INSTITUTIONAL RESEARCH

LTIMindtree

Deferred gratification

LTIMindtree's (LTIM) growth deceleration has been impacted by higher exposure to BFSI (with potential for deterioration due to client-specific factors), sub-optimal large deal pipeline and extended period of integration reflected in continued executive attrition. While the medium-term hypothesis for growth premium to tier-1 peers remains, the earnings cut reflects the near-term growth challenges and delayed margin recovery. We met the management recently and expect LTIM's rate of recovery to be gradual, impacted by a 'weak exit' to FY24E. While we lower our optimism, the outlook remains constructive for LTIM due to its strong technology credentials and partnerships *(Exhibit:6)* supporting its position as a challenger to larger tier-1s, sub-vertical expertise, a strong track record of large client mining, and margin improvement potential. Maintain ADD on LTIM with a revised TP of INR 5,630, based on 25x FY26E.

Deceleration due to higher discretionary mix: LTIM's growth deceleration from 20% in FY23 to <5% in FY24E has been steeper than peers due to a higher mix of discretionary in the erstwhile Mindtree portfolio which includes front-end digital/customer success service-line. The growth deceleration of the company has been despite doing relatively better in large client mining; the USD 10mn+ client base increased by 84 accounts over the past year from Indian tier-1 which included eight additions by LTIM (LTIM has 89 USD 10mn+ clients within the total base of 1,448 within India tier-1). Deal bookings in the prior quarter improved with book-to-bill at 1.38x (higher than FY23 and renewal-heavy June quarter) which lends some visibility.

Minimal synergy benefits so far, MENA region can accelerate: The synergy benefits have been minimal since the merger despite the limited client overlap (10-12 client overlaps within the 700 clients). LTIM continues to add ~25 clients quarterly (gross) as compared to ~30 clients quarterly pre-merger and executive attrition has remained high. We reckon that LTIM's large deal pipeline is woefully short of potential; LTIM's large deal pipeline is USD 4.5bn as compared to the pre-merger large deal pipeline of erstwhile LTI at USD 2.1bn two years ago. This is also reflected in LTIM's growth in the BFSI vertical that has converged with peers. The recently announced JV with Aramco Digital can support transformational programs in the MENA region and can drive large deals such as the Injazaat deal (TCV USD 200mn/six years won by LTI in FY21). We reckon that this can potentially contribute 1-2% to the overall growth of the company in the medium term.

Large scope for margin improvement but prolonged timelines: The YoY drop in margin has been contributed equally by gross margin and SG&A ~100bps each. Some of the cost synergies of ~USD 30mn can come into force in FY25E. ~30bps improvement from SG&A leverage in FY25E is also likely as growth recovers mildly. While utilisation currently hovers near its peak at 87%, there remains potential over the medium term to enhance margins by boosting the company's gross margin, with a notable gap of over 200 bps between LTIM's margin and the tier-1 average. We expect EBITM to cross 17% by Q3FY25E and have factored EBITM at 15.7/16.8/18.0% for FY24/25/26E.

Financial Summary

YE March (INR bn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue (USD mn)	3,502	4,106	4,295	4,590	5,245
Net Sales	261.09	331.83	355.74	383.39	445.80
EBIT	46.52	53.85	55.99	64.25	80.30
APAT	39.50	44.10	46.20	53.86	66.63
Diluted EPS (INR)	133.5	149.1	156.2	182.1	225.2
P/E (x)	37.3	33.4	31.9	27.3	22.1
EV / EBITDA (x)	26.7	22.9	21.6	18.8	14.9
RoE (%)	30.5	28.6	25.7	25.8	27.2

Source: Company, HSIE Research

ADD

CMP *(as on 26 Mar 24)*	INR 4,975
Target Price	INR 5,630
NIFTY	22,005

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 6,490	INR 5,630
	FY25E	FY26E
EPS %	-7.2	-2.8

KEY STOCK DATA	
Bloomberg code	LTIM IN
No. of Shares (mn)	296
MCap (INR bn) / ($ mn)	1,473/18,017
6m avg traded value (INR mn)	2,510
52 Week high / low	INR 6,443/4,130

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(20.5)	(7.2)	8.1
Relative (%)	(22.4)	(17.0)	(17.9)

