

October 24, 2019

## Q2FY20 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

### Change in Estimates

	Current		Previous	
	FY20E	FY21E	FY20E	FY21E
Rating	BUY		BUY	
Target Price	1,258		1,210	
Sales (Rs. m)	7,17,089	7,93,890	7,02,029	7,69,997
% Chng.	2.1	3.1		
EBITDA (Rs. m)	1,63,772	1,81,633	1,60,218	1,76,167
% Chng.	2.2	3.1		
EPS (Rs.)	77.5	86.7	77.7	86.5
% Chng.	(0.3)	0.3		

### Key Financials - Standalone

Y/e Mar	FY19	FY20E	FY21E	FY22E
Sales (Rs. bn)	604	717	794	853
EBITDA (Rs. bn)	140	164	182	195
Margin (%)	23.1	22.8	22.9	22.9
PAT (Rs. bn)	101	105	118	126
EPS (Rs.)	73.6	77.5	86.7	93.0
Gr. (%)	17.5	5.2	12.0	7.3
DPS (Rs.)	8.0	10.0	10.0	10.0
Yield (%)	0.7	0.9	0.9	0.9
RoE (%)	25.8	22.7	21.1	19.0
RoCE (%)	28.5	27.1	24.6	22.5
EV/Sales (x)	2.4	2.1	1.8	1.6
EV/EBITDA (x)	10.2	9.1	7.9	6.9
PE (x)	14.9	14.1	12.6	11.8
P/BV (x)	3.6	2.9	2.4	2.1

### Key Data

HCLT.BO | HCLT IN

52-W High / Low	Rs.1,190 / Rs.920
Sensex / Nifty	39,059 / 11,604
Market Cap	Rs.1,486bn/ \$ 20,943m
Shares Outstanding	1,356m
3M Avg. Daily Value	Rs.4115.33m

### Shareholding Pattern (%)

Promoter's	60.00
Foreign	27.96
Domestic Institution	8.63
Public & Others	3.41
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	6.1	(0.6)	15.1
Relative	6.2	(1.8)	(0.2)

Aniket Pande

aniketpande@plindia.com | 91-22-66322300

## Multiple Engines firing

### Quick Pointers:

- Delivered strong but inline revenue performance with strong beat on margins.
- HCLT raised organic guidance to 10-12% YoY CC (from earlier 8-10%) & overall guidance to 15-17% YoY CC (from earlier 12-14%).

**HCLT reported strong revenue growth of 6% QoQ CC slightly below our estimates (Ple: 6.5%, Cons:6.4%) of which organic growth accounted to 1.5% QoQ CC higher than our estimates of 0.8% QoQ CC. Strong revenue growth was led by ERD segment (+5.4% QoQ). IBM products contributed ~US\$105mn (~4.4%) in incremental revenues. EBIT margin increased by 286bps QoQ to 20% ahead of HCLT guided range of 18.5-19.5% due to improvement in core business, benefits from the consolidation of the higher-margin IP business. ER&D margins also increased sharply by 540bps QoQ to 21.4% on account of productivity improvements and recognition of deferred revenue.**

**HCLT won 15 transformational deals during the quarter and suggested that order booking picked up on a sequential basis, providing confidence on organic growth trajectory in the near term despite industry-wide growth concerns. HCLT increased organic guidance which is led strong performance in ER&D segment. HCLT has raised FY2020E organic revenue growth guidance to industry leading 10-12% from 8-10% earlier. We believe HCLT now has broad-based, diversified business model with multiple engines firing simultaneously to deliver industry leading organic growth in FY20E.**

**We fine tune our estimates & incorporate FY22E estimates & now value HCLT based on Sep-21 earnings of Rs.90 valuing at 14x multiple & arriving at a changed target price of Rs. 1258(earlier: Rs. 1210). Stock is currently trading at 12.7x FY21E EPS and 11.8x FY22E EPS. HCLT remains our top pick in overall IT coverage universe.**

- Strong revenue growth performance:** HCLT reported strong revenue growth of 6% QoQ CC slightly below our estimates (Ple: 6.5%, Cons:6.4%) of which organic growth accounted to 1.5% QoQ CC higher than our estimates of 0.8% QoQ CC. Strong revenue growth was led by ERD segment (+5.4% QoQ). IBM products contributed ~US\$105mn (~4.4%) in incremental revenues.
- BFSI rebounded strong:** BFSI posted strong growth of 7.4% QoQ CC, management contributed strong growth to ramp up of deal wins from existing clients & new project work. Manufacturing showed a flat growth of -0.2% QoQ CC & technology grew by 20.7% QoQ CC. Retail vertical was flat at by 1.5% QoQ CC. Among segments, IT services showed a flat growth of 0.9% QoQ CC, Engineering & R&D grew by 5.4% QoQ CC & products & platforms grew by 56.8% QoQ CC. IBM products contributed ~US\$105mn (~4.4%) in incremental revenues.

