

Coforge (COFORGE IN)

Rating: BUY | CMP: Rs3,396 | TP: Rs3,762

Champion!

Quick Pointers:

- Fastest growing Indian IT services company with all ingredients to deserve a premium multiple.

Coforge surprised us with strong beat on revenue growth of 5.1% QoQ CC, 7.1% QoQ USD, much above (+310bps) our estimates (Ple: 4% QoQ USD). Strong growth in three consecutive quarters despite 28% (pre-covid) exposure to worse affected travel sector resulted in 6% YoY CC growth, exactly in-line with their guidance for FY21. Coforge's strong and niche capabilities in BFS, Insurance and Others led to very strong growth ex-Travel at 18.4% YoY CC in FY21. Travel is expected to rebound sharply in FY22 given 1) two large deal wins in Travel in 4Q 2) significant number of enquiries in cloud, cyber security, hi-tech touch less operations and 3) potential surge in travel in 2HFY22 due to large scale vaccinations.

Management has guided organic revenue growth of 17% YoY CC in FY22 on back of 1) strong exit rate 2) sustained strong deal TCV of 201\$ mn in 4QFY21, 3) robust next 12-months executable order book of 520\$ mn, +11.1% YoY and 4) strong large deal pipeline with two \$50mn+ deals and one \$100mn deal and 5) strong rebound in expected in Travel. Addition of inorganic revenues from SLK global acquisition revenues (~\$73 mn revenues in FY21 and 3-Yr revenue CAGR of 17%) will provide further upside to revenues.

EBIT margin increased by 30 bps QoQ to 13.3% in Q4 (Ple: 13.0%, Cons: 13.5%) despite one-time performance bonus in 4Q. For FY22, management mentioned that they can improve EBITDA pre-RSU to 19% from 18% in FY21 as headwind from wage hike in 1QFY22 will be offset by tailwinds from 1) reversal of travel vertical discounts 2) revenue growth leverage and 3) further improvement in offshoring 4) high margin SLK global revenues. Attrition continues to be one of the lowest in the industry at 10.5% and is not expected to change materially from these levels. Management exuded confidence in managing supply side issues because of their ability to control attrition and aggressive hiring.

We anticipate revenues to grow by 31.6% YoY USD in FY22E led by 18% YoY USD growth in organic revenues and \$85 mn (+16% YoY growth over FY21 revenues of ~\$73 mn) contribution from SLK Global. We assign 27X (earlier 23X) multiple for Coforge to arrive at a TP of Rs.3762 (earlier Rs3051) valued on FY23 EPS of Rs.139.3. We have upgraded the multiple due to 1) strong revenue growth potential, 2) ability to leverage acquisition and partnerships to materially accelerate revenue growth and 3) scope to further improve margins. At CMP, stock trades at 27.5x/24.4x FY22/23E EPS of INR 123.5/139.3. Reiterate BUY.

- Strong beat on revenue growth:** Coforge reported revenue of 172.1\$ mn, strong growth of 5.1% QoQ CC, 7.1% QoQ USD, much above (+310bps) our estimates (Ple: 4% QoQ USD). Growth was led by Others (+17.7 QoQ USD), followed by Insurance (+3.8% QoQ USD). Growth was soft in BFS (+1.2% QoQ

May 6, 2021

Q4FY21 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

| | Current | | Previous | |
|----------------|---------|--------|----------|--------|
| | FY22E | FY23E | FY22E | FY23E |
| Rating | BUY | | BUY | |
| Target Price | 3,762 | | 3,020 | |
| Sales (Rs. m) | 62,003 | 71,646 | 54,977 | 66,851 |
| % Chng. | 12.8 | 7.2 | | |
| EBITDA (Rs. m) | 12,103 | 13,799 | 9,626 | 11,863 |
| % Chng. | 25.7 | 16.3 | | |
| EPS (Rs.) | 123.5 | 139.3 | 106.5 | 131.3 |
| % Chng. | 16.0 | 6.1 | | |

Key Financials - Standalone

| Y/e Mar | FY20 | FY21 | FY22E | FY23E |
|-----------------|------|------|-------|-------|
| Sales (Rs. bn) | 42 | 47 | 62 | 72 |
| EBITDA (Rs. bn) | 7 | 8 | 12 | 14 |
| Margin (%) | 17.7 | 18.0 | 19.5 | 19.3 |
| PAT (Rs. bn) | 5 | 5 | 8 | 9 |
| EPS (Rs.) | 77.1 | 85.7 | 123.5 | 139.3 |
| Gr. (%) | 15.1 | 11.1 | 44.1 | 12.8 |
| DPS (Rs.) | 25.0 | 28.7 | 41.3 | 51.2 |
| Yield (%) | 0.7 | 0.8 | 1.2 | 1.5 |
| RoE (%) | 21.3 | 21.6 | 28.2 | 26.9 |
| RoCE (%) | 25.5 | 26.9 | 35.7 | 33.9 |
| EV/Sales (x) | 4.8 | 4.2 | 3.2 | 2.4 |
| EV/EBITDA (x) | 27.3 | 23.5 | 16.2 | 12.7 |
| PE (x) | 44.0 | 39.6 | 27.5 | 24.4 |
| P/BV (x) | 8.9 | 8.3 | 7.0 | 5.4 |

Key Data

NITT.BO | COFORGE IN

| | |
|---------------------|----------------------|
| 52-W High / Low | Rs.3,449 / Rs.1,226 |
| Sensex / Nifty | 48,950 / 14,725 |
| Market Cap | Rs.206bn / \$ 2,790m |
| Shares Outstanding | 61m |
| 3M Avg. Daily Value | Rs.2697.69m |

Shareholding Pattern (%)

| | |
|-------------------------|-------|
| Promoter's | 63.99 |
| Foreign | 14.62 |
| Domestic Institution | 11.85 |
| Public & Others | 9.54 |
| Promoter Pledge (Rs bn) | - |

Stock Performance (%)

| | 1M | 6M | 12M |
|----------|------|------|-------|
| Absolute | 13.2 | 53.1 | 139.4 |
| Relative | 13.8 | 31.0 | 54.9 |

Aniket Pande

aniketpande@plindia.com | 91-22-66322300

Aditi Patil

aditipatil@plindia.com |

Travel is expected to rebound sharply in FY22 given 1) two large deal wins in Travel in 4Q 2) significant number of enquiries in cloud, cyber security, hi-tech touch less operations and 3) potential surge in travel in 2HFY22 due to large scale vaccinations.

