



**DALAL & BROACHA**  
STOCK BROKING PVT. LTD.

Analyst: Mayank Babla (022) 67141412

## Q3 FY20 Result Update@ Dalal&Broacha

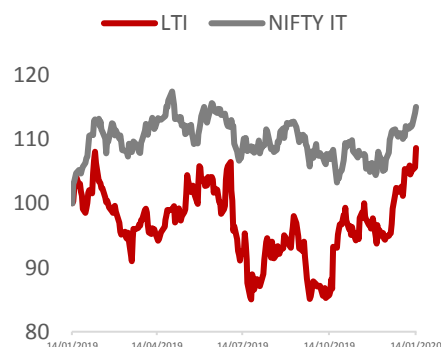
### ACCUMULATE

Current Price	1923
Target Price	1897
Upside	-1.5%
52 Week Range	1436/2003

### Key Share Data

Market Cap (Rs.Bn)	334.64
Market Cap (US\$ Bn)	4.73
No of o/s shares (Mn)	174
Face Value	1
Monthly Avg.	
Vol(BSE+NSE)('000)	141
BSE Code	540005
NSE Code	LTI
Bloomberg	LTI:IN

### Price performance



% Shareholding	Dec-19	Sept-19
Promoters	74.58	74.62
Public	25.42	25.38
Others	0.00	0.00
<b>Total</b>	<b>100</b>	<b>100</b>

### LTI's Q3FY20 performance beats our already optimistic outlook

- Dollar revenue at \$394.4 Mn, +8.4% q-o-q / +13.7% yoy and +3.7% vs. estimates
- INR revenue at INR 28,111 Mn, +9.4% / +13.7% yoy and +3.8% vs our est.
- EBIT at INR 4568 Mn, +14.3% qoq / -3.5% yoy and +8.5% vs. our est.
- EBIT margin stood at 16.2% vs 15.5% / 19.1% in Q2FY20 / Q3FY19 respectively and +70 bps vs our expectations
- EBITDA came in at INR 5277 Mn, +13.3% qoq / +3.7% yoy and 7.7% above our est.
- EBITDA margin stood at 18.8% vs 18.1% / 20.6% in Q2FY20 / Q3FY19 respectively and +70 bps vs our est.
- PAT stood at INR 3766 Mn, +4.5% qoq / +0.3% yoy and 1.4% above our expectations
- PAT margin stood at 13.3% vs 14% / 15.2% in Q2FY20 / Q3FY19 respectively and 30 bps below our est.
- EPS came in at INR 21.7 vs INR 20.73 / INR 21.67 in Q2FY20 / Q3FY19 respectively
- Digital revenue stood at 41% of total revenue in Q3FY20 (vs 40% in Q2FY20 and 37% in Q3FY19) and grew at 10% qoq / 26% yoy

### Segmental Highlights

- Industry-wise: BFS (27.8% of topline) and Manufacturing (17.5% of topline) were clear outperformers with 11.2% qoq and 15.7% qoq growth in reported terms. Mfg reported strong performance due to presence of pass-through in one of the India engagements similar to Q3FY19. E&U (11.3% of revenue) reported 1.2% qoq growth on the back of a stellar Q2FY20 performance (in which it grew 15% qoq). Insurance (17.7%) reported a relatively softer 2.6% qoq growth.
- Service-wise IMS (11.5% of revenue) and Analytics, AI and Cognitive (12.8% of revenue) outperformed with a 12.3% and 22.8% qoq growth. ADAM (35.8% of revenue) and ES (28.7% of revenue) followed with a 7.5% and 5.5% qoq growth in reported terms.
- Geography-wise North America (69.5% of revenue) and India (7.6% of revenue) reported a robust quarter with a 9.7% and 37.3% qoq growth respectively
- Top 5 clients grew reported a 2<sup>nd</sup> consecutive quarter of sequential growth after 3 quarters of subdued growth previously

