

# Tech Mahindra

Estimate change	↔
TP change	↑
Rating change	↔

**CMP: INR1,408**      **TP: INR1,360 (-3%)**      **Neutral**

## Tepid 3Q; margin pickup remains key for a rerating

### Clarity on business investment impact in April

Bloomberg	TECHM IN
Equity Shares (m)	919
M.Cap.(INRb)/(USDb)	1374.4 / 16.5
52-Week Range (INR)	1416 / 981
1, 6, 12 Rel. Per (%)	10/12/13
12M Avg Val (INR M)	3049

### Financials & Valuations (INR b)

Y/E Mar	FY24E	FY25E	FY26E
Sales	524	560	623
EBIT Margin (%)	7.9	9.8	12.0
Adj. PAT	35.8	45.1	60.3
Adj. EPS (INR)	40.4	50.9	68.0
PAT	26.2	45.1	60.3
EPS (INR)	29.6	50.9	68.0
EPS Gr. (%)	(45.8)	72.0	33.8
BV/Sh. (INR)	322.1	330.1	340.8

RoE (%)	12.7	15.6	20.3
RoCE (%)	12.4	16.3	21.4
Payout (%)	85.0	85.0	85.0

P/E (x)	34.9	27.6	20.7
P/BV (x)	4.4	4.3	4.1
EV/EBITDA (x)	20.7	16.8	13.1
Div Yield (%)	2.4	3.1	4.1

### Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	35.1	35.1	35.2
DII	29.2	27.3	24.1
FII	24.6	26.2	28.0
Others	11.1	12.0	12.7

FII Includes depository receipts

- Tech Mahindra (TECHM) reported 3QFY24 revenue of USD1.57b, up 1.1% QoQ in CC terms. Adjusting for a one-time product-related revenue gain of 140bp, 3Q growth came 80bp ahead of our expectation. CME remains a weak area, declining marginally despite a low base. Enterprise growth was mixed, with Manufacturing and Retail doing well, while BFSI and Technology declined.
- TECHM had another quarter of low profitability, with 7.0% adj. EBIT margin (excluding restructuring and other one-time costs), down 30bp QoQ/500bp YoY and slightly below our estimates. Reported EBIT margin stood at 5.4%, up 70bp QoQ. 3Q TCV came in at USD381m (-40% QoQ/-52% YoY), pulling down its trailing 12m TCV/book to bill to its lowest in the last 3/5 years.
- We remain positive about the restructuring initiatives at TECHM under the new leadership. The recent steps, including right-sizing SBUs, investing in key accounts, establishing vertical delivery teams, and prioritizing employee investments, as moves in the right direction. However, we expect to see the positive impact of these actions only gradually, which can result in near-term misalignment with investor expectations, particularly in terms of profitability. With the management committing to incremental clarity post 4Q earnings, April remains the key to any view change.
- TECHM management continues to see growth headwinds in the key Communications vertical (36.5% of 3Q revenues), which is on course for double-digit decline in growth in FY24. While we are factoring in a modest growth in FY25 in this business, management commentary indicates downside risks.
- Moreover, the weak deal wins and low profitability will also add to the pressure on growth pickup in FY25, as it leaves limited flexibility to the management to be aggressive on growth opportunities. Our estimates indicate a modest 4.4% USD revenue CAGR over FY23-26E for TECHM.
- The combination of low profitability (adjusted) and elevated operational metrics (high utilization, low attrition, and low sub-contractor expense) imply limited immediate benefits from margin improvement initiatives, something which the management also indicated in its commentary. While we see 3Q as the bottom for EBIT margin, TECHM should take more than two years to reach 14%+ EBIT margins. We see FY25E/FY26E EBIT margins at 9.8%/12.0%, resulting in only 6.0% PAT CAGR over FY23-26E.
- We remain on the sidelines as we feel the current valuation fairly factors in the uncertainties around growth and margin. Our FY25/FY26 EPS estimates remain broadly unchanged post 3Q results. **We remain Neutral on the stock with a TP of INR1,360, as we roll forward to 20x FY26E EPS.**

### Weak deal TCV, operational performance remains muted

- Revenue stood at USD 1.57b, up 1.1% QoQ in CC terms (including 140bp one-off revenues), above our estimate of -1.1% QoQ CC.
- IT service growth was strong 2.3% QoQ, while BPO was down 0.7% QoQ.

