

# KPIT Technologies Ltd | BUY

## Cruise mode

KPIT sustained its growth momentum in 1Q. Revenues grew 4.7% cc QoQ, meeting elevated expectations (JMFe: 4.6%). Honda deal continues to ramp, reflected in 13% QoQ growth in Asia. Deal wins were healthy at USD 202mn, taking LTM book-to-bill to 1.3x. KPIT's 20%+ YoY revenue growth, despite 1.3x book-to-bill indicates minimal leakage and faster ramp. This, we believe, is an under-rated characteristic of KPIT's work. Its largely self-curated, non-RFP type deal wins from existing clientele facilitates such quick book-to-bill conversion, in our view. Focus on large deals in KPIT's case therefore misses the point. That said, pipeline does have large deals (2 each in US/EU) which could close in 2H, lending visibility beyond FY25. Current order book however is sufficient to achieve an unchanged 18-22% cc revenue growth for FY25, per the management. Better margins (17.3% vs JMFE: 16.8%) despite two months of ESOP expense and consistent improvement in employee productivity reflects KPIT's pricing power. We build this in our margin assumptions driving 1-2% EPS upgrades. Our TP rolls forward to INR 2,140. Structural nature of demand (EV/SDV) and KPIT's increasingly evident moats in these areas should undergird its growth momentum. We reiterate BUY.

- 1QFY25 – Meets elevated expectations:** KPIT reported 4.7% cc QoQ growth, in-line with JMFe: 4.6%. Growth was driven by Asia (13.2% QoQ, USD terms), likely on Honda deal ramp. Europe/US grew by 3.3%/(1.6%) QoQ. Architecture and Middleware consulting (+13.7%) led the growth among service lines. Rev/emp. grew by 1%. This metric has grown at 3% CQGR over the past eight quarters, reflecting KPIT's pricing power. EBIT margin expanded 55bps QoQ to 17.3% (JMFe: 16.8%). This was despite two months impact of ESOP (70bps). The company divested 50% stake in the planned Qorix JV to ZF. This resulted in one-time gain (net of tax) of INR 328mn. Adjusted PAT came in at INR 1.7bn. Cash reserves improved further to INR 10bn (from INR 8.5bn in 4Q).
- Guidance retained:** KPIT retained its FY25 cc revenue growth guidance of 18-22% cc. Guidance implies a CQGR of 2.8-5.1%. Management is counting on sustained ramp-up in Honda deal and healthy order book to achieve its FY25 guidance. Honda deal, when full ramped, will have 2,000 resources. At current rev/emp of USD 53K/year, that would translate into USD 100mn+ ARR. That still leaves a material upside in Honda account, per our estimate. LTM TCv of USD 808mn (book-to-bill: 1.3x) lends further visibility. Most of KPIT's deals today are proactive (non-RFP), driving faster revenue conversion, in our view. The company is expanding into adjacent areas (Trucks, off-Highway) to increase its addressable market. That should help revive US growth as well. EBITDA margin guidance of 20.5%+ was retained too. Wage hike and one month additional impact of ESOP will however impact 2Q margins by 280bps, per the management.
- EPS up by 1-2%; Maintain BUY:** Our FY25E USD revenues are down 180bps, largely on higher cross-currency impact. We have however raised our FY25-27E margin assumptions by 25-40bps. Consequently, our FY25-27E EPS is up 1-2%, after factoring in some loss coming from the Qorix JV. We roll forward our TP to INR 2,140 (from INR 2,050), valuing the stock at 60x (unchanged). KPIT growth story still has legs. BUY.