### Concall KTAs

- Signed 2 large deals during the quarter – 1 in the E&U vertical and 1 in the Others vertical
- Growth in BFS segment was largely led by revival in top client. Management is confident on future outlook of BFS despite grim industry and peer outlook
- Expect growth in E&U to continue into Q4 on account of rampup of older deals
- Strong competency in Media and Hi-Tech will enable LTI to outperform in Q4
- Expect healthy deal pipeline and ramp up of old deals to sustain performance in Q4
- Acquisition of Powerup and pass-through business contributed 2% to Q3FY20 growth. Excluding this, organic growth was to the tune of 6.4% qoq
- Margin benefited from higher utilization in the quarter which was offset by cost of pass-through business
- Reduction of 6 days in unbilled DSOs resulted in an increase of Billed DSO by 5 days to 110

### Consolidated Financials (In INR Mn)

INR Mn	Net Sales	Growth (%)	EBITDA	EBITDA Margin (%)	PAT	PAT Margin (%)	EPS	Growth (%)	ROE (%)	ROCE (%)	P/E
FY18	73,065	12%	11,874	16.3%	11,111	15%	63.4	14%	31.7%	31.6%	30.3
FY19	94,458	29%	18,833	19.9%	15,147	16%	86.4	36%	34.6%	34.0%	22.3
FY20E	107,069	13%	19,666	18.4%	14,888	14%	85.0	-2%	28.0%	28.4%	22.6
FY21E	120,564	13%	21,704	18.0%	16,666	14%	95.1	12%	26.9%	26.5%	20.2
FY22E	133,846	11%	24,465	18.3%	18,648	14%	106.4	12%	25.9%	25.6%	18.1

Source: Company, Dalal&Broacha Research



**DALAL & BROACHA**  
STOCK BROKING PVT. LTD.

Analyst: Mayank Babla (022) 67141412

## Q3 FY20 Result Update@ Dalal&Broacha

(ix) Overhang of client issue in Hi-Tech is behind and therefore H2FY20 will be relatively stronger (x) Margins have declined YoY on account of higher localization in N. America, hiring quality talent and pricing pressure on traditional services (xi) Revival in top client account happened due to new project on data platform was executed. Management is seeing higher discretionary spend by other BFS clients, which is the source of confidence in BFS outlook

### Quarterly Deviation Analysis

Consolidated Financial Results							
INR Mn	Q3FY20	Q3FY19	YoY Growth	Q2FY20	QoQ Change	Q3FY20 Est.	Deviation (%)
Revenue (US\$)	394	347	13.7%	364	8.4%	380	3.7%
Revenue (INR)	28,111	24,729	13.7%	25,707	9.4%	27,093	3.8%
Direct costs	19,188	16,125	19.0%	17,525	9.5%	18,479	3.8%
Gross profit	8,923	8,604	3.7%	8,182	9.1%	8,614	3.6%
S,G&A	3,649	3,514	3.8%	3,524	3.5%	3,714	-1.7%
Total expenses	22,837	19,639	16.3%	21,049	8.5%	22,193	2.9%
<b>EBITDA</b>	<b>5,274</b>	<b>5,090</b>	<b>3.6%</b>	<b>4,658</b>	<b>13.2%</b>	<b>4,900</b>	<b>7.6%</b>
D&A	709	355	99.7%	663	6.9%	689	2.8%
<b>EBIT</b>	<b>4,565</b>	<b>4,735</b>	<b>-3.6%</b>	<b>3,995</b>	<b>14.3%</b>	<b>4,210</b>	<b>8.4%</b>
Other income	645	307	110.1%	935	-31.0%	735	-12.2%
<b>Net profit before tax and exceptional items</b>	<b>4,998</b>	<b>5,023</b>	<b>-0.5%</b>	<b>4,734</b>	<b>5.6%</b>	<b>4,945</b>	<b>1.1%</b>
Provision for tax on above	1,231	1,268	-2.9%	1,130	8.9%	1,231	0.0%
Net profit pre-exceptionals	3,767	3,755	0.3%	3,604	4.5%	3,714	1.4%
<b>Reported net profit</b>	<b>3,767</b>	<b>3,755</b>	<b>0.3%</b>	<b>3,604</b>	<b>4.5%</b>	<b>3,714</b>	<b>1.4%</b>
<b>Margins (%)</b>							
Gross margins	31.7%	34.8%	-305	31.8%	-8.6%	31.8%	-5
<b>EBITDA margin</b>	<b>18.8%</b>	<b>20.6%</b>	<b>-182</b>	<b>18.1%</b>	<b>64.2%</b>	<b>18.1%</b>	<b>68</b>
PAT margin	13.4%	15.2%	-178	14.0%	-61.9%	13.7%	-31

