

HCL Technologies (HCLTEC)

₹ 1014

Strong revenue execution, miss at margins...

- HCL Tech reported a strong Q3FY19 on the revenue front with constant currency growth of 5.6% QoQ (vs. our estimate of 2.7%). For FY19E, the company maintained its revenue guidance of 9.5-11.5% in constant currency though it expects to reach upper end of guided range
- US\$ revenues grew 4.9% QoQ to \$2,202 million
- At 19.7%, EBIT margins declined 30 bps QoQ (vs. our 20.2% estimate) on account of a partial wage hike (~70 bps) partly offset by rupee depreciation (+15 bps) and productivity enhancements

Revenue recovery, healthy deal signings enhance revenue visibility...

HCL Tech posted a strong quarter on execution front as its constant currency revenues grew 5.6% QoQ, 13% YoY with H&D acquisition consolidation contributing 1% to quarterly growth. Growth was an outcome of an all-round performance across verticals, services lines. Among services, infrastructure services (37.5% of revenues), a laggard for many quarters, posted strong growth of 10.4% QoQ, 16.5% YoY on the back of deal ramp ups. It is expected to report growth momentum ahead. For FY19E, HCL Tech now expects to achieve higher end of revenue guided range of 9.5-11.5% in constant currency (7.9-9.9% in dollar terms) with organic growth expected at ~6-6.5%. This translates to asking rate of 2.5% QoQ dollar revenue growth in next quarter. Further, strong quarter on deal signing front (HCL signed 17 transformational deals) and healthy booking growth (40% in 9MFY19 over 9MFY18) along with a positive outlook for pick-up in organic growth paves the way for healthy growth in FY19E and beyond. Hence, we expect US\$ revenues to grow at 9.0% CAGR to US\$10,234 million in FY19E-21E.

Traction in next gen, digital continues, growth of 9% QoQ...

The company's next gen and digital services described through mode 2 and 3 strategy is witnessing good traction implied from its increasing contribution to revenues and healthy growth rates. Mode 2 and 3 together constituted 29% of revenues and reported healthy growth of 9% QoQ. The management's continuous focus is on increasing its Mode 2 & 3 contribution to revenues and a better margin profile in the next two years. We believe this would prove beneficial for HCL from a future deal wins and profitability perspective.

Margins miss estimates, guidance band maintained for FY19E...

EBIT margins came in below our expectations at 19.7%. On the margin outlook for FY19E, the management has maintained its margin band at 19.5-20.5%. However, taking into account continuous investments for growth and skills, achieving the near upper end of guided range looks an uphill task. Hence, we expect EBIT margins of 19.7% each in FY19E, FY20E and FY21E.

IMS sustainability, margin trajectory to be watched; maintain HOLD...

HCL Tech's strong execution led to better than estimated revenue growth in the quarter. Further, optimistic outlook on IMS, BFSI revival and deal signings for FY20E enhance revenue visibility. However, sustainability of growth in the IMS and margin trajectory in the wake of increased investments needs to be watched. Hence, we maintain our **HOLD** rating on the stock with a revised target price of ₹ 1090 (~12x FY20E EPS).

Rating matrix		
Rating	:	Hold
Target	:	₹ 1090
Target Period	:	12 months
Potential Upside	:	7%

What's Changed?	
Target	Changed from ₹ 1045 to ₹ 1090
EPS FY19E	Changed from ₹ 74.7 to ₹ 73.0
EPS FY20E	Changed from ₹ 80.5 to ₹ 80.1
EPS FY21E	Introduced at ₹ 87.3
Rating	Unchanged

Quarterly Performance					
	Q3FY19	Q3FY18	YoY (%)	Q2FY19	QoQ (%)
Revenue	15,699	12,808	22.6	14,860	5.6
EBIT	3,086	2,509	23.0	2,965	4.1
EBIT (%)	19.7	19.6	7 bps	20.0	-30 bps
PAT	2,611	2,194	19.0	2,539	2.8

Key Financials				
₹ Crore	FY18	FY19E	FY20E	FY21E
Net Sales	50,570	60,489	66,954	72,659
EBITDA	9,987	11,916	13,190	14,314
Net Profit	8,780	9,892	10,860	11,835
EPS (₹)	62.6	73.0	80.1	87.3

