

October 20, 2020

Q2FY21 Result Update

☒ Change in Estimates | ☒ Target | ☒ Reco

Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
Rating	ACCUMULATE		HOLD	
Target Price	1,860		1,529	
Sales (Rs. m)	63,337	70,299	63,248	69,709
% Chng.	0.1	0.8		
EBITDA (Rs. m)	12,194	13,530	12,333	13,415
% Chng.	(1.1)	0.9		
EPS (Rs.)	78.4	90.6	79.6	90.3
% Chng.	(1.5)	0.3		

Key Financials - Consolidated

Y/e Mar	FY20	FY21E	FY22E	FY23E
Sales (Rs. m)	56,192	54,299	63,337	70,299
EBITDA (Rs. m)	11,106	9,676	12,194	13,530
Margin (%)	19.8	17.8	19.3	19.2
PAT (Rs. m)	8,187	6,159	8,158	9,517
EPS (Rs.)	78.8	59.2	78.4	90.6
Gr. (%)	6.9	(24.8)	32.4	15.6
DPS (Rs.)	26.0	19.5	25.9	30.2
Yield (%)	1.5	1.1	1.5	1.7
RoE (%)	30.0	19.5	22.7	23.1
RoCE (%)	33.2	23.5	27.5	26.6
EV/Sales (x)	3.1	3.1	2.5	2.2
EV/EBITDA (x)	15.7	17.4	13.2	11.5
PE (x)	22.3	29.6	22.4	19.4
P/BV (x)	6.1	5.5	4.8	4.1

Key Data

LTEH.BO | LTTTS IN

52-W High / Low	Rs.1,879 / Rs.995
Sensex / Nifty	40,432 / 11,873
Market Cap	Rs.184bn / \$ 2,507m
Shares Outstanding	105m
3M Avg. Daily Value	Rs.656.12m

Shareholding Pattern (%)

Promoter's	74.36
Foreign	7.97
Domestic Institution	5.83
Public & Others	11.83
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	4.8	39.2	7.0
Relative	0.7	8.8	4.0

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Improving broad based outlook...

Quick Pointers:

- Management expects margins to further improve in Q3 & Q4 as growth in high margin verticals (verticals with margin >25% during pre-Covid times) such as Transportation, Industrial Products, Medical devices is expected to improve (Exhibit 2).

- Guidance came in line with our estimates of 7-8% revenue decline for FY21E.

LTTTS reported Q2 revenue at 178 mn USD, 4.1% QoQ, -9.9% YoY slightly above our estimates at USD 177mn. (3.5% QoQ). Strong revenue growth was on account of broad-based growth across verticals. LTTTS is experiencing accelerated deployment of digital engineering with revenues from digital and leading-edge solutions rising to 49% during Q2. Management mentioned that worst is over and deal pipeline has started picking up across all segments. EBIT margin improved by 161bps QoQ at 13.7% in Q2 slightly higher than our estimates of 13.1% by 60bps. Management expects margins to further improve in Q3 & Q4 as growth in high margin verticals (verticals with margin >25% during pre-Covid times) such as Transportation, Industrial Products, Medical devices is expected to improve. Guidance came in line with our estimates of 7-8% revenue decline for FY21E. We were expecting -7.6% revenue decline in FY21E, now slightly changed to -7.2%.

After 5 quarters, finally broad based growth & commentary is back for LTTTS. Growth will be driven by 3 trends 1) cost optimization initiatives in legacy engineering 2) Digital and leading edge technologies 3) Innovation -platform and solutions such as touch less plant operations. Management has not seen stoppages after July and has seen decision making pickup pace Sept onwards. Our estimates remain unchanged as we were already factoring revenue growth recovery & margin expansion in coming quarters. We assign higher multiple of 22X (earlier 18X) to LTTTS as broad based revenue growth is back on track & We believe it will be sustained for consecutive 3-4 quarters ahead. We are estimating 12% revenue CAGR & 23.7% EPS CAGR for FY21-22E. We arrive at a TP of INR 1860 on Sep-22 EPS of INR 84.5 to arrive at a changed TP of INR 1860. LTTTS is currently trading at 22.4X/19.4X on FY22/23 earnings of INR 78/90.6 respectively. Upgrade to Accumulate from Hold.

