

# Tata Elxsi

## Growth & quality

Tata Elxsi (TELX) is a niche ER&D services company with strong scalability (20% CAGR over FY21-24E) based on integrated design & engineering practice and a superior execution framework. TELX is a good proxy to play the disruption and confluence in automotive (Connected, Autonomous, and Electric), broadcasting & communication (OTT) and healthcare (Telemed) industries. The company has recently pivoted its model to focus on large and multi-year deals (Schaeffler, Aesculap) as well as invested in creating vertical adjacencies that address diversification and supply-side fungibility.

For FY22E, TELX is set to grow at a 10pp premium to mid-tier peers both on growth and margin. We initiate coverage on TELX with a BUY and target price of INR 3,330, based on 36x (base case) at 1.6x the average multiple, supported by top quadrant growth/efficiencies, quality of franchise, industry tailwinds, and favourable risk-reward (upside risk to base case).

- Industry tailwinds and TELX' growth premium:** TELX' revenue trajectory has traversed from growth discount to a strong growth premium within the ER&D segment. Industry tailwinds include large and growing R&D pool across automotive (stable R&D in tier-1s), broadcast & comms and medical devices, re-factoring of R&D spend into faster growing sub-segments ('CASE' & OTT).
- Recovery in transportation vertical:** Transportation vertical has outpaced peers recently, supported by growth in adjacencies, new logo addition, and mining of large accounts. Gaining share in the OEMs (traditionally underpenetrated) with confluence of partnerships and trends in connected-autonomous-electrification, can propel the transportation vertical to 16% CAGR over FY21-24E.
- Growth momentum in broadcast & communication:** Opportunities in OTT & new media, RDK expertise and monetisation of IPs are expected to keep growth rates strong. TELX' partnership with semiconductor and Google referenceability/partnership (SI in Widevine) provides access to a large network and is likely to accelerate growth in the broadcast & media vertical (20% CAGR over FY21-24E).
- High-growth in medical device & healthcare vertical:** Vendor consolidation from onsite European/US vendors to TELX and setup of GECs and the company's strong credentials in video delivery (complimentary to Telemed) are expected to drive growth (growing ahead of LTTS, Cyient, Alten) in the higher-margin medical device & healthcare vertical (32% CAGR over FY21-24E).
- Strong execution framework:** Lowest cost of delivery (including sub-con), highest offshore, and lowest attrition translate into superior margin & efficiencies. Client mining prowess (including its T2-10 accounts), reducing client concentration risk and geo mix getting balanced are positives.

### Financial summary

YE March (Rs bn)	FY18	FY19	FY20	FY21E	FY22E	FY23E	FY24E
Net Revenue	13.86	15.97	16.10	18.10	22.96	27.45	32.71
EBIT	3.21	3.90	3.00	4.59	5.96	6.86	7.93
APAT	2.40	2.90	2.71	3.75	4.98	5.76	6.62
Diluted EPS (Rs)	38.5	46.6	43.6	60.2	80.0	92.4	106.3
P/E (x)	70.5	58.3	62.3	45.1	33.9	29.4	25.5
EV / EBITDA (x)	47.8	39.5	47.4	31.8	24.3	20.7	17.6
RoE (%)	37.0	34.5	26.7	31.2	34.0	32.5	31.3

Source: Company, HSIE Research

**BUY**

CMP (as on 15 Mar 21)	Rs 2,716
Target Price	Rs 3,330
NIFTY	14,930

### KEY STOCK DATA

Bloomberg code	TELX IN
No. of Shares (mn)	62
MCap (Rs bn) / (\$ mn)	169/2,327
6m avg traded value (Rs mn)	1,729
52 Week high / low	Rs 3,050/500

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	66.0	111.2	220.8
Relative (%)	57.1	82.2	173.0

### SHAREHOLDING PATTERN (%)

	Sep-20	Dec-20
Promoters	44.53	44.53
FIs & Local MFs	4.62	4.82
FPIs	11.75	12.62
Public & Others	39.10	38.03
Pledged Shares	NA	NA

Source : BSE

Pledged shares as % of total shares

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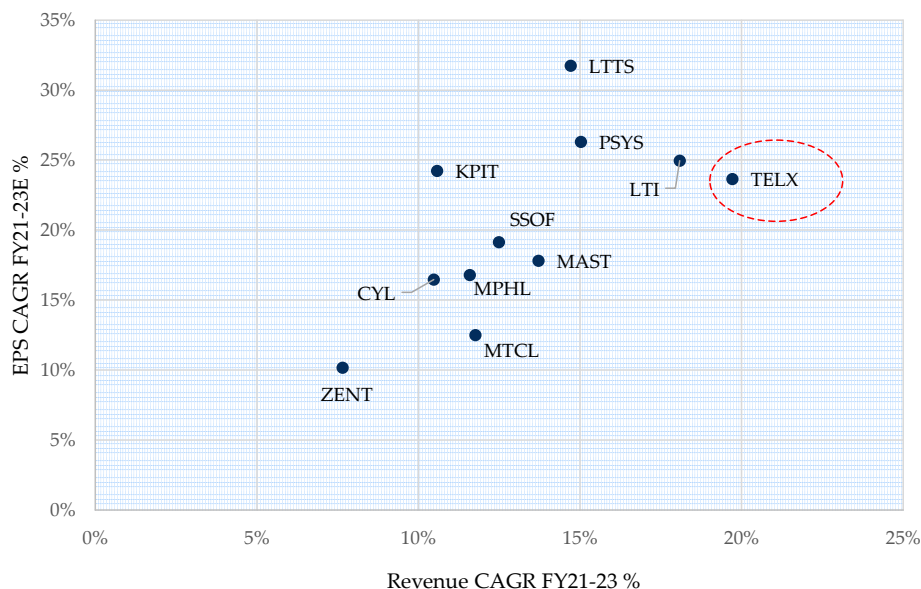
## Focus Charts

### Strong relative metrics

SR NO.	Key Parameters	TELX	LTTS	CYL	KPIT	MTCL	MPHL	ZENT	SSOF
1	Revenue CAGR% FY21-23E	Green	Green	Yellow	Yellow	Green	Green	Yellow	Green
2	EPS CAGR % FY21-23E	Green	Green	Yellow	Yellow	Green	Green	Yellow	Green
3	Client concentration	Green	Green	Yellow	Yellow	Green	Green	Yellow	Green
4	Cost of delivery	Green	Green	Yellow	Yellow	Green	Green	Yellow	Green
5	Delivery efficiency	Green	Green	Yellow	Yellow	Green	Green	Yellow	Green
6	Employee retention	Green	Green	Yellow	Yellow	Green	Green	Yellow	Green
7	Sub-contractor dependence	Green	Green	Yellow	Yellow	Green	Green	Yellow	Green
8	Efficiency & Balance sheet strength	Green	Green	Yellow	Yellow	Green	Green	Yellow	Green
9	Cash generation & working capital	Yellow	Yellow	Green	Green	Yellow	Yellow	Yellow	Green
10	Capex intensity	Green	Green	Yellow	Yellow	Green	Green	Yellow	Green

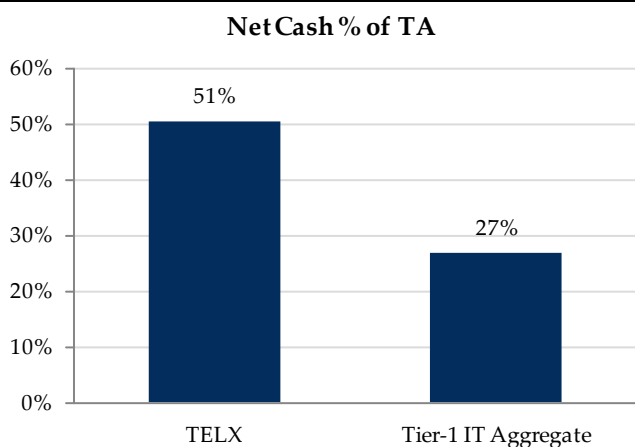
Source: Company, HSIE Research, Bloomberg estimates for KPIT

### Top quadrant: Revenue & Earnings Growth Grid (Mid-tier IT/ER&D)



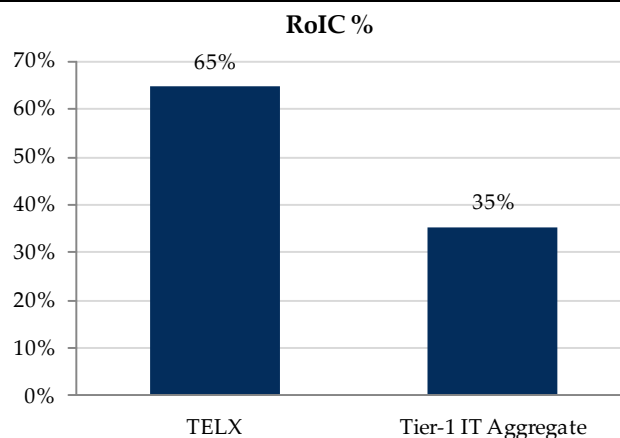
Source: Company, HSIE Research

### Strong balance sheet



Source: Company, HSIE Research

### Better efficiencies compared to tier-1 IT



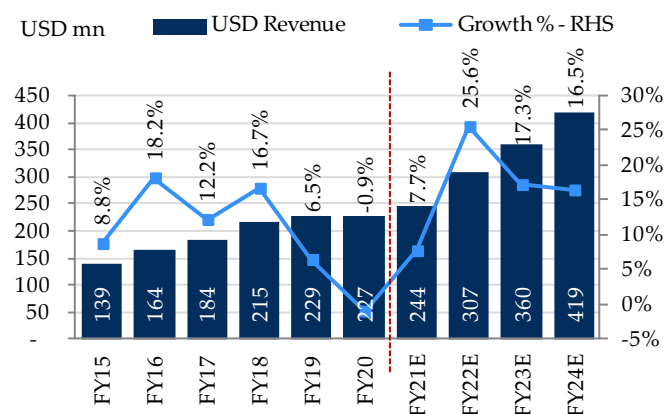
Source: Company, HSIE Research

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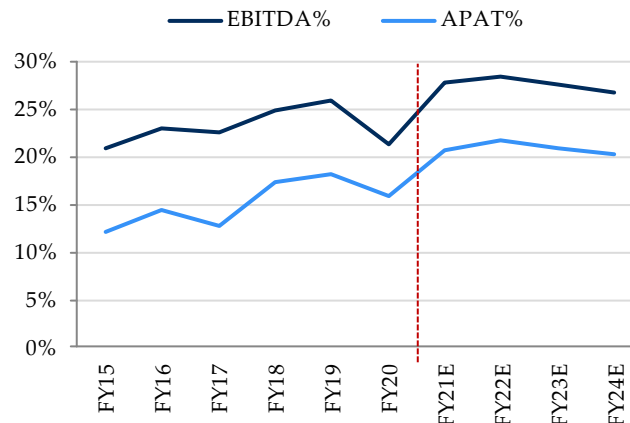
## Company at a Glance

### TELX' revenue trend



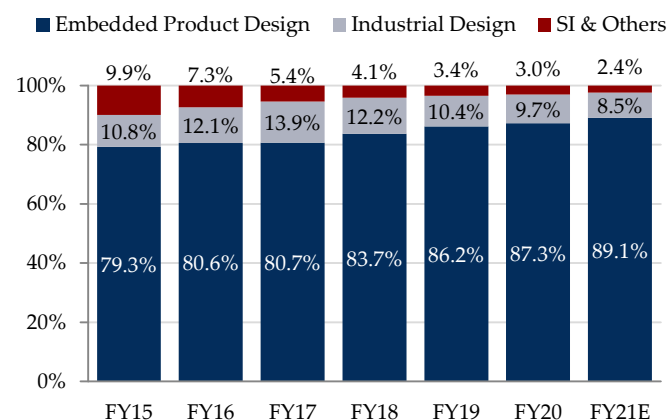
Source: Company, HSIE Research

### TELX' profitability trend (%)



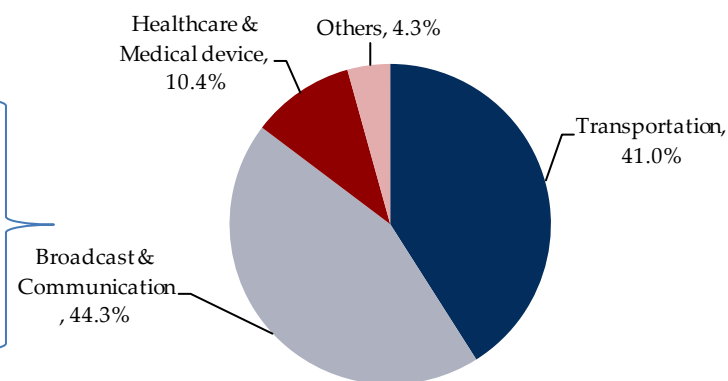
Source: Company, HSIE Research

### TELX business segments trend: % of revenue



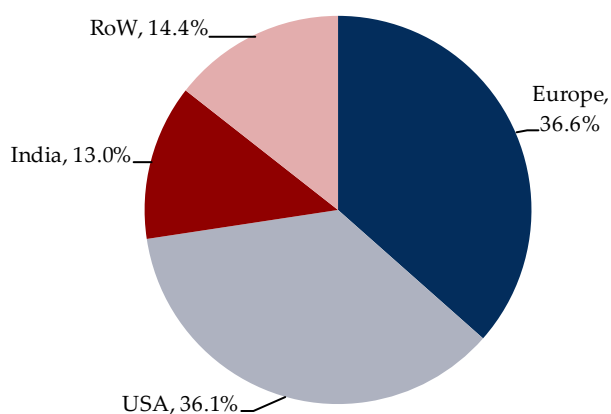
Source: Company, HSIE Research

### EPD revenue mix by verticals



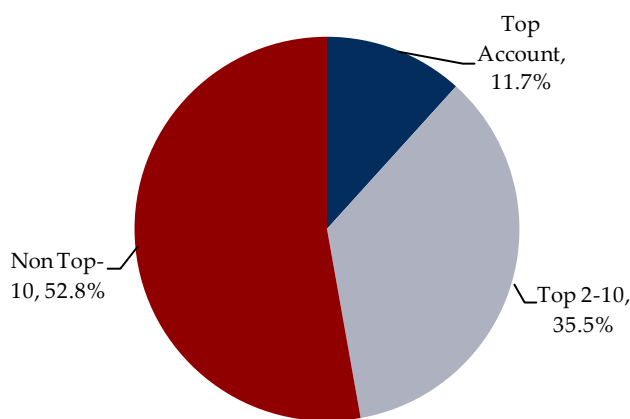
Source: Company, HSIE Research; 3QFY21 data

