

Rating matrix		
Rating	:	Buy
Target	:	₹ 900
Target Period	:	12 months
Potential Upside	:	12%

What's changed?	
Target	Changed from ₹ 820 to ₹ 900
EPS FY19E	Changed from ₹ 48.5 to ₹ 48.0
EPS FY20E	Changed from ₹ 54.4 to ₹ 55.3
EPS FY21E	Introduced at ₹ 62.1
Rating	Unchanged

Quarterly performance					
	Q3FY19	Q3FY18	YoY (%)	Q2FY19	QoQ (%)
Revenue	8,944	7,776	15.0	8,630	3.6
EBITDA	1,723	1,264	36.3	1,619	6.4
EBITDA (%)	19.3	16.3	302 bps	18.8	58 bps
PAT	1,203	942	27.7	1,064	13.0

Key financials				
₹ Crore	FY18	FY19E	FY20E	FY21E
Net Sales	30,773	35,034	38,396	41,661
EBITDA	4,710	6,446	7,180	7,916
Net Profit	3,800	4,255	4,906	5,510
EPS (₹)	42.8	48.0	55.3	62.1

Valuation summary				
	FY18	FY19E	FY20E	FY21E
P/E	18.8	16.7	14.5	12.9
Target P/E	21.0	18.8	16.3	14.5
EV / EBITDA	14.1	9.8	8.3	7.0
P/BV	3.8	3.3	2.8	2.5
RoNW (%)	20.2	19.5	19.5	19.0
RoCE (%)	21.5	22.0	22.4	22.2

Stock data	
Particular	Amount
Market Capitalization (₹ Crore)	71,252.7
Total Debt (₹ Crore)	1,726.0
Cash and Investments (₹ Crore)	6,489.2
EV (₹ Crore)	66,489.5
52 week H/L	805 / 564
Equity capital	441.7
Face value	₹ 5

Price performance				
	1M	3M	6M	12M
TechMahindra	8.6	7.6	10.0	22.6
MindTree	8.4	8.3	(4.6)	18.1
KPIT Tech	(11.7)	(16.1)	(38.6)	(12.5)
NIIT Tech	16.4	9.3	6.8	56.8

Research Analysts	
Devang Bhatt	devang.bhatt@icicisecurities.com
Deepti Tayal	deepti.tayal@icicisecurities.com

Tech Mahindra (TECMAH)

₹ 803

Healthy performance on all fronts...

- Tech Mahindra (TechM) reported a healthy performance on all fronts in Q3FY19 with 4.3% constant currency revenue growth (vs. our estimate of 3%) and 50 bps margin expansion to 19.3%
- US\$ revenues grew 3.5% QoQ to \$1261 million (vs. our estimate \$1248.2 million) mainly led by growth in telecom (2.5% QoQ), manufacturing (5.6% QoQ) and BFSI (2.7% QoQ)
- On the margin front, the EBITDA margin increased 50 bps QoQ to 19.3% led by 6.2% QoQ decline in SG&A expenses and benefit of increase in utilisation (+40 bps impact) partly offset by a change in onsite-offshore revenue mix and transition costs in deals
- Reported PAT increased 13% QoQ to ₹ 1,203 crore (above our estimate ₹ 1,121 crore) led by better performance at operating level and lower tax rate (17.8% as a % of PBT vs 26.8% in Q2FY19)

Communication outlook & deal wins enhance revenue visibility for FY20E

TechM reported a broad based performance with growth across verticals of communication and enterprise segment including healthcare that was weak last quarter. Communication (41.1% of revenue) grew 2.5% QoQ while enterprise (58.9% of revenue) growth of 4.2% was driven by manufacturing, BFSI and retail. Deal wins were healthy with TCV of \$440 million in the quarter with \$240 million in communication segment and rest in enterprise segment. Taking into consideration strong deal wins in 9MFY19 (~US\$1.2bn) accompanied by continued momentum in communication, we believe communication will report mid single digit growth in FY20E. Additionally, 5G opportunity would be an enhanced revenue booster possibly to payout in FY21E. On the enterprise segment side, we expect it to grow at 9% CAGR in FY19E-21E. Consequently, we expect revenues to grow at 8.3% CAGR to \$5,868 million in FY19E-21E.