- Broad based revenue growth:** LTTTS reported Q2 revenue at 178 mn USD, 4.1% QoQ, -9.9% YoY slightly above our estimates at USD 177mn. (3.5% QoQ). Revenue growth was broad based led by rebound in three segments that were impacted by pandemic in Q1 - Transportation vertical grew 4.1% QoQ USD, Industrial products was up 4.6% QoQ USD and Plant engineering grew 8.6% QoQ USD. Medical devices vertical continued its strong performance in Q2 with 7.3% QoQ USD growth. Telecom & HiTech vertical growth was flat (-0.6% QoQ USD) on account of delay in decision making at client's end leading to delay in start of new projects. LTTTS is experiencing accelerated deployment of digital engineering with revenues from digital and leading-edge solutions rising to 49% during Q2. Management mentioned that worst is over and deal pipeline has started picking up across all segments.

Management expects margins to further improve in Q3 & Q4 as growth in high margin verticals (verticals with margin >25% during pre-Covid times) such as Transportation, Industrial Products, Medical devices is expected to improve.

- **Margin improved led by improvement in utilization:** EBIT margin improved by 161bps QoQ at 13.7% in Q2 slightly higher than our estimates of 13.1% by 60bps. Margin walkthrough – Tailwinds – i) +400 bps because of improvement in utilization (+450 bps QoQ) and offshore mix (54.9% in Q2 vs 51.7% in Q1). Headwinds – ii) 80 bps due to INR appreciation, iii) 150 bps because of increased costs related to travel, establishment, communication & M&A. Unexpected jump in SG&A cost (+95 bps) was due to starting of offices, travel, M&A related costs and increased spending in ensuring data security and connectivity while working from home.
- Management expects margins to further improve in Q3 & Q4 as growth in high margin verticals (verticals with margin >25% during pre-Covid times) such as Transportation, Industrial Products, Medical devices is expected to improve. Other income was higher on QoQ basis primarily due to approval of export incentive income of INR400mn. Net income was up 41% QoQ at 1655 INR mn led by increase in other income. DSO has reduced to 72 days from 74 last quarter and unbilled days reduced to 20 from 22 indicating rigor around revenue collection. This lead to strong cash flow of INR6340 mn, 230% of Net income. Management stated that Q1 and Q2 were exceptional in terms of generating strong cash flow and in Q3 and Q4 FCF may be lower as compared to Q1 and Q2
- **Improved guidance of 7-8% revenue decline in FY21E:** With steady order bookings and a healthy pipeline across all segments management has guided 7-8% USD YoY de-growth for FY21E higher by 200bps from last quarter guidance of 9-10% which implies avg. 4.2% QoQ growth for next 2 quarters. We were already estimating -7.6% decline for FY21E. Growth will be driven by three trends – cost optimization initiatives in legacy engineering, digital and leading edge technologies, Innovation – platform and solutions such as touch less plant operations. Management has not seen stoppages after July and has seen decision making pickup pace September onwards.
- **Segment wise outlook**

Transportation (31.5% of revs, +4.1% QoQ, -19% YoY) - 1) Worst is over in Aerospace and expect growth in Q3, 2) Strong rebound in Automotive segment with furlough reduced in Q2 and customer focus shifting to EV and autonomous vehicle 3) Increased traction in defense especially in North America. Areas of focus include design automation, digital manufacturing. Optimistic about overall growth momentum in Transportation but the pace of growth may be slow in Q3 on account of December holidays/furloughs.

Plant engineering (14.5% of revs, +8.6% QoQ, -20% YoY)- 1) Rebound in plant engineering was led by oil & gas, FMCG, chemical. Pipeline is good in Oil & Gas and chemical. 2) In FMCG they are seeing opportunities in greenfield and brownfield expansion projects with customer seeking improved efficiency of existing plants, low cost and remote operations and monitoring. 3) Cybersecurity is another major service in demand. Management expects continued momentum in plant engineering in coming quarters.

Industrial products (19.5% of revs, +4.6% QoQ, -10% YoY) – 1) All three sub segments – electrical machinery and automation had good growth in Q2. Energy sustainability, supply chain optimization, digital manufacturing are key focus areas. Growth is expected to continue in coming quarters.

