AJCON GLOBAL

YOUR FRIENDLY FINANCIAL ADVISOR

2019-20 Diwali picks

Samvat 2076

ACC Limited

CMP: Rs. 1,556, Target Price: Rs. 1,840, Upside: 18%, FV: Rs. 10, EPS (TTM): Rs. 93, P/E: 17x, Market Cap: Rs. 29,107 crores, ROE: 14.31%

ACC Limited, a member of the Lafarge Holcim Group, is one of India's leading producers of cement and ready mix concrete. It has over 7,400 employees, 17 cement manufacturing sites, 82 concrete plants and a nationwide network of over 50,000 retail outlets to serve its customers.

The Company witnessed strong performance in Q3CY19 result. Net sales were up by 3 percent on yoy basis. However, EBITDA registered strong growth of 26 percent on yoy basis to touch Rs. 557 crores. Input costs of raw materials were lower year-on-year supported by supply chain efficiency. Fixed costs as well as Selling, General & Administrative expenses (SG&A) continued to be lower on year on-year basis. PAT too witnessed robust growth of 45 percent to touch Rs. 303 crores.

ACC continues to deliver its profitable growth strategy with strong EBITDA and Net Profit growth. The Company's new product offerings, particularly in premium segments along with growth in ready mix volumes supported in delivering higher net sales. ACC continues to deliver significant operational efficiencies which resulted in reduction of our fixed and variable costs. ACC's capacity expansion strategy is under execution in attractive markets. We remain confident that cement demand growth will strengthen in the coming months" said Neeraj Akhoury, Managing Director & CEO.

The company's ready mix concrete business registered significant growth of 10% in top line supported by higher volumes. Volume of Value Added Solutions (VAS) grew substantially in Q3CY19 on yoy basis. Three new plants were added during the quarter, bringing ACC's operational ready mix plants in India to 83.

ACC is executing projects that will add new capacity in the markets of Uttar Pradesh, Madhya Pradesh, Bihar, Jharkhand and West Bengal. The Company continues to look out for new growth opportunities which can add value to its business. The management maintains positive outlook for demand in the coming months. The Government's recent steps such as reduction in corporate tax as well as lowering of interest rates are expected to stimulate the economy and drive infrastructure and affordable housing demand.

Recent developments such as a reduction in interest rates, normal monsoon and Government's concerted efforts to stimulate investment across several sectors are likely to have a favourable impact on improving the overall economic environment in the country. Higher annual budget allocation for infrastructure, affordable housing, up gradation of roads and the Government's strong focus on connectivity will drive cement demand and aid growth going forward. ACC has been working to further increase its retail presence, which already forms more than 80% of its revenues. The share of premium products in its total pie is also improving. Further, in future, led by higher utilisation levels and healthy demand, cement prices are expected to firm up higher. With input costs remaining stable, industry margins are set to expand.

We recommend a "Accumulate" with a target price of Rs. 1,840 (P/E of 16x at estimated CY20 EPS of Rs. 115) for investors with a horizon of 9 – 12 months

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Alkem Laboratories Limited

CMP: Rs. 1,974, Target Price: Rs. 2,470, Upside: 25%, FV: Rs. 2, EPS (TTM): Rs. 73.68, P/E: 27x, Market Cap: Rs. 23,243 crores, ROE: 14.63%

The Company has a strong foothold in the domestic market (India business contributed 67.5 percent of topline in FY19) and a growing presence in more than 50 international markets (US contributed 25.8 percent of FY19 topline, others contributed 6.7 percent of FY19 topline), with the US being its key overseas market. Alkem is amongst the prominent players in the acute therapy segments of anti-infective, gastro-intestinal, pain/analgesics and vitamins/minerals/nutrients. The Company looks to further consolidate its position in these therapy segments through market leading brands, comprehensive product portfolio, extensive marketing and supply chain reach and an experience of over 40 years. In the fast-growing chronic therapy segments of neuro/CNS, cardiology, anti-diabetes and dermatology, the Company is taking rapid strides to emerge as one of the faster growing companies in the country. The Company looks to outperform in the chronic segments on the back of new product launches including in-licensed products, effective sales and marketing strategies, improved sales force productivity and building strong brands. In the US market, the Company has developed a healthy pipeline of products with over 120 ANDA filings of which more than half are yet to be commercialized. The Company has a robust infrastructure comprising 21 manufacturing facilities and 5 R&D centres located across India and the US. A well-established pan India sale and distribution network, strong brand building and marketing capabilities and an experienced management underpin its operations.

