

## Software | Q3FY25 Result Update

CMP: Rs.10,550 | TP: Rs 11,400 | Upside 8%

## Result Miss, but strong license wins support healthy outlook

- OFSS reported rev. decline of 6% YoY in INR terms at Rs. 17.1bn (DE at Rs. 17.7bn, and 3% decline). Miss was due to weaker than expected Implementation Rev, down 10.8% YoY, due to adverse seasonality and likely delay in milestone completion. EBIT margin lowered to 40.6% (DE: 44.7%), down 595bps YoY due to weak growth and wage-hike impact and travel costs (up 12%/20% YoY).
- For Q3, Cloud & License bounced back with strong deal wins, that stood at ~\$33mn, up 52% QoQ and up 16% on YTD basis at \$87mn.
- Despite the miss in Q3, a recovery in implementation is expected to drive high single-digit growth in FY'25, while ongoing license wins would ensure visibility. We lower earnings estm by 5.8%/4.4%/3.8% for FY25E/FY26E/FY27E and maintain 'Accumulate' rating with DCF-based TP of Rs. 11,400 (implies ~33x FY27E PER).

## Strong License Wins; No. of notable wins in developed markets

OFSS signed new licenses worth \$33mn with 21 new deal wins (40 product modules) across product offerings. Management reflected several marquee wins across the globe and strong uptick for OFSS' products on cloud deployment, while reiterating a strong demand pipeline across products. About 12 of 21 new deal wins were from advanced economies (5 in North America, 5 in Europe and 1 in Japan), highlighting presence in competitive markets and healthy deal sizes.

## Implementation lowers; AMC sees a modest uptick

Implementation Revenue declined 12.5% YoY (-10% QoQ) and stood at Rs.7.5bn, accounting for 48% of Product rev. Apart from seasonality, it appears that revenues were affected by a delay in milestone completion. We expect implementation revenue to bounce back from Q4 onwards, given healthy license wins. AMC revenues grew by 5.3% YoY (up 3% QoQ) and stood at Rs. 5.3bn.

## Operating parameters remain robust

Management highlighted that on YoY basis, Q3'24 was a landmark quarter of record license wins (\$49.5mn), implying a base effect playing out. OPM margins saw 2-month impact of wage hikes (effective Sept'24) in employee cost (up 12% YoY), as well as higher travel cost (up 8% YoY). Management expects these costs to normalize, leading to margin expansion Q4 onwards.

## Key Data

Nifty	23,213
Equity / FV	Rs 431mn / Rs 5
Market Cap	Rs 907bn
	USD 10.5bn
52-Week High/Low	Rs 13,220/ 4,823
Avg. Volume (no)	139,912
Bloom Code	OFSS IN

	Current	Previous
Rating	Accumulate	Accumulate
Target Price	11,400	11,420

## Change in Estimates

(Rs.bn)	Current		Chg (%) /bps	
	FY25E	FY26E	FY25E	FY26E
Revenue	69	76	(2.0)	(3.5)
EBITDA	31	35	(5.0)	(4.4)
EBITDA (%)	45.1	46.2	(144)	(43)
APAT	23	27	(5.7)	(4.4)
EPS (Rs)	270.1	311.0	(5.8)	(4.5)

## Valuation (x)

	FY25E	FY26E	FY27E
P/E	39.1	33.9	30.1
EV/EBITDA	28.0	24.7	21.8
ROE (%)	29.7	33.4	36.0
RoACE (%)	29.4	33.1	35.6

## Q3FY25 Result (Rs Mn)

Particulars	Q3FY25	YoY (%)	QoQ (%)
Revenue	17,152	(5.9)	2.5
Total Expense	10,013	4.8	8.4
EBITDA	7,139	(17.8)	(4.9)
Depreciation	169	(11.1)	(5.1)
EBIT	6,970	(18.0)	(4.9)
Other Income	730	(13.7)	(24.1)
Interest	0		
EBT	7,700	(17.6)	(7.1)
Tax	2,287	18.3	(9.0)
RPAT	5,413	(26.9)	(6.3)
APAT	5,413	(26.9)	(6.3)
		(bps)	(bps)
Gross Margin	50.3	(797)	(276)
EBITDA (%)	41.6	(601)	(322)
NPM (%)	31.6	(906)	(295)
Tax Rate (%)	29.7	901	(61)
EBIT (%)	40.6	(595)	(314)

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### Exhibit 1: Quarterly performance versus estimates

Particulars (Rs mn)	Estimates			% Variation		Comment
	Actual	Dolat	Consensus	Dolat	Consensus	
Revenue	16,739	17,679	NA	(5.3)	16,739	Miss from weak Implementation Rev.
EBIT	7,328	7,898	NA	(7.2)	7,328	Higher than exp. wage-hike impact led to margin miss
EBIT, margin	43.8	44.7	NA	(90 bps)	43.8	
PAT	5,777	6,188	NA	(6.6)	5,777	PAT miss from lower operating perf.

Source: Company, Dolat Capital

### Change in Estimates

**FY25E/FY26E/FY27E:** Noting the miss in Q3, we lower our Revenue growth estimates by 2.8%/4.7%/3.6%. Lower revenue growth is expected to affect operating performance, thereby impacting OPM by 144bps/47bps/105bps. Overall, EPS estimates have been lowered by 5.8%/4.4%/3.8%.