Telecom and high tech (21% of revs, -0.6% QoQ, -7% YoY) had a flat quarter due to decision making delays that lead to deal closures in Q3, however deals won in Q1 are ramping up on schedule. In Telecom there is demand in 5G network commissioning & operating tools. Orchestra offerings will be leveraged in Telecom as well as for services provided by Media vertical. Management indicated good pickup in telecom on organic basis based on pipeline and deal wins.

Medical Devices (13% of revs, +7.3% QoQ, +35% YoY)– Continued momentum in medical on back of good traction in areas like regulatory compliance and digital engineering. Pipeline looks strong for Medical and Management expects to expand their reach to healthcare and pharma sector.

- **Strong broad based deals win:** Large deal traction remains strong, with 8 deal wins across all industry segments which includes 3 deals with TCV of USD15mn plus another 3 deals with TCV of USD10mn plus. They are working on additional conversions across six deals in transportation sector. In Hi-Tech segment, LTTS has expanded in Media and Telecom operator domain. They are expecting large consolidations deals to be closed in Q3 in this segment. In Plant Engineering LTTS closed 3 new deals and they are pursuing 3 more engineering value centered deals given the cost pressure experienced by the clients in this segment. In Medical segment, LTTS closed 2 deals in areas of digital health and frugal manufacturing are currently in the process of closing 3 more additional deals in this segment in Q3.

Exhibit 1: Q2FY21: Quick view on results

Y/e March (Rs mn)	2QFY21	1QFY21	QoQ gr.	2QFY20	YoY gr.	PL Estimates	Variance
Revenues(USD mn)	178	171	4.1%	198	-10.1%	177	0.6%
Revenues	13,138	12,947	1.5%	14,021	-6.3%	13,168	-0.2%
EBIDTA	2,328	2,059	13.1%	2,832	-17.8%	2,239	4.0%
EBIDTA margin (%)	17.7%	15.9%	182bp	20.2%	-248bp	17.0%	72bp
EBIT	1,801	1,567	14.9%	2,388	-24.6%	1,725	4.4%
EBIT Margin (%)	13.7%	12.1%	161bp	17.0%	-332bp	13.1%	61bp
PAT	1,663	1,812	-8.2%	2,062	-19.4%	1,384	20.2%
PAT margin (%)	12.7%	14.0%	-134bp	14.7%	-205bp	10.5%	215bp
EPS (Rs)	15.7	15.7	0.0%	19.3	-18.9%	8.5	85.0%

Source: Company, PL

Exhibit 2: Improvement in Segmental margins

Particulars (Rs mn)	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21
Transportation	12.2%	12.2%	11.6%	12.8%	16.3%	17.5%	19.4%	20.6%	18.1%	35.8%	35.7%	31.5%	31.5%
Process Engineering	19.1%	19.3%	18.9%	22.6%	24.9%	22.5%	21.0%	24.4%	26.7%	17.2%	16.0%	13.8%	14.4%
Industrial Products	21.7%	20.9%	21.8%	23.5%	25.6%	25.6%	24.8%	25.4%	26.1%	19.1%	19.3%	19.4%	19.6%
Medical Devices	20.7%	18.8%	21.8%	21.6%	24.8%	24.6%	27.6%	26.6%	26.9%	9.4%	10.2%	12.8%	13.3%
Telecom	8.3%	12.1%	16.1%	15.2%	13.0%	14.6%	19.4%	18.5%	18.5%	18.5%	18.8%	22.4%	21.3%
Total	15.0%	15.4%	16.6%	17.6%	19.1%	19.6%	21.3%	22.1%	21.9%	21.5%	19.4%	17.2%	19.0%

