Mindtree

Sector: IT/Mid-cap

Chola

Cholamandalam Securities Ltd.

Initiating Coverage 6 October 2012

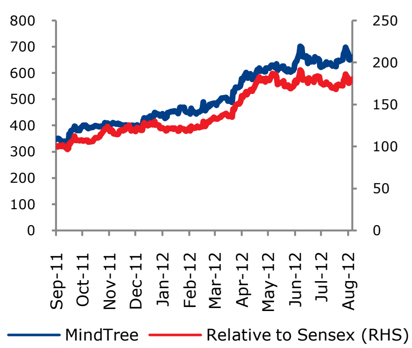
Sensex	Nifty	Price: INR 649	Target Price: INR 713	OUTPERFORMER
18938	5747			

Background: Incorporated in 1999, Mindtree (MT) is a mid-cap IT company, which operates in two main business segments: IT Services (69%) & Product Engineering & Services (31%). IT services encompasses application development & maintenance, testing, consulting and IMS services to enterprise clients in verticals like BFSI (22%), manufacturing& retail (18.5%), travel & media (21%) and others (7.6%). The PES segment involves full life cycle product engineering, professional services and sustained engineering services. The company has 10380 employees spread across 24 offices to cater to 245 clients, which includes over 40 Fortune 500 companies. The company's business is spread across North America (58%), Europe (29%), India (6%) and RoW (7%).

52 Week High/Low	INR 762/336
Bloomberg code	MTCL IN
Reuters code	MINT.BO
Issued Equity (shares in mn)	40.7
Mkt. Cap in mn	INR 26,620
Mkt. Cap in mn USD	$ 515
Avg. Daily Vol. ('000)	187.7
Avg. Daily Vol. (mn)	INR 121.8/$ 2.4

Shareholding	Jun11	Mar12	Jun12
Promoters(%)	26.38	20.19	19.83
FII (%)	19.89	19.85	21.99
DII (%)	6.82	9.55	10.79
Others (%)	46.91	50.41	47.39
Pledge (% of promoter holding)	0.00	0.00	0.00

Performance%	1M	3M	12M
Mindtree	-1.6	4.6	90.5
Sensex	5.1	9.5	12.4



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Focus on fewer verticals & domain expertise to drive growth

Mindtree Ltd. is a Global IT services and Product Engineering Services Company with rich domain expertise across specific domains. Backed by a solid management team, the company grew at a stupendous rate to cross $100 mn in revenues within 6 years and it is the first company to do so.

Strengthens focus on core IT business by adopting back to basics theme

As PES business is considered volatile and more vulnerable to macroeconomic shocks, Mindtree has renewed its focus on the core IT services business with strong focus on large deal wins. The management's guidance for FY13 indicates that the PES segment would grow in the low single digits (0-5%) while IT business is expected to show decent traction (~15%) aided by growth in BFSI & manufacturing space.

Improved client mining and increased onsite revenues will act as key revenue drivers

The number of active clients has dropped from 261 in Q1 FY11 to 245 in Q1 FY13 as the company, has dropped around 50-60 low yielding clients in the recent quarters as they were not into segments that were strategic to Mindtree.

Scope for margin improvement in the presence of multiple levers

The management has given guidance for a stable margin despite the full impact of salary hike next quarter. Going forward, the key levers to improve operating margins include higher utilization rates, broadening the employee pyramid and improvement in operational efficiencies.

Inorganic growth strategy coupled with focus on non-linear revenues will propel long term growth

In the last 16 years, Mindtree has made several acquisitions, which helped them to strengthen their position in certain areas and foray into newer ones. Currently, Mindtree is also scouting for acquisitions worth $50 mn - $200 mn, and is looking at companies that provide infrastructure management services (IMS) or software package solutions.

Valuation:

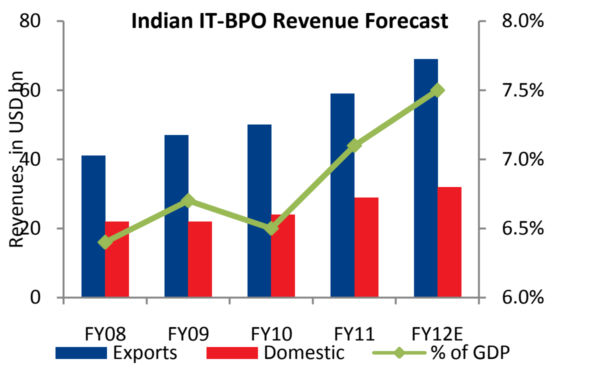
At CMP of INR 649, the stock trades at P/E of 8.3x FY13 EPS and 7.7x FY14 EPS. We initiate coverage with an Outperformer rating and target price of INR 713 based on target P/E of 8.5x FY14 EPS.

Risks: Adverse cross currency movement can have a material impact on the projected revenues. Project ramp downs, sluggish growth in PES business and attrition at elevated levels are amongst the concerns.

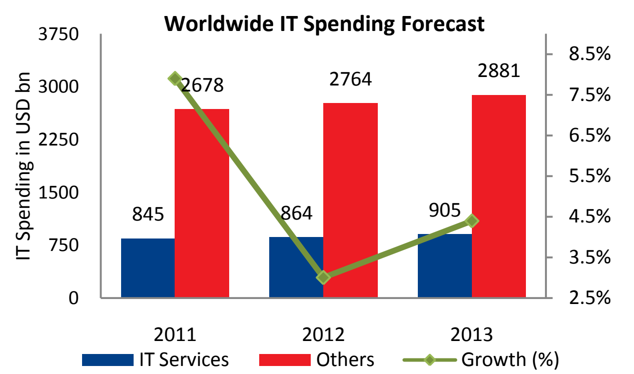
Y/E March (INR mn)	FY11	FY12	FY13E	FY14E
Revenue	15,090	19,152	23,651	25,997
EBIDTA	1,778	2,930	4,537	4,939
PAT	1,016	2,185	3,190	3,401
EPS	25.4	53.9	78.7	83.9
EPS growth (%)	-52.7	115.1	46.0	6.6
P/E	25.6	12.1	8.3	7.7
P/ BV	3.4	2.8	2.1	1.7
EV / EBIDTA	15.1	9.2	5.9	5.4
EV / Sales	1.8	1.4	1.1	1.0
Dividend Yield (%)	0.4	0.6	0.9	1.1
ROCE (%)	14.7	22.8	28.4	27.3
ROE (%)	14.1	25.2	28.9	24.3
Net Debt / Equity	-0.1	-0.02	-0.1	-0.2

