

Result Update

CMP : Rs. 512
Rating : Buy
Target : Rs. 603

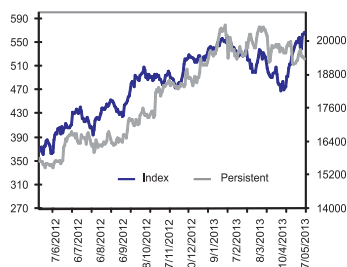
KEY DATA

Market Cap (Rs. bn)	20.5
Market Cap (USD mn)	372.4
52 WK High / Low	589 / 335
Avg Daily Volume (BSE)	16924
Face Value (Rs.)	10

BSE Sensex	20224
Nifty	6157
BSE Code	533179
NSE Code	PERSISTENT
Reuters Code	PERS.BO
Bloomberg Code	PSYS IN

Shareholding %	2Q13	3Q13	4Q13
Promoters	39.0	39.0	39.0
MF/Banks/Indian FIs	14.0	17.0	17.0
FII/ NRIs/ OCBs	22.0	17.0	18.0
Indian Public	25.0	27.0	26.0

Performance Chart



PRICE PERFORMANCE (%)

	3 M	6 M	12 M
Absolute	(1.4)	9.7	47.1
Relative	(5.4)	(1.1)	20.8

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Persistent Systems

Persistent Systems Ltd. (PSL) came up with a decent set of numbers for Q4FY13. Revenue growth was driven by the traditional IT services business while IP revenue was slightly subdued. The sequential revenue growth was led by pricing despite soft volumes aided by IP revenue.

INR revenue growth affected by appreciation of INR but in \$ terms looks decent

Revenues came in at \$62.1 mn up 2.2% sequentially but the rupee revenue rose by a modest 0.3% Q-o-Q mainly due to lower realizations of INR/USD (53.8 in Q4FY13 Vs 54.8 Q3FY13). Revenue growth was led by traditional business (up 3.1% Q-o-Q) while IP revenue declined 1.7% sequentially. Lumpy nature of IP coupled with soft ramp-ups in certain IPs led to a modest decline in IP revenues resulting in a 70 bps decline in contribution to 17.5%. Coming to mix, onsite revenues grew 12.7% sequentially led by volume (+2.7%) and pricing (+9.7%) while offshore growth of 0.5% was driven by pricing (+2.8%) as volumes declined 2.1% Q-o-Q.

Appreciation of INR and higher royalties' impact EBITDA margins: The EBITDA margin in Q4FY13 came in at 23.6% down 121 bps sequentially and was primarily impacted due to 1.9% appreciation of the rupee in the quarter and higher royalties payments to IBM and HP. However EBITDA margin benefitted from flattish employee costs sequentially. On the other hand net profit growth of 4.8% Q-o-Q was better, aided by higher extraordinary income (forex gains of Rs 66mn & excess provisions written back Rs 44mn).

Utilization dips on employee additions but fresh hiring brings in optimism: The company added 251 employees as attrition declined from 16% in Q3FY13 to 14.4% in Q4FY13. On the other hand utilization declined to 72.5% from 77.3% in last quarter. Company plans to hire 600-800 employees in FY14 and has already made 500 offers to fresh graduates who will be joining in Q2 and Q3. The company plans to hike the wages by at 8.5-9% for FY14.

Recent acquisitions to boost revenue in FY14: The Company's acquisition of Novaquest in Jan'13 contributed to \$1.8mn of revenue in the quarter. Novaquest and its earlier acquisition Doyenz continues to do well with client addition, though small in size. As part of the Client Automation business from HP last quarter, PSL has inherited hundreds of customers globally, some very large. PSL plans to now offer various endpoint and device management capabilities to these new enterprises and expects the contribution from them to start flowing in the next 2-3 quarters. Company added 54 new accounts during the quarter with 3 being large.

Management guides for a robust FY14: Management commentary on the product pipeline was upbeat and expects FY14E growth to be higher than Nasscom guidance of 12-14% primarily led by new deal wins, acquired IP ramp-ups and cross selling to customers of the acquired IPs. However, we feel the company could face some pressure on margins due to rising VISA cost and integration costs of its latest acquisitions. The company has guided for stable margins and a capex of Rs 1,250 mn for FY14.

Going ahead, PSL is expected to cash in on the rising demand in its key areas of cloud, mobility, analytics and collaboration. PSL has the benefit of an early mover in this space but however the deal sizes have been low. We now expect revenue, EPS to grow 17%, 18% in FY14E and 17%, 17% in FY15E, respectively. We expect EBITDA margins to decline 154 bps in FY14E to 24.1% led by HP related transition costs, partially offset by higher IP revenues. PSL is a mid-cap IT company having one of the best EBITDA margins amongst its peer set by catering to high end next gen technologies. On the other hand it has also delivered proforma earnings growth of ~17% over the past 3 years. Due to these reasons we believe PSL should command better valuations compared to other mid-cap IT companies. We reiterate our Buy rating on the stock and value the company at a slight premium compared to other midcap IT companies at 11x FY14 earnings arriving at a target price of Rs 603.

