

HCL Technologies (HCLTEC)

₹ 950

Guidance implies weak organic growth...

- US\$ revenues grew 2.5% QoQ to \$2,038 million, slightly lower than our 3% growth and \$2,047.6 million estimate. Revenues in constant currency (CC) grew 1.2% QoQ
- Revenues in rupees grew 2.9% QoQ to ₹ 13,179 crore, in line with our 2.9% QoQ growth and ₹ 13,176.6 crore estimate
- At 19.6%, EBIT margins were flat QoQ, in line with our 19.7% estimate
- PAT of ₹ 2,227 crore was in line with our ₹ 2,221.4 crore estimate led by an in line operating performance
- HCL Tech announced a dividend of ₹ 2/share for a consecutive 61st quarter

Organic revenue growth to be muted at ~5% in FY19E...

HCL Tech reported 1.2% growth in CC terms on the topline front. Growth was wide-ranging across revenue segments, mainly led by infrastructure services, engineering, R&D services and financial services. On FY19E outlook, HCL Tech guided for revenue growth of 9.5-11.5% in constant currency (vs. 10.5-12.5% for FY18E) translating to 10.5-12.5% in US\$ terms based on March 31, 2018 rates. Taking into account the incremental contribution from acquisitions, IP partnerships and new deals in the pipeline, inorganic contribution to overall revenue growth works out to ~4-6% in FY19E. This implies muted growth of ~5% on an organic basis in FY19E, lower than its peers. Overall, we expect US\$ revenues to grow at a CAGR of 10.5% to US\$ 9,567 million in FY18-20E.

Traction in Mode 2 and 3 continues, grew 41% YoY in FY18...

HCL Tech reported growth of 12.4% YoY to US\$7838 million in FY18. Mode 2, 3, which focus on new growth areas like Digital, Cloud, Security and IoT along with products and platforms together now contribute 23.4% to revenues (vs. 18.6% in FY17). It grew strongly at 41.4% YoY in FY18. The management indicated it is seeing expansion in deal sizes across mode 2 & said would continue investing in mode 2 strategy. In the media interaction, the management indicated that Mode2 &3 will be 60% of total revenues over the next 2-3 years.

Margins in line with expectations; margin guidance maintained...

EBIT margins were flat QoQ to 19.6% on the back of weak seasonality in software business evened out by operational efficiency & cross currency benefits. On the margin guidance outlook for FY19E, the management retained its margin band at 19.5-20.5%. Hence, we keep our EBIT margin estimates intact at 19.5% each in FY19E, FY20E.

Muted organic growth outlook; maintain HOLD...

HCL Tech's Q4FY18 results were largely in line with our expectations. However, the constant currency guidance of 9.5%-11.5% (in constant currency) implies weaker organic growth trajectory (organic growth is expected to ~5% in FY19E). While, company is making efforts to strengthen its position in Mode 2 &3 (Emerging Technologies & product & solutions platform) through acquisition, the slower than expected growth in organic business remains a concern. We slightly fine tune our EPS estimates and expect HCL Tech to report revenue, PAT CAGR of 10.9%, 6.5% in FY18-20E. Hence, we retain our **HOLD** rating with target price of ₹ 1000 (14x FY20E).

Rating matrix		
Rating	:	Hold
Target	:	₹ 1000
Target Period	:	12 months
Potential Upside	:	5%

What's Changed?		
Target		Unchanged
EPS FY19E	Changed from ₹ 65.7 to ₹ 64.9	
EPS FY20E	Changed from ₹ 71.7 to ₹ 71.5	
Rating		Unchanged

Quarterly Performance					
	Q4FY18	Q4FY17	YoY (%)	Q3FY18	QoQ (%)
Revenue	13,179	12,053	9.3	12,808	2.9
EBIT	2,583	2,416	6.9	2,509	2.9
EBIT (%)	19.6	20.0	-45 bps	19.6	1 bps
PAT	2,227	2,325	(4.2)	2,194	1.5

Key Financials				
₹ Crore	FY17	FY18E	FY19E	FY20E
Net Sales	46,723	50,570	56,279	62,188
EBITDA	9,474	9,987	10,951	12,109
Net Profit	8,457	8,780	9,039	9,951
EPS (₹)	60.0	62.6	64.9	71.5

Valuation summary				
	FY17	FY18E	FY19E	FY20E
P/E	15.8	15.2	14.6	13.3
Target P/E	16.7	16.0	15.4	14.0
EV / EBITDA	12.8	11.1	9.4	8.1
P/BV	4.0	3.6	3.2	2.8
RoNW (%)	25.3	23.8	21.7	21.2
RoCE (%)	29.0	27.3	26.7	26.4

