

14th February, 2020

INVESTMENT IDEAS

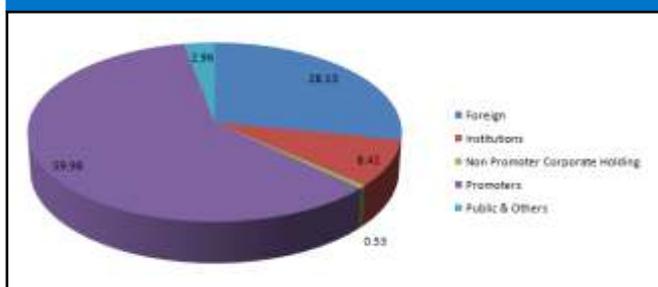


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VALUE PARAMETERS

Face Value (Rs.)	2.00
52 Week High/Low	620.35/497.00
M.Cap (Rs. in Cr.)	166266.27
EPS (Rs.)	38.45
P/E Ratio (times)	15.93
P/B Ratio (times)	3.64
Dividend Yield (%)	0.65
Stock Exchange	BSE

SHAREHOLDING PATTERN



P/E CHART



FINANCIAL PERFORMANCE

(Rs.in Cr.)

	ACTUAL	FORECAST	
	FY Mar-19	FY Mar-20	FY Mar-21
REVENUE	60427.00	70436.82	78176.05
EBITDA	13926.00	16434.24	18582.48
EBIT	11853.00	13648.94	15143.21
NET INCOME	10120.00	10829.02	12027.45
EPS	36.78	39.83	44.12
BVPS	152.50	186.15	207.88
RoE	26.03%	23.53%	22.67%

Source: Company's Website, Reuters & Capitaline

Investment Rationale:

- HCL Technologies (HCL) is a leading global technology company that helps global enterprises re-imagines and transforms their businesses through digital technology transformation. HCL operates out of 32 countries.
- HCL Tech expects its sales to grow between 16.5 percent and 17 percent in constant currency. Revenue Guidance is based on FY'19 (April to March) average exchange rates. The above constant currency guidance translates to 15.2% to 15.7% in US\$ terms based on December 31, 2019 rates. FY'20 expected Operating Margin (EBIT) range is from 19.0% to 19.5%.
- HCL Tech has seen a surge in deal wins and the management of the company expects fourth quarter would be a stronger quarter owing to strong deal wins with increasing TCVs, accelerated pace of new customer additions and strong efforts in increasing the share from client's wallet. The company has signed 12 transformational deals during Q3FY2020, led by key industry verticals such as Hi-Tech, Manufacturing and Financial Services.
- Two new clients each were added in the \$100 million and \$50 million client buckets taking the total count to 15 and 32 respectively sequentially.
- It has announced the opening of two new technology delivery centers in Lithuania. These state-of-the-art centers provide leading-edge technology and digital transformation capabilities and services to clients in the Baltic, Nordic and Benelux regions. This is one of the largest technology hubs of HCL in the European region, providing end-to-end infrastructure and application development management services to its near-shore clients.
- It has launched a dedicated Google Cloud Business Unit to accelerate enterprise cloud adoption. The new extensive and strategic partnership between HCL and Google Cloud will help organizations advance their digital transformation agendas powered by Google Cloud Platform and Google Cloud solutions.
- The employee count stood at 149173, with net addition of 11502 people in the quarter ended December 2019. On the attrition front, IT services attrition increased to 16.8% (LTM).