### TELX revenue mix by geography: % of revenue



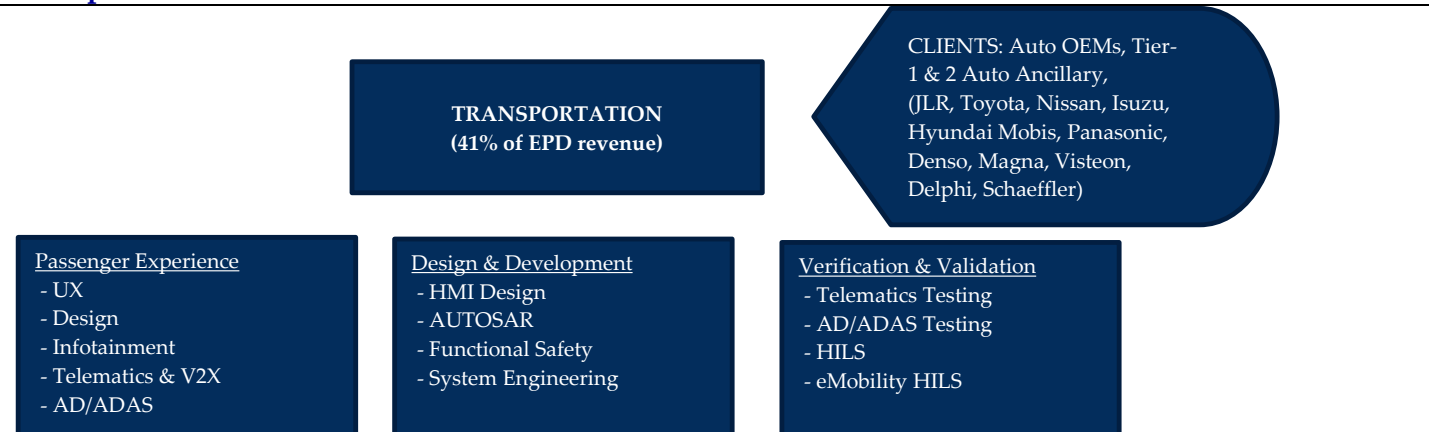
Source: Company, HSIE Research; 3QFY21 data

### TELX client concentration: % of revenue



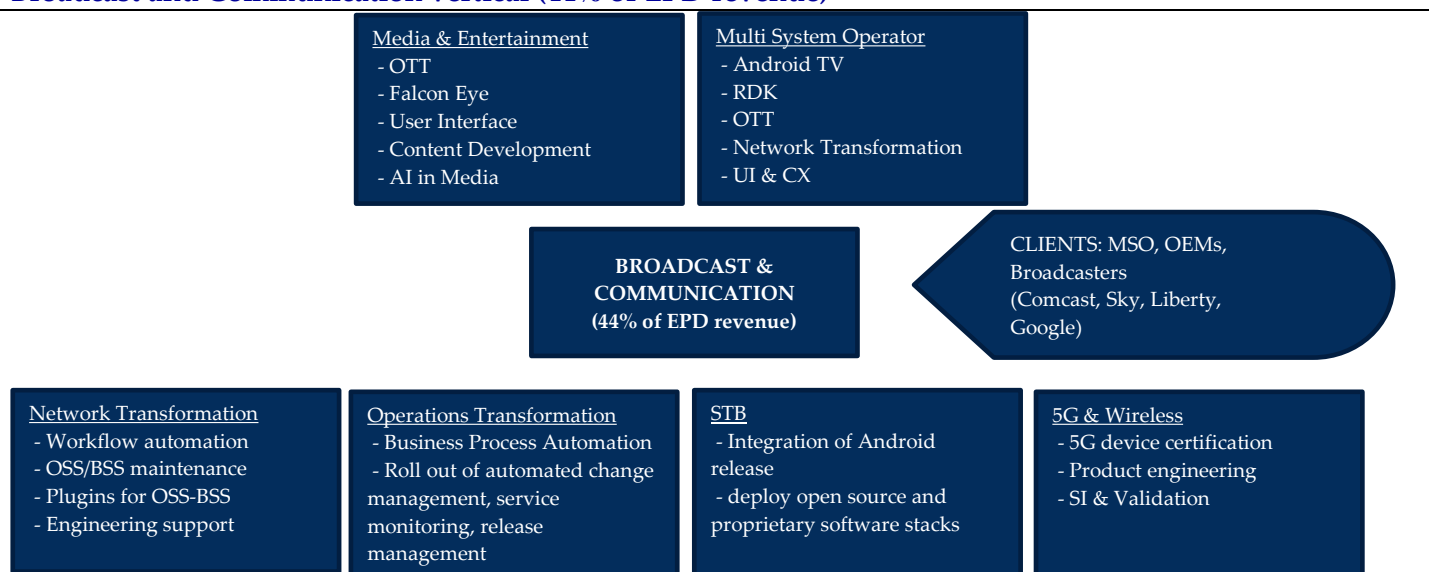
Source: Company, HSIE Research; 3QFY21 data

**Transportation Vertical (41% of EPD revenue)**



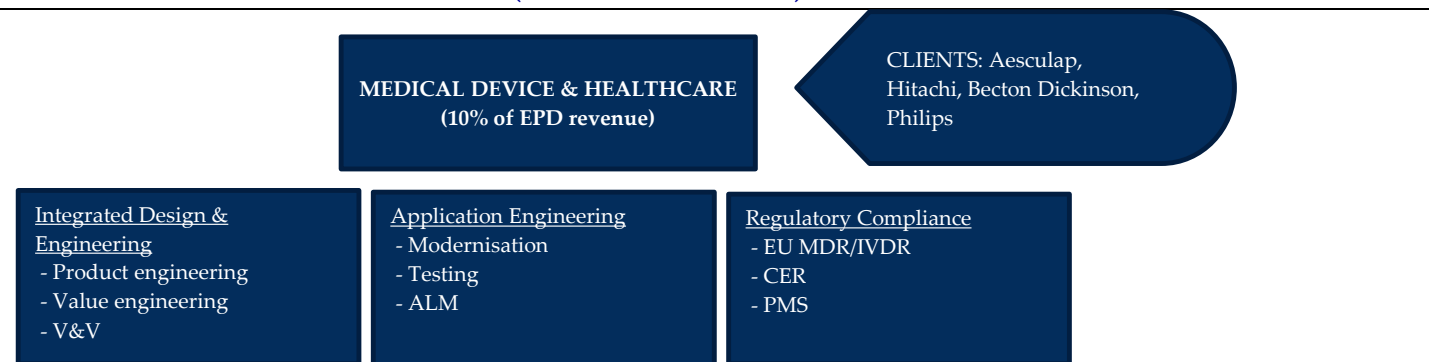
Source: Company, HSIE Research

**Broadcast and Communication vertical (44% of EPD revenue)**



Source: Company, HSIE Research

**Healthcare & Medical device vertical (10% of EPD revenue)**



Source: Company, Media articles, HSIE Research

## SWOT Analysis

### Strengths

- Domain capabilities in automotive (ADAS, V2X, Infotainment), media & broadcast (RDK, Android, OTT) supplemented by design practice
- Marquee & long tenured logos (T1 account >20 years) and strong partnerships such as Google
- Monetisation potential of reusable frameworks/IPs (Autonomai, AutomaTE, FalconEye)
- Sub-vertical strategy adding diversification and workforce fungibility
- Strong delivery metrics (lowest attrition, highest offshore) vs. peers supporting industry leading margins
- Robust balance sheet and industry leading efficiencies

### Weakness

- Limited verticals as compared to integrated IT/ER&D and diversified ER&D competition
- Long sales cycle & closure timelines create lead-lag in project schedules
- Higher discretionary component brings cyclical in customer spend on R&D
- Higher DSO than midcap peers resulting in sub-optimal OCF generation

### Opportunities

- Fragmented market creating market-share gains in vendor consolidation & underpenetrated ER&D outsourcing
- Growth in software development in auto (USD 35bn expected to grow at 9% CAGR and AD-ADAS expected to grow at 11%) and increased vehicle programs with higher R&D budgets in 'CASE'
- Both RDK/Android channels supported by full stack offering in broadcast & media and targeting a wider/deeper PayTV, broadcaster network
- IoT, 5G, miniaturisation, regulatory filing and digitization of clinical trials in healthcare & medical devices segment

### Threats

- Loss of key talent to captives and spike in attrition as demand spikes
- Large clients' spend volatility can add volatility due to client concentration
- Accelerated investment to build onsite/near-shore and domain specialists can impact profitability
- FX and business volatility on high exposure to USD and GBP (net)

## Strong niche, scalable ER&D credentials

Tata Elxsi (TELX) is a pure-play niche specialist in ER&D services (it is 7% the size of the largest ER&D services company), and yet it is positioned in the top quadrant in Automotive, Communication & Broadcast (OTT) engineering services globally. TELX' engineering services are supplemented by its design segment (IDV contributes 9% to revenue), enabling the company to target upstream as well as create new vertical opportunities for the future. **TELX' revenue trajectory has traversed from growth discount to a strong growth premium within the ER&D segment.**

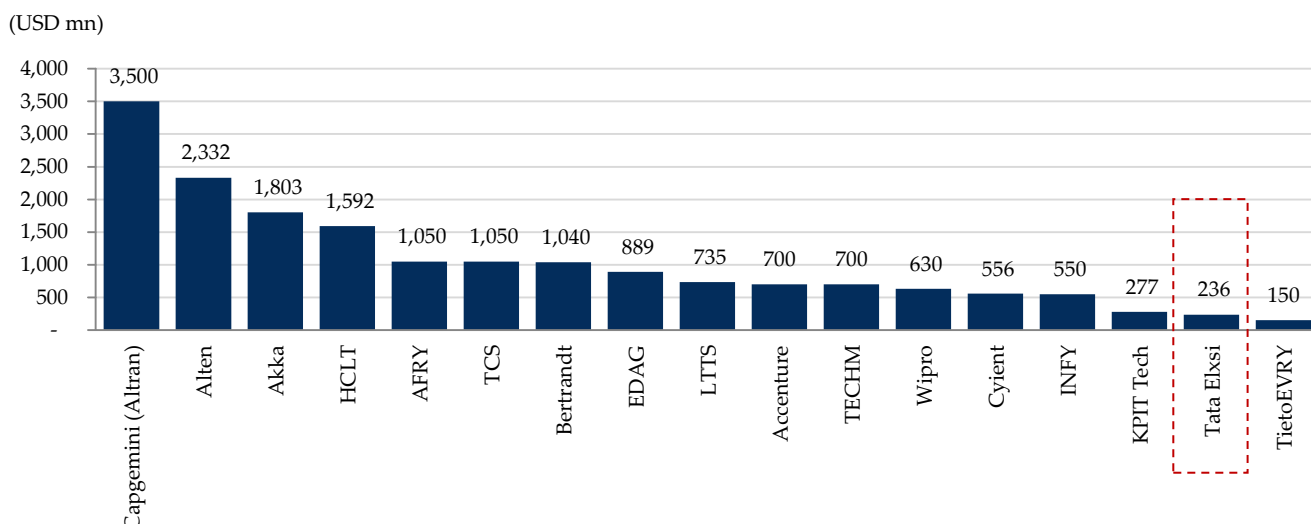
TELX' growth is expected to be a function of (1) large and growing global R&D pool across automotive (USD 160bn Automotive R&D, USD 35bn automotive software development), broadcast & communication, and medical devices (USD 48bn R&D spend), (2) refactoring of R&D spend into faster growing sub-segments ('CASE' within automotive, OTT & new media within broadcasters), (3) stable R&D benchmarking of auto tier-1 R&D budgets (T30 R&D at 4.8% of revenue), (4) robust credentials in broadcasting & communication segment with partnerships across the spectrum (semicon, carriers, PayTV, broadcasters), and fast growing opportunities in Android TV, OTT supported by Google partnership/referrals.