Margin to witness improved trajectory through FY19-21E

EBITDA margins came in at a multi-quarter high at 19.3% (post 20.2% in Q3FY15) on the back of optimisation of SG&A expenses (13.8% as a percentage of revenue in Q3FY19 vs. average of 14.6% in last four quarters) and benefit of increase in utilisation (rose 100 bps to 82%). The management said it would be comfortable in keeping SG&A as proportion of revenues in range of 14-14.5% though it may see quarterly volatility. Further, incremental contribution from high margin digital segment (now 33% of revenues) and healthy growth in the same (10% QoQ) would bode well for margins. However, transition costs in large deals and measures to curb attrition (21%) could keep margins in check. Hence, we have built a conservative improvement in EBITDA margins by 60 bps to 19.0% over FY19E-21E. Cost rationalisation in acquired companies could give further boost to margins.

Improving profitability, attractive valuation; maintain BUY

Broad based revenue growth, margin expansion and healthy deal wins led to a strong quarter. Further, forward commentary of continued momentum in communication, strong TCV, digital growth and margin trajectory bodes well for profitability. Also, currently the stock is available at attractive valuation of 13x FY21EPS. Hence, we maintain our **BUY** rating on the stock with a revised target price of ₹ 900 (~15x FY21E EPS).

Variance analysis

	Q3FY19	Q3FY19E	Q3FY18	YoY (%)	Q2FY19	QoQ (%)	Comments
Revenue	8,943.7	8,995.8	7,776.0	15.0	8,629.8	3.6	Revenues came in above our expectations on the back of an improved performance in the enterprise segment
Employee expenses	5,984.5	5,937.2	5,380.7	11.2	5,692.3	5.1	
Gross Margin	2,959.2	3,058.6	2,395.3	23.5	2,937.5	0.7	
Gross margin (%)	33.1	34.0	30.8	228 bps	34.0	-95 bps	
SG&A expenses	1,236.6	1,340.4	1,131.5	9.3	1,318.9	-6.2	
EBITDA	1,722.6	1,718.2	1,263.8	36.3	1,618.6	6.4	
EBITDA Margin (%)	19.3	19.1	16.3	302 bps	18.8	58 bps	EBITDA margins beat our expectations led by SG&A optimisation and operational efficiency in terms of increasing utilisation
Depreciation & amortisation	283.6	305.9	274.2	3.4	294.4	-3.7	
EBIT	1,439.0	1,412.3	989.6	45.4	1,324.2	8.7	
EBIT Margin (%)	16.1	15.7	12.7	336 bps	15.3	75 bps	
Other income (less interest)	44.8	89.5	191.0	-76.5	136.3	-67.1	
PBT	1,483.8	1,501.8	1,180.6	25.7	1,460.5	1.6	
Tax paid	263.8	375.5	257.0	2.6	391.4	-32.6	
PAT	1,202.9	1,121.5	942.3	27.7	1,064.2	13.0	PAT was better than our expectations on account of a better margin performance and lower tax rate

Key Metrics

Closing employees	118,391	115,000	117,225	1.0	113,552	4.3	
IT attrition (%)	20.0	18.5	16.0	400 bps	19.0	100 bps	High attrition is a concern, taking steps to control it
Utilisation ex trainees (%)	83.0	84.0	81.0	200 bps	84.0	-100 bps	

Source: Company, ICICI Direct Research

Change in estimates

(₹ Crore)	Old	FY19E New	% Change	Old	FY20E New	% Change	FY21E Introduced	Comments
Revenue	35,618	35,034	-1.6	38,669	38,396	-0.7	41,661	Change in FY20E revenue estimate due to change in exchange rate assumption
EBITDA	6,518	6,446	-1.1	7,154	7,180	0.4	7,916	
EBITDA Margin (%)	18.3	18.4	10 bps	18.5	18.7	20 bps	19.0	We revise our margin estimate upwards to factor in quarter performance, outlook and improved business mix
PAT	4,307	4,255	-1.2	4,825	4,906	1.7	5,510	
EPS (₹)	48.5	48.0	-1.2	54.4	55.3	1.6	62.1	

Source: Company, ICICI Direct Research

Conference Call Highlights...

