Prabhudas Lilladher
POWERING YOUR FINANCIAL GROWTH

Hexaware Technologies (HEXW IN)

Rating: ACCUMULATE | CMP: Rs351 | TP: Rs430

October 24, 2018

Q3CY18 Result Update

☑ Change in Estimates | ☑ Target | ☑ Reco

Change in Estimates

	Current		Previous	
	FY19E	FY20E	FY19E	FY20E
Rating	**ACCUMULATE**		**HOLD**	
Target Price	**430**		**475**	
Sales (Rs. m)	46,642	54,850	46,911	55,841
% Chng.			*(0.6)*	*(1.8)*
EBITDA (Rs. m)	7,862	9,476	8,024	9,783
% Chng.			*(2.0)*	*(3.1)*
EPS (Rs.)	20.7	23.3	21.0	24.1
% Chng.			*(1.5)*	*(3.6)*

Key Financials

	FY17	FY18	FY19E	FY20E
Sales (Rs. m)	35,349	39,420	46,642	54,850
EBITDA (Rs. m)	5,993	6,903	7,862	9,476
Margin (%)	*17.0*	*17.5*	*16.9*	*17.3*
PAT (Rs. m)	4,171	4,994	6,134	6,905
EPS (Rs.)	13.8	16.8	20.7	23.3
Gr. (%)	*5.9*	*21.8*	*22.8*	*12.6*
DPS (Rs.)	5.5	4.0	7.2	8.1
Yield (%)	*1.6*	*1.1*	*2.1*	*2.3*
RoE (%)	*25.6*	*26.6*	*28.1*	*27.0*
RoCE (%)	25.6	26.6	28.0	26.9
EV/Sales (x)	2.9	2.5	2.1	1.7
EV/EBITDA (x)	16.9	14.3	12.3	10.0
PE (x)	25.4	20.9	17.0	15.1
P/BV (x)	6.1	5.2	4.4	3.8

Key Data	HEXT.BO | HEXW IN
52-W High / Low	Rs.558 / Rs.275
Sensex / Nifty	34,034 / 10,225
Market Cap	Rs.104bn/ $ 1,422m
Shares Outstanding	297m
3M Avg. Daily Value	Rs.2847.33m

Shareholding Pattern (%)

Promoter's	62.79
Foreign	19.39
Domestic Institution	8.43
Public & Others	9.39
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(22.1)	(17.6)	21.4
Relative	(16.9)	(16.2)	16.3

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Tepid revenue growth, albeit guides for uptick

Tepid Revenue growth: Hexaware results were below our estimates on USD revenues. Albeit, EBIDTA margin was above our estimates. PAT for the quarter was 4% above our estimates aided by higher forex gains. Revenues for 3QCY18 came at USD171.1mn up 1.7% QoQ and 11.1% YoY and below our estimates (PLe: USD174.2mn). Constant currency growth for the quarter stood at 2.1% QoQ. Management cited that unanticipated furloughs, delayed transition and ramp up in select deals and Supply side issues for talent in North America have led to revenue miss. Revenues from Top 5 accounts grew by a modest 0.9% QoQ and contributed to 42% of total revenues. Hexaware expects growth momentum to pick up from 4QCY18 onwards and remains confident on outlook for CY19E. However, owing to tepid 3QCY18, Hexaware has lowered USD revenue growth guidance for CY18 to 11-12% (vs 12-13% earlier). Achieving this would require 1-4% QoQ growth for 4QCY18 for meeting the lower and upper end respectively. TCV of deals won in the quarter stood at USD25mn in the quarter (vs USD43mn for 3QCY18).

Margins remain steady: EBIDTA margin (ex-ESOP costs) for the quarter came at 17.5% up ~110bps QoQ and marginally above our estimates (Ple: 17.4%). Tailwinds from INR depreciation, improvement in utilization rates and absence of visa costs were negated by headwinds from partial impact of wage hikes, lower billing rates and project specific costs. PAT for the quarter came at Rs1722mn was 4% above our estimates (Ple: Rs1656mn) aided by forex gains. Headcount at the end the quarter stood at 16,050 employees (up 19% YoY) which represents a net addition of 693 employees QoQ. Over the last three quarters, Hexaware had 2345 net employee additions. Management cited that select deals (includes BPO deals) are in transition which has led to sharp increase in headcount.

