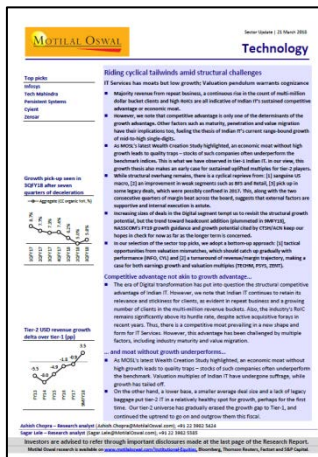


Results Preview



Our recent IT sector update



Company Name

Cyient

HCL Tech

Hexaware

Infosys

KPIT Tech

L&T Infotech

Mindtree

Mphasis

NIIT Tech

Persistent

Tata Elxsi

TCS

TechM

Wipro

Zensar

Looking on expectantly

Gradual growth uptick, tier-2's outperformance to sustain

Expect the gradual, albeit marginal, growth uptick to continue

- Our recent report on the sector discussed the cyclical impetus in CY18 that is likely to drive some revenue acceleration in FY19, even as the structural challenges prevail. A strong exit from FY18 will only fuel that thesis further, especially given the usual weakness associated with 4Q, with client focus on freezing budgets for the best part of 4Q's first month and a half.
- "Strong", therefore, should be taken in that context – whereby sequential growth will be contained, but YoY trajectory may continue to inch up. We expect such acceleration in INFO, TCS and TECHM, and also organically for WPRO – across our top-tier universe. Corresponding aggregate QoQ growth is pegged at 2.9% (~2% in constant currency and 80-120bp tailwind from cross currency). TCS, with its recent deal wins, and HCLT, with anticipated IMS recovery, should lead the pack at 2-2.2% QoQ CC revenue growth.

Tier-2's outperformance to sustain (ex-PSYS)

- We expect aggregate USD revenue growth of 3.5% QoQ across tier-2 IT, 60bp higher than tier-1, despite modeling 5% QoQ decline in PSYS revenues (post the company's update of anticipated 8m decline in IP revenues).
- This will be led by: [1] Cyient (+8.8% QoQ), where boost will come from Rangsons, [2] LTI (+4% QoQ), which should continue delivering on its expectation of better 2H v/s 1H, and [3] MTCL (+4.3% QoQ), where the revenue performance is expected to be similar to 3Q. While ZENT should continue demonstrating recovery on multiple fronts (US, IMS, Digital Consumer), the focus away from MVS and products in IMS may weigh on overall revenue.

Margin movement to be range-bound, except for TECHM, PSYS, MTCL and KPIT

While cross-currency movements will rub off positively across the board, the INR, which is a key determinant of margins, has not moved significantly. As a result, barring company-specific turnarounds such as TECHM (+110bp QoQ), MTCL (+90bp QoQ) and KPIT (+80bp QoQ), we expect margins to be range-bound. Performance will be the worst at PSYS, given the softness in IP-led revenues, which flow directly down to profits.

Ashish Chopra – Research analyst (Ashish.Chopra@MotilalOswal.com); +91 22 3982 5424

Sagar Lele – Research analyst (Sagar.Lele@MotilalOswal.com); +91 22 3982 5585

Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Watch out for INFO's guidance, TCS' margin outlook and sector's commentary on deals, BFS

- Guidance for FY19 will understandably supersede the performance of 4Q, and all eyes will be on INFO come 13th April. We expect INFO to start the year by guiding for 6-8% growth in constant currency (which will be higher in reported dollar), and are currently pegging our estimate at the higher end of that band.
- Traditional pain points of 1Q seasonality no longer hold for WPRO, and with weaker areas such as Healthcare and Communications having seen their bottom, there is a good reason to expect better 1Q guidance than earlier years. However, there is a risk of offset from client-specific factors like the Energy account in 3Q. We expect 1QFY19 guidance of 1-3% QoQ CC.
- Apart from quantitative guidance, TCS' commentary on BFS and margins will be crucial, as softness in both is a downside risk to current valuations.

Opportunities despite valuation catch-up; we prefer INFO, TECHM, CYL, ZENT and PSYS

- Post the sector's outperformance to the index by as much as 19% since November 2017, valuations are not cheap, as reflected by the fact that: [1] IT index's discount to Sensex has almost been eliminated to 2.3%, compared to 10-year average of ~8%, and [2] almost all companies in our coverage universe are trading above their 10-year average.
- That said, given the benchmarks in valuation set by similar growth companies such as CTSH and ACN, we believe that there are bottom-up opportunities to capitalize on momentum improvement. Our top picks are a function of [1] tactical opportunities from valuation mismatches, which should catch up gradually with performance (INFO, CYL), and [2] a turnaround of revenue/margin trajectory, making a case for both earnings growth and valuation multiples (TECHM, ZENT, PSYS).

Exhibit 1: Expected quarterly performance summary

Sector				Sales (INR M)			EBDITA (INR M)			Net Profit (INR M)		
	Technology	CMP (INR)	RECO	Mar-18	Var % YoY	Var % QoQ	Mar-18	Var % YoY	Var % QoQ	Mar-18	Var % YoY	Var % QoQ
	Cyient	680	Buy	10,644	13.1	8.2	1,455	16.5	1.7	1,078	37.3	-0.7
	HCL Technologies	968	Neutral	132,016	9.5	3.1	30,547	15.3	3.1	23,477	15.9	7.0
	Hexaware Tech.	416	Neutral	10,414	8.4	3.6	1,662	2.4	3.9	1,316	15.5	8.6
	Infosys	1,140	Buy	181,318	5.9	1.9	49,266	5.8	2.3	38,097	5.7	3.0
	KPIT Tech.	223	Neutral	9,328	8.7	2.2	1,083	24.4	9.5	730	35.9	18.0
	L&T Infotech	1,418	Buy	19,648	17.1	4.3	3,353	5.1	4.3	3,373	32.4	19.2
	Mindtree	801	Buy	14,385	9.1	4.4	2,293	22.7	10.6	1,665	71.3	17.7
	Mphasis	855	Neutral	17,412	15.6	4.9	2,959	24.1	7.9	2,492	28.8	15.9
	NIIT Tech.	883	Neutral	7,738	7.8	2.3	1,387	10.1	7.0	818	10.7	8.0
	Persistent Systems	677	Buy	7,491	3.0	-5.4	951	-27.0	-30.9	704	-16.4	-23.2
	Tata Elxsi	1,005	Buy	3,717	14.0	7.6	929	22.6	-0.6	607	36.3	-3.4
	TCS	2,908	Neutral	318,372	7.4	3.0	86,348	6.2	4.2	68,590	3.8	5.0
	Tech Mahindra	617	Buy	80,159	7.0	3.1	13,879	54.4	9.7	9,575	62.9	1.5
	Wipro	284	Neutral	139,774	-0.1	2.3	28,913	3.8	2.9	21,612	11.7	11.6
	Zensar Tech	901	Buy	8,143	9.6	2.6	1,096	87.2	3.9	688	562.9	19.8
	Sector Aggregate			960,561	6.6	2.8	226,120	9.6	3.7	174,821	10.9	5.8

Exhibit 2: Double-digit growth driven by cross-currency tailwinds; everyone in single-digits on a CC basis

Company	Revenue (USD m)					Revenue (INR b)				
	4QFY18E	4QFY17	YoY (%)	3QFY18	QoQ (%)	4QFY18E	4QFY17	YoY (%)	3QFY18	QoQ (%)
TCS	4,946	4,452	11.1	4,787	3.3	318	296	7.4	309	3.0
Infosys	2,817	2,569	9.7	2,755	2.3	181	171	5.9	178	1.9
Wipro	2,063	1,955	5.5	2,013	2.5	140	140	(0.1)	137	2.3
HCLT	2,051	1,817	12.9	1,988	3.2	132	121	9.5	128	3.1
TECHM	1,245	1,131	10.1	1,209	3.0	80	75	7.0	78	3.1
Aggregate	13,122	11,924	10.1	12,752	2.9	852	803	6.1	830	2.7

Company	EBITDA Margin (%)					PAT (INR b)				
	4QFY18E	4QFY17	YoY (bp)	3QFY18	QoQ (bp)	4QFY18E	4QFY17	YoY (%)	3QFY18	QoQ (%)
TCS	27.1	27.4	(30)	26.8	30	69	66	3.8	65	5.0
Infosys	27.2	27.2	-	27.1	10	38	36	5.7	37	3.0
Wipro	20.7	19.9	80	20.6	10	22	19	11.7	19	11.6
HCLT	23.1	22.0	120	23.1	-	23	23	0.8	22	7.0
TECHM	17.3	12.0	530	16.3	110	10	6	62.9	9	1.5
Aggregate	24.5	23.8	70	24.3	30	161	151	7.1	153	5.4

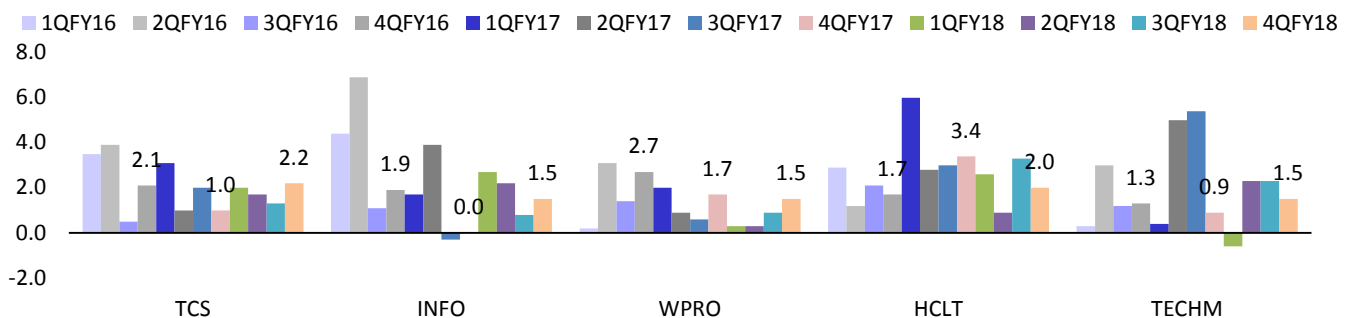
Source: Company, MOSL

Exhibit 3: Tier-II in significantly better shape on revenue growth

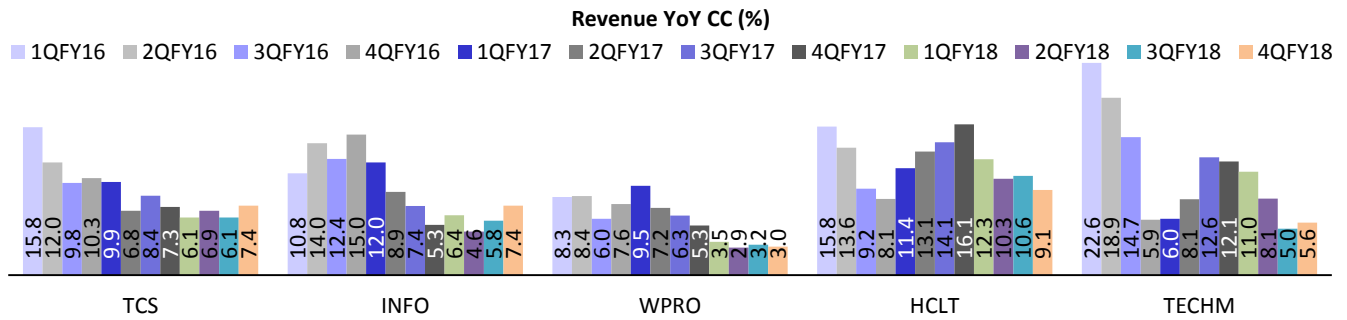
Company	Revenue (USD m)					Revenue (INR b)				
	4QFY18E	4QFY17	YoY (%)	3QFY18	QoQ (%)	4QFY18E	4QFY17	YoY (%)	3QFY18	QoQ (%)
Persistent Systems	116	109	6.7	123	(5.0)	7.5	7.3	3.0	7.9	(5.4)
Hexaware	162	145	11.8	156	3.6	10.4	9.6	8.4	10.0	3.6
KPIT Tech.	145	128	13.0	141	2.8	9.3	8.6	8.7	9.1	2.2
Mindtree	223	196	14.3	214	4.3	14.4	13.2	9.1	13.8	4.4
Mphasis	260	222	17.5	252	3.4	17.4	15.1	15.6	16.6	4.9
Cyient	165	141	17.3	152	8.8	10.6	9.4	13.1	9.8	8.2
NIIT Tech	120	104	15.4	115	4.4	7.7	7.2	7.8	7.6	2.3
Zensar	127	112	13.2	123	3.2	8.1	7.4	9.6	7.9	2.6
LTI	305	254	20.1	294	4.0	19.6	16.8	17.1	18.8	4.3
Aggregate	1,624	1,410	15.2	1,569	3.5	105.2	94.5	11.3	101.7	3.5

