

July 17, 2017

Infosys (INFTEC)

₹ 972

Strong quarter show, sustainability is key...

- Infosys reported strong Q1FY18 earnings with performance better than our estimates on all fronts. US\$ revenues grew 3.2% QoQ to \$2,651 million (our expectation: \$2637 mn, 2.6% growth QoQ)
- Rupee revenues declined 0.2% QoQ to ₹ 17,078 crore and was above our ₹ 16,995 crore estimates
- At 24.1%, EBIT margins declined 50 bps QoQ and were above our 23.6% and 100 bps decline estimate led by strong revenue growth
- Reported PAT of ₹ 3,483 crore was above our ₹ 3,415 crore estimate led by revenue and margin beat

Maintains CC revenue guidance, raises dollar guidance for FY18E...

Infosys' revenues grew 2.7% QoQ in constant currency (CC) driven by volume growth (1.7%) and realisation improvement (1.8%). In terms of revenue guidance for FY18, it maintained revenues growth guidance in CC terms at 6.5-8.5% while revenue growth guidance in dollar terms was revised upward to 7.1-9.1%, which factors in cross currency benefits. In terms of demand environment, the management cited the revenue trajectory may be better in H2FY18 despite being seasonally weak due to a delay in pick-up in client spending. Overall, we expect Infosys' \$ revenues to grow at 8.3% CAGR to US\$12.0 billion in FY17-19E.

Margins upbeat, maintain EBIT margin band at 23-25% in FY18E...

Infosys' EBIT margins declined 50 bps QoQ to 24.1% in Q1FY18. Margins were above our expectations owing to cross currency tailwind (up 20 bps), up-tick in utilisation (up 90 bps), realisation (up 50 bps) offset by rupee appreciation (down 80 bps), employee, visa & subcontractor cost (140 bps impact). There was also a wage hike deferral, which is going to get reflected in Q2FY18 vs. normal cycle of Q1 every year. Overall, the management maintains its targeted EBIT margin band at 23-25%. We have factored in EBIT margin of 24.5%, 24.1% in FY18, FY19, respectively.

New services, software contribute ~10% in Q1FY18...

Infosys reported new services & product offering first time in Q1FY18. While new services (Cloud Ecosystem, Big Data Analytics, Cyber Security, IoT, etc) account for 8.3%, new software (Edge, NIA, Panaya, Skava) contributed 1.6% in Q1FY18. The management also highlighted that these services & software have contributed ~\$1 billion in incremental \$2 billion in the last two years. New services & software are expected to act as a key catalyst for future growth & margins, going ahead.

Uptick in BFSI, margin sustenance remains key...

Infosys reported a good operational performance in the quarter. At the CMP, it is trading at attractive valuation of ~14x FY19 EPS and offers FY19 FCF yield of ~5%. Also, Infosys' plans of a ₹ 13,000 crore handout to investors in the form of buybacks/dividends are steps towards shareholder value creation. However, concerns over large deal conversion in its largest segment BFSI continue to pose a challenge for revenue visibility. Moreover, sustaining the margins taking into account rupee appreciation and increased onsite hiring will be closely watched. Hence, we change our stance to **HOLD** recommendation and revise our target price to ₹ 1040 (15x FY19E).

Rating matrix		
Rating	:	Hold
Target	:	₹ 1040
Target Period	:	12 months
Potential Upside	:	7%

What's Changed?	
Target	Changed from ₹1060 to ₹1040
EPS FY18E	Changed from ₹ 64.6 to ₹ 64.7
EPS FY19E	Changed from ₹ 70.7 to ₹ 69.6
Rating	Changed from Buy to Hold

Quarterly Performance					
	Q1FY18	Q1FY17	YoY (%)	Q4FY17	QoQ (%)
Revenue	17,078	16,782	1.8	17,120	(0.2)
EBIT	4,111	4,047	1.6	4,212	(2.4)
EBIT (%)	24.1	24.1	-4 bps	24.6	-53 bps
PAT	3,554	3,438	3.4	3,627	(2.0)

Key Financials				
₹ Crore	FY16	FY17	FY18E	FY19E
Net Sales	62,441	68,485	70,559	79,076
EBITDA	17,079	18,605	18,980	21,034
Net Profit	13,491	14,353	14,016	15,074
EPS (₹)	59.0	62.8	64.7	69.6

Valuation summary				
	FY16	FY17	FY18E	FY19E
P/E	16.5	15.5	15.0	14.0
Target P/E	17.6	16.6	16.1	14.9
EV / EBITDA	11.0	10.4	10.6	9.3
P/BV	3.6	3.2	3.4	3.0
RoNW (%)	21.8	20.8	22.4	21.5
RoCE (%)	30.2	28.8	31.2	30.1

