

# Revenue growth disappoints; margin expansion continues

**CMP:** Rs 1,425  
as of (October 16, 2020)

**TP:** Rs 1,330 (■)  
12 months

**Rating:** SELL (■)

**Upside:** (6.7) %

- Mindtree's Sep'20 quarter revenues grew 3.1% QoQ to US\$261mn (2.1% cc), lower than consensus expectations, though margins remained strong driven by better operating efficiencies. Net profit beat consensus estimates on better EBITM and forex gain.
- After a sharp revenue decline in Q1, revenue recovery was slower but broad-based in Q2 led by Retail, CPG & Manufacturing (7.7% QoQ), Travel & Hospitality (5.7% QoQ) and BFSI (3.5% QoQ). Hi-Tech & Media were flat QoQ. Geographically, all markets apart from Asia Pacific (-6.1% qoq) grew sequentially.
- Deal wins remained weak in Q2 at US\$303mn (US\$391mn in Q1FY21/US\$307mn in Q2FY20). Although Q3 is a seasonally weak quarter; management hopes to maintain revenue growth momentum and sustain operating margins at current levels.
- MTCL's revenue performance was skewed, with the top client driving incremental revenue. We expect a steady performance in the top client, however, increased concentration and growth dependency remain a concern. Given skewed revenue growth and rich valuations, we assume coverage on MTCL with Sell and a TP of Rs1,330 at 20x Sep'22E earnings.

**What we liked?** EBIT margin expansion of 160bps qoq; healthy cash generation (118% OCF/EBITDA)

**What we did not like?** Slower revenue growth recovery, lower deal intake

**Revenue growth recovery slower than expected:** Revenue grew 3.1% QoQ to US\$261mn in Q2 (2.1% cc). Top client reported muted growth in Q2 after registering strong growth in the last three quarters. Management remained confident on growth opportunities in the top client and expect it to return to growth in the coming quarters. MTCL continued with rationalization of tail accounts in Q2 (number of active clients fall 9 QoQ/60 YoY). EBIT margin expanded 160bps to 16.7% (highest since Q3FY15) due to better operating efficiencies (120bps) and absence of one-off items (60bps), partly negated by adverse currency movement (-40bps). Management hopes to maintain revenue growth momentum in Q3 and sustaining EBIT margins at current levels.

**Assume coverage with Sell and TP of Rs1,330:** Mindtree's revenue performance remained skewed, with the top client driving large part of the incremental revenues. We expect a steady performance in the top client, however, increased concentration and growth dependency remain a cause of concern. Considering skewed revenue growth and rich valuations (stock rallied ~50%/85% in last 3M/6M), we assume coverage on the stock with Sell at a TP of Rs1,330 at 20x Sep'22E earnings.

Please see our sector model portfolio (Emkay Alpha Portfolio): [Information Technology \(page 10\)](#)

## Financial Snapshot (Consolidated)

| (Rs mn)           | FY19   | FY20   | FY21E  | FY22E  | FY23E  |
|-------------------|--------|--------|--------|--------|--------|
| Revenue           | 70,215 | 77,643 | 77,799 | 87,421 | 98,384 |
| EBITDA            | 10,645 | 10,898 | 14,923 | 15,733 | 17,682 |
| EBITDA Margin (%) | 15.2   | 14.0   | 19.2   | 18.0   | 18.0   |
| APAT              | 7,541  | 6,309  | 9,509  | 10,212 | 11,751 |
| EPS (Rs)          | 45.9   | 38.3   | 57.7   | 62.0   | 71.3   |
| EPS (% chg)       | 32.0   | (16.5) | 50.6   | 7.4    | 15.1   |
| ROE (%)           | 24.9   | 19.5   | 27.5   | 25.1   | 24.8   |
| P/E (x)           | 31.0   | 37.2   | 24.7   | 23.0   | 20.0   |
| EV/EBITDA (x)     | 21.0   | 20.8   | 14.7   | 13.6   | 11.7   |
| P/BV (x)          | 7.1    | 7.4    | 6.3    | 5.4    | 4.6    |

Source: Company, Emkay Research



## Change in Estimates

|                         |     |
|-------------------------|-----|
| EPS Chg FY21E/FY22E (%) | -/- |
| Target Price change (%) | NA  |
| Target Period (Months)  | 12  |
| Previous Reco           | NA  |

## Emkay vs Consensus

| EPS Estimates           |          |       |
|-------------------------|----------|-------|
|                         | FY21E    | FY22E |
| Emkay                   | 57.7     | 62.0  |
| Consensus               | 53.3     | 60.8  |
| Mean Consensus TP (12M) | Rs 1,236 |       |

## Stock Details

|                              |             |
|------------------------------|-------------|
| Bloomberg Code               | MTCL IN     |
| Face Value (Rs)              | 10          |
| Shares outstanding (mn)      | 165         |
| 52 Week H/L                  | 1,606 / 675 |
| M Cap (Rs bn/USD bn)         | 235 / 3.20  |
| Daily Avg Volume (nos.)      | 14,25,762   |
| Daily Avg Turnover (US\$ mn) | 23.8        |

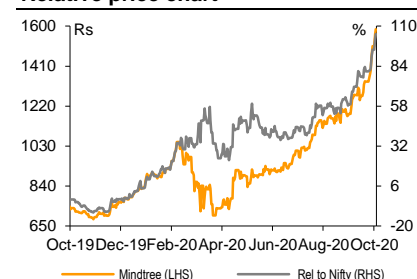
## Shareholding Pattern Sep '20

|                   |       |
|-------------------|-------|
| Promoters         | 67.6% |
| FIIIs             | 12.0% |
| DIIIs             | 12.0% |
| Public and Others | 8.4%  |

## Price Performance

| (%)           | 1M | 3M | 6M | 12M |
|---------------|----|----|----|-----|
| Absolute      | 14 | 46 | 85 | 96  |
| Rel. to Nifty | 12 | 33 | 41 | 92  |

## Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

## Dipesh Mehta

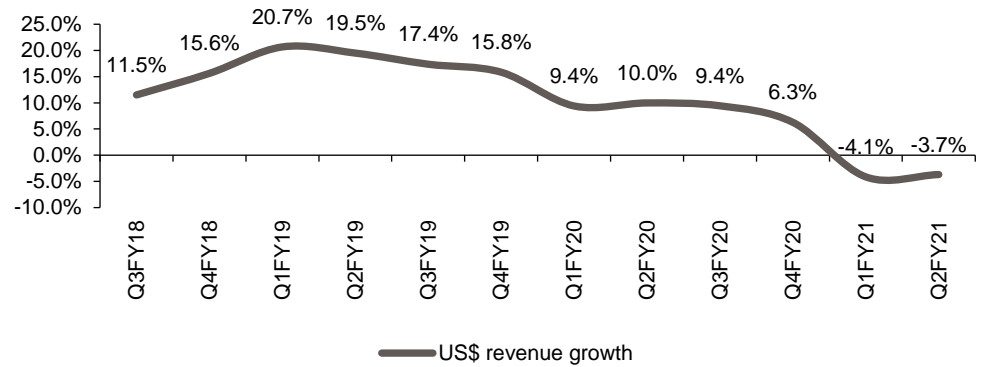
dipeshkumar.mehta@emkayglobal.com  
+91 22 6612 1253

