

Infosys

Refer to important disclosures at the end of this report

Margin-dilutive growth is not exciting

- Infosys reported 2.7% qoq revenue growth in CC terms in Q3 (2.4% on an organic basis), ahead of our estimate of 1.5% CC growth, and raised the upper end of its 6-8% CC growth guidance (provided at the start of the year) by 50-100bps to 8.5-9.0% for FY19.
- Adjusted operating margins stood at 22.9%, down 80bps qoq (reported OPM down 110bps qoq), largely on account of attrition-led compensation increases (-30bps), drop in utilization and increase in onsite mix (-80bps), investment in sales (-30 bps), and margin-dilutive Fluidio acquisition (-20bps).
- Even though the strong data on TCV/guidance led to ~1% revenue upgrade in our estimates, weaker-than-expected profitability neutralized its impact on the earnings. In FY19E, EBIT/Adj. EPS growth is expected at 3%/0% on a CC basis.
- We maintain our Underweight stance on the name as we believe that Infosys' priority on revenue traction and need for business investment would mean earnings growth lagging behind revenue growth. We maintain our Reduce rating, with a TP of Rs640, valuing it at 15x FY21E EPS.

23% operating margins are here to stay

Infosys' trouble with profitability is likely to continue for some more time as the company reported an 110bps qoq decline in OPM for the quarter to 22.6%. While growth in TCV of deals won (USD4.7bn in 9MFY19 vs. USD2.2bn in 9MFY18) and an upward revision of revenue growth guidance indicate improved growth visibility for FY20, we believe that Q3FY19 margin dampeners — local hiring, further investments in sales, deal ramp-up costs, and lower margin acquisition — are not one-offs and are expected to continue in Q4FY19 as well. Further, additional depreciation and amortization charges relating to Panaya and Skava acquisitions when normalized over 9MFY19 provide a cushion of, at best, 30bps going into Q4FY19. Infosys CEO said that as part of its Year-1 goal the growth stability has been achieved and going into FY20, it may now plan for other aspects, such as profitability. Thus, in our view, except for the uptick in growth outlook, the net gains on earnings would be largely negated, resulting in sustained financial underperformance over TCS.

High attrition to dampen client-mining and renewal rates; maintain Reduce

We believe that the alarming levels of attrition (refer to Exhibit 11) at Infosys' senior executives will hamper its client mining ability (Top 2-25 clients' growth at just 2.8% yoy on TTM basis) and lead to increased competitive intensity in its renewal deals. Maintain Reduce rating on the stock with a TP of Rs640, valuing it at 15x FY21E EPS.

Financial Snapshot (Consolidated)

(Rs mn)	FY17	FY18	FY19E	FY20E	FY21E
Revenue	6,84,840	7,05,220	8,27,092	9,00,739	9,84,084
EBITDA	1,86,040	1,89,248	2,13,024	2,30,548	2,51,403
EBITDA Margin (%)	27.2	26.8	25.8	25.6	25.5
APAT	1,43,530	1,45,970	1,59,049	1,72,129	1,82,034
EPS (Rs)	31.3	33.5	36.5	40.6	43.0
EPS (% chg)	6.4	7.0	9.0	11.2	5.8
ROE (%)	22.0	21.8	23.5	24.7	25.0
P/E (x)	21.8	20.4	18.7	16.8	15.9
EV/EBITDA (x)	15.7	14.7	13.2	12.2	11.3
P/BV (x)	4.5	4.6	4.2	4.2	3.8

Source: Company, Emkay Research

CMP Rs 684 as of (January 11, 2019)	Target Price Rs 640 (■) 12 months
Rating REDUCE (■)	Upside (6.5) %

Change in Estimates

EPS Chg FY19E/FY20E (%)	(0.2)/(0.2)
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	REDUCE

Emkay vs Consensus

EPS Estimates		
	FY19E	FY20E
Emkay	36.5	40.6
Consensus	37.5	41.6
Mean Consensus TP (12M)	Rs 787	

Stock Details

Bloomberg Code	INFO IN
Face Value (Rs)	5
Shares outstanding (mn)	4,369
52 Week H/L	755 / 522
M Cap (Rs bn/USD bn)	2,990 / 42.37
Daily Avg Volume (nos.)	91,23,250
Daily Avg Turnover (US\$ mn)	86.1

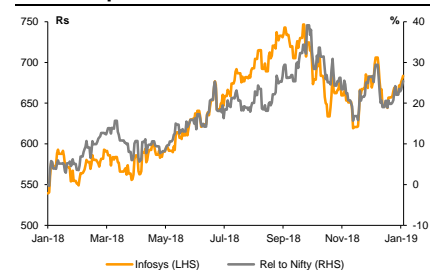
Shareholding Pattern Sep '18

Promoters	12.8%
FIIIs	35.1%
DIIIs	22.1%
Public and Others	30.0%

Price Performance

(%)	1M	3M	6M	12M
Absolute	1	2	4	28
Rel. to Nifty	(1)	(4)	5	27

Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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Exhibit 1: Actual vs. Estimates