### Exhibit 2: Change in Estimates

Particulars (Rs. mn)	FY24A	FY25E			FY26E			FY27E		
	Actual	Old	New	Chg.(%)	Old	New	Chg.(%)	Old	New	Chg. (%)
USD Revenue	769	843	820	(2.8)	935	892	(4.7)	1,028	991	(3.6)
YoY growth,	9.3	9.6	6.6	(303 bps)	11.0	8.8	(216 bps)	9.9	11.1	117 bps
INR Revenue	63,730	70,598	69,185	(2.0)	79,031	76,240	(3.5)	87,904	85,693	(2.5)
YoY growth,	11.8	10.8	8.6	(222 bps)	11.9	10.2	(175 bps)	11.2	12.4	117 bps
EBIT	27,083	32,131	30,488	(5.1)	36,045	34,417	(4.5)	40,686	38,764	(4.7)
EBIT Margin,	42.5	45.5	44.1	(144 bps)	45.6	45.1	(47 bps)	46.3	45.2	(105 bps)
Net Profit	22,195	24,868	23,442	(5.7)	28,238	26,991	(4.4)	31,577	30,398	(3.7)
EPS (Rs)	254.5	284.9	268.5	(5.8)	323.5	309.1	(4.4)	361.7	348.1	(3.8)

Source: Dolat Capital, Company

### Exhibit 3: Key Assumptions in Our Estimates

Metrics	FY23	FY24	FY25E	FY26E	FY27E
USD License & Cloud Signings (\$ Mn)	96	137	124	138	156
USD Product Revenue Growth	0.4	10.4	7.0	9.3	11.7
USD Services Revenue Growth	(0.2)	(0.3)	2.5	4.0	4.7
USD Revenue Growth	0.3	9.3	6.6	8.8	11.1
USD/INR (Abs)	81.0	82.9	84.4	85.5	86.5
INR Revenue Growth	9.1	11.8	8.6	10.2	12.4
EBIT Margin (%)	42.0	42.5	44.1	45.1	45.2
EPS Growth (%)	(5.3)	22.3	5.5	15.1	12.6

Source: Company, Dolat Capital

### Exhibit 4: Key Revenue Growth Matrix (YoY)

Particulars	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25
License & Cloud Fees	(2.4)	4.6	209.2	80.0	(30.9)	28.1	(45.7)	(33.3)
USD Product Revenue Growth	5.5	(1.4)	4.2	28.1	10.8	18.7	15.5	(8.8)
USD Revenue Growth	5.6	(1.2)	3.3	25.0	10.2	16.8	14.4	4.0
INR Revenue Growth	15.2	4.3	5.0	25.8	11.7	19.1	15.9	(7.7)

Source: Company, Dolat Capital

### Exhibit 5: Quarterly Trend

Particular (mn)	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	YoY (%)	QoQ (%)	9MFY24	9MFY25	YoY (%)
USD Revenue	219.1	197.3	207.9	199.9	202.1	(7.7)	1.1	572	610	6.7
INR Revenue	18,236	16,424	17,414	16,739	17,152	(5.9)	2.5	47,305	51,305	8.5
Operating Exp.	9,550	9,081	8,943	9,233	10,013	4.8	8.4	26,823	28,189	5.1
Employee Exp.	7,604	7,575	7,568	7,851	8,518	12.0	8.5	22,253	23,937	7.6
as % of sales	41.7	46.1	43.5	46.9	49.7	797 bps	276 bps	47.0	46.7	(38 bps)
Other Expenses	1,947	1,506	1,375	1,382	1,495	(23.2)	8.2	4,570	4,252	(7.0)
as % of sales	10.7	9.2	7.9	8.3	8.7	(196 bps)	46 bps	9.7	8.3	(137 bps)
EBITDA	8,686	7,343	8,471	7,506	7,139	(17.8)	(4.9)	20,482	23,116	12.9
Depreciation	190	178	175	178	169	(11.1)	(5.1)	565	522	(7.6)
EBIT	8,496	7,166	8,296	7,328	6,970	(18.0)	(4.9)	19,917	22,594	13.4
Other Income	846	687	433	962	730	(13.7)	(24.1)	2,454	2,125	(13.4)
PBT	9,342	7,852	8,729	8,290	7,700	(17.6)	(7.1)	22,371	24,719	10.5
Total Tax	1,933	2,251	2,562	2,513	2,287	18.3	(9.0)	5,778	7,362	27.4
Reported PAT	7,408	5,601	6,167	5,777	5,413	(26.9)	(6.3)	16,593	17,357	4.6
Reported EPS	85.6	64.6	71.1	66.6	62.4	(27.1)	(6.4)	191.8	200.1	4.3
<b>Margins (%)</b>						<b>(bps)</b>	<b>(bps)</b>			<b>(bps)</b>
EBIDTA	47.6	44.7	48.6	44.8	41.6	(601 bps)	(322 bps)	43.3	45.1	176
EBIT	46.6	43.6	47.6	43.8	40.6	(595 bps)	(314 bps)	42.1	44.0	194
PBT	51.2	47.8	50.1	49.5	44.9	(633 bps)	(463 bps)	47.3	48.2	89
PAT	40.6	34.1	35.4	34.5	31.6	(906 bps)	(295 bps)	35.1	33.8	(125)
Eff Tax rate	20.7	28.7	29.4	30.3	29.7	901 bps	(61 bps)	25.8	29.8	395

Source: Company, Dolat Capital

### What to Expect Next Quarter

For Q4, we expect a growth of 4.2% QoQ, with improved cloud and license signings and past deal ramp-up. Post wage-hike impact in Q3 and continued cost efficiencies, OPM to see expansion by 352bps QoQ. Overall, PAT to grow by 12.4% QoQ.