- **Deal wins:** The company has won \$440 million large deal wins with \$240 million in the communication segment and \$200 million in enterprise segment
- **Segment outlook:** The company expects the communication segment to continue its growth momentum led by signing of large deals. In manufacturing, factory of the future and smart workforce is in light while in banking, healthcare and retail, analytics has been in strong focus
- **Growth revival in 'Others' segment:** Indicated segment reported growth of 4.4% sequentially on top of 16.8% decline in the prior quarter. Growth was on account of strong seasonality in Comviva, ramp up of deals in communication in APAC region and recovery in healthcare vertical. Healthcare witnessed growth in the quarter due to a revival in HCI revenues and signing of new deals. Last quarter, the company reported a \$40 million dip in HCI revenues mainly due to completion of implementation phase for three to four hospitals
- **Digital business:** Digital business now forms ~33% of revenues and grew ~10% QoQ
- **Acquisition:** Tech Mahindra has acquired Dynacommerce Holding BV, an IT company of Netherlands. Dynacommerce Holding is engaged in the business of providing software platforms and services to telecommunication clients. The initial consideration for the acquisition of shares is €4.4 million (₹ 36 crore) (additional contingent payments to be made over five years) and payment of €11.5 million (₹ 94 crore) to be done to settle the debts of the acquired company. The acquisition expected to close in Feb 2019 would enhance TechM's capabilities in the customer experience layer
- **Tax rate:** Effective tax rate in Q3FY19 was lower at 17.8% (vs. 26.8% in Q2FY19) due to tax reversals. Normalised tax rate for the quarter was 24.5%
- **Employee Update:** Employee headcount was at 121,842 at the end of Q3FY19 with net addition of 9035 employees in 9MFY19 (vs. net reduction of 4886). The number of employees in software professionals declined by 749 sequentially to 71,785 and is remaining more or less in the same range. In contrast, employees in the BPS business continue to rise for a third consecutive quarter as the company added ~4000 employees in the quarter to take the count to 43,439. Utilisation (excluding trainees) remained flat sequentially at 83% while attrition (LTM) increased 100 bps to 21%. The management said it is taking steps to curb attrition
- **DSO and cash position:** DSO days were at 107 days, down from 112 in Q2FY19. Cash & cash equivalent for Q3FY19 were at ₹ 8734 crore

Company Analysis

Exhibit 1: Geography-wise break up

	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19
<u>Revenue by geography (%)</u>						
Americas	45.3	46.9	47.4	48.2	47.0	47.4
Europe	30.0	29.8	29.6	30.0	29.6	28.9
Rest of World	24.7	23.3	23.0	21.9	23.4	23.7
<u>Growth QoQ (%)</u>						
Americas	0.3	6.2	4.0	0.0	-3.0	4.4
Europe	4.3	1.9	2.2	-0.3	-1.8	1.0
Rest of World	9.4	-3.3	1.6	-6.3	6.3	4.8

Source: Company, ICICI Direct Research

Exhibit 2: Vertical wise break-up

	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19
<u>Revenue by verticals (%)</u>						
Telecom	43.7	42.8	41.6	39.6	41.5	41.1
Manufacturing	19.0	19.1	19.3	20.1	20.1	20.5
Technology, media & entertainment	5.9	6.5	7.3	7.2	7.3	7.0
Banking, financial services & insurance	14.1	13.3	13.0	13.6	13.5	13.4
Retail, transport & logistics	7.2	7.1	6.2	6.1	6.5	6.7
Others	9.9	11.3	12.6	13.4	11.2	11.3
<u>Growth QoQ (%)</u>						
Telecom	0.2	0.4	0.0	-6.4	4.3	2.5
Manufacturing	2.0	3.1	4.0	2.5	-0.5	5.6
Technology, media & entertainment	1.9	13.0	15.6	-3.0	0.9	-0.8
Banking, financial services & insurance	1.5	-3.3	0.6	2.9	-1.2	2.7
Retail, transport & logistics	9.7	1.1	-10.1	-3.2	6.0	6.7
Others	23.6	17.0	14.8	4.6	-16.8	4.4