Continuous investments in R&D, adherence to quality and compliance and timely product approvals will be pivotal in taking growth to the next level, not only in the US market but also in other international markets. Investments in biosimilars and its in-house manufacturing is another tactical lever for growth. The Company is also upbeat about unlocking greater efficiencies and optimizing cost through the development of digital tools and improved processes across all the businesses.

The Company's EBITDA margin was under pressure in FY19, but next year, the management is hopeful for better margins and improvement by 100 or 125 basis points. The Company invested about Rs.462 Crores in R&D, which is 27% higher than FY18. R&D expenses stood at 6.3% of revenue from operations in FY19 compared to 5.7% in FY18. The Company filed 23 ANDAs during the year and received 21 approvals, which includes 6 tentative approvals. This is the highest number of filings and approvals received by the company in a year. On the regulatory front, the Company had a mixed year with 4 U.S. FDA inspections between August 2018 and January 2019 at its manufacturing facilities at Baddi, Daman and California and also a bioequivalence centre at Taloja, being closed successfully without any observations. However, in the U.S. FDA inspection at St Louis and Baddi facilities in Jan 2019 and May 2019, respectively, the Company received a few observations, to which it has replied within the stipulated time lines. Facility at St. Louis has been classified as an OAI (Official Action Indicated), and it is working towards resolving the observations. Apart from the U.S., amongst the other key international markets, Chile and Philippines registered robust growth during the quarter, both in local currency as well as Indian rupees.

The Company enjoys positive operating cashflow and double digit return ratio over a period of 5 years. We believe such consistent performance over the years deserves a premium. At CMP of Rs. 1,974, the Company is valued at a P/E of 26x at trailing twelve months EPS. We recommend a “BUY” with a target price of Rs. 2,470 (P/E of 26x on estimated FY21 EPS of Rs. 95) an upside of 25 percent for investors with a horizon of 12 months.

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APL Apollo Tubes Ltd.

CMP: Rs. 1,392, Target Price: Rs. 1,594, Upside: 15%, FV: Rs. 10, EPS (TTM): Rs. 49.46, P/E: 29x, Market Cap: Rs. 3,419 crores, ROE: 12.54%

APL Apollo Tubes Limited (APL Apollo) is one of India's leading branded building material steel products manufacturer.Headquartered at Delhi NCR, the Company operates 8 manufacturing facilities with a total capacity of 2.55 Million MTPA. It has a PAN-Indian presence with units strategically located in Sikandarabad (4 units), Hyderabad, Bangalore, Hosur, Raipur and Murbad. APL Apollo's multi-product offerings include over 1,100 varieties for multiple building material applications.

With state-of-the-art-manufacturing facilities, APL Apollo serves as a 'one-stop shop' for a wide spectrum of steel products, catering to an array of industry applications such as urban infrastructures, housing, irrigation, solar plants, greenhouses and engineering. The Company's vast 3-tier distribution network of over 790 Distributors dealers is spread all across India, with warehouses cum- branch offices in over 29 cities. Leader in adopting the latest technology from around the globe – Introduced latest technologies – High speed mills from Europe (increased speed by 5x), Strip Galvanizing lines, and the unique Rotary Sizing Mills

