

**HOLD** Tata CommunicationsASIAMONEY BROKERS POLL - 2023  
Emkay Research VOTE HEREEmkay  
Your success is our success

## Kaleyra gives global scale to TCom's CPaaS

Telecommunications ▶ Company Update ▶ June 29, 2023

TARGET PRICE (Rs): 1,590

TCom has signed an agreement to acquire US-based Kaleyra (NYSE-listed) for USD100mn. Company made attempts to scale-up its CPaaS business using Digo, but saw limited success in overseas markets. The aforesaid deal now gives TCom scale and capabilities at the global level, mainly in USA, Europe and APAC. Though Kaleyra operates at lower margins vs. peers, acquisition valuation looks reasonable, with EV/Sales (CY22) of 0.76x on trailing basis. The acquisition is likely to help TCOM fulfill its ambition of doubling data revenue over FY23-27, though it may reduce FY25 EBITDA margin to 21-22% in the interim, assuming Kaleyra margin at 0-7%. Execution will remain key, given Kaleyra's lower margin and ops across various geographies. Better execution may be value-accretive for TCom. We retain HOLD, with Rs1,590 TP (10.5x Mar-25E EBITDA).

## Tata Communications: Financial Snapshot (Consolidated)

Y/E Mar (Rs mn)	FY21	FY22	FY23	FY24E	FY25E
Revenue	1,71,000	1,67,247	1,78,383	1,96,633	2,15,407
EBITDA	42,607	42,267	43,182	44,943	51,575
Adj. PAT	13,254	14,758	17,164	15,103	20,164
Adj. EPS (Rs)	43.9	52.0	62.9	53.0	70.7
EBITDA margin (%)	24.9	25.3	24.2	22.9	23.9
EBITDA growth (%)	29.5	(0.8)	2.2	4.1	14.8
Adj. EPS growth (%)	0.0	18.5	21.0	(15.8)	33.5
RoE (%)	(191.5)	417.0	164.9	81.0	68.4
RoIC (%)	20.2	21.4	29.2	28.0	31.4
P/E (x)	34.0	30.6	26.3	29.9	22.4
EV/EBITDA (x)	12.5	12.3	11.8	11.3	9.6
P/B (x)	(4,345.7)	62.8	33.1	19.1	12.8
FCFF yield (%)	3.2	4.3	5.0	1.6	4.2

Source: Company, Emkay Research

## Acquisition at reasonable multiples (EV/Sales at 0.76x)

The aggregate acquisition consideration is expected to be ~USD100mn (Rs8.2bn), payable to Kaleyra shareholders at USD7.25/share. This is a cash-only transaction, with TCom having cash & cash equivalent of Rs10bn as of end-FY23. Kaleyra has gross debt of USD224.9mn and net debt of USD149.9mn, as on March 31, 2023. This translates into EV of ~USD250mn and **EV/Sales (CY22) at 0.76x on trailing basis**. The low multiple may be attributable to Kaleyra's low margin (-4% EBITDA margin; 6% adj. EBITDA margin in CY22) vs. over 12% EBITDA margin for peers (Exhibit 4). The low margin may be due to higher messaging revenue mix for Kaleyra, though the company is now focusing on increasing non-messaging revenue from voice, video and WhatsApp that may help margin improvement. Moreover, TCOM management has guided to EBITDA break-even in the near term and double-digit EBITDA margin in the medium term for Kaleyra, led by synergies and the ongoing value creation program that will drive labor & cost efficiencies. However, execution will be key to driving synergies.

## Acquisition positive in the long run, albeit may impact margins in the short term

The Kaleyra acquisition will help TCOM to: i) get a better foothold in the US and European (Italy) markets; ii) make further inroads in BFSI, retail and digital commerce industries; (iii) form teams with expertise in technology, engineering and R&D. The acquisition may also help TCom fulfill its ambition of doubling data revenue over FY23-27 (Rs280bn by FY27), as it would add ~15% to TCom's existing revenue. We estimate TCom's total/data revenue to be Rs245bn/Rs212bn by FY25E, post acquisition (Exhibit 3). TCom will require logging 15% CAGR over FY25-27E to achieve Rs280bn data revenue by FY27E. Assuming core connectivity/incubation services CAGR at 5%/35% over FY25-27E, TCom will need to clock 23% CAGR in Digital Platforms & Services revenue over the same period, which looks feasible. Acquisition may reduce FY25 EBITDA margin to 21-22%, assuming Kaleyra margin at 0-7%. We have not revised our estimates yet, as the deal completion may take 6-9 months. We retain HOLD, with TP of Rs1,590/share (10.5x Mar-25E EBITDA).

