MOTILAL OSWAL

7 February 2013

3QFY13 Results Update | Sector: Technology

Tech Mahindra

BSE Sensex	S&P CNX
19,640	5,959
Bloomberg	TECHM IN
Equity Shares (m)	127.8
M.Cap. (INR b)/(USD b)	125.1/2.4
52-Week Range (INR)	1,043/579
1,6,12 Rel. Perf. (%)	6/17/41

Financials & Valuation (INR b)

Y/E March	2013E	2014E	2015E
Sales	68.6	76.5	81.2
EBITDA	14.5	14.8	14.6
Adj. PAT	12.6	13.6	15.4
Adj. EPS (INR)	95.5	102.8	116.8
EPS Gr. (%)	35.7	7.6	13.6
BV/Sh.(INR)	421.3	530.6	643.2
RoE (%)	23.4	22.3	20.6
RoCE (%)	22.5	20.1	19.4
Payout (%)	5.2	5.8	6.9
Valuations			
P/E (x)	10.2	9.5	8.4
P/BV (x)	2.3	1.8	1.5
EV/EBITDA (x)	8.3	7.9	7.4
Div. Yield (%)	0.5	0.6	0.8

CMP: INR979 | **TP: INR1,225** | **Buy**

- TECHM's 3QFY13 revenues at USD329m grew 10% QoQ, above our estimate of USD323m (up 7.9% YoY). Organically, revenues were flat QoQ v/s our estimate of 2% sequential decline. EBITDA margin at 21% (up 30bp QoQ) was a key positive surprise v/s our estimate of 19.7%. PAT before share of Satyam's profits was INR2.4b, above our estimate of INR2.08b.
- Revenues from BT declined to USD96m from USD99m in 2QFY13, in line with our expectation. Non-BT revenues grew 2% QoQ organically v/s our estimate of a slight decline during the quarter. Incremental revenue from acquisition was USD30m (in-line).
- Beat to margin estimate was largely on account of headcount rationalization. Overall headcount declined by 1,420 employees, despite 1,546 employee additions from Comviva. BPO headcount declined by 2,438 employees.
- BT revenues are expected to decline for another two quarters before stabilizing, due to ongoing consolidation at the client's end. However, ramp-ups in deal-wins should offset the impact and facilitate organic revenue growth.
- BPO revenues increased from 5.9% in 1QFY11 to 19.6% in 3QFY13. During this period, EBITDA margin expanded by 220bp to 21%. TECHM's continued impressive execution on the profitability front keep us sanguine on margins. We upgrade FY14E/15E EBITDA margin estimates by 97bp/142bp. Higher margins drive 1%/5.5% increase in our EPS estimates over FY14E/15E.
- The stock trades at 9.5x FY14E EPS and 8.4x FY15E EPS. We value TECHM at a 25% discount to our target multiple for HCLT due to: [1] relatively smaller scale, [2] skew of revenues towards telecom vertical and [3] increasing proportion of BPO revenues. Our target price for TECHM is INR1,225, which discounts FY15E EPS by 10.5x

Tech Mahindra Quarterly Performance (Indian GAAP) - SA (INR Million)

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Revenues	12,925	13,333	14,449	14,190	15,434	16,314	17,911	18,929	54,897	68,588
Q-o-Q Change (%)	2.5	3.2	8.4	-1.8	8.8	5.7	9.8	5.7	13.4	24.9
Direct Cost	8,540	9,069	9,861	9,312	9,684	10,336	11,246	11,782	36,782	43,048
Other Operating Exps	1,967	2,222	2,245	2,487	2,448	2,601	2,902	3,066	8,921	11,017
Operating Profit	2,418	2,042	2,343	2,391	3,302	3,377	3,763	4,081	9,194	14,523
Margins (%)	18.7	15.3	16.2	16.8	21.4	20.7	21.0	21.6	16.7	21.2
Other Income	460	972	147	-211	-174	-640	301	-40	1,368	-553
Interest	223	721	338	131	240	228	263	329	1,413	1,060
Depreciation	334	507	390	383	421	481	505	524	1,614	1,931
PBT bef. Extra-ordinary	2,321	1,786	1,762	1,666	2,467	2,028	3,296	3,187	7,535	10,978
Provision for Tax	509	393	294	242	585	251	808	765	1,438	2,409
Rate (%)	21.9	22.0	16.7	14.5	23.7	12.4	24.5	24.0	19.1	21.9
Net Inc. after share of profits from	2,768	2,407	2,763	3,023	3,384	2,962	2,758	3,781	4,104	6,623
Q-o-Q Change (%)	200.5	-13.0	14.8	9.4	11.9	-12.5	-6.9	37.1	-17.6	61.4
Diluted EPS (INR)	18.2	15.3	17.8	19.7	22.6	19.0	17.9	25.6	70.9	85.2
USD Revenues - TECHM	290	296	289	282	281	299	329	351	1,156	1,260
Q-o-Q Change (%)	4.1	2.2	-2.5	-2.5	-0.1	6.4	10.1	6.4	8.8	9.0
USD Revenues - SCS	320	330	325	332	342	354	356	363	1,307	1,415
Q-o-Q Change (%)	5.3	3.2	-1.6	2.2	3.0	3.5	0.4	2.1	15.9	8.2