## Monit Vyas

monit.vyas@emkayglobal.com  
+91 22 6624 2434

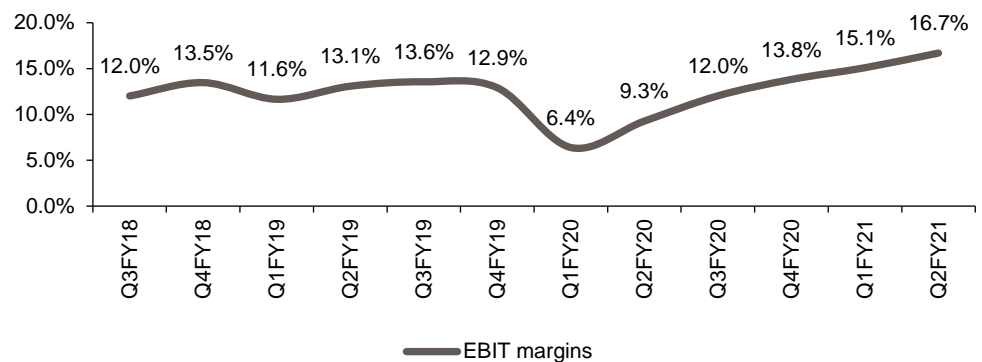
## Story in charts

**Exhibit 1: Revenue growth recovery remains slower than expected in Q2**



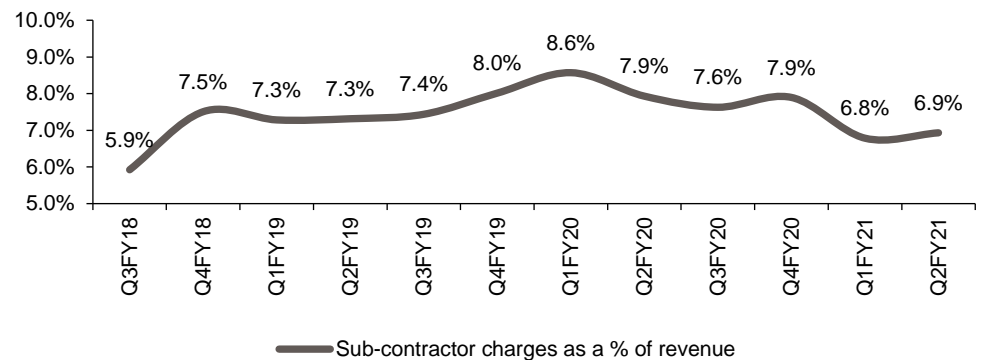
Source: Company, Emkay Research

**Exhibit 2: EBIT margins expands steadily over last few quarters**



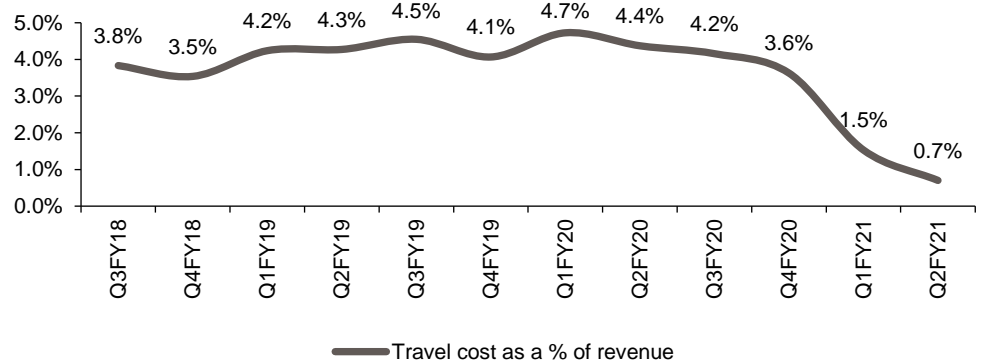
Source: Company, Emkay Research

**Exhibit 3: Subcontracting costs gradually coming down**



Source: Company, Emkay Research

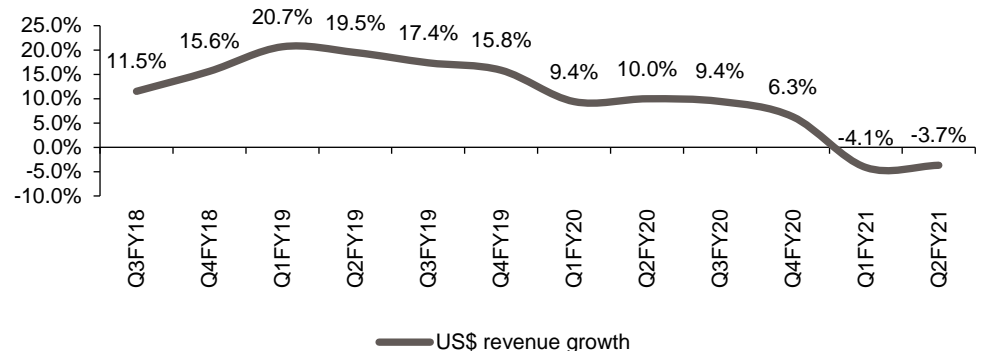
**Exhibit 4: Steep decline in travel costs**



Source: Company, Emkay Research

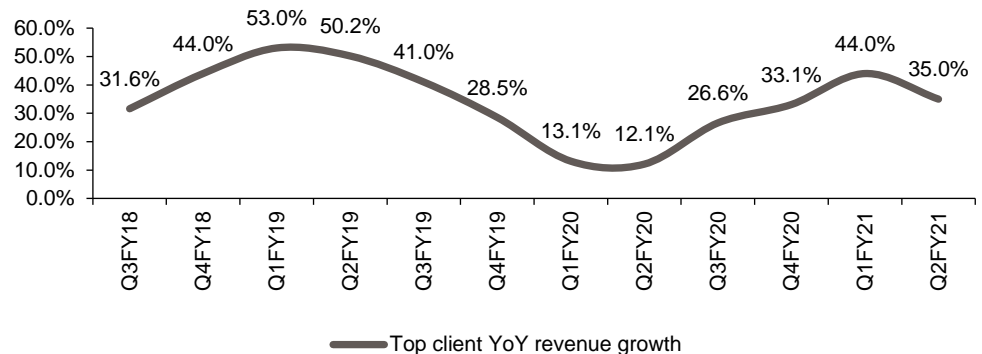
**Revenue growth recovery slower than expected:** Revenue grew 3.1% QoQ to US\$261mn in Q2 (2.1% cc). MTCL signed deals worth US\$303mn in Q2 compared to \$391mn in Q1. The top client reported muted growth in Q2, however, management was confident on growth recovery in coming quarters. MTCL continued with rationalization of tail accounts in Q2 (number of active clients down 9 QoQ/60 YoY). Cash generation was healthy with OCF/EBITDA of 118% in Q2.

**Exhibit 5: Revenue growth recovery remains slower than expected in Q2**



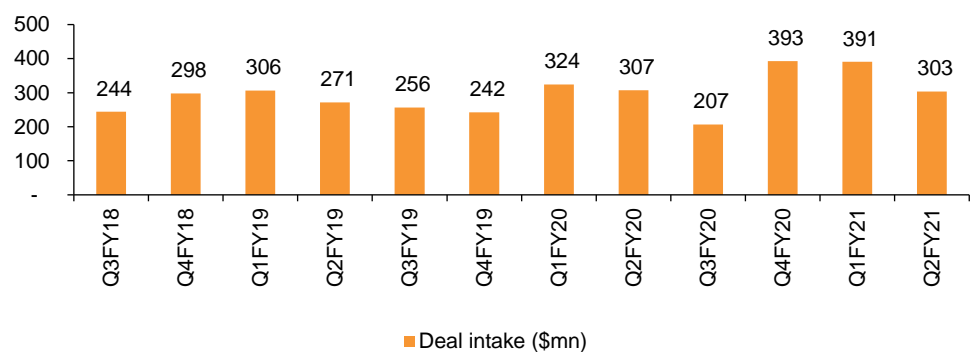
Source: Company, Emkay Research

**Exhibit 6: Top client YoY revenue growth moderated in Q2FY21**



Source: Company, Emkay Research

**Exhibit 7: Deal intake weak in Q2FY21**



Source: Company, Emkay Research

### Growth trajectory to continue in Dec'20 quarter:

Management remained confident of sustaining revenue growth momentum in Q3 despite it being a seasonally weak quarter. Mindtree continues to focus on strengthening existing relationships and mining strategic clients to secure large annuity-type deals to improve revenue visibility. Tail account rationalization process is likely to continue over the next few quarters to focus on high-potential clients and improve profitability. The company is seeing an uptick in demand across verticals, apart from Travel and Hospitality, which management believes would take several quarters to reach pre-Covid levels. The deal pipeline remains robust with a healthy win ratio. Mindtree plans to give a salary hike effective January 1, 2021, which would impact margins in Q4. It has launched a program to drive operating efficiencies, which yielded desired results over the last four quarters and management expects it to continue to drive positive results and support margins in Q4. Management suggested that they are comfortable with current margins levels and prefer to invest any additional gain to accelerate revenue growth over the medium term.