Valuation summary				
	FY18	FY19E	FY20E	FY21E
P/E	16.2	13.9	12.7	11.6
Target P/E	17.4	14.9	13.6	12.5
EV / EBITDA	11.7	9.5	8.2	7.1
P/BV	3.9	3.7	3.2	2.8
RoNW (%)	23.8	26.4	25.5	24.5
RoCE (%)	27.4	31.9	31.4	30.4

Stock data	
Particular	Amount
Market Capitalization (₹ Crore)	137,478.1
Total Debt (FY18) (₹ Crore)	437.1
Cash & Equivalents (FY18) (₹ Crore)	4,051.1
EV (₹ Crore)	133,864.1
52 week H/L	1124 / 880
Equity capital	278.4
Face value	₹ 2

Price performance (%)				
	1M	3M	6M	12M
TCS	1.4	3.8	(3.7)	23.4
Infosys	11.7	13.1	8.9	28.6
Wipro	6.7	10.6	24.5	9.5
HCL Tech	0.9	(3.7)	(3.2)	0.1

Research Analyst	
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Variance analysis

	Q3FY19	Q3FY19E	Q3FY18	YoY (%)	Q2FY19	QoQ (%)	Comments
Revenue	15,699	15,445	12,808	22.6	14,860	5.6	Revenues in constant currency grew strongly by 5.6% sequentially led by IMS (10.4%) and retail & CPG, lifesciences & healthcare and telecom
Cost of sales (including employee expenses)	10,152	9,962	8,412	20.7	9,589	5.9	
Gross Margin	5,547	5,483	4,396	26.2	5,271	5.2	
Gross margin (%)	35.3	35.5	34.3	101 bps	35.5	-14 bps	
Selling & marketing costs	1,900	1,807	1,432	32.7	1,773	7.2	
EBITDA	3,647	3,676	2,964	23.0	3,498	4.3	
EBITDA Margin (%)	23.2	23.8	23.1	9 bps	23.5	-31 bps	
Depreciation	561	556	455	23.3	533	5.3	
EBIT	3,086	3,120	2,509	23.0	2,965	4.1	
EBIT Margin (%)	19.7	20.2	19.6	7 bps	20.0	-30 bps	EBIT margins missed our expectation due to partial wage hike impact (~70 bps) partially offset by rupee depreciation (+15 bps) and productivity
Other income	105	193	264	-60.2	252	-58.3	
PBT	3,191	3,312	2,773	15.1	3,217	-0.8	
Tax paid	566	729	579	-2.2	678	-16.5	
PAT	2,611	2,584	2,194	19.0	2,539	2.8	PAT was above our estimate led by led by lower tax rate (17.7% as a % of PBT vs 21.1% in Q2FY19).

Key Metrics

Closing employees	132,328	128,000	119,291	10.9	127,875	3.5
Attrition - IT Services (%)	17.8	17.0	15.2	260 bps	17.1	70 bps
Blended Utilisation (%)	86.6	86.0	85.8	80 bps	86.7	-10 bps
Average \$/₹	71.3	72.1	64.4	10.7	70.8	0.7

Source: Company, ICICI Direct Research

Change in estimates

	FY19E			FY20E			FY21E
(₹ Crore)	Old	New	% Change	Old	New	% Change	Introduced
Revenue	60,648	60,489	-0.3	66,856	66,954	0.1	72,659
EBIT	12,130	11,916	-1.8	13,371	13,190	-1.4	14,314
EBIT Margin (%)	20.0	19.7	-30 bps	20.0	19.7	-30 bps	19.7
PAT	10,131	9,892	-2.4	10,909	10,860	-0.4	11,835
EPS (₹)	74.7	73.0	-2.3	80.5	80.1	-0.5	87.3

Source: Company, ICICI Direct Research

Conference call highlights...