Comparative Valuation

Company	Sales				EPS		P/E		EV/EBITDA		EBIDTA	RoE	Annual	Annual	Div. Yield (%)	
	Rs	Rs bn	Rs bn	Rs bn	Rs		(x)	(x)	(%)	(%)	(%)	Growth	Growth			
	Price	Mcap	Cash	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	FY14E	FY14E	(14E/13E)		(14E/13E)
TCS	1,472	2,882	127.0	722	820	79.8	90.0	18.4	16.4	13.3	11.9	28.8	33.9	12.8	13.5	1.8
Infosys	2,372	1,362	204.7	440	484	167.9	184.7	14.1	12.8	9.7	8.8	27.2	22.3	10.1	10.1	2.1
Wipro	338	832	154.0	412	451	26.9	29.5	12.6	11.5	8.8	8.1	20.5	20.8	9.5	9.3	2.2
HCL	728	507	23.9	252	285	54.4	59.1	13.4	12.3	8.6	7.9	22.1	30.9	8.5	13.1	1.7
Oracle Fin. Services	2,438	205	54.7	39	44	143.3	164.5	17.0	14.8	10.9	9.5	35.8	15.1	14.8	14.2	0.0
Satyam	108	127	29.2	84	94	11.6	12.8	9.3	8.5	5.8	5.2	20.2	27.2	10.4	11.0	0.2
Tech Mahindra	922	118	2.4	68	76	88.3	100.3	10.4	9.2	9.2	8.7	20.1	23.8	13.6	12.0	0.5
Mphasis	448	94.1	29.3	57	62	37.0	39.2	12.1	11.4	6.5	6.0	18.4	17.2	5.8	10.1	3.4
CMC	1,323	40.1	2.2	23	28	95.6	120.4	13.8	11.0	9.6	7.7	17.1	27.2	25.9	21.0	1.5
Financial Tech.	847	39.0	17.6	4	5	64.3	63.7	13.2	13.3	11.3	10.6	70.3	11.0	-38.0	22.9	1.1
Vakrangee Software	74	37.3	0.4	15	NA	2.1	NA	35.6	NA	10.8	NA	24.7	22.4	46.6	14.3	0.3
MindTree	830	34.5	5.0	26	29	112.5	91.7	7.4	9.1	6.2	5.5	18.5	24.0	-18.5	11.1	1.3
Redington	81	32.4	4.7	239	271	8.3	9.7	9.7	8.4	7.7	6.8	2.8	22.0	16.6	13.2	1.1
Hexaware	78	23.2	3.3	21	23	10.8	11.9	7.2	6.6	4.3	3.9	19.4	25.3	9.7	9.7	6.6
KPIT Cummins	109	21.0	1.9	24	28	12.5	14.4	8.7	7.6	5.2	4.6	16.2	20.7	15.5	16.4	0.9
Persistent Systems	512	20.5	0.6	15	18	55.6	64.8	9.2	7.9	4.7	3.7	24.1	19.7	16.5	16.9	1.8
Infotech Enterprises	168	18.7	5.0	20	23	22.1	24.9	7.6	6.7	3.6	3.2	18.0	17.0	12.5	11.8	2.0
Eclerx	614	18.4	2.7	7	7	58.0	70.0	10.6	8.8	6.6	6.0	38.5	43.0	20.5	13.0	3.6
NIIT Technologies	256	15.4	2.3	23	26	40.9	44.7	6.3	5.7	3.3	3.0	16.5	20.5	9.4	11.3	3.7
Zensar Technologies	247	10.8	1.8	24	26	47.3	48.9	5.2	5.0	3.1	2.9	14.1	20.9	3.4	10.2	NA
Polaris Financial Technologies	103	10.2	4.7	25	27	23.0	25.0	4.5	4.1	2.0	1.8	13.6	15.4	9.0	7.8	4.6
Rollta India Ltd	61	9.8	0.6	20	21	16.1	16.1	3.8	3.8	3.7	3.3	48.5	12.0	-0.3	4.2	4.9
Average Valuations																
Large Caps								15.1	13.6	10.3	9.2	26.9	24.6	11.1	12.0	1.6
Midcaps								10.3	7.9	6.1	5.2	23.6	21.7	9.3	12.8	2.3