Valuation and View: Hexaware cited that it facing supply constraints in onsite owing to challenges in regulatory environment (H1B visa constraints especially owing to difficulties in renewal and extension). Hence, company expects temporary headwinds from potential higher onsite costs. Management cited that it would aim to maintain market share in the medium term (despite having to pay higher onsite wages). We note that select other midsized vendors have also expressed similar concern on H1B visas. Post 3QCY18 revenue miss, we model Hexaware USD revenues to grow by 11.6/13% for CY18/CY19E respectively (vs 12.6/14.1% modeled earlier). However, select Midcap peers are likely to outpace Hexaware revenue momentum in FY19. Peers like Mindtree /LT Infotech/ NIIT Tech are poised to deliver 18/18/17% USD revenue growth in FY19E respectively in our view

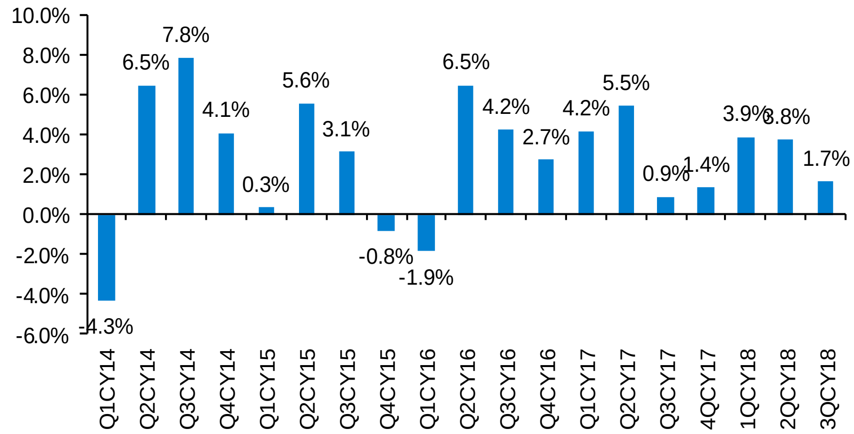
We model EBIDTA margin at 16.9/17.3% for CY18/CY19E (vs 17.5% delivered in CY17). Hence, we have not modeled any margin expansion despite currency tailwinds in CY18 owing to cost pressure and strong employee addition. Our EPS estimates are trimmed modestly by 2/3.5/2% to Rs20.5/23/26.4/sh for CY18E/CY19E/CY20E. Post 30% correction in the stock (from its peak in July 2018), valuations have moderated. Hexaware trades at 14.4x June 20E EPS. Trim TP by 10% to Rs430/sh (17.5x June 20E EPS vs 19x earlier). We upgrade our ratings Accumulate (vs Hold earlier).

Exhibit 1: Q3CY18: Consolidated P&L

(Rs mn)	Q3CY18	Q2CY18	QoQ	Q3CY17	YoY	PL Estimates	Variance (Actual vs Ple)
Revenues (USD mn)	171.1	168	*1.7%*	154	*11.1%*	174.2	*-1.4%*
Revenues (INR mn)	12,096	11,367	*6.4%*	9,931	*21.8%*	12,315	*-1.8%*
EBITDA	2,117	1,869	*13.3%*	1,816	*16.6%*	2,143	*-1.2%*
EBITDA Margins	*17.5%*	*16.4%*	*106.1*	*18.3%*	*-78.3*	*17.4%*	*10.3*
PAT	1,722	1,534	*12.3%*	1,420	*21.3%*	1,656	*4.0%*
EPS (Rs)	5.7	5.1		4.7	*20.4%*	5.5	

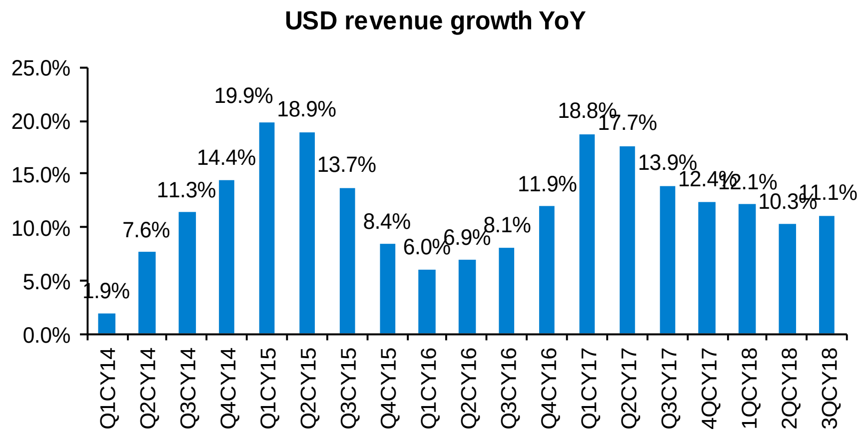
Source: Company, PL

Exhibit 2: Hexaware's USD Revenue growth QoQ(%)



