

OCTOBER 5, 2018

Stock Details

Market cap (Rs mn)	:	221943
52-wk Hi/Lo (Rs)	:	1279 / 606
Face Value (Rs)	:	10
3M Avg. daily volume	:	433,424
Shares o/s (m)	:	193

Source: Bloomberg

Shareholding Pattern (%)

(%)	Jun-18	Mar-18	Dec-17
Promoters	52.4	60.4	60.4
FII	29.2	22.8	21.8
DII	9.1	6.7	6.8
Others	9.4	10.1	11.0

Source: Company

Price Performance (%)

(%)	1M	3M	6M
Mphasis	(9.5)	5.3	32.0
Nifty	(8.0)	(1.6)	4.6

Source: Bloomberg

Price chart

Source: Bloomberg

Mphasis**PRICE Rs.1149****BUYBACK PRICE Rs. 1350****RECOMMENDATION FOR RETAIL INVESTORS: ACCUMULATE AND TENDER SHARES**

Mphasis shareholders had approved by way of special resolution for the Buy-back of fully paid equity shares of the Company on a proportionate basis through the tender offer method.

The record date has been fixed for 25th October, 2018. As per SEBI norms, 15% of the buyback is to be reserved for retail shareholders. Given the low retail shareholding, the acceptance ratio is expected to be quite high (nearly 80% assuming all retail shareholders tender their shares).

Since the upper limit for a shareholder to be considered in the retail category is Rs 2 lakhs, an investor can accumulate 150 shares or less, which would mean an investment of around Rs 1,75,000. Assuming a 80% acceptance ratio, and a post buy back share price of Rs. 1100, this translates into a 13% pre-tax profit.

Expected retail acceptance ratio

Particulars	Units	Calculation
Total equity shares	Mn shares	193.31
The company will buy-back	Mn shares	7.32
Buy back price	Rs./share	1,350
Max. buy-back amount	Rs. Mn	9,882.75
Buy-back to total equity	%	3.79%
SEBI guidelines (Reserved)	15% (Mn shares)	1.10
1-500 shares	Mn shares	1.356
Acceptance ratio	%	81%
CMP	Rs/share	1,149
Upside Pre-tax	%	13.3%
Short-term tax	%	15%
Upside post tax	%	11.3%

Source: Company, Kotak Securities - Private Client Research

Shareholding Distribution as on March 31, 2018

Category	Shareholders		Shares Held	
	Number	Percentage	Number	Percentage
Upto 500	20,840	91.0%	1,355,829	0.7%
501-1000	843	3.7%	651,033	0.3%
1001-2000	390	1.7%	572,359	0.3%
2001-3000	161	0.7%	407,092	0.2%
3001-4000	91	0.4%	326,770	0.2%
4001-5000	76	0.3%	347,826	0.2%
5001-10000	149	0.7%	1,052,268	0.5%
10001 & above	344	1.5%	188,547,005	97.6%
Total	22,894	100.0%	193,260,182	100.0%

Source: Company

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What if analysis?

We have worked out a few scenarios regarding acceptance ratio and post buyback sale price.

Scenario analysis

		Acceptance Ratio				
		75.0%	77.5%	80.0%	82.5%	85.0%
Price post buyback	1000	9.88%	10.64%	11.40%	12.16%	12.92%
	1020	10.31%	11.03%	11.75%	12.47%	13.19%
	1040	10.75%	11.42%	12.10%	12.77%	13.45%
	1060	11.18%	11.81%	12.45%	13.08%	13.71%
	1080	11.62%	12.21%	12.79%	13.38%	13.97%
	1100	12.05%	12.60%	13.14%	13.69%	14.23%
	1120	12.49%	12.99%	13.49%	13.99%	14.49%
	1140	12.92%	13.38%	13.84%	14.30%	14.75%
	1160	13.36%	13.77%	14.19%	14.60%	15.01%
	1180	13.79%	14.16%	14.53%	14.90%	15.27%
	1200	14.23%	14.56%	14.88%	15.21%	15.54%
	1220	14.66%	14.95%	15.23%	15.51%	15.80%
	1240	15.10%	15.34%	15.58%	15.82%	16.06%
	1260	15.54%	15.73%	15.93%	16.12%	16.32%

Source: Kotak Securities - Private Client Research

Conclusion

Given the current market volatility, it is advisable that investors accumulate 150 shares or less, and tender shares in the buyback to enjoy relatively low risk profits.

RATING SCALE

Definitions of ratings

- BUY** – We expect the stock to deliver more than 12% returns over the next 12 months
- ACCUMULATE** – We expect the stock to deliver 5% - 12% returns over the next 12 months
- REDUCE** – We expect the stock to deliver 0% - 5% returns over the next 12 months
- SELL** – We expect the stock to deliver negative returns over the next 12 months
- NR** – **Not Rated.** Kotak Securities is not assigning any rating or price target to the stock. The report has been prepared for information purposes only.
- SUBSCRIBE** – We advise investor to subscribe to the IPO.
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- NA** – **Not Available or Not Applicable.** The information is not available for display or is not applicable
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- NOTE** – Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.

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