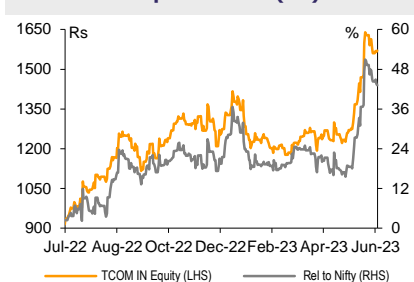
Target Price – 12M	Mar-24
Change in TP (%)	NA
Current Reco.	HOLD
Previous Reco.	HOLD
Upside/(Downside) (%)	0.5
CMP (28-Jun-23) (Rs)	1,582.8

Stock Data	Ticker
52-week High (Rs)	1,674
52-week Low (Rs)	905
Shares outstanding (mn)	285.0
Market-cap (Rs bn)	451
Market-cap (USD mn)	5,497
Net-debt, FY24E (Rs mn)	56,083
ADTV-3M (mn shares)	1
ADTV-3M (Rs mn)	1,013.2
ADTV-3M (USD mn)	12.3
Free float (%)	-
Nifty-50	18,986
INR/USD	82.1
<b>Shareholding, Mar-23</b>	
Promoters (%)	58.9
FPIs/MFs (%)	17.0/14.0

## Price Performance

(%)	1M	3M	12M
Absolute	24.6	30.2	71.0
Rel. to Nifty	21.4	16.3	42.7

## 1-Year share price trend (Rs)



## Santosh Sinha

santosh.sinha@emkayglobal.com  
+91 22 6624 2414

## Inaara Bardai

inaara.bardai@emkayglobal.com  
+91 22 6612 1340

### Deal details; facts about Kaleyra

- Tata Communications (TCom) has signed an agreement for acquiring Kaleyra through a cash-only transaction, at price per share of USD7.25, for a total consideration of ~USD100mn for Kaleyra shareholders as well as complete debt assumption.
- Kaleyra Inc. will be acquired along with outstanding debt on its books. Kaleyra has gross debt of USD224.9mn and net debt of USD149.9mn, as on March 31, 2023.
- The transaction has been approved by the Boards of Directors of both, TCom and Kaleyra. Consummation of the deal is subject to approval by Kaleyra's stockholders, clearances/approvals by government authorities on matters including anti trust and foreign direct investment, etc.
- Upon closing of the transaction, expected in six to nine months, Kaleyra will become a subsidiary of TCom.
- Kaleyra is a CPaaS player providing omni-channel integrated communication services including messaging, rich messaging and instant messaging, video, push notifications, e-mail, voice services, and chatbots.
- The top-10 customers, as of Q1CY2023, contribute ~45% of revenue and >90% revenue from long-standing clients. TCom will also benefit from Tier 1 carrier connections in the USA.
- TCom management has highlighted that CPaaS space is expected to clock 25%CAGR over the next few years.

### Key takeaways from Kaleyra's Q1CY23 earnings call

- **Management highlighted its value-creation program launched in Q1:** Kaleyra launched its Value Creation Program in February 2023, to improve financial and operating performance, drive labor & cost efficiencies, and achieve significant improvement in adjusted EBITDA. As per the program, i) adjusted EBITDA would exceed 20% growth in CY23 vs. CY22, with additional growth in CY24; ii) Company would reduce monthly cash payroll cost by more than 15% in CY23; iii) Company expects increase in net cash provided by operating activities by CY23 year-end vs. CY22; and iv) Company plans continued focus on R&D investment, to provide quality service and new products to customers.
- **Changing mix:** Kaleyra is increasing non-messaging revenue from voice, video, TCR and WhatsApp. The mix is more favorable now vs the past.
- **H2 to be better vs. H1:** Kaleyra expects Q2CY23 revenue to be in the range of USD80mn and USD84mn vs. USD81.1mn in Q2CY22, and in line with the seasonality trend. Seasonality is more favorable in H2, as at least 55% of the revenue comes in H2. Q1 and Q2 are a low-seasonality period for the company compared with Q3 and Q4.
- **Focus on improving margins:** Kaleyra is pushing a policy for expanding the gross profit and the gross margin; so the company might be tighter in selecting countries, route and operators for messaging, which is under more pressure, in terms of pricing.

