

CMP: Rs 1109

Rating: BUY

Target Price: Rs 1432

Stock Info

BSE	540115
NSE	LTTS
Bloomberg	LTTS IN
Reuters	LTEH.BO
Sector	Capital Goods
Face Value (Rs)	2
Equity Capital (Rs Cr)	20.80
Mkt Cap (Rs Cr)	11689
52w H/L (Rs)	1820/995
Avg Yearly Vol (in 000')	117

Shareholding Pattern %

(As on September, 2019)

Promoters	74.74
FII	8.26
DII	4.52
Public & Others	12.48

Stock Performance (%)	3m	6m	12m
L&T Technology	-26.65	-30.46	-30.09
SENSEX	-33.50	-27.60	-29.00

L&T technology Vs Sensex



Key Financials (Rs Mn)	FY19	FY20E	FY21E	FY22E
Net Sales	50,783	55,869	64,040	74,667
EBITDA	9,158	11,242	13,309	16,354
PAT	7,695	8,198	9,597	11,528
EPS (per share)	74	78	90	106
ROE	31.0%	26.6%	25.7%	25.3%
P/E	15	14	12	10

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Business Background

L&T Technology Services (LTTS) is a leading global pure-play Engineering Research Development (ER&D) services company, providing services to manufacturing, technology and process engineering companies, LTTS employs over 15,100 personnel spread across 17 global delivery centers, 28 global sales offices and 49 innovation labs in India as of March 31, 2019. LTTS customer base includes over 69 Fortune 500 companies and 51 of the world's top ER&D companies.

We expect USD revenue/EPS to grow at 5/8% CAGR over FY20-22E. Growth driven by the Plant Engineering, Transportation and Medical devices verticals were strong in excess of 20% YoY growth. Digital and leading-edge technology, the growth driver for ER&D, contributed to 41% of Q3 revenue and grew 29% YoY. During the Q3FY20 LTTS closed nine deal wins across sectors which includes two deals each with a Total Contract Value (TCV) of USD 30 million plus.

Investment Rationale:

Pure-Play on ER&D Services: L&T Technology services an interplay of digital and ER&D with increased industry focus on emerging technologies. According to NASSCOM ER&D spend will be on an upward trajectory and reach USD 2 trillion by FY2022. Indian ER&D exports is projected to leap from USD 42 billion in FY2022 - a CAGR of 14%. Within ER&D, the share of digital engineering is expected to increase materially. Zinnov estimates that corporations spent USD 293 billion in 2018 on digital engineering which will grow to USD 667 billion by 2023 with the leadership position, the company is likely to be a key beneficiary of the growing ER&D market.

Niche position in Plant Engineering and Industrial Products: LTTS is the leader in the Plant Engineering segment (49.4% of revenue) and Industrial Products (19.5% of revenue) mainly due to its rich heritage (Parent L&T), as it was formed by the consolidation of L&T's and L&T Infotech's engineering services (telecom and high-tech) arm. The company has also aligned its sales and industry verticals, and subsequently rationalised tail accounts.

Strong & Steady Dollar will increase foreign exchange gain – LTTS earns more than 90% of its revenue from overseas operation. The strong & steady US Dollar against Indian Rupee will stretch company's foreign exchange gain. We are expecting Dollar to grow at 1.5% CAGR over FY20-22E.

Valuation & View: LTTS is supported by a proficient management team and promoters, wherein LTTS enjoys a strong execution track record and its positioning in key markets which are poised to grow fast which will significantly ramp up the company's operating profitability and hence we believe that LTTS is well positioned for long term sustainable growth. It is currently trading at PE(x) 10x to its FY22E. Furthermore, Company will invest in competency building and broadening LTTS presence within each of segments which will make the LTTS more attractive. We Initiate coverage on LTTS with a 'Buy' rating by valuing it at PE multiple of 13.5x FY22E to arrive at a target Price of Rs 1,432.

Investment Rationale:

LTTS operates across well diversified verticals with focus on growth: LTTS vertical mix is diversified across five vertical mix. i) In **transportation** segment LTTS see multiple large deals in electric cars, autonomous driving, and avionics that we believe, it will help to sustain a strong growth trajectory in coming quarters. LTTS won 3 deals during the quarter in this vertical; 2 in Auto and one in Aerospace. It is seeing demand traction in Auto in the areas of electric vehicles, autonomous driving and mobility solutions.

ii) **Telecom & Hi-tech** segment see deals that play to advantage especially in the areas like VLSI chip design, new-age media, and hi-tech, and we expect the pace of growth to gradually increase as they win them. LTTS indicated closure of only 1 of the 5 deals they were pursuing in 3QFY20 4 have slipped into 4Q. It is hopeful of the continued revenue contraction in the vertical stabilizing in 4QFY20. During COVID-19, company is seeing bright spot as Internet traffic is going up due to increase WFH.

iii) **Plant Engineering segment.** LTTS partnering to customers in newer areas like digital transformation cyber security, and plant automation. Also LTTS signed 2 large deals that include one in mineral and metals sub-vertical and the other in O&G sub-vertical. LTTS has also renewed a large deal with a large O&G client in 3Q. **FMCG**, LTTS works with the world's biggest FMCG/CPG companies in process design, basic and detailed design, development, refurbishment and support services, smart factory solutions. We believe that amid of fear of closures as COVID-19 cases rise. Fast Moving consumer goods (FMCG) sales are up due to shut down fear, work-from home driving demand in FMCG sector. we believe, it will help to sustain a strong growth trajectory in Process industry in coming quarters.

iv) **Industrial Product**, LTTS seeing good opportunities in areas like IOT, smart building consultancy. Whereas Microsoft has acknowledged LTTS as their innovation partner in developing low-carbon solutions. LTTS has an ongoing engagement with Microsoft to develop sustainable smart buildings and campuses. LTTS closed one of the 3 deals under discussions in 3QFY20 and the remaining 2 deals are likely to close in 4Q.