Stock data	
Particular	Amount
Market Capitalization (₹ Crore)	134,111.4
Total Debt (₹ Crore)	973.2
Cash (₹ Crore)	12,705.6
EV (₹ Crore)	133,818.8
52 week H/L	1107 / 811
Equity capital	282.5
Face value	₹ 2

Price performance (%)				
	1M	3M	6M	12M
TCS	20.2	12.1	35.4	52.8
Infosys	4.9	1.8	26.4	29.6
Wipro	(2.9)	(11.7)	(7.2)	11.4
HCL Tech	4.0	(0.2)	17.9	22.6

Research Analyst	
Deepak Purswani, CFA	
deepak.purswani@icicisecurities.com	
Deepti Tayal	
deepti.tayal@icicisecurities.com	

Variance analysis

	Q4FY18	Q4FY18E	Q4FY17	YoY (%)	Q3FY18	QoQ (%)	Comments
Revenue	13,179	13,177	12,053	9.3	12,808	2.9	HCL Tech's revenues in constant currency grew 1.2% sequentially
Cost of sales (including employee expenses)	8,560	8,631	7,987	7.2	8,412	1.8	
Gross Margin	4,619	4,546	4,066	13.6	4,396	5.1	
Gross margin (%)	35.0	34.5	33.7	131 bps	34.3	73 bps	
Selling & marketing costs	1,583	1,489	1,417	11.7	1,432	10.5	
EBITDA	3,036	3,057	2,649	14.6	2,964	2.4	
EBITDA Margin (%)	23.0	23.2	22.0	106 bps	23.1	-11 bps	
Depreciation	453	455	233	94.4	455	-0.4	
EBIT	2,583	2,602	2,416	6.9	2,509	2.9	
EBIT Margin (%)	19.6	19.7	20.0	-45 bps	19.6	1 bps	EBIT margins were flat sequentially, in line with our expectation
Other income	280	175	215	30.2	264	6.1	
PBT	2,863	2,777	2,631	8.8	2,773	3.2	
Tax paid	634	555	303	109.2	579	9.5	
PAT	2,227	2,221	2,325	-4.2	2,194	1.5	PAT was in line with our expectation owing to in-line operating performance

Key Metrics

Closing employees	120,081	119,000	115,973	3.5	119,291	0.7
Attrition - IT Services (%)	15.5	15.0	16.9	-140 bps	15.2	30 bps
Blended Utilisation (%)	85.9	85.5	85.7	20 bps	85.8	10 bps
Average \$/₹	64.7	64.4	66.3	-2.5	64.4	0.4

Source: Company, ICICI Direct Research

Change in estimates

(₹ Crore)	Old	FY19E New	% Change	Old	FY20E New	% Change	Comments
Revenue	55,870	56,279	0.7	61,374	62,188	1.3	
EBIT	10,871	10,951	0.7	11,949	12,109	1.3	
EBIT Margin (%)	19.5	19.5	-2 bps	19.5	19.5	-2 bps	Kept our margin estimates intact
PAT	9,185	9,039	-1.6	10,025	9,951	-0.7	
EPS (₹)	65.7	64.9	-1.1	71.7	71.5	-0.3	

Source: Company, ICICI Direct Research

Assumptions

	FY17	Current FY18E	Current FY19E	Earlier FY19E	Current FY20E	Earlier FY20E
Closing employees	115,973	134,285	147,508	147,508	159,948	159,948
Attrition - IT Services (%)	17.8	15.0	14.0	14.0	14.0	14.0
Blended Utilisation (%)	85.4	87.8	88.4	88.4	88.4	88.4
Average \$/₹	67.0	64.5	65.0	65.0	65.0	65.0

Source: Company, ICICI Direct Research

Conference call highlights...