- **Revenue outlook** – The management expects Q4FY19 to be a healthy quarter on the back of healthy bookings and deal pipeline in 9MFY19. For FY19E, HCL Tech has maintained its revenue growth guidance of 9.5-11.5% in constant currency and expects to achieve an upper end of guidance. Of this, organic growth is expected to be ~6-6.5% while rest is inorganic component
- **Retains EBIT margin guidance**- HCL has maintained its stance of EBIT margin 19.5-20.5% band for FY19E
- **Growth driven by ER&D services**- Engineering and R&D services (25.5% of revenue) grew 5.1% QoQ and 17.4% YoY growth in CC terms. Growth is supported by acquisitions, IP partnerships and scale up in large transformational deals
- **IMS to continue growth**- IMS (37.5% of revenue), the largest contributor to revenue by service mix posted a strong growth of 10.4% QoQ and 16.5% YoY on the back of pick up in deals. The management said the business performed as per their expectations and expects to report a good next quarter
- **Financial services**- Constituting 21.6% of revenues, revenues from the vertical posted another muted show and declined 0.6% QoQ in CC terms (+0.1% QoQ in Q2FY19 and -1.4% in Q1FY19 in CC terms). The vertical continues to see softness on account of client specific headwinds in two large accounts in Europe. However, it said it sees good momentum outside certain clients in Europe and expects the vertical to see recovery in the same in 2019
- **Good deal signings**- The company signed 17 transformational deals during the quarter for another straight quarter driven by financial services, technology & services and manufacturing. The management said bookings in 9MFY19 were 40% higher than 9MFY18. Further, a qualified deal pipeline is very healthy and is at record level
- **Mode 2, 3 witness healthy growth**- Mode 2 and mode 3, which are into newer age technologies together comprised 29% of revenues and reported healthy growth. Mode 2 strong growth (13.1% QoQ in CC terms) was led by Digital & Analytics, Security, IoT and Cloud Native services. Mode 3 witnessed growth of 6.2% QoQ and launched new products. EBIT margin in Mode 2 was at 12.3% while for mode 3 it was at 23%. The management expects mode 2 to deliver better margins in FY20E
- **Acquisition of IBM products**- In December 2018, HCL signed a definitive agreement to acquire select IBM software products for \$1.8 billion. The process is expected to be completed by mid 2019. We are not incorporating this into our estimates
- **Employee update**- The employee count was at 132,328. On the attrition front, IT services attrition increased 70 bps QoQ to 17.8% (LTM). Blended utilisation (including trainees) declined 10 bps sequentially to 86.6%

Company Analysis

Exhibit 1: Geography wise break-up

	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19
<u>Revenue by geography (%)</u>						
Americas	62.4	63.5	61.6	64.5	65.8	64.4
Europe	29.1	28.7	30.0	28.1	26.8	28.2
RoW	8.5	7.9	8.5	7.5	7.4	7.3
<u>Growth QoQ (%) - Constant Currency</u>						
Americas	1.5	4.9	-0.7	5.9	4.4	2.7
Europe	4.4	1.9	3.6	-1.0	-0.9	12.9
RoW	-12.0	-3.9	8.1	-7.1	4.9	4.5

Source: Company, ICICI Direct Research

Exhibit 2: Vertical wise break-up

	% contribution to revenues Q3FY19	% contribution to revenues Q2FY19	CC Growth QoQ (%)	CC Growth YoY (%)
<u>Revenue by verticals (%)</u>				
Financial Services	21.6	23.0	-0.6	-0.6
Manufacturing	17.7	18.0	3.9	3.9
Technology & Services	18.7	18.2	7.5	7.5
Lifesciences & Healthcare	13.0	12.9	5.8	5.8
Public Services	9.7	10.7	-4.4	-4.4
Retail & CPG	10.2	10.0	8.4	8.4
Telecommunications, Media, Publishing & Entertainment	9.2	7.2	35.4	35.4

Source: Company, ICICI Direct Research

Exhibit 3: Service line wise break-up

	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19
<u>Revenue by services (%)</u>						
Application Services	35.9	35.3	34.7	34.0	33.1	32.0
Infrastructure Services	38.5	36.7	37.3	36.2	36.0	37.5
Business Services	3.6	3.7	3.9	5.2	5.4	5.0
Engineering and R&D Services	22.0	24.2	24.1	24.5	25.5	25.5
<u>Growth QoQ (%) - Constant currency</u>						
Application Services	0.0	1.6	-0.9	0.8	0.4	2.3
Infrastructure Services	-0.2	-1.2	2.5	0.6	2.5	10.4
Business Services	2.9	5.0	5.3	38.8	7.3	-3.7
Engineering and R&D Services	4.4	13.6	1.7	3.1	6.3	5.1