SHAREHOLDING PATTERN (%)	Sep-23	Dec-23
Promoters	68.66	68.64
FIs & Local MFs	12.35	12.93
FPIs	8.11	8.65
Public & Others	10.88	9.78
Pledged Shares	0.00	0.00

Source: BSE

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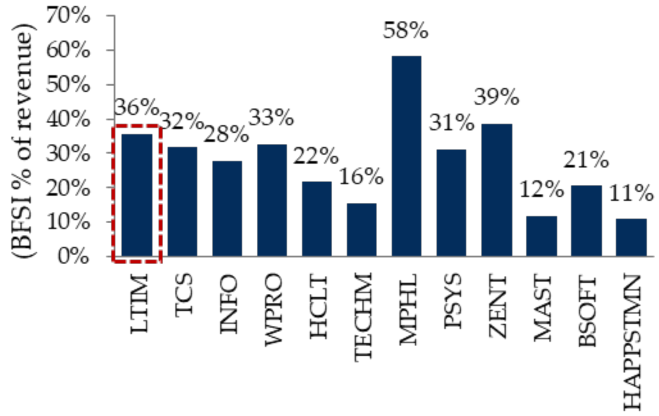
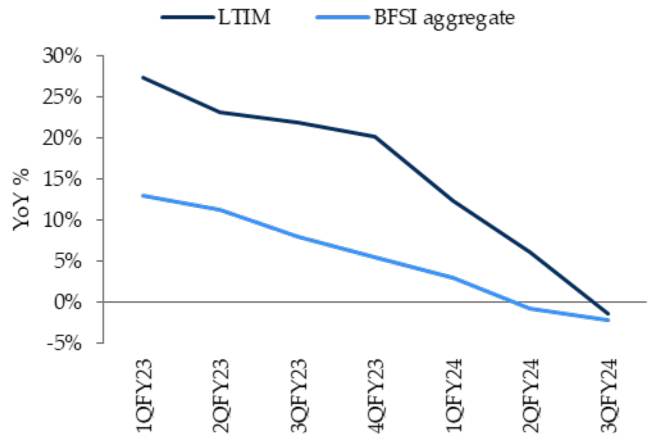
Strong partnerships and high tiering relative to tier-1s growth driver: LTIM has strong credentials across technologies and domains, and diversified service offerings (post-merger), supported by strategic partnerships. A strong set of services/domain strengths both from LTI heritage (SAP, AWS, Microsoft, BFSI and E&U verticals) and Mindtree heritage (front-end digital, data & analytics and product engineering, Microsoft, hi-tech vertical, travel and insurance verticals) can support client mining. Deep expertise in sub-verticals, e.g., insurance within BFSI, can also enable durable growth in the medium term.

Valuation and outlook: We have factored in LTIM's revenue growth at 4.6%, 6.9% and 14.3% for FY24/25/26E respectively and the company's crossing USD 5bn revenue run-rate in H1FY26. Factored EBITM at 15.7/16.8/18.0% for FY24/25/26E, translating into a high-teen EPS CAGR over FY24-26E. LTIM is trading at 27x and 22x FY25E and FY26E EPS, following the stocks' recent correction. Near-term positive catalysts are limited, and we expect a sharper recovery/normalisation from H2FY25E.

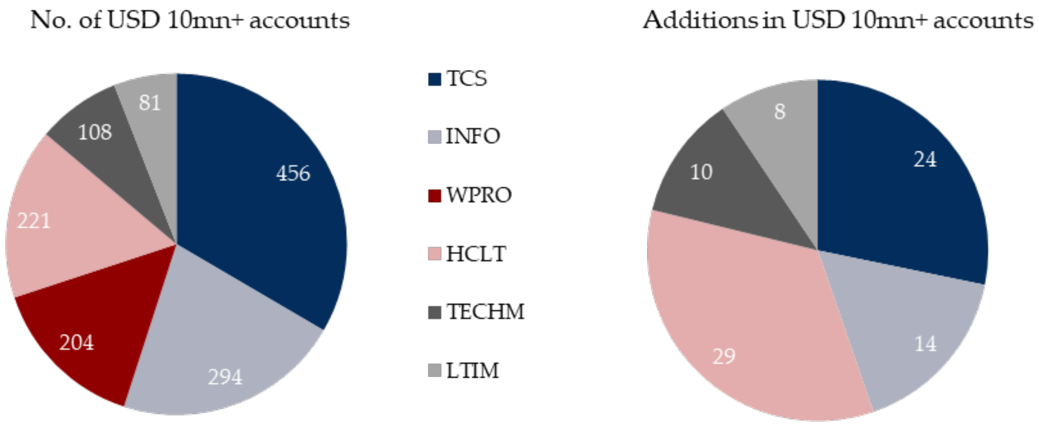
Exhibit 1: LTIM's growth outperformance in BFSI has converged with the sector





