

Tata Consultancy Services (TCS)

₹ 1930

Strong start to the year...

- Constant currency (cc) revenues grew 4.1% QoQ above our estimate of 3.5% QoQ. US\$ revenues grew 1.6% QoQ to US\$5,051 million, below our 2.5% QoQ growth and US\$5,095.2 million estimate on account of higher than expected cross currency headwind of 250 bps
- Rupee revenues grew 6.8% QoQ to ₹ 34,261 crore, above our 6.4% growth expectations of ₹ 34,142.9 crore estimate
- At 25%, EBIT margins declined 40 bps QoQ and were above our 80 bps decline and 24.6% estimate.
- PAT of ₹ 7,340 crore was ahead of our ₹ 6,931.5 crore estimate led by better than expected operational performance and higher other income (₹ 1208 crore vs ₹ 982 crore in Q4FY18)

BFSI recovery drive the growth above expectations

US\$ revenues grew strongly at 4.1% QoQ in constant currency terms vs our estimate of 3.5%. Although growth was an outcome of an all rounded performance by verticals and geographies, what stood out was the growth in BFSI post many quarters of weakness. BFSI witnessed a healthy recovery at the start of the new fiscal and grew 3.7% sequentially in cc terms. Increasing engagement with clients in North America with improvement in client spending with in banking led the growth in the segment. Signs of improving trajectory for technology spends in banking in US would led to positive sentiments across other IT players as well with TCS gaining the lead on account of its positioning and scale in digital. With positive outlook for BFSI in medium term and on the back of recent deal wins, we expect dollar revenue to grow at 9.9% CAGR to US\$23.1 billion in FY18-20E.

Wage hike impact partially mitigated by currency & operational efficiency

EBIT margins declined 40 bps QoQ to 25% on account of usual wage hike in the quarter with impact of (-180 bps). However, it was partly countered by rupee benefit (+70 bps) and operational efficiency (+70 bps). With absence of wage hike and visa cost from Q2FY19E, margins are expanded to improve gradually from hereon. Management continues to target its EBIT margin band of 26-28% for FY19E on account of revenue growth and operational efficiency achieved through digital revenue scaling up. We expect EBIT margins of 26% each in FY19E and FY20E.

Digital @25% to revenues, strong growth of 45% YoY

Digital business continues to ride on upward trajectory and constituted 25% of revenue (vs 18.9% in Q1FY18), up 44.8% YoY (cc terms). It has grown at an average of 39% through Q1FY18 to Q1FY19. Starting this quarter, management disclosed deal TCV wherein TCV stood at \$4.9 billion in this quarter. The management cited of the good contract signing with in digital and sounded optimistic about the increasing client spending.

Current valuation suggests limited upside; maintain HOLD...

TCS started the year on a good note with quarter performance better than our expectations on all fronts. With better than expected results, optimistic commentary about BFSI, accelerating pace in digital and revision in exchange rate assumption (₹ 68.5 v/s ₹ 67 earlier), we upgrade our EPS estimates by 5-6%. However, with stock rallying by ~40% in last 6 months, current valuation (~21.5x FY20E EPS) offers limited upside. Hence, we maintain our **HOLD** rating on the stock with a revised target price of ₹ 2060 (23x FY20E EPS).

Rating matrix	
Rating	: Hold
Target	: ₹ 2060
Target Period	: 12 months
Potential Upside	: 7%

What's Changed?	
Target	Changed from ₹ 1850 to ₹ 2060
EPS FY19E	Changed from ₹ 76.6 to ₹ 80.6
EPS FY20E	Changed from ₹ 84.4 to ₹ 89.4
Rating	Unchanged

Quarterly Performance					
	Q1FY19	Q1FY18	YoY (%)	Q4FY18	QoQ (%)
Revenue	34,261	29,584	15.8	32,075	6.8
EBIT	8,578	6,914	24.1	8,147	5.3
EBIT (%)	25.0	23.4	167 bps	25.4	-36 bps
PAT	7,340	5,945	23.5	6,904	6.3

Key Financials				
₹ Crore	FY17	FY18	FY19E	FY20E
Net Sales	117,966	123,104	142,485	157,920
EBITDA	32,311	32,516	39,326	43,586
Net Profit	26,289	25,826	30,252	33,561
EPS (₹)	66.7	67.4	80.6	89.4

Valuation summary				
	FY17	FY18	FY19E	FY20E
P/E	14.5	14.3	23.9	21.5
Target P/E	15.4	15.2	25.5	23.0
EV / EBITDA	21.0	21.0	17.3	15.2
P/BV	4.3	4.2	8.2	6.7
RoNW (%)	29.8	29.6	34.2	30.9
RoCE (%)	37.9	37.6	43.9	39.8