Advantage Go's Exact Max, is powerful exposure management solution for Re-insurers. For the first time ever, reinsurers can swiftly and accurately visualize their entire portfolio of billions of locations in real-time and with high-resolution location data.

USD) and Travel (+1.7% QoQ USD). Strong growth in three consecutive quarters resulted in 6% YoY CC growth, exactly in-line with their guidance for FY21. Coforge's strong and niche capabilities in BFS, Insurance and Others led to very strong growth ex-Travel at 18.4% YoY CC in FY21.

- **Significant value creation from SLK Global acquisition:** Coforge has completed acquisition of 60% of stake in SLK Global, a BPM and Digital solutions company for BFS at April end. SLK will contribute to 11 months of Coforge's FY22 performance. Its ETR is 200bps higher than Coforge ETR consolidated ETR will be impacted by 20-30bps because of acquisition Integration with SLK is going as per plan and they are already in process of applying 2 joint bids. **This is acquisition enables significant value creation because of 5 key reasons: 1) Access to quasi captive client base with 5-year minimum revenue commitment 2) addition of Fifth Third Bank in Top 5 client bucket 3) SLK business is margin accretive 4) SLK is high growth firm with 3-year revenue CAGR of 17% 5) Bought at reasonable enterprise valuation at single digit EBITDA multiple.**
- **Strong organic revenue guidance, plus inorganic contribution from SLK:** The company is planning for an organic growth of at least 17% YoY in CC terms during FY22. There will be significant contribution from high growth SLK business. SLK Global reported revenue of \$62 mn during FY'20 and is expected to report revenue of \$73 mn during FY'21. It has grown at 3-Year CAGR of 17% from FY17-20. Management mentioned that SLK Business is expected to grow at even higher rate (>17%) than organic revenues. We believe that Coforge will continue to be one of the fastest growing among peer group given sustained strong order intake, robust next 12 months executable order book, revival in travel and addition of revenues from SLK Global acquisition.
- **Expansion in EBIT margin despite one-time bonus payment in 4Q:** EBIT margin increased by 30 bps QoQ to 13.3% in Q4 (Ple: 13.0%, Cons: 13.5%) despite one-time performance bonus in 4Q led by increase in utilization by 210 bps QoQ to 81% and 170bps QoQ rise in offshore effort mix to 77.9%. There was also impact of Rs46mn (40bps) from acquisition related expense on EBIT margin. **For FY22, management mentioned that they can sustain EBITDA pre-RSU at 19% as headwind from wage hike in 1QFY22 will be offset by tailwinds from 1) reversal of travel vertical discounts 2) revenue growth leverage and 3) further improvement in offshoring 4) high margin SLK global revenues.** RSU charge is also expected to go down by 40-50bps QoQ in FY22.
- **Sustained strong deal win momentum:** Fresh order intake for the quarter was strong at 201\$ mn +4.6% QoQ taking FY21 order intake to \$781 Mn (+4% YoY). Next 12 months' executable order book grew 3.8% QoQ, 11.1% YoY to \$520 Mn. Coforge signed 2 significant deals – 1) vendor consolidation deal with existing client and 2) new client win in cybersecurity space and **both the deals are in travel vertical.** They also added 11 new customers in 4Q. Order intake was well distributed across US (\$119 mn), EMEA (\$65 mn) and RoW (\$17mn).
- **Deal pipeline is robust and the \$45mn large deal won last quarter is reflective of their strong focus on winning large deals. They are**

Coforge added 11 new clients this quarter including 1 client each in 1Mn+ and 5mn+ bucket. Top 5 / top 10 clients showed strong growth of 11.5% / 13.3% QoQ USD after softness in 3Q

aggressively pursuing 3 large deals – 2 deals of TCV \$50 mn+ and 1 deal of \$100mn+. Anyone of this large deal conversion can lead to material spike in order intake in FY22. Also there can be further upside to 17% YoY CC growth guidance for FY22 if all three deals are converted.

- **BFS (17% of revenues, +1.1% QoQ) to rebound strongly in 1QFY22:** BFS growth was soft this quarter after three consecutive quarters of strong performance. Management mentioned that BFS will rebound very strongly in 1QFY22 given their position as preferred tech services partner across Fortune 500 BFSI clients and support from cross-selling opportunities due to SLK Global's strong presence in US. **Insurance (31% of revenues, 3.7% QoQ)** continued to show healthy growth momentum.
- **Travel & Transport (19% of revenues, 1.7% QoQ)** was soft this quarter but is expected to rebound sharply in FY22 given 1) two large deal wins in Travel in 4Q 2) significant number of enquiries in cloud, cyber security, hi-tech touch less operations and 3) potential surge in travel in 2H FY22 due to large scale vaccinations. They also signed large digital transformation initiative with one of the world's largest Travel Tech company. Discounts and credit extension have also ended which will bring back depressed margins in this vertical in FY22.
- **Others (33% of revenues, 17.7% QoQ)** comprising of 1) Retail and Pharma (10% of revs), 2) Hi-Tech and Manufacturing (8% of revs) and 3) Government outside India (7% of revs) showed very strong growth because of strong traction in Cloud, Digital Integration and Intelligent Automation Services. Coforge will be providing detailed breakup of these verticals from 1QFY22.
- **Advantage Go and Whishworks continue to report strong performance** with revenue of INR 855mn / 1005 mn (vs Rs 776 mn / 563 mn in 2Q) and EBITDA margin of 31% and 24% respectively. **Advantage Go** is now recognized as core Insurance software play with strong demand in underwriting. They have developed a powerful exposure management tool, **Exact Max**, for Re-insurers. With this tool, for the first time ever, reinsurers can swiftly and accurately visualize their entire portfolio of billions of locations in real-time and with high-resolution location data.
- SLK Global's ETR is 200bps higher than Coforge ETR and therefore consolidated ETR will be impacted by 20-30bps because of acquisition
- **Management showed confidence in maintaining attrition at ~10-11% levels:** Attrition continues to be one of the lowest in the industry at 10.5% (vs 10.4% in Q3), helped by selective wage hikes for niche skills in 3Q and performance based bonus in 4Q. Net headcount addition was highest ever in a quarter at 967 employees +8.5% QoQ and they will add another 10% employees (i.e. 1000) in 1QFY22. Attrition is not expected to increase materially from Q4FY21 levels. Management exuded confidence in managing supply side issues because of their ability to control attrition and aggressive hiring.
- **Multi-cloud focus:** Beyond product engineering and cloud services space, they have strengthened their infrastructure rollout services to cloud. Customers are looking for services which will reduce cost and time. **Their 50% cloud and infrastructure resources are multi-cloud certified.** They have also created

AI platform for multi cloud management. These technology innovations are helping clients to innovate in a multi cloud space.