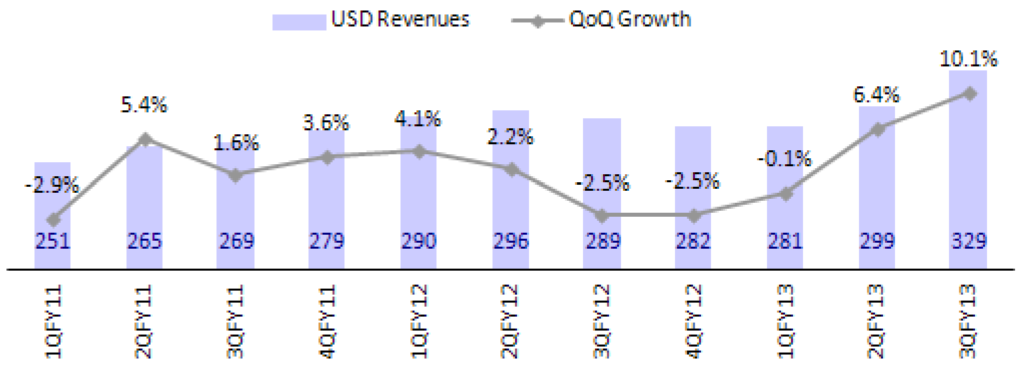
E: MOSL Estimates

Ashish Chopra (Ashish.Chopra@MotilalOswal.com); +91 22 3982 5424

3QFY13: Above estimates; margin beat driven by decline in headcount

- Revenues were USD329m, up 10% QoQ. Considering inorganic at USD30m, organically, revenues during the quarter were flat QoQ at USD299m. Our estimate was organic revenue decline of 2% QoQ to USD293m and consolidated revenues of USD323m, up 7.9% QoQ, including USD30m from acquisitions.
- Revenues from BT declined 3.3% QoQ to USD96m, while non-BT revenues were USD234m, up 16.7% QoQ (including revenues from acquisitions). Excluding acquisitions, non-BT revenues grew 2% QoQ to USD204m (v/s our estimate of 1.5% decline to USD197m).

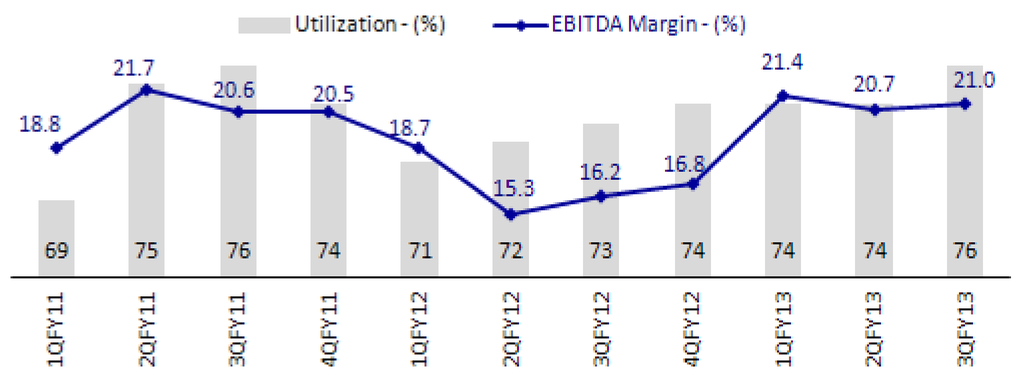
Growth solely came from acquisitions' integration, organically revenues were flat QoQ



Source: Company, MOSL

- EBITDA margin was 21% (up 30bp QoQ) and beat our estimate of 19.7% (down 100bp QoQ). Margin beat was driven by headcount rationalization - overall headcount declined by 1,420 employees, despite 1,546 employee additions from Comviva. BPO headcount declined by 2,438 employees. Headcount decline drove 2pp QoQ increase in utilization to 76% (including trainees).

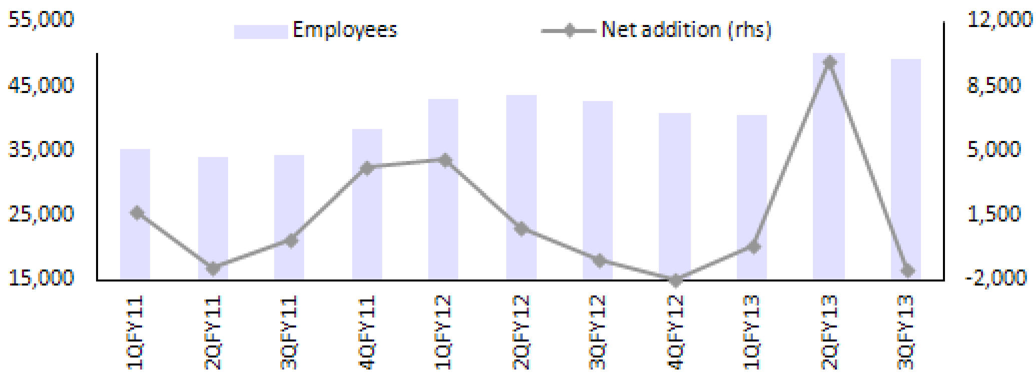
Uptick in utilization helped sustain margin despite integration of low profitability acquisitions



