

Tech Mahindra | BUY

Steady quarter; improved outlook

Tech Mahindra (TECHM) reported 1QFY19 a tad above our estimates; management's comments indicate strong deal wins in telecom in 2QFY19 that could drive revenue growth momentum from 3QFY19 onwards, in our view; margin focus remains. Thus, while consensus earnings upgrade cycle could take time to pick up pace, we expect the stock could quickly trace back the 11% valuation correction over the last one month on back of near-term growth concerns and kick-off of 5G related capex by global telecom services providers (potentially over 2HFY19, in our view) could sustain that. We maintain BUY and raise PT to INR 810 (INR 790 earlier); changes to our EPS forecasts are minor (c.1% each for FY19/FY20).

- 1QFY19 – steady quarter.** Cons. revenue was down 1.6% QoQ to USD 1,224mn (JMFe: -1.9%) in a seasonally weak quarter. Like past quarters, growth as driven by the Enterprise (non-Telecom) segment (+3.8% QoQ in constant currency); Telecom was down 1.5% (in cc terms) even excluding the seasonally soft Comviva business. EBITDA margin contracted 113bps QoQ to 16.4% (JMFe: 16.2%) as the impact of seasonal factors – wage hike (-40bps), Comviva (-90bps) and visa costs (-60bps) – was partially offset by currency gains (+80bps). PAT, at INR 9bn (-27% QoQ) was above estimates despite the recognition of losses in associates (Altiostar) and lower hedge gains/treasury income. OCF/EBITDA conversion was stable at 58%.
- Deal momentum is picking up.** TECHM is optimistic about a revival in revenue growth in Telecom after staying weak for the last 5 quarters. The confidence is coming from a) ramp-up in deals won in 4QFY18 (USD 300mn of TCW wins had a higher share of telecom deals) and b) strong deal wins in 2QFY19; TECHM indicated a USD 200mn of net new TCW so far in the quarter. This bodes well for FY20 USD revenue growth outlook. Thus, while Telecom is expected to grow at 1-3% in FY19, we forecast an acceleration to 7%+/9%+ in FY20/FY21. Enterprise segment is likely to stay steady at 11-12% YoY growth notwithstanding the near-term slowdown in the HCI acquisition after strong growth over the last three quarters. We forecast FY18-20 USD revenue CAGR at 8% without a major upside from 5G related capex spend.
- Margin recovery to sustain.** TECHM indicated a continued focus on margins with opportunistic hiring (even though utilisation appear to have little headroom at 81% in 1QFY19 and the pick-up in deal momentum) and improving delivery efficiency through automation. It expects an incremental, albeit gradual, margin expansion in FY19 ex-currency leverage. We have tweaked our FY19/FY20 EPS forecasts by 1.4%/1.0% also to factoring in the lowered tax rate guidance.
- Maintain BUY.** TECHM's YTD move has been broadly in-line with the NIFTY IT Index after the recent 10% correction on concerns of a weak 1QFY19. Post the in-line results and the management's optimistic commentary, we expect the investors' interest to come back, both on the near-term play on deal momentum as well as the 5G capex cycle over the longer term. The stock's relatively inexpensive valuation (13x FY20F EPS) is an added attraction. Our revised PT is at 15x target PER (unchanged).



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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	810
Upside/(Downside)	23.6%
Previous Price Target	790
Change	2.5%

Key Data – TECHM IN

Current Market Price	INR655
Market cap (bn)	INR642.7/US\$9.4
Free Float	59%
Shares in issue (mn)	980.3
Diluted share (mn)	1,014.3
3-mon avg daily val (mn)	INR2,395.5/US\$34.9
52-week range	730/379
Sensex/Nifty	37,494/11,320
INR/US\$	68.7

Price Performance

%	1M	6M	12M
Absolute	0.0	8.7	71.9
Relative*	-5.5	4.5	48.1

* To the BSE Sensex

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Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

Financial Summary

Y/E March	FY17A	FY18A	FY19E	FY20E	FY21E
Net Sales	2,91,408	3,07,730	3,48,765	3,84,065	4,24,124
Sales Growth (%)	10.0	5.6	13.3	10.1	10.4
EBITDA	41,842	47,098	61,080	69,895	78,347
EBITDA Margin (%)	14.4	15.3	17.5	18.2	18.5
Adjusted Net Profit	28,384	38,002	40,421	46,006	52,373
Diluted EPS (INR)	31.6	42.7	45.3	51.6	58.7
Diluted EPS Growth (%)	-8.4	34.8	6.3	13.8	13.8
ROIC (%)	18.7	19.5	24.3	25.8	27.6
ROE (%)	18.3	21.5	20.5	21.6	22.8
P/E (x)	20.7	15.4	14.4	12.7	11.2
P/B (x)	3.6	3.1	2.8	2.6	2.5
EV/EBITDA (x)	14.8	13.0	10.0	8.6	7.6
Dividend Yield (%)	1.5	2.4	3.4	4.2	5.0