Source: Company, ICICI Direct Research

Growth was broad based with Europe leading followed by Americas. Growth in the US was mainly driven by lifesciences, retail & CPG, technology services

Strong growth in telecom, media was due to ramp up of large deals. Financial services continue to be weak due to client specific issues in two accounts that is expected to recover in 2019

IMS posted strong growth of 10.4% sequentially and expects to report a healthy next quarter

Exhibit 4: Client & Human resource metrics

	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19
<u>Client metrics</u>						
US\$1-5 million	277	291	297	304	306	321
US\$10-20 million	73	71	73	75	75	69
US\$50-100 million	16	16	20	23	22	19
US\$100 million+	9	9	8	9	9	10

Headcount, Utilization & Attrition

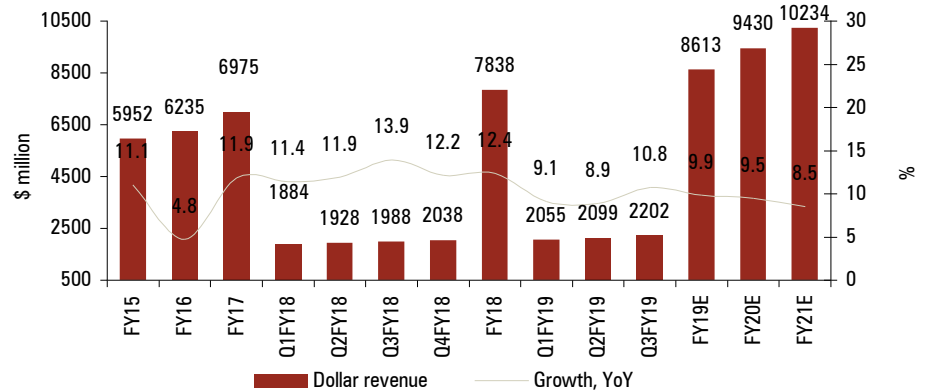
Total Employees	119,040	119,291	120,081	124,121	127,875	132,328
Blended Utilization (In- trainees)	86.0	85.8	85.9	85.5	86.7	86.6
Attrition - IT Services (LTM)	15.7	15.2	15.5	16.3	17.1	17.8

Source: Company, ICICI Direct Research

One client was added in US\$100 million+ category.
Attrition (LTM) in IT services increased 70 bps QoQ to 17.8%

