

# Tech Mahindra (TECHM IN)

Rating: ACCUMULATE | CMP: Rs665 | TP: Rs716

July 28, 2020

## Q1FY21 Result Update

☒ Change in Estimates | ☒ Target | ☒ Reco

### Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
<b>Rating</b>	<b>ACCUMULATE</b>		<b>REDUCE</b>	
<b>Target Price</b>	<b>716</b>		<b>493</b>	
Sales (Rs. m)	4,06,710	4,37,203	3,79,441	4,07,861
% Chng.	7.2	7.2		
EBITDA (Rs. m)	65,035	68,953	52,457	57,004
% Chng.	24.0	21.0		
EPS (Rs.)	50.7	52.3	43.6	46.8
% Chng.	16.3	11.9		

### Key Financials - Standalone

Y/e Mar	FY20	FY21E	FY22E	FY23E
Sales (Rs. bn)	369	373	407	437
EBITDA (Rs. bn)	57	56	65	69
Margin (%)	15.5	15.0	16.0	15.8
PAT (Rs. bn)	43	38	44	46
EPS (Rs.)	48.8	43.5	50.7	52.3
Gr. (%)	(0.9)	(10.7)	16.5	3.3
DPS (Rs.)	15.1	10.1	10.1	10.1
Yield (%)	2.3	1.5	1.5	1.5
RoE (%)	19.7	15.6	16.1	14.8
RoCE (%)	18.6	16.0	17.1	16.2
EV/Sales (x)	1.4	1.3	1.2	1.0
EV/EBITDA (x)	9.0	8.8	7.2	6.4
PE (x)	13.6	15.3	13.1	12.7
P/BV (x)	2.5	2.3	2.0	1.8

### Key Data

TEML.BO | TECHM IN

52-W High / Low	Rs.846 / Rs.470
Sensex / Nifty	37,935 / 11,132
Market Cap	Rs.642bn / \$ 8,580m
Shares Outstanding	966m
3M Avg. Daily Value	Rs.5807.97m

### Shareholding Pattern (%)

Promoter's	35.83
Foreign	39.59
Domestic Institution	13.06
Public & Others	11.51
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	18.5	(16.0)	3.3
Relative	9.9	(8.9)	3.1

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## Good Execution in Weak Environment

### Quick Pointers:

- Tech M delivered revenue & margins performance better than ours & street estimates. FCF to PAT% at 245% highest ever.
- TCV was weak on expected lines, management cited weak macro environment impacted wins but guided improvement from Q2FY21 onwards. Tech M cited that 5G related demand will be pushed over to next year owing to ongoing trade war & geo political issues.
- Management mentioned worst is behind & expect improvement from hereon from revenue, margin front & TCV. We now expect 5% revenue decline \$ terms in FY21E (earlier: -9.7%) & have increased our margin estimates. Margin upgrades led to EPS upgrades of 16%/11% for FY22/23E. We now value Tech M on 14X multiple (margin volatility & lower margins than peers will restrict further re-rating of multiples) on Sep-22 EPS of Rs.51 to arrive at a changed target price of Rs. 716. Upgrade to Accumulate from Reduce.

**Tech M positively surprised with decent set of numbers with revenues & margins above our & street estimates. TM posted with -6.3% revenue (Ple: -6.6%, Cons: -8.3%) CC decline with core business (telecom) declined by -8.2% QoQ & Enterprise revenue declined by -5.1% QoQ. Tech M surprised on margin front beating our/cons estimates by 100bps to 10.1% & management also mentioned EBIT margins will improve from hereon. PAT came at INR9.72bn which is 22% higher than our estimates/cons led by margin beat & higher other income. TCV was weak on expected lines (USD290mn in 1QFY21 vs USD475mn in Q1FY20) management cited weak macro environment impacted wins but guided improvement from Q2FY21 onwards. Tech M cited that 5G related demand will be pushed over to next year owing to ongoing trade war & geo political issues.**

**Management mentioned worst is behind & expect improvement from hereon from revenue, margin front & TCV. This will provide tailwind to valuations. Management mentioned 1/4<sup>th</sup> of rev decline is due to supply side challenges & rest due to demand side challenges. We expect Enterprise business to led growth in FY21E led by Hi-tech, healthcare, life sciences & BFSI. We now expect 5% total revenue decline \$ terms in FY21E (earlier: -9.7%) & have increased our margin estimates. Margin upgrades led to EPS upgrades of 16%/11% for FY22/23E. We now value Tech M on 14X multiple (margin volatility & lower margins than peers will restrict further re-rating of multiples) on Sep-22 EPS of Rs.51 to arrive at a changed target price of Rs. 716 (old TP: Rs.493) Tech M is currently trading at 13.2X/12.8X earnings multiple of Rs.50.3/51.9 FY22E/23E EPS respectively. Upgrade to Accumulate from Reduce. Delay in pickup of TCV remains risk to the rating.**

