

October 26, 2020

Q2FY21 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
Rating	BUY		BUY	
Target Price	1,042		966	
Sales (Rs. m)	4,13,450	4,57,719	4,18,360	4,63,319
% Chng.	(1.2)	(1.2)		
EBITDA (Rs. m)	73,271	82,594	68,873	78,758
% Chng.	6.4	4.9		
EPS (Rs.)	58.4	64.2	53.7	60.0
% Chng.	8.9	7.1		

Key Financials - Standalone

Y/e Mar	FY20	FY21E	FY22E	FY23E
Sales (Rs. bn)	369	379	413	458
EBITDA (Rs. bn)	57	65	73	83
Margin (%)	15.5	17.0	17.7	18.0
PAT (Rs. bn)	43	43	51	56
EPS (Rs.)	48.8	49.7	58.4	64.2
Gr. (%)	(0.9)	2.0	17.6	9.9
DPS (Rs.)	15.1	25.2	10.1	10.1
Yield (%)	1.8	3.0	1.2	1.2
RoE (%)	19.7	18.2	19.1	18.0
RoCE (%)	18.6	19.7	20.4	20.1
EV/Sales (x)	1.8	1.8	1.5	1.3
EV/EBITDA (x)	11.8	10.3	8.7	7.3
PE (x)	17.4	17.1	14.5	13.2
P/BV (x)	3.2	3.0	2.6	2.2

Key Data

TEML.BO | TECHM IN

52-W High / Low	Rs.888 / Rs.470
Sensex / Nifty	40,686 / 11,930
Market Cap	Rs.820bn/ \$ 11,143m
Shares Outstanding	967m
3M Avg. Daily Value	Rs.9270.84m

Shareholding Pattern (%)

Promoter's	35.83
Foreign	37.95
Domestic Institution	14.24
Public & Others	11.99
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	7.0	62.0	16.7
Relative	(1.0)	26.8	12.1

Aniket Pande

aniketpande@plindia.com | 91-22-66322300

Aditi Patil

aditipatil@gmail.com |

Strong operational performance...

Quick Pointers:

- Deal wins normalized to US\$400-500 mn band (US\$421 mn in the quarter) after hitting to a low of US\$290 mn in Q1FY21.
- BPO contributed to 53% of incremental revenues.
- Reduction of IT Services employees (-1508, -2% QoQ) & reduction of sales employees (-558, -8% QoQ) surprised us.

TechM reported strong revenue growth of 2.9% QoQ CC (Ple:1.9%, Cons:2.0%) & \$ revenue growth of 4.8% (Ple:3.1%, cons: 4%) at US\$1265.4mn. BPO saw strong growth rebound of 31.1%(contributing to 53% of incremental revs) & IT services growth was modest at 2.4% in \$ terms. EBIT margins surprised us positively at 14.2% (Ple:12%, Cons: 11.3%)& tailwinds are i) +160bps each from supply side and demand side recovery, ii) +160 bps from cost optimization due to improve offshoring, higher utilization and lower sub-contractors and iii) +70bps aided by normalization due to seasonality. Management guided that margins can remain stable & can improve further. We continue to believe that 5G opportunity will start from 2HFY22 & TechM will witness strong acceleration of revenue growth.

With strong beat in margin performance, we revise our estimates by avg: 8% for FY22/23. On 5G theme, we believe TechM to be the biggest beneficiary. Further, TechM's strong play in network infrastructure services differentiates it from other Indian IT. TM has capabilities in radio frequency planning, design, engineering services, network rollout and post implementation network optimization and support. We believe TechM is well-positioned to capture a fair share of 5G network services spends. We continue to value TM at 17X on Sep-22 EPS of INR 61.3 to arrive at a changed TP of INR 1042 (Old TP: 966) with revenue & earnings CAGR of 9%/14% respectively. TM is currently trading at 14.5X/13.2X at EPS of INR 58.4/64.2 on FY22/23E respectively. Maintain Buy.

- BPO led recovery:** TM reported revenue of US\$1265.4mn up 2.9% QoQ CC (Ple: 1.9%) & USD 4.8% QoQ above our and street estimates. (Ple: 3.1%, Cons: 4%). Strong revival in revenue was on account equal impact from both – easing out of supply side constraints and recovery in demand. Communication (39.3% of revenues) rebounded with 3.2% QoQ USD growth and Enterprise grew at 5.9% QoQ USD. From service line perspective, BPO saw strong growth rebound of 31.1%(contributing to 53% of incremental revs) & IT services growth was modest at 2.4% in \$ terms. Soft growth in IT services was on account of tepid recovery in network services and a weak Europe. Management stated that on BPO side as well they are doing decent amount of work in digital, customer experience, front office transformation which involves cannibalizing their traditional services through implementation of advanced data analytics & AI. They have gained market share due to vendor consolidation. Growth in digital revenue was upwards of 10-15% QoQ in Q2 and management will continue their investments in this space.

