MOTILAL OSWAL

28 January 2020
3QFY20 Results Update | Sector: Technology

# Teamlease

| | |
|---|---|
| Estimate change | ↓ |
| TP change | ↓ |
| Rating change | ↔ |

| | |
|---|---|
| Bloomberg | TEAM IN |
| Equity Shares (m) | 17 |
| M.Cap.(INRb)/(USDb) | 44.2 / 0.6 |
| 52-Week Range (INR) | 3201 / 2286 |
| 1, 6, 12 Rel. Per (%) | 4/-15/-17 |
| 12M Avg Val (INR M) | 56 |

**Financials & Valuations (INR b)**

| Y/E Mar | 2020E | 2021E | 2022E |
|---|---|---|---|
| Sales | 52.4 | 64.0 | 79.3 |
| EBIT Margin (%) | 1.5 | 1.7 | 1.9 |
| PAT | 903.0 | 1187.3 | 1631.7 |
| EPS (INR) | 54.1 | 69.4 | 95.4 |
| EPS Gr. (%) | -6.0 | 28.4 | 37.4 |
| BV/Sh. (INR) | 369.4 | 438.9 | 534.3 |
| **Ratios** | | | |
| RoE (%) | 15.8 | 17.2 | 19.6 |
| RoCE (%) | 15.8 | 17.0 | 19.1 |
| Payout (%) | 0.0 | 0.0 | 0.0 |
| **Valuations** | | | |
| P/E (x) | 47.7 | 37.2 | 27.1 |
| P/BV (x) | 7.0 | 5.9 | 4.8 |
| EV/EBITDA (x) | 39.7 | 29.2 | 20.6 |
| Div Yield (%) | 0.0 | 0.0 | 0.0 |

**Shareholding pattern (%)**

| As On | Dec-19 | Sep-19 | Dec-18 |
|---|---|---|---|
| Promoter | 40.0 | 40.3 | 40.8 |
| DII | 9.3 | 7.7 | 5.8 |
| FII | 43.1 | 44.6 | 44.5 |
| Others | 7.6 | 7.4 | 8.9 |

FII Includes depository receipts

**CMP: INR2583 TP: INR3280 (+27%) Buy**

## This too shall pass!

### Fundamentals remain strong; Reiterate Buy

- The soft job market and the weak festive season translated into lower-than-expected headcount/revenue growth (by up to 6%) in general staffing. However, TEAM's ability to command an increase in mark-ups (from INR739 in 2Q to INR750) amidst weak demand and continuous mark-up pressure was impressive. This comes without any increase in the share of working capital funded clients (at 14%). Demand issues, along with multiple one-offs which adversely impacted margins, have translated into depressed earnings in FY20. However, as demand improves and margins normalize, we expect a rebound in earnings over the medium term (34% CAGR over FY21-22).
- We downgrade our EPS estimate for FY21-22 by 3%-7%, given the weak near-term outlook. Despite the macro/demand issues, the fundamentals of the business remain strong, in our view. Reiterate Buy.

### Miss on headcount and revenue growth; Adjusted EBITDA in-line

- Headcount addition in general staffing (2,187) was weaker than our estimate (4,500). General staffing/overall revenue was 5%-6% below our estimate. This was largely led by the soft job market and the weak festive season.
- On an organic basis, both specialized staffing and other HR services remained largely flat YoY, further constraining growth.
- EBITDA margin adjusted for one-time provision in general staffing (2.1%) was marginally ahead of our estimate (by ~13bp).
- Reported general staffing EBITDA margin (1.6%) was optically lower (by 20bp QoQ) due to one-time provision and higher salary per associate.
- On a sequential basis, adjusted EBITDA margin expanded ~20bp, led by IT staffing, partial integration of IMSI and other HR services.
- Reported EBITDA margin of Evolve was optically lower (by 60bp QoQ). This was due to the renegotiation of working capital terms with a top client.
- Despite the weakness in the job market and no increase in the share of working capital funded clients (remains at 14%), mark-ups increased from INR739 (in 2Q) to INR750. We see this as a key positive reflecting TEAM's ability to defend pricing and margins.
- Staffing productivity (associate to core ratio) increased marginally.
- Tax assessment for the first year of claiming Sec 80JJAA (FY17) was cleared.

### Downbeat commentary on revenue growth and margins

- TEAM expects ~10% rise in general staffing headcount in FY20. This translates into headcount addition of ~2,300 in 4QFY20 (v/s 1,400 YoY), which is a seasonally weak quarter with impact of roll-offs/absorptions.
- Overall revenue growth is expected to be ~18% for FY20.
- It expects steady state EBITDA margin of 2% in general staffing in the near term.
- Some cost-rationalization measures are underway, both in general staffing and specialized staffing (eliminating redundancies at acquired entities).
- It is confident on provision reversal (INR40m) in staffing/HR services in 4Q.

