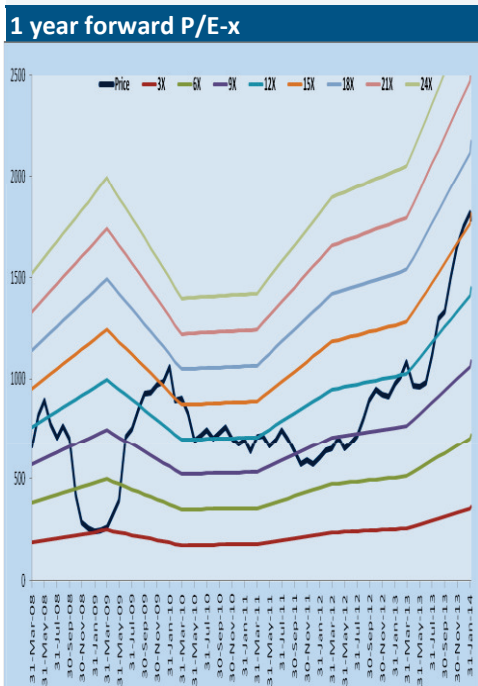


Result update	BUY
CMP	2208
Target Price	2360
Previous Target Price	2130
Upside	7%
Change from Previous	11%

Market Data	
BSE Code	532755
NSE Symbol	TECHM
52wk Range H/L	2230/1209
Mkt Capital (Rs Crores)	51853
Average Daily Volume	191827
Nifty	7649

Stock Performance	1M	1yr	YTD
Absolute	4.4	79	66.6
Rel.to Nifty	5.7	41	36.7

Share Holding Pattern-%	Current	4QFY14	3QFY14
Promoters	36.15	36.29	36.34
FII	39.12	39.1	40.42
DII	10.75	9.7	9.08
Others	13.98	14.91	14.16



Beats the street on profitability, optimistic on positive demand environment;

TECHM reported healthy set of growth in 1QFY15 and witnessed healthy revenue growth followed by TCS, Infy and HCLTech . Sales grew by 3.4%(QoQ) in USD term and 1.3% in INR term led by 3.5%(QoQ) volume growth with stable pricing and driving solid revenue traction. PAT was up by 1.6%(QoQ).

The company bagged deals with TCV of USD250mn during Q1FY15. Deal pipeline is healthy in US led by manufacturing and BFSI, while Europe continues to see traction in auto, retail and IMS.

The company remains confident on better demand and expects healthy client budgets in FY15E. The number of large deals in the pipeline is 6-8 at any point of time in the past few quarters, but the decision-making is unpredictable to tell about the future deal wins in the near term.

Margin declined: During the quarter, EBITDA margin declined by 310bps (QoQ) to 18.1% because of due to visa costs (100bps), transition costs (80bps), lower utilization (50bps) and currency appreciation (50bps). The company expects margin to improve in ensuing quarters as levers like utilization and pyramid rationalization play out.

Best performance across all verticals: During the quarter, except Technology Media and Entertainment (TME) all verticals reported good growth. Telecom was up by 5.5%, Retail (including Transport and Logistics), BFSI, Manufacturing and others reported 3.4% growth each in USD term. While, TME dipped by 15.4%, sequentially. The company is focusing on Telecom, BFSI, and Manufacturing.

US revenue on healthy shape: During the quarter, revenue from US and Europe were positive in USD term. US and Europe up by 8%(QoQ) and 3.4%(QoQ) respectively. While, revenue from RoW dip by 5% (QoQ) due to one for the shorter project in Nigeria comes to the end. US contribute 47%, Europe 31% and RoW 22% on sales. Post earning management quoted for better outlook in Asian and Europe markets with greater traction in Australia and Africa in near term.

Strong outlook with margin stability: Deal pipeline is healthy in US led by manufacturing and BFSI, while Europe continues to see traction in auto, retail and IMS. Management hints for giving priority to improve PAT.