Source: Company data, JM Financial. Note: Valuations as of 30/Jul/2018

Exhibit 1. Key financials

(INR mn)	1QFY18	2QFY18	3QFY18	4QFY18	FY18	1QFY19	Comments
Cons. revenues (USD mn)	1,138	1,179	1,209	1,244	4,771	1,224	Consolidated revenue declined by 1.6% QoQ in USD terms (vs. -1.9% QoQ JMFe) to USD 1,224.1mn
Change (QoQ/YoY)	0.6%	3.6%	2.5%	2.9%	9.6%	-1.6%	
Cons. Revenues	73,361	76,064	77,760	80,545	3,07,730	82,763	In cc terms, revenue grew marginally by 0.3% QoQ
Change (QoQ/YoY)	-2.1%	3.7%	2.2%	3.6%	5.6%	2.8%	
Cost of services	52,818	53,789	53,807	54,885	2,15,299	57,340	Growth was mainly driven by Enterprise (non-telecom) segment (60.4% of revenues; +1.7% QoQ) while the Telecom segment (39.6% of revenues) witnessed a decline of 6.4% QoQ in USD terms
Gross profit	20,543	22,275	23,953	25,660	92,431	25,423	
Gross margin	28.0%	29.3%	30.8%	31.9%	30.0%	30.7%	Organic revenue (ex-LCC and HY17/FY18 acquisitions/IPP) declined by 2.0% QoQ for 1QFY19 (JMFe)
Operating expenses	11,258	11,219	11,315	11,541	45,333	11,854	
EBITDA	9,285	11,056	12,638	14,119	47,098	13,569	EBITDA margin contracted by 113bps QoQ but had an expansion of 374bps on a YoY basis
EBITDA margin	12.7%	14.5%	16.3%	17.5%	15.3%	16.4%	
Depreciation	2,468	2,653	2,742	2,986	10,849	2,808	A low ETR for the quarter (21.5%) is partially due to MAT credit of INR 900mn
EBIT	6,817	8,403	9,896	11,133	36,249	10,761	
EBIT margin	9.3%	11.0%	12.7%	13.8%	11.8%	13.0%	Reported PAT declined by 26.5% QoQ due to, (1) Lower other income in 1QFY19 which in turn was due to lower FX gains + one-time gains on sale of land/interest gain tax refund in 4QFY19, and (2) record of share of loss from associate (Altiostar) to the tune of INR 118mn
Non-operating income	3,799	2,838	1,919	3,986	12,542	809	
Share of loss from associate	-	-	-	-	-	-118	
Profit Before Tax	10,616	11,241	11,815	15,119	48,791	11,452	
Income tax expense	2,698	2,847	2,570	2,810	10,925	2,457	
Net income from operations	7,918	8,394	9,245	12,309	37,866	8,995	
Extraordinary income (net of taxes)	0	0	0	0	0	0	
Minority interest	68	-31	187	-88	136	-16	
Net Income for Common Stocks	7,986	8,363	9,432	12,221	38,002	8,979	
Net margin	10.8%	11.0%	11.9%	15.3%	12.3%	10.9%	
Diluted EPS	9.0	9.4	10.6	13.7	42.7	10.1	
Change (QoQ/YoY)	35.9%	4.7%	12.9%	29.3%	34.8%	-26.6%	

Source: Company, JM Financial

Management commentary: Key takeaways

- FY19 outlook. Communications.** Management exuded confidence for revenue growth in the vertical to recover in the succeeding quarters given the robust deal flow. It indicated it has signed Lols (letter of intent) for 2-3 deals with a combined TCv of USD 200mn+ in the first month of 2QFY19, all in telecom and with all new business. It was hopeful for 2QFY19 to be the strongest quarter ever in terms of deal wins. **Enterprise business.** Organic enterprise business grew 9%+ YoY with Manufacturing (+2% QoQ) and Financial Services (+3% QoQ) doing well in 1QFY19. However, going forward, the management cautioned growth could vary QoQ. It is expecting a slowdown in the HCI acquisition in 2QFY19 after growing strongly in the past few quarters. Overall, deal wins in 1QFY19 at USD 270mn was slightly below the USD 300mn run-rate in the recent quarters.
- Margin outlook.** TECHM reiterated its focus on margin expansion even though the incremental gains could not be as high as the 3.7ppt gains over the last 4 quarters. It believes utilization has been optimized as a margin lever and while hiring is likely to remain opportunistic going forward, it expects incremental margin benefit to come from the growing use of AI and automation in project delivery. It is also looking at leveraging pyramid; at present, 3% of its workforce is freshers and is undergoing training.
- Others: Loss from associate.** The INR 118mn charge taken in 1QFY19 is TECHM's share of losses in its investments in Altiostar that focuses on 5G radio access networks. It expects the losses to continue at-least over the next few quarters. **Wage hike:** The remaining part of wage hike is expected to affect 2QFY19 margins by less than 40bps. **Tax rate:** ETR for FY19 is expected to be less than 24% vs. 25% guided earlier.

