

October 25, 2017

Infosys (INFTEC)

₹ 935

Weaker-than-expected revenue guidance...

- US\$ revenues grew 2.9% QoQ to \$2,728 million, below our 3.5% growth and \$2,744 million estimate. Constant currency revenues grew 2.2% QoQ vs our estimate of 2.5% QoQ
- Rupee revenues grew 2.9% QoQ to ₹ 17,567 crore and were below our ₹ 17,633 crore estimate
- At 24.2%, EBIT margins expanded 10 bps QoQ and were above our 23.8% and 30 bps decline estimate mainly on account of lower S&M expenses (down by 4.7% QoQ)
- Reported PAT of ₹ 3,726 crore was above our ₹ 3,497 crore estimate led by margin beat and higher other income (up 8.5% QoQ). The company declared an interim dividend of ₹ 13 per share

CC revenue guidance revised downwards to 5.5-6.5% for FY18E

Infosys' revenues grew 2.9% QoQ in dollar terms driven by broad based growth across revenue segments accompanied by improvement in realisation (up 1.3% QoQ). The management sounded optimistic on BFSI on a mid to longer-term basis on the back of higher client spending and deal pipeline. In terms of outlook for FY18E, there was disappointment on the revenue front as Infosys has cut its FY18E revenue guidance to 5.5-6.5% from 6.5-8.5% earlier in constant currency terms. This implies CQGR of 0.5-2% for Q3, Q4FY18. Cut in the growth outlook was primarily on the back of H1FY18 performance and seasonality in H2FY18E. CC revenue guidance translates to 6.5-7.5% in \$ terms. Overall, we expect Infosys' \$ revenues to grow at 6.9% CAGR to US\$11.7 billion in FY17-19E.

Margins better than expectations; retains EBIT margin outlook for FY18E

EBIT margins expanded 10 bps QoQ to 24.2% owing to a reduction in onsite mix (+20 bps), up-tick in utilisation (+30 bps), realisation (+30 bps) offset by wage hike (-80 bps). The management indicated a wage hike has been given to mid level employees effective July 2017 while for senior employees it would be effective from January 2018. Overall, the management maintained its EBIT margin band at 23-25%. We factor in EBIT margin of 24.1%, 24.2% in FY18, FY19, respectively.

Search for new CEO progressing, clean chit to investigations

Infosys said the process of identifying the next CEO has been initiated and is progressing well. In light of investigations, the company mentioned that the Chairman has conducted a review of all external investigations including the acquisition of Panaya and severance payments to the former CFO. The company reaffirmed the conclusion of the independent investigation that there was no merit to the allegations of wrongdoing with respect to the acquisition of Panaya. Infosys further confirmed the company made appropriate and timely disclosures relating to severance payments to a former CFO at the end of the quarter of his resignation, and subsequently in the company's 20-F and annual report.

Maintain HOLD till clarity emerges on new CEO

Infosys reported a decent performance during the quarter. However, there was disappointment on weaker-than-expected revenue guidance for FY18E. We have cut our earnings estimates by 1-2%. We continue to maintain our **HOLD** recommendation till clarity emerges on appointment of the new CEO. We value the stock at ₹ 955 per share (14x FY19E EPS of ₹ 68.2 per share).

Rating matrix		
Rating	:	Hold
Target	:	₹ 955
Target Period	:	12 months
Potential Upside	:	2%

What's Changed?	
Target	Changed from ₹ 975 to ₹ 955
EPS FY18E	Changed from ₹ 64.7 to ₹ 64.1
EPS FY19E	Changed from ₹ 69.6 to ₹ 68.2
Rating	Unchanged

Quarterly Performance					
	Q2FY18	Q2FY17	YoY (%)	Q1FY18	QoQ (%)
Revenue	17,567	17,310	1.5	17,078	2.9
EBIT	4,246	4,309	(1.5)	4,111	3.3
EBIT (%)	24.2	24.9	-72 bps	24.1	10 bps
PAT	3,726	3,606	3.3	3,483	7.0

Key Financials				
₹ Crore	FY16	FY17	FY18E	FY19E
Net Sales	62,441	68,485	70,420	76,988
EBITDA	17,079	18,605	18,661	20,556
Net Profit	13,491	14,353	13,869	14,773
EPS (₹)	59.0	62.8	64.1	68.2

Valuation summary				
	FY16	FY17	FY18E	FY19E
P/E	15.8	14.9	14.6	13.7
Target P/E	16.2	15.2	14.9	14.0
EV / EBITDA	10.5	9.9	10.3	9.1
P/BV	3.5	3.1	3.2	2.9
RoNW (%)	21.8	20.8	22.1	21.1
RoCE (%)	30.2	28.8	30.8	29.7