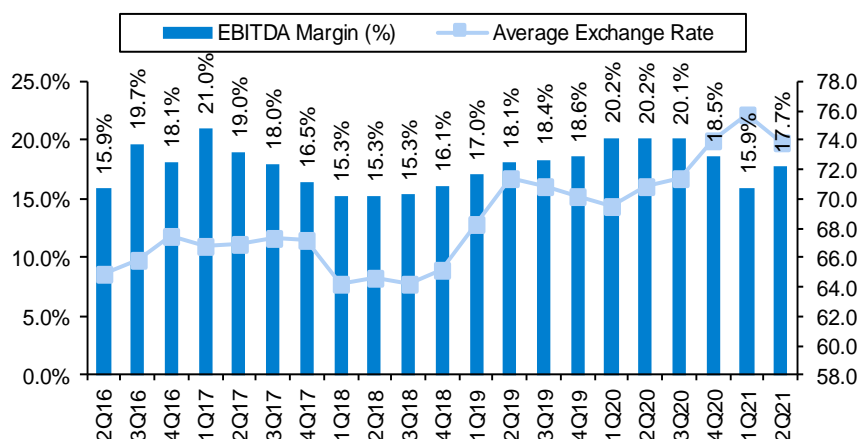
Source: Company, PL

Exhibit 3: Revenues by Verticals (USD Mn)

	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21
Transportation	52.2	56.7	58.9	62.9	67.7	69.3	71.3	69.8	53.9	56.1
Growth (%)	4.6%	8.6%	3.8%	6.9%	7.5%	2.4%	3.0%	-2.2%	-22.8%	4.1%
Industrial products	34.5	36.5	37.5	36.9	38.0	38.4	38.3	37.9	33.2	34.7
Growth (%)	1.8%	5.9%	2.8%	-1.6%	2.9%	1.1%	-0.4%	-0.9%	-12.5%	4.6%
Telecom & Hi-tech	48.5	47.3	50.1	50.1	43.2	40.8	36.9	36.5	38.3	38.1
Growth (%)	1.4%	-2.4%	6.0%	0.0%	-13.7%	-5.7%	-9.6%	-0.9%	4.8%	-0.6%
Process Industry	22.8	25.2	26.7	28.1	29.7	32.1	34.3	31.3	23.6	25.6
Growth (%)	14.4%	10.4%	6.3%	5.2%	5.5%	8.1%	6.9%	-8.8%	-24.5%	8.6%
Medical Devices	11.0	11.5	12.4	13.4	15.5	17.4	18.7	20.1	21.9	23.5
Growth (%)	4.3%	4.9%	8.0%	7.6%	15.8%	12.3%	7.5%	7.4%	8.8%	7.3%
Total	168.9	177.2	185.7	191.5	194.1	198.0	199.5	195.6	170.8	178.0
Growth (%)	4.3%	4.9%	4.8%	3.1%	1.4%	2.0%	0.8%	-2.0%	-12.7%	4.2%