Source: Company, HSIE Research. Note: BFSI aggregate includes TCS, Infosys, Wipro, HCLT, TECHM, Mphasis, Persistent, Zensar, Mastek, Birlasoft, Happiest Minds

Exhibit 2: LTIM' client mining track record better than peers



Source: Company, HSIE Research. Note: Nos. based on Q3FY24 and additions are over Q3FY23

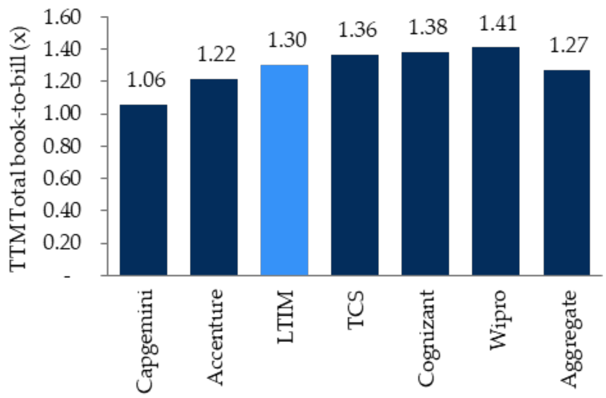
Exhibit 3: LTIM enterprise client trends – downside risk has increased

Enterprise	Revenue beat/(miss) vs. estimates				Outlook/ Guidance change	Revenue growth (YoY %)						
	Q1CY23	Q2CY23	Q3CY23	Q4CY23		CY22	Q1CY23	Q2CY23	Q3CY23	Q4CY23	CY24E	CY25E
Citigroup	↑	↑	↑	↓	NA	9%	4%	-17%	5%	3%	2%	2%
Barclays	↑	↓	↓	↓	NA	16%	11%	-6%	5%	-3%	2%	4%
Nordea	↑	↑	↓	↑	NA	1%	17%	20%	15%	1%	2%	-1%
J&J	↑	↑	↑	↑	NA	1%	6%	6%	-10%	-10%	4%	3%
Cisco	↑	↑	↑	↑		3%	14%	16%	8%	-6%	-8%	1%
Chevron	↑	↑	↑	↓	NA	51%	-7%	-28%	-18%	-10%	-5%	8%
P&G	↑	↑	↑	↓		5%	4%	5%	6%	3%	3%	4%
Southwest Airlines	↓	↑	↓	↑	NA	51%	22%	5%	5%	11%	9%	6%
Hilton	↑	↑	↑	→	NA	52%	33%	19%	13%	7%	9%	8%
Marriott	↑	↑	↑	↓	NA	50%	34%	14%	12%	3%	7%	7%
Microsoft	↑	↑	↑	↑		18%	7%	8%	13%	18%	15%	14%
Median Growth (YoY %)						**16%**	**11%**	**6%**	**6%**	**3%**	**3%**	**4%**
LTIM growth (YoY %)						**17%**	**12%**	**8%**	**5%**	**4%**	**7%**	**14%**

Source: Company, Bloomberg, HSIE Research, Note: the color RED to GREEN represents the degree of underperformance/outperformance on sequential basis

Exhibit 4: Higher bookings needed to accelerate growth

Revenue growth trend (YoY %)	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24
LTIM	19%	14%	12%	8%	5%	4%
TCS	9%	8%	7%	7%	5%	3%
Accenture*	16%	11%	12%	10%	10%	6%
Cognizant	2%	1%	0%	0%	1%	-2%
Capgemini	16%	14%	11%	5%	2%	0%
Wipro	8%	6%	4%	2%	-3%	-5%
Median	**12%**	**10%**	**9%**	**6%**	**4%**	**1%**