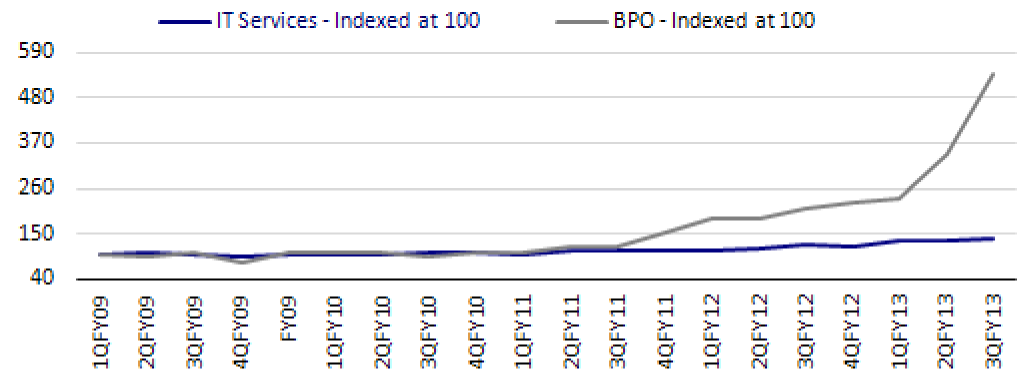
Source: Company, MOSL

- Other income was INR301m v/s our estimate of INR(-82)m. Tax rate during the quarter was 24.5%, v/s our estimate of 23%.
- PAT before share of Satyam's profits was INR2.4b, above our estimate of INR2.08b, but a lower beat despite higher other income and operating profit, due to higher tax rate (24.5% v/s 23%) and interest costs.

Employee headcount up in the last two quarters due to acquisitions (down organically)



Growth continues to be driven heavily by BPO services



Source: Company, MOSL

Management commentary takeaways: Expect BT revenues to decline another couple of quarters; Pursuing deals in pipeline, closures taking long

BT revenues: Revenues from BT declined during the quarter to USD96m from USD99m. Company cited ongoing consolidation at the client's end, whereby revenues from the account could decline for another couple of quarters.

Deal pipelines: TECHM closed a large deal during the quarter, a renewal, of which a large proportion is new work. Total TCV of deals announced during the quarter is ~USD100m. Company continues to chase 5-6 large deals in the pipeline, though closure velocity remains unchanged. The pipeline continues to look healthy and volumes of deal flow in certain markets have been higher than the company expected.

Margins: Given that the company expects some ramp-ups in large deals in the next couple of quarters, transition costs in the same are expected to impact margins negatively. Also, full quarter revenues from Comviva from 4Q could have an impact on profitability. However, TECHM maintained strong focus on productivity and weeded out some low margin BPO contracts to offset the impact. There remains some scope for further rationalization, which could partially cushion the decline.

Telecom: The outlook for clients within the telecom vertical is flattish in CY13 and IT budgets may shrink further. However, focus on cost cutting is lending some opportunity to grab market share.

Upgrade in margin estimates drive 5.5% upward revision in FY15E EPS estimate

Our revenue estimates are little changed after the results. We expect TECHM to post USD revenues (ex-Satyam) at a CAGR of 10.3% over FY13E-15E. In line with the company's guidance, we factor a decline in BT revenues for the next two quarters followed by stable revenues there on.

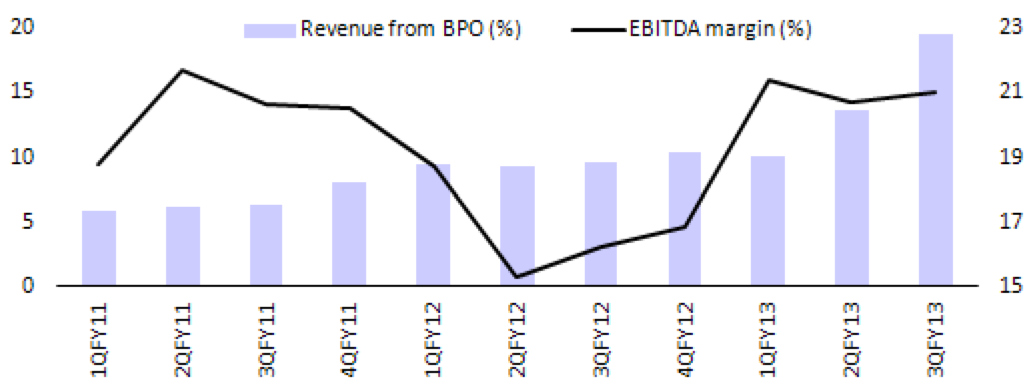
TECHM's marginal EBITDA expansion despite the integration of lower profitability acquisitions during the quarter was a positive. Revenues from BPO have increased from 5.9% in 1QFY11 to 19.6% in 3QFY13. During this period, EBITDA margin expanded by 220bp to 21%. TECHM's continued impressive execution on the profitability front keep us sanguine on margins. We upgrade FY14E/15E EBITDA estimates by 97bp/ 142bp. Higher margins drive 1%/5.5% upward revision in our EPS estimates over FY14E/ 15E.