**Exhibit 8: Quarterly snapshot**

| Rs mn                          | Q2FY20 | Q3FY20 | Q4FY20 | Q1FY21 | Q2FY21 | YoY (%) | QoQ (%) | FY20TD | FY21TD | YoY (%) |
|--------------------------------|--------|--------|--------|--------|--------|---------|---------|--------|--------|---------|
| Revenues(in US\$ mn)           | 271.0  | 275.2  | 278.4  | 253.2  | 261.0  | (3.7)   | 3.1     | 535    | 514    | (3.9)   |
| Revenue                        | 19,143 | 19,653 | 20,505 | 19,088 | 19,260 | 0.6     | 0.9     | 37,485 | 38,348 | 2.3     |
| Operating Expenditure          | 16,661 | 16,590 | 16,993 | 15,610 | 15,476 | (7.1)   | (0.9)   | 33,162 | 31,086 | (6.3)   |
| Cost of revenues               | 12,647 | 12,535 | 12,933 | 12,776 | 12,623 | (0.2)   | (1.2)   | 25,179 | 25,399 | 0.9     |
| as % of sales                  | 66.1   | 63.8   | 63.1   | 66.9   | 65.5   |         |         | 67.2   | 66.2   |         |
| SG&A expenses                  | 4,014  | 4,055  | 4,060  | 2,834  | 2,853  | (28.9)  | 0.7     | 7,983  | 5,687  | (28.8)  |
| as % of sales                  | 21.0   | 20.6   | 19.8   | 14.8   | 14.8   |         |         | 21.3   | 14.8   |         |
| EBITDA                         | 2,482  | 3,063  | 3,512  | 3,478  | 3,784  | 52.5    | 8.8     | 4,323  | 7,262  | 68.0    |
| Depreciation                   | 707    | 699    | 679    | 597    | 569    | (19.5)  | (4.7)   | 1,376  | 1,166  | (15.3)  |
| EBIT                           | 1,775  | 2,364  | 2,833  | 2,881  | 3,215  | 81.1    | 11.6    | 2,947  | 6,096  | 106.9   |
| Other Income                   | 59     | 215    | (220)  | 17     | 232    |         |         | 149    | 249    | 67.1    |
| PBT                            | 1,834  | 2,579  | 2,613  | 2,898  | 3,447  | 87.9    | 18.9    | 3,096  | 6,345  | 104.9   |
| Total Tax                      | 484    | 609    | 551    | 768    | 910    | 88.0    | 18.5    | 819    | 1,678  | 104.9   |
| Adjusted PAT                   | 1,350  | 1,970  | 2,062  | 2,130  | 2,537  | 87.9    | 19.1    | 2,277  | 4,667  | 105.0   |
| (Profit)/loss from JV's/Ass/MI | 0      | 0      | 0      | 0      | 0      |         |         |        |        |         |
| APAT after MI                  | 1,350  | 1,970  | 2,062  | 2,130  | 2,537  | 87.9    | 19.1    | 2,277  | 4,667  | 105.0   |
| Extra ordinary items           | 0      | 0      | 0      | 0      | 0      |         |         | 0      | 0      |         |
| Reported PAT                   | 1,350  | 1,970  | 2,062  | 2,130  | 2,537  | 87.9    | 19.1    | 2,277  | 4,667  | 105.0   |
| Reported EPS                   | 8.2    | 12.0   | 12.5   | 12.9   | 15.4   | 87.8    | 19.0    | 14     | 28     | 104.8   |
|                                |        |        |        |        |        |         |         |        |        |         |
| Margins (%)                    |        |        |        |        |        | (bps)   | (bps)   |        |        |         |
| EBIDTA                         | 13.0   | 15.6   | 17.1   | 18.2   | 19.6   | 668     | 143     | 11.5   | 18.9   | 740     |
| EBIT                           | 9.3    | 12.0   | 13.8   | 15.1   | 16.7   | 742     | 160     | 7.9    | 15.9   | 803     |
| EBT                            | 9.6    | 13.1   | 12.7   | 15.2   | 17.9   | 832     | 271     | 8.3    | 16.5   | 829     |
| PAT                            | 7.1    | 10.0   | 10.1   | 11.2   | 13.2   | 612     | 201     | 6.1    | 12.2   | 610     |
| Effective Tax rate             | 26.4   | 23.6   | 21.1   | 26.5   | 26.4   | 1       | (10)    | 26.5   | 26.4   | (1)     |

Source: Company, Emkay Research

**Exhibit 9: Revenue by service offering**

| As a % of revenues  | Q2FY21      | Q1FY21      | Q2FY20        | QoQ (%)     | YoY (%)      |
|---------------------|-------------|-------------|---------------|-------------|--------------|
| Customer Success    | 38.9%       | 39.8%       | 41.80%        | 0.7%        | -10.4%       |
| Data & Intelligence | 14.2%       | 13.9%       | 12.10%        | 5.3%        | 13.0%        |
| Cloud               | 19.0%       | 20.1%       | 14.50%        | -2.6%       | 26.2%        |
| Enterprise IT       | 27.9%       | 26.2%       | 31.60%        | 9.8%        | -15.0%       |
| <b>Total</b>        | <b>100%</b> | <b>100%</b> | <b>100.0%</b> | <b>3.1%</b> | <b>-3.7%</b> |

Source: Company, Emkay Research

**Exhibit 10: Revenue by geographical segment**

| As a % of revenues | Q2FY21      | Q1FY21      | Q2FY20      | QoQ (%)     | YoY (%)      |
|--------------------|-------------|-------------|-------------|-------------|--------------|
| North America      | 77.4%       | 79.0%       | 73.8%       | 1.0%        | 1.0%         |
| Continental Europe | 7.5%        | 6.6%        | 8.9%        | 17.1%       | -18.8%       |
| UK and Ireland     | 7.9%        | 6.5%        | 8.7%        | 25.3%       | -12.5%       |
| Asia Pacific       | 7.2%        | 7.9%        | 8.6%        | -6.1%       | -19.4%       |
| <b>Total</b>       | <b>100%</b> | <b>100%</b> | <b>100%</b> | <b>3.1%</b> | <b>-3.7%</b> |

Source: Company, Emkay Research

**Exhibit 11: Revenue by Industry**

| As a % of revenues                 | Q2FY21      | Q1FY21      | Q2FY20      | QoQ (%)     | YoY (%)      |
|------------------------------------|-------------|-------------|-------------|-------------|--------------|
| Communications, Media & Technology | 49.8%       | 51.0%       | 39.8%       | 0.6%        | 20.5%        |
| BFSI                               | 20.4%       | 20.3%       | 21.6%       | 3.5%        | -9.0%        |
| Retail, CPG & Manufacturing        | 21.5%       | 20.6%       | 21.7%       | 7.7%        | -4.6%        |
| Travel & Hospitality               | 8.3%        | 8.1%        | 16.9%       | 5.7%        | -52.7%       |
| <b>Total</b>                       | <b>100%</b> | <b>100%</b> | <b>100%</b> | <b>3.1%</b> | <b>-3.7%</b> |

Source: Company, Emkay Research

**Exhibit 12: Client contribution to revenue**

| As a % of revenues | Q2FY21 | Q1FY21 | Q2FY20 | QoQ (%) | YoY (%) |
|--------------------|--------|--------|--------|---------|---------|
| Top customer       | 28.9%  | 30.1%  | 20.6%  | -1.1%   | 35.0%   |
| Top-5 customers    | 40.6%  | 42.9%  | 33.2%  | -2.5%   | 17.9%   |
| Top-10 customers   | 49.4%  | 52.0%  | 43.1%  | -2.2%   | 10.4%   |

