

Asian Markets Rating
BUY

CMP (Rs)	390
Target (Rs)	500
Upside (%)	28%

Nifty: 21,616 Sensex: 71,520

Key Stock Data

Bloomberg	CMSINFO IN
Shares O/s Mn (FV INR 10)	154.4
Mkt Cap (USD Bn/INR Bn)	0.7/61.4
52-week high/low	421/261
6m daily avg vol (INR Mn)	460
Free Float % (Jun-23)	71

Price Performance

(%)	3m	1yr	3yr
CMSINFO	8.9	30.5	N/A
Nifty	13.7	24.6	56.5
NSE500	17.2	33.6	72.0
BSE Midcap	22.7	58.3	110.6

Shareholding Pattern

(%)	Jun-23	Sep-23	Dec-23
Promoter	46.5	26.7	26.7
FII	15.3	23.8	23.8
DII	19.0	21.1	20.6
Others	19.2	28.4	29.0

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FY23-26E Earnings CAGR	CF & Return Profile	Valuations
18%	High	Attractive

Strong set of numbers, in line with estimates, as operating revenue up by 19% YoY and Adjusted PAT by 22% YoY

CMS reported Q3FY24 revenue of Rs. 5,823mn (Est: Rs. 5,616mn), up 19.2% YoY / 7.1% QoQ with both cash management and managed services segments reporting growth of 10.8% YoY and 35.9% YoY respectively. Adjusted EBITDA grew by 16.9% YoY to Rs. with Adj EBITAM at 27.9%. Other income was higher by 63.8% to Rs. 78mn in Q3FY24 vs 48mn in Q3FY23. As a result, Adjusted PAT was higher by 22.0% YoY in Q3FY24 to Rs. 960mn (Est: 956mn). The company has delivered 7 consecutive quarters and 11 of last 12 quarters of >20% Adj. PAT growth.

Managed services saw remarkable growth

Managed services revenues grew faster than overall revenues at ~35.9% YoY with decent EBIT growth of 19.9%, partly attributed to a margin contraction from 20% in Q3FY23 to 17.7% in Q3FY24. Managed services margin was lower due to mix change. The company has seen strong growth in product sales and pure managed services business, both asset light and low capex businesses in 9MFY24. Delay in RFPs has pushed the capex intensive business to FY25 – mainly the remote monitoring businesses and BLA. Managed services now forms 37% of the total business vs 32% in Q3FY23 and 33% in Q2FY24. We factor in a revenue 24% CAGR FY23-FY26E in the managed services business.

New Order Triumph: Q3FY24 Boasts a Whopping Rs.6bn Win, Surging YTD Order wins to a Staggering Rs.12.5bn

CMS secured new orders in the managed services business amounting to Rs. 6bn in the quarter primarily in the asset light segments of banking automation and ATM as a services business and the overall order book increased to Rs.44bn. CMS has also won mandate for AIoT Remote monitoring solution for 2000 new sites in 9MFY24. The ARR in this business is north of Rs. 1bn

Cash management business growth lower due to higher base

Total touchpoints serviced across retail and ATM business increased to 133K in 9MFY24 vs 129K in H1FY24 resulting in revenue growth of ~11% for cash management segment and is expected to grow between 10-13%. We estimate growth in this segment at ~10% CAGR FY23-FY26E. Cash management EBIT was higher by 14.2% YoY to Rs. 976mn with margins slightly lowered to 26% compared to 26.4% in Q2FY24 but the same increased by 80bps on YoY.

Option value yet to be unlocked in certain business segments

CMS Info Systems has seen strong traction in the AIoT and remote monitoring businesses. This business is scaling well, and the company is also looking to pilot the business in non-BFSI segments such as warehousing, logistics, etc. The addressable market size and opportunity is vast in the business while the company's ARR is ~Rs. 1bn. The company expects to close ~25K sites by end of the year. Additionally, the company has been piloting the collections business for NBFCs, which should kick-start FY25E onwards.

Guidance unchanged: Expect revenue at higher end of guidance in FY25E of Rs. 27bn

Management believes that the aspiration for doubling FY19 revenue by FY25E is on track and expects to achieve Rs. 27bn revenue by FY25E, at the higher end of the guidance of Rs 25bn-Rs. 27bn. The growth should be driven by tailwinds in retail cash management business, pure managed services, product sale and tech driven business. It is expected that managed services will grow faster while cash logistics business is expected to grow ~10-13% CAGR. Capex of Rs. 1,500mn in FY24E has been lowered due to delay in RFPs and will be pushed to FY25E.

Valuations attractive: Maintain BUY recommendation at 16x FY26E EPS

We maintain a BUY rating on the company with a TP of Rs. 500 based on FY26E P/E of 16x and EPS estimate of Rs. 31. We expect the company to deliver Sales / Adj PAT growth of 15% / 18% CAGR GY23-FY26E with an RoIC of 28% in FY26E. The company has a payout ratio of ~25%.

Exhibit 1: Key Financials (Consolidated)

Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Sales	15,897	19,147	22,221	25,697	29,297
yoy (%)	21.7	20.4	16.1	15.6	14.0
Adjusted EBITDA	4,059	5,470	6,360	7,424	8,430
yoy (%)	37.3	34.8	16.3	16.7	13.6
Adjusted PAT	2,286	3,041	3,734	4,348	4,970
yoy (%)	34.5	33.0	22.8	16.4	14.3
Adj EBITDAM (%)	25.5	28.6	28.6	28.9	28.8
Net worth	12,561	15,625	18,718	22,249	26,217
Adjusted EPS	14.6	19.1	23.5	27.3	31.2