Stock data	
Particular	Amount
Market Capitalization (₹ Crore)	724,485.2
Total Debt (₹ Crore)	247.0
Cash and equivalents (₹ Crore)	42,646.0
EV (₹ Crore)	682,086.2
52 week H/L	1940 / 1188
Equity capital	191.0
Face value	₹ 1

Price performance (%)				
	1M	3M	6M	12M
TCS	5.9	23.0	42.3	58.3
Infosys	3.1	13.0	26.9	35.2
Wipro	0.9	(5.4)	(12.8)	2.8
HCL Tech	7.2	(2.0)	9.9	15.9

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Variance analysis

	Q1FY19	Q1FY19E	Q1FY18	YoY (%)	Q4FY18	QoQ (%)	Comments
Revenue	34,261	34,143	29,584	15.8	32,075	6.8	Constant currency revenues grew strong at 4.1% QoQ vs. our estimate of 3.5%
Employee expenses	19,685	19,461	16,914	16.4	18,122	8.6	
Gross Margin	14,576	14,681	12,670	15.0	13,953	4.5	
Gross margin (%)	42.5	43.0	42.8	-28 bps	43.5	-96 bps	
SG&A expenses	5,505	5,702	5,258	4.7	5,301	3.8	
EBITDA	9,071	8,980	7,412	22.4	8,652	4.8	
EBITDA Margin (%)	26.5	26.3	25.1	142 bps	27.0	-50 bps	
Depreciation	493	580	498	-1.0	505	-2.4	
EBIT	8,578	8,399	6,914	24.1	8,147	5.3	
EBIT Margin (%)	25.0	24.6	23.4	167 bps	25.4	-36 bps	EBIT margins declined on account of wage hike partially offset by operational efficiency and rupee depreciation
Other income (less interest)	1,208	809	932	29.6	982	23.0	
PBT	9,786	9,209	7,846	24.7	9,129	7.2	
Tax paid	2,424	2,256	1,896	27.8	2,204	10.0	
PAT	7,340	6,931	5,945	23.5	6,904	6.3	Reported PAT was above our expectation led by better than expected margin performance and higher other income
Key Metrics							
Closing employees	394,998	390,500	387,223	2.0	390,880	1.1	
Overall attrition (%)	11.0	11.2	10.5	50 bps	11.1	-10 bps	Attrition declined 10 bps sequentially
Average \$/₹	64.5	67.0	66.6	-3.1	64.6	-0.1	

Source: Company, ICICI Direct Research

Change in estimates

(₹ Crore)	FY19E			FY20E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	140,147	142,485	1.7	154,462	157,920	2.2	
EBIT	35,737	37,046	3.7	39,388	41,059	4.2	
EBIT Margin (%)	25.5	26.0	50 bps	25.5	26.0	50 bps	Revising EBIT margin estimates on Q1FY19 results and optimistic commentary for the year
PAT	28,688	30,252	5.5	31,663	33,561	6.0	
EPS (₹)	76.4	80.6	5.5	84.3	89.4	6.0	

Source: Company, ICICI Direct Research

Assumptions

	FY17	FY18E	Current FY19E	Earlier FY19E	Current FY20E	Earlier FY20E
Closing employees	387,223	394,998	422,598	422,598	451,886	451,886
Overall attrition (%)	12.9	12.1	12.0	12.0	12.0	12.0
Average \$/₹	67.1	64.3	68.5	67.0	68.5	67.0