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### Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	2,140
Upside/(Downside)	15.4%
Previous Price Target	2,030
Change	5.4%

### Key Data – KPITTECH IN

Current Market Price	INR1,854
Market cap (bn)	INR508.2/US\$6.1
Free Float	58%
Shares in issue (mn)	270.8
Diluted share (mn)	271.4
3-mon avg daily val (mn)	INR2,168.6/US\$25.9
52-week range	1,929/961
Sensex/Nifty	80,149/24,414
INR/US\$	83.7

### Price Performance

%	1M	6M	12M
Absolute	15.2	23.1	75.4
Relative*	12.2	8.5	45.2

\* To the BSE Sensex

Financial Summary	(INR mn)				
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E
Net Sales	33,650	48,715	58,227	68,886	80,644
Sales Growth (%)	38.3	44.8	19.5	18.3	17.1
EBITDA	6,204	9,852	12,002	14,338	16,743
EBITDA Margin (%)	18.4	20.2	20.6	20.8	20.8
Adjusted Net Profit	3,810	5,945	7,729	9,137	10,810
Diluted EPS (INR)	14.1	21.9	28.5	33.7	39.8
Diluted EPS Growth (%)	38.8	55.5	29.9	18.2	18.3
ROIC (%)	48.6	49.3	53.8	57.6	60.6
ROE (%)	25.7	31.3	31.9	30.6	29.8
P/E (x)	131.6	84.6	65.1	55.1	46.5
P/B (x)	30.7	23.6	18.8	15.5	12.7
EV/EBITDA (x)	80.1	50.2	40.8	33.9	28.7
Dividend Yield (%)	0.2	0.4	0.5	0.6	0.7

Source: Company data, JM Financial. Note: Valuations as of 24/Jul/2024

JM Financial Institutional Securities Limited

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## Key Highlights from the call

- **Demand:** Strong growth momentum continues, driven by T-25 clients. Within the Top 25, growth is largely propelled by the top 15 clients. Some deal wins in the truck and off-highway vehicle segments can be expected in Q3-Q4 FY25. The Quorix JV is anticipated to start contributing to revenue by the end of CY25.
- **Margin:** The margin in 2QFY25 is expected to be impacted by headwinds from a wage hike (100bps) and ESOP costs (incremental 30bps). However, some of these impacts are anticipated to be offset by operational efficiencies.
- **Quorix JV:** Qorix has joined the Eclipse Foundation, a community focused on open collaboration and integration. By open-sourcing segments of the Qorix software, KPIT empowers OEMs to tailor and manage their operating systems more effectively. Management aims to finalize software development within the next 12 months, with integrated solutions for OEM production programs expected by the subsequent year's end. Initial discussions with clients have begun, and revenue from the Qorix JV is projected to commence by the end of the upcoming calendar year.
- **Expansion in Truck & Off-Highways vehicles:** KPIT is strategically exploring adjacencies in the truck and off-highway vehicle segments. The company intends to introduce technologies customized for these sectors, emphasizing autonomous capabilities, after-sales services, and advanced propulsion technologies. Originally developed for passenger cars, these technologies are being refined to meet the unique requirements of these segments. KPIT's focus is primarily on engaging with major players located predominantly in the United States. Current discussions with clients in this market are in the early stages of development.
- **RFP to Proactive engagements:** KPIT is strategically shifting towards proactive engagement models with clients, moving away from traditional RFP-driven business. Management highlight a significant increase in engagements structured and initiated by them directly, especially within their key diamond accounts. By reducing dependency on reactive bidding processes, KPIT aims to strengthen client relationships, drive long-term partnerships, and maintain a competitive edge in a rapidly evolving market landscape.
- **Offerings:** KPIT has launched new offerings designed to reduce time-to-market and optimize costs for OEMs, specifically to enhance competitiveness against Chinese OEMs. These initiatives are expected to contribute significantly to revenue growth in the coming years. Additionally, KPIT foresees opportunities for growth in the hybrid vehicle sector, alongside continuing engagements with traditional powertrains, spanning both passenger and commercial vehicle segments.
- **Deal Wins:** KPIT Tech closed five deals during the quarter, each averaging between USD 25 mn to 30 mn. Of the five, two deals are from the US, two from Europe, and one from Asia. While most engagements are in the passenger car segment, KPIT expects to expand into the truck segment by the 3Q-4QFY25.
- **Trends in Automotive: China:** Chinese OEMs face saturation in their domestic market, prompting them to seek growth opportunities in other regions. **Europe:** Competition with Chinese OEMs in both domestic and global markets impacts sales and margins. **USA:** Increasing pressure in the electrification sector due to regulatory and market demands.
- **Key Markets: APAC:** Asia remains a significant growth driver for KPIT, driven by technology investments and cost efficiencies pursued by OEMs. Significant growth is noted across key markets including Korea, India, China, and Thailand. **Thailand:** There's a growing demand for design and engineering capabilities in Thailand. **Japan:** Company is actively engaged with two OEMs in Japan, with potential interest from a third. **Europe:** European OEMs are grappling with competition from Chinese counterparts in their traditional strongholds like China.
- **Supply:** Company has done its wage revision effective 1<sup>st</sup> July, these are on higher-single digit increments. Company has also launched an ESOP scheme for its employee. Also launched a Management development program for next 12-18 months.