Management cited that **Manufacturing** has bottomed out in Q2 and will grow in Q3. In this segment, demand is mainly seen in engineering services in auto sector related to Autonomous, EV, industrial space.

Management indicated that current EBIT margin levels are sustainable and there is still scope to improve margin.

TechM has partnered with all big players in Enterprise space – partnership with AWS to develop Blockchain solutions, with Microsoft with develop new BU, and with Google Cloud.

- **Broad based growth in coming quarters:** Manufacturing grew by 0.5%, TME grew by 13.3%, BFSI grew by 9.6%, Retail & travel grew by 7.8% QoQ all in USD terms. Management cited that **Manufacturing** has bottomed out in Q2 and will grow in Q3. In this segment, demand is mainly seen in engineering services in auto sector related to Autonomous, EV, industrial space. They are seeing good growth in **Retail** vertical with clients shifting to omni-channels & e-commerce especially their Business Processing Services unit. Growth will also come from good growth of their retail clients who have well established online channels, during the holiday season in Q3. Geography wise: US and Europe both grew by 2.7% QoQ in USD terms. Management cited that Europe has been slower, whereas US and RoW have bounced back this quarter.
- **Sharp beat in margin:** EBIT Margins at 14.2% strongly surprised us with beat of 220bps vs our estimate of 12% (Cons:11.3%). EBIT Margin improved by 410bps QoQ with tailwinds of i) +160bps each from supply side and demand side recovery, ii) +160 bps from cost optimization due to improve offshoring, higher utilization and lower sub-contracting and iii) +70bps aided by normalization due to seasonality. (Q1 is a seasonally weak quarter for TechM's mobility business). BPO segment margin increased to a multi-quarter high of 21.8% from 6.8% in Q1FY21. Utilization improved to 85% in Q2 vs 82% in Q1 and management indicated that their target is to maintain utilization at this level in the coming two quarters. Sub-contracting costs lower by 100bps to 13% in Q2 vs 14% in Q1.
- Management indicated that current EBIT margin levels are sustainable and there is still scope to improve margin. Travel costs will return but they can further reduce sub-contracting costs, improve offshoring mix and synergies with client's systems & process will drive down costs. Recovery in demand will also improve margins. EBITDA will be maintained at 15% or higher for FY21 and FY22. EPS was at INR 12.18 up by 9.4% QoQ. (Ple: INR 10.8)
- **TCV momentum back on track:** Net new deal wins are at USD 421mn (Vs Q1FY21: 290). Communication deal wins were at USD208mn (vs Q1FY21: 105mn) and Enterprise at 214mn (Q1FY21: 185mn). Deal pipeline is a mix of large and mixed size deals on digital transformation. Size of the deals have doubled and Management indicated that deal funnel is at an all-time high. Vertical wise large deal composition: 1 Technology, 3 Communication, 2 Pharma, 1 Chemical, 1- Utility, 1-Public. COVID has been a catalyst to speed up decision making and improve pace of technology transformation. TechM has partnered with all big players in Enterprise space – partnership with AWS to develop Blockchain solutions, with Microsoft with develop new BU, and with Google Cloud.
- **Broad based 5G pipeline to ramp up in FY22:** Large part of deal funnel is around 5G or 5G enablement services. (ex: Design and implementation of new billing system to be able to serve 5G use cases). Discussion are at an advance stage across multiple accounts involving 5G operations, systems, network architecture etc. Through their partnership with Rakuten cemented at all levels they will further build capabilities and grow as 5G demand ramps up in FY22. 5G deals are largely B2B based but now wit shift in remote working leading to intense pressure on data traffic there may be demand on security infra and private network side from B2C customers of Network service providers. Though consumption of data is at an all-time high, revenues and margins of

Board approve dividend of INR 15 which takes pay-out ratio to around 60-70% FY21. Goal of management is to return excess cash to investors and typically invest 30% in M&A and other investments in growth areas such as AI, Cloud & 5G in short term.

telcos have not improved and this may have negative impact on the speed of their investments in 5G. Projects in 5G space are not just limited to network deployment. They are doing discussions with clients in leveraging new technologies like AI/ML to improve customer experience. In Manufacturing vertical, they are implementing solutions in US and Europe related to IT Infrastructure and application of 5G communication.

