

May 12, 2019

Q4FY19 Result Update

☑ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY20E	FY21E	FY20E	FY21E
Rating	BUY		BUY	
Target Price	1,186		1,186	
Sales (Rs. m)	697,836	766,698	669,930	741,684
% Chng.	4.2	3.4		
EBITDA (Rs. m)	158,805	172,507	152,512	166,879
% Chng.	4.1	3.4		
EPS (Rs.)	78.1	84.5	77.8	84.8
% Chng.	0.4	(0.4)		

Key Financials

	FY18	FY19	FY20E	FY21E
Sales (Rs. bn)	506	604	698	767
EBITDA (Rs. bn)	114	140	159	173
Margin (%)	22.6	23.1	22.8	22.5
PAT (Rs. bn)	88	101	106	115
EPS (Rs.)	62.7	73.6	78.1	84.5
Gr. (%)	4.5	17.5	6.1	8.2
DPS (Rs.)	12.0	8.0	10.0	10.0
Yield (%)	1.1	0.7	0.9	0.9
RoE (%)	25.0	25.8	22.9	20.6
RoCE (%)	28.0	28.5	25.7	23.5
EV/Sales (x)	2.8	2.3	1.9	1.6
EV/EBITDA (x)	12.5	10.1	8.5	7.2
PE (x)	17.3	14.8	13.9	12.9
P/BV (x)	4.1	3.6	2.9	2.4

Key Data

[HCLT.BO](#) | [HCLT IN](#)

52-W High / Low	Rs.1,190 / Rs.880
Sensex / Nifty	37,463 / 11,279
Market Cap	Rs.1,474bn / \$ 21,101m
Shares Outstanding	1,356m
3M Avg. Daily Value	Rs.4304.53m

Shareholding Pattern (%)

Promoter's	60.00
Foreign	28.28
Domestic Institution	8.21
Public & Others	3.51
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(1.1)	5.7	16.8
Relative	1.9	(0.8)	9.9

Aniket Pande

aniketpande@plindia.com | 91-22-66322300

Rajat Gandhi

rajatgandhi@plindia.com | 91-22-66322246

Strong pipeline gives visibility

HCLT reported strong revenue growth of 3.3% QoQ CC led by IMS(7.3% QoQ CC & application services (5.2% QoQ). Strong growth in application services reflects signs of growth in digital services business. HCLT EBIT margin came slight below our estimates at 19% (Ple: 19.2%) eroded by 65bps QoQ mainly due to currency movements, utilization downtick & seasonal weakness in margin profile of Mode 3. HCLT has cut FY2020E EBIT margin guidance band by 100 bps at 18.5%-19.5% because of investments in digital competencies & large deal competencies. HCLT has guided 14-16% CC revenue growth which includes contribution from acquisition from select products of IBM, Actian corp., H&D international & C3i. Organic revenue guidance stood at 7-9% & will be back ended. Organic guidance is largely inline with peers & improved from last year's organic growth 6.5% YoY. We believe strong deal wins in FY19(~78 transformational deals) coupled with healthy outlook for BFSI & IMS will help HCLT to achieve higher end of organic guidance. We include IBM acquisition of IBM in our estimates resulting ~5% rise in our revenue estimates, excluding inorganic component our projections remain the same. We believe HCLT is focusing on broad-based growth (e.g megadeal in BPO segment, investing in digital competencies) will reduced its dependence on IMS growth. HCLT is trading at inexpensive valuations of ~13x FY21E valuations, We maintain our Buy rating (risk-reward ratio favorable) valuing HCLT at 14X FY21E earnings (30% discount to Infosys, 60% discount to TCS target multiple) & arrive at TP of Rs. 1186.

- **Strong revenue growth performance:** HCLT reported strong revenue growth of 3.3% QoQ CC led by IMS (40% of revenues) grew 7.3% QoQ CC & application services (33 % of revenues) grew 5.2% QoQ. Mode 2 revenues grew 14.3% QoQ CC which along with application services growth reflects growth in digital business. We are bit disappointed by the weak performance of product business (7.6% QoQ decline). Financial Services (21% of revenue) remains sluggish among verticals with growth of 0.9% QoQ CC. Europe (30% of revenue) showed strong growth of 8.4% QoQ CC.
- **Inline revenue guidance:** HCLT has guided 14-16% CC revenue growth which includes contribution from acquisition from select products of IBM, Actian corp., H&D international & C3i. Organic revenue guidance stood at 7-9% & will be back ended. Organic guidance is largely inline with peers & improved from last year's organic growth 6.5% YoY. We believe strong deal wins in FY19(~78 transformational deals) coupled with healthy outlook for BFSI & IMS will help HCLT to achieve higher end of organic guidance.
- **Margin guidance lower than previous year:** HCLT has cut FY2020E EBIT margin guidance band by 100 bps at 18.5%-19.5% because of higher amortization of IBM products, higher hedging cost, ramp up of large deals & integration of IBM acquisitions.