### Kaleyra's recent activities and developments

- **Acquisition of mGage:** On June 1, 2021, Kaleyra completed the acquisition of mGage, a global mobile messaging provider, for a total purchase price of USD218mn. The acquisition was made through a merger agreement with Vivial, the former owner of mGage.
- **Acquisition of Bandyer:** On July 8, 2021, Kaleyra completed the acquisition of Bandyer S.r.l., a provider of cloud-based audio/video communication services. The acquisition was made for a cash consideration of USD15.4mn.
- **Company reorganization:** Kaleyra underwent reorganization of both, its mGage and Bandyer businesses. The mGage reorganization involved merger of mGage with Vivial and a subsequent change in name to Kaleyra US Inc. The reorganization of Bandyer involved the merger of the Italian legal entity of Bandyer into Kaleyra S.p.A.
- **Research and development focus:** Kaleyra invests heavily in research and development, and aims to layer intelligence into the CPaaS market; it has already achieved success with chatbots and SMS-over-IP.

**Exhibit 1: Kaleyra – Financials**

(USD mn)	CY20	CY21	CY22	Q1CY23
Revenue	147.4	267.7	339.2	83.6
YoY growth (%)		82%	27%	3.9%
EBITDA	-24.0	-17.1	-14.5	0.1
EBITDA Margin (%)	-16%	-6%	-4%	0%
Adj. EBITDA	3.2	18.6	18.7	5.3
Adj. EBITDA Margin (%)	2%	7%	6%	6%
PAT	-26.8	-34.0	-98.5	-10.0
Adj. PAT		-6.1	-1.1	-1.0

Source: Company

**Exhibit 2: Consensus forecast for Kaleyra**

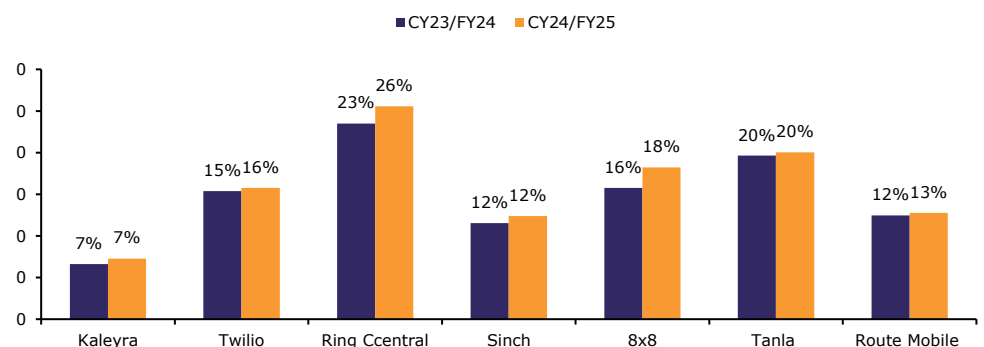
(USD mn)	CY22/FY23	CY23/FY24	CY24/FY25	CY25/FY26
	Actual	Est.	Est.	Est.
Revenue	339	348	363	385
YoY growth		3%	4%	6%
Gross Margin %	25%	24%	24%	24%
EBITDA	19	23	26	27
EBITDA margin	6%	7%	7%	7%
Net Income Adj+	(1)	(0)	3	7
Net Income, GAAP	(99)	(27)	(24)	

Source: Bloomberg

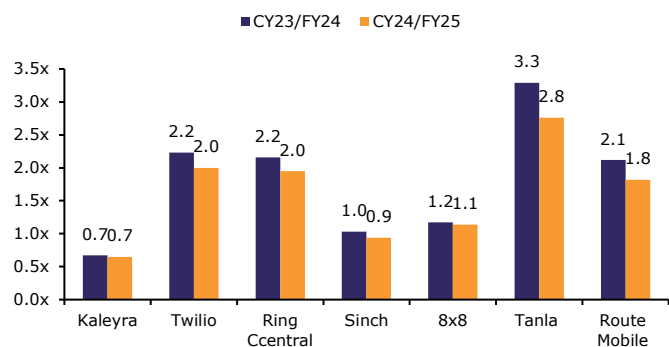
**Exhibit 3: TCom – Revenue and EBITDA, post the Kaleyra acquisition**