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## Valuation view – medium-term outlook remains robust

- TEAM should continue to be the key beneficiary of (i) robust foreign funding into Indian businesses increasing the need for labor law compliances, (ii) formalization of workforce in the end industries and (iii) shift of clients from unorganized to organized staffing vendors.
- Medium-term headcount growth should be strong (14% CAGR over FY21-22).
- Given the continuous mark-up pressures in the industry, the EBIT margin is a more critical variable to watch out for, in our view. (i) Scale-driven operating leverage in general staffing, (ii) pick-up in apprentice addition, (iii) recovery in margins of Evolve technologies, (iv) stabilization of other HR services and (v) complete integration of E-Centric and IMSI should drive ~40bp expansion in the EBIT margin to 1.9% by FY22.
- While the market is over concerned about the potential provision related to ILFS/DHFL exposure in the PF trust (INR1.7b, 32% of FY19 net worth), we believe the likelihood of TEAM having to take this provision is limited. We get this comfort from (i) strong liquidity cushion in the PF trust and (ii) higher preference given to PF trusts in the insolvency proceedings.
- The company should continue to avail the benefits of Sec 80JJAA exemption under the new tax regime. However, it need not pay MAT (hitherto at ~20.5%) going forward. This is a key positive from an FCF standpoint.
- Given the expected non-linearity in headcount and EBITDA trajectory, P/E multiples on FY21/22E do not adequately capture the potential value creation in the long term. We prefer 10-year DCF. Our DCF-based TP of INR3,280 implies 34x FY22E EPS (v/s current multiple of 38x FY21E EPS).

**Consolidated Quarterly Performance** (INR m)

| | FY19 | | | | FY20E | | | | FY19 | FY20E | Est. | Var. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3QE | 4QE | | | 3QFY20 | (% / bp) |
| **Total income from operations** | **10,213** | **10,907** | **11,722** | **11,634** | **12,512** | **12,678** | **13,514** | **13,728** | **44,476** | **52,432** | **14,301** | **-6%** |
| YoY Change (%) | 19.7% | 24.6% | 27.7% | 19.0% | 22.5% | 16.2% | 15.3% | 18.0% | 22.7% | 17.9% | 22.0% | -672bp |
| Total Expenditure | 10,012 | 10,666 | 11,477 | 11,377 | 12,281 | 12,433 | 13,239 | 13,413 | 43,531 | 51,366 | 14,046 | -6% |
| **EBITDA** | **202** | **240** | **245** | **257** | **232** | **245** | **288** | **315** | **945** | **1,066** | **286** | **1%** |
| Margins (%) | 2.0% | 2.2% | 2.1% | 2.2% | 1.9% | 1.9% | 2.1% | 2.3% | 2.1% | 2.0% | 2.0% | 13bp |
| EBIT Margin (%) | 1.7% | 1.9% | 1.9% | 2.0% | 1.4% | 1.4% | 1.5% | 1.7% | 1.9% | 1.5% | 1.5% | -7bp |
| Depreciation | 27 | 29 | 25 | 25 | 61 | 66 | 76 | 76 | 105 | 279 | 66 | 16% |
| Interest | 11 | 14 | 13 | 14 | 28 | 29 | 29 | 29 | 52 | 115 | 28 | 3% |
| Other Income | 52 | 40 | 36 | 52 | 35 | 54 | 73 | 53 | 181 | 214 | 52 | 40% |
| **PBT** | **216** | **237** | **244** | **268** | **173** | **195** | **251** | **258** | **968** | **887** | **239** | **5%** |
| Tax | -3 | -12 | -9 | 8 | -15 | -6 | -16 | 0 | -16 | -38 | 0 | |
| Rate (%) | -1% | -5% | -4% | 3% | -9% | -3% | -6% | 0% | -2% | -4% | 0% | -647bp |
| **Adj PAT** | **218** | **249** | **253** | **260** | **188** | **202** | **268** | **258** | **980** | **916** | **239** | **12%** |
| YoY Change (%) | 33% | 43% | 37% | 22% | -14% | -19% | 6% | -1% | 33% | -7% | -5% | 1145bp |
| Margins (%) | 2.1% | 2.3% | 2.2% | 2.2% | 1.5% | 1.6% | 2.0% | 1.9% | 2.2% | 1.7% | 1.7% | 31bp |
| **Reported PAT** | **218** | **249** | **253** | **260** | **188** | **202** | **255** | **258** | **980** | **903** | | |