Source: FQ Estimates, Bloomberg Estimates

NA - Not Available

Quarterly Result Analysis

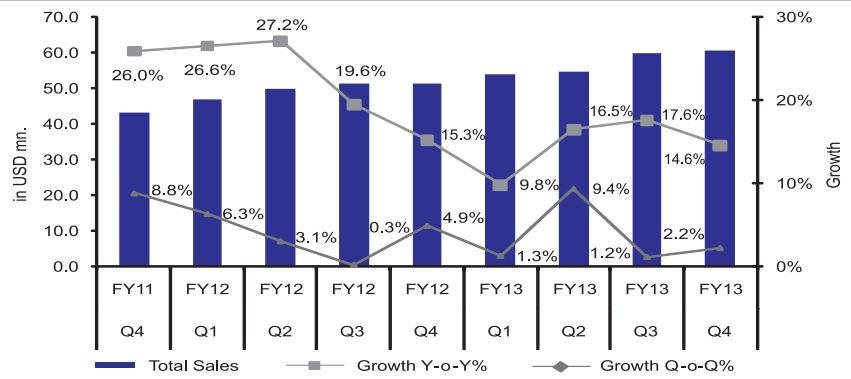
Per	Q4 FY13	Q4 FY12	Y-o-Y change %	Q3 FY13	Q-o-Q change %	12M FY13	12M FY12	Y-o-Y change %
Net Sales (in USD mn)	62.1	54.2	14.6%	60.8	2.2%	237.8	207.4	14.7%
Net Sales	3,340	2,706	23.4%	3,330	0.3%	12,945	7,297	77.4%
Less:								
Cost of services and sales	2,043	1,613	26.6%	2,037	0.3%	7,724	4,794	61.1%
Gross Profit	1,297	1,093		1,293		5,221	2,503	
Administrative and other expenses	510	312	63.2%	467	9.0%	1,898	967	96.2%
Total Expenditure	2,553	1,926	32.6%	2,505	1.9%	9,622	5,761	67.0%
EBIDTA	787	781	0.8%	825	(4.6%)	3,323	1,536	116.4%
Less: Depreciation	211	186	13.7%	198	6.9%	783	425	84.2%
Add: Other income	60	60	(0.1%)	66	(8.9%)	102	173	(41.1%)
Profit Before Extra-ordinary items and Tax	635	655	(2.9%)	693	(8.3%)	2,642	1,284	105.8%
Extra-ordinaries	86	(93)	(192.8%)	17	410.4%	238	99	140.0%
Less: Total Tax	203	140	44.5%	215	(5.7%)	754	411	83.6%
Profit After Tax	519	421	23.1%	495	4.8%	1,889	873	116.3%
Profit After Tax Excl. extra-ordinaries	433	514	(15.9%)	478	(9.5%)	2,126	972	118.7%
Diluted EPS (Rs.)	12.97	10.54	23.1%	12.38	4.8%	53.16	24.31	118.7%
Diluted EPS excl. extra-ordinaries (Rs.)	10.82	12.86	(15.9%)	11.95	(9.5%)	53.16	24.31	
Diluted number of Shares (mn)	40	40		40		40	40	

Margin Analysis			Change in BPS		Change in BPS			Change in BPS
Gross Profit Margin	38.8%	40.4%	(156)	38.8%	1	40.3%	34.3%	603
EBIDTA Margin	23.6%	28.8%	(528)	24.8%	(121)	25.7%	21.0%	462
Proforma NPM	13.0%	19.0%	(605)	14.4%	(140)	16.4%	13.3%	310
Effective Tax Rate	31.9%	21.4%	1,047	31.0%	89	28.5%	32.0%	(345)
Cost Analysis								
Cost of services and sales	61.2%	59.6%	156	61.2%	(1)	59.7%	65.7%	(603)
Administrative and other expenses	15.3%	11.5%	372	14.0%	122	14.7%	13.3%	141