Stock data	
Particular	Amount
Market Capitalization (₹ Crore)	213,696.5
Total Debt	-
Cash and Investments (FY17)	29,007.0
EV (₹ Crore)	184,689.5
52 week H/L	1045 / 862
Equity capital	1,144.0
Face value	₹ 5

Price performance (%)				
	1M	3M	6M	12M
TCS	3.4	3.9	12.1	6.7
Infosys	5.0	(3.8)	2.1	(8.2)
Wipro	1.0	3.9	21.0	22.9
HCL Tech	4.7	2.3	13.9	14.2

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Variance analysis

	Q2FY18	Q2FY18E	Q2FY17	YoY (%)	Q1FY18	QoQ (%)	Comments
Revenue	17,567	17,633	17,310	1.5	17,078	2.9	Infosys' \$ revenue grew 2.9% sequentially below our expectation of 3.5% growth
Employee expenses	10,771	10,862	10,538	2.2	10,450	3.1	
Gross Profit	6,796	6,771	6,772	0.4	6,628	2.5	
Gross margin (%)	38.7	38.4	39.1	-44 bps	38.8	-12 bps	
Selling & marketing costs	846	917	897	-5.7	888	-4.7	
G&A expenses	1,248	1,199	1,142	9.3	1,179	5.9	
EBITDA	4,702	4,655	4,733	-0.7	4,561	3.1	
EBITDA Margin (%)	26.8	26.4	27.3	-58 bps	26.7	6 bps	
Depreciation	456	458	424	7.5	450	1.3	
EBIT	4,246	4,197	4,309	-1.5	4,111	3.3	
EBIT Margin (%)	24.2	23.8	24.9	-72 bps	24.1	10 bps	EBIT margin came above our expectation due to lower S&M expenses
Other income	883	765	760	16.2	814	8.5	
PBT	5,129	4,962	5,069	1.2	4,925	4.1	
Tax paid	1,403	1,394	1,460	-3.9	1,371	2.3	
PAT	3,726	3,497	3,606	3.3	3,483	7.0	PAT was above our expectation led by margin beat and higher other income

Key Metrics						
Closing employees	198,440	200,000	199,829	-0.7	198,553	-0.1
LTM attrition-standalone (%)	17.2	16.5	15.7	150 bps	16.9	30 bps
Utilisation - IT Services (%)	84.7	84.0	82.5	220 bps	84.0	70 bps
Average \$/₹	64.4	64.3	66.9	-3.8	64.5	-0.1

Source: Company, ICICIdirect.com Research

Change in estimates

(₹ Crore)	FY18E			FY19E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	70,559	70,420	-0.2	79,076	76,988	-2.6	
EBIT	17,287	16,971	-1.8	19,057	18,631	-2.2	
EBIT Margin (%)	24.5	24.1	-45 bps	24.1	24.2	5 bps	Revised margin estimates due to change in revenue estimates
PAT	14,016	13,869	-1.0	15,074	14,773	-2.0	
EPS (₹)	64.7	64.1	-1.0	69.6	68.2	-2.0	Change in EPS estimates owing to change in EBIT margin revision

Source: Company, ICICIdirect.com Research

Assumptions

	FY15	FY16	FY17	Current FY18E	Earlier FY18E	Current FY19E	Earlier FY19E	Comments
Closing employees	176,187	194,044	200,364	198,305	200,309	198,559	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	64.7	64.5	66.0	66.0	Tweaked exchange rate for FY18E owing to rupee appreciation

Source: Company, ICICIdirect.com Research

Company Analysis

Cut in CC revenue guidance to 5.5-6.5% for FY18E...

Infosys' revenues grew 2.9% QoQ in dollar terms driven by broad based growth across revenue segments accompanied by improvement in realisation (up 1.3% QoQ). In terms of FY18E outlook, there was disappointment on the revenue front as the company has cut its FY18E revenue guidance to 5.5-6.5% from 6.5-8.5% earlier in constant currency terms. This implies CQGR of 0.5-2% for Q3 and Q4FY18. A cut in growth estimates was primarily on the back of H1FY18 performance and seasonality in H2FY18E. CC revenue guidance translates to 6.5-7.5% in dollar terms. Overall, we expect Infosys' dollar revenues to grow at 6.9% CAGR to US\$11.7 billion in FY17-19E.

