



**Choice**  
Nurturing Financial Excellence

# IPO REPORT

**“SUBSCRIBE” to  
Happiest Minds Technologies Ltd.**

Presence in high growth IT market

## Salient features of the IPO:

- Bengaluru headquartered IT services firm, **Happiest Minds Technologies Ltd.** (HMTL), is planning to raise up to Rs. 7,000mn through an IPO, which will open on 07<sup>th</sup> Sept. and close on 09<sup>th</sup> Sept. 2020. The price band is Rs. 165 - 166 per share.
- The issue is a combination of fresh (Rs. 1,100mn) and OFS (Rs. 5,884.5 - 5,920.2mn). The company will not receive any proceeds from the OFS portion. Of the net proceeds from the fresh issue, Rs. 1,010mn will be utilized to meet long term working capital by the company. Rest of the amount will be utilized for general corporate purposes.

## Key competitive strengths:

- Strong brand in digital IT services
- Growing high revenue generating customer accounts with a high proportion of repeat revenues and revenues from mature markets
- Scalable business model with multiple drivers of steady growth
- End to end capabilities spanning the digital lifecycle from roadmap to deployment and maintenance
- Strong R&D capability with depth in disruptive technologies creating value through newly engineered solutions
- Agile engineering and delivery

## Risk and concerns:

- Subdued economic growth and lower demand of the company's product
- Inability to address the changing and evolving customer needs
- Higher reliance on the US market
- Unfavorable movement in forex rates
- Intense competition
- Difficulty in maintaining the profitability

**Peer comparison and valuation:** At the higher price band of Rs. 166 per share, HMTL's share is valued at a P/E multiple of 29.4x (to its restated FY20 EPS of Rs. 5.6), which is at premium to peer average of 25.9x.

## Below are few key observations of the issue: (continued in next page)

- Global technological spend is estimated to grow by 6.3% CAGR over 2019-25, from USD 4.2tn in 2019 to USD 6.1tn by 2025. During this period, legacy IT services are likely to grow by 2.1% CAGR, while digital IT services is estimated to grow by 20.2% CAGR. Consequently, the global enterprise digital spend, which stood at USD 691bn and represented about 16.4% of the total technology spend in 2019 is forecasted to be at USD 2,083bn and is projected to be around 34.3% of the total technology spend in 2025. (Source: RHP)
- Digital services are those that enable organizations to leverage the new-age services that have flooded the technology market. The combination of software and hardware services that enable the delivery of information using the internet typically comes under the purview of digital service. With organizations looking to capitalize on the benefits of digitization; going forward, the growth in digital services will outpace the growth in the legacy services.
- HMTL's target market includes business services, IT services, infrastructure-as-a-service, applications, application development and deployment. In FY20 and Q1 FY21, the company derived 96.9% and 96.3% of its revenue from digital IT services. Going forward as mentioned earlier, the growth in digital services will outpace the growth in the legacy services, the company is better placed to benefit from the expansion in the sector.
- Since inception, it has focused on software product development (which includes design & prototyping, product development & testing, component design & integration, product deployment, performance tuning, porting, cross-platform migration and ongoing support); and partnered with various global independent software vendors and technology companies thereby enabling it to provide services to multiple industries like Edutech, HiTech, Industrial/Manufacturing, BFSI, Retail etc. In FY20, Edutech, HiTech, BFSI and Travel, Media & Entertainment industries contributed 21.3%, 21%, 17.5% and 17.1% to the revenue, respectively. During pandemic lockdown, around 75% of the company's businesses were running smoothly or marginally impacted. Moreover, it has limited exposure to travel & hospitality industry.
- Over FY18-20, the company derived majority of the revenue from USA (around 75.5%). This is followed by India (around 11.8%) and UK (around 9.4) markets. Currently, it is focusing on growing the business from the European markets.

Recommendation	SUBSCRIBE
Price Band	Rs. 165 - 166 per Share
Face Value	Rs. 2
Shares for Fresh Issue	6.627 - 6.667mn shares
Shares for OFS	35.664mn shares
Fresh Issue Size	Rs. 1,100mn
OFS Issue Size	Rs. 5,884.5 - 5,920.2mn
Total Issue Size	42.290 - 42.330mn shares (Rs. 6,984.5 - 7,020.2mn)
Bidding Date	07 <sup>th</sup> Sept. - 09 <sup>th</sup> Sept. 2020
MCAP at Higher Price Band	Rs. 24,379mn
Enterprise Value at Higher Price Band	Rs. 23,710mn
Book Running Lead Manager	ICICI Securities Ltd. and Nomura Financial Advisory & Securities (India) Pvt. Ltd.
Registrar	KFin Technologies Pvt. Ltd.
Sector/Industry	IT Consulting & Software
Promoters	Mr. Ashok Soota