Other Highlights

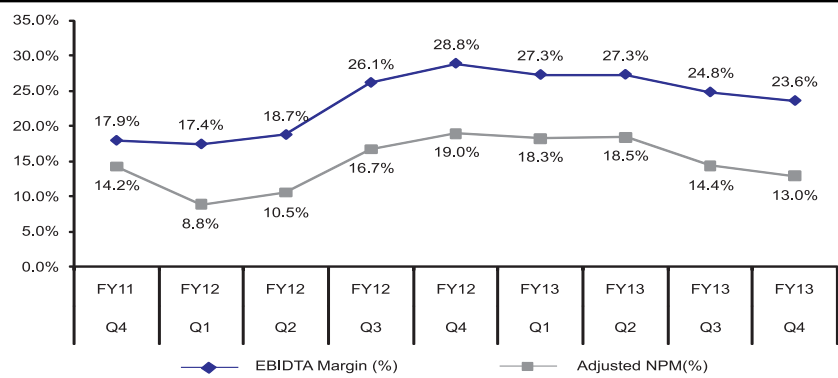
- Persistent reported in-line results for Q4FY13. Revenue increased by 2.2% sequentially to \$62.11 mn. INR revenue grew at 0.3% sequentially while EBITDA margin was slightly lower than expected on account of royalty payment to HP to license its product.
- Revenues in INR terms was flat sequentially at Rs.3.34 bn. Offshore billing rates was up 2.8% sequentially while it saw a dip of 1.2% sequentially in volume. Onsite billing rates and volumes grew by 9.7% and 2.7% Q-o-Q respectively.
- EBIDTA margin was impacted by higher integration costs of NovaQuest and lower IP revenues. On the other hand net profit growth of 4.8% Q-o-Q was better, aided by higher extraordinary income (forex gains of Rs 66mn & excess provisions written back Rs 44mn).
- A favorable tax ruling from the Honorable Mumbai High Court in a pending income tax matter resulted in lower incident of income tax during Q4FY13.

Revenue and Growth



Source: Company, FQ Research

Margin Trend



Source: Company, FQ Research

Business Highlights

Segmental Performance

Consol Revenue in INR mn & Growth (%)	Q4 FY11	Q1 FY12	Q2 FY12	Q3 FY12	Q4 FY12	Q1 FY13	Q2 FY13	Q3 FY13	Q4 FY13
Infrastructure & Systems									
Revenue	1,454	1,519	1,602	1,797	1,830	1,840	2,039	2,111	2,221
Q-o-Q growth	14.3%	4.5%	5.5%	12.1%	1.8%	0.5%	10.8%	3.5%	5.2%
Y-o-Y growth	21.4%	16.9%	23.4%	41.3%	25.9%	21.2%	27.2%	17.5%	21.4%
% of total revenue	68.3%	67.9%	67.3%	67.1%	67.6%	61.2%	62.4%	63.4%	66.5%
Operating Profit	719	542	686	788	760	856	820	1,000	848
% of total Opr. Profit	66.2%	57.2%	61.5%	59.4%	59.9%	57.6%	51.7%	56.8%	58.6%
OPM (%)	49.4%	35.7%	42.8%	43.8%	41.5%	46.5%	40.2%	47.4%	38.2%
Telecom & Wireless									
Revenue	436	497	529	546	565	838	915	868	762
Q-o-Q growth	-3.1%	14.0%	6.5%	3.1%	3.6%	48.1%	9.2%	-5.1%	-12.3%
Y-o-Y growth	25.1%	48.1%	41.9%	21.2%	29.6%	68.5%	72.8%	59.1%	34.7%
% of total revenue	20.5%	22.2%	22.2%	20.4%	20.9%	27.9%	28.0%	26.0%	22.8%
Operating Profit	221	271	295	330	330	462	610	572	422
% of total Opr. Profit	20.3%	28.6%	26.4%	24.9%	26.0%	31.0%	38.4%	32.5%	29.2%
OPM (%)	50.6%	54.5%	55.6%	60.4%	58.3%	55.1%	66.6%	65.9%	55.5%
Life Sciences & Health Care									
Revenue	238	222	250	335	310	329	315	351	357
Q-o-Q growth	4.8%	-6.8%	12.6%	33.8%	-7.2%	6.0%	-4.2%	11.2%	1.8%
Y-o-Y growth	38.8%	25.8%	25.8%	47.2%	30.4%	48.3%	26.1%	4.8%	15.0%
% of total revenue	11.2%	9.9%	10.5%	12.5%	11.5%	10.9%	9.6%	10.5%	10.7%
Operating Profit	146	134	135	209	179	169	157	189	175
% of total Opr. Profit	13.5%	14.1%	12.1%	15.7%	14.1%	11.3%	9.9%	10.7%	12.1%
OPM (%)	61.5%	60.3%	54.0%	62.4%	57.7%	51.2%	49.7%	53.9%	49.1%
Total Revenue	2,128	2,238	2,382	2,677	2,706	3,007	3,269	3,330	3,340
Q-o-Q growth	9.2%	5.2%	6.4%	12.4%	1.1%	11.1%	8.7%	1.9%	0.3%
Y-o-Y growth	23.9%	23.6%	27.4%	37.3%	27.1%	34.4%	37.2%	24.4%	23.4%
Operating Profit	1,086	947	1,115	1,326	1,269	1,487	1,587	1,761	1,446
OPM (%)	51.0%	42.3%	46.8%	49.5%	46.9%	49.4%	48.5%	52.9%	43.3%