- **Cash flow was generation was robust** with OCF/EBITDA at 80% and Cash on books at INR 8,391 Mn for FY21. DSO reduced by 5 days to 70. Board announced dividend of INR 13 per share, payout ratio of 15%.
- **Coforge delivered resilient performance** of 6% YoY CC growth in FY21, despite badly hit travel vertical (-27% YoY USD). Decline in travel was partially offset by strong demand momentum in BFS (+14.2% YoY USD), Insurance (+13.4% YoY USD) and Others (+26.77% YoY USD). EBIT margins expanded by 52 bps YoY to 14.1% as headwind from impact in Travel vertical was offset by higher utilization, offshoring and controlled attrition.

Exhibit 1: Q4FY21: Quick view on results

| Rs mn | 4QFY21 | 3QFY21 | QoQ Gr. | 4QFY20 | YoY (Gr.) | PLe | Variance(PL VS ACTUAL) |
|-----------------|--------|--------|---------|--------|-----------|-------|------------------------|
| Revenue (USDmn) | 172.1 | 160.8 | 7.0% | 154.8 | 11.2% | 167.2 | 2.9% |
| Revenue | 12615 | 11906 | 6.0% | 11093 | 13.7% | 12192 | 3.5% |
| EBITDA | 2122 | 2009 | 5.6% | 1971 | 7.7% | 2012 | 5.5% |
| EBITDA Margin | 16.8% | 16.9% | -5 bps | 17.8% | -95 bps | 16.5% | 32 bps |
| Adj. PAT | 13.3% | 13.0% | 27 bps | 13.9% | -60 bps | 13.0% | 26 bps |
| EPS | 1330 | 1220 | 9.0% | 1136 | 17.1% | 1328 | 0.2% |

Source: Company, PL

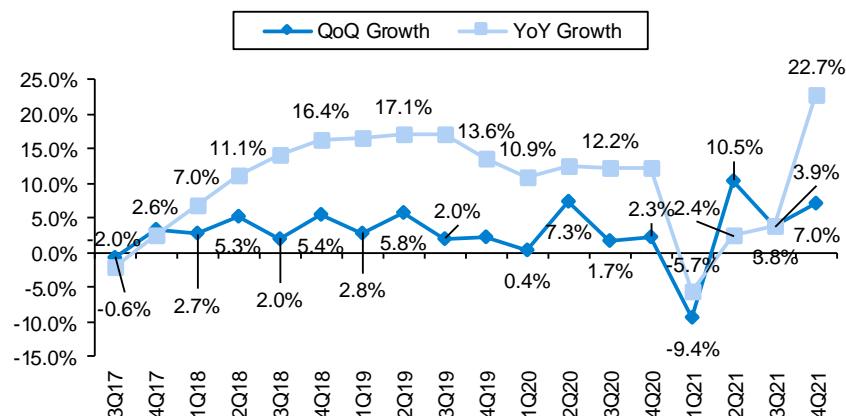
Valuations

We anticipate revenues to grow by 31.6% YoY USD in FY22E led by 18% YoY USD growth in organic revenues and \$85 mn (+16% YoY growth over FY21 revenues of ~\$73 mn) contribution from SLK Global. We assign 27X (earlier 23X) multiple for Coforge to arrive at a TP of Rs.3762 (earlier Rs3051) valued on FY23 EPS of Rs.139.3. We have upgraded the multiple due to 1) strong revenue growth potential, 2) ability to leverage acquisition and partnerships to materially accelerate revenue growth and 3) scope to further improve margins. At CMP, stock trades at 27.5x/24.4x FY22/23E EPS of INR 123.5/139.3. Reiterate BUY.

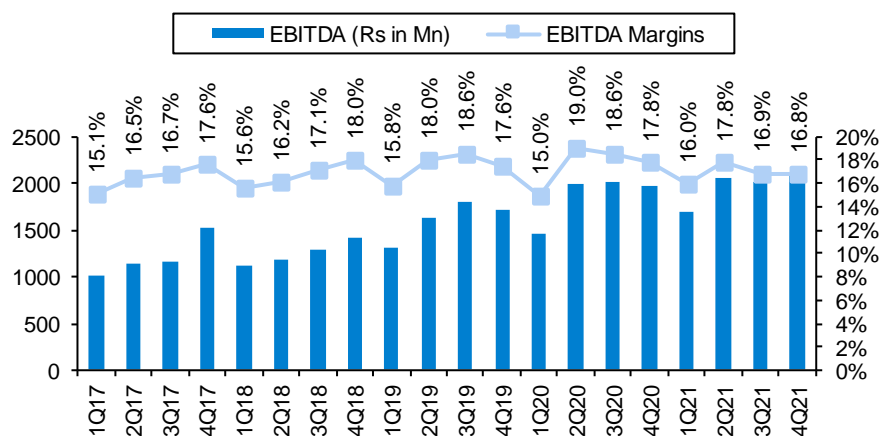
Exhibit 2: Change in Estimates

| Y/e March | FY21E | FY22E | FY23E |
|---|--------|---------|--------|
| USD revenues (US\$ m) | | | |
| - New | 628 | 827 | 943 |
| - Old | 623 | 733 | 880 |
| Change (%) | 0.8% | 12.8% | 7.2% |
| EBIT Margin | | | |
| - New | 14.1% | 15.5% | 15.1% |
| - Old | 13.7% | 14.5% | 14.7% |
| Change (%) | 38 bps | 101 bps | 32 bps |
| Recurring EPS - Fully diluted (Rs) | | | |
| - New | 85.7 | 123.5 | 139.3 |
| - Old | 83.3 | 106.5 | 131.3 |
| Change (%) | 2.9% | 16.0% | 6.1% |