Exhibit 2. Movement in margin drivers

	1QFY18	4QFY18	1QFY19	Change (%)	Comments
				QoQ	YoY
Exchange rate (INR/USD)	64.46	64.73	67.61	4.4%	4.9%
Consolidated revenues (INR mn)	73,361	80,545	82,763	2.8%	12.8%
A. Execution drivers					
Offshore revenue (IT services)	36.3%	33.0%	33.4%	40bp	-290bp
Utilization (incl. trainees)	77.0%	84.0%	81.0%	-300bp	400bp
B. Cost drivers					
Manpower costs	40,608	41,453	43,795	5.6%	7.8%
As % of revenues	55.4%	51.5%	52.9%	145bp	-244bp
Subcontractor charges	9,089	10,639	9,704	-8.8%	6.8%
As % of revenues	12.4%	13.2%	11.7%	-148bp	-66bp
Other operating expenses	14,317	14,334	15,695	9.5%	9.6%
As % of revenues	19.5%	17.8%	19.0%	117bp	-55bp
EBITDA	9,347	14,119	13,569	-3.9%	45.2%
EBITDA margin	12.7%	17.5%	16.4%	-113bp	365bp

Source: Company, JM Financial

- EBITDA margins contracted by 113bps of which 90bps impact was attributed to Conviva business, 40bps impact to the partial wage hike, 60bps impact due to visa costs and 50-60bps impact due to lower utilisation. The tailwinds were offset by currency benefit (+60bps) while the balance coming through operational efficiency

Exhibit 3. Manpower metrics

	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	Comments
Total headcount	1,15,980	1,17,225	1,15,241	1,12,807	1,13,552	<ul style="list-style-type: none"> c.1,800 fresh graduates joined in 1QFY19 of c.4,000 estimated for the year with c.3% of the workforce currently undergoing training and expected to enter the system in 3Q/4QFY19
Net addition	-1,713	1,245	-1,984	-2,434	745	
Delivery headcount – IT	78,996	75,587	73,460	72,437	72,462	
Delivery headcount – BPO	30,322	35,287	35,496	34,190	34,700	
Sales and support	6,662	6,351	6,285	6,180	6,390	
Attrition	17.0%	16.0%	17.0%	18.0%	19.0%	

Source: Company, JM Financial

Exhibit 4. Client metrics

	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	Comments
Active clients	864	885	903	913	926	<ul style="list-style-type: none"> Top 5 clients de-grew by 7.1% QoQ while Top 6-10 clients grew by 9.8% QoQ
Net client addition	21	21	18	10	13	
Revenue concentration						
Top 5 clients	25.9%	24.8%	23.2%	23.2%	21.9%	<ul style="list-style-type: none"> Decline in Top 5 was attributed to the fact that four of the Top 5 clients belong to the Telecom segment and share many common customers with Comviva plus three of the Top 5 are non-US customers impacted due to the cross-currency impact against USD
Top 10 clients	36.3%	35.1%	33.2%	32.7%	32.5%	
Non-Top10 clients	63.7%	64.9%	66.8%	67.3%	67.5%	
Relationship distribution						
USD1mn+ Clients	377	390	389	392	396	<ul style="list-style-type: none"> Repeat business jumped to 98.5% in 1QFY19 vs. 88.4% in 4QFY18
Change	23	13	-1	3	4	
USD5mn+ Clients	139	147	154	156	154	
Change	5	8	7	2	-2	
USD10mn+ Clients	74	81	83	85	86	
Change	3	7	2	2	1	
USD20mn+ Clients	41	40	40	44	47	
Change	5	-1	0	4	3	
USD50mn+ Clients	14	14	16	16	16	
Change	0	0	2	0	0	

