



**DALAL & BROACHA**  
STOCK BROKING PVT. LTD.

Analyst: Mayank Babla (022) 67141442

## Q4 FY18 Result Update@ Dalal&Broacha

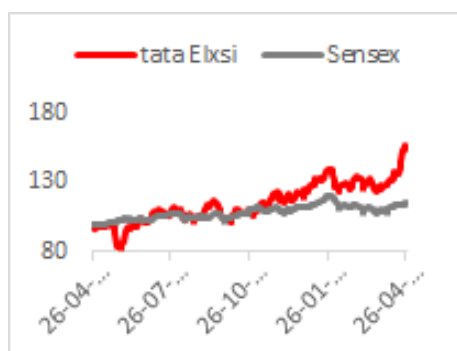
### HOLD

Current Price	1199
Target Price	1300
52 Week Range	644/1257
Upside	8%

### Key Share Data

Market Cap (Rs.bn)	74.68
Market Cap (US\$ mn)	1114
No of o/s shares (mn)	62.27
Face Value	10
Monthly Avg.	
Vol(BSE+NSE) Nos	1079
BSE Code	500408
NSE Code	TATAELXSI
Bloomberg	TELX IN

### Price performance



% Shareholding	Mar-18	Dec-17
Promoters	44.57	44.57
Public	55.43	55.43
Others	-	-
<b>Total</b>	<b>100.00</b>	<b>100.00</b>

### Q4 FY18 performance beat our estimates reasonably

- Revenue was reported at INR 3,753 Mn, up 8.6% qoq and 15.1% yoy, and \*3.8% above estimate of INR 3,617 Mn.\*
- EBITDA was reported at INR 951 Mn, 2.6% above our estimate of INR 927 Mn and up 1.7% qoq and 25.5% yoy. EBITDA margins came in at 25.3%, marginally below our estimate of 25.6% and versus 21.1% in Q4 FY17.
- The company reported a PAT of INR 703 Mn 12.9% above our estimate of INR 622 Mn and up 12% qoq and 58% yoy. PAT margins came in at 18.7% vs our expectation of 17.2%.
- EPS for the quarter and FY18 stood at INR 11.3 and INR 38.5, respectively.
- All services grew above company average in Q4 FY18. Engineering Product & Design, Industrial Design & Visualization and Systems Integration grew at 6%, 14% and 65% qoq respectively.

### Key Concall Takeaways

- (i) Q4 performance was marked by growth across industries and services (ii) New engagements more than compensated for flattish growth in business from existing engagements (iii) Company added 42 new customers in FY18 including 20 in the automotive space (iv) Expect Medical and Broadcasting industry to outperform over FY19E and FY20E (v) Additionally, expect Automotive segment to continue reporting robust growth on account of heightened spend in Automotive ER&D (vi) Expect margins to remain steady at existing levels going ahead (vii) FY18 saw immense traction in the licensing of Falcon Eye, which is the company's flagship platform in the broadcasting space (viii) IP sales contributed to 5% of overall sales and grew 100% in FY18

### Valuation:

Stock is currently trading at 26.5x and 22.2x FY19E and FY20E EPS of INR 45.3 and 53.9 respectively. We assign an ACCUMULATE rating on the stock with a target price of INR 1,300.

### Consolidated Financials (In INR Mn)

	Net Sales	% Growth	EBITDA	Margin (%)	PAT	Margin (%)	EPS	PE (x)	ROE (%)	ROCE (%)
FY16	10752	26.6%	2471	23.0%	1548	14.4%	49.7	24.1x	43.6%	44.0%
FY17	12330	14.7%	2720	22.1%	1733	14.1%	55.7	21.5x	34.7%	35.5%
FY18E	13863	12.4%	3460	25.0%	2400	17.3%	38.5	31.1x	35.4%	38.3%
FY19E	16073	15.9%	4195	26.1%	2820	17.5%	45.3	26.5x	32.1%	34.5%
- FY20E	18241	13.5%	4908	26.9%	3360	18.4%	53.9	22.2x	30.2%	32.4%