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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](http://www.motilaloswal.com/Institutional-Equities), Bloomberg, Thomson Reuters, Factset and S&P Capital.

- CME (flat QoQ) stable after two consecutive quarters of decline; Manufacturing (+2.9%), Retail (+6.4%), and Other (+8.4%) led the growth, while BFSI (-2.0%) and Technology (-2.9%) registered weak performance.
- Adjusted EBIT margin stood at 7.0%, 30 bp QoQ below our estimates. Reported EBIT margin stood at 5.4% (up 70bp QoQ).
- Net Employee declined 4.4k QoQ vs. +2.3k in 2Q; BPO at -4.78k QoQ and software professionals at +500 QoQ
- Utilization (ex. trainees) at +200 bp QoQ at 88%; LTM attrition improved 140bp QoQ to 10%.
- NN Deal TCV was weak at USD381m, down 40.5% QoQ/down 52.1% YoY.
- Reported PAT stood at INR5.1b (up 3.2% QoQ/down 60.6% YoY).

#### Key highlights from the management commentary

- On the communication segment, the management indicated that it will continue to be volatile for a couple of more quarters before it sustains and delivers steady growth. It would be too early to call out any green shoots for the sector.
- Europe growth was majorly driven by the one-off revenue recorded in 3Q. Otherwise, manufacturing is doing well in the region, while it has also made significant investments to fuel incremental growth within BFSI.
- The manufacturing segment has been performing well with proactive investments around industry manufacturing and design engineering.
- Normalized EBIT margin in 3Q stood at 7%, adjusted for investments made in reorganization. The reorganization initiative also includes pruning the contracts that do not fit into the long-term strategic vision of the company.

#### Valuation and view

- Although 3Q performance was weak, it was better than our estimates. TECHM's high exposure to the Communications vertical offers a potential opportunity, as a broader 5G rollout is likely to result in a new spending cycle in this space.
- Near-term growth remains weak and we await greater comfort on margins. We value the stock at 20x FY26E EPS. We maintain our Neutral rating on the stock.

#### Quarterly performance

Y/E March	FY23				FY24				FY23	FY24E	FY24	(INR b)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		3QE	Var.	
Revenue (USD m)	1,633	1,638	1,668	1,668	1,601	1,555	1,573	1,594	6,607	6,323	1,534	2.5
QoQ (%)	1.5	0.3	1.8	0.0	-4.0	-2.8	1.1	1.3	10.1	-4.3	-1.4	250bp
Revenue (INR b)	127	131	137	137	132	129	131	132	533	524	128	2.5
YoY (%)	24.6	20.7	19.9	13.2	3.5	-2.0	-4.6	-3.5	19.4	-1.8	-7.0	235bp
GPM (%)	28.3	27.9	28.7	28.9	25.7	22.5	23.9	25.0	28.5	24.3	24.7	-76bp
SGA (%)	13.5	12.8	13.1	14.2	13.5	11.5	13.6	13.2	13.4	13.0	14.0	-40bp
EBITDA	19	20	21	20	16	14	14	16	80	59	14	-0.9
EBITDA Margin (%)	14.8	15.1	15.6	14.7	12.2	10.9	10.3	11.8	15.1	11.3	10.7	-36bp
EBIT	14	15	16	15	12	9	9	11	61	41	9	-2.3
EBIT Margin (%)	11.0	11.4	12.0	11.2	8.8	7.3	7.0	8.4	11.4	7.9	7.3	-34bp
Other income	1	2	1	2	1	2	0	1	6	3	1	-122.7
ETR (%)	22.8	21.4	27.3	22.9	21.8	9.9	17.6	25.0	23.7	18.9	25.0	-742bp
Adj. PAT	11	13	13	13	10	10	7	9	51	36	8	-8.7
QoQ (%)	-24.9	15.8	-1.0	2.6	-28.2	2.3	-26.5	28.5			-19.5	-701bp
YoY (%)	-16.4	-2.2	-5.3	-11.6	-15.5	-25.3	-44.6	-30.6	-8.9	-29.5	-39.3	-529bp
Extra-Ordinary Item	0.0	-0.2	0.0	-2.1	-2.6	-4.8	-2.1	0.0	-2.4	-9.5	-5.0	
Reported PAT	11	13	13	11	7	5	5	9	48	26	3	77.6
EPS (INR)	12.8	14.8	14.7	15.0	10.8	11.0	8.1	10.4	57.3	40.4	8.9	-8.6