Company	EBITDA margin (%)					PAT (INR b)				
	4QFY18E	4QFY17	YoY (bp)	3QFY18	QoQ (bp)	4QFY18E	4QFY17	YoY (%)	3QFY18	QoQ (%)
Persistent Systems	12.7	17.9	(520)	17.4	(470)	0.7	0.8	(16.4)	0.9	(23.2)
Hexaware	16.0	16.9	(90)	15.9	-	1.3	1.1	15.5	1.2	8.6
KPIT Tech.	11.6	10.1	150	10.8	80	0.2	0.1	150.1	0.2	45.3
Mindtree	15.9	14.2	180	15.1	90	1.7	1.0	71.3	1.4	17.7
Mphasis	17.0	15.8	120	16.5	50	2.5	1.9	28.8	2.2	15.9
Cyient	13.7	13.3	40	14.6	(90)	1.1	0.8	37.3	1.1	(0.7)
NIIT Tech	17.9	17.6	40	17.1	80	0.8	0.7	10.7	0.8	8.0
Zensar	13.5	7.9	560	13.3	20	0.7	0.1	562.9	0.6	19.8
LTI	17.1	19.0	(200)	17.1	-	2.7	2.5	6.7	2.8	(3.9)
Aggregate	15.4	15.2	30	15.5	(10)	11.7	9.2	28.0	11.1	5.5

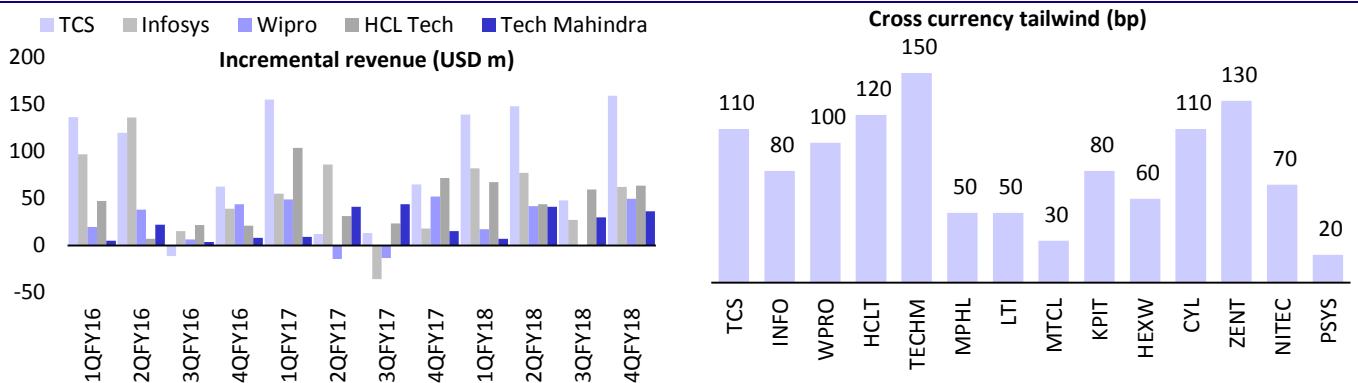
Source: Company, MOSL

Exhibit 4: Improvement from the seasonally weak 3Q (QoQ, CC %)

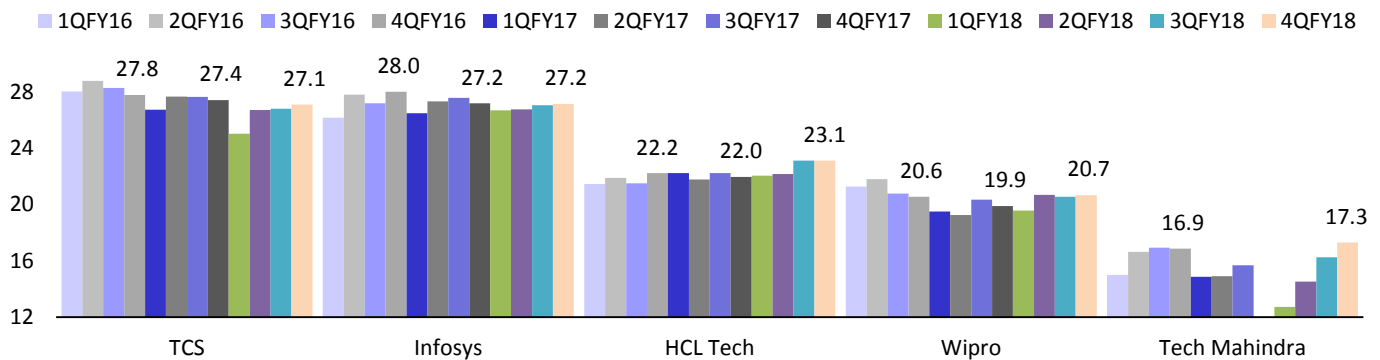
Source: Company, MOSL

Exhibit 5: YoY traction seen improving for TCS, INFO and TECHM (Revenue YoY CC, %)

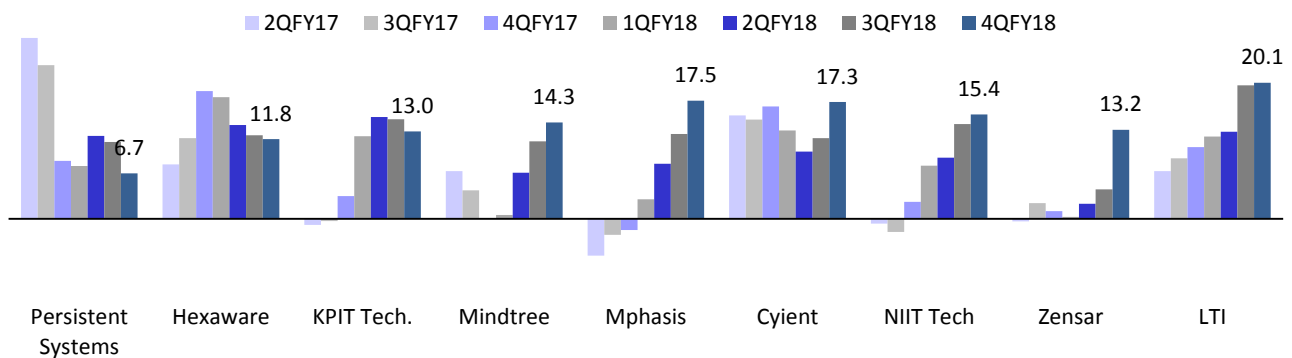
Source: Company, MOSL

Exhibit 6: Significant cross-currency tailwinds this quarter

Source: Company, MOSL

Exhibit 7: YoY margin improvement seen in HCLT, WPRO and TECHM (EBITDA margin, %)

Source: Company, MOSL

Exhibit 8: Upward traction seen in all Tier-II vendors other than PSYS, HEXW and KPIT (revenue growth, YoY, USD, %)

Source: Company, MOSL

Exhibit 9: 4QFY18 currency highlights (INR)

	Rates (INR)				Change (QoQ)			
	USD	EUR	GBP	AUD	USD	EUR	GBP	AUD
Average	64.34	79.0	89.6	50.6	-0.6%	3.7%	4.2%	1.7%
Closing	65.18	80.8	91.6	50.2	-2.5%	-0.7%	-1.3%	-2.4%

Source: Company, MOSL

Exhibit 10: 4QFY18 currency highlights (in USD)

	Rates (USD)			Change (QoQ)		
	EUR	GBP	AUD	EUR	GBP	AUD
Average	1.23	1.39	0.79	4.3%	4.8%	2.2%
Closing	1.23	1.40	0.77	2.7%	3.7%	-1.7%

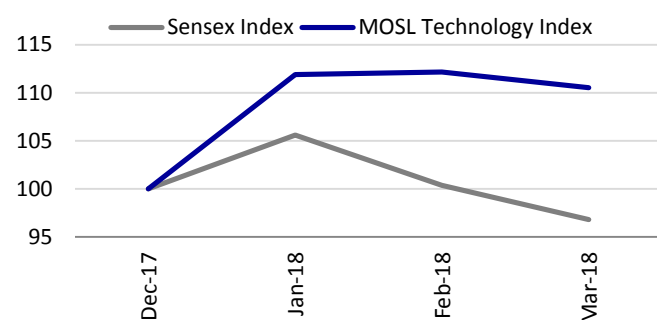
Source: Company, MOSL

Exhibit 11: Cross currencies: Assumed rates v/s actual

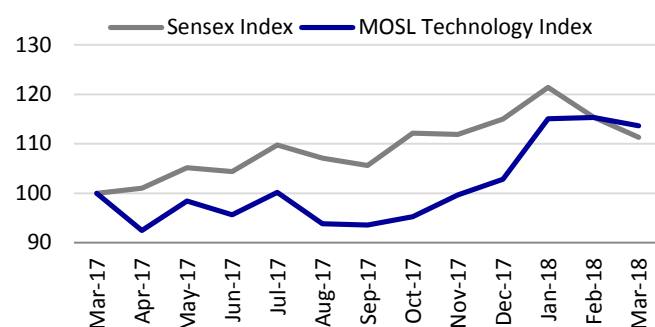
Guided at	EUR	GBP	AUD	INR/USD
Infosys	1.09	1.30	0.75	nm
Wipro	1.18	1.33	0.76	64.49
Actual (Average)	1.23	1.39	0.79	64.34

Change (%)	EUR	GBP	AUD	INR/USD
Infosys	12.7%	7.0%	4.8%	nm
Wipro	4.1%	4.6%	3.4%	-0.2%

Source: Company, MOSL

Exhibit 12: Relative performance—3m (%)

Source: Bloomberg, MOSL

Exhibit 13: Relative performance—1Yr (%)