### Exhibit 6: What to Expect Next Quarter

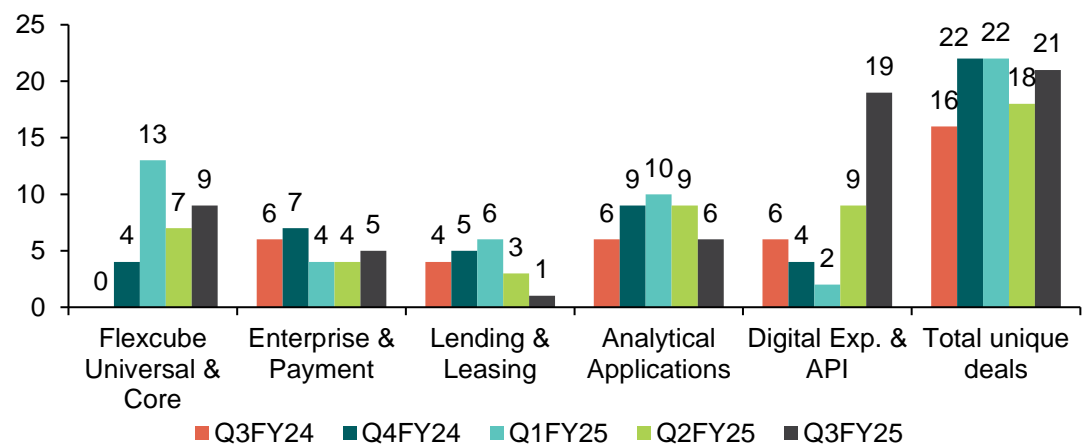
(Rs. Mn)	Q4FY25E	Q3FY25	Q4FY24	QoQ (%)	YoY (%)
INR Revenue	17,880	17,152	16,424	4.2	8.9
EBIT	7,894	6,970	7,166	13.3	10.2
PAT	6,085	5,413	5,601	12.4	8.6
EPS (Rs. Abs)	70.1	62.4	64.6	12.4	8.5
EBIT Margin (%)	44.2	40.6	43.6	352 bps	52 bps

Source: Company, Dolat Capital

### Valuation

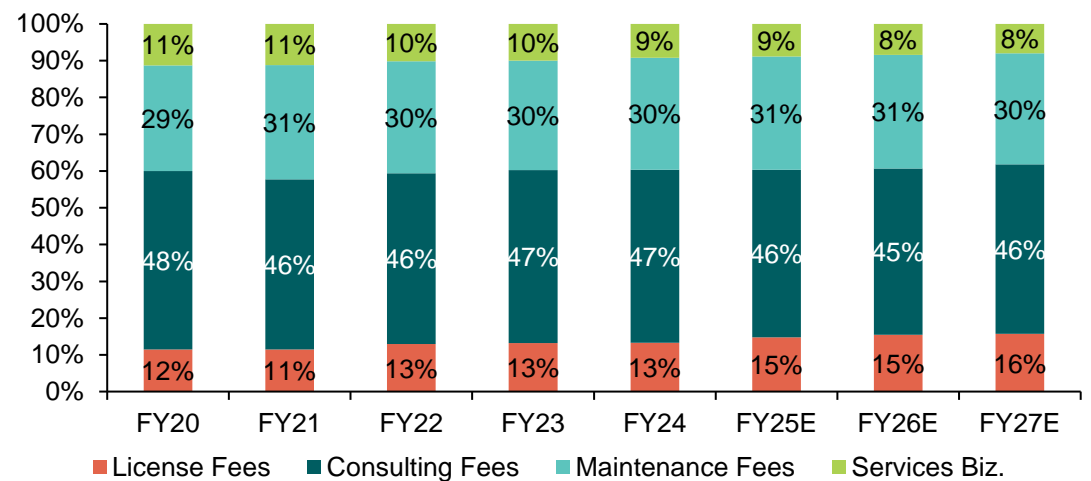
Software companies' performance can be a bit volatile on an annualized basis and thus it is better to value them on DCF basis to capture their true potential in the near-to-medium term. We have factored in a Revenue CAGR of 11.5% over FY24-40E (unchanged), stable EBIT margin of 46.3% (from 46.6%) and Terminal growth rate of 3%. Taking these assumptions, we arrive at TP of Rs. 11,400 per share and maintain an **'Accumulate'** rating on the stock.