Source: Company, ICICI Direct Research

Exhibit 3: Client and human resource metrics

	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19
<u>Client Metrics</u>						
≥ \$1 million clients	390	389	392	396	407	416
≥ \$5 million clients	147	154	156	154	157	157
≥ \$10 million clients	81	83	85	86	86	88
≥ \$20 million clients	40	40	44	47	45	46
≥ \$50 million clients	14	16	16	16	17	18

Headcount, Attrition, Utilization

Total Employees	117225	115241	112807	113552	118391	121842
IT Attrition (LTM)	16.0	17.0	18.0	19.0	20.0	21.0
IT Utilization % (Excluding Trainees)	81.0	83.0	84.0	84.0	83.0	83.0

Source: Company, ICICI Direct Research

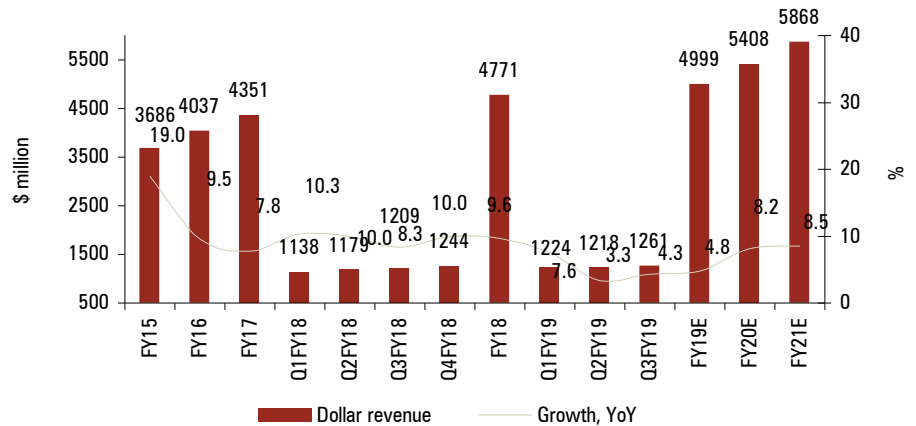
With strong deals wins, we anticipate telecom business will witness mid-single digit growth in FY20E

Strong seasonality in Comviva, ramp up of deals in communication in APAC region and recovery in healthcare vertical led to growth in others segment

The company added one new client in \$50 million plus category and nine in \$1 million plus category

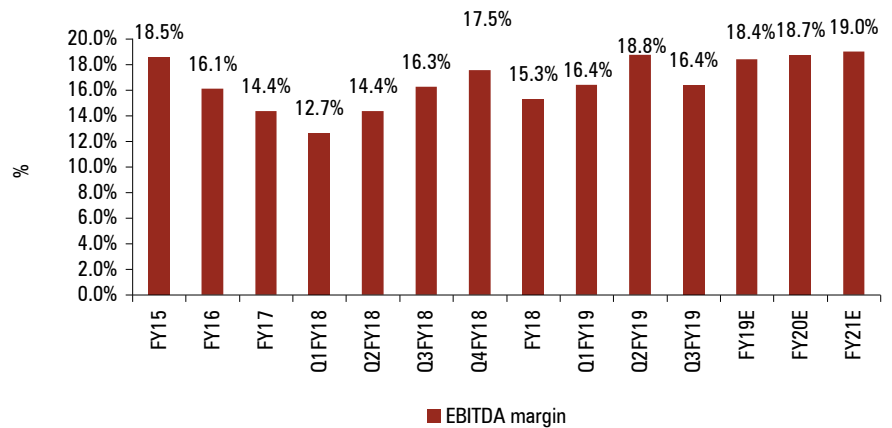
Financial Story in Charts...

