

Wipro Ltd (WIPRO)

₹ 494

Strong performance; guidance disappoints...

- IT services US\$ revenues grew 2.7% QoQ to \$1954.6 million, above our 1.2% growth and \$1,926 million estimate. Constant currency (CC) revenues grew 1.7% sequentially in line with guidance of 1-2%
- Consolidated revenues grew 2.2% QoQ to ₹ 14,062 crore above our expectation of 1.1% growth and ₹ 13,912.4 crore estimate, led by growth in IT services (1.6% QoQ) and IT products business (15.8% QoQ). At 18.3%, reported IT services EBIT margins remain flat QoQ
- Reported PAT of ₹ 2,267 crore was above our ₹ 2,068 crore mainly on account of revenue beat
- Wipro expects Q1FY18E IT services revenues to be in the range of \$1,915-1,955 million, which translates to -2-0% QoQ growth
- The company has declared a bonus issue in ratio of 1:1 while the company may consider a proposal for buyback of equity shares around July 2017

Strong show on Q1 numbers...

Wipro reported a strong quarter with IT services US\$ revenue growth at 2.7% to US\$1955 million. Growth was supported by full quarter consolidation of Appirio (contributing ~1.5% to revenues). Further, growth was led by manufacturing & technology (up 5.3% QoQ), finance solutions (4.4% QoQ) and energy & utilities (3.4% QoQ) among verticals. Geography wise, Europe led growth (grew 6.4% QoQ) followed by America (1.4% QoQ). The management sounded optimistic on its financial services, energy & utilities segment along with digital business unit that now accounts for 22.1% of Q4 revenue vs. 17.5% in Q1FY17.

Guides for weak Q1FY18, expect growth recovery from Q2FY18E...

For Q1FY18E, Wipro guided for revenues of \$1,915-1,955 million, which translates to -2-0% QoQ growth in constant currency terms. The management attributed weak growth owing to HPS acquisition, delay in client decision making in communication vertical and ongoing restructuring in Middle East and India business (~10% of revenue). The management anticipates a recovery in growth from Q2FY18 onwards and reaching industry growth rates by Q4FY18. Going ahead, we expect IT services US\$ revenues to grow 4.3% in FY17-19E.

Margins expected to decline in Q1FY18E...

The company reported IT services EBIT margins at 18.3% flat QoQ. However, adjusting for sale of eco-energy division (₹ 408 crore) and impairment charges related to HPS acquisition (₹ 240 crore) margins were at 17.6%. Margins are expected to decline in Q1FY18E due to weaker revenues, rupee appreciation, deduction of one-off gains in Q4 and wage hike in June 2017. Overall, we expect IT Services EBIT margin to remain at 17.5%, 17.7% in FY18E, FY19E, respectively.

Portfolio issues drag growth; maintain HOLD...

At the current market price, Wipro is trading at attractive valuations of 13x FY19E EPS. Furthermore, the recent announcement of bonus shares & buyback in July, 2017 may restrict further downside in share price. However, due to its muted revenue growth and guidance, we anticipate Wipro's earnings will remain under pressure for the next few quarters. We expect Wipro to report slower rupee revenue CAGR of 2.9% in FY17-19E with average EBIT margins at 16.5%. We have rolled over our valuation to FY19E. We maintain our **HOLD** recommendation on the stock with a revised target price of ₹ 500/share (13.5x FY19E).

Rating matrix	
Rating	: Hold
Target	: ₹ 500
Target Period	: 12 months
Potential Upside	: 1%

What's Changed?	
Target	Changed from ₹ 510 to ₹ 500
EPS FY18E	Changed from ₹ 36.5 to ₹ 33
EPS FY19E	Introduced at ₹37
Rating	Unchanged

Quarterly Performance					
	Q4FY17	Q4FY16	YoY (%)	Q3FY17	QoQ (%)
Revenue	14,062	13,742	2.3	13,765	2.2
EBIT	2,483	2,484	(0.0)	2,371	4.7
EBIT (%)	17.7	18.1	-42 bps	17.2	43 bps
PAT	2,261	2,245	0.7	2,143	5.5

Key Financials				
₹ Crore	FY16	FY17P	FY18E	FY19E
Net Sales	51,244	55,418	55,164	58,708
EBITDA	11,187	11,517	10,893	11,769
Net Profit	8,902	8,548	8,280	9,273
EPS (₹)	36.1	35.2	34.1	38.2

Valuation summary				
	FY16	FY17P	FY18E	FY19E
P/E	23.2	19.8	15.6	13.7
Target P/E	14.5	14.1	14.5	14.9
EV / EBITDA	16.5	13.6	10.8	9.9
P/BV	4.3	4.3	3.5	2.6
RoNW (%)	18.3	21.6	22.7	19.1
RoCE (%)	19.4	22.7	25.6	19.6

Stock data	
Particular	Amount
Market Capitalization (₹ Crore)	121,676.2
Total Debt (₹ Crore)	12,522.1
Cash and Investments (₹ Crore)	9,904.9
EV (₹ Crore)	110,431.5
52 week H/L	577 / 410
Equity capital	513.7
Face value	₹ 2

