

# HCL-Technologies

Strong 3QFY07 performance; Maintain positive view

- HCL Tech reported a strong 3QFY07 ahead of our and consensus expectations.** Revenues grew 9.5% Q/Q in US\$ terms (8% in Re-terms) essentially driven by strong BPO growth. EBIT margins improved an impressive 118 bps Q/Q (despite rupee appreciation) led by G&A leverage and improved price realization. Overall, net profit grew 16% Q/Q but dilution from ESOP exercise led to 14% EPS growth.
- Positive outlook reinforces demand strength:** Management commentary was quite positive with the company announcing 6 large deal wins and positive pricing trend. Coming on the back of similar positive outlook by Infosys and TCS, we believe that the message of offshore demand strength is further reinforced.
- From an HCL Tech perspective,** this is the third consecutive quarter of almost-double-digit Q/Q revenue growth (10.3% in 1Q and 10.2% in 2Q). In addition to demand strength, we believe that this reflects positively on HCL's diversified growth strategy - large deal ramp-ups in IT Services, leadership in fast-growing Remote Infrastructure (RIM) space and BPO expertise. We expect strong business momentum to continue resulting in 32% revenue CAGR and 26% EPS CAGR over FY06-09E.
- Investment view:** With financial performance remaining strong and the stock trading towards the lower end of peer group at FY08E P/E of 16x, we remain positive on HCL Tech. Our Dec-07 P/E- and DCF-based price target is Rs 375/share (after adjusting for 1:1 bonus) implying 24% share price upside. On a relative basis, we continue to prefer TCS and Infosys. Rupee appreciation remains the key risk to our positive thesis on the sector.

## Overweight

**Rs301.90**

17 April 2007  
Price Target: Rs375.00

### India

#### eBusiness/IT Services

**Manoj Singla, CFA<sup>AC</sup>**

(91-22) 6639-3017  
manoj.singla@jpmorgan.com

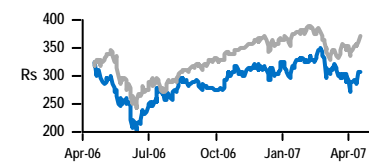
**Bhavin Shah**

(852) 2800-8538  
bhavin.a.shah@jpmorgan.com

**Mythili Balakrishnan, CFA**

(91-22) 6639-3008  
mythili.balakrishnan@jpmorgan.com

#### Price Performance



	YTD	-1M	-3M	-12M
Absolute	-4.8%	3.3%	-3.3%	-2.3%
Relative	-6.0%	-7.9%	-1.7%	-19.5%

Source: RIMES, Reuters.

#### Company HCL Tech earnings results summary (Bloomberg: HCLT IN Reuters: HCLT.BO)

INR millions (per sh. data in INR)	This period	JPM est.	Year ago	% Y/Y	Last period	% Q/Q
Sales	15,772	15,485	11,220	40.6	14,651	7.6
Gross profit	5,183	5,028	3,712	39.7	4,744	9.3
Operating profit	2,816	2,659	1,968	43.1	2,443	15.3
Net profit	3,120	2,756	1,929	61.8	2,682	16.4
EPS (Rs)	4.7	4.2	3.0	57.4	4.1	13.9
Gross margins	32.9	32.5	33.1	-22 bps	32.4	49 bps
Operating margin	17.9	17.2	17.5	32 bps	16.7	118 bps

Source: JP Morgan estimates, company reports

#### Earnings revision and valuation

	2007E	2008E
Old EPS (INR)	16.3	19.2
New EPS (INR)	16.9	19.5
% change	3.3%	1.6%
P/E (x)	17.9	15.5
ROE (%)	25.2	25.2
P/B (x)	4.1	3.6
Dec 07 fair value	375	

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Table 1: Reuters: HCLT.BO, Bloomberg: HCLT IN

RsB	FY06	FY07E	FY08E	FY09E		FY06	FY07E	FY08E	FY09E		
Sales	44.0	60.7	78.5	100.9	Y/E BPS (Rs)	61.2	74.1	82.7	98.9	52-Week range	Rs181.0-357.5
Operating Profit	7.8	10.5	13.5	17.3	ROE (%)	19.7	25.2	25.2	26.9	Shares Outstg	666Mn
EBITDA	9.8	13.0	16.4	20.6	ROIC (%)	30.0	33.4	33.4	35.1	Avg daily volume	0.3 Mn
Pre Tax Profit	8.4	12.1	14.5	18.5						Index (Sensex)	13,607
Net profit	7.7	11.1	13.1	16.5						Avg daily value (US\$ M)	2.5 Mn
EPS (Rs)	12.0	16.9	19.5	24.2	EPS (FY06)	2.6	2.8	3.0	3.6	Dividend Yld (%)	2.7%
P/E (x)	25.1	17.9	15.5	12.5	EPS (FY07) E	3.7	4.1	4.7	4.3	Exchange rate	Rs42.0/US\$1
EV/EBITDA (x)	18.7	14.2	11.2	8.9	EPS (FY08) E	4.4	4.5	5.0	5.6	Free float	30%
P/B (x)	4.9	4.1	3.6	3.1	Local	1M	3M	12M		Market Cap (US\$ B)	4.8
Cash	18.3	21.7	23.7	29.3	Abs. Perf.(%)	1.0	-6.5	-4.5		Year end	June
					Rel. Perf.(%)	-7.7	-2.9	-19.0			