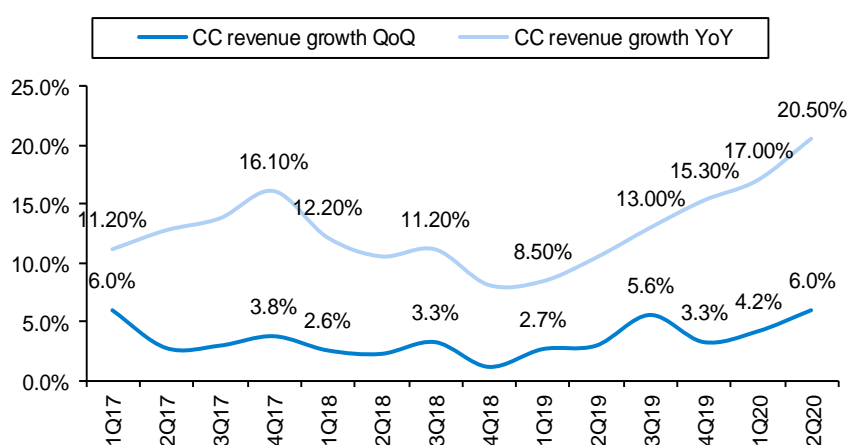
- Strong operating performance:** EBIT margin increased by 286bps QoQ to 20% ahead of HCLT guided range of 18.5-19.5% due to improvement in core business, benefits from the consolidation of the higher-margin IP business. ER&D margins also increased sharply by 540bps QoQ to 21.4% on account of productivity improvements and recognition of deferred revenue. Mode 1 (~67% of total revenues) EBIT margins increased by 220bps QoQ to 20%. Margins also got tailwinds from 115bps of the improvement driven by expansion in Product & Platform (P&P) margins driven by integration of acquired software products from IBM. Management indicated that 1QFY20 costs had certain non-recurring costs.

**Exhibit 1: Q1FY20: Quick view on results**

(Rs m)	2Q20	1Q20	QoQ gr.	2Q19	YoY gr.	PL(e)	Var VS PL(e)
Sales (\$ m)	2,486	2,364	5.2%	2,099	18.4%	2,501	-0.6%
Sales	1,75,280	1,64,270	6.7%	1,48,610	17.9%	1,75,824	-0.3%
EBIT Margin	34,970	28,070	24.6%	29,660	17.9%	33,231	5.2%
EBIT Margin	20.0%	17.1%	286 bps	20.0%	-1 bps	18.9%	105 bps
Adjusted PAT	26,510	22,220	19.3%	25,400	4.4%	26,679	-0.6%
EPS	19.5	16.4	19.3%	18.2	7.4%	19.66	-0.6%
Average (USD rate)	70.5	69.5	1.5%	70.8	-0.4%	70.3	0.3%

Source: Company, PL

HCLT reported strong revenue growth of 6% QoQ CC slightly below our estimates (Ple: 6.5%, Cons:6.4%) of which organic growth accounted to 1.5% QoQ CC higher than our estimates of 0.8% QoQ CC.

**Exhibit 2: Revenue growth momentum maintained**


Source: Company, PL

ER&D margins also increased sharply by 540bps QoQ to 21.4% on account of productivity improvements and recognition of deferred revenue.

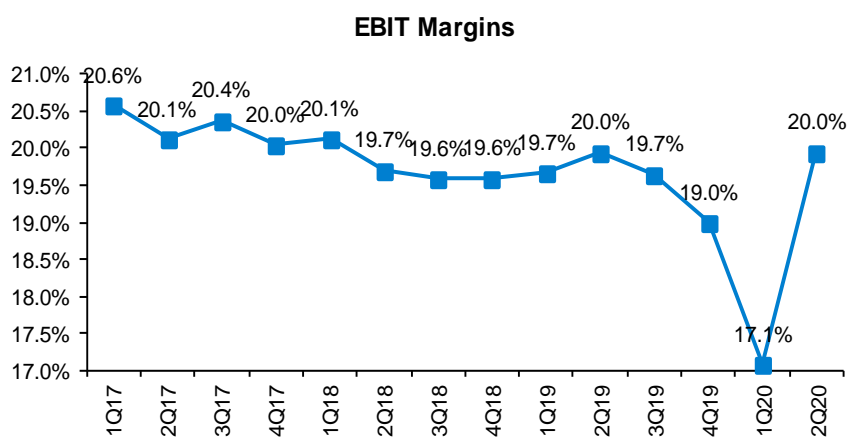
EBIT margin increased by 286bps QoQ to 20% ahead of HCLT guided range of 18.5-19.5% due to improvement in core business, benefits from the consolidation of the higher-margin IP business.