Source: Company, ICICI Direct Research

Conference Call Highlights

- **Revenue Outlook-** With healthy start to the year with 4.1% sequential growth in constant currency and deal closures and pipeline, management expects acceleration in growth in FY19E compared to FY18. Overall, the revenue growth is expected to remain in double digit.
- **Target margin band maintained-** The management continues to maintain its target margin band of 26-28% for FY19E mainly driven by revenue growth and operational efficiency achieved through digital revenue scaling up. With better than expected margin performance in Q1FY19 at 25% vs our expectation of 24.6%, we believe TCS to achieve EBIT margin of 26% in FY19E.
- **BFSI-** TCS largest revenue contributor BFSI (31.1% of revenue) witnessed a healthy recovery at the start of the new fiscal and grew 3.7% sequentially in cc terms. This is in line with the management commentary given in Q4FY18 earnings call about anticipated recovery in BFSI from Q1FY19. This is evident when compared to recent four quarterly growth rate of 0.4%, -1.5%, 1.9% and 2.3% through Q4FY18 to Q1FY18 in BFSI. As per management, healthy recovery was mainly on the back of increasing engagement with clients in North America and transformation deal win and market share gain in Europe. Going ahead, management sounded optimistic about the segment on the back of deal wins
- **Retail & Communication segments-** Retail & CPG (16.6% of revenue) which now constitutes travel and hospitality vertical witnessed growth of 3.6% (cc) QoQ while grew 12.7% YoY in cc terms. Communication (7.1% of revenue) grew 5.1% QoQ on account of generation of fresh investment post its consolidation phase. The management alluded that the momentum in both segments would sustain in FY19E
- **Digital business-** Digital business continues to ride on upward trajectory and constituted 25% of revenue (vs 18.9% in Q1FY18), up 9.1% QoQ (cc terms). It witnessed a strong growth of 44.8% YoY. The management indicated of the good contract signing with in digital and sounded optimistic about the increasing client spending. Thereby, helping company achieving operational efficiency leading to improving profitability
- **Deal TCV-** Starting this quarter, management disclosed deal TCV wherein TCV stood at \$4.9 billion in this quarter. Of which, BFSI formed \$1.6 billion (~33%) while retail & CPG formed \$0.8 billion (~15.5%). Among geography, North America formed ~55% of the total TCV.
- **Client Metrics-** On the client mining front, client count in \$100 million+ bucket increased by 2 QoQ to 40. Five clients transitioned to US\$10 million+ and 13 to the US\$5 million+ category. Fifteen clients were added QoQ in US\$1 million+ revenue bucket taking the total to 978 (vs. 905 in Q1FY18)
- **Employee update-** Attrition in IT services declined 10 bps to 10.9% (LTM) while overall attrition also declined to 11.7% (LTM). Employee strength stood at 400,875 in Q1FY19 with net addition of 5,877 employees in the quarter.

Company Analysis

Exhibit 1: Geography-wise Break-up

	Q4FY17	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19
<u>Revenue by geography (%)</u>						
North America	53.3	52.5	51.9	52.0	50.2	51.0
Latin America	2.1	2.1	2.2	2.2	2.0	1.9
UK	13.7	13.9	14.0	14.1	15.2	15.5
Continental Europe	11.8	12.5	13.4	13.5	14.2	14.0
India	6.8	7.0	6.3	6.3	6.2	5.8
Asia Pacific	9.7	9.5	9.8	9.5	9.7	9.6
MEA	2.6	2.5	2.4	2.4	2.5	2.2

Growth QoQ (%)

North America	-1.7	1.6	2.0	1.2	0.3	3.2
Latin America	-3.1	3.1	8.1	1.0	-5.6	-3.5
UK	4.5	4.6	4.0	1.7	12.0	3.6
Continental Europe	7.9	9.2	10.7	1.8	9.3	0.2
India	9.5	6.2	-7.1	1.0	2.2	-5.0
Asia Pacific	2.5	1.0	6.5	-2.1	6.1	0.5
MEA	5.5	-0.8	-0.9	1.0	8.2	-10.6

Source: Company, ICICI Direct Research

Exhibit 2: Vertical-wise Break-up

	Q4FY17	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19
<u>Revenue by verticals (%)</u>						
BFSI	39.9	32.5	32.6	31.6	31.1	31.1
Retail & CPG	12.9	16.0	15.9	16.7	16.6	16.6
Communication and Media	11.3	7.1	7.1	7.1	7.1	7.1
Manufacturing	10.6	7.4	7.4	7.5	7.4	7.3
Life Sciences & Healthcare	7.6	7.1	7.2	7.3	7.2	7.3
Energy & Utilities	4.5	4.0	4.2	4.5	4.8	4.8
Technology & services	7.8	7.9	8.0	7.9	7.8	7.7
Regional markets & others	18.5	18.0	17.6	17.4	18.0	18.1

Growth QoQ (%)

BFSI	19.4	-16.0	3.5	-2.1	2.2	1.6
Retail & CPG	0.7	27.9	2.6	6.1	3.2	1.6
Communication and Media	71.2	-35.2	3.2	1.0	3.9	1.6
Manufacturing	45.4	-28.0	3.2	2.4	2.5	0.2
Life Sciences & Healthcare	11.8	-3.7	4.7	2.4	2.4	3.0
Energy & Utilities	26.9	-8.3	8.4	8.2	10.8	1.6
Technology & services	1.5	4.4	4.5	-0.2	2.5	0.3
Regional markets & others	7.3	0.3	0.9	-0.1	7.4	2.2

* Reclassification of accounts restated from Q1FY18

Source: Company, ICICI Direct Research

Exhibit 3: Client & Human resource Matrix

	Q4FY17	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19
<u>Client metrics</u>						
USD 1 mn+ clients	897	905	933	941	963	978
USD 5 mn+ clients	459	464	470	485	495	508
USD 10 mn+ clients	310	322	328	337	350	355
USD 20 mn+ clients	190	190	196	203	207	206
USD 50 mn+ clients	84	85	91	94	97	97
USD 100 mn+ clients	35	36	37	37	38	40