**Exhibit 1. 1QFY25 Result Summary**

	1Q25 A	4Q24 A	Change (QoQ)	Estimate (JMFe)	Variance (vs. JMFe)	Estimate (Consensus)	Variance (vs. consensus)	QoQ estimate	
								JMFe	Consensus
USD-INR	82.70	82.88	-0.2%	83.32	-0.7%	83.32	-0.7%	0.5%	0.5%
Revenue (USD mn)	165	159	3.8%	164	0.4%	166	-0.3%	3.4%	4.1%
QoQ cc	4.7%	5.1%		4.6%		-			
Revenue (INR mn)	13,646	13,178	3.6%	13,693	-0.3%	13,796	-1.1%	3.9%	4.7%
EBIT (INR mn)	2,356	2,202	7.0%	2,303	2.3%	2,316	1.7%	4.6%	5.2%
EBIT margin	17.3%	16.7%	56bp	16.8%	45bp	16.8%	48bp	11bp	8bp
PAT (INR mn)	2,042	1,659	23.0%	1,795	13.8%	1,754	16.4%	8.2%	5.7%
EPS (INR)	7.47	6.13	22.0%	6.63	12.7%	6.40	16.7%	8.2%	4.5%

Source: Company, JM Financial

**Exhibit 2. Guidance Analysis – FY25**

	FY25 revenue - implied			FY25 growth guidance	
	FY24A	Lower	Upper	Lower	Upper
Revenue (USD mn)	587	689	712	17.3%	21.3%
<b>Implied QoQ growth - Lower end</b>	<b>1Q25</b>	<b>2Q25E</b>	<b>3Q25E</b>	<b>4Q25E</b>	<b>FY25E</b>
Revenue USD mn	165	3,054	3,066	3,079	12,239
Growth (q/q)	3.8%	2.8%	2.8%	2.8%	17.3%
<b>Implied QoQ growth - Upper end</b>	<b>1Q25</b>	<b>2Q25E</b>	<b>3Q25E</b>	<b>4Q25E</b>	<b>FY25E</b>
Revenue USD mn	165	3,093	3,145	3,199	12,478
Growth (q/q)	3.8%	5.1%	5.1%	5.1%	21.3%

Note: CQGR calculation done of 17.3-21.3% range as we assume 70bps cross currency headwind for FY25. Source: Company, JM Financial estimates

## 1QFY25 result review

### Exhibit 3. Key Financials

	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25
<b>Revenue (USD mn)</b>	<b>110.5</b>	<b>123.8</b>	<b>133.9</b>	<b>145.2</b>	<b>149.0</b>	<b>159.0</b>	<b>165.0</b>
QoQ cc growth	19.3%	8.5%	7.1%	9.0%	4.3%	5.1%	4.7%
Revenue (INR mn)	9,171	10,174	10,976	11,992	12,570	13,178	13,646
Employee benefit expenses	5,652	6,409	7,135	7,753	7,904	8,328	8,744
Other operating expenses	1,850	1,942	1,702	1,839	2,081	2,121	2,021
EBITDA	1,669	1,823	2,139	2,399	2,585	2,729	2,882
<b>EBITDA Margin</b>	<b>18.2%</b>	<b>17.9%</b>	<b>19.5%</b>	<b>20.0%</b>	<b>20.6%</b>	<b>20.7%</b>	<b>21.1%</b>
D&A expenses	404.1	422.1	450.4	480.9	499.6	527.0	525.1
EBIT	1,265	1,401	1,688	1,918	2,085	2,202	2,356
EBIT Margin	13.8%	13.8%	15.4%	16.0%	16.6%	16.7%	17.3%
Other income (Net)	129	-39	78	-41	30	48	417
Profit Before Tax	1,394	1,362	1,766	1,877	2,116	2,250	2,774
Income tax expense	353	246	422	463	548	591	725
<b>Net income from operations</b>	<b>1,041</b>	<b>1,116</b>	<b>1,344</b>	<b>1,414</b>	<b>1,568</b>	<b>1,659</b>	<b>2,048</b>
<b>EPS</b>	<b>3.54</b>	<b>3.42</b>	<b>4.91</b>	<b>5.16</b>	<b>5.69</b>	<b>6.02</b>	<b>7.46</b>
Growth	29.8%	-3.3%	43.4%	5.1%	10.3%	5.8%	24.2%