Pre and post - issue shareholding pattern		
	Pre - Issue	Post - Issue
Promoter & Promoter Group	61.77%	53.25%
Public	34.16%	42.86%
Others	4.07%	3.88%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

Retail application money at higher cut-off price per lot	
Number of Shares per Lot	90
Application Money	Rs. 14,940 per Lot

Analyst	
<b>Rajnath Yadav</b>	
Research Analyst (022 - 6707 9999; Ext: 912)	
Email: <a href="mailto:rajnath.yadav@choiceindia.com">rajnath.yadav@choiceindia.com</a>	

## Peer comparison and valuation (Contd...):

Company name	Face value (Rs.)	CMP (Rs.)	MCAP (Rs. mn)	EV (Rs. mn)	Stock return (%)				Operating revenue (Rs. mn)	EBITDA (Rs. mn)	PAT (Rs. mn)	EBITDA margin (%)	PAT margin (%)
					1 W	1 M	3 M	1 Y					
<b>Happiest Minds Technologies Ltd.</b>	<b>2</b>	<b>166</b>	<b>24,379</b>	<b>22,795</b>					<b>6,982</b>	<b>971</b>	<b>830</b>	<b>13.9%</b>	<b>11.9%</b>
Tata Consultancy Services Ltd.	1	2,300	8,628,796	8,270,736	2.1%	12.4%	12.8%	2.1%	1,569,490	421,090	323,400	26.8%	20.6%
Infosys Ltd.	5	935	3,984,013	3,750,973	-2.3%	33.4%	25.3%	14.9%	907,910	217,560	165,940	24.0%	18.3%
Larsen & Toubro Infotech Ltd.	1	2,489	433,497	406,059	-0.1%	34.6%	26.9%	54.6%	108,786	20,204	15,201	18.6%	14.0%
Mindtree Ltd.	10	1,208	198,838	184,950	7.2%	33.0%	22.0%	76.6%	77,643	10,815	6,309	13.9%	8.1%
HCL Technologies Ltd.	2	709	1,923,582	1,822,662	0.4%	25.9%	25.4%	27.9%	604,270	139,260	101,200	23.0%	16.7%
<b>Average</b>												<b>21.3%</b>	<b>15.5%</b>

Company Name	EPS (Rs.)	BVPS (Rs.)	DPS (Rs.)	Debt Equity Ratio	Total Asset Turnover Ratio	RoE (%)	RoCE (%)	P / E (x)	P / B (x)	EV / Sales (x)	EV / EBITDA (x)	MCAP / Sales (x)	Earning Yield (%)
<b>Happiest Minds Technologies Ltd.</b>	<b>5.6</b>	<b>25.6</b>	<b>0.0</b>	<b>0.2</b>	<b>1.1</b>	<b>22.1%</b>	<b>18.5%</b>	<b>29.4</b>	<b>6.5</b>	<b>3.3</b>	<b>23.5</b>	<b>3.5</b>	<b>3.4%</b>
Tata Consultancy Services Ltd.	86.2	225.9	3.5	0.0	1.3	38.2%	42.4%	26.7	10.2	5.3	19.6	5.5	3.7%
Infosys Ltd.	39.0	154.6	5.5	0.0	1.0	25.2%	26.9%	24.0	6.1	4.1	17.2	4.4	4.2%
Larsen & Toubro Infotech Ltd.	87.3	310.3	27.5	0.0	1.3	28.1%	27.9%	28.5	8.0	3.7	20.1	4.0	3.5%
Mindtree Ltd.	38.3	191.8	14.0	0.0	1.6	20.0%	22.1%	31.5	6.3	2.4	17.1	2.6	3.2%
HCL Technologies Ltd.	37.3	152.8	7.0	0.0	1.1	24.4%	27.0%	19.0	4.6	3.0	13.1	3.2	5.3%
<b>Average</b>			<b>11.5</b>	<b>0.0</b>	<b>1.2</b>	<b>27.2%</b>	<b>29.3%</b>	<b>25.9</b>	<b>7.0</b>	<b>3.7</b>	<b>17.4</b>	<b>3.9</b>	<b>4.0%</b>

