

Rating: ACCUMULATE | CMP: Rs1,599 | TP: Rs1,693

July 22, 2019

## Q1FY20 Result Update

Change in Estimates |  Target |  Reco

### Change in Estimates

	Current		Previous	
	FY20E	FY21E	FY20E	FY21E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	1,693		1,835	
Sales (Rs. m)	56,931	65,593	58,630	67,906
% Chng.	(2.9)	(3.4)		
EBITDA (Rs. m)	10,844	12,463	10,899	12,902
% Chng.	(0.5)	(3.4)		
EPS (Rs.)	78.8	86.0	81.4	88.8
% Chng.	(3.2)	(3.1)		

### Key Financials - Consolidated

Y/e Mar	FY18	FY19	FY20E	FY21E
Sales (Rs. m)	37,471	50,783	56,931	65,593
EBITDA (Rs. m)	5,811	9,158	10,844	12,463
Margin (%)	15.5	18.0	19.0	19.0
PAT (Rs. m)	5,072	7,667	8,195	8,943
EPS (Rs.)	49.5	73.7	78.8	86.0
Gr. (%)	18.2	49.0	6.9	9.1
DPS (Rs.)	15.9	25.1	26.0	28.4
Yield (%)	1.0	1.6	1.6	1.8
RoE (%)	29.6	34.7	30.1	27.6
RoCE (%)	27.4	35.6	33.5	33.3
EV/Sales (x)	4.3	3.1	2.8	2.4
EV/EBITDA (x)	27.7	17.4	14.6	12.4
PE (x)	32.3	21.7	20.3	18.6
P/BV (x)	8.5	6.7	5.6	4.7

### Key Data

LTEH.BO | LTTS IN

52-W High / Low	Rs.1,855 / Rs.1,252
Sensex / Nifty	38,337 / 11,419
Market Cap	Rs.166bn/ \$ 2,413m
Shares Outstanding	104m
3M Avg. Daily Value	Rs.439.84m

### Shareholding Pattern (%)

Promoter's	80.41
Foreign	4.22
Domestic Institution	4.25
Public & Others	11.12
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	(7.9)	(2.6)	25.8
Relative	(6.1)	(7.5)	19.3

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## Healthy deal momentum but weakness in Hi-Tech to dent growth

LTTS revenue performance was below our estimates by 2% as there was a client ramp down coupled with slowdown in semi-conductor vertical (to impact Q2FY20 as well) as also led to lower guidance (12-14% for FY20E). While pipeline remains healthy in Hi-tech vertical, momentum will pick up from H2FY20. LTTS continued its deal win momentum with 7 large wins in Q1FY20. Deal wins are broad-based across verticals (2 deals in Transportation in US and Singapore, 1 deal in Industrial, 1 deal in Hi-tech and 3 deals in Medical). However, weakness in semiconductor space is likely to dent growth prospects. EBITDA margin at 18.5% (excl. IND AS impact) was ahead of estimates (Ple: 17.2%; consensus: 17.8%).

We reduce our revenue estimates by 2.6% & 3.4% in FY20E/21E to factor in weakness of Communication, Hi-Tech (~23% of total revs) & lower guidance. Hence, our EPS gets revised downwards by ~2.5%/~3.1%. We believe the volatility in management commentary can weigh on the premium multiples. We believe conversion of deal pipeline especially in Hi-tech will be keenly watched. We expect USD revenue & EPS CAGR of 13% & 9% from FY19-FY21E respectively. We value at LTTS at 20X FY21E earnings to arrive at a change target price of Rs.1693(Earlier: Rs.1835). The stock currently trades at 20.6X/18.9X FY20/21E EPS of Rs. 77 & Rs.85. Maintain Accumulate.

