

Tech Mahindra

BSE SENSEX

39,110

S&P CNX

11,738

Tech
Mahindra

Stock Info

Bloomberg	TECHM IN
Equity Shares (m)	985
M.Cap.(INR b)/(USD b)	738.2 / 10.6
52-Week Range (INR)	846 / 613
1, 6, 12 Rel. Per (%)	-8/-3/-4
12M Avg Val (INR M)	2529
Free float (%)	64.1

Financials Snapshot (INR b)

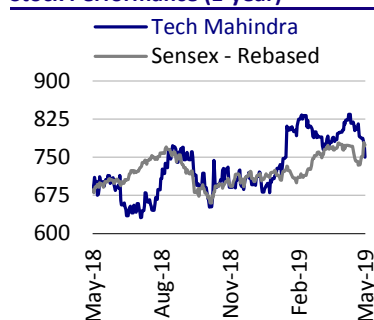
Y/E Mar	FY19	FY20E	FY21E
Net Sales	347.4	372.3	410.2
EBITDA	63.4	67.4	75.4
PAT	43.6	47.1	53.5
EPS (INR)	48.2	52.9	60.2
Gr. (%)	12.8	9.8	13.8
BV/Sh (INR)	228.7	239.3	271.0
RoE (%)	22.0	22.7	24.0
RoCE (%)	18.7	19.5	20.8
P/E (x)	15.6	14.2	12.5
P/BV (x)	3.3	3.1	2.8

Shareholding pattern (%)

As On	Mar-19	Dec-18	Mar-18
Promoter	35.9	35.9	36.0
DII	11.8	12.9	12.7
FII	38.8	38.6	39.0
Others	13.5	12.5	12.3

FII Includes depository receipts

Stock Performance (1-year)


CMP: INR750
TP: INR900 (+20%)
Buy

Confidence on Communications continues to inch up...

... Enterprise uncertain amid decision delays; 1Q conversions hold key

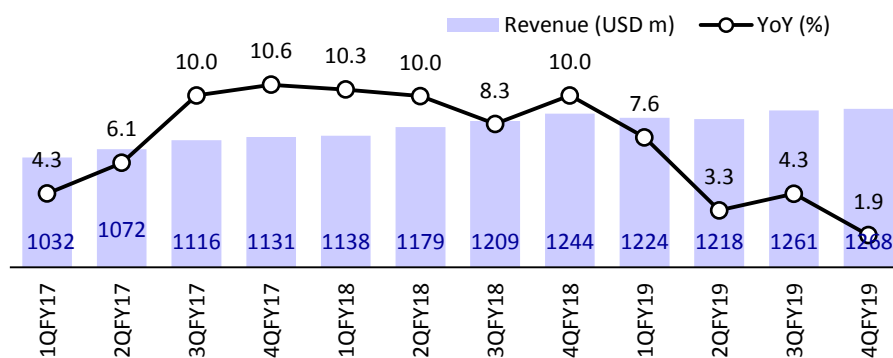
We hosted Manoj Bhat, CFO of Tech Mahindra, in Mumbai where he shed some light on the industry environment and TECHM's outlook and strategic approach. Key highlights:

- **Telecom is back on the growth trajectory due to multiple broad-based services deals. Action on the 5G rollout front — not as significant currently — is expected to accelerate CY20 onwards; lest there is positive disruption driven by some Service providers.**
- **Enterprise had a muted exit due to a couple of Healthcare deals spilling over into 1HFY20. This, combined with some near-term slowdown in Automotives (on weak macros) poses a challenge to mathematically achieving industry growth. Funnel of deals remain strong and conversions in 1HFY20 should improve the outlook.**
- **BPS has strong profitability and disproportionate growth is not a drag on margins. In recent quarters, even growth has turned around, and should remain high in FY20 as well.**
- **Margins are expected to remain at similar levels; operational efficiency and subsidiary profitability will help offset headwinds from wage hikes.**
- **Our TP of INR900 discounts forward earnings by 15x. Maintain Buy.**

Macro and growth outlook

- **If uncertainty around the US-China trade relations continue for a longer time, decision making may witness a slowdown, since there is no clarity on what will be the knock-on effect. Many industries will be impacted as a result.**
- **Growth in Communications can potentially keep accelerating over the next 2-3 years with pick-up in 5G investments and its rub-off effect. The opportunity in 5G will get more visible over the next couple of quarters.**
- **Enterprise should continue to witness steady growth, in line with the industry over the next 2-3 years. FY20 may be challenged by a weak exit and soft start to the year. The focus verticals within Enterprise remain Manufacturing, BFSI and Healthcare. Manufacturing has crossed USD1b threshold revenues and continues to grow at a healthy rate, while BFSI, at USD666m and Healthcare at ~USD400m should be next in line to reach the billion dollar threshold.**

Exhibit 1: Revenue growth declined recently due to weakness in Enterprise segment



Source: Company, MOFSL

Ashish Chopra – Research analyst (Ashish.Chopra@MotilalOswal.com); +91 22 6129 1530

Research Analyst: Anmol Garg (Anmol.Garg@MotilalOswal.com); +91 22 7193 4271 / **Mohit Sharma** (Mohit.Sharma@MotilalOswal.com)

