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IT Services

India

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4Q2019 preview: Some strength, some sluggishness. We expect a steady quarter with strong growth from Infosys, TCS and HCLT and muted growth for Wipro and Tech Mahindra. Benefit from strong deal flow and increasing digital deal sizes will be offset to some extent with slower spending growth in budgets in FY2020. We expect broadly similar industry growth in FY2020E. Profitability will face the test of increasing cost onsite. We expect Infosys, HCLT and Tech Mahindra to grow faster in FY2020E. Stock returns can be muted from here after a strong performance in the past 12 months.

Expect steady growth for key Tier-1 companies

We expect constant currency revenue growth rate at 1.8-2.5% for Infosys, TCS and HCLT. On yoy comparison, revenue growth will be robust 10.8-13.8% for the three companies. Growth will be led by ramp-up of large deals won by companies over the past two quarters. All companies reported strong deal flow in the December 2018 quarter. Tech Mahindra will likely report muted numbers due to seasonal weakness in retail and a slower manufacturing vertical. Wipro will likely report modest 1.5% sequential revenue growth. Revenue growth for mid-tier companies will be muted on sequential basis when compared to the trend same time last year. We note that March is a seasonally weak quarter for IT companies. Depreciation of GBP against USD will likely create cross-currency tailwind of 0-60 bps for our coverage universe.

EBIT margin—multiple headwinds for different companies

Despite currency depreciation, EBIT margin for three of the five Tier-1 companies will be flat or decline on yoy comparison. Infosys, Tech Mahindra and Wipro will report marginal sequential decline in EBIT margin. On sequential basis, EBIT margin will decline marginally due to 1.9% appreciation of the INR against USD and talent constraint-led increase in cost structure in the US. Profitability performance will be a key focus area.

FY2020E revenue growth guidance—8-10% revenue growth for Infosys and 14-16% for HCLT

We expect healthy revenue growth guidance of 8-10% for Infosys in FY2020E. This would imply revenue CQGR of 1.7-2.4% in four quarters of FY2020E. Strong revenue growth outlook will be courtesy large deal momentum, increase in win rates, investments in S&M and gains in a few consolidation decisions. We note that our guidance expectation includes a small component of inorganic element. Infosys' intent is to defend 22-24% EBIT margin band though that will be tested against the reality of margin headwinds and a weak FY2019 exit trajectory. We believe that Infosys' EBIT margin will be closer to 22% in FY2020E. We expect HCLT to guide for 7-9% organic c/c revenue growth rate, 8.5-10.5% including inorganic component but excluding IBM's product acquisitions and 14-16% including IBM's product business acquisition assuming it gets consolidated from July 2019. We expect the company to retain 19.5-20.5% EBIT margin guidance band. Despite a weak quarter, TM is unlikely to change FY2020E growth outlook.

Demand from the banking vertical will be a focus area

Banking is the largest vertical for IT companies. At a broader level, spending growth in the vertical will be slower than CY2018. We believe that IT spending will be muted in the capital markets segments, especially in Europe. We expect steady spending in the traditional banking segment in North America though there may be spending caution from a couple of large clients. Growth for individual player will be a function of exposure to sub-segments of the banking vertical and share gains/losses in consolidation decisions. We expect slower growth from this vertical for the industry in FY2020E.

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Profitability dynamics will be another key focus area

Challenges in renewal of visas combined with tightening of conditions for new visas come at a time when the unemployment rates are at a record low. Even as IT companies have stepped up local hiring, the fact is that talent is not easily available at the mid-level. This will lead to increase in cost structure in the US. The increase in cost structure was already visible in December 2018 quarter where subcontracting costs increased for Infosys and TCS. Some amount of rupee depreciation is necessary to offset the cost increase.

Attractiveness of the sector has reduced post strong performance

The IT sector has performed well in the past 12 months on the back of currency tailwinds and demand acceleration. Many stocks are trading at peak cycle multiple and bake in elevated revenue growth and sustenance of profitability. This leaves little on the table to generate returns. We expect muted stock returns. HCLT's stock price underperformance and strong deal momentum make it an attractive play. We retain ADD rating on the stock. Tech Mahindra theme has more legs, likely weak 4QFY19 notwithstanding. The stock trades at inexpensive valuations. We maintain ADD rating. Infosys has near-term earnings risk. The turnaround has progressed well with likely return to top quartile of performance on growth. We like the Infosys story but would wait for a better entry price.

