

May 17, 2020

## Q4FY20 Result Update

Change in Estimates |  Target |  Reco

### Change in Estimates

|                | Current |        | Previous |        |
|----------------|---------|--------|----------|--------|
|                | FY21E   | FY22E  | FY21E    | FY22E  |
| Rating         | HOLD    |        | HOLD     |        |
| Target Price   | 1,020   |        | 1,061    |        |
| Sales (Rs. m)  | 55,675  | 62,054 | 57,379   | 63,953 |
| % Chng.        | (3.0)   | (3.0)  |          |        |
| EBITDA (Rs. m) | 10,022  | 12,263 | 10,473   | 12,791 |
| % Chng.        | (4.3)   | (4.1)  |          |        |
| EPS (Rs.)      | 70.0    | 85.0   | 73.0     | 88.5   |
| % Chng.        | (4.0)   | (3.9)  |          |        |

### Key Financials - Consolidated

| Y/e Mar        | FY19   | FY20   | FY21E  | FY22E  |
|----------------|--------|--------|--------|--------|
| Sales (Rs. m)  | 50,783 | 56,192 | 55,675 | 62,054 |
| EBITDA (Rs. m) | 9,158  | 11,106 | 10,022 | 12,263 |
| Margin (%)     | 18.0   | 19.8   | 18.0   | 19.8   |
| PAT (Rs. m)    | 7,667  | 8,187  | 7,284  | 8,840  |
| EPS (Rs.)      | 73.7   | 78.7   | 70.0   | 85.0   |
| Gr. (%)        | 49.0   | 6.8    | (11.0) | 21.4   |
| DPS (Rs.)      | 25.1   | 26.0   | 23.1   | 28.1   |
| Yield (%)      | 2.3    | 2.4    | 2.2    | 2.6    |
| RoE (%)        | 34.7   | 30.0   | 22.8   | 24.0   |
| RoCE (%)       | 35.6   | 33.2   | 27.0   | 29.1   |
| EV/Sales (x)   | 2.0    | 1.8    | 1.8    | 1.4    |
| EV/EBITDA (x)  | 11.4   | 9.2    | 9.7    | 7.3    |
| PE (x)         | 14.5   | 13.6   | 15.3   | 12.6   |
| P/BV (x)       | 4.5    | 3.7    | 3.3    | 2.8    |

### Key Data

LTEH.BO | LTTS IN

|                     |                     |
|---------------------|---------------------|
| 52-W High / Low     | Rs.1,820 / Rs.995   |
| Sensex / Nifty      | 31,098 / 9,137      |
| Market Cap          | Rs.112bn/ \$ 1,477m |
| Shares Outstanding  | 105m                |
| 3M Avg. Daily Value | Rs.338.03m          |

### Shareholding Pattern (%)

|                         |       |
|-------------------------|-------|
| Promoter's              | 74.62 |
| Foreign                 | 8.37  |
| Domestic Institution    | 4.88  |
| Public & Others         | 12.13 |
| Promoter Pledge (Rs bn) | -     |

### Stock Performance (%)

|          | 1M     | 6M     | 12M    |
|----------|--------|--------|--------|
| Absolute | (12.1) | (24.9) | (36.7) |
| Relative | (14.1) | (2.5)  | (24.5) |

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## Broad based recovery will take time...

### Quick Pointers:

- Miss on all counts- Revenue declined by 2% QoQ reported terms & margins declined by 162 bps QoQ to 15.2%.
- We expect FY21 margin to be impacted by lower revenue growth. Challenges in Plant Engineering (higher-margin business) will pressure near-term margin performance; Telecom and Hi-tech is expected to do better, but they are low-margin verticals.
- We cut our USD revenue estimates of FY21/22E by 3% to factor higher dependence on discretionary spends which led to EPS cut by 4% for FY21/22E. We maintain our HOLD rating with revised TP of Rs. 1020 valued on 12x FY22E earnings.

**LTTS reported revenue de-growth of -2.0% QoQ USD 3% below our estimates (Ple:1% QoQ, Cons: 1.2%). Weak revenue growth was on account of steep decline of 8.8% QoQ in plant & engineering. Vertical was impacted by project closures in O&G segment & we believe this vertical will take longer to revive. Reported EBIT margin at 15.2% was down 160 bps QoQ (Ple/Cons: 17.2%), while adjusted for one-off (contribution to PM CARES fund) was 16.5% (-30 bps QoQ). Margin was impacted by lower revenue but aided by strong currency tailwinds. We expect FY21 margin to be impacted by lower revenue. Challenges in Plant Engineering (higher-margin business) will pressure near-term margin performance; Telecom and Hi-tech is expected to do better, but they are low-margin verticals.**

**Deal win momentum continued with 9 large wins (1 deal of USD 30 mn, 3 deal of USD10-20 mn), but Q4 witnessed few delayed ramp-ups and project deferrals. Management is witnessing select pockets of green shoots (Medical, Telecom and Hi-tech), but near-term outlook for revenue remains muted. Management expects Q1 to dip, followed by growth in Q2. We projected 4.4% USD revenue decline in FY21E.**

**We like LTTS from a way longer standpoint given its diversified nature of business, patent filings(IP's) & marquee client relationships. However, we believe ER&D business is directly linked to capex & innovation driven nature of the particular business & as there is global macro slowdown across verticals (telecom, manufacturing, auto) companies will spend more on their core operations. We cut our USD revenue estimates of FY21/22E by 3% to factor higher dependence on discretionary spends which led to EPS cut by 4% for FY21/22E. We maintain our HOLD rating with revised TP of Rs. 1020 valued on 12x FY22E earnings.**

- Revenue de-growth led by Plant Engineering & Auto:** LTTS 4Q revenue was our estimates at USD 195mn, -2%/+2.1% QoQ/YoY \$ terms (1.1% QoQ CC). Weak revenue growth was on account of steep decline by 8.8% QoQ in plant & engineering. Management expects slow recovery in Plant & Engineering pertaining to Upstream oil & gas industry. However, we believe

