January 29, 2019

Q3FY19 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY20E	FY21E	FY20E	FY21E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	1,170		1,100	
Sales (Rs. m)	682,939	758,629	672,724	721,421
% Chng.			*1.5*	*5.2*
EBITDA (Rs. m)	156,158	174,569	153,154	165,302
% Chng.			*2.0*	*5.6*
EPS (Rs.)	84.2	95.1	82.7	90.2
% Chng.			*1.9*	*5.5*

Key Financials

	FY18	FY19E	FY20E	FY21E
Sales (Rs. bn)	506	602	683	759
EBITDA (Rs. bn)	114	141	156	175
Margin (%)	*22.6*	*23.4*	*22.9*	*23.0*
PAT (Rs. bn)	88	102	114	129
EPS (Rs.)	63.1	75.0	84.2	95.1
Gr. (%)	*6.3*	*18.9*	*12.3*	*12.9*
DPS (Rs.)	8.2	11.3	12.6	14.3
Yield (%)	*0.8*	*1.1*	*1.3*	*1.4*
RoE (%)	*25.3*	*26.4*	*25.2*	*23.3*
RoCE (%)	*25.1*	*26.2*	*25.0*	*23.1*
EV/Sales (x)	2.6	2.1	1.7	1.4
EV/EBITDA (x)	11.5	9.1	7.6	6.2
PE (x)	15.7	13.2	11.7	10.4
P/BV (x)	3.8	3.3	2.7	2.2

Key Data	**HCLT.BO | HCLT IN**
52-W High / Low	Rs.1,125 / Rs.880
Sensex / Nifty	35,593 / 10,652
Market Cap	Rs.1,377bn/ $ 19,356m
Shares Outstanding	1,393m
3M Avg. Daily Value	Rs.3969.89m

Shareholding Pattern (%)

Promoter's	60.17
Foreign	28.01
Domestic Institution	8.16
Public & Others	3.66
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	3.1	2.6	(2.3)
Relative	4.5	7.6	(0.4)

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HCL Technologies (HCLT IN)

Rating: ACCUMULATE | CMP: Rs988 | TP: Rs1,170

Strong Quarter, Valuations remain cheap

HCL Tech Q3FY19 results were solid with strong beat on revenues and inline PAT. Led by Strong revenue beat in Q4, we now model HCL tech's USD revenue growth assumptions to 9.8/10.2/10.3% for FY19/20/21E (vs 8.9/9.5/10.3%). Our USD/INR assumptions are at 70/72/72.5 for FY19/20/21E. We upgrade our EPS estimates by 0.8/1.9/5.5% to Rs75/84/95 for FY19/20/21E. HCL Tech currently trades at 11.7x FY20E EPS and 11x Sep20E EPS. We revise our TP by 6% to Rs1170/sh (13x Sep20E EPS).

- **Solid beat on revenues:** Revenues at USD2202mn were up 4.9% QoQ/10.8% YoY and above our estimates (USD2158mn). Constant Currency growth for the quarter stood at 5.6% QoQ/13% YoY and beat our estimates (Ple: 3.3%). We note that HCL Tech has delivered strong constant currency growth in comparison to other Large cap IT vendors. Infosys/Wipro/TCS delivered 2.7/2.4/1.8% constant currency revenue growth for Q3FY19 respectively. Management cited that deal pipeline remains strong with YTD Q3FY19 deal booking is 40% above YTD Q3FY18. Deal pipeline mainly driven by Financial Services, technology& services and manufacturing vertical. HCL Tech retained guidance of 9.5%-11.5% constant currency revenue growth for FY19. However, USD revenue growth guidance was downgraded to 7.9% to 9.9% (from 8.2% to 10.2% earlier) owing to cross currency headwinds. We note that with strong revenue growth in Q3 company can achieve higher band of stated growth guidance.

- **Margins below estimates**: EBIT margin came at 19.6% down 30bps QoQ and below our estimates (PLe: 20%). Headwinds with operational inefficiencies (-45bps) were partially offset by tailwind from INR depreciation (+15bps). This decline is lower in comparison to TCS/ Infosys (90bps/70bps QoQ). PAT at Rs26bn remains inline with our estimates.