Comments on individual companies

- **Infosys.** We expect constant currency revenue growth of 1.9% and cross-currency tailwind of 30 bps. 3Q is a seasonally weak quarter, yet we expect robust growth powered by large deal ramp-up in telecom and other verticals. On profitability we expect EBIT margin to decline further due to costs associated with large deal ramp-up, retention bonuses and investments to accelerate growth. We note that 3QFY19 margin had a one-off impact of 40 bps from declassification of Panaya and Skava from assets held for sale. Progress on catch-up with competition on digital competencies will be keenly tracked. The company has made solid progress in large deal signings and seems to be taking steps in turning around the consulting business through high-profile hires from competition. We expect Infosys to guide for 8-10% revenue growth in constant currency for FY2020E. Infosys has intent to defend EBIT margin band of 22-24% though this will be tested against the backdrop of a poor exit margin of 22%. We believe that Infosys' EBIT margin could decline by 100 bps in FY2020E. Finally we expect investor focus on (1) TCV of deal wins that has started looking up, (2) attrition rate direction where the company has made a number of interventions to bring it down, (3) progress in service lines where the company trails competition, viz. BPO and IMS and (4) pricing outlook, especially in light of fears that the company has focused on growth at any cost approach.

- **TCS.** We expect constant currency (c/c) revenue growth of 1.8% and cross-currency tailwind of 60 bps. We expect stable margins; impact of rupee appreciation will be offset by tightening of operations. Net profit growth is an impressive 22% led by acceleration in growth and currency tailwind. We have not assumed any Fx gain in the quarter as compared to Rs4.59 bn in December 2018 quarter resulting in a sequential net profit decline. TCS has large exposure to the banking vertical. Outcome of the budgeting process and consequent impact on spending will be a key focus area. We expect investor focus on (1) outcome of budgeting process, especially in financial services, (2) pipeline of large deals, (3) whether the company can deliver double-digit growth without the support of mega-deals, and (4) EBIT margin outlook against the backdrop of talent constraint in the US.

- **Wipro.** We expect constant currency revenue growth rate of 1.5% and cross-currency tailwind of 40 bps. Financial services growth rate could moderate from the recent quarter growth of 17% yoy. Spending outlook in financial services is a lot more muted than same time last year. We expect EBIT margin decline of 30 bps on sequential basis courtesy rupee appreciation, alignment of entry-level compensation and headwind from insolvency of a telecom client. We expect Wipro to guide to 0.5-2.5% revenue growth for June 2019 quarter. June is a seasonally weak quarter for the company. We expect investor focus on (1) outlook for the key growth driver, viz. financial services vertical, (2) sustainability of margin, (3) state of demand from healthcare vertical, (4) capital allocation and the quantum of buyback and (5) performance of acquired entities.

- **HCLT.** We expect constant currency revenue growth of 2.5% and cross-currency tailwind of 20 bps. We expect revenue growth to be led by the IMS segment courtesy ramp-up of large deals. We expect EBIT margin to decline by 10 bps courtesy rupee appreciation and elevated investments in the business. We expect the company to guide for 14-16% revenue growth of which will include an inorganic component of 5.4% revenues from the IBM products buyout. Excluding revenues from IBM products but including revenues from other inorganic components, we expect HCLT to guide for 8.5-10.5% revenue growth. We expect HCLT to guide for stable margins in FY2020E. Deal momentum has been extremely strong with announcement of several large and mega deals. We expect front-ended revenue growth. We expect investor focus on (1) capital allocation in light of aggressive product acquisitions, (2) M&A strategy given that the company has started making a few digital acquisitions, (3) efforts to broad-base revenue growth beyond IMS and (4) deflationary impact from renewal of legacy IMS deals.

- **Tech Mahindra.** We expect constant currency revenue growth of 1% and cross-currency tailwind of 50 bps. Revenue growth will be led by communications vertical. We expect flattish revenues in the enterprise segment on account of lower revenues in retail and high December 2018 quarter base impact in the manufacturing vertical. EBIT margin will decline due to rupee depreciation and spike in depreciation charge. We expect marginal forex gain as compared to forex loss of Rs779 mn in December 2018 quarter. Expect strong TCV of new bookings. TCV will be higher than the usual US$275-325 mn range. We expect investors to focus on (1) demand outlook, especially for telecom vertical and the timelines where 5G deals will start flowing, (2) health of enterprise business, especially in the manufacturing vertical where the company has high exposure to auto sector, (3) attrition trend and (4) M&A strategy and capital allocation.

