

NIIT Technologies (NIITEC)

₹ 1190

Margin expansion drives profitability...

- NIIT Technologies reported robust set of Q2FY19 numbers. The growth in revenues was across verticals in CC terms. The company's revenue in constant currency grew by 7.6% QoQ (vs our estimate of 4.0% QoQ). US\$ revenues grew 5.3% QoQ to \$130.9 million, above our expectation of 3.2%.
- Rupee revenues increased 10.0% QoQ to ₹ 907.4 crore (above our estimate of ₹ 898.5 crore) mainly led by insurance vertical (up 11.2% QoQ in CC terms) and travel and transport vertical (up 9.2% QoQ).
- EBITDA margin increased 220 bps QoQ to 18.0% (above our estimate of 17.0%) mainly led by 90 bps improvement in gross margin and SG&A operating leverage.
- Order intake grew robustly 6% QoQ to \$160 million of which 2 deals were in excess of \$20 million and 3 deals were >\$10 million.

Improving deal wins and broad based demand to drive growth...

The company reported healthy constant currency growth across verticals. In addition, during the quarter the company's order book improved significantly to \$160 mn from \$110 in Q1FY18 mainly due to higher client mining and hunting. This coupled with additions of key positions in leadership team and focus on vertical driven organization has borne fruits with healthy top-line growth. Going forward, the management expects growth momentum to be strong in H2FY19E. With positive outlook for the coming quarters, management reiterated of at least double digit growth in revenue on CC terms for FY19E. Further large deal wins by the company of above \$20 mn and \$10 mn reinstates the management's commentary. Hence, we expect dollar revenues to grow at 12.4% CAGR to US\$586 million in FY18-20E and rupee CAGR of 18.3% over FY18-20E.

Robust margin trajectory to continue...

The company's margins improved by 216 bps QoQ to 18.0% mainly led by SG&A leverage and improving gross margins. On the back of healthy outlook on the revenue front and increasing contribution of high margin digital segments, management expects 18.0% margins as new normal. We expect a sharp revival in EBITDA margin profile mainly led by operating leverage and rupee tailwind. Overall, we have built in EBITDA margin of 17.4% and 17.8% in FY19E and FY20E, respectively.

Healthy order intake ...

Order intake grew 6% sequentially to \$160 million and was highest ever reported fresh order intake. It led to executable order book over next 12 months to stand at US\$363 million, growth of 4.6% QoQ and 13.4% YoY. Ten new customers were added with 5 in US, 3 in EMEA and 2 in RoW. The company recorded three US\$10 million+ contracts through the quarter with one from lending & leasing and 2 from travel. Optimism on strong order intake going ahead and good deal momentum enhances the visibility for the revenue growth.

Robust order intake and margin expansion key positives; Maintain Buy...

Sustained deal pipeline, large deal wins, robust growth across verticals, improving client mining & hunting and improving digital revenues is expected to drive top-line and margins in coming years. Hence, we expect rupee revenue, PAT to grow at a CAGR 18.3% & 29%, respectively, in FY18-20E with EBITDA margin expansion to 17.8% in FY20E. Consequently, we maintain our BUY rating with a revised target price of ₹ 1,365 (18x FY20E EPS).

Rating matrix		
Rating	:	Buy
Target	:	₹ 1365
Target Period	:	12 months
Potential Upside	:	15%

What's changed?	
Target	Changed from ₹ 1250 to ₹ 1365
EPS FY19E	Changed from ₹ 58.2 to ₹ 67.1
EPS FY20E	Changed from ₹ 69.1 to ₹ 75.9
Rating	Unchanged

Quarterly performance					
	Q2FY19	Q2FY18	YoY (%)	Q1FY19	QoQ (%)
Revenue	907	737	23.1	825	10.0
EBITDA	163	119	37.3	131	25.0
EBITDA (%)	18.0	16.1	187 bps	15.8	216 bps
PAT	112	67	66.6	86	30.3

Key financials				
₹ Crore	FY17	FY18P	FY19E	FY20E
Net Sales	2,802	2,991	3,637	4,189
EBITDA	485	501	633	744
Net Profit	250	280	412	466
EPS (₹)	40.8	45.6	67.1	75.9

Valuation summary				
	FY17	FY18P	FY19E	FY20E
P/E	28.9	26.1	17.7	15.7
Target P/E	33.2	29.9	20.4	18.0
EV / EBITDA	13.5	12.9	9.8	8.0
P/BV	4.3	4.1	3.6	3.2
RoNW (%)	14.8	15.8	20.3	20.1
RoCE (%)	18.7	19.4	24.5	24.5