(in Rs mn)	Actual	Estimate		% variation		Comment
		Emkay	Consensus	Emkay	Consensus	
Revenues (in US\$ mn)	2,987	2,955	2,970	1.1%	0.6%	Infosys' Q3FY19 revenue growth was better than our/street expectations. While adjusted margins were in line with our expectations, it was 50bps lower than consensus estimates.
Sales	2,14,000	2,12,773	2,12,623	0.6%	0.6%	
EBIT	48,300	48,938	49,970	-1.3%	-3.3%	
EBIT, margin	22.6%	23.0%	23.5%	-40 bps	-90 bps	
PAT	40,610	41,481	41,344	-2.1%	-1.8%	

Source: Company, Emkay Research

Exhibit 2: Quarterly Snapshot

Rs mn	Q3FY18	Q2FY19	Q3FY19	YoY (%)	QoQ (%)	YTD FY18	YTD FY19	YoY (%)
Revenues(in US\$ mn)	2,755	2,921	2,987	8.4	2.3	8,134	8,739	7.4
Revenue	1,77,940	2,06,090	2,14,000	20.3	3.8	5,24,390	6,11,370	16.6
Operating Expenditure	1,34,750	1,57,150	1,65,700	23.0	5.4	3,97,630	4,68,761	17.9
Cost of revenues	1,14,500	1,32,810	1,40,160	22.4	5.5	3,35,770	3,95,850	17.9
as % of sales	64.3	64.4	65.5			64.0	64.7	
SG&A expenses	20,250	24,340	25,540	26.1	4.9	61,860	72,911	17.9
as % of sales	11.4	11.8	11.9			11.8	11.9	
EBIT	43,190	48,940	48,300	11.8	(1.3)	1,26,760	1,42,609	12.5
Other Income	9,620	7,390	7,530	(21.7)	1.9	25,880	19,480	(24.7)
PBT	52,810	56,330	55,830	5.7	(0.9)	1,52,640	1,62,089	6.2
Total Tax	15,840	15,230	15,220	(3.9)	(0.1)	43,580	44,260	1.6
Adjusted PAT	36,970	41,100	40,610	9.8	(1.2)	1,09,060	1,17,829	8.0
APAT after MI	36,970	41,100	40,610	9.8	(1.2)	1,09,060	1,17,829	8.0
Adjusted PAT	36,970	41,100	40,610	9.8	(1.2)	1,09,060	1,17,829	8.0
Adjusted EPS	8.5	9.5	9.3	9.8	(1.2)	24.7	27.1	9.7
Margins (%)				(bps)	(bps)			(bps)
EBIT	24.3	23.7	22.6	(170)	(118)	24.2	23.3	(85)
EBT	29.7	27.3	26.1	(359)	(124)	29.1	26.5	(260)
PAT	20.8	19.9	19.0	(180)	(97)	20.8	19.3	(152)
Effective Tax rate	30.0	27.0	27.3	(273)	22	28.6	27.3	(124)

Source: Company, Emkay Research

Exhibit 3: Changes in Estimates

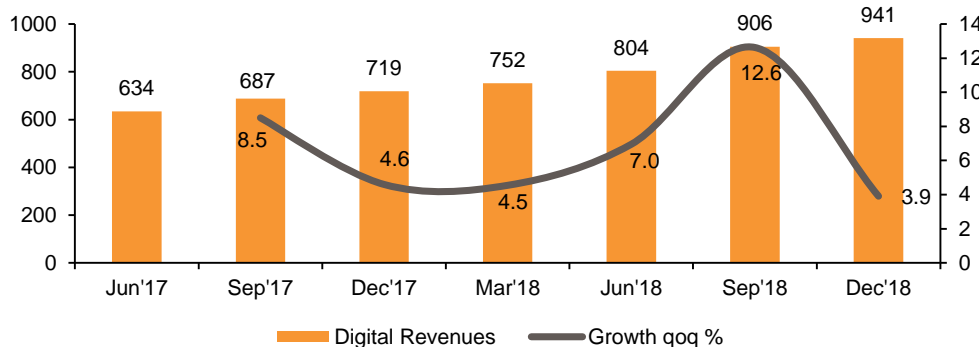
(All fig in Rs mn except EPS)	FY19E			FY20E			FY21E		
	Old	New	% Chg.	Old	New	% Chg.	Old	New	% Chg.
Revenues(US\$ mn)	11,700	11,777	0.7%	12,457	12,598	1.1%	13,265	13,481	1.6%
YoY growth, %	7.0%	7.7%		6.5%	7.0%		6.5%	7.0%	
Revenues	8,22,632	8,27,092	0.5%	890694	9,00,739	1.1%	968330	9,84,084	1.6%
EBIT	1,92,119	1,91,901	-0.1%	207798	2,07,493	-0.1%	226105	2,26,216	0.0%
EBIT margins, %	23.4	23.2		23.3	23.0		23.3	23.0	
Net profits	1,59,315	1,59,048	-0.2%	171430	1,72,128	0.4%	180563	1,82,033	0.8%
EPS	36.6	36.5	-0.2%	40.7	40.6	-0.2%	42.9	43.0	0.2%

