

### Strong TCV wins aids outlook for FY21E

Tech M's Q3FY20 results beat our expectations on USD revenues and PAT. EBIT margin was a modest miss. Company has delivered another strong quarter of TCV signing which came at USD1.23bn. For the 9MFY20, Tech M's TCV stood at USD3.2bn up 150% YoY. Strong deal wins could help Tech M deliver at par industry organic USD revenue growth for FY21. Hence, after five years of softer organic USD revenue growth (vs other Tier 1 IT peers), FY21E could be a year of revival. However, transition costs associated with large deals have led to tepid margin execution. Led by strong 3Q revenue beat and robust TCV signing, we modestly raise Tech M's USD revenue growth assumptions to 6.1/9.5% for FY20/FY21E (vs 5.6/8.6% modelled earlier). Organic Revenue growth for FY20E would be 5.3% and rest from full impact of acquisition (MadPow, Bron, Inter Informatics). We model Telecom/ Enterprise vertical revenues to grow by 8/4.8% YoY for FY20E. 3Q EBIT margin miss and cautious margin guidance for 4QFY20 leads us to maintain caution on margin trajectory. We raise EPS estimates by 2/2.5% for FY20/FY21E led by 3Q PAT beat and revenue upgrade and higher other income owing to favourable hedge position. Tech M trades at 13x FY22E EPS which is at 34% discount to TCS and valuations are reasonable. Raise TP by 5% to Rs875/sh (14.5x Dec 21E EPS vs 14.5x Sep21E EPS). Retain Add.

#### Strong Revenue growth lead by ramp up of AT&T deal

Revenues for 3QFY20 came at USD1,353mn up 5.1% QoQ above our estimates (Cen Ests: USD 1317mn). Constant currency revenue growth stood at 4.3% QoQ (Cen ests : 2%). Organic constant currency revenue growth would be 3.9% and rest from partial consolidation of Born Group acquisition. On the vertical front, Telecom/Enterprise vertical revenues grew by 8.9/2.3% QoQ and accounted for 42.6/57.4% of total revenues. Within Enterprise, Retail & Transport & logistics/BFSI vertical revenues were up 8.1/6.7% QoQ, and drove growth. AT&T deal ramp up has led to strong growth in Telecom vertical revenues.

#### Margins modestly miss estimates, transition costs to weigh in 4QFY20 margin as well

EBIDTA margin came at 16.2% down 30bps QoQ. EBIT margin came at 12.2% down 60bps QoQ and below our estimates (Cen ests : 12.5%). PAT came at Rs11.4bn which is 14% above our estimates led by revenue beat and higher other income (Cen ests : Rs10bn). Of the USD1.23bn TCV signed in 3QFY20, Tech M has won USD800mn deal executable over seven years from an Insurance client (Jackson Life Insurance). Management cited that ramp up of this deal will have transition costs which will weigh on margins in 4QFY20. Headcount stood 130,839 with net decline of 683 employees QoQ. Tech M's IT services headcount stood at 73,709 employees up 2% YoY. Utilisation (ex-trainee) rate stood at 85% up 200bps QoQ and is now at peak. Hence, we believe company might have to step up hiring and this could act as headwind and hence limit margin expansion journey in FY21E. Post 3Q margin miss, we modestly trim our EBIT margin assumptions to 12.3/13.6% for FY20/FY21E (vs 12.8/13.8% modelled earlier).

#### Valuation: Stock trades at 13x FY22E and improving growth can aid P/E multiples

Tech M's mettle would be tested in 1QFY21E as company has historically shown weak execution in 1Q of every financial year. Higher project based revenues in Enterprise business ( 57% of Tech M's revenues) also renders volatility . However, with strong TCV signing, FY21E could see a better execution. Net cash on balance sheet stood at Rs61.7bn for 3QFY20 which is 8% of Mcap. Dividend+ Buyback yield combined stands at 4.3% at CMP. We expect 5G to help in momentum for Telecom vertical in FY21/FY22E. Our target multiple for Tech M (14.5xDec21E EPS) is at 34% discount to our target multiple for TCS. Retain Add.

#### Financial and valuation summary

YE Mar (Rs mn)	Q3FY20	Q2FY20	QoQ (%)	Q3FY19	YoY (%)	FY20E	FY21E	FY22E
Revenue	96,546	90,699	6.4	89,437	7.9	3,72,102	4,06,099	4,45,330
EBIT	11,785	11,594	1.6	14,390	(18.1)	45,696	55,369	62,444
EBIT margin (%)	12.2	12.8	(60)bps	16.1	(390)bps	12.3	13.6	14.0
Adj. PAT	11,452	11,239	2.0	12,029	(4.8)	43,628	48,671	53,769
Diluted EPS (Rs)	13.0	12.8	1.9	13.5	(3.2)	49.6	55.3	61.1
PE (x)	-	-	-	-	-	16.0	14.4	13.0
EV/EBITDA (x)	-	-	-	-	-	11.6	9.5	8.3
RoE (%)	-	-	-	-	-	21.2	21.9	21.3

Source: Company, Centrum Research estimates

Please see Appendix for analyst certifications and all other important disclosures.