Note: All financial data are of FY20; Source: Choice Broking Research

- Over the years, HMTL has served more than 350 customers globally. As of 30<sup>th</sup> Jun. 2020, it had 148 active customers. Moreover, a substantial portion of its revenues is generated from repeat business, which indicates a high degree of customer stickiness. Over FY18-20, repeat customers contributed around 90% of the revenue and these repeat customers include more than 35 Fortune 2000/Forbes 200 corporations.
- HMTL has reported a short financial history, but the performance seems to be improving. On the back of higher volume of projects executed over FY18-20, HMTL reported a 22.8% CAGR rise in consolidated revenue to Rs. 6,982.1mn in FY20. Higher utilization of work forces led to an EBITDA profit of Rs. 548.3mn and Rs. 971mn in FY19 and FY20, respectively, as compared to an EBITDA loss of Rs. 186.1mn in FY18. EBITDA margin during FY19 and FY20 stood at 9.3% and 13.9%. In Q1 FY21, EBITDA margin further improved to 21.4%. Adjusted PAT stood at a loss of Rs. 224.7mn in FY18, while it remained in green and stood at Rs. 267.9mn in FY19 and Rs. 829.7mn in FY20. PAT margin expanded from 4.5% in FY19 to 11.9% in FY20 and further to 28.3% in Q1 FY21. The company had a positive operating cash flow over FY18-20, which increased by 229.4% CAGR to Rs. 1,122.2mn in FY20. Average operating cash flow during the period was at around Rs. 600.6mn. We feel that HMTL has gained business momentum and thus is forecasted to report improved operating and financial performance in the mid-term.
- Based on our quick estimate, we are estimating a 14.6% CAGR rise in top-line over FY20-23 to Rs. 10,516mn in FY23. EBITDA and PAT are anticipated to grow by 22.1% and 17.9%, respectively. EBITDA and PAT margins are likely to expand by 290bps and 104bps, respectively. RoE is expected to improve to 19.7% in FY23 from 18.5% in FY20.
- Through this IPO, the promoter is partially selling its stake, while a private equity investor CMDDB II is fully exiting its 19.43% stake from the company. Post issue, promoter stake will decline to 53.25% as compared to pre-ipo stake of 61.77%. Public stake will increase to 42.86%.
- At the higher price band, the issue seems to be fully priced as compared to its domestic peers. HMTL earned an average 97.1% of the revenue from digital IT services as compared to its domestic peers, which earned in the range of 30-50%. Thus the company cannot be fully comparable to the domestic peers.
- There are international peers, who derive almost all of their revenue from digital services are trading at a P/E multiple ranging from 67-139x. Assuming the valuations of these companies in the US markets to be frothy, the valuation demanded by HMTL seems to be attractive.

Thus based on the above observations, we assign a “SUBSCRIBE” rating for the issue.

## About the issue:

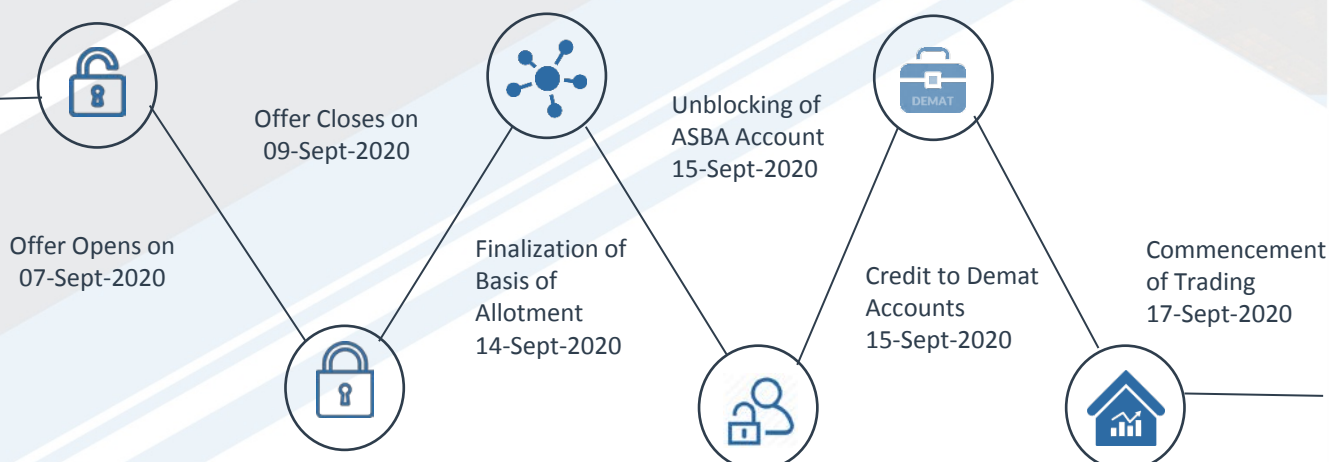
- HMTL is coming up with an initial public offering (IPO) with 42.290 - 42.330mn shares (fresh issue: 6.627 - 6.667mn shares; OFS shares: 35.664mn shares) in offering. The offer represents around 28.8% of its post issue paid-up equity shares of the company. Total IPO size is Rs. 6,984.5 - 7,020.2mn.
- The issue will open on 07<sup>th</sup> Sept. 2020 and close on 09<sup>th</sup> Sept. 2020.
- The issue is through book building process with a price band of Rs. 165 - 166 per share.
- Since the issue is a combination of fresh and OFS, the company will not receive any proceeds from the OFS portion. Of the net proceeds from the fresh issue, Rs. 1,010mn will be utilized to meet long term working capital by the company. Rest of the amount will be utilized for general corporate purposes.
- 75% of the net issue shall be allocated on a proportionate basis to qualified institutional buyers, while rest 15% and 10% is reserved for non-institutional bidders and retail investors, respectively.
- Promoter holds 61.77% stake in the company and post-IPO this will come down to 53.25%. Public holding will increase from current 34.16% to 42.86%.

