

July 26, 2019

Q1FY20 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY20E	FY21E	FY20E	FY21E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	1,042		1,111	
Sales (Rs. m)	87,995	99,541	89,020	100,113
% Chng.	(1.2)	(0.6)		
EBITDA (Rs. m)	15,826	17,832	15,762	17,917
% Chng.	0.4	(0.5)		
EPS (Rs.)	62.9	73.1	63.8	74.0
% Chng.	(1.3)	(1.2)		

Key Financials - Standalone

Y/e Mar	FY18	FY19	FY20E	FY21E
Sales (Rs. m)	65,458	77,310	87,995	99,541
EBITDA (Rs. m)	10,624	13,238	15,826	17,832
Margin (%)	16.2	17.1	18.0	17.9
PAT (Rs. m)	8,505	10,712	11,717	13,596
EPS (Rs.)	43.3	55.4	62.9	73.1
Gr. (%)	13.8	27.9	13.6	16.1
DPS (Rs.)	19.7	26.0	19.0	19.0
Yield (%)	2.1	2.8	2.0	2.0
RoE (%)	14.6	20.0	21.0	21.3
RoCE (%)	17.0	23.3	25.7	25.9
EV/Sales (x)	2.5	2.1	1.7	1.4
EV/EBITDA (x)	15.1	12.3	9.6	8.0
PE (x)	21.5	16.8	14.8	12.7
P/BV (x)	3.3	3.4	2.9	2.5

Key Data

MBFL.BO | MPHL IN

52-W High / Low	Rs.1,279 / Rs.855
Sensex / Nifty	37,883 / 11,284
Market Cap	Rs.173bn / \$ 2,511m
Shares Outstanding	186m
3M Avg. Daily Value	Rs.397.33m

Shareholding Pattern (%)

Promoter's	52.29
Foreign	28.93
Domestic Institution	8.21
Public & Others	10.56
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(3.3)	1.0	(17.4)
Relative	1.0	(4.0)	(19.3)

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Growth triggers at place

Mphasis reported revenue growth of 1.8% in dollar terms at \$297mn (Ple: \$300mn) & cc growth of 2% QoQ (Ple:3.0%). De-growth in insurance & ICE led to slight miss on revenues. EBIT margins declined by 34 bps sequentially to 15.5% and below our expectations (Ple: 15.6%), within their target band of 15%-17%.

HP channel has shown strong performance in FY18/FY19 & contribution of HP channel now accounts to 28.4% of the total revenues. HP channel has posted strong growth of 2.5% QoQ & 16.5% YoY CC driven by continued participation in service transformation deals.

Direct International (68% of the revenues in Q1FY20) grew at 2.2% QoQ & 9.5% YoY CC driven by combination of growth in the new client portfolio & Blackstone portfolio accounts. Digital risk grew at 1% QoQ CC (~\$23mn quarterly run rate) & management expects it to grow at ~\$27-29mn in coming quarter. On the back of robust deal wins & strong deal win pipeline, management strong growth from Direct International (above industry average).

Revenues from Blackstone portfolio accounted to 6% of Mphasis's direct core revenues in Q1FY20 (5% in Q4FY19). Management expects Blackstone portfolio companies to reach 10% of its overall revenues over next few quarters.

TCV deal win for the quarter stood at \$151mn (vs \$146Mn in Q4FY19), 80% of the deal wins in New-Gen Services (Book to Bill ratio of 0.7x). Deal wins have been going strong for MPHL with wins totaling USD616 mn in FY19, up 12% YoY.

We expect Mphasis to post 11/12% growth in revenues for FY20E/21E & our EBIT margin estimates stands at ~16.6% for FY20E/21E. We believe recovery in digital business will be gradual while direct core business will be the key growth driver. Good growth in the core business and growing revenue contribution from the Blackstone portfolio provide visibility on growth. We have fine tune our estimates & value Mphasis at 15x FY21E earnings to arrive at revised target price of Rs1042. The stock currently trades at attractive valuation of 14.8/12.7x FY20E/FY21E earnings.

