



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

Analyst: Mayank Babla (022) 67141442

## Q4 FY18 Result Update@ Dalal&Broacha

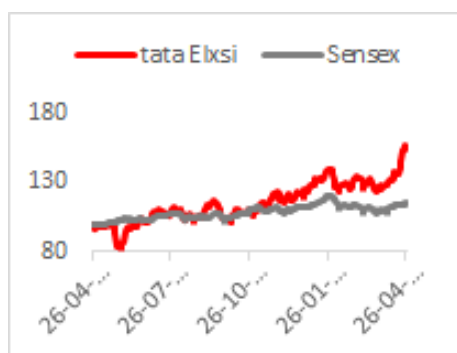
### HOLD

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%



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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)





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