May 29, 2017

Tech Mahindra (TECMAH)

₹ 429

Rating matrix

Rating	:	Buy
Target	:	₹ 490
Target Period	:	12 months
Potential Upside	:	14%

What's changed?

Target	Changed from ₹ 525 to ₹ 490
EPS FY18E	Changed from ₹ 33.6 to ₹ 33.9
EPS FY19E	Introduced at ₹ 40.9
Rating	Unchanged

Quarterly performance

	Q4FY17	Q4FY16	YoY (%)	Q3FY17	QoQ (%)
Revenue	7,495	6,884	8.9	7,558	(0.8)
EBITDA	899	1,153	(22.0)	1,187	(24.3)
EBITDA (%)	12.0	16.7	-475 bps	15.7	-363 bps
PAT	589	860	(31.6)	855	(31.1)

Key financials

₹ Crore	FY16	FY17P	FY18E	FY19E
Net Sales	26,494	29,140	30,603	33,765
EBITDA	4,318	4,184	4,437	5,132
Net Profit	3,118	2,817	3,009	3,628
EPS (₹)	31.7	31.8	33.9	40.9

Valuation summary

	FY16	FY17P	FY18E	FY19E
P/E	16.0	13.5	13.5	12.7
Target P/E	15.5	15.4	14.4	12.0
EV / EBITDA	9.4	8.8	8.7	7.8
P/BV	3.4	2.9	2.3	2.0
RoNW (%)	21.5	21.7	17.2	16.2
RoCE (%)	27.2	25.5	21.9	20.6

Stock data

Particular	Amount
Market Capitalization (₹ Crore)	42,158.0
Total Debt (₹ Crore)	1,002.2
Cash and Investments (₹ Crore)	5,300.1
EV (₹ Crore)	37,860.1
52 week H/L	564 / 358
Equity capital	483.9
Face value	₹ 5

Price performance

	1M	3M	6M	12M
TechMahindra	(0.5)	(16.7)	(6.7)	(19.0)
MindTree	9.8	13.5	18.7	(17.0)
KPIT Tech	(7.5)	(11.8)	(6.3)	(27.3)
NIIT Tech	7.4	18.8	24.5	4.7

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Exits year with low EBITDA margin…

- **Tech Mahindra (TechM) reported its Q4FY17 earnings wherein dollar revenue growth was above our estimates while EBITDA margins were way below our expectations**
- **US$ revenues grew 1.4% QoQ to $1131.2 million, above our expectation of $1,119 million estimate. Constant currency revenue grew 0.9% QoQ and 12.1%YoY. Rupee revenues declined 0.8% QoQ to ₹ 7,495 crore, above our ₹ 7,487 crore estimate**
- **At 12.0%, EBITDA margins declined 370 bps QoQ and were way below our 15.6% estimate**
- **Reported PAT of ₹ 588 crore was below our ₹ 798.6 crore estimate led by higher tax rate (28.2% of PBT vs. 20.2% in Q3) and margin miss offset by higher forex gain (up ~80% QoQ)**

BFSI, manufacturing lead to growth in enterprise segment…

TechM's dollar revenues grew 4.1% to US$1131.2 million in the quarter. The company has two major segments- enterprise and telecom wherein the enterprise segment grew 3.3% QoQ mainly led by BFSI and manufacturing while communication segment declined 0.8% QoQ led by weakness in network business. For the year, TechM clocked US$4351.2 million revenues, growth of 7.8% over FY16. This implies growth of ~5-5.5% on organic basis. For FY18E, we expect the company to grow 8.2% YoY in dollar terms supported by ~3-4% contribution from acquisitions.

EBITDA margins miss estimates…

There was disappointment on the EBITDA margin front with margins down 370 bps to 12% in the quarter. The steep margin decline was due to one-time hit of US$20 million due to the company's exit in networking business contract (-180 bps impact), realignment of legacy business (-140 bps impact) and rupee appreciation (-40 bps impact). Further, higher cost of services (up 4.6% QoQ) also contributed to the fall. We expect margins to improve from H2FY18 onwards from current 12% levels in Q4FY17.

Going ahead; keen-eye on margin revival…

Going ahead, the enterprise segment is expected to continue its momentum while the management expects a gradual recovery in communication with LCC witnessing some rationalisation in few accounts. Overall, we expect TechM's dollar revenues to grow at 8.4% CAGR in FY17E-19E. On the margin front, Q1FY18E margins may be impacted by visa cost, weak Comviva seasonality along with currency headwind. However, the management believes the margin decline may be partly offset by employee pyramid correction and operational efficiency gains led by automation and rationalisation of service offerings. Going ahead, we built in EBITDA margin of 14.5% and 15.2% in FY18E and FY19E, respectively.