Source: JPMorgan estimates, Company data

## Strong 3QFY07

HCL Technologies reported a strong 3Q FY07 with 9.5% Q/Q US\$ based revenue growth (8% Rupee based) and 118 bps Q/Q improvement in EBIT margins. Margin improvement was led by G&A leverage, lower depreciation (90bps), higher price realization (75bps) and better utilization (29 bps). This was partly offset by rupee appreciation (54 bps), salary increases in BPO (15 bps) and higher ESOP charges (7 bps). Other income was Rs 614m up from Rs 478m in 2QFY07 due to foreign exchange gain. Overall, net profit grew 16% Q/Q.

Table: HCL Tech: Quarterly P&L

Rs in millions, year-end June

**Software services revenues grew 6% Q/Q - 8% in US\$-terms. This was driven by 4% Q/Q volume growth (on the lower side) and 4% realization improvement. EBITDA margins improved 80 bps Q/Q.**

**BPO saw strong 18% Q/Q US\$ based growth with 370 bps EBITDA margin improvement driven by G&A leverage and better utilization.**

**Infrastructure business growth was on the lower side at 8% Q/Q US\$-based. Management expects growth to accelerate going forward.**

**Overall EPS grew 14% Q/Q.**

	2Q FY06	3Q FY06	4Q FY06	1Q FY07	2QFY07	3QFY07
<b>Software services</b>						
Revenues	8,001	8,348	9,301	10,208	10,739	11,420
Q/Q growth (%)	7.6	4.3	11.4	9.7	5.2	6.3
Gross profit	2,749	2,971	3,153	3,531	3,836	4,117
Gross margin (%)	34.4	35.6	33.9	34.6	35.7	36.1
EBITDA	1,832	1,961	2,161	2,273	2,456	2,707
EBITDA Margin (%)	22.9	23.5	23.2	22.3	22.9	23.7
<b>BPO Services</b>						
Revenues	1,338	1,564	1,671	1,763	1,859	2,163
Q/Q growth (%)	2.4	16.9	6.8	5.5	5.4	16.4
Gross profit	433	419	447	482	527	688
Gross margin (%)	32.3	26.8	26.8	27.3	28.3	31.8
EBITDA	363	336	381	395	425	574
EBITDA Margin (%)	27.1	21.5	22.8	22.4	22.9	26.6
<b>Infrastructure services</b>						
Revenues	1,202	1,308	1,565	1,828	2,053	2,185
Q/Q growth (%)	24.1	8.7	19.7	16.7	12.3	6.4
Gross profit	303	321	430	519	553	566
Gross margin (%)	25.2	24.6	27.5	28.4	26.9	25.9
EBITDA	181	202	273	326	358	383
EBITDA Margin (%)	15.1	15.4	17.5	17.8	17.5	17.5
<b>Total company</b>						
Revenues	10,542	11,220	12,538	13,794	14,651	15,772
Q/Q growth (%)	8.6	6.4	11.7	10.0	6.2	7.6
Gross profit	3,484	3,712	4,030	4,532	4,744	5,183
Gross margin (%)	33.1	33.1	32.1	32.9	32.4	32.9
EBITDA	2,377	2,498	2,815	2,989	3,067	3,473
EBITDA Margin (%)	22.5	22.3	22.4	21.7	20.9	22.0
PAT	1,811	1,929	2,330	2,507	2,682	3,120
Net margin (%)	17.2	17.2	18.6	18.2	18.3	19.8
EPS (Rs)	2.8	3.0	3.6	3.7	4.1	4.7

Source: Company reports.

**HCL Tech revenues and operating margins came in ahead of our estimates.**

**Further, HCL Tech saw strong foreign exchange income ahead of our expectations leading to EPS 11% ahead of our estimates.**

**HCL has unrealized gains on treasury investments of US\$18.1m that would be booked over the coming few quarters.**

Table 2: 3Q07: Actuals vs. Our Estimates

Rs in millions Year end June	Actual	JP Morgan Estimates	Variance
Revenue	15,772	15,485	1.8
Gross Profit	5,183	5,028	3.1
EBIT	2,816	2,659	5.9
EBITDA	3,473	3,264	6.4
Net Other Income	614	350	75.1
Pre Tax Profit	3,429	3,009	14.0
Net Profit	3,120	2,756	13.2
Reported net profit	3,120	2,756	13.2
EPS (Rs)	4.7	4.2	10.7
<b>Margins (%)</b>			
Gross Margin	32.9	32.5	0.4
Operating Margin	17.9	17.2	0.7
EBITDA Margin	22.0	21.1	0.9
Net Margin	19.8	17.8	2.0