### ER&D competency by segments: strong niche in automotive, ADAS, OTT segments

Company	Aerospace	Automotive	ADAS	Telematics	Consumer Software	Medical Devices	Semiconductor	Telecom	OTT
Accenture					Green				
AFRY		Green							
Akka	Green	Green		Green					
Alten						Green			
Bertrandt	Green	Green							
Bosch		Green							
Brillio					Green				
Capgemini	Green	Green		Green		Green		Green	
Cognizant		Green		Green		Green	Green	Green	
Cyient	Green	Yellow				Green	Yellow	Green	
EPAM									
Expleo Group	Green	Green	Green	Yellow		Yellow			
GlobalLogic		Green			Green	Green	Yellow	Green	
Globant									
Harman		Green		Green	Green	Yellow		Green	Green
HCLT	Green	Green		Green	Green	Green		Green	Green
IAV		Green		Green					
Infostretch						Yellow			
INFY		Green		Green		Green		Green	
KPIT		Green		Green					
LTTS	Green	Green		Green		Green	Green	Green	Green
Mindtree		Yellow		Yellow	Yellow			Green	
Mphasis					Green	Yellow			
Persistent					Green				
QuEST Global	Green	Green	Yellow		Yellow	Green	Green	Green	
Sasken		Green		Yellow	Yellow	Green	Green	Green	
<b>Tata Elxsi</b>	Yellow	Green	Green	Yellow	Yellow	Green	Green	Green	Green
Tata Technology	Green	Green	Yellow	Yellow			Green	Green	Green
TCS	Green	Green		Green	Green	Green	Green	Green	Green
TECHM	Green	Green		Green	Green	Green	Green	Green	Green
TietoEVRY		Yellow		Yellow			Green	Green	Green
WPRO	Green	Green		Green	Green	Green	Green	Green	Green

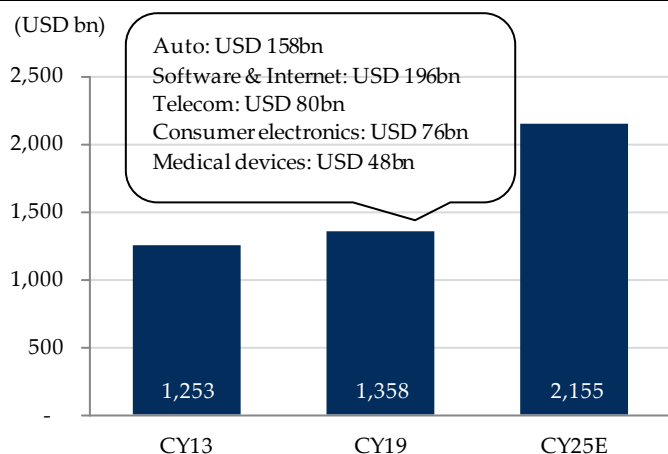
Source: Zinnov, HSIE Research

ER&D revenue of leading service providers



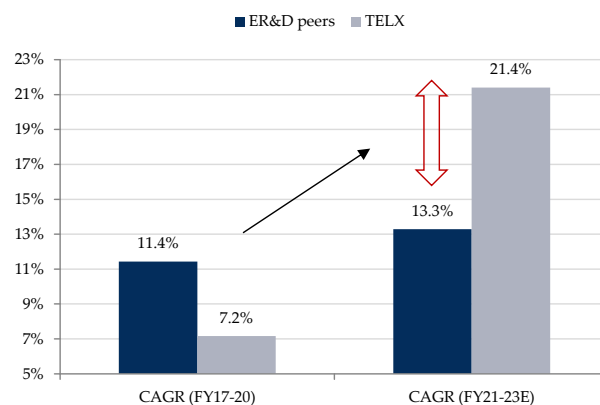
Source: Company, HSIE Research, TTM revenue

Global R&D spend



Source: Zinnov, HSIE Research; Note: Pre-covid estimates

TELX' revenue growth discount to ER&D peers moving to a strong growth premium



Source: Company, Bloomberg, HSIE Research

TELX to grow at significant premium: ER&D revenue growth trend (%)

Companies	FY18	FY19	FY20	FY21E	FY22E	FY23E
Akka Technologies	21%	18%	0%	6%	6%	6%
ALTEN	16%	20%	10%	-9%	15%	5%
Bertrandt	-1%	11%	-2%	-14%	14%	7%
Cyient	13%	9%	-5%	-9%	12%	10%
EDAG	3%	14%	-6%	-13%	11%	5%
HCL Tech	38%	20%	13%	-4%	13%	11%
KPIT	NA	NA	12%	-9%	15%	15%
L&T Technology Services	20%	25%	9%	-7%	18%	15%
Sasken	12%	-8%	-4%	NA	NA	NA
<b>TELX</b>	<b>17%</b>	<b>6%</b>	<b>-1%</b>	<b>8%</b>	<b>25%</b>	<b>15%</b>
<b>ER&amp;D Average</b>	<b>15%</b>	<b>13%</b>	<b>3%</b>	<b>-6%</b>	<b>14%</b>	<b>10%</b>
<b>TELX growth premium</b>	<b>1%</b>	<b>-6%</b>	<b>-3%</b>	<b>13%</b>	<b>10%</b>	<b>5%</b>

Source: Company, Bloomberg, HSIE Research; Note: HCLT forward estimates are company aggregate



## Automotive R&D reset with shift to 'CASE'

### Software enabling the confluence of multiple changes

*"Car is becoming a software product and will work like a smartphone....this change is more challenging than the change into electric car" – Volkswagen CEO (Economist podcast)*

Connected, Autonomous, Shared Mobility and Electric (CASE) are key trends driving the metamorphosis in the automotive/mobility industry and TELX is well-positioned with service offerings in the vertical including Embedded & AUTOSAR development, verification & validation, functional safety, HMI design.

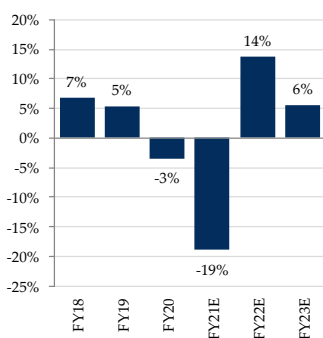
**15x increase in software lines of code:** Software, compute power and advanced sensors are enabling innovations in efficiency, connectivity, autonomous, electrification and mobility solutions. As per McKinsey, software lines of code (SLOC) in a car have increased from ten million SLOC in 2010 to 150 million currently (Ford F150). New architecture and platform strategies are being developed to manage advanced driver assistance systems (ADAS), in-vehicle infotainment and information system (dashboard display), battery, and energy levels.

**Tata Elxsi strong services partner in Automotive R&D:** Tata Elxsi offers customised R&D services across the product's lifecycle to automobile manufacturers and component suppliers with customers including OEMs, Tier-1 suppliers, and tool and chip vendors. The vertical has been challenged earlier by external factors impacted largely by TELX' T1 trend. **Despite the vertical lagging growth as compared to other verticals (Broadcast & Comms & Medical), it has outpaced peers in recent period supported by (1) growth in adjacencies and (2) growth in nonT1 and new logo addition with an upside risk of gradual shift towards OEMs (current automotive portfolio estimated to be 30-70 between OEMs:Tier-1s).**

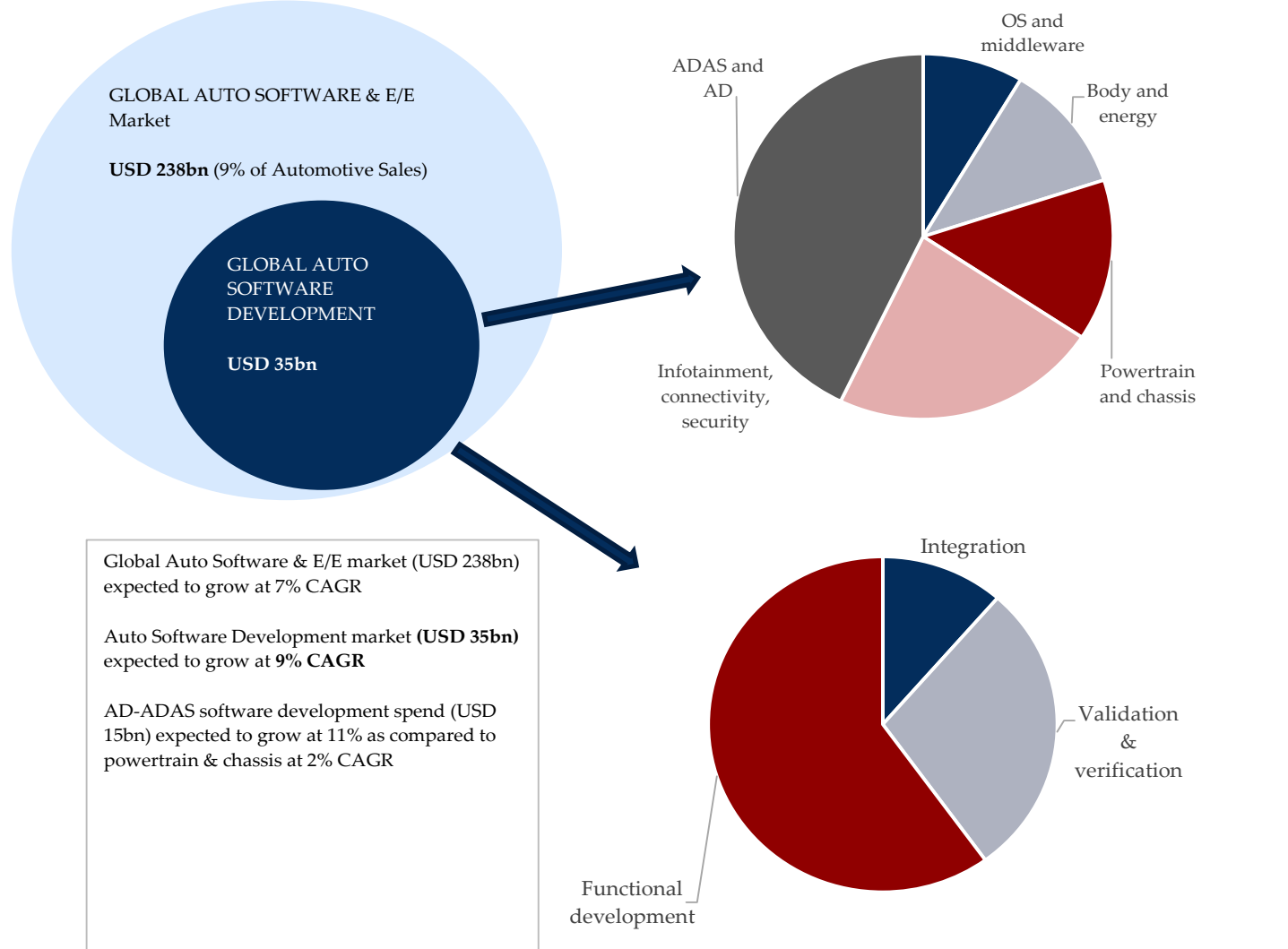
### Global Auto ER&D stats:

- As per Zinnov in Dec-19, Global Auto ER&D spend is pegged at USD 158bn in CY19 (+5% YoY), as per Zinnov.
- T10 Auto accounts for 60% of the overall ER&D spend (**underpenetrated and an opportunity for TELX**).
- European Auto ER&D spend is at USD 79bn or 50% of the total spend – BMW, Continental, Daimler, Continental AG, FCA, Group PSA, Renault, Robert Bosch GmbH, and Volkswagen.
- APAC Auto ER&D spend is at USD 55bn or 35% of the total spend – Toyota, Denso, Honda, Aisin Seiki, Hyundai Motor, Nissan Motor, SAIC, and Tata Motor.
- NorthAm Auto ER&D spend is at USD 24bn, 15% of total Auto ER&D spend – Ford, GM, Tesla, Autoliv, BorgWarner, Goodyear, Johnson Control, and Magna International.