**KeyPerfor.Indicators**

| Y/EMarch | FY19 | | | | FY20E | | | | FY19 |
|---|---|---|---|---|---|---|---|---|---|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4QE | |
| **Headcount** | | | | | | | | | |
| General staffing | 1,37,735 | 1,45,145 | 1,52,693 | 1,54,095 | 1,60,614 | 1,65,029 | 1,67,216 | | 1,52,693 |
| Apprentices | 47,493 | 48,725 | 52,525 | 56,169 | 57,292 | 51,341 | 52,388 | | 52,525 |
| Specialised staffing | 6,407 | 6,065 | 6,117 | 5,947 | 6,858 | 6,549 | 8,244 | | 6,117 |
| **Core Employees** | **1,726** | **1,704** | **1,708** | **1,687** | **1,818** | **2,005** | **2,150** | | **1,708** |
| **Revenue** | | | | | | | | | |
| General staffing | 9,160.8 | 9,773.1 | 10,616.9 | 10,564.5 | 11,306.0 | 11,391.6 | 12,161.1 | | 40,115 |
| Specialised staffing | 750 | 756 | 792 | 794 | 982 | 1,005 | 1,046 | | 3,092 |
| Other HR Services | 303 | 377 | 314 | 275 | 224 | 282 | 306 | | 1,269 |
| **EBITDA Margins** | | | | | | | | | |
| General staffing | 1.6 | 1.8 | 2.0 | 2.3 | 2.0 | 1.8 | 1.6 | | 1.9 |
| Specialised staffing | 7.2 | 7.7 | 6.2 | 6.0 | 6.4 | 6.1 | 7.4 | | 6.7 |
| Other HR Services | 7.4 | 10.1 | 0.3 | 5.5 | (28.3) | (1.3) | 1.9 | | 6.0 |

## Management commentary highlights

**Weakness in the overall job market:** TEAM indicated that there is softness in the job market, which is reflecting in the company's general staffing headcount additions. Festive season-related ramp ups this time are also subdued. While there is demand in some pockets (e.g. banking, e-commerce), higher attrition in some other sectors (e.g. NBFCs) translated into weak headcount growth (~10% YoY) during the quarter.

**Provisioning in general staffing led to margin contraction:** The company made provision for INR13m in its general staffing segment, which impacted its reported EBITDA margins to the tune of ~10bp. Apart from that, higher salary per associate also translated into optically lower EBITDA margins in the segment (1.6% v/s 1.8% in 2QFY20).

**Downbeat commentary on growth:** It expects ~10% growth in general staffing headcount for FY20. This translates into headcount addition of ~2,300 in 4QFY20 (v/s 1,400 in the year-ago period), which is a seasonally weak quarter with impact of roll offs and absorptions. Anticipate overall revenue growth of ~18% for FY20.

**In near term, expect steady state EBITDA margin of 2% in general staffing.** Some cost-rationalization measures are underway both in general staffing and in specialized staffing (eliminating redundancies at acquired entities). It is confident on provision reversal (INR 40mn) in staffing and HR services in 4Q. IT staffing EBITDA margins should remain in the range of 10-11%.

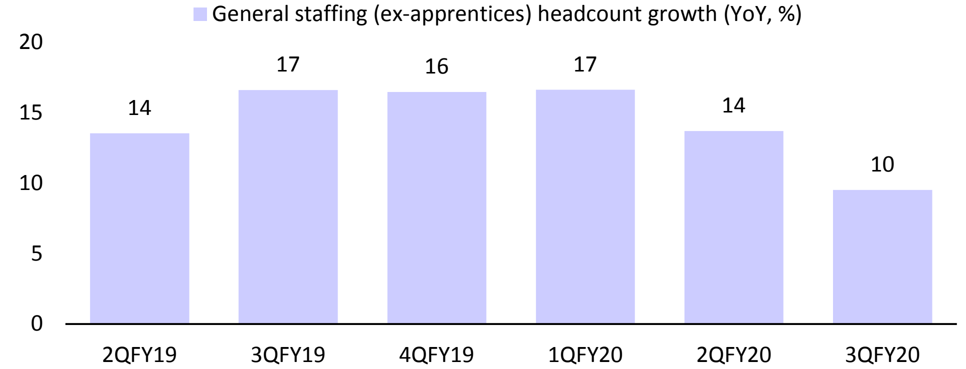
**Integration of IMSI is on track:** IMSI operates in Infra staffing segment within IT staffing. The company has more than 70 clients with total headcount of 1,900. Key clients include IBM, WPRO and Cognizant etc. In 3QFY20, IMSI contributed 45 days of revenue which accounts to INR73m.