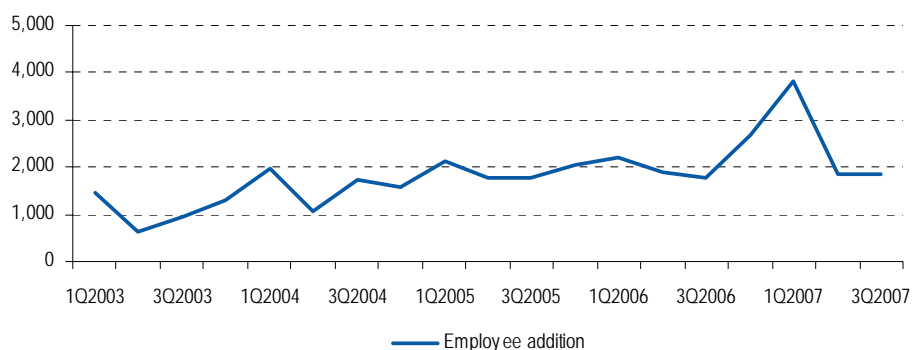
Source: Company reports and JPMorgan estimates.

## Strong outlook

Management was extremely positive about the business outlook. A few datapoints discussed in this regard were:

1. HCL Tech has signed 5 deals in US\$ 25-50 m range and 1 deal with size above US\$ 50 m in the quarter. This indicates HCL's continued focus on large deal wins. Further, Management is seeing decent ramp-up in large deals signed over the last 12-15 months and this would continue to drive strong growth.
2. Pricing is expected to remain on an upward trend.
3. HCL Tech had a good net addition of 1,832 people indicating continued business momentum.

Figure 1: HCL headcount addition



Source: Company reports.

**HCL Tech added 1,273 people to IT Services, 386 to Infrastructure management and 173 people to BPO business.**

## Estimates – Expect 26% EPS CAGR over FY06-09E

We are raising our revenue estimates given the strong traction across service lines.

We have kept our margins largely unchanged as better margin performance in 3QFY07 is offset by Rupee/US\$ appreciation.

Overall, we are raising our FY08 and FY09 EPS estimates by ~2%.

Table 3: Estimate Changes

(Rs in m, year-end June)	New			Old			Change (%)		
	FY07E	FY08E	FY09E	FY07E	FY08E	FY09E	FY07E	FY08E	FY09E
Revenue	60,731	78,544	100,929	60,758	78,130	98,462	(0.0)	0.5	2.5
Gross Profit	19,726	25,325	32,474	19,684	25,278	32,123	0.2	0.2	1.1
EBIT	10,481	13,543	17,334	10,340	13,248	17,058	1.4	2.2	1.6
EBITDA	12,971	16,409	20,608	12,784	16,076	20,286	1.5	2.1	1.6
Pre Tax Profit	12,125	14,523	18,483	11,625	14,017	17,750	4.3	3.6	4.1
Net Profit	11,077	13,058	16,456	10,593	12,562	15,744	4.6	3.9	4.5
EPS (Rs)	16.9	19.5	24.2	16.3	19.2	23.7	3.3	1.6	2.2
Exchange rate	44.17	43.00	43.00	44.79	44.50	44.50	(1.4)	(3.4)	(3.4)
<b>Margins (%)</b>									
Gross Margin	32.5	32.2	32.2	32.4	32.4	32.6	0.1	(0.1)	(0.4)
EBIT Margin	17.3	17.2	17.2	17.0	17.0	17.3	0.2	0.3	(0.1)
EBITDA Margin	21.4	20.9	20.4	21.0	20.6	20.6	0.3	0.3	(0.2)
Net margin	18.2	16.6	16.3	17.4	16.1	16.0	0.8	0.5	0.3

Source: JPMorgan estimates.