Exhibit 1: Dollar revenues may grow at 6.9% CAGR in FY17-19E vs. 9.5% CAGR in FY11-16

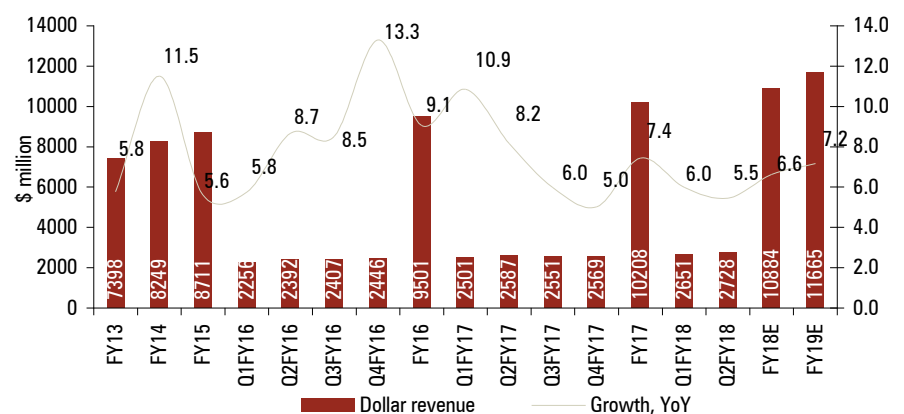
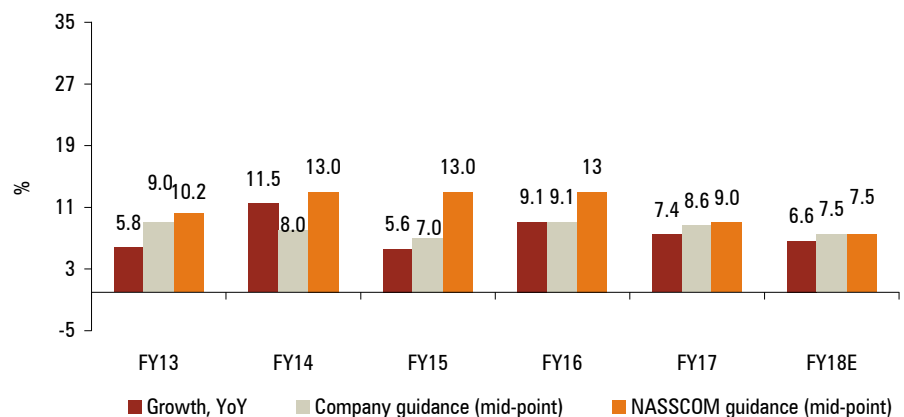


Exhibit 2: Infosys growth vs. Nasscom guidance



Source: Company, ICICIdirect.com Research

Optimistic on BFSI in mid to longer term...

Among geographies, North America (60.6% of revenue) grew 1.9% in CC while Europe (23.2% of revenue) and RoW (12.9%) witnessed growth of 4.1% and 2.3%, respectively. India (3.3%) declined 5.1% in CC terms after 11.2% growth in the prior quarter. Among industry segments, growth was broad based with financial services (33.4% of revenue) witnessing growth of 2.6% on a CC basis while manufacturing (22%), RCL (22.6%) and ECS (22%) grew 1.2%, 1.7% and 3% respectively. In BFSI, insurance

segment witnessed increased growth (6.2% QoQ in reported terms) compared to BFS segment (2.5% QoQ). The management sounded optimistic on BFSI on a mid to longer-term basis on the back of higher client spending and deal pipeline. Structural issues in the retail vertical could lead to softness in coming quarters.

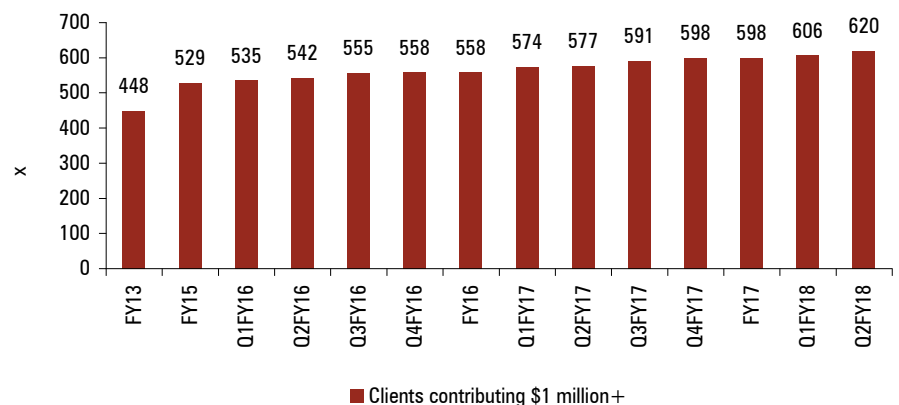
New services, software contribution up-ticks...