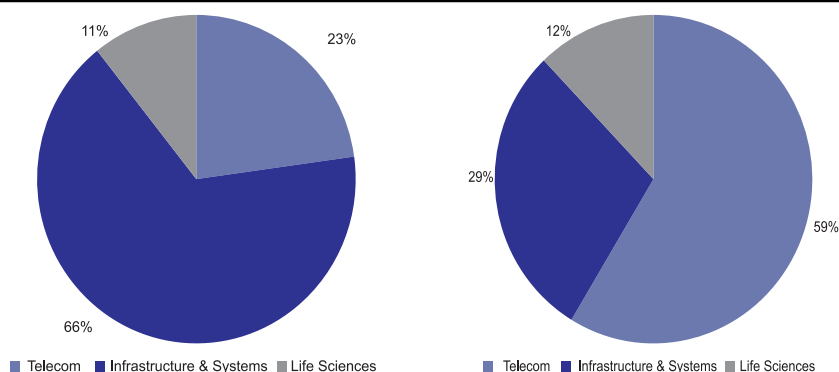
Source: Company, FQ Research

NA - Not Applicable

Infrastructure and systems (I&S) and Life Sciences & Health Care verticals have continued to do well but telecom witnessed a de-growth of 12.3%. However, telecom segment was affected by seasonality with Y-o-Y growth remaining strong at 34.7%.

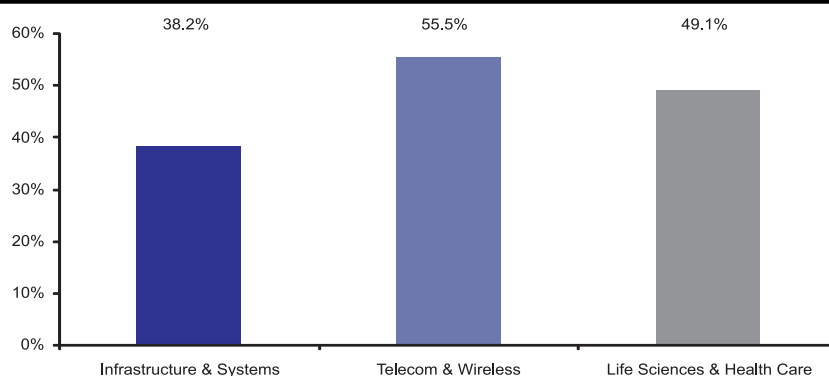
In terms of profitability, there was contraction across the board with Telecom segment contracting the most at 1,040 bps to 55.5%, next was infrastructure at 920 bps to 38.2% and life sciences at 480 bps to 49.1% respectively.

Latest Snapshot- Segmental Revenue and Profits



Source: Company, FQ Research

Segmental Operating Margins - Q4FY13



Source: Company, FQ Research

Billing Rates and Volume

Efforts (Volume)	Q4 FY11	Q1 FY12	Q2 FY12	Q3 FY12	Q4 FY12	Q1 FY13	Q2 FY13	Q3 FY13	Q4 FY13
Onsite	285	298	292	301	300	291	285	278	286
Additions	37	13	-6	9	-1	-10	-5	-7	8
Offshore	4,724	4,806	4,511	4,401	4,499	4,308	4,177	4,151	4,060
Additions	530	81	-295	-110	98	-191	-131	-26	-91
Total	5,010	5,104	4,803	4,703	4,800	4,599	4,462	4,429	4,347
Volumes Growth (Q-o-Q %)	12.8%	1.9%	-5.9%	-2.1%	2.1%	-4.2%	-3.0%	-0.7%	-1.9%

Source: Company, FQ Research

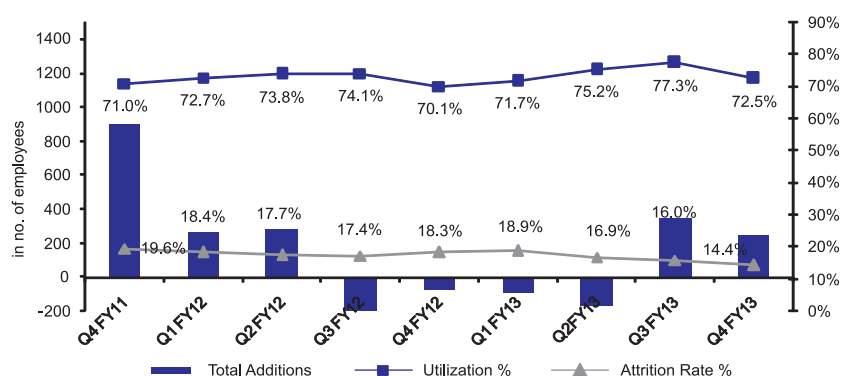
Billing Rates (USD/p.p.m)	Q4 FY11	Q1 FY12	Q2 FY12	Q3 FY12	Q4 FY12	Q1 FY13	Q2 FY13	Q3 FY13	Q4 FY13
Onsite	12,766	13,033	12,665	12,387	12,603	12,789	12,863	12,772	14,014
Growth Q-o-Q%	-2.6%	2.1%	-2.8%	-2.2%	1.7%	1.5%	0.6%	-0.7%	9.7%
Growth Y-o-Y%	1.6%	4.5%	1.2%	-5.4%	-1.3%	-1.9%	1.6%	3.1%	11.2%
Offshore	3,709	3,770	3,771	3,778	3,895	3,898	3,978	4,032	4,143
Growth Q-o-Q%	1.1%	1.6%	0.0%	0.2%	3.1%	0.1%	2.1%	1.4%	2.8%
Growth Y-o-Y%	4.6%	4.5%	4.9%	2.9%	5.0%	3.4%	5.5%	6.7%	6.4%

