

May 12, 2017

HCL Technologies (HCLTEC)

₹ 850

In line quarter; slowdown in organic growth

- HCL Tech reported its Q4FY17 operating performance in line with our estimates. US\$ revenues grew 4.1% QoQ to \$1,817 million, in line with 4.2% growth and \$1,818 million estimate
- Revenues in rupees grew 2.0% QoQ to ₹ 12,053 crore, below our 3% QoQ growth and ₹ 12,164 crore estimate
- At 20.0%, EBIT margins declined 40 bps QoQ, largely in line with our estimate of 20.1%
- PAT of ₹ 2,325 crore was above our ₹ 2,077 crore estimate led by lower-than-expected tax expenses (on account of tax reversal worth ₹ 303 crore for previous years)
- The company announced an interim dividend of ₹ 6/share

Revenue guidance on back of acquisitions...

HCL Tech's constant currency (CC) revenue grew 3.8% QoQ vs. 3% in Q3 primarily driven by acquisitions as Butler (full quarter consolidation), Geometric (one month consolidation) & IP partnerships came into play. Adjusting for the acquisitions, organic growth was only 1.3% QoQ. The management said it would continue its strategy on niche acquisitions while optimistic on existing acquisitions and IP led partnerships to play their part in revenue contribution. Going ahead, the management gave CC revenue growth guidance in the range of 10.5-12.5% translating into 9.9-11.9% in US\$ terms (based on March 2017 end rates). The guidance implies CQGR of ~2.2-2.9% in the next four quarters. However, adjusting for incremental contribution from acquisition in FY18, organic revenue growth works out to ~5.5-7.5% for FY18E, slightly lower than its peers. Hence, we expect US\$ revenues to grow at 10.1% CAGR in FY17-19E.

Traction in Mode 2 and 3...

HCL Tech said the strong growth in FY17 may be attributed to its differentiated mode 1-2-3 growth strategy. US\$ revenues were at \$6975 million, posting growth of 11.9% over FY16. Mode 2 and 3, which focus on new growth areas like Digital, Cloud, Security and IoT along with Products and Platforms together now contribute 18.6% to revenues (vs. 15.9% in FY16) grew 30.9% YoY in FY17. Going ahead, the management expects to enhance its capabilities in Mode 2 and 3 services helping it to deliver industry leading growth.

Margin guidance meets expectation; maintains 19.5-20.5% for FY18E...

At 20.0%, EBIT margins fell 40 bps QoQ on account of currency headwind (50 bps adverse impact), SG&A expense (up 2.9% QoQ) & acquisition integration were offset by operational efficiency. Reiterating FY17 margin guidance, the management expects margins in the range of 19.5-20.5% in FY18E. The margin guidance is assuming US\$/INR rate at 65.5 in FY18E. We expect EBIT margins to be 19.9%, 20.0% in FY18E, FY19E.

Modest organic growth & IMS slowdown lead to cut in estimates...

HCL Tech's management expects constant currency revenue growth to be in the range of 10.5-12.5%, implying organic growth to be in the range of 5.5-7.5% for FY18E. Modest organic growth forecast, slowdown in IMS growth in the last three quarters (due to delay in client decision making) have resulted in downgrades in our estimates. We expect HCL Tech to report revenue, PAT CAGR of 9.3%, 4.0% in FY17-19E. We have rolled over our valuation to FY19E with a **HOLD** recommendation and a revised target price of ₹ 930 (14x FY19 EPS).

Rating matrix	
Rating	: Hold
Target	: ₹ 930
Target Period	: 12 months
Potential Upside	: 9%

What's Changed?	
Target	Changed from ₹ 950 to ₹ 930
EPS FY18E	Changed from ₹ 64.6 to ₹ 59.6
EPS FY19E	Introduced at ₹ 66.6
Rating	Changed from Buy to Hold

Quarterly Performance					
	Q4FY17	Q4FY16	YoY (%)	Q3FY17	QoQ (%)
Revenue	12,053	10,698	12.7	11,814	2.0
EBIT	2,416	2,222	8.7	2,408	0.3
EBIT (%)	20.0	20.8	-73 bps	20.4	-34 bps
PAT	2,325	1,926	20.7	2,070	12.3

Key Financials				
₹ Crore	FY16	FY17P	FY18E	FY19E
Net Sales	40,913	46,723	49,931	55,837
EBITDA	8,226	9,475	9,956	11,143
Net Profit	7,354	8,457	8,193	9,153
EPS (₹)	52.1	60.0	59.6	66.6