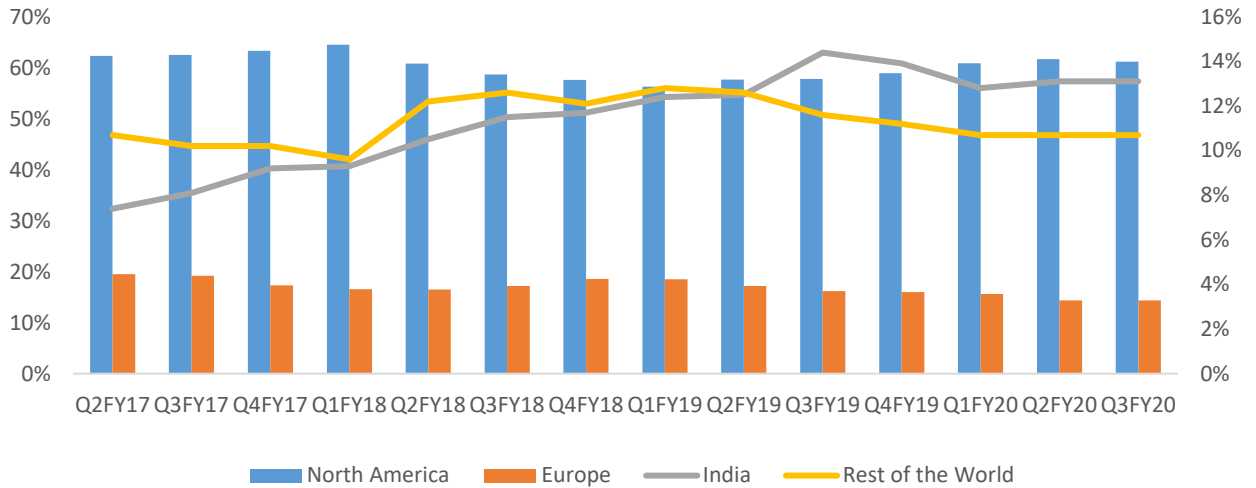
v) **Medical Devices** continue doing well and we believe, continue to see traction and growth based on regulatory compliance and digitalization of devices. LTTS has incremental increased penetration in company accounts and added new accounts during the quarter. While It closed one large deal in 3Q and is pursuing 2 large deals that could close in 4QFY20. Due to COVID-19, It continues to be bright spot and company is seeing incremental opportunities as hospital are likely to order more equipment in medical segment.

LTTS Vertical Mix	Transportation	Industrial Products	Telecom & Hi-Tech	Process Industry	Medical Devices
Segments	Automotive (~50%) off Highway equipment (~25%) Aerospace (~25%)	Power & utilities Building automation Home & office product machinery	Telecom consumer Electronics Semiconductors	FMCG (~40%) Oil & Gas (~40%) Specialty chemicals (~20%)	Surgical & Diagnostic Patient Mobility Therapeutic & life science Musculoskeletal
Clients	Pratt & Whitney (UTC), Honda, BMW, Volvo, Scania, Calsonic Kanse	Mitsubishi, Kobelco, John Deere, Caterpillar, Rockwell Automation, Eaton	Intel, Cisco, Samsung	P&G, Kraft, Pepsi, Exxon Mobil, Chevron, Shell	Danaher, Vitacon
% of Total Revenue	33	20	26	14	7
FY19 Growth (% YoY)	36	20	43	49	33

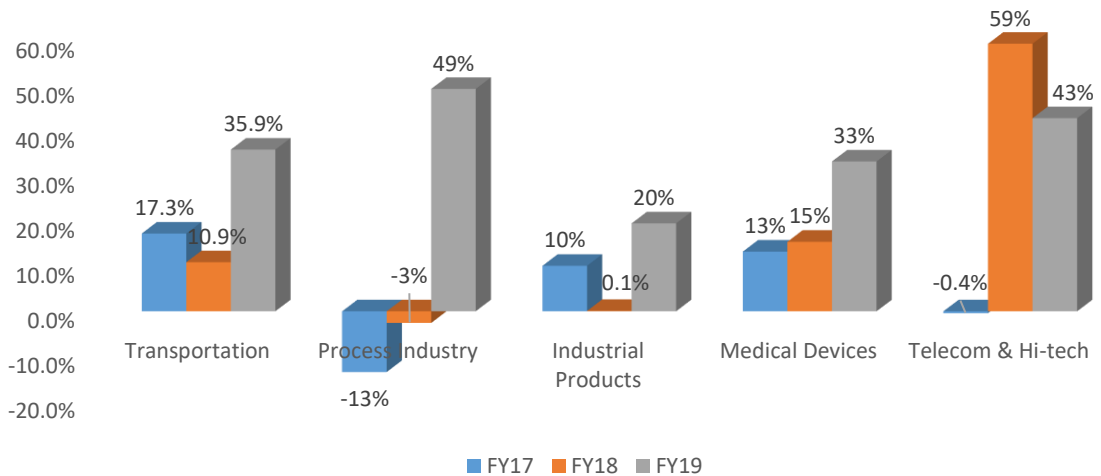
Source: Arianth Research, Company Filings, Ace Equity, Bloomberg

The revenues are generated from four main geographic markets: North America, Europe, India and Rest of the world. LTTs present their revenues by client location, irrespective of the location of the headquarters of the client or the location of the delivery Centre where the work is performed.

