



Stock Update

Birlasoft Ltd.

July 08, 2024



Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
IT Consulting & Software	Rs 714.70	Buy in Rs 705-725 band and add on dips in Rs 645-658 band	Rs 785	Rs 845	2-3 quarters

HDFC Scrip Code	BIRSOF
BSE Code	532400
NSE Code	BSOFT
Bloomberg	BSOFT IN
CMP July 05, 2024	714.70
Equity Capital (Rs Cr)	55.2
Face Value (Rs)	2.0
Equity Share O/S (Cr)	27.6
Market Cap (Rs Cr)	19,728.4
Book Value (Rs)	110.3
Avg. 52 Wk Volumes	2,609,179
52 Week High	861.6
52 Week Low	343.7

Share holding Pattern % (March, 2024)	
Promoters	40.9
Institutions	42.1
Non Institutions	17.0
Total	100



**HDFCsec Retail research
stock rating meter**

for details about the ratings, refer at the end of the report
* Refer at the end for explanation on Risk Ratings

Fundamental Research Analyst

Abdul Karim

abdul.karim@hdfcsec.com

Our Take:

Birlasoft Ltd is a leading midcap IT company, providing IT services and products. The company is engaged in providing enterprise and digital technologies and focusing on four verticals—Manufacturing, E&U (Energy & Utilities), BFSI and Healthcare—with services spanning from ERP to data & analytics. The IT services business of KPIT Technologies merged with Birlasoft and the engineering business was demerged in Jan 2019. The company has focused on strengthening its leadership, rationalising the tail accounts, and increasing cross-sell & deal tenure of existing engagements.

Birlasoft's deal momentum was strong in Q4FY24, signed deals worth of US\$ 240 mn (up 14% QoQ and down 6% YoY) with TCV new deal wins of US\$ 132 mn and renewals of US\$ 133 mn vs. deal wins at US\$ 218 mn (down 20%/6% QoQ/YoY) in Q3FY24 with TCV new deal wins of US\$ 94 mn and renewals of US\$ 124 mn. The company is focused on adding service lines to its top 40 focused accounts, which contribute to ~75% of the revenue. The company expects to report US\$ 200 mn of signings every quarter going forward.

The company has strong traction in virtual engagement, cloud adoption, and digital transformation work. The company's focus on deepening relationship with existing large accounts and partners, vertical sales structure, leveraging of core and peripheral services, ramp-up of deal wins, and defined incentives of cross selling/ up-selling could drive revenue growth. The new appointed CEO and COO is focused on select verticals and Geographies for which the company has hired vertical & Geography focused leaders. We expect that the company could report revenue growth at 12.1% and 17.1% for FY25E and FY26E, respectively.

On Oct 09, 2023, we had issued Stock Update report ([Link](#)) on Birlasoft Ltd and recommended to buy in the Rs 502-520 band and add further on dips to Rs 446-456 band for base case target of Rs 560 and bull case target of Rs 597. The stock achieved its both targets before expiry of the call. Given healthy growth outlook, and expectation of strong set of numbers in H1FY25, we have now revised earnings and increased target price for the stock.

Valuation & Recommendation:

Birlasoft is a CK Birla Group company, with long track record in providing IT services, diversified service portfolio, strong relationship with clients and alliances. The company is planning significant investment in the next two years to expand in geographies like the UK, Europe and APAC and has aspiration is to become a billion-dollar plus company in next two to three years. The company's growth prospects in digital and cloud infrastructure services, sharpened focus to build key business verticals through a micro-vertical strategy and a focused effort to scale up contribution from top-tier clients, provides revenue visibility for Birlasoft over the medium term.

We believe the base case fair value of the stock is Rs 785 (26.5x FY26E EPS) and the bull case fair value of the stock is Rs 845 (28.5x FY26E EPS) over the next two to three quarters. Investors can buy in Rs 705-725 band and add further on dips in the Rs 645-658 band (22x FY26E EPS). At the LTP of Rs 714.7, the stock is trading at 24.1x FY26E EPS.