Source: Company, FQ Research

The onsite revenue for the quarter increased by 12.7% which comprised volume growth of 2.7% and increase in billing rates of 9.7%. The offshore revenue for the quarter grew by 0.5% courtesy 2.8% rise in billing rate and a drop of 2.1% in volume.

The company was witnessing better rates on new businesses it had acquired on the product engineering side. In addition, the company was also getting good rates in platform solutions business.

Attrition, Utilization and Hiring



Source: Company, FQ Research

Attrition (on LTM basis) has come a long way down from 19.6% in Q4FY11 to 14.4% in Q4FY13 but however the utilization has come down Q-o-Q from 77.3% in Q3FY14 to 72.5% in Q4FY14.

Client contribution to revenue

Revenue Concentration %	Q4FY11	Q1FY12	Q2FY12	Q3FY12	Q4FY12	Q1FY13	Q2FY13	Q3FY13	Q4FY13
Top 1	19.4%	15.1%	16.0%	15.9%	17.2%	17.8%	20.7%	21.1%	21.6%
Top 5	41.5%	37.6%	38.6%	37.0%	36.6%	33.5%	36.3%	37.3%	36.7%
Top 10	52.8%	48.2%	49.4%	48.3%	48.8%	45.3%	47.0%	49.0%	47.9%

Source: Company, FQ Research

Contribution from its top client IBM has consistently increased from 15.1% in Q1FY12 to 21.6% in Q4FY13. However the contribution from top 5 and top 10 clients has decreased sequentially.

Client Pyramid

	Q4FY11	Q1FY12	Q2FY12	Q3FY12	Q4FY12	Q1FY13	Q2FY13	Q3FY13	Q4FY13
Large > \$ 3mn	9	9	10	10	11	13	15	14	15
Medium > \$ 1mn < \$3mn	26	32	32	27	26	35	32	29	29

Source: Company, FQ Research

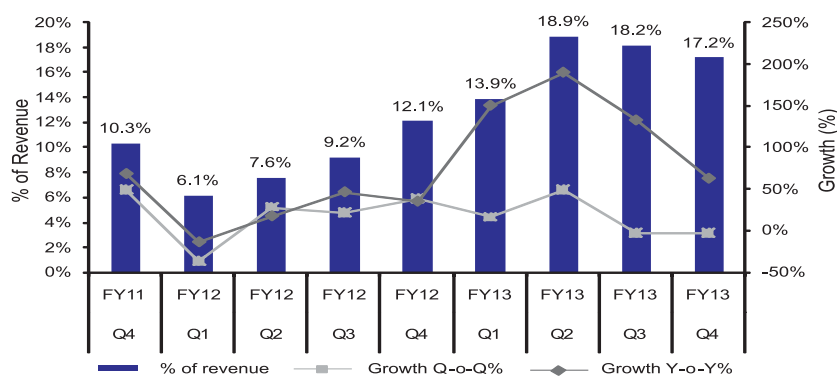
During the quarter, PSL added 50 plus new accounts, out of which three were multibillion dollar enterprises. Many of these new accounts came through its platform sell with business.

Onsite-Offshore mix by Revenue and Effort

Onsite: Offshore Mix %	Q4FY12	Q1FY13	Q2FY13	Q3FY13	Q4FY13
Onsite	19.9%	19.3%	17.6%	17.0%	18.8%
Offshore	68.0%	66.7%	63.5%	64.8%	63.7%
IP led	12.1%	13.9%	18.9%	18.2%	17.2%

Source: Company, FQ Research

IP revenue contribution and growth



Source: Company, FQ Research

Cloud, mobility, collaboration and analytics are the key focus areas in which PSL develops and acquires IP. The lumpy nature of the IP revenue was one of the main reasons for the deep in its contribution in Q4FY13. IP business had doubled Y-o-Y through its acquisition of NovaQuest, HP Client Automation, Doyenz and Location. The way NovaQuest business works is PSL does the reselling of Dassault or ENOVIA products to the customers, where its resale part of that NovaQuest business is classified as IP revenue. The company plans to increase the contribution to ~25% of the total revenue in the next couple of years.