- EBITDA margins improved 68 bps qoq to 18.8% on account of utilization improvement from 80.6% to 81.3% which was offset by higher cost in the pass-through business
- Margins declined 300 bps yoy due to a relatively lower favorable currency movement in FY20, higher localization in N. America, hiring of higher quality talent and investments in digital
- Management believes that from FY21e to FY22e, with higher growth, margins should further expand on account operating leverage.

### Geography-wise Trend Analysis

Geography Mix (%)	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20
North America	66.6%	67.4%	66.8%	66.4%	68.7%	68.7%	69.5%
Europe	17.9%	17.1%	16.7%	16.4%	16.0%	16.4%	15.6%
India	6.4%	6.4%	7.8%	9.1%	6.9%	6.0%	7.6%
RoW	9.1%	9.2%	8.8%	8.2%	8.5%	8.9%	7.4%
Geography revenue (\$ Mn)	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20
<b>North America</b>	<b>213</b>	<b>221</b>	<b>232</b>	<b>235</b>	<b>245</b>	<b>250</b>	<b>274</b>
Q-o-Q (%)	4.5%	3.9%	4.7%	1.4%	4.2%	2.0%	9.7%
Y-o-Y (%)	19.6%	16.2%	17.3%	15.2%	15.0%	12.9%	18.3%
<b>Europe</b>	<b>57</b>	<b>56</b>	<b>58</b>	<b>58</b>	<b>57</b>	<b>60</b>	<b>62</b>
Q-o-Q (%)	-0.4%	-1.9%	3.1%	0.2%	-1.7%	4.6%	3.1%
Y-o-Y (%)	24.1%	18.6%	9.7%	1.0%	-0.4%	6.2%	6.2%
<b>India</b>	<b>20</b>	<b>21</b>	<b>27</b>	<b>32</b>	<b>25</b>	<b>22</b>	<b>30</b>
Q-o-Q (%)	-17.2%	2.7%	28.7%	19.0%	-23.6%	-11.3%	37.3%
Y-o-Y (%)	11.3%	41.3%	9.8%	30.3%	20.1%	3.8%	10.8%
<b>RoW</b>	<b>29</b>	<b>30</b>	<b>31</b>	<b>29</b>	<b>30</b>	<b>32</b>	<b>29</b>
Q-o-Q (%)	27.3%	3.8%	1.0%	-4.9%	4.4%	6.8%	-9.9%
Y-o-Y (%)	78.3%	66.7%	62.5%	26.9%	4.1%	7.1%	-4.4%

- North America grew 9.7% qoq on account of revival in Top Client, strong execution and maturity of deals from Transition state to Steady State.
- India witnessed strong double digit growth due to high pass-through component similar to levels in Q3FY19



**DALAL & BROACHA**  
STOCK BROKING PVT. LTD.

Analyst: Mayank Babla (022) 67141412

## Q3 FY20 Result Update@ Dalal&Broacha

### Services-wise Trend Analysis

Service Offering (%)	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20
Application Development Maintenance	34.0%	32.0%	30.8%	29.7%	38.1%	36.1%	35.8%
Enterprise Solutions	26.3%	25.2%	27.8%	29.2%	28.4%	29.5%	28.7%
Infrastructure Management Services	11.5%	11.7%	11.4%	11.0%	10.9%	11.1%	11.5%
Analytics, AI & Cognitive	10.3%	12.2%	11.3%	10.7%	11.2%	11.3%	12.8%
Enterprise Integration & Mobility	6.5%	8.0%	7.6%	8.0%	8.2%	9.0%	8.5%
Platform based solutions	3.1%	3.0%	3.2%	3.2%	3.1%	3.0%	2.7%
<b>Total</b>	<b>99.8%</b>	<b>100.0%</b>	<b>99.9%</b>	<b>100.1%</b>	<b>99.9%</b>	<b>100.0%</b>	<b>100.0%</b>
Digital	34.0%	38.7%	38.0%	37.9%	38.9%	40.3%	41.0%