Source: Bloomberg, MOSL

Exhibit 14: Comparative valuation

Company	Rating	EPS (INR)			P/E (x)			RoE (%)			FY18-20E CAGR (%)	
		FY18E	FY19E	FY20E	FY18E	FY19E	FY20E	FY18E	FY19E	FY20E	USD rev.	EPS
TCS	Neutral	131.8	147.1	161.3	22.1	19.8	18.0	30.7	32.8	31.3	8.9	10.6
Infosys	Buy	65.4	71.2	79.2	17.4	16.0	14.4	24.6	23.2	23.2	8.7	10.1
Wipro	Neutral	17.9	18.8	21.1	15.8	15.1	13.4	17.2	17.0	16.9	6.9	8.6
HCL Tech	Neutral	63.4	66.3	71.6	15.3	14.6	13.5	25.7	24.4	24.0	8.9	6.3
TechM	Buy	40.2	42.8	49.8	15.3	14.4	12.4	20.9	20.1	20.2	10.5	11.3
Mphasis	Neutral	44.0	50.8	54.9	19.5	16.8	15.6	15.3	18.8	18.6	11.2	11.7
LTI	Buy	66.3	73.3	86.3	21.4	19.4	16.4	32.4	28.4	27.1	13.9	14.1
Mindtree	Buy	33.4	41.7	48.8	24.0	19.2	16.4	20.3	24.4	24.9	11.8	20.8
KPIT Tech	Neutral	12.5	13.5	17.5	17.8	16.5	12.8	14.9	14.0	15.6	7.5	18.0
Cyient	Buy	37.0	38.1	42.9	18.4	17.8	15.8	17.8	16.7	17.1	12.6	7.6
Hexaware	Neutral	16.6	18.7	21.0	25.1	22.2	19.8	26.9	26.1	25.6	12.8	12.6
NIIT Tech	Neutral	44.8	53.1	61.6	19.7	16.6	14.3	16.2	17.8	19.2	9.6	17.2
Persistent	Buy	40.0	50.3	60.2	16.9	13.5	11.3	16.5	20.0	23.3	10.9	22.7
Zensar	Buy	51.9	63.1	82.6	17.4	14.3	10.9	15.0	16.2	18.5	12.7	26.1

Cyient

Bloomberg	CYL IN
Equity Shares (m)	113.0
M. Cap. (INR b)/(USD b)	77 / 1
52-Week Range (INR)	698 / 459
1,6,12 Rel Perf. (%)	9 / 28 / 34

Financial Snapshot (INR b)

Y/E June	2017	2018E	2019E	2020E
Sales	36.1	39.2	45.5	51.2
EBITDA	4.9	5.5	6.0	6.7
PAT	3.7	4.2	4.3	4.8
EPS (INR)	30.6	37.0	38.1	42.9
EPS Gr. (%)	(0.2)	20.9	3.0	12.4
BV/Sh. (INR)	188.7	207.9	227.8	250.0
RoE (%)	16.2	17.8	16.7	17.1
RoCE (%)	15.9	17.1	16.2	16.6
Payout (%)	34.3	48.0	48.0	48.0

Valuation

P/E (x)	22.4	18.5	18.0	16.0
P/BV (x)	3.6	3.3	3.0	2.7
EV/EBITDA (x)	14.3	12.4	10.9	9.5
Div yld (%)	1.5	2.6	2.7	3.0

CMP: INR680

TP: INR675 (-1%)

Buy

- We expect CYL's USD revenue to grow 8.8% QoQ in 4QFY18.
- In the core services business, CYL's revenue is expected to increase by 2.5% QoQ. Due to appreciation in EUR/USD and AUD/USD, we expect a cross-currency tailwind of 150bp for CYL.
- Rangsons is expected to see strong growth and achieve its 15% growth guidance for the year by clocking USD22m in revenue (up 81% QoQ) during the quarter.
- Margins are expected to contract 90bp QoQ to 13.7% on higher incremental revenue from Rangsons (lower-margin business).
- PAT estimate for the quarter is INR1,078m (-0.7% QoQ), primarily because of margin contraction and a higher ETR compared to the previous quarter.
- The stock trades at 18x FY19E and 16x FY20E EPS. Maintain **Buy**.

Key issues to watch for

- Update on trajectory of top customer.
- Revenue outlook and visibility for FY19.
- Health and performance expectations of top customers.

Quarterly Performance

Y/E March	FY17				FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Revenue (USD m)	125	137	136	141	141	150	152	165	538	608
QoQ (%)	3.1	9.5	-0.5	3.8	0.0	6.5	1.3	8.8	14.0	13.1
Revenue (INR m)	8,349	9,136	9,171	9,410	9,070	9,654	9,834	10,644	36,065	39,202
YoY (%)	15.0	18.4	17.3	15.3	8.6	5.7	7.2	13.1	16.5	8.7
GPM (%)	35.0	34.4	34.0	34.4	34.9	35.4	35.6	33.9	34.4	34.9
SGA (%)	22.0	20.4	20.6	21.1	22.1	20.8	21.1	20.2	21.0	21.0
EBITDA	1,090	1,283	1,228	1,249	1,160	1,410	1,431	1,455	4,848	5,456
EBITDA Margin (%)	13.1	14.0	13.4	13.3	12.8	14.6	14.6	13.7	13.4	13.9
EBIT Margin (%)	10.4	11.5	10.7	10.6	9.9	11.9	11.8	11.3	10.8	11.2
Other income	116	184	309	264	350	407	273	312	874	1,342
ETR (%)	25.5	22.6	25.8	18.1	31.2	28.0	18.3	26.0	24.2	25.8
PAT	740	973	940	785	876	1,116	1,086	1,078	3,699	4,156
QoQ (%)	-12.3	31.5	-3.4	-16.5	11.6	27.4	-2.7	-0.7		
YoY (%)	-1.1	-1.2	8.3	-7.0	18.4	14.7	15.5	37.3	7.4	12.4
EPS (INR)	6.6	8.7	8.4	7.0	7.8	9.9	9.7	9.6	32.9	37.0
Headcount	12,082	12,286	12,155	12,048	12,201	12,537	12,799	13,109	12,048	13,109
Util incl. trainees (%)	73.5	78.0	78.3	77.4	74.1	75.9	78.6	78.0		
Attrition (%)	19.9	22.7	22.6	15.6	16.6	14.2	16.8			
Offshore rev. (%)	40.7	40.1	40.4	39.2	40.4	41.2	42.8	42.6		

E: MOSL Estimates

HCL Technologies

Bloomberg	HCLT IN
Equity Shares (m)	1412.9
M. Cap. (INR b)/(USD b)	1368 / 21
52-Week Range (INR)	1042 / 797
1,6,12 Rel Perf. (%)	5 / 4 / 0

Financial Snapshot (INR b)

Y/E JUNE	2017	2018E	2019E	2020E
Sales	467.2	505.9	567.6	618.1
EBITDA	103.1	114.6	130.1	139.6
PAT	84.6	89.0	92.4	100.1
EPS (INR)	59.8	63.4	66.3	71.6
EPS Gr. (%)	49.2	6.0	4.5	8.1
BV/Sh. (INR)	239.0	256.0	283.5	311.6
RoE (%)	27.5	25.7	24.4	24.0
RoCE (%)	25.3	23.1	22.8	22.4
Payout (%)	40.1	20.5	48.3	50.3

Valuation

P/E (x)	16.4	15.4	14.8	13.7
P/BV (x)	4.1	3.8	3.5	3.1
EV/EBITDA	12.1	11.3	9.7	9.9
Div yld (%)	2.4	1.3	3.3	3.7

CMP: INR968 TP: INR950 (-2%) Neutral

- We expect HCLT's USD revenue to grow 3.2% QoQ and 2% QoQ on a constant currency basis.
- Growth during the quarter will be a function of a pick-up in IMS, some moderation in ERD and a seasonal drop in IP revenue.
- With this, we expect HCLT to close the year with USD revenue growth of 12.6%, which would translate into ~10.8% CC growth, at the lower end of its 10.5-12.5% guidance.
- EBIT margins are likely to expand by 20bp to 19.8% because of lower amortization related to the IP partnerships.
- With this, we expect 19.8% EBIT margin for FY18, within the 19.5-20.5% guidance range.
- Adjusted PAT estimate for the quarter is INR23.5b (+7% QoQ), also aided by higher other income.
- The stock trades at 14.8x FY19E and 13.7x FY20E EPS. Maintain **Neutral**.

Key issues to watch for

- Traction in IMS and Engineering Services; organic growth outlook for FY19.
- Operating margin movement.
- Traction in Digital and update on IP partnerships.

HCL Tech Quarterly Performance (US GAAP, INR Million)

Y/E March	FY17				FY18E				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Revenue (USD m)	1,691	1,722	1,745	1,817	1,884	1,928	1,988	2,051	6,975	7,851
QoQ (%)	6.5	1.9	1.4	4.1	3.7	2.3	3.1	3.2	11.9	12.6
Revenue (INR m)	113,360	115,190	118,140	120,530	121,490	124,340	128,080	132,016	467,220	505,926
YoY (%)	15.9	14.1	14.2	12.7	7.2	7.9	8.4	9.5	14.2	8.3
GPM (%)	34.4	33.6	33.9	33.7	33.7	34.0	34.3	35.8	33.9	34.5
SGA (%)	12.1	11.8	11.7	11.8	11.6	11.8	11.2	12.6	11.8	11.8
EBITDA (INRm)	25,210	25,110	26,280	26,490	26,810	27,590	29,640	30,547	103,090	114,587
EBITDA Margin (%)	22.2	21.8	22.2	22.0	22.1	22.2	23.1	23.1	22.1	22.6
EBIT Margin (%)	20.6	20.1	20.4	20.0	20.1	19.7	19.6	19.8	20.3	19.8
Other income	2,530	2,350	2,310	2,150	2,690	2,980	2,640	3,438	9,340	11,748
ETR (%)	21.0	21.1	21.5	11.5	20.0	20.4	20.9	20.5	18.8	20.5
PAT before EOI	20,430	20,150	20,710	20,250	21,710	21,880	21,940	23,477	84,570	89,007
QoQ (%)	6.1	-1.4	2.8	-2.2	7.2	0.8	0.3	7.0		
YoY (%)	14.6	10.5	7.9	5.2	6.3	8.6	5.9	15.9	13.5	5.2
EPS	14.5	14.3	14.7	16.5	15.1	15.7	15.7	16.8	59.8	63.4
Headcount	107,968	109,795	111,092	115,973	117,781	119,040	119,291	123,091	115,973	123,091
Util excl. trainees (%)	85.8	85.3	84.6	85.7	85.7	86.0	85.8	85.7	83.1	83.9
Attrition (%)	17.8	18.6	17.9	16.9	16.2	15.7	15.2			
Fixed Price (%)	60.9	61.3	63.2	61.6	59.8	60.4	60.8			

E: MOSL Estimates

Hexaware Technologies

CMP: INR416 TP: INR340 (-18%) Neutral

Bloomberg	HEXW IN
Equity Shares (m)	301.8
M. Cap. (INR b)/(USD b)	125 / 2
52-Week Range (INR)	420 / 200
1,6,12 Rel Perf. (%)	23 / 51 / 82

Financial Snapshot (INR b)

Y/E DEC	2016	2017E	2018E	2019E
Sales	35.3	39.4	44.8	51.1
EBITDA	5.7	6.6	7.4	8.4
PAT	4.2	5.0	5.6	6.3
EPS (INR)	13.7	16.6	18.7	21.0
EPS Gr. (%)	5.8	21.2	12.7	12.5
BV/Sh. (INR)	56.3	66.0	76.3	87.7
RoE (%)	26.5	26.9	26.1	25.6
RoCE (%)	24.2	24.6	25.3	25.3
Payout (%)	38.6	23.5	41.6	37.0

Valuation

P/E (x)	30.2	24.9	22.1	19.7
P/BV (x)	7.3	6.3	5.4	4.7
EV/EBITDA (x)	20.4	17.7	15.9	13.6
Div yld (%)	1.3	1.0	1.9	1.9

- We expect USD revenue to increase by 3.6% and CC revenue to grow by 3%.
 - Ramp-down in key customers is now behind, and we expect the company to start delivering towards its stated outlook for CY18, which requires a CQGR of 3% through the year.
 - We expect stability in EBITDA margins at 16% (+10bp QoQ). Pressure from customer ramp-downs, wage hikes and transition costs impacted margins in the two quarters before this.
 - Our PAT estimate for the quarter is INR1,316m, up 8.6% from the previous quarter, on the back of revenue growth, stable margins and higher other income.
 - The stock trades at 22.1x CY18E and 19.7x CY19E earnings.
- Neutral.**

Key issues to watch for

- Large deal pipeline and traction post the increased S&M spend.
- Health of top customers.
- Margin outlook now that the revenue pressures are behind.