**Exhibit 3: Performance Metrics of Mode 1-2-3 business**

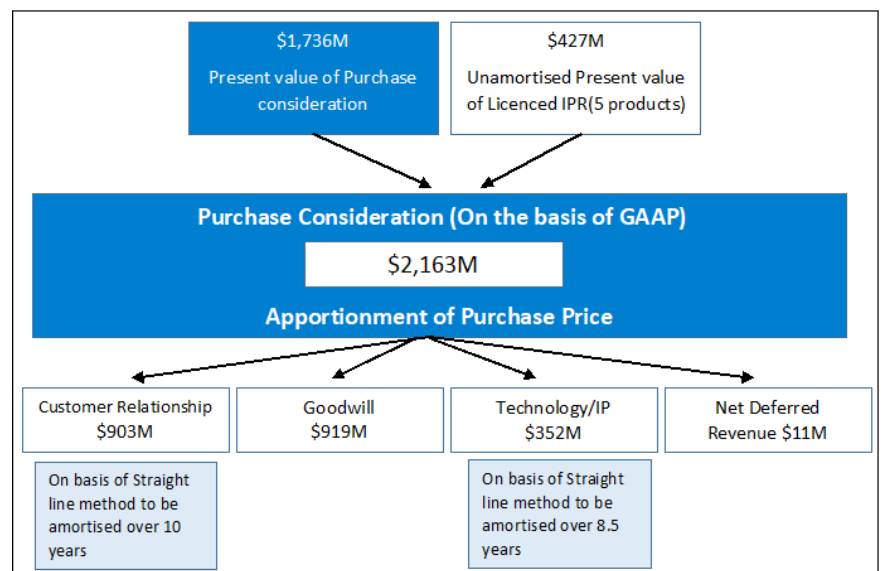
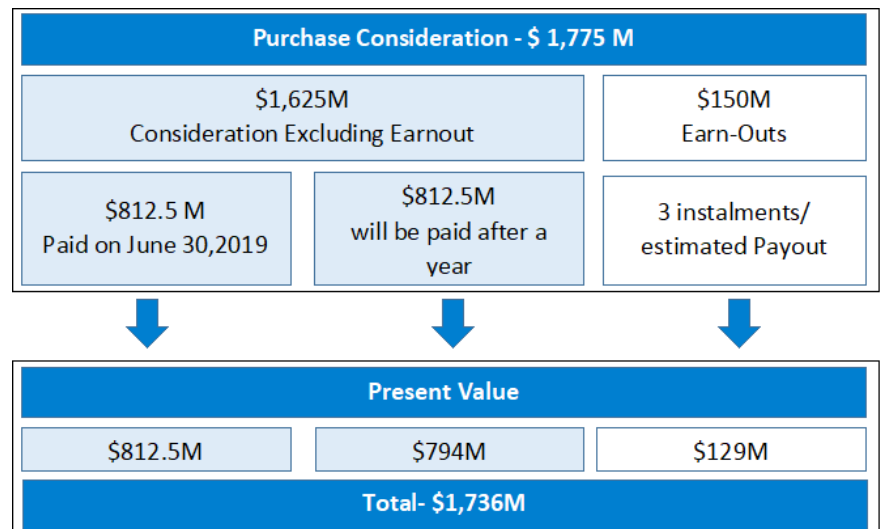
Revenues (US\$ mn)	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20
Mode 1	1,512	1,561	1,606	1662	1665
Mode 2	336	377	430	444	455
Mode 3	251	263	242	258	365
<b>Total</b>	<b>2,099</b>	<b>2,201</b>	<b>2,278</b>	<b>2,278</b>	<b>2,278</b>
<b>Revenue mix (%)</b>					
Mode 1	72	70.9	70.5	70.3	67
Mode 2	16	17.1	18.9	18.8	18.3
Mode 3	12	11.9	10.6	10.9	14.7
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>EBIT margin (%)</b>					
Mode 1	21.2	20.7	20.5	17.8	20.0
Mode 2	10.8	12.3	13.1	13.2	14.0
Mode 3	24.4	23	18.8	19	27.1
<b>Total</b>	<b>19.9</b>	<b>19.7</b>	<b>19</b>	<b>17.1</b>	<b>20.0</b>
<b>Growth (qoq c/c %)</b>					
Mode 1	1.4	3.9	2.5	4.1	1.2
Mode 2	5.3	13.1	14.3	3.6	3.0
Mode 3	10.4	6.2	-7.6	6.5	42.0
<b>Total</b>	<b>3</b>	<b>5.6</b>	<b>3.3</b>	<b>4.2</b>	<b>6.0</b>

Source: Company, PL

**Exhibit 4: Margins rebounded strong**



Source: Company, PL



## Changes in Estimates

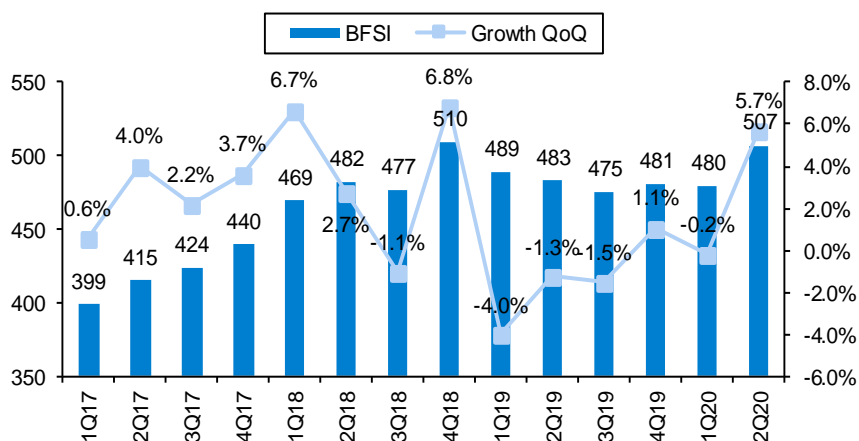
We fine tune our estimates & incorporate FY22E estimates & now value HCLT based on Sep-21 earnings of Rs.90 valuing at 14x multiple & arriving at an changed target price of Rs. 1258(earlier: Rs. 1210). Stock is currently trading at 12.7x FY21E EPS and 11.8x FY22E EPS. HCLT remains our top pick in overall IT coverage universe.