Industry Overview:

In the current scenario, the global economies are under a lot of stress as developed markets witness subdued growth while emerging economies face slowing growth. According to International Monetary Fund (IMF), advanced economies are projected to grow 1.4% this year & 1.9% in 2013 while emerging economies will expand 5.9% this year & 5.6% in 2012. The IMF has also cut its growth projections for India to 6.1% this year and chopped its 2013 forecast to 6.5% from 7.3%. The IMF has also warned that the global outlook could dim further if policymakers in Europe delay in resolving the region's debt crisis. According to a recent update by Gartner, a global IT research and advisory firm, worldwide IT spending outlook has been revised from 2.5% to 3% to reach $3.6 trillion in 2012. The growth outlook has slightly been revised upwards amidst the presence of global economic problems; euro zone crisis, weaker U.S recovery and a slowdown in China. Worldwide IT services spending is forecast to reach $864 billion in 2012, reflecting a 2.3% increase from 2011



Source: NASSCOM

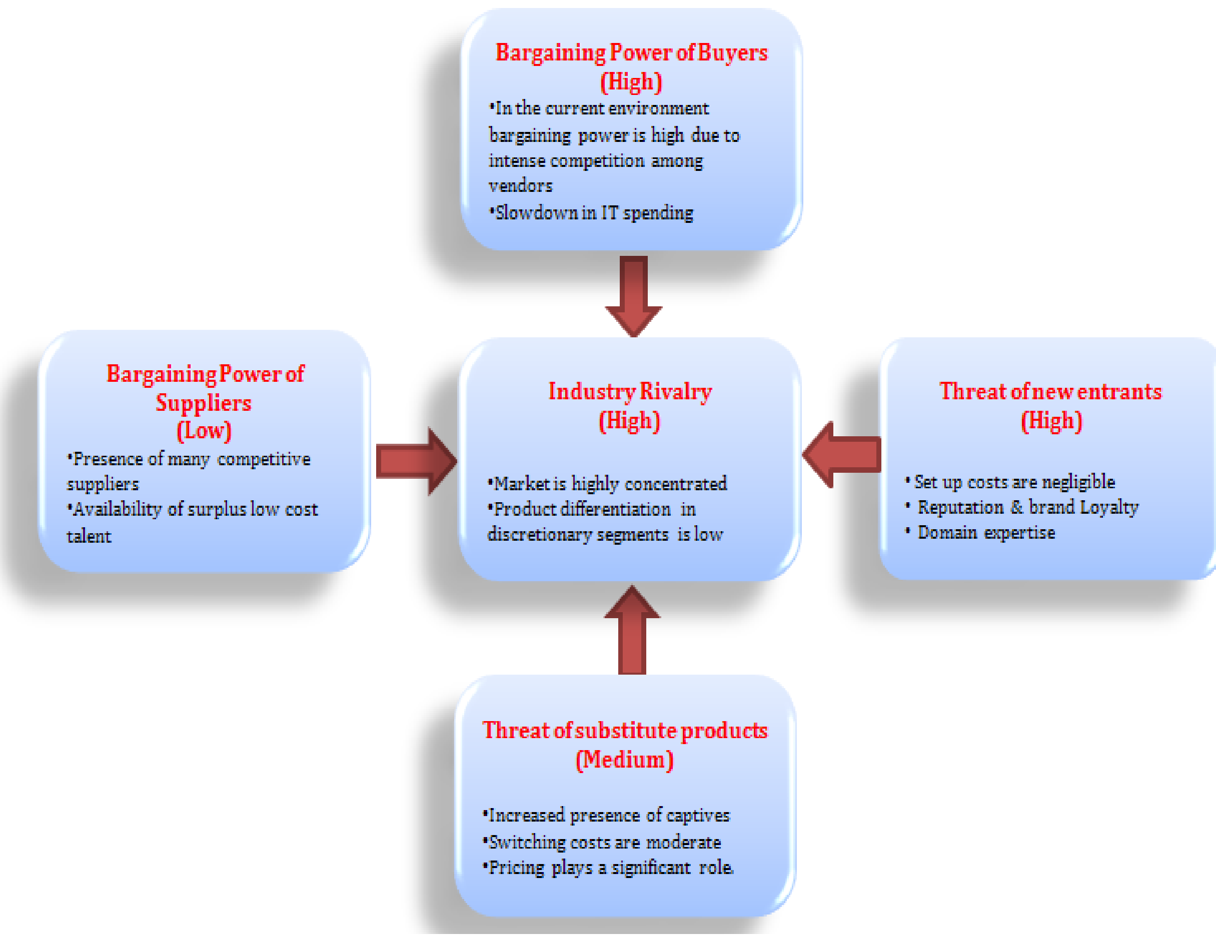


Source: Gartner

IT sector in India has demonstrated stupendous performance and has grown at 30% CAGR in the last 10 years. According to NASSCOM Strategic Review, FY2012 is considered as a milestone year for IT-BPO sector as aggregate revenues is expected to cross USD 100 billion. As a proportion of national GDP, the sector revenues have grown from 1.2% in FY1998 to an estimated 7.5% in FY2012. The industry's share of total Indian exports increased from less than 4% in FY1998 to ~25% in FY2012. While the global macroeconomic scenario remained uncertain, the industry exhibited resilience and was able to sustain its growth rate as global spending on technology continues to grow and the global IT off shoring market is expected to grow much faster.