Exhibit 1: Q4FY19: Quick view on results

(Rs m)	4Q19	3Q19	QoQ gr.	4Q18	YoY gr.	PL(e)	Var VS PL(e)
Sales (\$ m)	2,278	2,201	3.5%	2,038	11.8%	2,268	0.5%
Sales	159,900	156,990	1.9%	131,790	21.3%	158,730	0.7%
EBIT Margin	30,390	30,860	-1.5%	25,830	17.7%	30,551	-0.5%
EBIT Margin	19.0%	19.7%	-65 bps	19.6%	-59 bps	19.2%	-24 bps
Adjusted PAT	25,680	26,110	-1.6%	22,290	15.2%	25,364	1.2%
EPS	18.9	19.2	-1.4%	16.0	18.3%	18.64	1.5%
Average (USD rate)	70.2	71.3	-1.6%	64.7	8.5%	70.0	0.3%

Source: Company, PL

Performance of Mode 1-2-3 : Mode-1 revenue (70.5% of revenue) grew 2.5% QoQ CC, Mode-2 (19%) revenue increased by a 14% QoQ, while Mode-3 revenue (10.6%) declined by 7.6% QoQ CC owing to seasonality. EBIT margin was flattish for Mode-1 (20.5% v/s 20.7% in 3Q), expanded for Mode-2 (13.1% v/s 12.3% in 3Q) and contracted for the operationally leveraged non-linear Mode-3 business (18.8% v/s 23% in 3Q). Mode-2's 28.7% YoY CC growth in FY19 was entirely organic. Revenues in IoT almost doubled. Mode-1 grew 4.5% YoY CC.

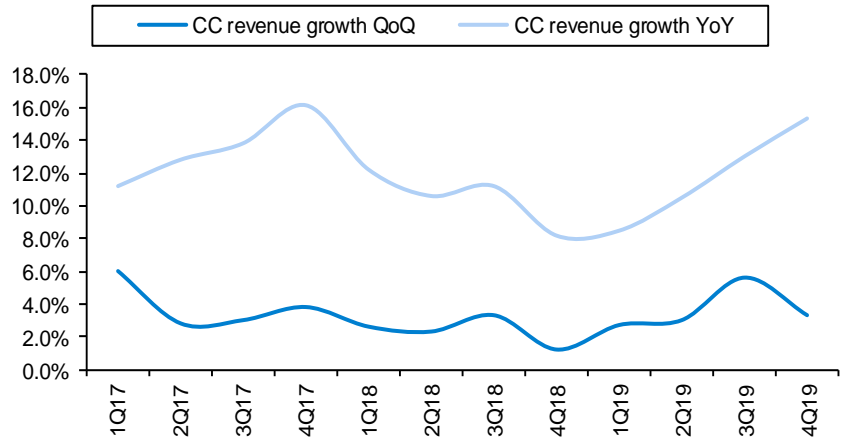
Exhibit 2: Performance analysis of Mode 1-2-3

Mode	FY17	FY18	FY19	FY19 CC growth	FY19 Growth
Revenue	6,975	7,838	8,632	11.8%	10.1%
Mode 1	81.4%	76.6%	71.6%	4.5%	2.9%
Mode 2	12.8%	14.7%	17.0%	28.7%	27.3%
Mode 3	5.8%	8.7%	11.4%	48.4%	44.3%
Total Mode 2+3	18.6%	23.4%	28.4%		

Source: Company, PL

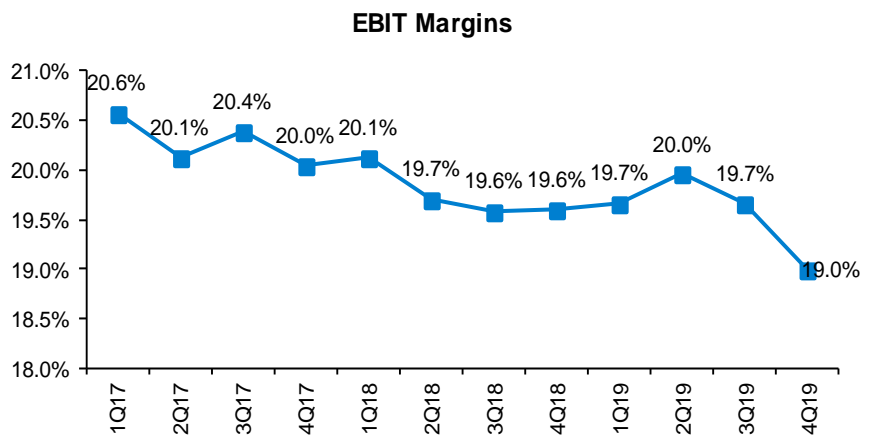
A bit improving organic revenue trajectory: HCLT has missed its revenue guidance in FY17 & FY18. FY19 growth was much better at higher end of guidance. For FY19, HCLT's CC revenue/EBIT/PAT grew by 11.8%/22.0%/15.2% YoY. Q4 saw 17 transformational deals led by Retail & CPG, Manufacturing, Public Services and Financial Services; for the year 78 such deals. Organic revenue guidance stood at 7-9% & will be back ended. Organic guidance is largely inline with peers & improved from last year's organic growth 6.5% YoY. We believe strong deal wins in FY19(~78 transformational deals) coupled with healthy outlook for BFSI & IMS will help HCLT to achieve higher end of organic guidance. We believe company has kept a bit lower organic guidance to provide cushion in an unstable macro environment.