Global auto Tier-1 growth trend

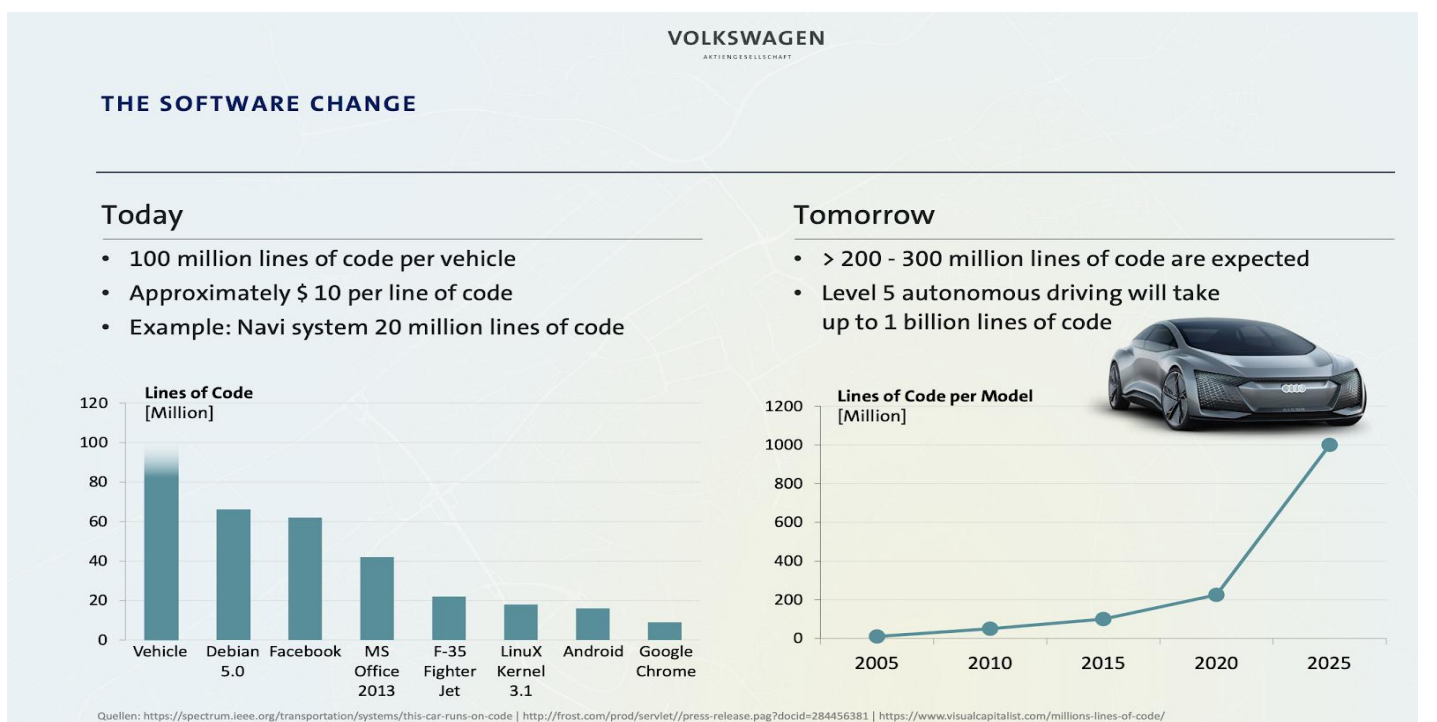


Global Automotive Software & E/E market



Source: McKinsey, HSIE Research

Mechanical engineering product turning into consumer electronics software



Source: Volkswagen

**TELX' services in Transportation vertical**

SERVICES	TELX' differentiators
USER EXPERIENCE DESIGN	
INFOTAINMENT SERVICES	(1) Partnership with Google enabling pre-release Android version; (2) Blackberry QNX; (3) eCockpit platform agnostic solution integrating ADAS features - Face Recognition and Gesture Control
V2X Services (Connected communications)	V2X test solution
ADAS, AS & AD ENGINEERING SERVICES	TELX worked in >35 production programs including functions - Camera Monitoring System, Driver Monitoring System, Adaptive Cruise Control, Emergency Brake assist and functionalities like Lane Keep Assist, Traffic Sign Recognition, Pedestrian Detection
DIGITAL SERVICES	
HMI DESIGN (Human Machine Interface/Touchscreen)	
MODEL BASED SYSTEMS ENGINEERING	
MODEL BASED DESIGN	
AUTOSAR ENGINEERING	Premium member & contributor to AUTOSAR consortium enabling software ownership and re-usability
HARDWARE DESIGN & DEVELOPMENT	
FUNCTIONAL SAFETY SERVICES	Expertise in Auto, Rail, Avionics
AUTOMOTIVE DESIGN & ENGINEERING	
VISUALISATION	
VERIFICATION & VALIDATION	
HARDWARE IN LOOP SIMULATION (development & test embedded systems)	>12 vehicle program launches
EMOBILITY HILS FRAMEWORK	Re-usable test frameworks
V-DRIVE (AUTONOMOUS DRIVING SIMULATION ENVIRONMENT)	TELX's autonomous driving validation suite
TELEMATICS TESTING SERVICES	Test automation reducing cycle time by 50% - AutomaTE

Source: Company, HSIE Research

**TELX: AUTOSAR Premium Partner**

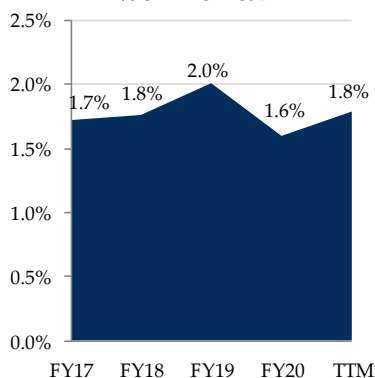
Aptiv	Green Hills Software	SCSK Corporation
APTJ	HCL Tech	Sodius SAS
Arm Limited	Hella	ST Micro
Baidu	Honda Motor	Sumitomo Electric
Blackberry	Huawei	TCS
Capgemini	Hyundai Motor	<b>Tata Elxsi</b>
CEA	Infineon Group	Tata Motors
Dassault Systemes	JTEKT Corporation	ThyssenKrupp
Deloitte GmbH	KPIT Tech	Valeo SAS
Desay SV Automotive	Mitsubishi Electric	Vector
dSPACE	NEC Corp	Veoneer
Elektrobit	Nissan Motor	Volvo
eSol	NXP Semicon	ZF Friedrichshafen AG
ETAS	Panasonic	TietoEVRY
Fraunhofer-Gesellschaft	Renault	LG
Great Wall Motor	Renesas Electronic	

Source: AUTOSAR

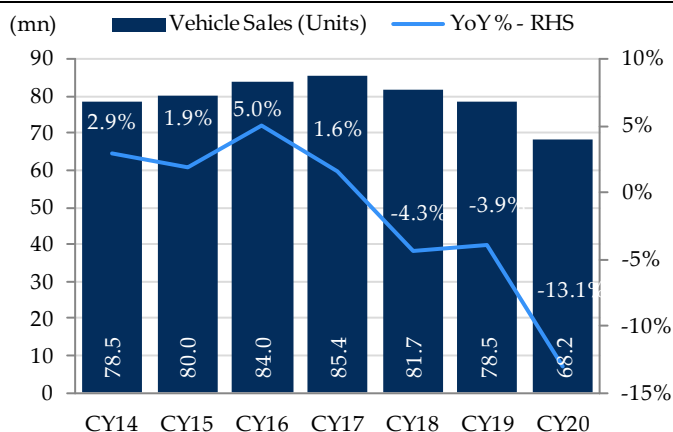
**Key trends changing the automotive landscape – net dd driver for TELX**

- Car buyer purchase decisions are moving from engine size, horse power, gas efficiency to digital experience and user interface including touchscreen, voice recognition, seamless connectivity and intelligent safety features.
- Electric and autonomous cars creating the need for new powertrain, advanced sensor system. As per Altran, ADAS market expected to grow to USD 83bn by CY30E, as compared to USD 27bn in CY20. Global Connected Car market is expected to grow by 17% CAGR over CY20-27E and 51% of vehicle sales would come from Electric by CY30E.
- Electrification: Global electric mobility market is forecasted at USD 480bn and 35mn units in CY30E (6.4mn units in CY19).
- Reduction in engineering cost and faster development through digital initiatives is expeted (reducing cost with virtual validation instead of physical validation).
- Increasing software complexity and deployment of vehicle platform would drive software market, semiconductor demand supported by newer partnerships (across OEMs, suppliers, tech - covered in the next section).
- Software updates are playing a critical role as battery lifespan increases, thereby resulting in lower depreciation of EV cars compared to ICE cars.
- The development of operating system for cars will lead to change in the value mix of cars and the application ecosystems, increasing their functionality.
- Consolidation in the ECU (electronic control units).

**Revenue from T1 account  
% of T1's R&D**

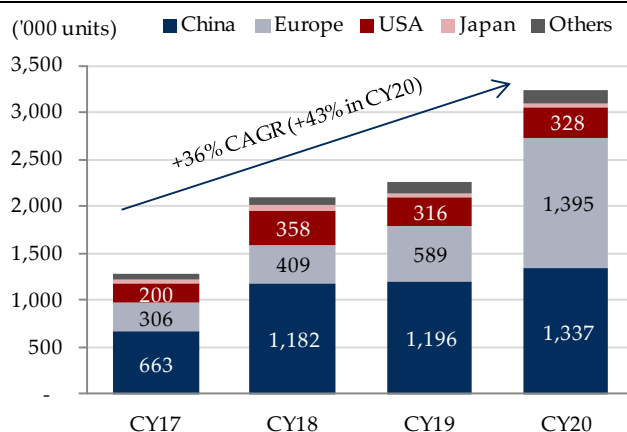


**The big shift underway – Global Auto Sales Trend**



Source: Bloomberg, HSIE Research

**Transitioning into increased EV penetration: EV sales trend**



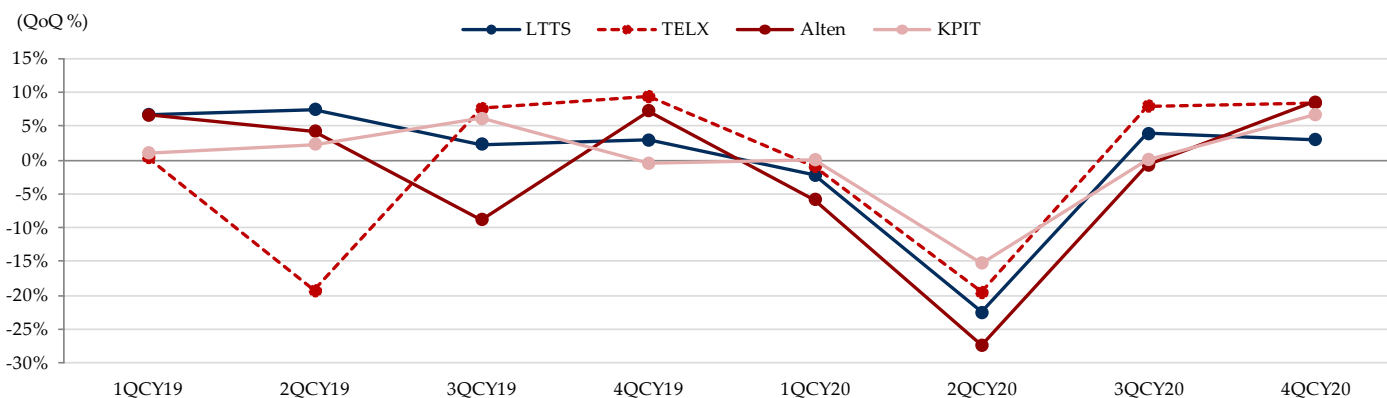
Source: EV-Volumes, HSIE Research

### Partnership playbook creating/disrupting R&D opportunities

Global OEMs are partnering to reduce the cost/accelerate software development. As there are redundancies with each OEM developing similar powertrains & platforms, the collaboration also optimises the capital intensive R&D programs. **While these collaborations may optimise overall R&D spend, lowering the growth denominator for auto ER&D services, the collaboration and the complexity of the technical stack is expected to create 'net-new' opportunities.** Some of the partnerships are listed below.

- BMW-Daimler (Autonomous)
- GM-Honda (Electrification)
- Daimler-Bosch-Nvidia (Autonomous)
- PSA-FCA merger
- OEMs collaborating with tier-2 and tech companies to build IPs and secure critical supply
- Volkswagen-Microsoft building automotive cloud platform
- Google launched Google Automotive services; Google-Volvo, Google-Ford partnerships
- Samsung-Harman acquisition to enter automotive
- Collaboration of BMW, FCA, Intel, Magna, Aptiv, Continental, LiDAR supplier Innoviz, and SW specialists TTTech and KPIT to jointly develop an AD platform.
- Partnerships with EV start-ups such as Ford-Rivian, Hyundai-Canoo, GM-Nikola

#### Slowest growing vertical of TELX growing faster than peers (Transportation revenue QoQ %)



Source: Company, HSIE Research

#### TELX outperforming peers in Transportation vertical (YoY %)

YoY %	2QCY19	3QCY19	4QCY19	1QCY20	2QCY20	3QCY20	4QCY20
LTTS	29.5%	22.1%	21.0%	10.8%	-20.2%	-19.0%	-18.9%
TELX	-18.4%	-16.1%	-4.6%	-5.9%	-6.2%	-5.8%	-6.7%
Alten	13.4%	7.9%	9.0%	-3.8%	-33.0%	-27.1%	-26.3%
KPIT	11.5%	20.0%	9.4%	8.3%	-10.3%	-15.4%	-9.3%

Source: Company, HSIE Research

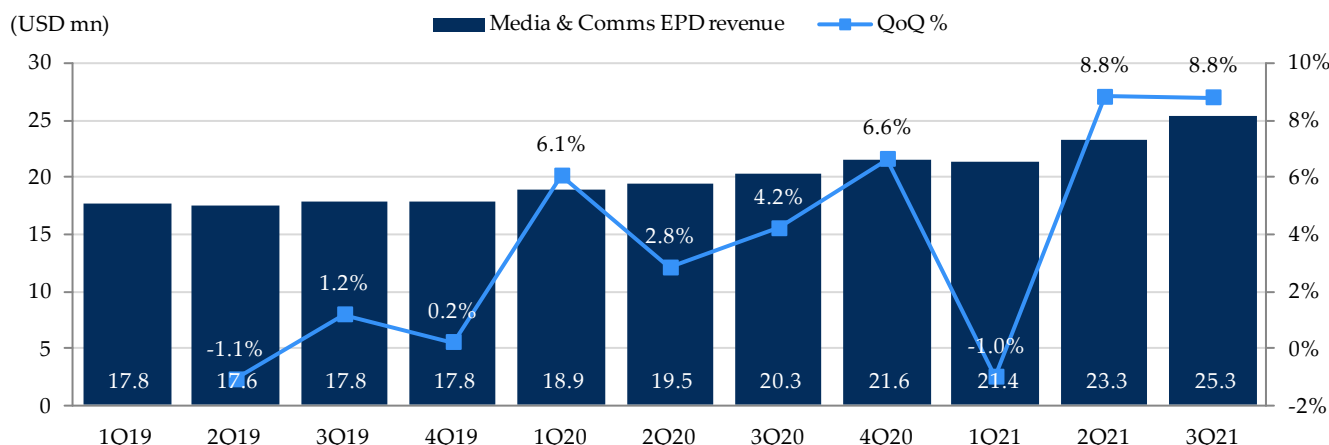
## New media opportunity with Broadcast & Communications disruption

TELX has strong credentials in Media & Communications vertical supported by end-to-end offerings in media & broadcasting, long tenured development partnerships with multiple large accounts, and pivot to high-growth new media segment (OTT). The vertical has now become TELX' largest vertical at 43% of revenue and has grown in high-teens over FY19-21E.