Source: Company, PL

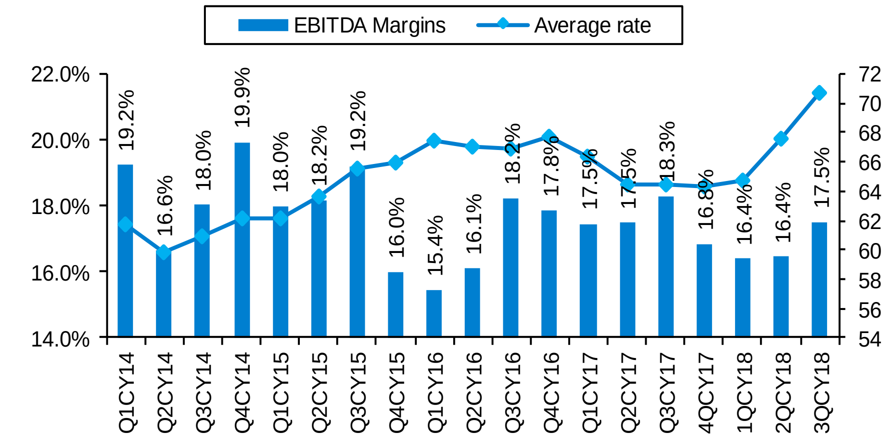
Exhibit 3: Hexaware's USD Revenue Growth YoY (%)



Source: Company, PL

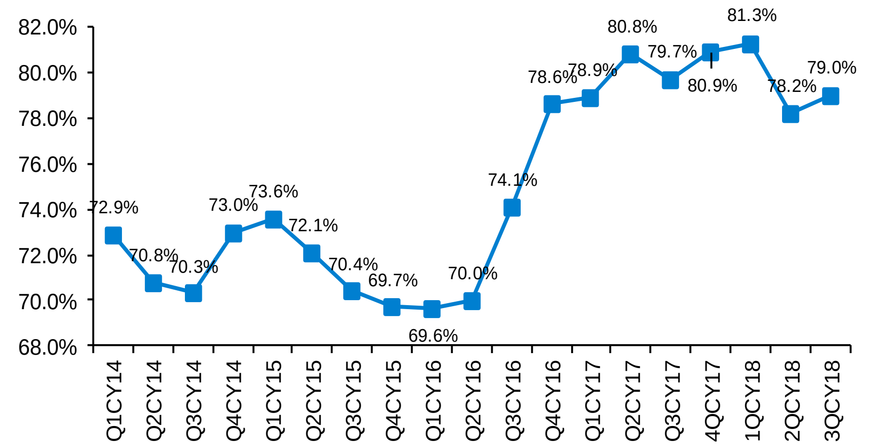
Margins In line with estimates: EBIDTA margin came in at 17.5% up ~110bps QoQ and marginally above our estimates (PLe: 17.4%). Headcount at the end of quarter stood at 16050 which implies strong net addition of 693 employees during the quarter.

Exhibit 4: EBITDA Margin (excl. ESOP Charge) Vs Average Exchange Rate



Source: Company, PL

Exhibit 5: Utilisation rates remain elevated



Source: Company, PL

- **Weak TCV wins in Q3CY18:** Management guided for winning TCV of USD25 mn (vs USD 41mn in 2QCY18) during the quarter with 3 new clients. TCV wins lowest in last 6 quarters. However, management guided for strong TCV signing in 4Q.