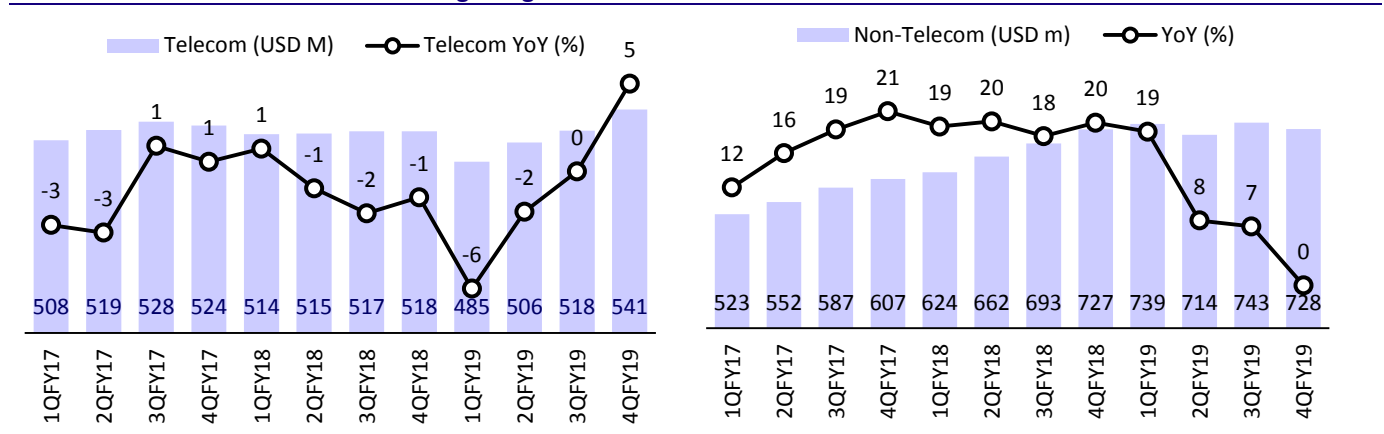
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Communications: Confidence keeps inching up

- For Communications, the skepticism on growth has gradually been fading. Telecom service providers have been readying spends for modernization. The decline in legacy spending is largely in the base, and deal win momentum has been sanguine. All this is feeding into expectations of continued growth.
- **Nature of deals:** The deals won by TECHM in the recent past have varied across services. For example:
 1. In one OEM deal, TECHM helps manage customer's enterprise application portfolio.
 2. In another deal, it is implementing the next-gen CRM for a service provider.
 3. TECHM is involved in cost take-out for a customer, by taking over its Managed Services operations.
 4. Yet another deal was in the network space, where the customer had 100 vendors. They want to manage and streamline spending to increase efficiency of the ecosystem.
- Most of the customers' spend currently is centered on Business Support Services (BSS). That's the first layer of impact. When network changes, the Operations Support Services (OSS) work will come through.

Exhibit 2: Communication revenue seen getting better



Source: MOFSL, Company

The 5G opportunity

- The impact on business from 5G is expected to play out in FY21. The opportunity for TECHM plays out in three phases:
 1. When roll outs happen on the Retail side and devices are just beginning to come in,
 2. OEMs that are rolling out the network infrastructure. As the work is currently limited, they are doing it internally. As and when it goes mainstream, they will approach the partner ecosystem later, benefiting players like TECHM.
 3. **Enterprise Application:** Enterprise application will come after the network is laid. Enterprises will be the second leg following Retail.
- Service Providers are marketing 5G and talking about the advantages. But the launches are currently limited to one city/neighborhood/region. Rakuten is the

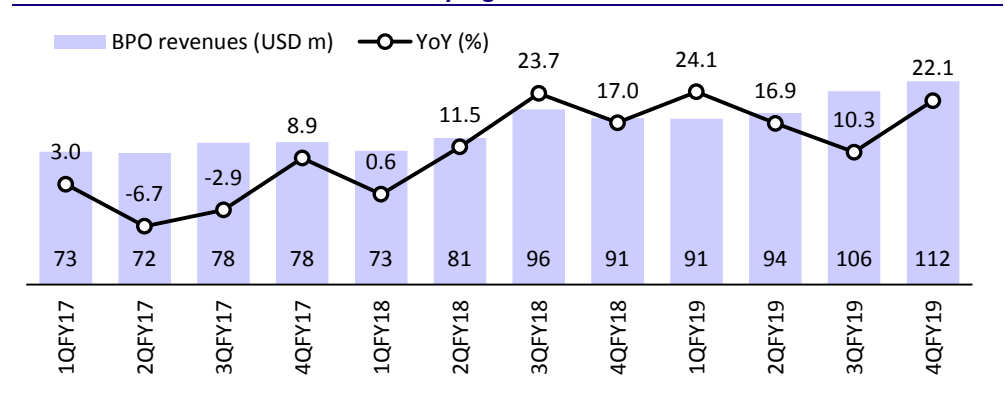
first deal win for TECHM in this space, which will start going mainstream in some time.

- Service providers' spending on 5G network will likely start in full flow by CY20. But there could be positive disruptions, if the challengers in key markets decide to upfront the spending to try and gain a years' advantage. In such an event, the leaders may also have to follow sooner, rather than later.

BPO – a driver of growth at healthy margins

- BPO has always been a very profitable segment for TECHM. However, in the previous years, it was struggling for growth. TECHM always had strengths in non-voice for foreign customers.
- TECHM changed the leadership there to fuel growth. So far, it has worked well. Many IT companies have vacated BPO. Pure-play BPOs are competing but don't have a technology enabler. TECHM combines RPA, chat-bots and some new technologies that help improve their end customers' experience. In addition, the costs decline too.