Stock data	
Particular	Amount
Market Capitalization (₹ Crore)	222,164.4
Total Debt	-
Cash and Investments	22,625.0
EV (₹ Crore)	193,157.4
52 week H/L	1195 / 900
Equity capital	1,144.0
Face value	₹ 5

Price performance (%)				
	1M	3M	6M	12M
TCS	(0.5)	2.2	6.1	2.0
Infosys	1.2	2.3	(2.1)	(15.8)
Wipro	0.0	4.4	9.6	(6.3)
HCL Tech	(1.7)	2.1	0.7	17.8

Research Analysts	
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Variance analysis

	Q1FY18	Q1FY18E	Q1FY17	YoY (%)	Q4FY17	QoQ (%)	Comments
							Infosys' \$ revenue grew 3.2% sequentially well below our expectation of 2.6% growth
Revenue	17,078	16,995	16,782	1.8	17,120	-0.2	
Employee expenses	10,900	10,384	10,281	6.0	10,324	5.6	
Gross Profit	6,178	6,611	6,501	-5.0	6,796	-9.1	
Gross margin (%)	36.2	38.9	38.7	-256 bps	39.7	-352 bps	
Selling & marketing costs	888	918	920	-3.5	889	-0.1	
G&A expenses	1,179	1,241	1,134	4.0	1,249	-5.6	
EBITDA	4,111	4,453	4,447	-7.6	4,658	-11.7	
EBITDA Margin (%)	24.1	26.2	26.5	-243 bps	27.2	-314 bps	
Depreciation	0	442	400	-100.0	446	-100.0	
EBIT	4,111	4,011	4,047	1.6	4,212	-2.4	
EBIT Margin (%)	24.1	23.6	24.1	-4 bps	24.6	-53 bps	EBIT margin performance came above our expectation due to strong revenue growth
Other income	814	732	753	8.1	746	9.1	
PBT	4,925	4,743	4,800	2.6	4,958	-0.7	
Tax paid	1,371	1,328	1,362	0.7	1,330	3.1	
PAT	3,554	3,415	3,438	3.4	3,627	-2.0	The bottomline was above our expectation led by revenue and margin beat

Key Metrics						
Closing employees	198,553	200,000	197,050	0.8	200,364	-0.9
LTM attrition-standalone (%)	16.9	14.0	15.8	110 bps	13.5	340 bps
Utilisation - IT Services (%)	84.0	81.0	80.5	350 bps	82.0	200 bps
Average \$/₹	64.5	64.5	67.1	-3.9	66.6	-3.2
						Utilisation at its highest level

Source: Company, ICICIdirect.com Research

Change in estimates

(₹ Crore)	FY18E			FY19E			Comments
	Old	New	% Change	Old	New		
Revenue	71,106	70,559	-0.8	79,076.2	79,076		
EBIT	17,065	17,287	1.3	19,136.4	19,057		
EBIT Margin (%)	24.0	24.5	45 bps	24.2	24.1		Revised margin estimates due to rupee estimates and Q1 performance
PAT	13,931	14,016	0.6	15,256.0	15,074		
EPS (₹)	64.4	64.7	0.6	70.5	69.6		Change in EPS estimates owing to change in EBIT margin revision

Source: Company, ICICIdirect.com Research

Assumptions

	FY15			Current	Earlier	Introduced	Earlier	Comments
	FY15	FY16	FY17	FY18E	FY18E	FY19E	FY19E	
Closing employees	176,187	194,044	200,364	200,309	200,309	207,265	207,265	
Utilisation - IT Services (%)	69.4	71.2	68.3	76.3	76.3	81.2	81.2	
Average \$/₹	54.5	65.7	67.1	64.5	65.0	66.0	66.0	Tweaked exchange rate estimates owing to recent rupee appreciation

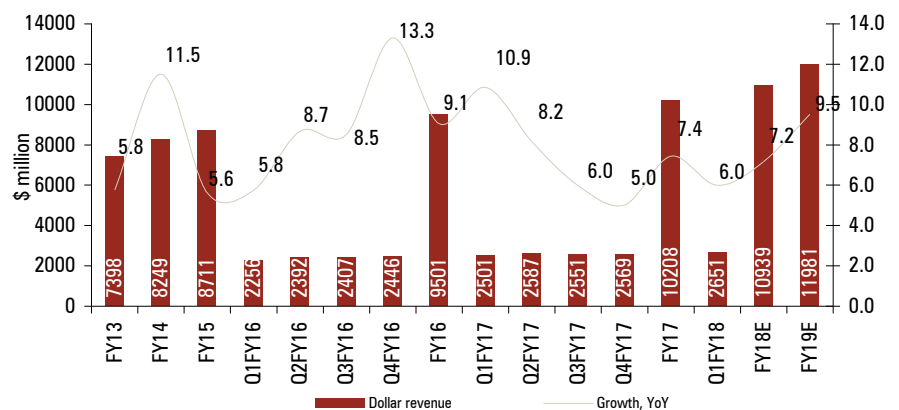
Source: Company, ICICIdirect.com Research

Company Analysis

Retains CC revenue guidance of 6.5-8.5% for FY18E...

