	23.5	17.5	8.6	13.5
Top 6-10 client	44.5	31.8	37.9	40.5	43.1	53.6	43.4	38.4	30.5
Non-Top 10 clients	47.8	41.4	53.3	61.1	62.5	56.9	36.6	19.3	9.1

Exhibit 18: Operating Metrics 2

Operating Metrics	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24
Billed Person Month									
Onsite	3,354	3,891	4,578	5,364	5,495	5,712	5,639	NA	NA
Offshore	24,149	25,928	28,472	31,123	32,603	34,237	37,428	NA	NA
IP Led Person Months	4,000	3,911	3,225	3,278	3,036	3,286	3,986	NA	NA
Billable Person Months									
Onsite	3,840	4,519	5,260	6,336	6,438	6,578	6,417	NA	NA
Offsite	29,372	31,419	35,766	39,564	41,266	44,887	49,315	NA	NA
Calculated Utilization (%)									
Onsite	87	86	87	85	85	87	88	NA	NA
Offsite	82	83	80	79	79	76	76	NA	NA
Reported Utilization (%)									
Blended	83	83	81	80	80	78	77	78	81
GDC	87	86	87	85	85	87	88	NA	NA
India	82	83	80	79	79	76	76	NA	NA
Customers Billed									
For Services business	596	625	678	735	767	770	743	NA	NA
For IP Led business	130	122	125	129	134	134	133	NA	NA
Client Engagement Size									
Large > USD 5M	22	24	25	26	30	34	34	38	38
Medium > USD 1M, < USD 5M	84	90	93	104	116	118	126	129	136
DSO	55	58	59	60	60	67	68	67	66
Employee Data									
Technical	14,657	15,721	17,283	20,144	20,941	21,033	21,295	21,511	21,263
Sales and BD	296	294	317	367	387	405	414	428	443
Others	926	974	999	1,127	1,148	1,160	1,180	1,191	1,136
Total Employees	15,879	16,989	18,599	21,638	22,476	22,598	22,889	23,130	22,842
Attrition Rates(LTM)	23.6	26.9	26.6	24.8	23.7	21.6	19.8	15.5	13.5

Source: DART, Company

Financial Performance

Profit and Loss Account

(Rs Mn)	FY23A	FY24E	FY25E	FY26E
Revenue	**83,506**	**97,855**	**110,427**	**125,874**
Total Expense	**68,315**	**81,108**	**90,978**	**103,727**
COGS	55,315	65,314	73,222	83,500
Employees Cost	0	0	0	0
Other expenses	12,999	15,794	17,756	20,227
EBIDTA	**15,191**	**16,747**	**19,450**	**22,147**
Depreciation	2,719	3,076	3,260	3,530
EBIT	**12,472**	**13,671**	**16,190**	**18,617**
Interest	0	0	0	0
Other Income	233	678	710	689
Exc. / E.O. items	(297)	0	0	0
EBT	**12,409**	**14,349**	**16,900**	**19,306**
Tax	3,198	3,715	4,378	4,981
RPAT	9,211	10,634	12,522	14,325
Minority Interest	0	0	0	0
Profit/Loss share of associates	**0**	**0**	**0**	**0**
APAT	**9,507**	**10,634**	**12,522**	**14,325**

Balance Sheet

(Rs Mn)	FY23A	FY24E	FY25E	FY26E
Sources of Funds				
Equity Capital	764	764	764	764
Minority Interest	0	0	0	0
Reserves & Surplus	38,887	45,520	53,734	63,443
Net Worth	**39,651**	**46,284**	**54,498**	**64,207**
Total Debt	4,285	4,130	3,980	3,830
Net Deferred Tax Liability	(1,129)	(1,131)	(1,136)	(1,151)
Total Capital Employed	**42,807**	**49,283**	**57,342**	**66,886**
Applications of Funds				
Net Block	**23,413**	**23,037**	**20,067**	**20,187**
CWIP	161	161	161	161
Investments	6,396	6,396	6,396	6,396
Current Assets, Loans & Advances	**35,092**	**41,950**	**53,650**	**64,499**
Inventories	0	0	0	0
Receivables	15,830	18,088	20,093	22,197
Cash and Bank Balances	9,033	11,739	20,393	27,531
Loans and Advances	0	0	0	0
Other Current Assets	10,229	12,123	13,163	14,772
Less: Current Liabilities & Provisions	**22,256**	**22,261**	**22,932**	**24,357**
Payables	5,689	6,621	7,222	8,007
Other Current Liabilities	16,566	15,640	15,710	16,350
sub total				
Net Current Assets	12,836	19,689	30,718	40,142
Total Assets	**42,807**	**49,283**	**57,342**	**66,886**