- Slight miss on revenues, inline margins:** Cons revenues in dollar terms is \$297m, growth of 1.8% QoQ below our estimates (Ple: \$300.1Mn). In cc terms also, revenue was below estimates at 2.0% QoQ (Ple: 3%). Gross Margin remained flat QoQ and declined 200 bps YoY to 25.9%. Gross margin for the quarter has been impacted by higher US visa processing fees, mid-cycle salary increments, one-time client specific provision for receivables and transition impact of certain large deals. EBIT margins declined by 34 bps sequentially to 15.5% and below our expectations (Ple: 15.6%), within their target band of 15%-17%.

- **Growth mainly driven by Direct channel:** Direct International revenue grew 0.9% QoQ and 18.8% YoY on a reported and 2.2% QoQ and 9.5% YoY in CC. DXC/HP revenue grew 2.5% QoQ and 17.5% YoY on a reported basis; In CC terms, growth was 2.5% QoQ and 16.5% YoY. Digital risk grew at 1% QoQ CC (~\$23mn quarterly run rate) & management expects it to grow at ~\$27-29mn in coming quarter. On the back of robust deal wins & strong deal win pipeline, management strong growth from Direct International (above industry average). Also cited that company has significant deals win from this business in the quarter. Management cited Direct channel to be primary driver for long term growth of the company.
- **Weak growth in Insurance, ICE:** Among verticals, insurance & ICE posted a weak growth. Insurance de-grew 0.8% in \$ terms, ICE 2.3%. Banking grew by 2.6% \$ terms as compared to 3.8% in last quarter. Management cited that customers are investing for enhancing digital capabilities and as a result driving growth for the BFSI segment. Mphasis plans to expand into the insurance vertical, which is a strong vertical for DXC. The company also plans to expand into other verticals over time.
- **TCV continues to remain strong:** Deal wins have been going strong for MPHL with wins totaling USD616 mn in FY19, up 12% YoY. TCV deal win for the quarter stood at \$151mn (vs \$146Mn in Q4FY19), 80% of the deal wins in New-Gen Services. Book to bill ratio stands at 0.7x. Client additions in this quarter moderated, added 7 in banking, 1 in insurance & 5 in ICE. Since last 8-10 quarters revenue contribution from top, top 5 & top 10 clients is increasing, we believe that will help Mphasis to expand their margins.
- **Mphasis has capability to grow DXC channel further:** DXC reported 4.5% revenue decline in US\$ terms in FY2019. The company has increased focus on cost optimization and has indicated cutting down on subcontractor spends and reduction in vendor count. Despite challenges faced by DXC, Mphasis is confident of gaining share and growing in the account. Management mentioned that spend is of \$3bn & they are still just at 10% of that spend. They will plan to use multiple levers such as insourcing etc to gain traction. Mphasis also does not expect pricing pressures from expiry of minimum revenue contribution in 2021 as per MSA with DXC due to the strategic nature of relationship.

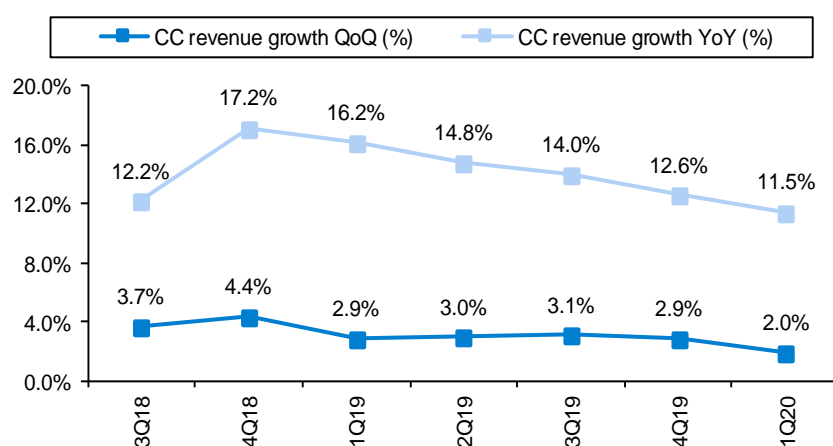
Exhibit 1: Q1FY20: Quick view on results

