

HCL Technologies

BSE SENSEX
35,673

S&P CNX
10,694

CMP: INR962
TP: INR1,100(+14%)
Neutral

Stock Info

	HCLT IN
Bloomberg	
Equity Shares (m)	1,413
M.Cap.(INRb)/(USD\$b)	1339.1 / 18.9
52-Week Range (INR)	1125 / 854
1, 6, 12 Rel. Per (%)	-8/3/4
12M Avg Val (INR M)	2141
Free float (%)	39.8

Financials Snapshot (INR b)

Y/E Mar	2018	2019E	2020E
Net Sales	505.7	605.3	713.1
EBITDA	114.4	138.4	172.4
PAT	87.8	97.5	113.7
EPS (INR)	62.6	69.9	81.3
Gr. (%)	4.5	11.7	16.3
BV/Sh (INR)	264.5	328.7	361.9
RoE (%)	25.0	23.6	23.6
RoCE (%)	22.6	21.7	21.1
P/E (x)	15.4	13.8	11.8
P/BV (x)	3.6	2.9	2.7

Shareholding pattern (%)

As On	Sep-18	Jun-18	Sep-17
Promoter	60.2	60.2	60.1
DII	8.2	9.7	9.9
FII	28.0	26.2	25.3
Others	3.7	3.9	4.7

FII Includes depository receipts

Moves from partnering to buying IBM's product IPs
We remain cautious given legacy/on-premise nature of some products

HCLT has moved beyond partnering with IBM to acquiring some of the latter's product IPs, which it believes are a reflection of its focus on the strategic segments and efforts to expand services to a gamut of clients across industries and markets. In this note, we highlight the key specifics of HCLT's announced deal with IBM.

- TRANSACTION:** HCLT announced the purchase of seven software products from IBM at a total cost of USD1.8b. The deal is expected to complete over the next six months. The products span across areas such as Application Security, Endpoint Management, Low Code, Digital Commerce and Experience, and Marketing Automation.
- PAYMENT:** Of the total investment of USD1.8b, 48% will be made at the completion of the transaction and the balance one year thereafter. HCLT will raise debt of ~USD300m to fund the transaction.
- RATIONALE:** This is the single largest investment in HCLT's attempt to scale its Products and Platforms (Mode-3) business, as it seeks to add software product capabilities to its Services business. The market opportunity for these products in areas of Security, Marketing and Commerce is pegged at USD50b+. HCLT had already signed licensing partnerships in five out of these seven IPs, lending 2+ years of experience in engineering and modernizing these products. Part of the strategic rationale is also to serve and grow 5,000+ global enterprises.
- FINANCIALS:** Incremental revenues from these products are expected to be USD625m in the first year and USD650m in the second year. EBITDA margin is 50%+. HCLT expects cash EPS accretion of ~15% from the transaction. However, the amortization schedule (not disclosed) will soften the impact on reported EPS.
- ESTIMATE CHANGES:** We increase our revenue estimates by 5%/6.5% for FY20/21 post the announcement, factoring the deal economics. We have raised the EBITDA margin estimate by 120bp/160bp to 24.2%/24.1% for FY20/21, but the EBIT margin estimate is largely unchanged given the amortization (we assume ~USD180m per annum). After factoring in cash yield forgone, our earnings estimates are up by 3.7%/4.8%.
- OUR VIEW:** While 5.5x EV/EBITDA is not a steep price for the products with strong profitability characteristics, at our estimated amortization, HCLT's consideration would be discounting the post-tax earnings by 15x. However, given the mature/on-premise/legacy nature of some of these products, growth in the portfolio is unlikely to be exciting. As HCLT continues to leverage its balance sheet to expand its Mode-3 offerings, we would have concerns around the organic growth capabilities in the overall portfolio, with Services too having slowed down materially in the recent past. We remain **Neutral** with a price target of INR1,100.
- ORGANIC BUSINESS COMMENTS:** HCLT's healthy/broad-based order book lends visibility at the mid-point of the revenue guidance (9.5-11.5%). Also, deal wins have continued to be strong in this quarter and across service lines. It expects organic growth to show a gradual improvement.