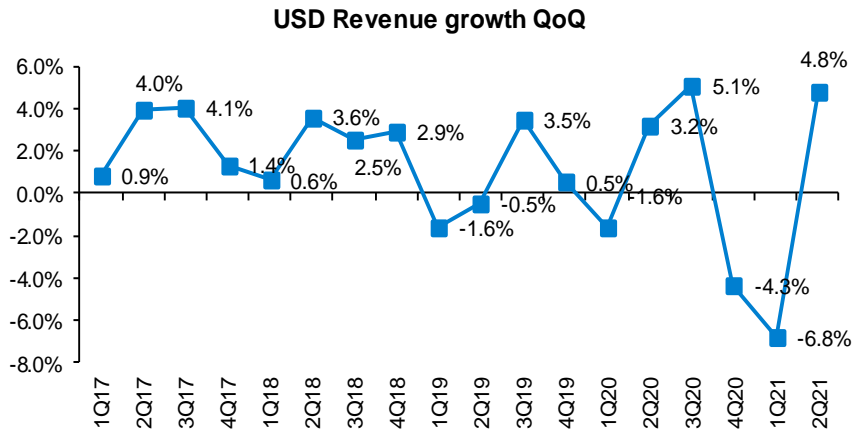
- Reduction of Sales employees came as negative surprise:** Total headcount stood at 124,258 higher by 842 employees lead by substantial addition of BPO employees at 2908 while, Sales & Support decreased by 558 employees & Software decreased by 1508 employees QoQ. IT attrition was at 14% (-300 bps QoQ vs last quarter of 17%) There won't be much headcount addition as these plans will be centred around maintaining utilization levels and controlled attrition. They will continue talent transformation by investing in upskilling their talent to make them more relevant.
- Focus on cash flow management & investments in future:** They continue their rigor in managing cash flows with FCF/NI at 164%. DSO at 97 days was lowest in last 15 quarters. As growth comes back, working capital size will increase and DSO may increase but the internal focus on cash flow management achieved because of this pandemic will continue. Board approve dividend of INR 15 which takes pay-out ratio to around 60-70% FY21. Goal of management is to return excess cash to investors and typically invest 30% in M&A and other investments in growth areas such as AI, Cloud & 5G in short term. As a long term vision they want to develop capabilities in Space technology and other differentiated offerings.

Exhibit 1: Q1FY21: Quick view on results

Y/e March (Rs mn)	2Q21	1Q21	QoQ gr.	2Q20	YoY gr.	Ple vs. Act	Ple
Net Sales (\$ m)	1,265	1,207	4.8%	1,287	-1.7%	1.7%	1,244.0
Net Sales	93,718	91,063	2.9%	90,699	3.3%	1.3%	92,552
EBITDA	17,030	13,005	30.9%	15,009	13.5%	18.7%	14,350
<i>EBITDA Margin</i>	<i>18.2%</i>	<i>14.3%</i>	<i>389 bps</i>	<i>16.5%</i>	<i>162 bps</i>	<i>267 bps</i>	<i>15.5%</i>
EBIT	13,313	9,173	45.1%	11,594	14.8%	25.0%	10,648
<i>EBIT margin</i>	<i>14.2%</i>	<i>10.1%</i>	<i>413 bps</i>	<i>12.8%</i>	<i>142 bps</i>	<i>270 bps</i>	<i>11.5%</i>
PAT	10,646	9,722	9.5%	11,239	-5.3%	11.7%	9,535
EPS (diluted)	12.11	11.05	9.6%	12.78	-5.2%	11.7%	10.84