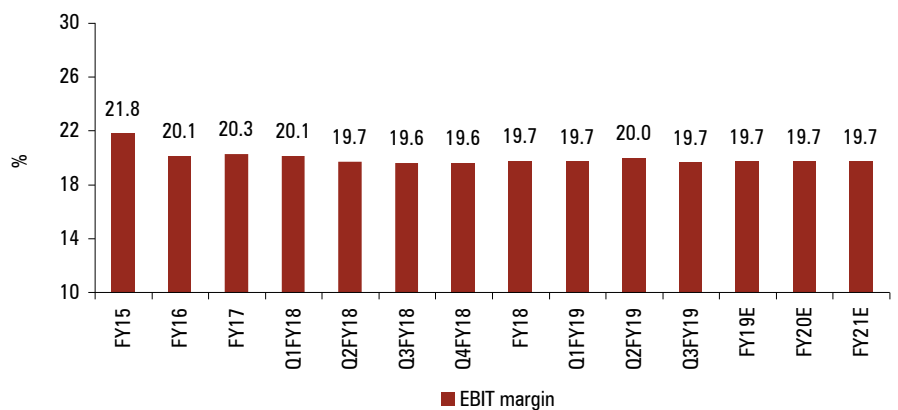
Financial story in charts

Exhibit 5: Dollar revenues may grow at 9.0% CAGR during FY19E-21E



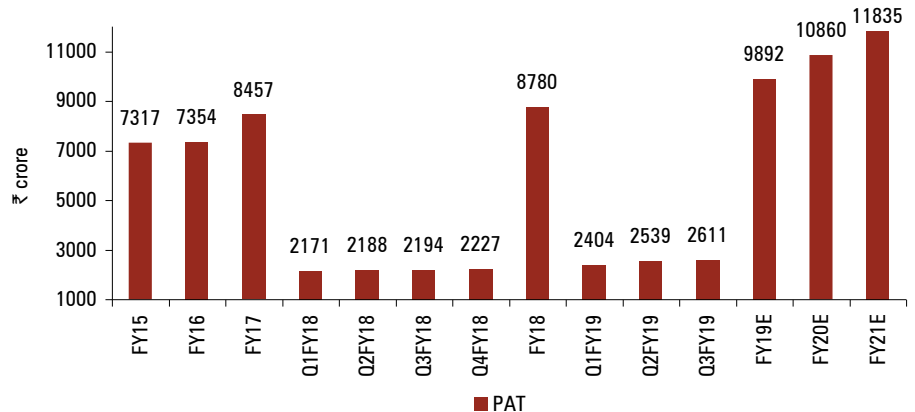
Source: Company, ICICI Direct Research

Exhibit 6: EBIT margins miss estimates



Source: Company, ICICI Direct Research

Exhibit 7: PAT trend



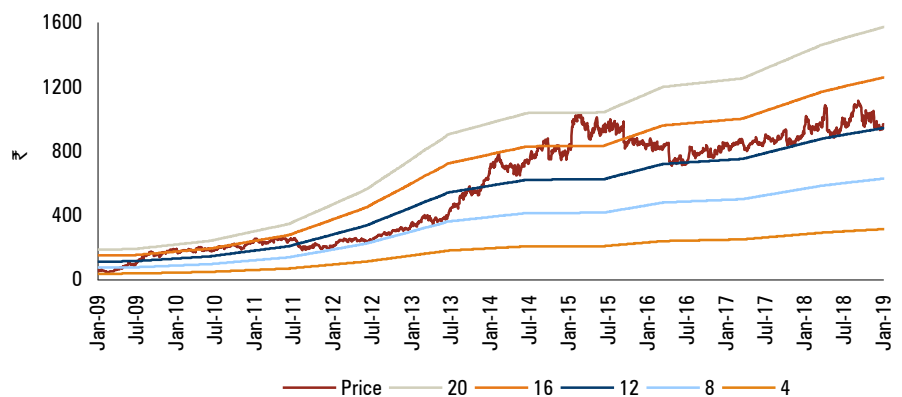
Source: Company, ICICI Direct Research

Outlook and valuation

HCL Tech reported a strong Q3FY19 on the revenue front with constant currency growth of 5.6% sequentially (vs. our estimate of 2.7%). Margins were below our estimates on account of increased costs. For FY19E, HCL Tech has retained its revenue guidance of 9.5-11.5% in constant currency and expects to achieve its upper end of guidance. Even on the margin front, the management has maintained its EBIT margin guidance at 19.5-20.5%.

HCL Tech's strong execution led to better than estimated revenue growth in the quarter. Further, optimistic outlook on IMS, BFSI revival and deal signings for FY20E enhances revenue visibility. However, sustainability of growth in IMS and margin trajectory in the wake of increased investments needs to be watched. Hence, we maintain our **HOLD** recommendation on the stock with a revised target price of ₹ 1090 (~12x FY20E EPS).