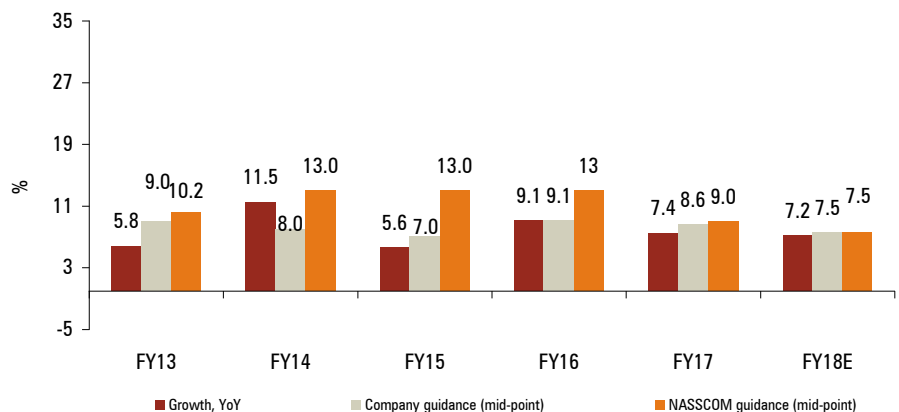
The company has reiterated its CC revenue guidance for 6.5-8.5% growth while raising its dollar revenue growth guidance to 7.1-9.1% taking into account cross currency benefits. The management cited its new software (started from April 1, 2015) such as Mana, Panaya, Skava and Edge continue to witness good momentum and now contribute 1.6% to overall revenues in Q1FY18. On the back of higher client spending in BFSI, the management expects growth to pick up in BFSI in H2FY18 while it expects retail to witness softness in coming quarters owing to structural issues in the industry. We now anticipate Infosys' US\$ revenue will grow 7.2%, 9.5% in FY18E, FY19E, respectively.

Exhibit 1: Dollar revenues may grow at 8.3% CAGR in FY17-19E vs. 9.5% CAGR in FY11-16



Source: Company, ICICIdirect.com Research

Exhibit 2: Infosys growth vs. Nasscom guidance



Source: Company, ICICIdirect.com Research

BFSI to pick up in H2FY18, retail to remain soft...

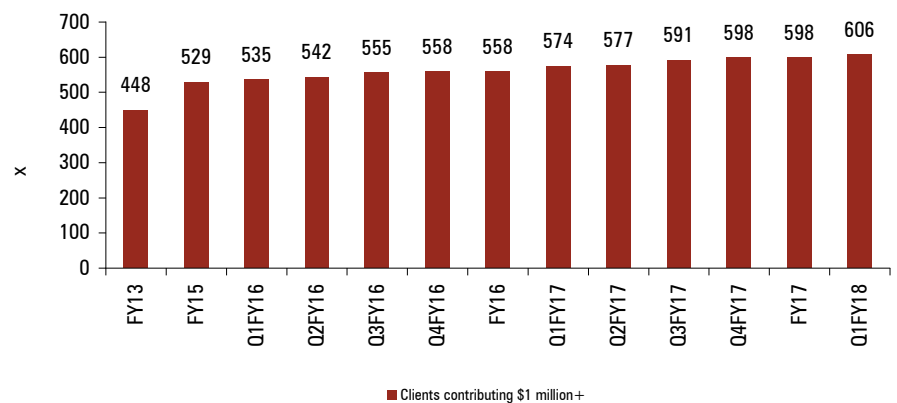
Among geographies, North America (61.1% of revenue) grew 1.3% in CC while Europe (22.4% of revenue), RoW (12.9%) and India (3.6%) witnessed growth of 3.1%, 6.9% and 11.2% QoQ in CC terms respectively. Among industries, BFSI (33.3% of revenue) grew 2.0% in CC basis while manufacturing (22.2%), RCL (22.7%) and ECS (21.8%) grew 1.5%, 2.6% and 4.9% in CC terms, respectively. In BFSI, insurance

witnessed increased growth (4.9% QoQ in reported terms) compared to BFS segment (2.1% QoQ). On the back of higher client spending in BFSI, the management expects growth to pick up in BFSI in H2FY18. Although retail showed signs of improvement after three consecutive quarter decline in reported terms, structural issues in the vertical could lead to softness in coming quarters.