Source: Company, AMSEC Research

Exhibit 2: Key Indicators

Y/E Mar	FY22	FY23	FY24E	FY25E	FY26E
RoE (%)	20.0	21.1	20.2	20.5	19.9
RoCE (%)	24.7	26.2	25.0	25.6	25.1
RoIC (%)	22.6	23.2	23.7	26.8	27.6
Net D/E	-0.1	-0.1	-0.2	-0.3	-0.3
PER (x)	18.1	14.5	15.5	13.3	11.6
P/BV (x)	3.2	2.7	3.0	2.5	2.1
EV/Sales (x)	2.5	2.1	2.4	2.0	1.7
EV/EBITDA(x)	9.9	7.5	8.7	7.1	6.0
Div Yield (%)	1.0	1.7	1.6	1.9	2.2



Exhibit 3: Operating revenues grew by ~19% YoY in Q3FY24

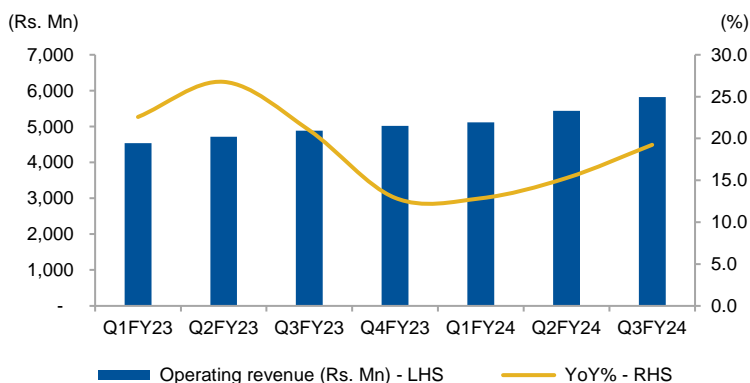


Exhibit 4: As cash management business grew by ~11% YoY in Q3FY24...

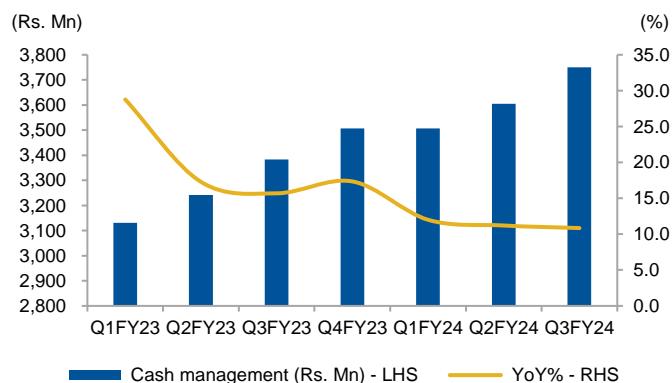


Exhibit 5: ...while managed services skyrocketed at ~36% YoY in Q3FY24

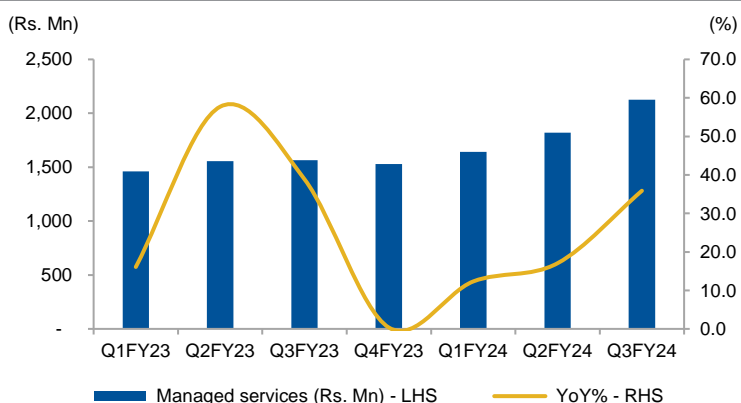


Exhibit 6: Share of cash management has declined to ~62%

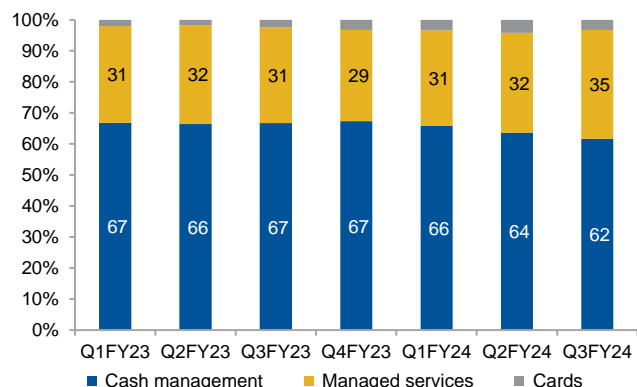


Exhibit 7: Operating expenses grew by 22.3% YoY led by higher employee expenses, service and security charges.