E: MOFSL estimates

## Key Performance Indicators

Y/E March	FY23				FY24				FY23	FY24E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Revenue (QoQ CC %)	3.5	2.9	0.2	0.3	-4.2	-2.4	1.1	0.7		
<b>Margins (%)</b>										
Gross Margin	28.3	27.9	28.7	28.9	25.7	22.5	23.9	25.0	28.5	24.3
Adj. EBITDA margin	14.8	15.1	15.6	14.7	12.2	10.9	10.3	11.8	15.1	11.3
Adj. EBIT Margin	11.0	11.4	12.0	11.2	8.8	7.3	7.0	8.4	11.4	7.9
Adj. Net Margin	8.9	10.0	9.4	9.7	7.3	7.6	5.5	7.0	9.5	6.8
<b>Operating Metrics</b>										
Headcount (k)	158	164	157	152	148	151	146		152	
Util excl. trainees (%)	83.3	84.9	86.4	86.5	87.2	86.0	88.0		85.3	
Attrition (%)	22.2	19.6	17.3	14.8	12.8	11.4	10.0		14.8	
Deal TCV (USD m)	802	716	795	592	359	640	381		2,905	
<b>Key Verticals (QoQ %)</b>										
Communication	1.0	-1.4	2.1	0.7	-9.5	-4.9	-0.2		9.0	
Enterprise	1.8	1.5	1.7	-0.5	-0.3	-1.4	1.8		10.9	
<b>Key Geographies (QoQ%)</b>										
North America	4.2	2.8	-0.4	-0.2	-0.5	0.7	-1.5		14.6	
Europe	-2.0	-3.6	1.4	3.6	-6.7	-6.8	2.0		4.7	



## Highlights from the management commentary

### Three-pillar strategy

- TechM is exercising a long-term strategy to deliver sustainable and profitable growth. It is embarking on three broad tracks.
- The company is right-sizing the SBUs to 6 from 12 to eliminate the low-potential areas, enhancing realization, and fostering synergies. Additionally, it believes the top accounts within individual SBUs were underinvested, and it is making incremental efforts to drive those accounts to their full potential and revamp the smaller accounts.
- The company is focused on driving margin improvement across individual business units that has high potential for scale.
- The company is focused on driving organizational development for future growth through decentralized decision-making and by instilling an entrepreneurial culture.
- The management alluded that it is building strengths through turnaround efforts to improve revenue and margins. It will continue to invest in people and strategy for a definitive outcome. With a reinforced leadership team and substantial new additions, the company anticipates gaining fresh connections and opportunities.

### Demand and industry outlook

- In 3Q, there was a one-time boost in revenue due to a significant increase in the product business (incl. Comvivia) compared to the 2Q seasonality. This boost is not expected to recur in 4Q. The positive impact on revenue was 140 bp QoQ, resulting in a normalized, but muted (-0.3% QoQ) revenue growth in 3Q.
- On the communication segment, the management indicated that it will continue to be volatile for a couple of more quarters before it sustains and delivers steady growth. It would be too early to call out any green shoots for the sector. However, the management believes that the worst is behind for the segment. Although the segment is expected to register a decline in growth in 4QFY24 and

1QFY25, the degree of decline in growth would be much lower than in the earlier quarters