**Expect gradual pick up in NETAP:** Going forward headcount additions in NETAP will not be robust, but only gradual.

## Miss on headcount, revenue growth; adjusted EBITDA in-line

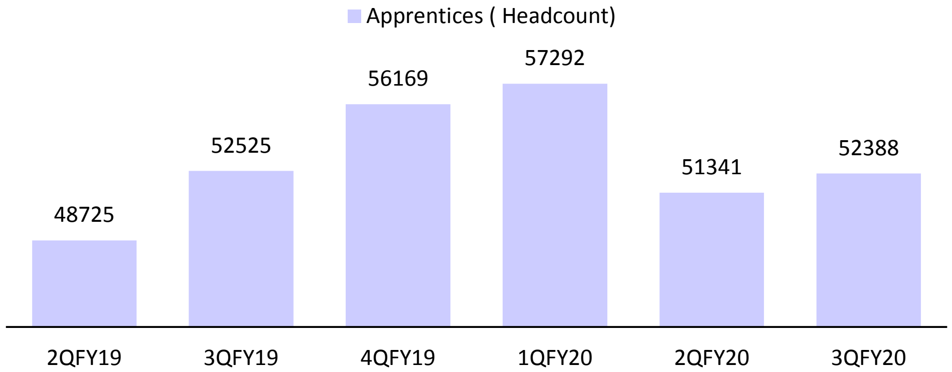
- Headcount addition in general staffing (2187) was weaker than our estimate (4,500). General staffing/overall revenue was 5%-6% below our estimates.
- This was largely led by softness in job market and weak festive season.
- On an organic basis, both specialized staffing and other HR services remained largely flat (YoY) further constraining growth.

**Exhibit 1: Weak growth in general staffing led by softness in job environment**




Source: Company, MOFSL

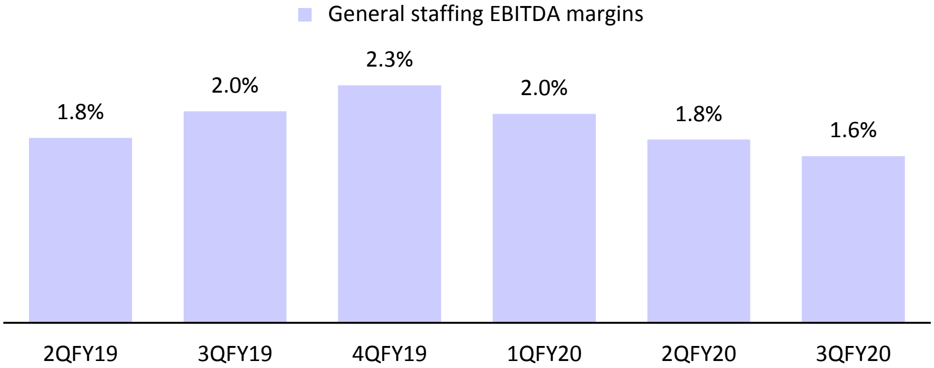
**Exhibit 2: On a sequential basis, there is a marginal increase in the number of apprentices**




Source: Company, MOFSL

- EBITDA margin adjusted for one-time provision in general staffing (2.1%) was marginally ahead of our estimate (~13 bp).
- Reported general staffing EBITDA margin (1.6%) was optically lower (by 20bp QoQ) due to one-time provision and higher salary per associate.

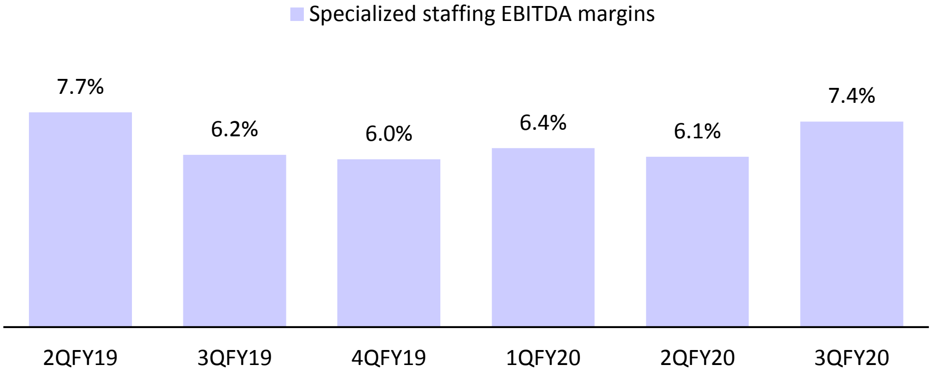
**Exhibit 3: Reported EBITDA margin in general staffing were impacted by (1) one off provision and (2) higher salary per associate**




Source: Company, MOFSL

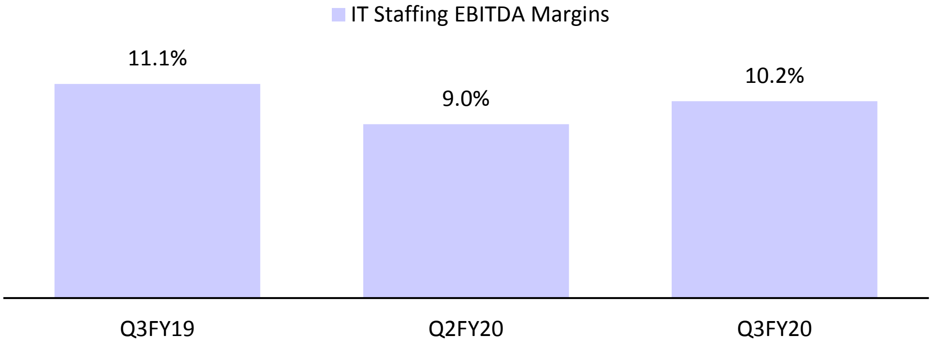
- On a sequential basis, adjusted EBITDA margin expanded ~20bp led by IT staffing, partial integration of IMSI and other HR services.