Result Update

India IT Services

31 January 2020

Add

Target Price: Rs875

Price: Rs800

Forecast return: 8%

Institutional Research

#### Market Data

Bloomberg:	TECHM IN
52 week H/L:	847/607
Market cap:	Rs767.8bn
Shares outstanding:	965.3mn
Free float:	61%
Avg. daily vol. 3mth:	2297701

Source: Bloomberg

#### Changes in the report

Rating:	Retain Add
Target Price:	To Rs875/sh from Rs830/sh
EPS:	Raised by 2/2.5% for FY20/FY21

Source: Centrum Research

#### Tech M relative to Nifty 50



Source: Bloomberg

#### Shareholding pattern

	Dec-19	Sep-19	Jun-19	Mar-19
Promoter	35.9	35.9	35.9	35.9
FIIs	39.7	37.3	38.4	38.1
DIIIs	12.7	13.9	11.6	11.4
Public/oth	11.7	12.9	14.1	14.6

Source: BSE



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IT Services

## Thesis Snapshot

### Estimate revisions

YE Mar (Rs mn)	FY20E New	FY20E Old	% chg	FY21E New	FY21E Old	% chg
USD Revenue	5,272	5,249	0.4	5,760	5,699	1.1
Revenue	3,72,102	3,69,967	0.6	4,06,099	4,01,769	1.1
EBIT	45,696	47,247	(3.3)	55,369	55,288	0.1
EBIT margin %	12.3	12.8	(50)bps	13.6	13.8	(20)bps
Adj. PAT	43,628	42,815	1.9	48,671	47,583	2.3

Source: Centrum Research estimates

### Centrum estimates vs Actual results

YE Mar (Rs mn)	Centrum Q3FY20	Actual Q3FY20	Variance (%)
USD Revenue	1,317	1,353	2.7
Revenue	93,992	96,546	2.7
EBIT	11,749	11,785	0.3
EBIT margin %	12.5	12.2	(30)bps
Adj. PAT	10,079	11,452	13.6

Source: Bloomberg, Centrum Research estimates

### Tech M versus NIFTY 50

	1m	6m	1 year
TECHM IN	4.3	25.0	8.7
NIFTY 50	(1.7)	7.6	10.4

Source: Bloomberg, NSE

### Key assumptions

YE Mar	FY20E	FY21E	FY22E
USD revenues (%)	6.1	9.3	9.7
Average rate (USD vs INR)	70.55	70.50	70.50
EBIDTA margin (%)	16.1	17.4	17.4
EBIT Margin (%)	12.3	13.6	14.0