- Revenue miss, Inline margins:** LTTS' 1Q revenue was below our estimates at USD 194mn, 1.3/15.2% QoQ/YoY CC. Growth (ex-Telecom & Hi-tech vertical) was at 6.7% QoQ. Telecom & Hi-tech vertical declined (USD 7mn QoQ) impacted by large Hi-tech account. Increased macro concerns in Telecom & Hi-tech vertical (22.3% of rev) led to lowering of FY20 growth guidance to 12 to 14% (14 to 16% earlier). Telecom & Hi-Tech vertical to remain soft in Q2FY20 also and management mentioned growth will happen in 2HFY20, we remain watchful on this recovery. Transportation (34.9% of rev) grew 7.5% QoQ despite challenges witnessed by peers in Auto (Tata Elxsi) and in Aerospace (Cyient). Process Industry has grown higher than company average growth for the past 5 quarters.
- Margins to remain stable:** Q1FY20 EBIT margin at 17.1% was up ~60 bps QoQ driven by strong operational efficiencies, SG&A optimization and better revenue mix which more than offset the impact of visa (70 bps) and currency (-30 bps). Q2 will have impact of wage increases (160 bps) but levers exist: (i) operational efficiencies, (ii) better growth revenue mix. Decline in low margin telecom business, also helped in margins beat in this quarter.
- FY20 Guidance lowered:** Increased macro concerns in Telecom & Hi-tech vertical (22.3% of rev) led to lowering of FY20 growth guidance to 12 to 14% (14 to 16% earlier). Telecom & Hi-Tech vertical to remain soft in Q2FY20 also and management mentioned growth will happen in 2HFY20, we remain watchful on this recovery. Management remains optimistic on growth prospects driven by momentum on large deals & healthy pipeline.

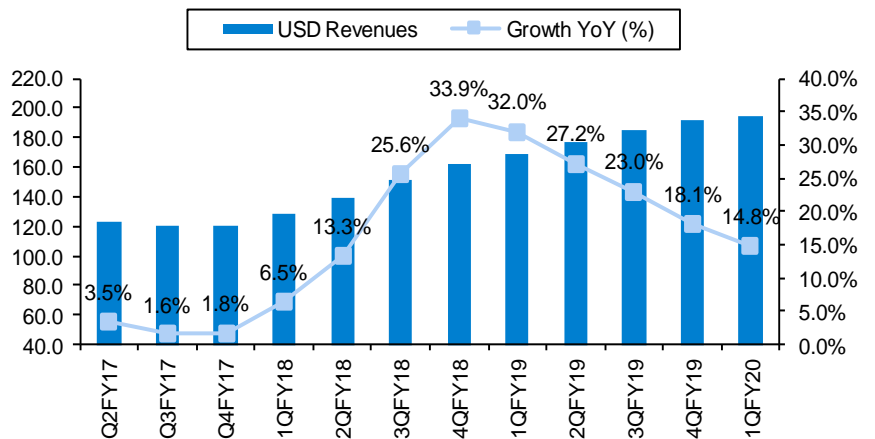
**Exhibit 1: Q1FY20: Quick view on results**

(Rs mn)	1QFY20	4QFY19	QoQ gr.	1QFY19	YoY gr.	PL Estimates	Variance
Revenues(USD mn)	194	191	1.4%	169	14.8%	197	-2%
Revenues	13,475	13,431	0.3%	11,522	17.0%	13,891	-3%
EBIDTA	2,727	2,492	9.4%	1,961	39.1%	2,542	7%
EBIDTA margin (%)	20.2%	18.6%	168bp	17.0%	322bp	18.3%	194bp
PAT	2,041	1,924	6.1%	1,981	3.0%	2,038	0%
PAT margin (%)	15.1%	14.3%	82bp	17.2%	-205bp	14.7%	48bp

Source: Company, PL

LTTS has posted revenues of \$193.9 Mn in Q1FY20 up 1.4% QoQ and 14.8% YoY. Constant currency growth for the quarter stood at 1.3% QoQ and 15.2% YoY

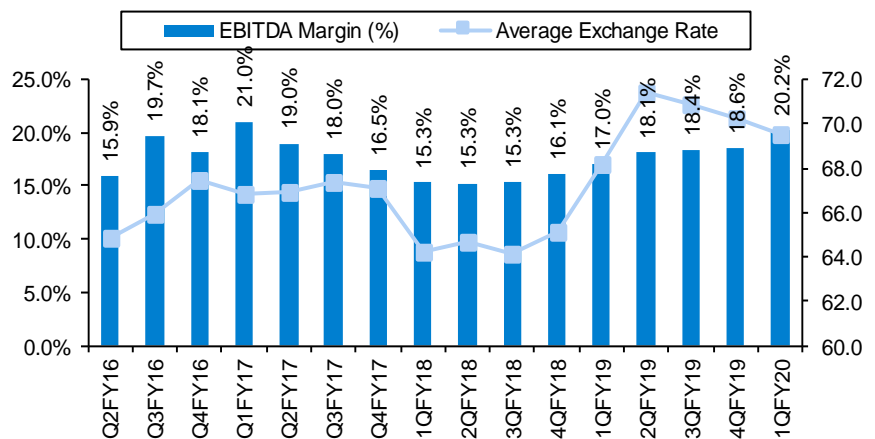
**Exhibit 2: Tepid revenue growth led to miss on revenues**



Source: Company, PL

EBIT Margin for the quarter came in at 17.1%. Headwind from visa costs (-70bps), INR appreciation (-30bps) were offset by tailwind from operational efficiency, better SG&A leverage and better revenue mix among segments.