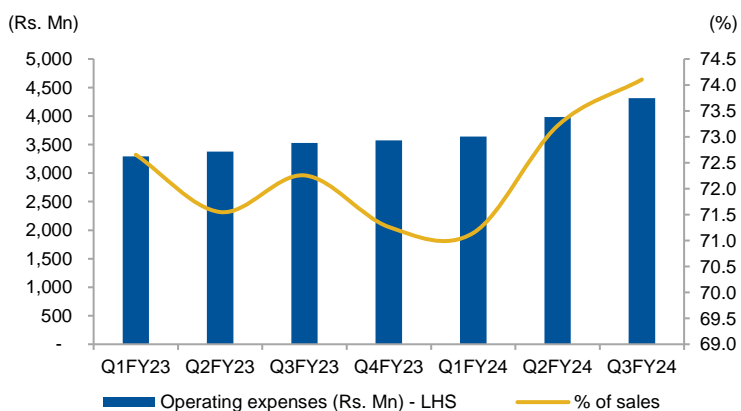


Exhibit 8: Mix of operating expenses

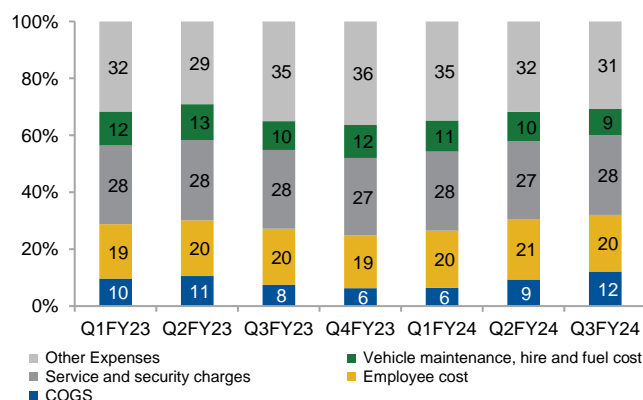




Exhibit 9: ESOP expenses were higher compared to last 6 quarters

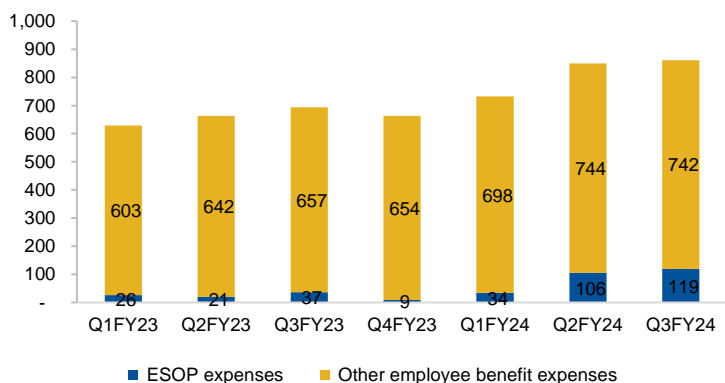


Exhibit 10: Adjusted EBITDA grew by ~16.9% YoY, while margin dropped to 27.9% in Q3FY24 vs 28.5% in Q3FY23.

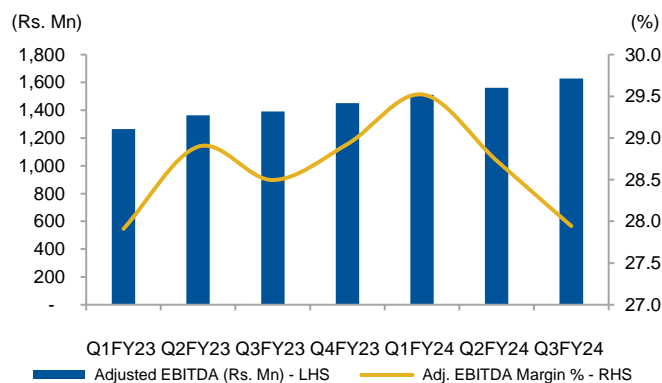


Exhibit 11: Adj. PAT growth was strong at 22% YoY with margins at ~16.5%

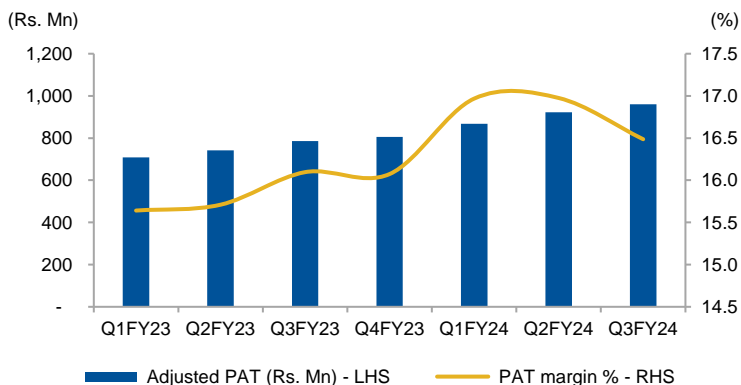
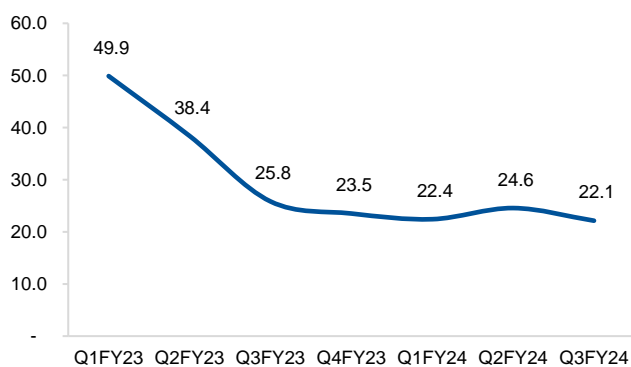


Exhibit 12: CMS has delivered impressive >20% PAT growth for 7 consecutive quarters and last 11 out of 12 quarters



Source: Company, AMSEC Research



Exhibit 13: Operating revenue is expected to grow at 15.2% CGAR in FY23-FY26E

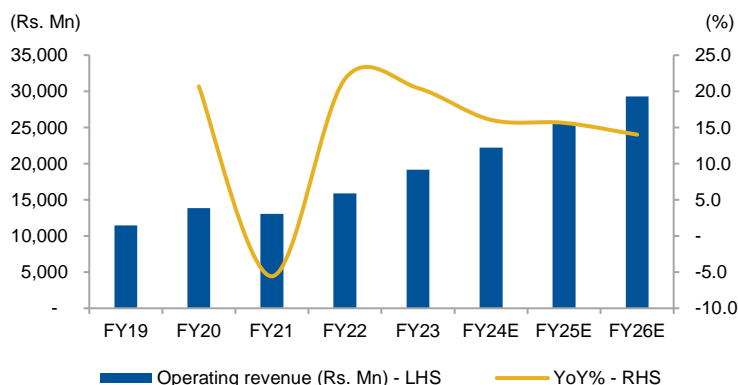


Exhibit 14: Cash management services is expected to grow at 10.1% CGAR in FY23-FY26E