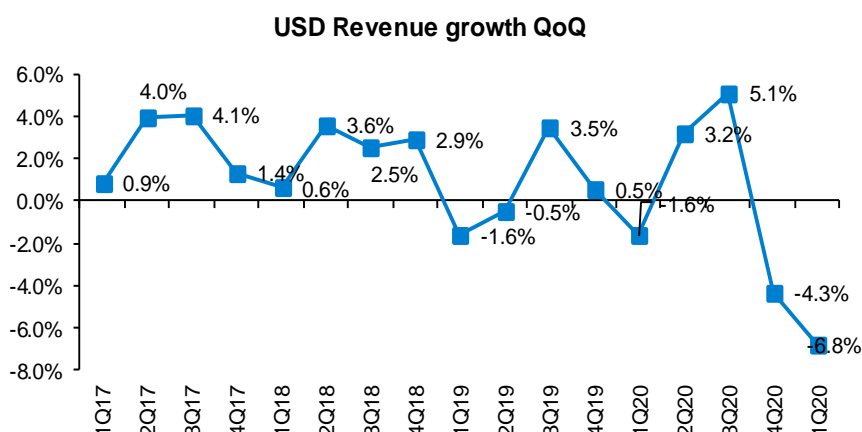
- **Better execution:** Tech M positively surprised with decent set of numbers with revenues & margins above our & street estimates. TM posted with -6.3% revenue (Ple: -6.6%, Cons: -8.3%) CC decline with core business (telecom) declined by -8.2% QoQ & Enterprise revenue declined by -5.1% QoQ. BPO segment saw a revenue decline of -10% QoQ \$ terms. Vertical wise: Communication declined by -8.6% QoQ & Enterprise declined by -5.4% QoQ \$ terms. Manufacturing declined by 11.1%, TME grew by 13.1%, BFSI declined by -4.4%, Retail & travel declined by -6.2% QoQ reported terms. Geography wise: US declined by -3.5%, Europe declined by -9.1% QoQ reported terms.
- **Better Margin performance:** Tech M surprised on margin front beating our/cons estimates by 100bps to 10.1% & management also mentioned that EBIT margins will improve from hereon. Covid restructuring and reduction in SG&A aided margins by 200 bps. Absence of one-time CSR spend provided tailwind of 110 bps. Rupee depreciation provided a benefit of 60 bps. Tailwinds were offset by 220 bps headwind from lower demand, 40 bps headwind from supply impact, 80 bps headwind from seasonality and visa costs and 40 bps headwind from lower utilization. PAT came at INR9.72bn which is 22% higher than our estimates/cons led by margin beat & higher other income. Higher other income was on account of i) Rs 857 mn forex gain compared to Rs73 mn gain in 4QFY20, ii) one time impact of interest income on tax refund and iii) earn-out payments on sale of Comviva subsidiaries. Additional interest income and earn out payments added US\$20 mn to other income.
- **Weak TCV on expected line, but to improve further:** TCV was weak on expected lines (USD290mn in 1QFY21 vs USD475mn in Q1FY20) management cited weak macro environment impacted wins but guided improvement from Q2FY21 onwards. Deal decisions picked up only towards the end of the quarter. Tech M cited that 5G related demand will be pushed over to next year owing to ongoing trade war & geo political issues. Deal pipeline is strong as per management, which is the highest in the past three years. Management expects closure of large deals in the pipeline in the US in the enterprise segment in the next few months. Tech Management did guide for revenue growth for September 2020 quarter. We model gradual recovery in revenues.
- **5G opportunity to come in FY22:** Tech M indicated that it has started participating in 5G spends of ecosystem players. This includes design of new handsets and new applications for 5G. Tech M provides services related to functional design and electronic design styling for handsets. The bigger opportunity, however, is from CSP and enterprise 5G spends. 5G roll-out of CSPs has been delayed by 5-7 months due to a mix of COVID impact, restrictions on Huawei and delays in spectrum auctions. Enterprise adoption of 5G can also be delayed due to lack of 5G applications that makes strong business use cases in an environment impacted by COVID. As of now Tech M expects material opportunity from 5G in FY2022.
- **Enterprise business to provide growth in FY22:** Enterprise business now constitutes 60% of revenues and declined 5.1% QoQ and increased 1.6% YoY in CC. Strong growth in the hi-tech vertical was a surprise and led by spending in US tech companies. Tech M indicated that Google, Microsoft, Oracle and a few technology giants are among its hi-tech clients.