Exhibit 3: Growth in BPO has been fairly high and consistent in FY19

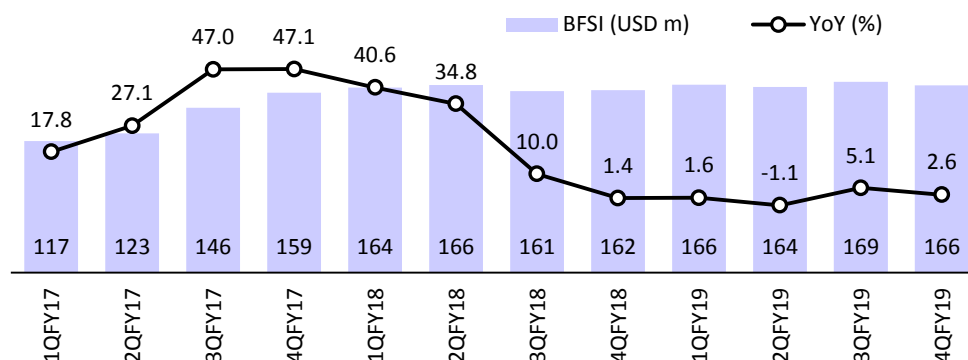


Source: Company, MOFSL

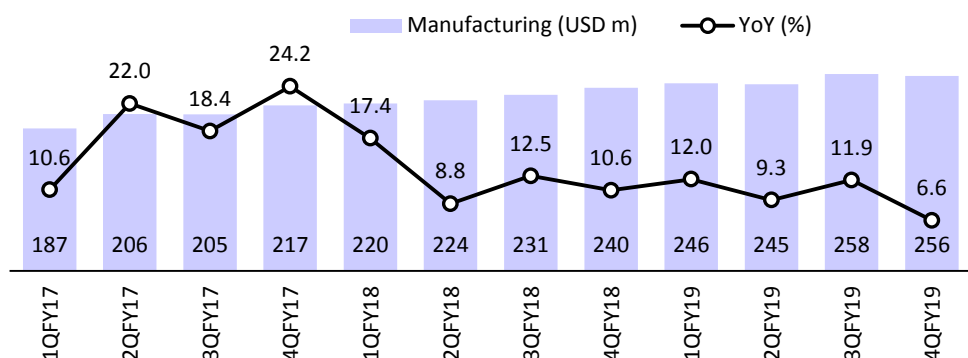
Enterprise: Near-term decision delays may impact FY20's overall growth

- Outlook on Enterprise vertical has not changed – it should continue growing in line with the industry. However, slippages of a few deals by 1-2 quarters due to some slowness in decision making has impacted near-term outlook. Hence, the math for growth in FY20 is slightly challenging. The funnel is good. If some deals in their final stages close in 1QFY20, the growth number will be much better. Growth has been volatile in the Enterprise vertical, also due to the timing of deals. Won two large deals in 1QFY19 and two in 4QFY19. Looking for more consistency there.
- **Manufacturing** should continue to show traction. Given the weakening macro for Autos, the start to the year may be a bit slow, and growth should pick up from 2QFY20 onwards. Automotive is ~40% of Manufacturing and hence could drive some weakness within the vertical. The following few areas have driven the Manufacturing segment for TECHM: (1) Modernization of warehouse, shop floor, (2) ERP – incrementally newer modules have been coming through, (3) Autos – platform buying for styling/design – that has slowed in the last couple of quarters.

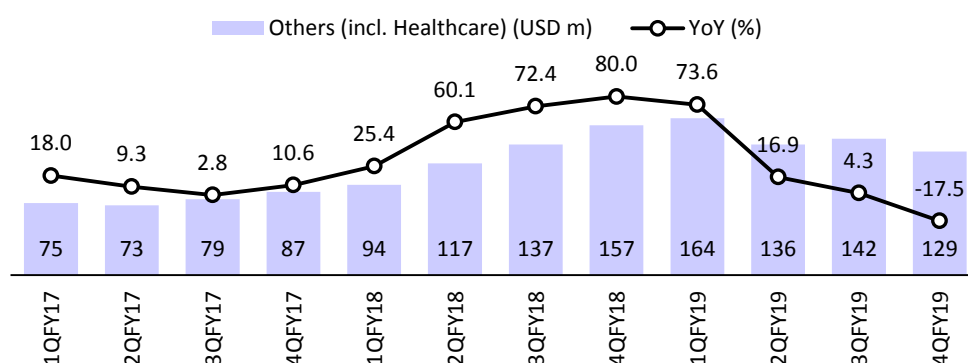
- In **BFSI**, TECHM does not have many large North American banks as customers where peers have sporadically reported growth issues. There is a pipeline of a couple of large deals. If those work out, BFSI growth could accelerate in FY20. Next two quarters will lend more visibility on growth.

Exhibit 4: BFSI growth has been muted recently

Source: Company, MOFSL

Exhibit 5: Manufacturing declined due to weakness in automotive

Source: Company, MOFSL

Exhibit 6: Healthcare (in Others) was impacted due to project deferrals

Source: Company, MOFSL

Sub-contractors have been on the rise – embedded in nature of the business

- Skill-sets in many projects are required for duration of 3-6 months. Then there are requirements for transition experts – need six months in one geography and

six months in another. Then there are skill and visa-based constraints. All these contribute to the need for more sub-contractors.