Valuation summary				
	FY16	FY17P	FY18E	FY19E
P/E	16.3	14.2	14.3	12.8
Target P/E	17.9	15.5	15.6	14.0
EV / EBITDA	12.6	10.3	9.7	8.5
P/BV	4.4	3.8	3.6	3.4
RoNW (%)	26.9	26.6	25.1	26.9
RoCE (%)	31.2	30.3	30.6	33.1

Stock data	
Particular	Amount
Market Capitalization (₹ Crore)	119,994.4
Total Debt (₹ Crore)	951.8
Cash (₹ Crore)	9,820.2
EV (₹ Crore)	111,126.1
52 week H/L	890 / 707
Equity capital	282.1
Face value	₹ 2

Price performance (%)				
	1M	3M	6M	12M
TCS	(2.4)	8.0	1.6	(5.2)
Infosys	(6.1)	2.4	(4.4)	(21.3)
Wipro	(2.5)	10.1	9.6	(7.6)
HCL Tech	(2.3)	2.5	9.2	13.8

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Variance analysis

	Q4FY17	Q4FY17E	Q4FY16	YoY (%)	Q3FY17	QoQ (%)	Comments
Revenue	12,053	12,164	10,698	12.7	11,814	2.0	Dollar revenues grew 4.1% QoQ to US\$1,817 million in line with our 4.1% growth estimate
Cost of sales (including employee expenses)	7,987	8,077	6,961	14.7	7,809	2.3	
Gross Margin	4,066	4,087	3,737	8.8	4,005	1.5	
Gross margin (%)	33.7	33.6	34.9	-120 bps	33.9	-17 bps	
Selling & marketing costs	1,417	1,423	1,358	4.3	1,377	2.9	
EBITDA	2,649	2,664	2,379	11.3	2,628	0.8	
EBITDA Margin (%)	22.0	21.9	22.2	-26 bps	22.2	-27 bps	
Depreciation	233	220	157	48.4	220	5.9	
EBIT	2,416	2,444	2,222	8.7	2,408	0.3	
EBIT Margin (%)	20.0	20.1	20.8	-73 bps	20.4	-34 bps	EBIT margin declined 40 bps QoQ with currency adversely impacting by 50 bps offset by operational efficiency
Other income	215	204	200	NM	231	-6.9	
PBT	2,631	2,648	2,422	8.6	2,639	-0.3	
Tax paid	303	570	497	-39.0	568	-46.7	
PAT	2,325	2,077	1,926	20.7	2,070	12.3	PAT was above our expectation on account of tax reversal

Key Metrics							
Closing employees	115,973	111,000	104,896	10.6	111,092	4.4	Headcount increased by 4,881 sequentially
Attrition - IT Services (%)	16.9	18.0	17.3	-40 bps	17.9	-100 bps	
Blended Utilisation (%)	85.7	85.0	85.6	10 bps	84.6	110 bps	
Average \$/₹	66.3	66.9	67.4	-1.6	67.7	-2.0	

Source: Company, ICICIdirect.com Research

Change in estimates

	FY18E			FY19E		
(₹ Crore)	Old	New	% Change	Introduced	Comments	
Revenue	53,839	49,931	-7.3	55,837		
EBIT	10,742	9,956	-7.3	11,143		
EBIT Margin (%)	20.0	19.9	-8 bps	20.0		
PAT	8,896	8,193	-7.9	9,153		
EPS (₹)	64.6	59.6	-7.7	66.6	Revise our estimates owing to margin revision estimates	

Source: Company, ICICIdirect.com Research

Assumptions

	FY14	FY15	FY16	FY17P	Current FY18E	Earlier FY18E	Introduced FY19E
Closing employees	91,691	106,107	104,896	115,973	133,883	135,068	141,052
Attrition - IT Services (%)	16.6	16.4	16.7	17.8	18.0	15.8	17.5
Blended Utilisation (%)	84.4	82.8	84.6	85.4	84.9	84.5	86.3
Average \$/₹	61.4	62.3	65.6	67.0	65.0	68.0	66.0

Source: Company, ICICIdirect.com Research

Conference call highlights...