Exhibit 3: Revenue growth momentum maintained



Source: Company, PL

Exhibit 4: Margins continue to remain under pressure



Source: Company, PL

EBIT margin down 65 bps QoQ and came below our estimates (Ple: 19.2%)

Key highlights from concall

Outlook:

- Company is on track of increasing Mode1 & Mode 2 Service offerings mix to 35% of overall revenues.
- Digital continues to remain the key growth driver. Management cited that 60-70% of deal wins are in Digital Infrastructure.
- On acquired entity strong bridge envision, management cited that it is largely operating in US market and focuses on digital transformational deals by creating enterprise agile platforms. SBE enhances HCL's digital consulting offerings in digital strategy development, agile program management, business transformation and organizational change management.
- Management cited that it reclassifies its presentation of financials going forward as with closing of acquisition of IBM deal, Products & platforms will become major part of business. There will be three segments- 1) Products & platforms 2) ERS- classify as new separate segment 3) Rest of business (IT & business services segment).
- Payout ratio for FY19 stood at 52.6%.

New Bookings:

- Pipeline continue to remain strong and management cited that it is 10% higher YoY in FY19
- In Q4 HCL Tech signed 17 transformational deals reflecting strong mix of Mode 1 and Mode 2 services in verticals such as Retail & CPG Manufacturing, Public Services and Financial Services. Company in total signed 78 transformational deals in FY19.

Guidance:

- Revenue growth Guidance for FY20 between 14%-16% in constant currency which translates to 13.4%-15.4% in USD terms owing to cross currency headwinds.
- Organic growth to be in range of 7%-9% and balance-7% includes inorganic component. IBM product deal is expected to be close by end of this month and will have incremental revenues impact of 10 months in FY20 (subject to approval) has been factored in the guidance.
- Operating margin guidance for FY20 is 18.5%-19.5%. Lower EBIT margin guidance factors in the investments in people, technology, system and increasing investments for execution of new deal wins.
- Management is focusing on two key themes: Modernization in FS (25% digital services spending is in FS) and enhancing Engineering capabilities to capitalize spending in discrete and embedded manufacturing.

Caution:

- Management cited concerns in global market with tough VISA regime, impact of tariffs on client business and reduction of spending by some of clients.
- Management cited that concerns like rising attrition rates (unemployment rate in US is at lowest), Supply crunch will weigh on margins.
- In order to eliminate this challenges, management is focusing on two elements- 1) Integrated offerings 2) Execution of deals through platforms and embedded engineering. Cost management strategy with continue to increase localization (tie-ups with colleges) and hiring of fresher's

Services:

- Application services was strong during the quarter with strong scale of digital product which has gone into execution phase.
- IMS: Significant transformation with digital foundation for every enterprises creating momentum in the vertical and traditional deals are going soft.
- Mode1 services has its own dynamics and expects it to deliver low single digit in FY20. Mode 2 service will address significant growth (we note that 35% of incremental growth came from Mode2 in FY19) and management cited that it will continue to invest for differentiation.

Geographies:

- USA was tepid during the quarter on account of seasonality impact however for FY19 this geography performed well and management remain confident on growth in this geo region.
- In Europe new acquisitions are adding up the capabilities and new opportunities. For i.e. in Germany, company is seeing lot of opportunities with H&D acquisition (with mode 2 service offerings).

Verticals:

- BFSI: BFSI was tepid on account of two clients (in Capital market domain) specific issue (cited in last quarter). Also cited that apart from this issue growth was equivalent to company growth level during the quarter.
- Management is seeing Strong traction not just for digital but also for integration offerings in this vertical.
- Expects Manufacturing vertical to deliver flat growth in FY20.

Margins:

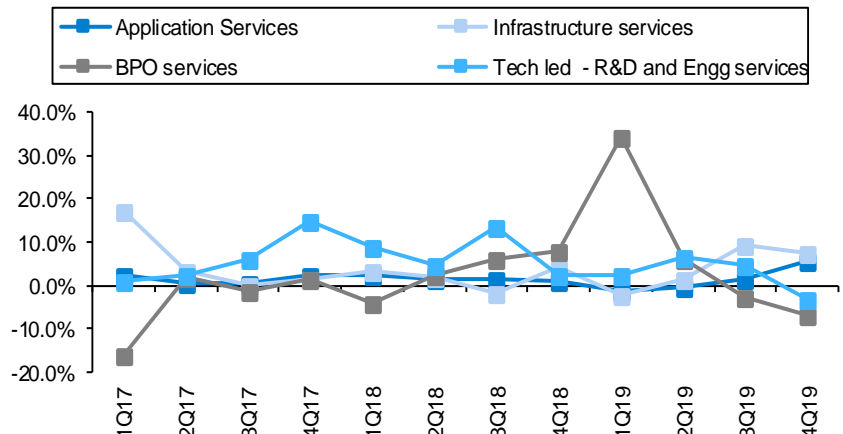
- During the quarter, margin was 63bps lower with headwind from Foreign exchange impact (-43bps) and seasonality impact in product business (-20bps).
- Management cited that Q1FY20 will continue to be soft quarter in terms of margin performance owing to continuous investment for preparation of IBM product deals.
- Margins in Mode 3 weak during the quarter on account of seasonality impact and expects to recover with closing of deals which are margin accretive. Pressure in Margins of Mode 1 because of scale up in deals and renewals pressure going forward.