- Additionally, it believes that, it possesses robust communication capabilities, considering it a pivotal aspect of TechM. However, the sector is currently under stress, with tight spending observed across telcos and OEMs. The management expects the cost-take out deal to enhance ARPU and reap benefits from GenAI
- Europe growth was majorly driven by the one-off revenue recorded in 3Q. Otherwise, manufacturing is doing well in the region, while it has also made significant investments to fuel incremental growth within BFSI. The company is adopting systematic approach to improve top accounts in Europe.
- The manufacturing segment has been performing well with proactive investments around industry manufacturing and design engineering. Since it is carrying the physical and digital manufacturing capabilities, the green factory, the factory of future, supply chain management, D2C areas are driving the growth for the segment. Additionally, the company is benefited by its Group (M&M) in terms of relationships and connects with chip and automotive OEMs.

### Margin performance

- Normalized EBIT margin in 3Q stood at 7%, adjusted for investments made in reorganization. The reorganization initiative also includes pruning the contracts that do not fit into the long-term strategic vision of the company. 4Q will have additional impact on margins due to impairment charges.
- The company is flexing on multiple margin levers: rationalizing pyramid, increasing offshoring, minimizing subcontracting, improving utilization, and controlling overhead costs. Additionally, the company is looking at the business mix, the nature of contracts, outcome-based engagements, automation, and GenAI as a tool for managing operating expenditure.
- The management indicated that it is more focused on bringing quality revenues vs tradeoffs, which will directly benefit the margins in terms of improvement in realization and managing costs.
- The decline in headcount is more to do with the 3Q seasonality and BPO business. However, the company maintains an active hiring approach for fresh talent, especially for reskilling initiatives within the IT business.

### GenAI

- Until now, the company has trained 16k employees for GenAI. It plans to train all its employee for GenAI by 2025, thereby improve the delivery experience and the operating margin.
- It increasingly identifies use-cases for GenAI in doc summarization, optimizing energy consumption, repairing and maintaining remote assets, and updating online store catalogues
- It has witnessed significant progress in GenAI, compute vision use cases, and email amplification. These are only a few of the ongoing applications in progress.

**Exhibit 1: Mfg and Retail drove 3Q revenue growth, while CME remained muted**

Verticals	Contribution to revenue (%)	Growth (QoQ %)
Comm., Media, and Ent.	36.5	-0.2
Manufacturing	18.1	2.8
Technology	10.5	-3.5
BFSI	15.5	-2.6
Retail, Transport, and Logistics	8.6	6.1
Others	10.8	10.3

**Exhibit 2: Europe & ROW saw a sharp improvement in 3QFY24**

Geographies	Contribution to revenue (%)	Growth (QoQ %)
Americas	51.9	-1.5
Europe	23.8	2.0
Rest of the World	24.3	5.9

**Valuation and view**

- Although 3Q performance was weak, it was better than our estimates. TECHM's high exposure to the Communications vertical offers a potential opportunity, as a broader 5G rollout is likely to result in a new spending cycle in this space.
- Near-term growth remains weak and we await greater comfort on margins. We value the stock at 20x FY26E EPS. **We maintain our Neutral rating on the stock.**

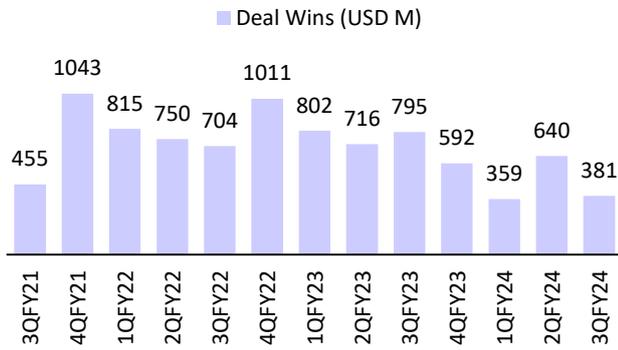
**Exhibit 3: Revisions to our estimates**