Change in Estimates

	Revised			Earlier			Change (%)		
	FY13E	FY14E	FY15E	FY13E	FY14E	FY15E	FY13E	FY14E	FY15E
INR/USD	54.4	53.0	53.0	54.4	53.0	53.0	0.1	0.0	0.0
USD Revenue (m)	1,260	1,444	1,532	1,254	1,452	1,571	0.5	-0.5	-2.5
EBIDTA Margin (%)	21.2	19.4	18.0	20.3	18.4	16.5	85bp	97bp	142bp
EPS (INR)	95.5	102.8	116.8	90.3	102.0	110.6	5.8	0.8	5.5

Source: MOSL

Impressive margin trajectory despite expanding share of revenues from BPO services



Source: Company, MOSL

Valuation view: Expect double-digit growth despite onus on ~82% of the business; Benefits from integration could drive re-rating

Assuming revenues from HGS acquisition (USD169m per annum) and BT (assumed at USD370m per annum from FY14E) to remain flat over FY13E-15E, this implies the onus of revenue growth is on remaining ~82% of the business, estimated to clock a CAGR of 14% (organically). Outside BT, TECHM revenues rose at the rate of 19-23% over FY09-12, lending confidence in our estimate.

The stock trades at 9.5x FY14E EPS and 8.4x FY15E EPS. We believe that better revenue growth opportunities following integration of Mahindra Satyam along with de-risking will drive re-rating in valuations.

We value TECHM at a 25% discount to our target multiple for HCLT due to: [1] relatively smaller scale, [2] skew of revenues towards telecom vertical and [3] increasing proportion of BPO revenues. Our target price for TECHM is INR1,225, which discounts its FY15E EPS by 10.5x.

Other result highlights

- Offshore revenue proportion decreased by 1pp QoQ to 60%.
- Utilization, including trainees, was up 2pp QoQ at 76%. Excluding trainees, utilization declined 1pp to 76%.
- Attrition rate during the quarter was 18%, up 2pp from 16% in 2QFY13.
- Number of USD50m+ clients increased to 4 (v/s 3 in the last quarter and 1 in 1QFY13).
- Capex during the quarter was INR238m (INR298m in 2QFY13).
- As on December 31, 2012, company has USD657.41m hedges at a strike rate of INR55.3 and GBP252.52m at a strike rate of INR87.8.
- Receivable days increased by 9 to 109.
- Net debt decreased by INR911m to INR8.4b.

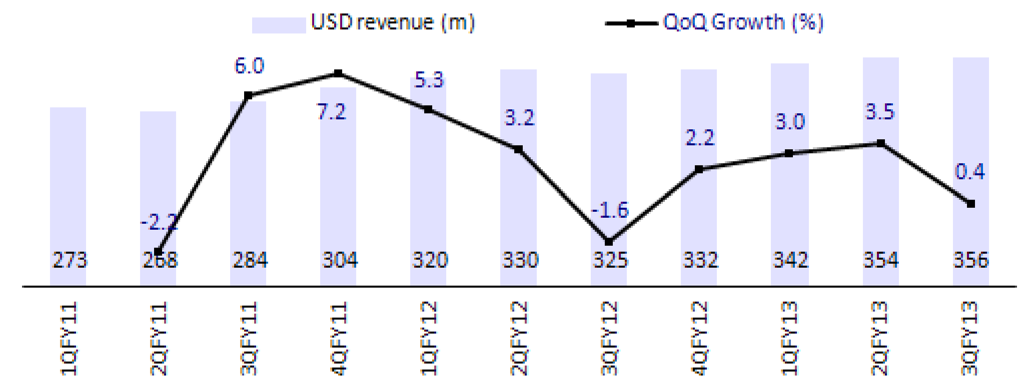
Takeaways from Mahindra Satyam's 3QFY13 results

- Mahindra Satyam's 3QFY13 revenues at USD356m (+0.4% QoQ) and EBITDA margin at 21% (excluding one-offs) were in line with our estimates. Reported PAT was INR800m, including exceptional items worth INR2.94b. Excluding exceptionals, PAT at INR3.74b was above our estimate of INR3.11b, on forex gains of INR336m and lower tax rate of 22.9% (v/s estimate of 26.5%).
- Volumes grew 1.5% QoQ v/s our estimate of flattish performance, while blended realizations declined 1.1%. In-line operating results were after excluding the following one-offs during the quarter: [1] Personnel expenses were lower by INR335m on account of reversal of certain approvals accrued towards employee bonus and [2] USD4m (~INR218m) was expensed in the SGA for technical services provided on a solution by an alliance partner.
- Multiple comments reflected a positive stance on growth outlook going forward: [1] Healthy deal signings in 3QFY13, with deal TCVs of ~USD100m in 3QFY13, [2] delayed ramp-ups that impacted 3Q and are expected to pick up in 4Q and [3] expectation of increase in discretionary spending, given pent up demand. While levers like pyramid, utilization and G&A efficiencies have little left to be squeezed, margins are expected to be stable in the near term.
- Our estimates are largely unchanged post the results. We expect SCS to post USD revenues at a CAGR of 12.3% over FY13E-15E and EPS at a CAGR of 16% during this period.