Strong growth in IMS services (up 7.3% QoQ in cc terms) and Application services (up 5.2% QoQ) was offset by weak performance in BPO service (down 5.8% QoQ) and Engineering and R&D services (down 3% QoQ).

Infrastructure services delivered solid growth of 7.3% QoQ CC on back of robust 10.4% sequential growth (in CC) in the previous quarter. During FY'19, Infrastructure services posted double digit growth at 11.1% YoY CC.

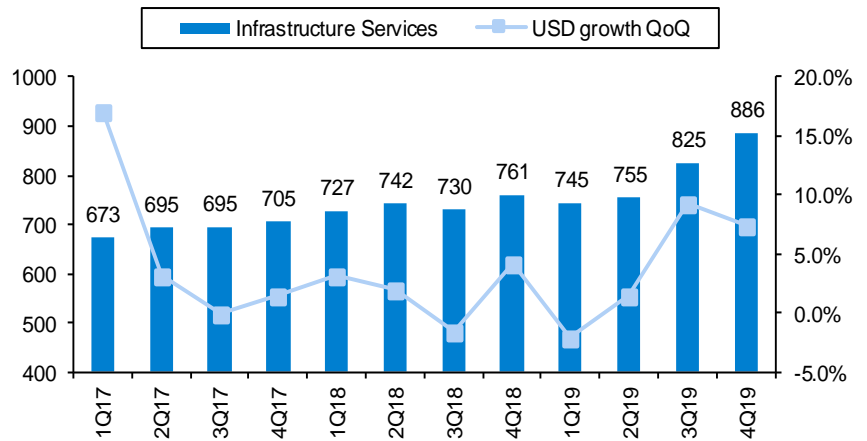
Recovery in margin performance of IMS and BPO was offset by software services.

Exhibit 5: Revenue performance of service offerings



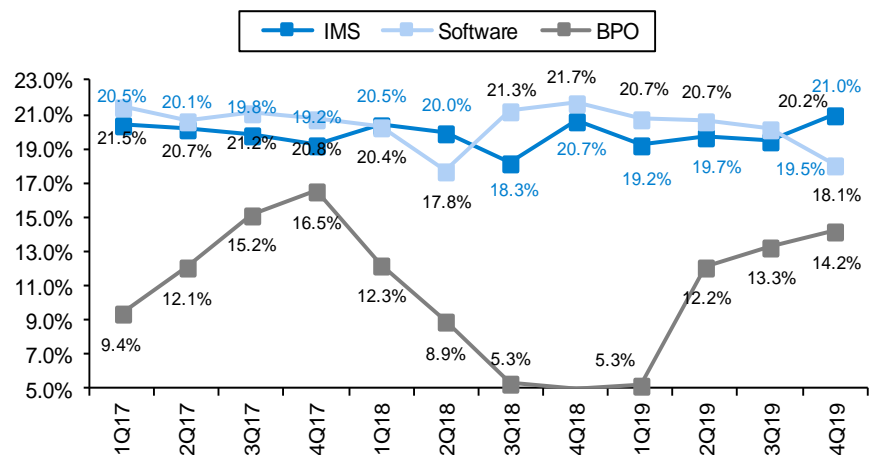
Source: Company, PL

Exhibit 6: IMS remain strong



Source: Company, PL

Exhibit 7: Segment wise EBIT margin performance



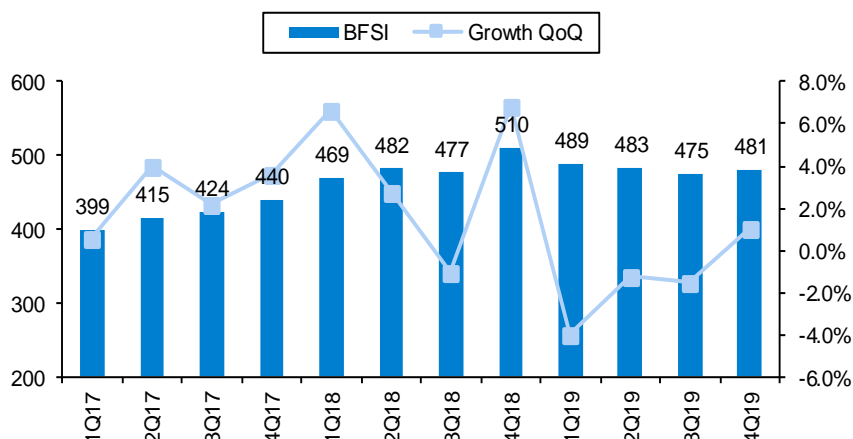
Source: Company, PL

BFSI continues to show tepid performance. BFSI grew by 0.9% QoQ and de-grew by 1.4% YoY in constant currency during the quarter.