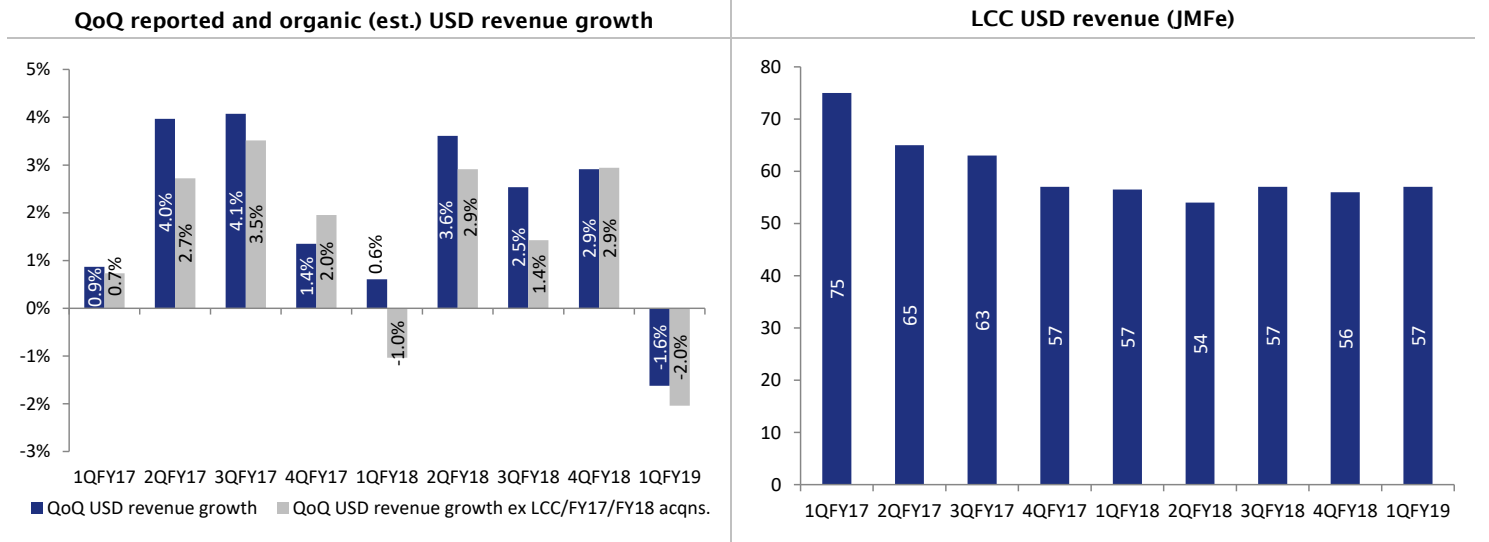
Source: Company, JM Financial

Exhibit 5. Vertical portfolio

	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	Comments	
Distribution							
Communication	45.2%	43.7%	42.8%	41.6%	39.6%	<ul style="list-style-type: none"> Although telecom declined by 6.4% QoQ, ex-Comviva and cross-currency, the decline was c.1% QoQ, according to the management 	
Manufacturing	19.3%	19.0%	19.1%	19.3%	20.1%		
Technology, media & entertainment	6.0%	5.9%	6.5%	7.3%	7.2%		
BFSI	14.4%	14.1%	13.3%	13.0%	13.6%		
Retail, transport & logistics	6.8%	7.2%	7.1%	6.2%	6.1%		
Others	8.3%	9.9%	11.3%	12.6%	13.4%	<ul style="list-style-type: none"> In cc terms, enterprise business grew by 3.8% QoQ and 17.8% YoY Others segment carries healthcare and life-sciences which helped growth in this segment coupled with CJS business 	
QoQ growth							
Communication	-2%	0%	0%	0%	-6%		
Manufacturing	1%	2%	3%	4%	2%		
Technology, media & entertainment	-3%	2%	13%	16%	-3%		
BFSI	3%	1%	-3%	1%	3%		
Retail, transport & logistics	5%	10%	1%	-10%	-3%		
Others	8%	24%	17%	15%	5%		