Headcount, Attrition

Total Employees	387223	385809	389213	390880	394998	400875
Attrition (including BPS)	11.5	12.4	12.1	11.9	11.8	11.7

Source: Company, ICICI Direct Research

UK led the growth while North America turned to good growth post many quarter of softness due to recovery in BFSI segment

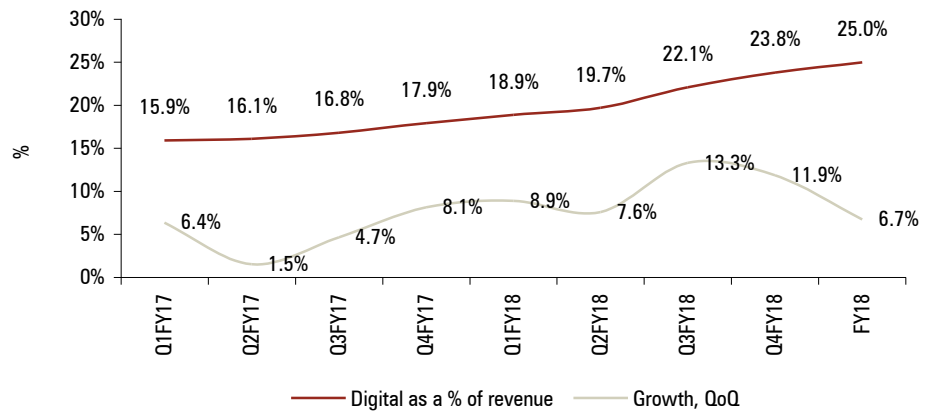
BFSI started the new fiscal with healthy growth and management sounded optimistic in the medium term.

Attrition continues to decline since Q1FY18 and declined 10 bps QoQ in Q1.

Financial story in charts

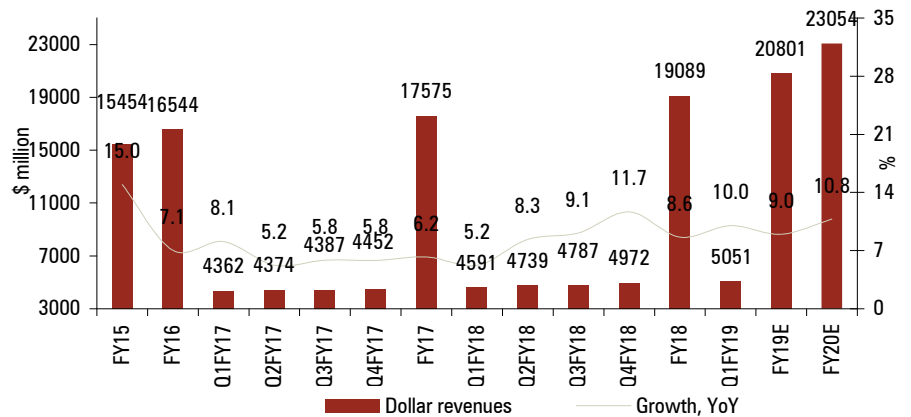
Exhibit 4: Digital grew strong at ~45% YoY in Q1FY19

Digital business continues to ride on upward trajectory and constituted 25% of revenue (vs 18.9% in Q1FY18), with strong growth of ~45% YoY