Momentum continues in enterprise segment; maintain BUY…

Continued momentum in the enterprise segment and a gradual recovery in the communication vertical post its completion of restructuring activity gives us optimism on its growth, going ahead. Although the margin performance in Q4 has led to a revisit of our FY18 estimates, levers of utilisation, automation and employee pyramid correction are likely to support margins. We expect TechM to report rupee revenue, PAT CAGR of 7.6%, 13.5% in FY17-19E with average 14.7% EBITDA margins. We maintain our **BUY** rating on TechM with a revised target price of ₹ 490 based on 12x FY19E EPS of ₹ 40.9.

Variance analysis

	Q4FY17	Q4FY17E	Q4FY16	YoY (%)	Q3FY17	QoQ (%)	Comments
Revenue	7,495.0	7,487.6	6,883.7	8.9	7,557.5	-0.8	Revenue growth was better than expectation led by enterprise segment
Employee expenses	5,478.5	5,196.4	4,778.8	14.6	5,235.2	4.6	
Gross Margin	2,016.5	2,291.2	2,104.9	-4.2	2,322.3	-13.2	
Gross margin (%)	26.9	30.6	30.6	-367 bps	30.7	-382 bps	
SG&A expenses	1,117.8	1,123.1	952.0	17.4	1,135.8	-1.6	
EBITDA	898.7	1,168.1	1,152.9	-22.0	1,186.5	-24.3	
EBITDA Margin (%)	12.0	15.6	16.7	-475 bps	15.7	-363 bps	EBITDA margin came in way below our expectation
Depreciation & amortisation	283.5	245.7	217.4	30.4	248.0	14.3	
EBIT	615.2	922.4	935.5	-34.2	938.5	-34.4	
EBIT Margin (%)	8.2	12.3	13.6	-538 bps	12.4	-421 bps	
Other income (less interest)	206.1	127.6	126.3	63.2	119.8	72.0	
PBT	821.3	1,050.0	1,061.8	-22.7	1,058.3	-22.4	
Tax paid	231.6	262.5	180.6	28.2	214.1	8.2	
PAT	588.5	798.6	860.0	-31.6	854.5	-31.1	PAT was below our estimates due to margin miss, higher tax rate offset by higher forex gain
Key Metrics							
Closing employees	117,693	117,000	105,432	11.6	117,095	0.5	
IT attrition (%)	17.0	18.0	21.0	-400 bps	18.0	-100 bps	
Utilisation ex trainees (%)	81.0	80.0	80.0	100 bps	83.0	-200 bps	
Average $/₹	66.5	66.9	67.3	-1.3	67.7	-1.8	

Source: Company, ICICIdirect.com Research

Change in estimates

		FY18E		FY19E	
(₹ Crore)	Old	New	% Change	Introduced	Comments
Revenue	32,685	30,603	-6.4	33,765	
EBITDA	5,230	4,437	-15.2	5,132	
EBITDA Margin (%)	16.0	14.5	-149 bps	15.2	
PAT	3,588	3,009	-16.1	3,628	
EPS (₹)	40.4	33.9	-16.1	40.9	We have revised our estimates taking into account Q4FY17 margin performance

Source: Company, ICICIdirect.com Research

Assumptions

			Current	Current	Earlier	Introduced
	FY15	FY16	FY17E	FY18E	FY18E	FY19E
Closing employees	103,281	105,432	117,693	125,508	126,437	131,917
IT attrition (%)	18.0	20.0	18.8	18.0	18.0	18.0
Utilisation ex trainees (%)	75.8	78.5	81.5	81.0	80.0	82.0
Average $/₹	67.3	65.6	67.0	65.0	68.0	66.0

Source: Company, ICICIdirect.com Research

Company Analysis

Earnings call highlights…

- **Revenues:** US$ revenues grew 1.4% in the quarter driven by the enterprise segment (53.7% of revenue), which grew 3.3% QoQ offset by the communication segment (46.3% of revenue) that declined 0.8% QoQ. The management indicated that the synergy benefits from acquisitions are visible from deal signings