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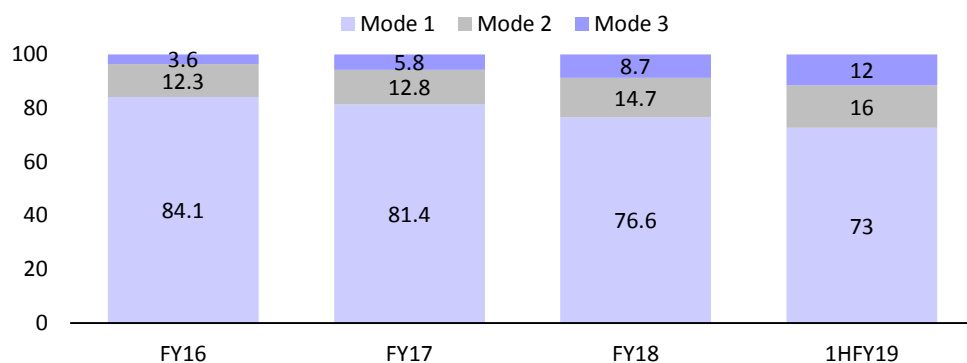
Investors are advised to refer through important disclosures made at the last page of the Research Report.

 Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

HCLT to buy seven IBM IPs, five of which it had earlier licensed

- HCLT announced that it will acquire seven of the IBM's products for a total consideration of USD1.8b. The transaction is expected to complete by Jun'19.
- HCLT will pay 48% of the acquisition amount at the time of completion and the balance amount one year thereafter. The deal will be largely financed through internal accruals and USD300m debt at close.
- Total incremental revenue is expected at USD625m for year one and at USD 650m for year two on a run-rate basis. HCLT expects an EBITDA margin of ~50% on incremental revenue on a run-rate basis, and cash EPS accretion of ~15%.
- While it expects the deal to be EPS-accretive on overall EPS as well, it did not divulge the details on the amortization schedule resulting from the consolidation.
- The company's revenues from Mode-3 had increased to ~12% in 1HFY19, and with the latest announcement, this should inch up to ~17%.

Exhibit 1: Composition of revenues across Modes 1-2-3



Source: Company, MOSL

Products span multiple areas with USD50b addressable market

- The products span across various areas such as Application Security, Endpoint Management, Low Code, Digital Commerce and Experience, and Marketing Automation (tabulated below).
- The market opportunity for these products in the areas of Security, Marketing and Commerce is pegged at USD50b+.
- HCLT had already signed licensing partnerships in five out of these seven IPs, lending 2+ years of experience in engineering and modernizing these products.
- Each of these products in the areas of Security, Marketing and Collaboration has had recognitions from the Analyst Community – the company shared the leadership position these enjoyed in Gartner's Magic Quadrants.
- Part of the strategic rationale is also to serve and grow 5000+ global enterprises. As part of the deal, HCLT will also onboard sales and marketing professionals from IBM, facilitating a strong S&M engine.

Exhibit 2: Product Details

Product	Market	Market Size (\$B)	No. of Clients	Key Verticals
AppScan	App Security	\$2.8	2,000	Financial Services, Retail & Technology
BigFix	Endpoint Management	\$14.8	2,200	Government, Distribution, Education, Financial Services
Notes	Enterprise Email	\$32.6	13,000	Financial Services, Government, Manufacturing
Domino	Low Code	\$4.3	-	Financial Services, Government, Manufacturing
Connections	Enterprise Collaboration	\$34.7	2,000	Financial Services, Government, Transportation
DX	Digital Experience	\$9.7	1,400	Consumer Goods, Manufacturing, Airlines, Public Sector
Unica	Marketing Automation	\$5.0	600	Retail, Travel & Transportation, Telco
Commerce	Digital Commerce Apps	\$6.5	425	Retail, Healthcare