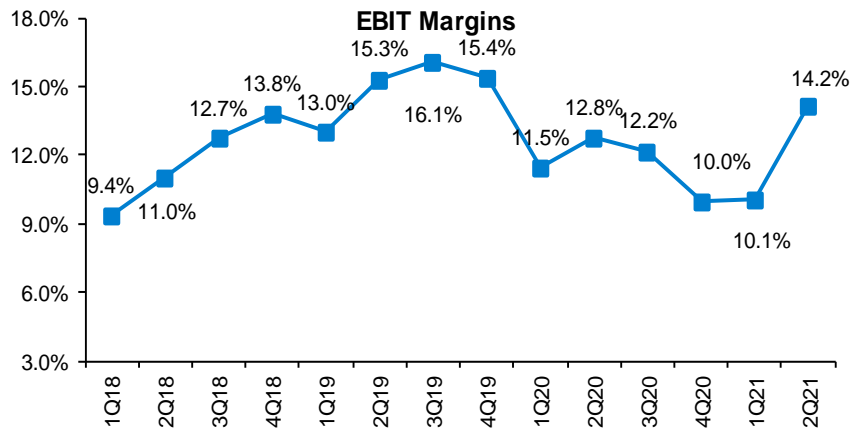
Source: Company, PL

Exhibit 2: Strong rebound in revenue growth



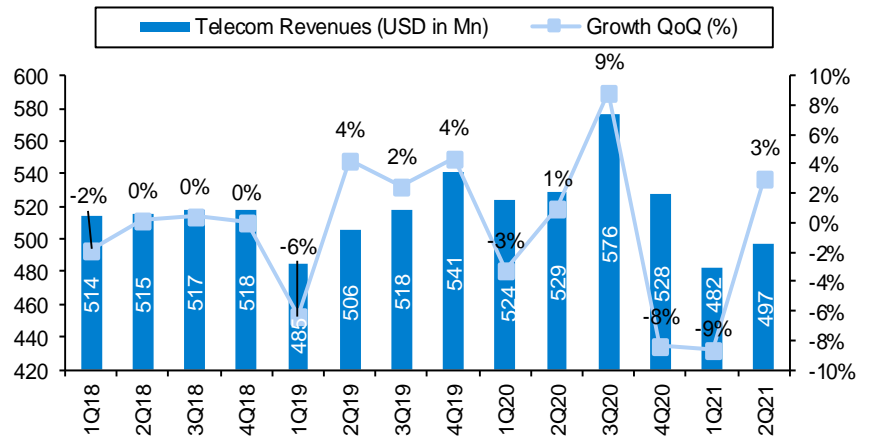
Source: Company, PL

Exhibit 3: EBIT margin to improve further



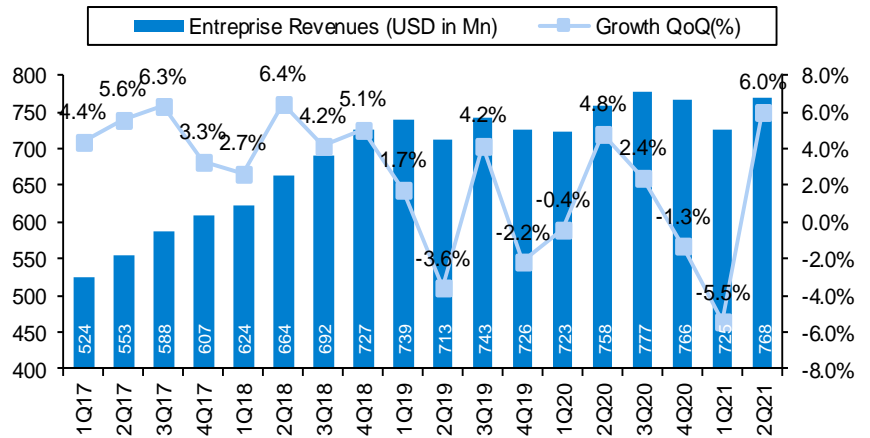
Source: Company, PL

Exhibit 4: Telecom to drive growth ahead



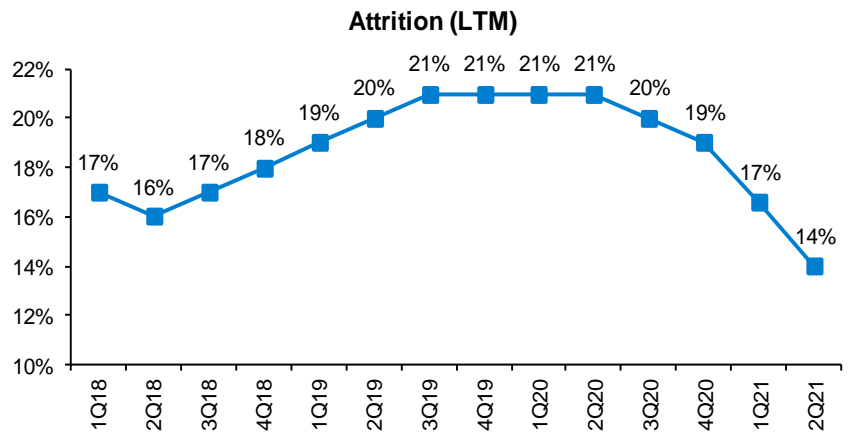
Source: Company, PL

Exhibit 5: Enterprise Vertical to remain stable



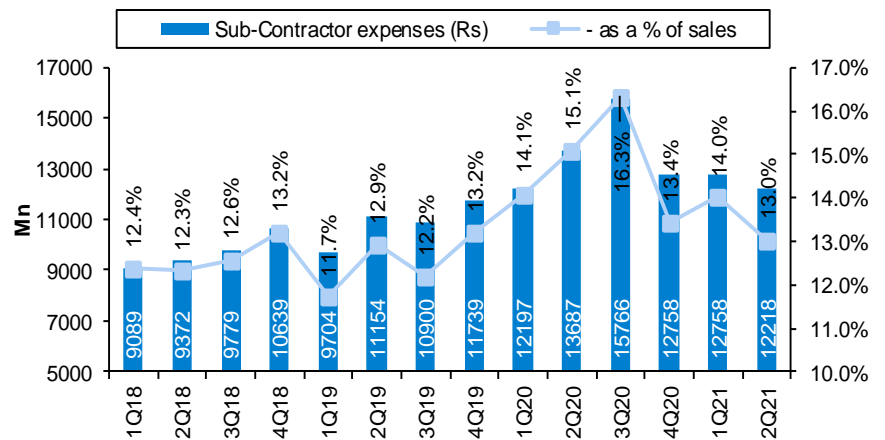
Source: Company, PL

Exhibit 6: Attrition decreased significantly

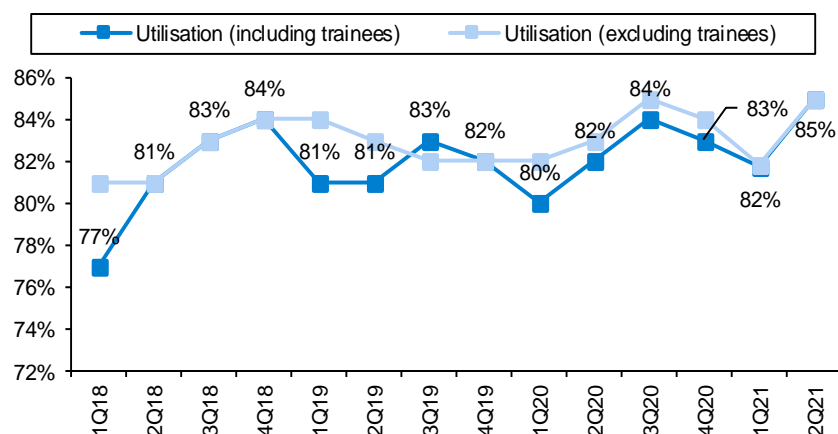


Source: Company, PL

Exhibit 7: Subcontracting costs to remain under pressure



Source: Company, PL

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


Source: Company, PL

Exhibit 9: Geography-wise revenues

(US\$ m)	2Q21	1Q21	QoQ	2Q20	YoY
North America	612.5	595.5	2.8%	624.3	-1.9%
Europe	318.9	311.5	2.4%	343.7	-7.2%
RoW	334.1	300.0	11.4%	319.2	4.6%
%					
North America	48.4%	49.3%	-94 bps	48.5%	-10 bps
Europe	25.2%	25.8%	-61 bps	26.7%	-150 bps
RoW	26.4%	24.9%	155 bps	24.8%	160 bps

Source: Company, PL

Exhibit 10: Vertical-wise revenues

(US\$ m)	2Q21	1Q21	QoQ	2Q20	YoY
Telecom	497.3	482.4	3.1%	529.0	-6.0%
Enterprise	768.1	725.3	5.9%	747.9	2.7%
- Manufacturing	203.7	203.2	0.3%	231.7	-12.1%
- Technology, media & entertainment	124.0	108.9	13.9%	104.3	18.9%
- BFSI	207.5	189.7	9.4%	167.3	24.0%
- Retail, Transport & Logistics	94.9	88.4	7.4%	90.1	5.3%
- Others	137.9	135.2	2.0%	154.5	-10.7%
%					
Telecom	39.3%	40.0%	-67 bps	41.1%	-180 bps
Enterprise	60.7%	60.1%	60 bps	58.1%	260 bps
- Manufacturing	16.1%	16.8%	-73 bps	18.0%	-190 bps
- Technology, media & entertainment	9.8%	9.0%	78 bps	8.1%	170 bps
- BFSI	16.4%	15.7%	68 bps	13.0%	340 bps
- Retail, Transport & Logistics	7.5%	7.3%	18 bps	7.0%	50 bps
- Others	10.9%	11.2%	-30 bps	12.0%	-110 bps

Source: Company, PL

Exhibit 11: Client Metrics

	2Q21	1Q21	QoQ	2Q20	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)	2Q21	1Q21	QoQ	2Q20	YoY
Top 5 Client	272	263	3.5%	278	-2.1%