Exhibit 1: Currency movement in March 2019 quarter

	INR/USD	USD/GBP	USD/EUR	USD/AUD	JPY/USD
Depreciation of currencies against the US Dollar					
Dec-18 quarter avg. rate	71.7	1.3	1.1	0.7	112.1
Mar-19 quarter avg. rate	70.3	1.3	1.1	0.7	110.2
Appr/ (Depr) (%)	**1.9**	**3.5**	**(0.5)**	**0.5**	**1.7**

	INR/USD	INR/GBP	INR/EUR	INR/AUD	JPY/INR
Appreciation of the Rupee against other currencies					
Dec-18 quarter avg. rate	71.7	91.0	81.7	50.9	1.6
Mar-19 quarter avg. rate	70.3	92.4	79.8	50.2	1.6
Appr/ (Depr) (%)	**1.9**	**(1.5)**	**2.4**	**1.4**	**0.2**

Source: Bloomberg, Kotak Institutional Equities estimates

Exhibit 2: Cross-currency headwinds in 4QFY19E

	Currency-wise revenue mix (a)					Impact in bps on
	US	Europe		Rest of the world		US$ revenue
	USD	GBP	EUR	AUD	Others	growth
TCS	54	14	10	22		60
Infosys	67	5	12	8	8	23
Wipro	61	10	9	5	15	42
HCL Tech	64	9	20	7		23
Tech M	48	11	11	5	25	48
L&T Infotech	67	18		15		29
Mindtree	73	19		8		36
Hexaware	77	13		10		1
Mphasis	78	11		11		29

Notes:

(a) As per disclosures for Infosys, TCS, Wipro, HCLT and Tech M; assumed to be in line with geographic mix for other companies.

Source: Company, Bloomberg

Exhibit 3: Results preview for the quarter ending March 2019 (Rs mn)