### Pre and post issue shareholding pattern (%)

	Pre Issue	Post Issue (at higher price band)
Promoter & Promoter Group	61.77%	53.25%
Public	34.16%	42.86%
Others	4.07%	3.88%

Source: Choice Equity Broking

## Indicative IPO process time line:



## Company introduction:

Positioned as “Born Digital. Born Agile”, **HMTL** focuses on delivering a seamless digital experience to its customers. Its offerings include, among others, digital business, product engineering, infrastructure management and security services. The company is capable to provide end-to-end solution in the digital space.

HMTL helps its customers in finding new ways to interact with their users and clients enabling them to become more engaging, responsive and efficient. It also offer solutions across the spectrum of various digital technologies such as Robotic Process Automation, Software-Defined Networking/Network Function Virtualization, Big Data and Advanced Analytics, Internet of Things (IoT), Cloud, Business Process Management and security.

According to Frost & Sullivan Report, global digital services market of USD 691bn in 2019 is estimated to grow at a 20.2% CAGR to USD 2,083bn by 2025. In FY20, the company derived 96.9% of its revenues from digital services, which is one of the highest among Indian IT companies. The Frost & Sullivan Report further notes that the legacy IT market as a percentage of total technology spend is estimated to decline from 85.7% share in 2019 to 65% share by 2025, with digital spend making up the remaining 35% share by then.

As of 30<sup>th</sup> Jun. 2020, HMTL had 148 active customers. During FY20 and Q1 FY21, it delivered 87.9% and 90.1% of its project through agile delivery methodology. Over the years and currently during the ongoing outbreak of Covid19, the company have successfully implemented its business continuity plans including to achieve efficient work-from-home practices to ensure connectivity across the enterprise.

HMTL’s business is divided into the following three business units:

- **Digital business services (DBS):** Its DBS offerings are aimed at (i) driving digital modernization & transformation for its customers through digital application development & application modernization for an improved customer experience, enhanced productivity and better business outcomes; (ii) implementation of solutions, development & implementation of solution, capabilities for improving data quality of the customer’s platform, assistance in designing, testing of operations and management of platform and modernization of digital practices; and (iii) consulting and domain led offerings such as digital roadmap, mindful design thinking, and migration of on-premise applications to cloud.
- **Product engineering services (PES):** PES business unit aims to help the customers capitalize on the transformative potential of ‘digital’ by building products and platforms that are smart, secure and connected. HMTL provides customers a blend of hardware and embedded software knowledge which combines with its software platform engineering skills to help create high quality, scalable and secure solutions. The company’s offerings extend across the development lifecycle from strategy to final roll out while ensuring quality. It gets its clients started on this journey with the digital foundry that allows it to build rapid prototypes for customers and provide a scalable minimum viable product. The company embraces a cloud and a mobile friendly approach along with an agile model that is supported by test automation to help its clients accelerate their time to market and build a competitive advantage.
- **Infrastructure management & security services (IMSS):** IMSS offerings provide an end to end monitoring and management capability with secure ring fencing of the customer’s applications and infrastructure. HMTL provides continuous support and managed security services for mid-sized enterprises and technology companies. Specialized in automation of business and IT operations with DevSecOps model and with NOC/SOC, the company strives to ensure that the data center, cloud infrastructure and applications are safe, secure, efficient and productive. Its security offerings include cyber and infrastructure security, governance, risk & compliance, data privacy and security, identity and access management and threat and vulnerability management. Infrastructure offerings include DC and hybrid cloud services, workspace services, service automation (RPA, ITSM & ITOM), database and middleware services and software defined infrastructure services.