E – Estimates

Important Ratios

Particulars	FY23A	FY24E	FY25E	FY26E
(A) Margins (%)				
Gross Profit Margin	33.8	33.3	33.7	33.7
EBIDTA Margin	18.2	17.1	17.6	17.6
EBIT Margin	14.9	14.0	14.7	14.8
Tax rate	25.8	25.9	25.9	25.8
Net Profit Margin	11.0	10.9	11.3	11.4
(B) As Percentage of Net Sales (%)				
COGS	66.2	66.7	66.3	66.3
Employee	0.0	0.0	0.0	0.0
Other	15.6	16.1	16.1	16.1
(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	69	67	66	64
Average Cost of Debt	0.0	0.0	0.0	0.0
Payable days	25	25	24	23
Working Capital days	56	73	102	116
FA T/O	3.6	4.2	5.5	6.2
(D) Measures of Investment				
AEPS (Rs)	127.2	141.4	166.5	190.4
CEPS (Rs)	163.6	182.3	209.8	237.4
DPS (Rs)	51.1	53.2	57.3	61.4
Dividend Payout (%)	40.2	37.6	34.4	32.2
BVPS (Rs)	530.5	615.3	724.5	853.6
RoANW (%)	25.1	24.7	24.9	24.1
RoACE (%)	23.9	23.1	23.5	23.1
RoAIC (%)	40.6	38.3	43.5	48.8
(E) Valuation Ratios				
CMP (Rs)	5849	5849	5849	5849
P/E	46.0	41.4	35.1	30.7
Mcap (Rs Mn)	447,006	447,006	447,006	447,006
MCap/ Sales	5.4	4.6	4.0	3.6
EV	442,258	439,397	430,593	423,305
EV/Sales	5.3	4.5	3.9	3.4
EV/EBITDA	29.1	26.2	22.1	19.1
P/BV	11.0	9.5	8.1	6.9
Dividend Yield (%)	0.9	0.9	1.0	1.0
(F) Growth Rate (%)				
Revenue	46.2	17.2	12.8	14.0
EBITDA	58.5	10.2	16.1	13.9
EBIT	57.4	9.6	18.4	15.0
PBT	34.3	15.6	17.8	14.2
APAT	37.7	11.8	17.8	14.4
EPS	40.8	11.1	17.8	14.4

E – Estimates

Cash Flow

Particulars	FY23A	FY24E	FY25E	FY26E
Profit before tax	**12,409**	**14,349**	**16,900**	**19,306**
Depreciation & w.o.	2,719	3,076	3,260	3,530
Net Interest Exp	721	(678)	(710)	(689)
Direct taxes paid	(3,405)	(3,715)	(4,378)	(4,981)
Change in Working Capital	(4,377)	(4,148)	(2,380)	(2,301)
Non Cash	1,491	0	0	0
(A) CF from Operating Activities	**9,558**	**8,884**	**12,692**	**14,865**
Capex {(Inc.)/ Dec. in Fixed Assets n WIP}	(8,632)	(2,700)	(290)	(3,650)
Free Cash Flow	**5,237**	**6,184**	**12,402**	**11,215**
(Inc)./ Dec. in Investments	3,879	0	0	0
Other	539	678	710	689
(B) CF from Investing Activities	**(4,213)**	**(2,022)**	**420**	**(2,961)**
Issue of Equity/ Preference	0	0	0	0
Inc./(Dec.) in Debt	(40)	(155)	(150)	(150)
Interest exp net	(473)	0	0	0
Dividend Paid (Incl. Tax)	(2,981)	(4,001)	(4,308)	(4,616)
Other	(545)	0	0	0
(C) CF from Financing	**(4,039)**	**(4,156)**	**(4,458)**	**(4,766)**
Net Change in Cash	1,692	2,706	8,654	7,138
Opening Cash balances	**2,978**	**4,670**	**7,376**	**16,030**
Closing Cash balances	**4,670**	**7,376**	**16,030**	**23,168**

E – Estimates

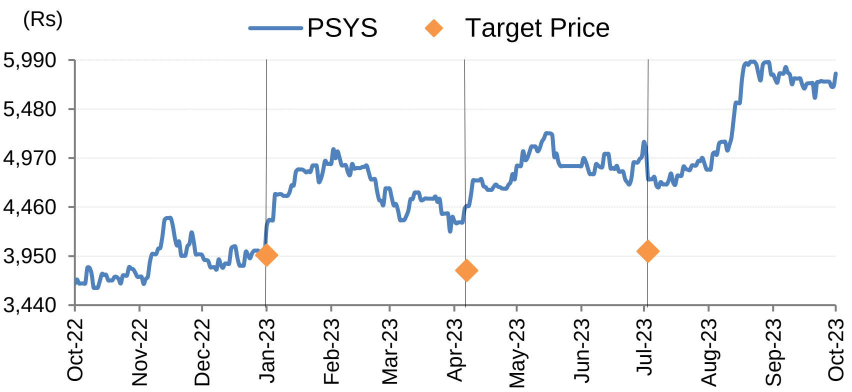
Notes

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.)
Jan-23	Reduce	3,960	4,258
Apr-23	Sell	3,800	4,472
Jul-23	SELL	4,000	4,750

**Price as on recommendation date*

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