Source: Company, HSIE Research

Exhibit 5: Recent management exits and additions at LTIM

EXIT	Suresh HP	Global Delivery Head - Industry Groups	Left in Mar 2023 (joined Sonata)
EXIT	Radhakrishnan Rajagopalan	SVP & Global Head of Technology Services	Left in Mar 2023
EXIT	Suresh Bethavandu	Chief People Officer	Left in March 2023
EXIT	Siddharth Bohra	Chief Business Officer - Digital Business	Left in June 2023
EXIT	Sriramkumar Kumaresan	Executive Vice President	Left in Jun 2023 (joined Cognizant)
EXIT	Archana Ramanakumar	Global Delivery Head	Left in Jul 2023 (joined Cognizant)
EXIT	Naresh KN	SVP & Global Delivery Head - BFSI	Left In Jul 2023 (joined ITC Infotech)
EXIT	Tridib Barat	EVP - CS & Compliance Officer	Left in Aug 2023
EXIT	Dinesh Bajaj	SVP & Chief Business Officer	Left in Sep 2023
EXIT	Paresh Vankar	EVP & CMO	Left in Oct 2023
EXIT	Dr Raj Pandaya	EVP & Country Head - America Region	Left In Nov 2023
EXIT	Ashish Deshpande	EVP & CBO - Life science	Left in Dec 2023
EXIT	Rashmi Chakraborty	Regional Director, Global Head of Partner Marketing	Left in Jan 2024 (joined Cognizant)
EXIT	Dilip Panjwani	Global Head - Cybersecurity Practice and CoE	Left in Jan 2024 (joined Persistent)
EXIT	Mukund Rao	Chief Business Officer - BFSI	Left In Jan 2024 & (joined Xoriant)
EXIT	**Vinit Teredesai**	**Chief Financial Officer**	**Leaves in April 2024**
NEW	Kedar Joshi	Global Head - Life science BU	Joined in Feb 2023
NEW	Krishnan Iyer	SVP & Chief Growth Officer	Joined in July 2023 - former Cognizant - Global Head of Delivery BFSI
NEW	Anurag Tripathi	Head of Delivery Mexico	Joined in Oct 2023 - former Wipro
NEW	Samir Gosavi	EVP & CBO - Retail & Consumer	Joined in Oct 2023 - former Zensar/Infosys
NEW	Aditi Bannerjee	EVP & CBO - Retail & Consumer	Joined in Nov 2023 - former DXC
NEW	Bipinchandra Ranade	Delivery Head, Life science	Joined in Dec 2023 - former Birlasoft
NEW	Shuchi Sarkar	Chief Marketing Officer	Joined in Jan 2024 - former HP
NEW	**Vipul Chandra**	**Chief Financial Officer**	**Joined in March 2024 - former L&T Treasury Head**

Source: Company, LinkedIn, HSIE Research

Exhibit 6: LTIM has strong technology credentials and comparable to larger peers

Company	Salesforce certified experts (Nos)	AWS certifications	AWS Competencies	AWS Customer launches	ServiceNow certified resources	Adobe certified employees
Accenture	23,762	2000+	30	2000+	1,861	1,249
Cognizant	11,009	2000+	12	500+	962	1,116
Capgemini	8,491	2000+	13	500+	446	392
TCS	7,726	2000+	18	500+	462	872
Infosys	6,731	2000+	15	400+	877	448
Wipro	4,731	2000+	12	200+	281	96
Persistent	2,471	1000+	6	50+	3	7
HCLT	1,862	2000+	12	200+	322	329
TECHM	1,822	2000+	10	300+	124	164
LTIMindtree	1,755	1000+	9	200+	183	132
EPAM	1,380	2000+	6	500+	33	209
Mphasis	623	500+	6	50+	5	1