Revenues from new services & software collectively account for 11% (9.9% in Q1) to revenues and have contributed ~\$1 billion in incremental \$2 billion in the last two years. New services (Cloud Ecosystem, Big Data Analytics, Cyber Security, IoT, etc) accounted for 9.4% and witnessed healthy growth of 16.5% QoQ. New software (Edge, NIA, Panaya, Skava) contributed 1.6% and grew 2.9% sequentially. New services and software are expected to act as a key catalyst for future growth & margins, going ahead.

Client additions recover after eight-quarter low in Q1...

After client additions touched an eight-quarter low in the last quarter, Infosys added 72 clients during the quarter taking the active client base to 1,173. Across bands, one client transitioned to \$100 million+ bucket taking the total to 19. Three clients transitioned to \$25 million+ bucket. Overall, \$1 million+ customers increased by 14 to 620. Top client revenue contribution was at 3.4% and grew 6% sequentially.

Exhibit 3: Client contributing \$1 million+ increases by 14 to 620 in Q2FY18

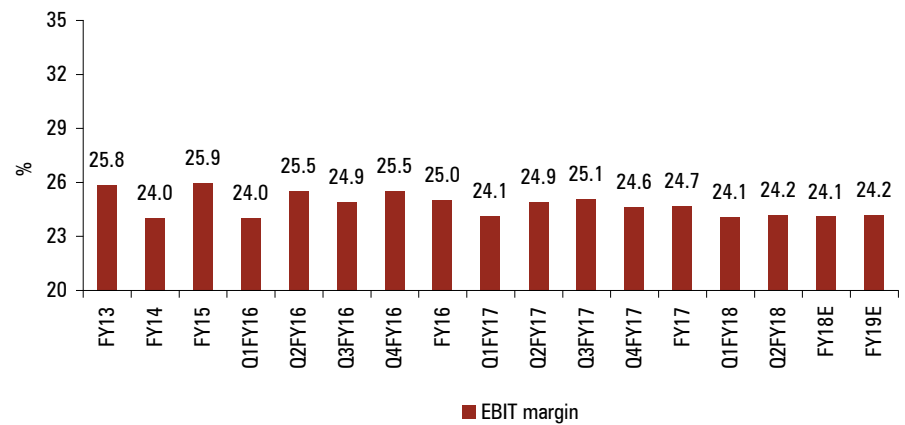


Source: Company, ICICIdirect.com Research

EBIT margin guidance for FY18E intact...

Infosys' EBIT margins expanded 10 bps QoQ to 24.2% owing to reduction in onsite mix (+20 bps), up-tick in utilisation (+30 bps), realisation (+30 bps) offset by wage hike (-80 bps). The management indicated that wage hike has been given to mid level employees effective July 2017 while that for senior employees would be effective from January 2018. Overall, the management has maintained its EBIT margin band at 23-25%. We have factored in EBIT margin of 24.1%, 24.2% in FY18, FY19, respectively.

Exhibit 4: Revise FY18E margins to 24.1% from 24.5% earlier

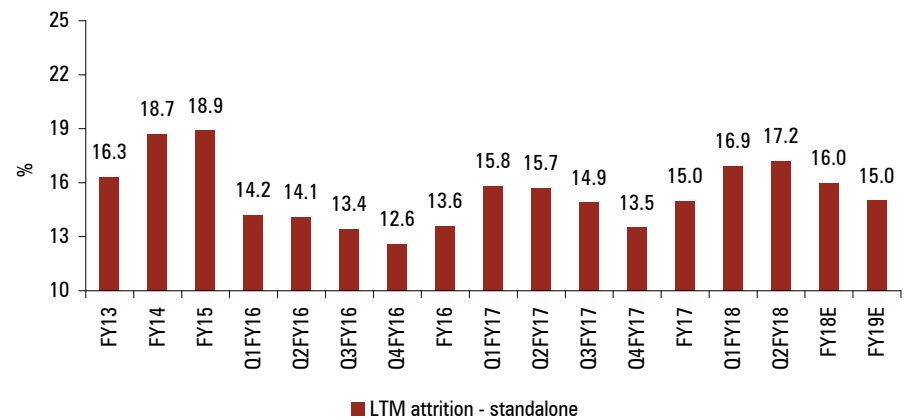


Source: Company, ICICIdirect.com Research

Utilisation on upward trajectory in last three quarters...