Source: Company, Emkay Research

**Exhibit 13: Segmental performance**

| Revenues (Rs mn)                | Q2FY19        | Q3FY19        | Q4FY19        | Q1FY20        | Q2FY20        | Q3FY20        | Q4FY20        | Q1FY21        | Q2FY21        |
|---------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Retail, CPG & Mfg               | 3,818         | 3,984         | 4,076         | 4,077         | 4,150         | 4,048         | 4,164         | 3,927         | 4,139         |
| BFSI                            | 3,924         | 3,878         | 4,015         | 3,953         | 4,136         | 4,195         | 4,195         | 3,879         | 3,922         |
| Hi-tech                         | 6,892         | 7,034         | 7,290         | 7,226         | 7,612         | 8,139         | 8,816         | 9,737         | 9,597         |
| Travel, Transport & Hospitality | 2,920         | 2,976         | 3,013         | 3,086         | 3,245         | 3,271         | 3,330         | 1,545         | 1,602         |
| <b>Total</b>                    | <b>17,554</b> | <b>17,872</b> | <b>18,394</b> | <b>18,342</b> | <b>19,143</b> | <b>19,653</b> | <b>20,505</b> | <b>19,088</b> | <b>19,260</b> |

**YoY Growth (%)**

| Revenues (Rs mn)                | Q2FY19       | Q3FY19       | Q4FY19       | Q1FY20       | Q2FY20      | Q3FY20       | Q4FY20       | Q1FY21      | Q2FY21      |
|---------------------------------|--------------|--------------|--------------|--------------|-------------|--------------|--------------|-------------|-------------|
| Retail, CPG & Mfg               | 22.3%        | 24.1%        | 18.6%        | 7.8%         | 8.7%        | 1.6%         | 2.2%         | -3.7%       | -0.3%       |
| BFSI                            | 19.3%        | 13.6%        | 21.0%        | 8.2%         | 5.4%        | 8.2%         | 4.5%         | -1.9%       | -5.2%       |
| Hi-tech                         | 38.6%        | 39.3%        | 31.2%        | 13.4%        | 10.4%       | 15.7%        | 20.9%        | 34.7%       | 26.1%       |
| Travel, Transport & Hospitality | 51.0%        | 41.4%        | 29.4%        | 19.2%        | 11.1%       | 9.9%         | 10.5%        | -49.9%      | -50.6%      |
| <b>Total</b>                    | <b>31.8%</b> | <b>29.7%</b> | <b>25.6%</b> | <b>11.9%</b> | <b>9.1%</b> | <b>10.0%</b> | <b>11.5%</b> | <b>4.1%</b> | <b>0.6%</b> |

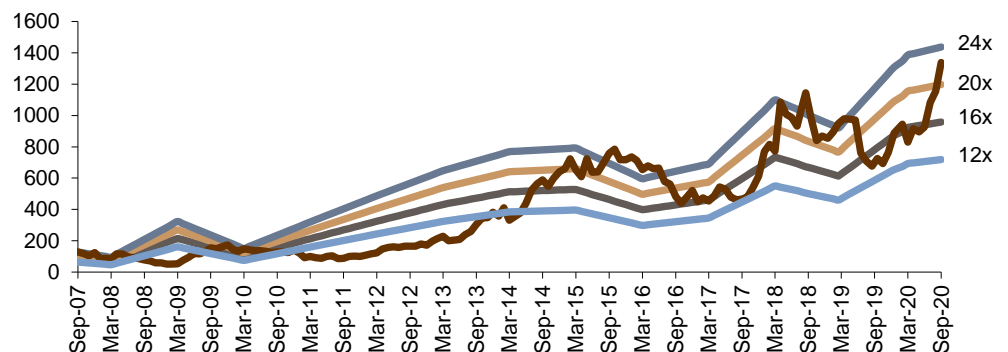
| Segment margin (%)              | Q2FY19       | Q3FY19       | Q4FY19       | Q1FY20       | Q2FY20       | Q3FY20       | Q4FY20       | Q1FY21       | Q2FY21       |
|---------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Retail, CPG & Mfg               | 15.1%        | 17.9%        | 16.5%        | 14.1%        | 16.0%        | 18.3%        | 20.8%        | 19.9%        | 22.4%        |
| BFSI                            | 5.7%         | 2.6%         | 4.6%         | 4.8%         | 11.3%        | 14.9%        | 17.1%        | 20.2%        | 21.2%        |
| Hi-tech                         | 20.4%        | 22.4%        | 21.4%        | 12.3%        | 13.3%        | 16.2%        | 17.3%        | 21.7%        | 19.9%        |
| Travel, Transport & Hospitality | 16.8%        | 14.9%        | 12.8%        | 6.0%         | 10.3%        | 11.6%        | 12.1%        | -13.2%       | 7.3%         |
| <b>Total</b>                    | <b>15.4%</b> | <b>15.9%</b> | <b>15.2%</b> | <b>10.0%</b> | <b>13.0%</b> | <b>15.6%</b> | <b>17.1%</b> | <b>18.2%</b> | <b>19.6%</b> |

Source: Company, Emkay Research

**Exhibit 14: Key assumptions**

| (in Rs mn)              | FY20E  | FY21E | FY22E | FY23E |
|-------------------------|--------|-------|-------|-------|
| USD revenues growth (%) | 8.7%   | -3.1% | 12.0% | 11.0% |
| USD/INR                 | 71.3   | 73.8  | 74.0  | 75.0  |
| INR revenues Growth (%) | 10.6%  | 0.2%  | 12.4% | 12.5% |
| EBIT margin (%)         | 10.5%  | 16.0% | 14.8% | 14.9% |
| EPS Growth (%)          | -16.5% | 50.6% | 7.4%  | 15.1% |

Source: Company, Emkay Research

**Exhibit 15: Mindtree's 1 year forward P/E chart**

Source: Company, Emkay Research

## Other Key takeaways

---

### Outlook

Revenues in the Sept'20 quarter grew by 2.1% QoQ in cc terms. Management hopes to sustain the growth trajectory in Q3FY21, despite it being a seasonally weak quarter, based on the revival in demand across sectors, strong deal pipeline and ramping-up of existing deals. MTCL has reorganized its business in four services segments, namely Customer Success, Data and Intelligence, Cloud and Enterprise IT, in order to align with customer requirements. Management believes that it has made all the required structural changes in order to drive the efficiency and revenue growth. Management indicated that the deal pipeline is strong with a healthy win ratios and that the company is focusing on client mining and winning multi-year annuity deals. Mindtree is seeing increased demand in the areas of automation, digital transformation, cloud initiatives and cost take-outs. The travel and hospitality segment is expected to take several quarters to reach pre-Covid levels, while other verticals have seen an uptick in demand. Although North America saw muted growth during the quarter; management reiterated that it should not be construed as a trend as a significant part of the order bookings during the quarter was from this region and growth should follow.

### Margin expansion

Mindtree's Sept'20 operating margin expanded 160bps to 16.7%, driven by operating efficiencies (120bps; utilization - 77% from 75.5% in Q1, offshore efforts mix – 82.1% vs. 80.2% in Q1) and one-off items of the last quarter (60bps), partly negated by adverse currency movement (-40bps). MTCL has announced salary increment (effective January 1, 2020), which would have a bearing on the margin. However, management believes that they have enough operating levers to negate the salary hike impact and is confident of sustaining the margin in the narrow band. Offshoring mix improved by ~190bps sequentially to 82.1%; the company is hopefully of sustaining these levels as the clients have become more open to the remote delivery model.

### Others

- Attrition fell to 13.8%, lowest since Q3FY19.
- MTCL announced an interim dividend of Rs7.5 per equity share.