### TELX differentiators in Media & Broadcasting:

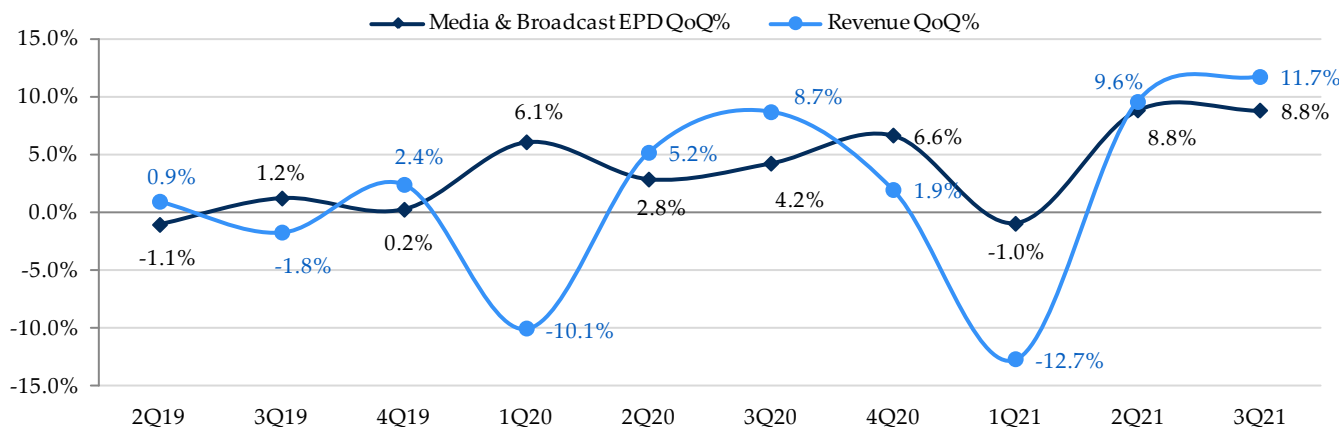
- Strong end-to-end expertise with partnerships across media & communications - broadcasters, MSO, semiconductors, and STB manufacturer.
- TELX' partnership with Google Widevine opens up avenues for TELX in operators, OTT, content providers and access to the network that includes Netflix, HBO, Disney, Hulu, Amazon Prime, Jio and Warner Bros.
- TELX' OTT platform 'TEPlay' includes pre-integrated components required by an OTT service such as Content Management System (CMS), Subscription Management System (SMS), Digital Rights Management (DRM), UI Composer, OTT Middleware, Ad Platform, Content Discovery Platform, Usage Analytics and White-labeled Apps.
- Long tenured and contextual expertise in RDK technology.

### Broadcast & Communications vertical revenue trend of TELX



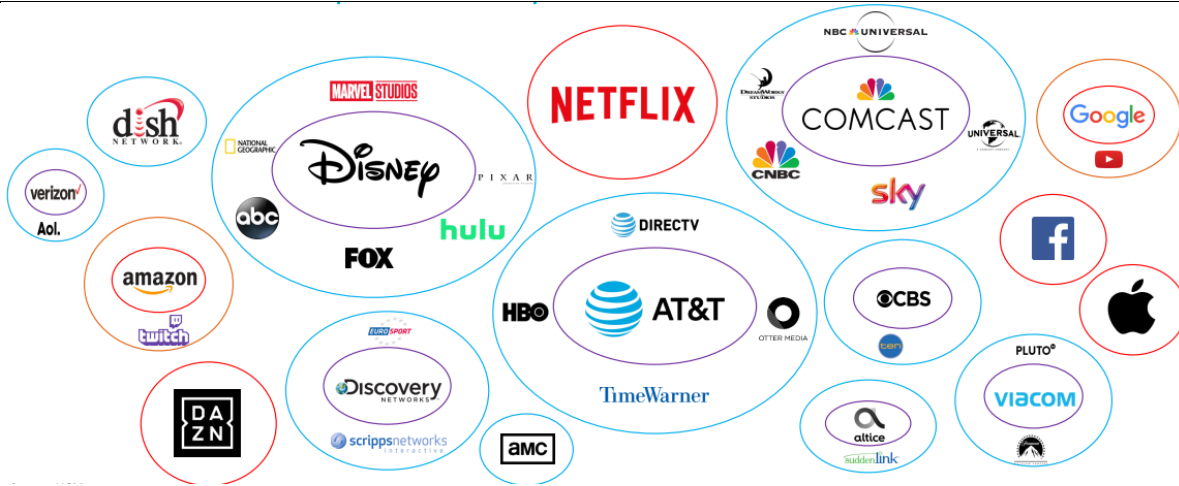
Source: Company, HSIE Research

### Broadcast & Communications EPD revenue & total revenue trend



Source: Company, HSIE Research

M&A in media & content



Source: IABM

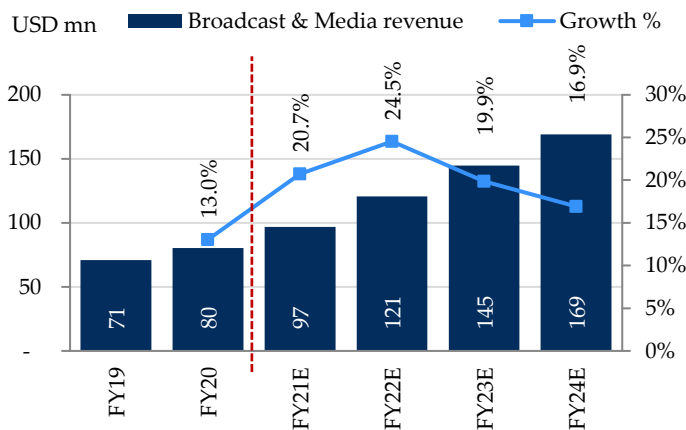
The current cost structure of CSP is cost intensive and, with 5G, it'll increase further. The disruption in the sector (accelerated by the pandemic) has further increased the importance of cost reduction through efficient signal routing, distribution, monitoring & management of content, and automation of workflow. Since 2014, >USD 700bn has been spent in media M&As with large transactions including Walt Disney's acquisition of 21<sup>st</sup> Century Fox, AT&T's acquisition of Time Warner (including HBO).

Key trends in Media & Broadcasting increasing addressable opportunity

- Anywhere & Anytime Content delivery
- Demand for live content
- Immersive experience with high quality video (UHD) and audio
- IP and virtualised (cloud) transition for broadcast and new media.

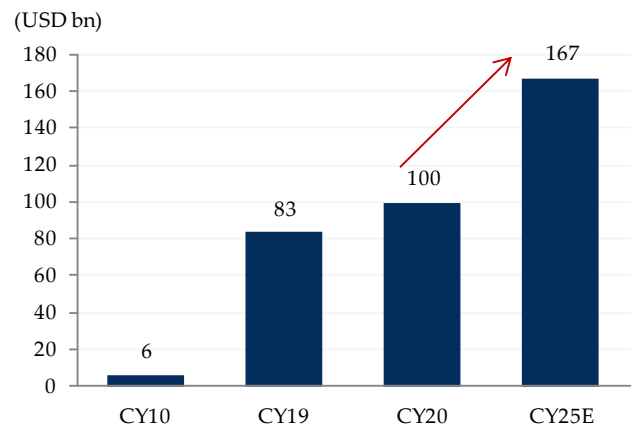
We believe that TELX' capabilities in OTT and being a Certified Widevine implementation partner open up opportunities to tap into the large network of service providers, broadcasters and devices.

TELX' broadcast & media revenue trend: 2x over FY20-24E



Source: Company, HSIE Research

Global OTT revenue trend



Source: Statista

Leading RDK preferred plus members

Accenture	Commscope	Infosys	Qa-Cafe
Alticast	GCS	L&T Technology	TCS
Askey	Humax	Metrological	<b>Tata Elxsi</b>

Source: RDK

## Operational excellence, strong balance sheet

On a relative scoring across key parameters, TELX takes the top spot. The assessment includes growth, execution, and balance sheet factors. We observe that TELX' relative strengths are reflected in its superior margins and efficiencies. Factors such as lowest cost of delivery including sub-contracting, highest offshoring mix, and lowest attrition translate into strong execution.

Other factors include strong mining (including its T2-10 accounts) as well as hunting, and growth lead in NorthAm vs. ER&D peers. The past growth was largely dented by the impact of T1, dropping >40% in the past two years; however, it appears to be more of an external factor as TELX' market-share in its T1 R&D spend has been nearly unchanged (currently at 1.8%).

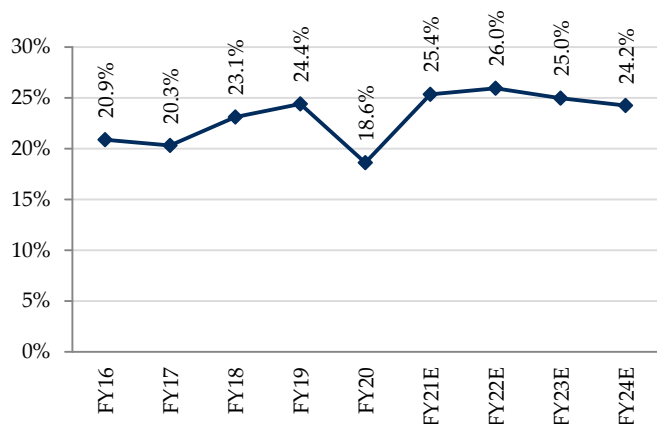
**Healthcare & Medical devices:** Medical devices & healthcare vertical (10.4% of EPD revenue) has also been the growth driver on a lower base and we expect the momentum to continue (the segment scaled from USD 8mn to USD 22mn from FY19 to FY21E and we expect it to grow to USD 51mn in FY24E at 32% CAGR). Although on a lower base, TELX' medical devices & healthcare vertical has grown ahead of peers such as LTTS, Cyient and Alten (TELX' vertical 10/25% of Alten/LTTS' vertical). Telemed is expected to be a big driver and TELX' strong credentials in video delivery is complimentary. Vendor consolidation from onsite European/US vendors to TELX, and the setup of GECs are driving growth and the company is investing in building domain by hiring biomedical engineers and specialists.

### Strong relative metrics compared to peers

SR NO.	Key Parameters	TELX	LTTS	CYL	KPIT	MTCL	MPHL	ZENT	SSOF
1	Revenue CAGR% FY21-23E	Green	Green	Yellow	Yellow	Green	Green	Yellow	Green
2	EPS CAGR % FY21-23E	Green	Green	Yellow	Yellow	Green	Green	Yellow	Green
3	Client concentration	Green	Green	Yellow	Yellow	Green	Green	Yellow	Green
4	Cost of delivery	Green	Green	Yellow	Yellow	Green	Green	Yellow	Green
5	Delivery efficiency	Green	Green	Yellow	Yellow	Green	Green	Yellow	Green
6	Employee retention	Green	Green	Yellow	Yellow	Green	Green	Yellow	Green
7	Sub-contractor dependence	Green	Green	Yellow	Yellow	Green	Green	Yellow	Green
8	Efficiency & Balance sheet strength	Green	Green	Yellow	Yellow	Green	Green	Yellow	Green
9	Cash generation & working capital	Green	Green	Yellow	Yellow	Green	Green	Yellow	Green
10	Capex intensity	Green	Green	Yellow	Yellow	Green	Green	Yellow	Green

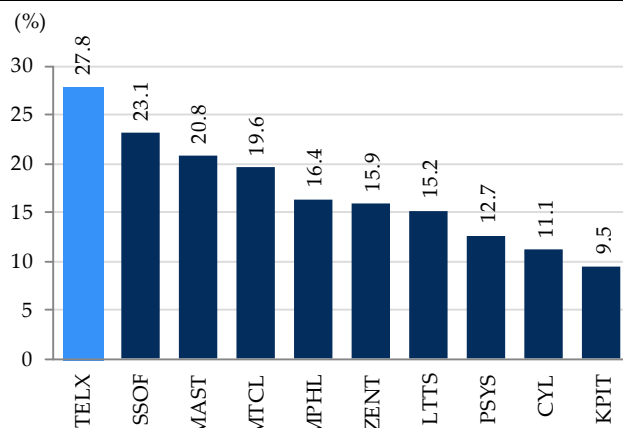
Source: Company, HSIE Research; Bloomberg estimates for KPIT