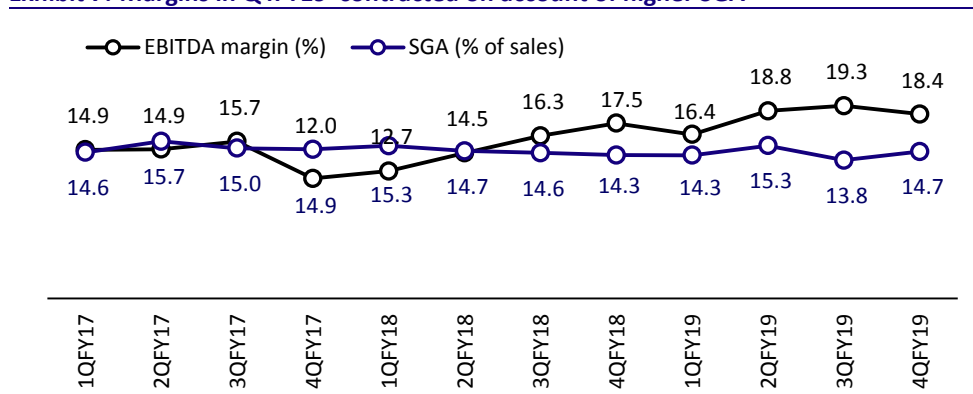
- Secondly, from TECHM's perspective, LCC business had many sub-cons; the company has reduced many sub-cons here.
- **Types of sub-contracted talent:** (1) Customers want certain employees because of the relationship, but the vendors keep switching. Such employees remain on sub-con. (2) Multiple firms in the US that do purely staff augmentation — a chain of command with people operating at USD5/hour margin. This is conventional staffing. (3) In IMS, a set of employees are stationed in each city of the customer's IT Infrastructure. (4) Consulting category — need skills to augment own capability. So consultants are hired for 3-6 months. (5) TECHM works with an ecosystem of 90 start-ups, each with some cutting-edge point solutions. TECHM builds them into its solution and takes it to the customer. Customer may want to deal with TECHM, and they may subcontract the work to the start-up.
- Salaries and sub-contractor costs should be looked at in conjunction.

Digital segment is led by cloud

- Cloud security and cloud operations are a big play for TECHM in Digital. Cloud security should be ~3% of revenues. IoT is next. Pure CX is USD20-30m across Retail and BFS mainly.
- Public, private and hybrid clouds, BYOD, security are all trends fuelling growth in cloud-based Digital. Many companies are doing work in that space. TECHM is collaborating with start-ups and not investing its own energy. Focus is on finding something, which is newer and offering something different.

Margins should hold at current levels despite 1Q headwinds

- Continued improvement remains a big focus — inputs towards automation will keep yielding some benefits in future quarters too.
- In FY19, 140-150bp of the margin expansion came in from currency; 75bp came from portfolio companies while 100bp came from Automation, followed by drags coming in from some wage hikes.
- Digital will remain a lever for gross margins. Though headline gross margin will be higher, reinvestment will keep happening. Onsite rates are also pretty good for most services. Large deals in Digital are positive for margins as the vendor has much control in larger engagements. Till the deals get large, customers have plenty of say in the business.
- Wage hikes should be offset by subsidiary company margins (50-70bp lever), and utilization (60-70bp).
- Offshoring is the most difficult lever in the current scenario. It does not see customers wanting to move work offshore due to supply issues. The Digital model will move offshore eventually.
- BPO is not margin dilutive, and higher growth there will not hurt TECHM's profitability.
- Business models over the years have evolved to FP / Managed services deals. It's a function of execution and productivity. Billing rates have not been changing materially. However, headline rates should start inching up in the next 2-4 quarters if the current supply situation does not ease off.

Exhibit 7: Margins in Q4FY19 contracted on account of higher SGA

Source: Company, MOFSL

Inorganic strategy

- TECHM is looking at smaller assets based on the way the market is evolving, only to plug the capability or market reach gaps.
- It is staying away from assets that lend turnaround potential. In today's market, if a company is lagging, it will be mainly due to weaker capabilities. TECHM wouldn't pursue those assets to reform.

Valuation and view

- Restructuring of LCC and sluggish off-take in large deal signings in Communications have dragged TECHM's revenue growth performance, and more so the margins.
- While Telecom recovery may be gradual, there are some structural strengths in TECHM's business to drive much improved growth over the medium-to-long term:
 1. Success in large deal wins and industry-average growth in the Enterprise segment is an encouraging indicator of execution and business traction.
 2. Network management services have potentially expanded the addressable market for TECHM, with directly addressable spend standing at ~USD40b. 5G will help drive the same.
 3. TECHM also has sizeable scale in Engineering services, and the opportunity in the same can be leveraged, especially after the acquisition of Mahindra Engineering Services (MES).
- Profitability had taken a hit for TECHM over FY14-18, with a cumulative decline in EBITDA margin of 780bp over FY14-17, improving by 90bp in FY18. This has been reversed significantly as the company squeezed some of its operational levers and underwent cost optimization, with FY19 EBITDA margin at 18.2%. However, further improvement in margins would be a function of a material pick-up in revenue from the Communications vertical and from better performance in portfolio companies.
- We expect TECHM to grow its revenues/EPS at a CAGR of 8%/13% over FY19-21. At 14.2x/12.5x FY20/21E, TECHM's valuations remain below that of leading peers such as TCS, INFO. We continue to estimate EBITDA margin band between 18-18.5%. Our price target of INR900 (20% upside) discounts forward earnings by 15x. Maintain Buy.

Key Triggers

- Large deal announcements in Enterprise segment.
- Continued momentum in Telecom.
- Sustained margin improvement on account of measures taken.

Key Risks

- Adverse visa-related regulations as TECHM's proportion of local resources at onsite are lower than peers.
- Currency fluctuations given higher sensitivity to earnings v/s peers.
- Further loss of Enterprise momentum.