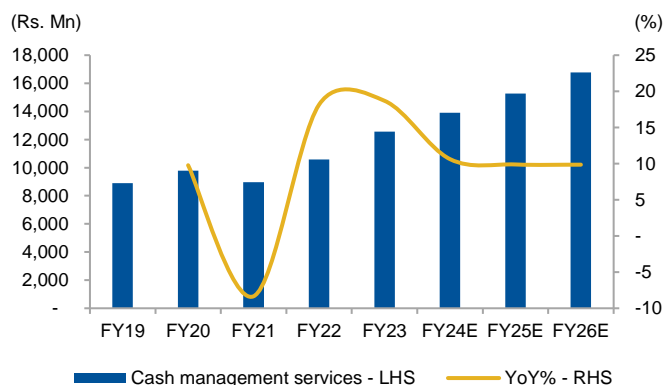


Exhibit 15: Managed services is expected to grow at 23.9% CGAR in FY23-FY26E

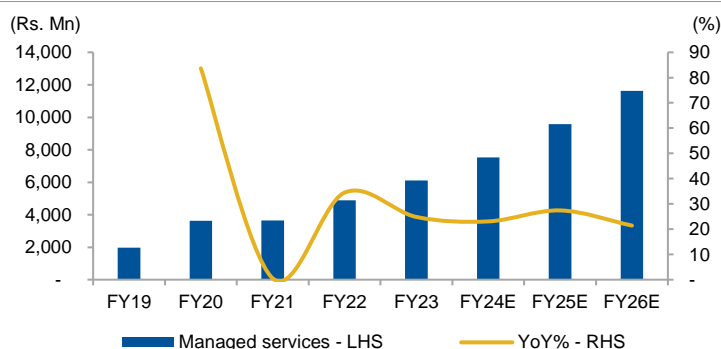


Exhibit 16: Other operating revenue is expected to grow at 23.3% CGAR in FY23-FY26E

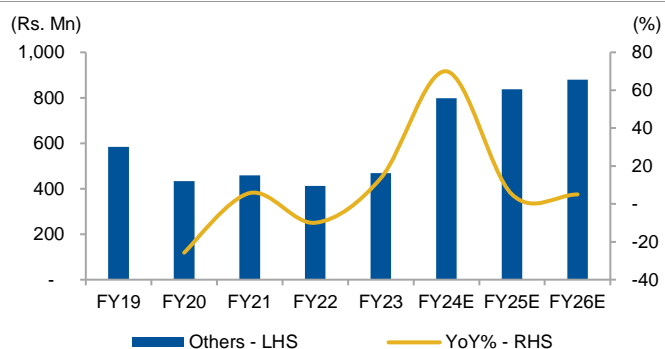


Exhibit 17: Cash management mix expected to go down while managed services mix expected to rise

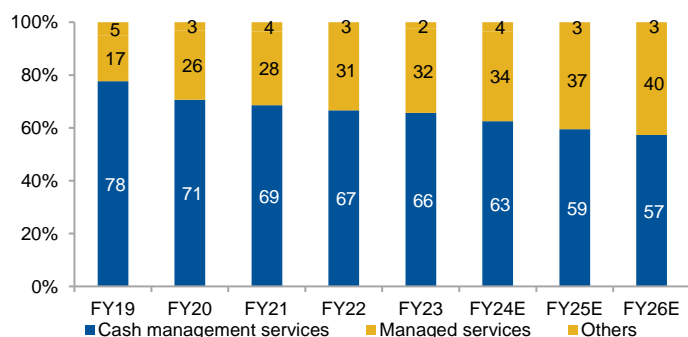


Exhibit 18: Adjusted EBITDA is expected to grow at 15.5% CGAR in FY23-FY26E

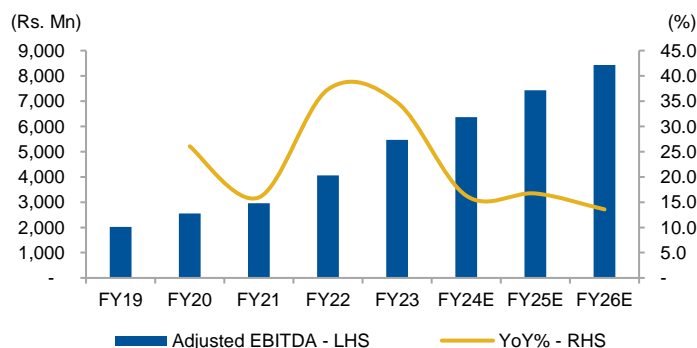


Exhibit 19: Adjusted PAT is expected to grow at 17.8% CGAR in FY23-FY26E

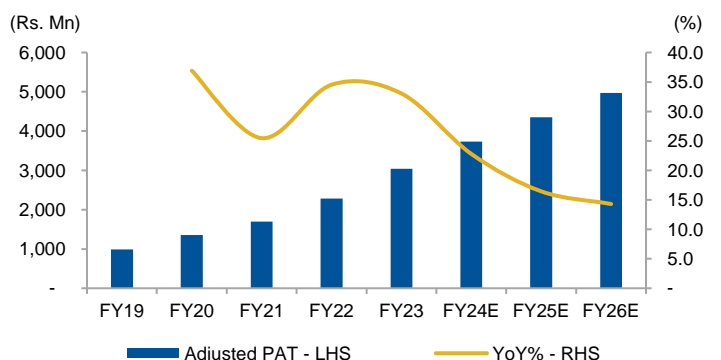
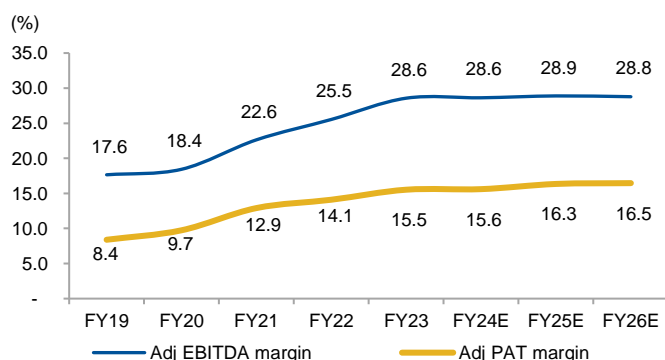


Exhibit 20: Adj PAT margin is expected to improve slightly while Adj EBITDA margin expected to be stable at 28-29%