Exhibit 4: Dollar revenue may grow at 8.3% CAGR in FY19E-21E



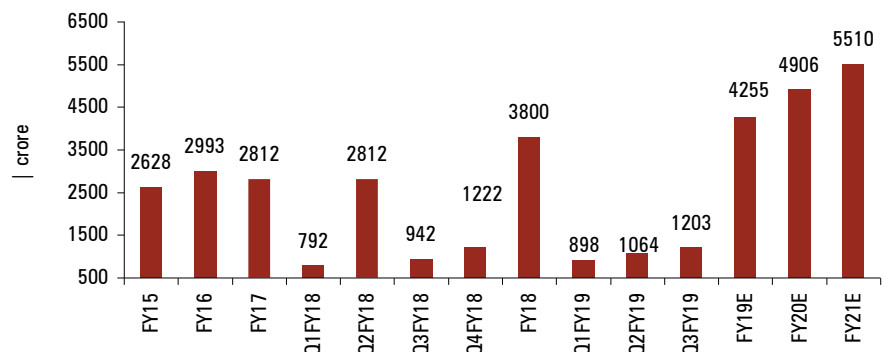
Source: Company, ICICI Direct Research

Exhibit 5: EBITDA margins to see an improving trajectory



Source: Company, ICICI Direct Research

Exhibit 6: PAT trend

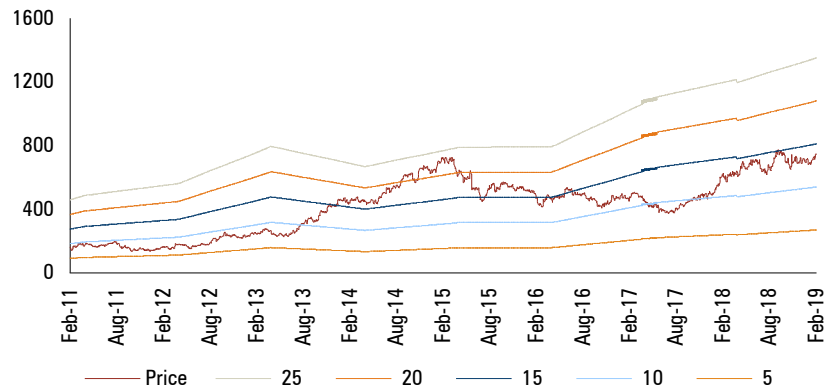


Source: Company, ICICI Direct Research

Outlook and valuation

Broad based revenue growth, margin expansion and healthy deal wins led to a strong quarter. Further, forward commentary of continued momentum in communication, strong TCV, digital growth and margin trajectory bodes well for profitability. Also, currently the stock is available at attractive valuation of 13x FY21EPS. Hence, we maintain our **BUY** rating on the stock with a revised target price of ₹ 900 (~15x FY21E EPS).