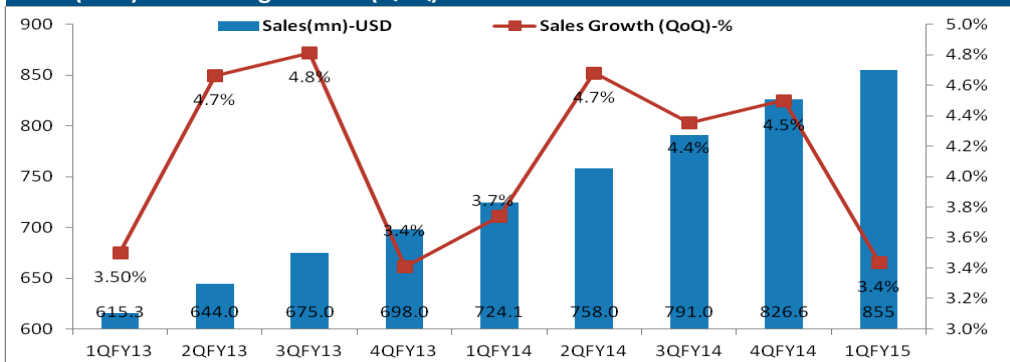
View and Valuation: Management is pitching an aspiration goal of USD 5bn revenue by 2015(CAGR at 27% for FY14-16E) through organic and inorganic initiatives and looking for USD 0.5bn to USD 0.8bn as acquisition target going forward. On emerging space, mobility and digital would emerge as bigger bang for the buck. **Strong demand traction in Telecom (Non BT) and healthy deal win ratios make us optimistic view on the stock. At a CMP of Rs 2208, relatively the stock is trading at a fair valuation, 15.9x of FY15E EPS. We maintain "BUY" with a price target of Rs 2360 (revised from Rs 2130).**

Financials	Rs, Crore				
	1QFY15	4QFY14	(QoQ)-%	1QFY14	(YoY)-%
Revenue	5121.5	5058.1	1.3	4103.2	24.8
EBITDA	928.41	1071.84	(13.4)	864.63	7.4
PAT	633.6	623.3	1.7	699.4	-9.4
EBITDA Margin	18.1%	21.2%	(310bps)	21.1%	(300bps)
PAT Margin	12.4%	12.3%	10bps	17.0%	(460bps)

(Source: Company/Eastwind)

Tech Mahindra.

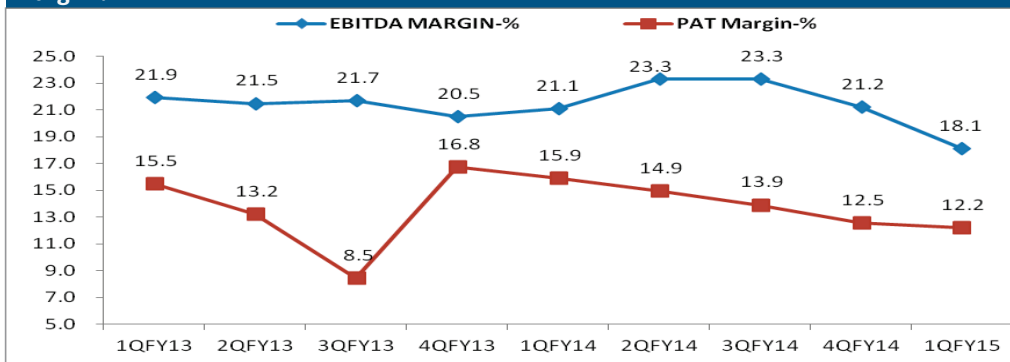
Sales (USD) and Sales growth-%(QoQ)



(Source: Company/Eastwind)

On \$ term, Sales growth was up by 3.4% (QoQ) and 1.3% on INR term,

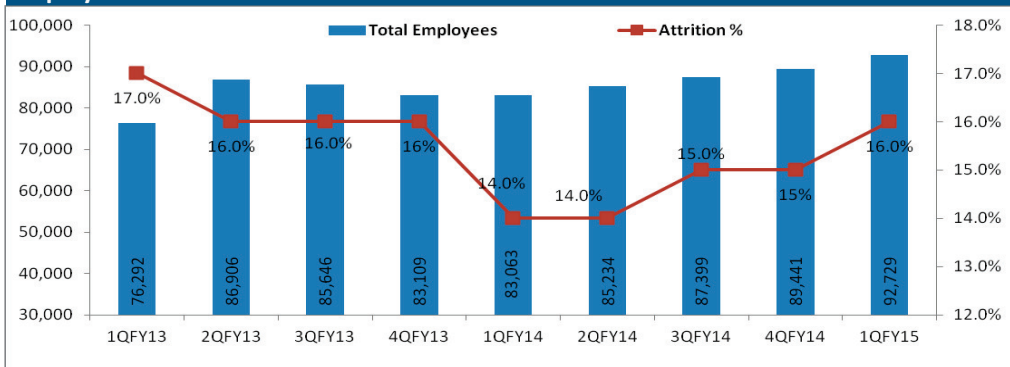
Margin-%



(Source: Company/Eastwind)

EBITDA margin could be stable at current mark.