Telecom and Hi-tech is expected to do better and will support the topline in the near term. Medical devices segment witnessed strong growth in the quarter (+7.4% QoQ in USD terms) however this segment does not contribute significant share to topline. All other segment posted negative growth, Industrial Products, Telecom & Hi-tech growth slowed by -0.9% QoQ and transportation posted a de growth of -2.2% QoQ USD. **FY20 FCF was significantly weak** at 59% of PAT (94% in FY19) - due to delayed payments

- **Pressure on margins, support by currency & export incentive:** EBIT margin at 15.2% was down 160 bps QoQ (Ple/Cons: 17.2%), while adjusted for one-off (contribution to PM CARES fund) was 16.5% (-30 bps QoQ). Margin was impacted by lower revenue but aided by strong currency tailwinds. Incentive increased by Rs.194mn QoQ supported the margins by 130 bps. We expect FY21 margin to be impacted by lower revenue. Challenges in Plant Engineering (higher-margin business) will pressure near-term margin performance; Telecom and Hi-tech is expected to do better, but they are low-margin verticals. Utilization dipped ~110 bps to 78.1%; attrition was down 10 bps at 13.8%.
- **Deal pipeline looks stable, Plant & Engineering (O&G) may face significant deferrals:** Deal win momentum continued, with 9 large wins in Q4FY20 with 1 deals having TCV of USD 30 mn+, 3 deals having TCV value of USD10-20 mn, however Q4 witnessed few delayed ramp-ups and project deferrals. With 2 deals in transportation, 1 deal in Plant & Engineering (CPG) will support the momentum of growth in near term.
- **New strategy for COVID-19:** As a response to the crisis, LTTS has formed two teams – one focusing on resilience and another on growth. Resilience team focuses on bench management, training and collections of receivables. Growth team is proactively engaging discussions on large deals, especially in verticals of Medical and Hi-tech. Management Decision making is prolonged vs pre Covid-19 levels.

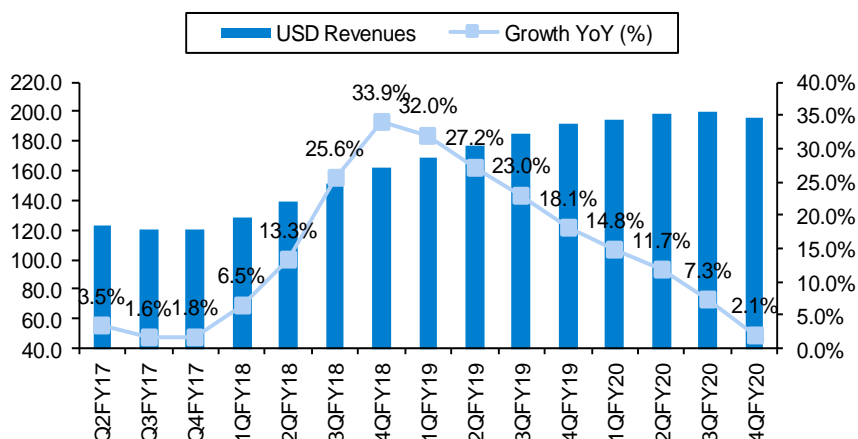
**Exhibit 1: Q4FY20: Quick view on results**

| Y/e March (Rs mn) | 4QFY20 | 3QFY20 | QoQ gr. | 4QFY19 | YoY gr. | PL Estimates | Variance |
|-------------------|--------|--------|---------|--------|---------|--------------|----------|
| Revenues(USD mn)  | 195    | 199    | -2.0%   | 191    | 2.1%    | 201          | -3.0%    |
| Revenues          | 14,466 | 14,230 | 1.7%    | 13,431 | 7.7%    | 14,721       | -1.7%    |
| EBIDTA            | 2,683  | 2,864  | -6.3%   | 2,492  | 7.7%    | 2,944        | -8.9%    |
| EBIDTA margin (%) | 18.5%  | 20.1%  | -158bp  | 18.6%  | -1bp    | 20.0%        | -145bp   |
| EBIT              | 2,198  | 2,392  | -8.1%   | 2,219  | -0.9%   | 2,503        | -12.2%   |
| EBIT Margin (%)   | 15.2%  | 16.8%  | -162bp  | 16.5%  | -133bp  | 17.0%        | -181bp   |
| PAT               | 2,063  | 2,059  | 0.2%    | 1,924  | 7.2%    | 2,140        | -3.6%    |
| PAT margin (%)    | 14.3%  | 14.5%  | -21bp   | 14.3%  | -6bp    | 14.5%        | -28bp    |
| EPS (Rs)          | 19.4   | 19.3   | 0.3%    | 18.1   | 7.0%    | 20.2         | -4.1%    |

Source: Company, PL

CC revenue decline stood at 1.1% QoQ & growth of 3.4% YoY.

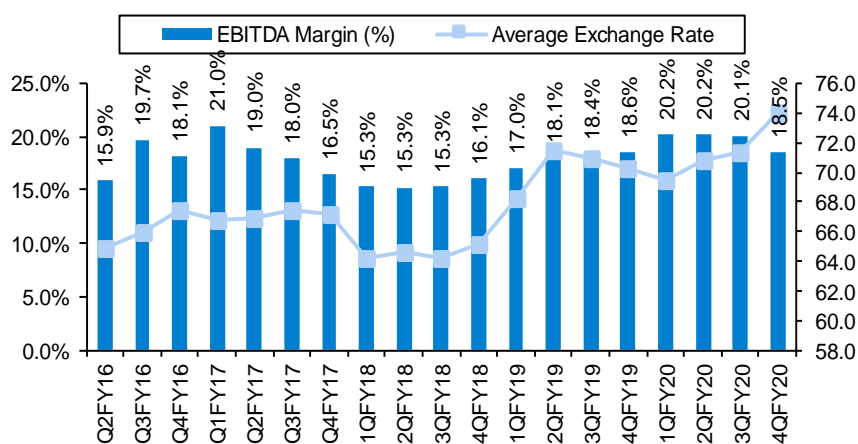
**Exhibit 2: De-growth in plant and engineering led to tepid revenue performance**



Source: Company, PL

EBIT margin at 15.2% was down 160 bps QoQ (Ple/Cons: 17.2%), while adjusted for one-off (contribution to PM CARES fund) was 16.5% (-30 bps QoQ).