Source: Company, JM Financial

### Exhibit 4. Deal wins

	1Q24	2Q24	3Q24	4Q24	1Q25
Deal TCV (USD mn)	190	156	189	261	202
Book-to-Bill (x)	1.4	1.1	1.3	1.6	1.2

Source: Company, JM Financial

Growth driven by APAC and middleware.

EBIT margin expanded 50bps despite 2 months impact of ESOP (70bps).

Stake divestiture in Qorix JV resulted in one-time gain (net of tax) of INR 328mn.

Closed five deals during the quarter, each averaging between USD 25 mn to 30 mn

## Exhibit 5. Key Operating Metrics

	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25
<b>Revenue mix</b>							
<b>By geography - (USD mn)</b>							
USA	35.4	44.7	44.9	44.2	44.6	47.2	46.5
Europe	57.0	61.4	68.1	76.4	78.8	82.3	85.0
Rest of World	18.1	17.7	21.0	24.7	25.8	29.5	33.4
<b>By verticals - (USD mn)</b>							
Passenger cars	86.0	92.1	100.5	110.1	116.9	125.6	132.0
Commerical vehicles	23.5	30.8	28.8	29.1	25.9	27.8	27.9
<b>By Practices - (USD mn)</b>							
Feature Development & Integration	71.53	76.21	82.14	89.72	93.11	98.64	100.59
Architecture & Middleware Consulting	18.07	23.83	28.03	29.40	27.61	29.70	33.78
Cloud Based connected services	20.85	23.75	23.77	26.08	28.42	30.68	30.50
<b>Employee Metrics</b>							
Revenue per development employee (USD)	45,105	48,092	49,439	51,773	49,926	52,725	53,018
<b>Employee</b>							
Development	9,795	10,297	10,837	11,219	11,949	12,064	12,438
Enabling & Sales	695	716	734	752	778	792	815
Total	10,490	11,013	11,571	11,971	12,727	12,856	13,253

Source: Company, JM Financial

## Maintain BUY, Revised TP of INR 2,140

We are revising our FY25 constant currency (cc) revenue growth estimate downward by 1%. However, we are raising our FY26 and FY27 cc revenue estimates. We are adjusting our margin estimates slightly upward. Despite factoring in expected losses from the Qorix joint venture, our EPS estimates are revised by 1%-2% for FY25-27. We continue to value KPIT Tech at 60x, maintain BUY with a revised TP of INR 2,140.

### Exhibit 6. What has changed

	Old			New			Change		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Exchange rate (INR/USD)	83.20	83.20	83.20	83.20	83.37	83.37	0.0%	0.2%	0.2%
Consolidated revenue (USD mn)	710	833	973	700	826	967	-1.5%	-0.8%	-0.6%
CC Growth	21.1%	17.3%	16.8%	19.9%	18.1%	17.1%	-124bp	81bp	25bp
Growth in USD revenues (YoY)	21.0%	17.3%	16.8%	19.2%	18.1%	17.1%	-178bp	81bp	25bp
Consolidated revenue (INR mn)	59,087	69,293	80,946	58,227	68,886	80,644	-1.5%	-0.6%	-0.4%
EBITDA margin	20.5%	20.5%	20.5%	20.6%	20.8%	20.8%	8bp	34bp	23bp
EBIT margin	16.6%	16.5%	16.7%	17.0%	16.9%	16.9%	41bp	43bp	25bp
Adjusted PAT (INR mn)	7,570	8,994	10,587	7,729	9,137	10,810	2.1%	1.6%	2.1%
Adjusted EPS (INR)	28.0	33.3	39.2	28.5	33.7	39.8	1.7%	1.2%	1.7%