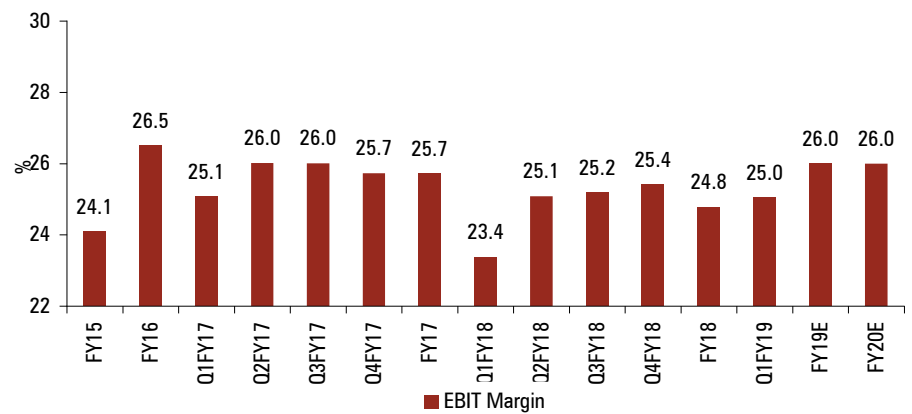
Source: Company, ICICI Direct Research

Exhibit 5: Dollar revenues may grow at 9.9% CAGR in FY18-20E



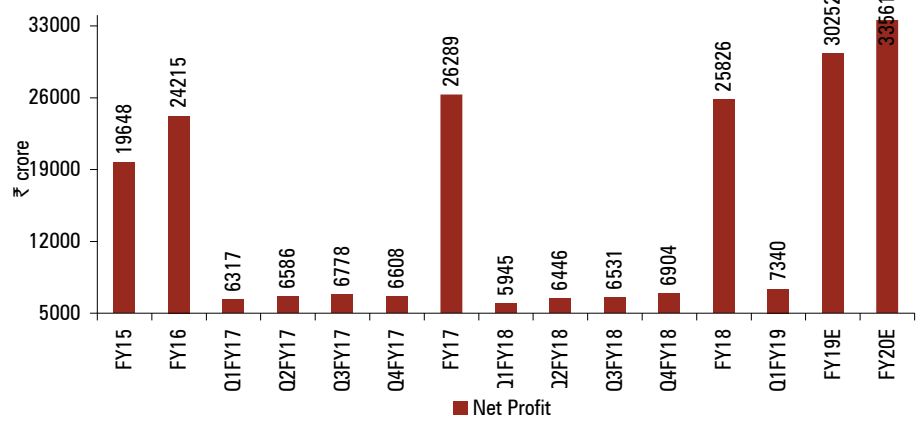
Source: Company, ICICI Direct Research

Exhibit 6: Revise our margin estimates to 26% each for FY19E, FY20E



Source: Company, ICICI Direct Research

Exhibit 7: PAT may grow at 14% CAGR in FY18-20E



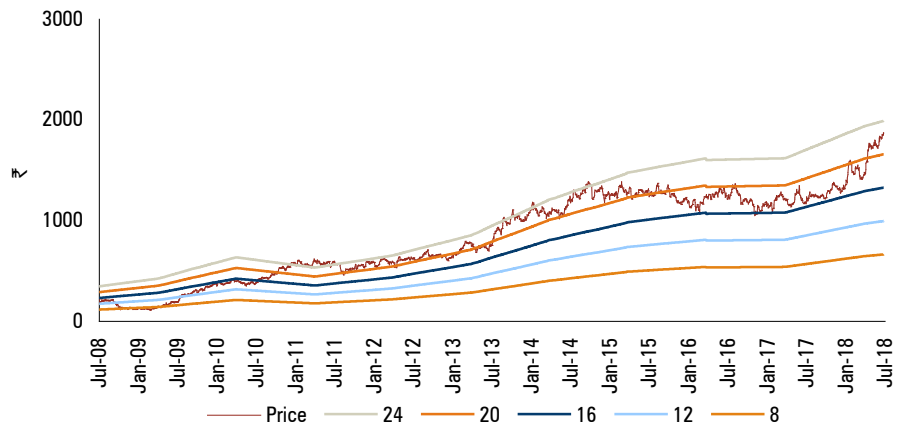
Source: Company, ICICI Direct Research

Outlook and valuation

Tata Consultancy Services (TCS) reported a healthy performance on all fronts. Digital revenue now contributing 25% to revenues (vs 23.8% in Q4FY18) grew 9.1% sequentially and strong 44.8% YoY in cc terms. In terms of geography wise, UK (8.2% QoQ growth in cc terms), Continental Europe (5.3%) and North America (3.7% QoQ) led the growth. Among verticals, BFSI witnessed recovery and grew 3.7% QoQ in constant currency terms and was followed by retail & CPG (3.6%) and communication & media (5.1% QoQ).

TCS started the year on a good note with quarter performance better than our expectations on all fronts. With better than expected results, optimistic commentary about BFSI, accelerating pace in digital and revision in exchange rate assumption (₹ 68.5 v/s ₹ 67 earlier), we upgrade our EPS estimates by 5-6%. However, with stock rallying by ~40% in last 6 months, current valuation (~21.5x FY20E EPS) offers limited upside. Hence, we maintain our **HOLD** rating on the stock with a revised target price of ₹ 2060 (23x FY20E EPS).