Risk

- Currency Fluctuation and Regulatory Compliance Risk
- Information and Cyber Security Risk

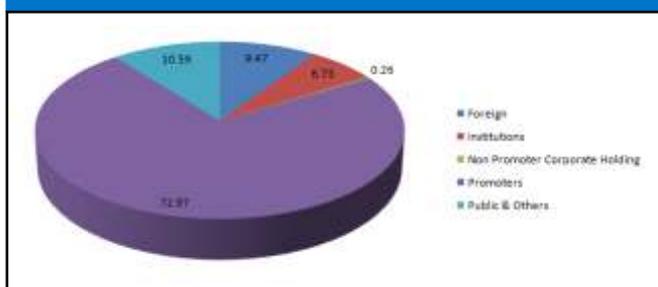
Valuation

Overall performance reported by the Company is quite healthy, a well-balanced capital allocation strategy through a combination of capital expenditure, dividends and acquisitions. Margin improved a tad and the deal win momentum was healthy. The company maintained its FY20 guidance reiterating a strong outlook. Thus, it is expected that the stock will see a price target of Rs.703 in 8 to 10 months time frame on current P/E of 15.93x and FY21 (E) earnings of Rs.44.12.

VALUE PARAMETERS

Face Value (Rs.)	2.00
52 Week High/Low	666.00/435.10
M.Cap (Rs. in Cr.)	12031.96
EPS (Rs.)	39.94
P/E Ratio (times)	15.98
P/B Ratio (times)	4.06
Dividend Yield (%)	0.86
Stock Exchange	BSE

SHAREHOLDING PATTERN



P/B CHART



FINANCIAL PERFORMANCE

(Rs.in Cr.)

	ACTUAL	FORECAST	
	FY Mar-19	FY Mar-20	FY Mar-21
Revenue	3934.68	4507.95	4771.15
Ebitda	873.58	1133.06	1015.94
Ebit	758.35	971.03	826.99
Pre-Tax Profit	749.32	950.60	789.90
Net Income	584.37	766.99	617.16
EPS	31.00	39.78	32.74
BVPS	144.22	169.92	201.72
ROE	23.66%	23.79%	16.55%

Source: Company's Website, Reuters & Capitaline

Investment Rationale:

- Alembic Pharmaceuticals Limited is engaged in developing formulations and active pharmaceutical ingredients (API). The Company focuses on anti-infective, analgesic and, cough and cold therapies. It also focuses on therapies, such as cardiology, diabetes, gynecology, gastrointestinal, orthopedic, dermatology and ophthalmology.
- The company has presence in key markets of Europe, Canada, Australia, Brazil and South Africa. The company's business will focus on new launches across key markets. The plants have been successfully audited by key regulatory authorities across the globe.
- Recently, it has received final approval from the US Food & Drug Administration (USFDA) for its Abbreviated New Drug Application (ANDA) Azithromycin tablets USP, 600 mg. The approved ANDA is therapeutically equivalent to the reference listed drug product (RLD) Zithromax Tablets of Pfizer.
- The company has received eight ANDA approvals during the quarter. It has launched seven products in Q3FY20. The management has guided for more than five launches in the last quarter of the year.
- For the India business, the management has guided that once the comparable base is corrected from the next year, the domestic business is expected to grow at 10-12 percent.
- The Debt/Equity is at 0.42 which gives sufficient cushion to the company, thereby, generating a return on capital of 36%. The entity has a diverse portfolio with steady pipeline of speciality medicines wherein the International formulation business grew 48% to Rs. 664 Crores for the Q3FY20 vis-à-vis the same quarter last year.
- During the quarter ended December 2019, company's revenue for the quarter was up 19% yoy at Rs.1209 cr from Rs.1018 cr. Net Profit for the quarter up 38% yoy to Rs.234 cr from Rs.170 cr.

Risk

- Slowdown in ANDA approvals and USFDA-related regulatory risks
- Currency fluctuation

Valuation

The management expects 10-12% domestic annual growth from FY21 on the back of ongoing restructuring of distribution patterns. For the US, with the aggressive R&D and capex, the management has signaled its long term strategy for the next five to six years. This includes a foray into niche areas like oncology, injectables, derma, etc. Thus, it is expected that the stock will see a price target of Rs.756 in 8 to 10 months time frame on a one year average P/BVx of 3.75x and FY21 BVPS of Rs.201.72.



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