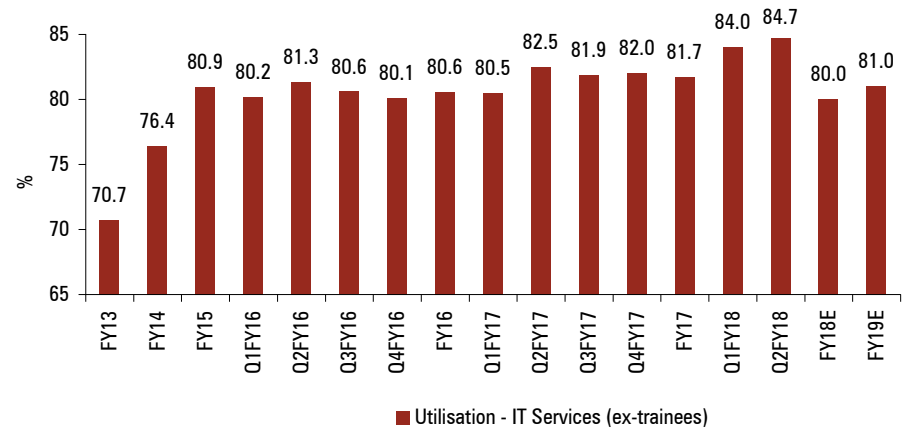
Attrition (annualised consolidated) increased to 21.4%, up 40 bps in the quarter. Utilisation (ex-trainees) has been on an upward trajectory in the last three consecutive quarters and increased 70 bps QoQ and 220 bps YoY to 84.7% in Q2, highest ever utilisation level achieved by the company and was one of the parameters that aided margins. Going ahead, we expect utilisation at ~80%, 81% in FY18E, FY19E, respectively.

Exhibit 5: Attrition (standalone) increases 40 bps QoQ to 17.2%



Source: Company, ICICIdirect.com Research

Exhibit 6: Utilisation at all-time high level



Source: Company, ICICIdirect.com Research

Annual Report Key Takeaways:

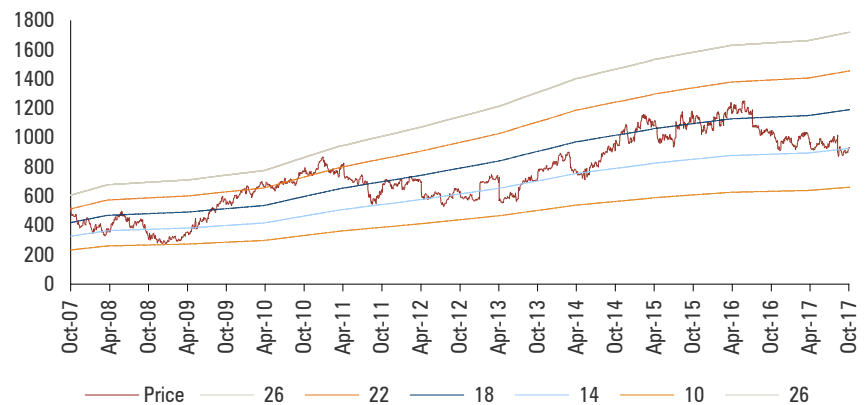
- Infosys chose “Automate. Innovate. Educate” as the guiding theme of the annual report and the pillars of its strategy. Focus on strategy execution has led to large deal wins worth \$3.5 billion, growth of 25% YoY over FY16 and addition of five clients in US\$100 million+ category taking the total to 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 while the company continues 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 a 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 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) 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 Q2FY18 earnings with performance largely in line with our expectations on the operating front. There was a disappointment on the revenue guidance front as the company has cut its FY18E revenue guidance to 5.5-6.5% from 6.5-8.5% earlier in constant currency terms while maintaining its targeted EBIT margin band at 23-25%. Infosys indicated that the process of identifying the next CEO have been initiated and is progressing well. In light of investigations, the company mentioned that the Chairman has conducted a review of all external investigations including the acquisition of Panaya and severance payments to the former CFO.

Infosys reported a decent performance in the quarter. However, there was disappointment on weaker-than-expected revenue guidance for FY18E. We cut our earnings estimates by 1-2%. We continue to maintain our HOLD recommendation till clarity emerges on the appointment of the new CEO. We value the stock at ₹ 955 per share (14x FY19E EPS of ₹ 68.2 per share).