Client additions were lowest since last 8 quarters...

Client additions were subdued as Infosys added 59 gross clients during the quarter compared to addition of 95 clients in the same period last year, taking the active client base to 1,164. Across bands, one client transitioned from \$100 million+ bucket taking the total to 18. Six clients transitioned to \$25 million+ bucket. Overall, \$1 million+ customers increased by eight to 606. Top client revenue contribution remains constant QoQ at 3.3% in Q1FY18. Revenue per full time equivalent (FTE) for the consolidated business witnessed an improvement for a seventh consecutive quarter in a row and increased 1% QoQ and 2% YoY to \$51,900. As per the management, automation into its service lines is one of the factors leading to improvement in Revenue per FTE quarter by quarter.

Exhibit 3: Client contribution \$1 million+ increases by 8 to 606 in Q1FY18

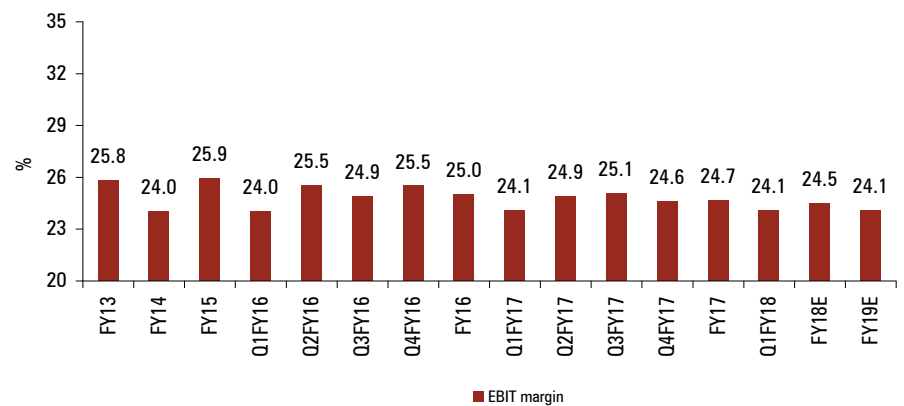


Source: Company, ICICIdirect.com Research

Operational efficiency leads to margins above expectations...

Infosys EBIT margins declined 50 bps QoQ to 24.1% in Q1FY18. Margins were above our expectations owing to cross currency tailwind (up 20 bps), up-tick in utilisation (up 90 bps), realisation (up 50 bps) offset by rupee appreciation (down 80 bps), employee, visa & subcontractor cost (140 bps impact). There was also a wage hike deferral, which is going to get reflected in Q2FY18 vs. normal cycle of Q1 every year. Overall, the management maintains its targeted EBIT margin band at 23-25%. We have factored in EBIT margin of 24.5%, 24.1% in FY18, FY19, respectively.

Exhibit 4: Expect FY18E margins at 24.5%

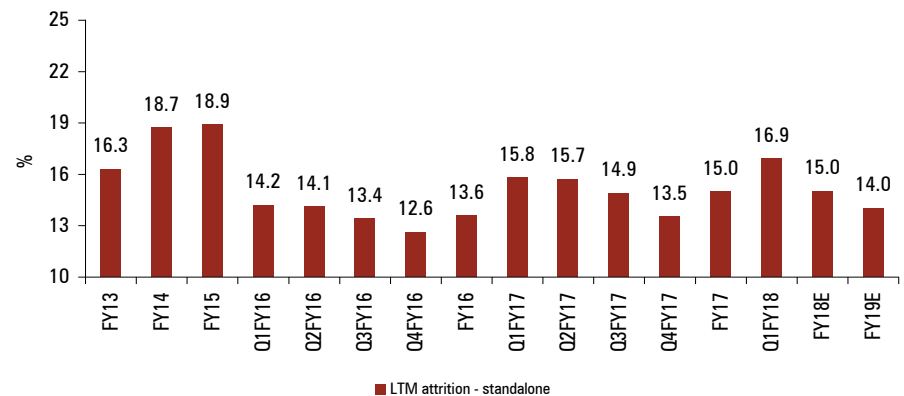


Source: Company, ICICIdirect.com Research

Attrition rises on Q1 seasonality; utilisation at level high...