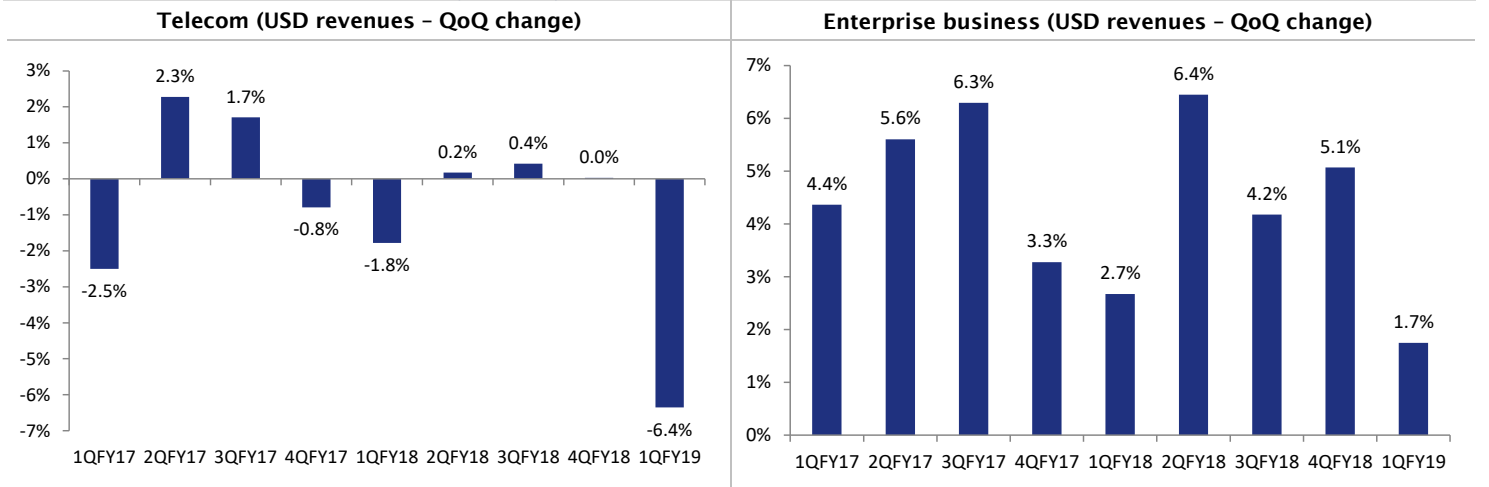
Source: Company, JM Financial

Exhibit 6. Both reported and organic revenues witnessed a decline in the seasonally weak quarter for TECHM



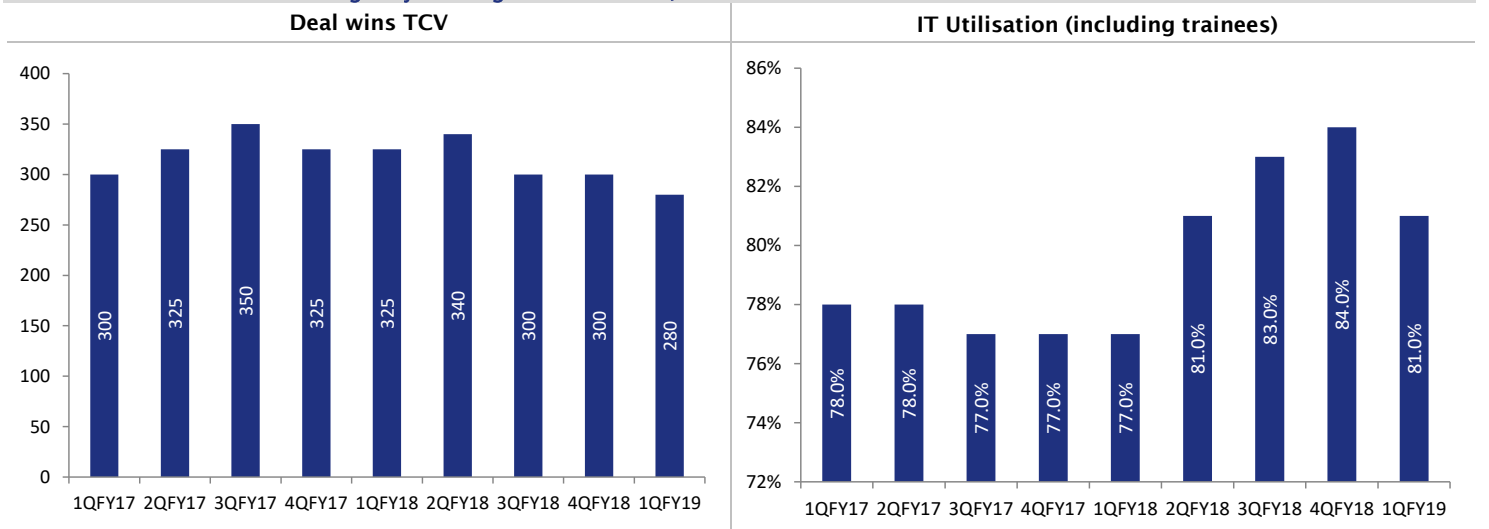
Source: Company, JM Financial

Exhibit 7. Slowdown in Telecom was partially offset by Enterprise (non-telecom) business (+1.7% QoQ)



Source: Company, JM Financial

Exhibit 8. Utilisation declined marginally with higher net addition; deal wins remained at similar levels



Source: Company, JM Financial

Maintain BUY; target price revised to INR 810

Exhibit 9. What has changed in our forecasts and assumptions?

