



COMPANY NAME	: Sasken Technologies
BSE Code	: 532663
Time Duration	: 1 year
CMP	: ₹974.15 (as on 19 Sept., 2018)
Target Price	: ₹1218

The Mid Bridge for the month of September is Sasken Technologies Limited (STL). It is a specialist in product engineering and digital transformation providing concept-to-market, chip-to-cognition R&D services to global leaders in semiconductor, automotive, industrials, smart devices and wearables, enterprise grade devices and SatCom industries. It derives 90% revenue from embedded software design (ESD) and 10% from digital services. Along with India, it has presence across Germany, Japan, UK and USA. It has earned a position to be called a 'chip to cognitive' type of company.

The company's 64% revenue comes through offshore and 36% from the onsite projects. Of the offshore revenue, 38% revenue is generated from North America, 23% from EMEA (Europe, Middle East and Africa) and 8% from APAC (Asia-Pacific). As majority of revenue is derived from offshore market, the current appreciation in the US dollar would augur well for the company.

STL is a highly technology-based and high-end software provider company. In this technology-driven era, every industry is going to change due to change in internet, technology and artificial intelligence over the next 15 years. The expertise in Android systems, 5G network, autonomous driving and satellite technology would be the growth drivers for the company in the upcoming years.

#### Focus on 5x5 vision

The company had set 5x5 vision in FY17 which aims at achieving sustainable growth over the next 5 years through its 5 verticals. The company intends to achieve revenues of USD 250 million by 2021, which is more than three times the revenue of FY18. The focus will be laid on five verticals, such as automotive electronics, semiconductors, communications, industrial automation and consumer segments. The players from these segments have the highest capability to invest in new and latest technology and practically these segments have high dependence on technology.

#### Automotive sector - a driving force

The company provides solutions for in-vehicle communication systems, which has provided it with a sustainable and scalable revenue stream. It provides a mobility solution for a vast dealership network in Japan that uses location-based technologies to precisely locate vehicles needing breakdown assistance. It has been successful in providing audio and connectivity solutions to American Tier-1 suppliers and gaining huge high value contracts.

In FY18, it had set up development centre for a leading semiconductor company to enhance its multimedia subsystems on the QNX platform. Also, it provides features like entertainment, navigation, internet-based services, external communications and safety and security. With introduction of the electric vehicle and its increasing penetration, the use and demand for embedded software and cloud computing will grow in the upcoming years.

#### Communications & Devices - flagship segment

Communications and devices has been a flagship segment of the company for more than 20 years. It has an expertise in Android ecosystem which helped smartphone manufacturers to offer new features and services. Currently, Android is supporting the 4G network technology and 5G will be the next promising evolution in wireless connectivity. High bandwidth and low latency promised by 5G will require more developments and advancements in Android software. Thus, STL has big opportunities going forward. Also, there are numerous trending wearable devices such as wristbands, watches, clothing accessories, headphones, jewellery etc whose market is expected to double over the next five years. All these devices are made up of embedded software and thus STL has high potential to grow in this market.

#### Foray in satellite communication technologies

STL has been working in the satellite communications space since 2001, and since then, it has been working on migrating 3GPP UMTS to satellite standards. The 4G/5G technologies of 3GPP are adding high value to satellite communications as these are creating new business segments, e.g., LEO constellation-based satellite communication. It has extensive expertise across mobile satellite services (MSS) and high throughput satellite (HTS) segments. It is also engaged in the design and development of tracking devices, handheld device, terminals for fixed, land and maritime along with tracking antenna. In the satellite segment, the company has won the most significant deal and it has been tasked with the development of a range of satellite terminals for North America's leading manufacturer of satellite and defence systems. Also, it is engaged in building several variants of satellite terminals that are slated to launch in 2020.