**Exhibit 4: Uptick in specialized staffing EBITDA margins was led by IT staffing and IMSI**



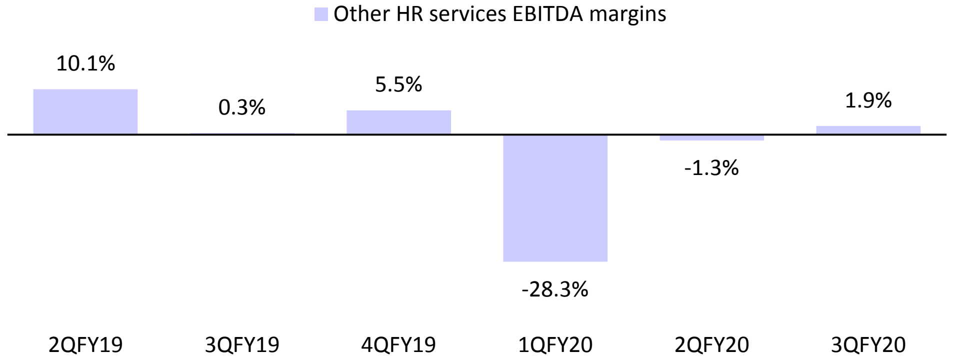

Source: Company, MOFSL

**Exhibit 5: Sequential increase in IT staffing (ex-IMSI) margins**




Source: Company, MOFSL

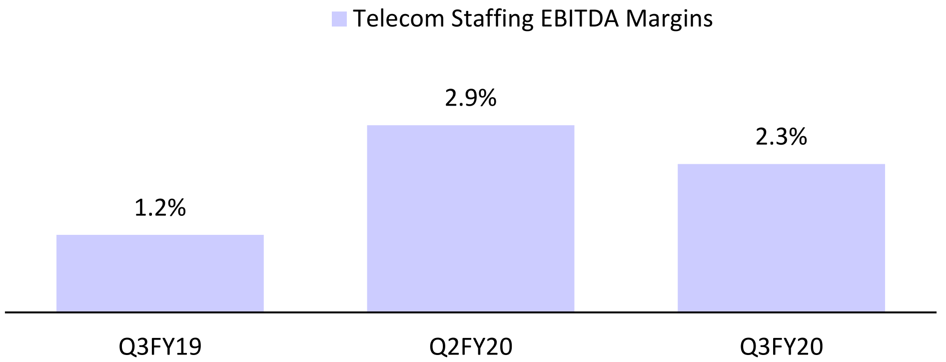
**Exhibit 6: Provision write back (INR 12mn) helped in reporting positive EBITDA margins in Other HR services**




Source: Company, MOFSL

- Reported EBITDA margin of Evolve was optically lower (by 60 bp QoQ). This was due to renegotiation of working capital terms with a top client. Accordingly, Evolve reported sequential expansion in the PBT margin.

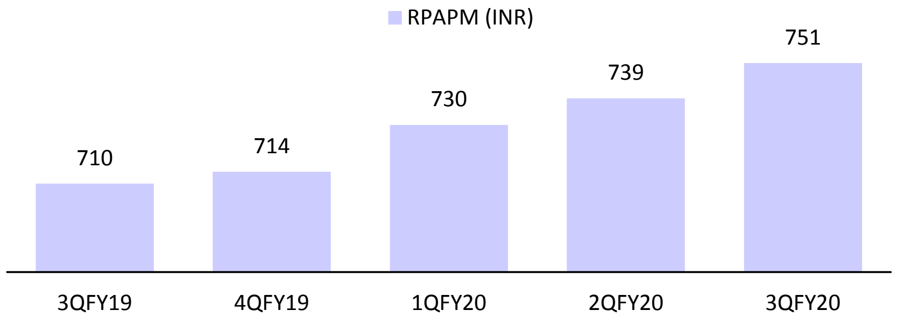
**Exhibit 7: EBITDA margins of Evolve continue to be under pressure**