**Key Financials (Consolidated)****Income Statement**

| Y/E Mar (Rs mn)                  | FY19          | FY20          | FY21E         | FY22E         | FY23E         |
|----------------------------------|---------------|---------------|---------------|---------------|---------------|
| <b>Revenue</b>                   | <b>70,215</b> | <b>77,643</b> | <b>77,799</b> | <b>87,421</b> | <b>98,384</b> |
| <b>Expenditure</b>               | <b>59,570</b> | <b>66,745</b> | <b>62,876</b> | <b>71,688</b> | <b>80,702</b> |
| <b>EBITDA</b>                    | <b>10,645</b> | <b>10,898</b> | <b>14,923</b> | <b>15,733</b> | <b>17,682</b> |
| Depreciation                     | 1,641         | 2,754         | 2,462         | 2,797         | 3,039         |
| <b>EBIT</b>                      | <b>9,004</b>  | <b>8,144</b>  | <b>12,461</b> | <b>12,936</b> | <b>14,643</b> |
| Other Income                     | 864           | 144           | 473           | 864           | 1,236         |
| Interest expenses                | 0             | 0             | 0             | 0             | 0             |
| <b>PBT</b>                       | <b>9,868</b>  | <b>8,288</b>  | <b>12,933</b> | <b>13,800</b> | <b>15,880</b> |
| Tax                              | 2,327         | 1,979         | 3,424         | 3,588         | 4,129         |
| Extraordinary Items              | 0             | 0             | 0             | 0             | 0             |
| Minority Int./Income from Assoc. | 0             | 0             | 0             | 0             | 0             |
| <b>Reported Net Income</b>       | <b>7,541</b>  | <b>6,309</b>  | <b>9,509</b>  | <b>10,212</b> | <b>11,751</b> |
| <b>Adjusted PAT</b>              | <b>7,541</b>  | <b>6,309</b>  | <b>9,509</b>  | <b>10,212</b> | <b>11,751</b> |

**Balance Sheet**

| Y/E Mar (Rs mn)                            | FY19          | FY20          | FY21E         | FY22E         | FY23E         |
|--|---------------|---------------|---------------|---------------|---------------|
| Equity share capital                       | 1,642         | 1,646         | 1,647         | 1,647         | 1,647         |
| Reserves & surplus                         | 31,419        | 29,922        | 35,890        | 42,149        | 49,453        |
| <b>Net worth</b>                           | <b>33,061</b> | <b>31,568</b> | <b>37,537</b> | <b>43,796</b> | <b>51,100</b> |
| <b>Minority Interest</b>                   | <b>0</b>      | <b>0</b>      | <b>0</b>      | <b>0</b>      | <b>0</b>      |
| <b>Loan Funds</b>                          | <b>5</b>      | <b>5,663</b>  | <b>7,000</b>  | <b>7,500</b>  | <b>8,200</b>  |
| Net deferred tax liability                 | (388)         | (1,835)       | (600)         | (600)         | (600)         |
| <b>Total Liabilities</b>                   | <b>32,678</b> | <b>35,396</b> | <b>43,937</b> | <b>50,696</b> | <b>58,700</b> |
| <b>Net block</b>                           | <b>9,669</b>  | <b>14,092</b> | <b>13,330</b> | <b>12,693</b> | <b>12,095</b> |
| <b>Investment</b>                          | <b>8,036</b>  | <b>9,709</b>  | <b>10,804</b> | <b>13,804</b> | <b>13,804</b> |
| <b>Current Assets</b>                      | <b>23,396</b> | <b>25,794</b> | <b>33,425</b> | <b>38,963</b> | <b>48,726</b> |
| Cash & bank balance                        | 2,559         | 3,909         | 10,816        | 14,379        | 21,549        |
| Other Current Assets                       | 7,481         | 7,496         | 7,902         | 8,298         | 8,848         |
| <b>Current liabilities &amp; Provision</b> | <b>8,720</b>  | <b>14,335</b> | <b>13,922</b> | <b>14,864</b> | <b>16,025</b> |
| <b>Net current assets</b>                  | <b>14,676</b> | <b>11,459</b> | <b>19,503</b> | <b>24,099</b> | <b>32,702</b> |
| Misc. exp                                  | 0             | 0             | 0             | 0             | 0             |
| <b>Total Assets</b>                        | <b>32,678</b> | <b>35,396</b> | <b>43,937</b> | <b>50,696</b> | <b>58,700</b> |

**Cash Flow**

| Y/E Mar (Rs mn)                       | FY19           | FY20           | FY21E          | FY22E          | FY23E          |
|---------------------------------------|----------------|----------------|----------------|----------------|----------------|
| <b>PBT (Ex-Other income) (NI+Dep)</b> | <b>9,868</b>   | <b>8,144</b>   | <b>12,461</b>  | <b>12,936</b>  | <b>14,643</b>  |
| Other Non-Cash items                  | (589)          | 390            | (495)          | (784)          | (1,156)        |
| Chg in working cap                    | (2,360)        | (1,541)        | (1,137)        | (1,033)        | (1,432)        |
| <b>Operating Cashflow</b>             | <b>6,305</b>   | <b>8,251</b>   | <b>11,574</b>  | <b>11,192</b>  | <b>12,201</b>  |
| Capital expenditure                   | (1,708)        | (1,220)        | (527)          | (1,460)        | (1,740)        |
| <b>Free Cash Flow</b>                 | <b>4,597</b>   | <b>7,031</b>   | <b>11,047</b>  | <b>9,732</b>   | <b>10,461</b>  |
| Investments                           | (301)          | 858            | (611)          | (3,000)        | 0              |
| Other Investing Cash Flow             | 0              | 0              | 0              | 0              | 0              |
| <b>Investing Cashflow</b>             | <b>(1,933)</b> | <b>(229)</b>   | <b>(594)</b>   | <b>(3,116)</b> | <b>16</b>      |
| Equity Capital Raised                 | 3              | 4              | 1              | 0              | 0              |
| Loans Taken / (Repaid)                | (3,004)        | (495)          | 0              | 0              | 0              |
| Dividend paid (incl tax)              | (2,180)        | (5,940)        | (3,541)        | (3,953)        | (4,447)        |
| Other Financing Cash Flow             | 133            | 288            | 0              | 0              | 0              |
| <b>Financing Cashflow</b>             | <b>(5,088)</b> | <b>(6,672)</b> | <b>(4,073)</b> | <b>(4,513)</b> | <b>(5,047)</b> |
| <b>Net chg in cash</b>                | <b>(716)</b>   | <b>1,350</b>   | <b>6,907</b>   | <b>3,563</b>   | <b>7,170</b>   |
| Opening cash position                 | 3,275          | 2,559          | 3,909          | 10,816         | 14,379         |
| <b>Closing cash position</b>          | <b>2,559</b>   | <b>3,909</b>   | <b>10,816</b>  | <b>14,379</b>  | <b>21,549</b>  |

Source: Company, Emkay Research



**Key Ratios**

| <b>Profitability (%)</b> | <b>FY19</b> | <b>FY20</b> | <b>FY21E</b> | <b>FY22E</b> | <b>FY23E</b> |
|--------------------------|-------------|-------------|--------------|--------------|--------------|
| EBITDA Margin            | 15.2        | 14.0        | 19.2         | 18.0         | 18.0         |
| EBIT Margin              | 12.8        | 10.5        | 16.0         | 14.8         | 14.9         |
| Effective Tax Rate       | 23.6        | 23.9        | 26.5         | 26.0         | 26.0         |
| Net Margin               | 10.7        | 8.1         | 12.2         | 11.7         | 11.9         |
| ROCE                     | 31.4        | 24.3        | 32.6         | 29.2         | 29.0         |
| ROE                      | 24.9        | 19.5        | 27.5         | 25.1         | 24.8         |
| RoIC                     | 43.6        | 37.5        | 57.1         | 58.2         | 64.1         |

| <b>Per Share Data (Rs)</b> | <b>FY19</b> | <b>FY20</b> | <b>FY21E</b> | <b>FY22E</b> | <b>FY23E</b> |
|----------------------------|-------------|-------------|--------------|--------------|--------------|
| EPS                        | 45.9        | 38.3        | 57.7         | 62.0         | 71.3         |
| CEPS                       | 55.9        | 55.1        | 72.7         | 79.0         | 89.8         |
| BVPS                       | 201.3       | 191.8       | 227.9        | 265.9        | 310.3        |
| DPS                        | 11.0        | 30.0        | 21.5         | 24.0         | 27.0         |