- **FY19E Guidance implies weaker organic growth-** For FY19E, HCL Tech has guided for revenue growth of 9.5-11.5% in constant currency (vs. 10.5-12.5% for FY18E) translating to 10.5-12.5% in US\$ terms based on March 31, 2018 rates. The management reiterated that its strategy on niche acquisitions and partnerships will continue
- **Maintains stance on margin guidance-** On the margin front (EBIT), HCL has maintained its stance of 19.5-20.5% for FY19E
- **Strong growth in ER&D services-** Engineering and R&D services (24.1% of revenue) grew 1.7% on a QoQ basis in CC terms. However, they registered strong growth of 37.6% YoY (CC terms) in FY18 supported by acquisitions and IP partnerships. The management reiterated its positive outlook on the ER&D space
- **IMS starts to show recovery, FY19E to be better vs FY18 -** IMS (37.3% of revenue), the largest contributor by service mix posted a recovery post the decline in the last two quarters and grew 2.5% QoQ (CC terms). The management indicated that deal sizes in the vertical are becoming smaller. However, they expect FY19E to be better compared to FY18 for the vertical and maintain their stance of up-tick in IMS business in H1FY19 on the back of deal closures in H2FY18
- **Good deal signings-** The company signed 15 transformational deals during the quarter taking the year count to 63 deals, well-balanced across Mode 1, Mode 2, Mode 3 and vertical mix, with several of them representing next gen offerings
- **Minor reorganisation of verticals, enhance disclosure of revenues-** The management indicated that, going ahead, hi-tech and manufacturing, currently clubbed, would be segregated with hi-tech business consolidating into telecom & media business. Further, disclosure of revenue from mode 1, 2, 3 strategy would now be provided on a quarterly basis. Currently, it is provided on a yearly basis
- **Employee update-** The employee count in FY18 was at 120,081, with gross addition of 33,696 employees over FY17. On the attrition front, IT services attrition increased 30 bps QoQ to 15.5% (LTM). Blended utilisation (including trainees) increased 10 bps sequentially to 85.9%
- **Cash position-** Cash and cash equivalents were at US\$1,576 million at the end of FY18. DSO days excluding unbilled revenues declined by 1 QoQ to 65 days

Company Analysis

Exhibit 1: Geography wise break-up

	Q3FY17	Q4FY17	Q1FY18	Q2FY18	Q3FY18	Q4FY18
<u>Revenue by geography (%)</u>						
Americas	61.9	62.6	62.8	62.4	63.5	61.6
Europe	29.6	27.7	27.4	29.1	28.7	30.0
RoW	8.5	9.7	9.7	8.5	7.9	8.5
<u>Growth QoQ (%) - Constant Currency</u>						
Americas	1.7	5.3	3.8	1.5	4.9	-0.7
Europe	6.8	-3.0	-0.4	4.4	1.9	3.6
RoW	-0.5	15.8	3.1	-12.0	-3.9	8.1

Source: Company, ICICI Direct Research

Exhibit 2: Vertical wise break-up

	Q3FY17	Q4FY17	Q1FY18	Q2FY18	Q3FY18	Q4FY18
<u>Revenue by verticals (%)</u>						
Financial Services	24.3	24.2	24.9	25.0	24.6	25.0
Manufacturing	33.9	34.6	34.9	35.4	36.5	36.0
Lifesciences & Healthcare	12.0	11.5	11.8	11.7	11.7	11.5
Public Services	11.2	11.7	11.1	10.6	10.2	10.6
Retail & CPG	9.4	9.2	9.5	9.3	9.6	9.6
Telecommunications, Media, Publishing & Entertainment	8.9	8.4	7.9	7.9	7.4	7.4
<u>Growth QoQ (%) - Constant currency</u>						
Financial Services	4.5	3.0	5.3	1.2	1.4	2.0
Manufacturing	8.3	6.3	3.3	2.4	6.6	0.2
Lifesciences & Healthcare	-2.9	0.1	4.8	1.8	2.4	-0.2
Public Services	5.6	8.1	-2.7	-4.6	0.2	4.1
Retail & CPG	-6.9	2.1	4.9	-0.5	6.6	1.1
Telecommunications, Media, Publishing & Entertainment	-3.3	-2.1	-2.5	1.7	-3.8	1.8

Source: Company, ICICI Direct Research

Exhibit 3: Service line wise break-up

	Q3FY17	Q4FY17	Q1FY18	Q2FY18	Q3FY18	Q4FY18
<u>Revenue by services (%)</u>						
Application Services	37.5	36.8	36.3	35.9	35.3	34.7
Infrastructure Services	39.8	38.8	38.6	38.5	36.7	37.3
Business Services	4.0	3.9	3.6	3.6	3.7	3.9
Engineering and R&D Services	18.6	20.5	21.5	22.0	24.2	24.1
<u>Growth QoQ (%) - Constant currency</u>						
Application Services	2.0	1.8	1.6	0.0	1.6	-0.9
Infrastructure Services	2.1	0.9	1.7	-0.2	-1.2	2.5
Business Services	2.9	0.2	-6.7	2.9	5.0	5.3
Engineering and R&D Services	7.1	14.6	7.9	4.4	13.6	1.7

Source: Company, ICICI Direct Research

Europe and RoW led the growth among geography while Americas was soft

Financial services, retail & CPG and public services grew while manufacturing and lifesciences & healthcare was soft

IMS posted a recovery post the decline in the last two quarters and grew 2.5% QoQ