Source: Company, Emkay Research

Outlook improves at the expense of profitability

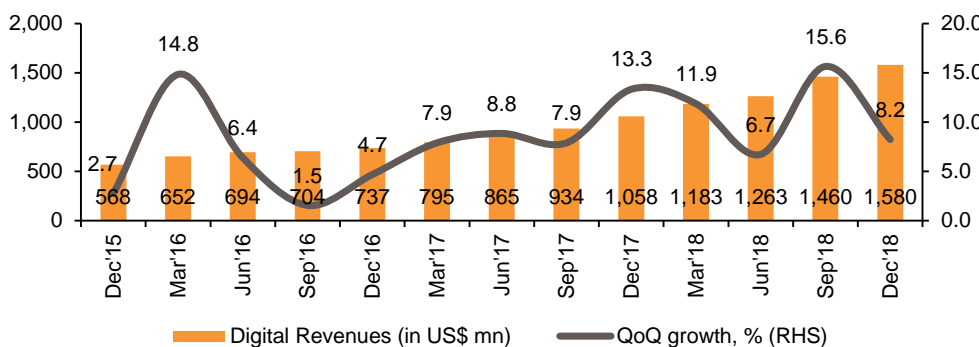
- Q3FY19 Performance:** Infosys' organic revenue growth of 2.4%/10.1% qoq/yoy in CC terms was ahead of our estimate of 1.5% qoq CC growth. Growth was largely volume-led, with flat realizations. Growth in TCV of deals won at USD4.7bn in 9MFY19 vs. USD2.2bn in 9MFY18 is strong but indications of macro concerns bring doubt over the sustainability of this number. Budgets were indicated to remain flat in CY19.
- Guidance for FY19:** Infosys revised full-year CC revenue growth guidance to 8.5-9% in CC terms vs. 6-8% provided at the start of FY19, but maintained its margin guidance at 22-24%.
- Q3FY19 EBIT Margins:** Adjusted for accounting reclassification of troubled acquisitions, margins stood at 23%, down 70bps qoq (in line with our estimate). The decline in margins was driven by attrition-led compensation increases (-30bps), drop in utilization and increase in onsite mix due to local hiring (-80bps), investment in sales (-30 bps), and margin-dilutive Fluido acquisition (-20bps). The decline was, however, partially offset by INR depreciation (+50bps) and lower leave costs (40bps) in Q3FY19.
- Our Margin Expectations:** Infosys did not provide any outlook for revenue growth and margins for FY20. While growth in TCV of deals won and the upward revision of revenue growth guidance indicate improved growth visibility for FY20, we believe that Q3FY19 margin dampeners — local hiring, further investment in sales, deal ramp-up costs, and lower margin acquisition — are not one-offs and are expected to continue in Q4FY19. Further, additional depreciation and amortization charges relating to Panaya and Skawa acquisitions when normalized over 9MFY18 provide a cushion of, at best, 30bps going into Q4FY19, which we believe should be offset by INR appreciation in Q4FY19.
- Digital growth healthy but relatively larger peer growing at a significantly higher pace:** Digital (~31% of sales) grew ~30% yoy vs. ~50% yoy growth for TCS and overall revenue grew ~10% yoy in CC terms vs. ~12% for TCS. Infosys stated that it is seeing traction in Cloud, Data Analytics, IOT, and Customer Experience areas with the help of its recent acquisitions 1) Brilliant Basics, 2) Wongdoody, and 3) Fluido.

Exhibit 4: Infosys– Quarterly revenue and growth trends for Infosys



Source: Company, Emkay Research

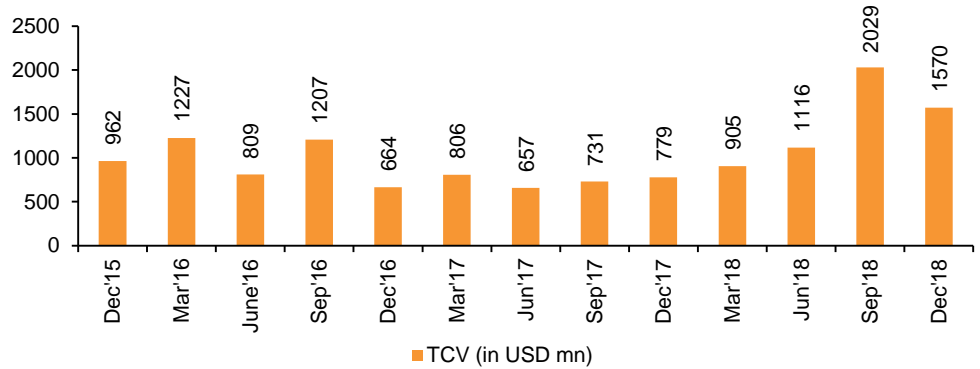
Exhibit 5: TCS' Quarterly revenue and growth trends are better than Infosys



Source: Company, Emkay Research

- Commentary improves on broad-based improvement in large-deal TCV:** Infosys had 14 large deal wins during the quarter, of which 10 were in Americas, 3 in Europe, and 1 in RoW. Around 30% of the total large deal TCV has come from net new deals vs. 60% in Q2FY19 — we believe this is a negative. On the uptick in large deal wins, Infosys stated that it is trying to improve deal originations by increasing engagements with deal advisors, tapping best talent within Infosys, and incentivizing people to increase large deal wins. However, Infosys stated that such deal wins are competitive at the start and their margin profiles improve gradually over time with the help of Automation and AI.