Exhibit 8: One year forward rolling PE



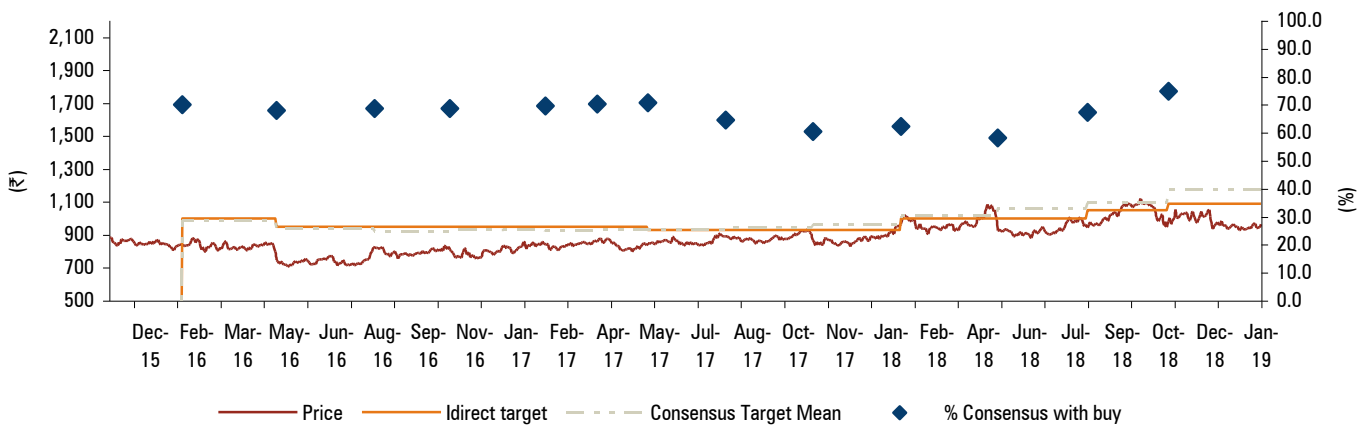
Source: Company, ICICI Direct Research

Exhibit 9: Valuation

	Sales (₹ cr)	Growth (%)	EPS (₹)	Growth (%)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY17	46,723	14.2	60.0	15.2	16.9	13.1	25.3	29.0
FY18	50,570	8.2	62.6	4.3	16.2	11.7	23.8	27.4
FY19E	60,489	19.6	73.0	16.5	13.9	9.5	26.4	31.9
FY20E	66,954	10.7	80.1	9.8	12.7	8.2	25.5	31.4
FY21E	72,659	8.5	87.3	9.0	11.6	7.1	24.5	30.4

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
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
Jun-18	HCL Tech signs an end-to-end IT infrastructure services deal with Falck, an international leader in the ambulance and healthcare markets. Through this deal, HCL would support Falck's business transformation by consolidating, simplifying and standardizing Falck's IT infrastructure operations
Sep-18	HCL Tech has announced the appointment of Prateek Aggarwal as its new Chief Financial Officer. Mr Aggarwal will take over from October 1, 2018 from Anil Chanana, who would retire from the company on December 31, 2018
Oct-18	According to media sources, HCL Tech would invest ₹ 750 crore to set up two facilities in Andhra Pradesh and would create 7,500 jobs in 10 years. The operation would set up in two phases wherein, in the first phase HCL would invest ₹ 400 crore to build an R&D centre for ~4000 professionals. While, the second phase would incur an investment of ₹ 350 crore and would include about 3,500 IT professionals

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.	7-Nov-18	42.9%	581.9	0.6
2	HCL Holdings Pvt. Ltd.	9-Oct-18	16.5%	223.3	-10.6
3	Artisan Partners Limited Partnership	30-Sep-18	1.5%	20.2	0.0
4	The Vanguard Group, Inc.	31-Dec-18	1.4%	19.2	0.2
5	BlackRock Institutional Trust Company, N.A.	31-Dec-18	1.4%	19.1	0.2
6	ICICI Prudential Asset Management Co. Ltd.	30-Sep-18	1.4%	18.6	3.4
7	Life Insurance Corporation of India	30-Sep-18	1.4%	18.5	0.0
8	Vontobel Asset Management, Inc.	30-Nov-18	1.3%	17.0	0.1
9	SBI Funds Management Pvt. Ltd.	31-Dec-18	1.0%	14.1	0.8
10	Aditya Birla Sun Life AMC Limited	31-Dec-18	0.8%	10.6	-0.7