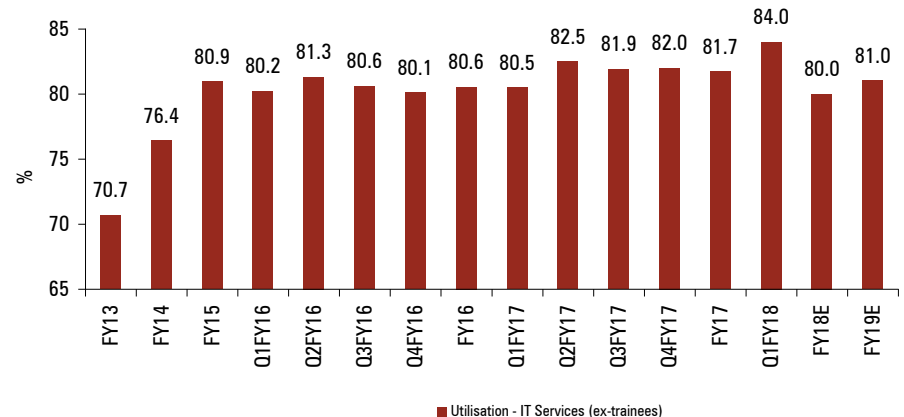
Attrition increased 340 bps QoQ to 16.9% in the quarter owing to Q1 seasonality. Utilisation (ex-trainees) has been on an upward trajectory in the last two consecutive quarters and saw an increase of 200 bps QoQ and 350 bps YoY to 84% in Q1, highest ever utilisation level achieved by the company and was one of the parameters that aided margins. Going ahead, we expect utilisation at ~80%, 81% in FY18E, FY19E, respectively.

Exhibit 5: Attrition increases 340 bps QoQ to 16.9%



Source: Company, ICICIdirect.com Research

Exhibit 6: Utilisation at level high



Source: Company, ICICIdirect.com Research

Annual Report Key Takeaways:

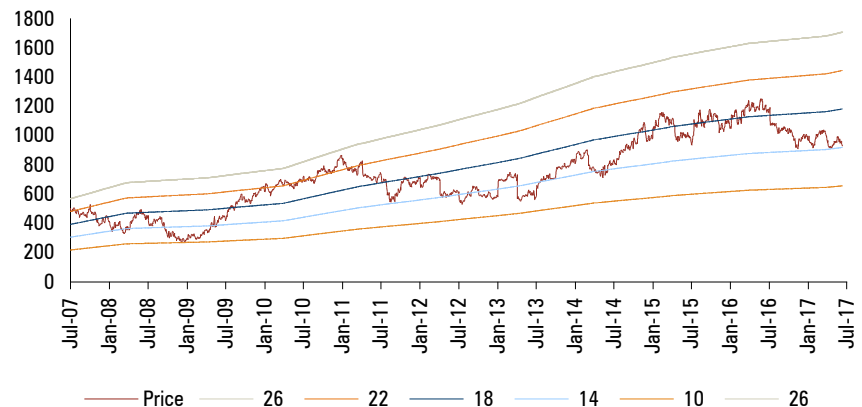
- Infosys chose “Automate. Innovate. Educate” as the guiding theme of the annual report and the pillars of its strategy. Focus on strategy execution has led to large deal wins worth \$3.5 billion, growth of 25% YoY over FY16 and addition of five clients in US\$ 100 million+ category taking the total to 19
- Revenue from software related services, including Infosys Nia, Edge, Panaya and Skava grew 42% YoY in FY17. These software offerings are seeing strong traction and company continue to invest in expanding its capabilities
- The company continue to focus on five strategic areas- 1) building expansive, lasting relationships with its clients by delivering differentiated offerings, 2) delivering solutions and services leveraging highly cost-effective models, 3) enhancing operational process for agility and optimal cost 4) attracting and retaining a global, diverse and high-performing employee base and 5) pursuing strategic alliances and acquisitions
- Infosys is planning to hire 10,000 Americans over the next two years and establish four new technology and innovation hubs across the US focusing on cutting-edge technology areas. The first hub is expected to come up in Indiana in August 2017
- In FY17, Infosys introduced stock incentive plan for top performers, covering ~25% of mid to senior level employees. Also, the company restructured the compensation to be more performance based for senior leaders, with a significant portion of their compensation coming through stock incentives
- Operating cash flow registered a growth of 14.9% YoY to ₹ 14,063 crore. FCF grew 28.4% to ₹ 11,267 crore while OCF/EBITDA now are at 75.6% from 71.7% in FY16
- Infosys paid a dividend of ₹ 25.75 per share in FY17 with dividend payout ratio (including dividend distribution tax) of 49.6% (vs. 49.7% in FY16) as compared to its peers TCS 42% and HCL Tech ~47%
- The Board revised the capital allocation policy of the company after taking into consideration the strategic and operational cash requirements of Infosys in the medium term. The company plans to pay ~₹ 13,000 crore via dividend/share buyback to shareholders in FY18E. Additionally, effective from FY18E, Infosys revised its payout policy to 70% of free cash flow from ~50% of PAT earlier

Outlook and valuation

Infosys reported strong Q1FY18 earnings with performance better than our expectations on all fronts. The company has maintained its guidance for 6.5-8.5% CC revenue growth while raising dollar revenue guidance to 7.1-9.1% primarily taking into account cross currency benefit. Infosys maintained its targeted EBIT margin band to 23-25%.