| <b>Valuations (x)</b> | <b>FY19</b> | <b>FY20</b> | <b>FY21E</b> | <b>FY22E</b> | <b>FY23E</b> |
|-----------------------|-------------|-------------|--------------|--------------|--------------|
| PER                   | 31.0        | 37.2        | 24.7         | 23.0         | 20.0         |
| P/CEPS                | 25.5        | 25.9        | 19.6         | 18.0         | 15.9         |
| P/BV                  | 7.1         | 7.4         | 6.3          | 5.4          | 4.6          |
| EV / Sales            | 3.2         | 2.9         | 2.8          | 2.4          | 2.1          |
| EV / EBITDA           | 21.0        | 20.8        | 14.7         | 13.6         | 11.7         |
| Dividend Yield (%)    | 0.8         | 2.1         | 1.5          | 1.7          | 1.9          |

| <b>Gearing Ratio (x)</b> | <b>FY19</b> | <b>FY20</b> | <b>FY21E</b> | <b>FY22E</b> | <b>FY23E</b> |
|--------------------------|-------------|-------------|--------------|--------------|--------------|
| Net Debt/ Equity         | (0.3)       | (0.3)       | (0.4)        | (0.5)        | (0.5)        |
| Net Debt/EBIDTA          | (1.0)       | (0.7)       | (1.0)        | (1.3)        | (1.5)        |
| Working Cap Cycle (days) | 63.0        | 35.5        | 40.8         | 40.6         | 41.4         |

| <b>Growth (%)</b> | <b>FY19</b> | <b>FY20</b> | <b>FY21E</b> | <b>FY22E</b> | <b>FY23E</b> |
|-------------------|-------------|-------------|--------------|--------------|--------------|
| Revenue           | 28.5        | 10.6        | 0.2          | 12.4         | 12.5         |
| EBITDA            | 43.8        | 2.4         | 36.9         | 5.4          | 12.4         |
| EBIT              | 58.2        | (9.6)       | 53.0         | 3.8          | 13.2         |
| PAT               | 32.3        | (16.3)      | 50.7         | 7.4          | 15.1         |

| <b>Quarterly (Rs mn)</b> | <b>Q2FY20</b> | <b>Q3FY20</b> | <b>Q4FY20</b> | <b>Q1FY21</b> | <b>Q2FY21</b> |
|--------------------------|---------------|---------------|---------------|---------------|---------------|
| Revenue                  | 19,143        | 19,653        | 20,505        | 19,088        | 19,260        |
| EBITDA                   | 2,482         | 3,063         | 3,512         | 3,478         | 3,784         |
| <b>EBITDA Margin (%)</b> | <b>13.0</b>   | <b>15.6</b>   | <b>17.1</b>   | <b>18.2</b>   | <b>19.6</b>   |
| PAT                      | 1,350         | 1,970         | 2,062         | 2,130         | 2,537         |
| <b>EPS (Rs)</b>          | <b>8.2</b>    | <b>12.0</b>   | <b>12.5</b>   | <b>12.9</b>   | <b>15.4</b>   |

Source: Company, Emkay Research

| <b>Shareholding Pattern (%)</b> | <b>Sep-19</b> | <b>Dec-19</b> | <b>Mar-20</b> | <b>Jun-20</b> | <b>Sep-20</b> |
|---------------------------------|---------------|---------------|---------------|---------------|---------------|
| Promoters                       | 73.8          | 73.6          | 74.1          | 73.5          | 67.6          |
| FII                             | 10.8          | 10.5          | 11.9          | 10.4          | 12.0          |
| DII                             | 5.3           | 6.2           | 5.8           | 7.9           | 12.0          |
| Public and Others               | 10.1          | 9.7           | 8.3           | 8.2           | 8.4           |

Source: Capitaline

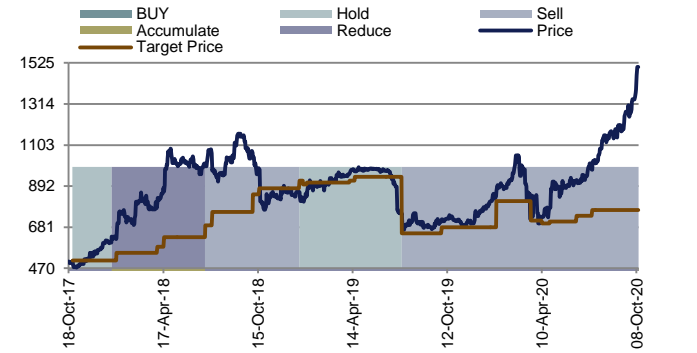


## RECOMMENDATION HISTORY TABLE

| Date      | Closing Price | TP  | Period (months) | Rating | Analyst      |
|-----------|---------------|-----|-----------------|--------|--------------|
| 15-Jul-20 | 976           | 770 | 12m             | Sell   | Manik Taneja |
| 05-Jul-20 | 945           | 740 | 12m             | Sell   | Manik Taneja |
| 25-Jun-20 | 917           | 740 | 12m             | Sell   | Manik Taneja |
| 15-Jun-20 | 923           | 740 | 12m             | Sell   | Manik Taneja |
| 25-Apr-20 | 780           | 710 | 12m             | Sell   | Manik Taneja |
| 10-Apr-20 | 734           | 700 | 12m             | Sell   | Manik Taneja |
| 20-Mar-20 | 842           | 715 | 12m             | Sell   | Manik Taneja |
| 14-Feb-20 | 960           | 815 | 12m             | Sell   | Manik Taneja |
| 14-Jan-20 | 864           | 815 | 12m             | Sell   | Manik Taneja |
| 01-Jan-20 | 812           | 680 | 12m             | Sell   | Manik Taneja |
| 21-Nov-19 | 710           | 680 | 12m             | Sell   | Manik Taneja |
| 16-Oct-19 | 743           | 680 | 12m             | Sell   | Manik Taneja |
| 01-Oct-19 | 721           | 680 | 12m             | Sell   | Manik Taneja |
| 26-Aug-19 | 706           | 650 | 12m             | Sell   | Manik Taneja |
| 17-Jul-19 | 751           | 650 | 12m             | Sell   | Manik Taneja |
| 03-Jul-19 | 906           | 940 | 12m             | Hold   | Manik Taneja |
| 18-Apr-19 | 969           | 940 | 12m             | Hold   | Rahul Jain   |
| 08-Apr-19 | 957           | 920 | 12m             | Hold   | Rahul Jain   |
| 19-Mar-19 | 943           | 910 | 12m             | Hold   | Rahul Jain   |
| 16-Jan-19 | 841           | 910 | 12m             | Hold   | Rahul Jain   |
| 09-Jan-19 | 823           | 900 | 12m             | Hold   | Rahul Jain   |
| 02-Jan-19 | 861           | 920 | 12m             | Hold   | Rahul Jain   |
| 17-Oct-18 | 978           | 880 | 12m             | Sell   | Rahul Jain   |
| 05-Oct-18 | 1,041         | 850 | 12m             | Sell   | Rahul Jain   |
| 04-Sep-18 | 1,118         | 760 | 12m             | Sell   | Rahul Jain   |
| 19-Jul-18 | 971           | 760 | 12m             | Sell   | Rahul Jain   |
| 10-Jul-18 | 1,036         | 690 | 12m             | Sell   | Rahul Jain   |
| 06-Jul-18 | 993           | 690 | 12m             | Sell   | Rahul Jain   |
| 18-Apr-18 | 865           | 630 | 12m             | Reduce | Rahul Jain   |
| 05-Apr-18 | 806           | 580 | 12m             | Reduce | Rahul Jain   |
| 17-Jan-18 | 625           | 550 | 12m             | Reduce | Rahul Jain   |
| 08-Jan-18 | 633           | 510 | 12m             | Reduce | Rahul Jain   |
| 25-Oct-17 | 507           | 510 | 12m             | Hold   | Rahul Jain   |

Source: Company, Emkay Research

## RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

## Emkay Alpha Portfolio – Information Technology



### Analyst: Dipesh Mehta

#### Contact Details

dipeshkumar.mehta@emkayglobal.com  
+91 22 6612 1253

#### Sector

IT Services, ITes and Software

#### Analyst bio

Dipesh is a seasoned Equities professional who has covered Technology sector for over 15 years. Dipesh has completed his B.E. in Information Technology from Sardar Patel University and MMS in Finance from Mumbai University.