Table 4: HCL P&L

Year end June Rs in millions	2007E				2008E				FY04	FY05	FY06	FY07E	FY08E	FY09E
	1Q	2Q	3Q	4QE	1QE	2QE	3QE	4QE						
Revenue	13,794	14,651	15,772	16,514	17,656	19,001	20,272	21,615	25,689	33,694	44,007	60,731	78,544	100,929
Gross Profit	4,436	4,744	5,183	5,363	5,597	6,043	6,610	7,076	8,149	10,977	14,395	19,726	25,325	32,474
EBIT	2,337	2,443	2,816	2,886	2,948	3,192	3,569	3,834	4,066	6,167	7,815	10,481	13,543	17,334
EBITDA	2,893	3,067	3,473	3,538	3,626	3,896	4,298	4,588	5,204	7,722	9,848	12,971	16,409	20,608
Pre Tax Profit	2,631	2,921	3,429	3,144	3,264	3,354	3,733	4,173	6,273	7,244	8,393	12,125	14,523	18,483
Net Profit	2,411	2,682	3,120	2,864	2,933	3,014	3,356	3,755	5,173	6,101	7,744	11,077	13,058	16,456
Reported net profit	2,411	2,682	3,120	2,864	2,933	3,014	3,356	3,755	7,806	6,101	7,744	11,077	13,058	16,456
EPS (Rs)	3.7	4.1	4.7	4.3	4.4	4.5	5.0	5.6	8.7	9.9	12.0	16.9	19.5	24.2
<b>Margins (%)</b>														
Gross Margin	32.2	32.4	32.9	32.5	31.7	31.8	32.6	32.7	31.7	32.6	32.7	32.5	32.2	32.2
Operating Margin	16.9	16.7	17.9	17.5	16.7	16.8	17.6	17.7	15.8	18.3	17.8	17.3	17.2	17.2
EBITDA Margin	21.0	20.9	22.0	21.4	20.5	20.5	21.2	21.2	20.3	22.9	22.4	21.4	20.9	20.4
Net Margin	17.5	18.3	19.8	17.3	16.6	15.9	16.6	17.4	20.1	18.1	17.6	18.2	16.6	16.3
<b>Seq Growth (%)</b>														
Revenue	10.0	6.2	7.6	4.7	6.9	7.6	6.7	6.6	39.1	31.2	30.6	38.0	29.3	28.5
Gross Profit	10.1	6.9	9.3	3.5	4.4	8.0	9.4	7.1	20.2	34.7	31.1	37.0	28.4	28.2
EBIT	3.7	4.5	15.3	2.5	2.2	8.3	11.8	7.4	39.5	51.7	26.7	34.1	29.2	28.0
EBITDA	2.8	6.0	13.3	1.9	2.5	7.4	10.3	6.8	37.0	48.4	27.5	31.7	26.5	25.6
Net Profit	3.5	11.2	16.4	(8.2)	2.4	2.8	11.4	11.9	55.9	18.0	26.9	43.0	17.9	26.0
EPS	3.3	11.0	13.9	(8.5)	2.1	2.4	11.0	11.5	50.1	13.4	21.2	40.2	15.5	24.6

Source: JPMorgan estimates, Company data.

## Valuation – Dec-07 target price of Rs 375/share

We are setting a Dec-07 target price of Rs 375/share, implying 24% upside from current levels. We look at a combination of P/E multiples and DCF fair values to derive our target price.

**P/E multiples** - Our target price assumes a 1-year trailing P/E multiple of 21X, lower than the last year average 1-year trailing multiple of 22x. This is because of the expected trending down of growth over the coming 2-3 years. The 1-year forward multiple on our price target is 17x.

**Risks to our price target** - Macro slowdown in IT spending environment, higher than expected wage inflation, dilution from further issue of ESOPs and appreciation of the rupee against the US\$ are key risks to our price target.

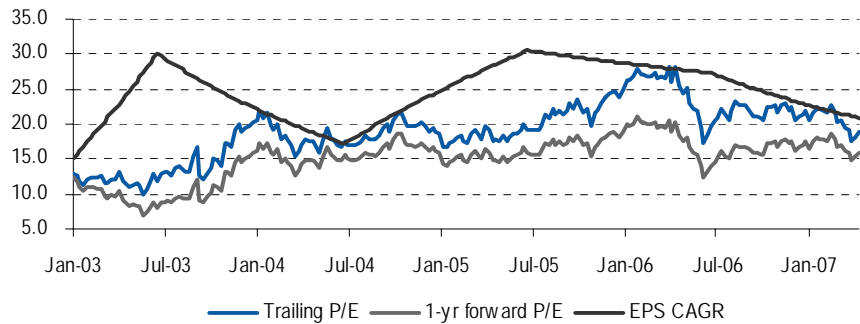
**We expect the stock to trade in line with its historical trailing P/E multiple of ~21-22X**

**Table 5: Target price comparison to P/E multiples**

	1 year forward	1 year trailing
Average P/E multiple over past 1 year	16.5	21.6
Current P/E Multiple (x)	15.9	18.9
Dec 07 EPS (Rs.)	22.0	17.9
Multiple used in Target price (x)	17.1	21.0