Infosys reported a good operational performance in the quarter. At the CMP, it is trading at attractive valuation of ~14x FY19 EPS & offers FY19 FCF yield of ~5%. Also, Infosys' planned ₹ 13,000 crore handout to investors in the form of buybacks/dividends are steps towards shareholder value creation. However, concerns over large deal conversion in its largest segment BFSI continue to pose a challenge for revenue visibility, going ahead. Moreover, sustaining the margins taking into account rupee appreciation and increased onsite hiring will be closely watched. Hence, we change our stance to HOLD recommendation and revise our target price to ₹ 1040 (15x FY19E).

Exhibit 7: One year forward rolling PE



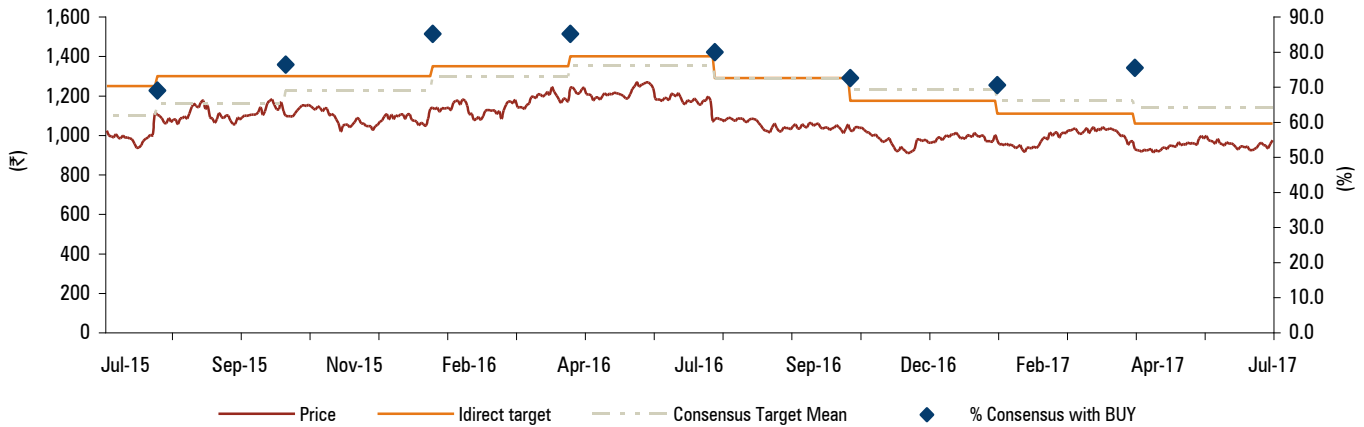
Source: Company, ICICIdirect.com Research

Exhibit 8: Valuation

	Sales (₹ cr)	Growth (%)	EPS (₹)	Growth (%)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY16	62,441	17.1	59.0	9.4	16.5	11.0	21.8	30.2
FY17	68,485	9.7	62.8	6.4	15.5	10.4	20.8	28.8
FY18E	70,559	3.0	64.7	3.1	15.0	10.6	22.4	31.2
FY19E	79,076	12.1	69.6	7.5	14.0	9.3	21.5	30.1