Y/e March	1Q20	4Q19	QoQ gr.	1Q19	YoY gr.	% var from est	Ple
Consolidated Sales - pre forex (US\$ m)	296.9	291.7	1.8%	268.7	10.5%	-1.1%	300.1
Consolidated Sales - post forex (Rs m)	20,626	20,250	1.9%	18,202	13.3%	-2.5%	21,158
EBITDA	3743	3404	10.0%	3221	16.2%		
EBIT	3,193	3,204	-0.3%	3,042	5.0%	-3.3%	3,301
<i>EBIT margin</i>	<i>15.5%</i>	<i>15.8%</i>	<i>-34 bps</i>	<i>16.7%</i>	<i>-123 bps</i>	<i>-12 bps</i>	<i>15.6%</i>
PBT (Rs m)	3,535	3,477	1.7%	3,449	2.5%	-2.0%	3,607
Tax (Rs m)	888	815	9.0%	846	5.0%	-4.1%	926
PAT (Rs m)	2,647	2,662	-0.6%	2,603	1.7%	-1.3%	2,681
EPS (Rs)	14.1	13.8	2.3%	13.23	6.4%	2.8%	13.70

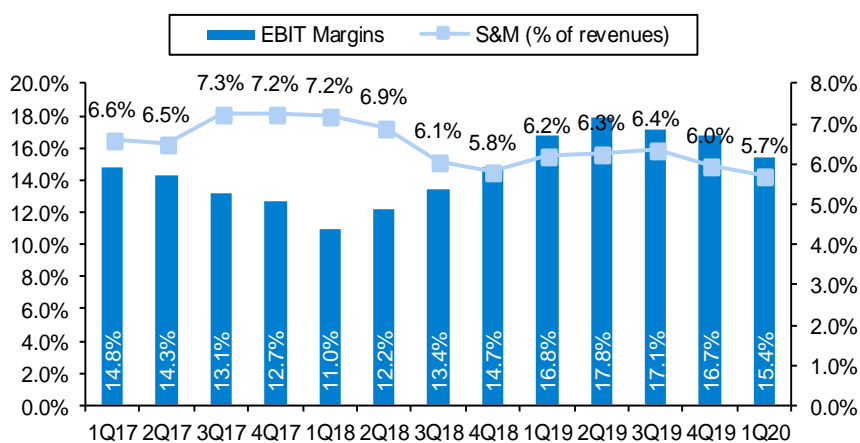
Source: Company, PL

Cons revenues in dollar terms is \$296.9m, growth of 1.8% QoQ below our estimates. In cc terms, revenue was below estimates at 2% QoQ.

EBIT margin came in at 15.5%, inline with our estimates, within their target band of 15%-17%. Headwinds from Visa cost, Mid-term wage hike, visa cost, transition impact of large deal wins and one-time client specific provision for receivables during the quarter. This headwind was partially offset by Tailwind from operating leverage.

Exhibit 2: Revenue growth momentum continues


Source: Company, PL

Exhibit 3: SG&A expenses weighing on margins (Please arrange it)


Source: Company, PL

Key Highlights from Concall:

Growth Outlook:

- Management cited that consistent Strong deal pipeline led to strong revenue growth in the quarter.
- Capability building across service offerings has led to strong deal wins. Company remained confident of growth in coming years.
- Growth is broad-based across clients.
- Devops, legacy modernisation, cybersecurity, IMS offerings, Next gen service, Enterprise solutions are key growth drivers for the company
- Continue to focus on current strategy and expects Direct channel to be primary growth driver with outperforming market growth and DXC/HP Channel to deliver inline market growth in FY20E.

Margins:

- Headwind from Visa cost, Mid-term wage hike, visa cost, transition impact of large deal wins and one-time client specific provision for receivables during the quarter. This headwind was partially offset by Tailwind from operating leverage.
- Management maintain its guided EBIT margin in range 15-17% for FY20E.
- **TCV:** Won new deals with TCV of \$151mn in Q1FY20. Management cited that 80% of deal wins in the focus area of New-Gen services. This deals are net new deal wins during the quarter and does not include renewal of deals.

Direct Channel:

- Management cited this segment to be primary driver for long term growth of the company.
- Growth in this segment was mainly driven by three pillars- 1) Strategic customers 2) Blackstone portfolio 3) New client acquisition group.
- Growth is broad based across all segments in this vertical.
- **DXC/HP Channel:** Focus on continuous transformation of the relationship with huge opportunity in the segment which will be driving growth.

Europe:

- Consistent growth in Europe in last 2 years and expects Europe to grow faster than average growth of the company.
- There are headwinds from macro uncertainties related to Brexit especially in UK and macro slowdown. Global banks are posing more challenges in this geography, However, with limited exposure impact remains muted for the company.