Source: Centrum Research estimates

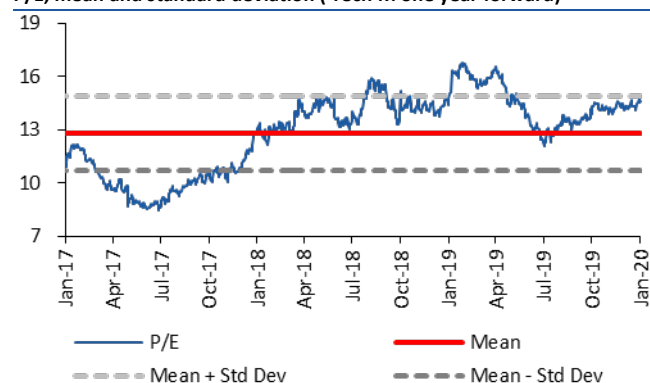
### Valuations

We value Tech M at 14.5x Dec 21E EPS which yields a Target Price of Rs 875/sh

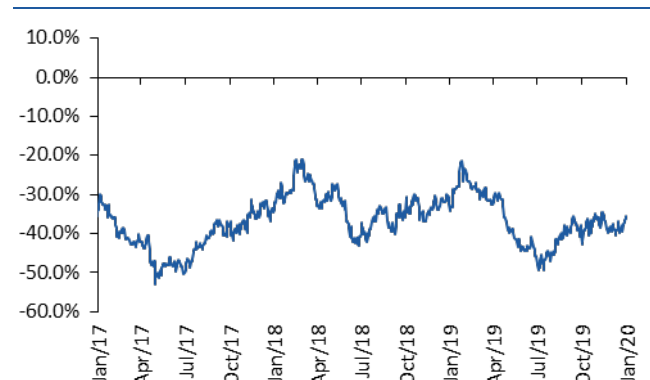
#### Valuations

Seo 21E EPS	60.2
Target Multiple	14.5
Target Price	875

#### P/E, mean and standard deviation ( Tech M one year forward)



#### Tech M vs TCS discount



Source: Bloomberg, Centrum Research estimates

### Peer comparison

Company	Mkt Cap Rs bn	CMP	CAGR FY19-FY21E (%)			PE (x)			ROE (%)		
			Sales (USD)	EBIT	PAT	FY19	FY20E	FY21E	FY19	FY20E	FY21E
TCS	7,813.7	2,082	7.3	6.8	6.6	25.1	23.9	21.8	35.2	35.5	37.8
Infosys	3,326.7	778	9.1	7.8	8.7	22.0	20.0	18.2	23.7	26.1	27.9
Wipro	1,354.5	237	3.1	3.9	7.4	12.8	14.0	13.1	17.2	17.8	18.6
HCL Tech	1,611.4	592	12.4	13.6	9.5	16.2	15.0	13.3	25.9	23.5	22.1
<b>Tech M</b>	<b>770.4</b>	<b>800</b>	<b>7.6</b>	<b>3.1</b>	<b>6.4</b>	<b>16.7</b>	<b>16.1</b>	<b>14.5</b>	<b>22.0</b>	<b>21.2</b>	<b>21.9</b>

Source: Company, Centrum Research estimates

**Fig 1: Key Concall takes and Metrics**

Centrum Quarterly Monitor	3QFY20	2QFY20	Our Comments
Digital Business	Digital accounted for 41% of total revenues in Q3FY20, grew 10.6% QoQ.	Digital accounted for 39% of total revenues in Q2FY20, grew 11.8% QoQ	Management guided continues focus on Digital
TCV wins	Q3 deal wins remains strong at USD 1,230mn, with a healthy deal pipeline.	Q2 deal wins stood at record high of USD 1,490mn.	Deal win momentum led the TCV reach at all time high

Source: Centrum Research

## Quarterly result review

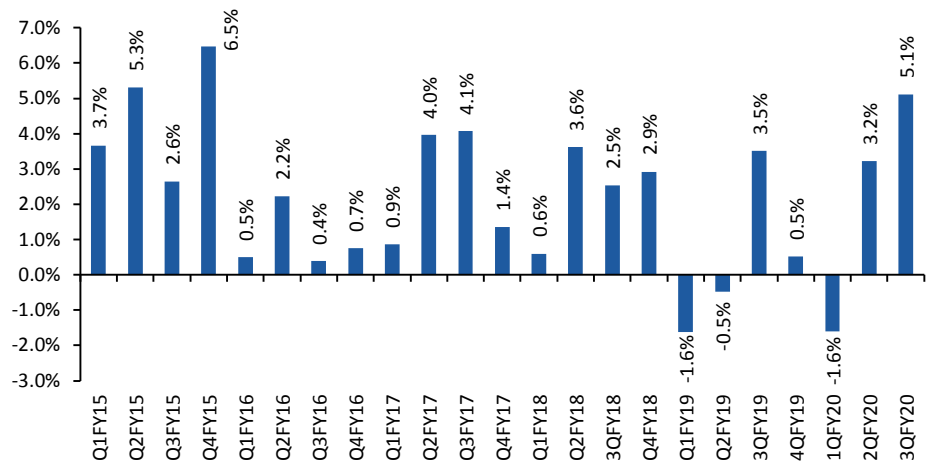
**Fig 2: Q3FY20: Consolidated P&L**

(Rs mn)	Q3FY20	Q2FY20	QoQ (%)	Q3FY19	YoY (%)	Estimate	Variance
USD revenue	1,353	1,287	5.1	1,261	7.3	1,317	2.7
Consolidated revenue	96,546	90,699	6.4	89,437	7.9	93,992	2.7
EBIT	11,785	11,594	1.6	14,390	(18.1)	11,749	0.3
EBIT margin (%)	12.2	12.8	(60)bps	16.1	(390)bps	12.5	(30)bps
APAT	11,452	11,239	2.0	12,029	(4.8)	10,079	13.6

