


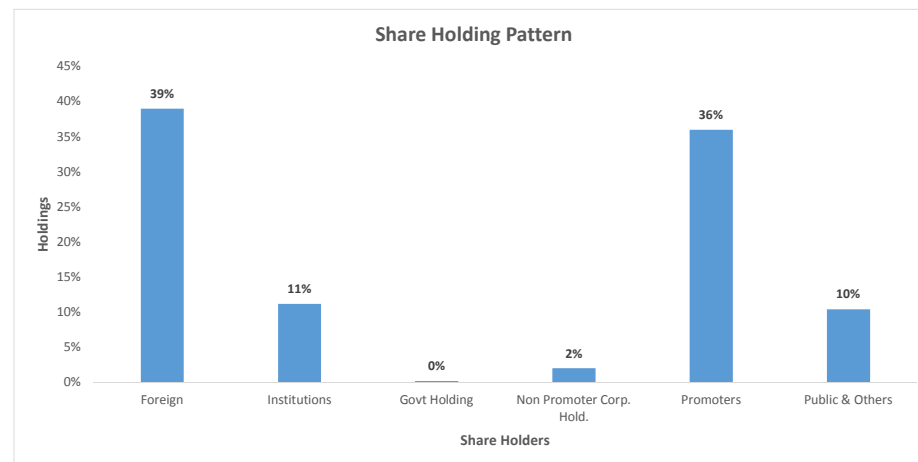
<h1>Research Report</h1>	 <p><b>Spearhead FinServe</b> PRIVATE LIMITED A subsidiary of Spearhead Services Pvt Ltd</p>																
<h2>Tech Mahindra</h2>	<table> <tr> <td><b>Recommendation</b></td><td><b>Accumulate</b></td></tr> <tr> <td><b>Current Market Price</b></td><td><b>2781</b></td></tr> <tr> <td><b>Target</b></td><td><b>3300.00</b></td></tr> <tr> <td><b>Accumulation Price Band</b></td><td><b>2750-2790</b></td></tr> <tr> <td><b>Time Frame</b></td><td><b>6 Months</b></td></tr> <tr> <td><b>Derivative Segment</b></td><td><b>Yes</b></td></tr> </table>	<b>Recommendation</b>	<b>Accumulate</b>	<b>Current Market Price</b>	<b>2781</b>	<b>Target</b>	<b>3300.00</b>	<b>Accumulation Price Band</b>	<b>2750-2790</b>	<b>Time Frame</b>	<b>6 Months</b>	<b>Derivative Segment</b>	<b>Yes</b>				
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<h3>Industry : IT</h3>	<h4>Quick Glance</h4> <table> <tr> <td>Share Capital ( Rs Cr )</td><td>233.50</td></tr> <tr> <td>Market Cap ( Rs Cr )</td><td>66,806.13</td></tr> <tr> <td>Enterprise Value ( Rs Cr )</td><td>66,811.13</td></tr> <tr> <td>Face Value ( in Rs )</td><td>10.00</td></tr> <tr> <td>52 Week High/ Low ( in Rs )</td><td>2820/1677.65</td></tr> </table>	Share Capital ( Rs Cr )	233.50	Market Cap ( Rs Cr )	66,806.13	Enterprise Value ( Rs Cr )	66,811.13	Face Value ( in Rs )	10.00	52 Week High/ Low ( in Rs )	2820/1677.65						
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<h4>Company Overview</h4> <p>» Incorporated in the year 1986, Tech Mahindra is not only a leading provider of solutions and services in the Information, Communications &amp; Technology but also one among the top 10 India-based business houses.</p> <p>» The company offers a full range of IT services and industry specific solutions which include Telecom Services, Consulting, Application Outsourcing, Infrastructure Outsourcing, Engineering Services, BPO, Platform Solutions and Mobile Value Added Services through a partnership with several Fortune 100 companies</p> <p>» With operations spread over a more than 72 delivery centers and 40 sales offices, the Company serves 629 customers, including several of the Fortune 500 companies and with an impeccable track record of delivery and strong alliances with leading technology and product vendors the company was able to surpass the USD 3 billion mark in revenues</p>	<h4>Financials</h4> <table> <tr> <td>EPS ( Rs )</td><td>115.02</td></tr> <tr> <td>Book Value ( Rs )</td><td>358.14</td></tr> <tr> <td>P/E</td><td>24.18</td></tr> <tr> <td>P/BV</td><td>7.77</td></tr> <tr> <td>ROE</td><td>27.35</td></tr> <tr> <td>ROCE ( % )</td><td>32.61</td></tr> <tr> <td>Dividend Yield ( % )</td><td>0.72</td></tr> <tr> <td>Debt - Equity</td><td>-</td></tr> </table>	EPS ( Rs )	115.02	Book Value ( Rs )	358.14	P/E	24.18	P/BV	7.77	ROE	27.35	ROCE ( % )	32.61	Dividend Yield ( % )	0.72	Debt - Equity	-