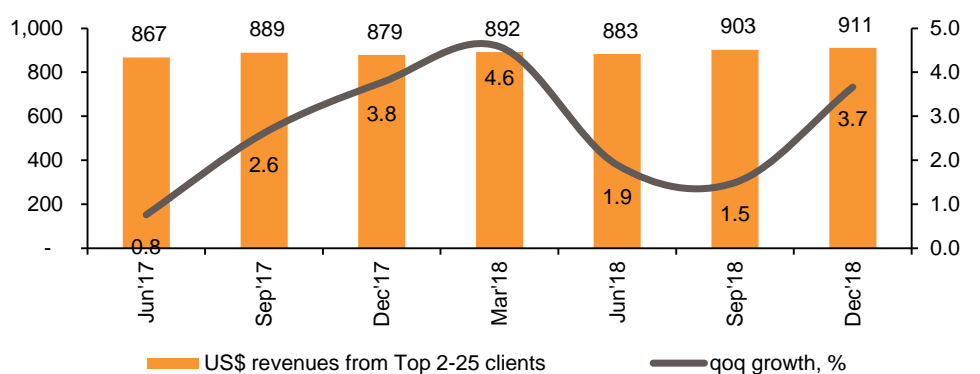
Exhibit 6: Large Deal TCV see a sudden uptick but management indicates quarterly lumpiness



Source: Company, Emkay Research

- BFSI (up 3.6% qoq in CC terms upon 5.8% growth in Q2FY19; 32.5% of sales):** While Infosys indicated sustained momentum in BFSI, it also indicated adverse macro movements, such as decreasing AUMs due to a decline US stock markets presently and stable or decrease in interest rates in the US soon, to affect its growth in this vertical. We did not hear any such commentary from TCS.
- Telecom:** Infosys indicated that Telecom is under pressure due to sector-specific headwinds, which we believe is not a good news for Tech Mahindra.
- Client Metrics:** Infosys Top2-25 clients have been reporting modest growth performance over the last four quarters (refer to Exhibit 7).

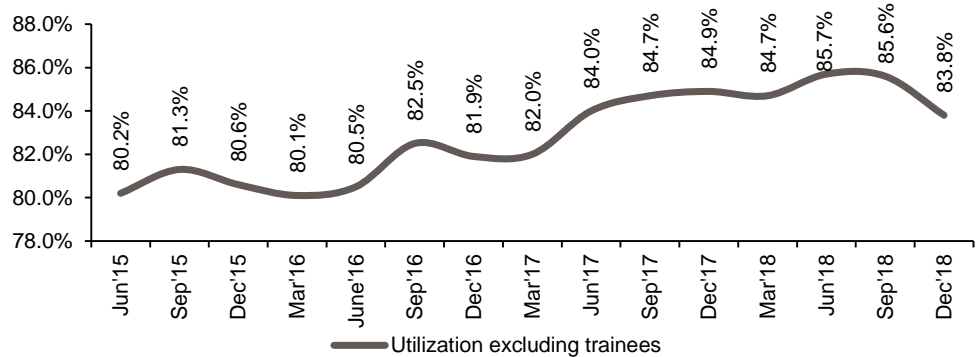
Exhibit 7: Top 2-25 clients' have been muted over the last several quarters



Source: Company, Emkay Research

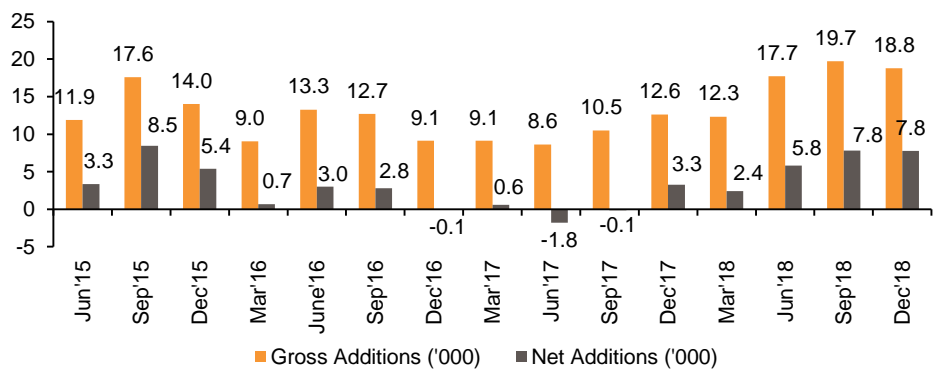
- HR Metrics:** Infosys added 18,773/7,762 gross/net employees, respectively, in Q3FY19, taking its total employee count to 225,501. Utilization stood at 83.8% in Q3FY19 vs. 85.6% in Q2FY19, down ~180bps on increased local hiring. We believe that continued local hiring, in lieu of increasing supply-side constraints, will lower Infosys' onsite utilization, leading to a negative margin impact.