Story in charts

Exhibit 8: Communications vertical >40% of revenue

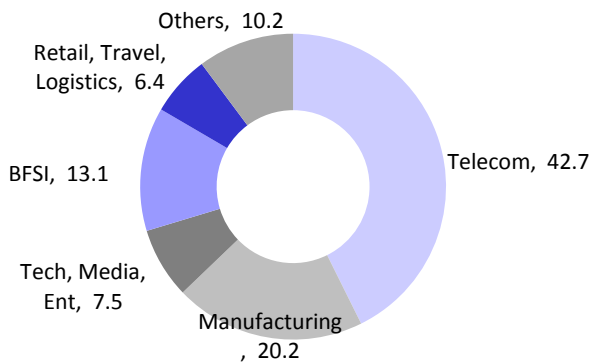
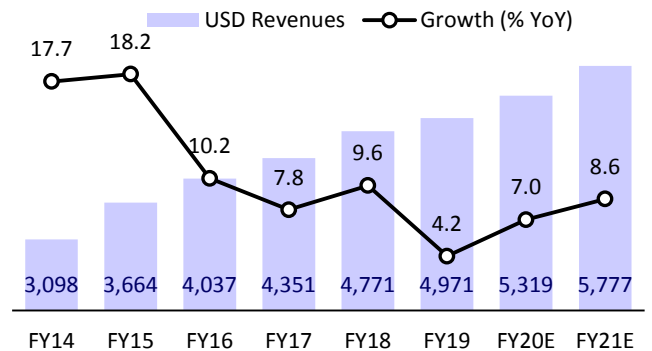


Exhibit 9: Growth expected to turn around



Source: Company, MOFSL

Exhibit 10: While the fate of telecom vertical gets better...

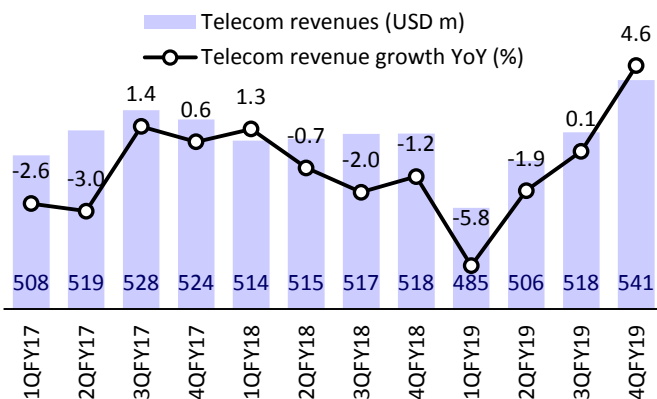
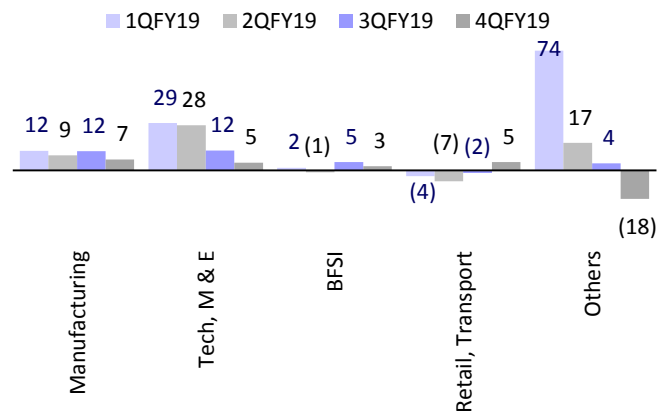


Exhibit 11: ...growth is declining in Enterprise



Source: Company, MOFSL

Exhibit 12: Significant margin improvement lately

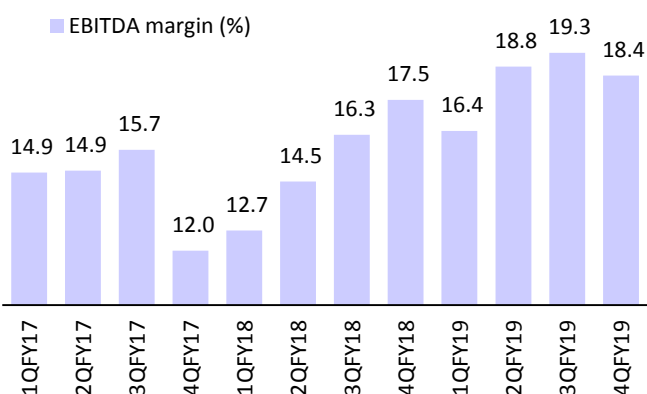
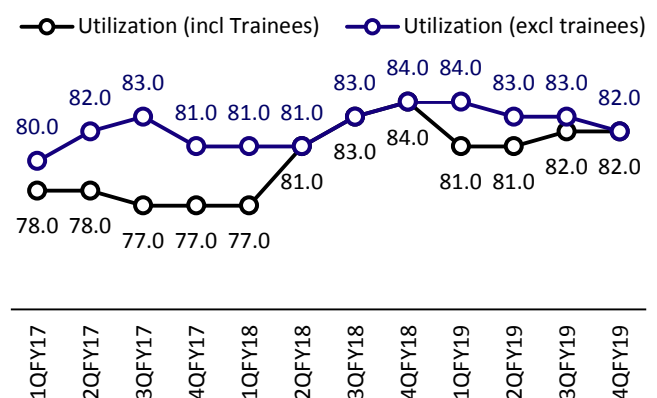