Source: Company, Centrum Research estimates

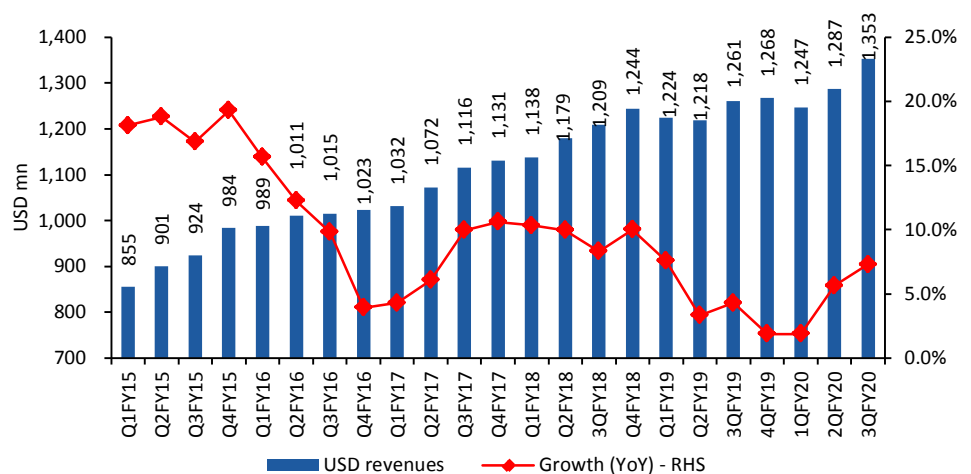
**Fig 3: USD revenue growth QoQ (%)**

Tech M delivered 5.1% QoQ, led by strong growth in Telecom vertical



Source: Company, Centrum Research

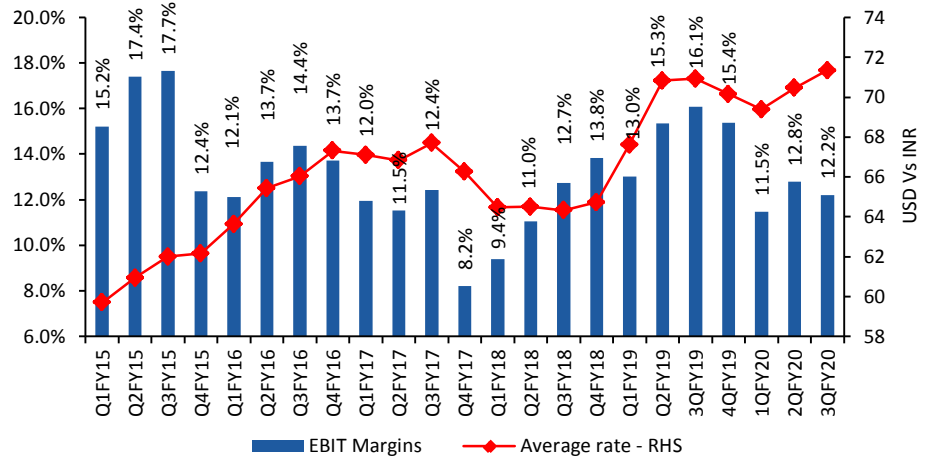
**Fig 4: USD revenues and YoY growth (%)**



Source: Company, Centrum Research

**Fig 5: EBIT margin Vs Average exchange rate**

Margins for 3QFY20 were down by 60bps sequentially. Transition costs associated with large deal ramp up weighed on margins



Source: Company, Centrum Research

**Key metrics**

**Fig 6: Revenue mix by geography (%)**

%	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20
America	45.1	46.8	45.3	46.9	47.4	48.2	47.0	47.4	46.4	47.6	48.5	48.4
Europe	29.6	29.8	30.0	29.8	29.6	30.0	29.6	28.9	28.6	27.6	26.7	27.0
ROW	25.3	23.4	24.7	23.3	23.0	21.9	23.4	23.7	24.9	24.8	24.9	24.6

Source: Company, Centrum Research

**Fig 7: Geography wise revenue and growth (%)**

America/Europe continued to remain to deliver strong growth for the quarter, up 4.9/6.3% QoQ.

Fig in USD mn	Q3FY20	Q2FY20	QoQ growth (%)	Q3FY19	YoY growth (%)
America	655	624	4.9	598	9.6
Europe	365	344	6.3	364	0.2
ROW	333	321	3.8	299	11.4
<b>Total revenues</b>	<b>1,353</b>	<b>1,288</b>	<b>5.0</b>	<b>1,261</b>	<b>7.3</b>

Source: Company, Centrum Research

**Fig 8: Revenue mix by vertical (%)**

%	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20
Telecom	46.3	45.2	43.7	42.8	41.6	39.6	41.5	41.1	42.7	42.0	41.1	42.6
Manufacturing	19.2	19.3	19.0	19.1	19.3	20.1	20.1	20.5	20.2	19.4	18.0	17.3
Technology ,media and Entertainment	6.2	6.0	5.9	6.5	7.3	7.2	7.3	7.0	7.5	7.6	8.1	7.6
BFSI	14.1	14.4	14.1	13.3	13.0	13.6	13.5	13.4	13.1	12.8	13.0	13.2
Retail, Transport and logistics	6.5	6.8	7.2	7.1	6.2	6.1	6.5	6.7	6.4	6.2	7.0	7.2
Others (Includes Healthcare)	7.7	8.3	9.9	11.3	12.6	13.4	11.2	11.3	10.2	11.9	12.8	12.2