- **Strong performance in Technology vertical and Infrastructure services:** Among verticals, Technology & Services (18.7% of total revenues) up 7.5% QoQ, Manufacturing (17.7% of total revenues) up 3.9% QoQ and Lifesciences (11.7% of total revenues) up 5.8% QoQ in cc terms and remain strong. BFSI remain tepid during this quarter as well (down 0.6% QoQ) in cc terms with two clients specific issue in Europe and will moderate with start of FY20. Among service offering, Infrastructure services up 10.4% and Engineering and R&D services up 5.1% remain strong. Operating margin (EBIT) retained at 19.5%-20.5% for FY19.

- **Digital is key for incremental growth:** Management cited that Digital remains the key growth driver. We note that HCL tech Mode-2 business is completely digital, but also offers Digital as integrated service in Mode-1 and Mode-3 business as well. Mode-2 business delivered excellent growth of 13.1% QoQ in cc terms. As per management commentary, company is listening from clients regarding slowdown and impact on its client's business. However, there are no signs of reducing digital spend by the clients and is very critical factor in evolving business model. Management is confident with its efficiency led service and transformational led service offering to overcome challenges.

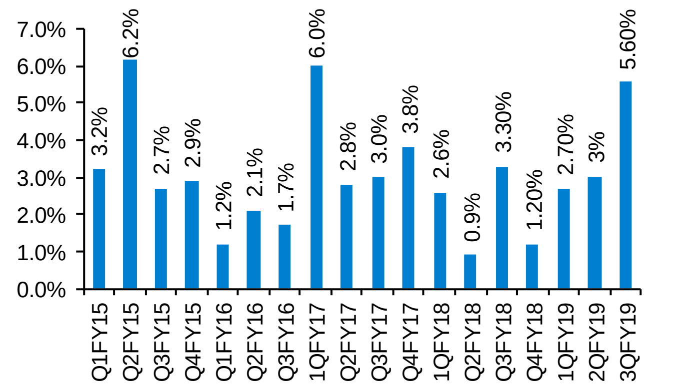
Exhibit 1: Q3FY19: Consolidated P&L

Rs mn	Q3FY19	Q2FY19	QoQ	Q3FY18	YoY	PIe	Variance (Actual vs Est)
Sales ($ m)	2202.0	2098.6	4.9%	1987.5	10.8%	2157.8	2.0%
Sales	156,990	148,610	5.6%	128,080	22.6%	153,634	2.2%
EBITDA	36,470	34,990	4.2%	29,640	23.0%	36,565	-0.3%
EBITDA Margin	*23.2%*	*23.5%*		*23.1%*		*23.8%*	
PAT	26,110	25,400	2.8%	21,940	19.0%	25,984	0.5%

Source: Company, PL

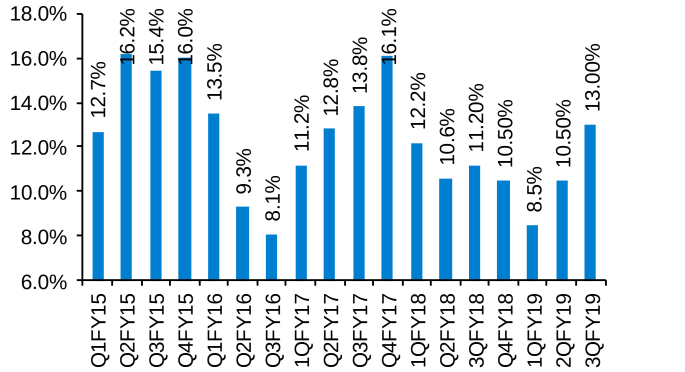
- Revenues at USD2202mn were up 4.9% QoQ/10.8% YoY and above our estimates (USD2158mn). Constant Currency growth for the quarter stood at 5.6% QoQ and beat our estimates (PIe: 3.3%).
- IMS (up 10.4% QoQ in cc), Engineering Design (up 5.1% QoQ in cc) remained strong service line front.