Source: JM Financial estimates

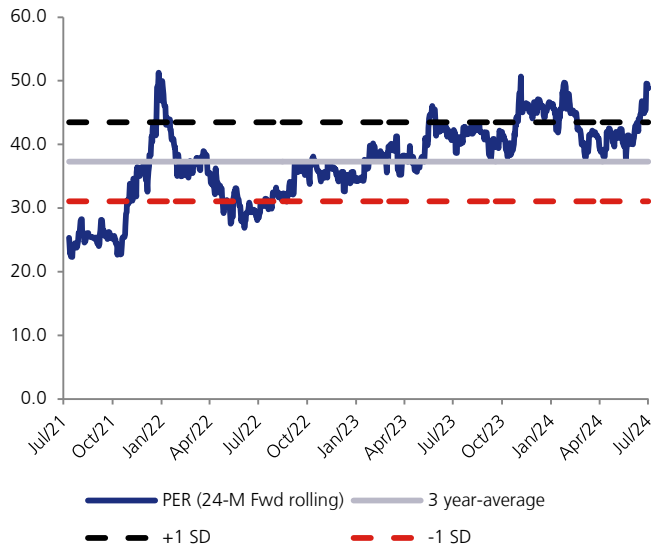
### Exhibit 7. JMFe already significantly below street estimates

	Consensus estimates			JMFe			Difference		
	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F
Sales (USD mn)	709	841	991	700	826	967	-1.3%	-1.8%	-2.4%
Sales (INR mn)	59,171	70,236	82,740	58,227	68,886	80,644	-1.6%	-1.9%	-2.5%
EBITDA (INR mn)	12,202	14,734	17,473	12,002	14,338	16,743	-1.6%	-2.7%	-4.2%
EBITDA margin	20.6%	21.0%	21.1%	20.6%	20.8%	20.8%	-1bp	-16bp	-36bp
EBIT (INR mn)	9,891	12,155	14,613	9,883	11,652	13,655	-0.1%	-4.1%	-6.6%
EBIT margin	16.7%	17.3%	17.7%	17.0%	16.9%	16.9%	26bp	-39bp	-73bp
EPS (INR)	27.3	34.0	41.3	28	34	40	4.5%	-1.1%	-3.5%

Note: Consensus estimates as of 24<sup>th</sup> Jul and may not reflect changes in estimates post result. Source: Visible Alpha, JM Financial estimates