- **Margins:** During the quarter, margins declined 370 bps to 12% on account of the company's exit from the networking business contract (-180 bps impact), realignment of legacy business (-140 bps impact) and rupee appreciation (-40 bps impact). Further, higher cost of services also contributed to the fall. Q1FY18E margins could be impacted by visa cost, Comviva seasonality and currency headwind but could be offset by operational efficiency and employee pyramid correction as indicated by management

- **Outlook:** The management sounded optimistic about the growth momentum in enterprise division led by BFSI & manufacturing. Communication vertical may witness subdued growth in few segments due to ongoing restructuring of the accounts in LCC. However, it expects LCC restructuring to be done in the coming two quarters

- **HCI acquisition:** TechM acquired a US-based healthcare information technology consulting company CJS Solutions Group LLC (The HCI Group) in March 2017 for an enterprise value of US$110 million. HCI Group has revenues of US$114 million as on Sep, 2016(TTM) with mid to high single digit EBITDA margins. The acquisition was completed on May 4, 2017 and is expected to yield revenues in FY18E

- **TCV:** TCV during the quarter was at US$325 million, up 18.2% YoY while it declined 7.1% QoQ. For FY17, TCV was at US$1300 million, growth of 4% YoY

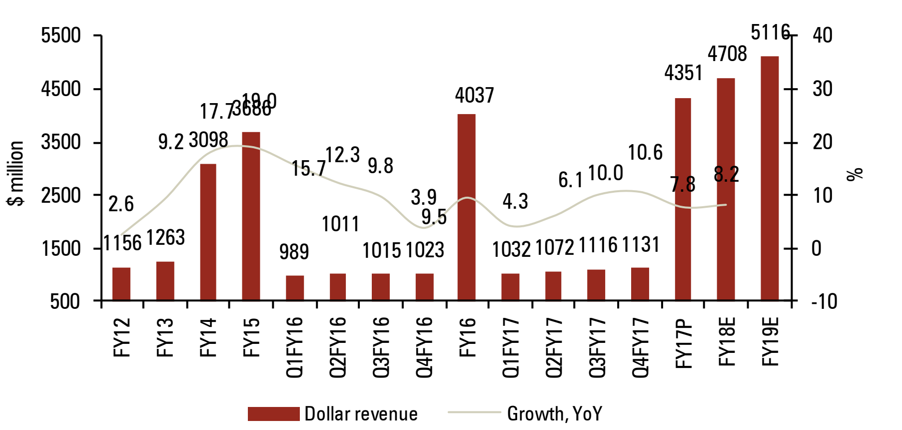
- **Employee:** TechM added net 12261 employees during FY17 taking its employee headcount to 117,693. Attrition declined 100 bps to 17% QoQ marked improvement since 21% in Q4FY16. Utilisation excluding trainees declined 200 bps to 81%. Its improvement is expected to be an important lever for an up-tick in margins, going ahead

- **Investments:** Capex for the year was at ₹ 969 crore (₹ 1,084 crore in FY16). DSO days improved to 95 vs. 106 YoY leading to improved cash generation position. Cash and cash equivalent was at ₹ 5383 crore (vs. ₹ 5190 crore in FY16)

Enterprise going strong, Communication weak…

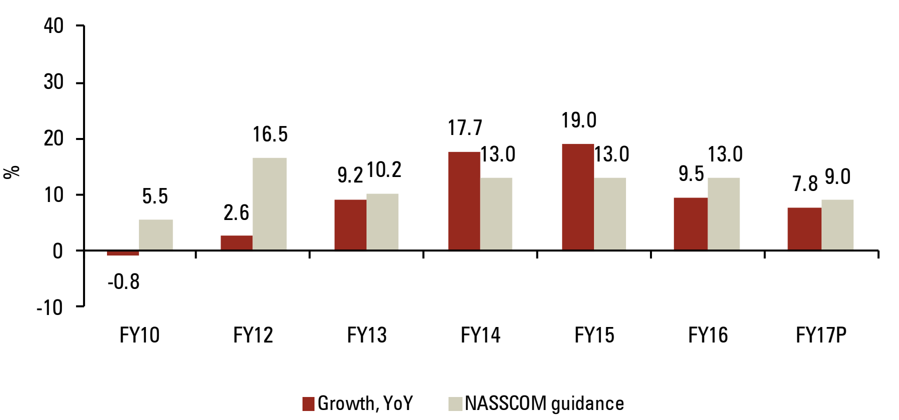
TechM's revenues grew 1.4% in dollar terms and were better than our expectations. The company has two major segments- enterprise (53.7% of revenues) and communication (46.3% of revenues) wherein the enterprise segment grew 3.3% QoQ mainly led by BFSI (14.1% of revenues) and manufacturing (19.2% of revenues) verticals, which grew 9.1% and 5.8%, respectively, in the quarter. Retail, transport and logistics (6.5% of revenues) declined 13.3% in the quarter but grew 15.9% in FY17. The communication segment declined 0.8% QoQ led by weakness in network business and weaker-than-expected performance of Comviva in otherwise strong Q4 seasonality. Going ahead, the enterprise segment is expected to continue its momentum led by traction in BFSI and manufacturing while the management expects a gradual recovery in communication with LCC to drag for a quarter or two.
Overall, we anticipate TechM $ revenues to grow at a CAGR 8.4% in FY17E-19E.