3QFY13: Operationally in line (excluding one-offs); PAT, excluding exceptional item, above estimate on forex gains

Revenues were USD356m, +0.4% QoQ, in line with our estimate of USD355.9m (+0.5% QoQ). Volume growth during the quarter was 1.5% QoQ v/s our estimate of flattish volumes, while blended pricing was down 1.1% QoQ. In Rupee terms, revenues were INR19.4b, in line with our estimate of INR19.3b, -0.6% QoQ. Realized currency rate during the quarter was INR54.5/USD, v/s our assumption of INR54.2/USD.

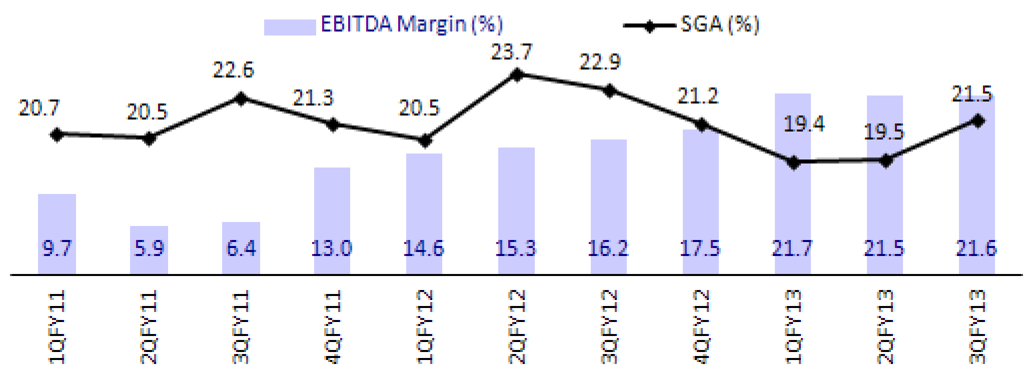
USD revenues grew in line with our estimate



Source: Company, MOSL

EBITDA margin was 21.6%, +10bp QoQ, marginally higher than our estimate of 21.1% (-40bp). However, the break-up between GPM and SGA differed on account of one-offs: [1] Personnel expenses were lower by INR335.5m on account of reversal of certain approvals accrued towards employee bonus and [2] USD4m was expensed in the SGA for technical services provided on a solution by an alliance partner. Excluding one-offs, EBITDA margin works out to 21%, in line with our estimate.

Excluding one-offs, EBITDA margin was in line



Source: Company, MOSL

Reported PAT was INR800m, but this included exceptional item totaling INR2,940m, including [1] provision for the Aberdeen UK settlement at USD68m - INR3.69b and [2] release from provision for contingencies - INR(-0.75b).

Excluding exceptionals, PAT was INR3.74b, +35% QoQ, and above our estimate of INR3.11b. Above-estimate PAT (excluding exceptional charge) was driven by [1] forex gains of INR336m and [2] lower tax rate at 22.9% v/s estimate of 26.5%.

Manufacturing, BFSI lag, growth driven by emerging verticals; Europe was the fastest growing geography

Among verticals, growth came predominantly from emerging verticals (energy & utilities, government sector). The segment grew 29% QoQ albeit on a low base. Manufacturing and TME verticals declined sequentially, as furloughs were compounded by delays in deal ramp-ups. Manufacturing vertical was soft after two quarters of strong growth and is expected to grow, going forward.

Manufacturing and TME lagged, while emerging services drive growth

Verticals	Contribution to Rev. (%)	Growth - QoQ (%)	Contr to incr. rev (%)
Manufacturing	34	(2.5)	(205.3)
Tech, Media and Entertainment	19	(4.6)	(220.3)
BFSI	20	0.4	20.0
Retail, T&L	12	0.4	12.0
HC & Life Sciences	6	0.4	6.0
Emerging Verticals	9	29.1	487.6

Source: Company, MOSL

Among geographies, Americas declined QoQ following strong growth in the past three quarters. Europe grew fastest in 3Q, while RoW returned to growth after declining in the past two quarters.