**Exhibit 3: EBITDA margin improved during the quarter**



Source: Company, PL

## Key Highlights from Concall:

- Revenue growth in Q1FY20 was mainly impacted by weak performance in Telecom & Hi-tech vertical. As cited earlier by management in last concall that there is client specific issue in this vertical which has impacted the performance of the vertical.
- Semiconductor in the segment is facing challenges from macro uncertainties related to US-China trade war and weakness in china. This has nothing to do with slowdown or any client specific issue.
- Management cited that Multi-vertical focus will help in compensating tepid growth from Telecom vertical. Apart from this segment company is seeing robust growth in 4 segments.
- Guidance downgraded to 12-14% from 14-16% mainly because of issues and slowdown in semiconductor segment in telecom vertical.
- Continue to sign deals across verticals & geographies.
- Revenues from top clients is declining because of impact from client specific issue (-4% in FY20)

## Margin Outlook

- EBIT Margin for the quarter came in at 17.1%. Headwind from visa costs (-70bps), INR appreciation (-30bps) were offset by tailwind from operational efficiency, better SG&A leverage and better revenue mix among segments.
- There would be wage hike impact on margins in Next quarter of upto ~160bps. Company is planning wage hike across the company in coming quarter itself unlike last year (Impact on Q2 & Q3 as well). Management expects that headwind from wage hike will be offset by better operational efficiency.
- Onsite-offshore mix stood at 44.3% in Q1FY20. Management guided Onsite ratio to be in the range of ~45-48% for FY20. We note that large deals are onsite centric and thus once this deals comes in steady phase in in H2FY20 will led to higher onsite mix.

## Geography Outlook

- Europe & Indian geography remain tepid during past few quarters mainly because of that client specific issue which impacted 4% of overall revenues. Apart from these there is no other business concern.
- Not seeing slowdown in European geography especially in Manufacturing vertical. Company continue to remain optimistic and seeing lot of traction with digital capabilities to win transformational deals from clients.
- Row: Japan seeing lot of traction. In this geography company currently have 2 deals.

## Vertical-wise Outlook

### Transportation:

- Growth in transportation is broad based across all sub-segments- Automotive, Airspace & Off highway.
- Company is seeing opportunities in the area of auto market, digital solutions and create some of the innovation labs for customers.
- In automotive continue to see a good pipeline in areas like functional safety, electrification, autonomous IoT and telematics.

### Telecom:

- There is reprioritizing of tech spends in Semiconductor segment led by disruption in the mobile supply chain and slowing demand from then end market like China.
- Company is unable to offset the headwinds from customer specific issue in this segment as cited earlier in Q4 and thus impacted growth in this quarter as well. Management also cited that residual impact from this concern will come in Q2FY20 as well. However, impact will be lesser as compared to this quarter.
- Management also guided revival in this vertical in H2FY20 on back of strong deal pipeline in this vertical.

### Medical Devices:

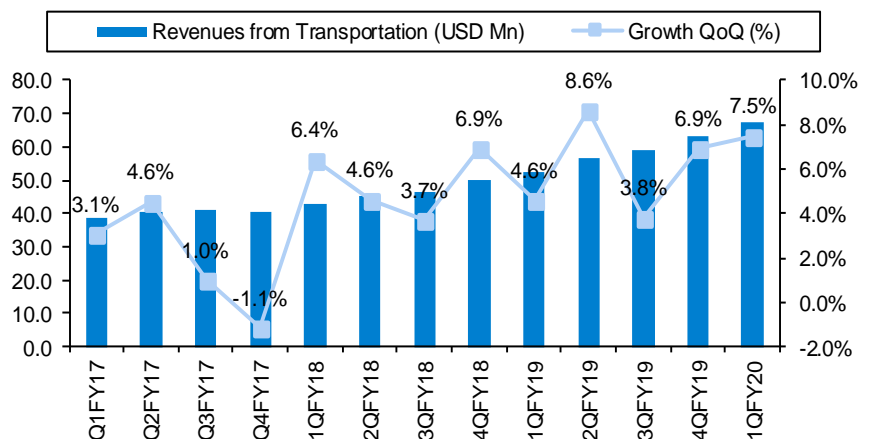
- Strong pipeline held with opportunity face and monitoring devices, connectivity, solutions, process validation and the compliance.