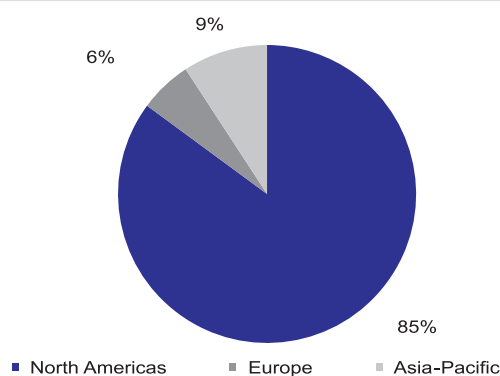
Geographical break-up of Revenues

Geography %	Q4FY11	Q1FY12	Q2FY12	Q3FY12	Q4FY12	Q1FY13	Q2FY13	Q3FY13	Q4FY13
North Americas	86.3%	82.8%	82.0%	82.9%	82.4%	84.4%	84.6%	85.1%	85.1%
Europe	5.8%	7.4%	7.8%	7.2%	6.8%	6.9%	7.4%	6.1%	5.7%
Asia-Pacific	7.9%	9.8%	10.2%	9.9%	10.8%	8.7%	8.0%	8.8%	9.2%

Source: Company, FQ Research

Geography wise, the company's growth was led by Asia-Pacific while Europe remained subdued.

Latest Snapshot: Geographical break-up of Revenues



Source: Company, FQ Research

Key Financials

Profit and Loss Statement

YE March 31 (Rs. mn)	FY11	FY12	FY13	FY14E	FY15E
Total Revenues	7,758	10,003	12,945	15,086	17,635
Revenue Growth (Y-o-Y)	29.1%	28.9%	29.4%	16.5%	16.9%
Total Expenditure	6,175	7,759	9,622	11,446	13,356
EBIDTA	1,583	2,244	3,323	3,640	4,279
EBIDTA Margin (%)	20.4%	22.4%	25.7%	24.1%	24.3%
EBIDTA Growth (Y-o-Y)	8.2%	41.7%	48.1%	9.5%	17.5%
Other Income	344	336	278	354	451
Depreciation/Amortization	424	611	783	864	1,144
PBT	1,505	1,969	2,642	3,131	3,586
PBT Margin (%)	19.4%	19.7%	20.4%	20.8%	20.3%
Net Profit	1,397	1,418	1,889	2,192	2,510
Net Profit Excl. extra-ordinaries	1,396	1,418	2,065	2,192	2,510
Net Profit Growth Excl. extra-ordinaries (Y-o-Y)	21.3%	1.6%	45.6%	6.1%	14.5%

Ratios

Particulars	FY11	FY12	FY13	FY14E	FY15E
Valuation Ratios					
P/E (x)	14.7x	14.4x	10.8x	9.3x	8.2x
P/BV (x)	2.7x	2.4x	2.0x	1.7x	1.4x
EV/EBIDTA (x)	11.6x	8.1x	5.8x	4.7x	3.7x
Market Cap./ Sales (x)	2.5x	2.0x	1.5x	1.3x	1.1x
Net cash/Market Cap (%)	4.6%	7.6%	3.6%	14.7%	22.5%
Dividend Yield (%)	0.3%	0.5%	0.6%	0.9%	1.1%
Leverage Ratios					
Debt/Equity (x)	0.0x	0.0x	0.0x	0.0x	0.0x
Per Share Data					
Diluted EPS Excl. extra-ordinaries (Rs.)	34.9	35.4	51.6	54.8	62.8
Diluted EPS (Rs.)	34.9	35.4	47.2	54.8	62.8
Diluted Cash EPS	45.5	50.7	66.8	76.4	91.4
Dividend per share	1.7	2.9	3.5	5.4	6.6
Book Value Per share (Rs.)	186.8	210.1	254.6	304.0	360.2
Returns					
RoE (%)	20.0%	17.7%	22.0%	19.4%	18.7%
RoCE (%)	19.8%	17.7%	21.5%	18.6%	18.0%
Dividend Payout (%)	5.0%	8.2%	7.4%	9.9%	10.5%
Dupont Analysis					
EBIDTA/Sales (%)	20.4%	22.4%	25.7%	24.1%	24.3%
Sales/Operating Assets (x)	1.7x	1.6x	1.7x	1.7x	1.9x
EBIDTA/Operating Assets (%)	34.9%	36.4%	44.2%	41.7%	47.2%
Operating Assets/ Net Assets(x)	0.6x	0.8x	0.8x	0.7x	0.7x
Net Earnings/ EBIDTA (%)	88.2%	63.2%	62.1%	60.2%	58.7%
Net Assets/ Equity (x)	1.0x	1.0x	1.0x	1.0x	1.0x
Return on Equity (%)	20.0%	17.7%	22.0%	19.4%	18.7%
Margins (%)					
EBIDTA (%)	20.4%	22.4%	25.7%	24.1%	24.3%
PBT Margin (%)	19.4%	19.7%	20.4%	20.8%	20.3%
NPM (%)	18.0%	14.2%	14.6%	14.5%	14.2%
Growth Ratios (%)					
Sales	29.1%	28.9%	29.4%	16.5%	16.9%
EBIDTA	8.2%	41.7%	48.1%	9.5%	17.5%
PAT	21.5%	1.5%	33.2%	16.0%	14.5%
Adj. PAT	21.3%	1.6%	45.6%	6.1%	14.5%
Operating Cycle					
Debtors (Days of net sales)	74	74	71	71	71
Creditors (Days of Raw Materials)	24	14	12	13	13
Cash Conversion Cycle	50	61	59	58	58