Exhibit 13: Lever of utilization utilized well so far



Source: Company, MOFSL

Exhibit 14: Operating metrics

Operating metrics	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19
Revenue by geography (%)										
Americas	46.7	45.1	46.8	45.3	46.9	47.4	48.2	47.0	47.4	46.4
Europe	29.4	29.6	29.8	30	29.8	29.6	30	29.6	28.9	28.6
Rest of World	23.9	25.3	23.4	24.7	23.3	23.0	21.9	23.4	23.7	24.9
Vertical Split (%)										
Telecom	47.3	46.3	45.2	43.7	42.8	41.6	39.6	41.5	41.1	42.7
Manufacturing	18.4	19.2	19.3	19	19.1	19.3	20.1	20.1	20.5	20.2
Tech Media Entertainment	6.4	6.2	6	5.9	6.5	7.3	7.2	7.3	7	7.5
BFSI	13.1	14.1	14.4	14.1	13.3	13.0	13.6	13.5	13.4	13.1
Retail Transport Logistics	7.6	6.5	6.8	7.2	7.1	6.2	6.1	6.5	6.7	6.4
Others	7.1	7.7	8.3	9.9	11.3	12.6	13.4	11.2	11.3	10.2
Onsite-offshore mix (%)										
Onsite	63.9	64.3	63.7	64.1	65.8	67.0	66.6	64.5	65.5	65.2
Offshore	36.1	35.7	36.3	35.9	34.2	33.0	33.4	35.5	34.5	34.8
Client metrics										
No. of active clients	837	843	864	885	903	913	926	930	935	938
% of repeat business	93.4	93.5	97.2	95	92.9	88.4	98.5	97.4	94.6	88.7
No. of Million \$ clients										
USD1m+	356	354	377	390	389	392	396	407	416	425
USD5m+	128	134	139	147	154	156	154	157	157	156
USD10m+	65	71	74	81	83	85	86	86	88	83
USD20m+	38	36	41	40	40	44	47	45	46	50
USD50m+	14	14	14	14	16	16	16	17	18	20
Client concentration (%)										
Top client										
Top 5 Clients	27.8	26.6	25.9	24.8	23.2	23.2	21.9	23.3	22.6	22.8
Top 6-10	10.6	11	10.4	10.3	10	9.5	10.6	9.4	9	9.2
Top 11-20	12.1	11.4	12.2	11.1	11.8	13	13.7	12.9	12.4	13.1
Headcount (end of period)										
Software professionals	80,858	82,403	78,996	75,587	73,460	72,437	72,462	72,534	71,785	71,477
BPO	29,372	28,414	30,332	35,287	35,496	34,190	34,700	39,407	43,439	43,081
Sales and Support	6,865	6,876	6,662	6,351	6,285	6,180	6,390	6,450	6,618	6,524
Total	1,17,095	1,17,693	1,15,990	1,17,225	1,15,241	1,12,807	1,13,552	1,18,391	1,21,842	1,21,082
IT Attrition (LTM) (%)										
IT Attrition (LTM) (%)	18	17	17	16	17	18	19	20	21	21
IT Utilization (%)	77	77	77	81	83	84	81	81	82	82
IT Utilization (excluding trainees) (%)	83	81	81	81	83	84	84	83	83	82
Financial metrics										
Receivable Days (DSO)-Including Unbilled	102	95	104	106	105	102	108	112	107	102
Borrowings (USD m)	211	210.7	320.7	320.7	341.5	367.7	363.2	353.3	316	288.5
Cash and Cash Equivalent (USD m)	728.9	830.2	931.8	913.2	950.1	1192.9	1228.7	1089.8	1251.8	1401.4
Capital Expenditure (USD m)	28.1	42.8	22.5	70.6	25.6	32.4	27.7	21.3	31.6	29.2