Revenue by Geography

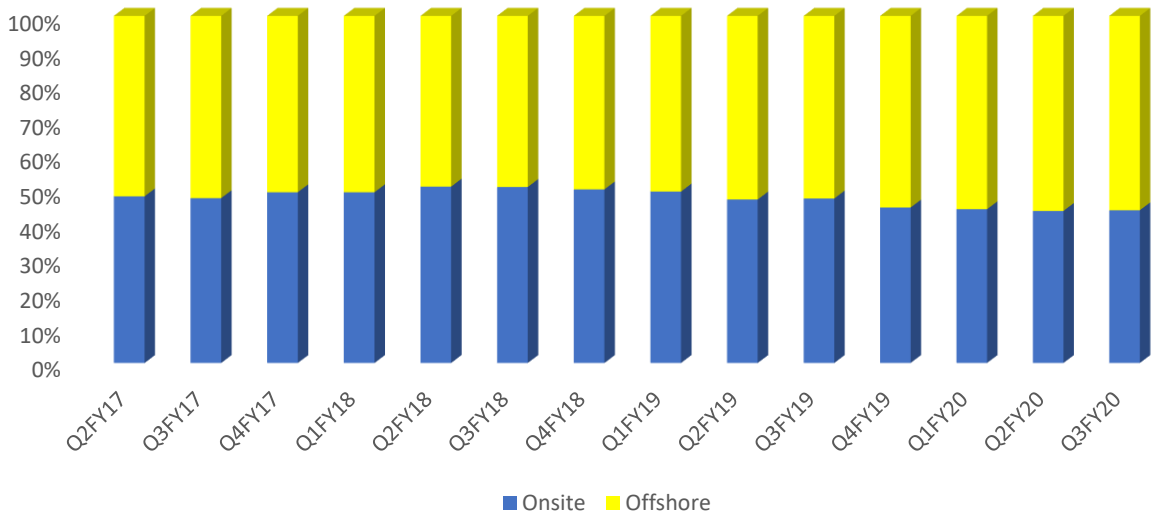


Growth By Verticals (FY17-FY19)

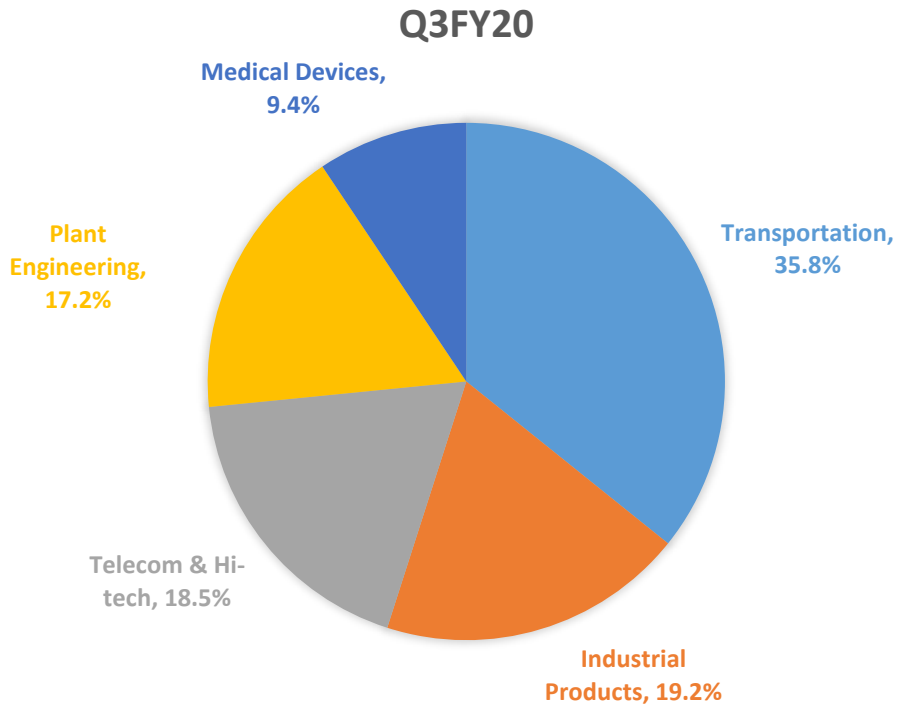


Revenue Mix

The onsite-offshore revenue mix as profit margins are typically higher if work is performed offshore as compared to onsite. LTTS offshore revenue mix has been improving with every passing quarters and gradually polishing the valuation of the company. While Onsite quite consistence from Q2FY17 to Q3FY19 and slightly down during Q1FY19 to Q3FY20.