Service Offering Trends	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20
<b>ADAM</b>	<b>109</b>	<b>105</b>	<b>107</b>	<b>105</b>	<b>136</b>	<b>131</b>	<b>141</b>
Q-o-Q (%)	7.3%	-3.4%	1.6%	-1.6%	29.2%	-3.3%	7.5%
Y-o-Y (%)	15.9%	12.3%	8.7%	3.7%	24.9%	24.9%	32.1%
<b>Enterprise Solutions</b>	<b>84</b>	<b>83</b>	<b>96</b>	<b>103</b>	<b>101</b>	<b>107</b>	<b>113</b>
Q-o-Q (%)	0.8%	-1.6%	16.5%	7.2%	-2.0%	6.0%	5.5%
Y-o-Y (%)	41.7%	26.9%	24.5%	23.9%	20.3%	29.6%	17.4%
<b>IMS</b>	<b>37</b>	<b>38</b>	<b>40</b>	<b>39</b>	<b>39</b>	<b>40</b>	<b>45</b>
Q-o-Q (%)	1.8%	4.5%	2.9%	-1.6%	-0.2%	3.9%	12.3%
Y-o-Y (%)	15.4%	30.3%	24.8%	7.7%	5.6%	5.1%	14.7%
<b>Analytics, AI &amp; Cognitive</b>	<b>33</b>	<b>40</b>	<b>39</b>	<b>38</b>	<b>40</b>	<b>41</b>	<b>50</b>
Q-o-Q (%)	-0.3%	21.6%	-2.2%	-3.4%	5.4%	3.0%	22.8%
Y-o-Y (%)	31.1%	35.9%	23.7%	14.5%	21.2%	2.6%	28.8%
<b>Enterprise Integration &amp; Mobility</b>	<b>21</b>	<b>26</b>	<b>26</b>	<b>28</b>	<b>29</b>	<b>33</b>	<b>34</b>
Q-o-Q (%)	3.5%	26.4%	0.3%	7.4%	3.3%	12.0%	2.4%
Y-o-Y (%)	25.3%	42.8%	34.1%	41.0%	40.6%	24.6%	27.2%
<b>Platform based solutions</b>	<b>10</b>	<b>10</b>	<b>11</b>	<b>11</b>	<b>11</b>	<b>11</b>	<b>11</b>
Q-o-Q (%)	3.5%	-0.6%	12.6%	2.0%	-2.4%	-1.2%	-2.4%
Y-o-Y (%)	6.3%	-4.2%	8.1%	18.2%	11.4%	10.7%	-4.1%
<b>Digital</b>	<b>109</b>	<b>127</b>	<b>132</b>	<b>134</b>	<b>139</b>	<b>147</b>	<b>162</b>
Q-o-Q (%)	6.7%	16.9%	3.7%	1.7%	3.4%	5.7%	10.3%
Y-o-Y (%)	43.1%	46.1%	37.3%	31.5%	27.5%	15.3%	22.7%

- Expect growth in IMS to sustain going ahead
- Analytics, AI and Cognitive to maintain high growth rate on account of higher discretionary spend
- Enterprise Integration to continue robust growth on strong partner ecosystem

### Industry-wise Trend Analysis

Vertical Revenue Mix %	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20
BFS	30.9%	29.9%	29.1%	27.7%	27.7%	27.1%	27.8%
Insurance	18.2%	17.9%	17.8%	17.8%	18.1%	18.7%	17.7%
Manufacturing	15.7%	15.4%	15.6%	16.6%	15.2%	16.4%	17.5%
Energy & Utilities	10.1%	10.7%	10.8%	11.0%	10.7%	12.1%	11.3%
CPG, Retail & Pharma	9.1%	10.2%	10.6%	10.6%	11.1%	11.5%	11.2%
High-Tech, Media & Entertainment	11.3%	11.2%	11.3%	12.4%	12.5%	10.8%	10.8%