Rising SG&A expenses with continuous investments in sales by HCL Tech has led to fall in margins. SG&A expenses stood at 12.3% of total revenues (up 20bps) during the quarter.

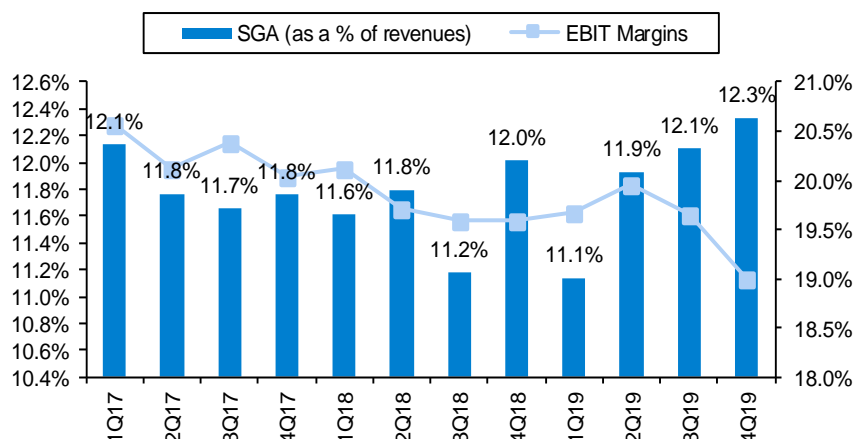
Attrition marginally improved by 10 bps during the quarter. Headcount at the end of quarter stood at 137,965 which implies net addition of 5,637 employees.

Exhibit 8: BFSI marginally grew during the quarter



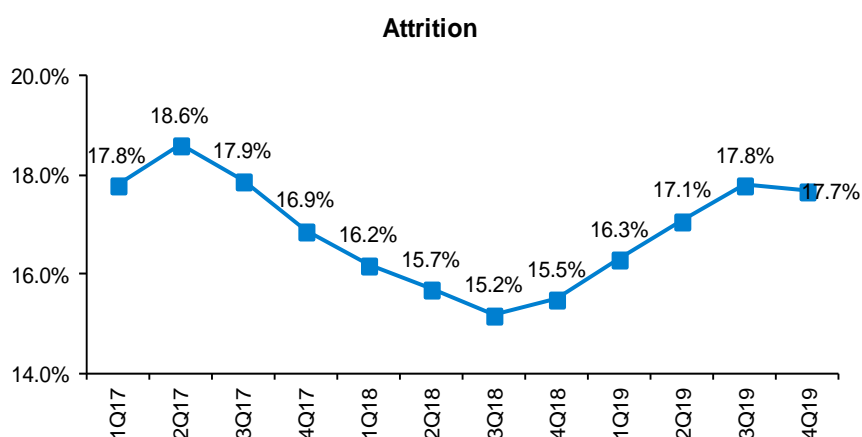
Source: Company, PL

Exhibit 9: Increasing SG&A Expenses weighing on margins

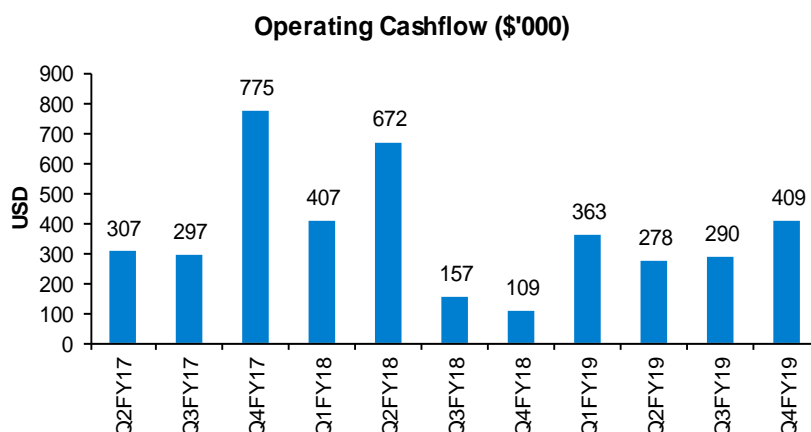


Source: Company, PL

Exhibit 10: Attrition creating new normal level



Source: Company, PL

Exhibit 11: Operating Cash Flow ('000's)


Source: Company, PL

Exhibit 12: Geography-wise revenues

(US\$ m)	4Q19	3Q19	QoQ gr.	4Q18	YoY gr.
US	1,432.9	1,417.4	1.1%	1,255.4	14.1%
Europe	676.6	620.7	9.0%	611.4	10.7%
Asia Pacific	168.6	162.9	3.5%	171.2	-1.5%
% Total					
US	62.9%	64.4%	-150 bps	61.6%	130 bps
Europe	29.7%	28.2%	150 bps	30.0%	-30 bps
Asia Pacific	7.4%	7.4%	0 bps	8.4%	-100 bps