## Q4 FY18 Result Update@ Dalal&amp;Broacha

YE March (Rs mn)	Q4 FY18	Q3 FY18	Q-o-Q change %	Q3 FY17	Y-o-Y change %	Q3 FY18 Estimates	Deviation %
Revenues (\$)	58	53	9.1%	49	19.0%	56	3.8%
<b>Revenues (INR)</b>	<b>3,753</b>	<b>3,455</b>	<b>8.6%</b>	<b>3,260</b>	<b>15.1%</b>	<b>3,617</b>	<b>3.8%</b>
Cost of Raw Material	219	153	43.0%	259	(15.3%)	161	36.6%
<b>Gross Profit</b>	<b>3,534</b>	<b>3,302</b>	<b>7.0%</b>	<b>3,002</b>	<b>17.7%</b>	<b>3,457</b>	<b>2.2%</b>
Direct Costs	2,583	2,367	9.1%	2,244	15.1%	2,530	2.1%
<b>EBITDA</b>	<b>951</b>	<b>935</b>	<b>1.7%</b>	<b>758</b>	<b>25.5%</b>	<b>927</b>	<b>2.6%</b>
Depreciation & Amortisation	61	63	(2.3%)	68	(10.0%)	66	(6.7%)
<b>EBIT</b>	<b>890</b>	<b>872</b>	<b>2.0%</b>	<b>689</b>	<b>29.0%</b>	<b>861</b>	<b>3.3%</b>
Other Income, net	196	68		-21		71	
<b>PreTax Income</b>	<b>1,086</b>	<b>940</b>	<b>15.5%</b>	<b>669</b>	<b>62.4%</b>	<b>932</b>	<b>16.5%</b>
<b>Adjusted Pretax Income</b>	<b>1,086</b>	<b>940</b>	<b>15.5%</b>	<b>669</b>	<b>62.4%</b>	<b>932</b>	
Tax	383	313	22.5%	224	71.2%	310	
Share of Minority Interest							
<b>Net Profit</b>	<b>703</b>	<b>628</b>	<b>12.0%</b>	<b>445</b>	<b>57.9%</b>	<b>622</b>	<b>12.9%</b>
<b>Adjusted Net Profit</b>	<b>703</b>	<b>628</b>	<b>12.0%</b>	<b>445</b>	<b>57.9%</b>	<b>622</b>	<b>12.9%</b>
<b>Diluted EPS (Rs)</b>	<b>11.3</b>	<b>10.1</b>	<b>12.0%</b>	<b>14.1</b>		<b>10.0</b>	
<b>Adjusted Diluted EPS</b>	<b>11.3</b>	<b>10.1</b>	<b>12.0%</b>	<b>14.1</b>		<b>10.0</b>	<b>12.9%</b>
No.of Shares (mn) - Diluted	62	62		31		62	
<b>Margin Analysis (%)</b>			<b>Change in bps</b>	<b>Change in bps</b>			
Gross Profit Margin (%)	94.2%	95.6%	(141)	92.1%	209	95.6%	(141)
Operating Profit Margin (%)	23.7%	25.2%	(153)	21.1%	256	23.8%	(10)
EBITDA Margin (%)	25.3%	27.1%	(172)	23.2%	210	25.6%	(29)
Net Profit Margin (%)	18.7%	18.2%	56	13.6%	508	17.2%	152
Adjusted NPM (%)	18.7%	18.2%	56	13.6%	508	17.2%	152
Effective Tax rate (%)	35.3%	33.2%	202	33.4%	182	33.2%	202
<b>Cost Analysis (%)</b>			<b>Change in bps</b>	<b>Change in bps</b>			
Direct cost as % of Sales	5.8%	4.4%	141	7.9%	(209)	4.4%	141
SG&A as % of Sales	68.8%	68.5%	33	68.8%	1	69.9%	(110)