- **Significant reduction in employees:** Total headcount declined by 1820 employees, BPO employees decreased by 1262 employees, Sales & Support decreased by 63 employees & Software decreased by 495 employees QoQ. IT attrition is at 17% (-200 bps QoQ vs last quarter of 19%) & Utilization is at 82% (-100bps QoQ). DSO remained at 107 days' vs 122 in Q4FY20 & 108 in Q1FY20. FCF to PAT% at 245% highest ever.

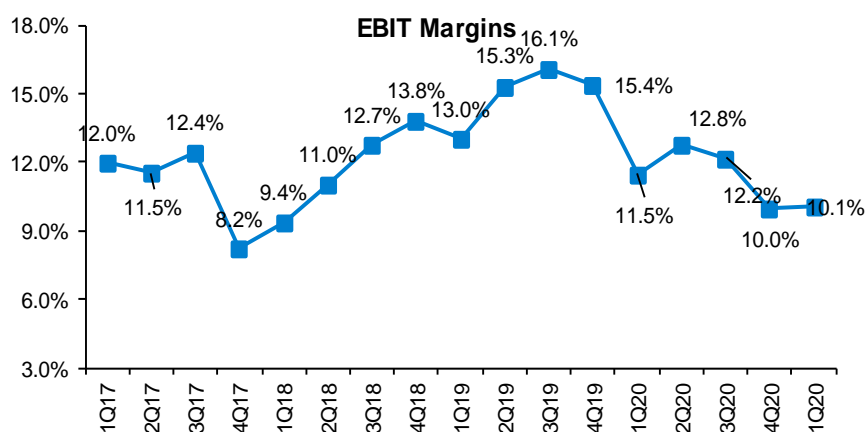
**Exhibit 1: Q1FY21: Quick view on results**

Y/e March (Rs mn)	1Q21	4Q20	QoQ gr.	1Q20	YoY gr.	Ple vs. Act	Ple
Net Sales (\$ m)	1,207.0	1,294.6	-6.8%	1,247.1	-3.2%	0.9%	1,195.8
Net Sales	91,063	94,902	-4.0%	86,530	5.2%	0.5%	90,641
EBITDA	13,005	13,478	-3.5%	13,141	-1.0%	20.8%	10,767
EBITDA Margin	14.3%	14.2%	8 bps	15.2%	-90 bps	240 bps	11.9%
EBIT	9,173	9,496	-3.4%	9,928	-7.6%	14.0%	8,048
EBIT margin	10.1%	10.0%	7 bps	11.5%	-140 bps	120 bps	8.9%
PAT	9,722	8,039	20.9%	9,593	1.3%	22.6%	7,932
EPS (diluted)	11.05	9.14	20.9%	10.89	1.5%	22.5%	9.02

Source: Company, PL

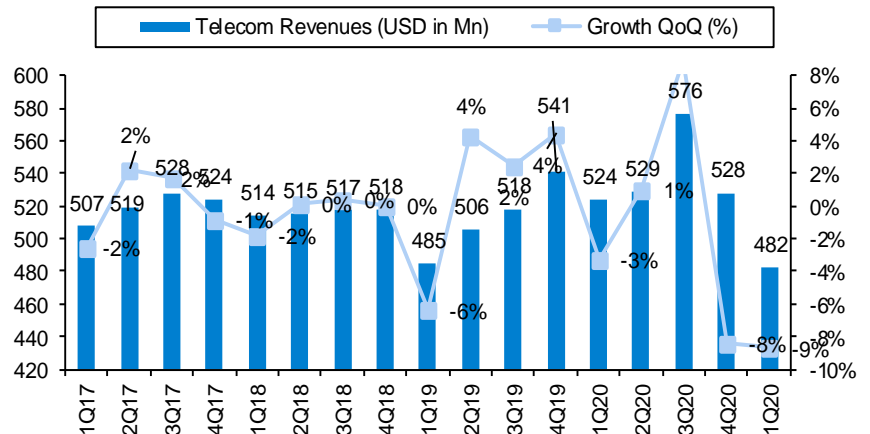
**Exhibit 2: Weak revenue growth during quarter**