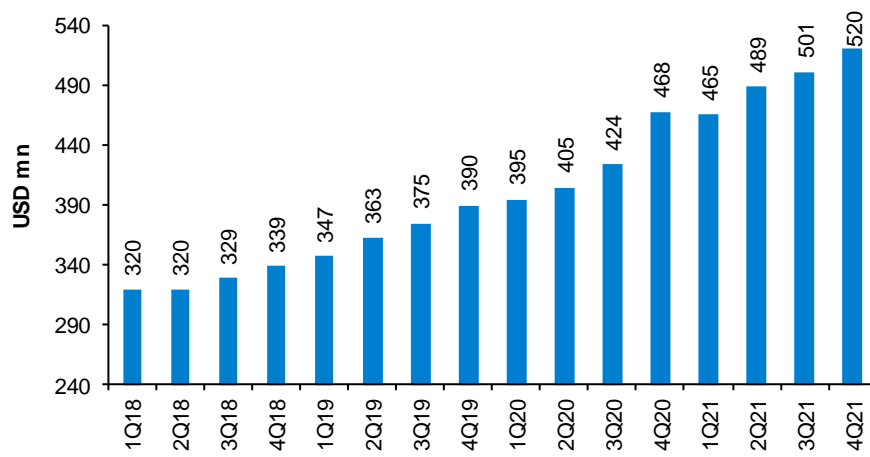
Source: PL

Exhibit 3: Strong revenue growth in 4QFY21


Source: Company, PL

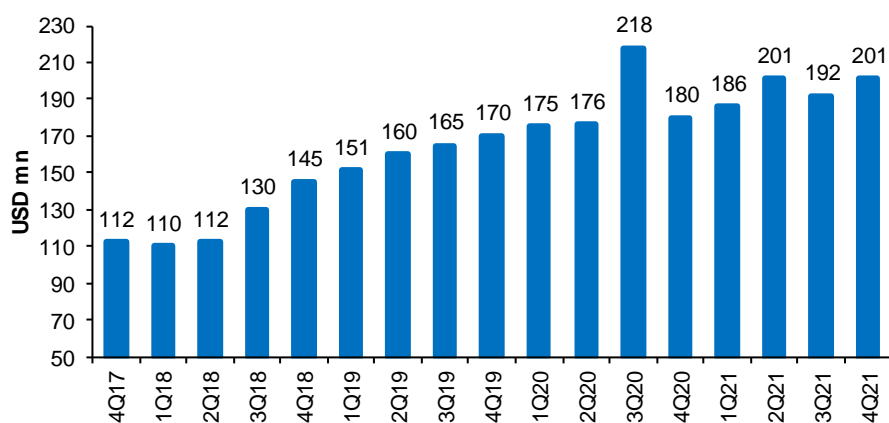
Exhibit 4: Stable margin performance


Source: Company, PL

Exhibit 5: Strong order pipeline executable in one year


Source: Company, PL

Exhibit 6: Fresh order continues to grow



Source: Company, PL

Exhibit 7: Geography-wise revenues

| Geography revenues (USD Mn) | 4QFY21 | 3QFY21 | QoQ Gr. | 4QFY20 | YoY (Gr.) |
|-------------------------------|--------------|--------------|-------------|--------------|------------|
| Americas | 79.2 | 78.8 | 0.5% | 71.2 | 11% |
| EMEA | 68.8 | 57.9 | 18.9% | 61.9 | 11% |
| RoW | 24.1 | 24.1 | -0.1% | 21.7 | 11% |
| Total | 172.1 | 160.8 | 7.0% | 154.8 | 11% |
| -as a % of total sales | | | | | |
| Americas | 46% | 49% | -300bp | 46% | 0bp |
| EMEA | 40% | 36% | 400bp | 40% | 0bp |
| RoW | 14% | 15% | -100bp | 14% | 0bp |

Source: Company, PL

Exhibit 8: Vertical-wise revenues

| Vertical revenues (USD mn) | 4QFY21 | 3QFY21 | QoQ Gr. | 4QFY20 | YoY (Gr.) |
|-------------------------------|--------------|--------------|-------------|--------------|------------|
| BFS | 29.3 | 28.9 | 1.1% | 23.2 | 26% |
| Insurance | 53.4 | 51.5 | 3.7% | 48.0 | 11% |
| Travel and Transport | 32.7 | 32.2 | 1.7% | 41.8 | -22% |
| Others | 56.8 | 48.2 | 17.7% | 41.8 | 36% |
| Total | 172.1 | 160.8 | 7.0% | 154.8 | 11% |
| -as a % of total sales | | | | | |
| BFS | 17% | 18% | -100bp | 15% | 200bp |
| Insurance | 31% | 32% | -100bp | 31% | 0bp |
| Travel and Transport | 19% | 20% | -100bp | 27% | -800bp |
| Others | 33% | 30% | 300bp | 27% | 600bp |

Source: Company, PL

Exhibit 9: Service Line Revenues

| Service Revenues (USD mn) | 4QFY21 | 3QFY21 | QoQ Gr. | 4QFY20 | YoY (Gr.) |
|---------------------------|--------------|--------------|-------------|--------------|------------|
| ADM | 123.9 | 111.0 | 11.7% | 111.5 | 11% |
| IP assets | 12.0 | 11.3 | 7.0% | 12.4 | -3% |
| Managed services | 29.3 | 28.9 | 1.1% | 26.3 | 11% |
| SI and PI | 3.4 | 4.8 | -28.7% | 1.5 | 122% |
| BPO | 3.4 | 4.8 | -28.7% | 4.6 | -26% |
| Total | 172.1 | 160.8 | 7.0% | 156.3 | 10% |
| -as a % of total sales | | | | | |
| ADM | 72% | 69% | 300bp | 72% | 0bp |
| IP assets | 7% | 7% | 0bp | 8% | -100bp |
| Managed services | 17% | 18% | -100bp | 17% | 0bp |
| SI and PI | 2% | 3% | -100bp | 1% | 100bp |
| BPO | 2% | 3% | -100bp | 3% | -100bp |