Key highlights from management commentary

- **Strategy execution:** Services and Products will operate as two separate business units in parallel within the company. The units will have different leadership and sales personnel. HCL will transfer some of the senior leaders to head the sales team. There would be significant people transfer from IBM in both Sales and Engineering to the Mode-3 segment.
- **Synergy:** HCLT expects significant synergy through this acquisition by increasing its foothold in geographies like Japan, China and Germany. Moreover, it expects to cross-sell its Mode 1 and Mode 2 services around these products.
- **Optimistic business progressing:** HCLT is seeing a healthy broad-based order book, lending visibility at the mid-point of the revenue guidance (9.5-11.5%). Also, deal wins have continued to be strong in this quarter too, and across service lines. It expects organic growth to show a gradual improvement.
- **Products:** Seven acquired IPs are a uniform mix of cash cows and innovators with a huge customer base; most of these products lie in the top quadrant of their respective functionalities. In recent partnerships, HCLT has been able to modernize the products and improve growth in most of the IPs through addition of new functionality and multiple innovations to make it enterprise ready. The company will focus on doing the same with the acquired IPs.
- **Expect customer retention:** HCLT stated that while most the customers will stick with the products after the deal, there may be some customers that may choose to discontinue the relationship.

Our take on the transaction

- While 5.5x EV/EBITDA is not a steep price for the products with strong profitability characteristics, at our estimated amortization, HCLT's consideration would be discounting the post-tax earnings by 15x.
- Also, we note that at flattish revenue, without embedding any growth, the cash payback should be complete by year seven, assuming no changes to the margin profile. And given the mature/on-premise/legacy nature of some of these products, growth in the portfolio is unlikely to be exciting.
- As a result, the IRR in the scenario will be closer to the cost of capital, implying net-neutral transaction on an NPV basis.
- As HCLT continues leveraging its balance sheet to expand its Mode-3 offerings, we would have concerns around the organic growth capabilities in the overall portfolio, with services too having slowed down materially in the recent past.

Change in estimates

- We increase our revenue estimates by 5%/6.5% for FY20/21 post the announcement, factoring the deal economics.
- We have raised the EBITDA margin estimate by 120bp/160bp to 24.2%/24.1% for FY20/21, but the EBIT margin estimate is largely unchanged given the amortization (we assume ~USD180m per annum).
- After factoring in cash yield forgone, our earnings estimates are up by 3.7%/4.8%.

Exhibit 3: Change in estimates

	Revised			Earlier			Change		
	FY19E	FY20E	FY21E	FY19E	FY20E	FY21E	FY19E	FY20E	FY21E
INR/USD	71.0	73.4	72.0	70.9	73.4	72.0	0.2%	0.0%	0.0%
USD Revenue - m	8,523	9,714	10,745	8,537	9,256	10,094	-0.2%	4.9%	6.5%
USD revenue growth	8.7%	14.0%	10.6%	8.9%	8.4%	9.1%	-18bp	554bp	157bp
EBITDA Margin	22.9%	24.2%	24.1%	23.5%	23.0%	22.5%	-64bp	117bp	161bp
EBIT Margin	19.3%	19.7%	19.6%	20.0%	19.8%	19.3%	-68bp	-7bp	26bp
EPS - INR	69.9	81.3	86.5	75.2	78.4	82.5	-7.1%	3.7%	4.8%
EPS Growth	11.7%	16.3%	6.4%	20.1%	4.3%	5.2%	-849bp	1203bp	121bp

Source: MOSL

Valuation view

A foreword on the long-term industry view: Growth for Indian IT should gradually pick up from current 6-7% as Digital Services proliferate, which today are still small to move the needle on the overall performance. India will remain the hotbed for talent supply en masse, making a case for increasing shift of Digital business from onsite. That said, with Automation the top priority of every Board, without exceptions, delineation of revenue growth with headcount growth appears obvious – and the only lever to stem the decline in profitability witnessed in recent years.

HCLT in that industry backdrop

- **Differentiated positioning:** HCLT's differentiated positioning in IMS has helped it grow ahead of the industry average over the last few years and additionally its capabilities in Engineering Services have compounded to that in recent years.

This formed key differentiated growth propositions for HCLT:

1. IMS, which grew at a CAGR of 30% over FY10-15 and contributed 46% of HCLT's incremental revenues during this period, has witnessed mixed fortunes in recent quarters. HCLT enjoys a healthy lead as far as scale in IMS is concerned, with FY17 revenue of USD2.7b+.
2. Total estimated spend on Engineering Services and R&D is USD1.4t, of which exports from India are pegged at merely USD12.5b. ~50% of this is serviced out of captives, while the remainder is outsourced to third-party vendors like HCLT. As per Nasscom, ER&D exports will grow to ~USD50b by 2020. With FY17 revenues of USD1.3b+, HCLT is the largest provider of outsourced Engineering Services (20% of HCLT's revenue). Its acquisitions of Butler and Geometric further augment its capabilities and open doors in the verticals of automotive, industrial and aerospace, thus improving prospects of advantages in the mid-to-long term.

