

INFOSYS

New CEO takes over; growth uptick ahead

India Equity Research | IT

Infosys' Q3FY18 revenue of USD2,755mn (up 1.0% in USD, 0.8% in CC terms), and operating margin at 24.3% were broadly in line with Street's estimates. Barring BFS (down 1.6%), all other businesses posted modest numbers in an otherwise weak quarter. Key highlights: 1) New CEO, Mr. Salil Parekh, has taken over and will update on strategy in Q1FY19; 2) BFSI, retail and digital (25% of revenue) look strong for CY18. We had downgraded the stock in Aug 17 in spite of it being our top pick on management instability concerns. However, now with the new CEO in place, we reiterate that: 1) Infosys has highest margin levers; 2) high dividend yield; and 3) undemanding valuations. We reinstate our 16x multiple (from 14x), roll forward to FY20E and upgrade to 'BUY' with a revised TP of INR1,265 (INR1,010 earlier).

New CEO Mr. Parekh takes over; Mr Nilekani to stay till stability

Mr. Salil Parekh joined Infosys on January 2, 2018. He will refresh Mr. Nandan Nilekani's strategy and update about same at the investor meet to be held in Q1FY19. Even as Mr. Nilekani has accomplished the job of CEO hunt, which was on top of his priority list, will stay on a little longer till board-related issues stabilise.

BFSI, retail, digital and Europe all look promising

Infosys posted flat QoQ growth in FSI and manufacturing in a seasonally weak quarter, with 1.4% and 2.6% growth, respectively, in RCL (retail) and ECS (energy and communications). Digital contribution rose to ~25% of overall revenue, while contribution of new services jumped to 9.9%. The company sounded optimistic on the demand environment in BFSI, retail, digital and Europe businesses.

Outlook and valuations: CEO in place; upgrade to 'BUY'

We had downgraded earlier primarily due to management instability, which is now addressed with Mr. Parekh joining as CEO. Hence, we reinstate our earlier 16x target multiple and upgrade to 'BUY'. We believe with digital accounting for 25% of overall business, Europe outsourcing increasing and revival in BFSI and retail, growth is definitely bottoming out. Moreover, lowest FPP (fixed price proportion) of 51.4% in the sector leaves significant margin upside. Also, huge cash balance of ~INR290bn and high dividend yield with 8.0% EPS CAGR implies a very favourable risk reward. Our revised TP of INR1,265 is based on 16x FY20E EPS. At CMP, the stock trades at 13.6x FY20E.

Financials

(INR mn)

Year to March	Q3FY18	Q2FY18	% Chg	Q3FY17	% Chg	FY18E	FY19E	FY20E
Net revenues	177,940	175,670	1.3	172,730	3.0	706,318	770,655	840,751
EBITDA	48,170	47,020	2.4	47,670	1.0	191,361	209,195	230,376
Adjusted Profit	36,970	37,260	(0.8)	37,080	(0.3)	146,587	156,141	172,865
Diluted EPS (INR)	16.2	16.3	(0.3)	16.2	0.1	64.9	71.5	79.1
Diluted P/E (x)						16.6	15.1	13.6
EV/EBITDA (x)						11.1	9.6	8.7
EV/Revenues (x)						3.0	2.6	2.4

EDELWEISS 4D RATINGS

Absolute Rating	BUY
Rating Relative to Sector	Outperform
Risk Rating Relative to Sector	Low
Sector Relative to Market	Overweight

MARKET DATA (R: INFY.BO, B: INFO IN)

CMP	: INR 1,078
Target Price	: INR 1,265
52-week range (INR)	: 1,089 / 860
Share in issue (mn)	: 2,184.0
M cap (INR bn/USD mn)	: 2,477 / 38,940
Avg. Daily Vol.BSE/NSE('000)	: 5,252.2

SHARE HOLDING PATTERN (%)

	Current	Q2FY18	Q1FY18
Promoters *	12.7	12.7	12.7
MF's, FI's & BK's	22.1	22.1	20.2
FII's	34.1	34.1	37.5
Others	31.0	31.0	29.5
* Promoters pledged shares (% of share in issue)	:		NIL

PRICE PERFORMANCE (%)

	Stock	Nifty	EW Technology Index
1 month	6.7	4.3	7.4
3 months	16.3	5.8	13.3
12 months	7.8	27.0	15.3

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Why the upgrade?

CEO in place; management uncertainty broadly over...

Post Dr. Sikka's resignation, Infosys was engulfed in uncertainty over: 1) appointment of a new CEO; 2) some key initiatives of Dr. Sikka; 3) retaining client relationships; and 4) low employee morale. However, Infosys quickly salvaged the situation by appointing Mr. Salil Parekh (ex- Capgemini) as CEO and has done a commendable job in controlling client or talent loss. Now with the appointment of a highly capable and experienced CEO, we believe Mr. Nilekani's major boxes will be ticked off. We believe Mr. Parekh possess relevant expertise and experience and is perfect to lead Infosys' revival.