Source: Company, PL

Exhibit 10: Revenue by Geography

| USD mn | 3QFY18 | Q4FY18 | Q1FY19 | Q2FY19 | Q3FY19 | Q4FY19 | Q1FY20 | Q2FY20 | Q3FY20 | Q4FY20 |
|----------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Americas | 57.6 | 58.3 | 62.4 | 64.8 | 66.1 | 67.6 | 67.9 | 72.9 | 72.6 | 71.2 |
| QoQ | 2.0% | 1.2% | 7.1% | 3.7% | 2.0% | 2.3% | 0.4% | 7.3% | -0.4% | -1.9% |
| YoY | 18.8% | 16.6% | 22.4% | 14.7% | 14.7% | 16.0% | 8.7% | 12.5% | 9.9% | 5.3% |
| EMEA | 34.6 | 38.9 | 40.0 | 44.9 | 44.5 | 45.5 | 48.5 | 55.0 | 56.0 | 61.9 |
| QoQ | 5.6% | 12.4% | 2.8% | 12.4% | -1.0% | 2.3% | 6.5% | 13.5% | 1.7% | 10.6% |
| YoY | 0.6% | 13.1% | 20.0% | 37.3% | 28.8% | 17.2% | 21.3% | 22.4% | 25.8% | 36.0% |
| RoW | 23.0 | 24.3 | 22.5 | 22.5 | 24.3 | 24.8 | 22.2 | 20.8 | 22.7 | 21.7 |
| QoQ | -2.8% | 5.4% | -7.4% | 0.0% | 8.0% | 2.3% | -10.8% | -6.1% | 9.0% | -4.5% |
| YoY | 26.7% | 22.8% | 13.6% | -5.2% | 5.4% | 2.3% | -1.4% | -7.3% | -6.5% | -12.7% |

Source: Company, PL

Exhibit 11: Revenue by Verticals

| USD mn | 3QFY18 | Q4FY18 | Q1FY19 | Q2FY19 | Q3FY19 | Q4FY19 | Q1FY20 | Q2FY20 | Q3FY20 | Q4FY20 |
|-------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| BFS | 19.6 | 19.4 | 21.2 | 21.1 | 20.2 | 22.1 | 22.2 | 25.3 | 24.2 | 23.2 |
| QoQ | 2.0% | -0.8% | 9.3% | -0.4% | -4.3% | 9.1% | 0.4% | 14.1% | -4.3% | -4.0% |
| YoY | 7.7% | 3.7% | 20.0% | 10.2% | 3.3% | 13.6% | 4.4% | 19.6% | 19.6% | 5.2% |
| Insurance | 29.9 | 34.0 | 36.2 | 38.3 | 40.5 | 38.6 | 40.2 | 46.1 | 45.4 | 48.0 |
| QoQ | 6.1% | 13.5% | 6.5% | 5.8% | 5.6% | -4.5% | 4.0% | 14.8% | -1.6% | 5.8% |
| YoY | 23.5% | 36.1% | 39.1% | 35.8% | 35.1% | 13.6% | 10.9% | 20.3% | 12.2% | 24.2% |
| Travel and Transport | 31.1 | 31.6 | 33.7 | 35.7 | 35.1 | 37.2 | 38.8 | 41.6 | 43.9 | 41.8 |
| QoQ | 2.0% | 1.5% | 6.8% | 5.8% | -1.7% | 6.2% | 4.1% | 7.3% | 5.3% | -4.7% |
| YoY | -3.8% | -2.2% | 11.7% | 17.1% | 12.7% | 18.0% | 15.0% | 16.7% | 25.1% | 12.2% |
| Manufacturing and Media | 31.1 | 35.2 | 33.7 | 37.0 | 39.1 | 40.0 | 37.4 | 35.7 | 37.8 | 41.8 |
| QoQ | -11.1% | 13.2% | -4.2% | 9.8% | 5.7% | 2.3% | -6.5% | -4.6% | 6.0% | 10.5% |
| YoY | 18.4% | 35.3% | 11.7% | 5.7% | 25.8% | 13.6% | 10.9% | -3.6% | -3.3% | 4.5% |

Source: Company, PL

Exhibit 12: Revenue by Services

| USD mn | 3QFY18 | Q4FY18 | Q1FY19 | Q2FY19 | Q3FY19 | Q4FY19 | Q1FY20 | Q2FY20 | Q3FY20 | Q4FY20 |
|------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| ADM | 74.9 | 80.1 | 84.9 | 89.9 | 91.7 | 96.6 | 99.7 | 110.0 | 110.4 | 111.5 |
| QoQ | 3.6% | 7.0% | 6.0% | 5.8% | 2.0% | 5.3% | 3.3% | 10.3% | 0.3% | 0.9% |
| YoY | 10.6% | 16.6% | 23.6% | 24.4% | 22.5% | 20.5% | 17.5% | 22.4% | 20.4% | 15.4% |
| IP assets | 8.1 | 8.5 | 8.7 | 7.9 | 8.1 | 6.9 | 8.3 | 7.4 | 9.1 | 12.4 |
| QoQ | 2.0% | 5.4% | 2.8% | -9.3% | 2.0% | -14.7% | 20.5% | -10.5% | 22.1% | 36.5% |
| YoY | 14.0% | 36.1% | 39.9% | 0.4% | 0.4% | -18.8% | -4.9% | -6.2% | 12.2% | 79.5% |
| Managed services | 21.9 | 23.1 | 23.7 | 23.8 | 24.3 | 23.5 | 23.5 | 25.3 | 24.2 | 26.3 |
| QoQ | 7.7% | 5.4% | 2.8% | 0.3% | 2.0% | -3.4% | 0.4% | 7.3% | -4.3% | 8.7% |
| YoY | 27.5% | 30.3% | 26.6% | 17.1% | 10.9% | 1.7% | -0.7% | 6.3% | -0.3% | 12.2% |
| SI and PI | 5.8 | 4.9 | 3.7 | 5.3 | 5.4 | 5.5 | 1.4 | 1.5 | 3.0 | 1.5 |
| QoQ | -15.0% | -15.7% | -22.9% | 41.1% | 2.0% | 2.3% | -74.9% | 7.3% | 103.4% | -48.8% |
| YoY | 42.6% | -22.2% | -28.0% | -21.9% | -6.3% | 13.6% | -63.0% | -71.9% | -43.9% | -71.9% |
| BPO | 4.6 | 4.9 | 3.7 | 5.3 | 5.4 | 5.5 | 5.5 | 4.5 | 4.5 | 4.6 |
| QoQ | 2.0% | 5.4% | -22.9% | 41.1% | 2.0% | 2.3% | 0.4% | -19.5% | 1.7% | 2.3% |
| YoY | -8.8% | -6.7% | -28.0% | 17.1% | 17.1% | 13.6% | 47.9% | -15.6% | -15.9% | -15.8% |