Quarterly Performance (Indian GAAP)

(INR m)

Y/E Dec	CY17				CY18				CY17	CY18E
	1Q	2Q	3Q	4Q	1QE	2QE	3QE	4QE		
Revenue (USD m)	144.7	152.6	154.0	156.1	161.8	168.5	176.8	179.4	607	687
QoQ (%)	4.2	5.5	0.9	1.4	3.6	4.1	4.9	1.5	15.7	13.0
Revenue (INR m)	9,605	9,836	9,931	10,048	10,414	11,037	11,583	11,754	39,420	44,788
YoY (%)	17.1	13.1	9.8	6.8	8.4	12.2	16.6	17.0	11.5	13.6
GPM (%)	34.1	33.7	35.2	32.8	32.4	33.6	33.8	32.3	33.9	33.0
SGA (%)	17.2	17.4	17.7	16.9	16.4	17.0	16.5	16.5	17.3	16.6
EBITDA	1,623	1,598	1,734	1,599	1,662	1,837	2,004	1,861	6,554	7,364
EBITDA Margin (%)	16.9	16.2	17.5	15.9	16.0	16.6	17.3	15.8	16.6	16.4
EBIT Margin (%)	15.3	14.6	15.8	14.3	14.4	15.2	15.9	14.4	15.0	15.0
Other income	28	146	178	132	154	89	66	62	484	371
ETR (%)	23.8	22.9	18.9	23.0	20.5	20.5	20.5	20.5	22.0	20.5
PAT	1,139	1,224	1,420	1,211	1,316	1,402	1,515	1,398	4,994	5,630
QoQ (%)	-6.3	7.4	16.0	-14.7	8.6	6.6	8.1	-7.8		
YoY (%)	35.3	22.5	27.5	-0.4	15.5	14.6	6.7	15.4	19.7	12.7
EPS (INR)	3.8	4.1	4.7	4.0	4.4	4.7	5.0	4.6	16.6	18.7
Headcount	12,734	13,098	13,488	13,705	14,489	15,037	15,821	16,291	13,705	16,291
Utilization (%)	78.9	80.8	79.7	80.9	78.0	79.0	79.0	77.0	81.4	79.9
Attrition (%)	14.9	13.8	13.7	13.1						
Offshore rev. (%)	35.5	35.3	34.6	34.9	33.9	34.5	34.6	34.0	35.1	34.2

E: MOSL Estimates

Infosys

Bloomberg	INFO IN
Equity Shares (m)	2285.6
M. Cap. (INR b)/(USD b)	2606 / 40
52-Week Range (INR)	1220 / 862
1,6,12 Rel Perf. (%)	0 / 20 / 1

Financial Snapshot (INR b)

Y/E MAR	2017	2018E	2019E	2020E
Sales	684.9	705.7	783.5	859.3
EBITDA	186.1	190.1	207.2	223.6
PAT	143.8	162.2	154.1	171.4
EPS (INR)	62.8	65.4	71.2	79.2
EPS Gr. (%)	6.4	4.2	8.9	11.2
BV/Sh. (INR)	302	278.3	323.5	359.2
RoE (%)	22.0	24.6	23.2	23.2
RoCE (%)	22.0	24.6	23.2	23.2
Payout (%)	40.9	45.0	47.7	47.9

Valuations

P/E (x)	17.1	16.4	15.1	13.6
P/BV (x)	3.6	3.9	3.3	3.0
EV/EBITDA (x)	11.1	11.0	9.3	8.4
Div Yield (%)	2.4	3.0	3.2	3.5

CMP: INR1,140 TP: INR1,250 (+10%)**Buy**

- In 3QFY18, while INFO kept its annual guidance unchanged at 5.5-6.5%, it cited expectations of a better 4Q compared to 3Q.
- In line with this, we expect CC revenue growth of 1.5% in 4QFY18 versus 0.8% in the previous quarter.
- We expect EBITDA margin to expand by 20bp QoQ to 24.5%. Execution on profitability has been above expectations over the last few quarters, primarily driven by higher utilization. However, we expect the improvement to slow down as this lever has peaked out.
- With this, we expect full-year EBIT margin at 24.3%, above the mid-point of the profitability guidance range of 23-25%.
- Our PAT estimate is INR38.1b (+3% QoQ), adjusted for the USD225m exceptional reversal of income tax expense provision in the previous quarter.
- The stock trades at 15.1x FY19E and 13.6x FY20E earnings. **Buy.**

Key issues to watch for

- Update on internal stability of the company and strategy under the new leadership.
- Commentary around contribution of newly-launched services, and revenue scale and growth from products and solutions.
- Commentary around macro, verticals, margins and pricing.

Quarterly Performance (IFRS)

Y/E March	FY17				FY18E				(INR m)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE	FY17	FY18E
Revenue (USD m)	2,501	2,587	2,551	2,569	2,651	2,728	2,755	2,817	10,208	10,951
QoQ (%)	2.2	3.4	-1.4	0.7	3.2	2.9	1.0	2.3	7.4	7.3
Revenue (INR m)	167,820	173,100	172,730	171,200	170,780	175,670	177,940	181,318	684,850	705,708
YoY (%)	16.9	10.7	8.6	3.4	1.8	1.5	3.0	5.9	9.7	3.0
GPM (%)	38.7	39.1	39.7	39.7	38.8	38.7	38.5	38.4	39.3	38.6
SGA (%)	12.2	11.8	12.2	12.5	12.1	11.9	11.4	11.2	12.2	11.6
EBITDA	44,470	47,330	47,670	46,580	45,610	47,020	48,170	49,266	186,050	190,066
EBITDA Margin (%)	26.5	27.3	27.6	27.2	26.7	26.8	27.1	27.2	27.2	26.9
EBIT Margin (%)	24.1	24.9	25.1	24.6	23.7	24.2	24.3	24.5	24.7	24.3
Other income	7,530	7,600	8,200	7,460	8,140	8,830	9,620	7,770	30,790	34,360
ETR (%)	28.4	28.8	28.1	27.0	28.2	27.4	2.9	27.0	28.0	21.1
PAT	34,360	36,060	37,080	36,030	34,880	37,260	36,970	38,097	143,830	162,237
QoQ (%)	-4.5	4.9	2.8	-2.8	-3.2	6.8	-0.8	3.0		
YoY (%)	13.4	6.1	7.0	0.2	1.5	3.3	-0.3	5.7	6.6	12.8
EPS (INR)	15.0	15.8	16.2	15.8	15.3	16.3	16.2	17.6	62.8	65.4
Headcount	197,050	199,829	199,763	200,364	198,553	198,440	201,691	209,447	200,364	209,447
Util excl. trainees (%)	81.1	83.1	82.4	82.6	84.5	85.1	85.4	89.3	82.8	86.4
Attrition (%)	21.0	20.0	18.4	17.1	21.0	21.4	18.7			
Offshore rev. (%) (IT)	43.0	43.0	43.5	43.3	43.4	44.4	45.2			
Fixed Price (%)	45.7	47.1	49.5	49.4	49.3	50.4	51.4			

E: MOSL Estimates

KPIT Technologies

Bloomberg	KPIT IN
Equity Shares (m)	200.2
M. Cap. (INR b)/(USD b)	45 / 1
52-Week Range (INR)	236 / 105
1,6,12 Rel Perf. (%)	5 / 76 / 59

Financial Snapshot (INR b)

Y/E MAR	2017	2018E	2019E	2020E
Sales	33.2	36.3	39.6	43.2
EBITDA	3.5	3.8	4.2	4.5
PAT	2.1	2.5	2.7	3.5
EPS (INR)	11.9	12.5	13.5	17.5
EPS Gr. (%)	-15.3	5.1	7.8	29.2
BV/Sh. (INR)	79.2	89.9	103.4	120.8
RoE (%)	14.3	14.9	14.0	15.6
RoCE (%)	15.9	16.1	16.5	18.7
Payout (%)	16.8	16.0	14.8	11.5

Valuations

P/E (x)	18.7	17.8	16.5	12.8
P/BV (x)	2.8	2.5	2.2	1.8
EV/EBITDA (x)	11.5	10.3	8.6	7.5
Div yld (%)	0.9	0.9	0.9	0.9

CMP: INR223 TP: INR250 (+12%) Neutral

- Post the seasonal weakness witnessed in 3Q, we expect growth to bounce back for KPIT in 4QFY18. We are modeling CC revenue growth of 2% and USD revenue growth of 2.8% QoQ.
- This would lead to a 9.3% growth for KPIT in FY18, which is a stark improvement compared to 3.1% delivered in the previous year.
- Like in the previous quarters, we expect growth to be driven by the Automotive & Engineering.
- Given intense profitability pressures faced by KPIT over the past few quarters, and revival of organic revenue growth, we expect 80bp QoQ improvement in EBITDA margin in 4QFY18 to 11.6%.
- Our PAT estimate of INR730m (+18% QoQ), is a function of sequential improvement in operating performance and higher other income.
- KPIT trades at 16.5x FY19E and 12.8x FY20E earnings. Maintain **Neutral**.

Key issues to watch for

- Growth in IES, Engineering Services and top client.
- Update on the deal with Birlasoft.
- Plan to recoup profitability.