Vertical -wise revenue break-up in (Q3) 2020



Source: Arianth Research, Company Filings, Ace Equity, Bloomberg

Company History - L&T Technology Services Ltd.

2013

- Incorporation of the Company

2014

- The Company acquired the PES Business (except the unit in Germany) from LTIL.

2015

- The Company acquired 74.0% stake in TSIPL.
- The Company acquired the engineering services division of Dell, USA through the wholly owned subsidiary, LTTS LLC.

2016

- L&T Technology Services, CeNSE, IISc join hands for innovation in Nanotechnology and Sensors

2017

- L&T Technology Services Limited expands its presence in Israel with the launch of a Center of Excellence (CoE) and a sales office
- L&T Technology Services and Dell EMC join hands to roll-out modular smart building solutions to create the 'digital market of one'
- Consolidated position as the country's leading pure-play engineering services company after being rated as a leader across 10 major industries by Zinnov

2018

- Awarded Multi-Million Dollar digitalization contract from ExxonMobil Exploration Company
- Awarded \$50 million avionics contract from global aerospace electronic systems manufacturer
- Awarded Multi-Million Dollar digitalization contract from ExxonMobil Exploration Company

2019

- The Company acquired Graphene Semiconductor Services Private Limited along with its three overseas subsidiaries and one Indian subsidiary Company.

ER&D Services For

Products

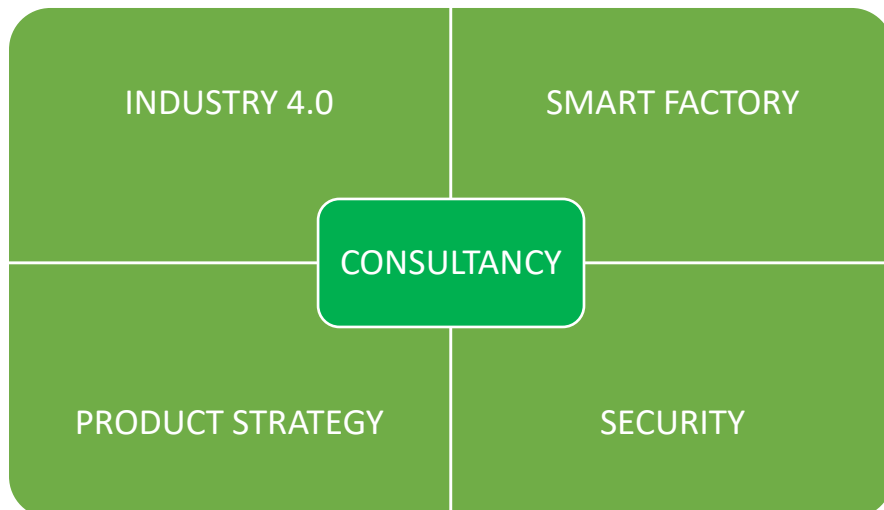
- VLSI
- CAE&CFD
- Cax Automation
- EMBEDDED SYSTEM
- CLOUD ENGINEERING
- ENGINEERING ANALYTICS
- INTEGRATED DESIGN, VALIDATION & TESTING
- SUSTENANCE
- IMMERSIVE EXPERIENCES

MAUFACTURING

- VIRTUAL MANUFACTURING
- SMART PLM
- MFG. OPERATIONS MANAGEMENT
- DIGITAL FACTORY & SIMULATIONS
- MANUFACTURING AUTOMATION
- PLANT DESIGN & ENGINEERING
- SUPPLY CHAIN MGMT

OPERATIONS

- SOURCING & PROCURMENT
- ROBOTIC PROCESS AUTOMATION
- INTELLIGENT BUILDING MANAGEMENT
- INTEGRATED CONTENT MANAGEMENT
- CONNECTED SERVICE SUPPORT