Fundamentals were never a concern...

We have always been positive on Infosys anchored by its sound fundamentals, abundant margin levers and reasonable valuations versus peers. Infosys has been one of best performers both in terms of revenue growth and margin levers.

Table 1: Revenue growth of large-cap IT companies (CC terms)

USD mn	Q1FY16	Q2FY16	Q3FY16	Q4FY16	Q1FY17	Q2FY17	Q3FY17	Q4FY17	Q1FY18	Q2FY18	Q3FY18	Average
TCS	3.6	3.9	0.5	2.1	3.1	1.0	2.0	1.0	2.0	1.7	1.3	2.0
Infosys	4.4	6.9	1.1	1.9	1.7	3.9	(0.3)	0.0	2.7	2.2	0.8	2.3
HCLT	2.9	1.2	2.1	1.7	6.0	2.8	3.0	3.8	2.6	0.9	NA	2.7
Wipro	0.2	3.1	1.4	2.7	2.0	0.9	0.6	1.7	0.3	0.3	NA	1.3

Source: Companies, Edelweiss research

Note: HCL Tech's revenue received a boost to revenue from IBM deals and acquisition of Geometric, Butler Aerospace

However, we had downgraded Infosys solely due to the leadership vacuum post Dr. Vishal Sikka's resignation. The complexities, uncertainties and time involved in appointment of the new CEO was a major concern. However, with the appointment of Mr. Parekh, who in our view possesses the right capabilities and experience, our key concern has been addressed and we believe Mr. Parekh will once again drive the company with high growth and higher earnings growth. While we await more clarity on the company's strategy to be delved on at its investor day in Q1FY19, we upgrade the stock to **'BUY'** by reinstating our earlier target multiple of 16x and rolling forward to FY20 estimates. Our optimism stems from the fact that: 1) digital, which is now growing at faster clip contributes 25% of Infosys' revenues; 2) BFSI and retail are on revival mode; 3) Europe is growing faster with higher adoption of outsourcing; and 4) high cash generation and dividend yield implies very favourable risk-return for investors.

Key highlights

- Reported revenue of USD2,755mn, up 1.0% QoQ (0.8% in CC terms), in line with Street's estimate of 1.0% QoQ growth.
- EBITDA margin rose 30bps QoQ to 27.1%.
- Adjusted net profit stood at INR37.0bn, down 0.8% QoQ. Adjusted net margin declined by 40bps QoQ to 20.8%.

Chart 1: Volume growth (QoQ)

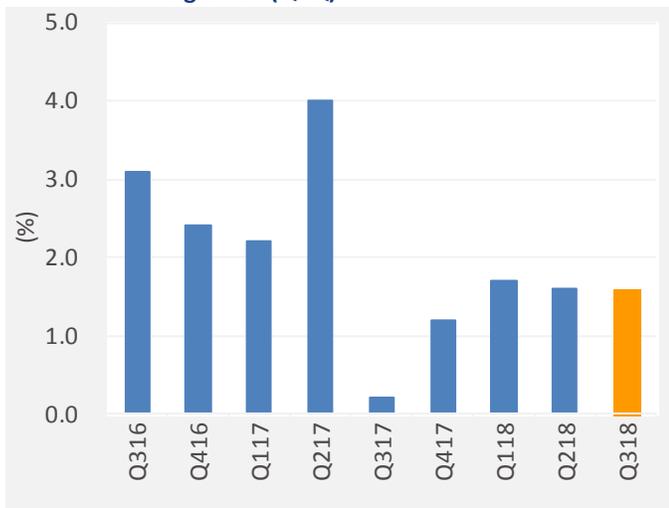
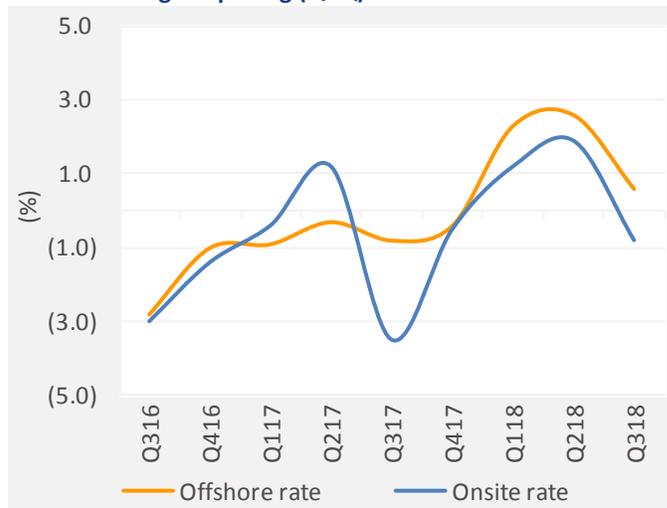


Chart 2: Change in pricing (QoQ)



Source: Company, Edelweiss research

- FY18 guidance:** Infosys maintained its CC revenue growth guidance of 5.5-6.5%, translating into 6.5-7.5% USD growth. The company maintained its operating margin guidance in the 23-25% range for FY18.