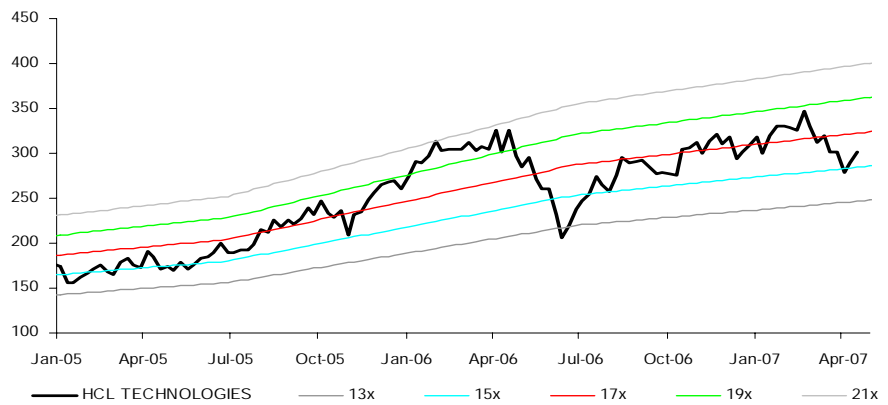
Source: JPMorgan estimates, Company data.

**Figure 2: Trailing and Forward P/E and the 2 year EPS CAGR**



Source: JPMorgan estimates, Company data.

**Figure 3: One year forward P/E**



**HCL is trading at 16X 1 year forward P/E at the lower end of peer group range**

Source: JPMorgan estimates, Company data.

**Figure 4: One year trailing P/E**



**HCL is trading at 19X 1 year trailing P/E towards the lower end of historical range**

Source: JPMorgan estimates, Company data.

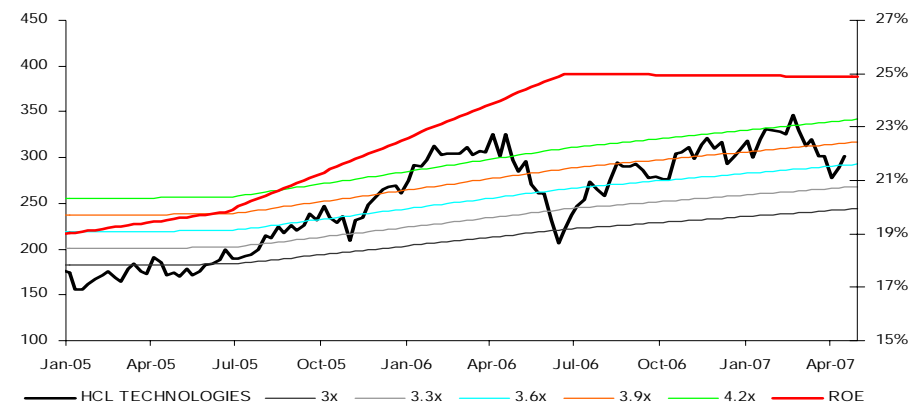
**DCF valuation**

Our Dec-07 DCF fair value estimate remains at Rs 320/share and our target price implies a premium of 17% to this fair value. We are maintaining our 10-year revenue CAGR assumption at 19%, 17% long-term EBIT margins, long-term ROIC of 25% and cost of capital of 13.3%.

**P/B multiples**

Figure 5: One year forward P/BV chart

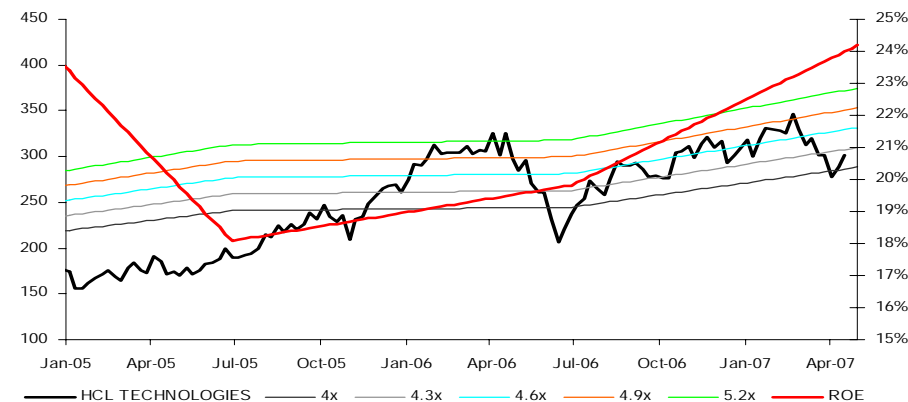
HCL Tech is trading at 3.7x forward book.



Source: JPMorgan estimates, Company data.

Figure 6: One year trailing P/BV

HCL Tech is trading at 4.2x trailing book.



Source: JPMorgan estimates, Company data.

**Result metrics**

**Other income**

HCL Tech had net other income of Rs 614 as compared to Rs 478m in the previous quarter. HCL Tech had foreign exchange gains of Rs 418m and gains of Rs 197m. The company has unrealized gains on Treasury Investments of Rs 789m (US\$18.1m) that will be recognized over the coming year.

**Dividend declaration of Rs2/share**

HCL Tech maintained its quarterly dividend of Rs2/share implying an annual yield of 2.6%.