## Company introduction (Contd...):

HMTL's business units are supported by the following three centers of excellence:

- **IoT:** The company's IoT offering includes consulting led digital strategy creation, device/edge/platform engineering, end-to-end system integration on industry standard IoT platforms, IoT security, and IoT enabled managed services, implementing IoT roadmap, deriving insights from connecting assets, connecting manufacturing, supply chain, products and services to deliver IoT led business transformation and new business models aimed at enhancing customer's operations and customer experience. In FY19, FY20 and Q1 FY21, revenues from IoT offerings were 8.4%, 9.8% and 9.3%, respectively.
- **Analytics/Artificial Intelligence (AI):** HMTL's analytics/AI offering includes implementation of advanced analytics using artificial intelligence, machine learning and statistical models, engineering big data platforms to deal with large volume of data, creating actionable insights with data warehousing, modernization of data infrastructure and process automation through AI. In FY19, FY20 and Q1 FY21, revenues from analytics/AI were 9.1%, 11.6% and 12.1%, respectively.
- **Digital Process Automation (DPA):** The company's DPA offering includes consulting led digital transformation through process automation of core business applications, products and infrastructure landscape of its customers, leveraging various intelligent process automation tools and technologies including RPA, intelligent business process management (iBPMS) and cognitive automation using AI & machine learning based models. In FY20 and Q1 FY21, revenue from DPA was 20.7% and 24.1%, respectively.

**Competition:** HMTL is an experienced global IT services provider focused on complex software product development services and software engineering. It competes with a variety of software product development and IT companies, as well as service providers. The company believes that the key competitive factors in the industry include changing technologies, customer preferences and needs & the ability to rapidly deliver solutions supporting such evolving needs. Other competitive factors include breadth and depth of service offerings, domain expertise, reputation and track record and the ability to tailor service offerings to specific customer needs.

HMTL face strong competition from onshore and offshore IT services companies. Global competitors such as Globant, EPAM and Endava derive all their revenues from digital services. Among Indian IT firms, HMTL's digital IT revenues as a proportion of overall revenues was 96.9% in FY20. Other Indian IT firms like Infosys, Wipro, TCS and Tech Mahindra, are also diversifying and showcasing their digital service offerings.

## Company introduction (Contd...):

**Financial performance:** HMTL has reported a short financial history, but the performance seems to be improving. On the back of higher volume of projects executed over FY18-20, HMTL reported a 22.8% CAGR rise in consolidated revenue to Rs. 6,982.1mn in FY20. Business from PES (which contributed an average of 47.8% to the total revenue) increased by 29.6% CAGR, while business from IMSS and DBS (which contributed an average of 21.7% and 30.5%, respectively, to the total revenue) grew by 24.8% and 11.6% CAGR over the period. In Q1 FY21, top-line stood at Rs. 1,770.2mn.

Over FY18-20, employee cost increased by 11.2% CAGR and stood at 63.2% of the top-line in FY20 as compared to 77.1% in FY18, this was primarily due to higher utilization of work forces. Other expenses increased by 13.3% CAGR. Consequently, total operating expenses increased by 11.7% CAGR over FY18-20 (lower than top-line growth). Consolidated EBITDA stood at a profit of Rs. 971 in FY20 (with a margin of 13.9%) as compared to a FY18 EBITDA loss of Rs. 186.1mn. In FY19, EBITDA stood at a profit of Rs. 548.3mn with a margin of 9.3%. In Q1 FY21, EBITDA stood at Rs. 378.5mn with a margin of 21.4%.

Depreciation charge remained almost flat over FY18-20, while finance cost declined by 10.2% CAGR (mainly due to 6.8% CAGR fall in debt levels). Other income declined by 21.8%. The company reported an exceptional loss of Rs. 125.8mn in FY19 and Rs. 112.6mn in FY20, mainly arising from the impairment of goodwill. As a result, adjusted PAT stood at a loss Rs. 224.7mn in FY18, while it remained in green and stood at Rs. 267.9mn in FY19 and Rs. 829.7mn in FY20. PAT margin expanded from 4.5% in FY19 to 11.9% in FY20. Q1 FY21 adjusted PAT stood at Rs. 501.8mn with a margin of 28.3%.

The company had a positive operating cash flow over FY18-20, which increased by 229.4% CAGR to Rs. 1,122.2mn in FY20. Average operating cash flow during the period was at around Rs. 600.6mn.