**Exhibit 3: EBITDA margin posted a weak performance**



Source: Company, PL

**Exhibit 4: Revenues by Verticals (USD Mn)**

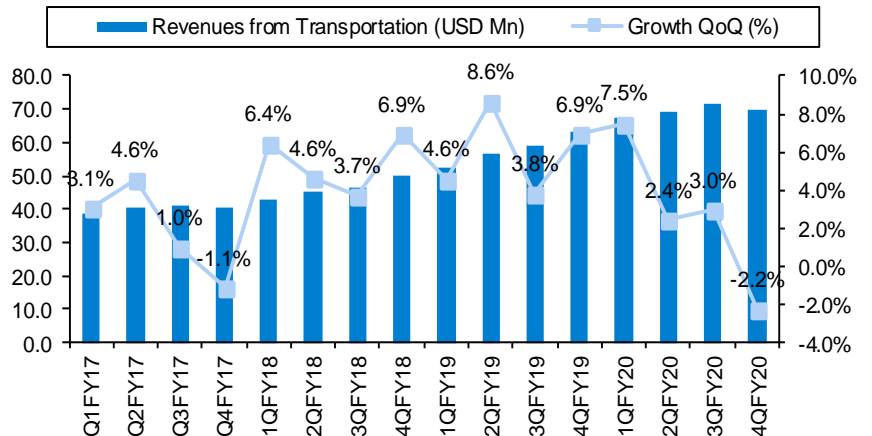
|                     | Q4FY17       | 1QFY18       | 2QFY18       | 3QFY18       | 4QFY18       | 1QFY19       | 2QFY19       | 3QFY19       | 4QFY19       | 1QFY20       | 2QFY20       | 3QFY20       | 4QFY20       |
|---------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Transportation      | 40.4         | 43.0         | 45.0         | 46.7         | 49.9         | 52.2         | 56.7         | 58.9         | 62.9         | 67.7         | 69.3         | 71.3         | 69.8         |
| Growth (%)          | -1.1%        | 6.4%         | 4.6%         | 3.7%         | 6.9%         | 4.6%         | 8.6%         | 3.8%         | 6.9%         | 7.5%         | 2.4%         | 3.0%         | -2.2%        |
| Industrial products | 32.5         | 32.6         | 32.9         | 32.9         | 33.9         | 34.5         | 36.5         | 37.5         | 36.9         | 38.0         | 38.4         | 38.3         | 37.9         |
| Growth (%)          | 1.8%         | 0.3%         | 0.7%         | 0.1%         | 2.9%         | 1.8%         | 5.9%         | 2.8%         | -1.6%        | 2.9%         | 1.1%         | -0.4%        | -0.9%        |
| Telecom & Hi-tech   | 23.0         | 25.7         | 33.8         | 42.1         | 47.8         | 48.5         | 47.3         | 50.1         | 50.1         | 43.2         | 40.8         | 36.9         | 36.5         |
| Growth (%)          | 11.2%        | 11.9%        | 31.6%        | 24.5%        | 13.4%        | 1.4%         | -2.4%        | 6.0%         | 0.0%         | -13.7%       | -5.7%        | -9.6%        | -0.9%        |
| Process Industry    | 17.1         | 17.8         | 17.8         | 19.2         | 19.9         | 22.8         | 25.2         | 26.7         | 28.1         | 29.7         | 32.1         | 34.3         | 31.3         |
| Growth (%)          | -8.5%        | 4.3%         | 0.2%         | 7.6%         | 3.9%         | 14.4%        | 10.4%        | 6.3%         | 5.2%         | 5.5%         | 8.1%         | 6.9%         | -8.8%        |
| Medical Devices     | 8.0          | 8.8          | 9.8          | 9.4          | 10.5         | 11.0         | 11.5         | 12.4         | 13.4         | 15.5         | 17.4         | 18.7         | 20.1         |
| Growth (%)          | -1.3%        | 10.6%        | 10.4%        | -3.2%        | 11.6%        | 4.3%         | 4.9%         | 8.0%         | 7.6%         | 15.8%        | 12.3%        | 7.5%         | 7.4%         |
| <b>Total</b>        | <b>121.0</b> | <b>128.0</b> | <b>139.3</b> | <b>151.0</b> | <b>162.0</b> | <b>168.9</b> | <b>177.2</b> | <b>185.7</b> | <b>191.5</b> | <b>194.1</b> | <b>198.0</b> | <b>199.5</b> | <b>195.6</b> |
| Growth (%)          | 0.6%         | 5.8%         | 8.8%         | 8.4%         | 7.3%         | 4.3%         | 4.9%         | 4.8%         | 3.1%         | 1.4%         | 2.0%         | 0.8%         | -2.0%        |

Source: Company, PL

Transportation vertical has witnessed decline by 220 bps QoQ. However, management believes recovery demand environment especially in Autonomous vehicle.

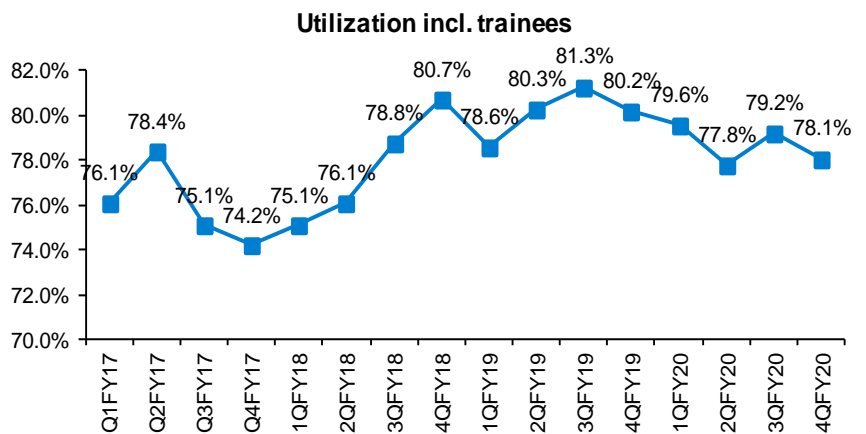
Decline in utilization (78.2%, -140bps QoQ) may act as a headwind to margins ahead.