Source: Company, PL

Exhibit 13: Revenue by Service offerings

	4Q19	3Q19	QoQ gr.	4Q18	YoY gr.
Application Services	742.6	704.3	5.4%	707.2	5.0%
Engineering and R&D Services	544.4	561.3	-3.0%	491.2	10.8%
Infrastructure Services	886.1	825.4	7.4%	760.2	16.6%
BPO Services	102.5	110.1	-6.9%	79.5	29.0%
% Total					
Application Services	32.6%	32.0%	60 bps	34.7%	-210 bps
Engineering and R&D Services	23.9%	25.5%	-160 bps	24.1%	-20 bps
Infrastructure Services	38.9%	37.5%	140 bps	37.3%	160 bps
BPO Services	4.5%	5.0%	-50 bps	3.9%	60 bps

Source: Company, PL

Exhibit 14: Vertical-wise revenues

(US\$ m)	4Q19	3Q19	QoQ gr.	4Q18	YoY gr.
Financial Services	480.7	475.4	1.1%	509.5	-5.7%
Manufacturing	398.7	389.6	2.3%	391.3	1.9%
Telecom	195.9	202.5	-3.3%	150.8	29.9%
Retail	227.8	224.5	1.5%	195.6	16.4%
Public Services	252.9	213.5	18.4%	216.0	17.0%
Life Sciences	296.1	286.1	3.5%	234.4	26.4%
Others	426.0	409.4	4.1%	340.3	25.2%
% of Total Revenue					
Financial Services	21.1%	21.6%	-50 bps	25.0%	-390 bps
Manufacturing	17.5%	17.7%	-20 bps	19.2%	-170 bps
Telecom	8.6%	9.2%	-60 bps	7.4%	120 bps
Retail	10.0%	10.2%	-20 bps	9.6%	40 bps
Public Services	11.1%	9.7%	140 bps	10.6%	50 bps
Life Sciences	13.0%	13.0%	0 bps	11.5%	150 bps
Others	18.7%	18.6%	10 bps	16.7%	200 bps

Source: Company, PL

Exhibit 15: Revenues by project type

(US\$ m)	4Q19	3Q19	QoQ gr.	4Q18	YoY gr.
Fixed Price Projects	1,451.1	1,393.2	4.2%	1,255.4	15.6%
Time & Material	826.9	807.8	2.4%	782.6	5.7%
% of total Revenue					
Fixed Price Projects	63.7%	63.3%	40 bps	61.6%	210 bps
Time & Material	36.3%	36.7%	-40 bps	38.4%	-210 bps

Source: Company, PL

Exhibit 16: Client Metrics

Particulars	4Q19	3Q19	QoQ gr.	4Q18	YoY gr.
US\$100m	10	10	0	8	2
US\$50m	29	29	0	28	1
US\$20m	95	95	0	87	8
US\$10m	166	164	2	160	6
US\$5m	283	276	7	264	19
US\$1m	623	597	26	561	62
(US\$ m)					
Top 5 Clients	387.3	383.0	1.1%	332.2	16.6%
Top 6-10 Clients	161.7	162.9	-0.7%	152.9	5.8%
Top 10 Clients	549.0	545.8	0.6%	485.0	13.2%
Top 10-20 Clients	211.9	204.7	3.5%	202.4	4.7%
Top 20 Clients	760.9	750.5	1.4%	687.4	10.7%
Non-Top 20 Clients	1,517.1	1,450.5	4.6%	1,350.6	12.3%
New business	109.3	83.6	30.7%	71.3	53.3%
Repeat business	2,168.7	2,117.4	2.4%	1,966.7	10.3%
% of Total Revenue					
Top 5 Clients	17.0%	17.4%	-40 bps	16.3%	70 bps
Top 10 Clients	24.1%	24.8%	-70 bps	23.8%	30 bps
Top 20 Clients	33.4%	34.1%	-70 bps	33.7%	-33 bps
New Clients Business	4.8%	3.8%	100 bps	3.5%	130 bps
Repeat Business	95.2%	96.2%	-100 bps	96.5%	-130 bps

Source: Company, PL

Exhibit 17: Headcount Metrics

	4Q19	3Q19	QoQ gr.	4Q18	YoY gr.
Utilization offshore (Blended)	85.4%	86.6%	-120 bps	85.9%	-50 bps
Attrition LTM - IT Services	17.7%	17.8%	-10 bps	15.5%	220 bps
Attrition LTM - BPO Services	8.3%	8.3%	0 bps	5.4%	290 bps
Total Employees	137,965	132,328	5637	120,081	17,884
Gross Addition	14,249	13,191	8.0%	8,476	68.1%
Net Addition	5,637	4,453	1184	790	4,847

Source: Company, PL

Exhibit 18: Segment-wise performance

	4Q19	3Q19	QoQ gr.	4Q18	YoY gr.
Revenue (US\$ m)					
Software services	1,288.6	1,267.1	1.7%	1,202.6	7.2%
Infrastructure Services	886.0	825.0	7.4%	760.8	16.5%
BPO	135.9	109.4	24.2%	78.6	73.0%
EBIT (US\$ m)					
Software services	233.5	255.4	-8.6%	261.2	-10.6%
Infrastructure Services	186.3	160.7	16.0%	157.2	18.5%
BPO	19.3	14.6	32.4%	8.6	124.9%
EBIT Margin (%)					
Software services	18.1%	20.2%	-203 bps	21.7%	-360 bps
Infrastructure Services	21.0%	19.5%	155 bps	20.7%	37 bps
BPO	14.2%	13.3%	88 bps	10.9%	328 bps