Source: Company, Centrum Research

**Fig 9: Vertical wise revenue and growth (%)**

Telecom vertical delivered strong quarter led by ramp up of AT&T deal

USD mn	Q3FY20	Q2FY20	QoQ growth (%)	Q3FY19	YoY growth (%)
Telecom	576	529	8.9	518	11.2
Manufacturing	234	232	1.0	259	(9.5)
Technology ,media and Entertainment	103	104	(1.4)	88	16.5
BFSI	179	167	6.7	169	5.7
Retail, Transport and logistics	97	90	8.1	84	15.3
Others	165	165	0.2	142	15.8
<b>Total revenues</b>	<b>1,354</b>	<b>1,287</b>	<b>5.2</b>	<b>1,261</b>	<b>7.4</b>

Source: Company, Centrum Research

**Fig 10: Revenue by delivery**

%	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20
Onsite	64.3	63.7	64.1	65.8	67.0	66.6	64.5	65.5	65.2	65.3	65.4	65.3
Offshore	35.7	36.3	35.9	34.2	33.0	33.4	35.5	34.5	34.8	34.7	34.6	34.7

Source: Company, Centrum Research

Revenues from Top 5/Top 10 clients were up by 8.5/3.4% QoQ and accounted for 22.3/31% of total revenues. However, revenues from Top 6-10 clients declined by 7.6% QoQ. Revenues from Top 10-20 clients declined by 3.6% QoQ.

**Fig 11: Client metrics**

Revenues by client	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20
Top 5 clients (%)	26.6	25.9	24.8	23.2	23.2	21.9	23.3	22.6	22.8	21.4	21.6	22.3
Top 10 clients (%)	37.6	36.3	35.1	33.2	32.7	32.5	32.7	31.6	32.0	30.7	31.5	31.0
Top 20 clients (%)	49.0	48.5	46.2	45.0	45.7	46.2	45.6	44.0	45.1	43.6	43.6	42.1
<b>Client Bucket</b>												
>1 m	354	377	390	389	392	396	407	416	425	429	437	446
> 5 m	134	139	147	154	156	154	157	157	156	160	155	164
> 10 m	71	74	81	83	85	86	86	88	83	81	80	83
>20 m	36	41	40	40	44	47	45	46	50	49	49	50
> 50 m	14	14	14	16	16	16	17	18	20	21	22	22

Source: Company, Centrum Research

**Fig 12: Headcount details**

%	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20
Software Professionals	78,996	75,587	73,460	72,437	72,462	72,534	71,785	71,477	74,093	72,597	73,079
BPO	30,322	35,287	35,496	34,190	34,700	39,407	43,439	43,081	45,000	52,193	51,096
Sales and Support	6,662	6,351	6,285	6,180	6,390	6,450	6,618	6,524	6,680	6,732	6,664
<b>Total Employees</b>	<b>1,15,980</b>	<b>1,17,225</b>	<b>1,15,241</b>	<b>1,12,807</b>	<b>1,13,552</b>	<b>1,18,391</b>	<b>1,21,842</b>	<b>1,21,082</b>	<b>1,25,773</b>	<b>1,31,522</b>	<b>1,30,839</b>
Net addition	(1,713)	1,245	(1,984)	(2,434)	745	4,839	3,451	(760)	4,691	5,749	683
IT Attrition (%)	17	16	17	18	19	20	21	21	21	21	20
IT Utilization (%)	77	81	83	84	81	81	82	82	80	82	84
IT utilization (Excluding trainees) (%)	81	81	83	84	84	83	83	82	82	83	85

Source: Company, Centrum Research

## Conference call takeaways

- Tech Mahindra has signed a multi-year Managed Services deal with a global financial services leader in Insurance and Annuities (Jackson Life Insurance). The multi year deal executable over seven years has TCV of USD800m. The engagement includes Managing Applications, Cloud and IT Infrastructure across multiple geographies, while improving efficiencies through Automation and Artificial Intelligence-based operations
- Tech Mahindra announced the acquisition of 70% stake in Bangalore headquartered Cerium Systems. Cerium will boost the company's Engineering Services practice in VLSI (Very Large Scale Integration) and Embedded Software. Tech M will acquire 70% stake for Rs2.4bn and the remaining 30% will be acquired over two years. The company has 840 employees and company had revenues of USD15mn for FY19.