**Exhibit 7: Product and module sales quarterly**



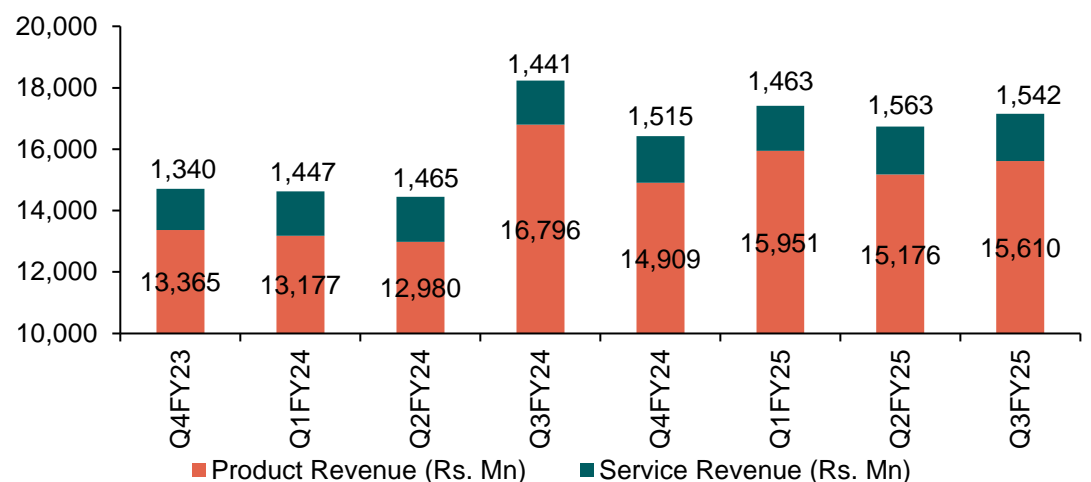
Source: Company, Dolat Capital

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



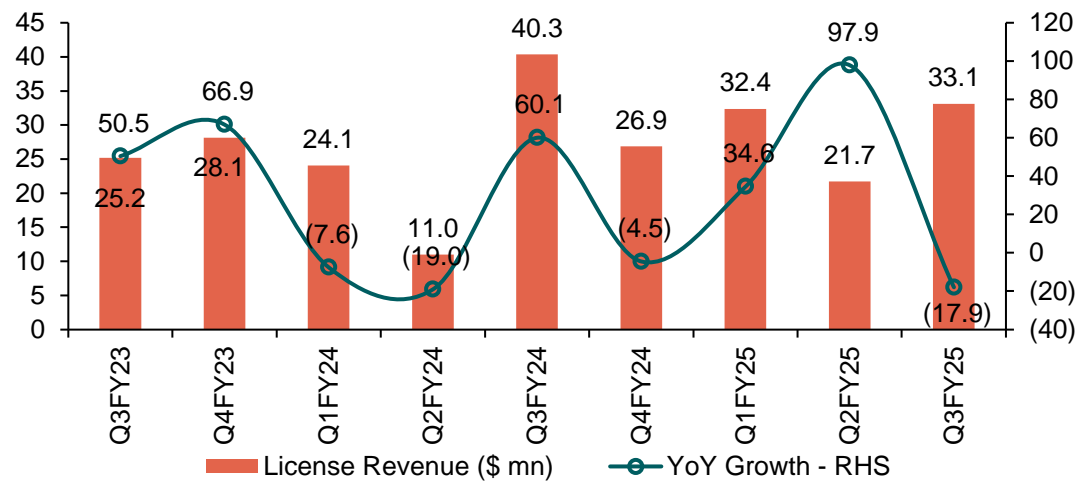
Source: Company, Dolat Capital

**Exhibit 9: Revenue Breakup in Product and Services segment**



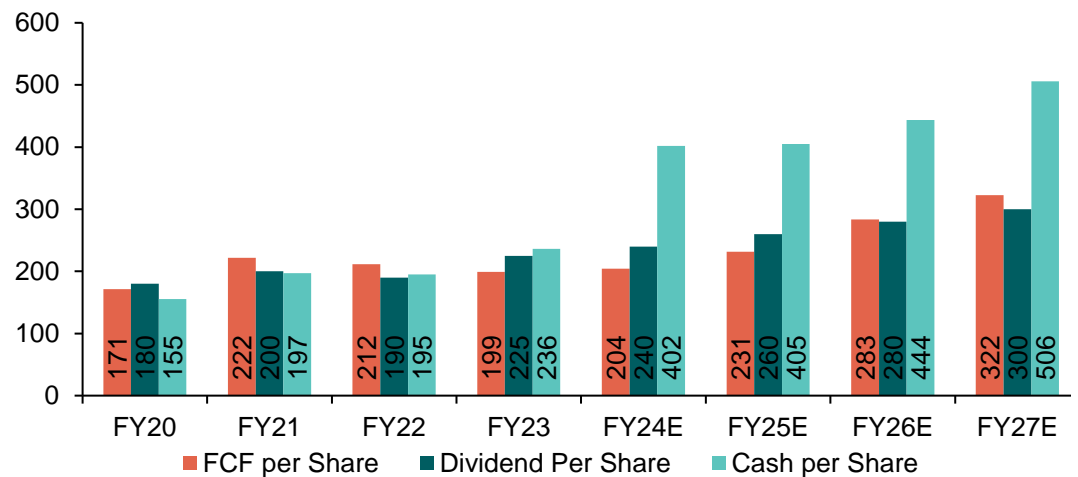
Source: Company, Dolat Capital

**Exhibit 10: License and Cloud Fees – Quarterly trends**



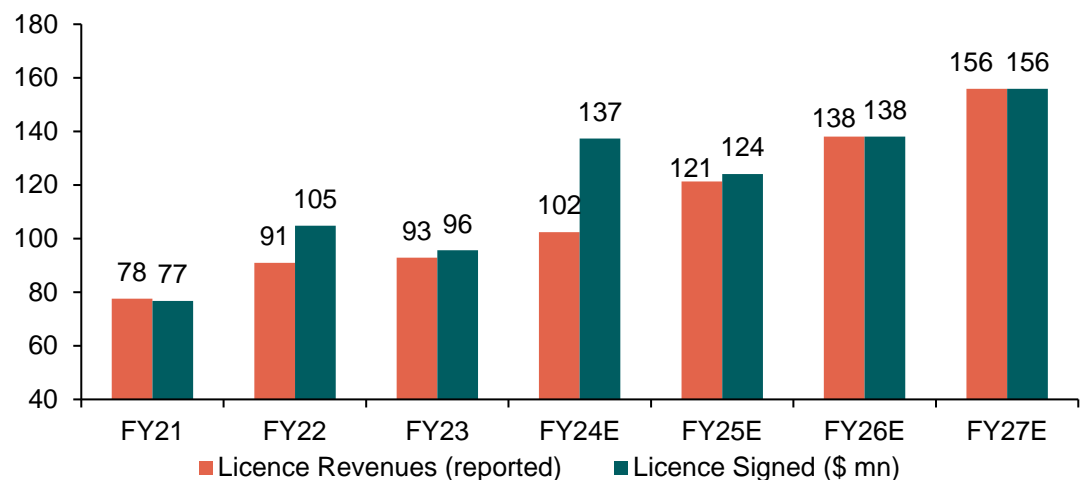
Source: Company, Dolat Capital

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



Source: Company, Dolat Capital

**Exhibit 12: License & Cloud Fees wins to maintain strong momentum**

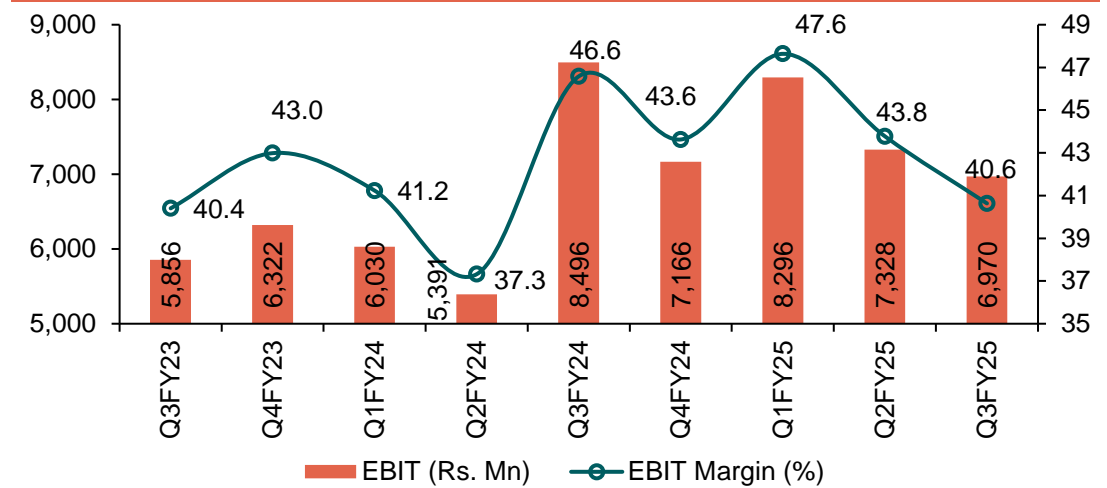


Source: Company, Dolat Capital

### OPM to revive further as revenue picks traction.

We expect OPM to improve as the pipeline remains healthy with a good combination of Cloud and On-prem deals. We expect OFSS to register OPM of 44.1%/45.1%/45.2% for FY25E/26E/FY27E respectively.

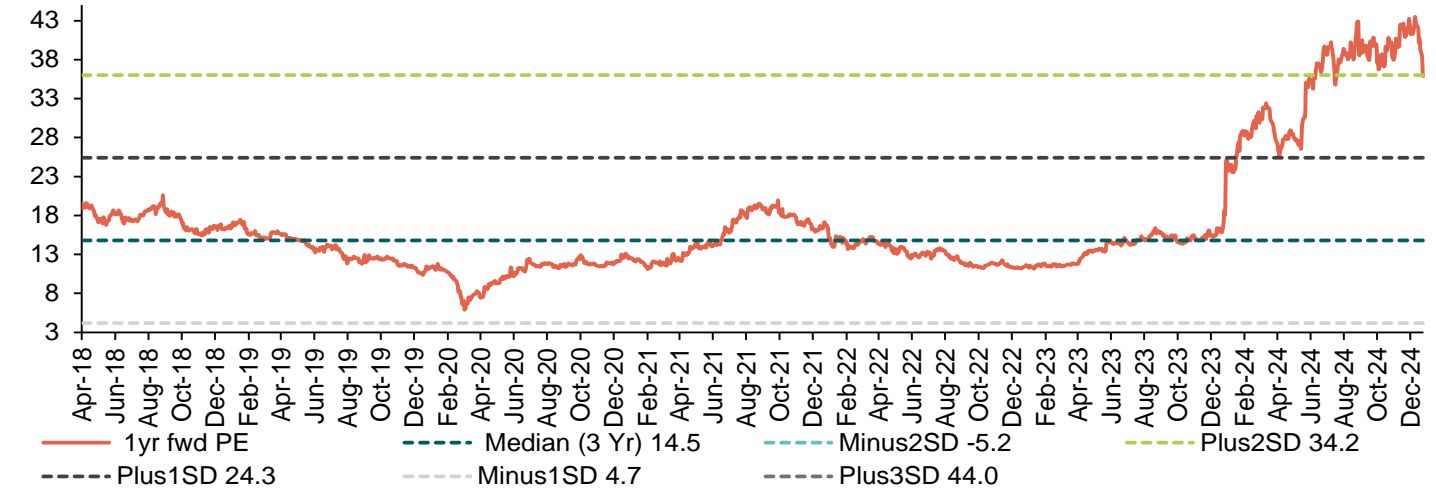
#### Exhibit 13: EBIT Margin (%) performance.



Source: Company, Dolat Capital

### PE Band Chart

#### Exhibit 14: OFSS PE Band Chart – Presently, OFSS trades near its 2SD Median PE



Source: DART

## Exhibit 15: Operating Metrics 1

Operating Metrics	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25
\$ Revenue	180.3	169.1	175.2	179.0	178.0	174.7	219.1	197.3	207.9	199.9	202.1
CC growth (%) YoY	(2.3)	7.4	14.5	15.2	4.3	5.0	25.8	11.7	19.1	15.9	(5.9)
CC growth (%) QoQ	9.8	(1.9)	5.3	1.5	(0.6)	(1.2)	26.2	(9.9)	6.0	(3.9)	2.5
License & Cloud Signings	26.2	13.1	27.5	28.8	27.4	40.5	49.5	19.9	35.1	N.A	N.A
Growth YoY (%)	(30.3)	(40.7)	76.3	(2.4)	4.6	209.2	80.0	(30.9)	28.1	(45.7)	(33.3)
TTM License & Cloud Signings	93.4	84.4	96.3	95.6	96.8	124.2	146.2	137.3	145.0	126.5	110.0
Growth YoY (%)	10.1	(9.7)	7.0	(8.8)	3.6	47.2	51.8	43.6	49.8	1.9	(24.8)
<b>Segmental Revenue</b>											