- **FY18E revenue outlook** – The management expects constant currency revenue growth to be in the range of 10.5-12.5% translating into 9.9-11.9% in US\$ terms (based on March 2017 end rates). They sounded optimistic on the revenue contribution from acquisitions and IP led partnerships and said its strategy on niche acquisitions will continue. HCL Tech would be investing ~US\$560 million in three strategic IP partnerships. Of this, ~60% has been invested by HCL Tech while the remaining would be invested in the coming years
- **FY18E margin guidance** - In terms of operating profit (EBIT) guidance, HCL maintained its guidance at 19.5-20.5% for FY18E. Margins were impacted mainly on account of acquisition integration and currency headwind (50 bps impact)
- **Mode 2 and 3 to drive growth-** Mode 2 and 3, which focus on new growth areas like Digital, Cloud, Security and IoT along with products and platforms grew 30.9% YoY in FY17. About 62% of top 150 clients are engaged with Mode 2 services
- **IMS slowdown-** IMS registered marginal growth of 0.9% (CC terms) in the quarter leading to an average growth of 2.5% since last 3 quarters. The softness was on account of a delay in client decision making during December-February. However, the management believes there is no fundamental change other than a little impact in decision making
- **Deal signings-** It has signed eight large transformational deals during the quarter leading to a total of 42 in FY17. The management sees huge demands by clients for newer technologies supported by its mode 2 and mode 3. They expect deals to come up in this area with significant spend on Digital led deals offsetting traditional spends to continue
- **Employee update-** Gross additions during the quarter were 10,605 vs. 8,467 in Q3FY17 with total headcount at 1,15,973. Attrition in IT services declined 100 bps QoQ to 16.9% while blended utilisation (in-trainees) increased 110 bps sequentially to 85.7%
- **US local hiring** – The management highlighted that out of 12,000 employee workforce in US, ~50% are locals. This makes the company well placed to mitigate any H-1B visa challenges that may emerge
- **Cash position-** Cash & cash equivalents were at US\$1,955 million. DSO days excluding unbilled revenues were at 63 days vs. 66 days YoY

Company Analysis

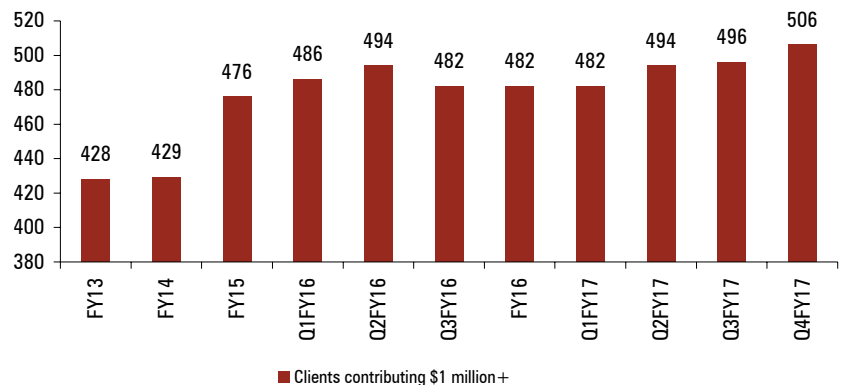
Broad based growth across revenue segments...

Constant currency revenue growth of 3.8% in the quarter was broad-based across revenue segments. Among geographies, RoW (9.7% of revenue) led growth with 15.8% QoQ on top of 0.5% decline in Q3 followed by Americas (62.6%), which grew 5.3% QoQ while Europe (27.7% of revenue) declined 3% in the quarter. Among verticals, growth was driven by public services (11.7% of revenue), which grew 8.1% QoQ followed by manufacturing (34.6% of revenue), which grew 6.3% QoQ and financial services (24.2% of revenue) and retail & CPG (9.2% of revenue), which grew 3% and 2.1% QoQ, respectively. Lifesciences & healthcare (11.5% of revenue) grew marginally by 0.1% while telecom (8.4% of revenue) declined 2.1% QoQ. Among services, engineering and R&D services (20.5% of revenue) led growth with 14.6% QoQ followed by application services (36.8% of revenue), which grew 1.8% QoQ and infrastructure services (38.8% of revenue) that grew 0.9% QoQ. Engineering and R&D services grew strong during the quarter led by higher contribution from IP-led partnership. The management is witnessing good traction in Europe mainly in Netherlands & Switzerland.

Top 11-20 clients' records highest growth rate of 10.3% in quarter...