Financials	Mar-18	Dec-18	Mar-19E	qoq (%)	yoy (%)	Comments/what to look for
TCS (April 12, 2019)						
Revenues (US$ mn)	4,972	5,250	5,375	2.4	12.3	We expect constant currency (c/c) revenue growth of 1.8% and cross currency tailwind of 60 bps
Revenues	320,750	373,380	377,854	1.2	22.3	We expect stable margins; impact of Rupee appreciation will be offset by tightening of operations
EBITDA	86,520	100,830	101,614	0.8	22.6	Net profit growth is an impressive 22% led by acceleration in growth and currency tailwind. We have not assumed any Fx gain in the quarter as compared to Rs4.59 bn in December 2018 quarter resulting in sequential net profit decline
Adjusted net profit	69,040	81,050	79,487	(1.9)	21.7	TCS has large exposure to the banking vertical. Outcome of the budgeting process and consequent impact on spending will be the key focus area
EBITDA margin (%)	27.0	27.0	26.9	(11) bps	7 bps	We expect investor focus on (1) outcome of budgeting cycle especially in financial services, (2) pipeline of large deals, (3) whether the company can deliver double digit growth without the support of mega-deals, and (3) EBIT margin outlook against the backdrop of talent constraint in US
EBIT margin (%)	25.4	25.6	25.5	(13) bps	30 bps	
Wipro (April 16, 2019)						
Total revenues	138,243	151,506	152,622	0.7	11.6	We expect constant currency revenue growth rate of 1.5% and cross currency tailwind of 40 bps
Global IT revenues (US$ mn)	2,062	2,047	2,086	1.9	3.6	Financial services growth rate could moderate from the recent quarter growth of 17% yoy. Spending outlook in financial services is lot more muted than same time
Global IT revenues	134,119	146,656	146,674	0.0	10.8	We expect EBIT margin decline of 30 bps on sequential basis courtesy Rupee appreciation and alignment of entry level compensation. March 2018 quarter EBIT margin was impacted by insolvency of a telecom customer
EBIT	19,385	28,668	28,413	(0.9)	43.7	Expect Wipro to guide to 0.5-2.5% revenue growth for June 2019 quarter. June is a seasonally weak quarter for the company
Adj. net profit	18,028	25,103	25,300	0.8	30.6	We expect investor focus on (1) outlook for the key growth driver viz financial services vertical, (2) sustainability of margin, (3) state of demand from healthcare vertical, (4) capital allocation and the quantum of buyback and (5) performance of acquired entities
Total EBIT margin (%)	14.0	18.9	18.6	(31) bps	416 bps	
Global IT - EBITDA margin (%)	18.7	23.4	22.4	(92) bps	365 bps	
Global IT - EBIT margin (%)	14.4	19.8	19.5	(30) bps	474 bps	
Infosys (April 12, 2019)						
Revenues (US$ mn)	2,805	2,987	3,052	2.2	10.8	We expect constant currency revenue growth of 1.9% and cross currency tailwind of 30 bps. 3Q is a seasonally weak quarter, yet we expect robust growth powered by large deal ramp in telecom and other verticals
Revenues	180,830	214,000	215,199	0.6	20.9	We expect EBIT margin to decline further due to costs associated with large deal ramp up, retention bonuses and investments to accelerate growth. Note that 3QFY19 margin had a one off impact of 40 bps from declassification of Panaya and Skava from asset held for sale
EBITDA	49,300	54,100	52,257	(3.4)	8.5	Progress on catch-up with competition on digital competencies will be keenly tracked. The company has made solid progress in large deal signings and seems to be taking steps in turning around consulting business through high profile hires from competition
Adjusted net profit	36,900	39,272	38,637	(1.6)	4.5	We expect Infosys to guide for 8-10% revenue growth in constant currency for FY2020E. Infosys has intent to defend EBIT margin band of 22-24% though this well tested against the backdrop of poor exit margin of 22%. We believe that Infosys' EBIT margin could decline by 100 bps in FY2020E
EBITDA margin (%)	27.3	25.3	24.3	(100) bps	(279) bps	
EBIT margin (%)	24.7	22.6	22.0	(56) bps	(226) bps	We expect investor focus on (1) TCV of deal wins that has started looking up, (2) attrition rate direction where the company has made a number of interventions to bring it down, (3) progress in service line where the company trails competition viz BPO and IMS and (4) pricing outlook especially in light of fears that the company has focused on growth at any cost approach
HCL Technologies (2nd week of May)						
Revenues (US$ mn)	2,038	2,201	2,261	2.7	13.8	We expect constant currency revenue growth of 2.5% and cross currency tailwind of 20 bps. We expect revenue growth to be led by IMS segment courtesy ramp up of large deals
Revenues	131,790	156,988	158,965	1.3	24.1	We expect EBIT margin to decline by 10 bps courtesy Rupee appreciation and elevated investments in the business
EBITDA	30,363	36,314	36,211	(0.3)	22.2	We expect the company to guide for 14-16% revenue growth of which will include an inorganic component of 5.4% from the IBM products buyout. Excluding revenues from IBM products, but including inorganic components expect HCLT to guide for 8.5-10.5% of revenue growth. We expect HCLT to guide for stable margins in FY2020E
Adjusted net profit	22,267	25,957	24,905	(4.1)	13.6	Deal momentum has been extremely strong with announcement of several large and mega deals. Expect front-ended revenue growth
EBITDA margin (%)	23.0	23.1	22.8	(35) bps	(36) bps	Expect investor focus on (1) capital allocation in light of aggressive product acquisitions, (2) M&A strategy given that the company has started making a few digital acquisitions, (3) , efforts to broad base revenue growth beyond IMS and (4) deflationary impact from renewal of legacy IMS deals
EBIT margin (%)	19.6	19.6	19.5	(4) bps	(7) bps	

Source: Companies, Kotak Institutional Equities estimates

Exhibit 3: Results preview for the quarter ending March 2019 (Rs mn) (contd)