Products	12,657	12,259	13,027	13,365	51,308	13,177	16,796	14,909	15,951	15,176	15,610
Services	1,368	1,501	1,466	1,340	5,675	1,447	1,441	1,515	1,463	1,563	1,542
<b>Segmental QoQ Growth</b>											
Products	9.7	(3.1)	6.3	2.6	283.9	(74.3)	29.4	(11.2)	7.0	(4.9)	2.9
Services	11.0	9.7	(2.3)	(8.6)	323.5	(74.5)	(1.7)	5.2	(3.4)	6.8	(1.3)
<b>Segmental Profit Margin</b>											
Products		45.1	47.3	49.8	47.7	46.3	51.6	48.1	53.4	48.0	45.7
Services		26.5	19.8	21.0	23.0	32.3	25.8	25.8	26.3	29.7	22.3
<b>Product Rev (reported)</b>											
License Fees	26.0	13.6	25.2	28.1	24.1	11.0	40.3	26.9	32.4	21.7	33.1
Consulting Fees	53.7	51.2	52.0	53.6	54.5	59.6	60.5	60.9	62.9	61.6	62.5
Maintenance Fees	83.0	85.9	80.3	83.3	81.8	86.3	100.9	91.3	95.2	97.9	88.3
<b>Product RevGrowth YoY</b>											
License Fees	(30.7)	(32.3)	50.5	66.5	(7.6)	(19.0)	60.1	(2.2)	34.6	97.9	(17.9)
AMC	1.4	(5.0)	(5.2)	3.0	1.6	16.4	16.4	16.0	15.2	3.3	3.3
Consulting fees	3.4	7.2	(0.4)	(1.1)	(1.4)	0.5	25.6	11.9	16.4	13.4	(12.5)
<b>Service Rev</b>											
Fixed Price	8.1	9.4	10.1	7.3	11.8	13.5	14.0	14.9	13.6	15.1	14.7
Time & Material	9.5	9.0	7.6	6.7	5.8	4.3	3.3	3.3	3.8	3.5	3.5
<b>Service Rev. Growth YoY</b>											
Fixed Price	21.3	82.5	45.6	(7.5)	45.9	43.1	39.2	65.4	15.5	12.3	5.0
Time & Material Basis	(44.6)	(31.8)	(29.8)	(21.2)	(38.8)	(53.0)	(56.7)	(60.7)	(33.9)	(16.6)	5.0
<b>Staff Data</b>											
Employees	8,063	8,657	8,687	8,593	8,691	9,075	8,920	8,754	8,711	8,878	8,868
Products - Emp	6,615	7,158	7,235	7,189	7,318	7,594	7,470	7,341	7,340	7,482	7,490
Services - Emp	1,271	1,325	1,282	1,236	1,204	1,314	1,307	1,269	1,225	1,252	1,235
BPO - Emp	0	0	0	0	0	0	0	0	0	0	0
Corporate - Emp	177	174	170	168	169	167	143	144	146	144	143
Attrition Rate (%)	26.0	21.0	17.0	15.0	12.0	11.0	10.0	10.0	10.0	10.0	11.0
<b>Trade Receivable</b>											
0-180 days	99	98	96	95	93	88	94	94	93	92	95
More than 180 days	1	2	4	5	7	12	6	6	7	8	5
DSO	67	57	59	62	69	61	76	69	63	64	66