Exhibit 2: Constant Currency Revenue growth QoQ (%)



*Source: Company, PL * Includes acquisition*

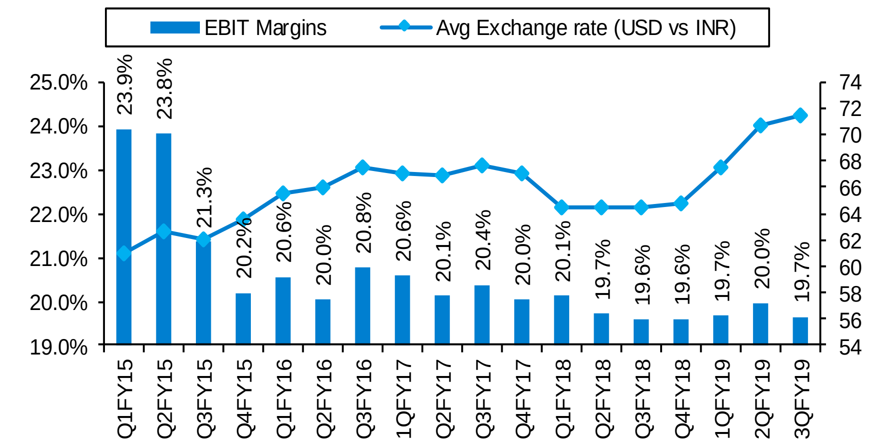
Exhibit 3: Constant Currency Revenue Growth YoY (%)



*Source: Company, PL * Includes acquisition*

- **Margins below expectations:** EBIDTA margins at 23.2% for Q3FY19 down 30bps QoQ and below our ests (Our ests :23.8%). EBIT margin which came at 19.6% down 30bps QoQ and below our estimates (our ests: 20.2%). HCL Tech retained EBIT margin guidance band of 19.5%-20.5% for FY19. HCL Tech would aim to focus in investing gains from currency tailwinds to scaling Mode 2 and Mode 3 services

Exhibit 4: EBIT Margin vs. Average Exchange Rate



Source: Company, PL

Exhibit 5: Break up of Revenues by services

Fig in USD mn	FY17	FY18	1QFY19	2QFY19	3QFY19
Mode 1	5678	6004	1507	1512	1561
Mode 2	893	1152	321	336	377
Mode 3	405	682	227	251	263

Source: Company, PL

Exhibit 6: As a percentage of total revenues

	FY17	FY18	1QFY19	2QFY19	3QFY19
Mode 1	81.4%	76.6%	73.3%	72.0%	70.9%
Mode 2	12.8%	14.7%	15.6%	16.0%	17.1%
Mode 3	5.8%	8.7%	11.0%	12.0%	11.9%

Source: Company, PL

Exhibit 7: EBIT margins of each SBU's

EBIT margins (%)	1QFY19	2QFY19	3QFY19
Mode 1	19.9%	21.2%	20.70%
Mode 2	14.8%	10.8%	12.30%
Mode 3	25.2%	24.4%	23.00%

Source: Company, PL

Key Metrics:

Exhibit 8: Geography Mix (%)

% Of revenues	2QFY16	3QFY16	1QFY17	2QFY17	3QFY17	4QFY17	4QFY18	1QFY19	2QFY19	3QFY19
America	61.0	62.5	59.9	61.9	61.9	62.6	61.6	64.5	65.8	64.4
Europe	29.9	28.4	31.4	29.3	29.6	27.7	30.0	28.1	26.8	28.2%
Asia Pacific	9.1	9.1	8.7	8.8	8.5	9.7	8.5	7.5	7.4	7.3

Source: Company, PL

Exhibit 9: Geography-wise revenues and growth (QoQ & YoY)

USD mn	Q3FY19	Q2FY19	*QoQ*	Q3FY18	*YoY*
America	1418.1	1380.9	*2.7%*	1262.1	*12.4%*
Europe	621.0	562.4	*10.4%*	570.4	*8.9%*
Asia Pacific	160.7	155.3	*3.5%*	157.0	*2.4%*

Source: Company, PL

Exhibit 10: Vertical Mix (%)

% of revenues	3QFY16	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19
Financial Services	25.0	23.6	24.1	24.3	24.2	24.9	25.0	24.6	25.0	23.8	23.0	21.6
Manufacturing	31.4	33.2	32.2	33.9	34.6	34.9	35.4	36.5	36.0	36.5	36.2	36.4
Life science and Healthcare	12.8	11.9	12.6	12.0	11.5	11.8	11.7	11.7	11.5	12.8	12.9	13.0
Public services	11.1	11.7	10.9	11.2	11.7	11.1	10.6	10.2	10.6	10.5	10.7	9.7
Retail and CPG	9.2	10.0	10.4	9.4	9.2	9.5	9.3	9.6	9.6	9.1	10.0	10.2
Telecommunication, Media, Publishing Entertainment	9.9	9.1	9.4	8.9	8.4	7.9	7.9	7.4	7.4	7.3	7.2	9.2
Others	0.5	0.5	0.4	0.4	0.3	NA	NA	NA	NA	NA	NA	NA