Exhibit 7: One year forward rolling PE



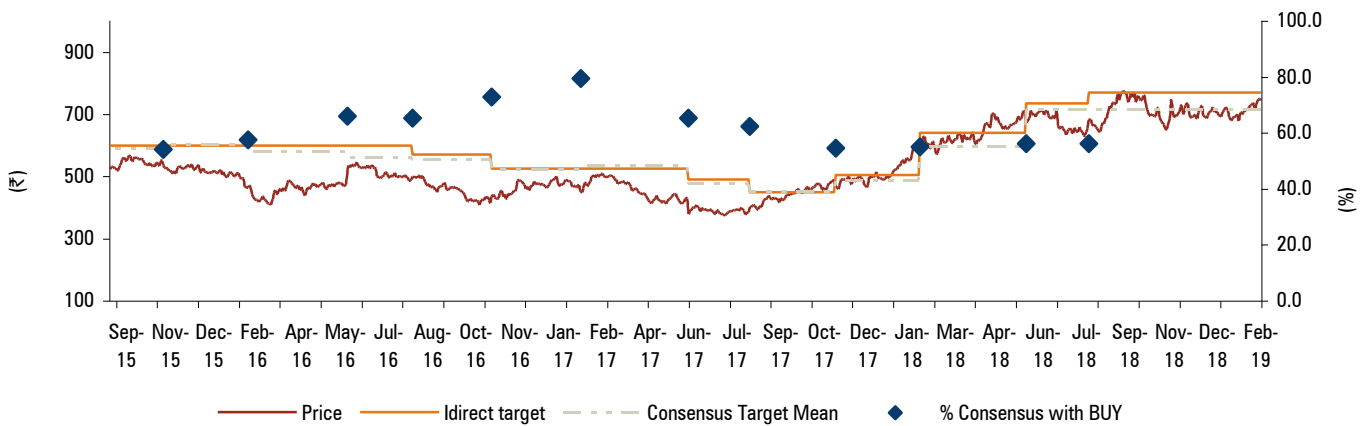
Source: Company, ICICI Direct Research

Exhibit 8: Valuations

	Sales (₹ cr)	Growth (%)	EPS (₹)	Growth (%)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY17	29,140	10.0	31.7	0.1	25.3	16.0	17.1	19.4
FY18	30,773	5.6	42.8	35.1	18.8	14.1	20.2	21.5
FY19E	35,034	13.8	48.0	12.0	16.7	9.8	19.5	22.0
FY20E	38,396	9.6	55.3	15.3	14.5	8.3	19.5	22.4
FY21E	41,661	8.5	62.1	12.3	12.9	7.0	19.0	22.2

Source: Company, ICICI Direct Research

Recommendation History vs. Consensus



Source: Bloomberg, Company, ICICI Direct Research

Key events

Date	Event
Oct-17	Tech Mahindra files three cases against Reliance Communications and two of its subsidiaries in NCLT under the Insolvency and Bankruptcy Code. Reliance
Nov-17	telecom company would pay. TechM had filed three cases against Reliance
Feb-18	According to media sources, Tech Mahindra would invest CAD100 million (~₹ 510 crore) over five years to set up a center of excellence in artificial intelligence (AI)
Apr-18	According to media sources, TechM partners with Silicon Valley-based data breach avoidance platform provider, Balbix, to introduce the artificial intelligence (AI)-powered Cyber risk platform. The platform could predict and proactively avoid cyber-breaches by continuously monitoring IT inventories for hundreds of breach risk factors and take appropriate mitigating steps
Aug-18	Tech Mahindra to acquire Czech Republic-based engineering services firm Inter-Informatics for €5.4 million (~ ₹ 8 crore) through a wholly-owned subsidiary Mahindra
Oct-18	Tech Mahindra wins a ₹ 350 crore enterprise business deal from five major government owned ports. The project implementation and stabilisation period is 20 months and operations and maintenance support is for five years
Oct-18	According to media sources, Tech Mahindra expects its cyber security business to grow in the range of 30-40%, for the next three years. Globally, the cyber security business opportunity is likely to grow to \$96 billion in next four years from around \$20 billion annual opportunity at present
Nov-18	According to media sources, Tech Mahindra has bagged ₹ 270 crore project from Coal India to deploy modern technologies in the company. The project that spans over five years would be done in phases and also includes supply and implementation of Hospital Information Management System
Nov-18	According to media sources, Tech Mahindra has rejigged key leadership in India to accelerate its digital transformation. The leadership changes will be effective from January 1, 2019. Jagdish Mitra, currently the Chief Strategy & Marketing Officer, will take Enterprise Business; Manoj Chugh, currently the Enterprise Business Head, will take over as President, Corporate Affairs at Mahindra & Mahindra Group. Sanjeev Nikore, currently leading Strategic Initiatives, will now become Head of Marketing at Tech Mahindra

Source: Company, ICICI Direct Research

Top 10 Shareholders

Rank	Name	Latest Filing Date	% O/S	Position (m)	Change (m)
1	Mahindra Group	31-Dec-18	26.1%	256.2	0.0
2	TML Benefit Trust	31-Dec-18	9.8%	96.0	0.0
3	Stewart Investors	31-Dec-18	4.6%	45.3	0.0
4	Aditya Birla Sun Life AMC Limited	31-Dec-18	2.0%	19.8	0.5
5	ICICI Prudential Asset Management Co. Ltd.	31-Dec-18	2.0%	19.2	-0.1
6	The Vanguard Group, Inc.	31-Dec-18	1.7%	16.5	0.0
7	BlackRock Institutional Trust Company, N.A.	31-Jan-19	1.7%	16.3	0.1
8	Norges Bank Investment Management (NBIM)	31-Dec-18	1.5%	14.6	-2.3
9	Life Insurance Corporation of India	30-Sep-18	1.3%	13.0	-23.9
10	LIC Mutual Fund Asset Management Company Ltd.	31-Dec-18	1.3%	12.9	12.6