	Old			New			Change		
	FY19E	FY20E	FY21E	FY19E	FY20E	FY21E	FY19E	FY20E	FY21E
Exchange rate (INR/USD)	67.68	68.35	69.00	68.54	69.00	69.00	1.3%	1.0%	0.0%
Consolidated revenue (USD mn)	5,205	5,693	6,342	5,088	5,566	6,147	-2.2%	-2.2%	-3.1%
Consolidated revenue (INR mn)	3,52,284	3,89,104	4,37,564	3,48,765	3,84,065	4,24,124	-1.0%	-1.3%	-3.1%
EBITDA margin	17.1%	17.7%	17.9%	17.5%	18.2%	18.5%	42bp	51bp	53bp
EBIT margin	13.6%	14.3%	14.7%	14.0%	14.7%	15.4%	43bp	42bp	77bp
PAT (INR mn)	39,356	45,262	52,263	39,949	45,770	52,373	1.5%	1.1%	0.2%
EPS	44.2	50.8	58.7	44.8	51.3	58.7	1.4%	1.0%	0.1%

Source: JM Financial

Exhibit 10. How we differ from consensus

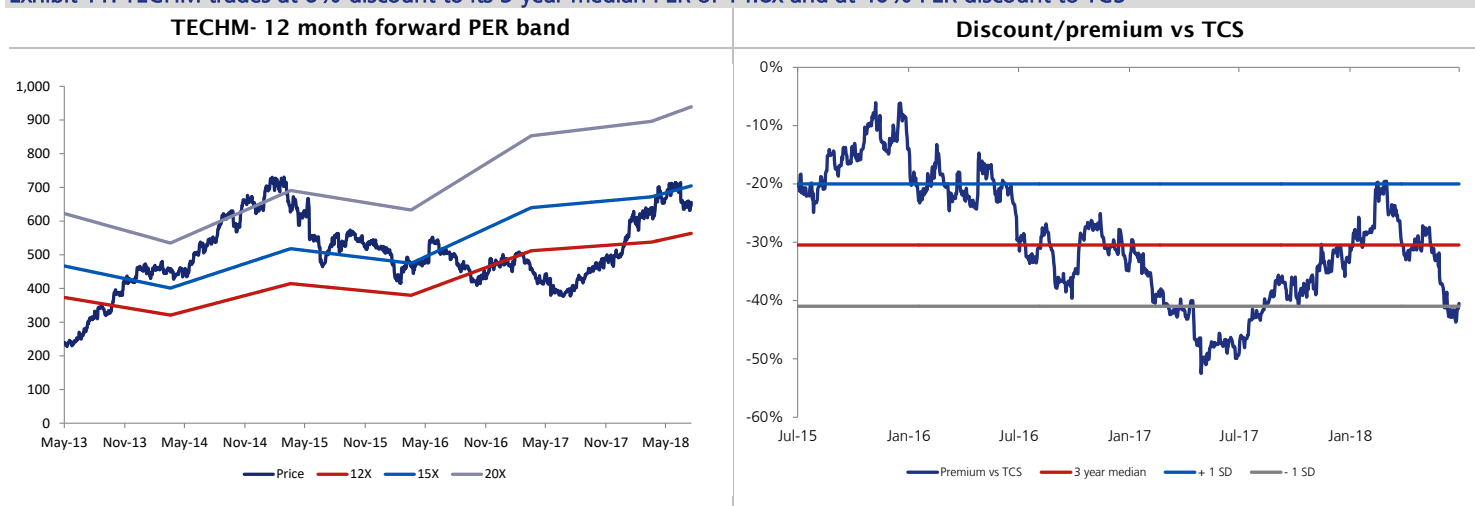
	Consensus			JMFe			Difference		
	FY19E	FY20E	FY21E	FY19E	FY20E	FY21E	FY19E	FY20E	FY21E
Revenue (INR mn)	3,44,232	3,77,387	4,16,472	3,48,765	3,84,065	4,24,124	1%	2%	2%
EBITDA (INR mn)	57,575	64,243	71,090	61,080	69,895	78,347	6%	9%	10%
EBITDA margin	16.7%	17.0%	17.1%	17.5%	18.2%	18.5%	79bp	118bp	140bp
PAT (INR mn)	38,896	43,864	49,079	39,949	45,770	52,373	3%	4%	7%
EPS (INR)	43.9	49.4	55.2	44.8	51.3	58.7	2%	4%	6%

Source: JM Financial, Bloomberg

Key Risks

- Key downside risks to our price target are: 1) significant decline in the business at existing telecom clients; 2) rupee appreciation beyond the levels we assume and/or adverse cross-currency movements; 3) any incremental renegotiations of contracts with major clients; 4) restructuring in LCC beyond the levels factored in our estimates; 5) negative developments on outstanding Satyam litigation, and 6) strong regulatory action against outsourcing TECHM's in key geographic markets.
- Upside could come from: 1) rupee depreciation higher than the level we assume; 2) faster than anticipated recovery in project awards/ramp-ups; large-deal wins ahead of numbers or contract value factored into our estimates; and 3) acquisitions/large wins not built into our model.