- **New bet - Products:** HCLT has now placed a massive bet (evident from the quantum of investments) by investing ~USD3.1b in IP partnerships. There does not seem to be much more appetite for inorganic growth, but HCLT has plans to build out its own product suite organically. This would also extend to gaining presence in the entire lifecycle – from development to sales.

We reckon slowing Mode-1 and fast growing Mode-2 and 3 would result in industry-matching growth for HCLT. However, our view on earnings is of slower growth, resulting out of increasing use of the balance sheet in order to increase revenue; and the consequent impact on amortization.

Cautious on the growth portfolio

- While FY16 was relatively muted led by delayed transition in IMS deals and some softness in select verticals, FY17 saw an improvement reflected in revenue growth for IMS, thanks much in part to the Volvo deal. However, consistent 0-1% QoQ growth in Application Services (40% of total revenue) and volatility in large verticals like BFSI and Manufacturing have been weighing on the overall performance.
- IMS contributed 36% of revenues, but has slowed down in terms of growth, with 1Q standing at 4.4% YoY CC. Engineering Services, too, has been a hit-n-miss,

thanks to the ramp-down of some large engagements won earlier, which are a rarity in the segment.

- Its FY19 guidance of 9.5-11.5% CC revenue growth implies 4.25-6.25% organic growth, a clear lack of any upward movement in trajectory, even excluding the 1% expected impact from ramp-down of revenue from India. The two segments (IMS and ERD) contribute 60%+ to HCLT's revenues and are the company's competitive edge in the industry. Failure to reverse the trend will put at risk our thesis of growth visibility proposition at HCLT.
- With core engines of IMS and Engineering Services softening, HCLT has not lacked aggression in exploring new avenues, of which the IBM partnership seems to be the biggest bet, with investments now standing at USD3.1b. Flattish revenues or de-growth in this channel will do little to justify the price tag in each of the investments (~USD850m annualized revenue rate). But that will take time, in our view, as HCLT has cited the innovations that it will need to bring about in these products to enable them for cloud environment, etc.
- As HCLT continues to leverage its balance sheet to expand its Mode-3 offerings, we would have concerns around the organic growth capabilities in the overall portfolio, with services too having slowed down materially in the recent past. We expect USD revenue CAGR of 11% over FY18-21 and earnings CAGR of 11.4% during this period. Considering the excess deployment of balance sheet, in stark contrast to the rest of the industry, and also uncertainties around the long-terms yields from the same, our target price now discounts forward earnings by 13x, compared to 14x earlier. We remain **Neutral** with a price target of INR1,100.

Key triggers

- Sustained uptick in growth in Application Services/IMS
- Return to industry leading growth on an organic basis
- Material growth uptick in Mode 2 resulting in enhanced overall performance

Key risks

- Increased uncertainty around heavy-investment partnerships
- Pull back in IMS growth amid competitive intensity
- Continued drag on organic growth