Source: Company, MOFSL

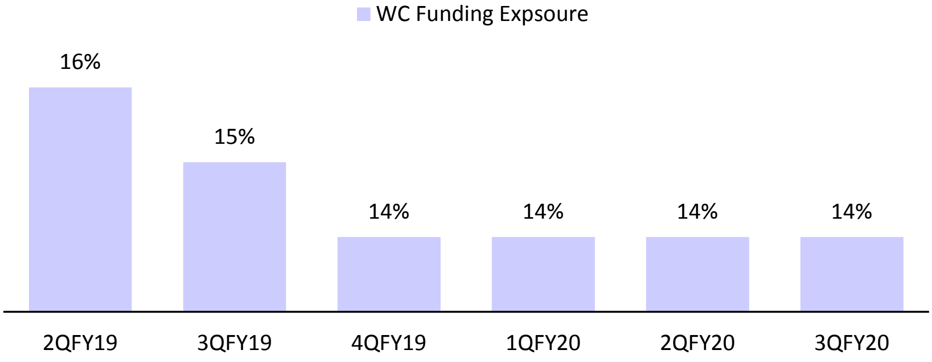
- Despite the weakness in the job market, realization per associate per month (RPAPM) increased from INR739 (in 2Q) to INR750. This comes despite no increase in share of working capital funded clients (remains at 14%). We see this as a key positive reflecting TEAM's ability to defend pricing and margins.
- Staffing productivity (associate to core ratio) increased marginally.
- Tax assessment for the first year of claiming Sec 80JJAA (FY17) was cleared.

**Exhibit 8: Despite the weakness in headcount addition, realizations improved**



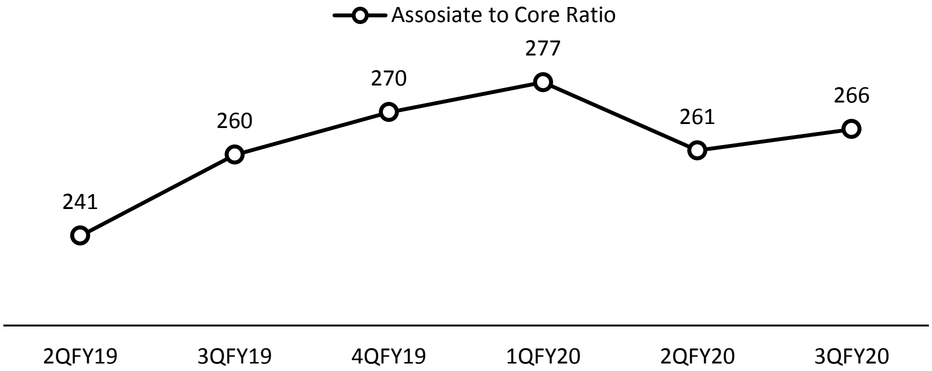

Source: Company, MOFSL

**Exhibit 9: Working Capital funding exposure of Teamlease remains constant at 14%**




Source: Company, MOFSL

**Exhibit 10: Associate to core ratio continued to show a steady increase**




Source: Company, MOFSL

## Valuation view

- TEAM should continue to be the key beneficiary of (i) robust foreign funding into Indian businesses increasing the need for labor law compliances, (2) formalization of workforce in the end industries and (3) shift of clients from unorganized to organized staffing vendors.
- Medium-term headcount growth should be strong (14% CAGR over FY21-22).
- Given the continuous mark-up pressures in the industry, the EBIT margin is a more critical variable to watch out for, in our view. (i) Scale-driven operating leverage in general staffing, (ii) pick-up in apprentice addition, (iii) recovery in margins of Evolve technologies, (iv) stabilization of other HR services and (v) complete integration of E-Centric and IMSI should drive ~40bp expansion in the EBIT margin to 1.9% by FY22.
- While the market is over concerned about the potential provision related to ILFS/DHFL exposure in the PF trust (INR1.7b, 32% of FY19 net worth), we believe the likelihood of TEAM having to take this provision is limited. We get this comfort from (i) strong liquidity cushion in the PF trust and (ii) higher preference given to PF trusts in the insolvency proceedings.
- The company should continue to avail the benefits of Sec 80JJAA exemption under the new tax regime. However, it need not pay MAT (hitherto at ~20.5%) going forward. This is a key positive from an FCF standpoint.
- Given the expected non-linearity in headcount and EBITDA trajectory, P/E multiples on FY21/22E do not adequately capture the potential value creation in the long term. We prefer 10-year DCF. Our DCF-based TP of INR3,280 implies 34x FY22E EPS (v/s current multiple of 38x FY21E EPS).