Stock data	
Particular	Amount
Market Capitalization (₹ Crore)	7,237.0
Total Debt (₹ Crore)	6.4
Cash and Investments (₹ Crore)	410.8
EV (₹ Crore)	6,832.6
52 week H/L	1425 / 604
Equity capital	61.2
Face value	10.0

Price performance				
	1M	3M	6M	12M
TechMahindra	(7.0)	5.2	5.4	45.1
MindTree	(15.2)	(7.3)	16.2	101.9
KPIT Tech	(29.5)	(25.7)	(4.4)	65.9
NIIT Tech	(18.1)	(4.1)	18.1	76.6

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Variance analysis

	Q2FY19	Q2FY19E	Q2FY18	YoY (%)	Q1FY19	QoQ (%)	Comments
Revenue	907.4	898.5	737.2	23.1	824.9	10.0	US\$ revenues grew 5.3% QoQ to \$130.9 million. The company's revenue in constant currency grew by 7.6% QoQ (vs our estimate of 4.0% QoQ) mainly led by insurance vertical (up 11.2% QoQ in CC terms) and travel and transport vertical (up 9.2% QoQ).
Employee expenses	589.7	579.5	479.1	23.1	543.7	8.5	
Gross Margin	317.7	319.0	258.1	23.1	281.2	13.0	
Gross margin (%)	35.0	35.5	35.0	0 bps	34.1	92 bps	Improvement in gross margin was due to automation and AI
SG&A expenses	154.3	166.2	139.1	10.9	150.5	2.5	
EBITDA	163.4	152.7	119.0	37.3	130.7	25.0	
EBITDA Margin (%)	18.0	17.0	16.1	187 bps	15.8	216 bps	EBITDA margin expansion was across verticals mainly led by operating efficiency and automation
Depreciation & amortisation	31.9	34.1	34.1	-6.5	31.2	2.2	
EBIT	131.5	118.6	84.9	54.9	99.5	32.2	
EBIT Margin (%)	14.5	13.2	11.5	298 bps	12.1	243 bps	
Other income (less interest)	21.5	15.7	8.7	147.1	20.9	2.9	Increase in other income was due to interest on income tax refund
Exceptional items	0.0	0.0	0.0	NM	0.0	NM	
PBT	153.0	134.3	93.6	63.5	120.4	27.1	
Tax paid	36.3	33.6	20.4	77.9	30.0	21.0	
PAT	111.8	96.1	67.1	66.6	85.8	30.3	Reported PAT improved on the back of higher other income and better operating performance

Key Metrics

Closing employees	10,025	9,500	9,022	11.1	9,764	2.7	
Attrition (%)	10.8	11.0	11.4	-60 bps	10.1	70 bps	Attrition remains in comfortable zone
Overall utilisation (%)	80.4	81.0	79.5	90 bps	80.1	30 bps	
Average \$/₹	69.3	70.1	64.2	7.9	66.4	4.5	

Source: Company, ICICI Direct Research

Change in estimates

(₹ Crore)	FY19E			FY20E			
	Old	New	% Change	Old	New	% Change	
Revenue	3,506	3,637	3.7	3,989	4,189	5.0	Better 1HFY19 performance, rupee depreciation and large deal wins prompts us to revise our revenue estimates upwards
EBITDA	594	633	6.5	694	744	7.1	
EBITDA Margin (%)	17.0	17.4	42 bps	17.4	17.8	32 bps	Operating efficiency to drive margins
PAT	358	412	15.0	424	466	9.9	
EPS (₹)	58.2	67.1	15.2	69.1	75.9	9.8	

Source: Company, ICICI Direct Research

Assumptions

	FY17	FY18E	Current FY19E	Earlier FY19E	Current FY20E	Earlier FY20E	
Closing employees	8,853	9,423	10,639	10,539	11,715	11,627	Higher revenue growth to lead to increase in employee addition
Attrition (%)	12.9	11.2	11.5	11.5	11.5	11.5	
Overall utilisation (%)	80.5	79.8	80.3	79.8	81.0	81.0	
Average \$/₹	67.1	64.5	69.0	67.6	71.5	68.5	Revise our currency estimates upwards