	Revised			Earlier			Change		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
USD:INR	82.8	83.0	83.0	82.8	83.0	83.0	0.0%	0.0%	0.0%
USD revenue (m)	6,323	6,750	7,509	6,259	6,677	7,428	1.0%	1.1%	1.1%
Growth (%)	(4.3)	6.8	10.2	-5.3	6.7	10.2	100bps	10bps	0bps
EBIT margin (%)	7.9	9.8	12.0	8.1	10.0	12.1	-30bps	-20bps	-10bps
PAT (INR b)	36	45	60	37	45	60	-3.5%	-0.6%	0.3%
EPS	40.4	50.9	68.0	41.8	51.1	67.8	-3.4%	-0.5%	0.4%

Source: MOFSL, Company

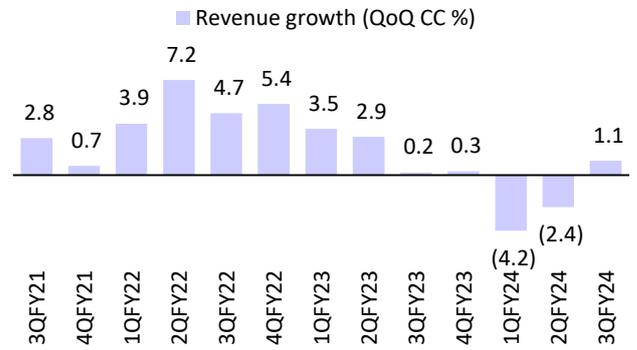
Story in charts

Exhibit 4: 3Q wins moderated further due to seasonality



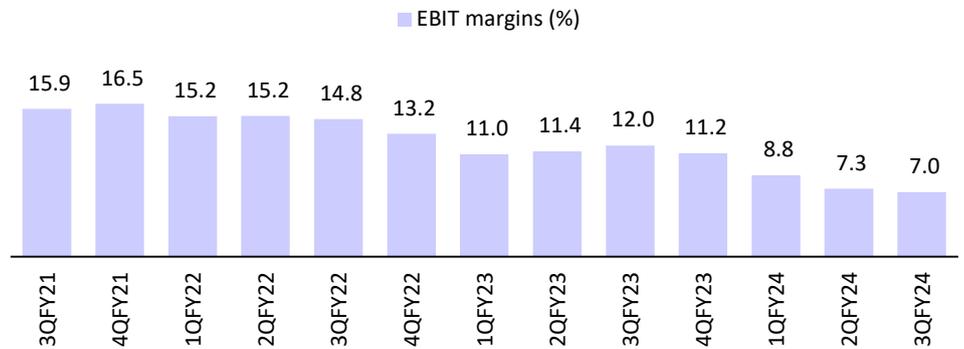
Source: Company, MOFSL

Exhibit 5: The pace of growth deceleration moderated in 3Q



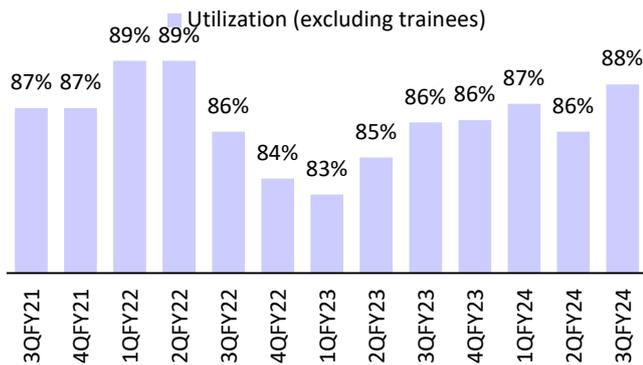
Source: Company, MOFSL

Exhibit 6: Adj. EBIT margin saw a further decline of 30bp QoQ in 3QFY24



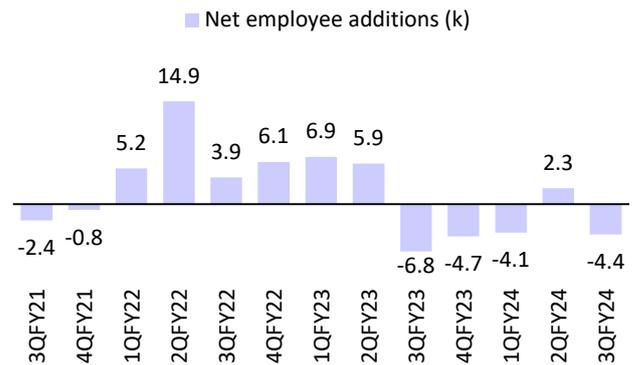
Source: Company, MOFSL

Exhibit 7: Utilization improved 200bp in 3QFY24



Source: Company, MOFSL

Exhibit 8: Headcount further moved to negative trajectory



Source: Company, MOFSL

**Exhibit 9: Operating metrics**

	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24
<b>Revenue by Geography (%)</b>									
Americas	48.9	48.3	49.6	50.8	49.7	49.6	51.4	53.3	51.9
Europe	25.5	26.4	25.5	24.5	24.4	25.3	24.6	23.6	23.8
Rest of World	25.6	25.3	24.9	24.7	25.9	25.1	24.0	23.2	24.3
<b>Vertical Split (%)</b>									
Telecom	40.9	40.6	40.4	39.7	39.8	40.1	37.8	37.0	36.5
Manufacturing	15.8	14.9	15.3	16.0	15.7	15.9	16.9	17.8	18.1