# Financials and valuations

| Income Statement | | | | | | | (INR M) |
|---|---|---|---|---|---|---|---|
| **Y/E March** | **FY16** | **FY17** | **FY18** | **FY19** | **FY20E** | **FY21E** | **FY22E** |
| **Total Income from Operations** | **25,049** | **30,419** | **36,241** | **44,476** | **52,432** | **63,967** | **79,319** |
| Change (%) | 24.8 | 21.4 | 19.1 | 22.7 | 17.9 | 22.0 | 24.0 |
| Employee Benefit Expense | 24,391 | 29,377 | 34,712 | 41,971 | 49,743 | 60,601 | 74,991 |
| Other Expense | 400 | 599 | 841 | 1,560 | 1,623 | 1,959 | 2,424 |
| **Total Expenditure** | **24,791** | **29,976** | **35,553** | **43,531** | **51,366** | **62,560** | **77,416** |
| % of Sales | 99.0 | 98.5 | 98.1 | 97.9 | 98.0 | 97.8 | 97.6 |
| **EBITDA** | **258** | **443** | **688** | **945** | **1,066** | **1,407** | **1,904** |
| Margin (%) | 1.0 | 1.5 | 1.9 | 2.1 | 2.0 | 2.2 | 2.4 |
| Depreciation | 30 | 43 | 92 | 105 | 279 | 300 | 364 |
| **EBIT** | **228** | **400** | **596** | **839** | **787** | **1,107** | **1,540** |
| Int. and Finance Charges | 4 | 11 | 25 | 52 | 115 | 120 | 120 |
| Other Income | 154 | 224 | 156 | 181 | 214 | 200 | 212 |
| **PBT bef. EO Exp.** | **378** | **613** | **728** | **968** | **887** | **1,187** | **1,632** |
| EO Items | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **PBT** | **378** | **613** | **728** | **968** | **887** | **1,187** | **1,632** |
| Total Tax | 130 | -50 | -9 | -16 | -38 | 0 | 0 |
| Tax Rate (%) | 34.4 | -8.2 | -1.3 | -1.7 | -4.3 | 0.0 | 0.0 |
| Minority Interest | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Reported PAT** | **248** | **663** | **737** | **980** | **903** | **1,187** | **1,632** |
| **Adjusted PAT** | **248** | **663** | **737** | **980** | **916** | **1,187** | **1,632** |
| Change (%) | -19.4 | 167.5 | 11.1 | 33.5 | -7.0 | 30 | 37.4 |
| Margin (%) | 1.0 | 2.2 | 2.0 | 2.2 | 1.7 | 1.9 | 2.1 |

| Balance Sheet | | | | | | | (INR M) |
|---|---|---|---|---|---|---|---|
| **Y/E March** | **FY16** | **FY17** | **FY18** | **FY19** | **FY20E** | **FY21E** | **FY22E** |
| Equity Share Capital | 171 | 171 | 171 | 171 | 171 | 171 | 171 |
| Total Reserves | 2,945 | 3,640 | 4,246 | 5,220 | 6,145 | 7,332 | 8,964 |
| **Net Worth** | **3,116** | **3,811** | **4,417** | **5,391** | **6,316** | **7,503** | **9,135** |
| Minority Interest | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Loans | 526 | 435 | 559 | 767 | 739 | 801 | 887 |
| **Capital Employed** | **3,642** | **4,247** | **4,976** | **6,158** | **7,055** | **8,305** | **10,022** |
| | | | | | | | |
| Gross Block | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Less: Accum. Deprn. | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Net Fixed Assets** | **111** | **1,029** | **1,378** | **1,578** | **1,263** | **1,312** | **1,312** |
| Goodwill on Consolidation | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Capital WIP | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total Investments** | **0** | **103** | **593** | **414** | **414** | **414** | **414** |
| | | | | | | | |
| **Curr. Assets, Loans&Adv.** | **5,629** | **5,641** | **6,491** | **8,251** | **10,284** | **12,680** | **15,988** |
| Inventory | 2 | 2 | 0 | 0 | 3 | 3 | 4 |
| Account Receivables | 1,205 | 1,872 | 2,235 | 2,643 | 3,116 | 3,802 | 4,714 |
| Cash and Bank Balance | 2,590 | 1,593 | 1,424 | 1,230 | 2,539 | 3,855 | 5,726 |
| Loans and Advances | 1,832 | 2,174 | 2,832 | 4,377 | 4,626 | 5,019 | 5,543 |
| **Curr. Liability & Prov.** | **2,144** | **2,677** | **3,885** | **4,737** | **5,560** | **6,755** | **8,346** |
| Account Payables | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Current Liabilities | 2,051 | 2,525 | 3,661 | 4,347 | 5,296 | 6,461 | 8,012 |
| Provisions | 93 | 152 | 224 | 391 | 264 | 293 | 334 |
| **Net Current Assets** | **3,485** | **2,964** | **2,606** | **3,513** | **4,724** | **5,925** | **7,643** |
| Deferred Tax assets | 45 | 149 | 399 | 653 | 653 | 653 | 653 |
| Misc Expenditure | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Appl. of Funds** | **3,642** | **4,247** | **4,976** | **6,158** | **7,055** | **8,305** | **10,022** |