Quarterly Performance (Indian GAAP)

Y/E March	FY17				FY18E				(INR m)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE	FY17	FY18E
Revenue (USD m)	120	123	123	128	134	142	141	145	494	562
QoQ (%)	-3.5	3.0	-0.4	4.4	4.8	5.7	-0.7	2.8	0.8	13.7
Revenue (INR m)	8,032	8,310	8,307	8,585	8,704	9,160	9,128	9,328	33,234	36,320
YoY (%)	5.9	2.3	2.2	2.1	8.4	10.2	9.9	8.7	3.1	9.3
GPM (%)	28.9	29.5	29.0	29.2	26.6	28.1	30.7	31.1	29.1	29.2
SGA (%)	18.3	18.5	18.8	19.0	17.6	18.2	19.9	19.5	18.7	18.8
EBITDA	855	914	846	870	788	902	989	1,083	3,486	3,769
EBITDA Margin (%)	10.7	11.0	10.2	10.1	9.1	9.9	10.8	11.6	10.5	10.4
EBIT Margin (%)	8.3	8.6	7.9	7.3	6.9	7.8	8.6	9.4	8.0	8.2
Other income	116	49	29	12	121	114	25	123	207	383
Interest	56	14	66	0	26	26	24	24	136	100
ETR (%)	24.3	25.1	23.1	15.3	23.4	24.4	21.3	25.0	22.2	23.6
PAT	551	562	475	537	555	603	619	730	2,125	2,508
QoQ (%)	-37.8	2.0	-15.5	13.1	3.3	8.7	2.6	18.0		
YoY (%)	24.0	-25.2	-35.4	-39.3	0.9	7.4	30.3	35.9	-24.5	18.1
EPS (INR)	2.8	2.8	3.7	2.7	2.8	3.0	3.1	3.7	11.9	12.5
Headcount	11,288	11,666	11,881	12,110	12,261	11,946	12,211	12,805	12,110	12,805
Util excl. trainees (%)	68.1	69.2	67.8	68.3	68.8	70.2	70.8	73.0	68.3	70.7
Offshore rev. (%)	41.5	43.2	43.0	43.0	43.9	42.3	42.1	42.7	42.7	42.7
Fixed Price (%)	28.5	28.0	33.7	35.8	34.8	36.2	38.0			

E: MOSL Estimates

L&T Infotech

Bloomberg	LTI IN
Equity Shares (m)	172.0
M. Cap. (INR b)/(USD b)	244 / 4
52-Week Range (INR)	1543 / 696
1,6,12 Rel Perf. (%)	2 / 69 / 85

Financial Snapshot (INR b)

Y/E MARCH	2017	2018E	2019E	2020E
Sales	65.0	72.7	85.7	97.6
EBITDA	12.3	12.3	15.2	17.8
PAT	9.7	11.6	12.8	15.1
EPS (INR)	55.5	66.3	73.3	86.3
EPS Gr. (%)	5.9	19.5	10.5	17.9
BV/Sh. (INR)	179.7	230.1	285.7	351.4
RoE (%)	37.6	32.4	28.4	27.1
RoCE (%)	40.3	30.2	32.4	31.2
Payout (%)	29.7	20.0	20.0	20.0

Valuation

P/E (x)	25.6	21.4	19.4	16.4
P/BV (x)	7.9	6.2	5.0	4.0
EV/EBITDA (x)	19.1	19.4	15.5	12.9
Div Yld (%)	1.2	0.9	1.0	1.2

CMP: INR1,418 TP: INR1,400 (-1%) Buy

- LTI witnessed exceptionally strong growth of 8.5% QoQ in the previous quarter, although 2.2% of it was pass-through.
- Continued momentum, led by ramp-up in recent deal wins is expected to drive 4% USD revenue growth and 3.5% CC growth in 4QFY18.
- With strong execution throughout the year, LTI is expected to close FY18 with 16.4% YoY growth.
- We expect EBITDA margin to remain steady at 17.1%, as the company reinvests any gains in developing capabilities and augments its sales function.
- Our PAT estimate for the quarter is INR3.4b, which is higher sequentially by 19.2%. We have adjusted our PAT estimate for the one-time USD10m hit that LTI would be taking in the quarter in relation to an issue with one of its customers.
- The stock trades at 19.4x FY19E and 16.4x FY20E earnings. **Buy.**

Key issues to watch for

- Deal wins and visibility on continuity of traction next year.
- Outlook on top clients and their contribution to growth.
- Growth in Digital.

Quarterly Performance

Y/E March	FY17				FY18E				(INR m)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE	FY17	FY18E
Revenue (USD m)	231	240	245	254	259	271	294	305	970	1,129
QoQ (%)	0.6	3.7	2.3	3.7	2.0	4.4	8.5	4.0	9.3	16.4
Revenue (INR m)	15,550	16,020	16,667	16,772	16,707	17,509	18,837	19,648	65,009	72,701
YoY (%)	16.6	9.1	12.1	7.7	7.4	9.3	13.0	17.1	11.2	11.8
GPM (%)	35.3	35.4	34.3	35.8	33.8	33.9	33.3	34.1	35.2	33.8
SGA (%)	15.7	16.4	16.2	16.8	17.0	17.1	16.2	17.0	16.3	16.8
EBITDA	3,050	3,044	3,020	3,190	2,799	2,943	3,215	3,353	12,303	12,310
EBITDA Margin (%)	19.6	19.0	18.1	19.0	16.8	16.8	17.1	17.1	18.9	16.9
EBIT Margin (%)	16.9	16.1	15.3	16.5	14.4	14.5	14.9	15.6	16.2	14.9
Other income	372	365	597	503	1,084	1,017	883	1,330	1,837	4,314
ETR (%)	21.2	21.0	21.2	22.3	23.4	23.2	23.4	23.4	21.4	23.4
PAT	2,359	2,326	2,481	2,547	2,673	2,730	2,829	3,373	9,711	11,605
QoQ (%)	3.2	-1.4	6.7	2.7	4.9	2.1	3.6	19.2		
YoY (%)	35.1	21.3	10.5	11.4	13.3	17.4	14.0	32.4	5.9	19.5
EPS (INR)	13.5	13.3	14.2	14.6	15.3	15.6	16.2	19.3	55.5	66.3
Headcount	19,292	21,074	20,605	21,023	22,321	22,554	23,394	24,314	21,023	24,314
Util incl. trainees (%)	77.4	78.7	78.1	78.3	77.7	79.6	80.3	81.0	7807.5	79.7
Attrition (%)	19.5	18.5	18.1	16.9	14.7	15.0	14.6			
Offshore rev. (%)	51.9	51.2	52.3	51.3	53.2	53.4	53.8	54.8	48.3	53.8

E: MOSL Estimates

MindTree

Bloomberg	MTCL IN
Equity Shares (m)	167.7
M. Cap. (INR b)/(USD b)	134 / 2
52-Week Range (INR)	873 / 433
1,6,12 Rel Perf. (%)	1 / 62 / 65

Financial Snapshot (INR b)

Y/E MARCH	2017	2018E	2019E	2020E
Sales	52.4	54.4	62.6	70.0
EBITDA	7.2	7.3	9.4	11.0
PAT	4.2	5.3	6.9	8.0
EPS (INR)	24.9	33.4	41.7	48.8
EPS Gr. (%)	-30.6	34.2	24.8	17.0
BV/Sh. (INR)	153.0	159.2	182.8	209.9
RoE (%)	16.8	20.3	24.4	24.9
RoCE (%)	20.1	20.7	26.3	27.7
Payout (%)	40.2	38.9	36.0	36.9

Valuation

P/E (x)	32.2	24.0	19.2	16.4
P/BV (x)	5.2	5.0	4.4	3.8
EV/EBITDA (x)	17.3	16.6	12.7	10.6
Div Yld (%)	1.2	1.6	1.9	2.2

CMP: INR801

TP: INR725 (-10%)

Buy

- MTCL has been seeing a recovery in its organic growth trajectory.
- With this trend continuing, we expect revenue growth of 4% QoQ in 4QFY18 on a constant currency basis. Because of cross-currency tailwinds of 30bp, we expect USD revenue growth of 4.3%.
- With organic momentum returning, and margin levers of utilization, offshoring and pricing improvement remaining intact, we expect EBITDA margin expansion of 80bp QoQ to 15.9%.
- Our PAT estimate for the quarter is INR1.7b, which implies 17.7% QoQ growth. The increase is led by improved operating performance and higher other income.
- The stock trades at 19.2x FY19E and 16.4x FY20E earnings. **Buy.**

Key issues to watch for

- Update on the health of top clients, and outlook for next year.
- Margin trajectory, going forward, given improvement in organic growth and in acquired entities.
- Deal wins during the quarter and growth in Digital.

Quarterly Performance

Y/E March	FY17				FY18E				(INR m)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE	FY17	FY18E
Revenue (USD m)	199	193	192	196	200	206	214	223	780	844
QoQ (%)	2.1	-3.0	-0.4	1.8	2.3	3.0	3.9	4.3	9.0	8.2
Revenue (INR m)	13,276	12,954	12,953	13,181	12,895	13,316	13,777	14,385	52,364	54,373
YoY (%)	35.8	10.8	6.7	-0.2	-2.9	2.8	6.4	9.1	11.7	3.8
GPM (%)	37.0	34.2	34.1	34.0	34.9	32.4	35.1	36.0	34.8	34.6
SGA (%)	22.3	21.7	20.7	19.8	23.8	20.8	20.0	20.1	21.1	21.1
EBITDA	1,951	1,621	1,740	1,869	1,435	1,541	2,074	2,293	7,181	7,343
EBITDA Margin (%)	14.7	12.5	13.4	14.2	11.1	11.6	15.1	15.9	13.7	13.5
EBIT Margin (%)	10.8	8.6	9.5	10.3	7.3	8.0	11.7	12.7	9.8	10.0
Other income	198	170	144	-95	368	598	59	368	417	1,393
ETR (%)	24.2	26.0	25.2	22.8	28.6	24.9	15.2	24.0	24.6	22.9
PAT	1,235	948	1,031	972	931	1,247	1,415	1,665	4,186	5,258
QoQ (%)	-7.1	-23.2	8.8	-5.7	-4.2	34.0	13.5	17.7		
YoY (%)	-3.7	-40.1	-31.7	-26.9	-24.6	31.5	37.2	71.3	-30.6	25.6
EPS (INR)	7.4	5.6	6.1	5.8	7.2	7.4	8.6	10.1	24.9	33.4
Headcount	16,110	16,219	16,099	16,470	16,561	16,910	17,200	17,795	16,470	17,795
Util incl. trainees (%)	71.4	71.4	71.3	70.9	73.2	73.2	72.8	74.0	71.3	73.3
Attrition (%)	16.5	16.4	16.1	15.1	14.0	13.0	12.6			
Offshore rev. (%)	40.5	40.8	39.8	39.5	42.0	42.4	42.1	42.3	40.2	42.2
Fixed Price (%)	48.7	50.6	52.5	52.8	52.9	55.5	56.4			

E: MOSL Estimates

Mphasis

Bloomberg	MPHL IN
Equity Shares (m)	210.2
M. Cap. (INR b)/(USD b)	180 / 3
52-Week Range (INR)	933 / 522
1,6,12 Rel Perf. (%)	2 / 32 / 38

Financial Snapshot (INR b)

Y/E MAR	2017	2018E	2019E	2020E
Sales	60.8	65.4	72.7	81.0
EBITDA	9.7	10.5	11.7	13.1
PAT	8.2	8.5	9.8	10.6
EPS (INR)	38.9	44.0	50.8	54.9
EPS Gr. (%)	12.9	13.0	15.6	8.0
BV/Sh. (INR)	292.4	257.6	282.0	306.9
RoE (%)	13.2	15.3	18.8	18.6
RoCE (%)	12.4	14.5	18.0	18.3
Payout (%)	43.7	50.1	43.3	45.6

Valuations

P/E (x)	21.1	18.7	16.2	15.0
P/BV (x)	2.8	3.2	2.9	2.7
EV/EBITDA(x)	15.0	13.5	11.8	10.3
Div yld (%)	2.1	2.7	2.7	3.0

CMP: INR855

TP: INR800 (-6%)

Neutral

- The HP channel has seen six consecutive quarters of steady performance. We expect this trend to continue in 4QFY18 as well.
- Additionally, growth would be supported by continued traction in Direct International and stability in Digital Risk.
- We expect CC revenue growth of 2.9% QoQ and cross-currency tailwinds of 50bp, leading to USD revenue growth of 3.4% QoQ.
- The company is on an improving trajectory on a YoY basis, as growth would improve to 15.6% YoY in 4QFY18 from -0.7% YoY in 4QFY17.
- We expect EBIT margin to expand by 50bp to the higher end of its guided band of 14-16%.
- Our PAT estimate is INR2.5b (+15.9% QoQ). Higher PAT is led by improved operating performance and translation gains.
- The stock trades at 16.2x FY19E and 15x FY20E EPS. **Neutral**.