Financial Summary:

Particulars (Rs Cr)	Q4FY24	Q4FY23	YoY (%)	Q3FY24	QoQ (%)	FY22	FY23	FY24	FY25E	FY26E
Total Operating Income	1363	1226	11.1	1343	1.5	4130	4795	5278	5753	6671
EBITDA	222	167	32.8	214	3.4	640	520	836	932	1123
Depreciation	21	21	0.6	21	0.2	77	82	85	89	104
Other Income	46	-2	NP	28	62.3	66	23	104	83	87
Interest Cost	4	4	2.8	6	-31.4	13	19	20	16	16
Tax	62	28	125.5	54	14.2	153	111	211	230	272
APAT	180	112	60.5	161	11.8	464	450	611	680	817
Diluted EPS (Rs)	6.5	4.1	60.5	5.8	11.8	16.8	16.3	22.1	24.6	29.6
RoE-%						19.5	13.2	22.7	20.6	21.2
P/E (x)						42.6	43.9	32.3	29.0	24.1
EV/EBITDA (x)						28.9	35.8	21.5	18.9	15.3

(NP-Negative to positive)

(Source: Company, HDFC sec)

Q4FY24 Result Update

- Birlasoft's revenue was inline with estimates and profitability was above expectations in Q4FY24. The company made significant progress toward improving profitability and driving operational efficiencies. Consolidated revenue grew by 1.5% QoQ and 11.1% YoY to Rs 1363 crore in Q4FY24.
- EBIT grew by 3.8% QoQ to Rs 201 crore and the company had reported EBIT at Rs 146 crore in Q4FY23. EBIT margin inched up to 14.7% in Q4FY24 from 14.4% in Q3FY24. EBIT margin was at 11.9% in Q4FY23.
- Net profit was at Rs 180 crore in Q4FY24, vs. Rs 161 crore in Q3FY24 and Rs 112 crore in Q4FY23. Net Profit margin stood at 13.2% in Q4FY24 vs. 12% in Q3FY24 and 9% in Q4FY23, supported by higher other income. Other income stood at Rs 46 crore in Q4FY24 vs. Rs 28 crore in Q3FY24.

Key Updates

Robust order book brings strong earning visibility

Birlasoft's deal momentum was strong in Q4FY24, signed deals worth of US\$ 240 mn (up 14% QoQ and down 6% YoY) with TCV new deal wins of US\$ 132 mn and renewals of US\$ 133 mn vs. deal wins at US\$ 218 mn (down 20%/6% QoQ/YoY) in Q3FY24 with TCV new deal wins of US\$ 94 mn and renewals of US\$ 124 mn. Birlasoft's new deal win is at US\$ 448mn in FY24, down 3.9% as compared to 2.5% CAGR over

FY20-23. This is partly due to better quality of incremental deal flow reflected in margin accretion as well as tail account rationalisation (down from 288 active accounts to 259 active accounts over the past year).

Revenues from Top 5, Top 10 and Top 20 clients grew by 15.6%, 17.4% and 11.3%, YoY respectively. The number of active clients declined by 13 QoQ and 29 YoY to 259 clients reflecting sustained rationalisation. The number of US\$ 1 mn+ clients increased from 83 to 87 QoQ and the number of US\$ 10mn+ clients was up from 11 to 12 QoQ. The company has strategically reduced its active client base from approximately 280-300 in FY23 to around 259 by the end of FY24 and plans to further decrease this number to under 200 clients. This approach is aimed at focusing more effectively on a select group of clients who contribute the majority of its revenue.

The company is focused on winning more deals to drive growth and deal pipeline looks strong at \$1.8 billion, aiming to improve to US\$ 2.4-2.5 bn. Birlasoft's efforts towards driving Sales with sales incentives linked to both revenue and margin, account mining, rationalizing of account tail is likely to result in strong deal signings.

Deal wins for the quarter

- Secured a large renewal from an existing BFSI vertical customer in the payments space in the US geo.
- Selected by a Fortune 500 customer in North America in the Communications segment for integration, enhancement and support of their accounting platform.
- Received significant new business from an existing BFSI vertical customer in the US for services covering process integration.
- Won a new JDE rollout engagement in the ERP service line for a large US-based life sciences customer.
- Awarded an AMS renewal from an existing customer in the Insurance segment.

Going forward, the company's deal wins are expected to remain healthy with dedicated strategies from the company to drive growth in the medium term. The current headwinds in the form of macro uncertainty, higher inflation, supply chain disruptions, are expected to impact the growth going forward for the IT industry as a whole including Birlasoft.