Exhibit 1: Dollar revenue may grow at 8.4% CAGR in FY17-19E



Source: Company, ICICIdirect.com Research

Exhibit 2: TechM grows below Nasscom guidance in FY17



Source: Company, ICICIdirect.com Research

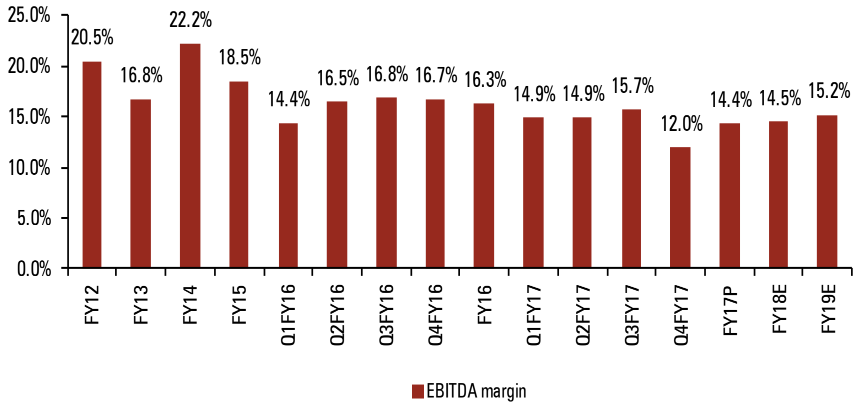
EBITDA margins decline 370 bps; outlook on same watchful…

There was disappointment on the EBITDA margin front with margins declining 370 bps to 12% in the quarter. The steep decline in margins was on account of the company's exit in networking business contract (-180 bps impact), realignment of legacy business (-140 bps impact) and rupee appreciation (-40 bps impact). Further, higher cost of services (up 4.6%

QoQ) also contributed to the fall. TechM's exit from networking business contract led to a one-time hit of US$20 million on EBITDA while realignment of legacy business led to US$15 million hit on EBITDA. The management expects this to recover in the coming two or three quarters.

Going forward, Q1FY18E margins may be impacted by visa cost, Comviva seasonality along with currency headwind. However, the management believes the decline in margins may be partly offset by employee pyramid correction (net addition of ~ 12261 employees in FY17 vs. 2151 in FY16 with mostly freshers) and operational efficiency gains led by automation and rationalisation of service offerings. Going ahead, we built in EBITDA margin of 14.5% and 15.2% in FY18E and FY19E, respectively.

Exhibit 3: EBITDA margins drag 370 bps QoQ to 12%



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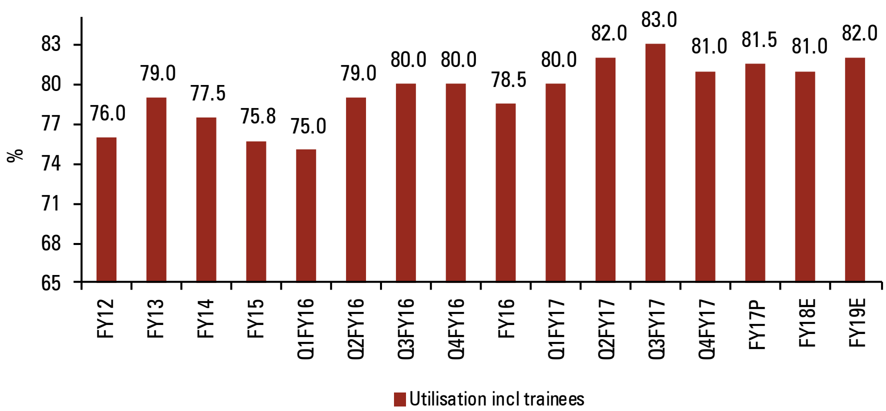
ource: Company, ICICIdirect.com Research