Operating metrics

Exhibit 1: Comparative Valuation

	3QFY16	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19
Service Line wise (%)											
Application services	39.9	38.3	37.8	37.5	36.8	36.3	35.9	35.3	34.7	34.0	33.1
Engineering and R&D Services	18.7	17.7	17.8	18.6	20.5	21.5	22.0	24.2	24.1	24.5	25.5
Infrastructure Services	36.2	39.8	40.3	39.8	38.8	38.6	38.5	36.7	37.3	36.2	36.0
BPO Services	5.2	4.1	4.1	4.0	3.9	3.6	3.6	3.7	3.9	5.2	5.4
Vertical wise (%)											
BFSI	25.0	23.6	24.1	24.3	24.2	24.9	25.0	24.6	25.0	23.8	23.0
Manufacturing	31.4	33.2	32.2	33.9	34.6	34.9	35.4	36.5	36.0	36.5	36.2
Retail & CPG	9.2	10.0	10.4	9.4	9.2	9.5	9.3	9.6	9.6	9.1	10.0
Telecom MP&E	9.9	9.1	9.4	8.9	8.4	7.9	7.9	7.4	7.4	7.3	7.2
Life Sciences	12.8	11.9	12.6	12.0	11.5	11.8	11.7	11.7	11.5	12.8	12.9
Public Services	11.1	11.7	10.9	11.2	11.7	11.1	10.6	10.2	10.6	10.5	10.7
Others	0.5	0.5	0.4	0.4	0.3	0.0	0.0	0.0	0.0	0.0	0.0
Geography wise (%)											
US	62.5	59.9	61.9	61.9	62.6	62.8	62.4	63.5	61.6	65.4	65.8
Europe	28.4	31.4	29.3	29.6	27.7	27.4	29.1	28.7	30.0	28.1	26.8
ROW	9.1	8.7	8.8	8.5	9.7	9.8	8.5	7.9	8.5	7.1	7.4
Client wise (%)											
Top 5 clients	13.6	13.9	13.8	14.2	14.7	14.4	15.1	15.8	16.3	17.0	17.3
Top 10 clients	21.8	21.8	21.6	21.7	22.1	22.4	22.9	23.5	23.8	24.6	24.8
Top 20 clients	32.2	31.7	31.8	31.9	32.9	33.0	33.2	33.5	33.7	34.2	34.2
QoQ Growth (%)											
Service Line wise											
Application services	0.1	2.2	0.5	0.6	2.1	2.3	1.2	1.4	0.8	-1.2	-0.6
Engineering and R&D Services	1.9	0.8	2.4	6.1	14.6	8.8	4.7	13.4	2.1	2.5	6.3
Infrastructure Services	3.3	17.1	0.0	0.2	1.4	3.2	2.1	-1.7	4.2	-2.2	1.6
BPO Services	-4.2	-16.0	3.1	-0.5	0.9	-4.3	2.3	5.9	8.1	34.4	6.1
Vertical wise											
BFSI	-2.2	0.6	4.0	2.2	3.7	6.7	2.7	1.4	4.2	-4.0	-1.3
Manufacturing	1.0	12.6	-1.2	6.7	6.2	4.6	3.8	6.3	1.1	2.2	1.3
Retail & CPG	-1.9	15.8	5.9	-8.4	1.9	7.1	0.2	6.4	2.5	-4.4	12.2
Telecom MP&E	3.4	-2.1	5.2	-4.0	-1.8	-2.5	2.3	-3.4	2.5	-0.6	0.7
Life Sciences	6.3	-1.0	7.8	-3.5	-0.2	6.4	1.5	3.1	0.8	12.2	2.9
Public Services	6.1	12.3	-5.1	4.1	8.7	-1.6	-2.3	-0.8	6.6	-0.1	4.1
Others	-15.5	6.5	-18.5	1.4	-21.9	0	0	0	0	0	0
Geography wise											
US	3.8	2.1	5.3	1.4	5.3	4.0	1.7	4.9	-0.5	7.0	2.8
Europe	-3.7	17.8	-5.0	2.4	-2.6	2.6	8.7	1.7	7.2	-5.6	-2.6
ROW	1.3	1.8	3.0	-2.1	18.8	4.8	-11.2	-5.4	10.4	-22.0	16.3
Client wise											
Top 5 clients	1.3	8.9	1.1	4.3	7.8	1.6	7.3	7.9	5.8	5.1	3.9
Top 10 clients	1.8	6.5	0.9	1.8	6.0	5.1	4.6	5.8	3.8	4.2	3.0
Top 20 clients	0.7	4.9	2.2	1.7	7.4	4.0	2.9	4.0	3.2	2.3	2.1