Exhibit 6: TCV Signing

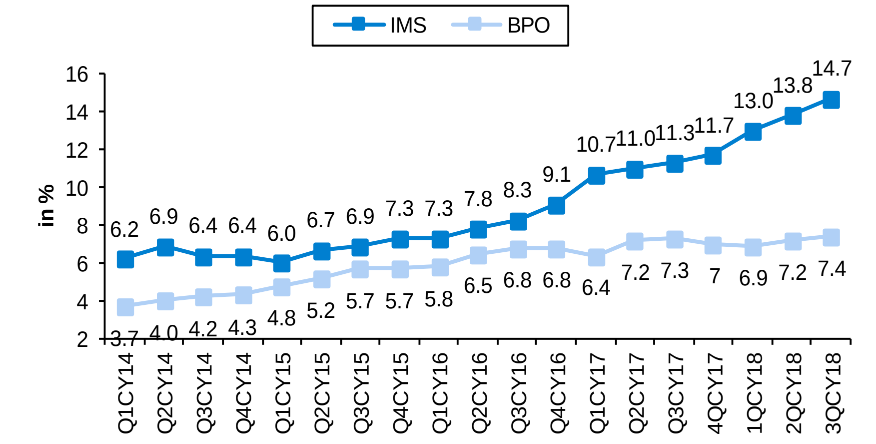
	1QCY16	2QCY16	3QCY16	4QCY16	Q1CY17	Q2CY17	Q3CY17	Q4CY17	Q1CY18	Q2CY18	Q3CY18
TCV(USD MN)	36	20	42	55	25	40	43	72	28	41	25

Source: Company, PL

- Shrink IT theme resonates: Hexaware's strategy is to use Automation to win new deals and gain share from legacy vendors. We believe that the strategy is gaining momentum. This is visible in the strong growth in IMS and BPO service lines. For 3QCY18, IMS and BPO revenues grew by 3.7/10% QoQ in cc.

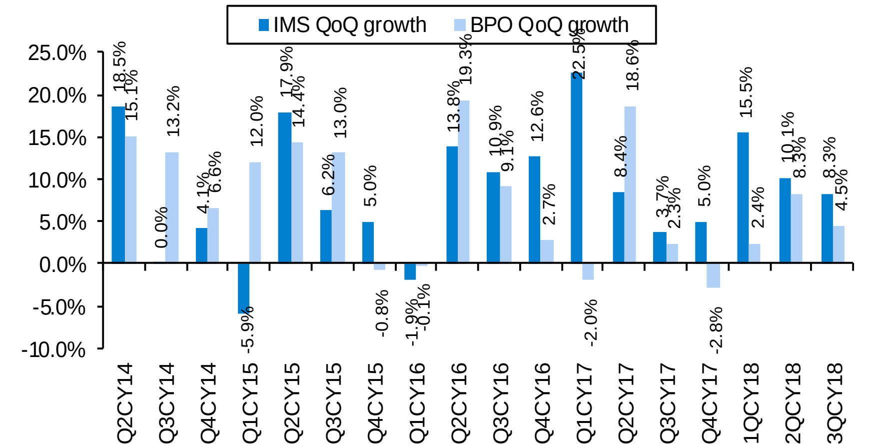
- Hexaware strategy of "Shrink IT" appears to be playing well as company has seen steady new deals wins in IMS and BPO.

Exhibit 7: Revenues from IMS and BPO as a % of Hexaware overall revenue



Source: Company, PL

Exhibit 8: Exhibit 9: Growth in revenues (USD mn) from IMS and BPO QoQ



Source: Company, PL

- **Dividends:** Hexaware announced interim dividend of Rs2.5/share. This brings the interim dividends for the three quarters of 2018 to Rs 6 per share. Net Cash on balance sheet stood at Rs 7.3bn in 3QCY18 which translates to Rs 25/share.

Exhibit 9: Dividend paid by the Hexaware in the last few Quarters

In Rs	1QCY16	2QCY16	3QCY16	4QCY16	Q1CY17	Q2CY17	Q3CY17	Q4CY17	Q1CY18	Q2CY18	Q3CY18
Dividend	2.5	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	2.5	2.5

Source: Company, PL

Key Metrics:

Exhibit 10: Revenue by Geography (%)

Geography Mix (%)	Q2'15	Q3'15	Q4'15	Q1'16	Q2'16	Q3'16	Q4'16	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18	Q2'18	Q3'18
Americas	81.0	80.8	81.3	81.4	80.9	82	82.5	81.6	80.8	79.1	77.7	75.3	77.0	77.4
Europe	13.4	13.8	13.1	12.0	12.5	11.6	11.1	11.0	11.2	11.3	12.1	12.5	12.7	13.3
Asia Pacific	5.6	5.4	5.6	6.6	6.6	6.4	6.4	7.4	8.0	9.6	10.2	12.2	10.3	9.3

Source: Company, PL

Exhibit 11: Geography wise Revenues (USD mn) and growth (%)