In 2016, the Company introduced the latest global 'Direct Forming Technology' (DFT) in India. With the help of this technology, Rollover time reduced to ~20 mins from 4-24 hours which results in direct material savings of ~3-7 percent, matches customer requirements, customer benefits include: Size customizations, specific orders and time savings – 'Whatever Whenever Wherever' It was the first Company to introduce the global 'Galvant Technology' in India through acquisition of a majority stake in Apollo Tricoat. Through this acquisition, APL Apollo has expanded its product portfolio in the high-margin coated pipe segment

At CMP of Rs. 1,392, the stock is valued at a P/E of 22x at FY19 EPS of Rs. 62.47 which is at a premium considering secondary market conditions. However, we believe the valuation is justified due to the following factors like a) transformed from a Commodity to a Value-Added Branded product player, b) one of India's leading branded building material steel products manufacturer, c) the only branded domestic steel tubes manufacturer with a pan-India presence – 2.55 million MTPA capacity makes APL Apollo one of the largest Branded Steel Tubes Manufacturer in the world, d) ~14-15% Market share across geographies , e) largest producer of Electric Resistance Welded (ERW) steel pipes and sections in India which has applications across Construction & Building Material, Infrastructure, Energy, Engineering Automobile, Agriculture, etc. , f) only player with manufacturing facilities across North, South, West and East India, g) introduction of latest technologies, especially DFT and Tricoat,to unlock vast potential across OEM and Export markets, h) clear shift towards non - commoditized and better-margin products, i) growth in exports and OEM led by DFT technology based products, j) on the back of DFT: Developed over 200 new customizable sizes, total product offerings augmented to 1,100+ varieties, k) sufficient capacity for 20% annual sales volume growth, l) majority of the Company's product portfolio have limited competition, m) consistently delivering strong financial performance, n) strong Q1FY20 result and expected to improve going ahead, o) favourable debt/equity ratio of 0.7x, p) healthy working capital cycle (NWC of 26 days), q) positive operating cash flow and improving free cashflow, r) strong ROCE and focus on improving it, we recommend a "Accumulate" with a target price of Rs. 1,594 at (P/E of 21x at FY21 EPS of Rs. 75) for investors with a horizon of 9 -12 months.

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BSE Limited

CMP: Rs. 528, Book value: Rs. 576, Target Price: Rs. 700, Upside: 32.5%, FV: Rs. 2, EPS (TTM): Rs. 40.78, P/E: 13x, Market Cap: Rs. 2,387 crores, ROE: 7.65%

BSE is consistently transforming itself quite well since the new MD & CEO – Shri. Ashishkumar Chauhan has taken over. The company is constantly improving and innovating itself. BSE is focusing on next gen products for emerging India to keep competition at bay.

BSE is the world's fastest Stock Exchange and the largest stock exchange in terms of number of companies listed. As of March 31, 2019, BSE is ranked #2 in currency options traded, #2 in currency futures traded, and #8 by market capitalization among global stock exchanges.

The company is making its presence in newer segments like Currency and Interest Rate Derivatives, MF platform, SME platform, new bond raising market as well as GIFT city which can scale up in a good manner in a decade's time.

BSE StAR MF platform has become the largest mutual fund distribution Infrastructure with more than 35% of market share in new Inflows in mutual funds Industry. In FY 2018-19, BSE StAR MF crossed 3.59 Crore transactions witnessing 111% growth as compared to 1.70 Crore transactions in FY 2017-18. The platform also registered 15,000 new independent financial advisors in FY 2018-19, taking the total number of distributors to over 23,000 on the platform. 39 AMCs accounting for more than 99.99 % of total assets under management in Indian Mutual Fund Industry have agreed to pay a service charge per transaction processed at BSE's MF platform and this will allow BSE additional resources to provide even better services to all investors in mutual funds bringing further automation and certainty to the mutual funds investment process in India. The technology Infrastructure created a super highway, which has boosted the mutual funds distribution for traditional distributors as well as new age e-commerce network of 2,00,000 IFAs, brokers, broker branches and associates in over 3,000 towns across India. Strong growth in revenue likely to continue over next few years aided by expected growth in distribution network, household savings and economic & demographical factors. In Q1FY20, the number of registered mutual fund distributors has increased by 139%, increase in total number of orders processed by 75% and increase in total value of orders processed by 39% in Q1FY20 as compared to Q1FY19.