Export revenue is expected to reach $69.1 billion in FY2012 & account for ~68% of the IT-BPO revenue while domestic revenues are projected to reach $31.7bn & account for 32% of the total revenues. US continued to drive exports growth while Europe has gone through a tough period in the last couple of years. However it was APAC region that exhibited the fastest growth at ~18%. In the service verticals, BFSI is set to increase its share in exports revenue to 41% while share of telecom is projected to decrease to 19% due to slowdown in telecom investments in US &UK. However, energy and utilities followed by healthcare remains the fastest growing verticals. NASSCOM has indicated that export revenues from IT services are expected to grow between 11 and 14% in US dollar terms while the domestic market is expected to grow by 13-16% in rupee terms for FY13.

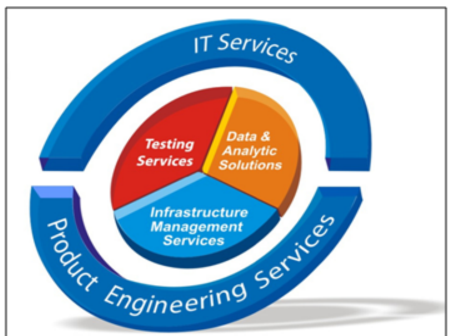
The Indian IT industry consists of a large number of players who derive a majority of revenue through exports. Cost leadership has been the competitive edge of the Indian software sector over the last few years. However, in the recent years, MNCs have started to replicate the Indian outsourcing model by setting up bases in the country and providing services at an affordable cost on par with Indian software vendors. The Porter's five forces framework for IT industry is presented below.



Source: CSEC Research

Company Background

Mindtree is a mid tier IT services company that was incorporated in August 1999 and went public in December 1997. The company was started by 10 professionals with an initial funding of $9.1 mn from venture capital funds. The company has 24 global offices with business operations spread across US, Europe & Asia Pacific. Within a short span of time, Mindtree built an impressive clientele and has developed long standing relationships with marquee clients such as Microsoft (11 years), Unilever (11 years), Avis budget group (12 years), United Technologies (10 years), Volvo (10 years), Symantec (8 years), EBay (7 years), Texas Instruments (7 years) etc. Mindtree is acknowledged as the best mid-size software services company out of India for its capability to build, test and deploy solutions as much as emphasis on culture, customer centricity and corporate governance.



IT Services

Industry Focus Areas
- Banking & Financial Services
- Insurance
- Manufacturing
- Media, Retail & Services
- Travel & Transportation

Practices
- Analytics, BI/Data Warehousing
- SAP/ERP, EAI & BPM
- Independent Testing
- Digital Business
- Mainframe and System i
- Infrastructure Management & Tech Support

Offerings
- Enterprise Solutions & Mobility
- Application development & maintenance
- Mobile Enablement
- Security Services

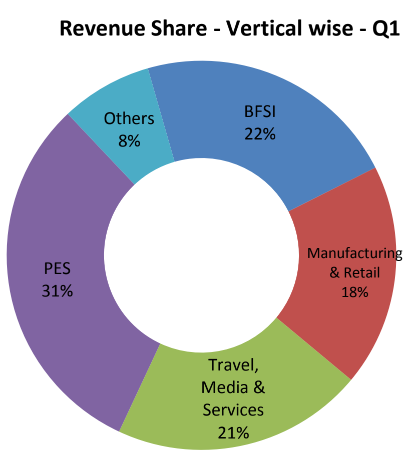
Product Engineering Services

Industry Focus Areas
- Business Application Products
- Tools & Platforms
- Portals & Web products

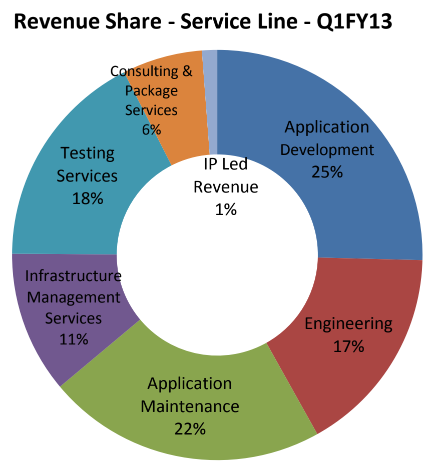
Services
- Product development
- Product Testing
- Sustenance Engineering
- Product Support
- Professional Services
- Specialized Services
  - SaaS
  - Cloud Computing
  - Emerging Technology Services
  - Performance Engineering
  - Mobile Enablement
  - Open Source