Exhibit 7: One year forward rolling PE



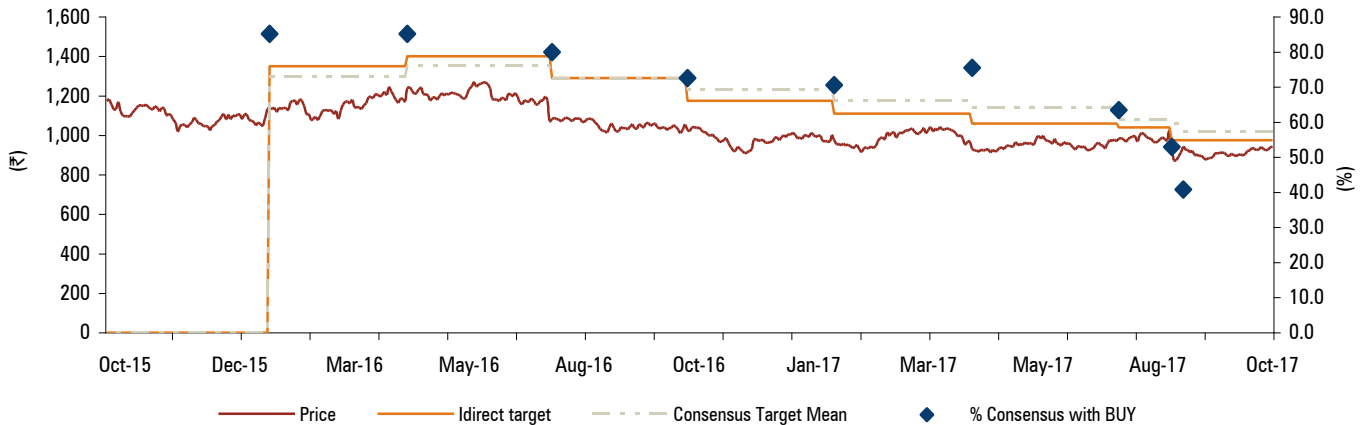
Source: Company, ICICIdirect.com Research

Exhibit 8: Valuation

	Sales (₹ cr)	Growth (%)	EPS (₹)	Growth (%)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY16	62,441	17.1	59.0	9.4	15.8	10.5	21.8	30.2
FY17	68,485	9.7	62.8	6.4	14.9	9.9	20.8	28.8
FY18E	70,420	2.8	64.1	2.0	14.6	10.3	22.1	30.8
FY19E	76,988	9.3	68.2	6.5	13.7	9.1	21.1	29.7

Source: Company, ICICIdirect.com Research

Recommendation History vs. Consensus



Source: Bloomberg, Company, ICICIdirect.com Research

Key events

Date	Event
May-17	Indiana, US offers ~ \$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
Jul-17	Infosys executive vice-president Ritika Suri resigns from the company. Ms Suri was in charge of getting large deals and merger & acquisitions and was one of the people CEO Vishal Sikka brought with him from previous organisation SAP
Jul-17	Infosys products and platforms unit EdgeVerve top executive Anirban Dey resigns from the company. The EdgeVerve business, which includes its core banking platform Finacle accounted for 5.4% of Infosys's revenue for the quarter ended June 2017
Aug-17	The Infosys board approves the proposal for buyback of 11.30 crore shares (~4.9% of its paid-up capital) at ₹ 1,150 per share aggregating to ₹ 13,000 crore, through the tender offer route
Sep-17	Infosys would hire 6,000 engineers annually over the next year or two. In FY17, the company saw a net addition of 6,320 and expects to maintain similar kind of additions over the next year or two. Infosys starts ramping up its hiring process in the US and European markets to tap increasing opportunities from these geographies and mitigate the impact of visa related issues
Sep-17	Infosys Senior Vice-President and head of design and research Sanjay Rajagopalan resigns from his post. Rajagopalan was among the executives whom Sikka had brought in from SAP and joined Infosys in 2014
Oct-17	Infosys selected by KONE, a leading player in the global elevator and escalator industry. Infosys would support its IT transformation and also establish its first design and innovation centre in Helsinki, consolidate its presence in the market as well as strengthen its position in the Nordics region. No financial details of the deal were disclosed.