Source: Company, MOFSL

Exhibit 15: Operating metrics

Operating metrics	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19
Rupee USD Rate										
Period closing rate	67.92	64.85	64.57	65.28	63.87	65.17	68.47	72.49	69.77	69.16
Period average Rate	67.7	66.47	64.44	64.45	64.35	64.64	67.51	70.68	71.11	70.32
Proportion of Revenues From Major Currencies										
USD	48.6	45.9	48.6	46.9	47.4	49.4	49.3	48.0	47.7	47.8
GBP	12	12.3	12.1	12	11.4	12.1	11.6	11.2	11.1	12.3
EURO	11.5	11.4	11	11.2	11.9	11.7	11.4	11.4	11	10.2
AUD	4.4	4.6	4.8	4.9	4.9	4.6	4.8	4.9	5.1	4.8
Others	23.5	25.8	23.4	24.9	24.5	22.2	22.9	24.5	25.1	26.9
Consolidated Hedge Position										
GBP In Mn	226.7	201	247	260	241	229	213	190	171	233
Strike rate (INR)	100.2	99.8	97	95.4	94.2	94.4	95.1	97	98.5	99.7
USD In Mn	1123.2	1030.2	878	646	577	598	894	1069	1084	934
Strike rate (INR)	72.5	72.9	72.6	72.2	72.2	71	70.7	71.9	72.8	72.9
Verticals (QoQ)										
Telecom	1.7	-0.8	-1.8	0.2	0.4	0.0	-6.4	4.3	2.5	4.4
Manufacturing	-0.3	5.8	1.1	2.0	3.1	4.0	2.5	-0.5	5.6	-0.9
Tech Media Entertainment	-7.5	-1.8	-2.6	1.9	13.0	15.6	-3.0	0.9	-0.8	7.7
BFSI	18.6	9.1	2.8	1.5	-3.3	0.6	2.9	-1.2	2.7	-1.7
Retail Transport Logistics	16.3	-13.3	5.3	9.7	1.1	-10.1	-3.2	6.0	6.7	-4.0
Others	8.7	9.9	8.4	23.6	17.0	14.8	4.6	-16.8	4.4	-9.3
Total	4.1	1.5	0.6	3.4	2.8	2.8	-1.6	-0.4	3.4	0.6
Revenue by geography (QoQ)										
Americas	0.6	-2.1	4.4	0.3	6.2	4.0	0.0	-3.0	4.4	-1.6
Europe	3.0	2.0	1.3	4.3	1.9	2.2	-0.3	-1.8	1.0	-0.5
Rest of World	13.1	7.3	-6.9	9.4	-3.3	1.6	-6.3	6.3	4.8	5.6
Total	4.1	1.4	0.6	3.6	2.5	2.9	-1.5	-0.6	3.5	0.4
Client concentration (QoQ)										
Top 5	1.5	-3.0	-2.0	-0.8	-4.1	2.9	-7.1	5.9	0.4	1.4
Top 6-10	-3.2	5.2	-4.9	2.6	-0.5	-2.2	9.8	-11.7	-0.9	2.8
Top 11-20	6.7	-4.5	7.7	-5.7	9.0	13.4	3.7	-6.3	-0.5	6.2
Net additions										
Software professionals	2,454	1,545	-3,407	-3,409	-2,127	-1,023	25	72	-749	-308
BPO	1,703	-958	1,918	4,955	209	-1,306	510	4,707	4,032	-358
Sales and Support	1,195	11	-214	-311	-66	-105	210	60	168	-94
Total	5,352	598	-1,703	1,235	-1,984	-2,434	745	4,839	3,451	-760

Source: Company, MOFSL

Financials and valuations

Key Assumptions

Y/E March	2014	2015	2016	2017	2018	2019	2020E	2021E
INR/USD Rate	60.8	61.4	65.6	67.0	64.5	69.9	70.0	71.0
Revenues (USD m)	3,098	3,664	4,037	4,351	4,771	4,971	5,319	5,777
Total Headcount	89,441	1,03,281	1,05,432	1,17,693	1,12,807	1,21,082	1,30,664	1,43,982
Net Addition	6,332	13,840	2,151	12,261	-4,886	8,275	9,582	13,318
Per Capita Productivity (USD)	34,638	35,471	38,294	36,971	42,291	41,052	40,708	40,123
Utilization incl. Trainees (%)	73.1	69.9	74.0	73.4	80.1	80.0	85.1	84.8
IT Services (%)	90.3	91.7	92.6	93.1	92.8	91.9	91.2	91.3

Income Statement

(INR M)

Y/E March	2014	2015	2016	2017	2018	2019	2020E	2021E
Sales	1,88,313	2,24,779	2,64,941	2,91,408	3,07,730	3,47,421	3,72,337	4,10,171
Change (%)	31.4	19.4	17.9	10.0	5.6	12.9	7.2	10.2
Employee Cost	1,17,001	1,50,342	1,83,226	2,05,661	2,15,299	2,33,590	2,52,649	2,78,439
Other Expenses	29,476	32,901	38,289	43,904	45,270	50,463	52,290	56,368
Total Expenses	1,46,477	1,83,243	2,21,515	2,49,565	2,60,569	2,84,053	3,04,939	3,34,807
EBITDA	41,836	41,536	43,426	41,843	47,161	63,368	67,399	75,364
% of Net Sales	22.2	18.5	16.4	14.4	15.3	18.2	18.1	18.4
Depreciation	5,221	6,079	7,620	9,781	10,849	11,292	11,724	12,206
Interest	673	689	961	1,286	1,624	1,332	978	1,119
Other Income	1,129	1,006	5,322	6,836	14,091	5,342	7,996	9,217
PBT	37,071	35,774	40,167	37,612	48,779	56,086	62,692	71,257
Tax	9,790	9,472	8,600	9,785	10,925	12,544	15,673	17,814
Rate (%)	26.4	26.5	21.4	26.0	22.4	22.4	25.0	25.0
PAT	27,281	26,302	31,567	27,827	37,854	43,542	47,019	53,443
Minority Interest & EO items	336	310	412	357	-136	567	460	459
PAT before EO	26,945	25,992	31,155	27,470	37,990	42,975	46,559	52,984
Change (%)	37.8	-3.5	19.9	-11.8	38.3	13.1	8.3	13.8
Effect of restructuring fees	-1,117	0	0	0	0	0	0	0
PAT after RF before EO	25,828	25,992	31,155	27,470	37,990	42,975	46,559	52,984
Change (%)	41.8	0.6	19.9	-11.8	38.3	13.1	8.3	13.8

Balance Sheet

(INR M)