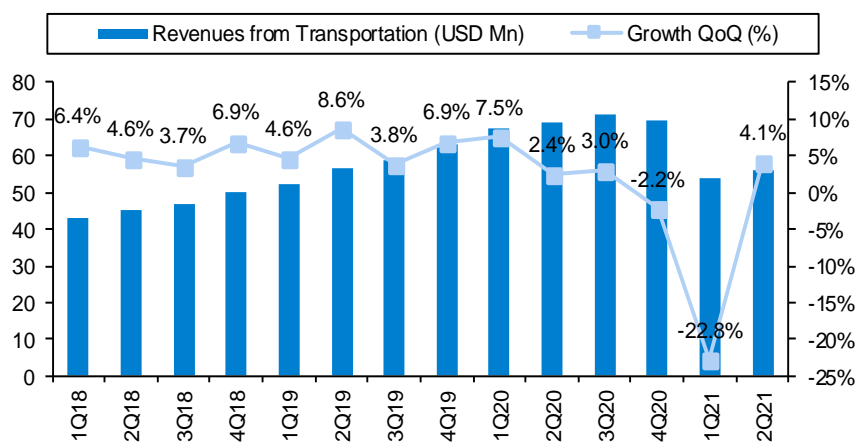
Source: Company, PL

Exhibit 4: EBITDA margin posted a strong performance

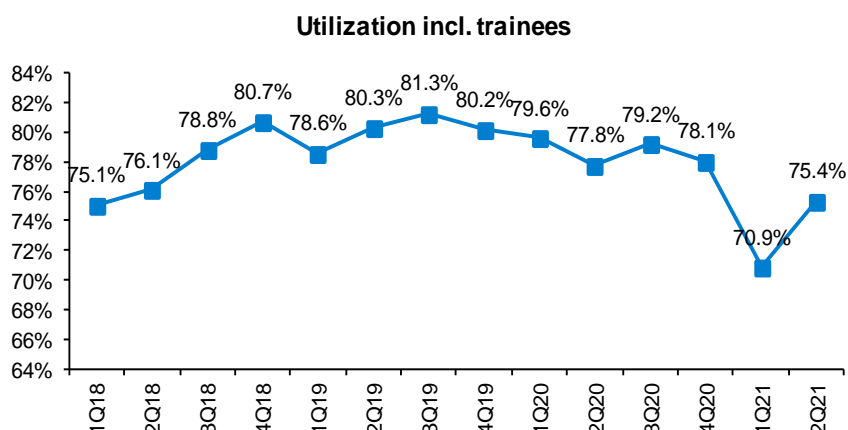


Source: Company, PL

Exhibit 5: Transportation improved...



Source: Company, PL

Exhibit 6 : Utilization on steady levels


Source: Company, PL

Exhibit 7 : Client concentration on top clients remain strong


Source: Company, PL

Exhibit 8 : Vertical wise revenues

Fig in USD mn	2QFY21	1QFY21	QoQ gr.	2QFY20	YoY gr.
Transportation	56.1	53.9	4.1%	69.3	-19.1%
Industrial products	34.7	33.2	4.6%	38.4	-9.6%
Telecom & Hi-tech	38.1	38.3	-0.6%	40.8	-6.6%
Process Industry	25.6	23.6	8.6%	32.1	-20.1%
Medical Devices	23.5	21.9	7.3%	17.4	34.8%
Total Revenues	178.0	170.8	4.2%	198.0	-10.1%
-as a % of total sales					
Transportation	31.5%	31.5%	0bp	35.0%	-350bp
Industrial products	19.5%	19.4%	10bp	19.4%	10bp
Telecom & Hi-tech	21.4%	22.4%	-100bp	20.6%	80bp
Process Industry	14.4%	13.8%	60bp	16.2%	-180bp
Medical Devices	13.2%	12.8%	39bp	8.8%	440bp

Source: Company, PL

Exhibit 9: Geography-wise revenues

Fig in USD mn	2QFY21	1QFY21	QoQ gr.	2QFY20	YoY gr.
North America	106.8	104.7	2.1%	122.2	-12.6%
Europe	28.5	27.4	4.1%	28.5	-0.1%
India	24.2	22.2	8.9%	25.9	-6.7%
RoW	18.5	16.8	10.5%	21.2	-12.6%
Total Revenues	178.0	171.0	4.1%	197.8	-10.0%
-as a % of total sales					
North America	60.0%	61.2%	-120bp	61.7%	-170bp
Europe	16.0%	16.0%	0bp	14.4%	160bp
India	13.6%	13.0%	60bp	13.1%	50bp
RoW	10.4%	9.8%	60bp	10.7%	-30bp

Source: Company, PL

Exhibit 10: Client Concentration (%)

Client contribution	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21
Top 5 clients	26.8	28.8	28.6	28.3	28.2	27.4	26.4	24.7	22.9	21.1	19.2	17.8	17.0
Top 10 clients	39.8	41.2	41.4	40.5	39.9	38.9	37.7	36.7	35.7	33.9	31.8	29.7	28.3
Top 20 clients	54.9	56.4	56.7	55.6	55.1	54.4	53.5	52.5	51.3	49.8	48.5	46.8	44.9

Source: Company, PL

Exhibit 11: Revenues by Vertical (%)

Contribution by Verticals	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21
Transportation	32.3	30.9	30.8	30.9	32.0	31.7	32.9	34.9	35.0	35.8	35.7	31.5	31.5
Industrial products	23.6	21.8	20.9	20.4	20.6	20.2	19.3	19.6	19.4	19.2	19.4	19.4	19.5
Telecom & Hi-tech	24.3	27.9	29.5	28.7	26.7	27.0	26.2	22.3	20.6	18.5	18.7	22.4	21.4
Plant Engineering*	12.8	12.7	12.3	13.5	14.2	14.4	14.7	15.3	16.2	17.2	16.0	13.8	14.4
Medical Devices	7	6.25	6.5	6.5	6.5	6.7	7.0	8.0	8.8	9.4	10.3	12.8	13.2
Total	100	100	100	100	100	100	100	100	100	100	100	100	100