Source: Company, PL

Exhibit 11: Service Mix (%)

% of revenues	3QFY16	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19
Engineering and R&D services	18.7	17.7	17.8	18.6	20.5	21.5	22.0	24.2	24.1	24.5	25.5	25.5
Custom Application Development	39.9	38.3	37.8	37.5	36.8	36.3	35.9	35.3	34.7	34.0	33.1	32.0
Infrastructure services	36.2	39.8	40.3	39.8	38.8	38.6	38.5	36.7	37.3	36.2	36.0	37.5
BPO services	5.2	4.1	4.1	4.0	3.9	3.6	3.6	3.7	3.9	5.2	5.4	5.0

Source: Company, PL

Exhibit 12: Revenue growth across verticals in CC (QoQ & YoY)

Verticals	QoQ	YoY
Financial Services	-0.6%	0.1%
Manufacturing	3.9%	1.5%
Technology & Services	7.5%	24.4%
Retail & CPG	8.4%	21.5%
Telecommunications, Media, Publishing & Entertainment	35.4%	40.3%
Lifesciences & Healthcare	5.8%	23.4%
Public Services	-4.4%	8.1%

Source: Company, PL

Exhibit 13: Service-wise Revenues and growth (QoQ & YoY)

USD mn	Q3FY19	Q2FY19	*QoQ*	Q3FY18	*YoY*
Engineering and R&D services	561.5	535.1	*4.9%*	481.0	*16.7%*
Custom Application Development	704.6	694.6	*1.4%*	701.6	*0.4%*
Infrastructure services	825.8	755.5	*9.3%*	729.4	*13.2%*
BPO services	110.1	113.3	*-2.8%*	73.5	*49.7%*

Source: Company, PL

Exhibit 14: Client Concentration

Client Concentration	3QFY16	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19
Top 5 clients	13.6	13.9	13.8	14.2	14.7	14.4	15.1	15.8	16.3	17.0	17.3	17.4
Top 10 clients	21.8	21.8	21.6	21.7	22.1	22.4	22.9	23.5	23.8	24.6	24.8	24.8
Top 20 clients	32.2	31.7	31.8	31.9	32.9	33.0	33.2	33.5	33.7	34.2	34.2	34.1

Source: Company, PL

Exhibit 15: Headcount Details

	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19
Total employee count	107,968	109,795	111,092	115,973	117,781	119,040	119,291	120,281	124,121	127,875	132,328
% Growth	2.9%	1.7%	1.2%	4.4%	1.6%	1.1%	0.2%	0.8%	3.2%	3.0%	3.5%
Gross additions	10,515	9,083	8,467	10,605	9,462	8,645	7,113	8,476	12,558	11,683	13,191
Net additions	3,072	1,827	1,297	4,881	1,808	1,259	251	990	3,840	3,754	4,453
Employees Leaving	7,443	7,256	7,170	5,724	7,654	7,386	6,862	7,486	8,718	7,929	8,738
Quarterly Annualized Attrition	17.8%	18.6%	17.9%	16.9%	16.2%	15.7%	15.2%	15.5%	16.3%	17.1%	17.8%