**Exhibit 5: Change in Estimates**

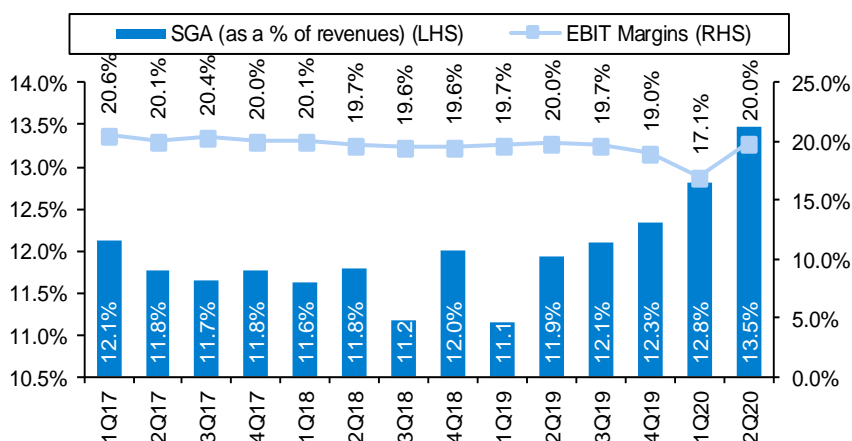
Particulars	FY20E	FY21E	FY22E
<b>Revenue (US\$ m)</b>			
New	10,203	11,182	12,011
Old	10,013	10,845	NA
Change (%)	1.9%	3.1%	NA
USD Revenue growth (%)	18.2%	9.6%	7.4%
<b>EBIT Margins (%)</b>			
- New	19.1%	18.6%	18.6%
- Old	18.8%	18.6%	NA
Change (%)	27 bps	0 bps	NA
<b>EPS (Rs)</b>			
- New	77.4	86.7	93.0
- Old	77.7	86.5	NA
Change (%)	-0.3%	0.3%	NA

Source: Company, PL

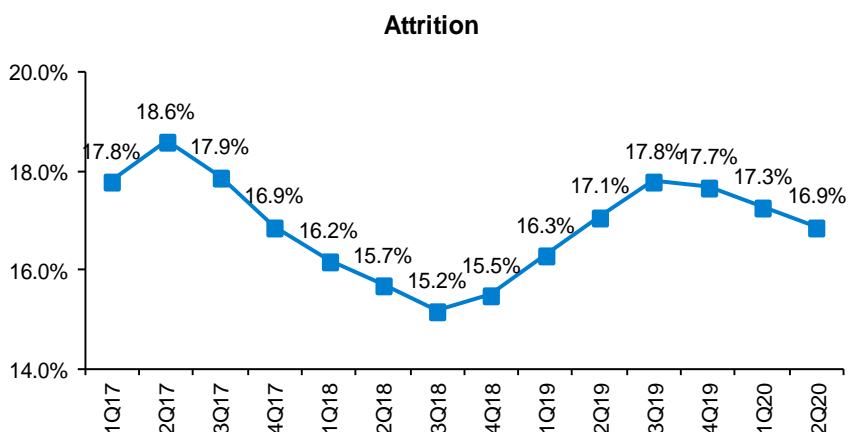
**Exhibit 6: BFSI continued tepid performance**