Consolidated financial snapshot (Rs. mn)	FY18	FY19	FY20	Q1 FY21	CAGR (%)	Y-o-Y (%)
Sale of service & licenses from IMSS	986.2	1,294.3	1,536.1	364.1	24.8%	18.7%
Sale of service & licenses from DBS	1,540.3	1,809.0	1,916.7	459.8	11.6%	6.0%
Sale of service & licenses from PES	2,102.4	2,800.3	3,529.3	946.3	29.6%	26.0%
<b>Revenue from operations</b>	<b>4,628.9</b>	<b>5,903.6</b>	<b>6,982.1</b>	<b>1,770.2</b>	<b>22.8%</b>	<b>18.3%</b>
EBITDA	(186.1)	548.3	971.0	378.5		77.1%
Adjusted PAT	(224.7)	267.9	829.7	501.8		209.7%
Restated adjusted EPS	(1.5)	1.8	5.6	3.4		209.7%
Cash flow from operating activities	103.4	576.2	1,122.2	333.4	229.4%	94.8%
NOPLAT	(393.6)	300.5	750.7	259.1		149.8%
FCF		9.8	(2,373.4)			
RoIC (%)			26.9%	7.9%		
Revenue growth rate (%)		27.5%	18.3%			(0.0927)
EBITDA growth rate (%)		-394.6%	77.1%			4.7172
EBITDA margin (%)	-4.0%	9.3%	13.9%	21.4%	0.1793	0.0462
EBIT growth rate (%)		-176.3%	155.8%			3.3215
EBIT margin (%)	-8.5%	5.1%	11.0%	18.5%	0.1951	0.0592
Restated adjusted PAT growth rate (%)		-219.2%	209.7%			4.2893
Restated adjusted PAT margin (%)	-4.9%	4.5%	11.9%	28.3%	0.1674	0.0735
Fixed asset turnover ratio (x)	4.9	9.6	18.4	4.6	94.4%	90.8%
Total asset turnover ratio (x)	1.2	1.4	1.4	0.3	7.2%	-3.8%
Net debt (Rs.)	(649.1)	(485.1)	(484.7)	(759.5)	-13.6%	-0.1%
Debt to equity (x)	(0.8)	(1.1)	0.3	0.3		-125.7%
Net debt to EBITDA (x)	3.5	(0.9)	(0.5)	(2.0)		-43.6%
RoE (%)			27.0%	15.7%		
Adjusted RoE (%)			31.3%	15.7%		
RoA (%)	-5.8%	6.5%	16.3%	8.8%	0.2213	0.0985
RoCE (%)			25.2%	9.1%		

Source: Choice Equity Broking



## Competitive strengths:

- Strong brand in digital IT services
- Growing high revenue generating customer accounts with a high proportion of repeat revenues and revenues from mature markets
- Scalable business model with multiple drivers of steady growth
- End to end capabilities spanning the digital lifecycle from roadmap to deployment and maintenance
- Strong R&D capability with depth in disruptive technologies creating value through newly engineered solutions
- Agile engineering and delivery

## Business strategy:

- Acquire new accounts and deepen key account relationships
- Further investments in centers of excellence and digital processes
- Strengthen existing partnerships and enter into new partnerships with independent software vendors
- Domain led approach towards customer acquisition and revenue generation in specific verticals
- Attract, develop and retain skilled employees to sustain service quality and customer experience
- Selectively pursue strategic acquisitions



## Risk and concerns:

- Subdued economic growth and lower demand of the company's product
- Inability to address the changing and evolving customer needs
- Higher reliance on the US market
- Unfavorable movement in forex rates
- Intense competition
- Difficulty in maintaining the profitability



## Financial statements:

### Consolidated profit and loss statement (Rs. mn)

	FY18	FY19	FY20	Q1 FY21	CAGR over FY18 - 20 (%)	Annual Growth over FY19 (%)
<b>Revenue from operations</b>	<b>4,628.9</b>	<b>5,903.6</b>	<b>6,982.1</b>	<b>1,770.2</b>	<b>22.8%</b>	<b>18.3%</b>
Employee benefits expense	(3,568.7)	(3,850.5)	(4,412.3)	(1,082.8)	11.2%	14.6%
Other expenses	(1,246.3)	(1,504.8)	(1,598.8)	(308.9)	13.3%	6.2%
<b>EBITDA</b>	<b>(186.1)</b>	<b>548.3</b>	<b>971.0</b>	<b>378.5</b>		<b>77.1%</b>
Depreciation and amortization expense	(207.5)	(247.8)	(202.3)	(51.2)	-1.3%	-18.4%
<b>EBIT</b>	<b>(393.6)</b>	<b>300.5</b>	<b>768.7</b>	<b>327.3</b>		<b>155.8%</b>
Finance costs	(99.5)	(159.4)	(80.2)	(18.6)	-10.2%	-49.7%
Other income	262.3	114.5	160.2	99.7	-21.8%	39.9%
Exceptional items		(125.8)	(112.6)			-10.5%
<b>PBT</b>	<b>(230.8)</b>	<b>129.8</b>	<b>736.1</b>	<b>408.4</b>		<b>467.1%</b>
Tax expenses	6.1	12.3	(19.0)	93.4		-254.5%
<b>Reported PAT</b>	<b>(224.7)</b>	<b>142.1</b>	<b>717.1</b>	<b>501.8</b>		<b>404.6%</b>
<b>Adjusted PAT</b>	<b>(224.7)</b>	<b>267.9</b>	<b>829.7</b>	<b>501.8</b>		<b>209.7%</b>