Tech   Media   Entertainment	8.4	9.3	9.7	10.1	10.3	10.3	10.7	11.0	10.5
BFSI	15.4	17.4	16.7	16.3	15.9	15.9	16.1	16.1	15.5
Retail   Transport   Logistics	8.5	7.6	7.9	8.1	8.5	7.6	7.9	8.2	8.6
Others	11.0	10.2	10.0	9.8	9.8	10.2	10.6	9.9	10.8
<b>Client Metrics</b>									
No. of active clients	1,191	1,224	1,262	1,262	1,290	1,297	1,255	1252	1228
% of repeat business	92.0	87.0	98.0	98.0	93.0	92.0	98.0	96	95
<b>No. of Million \$ clients</b>									
USD1m+	502	524	549	549	574	582	580	568	558
USD5m+	173	174	176	176	185	186	190	186	185
USD10m+	96	97	104	104	109	112	115	114	118
USD20m+	50	54	60	60	65	65	62	61	63
USD50m+	22	23	23	23	24	24	26	26	26
<b>Headcount</b>									
Software professionals	81,115	85,830	88,030	86,776	84,874	83,789	81,521	81,200	81,705
BPO	56,297	57,315	61,392	68,388	63,568	60,102	58,079	60,985	56,206
Sales and support	7,655	8,028	8,613	8,748	8,626	8,509	8,697	8,419	8,339
<b>Total</b>	<b>1,45,067</b>	<b>1,51,173</b>	<b>1,58,035</b>	<b>1,63,912</b>	<b>1,57,068</b>	<b>1,52,400</b>	<b>1,48,297</b>	<b>1,50,604</b>	<b>1,46,250</b>
IT Attrition (LTM %)	24	24	22	20	17	15	13	11	10
IT Utilization (%)	84	83	83	85	86	86	87	86	88
IT Utilization (excl. trainees)	86	84	83	85	86	86	87	86	88
DSO - incl. unbilled	101	97	100	98	98	96	98	97	91
Borrowings (USD m)	210.0	209.0	220.0	207.0	212.0	192.0	185.0	187	181
Cash and Cash Equivalent (USD m)	1,346.0	1,140.7	1,114.0	947.0	780.0	905.0	939.0	784	843
Capital Expenditure (USD m)	26.0	46.0	20.0	19.0	31.0	32.0	25.0	26	21