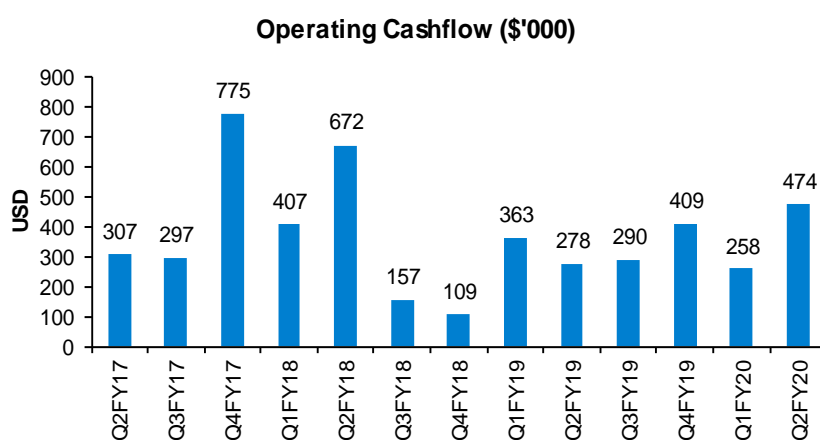
Source: Company, PL

**Exhibit 7: Increasing SG&A Expenses weighing on margins**


Source: Company, PL

**Exhibit 8: Attrition declined by ~40bps in Q1FY20**


Source: Company, PL

**Exhibit 9: Operating Cash Flow ('000's)**


Source: Company, PL

**Exhibit 10: Geography-wise revenues**

(US\$ m)	2Q20	1Q20	QoQ gr.	2Q19	YoY gr.
US	1,687.7	1,600.2	5.5%	1,381.1	22.2%
Europe	638.8	612.2	4.3%	562.5	13.6%
Asia Pacific	159.1	148.9	6.8%	155.3	2.4%
<b>% Total</b>					
US	67.9%	67.7%	20 bps	65.8%	210 bps
Europe	25.7%	25.9%	-20 bps	26.8%	-110 bps
Asia Pacific	6.4%	6.3%	10 bps	7.4%	-100 bps

Source: Company, PL

**Exhibit 11: Vertical-wise revenues**

(US\$ m)	2Q20	1Q20	QoQ gr.	2Q19	YoY gr.
Financial Services	507.1	479.8	5.7%	482.8	5.0%
Manufacturing	464.8	470.4	-1.2%	377.8	23.0%
Telecom	198.8	189.1	5.2%	151.1	31.6%
Retail	226.2	224.5	0.7%	209.9	7.8%
Public Services	261.0	248.2	5.2%	224.6	16.2%
Life Sciences	313.2	302.5	3.5%	270.8	15.7%
Others	514.5	449.1	14.6%	382.0	34.7%
<b>% of Total Revenue</b>					
Financial Services	20.4%	20.3%	10 bps	23.0%	-260 bps
Manufacturing	18.7%	19.9%	-120 bps	18.0%	70 bps
Telecom	8.0%	8.0%	0 bps	7.2%	80 bps
Retail	9.1%	9.5%	-40 bps	10.0%	-90 bps
Public Services	10.5%	10.5%	0 bps	10.7%	-20 bps
Life Sciences	12.6%	12.8%	-20 bps	12.9%	-30 bps
Others	20.7%	19.0%	170 bps	18.2%	250 bps

Source: Company, PL

**Exhibit 12: Revenues by project type**

(US\$ m)	2Q20	1Q20	QoQ gr.	2Q19	YoY gr.
Fixed Price Projects	1,652.9	1,500.9	10.1%	1,297.2	27.4%
Time & Material	832.7	862.7	-3.5%	801.8	3.8%
<b>% of total Revenue</b>					
Fixed Price Projects	66.5%	63.5%	300 bps	61.8%	470 bps
Time & Material	33.5%	36.5%	-300 bps	38.2%	-470 bps

Source: Company, PL

**Exhibit 13: Client Metrics**

Particulars	2Q20	1Q20	QoQ gr.	2Q19	YoY gr.
US\$100m	13	12	1	9	4
US\$50m	30	29	1	31	-1
US\$20m	93	93	0	90	3
US\$10m	171	172	-1	165	6
US\$5m	299	293	6	269	30
US\$1m	667	633	34	575	92
<b>(US\$ m)</b>					
Top 5 Clients	410.1	392.4	4.5%	363.1	12.9%
Top 6-10 Clients	186.4	172.5	8.0%	157.4	18.4%
Top 10 Clients	596.5	564.9	5.6%	520.6	14.6%
Top 10-20 Clients	263.5	243.5	8.2%	197.3	33.5%
Top 20 Clients	860.0	808.4	6.4%	717.9	19.8%
Non-Top 20 Clients	1,625.6	1,555.2	4.5%	1,381.1	17.7%
New business	141.7	108.7	30.3%	65.1	117.7%
Repeat business	2,343.9	2,254.9	3.9%	2,033.9	15.2%
<b>% of Total Revenue</b>					
Top 5 Clients	16.5%	16.6%	-10 bps	17.3%	-80 bps
Top 10 Clients	24.0%	23.9%	10 bps	24.8%	-80 bps
Top 20 Clients	34.6%	34.2%	40 bps	34.2%	40 bps
New Clients Business	5.7%	4.6%	110 bps	3.1%	260 bps
Repeat Business	94.3%	95.4%	-110 bps	96.9%	-260 bps

Source: Company, PL

**Exhibit 14: Headcount Metrics**

	2Q20	1Q20	QoQ gr.	2Q19	YoY gr.
Attrition LTM - IT Services	16.9%	17.3%	-40 bps	17.1%	-20 bps
Total Employees	1,47,123	1,43,900	3223	1,27,875	19,248
Gross Addition	13,430	16,332	-17.8%	11,683	15.0%
Net Addition	3,223	5,935	-2712	3,754	(531)