ER&D grew 1.7% QoQ. However, it registered a strong growth of 37.6% YoY (CC terms) in FY18 and was supported by acquisitions and IP partnerships

Exhibit 4: Client & Human resource metrics

	Q3FY17	Q4FY17	Q1FY18	Q2FY18	Q3FY18	Q4FY18
<u>Client metrics</u>						
US\$1-5 million	255	260	259	277	291	297
US\$10-20 million	61	68	68	73	71	73
US\$30-40 million	13	15	17	15	16	18
US\$50-100 million	16	17	17	16	16	20
US\$100 million+	8	8	8	9	9	8

Headcount, Utilization & Attrition

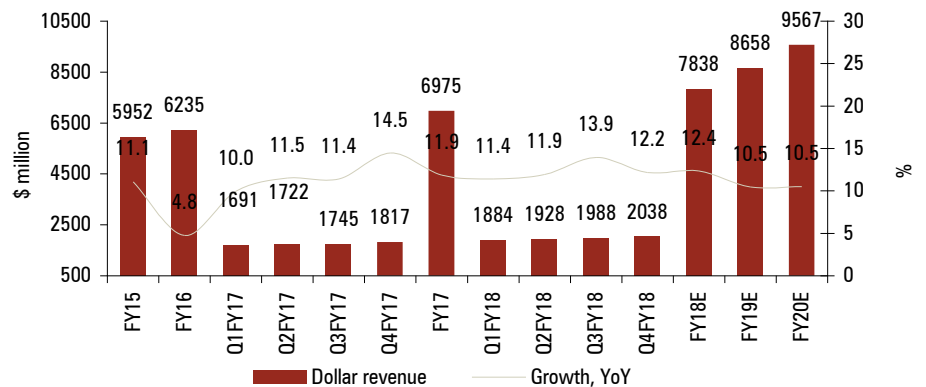
Total Employees	111,092	115,973	117,781	119,040	119,291	120,081
Blended Utilization (In- trainees)	84.6	85.7	86.0	86.0	85.8	85.9
Attrition - IT Services (LTM)	17.9	16.9	16.2	15.7	15.2	15.5

Source: Company, ICICI Direct Research

Healthy client addition across the client's category.
Attrition (LTM) in IT services grew 30 bps QoQ to 15.5%