Table 2: FY18 revenue guidance

Guidance (USD mn)	FY18	FY17	Y-o-Y growth (%)
Lower band	10,872	10,208	6.5
Upper band	10,974	10,208	7.5

Source: Company, Edelweiss research

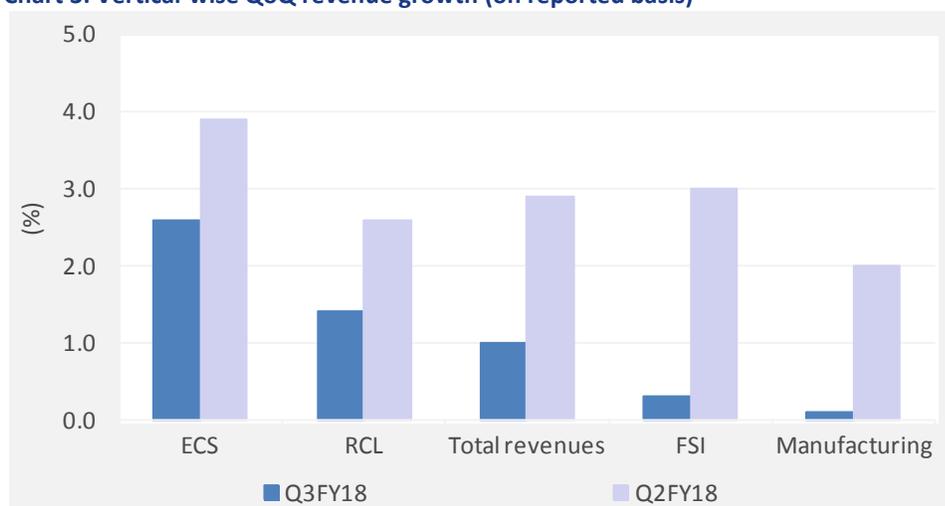
- Performance across client categories:** While top clients' revenue rose 1.0%, for the top-10 clients it fell by 0.6% QoQ. Beyond top-10 clients grew 1.4% QoQ (in USD terms).
- Pricing:** While onsite pricing fell 0.8% QoQ, offshore pricing rose 0.6% QoQ. Blended pricing declined 0.6% QoQ on reported basis.
- Horizontal:** Growth was led by BPM, software maintenance and testing services, which reported 5.0%, 2.3% and 1.0% QoQ growth, in USD terms, respectively. Application maintenance, IMS and engineering services declined by 0.3%, 1.3% and 1.5% QoQ, respectively.
- New client addition:** Infosys added 79 clients during the quarter (72 in Q2FY18). Total number of active clients stood at 1,191 (1,173 in Q2FY18).

Table 3: Movement across client buckets

	Q317	Q417	Q118	Q218	Q318
More than 1 mn USD	591	598	606	620	630
More than 5 mn USD	275	282	279	286	290
More than 10 mn USD	195	189	190	186	198
More than 25 mn USD	90	91	97	100	101
More than 50 mn USD	54	56	56	55	56
More than 75 mn USD	32	31	31	31	34
More than 100 mn USD	18	19	18	19	20

Source: Company, Edelweiss research

- **Vertical-wise performance:** ECS, RCL and FSI grew 2.6%, 1.4% and 0.3% QoQ in USD terms, and 2.5%, 1.2% and 0.1% QoQ in CC terms, respectively. Manufacturing & hi-tech grew 0.1% QoQ in USD terms and declined 0.1% in cc terms.