Source: Company, PL



## Financials

### Income Statement (Rs m)

Y/e Mar	FY19	FY20E	FY21E	FY22E
<b>Net Revenues</b>	<b>6,04,280</b>	<b>7,17,089</b>	<b>7,93,890</b>	<b>8,52,760</b>
YoY gr. (%)	19.5	18.7	10.7	7.4
Employee Cost	3,92,680	4,65,210	5,16,028	5,54,294
Gross Profit	2,11,600	2,51,879	2,77,861	2,98,466
Margin (%)	35.0	35.1	35.0	35.0
SG&A Expenses	-	-	-	-
Other Expenses	-	-	-	-
<b>EBITDA</b>	<b>1,39,690</b>	<b>1,63,772</b>	<b>1,81,633</b>	<b>1,95,100</b>
YoY gr. (%)	22.1	17.2	10.9	7.4
Margin (%)	23.1	22.8	22.9	22.9
Depreciation and Amortization	21,480	27,112	33,677	36,177
<b>EBIT</b>	<b>1,18,210</b>	<b>1,36,660</b>	<b>1,47,956</b>	<b>1,58,923</b>
Margin (%)	19.6	19.1	18.6	18.6
Net Interest	-	-	-	-
Other Income	8,050	1,700	3,350	3,350
<b>Profit Before Tax</b>	<b>1,26,260</b>	<b>1,38,360</b>	<b>1,51,306</b>	<b>1,62,273</b>
Margin (%)	20.9	19.3	19.1	19.0
Total Tax	24,810	33,151	33,676	36,089
Effective tax rate (%)	19.6	24.0	22.3	22.2
<b>Profit after tax</b>	<b>1,01,450</b>	<b>1,05,209</b>	<b>1,17,630</b>	<b>1,26,185</b>
Minority interest	220	160	-	-
Share Profit from Associate	-	-	-	-
<b>Adjusted PAT</b>	<b>1,01,230</b>	<b>1,05,049</b>	<b>1,17,630</b>	<b>1,26,185</b>
YoY gr. (%)	15.3	3.8	12.0	7.3
Margin (%)	16.8	14.6	14.8	14.8
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>1,01,230</b>	<b>1,05,049</b>	<b>1,17,630</b>	<b>1,26,185</b>
YoY gr. (%)	15.3	3.8	12.0	7.3
Margin (%)	16.8	14.6	14.8	14.8
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,01,230	1,05,049	1,17,630	1,26,185
<b>Equity Shares O/s (m)</b>	<b>1,375</b>	<b>1,356</b>	<b>1,356</b>	<b>1,356</b>
<b>EPS (Rs)</b>	<b>73.6</b>	<b>77.5</b>	<b>86.7</b>	<b>93.0</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY19	FY20E	FY21E	FY22E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>2,34,960</b>	<b>3,85,326</b>	<b>4,32,568</b>	<b>4,42,718</b>
Tangibles	58,010	89,636	1,36,878	1,47,028
Intangibles	1,76,950	2,95,690	2,95,690	2,95,690
<b>Acc: Dep / Amortization</b>	-	-	-	-
Tangibles	-	-	-	-
Intangibles	-	-	-	-
<b>Net fixed assets</b>	<b>2,34,960</b>	<b>3,85,326</b>	<b>4,32,568</b>	<b>4,42,718</b>
Tangibles	58,010	89,636	1,36,878	1,47,028
Intangibles	1,76,950	2,95,690	2,95,690	2,95,690
Capital Work In Progress	-	-	-	-
Goodwill	-	-	-	-
Non-Current Investments	350	730	730	730
Net Deferred tax assets	-	-	-	-
Other Non-Current Assets	52,930	80,340	80,340	80,340
<b>Current Assets</b>				
Investments	-	-	-	-
Inventories	-	-	-	-
Trade receivables	1,46,100	1,70,923	1,91,404	2,05,597
Cash & Bank Balance	1,17,460	37,928	92,604	1,88,851
Other Current Assets	37,160	44,459	49,221	52,871
<b>Total Assets</b>	<b>5,88,960</b>	<b>7,19,706</b>	<b>8,46,866</b>	<b>9,71,107</b>
<b>Equity</b>				
Equity Share Capital	1,341	1,341	1,341	1,341
Other Equity	4,16,360	5,05,705	6,07,262	7,17,374
<b>Total Network</b>	<b>4,17,700</b>	<b>5,07,046</b>	<b>6,08,603</b>	<b>7,18,715</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	39,860	43,070	43,070	43,070
Provisions	-	-	-	-
Other non current liabilities	15,380	21,513	31,756	34,110
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	1,11,480	1,43,418	1,58,778	1,70,552
Other current liabilities	-	-	-	-
<b>Total Equity &amp; Liabilities</b>	<b>5,88,960</b>	<b>7,19,706</b>	<b>8,46,866</b>	<b>9,71,107</b>