BCM: Banking & Capital markets

- Digital Risk Business YoY decline is weighing on the growth of this vertical.
- Direct core business in Banking is driving growth for the company.
- There are some segments of BFSI which are growing faster and some segments declining faster.
- Consumer bank, lending & wealth management are growing faster with digital intervention.
- However, Core services and legacy infrastructure services are shrinking faster in this vertical.
- Global asset management, IB and Trading, Capital markets are facing challenges from global slowdown but cited that Mphasis has limited exposure to this clients.

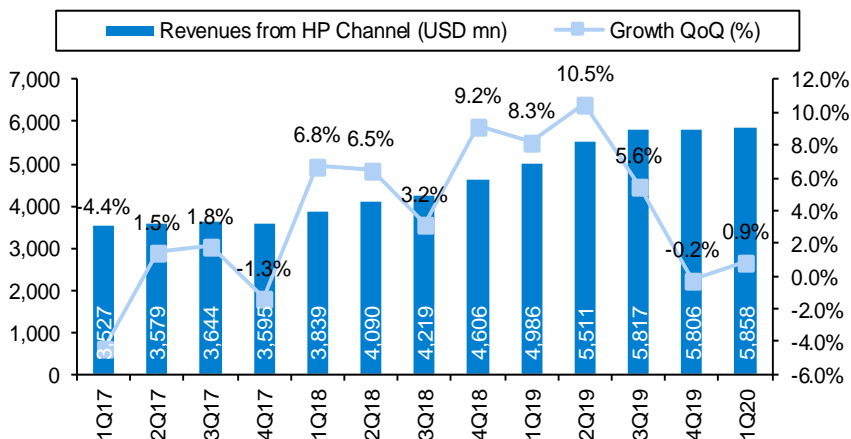
Emerging vertical:

- Emerging vertical is collection of micro vertical and accounts to 25 % of direct business.
- Some sub verticals like Healthcare and logistics are growing very fast.
- Emerging will continue to grow faster across verticals because of lower base of sub vertical.

Other key Highlights:

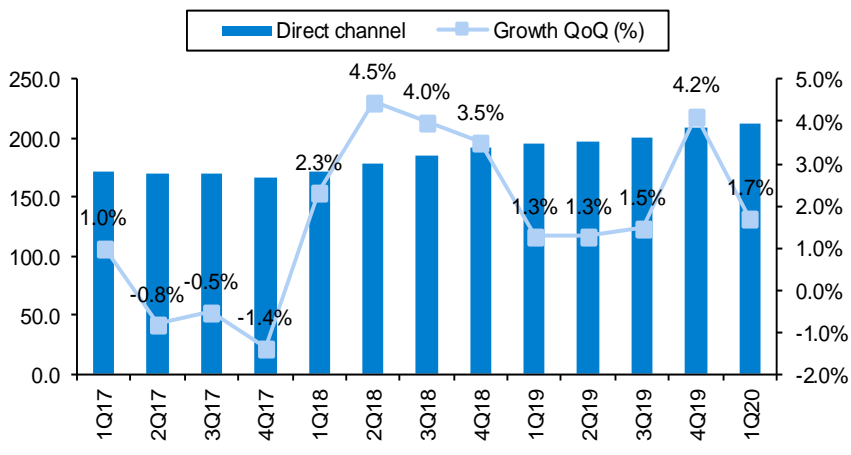
- In IMS Segment, deployment of cloud platform is creating long term headwind.
- **Attrition** is highest in lower end of pyramid whereas lower at Higher end of pyramid. Cited that it is elevated at lower level because of supply crunch issues and tight labour market in some segments.
- Guided for Effective Tax rate to be in the range of 25-27% in FY20E.
- Management expects positive impact of Hedging in FY20E which can incrementally benefit of ~50bps.