Exhibit 8: Utilisations stretched



Source: Company, Emkay Research

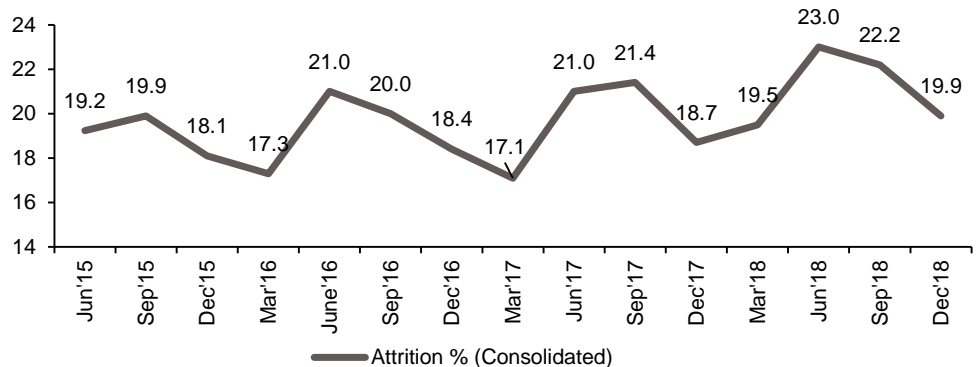
Exhibit 9: Employee additions quarterly trends - Gross and Net



Source: Company, Emkay Research

- Attrition:** Infosys' consolidated attrition was down ~2% qoq in Q3FY19 to 19.9%. The drop in attrition has come at a cost to Infosys, leading to a negative a 30bps headwind to margins.

Exhibit 10: Attrition alarming



Source: Company, Emkay Research

Other Key Highlights

- **Capital allocation:** Infosys has announced a buyback of USD1.2bn at a price <Rs800/share (~USD11.5/share), through the open market route. This would help Infosys buyback 2.4-2.8% of its issued share capital. In addition to this, Infosys has announced another special dividend of Rs4/share (~USD0.3bn). In sum, Infosys will be distributing Rs9/share (after normalizing for 1:1 bonus) as special dividend (total USD0.7bn) and a maximum of USD1.2bn in FY19.
- **Acquisitions:** During Q3FY19, Infosys acquired 'Fluido' for a total consideration of up to USD60mn (+ future payouts). We believe that Fluido's annual revenue run-rate is ~USD36mn. On October 11, 2018, Infosys acquired 100% interest in Fluido, a Nordic-based salesforce advisor and consulting partner in cloud consulting, implementation and training services for a total consideration of up to EUR65mn (~Rs5.5bn), comprising cash consideration of EUR45mn (~Rs3.8bn), contingent consideration of up to EUR12mn (~Rs1.0bn), and retention payouts of up to EUR8mn (~0.7bn), payable to the employees of Fluido over the next three years, subject to their continuous employment with the group.
- **Localization:** Infosys has so far hired 7,600+ in the US as part of its plan to increase localization (plans to hire 10,000 local employees in total) in the country amid increasing protectionism. Infosys has so far created five innovation hubs in the US and is expected to open one more soon.
- **Panaya and Skava re-classification:** Infosys highlighted the re-classification of its 'held-for-sale' subsidiaries, Panaya and Skava, due to its inability to dispose the troubled assets in FY19. On such reclassification, Infosys recognized additional depreciation and amortization expenses of USD12mn (for 9MFY19, 40bps negative impact to margins) and made an impairment adjustment of USD65mn in respect of Skava during Q3FY19.
- Onsite mix stood at 28.7% vs. 28.4% in Q2FY19 increased due to Fluido acquisition.

Exhibit 11: FY18 vs. FY17 Board comparison; Board has seen considerable amount of change

Name	Post (March'17)	Name	Present
<i>R. Seshasayee</i>	<i>Chairman - Resigned</i>	<u>Nandan M. Nilekani - External</u>	<u>Chairman</u>
<i>Ravi Venkatesan</i>	<i>Co-Chairman - Resigned</i>		
<i>Dr. Vishal Sikka</i>	<i>CEO - Resigned</i>	<u>Salil Parekh - External</u>	<u>CEO</u>
U.B. Pravin Rao	COO	U.B. Pravin Rao	COO
Kiran Mazumdar-Shaw	Independent Director	Kiran Mazumdar-Shaw	Independent Director
D.N. Prahlad	Independent Director	D.N. Prahlad	Independent Director
Roopa Kudva	Independent Director	Roopa Kudva	Independent Director
Dr. Punita Kumar-Sinha	Independent Director	Dr. Punita Kumar-Sinha	Independent Director
<i>Prof. Jeffrey S. Lehman</i>	<i>Independent Director - Resigned</i>	<u>D. Sundaram - External</u>	<u>Independent Director</u>
<i>Prof. John W Etchemendy</i>	<i>Independent Director - Resigned</i>	<u>Micheal Gibbs - External</u>	<u>Independent Director</u>