Source: Company, ICICI Direct Research

Conference call highlights

- **Revenue outlook-** Revenues in constant currency grew 7.6% QoQ in Q2FY19. Going forward, the management expects growth momentum to be strong in 2HFY19E. With healthy start and positive outlook for the coming quarters, management reiterates of atleast double digit growth in revenue on CC terms for FY19E. The strong outlook is on the back of momentum in its major three verticals, deal pipeline & closures and leadership transitions.
- **Margin Trajectory-** On the back of healthy outlook on revenue front and increasing contribution from high margin digital segments, management expects 18.0% EBITDA margin as new normal and believes that this trajectory will be maintained.
- **Digital business-** Digital business now contributing 28% to revenues grew 9.2% QoQ and strong 39% YoY in cc in this quarter. Digital engagements is one of the key growth drivers which is visible by the fact that out of 1000 employees added in the quarter 50% was in digital space.
- **Improving deal wins** – The company's order intake has improved by 6% sequentially to \$160 million and was highest ever reported fresh order intake. In addition, of the overall deal 50% is new deal wins. Further, out of the overall deal wins 2 deals were in excess of \$20 million and 3 deals were >\$10 million. Of the 2 \$20 million large deals 1 was from BFSI and other in insurance. Of the 3 \$10 million large deals 1 was from lending space and 2 in travel vertical. The management also expects \$20 mn large deal win every quarter. We believe this will help the company to continue on growth trajectory.
- **Lateral hiring help boost deal wins** – The company has hired many talent from tier-1 companies which has helped in winning large deals and higher order intake. The company has also increased incentives for larger deal wins. In the current quarter the company recruited 2 more talent from tier-1 companies for heading consulting and financial services in Europe which will drive growth in coming quarters.
- **Client position-** The company added 10 new logos in the quarter. In terms of client metrics, client size increased by 4 QoQ to 88 with all client added in \$5-10 million bucket. Revenues from top 5 customers (28% of revenues) and top 10 customers (40% of revenues) increased 9.2% and 17.0% sequentially. The improving growth was mainly led by higher client mining and hunting.
- **Employee update-** Employee strength stood at 10,025, with net addition of 261 employees in the quarter. Attrition rate increased by 70 bps QoQ to 10.8% in the quarter and utilization increased by 30 bps sequentially to 80.4%.
- **Cash position-** Cash and cash equivalents increased to ₹ 755.6 crore (vs ₹ 684.9 crore in Q1FY18). The company has guided a capex of ₹ 70-75 crore for FY19E. The company incurred 12 crore hedge loss in 1HFY19.
- **Acquisition:** The company will acquire 10% additional stake in Incessant and 12% in Ruletek by May 2019.

Company Analysis

Exhibit 1: Geography-wise break up

	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19
<u>Revenue by geography (%)</u>						
America	49.0	50.0	50.0	48.0	50.0	49.0
EMEA	32.0	29.0	30.0	32.0	32.0	34.0
RoW	19.0	21.0	20.0	20.0	18.0	17.0

Growth QoQ (%)

America	1.5	6.6	1.7	0.5	6.0	3.2
EMEA	-3.6	-5.4	5.2	11.7	1.7	11.9
RoW	-0.6	15.4	-3.2	4.7	-8.4	-0.5

Source: Company, ICICI Direct Research

Exhibit 2: Vertical-wise break up

	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19
<u>Revenue by verticals (%)</u>						
Banking & financial services	17.0	17.0	17.0	16.0	17.0	16.0
Insurance	25.0	25.0	26.0	28.0	29.0	29.0
Transport	29.0	27.0	27.0	26.0	27.0	27.0
Others	29.0	31.0	30.0	30.0	28.0	28.0

Growth QoQ (%)

Banking & financial services	-6.1	4.4	1.7	-1.4	8.1	-0.9
Insurance	3.6	4.4	5.7	12.8	5.4	5.3
Transport	-7.0	-2.8	1.7	0.9	5.7	5.3
Others	6.8	11.6	-1.6	4.7	-5.0	5.3

Source: Company, ICICI Direct Research

Revenue growth was led by America followed by EMEA

The company has reported growth across verticals in CC terms. The growth in BFSI and travel & transport was led by top account in Europe and US. Other vertical was led by increased contribution from GIS

Exhibit 3: Service mix break up

	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19
<u>Revenue by service mix (%)</u>						
SI & PI	5.0	6.0	5.0	4.0	3.0	4.0
IP Assets	6.0	7.0	7.0	7.0	7.0	6.0
Managed Services	18.0	18.0	19.0	19.0	19.0	18.0
Application Development & Management	66.0	64.0	65.0	66.0	68.0	68.0
BPO	5.0	4.0	4.0	4.0	3.0	4.0

Growth QoQ (%)