Price performance (%)				
	1M	3M	6M	12M
TCS	(4.8)	0.8	(4.9)	(5.8)
Infosys	(9.7)	(2.7)	(10.3)	(23.4)
Wipro	(3.8)	3.1	(1.0)	(10.6)
HCL Tech	(6.3)	(3.1)	(1.7)	(3.2)

Research Analysts	
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Variance analysis

	Q4FY17	Q4FY17E	Q4FY16	YoY (%)	Q3FY17	QoQ (%)	Comments
Revenue	14,062.1	13,912.4	13,741.7	2.3	13,764.5	2.2	Revenue increased led by growth in IT services (1.6% QoQ) and IT products business (15.8% QoQ)
Employee expenses	9,499.2	9,178.5	9,153.9	3.8	9,116.4	4.2	
Gross Margin	4,562.9	4,733.9	4,587.8	-0.5	4,648.1	-1.8	
Gross margin (%)	32.4	34.0	33.4	-94 bps	33.8	-132 bps	
Selling & marketing costs	943.6	929.3	898.3	5.0	934.0	1.0	
G&A expenses	726.7	892.5	775.5	-6.3	802.4	-9.4	
EBITDA	2,892.6	2,912.1	2,914.0	-0.7	2,911.7	-0.7	
EBITDA Margin (%)	20.6	20.9	21.2	-64 bps	21.2	-58 bps	
Depreciation	577.9	571.2	430.4	34.3	541.2	6.8	
EBIT	2,482.7	2,340.9	2,483.6	0.0	2,370.5	4.7	Margins expanded led by one-offs and lower G&A expenses
EBIT Margin (%)	17.7	16.8	18.1	-42 bps	17.2	43 bps	
Other income	458.3	364.2	443.3	3.4	435.3	5.3	
PBT	2,941.0	2,705.1	2,926.9	0.5	2,805.8	4.8	
Tax paid	674.2	631.5	662.6	1.8	644.0	4.7	
PAT	2,261.0	2,068.4	2,244.9	0.7	2,142.8	5.5	PAT was above our estimates mainly on revenue beat

Key Metrics						
Closing employees	181,482	181,000	172,912	5.0	179,129	1.3
TTM voluntary Attrition (%)	16.3	17.0	16.1	20 bps	16.3	0 bps
Utilisation ex support (%)	81.9	80.0	76.1	580 bps	80.0	190 bps
Average \$/₹	69.0	69.0	68.0	1.5	69.4	-0.5

Source: Company, ICICIdirect.com Research

Change in estimates

(₹ Crore)	Old	FY18E New	% Change	FY19E Introduced	Comments
Revenue	59,494	55,164	-7.3	58,708	
EBITDA	11,406	10,893	-4.5	11,769	
EBITDA Margin (%)	16.5	16.0	-43 bps	16.3	
PAT	8,618	8,280	-3.9	9,273	
EPS (₹)	35.0	34.1	-2.4	38.2	Revised estimates owing to change in margin estimates

Source: Company, ICICIdirect.com Research

Assumptions

	FY15	FY16	FY17P	Current FY18E	Earlier FY18E	Introduced FY19E
Closing employees	158,217	172,912	181,482	191,482	184,217	201,482
TTM voluntary Attrition (%)	16.5	16.3	16.4	16.0	16.0	16.0
Utilisation ex support (%)	76.8	76.6	84.1	84.1	81.8	85.0
Average \$/₹	62.1	66.3	68.7	66.0	69.0	67.0

Source: Company, ICICIdirect.com Research

Conference call highlights:

- **Management guidance:** The management has guided IT services revenue to be in the range of \$1,915 million to \$1,955 million for Q1FY18E translating to -2% to 0% growth for the quarter. The company expects Q1FY18E to be soft pertaining to softness in few industry verticals and restructuring of India-Middle East business. They expect growth to flow in from Q2FY18E
- **Margins:** Reported IT services EBIT margins remained flat at 18.3% in Q4FY17. However, adjusting for one-offs and integration of Appirio (-40 bps), margins declined 70 bps
- **Acquisition:** Wipro signed an agreement to acquire Brazil's IT service provider InfoSERVER SA for \$8.7 million in January 2017. The company completed the transaction on April 10, 2017 and is expected to contribute in Q1FY18E although the impact would be small
- **Vertical outlook:** The management sounded optimistic on BFSI and energy & utilities vertical. They anticipate softness will continue in the communication and retail vertical. They maintained a cautious outlook on the healthcare space owing to uncertain regulations in the US and expect HPS to bottom out by Q1FY18E end
- **Digital revenues:** Digital revenues now account for 22.1% of total services revenue vs. 17.5% in Q1FY18. With growing demand in digital, the company continued to augment its workforce with digital skills and has now reached 61,000 technical employees trained on digital
- **Bonus and buy-back:** The company has declared a bonus issue of 1:1 while Wipro may consider a proposal for buyback of equity shares around July 2017. Wipro has re-appointed Azim Premji as chairman and managing director for two years from July 31, 2017
- **Employee details:** The company had a closing headcount of 181,482 vs. 179,129 in Q3 in IT Services with net addition of 2,353 leading to FY17 net addition at 8570 vs. 14,695 in FY16. Voluntary TTM attrition rate at 16.3% remain unchanged QoQ. Utilisation (ex-trainees) increased strongly by 290 bps QoQ to 84.8% to record new highs
- **Local hiring in US:** Wipro mentioned that by Q1FY18, it would have more than 50% of US employees as locals to offset the concerns of H-1B visa issues.