(Rs mn)	TCom	Kaleyra*	TCom + Kaleyra	TCom ambition	
	FY25	FY25	FY25	FY27	CAGR (FY25-27)
Core Connectivity	1,05,360		1,05,360	1,16,159	5%
Digital Platforms and Services	66,988	29,725	96,713	1,46,345	23%
Incubation Services	9,600		9,600	17,496	35%
<b>Data Revenue</b>	<b>1,81,948</b>	<b>29,725</b>	<b>2,11,673</b>	<b>2,80,000</b>	<b>15%</b>
Voice	15,977		15,977		
Others (Subsidiaries + Real Estate)	17,482		17,482		
<b>Total Revenue</b>	<b>2,15,407</b>	<b>29,725</b>	<b>2,45,132</b>		
<b>EBITDA</b>	<b>51,575</b>	<b>2,120</b>	<b>53,695</b>		
EBITDA Margin	23.9%	7.1%	21.9%		

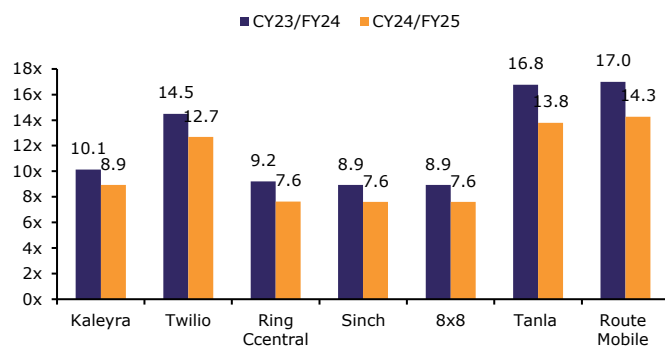
Source: Company, Bloomberg, Emkay Research; Note: \*Taking Bloomberg consensus numbers and assuming USD/INR of 82