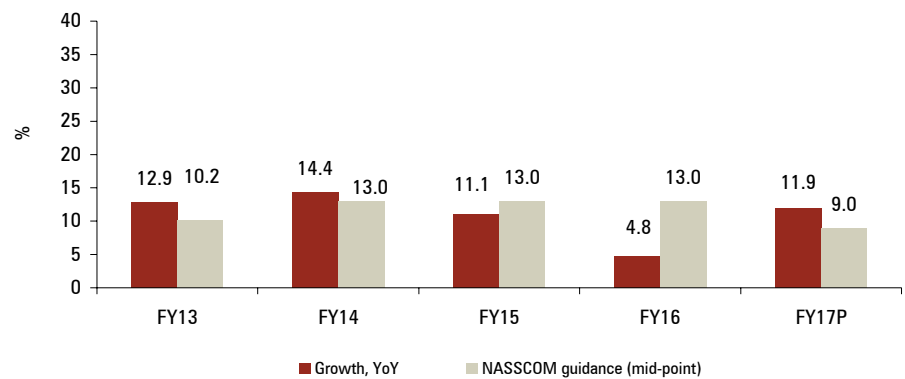
Revenues from top five customers grew strongly with 7.8% QoQ vs. 4.2% in Q3. Top 6-10 customer revenues grew 2.7% QoQ on top of 2.6% decline in Q3. Top 11-20 accounts registered growth of 10.3% QoQ, highest in the last four to five years. Number of clients remained flat in \$100 million+ bucket. Transition of five clients took place in \$1-5 million, seven to \$10-20 million and one to \$50-100 million category while three clients scaled down in \$20-30 million and two in \$40-50 million category.

Exhibit 1: Clients contributing \$1 million+ increased by 10 QoQ



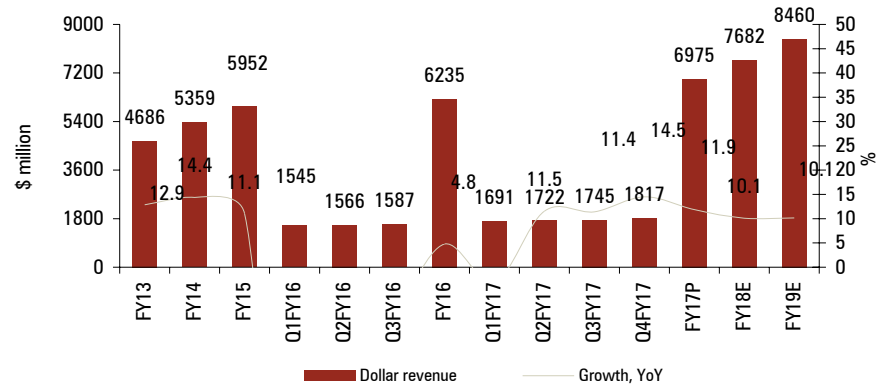
Source: Company, ICICIdirect.com Research

Exhibit 2: HCL grows above Nasscom guidance in FY17



Source: Company, ICICIdirect.com Research

Exhibit 3: Dollar revenues may grow at 10.1% CAGR during FY17-19E

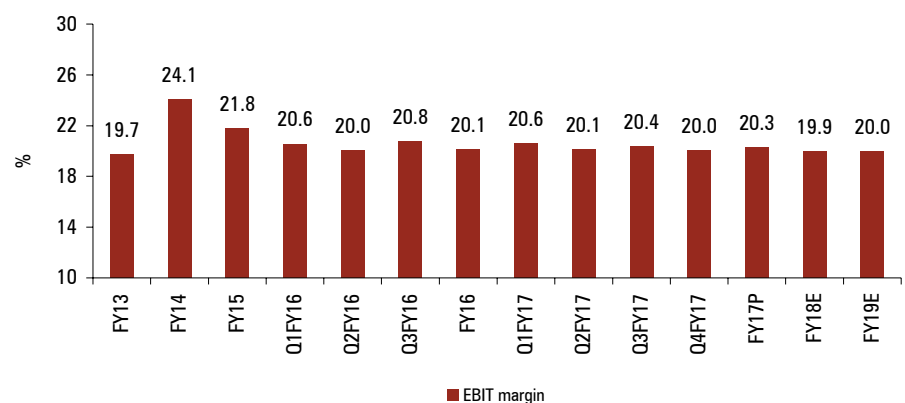


Source: Company, ICICIdirect.com Research

Reiterated its margin guidance of 19.5-20.5% for FY18E...

At 20.0%, EBIT margins declined 40 bps QoQ on account of currency headwind (50 bps impact), SG&A expense (up 2.9% QoQ), acquisition integration offset by operational efficiency. Upholding FY17 margin guidance, the management expects margins to be in range of 19.5-20.5% in FY18E. Consequently, we expect EBIT margins at 19.9%, 20.0% in FY18E, FY19E, respectively.