Top 6-10 Clients	113	112	0.4%	127	-11.6%
Top 10 Clients	385	375	2.6%	405	-5.1%
Top 10-20 Clients	156	150	3.8%	156	-0.1%
Top 20 Clients	540	525	3.0%	561	-3.7%
Non Top 20 Clients	725	682	6.3%	726	-0.1%
% of Total					
Top 5 Clients	21.5%	21.8%	-27 bps	21.6%	-10 bps
Top 10 Clients	30.4%	31.1%	-66 bps	31.5%	-110 bps
Top 20 Clients	42.7%	43.5%	-78 bps	43.6%	-90 bps
Non Top 20 Clients	57.3%	56.5%	78 bps	56.4%	90 bps

Source: Company, PL

Exhibit 13: Headcount Metrics

	2Q21	1Q21	QoQ	2Q20	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%
Total Employees	1,23,416	1,25,236	-1.5%	1,25,773	-1.9%
Attrition					
IT Utilization(excl. trainees)	85.0%	81.8%	320 bps	83.0%	200 bps
IT Utilization(incl. trainees)	85.0%	81.7%	330 bps	82.0%	300 bps

Source: Company, PL

Exhibit 14: Effort Mix

(US\$ m)	2Q21	1Q21	QoQ	2Q20	YoY
Onsite	797	774	3.0%	842	-5.3%
Offshore	468	433	8.1%	445	5.1%
% of Total					
Onsite	63.0%	64.1%	-111 bps	65.4%	-240 bps
Offshore	37.0%	35.9%	111 bps	34.6%	240 bps

Source: Company, PL

Exhibit 15: Deal Wins (USD Mn)

	1Q20	2Q20	3Q20	4Q20	FY20	1Q21	2Q21
Communications	100	1,079	150	174	1,503	105	208
Enterprise	375	414	1,081	339	2,209	185	214
Total	475	1,493	1,231	513	3,712	290	421

Source: Company, PL

Valuation

With strong beat in margin performance, we revise our estimates by avg: 8% for FY22/23. On 5G theme, we believe TechM to be the biggest beneficiary. Further, TechM's strong play in network infrastructure services differentiates it from other Indian IT. TM has capabilities in radio frequency planning, design, engineering services, network rollout and post implementation network optimization and support. We believe Tech M is well-positioned to capture a fair share of 5G network services spends. We continue to value TM at 17X on Sep-22 EPS of INR 61.3 to arrive at a changed TP of INR 1042 (Old TP: 966) with revenue & earnings CAGR at 9%/14% respectively. TM is currently trading at 14.5X/13.2X at EPS of INR 58.4/64.2 on FY22/23E respectively. Maintain Buy.