**Exhibit 4: Adj. EBITDA margin low for Kaleyra vs. peers**

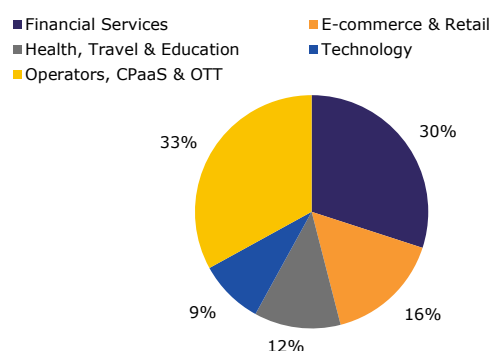
Source: Bloomberg

**Exhibit 5: EV/Revenue based on consensus numbers — Kaleyra trades at a lower EV/sales**

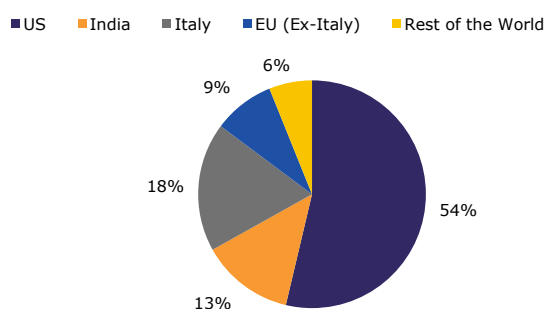
Source: Bloomberg

**Exhibit 6: EV/EBITDA based on consensus**

Source: Bloomberg

**Exhibit 7: Q1CY2023 — Sector Revenue Split**

Source: Company

**Exhibit 8: Q1CY2023 — Geographical Revenue Mix**

Source: Company

**Exhibit 9: Summary financials (Ex-Kaleyra)**

<b>Consolidated (Rs mn)</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24E</b>	<b>FY25E</b>
Revenue (Rs bn)	1,71,000	1,67,247	1,78,383	1,96,633	2,15,407
EBITDA (Rs bn)	42,607	42,267	43,182	44,943	51,575
Margin	24.9%	25.3%	24.2%	22.9%	23.9%
<b>Revenue Breakup</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24E</b>	<b>FY25E</b>
Voice	27,903	22,862	20,542	17,914	15,977
Data	1,25,992	1,27,788	1,40,955	1,61,578	1,81,948
Others (Subsidiaries + Real Estate)	17,100	16,595	16,886	17,142	17,482
<b>Share of revenue</b>					
Voice	16.3%	13.7%	11.5%	9.1%	7.4%
Data	73.7%	76.4%	79.0%	82.2%	84.5%
Others (Subsidiaries + Real Estate)	10.0%	9.9%	9.5%	8.7%	8.1%
<b>Data - Rs mn</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24E</b>	<b>FY25E</b>
Revenue (Rs bn)	1,25,992	1,27,788	1,40,955	1,61,578	1,81,948
EBITDA	39,728	39,899	38,063	40,373	47,829
Margin	32%	31%	27%	25%	26%
<b>Data breakup</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24E</b>	<b>FY25E</b>
Core Connectivity	89,147	90,377	95,565	1,00,343	1,05,360
Digital Platforms and Services	35,564	35,264	40,738	54,535	66,988
Incubation Services	1,281	2,148	4,652	6,700	9,600
<b>Total</b>	<b>1,25,992</b>	<b>1,27,788</b>	<b>1,40,955</b>	<b>1,61,578</b>	<b>1,81,948</b>
<b>Data breakup</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24E</b>	<b>FY25E</b>
Core Connectivity	70.8%	70.7%	67.8%	62.1%	57.9%
Digital Platforms and Services	28.2%	27.6%	28.9%	33.8%	36.8%
Incubation Services	1.0%	1.7%	3.3%	4.1%	5.3%
<b>Voice (Rs mn)</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24E</b>	<b>FY25E</b>
Revenue (Rs bn)	27,903	22,862	20,542	17,914	15,977
EBITDA	1,722	1,516	3,406	2,760	1,917
Margin	6.2%	6.6%	16.6%	15.4%	12.0%

Source: Company, Emkay Research

## Tata Communications: Consolidated Financials and Valuations

## Profit &amp; Loss

Y/E Mar (Rs mn)	FY21	FY22	FY23	FY24E	FY25E
<b>Revenue</b>	<b>1,71,000</b>	<b>1,67,247</b>	<b>1,78,383</b>	<b>1,96,633</b>	<b>2,15,407</b>
Revenue growth (%)	0.2	(2.2)	6.7	10.2	9.5
<b>EBITDA</b>	<b>42,607</b>	<b>42,267</b>	<b>43,182</b>	<b>44,943</b>	<b>51,575</b>
EBITDA growth (%)	29.5	(0.8)	2.2	4.1	14.8
Depreciation & Amortization	23,139	22,061	22,001	23,700	25,157
<b>EBIT</b>	<b>19,468</b>	<b>20,206</b>	<b>21,181</b>	<b>21,243</b>	<b>26,418</b>
EBIT growth (%)	109.1	3.8	4.8	0.3	24.4
Other operating income	0	0	0	0	0
Other income	1,568	3,321	3,632	2,000	3,000
Financial expense	4,202	3,603	4,974	4,846	4,243
<b>PBT</b>	<b>16,834</b>	<b>19,924</b>	<b>19,839</b>	<b>18,397</b>	<b>25,175</b>
Extraordinary items	(747)	60	764	0	0
Taxes	3,549	5,221	2,966	3,311	5,035
Minority interest	9	13	49	46	62
Income from JV/Associates	(21)	68	340	63	86
<b>Reported PAT</b>	<b>12,507</b>	<b>14,818</b>	<b>17,927</b>	<b>15,103</b>	<b>20,164</b>
PAT growth (%)	0.0	18.5	21.0	(15.8)	33.5
<b>Adjusted PAT</b>	<b>13,254</b>	<b>14,758</b>	<b>17,164</b>	<b>15,103</b>	<b>20,164</b>
<b>Diluted EPS (Rs)</b>	<b>43.9</b>	<b>52.0</b>	<b>62.9</b>	<b>53.0</b>	<b>70.7</b>
Diluted EPS growth (%)	0.0	18.5	21.0	(15.8)	33.5
<b>DPS (Rs)</b>	<b>4.0</b>	<b>20.7</b>	<b>21.0</b>	<b>25.0</b>	<b>30.0</b>
<b>Dividend payout (%)</b>	<b>9.1</b>	<b>39.8</b>	<b>33.4</b>	<b>47.2</b>	<b>42.4</b>
EBITDA margin (%)	24.9	25.3	24.2	22.9	23.9
EBIT margin (%)	11.4	12.1	11.9	10.8	12.3
Effective tax rate (%)	21.1	26.2	15.0	18.0	20.0
<b>NOPLAT (pre-IndAS)</b>	<b>15,364</b>	<b>14,911</b>	<b>18,014</b>	<b>17,419</b>	<b>21,134</b>
Shares outstanding (mn)	285.0	285.0	285.0	285.0	285.0