#### Financial Performance

On a consolidated basis, the revenues for Q1FY19 were up by 14.2% YoY and 4.3% QoQ to Rs 134.27 cr. The EBITDA for the quarter jumped by 61.6% YoY to Rs 20.7 cr. The EBITDA mar-

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gin jumped from 10.9% in Q1FY18 to 15.4% in Q1FY19. Its PAT increased by 61.9% YoY to Rs 28 cr from Rs 17 cr led by higher other income. The PAT margin for the quarter stood at 20.9%. The contribution to its revenue from top five customers stood at 52.1% and from top ten customers stood at 70.4%.

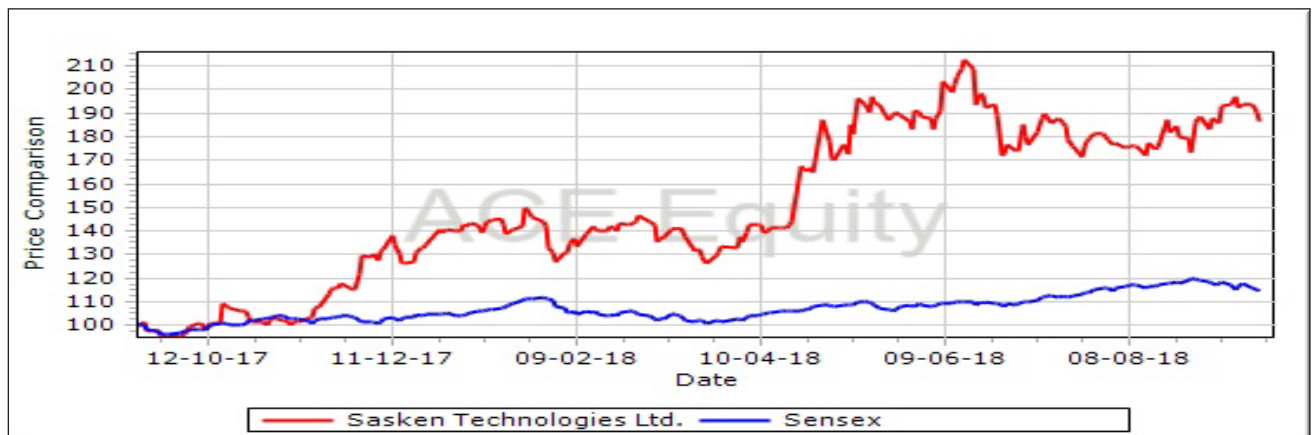
#### Valuation

The company is trading at TTM P/E of 17.9x with TTM EPS of Rs

54.43. For FY18, it delivered ROE and ROCE of 13.9% and 16.8%, respectively. The company's diversification into various emerging segments would drive the growth in volumes and topline. The company's various international ventures and higher presence in the foreign markets will bring more efficiencies for the company. Also, the latest strengthening in dollar would help the company in gaining higher revenues. We see a potential upside of 25% with a target price of Rs 1,218 over a period of one year.

Inc/Exp Statement(Consolidated) (Rs in Crore)					
Description	201803	201703	201603	201503	201403
Net Sales	503.02	467.28	483.17	428.01	458.03
Total Income	539.45	500.05	499.37	449.95	489.56
Total Expenditure	433.57	417.31	436.00	395.76	404.64
PBIDT	105.88	82.74	63.37	54.18	84.92
PAT	82.42	84.69	206.29	119.56	51.47
Dividend %	100.00	70.00	320.00	270.00	320.00
Adj. EPS(Rs)	48.17	49.49	116.42	56.02	24.19

Quarter On Quarter (Consolidated) (Rs in Crore)					
Particulars	201806	201803	Q on Q Var%	201706	Y on Y Var%
Net Sales	134.27	128.74	4.30	117.58	14.20
Total Expenditure	113.56	107.22	5.91	104.76	8.39
PBIDT (Excl OI)	20.72	21.52	-3.73	12.82	61.62
PAT	28.00	25.98	7.77	17.30	61.87
PBIDTM% (Excl OI)	15.43	16.72	-7.72	10.90	41.56
PBIDTM%	28.56	24.31	17.48	18.92	50.95
PATM%	20.85	20.18	3.32	14.71	41.74
Adj. EPS(Rs)	16.37	15.19	7.77	10.11	61.92



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