SI & PI	-17.1	25.3	-15.3	-16.2	-23.7	40.4
IP Assets	-0.6	21.8	1.7	4.7	1.7	-9.7
Managed Services	5.3	4.4	7.3	4.7	1.7	-0.2
Application Development & Management	-0.6	1.3	3.3	6.3	4.8	5.3
BPO	-0.6	-16.5	1.7	4.7	-23.7	40.4

Source: Company, ICICI Direct Research

Exhibit 4: Client & human resource matrix

	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19
<u>Client metrics</u>						
Between 1 to 5 million	52	55	59	60	63	63
Between 5 to 10 million	14	13	12	13	14	18
Above 10 million	6	6	7	7	7	7

Headcount, Utilization, Attrition

Total Employees	8,963	9,022	9,081	9,423	9,764	10,025
Utilization	81.2	79.5	79	79.5	80.1	80.4
Attrition	12.1	11.4	10.6	10.5	10.1	10.8

Source: Company, ICICI Direct Research

Growth in services was largely led by System integration and BPO.

Attrition rate is within acceptable norms 10.8% (up 70 bps QoQ)

Financial story in charts

Exhibit 5: Digital contribution as a percentage of overall revenues continues to inch up

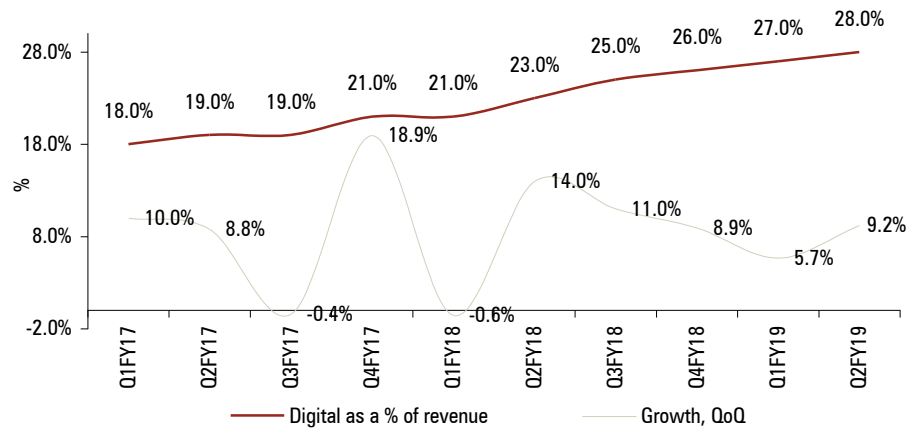
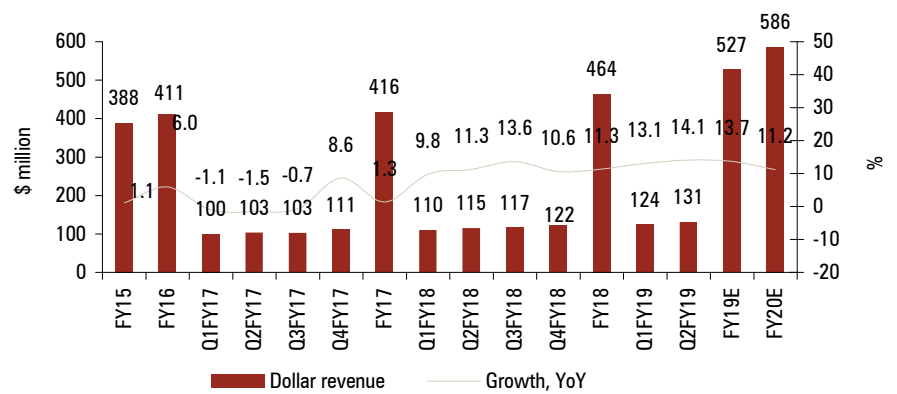
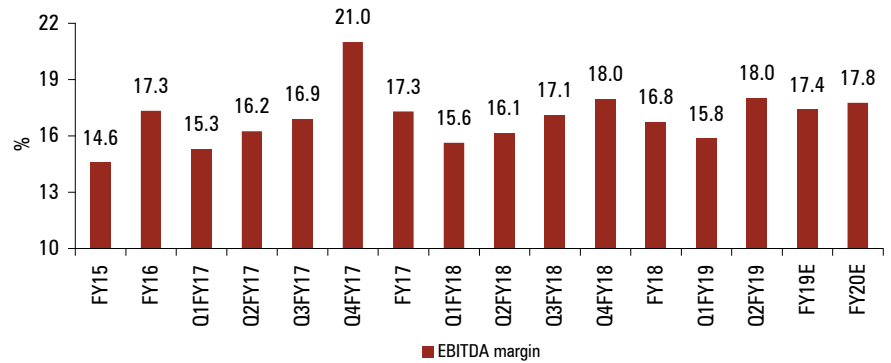