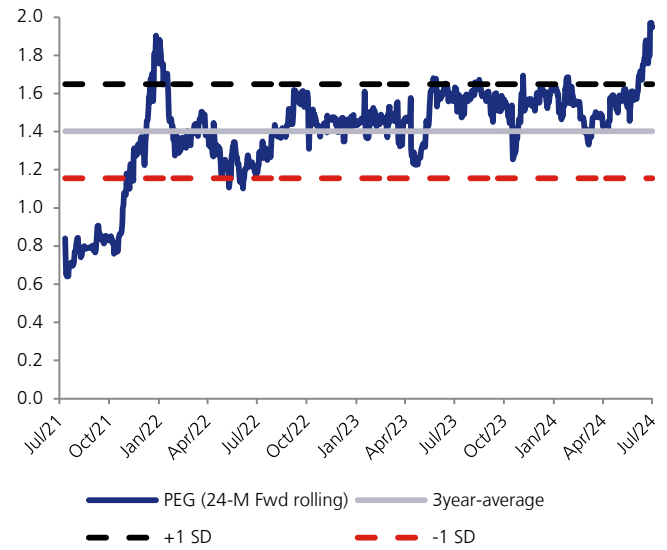
Valuation Table

Exhibit 8. KPIT PER – 24M Forward



Source: Company, JM Financial

Exhibit 9. KPIT PEG – 24M Forward



Source: Company, JM Financial

Exhibit 10. ERD – Valuation Comp

Company	CMP (LC)	Mcap (USD m)	P/E			PEG	EV/EBITDA			EV/Sales		
			FY25	FY26	FY27		FY25	FY26	FY27	FY25	FY26	FY27
<b>India</b>												
KPIT*	1,854	6,071	66.2x	55.7x	47.3x	3.0x	41.4x	35.4x	30.2x	8.5x	7.3x	6.2x
Tata Tech*	997	4,832	52.3x	44.3x	38.7x	2.7x	39.0x	33.0x	28.2x	7.1x	6.2x	5.4x
Tata Elxsi	6,938	5,161	51.0x	43.1x	38.4x	2.8x	36.9x	31.4x	27.2x	10.7x	9.2x	8.1x
L&T TS	5,170	6,536	40.1x	33.9x	29.8x	2.1x	25.9x	22.1x	19.6x	4.9x	4.4x	3.9x
Cyient	1,886	2,499	24.7x	20.8x	18.6x	1.4x	14.7x	12.7x	11.4x	2.7x	2.3x	2.1x
<b>Average</b>			<b>46.9x</b>	<b>39.6x</b>	<b>34.6x</b>		<b>33.9x</b>	<b>28.9x</b>	<b>25.0x</b>	<b>7.6x</b>	<b>6.6x</b>	<b>5.8x</b>
<b>Global</b>												
Alten	101	43	12.5x	11.3x	10.4x	1.2x	7.7x	7.0x	6.5x	0.9x	0.8x	0.8x
Bertrandt	27	3	9.5x	5.8x	4.8x	0.1x	4.4x	3.6x	3.2x	0.4x	0.3x	0.3x
EDAG	10	3	8.5x	7.5x	6.5x	0.5x	5.3x	4.9x	4.5x	0.6x	0.6x	0.5x
Desay SV	90	600	24.4x	18.5x	14.8x	0.6x	20.0x	15.4x	12.5x	1.9x	1.5x	1.2x
Etteplan	13	4	13.4x	11.6x	10.5x	0.9x	7.8x	7.2x	6.7x	1.0x	1.0x	0.9x
Assytem	51	9	15.5x	13.6x	11.8x	0.9x	11.7x	10.7x	9.8x	1.1x	1.0x	1.0x
Ricardo	494	4	14.2x	12.1x	10.7x	0.8x	7.2x	6.6x	6.1x	0.8x	0.8x	0.8x
Thundersoft	43	235	32.5x	24.1x	19.8x	0.9x	20.0x	15.2x	12.6x	2.5x	2.1x	1.8x
Arcsoft	26	122	66.5x	45.0x	33.6x	1.1x	51.0x	32.8x	19.7x	9.7x	7.5x	6.6x
<b>Average</b>			<b>21.2x</b>	<b>16.3x</b>	<b>13.4x</b>		<b>14.3x</b>	<b>11.0x</b>	<b>8.8x</b>	<b>2.0x</b>	<b>1.6x</b>	<b>1.5x</b>

Note: JM Estimates for Tata Tech Ltd and KPIT Tech other Bloomberg estimates. Source: Bloomberg, JM Financial