Source: Company, HSIE Research, Note: Mphasis includes Silverline

Exhibit 7: High sales efficiency will enable growth premium

Microsoft products	Accenture	Cognizant	Capgemini	DXC Tech	TCS	Infosys	Wipro	HCL Tech	Tech Mahindra	LTIM
Azure	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Developer Tools	Y	Y			Y		Y			Y
Dynamics 365		Y	Y	Y	Y	Y	Y			Y
Dynamics 365 Enterprise		Y	Y	Y	Y	Y	Y	Y	Y	Y
DynamicsAX,GP,NAV,SL		Y			Y	Y	Y		Y	Y
Enterprise Mobility & Security		Y	Y	Y	Y	Y	Y	Y	Y	Y
Exchange		Y			Y	Y	Y			Y
Microsoft 365	Y	Y	Y	Y	Y	Y		Y	Y	Y
Office 365	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Power BI		Y	Y	Y	Y	Y	Y	Y	Y	Y
Project		Y			Y	Y	Y			
SQL	Y	Y			Y	Y	Y			Y
SharePoint	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Skype for Business		Y			Y	Y	Y		Y	
Surface1		Y								
Teams	Y	Y			Y	Y		Y	Y	Y
Visio		Y			Y		Y			
Windows	Y	Y			Y	Y	Y		Y	Y
Yammer		Y					Y			

Source: Company, HSIE Research

Exhibit 8: LTIM – performance by verticals

% of revenue	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24
BFSI	36.1	36.2	37.4	38.0	37.5	36.5	35.6
Hi-Tech, Media & Entertainment	25.4	25.3	23.6	23.0	23.7	23.8	22.9
Manufacturing & Resources	16.3	16.2	17.5	17.5	17.3	17.9	20.3
Retail, CPG, Travel, Transportation & Hospitality	15.7	15.4	15.2	15.4	15.1	15.3	14.7
Health, Life science & Public services	6.5	6.9	6.3	6.1	6.4	6.5	6.5
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Growth QoQ %	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24
BFSI	5.7	4.6	5.8	2.7	(1.2)	(1.1)	(1.7)
Hi-Tech, Media & Entertainment	5.3	3.9	(4.5)	(1.5)	3.2	2.0	(3.0)
Manufacturing & Resources	(2.9)	3.7	10.6	1.0	(1.0)	5.1	14.3
Retail, CPG, Travel, Transportation & Hospitality	3.7	2.3	1.1	2.4	(1.8)	2.9	(3.2)
Health, Life science & Public services	3.7	10.7	(6.5)	(2.2)	5.0	3.2	0.8
Total	**3.7**	**4.3**	**2.4**	**1.0**	**0.1**	**1.6**	**0.8**

Growth YoY %	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24
BFSI	27.3	23.1	21.8	20.2	12.3	6.1	(1.4)
Hi-Tech, Media & Entertainment	27.5	21.0	8.9	3.0	0.9	(1.0)	0.5
Manufacturing & Resources	17.6	10.8	9.0	12.6	14.7	16.3	20.1
Retail, CPG, Travel, Transportation & Hospitality	29.7	11.8	11.0	9.8	4.0	4.6	0.1
Health, Life science & Public services	20.0	30.4	12.2	5.1	6.4	(0.9)	6.8
Total	**25.5**	**19.1**	**14.0**	**11.9**	**8.1**	**5.2**	**3.5**

Source: Company, HSIE Research

Exhibit 9: LTIM – performance by geography

% of revenue	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24
North America	71.7	72.9	72.3	71.9	73.1	73.4	72.7
Europe	15.3	14.6	14.9	15.4	15.2	15.3	14.5
Rest of World	13.0	12.5	12.8	12.7	11.7	11.3	12.8
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Growth QoQ %	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24
North America	7.0	6.1	1.6	0.5	1.8	2.0	(0.2)
Europe	(6.7)	(0.4)	4.5	4.4	(1.2)	2.3	(4.5)
Rest of World	(0.2)	0.3	4.9	0.2	(7.8)	(1.9)	14.1
Total	**3.7**	**4.3**	**2.4**	**1.0**	**0.1**	**1.6**	**0.8**

Growth YoY %	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24
North America	26.9	24.5	19.6	15.8	10.2	6.0	4.1
Europe	16.4	(0.7)	0.5	1.4	7.4	10.3	0.8
Rest of World	29.5	16.3	2.7	5.3	(2.7)	(4.9)	3.5
Total	**25.5**	**19.1**	**14.0**	**11.9**	**8.1**	**5.2**	**3.5**