USD mn	Q3CY18	Q2CY18	*QoQ gr.*	Q3CY17	*YoY gr.*
Americas	132.4	129.6	*2.2%*	121.8	*8.7%*
Europe	22.8	21.4	*6.5%*	17.4	*30.8%*
Asia Pacific	15.9	17.3	*-8.2%*	14.8	*7.6%*

Source: Company, PL

Exhibit 12: Revenue by Vertical (%)

Vertical Mix (%)	Q1CY17	Q2CY17	Q3CY17	Q4CY17	Q1CY18	Q2CY18	Q3CY18
BFSI	42.7	43.3	43.4	44.4	43.7	42.8	42.5
Travel & Transportation	13.6	13.4	13.2	12.0	13.1	11.1	10.5
Healthcare & Insurance	15.7	15.6	16.6	16.7	16.0	17.1	18.8
Manufacturing, Consumer & Others	13.6	13.4	13.4	13.9	15.1	16.1	14.9
Professional services	14.4	14.3	13.4	13.0	12.1	12.9	13.3

Source: Company, PL

Exhibit 13: Vertical-wise Revenues (USD mn) and growth (%)

USD mn	Q3CY18	Q2CY18	*QoQ gr.*	Q3CY17	*YoY gr.*
BFSI	72.7	72.0	*1.0%*	66.8	*8.8%*
Travel & Transportation	18.0	18.7	*-3.8%*	20.3	*-11.6%*
Healthcare & Insurance	32.2	28.8	*11.8%*	25.6	*25.8%*
Manufacturing, Consumer & Others	25.5	27.1	*-5.9%*	20.6	*23.5%*
Professional services	22.8	21.7	*4.8%*	20.6	*10.3%*

Source: Company, PL

Exhibit 14: Revenue by Services (%)

Service mix (%)	Q1CY16	Q2CY16	Q3CY16	Q4CY16	Q1CY17	Q2CY17	Q3CY17	Q4CY17	Q1CY18	Q2CY18	Q3CY18
ADM	37.8	36.9	37.3	36.4	36.1	36.5	36.3	37.2	35.9	36.6	36.0
Enterprise Solutions	13.7	13.2	12.2	12.7	12.1	11.6	11.3	10.8	10.9	10.5	9.7
Testing / QATS (Quality	20.2	20.1	20.2	20.9	20.9	19.7	20	19.5	19.1	18.4	17.7
BI and Analytics	15.2	15.5	15.2	14.1	13.8	14	13.8	13.8	14.2	13.5	14.5
Business Process Services	5.8	6.5	6.8	6.8	6.4	7.2	7.3	7	6.9	7.2	7.4
IMS	7.3	7.8	8.3	9.1	10.7	11	11.3	11.7	13	13.8	14.7

Source: Company, PL

Exhibit 15: Service-wise Revenues (USD mn) and growth (%)

USD mn	Q3CY18	Q2CY18	*QoQ gr.*	Q3CY17	*YoY gr.*
ADM	61.6	61.6	*0.0%*	55.9	*10.2%*
Enterprise Solutions	16.6	17.7	*-6.1%*	17.4	*-4.6%*
Testing / QATS (Quality	30.3	31.0	*-2.2%*	30.8	*-1.7%*
BI and Analytics	24.8	22.7	*9.2%*	21.3	*16.7%*
Business Process Services	12.7	12.1	*4.5%*	11.2	*12.6%*
IMS	25.2	23.2	*8.3%*	17.4	*44.5%*

Source: Company, PL

Exhibit 16: Headcount Details

	Q1CY16	Q2CY16	Q3CY16	Q4CY16	Q1CY17	Q2CY17	Q3CY17	Q4CY17	Q1CY18	Q2CY18	Q3CY18
Headcount	11,599	11,875	11,859	12,115	12,734	13,098	13,488	13,705	14,619	15357	16050
Net additions	224	276	-16	256	619	364	390	217	914	738	693
Utilization (Incl-trainees)	69.6	70	74.1	78.6	78.6	80.8	79.7	80.9	81.3	78.2	79
Attrition rates	16	16.6	16.5	16.1	16.1	13.8	13.7	13.1	13.4	14.4	15.7