Source: Company, ICICIdirect.com Research

Recommendation History vs. Consensus



Source: Bloomberg, Company, ICICIdirect.com Research

Key events

Date	Event
Feb-17	Infosys changes norms for severance pay of its management team. Benchmarking done for severance pay according to each country and senior management contract reworked to reflect it
Mar-17	Infosys Finacle, part of EdgeVerve systems (subsidiary of Infosys) selected by Housing bank Algeria (Middle East) to power its bank operations
Mar-17	Infosys shareholders approve proposal to adopt a new AoA, revision in compensation of COO & Whole-time Director U B Pravin Rao, and also appointment of D N Prahlad as an Independent Director
Apr-17	According to media sources, TCS may lose some benefits of special economic zone failing to submit operational intimation letter to special economic development commissioner till deadline of March 31. TCS along with Infosys allotted about 100 hectares of land in super corridor, Indore for setting up their facility as a SEZ. Infosys submits intimation letter about partial start of their work on March 31
Apr-17	According to media sources, US accuses top Indian IT firms TCS and Infosys for violating H-1B visa norms by unfairly putting extra tickets in lottery system for H-1B visa applications. Putting extra visa applications done to increase chances of getting more H-1B visas
May-17	Infosys planning to hire 10,000 Americans over the next two years and establish four new technology and innovation hubs across the US focusing on cutting edge technology areas. The first hub is expected to come up in Indiana in August 2017
May-17	States in US, Indiana offering ~ \$31 million in incentives (in form of conditional tax grants and training grants) to Infosys to boost local hiring in the state. Infosys to spend about \$8.7 million to lease and equip its office space in the state. In 2014, Cognizant also got incentives to expand its centre in Tampa, Florida
Jun-17	Infosys reaches US\$1 million settlement with New York state for failure to compensate hundreds of workers brought on work visas and to pay applicable taxes in the state
Jun-17	Infosys to maintain its annual campus hiring plan of 20,000 engineers this year with focus on new skills such as digital and analytics. Company to begin its campus hiring in September 2017

Source: Company, ICICIdirect.com Research

Top 10 Shareholders

Rank	Name	Latest Filing Date	% O/S	Position (m)	Change (m)
1	Deutsche Asset Management Investment GmbH	31-Mar-17	16.8%	383.3	382.3
2	Life Insurance Corporation of India	31-Mar-17	7.1%	161.4	9.7
3	Gopalakrishnan (Sudha)	31-Mar-17	3.1%	70.8	0.0
4	OppenheimerFunds, Inc.	31-Mar-17	2.4%	54.3	-6.2
5	BlackRock Institutional Trust Company, N.A.	30-Jun-17	2.4%	54.0	0.1
6	GIC Private Limited	31-Mar-17	2.3%	52.7	-2.3
7	Invest AD	31-Mar-17	1.8%	40.2	0.2
8	HDFC Asset Management Co., Ltd.	31-Mar-17	1.7%	38.3	4.5
9	ICICI Prudential Asset Management Co. Ltd.	31-Mar-17	1.5%	33.3	6.1
10	Murty (Rohan)	31-Mar-17	1.4%	31.8	31.8

Source: Reuters, ICICIdirect.com Research

Shareholding Pattern

(in %)	Sep-16	Dec-16	Mar-17
Promoter	12.75	12.75	12.75
Public	86.76	86.76	86.76
Others	0.49	0.49	0.49
Total	100.00	100.00	100.00

Recent Activity

Buys			Sells		
Investor name	Value	Shares	Investor name	Value	Shares
Deutsche Asset Management Investment GmbH	6026.6m	382.3m	Norges Bank Investment Management (NBIM)	-117.0m	-7.9m
Murty (Rohan)	501.3m	31.8m	Lyxor Asset Management	-98.6m	-6.5m
State Bank of India	411.7m	26.1m	OppenheimerFunds, Inc.	-98.3m	-6.2m
Life Insurance Corporation of India	153.0m	9.7m	PineBridge Investments Asia Limited	-73.9m	-5.0m
ICICI Prudential Asset Management Co. Ltd.	96.2m	6.1m	GIC Private Limited	-36.6m	-2.3m

Source: Reuters, ICICIdirect.com Research

Financial summary

Profit and loss statement		₹ Crore			
(Year-end March)	FY16	FY17	FY18E	FY19E	
Total operating Income	62,441	68,485	70,559	79,076	
Growth (%)	17.1	9.7	3.0	12.1	
COGS (employee expenses)	37,639	41,550	42,900	48,237	
Admin expenses	4,292	4,739	4,798	5,535	
S&M expenses	3,431	3,591	3,881	4,270	
Total Operating Expenditure	45,362	49,880	51,579	58,042	
EBITDA	17,079	18,605	18,980	21,034	
Growth (%)	14.6	8.9	2.0	10.8	
Depreciation	1,459	1,703	1,693	1,977	
Other Income	3,125	3,079	2,348	2,209	
PBT	18,742	19,951	19,602	21,230	
Total Tax	5,251	5,598	5,587	6,157	
PAT	13,491	14,353	14,016	15,074	
Growth (%)	9.4	6.4	(2.4)	7.5	
EPS (₹)	59	63	65	70	
Growth (%)	9.4	6.4	3.1	7.5	