Source: Company, CSEC Research

The company derives its revenue from two main business segments: IT services (~69%) and Product Engineering Services (~31%). In FY12 Mindtree went through an organizational restructuring with the aim of focusing more on its core IT services business. As a part of this realignment, the company decided to drop few business verticals while consolidating some of the verticals. The company decided to operate predominantly in two segments —IT services and product and engineering services (PES). IT services business would comprise of four major verticals—banking and financial services and insurance (BFSI), manufacturing, travel and transportation, amongst others. Similarly, under the PES segment, Mindtree consolidated its R&D services, software product engineering services and its wireless units. IT Services offer consulting and implementation and post production support for customers in manufacturing, financial services, travel and leisure and other industries, in the areas of e-business, data warehousing and business intelligence, supply chain management, ERP and maintenance and re-engineering of legacy mainframe applications. PE Services provides full life cycle product engineering, professional services and sustained engineering services. It also enables faster product realization by leveraging the expertise in the areas of hardware design, embedded software, middleware and testing and through Mindtree's own IP building blocks in the areas of Bluetooth, VOIP, IVP6, iSCSI and others in datacom, telecom, wireless, storage, industrial automation, avionics, consumer products and computing. Mindtree made several acquisitions in the past and most of them helped company's strategy to grow inorganically. However, Mindtree's decision to enter the smart phone market through Kyocera went awry resulting in huge losses. Mindtree plunged into mobile-phone manufacturing with much fanfare back in September 2009 through the acquisition of wireless-products developer Kyocera Wireless (India) Pvt. Ltd for $6 mn in a cash deal. Mindtree believed that the Kyocera acquisition would strengthen its product engineering business but the business was capital intensive, which Mindtree couldn't afford to spend and eventually decided to exit. Before the company could recover from the failure of the Kyocera deal, the company's co-founder Ashok Soota resigned. Mindtree's entry and subsequent exit from the mobile handset manufacturing business coupled with the exit of co-founder Ashok Soota, had significantly pulled down the stock by ~30% in 2011.After the company exited the loss making wireless business, the company renewed its focus on the core IT services business, which constitute 69% of the revenues in Q1FY13 with leading verticals being BFSI (22%) and Travel, Media & Services (20.9%).

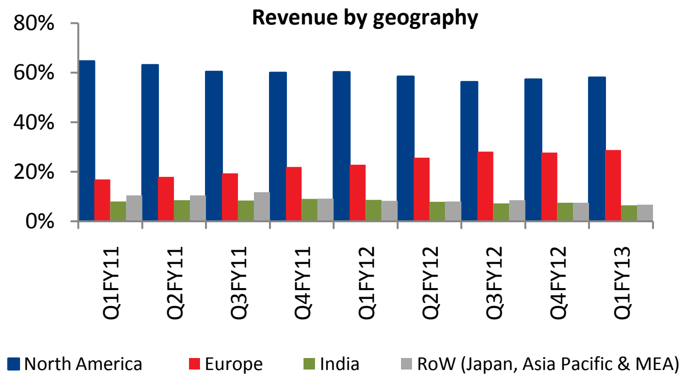


Source: Company, CSEC Research



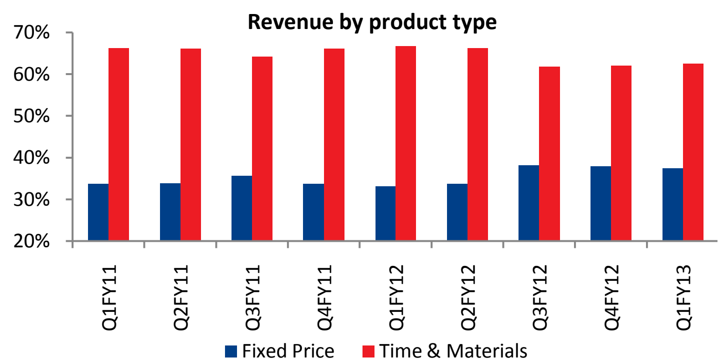
Source: Company, CSEC Research

The Product engineering services (PES), which predominately consists of R&D services and software product engineering, accounts for 31% of the revenues in Q1FY13. As far as revenue share by service offerings is concerned, application development & maintenance, the key revenue driver contributes ~ 65% of the revenues. Revenues from testing vertical have remained steady in 17-18% levels post Aztecsoft acquisition in FY09.On a geographical basis, Mindtree derived 58% of its revenues from North America, 29% from Europe, 6% from India and 7% from Rest of world. The revenue contribution from Europe has steadily increased from 17% in Q1 FY11 to 29% in Q1FY13 while dependence on revenues from North America decreased from 65% to 58% during the same period.



Source: Company, CSEC Research

In the recent quarters, Mindtree has increased its reliance on fixed price contracts, which offer better revenue stability. The revenue from fixed price contracts has gradually increased from 33.7% in Q1FY11 to 37.5% in Q1 FY13. As on Q1FY13, Mindtree has over 10380 employees spread across 24 offices to cater to 245 clients, which includes over 40 Fortune 500 companies.



Source: Company, CSEC Research

Investment Rationale

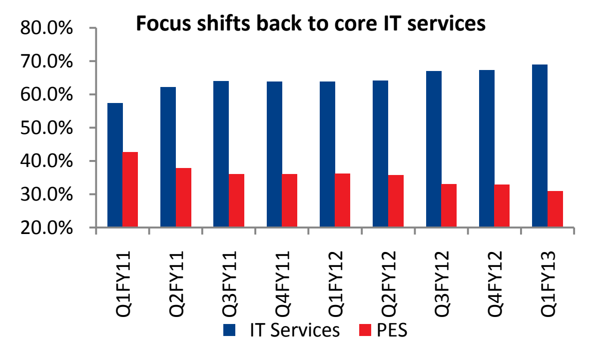
Simpler organizational structure with focus on niche areas to aid long term growth

Mindtree underwent an organizational restructuring exercise in order to attain its objective of becoming a $1bn enterprise by FY14 is reaping benefits in tough macroeconomic conditions. The company decided last year to re-jig its verticals to increase its focus on niche areas to become domain experts and grow existing clients.

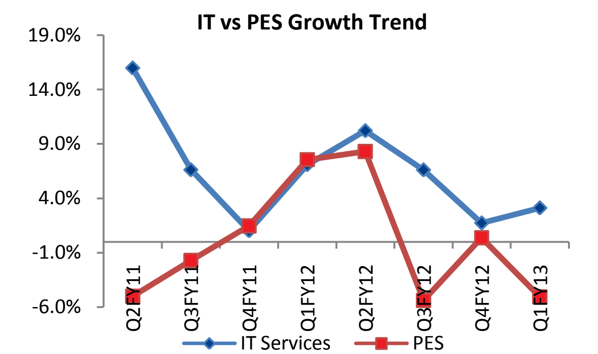
The company decided to focus on five key verticals including BFSI, manufacturing, retail, travel and media. Within the IT services, the company stopped focusing on energy & utilities & in the product engineering segment, the company dropped off medical electronics from the radar.