Source: Company, PL

**Exhibit 3: EBIT margin to improve further**


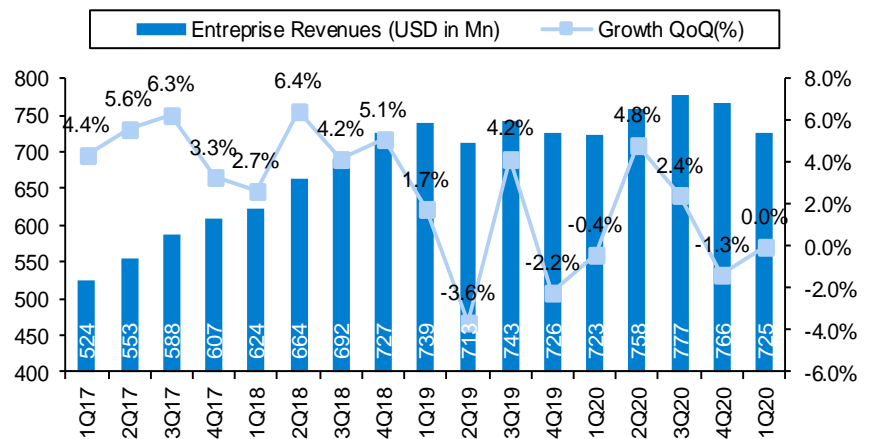
Source: Company, PL

**Exhibit 4: Telecom delivered poor performance**



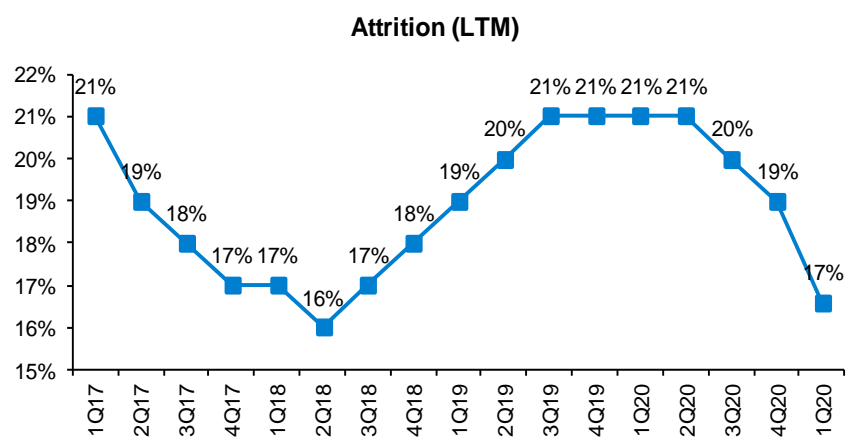
Source: Company, PL

**Exhibit 5: Enterprise Vertical showed weak performance**

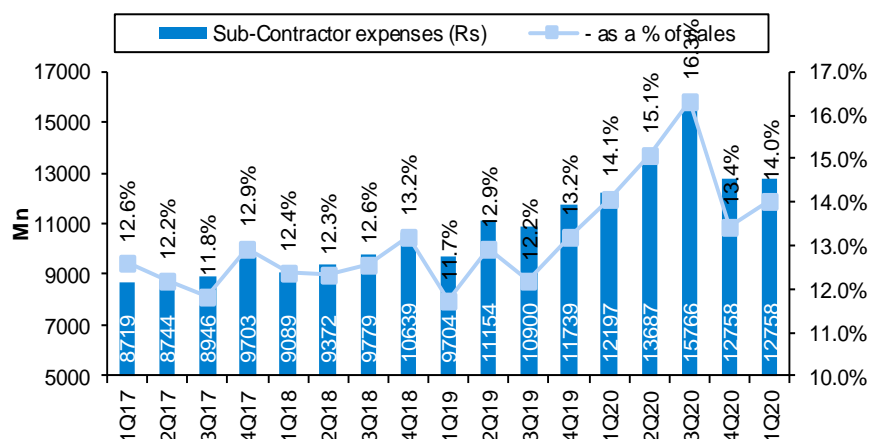


Source: Company, PL

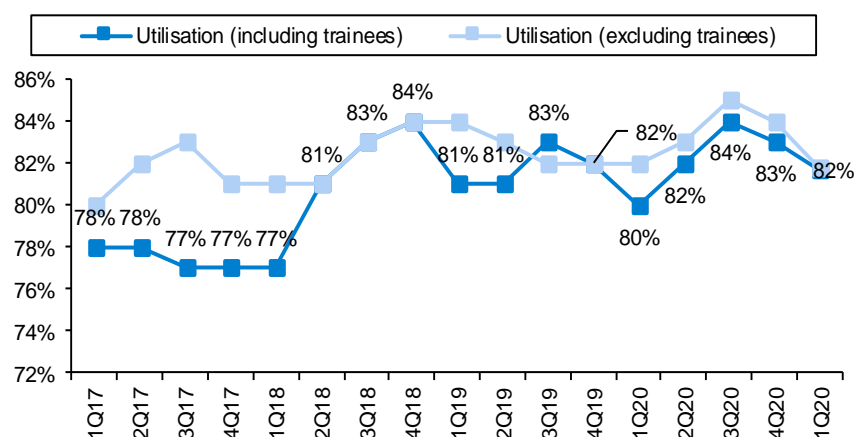
**Exhibit 6: Attrition decreased significantly**