Exhibit 4: Utilisation ex-trainees decline 200 bps QoQ to 81%



Source: Company, ICICIdirect.com Research

RoW again leads growth for quarter…

Among geographies, RoW (25.3% of revenue) led growth with 7.3% QoQ followed by Europe (29.6% of revenue), which grew 2% QoQ while US (45.1% of revenue) witnessed a sequential decline of 2.1% on top of subdued growth of 0.6% in Q3.

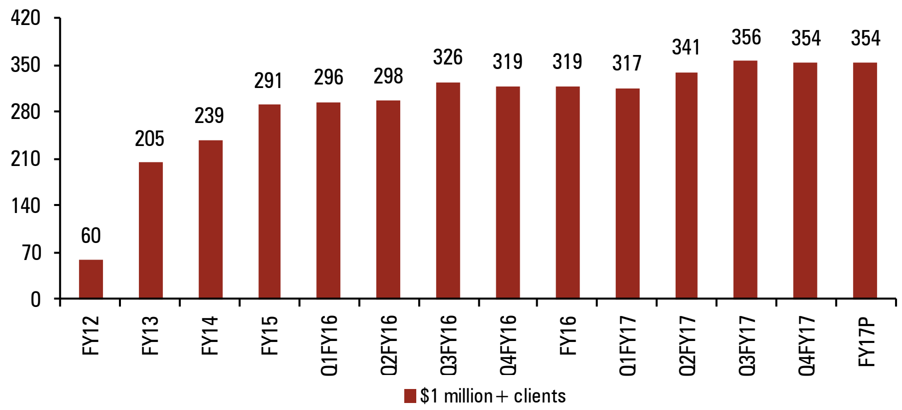
Top 5 customer revenue breaks its growth momentum…

Top five customer (26.6% of revenue) declined 3% QoQ breaking its growth momentum over the last four quarters. Top 6-10 customer's revenues grew 5.2% QoQ on top of 3.2% decline in Q3 while top 11-20 customer revenues declined 4.5% QoQ vs. 6.7% growth in Q3FY17. Non-top 20 accounts grew 4.4% compared to 6.7% QoQ growth in Q3FY17.

Newer business clocks in 96% YoY growth in FY17…

During the quarter, active clients rose by six totalling to 843. Across categories, clients contributing >$50 million in revenues remained flat QoQ from last six quarters to 14, >$20 million again declined by two while >$10 million and >$5 million increased by six each QoQ. Clients contributing >$1 million are now at 354 vs. 319 in FY16. New business clocked in healthy growth of 96% YoY at US$ 232.5 million in FY17 while repeat business for FY17 was at US$ 4119 million, up 5% YoY in FY17.

Exhibit 5: $1 million+ clients now at 354



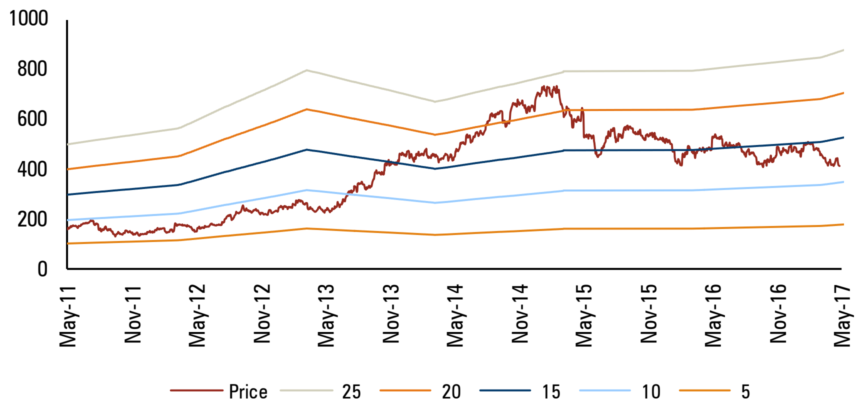
Source: Company, ICICIdirect.com Research

Outlook and valuation

Tech Mahindra (TechM) reported its Q4FY17 earnings wherein dollar revenue growth was above our estimates while EBITDA margins were way below our expectations.