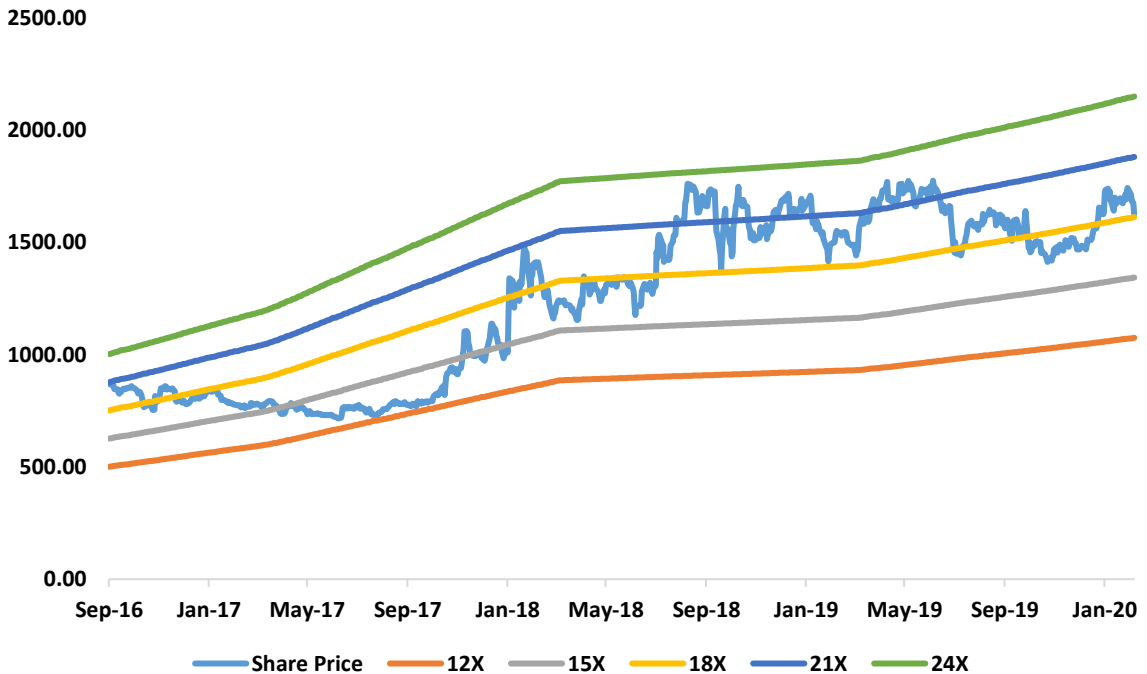
LTTS Services



Valuation & View: We have a positive outlook on LTTS due to its (i) Company an interplay of digital and ER&D with increased industry focus on emerging technologies including artificial intelligence (AI), 5G, Cyber security and for the Industrial Product verticals (ii) LTTS maintained 10% CC revenue growth guidance for FY20 to FY21 which implies 1.5-2% QoQ growth in 4QFY20. It exuded optimism for FY21 growth outlook (iii) LTTS won 9 large deals, with 2 deals of USD 30mn+ TCV. It won larger TCV in 3QFY20 vs. 2QFY20 (that was in turn, was higher vs. 1QFY20) and expects the trend to continue in 4QFY20 as well. While deal decision making was better in 3Q after the delays experienced in 2Q, LTTS sees a repeat as the only potential risk. LTTS is pursuing 2 large deals in this vertical that are expected to close in 4QFY20.

LTTS is supported by a proficient management team and promoters, wherein LTTS enjoys a strong execution track record and its positioning in key markets which are poised to grow fast which will significantly ramp up the company's operating profitability and hence we believe that LTTS is well positioned for long term sustainable growth. It is currently trading at PE(x) 10x to its FY22E. Furthermore, Company will invest in competency building and broadening LTTS presence within each of segments which will make the LTTS more attractive. We Initiate coverage on LTTS with a 'Buy' rating by valuing it at PE multiple of 13.5x FY22E to arrive at a target Price of Rs 1,432.

PE Chart



Q3 FY20 - Quarterly Performance (Consolidated)

(Rs Million)

Quarterly Result Update	Q3FY20	Q2FY20	Q3FY19	Q-o-Q	Y-o-Y
Net Revenue	14229	14021	13169	1%	8%
Employee cost	8612	8628	8298	0%	4%
Other Expenses	2754	2561	2454	8%	12%
EBITDA	2863	2832	2417	1%	18%
Other Income	443	469	359	-6%	23%
Depreciation	472	444	239	6%	97%
EBIT	2834	2857	2537	-1%	12%
Finance cost	89	91	6	-2%	1383%
PBT	2745	2766	2531	-1%	8%
Tax Expense	687	704	670	-2%	3%
PAT	2058	2062	1861	-0.19%	11%
EPS (Rs)	19	19	18	-0.77%	10%

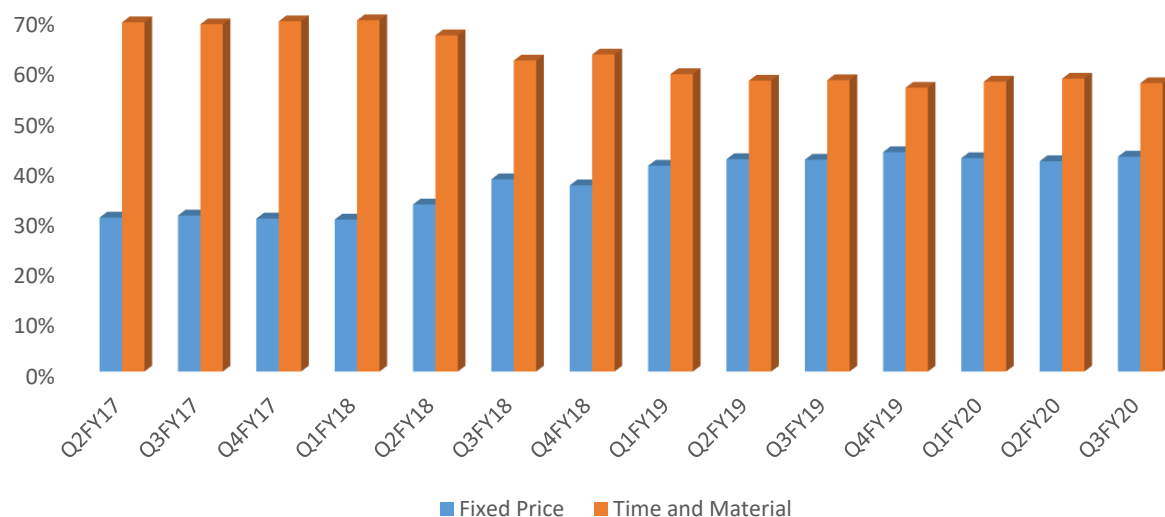
Margin Analysis (%)