Source: Company, AMSEC Research

Exhibit 21: Key highlights of Q3FY24 / 9MFY24 results

(Rs. Mn)	Q3FY24	Q3FY23	YoY%	Q2FY24	QoQ%	9MFY24	9MFY23	YoY%
Operating revenue	5,823	4,883	19.2	5,437	7.1	16,376	14,133	15.9
<u>Operating expenses</u>								
Purchase of traded goods	708	275	157.4	288	146.2	1,225	911	34.5
% of sales	12.2	5.6		5.3		7.5	6.4	
Decrease / (Increase) in inventories	-186	-8	2,096.7	81	-328.5	-101	28	-465.8
% of sales	-3.2	-0.2		1.5		-0.6	0.2	
Employee cost	861	694	24.1	850	1.4	2,443	1,986	23.0
% of sales	14.8	14.2		15.6		14.9	14.1	
-Of which ESOP expenses - Non-cash	119	37	224.7	106	13.0	259	83	210.6
% of sales	2.0	0.8		1.9		1.6	0.6	
-Employee expenses net of ESOP expenses	742	657	12.9	744	-0.3	2,184	1,902	14.8
% of sales	12.7	13.5		13.7		13.3	13.5	
Service and security charges	1,207	975	23.7	1,087	11.0	3,305	2,841	16.3
% of sales	20.7	20.0		20.0		20.2	20.1	
Vehicle maintenance, hire and fuel cost	401	358	11.9	413	-2.8	1,208	1,172	3.1
% of sales	6.9	7.3		7.6		7.4	8.3	
Other Expenses	1,324	1,234	7.3	1,263	4.9	3,855	3,259	18.3
% of sales	22.7	25.3		23.2		23.5	23.1	
Total Operating expenses	4,315	3,528	22.3	3,981	8.4	11,936	10,197	17.1
% of sales	74.1	72.3		73.2		72.9	72.1	
EBITDA	1,508	1,355	11.3	1,456	3.5	4,440	3,936	12.8
EBITDA Margin %	25.9	27.7	-1.8	26.8	-0.9	27.1	27.9	-0.7
Adjusted EBITDA	1,627	1,392	16.9	1,562	4.2	4,699	4,020	16.9
Adjusted EBITDA Margin %	27.9	28.5	-0.6	28.7	-0.8	28.7	28.4	0.3
Depreciation	377	324	16.3	364	3.7	1,105	964	14.7
Core EBIT	1,131	1,031	9.7	1,093	3.5	3,336	2,973	12.2
Other Income	78	48	63.8	83	-6.1	229	101	127.2
Finance Cost	39	46	-15.0	41	-3.3	122	141	-13.3
Profit before Tax	1,170	1,032	13.3	1,135	3.0	3,442	2,933	17.4
Adjusted PBT	1,289	1,069	20.6	1,241	3.9	3,701	3,016	22.7
PAT	871	758	14.9	844	3.2	2,557	2,173	17.7
PAT margin %	15.0	15.5	-0.6	15.5	-0.6	15.6	15.4	0.2
Adjusted PAT	960	786	22.1	923	4.0	2,751	2,236	23.0
Adjusted PAT margin %	16.5	16.1	0.4	17.0	-0.5	16.8	15.8	1.0

Source: Company, AMSEC Research



Exhibit 22: Last 10 quarters performance

(Rs. Mn)	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24
Operating revenue	3,721	4,037	4,441	4,533	4,717	4,883	5,014	5,116	5,437	5,823
YoY				22.6	26.8	21.0	12.9	12.9	15.3	19.2
Operating Expenses										
Purchase of traded goods	165	315	422	296	340	275	221	229	288	708
% of sales	4.4	7.8	9.5	6.5	7.2	5.6	4.4	4.5	5.3	12.2
Decrease / (Increase) in inventories	83	-20	6	21	15	-8	2	4	81	-186
% of sales	2.2	-0.5	0.1	0.5	0.3	-0.2	0.0	0.1	1.5	-3.2
Employee cost	567	626	594	629	663	694	663	733	850	861
% of sales	15.2	15.5	13.4	13.9	14.1	14.2	13.2	14.3	15.6	14.8
-Of which ESOP expenses - Non-cash	10	30	17	26	21	37	9	34	106	119
% of sales	0.3	0.7	0.4	0.6	0.4	0.8	0.2	0.7	1.9	2.0
-Employee expenses net of ESOP expenses	557	596	577	603	642	657	654	698	744	742
% of sales	15.0	14.8	13.0	13.3	13.6	13.5	13.0	13.7	13.7	12.7
Service and security charges	792	827	845	913	953	975	975	1,011	1,087	1,207
% of sales	21.3	20.5	19.0	20.1	20.2	20.0	19.4	19.8	20.0	20.7
Vehicle maintenance, hire and fuel cost	381	390	412	391	423	358	413	395	413	401
% of sales	10.3	9.7	9.3	8.6	9.0	7.3	8.2	7.7	7.6	6.9
Other Expenses	791	846	1,000	1,044	981	1,234	1,300	1,269	1,263	1,324
% of sales	21.3	21.0	22.5	23.0	20.8	25.3	25.9	24.8	23.2	22.7
Total Operating expenses	2,779	2,986	3,281	3,293	3,375	3,528	3,573	3,640	3,981	4,315
% of sales	74.7	74.0	73.9	72.7	71.5	72.3	71.3	71.1	73.2	74.1
EBITDA	941	1,051	1,160	1,240	1,342	1,355	1,441	1,476	1,456	1,508
YoY%				46.7	42.5	28.9	24.2	19.1	8.5	11.3
EBITDA Margin	25.3	26.0	26.1	27.3	28.5	27.7	28.7	28.9	26.8	25.9
Adjusted EBITDA	951	1,081	1,177	1,265	1,363	1,392	1,451	1,510	1,562	1,627
YoY%				49.0	43.2	28.7	23.2	19.4	14.6	16.9
Adjusted EBITDA Margin	25.6	26.8	26.5	27.9	28.9	28.5	28.9	29.5	28.7	27.9
Depreciation & Amortisation	225	224	275	297	342	324	355	364	364	377
% of sales	6.0	5.6	6.2	6.6	7.2	6.6	7.1	7.1	6.7	6.5
% of Gross Fixed & Intangible Assets										
Operating Profit	717	827	886	942	1,000	1,031	1,086	1,112	1,093	1,131
YoY%				44.9	39.5	24.7	22.7	18.1	9.3	9.7
Operating Profit Margin	19.3	20.5	19.9	20.8	21.2	21.1	21.7	21.7	20.1	19.4
Other Income										
Finance Income	9	10	8	13	13	16	27	31	36	35
Others	13	6	18	11	15	32	19	36	47	43
Total Other Income	21	16	25	24	29	48	47	67	83	78
EBIT	738	843	911	966	1,029	1,078	1,133	1,179	1,176	1,209
EBIT Margin	19.8	20.9	20.5	21.3	21.8	22.1	22.6	23.1	21.6	20.8
Finance Cost	39	30	43	45	50	46	56	42	41	39
Profit before Tax	699	813	868	921	979	1,032	1,078	1,137	1,135	1,170
Adjusted PBT	709	843	885	947	1,000	1,069	1,087	1,171	1,241	1,289
Tax expenses										
Current tax										
Adjustment of tax relating to earlier period / years										
Deferred tax (credit) / charge										
Total tax expenses	171	210	228	231	254	274	278	294	292	299
Tax rate	24.5	25.9	26.3	25.1	25.9	26.6	25.8	25.9	25.7	25.6
Profit After Tax (PAT)	528	602	640	690	725	758	799	843	844	871
YoY%				46.8	37.4	25.8	24.9	22.1	16.3	14.9
PAT Margin	14.2	14.9	14.4	15.2	15.4	15.5	15.9	16.5	15.5	15.0
Adjusted PAT	535	625	653	709	741	786	806	868	923	960
YoY%				49.9	38.4	25.8	23.5	22.4	24.6	22.1
PAT Margin	14.4	15.5	14.7	15.6	15.7	16.1	16.1	17.0	17.0	16.5
EPS-basic				4.4			5.1	5.4	5.4	5.6
EPS-diluted				4.4	4.6		5.0	5.2	5.2	5.4