Shareholding Pattern

(in %)	Jun-18	Sep-18	Dec-18
Promoter	35.98	35.96	35.94
Public	63.98	64.00	64.02
Others	0.04	0.04	0.04
Total	100.00	100.00	100.00

Source: Reuters, ICICI Direct Research

Recent Activity

Buys			Sells		
Investor name	Value (\$m)	Shares	Investor name	Value (\$m)	Shares
LIC Mutual Fund Asset Management Company Ltd.	131.33m	12.63m	Yargop (Ulhas Narayan)	-1,032.83m	-95.76m
Invest AD	101.42m	9.87m	Life Insurance Corporation of India	-245.98m	-23.94m
Principal Global Investors (Equity)	11.50m	1.11m	Capital World Investors	-31.25m	-3.04m
Aberdeen Standard Investments (Edinburgh)	10.54m	1.01m	Norges Bank Investment Management (NBIM)	-23.57m	-2.27m
JM Financial Asset Management Pvt. Ltd.	10.46m	1.01m	Brandes Investment Partners, L.P.	-17.33m	-1.69m

Source: Reuters, ICICI Direct Research

Financial summary

Profit and loss statement					₹ Crore
	FY18	FY19E	FY20E	FY21E	
Net sales	30,773	35,034	38,396	41,661	
Growth (%)	6	14	10	9	
COGS (employee expenses)	21,530	23,578	25,840	27,913	
Gross profit	9,243	11,456	12,555	13,748	
S,G&A expenses	4,533	5,010	5,375	5,833	
Total Operating Expenditure	26,063	28,588	31,216	33,746	
EBITDA	4,710	6,446	7,180	7,916	
Growth (%)	13	37	11	10	
Depreciation	1,085	1,156	1,267	1,375	
Interest	162	146	132	118	
Other Income	1,417	531	761	926	
PBT	4,879	5,675	6,542	7,348	
Total Tax	1,093	1,419	1,636	1,837	
Exceptional item	-	-	-	-	
PAT	3,800	4,255	4,906	5,510	
Growth (%)	35	12	15	12	
EPS (₹)	42.8	48.0	55.3	62.1	

Source: Company, ICICI Direct Research

Cash flow statement					₹ Crore
(Year-end March)	FY18	FY19E	FY20E	FY21E	
Profit before Tax	4,879	5,675	6,542	7,348	
Add: Depreciation	1,085	1,156	1,267	1,375	
(Inc)/dec in Current Assets	(1,044)	(923)	(728)	(708)	
Inc/(dec) in CL and Provisions	261	964	760	739	
Taxes paid	(1,526)	(1,419)	(1,636)	(1,837)	
CF from operating activities	3,554	6,143	7,099	7,961	
(Inc)/dec in Investments	(2,070)	(1,000)	(1,000)	(1,000)	
(Inc)/dec in Fixed Assets	(790)	(924)	(1,012)	(1,098)	
Others	125	(544)	(761)	(926)	
CF from investing activities	(3,360)	(2,467)	(2,773)	(3,024)	
Issue/(Buy back) of Equity	86	-	-	-	
Inc/(dec) in loan funds	749	-	-	-	
Dividend paid & dividend tax	(944)	(1,319)	(1,521)	(1,708)	
Inc/(dec) in debentures	-	-	-	-	
Finance charges	(160)	(146)	(132)	(118)	
CF from financing activities	(269)	(1,465)	(1,652)	(1,827)	
Net Cash flow	(76)	2,210	2,673	3,111	
Cash by acquisition	-	-	-	-	
Opening Cash	3,219	3,044	5,255	7,928	
Cash carried to B/S	3,044	5,255	7,928	11,038	