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<h4>Industry Overview</h4> <p>» With India as one of the fastest-growing IT services markets in the world and the largest sourcing destination, it accounts to approximately 52 per cent of the US\$ 124-130 billion market.</p> <p>» The industry grew at a compound annual growth rate (CAGR) of 13.1 per cent during FY08-13 and is expected to add revenues of US\$ 13-14 billion to the existing revenues by FY15.</p> <p>» With Indian IT's core competencies and strengths placed on the international canvas it attracts investments from major countries resulting in the FDI in Computer Hardware and Software amounting to US\$ 13,238.58 million between April 2000 and September 2014.</p> <p>» The Government of India has played a key role with public funding of a large, well trained pool of engineers and management personnel who could forge the Indian IT industry with an estimated spending on IT to reach US\$ 7.2 billion in 2015, a five per cent increase over 2014.</p> <p>» Emerging technologies present an entire new gamut of opportunities for IT firms in India. Social, mobility, analytics and cloud (SMAC) collectively provide a US\$ 1 trillion opportunity. Cloud represents the largest opportunity under SMAC, increasing at a CAGR of approximately 30 per cent to around US\$ 650-700 billion by 2020</p>	<h4>Highlights</h4> <table> <tr> <td>Debt ( Rs Cr )</td><td>5</td></tr> <tr> <td>Reserves ( Rs Crs )</td><td>8,355</td></tr> <tr> <td>FII Holdings ( % )</td><td>37</td></tr> <tr> <td>MF Holdings ( % )</td><td>7</td></tr> <tr> <td>Free Float Market Capitalization ( Rs Cr )</td><td>42,705</td></tr> <tr> <td>Beta</td><td>0.79</td></tr> <tr> <td>Avg Volume Per day ( no. of shares )</td><td>560,150</td></tr> <tr> <td>Avg Volume Per Month ( no. of shares )</td><td>16,746,991</td></tr> </table>	Debt ( Rs Cr )	5	Reserves ( Rs Crs )	8,355	FII Holdings ( % )	37	MF Holdings ( % )	7	Free Float Market Capitalization ( Rs Cr )	42,705	Beta	0.79	Avg Volume Per day ( no. of shares )	560,150	Avg Volume Per Month ( no. of shares )	16,746,991
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<h4>Key Highlights</h4> <p>» The company has signed a definitive agreement to acquire SOFGEN Holdings Limited (SOFGEN). The transaction is expected to close by March 2015, subject to regulatory approvals</p> <p>» TechM derives ~10% of revenue from BFSI. The company has witnessed increased traction in BFSI over the last 4 quarters growing at CQGR of 7.1% compared to overall revenue CQGR of 4.4% over the same period</p>																	
<h4>Key Risks</h4> <p>» High competition from its peers such as Infosys , HCL Tech etc..</p> <p>» Currency Fluctuations</p> <p>» Risk around the implementation of projects that could be non-recurring nature.</p>																	