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	30-Jun-17	16.8%	383.3	0.0
2	Life Insurance Corporation of India	30-Jun-17	7.1%	161.4	0.0
3	BlackRock Institutional Trust Company, N.A.	30-Sep-17	2.4%	55.2	-0.4
4	OppenheimerFunds, Inc.	31-Aug-17	2.4%	55.1	-0.3
5	Gopalakrishnan (Sudha)	30-Jun-17	2.2%	49.2	-21.6
6	GIC Private Limited	30-Jun-17	2.1%	48.6	-4.1
7	HDFC Asset Management Co., Ltd.	30-Jun-17	2.0%	45.8	7.5
8	ICICI Prudential Asset Management Co. Ltd.	30-Jun-17	1.5%	34.3	1.0
9	Murthy (Rohan)	30-Jun-17	1.4%	31.8	0.0
10	ICICI Prudential Life Insurance Company Ltd.	30-Jun-17	1.3%	30.6	-0.3

Source: Reuters, ICICIdirect.com Research

Shareholding Pattern

(in %)	Mar-17	Jun-17	Sep-17
Promoter	12.75	12.75	12.75
Public	86.76	86.76	86.78
Others	0.49	0.49	0.47
Total	100.00	100.00	100.00

Recent Activity

Buys			Sells		
Investor name	Value	Shares	Investor name	Value	Shares
HDFC Asset Management Co., Ltd.	108.9m	7.5m	Gopalakrishnan (Sudha)	-313.1m	-21.6m
Franklin Advisers, Inc.	81.6m	5.7m	Aberdeen Asset Management (Asia) Ltd.	-160.4m	-11.2m
Florida State Board of Administration	86.8m	5.5m	Invest AD	-153.7m	-10.6m
Aditya Birla Sun Life AMC Limited	43.3m	3.1m	T. Rowe Price International (UK) Ltd.	-117.7m	-8.5m
Nomura Asset Management Co., Ltd.	37.9m	2.4m	APG Asset Management	-120.5m	-7.6m

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	70,420	76,988	
Growth (%)	17.1	9.7	2.8	9.3	
COGS (employee expenses)	37,639	41,550	43,097	46,886	
Admin expenses	4,292	4,739	4,789	5,389	
S&M expenses	3,431	3,591	3,873	4,157	
Total Operating Expenditure	45,362	49,880	51,759	56,433	
EBITDA	17,079	18,605	18,661	20,556	
Growth (%)	14.6	8.9	0.3	10.2	
Depreciation	1,459	1,703	1,690	1,925	
Other Income	3,125	3,079	2,460	2,212	
PBT	18,742	19,951	19,398	20,807	
Total Tax	5,251	5,598	5,528	6,034	
PAT	13,491	14,353	13,869	14,773	
Growth (%)	9.4	6.4	(3.4)	6.5	
EPS (₹)	59.0	62.8	64.1	68.2	
Growth (%)	9.4	6.4	2.0	6.5	

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	61,595	68,817	
Total Shareholders funds	61,779	68,982	62,679	69,901	
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	63,039	70,261	
Assets					
Property, plant and equipment	10,530	11,716	12,526	13,101	
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	15,159	20,607	
Investment in CD	-	-	-	-	
Trade receivables	11,330	12,322	12,670	13,852	
Unbilled revenue	3,029	3,648	3,751	4,101	
Prepayment & O.fin.assets	4,448	4,856	4,993	5,459	
Other current assets	191	10,254	10,254	10,254	
Total Current Assets	51,695	53,705	46,828	54,273	
Trade payables	386	367	377	413	
Unearned revenue	1,332	1,777	1,827	1,998	
OCL & provisions	11,521	11,869	12,044	12,637	
Total Current Liabilities	13,239	14,013	14,248	15,047	
Net Current Assets	38,456	39,692	32,579	39,226	
Application of Funds	62,150	69,342	63,039	70,261	

Source: Company, ICICIdirect.com Research

Cash flow statement		₹ Crore			
(Year-end March)	FY16	FY17	FY18E	FY19E	
Profit after Tax	13,491	14,353	13,869	14,773	
Add: Depreciation	1,459	1,703	1,690	1,925	
(Inc)/dec in Current Assets	(3,096)	(2,214)	(588)	(1,997)	
Inc/(dec) in CL and Provisions	842	270	235	799	
Taxes paid	(5,865)	(5,653)	(5,528)	(6,034)	
CF from operating activities	12,243	14,063	12,747	13,287	
(Inc)/dec in Investments*	88	(9,976)	2,460	2,212	
(Inc)/dec in Fixed Assets	(2,723)	(2,760)	(2,500)	(2,500)	
CF from investing activities	(3,116)	(17,074)	(40)	(288)	
Dividend paid & dividend tax	(6,813)	(6,939)	(7,173)	(7,551)	
Others	-	-	-	-	
CF from financing activities	(6,813)	(6,939)	(20,173)	(7,551)	
Net Cash flow	2,314	(9,950)	(7,466)	5,448	
Exchange difference	16	(122)	-	-	
Opening Cash	30,367	32,697	22,625	15,159	
Closing Cash	32,697	22,625	15,159	20,607	