Realizing the huge potential and tap the growing demand in the enterprise resource planning (ERP), Mindtree intends to make significant investments in SAP over the next 12 months and double its SAP headcount to 500. Margins from package implementation are considered higher than traditional verticals & Mindtree intends to make ERP an integral part of its service offering. The company is also gaining leadership on the cloud engineering space.

Strengthens focus on core IT business by adopting back to basics theme



Source: Company, CSEC Research

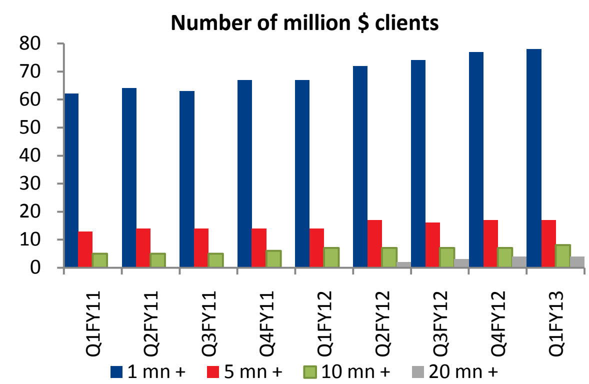


Source: Company, CSEC Research

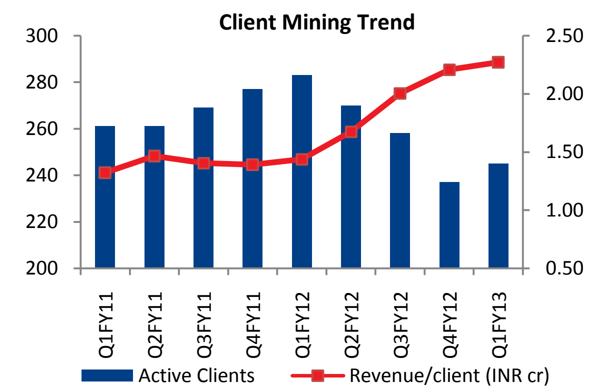
For Q1 FY13, the company's net profit in dollar terms went up 117% y-o-y to USD 16.7 mn while revenue grew 14% y-o-y to USD 105.5 million. Revenue from Product and Engineering Services (PES) segment has come down from 32.8% last quarter to 31% in Q1 FY13 while revenue from IT services increased to 69% from 67.2% during the same period. Volumes were flat (0.2% q-o-q) despite growth in IT services (3.1% q-o-q) as product and engineering services segment witnesses a decline on account of ramp-down of R&D projects being called off by two clients. On the vertical front, manufacturing & retail (up 3.7% q-o-q) and BFSI (up 4.2% q-o-q) drove growth.

Post its Kyocera wireless acquisition, Mindtree has renewed its focus on the core IT services business with strong focus on large deal wins. PES business is considered volatile and more vulnerable to macroeconomic shocks. The management's guidance indicates that the PES segment to grow in the low single digits while IT business is expected to show decent traction in FY13.

Improved client mining and increased onsite revenues will act as key revenue drivers

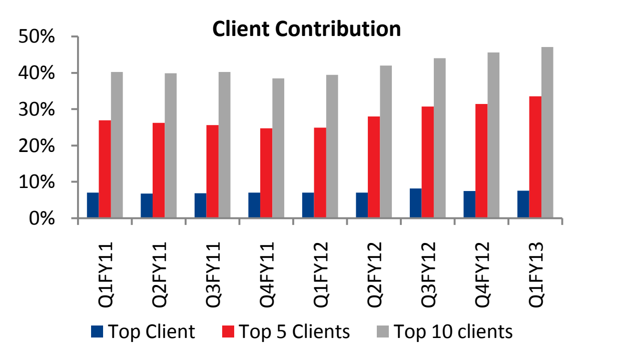


Source: Company, CSEC Research

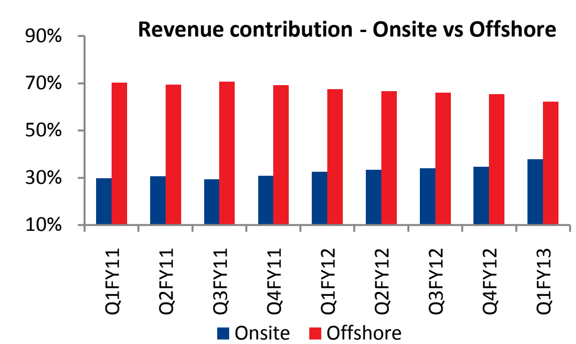


Source: Company, CSEC Research

The company has a well diversified clientele that includes 44 Fortune 500 companies spread across different verticals with long term relationships with some marquee clients. The company managed to bag the application development & maintenance (ADM) segment of the Aadhar project from two other shortlisted companies; IBM & Accenture. The number of active clients has dropped from 261 in Q1 FY11 to 245 in Q1 FY13 as the company, as a part of its strategy, has dropped around 50-60 low yielding clients in the recent quarters as they were not into segments that were strategic to Mindtree. The company added 19 clients while it consciously dropped 7 low yielding accounts in Q1FY13.