Source: Company, HSIE Research

Exhibit 10: LTIM – client metrics

	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24
Active Clients (Nos)	708	719	723	728	723	737	739
New Clients added (Gross)	43	22	28	31	19	30	23
New Clients added (Net)	35	11	4	5	-5	14	2
Client bucket (Nos)							
USD 1mn+	337	361	374	383	388	391	388
USD 5mn+	130	137	144	146	148	146	149
USD 10mn+	79	77	81	81	88	90	89
USD 20mn+	40	38	37	38	40	41	40
USD 50mn+	10	11	11	13	13	14	12
USD 100mn+	2	2	2	2	2	2	2

(%)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24
Top-5 Client % of revenue	26.8	26.7	26.3	25.4	26.7	26.8	27.5
Top-10 Client % of revenue	34.5	34.3	33.8	32.9	34.1	34.3	35.3
Top-20 Client % of revenue	45.5	45.1	45.3	44.0	44.9	45.2	45.9
Top-40 Client % of revenue	58.7	57.4	57.6	56.8	57.2	57.6	58.5

Client Growth (QoQ %)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24
Top-5	9.0	3.9	0.9	(2.4)	5.2	2.0	3.4
Top 6-10	(0.2)	3.0	1.1	1.0	(1.2)	3.0	4.8
Top 11-20	0.9	2.4	9.1	(2.5)	(2.6)	2.5	(2.0)
Top 21-40	0.6	(2.8)	2.4	5.1	(3.8)	2.4	2.4
Non Top-40	2.9	7.6	1.9	2.9	(0.8)	0.6	(1.4)
Total revenue	**3.7**	**4.3**	**2.4**	**1.0**	**0.1**	**1.6**	**0.8**

Source: Company, HSIE Research

Exhibit 11: LTIM – employee metrics

	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24
Software Professionals (Nos)	79,998	82,681	82,197	80,283	77,555	78,276	77,203
Sales & Support	4,032	4,255	4,265	4,263	5,183	5,256	5,268
Total Employees	84,030	86,936	86,462	84,546	82,738	83,532	82,471
Net additions	4,436	2,906	-474	-1,916	-1,808	794	-1,061
Attrition (%)	24	24.1	22.3	20.2	17.8	15.2	14.2
Utilisation (%)	83.5	83.5	82.9	81.7	84.8	86.6	87.4

Source: Company, HSIE Research

Exhibit 12: Change in estimates

YE Mar (INR bn)	FY24E Old	FY24E Revised	Change %	FY25E Old	FY25E Revised	Change %	FY26E Old	FY26E Revised	Change %
Revenue (USD mn)	4,312	4,295	*(0.4)*	4,723	4,590	*(2.8)*	5,405	5,245	*(3.0)*
Revenue	357.06	355.74	*(0.4)*	396.75	383.39	*(3.4)*	459.46	445.80	*(3.0)*
EBIT	57.59	55.99	*(2.8)*	69.44	64.25	*(7.5)*	82.51	80.30	*(2.7)*
EBIT margin (%)	16.1	15.7	-39bps	17.5	16.8	-74bps	18.0	18.0	5bps
APAT	47.46	46.20	*(2.7)*	58.01	53.86	*(7.2)*	68.53	66.63	*(2.8)*
EPS (INR)	160.5	156.2	*(2.7)*	196.1	182.1	*(7.2)*	231.7	225.2	*(2.8)*

Source: Company, HSIE Research

Financials

Consolidated Income Statement

YE March (INR bn)	FY22	FY23	FY24E	FY25E	FY26E
Net Revenues (USD mn)	**3,502**	**4,106**	**4,295**	**4,590**	**5,245**
Growth (%)	*27.5%*	*17.2%*	*4.6%*	*6.9%*	*14.3%*
Net Revenues	**261.09**	**331.83**	**355.74**	**383.39**	**445.80**
Growth (%)	*28.4%*	*27.1%*	*7.2%*	*7.8%*	*16.3%*
Direct cost	178.27	232.04	247.02	266.43	304.79
SG&A expense	30.33	38.72	44.85	44.66	51.79
EBITDA	**52.49**	**61.08**	**63.88**	**72.30**	**89.22**
Depreciation	5.97	7.23	7.89	8.05	8.92
EBIT	**46.52**	**53.85**	**55.99**	**64.25**	**80.30**
EBIT Margin (%)	***17.8%***	***16.2%***	***15.7%***	***16.8%***	***18.0%***
EBIT Growth (%)	*23.2%*	*15.8%*	*4.0%*	*14.8%*	*25.0%*
Other Income (Incl. EO Items)	7.66	5.57	7.11	9.13	9.98
Interest	1.23	1.50	2.15	2.51	2.62
PBT	**52.94**	**57.92**	**60.95**	**70.87**	**87.67**
Tax (Incl Deferred)	13.44	13.81	14.75	17.01	21.04
RPAT	39.50	44.10	46.20	53.86	66.63
APAT	**39.50**	**44.10**	**46.20**	**53.86**	**66.63**
APAT Growth (%)	*29.6%*	*11.6%*	*4.7%*	*16.6%*	*23.7%*
Adjusted EPS (INR)	**133.5**	**149.1**	**156.2**	**182.1**	**225.2**
EPS Growth (%)	*29.5%*	*11.6%*	*4.7%*	*16.6%*	*23.7%*