### TELX margin trend: EBIT%



Source: Company, HSIE Research

### Superior margin to peers (EBIT%)

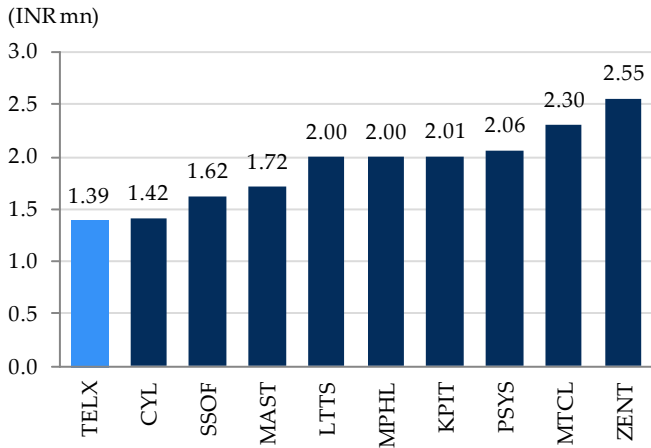


Source: Company, HSIE Research; 3QFY21



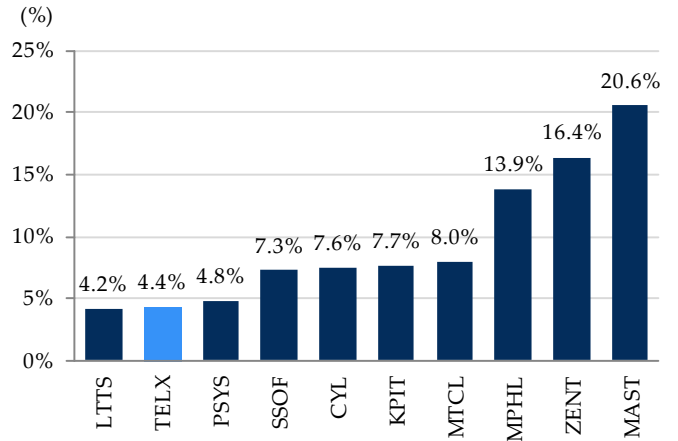
## Tata Elxsi : Initiating Coverage

**Supported by lower cost of delivery & lowest attrition: employee expense/employee**



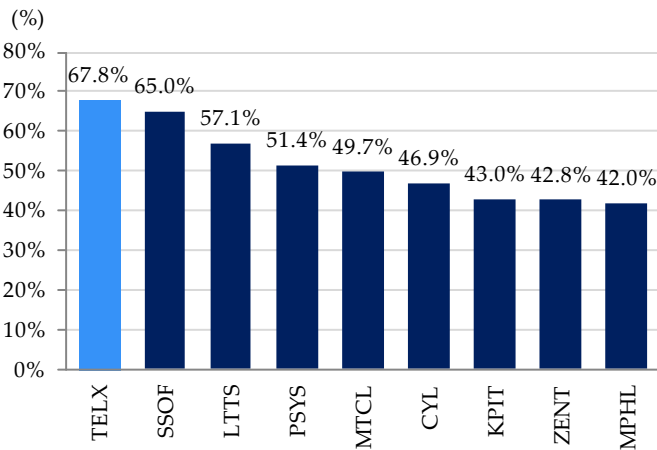
Source: Company, HSIE Research; FY20

**Lower third-party dependence: sub-contracting expense % of revenue (FY20)**



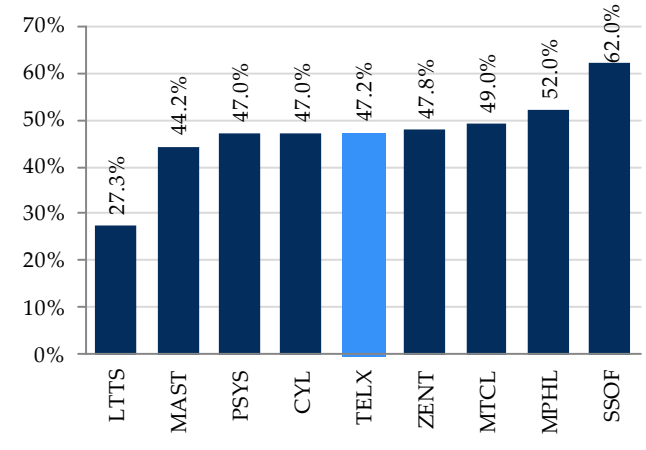
Source: Company, HSIE Research

**Higher offshoring: offshore% of revenue**



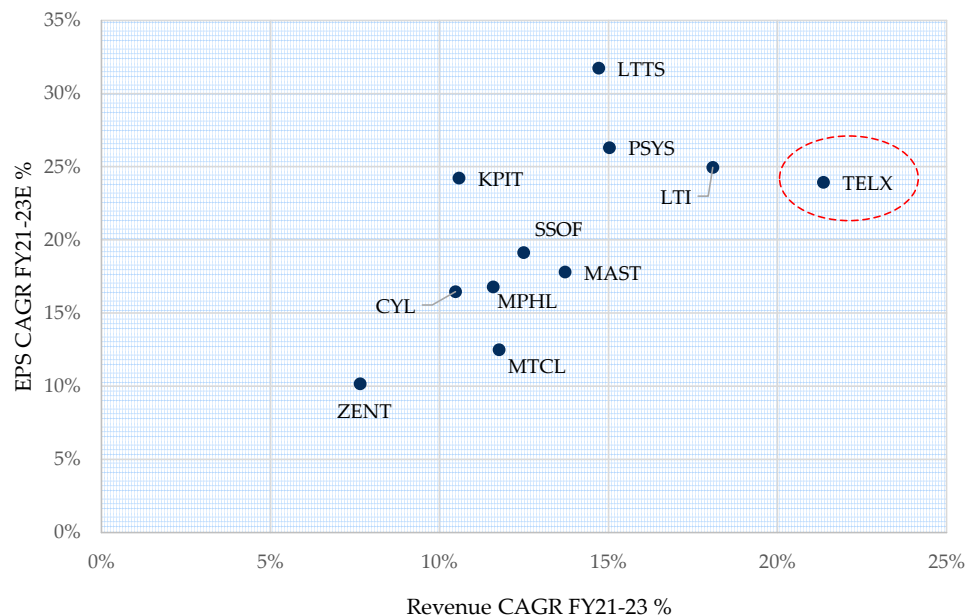
Source: Company, HSIE Research; 3QFY21

**T10 account concentration in-line with mid-tiers**



Source: Company, HSIE Research; 3QFY21

## Revenue & Earnings Growth Grid (Mid-tier IT/ER&D)



Source: Company, HSIE Research

**Onsite Delivery & Sales Presence (Centres)**

Centres (Nos)	TELX	LTTS	CYL	KPIT
<b>US Total</b>	<b>6</b>	<b>15</b>	<b>16</b>	<b>2</b>
- Arkansas			1	
- California	1	3	3	
- Connecticut		2	1	
- Florida	1		2	
- Georgia	1	1		
- Iowa		1		
- Illinois		3	1	
- Indiana			1	1
- Michigan	1	1		1
- Minnesota	1		1	
- Mississippi			1	
- New Jersey		1		
- Ohio		1		
- Pennsylvania	1		1	
- Texas		2	3	
- Virginia			1	
Brazil				1
Canada	2	1		
<b>Europe Total</b>	<b>7</b>	<b>18</b>	<b>11</b>	<b>4</b>
UK	1	3	2	1
France	1	1	1	
Germany	1	3	3	4
Netherlands	1	3	2	1
Spain	1			
Ireland	1			
Poland	1	1		
Belgium		1	1	
Switzerland			1	
Czech Republic			1	
Norway		1		
Denmark		1		
Finland		1		
Sweden		2		1
Italy		1		1
UAE	1			
South Africa	1			
<b>Total US &amp; EMEA</b>	<b>17</b>	<b>34</b>	<b>27</b>	<b>11</b>

Source: Company, HSIE Research

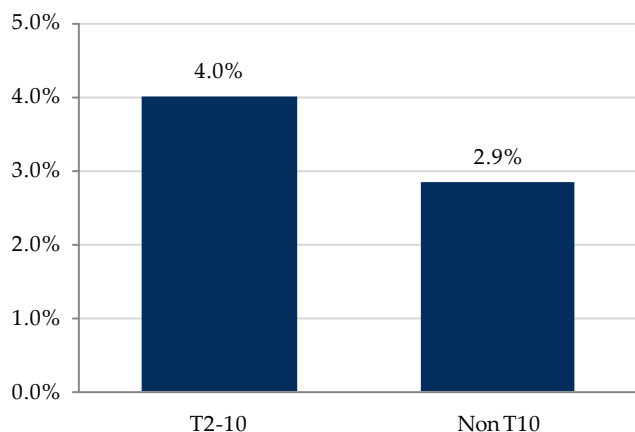
**Tata Elxsi Job postings (Offshore)**

ADAS AND AD (SYSTEM AND SOFTWARE) REQUIREMENT ENGI	NETWORK TESTING - BANGALORE/TRIVANDRUM/CHENNAI
ADAS AND AD DEVELOPMENT ENGINEERS/LEADS - BANGALORE	C++, QT DEVELOPMENT - BANGALORE/TRIVANDRUM
ADAS AND AD TEST ENGINEERS/LEADS - BANGALORE/ PUNE	WIRELESS DEVELOPMENT - BANGALORE/TRIVANDRUM
ADAS AND AD BSP AND FIRMWARE DEVELOPMENT ENGINEERS	CYBERSECURITY ENGINEERS/LEADS - BANGALORE/TRIVANDRUM
FULL STACK DEVELOPMENT - BANGALORE/CHENNAI	CYBERSECURITY TEST ENGINEERS/LEADS/ MANAGERS
JAVA FULL STACK DEVELOPMENT	PROJECT MANAGER / ENGAGEMENT MANAGER - BANGALORE
IOS DEVELOPMENT	SALES/BUSINESS DEVELOPMENT - BANGALORE, PUNE, NCR
ANDROID DEVELOPMENT	AUTOMOTIVE BSW ENGINEERS/SPECIALISTS – PUNE
NETWORKING DEVELOPMENT - BANGALORE/CHENNAI/TRIVAND	AUTOSAR BSW ENGINEERS/SPECIALISTS - PUNE/ HYDERABAD
EMBEDDED DEVELOPMENT - BANGALORE/CHENNAI/TRIVANDR	SYSTEM ENGINEER ADAS AND EV - BANGALORE/ TRIVANDRUM
DEVELOPERS / LEADS - BANGALORE/CHENNAI/TRIVANDRUM	SENIOR SYSTEM ARCHITECT - BANGALORE/ TRIVANDRUM/PUNE
TCMS DEVELOPMENT ENGINEERS/SENIOR ENGINEERS/LEADS	SYSTEM ARCHITECT - BANGALORE/ TRIVANDRUM/PUNE
SYSTEM ENGINEERS/SENIOR ENGINEERS/LEADS - BANGALORE	MIL/SIL TESTING – HYDERABAD
SIGNALLING, INTERLOCKING SYSTEM ENGINEERS/ LEADS	MODEL BASED DEVELOPMENT

Source: Company

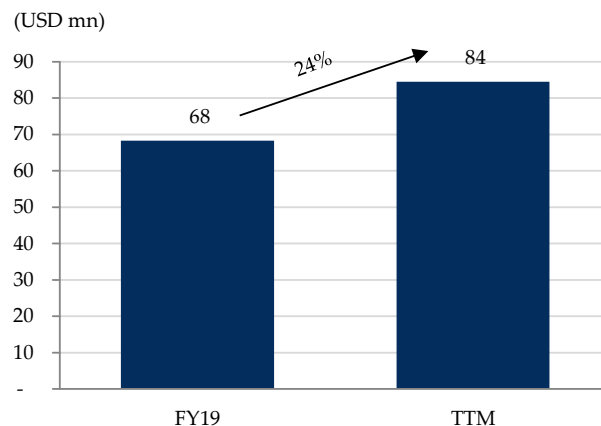
## Strong operating metrics across client metrics, geo growth

Tracking strong growth in both mining and hunting:  
TELX 8-qtr CQGR% of T2-10 and Non T10



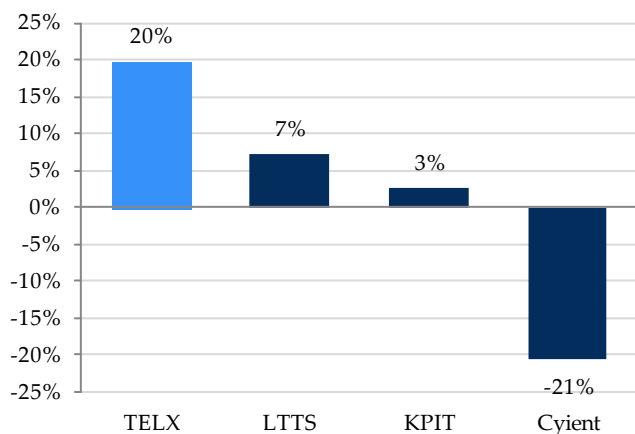
Source: Company, HSIE Research

Large account mining prowess: T2-10 revenue growth



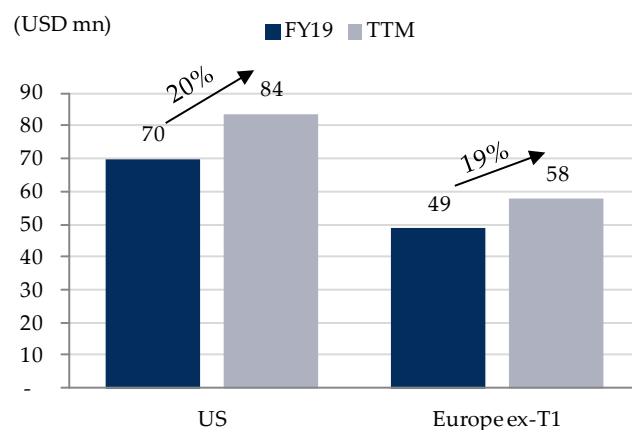
Source: Company, HSIE Research

Outperformance in US geography: TELX NorthAm revenue growth %



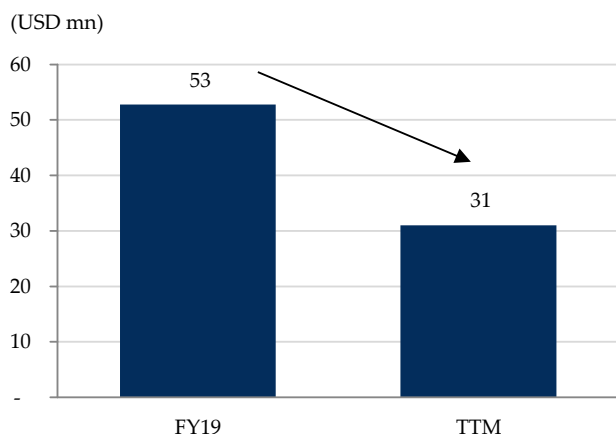
Source: Company, HSIE Research

TELX growth across both key geos



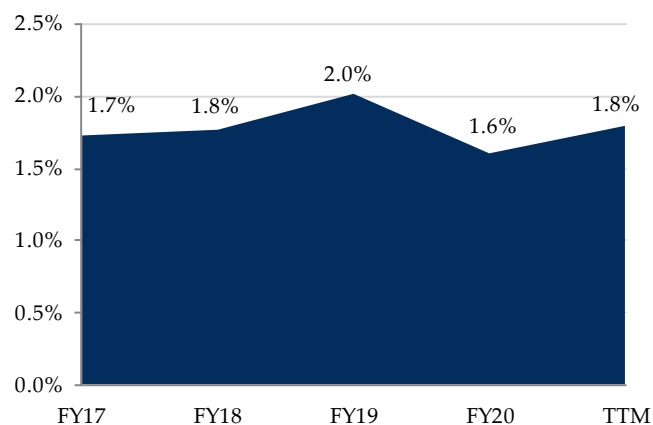
Source: Company, HSIE Research

While, T1 account down ~40% from peak revenue...