Source: Company, PL

Exhibit 16: Consolidated Model of HCL Tech

	Jun-14	Jun-15	FY16	FY17	FY18P	FY19E	FY20E	FY21E
Revenues- USD mn	5,360	5,952	6,236	6,975	7,838	8,609	9,485	10,464
Growth (%)	14.4%	11.1%	7.1%	11.9%	12.4%	9.8%	10.2%	10.3%
Average exchange rate (USD vs INR)	61.5	62.3	66.5	67.2	64.5	69.9	72.0	72.5
Consolidated revenues (Rs mn)	329,440	370,880	416,521	468,365	505,676	601,946	682,939	758,629
Growth (%)	28.1%	12.6%	12%	49.9%	8.0%	19.0%	13.5%	11.1%
EBITDA (Rs mn)	86,733	86,984	91,114	103,330	114,375	140,680	156,158	174,569
EBIT (Rs mn)	79,407	82,485	85,164	94,957	99,845	119,122	134,829	151,810
PAT (Rs mn)	63,751	72,490	75,766	84,750	87,754	101,681	114,153	128,874
EBITDA Margins (%)	26.3%	23.5%	21.9%	22.1%	22.6%	23.4%	22.9%	23.0%
EBIT Margins (%)	24.1%	22.2%	20.4%	20.3%	19.7%	19.8%	19.7%	20.0%
NPM (%)	19.4%	19.5%	18.2%	18.1%	17.4%	16.9%	16.7%	17.0%
EPS	**45.1**	**51.4**	**53.7**	**59.9**	**63.0**	**74.9**	**84.1**	**95.0**
Growth (%)	**55.3%**	**13.9%**	**4.5%**	**11.7%**	**5.1%**	**19.0%**	**12.3%**	**12.9%**
P/E	**21.91**	**19.2**	**18.4**	**16.5**	**15.7**	**13.2**	**11.7**	**10.4**
EV/EBITDA	14.8	14.7	14.1	12.3	11.2	9.0	7.5	7.7
Consolidated balance sheet (Rs mn)								
Net cash on balance sheet (Rs mn)	99,998	117,890	118,524	102,238	66,780	65,474	153,658	255,832
Net cash per share	66.2	80.6	77.1	69.2	45.2	45.5	110.5	185.9
Net cash per share/ Stock price	6.7%	8.2%	7.8%	7.0%	4.6%	4.6%	11.2%	18.8%
Consolidated cash flows (Rs mn)								
Cash flow from operations	65,409	62,001	41,868	91,283	87,667	108,227	122,244	137,128
Capex + Acquisitions	(7,101)	(12,380)	(20,999)	(42,568)	(55,375)	(55,000)	(17,000)	(17,000)
Free cash flows	58,308	49,622	20,869	48,715	32,292	53,227	105,244	120,128

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY18	FY19E	FY20E	FY21E
Net Revenues	**505,676**	**601,946**	**682,939**	**758,629**
YoY gr. (%)	*8.0*	*19.0*	*13.5*	*11.1*
Employee Cost	332,362	390,730	446,573	496,817
Gross Profit	173,314	211,216	236,366	261,811
Margin (%)	*34.3*	*35.1*	*34.6*	*34.5*
SG&A Expenses	58,939	70,535	80,208	87,242
Other Expenses	-	-	-	-
EBITDA	**114,375**	**140,680**	**156,158**	**174,569**
YoY gr. (%)	*10.7*	*23.0*	*11.0*	*11.8*
Margin (%)	*22.6*	*23.4*	*22.9*	*23.0*
Depreciation and Amortization	14,530	21,558	21,328	22,759
EBIT	**99,845**	**119,122**	**134,829**	**151,810**
Margin (%)	*19.7*	*19.8*	*19.7*	*20.0*
Net Interest	-	-	-	-
Other Income	11,085	8,614	11,520	13,413
Profit Before Tax	**110,929**	**127,736**	**146,349**	**165,223**
Margin (%)	*21.9*	*21.2*	*21.4*	*21.8*
Total Tax	23,176	26,056	32,197	36,349
Effective tax rate (%)	*20.9*	*20.4*	*22.0*	*22.0*
Profit after tax	**87,754**	**101,681**	**114,153**	**128,874**
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	**87,754**	**101,681**	**114,153**	**128,874**
YoY gr. (%)	*3.5*	*15.9*	*12.3*	*12.9*
Margin (%)	*17.4*	*16.9*	*16.7*	*17.0*
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	**87,754**	**101,681**	**114,153**	**128,874**
YoY gr. (%)	*3.5*	*15.9*	*12.3*	*12.9*
Margin (%)	*17.4*	*16.9*	*16.7*	*17.0*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	87,754	101,681	114,153	128,874
Equity Shares O/s (m)	**1,390**	**1,355**	**1,355**	**1,355**
EPS (Rs)	**63.1**	**75.0**	**84.2**	**95.1**