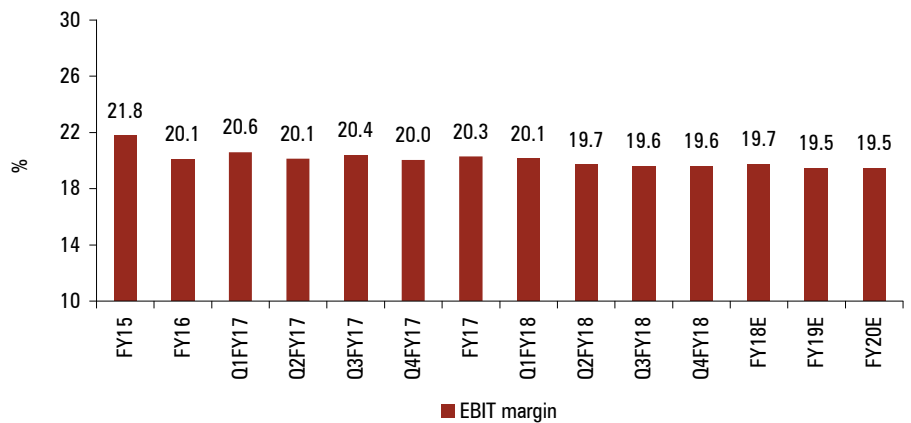
Financial story in charts

Exhibit 5: Dollar revenues may grow at 10.5% CAGR during FY18-20E



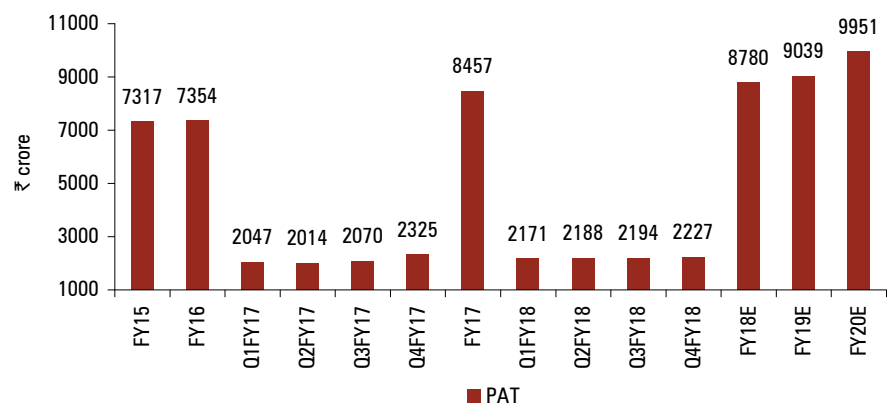
Source: Company, ICICI Direct Research

Exhibit 6: EBIT margins flat QoQ, maintained at 19.5-20.5% for FY19E



Source: Company, ICICI Direct Research

Exhibit 7: PAT trend



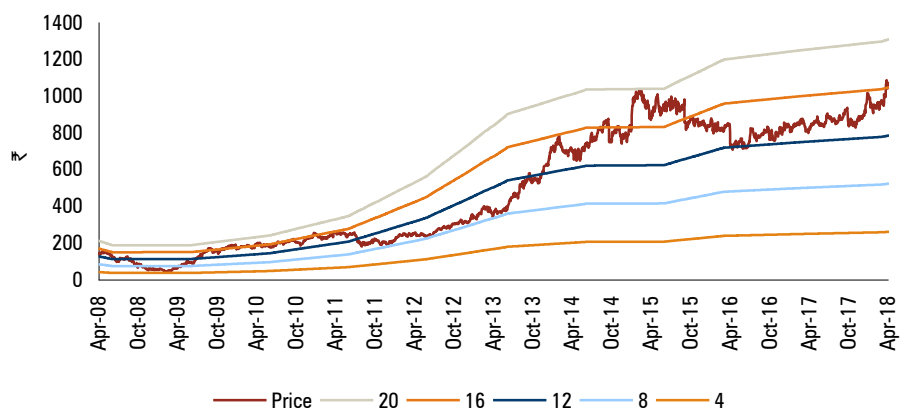
Source: Company, ICICI Direct Research

Outlook and valuation

HCL Tech reported Q4FY18 results largely in line with our expectations. For FY19E, HCL Tech has guided for revenue growth of 9.5-11.5% in constant currency (our expectation: 8-10% for FY19E). Among geographies, revenue growth in constant currency was driven by Europe and RoW, which grew 3.6% and 8.1% QoQ, respectively, while Americas was soft with 0.7% decline QoQ. Among verticals, financial services, retail & CPG and public services grew QoQ by 2%, 1.1% and 4.1%, respectively. Engineering & R&D grew 1.7% QoQ and strong 30.4% YoY in CC terms among services.

HCL Tech's Q4FY18 results were largely in line with our expectations. However, the constant currency guidance of 9.5%-11.5% (in constant currency) implies weaker organic growth trajectory (organic growth is expected to ~5% in FY19E). While, company is making efforts to strengthen its position in Mode 2 & 3 (Emerging Technologies & product & solutions platform) through acquisition, the slower than expected growth in organic business remains a concern. We slightly fine tune our EPS estimates and expect HCL Tech to report revenue, PAT CAGR of 10.9%, 6.5% in FY18-20E. Hence, we retain our HOLD rating with target price of ₹ 1000 (14x FY20E).