Source: Company, HSIE Research

Consolidated Balance Sheet

YE March (INR bn)	FY22	FY23	FY24E	FY25E	FY26E
SOURCES OF FUNDS					
Share Capital - Equity	*0.30*	*0.30*	*0.30*	*0.30*	*0.30*
Reserves	142.58	165.63	192.59	224.27	264.27
Total Shareholders Funds	**142.87**	**165.92**	**192.89**	**224.56**	**264.57**
Minority Interest	0.06	0.07	0.09	0.10	0.11
Total Debt	0.52	1.25	1.25	1.25	1.25
Net Deferred Taxes	(0.28)	(3.66)	(3.66)	(3.66)	(3.66)
Long Term Provisions & Others	11.87	14.00	14.00	14.00	14.00
TOTAL SOURCES OF FUNDS	**155.03**	**177.58**	**204.56**	**236.25**	**276.27**
APPLICATION OF FUNDS					
Net Block	20.31	22.24	20.07	20.08	23.18
CWIP	5.03	9.02	9.02	9.02	9.02
Goodwill & Intangibles	14.42	14.56	13.85	14.17	14.48
Investments	6.51	7.17	7.17	7.17	7.17
Other Non-current assets	9.78	6.32	6.32	6.32	6.32
Total Non-current Assets	**56.05**	**59.29**	**56.43**	**56.75**	**60.16**
Inventories	0.04	0.03	0.03	0.03	0.03
Cash & Equivalents	**72.34**	**76.74**	**91.57**	**116.59**	**147.17**
Other Current Assets	20.73	22.84	26.44	27.71	29.93
Debtors	56.27	72.25	86.65	95.18	106.77
Total Current Assets	**149.39**	**171.86**	**204.70**	**239.51**	**283.91**
Creditors	13.25	12.94	13.87	14.95	17.38
Other Current Liabilities & Prov.	37.15	40.64	42.69	45.06	50.43
Total Current Liabilities	**50.40**	**53.57**	**56.56**	**60.01**	**67.81**
Net Current Assets	**98.98**	**118.29**	**148.14**	**179.50**	**216.10**
TOTAL APPLICATION OF FUNDS	**155.03**	**177.58**	**204.56**	**236.25**	**276.27**

Source: Company, HSIE Research

Consolidated Cash Flow

YE March (INR bn)	FY22	FY23	FY24E	FY25E	FY26E
Reported PBT	52.94	57.92	60.95	70.87	87.67
Non-operating & EO items	(1.97)	(2.84)	(5.39)	(6.94)	(7.59)
Interest expenses	1.23	1.50	2.15	2.51	2.62
Depreciation	5.97	7.23	7.89	8.05	8.92
Working Capital Change	(12.19)	(17.65)	(15.02)	(6.34)	(6.02)
Tax Paid	(13.48)	(15.22)	(14.75)	(17.01)	(21.04)
OPERATING CASH FLOW (a)	**32.51**	**30.95**	**35.82**	**51.15**	**64.55**
Capex	(10.53)	(9.35)	(5.02)	(8.37)	(12.33)
Free cash flow (FCF)	**21.98**	**21.60**	**30.80**	**42.77**	**52.22**
Investments	(4.64)	6.26	-	-	-
Non-operating Income	(1.28)	(0.22)	5.39	6.94	7.59
INVESTING CASH FLOW (b)	**(16.45)**	**(3.31)**	**0.37**	**(1.44)**	**(4.75)**
Debt Issuance/(Repaid)	(3.47)	(3.32)	-	-	-
Interest Expenses	(0.06)	(0.38)	(2.15)	(2.51)	(2.62)
FCFE	18.45	17.91	28.65	40.26	49.60
Share Capital Issuance	0.00	0.00	-	-	-
Dividend	(13.28)	(15.63)	(19.23)	(22.19)	(26.62)
FINANCING CASH FLOW (c)	**(16.80)**	**(19.32)**	**(21.38)**	**(24.70)**	**(29.24)**
NET CASH FLOW (a+b+c)	**(0.75)**	**8.32**	**14.82**	**25.01**	**30.57**
Closing Cash & Equivalents	**72.34**	**76.74**	**91.57**	**116.59**	**147.17**