Exhibit 5: Transportation revenues to remain under pressure



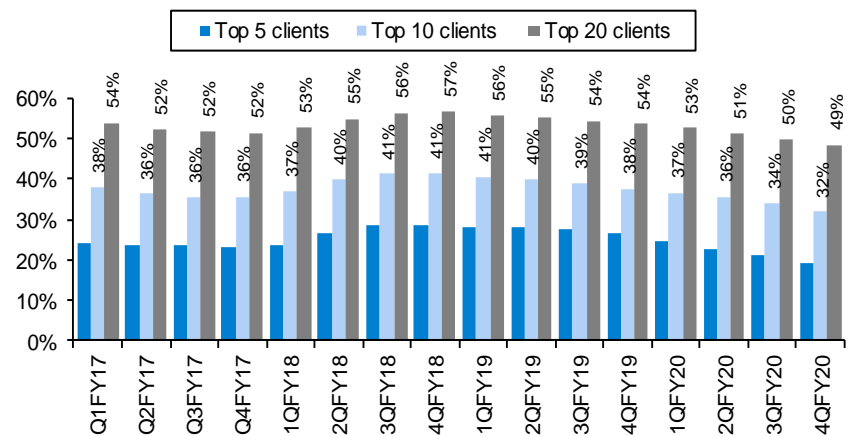
Source: Company, PL

Exhibit 6: Utilization may act as headwind to margin



Source: Company, PL

Exhibit 7: Client concentration on top clients remain strong



Source: Company, PL

**Exhibit 8: Vertical wise revenues**

| Fig in USD mn                 | 4QFY20       | 3QFY20       | QoQ gr.      | 4QFY19       | YoY gr.     |
|-------------------------------|--------------|--------------|--------------|--------------|-------------|
| Transportation                | 69.8         | 71.3         | -2.2%        | 62.9         | 10.8%       |
| Industrial products           | 37.9         | 38.3         | -0.9%        | 36.9         | 2.7%        |
| Telecom & Hi-tech             | 36.5         | 36.9         | -0.9%        | 50.1         | -27.1%      |
| Process Industry              | 31.3         | 34.3         | -8.8%        | 28.1         | 11.2%       |
| Medical Devices               | 20.1         | 18.7         | 7.4%         | 13.4         | 50.3%       |
| <b>Total Revenues</b>         | <b>195.6</b> | <b>199.5</b> | <b>-2.0%</b> | <b>191.5</b> | <b>2.1%</b> |
| <b>-as a % of total sales</b> |              |              |              |              |             |
| Transportation                | 35.7%        | 35.8%        | -10bp        | 32.9%        | 280bp       |
| Industrial products           | 19.4%        | 19.2%        | 20bp         | 19.3%        | 10bp        |
| Telecom & Hi-tech             | 18.7%        | 18.5%        | 20bp         | 26.2%        | -750bp      |
| Process Industry              | 16.0%        | 17.2%        | -120bp       | 14.7%        | 130bp       |
| Medical Devices               | 10.3%        | 9.4%         | 90bp         | 7.0%         | 330bp       |

Source: Company, PL

**Exhibit 9: Geography-wise revenues**

| Fig in USD mn                 | 4QFY20       | 3QFY20       | QoQ gr.      | 4QFY19       | YoY gr.     |
|-------------------------------|--------------|--------------|--------------|--------------|-------------|
| North America                 | 119.6        | 122.0        | -2.0%        | 112.7        | 6.1%        |
| Europe                        | 32.6         | 28.1         | 16.1%        | 30.6         | 6.6%        |
| India                         | 25.0         | 26.3         | -4.9%        | 26.6         | -5.9%       |
| RoW                           | 18.0         | 22.7         | -20.9%       | 21.4         | -16.1%      |
| <b>Total Revenues</b>         | <b>195.2</b> | <b>199.1</b> | <b>-2.0%</b> | <b>191.3</b> | <b>2.0%</b> |
| <b>-as a % of total sales</b> |              |              |              |              |             |
| North America                 | 61.2%        | 61.2%        | 0bp          | 58.9%        | 230bp       |
| Europe                        | 14.1%        | 14.1%        | 0bp          | 16.0%        | -190bp      |
| India                         | 13.2%        | 13.2%        | 0bp          | 13.9%        | -70bp       |
| RoW                           | 11.4%        | 11.4%        | 0bp          | 11.2%        | 20bp        |

Source: Company, PL

**Exhibit 10: Client Concentration (%)**

| Client contribution | Q4FY17 | 1QFY18 | 2QFY18 | 3QFY18 | 4QFY18 | 1QFY19 | 2QFY19 | 3QFY19 | 4QFY19 | 1QFY20 | 2QFY20 | 3QFY20 | 4QFY20 |
|---------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Top 5 clients       | 23.2   | 23.8   | 26.8   | 28.8   | 28.6   | 28.3   | 28.2   | 27.4   | 26.4   | 24.7   | 22.9   | 21.1   | 19.2   |
| Top 10 clients      | 35.6   | 37.0   | 39.8   | 41.2   | 41.4   | 40.5   | 39.9   | 38.9   | 37.7   | 36.7   | 35.7   | 33.9   | 31.8   |
| Top 20 clients      | 51.5   | 52.6   | 54.9   | 56.4   | 56.7   | 55.6   | 55.1   | 54.4   | 53.5   | 52.5   | 51.3   | 49.8   | 48.5   |