Financials	Mar-18	Dec-18E	Dec-18E	qoq (%)	yoy (%)	
Tech Mahindra (May 21, 2019)						
Revenues (US$ mn)	1,244	1,261	1,280	1.5	5.9	Expect constant currency revenue growth of 1% and cross currency tailwind of 50 bps. Revenue growth will be led by communications vertical. Expect flattish revenues in the enterprise segment on account of lower revenues in retail and high December 2018 quarter base impact in the manfacturing vertical
Revenues	80,545	89,437	89,972	0.6	15.7	EBIT margin will decline due to Rupee depreciation and spike in depreciation charge
EBITDA	14,119	17,226	17,205	(0.1)	36.0	Expect marginal forex gain as compared to forex loss of Rs779 mn in December 2018 quarter
Adjusted net profit	12,221	12,029	11,343	(5.7)	20.3	Expect strong TCV of new bookings. TCV will be higher than the usual US$275-325 mn range
EBITDA margin (%)	17.5	19.3	19.1	(14) bps	286 bps	We expect investors to focus on (1) demand outlook especially for telecom vertical and the timelines where 5G deals will start flowing, (2) health of enterprise business especially in the manufacutring vertical where the company has high exposure to auto sector, (3) attrition trend and (4) M&A strategy and capital allocation
EBIT margin (%)	13.8	16.1	15.6	(47) bps	289 bps	
L&T Infotech (May 2, 2019)						
Revenues (US$ mn)	309	347	356	2.7	21.4	We expect organic constant currency revenue growth rate of 1.7%. Acquisition of Nielsen+Partner and Ruletronics will add 70 bps to growth. On consolidated basis we expect 2.4% revenue growth and cross currency tailwind of 30 bps
Revenues	20,012	24,729	25,038	1.3	32.9	Revenue growth will be weaker than usual due to lack of project renewals in the top client. This will weigh on growth for the quarter
EBITDA (excl forex gains)	2,920	5,088	4,891	(3.9)	52.1	Expect EBIT margin decline of 140 bps due to combination of decline in utilization rate and investments in S&M. Rupee appreciation is an additional headwind of 50 bps
Adjusted net profit	2,895	3,753	3,782	0.8	33.8	We expect Fx gains of Rs316 mn as compared to loss of Rs60 mn in 3QFY19. We net profit margin of 15% for the quarter in line with the guidance
EBITDA margin (%)	14.6	20.6	19.5	(104) bps	246 bps	Expect investor focus on (1) implications for LTI from the intention of the parent to acquire Mindtree, (2) large deal momentum, (3) outcome of annual client budgeting process and its implications for growth, (4) growth outlook from the top client, and (5) status of the hedge book after the recent Rupee appreciation
EBIT margin (%)	12.8	19.1	17.8	(131) bps	289 bps	
Mindtree (April 17, 2019)						
Revenues (US$ mn)	226.2	251.5	257.7	2.4	20.2	We expect revenue growth of 2% in constant currency. Expect cross-currency tailwind of 40 bps.
Revenues	14,640	17,872	18,165	1.6	31.9	
EBITDA	2,355	2,833	2,905	2.6	40.1	We expect EBITDA margins to be flat. We expect headwinds from investments and Rupee appreciation to be offset by operational efficiencies
Adjusted net profit	1,822	1,912	1,948	1.9	37.6	We expect investor focus on (1) management's stance on L&T's takeover bid (2) deal wins and pipeline, (3) growth outlook of top client, (4) recovery in underperforming BFSI vertical and (4) outlook on client budgets against the backdrop of volatile macro
EBITDA margin (%)	16.1	15.9	16.0	14 bps	94 bps	
EBIT margin (%)	13.5	13.6	13.6	6 bps	160 bps	
Hexaware Technologies (April 24, 2019)						
Revenues (US$ mn)	162.2	176.1	180.4	2.4	15.6	We expect c/c revenue growth of 2.4% sequentially. We expect growth to be stronger in 2HCY19 powered by ramp up of US$100+ mn large deal win in previous quarter
Revenues	10,490	12,524	12,717	1.5	26.6	We expect 20 bps decline in EBIT margin. We expect visa costs to be partially offset by operational efficiencies
EBITDA	1,626	1,913	1,939	1.4	21.3	
Adjusted net profit	1,343	1,234	1,456	18.0	20.2	Expect investor focus on (1) M&A policy- Hexaware expects to spend US$250-300 mn in cash for acquisitions in the next 2-3 years, (2) attrition rates that have increased in past two quarters , and (3) TCV of net new deal wins
EBITDA margin (%)	15.5	15.3	15.2	(3) bps	(66) bps	
EBIT margin (%)	14.1	14.0	13.8	(20) bps	(52) bps	
Mphasis (To be announced)						
Revenues (US$ mn)	271	283	293	3.6	16.4	We expect c/c revenue growth of 3.3% and a cross-currency tailwind of 30 bps.
Revenues	17,445	19,710	20,649	4.8	24.3	We expect EBIT margins to be flat
EBITDA	3,095	3,306	3,428	3.7	26.3	Investor focus will remain on (1) deal wins in direct channel and confidence on sustenance of growth in direct core and DXC channel, (2) outlook for Digital Risk practice that contracted in previous quarter, (3) TCV of deal wins and revenue contribution from Blackstone portfolio companies, and (4) commentary on hedges and its impact on margins in FY2020
Adjusted net profit	2,507	2,780	2,688	(3.3)	26.7	
EBITDA margin (%)	17.7	16.8	16.6	(17) bps	26 bps	
EBIT margin (%)	16.8	15.8	15.8	(2) bps	48 bps	