### Plant engineering:

- Good pipeline with opportunities in detail, engineering, EPCM support, engineering values in center model

*In transportation management is seeing strong demand environment especially in Autonomous vehicle, security of car, electrification Digital Cockpit, infotainment etc.*

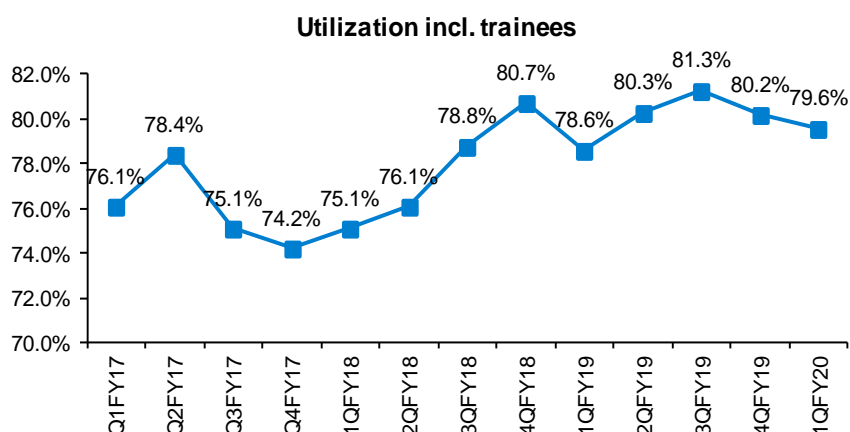
**Exhibit 4: Transportation vertical continue growth momentum**



Source: Company, PL

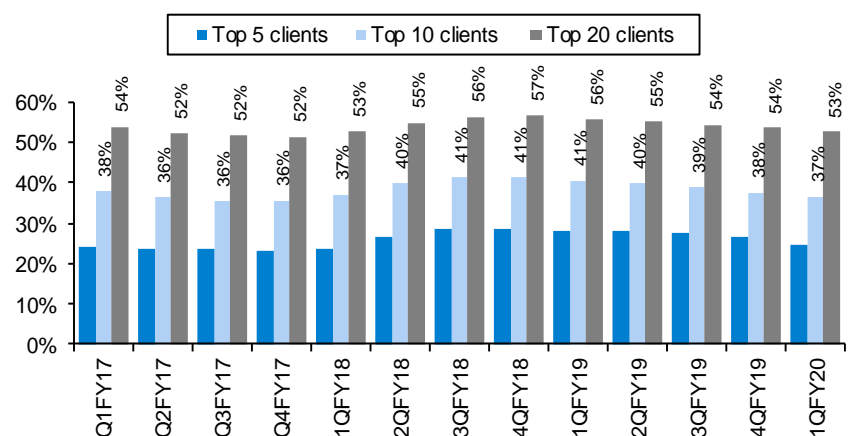
Utilisation rate for the quarter stood at 79.6% down 60 bps QoQ.

**Exhibit 5: Utilization Continue to decline after peak in Q3**



Source: Company, PL

**Exhibit 6: Client concentration on top clients remain strong**



Source: Company, PL

**Exhibit 7: Vertical wise revenues**

Fig in USD mn	1QFY20	4QFY19	QoQ gr.	1QFY19	YoY gr.
Transportation	67.7	62.9	7.5%	52.2	29.7%
Industrial products	38.0	36.9	2.9%	34.5	10.3%
Telecom & Hi-tech	43.2	50.1	-13.7%	48.5	-10.8%
Process Industry	29.7	28.1	5.5%	22.8	30.1%
Medical Devices	15.5	13.4	15.8%	11.0	41.3%
<b>Total Revenues</b>	<b>194.1</b>	<b>191.5</b>	<b>1.4%</b>	<b>168.9</b>	<b>14.9%</b>
<b>-as a % of total sales</b>					
Transportation	34.9%	32.9%	200bp	30.9%	400bp
Industrial products	19.6%	19.3%	30bp	20.4%	-80bp
Telecom & Hi-tech	22.3%	26.2%	-390bp	28.7%	-640bp
Process Industry	15.3%	14.7%	60bp	13.5%	180bp
Medical Devices	8.0%	7.0%	100bp	6.5%	150bp