## Financial Tables (Consolidated)

Income Statement		(INR mn)				
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Net Sales	33,650	48,715	58,227	68,886	80,644	
Sales Growth	38.3%	44.8%	19.5%	18.3%	17.1%	
Other Operating Income	0	0	0	0	0	
<b>Total Revenue</b>	<b>33,650</b>	<b>48,715</b>	<b>58,227</b>	<b>68,886</b>	<b>80,644</b>	
Cost of Goods Sold/Op. Exp	404	584	337	689	806	
Personnel Cost	21,553	31,120	37,365	43,457	51,079	
Other Expenses	5,489	7,160	8,524	10,402	12,016	
<b>EBITDA</b>	<b>6,204</b>	<b>9,852</b>	<b>12,002</b>	<b>14,338</b>	<b>16,743</b>	
EBITDA Margin	18.4%	20.2%	20.6%	20.8%	20.8%	
EBITDA Growth	41.5%	58.8%	21.8%	19.5%	16.8%	
Depn. & Amort.	1,464	1,958	2,118	2,686	3,088	
EBIT	4,740	7,894	9,883	11,652	13,655	
Other Income	551	664	894	521	762	
Finance Cost	323	548	509	31	5	
PBT before Excep. & Forex	4,968	8,010	10,269	12,142	14,413	
Excep. & Forex Inc./Loss(-)	0	0	0	0	0	
PBT	4,968	8,010	10,269	12,142	14,413	
Taxes	1,099	2,025	2,599	3,036	3,603	
Extraordinary Inc./Loss(-)	0	0	0	0	0	
Assoc. Profit/Min. Int.(-)	59	40	-60	-30	0	
Reported Net Profit	3,810	5,945	7,729	9,137	10,810	
<b>Adjusted Net Profit</b>	<b>3,810</b>	<b>5,945</b>	<b>7,729</b>	<b>9,137</b>	<b>10,810</b>	
Net Margin	11.3%	12.2%	13.3%	13.3%	13.4%	
Diluted Share Cap. (mn)	270.3	271.2	271.4	271.4	271.4	
<b>Diluted EPS (INR)</b>	<b>14.1</b>	<b>21.9</b>	<b>28.5</b>	<b>33.7</b>	<b>39.8</b>	
Diluted EPS Growth	38.8%	55.5%	29.9%	18.2%	18.3%	
Total Dividend + Tax	1,334	2,187	2,939	3,919	4,572	
Dividend Per Share (INR)	4.1	6.6	8.9	11.9	13.9	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Shareholders' Fund	16,515	21,459	26,940	32,820	39,831	
Share Capital	2,703	2,712	2,714	2,714	2,714	
Reserves & Surplus	13,812	18,746	24,226	30,107	37,118	
Preference Share Capital	0	0	0	0	0	
Minority Interest	118	171	-60	-90	-90	
Total Loans	486	445	447	247	47	
Def. Tax Liab. / Assets (-)	0	0	0	0	0	
<b>Total - Equity &amp; Liab.</b>	<b>17,119</b>	<b>22,075</b>	<b>27,327</b>	<b>32,977</b>	<b>39,788</b>	
Net Fixed Assets	17,170	19,734	19,609	21,468	23,421	
Gross Fixed Assets	2,144	2,395	2,773	3,131	3,584	
Intangible Assets	15,026	17,339	16,836	18,336	19,836	
Less: Depn. & Amort.	0	0	0	0	0	
Capital WIP	0	0	0	0	0	
Investments	0	0	0	0	0	
Current Assets	16,836	21,945	29,783	36,772	45,257	
Inventories	588	902	1,165	1,378	1,613	
Sundry Debtors	5,924	7,489	7,976	9,436	11,047	
Cash & Bank Balances	6,288	8,959	13,023	16,944	22,045	
Loans & Advances	0	0	0	0	0	
Other Current Assets	4,036	4,594	7,619	9,014	10,552	
Current Liab. & Prov.	16,887	19,604	22,065	25,262	28,889	
Current Liabilities	11,195	14,681	18,571	21,518	24,895	
Provisions & Others	5,692	4,923	3,494	3,744	3,994	
Net Current Assets	-51	2,341	7,718	11,510	16,368	
<b>Total - Assets</b>	<b>17,119</b>	<b>22,075</b>	<b>27,327</b>	<b>32,977</b>	<b>39,788</b>	

