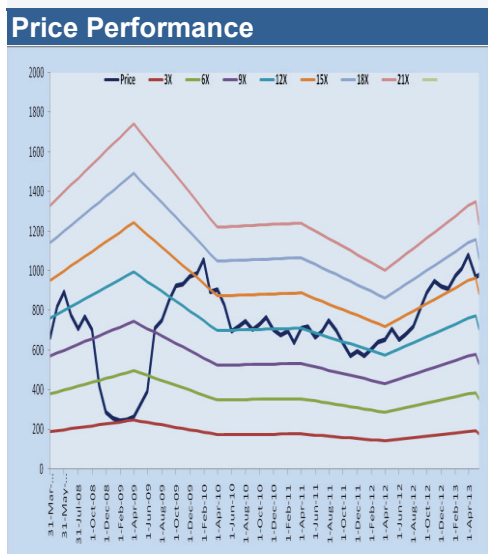


Result update	NEUTRAL
CMP	943
Target Price	1015
Previous Target Price	-
Upside	8%
Change from Previous	-

Market Data	
BSE Code	532755
NSE Symbol	TECHM
52wk Range H/L	1124/605
Mkt Capital (Rs Crores)	12080
Average Daily Volume	191827
Nifty	6095

Stock Performance	1M	1yr	YTD
Absolute	0.83	54.3	16.3
Rel. to Nifty	-2.18	30.1	0.3

Share Holding Pattern-%	Current	4QFY13	3QFY1
Promoters	47.41	47.51	56.68
FII	27.34	22.19	15.12
DII	16.00	20.08	18.68
Others	9.25	10.22	9.52



Tech Mahindra reported better numbers with better growth outlook in FY14E

Despite of challenging business outlook in the Telecom vertical, Techm witnessed 6.5% (QoQ) sales growth driven by integration of acquired entities (HGS & Comviva) as well as strong new deal closures (closed 5 deals across geographies). PAT grew by 37.8% (QoQ).

BT revenue declined by about 8% QoQ in (\$) term. Management stated about the possibility of a further decline could not be ruled out, as BT continues to focus on extracting efficiencies from its vendors.

In dollar terms, Tech Mahindra's net profit was up 13 percent YoY to USD 70 million and revenue was at USD 353 million, up 25%.

Company's EBITDA margin slipped by 100bps (QoQ) to 19.9%. The company reported forex loss of Rs 37.3 crore vs gain of Rs 12.1 crore. Exceptional gains stood at Rs 57.1 crore vs loss of Rs 125 crore.

Segmental Performance: Company reported better performance in Telecom Service provider segment (Contributes 75% of sales) across the space. Telecom Service provider segment grew by 11.2% sequentially. Income from 'BPO' segment (12% of Sales) for the quarter more than doubled to Rs.338.70 crore from the Rs.147.25 crore in the prior-year quarter, whereas income from 'Others' amounted to Rs.56.96 crore, compared with Rs.38.83 crore in the corresponding quarter last year.

On geographical front, revenue from Europe and North America declined by 3% (QoQ), while rest of the world revealed the better growth of 21.4% (QoQ). However, management expects better discretionary spending from US with some sort of macro phenomenon from Europe region.

Update on Merger: The proposed Tech Mahindra and Satyam merger had been approved by Bombay High Court, while judgment from Andhra Pradesh High Court has been reserved and expects that judgment would be in light in first 2 week of June.

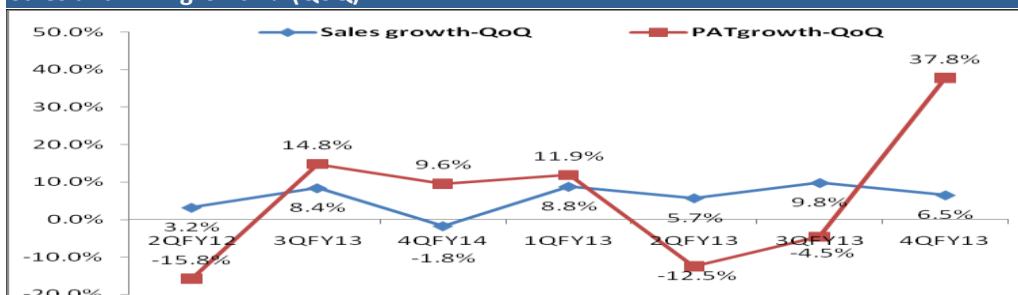
View and Valuation: Management is optimistic about FY14, buoyed by deal pipeline, business traction from recent acquisitions and advantage of business synergies with Mahindra Satyam. Its focus on non-linear growth alternatives like platforms and customer co-innovation continues to portend a steady future. At CMP of Rs 943, stock is fairly valued at 12.7X FY14E earnings. We have "NEUTRAL" on the stock with a target price of Rs 1015.

Financials	4QFY13	3QFY13	(QoQ)-%	4QFY12	Rs, Crore (YoY)-%
Revenue	1907.2	1791	6.5	1419.1	34.4
EBITDA	380.1	376.2	1.0	239.2	58.9
PAT	196.13	248.72	(21.1)	142.6	37.5
EBITDA Margin	19.9%	21.0%	(210bps)	16.9%	300bps
PAT Margin	10.3%	13.9%	(360bps)	10.0%	30bps

(Source: Company/Eastwind)

Tech Mahindra.