Chart 3: Vertical-wise QoQ revenue growth (on reported basis)

Source: Company, Edelweiss research

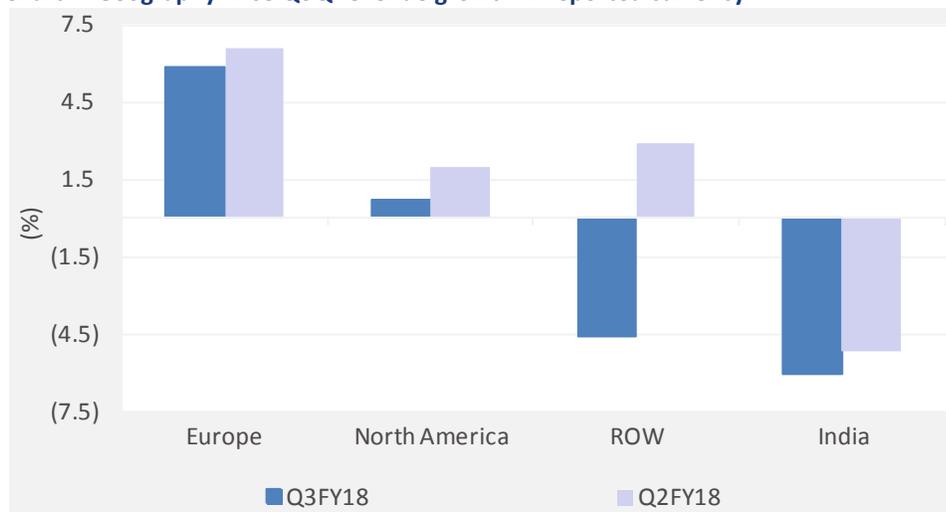
Table 4: Vertical-wise QoQ revenue growth (in CC)

Constant currency growth (%)	Q3FY18	Q2FY18
ECS	2.5	3.0
RCL	1.2	1.7
FSI	0.1	2.6
MFG & Hi-Tech	(0.1)	1.2

Source: Company, Edelweiss research

- **Geo split:** Europe and North America grew 5.9% and 0.7% QoQ in USD and 4.7% and 0.7% QoQ in CC terms, respectively. India slipped by 6.1% QoQ in USD terms and 5.9% in CC terms.

Chart 4: Geography-wise QoQ revenue growth in reported currency



Source: Company, Edelweiss research

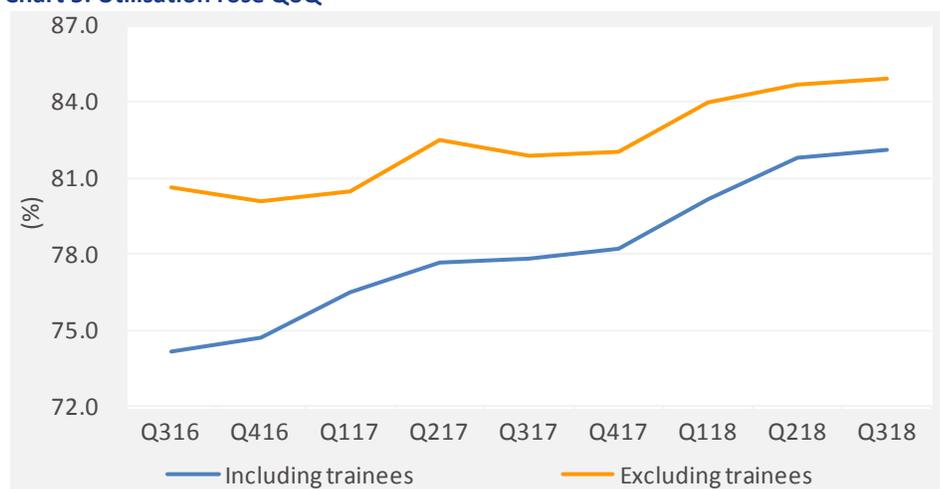
Table 5: Geography-wise QoQ revenue growth (in CC)

Constant currency growth (%)	Q3FY18	Q2FY18
Europe	4.7	4.1
North America	0.7	1.9
ROW	(4.0)	2.3
India	(5.9)	(5.1)

Source: Company, Edelweiss research

- Utilisation:** Including trainees, utilisation improved by 30bps QoQ to 82.1% and excluding trainees, it stood at 84.9%, up 20bps QoQ.

Chart 5: Utilisation rose QoQ



Source: Company

- Attrition (annualised consolidated):** Declined by 170bps to 18.7%. Annualised standalone attrition rate decreased by 140bps to 15.8%.

Financial snapshot

(INR mn)