Source: Company, JM Financial

Cash Flow Statement		(INR mn)				
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Profit before Tax	3,869	5,980	7,669	9,107	10,810	
Depn. & Amort.	1,464	1,958	2,118	2,686	3,088	
Net Interest Exp. / Inc. (-)	183	436	-385	-490	-758	
Inc (-) / Dec in WCcap.	-1,769	871	-1,451	-121	-8	
Others	768	119	0	0	0	
Taxes Paid	-989	-1,371	-2,599	-3,036	-3,603	
<b>Operating Cash Flow</b>	<b>3,525</b>	<b>7,993</b>	<b>5,352</b>	<b>8,146</b>	<b>9,529</b>	
Capex	-1,276	-1,549	-1,993	-4,545	-5,041	
Free Cash Flow	2,249	6,444	3,359	3,602	4,488	
Inc (-) / Dec in Investments	712	-455	0	0	0	
Others	-1,459	-3,634	894	521	762	
<b>Investing Cash Flow</b>	<b>-2,023</b>	<b>-5,638</b>	<b>-1,099</b>	<b>-4,024</b>	<b>-4,278</b>	
Inc / Dec (-) in Capital	0	0	-230	-30	0	
Dividend + Tax thereon	-892	-1,287	-2,463	-3,256	-3,799	
Inc / Dec (-) in Loans	-19	-3	2	-200	-200	
Others	-921	-1,109	-371	219	245	
<b>Financing Cash Flow</b>	<b>-1,831</b>	<b>-2,400</b>	<b>-3,062</b>	<b>-3,267</b>	<b>-3,754</b>	
<b>Inc / Dec (-) in Cash</b>	<b>-329</b>	<b>-45</b>	<b>1,192</b>	<b>855</b>	<b>1,497</b>	
Opening Cash Balance	2,009	2,009	2,009	2,009	2,009	
Closing Cash Balance	1,679	1,964	3,201	2,864	3,506	

Source: Company, JM Financial

Dupont Analysis		FY23A	FY24A	FY25E	FY26E	FY27E
Net Margin		11.3%	12.2%	13.3%	13.3%	13.4%
Asset Turnover (x)		1.3	1.4	1.4	1.4	1.4
Leverage Factor (x)		1.7	1.8	1.7	1.6	1.6
RoE		25.7%	31.3%	31.9%	30.6%	29.8%

Key Ratios		FY23A	FY24A	FY25E	FY26E	FY27E
BV/Share (INR)		60.4	78.4	98.4	119.9	145.5
ROIC		48.6%	49.3%	53.8%	57.6%	60.6%
ROE		25.7%	31.3%	31.9%	30.6%	29.8%
Net Debt/Equity (x)		-0.4	-0.4	-0.5	-0.5	-0.6
P/E (x)		131.6	84.6	65.1	55.1	46.5
P/B (x)		30.7	23.6	18.8	15.5	12.7
EV/EBITDA (x)		80.1	50.2	40.8	33.9	28.7
EV/Sales (x)		14.8	10.1	8.4	7.1	6.0
Debtor days		64	56	50	50	50
Inventory days		6	7	7	7	7
Creditor days		22	23	28	25	24

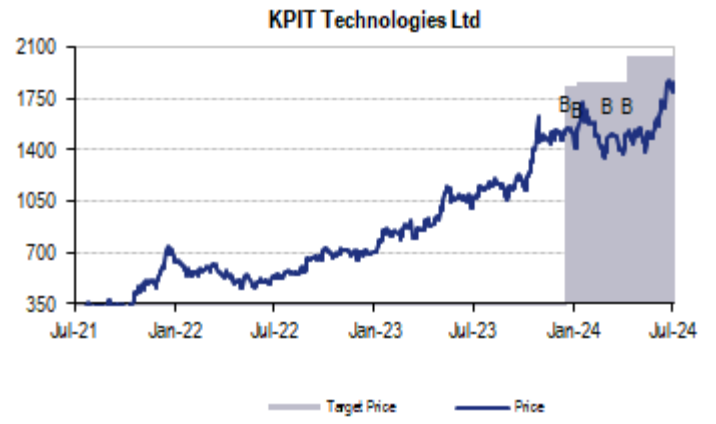
Source: Company, JM Financial



History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
8-Jan-24	Buy	1,830	
30-Jan-24	Buy	1,860	1.6
27-Mar-24	Buy	1,860	0.0
30-Apr-24	Buy	2,030	9.1

Recommendation History



## APPENDIX I

## JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

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Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
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\* REITs refers to Real Estate Investment Trusts.

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