Source: Company, PL

**Exhibit 8: Geography-wise revenues**

Fig in USD mn	1QFY20	4QFY19	QoQ gr.	1QFY19	YoY gr.
North America	118.1	112.7	4.8%	95.1	24.2%
Europe	30.2	30.6	-1.2%	31.2	-3.2%
India	24.8	26.6	-6.7%	20.9	18.5%
RoW	20.7	21.4	-3.2%	21.6	-4.0%
<b>Total Revenues</b>	<b>193.9</b>	<b>191.3</b>	<b>1.4%</b>	<b>168.9</b>	<b>14.8%</b>
<b>-as a % of total sales</b>					
North America	60.9%	58.9%	200bp	56.3%	460bp
Europe	15.6%	16.0%	-40bp	18.5%	-290bp
India	12.8%	13.9%	-110bp	12.4%	40bp
RoW	10.7%	11.2%	-50bp	12.8%	-210bp

Source: Company, PL

**Exhibit 9: Client Concentration (%)**

Client contribution	Q1FY17	Q2FY17	Q3FY17	Q4FY17	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20
Top 5 clients	24.2	23.6	23.4	23.2	23.8	26.8	28.8	28.6	28.3	28.2	27.4	26.4	24.7
Top 10 clients	37.8	36.3	35.5	35.6	37.0	39.8	41.2	41.4	40.5	39.9	38.9	37.7	36.7
Top 20 clients	53.8	52.1	51.7	51.5	52.6	54.9	56.4	56.7	55.6	55.1	54.4	53.5	52.5

Source: Company, PL

**Exhibit 10: Revenues by Vertical (%)**

Contribution by Verticals	Q1FY17	Q2FY17	Q3FY17	Q4FY17	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20
Transportation	32.2	32.9	34	33.4	33.6	32.3	30.9	30.8	30.9	32.0	31.7	32.9	34.9
Industrial products	25.9	25.5	26.6	26.9	25.5	23.6	21.8	20.9	20.4	20.6	20.2	19.3	19.6
Telecom & Hi-tech	18.6	19.6	17.2	19	20.1	24.3	27.9	29.5	28.7	26.7	27.0	26.2	22.3
Plant Engineering*	16.3	15.2	15.5	14.1	13.9	12.8	12.7	12.3	13.5	14.2	14.4	14.7	15.3
Medical Devices	7	6.7	6.73	6.6	6.9	7	6.25	6.5	6.5	6.5	6.7	7.0	8.0
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100.0</b>	<b>100.0</b>	<b>100.1</b>	<b>100.1</b>

Source: Company, PL \*Earlier called as Process Industry

**Exhibit 11: Revenues by geography (%)**

Contribution by geographies	Q1FY17	Q2FY17	Q3FY17	Q4FY17	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20
North America	63.5	62.3	62.5	63.3	64.5	60.8	58.7	57.6	56.3	57.7	57.8	58.9	60.9
Europe	20.2	19.5	19.2	17.3	16.6	16.5	17.2	18.6	18.5	17.2	16.2	16.0	15.6
India	6.8	7.5	8.1	9.2	9.3	10.5	11.5	11.7	12.4	12.5	14.4	13.9	12.8
RoW	9.5	10.7	10.2	10.2	9.6	12.2	12.6	12.1	12.8	12.6	11.6	11.2	10.7
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: Company, PL

**Exhibit 12: Headcount Metrics**

Employee stats	Q1FY17	Q2FY17	Q3FY17	Q4FY17	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20
Total headcount	9419	9599	10040	10463	10805	11532	11941	12307	13081	13585	14777	15140	15913
Billable	8587	8739	9160	9537	9886	10573	11009	11360	12147	12604	13711	14034	14755
Sales & Support	832	860	880	926	919	959	932	947	934	981	1066	1106	1158
Voluntary attrition	13.2%	14.6%	14.0%	14.0%	13.4%	13.4%	13.2%	13.5%	15.4%	15.0%	14.9%	14.8%	15.8%
<b>Utilisation</b>													
Including trainees	76.1	78.4	75.1	74.2	75.1	76.1	78.8	80.7	78.6	80.3	81.3	80.2	79.6