Quarterly Result Update	Q3FY20	Q2FY20	Q3FY19	Q-o-Q	Y-o-Y
EBITDA margin %	20.1%	20.2%	18%	-8bps	177bps
EBIT margin %	19.9%	20.4%	19.3%	-46bps	65bps
Effective tax rate %	25%	25%	26%	-42bps	-144bps
PAT margin %	14.5%	14.7%	14.1%	-24bps	33bps

Revenue Mix by Vertical (%)	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20
Transportation	30.90	30.80	30.90	32.00	31.70	32.90	34.90	35.00	35.80
Industrial Products	21.80	20.90	20.40	20.60	20.20	19.30	19.60	19.40	19.20
Telecom & Hi-tech	27.90	29.50	28.70	26.70	27.00	26.20	22.30	20.60	18.50
Plant Engineering	12.70	12.30	13.50	14.20	14.40	14.70	15.30	16.20	17.20
Medical Devices	6.70	6.50	6.50	6.50	6.70	7.00	8.00	8.80	9.40
Total	100	100	100	100	100	100	100	100	100

Source: Arihant Research, Company Filings, Ace Equity, Bloomberg

Revenue by Project Type



Source: Arianth Research, Company Filings, Ace Equity, Bloomberg

Key Client Matrix

Client Profile *	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20
Client Detail	10	2	0	4	5	7	7	1	6
Number of Active Clients	233	235	235	239	244	251	258	259	265
50 Million dollar +			2	2	2	2	1	1	0
40 Million dollar +	1	2	0	0	0	0	0	0	0
30 Million dollar +	3	3	2	3	3	3	3	3	3
20 Million dollar +	4	4	3	3	5	5	5	7	7
10 Million dollar +	12	12	12	14	16	16	17	17	20
5 Million dollar +	30	31	33	34	39	41	44	42	43
1 Million dollar +	79	84	89	94	98	106	110	106	107

*The number of clients are restated on cumulative basis

Client Contribution to Revenue	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20
Top 5 Clients	28.8%	28.6%	28.3%	28.2%	27.4%	26.4%	24.7%	22.9%	21.1%
Top 10 Clients	41.2%	41.4%	40.5%	39.9%	38.9%	37.7%	36.7%	35.7%	33.9%
Top 20 Clients	56.4%	56.7%	55.6%	55.1%	54.4%	53.5%	52.5%	51.3%	49.8%

- LTTS won 9 multi-million dollar deals Q3FY20
- On a YoY basis, LTTS has added 4 clients in the USD 10mn+ bucket and 2 clients in the USD 20mn+ bucket
- Continued weakness in few top clients continued to cause weakness in the Top-5 client bucket for the third consecutive quarter
- Growth expectations for Q4 remain unchanged and management maintained USD revenue growth guidance of 10% for FY20

Employee Statistics	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20
Total Headcount	11941	12307	13081	13585	14777	15140	15913	16789	16787
Bilable (as per number of employee)	11009	11360	12147	12604	13711	14034	14755	15614	15604
Sales & Support	932	947	934	981	1066	1106	1158	1175	1183
Voluntary Attrition % (LTM)	13.2%	13.5%	15.4%	15.0%	14.9%	14.8%	15.8%	13.4%	13.9%

- Headcount growth was muted in 3QFY20 with total headcount remaining flat
- Attrition inched up marginally to 13.9% in 3QFY20

Exchange Rate (USD/INR)	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20
Period Realised \$	64.19	64.94	68.21	71.47	70.92	70.21	69.48	70.92	71.41

Peer Set Comparison

	Cyient Ltd.	Hexaware Technologies Ltd.	Larsen & Toubro Infotech Ltd.	LTTS	Mindtree Ltd.	Persistent Systems Ltd.
Market Cap (Cr)	2419	6214	22503	11783	12453	3885
CMP (Rs)	222	236	1367	1109	736	509
	FY19	43	20	87	74	44
	FY20E	38	24	86	78	45
EPS (Rs)	FY21E	44	26	101	90	52
	FY22E	48	28	115	106	59
	FY19	5	12	16	15	11
	FY20E	6	10	16	14	11
P/E (X)	FY21E	5	9	13	12	10
	FY22E	5	8	12	10	9
	FY19	19	28	35	31	16
	FY20E	16	24	28	27	15
ROE (x)	FY21E	17	24	28	26	16
	FY22E	17	23	27	25	16

Source: Arianth Research, Company Filings, Ace Equity, Bloomberg

Risk & Concerns: The key risks for the company and the mitigation plan for the same are listed below:

Key Risks	Mitigation
<p>COVID-19 impact, In terms of business segment, the company expects to see impact in industrial products, oil and gas segment in plant engineering and partial impact in auto segments in transportation. 90% of software can be done from WFH however 10% require hardware or data sensitivity project which will see issues.</p> <p>Transportation, In this segment demand is expected to be impacted an extended period due to closer of Automobiles manufacturing plant and also consumers cut discretionary spending.</p> <p>Industrial product, Things are so far holding up. But major changes will be seen in sub-segment like machinery and power segments. The company is seeing discussion on new projects getting delayed. This will create some challenges in coming quarters.</p> <p>Aerospace sub segment is not seeing impact due to COVID-19.</p> <p>Plant and engineering, The company is seeing softness due to decrease in oil and gas price . In short terms expect to see some cut in upstream while downstream will remain stable.</p> <p>Demand Environment, The ER&D spend is core to the company and is part of long-term strategy. The company does expect short term disruptions will result in reduction in ER&D spend.</p>	<ul style="list-style-type: none"> • Strategy to cross-sell technology expertise and capabilities derived from one industry segment/geography to clients in other segments and markets, thereby broad-basing exposure and de-risking from cyclical in any one segment. • COVID-19, Currency benefit and low travel will help margins however other cost and furlough will impact margins. The Company is seeing the situation. • COVID-19,100% of the company’s employees are still safe. • The company has taken approval from customer to Work from home (WFH) in 98% of the LTTTS onsite business and 95% of offshore business • Plant and engineering, CP&G and chemical companies will get benefit due to current situations.
<p>Inability to innovate and develop new services and solutions to keep up with customer expectations and evolving technologies which could result in lower growth traction</p>	<ul style="list-style-type: none"> • Continuous competency and capability building in leading edge technologies supported by investments in labs and Centre of Excellence prepares the Company to address changing customer requirements • Focus on innovation and development of solutions and accelerators to reduce time-to-market for customers
<p>Change in strategy at any of LTTTS top customers leading to sale/divestiture or shutdown of parts of their businesses, could result in a discontinuity or a ramp-down of existing engagements of LTTTS and thereby materially impact revenue and profits</p>	<ul style="list-style-type: none"> • Clauses in the contractual agreements with customers to mitigate impact of sudden termination of business • Strong relationships with customers will be leveraged to explore alternate areas of engagement
<p>Exchange rate volatility in various currencies could materially and adversely impact results of operations</p>	<ul style="list-style-type: none"> • Long term cash flow hedges taken to minimize the impact of exchange volatility on Net profit • Regular evaluation of hedging policy by internal Risk Management to assess effectiveness
<p>Risk of inadequate protection of intellectual property rights of LTTTS customers can lead to reputational damage and litigation</p>	<ul style="list-style-type: none"> • Robust data security protection and controls to prevent unauthorized access and/or transfer • Strict physical access controls for employees across customer delivery centers and secure areas • Regular internal audits to comply with customer requirement of confidentiality and data protection

Management Profile

Name	Designation	Professional Details
Mr. A. M. Naik	Non-Executive Chairman, L&T Technology Services	<p>Mr. A.M. Naik heads an organisation that is among the most admired companies in India, reputed for the technological excellence that characterizes its projects and products, for its contribution to the development of indigenous engineering capabilities and, for its inherent professionalism and value systems.</p> <p>He obtained his graduate degree in mechanical engineering from the Birla Vishvakarma Mahavidyalaya, Sardar Patel University of Gujarat. He has been associated with LTTS Promoter for over five decades</p>
Mr. S.N. Subrahmanyam	Vice Chairman, L&T Technology Services	<p>Mr. S.N. Subrahmanyam is Vice Chairman, L&T Technology Services Limited. He is the Chief Executive Officer and Managing Director of Larsen & Toubro. In addition, he is Vice Chairman on the Board of L&T Infotech Limited (LTI) Services and Non-Executive Chairman of L&T Metro Rail (Hyderabad) Limited.</p>
Dr. Keshab Panda	Chief Executive Officer and Managing Director, L&T Technology Services	<p>Dr. Keshab Panda is the Chief Executive Officer and Managing Director of L&T Technology Services. Dr. Panda has over 31 years of global industry experience in research, conceptualizing, creating, operationalizing and turning around complex technology and engineering services businesses</p>
Mr. Amit Chadha	President, Sales and Business Development, Whole-time Director, L&T Technology Services Limited	<p>Amit Chadha is President, Sales and Business Development, Whole-time Director, L&T Technology Services Limited.</p> <p>Amit is Whole-time Director of L&T Technology Services Board and is part of the management team providing business leadership, market direction and strategic vision to the company. In his current role as President, Sales and Business Development, Amit is responsible for helping global R&D customers and Fortune 500 companies leverage L&T Technology Services' digital engineering offerings for their strategic differentiation and product development.</p>
Mr. Abhishek Sinha	Chief Operating Officer (COO) & Whole Time Director, L&T Technology Services	<p>Mr. Abhishek Sinha is the Chief Operating Officer (COO) & Whole Time Director at LTTS, focusing on quality, cost-efficient delivery, and client and employee satisfaction. Key Vertical and Horizontal Heads roll up to him.</p> <p>A professional with over two decades of industry experience, Abhishek has a demonstrated track record in Business Leadership on both Engineering and Enterprise Software areas.</p>

Key Financials (Consolidated)
Income Statement (Rs Mn)

Year End-March	FY18	FY19	FY20E	FY21E	FY22E
Revenue (CC Terms) (Mn USD)	580	723	795	875	962
Growth (%)	7.7%	24.6%	10.0%	10.0%	10.0%
Revenues	37,471	50,783	55,869	64,040	74,667
Change (%)	15.4%	35.5%	10.0%	14.6%	16.6%
Employee Costs	24,600	31,788	34,236	38,275	43,156
Other Expenses	7,060	9,837	10,392	12,456	15,157
Total Expenses	31,660	41,625	44,627	50,731	58,313
EBITDA	5,811	9,158	11,242	13,309	16,354
Other Income	1,934	2,228	1,942	1,981	2,020
Depreciation	888	1,042	1,817	2,099	2,547
Interest	24	19	361	365	422
PBT	6,833	10,325	11,006	12,825	15,405
Tax	1,712	2,630	2,808	3,228	3,878
Rate (%)	25.3%	25.5%	25.5%	25.2%	25.2%
PAT	5,121	7,695	8,198	9,597	11,528
Consolidated PAT	5,121	7,695	8,198	9,597	11,528
Change (%)	20.5%	50.3%	6.5%	17.1%	20.1%