Source: Company, Emkay Research

## Cash flows

Y/E Mar (Rs mn)	FY21	FY22	FY23	FY24E	FY25E
PBT	16,834	19,924	19,839	18,397	25,175
Others (non-cash items)	0	0	0	0	0
Taxes paid	(3,549)	(5,221)	(2,966)	(3,311)	(5,035)
Change in NWC	(7,823)	4,062	6,363	(3,995)	(4,018)
<b>Operating cash flow</b>	<b>27,751</b>	<b>40,724</b>	<b>46,237</b>	<b>36,312</b>	<b>41,240</b>
Capital expenditure	(12,095)	(19,823)	(23,000)	(28,860)	(22,000)
Acquisition of business	(6,703)	6,681	(3,853)	0	0
Interest & dividend income	314	71	71	71	71
<b>Investing cash flow</b>	<b>(17,230)</b>	<b>(9,820)</b>	<b>(23,222)</b>	<b>(26,860)</b>	<b>(19,000)</b>
Equity raised/(repaid)	0	0	0	0	0
Debt raised/(repaid)	(10,199)	(22,721)	(5,449)	(5,000)	(5,000)
Payment of lease liabilities	(2,575)	(2,104)	(1,816)	0	0
Interest paid	(4,202)	(3,603)	(4,974)	(4,846)	(4,243)
Dividend paid (incl tax)	(1,140)	(5,900)	(5,985)	(7,125)	(8,550)
Others	5,206	(2,425)	11,566	2,571	2,034
<b>Financing cash flow</b>	<b>(10,335)</b>	<b>(34,647)</b>	<b>(4,842)</b>	<b>(14,400)</b>	<b>(15,759)</b>
Net chg in Cash	186	(3,744)	18,173	(4,948)	6,482
OCF	27,751	40,724	46,237	36,312	41,240
Adj. OCF (w/o NWC chg.)	19,928	44,786	52,600	32,317	37,222
FCFF	15,656	20,901	23,237	7,452	19,240
FCFE	11,767	17,370	18,334	2,677	15,068
OCF/EBITDA (%)	65.1	96.3	107.1	80.8	80.0
FCFE/PAT (%)	94.1	117.2	102.3	17.7	74.7
<b>FCFF/NOPLAT (%)</b>	<b>101.9</b>	<b>140.2</b>	<b>129.0</b>	<b>42.8</b>	<b>91.0</b>

Source: Company, Emkay Research

## Balance Sheet

Y/E Mar (Rs mn)	FY21	FY22	FY23	FY24E	FY25E
Share capital	2,850	2,850	2,850	2,850	2,850
Reserves & Surplus	(1,696)	5,810	12,333	20,809	32,423
<b>Net worth</b>	<b>1,154</b>	<b>8,660</b>	<b>15,183</b>	<b>23,659</b>	<b>35,273</b>
Minority interests	282	285	303	258	196
Deferred tax liability (net)	(2,824)	(1,868)	(1,659)	(1,659)	(1,659)
<b>Total debt</b>	<b>1,13,936</b>	<b>91,215</b>	<b>85,766</b>	<b>80,766</b>	<b>75,766</b>
<b>Total liabilities &amp; equity</b>	<b>1,12,548</b>	<b>98,292</b>	<b>99,593</b>	<b>1,03,025</b>	<b>1,09,576</b>
Net tangible fixed assets	84,867	81,451	79,507	83,754	81,577
Net intangible assets	15,830	16,225	18,171	20,841	22,166
Net ROU assets	13,337	11,488	9,727	7,969	5,665
Capital WIP	6,091	8,723	11,481	11,481	11,481
Goodwill	0	0	0	0	0
Investments [JV/Associates]	22,334	15,652	19,506	19,506	19,506
<b>Cash &amp; equivalents</b>	<b>9,270</b>	<b>6,820</b>	<b>9,352</b>	<b>5,177</b>	<b>10,868</b>
Current assets (ex-cash)	57,200	52,011	52,911	58,116	64,950
Current Liab. & Prov.	97,639	95,557	1,02,610	1,03,820	1,06,635
<b>NWC (ex-cash)</b>	<b>(40,439)</b>	<b>(43,545)</b>	<b>(49,699)</b>	<b>(45,704)</b>	<b>(41,686)</b>
<b>Total assets</b>	<b>1,12,548</b>	<b>98,292</b>	<b>99,593</b>	<b>1,03,025</b>	<b>1,09,576</b>
Net debt	82,333	68,743	56,909	56,083	45,393
Capital employed	1,11,290	96,814	98,044	1,03,025	1,09,576
<b>Invested capital</b>	<b>73,595</b>	<b>65,618</b>	<b>57,707</b>	<b>66,861</b>	<b>67,722</b>
BVPS (Rs)	(0.4)	25.2	47.8	83.0	123.8
Net Debt/Equity (x)	(793.2)	9.6	4.2	2.4	1.3
Net Debt/EBITDA (x)	1.9	1.6	1.3	1.2	0.9
Interest coverage (x)	0.2	0.2	0.2	0.2	0.1
<b>RoCE (%)</b>	<b>19.2</b>	<b>22.6</b>	<b>25.5</b>	<b>23.1</b>	<b>27.7</b>