BSE also forayed in commodities segment by introducing the commodity derivative segment on October 1, 2018, and has now become the first universal exchange.

In Q1FY20, the exchange introduced commodity futures contracts for trading in Gold, Silver, Copper, Oman Crude Oil, Guar Gum, Guar Seed, Cotton, Turmeric. 264 Members admitted to trading Members in BSE's Commodity segment

The Company set up India International Exchange (IFSC) Limited (formerly known as BSE International Exchange (IFSC) Limited and hereinafter referred to as "India INX"), India's first international exchange located at the International Financial Services Centre ("IFSC") at Gujarat International Finance Tec-City (hereinafter referred to as "GIFT IFSC") in January 2017. A whollyowned subsidiary of the Company, INDIA INX was inaugurated by Hon'ble Prime Minister of India Shri Narendra Modi on January 9, 2017 and commenced operations from January 16, 2017. The key strategic objective of India INX is to emerge as the preferred offshore platform and become a financial gateway for both inbound and outbound investors. Growth in its Derivatives trading volume has laid the foundation for INDIA INX to become the best offshore gateway to India through innovative product offerings, cutting edge technology, competitive regulatory framework, attractive tax structure, easy access to markets and outstanding customer service. During the Financial Year FY 2018-19, India INX was the largest exchange at GIFT IFSC with an overall market share4 of 70.8% based on the notional Trading Turnover for Derivatives.

In Q1FY20, India INX is the dominant IFSC Exchange in GIFT city with market share of 84% in derivatives trading and 100% in bond listing. Highest Volume in a day 4,05,544 Traded contracts on 25th July 2019. The exchange registered highest turnover in a day worth US$ 4.91 Billion on 25th July 2019.

During Q1 FY20, approx. 40% of Indian issuers of Debt Securities in the international markets have listed on India INX's Global Securities Market.

Pranurja Solutions Limited (Consortium of BSE Investments Limited, along with PTC India Limited and ICICI Bank Limited), filed a petition with the power market regulator, CERC (Central Electricity Regulatory Commission) on September 7, 2018 for grant of license for setting up a new power exchange. The final approval of CERC is awaited. The proposed Power exchange would offer the market participants a world class power trading platform.

BSE also proposes to buyback 67.65 lakhs fully paid-up equity shares of Rs. 2 each at Rs. 680 per equity share through tender offer route. The number of shares proposed to be bought back represents 13.06% of the total paid-up equity capital of the Company. The total amount of buyback size would be maximum of Rs460cr. The Buyback offer size represents 24.73% of the aggregate of the total paid-up capital and free reserves of the Company based on the standalone audited financial statements of the Company as at March 31, 2019. BSE has already filed its Draft Letter of Offer with respect to same on July 22, 2019 and is in process of providing certain additional documents and information as required.

In Q1FY20, consistent growth in turnover and number of contracts traded in currency derivatives segment. BSE's market share in this segment for the quarter 30th June, 2019 stands at 48%.

Over Rs. 736 billion of privately placed debt was raised on BSE BOND platform through 106 issues in Q1 FY20. Currently, no fees levied by BSE towards use of this eplatform facility.

Ashishkumar Chauhan, MD & CEO, said, "Inter-operability has been implemented recently. Some of the newer business have also started contributing to the revenues significantly. StAR MF platform's achieving contribution of 11% to the revenue from operations in a short period of past 2 years is a demonstration of the success of BSE's strategy to focus and grow by expanding into segments other than equity and into distribution activities. BSE would continue to focus on strengthening current business activities and new initiatives to monetize each such initiatives appropriately at opportune times and grow its revenue base."