Source: Company Data, PL Research

### Cash Flow (Rs m)

Y/e Mar	FY19	FY20E	FY21E	FY22E
PBT	1,26,260	1,38,360	1,51,306	1,62,273
Add. Depreciation	21,480	27,112	33,677	36,177
Add. Interest	-	-	-	-
Less Financial Other Income	8,050	1,700	3,350	3,350
Add. Other	-	-	-	-
Op. profit before WC changes	1,47,740	1,65,472	1,84,983	1,98,450
Net Changes-WC	(35,694)	(21,462)	360	(3,714)
Direct tax	(24,810)	(33,151)	(33,676)	(36,089)
<b>Net cash from Op. activities</b>	<b>87,236</b>	<b>1,10,859</b>	<b>1,51,667</b>	<b>1,58,647</b>
Capital expenditures	(60,536)	(1,77,478)	(80,919)	(46,327)
Interest / Dividend Income	-	-	-	-
Others	2,522	(380)	-	-
<b>Net Cash from Inv. activities</b>	<b>(58,014)</b>	<b>(1,77,858)</b>	<b>(80,919)</b>	<b>(46,327)</b>
Issue of share cap. / premium	-	-	-	-
Debt changes	35,489	3,210	-	-
Dividend paid	(12,873)	(15,991)	(16,073)	(16,073)
Interest paid	-	-	-	-
Others	(34,505)	248	-	-
<b>Net cash from Fin. activities</b>	<b>(11,889)</b>	<b>(12,534)</b>	<b>(16,073)</b>	<b>(16,073)</b>
<b>Net change in cash</b>	<b>17,333</b>	<b>(79,532)</b>	<b>54,676</b>	<b>96,247</b>
Free Cash Flow	26,700	(66,618)	70,749	1,12,320

Source: Company Data, PL Research

### Key Financial Metrics

Y/e Mar	FY19	FY20E	FY21E	FY22E
<b>Per Share(Rs)</b>				
EPS	73.6	77.5	86.7	93.0
CEPS	89.2	97.4	111.6	119.7
BVPS	303.7	373.8	448.7	529.9
FCF	19.4	(49.1)	52.2	82.8
DPS	8.0	10.0	10.0	10.0
<b>Return Ratio(%)</b>				
RoCE	28.5	27.1	24.6	22.5
ROIC	42.4	46.5	45.0	33.6
RoE	25.8	22.7	21.1	19.0
<b>Balance Sheet</b>				
Net Debt : Equity (x)	(0.2)	0.0	(0.1)	(0.2)
Debtor (Days)	88	87	88	88
<b>Valuation(x)</b>				
PER	14.9	14.1	12.6	11.8
P/B	3.6	2.9	2.4	2.1
P/CEPS	12.3	11.2	9.8	9.1
EV/EBITDA	10.2	9.1	7.9	6.9
EV/Sales	2.4	2.1	1.8	1.6
Dividend Yield (%)	0.7	0.9	0.9	0.9

Source: Company Data, PL Research

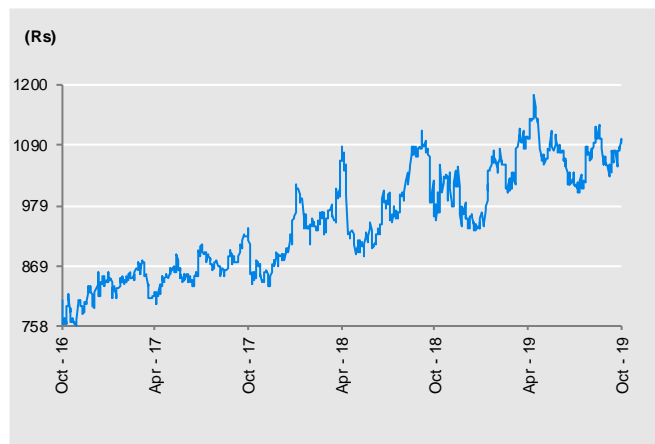
### Quarterly Financials (Rs m)

Y/e Mar	Q3FY19	Q4FY19	Q1FY20	Q2FY20
<b>Net Revenue</b>	<b>1,56,990</b>	<b>1,59,900</b>	<b>1,64,270</b>	<b>1,75,280</b>
YoY gr. (%)	22.6	21.3	18.4	17.9
Raw Material Expenses	1,01,520	1,04,210	1,09,200	1,10,610
Gross Profit	55,470	55,690	55,070	64,670
Margin (%)	35.3	34.8	33.5	36.9
<b>EBITDA</b>	<b>36,470</b>	<b>35,970</b>	<b>34,020</b>	<b>41,030</b>
YoY gr. (%)	23.0	18.5	5.5	17.3
Margin (%)	23.2	22.5	20.7	23.4
Depreciation / Depletion	5,610	5,580	5,950	6,060
<b>EBIT</b>	<b>30,860</b>	<b>30,390</b>	<b>28,070</b>	<b>34,970</b>
Margin (%)	19.7	19.0	17.1	20.0
Net Interest	-	-	-	-
Other Income	1,050	1,520	1,280	(30)
<b>Profit before Tax</b>	<b>31,910</b>	<b>31,910</b>	<b>29,350</b>	<b>34,940</b>
Margin (%)	20.3	20.0	17.9	19.9
Total Tax	5,660	6,150	7,050	8,350
Effective tax rate (%)	17.7	19.3	24.0	23.9
<b>Profit after Tax</b>	<b>26,250</b>	<b>25,760</b>	<b>22,300</b>	<b>26,590</b>
Minority interest	140	80	80	80
Share Profit from Associates	-	-	-	-
<b>Adjusted PAT</b>	<b>26,110</b>	<b>25,680</b>	<b>22,220</b>	<b>26,510</b>
YoY gr. (%)	19.0	15.2	(7.6)	4.4
Margin (%)	16.6	16.1	13.5	15.1
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>26,110</b>	<b>25,680</b>	<b>22,220</b>	<b>26,510</b>
YoY gr. (%)	19.0	15.2	(7.6)	4.4
Margin (%)	16.6	16.1	13.5	15.1
Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income</b>	<b>26,110</b>	<b>25,680</b>	<b>22,220</b>	<b>26,510</b>
Avg. Shares O/s (m)	1,361	1,357	1,357	1,357
<b>EPS (Rs)</b>	<b>19.2</b>	<b>18.9</b>	<b>16.4</b>	<b>19.5</b>