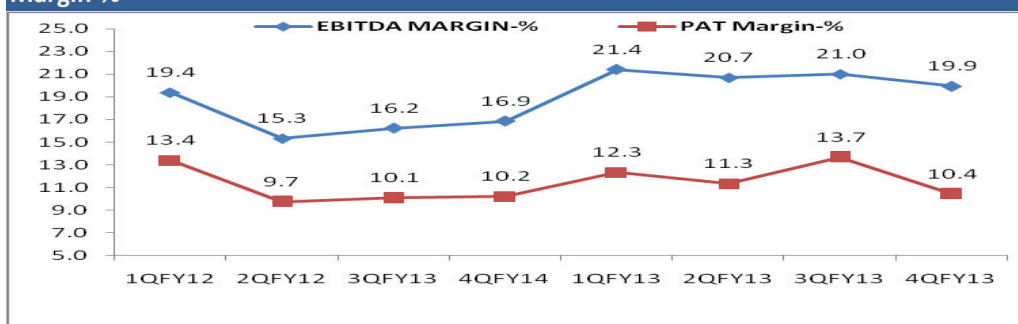
Sales and PAT growth-%(QoQ)



(Source: Company/Eastwind)

Organic revenue growth (USD) was 1.5%—split as volume growth of 3% and cross-currency headwind of 1.5%—BT revenue declined by about 8% QoQ in USD terms.

Margin-%



(Source: Company/Eastwind)

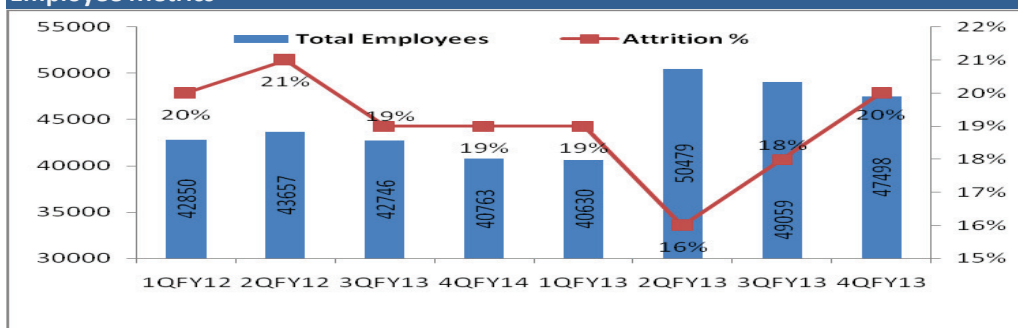
EBITDA Margin down by 110bps and EBIT margin dropped 140 bp QoQ

Segmental Performance

Segments	% of Sales	Sales Growth (QoQ)-%	EBIT Margin-%	Margin Change-%
Telecom Service Provider	74.0%	11.2%	36.60%	(180bps)
Telecom Equipment Manufacture	5.3%	-7.2%	31.60%	(240bps)
BPO	17.8%	-3.4%	38.30%	80bps
Others	2.9%	-10.7%	31.50%	1470bps

Better performance in Telecom Service provider segment , grew by 11.2% sequentially

Employee Metrics



(Source: Company/Eastwind)

Company had a total of 47,498 employees, which included 24,410 software professionals 21,552 BPO employees and 1,536 support staff.

Tech Mahindra.

Deals Status:

The company is in pursuit of 5-6 large deals—about half of them in Europe and the rest in the US and other markets. It is seeing incumbent vendors at these clients turn more aggressive in defending their turfs leading to more prolonged sales cycles. Management believes that the closure of these deals could happen only after a quarter or two.

Clients Metrics:

As of March 31, Tech Mahindra had 151 active clients, up from 130 in FY2012. The company added 10 customers during the quarter, 1 client has added in more than \$15mn category and rest new clients belong to below \$5mn categories. Management expects revenue growth in the European market to outpace that in other markets.

Financials;

Rs, Cr	FY11	FY12	FY13	FY14E	FY15E
Sales	5140.2	5489.7	6873.1	7904.1	8852.6
Cost of Services	3402.8	3678.2	4338.6	5361.0	6520.7
Gross Profit	1737.4	1811.5	2534.5	2543.0	2331.9
SGA	734.1	892.1	1110.3	1319.6	1459.9
EBITDA	1003.4	919.4	1424.3	1223.4	872.1
PAT(Adj)	745.8	609.9	811.0	948.5	1018.0
Growth-%					
Sales -%	9.3%	6.8%	25.2%	15%	12%
EBITDA-%	-11.4%	-8.4%	54.9%	-14.1%	-28.7%
PAT-%	6.5%	-18.2%	33.0%	17.0%	7.3%
Margin-%					
EBITDA -%	19.5%	16.7%	20.7%	15.5%	9.9%
PAT -%	14.5%	11.1%	11.8%	12.0%	11.5%
Valuation-					
CMP	642.5	719.65	943	943	943
No of Share	12.6	12.75	12.78	12.78	12.78
Networth	3,351.4	4,051.0	5,425.6	6,299.3	7,227.7
EPS	59.19	47.84	63.46	74.22	79.66
BVPS	265.98	317.73	424.54	492.90	565.54
RoE-%	22.3%	15.1%	14.9%	15.1%	14.1%
P/E-x	10.9	15.0	14.9	12.7	11.8
P/BV-x	2.42	2.27	2.22	1.91	1.67

(Source: Company/Eastwind)