Source: Company, Emkay Research, Please note that 'Bold Italics' are exits and 'Bold Underlined' are new entrants

Exhibit 12: FY18 vs. FY17 leadership (Presidents) comparison; Dearth of executives will impact renewal success

Name	Post (March'17)	Name	Present
<i>Dr. Vishal Sikka - Resigned</i>	<i>CEO</i>	<u>Salil Parekh - External</u>	<u>CEO</u>
U.B. Pravin Rao	COO	U.B. Pravin Rao	COO
<i>M.D. Ranganath - Resigned</i>	<i>CFO</i>	<u>Nilanjan Roy - External</u>	CFO*
Ravi Kumar S.	Deputy COO	Ravi Kumar S.	Deputy COO (Head- Consulting)
Mohit Joshi	Head- BFSI	Mohit Joshi	President (Head- BFSI and HC&LS)
<i>Sandeep Dadlani - Resigned</i>	<i>Head- MFG, Retail & CPG</i>		
<i>Rajesh K. Murthy - Resigned</i>	<i>Head- Consulting, ENU and Telecom</i>		

Source: Company, Emkay Research, Please note that 'Bold Italics' are exits and 'Bold Underlined' are new entrants,*Effective 01 Mar 2019

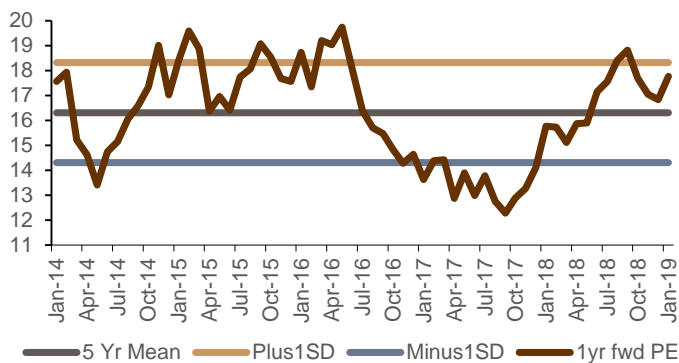
Exhibit 13: FY18 vs. FY17 leadership (presidents) comparison; Infosys has seen change of face in ~70% of its business

Vertical Name	March'17	Present	% of sales
BFSI	Mohit Joshi	Mohit Joshi	32.2%
HC&LS	<i>Sangita Singh - Resigned</i>	Mohit Joshi	6.4%
Manufacturing	<i>Sandeep Dadlani - Resigned</i>	<u>Jasmeet Singh - Internal</u>	9.6%
Retail, CPG and Logistics	<i>Sandeep Dadlani - Resigned</i>	<u>Karmesh Vaswani - Internal</u>	16.8%
Hi-Tech	<i>Sandeep Dadlani - Resigned</i>	<u>Anand Swaminathan Internal</u>	7.5%
Telecom And Media	<i>Rajesh K. Murthy - Resigned</i>	<u>Anand Swaminathan - Internal</u>	12.3%
ENU	<i>Rajesh K. Murthy - Resigned</i>	<u>Sudip Singh - Internal</u>	12.3%

Source: Company, Emkay Research, Please note that 'Bold Italics' are exits and 'Bold Underlined' are new heads

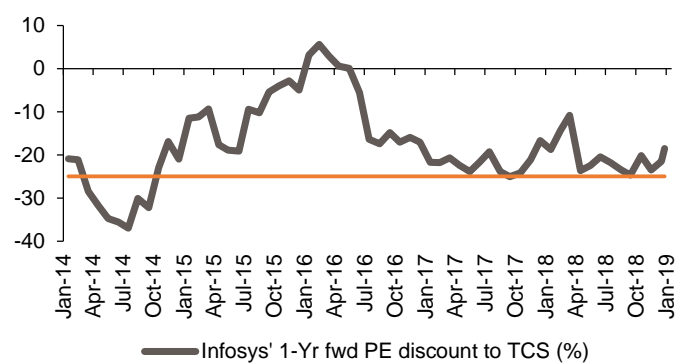
PE performance

Exhibit 14: Infosys' 5-Yr Historical 1-Yr fwd PE chart



Source: Company, Emkay Research

Exhibit 15: Infosys' 1-Yr forward PE discount to TCS (%)