Birlasoft's BFSI segment could perform sub-par growth going forward but greater push expected soon

Birlasoft has the lowest share of its revenue from the BFSI vertical as compared to its peers; BFSI contributed to 21.2% to revenue in Q4FY24 vs. 20.6% to the revenue in Q3FY24, as compared to peers that range from 30% to 60% of revenue. The lower mix has also mitigated the impact of a sub-par performance in its BFSI vertical as compared to peers historically.

Birlasoft has healthy deal pipeline excluding any exposure to the mortgage segment. The company's BFSI portfolio constitutes (1) lending, (2) cards & payments, and (3) cybersecurity and GRC services; and the company doesn't have exposure to regional banks in the US. Birlasoft is optimistic about the BFSI sector, the New CEO Mr Angan Guha has served as the Global Head of BFSI in his previous organization and he has deep industry and domain expertise, it will help to strengthen the verticals, supported by client's acquisitions and building healthy relation with the clients.

Focused on in capabilities in emerging technologies and scaling up existing capabilities

Birlasoft has been investing in capabilities in Emerging Tech such as Generative AI, RPA and Machine learning. It has also been scaling up its existing capabilities in Microsoft, AWS, GCP and Cloud platforms. Birlasoft has entered into strategic alliances with various business partners to widen the gamut of its service offerings. The company's key alliances include Microsoft, Oracle, JD Edwards, SAP, Infor, AWS, Google, Salesforce, etc.

Birlasoft is leveraging its Generative AI Centre of Excellence (CoE), established in the preceding quarter in collaboration with Microsoft to accelerate value creation and foster innovation in the adoption of Generative AI, to deliver cutting-edge enterprise solutions across industries. The company is planning to train over 12000 employees on AI tech. Microsoft The Generative AI CoE brings together the combined strengths of Birlasoft's deep industry expertise and Microsoft Azure OpenAI Service. It will serve as a hub for Birlasoft and Microsoft experts to facilitate research, training, and collaboration. The continual advancements in Generative AI are opening up endless possibilities for various industries.

Birlasoft's long-standing relationship with Microsoft has enabled enterprises to accelerate their digital transformation journey. Through this collaboration, Birlasoft will train 500 consultants on generative AI technologies, principles, and best practices. The company continues to grow its relationships and partnerships with various platform providers, which aids in winning long-term transformational deals.

Birlasoft launch of Generative AI Platform Cogito is a transformation and optimization attempt to generate revenue ahead

Birlasoft introduced a comprehensive Generative AI platform Cogito in Feb, 2024, Cogito has been strategically crafted to empower enterprises to revolutionize their businesses through Generative AI capabilities. This launch underscores the company's commitment to delivering cutting-edge enterprise solutions, to automate processes, generate innovative content, enhance decision-making, and boost overall business performance.

Birlasoft Cogito Platform: strengths

- Birlasoft Cogito platform helps accelerate building, deploying and running Generative AI based applications for enterprise use cases.
- The platform offers a low-code/no-code studio which enables rapid use case development and simulations.
- The marketplace helps visualize and adopt anchor application flows and skills leveraging multi-modal LLM capabilities.
- The API interface aids in seamless integration of enterprise data and context into the Generative AI flows.
- The platform also offers several tools and jump-start features for enterprise users for e.g. developers and admins.
- Birlasoft Cogito platform is continuously evolving with Generative AI capabilities and new application building patterns.

Birlasoft Cogito: capabilities

Enterprise Transformation: Birlasoft Cogito seamlessly enables holistic business transformation through the integration of innovative solutions, processes, and ideas. Organizations can devise roadmaps for operational improvement, adapt to market dynamics, and explore new growth avenues.