Vertical wise Trend Analysis	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20
<b>BFS</b>	<b>99</b>	<b>98</b>	<b>101</b>	<b>98</b>	<b>99</b>	<b>99</b>	<b>110</b>
Q-o-Q (%)	11.5%	-0.6%	2.8%	-2.9%	0.7%	-0.2%	11.2%
Y-o-Y (%)	42.3%	33.0%	26.9%	10.5%	-0.1%	0.4%	8.6%
<b>Insurance</b>	<b>58</b>	<b>59</b>	<b>62</b>	<b>63</b>	<b>65</b>	<b>68</b>	<b>70</b>
Q-o-Q (%)	3.0%	1.0%	5.0%	2.0%	2.4%	5.4%	2.6%
Y-o-Y (%)	9.0%	5.5%	8.4%	11.4%	10.8%	15.7%	13.1%
<b>Manufacturing</b>	<b>50</b>	<b>51</b>	<b>54</b>	<b>59</b>	<b>54</b>	<b>60</b>	<b>69</b>
Q-o-Q (%)	-6.0%	0.7%	7.0%	8.6%	-7.8%	10.1%	15.7%
Y-o-Y (%)	16.7%	16.8%	7.2%	9.9%	7.9%	17.9%	27.5%
<b>Energy &amp; Utilities</b>	<b>32</b>	<b>35</b>	<b>37</b>	<b>39</b>	<b>38</b>	<b>44</b>	<b>45</b>
Q-o-Q (%)	-9.1%	8.8%	6.6%	3.9%	-2.0%	15.4%	1.2%
Y-o-Y (%)	6.5%	8.2%	8.2%	9.6%	18.1%	25.2%	19.0%
<b>CPG, Retail &amp; Pharma</b>	<b>29</b>	<b>34</b>	<b>37</b>	<b>38</b>	<b>40</b>	<b>42</b>	<b>44</b>
Q-o-Q (%)	4.7%	15.1%	9.7%	2.0%	5.5%	5.7%	5.6%
Y-o-Y (%)	32.1%	37.6%	36.2%	34.9%	35.9%	24.9%	20.1%
<b>High-Tech, Media &amp; Entertainment</b>	<b>36</b>	<b>37</b>	<b>39</b>	<b>44</b>	<b>45</b>	<b>39</b>	<b>43</b>
Q-o-Q (%)	10.4%	1.8%	6.5%	11.9%	1.5%	-11.8%	8.4%
Y-o-Y (%)	32.8%	22.5%	26.0%	34.0%	23.3%	6.8%	8.7%

- Management expects BFS to continue strong growth on account of revival in Top Account, higher discretionary spend by BFS clients and healthy pipeline
- CPG, Retail and Pharma to maintain current growth rate of 5-6% going ahead
- Hi-Tech and Media to sustain growth on account of company's strong technical ability



**DALAL & BROACHA**  
STOCK BROKING PVT. LTD.

Analyst: Mayank Babla (022) 67141412

## Q3 FY20 Result Update@ Dalal&Broacha

### Valuation & Outlook

LTI delivered a better than estimated Q3FY20 performance and is on track to deliver strong double digit growth in FY20e. Management is confident of sustaining growth in BFS, CPG, Retail & Pharma, E&U and Manufacturing through Q4FY20 despite challenges in faced in some of segments by peers in the industry. We believe it is too early to call out a diversion in the company's performance over FY21e and FY22e vis-à-vis the industry and therefore keep our estimates status quo. We had recommended LTI via our IC dated 4<sup>th</sup> December 2019 at CMP of INR 1672 and target of INR 1897. **We maintain our earlier TP of INR 1897, however, we recommend investors to ACCUMULATE on the stock on dips given that it has guided for a positive outlook on BFS and CPG, Retail and Pharma despite headwinds in the industry, strong growth outlook and healthy deal pipeline.**