Source: Company, MOFSL

## Financials and valuations

Income Statement								(INR b)
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
<b>Sales</b>	<b>347</b>	<b>369</b>	<b>379</b>	<b>446</b>	<b>533</b>	<b>524</b>	<b>560</b>	<b>623</b>
Change (%)	12.9	6.1	2.7	17.9	19.4	-1.8	7.0	11.3
COGS	234	260	259	310	381	396	416	451
SGA expenses	50	52	52	57	71	68	71	78
Total Expenses	284	311	310	366	453	464	487	529
<b>Adj. EBITDA</b>	<b>63</b>	<b>57</b>	<b>68</b>	<b>80</b>	<b>80</b>	<b>59</b>	<b>73</b>	<b>95</b>
As a percentage of Net Sales	18.2	15.5	18.1	18.0	15.1	11.3	13.1	15.2
Depreciation	11	14	15	15	20	18	18	20
Other Income	3	10	6	10	6	3	6	6
<b>Adj. PBT</b>	<b>55</b>	<b>53</b>	<b>60</b>	<b>75</b>	<b>67</b>	<b>45</b>	<b>61</b>	<b>81</b>
Tax	13	12	15	18	16	8	15	20
Rate (%)	22.6	22.0	25.3	24.4	23.7	18.9	25.0	25.0
<b>Adj. PAT</b>	<b>43</b>	<b>41</b>	<b>45</b>	<b>56</b>	<b>51</b>	<b>36</b>	<b>45</b>	<b>61</b>
Minority interest	0	-1	-1	1	1	0	0	0
Share from associates	0	0	0	0	0	0	0	0
<b>PAT before EO</b>	<b>43</b>	<b>43</b>	<b>46</b>	<b>56</b>	<b>51</b>	<b>36</b>	<b>45</b>	<b>60</b>
Change (%)	13.1	-1.1	7.2	22.1	-8.9	-29.5	26.1	33.8
Extraordinary Items (EO)	0	-2	-1	0	-2	-10	0	0
<b>Reported PAT</b>	<b>43</b>	<b>40</b>	<b>44</b>	<b>56</b>	<b>48</b>	<b>26</b>	<b>45</b>	<b>60</b>
Change (%)	13.1	-6.2	9.8	25.7	-13.2	-45.8	72.0	33.8

Balance Sheet								(INR b)
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Share Capital	4	4	4	4	4	4	4	4
Reserves	198	214	244	264	275	281	288	297
<b>Net Worth</b>	<b>203</b>	<b>218</b>	<b>249</b>	<b>269</b>	<b>279</b>	<b>285</b>	<b>292</b>	<b>302</b>
Minority Interest	5	4	4	5	5	5	5	5
Loans	14	24	17	16	16	16	16	16
Other long-term liabilities	9	28	28	36	31	30	31	34
Amount pending invest.	12	12	12	12	12	12	12	12
<b>Capital Employed</b>	<b>243</b>	<b>287</b>	<b>309</b>	<b>338</b>	<b>343</b>	<b>348</b>	<b>356</b>	<b>369</b>
<b>Applications</b>								
<b>Assets</b>	<b>73</b>	<b>89</b>	<b>91</b>	<b>149</b>	<b>149</b>	<b>146</b>	<b>145</b>	<b>145</b>
Investments	12	2	6	4	6	6	6	6
Other non-current assets	33	50	47	50	62	61	65	72
<b>Curr. Assets</b>	<b>216</b>	<b>232</b>	<b>253</b>	<b>245</b>	<b>244</b>	<b>250</b>	<b>261</b>	<b>277</b>
Debtors	70	76	65	75	81	81	87	97
Cash and Bank Balance	20	30	27	38	41	34	29	24
Investments	98	57	98	46	30	55	70	85
Other Current Assets	28	68	63	86	93	80	75	71
<b>Current Liab. and Prov.</b>	<b>91</b>	<b>87</b>	<b>88</b>	<b>111</b>	<b>119</b>	<b>115</b>	<b>121</b>	<b>132</b>
<b>Net Current Assets</b>	<b>124</b>	<b>145</b>	<b>165</b>	<b>134</b>	<b>126</b>	<b>135</b>	<b>140</b>	<b>145</b>
<b>Application of Funds</b>	<b>243</b>	<b>287</b>	<b>309</b>	<b>338</b>	<b>343</b>	<b>348</b>	<b>356</b>	<b>369</b>