Exhibit 11. TECHM trades at 6% discount to its 5-year median PER of 14.8x and at 40% PER discount to TCS



Source: JM Financial, Bloomberg

Financial Tables (Consolidated)

Income Statement		(INR mn)				
Y/E March	FY17A	FY18A	FY19E	FY20E	FY21E	
Net Sales	2,91,408	3,07,730	3,48,765	3,84,065	4,24,124	
Sales Growth	10.0%	5.6%	13.3%	10.1%	10.4%	
Other Operating Income	0	0	0	0	0	
Total Revenue	2,91,408	3,07,730	3,48,765	3,84,065	4,24,124	
Cost of Goods Sold/Op. Exp	2,05,661	2,15,299	2,36,998	2,58,096	2,84,279	
Personnel Cost	0	0	0	0	0	
Other Expenses	43,905	45,333	50,686	56,074	61,498	
EBITDA	41,842	47,098	61,080	69,895	78,347	
EBITDA Margin	14.4%	15.3%	17.5%	18.2%	18.5%	
EBITDA Growth	-2.0%	12.6%	29.7%	14.4%	12.1%	
Depn. & Amort.	9,781	10,849	12,213	13,402	12,919	
EBIT	32,061	36,249	48,867	56,493	65,429	
Other Income	6,490	12,542	3,806	3,966	4,402	
Finance Cost	0	0	0	0	0	
PBT before Excep. & Forex	38,551	48,791	52,673	60,459	69,831	
Excep. & Forex Inc./Loss(-)	0	0	0	0	0	
PBT	38,551	48,791	52,673	60,459	69,831	
Taxes	9,785	10,925	12,237	14,454	17,458	
Extraordinary Inc./Loss(-)	0	0	0	0	0	
Assoc. Profit/Min. Int.(-)	382	-136	16	0	0	
Reported Net Profit	28,384	38,002	40,421	46,006	52,373	
Adjusted Net Profit	28,384	38,002	40,421	46,006	52,373	
Net Margin	9.7%	12.3%	11.6%	12.0%	12.3%	
Diluted Share Cap. (mn)	1,008.1	1,013.7	1,014.3	1,014.3	1,014.3	
Diluted EPS (INR)	31.6	42.7	45.3	51.6	58.7	
Diluted EPS Growth	-8.4%	34.8%	6.3%	13.8%	13.8%	
Total Dividend + Tax	10,552	16,509	23,598	29,497	35,397	
Dividend Per Share (INR)	9.8	15.4	22.0	27.5	33.0	

Source: Company, JM Financial

Cash Flow Statement		(INR mn)				
Y/E March	FY17A	FY18A	FY19E	FY20E	FY21E	
Profit before Tax	38,530	48,788	52,201	60,223	69,831	
Depn. & Amort.	9,781	10,850	12,213	13,402	12,919	
Net Interest Exp. / Inc. (-)	1,286	1,624	1,254	1,989	1,989	
Inc (-) / Dec in WCap.	5,438	-7,832	-9,501	-6,005	-6,815	
Others	-3,526	-2,631	-1,434	-1,574	-1,713	
Taxes Paid	-10,795	-15,264	-17,097	-20,194	-24,391	
Operating Cash Flow	40,714	35,535	37,637	47,841	51,820	
Capex	-7,682	-10,166	-13,162	-15,449	-14,898	
Free Cash Flow	33,032	25,369	24,475	32,393	36,922	
Inc (-) / Dec in Investments	-9,118	-20,701	0	0	0	
Others	-13,708	-2,728	0	0	0	
Investing Cash Flow	-30,508	-33,595	-13,162	-15,449	-14,898	
Inc / Dec (-) in Capital	345	251	0	0	0	
Dividend + Tax thereon	-12,392	-9,438	0	0	0	
Inc / Dec (-) in Loans	-2,551	7,486	0	0	0	
Others	-1,111	-993	0	0	0	
Financing Cash Flow	-15,709	-2,694	0	0	0	
Inc / Dec (-) in Cash	-5,503	-754	24,475	32,393	36,922	
Opening Cash Balance	51,428	54,098	64,892	70,798	77,016	
Closing Cash Balance	45,925	53,344	89,368	1,03,191	1,13,938	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E March	FY17A	FY18A	FY19E	FY20E	FY21E	
Shareholders' Fund	1,64,372	1,88,428	2,05,053	2,21,325	2,38,301	
Share Capital	4,388	4,417	4,420	4,420	4,420	
Reserves & Surplus	1,59,984	1,84,011	2,00,633	2,16,905	2,33,881	
Preference Share Capital	0	0	0	0	0	
Minority Interest	4,641	5,091	5,106	5,106	5,106	
Total Loans	27,723	31,687	33,120	33,721	34,404	
Def. Tax Liab. / Assets (-)	-2,674	-5,766	-6,534	-6,534	-6,534	
Total - Equity & Liab.	1,94,062	2,19,440	2,36,745	2,53,618	2,71,277	
Net Fixed Assets	68,330	78,622	78,913	80,960	82,939	
Gross Fixed Assets	31,728	31,715	31,955	34,002	35,981	
Intangible Assets	32,873	44,508	44,382	44,382	44,382	
Less: Depn. & Amort.	0	0	0	0	0	
Capital WIP	3,729	2,399	2,576	2,576	2,576	
Investments	2,308	12,458	11,357	11,357	11,357	
Current Assets	1,87,353	2,07,527	2,34,418	2,57,119	2,81,734	
Inventories	611	659	760	760	760	
Sundry Debtors	74,948	84,498	99,618	1,09,701	1,21,144	
Cash & Bank Balances	54,098	64,892	70,798	77,016	82,925	
Loans & Advances	33,608	31,021	33,474	36,862	40,707	
Other Current Assets	24,088	26,456	29,767	32,780	36,199	
Current Liab. & Prov.	63,929	79,167	87,943	95,818	1,04,753	
Current Liabilities	60,059	75,136	83,907	91,373	99,845	
Provisions & Others	3,870	4,030	4,036	4,445	4,908	
Net Current Assets	1,23,424	1,28,360	1,46,474	1,61,302	1,76,981	
Total - Assets	1,94,062	2,19,440	2,36,745	2,53,618	2,71,277	