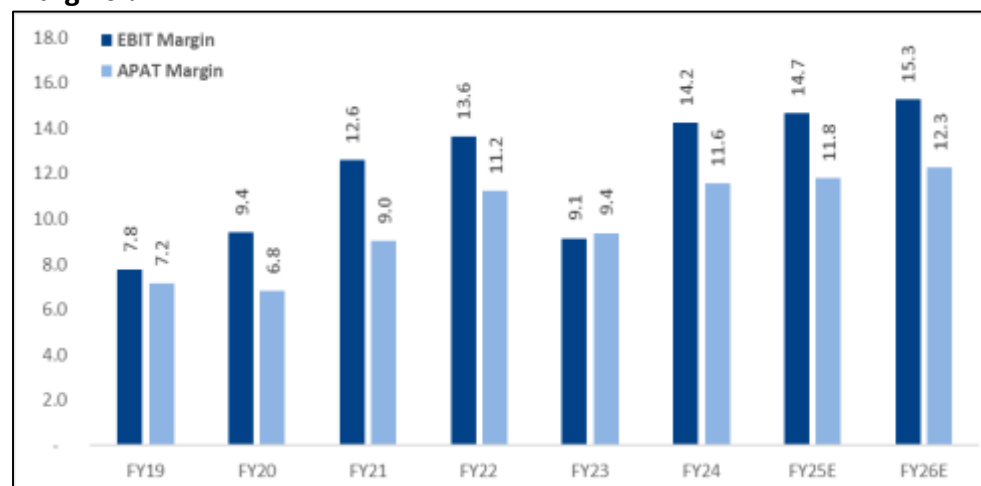
Business Optimization: Harnessing the power of AI algorithms, machine learning, and deep learning, Birlasoft Cogito elevates businesses in areas like supply chain management, customer behavior prediction, and product design improvement. The platform empowers data-driven decision-making and continuous improvement.

Birlasoft Cogito streamlines and expedites the development and implementation of GenAI solutions for enterprises through pre-built tools, libraries, and frameworks. It offers robust support through comprehensive trainings, educational materials, tutorials, and documentation. Additionally, ongoing technical support and regular updates keep enterprises aligned with the latest developments and best practices in the Generative AI domain.

Margins are expected to rise going forward

Birlasoft EBITDA margin expanded 30 bps QoQ and 240 bps YoY to 16.3% supported by lower employee benefit expenses partially offset by higher operating expenses and EBIT margin inched up to 14.7% in Q4FY24 from 14.4% in Q3FY24 and EBIT margin was at 11.9% in Q4FY23. Net Profit margin stood at 13.2% in Q4FY24 vs. 12% in Q3FY24, supported by higher other income. Despite all the ongoing investments as well as a sequential drop in both utilisation and offshore revenues as some of the projects got over, EBIT Margin increased to 14.2% in FY24.

Margins-%



Margin improvement could reflect in H1FY25, on account of lower supply side challenges and moderated attrition, improving business mix as BFSI could outpace other verticals, recovery in Life Science margin, and optimization in other expenses, S&GA and subcontracting cost going forward. The company is optimistic and expects to remain stable with continued investments in the business. We expect EBIT margin at 14.7% and 15.3% for FY25E and FY26E, respectively.

Strong fundamentals led by healthy debt protection metrics and liquidity

- Birlasoft financial profile remains healthy marked by stable earnings, sizeable network, and strong liquidity with large cash reserves, healthy capital structure, and coverage metrics. The company reported a 10.1% YoY consolidated revenue growth to Rs 5278 crore in FY24.
- The company has achieved substantial and sustained growth in revenue and profit, revenue CAGR of 12.5% and 28.5% PAT CAGR over the past four years. We expect that the company could report revenue and PAT CAGR of 12.5% and 15.5% over the FY24 to FY26E, respectively.
- Birlasoft maintained strong cash and liquidity positions. cash and cash equivalents increased to Rs 1745 crore at the end of FY24 from Rs 1117 crore at the end of the preceding year.
- DSO days increased to 72 as on March 31, 2024 vs. 69 days as of March 31, 2023. Birlasoft has a strong liquidity position, supported by strong cash levels, positive cash flow from operations, and a moderate capex requirement.
- Birlasoft enjoys healthy capital structure and zero debt status which will continue to remain so due to no major debt-funded expansion plans over the medium term.
- The company recommended Rs 6.5 per share as a dividend to the shareholders for FY24. We expect dividend Rs 7.5/9 per share to shareholders in FY25E/FY26E, respectively.
- Because of cost rationalization efforts, the company could see growth in profitability as well as better return ratios in the future, we expect RoE at 20.5 -21.5% in FY25E to FY26E.

What could go wrong?