Source: Company, PL

Exhibit 17: Client metrics

	1QCY16	2QCY16	3QCY16	4QCY16	Q1CY17	Q2CY17	Q3CY17	Q4CY17	Q1CY18	Q2CY18	Q3CY18
1 mn	73	76	77	78	81	81	82	88	89	93	95
1 mn - 5 mn	58	62	63	64	67	66	64	71	69	71	70
5 mn - 10 mn	6	6	6	6	6	7	9	7	10	12	15
10mn -20mn	5	3	3	3	3	3	4	6	6	6	6
> USD 20 mn	4	5	5	5	5	5	5	4	4	4	4

Source: Company, PL

Exhibit 18: Consolidated Model Sheet

	CY14	CY15	CY16	CY17	CY18E	CY19E	CY20E
Consolidated Revenues(USD mn)	422	485	526	607	678	767	869
Growth (%)	8.9%	14.9%	8.3%	15.6%	11.6%	13.1%	13.4%
Average exchange rate (USD vs INR)	61.1	64.3	67.3	64.9	68.8	71.5	70.0
Consolidated revenues (Rs mn)	25,815	31,235	35,349	39,420	46,642	54,850	60,854
Growth (%)	13.0%	21.0%	13.2%	11.5%	18.3%	17.6%	10.9%
EBIDTA	4,774	5,567	5,993	6,903	7,862	9,476	10,809
EBIT	4,335	5,085	5,434	6,270	7,218	8,791	10,079
PAT	3,201	3,932	4,171	4,994	6,134	6,905	7,962
Margins (%)							
EBITDA	18.5%	17.8%	17.0%	17.5%	16.9%	17.3%	17.8%
EBITDA	16.8%	16.3%	15.4%	15.9%	15.5%	16.0%	16.6%
PAT	12.4%	12.6%	11.8%	12.7%	13.2%	12.6%	13.1%
Diluted EPS	10.6	12.9	13.7	16.5	20.5	22.9	26.4
Growth	-15.8%	22.1%	5.9%	20.6%	23.5%	11.8%	15.3%
P/E	33.5	27.4	25.8	21.4	17.4	15.5	13.5
EV/EBIDTA	21.4	18.5	17.2	14.5	12.5	10.1	8.6
ROE(%)	23.0%	28.9%	25.6%	26.6%	28.1%	27.0%	26.6%
Consolidated Balance sheet (Rs mn)							
Net Cash on Balance sheet (Rs mn)	4,685	4,244	4,274	5,456	7,348	9,670	12,963
Net cash per share (Rs)	15.6	14.1	14.2	18.4	24.8	32.6	43.7
Net cash per share as a % of Mcap	3.1%	2.8%	2.9%	3.7%	7.0%	9.2%	12.3%
Consolidated Cash flow (Rs mn)							
Cash flow from Operations	4,128	3,931	4,803	4,762	5,767	6,522	7,939
Capex	(604)	(1,366)	(2,223)	(957)	(1,200)	(1,200)	(1,200)
FCF	3,524	2,565	2,580	3,806	4,567	5,322	6,739
FCF/EBIDTA	73.8%	46.1%	43.1%	55.1%	58.1%	56.2%	62.3%

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY17	FY18	FY19E	FY20E
Net Revenues	**35,349**	**39,420**	**46,642**	**54,850**
YoY gr. (%)	*13.2*	*11.5*	*18.3*	*17.6*
Employee Cost	22,888	25,700	31,211	36,884
Gross Profit	12,461	13,720	15,431	17,967
Margin (%)	*35.3*	*34.8*	*33.1*	*32.8*
SG&A Expenses	6,468	6,817	7,569	8,491
Other Expenses	-	-	-	-
EBITDA	**5,993**	**6,903**	**7,862**	**9,476**
YoY gr. (%)	*7.6*	*15.2*	*13.9*	*20.5*
Margin (%)	*17.0*	*17.5*	*16.9*	*17.3*
Depreciation and Amortization	559	633	644	685
EBIT	**5,434**	**6,270**	**7,218**	**8,791**
Margin (%)	*15.4*	*15.9*	*15.5*	*16.0*
Net Interest	-	-	-	-
Other Income	148	135	402	(50)
Profit Before Tax	**5,582**	**6,405**	**7,620**	**8,741**
Margin (%)	*15.8*	*16.2*	*16.3*	*15.9*
Total Tax	1,411	1,411	1,486	1,836
Effective tax rate (%)	*25.3*	*22.0*	*19.5*	*21.0*
Profit after tax	**4,171**	**4,994**	**6,134**	**6,905**
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	**4,171**	**4,994**	**6,134**	**6,905**
YoY gr. (%)	*6.1*	*19.7*	*22.8*	*12.6*
Margin (%)	*11.8*	*12.7*	*13.2*	*12.6*
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	**4,171**	**4,994**	**6,134**	**6,905**
YoY gr. (%)	*6.1*	*19.7*	*22.8*	*12.6*
Margin (%)	*11.8*	*12.7*	*13.2*	*12.6*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	4,171	4,994	6,134	6,905
Equity Shares O/s (m)	**302**	**297**	**297**	**297**
Basic EPS (Rs)	**13.8**	**16.8**	**20.7**	**23.3**