### Consolidated balance sheet statement (Rs. mn)

	FY18	FY19	FY20	Q1 FY21	CAGR over FY18 - 20 (%)	Annual Growth over FY19 (%)
Equity share Capital	37.5	59.7	87.9	204.4	53.1%	47.2%
Other equity	(1,126.3)	(720.2)	2,565.2	2,985.7		
Long term borrowings	216.8	157.9	92.7	73.0	-34.6%	-41.3%
Long term lease liabilities	431.4	296.4	173.1	167.4	-36.7%	-41.6%
Long term provisions	81.2	94.0	125.5	150.8	24.3%	33.5%
Long term deferred tax liability	12.3					
Short term borrowings	685.5	601.2	691.6	908.9		
Current lease liabilities	145.6	158.2	181.6	191.9	11.7%	14.8%
Other current financial liabilities	2,932.3	2,920.1	560.2	359.1	-56.3%	-80.8%
Current contract liability	54.7	106.7	81.8	57.8	22.3%	-23.3%
Trade payables	249.8	287.8	344.2	360.0	17.4%	19.6%
Short term provisions	82.0	99.8	124.6	146.6	23.3%	24.8%
Other current liabilities	67.1	73.6	53.1	125.2	-11.0%	-27.9%
<b>Total liabilities</b>	<b>3,869.9</b>	<b>4,135.2</b>	<b>5,081.5</b>	<b>5,730.8</b>	<b>14.6%</b>	<b>22.9%</b>
Property, plant and equipment	26.4	21.4	9.3	7.7	-40.6%	-56.5%
Other intangible assets	79.3	19.6	7.2	6.1	-69.9%	-63.3%
Capital work-in-progress	1.4					
Intangibles assets under development		1.7	1.7	1.7		0.0%
Goodwill	296.1	173.6	61.0	61.0	-54.6%	-64.9%
Right of use assets	548.4	396.5	300.6	306.3	-26.0%	-24.2%
Long term loans	58.5	61.8	76.7	54.4	14.5%	24.1%
Other long term financial assets	18.5	23.9	36.8	27.8	41.0%	54.0%
Long term net income tax assets	58.4	92.0	133.5	38.2	51.2%	45.1%
Long term net deferred tax assets				188.6		
Other long term assets	4.0	4.8	3.3	3.5	-9.2%	-31.3%
Current investments	1,386.2	981.5	833.7	1,062.1	-22.4%	-15.1%
Cash and cash equivalents	165.2	262.7	435.3	679.3	62.3%	65.7%
Other current financial assets	114.1	709.1	1,917.7	2,148.1	310.0%	170.4%
Trade receivables	943.7	1,292.7	1,148.7	985.1	10.3%	-11.1%
Current loans	27.3	7.7	10.0	30.1	-39.5%	29.9%
Other current assets	142.4	86.2	106.0	130.8	-13.7%	23.0%
<b>Total assets</b>	<b>3,869.9</b>	<b>4,135.2</b>	<b>5,081.5</b>	<b>5,730.8</b>	<b>14.6%</b>	<b>22.9%</b>

Source: Choice Equity Broking

## Financial statements:

### Consolidated cash flow statement (Rs. mn)

Particulars (Rs. mn)	FY18	FY19	FY20	Q1 FY21	CAGR over FY18 - 20 (%)	Annual Growth over FY19 (%)
Cash Flow Before Working Capital Changes	3.2	769.2	1,112.5	455.2	1764.6%	44.6%
Change in Working Capital	98.2	(159.4)	70.2	(132.0)	-15.5%	
<b>Cash Flow from Operating Activities</b>	<b>103.4</b>	<b>576.2</b>	<b>1,122.2</b>	<b>333.4</b>	<b>229.4%</b>	<b>94.8%</b>
Purchase of Property, Plant & Equipment	(11.3)	(7.9)	(4.6)	(1.0)		
<b>Cash Flow from Investing Activities</b>	<b>(268.5)</b>	<b>(2.7)</b>	<b>(737.4)</b>	<b>(219.6)</b>		
<b>Cash Flow from Financing Activities</b>	<b>263.2</b>	<b>(588.4)</b>	<b>(133.4)</b>	<b>(21.9)</b>		
<b>Net Cash Flow</b>	<b>98.1</b>	<b>(14.9)</b>	<b>251.4</b>	<b>91.9</b>	<b>60.1%</b>	
Opening Balance of Cash and Bank Balances	67.0	177.6	183.9	437.5	65.7%	3.5%
<b>Closing Balance of Cash and Bank Balances</b>	<b>165.1</b>	<b>162.7</b>	<b>435.3</b>	<b>529.4</b>	<b>62.4%</b>	<b>167.5%</b>