Exhibit 4: HP channel now accounts to 28% of total revenues



Source: Company, PL

Exhibit 5: Direct channel continued growth momentum



Source: Company, PL

Exhibit 6: Revenue by service offerings

(Rs m)	1Q20	4Q19	QoQ gr.	1Q19	YoY gr.
Application Maintenance & Other Services	6,612	6,859	-3.6%	5,494	20.3%
Application Development	6,833	6,430	6.3%	5,007	36.5%
Customer Service	234	233	0.4%	221	5.9%
Service/Technical Help Desk	1,537	1,460	5.3%	1,498	2.6%
Transaction Processing Services	1,300	1,281	1.5%	1,200	8.3%
Infrastructure Management Services	2,521	2,599	-3.0%	2,705	-6.8%
Knowledge Process + Lic Fses	1,570	1,607	-2.3%	2,066	-24.0%
% of Total					
Application Maintenance & Other Services	32.1%	33.9%	-181 bps	30.2%	187 bps
Application Development	33.1%	31.8%	138 bps	27.5%	562 bps
Customer Service	1.1%	1.2%	-2 bps	1.2%	-8 bps
Service/Technical Help Desk	7.5%	7.2%	24 bps	8.2%	-78 bps
Transaction Processing Services	6.3%	6.3%	-2 bps	6.6%	-29 bps
Infrastructure Management Services	12.2%	12.8%	-61 bps	14.9%	-264 bps
Knowledge Process + Lic fees	7.6%	7.9%	-32 bps	11.4%	-374 bps

Source: Company, PL

Exhibit 7: Vertical-wise revenues

(Rs m)	1Q20	4Q19	QoQ gr.	1Q19	YoY gr.
Banking and Capital Market	9,206	9,074	1.5%	8,569	7.4%
Insurance	2,406	2,452	-1.9%	2,052	17.3%
Information, Communication & Entertainment	3,413	3,531	-3.3%	3,139	8.7%
Emerging Industries	5,582	5,411	3.2%	4,458	25.2%
% of Total					
Banking and Capital Market	44.6%	44.8%	-18 bps	47.1%	-244 bps
Insurance	11.7%	12.1%	-44 bps	11.3%	39 bps
Information, Communication & Entertainment	16.5%	17.4%	-89 bps	17.2%	-70 bps
Emerging Industries	27.1%	26.7%	34 bps	24.5%	257 bps
Gross Profit Margin					
Banking and Capital Market	24.6%	24.6%	2 bps	26.9%	-227 bps
Insurance	25.6%	28.7%	-311 bps	24.7%	90 bps
IT, Communication & Entertainment	20.2%	19.3%	96 bps	25.7%	-546 bps
Emerging Industries	31.5%	34.4%	-297 bps	33.2%	-172 bps

Source: Company, PL

Exhibit 8: Geography-wise revenues

(Rs m)	1Q20	4Q19	QoQ gr.	1Q19	YoY gr.
Americas	16,242	15,880	2.3%	14,411	12.7%
EMEA	2,201	2,341	-6.0%	2,088	5.4%
India	1,029	1,055	-2.5%	1,155	-10.9%
RoW	1,135	1,193	-4.9%	564	101.2%
Total	20,607	20,469	0.7%	18,218	13.1%
% of Total					
America	78.8%	77.6%	124 bps	79.1%	-29 bps
EMEA	10.7%	11.4%	-76 bps	11.5%	-78 bps
India	5.0%	5.2%	-16 bps	6.3%	-135 bps
RoW	5.5%	5.8%	-32 bps	3.1%	241 bps
Total	100.0%	100.0%		100.0%	

Source: Company, PL

Exhibit 9: Client Metrics

	1Q20	4Q19	QoQ gr.	1Q19	YoY gr.
>1mn	96	94	2.1%	93	3.2%
>5mn	33	33	0.0%	37	-10.8%
>10mn	17	17	0.0%	18	-5.6%
>20mn	8	8	0.0%	8	0.0%
Top Customer					
Top 5	3,094	2,835	9.1%	2,366	30.7%
Top 2-5	9,900	9,518	4.0%	7,463	32.7%
Top 6-10	6,807	6,683	1.9%	5,097	33.6%
Top 10	5,775	5,468	5.6%	5,097	13.3%
Non Top 10 customers	12,582	12,150	3.6%	10,193	23.4%
	8,044	8,100	-0.7%	8,009	0.4%
% of Revenue					
Top Customer					
Top 5	15.0%	14.0%	100 bps	13.0%	200 bps
Top 10	48.0%	47.0%	100 bps	41.0%	700 bps
Non Top 10 customers	61.0%	60.0%	100 bps	56.0%	500 bps