### ESOP charge

HCL Tech incurred a non-cash ESOP charge of US\$7m (Rs 305m) including Rs 122m from ESOPs issued at market price and Rs 191m issued at par. We include the charge from ESOPs issued below market price as part of salary costs (US\$ 4.4 million for the quarter).

### Europe region

Europe saw strong 13% Q/Q growth during the quarter.

Table 6: Quarterly Metrics

Client data	1Q2006	2Q 2006	3Q 2006	4Q 2006	1Q 2007	2Q 2007	3Q 2007
No of US\$ 1m clients	140	130	131	131	143	230	236
Repeat business (%)	96	95	91	88	87.5	88.2	92.2
<b>Client concentration</b>							
Top 5 clients (% of revenue)	29.9	28.7	28.3	28.1	28.7	29.7	29.2
Top 10 clients (% of revenue)	39	37.8	37.6	37.2	38.2	39.0	38.5
Top 20 clients (% of revenue)	50.2	48.6	48.1	48.9	49.9	51.5	50.9
<b>Geographical breakup (%)</b>							
US	61.9	60.6	59.3	57.8	59.6	57.3	54.3
Europe	22.3	21.4	25.7	28.8	28.6	29.2	30.2
Rest of World	15.8	18	15.0	13.3	11.8	13.5	15.5
<b>Verticals</b>							
BFSI					22.8	27.2	27.5
Hi-Tech Manufacturing					31.3	29.7	28.9
telecom					16.9	16.2	17.2
retail					12	10.6	9.4
Media					5.9	5.9	5.6
Life Sciences					3.5	4	4.5
Others					7.6	6.4	6.8
<b>Service offering breakup (%)</b>							
Enterprise Application Services				12.5	13.7	12.7	13.2
Engineering and R&D Services				23.9	24.0	24.2	23.3
Industry Solutions				37.8	36.2	36.3	35.8
Infrastructure services				12.5	13.3	14	13.8
BPO services				13.3	12.8	12.7	13.7
<b>Manpower</b>							
Organic software business	17,708	17,793	18,623	20,332	21,943	22,523	23,796
Infrastructure	1805	2055	2422	2951	3397	3613	3999
BPO	6772	8334	8903	9343	11,112	12,181	12354
Total people in company	26,285	28,182	29,948	32,626	36452	38317	40149
<b>Net addition</b>	<b>2195</b>	<b>1897</b>	<b>1766</b>	<b>2678</b>	<b>3826</b>	<b>1865</b>	<b>1832</b>

Source: Company reports.

**Other Companies Recommended in This Report (all prices in this report as of market close on 17 April 2007)**

Infosys Technologies (INFY.BO/Rs2,081.70/Overweight), Tata Consultancy Services (TCS.BO/Rs1,249.50/Overweight)

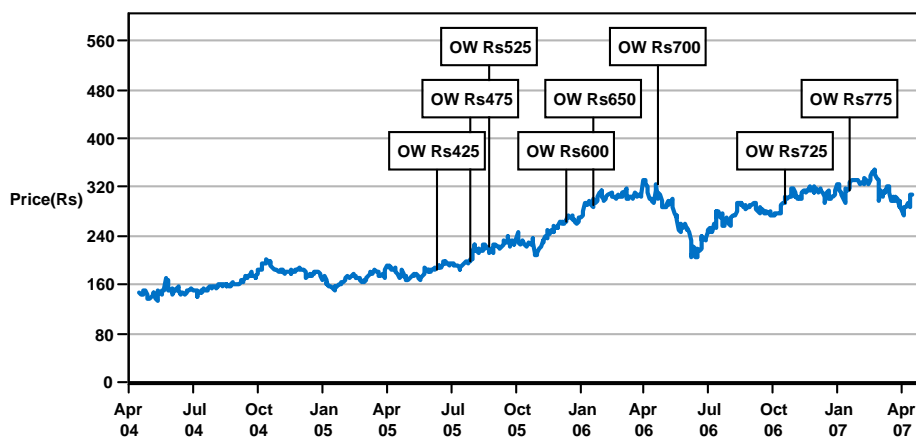
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**HCL-Technologies (HCLT.BO) Price Chart**