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY17	FY18	FY19E	FY20E
Non-Current Assets				
Gross Block	**6,472**	**7,731**	**8,931**	**10,131**
Tangibles	5,793	6,994	8,066	9,129
Intangibles	679	737	865	1,002
Acc: Dep / Amortization	**3,446**	**3,974**	**4,618**	**5,302**
Tangibles	3,002	3,414	3,929	4,477
Intangibles	444	560	688	825
Net fixed assets	**3,025**	**3,757**	**4,313**	**4,829**
Tangibles	2,791	3,580	4,136	4,651
Intangibles	234	177	177	177
Capital Work In Progress	3,233	2,563	2,563	2,563
Goodwill	1,761	1,656	1,656	1,656
Non-Current Investments	392	424	424	424
Net Deferred tax assets	1,252	1,336	1,336	1,336
Other Non-Current Assets	1,113	1,182	1,282	1,382
Current Assets				
Investments	189	189	189	189
Inventories	-	-	-	-
Trade receivables	4,376	5,360	6,389	7,514
Cash & Bank Balance	4,264	5,298	7,190	9,512
Other Current Assets	535	678	778	878
Total Assets	**23,110**	**25,453**	**29,564**	**34,219**
Equity				
Equity Share Capital	604	594	594	594
Other Equity	16,805	19,479	23,028	27,024
Total Networth	**17,409**	**20,073**	**23,622**	**27,617**
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	268	179	189	199
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	1,959	2,204	2,556	3,005
Other current liabilities	3,443	2,966	3,166	3,366
Total Equity & Liabilities	**23,110**	**25,453**	**29,564**	**34,219**

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY17	FY18	FY19E	FY20E
PBT	5,604	6,406	7,620	8,741
Add. Depreciation	553	633	644	685
Add. Interest	1	1	-	-
Less Financial Other Income	148	135	402	(50)
Add. Other	215	371	-	-
Op. profit before WC changes	6,373	7,411	8,264	9,426
Net Changes-WC	(197)	(901)	(1,011)	(1,068)
Direct tax	(1,447)	(1,748)	(1,486)	(1,836)
Net cash from Op. activities	**4,730**	**4,762**	**5,767**	**6,522**
Capital expenditures	(2,217)	(954)	(1,200)	(1,200)
Interest / Dividend Income	15	17	-	-
Others	204	(1)	-	-
Net Cash from Invt. activities	**(1,999)**	**(938)**	**(1,200)**	**(1,200)**
Issue of share cap. / premium	13	(1,367)	-	-
Debt changes	-	-	-	-
Dividend paid	(2,506)	(1,428)	(2,585)	(2,910)
Interest paid	(1)	(1)	-	-
Others	-	-	-	-
Net cash from Fin. activities	**(2,494)**	**(2,796)**	**(2,585)**	**(2,910)**
Net change in cash	**237**	**1,029**	**1,982**	**2,412**
Free Cash Flow	2,507	3,806	4,567	5,322

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY17	FY18	FY19E	FY20E
Per Share(Rs)				
EPS	13.8	16.8	20.7	23.3
CEPS	15.7	19.0	22.8	25.6
BVPS	57.6	67.6	79.6	93.0
FCF	8.3	12.8	15.4	17.9
DPS	5.5	4.0	7.2	8.1
Return Ratio(%)				
RoCE	25.6	26.6	28.0	26.9
ROIC	35.4	36.4	40.1	44.4
RoE	25.6	26.6	28.1	27.0
Balance Sheet				
Net Debt : Equity (x)	(0.3)	(0.3)	(0.3)	(0.4)
Debtor (Days)	45	50	50	50
Valuation(x)				
PER	25.4	20.9	17.0	15.1
P/B	6.1	5.2	4.4	3.8
P/CEPS	12.7	15.4	18.6	20.8
EV/EBITDA	16.9	14.3	12.3	10.0
EV/Sales	2.9	2.5	2.1	1.7
Dividend Yield (%)	1.6	1.1	2.1	2.3