Source: Reuters, ICICI Direct Research

Shareholding Pattern

(in %)	Jun-18	Sep-18	Dec-18
Promoter	60.17	60.17	60.00
Public	39.83	39.83	40.00
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
ICICI Prudential Asset Management Co. Ltd.	51.51m	3.44m	HCL Holdings Pvt. Ltd.	-150.69m	-10.56m
L&T Investment Management Limited	12.33m	0.85m	Franklin Advisers, Inc.	-24.22m	-1.62m
SBI Funds Management Pvt. Ltd.	10.54m	0.76m	DSP Investment Managers Pvt. Ltd.	-21.77m	-1.57m
Vamasundari Investments (Delhi) Pvt. Ltd.	8.47m	0.58m	Somerset Capital Management, L.L.P.	-14.16m	-0.97m
UTI Asset Management Co. Ltd.	7.66m	0.55m	Kotak Mahindra Asset Management Company Ltd.	-10.85m	-0.78m

Source: Reuters, ICICI Direct Research

Financial summary

Profit and loss statement					₹ Crore			
	FY18	FY19E	FY20E	FY21E				
Total operating Income	50,570	60,489	66,954	72,659				
Growth (%)	8.2	19.6	10.7	8.5				
Direct costs	33,237	39,136	43,319	47,010				
S,G&A expenses	5,894	7,259	8,034	8,719				
Total Operating Expenditure	39,131	46,395	51,354	55,730				
EBITDA	11,440	14,094	15,600	16,930				
Growth (%)	11.0	23.2	10.7	8.5				
Depreciation	1,453	2,178	2,410	2,616				
Amortisation	-	-	-	-				
Other Income	570	607	733	860				
PBT	10,557	12,524	13,923	15,173				
Forex adjustments	-	-	-	-				
Total Tax	2,316	2,790	3,063	3,338				
PAT	8,780	9,892	10,860	11,835				
Growth (%)	3.8	12.7	9.8	9.0				
EPS (₹)	62.6	73.0	80.1	87.3				
Growth (%)	4.3	16.5	9.8	9.0				

Source: Company, ICICI Direct Research

Balance sheet					₹ Crore			
	FY18	FY19E	FY20E	FY21E				
Liabilities								
Equity Capital	278	271	271	271				
Reserve and Surplus	36,538	37,229	42,372	47,976				
Total Shareholders funds	36,817	37,501	42,643	48,247				
Total Debt	437	437	437	437				
Other liabilities + Provisions	1,267	1,267	1,267	1,267				
Minority Interest / Others	-	-	-	-				
Total Liabilities	38,521	39,205	44,347	49,951				
Assets								
Net Block + CWIP	5,185	4,519	3,783	1,167				
Intangible assets	14,406	14,406	14,406	14,406				
Investments	6,249	6,249	6,249	6,249				
Liquid investments	2,357	2,357	2,357	2,357				
Inventory	-	-	-	-				
Debtors	12,258	14,517	16,069	17,438				
Loans and Advances	-	-	-	-				
Other Current Assets	2,520	3,014	3,336	3,620				
Cash	1,694	2,234	7,506	15,191				
Total Current Assets	18,828	22,122	29,268	38,607				
Total Current Liabilities	9,914	11,859	13,126	14,245				
Net Current Assets	8,914	10,263	16,142	24,362				
Other non current assets	3,768	3,768	3,768	3,768				
Application of Funds	38,521	39,205	44,347	49,951				

Source: Company, ICICI Direct Research

Cash flow statement					₹ Crore			
	FY18	FY19E	FY20E	FY21E				
PBT	10,557	12,524	13,923	15,173				
Depreciation & Amortisation	1,453	2,178	2,410	2,616				
(Inc)/dec in Current Assets	(992)	(2,754)	(1,874)	(1,654)				
Inc/(dec) in CL and Provisions	(1,233)	1,945	1,267	1,119				
Taxes paid	(2,316)	(2,790)	(3,063)	(3,338)				
CF from operating activities	7,440	10,652	11,931	13,056				
(Inc)/dec in Investments	570	607	733	860				
(Inc)/dec in Fixed Assets	(1,264)	(1,512)	(1,674)	-				
CF from investing activities	(694)	(905)	(941)	860				
Issue/(Buy back) of Equity	(3,500)	(4,000)	-	-				
Inc/(dec) in loan funds	-	-	-	-				
Dividend paid & dividend tax	(1,955)	(5,208)	(5,718)	(6,231)				
Inc/(dec) in debentures	-	-	-	-				
Others	-	-	-	-				
CF from financing activities	(5,455)	(9,208)	(5,718)	(6,231)				
Net Cash flow	1,291	540	5,272	7,685				
Exchange difference	-	-	-	-				
Opening Cash	1,317	1,694	2,234	7,506				
Bank bal + unclaimed dvd.	-	-	-	-				
Cash c/f to balance sheet	1,694	2,234	7,506	15,191				