Source: Company, ICICI Direct Research

Balance sheet					₹ Crore
(Year-end March)	FY18	FY19E	FY20E	FY21E	
Liabilities					
Equity Capital	442	442	442	442	
Share application money	-	-	-	-	
Reserve and Surplus	18,401	21,337	24,722	28,524	
Total Shareholders funds	18,843	21,779	25,164	28,966	
Minority Interest	509	510	511	512	
Total Debt	1,726	1,726	1,726	1,726	
Other long term liabilities	2,398	2,398	2,398	2,398	
Total Liabilities	23,475	26,412	29,798	33,601	
Assets					
Net Block	2,981	2,748	2,494	2,217	
Capital WIP	240	240	240	240	
Investments	4,691	5,691	6,691	7,691	
Deferred tax assets	577	577	577	577	
Goodwill on consolidation	2,773	2,773	2,773	2,773	
Debtors	6,512	7,413	8,125	8,816	
Loans and Advances (short)	150	171	187	203	
Other non-current assets	2,632	2,632	2,633	2,634	
Cash	3,044	5,255	7,928	11,038	
Other current assets	4,904	4,904	4,904	4,904	
Total Current Assets	18,121	22,254	26,654	31,472	
Trade payables	2,037	2,319	2,541	2,757	
Current liabilities	4,522	5,148	5,642	6,122	
Provisions	403	459	503	546	
Total Current Liabilities	6,962	7,926	8,686	9,425	
Application of Funds	23,475	26,412	29,798	33,601	

Source: Company, ICICI Direct Research

Key ratios				
(Year-end March)	FY18	FY19E	FY20E	FY21E
Per share data (₹)				
EPS	42.8	48.0	55.3	62.1
Cash EPS	55.0	61.0	69.6	77.6
BV	212.4	245.4	283.6	326.4
DPS	14.0	17.4	20.1	22.5
Cash Per Share	34.3	59.2	89.3	124.4
Operating Ratios (%)				
EBITDA Margin	15.3	18.4	18.7	19.0
PAT Margin	12.3	12.1	12.8	13.2
Return Ratios (%)				
RoE	20.2	19.5	19.5	19.0
RoCE	21.5	22.0	22.4	22.2
RoIC	21.6	32.1	36.5	41.2
Valuation Ratios (x)				
P/E	18.8	16.7	14.5	12.9
EV / EBITDA	14.1	9.8	8.3	7.0
EV / Net Sales	2.2	1.8	1.6	1.3
Market Cap / Sales	2.3	2.0	1.9	1.7
Price to Book Value	3.8	3.3	2.8	2.5
Solvency Ratios				
Debt/EBITDA	0.4	0.3	0.2	0.2
Current Ratio	1.7	1.6	1.5	1.5
Quick Ratio	1.7	1.6	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)	609	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)	1,000	910	Sell	3,931	72.9	58.9	64.2	14.2	17.5	16.1	9.1	11.1	9.9	28.2	22.8	23.1	24.1	17.3	17.5
Firstsource (FIRSOU)	46	55	Buy	3,296	4.8	5.1	5.6	10.1	9.3	8.6	8.3	7.1	6.2	13.0	14.1	15.6	13.9	13.8	13.6
HCL Tech (HCLTEC)	1,057	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)	762	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)	898	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)	1,325	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)	656	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)	2,075	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)	803	900	Buy	71,253	42.8	48.0	55.3	18.8	16.7	14.5	14.1	9.8	8.3	21.5	22.0	22.4	20.2	19.5	19.5
Wipro (WIPRO)	372	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

Source: Company, ICICI Direct Research

RATING RATIONALE

ICICI Direct endeavours to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according to their notional target price vs. current market price and then categorises them as Strong Buy, Buy, Hold and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock.

Strong Buy: > 15%/20% for large caps/midcaps, respectively, with high conviction;

Buy: > 10%/15% for large caps/midcaps, respectively;

Hold: Up to +/-10%;

Sell: -10% or more;



Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,
ICICI Securities Limited,
1st Floor, Akruti Trade Centre,
Road No 7, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

ANALYST CERTIFICATION

We /I, Devang Bhatt, PGDBM, Deepti Tayal, MBA, Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products. ICICI Securities Limited is a Sebi registered Research Analyst with Sebi Registration Number – INH000000990. ICICI Securities Limited Sebi Registration is INZ000183631 for stock broker. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities generally prohibits its analysts, persons reporting to analysts and their relatives from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities are engaged in various financial service businesses, they might have financial interests or beneficial ownership in various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.