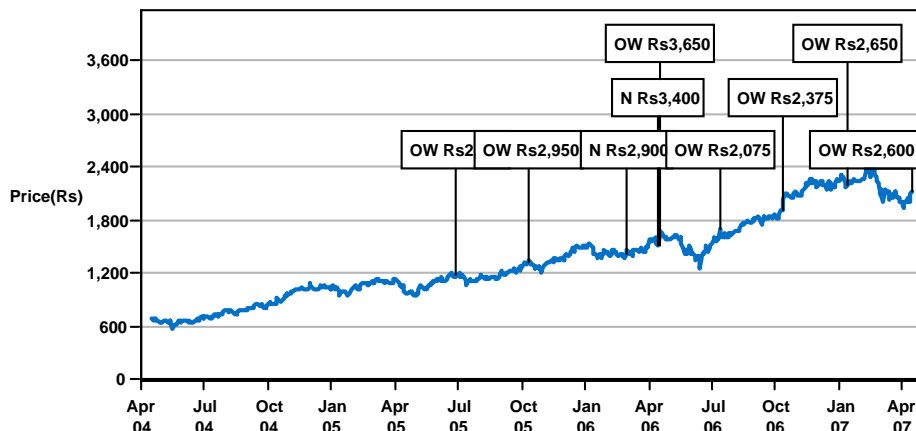


Date	Rating	Share Price (Rs)	Price Target (Rs)
13-Jun-05	OW	184.32	425.00
28-Jul-05	OW	199.08	475.00
23-Aug-05	OW	223.42	525.00
13-Dec-05	OW	263.62	600.00
18-Jan-06	OW	290.15	650.00
19-Apr-06	OW	325.58	700.00
17-Oct-06	OW	292.30	725.00
16-Jan-07	OW	314.90	775.00

Source: Reuters and JPMorgan; price data adjusted for stock splits and dividends.  
 This chart shows JPMorgan's continuing coverage of this stock; the current analyst may or may not have covered it over the entire period.  
 JPMorgan ratings: OW = Overweight, N = Neutral, UW = Underweight.



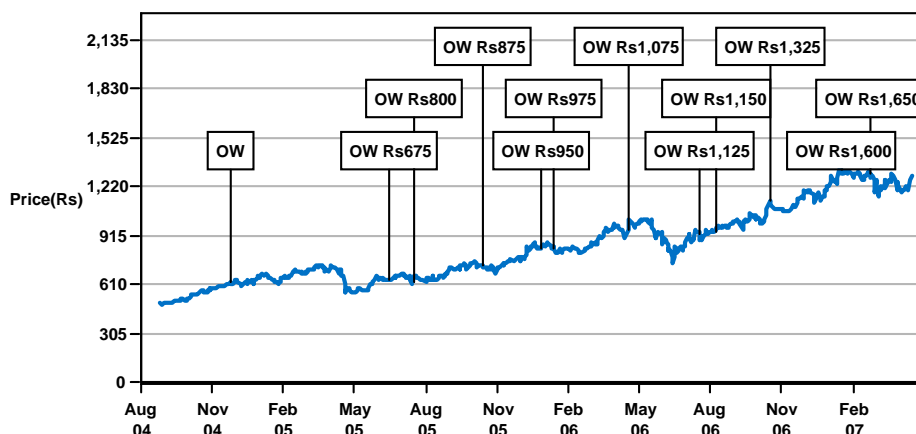
**Infosys Technologies (INFY.BO) Price Chart**



Date	Rating	Share Price (Rs)	Price Target (Rs)
28-Jun-05	OW	1169.10	2700.00
11-Oct-05	OW	1311.22	2950.00
01-Mar-06	N	1414.30	2900.00
14-Apr-06	N	1510.40	3400.00
17-Apr-06	OW	1510.40	3650.00
13-Jul-06	OW	1693.22	2075.00
11-Oct-06	OW	1906.00	2375.00
12-Jan-07	OW	2183.00	2650.00
16-Apr-07	OW	2128.30	2600.00

Source: Reuters and JPMorgan; price data adjusted for stock splits and dividends. This chart shows JPMorgan's continuing coverage of this stock; the current analyst may or may not have covered it over the entire period.  
 JPMorgan ratings: OW = Overweight, N = Neutral, UW = Underweight.

**Tata Consultancy Services (TCS.BO) Price Chart**



Date	Rating	Share Price (Rs)	Price Target (Rs)
24-Nov-04	OW	617.95	-
14-Jun-05	OW	635.65	675.00
16-Jul-05	OW	624.10	800.00
12-Oct-05	OW	733.95	875.00
26-Dec-05	OW	831.38	950.00
12-Jan-06	OW	835.82	975.00
18-Apr-06	OW	951.80	1075.00
19-Jul-06	OW	920.88	1125.00
08-Aug-06	OW	936.00	1150.00
17-Oct-06	OW	1130.45	1325.00
16-Jan-07	OW	1327.90	1600.00
21-Feb-07	OW	1297.20	1650.00

Source: Reuters and JPMorgan; price data adjusted for stock splits and dividends. Initiated coverage Nov 24, 2004. This chart shows JPMorgan's continuing coverage of this stock; the current analyst may or may not have covered it over the entire period.  
 JPMorgan ratings: OW = Overweight, N = Neutral, UW = Underweight.

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	Overweight (buy)	Neutral (hold)	Underweight (sell)
JPM Global Equity Research Coverage	42%	41%	17%
IB clients*	49%	51%	38%
JPM SI Equity Research Coverage	38%	48%	14%
IB clients*	68%	64%	53%

\*Percentage of investment banking clients in each rating category.