Continued momentum in the enterprise segment and a gradual recovery in the communication vertical post the completion of its restructuring activity give us optimism for its growth, going ahead. Although the margin performance in Q4 led to a revisit of our FY18 estimates, levers of utilisation, automation and employee pyramid correction are likely to support margins. We anticipate TechM will report rupee revenue, PAT CAGR of 7.6%, 13.5%, respectively, in FY17-19E with average 14.7% EBITDA margins. We maintain our BUY rating on TechM with a revised target price of ₹ 490 based on 12x FY19E EPS of ₹ 40.9.

Exhibit 6: One year forward rolling PE



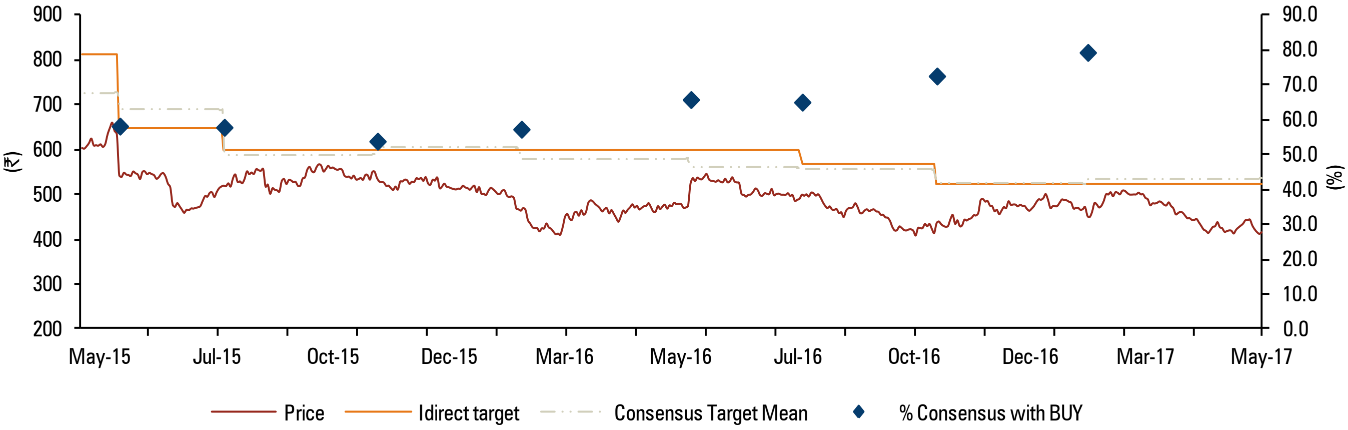
Source: Company, ICICIdirect.com Research

Exhibit 7: Valuations

	Sales (₹ cr)	Growth (%)	EPS (₹)	Growth (%)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY16	26,494	17.1	31.7	18.4	16.0	9.4	21.5	27.2
FY17P	29,140	10.0	31.8	0.3	13.5	8.8	21.7	25.5
FY18E	30,603	5.0	33.9	6.8	13.5	8.7	17.2	21.9
FY19E	33,765	10.3	40.9	20.6	12.7	7.8	16.2	20.6

Source: Company, ICICIdirect.com Research

Recommendation History vs. Consensus



Source: Bloomberg, Company, ICICIdirect.com Research

Key events

Date	Event
Oct-14	Reports robust Q2FY15 performance as dollar revenues grow 5.2% QoQ led by communications while margins expand 180 bps QoQ to 20%
Dec-14	Acquires US-based Lightbridge Communications for $240 million. The company generated $430 million revenues with 8% EBITDA margins during CY14
Jan-15	Acquires Geneva based SOFGEN holdings, a consulting company with presence in private wealth, commercial and retail banking solutions, for $30 million
May-15	Reports disappointing Q4FY15 results as organic revenues declined sequentially led by weakness in telecom while margins declined 500 bps QoQ
Jul-15	Reports generally better Q1FY16 earnings as US$ revenues grew 0.5% QoQ to $989 million vs. our $974.4 million estimate
Nov-15	Reports encouraging set of Q2FY16 earnings with both revenue and margins ahead of our estimates. Constant currency revenues grew 3% QoQ
Aug-16	Tech Mahindra got the approval by FCA for the acquisiton of UK based Target group, the financial services outsourcing and software provider. As per the media sources, the value of the acquisition is GBP 112 million(₹ 1,100 crore)
Jun-16	Tech Mahindra acquires leading Digital company "The BIO Agency", UK company.
Oct-16	Government of Jharkhand inks strategic MoU with Tech Mahindra for its Digital Jharkhand program
Jan-17	Tech Mahindra forms JV with Saudi Arabia based Midad holdings
Jan-17	Tech Mahindra refreshes its brand philosophy to align with the changing needs of increasing connected and digital world. From 'Connected World, Connected Solutions, it is moving towards 'Connected World, Connected Experiences'
Mar-17	Signs a definitive aggrement to acquire US-based healthcare provider CJS Solutions Group for an enterprise value of $110 million