Source: Company, ICICIdirect.com Research

Key ratios		₹ Crore			
(Year-end March)	FY16	FY17	FY18E	FY19E	
Per share data (₹)					
EPS	59.0	62.8	64.1	68.2	
Cash EPS	65.4	70.2	71.9	77.1	
BV	270.3	301.8	289.6	322.9	
DPS	24.5	25.8	27.5	29.0	
Cash Per Share	143.0	99.0	70.0	95.2	
Operating Ratios (%)					
EBIT Margin	25.0	24.7	24.1	24.2	
PBT Margin	30.0	29.1	27.5	27.0	
PAT Margin	21.6	21.0	19.7	19.2	
Debtor days	66	66	66	66	
Unbilled revenue	17	18	19	19	
Creditor days	2	2	2	2	
Return Ratios (%)					
RoE	21.8	20.8	22.1	21.1	
RoCE	30.2	28.8	30.8	29.7	
RoIC	65.4	46.1	44.8	47.0	
Valuation Ratios (x)					
P/E	15.8	14.9	14.6	13.7	
EV / EBITDA	10.5	9.9	10.3	9.1	
EV / Net Sales	2.9	2.7	2.7	2.4	
Market Cap / Sales	3.4	3.1	3.0	2.8	
Price to Book Value	3.5	3.1	3.2	2.9	
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		FY17	FY18E	FY19E	FY17	FY18E	FY19E	FY17	FY18E	FY19E	FY17	FY18E	FY19E	FY17	FY18E	FY19E
Cyient (INFENT)	539	545	Hold	6,069	30.5	35.5	41.2	17.7	15.2	13.1	10.9	8.6	7.3	19.7	20.9	21.3	16.2	17.0	17.6
Eclerx (ECLSER)	1,245	1,145	Sell	5,133	86.4	80.4	88.2	14.4	15.5	14.1	9.7	10.4	9.3	34.5	28.9	29.4	29.1	23.9	23.7
Firstsource (FIRSOU)	43	40	Buy	2,854	4.1	4.0	4.2	10.4	10.7	10.2	8.2	7.5	6.8	11.7	11.7	11.9	13.8	11.9	11.1
HCL Tech (HCLTEC)	909	930	Hold	128,253	60.0	59.7	66.1	15.1	15.2	13.7	11.5	10.6	9.2	29.6	30.1	32.8	25.7	24.6	26.2
Infosys (INFTEC)	935	955	Hold	213,696	62.8	64.1	68.2	14.9	14.6	13.7	9.9	10.3	9.1	28.8	30.8	29.7	20.8	22.1	21.1
KPIT Tech (KPISYS)	132	140	Hold	2,627	10.6	9.9	13.8	12.4	13.3	9.6	7.2	7.4	5.4	16.3	14.9	18.6	15.4	11.7	14.3
Mindtree (MINCON)	487	470	Hold	8,178	24.9	26.9	33.3	19.6	18.1	14.6	10.6	11.0	8.3	21.2	24.2	28.1	16.2	18.8	21.8
NIIT Technologies (NIITEC)	620	660	Hold	2,221	40.8	43.4	50.9	13.9	14.3	12.2	3.1	2.7	1.9	29.8	31.3	36.3	14.8	14.2	14.8
Persistent (PSYS)	662	730	Buy	5,295	37.6	47.9	38.8	16.9	16.4	13.7	9.9	9.0	7.1	20.7	19.4	21.4	15.9	14.6	16.0
TCS (TCS)	2,548	2,540	Hold	499,077	133.4	134.3	149.4	19.1	18.9	17.0	14.0	14.0	11.9	38.0	37.9	35.5	29.8	29.8	27.8
Tech Mahindra (TECMAH)	463	450	Hold	45,499	31.7	32.4	38.2	14.6	14.3	12.1	9.9	9.0	7.4	19.4	17.3	18.4	17.1	15.5	16.2
Wipro (WIPRO)	290	285	Hold	71,306	17.5	18.1	20.2	16.6	16.0	14.3	4.4	5.3	4.1	16.8	17.3	16.8	16.3	17.0	16.2

Source: Company, ICICIdirect.com Research

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