Company Analysis

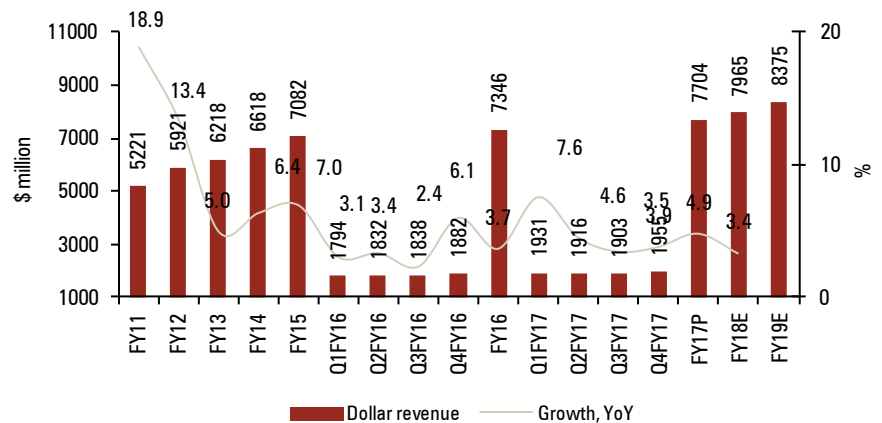
Broad based growth among segments...

Among verticals, constant currency revenue growth was led by manufacturing and technology (22.8% of revenue), which grew 4.7% QoQ, finance solutions (26% of revenue) grew 3.2% QoQ, consumer business unit (15.8% of revenue) and energy, natural resources and utilities (13.1% of revenue) that grew 2.6% and 1.9% QoQ, respectively. Communications (6.9% of revenue) and healthcare, lifescience and services business unit (15.4% of revenue) declined 6.6% and 2% QoQ respectively. The management sounded optimistic on financial services and energy & utilities business units while remaining cautious on the healthcare vertical owing to uncertain regulations in US. They expect HPS to bottom out by end of Q1FY18E. They expect communication and retail business to remain soft, going ahead.

Among geographies, growth in constant currency was led by Europe (24.4% of revenue), which grew 4.4% QoQ followed by Americas (54.9% of revenue) and India & Middle East business (9.9% of revenue) that grew 0.5% QoQ. APAC and other Emerging markets (10.8% of revenue) declined 0.7% sequentially. The management expects restructuring of India-Middle East business to be complete by end of Q1FY18.

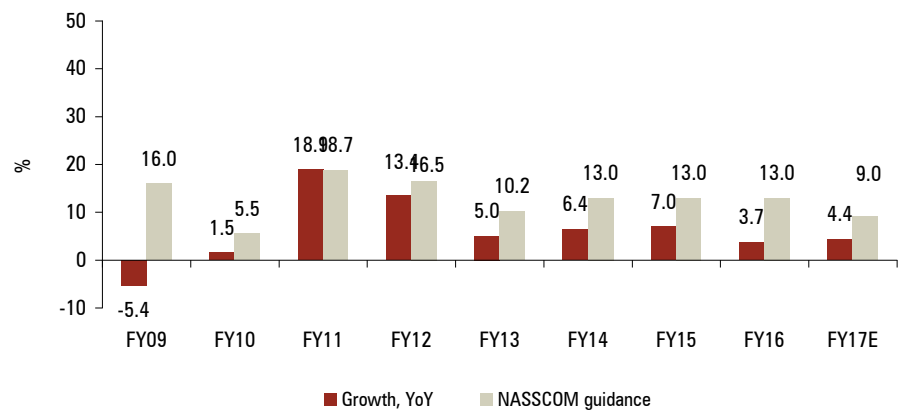
Among services, in reported terms, application services (45.7% of revenue) grew 5.5% QoQ followed by global infrastructure services (28.0% of revenue) that grew 2.4%, analytics (6.9% of revenue) grew 1.9%, product engineering services (7.1% of revenue) that grew 1.6% while business process services (12.3% of revenue) declined 4.8%.