Source: Company, PL *Earlier called as Process Industry

Exhibit 12: Revenues by geography (%)

Contribution by geographies	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21
North America	60.8	58.7	57.6	56.3	57.7	57.8	58.9	60.9	61.7	61.2	61.2	61.2	60.0
Europe	16.5	17.2	18.6	18.5	17.2	16.2	16.0	15.6	14.4	14.1	16.7	16.0	16.0
India	10.5	11.5	11.7	12.4	12.5	14.4	13.9	12.8	13.1	13.2	12.8	13.0	13.6
RoW	12.2	12.6	12.1	12.8	12.6	11.6	11.2	10.7	10.7	11.4	9.2	9.8	10.4
Total	100	100	100	100	100	100	100	100	100	100	100	100	100

Source: Company, PL

Exhibit 13: Headcount Metrics

Employee stats	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21
Total headcount	11,532	11,941	12,307	13,081	13,585	14,777	15,140	15,913	16,789	16,787	16,883	16,641	15,902
Billable	10,573	11,009	11,360	12,147	12,604	13,711	14,034	14,755	15,614	15,604	15,667	15,481	14,778
Sales & Support	959	932	947	934	981	1,066	1,106	1,158	1,175	1,183	1,216	1,160	1,124
Voluntary attrition	13.40%	13.20%	13.50%	15.40%	15.00%	14.90%	14.80%	15.80%	13.40%	13.90%	13.8%	11.4%	10.8%
Net Headcount Add	727	409	366	774	504	1,192	363	773	876	-2	96	-242	-739

Source: Company, PL

Change in Estimates

Our estimates remain unchanged as we were already factoring revenue growth recovery & margin expansion in coming quarters. We assign higher multiple of 22X (earlier 18X) to LTTS as broad based revenue growth is back on track & We believe it will be sustained for consecutive 3-4 quarters ahead. We are estimating 12% revenue CAGR & 23.7% EPS CAGR for FY21-22E. We arrive at a TP of INR 1860 on Sep-22 EPS of INR 84.5 to arrive at a changed TP of INR 1860. LTTS is currently trading at 22.4X/19.4X on FY22/23 earnings of INR 78/90.6 respectively. Upgrade to Accumulate from Hold.

Exhibit 14: Change in Estimate

Change in Estimates	FY21E	FY22E	FY23E
USD revenues (US\$ m)			
- New	730	833	913
- Old	727	829	908
<i>Change (%)</i>	<i>0.4%</i>	<i>0.6%</i>	<i>0.6%</i>
EBIT Margin			
- New	14.0%	15.9%	15.9%
- Old	14.2%	16.3%	15.9%
<i>Change (%)</i>	<i>-24 bps</i>	<i>-39 bps</i>	<i>-7 bps</i>
Recurring EPS - Fully diluted (Rs)			
- New	58.3	77.2	89.3
- Old	57.0	78.1	89.2
<i>Change (%)</i>	<i>2.2%</i>	<i>-1.1%</i>	<i>0.1%</i>

Source: PL

Financials

Income Statement (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
Net Revenues	56,192	54,299	63,337	70,299
YoY gr. (%)	10.7	(3.4)	16.6	11.0
Employee Cost	33,700	34,197	39,586	44,116
Gross Profit	22,492	20,102	23,752	26,183
Margin (%)	40.0	37.0	37.5	37.2
SG&A Expenses	11,386	10,427	11,557	12,654
Other Expenses	-	-	-	-
EBITDA	11,106	9,676	12,194	13,530
YoY gr. (%)	21.3	(12.9)	26.0	11.0
Margin (%)	19.8	17.8	19.3	19.2
Depreciation and Amortization	1,829	2,091	2,118	2,373
EBIT	9,277	7,585	10,076	11,156
Margin (%)	16.5	14.0	15.9	15.9
Net Interest	365	236	139	40
Other Income	2,091	963	1,000	1,600
Profit Before Tax	11,003	8,312	10,937	12,716
Margin (%)	19.6	15.3	17.3	18.1
Total Tax	2,778	2,126	2,759	3,179
Effective tax rate (%)	25.2	25.6	25.2	25.0
Profit after tax	8,225	6,185	8,178	9,537
Minority interest	38	26	20	20
Share Profit from Associate	-	-	-	-
Adjusted PAT	8,187	6,159	8,158	9,517
YoY gr. (%)	6.8	(24.8)	32.4	16.7
Margin (%)	14.6	11.3	12.9	13.5
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	8,187	6,159	8,158	9,517
YoY gr. (%)	6.8	(24.8)	32.4	16.7
Margin (%)	14.6	11.3	12.9	13.5
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	8,187	6,159	8,158	9,517
Equity Shares O/s (m)	104	104	104	104
EPS (Rs)	78.8	59.2	78.4	90.6