Source: Company, PL

Exhibit 13: Client Metrics

| Client Concentration (%) | Q4FY18 | Q1FY19 | Q2FY19 | Q3FY19 | Q4FY19 | Q1FY20 | Q2FY20 | Q3FY20 | Q4FY20 | Q1FY21 | Q2FY21 | Q3FY21 | Q4FY21 |
|--------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|------------|------------|------------|------------|------------|------------|
| Top 5 | 29 | 27 | 28 | 28 | 29 | 27 | 29 | 27 | 27 | 26 | 25 | 24 | 25 |
| Top 10 | 40 | 36 | 40 | 40 | 41 | 39 | 39 | 36 | 37 | 38 | 36 | 34 | 36 |
| Between 1 mn - 5mn | 60 | 63 | 63 | 62 | 66 | 66 | 70 | 74 | 80 | 81 | 83 | 87 | 88 |
| 5mn-10 mn | 13 | 14 | 18 | 20 | 16 | 17 | 16 | 17 | 15 | 15 | 16 | 17 | 16 |
| >10mn | 7 | 7 | 7 | 8 | 8 | 8 | 9 | 9 | 11 | 11 | 10 | 11 | 11 |
| Total | 80 | 84 | 88 | 90 | 90 | 91 | 95 | 100 | 106 | 107 | 109 | 115 | 115 |

Source: Company, PL

Exhibit 14: Revenue Mix

| | Q4FY18 | Q1FY19 | Q2FY19 | Q3FY19 | Q4FY19 | Q1FY20 | Q2FY20 | Q3FY20 | Q4FY20 | Q1FY21 | Q2FY21 | Q2FY22 | Q4FY18 |
|----------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Onsite | 61% | 64% | 64% | 65% | 66% | 66% | 66% | 64% | 64% | 62% | 64% | 62% | 61% |
| Offshore | 39% | 36% | 36% | 35% | 34% | 34% | 34% | 36% | 36% | 38% | 36% | 38% | 39% |

Source: Company, PL

Exhibit 15: Employee Metrics

| Billable Personnel | Q4FY18 | Q1FY19 | Q2FY19 | Q3FY19 | Q4FY19 | Q1FY20 | Q2FY20 | Q3FY20 | Q4FY20 | Q1FY21 | Q2FY21 | Q3FY21 | Q4FY21 |
|------------------------------|--------------|--------------|---------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Onsite | 2088 | 2217 | 2369 | 2408 | 2345 | 2429 | 2468 | 2451 | 2451 | 2260 | 2524 | 2506 | 2536 |
| Offshore | 6500 | 6684 | 6815 | 6881 | 7018 | 7063 | 7453 | 7515 | 7823 | 7476 | 7757 | 8032 | 8933 |
| Total Billable | 8588 | 8901 | 9184 | 9289 | 9363 | 9492 | 9921 | 9966 | 10274 | 9736 | 10281 | 10538 | 11469 |
| Sales & Marketing (Excl GIS) | 145 | 131 | 123 | 114 | 122 | 141 | 185 | 185 | 170 | 184 | 191 | 189 | 188 |
| Sales & Marketing (GIS) | 85 | 90 | 94 | 94 | 89 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Others | 605 | 642 | 624 | 647 | 689 | 664 | 694 | 698 | 712 | 678 | 690 | 697 | 734 |
| Grand Total | 9,423 | 9,764 | 10,025 | 10144 | 10263 | 10297 | 10800 | 10849 | 11156 | 10598 | 11162 | 11424 | 12391 |
| Net addition | 342 | 341 | 261 | 119 | 119 | 34 | 503 | 49 | 307 | (558) | 564 | 262 | 967 |
| Capacity Utilisation | 79.5% | 80.1% | 80.4% | 79.0% | 79.3% | 80.5% | 80.7% | 79.3% | 78.1% | 77.0% | 81.0% | 78.9% | 0.0% |
| Attrition (%) | 10.5 | 10.1 | 10.8 | 11.7 | 12.2 | 12.9 | 12.3 | 11.9 | 11.8 | 11.8 | 10.5 | 10.4 | 10.5 |

Source: Company, PL

Exhibit 16: Strong Order Book

| Figures in USD Mn | Q4FY18 | Q1FY19 | Q2FY19 | Q3FY19 | Q4FY19 | Q1FY20 | Q2FY20 | Q3FY20 | Q4FY20 | Q1FY21 | Q2FY21 | Q3FY21 | Q4FY21 |
|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Fresh Order Intake | 145 | 151 | 160 | 165 | 170 | 175 | 176 | 218 | 180 | 186 | 201 | 192 | 201 |
| Executable Order Book over Next 12 months | 339 | 347 | 363 | 375 | 390 | 395 | 405 | 424 | 468 | 465 | 489 | 501 | 520 |