Exhibit 4: EBIT margins decline 40 bps QoQ, maintains 19.5-20.5% for FY18E

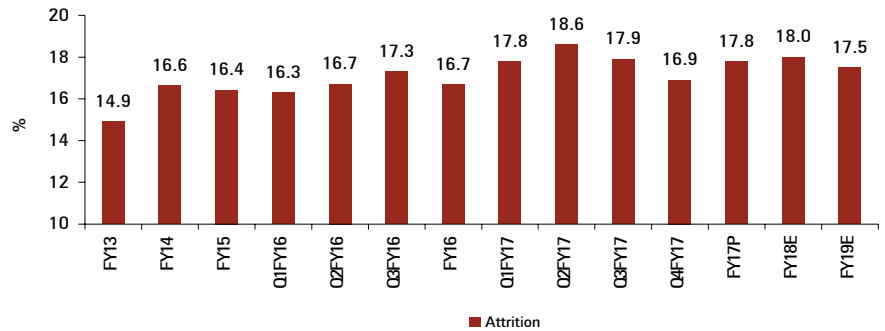


Source: Company, ICICIdirect.com Research

IT services attrition declines for two consecutive quarters...

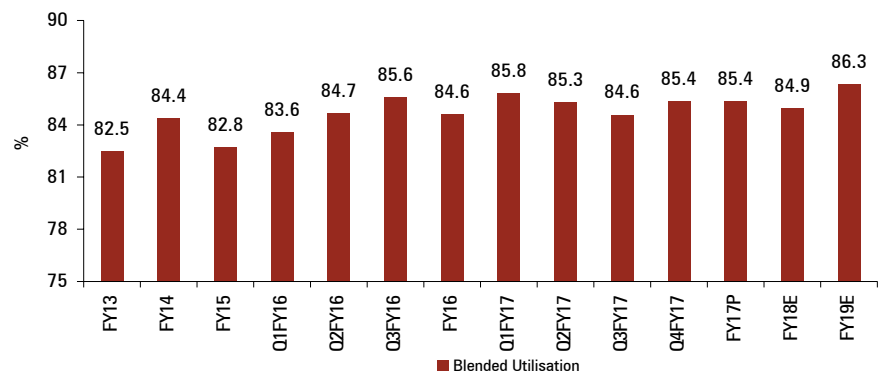
Q4FY17 IT services attrition declined 100 bps QoQ to 16.9% (LTM) vs. decline of 70 bps QoQ in Q3 and has been on a declining mode for two consecutive quarters. The management attributed this decline to differentiated employee engagement practices, underlined by a focus on next-gen learning and development. However, quarterly attrition in business services increased 50 bps to 5.8%. Blended utilisation (including trainees) witnessed an up-tick of 110 bps QoQ to 85.7% vs. decline of 70 bps QoQ in Q3 and was a partial factor to offset the decline in margins in the quarter.

Exhibit 5: Attrition declined 100 bps QoQ due to better employee engagement practices



Source: Company, ICICIdirect.com Research

Exhibit 6: Utilisation increases 110 bps QoQ partly offsetting decline in margins



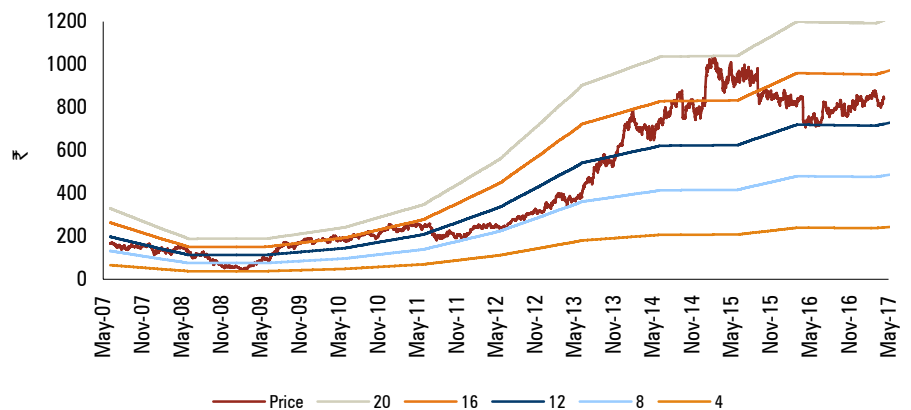
Source: Company, ICICIdirect.com Research

Outlook and valuation

HCL Tech reported its Q4FY17 operating performance in line with our estimates while PAT came in above our expectation on account of tax reversal. In terms of FY18E revenue guidance, HCL Tech gave industry leading growth guidance with constant currency revenue growth to be in the range of 10.5-12.5%. Growth in constant currency was driven by Americas and RoW, which grew sequentially by 5.3% and 15.8%, respectively, among geographies while among verticals, financial services and manufacturing grew sequentially by 3% and 6.3% respectively. Application services and engineering & R&D among services grew sequentially by 1.8% and 14.6%, respectively, in the quarter.