Source: Company, Emkay Research

Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY17	FY18	FY19E	FY20E	FY21E
Revenue	6,84,840	7,05,220	8,27,092	9,00,739	9,84,084
Expenditure	4,98,800	5,15,972	6,14,068	6,70,191	7,32,681
EBITDA	1,86,040	1,89,248	2,13,024	2,30,548	2,51,403
Depreciation	17,030	17,768	21,121	23,055	25,186
EBIT	1,69,010	1,71,480	1,91,902	2,07,493	2,26,217
Other Income	30,800	31,220	26,652	26,946	23,144
Interest expenses	0	0	0	0	0
PBT	1,99,810	2,02,700	2,18,555	2,34,440	2,49,361
Tax	55,980	56,730	59,505	62,311	67,327
Extraordinary Items	0	14,320	(4,510)	0	0
Minority Int./Income from Assoc.	300	0	0	0	0
Reported Net Income	1,43,530	1,60,290	1,54,539	1,72,129	1,82,034
Adjusted PAT	1,43,530	1,45,970	1,59,049	1,72,129	1,82,034

Balance Sheet

Y/E Mar (Rs mn)	FY17	FY18	FY19E	FY20E	FY21E
Equity share capital	11,440	10,880	21,760	21,185	21,185
Reserves & surplus	6,78,380	6,38,360	6,82,080	6,67,983	7,43,244
Net worth	6,89,820	6,49,240	7,03,840	6,89,168	7,64,429
Minority Interest	0	0	0	0	0
Loan Funds	3,600	8,610	8,610	8,610	8,610
Net deferred tax liability	0	0	0	0	0
Total Liabilities	6,93,420	6,57,850	7,12,450	6,97,778	7,73,039
Net block	2,14,940	2,41,170	2,67,670	2,95,670	3,24,670
Investment	1,67,610	1,42,390	1,60,390	1,79,390	1,99,890
Current Assets	4,37,350	4,15,340	4,43,940	4,03,368	4,52,128
Cash & bank balance	2,26,250	1,98,180	1,78,558	84,810	75,054
Other Current Assets	87,880	43,130	63,852	88,528	1,15,544
Current liabilities & Provision	1,40,130	1,41,050	1,59,550	1,80,650	2,03,649
Net current assets	2,97,220	2,74,290	2,84,390	2,22,718	2,48,479
Misc. exp	0	0	0	0	0
Total Assets	6,93,420	6,57,850	7,12,450	6,97,778	7,73,039

Cash Flow

Y/E Mar (Rs mn)	FY17	FY18	FY19E	FY20E	FY21E
PBT (Ex-Other income) (NI+Dep)	1,69,010	2,02,700	2,18,554	2,34,439	2,49,360
Other Non-Cash items	0	1,900	0	0	0
Chg in working cap	(16,470)	840	(29,722)	(32,076)	(35,517)
Operating Cashflow	1,13,590	1,32,180	1,23,795	1,36,160	1,48,558
Capital expenditure	(88,230)	(19,980)	(26,500)	(28,000)	(29,000)
Free Cash Flow	25,360	1,12,200	97,295	1,08,160	1,19,558
Investments	(76,130)	46,820	(18,000)	(19,000)	(20,500)
Other Investing Cash Flow	0	0	0	0	0
Investing Cashflow	(1,33,560)	44,520	(44,500)	(47,000)	(49,500)
Equity Capital Raised	0	(1,30,410)	0	(82,570)	0
Loans Taken / (Repaid)	3,600	0	0	0	0
Dividend paid (incl tax)	(70,699)	(74,640)	(1,04,448)	(1,04,230)	(1,06,772)
Other Financing Cash Flow	(13,651)	280	5,531	3,892	(2,042)
Financing Cashflow	(80,750)	(2,04,770)	(98,917)	(1,82,908)	(1,08,814)
Net chg in cash	(1,00,720)	(28,070)	(19,622)	(93,748)	(9,756)
Opening cash position	3,26,970	2,26,250	1,98,180	1,78,558	84,810
Closing cash position	2,26,250	1,98,180	1,78,558	84,810	75,054

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY17	FY18	FY19E	FY20E	FY21E
EBITDA Margin	27.2	26.8	25.8	25.6	25.5
EBIT Margin	24.7	24.3	23.2	23.0	23.0
Effective Tax Rate	28.0	28.0	27.2	26.6	27.0
Net Margin	21.0	20.7	19.2	19.1	18.5
ROCE	30.6	30.0	31.9	33.2	33.9
ROE	22.0	21.8	23.5	24.7	25.0
RoIC	71.7	56.9	55.6	51.4	48.6

Per Share Data (Rs)	FY17	FY18	FY19E	FY20E	FY21E
EPS	31.3	33.5	36.5	40.6	43.0
CEPS	35.1	37.6	41.4	46.1	48.9
BVPS	150.6	149.2	161.7	162.7	180.4
DPS	12.9	21.8	20.0	20.5	21.0

Valuations (x)	FY17	FY18	FY19E	FY20E	FY21E
PER	21.8	20.4	18.7	16.8	15.9
P/CEPS	18.7	17.5	15.9	14.3	13.4
P/BV	4.5	4.6	4.2	4.2	3.8
EV / Sales	4.3	4.0	3.4	3.1	2.9
EV / EBITDA	15.7	14.7	13.2	12.2	11.3
Dividend Yield (%)	1.9	3.2	2.9	3.0	3.1