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
Non-Current Assets				
Gross Block	6,304	7,004	8,204	9,404
Tangibles	2,800	3,220	3,940	4,660
Intangibles	3,504	3,784	4,264	4,744
Acc: Dep / Amortization	5,102	7,193	9,311	11,685
Tangibles	2,364	3,525	4,701	6,019
Intangibles	2,738	3,668	4,610	5,666
Net fixed assets	1,202	(189)	(1,107)	(2,281)
Tangibles	436	(305)	(761)	(1,359)
Intangibles	766	116	(346)	(922)
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
Current Assets				
Investments	5,849	5,949	6,049	6,149
Inventories	-	-	-	-
Trade receivables	11,777	11,380	13,274	14,733
Cash & Bank Balance	3,336	8,692	16,290	21,698
Other Current Assets	7,585	7,558	4,136	4,336
Total Assets	38,972	42,814	48,266	54,459
Equity				
Equity Share Capital	208	208	208	208
Other Equity	29,517	33,229	38,146	43,882
Total Network	29,725	33,437	38,354	44,090
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	702	702	702	702
Trade payables	2,079	2,009	2,344	2,601
Other current liabilities	6,241	6,441	6,641	6,841
Total Equity & Liabilities	38,972	42,814	48,266	54,459

Source: Company Data, PL Research



Cash Flow (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
PBT	10,965	8,286	10,937	12,716
Add. Depreciation	1,829	2,091	2,118	2,373
Add. Interest	(890)	(342)	(461)	(920)
Less Financial Other Income	2,091	963	1,000	1,600
Add. Other	-	-	-	-
Op. profit before WC changes	11,905	10,035	12,594	14,170
Net Changes-WC	(4,782)	353	(1,760)	(1,401)
Direct tax	(2,778)	(2,126)	(2,759)	(3,179)
Net cash from Op. activities	4,344	8,262	8,075	9,589
Capital expenditures	(700)	(700)	(1,200)	(1,200)
Interest / Dividend Income	1,255	578	600	960
Others	(100)	(100)	(100)	(100)
Net Cash from Invt. activities	455	(222)	(700)	(340)
Issue of share cap. / premium	-	-	-	-
Debt changes	-	-	-	-
Dividend paid	(3,253)	(2,447)	(3,241)	(3,781)
Interest paid	(365)	(236)	(139)	(40)
Others	-	-	-	-
Net cash from Fin. activities	(3,618)	(2,683)	(3,380)	(3,821)
Net change in cash	1,181	5,356	3,995	5,428
Free Cash Flow	3,644	7,562	6,875	8,389