Exhibit 1: Dollar revenues may grow at 4.3% CAGR in FY17-19E vs. 7.1% during FY11-16



Source: Company, ICICIdirect.com Research

Exhibit 2: Wipro vs. Nasscom guidance

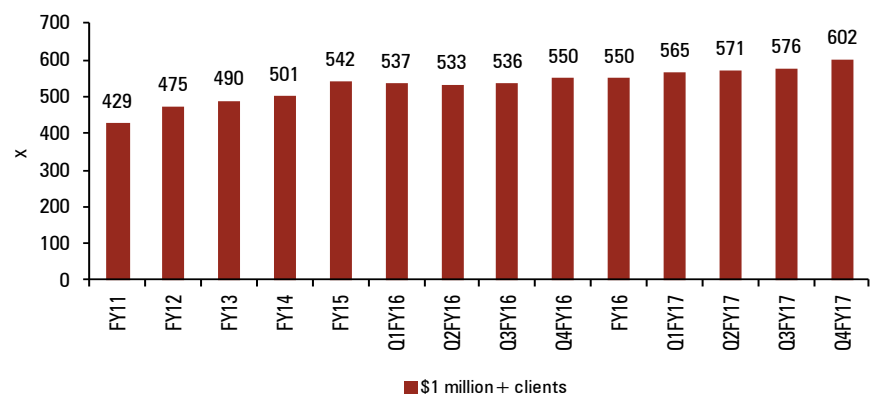


Source: Company, ICICIdirect.com Research

Clients contributing > \$1 million grew to 602 vs. 550 in Q4FY16...

Clients contributing >\$100 million remain unchanged to nine in Q4FY17. Clients contributing >\$75million, >\$50 million, >\$20 million each increased by one. The > \$10 million bucket saw decline of seven clients to 163. Furthermore, Wipro's revenues from the top client (2.9% of revenue) grew 6.4% QoQ, continued its growth momentum from Q2FY17 where it grew 3.2% QoQ. Revenues from top five (10% of revenue) & top 10 (16.9% of revenue) breaking its downward trajectory from last few quarters each grew 2.7% sequentially in Q4FY17. Top 2-5 grew in Q4FY17 by 1.3% sequentially while top 6-10 grew 2.7% sequentially after decline in Q3FY17. Active customer base as on Q4FY17 was at 1323 (vs. 1223 in Q4FY16) with addition of 51 new customers during the quarter. Revenue per active client came in at US\$1.48 million vs. US\$1.51 million in Q3FY17.

Exhibit 3: Sequentially, clients contributing >\$1 million in revenues increased by 52 YoY

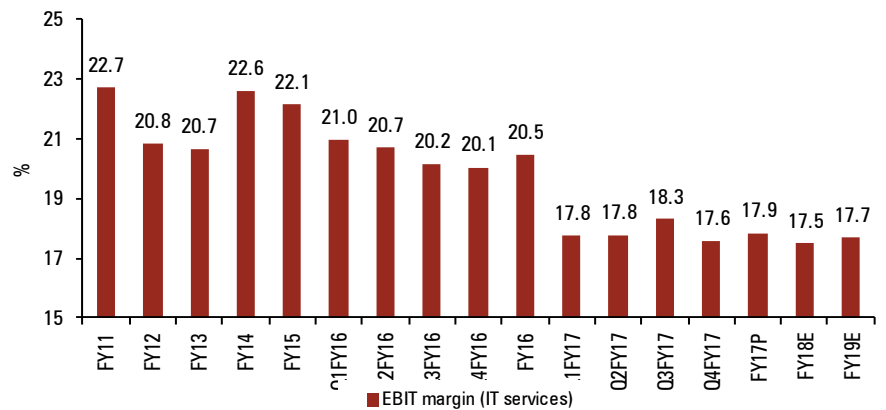


Source: Company, ICICIdirect.com Research

Margins aided by one-offs...

The company reported IT services EBIT margins at 18.3% flat QoQ. However, adjusting for sale of eco-energy division (₹ 408 crore) and impairment charges related to HPS acquisition (₹ 240 crore) margins were at 17.6%. Margins were impacted by integration of Appirio (down 40 bps) offset by operational efficiency. Margins are expected to decline in Q1FY18E due to weaker revenues, rupee appreciation, deduction of one-off gains in Q4 and wage hike in June 2017. Overall, we expect IT services EBIT margin to remain at 17.5%, 17.7% in FY18E, FY19E, respectively.

Exhibit 4: IT services margin come in at 17.6%, adjusting for one-offs

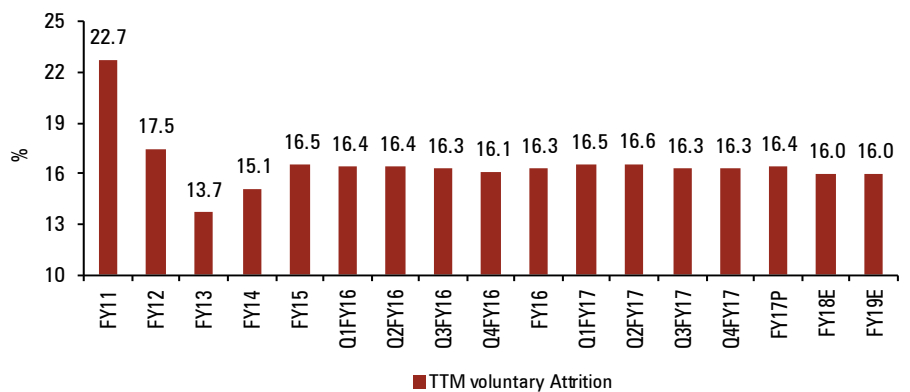


Source: Company, ICICIdirect.com Research

Net utilisation (ex-trainees) reaches peak at 84.8% in Q4...