Source: Company, CSEC Research



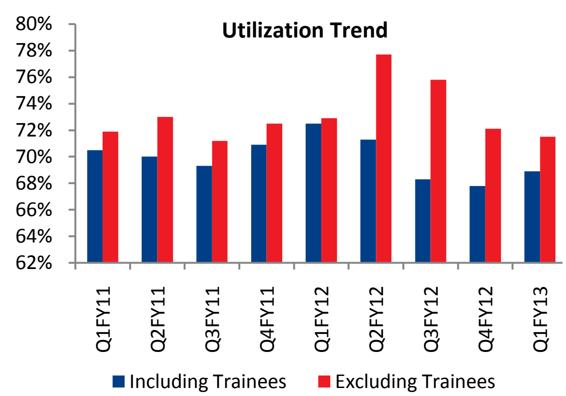
Source: Company, CSEC Research

The revenue from onsite has gradually increased from ~30% in Q1FY11 to ~38% in Q1 FY13, which is a clear indication of new deals being ramped up. The initial modules for a majority of the deals are done onsite. The company is currently scouting for 5-7 large deals (> $25 mn), which will further increase onsite revenues going forward. The company's largest client contributes about $20 million a year, which roughly translates to ~7% of the company's overall revenue. The company has bagged four $ 20 mn clients in FY12 & is currently looking for deals worth $25 mn or more. The revenue from top 10 clients has also substantially scaled up from ~40% in Q1FY11 to 47% in Q1FY13. Mindtree plans to increase the share of its top clients in the overall revenue going forward.

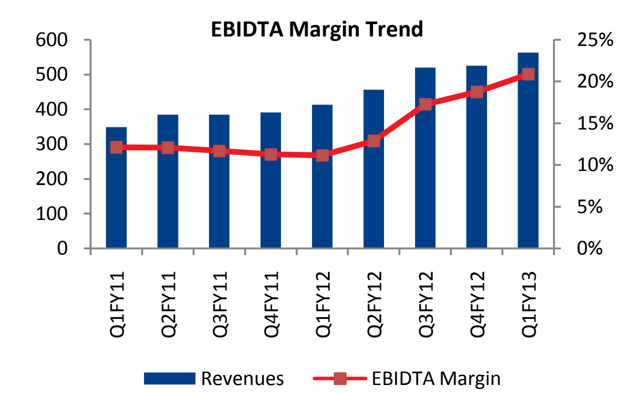
Scope for margin improvement in the presence of multiple levers

Mindtree's margins were badly hit post Kyocera's acquisitions as the account failed to ramp up and eventually resulted in a lot of losses in the form of restructuring costs. The margins have shown continual improvement as it has significantly improved from 11.1% in Q1 FY13 to ~21% in Q1 FY13. The improvement in margins by 210 bps to 20.8% on a sequential basis was primarily due to currency depreciation & operational efficiency. The impact of salary hike for 80% of the workforce (-100 bps) was offset by rupee depreciation (230 bps) & operational efficiencies (100 bps).The company announced salary revisions for 80% of the workforce effective June 1st while 18% would get their hike effective Sept 1st and last 2% to get their hike effective Oct 1st. The full impact of the salary revision will reflect in Q2FY13, as a result of which the margins would take a hit by ~200bps.The currency movement can have some impact as the management indicated that for a 1% change in the rupee, the margins would be hit by 40-50 bps..

As per the management, the pricing environment is stable both in PES and IT Services business and there is no overall trend of pricing pressure in the marketplace. The employee pyramid continues to be skewed towards laterals as the proportion of fresher's is only 33.2% with the average age of employees at 5.6 years. Mindtree is currently in the process of restructuring its employee pyramid & has rolled out 3000 campus offers last year. The fresher's would be absorbed from Q2 onwards in a phased manner and help in margin expansion. In Q1FY13, manpower reduced by 170 people. The management has given guidance for a stable margin going ahead despite the presence of negative headwinds. The key levers to improve operating margins going ahead include higher utilization rates, broadening the employee pyramid and improvement in operational efficiencies.



Source: Company, CSEC Research



Source: Company, CSEC Research

Despite slowdown in PES segment, company confident of meeting NASSCOM's guidance

A close examination on the revenue growth in the PES segment reveals that it's prone to volatilities and has witnessed sharp decline on many occasions in the last 8-10 quarters. The revenue contribution from this segment has decreased from ~43% in Q1 FY11 to 31% in Q1 FY13, primarily because on the ramp down of the Kyocera account. In spite of the sluggish PEG outlook, the company maintains that the revenue growth will be in line with the NASSCOM industry outlook of 11-14% for FY13 as the company expects decent traction in IT services ramp up of few large deals.

Inorganic growth strategy coupled with focus on non-linear revenues will propel long term growth

In the last 16 years, Mindtree has made several acquisitions, which helped it to strengthen position in certain areas and foray into newer ones. A closer look at Mindtree's acquisitions reveals that Mindtree is clearly focused on the five strategic business units. It acquired Aztecsoft, a company that was focused on outsourced product development and testing to enhance its presence in the software product space. Mindtree acquired a remote infrastructure management (RIM) company, 7Strata, purely because they had built an innovative platform to scale up RIM services.

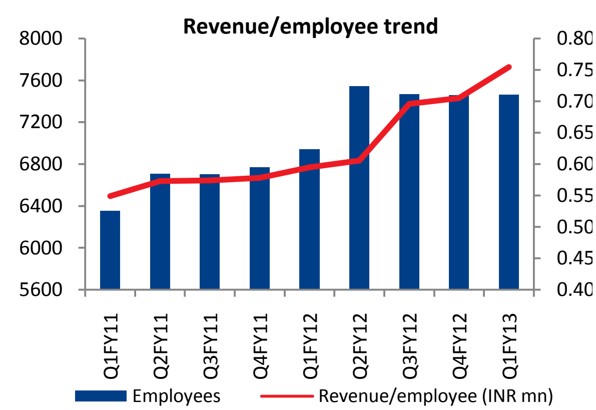
Year	Target	Service Offering	Amt paid
2004	ASAP Solutions	ERP	
2004	CoSystems	Wireless Technology	INR 10 mn
2005	Linc Software	ADM for Mainframes	
2007	TES Purple Vision	IC Design	$6.5 mn
2008	AztecSoft	OPD & Testing	90 mn
2009	Kyocera Wireless	Wireless Technology	$ 6mn
2010	7Strata	Remote IMS	$ 1.6 mn