Exhibit 16: Change in Estimates

Y/e March	FY21E	FY22E	FY23E
USD revenues (US\$ m)			
- New	5,069	5,513	6,023
- Old	5,048	5,513	6,023
<i>Change (%)</i>	<i>0.4%</i>	<i>0.0%</i>	<i>0.0%</i>
EBIT Margin			
- New	13.0%	13.7%	14.0%
- Old	11.2%	12.0%	12.6%
<i>Change (%)</i>	<i>176 bps</i>	<i>168 bps</i>	<i>148 bps</i>
Recurring EPS - Fully diluted (Rs)			
- New	49.3	58.1	63.8
- Old	45.7	53.6	59.6
<i>Change (%)</i>	<i>7.8%</i>	<i>8.4%</i>	<i>7.2%</i>

Source: PL

Financials

Income Statement (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
Net Revenues	3,68,677	3,78,877	4,13,450	4,57,719
YoY gr. (%)	6.1	2.8	9.1	10.7
Employee Cost	2,59,743	2,61,750	2,79,175	3,01,890
Gross Profit	1,08,934	1,17,127	1,34,275	1,55,829
Margin (%)	29.5	30.9	32.5	34.0
SG&A Expenses	-	-	-	-
Other Expenses	-	-	-	-
EBITDA	57,261	64,558	73,271	82,594
YoY gr. (%)	(9.6)	12.7	13.5	12.7
Margin (%)	15.5	17.0	17.7	18.0
Depreciation and Amortization	14,458	15,313	16,538	18,309
EBIT	42,803	49,245	56,733	64,285
Margin (%)	11.6	13.0	13.7	14.0
Net Interest	1,919	1,700	1,500	1,500
Other Income	11,924	7,686	10,672	10,672
Profit Before Tax	52,808	55,231	65,905	73,457
Margin (%)	14.3	14.6	15.9	16.0
Total Tax	11,604	13,146	16,130	18,651
Effective tax rate (%)	22.0	23.8	24.5	25.4
Profit after tax	41,204	42,084	49,774	54,807
Minority interest	(1,356)	(1,309)	(1,309)	(1,309)
Share Profit from Associate	-	-	-	-
Adjusted PAT	42,560	43,393	51,083	56,116
YoY gr. (%)	(2.5)	2.0	17.7	9.9
Margin (%)	11.5	11.5	12.4	12.3
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	42,560	43,393	51,083	56,116
YoY gr. (%)	(2.5)	2.0	17.7	9.9
Margin (%)	11.5	11.5	12.4	12.3
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	42,560	43,393	51,083	56,116
Equity Shares O/s (m)	873	873	874	874
EPS (Rs)	48.8	49.7	58.4	64.2

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
Non-Current Assets				
Gross Block	46,085	47,360	51,681	57,215
Tangibles	46,085	47,360	51,681	57,215
Intangibles	-	-	-	-
Acc: Dep / Amortization	-	-	-	-
Tangibles	-	-	-	-
Intangibles	-	-	-	-
Net fixed assets	46,085	47,360	51,681	57,215
Tangibles	46,085	47,360	51,681	57,215
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	21,435	21,438	21,443
Current Assets				
Investments	-	-	-	-
Inventories	-	-	-	-
Trade receivables	70,705	72,661	79,292	87,782
Cash & Bank Balance	77,501	88,267	1,16,131	1,46,633
Other Current Assets	60,832	62,515	68,219	75,524
Total Assets	3,51,454	3,68,909	4,15,645	4,69,866
Equity				
Equity Share Capital	4,437	4,437	4,437	4,437
Other Equity	2,25,470	2,43,153	2,83,951	3,29,781
Total Network	2,29,907	2,47,590	2,88,388	3,34,218
Non-Current Liabilities				
Long Term borrowings	2,086	2,086	2,086	2,086
Provisions	-	-	-	-
Other non current liabilities	27,051	27,459	28,842	30,613
Current Liabilities				
ST Debt / Current of LT Debt	10,461	8,961	7,461	5,961
Trade payables	31,338	32,205	35,143	38,906
Other current liabilities	47,191	48,496	52,922	58,588
Total Equity & Liabilities	3,51,454	3,68,909	4,15,645	4,69,866