Source: Company, Dolat Capital



## Exhibit 16: Geography Data

Geography Data	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q2FY25	Q3FY25
<b>Product Revenue</b>											
India	16.3	13.6	12.6	17.3	17.6	15.7	24.2	17.9	19.0	18.1	18.4
USA	37.4	36.2	42.5	40.4	40.1	43.9	42.4	41.2	40.0	39.9	42.3
Rest of America	13.0	12.1	15.8	11.6	11.2	14.1	18.2	17.9	17.1	25.4	18.4
Europe	27.7	21.1	23.6	21.5	22.5	20.4	28.2	30.4	24.8	25.4	27.6
Asia Pacific	42.3	40.7	36.2	29.7	35.3	29.8	52.5	37.6	45.7	36.2	35.0
MEA	26.0	27.1	26.8	44.6	33.7	33.0	36.3	34.0	43.8	36.2	42.3
<b>Product Revenue YoY Growth</b>											
India	19.1	10.0	3.5	41.3	8.5	15.7	92.1	5.6	7.9	15.5	(24.0)
USA	(4.7)	11.7	21.5	31.9	7.2	21.5	(0.4)	4.1	(0.3)	(9.3)	(0.1)
Rest of America	(15.3)	11.7	15.0	(16.2)	(13.7)	17.2	15.3	58.3	52.7	79.6	1.3
Europe	(10.0)	(24.0)	(8.7)	(12.5)	(18.8)	(3.3)	19.5	44.9	10.3	24.3	(2.3)
Asia Pacific	(4.7)	1.5	(15.0)	(28.2)	(16.6)	(26.7)	44.8	29.3	29.5	21.5	(33.4)
MEA	(4.7)	(12.0)	17.3	45.5	29.4	21.5	35.6	(22.0)	30.0	10.0	16.5
<b>Service+BPO Revenue</b>											
India	0.0	0.0	0.0	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2
USA	12.5	12.4	12.4	9.1	11.6	12.0	11.9	12.0	11.9	12.5	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	2.6	2.8	2.5	2.3	3.2	2.7	2.6	3.1	2.6	3.2	3.3
Asia Pacific	1.8	2.4	1.9	1.7	1.8	1.9	1.6	1.6	1.7	1.9	1.8
MEA	0.7	0.9	0.9	0.7	0.9	0.9	1.0	1.3	1.0	0.9	0.9
<b>Service+BPO Rev. YoY Growth</b>											
India	N.A	N.A	N.A	N.A.	N.A.	N.A.	N.A.	4.9	(0.8)	5.3	5.0
USA	(12.1)	(8.0)	2.5	(20.2)	(6.9)	(2.5)	(3.4)	5.7	2.2	3.8	0.4
Rest of America	N.A	N.A	N.A	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Europe	17.6	15.6	(0.4)	(6.2)	20.2	(4.0)	5.0	8.1	(17.3)	19.4	26.0
Asia Pacific	4.6	30.2	(8.7)	(6.9)	0.2	(18.7)	(19.8)	(21.3)	(0.8)	(4.2)	16.7
MEA	88.2	67.0	(0.4)	6.7	25.2	(4.0)	17.6	46.8	19.0	5.3	(12.5)
<b>Total Revenue</b>											
India	16.2	13.5	12.3	17.9	17.8	15.7	24.1	17.8	18.7	18.0	18.2
USA	48.7	49.1	54.3	49.2	51.6	55.9	54.8	53.3	52.0	52.0	54.6
Rest of America	14.4	11.8	15.8	12.5	12.5	14.0	17.5	17.8	18.7	26.0	18.2
Europe	28.8	23.7	26.3	25.1	24.9	22.7	30.7	39.5	47.8	38.0	32.3
Asia Pacific	45.1	44.0	38.5	30.4	37.4	31.4	54.8	33.5	27.0	28.0	36.4
MEA	27.0	27.1	28.0	44.7	33.8	34.9	37.2	35.5	43.7	38.0	42.4
<b>Total Revenue YoY Growth</b>											
India	22.3	12.0	3.1	50.8	9.7	16.2	96.5	4.4	5.1	14.4	(24.5)
USA	(14.4)	9.3	14.1	16.1	6.1	13.9	0.8	6.3	0.7	(7.0)	(0.3)
Rest of America	(4.8)	(2.0)	15.9	(17.9)	(13.6)	18.0	11.1	41.7	50.2	85.9	3.8
Europe	(36.6)	(19.3)	(9.1)	(7.6)	(13.6)	(4.1)	16.7	29.7	27.9	20.8	(40.9)
Asia Pacific	39.9	1.9	(12.8)	(28.2)	(17.0)	(28.5)	42.1	33.9	8.5	23.2	18.6
MEA	1.9	(12.9)	17.8	46.6	25.1	29.1	32.9	(19.0)	29.1	8.7	14.0