HCL Tech's management expects constant currency revenue growth to be in the range of 10.5-12.5%, which implies organic growth to be in the range of 5.5-7.5% for FY18E. Modest organic growth forecast, slowdown in IMS growth in the last three quarters (due to a delay in client decision making) result in a downgrades to our estimates. We expect HCL Tech to report revenue, PAT CAGR of 9.3%, 4.0%, respectively, in FY17-19E. We have rolled over our valuation to FY19E with a HOLD recommendation and a revised target price of ₹ 930 (14x FY19 EPS).

Exhibit 7: One year forward rolling PE



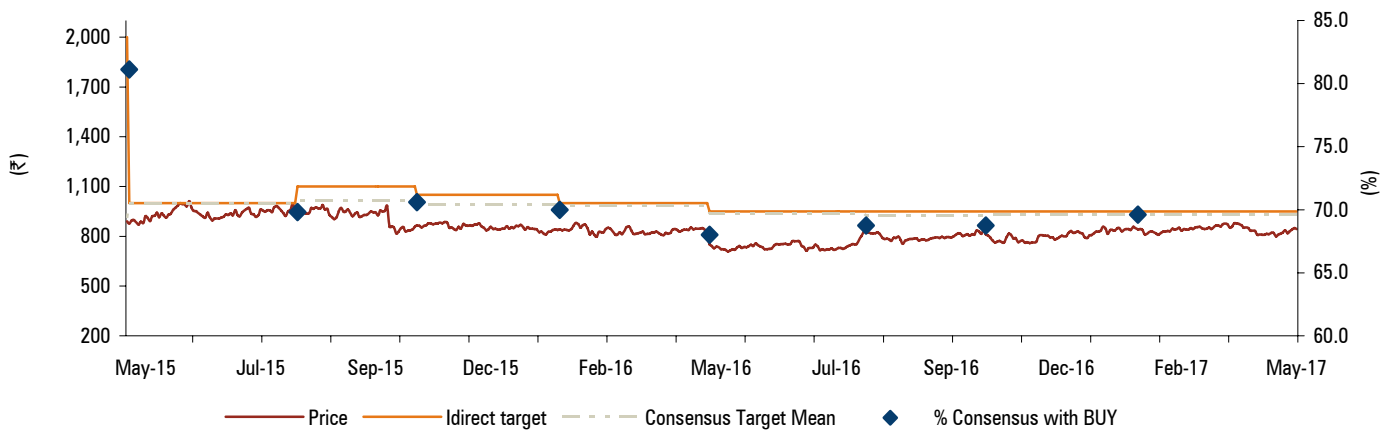
Source: Company, ICICIdirect.com Research

Exhibit 8: Valuation

	Sales (₹ cr)	Growth (%)	EPS (₹)	Growth (%)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY16	40,913	10.4	52.1	0.5	16.3	12.6	26.9	31.2
FY17P	46,723	14.2	60.0	15.2	14.2	10.3	26.6	30.3
FY18E	49,931	6.9	59.6	(0.7)	14.3	9.7	25.1	30.6
FY19E	55,837	11.8	66.6	11.7	12.8	8.5	26.9	33.1

Source: Company, ICICIdirect.com Research

Recommendation History vs. Consensus



Source: Bloomberg, Company, ICICIdirect.com Research

Key events

Date	Event
Oct-15	Reports soft Q1FY16 earnings. Dollar revenue growth in line with our estimates with adjusted EBIT margins better
Aug-16	CCI cleared the HCL-Geometric all equity swap deal worth \$260-270 million
Sep-16	Won a contract to provide application management services for Western Australia leading energy provider, Synergy
Sep-16	Company added into 15 year partnership with IBM for automation and development
Oct-16	According to media sources, HCL is the only Indian IT player among the six IT service providers shortlisted by the British Broadcasting Corporation (BBC) for a infrastructure management services (IMS) contract worth \$300 million
Jan-17	HCL Technologies completes acquisition of Butler America Aerospace in an all-cash deal of \$85 million, announced in October 2016
Jan-17	California based Culturesphere Inc, makes certain claims and allegations against HCL America Inc, wholly owned subsidiary of HCL Tech
Feb-17	Shows interest to invest ₹ 500 crore in Amaravati to deliver its IT and ITes services. HCL Tech may start its full scale operations by October 2018 and may create 5,000 jobs in Amaravati if all goes as per plan
Mar-17	Geometric Ltd announced a scheme of arrangement and amalgamation between Geometric, HCL Tech & 3D PLM Software Solutions, effective from March 2, 2017
Mar-17	Board approves the proposal for buyback of 3.5 crore shares (~2.5% of its paid-up equity shares) at ₹ 1,000 per share aggregating to ₹ 3,500 crore, through the tender offer route
Mar-17	Client MillerCoors sues HCL Tech for US\$100 million for breach of contract. MillerCoors claims HCL Tech failed to meet project deadlines and was unable to adequately staff the project