Source: Company, ICICIdirect.com Research

Top 10 Shareholders

Rank	Name	Latest Filing Date	% O/S	Position (m)	Change (m)
1	Mahindra Group	31-Mar-17	26.3%	256.2	0.0
2	TML Benefit Trust	31-Mar-17	9.9%	96.0	0.0
3	Stewart Investors	31-Mar-17	7.2%	70.6	0.0
4	LIC Mutual Fund Asset Management Company Ltd.	31-Mar-17	3.6%	35.3	0.0
5	ICICI Prudential Asset Management Co. Ltd.	30-Apr-17	2.5%	24.7	0.0
6	Capital World Investors	31-Mar-17	1.9%	18.8	-8.1
7	Norges Bank Investment Management (NBIM)	31-Dec-16	1.9%	18.2	5.2
8	BlackRock Institutional Trust Company, N.A.	30-Apr-17	1.5%	15.0	0.4
9	The Vanguard Group, Inc.	31-Mar-17	1.5%	14.5	0.1
10	Franklin Templeton Asset Management (India) Pvt. Ltd.	30-Apr-17	0.9%	9.2	1.8

Shareholding Pattern

(in %)	Sep-16	Dec-16	Mar-17
Promoter	36.29	36.24	36.21
Public	63.65	63.69	63.74
Others	0.06	0.07	0.06
Total	100.00	100.00	100.01

Source: Reuters, ICICIdirect.com Research

Recent Activity

Buys			Sells		
Investor name	Value ($m)	Shares	Investor name	Value ($m)	Shares
Norges Bank Investment Management (NBIM)	37.59m	5.22m	Axis Asset Management Company Limited	-76.87m	-10.86m
Narayan (S A)	12.47m	1.76m	First State Investments (Singapore)	-59.11m	-8.35m
Franklin Templeton Asset Management (India) Pvt. Ltd.	11.36m	1.75m	Capital World Investors	-57.68m	-8.15m
Lyxor Asset Management	10.71m	1.65m	Nayyar (Vineet)	-24.22m	-3.42m
Gupta (Dipak)	9.48m	1.34m	FIL Investment Management (Singapore) Ltd.	-6.24m	-0.93m

Source: Reuters, ICICIdirect.com Research

Financial summary

Profit and loss statement				₹ Crore
	FY16	FY17P	FY18E	FY19E
Net sales	26,494	29,140	30,603	33,765
Growth (%)	17	10	5	10
COGS (employee expenses)	18,323	20,566	21,575	23,770
Gross profit	8,172	8,574	9,028	9,994
S,G&A expenses	3,853	4,390	4,590	4,862
Total Operating Expenditure	22,176	24,957	26,166	28,632
EBITDA	4,318	4,184	4,437	5,132
Growth (%)	3	(3)	6	16
Depreciation	762	978	1,027	1,133
Interest	96	129	129	129
Other Income	557	777	805	1,043
PBT	4,017	3,854	4,087	4,913
Total Tax	860	978	1,022	1,228
Exceptional item	-	-	-	1
PAT	3,118	2,817	3,009	3,628
Growth (%)	19	(10)	7	21
EPS (₹)	31.7	31.8	33.9	40.9

Source: Company, ICICIdirect.com Research

Cash flow statement				₹ Crore
(Year-end March)	FY16	FY17P	FY18E	FY19E
Profit before Tax	4,017	3,854	4,087	4,913
Add: Depreciation	762	978	1,027	1,133
(Inc)/dec in Current Assets	(858)	(1,138)	(629)	(1,360)
Inc/(dec) in CL and Provisions	379	614	340	734
Taxes paid	(1,303)	(978)	(1,022)	(1,228)
CF from operating activities	3,213	3,849	4,437	5,063
(Inc)/dec in Investments	(284)	-	-	-
(Inc)/dec in Fixed Assets	(872)	(1,011)	(2,233)	(1,171)
Others	95	(390)	(505)	(743)
CF from investing activities	(1,467)	(1,401)	(1,567)	(1,914)
Issue/(Buy back) of Equity	36	-	-	-
Inc/(dec) in loan funds	116	-	-	-
Dividend paid & dividend tax	(625)	(799)	(799)	(976)
Inc/(dec) in debentures	-	-	-	1
Finance charges	(93)	(129)	(129)	(129)
CF from financing activities	(565)	(927)	(927)	(1,105)
Net Cash flow	1,181	1,520	1,942	2,044
Cash by acquisition	7	-	-	-
Opening Cash	1,206	4,014	5,534	7,476
Cash carried to B/S	4,014	5,534	7,476	9,521