Exhibit 8: One year forward rolling PE



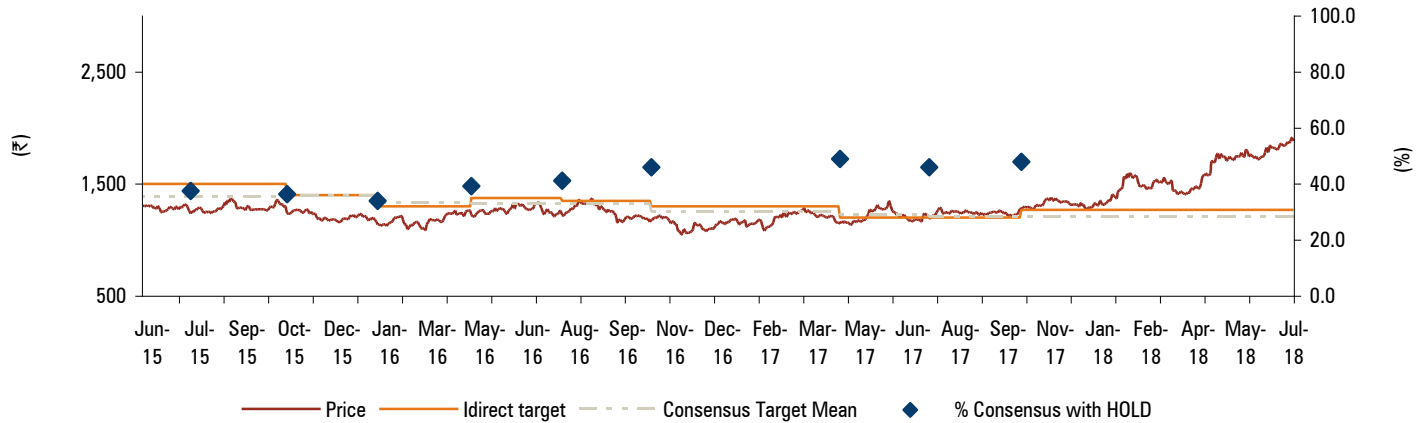
Source: Company, ICICI Direct Research

Exhibit 9: Valuation

	Sales (₹ cr)	Growth (%)	EPS (₹)	Growth (%)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY16	108,646	14.8	61.4	(38.7)	31.4	22.7	33.1	42.0
FY17	117,966	8.6	66.7	8.5	14.5	21.0	29.8	37.9
FY18	123,104	4.4	67.4	1.1	14.3	21.0	29.6	37.6
FY19E	142,485	15.7	80.6	19.5	23.9	17.3	34.2	43.9
FY20E	157,920	10.8	89.4	10.9	21.5	15.2	30.9	39.8

Source: Company, ICICI Direct Research

Recommendation History vs. Consensus



Source: Company, ICICI Direct Research

Key events

Date	Event
Dec-17	TCS wins a \$2.25 billion outsourcing contract from television ratings measurement company Nielsen. The deal marks the renewal of TCS' engagement with Nielsen, which was first awarded a \$1.2 billion, 10-year contract in 2007
Jan-18	TCS enters into an agreement with M&G Prudential, the UK and European savings and investments business of Prudential plc to digitally transform M&G Prudential business and deliver enhanced service for its UK savings and retirement customers. The value of the agreement is worth ~US\$690 million and spans over 10 years
Mar-18	TCS extends its strategic partnership for five years with Virgin Atlantic, a leading UK based global airline. This extended partnership would involve both companies working together on technology infrastructure, which would enable Virgin to further develop its customer experience in passenger services
Jun-18	TCS has expanded its partnership with M&G Prudential, the UK and European savings and investments business of Prudential plc. The 10 year partnership, announced in January 2018, aimed to digitally transform M&G Prudential's business and deliver an enhanced service for its UK savings and retirement customers. The extended partnership is worth an additional US\$668 million taking the total deal value to US\$ ~1.4 billion over 10 years.
Jun-18	TCS' board of directors have approved a proposal to buy back up to 7.6 crore equity shares at ₹ 2,100/share on a proportionate basis under the tender offer route for an aggregate amount not exceeding ₹ 16,000 crore. Buyback of 7.6 crore shares makes up 1.99% of total outstanding shares and is the second buyback in 2 years
Jun-18	TCS has been selected as the strategic partner by Saipem, leader in services for the energy industry and infrastructure for digital re-imagination and transformation program for the latter.

Source: Company, ICICI Direct Research

Top 10 Shareholders

Rank	Name	Latest Filing Date	% O/S	Position (m)	Change (m)
1	Tata Group of Companies	3-Jun-18	71.9%	2,752.2	-1.1
2	Life Insurance Corporation of India	3-Jun-18	3.9%	150.8	0.0
3	Stewart Investors	31-Mar-18	1.3%	49.4	0.9
4	BlackRock Institutional Trust Company, N.A.	30-Jun-18	0.7%	27.7	13.2
5	The Vanguard Group, Inc.	31-May-18	0.7%	25.0	-7.6
6	JPMorgan Asset Management U.K. Limited	31-May-18	0.6%	23.2	0.0
7	Aberdeen Asset Management (Asia) Ltd.	31-May-18	0.5%	19.7	0.0
8	OppenheimerFunds, Inc.	30-Jun-18	0.5%	17.7	0.0
9	Lazard Asset Management, L.L.C.	30-Jun-18	0.5%	17.6	0.0
10	SBI Funds Management Pvt. Ltd.	31-May-18	0.4%	16.1	0.4