- Indian rupee appreciation against the USD/Euro, pricing pressure, retention of the skilled headcounts, strict immigration norms or new local regulations and rise in visa costs are key concerns.
- Birlasoft has presence in a highly competitive industry which faces pricing pressure, deal re-negotiations, deferrals, retention of talent, etc., and which are expected to have a direct bearing on the company's revenue growth and profitability.
- Birlasoft revenue from the US contributed ~87% in Q4FY24. This exposes the company to the risk of economic slowdown and client's cautious approach on IT spending in these regions, as well as regulatory changes such as restriction on H1B visas. Any geopolitical risk or economic uncertainty could impact its business.
- The company has client concentration risk, top-5/top-10 clients/top-20 contributed 35.4%/52.1%/64.8% in Q4FY24, any cancellation of deal from such clients could impact its revenue. However, the company's established relationships with its top customers to mitigate this risk to an extent.
- Manufacturing, BFSI and Healthcare segments contributed more than ~85% to the revenue in Q4FY24. Continue fall in spending for these segment could impact its revenue generation further going forward,
- Birlasoft faces intense competition from tier-1 IT players and well-established tier-2 players, which limits its pricing/bargaining power

with customers. Additionally, the trading nature of its low-margin distribution business can drag its profits.

- Any change in the contract terms from large clients like non-renewal of contracts or higher discounts due to aggressive competition intensity can impact the sustainability and scalability from such clients.
- Higher than expected debt-funded capex or acquisition leading to deterioration in profitability and could impact cash generation.

Operating Metrics

Revenue Mix-%

Performance by Geography

%	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24
Americas	84.9	84.1	83.7	85.3	84.0	85.8	85.7	85.7
Europe	9.2	9.6	10.3	9.0	10.1	8.2	8.2	8.2
RoW	5.9	6.3	6.0	5.7	6.0	6.0	6.1	6.1
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Performance by Verticals

%	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24
Manufacturing	46.1	40.1	40.7	41.2	41.1	41.9
BFSI	20.1	20.5	20.7	21.2	20.6	21.2
Energy & Utilities	13.9	14.9	14.3	13.7	14.5	14.8
Life sciences	19.9	24.5	24.4	24.0	23.9	22.1
Total	100.0	100.0	100.0	100.0	100.0	100.0

Performance by Services

%	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24
Data & Analytics	25.8	28.7	28.2	27.9	26.7	25.6	25.4	24.1
Digital & Cloud	28.0	28.2	30.7	31.7	31.5	34.2	34.2	33.4
ERP	37.9	35.0	31.8	32.8	33.4	32.3	31.9	33.7
Infrastructure	8.4	8.2	9.3	7.6	8.4	7.9	8.5	8.8
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Client Metrics

%	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24
Top 5 % of revenue	30.7	31.1	31.7	32.8	33.3	33.6	34.5	35.4
Top 10 % of revenue	47.0	47.2	47.9	48.7	49.6	51.0	52.0	52.1
Top 20 % of revenue	63.1	63.7	64.1	63.9	63.9	63.9	64.7	64.8
USD 10mn+ Clients (Nos)	13	14	13	13	13	11	11	12
USD 5mn+ Clients (Nos)	25	27	24	26	27	27	26	26
USD 1mn+ Clients (Nos)	82	76	83	83	86	85	83	87
Total active clients (Nos)	300	301	299	288	285	278	272	259

Employee Metrics

Nos	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24
Development headcount	11,351	11,568	11,386	11,043	11,061	11,130	11,169	11,433
S&M and Other headcount	1,214	1,190	1,144	1,150	1,174	1,192	1,187	1,162
Total Headcount	12,565	12,758	12,530	12,193	12,235	12,322	12,356	12,595
Net addition	361	193	(228)	(337)	42	87	34	239
Attrition (%)	27.9	27.4	25.5	22.1	18.8	15.0	12.6	12.5
Utilisation (%)	82.5	82.4	84.0	84.8	84.9	86.5	87.1	86.3

(Source: Company, HDFC sec)

Peer Comparison

Rs in Cr	Mkt Cap	Revenue			EBIT			PAT			RoE-%			P/E (x)		
		FY24	FY25E	FY26E	FY24	FY25E	FY26E	FY24	FY25E	FY26E	FY24	FY25E	FY26E	FY24	FY25E	FY26E
Birlasoft	19728	5278	5753	6671	751	843	1019	611	680	817	22.7	20.6	21.2	32.3	29.0	24.1
Zensar Tech	16710	4902	5292	5987	738	787	902	665	710	811	20.0	18.1	18.3	25.3	23.7	20.8
Cyient	19731	7147	7808	9169	1036	1138	1418	749	816	1026	19.4	18.3	20.8	26.4	24.2	19.3