**Fig 13: Quarterly Financials**

Particulars (Rs mn)	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20
<b>USD Revenues (USD mn)</b>	<b>1,209</b>	<b>1,244</b>	<b>1,224</b>	<b>1,218</b>	<b>1,261</b>	<b>1,268</b>	<b>1,247</b>	<b>1,287</b>	<b>1,353</b>
<b>Net Sales</b>	<b>77,760</b>	<b>80,545</b>	<b>82,763</b>	<b>86,298</b>	<b>89,437</b>	<b>88,923</b>	<b>86,530</b>	<b>90,699</b>	<b>96,546</b>
Cost of Revenue	53,807	54,885	57,340	56,923	59,845	59,482	61,642	63,893	67,312
Sales and Marketing	11,315	11,541	11,854	13,189	12,366	13,054	11,747	11,797	13,601
<b>EBITDA</b>	<b>12,638</b>	<b>14,119</b>	<b>13,569</b>	<b>16,186</b>	<b>17,226</b>	<b>16,387</b>	<b>13,141</b>	<b>15,009</b>	<b>15,633</b>
Depreciation	2,742	2,986	2,808	2,944	2,836	2,704	3,213	3,415	3,848
<b>EBIT</b>	<b>9,896</b>	<b>11,133</b>	<b>10,761</b>	<b>13,242</b>	<b>14,390</b>	<b>13,683</b>	<b>9,928</b>	<b>11,594</b>	<b>11,785</b>
Other Income	2,260	4,513	1,114	1,751	806	1,671	3,413	2,163	3,496
Interest	341	527	305	388	358	281	454	383	550
PBT	11,815	15,118	11,570	14,605	14,838	15,073	12,887	13,374	14,731
Tax	2,570	2,810	2,457	3,915	2,638	3,535	3,318	2,265	3,636
Minority Interest	(187)	88	16	(84)	39	(59)	(102)	(127)	(352)
extraordinary									
Share of profit from associate	-	-	(118)	(133)	(132)	(272)	(78)	3	5
<b>Reported PAT</b>	<b>9,432</b>	<b>12,220</b>	<b>8,979</b>	<b>10,641</b>	<b>12,029</b>	<b>11,325</b>	<b>9,593</b>	<b>11,239</b>	<b>11,452</b>
<b>APAT</b>	<b>9,432</b>	<b>12,220</b>	<b>8,979</b>	<b>10,641</b>	<b>12,029</b>	<b>11,325</b>	<b>9,593</b>	<b>11,239</b>	<b>11,452</b>
<b>Adjusted EPS</b>									
Adj EPS (Rs)- Ex Treasury Shares	10.6	13.7	10.1	11.9	13.5	12.6	10.9	12.8	13.0
<b>QoQ Growth (%)</b>									
USD Revenue Growth QoQ (%)	2.5	2.9	(1.6)	(0.5)	3.5	0.5	(1.7)	3.2	5.1
Revenue	2.2	3.6	2.8	4.3	3.6	(0.6)	(2.7)	4.8	6.4
EBITDA	14.3	11.7	(3.9)	19.3	6.4	(4.9)	(19.8)	14.2	4.2
PBT	5.1	28.0	(23.5)	26.2	1.6	1.6	(14.5)	3.8	10.1
Adj PAT	12.8	29.6	(26.5)	18.5	13.0	(5.9)	(15.3)	17.2	1.9
<b>Margin (%)</b>									
EBITDA	16.3	17.5	16.4	18.8	19.3	18.4	15.2	16.5	16.2
EBIT	12.7	13.8	13.0	15.3	16.1	15.4	11.5	12.8	12.2
PBT	15.2	18.8	14.0	16.9	16.6	17.0	14.9	14.7	15.3
Adj PAT	12.1	15.2	10.8	12.3	13.4	12.7	11.1	12.4	11.9

Source: Company, Centrum Research

**Fig 14: Consolidated Model Sheet**

YE Mar (Rs mn)	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E	FY22E
USD Revenues (USD mn)	3,664	4,038	4,351	4,771	4,971	5,272	5,760	6,317
Growth (%)	18.3	10.2	7.8	9.6	4.2	6.1	9.3	9.7
Organic Growth (%)	14.4	1.5	3.9	5.7	4.0	4.7	7.5	8.3
Average Rate ( USD vs INR)	61.2	65.6	67.0	64.5	69.9	70.5	70.5	70.5
Revenues (Rs mn)	2,26,213	2,64,942	2,91,408	3,07,729	3,47,421	3,72,102	4,06,099	4,45,330
Growth (%)	20.1	17.1	10.0	5.6	12.9	7.1	9.1	9.7
EBIDTA	41,529	43,184	41,844	47,096	63,369	59,909	70,488	77,574
EBIT	35,415	35,564	32,063	36,246	52,077	45,696	55,369	62,444
APAT	26,277	31,180	28,129	37,998	42,976	43,628	48,671	53,769
EBIDTA Margin(%)	18.4	16.3	14.4	15.3	18.2	16.1	17.4	17.4
EBIT Margin(%)	15.7	13.4	11.0	11.8	15.0	12.3	13.6	14.0
NPM(%)	11.6	11.8	9.7	12.3	12.4	11.7	12.0	12.1
Adjusted Diluted EPS(ex-Treasury)	30.6	35.1	31.6	42.7	47.7	49.6	55.3	61.1
Growth (%)	(2.0)	14.7	-9.8	34.8	11.9	4.0	11.6	10.5
P/E(Ex - Treasury Share EPS)	25.6	22.3	25.1	18.6	16.7	16.0	14.4	13.0
EV/EBIDTA	17	16	17	15	11	12	10	8
ROE (%)	24.5	23.4	18.1	21.5	22.0	21.2	21.9	21.3
<b>Consolidated Balance sheet (Rs mn)</b>								
Net Cash on Balance Sheet	24,904	41,407	41,638	47,632	75,439	70,068	95,942	1,25,762
Net Cash per Share on balance sheet	26.0	42.0	46.8	53.5	83.8	79.7	109.1	143.0
Net cash per share as a % of stock price	3.4	5.4	6.0	6.9	10.8	10.0	13.8	18.0
<b>Consolidated Cash Flows (Rs mn)</b>								
Cash flow from Operating Activities	23,974	32,132	40,714	35,535	44,320	38,326	46,164	52,892
Capex+ Acquisitions	(24,873)	(9,046)	(19,658)	(21,045)	(9,396)	(15,500)	(8,000)	(8,000)
Free Cash Flow	(899)	23,086	21,056	14,490	34,924	22,826	38,164	44,892
FCF/EBIDTA	(2.2)	53.5	50.3	30.8	55.1	38.1	54.1	57.9