Source: Company, PL

**Exhibit 7: Rising subcontractor cost putting pressure on margins**


Source: Company, PL

**Exhibit 8: Utilization (excl. trainees) continue to remain strong**


Source: Company, PL

**Exhibit 9: Geography-wise revenues**

(US\$ m)	1Q21	4Q20	QoQ	1Q20	YoY
North America	595.5	617.5	-3.6%	593.6	0.3%
Europe	311.5	343.1	-9.2%	344.2	-9.5%
RoW	300.0	334.0	-10.2%	309.3	-3.0%
% of Total					
North America	49.3%	47.7%	164 bps	47.6%	174 bps
Europe	25.8%	26.5%	-69 bps	27.6%	-179 bps
RoW	24.9%	25.8%	-95 bps	24.8%	5 bps

Source: Company, PL

**Exhibit 10: Vertical-wise revenues**

(US\$ m)	1Q21	4Q20	QoQ	1Q20	YoY
Telecom	482.4	528.2	-8.7%	523.8	-7.9%
Enterprise	725.3	766.4	-5.4%	723.3	0.3%
- Manufacturing	203.2	229.1	-11.3%	241.9	-16.0%
- Technology, media & entertainment	108.9	95.8	13.7%	94.8	14.9%
- BFSI	189.7	198.1	-4.2%	159.6	18.9%
- Retail, Transport & Logistics	88.4	94.5	-6.5%	77.3	14.3%
- Others	135.2	148.9	-9.2%	149.7	-9.7%
<b>% of Total</b>					
Telecom	40.0%	40.8%	-83 bps	42.0%	-203 bps
Enterprise	60.1%	59.2%	90 bps	58.0%	210 bps
- Manufacturing	16.8%	17.7%	-87 bps	19.4%	-257 bps
- Technology, media & entertainment	9.0%	7.4%	162 bps	7.6%	142 bps
- BFSI	15.7%	15.3%	42 bps	12.8%	292 bps
- Retail, Transport & Logistics	7.3%	7.3%	2 bps	6.2%	112 bps
- Others	11.2%	11.5%	-30 bps	12.0%	-80 bps

Source: Company, PL

**Exhibit 11: Client Metrics**

	1Q21	4Q20	QoQ	1Q20	YoY
≥ \$1 million clients	451	446	1.1%	429	5.1%
≥ \$5 million clients	161	160	0.6%	160	0.6%
≥ \$10 million clients	81	85	-4.7%	81	0.0%
≥ \$20 million clients	48	49	-2.0%	49	-2.0%
≥ \$50 million clients	21	22	-4.5%	21	0.0%
Number Of active clients	981	973	0.8%	941	4.3%

Source: Company, PL

**Exhibit 12: Client concentration**

(US\$ m)	1Q21	4Q20	QoQ	1Q20	YoY
Top 5 Client	263	277	-5.2%	267	-1.5%
Top 6-10 Clients	112	124	-9.8%	116	-3.3%
Top 10 Clients	375	401	-6.6%	383	-2.1%
Top 10-20 Clients	150	163	-8.1%	161	-6.8%
Top 20 Clients	525	564	-7.0%	544	-3.5%
Non Top 20 Clients	682	730	-6.6%	703	-3.0%
<b>% of Total</b>					
Top 5 Clients	21.8%	21.4%	37 bps	21.4%	37 bps
Top 10 Clients	31.1%	31.0%	6 bps	30.7%	36 bps
Top 20 Clients	43.5%	43.6%	-12 bps	43.6%	-12 bps
Non Top 20 Clients	56.5%	56.4%	12 bps	56.4%	12 bps

Source: Company, PL

**Exhibit 13: Headcount Metrics**

	1Q21	4Q20	QoQ	1Q20	YoY
Software Professional	71,020	71,515	-0.7%	74,093	-4.1%
BPO Professionals	45,554	46,816	-2.7%	45,000	1.2%
Sales & Support	6,842	6,905	-0.9%	6,680	2.4%
<b>Total Employees</b>	<b>1,23,416</b>	<b>1,25,236</b>	<b>-1.5%</b>	<b>1,25,773</b>	<b>-1.9%</b>
<b>Attrition</b>	<b>16.6%</b>	<b>19.0%</b>	<b>-240 bps</b>	<b>21.0%</b>	<b>-440 bps</b>
IT Utilization(excl. trainees)	81.8%	84.0%	-220 bps	82.0%	-20 bps
IT Utilization(incl. trainees)	81.7%	83.0%	-130 bps	80.0%	170 bps

Source: Company, PL

**Exhibit 14: Effort Mix**

(US\$ m)	1Q21	4Q20	QoQ	1Q20	YoY
Onsite	774	844	-8.3%	814	-5.0%
Offshore	433	451	-3.9%	433	0.1%
% of Total					
Onsite	64.1%	65.2%	-109 bps	65.3%	-119 bps
Offshore	35.9%	34.8%	109 bps	34.7%	119 bps