Notes:
(a) Result dates are yet to be announced for some companies.

Source: Companies, Kotak Institutional Equities estimates

Exhibit 4: Kotak Institutional Equities: valuation summary of key Indian technology companies

	29-Mar-19		Mkt cap.		EPS (Rs)			P/E (X)			EV/EBITDA (X)			RoE (%)		
Company	Price (Rs)	Rating	(Rs m)	(US$ m)	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E
HCL Technologies	1,087	ADD	1,474,885	21,327	72.7	77.6	82.5	15.0	14.0	13.2	9.9	8.8	7.9	24.8	22.2	20.7
Hexaware Technologies	345	REDUCE	102,797	1,486	19.3	21.4	24.8	17.9	16.1	13.9	12.9	11.0	9.3	26.5	25.3	25.6
Infosys	744	ADD	3,249,830	46,993	35.9	39.7	44.1	20.7	18.7	16.9	14.5	12.9	11.5	23.5	24.4	24.9
L&T Infotech	1,703	ADD	295,315	4,270	85.8	96.0	111.6	19.9	17.7	15.3	14.4	12.4	10.4	34.9	31.4	29.7
Mindtree	945	ADD	155,100	2,243	45.4	51.8	60.8	20.8	18.2	15.5	13.5	11.3	9.6	25.0	24.4	24.5
Mphasis	991	REDUCE	184,562	2,669	56.4	62.6	64.9	17.6	15.8	15.3	12.9	10.9	10.2	20.1	21.6	20.2
TCS	2,002	REDUCE	7,510,961	108,608	82.8	91.3	100.1	24.2	21.9	20.0	17.5	15.9	14.4	33.1	32.7	34.0
Tech Mahindra	776	ADD	684,809	9,902	48.5	56.2	64.4	16.0	13.8	12.1	9.5	7.9	6.7	21.1	20.9	20.3
Wipro	255	REDUCE	1,537,447	22,231	15.1	18.0	19.6	16.8	14.2	13.0	11.0	9.1	8.4	17.0	17.8	18.3
Mindtree			*155,100*	*2,243*				*20.8*	*18.2*	*15.5*	*13.5*	*11.3*	*9.6*	*25.0*	*24.4*	*24.5*
KIE universe			*113,589,002*	*1,642,274*				*23.8*	*18.4*	*15.7*	*11.5*	*10.2*	*9.0*	*11.9*	*14.0*	*14.7*

	Target	O/S shares	EPS CAGR (%)	EPS growth (%)			Net Profit (Rs mn)			EBITDA (Rs mn)			Sales (Rs mn)		
Company	Price (Rs)	(mn)	2019-21E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E
HCL Technologies	1,140	1,409	9.8	16.7	6.7	6.3	100,235	105,703	112,480	139,953	150,735	159,248	601,581	671,837	730,269
Hexaware Technologies	345	302	14.4	16.7	10.9	15.8	5,833	6,472	7,494	7,335	8,632	9,949	46,477	53,907	61,469
Infosys	760	4,350	10.9	11.2	10.6	10.9	156,320	172,863	191,746	210,739	233,165	258,916	824,432	917,854	1,015,124
L&T Infotech	2,000	175	20.6	35.0	11.9	16.3	15,219	17,101	19,880	19,063	21,390	24,451	94,507	110,363	126,611
Mindtree	1,000	165	20.7	31.4	14.1	17.3	7,452	8,507	9,983	10,688	12,437	14,288	69,740	79,402	90,184
Mphasis	900	193	14.0	28.5	11.1	3.7	10,630	11,645	12,073	13,382	15,498	16,316	77,829	89,314	99,121
TCS	1,825	3,829	14.1	22.7	10.3	9.6	313,139	342,636	375,616	395,116	435,130	477,706	1,457,266	1,615,531	1,768,765
Tech Mahindra	875	891	14.7	13.8	15.8	14.5	43,272	50,562	57,884	64,605	73,158	81,433	348,319	384,645	422,730
Wipro	265	6,009	15.6	19.1	18.9	9.2	91,120	108,337	118,289	117,030	138,029	146,099	590,012	633,630	674,990
Mindtree							*7,452*	*8,507*	*9,983*	*10,688*	*12,437*	*14,288*	*69,740*	*79,402*	*90,184*
KIE universe				*15.6*	*29.8*	*16.7*									