Source: Company, ICICIdirect.com Research

Top 10 Shareholders

Rank	Name	Latest Filing Date	% O/S	Position (m)	Change (m)
1	Vamasundari Investments (Delhi) Pvt. Ltd.	23-Mar-17	41.2%	587.4	-12.7
2	HCL Holdings Pvt. Ltd.	31-Dec-16	16.8%	239.1	0.0
3	ICICI Prudential Asset Management Co. Ltd.	31-Mar-17	1.5%	21.8	-1.9
4	Life Insurance Corporation of India	31-Dec-16	1.4%	19.4	3.5
5	ICICI Prudential Life Insurance Company Ltd.	31-Dec-16	1.3%	18.4	18.4
6	Lazard Asset Management, L.L.C.	31-Mar-17	1.2%	17.6	0.3
7	The Vanguard Group, Inc.	31-Mar-17	1.1%	16.2	0.2
8	BlackRock Institutional Trust Company, N.A.	30-Apr-17	1.1%	16.2	0.2
9	Artisan Partners Limited Partnership	30-Jun-16	1.1%	15.6	15.6
10	Reliance Nippon Life Asset Management Limited	31-Mar-17	1.0%	14.8	0.0

Source: Reuters, ICICIdirect.com Research

Shareholding Pattern

(in %)	Sep-16	Dec-16	Mar-17
Promoter	60.36	60.36	59.68
Public	39.64	39.64	40.32
Others	0.00	0.00	0.00
Total	100.00	100.00	100.00

Recent Activity

Buys			Sells		
Investor name	Value	Shares	Investor name	Value	Shares
ICICI Prudential Life Insurance Company Ltd.	224.49m	18.42m	Vamasundari Investments (Delhi) Pvt. Ltd.	-171.31m	-12.70m
Life Insurance Corporation of India	42.54m	3.49m	Lyxor Asset Management	-28.96m	-2.15m
Causeway Capital Management LLC	15.29m	1.25m	ICICI Prudential Asset Management Co. Ltd.	-25.83m	-1.91m
BNP Paribas Investment Partners Asia Ltd.	11.83m	0.94m	HDFC Asset Management Co., Ltd.	-14.81m	-1.10m
RAM Active Investments S.A.	8.61m	0.71m	Columbia Threadneedle Investments (US)	-11.32m	-0.93m

Source: Reuters, ICICIdirect.com Research

Financial summary

Profit and loss statement		₹ Crore			
	FY16	FY17P	FY18E	FY19E	
Total operating Income	40,913	46,723	49,931	55,837	
Growth (%)	10.4	14.2	6.9	11.8	
Direct costs	26,901	30,889	33,004	36,853	
S,G&A expenses	5,217	5,524	5,992	6,756	
Total Operating Expenditure	32,118	36,413	38,996	43,609	
EBITDA	8,795	10,309	10,935	12,228	
Growth (%)	3.8	17.2	6.1	11.8	
Depreciation	569	771	899	1,005	
Amortisation	-	63	80	80	
Other Income	937	746	615	744	
PBT	9,163	10,221	10,571	11,887	
Forex adjustments	-	-	-	-	
Total Tax	1,883	1,952	2,379	2,734	
PAT	7,354	8,457	8,193	9,153	
Growth (%)	0.5	15.0	(3.1)	11.7	
EPS (₹)	52.1	60.0	59.6	66.6	
Growth (%)	0.5	15.2	(0.7)	11.7	

Source: Company, ICICIdirect.com Research

Cash flow statement		₹ Crore			
	FY16	FY17P	FY18E	FY19E	
PBT	9,163	10,221	10,571	11,887	
Depreciation & Amortisation	393	834	979	1,085	
(Inc)/dec in Current Assets	(1,604)	2,409	(987)	(189)	
Inc/(dec) in CL and Provisions	148	(1,484)	608	1,120	
Taxes paid	(1,400)	(1,952)	(2,379)	(2,734)	
CF from operating activities	6,062	9,470	8,178	10,425	
(Inc)/dec in Investments	(248)	746	615	744	
(Inc)/dec in Fixed Assets	(724)	(1,168)	(1,248)	(1,396)	
CF from investing activities	(2,154)	(422)	(633)	(652)	
Issue/(Buy back) of Equity	1	-	(3,500)	(3,500)	
Inc/(dec) in loan funds	481	(69)	(69)	(69)	
Dividend paid & dividend tax	(2,697)	(3,958)	(3,834)	(4,283)	
Inc/(dec) in debentures	-	-	-	-	
Others	(22)	-	-	-	
CF from financing activities	(2,237)	(4,027)	(7,403)	(7,852)	
Net Cash flow	1,671	5,021	141	1,921	
Exchange difference	(20)	-	-	-	
Opening Cash	1,338	2,989	8,010	8,152	
Bank bal + unclaimed dvd.	6,296	6,296	6,296	6,296	
Cash c/f to balance sheet	9,285	14,306	14,448	16,369	