Source: Company, JM Financial

Dupont Analysis		FY17A	FY18A	FY19E	FY20E	FY21E
Y/E March						
Net Margin		9.7%	12.3%	11.6%	12.0%	12.3%
Asset Turnover (x)		1.6	1.5	1.5	1.5	1.6
Leverage Factor (x)		1.2	1.2	1.2	1.2	1.2
RoE		18.3%	21.5%	20.5%	21.6%	22.8%

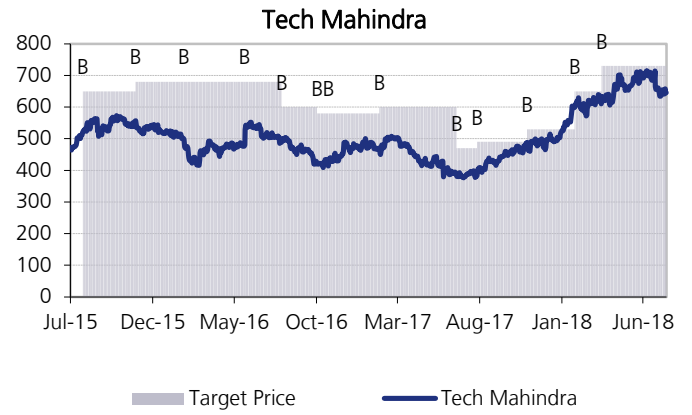
Key Ratios		FY17A	FY18A	FY19E	FY20E	FY21E
Y/E March						
BV/Share (INR)		183.2	211.5	230.0	248.2	267.3
ROIC		18.7%	19.5%	24.3%	25.8%	27.6%
ROE		18.3%	21.5%	20.5%	21.6%	22.8%
Net Debt/Equity (x)		-0.2	-0.2	-0.2	-0.2	-0.2
P/E (x)		20.7	15.4	14.4	12.7	11.2
P/B (x)		3.6	3.1	2.8	2.6	2.5
EV/EBITDA (x)		14.8	13.0	10.0	8.6	7.6
EV/Sales (x)		2.1	2.0	1.7	1.6	1.4
Debtor days		94	100	104	104	104
Inventory days		1	1	1	1	1
Creditor days		88	105	106	106	105

Source: Company, JM Financial

History of Earnings Estimate and Target Price

Date	Recommendation	Target Price	% Chg.
28-Jul-15	Buy	650	
3-Nov-15	Buy	680	4.6
1-Feb-16	Buy	680	0.0
24-May-16	Buy	680	0.0
1-Aug-16	Buy	600	-11.8
6-Oct-16	Buy	580	-3.3
27-Oct-16	Buy	580	0.0
30-Jan-17	Buy	600	3.4
23-Jun-17	Buy	470	-21.7
31-Jul-17	Buy	490	4.3
1-Nov-17	Buy	530	8.2
29-Jan-18	Buy	650	22.6
20-Mar-18	Buy	730	12.3
25-May-18	Buy	760	4.1
18-Jun-18	Buy	790	3.9

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

(formerly known as JM Financial Securities Limited)

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd., National Stock Exchange of India Ltd. and Metropolitan Stock Exchange of India Ltd.

SEBI Registration Nos.: Stock Broker - INZ000163434, Research Analyst – INH000000610

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Definition of ratings	
Rating	Meaning
Buy	Total expected returns of more than 15%. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 15% upside from the current market price.
Sell	Price expected to move downwards by more than 10%

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