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Revised March 30, 2007.

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## HCL-Technologies: Summary of Financials

Income statement						Ratio Analysis					
INR in millions, year-end June	FY05A	FY06A	FY07E	FY08E	FY09E	%, year-end June	FY05A	FY06A	FY07E	FY08E	FY09E
Revenues	33,694	44,007	60,731	78,544	100,929	Gross Margin	32.6	32.7	32.5	32.2	32.2
Cost of Goods Sold	22,717	29,612	41,006	53,219	68,455	EBITDA margin	22.9	22.4	21.4	20.9	20.4
Gross Profit	10,977	14,395	19,726	25,325	32,474	Operating Margin	18.3	17.8	17.3	17.2	17.2
SG&A Expenses	4,810	6,580	9,244	11,782	15,139	Net Margin	18.1	17.6	18.2	16.6	16.3
						SG&A/Sales	14.3	15.0	15.2	15.0	15.0
Operating Profit (EBIT)	6,167	7,815	10,481	13,543	17,334						
EBITDA	7,722	9,848	12,971	16,409	20,608	Sales growth	31.2	30.6	38.0	29.3	28.5
Other Income	1,077	578	1,643	980	1,148	Operating Profit Growth	51.7	26.7	34.1	29.2	28.0
						Net profit growth	18.0	26.9	43.0	17.9	26.0
						EPS (Reported) growth	13.4	21.2	40.2	15.5	24.6
Earnings before tax	7,244	8,393	12,125	14,523	18,483						
Tax	674	626	969	1,380	1,941	Interest coverage (x)	n.m.	n.m.	n.m.	n.m.	n.m.
Net Income (Reported)	6,101	7,744	11,077	13,058	16,456	Net debt to total capital	n.m.	n.m.	n.m.	n.m.	n.m.
						Net debt to equity	n.m.	n.m.	n.m.	n.m.	n.m.
INR											
EPS (Reported)	9.9	12.0	16.9	19.5	24.2	Asset Turnover	71.8	89.4	101.2	115.9	125.3
BPS	60	61	74	83	99	ROE	18.3	19.7	25.2	25.2	26.9
DPS	8.3	8.2	8.0	7.9	7.9	ROIC	34.3	30.2	33.2	33.0	35.1
Shares Outstanding (bn)	638	647	666	674	676	ROCE	16.9	18.6	22.4	23.3	25.3

Balance sheet						Cash flow statement					
INR in millions, year-end June	FY05A	FY06A	FY07E	FY08E	FY09E	INR in millions, year-end June	FY05A	FY06A	FY07E	FY08E	FY09E
Cash and cash equivalents	20,202	18,340	21,658	23,701	29,259	Net Income	6,099	7,732	11,106	13,058	16,456
Accounts receivable	9,909	12,882	18,388	23,429	29,824	Depr. & Amortisation	1,560	2,031	2,495	2,865	3,274
Inventories	0	0	0	0	0	Change in working capital	-1,676	-974	-4,745	-3,573	-4,675
Others	0	0	0	0	0	Other					
Current assets	30,111	31,222	40,046	47,129	59,083	Cash flow from operations	5,982	8,789	8,856	12,350	15,055
LT investments	888	108	46	-170	-385	Capex	-9,446	-3,504	-4,555	-3,801	-4,300
Net fixed assets	15,250	16,723	18,783	19,720	20,746	Disposal/ (purchase)	7	310	99	246	215
Others	702	1,172	1,135	1,105	1,105	Cash flow from investing	-9,439	-3,194	-4,457	-3,555	-4,085
Total assets	46,952	49,225	60,011	67,784	80,549	Free cash flow	-3,463	5,285	4,300	8,549	10,755
Liabilities						Equity raised/ (repaid)	8,684	-1,280	3,945	-1,309	0
ST loans	0	0	0	0	1	Debt raised/ (repaid)	-906	-851	303	-118	-86
Payables	6,737	8,736	9,497	10,965	12,685	Other	0	0	0	0	1
Others	0	0	0	0	1	Dividends paid	-5,328	-5,327	-5,329	-5,325	-5,325
Total current liabilities	6,737	8,736	9,497	10,965	12,687	Cash flow from financing	2,450	-7,458	-1,081	-6,752	-5,410
Long term debt	1,330	81	75	73	73						
Other liabilities	433	831	1,140	1,023	937	Net change in cash	-1,007	-1,863	3,318	2,043	5,559
Total liabilities	8,500	9,648	10,712	12,062	13,698	Beginning cash	21,209	20,202	18,340	21,658	23,701
Shareholders' equity	38,452	39,577	49,299	55,723	66,853	Ending cash	20,202	18,340	21,658	23,701	29,260

Source: JPMorgan estimates, Company data.