**DALAL & BROACHA**  
STOCK BROKING PVT. LTD.

Analyst: Mayank Babla (022) 67141412

## Q3 FY20 Result Update@ Dalal&Broacha

P&L Statement					
INR mn	FY18	FY19	FY20E	FY21E	FY22E
<b>Revenue</b>	<b>73,065</b>	<b>94,458</b>	<b>107,069</b>	<b>120,564</b>	<b>133,846</b>
Growth (%)	12%	29%	13%	13%	11%
Gross Profit	23,939	32,814	34,378	37,872	42,133
<b>EBITDA</b>	<b>11,874</b>	<b>18,833</b>	<b>19,666</b>	<b>21,704</b>	<b>24,465</b>
EBITDA Margin (%)	16.3%	19.9%	18.4%	18.0%	18.3%
Depreciation	1,563	1,472	2,700	3,084	3,521
<b>EBIT</b>	<b>10,311</b>	<b>17,361</b>	<b>16,966</b>	<b>18,620</b>	<b>20,944</b>
EBIT Margin (%)	14.1%	18.4%	15.8%	15.4%	15.6%
Other Income	4,261	3,023	3,427	3,569	3,885
Exceptional items	0	0	0	0	0
PBT	14,415	20,278	19,788	22,189	24,828
<b>Reported PAT</b>	<b>11,111</b>	<b>15,147</b>	<b>14,888</b>	<b>16,666</b>	<b>18,648</b>
<b>Adj PAT</b>	<b>11,111</b>	<b>15,147</b>	<b>14,888</b>	<b>16,666</b>	<b>18,648</b>
PAT Margin (%)	15%	16%	14%	14%	14%
<b>EPS (Rs.)</b>	<b>63.4</b>	<b>86.4</b>	<b>85.0</b>	<b>95.1</b>	<b>106.4</b>
EPS Growth (%)	14%	36%	-2%	12%	12%

Balance Sheet					
INR Mn	FY18	FY19	FY20E	FY21E	FY22E
Share capital	172	174	174	174	174
Reserves and surplus	38,426	48,764	57,058	66,511	76,916
<b>Net Worth</b>	<b>38,598</b>	<b>48,938</b>	<b>57,232</b>	<b>66,685</b>	<b>77,090</b>
<b>Non Current Liabilities</b>					
Total debt	1,042	936	936	936	936
Other liabilities and provisions	292	299	299	299	299
<b>Current Liabilities</b>					
Trade payables	3,792	4,669	5,029	5,417	5,694
Other current liabilities	7,798	9,686	9,686	9,686	9,686
Short-term provisions	1,844	2,108	2,108	2,108	2,108
<b>Total Networth and Liabilities</b>	<b>53498</b>	<b>66692</b>	<b>75345</b>	<b>85187</b>	<b>95868</b>
<b>Assets</b>					
<b>Non Current Assets</b>					
Gross Fixed assets	4483	5692	6637	7862	8866
Accumulated Depreciation	-1975	-2640	-3464	-4347	-5362
Net fixed assets	2508	3052	3173	3515	3504
Intangible Assets	4299	6247	7132	7323	7159
Investments	14492	20120	24626	27730	31454
Deferred tax assets	2743	2386	2386	2386	2386
Long-term loans and advances	387	473	473	473	473
<b>Current Assets</b>					
Cash and bank balances	3632	4150	4140	6985	10656
Loans & advances	11407	11886	11886	11886	11886
Trade Receivables	13962	18263	21414	24773	28236
<b>Total assets</b>	<b>53498</b>	<b>66692</b>	<b>75345</b>	<b>85187</b>	<b>95868</b>