Source: Company, PL

Exhibit 10: Headcount Metrics

	1Q20	4Q19	QoQ gr.	1Q19	YoY gr.
Onsite - Applications	3,246	3,277	-31.00	2,550	27.3%
Onsite - BPO	951	851	100.00	914	4.0%
Onsite - ITO	1,522	1,293	229.00	1,087	40.0%
Offshore - Applications	10,312	9,742	570.00	8,680	18.8%
Offshore - BPO	5,474	5,384	90.00	5,092	7.5%
Offshore - ITO	2,789	2,723	66.00	3,075	-9.3%
Total Headcount- Onsite	5,719	5,421	298.00	4,551	25.7%
Total Headcount- Offshore	18,575	17,849	726.00	16,847	10.3%
Sales and Marketing	282	293	-11.00	270	4.4%
General and Administration	923	921	2.00	898	2.8%
Overall Headcount	25,499	24,484	1015.00	22,566	13.0%
Utilization (excluding Trainees)-Blended					
Application	85.0%	87.0%	-200 bps	86.0%	-100 bps
BPO	87.0%	91.0%	-400 bps	94.0%	-700 bps
ITO	96.0%	93.0%	300 bps	93.0%	300 bps

Source: Company, PL

Exhibit 11: Project based revenue break-up

(Rs m)	1Q20	4Q19	QoQ gr.	1Q19	YoY gr.
Revenue from T&M	15,748	15,778	-0.2%	13,383	17.7%
Revenue from FPP	4,859	4,691	3.6%	4,835	0.5%
Onsite Revenue	12,002	11,912	0.8%	10,472	14.6%
Offshore Revenue	8,605	8,557	0.6%	7,746	11.1%
% of Total					
Revenue from T&M	76.4%	77.9%	-157 bps	73.5%	283 bps
Revenue from FPP	23.6%	23.2%	39 bps	26.6%	-301 bps
Onsite Revenue	58.2%	58.8%	-64 bps	57.5%	66 bps
Offshore Revenue	41.7%	42.3%	-54 bps	42.6%	-84 bps

Source: Company, PL

Exhibit 12: Billing Rates

(USD/hr)	1Q20	4Q19	QoQ gr.	1Q19	YoY gr.
Onsite - Applications	90	90	0.0%	85	5.9%
Onsite - ITO	78	86	-9.3%	86	-9.3%
Offshore - Applications	23	23	0.0%	22	4.5%
Offshore- ITO	24	24	0.0%	24	0.0%
Offshore - BPO	11	11	0.0%	10	10.0%

Source: Company, PL

Exhibit 13: Segment-wise revenues

(Rs m)	1Q20	4Q19	QoQ gr.	1Q19	YoY gr.
Direct International	14,086	13,961	0.9%	12,643	11.4%
HP Channel	5,858	5,806	0.9%	4,986	17.5%
Direct Others	663	702	-5.6%	589	12.6%
% of Total					
Direct International	68.3%	68.9%	-65 bps	69.5%	-117 bps
HP Channel	28.4%	28.7%	-27 bps	27.4%	101 bps
Direct Others	3.2%	3.5%	-25 bps	3.2%	-2 bps

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY18	FY19	FY20E	FY21E
Net Revenues	65,458	77,310	87,995	99,541
YoY gr. (%)	7.7	18.1	13.8	13.1
Employee Cost	47,309	55,755	62,334	70,289
Gross Profit	18,149	21,555	25,660	29,252
Margin (%)	27.7	27.9	29.2	29.4
SG&A Expenses	3,333	3,529	4,501	5,274
Other Expenses	(33)	-	-	-
EBITDA	10,624	13,238	15,826	17,832
YoY gr. (%)	9.7	24.6	19.6	12.7
Margin (%)	16.2	17.1	18.0	17.9
Depreciation and Amortization	709	759	1,476	1,265
EBIT	9,915	12,479	14,351	16,567
Margin (%)	15.1	16.1	16.3	16.6
Net Interest	-	-	-	-
Other Income	1,490	1,592	1,389	1,748
Profit Before Tax	11,405	14,071	15,740	18,315
Margin (%)	17.4	18.2	17.9	18.4
Total Tax	2,900	3,339	4,023	4,718
Effective tax rate (%)	25.4	23.7	25.6	25.8
Profit after tax	8,505	10,732	11,717	13,596
Minority interest	-	20	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	8,505	10,712	11,717	13,596
YoY gr. (%)	6.4	25.9	9.4	16.0
Margin (%)	13.0	13.9	13.3	13.7
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	8,505	10,712	11,717	13,596
YoY gr. (%)	6.4	25.9	9.4	16.0
Margin (%)	13.0	13.9	13.3	13.7
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	8,505	10,712	11,717	13,596
Equity Shares O/s (m)	196	193	186	186
EPS (Rs)	43.3	55.4	62.9	73.1