## Financial Highlights

Income Statement ( Annual )					
Particulars ( Rs Cr )	2014	2013	2012	2011	2010
Net Sales	16,295	6,002	5,243	4,966	4,484
Operating Profit	3,561	1,178	866	951	1,094
Operating Profit Margin	22	20	17	19	24
Depreciation	427	157	151	138	130
Interest	87	109	112	123	172
Other Income	190	(95)	(38)	108	59
PBT	3,464	817	579	806	874
APAT	2,686	653	461	697	743
PAT Margin ( % )	16	11	9	14	17
Earnings Per Share	115	51	36	55	61

Balance Sheet					
Particulars ( Rs Cr )	2014	2013	2012	2011	2010
Equity Share Capital	234	128	128	126	122
Reserves and Surplus	8,355	4,054	3,316	3,258	2,744
<b>Net Worth</b>	<b>9,821</b>	<b>4,183</b>	<b>3,443</b>	<b>3,384</b>	<b>2,867</b>
Deferred Tax Liability :	-	-	-	-	-
Long Term Debt	5	354	611	1,184	1,518
ShortTerm Debt	-	750	516	623	617
<b>Total Debt</b>	<b>5</b>	<b>1,105</b>	<b>1,127</b>	<b>1,806</b>	<b>2,135</b>
Current Liabilities	3,504	1,596	1,466	595	574
Total Provisions	1,410	375	309	285	261
<b>Total Liabilities</b>	<b>9,826</b>	<b>5,287</b>	<b>4,570</b>	<b>5,190</b>	<b>5,002</b>
Gross Block	4,116	1,559	1,397	1,249	1,113
Net Fixed Assets	1,834	720	653	600	594
Investments	2,294	3,808	3,253	3,115	3,114
<b>Current Assets</b>	<b>10,348</b>	<b>2,703</b>	<b>2,265</b>	<b>2,245</b>	<b>1,808</b>
Deferred Tax Asset :	-	-	-	-	-
Receivables	3,928	1,373	1,243	1,172	993
Inventories	-	-	0	1	1
Cash	2,826	271	137	194	137
<b>Total Assets</b>	<b>9,826</b>	<b>5,287</b>	<b>4,570</b>	<b>5,190</b>	<b>5,002</b>

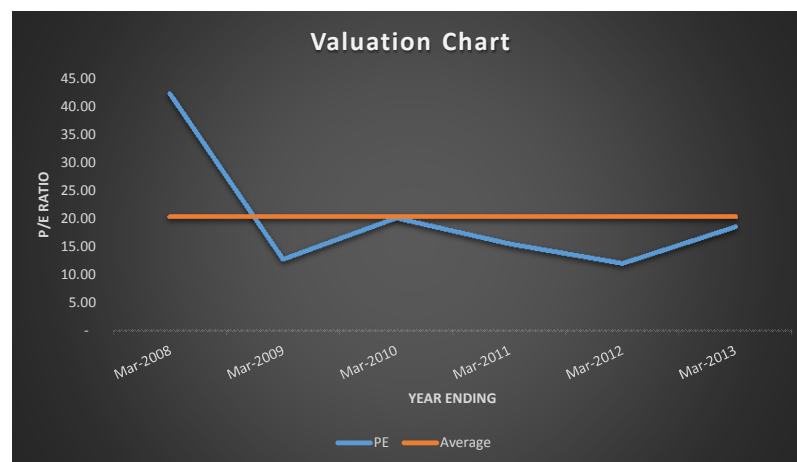
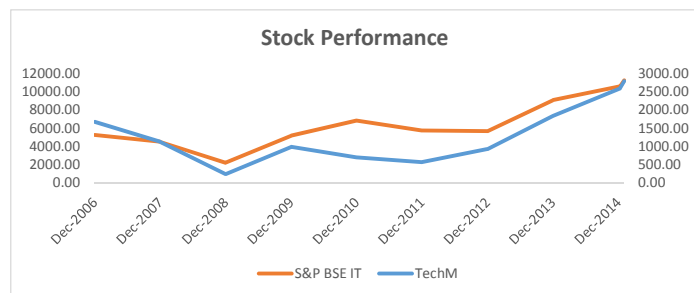
Income Statement ( Quarterly )								
Particulars ( Rs Cr )	2014				2013			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net Sales	4,370	4,216	4,156	3,553	1,497	1,503	1,508	1,495
Operating Profit	744	851	885	655	234	260	253	275
Operating Profit Margin	17	20	21	18	16	17	17	18
Depreciation	116	114	95	102	42	37	41	37
Interest	9	28	23	26	32	30	23	24
Other Income	(70)	(35)	14	161	(24)	16	(55)	(32)
PBT	664	908	875	790	177	247	174	219
APAT	523	925	639	599	136	189	160	168
PAT Margin ( % )	12	22	15	17	9	13	11	11
Earnings Per Share	22	34	27	47	10	14	12	13