Source: Reuters, ICICI Direct Research

Shareholding Pattern

(in %)	Dec-17	Mar-18	Jun-18
Promoter	73.57	71.92	71.92
Public	26.43	28.08	28.08
Others	--	--	--
Total	100.00	100.00	100.00

Recent Activity

Buys			Sells		
Investor name	Value	Shares	Investor name	Value	Shares
BlackRock Institutional Trust Company, N.A.	356.1m	13.2m	The Vanguard Group, Inc.	-197.4m	-7.6m
Norges Bank Investment Management (NBIM)	76.2m	3.6m	T. Rowe Price International (UK) Ltd.	-56.7m	-2.7m
Kotak Mahindra Asset Management Company Ltd.	63.1m	2.4m	HDFC Asset Management Co., Ltd.	-62.5m	-2.4m
BNY Mellon Asset Management North America Corporation	40.7m	1.5m	Aditya Birla Sun Life AMC Limited	-52.2m	-2.0m
Stewart Investors	20.7m	0.9m	Grantham Mayo Van Otterloo & Co LLC	-25.6m	-1.1m

Source: Reuters, ICICI Direct Research

Financial summary

Profit and loss statement				
₹ Crore				
(Year-end March)	FY17	FY18	FY19E	FY20E
Total operating Income	117,966	123,104	142,485	157,920
Growth (%)	8.6	4.4	15.7	10.8
COGS (employee expenses)	64,900	69,274	79,221	87,804
S,G&A expenses	20,755	21,314	23,937	26,531
Total Operating Expenditure	85,655	90,588	103,159	114,334
EBITDA	32,311	32,516	39,326	43,586
Growth (%)	5.3	0.6	20.9	10.8
Depreciation	1,987	2,014	2,280	2,527
Other Income less interest	4,189	3,590	3,369	3,776
PBT	34,513	34,092	40,415	44,835
Total Tax	8,156	8,212	10,104	11,209
Minority Interest	68	54	59	65
Exceptional Item	0	0	0	0
PAT before exceptional item	26,289	25,826	30,252	33,561
Growth (%)	8.6	-1.8	17.1	10.9
EPS (₹)	66.7	67.4	80.6	89.4
PAT after exceptional item	26,289	25,826	30,252	33,561
EPS - Reported (₹)	66.7	67.4	80.6	89.4

Source: Company, ICICI Direct Research

Cash flow statement				
₹ Crore				
(Year-end March)	FY17	FY18	FY19E	FY20E
Profit before Tax	34,513	34,092	40,415	44,835
Add: Depreciation	1,987	2,014	2,280	2,527
(Inc)/dec in Current Assets	(896)	(3,172)	(1,151)	(3,159)
Inc/(dec) in CL and Provisions	(210)	3,141	3,571	2,456
Taxes paid	(7,946)	(7,609)	(10,104)	(11,209)
CF from operating activities	26,992	28,166	32,006	31,605
(Inc)/dec in Investments	(17,583)	1,646	(576)	(1,311)
(Inc)/dec in Fixed Assets	(1,953)	(1,804)	(2,137)	(2,369)
Others	0	0	3,006	3,846
CF from investing activities	(19,136)	(253)	292	166
Inc/(dec) in loan funds	87	(19)	0	0
Dividend paid & dividend tax	(10,947)	(10,726)	(13,142)	(13,156)
Others	(80)	(16,076)	(16,000)	0
CF from financing activities	(11,006)	(26,845)	(29,142)	(13,156)
Net Cash flow	(3,150)	1,068	3,156	18,614
Exchange difference	(163)	218	0	0
Opening Cash	6,347	3,463	5,313	10,095
Closing Cash	3,462	5,313	10,095	28,709

Source: Company, ICICI Direct Research

Balance sheet				
₹ Crore				
(Year-end March)	FY17	FY18	FY19E	FY20E
Liabilities				
Equity Capital	197	191	375	375
Reserve and Surplus	81,487	84,254	85,180	105,585
Share Premium	6,631	2,796	2,796	2,796
Total Shareholders funds	88,315	87,241	88,351	108,756
Total debt	289	247	317	346
Other liabilities & Provisions	1,170	1,714	1,770	1,811
Deferred tax liability(net)	919	1,170	1,170	1,170
Minority Interest / Others	366	402	461	527
Total Liabilities	91,059	90,774	92,071	112,610
Assets				
Net assets & CWIP	11,788	11,612	11,470	11,312
Goodwill	3,721	3,884	3,884	3,884
Other non current assets	9,318	11,368	11,944	13,256
Debtors	22,684	25,037	25,647	26,846
Loans and Advances	4,531	4,339	5,473	6,066
Other Current Assets	7,648	9,523	8,930	10,296
Current Investments	41,636	35,707	35,707	35,707
Cash	4,027	6,939	10,095	28,709
Trade Payable	6,279	7,731	11,399	12,634
OCL & Provisions	8,015	9,904	9,681	10,833
Application of Funds	91,059	90,774	92,071	112,610