Year to March	Q3FY18	Q2FY18	% Change	Q3FY17	% Change	YTD18	FY19E	FY20E
Net revenues	177,940	175,670	1.3	172,730	3.0	524,390	770,655	840,751
Software development exp.	109,520	107,710	1.7	104,070	5.2	321,730	472,835	517,699
Gross profit	68,420	67,960	0.7	68,660	(0.3)	202,660	297,820	323,052
Selling & marketing exp	8,770	8,460	3.7	8,850	(0.9)	26,110	36,991	38,675
General & admin exp	11,480	12,480	(8.0)	12,140	(5.4)	35,750	51,634	54,001
Overhead expenditure	20,250	20,940	(3.3)	20,990	(3.5)	61,860	88,625	92,676
EBITDA	48,170	47,020	2.4	47,670	1.0	140,800	209,195	230,376
Depreciation	4,980	4,560	9.2	4,330	15.0	14,040	20,192	21,308
EBIT	43,190	42,460	1.7	43,340	(0.3)	126,760	189,003	209,068
Other income	9,620	8,830	8.9	8,200	17.3	25,880	24,889	31,022
Profit before tax	52,810	51,290	3.0	51,540	2.5	152,640	213,892	240,090
Provision for taxes	1,520	14,030	(89.2)	14,460	(89.5)	29,260	57,751	67,225
Reported net profit	51,290	37,260	37.7	37,080	38.3	123,380	156,141	172,865
Adjusted Profit	36,970	37,260	(0.8)	37,080	(0.3)	109,060	156,141	172,865
Diluted shares (mn)	2,276	2,287		2,286		2,276	2,185	2,185
Diluted EPS (INR)	16.2	16.3	(0.3)	16.2	0.1	47.8	71.5	79.1
Diluted P/E (x)	-	-		-		-	15.1	13.6
EV/EBITDA (x)	-	-		-		-	9.6	8.7
EV/Revenues (x)	-	-		-		-	2.6	2.4
As % of net revenues	-	-		-		-	1	1
Gross profit	38.5	38.7		39.7		38.6	38.6	38.4
Selling & marketing exp	4.9	4.8		5.1		5.0	4.8	4.6
Admin exp	6.5	7.1		7.0		6.8	6.7	6.4
EBITDA	27.1	26.8		27.6		26.9	27.1	27.4
Adjusted net profit	20.8	21.2		21.5		23.5	20.3	20.6
Reported net profit	28.8	21.2		21.5		23.5	20.3	20.6
Tax rate	2.9	27.4		28.1		19.2	27.0	28.0

Company Description

Infosys is the second-largest IT services company in India providing consulting and IT services to clients globally. It is also among the fastest growing IT services organization in the world and a leader in the offshore services space with a pioneer in Global delivery model. Infosys provides business consulting, application development and maintenance and engineering services to 1,191 active clients spread across Banking, Financial Services, Insurance, Retail, Manufacturing, and Utilities verticals and 50 countries. The company has also its own proprietary core banking software - Finacle used by some of the leading banks in India, Middle East, Africa and Europe. Infosys' total employee force stands at 201,691 and the company's TTM revenues stood at INR695.6bn (USD10.7bn).

Investment Theme

Infosys, in the recent past, lost market share to peers like TCS and HCL Technologies due to lack of strong presence in Infrastructure management services, lack of presence in emerging geographies and its aversion to provide flexibility in structuring contracts and offer discounted pricing to clients. The restructuring exercise also led to some distractions which led to slower growth compared to peers. We believe, on the back of the investments made it is likely to reduce the gap in revenue growth with peers and is best placed to expand its margins due to current low level of utilisation and possibility of increase in offshore execution coupled with higher contribution from non-linear business.

Key Risks

Key risks to our investment theme include – slower pick up in IT spend particularly on the discretionary side, appreciation of INR against USD, Euro and GBP.

Financial Statements

Key Assumptions

Year to March	FY17	FY18E	FY19E	FY20E
Macro				
GDP(Y-o-Y %)	6.6	6.5	7.1	7.6
Inflation (Avg)	4.5	3.8	4.5	5.0
Repo rate (exit rate)	6.3	6.0	6.0	6.5
USD/INR (Avg)	67.1	64.5	65.0	66.0
Company				
PRODS + BPO - Offsh. eff	93.6	93.6	93.6	93.6
PRODS + BPO - Onsite eff	6.4	6.4	6.4	6.4
PRODS+BPO-Onsite Utiliztn	93.0	93.0	93.0	93.0
PRODS+BPO-Offsh. Utiliztn	87.0	87.0	87.0	87.0
Gross additions	44,235	45,000	52,500	55,000
Freshers Added (BPO)	2,321	9,000	2,000	2,000
Emp. Added (BPO:Support)	312	750	2,415	2,614
Emp. Added (Banking grp)	497	997	172	179
Average attrition	16.8	19.3	13.3	13.3
Efforts				
IT Srvs - Onsite eff	29.9	29.4	29.0	28.0
IT Srvs- Offsh. eff	70.2	70.6	71.0	72.0
Utilisation				
IT Srvs - Onsite Utiliztn	95.0	95.0	95.0	95.0
IT Sers-Offsh. Utiliztn	80.9	79.3	79.0	79.0
Pricing change	0.1	0.1	-	-
Services-onsite	2.1	2.1	2.1	2.1
Services-offshore	(0.4)	(0.4)	(0.4)	(0.4)
Cost assumptions				
Salary hike - Onsite	0.2	(2.6)	-	(2.8)
Salary hike - Offshore	4.1	(2.7)	-	(1.3)
Travelling cost	2.4	2.1	8.5	8.7
Other costs	0.1	2.8	0.5	39.9
S&M expenses (% of rev.)	5.2	5.0	34.1	19.2
G&A expenses (% of rev.)	6.9	6.7	45.7	26.8
Tax rate as % of PBT	28.1	21.1	27.0	28.0
Capex (INR mn)	27,600	17,438	17,516	18,347
Financial assumptions				
Cash yield (%)	9.5	11.6	9.0	9.5
Debtor days	81	82	78	78
Payable days	104	103	97	94
Cash conversion cycle	(23)	(21)	(19)	(15)