### Consolidated financial ratios

Particulars (Rs. mn)	FY18	FY19	FY20	Q1 FY21
Revenue Growth Rate (%)			27.5%	18.3%
EBITDA Growth Rate (%)			-394.6%	77.1%
EBITDA Margin (%)	-4.0%	9.3%	13.9%	21.4%
EBIT Growth Rate (%)			-176.3%	155.8%
EBIT Margin (%)	-8.5%	5.1%	11.0%	18.5%
Adjusted PAT Growth Rate (%)			-219.2%	209.7%
Adjusted PAT Margin (%)	-4.9%	4.5%	11.9%	28.3%

### Liquidity ratios

Current Ratio	0.7	0.8	2.2	2.3
Debt Equity Ratio	(0.8)	(1.1)	0.3	0.3
Net Debt to EBITDA	3.5	(0.9)	(0.5)	(2.0)

### Turnover ratios

Inventories Days				
Debtor Days	74.4	69.1	63.8	
Payable Days	(19.7)	(16.6)	(16.5)	
Cash Conversion Cycle	54.7	52.5	47.3	
Fixed Asset Turnover Ratio (x)	4.9	9.6	18.4	
Total Asset Turnover Ratio (x)	1.2	1.4	1.4	

### Return ratios

Adjusted RoE (%)			31.3%	
RoA (%)	-5.8%	6.5%	16.3%	
RoCE (%)			25.2%	

### Per share data

Restated Reported EPS (Rs.)	(1.5)	1.8	5.6	3.4
Restated DPS (Rs.)				
Restated BVPS (Rs.)	(7.4)	(4.5)	18.1	21.7
Restated Operating Cash Flow Per Share (Rs.)	0.7	3.9	7.6	2.3
Restated Free Cash Flow Per Share (Rs.)			0.1	(16.2)
Dividend Payout Ratio	0.0%	0.0%	0.0%	0.0%

Note: Ratios calculated on pre-issue data; Source: Company RHP

### Disclaimer

This is solely for information of clients of Choice Broking and does not construe to be an investment advice. It is also not intended as an offer or solicitation for the purchase and sale of any financial instruments. Any action taken by you on the basis of the information contained herein is your responsibility alone and Choice Broking its subsidiaries or its employees or associates will not be liable in any manner for the consequences of such action taken by you. We have exercised due diligence in checking the correctness and authenticity of the information contained in this recommendation, but Choice Broking or any of its subsidiaries or associates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this recommendation or any action taken on basis of this information. This report is based on the fundamental analysis with a view to forecast future price. The Research analysts for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report. Choice Broking has based this document on information obtained from sources it believes to be reliable but which it has not independently verified; Choice Broking makes no guarantee, representation or warranty and accepts no responsibility or liability as to its accuracy or completeness. The opinions contained within the report are based upon publicly available information at the time of publication and are subject to change without notice. The information and any disclosures provided herein are in summary form and have been prepared for informational purposes. The recommendations and suggested price levels are intended purely for stock market investment purposes. The recommendations are valid for the day of the report and will remain valid till the target period. The information and any disclosures provided herein may be considered confidential. Any use, distribution, modification, copying, forwarding or disclosure by any person is strictly prohibited. The information and any disclosures provided herein do not constitute a solicitation or offer to purchase or sell any security or other financial product or instrument. The current performance may be unaudited. Past performance does not guarantee future returns. There can be no assurance that investments will achieve any targeted rates of return, and there is no guarantee against the loss of your entire investment.

POTENTIAL CONFLICT OF INTEREST DISCLOSURE (as on date of report) Disclosure of interest statement – • Analyst interest of the stock /Instrument(s): - No. • Firm interest of the stock / Instrument (s): - No.

### CONNECT US

**Any kind of queries on RESEARCH,**  
You can contact us on: 022 - 6707 9999



### Choice Equity Broking Pvt. Ltd.

Choice House, Shree Shakambhari Corporate Park, Plt No: -156-158,  
J.B. Nagar, Andheri (East), Mumbai - 400 099.

+91-022-6707 9999

+91-022-6707 9959

www.choiceindia.com

**Consolidated Scrip Overview**

trade with  
**JIFFY**

GET IT ON  
Google play

Download on the  
App Store