Y/E March	2014	2015	2016	2017	2018	2019	2020E	2021E
Share Capital	2,335	4,804	4,839	4,388	4,417	4,437	4,379	4,379
Reserves	89,469	1,17,682	1,38,824	1,59,984	1,84,011	1,98,407	2,02,949	2,30,412
Net Worth	91,804	1,22,486	1,43,663	1,64,372	1,88,428	2,02,844	2,07,328	2,34,792
Minority Interest	1,453	1,604	2,034	4,641	5,091	4,777	4,777	4,777
Loans	8,420	11,287	15,564	23,761	28,931	23,193	23,101	23,009
Amount pending invest.	12,304	12,304	12,304	12,304	12,304	12,304	12,304	12,304
Capital Employed	1,13,981	1,47,681	1,73,565	2,05,078	2,34,754	2,43,118	2,47,510	2,74,882
Assets	28,606	40,329	43,446	63,590	74,318	68,904	71,180	74,974
CWIP	0	5,677	6,294	3,729	2,399	2,763	2,763	2,763
Investments	12,194	12,987	13,244	3,319	14,364	14,076	17,576	21,076
Long term loans and adv	9,137	12,755	16,766	9	52	43	43	43
Deferred Tax Assets	3,830	3,901	5,575	2,674	5,766	6,091	6,091	6,091
Other non-current assets	157	306	294	24,079	26,403	26,934	26,934	26,934
Curr. Assets	1,05,472	1,22,526	1,49,451	1,63,265	1,81,070	2,15,658	2,12,523	2,49,937
Debtors	43,486	52,059	57,705	53,377	64,979	69,586	79,416	88,221
Cash & Bank Balance	33,202	24,049	12,056	20,013	19,661	20,427	16,654	37,548
Loans & Advances	14,544	18,728	17,084	26,122	21,123	29,930	32,522	36,127
Current Investments	2,525	8,041	39,772	33,820	45,231	65,899	46,119	46,119
Other Current Assets	11,715	19,649	22,834	29,933	30,076	29,816	37,813	41,922
Current Liab. & Prov	45,415	50,800	61,505	55,587	69,618	91,351	89,600	1,06,936
Net Current Assets	60,057	71,726	87,946	1,07,678	1,11,452	1,24,307	1,22,923	1,43,001
Application of Funds	1,13,981	1,47,680	1,73,565	2,05,078	2,34,754	2,43,118	2,47,510	2,74,882

Financials and valuations

Ratios

Y/E March	2014	2015	2016	2017	2018	2019	2020E	2021E
Basic (INR)								
EPS	31.6	30.2	35.9	31.4	43.0	48.5	53.7	61.2
Diluted EPS	28.7	29.6	35.1	32.0	42.7	48.2	52.9	60.2
Cash EPS	38.2	36.1	43.6	41.9	54.8	60.3	66.3	74.1
Book Value	112.3	142.2	165.6	187.9	213.4	228.7	239.3	271.0
DPS	5.0	6.0	12.0	9.0	14.0	14.0	22.0	25.0
Payout %	17.4	20.3	34.2	28.2	32.8	29.0	41.6	41.5
Valuation (x)								
P/E	26.1	25.3	21.4	23.5	17.6	15.6	14.2	12.5
Cash P/E	19.6	20.8	17.2	17.9	13.7	12.4	11.3	10.1
EV/EBITDA	13.8	14.9	14.8	15.7	13.9	10.3	9.5	8.1
EV/Sales	3.1	2.8	2.4	2.3	2.1	1.9	1.7	1.5
Price/Book Value	6.7	5.3	4.5	4.0	3.5	3.3	3.1	2.8
Dividend Yield (%)	0.7	0.8	1.6	1.2	1.9	1.9	2.9	3.3
Profitability Ratios (%)								
RoE	36.4	24.5	23.4	18.4	21.5	22.0	22.7	24.0
RoCE	26.3	20.5	20.1	15.2	17.8	18.7	19.5	20.8
ROIC	46.5	30.0	22.8	14.8	15.0	20.0	20.1	22.3
Turnover Ratios								
Debtors (Days)	75	78	76	70	70	71	73	75
Fixed Asset Turnover (x)	7.0	6.0	5.5	5.0	4.3	4.7	5.1	5.4
Leverage Ratio								
Debt/Equity Ratio(x)	0.1	0.1	0.1	0.1	0.2	0.1	0.1	0.1

Cash Flow Statement

(INR M)

Y/E March	2014	2015	2016	2017	2018	2019	2020E	2021E
CF from Operations	33,935	32,040	34,439	32,617	58,631	71,506	51,266	57,091
Change in Working Capital	-12,302	-8,874	5,456	-17,243	-7,832	-10,574	-22,169	816
Other adjustments				15,910	-14,860	-16,490	9,999	
Net Operating CF	21,634	23,167	39,895	31,284	35,939	44,442	39,095	57,908
Net Purchase of FA	-7,854	-21,365	-45,439	-9,694	-10,166	-8,046	-12,000	-12,500
Free Cash Flow	13,780	1,802	-5,544	21,590	25,773	36,396	27,095	45,408
Net Purchase of Invest.	-8,539	-9,050	10,611	5,293	-23,431	-13,118	-7,467	3,533
Net Cash from Invest.	-16,393	-30,415	-34,828	-4,401	-33,597	-21,164	-19,467	-8,967
Inc./ (Dec) in Equity	19	2,469	35	-451	251	359	-58	0
Proceeds from LTB/STB	-1,305	2,396	-3,469	-9,196	6,493	-7,964	-886	-1,027
Dividend Payments	-5,381	-6,771	-13,626	-9,278	-9,438	-14,907	-22,458	-27,020
Cash Flow from Fin.	-6,668	-1,905	-17,060	-18,925	-2,694	-22,512	-23,401	-28,047
Net Cash Flow	-1,427	-9,154	-11,993	7,958	-352	766	-3,773	20,894
Opening Cash Balance	34,629	33,202	24,048	12,056	20,013	19,661	20,427	16,654
Add: Net Cash	-1,427	-9,154	-11,993	7,958	-352	766	-3,773	20,894
Closing Cash Balance	33,202	24,048	12,056	20,013	19,661	20,427	16,654	37,548

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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