Source: Company, Dolat Capital



**Exhibit 17: Deal Highlights during Q3FY25**

Sr. No.	Client	Region	Continent
1	Major Credit Union	US	North America
2	US headquartered bank	US	North America
3	Large American financial services company	US	North America
4	A leading time share company	US	North America
5	Subsidiary of a global financial services group	Romania	Europe
6	A leading internet bank	Japan	Asia
7	A corporate financial services provider	Czech Republic	Europe
8	Large Banking group	Japan	Asia
9	A respected large bank in UAE	UAE	Asia
10	An innovative Japanese bank	Japan	Asia
11	A leading Saudi Arabian bank	Saudi Arabia	Asia
12	A Mexico-based financial services group	Mexico	North America
13	A large financial services company	India	Asia
14	Piraeus	Greece	Europe
15	One of the largest banks in Nigeria	Nigeria	Africa
16	A Romanian financial services organization	Romania	Europe
17	A leading non-banking financial corporation	India	Asia
18	One of the largest banks in the Philippines	Philippines	Asia
19	A leading bank from Hungary	Hungary	Europe
20	One of the largest banks in Vietnam	Vietnam	Asia
21	A recognized Kuwaiti bank	Kuwait	Asia

Source: Dolat Capital, Company

## Financial Performance

### Profit and Loss Account

(Rs Mn)	FY24A	FY25E	FY26E	FY27E
<b>Revenue</b>	<b>63,730</b>	<b>69,185</b>	<b>76,240</b>	<b>85,693</b>
<b>Total Expense</b>	<b>35,904</b>	<b>37,992</b>	<b>41,023</b>	<b>46,129</b>
COGS	29,828	32,540	36,481	40,099
Employees Cost	0	0	0	0
Other expenses	6,076	5,452	4,542	6,030
<b>EBIDTA</b>	<b>27,825</b>	<b>31,192</b>	<b>35,217</b>	<b>39,564</b>
Depreciation	743	704	800	800
<b>EBIT</b>	<b>27,083</b>	<b>30,488</b>	<b>34,417</b>	<b>38,764</b>
Interest	0	0	0	0
Other Income	3,141	2,801	3,070	3,455
Exc. / E.O. items	0	0	0	0
<b>EBT</b>	<b>30,224</b>	<b>33,289</b>	<b>37,487</b>	<b>42,219</b>
Tax	8,029	9,847	10,496	11,821
<b>Minority Interest</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Profit/Loss share of associates	0	0	0	0
RPAT	22,195	23,442	26,991	30,398
Adjustments	0	0	0	0
<b>APAT</b>	<b>22,195</b>	<b>23,442</b>	<b>26,991</b>	<b>30,398</b>

### Balance Sheet

(Rs Mn)	FY24A	FY25E	FY26E	FY27E
<b>Sources of Funds</b>				
Equity Capital	433	431	431	431
Minority Interest	0	0	0	0
Reserves & Surplus	78,155	79,032	81,722	86,083
<b>Net Worth</b>	<b>78,588</b>	<b>79,463</b>	<b>82,153</b>	<b>86,515</b>
Total Debt	0	0	0	0
Net Deferred Tax Liability	521	742	942	1,167
<b>Total Capital Employed</b>	<b>79,110</b>	<b>80,206</b>	<b>83,096</b>	<b>87,682</b>

### Applications of Funds

Net Block	<b>7,949</b>	<b>7,765</b>	<b>7,575</b>	<b>7,435</b>
CWIP	28	28	28	28
Investments	20,651	20,651	20,651	20,651
<b>Current Assets, Loans &amp; Advances</b>	<b>68,867</b>	<b>71,522</b>	<b>77,099</b>	<b>84,510</b>
Current Investments	0	0	0	0
Inventories	0	0	0	0
Receivables	13,193	14,275	15,731	17,446
Cash and Bank Balances	34,833	35,142	38,504	43,908
Loans and Advances	0	0	0	0
Other Current Assets	20,841	22,105	22,864	23,155
<b>Less: Current Liabilities &amp; Provisions</b>	<b>18,385</b>	<b>19,760</b>	<b>22,257</b>	<b>24,942</b>
Payables	1,020	520	562	632
Other Current Liabilities	17,365	19,240	21,695	24,310
<i>sub total</i>				
Net Current Assets	50,482	51,762	54,842	59,568
<b>Total Assets</b>	<b>79,110</b>	<b>80,206</b>	<b>83,096</b>	<b>87,682</b>