## Financials and valuations

### Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
<b>Basic (INR)</b>								
EPS	48.7	52.1	63.2	57.6	40.4	50.9	68.1	48.7
Diluted EPS	48.3	51.7	62.6	57.3	40.4	50.9	68.0	48.3
Cash EPS	62.3	66.7	79.7	76.7	50.0	71.7	90.6	62.3
Book Value	249.9	284.4	305.2	317.3	322.1	330.1	340.8	249.9
DPS	15.0	45.0	45.0	50.0	34.3	43.2	57.8	15.0
Payout (%)	31.0	87.1	71.9	87.3	85.0	85.0	85.0	31.0
<b>Valuation (x)</b>								
P/E ratio	28.9	27.0	22.3	24.4	34.9	27.6	20.7	28.9
Cash P/E ratio	22.6	21.1	17.7	18.4	28.2	19.6	15.5	22.6
EV/EBITDA ratio	21.4	17.8	15.2	15.1	20.7	16.8	13.1	21.4
EV/Sales ratio	3.3	3.2	2.7	2.3	2.3	2.2	2.0	3.3
Price/Book Value	5.6	5.0	4.6	4.4	4.4	4.3	4.1	5.6
Dividend Yield (%)	1.1	3.2	3.2	3.6	2.4	3.1	4.1	1.1
<b>Profitability Ratios (%)</b>								
RoE	20.2	19.5	21.5	18.5	12.7	15.6	20.3	20.2
RoCE	17.3	19.3	21.0	18.6	12.4	16.3	21.4	17.3
<b>Turnover Ratios</b>								
Debtors (Days)	75	62	61	56	56	56	57	75
Fixed Asset Turnover (x)	4.1	4.1	3.0	3.6	3.6	3.9	4.3	4.1
<b>Leverage Ratio</b>								
Debt/Equity Ratio (x)	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1

### Cash Flow Statement

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
<b>(INR b)</b>								
CF from Operations	55	49	65	67	74	54	64	81
Change in Working Capital	-11	-5	16	-14	-18	9	3	1
<b>Net Operating CF</b>	<b>44</b>	<b>44</b>	<b>81</b>	<b>53</b>	<b>56</b>	<b>63</b>	<b>67</b>	<b>81</b>
Net Purchase of FA	-8	-8	-6	-8	-10	-15	-18	-20
<b>Free Cash Flow</b>	<b>37</b>	<b>35</b>	<b>75</b>	<b>45</b>	<b>46</b>	<b>49</b>	<b>49</b>	<b>61</b>
Net Purchase of Invest.	-13	19	-49	13	7	-25	-15	-15
<b>Net Cash from Invest.</b>	<b>-21</b>	<b>10</b>	<b>-55</b>	<b>5</b>	<b>-3</b>	<b>-40</b>	<b>-33</b>	<b>-35</b>
Inc./ (Dec.) in Equity	0	0	1	1	0	0	0	0
Proceeds from LTB/STB	-6	-20	-13	-8	-9	0	0	0
Dividend Payments	-17	-25	-18	-40	-43	-30	-38	-51
<b>Cash Flow from Fin.</b>	<b>-23</b>	<b>-45</b>	<b>-30</b>	<b>-47</b>	<b>-51</b>	<b>-30</b>	<b>-38</b>	<b>-51</b>
Other adjustments	0	1	0	0	1	0	0	0
<b>Net Cash Flow</b>	<b>1</b>	<b>10</b>	<b>-3</b>	<b>11</b>	<b>3</b>	<b>-7</b>	<b>-5</b>	<b>-5</b>
<b>Opening Cash Balance</b>	<b>20</b>	<b>20</b>	<b>30</b>	<b>27</b>	<b>38</b>	<b>41</b>	<b>34</b>	<b>29</b>
Add: Net Cash	1	10	-3	11	3	-7	-5	-5
<b>Closing Cash Balance</b>	<b>20</b>	<b>30</b>	<b>27</b>	<b>38</b>	<b>41</b>	<b>34</b>	<b>29</b>	<b>24</b>

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NOTES

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Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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