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
PBT	52,808	55,231	65,905	73,457
Add. Depreciation	14,458	15,313	16,538	18,309
Add. Interest	1,919	1,700	1,500	1,500
Less Financial Other Income	11,924	7,686	10,672	10,672
Add. Other	-	-	-	-
Op. profit before WC changes	69,185	72,244	83,943	93,266
Net Changes-WC	(19,217)	(1,243)	(4,214)	(5,396)
Direct tax	(11,604)	(13,146)	(16,130)	(18,651)
Net cash from Op. activities	38,364	57,854	63,599	69,220
Capital expenditures	(31,433)	(18,178)	(22,450)	(25,432)
Interest / Dividend Income	-	-	-	-
Others	-	-	-	-
Net Cash from Inv. activities	(31,433)	(18,178)	(22,450)	(25,432)
Issue of share cap. / premium	-	-	-	-
Debt changes	(1,500)	(1,500)	(1,500)	(1,500)
Dividend paid	(15,442)	(25,714)	(10,286)	(10,286)
Interest paid	(1,919)	(1,700)	(1,500)	(1,500)
Others	(55)	4	-	-
Net cash from Fin. activities	(18,916)	(28,910)	(13,286)	(13,286)
Net change in cash	(11,985)	10,766	27,864	30,502
Free Cash Flow	6,932	39,676	41,149	43,788

Source: Company Data, PL Research

Key Financial Metrics

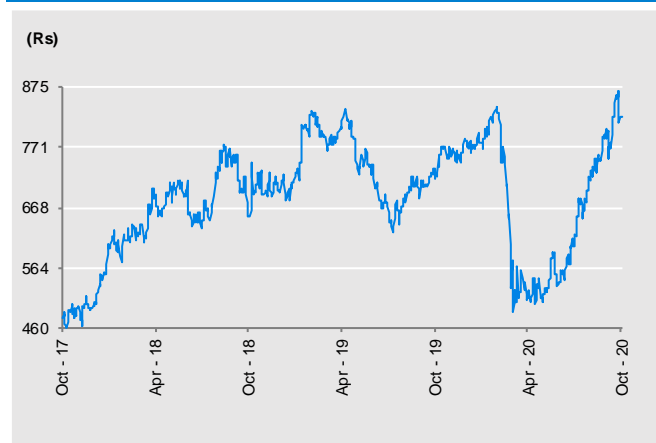
Y/e Mar	FY20	FY21E	FY22E	FY23E
Per Share(Rs)				
EPS	48.8	49.7	58.4	64.2
CEPS	65.3	67.3	77.4	85.1
BVPS	263.4	283.7	329.9	382.4
FCF	7.9	45.5	47.1	50.1
DPS	15.1	25.2	10.1	10.1
Return Ratio(%)				
RoCE	18.6	19.7	20.4	20.1
ROIC	19.7	19.7	19.9	18.7
RoE	19.7	18.2	19.1	18.0
Balance Sheet				
Net Debt : Equity (x)	(0.3)	(0.3)	(0.4)	(0.4)
Debtor (Days)	70	70	70	70
Valuation(x)				
PER	17.4	17.1	14.5	13.2
P/B	3.2	3.0	2.6	2.2
P/CEPS	13.0	12.6	11.0	10.0
EV/EBITDA	11.8	10.3	8.7	7.3
EV/Sales	1.8	1.8	1.5	1.3
Dividend Yield (%)	1.8	3.0	1.2	1.2

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q3FY20	Q4FY20	Q1FY21	Q2FY21
Net Revenue	96,546	94,902	91,063	93,718
YoY gr. (%)	7.9	6.7	5.2	3.3
Raw Material Expenses	67,312	66,896	65,105	64,245
Gross Profit	29,234	28,006	25,959	29,473
Margin (%)	30.3	29.5	28.5	31.4
EBITDA	15,633	13,478	13,005	17,030
YoY gr. (%)	(9.2)	(17.8)	(1.0)	13.5
Margin (%)	16.2	14.2	14.3	18.2
Depreciation / Depletion	3,848	3,982	3,832	3,717
EBIT	11,785	9,496	9,173	13,313
Margin (%)	12.2	10.0	10.1	14.2
Net Interest	550	532	503	399
Other Income	3,496	2,852	4,161	1,175
Profit before Tax	14,731	11,816	12,831	14,089
Margin (%)	15.3	12.5	14.1	15.0
Total Tax	3,629	2,392	3,276	3,462
Effective tax rate (%)	24.6	20.2	25.5	24.6
Profit after Tax	11,102	9,424	9,555	10,627
Minority interest	(352)	(775)	(167)	(15)
Share Profit from Associates	5	15	-	4
Adjusted PAT	11,459	10,214	9,722	10,646
YoY gr. (%)	(5.8)	(9.8)	1.3	(5.3)
Margin (%)	11.9	10.8	10.7	11.4
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	11,459	10,214	9,722	10,646
YoY gr. (%)	(5.8)	(9.8)	1.3	(5.3)
Margin (%)	11.9	10.8	10.7	11.4
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	11,459	10,214	9,722	10,646
Avg. Shares O/s (m)	879	879	880	879
EPS (Rs)	13.0	11.6	11.1	12.1