E – Estimates

### Important Ratios

Particulars	FY24A	FY25E	FY26E	FY27E
<b>(A) Margins (%)</b>				
Gross Profit Margin	53.2	53.0	52.1	53.2
EBIDTA Margin	43.7	45.1	46.2	46.2
EBIT Margin	42.5	44.1	45.1	45.2
Tax rate	26.6	29.6	28.0	28.0
Net Profit Margin	34.8	33.9	35.4	35.5
<b>(B) As Percentage of Net Sales (%)</b>				
COGS	46.8	47.0	47.9	46.8
Employee	0.0	0.0	0.0	0.0
Other	9.5	7.9	6.0	7.0
<b>(C) Measure of Financial Status</b>				
Gross Debt / Equity	0.0	0.0	0.0	0.0
Interest Coverage				
Inventory days	0	0	0	0
Debtors days	76	75	75	74
Average Cost of Debt				
Payable days	6	3	3	3
Working Capital days	289	273	263	254
FA T/O	8.0	8.9	10.1	11.5
<b>(D) Measures of Investment</b>				
AEPS (Rs)	256.1	270.1	311.0	350.3
CEPS (Rs)	8.6	8.1	9.2	9.2
DPS (Rs)	240.0	260.0	280.0	280.0
Dividend Payout (%)	93.7	96.3	90.0	79.9
BVPS (Rs)	906.9	915.6	946.6	996.8
RoANW (%)	29.0	29.7	33.4	36.0
RoACE (%)	28.8	29.4	33.1	35.6
RoAIC (%)	54.7	68.3	76.8	87.7
<b>(E) Valuation Ratios</b>				
CMP (Rs)	10550	10550	10550	10550
Mcap (Rs Mn)	907,046	907,046	907,046	907,046
EV	872,213	871,904	868,542	863,138
MCap/ Sales	14.2	13.1	11.9	10.6
EV/Sales	13.7	12.6	11.4	10.1
P/E	41.2	39.1	33.9	30.1
EV/EBITDA	31.3	28.0	24.7	21.8
P/BV	11.6	11.5	11.1	10.6
Dividend Yield (%)	2.3	2.5	2.7	2.7
<b>(F) Growth Rate (%)</b>				
Revenue	11.8	8.6	10.2	12.4
EBITDA	12.6	12.1	12.9	12.3
EBIT	13.3	12.6	12.9	12.6
PBT	17.6	10.1	12.6	12.6
APAT	22.9	5.6	15.1	12.6
EPS	22.5	5.5	15.1	12.6

E – Estimates

## Cash Flow

Particulars	FY24A	FY25E	FY26E	FY27E
<b>Profit before tax</b>	<b>30,223</b>	<b>33,289</b>	<b>37,487</b>	<b>42,219</b>
Depreciation & w.o.	743	704	800	800
Net Interest Exp	(3,036)	(2,801)	(3,070)	(3,455)
Direct taxes paid	(8,057)	(9,847)	(10,496)	(11,821)
Change in Working Capital	(3,500)	(750)	482	903
Non Cash	1,572	0	0	0
<b>(A) CF from Operating Activities</b>	<b>17,945</b>	<b>20,595</b>	<b>25,203</b>	<b>28,646</b>
Capex {(Inc.)/ Dec. in Fixed Assets n WIP}	(266)	(520)	(610)	(660)
<b>Free Cash Flow</b>	<b>17,679</b>	<b>20,075</b>	<b>24,593</b>	<b>27,986</b>
(Inc.)/ Dec. in Investments	16,245	0	0	0
Other	0	2,801	3,070	3,455
<b>(B) CF from Investing Activities</b>	<b>15,979</b>	<b>2,281</b>	<b>2,460</b>	<b>2,795</b>
Issue of Equity/ Preference	207	(2)	0	0
Inc./(Dec.) in Debt	(299)	0	0	0
Interest exp net	(33)	0	0	0
Dividend Paid (Incl. Tax)	(19,460)	(22,565)	(24,301)	(26,037)
Other	0	0	0	0
<b>(C) CF from Financing</b>	<b>(19,585)</b>	<b>(22,567)</b>	<b>(24,301)</b>	<b>(26,037)</b>
Net Change in Cash	14,469	309	3,362	5,405
<b>Opening Cash balances</b>	<b>16,948</b>	<b>34,833</b>	<b>35,142</b>	<b>38,504</b>
<b>Closing Cash balances</b>	<b>34,833</b>	<b>35,142</b>	<b>38,504</b>	<b>43,908</b>

E – Estimates

## Notes

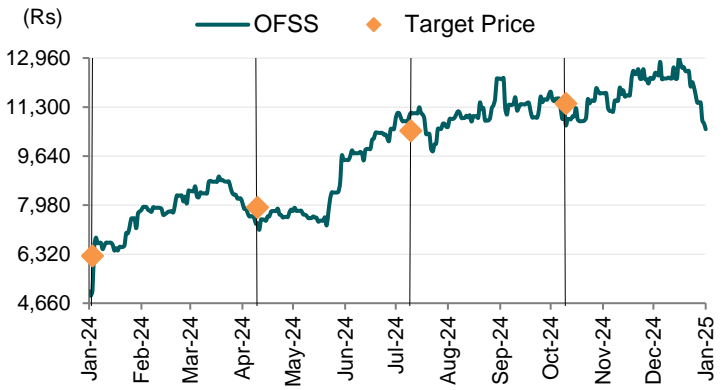
Stock Info and Rating History

Price Performance

Particulars	1M	3M	12M
Absolute (%)	(14)	(11)	108
Rel to NIFTY (%)	(10)	(3)	103

Shareholding Pattern

Particulars	Jun'24	Sep'24	Dec'24
Promoters	72.8	72.8	72.8
MF/Banks/FIs	9.5	9.5	9.5
FIIIs	6.6	6.6	6.6
Public / Others	11.2	11.2	11.2



Month	Rating	TP (Rs.)	Price (Rs.)
Jan-24	Buy	6,260	5,086
Apr-24	Accumulate	7,900	7,359
Jul-24	Reduce	10,500	11,108
Oct-24	Accumulate	11,420	10,682

*\*Price as on recommendation date*

Notes

### Dolat Rating Matrix

Total Return Expectation (12 Months)

<b>Buy</b>	<b>&gt; 20%</b>
<b>Accumulate</b>	<b>10 to 20%</b>
<b>Reduce</b>	<b>0 to 10%</b>
<b>Sell</b>	<b>&lt; 0%</b>

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