(Source: Company, HDFC sec)

Financials

Income Statement

(Rs Cr)	FY22	FY23	FY24	FY25E	FY26E
Net Revenues	4130	4795	5278	5753	6671
Growth (%)	16.2	16.1	10.1	9.0	16.0
Operating Expenses	3490	4274	4442	4821	5547
EBITDA	640	520	836	932	1123
Growth (%)	21.0	-18.7	60.7	11.5	20.5
EBITDA Margin (%)	15.5	10.9	15.8	16.2	16.8
Depreciation	77	82	85	89	104
EBIT	564	438	751	843	1019
Other Income	66	23	104	83	87
Interest expenses	13	19	20	16	16
PBT	617	442	835	910	1090
Tax	153	111	211	230	272
RPAT	464	332	624	680	817
APAT	464	450	611	680	817
Growth (%)	44.5	-3.0	36.0	11.2	20.2
EPS	16.8	16.3	22.1	24.6	29.6

Balance Sheet

As at March	FY22	FY23	FY24	FY25E	FY26E
SOURCE OF FUNDS					
Share Capital	56	55	55	55	55
Reserves	2527	2393	2989	3517	4086
Shareholders' Funds	2583	2448	3044	3572	4141
Long Term Debt	0	0	7	7	7
Net Deferred Taxes	-92	-117	-104	-132	-132
Long Term Provisions & Others	140	115	129	108	108
Minority Interest	0	0	0	0	0
Total Source of Funds	2631	2446	3075	3555	4124
APPLICATION OF FUNDS					
Net Block & Goodwill	726	736	697	723	725
CWIP	2	6	12	12	12
Other Non-Current Assets	73	84	59	66	66
Total Non Current Assets	801	826	768	800	802
Inventories	0	0	0	0	0
Trade Receivables	849	907	1037	1135	1316
Cash & Equivalent	1226	1117	1745	2093	2533
Other Current Assets	416	220	272	300	315
Total Current Assets	2491	2244	3053	3527	4164
Short-Term Borrowings	0	0	0	0	0
Trade Payables	210	231	281	284	329
Other Current Liab & Provisions	450	393	465	489	513
Total Current Liabilities	660	624	746	772	842
Net Current Assets	1831	1620	2308	2755	3322
Total Application of Funds	2631	2446	3075	3555	4124

(Source: Company, HDFC sec)