Source: Company, PL

**Exhibit 15: Deal Wins (USD Mn)**

	1Q20	2Q20	3Q20	4Q20	FY20	1Q21
Communications	100	1,079	150	174	1,503	105
Enterprise	375	414	1,081	339	2,209	185
<b>Total</b>	<b>475</b>	<b>1,493</b>	<b>1,231</b>	<b>513</b>	<b>3,712</b>	<b>290</b>

Source: Company, PL

## Valuation

We now expect 5% total revenue decline \$ terms in FY21E (earlier: -9.7%) & have increased our margin estimates. Margin upgrades led to EPS upgrades of 16%/11% for FY22/23E. We now value Tech M on 14X multiple (margin volatility & lower margins than peers will restrict further re-rating of multiples) on Sep-22 EPS of Rs.51 to arrive at a changed target price of Rs. 716 (old TP: Rs.493) Tech M is currently trading at 13.2X/12.8X earnings multiple of Rs.50.3/51.9 FY22E/23E EPS respectively. Upgrade to Accumulate from Reduce. Delay in pickup of TCV remains risk to the rating.

### Exhibit 16: Change in Estimates

Y/e March	FY21E	FY22E	FY23
<b>USD revenues (US\$ m)</b>			
- New	4,928	5,351	5,678
- Old	4,682	4,993	5,297
<i>Change (%)</i>	<i>5.3%</i>	<i>7.2%</i>	<i>7.2%</i>
<b>EBIT Margin</b>			
- New	10.9%	12.0%	11.8%
- Old	9.7%	10.8%	11.0%
<i>Change (%)</i>	<i>120 bps</i>	<i>117 bps</i>	<i>80 bps</i>
<b>Recurring EPS - Fully diluted (Rs)</b>			
- New	43.2	50.3	51.9
- Old	38.2	43.2	46.4
<i>Change (%)</i>	<i>13.2%</i>	<i>16.3%</i>	<i>11.8%</i>

Source: PL



## Financials

### Income Statement (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
<b>Net Revenues</b>	<b>3,68,677</b>	<b>3,73,289</b>	<b>4,06,710</b>	<b>4,37,203</b>
YoY gr. (%)	6.1	1.3	9.0	7.5
Employee Cost	2,59,743	2,64,877	2,81,652	2,98,297
Gross Profit	1,08,934	1,08,412	1,25,058	1,38,906
Margin (%)	29.5	29.0	30.7	31.8
SG&A Expenses	-	-	-	-
Other Expenses	-	-	-	-
<b>EBITDA</b>	<b>57,261</b>	<b>55,947</b>	<b>65,035</b>	<b>68,953</b>
YoY gr. (%)	(9.6)	(2.3)	16.2	6.0
Margin (%)	15.5	15.0	16.0	15.8
Depreciation and Amortization	14,458	15,121	16,268	17,488
<b>EBIT</b>	<b>42,803</b>	<b>40,826</b>	<b>48,767</b>	<b>51,465</b>
Margin (%)	11.6	10.9	12.0	11.8
Net Interest	1,919	2,012	1,500	1,500
Other Income	11,924	9,450	9,450	9,450
<b>Profit Before Tax</b>	<b>52,808</b>	<b>48,264</b>	<b>56,717</b>	<b>59,415</b>
Margin (%)	14.3	12.9	13.9	13.6
Total Tax	11,604	11,698	13,888	15,143
Effective tax rate (%)	22.0	24.2	24.5	25.5
<b>Profit after tax</b>	<b>41,204</b>	<b>36,566</b>	<b>42,829</b>	<b>44,272</b>
Minority interest	(1,356)	(1,421)	(1,421)	(1,421)
Share Profit from Associate	-	-	-	-
<b>Adjusted PAT</b>	<b>42,560</b>	<b>37,987</b>	<b>44,250</b>	<b>45,693</b>
YoY gr. (%)	(2.5)	(10.7)	16.5	3.3
Margin (%)	11.5	10.2	10.9	10.5
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>42,560</b>	<b>37,987</b>	<b>44,250</b>	<b>45,693</b>
YoY gr. (%)	(2.5)	(10.7)	16.5	3.3
Margin (%)	11.5	10.2	10.9	10.5
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	42,560	37,987	44,250	45,693
<b>Equity Shares O/s (m)</b>	<b>873</b>	<b>873</b>	<b>873</b>	<b>873</b>
<b>EPS (Rs)</b>	<b>48.8</b>	<b>43.5</b>	<b>50.7</b>	<b>52.3</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>46,085</b>	<b>46,661</b>	<b>50,839</b>	<b>54,650</b>
Tangibles	46,085	46,661	50,839	54,650
Intangibles	-	-	-	-
<b>Acc: Dep / Amortization</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Tangibles	-	-	-	-
Intangibles	-	-	-	-
<b>Net fixed assets</b>	<b>46,085</b>	<b>46,661</b>	<b>50,839</b>	<b>54,650</b>
Tangibles	46,085	46,661	50,839	54,650
Intangibles	-	-	-	-
Capital Work In Progress	-	-	-	-
Goodwill	44,265	45,855	47,445	49,035
Non-Current Investments	17,905	17,905	17,905	17,905
Net Deferred tax assets	6,091	6,091	6,091	6,091
Other Non-Current Assets	21,434	21,434	21,438	21,441
<b>Current Assets</b>				
Investments	-	-	-	-
Inventories	-	-	-	-
Trade receivables	70,705	71,590	77,999	83,847
Cash & Bank Balance	77,501	99,545	1,20,740	1,44,100
Other Current Assets	60,832	61,593	67,107	72,139
<b>Total Assets</b>	<b>3,51,454</b>	<b>3,77,393</b>	<b>4,16,884</b>	<b>4,57,077</b>
<b>Equity</b>				
Equity Share Capital	4,437	4,437	4,437	4,437
Other Equity	2,25,470	2,53,163	2,87,120	3,22,519
<b>Total Network</b>	<b>2,29,907</b>	<b>2,57,600</b>	<b>2,91,557</b>	<b>3,26,956</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	2,086	2,086	2,086	2,086
Provisions	-	-	-	-
Other non current liabilities	27,051	27,236	28,572	29,792
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	10,461	8,961	7,461	5,961
Trade payables	31,338	31,730	34,570	37,162
Other current liabilities	47,191	47,781	52,059	55,962
<b>Total Equity &amp; Liabilities</b>	<b>3,51,454</b>	<b>3,77,393</b>	<b>4,16,884</b>	<b>4,57,077</b>