Americas declined during the quarter after a strong 2Q; Europe drove growth

Geographies	Contribution to Rev. (%)	Growth - QoQ (%)	Contr to incr. rev (%)
Americas	52	(5.1)	(665.9)
Europe	24	9.5	502.6
RoW	24	4.8	263.3
Total	**100**	**3.5**	**100.0**

Source: Company, MOSL

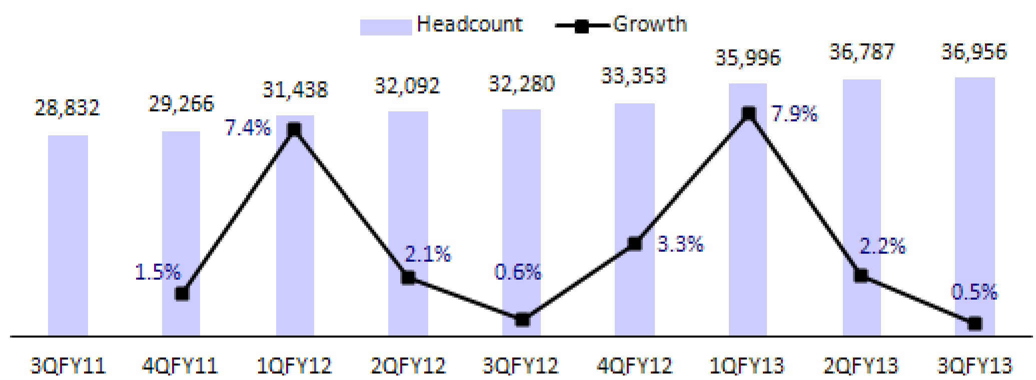
Takeaways from management commentary: Decent deal signings in 3Q; Improving climate should see pick up in discretionary spending; Margin levers largely squeezed out

Deal pipeline is healthier than that in the past couple of quarters and the environment has steadied in comparison to the gloomy outlook in the recent past. Deal activity is strong in verticals like healthcare, while manufacturing is steady. BFSI is seeing deals around risk, governance and compliance.

Pent up demand in discretionary spending is reasonably high, which could compound to the improving outlook, potentially driving better growth in FY14. As of now, a lot of deal activity is around IMS and Enterprise related work.

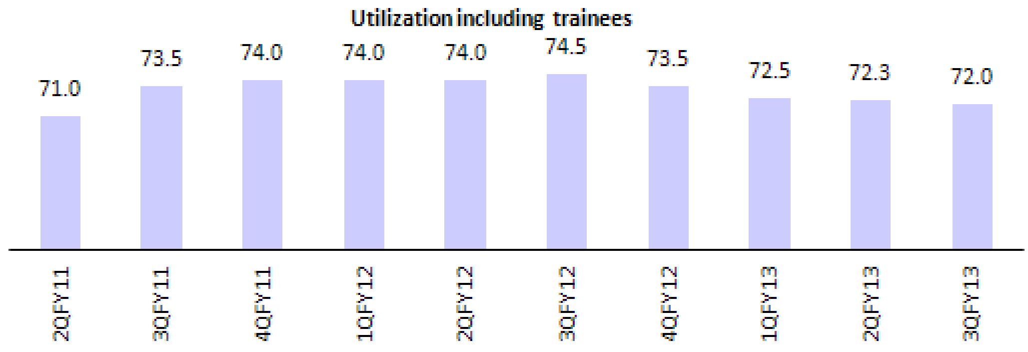
Company has been steadily improving its margins by extracting efficiencies. SCS is focusing on 3 margin levers: [1] employee pyramid, [2] utilization and [3] G&A efficiencies. However, each of these levers have limited slackness going forward and would not drive any meaningful uptick in margins from the current levels. Margins are expected to be stable in the near term.

Headcount additions slowed down in the past two quarters



Source: Company, MOSL

Utilization could be increased by another 1-2pp



Source: Company, MOSL

SCS made 2,000 campus offers thus far, compared to 5,000 in the last year. Company will be hiring freshers off-campus through the course of FY14.

Estimates unchanged post results; expect growth to be steady, comparable to industry

We retain our estimates, post an in-line quarter on operational fronts, after excluding one-offs. We expect SCS to post USD revenues at a CAGR of 12.3% over FY13E-15E and EPS at a CAGR of 16% during this period.

We believe that levers to offset margin headwinds from wage hikes and potential currency appreciation appear limited and thus model 170bp decline in EBIT margin over FY13E-15E. Our EBIT estimates for FY14E/15E are 18.3%/17.1%.

Change in Satyam estimates

	Revised			Earlier			Change		
	FY13E	FY14E	FY15E	FY13E	FY14E	FY15E	FY13E	FY14E	FY15E
INR/USD	54.6	53.0	53.0	54.5	53.0	53.0	0.2	0.0	0.0
USD Revenue (m)	1,415	1,584	1,785	1,419	1,590	1,774	-0.3	-0.3	0.7
EBIDTA Margin (%)	19.5	18.6	17.4	19.1	17.9	16.6	36bp	64bp	80bp
EPS (INR)	8.8	11.2	12.1	10.8	11.1	11.7	-18.2	1.3	3.2

Source: MOSL

Other result highlights

- Cash and cash equivalents at the quarter-end were INR33.11b. Company is yet to pay out for the Aberdeen UK settlement of USD68m, awaiting RBI approval.
- Revenues from Fixed Price contracts declined by 2pp QoQ to 47%.
- SCS ended the quarter with 368 active clients v/s 363 in the previous quarter.
- There was gross addition of 33 new clients in 3QFY13 (v/s 38 in 2QFY13).
- Net headcount increased by 169 employees in 3Q (lower than our estimate of 600 additions), taking the total headcount to 36,956. Technical headcount declined by 339 employees to 26,204 (est of 26,976).
- Attrition rate was 13.1%, flat QoQ.
- Net utilization, including trainees, declined marginally (30bp QoQ) to 72% (above our estimate of 71%).
- DSO (including unbilled revenues) was 93 days v/s 92 in the previous quarter.
- Outstanding hedge book stands at USD256m (USD204m in 2QFY13), at an average strike rate of INR56.7/USD.
- Capex during the quarter was INR140m.