**DALAL & BROACHA**  
STOCK BROKING PVT. LTD.

Analyst: Mayank Babla (022) 67141442

## Q4 FY18 Result Update@ Dalal&Broacha

YE March (Rs. mn)	Profit & Loss A/c				
	FY16	FY17	FY18	FY19E	FY20E
<b>Total Revenue</b>	<b>10752</b>	<b>12330</b>	<b>13863</b>	<b>16073</b>	<b>18241</b>
Less:					
Cost of Sales	700	747	773	896	1017
Personnel Expenses	5765	6693	7515	8528	9530
Admin and Selling Expenses	1817	2169	2115	2455	2786
<b>Total Operating Expenditure</b>	<b>8281</b>	<b>9610</b>	<b>10403</b>	<b>11878</b>	<b>13333</b>
<b>EBIDTA</b>	<b>2471</b>	<b>2720</b>	<b>3460</b>	<b>4195</b>	<b>4908</b>
Less: Depreciation	226	269	254	321	365
<b>EBIT</b>	<b>2245</b>	<b>2451</b>	<b>3207</b>	<b>3873</b>	<b>4543</b>
Non-operating Income	119	164	432	482	547
<b>Profit Before tax</b>	<b>2363</b>	<b>2615</b>	<b>3639</b>	<b>4356</b>	<b>5090</b>
Tax	815	882	1239	1536	1731
<b>Net Profit</b>	<b>1548</b>	<b>1733</b>	<b>2400</b>	<b>2820</b>	<b>3360</b>
<b>Adjusted Profit</b>	<b>1548</b>	<b>1733</b>	<b>2400</b>	<b>2820</b>	<b>3360</b>

YE March( Rs. mn)	Balance Sheet				
	FY16	FY17	FY18	FY19E	FY20E
<b>Liabilities</b>					
Equity Capital	311	311	623	623	623
Reserves & Surplus	3546	5278	6739	8820	11299
<b>Equity</b>	<b>3857</b>	<b>5590</b>	<b>7361</b>	<b>9443</b>	<b>11922</b>
<b>Net Worth</b>	<b>3857</b>	<b>5590</b>	<b>7361</b>	<b>9443</b>	<b>11922</b>
Total Loans	182	191	265	325	367
<b>Capital Employed</b>	<b>4039</b>	<b>5781</b>	<b>7626</b>	<b>9768</b>	<b>12289</b>
<b>Assets</b>					
Gross Block	1854	2083	2433	2783	3133
Less: Depreciation	977	1160	1414	1735	2100
<b>Net Block</b>	<b>877</b>	<b>923</b>	<b>1019</b>	<b>1048</b>	<b>1033</b>
Capital WIP	19	10	40	70	100
<b>Investments</b>	<b>358</b>	<b>370</b>	<b>400</b>	<b>430</b>	<b>460</b>
Intangible Assets	193	155	155	155	155
Others - A	13	32	32	32	32
<b>Current Assets</b>					
Sundry Debtors	2152	2448	2659	3083	3498
Cash and Bank Balance	1825	2515	4113	5866	8032
Loans and Advances	228	198	214	245	275
Other Current Assets	333	495	557	645	733
<b>Total Current Assets</b>	<b>4538</b>	<b>5656</b>	<b>7542</b>	<b>9839</b>	<b>12537</b>
<b>Less:Current Liabilities &amp; Provisions</b>					
Sundry Creditors	765	752	827	944	1059
Provisions	707	164	250	307	346
Other Current Liabilities	485	450	487	556	624
<b>Total Current Liabilities &amp; Provisions</b>	<b>1957</b>	<b>1366</b>	<b>1564</b>	<b>1807</b>	<b>2030</b>
Miscellaneous Assets					
<b>Capital Applied</b>	<b>4039</b>	<b>5781</b>	<b>7625</b>	<b>9767</b>	<b>12288</b>

YE March	Cash Flow Statement					
	FY15	FY16	FY17	FY18	FY19E	FY20E
PAT	1,029	1,548	1,733	2,400	2,820	3,360
Less: Non Operating Income	-41	-119	-164	-432	-482	-547
Add: Depreciation	247	226	269	254	321	365
Tax Adjustment						
Operating Profit before WC Changes	1,235	1,656	1,838	2,221	2,659	3,177
(Inc)/Dec in Current Assets	-79	-766	-428	-288	-543	-533
(Inc)/Dec in Current Liabilities	306	245	-591	198	243	223
Changes in Working Capital	224	-518	-1,019	-91	-300	-310
<b>Net Cash Generated From Operations</b>	<b>1,448</b>	<b>1,100</b>	<b>1,247</b>	<b>2,131</b>	<b>2,359</b>	<b>2,867</b>
<b>Cash Flow from Investing Activities</b>						
(Inc)/Dec in Fixed Assets	-395	-243	-230	-350	-350	-350
(Inc)/Dec in Investment (Strategic)	45	3	-12	-30	-30	-30
Add: Non Operating Income	41	119	164	432	482	547
<b>Net Cash Flow from/(used in) Investing Activities</b>	<b>-187</b>	<b>-250</b>	<b>-22</b>	<b>21</b>	<b>72</b>	<b>137</b>
<b>Cash Flow from Financing Activities</b>						
(Inc)/Dec in Total Loans	-12	75	9	74	60	41
Dividend Paid	280	343	454	629	739	880
<b>Net Cash Flow from Financing Activities</b>	<b>-420</b>	<b>-353</b>	<b>-534</b>	<b>-555</b>	<b>-678</b>	<b>-839</b>
<b>Net Inc/(Dec) in cash equivalents</b>	<b>841</b>	<b>497</b>	<b>691</b>	<b>1,598</b>	<b>1,753</b>	<b>2,166</b>
Opening Balance	515	1,328	1,825	2,515	4,113	5,866
<b>Closing Balance Cash and Cash Equivalents</b>	<b>1,328</b>	<b>1,825</b>	<b>2,515</b>	<b>4,113</b>	<b>5,866</b>	<b>8,032</b>