Source: Company, ICICI Direct Research

Key ratios				
(Year-end March)	FY17	FY18	FY19E	FY20E
Per share data (₹)				
Adjusted EPS (Diluted)	133.4	67.4	80.6	89.4
BV per share	448.3	456.8	235.4	289.7
DPS	47.0	50.0	29.1	29.1
Cash Per Share	20.4	36.3	26.9	76.5
Operating Ratios (%)				
EBIT margins	25.7	24.8	26.0	26.0
PBT Margins	29.3	27.7	28.4	0.0
PAT Margin	22.3	21.0	21.2	21.3
Debtor days	70	74	66	62
Creditor days	19	23	29	29
Return Ratios (%)				
RoE	29.8	29.6	34.2	30.9
RoCE	37.9	37.6	43.9	39.8
RoIC	66.8	63.4	80.1	85.2
Valuation Ratios (x)				
P/E	14.5	14.3	23.9	21.5
EV / Net Sales	5.8	5.5	4.8	4.2
Market Cap / Sales	6.1	5.9	5.1	4.6
Solvency Ratios				
Debt / EBITDA	0.0	0.0	0.0	0.0
Debt / Equity	0.0	0.0	0.0	0.0
Current Ratio	2.4	2.2	1.9	1.8
Quick Ratio	2.4	2.2	1.9	1.8

Source: Company, ICICI Direct Research

ICICI Direct coverage universe (IT)

Sector / Company	CMP			M Cap (₹ Cr)	EPS (₹)			P/E (x)			EV/EBITDA (x)			RoCE (%)			RoE(%)		
	(₹)	TP(₹)	Rating		FY18P	FY19E	FY20E	FY18P	FY19E	FY20E	FY18P	FY19E	FY20E	FY18P	FY19E	FY20E	FY18P	FY19E	FY20E
Cyient (INFENT)	741	870	Hold	8,343	36.0	40.0	48.3	20.6	18.5	15.4	12.7	11.2	8.9	22.0	20.8	21.9	17.1	17.1	18.2
Eclerx (ECLSER)	1,293	1,180	Hold	5,330	72.9	72.2	84.4	17.7	17.9	15.3	12.2	11.9	9.8	23.2	22.1	23.9	19.3	17.0	18.4
Firstsource (FIRSOU)	70	87	Buy	4,911	4.8	5.1	6.2	14.7	13.7	11.3	11.6	10.0	8.2	12.7	14.7	16.0	13.9	13.6	15.1
HCL Tech (HCLTEC)	960	1,000	Hold	135,523	62.6	64.9	71.5	15.3	14.8	13.4	11.2	9.5	8.2	27.3	26.7	26.4	23.8	21.7	21.2
Infosys (INFTEC)	1,292	1,180	Hold	295,290	71.0	67.5	73.7	18.2	19.1	17.5	14.2	13.3	11.9	30.9	29.2	29.5	24.7	20.9	21.1
KPIT Tech (KPISYS)	274	275	Hold	5,452	12.9	16.0	18.3	21.3	17.1	15.0	13.9	11.0	9.4	15.9	18.3	18.9	14.2	15.6	15.4
Mindtree (MINCON)	992	840	Hold	16,658	34.3	39.9	46.6	28.9	24.9	21.3	21.5	15.7	13.0	24.9	26.3	26.9	20.8	20.6	20.7
NIIT Technologies (NIITEC)	1,080	1,075	Hold	3,870	45.6	52.9	63.2	23.7	20.4	17.1	5.9	4.6	3.5	18.4	19.0	19.6	15.1	15.4	16.1
Persistent (PSYS)	834	825	Buy	6,671	40.5	43.7	50.9	20.6	19.1	16.4	12.8	11.1	9.1	19.9	19.1	19.9	15.2	14.7	15.3
TCS (TCS)	1,930	2,060	Hold	724,485	67.4	80.6	89.4	14.3	23.9	21.5	21.0	17.3	15.2	37.6	43.9	39.8	29.6	34.2	30.9
Tech Mahindra (TECMAH)	645	735	Hold	63,384	42.7	42.2	49.0	15.1	15.3	13.2	12.0	9.5	7.6	21.9	20.0	20.1	20.0	17.3	17.0
Wipro (WIPRO)	262	315	Buy	129,349	16.9	17.5	20.9	15.5	15.0	12.5	10.8	10.3	8.4	16.9	15.0	15.9	16.6	14.3	15.0

Source: Company, ICICI Direct Research

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