Source: Company, ICICIdirect.com Research

Balance sheet				₹ Crore
(Year-end March)	FY16	FY17P	FY18E	FY19E
Liabilities				
Equity Capital	484	484	484	484
Share application money	1	1	1	1
Reserve and Surplus	13,882	15,901	18,112	20,764
Total Shareholders funds	14,368	16,387	18,597	21,249
Minority Interest	202	258	314	370
Total Debt	1,002	1,002	1,002	1,002
Other long term liabilities	554	554	554	554
Total Liabilities	16,126	18,201	20,468	23,176
Assets				
Net Block	2,609	2,642	2,676	2,715
Capital WIP	629	629	629	629
Investments	1,286	1,284	1,284	1,284
Deferred tax assets	558	558	558	558
Goodwill on consolidation	1,736	1,736	1,736	1,736
Debtors	5,771	6,347	6,665	7,354
Loans and Advances (short)	1,708	1,879	1,973	2,177
Loans and Advances (long)	1,677	1,844	1,937	2,137
Cash	4,014	5,534	7,476	9,521
Other current assets	2,283	2,507	2,631	2,899
Total Current Assets	14,945	17,436	19,915	23,119
Trade payables	2,276	2,503	2,628	2,900
Current liabilities	1,466	1,612	1,693	1,868
Provisions	2,409	2,650	2,783	3,070
Total Current Liabilities	6,151	6,765	7,104	7,838
Application of Funds	16,126	18,201	20,468	23,176

Source: Company, ICICIdirect.com Research

Key ratios				
(Year-end March)	FY16	FY17P	FY18E	FY19E
Per share data (₹)				
EPS	31.7	31.8	33.9	40.9
Cash EPS	39.4	42.8	45.5	53.7
BV	145.9	184.7	209.6	239.5
DPS	12.0	9.0	9.0	11.0
Cash Per Share	40.8	62.4	84.3	107.3
Operating Ratios (%)				
EBITDA Margin	16.3	14.4	14.5	15.2
PAT Margin	11.8	9.7	9.8	10.7
Return Ratios (%)				
RoE	21.7	17.2	16.2	17.1
RoCE	25.5	21.9	20.6	21.8
RoIC	56.8	48.2	49.5	54.4
Valuation Ratios (x)				
P/E	13.5	13.5	12.7	10.5
EV / EBITDA	8.8	8.7	7.8	6.3
EV / Net Sales	1.4	1.2	1.1	1.0
Market Cap / Sales	1.6	1.4	1.4	1.2
Price to Book Value	2.9	2.3	2.0	1.8
Solvency Ratios				
Debt/EBITDA	0.2	0.2	0.2	0.2
Current Ratio	1.6	1.6	1.6	1.6
Quick Ratio	1.6	1.6	1.6	1.6

Source: Company, ICICIdirect.com Research

ICICIdirect.com coverage universe (IT)

Sector / Company	CMP (₹)	TP(₹)	Rating	M Cap (₹ Cr)	EPS (₹) FY16	EPS (₹) FY17P	EPS (₹) FY18E	P/E (x) FY16	P/E (x) FY17P	P/E (x) FY18E	EV/EBITDA (x) FY16	EV/EBITDA (x) FY17P	EV/EBITDA (x) FY18E	RoCE (%) FY16	RoCE (%) FY17P	RoCE (%) FY18E	RoE(%) FY16	RoE(%) FY17P	RoE(%) 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)	1,340	1,300	Sell	5,524	87.9	86.1	92.6	15.2	15.6	14.5	10.2	10.4	9.2	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)	429	490	Buy	42,158	31.7	31.8	33.9	13.5	13.5	12.7	8.8	8.7	7.8	25.5	21.9	20.6	21.7	17.2	16.2
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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