Source: Company, Centrum Research estimates



P&L					
YE March (Rs mn)	FY18	FY19	FY20E	FY21E	FY22E
<b>Revenues</b>	<b>3,07,729</b>	<b>3,47,421</b>	<b>3,72,102</b>	<b>4,06,099</b>	<b>4,45,330</b>
Cost of Revenue	2,05,120	2,18,576	2,61,283	2,80,630	3,09,863
% of revenues	66.7	62.9	70.2	69.1	69.6
S,G&A expenses	55,513	65,476	50,911	54,981	57,893
% of revenues	18.0	18.8	13.7	13.5	13.0
<b>EBITDA</b>	<b>47,096</b>	<b>63,369</b>	<b>59,909</b>	<b>70,488</b>	<b>77,574</b>
EBITDA margin (%)	15.3	18.2	16.1	17.4	17.4
Depreciation & Amortisation	10,850	11,292	14,212	15,119	15,130
<b>EBIT</b>	<b>36,246</b>	<b>52,077</b>	<b>45,696</b>	<b>55,369</b>	<b>62,444</b>
Other income	12,541	4,010	10,235	8,750	8,410
Except. items expenses/(income)	-	-	-	-	-
<b>PBT</b>	<b>48,787</b>	<b>56,087</b>	<b>55,931</b>	<b>64,119</b>	<b>70,854</b>
Taxes	10,926	12,544	12,804	15,389	17,005
Effective tax rate (%)	22.4	22.4	22.9	24.0	24.0
<b>PAT</b>	<b>37,861</b>	<b>43,543</b>	<b>43,127</b>	<b>48,731</b>	<b>53,849</b>
Minority/Associates	(137)	567	(501)	60	80
<b>Reported PAT</b>	<b>37,998</b>	<b>42,976</b>	<b>43,628</b>	<b>48,671</b>	<b>53,769</b>
<b>Adjusted PAT</b>	<b>37,998</b>	<b>42,976</b>	<b>43,628</b>	<b>48,671</b>	<b>53,769</b>
PAT margin (%)	12.3	12.4	11.7	12.0	12.1
EPS	<b>42.7</b>	<b>47.7</b>	<b>49.6</b>	<b>55.3</b>	<b>61.1</b>

Ratios					
YE March	FY18	FY19	FY20E	FY21E	FY22E
<b>Growth (%)</b>					
Revenue	5.6	12.9	7.1	9.1	9.7
EBITDA	12.6	34.6	(5.5)	17.7	10.1
Adjusted PAT	35.1	13.1	1.5	11.6	10.5
<b>Margin (%)</b>					
Gross	30.0	32.8	29.8	30.9	30.4
EBITDA	15.3	18.2	16.1	17.4	17.4
EBIT	11.8	15.0	12.3	13.6	14.0
Adjusted PAT	12.3	12.4	11.7	12.0	12.1
<b>Return (%)</b>					
RoE	21.5	22.0	21.2	21.9	21.3
RoCE	20.5	20.8	20.5	21.0	20.5
RoIC	21.3	30.1	26.5	30.1	33.5
<b>Turnover (days)</b>					
Debtors	77	73	75	75	75
Unbilled	29	29	29	29	29
Total debtors + unbilled	106	102	104	104	104
<b>Solvency (x)</b>					
Net debt-equity	(0.3)	(0.4)	(0.4)	(0.4)	(0.5)
<b>Per share (Rs)</b>					
Adjusted EPS	42.7	47.7	49.6	55.3	61.1
Reported EPS	42.7	47.7	49.6	55.3	61.1
BVPS	212	225	237	269	305
CEPS	55.3	61.2	66.3	73.1	79.0
DPS	14.0	14.0	17.5	19.5	21.6
Dividend pay-out (%)	36	35	42	42	42
<b>Valuation (x)</b>					
P/E (adjusted)	18.6	16.7	16.0	14.4	13.0
P/CEPS	14.4	13.0	12.0	10.9	10.1
EV/EBITDA	15.3	10.9	11.6	9.5	8.3
EV/Sales	2.3	2.0	1.9	1.7	1.4
Dividend yield (%)	1.8	1.8	2.2	2.5	2.7