Source: Company, AMSEC Research



Exhibit 23: Segmental revenue: Managed services continues to grow faster

Segmental revenue (Rs. Mn)	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24
Cash management services	2,764	2,924	2,988	3,131	3,242	3,383	3,506	3,507	3,605	3,750
YoY%				28.8	17.3	15.7	17.3	12.0	11.2	10.8
Managed services	987	1,127	1,524	1,462	1,556	1,565	1,529	1,642	1,821	2,126
YoY%				16.1	57.7	38.9	0.3	12.3	17.1	35.9
Others	96	122	89	95	82	124	169	181	239	200
YoY%				-9.8	-14.9	1.0	90.3	90.2	193.2	61.6
Total	3,847	4,173	4,601	4,688	4,880	5,071	5,204	5,330	5,666	6,075
YoY%				23.5	26.9	21.5	13.1	13.7	16.1	19.8
Inter-segmental	126	137	159	155	163	188	190	215	229	252
Total	3,721	4,037	4,441	4,533	4,717	4,883	5,014	5,116	5,437	5,823
YoY%				22.6	26.8	21.0	12.9	12.9	15.3	19.2

Source: Company, AMSEC Research

Exhibit 24: Segmental EBIT and margins

Segmental EBIT (Rs. Mn)	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24
Cash management services	656	707	756	770	806	854	934	939	953	976
YoY%				43.9	22.8	20.7	23.5	21.9	18.3	14.2
Margin	23.7	24.2	25.3	24.6	24.8	25.2	26.6	26.8	26.4	26.0
Managed services	144	210	263	296	316	314	285	328	362	376
YoY%				53.1	120.2	49.0	8.5	10.6	14.4	19.9
Margin	14.6	18.7	17.3	20.3	20.3	20.0	18.7	19.9	19.9	17.7
Others	5	13	13	1	-1	11	21	14	27	35
YoY%				71.1	-116.9	-15.2	60.8	958.5	-3,078.7	221.6
Margin	5.5	10.4	14.8	1.4	-1.1	8.7	12.5	7.6	11.1	17.4
Total	805	930	1,032	1,067	1,121	1,178	1,240	1,280	1,341	1,386
YoY%					39.2	26.6	20.1	19.9	19.6	17.6
Unallocated expenses	88	104	146	125	121	148	154	168	248	256
Operating Profit	717	827	886	942	1,000	1,031	1,086	1,112	1,093	1,131
Finance Income	9	10	8	13	13	16	27	31	36	35
Other Income	13	6	18	11	15	32	19	36	47	43
Finance cost	39	30	43	45	50	46	56	42	41	39
PBT	699	813	868	921	979	1,032	1,078	1,137	1,135	1,170
Taxes	171	210	228	231	254	274	278	294	292	299
PAT	528	602	640	690	725	758	799	843	844	871