YE March	Free Cash Flow Statement					
	FY15	FY16	FY17	FY18	FY19E	FY20E
EBITDA	1,766	2,471	2,720	3,460	4,195	4,908
Add: Depreciation Tax Shield	84	78	91	86	113	124
Working Capital Changes	224	-518	-1,019	-91	-300	-310
Less: Inc in FC Investment	-395	-243	-230	-350	-350	-350
Taxes Paid	-535	-824	-902	-1,251	-1,536	-1,731
<b>Total Free Cash Flows</b>	<b>1144</b>	<b>963</b>	<b>661</b>	<b>1855</b>	<b>2123</b>	<b>2641</b>

YE March (Rs. mn)	Valuation Ratios				
	FY16	FY17	FY18	FY19E	FY20E
P/E (x)	<b>24.1x</b>	<b>21.5x</b>	<b>31.1x</b>	<b>26.5x</b>	<b>22.2x</b>
P/BV (x)	9.7x	6.7x	10.1x	7.9x	6.3x
EV/EBIDTA (x)	<b>15.9x</b>	<b>14.3x</b>	<b>22.1x</b>	<b>17.8x</b>	<b>14.7x</b>
EV/Sales	3.3x	2.8x	5.1x	4.3x	3.7x
Market Cap./ Sales (x)	3.5x	3.0x	5.4x	4.6x	4.1x
Dividend Yield (%)	0.9%	1.2%	0.8%	1.0%	1.2%

YE March (Rs. mn)	Key Ratios				
	FY16	FY17	FY18	FY19E	FY20E
<b>Key Operating Ratios</b>					
EBITDA Margin (%)	20.9%	19.9%	23.1%	24.1%	24.9%
Tax / PBT (%)	34.5%	33.7%	34.0%	35.3%	34.0%
Net Profit Margin (%)	14.4%	14.1%	17.3%	17.5%	18.4%
RoE (%)	43.6%	34.7%	35.4%	32.1%	30.2%
RoCE (%)	44.0%	35.5%	38.3%	34.5%	32.4%
Current Ratio (x)	2.3x	4.1x	4.8x	5.4x	6.2x
Dividend Payout (%)	26.5%	31.3%	26.2%	26.2%	26.2%
Book Value Per Share (Rs.)	123.9	179.5	118.2	151.6	191.4
<b>Growth Indicators %</b>					
Growth in Gross Block (%)	15.1%	12.4%	16.8%	14.4%	12.6%
Sales Growth (%)	26.6%	14.7%	12.4%	15.9%	13.5%
EBITDA Growth (%)	47.8%	9.2%	30.8%	20.8%	17.3%
Net Profit Growth (%)	50.4%	11.9%	38.5%	17.5%	19.1%
Diluted EPS Growth (%)	50.4%	11.9%	-30.7%	17.5%	19.1%
<b>Turnover Ratios</b>					
Debtors (Days of net sales)	73	72	70	70	70
Creditors (Days of Raw Materials)	34	29	29	29	29



**DALAL & BROACHA**  
STOCK BROKING PVT. LTD.

Analyst: Mayank Babla (022) 67141442

## Q4 FY18 Result Update@ Dalal&Broacha

### Disclaimer

**Dalal&Broacha Stock Broking Pvt Ltd, hereinafter referred to as D& B** (CIN\_U67120MH1997PTC111186) was established in 1997 and is an integrated financial services player offering an extensive range of financial solutions and services to a wide spectrum of customers with varied needs ranging from equities to mutual funds to depository services.