Source: Company, Emkay Research

## Valuations and key Ratios

Y/E Mar	FY21	FY22	FY23	FY24E	FY25E
P/E (x)	34.0	30.6	26.3	29.9	22.4
P/CE(x)	11.3	11.2	10.5	10.6	9.1
P/B (x)	(4,345.7)	62.8	33.1	19.1	12.8
EV/Sales (x)	3.1	3.1	2.8	2.6	2.3
EV/EBITDA (x)	12.5	12.3	11.8	11.3	9.6
EV/EBIT(x)	25.4	23.8	22.1	22.0	17.3
EV/IC (x)	6.7	7.3	8.1	7.0	6.8
FCFF yield (%)	3.2	4.3	5.0	1.6	4.2
FCFE yield (%)	2.9	4.2	4.4	0.6	3.7
Dividend yield (%)	0.3	1.3	1.3	1.6	1.9
<b>DuPont-RoE split</b>					
Net profit margin (%)	7.8	8.8	9.6	7.7	9.4
Total asset turnover (x)	1.6	1.6	1.8	2.0	2.0
Assets/Equity (x)	(15.8)	29.4	9.4	5.4	3.6
<b>RoE (%)</b>	<b>(191.5)</b>	<b>417.0</b>	<b>164.9</b>	<b>81.0</b>	<b>68.4</b>
<b>DuPont-RoIC</b>					
NOPLAT margin (%)	9.0	8.9	10.1	8.9	9.8
IC turnover (x)	0.0	0.0	0.0	0.0	0.0
<b>RoIC (%)</b>	<b>20.2</b>	<b>21.4</b>	<b>29.2</b>	<b>28.0</b>	<b>31.4</b>
<b>Operating metrics</b>					
Core NWC days	(86.3)	(95.0)	(101.7)	(84.8)	(70.6)
<b>Total NWC days</b>	<b>(86.3)</b>	<b>(95.0)</b>	<b>(101.7)</b>	<b>(84.8)</b>	<b>(70.6)</b>
Fixed asset turnover	0.5	0.5	0.5	0.5	0.5
Opex-to-revenue (%)	38.0	37.7	40.1	38.8	38.3

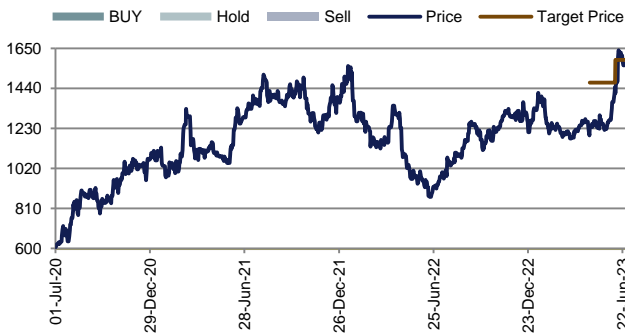
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

Date	CMP (INR)	TP (INR)	Rating	Analyst
08-Jun-23	1,414	1,590	Hold	Santosh Sinha
20-Apr-23	1,232	1,470	Buy	Santosh Sinha

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Bloomberg, Company, Emkay Research



**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 BSE Limited (BSE), National Stock Exchange of India Limited (NSE), MCX Stock Exchange Limited (MCX-SX), Multi Commodity Exchange of India Ltd (MCX) and National Commodity & Derivatives Exchange Limited (NCDEX) (hereinafter referred to be as "Stock Exchange(s)"). EGFSL along with its [affiliates] 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 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 the Securities and Exchange Board of India ("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. However, SEBI and Stock Exchanges had conducted their 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 its existing 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.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the clients simultaneously, not all clients may receive this report at the same time. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient.