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY18	FY19	FY20E	FY21E
Net Revenues	505,700	604,280	697,836	766,698
YoY gr. (%)	8.2	19.5	15.5	9.9
Employee Cost	332,370	392,680	457,075	498,354
Gross Profit	173,330	211,600	240,761	268,344
Margin (%)	34.3	35.0	34.5	35.0
SG&A Expenses	-	-	-	-
Other Expenses	-	-	-	-
EBITDA	114,400	139,690	158,805	172,507
YoY gr. (%)	11.0	22.1	13.7	8.6
Margin (%)	22.6	23.1	22.8	22.5
Depreciation and Amortization	14,520	21,480	29,619	32,527
EBIT	99,880	118,210	129,186	139,980
Margin (%)	19.8	19.6	18.5	18.3
Net Interest	-	-	-	-
Other Income	11,110	8,050	7,700	8,100
Profit Before Tax	110,990	126,260	136,886	148,080
Margin (%)	21.9	20.9	19.6	19.3
Total Tax	23,170	24,810	31,008	33,517
Effective tax rate (%)	20.9	19.6	22.7	22.6
Profit after tax	87,820	101,450	105,878	114,563
Minority interest	-	220	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	87,820	101,230	105,878	114,563
YoY gr. (%)	3.8	15.3	4.6	8.2
Margin (%)	17.4	16.8	15.2	14.9
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	87,820	101,230	105,878	114,563
YoY gr. (%)	3.8	15.3	4.6	8.2
Margin (%)	17.4	16.8	15.2	14.9
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	87,820	101,230	105,878	114,563
Equity Shares O/s (m)	1,401	1,375	1,356	1,356
EPS (Rs)	62.7	73.6	78.1	84.5

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY18	FY19	FY20E	FY21E
Non-Current Assets				
Gross Block	195,904	234,960	292,647	306,742
Tangibles	51,847	58,010	115,697	129,792
Intangibles	144,057	176,950	176,950	176,950
Acc: Dep / Amortization	-	-	-	-
Tangibles	-	-	-	-
Intangibles	-	-	-	-
Net fixed assets	195,904	234,960	292,647	306,742
Tangibles	51,847	58,010	115,697	129,792
Intangibles	144,057	176,950	176,950	176,950
Capital Work In Progress	-	-	-	-
Goodwill	-	-	-	-
Non-Current Investments	2,872	350	350	350
Net Deferred tax assets	-	-	-	-
Other Non-Current Assets	37,675	52,930	52,930	52,930
Current Assets				
Investments	-	-	-	-
Inventories	-	-	-	-
Trade receivables	122,575	146,100	161,785	181,495
Cash & Bank Balance	100,127	117,460	156,929	272,989
Other Current Assets	25,198	37,160	41,605	46,673
Total Assets	484,351	588,960	706,246	861,179
Equity				
Equity Share Capital	1,341	1,341	1,341	1,341
Other Equity	366,828	416,360	506,166	604,657
Total Network	368,168	417,700	507,506	605,997
Non-Current Liabilities				
Long Term borrowings	4,371	39,860	39,860	39,860
Provisions	-	-	-	-
Other non current liabilities	12,669	15,380	20,131	30,112
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	99,143	111,480	134,208	180,670
Other current liabilities	-	-	-	-
Total Equity & Liabilities	484,351	588,960	706,246	861,179

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY18	FY19	FY20E	FY21E
PBT	110,990	126,260	136,886	148,080
Add. Depreciation	14,520	21,480	29,619	32,527
Add. Interest	-	-	-	-
Less Financial Other Income	11,110	8,050	7,700	8,100
Add. Other	-	-	-	-
Op. profit before WC changes	125,510	147,740	166,505	180,607
Net Changes-WC	(22,662)	(35,694)	7,350	31,664
Direct tax	(23,170)	(24,810)	(31,008)	(33,517)
Net cash from Op. activities	79,678	87,236	142,846	178,754
Capital expenditures	(49,362)	(60,536)	(87,305)	(46,622)
Interest / Dividend Income	-	-	-	-
Others	(1,406)	2,522	-	-
Net Cash from Invst. activities	(50,768)	(58,014)	(87,305)	(46,622)
Issue of share cap. / premium	-	-	-	-
Debt changes	(1,046)	35,489	-	-
Dividend paid	(19,642)	(12,873)	(16,072)	(16,072)
Interest paid	-	-	-	-
Others	(34,914)	(34,505)	-	-
Net cash from Fin. activities	(55,602)	(11,889)	(16,072)	(16,072)
Net change in cash	(26,692)	17,333	39,469	116,060
Free Cash Flow	30,316	26,700	55,541	132,132