At CMP of Rs. 550 (Face value: Rs 2), the company is cheaply valued at a P/E of 15x at FY19 EPS of Rs. 36.78 and P/BV of 0.92 which we believe is cheap. We recommend a "Buy" with a target price of Rs. 700 for investors with a horizon of 9-12 months. For long term investors, we believe there is immense opportunity for the company over the next 10 years. We are confident that this company can become a strong wealth creation story in years to come.

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L&T Technology Services Limited

CMP: Rs. 1,609, Target Price: Rs. 2,011, Upside: 25%, FV: Rs. 2, EPS (TTM): Rs. 72.47, P/E: 22x, Market Cap: Rs. 16,733 crores, ROE: 28.74%

Incorporated on June 14, 2012, L&T Technology Services Limited ("LTTSL") is the leading global pure-play Engineering, Research and Development ("ER&D") services company. The company provides ER&D services, which defined as the set of services provided to manufacturing, technology and process engineering companies, to help them develop and build products, processes and infrastructure required to deliver products and services to their end customers. The Company has over 15,900 employees spread across 17 global design centers, 28 global sales offices and 49 innovation labs as of June 30, 2019.

The Company's customer base includes 69 Fortune 500 companies and 51 of the world's top ER&D companies, across industrial products, medical devices, transportation, telecom & hi-tech, and the process industries

L&T Technology Services Limited (LTTS) today is a global leader in Engineering and R&D (ER&D) services. With 399 patents filed for 51 of the Global Top 100 ER&D spenders, LTTS lives and breathes engineering. At the end of Q1FY20, the patents portfolio of L&T Technology Services stood at 399, out of which 288 are co-authored with its customers and 111 are filed by LTTS. At the end of Q1FY20, LTTS' employee strength stood at 15,913 a net addition of 773 during the quarter.

The Company's innovations speaks for itself – World's 1st Autonomous Welding Robot, Solar 'Connectivity' Drone, and the Smartest Campus in the World, to name a few. LTTS' expertise in engineering design, product development, smart manufacturing, and digitalization touches every area of our lives - from the moment we wake up to when we go to bed. With 49 Innovation and R&D design centers globally, we specialize in disruptive technology spaces such as 5G, Artificial Intelligence, Collaborative Robots, Digital Factory, and Autonomous Transport.

LTTSL operate in 5 Industry Segments (Transportation, Industrial Products, Telecom and Hi-tech, Process Industry and Medical Devices, each of which represent a significant component of G500 ER&D spend. LTTSL offers design and development solutions throughout the product development chain and provide solutions in the areas of Mechanical and Manufacturing Engineering, Embedded Systems, Software Engineering and Process Engineering. For "new" technologies, LTTSL provide services and solutions in the areas of Product Lifecycle Management, Engineering Analytics, Power Electronics, M2M connectivity and IoT. LTTSL focus on innovation driven technology leadership and have set up Research and Test Laboratories that are specific to particular industry verticals and that seek to replicate their customer's work environment, enabling them to work very closely with the customers' research and development teams on product innovation through leveraging their technology.

In Q1FY20, the Company's US$ Revenue was up by 15 percent on yoy basis to US$194 million. Revenue in rupee terms witnessed 17 percent yoy growth to Rs. 1,347.5 crores. EBIT margin stood at 17.1%; up 230bps on yoy basis. Net profit stood at Rs. 203.9 crores; growth of 3% on yoy basis.

In Q1FY20, LTTS won 7 multi-million dollar deals across all major industry segments. On a YoY basis, LTTS has increased its US$20mn+ clients by 2 and its USD10mn+ clients by 5. "We had a strong quarter in most of our segments – Industrial Products, Transportation, Medical and Process Industry, with sequential growth accelerating in Q1 as compared to Q4 on the back of multiple deal wins and good deal conversions. Digital & leading-edge technologies - the growth driver for ER&D, contributed to 37% of Q1 revenues and grew by 44% YoY. On the operational front, we executed well with the margin trajectory continuing to inch upwards on YoY basis. Innovation and speed-to-market are key priorities for our customers, and our end-end capabilities spanning product and process engineering are enabling us to engage with them at a more strategic level. Further, we are seeing good opportunities to leverage our platforms and solutions that have inbuilt AI & Machine Learning capabilities in the areas of predictive maintenance and energy management. We are excited about the opportunities in our pipeline and see a clear trend of increasing deal sizes and outcomes," said Dr. Keshab Panda, CEO & Managing Director, L&T Technology Services Limited.