Source: Company, ICICI Direct Research

Key ratios								
	FY18	FY19E	FY20E	FY21E				
Per share data (₹)								
EPS	62.6	73.0	80.1	87.3				
Cash EPS	73.0	89.0	97.9	106.6				
BV	262.5	276.6	314.5	355.9				
DPS	12.0	38.4	42.2	46.0				
Cash Per Share	12.1	16.5	55.4	112.0				
Operating Ratios (%)								
EBIT Margin	19.7	19.7	19.7	19.7				
PBT Margin	20.9	20.7	20.8	20.9				
PAT Margin	17.4	16.4	16.2	16.3				
Debtor days	88	88	88	88				
Return Ratios (%)								
RoE	23.8	26.4	25.5	24.5				
RoCE	27.4	31.9	31.4	30.4				
RoIC	29.0	34.4	38.2	44.2				
Valuation Ratios (x)								
P/E	16.2	13.9	12.7	11.6				
EV / EBITDA	11.7	9.5	8.2	7.1				
EV / Net Sales	2.6	2.2	1.9	1.7				
Market Cap / Sales	2.7	2.3	2.1	1.9				
Price to Book Value	3.9	3.7	3.2	2.8				
Solvency Ratios								
Debt/EBITDA	0.0	0.0	0.0	0.0				
Debt/EBITDA	0.0	0.0	0.0	0.0				
Current Ratio	1.5	1.5	1.5	1.5				
Quick Ratio	1.5	1.5	1.5	1.5				

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)	608	675	Buy	6,857	36.0	39.1	44.1	16.9	15.6	13.8	10.9	8.5	7.7	21.4	20.6	21.2	17.3	16.9	17.2
Eclerx (ECLSER)	1,034	1,010	Hold	4,477	72.9	71.1	78.0	14.9	15.3	13.9	10.6	10.7	9.1	28.2	27.9	28.1	24.1	20.5	20.6
Firstsource (FIRSOU)	47	75	Buy	3,438	4.8	5.2	5.8	10.3	9.5	8.5	8.7	7.3	6.4	13.0	14.9	16.5	13.9	13.7	14.1
HCL Tech (HCLTEC)	1,014	1,090	Hold	137,478	62.6	73.0	80.1	11.7	9.5	8.2	2.6	2.2	1.9	29.0	34.4	38.2	27.4	31.9	31.4
Infosys (INFTEC)	725	780	Buy	304,473	32.3	35.0	40.7	21.7	20.0	17.2	14.6	13.1	11.5	30.9	29.9	31.1	22.5	21.3	23.0
MindTree (MINCON)	902	930	Hold	14,475	34.3	45.0	51.5	25.1	19.2	16.7	18.5	12.5	10.7	24.9	29.4	29.6	20.8	23.4	23.3
NIIT Technologies (NIITEC)	1,280	1,415	Buy	7,705	45.6	67.8	76.3	27.8	18.7	16.6	13.8	10.3	8.6	19.4	24.8	24.6	15.8	20.5	20.2
Persistent (PSYS)	600	630	Hold	4,615	40.5	45.3	49.8	14.3	12.7	11.6	8.1	5.9	5.3	19.8	20.8	20.4	15.2	15.2	15.0
TCS (TCS)	1,970	1,750	Hold	690,701	67.4	83.0	87.9	27.2	22.1	20.9	19.9	16.2	14.6	37.6	44.0	41.7	29.6	34.3	32.4
Tech Mahindra (TECMAH)	717	820	Buy	68,494	42.7	48.5	54.4	16.3	14.4	12.8	13.5	9.3	7.8	21.5	22.1	21.2	20.2	19.7	18.3
Wipro (WIPRO)	362	375	Buy	152,220	16.8	19.9	22.8	20.1	17.0	14.8	13.0	10.9	9.5	16.9	17.5	18.2	16.6	16.9	17.5

Company, ICICI Direct Research

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