Income statement

(INR mn)

Year to March	FY17	FY18E	FY19E	FY20E
Net revenue	684,850	706,318	770,655	840,751
Cost of revenues	415,525	432,175	472,835	517,699
Gross profit	269,325	274,143	297,820	323,052
Total SG&A expenses	83,300	82,782	88,625	92,676
S&M expenses	35,910	35,206	36,991	38,675
G&A expenses	47,390	47,575	51,634	54,001
EBITDA	186,025	191,361	209,195	230,376
Depreciation	17,005	18,967	20,192	21,308
EBIT	169,020	172,394	189,003	209,068
Add: Other income	30,490.00	31,653.00	24,889.46	31,022.05
Profit Before Tax	199,510	204,047	213,892	240,090
Less: Provision for Tax	55,980	43,140	57,751	67,225
Reported Profit	143,530	160,907	156,141	172,865
Exceptional Items	-	14,320	-	-
Adjusted Profit	143,530	146,587	156,141	172,865
Shares o/s (mn)	2,286	2,259	2,185	2,185
Adjusted Basic EPS	62.8	64.9	71.5	79.1
Diluted shares o/s (mn)	2,286	2,259	2,185	2,185
Adjusted Diluted EPS	62.8	64.9	71.5	79.1
Adjusted Cash EPS	70.2	73.3	80.7	88.9
Dividend per share (DPS)	25.7	42.5	42.9	39.6
Dividend Payout Ratio(%)	48.0	69.7	70.2	58.5

Common size metrics

Year to March	FY17	FY18E	FY19E	FY20E
Cost of revenues	60.7	61.2	61.4	61.6
Gross margin	39.3	38.8	38.6	38.4
G&A expenses	6.9	6.7	6.7	6.4
S&M expenses	5.2	5.0	4.8	4.6
SG&A expenses	12.2	11.7	11.5	11.0
EBITDA margins	27.2	27.1	27.1	27.4
EBIT margins	24.7	24.4	24.5	24.9
Net Profit margins	21.0	20.8	20.3	20.6

Growth ratios (%)

Year to March	FY17	FY18E	FY19E	FY20E
Revenues	9.7	3.1	9.1	9.1
EBITDA	8.9	2.9	9.3	10.1
PBT	6.5	2.3	4.8	12.2
Adjusted Profit	6.4	2.1	6.5	10.7
EPS	6.4	3.3	10.1	10.7

Balance sheet		(INR mn)			
As on 31st March	FY17	FY18E	FY19E	FY20E	
Share capital	11,440	10,880	10,880	10,880	
Reserves & Surplus	678,380	598,470	631,391	703,130	
Shareholders' funds	689,820	609,350	642,271	714,010	
Long Term Liabilities	1,530	2,830	2,830	2,830	
Def. Tax Liability (net)	(60,490)	(60,530)	(60,530)	(60,530)	
Sources of funds	630,860	551,650	584,571	656,310	
Gross Block	197,180	211,791	228,107	245,768	
Net Block	117,160	110,761	94,476	91,515	
Intangible Assets	44,280	43,260	43,260	43,260	
Total Fixed Assets	161,440	154,021	137,736	134,775	
Non current investments	63,820	61,110	61,110	61,110	
Cash and Equivalents	325,950	247,734	292,165	354,211	
Sundry Debtors	159,700	159,008	171,323	189,918	
Loans & Advances	51,400	63,150	63,150	63,150	
Other Current Assets	8,680	7,790	7,790	7,790	
Current Assets (ex cash)	219,780	229,948	242,263	260,858	
Trade payable	122,490	122,122	129,663	135,604	
Other Current Liab	17,640	19,040	19,040	19,040	
Total Current Liab	140,130	141,162	148,703	154,644	
Net Curr Assets-ex cash	79,650	88,786	93,561	106,214	
Uses of funds	630,860	551,650	584,571	656,310	
BVPS (INR)	301.8	269.8	293.9	326.7	