### EAP sector portfolio

| Company Name                  | BSE200 Weight | EAP Weight   | OW/UW (%)  | OW/UW (bps) | EAP Weight (Normalised) |
|-------------------------------|---------------|--------------|------------|-------------|-------------------------|
| <b>Information Technology</b> | <b>14.53</b>  | <b>14.07</b> | <b>-3%</b> | <b>-46</b>  | <b>100.00</b>           |
| BirlaSoft                     | 0.00          | 0.13         | NA         | 13          | 0.92                    |
| Coforge*                      | 0.00          | 0.00         | NA         | 0           | 0.00                    |
| eClerx Services               | 0.00          | 0.00         | NA         | 0           | 0.00                    |
| Firstsource Solutions         | 0.00          | 0.00         | NA         | 0           | 0.00                    |
| HCL Tech                      | 1.47          | 1.58         | 8%         | 11          | 10.89                   |
| Hexaware Technologies         | 0.00          | 0.00         | NA         | 0           | 0.00                    |
| Infosys                       | 6.39          | 6.65         | 4%         | 27          | 45.78                   |
| Intellect Design*             | 0.00          | 0.00         | NA         | 0           | 0.00                    |
| L&T Infotech                  | 0.21          | 0.00         | -100%      | -21         | 0.00                    |
| Majesco*                      | 0.00          | 0.00         | NA         | 0           | 0.00                    |
| Mindtree                      | 0.10          | 0.00         | -100%      | -10         | 0.00                    |
| Mphasis                       | 0.18          | 0.20         | 14%        | 2           | 1.39                    |
| MPS                           | 0.00          | 0.00         | NA         | 0           | 0.00                    |
| NIIT                          | 0.00          | 0.00         | NA         | 0           | 0.00                    |
| Nucleus Software*             | 0.00          | 0.00         | NA         | 0           | 0.00                    |
| Oracle Financial Services*    | 0.11          | 0.00         | -100%      | -11         | 0.00                    |
| Persistent Systems            | 0.00          | 0.67         | NA         | 67          | 4.62                    |
| Ramco Systems*                | 0.00          | 0.00         | NA         | 0           | 0.00                    |
| TCS                           | 4.49          | 3.25         | -28%       | -124        | 22.39                   |
| Tech Mahindra                 | 0.80          | 0.82         | 3%         | 2           | 5.63                    |
| Wipro                         | 0.79          | 0.76         | -5%        | -4          | 5.20                    |
| <b>Cash</b>                   | <b>0.00</b>   | <b>0.46</b>  | <b>NA</b>  | <b>46</b>   | <b>3.184</b>            |

Source: Emkay Research

\* Not under coverage: Equal Weight

■ High Conviction/Strong Over Weight ■ High Conviction/Strong Under Weight

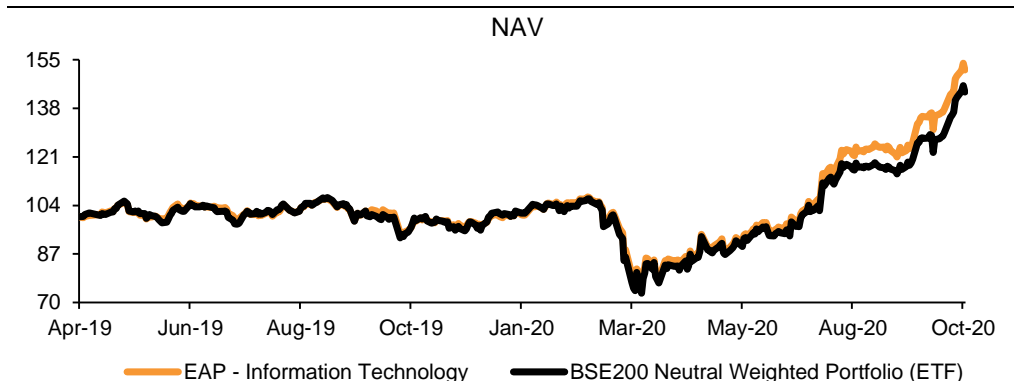
### Sector portfolio NAV

|   | Base     |           |           |           |           | Latest    |
|---|----------|-----------|-----------|-----------|-----------|-----------|
|   | 1-Apr-19 | 15-Jan-20 | 15-Apr-20 | 15-Jul-20 | 14-Sep-20 | 14-Oct-20 |
| EAP - Information Technology            | 100.0    | 103.5     | 84.9      | 109.8     | 132.7     | 151.5     |
| BSE200 Neutral Weighted Portfolio (ETF) | 100.0    | 104.2     | 82.8      | 107.3     | 125.9     | 143.7     |

\*Performance measurement base date 1<sup>st</sup> April 2019

Source: Emkay Research

### NAV chart



Source: Emkay Research

Please see our model portfolio (Emkay Alpha Portfolio): [Nifty](#)

Please see our model portfolio (Emkay Alpha Portfolio): [SMID](#)

“Emkay Alpha Portfolio – SMID and Nifty are a supporting document to the Emkay Alpha Portfolios Report and is updated on regular intervals”

## Emkay Rating Distribution

| Ratings | Expected Return within the next 12-18 months. |
|---------|---|
| BUY     | Over 15%                                      |
| HOLD    | Between -5% to 15%                            |
| SELL    | Below -5%                                     |

Completed Date: 16 Oct 2020 03:07:07 (SGT)

Dissemination Date: 16 Oct 2020 03:08:07 (SGT)

Sources for all charts and tables are Emkay Research unless otherwise specified.

### GENERAL DISCLOSURE/DISCLAIMER BY EMKAY GLOBAL FINANCIAL SERVICES LIMITED (EGFSL):

Emkay Global Financial Services Limited (CIN-L67120MH1995PLC084899) and its affiliates are a full-service, brokerage, investment banking, investment management and financing group. Emkay Global Financial Services Limited (EGFSL) along with its affiliates are participants in virtually all securities trading markets in India. EGFSL was established in 1995 and is one of India's leading brokerage and distribution house. EGFSL is a corporate trading member of Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE), MCX Stock Exchange Limited (MCX-SX). EGFSL along with its subsidiaries offers the most comprehensive avenues for investments and is engaged in the businesses including stock broking (Institutional and retail), merchant banking, commodity broking, depository participant, portfolio management, insurance broking and services rendered in connection with distribution of primary market issues and financial products like mutual funds, fixed deposits. Details of associates are available on our website i.e. [www.emkayglobal.com](http://www.emkayglobal.com)

EGFSL is registered as Research Analyst with SEBI bearing registration Number INH000000354 as per SEBI (Research Analysts) Regulations, 2014. EGFSL hereby declares that it has not defaulted with any stock exchange nor its activities were suspended by any stock exchange with whom it is registered in last five years, except that NSE had disabled EGFSL from trading on October 05, October 08 and October 09, 2012 for a manifest error resulting into a bonafide erroneous trade on October 05, 2012. However, SEBI and Stock Exchanges have conducted the routine inspection and based on their observations have issued advice letters or levied minor penalty on EGFSL for certain operational deviations in ordinary/routine course of business. EGFSL has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has its certificate of registration been cancelled by SEBI at any point of time.

EGFSL offers research services to clients as well as prospects. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

Other disclosures by Emkay Global Financial Services Limited (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report

EGFSL and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that may be inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest including but not limited to those stated herein. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject EGFSL or its group companies to any registration or licensing requirement within such jurisdiction. Specifically, this document does not constitute an offer to or solicitation to any U.S. person for the purchase or sale of any financial instrument or as an official confirmation of any transaction to any U.S. person. Unless otherwise stated, this message should not be construed as official confirmation of any transaction. No part of this document may be used by private customers in United Kingdom. All material presented in this report, unless specifically indicated otherwise, is under copyright to Emkay. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of EGFSL. All trademarks, service marks and logos used in this report are trademarks or registered trademarks of EGFSL or its Group Companies. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

- This publication has not been reviewed or authorized by any regulatory authority. There is no planned schedule or frequency for updating research publication relating to any issuer.