Source: Company, Arihant Research

Key Ratios

Year End-March	FY18	FY19	FY20E	FY21E	FY22E
Per Share (Rs)					
EPS	49.8	73.9	77.7	89.6	106.1
CEPS	58.1	83.9	94.9	109.2	129.5
BVPS	945	1193	1484	1795	2187
DPS	19.5	21.0	21.0	21.0	21.0
Valuation (x)					
P/E	22	15	14	12	10
P/CEPS	20	14	12	11	9
P/BV	6	5	4	3	3
EV/EBITDA	20	13	10	8	6
Return Ratio (%)					
EBITDA Margin	15.4%	18.0%	20.1%	20.8%	21.9%
PAT Margin	13.5%	15.1%	14.7%	15.0%	15.4%
ROE	26.2%	31.0%	26.6%	25.7%	25.3%
ROCE	18.8%	24.3%	22.7%	22.5%	22.7%
Dividend Yield	1.7%	1.8%	1.8%	1.8%	1.8%
Leverage Ratio (%)					
Net Debt/Equity (x)	0.0	-0.1	-0.1	-0.2	-0.3
Net Debt/EBITDA (x)	-0.1	-0.1	-0.4	-0.7	-0.8
Turnover Ratios					
Asset Turnover (x)	30.7	37.7	32.9	30.4	30.3
Receivable Days	81	73	72	72	72
Payable days	16	13	12	12	12

Source: Company, Arihant Research

Balance Sheet (Rs Mn)

Year End-March	FY18	FY19	FY20E	FY21E	FY22E
Sources of Funds					
Share Capital	205	208	208	208	208
Reserves & Surplus	19,159	24,583	30,629	37,106	45,256
Non-controlling interest	3	31	31	31	31
Net Worth	19,367	24,822	30,868	37,345	45,495
Non-Current liabilities					
Other financial liabilities	18	60	46	53	62
Deferred tax liabilities (net)	29	134	70	100	136
Short-term borrowings	702	702	772	885	1,032
Trade payables	1,807	1,879	1,846	2,424	2,554
Other financial liabilities	2,000	2,745	2,532	2,805	3,417
Other current liabilities	1,749	1,899	2,089	2,395	2,792
Provisions	1,206	1,341	1,475	1,691	1,972
Current tax liabilities (net)	173	56	0	0	0
Total Current liabilities	7,637	8,622	8,714	10,200	11,767
Total liabilities	7,684	8,816	8,831	10,353	11,965
Total Equity and liabilities	27,051	33,638	39,699	47,698	57,460
Assets					
Non-Current assets					
Fixed Assets	7,095	7,800	7,735	8,433	9,194
Goodwill on consolidation	0	0	0	0	0
Financial assets	590	1,362	1,498	1,718	2,003
Deferred tax assets (net)	272	126	139	159	185
Other non-current assets	487	635	553	564	576
Total Non-current Assets	8,444	9,923	9,926	10,874	11,958
Current Assets					
Investments	2,207	5,749	7,186	6,325	7,250
Trade receivables	9,623	10,643	11,705	13,912	15,955
Cash and cash equivalents	1,541	2,048	5,015	9,862	14,456
Other bank balances	1	3	2	1	1
Loans	1	0	0	0	0
Other financial assets	1,429	1,536	1,955	2,241	2,613
Other current assets	3,805	3,736	3,911	4,483	5,227
Total current assets	18,607	23,715	29,773	36,823	45,503
TOTAL ASSETS	27,051	33,638	39,699	47,698	57,460

Source: Company, Arihant Research

Cash Flow Statement (Rs Mn)

Year End-March	FY18	FY19	FY20E	FY21E	FY22E
Net Profit before Tax	6,778	10,314	11,006	12,825	15,405
Adjustments:					
Depreciation	888	1,042	1,817	2,099	2,547
Finance Costs	24	19	361	365	422
Interest and Dividend received	-342	49	-190	-218	-254
Operating Profit before WC Changes	7,348	11,424	12,993	15,071	18,119
Adjustments to WC					
Operating Profit after WC Changes	5,813	10,870	11,898	13,443	16,207
Direct Taxes Paid & Exceptional Items	-1,721	-2,808	-2,808	-3,228	-3,878
Cash Flow from Operating Activities	4,092	8,062	9,090	10,214	12,329
Cash Flow from Investing Activities	-1,960	-5,093	-2,698	-1,737	-3,817
Cash Flow from Financing Activities	-1,323	-2,454	-3,411	-3,630	-3,917
Net Change in Cash & Cash Equivalent	809	515	2,981	4,847	4,595
Opening Cash & Cash Equivalents	710	1,519	2,034	5,015	9,862
Closing Cash & Cash Equivalents	1519	2034	5015	9862	14456

Source: Company, Arihant Research

Source: Arihant Research, Company Filings, Ace Equity, Bloomberg

Arihant Research Desk

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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