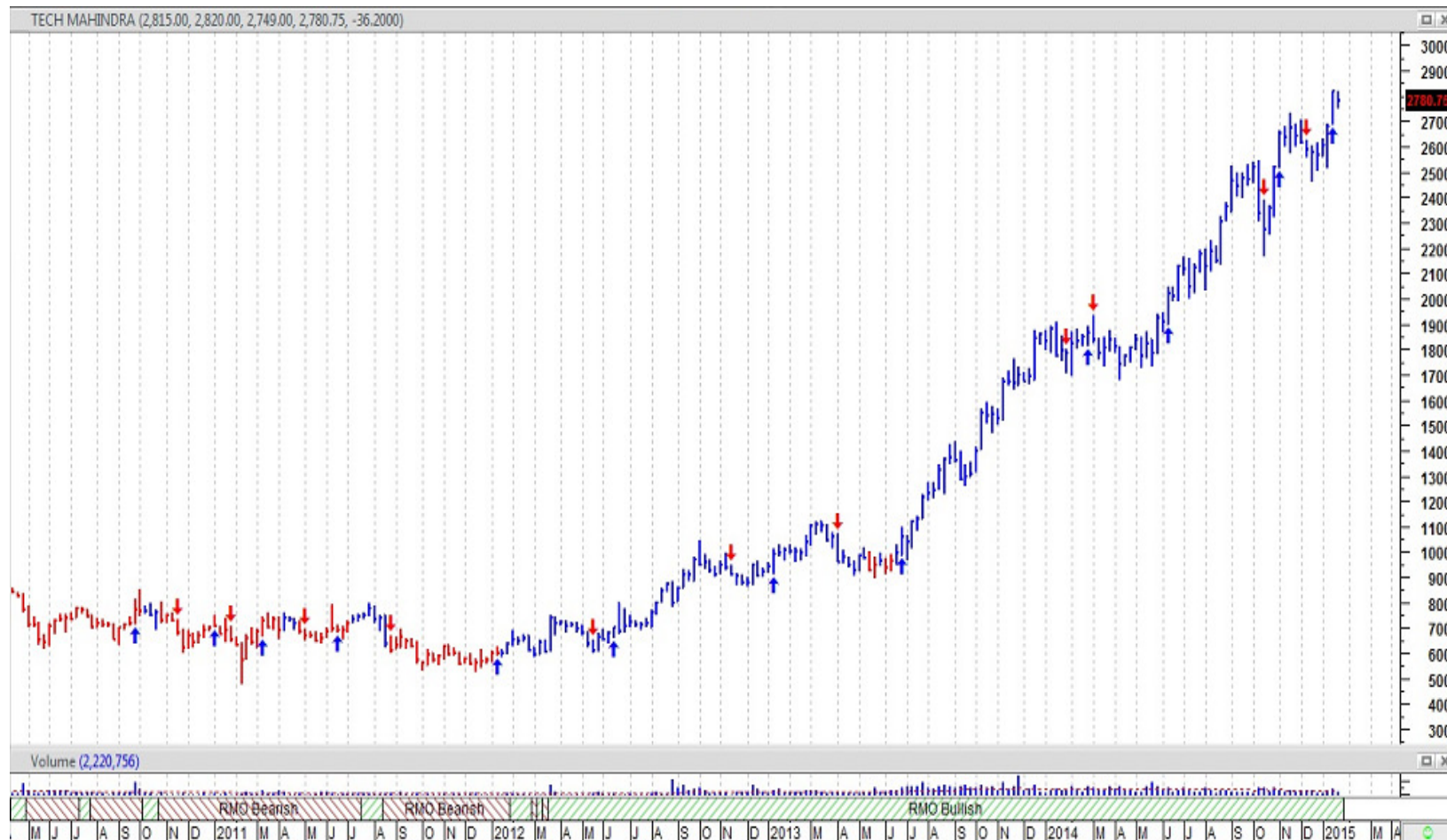
Key Financial Indicators						
Particulars	Units	2014	2013	2012	2011	2010
Revenue	Crs	16,295	6,002	5,243	4,966	4,484
Operating Profit Margins	%	22	20	17	19	24
PAT	Crs	2,686	653	461	697	743
PAT Margins	%	16	11	9	14	17
Revenue Growth	%	171	14	6	11	3
Operating Margin Growth	%	202	36	(9)	(13)	(12)
PAT Growth	%	312	42	(34)	(6)	(25)
Gearing	times	-	0.26	0.33	0.53	0.74
ROCE	%	33	18	16	16	20
ROE	%	27	16	13	21	26

Peer Comparison				
Particulars	Units	Tech Mahindra	Infosys	HCL Tech
Revenue	Rs Cr	16,295.10	44,341.00	16,497.37
Operating Profit Margins	%	21.86	28.25	44.31
PAT	Rs Cr	2,685.50	10,194.00	5,984.62
PAT Margins	%	16.48	22.99	36.28
Gearing	times	-	-	-
EPS	Rs / Share	115.02	104.69	90.77
PE	times	24.18	21.15	18.14
P/BV	times	7.77	6.04	7.34
ROCE	%	32.61	35.83	47.30
ROE	%	27.35	25.36	20.00
EV/EBITDA	times	18.76	14.63	12.69

Stock Performance vis-a-vis Index		
Particulars	Return	
	YTD	QTD
Tech Mahindra	7%	7%
CNX IT	6%	6%



## Technical Outlook



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