E: MOFSL Estimates

# Financials and valuations

| Ratios | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Y/E March** | **FY16** | **FY17** | **FY18** | **FY19** | **FY20E** | **FY21E** | **FY22E** |
| **Basic (INR)** | | | | | | | |
| **EPS** | **14.5** | **38.8** | **43.1** | **57.6** | **54.1** | **69.4** | **95.4** |
| Cash EPS | 16.3 | 41.3 | 48.5 | 63.7 | 70.4 | 87.0 | 116.7 |
| BV/Share | 182.2 | 222.9 | 258.3 | 315.3 | 369.4 | 438.9 | 534.3 |
| DPS | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Payout (%) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Valuation (x)** | | | | | | | |
| P/E | 178.0 | 66.5 | 59.9 | 44.9 | 47.7 | 37.2 | 27.1 |
| Cash P/E | 158.8 | 62.5 | 53.3 | 40.5 | 36.7 | 29.7 | 22.1 |
| P/BV | 14.2 | 11.6 | 10.0 | 8.2 | 7.0 | 5.9 | 4.8 |
| EV/Sales | 1.7 | 1.4 | 1.2 | 1.0 | 0.8 | 0.6 | 0.5 |
| EV/EBITDA | 163.2 | 97.0 | 62.9 | 46.2 | 39.7 | 29.2 | 20.6 |
| Dividend Yield (%) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| FCF per share | -8.9 | 18.3 | 69.5 | 11.7 | 73.5 | 95.0 | 128.7 |
| **Return Ratios (%)** | | | | | | | |
| RoE | 10.8 | 19.2 | 17.9 | 20.1 | 15.8 | 17.2 | 19.6 |
| RoCE | 9.4 | 17.1 | 16.5 | 18.6 | 15.8 | 17.0 | 19.1 |
| RoIC | 18.5 | 24.0 | 21.9 | 22.8 | 19.1 | 27.2 | 38.9 |
| **Working Capital Ratios** | | | | | | | |
| Fixed Asset Turnover (x) | NA | NA | NA | NA | NA | NA | NA |
| Asset Turnover (x) | 6.9 | 7.2 | 7.3 | 7.2 | 7.4 | 7.7 | 7.9 |
| Inventory (Days) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Debtor (Days) | 18 | 22 | 23 | 22 | 22 | 22 | 22 |
| Creditor (Days) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Leverage Ratio (x)** | | | | | | | |
| Current Ratio | 2.6 | 2.1 | 1.7 | 1.7 | 1.8 | 1.9 | 1.9 |
| Interest Cover Ratio | 58.1 | 36.5 | 24.2 | 16.1 | 6.8 | 9.2 | 12.8 |
| Net Debt/Equity | -0.7 | -0.3 | -0.3 | -0.2 | -0.4 | -0.5 | -0.6 |

| Cash Flow Statement | | | | | | | (INR M) |
|---|---|---|---|---|---|---|---|
| **Y/E March** | **FY16** | **FY17** | **FY18** | **FY19** | **FY20E** | **FY21E** | **FY22E** |
| OP/(Loss) before Tax | 378 | 613 | 725 | 968 | 887 | 1,187 | 1,632 |
| Depreciation | 30 | 43 | 92 | 105 | 279 | 300 | 364 |
| Interest & Finance Charges | -99 | -114 | 132 | 128 | 99 | 80 | 92 |
| Direct Taxes Paid | -265 | -191 | 9 | 16 | 38 | 0 | 0 |
| (Inc)/Dec in WC | -150 | -19 | 252 | -927 | 70 | 178 | 240 |
| **CF from Operations** | **-105** | **332** | **1,210** | **291** | **1,373** | **1,745** | **2,327** |
| Others | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **CF from Operating incl EO** | **-105** | **332** | **1,210** | **291** | **1,373** | **1,745** | **2,327** |
| (Inc)/Dec in FA | -47 | -18 | -22 | -90 | -116 | -121 | -127 |
| **Free Cash Flow** | **-152** | **314** | **1,188** | **200** | **1,256** | **1,624** | **2,200** |
| (Pur)/Sale of Investments | -1,192 | -202 | 0 | 0 | 0 | 0 | 0 |
| Others | 52 | 51 | 0 | 0 | 0 | 0 | 0 |
| **CF from Investments** | **-1,187** | **-169** | **-22** | **-90** | **-116** | **-121** | **-127** |
| Issue of Shares | 1,380 | -2 | 0 | 0 | 0 | 0 | 0 |
| Inc/(Dec) in Debt | 194 | -399 | 62 | 33 | 0 | 0 | 0 |
| Interest Paid | -4 | -11 | 0 | 0 | 0 | 0 | 0 |
| Dividend Paid | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Others | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **CF from Fin. Activity** | **1,569** | **-412** | **62** | **33** | **0** | **0** | **0** |
| **Inc/Dec of Cash** | **277** | **-249** | **1,250** | **234** | **1,256** | **1,624** | **2,200** |
| Opening Balance | 218 | 496 | 1,593 | 1,424 | 1,230 | 2,539 | 3,855 |
| **Closing Balance** | **496** | **247** | **2,843** | **1,658** | **2,487** | **4,163** | **6,056** |

| Explanation of Investment Rating | |
|---|---|
| **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 |

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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