Source: Company, HSIE Research

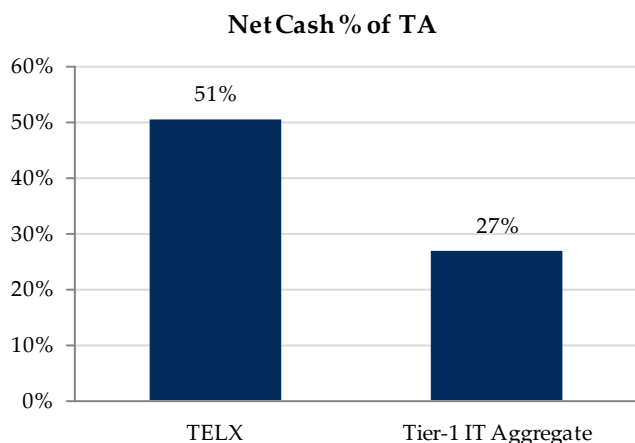
Market-share within T1 account nearly maintained:  
TELX' T1 revenue % of Top account R&D spend



Source: Company, HSIE Research

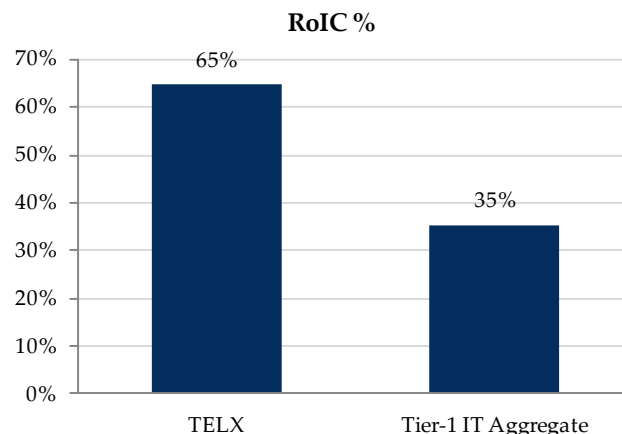
## Robust balance sheet position and improving cash flows

### Strong balance sheet



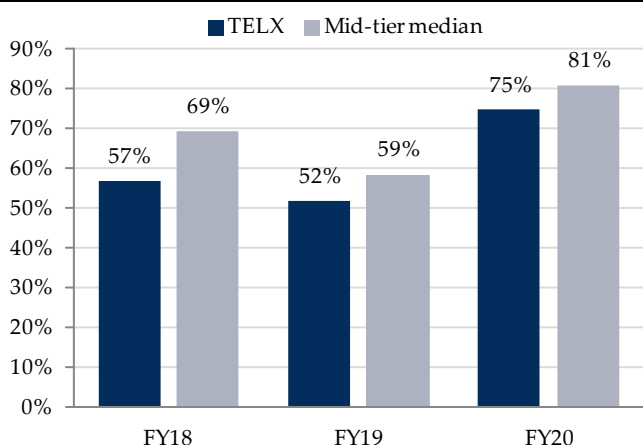
Source: Company, HSIE Research

### Better efficiencies compared to tier-1 IT



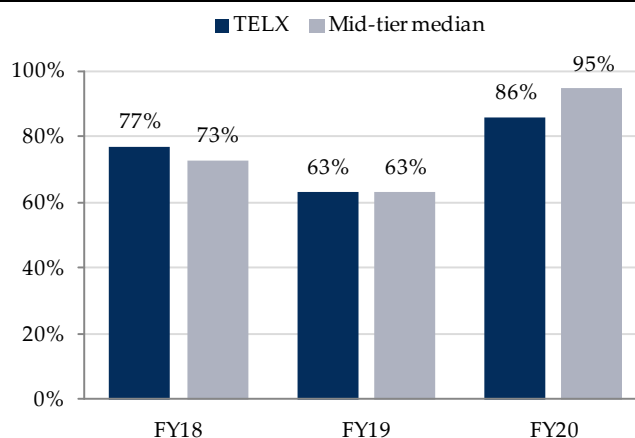
Source: Company, HSIE Research

### Trailing peers median in OCF impacted by higher DSO, but trending higher: OCF/EBITDA (%)



Source: Company, HSIE Research

### Cash generation improving: FCF/APAT (%)



Source: Company, HSIE Research

### Du Pont Analysis

Du Pont Analysis	FY18	FY19	FY20	FY21E	FY22E	FY23E	FY24E
Asset turns (x)	1.7	1.5	1.3	1.2	1.3	1.3	1.3
Leverage factor (x)	1.3	1.2	1.2	1.2	1.2	1.2	1.2
APAT Margin %	17.3	18.2	16.9	20.7	21.7	21.0	20.0
<b>RoE (%)</b>	<b>37.0</b>	<b>34.5</b>	<b>26.7</b>	<b>31.2</b>	<b>34.0</b>	<b>32.5</b>	<b>31.3</b>

Source: HSIE Research

## Company Profile

Tata Elxsi is a pure-play engineering services and design services company (USD 236mn TTM revenue) across industries including Transportation, Broadcast & Communication and Healthcare & Medical devices. Tata Elxsi's services include technology consulting, new product design, development and testing services addressing the complete product development cycle. In the automotive vertical (41% of EPD revenue), the company works with car manufacturers and suppliers in developing electronics and software for powertrain, infotainment, connectivity and active safety. As part of the company's Broadcasting & Media vertical (44.3% of EPD revenue), it works with broadcasters, operators, consumer electronics across product development cycle and fast growing segments such as OTT, smart devices. In the medical devices segment (10.4% of EPD revenue), the company works with medical device OEMs and technology companies for hardware & software engineering, regulatory and compliance requirements.

### Board Composition and Key Management Personnel

Board of Directors	Designation
Mr. NG Subramanian	Non-Executive - Non Independent Director-Chairperson
Mrs. Shyamala Gopinath	Non-Executive - Independent Director
Mr. Sudhakar Rao	Non-Executive - Independent Director
Mr. Ankur Verma	Non-Executive - Non Independent Director
Dr. Anurag Kumar	Non-Executive - Independent Director

Key Personnel	Designation
Mr. Manoj Raghavan	CEO & Managing Director
Mr. Nitin Pai	Chief Strategy Officer & Chief Marketing Officer
Mr. H V Muralidharan	Chief Financial Officer
Mr. G Vaidyanathan	Company Secretary & Compliance Officer

Source: Company, HSIE Research

### Shareholding Trend (%)

(%)	Mar-20	Jun-20	Sep-20	Dec-20
Promoter	44.53	44.53	44.53	44.53
DII's	3.67	4.05	4.62	4.82
FII's	10.71	10.54	11.75	12.62
Public/Others	41.09	40.88	39.1	38.03

Source: BSE, HSIE Research

### Key Assumptions (Base case)

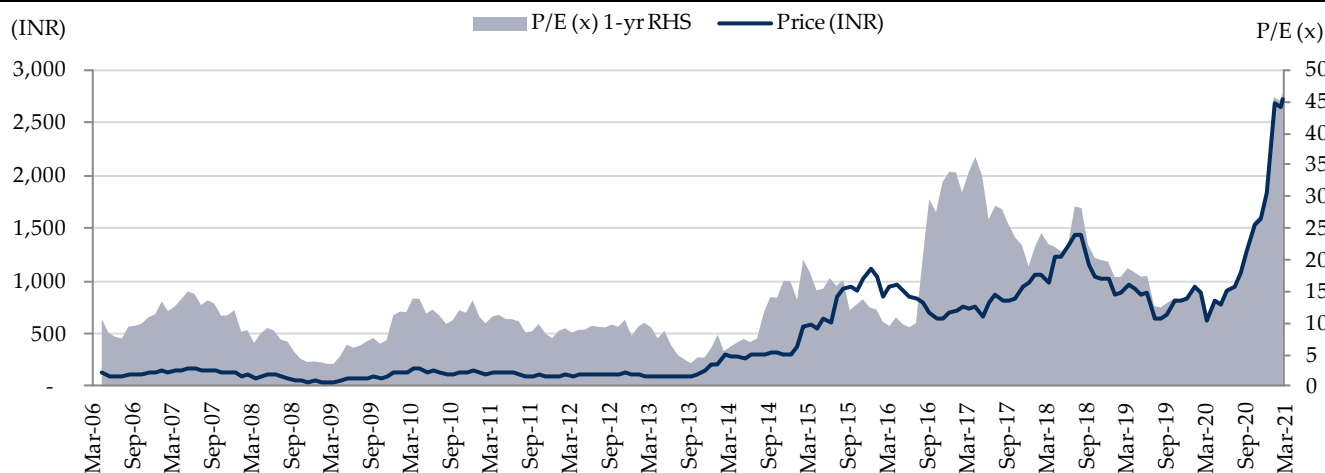
	FY20	FY21E	FY22E	FY23E	FY24E
Transportation EPD revenue growth %	-11.2%	-4.8%	21.0%	13.7%	13.1%
Broadcast & Comms EPD revenue growth %	13.0%	20.7%	24.5%	19.9%	16.9%
Medical device EPD revenue growth %	79.6%	44.2%	48.4%	24.8%	26.2%
EPD revenue growth %	0.3%	10.0%	25.2%	17.6%	16.6%
IDV revenue growth %	-7.5%	-5.4%	33.3%	15.9%	17.0%
USD Revenue growth %	-0.9%	7.7%	25.6%	17.3%	16.5%
EBITDA margin (%)	21.3%	27.9%	28.5%	27.5%	26.7%
EPS (Rs)	43.6	60.2	80.0	92.4	106.3

Source: HSIE Research

## Valuation and recommendation

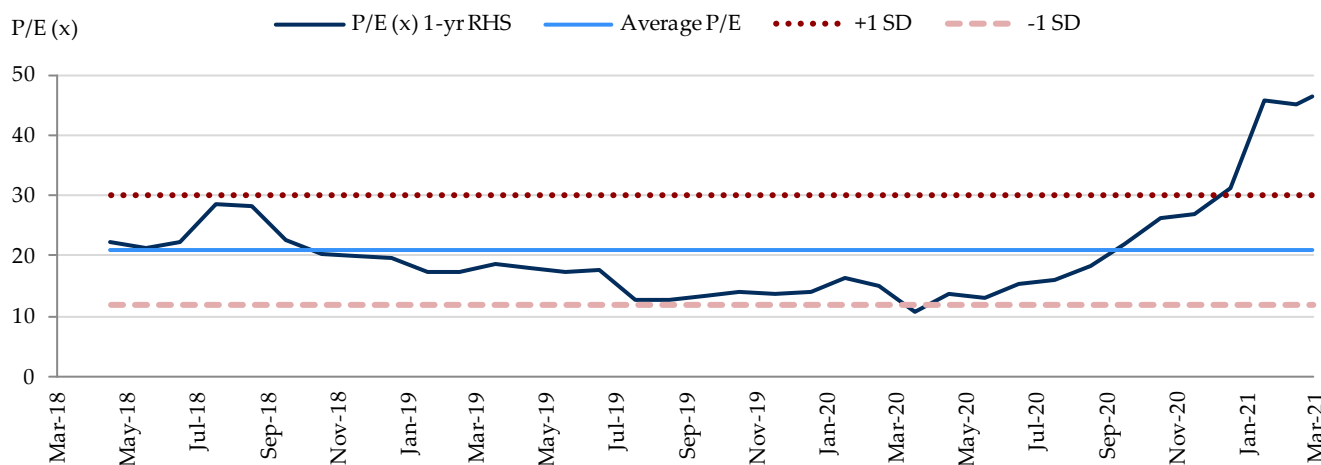
Our base case fair value for TELX is INR 3,330, based on 36x FY23E EPS (DCF-implied) that translates into 21% upside. Risk reward is favourable with bear/bull case fair value deviation from CMP at -14/50% respectively. Our target multiple of 36x (base case) at 1.6x of historical average, is supported by (1) 20/21% revenue/EPS CAGR over FY21-24E (top-end) following outperformance in FY21 (8/38% revenue/EPS growth in FY21E), driven by the quality of the franchise and industry tailwinds, (2) industry leading margin/efficiencies (>30% RoE), and (3) decent probability of bull case with upside risk to growth.