Source: Company, PL

**Exhibit 11: Revenues by Vertical (%)**

| Contribution by Verticals | Q4FY17     | 1QFY18     | 2QFY18     | 3QFY18     | 4QFY18     | 1QFY19     | 2QFY19       | 3QFY19       | 4QFY19       | 1QFY20       | 2QFY20       | 3QFY20       | 4QFY20       |
|---------------------------|------------|------------|------------|------------|------------|------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Transportation            | 33.4       | 33.6       | 32.3       | 30.9       | 30.8       | 30.9       | 32.0         | 31.7         | 32.9         | 34.9         | 35.0         | 35.8         | 35.7         |
| Industrial products       | 26.9       | 25.5       | 23.6       | 21.8       | 20.9       | 20.4       | 20.6         | 20.2         | 19.3         | 19.6         | 19.4         | 19.2         | 19.4         |
| Telecom & Hi-tech         | 19         | 20.1       | 24.3       | 27.9       | 29.5       | 28.7       | 26.7         | 27.0         | 26.2         | 22.3         | 20.6         | 18.5         | 18.7         |
| Plant Engineering*        | 14.1       | 13.9       | 12.8       | 12.7       | 12.3       | 13.5       | 14.2         | 14.4         | 14.7         | 15.3         | 16.2         | 17.2         | 16.0         |
| Medical Devices           | 6.6        | 6.9        | 7          | 6.25       | 6.5        | 6.5        | 6.5          | 6.7          | 7.0          | 8.0          | 8.8          | 9.4          | 10.3         |
| <b>Total</b>              | <b>100</b> | <b>100</b> | <b>100</b> | <b>100</b> | <b>100</b> | <b>100</b> | <b>100.0</b> | <b>100.0</b> | <b>100.1</b> | <b>100.1</b> | <b>100.0</b> | <b>100.1</b> | <b>100.1</b> |

Source: Company, PL \*Earlier called as Process Industry

**Exhibit 12: Revenues by geography (%)**

| Contribution by geographies | Q4FY17     | 1QFY18     | 2QFY18     | 3QFY18     | 4QFY18     | 1QFY19     | 2QFY19       | 3QFY19       | 4QFY19       | 1QFY20       | 2QFY20      | 3QFY20      | 4QFY20      |
|-----------------------------|------------|------------|------------|------------|------------|------------|--------------|--------------|--------------|--------------|-------------|-------------|-------------|
| North America               | 63.3       | 64.5       | 60.8       | 58.7       | 57.6       | 56.3       | 57.7         | 57.8         | 58.9         | 60.9         | 61.7        | 61.2        | 61.2        |
| Europe                      | 17.3       | 16.6       | 16.5       | 17.2       | 18.6       | 18.5       | 17.2         | 16.2         | 16.0         | 15.6         | 14.4        | 14.1        | 16.7        |
| India                       | 9.2        | 9.3        | 10.5       | 11.5       | 11.7       | 12.4       | 12.5         | 14.4         | 13.9         | 12.8         | 13.1        | 13.2        | 12.8        |
| RoW                         | 10.2       | 9.6        | 12.2       | 12.6       | 12.1       | 12.8       | 12.6         | 11.6         | 11.2         | 10.7         | 10.7        | 11.4        | 9.2         |
| <b>Total</b>                | <b>100</b> | <b>100</b> | <b>100</b> | <b>100</b> | <b>100</b> | <b>100</b> | <b>100.0</b> | <b>100.0</b> | <b>100.0</b> | <b>100.0</b> | <b>99.9</b> | <b>99.9</b> | <b>99.9</b> |

Source: Company, PL

**Exhibit 13: Headcount Metrics**

| Employee stats      | Q4FY17     | 1QFY18     | 2QFY18     | 3QFY18     | 4QFY18     | 1QFY19     | 2QFY19     | 3QFY19       | 4QFY19     | 1QFY20     | 2QFY20     | 3QFY20    | 4QFY20    |
|---------------------|------------|------------|------------|------------|------------|------------|------------|--------------|------------|------------|------------|-----------|-----------|
| Total headcount     | 10,463     | 10,805     | 11,532     | 11,941     | 12,307     | 13,081     | 13,585     | 14,777       | 15,140     | 15,913     | 16,789     | 16,787    | 16,883    |
| Billable            | 9,537      | 9,886      | 10,573     | 11,009     | 11,360     | 12,147     | 12,604     | 13,711       | 14,034     | 14,755     | 15,614     | 15,604    | 15,667    |
| Sales & Support     | 926        | 919        | 959        | 932        | 947        | 934        | 981        | 1,066        | 1,106      | 1,158      | 1,175      | 1,183     | 1,216     |
| Voluntary attrition | 14%        | 13.40%     | 13.40%     | 13.20%     | 13.50%     | 15.40%     | 15.00%     | 14.90%       | 14.80%     | 15.80%     | 13.40%     | 13.90%    | 13.8%     |
| Net Headcount Add   | <b>423</b> | <b>342</b> | <b>727</b> | <b>409</b> | <b>366</b> | <b>774</b> | <b>504</b> | <b>1,192</b> | <b>363</b> | <b>773</b> | <b>876</b> | <b>-2</b> | <b>96</b> |

Source: Company, PL

**Change in Estimates**

We cut our USD revenue estimates of FY21/22E by 3% to factor higher dependence on discretionary spends which led to EPS cut by 4% for FY21/22E. We maintain our HOLD rating with revised TP of Rs. 1020 valued on 12x FY22E earnings.

**Exhibit 14: Change in Estimate**

| Change in Estimates                       | FY20E          | FY21E          | FY22E          |
|---|----------------|----------------|----------------|
| <b>USD revenues (US\$ m)</b>              |                |                |                |
| - New                                     | 787            | 752            | 816            |
| - Old                                     | 793            | 775            | 841            |
| <i>Change (%)</i>                         | <i>-0.8%</i>   | <i>-3.0%</i>   | <i>-3.0%</i>   |
| <b>EBIT Margin</b>                        |                |                |                |
| - New                                     | 16.51%         | 15.8%          | 17.6%          |
| - Old                                     | 17.0%          | 16.1%          | 17.8%          |
| <i>Change (%)</i>                         | <i>-46 bps</i> | <i>-25 bps</i> | <i>-24 bps</i> |
| <b>Recurring EPS - Fully diluted (Rs)</b> |                |                |                |
| - New                                     | 77.5           | 69.0           | 83.7           |
| - Old                                     | 78.4           | 71.9           | 87.1           |
| <i>Change (%)</i>                         | <i>-1.1%</i>   | <i>-4.0%</i>   | <i>-3.9%</i>   |