Exhibit 6: Dollar revenues may grow at 12.0% CAGR during FY18-20E



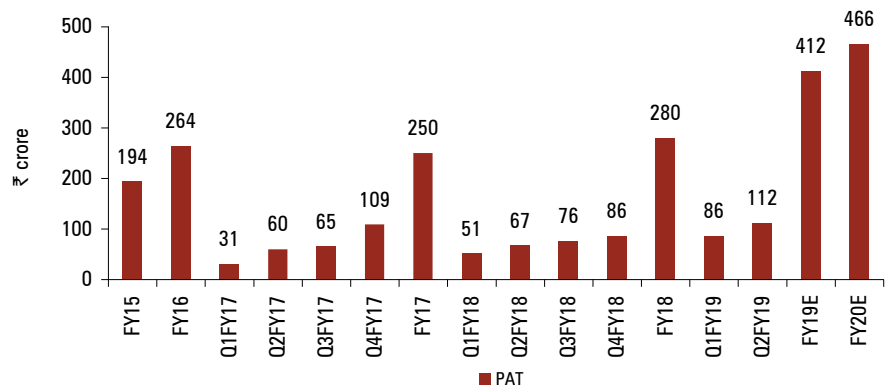
Source: Company, ICICI Direct Research

Exhibit 7: EBITDA margin improved ~217 bps QoQ to 18.0% in Q2FY19



Source: Company, ICICI Direct Research

Exhibit 8: PAT expected to grow at strong 29% CAGR in FY18-20E



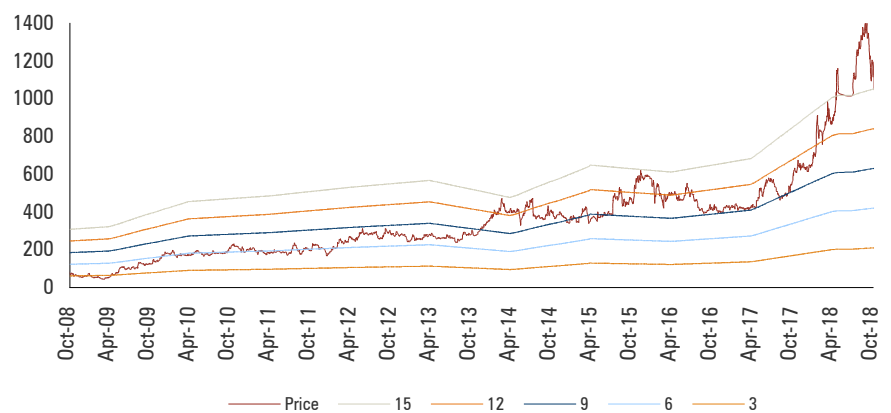
Source: Company, ICICI Direct Research

Outlook and Valuation

NIIT Tech reported Q2FY19 results were better than expectation. The growth in revenues was across verticals in CC terms. Insurance and travel & transport vertical were key growth drivers. Digital (28% of revenues) grew 11.6% QoQ.

Sustained deal pipeline, large deal wins, robust growth across verticals, improving client mining & hunting and improving digital revenues is expected to drive top-line and margins in coming years. Hence, we expect rupee revenue, PAT to grow at a CAGR 18.3% & 29%, respectively, in FY18-20E with EBITDA margin expansion to 17.8% in FY20E. Consequently, we maintain our BUY rating with a revised target price of ₹ 1,365 (18x FY20E EPS).