Tech Mahindra: an investment profile

Company description

Tech Mahindra Ltd is part of the USD12.5b Mahindra Group. Company is one of India's largest software exporters and serves telecom service providers, equipment manufacturers, software vendors and systems integrators, having offices in over 13 countries. It employs over 49,000 people and its key clients include British Telecom and AT&T.

Key investment arguments

- Satyam's acquisition will help Tech Mahindra to diversify its client base and industry focus.
- Large deals like those of Bharti and a gradual revival in the telecom vertical will help volume growth.
- Deals have kept growth coming (outside the BT account) despite challenged IT budgets in the telecom vertical.

Key investment risks

- Company is dependent on a single vertical, telecom, and has a high client concentration (BT is 29% of revenues).
- Revenues from BT are expected to continue declining going forward, which could hurt growth.
- Growth is skewed towards lower margin services like new telco rollouts and domestic BPOs.

Recent developments

- Signed a multi-year Managed Services engagement which covers IT applications and data center operations for a leading European international telecommunications service provider.
- Chosen by a leading APAC telecom service provider for an end-to-end Managed Services deal for its IT, BSS and VAS platforms.

Valuation and view

- We expect Tech Mahindra to post USD revenue CAGR of 10.3% over FY13E-15E and an EPS CAGR of 10.5% during this period.
- The stock trades at 9.5x FY14E and 8.4x FY15E EPS. **Buy** with a TP of INR1,225 based on 10.5x FY15E EPS.

Sector view

- In the past few quarters, increasingly weak macro-economic data have been emanating from both the US and Europe, which implies deceleration in growth for Indian IT services.
- Early commentary on CY13 IT budgets indicates that growth in FY14 is likely to compare with that in FY13, with an upward bias.
- We believe frontline Indian IT companies would be better placed to sail through the near term challenges. Niche IT/ITeS companies with strong business models are also likely to be better placed to face uncertainties in the near term.

Comparative valuations

		Tech Mahindra	HCLT#	Mphasis*
P/E (x)	FY13E	10.2	12.5	10.3
	FY14E	9.5	11.9	10.3
P/BV (x)	FY13E	2.3	3.4	1.8
	FY14E	1.8	2.8	1.7
EV/Sales (x)	FY13E	2.3	1.8	1.0
	FY14E	1.8	1.5	1.0
EV/EBITDA (x)	FY13E	8.1	8.0	5.2
	FY14E	7.9	7.5	5.7

* YE Oct; # YE Jun

EPS: MOSL forecast v/s consensus (INR)

	MOSL Forecast	Consensus Forecast	Variation (%)
FY13	95.5	87.8	8.8
FY14	102.8	97.9	5.0

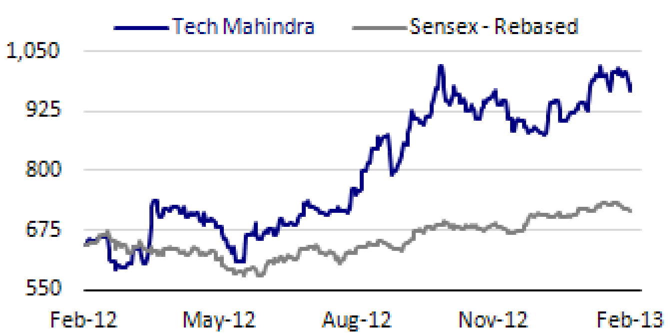
Target price and recommendation

Current Price (INR)	Target Price (INR)	Upside (%)	Reco.
979	1,225	25.1	Buy

Shareholding pattern (%)

	Dec-12	Sep-12	Dec-11
Promoter	47.5	56.7	70.9
Domestic Inst	20.1	18.7	15.2
Foreign	22.6	15.5	5.3
Others	9.9	9.2	8.6

Stock performance (1 year)



Financials and Valuation

Income Statement				(INR Million)
Y/E March	2012	2013E	2014E	2015E
Sales	54,897	68,588	76,532	81,206
Change (%)	13.4	24.9	11.6	6.1
Total Expenses	45,703	54,065	61,695	66,623
EBITDA	9,194	14,523	14,836	14,583
% of Net Sales	16.7	21.2	19.4	18.0
Depreciation	1,614	1,931	2,133	2,233
Interest	1,413	1,060	1,170	1,030
Other Income	1,368	-553	741	1,268
PBT	7,535	10,978	12,275	12,589
Tax	1,438	2,409	2,885	3,021
Rate (%)	19.1	21.9	23.5	24.0
PAT	6,097	8,569	9,390	9,567
Minority Interest & EO it	714	125	230	264
Share of associate's prc	5,534	5,736	5,702	6,118
PAT before EO	10,918	14,180	14,862	15,421
Change (%)	24.2	29.9	4.8	3.8
Effect of restructuring fe	-1,618	-1,561	-1,285	0
PAT after RF before EO	9,299	12,619	13,577	15,421
Change (%)	31.1	35.7	7.6	13.6
Extraordinary Items (EO)	679	0	0	0
PAT after EO	9,978	12,619	13,577	15,421
Change (%)	29.2	26.5	7.6	13.6