Source: PL

## Financials

### Income Statement (Rs m)

| Y/e Mar                       | FY19          | FY20          | FY21E         | FY22E         |
|-------------------------------|---------------|---------------|---------------|---------------|
| <b>Net Revenues</b>           | <b>50,783</b> | <b>56,192</b> | <b>55,675</b> | <b>62,054</b> |
| YoY gr. (%)                   | 35.5          | 10.7          | (0.9)         | 11.5          |
| Employee Cost                 | 31,788        | 33,700        | 35,076        | 38,622        |
| Gross Profit                  | 18,995        | 22,492        | 20,600        | 23,432        |
| Margin (%)                    | 37.4          | 40.0          | 37.0          | 37.8          |
| SG&A Expenses                 | 9,837         | 11,386        | 10,578        | 11,170        |
| Other Expenses                | -             | -             | -             | -             |
| <b>EBITDA</b>                 | <b>9,158</b>  | <b>11,106</b> | <b>10,022</b> | <b>12,263</b> |
| YoY gr. (%)                   | 57.6          | 21.3          | (9.8)         | 22.4          |
| Margin (%)                    | 18.0          | 19.8          | 18.0          | 19.8          |
| Depreciation and Amortization | 1,042         | 1,829         | 1,211         | 1,349         |
| <b>EBIT</b>                   | <b>8,116</b>  | <b>9,277</b>  | <b>8,811</b>  | <b>10,913</b> |
| Margin (%)                    | 16.0          | 16.5          | 15.8          | 17.6          |
| Net Interest                  | 19            | 365           | 40            | 40            |
| Other Income                  | 2,228         | 2,091         | 1,100         | 1,100         |
| <b>Profit Before Tax</b>      | <b>10,325</b> | <b>11,003</b> | <b>9,871</b>  | <b>11,973</b> |
| Margin (%)                    | 20.3          | 19.6          | 17.7          | 19.3          |
| Total Tax                     | 2,630         | 2,778         | 2,566         | 3,113         |
| Effective tax rate (%)        | 25.5          | 25.2          | 26.0          | 26.0          |
| <b>Profit after tax</b>       | <b>7,695</b>  | <b>8,225</b>  | <b>7,304</b>  | <b>8,860</b>  |
| Minority interest             | 28            | 38            | 20            | 20            |
| Share Profit from Associate   | -             | -             | -             | -             |
| <b>Adjusted PAT</b>           | <b>7,667</b>  | <b>8,187</b>  | <b>7,284</b>  | <b>8,840</b>  |
| YoY gr. (%)                   | 51.2          | 6.8           | (11.0)        | 21.4          |
| Margin (%)                    | 15.1          | 14.6          | 13.1          | 14.2          |
| Extra Ord. Income / (Exp)     | -             | -             | -             | -             |
| <b>Reported PAT</b>           | <b>7,667</b>  | <b>8,187</b>  | <b>7,284</b>  | <b>8,840</b>  |
| YoY gr. (%)                   | 51.2          | 6.8           | (11.0)        | 21.4          |
| Margin (%)                    | 15.1          | 14.6          | 13.1          | 14.2          |
| Other Comprehensive Income    | -             | -             | -             | -             |
| Total Comprehensive Income    | 7,667         | 8,187         | 7,284         | 8,840         |
| <b>Equity Shares O/s (m)</b>  | <b>104</b>    | <b>104</b>    | <b>104</b>    | <b>104</b>    |
| <b>EPS (Rs)</b>               | <b>73.7</b>   | <b>78.7</b>   | <b>70.0</b>   | <b>85.0</b>   |

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

| Y/e Mar                               | FY19          | FY20          | FY21E         | FY22E         |
|---------------------------------------|---------------|---------------|---------------|---------------|
| <b>Non-Current Assets</b>             |               |               |               |               |
| <b>Gross Block</b>                    | <b>5,604</b>  | <b>6,304</b>  | <b>7,004</b>  | <b>8,204</b>  |
| Tangibles                             | 2,380         | 2,800         | 3,220         | 3,940         |
| Intangibles                           | 3,224         | 3,504         | 3,784         | 4,264         |
| <b>Acc: Dep / Amortization</b>        | <b>3,273</b>  | <b>5,102</b>  | <b>6,313</b>  | <b>7,662</b>  |
| Tangibles                             | 1,349         | 2,364         | 3,036         | 3,786         |
| Intangibles                           | 1,924         | 2,738         | 3,277         | 3,877         |
| <b>Net fixed assets</b>               | <b>2,331</b>  | <b>1,202</b>  | <b>691</b>    | <b>542</b>    |
| Tangibles                             | 1,031         | 436           | 184           | 154           |
| Intangibles                           | 1,300         | 766           | 507           | 387           |
| Capital Work In Progress              | -             | -             | -             | -             |
| Goodwill                              | 5,365         | 5,365         | 5,365         | 5,365         |
| Non-Current Investments               | 1,362         | 1,362         | 1,362         | 1,362         |
| Net Deferred tax assets               | (8)           | (8)           | (8)           | (8)           |
| Other Non-Current Assets              | 635           | 635           | 635           | 635           |
| <b>Current Assets</b>                 |               |               |               |               |
| Investments                           | 5,749         | 5,849         | 5,949         | 6,049         |
| Inventories                           | -             | -             | -             | -             |
| Trade receivables                     | 10,643        | 11,777        | 11,668        | 13,005        |
| Cash & Bank Balance                   | 2,051         | 3,336         | 8,161         | 15,951        |
| Other Current Assets                  | 3,736         | 7,585         | 7,650         | 4,136         |
| <b>Total Assets</b>                   | <b>33,534</b> | <b>38,972</b> | <b>43,543</b> | <b>49,307</b> |
| <b>Equity</b>                         |               |               |               |               |
| Equity Share Capital                  | 208           | 208           | 208           | 208           |
| Other Equity                          | 24,583        | 29,517        | 33,907        | 39,235        |
| <b>Total Network</b>                  | <b>24,791</b> | <b>29,725</b> | <b>34,115</b> | <b>39,443</b> |
| <b>Non-Current Liabilities</b>        |               |               |               |               |
| Long Term borrowings                  | -             | -             | -             | -             |
| Provisions                            | -             | -             | -             | -             |
| Other non current liabilities         | -             | -             | -             | -             |
| <b>Current Liabilities</b>            |               |               |               |               |
| ST Debt / Current of LT Debt          | 702           | 702           | 702           | 702           |
| Trade payables                        | 1,879         | 2,079         | 2,060         | 2,296         |
| Other current liabilities             | 6,041         | 6,241         | 6,441         | 6,641         |
| <b>Total Equity &amp; Liabilities</b> | <b>33,638</b> | <b>38,972</b> | <b>43,543</b> | <b>49,307</b> |