Source: Company, ICICIdirect.com Research

Balance sheet		₹ Crore			
(Year-end March)	FY16	FY17	FY18E	FY19E	
Equity Capital	1,144	1,144	1,084	1,084	
Reserve and Surplus	60,635	67,838	61,576	69,099	
Total Shareholders funds	61,779	68,982	62,660	70,183	
Employee benefit obligations	-	-	-	-	
Debt	-	-	-	-	
Deferred Tax Liability	256	207	207	207	
Other non current liabilities	115	153	153	153	
Total Liabilities	62,150	69,342	63,020	70,543	
Assets					
Property, plant and equipment	10,530	11,716	12,523	13,046	
Goodwill	3,764	3,652	3,652	3,652	
Intangibles	985	776	776	776	
Available for sale assets	1,811	6,382	6,382	6,382	
Other assets	6,604	7,124	7,124	7,124	
Cash	32,697	22,625	15,118	20,564	
Investment in CD	-	-	-	-	
Trade receivables	11,330	12,322	12,695	14,228	
Unbilled revenue	3,029	3,648	3,758	4,212	
Prepayment & O.fin.assets	4,448	4,856	5,003	5,607	
Other current assets	191	10,254	10,254	10,254	
Total Current Assets	51,695	53,705	46,829	54,865	
Trade payables	386	367	378	424	
Unearned revenue	1,332	1,777	1,831	2,052	
OCL & provisions	11,521	11,869	12,056	12,826	
Total Current Liabilities	13,239	14,013	14,265	15,301	
Net Current Assets	38,456	39,692	32,564	39,563	
Application of Funds	62,150	69,342	63,020	70,543	

Source: Company, ICICIdirect.com Research

Cash flow statement		₹ Crore			
(Year-end March)	FY16	FY17	FY18E	FY19E	
Profit after Tax	13,491	14,353	14,016	15,074	
Add: Depreciation	1,459	1,703	1,693	1,977	
(Inc)/dec in Current Assets	(3,096)	(2,214)	(631)	(2,590)	
Inc/(dec) in CL and Provisions	842	270	252	1,036	
Taxes paid	(5,865)	(5,653)	(5,587)	(6,157)	
CF from operating activities	12,243	14,063	12,982	13,287	
(Inc)/dec in Investments*	88	(9,976)	2,348	2,209	
(Inc)/dec in Fixed Assets	(2,723)	(2,760)	(2,500)	(2,500)	
CF from investing activities	(3,116)	(17,074)	(152)	(291)	
Dividend paid & dividend tax	(6,813)	(6,939)	(7,338)	(7,551)	
Others	-	-	-	-	
CF from financing activities	(6,813)	(6,939)	(20,338)	(7,551)	
Net Cash flow	2,314	(9,950)	(7,507)	5,445	
Exchange difference	16	(122)	-	-	
Opening Cash	30,367	32,697	22,625	15,118	
Closing Cash	32,697	22,625	15,118	20,564	

Source: Company, ICICIdirect.com Research

Key ratios		₹ Crore			
(Year-end March)	FY16	FY17	FY18E	FY19E	
Per share data (₹)					
EPS	59.0	62.8	64.7	69.6	
Cash EPS	65.4	70.2	72.6	78.8	
BV	270.3	301.8	289.5	324.2	
DPS	24.5	25.8	28.1	29.0	
Cash Per Share	143.0	99.0	69.8	95.0	
Operating Ratios (%)					
EBIT Margin	25.0	24.7	24.5	24.1	
PBT Margin	30.0	29.1	27.8	26.8	
PAT Margin	21.6	21.0	19.9	19.1	
Debtor days	66	66	66	66	
Unbilled revenue	17	18	19	18	
Creditor days	2	2	2	2	
Return Ratios (%)					
RoE	21.8	20.8	22.4	21.5	
RoCE	30.2	28.8	31.2	30.1	
RoIC	65.4	46.1	45.7	47.7	
Valuation Ratios (x)					
P/E	16.5	15.5	15.0	14.0	
EV / EBITDA	11.0	10.4	10.6	9.3	
EV / Net Sales	3.0	2.8	2.8	2.5	
Market Cap / Sales	3.6	3.2	3.1	2.8	
Price to Book Value	3.6	3.2	3.4	3.0	
Solvency Ratios					
Debt/EBITDA	-	-	-	-	
Debt / Equity	-	-	-	-	
Current Ratio	1.9	2.7	2.7	2.7	
Quick Ratio	1.9	2.7	2.7	2.7	

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)	1,290	1,145	Sell	5,318	87.9	88.4	79.5	14.7	14.6	16.2	9.8	9.9	10.2	42.6	35.4	31.2	33.5	29.5	23.9
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)	972	1,040	Hold	222,164	59.0	62.8	64.7	16.5	15.5	15.0	11.0	10.4	10.6	30.2	28.8	31.2	21.8	20.8	22.4
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)	2,399	2,400	Hold	469,892	122.9	133.4	133.1	19.5	18.0	18.0	14.4	13.1	13.1	42.2	38.0	37.6	33.1	29.8	29.5
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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