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY18	FY19	FY20E	FY21E
Non-Current Assets				
Gross Block	6,955	7,357	8,391	9,144
Tangibles	6,955	7,357	8,391	9,144
Intangibles	-	-	-	-
Acc: Dep / Amortization	-	-	-	-
Tangibles	-	-	-	-
Intangibles	-	-	-	-
Net fixed assets	6,955	7,357	8,391	9,144
Tangibles	6,955	7,357	8,391	9,144
Intangibles	-	-	-	-
Capital Work In Progress	-	-	-	-
Goodwill	17,015	19,585	19,533	19,533
Non-Current Investments	-	-	-	-
Net Deferred tax assets	1,057	814	969	969
Other Non-Current Assets	5,367	4,925	10,900	10,900
Current Assets				
Investments	-	-	-	-
Inventories	-	-	-	-
Trade receivables	8,116	9,554	8,438	9,545
Cash & Bank Balance	21,719	17,116	21,788	30,625
Other Current Assets	-	-	-	-
Total Assets	69,853	73,711	82,337	94,650
Equity				
Equity Share Capital	1,932	1,862	1,863	1,863
Other Equity	52,886	50,636	57,359	66,818
Total Network	54,818	52,498	59,223	68,682
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	-	-	-	-
Other non current liabilities	1,016	1,275	6,595	6,595
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	14,020	19,937	16,519	19,373
Other current liabilities	-	-	-	-
Total Equity & Liabilities	69,853	73,711	82,337	94,650

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY18	FY19	FY20E	FY21E
PBT	11,405	14,071	15,740	18,315
Add. Depreciation	709	759	1,476	1,265
Add. Interest	130	155	259	80
Less Financial Other Income	1,490	1,592	1,389	1,748
Add. Other	-	-	-	-
Op. profit before WC changes	12,244	14,985	17,475	19,659
Net Changes-WC	4,766	446	(916)	130
Direct tax	(2,900)	(3,339)	(4,023)	(4,718)
Net cash from Op. activities	14,110	12,092	12,535	15,071
Capital expenditures	(8,365)	(3,731)	(2,458)	(2,017)
Interest / Dividend Income	-	-	-	-
Others	-	-	-	-
Net Cash from Inv. activities	(8,365)	(3,731)	(2,458)	(2,017)
Issue of share cap. / premium	(173)	(69)	1	-
Debt changes	-	-	-	-
Dividend paid	(4,648)	(6,045)	(4,137)	(4,137)
Interest paid	(130)	(155)	(259)	(80)
Others	(7,921)	(6,694)	(1,011)	-
Net cash from Fin. activities	(12,871)	(12,964)	(5,406)	(4,217)
Net change in cash	(7,127)	(4,602)	4,671	8,837
Free Cash Flow	5,744	8,361	10,077	13,054