Source: Company, AMSEC Research



Concall highlights

- **Cash logistics business**
 - Around 40+ new logos were onboarded during 9MFY24. The total touchpoints have also increased to ~133K.
 - ~15% of ATMs have seen cassette swap implementation in 9MFY24. The company expects this to increase to ~25% by FY24.
 - Compliance status stood at 85%/40%/~100% in ATM/RCM/CIT.
 - Around 3.4trn cash was handled during Q3FY24 and the activities increased by 10% YoY.
- **Managed services business**
 - More banks are looking to refresh their physical infrastructure. The company closed ~ 33K ATM RFPs during 9MFY24 and 20K more RFPs are expected to be closed in Q4FY24&Q1FY25.
 - Product mix between Cash management and Managed services business is expected to 60:40 from FY25 onwards.
 - The company won new orders amounting to Rs. 6bn/12.5bn in Q3FY24/9MFY24 in the asset light businesses – ATM as a service and banking automation. Out of 1250bn more than 2/3rd worth of orders were capital light in nature. The company expects the revenue to flow over 3-5 year period.
 - The company won a mandate for ALGO AIoT Remote Monitoring Solution for 2,000 new sites and this number expected to reach 25K by Q4FY24.
- **Capex & Working capital**
 - Management revised the guidance on capex for FY24 from 150-170cr to <~150cr on account of delay in expansion and deferred it to early FY25.
 - Capex for FY25 is expected to be around ~250cr.
- **Bad debts and write-offs**
 - Increased cassette coverage led to lower provisioning. Bad debts and write-offs were 4.1% of sales for H1FY24 against 5.1% for FY23 and are expected to be below 4% from Q4FY24 onwards. These losses are the cost of doing business.
- **Pilot project: Collection business with NBFCs**
 - The company has entered into contracts with more than 15 banks and NBFCs. The company has also recruited a team for the same. However, more details will be shared at FY24 results wrt to the strategy around this initiative.
- **ESOP expenses**
 - ESOP expenses for Q3FY24 stood at Rs.119mn and is expected to be in the range of ~10-11cr for next 2 quarters thereafter the run rate expected to come down to ~3-4cr. 75% of ESOPs are granted based on fair value method prescribed by SEBI while balance are issued at ~10% discount to CMP.



Financials

(Rs mn)

Profit & Loss Account	FY22	FY23	FY24E	FY25E	FY26E	Total	14,700	17,875	21,280	24,903	29,022
Cash management services	10,588	12,567	13,902	15,277	16,782	Cash Flow Statement	FY22	FY23	FY24E	FY25E	FY26E
Managed services	4,896	6,111	7,521	9,583	11,635	CF FROM OPERATIONS					
Others	413	469	798	838	879	Profit before tax	3,014	4,010	4,666	5,652	6,489
Revenue from operations	15,897	19,147	22,221	25,697	29,297	Non cash charges	1,893	2,460	2,599	2,798	3,108
Operating Expenses						Operating profit before working capital chg.	4,907	6,471	7,265	8,450	9,597
Purchase of traded goods	1,361	1,132	1,844	1,799	2,051	Cash provided / (used) by working capital	-1,366	-1,318	-1,695	-2,120	-2,210
Decrease / (Increase) in inventories	177	30	-105	-29	-32	Cash flow generated from operations	3,541	5,153	5,570	6,330	7,386
Employee cost	2,315	2,649	3,306	3,820	4,332	Direct taxes paid (refunds)	-976	-1,085	-1,199	-1,453	-1,668
Service and security charges	3,207	3,816	4,372	5,022	5,768	Net cash flow from operating activities	2,565	4,068	4,371	4,878	5,719
Vehicle maintenance, hire and fuel cost	1,509	1,584	1,674	1,873	2,095	CFO from INVESTING					
Other Expenses	3,330	4,559	5,129	5,987	6,851	Proceeds from sale of PPE	7	20	5	5	6
Total Operating expenses	11,899	13,770	16,220	18,473	21,066	Purchase of PPE, Intangible assets (including CWIP and capital advances)	-2,840	-1,933	-1,044	-1,751	-1,759
EBITDA	3,998	5,377	6,000	7,224	8,230	Purchase consideration / Advance paid for acquisition of business	0	0	0	0	0
Depreciation & Amortisation	918	1,318	1,467	1,646	1,827	Investment in mutual funds	-8,305	-11,578	-12,804	-14,071	-15,481
Operating Profit	3,079	4,059	4,533	5,578	6,404	Proceeds from redemption of mutual funds	8,217	10,400	11,960	13,754	15,129
Other Income						Loan to others	-144	0	0	0	0
Finance Income	35	70	132	114	129	Investment deposits with banks	-845	-1,071	-1,179	-1,296	-1,426
Others	44	78	164	144	144	Proceeds from maturity of deposits with banks (including interest)	646	937	1,078	1,239	1,425
Total Other Income	79	147	295	258	273	Net cash flow (used in) / from investing activities	-3,262	-3,226	-1,984	-2,120	-2,104
EBIT	3,158	4,206	4,829	5,836	6,676	CASH FLOW FROM FINANCING					
Finance Cost	144	196	163	183	187	Proceeds from issue of equity shares	638	157	0	0	0
Profit before Tax	3,014	4,010	4,666	5,652	6,489	Dividend paid	-226	-154	-733	-869	-1,053
Total tax expenses	774	1,038	1,199	1,453	1,668	Finance costs	-0	0	0	0	0
Profit After Tax (PAT)	2,240	2,972	3,467	4,200	4,821	Finance costs on lease liability	-144	-184	-163	-183	-187
						Payment of principal portion of lease liabilities	-262	-341	-343	-386	-395
Balance sheet	FY22	FY23	FY24E	FY25E	FY26E	Net cash flow (used in) financing activities	6	-522	-1,239	-1,439	-1,636
Sources of capital						Net (decrease) / increase in cash and cash equivalents	-692	320	1,148	1,319	1,979
Equity	1,532	1,544	1,544	1,544	1,544	Opening Cash & Cash equiv.	1,335	643	963	2,112	3,431
Reserves & Surplus	11,030	14,081	17,174	20,705	24,673	Clsq Cash & Cash equiv.	643	963	2,112	3,431	5,409
Net Worth	12,561	15,625	18,718	22,249	26,217	Ratios	FY22	FY23	FY24E	FY25E	FY26E
Leases						PER SHARE					
Long term lease	1,468	1,528	1,722	1,761	1,844	EPS Rs	14.62	19.10	23.46	27.31	31.22
Short term lease	461	505	570	582	610	CEPS Rs	13.96	17.98	20.40	25.18	29.01
Total lease liability	1,928	2,033	2,292	2,344	2,454	Book Value Rs	82.02	101.20	121.23	144.10	169.80
Other non-current liabilities						DPS	2.53	4.75	5.63	6.82	7.83
Provisions	201	211	263	304	345	VALUATION					
Other non-current liabilities	9	6	6	6	6	EV / Net Sales	2.5	2.1	2.4	2.0	1.7
Total other non-current liabilities	210	217	270	311	351	EV / EBITDA	9.9	7.5	8.7	7.1	6.0
Total	14,700	17,875	21,280	24,903	29,022	P / E	18.1	14.5	15.5	13.3	11.6
Application of funds						P / BV	3.2	2.7	3.0	2.5	2.1
Gross PPE	6,429	8,223	8,894	10,238	11,528	FCF Yield (%)	-0.7	5.4	6.4	6.1	8.0
Accumulated Depreciation	2,959	3,526	4,123	4,830	5,618	Earnings Yield (%)	5.5	6.9	6.5	7.5	8.6
Net PPE	3,470	4,697	4,771	5,408	5,910	GROWTH YOY%					
Capital work-in-progress	436	203	203	203	203	Sales Growth	21.7	20.4	16.1	15.6	14.0
Gross Right of use assets	2,358	2,626	3,030	3,241	3,502	EBITDA Growth	36.2	34.5	11.6	20.4	13.9
Accumulated Depreciation	558	800	1,097	1,401	1,732	Net Profit Growth	32.9	32.7	16.6	21.1	14.8
Net Right of use assets	1,800	1,826	1,933	1,839	1,770	Gross Fixed Asset Growth	43.6	18.7	9.5	12.5	11.1
Total Tangible Assets	5,706	6,727	6,907	7,451	7,884	PROFITABILITY					
Gross Intangible Assets	669	688	732	784	842	EBITDA / Net Sales (%)	25.1	28.1	27.0	28.1	28.1
Accumulated Amortisation	496	579	630	685	744	Core EBIT / Net Sales (%)	19.4	21.2	20.4	21.7	21.9
Net Intangible Assets	173	109	102	99	98	EBIT / Net Sales (%)	19.9	22.0	21.7	22.7	22.8
Intangible Assets development	1	0	-	-	-	Net Profit / Net Sales (%)	14.1	15.5	15.6	16.3	16.5
Total Intangible Assets	174	109	102	99	98	OCF (Pre-tax) / EBITDA (%)	88.6	95.8	92.8	87.6	89.7
Goodwill	2,061	2,061	2,061	2,061	2,061	OCF / PAT (%)	114.5	136.8	126.1	116.1	118.6
Financial Assets						ROE (%)	20.0	21.1	20.2	20.5	19.9
Investments	0	338	405	466	536	ROCE (%)	24.7	26.2	25.0	25.6	25.1
Others	331	319	203	396	684	ROIC (%)	22.6	23.2	23.7	26.8	27.6
Total Financial Assets	331	656	608	862	1,220	Tax / PBT %	25.7	25.9	25.7	25.7	25.7
Deferred Tax Assets (net)	304	369	369	369	369						
Non-current tax assets	226	196	196	196	196						
Other non-current assets	210	112	112	112	112						
Total Non-current Assets	9,012	10,230	10,355	11,149	11,940						
Current Assets											
Inventories	635	742	867	937	1,015						
Investments	1,235	2,455	3,273	3,571	3,894						
Trade receivables	4,993	5,260	6,202	7,163	8,126						
Cash and cash equivalents	643	963	2,112	3,431	5,409						
Bank balances other than above	774	599	1,343	1,514	1,643						
Other financial assets	276	30	30	30	30						
Other current assets	988	733	864	984	1,122						
Total Current Assets	9,545	10,782	14,691	17,630	21,240						
Current Liabilities											
Trade Payables	2,459	2,252	2,484	2,773	2,927						
Other financial liabilities	1,066	597	974	774	883						
Other current liabilities	297	256	268	282	296						
Provisions	36	32	40	46	52						
Income tax liabilities (net)	-	-	-	-	-						
Total current liabilities	3,857	3,137	3,766	3,876	4,158						
Working Capital	5,688	7,645	10,925	13,754	17,082						