Exhibit 9: One year forward rolling PE



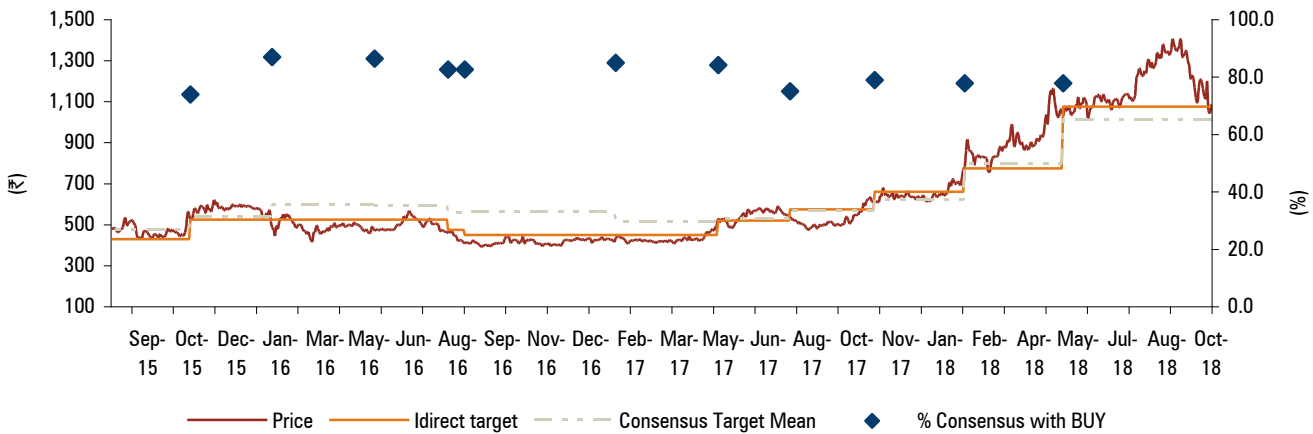
Source: Company, ICICI Direct Research

Exhibit 10: Valuations

	Sales (₹ cr)	Growth (%)	EPS (₹)	Growth (%)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY16	2,682	13.1	43.3	36.2	27.4	14.7	16.8	18.8
FY17	2,802	4.5	40.8	(5.7)	28.9	13.5	14.8	18.7
FY18	2,991	6.8	45.6	11.9	26.1	12.9	15.8	19.4
FY19E	3,637	21.6	67.1	47.0	17.7	9.8	20.3	24.5
FY20E	4,189	15.2	75.9	13.1	15.7	8.0	20.1	24.5

Source: Company, ICICI Direct Research

Recommendation History vs. Consensus



Source: Bloomberg, Company, ICICI Direct Research

Key events

Date	Event
Apr-15	Acquires 51% stake in Incessant Technologies for ~\$17 million. The company could generate \$17 million revenues with 20%+ margins in FY15E.
Jul-15	Reports healthy revenue growth in services segment led by Incessant and international business partially offset by decline in domestic revenues (PFR)
Oct-15	Reports Q2FY16 earnings with 3.5% QoQ growth, in line with estimates, led by BFSI, transportation and manufacturing, while at 17.6%, margins were better
Feb-16	NIIT Tech launches intelligent automation for business operations, by partnering with a software company UiPath, specialized in Robotic process Automation
Mar-16	Secures best service provider award from ICT subsidiary of German railways
Jan-17	According to media article, NIIT Technologies appoints Joel Lindsey as global head of digital services. NIIT also appoints Adrian Morgan as head of NIIT Insurance Technologies
Apr-17	Implements settlement agreement with the government and receives part payment of ₹ 41.9 crore, with revenue recognition of ₹ 27.1 crore for services contracted and reversal of provisions of ₹ 13.15 crore to be accounted in FY17
Mar-16	Secures best service provider award from ICT subsidiary of German railways
May-17	Partners with an artificial intelligence and autonomous automation firm 'Arago'. NIIT would integrate Arago's general AI technology HIRO into its automation offering, TRON Smart Automation. This partnership could enable company to deliver a superior automation experience by bringing in cutting-edge machine reasoning technology optimised by machine learning
Jun-17	NIIT Technologies subsidiary Incessant Technologies signs a definitive agreement to acquire a 55% stake in US-based business process management firm RuleTek LLC. This acquisition could help Incessant expand its footprint in North America and strengthen its digital integration capabilities. RuleTek has 65 employees and reported revenues of \$6.47 million for FY17

Source: Company, ICICI Direct Research

Top 10 Shareholders

Rank	Name	Latest Filing Date	% O/S	Position (m)	Change (m)
1	Scantech Evaluation Services, Ltd.	30-Jun-18	23.5%	14.5	0.0
2	HDFC Asset Management Co., Ltd.	30-Jun-18	9.9%	6.1	0.6
3	UTI Asset Management Co. Ltd.	30-Sep-18	3.6%	2.2	-0.1
4	GSPL Advisory Services & Investment Pvt. Ltd.	30-Jun-18	3.5%	2.2	0.0
5	PIPL Business Advisors & Investment Pvt. Ltd.	30-Jun-18	3.5%	2.2	0.0
6	Goldman Sachs Asset Management International	30-Jun-18	3.2%	1.9	-0.2
7	Dimensional Fund Advisors, L.P.	31-Aug-18	2.6%	1.6	0.0
8	Polaris Capital Management, LLC	30-Jun-18	1.8%	1.1	-0.3
9	Franklin Templeton Asset Management (India) Pvt. Ltd.	31-Mar-17	1.8%	1.1	0.4
10	AKM Systems Pvt. Ltd.	30-Jun-18	1.7%	1.1	0.0