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	05-Oct-20	BUY	966	823
2	01-Oct-20	BUY	966	792
3	28-Jul-20	Accumulate	716	665
4	04-Jul-20	Reduce	493	567
5	02-May-20	Reduce	478	546
6	12-Apr-20	Reduce	530	545
7	01-Feb-20	Reduce	724	797
8	03-Jan-20	Reduce	656	775
9	06-Nov-19	Reduce	656	773

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Coforge	BUY	2,784	2,457
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	Accumulate	1,860	1,754
7	Larsen & Toubro Infotech	BUY	3,465	3,100
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

ANALYST CERTIFICATION

(Indian Clients)

We/I, Mr. Aniket Pande- MBA, Ms. Aditi Patil- MBA Finance Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

(US Clients)

The research analysts, with respect to each issuer and its securities covered by them in this research report, certify that: All of the views expressed in this research report accurately reflect his or her or their personal views about all of the issuers and their securities; and No part of his or her or their compensation was, is or will be directly related to the specific recommendation or views expressed in this research report.

DISCLAIMER

Indian Clients

Prabhudas Lilladher Pvt. Ltd, Mumbai, India (hereinafter referred to as "PL") is engaged in the business of Stock Broking, Portfolio Manager, Depository Participant and distribution for third party financial products. PL is a subsidiary of Prabhudas Lilladher Advisory Services Pvt Ltd. which has its various subsidiaries engaged in business of commodity broking, investment banking, financial services (margin funding) and distribution of third party financial/other products, details in respect of which are available at www.plindia.com.

This document has been prepared by the Research Division of PL and is meant for use by the recipient only as information and is not for circulation. This document is not to be reported or copied or made available to others without prior permission of PL. It should not be considered or taken as an offer to sell or a solicitation to buy or sell any security.

The information contained in this report has been obtained from sources that are considered to be reliable. However, PL has not independently verified the accuracy or completeness of the same. Neither PL nor any of its affiliates, its directors or its employees accepts any responsibility of whatsoever nature for the information, statements and opinion given, made available or expressed herein or for any omission therein.

Recipients of this report should be aware that past performance is not necessarily a guide to future performance and value of investments can go down as well. The suitability or otherwise of any investments will depend upon the recipient's particular circumstances and, in case of doubt, advice should be sought from an independent expert/advisor.

Either PL or its affiliates or its directors or its employees or its representatives or its clients or their relatives may have position(s), make market, act as principal or engage in transactions of securities of companies referred to in this report and they may have used the research material prior to publication.

PL may from time to time solicit or perform investment banking or other services for any company mentioned in this document.

PL is in the process of applying for certificate of registration as Research Analyst under Securities and Exchange Board of India (Research Analysts) Regulations, 2014

PL submits that no material disciplinary action has been taken on us by any Regulatory Authority impacting Equity Research Analysis activities.

PL or its research analysts or its associates or his relatives do not have any financial interest in the subject company.

PL or its research analysts or its associates or his relatives do not have actual/beneficial ownership of one per cent or more securities of the subject company at the end of the month immediately preceding the date of publication of the research report.

PL or its research analysts or its associates or his relatives do not have any material conflict of interest at the time of publication of the research report.

PL or its associates might have received compensation from the subject company in the past twelve months.

PL or its associates might have managed or co-managed public offering of securities for the subject company in the past twelve months or mandated by the subject company for any other assignment in the past twelve months.

PL or its associates might have received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months.

PL or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months

PL or its associates might have received any compensation or other benefits from the subject company or third party in connection with the research report.

PL encourages independence in research report preparation and strives to minimize conflict in preparation of research report. PL or its analysts did not receive any compensation or other benefits from the subject Company or third party in connection with the preparation of the research report. PL or its Research Analysts do not have any material conflict of interest at the time of publication of this report.

It is confirmed that Mr. Aniket Pande- MBA, Ms. Aditi Patil- MBA Finance Research Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

The Research analysts 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.

The research analysts for this report has not served as an officer, director or employee of the subject company PL or its research analysts have not engaged in market making activity for the subject company

Our sales people, traders, and other professionals or affiliates 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 are 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.

PL and its associates, their directors and employees may (a) from time to time, have a long or short position in, and buy or sell the securities of the subject company or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company or act as an advisor or lender/borrower to the subject company or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.

US Clients

This research report is a product of Prabhudas Lilladher Pvt. Ltd., 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 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 by Prabhudas Lilladher Pvt. Ltd. only 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, Prabhudas Lilladher Pvt. Ltd. has entered into an agreement with a U.S. registered broker-dealer, Marco Polo Securities Inc. ("Marco Polo").

Transactions in securities discussed in this research report should be effected through Marco Polo or another U.S. registered broker dealer.

Prabhudas Lilladher Pvt. Ltd.

3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

www.plindia.com