Key issues to watch for

- Outlook for Digital Risk, given an interest rate cycle reversal.
- Strategy changes, roadmap under the new leadership, and outlook for FY19E
- Top customer outlook and consequent impact on the Direct International channel.

Quarterly Performance

Y/E March	FY17				FY18E				(INR m)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE	FY17	FY18E
Revenue (USD m)	224	224	224	222	231	242	252	260	894	985
QoQ (%)	-0.3	-0.2	-0.3	-0.9	4.2	4.9	3.8	3.4	-3.5	10.2
Revenue (INR m)	15,167	15,176	15,361	15,059	15,360	16,047	16,607	17,412	60,763	65,426
YoY (%)	1.5	-2.6	1.3	-0.7	1.3	5.7	8.1	15.6	-0.2	7.7
GPM (%)	28.1	28.1	27.8	28.7	27.3	27.5	27.6	29.1	28.2	27.9
SGA (%)	12.0	11.8	12.3	12.8	12.4	12.1	11.1	12.1	12.2	11.9
EBITDA	2,445	2,463	2,396	2,384	2,295	2,493	2,742	2,959	9,688	10,489
EBITDA Margin (%)	16.1	16.2	15.6	15.8	14.9	15.5	16.5	17.0	15.9	16.0
EBIT Margin (%)	15.2	15.3	14.7	14.6	13.8	14.4	15.5	16.0	15.0	14.9
Other income	572	711	617	485	469	375	354	647	2,385	1,845
ETR (%)	27.7	27.5	28.5	27.5	26.9	25.4	26.0	26.5	27.8	26.1
PAT	2,043	2,166	2,044	1,934	1,872	1,977	2,150	2,492	8,188	8,492
QoQ (%)	6.4	6.0	-5.6	-5.4	-3.2	5.6	8.8	15.9		
YoY (%)	23.2	14.0	17.7	0.7	-8.4	-8.7	5.2	28.8	13.0	3.7
EPS (INR)	9.7	10.3	9.7	8.8	9.1	10.2	11.1	12.9	38.5	44.0
Headcount	22,374	22,284	22,018	21,979	21,878	22,183	22,335	21,773	21,979	21,773
Net Additions	50	-90	-266	-39	-101	305	152	-562	-345	-206
HP Channel rev. (%)	23.4	23.9	24.0	24.4	25.8	26.1	26.0			
Fixed Price (%)	19.8	19.1	20.6	19.3	21.3	22.6	24.8			

E: MOSL Estimates

NIIT Technologies

Bloomberg	NITEC IN
Equity Shares (m)	61.2
M. Cap. (INR b)/(USD b)	54 / 1
52-Week Range (INR)	1012 / 420
1,6,12 Rel Perf. (%)	3 / 55 / 92

Financial Snapshot (INR b)

Y/E MARCH	2017	2018E	2019E	2020E
Sales	27.8	29.8	33.0	36.1
EBITDA	4.6	5.0	5.6	6.2
PAT	2.6	2.8	3.3	3.8
EPS (INR)	38.0	44.8	53.1	61.6
EPS Gr. (%)	-16.9	17.9	18.5	15.9
BV/Sh. (INR)	286.5	280.8	314.7	328.2
RoE (%)	13.7	16.2	17.8	19.2
RoCE (%)	15.7	15.8	17.5	18.3
Payout (%)	32.9	31.2	30.1	26.0

Valuations

P/E (x)	23.2	19.7	16.6	14.3
P/BV (x)	3.1	3.1	2.8	2.7
EV/EBITDA (x)	9.8	10.1	8.6	7.7
Div Yld (%)	1.4	1.6	1.8	1.8

CMP: INR883

TP: INR800 (-9%)

Neutral

- We expect 2.5% QoQ CC revenue growth for NITEC in 4QFY18. Traction is expected to continue despite a negative impact of the ramp-down of Morris to the tune of USD1.5m. Growth would be supported by Digital and ramp-up of new deal wins.
- The company would have a tailwind of 70bp because of cross-currency movements, leading to USD revenue growth of 3.2% QoQ.
- We expect EBITDA margin to expand by 80bp QoQ to 17.9% because of a better mix of revenue and improved operational efficiencies.
- Our PAT estimate is INR818m (+8% QoQ). While the operational performance supports decent growth in PAT, it would be further boosted by other higher income.
- The stock trades at 16.6x FY19E and 14.3x FY20E earnings. **Neutral**.

Key issues to watch for

- Traction in Digital and the international business.
- Progress on development of strategy under new leadership.
- Deal wins and outlook for the year.

Quarterly Performance (IFRS)

Y/E March	FY17				FY18E				(INR m)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE	FY17	FY18E
Revenue (USD m) Ex. forex	99	103	101	104	107	113	115	119	408	454
QoQ (%)	-2.2	4.2	-2.4	3.1	2.9	5.3	2.1	3.2	0.5	11.3
Revenue (INR m)	6,707	6,929	6,938	7,176	7,089	7,372	7,565	7,738	27,750	29,764
YoY (%)	4.6	2.2	2.2	4.8	5.7	6.4	9.0	7.8	3.5	7.3
GPM (%)	35.1	35.3	36.0	36.2	35.4	35.0	36.4	36.9	35.7	36.0
SGA (%)	19.9	18.8	19.2	18.6	19.8	18.9	19.3	19.0	19.1	19.2
EBITDA	1,015	1,145	1,162	1,260	1,108	1,190	1,296	1,387	4,582	4,981
EBITDA Margin (%)	15.1	16.5	16.7	17.6	15.6	16.1	17.1	17.9	16.5	16.7
EBIT Margin (%)	10.3	11.9	12.1	13.2	11.2	11.5	13.0	13.9	11.9	12.4
Other income	83	29	59	-12	58	87	5	94	159	244
ETR (%)	10.4	24.9	25.3	13.4	34.7	21.8	16.5	24.0	18.6	23.9
Minority Interest	46.0	54.0	48.0	72.0	42.0	61.0	70.0	72.0	220.0	245.0
PAT	285	590	624	739	513	671	757	818	2,238	2,759
QoQ (%)	-63.9	107.0	5.8	18.4	-30.6	30.8	12.8	8.0	-20.1	23.3
YoY (%)	-51.4	-13.6	-15.8	-6.5	80.0	13.7	21.3	10.7		
EPS (INR)	5.1	9.7	10.6	12.6	8.7	11.4	12.3	13.3	38.0	45.7
Headcount	9,022	8,868	8,809	8,853	8,963	9,022	9,081	9,391	8,853	9,391
Util excl. trainees (%)	79.8	81.0	80.0	81.0	81.2	79.5	79.0	79.0	80.4	79.7
Attrition (%)	13.4	12.9	12.9	12.7	12.1	11.4	11.4			
Offshore rev. (%)	39.0	39.0	40.0	41.0	40.0	39.0	39.0		39.8	39.3
Fixed Price (%)	46.0	46.0	48.0	48.0	49.0	48.0	46.0			

Persistent Systems

Bloomberg	PSYS IN
Equity Shares (m)	80.0
M. Cap. (INR b)/(USD b)	54 / 1
52-Week Range (INR)	878 / 558
1,6,12 Rel Perf. (%)	-17 / -3 / 3

Financial Snapshot (INR b)

Y/E MARCH	2017	2018E	2019E	2020E
Sales	28.8	30.3	34.4	38.3
EBITDA	4.7	4.5	5.7	6.6
Adj. PAT	3.1	3.2	4.0	4.8
Adj. EPS (INR)	37.7	40.0	50.3	60.2
EPS Gr. (%)	1.4	6.1	25.9	19.6
BV/Sh.(INR)	244.5	254.1	264.8	267.8
RoE (%)	17.0	16.5	20.0	23.3
RoCE (%)	16.7	16.0	15.7	19.3
Payout (%)	23.9	32.5	27.8	26.6
Valuations				
P/E (x)	18.0	16.9	13.5	11.3
P/BV (x)	2.8	2.7	2.6	2.5
EV/EBITDA (x)	9.6	9.6	7.6	6.5
Div. Yield (%)	1.3	1.9	2.1	2.4

CMP: INR677

TP: INR900 (+33%)

Buy

- We expect 5% QoQ decline in revenue for PSYS in 4QFY18. It recently guided for a decline to the tune of USD8m in its IP portfolio. This decline has been greater than the earlier expected impact of a seasonal decline in IBM IoT revenue.
- The decline in IP revenue would also result in a corresponding hit on profitability, because of which we are baking in a contraction of 470bp in EBITDA margin to 12.7%.
- Our PAT estimate for the quarter is INR704m, down 23.2% QoQ. The PAT decline is caused by the sharp drop in both revenue and profitability.
- The stock trades at 13.5x FY19E and 11.3x FY20E earnings. **Buy**.

Key issues to watch for

- Performance and outlook for top clients in ISV (ex-IBM).
- Commentary on traction with Enterprise customers and potential of winning large deals in Digital.
- Outlook on sustainable profit margins in the near-to-medium term.
- Outlook on IP revenue after the hit in 4QFY18.