Source: Company Data, PL Research

**Cash Flow (Rs m)**

| Y/e Mar                              | FY19           | FY20           | FY21E          | FY22E          |
|--------------------------------------|----------------|----------------|----------------|----------------|
| PBT                                  | 10,297         | 10,965         | 9,851          | 11,973         |
| Add. Depreciation                    | 1,042          | 1,829          | 1,211          | 1,349          |
| Add. Interest                        | (177)          | (890)          | (620)          | (620)          |
| Less Financial Other Income          | 2,228          | 2,091          | 1,100          | 1,100          |
| Add. Other                           | -              | -              | -              | -              |
| Op. profit before WC changes         | 11,162         | 11,905         | 10,442         | 12,703         |
| Net Changes-WC                       | 45             | (4,782)        | 24             | (1,301)        |
| Direct tax                           | (2,630)        | (2,778)        | (2,566)        | (3,113)        |
| <b>Net cash from Op. activities</b>  | <b>8,577</b>   | <b>4,344</b>   | <b>7,899</b>   | <b>8,289</b>   |
| Capital expenditures                 | (1,200)        | (700)          | (700)          | (1,200)        |
| Interest / Dividend Income           | 196            | 1,255          | 660            | 660            |
| Others                               | (4,318)        | (100)          | (100)          | (100)          |
| <b>Net Cash from Inv. activities</b> | <b>(5,322)</b> | <b>455</b>     | <b>(140)</b>   | <b>(640)</b>   |
| Issue of share cap. / premium        | 3              | -              | -              | -              |
| Debt changes                         | -              | -              | -              | -              |
| Dividend paid                        | (3,139)        | (3,253)        | (2,894)        | (3,512)        |
| Interest paid                        | (19)           | (365)          | (40)           | (40)           |
| Others                               | 30             | -              | -              | -              |
| <b>Net cash from Fin. activities</b> | <b>(3,125)</b> | <b>(3,618)</b> | <b>(2,934)</b> | <b>(3,552)</b> |
| <b>Net change in cash</b>            | <b>131</b>     | <b>1,181</b>   | <b>4,825</b>   | <b>4,096</b>   |
| Free Cash Flow                       | 7,377          | 3,644          | 7,199          | 7,089          |

Source: Company Data, PL Research

**Key Financial Metrics**

| Y/e Mar                | FY19  | FY20  | FY21E | FY22E |
|------------------------|-------|-------|-------|-------|
| <b>Per Share(Rs)</b>   |       |       |       |       |
| EPS                    | 73.7  | 78.7  | 70.0  | 85.0  |
| CEPS                   | 83.7  | 96.3  | 81.7  | 98.0  |
| BVPS                   | 238.4 | 285.8 | 328.0 | 379.3 |
| FCF                    | 70.9  | 35.0  | 69.2  | 68.2  |
| DPS                    | 25.1  | 26.0  | 23.1  | 28.1  |
| <b>Return Ratio(%)</b> |       |       |       |       |
| RoCE                   | 35.6  | 33.2  | 27.0  | 29.1  |
| ROIC                   | 34.2  | 32.6  | 31.5  | 44.5  |
| RoE                    | 34.7  | 30.0  | 22.8  | 24.0  |
| <b>Balance Sheet</b>   |       |       |       |       |
| Net Debt : Equity (x)  | (0.3) | (0.3) | (0.4) | (0.5) |
| Debtor (Days)          | 76    | 76    | 76    | 76    |
| <b>Valuation(x)</b>    |       |       |       |       |
| PER                    | 14.5  | 13.6  | 15.3  | 12.6  |
| P/B                    | 4.5   | 3.7   | 3.3   | 2.8   |
| P/CEPS                 | 76.2  | 87.7  | 74.3  | 89.2  |
| EV/EBITDA              | 11.4  | 9.2   | 9.7   | 7.3   |
| EV/Sales               | 2.0   | 1.8   | 1.8   | 1.4   |
| Dividend Yield (%)     | 2.3   | 2.4   | 2.2   | 2.6   |