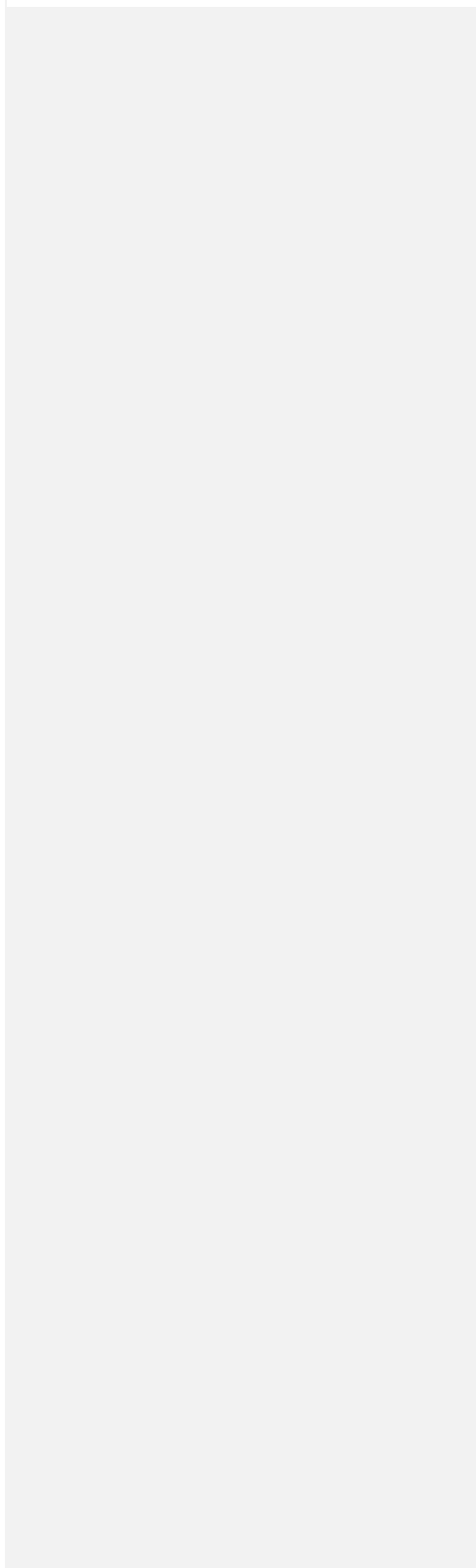
Source: Company, PL



Exhibit 13: Other Operating Metrics

	Q1FY17	Q2FY17	Q3FY17	Q4FY17	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20
<b>Revenues by delivery</b>													
Onsite	51.1%	48.0%	47.5%	49.2%	49.2%	50.8%	50.7%	50.0%	49.4%	47.1%	47.4%	44.8%	44.30%
Offshore	48.9%	52.0%	52.5%	50.8%	50.8%	49.2%	49.3%	50.0%	50.6%	52.9%	52.6%	55.2%	55.70%
<b>Revenues by project type</b>													
Fixed price	28.6%	30.6%	31.0%	30.4%	30.2%	33.2%	38.2%	37.0%	40.9%	42.2%	42.1%	43.6%	42.40%
Time and material	71.4%	69.4%	69.0%	69.6%	69.8%	66.8%	61.8%	63.0%	59.1%	57.8%	57.9%	56.4%	57.60%