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY18	FY19E	FY20E	FY21E
Non-Current Assets				
Gross Block	**181,720**	**236,720**	**253,720**	**270,720**
Tangibles	91,948	102,948	118,248	133,548
Intangibles	89,773	133,773	135,473	137,173
Acc: Dep / Amortization	**62,180**	**83,738**	**105,066**	**127,825**
Tangibles	46,348	59,781	73,634	88,918
Intangibles	15,833	23,958	31,433	38,908
Net fixed assets	**119,540**	**152,982**	**148,654**	**142,895**
Tangibles	45,600	43,167	44,614	44,630
Intangibles	73,940	109,815	104,040	98,265
Capital Work In Progress	3,200	3,200	3,200	3,200
Goodwill	67,990	67,990	67,990	67,990
Non-Current Investments	13,950	14,150	14,350	14,550
Net Deferred tax assets	18,030	18,030	18,030	18,030
Other Non-Current Assets	11,600	11,600	11,600	11,600
Current Assets				
Investments	23,570	23,570	23,570	23,570
Inventories	1,720	1,720	1,720	1,720
Trade receivables	96,390	114,741	130,179	144,607
Cash & Bank Balance	40,180	38,774	126,858	228,932
Other Current Assets	15,060	16,060	17,060	18,060
Total Assets	**480,230**	**538,301**	**644,389**	**761,750**
Equity				
Equity Share Capital	2,780	2,710	2,710	2,710
Other Equity	361,080	404,397	497,934	603,533
Total Networth	**363,860**	**407,107**	**500,644**	**606,243**
Non-Current Liabilities				
Long Term borrowings	3,380	3,380	3,380	3,380
Provisions	7,000	7,000	7,000	7,000
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	420	420	420	420
Trade payables	9,180	10,928	12,398	13,772
Other current liabilities	91,470	104,547	115,627	126,015
Total Equity & Liabilities	**480,230**	**538,301**	**644,389**	**761,750**

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY18	FY19E	FY20E	FY21E
PBT	110,240	127,736	146,349	165,223
Add. Depreciation	13,830	21,558	21,328	22,759
Add. Interest	220	-	-	-
Less Financial Other Income	11,085	8,614	11,520	13,413
Add. Other	(5,110)	(3,801)	(3,456)	(5,220)
Op. profit before WC changes	119,180	145,494	164,222	182,762
Net Changes-WC	(12,340)	(11,211)	(9,781)	(9,284)
Direct tax	(23,560)	(26,056)	(32,197)	(36,349)
Net cash from Op. activities	**83,280**	**108,227**	**122,244**	**137,128**
Capital expenditures	(55,720)	(55,000)	(17,000)	(17,000)
Interest / Dividend Income	5,000	3,801	3,456	5,220
Others	27,890	-	-	-
Net Cash from Invt. activities	**(22,830)**	**(51,199)**	**(13,544)**	**(11,780)**
Issue of share cap. / premium	(35,140)	(40,000)	-	-
Debt changes	(1,480)	-	-	-
Dividend paid	(20,310)	(18,364)	(20,616)	(23,275)
Interest paid	(140)	-	-	-
Others	(70)	-	-	-
Net cash from Fin. activities	**(57,140)**	**(58,364)**	**(20,616)**	**(23,275)**
Net change in cash	**3,310**	**(1,336)**	**88,084**	**102,074**
Free Cash Flow	29,840	53,227	105,244	120,128