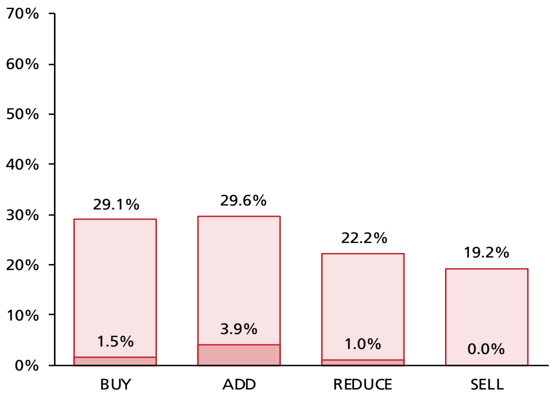
Notes:
(a) Hexaware Technologies is December year-ending.

Source: Companies, Kotak Institutional Equities estimates

"Each of the analysts named below hereby certifies that, with respect to each subject company and its securities for which the analyst is responsible in this report, (1) all of the views expressed in this report accurately reflect his or her personal views about the subject companies and securities, and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report: Kawaljeet Saluja, S. Sathishkumar."

Kotak Institutional Equities Research coverage universe

Distribution of ratings/investment banking relationships



Percentage of companies covered by Kotak Institutional Equities, within the specified category.

Percentage of companies within each category for which Kotak Institutional Equities and or its affiliates has provided investment banking services within the previous 12 months.

* The above categories are defined as follows: Buy = We expect this stock to deliver more than 15% returns over the next 12 months; Add = We expect this stock to deliver 5-15% returns over the next 12 months; Reduce = We expect this stock to deliver -5-+5% returns over the next 12 months; Sell = We expect this stock to deliver less than -5% returns over the next 12 months. Our target prices are also on a 12-month horizon basis. These ratings are used illustratively to comply with applicable regulations. As of 31/12/2018 Kotak Institutional Equities Investment Research had investment ratings on 203 equity securities.

Source: Kotak Institutional Equities

As of December 31, 2018

Ratings and other definitions/identifiers

Definitions of ratings

BUY. We expect this stock to deliver more than 15% returns over the next 12 months.

ADD. We expect this stock to deliver 5-15% returns over the next 12 months.

REDUCE. We expect this stock to deliver -5-+5% returns over the next 12 months.

SELL. We expect this stock to deliver <-5% returns over the next 12 months.

Our Fair Value estimates are also on a 12-month horizon basis.

Our Ratings System does not take into account short-term volatility in stock prices related to movements in the market. Hence, a particular Rating may not strictly be in accordance with the Rating System at all times.

Other definitions

Coverage view. The coverage view represents each analyst's overall fundamental outlook on the Sector. The coverage view will consist of one of the following designations: Attractive, Neutral, Cautious.

Other ratings/identifiers

NR = Not Rated. The investment rating and fair value, if any, have been suspended temporarily. Such suspension is in compliance with applicable regulation(s) and/or Kotak Securities policies in circumstances when Kotak Securities or its affiliates is acting in an advisory capacity in a merger or strategic transaction involving this company and in certain other circumstances.

CS = Coverage Suspended. Kotak Securities has suspended coverage of this company.

NC = Not Covered. Kotak Securities does not cover this company.

RS = Rating Suspended. Kotak Securities Research has suspended the investment rating and fair value, if any, for this stock, because there is not a sufficient fundamental basis for determining an investment rating or fair value. The previous investment rating and fair value, if any, are no longer in effect for this stock and should not be relied upon.

NA = Not Available or Not Applicable. The information is not available for display or is not applicable.

NM = Not Meaningful. The information is not meaningful and is therefore excluded.

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