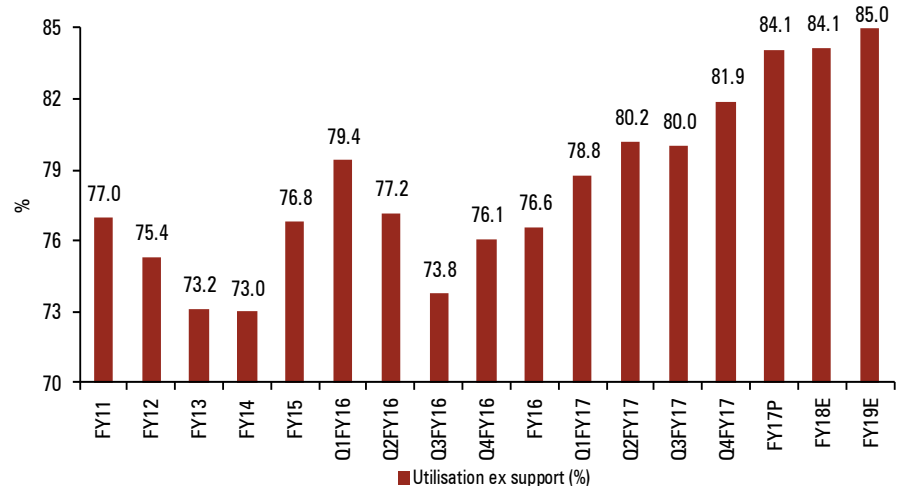
Utilisation (ex-trainees) expanded strongly by 290 bps QoQ to 84.8% reaching new heights. Gross utilisation continued to increase for six consecutive quarters. It increased 150 bps QoQ to 73.1% in Q4 after increasing 40 bps QoQ in Q3. At 16.3% TTM voluntary attrition remained flat QoQ while increasing 20 bps YoY and still remains at elevated levels.

Exhibit 5: At 16.3%, attrition though stable continues to be at elevated levels...



Source: Company, ICICIdirect.com Research

Exhibit 6: Utilisation reaches record highs...



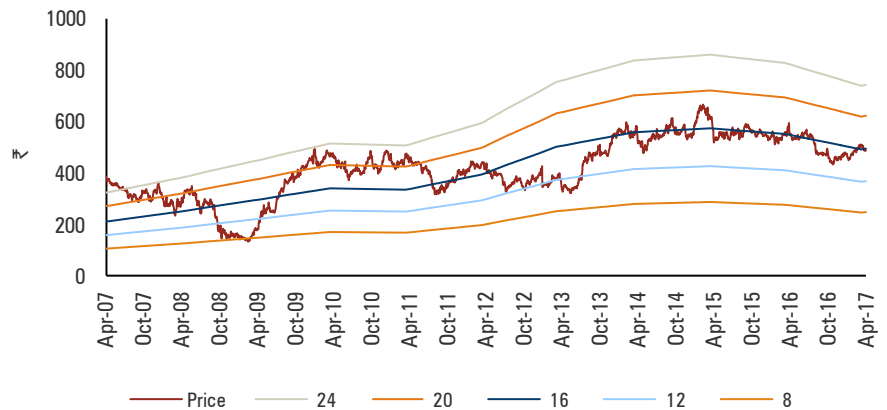
Source: Company, ICICIdirect.com Research

Outlook and valuation

Wipro reported a strong quarter with dollar revenue growth above our expectation while margins were in line with our estimates. Guidance of -2%-0% for Q1FY18E was disappointing. Reported currency revenue growth was led by manufacturing & technology (grew 5.3% QoQ), finance solutions (grew 4.4% QoQ) among verticals. Geography-wise, Europe lead the growth (grew 6.4% QoQ) followed by America (grew 1.4% QoQ).

At the current market price, Wipro is trading at attractive valuations of 13x FY19E EPS. Furthermore, the recent announcement of bonus shares & buyback in July, 2017 may restrict further downside in share price. However, due to its muted revenue growth and guidance, we anticipate Wipro's earnings will remain under pressure for the next few quarters. We expect Wipro to report slower rupee revenue CAGR of 2.9% in FY17-19E with average EBIT margins at 16.5%. We have rolled over our valuation to FY19E. We maintain our **HOLD** recommendation on the stock with a revised target price of ₹ 500/share (13.5x FY19E).