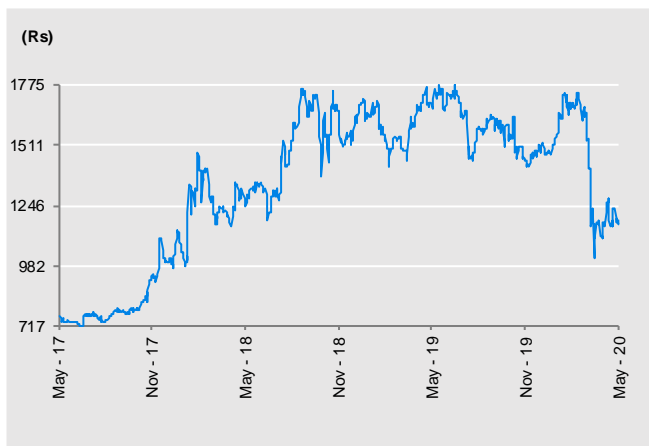
Source: Company Data, PL Research

**Quarterly Financials (Rs m)**

| Y/e Mar                           | Q1FY20        | Q2FY20        | Q3FY20        | Q4FY20        |
|-----------------------------------|---------------|---------------|---------------|---------------|
| <b>Net Revenue</b>                | <b>13,475</b> | <b>14,021</b> | <b>14,230</b> | <b>14,466</b> |
| YoY gr. (%)                       | 17.0          | 10.7          | 8.1           | 7.7           |
| Raw Material Expenses             | 8,354         | 8,628         | 8,303         | 8,415         |
| Gross Profit                      | 5,121         | 5,393         | 5,927         | 6,051         |
| Margin (%)                        | 38.0          | 38.5          | 41.7          | 41.8          |
| <b>EBITDA</b>                     | <b>2,727</b>  | <b>2,832</b>  | <b>2,864</b>  | <b>2,683</b>  |
| YoY gr. (%)                       | 39.1          | 23.8          | 18.5          | 7.7           |
| Margin (%)                        | 20.2          | 20.2          | 20.1          | 18.5          |
| Depreciation / Depletion          | 428           | 444           | 472           | 485           |
| <b>EBIT</b>                       | <b>2,299</b>  | <b>2,388</b>  | <b>2,392</b>  | <b>2,198</b>  |
| Margin (%)                        | 17.1          | 17.0          | 16.8          | 15.2          |
| Net Interest                      | 91            | 91            | 89            | 94            |
| Other Income                      | 565           | 469           | 443           | 614           |
| <b>Profit before Tax</b>          | <b>2,773</b>  | <b>2,766</b>  | <b>2,746</b>  | <b>2,718</b>  |
| Margin (%)                        | 20.6          | 19.7          | 19.3          | 18.8          |
| Total Tax                         | 732           | 704           | 687           | 655           |
| Effective tax rate (%)            | 26.4          | 25.5          | 25.0          | 24.1          |
| <b>Profit after Tax</b>           | <b>2,041</b>  | <b>2,062</b>  | <b>2,059</b>  | <b>2,063</b>  |
| Minority interest                 | -             | -             | -             | -             |
| Share Profit from Associates      | -             | -             | -             | -             |
| <b>Adjusted PAT</b>               | <b>2,041</b>  | <b>2,062</b>  | <b>2,059</b>  | <b>2,063</b>  |
| YoY gr. (%)                       | 3.0           | 7.5           | 10.6          | 6.6           |
| Margin (%)                        | 15.1          | 14.7          | 14.5          | 14.3          |
| Extra Ord. Income / (Exp)         | -             | -             | -             | -             |
| <b>Reported PAT</b>               | <b>2,041</b>  | <b>2,062</b>  | <b>2,059</b>  | <b>2,063</b>  |
| YoY gr. (%)                       | 3.0           | 7.5           | 10.6          | 7.2           |
| Margin (%)                        | 15.1          | 14.7          | 14.5          | 14.3          |
| Other Comprehensive Income        | -             | -             | -             | -             |
| <b>Total Comprehensive Income</b> | <b>2,041</b>  | <b>2,062</b>  | <b>2,059</b>  | <b>2,063</b>  |
| Avg. Shares O/s (m)               | 106           | 107           | 106           | 106           |
| <b>EPS (Rs)</b>                   | <b>19.3</b>   | <b>19.3</b>   | <b>19.5</b>   | <b>19.5</b>   |

Source: Company Data, PL Research



**Price Chart**
**Recommendation History**


| No. | Date      | Rating     | TP (Rs.) | Share Price (Rs.) |
|-----|-----------|------------|----------|-------------------|
| 1   | 12-Apr-20 | Hold       | 1,061    | 1,174             |
| 2   | 18-Jan-20 | Hold       | 1,444    | 1,643             |
| 3   | 03-Jan-20 | Hold       | 1,437    | 1,511             |
| 4   | 22-Oct-19 | Hold       | 1,444    | 1,639             |
| 5   | 03-Oct-19 | Accumulate | 1,709    | 1,591             |
| 6   | 22-Jul-19 | Accumulate | 1,693    | 1,599             |
| 7   | 04-Jul-19 | Accumulate | 1,835    | 1,698             |
| 8   | 10-Jun-19 | Accumulate | 1,835    | 1,678             |

**Analyst Coverage Universe**

| Sr. No. | Company Name              | Rating     | TP (Rs) | Share Price (Rs) |
|---------|---------------------------|------------|---------|------------------|
| 1       | Cyient                    | Hold       | 450     | 437              |
| 2       | HCL Technologies          | Hold       | 548     | 512              |
| 3       | Hexaware Technologies     | Reduce     | 219     | 296              |
| 4       | Infosys                   | Hold       | 668     | 651              |
| 5       | L&T Technology Services   | Hold       | 1,061   | 1,174            |
| 6       | Larsen & Toubro Infotech  | Hold       | 1,403   | 1,399            |
| 7       | Mindtree                  | Reduce     | 680     | 780              |
| 8       | Mphasis                   | Accumulate | 852     | 803              |
| 9       | NIIT Technologies         | BUY        | 1,340   | 1,190            |
| 10      | Persistent Systems        | Reduce     | 447     | 514              |
| 11      | Redington (India)         | BUY        | 114     | 117              |
| 12      | Sonata Software           | Accumulate | 400     | 313              |
| 13      | Tata Consultancy Services | Hold       | 1,584   | 1,716            |
| 14      | TeamLease Services        | Hold       | 3,203   | 2,487            |
| 15      | Tech Mahindra             | Reduce     | 478     | 546              |
| 16      | Wipro                     | Sell       | 169     | 187              |
| 17      | Zensar Technologies       | Accumulate | 246     | 191              |

**PL's Recommendation Nomenclature (Absolute Performance)**

|                          |                                   |
|--------------------------|-----------------------------------|
| <b>Buy</b>               | : > 15%                           |
| <b>Accumulate</b>        | : 5% to 15%                       |
| <b>Hold</b>              | : +5% to -5%                      |
| <b>Reduce</b>            | : -5% to -15%                     |
| <b>Sell</b>              | : < -15%                          |
| <b>Not Rated (NR)</b>    | : No specific call on the stock   |
| <b>Under Review (UR)</b> | : Rating likely to change shortly |



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