Source: Company, PL

Financials

Income Statement (Rs m)

| Y/e Mar | FY20 | FY21 | FY22E | FY23E |
|-------------------------------|---------------|---------------|---------------|---------------|
| Net Revenues | 42,064 | 46,628 | 62,003 | 71,646 |
| YoY gr. (%) | 14.4 | 10.9 | 33.0 | 15.6 |
| Employee Cost | 27,528 | 31,693 | 41,220 | 47,286 |
| Gross Profit | 14,536 | 14,935 | 20,783 | 24,359 |
| Margin (%) | 34.6 | 32.0 | 33.5 | 34.0 |
| SG&A Expenses | 7,096 | 6,544 | 8,680 | 10,561 |
| Other Expenses | - | - | - | - |
| EBITDA | 7,440 | 8,391 | 12,103 | 13,799 |
| YoY gr. (%) | 15.3 | 12.8 | 44.2 | 14.0 |
| Margin (%) | 17.7 | 18.0 | 19.5 | 19.3 |
| Depreciation and Amortization | 1,730 | 1,836 | 2,480 | 3,009 |
| EBIT | 5,710 | 6,555 | 9,622 | 10,790 |
| Margin (%) | 13.6 | 14.1 | 15.5 | 15.1 |
| Net Interest | - | - | - | - |
| Other Income | 558 | 113 | 80 | 140 |
| Profit Before Tax | 6,268 | 6,668 | 9,702 | 10,930 |
| Margin (%) | 14.9 | 14.3 | 15.6 | 15.3 |
| Total Tax | 1,278 | 1,302 | 2,038 | 2,295 |
| Effective tax rate (%) | 20.4 | 19.5 | 21.0 | 21.0 |
| Profit after tax | 4,990 | 5,366 | 7,665 | 8,635 |
| Minority interest | 236 | 104 | 80 | 80 |
| Share Profit from Associate | - | - | - | - |
| Adjusted PAT | 4,754 | 5,262 | 7,585 | 8,555 |
| YoY gr. (%) | 14.7 | 10.7 | 44.1 | 12.8 |
| Margin (%) | 11.3 | 11.3 | 12.2 | 11.9 |
| Extra Ord. Income / (Exp) | - | - | - | - |
| Reported PAT | 4,754 | 5,262 | 7,585 | 8,555 |
| YoY gr. (%) | 14.7 | 10.7 | 44.1 | 12.8 |
| Margin (%) | 11.3 | 11.3 | 12.2 | 11.9 |
| Other Comprehensive Income | - | - | - | - |
| Total Comprehensive Income | 4,754 | 5,262 | 7,585 | 8,555 |
| Equity Shares O/s (m) | 63 | 61 | 61 | 55 |
| EPS (Rs) | 77.1 | 85.7 | 123.5 | 139.3 |

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

| Y/e Mar | FY20 | FY21 | FY22E | FY23E |
|---------------------------------------|---------------|---------------|---------------|---------------|
| Non-Current Assets | | | | |
| Gross Block | 6,702 | 5,980 | 7,480 | 8,980 |
| Tangibles | 4,805 | 4,516 | 5,416 | 6,316 |
| Intangibles | 1,897 | 1,464 | 2,064 | 2,664 |
| Acc: Dep / Amortization | - | - | - | - |
| Tangibles | - | - | - | - |
| Intangibles | - | - | - | - |
| Net fixed assets | 6,702 | 5,980 | 7,480 | 8,980 |
| Tangibles | 4,805 | 4,516 | 5,416 | 6,316 |
| Intangibles | 1,897 | 1,464 | 2,064 | 2,664 |
| Capital Work In Progress | 3 | 2 | 2 | 2 |
| Goodwill | 4,091 | 4,226 | 4,226 | 4,226 |
| Non-Current Investments | 650 | 1,829 | 1,839 | 1,849 |
| Net Deferred tax assets | 905 | 1,253 | 1,293 | 1,333 |
| Other Non-Current Assets | 140 | 254 | 254 | 254 |
| Current Assets | | | | |
| Investments | 137 | 124 | 224 | 324 |
| Inventories | - | - | - | - |
| Trade receivables | 8,565 | 8,895 | 11,042 | 12,759 |
| Cash & Bank Balance | 9,034 | 8,122 | 9,774 | 12,030 |
| Other Current Assets | 1,347 | 1,437 | 1,437 | 1,437 |
| Total Assets | 34,398 | 35,134 | 40,593 | 46,226 |
| Equity | | | | |
| Equity Share Capital | 625 | 606 | 606 | 606 |
| Other Equity | 23,340 | 24,055 | 28,614 | 33,755 |
| Total Network | 23,965 | 24,661 | 29,220 | 34,361 |
| Non-Current Liabilities | | | | |
| Long Term borrowings | 48 | 5 | 15 | 25 |
| Provisions | 593 | 696 | 696 | 696 |
| Other non current liabilities | 206 | 506 | 206 | 231 |
| Current Liabilities | | | | |
| ST Debt / Current of LT Debt | - | - | - | - |
| Trade payables | 2,634 | 3,398 | 3,448 | 3,498 |
| Other current liabilities | 5,308 | 5,027 | 6,157 | 6,553 |
| Total Equity & Liabilities | 34,398 | 35,134 | 40,593 | 46,226 |

Source: Company Data, PL Research

Cash Flow (Rs m)

| Y/e Mar | FY20 | FY21 | FY22E | FY23E |
|---------------------------------------|----------------|----------------|----------------|----------------|
| PBT | 6,251 | 6,668 | 9,702 | 10,930 |
| Add. Depreciation | 1,730 | 1,836 | 2,480 | 3,009 |
| Add. Interest | - | - | - | - |
| Less Financial Other Income | 558 | 113 | 80 | 140 |
| Add. Other | - | - | - | - |
| Op. profit before WC changes | 7,981 | 8,504 | 12,183 | 13,939 |
| Net Changes-WC | (1,729) | (1,449) | (1,366) | (1,345) |
| Direct tax | (1,278) | (1,302) | (2,038) | (2,295) |
| Net cash from Op. activities | 4,974 | 5,753 | 8,780 | 10,299 |
| Capital expenditures | (1,500) | (2,473) | (1,500) | (1,500) |
| Interest / Dividend Income | - | - | - | - |
| Others | 3,514 | 13 | (100) | (100) |
| Net Cash from Invt. activities | 2,014 | (2,460) | (1,600) | (1,600) |
| Issue of share cap. / premium | 1 | - | - | - |
| Debt changes | (28) | 516 | 10 | 10 |
| Dividend paid | (1,890) | (2,099) | (3,026) | (3,413) |
| Interest paid | - | - | - | - |
| Others | - | - | - | - |
| Net cash from Fin. activities | (1,917) | (1,583) | (3,016) | (3,403) |
| Net change in cash | 5,071 | 1,710 | 4,163 | 5,296 |
| Free Cash Flow | 3,474 | 3,280 | 7,280 | 8,799 |