Quarterly Performance (IFRS)

Y/E March	FY17				FY18E				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Revenue (USD m)	104.8	105.2	110.0	109.0	113.0	118.1	122.5	116.4	429	470
QoQ (%)	4.3	0.4	4.6	-0.9	3.6	4.5	3.8	-5.0	22.0	9.6
Revenue (INR m)	7,018	7,040	7,455	7,271	7,280	7,613	7,919	7,491	28,784	30,302
QoQ (%)	3.6	0.3	5.9	-2.5	0.1	4.6	4.0	-5.4		
YoY (%)	40.2	29.7	25.9	7.4	3.7	8.1	6.2	3.0	24.5	5.3
GPM (%)	34.7	35.5	36.3	36.1	34.3	34.4	36.7	31.6	35.7	34.3
SGA (%)	19.6	19.8	20.4	18.2	20.0	19.2	19.4	18.9	19.5	19.4
EBITDA	1,058	1,108	1,187	1,302	1,044	1,158	1,375	951	4,653	4,527
EBITDA Margin (%)	15.1	15.7	15.9	17.9	14.3	15.2	17.4	12.7	16.2	14.9
EBIT Margin (%)	10.2	10.5	10.7	12.5	9.0	10.2	12.4	7.5	11.0	9.8
Other income	253	243	318	143	368	336	193	373	958	1,269
ETR (%)	24.3	25.3	26.7	19.9	26.3	25.9	22.0	25.0	24.1	24.7
PAT	733	735	819	842	751	826	917	704	3,129	3,197
QoQ (%)	-9.3	0.3	11.4	2.8	-10.8	10.0	10.9	-23.2		
YoY (%)	9.0	2.3	5.7	4.2	2.5	12.4	11.9	-16.4	5.2	2.2
EPS (INR)	9.2	9.2	10.2	9.1	9.4	10.3	11.5	8.8	37.7	40.0
Headcount	9,389	9,305	9,229	9,460	9,401	9,246	9,109	9,240	9,460	9,240
Util excl. trainees (%)	75.3	74.2	78.9	77.8	77.2	78.6	79.9	79.5	76.5	78.3
Attrition (%)	16.7	15.9	15.8	15.7	15.5	15.5	14.7			
IP rev. proportion (%)	28.2	27.8	28.4	27.6	27.2	26.0	26.8	21.6	28.0	25.4

E: MOSL Estimates

Tata Elxsi

Bloomberg	TELX IN
Equity Shares (m)	62.3
M. Cap. (INR b)/(USD b)	63 / 1
52-Week Range (INR)	1123 / 644
1,6,12 Rel Perf. (%)	-2 / 19 / 24

Financial Snapshot (INR b)

Y/E MARCH	2017	2018E	2019E	2020E
Sales	12.3	13.8	15.8	18.4
EBITDA	2.9	3.4	4.0	4.7
Adj. PAT	1.8	2.3	2.7	3.2
Adj. EPS (INR)	28.1	36.8	43.6	51.5
EPS Gr. (%)	13.2	30.8	18.4	18.2
BV/Sh.(INR)	89.8	114.5	143.0	216.2
RoE (%)	37.1	36.0	33.8	28.7
RoCE (%)	37.1	36.0	33.8	43.3
Payout (%)	34.2	32.7	34.6	27.8

Valuations

P/E (x)	35.7	27.3	23.0	19.5
P/BV (x)	11.2	8.8	7.0	4.6
EV/EBITDA (x)	20.5	16.7	13.9	11.0
Div. Yield (%)	0.8	1.0	1.2	1.8

CMP: INR1,005 TP: INR1,236 (+23%) Buy

- Growth on a YoY basis has been picking up for the last three quarters, and has increased from 9.3% in 1QFY18 to 11.4% in 3QFY18.
- We expect this trend to continue, resulting in 14% YoY growth in 4QFY18 to INR3,717m.
- EBITDA margin at 25% is expected to contract by 210bp QoQ, but expand by 180bp YoY to 25%.
- PAT at INR607m is expected to see an increase of 36.3% YoY.
- The stock trades at 23x FY19E and 19.5x FY20E earnings. **Buy.**

Key issues to watch for

- Addition of new customers and subsequent realization.
- JLR's contribution to revenue.
- Outlook on growth and profitability for the next year.

Quarterly Performance (IFRS)

Y/E March	FY17				FY18E				(INR m)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE	FY17	FY18E
Net Sales	2,959	3,042	3,102	3,260	3,232	3,422	3,455	3,717	12,330	13,830
YoY Change (%)	21.5	15.4	13.2	10.9	9.3	12.5	11.4	14.0	14.7	12.2
Total Expenditure	2,268	2,267	2,389	2,503	2,498	2,581	2,520	2,788	9,398	10,386
EBITDA	691	775	713	758	734	840	935	929	2,932	3,444
Margins (%)	23.3	25.5	23.0	23.2	22.7	24.6	27.1	25.0	23.8	24.9
Depreciation	67	64	69	68	65	64	63	82	269	273
Other Income	8	-26	24	-21	79	89	68	58	-48	288
PBT before EO expense	632	685	668	669	749	864	940	905	2,615	3,459
PBT	632	685	668	669	749	864	940	905	2,615	3,459
Tax	215	231	226	224	251	292	313	299	862	1,167
Rate (%)	34.0	33.6	33.9	33.4	33.6	33.8	33.2	33.0	33.0	33.7
Reported PAT	417	455	441	445	497	572	628	607	1,753	2,292
Adj PAT	417	455	441	445	497	572	628	607	1,753	2,292
YoY Change (%)	16.7	19.3	8.4	8.3	19.3	25.9	42.2	36.3	12.6	30.8
Margins (%)	14.1	14.9	14.2	13.6	15.4	16.7	18.2	16.3	14.2	16.6

E: MOSL Estimates

TCS

Bloomberg	TCS IN
Equity Shares (m)	1970.4
M. Cap. (INR b)/(USD b)	5730 / 88
52-Week Range (INR)	3255 / 2255
1,6,12 Rel Perf. (%)	-2 / 13 / 9

Financial Snapshot (INR b)

Y/E MAR	2017	2018E	2019E	2020E
Sales	1,179.7	1,228.7	1,374.1	1,499.9
EBITDA	323.1	325.0	360.3	390.5
PAT	262.9	257.8	281.7	308.7
EPS (INR)	133.4	131.8	147.1	161.3
EPS Gr. (%)	8.3	-1.2	11.6	9.6
BV/Sh. (INR)	448.3	418.3	482.1	550.5
RoE (%)	32.6	30.7	32.8	31.3
RoCE (%)	32.4	26.8	25.3	25.3
Payout (%)	35.2	109.3	47.0	47.9
Valuation				
P/E (x)	21.8	22.1	19.8	18.0
P/BV (x)	6.5	7.0	6.0	5.3
EV/EBITDA (x)	16.3	16.1	14.3	12.9
Div. yield (%)	1.6	5.0	2.4	2.7

CMP: INR 2,908 TP: INR2,700 (-7%)**Neutral**

- Revenue growth for TCS is expected to pick up in 4QFY18 to 2.2% QoQ in CC terms from 1.3% in the previous quarter, led by ramp-up of recently-won deals.
- With cross-currency tailwinds of 110bp, we expect USD revenue growth of 3.3% QoQ.
- Our EBIT margin estimate for 4Q stands at 25.5% (+30bp QoQ), led by currency benefits. However, we expect margins to take a hit 1QFY19 onwards, as lower margin deals start to hit profitability, in addition to the usual headwinds of visa expenses and wage hikes.
- Our PAT estimate stands at INR68.6b (+5% QoQ), led by sequential growth in operating parameters and higher other income.
- The stock trades at 19.8x FY19E and 18x FY20E earnings. **Neutral.**

Key issues to watch for

- Outlook on BFS and Retail.
- Traction in new Digital initiatives (automation/solutions).
- Margin expectations for the next year, given multiple headwinds.

Quarterly Performance (IFRS)

Y/E March	FY17				FY18E				(INR m)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE	FY17	FY18E
Revenue (USD m)	4,362	4,374	4,387	4,452	4,591	4,739	4,787	4,946	17,575	19,063
QoQ (%)	3.7	0.3	0.3	1.5	3.1	3.2	1.0	3.3	6.2	8.5
Revenue (INR m)	293,050	292,840	297,350	296,420	295,840	305,410	309,040	318,372	1,179,660	1,228,662
YoY (%)	14.2	7.8	8.7	4.2	1.0	4.3	3.9	7.4	8.6	4.2
GPM (%)	43.9	44.8	44.5	45.0	42.8	43.6	43.5	44.0	44.5	43.5
SGA (%)	17.1	17.1	16.8	17.6	17.8	16.9	16.7	16.9	17.1	17.0
EBITDA	78,380	81,110	82,290	81,330	74,120	81,640	82,880	86,348	323,110	324,988
EBITDA Margin (%)	26.7	27.7	27.7	27.4	25.1	26.7	26.8	27.1	27.4	26.5
EBIT Margin (%)	25.1	26.0	26.0	25.7	23.4	25.1	25.2	25.5	25.7	24.8
Other income	9,630	10,520	11,850	9,890	9,320	8,120	8,640	9,582	41,890	35,662
ETR (%)	24.0	23.8	23.6	23.1	24.2	23.7	24.3	24.3	23.6	24.1
PAT	63,179	65,860	67,780	66,080	59,450	64,460	65,310	68,590	262,899	257,810
QoQ (%)	-0.4	4.2	2.9	-2.5	-10.0	8.4	1.3	5.0		
YoY (%)	10.7	8.8	10.9	4.2	-5.9	-2.1	-3.6	3.8	8.6	-1.9
EPS (INR)	32.1	33.4	34.4	33.5	30.4	33.7	34.1	35.8	133.4	131.8
Headcount	362,079	371,519	378,497	387,223	385,809	389,213	390,880	400,685	387,223	400,685
CC QoQ rev gr (%)	3.1	1.0	2.0	1.0	2.0	1.7	1.3	3.3	8.4	8.5
Attrition (%)	13.6	12.9	12.2	11.5	11.6	11.3	11.3	9.9		

E: MOSL Estimates

Tech Mahindra

Bloomberg	TECHM IN
Equity Shares (m)	984.7
M. Cap. (INR b)/(USD b)	607 / 9
52-Week Range (INR)	652 / 358
1,6,12 Rel Perf. (%)	3 / 27 / 24

Financial Snapshot (INR b)

Y/E MARCH	2017	2018E	2019E	2020E
Sales	291.4	307.3	346.5	386.7
EBITDA	41.8	46.9	56.9	63.6
Adj. PAT	28.4	35.4	37.6	43.8
Adj. EPS (INR)	32.0	39.8	42.3	49.3
EPS Gr. (%)	-8.8	24.4	6.5	16.4
BV/Sh.(INR)	187.9	197.9	228.9	264.6
RoE (%)	18.4	20.9	20.1	20.2
RoCE (%)	15.2	17.0	16.4	16.8
Payout (%)	29.1	30.2	23.6	24.4
Valuation				
P/E (x)	19.3	15.5	14.6	12.5
P/BV (x)	3.3	3.1	2.7	2.3
EV/EBITDA (x)	12.6	11.4	8.9	7.4
Div. Yield (%)	1.5	1.9	1.6	1.9

CMP: INR617

TP: INR700 (+14%)

Buy

- We expect 3% QoQ growth in USD revenue in 4QFY18, led by 1.5% CC organic growth, and 150bp benefit from cross-currency movements.
- Organic growth is expected to be a function of flat revenue in LCC, strength in Enterprise and some seasonal support from Comviva.
- We expect EBITDA margin to expand by 100bp QoQ to 17.3%, led by seasonal strength in Comviva, completion of rationalization in LCC and better operational efficiencies.
- Expect PAT to increase by 1.5% QoQ to INR9.6b, despite higher margins, led by lower other income and higher ETR.
- The stock trades at 14.6x FY19E and 12.5x FY20E earnings. **Buy.**

Key issues to watch for

- Performance of the Telecom segment and expectations around top customer performance.
- Comments on profitability, including LCC.
- TCV of deal wins in the Enterprise segment.