Source: Reuters, ICICI Direct Research

Shareholding Pattern

(in %)	Dec-17	Mar-18	Jun-18
Promoter	30.68	30.67	30.65
Public	69.32	69.33	69.35
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
Thakur (Arvind)	12.5m	0.6m	Union Investment Luxembourg S.A.	-6.3m	-0.5m
State Street Global Advisors (UK) Ltd.	9.6m	0.6m	Polaris Capital Management, LLC	-5.1m	-0.3m
HDFC Asset Management Co., Ltd.	9.6m	0.6m	Goldman Sachs Asset Management International	-3.8m	-0.2m
APG Asset Management	6.2m	0.5m	Goldman Sachs Asset Management (US)	-3.8m	-0.2m
Reliance Nippon Life Asset Management Limited	6.6m	0.3m	Grantham Mayo Van Otterloo & Co LLC	-3.4m	-0.2m

Source: Reuters, ICICI Direct Research

Financial summary

Profit and loss statement					₹ Crore				
	FY17	FY18	FY19E	FY20E					
Total operating Income	2,802	2,991	3,637	4,189					
Growth (%)	4	7	22	15					
COGS (employee expenses)	1,790	1,918	2,371	2,723					
S,G&A expenses	527	572	633	723					
Total Operating Expenditure	2,318	2,490	3,004	3,446					
EBITDA	485	501	633	744					
Growth (%)	4	3	26	17					
Depreciation	128	127	131	159					
Other Income	16	30	79	74					
PBT	373	404	581	659					
Total Tax	79	95	139	161					
Adjusted 'PAT	250	280	412	466					
Growth (%)	(5)	12	47	13					
Adjusted EPS (₹)	40.8	45.6	67.1	75.9					
Exceptional loss	22	-	-	-					
Reported PAT	228	280	412	466					
Reported EPS (₹)	40.8	45.6	67.1	75.9					
Growth (%)	(5.7)	11.9	47.0	13.1					

Source: Company, ICICI Direct Research

Cash flow statement					₹ Crore				
	FY17	FY18	FY19E	FY20E					
Profit before Tax	373	404	581	659					
Add: Depreciation	128	127	131	159					
(Inc)/dec in Current Assets	88	(83)	(181)	(155)					
Inc/(dec) in CL and Provisions	-	-	126	108					
Taxes paid	(105)	(111)	(139)	(161)					
CF from operating activities	494	382	438	535					
(Inc)/dec in Investments	(652)	(561)	-	-					
(Inc)/dec in Fixed Assets	(87)	(89)	(113)	(131)					
Others	7	6	79	74					
CF from investing activities	(306)	(270)	(34)	(56)					
Issue/(Buy back) of Equity	7	7	-	-					
Inc/(dec) in loan funds	1	1	(2)	(2)					
Dividend paid & dividend tax	(74)	(81)	(158)	(180)					
CF from financing activities	(67)	(74)	(160)	(182)					
Net Cash flow	99	38	244	297					
Exchange difference	(37)	17	2	2					
Opening Cash	336	408	418	665					
Closing Cash	408	468	665	964					

Source: Company, ICICI Direct Research

Balance sheet					₹ Crore				
(Year-end March)	FY17	FY18	FY19E	FY20E					
Liabilities									
Equity Capital	61	62	62	62					
Reserve and Surplus	1,625	1,713	1,966	2,253					
Total Shareholders funds	1,687	1,774	2,028	2,314					
Total Debt	7	18	18	18					
Provisions	27	74	74	74					
Minority Interest / Other non CL	271	219	249	280					
Total Liabilities	1,992	2,085	2,369	2,687					
Assets									
Net Block	663	636	607	578					
Capital WIP	-	1	1	1					
Total Fixed Assets	663	637	607	579					
Goodwill	185	243	243	243					
Deferred tax assets	97	123	123	123					
Debtors	490	591	719	828					
Other Current Assets	274	248	302	348					
Cash	408	418	665	964					
Current Investments	316	365	365	365					
Total Current Assets	1,488	1,623	2,051	2,505					
Trade payables	138	145	177	203					
Other current liabilities	295	369	448	516					
Short term provisions	40	71	86	99					
Total Current Liabilities	473	585	711	819					
Net Current Assets	1,015	1,039	1,340	1,686					
Application of Funds	1,992	2,085	2,357	2,674					