In Q1FY20, the Company launched a unique campaign to showcase its innovation through an ER&D hackathon in Europe, covering four countries and nine cities over 16 days. Many of its leading customers had an opportunity to interact with its digital experts and explore the solutions in artificial intelligence, digital twin, cyber security, 5G and the Internet of Things. The feedback from this tour has been very encouraging and LTTS achieved the objective of promoting its capabilities that span across a wide spectrum.

The management remains optimistic on growth and see multiple large opportunities to partner customers in their business transformation journey. However, due to the loss of growth momentum in the Telecom & Hi-tech vertical, which the management believes, will recover in Q3 and Q4. The Company has revised its US$ revenue growth guidance to 12% to 14% for FY20. With due consideration to factors like a) underpenetrated corporate ER&D market, b) leading global pure – play ER& D services Company, c) niche business model with very few players in India, d) well diversified player with multi – vertical industry expertise and long standing customer relationships, e) focused on driving innovation through in – house R&D, IP and strategic alliances, f) strong L&T parentage and long history of engineering expertise, g) marquee global clients, h) no Brexit impact as major operations in North America, i) robust ROE of 28.74%, we recommend a "BUY" with a target price of Rs. 2,011 for investors with a horizon of 9 – 12 months.

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ITC Limited

CMP: Rs. 246, Target Price: Rs. 308, Upside: 25%, FV: Re. 1, EPS (TTM): Rs. 10.43, P/E: 24x, Market Cap: Rs. 3,02,739 crores, ROE: 21.5%

We believe in times of volatility in secondary market and slowdown in economic activity, it is prudent to stay with a quality conglomerate which boats of strong management pedigree. The Company reported strong Q1FY20 result in line with street estimates amidst sluggish economic activity. At CMP, the stock looks attractive on the valuation front as compared to other FMCG peers after a steep correction in last 6 months. Although, the cigarette business may be affected due to higher tax regime, other FMCG segments continue to do well amidst economic turmoil which is very encouraging. During FY19, the Company executed more than 50 new product launches across geographies apart from extending distribution reach of several existing products in the portfolio. In FY19, FMCG business witnessed good operating performance and EBITDA registered a growth of 51 percent on yoy basis. The Company's strategy to pursue multiple drivers of growth across all 3 sectors – agriculture, manufacturing and services, has led to ITC's journey of transformation from a single product company to a multi-business corporation, with market leadership in several segments. ITC's diverse portfolio of businesses and competencies provide vibrant synergy that lends unique sources of competitive advantage. The Company's investment in supply chain infrastructure, including state of-the-art company-owned integrated consumer goods manufacturing and logistics facilities, world-class pulp and paperboard technology, and iconic hospitality properties have augured well for the Company.

In FY19, ITC launched several innovative, distinctive and first-to-market products during the year leveraging robust product development processes, the capabilities of Company's Life Sciences and Technology Centre and the cuisine expertise resident in Company's Hotels Business. ITC is making significant investments in food processing and remains focused on establishing itself as the 'most trusted provider of food products in the Indian market' driven by superior product quality, a differentiated product portfolio, deep understanding of consumer needs and preferences, R&D, innovation and operational excellence across the value chain.

The Personal Care Products Business strengthened its presence in the Skincare space with the launch of 'Dermafique' range of premium skincare products which have been developed at the Company's state-of-the-art Life Sciences and Technology Centre leveraging the latest breakthroughs in bioscience, nanotechnology and derma science. The Company's paperboard segment continues to witness strong volume growth in the value added paperboard segment and product mix enrichment. The Education and Stationery Products Business continued to deepen consumer engagement with the launch of 'MyClassmate' app – a 'Perfect Buddy' to the students offering a range of innovative features and enabling them to traverse their learning journey. In Incense Sticks (Agarbattis) and Safety Matches segment, Mangaldeep' sustained its position as the second largest brand in the Agarbatti category and a leader in the Dhoop segment. 'AIM' continues to be the largest selling Safety Matches brand in the industry.