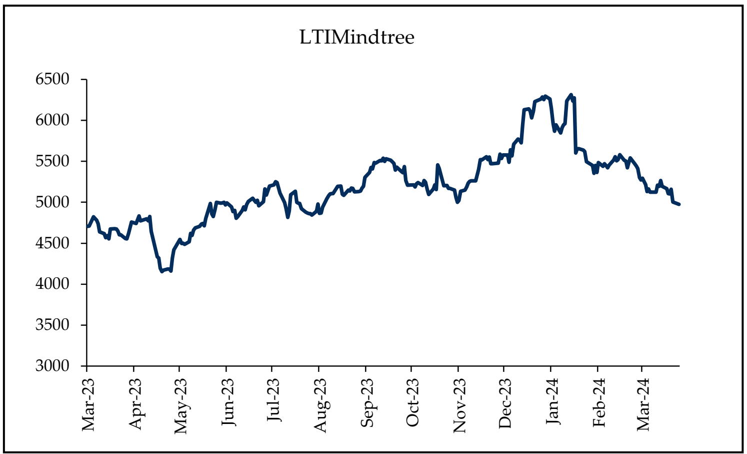
Source: Company, HSIE Research

Key Ratios

	FY22	FY23	FY24E	FY25E	FY26E
PROFITABILITY (%)					
EBITDA Margin	20.1	18.4	18.0	18.9	20.0
APAT Margin	15.1	13.3	13.0	14.0	14.9
RoE	30.5	28.6	25.7	25.8	27.2
RoIC or Core RoCE	50.0	44.7	39.7	42.0	49.1
RoCE	28.6	27.2	25.0	25.3	26.8
EFFICIENCY					
Tax Rate (%)	25.4	23.9	24.2	24.0	24.0
Fixed Asset Turnover (x)	7.2	8.2	8.7	9.0	8.9
Debtors (days)	*79*	*79*	*89*	*91*	*87*
Other current assets (days)	*29*	*25*	*27*	*26*	*25*
Payables (days)	*19*	*14*	*14*	*14*	*14*
Other current liabilities (days)	*52*	*45*	*44*	*43*	*41*
Cash Conversion Cycle (days)	37	46	58	60	56
Net Debt/EBITDA (x)	(1.4)	(1.2)	(1.4)	(1.6)	(1.6)
Net Debt/Equity (x)	(0.5)	(0.5)	(0.5)	(0.5)	(0.6)
Interest Coverage (x)	38	36	26	26	31
PER SHARE DATA					
EPS (INR/sh)	133.5	149.1	156.2	182.1	225.2
CEPS (INR/sh)	153.7	173.5	182.8	209.3	255.4
DPS (INR/sh)	53	60	65	75	90
BV (INR/sh)	483	561	652	759	894
VALUATION					
P/E	37.3	33.4	31.9	27.3	22.1
P/BV	10.3	8.9	7.6	6.6	5.6
EV/EBITDA	26.7	22.9	21.6	18.8	14.9
OCF/EV (%)	2.3	2.2	2.6	3.8	4.9
FCF/EV (%)	1.6	1.5	2.2	3.2	3.9
FCFE/mkt cap (%)	1.3	1.2	1.9	2.7	3.4
Dividend Yield (%)	1.1	1.2	1.3	1.5	1.8

Source: Company, HSIE Research

1 Yr Price Movement



Rating Criteria

BUY: >+15% return potential

ADD: +5% to +15% return potential

REDUCE: -10% to +5% return potential

SELL: > 10% Downside return potential

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