Source: Company, ICICI Direct Research

Key ratios									
(Year-end March)	FY17	FY18	FY19E	FY20E					
Per share data (₹)									
Adjusted EPS (Diluted)	37.5	45.6	67.1	75.9					
DPS	12.5	15.0	22.0	25.0					
Cash per Share	67.0	68.1	108.2	157.0					
BV per share (Diluted)	277.3	288.9	330.3	376.9					
Operating Ratios (%)									
EBITDA Margin	17.3	16.8	17.4	17.8					
PBT Margin	13.3	13.5	16.0	15.7					
PAT Margin	8.9	9.4	11.3	11.1					
Debtor days	64	72	72	72					
Creditor days	18	18	18	18					
Return Ratios (%)									
RoE	14.8	15.8	20.3	20.1					
RoCE	18.7	19.4	24.5	24.5					
RoIC	28.1	28.7	37.8	43.5					
Valuation Ratios (x)									
P/E (Adjusted)	28.9	26.1	17.7	15.7					
EV / EBITDA	13.5	12.9	9.8	8.0					
EV / Net Sales	2.3	2.2	1.7	1.4					
Market Cap / Sales	2.6	2.4	2.0	1.7					
Price to Book Value	4.3	4.1	3.6	3.2					
Solvency Ratios									
Debt/EBITDA	0.0	0.0	0.0	0.0					
Debt / Equity	0.0	0.0	0.0	0.0					
Current Ratio	1.6	1.4	1.4	1.4					
Quick Ratio	1.6	1.4	1.4	1.4					

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		FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E
Cyient (INFENT)	675	760	Hold	9,041	36.0	39.2	47.6	22.3	20.5	16.9	14.9	11.6	10.6	21.4	20.2	21.5	17.3	17.0	18.2
Eclerx (ECLSER)	1,069	1,120	Hold	4,522	72.9	72.2	80.3	15.1	15.2	13.7	10.7	9.8	8.6	28.2	28.4	28.9	24.1	20.9	21.2
Firstsource (FIRSOU)	63	87	Buy	5,332	4.8	5.1	6.1	16.0	14.8	12.4	12.9	11.1	9.2	13.0	16.4	17.5	13.9	13.7	14.9
HCL Tech (HCLTEC)	1,030	1,050	Hold	153,593	62.6	69.2	75.1	17.4	15.7	14.5	13.1	10.2	8.9	27.4	28.3	27.6	23.8	23.0	22.0
Infosys (INFTEC)	707	800	Buy	307,518	32.3	38.2	44.2	21.9	18.5	16.0	14.8	12.6	10.9	30.9	31.6	33.2	22.5	23.1	24.5
KPIT Tech (KPISYS)	213	300	Hold	6,168	12.9	17.8	21.1	24.1	17.4	14.7	15.4	11.3	9.4	15.5	19.4	20.2	13.9	16.7	16.8
MindTree (MINCON)	976	1,245	Hold	19,479	34.3	43.4	56.5	33.8	26.7	20.5	25.3	17.2	13.1	24.9	29.5	33.3	20.8	23.3	26.0
NIIT Technologies (NIITEC)	1,190	1,365	Buy	7,237	45.6	67.1	75.9	26.1	17.7	15.7	12.9	9.8	8.0	19.4	24.5	24.5	15.8	20.3	20.1
Persistent (PSYS)	690	925	Buy	5,703	40.5	47.8	55.2	17.6	14.9	12.9	10.4	8.1	6.7	19.8	20.9	21.4	15.2	15.9	16.3
TCS (TCS)	1,948	1,880	Hold	720,731	67.4	85.6	95.1	14.2	22.4	20.2	20.9	16.2	14.2	37.6	45.1	40.4	29.6	35.1	31.3
Tech Mahindra (TECMAH)	726	770	Buy	75,079	42.7	44.7	51.3	17.9	17.1	14.9	14.9	11.2	9.3	21.5	20.3	20.1	20.2	18.3	17.7
Wipro (WIPRO)	326	325	Buy	142,756	16.8	16.3	21.3	18.8	19.5	14.9	12.1	12.7	9.5	16.9	14.1	16.2	16.6	13.5	15.5

Source: Company, ICICI Direct Research

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