Exhibit 8: One year forward rolling PE



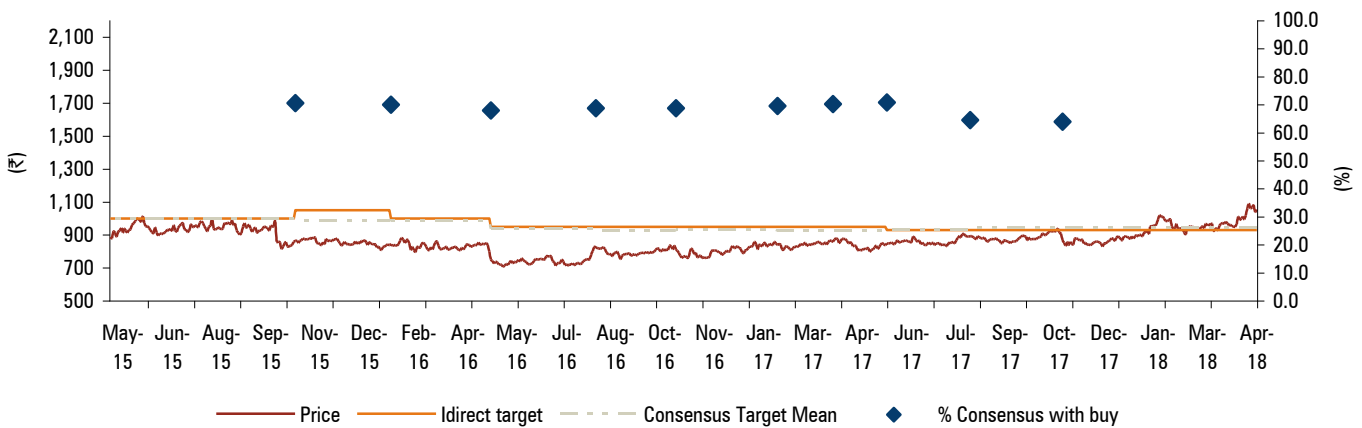
Source: Company, ICICI Direct Research

Exhibit 9: Valuation

	Sales (₹ cr)	Growth (%)	EPS (₹)	Growth (%)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY16	40,913	10.4	52.1	0.5	18.2	15.2	26.2	30.3
FY17	46,723	14.2	60.0	15.2	15.8	12.8	25.3	29.0
FY18E	50,570	8.2	62.6	4.3	15.2	11.1	23.8	27.3
FY19E	56,279	11.3	64.9	3.7	14.6	9.4	21.7	26.7
FY20E	62,188	10.5	71.5	10.1	13.3	8.1	21.2	26.4

Source: Company, ICICI Direct Research

Recommendation History vs. Consensus



Source: Bloomberg, Company, ICICI Direct Research

Key events

Date	Event
Sep-17	HCL Tech announces two acquisitions. It acquires UK-based ETL Factory Ltd, doing business as Datawave. Total cash consideration for the acquisition is up to £7 million. ETL's revenue grows from £1.04 million in FY15 to £6.2 million in FY17. In another acquisition, HCL acquires the assets of UK based Alpha Insight. Cash consideration for the asset purchase shall be up to £3.25 million. Alpha's revenue are at £3.2 million in FY16
Oct-17	HCL Tech has announced a collaboration with Red Hat to offer HCL Application Platform-as-a-Service to enterprise customers globally. Red Hat is world's leading provider of open source solutions. The collaboration combines Red Hat OpenShift Container Platform with HCL's capabilities to build digital and cloud native applications.
Nov-17	HCL Tech has entered into a five-year IT infrastructure services contract with Jardine Lloyd Thompson Group (JLT), one of the world's leading providers of insurance, reinsurance and employee benefits related advice, brokerage and associated services.
Sep-17	HCL Tech announces two acquisitions. It acquires UK-based ETL Factory Ltd, doing business as Datawave. Total cash consideration for the acquisition is up to £7 million. ETL's revenue grows from £1.04 million in FY15 to £6.2 million in FY17. In another acquisition, HCL acquires the assets of UK based Alpha Insight. Cash consideration for the asset purchase shall be up to £3.25 million. Alpha's revenue are at £3.2 million in FY16
Jan-18	HCL Technologies has mutually terminated its joint venture with US-based Great American Insurance Company (GAIC) to reduce financial/ operational overheads. HCL Tech had entered into a JV agreement with GAIC in September, 2011 with setting up of HCL Eagle Ltd.
Feb-18	HCL Technologies collaborates with Xilinx, a leading silicon provider for wireless infrastructure, to deliver next-generation mobile backhaul solution on 5G wireless networks. The solution targets 5G access and mobile backhaul markets and will enable telecom OEMs to meet the stringent requirements of next-generation networks.
Mar-18	HCL Technologies signs a deal with Norway-based energy company, Statkraft. As part of the five-and-a-half-year deal, HCL would provide end-to-end integrated infrastructure services, including data centre, service desk, workplace, network and security services, application operations and cross functional services. No

Source: Company, ICICI Direct Research

Top 10 Shareholders

Rank	Name	Latest Filing Date	% O/S	Position (m)	Change (m)
1	Vamasundari Investments (Delhi) Pvt. Ltd.	31-Mar-18	42.2%	587.6	0.0
2	HCL Holdings Pvt. Ltd.	31-Mar-18	16.8%	233.9	0.0
3	Artisan Partners Limited Partnership	31-Mar-18	1.5%	20.6	-0.1
4	ICICI Prudential Life Insurance Company Ltd.	31-Dec-17	1.4%	20.0	1.0
5	BlackRock Institutional Trust Company, N.A.	31-Mar-18	1.4%	19.6	0.0
6	ICICI Prudential Asset Management Co. Ltd.	31-Mar-18	1.4%	18.9	-6.9
7	The Vanguard Group, Inc.	31-Mar-18	1.3%	18.3	-0.4
8	Lazard Asset Management, L.L.C.	31-Mar-18	1.2%	16.6	0.0
9	Life Insurance Corporation of India	31-Mar-18	1.1%	14.7	-7.6
10	SBI Funds Management Pvt. Ltd.	31-Mar-18	1.0%	14.4	-0.3