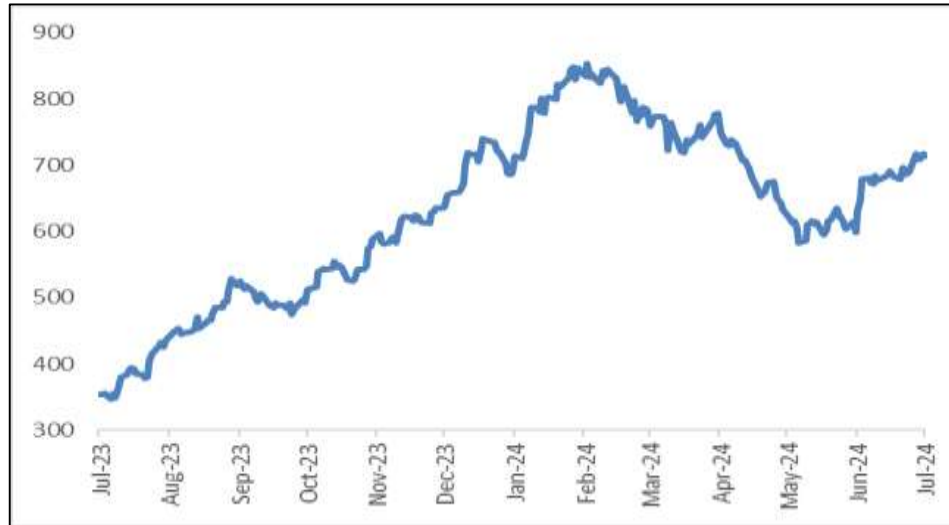
Cash Flow Statement

(Rs Cr)	FY22	FY23	FY24P	FY25E	FY26E
Reported PBT	617	442	835	910	1,090
Non-operating & EO items	289	-57	120	-62	-65
Interest Expenses	13	19	20	16	16
Depreciation	77	82	85	89	104
Working Capital Change	-256	-80	-73	-99	-126
Tax Paid	-178	-131	-181	-230	-272
OPERATING CASH FLOW (a)	560	275	806	624	746
Capex	-64	-58	-26	-114	-106
Free Cash Flow	497	217	780	509	640
Investments	0	0	0	0	0
Non-operating income	-243	309	-32	62	65
INVESTING CASH FLOW (b)	-307	252	-58	-52	-41
Debt Issuance / (Repaid)	-41	-40	7	0	0
Interest Expenses	-3	-9	-13	-16	-16
FCFE	453	167	774	493	624
Share Capital Issuance	8	13	10	0	0
Dividend	-111	-599	-124	-207	-248
FINANCING CASH FLOW (c)	-147	-636	-120	-223	-265
NET CASH FLOW (a+b+c)	107	-110	628	348	441

Key Ratios

Particulars	FY22	FY23	FY24P	FY25E	FY26E
Profitability Ratio (%)					
EBITDA Margin	15.5	10.9	15.8	16.2	16.8
EBIT Margin	13.6	9.1	14.2	14.7	15.3
APAT Margin	11.2	9.4	11.6	11.8	12.3
RoE	19.5	13.2	22.7	20.6	21.2
RoCE	17.7	13.7	20.4	19.2	19.9
Solvency Ratio (x)					
Net Debt/EBITDA	-1.9	-2.1	-2.1	-2.2	-2.2
Net D/E	-0.5	-0.5	-0.6	-0.6	-0.6
Per Share Data (Rs)					
EPS	16.8	16.3	22.1	24.6	29.6
CEPS	19.6	19.3	25.2	27.9	33.4
BV	93.6	88.7	110.3	129.4	150.0
Dividend	4.5	3.5	6.5	7.5	9.0
Turnover Ratios (days)					
Debtor days	75.0	69.1	71.7	72.0	72.0
Inventory days	0.0	0.0	0.0	0.0	0.0
Creditors days	18.5	17.6	19.4	18.0	18.0
Valuation (x)					
P/E	42.6	43.9	32.3	29.0	24.1
P/BV	7.6	8.1	6.5	5.5	4.8
EV/EBITDA	28.9	35.8	21.5	18.9	15.3
EV / Revenues	4.5	3.9	3.4	3.1	2.6
Dividend Yield (%)	0.6	0.5	0.9	1.0	1.3
Dividend Payout(%)	26.8	21.5	29.3	30.4	30.4

One Year Price chart



(Source: Company, HDFC sec)

HDFC Sec Retail Research Rating description

Green Rating stocks

This rating is given to stocks that represent large and established business having track record of decades and good reputation in the industry. They are industry leaders or have significant market share. They have multiple streams of cash flows and/or strong balance sheet to withstand downturn in economic cycle. These stocks offer moderate returns and at the same time are unlikely to suffer severe drawdown in their stock prices. These stocks can be kept as a part of long term portfolio holding, if so desired. These stocks offer low risk and lower reward and are suitable for beginners. They offer stability to the portfolio.

Yellow Rating stocks

This rating is given to stocks that have strong balance sheet and are from relatively stable industries which are likely to remain relevant for long time and unlikely to be affected much by economic or technological disruptions.

These stocks have emerged stronger over time but are yet to reach the level of green rating stocks. They offer medium risk, medium return opportunities. Some of these have the potential to attain green rating over time.

Red Rating stocks

This rating is given to emerging companies which are riskier than their established peers. Their share price tends to be volatile though they offer high growth potential. They are susceptible to severe downturn in their industry or in overall economy. Management of these companies need to prove their mettle in handling cyclicity of their business. If they are successful in navigating challenges, the market rewards their shareholders with handsome gains; otherwise their stock prices can take a severe beating. Overall these stocks offer high risk high return opportunities.

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HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066

Compliance Officer: Murli V Karkera Email: complianceofficer@hdfcsec.com Phone: (022) 3045 3600

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