Quarterly Performance

Y/E March	FY17				FY18E				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Revenue (USD m)	1,032	1,072	1,116	1,131	1,138	1,179	1,209	1,245	4,351	4,772
QoQ (%)	0.9	4.0	4.1	1.4	0.6	3.6	2.5	3.0	7.8	9.7
Revenue (INR m)	69,209	71,674	75,575	74,950	73,361	76,064	77,760	80,159	291,408	307,344
YoY (%)	10.0	8.3	12.8	8.9	6.0	6.1	2.9	7.0	10.0	5.5
GPM (%)	29.5	30.6	30.7	26.9	28.0	29.3	30.8	32.8	29.4	30.3
SGA (%)	14.6	15.7	15.0	14.9	15.3	14.7	14.5	15.5	15.1	15.0
EBITDA	10,290	10,701	11,865	8,987	9,347	11,057	12,647	13,879	41,843	46,930
EBITDA Margin (%)	14.9	14.9	15.7	12.0	12.7	14.5	16.3	17.3	14.4	15.3
EBIT Margin (%)	12.0	11.5	12.4	8.2	9.4	11.0	12.7	13.5	11.0	11.7
Other income	1,519	1,387	1,552	2,378	4,106	3,222	2,250	1,980	6,836	11,558
Interest expense	274	345	349	318	370	386	341	294	1,286	1,391
ETR (%)	25.9	30.8	20.2	28.2	25.4	25.3	21.8	24.0	26.0	24.1
PAT excl. BT amort & EOI	6,561	6,447	8,560	5,879	7,985	8,362	9,431	9,575	27,447	35,353
QoQ (%)	-23.5	-1.7	32.8	-31.3	35.8	4.7	12.8	1.5		
YoY (%)	5.4	-17.9	12.8	-31.5	21.7	29.7	10.2	62.9	-12.0	28.8
EPS (INR)	7.4	7.3	9.6	6.6	9.0	9.4	10.6	10.8	31.9	39.8
Headcount	107,216	111,743	117,095	117,693	115,990	117,225	115,241	121,376	117,693	121,376
Util excl. trainees (%)	78.0	78.0	77.0	77.0	77.0	81.0	83.0	82.5	77.5	80.8
Attrition (%)	21.0	19.0	18.0	17.0	17.0	16.0	17.0			
Offshore rev. (%)	36.6	36.5	36.1	35.7	36.3	35.9	34.2	33.0	36.2	34.8

E: MOSL Estimates

Wipro

Bloomberg	WPRO IN
Equity Shares (m)	4925.5
M. Cap. (INR b)/(USD b)	1398 / 22
52-Week Range (INR)	335 / 242
1,6,12 Rel Perf. (%)	-1 / -6 / 0

Financial Snapshot (INR b)

Y/E MAR	2017	2018E	2019E	2020E
Sales	550.4	547.0	585.1	636.3
EBITDA	108.8	111.5	123.2	137.2
PAT	83.3	86.8	91.1	102.4
EPS (INR)	16.9	17.9	18.8	21.1
EPS Gr. (%)	-6.3	5.9	5.0	12.4
BV/Sh. (INR)	105.9	101.8	120.6	129.7
RoE (%)	16.9	17.2	17.0	16.9
RoCE (%)	13.6	13.6	14.8	15.5
Payout (%)	5.8	0.0	0.0	47.3

Valuations

P/E (x)	16.8	15.8	15.1	13.4
P/BV (x)	2.7	2.8	2.4	2.2
EV/EBITDA (x)	10.8	11.5	9.7	8.5
Div Yld (%)	0.3	0.0	0.0	3.5

CMP: INR284

TP: INR300 (+6%)

Neutral

- In the previous quarter, Wipro had guided for 1% to 3% QoQ CC growth for 4Q. The guidance embedded meaningful revenue impact from insolvency of a customer, whereby it also took ~USD50m one-time provision on costs in the previous quarter.
- We expect growth to be at the lower end of the guided range at 1.5%. A cross-currency tailwind of 100bp would lead to USD revenue growth of 2.5% QoQ.
- We expect EBIT margin in IT Services to remain steady at 17.3% (+10bp QoQ) because of low organic growth at a time when operational efficiencies have played out over the last few quarters.
- Our PAT estimate is INR21.6b (+11.6% QoQ). However, adjusting for the one-time provisioning in the previous quarter, 4Q PAT would decline 4.1% QoQ on account of lower other income and higher ETR.
- The stock trades at 15.1x FY19E and 13.4x FY20E earnings. **Neutral.**

Key issues to watch for

- Revenue growth guidance for 1QFY19.
- Commentary on Healthcare and Communications verticals.
- Commentary on large deal wins and ramp-up schedule.

Quarterly Performance (IFRS)

Y/E March	FY17				FY18E				(INR m)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE	FY17	FY18E
Revenue (USD m)	1,931	1,916	1,903	1,955	1,972	2,014	2,013	2,063	7,705	8,061
QoQ (%)	2.6	-0.8	-0.7	2.7	0.9	2.1	0.0	2.5	4.9	4.6
Revenue (INR m)	135,992	137,657	136,878	139,875	136,261	134,234	136,690	139,774	550,402	546,959
QoQ (%)	-0.2	1.2	-0.6	2.2	-2.6	-1.5	1.8	2.3		
YoY (%)	11.1	10.0	6.4	2.6	0.2	-2.5	-0.1	-0.1	7.4	-0.6
GPM (%)	29.1	28.9	29.4	28.0	28.7	29.5	30.1	30.9	28.9	29.8
SGA (%)	13.0	13.2	13.0	11.9	12.8	12.6	13.4	14.0	12.8	13.2
EBITDA	26,528	26,539	27,878	27,844	26,683	27,788	28,104	28,913	108,789	111,488
EBITDA margin (%)	19.5	19.3	20.4	19.9	19.6	20.7	20.6	20.7	19.8	20.4
IT Serv. EBIT (%)	17.8	17.8	18.3	17.7	16.8	17.3	17.2	17.3	17.9	17.2
EBIT Margin (%)	16.1	15.8	16.4	16.1	16.0	16.8	16.7	16.8	16.1	16.6
Other income	4,848	4,958	5,120	5,328	5,079	5,728	5,054	4,388	20,254	20,249
ETR (%)	22.9	22.2	23.3	24.2	22.3	22.7	19.2	22.5	23.2	21.7
PAT	20,518	20,672	21,094	19,340	20,765	21,917	19,371	21,612	83,326	86,840
QoQ (%)	-8.2	0.8	2.0	-8.3	7.4	5.5	-11.6	11.6		
YoY (%)	-6.2	-7.5	-5.6	-13.5	1.2	6.0	-8.2	11.7	-6.3	4.2
EPS (INR)	4.2	4.3	4.4	4.0	4.3	4.5	4.0	4.5	16.9	17.9
Headcount	173,863	174,238	179,129	181,482	166,790	163,759	162,553	167,468	181,482	167,468
Util excl. trainees (%)	79.7	82.8	81.9	84.8	82.1	82.5	81.9	81.9	77.4	77.5
Attrition (%)	16.5	16.6	16.3	16.3	15.9	15.7	15.9			
Offshore rev. (%)	45.6	46.1	46.5	47.2	46.4	46.8	46.5	45.9	46.4	46.4
Fixed Price (%)	56	56.4	57.7	58.3	58.2	57.7	57.7			

E: MOSL Estimates

Zensar Technologies

Bloomberg	ZENT IN
Equity Shares (m)	45.4
M. Cap. (INR b)/(USD b)	41 / 1
52-Week Range (INR)	1000 / 730
1,6,12 Rel Perf. (%)	3 / 14 / -14

Financial Snapshot (INR b)

Y/E MAR	2017	2018E	2019E	2020E
Sales	30.6	31.1	36.1	40.6
EBITDA	3.8	3.8	4.8	5.9
PAT	2.3	2.3	2.8	3.7
EPS (INR)	52.1	51.9	63.1	82.6
EPS Gr. (%)	-24.1	-0.3	21.6	30.9
BV/Sh. (INR)	325.9	363.9	414.1	477.5
RoE (%)	17.2	15.0	16.2	18.5
RoCE (%)	23.2	18.8	22.1	24.1
Payout (%)	23.0	22.8	17.6	19.9

Valuations

P/E (x)	17.3	17.4	14.3	10.9
P/BV (x)	2.8	2.5	2.2	1.9
EV/EBITDA (x)	9.7	9.7	7.3	5.6
Div Yld (%)	1.3	1.3	1.2	1.8

CMP: INR 901 TP: INR1,100 (+22%) Buy

- We expect revenue of USD127m, representing growth of 3.2% QoQ. This would translate into 1.9% QoQ CC growth, a cross-currency tailwind of 30bp for ZENT.
- Growth would be a function of strength in Digital, recovery in the US and portfolio rationalization.
- We expect EBITDA margin to expand by 20bp QoQ to 13.5%. This would mark the return of ZENT's profitability to levels seen before the margin shocker in 4QFY17, where EBITDA margin had touched a low of 7.9%.
- Our PAT estimate is INR688m, up 19.8% QoQ on account of translation gains.
- The stock trades at 14.3x FY19E and 10.9x FY20E earnings. **Buy.**

Key issues to watch for

- Traction in Digital, large deals and other new initiatives.
- Margin outlook, given restructuring of IMS business.
- Progress on revival of revenue growth post US turnaround.

Quarterly Performance (IFRS)

Y/E March	FY17				FY18E				(INR m)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE	FY17	FY18E
Revenue (USD m)	114	116	118	112	114	119	123	127	459	482
QoQ (%)	3.1	1.8	1.3	-4.9	2.2	3.8	3.4	3.2	1.4	4.9
Revenue (INR m)	7,554	7,703	7,865	7,433	7,367	7,626	7,937	8,143	30,556	31,073
YoY (%)	7.2	1.8	3.9	-0.4	-2.5	-1.0	0.9	9.6	3.1	1.7
GPM (%)	29.1	30.1	30.2	27.7	27.6	28.8	30.1	30.2	29.3	29.2
SGA (%)	15.4	15.6	16.4	19.9	17.4	17.2	16.8	16.7	16.8	17.0
EBITDA	1,037	1,111	1,085	585	748	884	1,054	1,096	3,819	3,781
EBITDA Margin (%)	13.7	14.4	13.8	7.9	10.2	11.6	13.3	13.5	12.5	12.2
EBIT Margin (%)	12.3	12.8	12.3	6.2	7.7	9.3	11.3	11.2	10.9	9.9
Other income	198	70	201	-228	203	194	49	161	241	607
ETR (%)	32.6	29.6	30.2	45.5	32.0	26.8	33.7	28.0	31.6	30.0
PAT	741	704	800	104	472	608	574	688	2,349	2,342
QoQ (%)	5.4	-5.0	13.7	-87.0	354.7	29.0	-5.7	19.8		
YoY (%)	-2.8	-22.9	11.9	-85.2	-36.3	-13.6	-28.3	562.9	-24.1	-0.3
EPS (INR)	16.4	15.6	17.7	2.3	10.5	13.5	12.7	15.2	52.1	51.9
Headcount	8,238	8,316	8,564	8,524	8,567	8,414	8,597	8,897	8,524	8,897
Utilization (%)	79.8	80.1	79.5	79.2	83.2	85.9	84.8	81.0	79.7	83.7
Offshore rev. (%)	31.2	33.8	33.5	34.5	37.5	37.5	37.0	35.3	33.2	36.8

E: MOSL Estimates

NOTES

Explanation of Investment Rating	
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BUY	>=15%
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