Source: Company, CSEC Research

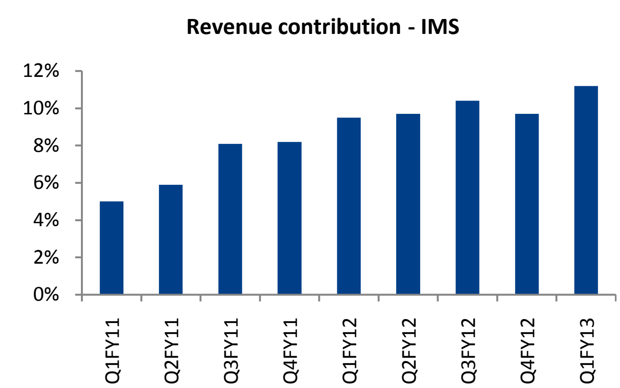
Currently, Mindtree is also scouting for acquisitions worth $50 million to $200 million, and is looking at companies that provide infrastructure management services (IMS) or those that develop and implement software packages to solve business problems.

Non-linear revenue initiatives in place to reduce revenue dependency on linear growth

As a part of its strategy to attain the $1 billion mark by FY16, Mindtree focused on increasing its percentage of non-linear revenue. The company expects growth to be driven by non-linear mode, which banks on differentiated products and services rather than the plain vanilla headcount model. Mindtree's digital surveillance platform & IMTS services are some of the non-linear initiatives that, going ahead, reduce its revenue dependency on people growth. In fact, IMS, which is considered a high margin business, has witnessed strong traction in the recent quarters on the back of few large deal wins in the last fiscal.



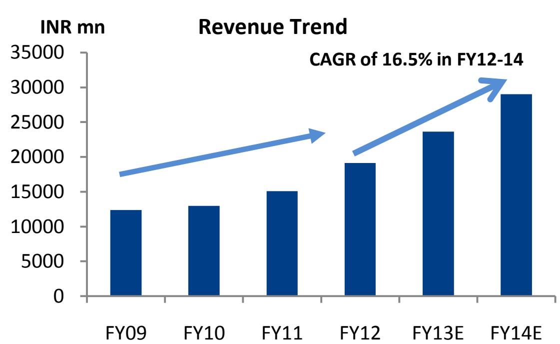
Source: CSEC, Company Research



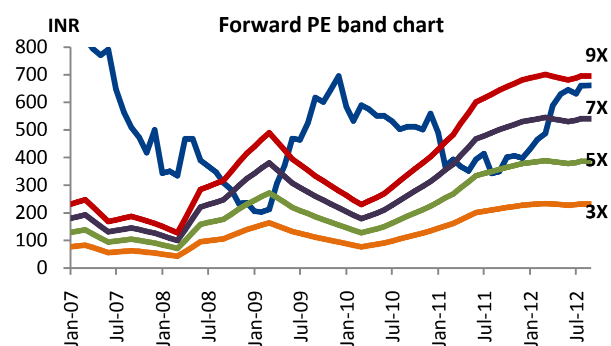
Source: CSEC, Company Research

Financials & Valuation

Mindtree has grown at an impressive CAGR of 26.5% during FY12-14, while PAT has grown at a CAGR of 19.5% during the same period. For FY13, the company expects IT services to witness reasonable traction (~15%) and PES segment to show modest growth (0-5%). Recently, the company undertook a rebranding initiative to appeal to the global customers and is chasing seven deals in the financial services & manufacturing vertical worth at least $25 mn each. The deal pipeline and stable clients' outlook lends confidence to the management of becoming a billion dollar company. The management indicated that the company will achieve Nasscom's current industry growth guidance of 11-14% in FY13. With two SEZ locations have moved from 100% tax exemption to 50% tax exemption effective tax rate has increased to 22.6% in Q1 FY13 from 17% in the previous quarter. Mindtree has steadily scaled its EBIDTA margins to 21% in Q1 FY13, which is almost double the number in Q1 FY11. The huge margin improvement comes on the back of broadening the employee pyramid and operational efficiencies. For FY13, the company has already rolled out offers to 3000 fresher's who are expected to come on board in a phased manner from Q2 FY13 onwards. The management has given guidance for a stable margin despite ~200bps headwinds due to full impact of wage hike in Q2 FY13. We have factored in an average USD/INR exchange rate of INR 54.9 for Q2FY13, INR 52 for Q3 FY13, INR 50 for Q4 FY1 and INR 49 for FY14.



Source: Company, CSEC Research



Source: Company, CSEC Research

Overall, we expect the company to record a 14.8% & 16.5% CAGR in USD and INR revenue, respectively, over FY2012-14E on the back of its strong deal pipeline in the IT Services and traction in non-linear IMTS business. At CMP of INR 649, the stock trades at P/E of 8.3x FY13 EPS and 7.7x FY14 EPS. We initiate coverage with an Outperformer rating and target price of INR 713 with an upside potential of ~10% based on target P/E of 8.5x FY14 EPS.

Key Risks:

High exposure to North America and Europe

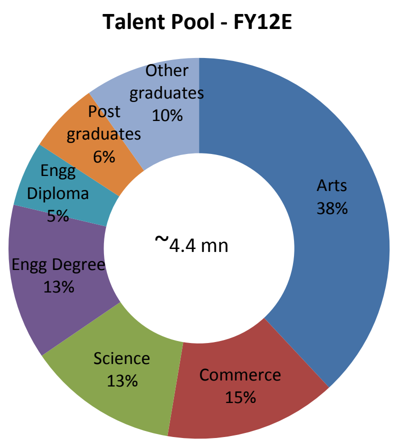
Mindtree obtains more than 87% of the revenues from North America & Europe. The macro uncertainty in these regions has already led to growth moderation as the company revised its revenue guidance from better than industry growth to line with industry estimates. Any slowdown in IT spending amid economic slowdown in these economies can affect revenue growth.