Source: Reuters, ICICI Direct Research

Shareholding Pattern

(in %)	Sep-17	Dec-17	Mar-18
Promoter	60.05	60.19	60.18
Public	39.95	39.81	39.82
Others	0.00	0.00	0.00
Total	100.00	100.00	100.00

Recent Activity

Buys			Sells		
Investor name	Value	Shares	Investor name	Value	Shares
Franklin Advisers, Inc.	22.15m	1.49m	Life Insurance Corporation of India	-112.34m	-7.56m
Vontobel Asset Management, Inc.	20.80m	1.40m	ICICI Prudential Asset Management Co. Ltd.	-102.41m	-6.89m
L&T Investment Management Limited	15.67m	1.05m	RBC Global Asset Management (UK) Limited	-37.49m	-2.69m
ICICI Prudential Life Insurance Company Ltd.	14.08m	1.01m	RAM Active Investments S.A.	-7.07m	-0.51m
DSP BlackRock Investment Managers Pvt. Ltd.	13.06m	0.88m	Amundi Pioneer Asset Management, Inc.	-5.86m	-0.44m

Source: Reuters, ICICI Direct Research

Financial summary

Profit and loss statement		₹ Crore			
	FY17	FY18E	FY19E	FY20E	
Total operating Income	46,723	50,570	56,279	62,188	
Growth (%)	14.2	8.2	11.3	10.5	
Direct costs	30,890	33,237	36,806	40,671	
S,G&A expenses	5,524	5,894	6,753	7,463	
Total Operating Expenditure	36,414	39,131	43,560	48,134	
EBITDA	10,309	11,440	12,719	14,055	
Growth (%)	17.2	11.0	11.2	10.5	
Depreciation	771	1,453	1,688	1,866	
Amortisation	64	-	80	80	
Other Income	746	570	638	731	
PBT	10,220	10,557	11,589	12,840	
Forex adjustments	-	-	-	-	
Total Tax	1,952	2,316	2,550	2,889	
PAT	8,457	8,780	9,039	9,951	
Growth (%)	15.0	3.8	3.0	10.1	
EPS (₹)	60.0	62.6	64.9	71.5	
Growth (%)	15.2	4.3	3.7	10.1	

Source: Company, ICICI Direct Research

Cash flow statement		₹ Crore			
	FY17	FY18E	FY19E	FY20E	
PBT	10,220	10,557	11,589	12,840	
Depreciation & Amortisation	835	1,453	1,768	1,946	
(Inc)/dec in Current Assets	(653)	1,143	261	(1,300)	
Inc/(dec) in CL and Provisions	1,639	918	1,362	1,410	
Taxes paid	(1,952)	(2,316)	(2,550)	(2,889)	
CF from operating activities	9,532	11,726	11,793	11,275	
(Inc)/dec in Investments	746	570	638	731	
(Inc)/dec in Fixed Assets	(1,168)	(1,264)	(1,407)	(1,555)	
CF from investing activities	(422)	(694)	(769)	(824)	
Issue/(Buy back) of Equity	-	(3,500)	-	-	
Inc/(dec) in loan funds	(69)	-	-	-	
Dividend paid & dividend tax	(3,972)	(1,955)	(4,230)	(4,657)	
Inc/(dec) in debentures	-	-	-	-	
Others	-	-	-	-	
CF from financing activities	(4,040)	(5,455)	(4,230)	(4,657)	
Net Cash flow	5,069	5,577	6,794	5,795	
Exchange difference	-	-	-	-	
Opening Cash	5,981	11,050	16,627	23,421	
Bank bal + unclaimed dvd.	(9,733)	(9,733)	(9,733)	(9,733)	
Cash c/f to balance sheet	1,317	6,894	13,687	19,482	

Source: Company, ICICI Direct Research

Balance sheet		₹ Crore			
	FY17	FY18E	FY19E	FY20E	
Liabilities					
Equity Capital	283	276	276	276	
Reserve and Surplus	33,208	36,540	41,349	46,643	
Total Shareholders funds	33,490	36,816	41,625	46,918	
Total Debt	542	542	542	542	
Other liabilities + Provisions	1,253	1,253	1,253	1,253	
Minority Interest / Others	-	-	-	-	
Total Liabilities	35,285	38,610	43,419	48,713	
Assets					
Net Block + CWIP	4,681	4,492	4,130	3,740	
Intangible assets	11,426	11,426	11,426	11,426	
Investments	10,366	10,366	10,366	10,366	
Liquid investments	1,146	1,146	1,146	1,146	
Inventory	-	-	-	-	
Debtors	10,803	10,114	9,567	10,572	
Loans and Advances	-	-	-	-	
Other Current Assets	2,983	2,529	2,814	3,109	
Cash	1,317	6,894	13,687	19,482	
Total Current Assets	16,248	20,682	27,214	34,309	
Total Current Liabilities	11,148	12,065	13,428	14,837	
Net Current Assets	5,100	8,616	13,787	19,471	
Other non current assets	3,712	3,712	3,712	3,712	
Application of Funds	35,285	38,610	43,419	48,713	