Source: Company Data, PL Research

Key Financial Metrics

| Y/e Mar | FY20 | FY21 | FY22E | FY23E |
|------------------------|-------|-------|-------|-------|
| Per Share(Rs) | | | | |
| EPS | 77.1 | 85.7 | 123.5 | 139.3 |
| CEPS | 103.7 | 117.1 | 166.1 | 209.9 |
| BVPS | 383.4 | 406.9 | 482.2 | 623.7 |
| FCF | 55.6 | 54.1 | 120.1 | 159.7 |
| DPS | 25.0 | 28.7 | 41.3 | 51.2 |
| Return Ratio(%) | | | | |
| RoCE | 25.5 | 26.9 | 35.7 | 33.9 |
| ROIC | 30.6 | 32.1 | 39.5 | 38.7 |
| RoE | 21.3 | 21.6 | 28.2 | 26.9 |
| Balance Sheet | | | | |
| Net Debt : Equity (x) | (0.4) | (0.3) | (0.3) | (0.4) |
| Debtor (Days) | 74 | 70 | 65 | 65 |
| Valuation(x) | | | | |
| PER | 44.0 | 39.6 | 27.5 | 24.4 |
| P/B | 8.9 | 8.3 | 7.0 | 5.4 |
| P/CEPS | 32.7 | 29.0 | 20.4 | 16.2 |
| EV/EBITDA | 27.3 | 23.5 | 16.2 | 12.7 |
| EV/Sales | 4.8 | 4.2 | 3.2 | 2.4 |
| Dividend Yield (%) | 0.7 | 0.8 | 1.2 | 1.5 |

Source: Company Data, PL Research

Quarterly Financials (Rs m)

| Y/e Mar | Q1FY21 | Q2FY21 | Q3FY21 | Q4FY21 |
|-----------------------------------|---------------|---------------|---------------|---------------|
| Net Revenue | 10,570 | 11,537 | 11,906 | 12,615 |
| YoY gr. (%) | 9.1 | 10.1 | 10.3 | 13.7 |
| Raw Material Expenses | 7,241 | 7,776 | 8,096 | 8,580 |
| Gross Profit | 3,329 | 3,761 | 3,810 | 4,035 |
| Margin (%) | 31.5 | 32.6 | 32.0 | 32.0 |
| EBITDA | 1,806 | 2,172 | 2,145 | 2,268 |
| YoY gr. (%) | 24.4 | 8.9 | 7.0 | 14.1 |
| Margin (%) | 17.1 | 18.8 | 18.0 | 18.0 |
| Depreciation / Depletion | 465 | 460 | 462 | 449 |
| EBIT | 1,341 | 1,712 | 1,683 | 1,819 |
| Margin (%) | 12.7 | 14.8 | 14.1 | 14.4 |
| Net Interest | - | - | - | - |
| Other Income | 48 | (63) | 19 | 109 |
| Profit before Tax | 1,389 | 1,649 | 1,702 | 1,928 |
| Margin (%) | 13.1 | 14.3 | 14.3 | 15.3 |
| Total Tax | 260 | 303 | 331 | 408 |
| Effective tax rate (%) | 18.7 | 18.4 | 19.4 | 21.2 |
| Profit after Tax | 1,129 | 1,346 | 1,371 | 1,520 |
| Minority interest | 30 | 15 | 15 | 44 |
| Share Profit from Associates | - | - | - | - |
| Adjusted PAT | 919 | 1,331 | 1,356 | 1,476 |
| YoY gr. (%) | (2.2) | 3.0 | 4.5 | 28.0 |
| Margin (%) | 8.7 | 11.5 | 11.4 | 11.7 |
| Extra Ord. Income / (Exp) | - | - | - | - |
| Reported PAT | 919 | 1,331 | 1,356 | 1,476 |
| YoY gr. (%) | (2.2) | 3.0 | 4.5 | 28.0 |
| Margin (%) | 8.7 | 11.5 | 11.4 | 11.7 |
| Other Comprehensive Income | - | - | - | - |
| Total Comprehensive Income | 919 | 1,331 | 1,356 | 1,476 |
| Avg. Shares O/s (m) | 63 | 61 | 61 | 61 |
| EPS (Rs) | 14.7 | 21.9 | 22.4 | 24.3 |

Source: Company Data, PL Research

Price Chart

Recommendation History



| No. | Date | Rating | TP (Rs.) | Share Price (Rs.) |
|-----|-----------|--------|----------|-------------------|
| 1 | 05-Apr-21 | BUY | 3,020 | 2,924 |
| 2 | 29-Jan-21 | BUY | 3,051 | 2,420 |
| 3 | 04-Jan-21 | BUY | 2,966 | 2,722 |
| 4 | 23-Oct-20 | BUY | 2,784 | 2,457 |
| 5 | 05-Oct-20 | BUY | 2,634 | 2,336 |
| 6 | 01-Oct-20 | BUY | 2,634 | 2,322 |
| 7 | 29-Jul-20 | BUY | 2,190 | 1,769 |
| 8 | 04-Jul-20 | BUY | 1,533 | 1,420 |

Analyst Coverage Universe

| Sr. No. | Company Name | Rating | TP (Rs) | Share Price (Rs) |
|---------|---------------------------|--------|---------|------------------|
| 1 | Coforge | BUY | 3,020 | 2,924 |
| 2 | Cyient | BUY | 825 | 689 |
| 3 | HCL Technologies | BUY | 1,010 | 956 |
| 4 | Infosys | BUY | 1,632 | 1,397 |
| 5 | L&T Technology Services | BUY | 3,006 | 2,797 |
| 6 | Larsen & Toubro Infotech | BUY | 4,415 | 3,915 |
| 7 | Mindtree | BUY | 2,567 | 2,070 |
| 8 | Mphasis | BUY | 1,869 | 1,724 |
| 9 | Persistent Systems | BUY | 2,344 | 2,038 |
| 10 | Redington (India) | BUY | 189 | 184 |
| 11 | Sonata Software | BUY | 537 | 522 |
| 12 | Tata Consultancy Services | BUY | 3,636 | 3,247 |
| 13 | TeamLease Services | BUY | 4,002 | 3,774 |
| 14 | Tech Mahindra | BUY | 1,132 | 962 |
| 15 | Wipro | BUY | 500 | 431 |
| 16 | Zensar Technologies | BUY | 290 | 276 |

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