Source: Company, ICICIdirect.com Research

Balance sheet		₹ Crore			
	FY16	FY17P	FY18E	FY19E	
Liabilities					
Equity Capital	282	282	275	275	
Reserve and Surplus	27,012	31,511	32,377	33,754	
Total Shareholders funds	27,294	31,794	32,652	34,029	
Total Debt	952	883	814	745	
Other liabilities + Provisions	841	784	807	850	
Minority Interest / Others	312	312	312	312	
Total Liabilities	29,398	33,772	34,585	35,936	
Assets					
Gross Block	15,198	16,366	17,615	19,011	
Less: Acc Depreciation	5,243	6,077	7,056	8,141	
Net Block	9,955	10,289	10,559	10,870	
Capital WIP	606	606	606	606	
Investments	321	321	321	321	
Liquid investments	535	535	535	535	
Inventory	264	227	242	242	
Debtors	7,682	6,580	7,031	7,031	
Loans and Advances	5,086	4,356	4,655	4,844	
Other Current Assets	3,754	3,215	3,436	3,436	
Cash	9,285	14,306	14,448	16,369	
Total Current Assets	26,071	28,684	29,812	31,922	
Trade payables	700	599	640	716	
Current liabilities	7,442	6,374	6,812	7,617	
Provisions - short	1,804	1,545	1,651	1,846	
Total Current Liabilities	9,246	7,919	8,463	9,464	
Other non current assets	1,856	1,856	1,856	1,856	
Application of Funds	29,398	33,772	34,585	35,936	

Source: Company, ICICIdirect.com Research

Key ratios		FY16	FY17P	FY18E	FY19E
Per share data (₹)					
EPS		52.1	60.0	59.6	66.6
Cash EPS		56.1	65.9	66.7	74.5
BV		193.2	225.6	237.6	247.6
DPS		16.0	24.0	27.9	31.2
Cash Per Share		65.7	101.5	105.1	119.1
Operating Ratios (%)					
EBIT Margin		20.1	20.3	19.9	20.0
PBT Margin		22.4	21.9	21.2	21.3
PAT Margin		18.0	18.1	16.4	16.4
Debtor days		69	51	51	46
Creditor days		6	5	5	5
Return Ratios (%)					
RoE		26.9	26.6	25.1	26.9
RoCE		31.2	30.3	30.6	33.1
RoIC		48.1	57.5	58.1	67.3
Valuation Ratios (x)					
P/E		16.3	14.2	14.3	12.8
EV / EBITDA		12.6	10.3	9.7	8.5
EV / Net Sales		2.7	2.3	2.1	1.9
Market Cap / Sales		2.9	2.6	2.4	2.1
Price to Book Value		4.4	3.8	3.6	3.4
Solvency Ratios					
Debt/EBITDA		0.1	0.1	0.1	0.1
Debt / Equity		0.0	0.0	0.0	0.0
Current Ratio		1.7	1.7	1.7	1.5
Quick Ratio		1.7	1.7	1.7	1.5

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)	537	580	Hold	6,046	29.0	30.5	35.9	18.5	17.6	15.0	12.7	10.6	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)	39	45	Buy	2,582	3.8	4.1	4.4	10.2	9.4	8.9	7.7	6.7	6.0	11.7	12.1	12.1	12.9	11.5	11.0
HCL Tech (HCLTEC)	850	930	Buy	119,994	52.1	60.0	59.6	16.3	14.2	14.3	12.6	10.3	9.7	31.2	30.3	30.6	26.9	26.6	25.1
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)	128	140	Hold	2,547	14.1	10.6	11.0	9.1	12.0	11.6	5.4	7.0	6.6	23.7	16.3	16.3	20.4	15.4	12.8
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)	496	520	Hold	1,777	45.8	43.2	45.3	10.8	10.5	11.0	2.9	2.5	2.2	30.5	29.9	28.1	17.6	14.9	14.1
Persistent (PSYS)	580	700	Buy	4,639	37.2	37.6	40.1	15.6	15.4	14.5	9.7	8.5	7.1	23.8	21.3	20.4	18.1	16.2	15.4
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

Company, ICICIdirect.com Research

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