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY18	Q1FY19	Q2FY19	Q3FY19
Net Revenue	**131,790**	**138,780**	**148,610**	**156,990**
YoY gr. (%)	*9.3*	*14.2*	*19.5*	*22.6*
Raw Material Expenses	85,600	91,060	95,890	101,520
Gross Profit	46,190	47,720	52,720	55,470
Margin (%)	*35.0*	*34.4*	*35.5*	*35.3*
EBITDA	**30,360**	**32,260**	**34,990**	**36,470**
YoY gr. (%)	*2.4*	*6.3*	*8.5*	*4.2*
Margin (%)	*23.0*	*23.2*	*23.5*	*23.2*
Depreciation / Depletion	4,530	4,960	5,330	5,610
EBIT	**25,830**	**27,300**	**29,660**	**30,860**
Margin (%)	*19.6*	*19.7*	*20.0*	*19.7*
Net Interest	-	-	-	-
Other Income	2,800	2,960	2,520	1,050
Profit before Tax	**28,630**	**30,260**	**32,180**	**31,910**
Margin (%)	*21.7*	*21.8*	*21.7*	*20.3*
Total Tax	6,340	6,220	6,780	5,660
Effective tax rate (%)	*22.1*	*20.6*	*21.1*	*17.7*
Profit after Tax	**22,290**	**24,040**	**25,400**	**26,250**
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	**22,290**	**24,040**	**25,400**	**26,250**
YoY gr. (%)	*(4.3)*	*10.7*	*16.1*	*19.6*
Margin (%)	*16.9*	*17.3*	*17.1*	*16.7*
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	**22,290**	**24,040**	**25,400**	**26,250**
YoY gr. (%)	*(4.3)*	*10.7*	*16.1*	*19.6*
Margin (%)	*16.9*	*17.3*	*17.1*	*16.7*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	**22,290**	**24,040**	**25,400**	**26,250**
Avg. Shares O/s (m)	1,393	1,393	1,357	1,357
EPS (Rs)	**16.0**	**17.3**	**18.7**	**19.3**

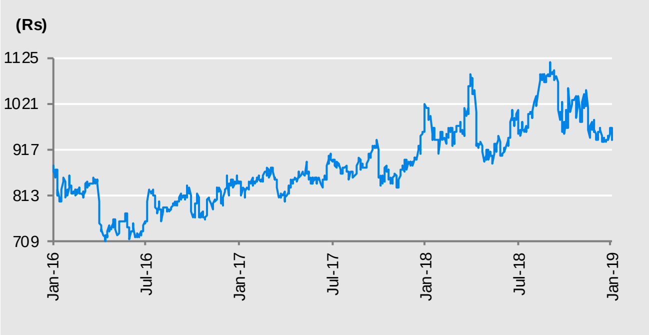
Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY18	FY19E	FY20E	FY21E
Per Share(Rs)				
EPS	63.1	75.0	84.2	95.1
CEPS	73.6	91.0	100.0	111.9
BVPS	261.8	300.4	369.5	447.4
FCF	21.5	39.3	77.7	88.7
DPS	8.2	11.3	12.6	14.3
Return Ratio(%)				
RoCE	25.1	26.2	25.0	23.1
ROIC	29.7	29.4	30.2	33.6
RoE	25.3	26.4	25.2	23.3
Balance Sheet				
Net Debt : Equity (x)	(0.2)	(0.1)	(0.3)	(0.4)
Debtor (Days)	70	70	70	70
Valuation(x)				
PER	15.7	13.2	11.7	10.4
P/B	3.8	3.3	2.7	2.2
P/CEPS	13.4	10.9	9.9	8.8
EV/EBITDA	11.5	9.1	7.6	6.2
EV/Sales	2.6	2.1	1.7	1.4
Dividend Yield (%)	0.8	1.1	1.3	1.4

Source: Company Data, PL Research

Price Chart	Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	13-Apr-18	BUY	1,020	991
2	2-May-18	Accumulate	1,100	1,001
3	21-Jun-18	Accumulate	1,100	904
4	10-Jul-18	BUY	1,100	938
5	28-Jul-18	BUY	1,100	963
6	5-Oct-18	BUY	1,255	1,077
7	23-Oct-18	BUY	1,255	952
8	8-Dec-18	Accumulate	1,100	962
9	7-Jan-19	Accumulate	1,100	942

Analyst Coverage Universe

Sr. No.	CompanyName	Rating	TP (Rs)	Share Price (Rs)
1	Cyient	BUY	810	609
2	HCL Technologies	Accumulate	1,100	942
3	Hexaware Technologies	Accumulate	430	332
4	Infosys	BUY	810	684
5	L&T Technology Services	Accumulate	1,780	1,693
6	Mindtree	BUY	1,140	841
7	Mphasis	Accumulate	1,260	921
8	NIIT Technologies	BUY	1,460	1,141
9	Persistent Systems	Accumulate	725	565
10	Redington (India)	BUY	140	86
11	Sonata Software	BUY	410	296
12	Tata Consultancy Services	Accumulate	2,275	1,889
13	TeamLease Services	Hold	2,740	2,884
14	Tech Mahindra	BUY	885	688
15	Wipro	Accumulate	375	346
16	Zensar Technologies	BUY	278	222

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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