Exhibit 7: One year forward rolling PE



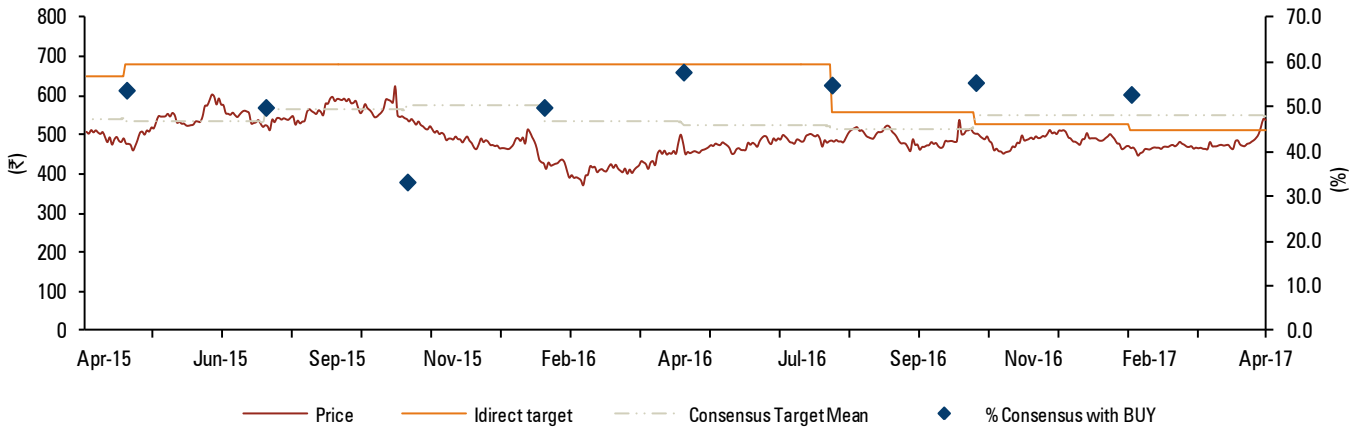
Source: Company, ICICIdirect.com Research

Exhibit 8: Valuation

	Sales (₹ cr)	Growth (%)	EPS (₹)	Growth (%)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY16	51,244	9.1	36.1	2.8	23.2	16.5	18.3	19.4
FY17P	55,418	8.1	35.2	(2.4)	19.8	13.6	21.6	22.7
FY18E	55,164	(0.5)	34.1	(3.1)	15.6	10.8	22.7	25.6
FY19E	58,708	6.4	38.2	12.0	13.7	9.9	19.1	19.6

Source: Company, ICICIdirect.com Research

Recommendation History vs. Consensus



Source: Bloomberg, Company, ICICIdirect.com Research

Key events

Date	Event
Jul-14	Reports in line quarter (1.2% dollar revenue growth) but below industry average. Guides for 0.7-4% growth during Q2FY15E
Jan-15	Signs multi-year, \$400 million deal with Swiss engineering company, ABB for application maintenance and infrastructure services as per media sources
Apr-15	Delivers mixed set of Q4FY15 earnings. Revenue growth was below our estimates while margins surprised positively
Jul-15	Delivers steady Q1FY16. Constant currency revenues were in line with estimates while dollar revenues were higher led by a favourable cross currency
Oct-15	Reports in line Q2FY16 quarter while guidance was okay. IT services \$ revenues grew 2.1% QoQ to \$1,831.9 million, inline our growth estimate
Jul-16	Greater Toronto Airports Authority Awards Futuristic IT and Business Transformation Contract to Wipro
Sep-16	Wipro wins a three-year IT contract from NSB Group, one of Norway's largest transportation groups. This engagement reiterates Wipro's continued focus and investments in Norway and the Nordic region.
Sep-16	Wipro and Witbe enter into Global Partnership to Offer End-To-End Test Automation and Services Monitoring Deployment Solutions
Jan-17	Wipro announces retirement of TK Kurien effective from January 31, 2017. Mr Kurien served as Wipro CEO for five years before being elevated as Vice Chairman in early 2016.
Jan-17	Wipro partners and Invests in Tradeshift to offer business process as a service (BPaaS) solution
Mar-17	Wipro completes sale of its EcoEnergy division on March 1, 2017. Impact of the sale is expected to reflect in Q4FY17 financials.
Mar-17	Wipro wins a 12 year contract from NHS Scotland for next generation Enterprise master patient index (eMPI) solution
Apr-17	Government directs Wipro to develop a blueprint for enabling Aadhar-based biometric access for domestic flyers at all Airports across India. Wipro is expected to report by early May and then airports would begin the process whereby a passenger's thumb is all the identification required to fly domestic routes