Gearing Ratio (x)	FY17	FY18	FY19E	FY20E	FY21E
Net Debt/ Equity	(0.3)	(0.3)	(0.2)	(0.1)	(0.1)
Net Debt/EBIDTA	(1.2)	(1.0)	(0.8)	(0.3)	(0.3)
Working Cap Cycle (days)	37.8	39.4	46.7	55.9	64.3

Growth (%)	FY17	FY18	FY19E	FY20E	FY21E
Revenue	9.7	3.0	17.3	8.9	9.3
EBITDA	8.9	1.7	12.6	8.2	9.0
EBIT	8.2	1.5	11.9	8.1	9.0
PAT	6.4	11.7	(3.6)	11.4	5.8

Quarterly (Rs mn)	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19
Revenue	1,77,940	1,80,830	1,91,280	2,06,090	2,14,000
EBITDA	43,190	44,720	45,370	48,940	48,300
EBITDA Margin (%)	24.3	24.7	23.7	23.7	22.6
PAT	36,970	36,900	36,120	41,100	40,610
EPS (Rs)	8.5	8.5	8.3	9.5	9.3

Source: Company, Emkay Research

Shareholding Pattern (%)	Dec-17	Mar-18	Jun-18	Sep-18	Sep-18
Promoters	12.9	12.9	12.9	12.8	12.8
FIs	35.0	35.2	34.9	35.1	35.1
DIs	21.8	21.6	22.5	22.2	22.1
Public and Others	30.3	30.3	29.7	30.0	30.0

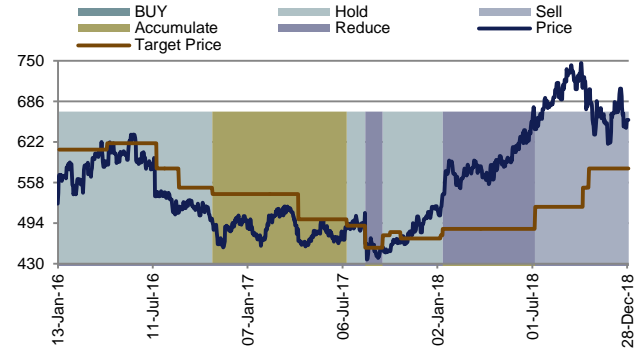
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
16-Oct-18	695	580	12m	Sell	Rahul Jain
05-Oct-18	725	550	12m	Sell	Rahul Jain
18-Aug-18	715	520	12m	Sell	Rahul Jain
13-Jul-18	659	520	12m	Sell	Rahul Jain
10-Jul-18	651	520	12m	Sell	Rahul Jain
06-Jul-18	642	520	12m	Sell	Rahul Jain
13-Apr-18	586	485	12m	Reduce	Rahul Jain
05-Apr-18	574	485	12m	Reduce	Rahul Jain
28-Mar-18	566	485	12m	Reduce	Rahul Jain
12-Jan-18	539	485	12m	Reduce	Rahul Jain
08-Jan-18	518	475	12m	Hold	Rahul Jain
04-Dec-17	493	470	12m	Hold	Rahul Jain
24-Oct-17	463	470	12m	Hold	Rahul Jain
04-Oct-17	450	480	12m	Hold	Rahul Jain
20-Sep-17	456	475	12m	Hold	Rahul Jain
18-Aug-17	462	455	12m	Reduce	Rahul Jain
14-Jul-17	486	490	12m	Hold	Rahul Jain
10-Jul-17	479	500	12m	Accumulate	Manik Taneja
13-Apr-17	466	500	12m	Accumulate	Manik Taneja
13-Jan-17	488	540	12m	Accumulate	Manik Taneja
01-Nov-16	495	540	12m	Accumulate	Manik Taneja
14-Oct-16	514	550	12m	Hold	Manik Taneja
29-Aug-16	511	550	12m	Hold	Manik Taneja
16-Aug-16	526	580	12m	Hold	Manik Taneja
18-Jul-16	541	580	12m	Hold	Manik Taneja
21-Jun-16	603	620	12m	Hold	Manik Taneja
15-Apr-16	586	620	12m	Hold	Manik Taneja
15-Jan-16	570	610	12m	Hold	Manik Taneja

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Emkay Rating Distribution

BUY	Expected total return (%) (Stock price appreciation and dividend yield) of over 25% within the next 12-18 months.
ACCUMULATE	Expected total return (%) (Stock price appreciation and dividend yield) of over 10% within the next 12-18 months.
HOLD	Expected total return (%) (Stock price appreciation and dividend yield) of upto 10% within the next 12-18 months.
REDUCE	Expected total return (%) (Stock price depreciation) of upto (-) 10% within the next 12-18 months.
SELL	The stock is believed to underperform the broad market indices or its related universe within the next 12-18 months.

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