### TELX' P/E and stock price trend



Source: Bloomberg, HSIE Research

### TELX' 3Y P/E (1-yr) trend



Source: Bloomberg, HSIE Research

### Favourable risk-reward scenario

BASE CASE		BULL CASE		BEAR CASE	
Revenue CAGR FY21-24E	20%	Revenue CAGR FY21-24E	23%	Revenue CAGR FY21-24E	15%
APAT CAGR FY21-24E	21%	APAT CAGR FY21-24E	28%	APAT CAGR FY21-24E	16%
Revenue CAGR FY21-30E	15%	Revenue CAGR FY21-30E	18%	Revenue CAGR FY21-30E	12%
FCF CAGR FY21-30E	22%	FCF CAGR FY21-30E	25%	FCF CAGR FY21-30E	16%
FY23E EPS (Rs)	92.4	FY23E EPS (Rs)	105.0	FY23E EPS (Rs)	85.0
<b>TP (Rs)</b>	<b>3,330</b>	<b>TP (Rs)</b>	<b>4,110</b>	<b>TP (Rs)</b>	<b>2,350</b>
<b>Upside (%)</b>	<b>23%</b>	<b>Upside (%)</b>	<b>51%</b>	<b>Upside (%)</b>	<b>-13%</b>

Source: HSIE Research

## Financials

### Income Statement

Year ending March (Rs bn)	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E	FY24E
Net Revenues (USD mn)	184	215	229	227	244	307	360	419
<i>Growth (%)</i>	12.2%	16.7%	6.5%	-0.9%	7.7%	25.6%	17.3%	16.5%
Net Revenues	12.37	13.86	15.97	16.10	18.10	22.96	27.45	32.71
<i>Growth (%)</i>	15.1%	12.0%	15.2%	0.8%	12.4%	26.8%	19.6%	19.1%
Employee Expenses	6.66	7.49	8.43	9.51	10.37	12.87	15.65	18.89
SG&A Expenses	2.93	2.92	3.39	3.16	2.69	3.56	4.26	5.07
<b>EBITDA</b>	<b>2.78</b>	<b>3.46</b>	<b>4.15</b>	<b>3.43</b>	<b>5.04</b>	<b>6.53</b>	<b>7.55</b>	<b>8.75</b>
<i>EBITDA Margin (%)</i>	22.5%	25.0%	26.0%	21.3%	27.9%	28.5%	27.5%	26.7%
<i>EBITDA Growth (%)</i>	12.6%	24.4%	19.9%	-17.4%	47.0%	29.6%	15.5%	15.9%
Depreciation	0.27	0.25	0.25	0.43	0.45	0.57	0.69	0.82
<b>EBIT</b>	<b>2.51</b>	<b>3.21</b>	<b>3.90</b>	<b>3.00</b>	<b>4.59</b>	<b>5.96</b>	<b>6.86</b>	<b>7.93</b>
Other Income (Including EO Items)	(0.05)	0.43	0.43	0.58	0.66	0.78	0.92	1.01
Interest	-	-	-	0.06	0.05	0.05	0.05	0.05
<b>PBT</b>	<b>2.46</b>	<b>3.64</b>	<b>4.33</b>	<b>3.52</b>	<b>5.19</b>	<b>6.69</b>	<b>7.73</b>	<b>8.89</b>
Tax (Incl Deferred)	0.89	1.24	1.43	0.96	1.45	1.71	1.97	2.27
RPAT	1.56	2.40	2.90	2.56	3.75	4.98	5.76	6.62
<b>APAT</b>	<b>1.56</b>	<b>2.40</b>	<b>2.90</b>	<b>2.71</b>	<b>3.75</b>	<b>4.98</b>	<b>5.76</b>	<b>6.62</b>
<i>APAT Growth (%)</i>	1.0%	53.5%	20.8%	-6.4%	38.1%	32.9%	15.5%	15.0%
<b>Adjusted EPS (Rs)</b>	<b>25.1</b>	<b>38.5</b>	<b>46.6</b>	<b>43.6</b>	<b>60.2</b>	<b>80.0</b>	<b>92.4</b>	<b>106.3</b>
<i>EPS Growth (%)</i>	1.0%	53.5%	20.8%	-6.4%	38.1%	32.9%	15.5%	15.0%

Source: Company, HSIE Research

### Balance Sheet

Year ending March (Rs bn)	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E	FY24E
<b>SOURCES OF FUNDS</b>								
Share Capital - Equity	0.31	0.62	0.62	0.62	0.62	0.62	0.62	0.62
Reserves	5.27	6.76	8.80	10.28	12.53	15.52	18.68	22.33
<b>Total Shareholders Funds</b>	<b>5.58</b>	<b>7.38</b>	<b>9.43</b>	<b>10.90</b>	<b>13.15</b>	<b>16.14</b>	<b>19.31</b>	<b>22.95</b>
Total Debt	-	-	-	-	-	-	-	-
Net Deferred Taxes	(0.03)	(0.04)	(0.06)	(0.09)	(0.09)	(0.09)	(0.09)	(0.09)
Long Term Provisions & Others	0.36	0.39	0.12	0.82	0.82	0.82	0.82	0.82
<b>TOTAL SOURCES OF FUNDS</b>	<b>5.90</b>	<b>7.73</b>	<b>9.49</b>	<b>11.63</b>	<b>13.88</b>	<b>16.87</b>	<b>20.03</b>	<b>23.68</b>
<b>APPLICATION OF FUNDS</b>								
Net Block	0.92	0.82	0.87	1.34	1.38	1.54	1.66	1.79
Goodwill & intangibles	0.16	0.13	0.14	0.13	0.14	0.16	0.17	0.18
Other Non-current assets	0.37	0.39	0.28	0.31	0.31	0.31	0.31	0.31
<b>Total Non-current Assets</b>	<b>1.46</b>	<b>1.36</b>	<b>1.29</b>	<b>1.79</b>	<b>1.84</b>	<b>2.02</b>	<b>2.14</b>	<b>2.29</b>
Debtors	2.45	3.07	3.57	3.92	4.22	5.35	6.39	7.62
Other Current Assets	0.21	1.04	1.34	1.43	1.49	1.90	2.27	2.70
Cash & Equivalents	3.01	3.94	5.16	6.64	8.65	10.52	12.68	15.16
<b>Total Current Assets</b>	<b>5.67</b>	<b>8.05</b>	<b>10.08</b>	<b>12.01</b>	<b>14.38</b>	<b>17.78</b>	<b>21.37</b>	<b>25.51</b>
Creditors	0.46	0.45	0.55	0.47	0.64	0.82	0.98	1.17
Other Current Liabilities & Prov.	0.75	1.23	1.33	1.70	1.69	2.11	2.50	2.95
<b>Total Current Liabilities</b>	<b>1.22</b>	<b>1.68</b>	<b>1.88</b>	<b>2.17</b>	<b>2.34</b>	<b>2.93</b>	<b>3.48</b>	<b>4.12</b>
<b>Net Current Assets</b>	<b>4.45</b>	<b>6.38</b>	<b>8.20</b>	<b>9.84</b>	<b>12.04</b>	<b>14.85</b>	<b>17.89</b>	<b>21.39</b>
<b>TOTAL APPLICATION OF FUNDS</b>	<b>5.90</b>	<b>7.73</b>	<b>9.49</b>	<b>11.63</b>	<b>13.88</b>	<b>16.87</b>	<b>20.03</b>	<b>23.68</b>

Source: Company, HSIE Research

## Cash Flow

Year ending March (Rs bn)	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E	FY24E
Reported PBT	2.46	3.64	4.33	3.52	5.19	6.69	7.73	8.89
Non-operating & EO items	(0.03)	(0.21)	(0.24)	(0.36)	(0.66)	(0.78)	(0.92)	(1.01)
Interest expenses	-	-	-	0.06	0.05	0.05	0.05	0.05
Depreciation	0.27	0.25	0.25	0.43	0.45	0.57	0.69	0.82
Working Capital Change	(0.47)	(0.57)	(0.77)	(0.19)	(0.21)	(0.97)	(0.90)	(1.05)
Tax Paid	(0.96)	(1.14)	(1.43)	(0.90)	(1.45)	(1.71)	(1.97)	(2.27)
<b>OPERATING CASH FLOW ( a )</b>	<b>1.26</b>	<b>1.97</b>	<b>2.15</b>	<b>2.56</b>	<b>3.39</b>	<b>3.86</b>	<b>4.67</b>	<b>5.43</b>
Capex	(0.26)	(0.12)	(0.32)	(0.23)	(0.49)	(0.73)	(0.81)	(0.95)
Free cash flow (FCF)	1.00	1.85	1.83	2.33	2.90	3.13	3.87	4.48
Investments	-	-	-	-	-	-	-	-
Non-operating Income	0.03	0.21	0.24	0.36	0.66	0.78	0.92	1.01
<b>INVESTING CASH FLOW ( b )</b>	<b>(0.23)</b>	<b>0.09</b>	<b>(0.08)</b>	<b>0.13</b>	<b>0.16</b>	<b>0.05</b>	<b>0.12</b>	<b>0.06</b>
Debt Issuance/(Repaid)	-	-	-	-	-	-	-	-
Interest Expenses	-	-	-	(0.06)	(0.05)	(0.05)	(0.05)	(0.05)
FCFE	1.00	1.85	1.83	2.28	2.84	3.07	3.81	4.43
Share Capital Issuance	-	-	-	-	-	-	-	-
Dividend	(0.52)	(0.60)	(0.83)	(1.02)	(1.50)	(1.99)	(2.59)	(2.98)
<b>FINANCING CASH FLOW ( c )</b>	<b>(0.52)</b>	<b>(0.60)</b>	<b>(0.83)</b>	<b>(1.08)</b>	<b>(1.55)</b>	<b>(2.05)</b>	<b>(2.64)</b>	<b>(3.03)</b>
<b>NET CASH FLOW (a+b+c)</b>	<b>0.51</b>	<b>1.46</b>	<b>1.24</b>	<b>1.62</b>	<b>2.00</b>	<b>1.86</b>	<b>2.15</b>	<b>2.46</b>
<b>Closing Cash &amp; Equivalents</b>	<b>3.01</b>	<b>3.94</b>	<b>5.16</b>	<b>6.64</b>	<b>8.65</b>	<b>10.52</b>	<b>12.68</b>	<b>15.16</b>

Source: Company, HSIE Research

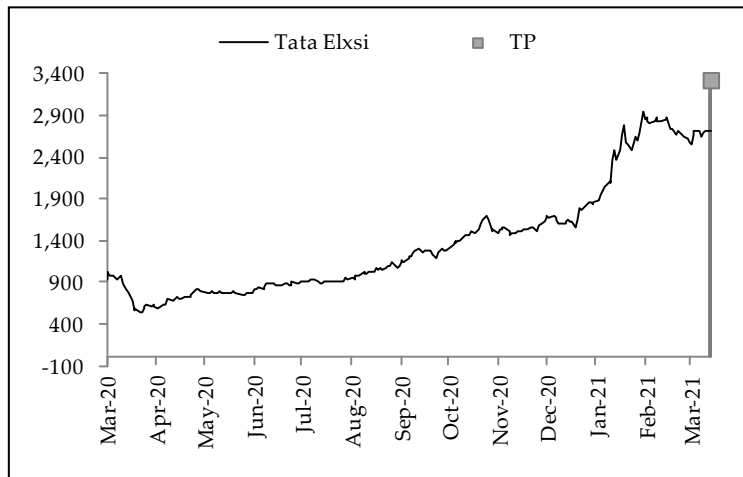
## Key Ratios

	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E	FY24E
<b>PROFITABILITY (%)</b>								
GPM	46.2	46.0	47.2	40.9	42.7	44.0	43.0	42.2
EBITDA Margin	22.5	25.0	26.0	21.3	27.9	28.5	27.5	26.7
APAT Margin	12.6	17.3	18.2	16.9	20.7	21.7	21.0	20.2
RoE	31.4	37.0	34.5	26.7	31.2	34.0	32.5	31.3
RoIC (or Core RoCE)	58.6	63.3	64.2	46.7	64.9	76.7	74.6	74.5
RoCE	29.5	35.2	33.7	26.1	29.7	32.7	31.4	30.5
<b>EFFICIENCY</b>								
Tax Rate (%)	36.4%	34.0%	33.1%	27.3%	27.8%	25.5%	25.5%	25.5%
Fixed Asset Turnover (x)	9.5	9.8	9.0	8.2	8.2	8.2	8.2	8.2
Debtors (days) - Billed	72	81	81	89	85	85	85	85
Other Current Assets (days)	6	27	31	32	30	30	30	30
Payables (days)	14	12	13	11	13	13	13	13
Other Current Liab & Provns (days)	22	32	30	36	31	31	31	31
Cash Conversion Cycle (days)	42	64	69	75	71	71	71	71
Debt/EBITDA (x)	-	-	-	-	-	-	-	-
Net D/E (x)	(0.5)	(0.5)	(0.5)	(0.6)	(0.7)	(0.7)	(0.7)	(0.7)
Interest Coverage (x)	NA	NA	NA	54	85	111	127	147
<b>PER SHARE DATA (Rs)</b>								
EPS	25.1	38.5	46.6	43.6	60.2	80.0	92.4	106.3
CEPS	29	43	51	51	67	89	103	119
Dividend	16	11	14	17	24	32	42	48
Book Value	90	119	151	175	211	259	310	368
<b>VALUATION</b>								
P/E (x)	108.2	70.5	58.3	62.3	45.1	33.9	29.4	25.5
P/BV (x)	30.3	22.9	17.9	15.5	12.9	10.5	8.8	7.4
EV/EBITDA (x)	59.7	47.8	39.5	47.4	31.8	24.3	20.7	17.6
OCF/EV (%)	0.8%	1.2%	1.3%	1.6%	2.1%	2.4%	3.0%	3.5%
FCF/EV (%)	0.6%	1.1%	1.1%	1.4%	1.8%	2.0%	2.5%	2.9%
FCFE/Mkt Cap (%)	0.6%	1.1%	1.1%	1.3%	1.7%	1.8%	2.3%	2.6%
Dividend Yield (%)	0.6%	0.4%	0.5%	0.6%	0.9%	1.2%	1.5%	1.8%

Source: Company, HSIE Research



**RECOMMENDATION HISTORY**



Date	CMP	Reco	Target
16-Mar-21	2,716	BUY	3,330

**Rating Criteria**

- BUY: >+15% return potential
- ADD: +5% to +15% return potential
- REDUCE: -10% to +5% return potential
- SELL: > 10% Downside return potential

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