Source: Company, ICICIdirect.com Research

Top 10 Shareholders

Rank	Name	Latest Filing Date	% O/S	Position (m)	Change (m)
1	Premji (Azim Hasham)	31-Dec-16	55.4%	1,368.9	0.0
2	Azim Premji Trust	31-Dec-16	16.2%	399.1	0.0
3	Life Insurance Corporation of India	31-Dec-16	2.5%	61.7	0.1
4	ICICI Prudential Asset Management Co. Ltd.	28-Feb-17	1.9%	47.2	2.0
5	Stewart Investors	28-Feb-17	1.3%	33.1	0.0
6	Jupiter Asset Management Ltd.	31-Dec-16	1.3%	30.8	30.8
7	BlackRock Institutional Trust Company, N.A.	31-Mar-17	0.8%	19.8	0.8
8	The Vanguard Group, Inc.	28-Feb-17	0.5%	12.2	0.0
9	PineBridge Investments Asia Limited	30-Jun-16	0.4%	11.0	10.6
10	APG Asset Management	31-Dec-15	0.4%	10.3	-1.5

Source: Reuters, ICICIdirect.com Research

Shareholding Pattern

(in %)	Sep-16	Dec-16	Mar-17
Promoter	73.25	73.25	73.25
Public	26.17	26.18	26.19
Others	0.58	0.57	0.56
Total	100.00	100.00	100.00

Recent Activity

Buys			Sells		
Investor name	Value	Shares	Investor name	Value	Shares
Jupiter Asset Management Ltd.	215.0m	30.8m	Lyxor Asset Management	-18.4m	-2.3m
T. Rowe Price International (UK) Ltd.	40.3m	5.1m	Union Investment Luxembourg S.A.	-4.7m	-0.7m
ICICI Prudential Asset Management Co. Ltd.	14.6m	2.0m	Somerset Capital Management, L.L.P.	-3.6m	-0.5m
Norges Bank Investment Management (NBIM)	8.1m	1.2m	Morgan Stanley Investment Management (India) Pvt. Ltd.	-2.0m	-0.3m
City of London Investment Management Co. Ltd.	6.4m	0.9m	Robeco Institutional Asset Management B.V.	-1.4m	-0.2m

Source: Reuters, ICICIdirect.com Research

Financial summary

Profit and loss statement		₹ Crore			
	FY16	FY17P	FY18E	FY19E	
Total Revenues	51,244	55,418	55,164	58,708	
Growth (%)	9.1	8.1	(0.5)	6.4	
COGS	35,672	39,154	39,105	41,463	
Other Expenditure	4,771	4,915	4,912	5,222	
EBITDA	11,187	11,517	10,893	11,769	
Growth (%)	3.3	2.9	(5.4)	8.0	
Depreciation	1,485	2,070	2,041	2,172	
Other Income	2,338	2,166	2,483	3,028	
Exchange difference	163	28	28	28	
F.income	(558)	(518)	(550)	(550)	
Pft. from associates	-	-	-	-	
PBT	11,482	11,094	10,785	12,075	
Growth (%)	2.8	(3.4)	(2.8)	12.0	
Tax	2,531	2,521	2,481	2,777	
PAT before Minority int.	8,951	8,573	8,305	9,298	
Minority int.	49	25	25	25	
PAT	8,902	8,548	8,280	9,273	
EPS	36.1	35.2	34.1	38.2	
EPS (Growth %)	2.8	(2.4)	(3.1)	12.0	

Source: Company, ICICIdirect.com Research

Balance sheet		₹ Crore			
	FY16	FY17P	FY18E	FY19E	
Liabilities					
Equity	494	494	494	494	
Reserves & Surplus	46,114	54,092	58,381	63,378	
Networth	46,608	54,586	58,875	63,872	
Minority Interest	222	247	272	297	
Debt - long term	1,736	1,736	1,736	1,736	
Debt - short term	10,786	8,313	8,275	8,806	
Deferred Tax Liability	511	511	511	511	
Other liabilities & provisions	1,559	1,559	1,559	1,559	
Source of funds	61,422	66,951	71,227	76,781	
Assets					
Goodwill	10,199	10,199	10,199	10,199	
Intangible Assets	1,584	1,610	1,572	1,532	
PPE	6,495	5,973	5,472	4,938	
O.non current assets	3,164	3,164	3,164	3,164	
Investments	491	491	491	491	
Debtors	10,238	10,411	10,143	11,731	
Cash & Cash equivalents	9,905	17,263	23,141	27,056	
Investments - short term	13,862	13,862	13,862	13,862	
O.current assets	16,554	14,554	14,490	15,371	
Trade Payable	6,819	6,054	6,802	6,829	
OCL & Provisions	4,251	4,521	4,505	4,734	
Application of funds	61,422	66,951	71,227	76,781	

Source: Company, ICICIdirect.com Research

Cash flow statement		₹ Crore			
	FY16	FY17P	FY18E	FY19E	
PAT before minority int.	8,941	8,573	8,305	9,298	
Depreciation	1,497	2,070	2,041	2,172	
(inc)/dec in Current Assets	(1,212)	1,828	331	(2,469)	
(inc)/dec in current Liabilities	597	(2,968)	694	788	
Taxes paid	(2,694)	(2,521)	(2,481)	(2,777)	
CF from operations	7,887	7,687	9,437	7,311	
Other Investments	(12,498)	2,166	2,483	3,028	
(Purchase)/Sale of Fixed Assets	(1,317)	(1,509)	(1,502)	(1,598)	
CF from investing Activities	(13,816)	657	981	1,430	
Inc / (Dec) in Equity Capital	0	-	-	-	
Inc / (Dec) in sec.loan Funds	3,525	-	-	-	
Dividend & Dividend tax	(3,684)	(1,088)	(4,540)	(4,825)	
CF from Financial Activities	(159)	(1,088)	(4,540)	(4,825)	
Exchange rate differences	55	168	-	-	
Opening cash balance	15,871	9,839	17,263	23,141	
Closing cash	9,839	17,263	23,141	27,056	