Source: Company Data, PL Research

### Cash Flow (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
PBT	52,808	48,264	56,717	59,415
Add. Depreciation	14,458	15,121	16,268	17,488
Add. Interest	1,919	2,012	1,500	1,500
Less Financial Other Income	11,924	9,450	9,450	9,450
Add. Other	-	-	-	-
Op. profit before WC changes	69,185	65,397	74,485	78,403
Net Changes-WC	(19,217)	(562)	(4,073)	(3,717)
Direct tax	(11,604)	(11,698)	(13,888)	(15,143)
<b>Net cash from Op. activities</b>	<b>38,364</b>	<b>53,137</b>	<b>56,524</b>	<b>59,543</b>
Capital expenditures	(31,433)	(17,288)	(22,036)	(22,890)
Interest / Dividend Income	-	-	-	-
Others	-	-	-	-
<b>Net Cash from Invt. activities</b>	<b>(31,433)</b>	<b>(17,288)</b>	<b>(22,036)</b>	<b>(22,890)</b>
Issue of share cap. / premium	-	-	-	-
Debt changes	(1,500)	(1,500)	(1,500)	(1,500)
Dividend paid	(15,442)	(10,294)	(10,294)	(10,294)
Interest paid	(1,919)	(2,012)	(1,500)	(1,500)
Others	(55)	-	-	-
<b>Net cash from Fin. activities</b>	<b>(18,916)</b>	<b>(13,806)</b>	<b>(13,294)</b>	<b>(13,294)</b>
<b>Net change in cash</b>	<b>(11,985)</b>	<b>22,044</b>	<b>21,195</b>	<b>23,360</b>
Free Cash Flow	6,932	35,849	34,488	36,654

Source: Company Data, PL Research

### Key Financial Metrics

Y/e Mar	FY20	FY21E	FY22E	FY23E
<b>Per Share(Rs)</b>				
EPS	48.8	43.5	50.7	52.3
CEPS	65.3	60.8	69.3	72.4
BVPS	263.4	295.1	334.0	374.6
FCF	7.9	41.1	39.5	42.0
DPS	15.1	10.1	10.1	10.1
<b>Return Ratio(%)</b>				
RoCE	18.6	16.0	17.1	16.2
ROIC	19.7	15.9	16.6	15.1
RoE	19.7	15.6	16.1	14.8
<b>Balance Sheet</b>				
Net Debt : Equity (x)	(0.3)	(0.3)	(0.4)	(0.4)
Debtor (Days)	70	70	70	70
<b>Valuation(x)</b>				
PER	13.6	15.3	13.1	12.7
P/B	2.5	2.3	2.0	1.8
P/CEPS	10.2	10.9	9.6	9.2
EV/EBITDA	9.0	8.8	7.2	6.4
EV/Sales	1.4	1.3	1.2	1.0
Dividend Yield (%)	2.3	1.5	1.5	1.5