Source: Company, MOSL

Financials and Valuations

Key assumption

Y/E Mar	2013	2014	2015	2016	2017	2018	2019E	2020E
INR/USD Rate	54.9	61.4	62.3	66.3	67.0	64.5	73.4	72.0
Revenues (USD m)	4,687	5,360	5,952	4,698	6,975	7,838	9,714	10,745
IMS Revenue (USD m)	1,367	1,820	2,064	1,673	2,767	2,959	3,335	3,589
Software Services Rev (USD m)	3,114	3,293	3,588	2,775	3,927	4,588	5,972	6,708
Total Headcount	85,505	91,691	106,107	104,896	115,973	120,081	1,46,725	1,60,175
Net Addition	1,186	6,186	14,416	-1,211	11,077	4,108	10,800	13,450
Per Capita Productivity (USD)	54,810	58,454	56,097	59,714	60,142	65,270	66,203	67,083

Income Statement

(INR Million)

Y/E Mar	2013	2014	2015	2016	2017	2018	2019E	2020E
Net Sales	2,57,336	3,29,180	3,70,620	3,11,360	4,67,220	5,05,700	6,05,331	7,13,078
Change (%)	22.4	27.9	12.6	-16.0	50.1	8.2	19.7	17.8
EBITDA	57,536	86,670	87,020	68,150	1,03,090	1,14,400	1,38,423	1,72,361
EBITDA Margin (%)	22.4	26.3	23.5	21.9	22.1	22.6	22.9	24.2
Depreciation	6,726	7,320	4,440	4,450	8,340	14,520	21,313	31,678
EBIT	50,810	79,350	82,580	63,700	94,750	99,880	1,17,110	1,40,683
Other Income	1,570	-160	7,559	7,960	9,340	11,110	6,237	3,377
Extraordinary items	0	0	1,551	0	0	0	0	0
PBT	52,380	79,190	91,690	71,660	1,04,090	1,10,990	1,23,347	1,44,060
Tax	12,130	15,480	19,080	14,990	19,520	23,170	25,833	30,352
Tax Rate (%)	23.2	19.5	20.8	20.9	18.8	20.9	20.9	21.1
Min. Int. & Assoc. Share	0	1	2	0	0	0	0	0
Reported PAT	40,250	63,709	72,608	56,670	84,570	87,820	97,515	1,13,708
Adjusted PAT	40,250	63,710	71,059	56,670	84,570	87,820	97,515	1,13,708
Change (%)	63.9	58.3	11.5	-20.2	49.2	3.8	11.0	16.6

Balance Sheet

(INR Million)

Y/E Mar	2013	2014	2015	2016	2017	2018	2019E	2020E
Share Capital	2,786	2,799	2,812	2,820	2,827	2,784	2,787	2,790
Reserves	1,40,159	1,98,015	2,44,698	2,77,401	3,32,077	3,65,384	4,55,252	5,02,012
Net Worth	1,42,945	2,00,814	2,47,510	2,80,221	3,34,904	3,68,168	4,58,039	5,04,802
Debt	6,960	7,509	4,690	9,732	5,417	4,371	30,720	52,320
Total Capital Employed	1,49,905	2,08,323	2,52,200	2,89,953	3,40,321	3,72,539	4,88,759	5,57,122
Gross Fixed Assets	67,093	78,595	89,770	99,251	1,43,499	1,07,867	1,13,559	1,06,707
Less: Acc Depreciation	39,810	47,130	51,570	56,020	56,020	56,020	56,020	56,020
Net Fixed Assets	27,283	31,465	38,200	43,231	87,479	51,847	57,539	50,687
Intangibles	72,046	74,954	82,700	1,02,983	1,10,701	1,81,732	2,31,519	2,95,212
Investments	42,991	89,948	1,04,450	1,12,837	1,15,119	86,060	70,040	50,040
Current Assets	88,159	1,08,537	1,31,760	1,38,624	1,51,023	1,64,713	2,73,597	3,28,924
Debtors	61,767	77,086	94,860	1,07,228	1,08,026	1,22,575	1,53,296	1,80,582
Cash & Bank	7,321	10,206	13,520	7,293	13,165	16,940	74,581	95,452
Loans & Adv, Others	19,071	21,245	23,380	24,103	29,832	25,198	45,720	52,890
Curr Liabs & Provns	80,574	96,581	1,04,910	1,07,720	1,24,002	1,11,812	1,43,936	1,67,742
Net Current Assets	7,585	11,956	26,850	30,904	27,021	52,901	1,29,661	1,61,183
Total Assets	1,49,905	2,08,323	2,52,200	2,89,955	3,40,320	3,72,540	4,88,759	5,57,122