Projected revenues may take a hit due to adverse cross currency movements:

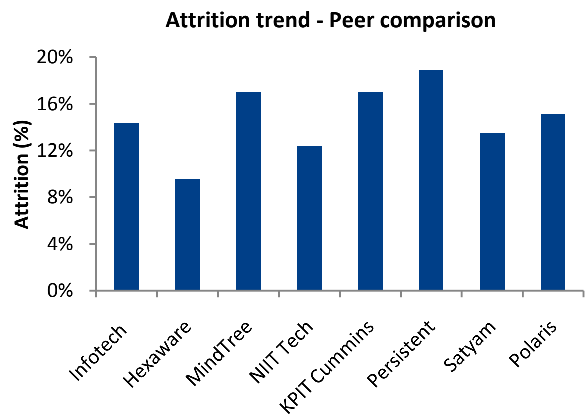
Adverse cross currency movements coupled with inadequate hedging can have a severe impact on the revenues. Also, any sharp appreciation of the rupee can affect revenue projections. .

Attrition at elevated levels remains a concern:

Mindtree faces supply side constraints as it directly competes with Tier-1 companies for specialized manpower. As per NASSCOM estimates, the manpower is projected to increase 10% to 4.4 mn for FY12 but the number of engineering graduates is likely to increase by 20%. We expect some moderation in attrition as lack of engineering talent availability to subside going ahead. In Q1 FY13, the attrition has come down to ~17% but is still considered high when compared to the industry average.



Source: NASSCOM



Source: CSEC Research

Possibility of project ramp downs & volatility in PES business

The growth in the product engineering solutions business has been volatile due to ramp downs of a few projects in this vertical. The management, however, projected revenues from this vertical to remain flat for FY13. Any further project ramp downs in this vertical can alter the product mix and overall revenue.

Financials

Income Statement (Abstract)

Particulars	FY11	FY12	FY13E	FY14E
				INR(million)
Net Revenue	15,090	19,152	23,651	25,997
Growth (%)	16.4	26.9	23.5	9.9
Operating Exp.	13,312	16,222	19,114	21,057
EBIDTA	1,778	2,930	4,537	4,939
Growth (%)	-27.6	64.8	54.9	8.9
Depreciation	712	695	819	930
Other Income	242	385	385	356
Interest	4	5	12	12
Exceptional Items	0	0	0	0
Tax Paid	288	430	915	1,141
Tax Rate (%)	22.1	16.4	22.2	22.0
Reported PAT	1,016	2,185	3,190	3,401
Adjusted PAT	1,016	2,185	3,190	3,401
Growth (%)	-52.7	115.1	46.0	6.6

Balance Sheet (Abstract)

Particulars	FY11	FY12	FY13E	FY14E
				INR(million)
Share Capital	400	405	405	405
Reserves & Surplus	7,362	9,167	12,075	15,148
Net worth	**7,762**	**9,572**	**12,480**	**15,553**
Current Liabilities	2,136	3,703	3,344	3,257
Non-Current Liabilities	247	71	71	71
Total Liabilities	**10,145**	**13,346**	**15,895**	**18,881**
Net Fixed Assets	3,646	3,547	4,247	4,401
Other Non-Current Assets	111	258	258	258
Cash & marketable securities	459	602	1,259	3,006
Other Current Assets	5,929	8,939	10,130	11,216
Total Assets	**10,145**	**13,346**	**15,895**	**18,881**

Cash Flow statement (Abstract)

Particulars	FY11	FY12	FY13E	FY14E
				INR(million)
Cash flow from operations	437	2,084	2,961	3,836
Cash flow from investing	-383	-2,306	-2,016	-1,756
Cash flow from financing	2	365	-287	-334
Free cash flow	100	1,888	1,661	2,836
Net change in cash	56	143	657	1746

Per Share Ratios

Particulars	FY11	FY12	FY13E	FY14E
Adjusted EPS (Rs.)	25.4	53.9	78.7	83.9
Cash EPS	11.5	14.9	31.1	74.1
BV/Share (Rs.)	193.9	236.1	307.8	383.6
FCF/Share(Rs.)	2.5	46.6	40.9	70.0
DPS (Rs.)	2.5	4.0	5.9	7.0

Key Ratios

Particulars	FY11	FY12	FY13E	FY14E
Dividend payout (%)	9.8	7.4	7.6	8.3
EBIDTA margin (%)	11.8	15.3	19.2	19.0
PBT Margin (%)	8.6	13.7	17.3	16.8
RoCE (%)	14.7	22.8	28.4	27.3
RoE (%)	14.1	25.2	28.9	24.3
Current Ratio	3.0	2.6	3.4	4.4
Debt/Equity	0.01	0.05	0.04	0.03
Inventory Days	0	0	0	0
Debtor Days	63	66	66	65
Creditor Days	4	3	4	4
CCC*	59	62	62	61
Interest Cover Ratio	327.0	524.0	821	873

DuPont Analysis

Particulars	FY11	FY12	FY13E	FY14E
Net Profit Margin (%)	6.7	11.4	13.5	13.1
Asset Turnover	2.0	2.2	2.1	1.8
Leverage factor	1.0	1.0	1.0	1.0
RoE (%)	14.1	25.2	28.9	24.3

Valuation Ratios

Particulars	FY11	FY12	FY13E	FY14E
P/E	25.6	12.1	8.3	7.7
P/BV	3.4	2.8	2.1	1.7
EV/Sales	1.8	1.4	1.1	1.0
EV/EBIDTA	15.1	9.2	5.9	5.4
Div Yield (%)	0.4	0.6	0.9	1.1

*CCC – Cash Conversion Cycle

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