Source: Company, PL



## Financials

### Income Statement (Rs m)

Y/e Mar	FY18	FY19	FY20E	FY21E
<b>Net Revenues</b>	<b>37,471</b>	<b>50,783</b>	<b>56,931</b>	<b>65,593</b>
YoY gr. (%)	15.4	35.5	12.1	15.2
Employee Cost	24,600	31,788	35,731	41,323
Gross Profit	12,871	18,995	21,200	24,269
Margin (%)	34.3	37.4	37.2	37.0
SG&A Expenses	7,060	9,837	10,355	11,807
Other Expenses	-	-	-	-
<b>EBITDA</b>	<b>5,811</b>	<b>9,158</b>	<b>10,844</b>	<b>12,463</b>
YoY gr. (%)	(0.8)	57.6	18.4	14.9
Margin (%)	15.5	18.0	19.0	19.0
Depreciation and Amortization	888	1,042	1,488	1,426
<b>EBIT</b>	<b>4,923</b>	<b>8,116</b>	<b>9,356</b>	<b>11,036</b>
Margin (%)	13.1	16.0	16.4	16.8
Net Interest	24	19	109	24
Other Income	1,934	2,228	1,865	1,100
<b>Profit Before Tax</b>	<b>6,833</b>	<b>10,325</b>	<b>11,112</b>	<b>12,112</b>
Margin (%)	18.2	20.3	19.5	18.5
Total Tax	1,712	2,630	2,900	3,149
Effective tax rate (%)	25.1	25.5	26.1	26.0
<b>Profit after tax</b>	<b>5,121</b>	<b>7,695</b>	<b>8,212</b>	<b>8,963</b>
Minority interest	(6)	28	17	20
Share Profit from Associate	-	-	-	-
<b>Adjusted PAT</b>	<b>5,072</b>	<b>7,667</b>	<b>8,195</b>	<b>8,943</b>
YoY gr. (%)	19.3	51.2	6.9	9.1
Margin (%)	13.5	15.1	14.4	13.6
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>5,072</b>	<b>7,667</b>	<b>8,195</b>	<b>8,943</b>
YoY gr. (%)	19.3	51.2	6.9	9.1
Margin (%)	13.5	15.1	14.4	13.6
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	5,072	7,667	8,195	8,943
<b>Equity Shares O/s (m)</b>	<b>103</b>	<b>104</b>	<b>104</b>	<b>104</b>
<b>EPS (Rs)</b>	<b>49.5</b>	<b>73.7</b>	<b>78.8</b>	<b>86.0</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY18	FY19	FY20E	FY21E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>4,404</b>	<b>5,604</b>	<b>6,304</b>	<b>7,004</b>
Tangibles	2,020	2,380	2,800	3,220
Intangibles	2,384	3,224	3,504	3,784
<b>Acc: Dep / Amortization</b>	<b>2,231</b>	<b>3,273</b>	<b>4,761</b>	<b>6,187</b>
Tangibles	770	1,349	2,175	2,966
Intangibles	1,461	1,924	2,586	3,221
<b>Net fixed assets</b>	<b>2,173</b>	<b>2,331</b>	<b>1,543</b>	<b>817</b>
Tangibles	1,250	1,031	625	254
Intangibles	923	1,300	918	563
Capital Work In Progress	1	-	-	-
Goodwill	4,921	5,365	5,365	5,365
Non-Current Investments	590	1,362	1,362	1,362
Net Deferred tax assets	243	(8)	(8)	(8)
Other Non-Current Assets	487	635	635	635
<b>Current Assets</b>				
Investments	2,207	5,749	5,849	5,949
Inventories	-	-	-	-
Trade receivables	9,623	10,643	11,931	13,747
Cash & Bank Balance	1,542	2,051	2,823	6,667
Other Current Assets	3,805	3,736	7,634	8,312
<b>Total Assets</b>	<b>27,051</b>	<b>33,534</b>	<b>39,005</b>	<b>44,915</b>
<b>Equity</b>				
Equity Share Capital	205	208	208	208
Other Equity	19,159	24,583	29,522	34,912
<b>Total Network</b>	<b>19,364</b>	<b>24,791</b>	<b>29,730</b>	<b>35,120</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	-	-	-	-
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	702	702	702	702
Trade payables	1,807	1,879	2,106	2,427
Other current liabilities	5,128	6,041	6,241	6,441
<b>Total Equity &amp; Liabilities</b>	<b>27,051</b>	<b>33,638</b>	<b>39,005</b>	<b>44,915</b>

Source: Company Data, PL Research



**Cash Flow (Rs m)**

Y/e Mar	FY18	FY19	FY20E	FY21E
PBT	6,778	10,297	11,095	12,092
Add. Depreciation	888	1,042	1,488	1,426
Add. Interest	23	(177)	(1,010)	(636)
Less Financial Other Income	1,934	2,228	1,865	1,100
Add. Other	(131)	-	-	-
Op. profit before WC changes	7,558	11,162	11,573	12,883
Net Changes-WC	(1,701)	45	(4,959)	(2,173)
Direct tax	(1,721)	(2,630)	(2,900)	(3,149)
<b>Net cash from Op. activities</b>	<b>4,136</b>	<b>8,577</b>	<b>3,714</b>	<b>7,561</b>
Capital expenditures	(1,821)	(1,200)	(700)	(700)
Interest / Dividend Income	78	196	1,119	660
Others	(261)	(4,318)	(100)	(100)
<b>Net Cash from Inv. activities</b>	<b>(2,004)</b>	<b>(5,322)</b>	<b>319</b>	<b>(140)</b>
Issue of share cap. / premium	2	3	-	-
Debt changes	(317)	-	-	-
Dividend paid	(983)	(3,139)	(3,256)	(3,553)
Interest paid	(25)	(19)	(109)	(24)
Others	-	30	-	-
<b>Net cash from Fin. activities</b>	<b>(1,323)</b>	<b>(3,125)</b>	<b>(3,365)</b>	<b>(3,577)</b>
<b>Net change in cash</b>	<b>809</b>	<b>131</b>	<b>668</b>	<b>3,843</b>
Free Cash Flow	2,300	7,377	3,014	6,861