Cash Flow Statement					
INR Mn	FY18	FY19	FY20E	FY21E	FY22E
<b>PAT</b>	<b>11111</b>	<b>15147</b>	<b>14888</b>	<b>16666</b>	<b>18648</b>
Less: Non Operating Income	-4261	-3023	-3427	-3569	-3885
Add: Depreciation	1563	1472	2700	3084	3521
<b>Operating Profit before WC Changes</b>	<b>8570</b>	<b>13702</b>	<b>14767</b>	<b>16181</b>	<b>18285</b>
(Inc)/Dec in Current Assets	-8521	-9539	-6092	-5924	-5986
Inc/(Dec) in Current Liabilities	997	3029	360	388	277
<b>Net Cash From Operations</b>	<b>1046</b>	<b>7192</b>	<b>9035</b>	<b>10646</b>	<b>12576</b>
<b>Cash Flow from Investing Activities</b>					
(Inc)/Dec in Fixed Assets	-1493	-2016	-2821	-3426	-3511
(Inc)/Dec in Investment (Strategic)	1233	-955	-1565	-540	-1201
Add: Non Operating Income	4,261	3,023	3,427	3,569	3,885
<b>Cash From Investing Activities</b>	<b>2,488</b>	<b>-1,943</b>	<b>-1,845</b>	<b>-588</b>	<b>-662</b>
<b>Cash Flow from Financing Activities</b>					
Dividend Paid	-3034	-4499	-5555	-6076	-6944
Tax Paid on Dividend	-500	-842	-1040	-1137	-1300
<b>Net Cash from Financing Activities</b>	<b>-3703</b>	<b>-4726</b>	<b>-7200</b>	<b>-7213</b>	<b>-8243</b>
<b>Net Inc/Dec in cash equivalents</b>	<b>-169</b>	<b>523</b>	<b>-10</b>	<b>2,845</b>	<b>3,670</b>
Opening Balance	3796	3632	4150	4140	6985
Closing Cash and Cash Equivalents	3627	4155	4140	6985	10656

Free Cash Flow Statement					
INR Mn	FY18	FY19	FY20E	FY21E	FY22E
EBITDA	11,874	18,833	19,666	21,704	24,465
FC Investment	-1493	-2016	-2821	-3426	-3511
WC Changes	-7524	-6510	-5732	-5535	-5709
Depreciation Tax Shield	357	372	669	768	877
Tax Expenses	2711	4758	4869	5402	6090
<b>FCF</b>	<b>15551</b>	<b>18941</b>	<b>18377</b>	<b>19179</b>	<b>21451</b>

Ratio Analysis					
	FY18	FY19	FY20E	FY21E	FY22E
<b>Margin ratios</b>					
Gross	32.8%	34.7%	32.1%	31.4%	31.5%
EBITDA	16.3%	19.9%	18.4%	18.0%	18.3%
Adj PAT	15.2%	16.0%	13.9%	13.8%	13.9%
<b>Performance ratios</b>					
Pre-tax OCF/EBITDA	101.2%	99.3%	97.2%	96.0%	95.5%
OCF/IC (%)	24.2%	29.7%	26.3%	25.3%	25.5%
RoE (%)	31.7%	34.6%	28.0%	26.9%	25.9%
ROCE (%)	31.6%	34.0%	28.4%	26.5%	25.6%
RoCE (Pre-tax)	41.0%	45.5%	37.7%	35.3%	34.1%
RoIC (Pre-tax)	28.6%	38.0%	31.4%	30.7%	31.1%
Fixed asset turnover (x)	28.7	34.0	34.4	36.1	38.1
Total asset turnover (x)	1.5	1.6	1.5	1.5	1.5
<b>Financial stability ratios</b>					
Net Debt to Equity (x)	-0.1	-0.1	-0.1	-0.1	-0.1
Net Debt to EBITDA (x)	-0.2	-0.2	-0.2	-0.3	-0.4
DSO days	70	71	73	75	77
<b>Valuation metrics</b>					
Fully Diluted Shares (mn)	175	175	175	175	175
Market cap (Rs.mn)	336,874	337,148	336,927	336,927	336,927
P/E (x)	30.3	22.3	22.6	20.2	18.1
EV (Rs.mn)	334,558	333,934	333,944	331,099	327,428
EV/ EBITDA (x)	28.2	17.7	17.0	15.3	13.4
FCF Yield	2.3%	3.6%	3.7%	4.2%	4.7%
P/BV (x)	8.7	6.9	5.9	5.1	4.4
Dividend pay-out (%)	31.8%	35.3%	44.3%	43.3%	44.2%
Dividend yield (%)	0.9%	1.4%	1.7%	1.8%	2.1%



**DALAL & BROACHA**  
STOCK BROKING PVT. LTD.

Analyst: Mayank Babla (022) 67141412

## Q3 FY20 Result Update@ Dalal&Broacha

### Disclaimer

**Dalal & Broacha Stock Broking Pvt Ltd, hereinafter referred to as D&B** (CIN\_U67120MH1997PTC111186) was established in 1997 and is an integrated financial services player offering an extensive range of financial solutions and services to a wide spectrum of customers with varied needs ranging from equities to mutual funds to depository services.