Source: Company, Centrum Research estimates

Balance sheet					
YE March (Rs mn)	FY18	FY19	FY20E	FY21E	FY22E
Equity share capital	4,417	4,437	4,348	4,348	4,348
Reserves & surplus	1,84,011	1,98,407	2,04,211	2,32,440	2,63,626
Shareholders' fund	1,88,428	2,02,844	2,08,559	2,36,788	2,67,974
Total debt	7,711	2,086	2,786	3,486	4,186
Def tax liab.	58	11	11	11	11
Minority Interest	5,091	4,777	4,777	4,777	4,777
<b>Total liabilities</b>	<b>2,01,288</b>	<b>2,09,718</b>	<b>2,16,133</b>	<b>2,45,062</b>	<b>2,76,948</b>
Net block	31,715	27,937	29,225	22,106	14,976
Capital WIP	2,399	2,763	2,763	2,763	2,763
Goodwill	27,727	28,163	28,163	28,163	28,163
Intangibles	16,781	14,512	14,512	14,512	14,512
Investments	38,914	39,345	39,745	40,145	40,845
Def tax assets	5,766	6,091	6,091	6,091	6,091
<b>Current assets</b>					
Trade receivables	64,979	69,586	76,459	83,445	91,506
Unbilled	-	-	-	-	1
Cash & Cash equivalents	64,892	89,486	84,815	1,11,389	1,41,909
Other current assets	51,199	56,586	57,586	58,586	59,586
<b>Total current asset</b>	<b>1,81,070</b>	<b>2,15,658</b>	<b>2,18,861</b>	<b>2,53,420</b>	<b>2,93,002</b>
Trade payables	20,368	24,893	24,467	24,477	26,842
Other current liab. & provisions	82,716	99,858	98,759	97,660	96,561
<b>Total current liab.</b>	<b>1,03,084</b>	<b>1,24,751</b>	<b>1,23,226</b>	<b>1,22,137</b>	<b>1,23,403</b>
<b>Net current assets</b>	<b>77,986</b>	<b>90,907</b>	<b>95,635</b>	<b>1,31,282</b>	<b>1,69,599</b>
<b>Total assets</b>	<b>2,01,288</b>	<b>2,09,718</b>	<b>2,16,133</b>	<b>2,45,062</b>	<b>2,76,948</b>

Cash flow					
YE March (Rs mn)	FY18	FY19	FY20E	FY21E	FY22E
Op profit bef WC changes	58,631	71,506	60,530	70,628	77,694
Change in current assets	(10,442)	(16,190)	(7,873)	(7,986)	(9,061)
Change in current liabilities	2,610	5,616	(1,526)	(1,090)	1,265
Net change – WC	(7,832)	(10,574)	(9,399)	(9,075)	(7,797)
Direct taxes	15,264	16,612	12,804	15,389	17,005
<b>Net cash from operations</b>	<b>35,535</b>	<b>44,320</b>	<b>38,326</b>	<b>46,164</b>	<b>52,892</b>
Capital expenditure	(10,166)	(8,046)	(15,500)	(8,000)	(8,000)
Acquisitions, net	(10,879)	(1,350)	-	-	-
Others	(12,552)	(11,768)	9,672	8,100	7,310
<b>Net cash from investing</b>	<b>(33,597)</b>	<b>(21,164)</b>	<b>(5,828)</b>	<b>100</b>	<b>(690)</b>
<b>FCF</b>	<b>14,490</b>	<b>34,924</b>	<b>22,826</b>	<b>38,164</b>	<b>44,892</b>
Issue of share capital	857	(1,747)	(19,500)	-	-
Increase/(decrease) in debt	5,887	(5,858)	(1,137)	(1,050)	(900)
Dividend paid	(9,438)	(14,907)	(18,324)	(20,442)	(22,583)
<b>Net cash from financing</b>	<b>(2,694)</b>	<b>(22,512)</b>	<b>(38,961)</b>	<b>(21,492)</b>	<b>(23,483)</b>
Effect of exchange rates	404	122	-	-	-
<b>Net change in cash</b>	<b>(352)</b>	<b>766</b>	<b>(6,463)</b>	<b>24,772</b>	<b>28,720</b>

Source: Company, Centrum Research estimates

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Source: Bloomberg

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