Source: Company Data, PL Research

**Key Financial Metrics**

Y/e Mar	FY18	FY19	FY20E	FY21E
<b>Per Share(Rs)</b>				
EPS	49.5	73.7	78.8	86.0
CEPS	58.1	83.7	93.1	99.7
BVPS	188.9	238.4	285.9	337.7
FCF	22.4	70.9	29.0	66.0
DPS	15.9	25.1	26.0	28.4
<b>Return Ratio(%)</b>				
RoCE	27.4	35.6	33.5	33.3
ROIC	22.6	34.2	31.8	35.2
RoE	29.6	34.7	30.1	27.6
<b>Balance Sheet</b>				
Net Debt : Equity (x)	(0.2)	(0.3)	(0.3)	(0.3)
Debtor (Days)	94	76	76	76
<b>Valuation(x)</b>				
PER	32.3	21.7	20.3	18.6
P/B	8.5	6.7	5.6	4.7
P/CEPS	58.1	83.7	93.1	99.7
EV/EBITDA	27.7	17.4	14.6	12.4
EV/Sales	4.3	3.1	2.8	2.4
Dividend Yield (%)	1.0	1.6	1.6	1.8

Source: Company Data, PL Research

**Quarterly Financials (Rs m)**

Y/e Mar	Q2FY19	Q3FY19	Q4FY19	Q1FY20
<b>Net Revenue</b>	<b>12,661</b>	<b>13,169</b>	<b>13,431</b>	<b>13,475</b>
YoY gr. (%)	40.6	35.9	27.3	17.0
Raw Material Expenses	7,924	8,298	8,185	8,354
Gross Profit	4,737	4,871	5,246	5,121
Margin (%)	37.4	37.0	39.1	38.0
<b>EBITDA</b>	<b>2,288</b>	<b>2,417</b>	<b>2,492</b>	<b>2,727</b>
YoY gr. (%)	66.5	62.8	47.0	39.1
Margin (%)	18.1	18.4	18.6	20.2
Depreciation / Depletion	270	239	273	428
<b>EBIT</b>	<b>2,018</b>	<b>2,178</b>	<b>2,219</b>	<b>2,299</b>
Margin (%)	15.9	16.5	16.5	17.1
Net Interest	4	6	5	91
Other Income	550	359	337	565
<b>Profit before Tax</b>	<b>2,564</b>	<b>2,531</b>	<b>2,551</b>	<b>2,773</b>
Margin (%)	20.3	19.2	19.0	20.6
Total Tax	646	670	616	732
Effective tax rate (%)	25.2	26.5	24.1	26.4
<b>Profit after Tax</b>	<b>1,918</b>	<b>1,861</b>	<b>1,935</b>	<b>2,041</b>
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
<b>Adjusted PAT</b>	<b>1,918</b>	<b>1,861</b>	<b>1,935</b>	<b>2,041</b>
YoY gr. (%)	55.9	47.1	17.6	3.0
Margin (%)	15.1	14.1	14.4	15.1
Extra Ord. Income / (Exp)	-	-	(11)	-
<b>Reported PAT</b>	<b>1,918</b>	<b>1,861</b>	<b>1,924</b>	<b>2,041</b>
YoY gr. (%)	55.9	47.1	20.9	3.0
Margin (%)	15.1	14.1	14.3	15.1
Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income</b>	<b>1,918</b>	<b>1,861</b>	<b>1,924</b>	<b>2,041</b>
Avg. Shares O/s (m)	105	106	106	106
<b>EPS (Rs)</b>	<b>18.2</b>	<b>17.6</b>	<b>18.3</b>	<b>19.3</b>

Source: Company Data, PL Research

**Price Chart**
**Recommendation History**


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	04-Jul-19	Accumulate	1,835	1,698
2	10-Jun-19	Accumulate	1,835	1,678
3	05-May-19	Accumulate	1,835	1,691
4	05-Apr-19	Accumulate	1,807	1,609
5	17-Jan-19	Accumulate	1,780	1,693
6	07-Jan-19	Accumulate	1,780	1,637
7	25-Oct-18	Accumulate	1,780	1,455
8	05-Oct-18	Accumulate	1,780	1,651
9	28-Aug-18	Accumulate	1,780	1,608

**Analyst Coverage Universe**

Sr. No.	Company Name	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	1,835	1,698
6	Larsen & Toubro Infotech	Accumulate	1,701	1,576
7	Mindtree	Reduce	755	750
8	Mphasis	Accumulate	1,111	994
9	NIIT Technologies	BUY	1,539	1,338
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)**

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



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