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY18	FY19	FY20E	FY21E
Per Share(Rs)				
EPS	62.7	73.6	78.1	84.5
CEPS	73.0	89.2	99.9	108.5
BVPS	262.7	303.7	374.2	446.8
FCF	21.6	19.4	41.0	97.4
DPS	12.0	8.0	10.0	10.0
Return Ratio(%)				
RoCE	28.0	28.5	25.7	23.5
ROIC	39.5	42.4	33.9	27.3
RoE	25.0	25.8	22.9	20.6
Balance Sheet				
Net Debt : Equity (x)	(0.3)	(0.2)	(0.2)	(0.4)
Debtor (Days)	88	88	85	86
Valuation(x)				
PER	17.3	14.8	13.9	12.9
P/B	4.1	3.6	2.9	2.4
P/CEPS	14.9	12.2	10.9	10.0
EV/EBITDA	12.5	10.1	8.5	7.2
EV/Sales	2.8	2.3	1.9	1.6
Dividend Yield (%)	1.1	0.7	0.9	0.9

Source: Company Data, PL Research

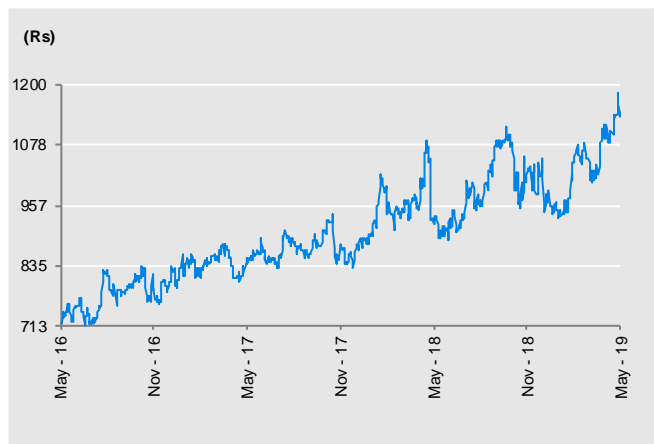
Quarterly Financials (Rs m)

Y/e Mar	Q1FY19	Q2FY19	Q3FY19	Q4FY19
Net Revenue	138,780	148,610	156,990	159,900
YoY gr. (%)	14.2	19.5	22.6	21.3
Raw Material Expenses	91,060	95,890	101,520	104,210
Gross Profit	47,720	52,720	55,470	55,690
Margin (%)	34.4	35.5	35.3	34.8
EBITDA	32,260	34,990	36,470	35,970
YoY gr. (%)	6.3	8.5	4.2	(1.4)
Margin (%)	23.2	23.5	23.2	22.5
Depreciation / Depletion	4,960	5,330	5,610	5,580
EBIT	27,300	29,660	30,860	30,390
Margin (%)	19.7	20.0	19.7	19.0
Net Interest	-	-	-	-
Other Income	2,960	2,520	1,050	1,520
Profit before Tax	30,260	32,180	31,910	31,910
Margin (%)	21.8	21.7	20.3	20.0
Total Tax	6,220	6,780	5,660	6,150
Effective tax rate (%)	20.6	21.1	17.7	19.3
Profit after Tax	24,040	25,400	26,250	25,760
Minority interest	-	-	140	80
Share Profit from Associates	-	-	-	-
Adjusted PAT	24,040	25,400	26,110	25,680
YoY gr. (%)	10.7	16.1	19.0	15.2
Margin (%)	17.3	17.1	16.6	16.1
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	24,040	25,400	26,110	25,680
YoY gr. (%)	10.7	16.1	19.0	15.2
Margin (%)	17.3	17.1	16.6	16.1
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	24,040	25,400	26,110	25,680
Avg. Shares O/s (m)	1,393	1,396	1,361	1,357
EPS (Rs)	17.3	18.2	19.2	18.9

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	21-Jun-18	Accumulate	1,100	904
2	10-Jul-18	BUY	1,100	938
3	28-Jul-18	BUY	1,100	963
4	5-Oct-18	BUY	1,255	1,077
5	23-Oct-18	BUY	1,255	952
6	8-Dec-18	Accumulate	1,100	962
7	7-Jan-19	Accumulate	1,100	942
8	29-Jan-19	Accumulate	1,170	988
9	5-Apr-19	BUY	1,186	1,093

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Cyient	Accumulate	621	585
2	HCL Technologies	BUY	1,186	1,093
3	Hexaware Technologies	Reduce	325	333
4	Infosys	Accumulate	782	748
5	L&T Technology Services	Accumulate	1,835	1,691
6	Larsen & Toubro Infotech	BUY	1,981	1,678
7	Mindtree	Reduce	873	972
8	Mphasis	Accumulate	1,090	975
9	NIIT Technologies	BUY	1,539	1,268
10	Persistent Systems	Hold	618	636
11	Redington (India)	BUY	108	98
12	Sonata Software	Accumulate	400	346
13	Tata Consultancy Services	BUY	2,312	2,013
14	TeamLease Services	Hold	3,203	3,031
15	Tech Mahindra	BUY	886	777
16	Wipro	Hold	247	281
17	Zensar Technologies	Accumulate	260	246

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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3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

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