Financials and Valuations

Ratios

Y/E Mar	2013	2014	2015	2016	2017	2018	2019E	2020E
Basic (INR)								
EPS	28.6	45.1	50.4	40.1	59.8	62.6	69.9	81.3
Cash EPS	33.3	50.3	54.5	43.3	65.7	73.5	85.0	103.8
Book Value	102.6	143.5	176.1	198.8	237.0	264.5	328.7	361.9
DPS	6.0	11.0	16.0	17.0	24.0	8.0	9.0	40.0
Payout (incl. Div. Tax.)	21.0	24.4	31.8	42.4	40.1	12.8	12.9	49.2
Valuation(x)								
P/E	33.6	21.3	19.1	24.0	16.1	15.4	13.8	11.8
Cash P/E	28.9	19.1	17.6	22.2	14.6	13.1	11.3	9.3
Price / Book Value	9.4	6.7	5.5	4.8	4.1	3.6	2.9	2.7
EV/Sales	5.0	3.8	3.3	3.0	2.6	2.5	2.0	1.8
EV/EBITDA	22.5	14.5	14.2	13.7	12.0	10.8	8.9	7.2
Dividend Yield (%)	0.6	1.1	1.7	1.8	2.5	0.8	0.9	4.2
Profitability Ratios (%)								
RoE	32.2	37.1	31.7	21.5	27.5	25.0	23.6	23.6
RoCE	26.5	35.3	29.2	19.9	25.3	22.6	21.7	21.1
RoIC	34.2	53.8	48.3	30.6	37.8	31.2	28.6	27.8
Turnover Ratios (%)								
Asset Turnover (x)	9.9	11.2	10.6	7.6	7.1	7.3	11.1	13.2
Debtors (No. of Days)	81.7	77.0	84.7	118.5	84.1	83.2	83.2	85.5
Leverage Ratios (%)								
Net Debt/Equity (x)	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	-0.1

Cash Flow Statement

(INR Million)

Y/E Mar	2013	2014	2015	2016	2017	2018	2019E	2020E
Adjusted EBITDA	57,536	86,670	87,020	68,150	1,03,090	1,14,400	1,38,423	1,72,361
Non cash opr. exp (inc)	1,517	-5,211	-2,001	-803	3,725	0	0	0
(Inc)/Dec in Wkg. Cap.	-1,494	-2,441	-11,880	-15,031	3,207	10,009	-6,146	-1,392
Tax Paid	-12,642	-14,450	-17,745	-14,088	-20,069	-23,170	-25,833	-30,352
Other operating activities	0	0	0	0	0	0	0	0
CF from Op. Activity	44,917	64,568	55,394	38,228	89,953	1,01,239	1,06,445	1,40,617
(Inc)/Dec in FA & CWIP	-4,203	-4,789	-12,017	-7,482	-11,682	-49,362	-66,238	-80,956
Free cash flows	40,714	59,779	43,377	30,746	78,271	51,877	40,207	59,661
(Pur)/Sale of Invt	-19,411	-43,634	-8,859	-14,604	-27,056	-3,612	-7,508	3,179
Others	0	0	0	0	0	0	0	0
CF from Inv. Activity	-23,614	-48,423	-20,876	-22,086	-38,738	-52,974	-73,746	-77,777
Inc/(Dec) in Net Worth	336	345	104	9	2	-41,103	7,398	-17
Inc / (Dec) in Debt	-12,278	511	-3,013	4,811	-3,959	-1,046	26,349	21,600
Divd Paid (incl Tax) & Others	-8,805	-14,002	-28,361	-27,227	-41,420	-2,343	-8,804	-63,551
CF from Fin. Activity	-20,747	-13,146	-31,270	-22,407	-45,377	-44,492	24,943	-41,968
Inc/(Dec) in Cash	556	2,999	3,248	-6,265	5,838	3,773	57,642	20,872
Add: Opening Balance	6,767	7,207	10,272	13,558	7,329	13,167	16,940	74,582
Closing Balance	7,323	10,206	13,520	7,293	13,167	16,940	74,582	95,454

NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
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