Balance Sheet

YE March 31 (Rs. mn)	FY11	FY12	FY13	FY14E	FY15E
Liabilities					
Equity Capital	400	400	400	402	402
Total Reserves	7,071	8,005	9,783	11,757	14,004
Net Worth	7,471	8,405	10,183	12,159	14,406
Total Loans	0	7	14	14	14
Other long term liabilities	146	71	639	639	639
Deferred Tax Liability (Net)	(60)	(107)	(190)	(141)	(161)
Capital Employed	7,558	8,376	10,646	12,672	14,898
Assets					
Gross Block	3,381	4,467	5,119	6,119	7,119
Less: Depreciation	1,692	1,991	2,319	3,183	4,327
Net Block	1,688	2,475	2,800	2,936	2,792
Capital WIP	525	511	1,174	603	705
Total Investment	0	123	173	207	249
Intangible Assets	602	739	702	737	774
Long term loans & advances & other assets	263	149	721	793	873
Current assets:					
Short term investments	2,500	1,915	3,116	3,428	3,771
Sundry Debtors	1,582	2,033	2,509	2,934	3,430
Cash and Bank Balance	886	1,375	561	2,721	4,230
Loans and Advances:	771	535	347	453	617
Others	226	182	434	453	476
Total Current Assets	5,966	6,040	6,969	9,988	12,524
Less: Current Liabilities & Provisions					
Sundry Creditors	406	289	319	533	622
Provision for Tax and Others	676	681	1,048	939	1,076
Others	345	590	527	905	1,058
Total Current Liabilities & Provisions	1,486	1,660	1,894	2,594	3,019
Net Current Assets	4,480	4,379	5,075	7,394	9,505
Capital Applied	7,558	8,376	10,646	12,672	14,898

Cash Flow Statement

YE March 31 (Rs. mn)	FY11	FY12	FY13	FY14E	FY15E
EBITDA	1,159	1,633	2,540	2,776	3,135
Less: Adjusted Taxes	83	457	725	833	940
NOPLAT	1,076	1,176	1,816	1,943	2,194
Plus: Depreciation	424	611	783	864	1,144
Gross Cashflow	1,500	1,787	2,599	2,807	3,339
Less: Increase in Working Capital	3,071	(504)	1,468	419	699
Operating Cashflow	(1,571)	2,291	1,131	2,388	2,639
Less: Net Capex	318	1,384	1,772	429	1,102
Less: Increase in Net Other Assets	890	30	719	(159)	91
FCF From Operation	(2,779)	877	(1,360)	2,118	1,447
Less: Inc./Dec. in Investment	0	0	0	0	0
FCF after Investment	(2,779)	877	(1,360)	2,118	1,447
Plus: Gain/(loss) on Extraordinary Items	2	0	(126)	0	0
Total FCF	(2,778)	877	(1,486)	2,118	1,447

Recommendation Summary

Event	Date	Price	Rating	Target
Initiating Coverage	20-03-2012	309	Buy	388
Result Update (Q4FY12)	30-04-2012	360	Buy	422
Result Update (Q1FY13)	31-07-2012	388	Buy	460
Result Update (Q2FY13)	30-10-2012	470	Buy	650
Result Update (Q3FY13)	14-02-2013	535	Buy	638
Result Update (Q4FY13)	20-05-2013	512	Buy	603

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BUY

More than 10% return

HOLD

Between 5-10% return

SELL

Less than 5% return