Free cash flow		(INR mn)			
Year to March	FY17	FY18E	FY19E	FY20E	
Reported Profit	143,530	160,907	156,141	172,865	
Add: Depreciation	17,005	18,967	20,192	21,308	
Others	(5,475)	35,230	-	-	
Less: Changes in WC	14,430	9,136	4,775	12,653	
Operating cash flow	140,630	205,968	171,558	181,519	
Less: Capex	27,600	17,438	17,516	18,347	
Free Cash Flow	113,030	188,531	154,042	163,172	

Peer comparison valuation

Name	Market cap (USD mn)	Diluted P/E (X)		EV / EBITDA (X)		ROAE (%)	
		FY18E	FY19E	FY18E	FY19E	FY18E	FY19E
Infosys	38,940	16.6	15.1	11.4	9.9	22.6	25.0
Cyient	1,022	15.4	13.7	10.0	8.1	18.4	18.2
ECLERX SERVICES	958	17.8	16.1	11.3	9.5	25.6	23.9
HCL Technologies	20,769	14.7	13.3	11.5	10.1	25.7	25.8
Hexaware Technologies	1,706	21.3	19.6	15.2	13.7	28.3	28.2
Persistent Systems	980	17.7	15.1	11.0	8.6	17.3	17.9
Tata Consultancy Services	83,545	21.0	19.1	15.5	13.5	29.8	30.9
Tech Mahindra	8,479	15.7	14.1	11.2	9.0	17.5	17.4
Wipro	24,389	17.7	15.9	14.2	12.7	17.4	18.7
Median	-	17.7	15.1	11.4	9.9	22.6	23.9
AVERAGE	-	17.6	15.8	12.4	10.6	22.5	22.9

Source: Edelweiss research

Cash flow metrics		FY17	FY18E	FY19E	FY20E
Year to March					
Operating cash flow		140,630	205,968	171,558	181,519
Investing cash flow		(170,740)	71,672	(17,516)	(18,347)
Financing cash flow		(70,610)	(280,967)	(109,611)	(101,126)
Net cash Flow		(100,720)	(3,326)	44,431	62,046
Capex		(27,600)	(17,438)	(17,516)	(18,347)
Dividend paid		(69,390)	(151,157)	(109,611)	(101,126)

Profitability and efficiency ratios

Year to March	FY17	FY18E	FY19E	FY20E
ROAE (%)	22.0	22.6	25.0	25.5
ROACE (%)	30.5	31.4	34.2	35.3
Debtors Days	81	82	78	78
Payable Days	104	103	97	94
Cash Conversion Cycle	(23)	(21)	(19)	(15)
Current Ratio	3.9	3.4	3.6	4.0

Operating ratios

Year to March	FY17	FY18E	FY19E	FY20E
Total Asset Turnover	1.1	1.2	1.4	1.4
Fixed Asset Turnover	4.4	4.5	5.3	6.2
Equity Turnover	1.0	1.1	1.2	1.2

Valuation parameters

Year to March	FY17	FY18E	FY19E	FY20E
Adj. Diluted EPS (INR)	62.8	64.9	71.5	79.1
Y-o-Y growth (%)	6.4	3.3	10.1	10.7
Adjusted Cash EPS (INR)	70.2	73.3	80.7	88.9
Diluted P/E (x)	17.2	16.6	15.1	13.6
P/B (x)	3.6	4.0	3.7	3.3
EV / Sales (x)	3.0	3.0	2.6	2.4
EV / EBITDA (x)	11.5	11.4	9.9	8.7
Dividend Yield (%)	2.4	3.9	4.0	3.7

Additional Data

Directors Data

Nandan Nilekani	Non-Executive Chairman of the Board	Kiran Mazumdar-Shaw	Independent Director
U. B. Pravin Rao	Chief Operating Officer	Roopa Kudva	Independent Director
Dr. Punita Kumar-Sinha	Independent Director	Ravi Venkatesan	Independent Director
DN Prahlad	Independent Director	D. Sundaram	Independent Director
Salil Parekh	Chief Executive Officer and Managing Director		

Auditors - BSR & Co., Chartered Accountants

**as per last annual report*

Holding – Top 10

	Perc. Holding		Perc. Holding
Life Insurance Corp of India	7.35	Blackrock	5.02
HDFC Asset Management	2.75	Vanguard Group	2.73
ICICI Prudential Asset Mgmt	2.11	Oppenheimer Funds	1.89
ICICI Prudential Life Insurance	1.28	Government of Singapore	1.18
Abu Dhabi Investment Authority	1.15	SBI Funds Management	1.06