Balance Sheet				(INR Million)
Y/E March	2012	2013E	2014E	2015E
Share Capital	1,275	1,277	1,275	1,275
Share Premium	2,374	2,374	2,374	2,374
Reserves	39,658	50,210	64,175	78,573
Net Worth	43,307	53,861	67,823	82,222
Minority Interest	0	0	5	10
Loans	11,266	13,179	11,861	7,861
Deferred Revenue	0	0	0	0
Capital Employed	54,573	67,040	79,689	90,093
Gross Block	15,095	22,837	25,337	29,337
Less : Depreciation	8,227	10,158	12,291	14,524
Net Block	6,868	12,679	13,046	14,813
CWIP	1,629	2,126	1,500	1,500
Investments	35,876	42,258	35,216	34,825
Deferred Tax Assets	998	1,077	1,077	1,077
Curr. Assets	20,437	33,793	50,074	59,388
Debtors	13,172	22,196	21,223	23,114
Cash & Bank Balance	2,418	7,931	13,849	20,470
Loans & Advances	4,845	6,463	13,145	13,947
Other Current Assets	2	-2,797	1,857	1,857
Current Liab. & Prov	11,235	24,893	21,223	21,510
Creditors	10,377	10,076	9,808	10,760
Provisions	3,080	14,817	11,415	10,750
Net Current Assets	9,202	15,082	28,851	37,878
Application of Funds	54,573	67,040	79,689	90,093

E: MOSL Estimates

Ratios				
Y/E March	2012	2013E	2014E	2015E
Basic (INR)				
EPS	72.9	98.7	106.2	120.6
Diluted EPS	70.4	95.5	102.8	116.8
Cash EPS	82.6	110.2	118.9	133.7
Book Value	339.7	421.3	530.6	643.2
DPS	4.0	5.0	6.0	8.0
Payout %	5.7	5.2	5.8	6.9
Valuation (x)				
P/E	13.9	10.2	9.5	8.4
Cash P/E	11.8	8.9	8.2	7.3
EV/EBITDA	13.9	8.1	7.9	7.4
EV/Sales	2.3	1.7	1.5	1.3
Price/Book Value	2.9	2.3	1.8	1.5
Dividend Yield (%)	0.4	0.5	0.6	0.8
Profitability Ratios (%)				
RoE	26.0	23.4	22.3	20.6
RoCE	21.4	22.5	20.1	19.4
Turnover Ratios				
Debtors (Days)	85	94	104	100
Fixed Asset Turnover (x)	3.9	3.6	3.2	3.0
Leverage Ratio				
Debt/Equity Ratio(x)	0.3	0.2	0.2	0.1

Cash Flow Statement				0 IR Million)
Y/E March	2012	2013E	2014E	2015E
CF from Operations	3,692	27,063	9,565	17,207
Change in Working Capital	7,778	-10,515	-6,369	-1,564
Net Operating CF	11,470	16,548	3,197	15,643
Net Purchase of FA	-2,836	-8,238	-1,874	-4,000
Net Purchase of Invest.	-6,796	-1,082	6,813	0
Net Cash from Invest.	-9,632	-9,321	4,939	-4,000
Inc./(Dec) in Equity & other	-528	-2,879	-2	0
Proceeds from LTB/STB	-961	1,913	-1,318	-4,000
Dividend Payments	-597	-748	-897	-1,023
Cash Flow from Fin.	-2,086	-1,714	-2,217	-5,023
Free Cash Flow	8,634	8,309	1,322	11,643
Net Cash Flow	-248	5,513	5,918	6,620
Opening Cash Balance	2,666	2,418	7,931	13,849
Add: Net Cash	-248	5,513	5,918	6,620
Closing Cash Balance	2,418	7,931	13,849	20,470

N O T E S

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In respect of any matter arising from or in connection with the research you could contact the following representatives of Motilal Oswal Capital Markets Singapore Pte Limited:

Nihar Oza
Email: niharoza.sg@motilaloswal.com
Contact: (+65) 68189232

Kadambari Balachandran
Email : kadambari.balachandran@motilaloswal.com
Contact: (+65) 68189233 / 65249115

Office address: 21 (Suite 31), 16 Collyer Quay, Singapore 049318

Motilal Oswal Securities Ltd

Motilal Oswal Tower, Level 9, Sayani Road, Prabhadevi, Mumbai 400 025

Phone: +91 22 3982 5500 E-mail: reports@motilaloswal.com