D&B is a corporate trading member of Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE). D&B along with its affiliates offers the most comprehensive avenues for investments and is engaged in the securities businesses including stock broking (Institutional and retail), depository participant, portfolio management and services rendered in connection with distribution of primary market issues and financial products like mutual funds, fixed deposits. Details of associates are available on our website i.e. [www.dalal-broacha.com](http://www.dalal-broacha.com)

D&B is registered as Research Analyst with SEBI bearing registration Number INH000001246 as per SEBI (Research Analysts) Regulations, 2014.

D&B hereby declares that it has not defaulted with any stock exchange nor its activities were suspended by any stock exchange with whom it is registered in any time in the past. It has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has its certificate of registration been cancelled by SEBI at any point of time.

SEBI and Stock Exchanges have conducted the routine inspection and based on their observations have issued advice letters or levied minor penalty on D&B for certain operational deviations in routine course of business.

D&B offers research services to clients as well as prospects. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

### Other disclosures by D&B (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report:-

D&B or its associates may have financial interest in the subject company.

D&B or its associates do not have any material conflict of interest in the subject company.

The Research Analyst or Research Entity (D&B) has not been engaged in market making activity for the subject company.

D&B or its associates may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report.

### Disclosures in respect of Research Analyst:

Whether Research Analyst or his/her relatives have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report:	No
Whether the Research Analyst or his/her relative's financial interest in the subject company.	No
Whether the research Analyst has served as officer, director or employee of the subject company	No
Whether the Research Analyst has received any compensation from the subject company in the past twelve months	No
Whether the Research Analyst has managed or co-managed public offering of securities for the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation or other benefits from the subject company or third party in connection with the research report	No

D&B and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that may be inconsistent with the recommendations expressed herein.



**DALAL & BROACHA**  
STOCK BROKING PVT. LTD.

Analyst: Mayank Babla (022) 67141442

## Q4 FY18 Result Update@ Dalal&Broacha

In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest including but not limited to those stated herein. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject D&B or its group companies to any registration or licensing requirement within such jurisdiction. Specifically, this document does not constitute an offer to or solicitation to any U.S. person for the purchase or sale of any financial instrument or as an official confirmation of any transaction to any U.S. person. Unless otherwise stated, this message should not be construed as official confirmation of any transaction. No part of this document may be distributed in Canada or used by private customers in United Kingdom. All material presented in this report, unless specifically indicated otherwise, is under copyright to D&B. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of D&B. All trademarks, service marks and logos used in this report are trademarks or registered trademarks of D&B or its Group Companies. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

Contact	Email ID	Contact No.	Sector
Mr. Kunal Bhatia	<a href="mailto:kunal.bhatia@dalal-broacha.com">kunal.bhatia@dalal-broacha.com</a>	022 67141442	Auto, Auto Ancillary, FMCG
Ms.CharulataGaidhani	<a href="mailto:charulata.gaidhani@dalal-broacha.com">charulata.gaidhani@dalal-broacha.com</a>	022 67141446	Pharma /Healthcare
Mr. AvinashKumar	<a href="mailto:avinash.kumar@dalal-broacha.com">avinash.kumar@dalal-broacha.com</a>	022 67141441	Capital Goods
Ms. Abhilasha Satale	<a href="mailto:abhilasha.satale@dalal-broacha.com">abhilasha.satale@dalal-broacha.com</a>	022 67141439	Mid Cap
Mr. Mayank Babla	<a href="mailto:mayank.babla@dalal-broacha.com">mayank.babla@dalal-broacha.com</a>	022 67141412	IT/Media/Telecom
Ms. Richa.Singh	<a href="mailto:richa.singh@dalal-broacha.com">richa.singh@dalal-broacha.com</a>	022 67141444	Analyst

Address: - 508, Maker Chambers V, 221 Nariman Point, Mumbai 400 021

Tel: 91-22- 2282 2992, 2287 6173, (D) 6630 8667 Fax: 91-22-2287 0092  
E-mail: [research@dalalbroachaindia.com](mailto:research@dalalbroachaindia.com), [equity.research@dalal-broacha.com](mailto:equity.research@dalal-broacha.com)