Source: Company Data, PL Research

Key Financial Metrics

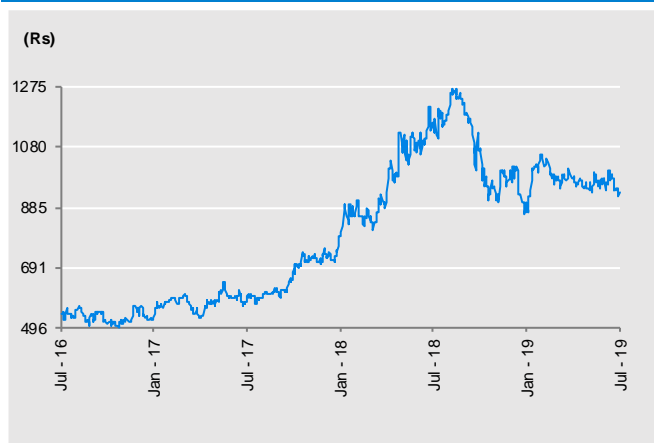
Y/e Mar	FY18	FY19	FY20E	FY21E
Per Share(Rs)				
EPS	43.3	55.4	62.9	73.1
CEPS	46.9	59.3	70.9	79.9
BVPS	279.2	271.5	318.2	369.0
FCF	29.3	43.2	54.1	70.1
DPS	19.7	26.0	19.0	19.0
Return Ratio(%)				
RoCE	17.0	23.3	25.7	25.9
ROIC	21.7	31.3	34.0	31.4
RoE	14.6	20.0	21.0	21.3
Balance Sheet				
Net Debt : Equity (x)	(0.4)	(0.3)	(0.4)	(0.4)
Debtor (Days)	45	45	35	35
Valuation(x)				
PER	21.5	16.8	14.8	12.7
P/B	3.3	3.4	2.9	2.5
P/CEPS	45.8	58.0	69.2	78.0
EV/EBITDA	15.1	12.3	9.6	8.0
EV/Sales	2.5	2.1	1.7	1.4
Dividend Yield (%)	2.1	2.8	2.0	2.0

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q2FY19	Q3FY19	Q4FY19	Q1FY20
Net Revenue	19,149	19,710	20,250	20,626
YoY gr. (%)	19.3	18.7	16.1	7.7
Raw Material Expenses	13,770	14,204	14,815	14,771
Gross Profit	5,379	5,506	5,435	5,855
Margin (%)	28.1	27.9	26.8	28.4
EBITDA	3,329	3,306	3,404	3,743
YoY gr. (%)	33.5	20.6	10.0	12.4
Margin (%)	17.4	16.8	16.8	18.1
Depreciation / Depletion	184	196	200	550
EBIT	3,145	3,110	3,204	3,193
Margin (%)	16.4	15.8	15.8	15.5
Net Interest	-	-	-	-
Other Income	441	471	273	342
Profit before Tax	3,586	3,581	3,477	3,535
Margin (%)	18.7	18.2	17.2	17.1
Total Tax	877	801	815	888
Effective tax rate (%)	24.5	22.4	23.4	25.1
Profit after Tax	2,709	2,780	2,662	2,647
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	2,709	2,780	2,662	2,647
YoY gr. (%)	37.0	29.3	6.2	(2.3)
Margin (%)	14.1	14.1	13.1	12.8
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	2,709	2,780	2,662	2,647
YoY gr. (%)	37.0	29.3	6.2	(2.3)
Margin (%)	14.1	14.1	13.1	12.8
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	2,709	2,780	2,662	2,647
Avg. Shares O/s (m)	193	193	193	186
EPS (Rs)	14.0	14.4	13.8	14.2

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	4-Jul-19	Accumulate	1,111	994
2	10-Jun-19	Accumulate	1,111	955
3	28-May-19	Accumulate	1,111	952
4	5-Apr-19	Accumulate	1,090	975
5	25-Jan-19	Accumulate	1,260	921
6	7-Jan-19	Accumulate	1,220	925
7	21-Oct-18	Accumulate	1,220	1,068
8	5-Oct-18	Accumulate	1,250	1,148
9	8-Aug-18	Accumulate	1,250	1,150

Analyst Coverage Universe

Sr. No.	CompanyName	Rating	TP (Rs)	Share Price (Rs)
1	Cyient	Hold	500	544
2	HCL Technologies	BUY	1,186	1,041
3	Hexaware Technologies	Hold	339	373
4	Infosys	Accumulate	782	727
5	L&T Technology Services	Accumulate	1,693	1,599
6	Larsen & Toubro Infotech	Accumulate	1,701	1,576
7	Mindtree	Reduce	755	750
8	Mphasis	Accumulate	1,111	994
9	NIIT Technologies	Accumulate	1,445	1,354
10	Persistent Systems	Hold	621	621
11	Redington (India)	BUY	114	107
12	Sonata Software	Accumulate	400	352
13	Tata Consultancy Services	BUY	2,291	2,133
14	TeamLease Services	Hold	3,203	3,079
15	Tech Mahindra	Hold	690	701
16	Wipro	Reduce	238	260
17	Zensar Technologies	Accumulate	260	257

PL's Recommendation Nomenclature (Absolute Performance)

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



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