At CMP of Rs. 246, the stock trades at a P/E of 24x at FY19 EPS of Rs. 10.3. We recommend a "Buy" with a target price of Rs. 308 (24x at estimated FY20 EPS of 12.83), for investors with a horizon of 9 - 12 months.

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Tech Mahindra Limited

CMP: Rs. 735, Target Price: Rs. 882, Upside: 20%, FV: Rs. 5, EPS (TTM): Rs. 43.57, P/E: 17x, Market Cap: Rs. 72,457 crores, ROE: 21.2%

Tech Mahindra Ltd. is a leading provider of digital transformation, consulting and business reengineering services and solutions.

The Company aims to being a Next Gen Services Partner through TechMNxt. The Company is working with some of the best startups in emerging technology areas like Artificial Intelligence, Machine Learning, IoT, Blockchain etc.

The Company delivered a decent performance in FY19. The Company reported revenue growth of 12.9 percent to touch Rs. 34,742 crores. In dollar terms, the Company witnessed growth of 4.2 percent and in constant currency terms it was 5.8 percent. It was heartening to see margin expansion in FY19. FY19 EBITDA margin witnessed an improvement of 290 bps on yoy basis. PAT clocked yoy growth of 18 percent to Rs. 4,298 crores. PAT margin stood at 12.37 percent.

The Company's focus has been to deepen its presence in other verticals besides Communications. The strategy has worked well for the Company which was displayed in the robust performance of the with the Manufacturing vertical which crossed one billion dollars in Revenue in FY19.

The Company is strong in generating Operating Cashflows and Free Cashflows. For FY19, the Company generated record free cash flows of Rs. 3,708 crores. The Company also initiated its maiden Share Buyback FY19 as part of its capital allocation policy.

During the course of the year, the Company witnessed turnaround in its communication business with a growth of 3.8% CQGR between Q1 & Q4 FY 2019.

The Company continues to expand its industry leading capabilities in Communication business as it positions itself to capture the '5G Wave'. The Company has been investing in developing capabilities and partnerships addressing multiple facets of 5G roll-out and its investments in Altiostar or Rakuten 5G testing lab are examples of its commitment in this area.

Recently, the Company announced expansion of its strategic collaboration with AT&T to accelerate AT&T's IT network application, shared systems modernization and movement to the cloud. Tech Mahindra will assume management of many of the applications which support AT&T's network and shared systems. The multi-year agreement will enable AT&T to focus on core objectives, including having the most advanced software defined 5G network, and migrate the majority of its non-network workloads to the public cloud by 2024. This comprehensive program will help drive sustainable operational improvement across the network and software development domains. Together, AT&T and Tech Mahindra aims to improve the agility in rolling out and supporting networks of the future, while improving returns on investment through technology—led transformation AT&T and Tech Mahindra will integrate several world class technologies and platforms in areas like artificial intelligence, DevOps, data analytics and 5G.

We recommend to "Accumulate" the Company with a target price of Rs. 882 for investors with a horizon of 9 -12 months.

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Recommendation parameters for fundamental reports:

Buy – Absolute return of 20% and above

Accumulate – Absolute return between 15% and above

Book profits: On achieving the price target given in the research report for a particular Company or on a occurrence of a specific event leading to change in fundamentals of the Company recommended

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For research related queries contact:

Mr. Akash Jain – Vice President (Research) at, 022-67160431 (D)

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Registered and Corporate office

408 - (4th Floor), Express Zone, "A" Wing, Cello – Sonal Realty, Near Oberoi Mall and Patel's, Western Express Highway, Goregaon (East), Mumbai – 400063. Tel: 91-22-67160400, Fax: 022-28722062