Source: Company Data, PL Research

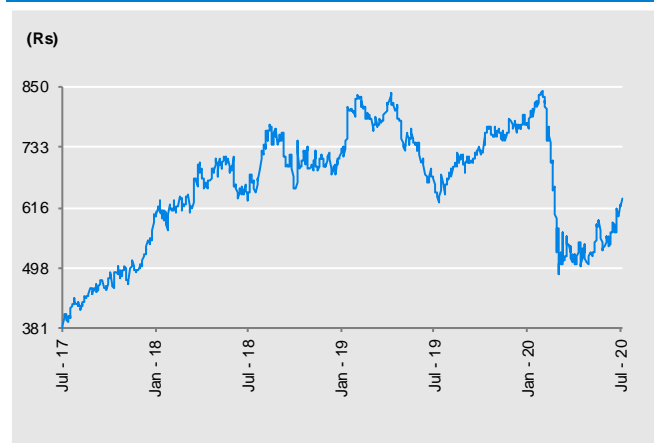
### Quarterly Financials (Rs m)

Y/e Mar	Q2FY20	Q3FY20	Q4FY20	Q1FY21
<b>Net Revenue</b>	<b>90,699</b>	<b>96,546</b>	<b>94,902</b>	<b>91,063</b>
YoY gr. (%)	5.1	7.9	6.7	5.2
Raw Material Expenses	63,893	67,312	66,896	65,105
Gross Profit	26,806	29,234	28,006	25,959
Margin (%)	29.6	30.3	29.5	28.5
<b>EBITDA</b>	<b>15,009</b>	<b>15,633</b>	<b>13,478</b>	<b>13,005</b>
YoY gr. (%)	(7.3)	(9.2)	(17.8)	(1.0)
Margin (%)	16.5	16.2	14.2	14.3
Depreciation / Depletion	3,415	3,848	3,982	3,832
<b>EBIT</b>	<b>11,594</b>	<b>11,785</b>	<b>9,496</b>	<b>9,173</b>
Margin (%)	12.8	12.2	10.0	10.1
Net Interest	383	550	532	503
Other Income	2,163	3,496	2,852	4,161
<b>Profit before Tax</b>	<b>13,374</b>	<b>14,731</b>	<b>11,816</b>	<b>12,831</b>
Margin (%)	14.7	15.3	12.5	14.1
Total Tax	2,265	3,629	2,392	3,276
Effective tax rate (%)	16.9	24.6	20.2	25.5
<b>Profit after Tax</b>	<b>11,109</b>	<b>11,102</b>	<b>9,424</b>	<b>9,555</b>
Minority interest	(127)	(352)	(775)	(167)
Share Profit from Associates	3	5	15	-
<b>Adjusted PAT</b>	<b>11,239</b>	<b>11,459</b>	<b>10,214</b>	<b>9,722</b>
YoY gr. (%)	4.3	(5.8)	(9.8)	1.3
Margin (%)	12.4	11.9	10.8	10.7
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>11,239</b>	<b>11,459</b>	<b>10,214</b>	<b>9,722</b>
YoY gr. (%)	4.3	(5.8)	(9.8)	1.3
Margin (%)	12.4	11.9	10.8	10.7
Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income</b>	<b>11,239</b>	<b>11,459</b>	<b>10,214</b>	<b>9,722</b>
Avg. Shares O/s (m)	879	879	879	880
<b>EPS (Rs)</b>	<b>12.8</b>	<b>13.0</b>	<b>11.6</b>	<b>11.1</b>

Source: Company Data, PL Research

## Price Chart

## Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	04-Jul-20	Reduce	493	567
2	02-May-20	Reduce	478	546
3	12-Apr-20	Reduce	530	545
4	01-Feb-20	Reduce	724	797
5	03-Jan-20	Reduce	656	775
6	06-Nov-19	Reduce	656	773
7	03-Oct-19	Reduce	619	703
8	30-Jul-19	Reduce	610	640

## Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Cyient	Hold	450	437
2	HCL Technologies	BUY	751	623
3	Hexaware Technologies	Reduce	282	334
4	Infosys	BUY	1,037	831
5	L&T Technology Services	Hold	1,362	1,442
6	Larsen & Toubro Infotech	BUY	2,421	2,291
7	Mindtree	Reduce	888	978
8	Mphasis	BUY	1,302	1,118
9	NIIT Technologies	BUY	1,533	1,420
10	Persistent Systems	Reduce	447	514
11	Redington (India)	BUY	114	117
12	Sonata Software	Accumulate	400	313
13	Tata Consultancy Services	Hold	2,116	2,204
14	TeamLease Services	Hold	3,203	2,487
15	Tech Mahindra	Reduce	493	567
16	Wipro	BUY	257	225
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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