Source: Company, ICICIdirect.com Research

Key ratios		FY16			
	FY16	FY17P	FY18E	FY19E	
Per share data (₹)					
EPS	36.1	35.2	34.1	38.2	
BV	189.0	225.0	242.7	263.3	
DPS	6.0	2.0	14.0	15.0	
Operating Ratios					
EBIT Margin	18.9	17.0	16.0	16.3	
PAT Margin	17.4	15.4	15.0	15.8	
Debtor days	73	69	67	73	
Creditor days	49	40	45	42	
Return Ratios (%)					
RoE	19.1	15.7	14.1	14.5	
RoCE	19.6	17.3	15.9	16.4	
RoIC	39.9	42.1	42.4	42.7	
Valuation Ratios (x)					
P/E	13.7	14.0	14.5	12.9	
EV / EBITDA	9.9	8.7	8.7	7.8	
EV / Net Sales	2.2	1.8	1.7	1.6	
Market Cap / Sales	2.4	2.2	2.2	2.1	
Price to Book Value	2.6	2.2	2.0	1.9	
Solvency Ratios					
Debt/EBITDA	1.1	0.9	0.9	0.9	
Debt / Equity	0.3	0.2	0.2	0.2	
Current Ratio	2.4	2.4	2.2	2.3	
Quick Ratio	2.4	2.4	2.2	2.3	

Source: Company, ICICIdirect.com Research

ICICIdirect.com coverage universe (IT)

Sector / Company	CMP			M Cap (₹ Cr)	EPS (₹)			P/E (x)			EV/EBITDA (x)			RoCE (%)			RoE(%)		
	(₹)	TP(₹)	Rating		FY16	FY17P	FY18E	FY16	FY17P	FY18E	FY16	FY17P	FY18E	FY16	FY17P	FY18E	FY16	FY17P	FY18E
Cyient (INFENT)	540	580	Hold	6,080	29.0	30.5	35.9	18.6	17.7	15.0	12.7	10.7	9.4	20.3	20.0	20.3	17.1	16.3	17.1
Eclerx (ECLSER)	1,379	1,300	Sell	5,685	87.9	86.1	92.6	15.7	16.0	14.9	10.6	10.7	9.6	42.6	34.8	34.2	33.5	28.5	26.7
Firstsource (FIRSOU)	41	46	Buy	2,722	3.8	4.3	4.6	10.5	9.3	8.6	7.9	6.6	5.4	11.7	12.5	12.9	12.9	12.0	11.6
HCL Tech (HCLTEC)	831	950	Buy	117,312	40.0	58.1	64.6	16.6	10.2	8.8	3.5	2.3	2.0	35.9	51.5	54.3	23.5	30.3	32.5
Infosys (INFTEC)	930	1,060	Buy	212,554	59.0	62.8	64.6	15.8	14.8	14.4	10.4	9.3	9.6	30.2	28.8	31.0	21.8	20.8	22.3
KPIT Tech (KPISYS)	130	150	Hold	2,587	14.1	11.5	14.8	9.2	11.3	8.8	5.5	7.2	5.3	23.7	18.0	20.7	20.4	14.6	16.3
Mindtree (MINCON)	442	485	Hold	7,422	35.9	24.9	29.1	12.3	17.7	15.2	8.4	9.1	8.2	31.1	21.1	23.9	25.2	16.0	18.0
NIIT Technologies (NIITEC)	427	450	Hold	1,530	45.8	39.9	45.6	9.3	9.8	9.4	2.4	2.3	1.9	28.6	24.9	25.0	17.6	13.8	14.2
Persistent (PSYS)	567	725	Buy	4,535	37.2	40.0	47.0	18.3	17.0	14.5	11.2	9.3	7.4	27.9	27.3	28.1	21.2	20.4	20.7
TCS (TCS)	2,290	2,400	Hold	448,542	122.9	133.4	135.0	18.6	17.2	16.9	13.7	12.6	12.4	42.2	38.0	40.9	33.1	29.7	32.2
Tech Mahindra (TECMAH)	438	525	Buy	43,042	31.7	33.6	40.4	13.8	13.0	10.8	9.0	9.1	7.5	25.5	23.6	25.3	21.7	18.6	19.8
Wipro (WIPRO)	494	500	Hold	121,676	36.1	35.2	34.1	13.7	14.0	14.5	9.9	8.7	8.7	19.6	17.3	15.9	19.1	15.7	14.1

Source: Company, ICICIdirect.com Research

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