- Please contact the primary analyst for valuation methodologies and assumptions associated with the covered companies or price targets

**Disclaimer for U.S. persons only:** This research report is a product of Emkay Global Financial Services Limited (Emkay), which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of Financial Institutions Regulatory Authority (FINRA) or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account. This report is intended for distribution to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a-6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor. In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors.

**ANALYST CERTIFICATION BY EMKAY GLOBAL FINANCIAL SERVICES LIMITED (EGFSL)**

The research analyst(s) primarily responsible for the content of this research report, in part or in whole, certifies that the views about the companies and their securities expressed in this report accurately reflect his/her personal views. The analyst(s) also certifies that no part of his/her compensation was, is, or will be, directly or indirectly, related to specific recommendations or views expressed in the report. The research analyst (s) primarily responsible of the content of this research report, in part or in whole, certifies that he or his associate<sup>1</sup> does not serve as an officer, director or employee of the issuer or the new listing applicant (which includes in the case of a real estate investment trust, an officer of the management company of the real estate investment trust; and in the case of any other entity, an officer or its equivalent counterparty of the entity who is responsible for the management of the issuer or the new listing applicant). The research analyst(s) primarily responsible for the content of this research report or his associate does not have financial interests<sup>2</sup> in relation to an issuer or a new listing applicant that the analyst reviews. EGFSL has procedures in place to eliminate, avoid and manage any potential conflicts of interests that may arise in connection with the production of research reports. The research analyst(s) responsible for this report operates as part of a separate and independent team to the investment banking function of the EGFSL and procedures are in place to ensure that confidential information held by either the research or investment banking function is handled appropriately. There is no direct link of EGFSL compensation to any specific investment banking function of the EGFSL.

<sup>1</sup> An associate is defined as (i) the spouse, or any minor child (natural or adopted) or minor step-child, of the analyst; (ii) the trustee of a trust of which the analyst, his spouse, minor child (natural or adopted) or minor step-child, is a beneficiary or discretionary object; or (iii) another person accustomed or obliged to act in accordance with the directions or instructions of the analyst.

<sup>2</sup> Financial interest is defined as interest that are commonly known financial interest, such as investment in the securities in respect of an issuer or a new listing applicant, or financial accommodation arrangement between the issuer or the new listing applicant and the firm or analysis. This term does not include commercial lending conducted at the arm's length, or investments in any collective investment scheme other than an issuer or new listing applicant notwithstanding the fact that the scheme has investments in securities in respect of an issuer or a new listing applicant.

**COMPANY-SPECIFIC / REGULATORY DISCLOSURES BY EMKAY GLOBAL FINANCIAL SERVICES LIMITED (EGFSL):**

Disclosures by Emkay Global Financial Services Limited (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report:-

1. EGFSL, its subsidiaries and/or other affiliates do not have a proprietary position in the securities recommended in this report as of October 15, 2020
2. EGFSL, and/or Research Analyst does not market make in equity securities of the issuer(s) or company(ies) mentioned in this Research Report
3. **Disclosure of previous investment recommendation produced:** EGFSL may have published other investment recommendations in respect of the same securities / instruments recommended in this research report during the preceding 12 months. Please contact the primary analyst listed in the first page of this report to view previous investment recommendations published by EGFSL in the preceding 12 months.
4. EGFSL, its subsidiaries and/or other affiliates and Research Analyst or his/her relative's does not have any material conflict of interest in the securities recommended in this report as of October 15, 2020.
5. EGFSL, its subsidiaries and/or other affiliates and Research Analyst or his/her relative's does not have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the October 15, 2020
6. EGFSL, its subsidiaries and/or other affiliates and Research Analyst have not received any compensation in whatever form including compensation for investment banking or merchant banking or brokerage services or for products or services other than investment banking or merchant banking or brokerage services from securities recommended in this report (subject company) in the past 12 months.
7. EGFSL, its subsidiaries and/or other affiliates and/or and Research Analyst have not received any compensation or other benefits from securities recommended in this report (subject company) or third party in connection with the research report.
8. Securities recommended in this report (Subject Company) has not been client of EGFSL, its subsidiaries and/or other affiliates and/or and Research Analyst during twelve months preceding the October 15, 2020

**RESTRICTIONS ON DISTRIBUTION**

|                                      |  |
|--------------------------------------|--|
| General                              | This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation.   |
| Australia                            | This report is not for distribution into Australia.  |
| Hong Kong                            | This report is not for distribution into Hong Kong.  |
| Indonesia                            | This report is being distributed in Indonesia by PT DBS Vickers Sekuritas Indonesia.   |
| Malaysia                             | This report is not for distribution into Malaysia.   |
| Singapore                            | This report is distributed in Singapore by DBS Bank Ltd (Company Regn. No. 16800306E) or DBSVS (Company Regn. No. 1860024G) both of which are Exempt Financial Advisers as defined in the Financial Advisers Act and regulated by the Monetary Authority of Singapore. DBS Bank Ltd and/or DBSVS, may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an agreement under Regulation 32C of the financial Advisers Regulations. Singapore recipients should contact DBS Bank Ltd at 6327 2288 for matters arising from, or in connection with the report.   |
| Thailand                             | This report is being distributed in Thailand by DBS Vickers Securities (Thailand) Co Ltd.  |
| United Kingdom                       | This report is disseminated in the United Kingdom by DBS Vickers Securities (UK) Ltd, ("DBSVUK"). DBSVUK is authorised and regulated by the Financial Conduct Authority in the United Kingdom.<br>In respect of the United Kingdom, this report is solely intended for the clients of DBSVUK, its respective connected and associated corporations and affiliates only and no part of this document may be (i) copied, photocopied or duplicated in any form or by any means or (ii) redistributed without the prior written consent of DBSVUK. This communication is directed at persons having professional experience in matters relating to investments. Any investment activity following from this communication will only be engaged in with such persons. Persons who do not have professional experience in matters relating to investments should not rely on this communication.  |
| Dubai International Financial Centre | This research report is being distributed by DBS Bank Ltd., (DIFC Branch) having its office at units 608-610, 6 <sup>th</sup> Floor, Gate Precinct Building 5, PO Box 506538, Dubai International Financial Centre (DIFC), Dubai, United Arab Emirates. DBS Bank Ltd., (DIFC Branch) is regulated by The Dubai Financial Services Authority. This research report is intended only for professional clients (as defined in the DFSA rulebook) and no other person may act upon it.   |
| United Arab Emirates                 | This report is provided by DBS Bank Ltd (Company Regn. No. 196800306E) which is an Exempt Financial Adviser as defined in the Financial Advisers Act and regulated by the Monetary Authority of Singapore. This report is for information purposes only and should not be relied upon or acted on by the recipient or considered as a solicitation or inducement to buy or sell any financial product. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situation, or needs of individual clients. You should contact your relationship manager or investment adviser if you need advice on the merits of buying, selling or holding a particular investment. You should note that the information in this report may be out of date and it is not represented or warranted to be accurate, timely or complete. This report or any portion thereof may not be reprinted, sold or redistributed without our written consent. |
| United States                        | DBSVUSA did not participate in its preparation. The research analyst(s) named on this report are not registered as research analysts with FINRA and are not associated persons of DBSVUSA. The research analyst(s) are not subject to FINRA Rule 2241 restrictions on analyst compensation, communications with a subject company, public appearances and trading securities held by a research analyst. This report is being distributed in the United States by DBSVUSA, which accepts responsibility for its contents. This report may only be distributed to Major U.S. Institutional Investors (as defined in SEC Rule 15a-6) and to such other institutional investors and qualified persons as DBSVUSA may authorize. Any U.S. person receiving this report who wishes to effect transactions in any securities referred to herein should contact DBSVUSA directly and not its affiliate.   |
| Other jurisdictions                  | In any other jurisdictions, except if otherwise restricted by laws or regulations, this report is intended only for qualified, professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions.  |

**Emkay Global Financial Services Ltd.**

CIN - L67120MH1995PLC084899

7th Floor, The Ruby, Senapati Bapat Marg, Dadar - West, Mumbai - 400028. India

Tel: +91 22 66121212 Fax: +91 22 66121299 Web: [www.emkayglobal.com](http://www.emkayglobal.com)