D&B is a corporate trading member of Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE). D&B along with its affiliates offers the most comprehensive avenues for investments and is engaged in the securities businesses including stock broking (Institutional and retail), depository participant, portfolio management and services rendered in connection with distribution of primary market issues and financial products like mutual funds, fixed deposits. Details of associates are available on our website i.e. [www.dalal-broacha.com](http://www.dalal-broacha.com)

D&B is registered as Research Analyst with SEBI bearing registration Number INH000001246 as per SEBI (Research Analysts) Regulations, 2014.

D&B hereby declares that it has not defaulted with any stock exchange nor its activities were suspended by any stock exchange with whom it is registered in any time in the past. It has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has its certificate of registration been cancelled by SEBI at any point of time.

SEBI and Stock Exchanges have conducted the routine inspection and based on their observations have issued advice letters or levied minor penalty on D&B for certain operational deviations in routine course of business.

D&B offers research services to clients as well as prospects. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

### Other disclosures by D&B (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report:-

D&B or its associates may have financial interest in the subject company.

D&B or its associates do not have any material conflict of interest in the subject company.

The Research Analyst or Research Entity (D&B) has not been engaged in market making activity for the subject company.

D&B or its associates may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report.

### Disclosures in respect of Research Analyst:

Whether Research Analyst or his/her relatives have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report:	No
Whether the Research Analyst or his/her relative's financial interest in the subject company.	No
Whether the research Analyst has served as officer, director or employee of the subject company	No
Whether the Research Analyst has received any compensation from the subject company in the past twelve months	No
Whether the Research Analyst has managed or co-managed public offering of securities for the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation or other benefits from the subject company or third party in connection with the research report	No

D&B and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that may be inconsistent with the recommendations expressed herein.

In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest including but not limited to those stated herein. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject D&B or its group companies to any registration or licensing requirement within such jurisdiction. Specifically, this document does not constitute an offer to or solicitation to any U.S. person for the purchase or sale of any financial instrument or as an official confirmation of any transaction to any U.S. person. Unless otherwise stated, this message should not be construed as official confirmation of any transaction. No part of this document may be distributed in Canada or used by private customers in United Kingdom. All material presented in this report, unless specifically indicated otherwise, is under copyright to D&B. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of D&B. All trademarks, service marks and logos used in this report are trademarks or registered

**DALAL & BROACHA**  
STOCK BROKING PVT. LTD.

Analyst: Mayank Babla (022) 67141412

**Q3 FY20 Result Update@ Dalal&Broacha**

trademarks of D&B or its Group Companies. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

Contact	Email ID	Contact No.	Sector
Mr. Kunal Bhatia	kunal.bhatia@dalal-broacha.com	022 67141442	Auto, Auto Ancillary, FMCG
Ms. CharulataGaidhani	charulata.gaidhani@dalal-broacha.com	022 67141446	Pharma /Healthcare
Ms. AbhilashaSatale	abhilasha.satale@dalal-broacha.com	022 67141135	Mid cap
Mr. MayankBabla	mayank.babla@dalal-broacha.com	022 67141412	I.T/Media
Mr. Avinash Tanawde	avinash.tanawde@dalal-broacha.com	022 67141149	BFSI
Ms. Nidhi Babaria	nidhi.babaria@dalal-broacha.com	022 67141450	Associate
Mr. SurajNandu	suraj.nandu@dalal-broacha.com	022 67141438	Associate

Address: - 508, Maker Chambers V, 221 Nariman Point, Mumbai 400 021. Tel: 91-22- 2282 2992, 2287 6173, Fax: 91-22-2287 0092  
E-mail: research@dalalbroachaindia.com, equity.research@dalal-broacha.com