EGFSL and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. EGFSL may have issued or may issue other reports (on technical or fundamental analysis basis) of the same subject company that are inconsistent with and reach different conclusion from the information, recommendations or information presented in this report or are contrary to those contained in this report. Users of this report may visit [www.emkayglobal.com](http://www.emkayglobal.com) to view all Research Reports of EGFSL. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the research published by any other analyst or by associate entities of EGFSL; our proprietary trading, investment businesses or other associate entities 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 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. 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 affiliates. 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 report has not been reviewed or authorized by any regulatory authority. There is no planned schedule or frequency for updating research report relating to any issuer/subject company.

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

**Disclaimer for U.S. persons only:** Research report is a product of Emkay Global Financial Services Ltd., under Marco Polo Securities 15a6 chaperone service, 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. Emkay Global Financial Services Ltd. has entered into a chaperoning 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.



**RESTRICTIONS ON DISTRIBUTION**

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. Except 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. 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 distributed in Canada or used by private customers in United Kingdom.

**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 associated persons<sup>1</sup> may have served 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 may 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 associated person is defined as (i) who reports directly or indirectly to such a research analyst in connection with the preparation of the reports; or (ii) 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:-

- EGFSL, its subsidiaries and/or other affiliates and Research Analyst or his/her associate/relative's may have Financial Interest/proprietary positions in the securities recommended in this report as of June 29, 2023
- EGFSL, and/or Research Analyst does not market make in equity securities of the issuer(s) or company(ies) mentioned in this Report  
**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.
- EGFSL, its subsidiaries and/or other affiliates and Research Analyst or his/her relative's may have material conflict of interest in the securities recommended in this report as of June 29, 2023
- EGFSL, its affiliates and Research Analyst or his/her associate/relative's may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the June 29, 2023
- EGFSL or its associates may have managed or co-managed public offering of securities for the subject company in the past twelve months.
- EGFSL, its affiliates and Research Analyst or his/her associate may have received 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.
- EGFSL, its affiliates and/or and Research Analyst or his/her associate may have received any compensation or other benefits from the subject company or third party in connection with this research report.

**Emkay Rating Distribution**

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

**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

**OTHER DISCLAIMERS AND DISCLOSURES:****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) :-**

EGFSL or its associates may have financial interest in the subject company.

Research Analyst or his/her associate/relative's may have financial interest in the subject company.

EGFSL or its associates and Research Analyst or his/her associate/ relative's may have material conflict of interest in the subject company. The research Analyst or research entity (EGFSL) have not been engaged in market making activity for the subject company.

EGFSL or its associates may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of public appearance or publication of Research Report.

Research Analyst or his/her associate/relatives may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of public appearance or publication of Research Report.

Research Analyst may have served as an officer, director or employee of the subject company.

EGFSL or its affiliates may have received any compensation including for investment banking or merchant banking or brokerage services from the subject company in the past 12 months. . Emkay may have issued or may issue other reports that are inconsistent with and reach different conclusion from the information, recommendations or information presented in this report or are contrary to those contained in this report. Emkay Investors may visit [www.emkayglobal.com](http://www.emkayglobal.com) to view all Research Reports. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the research published by any other analyst or by associate entities of Emkay; our proprietary trading, investment businesses or other associate entities may make investment decisions that are inconsistent with the recommendations expressed herein. EGFSL or its associates may have received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months. EGFSL or its associates may have received any compensation or other benefits from the Subject Company or third party in connection with the research report. EGFSL or its associates may have received compensation from the subject company in the past twelve months. Subject Company may have been client of EGFSL or its affiliates during twelve months preceding the date of distribution of the research report and EGFSL or its affiliates may have co-managed public offering of securities for the subject company in the past twelve months.