Source: Company Data, PL Research

Key Financial Metrics

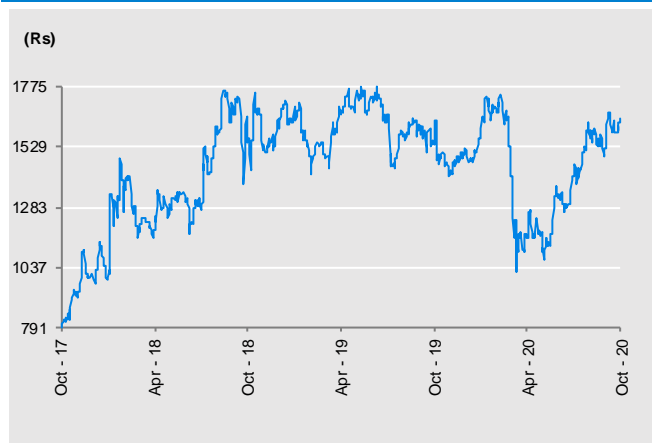
Y/e Mar	FY20	FY21E	FY22E	FY23E
Per Share(Rs)				
EPS	78.8	59.2	78.4	90.6
CEPS	96.3	79.3	98.8	114.3
BVPS	285.8	321.5	368.8	423.9
FCF	35.0	72.7	66.1	80.7
DPS	26.0	19.5	25.9	30.2
Return Ratio(%)				
RoCE	33.2	23.5	27.5	26.6
ROIC	32.6	28.9	45.1	49.4
RoE	30.0	19.5	22.7	23.1
Balance Sheet				
Net Debt : Equity (x)	(0.3)	(0.4)	(0.6)	(0.6)
Debtor (Days)	76	76	76	76
Valuation(x)				
PER	22.3	29.6	22.4	19.4
P/B	6.1	5.5	4.8	4.1
P/CEPS	96.3	79.3	98.8	114.3
EV/EBITDA	15.7	17.4	13.2	11.5
EV/Sales	3.1	3.1	2.5	2.2
Dividend Yield (%)	1.5	1.1	1.5	1.7

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q3FY20	Q4FY20	Q1FY21	Q2FY21
Net Revenue	14,230	14,466	12,947	13,138
YoY gr. (%)	8.1	7.7	(3.9)	(6.3)
Raw Material Expenses	8,303	8,415	8,402	8,161
Gross Profit	5,927	6,051	4,545	4,977
Margin (%)	41.7	41.8	35.1	37.9
EBITDA	2,864	2,683	2,059	2,328
YoY gr. (%)	18.5	7.7	(24.5)	(17.8)
Margin (%)	20.1	18.5	15.9	17.7
Depreciation / Depletion	472	485	492	527
EBIT	2,392	2,198	1,567	1,801
Margin (%)	16.8	15.2	12.1	13.7
Net Interest	89	94	107	109
Other Income	443	614	137	566
Profit before Tax	2,746	2,718	1,597	2,258
Margin (%)	19.3	18.8	12.3	17.2
Total Tax	687	655	417	595
Effective tax rate (%)	25.0	24.1	26.1	26.4
Profit after Tax	2,059	2,063	1,180	1,663
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	2,059	2,063	1,180	1,663
YoY gr. (%)	10.6	6.6	(42.2)	(19.4)
Margin (%)	14.5	14.3	9.1	12.7
Extra Ord. Income / (Exp)	-	-	(632)	-
Reported PAT	2,059	2,063	548	1,663
YoY gr. (%)	10.6	7.2	(73.2)	(19.4)
Margin (%)	14.5	14.3	4.2	12.7
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	2,059	2,063	548	1,663
Av g. Shares O/s (m)	106	106	163	105
EPS (Rs)	19.5	19.5	7.3	15.8

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	5-Oct-20	Hold	1,529	1,587
2	1-Oct-20	Hold	1,529	1,611
3	17-Jul-20	Hold	1,362	1,442
4	4-Jul-20	Hold	1,169	1,295
5	17-May-20	Hold	1,020	1,068
6	12-Apr-20	Hold	1,061	1,174
7	18-Jan-20	Hold	1,444	1,643
8	3-Jan-20	Hold	1,437	1,511
9	22-Oct-19	Hold	1,444	1,639

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Coforge	BUY	2,634	2,336
2	Cyient	BUY	456	379
3	HCL Technologies	BUY	1,101	830
4	Hexaware Technologies	BUY	495	466
5	Infosys	BUY	1,436	1,137
6	L&T Technology Services	Hold	1,529	1,587
7	Larsen & Toubro Infotech	BUY	2,839	2,527
8	Mindtree	BUY	1,625	1,438
9	Mphasis	BUY	1,693	1,345
10	Persistent Systems	BUY	1,304	1,304
11	Redington (India)	BUY	146	117
12	Sonata Software	BUY	436	311
13	Tata Consultancy Services	BUY	3,200	2,736
14	TeamLease Services	BUY	2,753	2,265
15	Tech Mahindra	BUY	966	823
16	Wipro	BUY	415	376
17	Zensar Technologies	BUY	216	192

PL's Recommendation Nomenclature (Absolute Performance)

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

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