Employee Metrics-%



(Source: Company/Eastwind)

Attrition increased at 16%.

Key Facts from Conference Call

- (1)TECHM has started witnessing some deal wins on the Digital side though the deal sizes are smaller.US has suddenly started looking very good. TECHM is not seeing any major concerns in Europe from the Ukraine crisis.
- (2) Impacts like Visa are one-off, while impact of Utilization and transition cost will come off in couple of quarters, implying expansion in margins going forward.
- (3) TECHM expects onsite proportion to increase marginally for another couple of quarters.
- (4)Deal Pipeline remains healthy.
- (5)The tax rate expected to be at same range for the FY'15E.
- (6) Cash utilization only for acquisition and investment in emerging space.

Tech Mahindra.

Operating Metrics

Client contribution to revenue-%	1QFY13	2QFY13	3QFY13	4QFY13	1QFY14	2QFY14	3QFY14	4QFY14	1QFY15
Customer Active	484.00	475.00	475.00	516.00	567.00	576.00	605	629	632
Top 10 clients	50.0%	51.0%	50.0%	50.0%	49.0%	48.0%	49%	51%	50%
Top 5 clients	40.0%	41.0%	39.0%	37.0%	37.0%	36.0%	37%	38%	37%
Revenue mix - onsite/offshore (%)									
Onsite	48.0%	48.0%	48.0%	48.0%	51.0%	51.0%	52%	53.0%	54%
Offshore	52.0%	52.0%	52.0%	52.0%	49.0%	49.0%	48%	47.0%	46%
Employee Metrics									
Utilisation %	75.0%	74.0%	76.0%	77.0%	76.0%	75.0%	75.0%	74.0%	72.0%
Attrition %	17.0%	16.0%	16.0%	16.0%	15.0%	16.0%	17.0%	18.0%	16.0%

(Source: Company/Eastwind)

Financials

Rs, Cr	FY12	FY13	FY14	FY15E	FY16E
Net Sales(mn)-USD	1157	2633	3099.70	3639.11	4221.37
Net Sales	11702.4	14332.0	18831.3	21470.74	24694.99
Employee Cost	6591.9	8099.5	9735.8	11100.37	12841.39
Operation and other expenses	2210.1	2287.3	3200.6	3542.67	4198.15
Subcontracting Cost	948.6	882.0	1711.4	2039.72	2222.55
Total Expenses	9750.6	11268.8	14647.7	16682.8	19262.1
EBITDA	1951.8	3063.2	4183.6	4787.97	5432.90
Depreciation	319.0	389.6	522.2	595.33	684.74
Other Income	501.3	212.2	113.1	214.71	246.95
EBIT	1632.80	2673.60	3661.47	4192.64	4748.16
Interest Cost	107.3	92.1	79.9	19.23	28.73
PBT	2026.8	2793.7	3694.6	4388.1	4966.4
Tax	228.9	647.9	979.0	1162.9	1291.3
PAT	1797.9	2145.8	2715.7	3225.3	3675.1
Growth-%					
Sales-USD	2.7%	127.6%	17.7%	17.4%	16.0%
Sales	13.8%	22.5%	31.4%	14.0%	15.0%
EBITDA	11.9%	56.9%	36.6%	14.4%	13.5%
PAT	9.6%	19.4%	26.6%	18.8%	13.9%
Margin -%					
EBITDA	16.7%	21.4%	22.2%	22.3%	22.0%
EBIT	14.0%	18.7%	19.4%	19.5%	19.2%
PAT	15.4%	15.0%	14.4%	15.0%	14.9%
Expenses on Sales-%					
Employee Cost	56.3%	56.5%	51.7%	51.7%	52.0%
Subcontracting Cost	8.1%	6.2%	9.1%	9.5%	9.0%
Operation and other expenses	18.9%	16.0%	17.0%	16.5%	17.0%
Tax rate	11.3%	23.2%	26.5%	26.5%	26.0%
Valuation					
CMP	652.5	1081.7	1794.6	2208.0	2208.0
No of Share	23.2	23.2	23.2	23.2	23.2
NW	4815.8	5529.1	8108.8	10790.6	13922.2
EPS	77.4	92.4	116.9	138.8	158.2
BVPS	207.3	238.0	349.1	464.5	599.3
RoE-%	37.3%	38.8%	33.5%	29.9%	26.4%
Dividen Payout-%	3.3%	2.8%	5.0%	16.9%	14.8%
P/BV	3.1	4.5	5.1	4.8	3.7
P/E	8.4	11.7	15.4	15.9	14.0

(Source: Company/Eastwind)