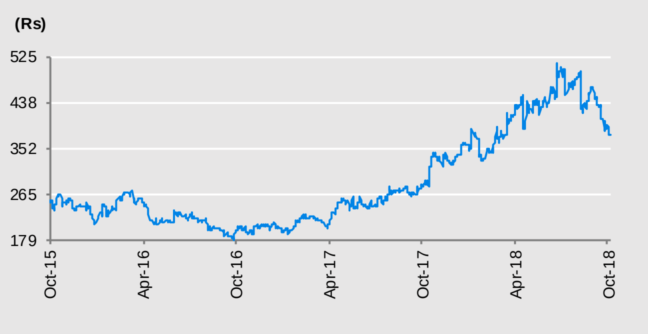
Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q3FY18	Q4FY18	Q1FY19	Q2FY19
Net Revenue	**10,048**	**10,490**	**11,367**	**12,096**
YoY gr. (%)	*6.8*	*9.2*	*15.6*	*21.8*
Employee Expenses	6,658	6,949	7,659	8,038
Gross Profit	3,390	3,541	3,708	4,058
Margin (%)	*33.7*	*33.8*	*32.6*	*33.5*
EBITDA	**1,599**	**1,626**	**1,773**	**2,023**
YoY gr. (%)	*(7.8)*	*1.7*	*9.0*	*14.1*
Margin (%)	*15.9*	*15.5*	*15.6*	*16.7*
Depreciation / Depletion	159	151	182	159
EBIT	**1,440**	**1,475**	**1,591**	**1,864**
Margin (%)	*14.3*	*14.1*	*14.0*	*15.4*
Net Interest	-	-	-	-
Other Income	132	204	327	264
Profit before Tax	**1,572**	**1,679**	**1,918**	**2,128**
Margin (%)	*15.6*	*16.0*	*16.9*	*17.6*
Total Tax	361	336	384	406
Effective tax rate (%)	*23.0*	*20.0*	*20.0*	*19.1*
Profit after Tax	**1,211**	**1,343**	**1,534**	**1,722**
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	**1,211**	**1,343**	**1,534**	**1,722**
YoY gr. (%)	*(0.4)*	*17.9*	*25.3*	*21.3*
Margin (%)	*12.1*	*12.8*	*13.5*	*14.2*
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	**1,211**	**1,343**	**1,534**	**1,722**
YoY gr. (%)	*(0.4)*	*17.9*	*25.3*	*21.3*
Margin (%)	*12.1*	*12.8*	*13.5*	*14.2*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	**1,211**	**1,343**	**1,534**	**1,722**
Avg. Shares O/s (m)	300	300	300	302
EPS (Rs)	**4.0**	**4.5**	**5.1**	**5.7**

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	1-Nov-17	Accumulate	295	280
2	10-Jan-18	Accumulate	295	280
3	8-Feb-18	Accumulate	385	355
4	13-Apr-18	Accumulate	385	411
5	3-May-18	Reduce	425	451
6	10-Jul-18	Reduce	425	468
7	24-Jul-18	BUY	460	496
8	5-Oct-18	Hold	475	409

Analyst Coverage Universe

Sr. No.	CompanyName	Rating	TP (Rs)	Share Price (Rs)
1	Cyient	BUY	810	669
2	HCL Technologies	BUY	1,255	952
3	Hexaware Technologies	Hold	475	409
4	Infosys	BUY	790	695
5	L&T Technology Services	Accumulate	1,780	1,651
6	Mindtree	BUY	1,140	978
7	Mphasis	Accumulate	1,220	1,068
8	NIIT Technologies	BUY	1,460	1,192
9	Persistent Systems	Accumulate	725	560
10	Redington (India)	BUY	140	92
11	Sonata Software	BUY	420	330
12	Tata Consultancy Services	Accumulate	2,300	1,980
13	TeamLease Services	Hold	2,740	2,219
14	Tech Mahindra	BUY	885	721
15	Wipro	Hold	350	325
16	Zensar Technologies	BUY	330	297

PL's Recommendation Nomenclature (Absolute Performance)

Buy : > 15%
Accumulate : 5% to 15%
Hold : +5% to -5%
Reduce : -5% to -15%
Sell : < -15%
Not Rated (NR) : No specific call on the stock
Under Review (UR) : Rating likely to change shortly

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