**as per last available data*

Bulk Deals

Data	Acquired / Seller	B/S	Qty Traded	Price
No Data Available				

**in last one year*

Insider Trades

Reporting Data	Acquired / Seller	B/S	Qty Traded
No Data Available			

**in last one year*

Company	Absolute reco	Relative reco	Relative risk	Company	Absolute reco	Relative reco	Relative Risk
Cyient	BUY	SP	H	ECLERX SERVICES	HOLD	SP	M
HCL Technologies	BUY	SP	H	Hexaware Technologies	HOLD	SP	M
Info Edge	BUY	SP	M	Infosys	BUY	SO	L
Just Dial	REDUCE	SU	M	Persistent Systems	BUY	SP	L
Tata Consultancy Services	HOLD	SP	L	Tech Mahindra	BUY	SP	M
Wipro	HOLD	SP	L				

ABSOLUTE RATING

Ratings	Expected absolute returns over 12 months
Buy	More than 15%
Hold	Between 15% and - 5%
Reduce	Less than -5%

RELATIVE RETURNS RATING

Ratings	Criteria
Sector Outperformer (SO)	Stock return > 1.25 x Sector return
Sector Performer (SP)	Stock return > 0.75 x Sector return
	Stock return < 1.25 x Sector return
Sector Underperformer (SU)	Stock return < 0.75 x Sector return

Sector return is market cap weighted average return for the coverage universe within the sector

RELATIVE RISK RATING

Ratings	Criteria
Low (L)	Bottom 1/3rd percentile in the sector
Medium (M)	Middle 1/3rd percentile in the sector
High (H)	Top 1/3rd percentile in the sector

Risk ratings are based on Edelweiss risk model

SECTOR RATING

Ratings	Criteria
Overweight (OW)	Sector return > 1.25 x Nifty return
Equalweight (EW)	Sector return > 0.75 x Nifty return
	Sector return < 1.25 x Nifty return
Underweight (UW)	Sector return < 0.75 x Nifty return

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Aditya Narain

Head of Research

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Coverage group(s) of stocks by primary analyst(s): IT

Cyient, ECLERX SERVICES, HCL Technologies, Hexaware Technologies, Infosys, Info Edge, Just Dial, Persistent Systems, Tata Consultancy Services, Tech Mahindra, Wipro

Recent Research

Date	Company	Title	Price (INR)	Recos
11-Jan-18	Tata Consultancy Services	Strong digital to assure growth; turnaround in sight; <i>Result Update</i>	2,790	Hold
02-Jan-18	IT Q3FY18 Result Preview	Improving outlook; seasonal weakness; <i>Quarterly Result Preview</i>		
14-Dec-17	TCS	BFSI, retail turnaround awaited; <i>Visit Note</i>	2,558	Hold

Distribution of Ratings / Market Cap

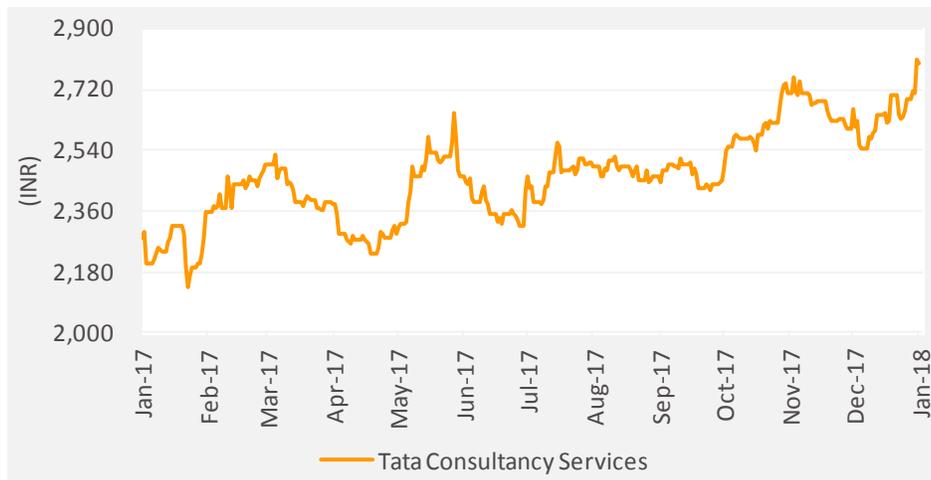
Edelweiss Research Coverage Universe

	Buy	Hold	Reduce	Total
Rating Distribution*	161	67	11	240
* 1stocks under review				
	> 50bn	Between 10bn and 50 bn	< 10bn	
Market Cap (INR)	156	62	11	

Rating Interpretation

Rating	Expected to
Buy	appreciate more than 15% over a 12-month period
Hold	appreciate up to 15% over a 12-month period
Reduce	depreciate more than 5% over a 12-month period

One year price chart



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