Source: Company, ICICI Direct Research

Key ratios		FY17	FY18E	FY19E	FY20E
Per share data (₹)					
EPS		60.0	62.6	64.9	71.5
Cash EPS		65.9	73.0	77.6	85.5
BV		237.6	262.5	299.0	337.0
DPS		24.0	12.0	30.4	33.5
Cash Per Share		9.3	49.2	98.3	139.9
Operating Ratios (%)					
EBIT Margin		20.3	19.7	19.5	19.5
PBT Margin		21.9	20.9	20.6	20.6
PAT Margin		18.1	17.4	16.1	16.0
Debtor days		84	73	62	62
Creditor days		-	-	-	-
Return Ratios (%)					
RoE		25.3	23.8	21.7	21.2
RoCE		29.0	27.3	26.7	26.4
RoIC		53.6	64.7	81.4	93.5
Valuation Ratios (x)					
P/E		15.8	15.2	14.6	13.3
EV / EBITDA		12.8	11.1	9.4	8.1
EV / Net Sales		2.8	2.5	2.1	1.8
Market Cap / Sales		2.9	2.7	2.4	2.2
Price to Book Value		4.0	3.6	3.2	2.8
Solvency Ratios					
Debt/EBITDA		0.1	0.0	0.0	0.0
Debt / Equity		0.0	0.0	0.0	0.0
Current Ratio		1.2	1.0	0.9	0.9
Quick Ratio		1.2	1.0	0.9	0.9

Source: Company, ICICI Direct Research

ICICI Direct Research 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)	702	780	Buy	7,904	30.5	36.0	40.4	23.0	19.5	17.4	14.6	11.9	10.6	19.7	22.0	21.1	16.2	17.1	17.3
Eclerx (ECLSER)	1,270	1,220	Sell	5,236	86.4	73.9	79.7	14.7	17.2	15.9	9.9	11.9	11.0	34.5	26.9	26.5	29.1	21.4	21.1
Firstsource (FIRSOU)	58	50	Buy	4,052	4.1	4.5	4.7	14.2	12.7	12.3	10.9	10.0	8.7	11.7	11.8	12.6	13.8	13.3	12.1
HCL Tech (HCLTEC)	950	1,000	Hold	134,111	60.0	62.6	64.9	15.8	15.2	14.6	12.8	11.1	9.4	29.0	27.3	26.7	25.3	23.8	21.7
Infosys (INFTEC)	1,125	1,110	Hold	257,121	62.8	73.8	67.6	17.9	15.2	16.6	12.3	12.5	11.6	28.8	33.3	31.3	20.8	26.4	22.2
KPIT Tech (KPISYS)	231	200	Hold	4,596	10.6	12.1	13.6	21.7	19.1	16.9	12.8	12.0	10.3	14.5	15.8	16.4	15.1	13.6	13.6
Mindtree (MINCON)	890	830	Hold	14,945	24.9	34.3	39.5	35.7	26.0	22.5	20.2	19.1	13.9	21.2	27.7	28.7	16.2	21.8	21.4
NIIT Technologies (NIITEC)	921	775	Hold	3,300	40.8	44.8	52.2	20.6	20.5	17.7	5.3	4.8	3.7	29.8	31.5	36.4	14.8	14.6	15.0
Persistent (PSYS)	750	825	Buy	5,999	37.6	40.5	44.7	20.0	18.5	16.8	11.9	11.4	9.5	20.8	19.9	19.5	15.9	15.2	15.0
TCS (TCS)	3,378	3,260	Hold	661,649	133.4	135.5	145.5	25.3	24.9	23.2	19.1	18.9	16.6	38.0	38.3	35.2	29.8	29.9	27.3
Tech Mahindra (TECMAH)	666	630	Hold	65,448	31.7	38.4	39.6	21.0	17.3	16.8	14.6	12.9	10.7	19.4	20.0	18.6	17.1	18.1	16.4
Wipro (WIPRO)	278	315	Buy	137,249	17.5	17.7	18.3	15.9	15.7	15.2	10.1	11.5	10.5	16.8	16.8	15.5	16.3	16.7	15.0

Company, ICICI Direct Research

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Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

**ICICI Direct Research Desk,
ICICI Securities Limited,
1st Floor, Akruti Trade Centre,
Road No 7, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com**

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