Ratios	FY22	FY23	FY24E	FY25E	FY26E
TURNOVER					
Debtors Velocity (Days)	136.1	128.5	130.0	130.0	130.0
Creditors Velocity (Days)	191.3	144.4	130.0	130.0	120.0
Gross Fixed Asset Turn	1.9	1.8	1.8	1.9	1.9
Total Asset Turn	0.9	1.0	1.0	1.0	0.9
LIQUIDITY					
Current Ratio	2.5	3.4	3.9	4.5	5.1
Quick Ratio	2.3	3.2	3.7	4.3	4.9
Net Debt-Equity Ratio	-0.1	-0.1	-0.2	-0.3	-0.3
Interest Coverage	21.9	21.4	29.7	31.8	35.6
PAYOUT					
Payout %	16.8	24.6	25.0	25.0	25.0
DPS (Rs)	2.5	4.8	5.6	6.8	7.8
Dividend Yield %	1.0	1.7	1.6	1.9	2.2
Du Pont Analysis - ROE					
Net Margin (%)	14.1	15.5	15.6	16.3	16.5
Asset turnover (x)	0.9	1.0	1.0	1.0	0.9
Asset to Equity (x)	1.5	1.4	1.3	1.3	1.3
ROE (%) (derived)	20.0	21.1	20.2	20.5	19.9
ROE (%) (arrived)	20.0	21.1	20.2	20.5	19.9
ROCE (%)	22.6	23.2	23.7	26.8	27.6



Recommendation rationale

Sector rating

Buy: Potential upside of	>+15% (absolute returns)
Accumulate:	>+5 to +15%
Hold/Reduce:	+5 to -5%
Sell:	< -5%
Not Rated (NR):	No investment opinion on the stock

Overweight:	The sector is expected to outperform relative to the Sensex.
Underweight:	The sector is expected to underperform relative to the Sensex.
Neutral:	The sector is expected to perform in line with the Sensex.

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