Source: Company Data, PL Research

## Price Chart

## Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	03-Oct-19	BUY	1,210	1,077
2	18-Sep-19	BUY	1,210	1,058
3	08-Aug-19	BUY	1,210	1,023
4	04-Jul-19	BUY	1,186	1,041
5	10-Jun-19	BUY	1,186	1,080
6	12-May-19	BUY	1,186	1,087
7	05-Apr-19	BUY	1,186	1,093
8	29-Jan-19	Accumulate	1,170	988
9	07-Jan-19	Accumulate	1,100	942
10	08-Dec-18	Accumulate	1,100	962

## Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Cyient	Hold	507	466
2	HCL Technologies	BUY	1,210	1,077
3	Hexaware Technologies	Hold	347	369
4	Infosys	Hold	819	815
5	L&T Technology Services	Hold	1,444	1,639
6	Larsen & Toubro Infotech	Accumulate	1,825	1,500
7	Mindtree	Reduce	716	744
8	Mphasis	Accumulate	1,038	937
9	NIIT Technologies	Accumulate	1,445	1,368
10	Persistent Systems	Hold	534	560
11	Redington (India)	BUY	114	108
12	Sonata Software	Accumulate	382	313
13	Tata Consultancy Services	Hold	1,985	2,004
14	TeamLease Services	Hold	3,203	2,965
15	Tech Mahindra	Reduce	619	703
16	Wipro	Reduce	245	244
17	Zensar Technologies	Accumulate	249	211

## PL's Recommendation Nomenclature (Absolute Performance)

<b>Buy</b>	: > 15%
<b>Accumulate</b>	: 5% to 15%
<b>Hold</b>	: +5% to -5%
<b>Reduce</b>	: -5% to -15%
<b>Sell</b>	: < -15%
<b>Not Rated (NR)</b>	: No specific call on the stock
<b>Under Review (UR)</b>	: Rating likely to change shortly

## **ANALYST CERTIFICATION**

### **(Indian Clients)**

We/I, Mr. Aniket Pande- 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.

### **(US Clients)**

The research analysts, with respect to each issuer and its securities covered by them in this research report, certify that: All of the views expressed in this research report accurately reflect his or her or their personal views about all of the issuers and their securities; and No part of his or her or their compensation was, is or will be directly related to the specific recommendation or views expressed in this research report.

## **DISCLAIMER**

### **Indian Clients**

Prabhudas Lilladher Pvt. Ltd, Mumbai, India (hereinafter referred to as "PL") is engaged in the business of Stock Broking, Portfolio Manager, Depository Participant and distribution for third party financial products. PL is a subsidiary of Prabhudas Lilladher Advisory Services Pvt Ltd. which has its various subsidiaries engaged in business of commodity broking, investment banking, financial services (margin funding) and distribution of third party financial/other products, details in respect of which are available at [www.plindia.com](http://www.plindia.com).

This document has been prepared by the Research Division of PL and is meant for use by the recipient only as information and is not for circulation. This document is not to be reported or copied or made available to others without prior permission of PL. It should not be considered or taken as an offer to sell or a solicitation to buy or sell any security.

The information contained in this report has been obtained from sources that are considered to be reliable. However, PL has not independently verified the accuracy or completeness of the same. Neither PL nor any of its affiliates, its directors or its employees accepts any responsibility of whatsoever nature for the information, statements and opinion given, made available or expressed herein or for any omission therein.

Recipients of this report should be aware that past performance is not necessarily a guide to future performance and value of investments can go down as well. The suitability or otherwise of any investments will depend upon the recipient's particular circumstances and, in case of doubt, advice should be sought from an independent expert/advisor.

Either PL or its affiliates or its directors or its employees or its representatives or its clients or their relatives may have position(s), make market, act as principal or engage in transactions of securities of companies referred to in this report and they may have used the research material prior to publication.

PL may from time to time solicit or perform investment banking or other services for any company mentioned in this document.

PL is in the process of applying for certificate of registration as Research Analyst under Securities and Exchange Board of India (Research Analysts) Regulations, 2014

PL submits that no material disciplinary action has been taken on us by any Regulatory Authority impacting Equity Research Analysis activities.

PL or its research analysts or its associates or his relatives do not have any financial interest in the subject company.

PL or its research analysts or its associates or his relatives do not have actual/beneficial ownership of one per cent or more securities of the subject company at the end of the month immediately preceding the date of publication of the research report.

PL or its research analysts or its associates or his relatives do not have any material conflict of interest at the time of publication of the research report.

PL or its associates might have received compensation from the subject company in the past twelve months.

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

PL or its associates might have received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months.

PL or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months

PL or its associates might have received any compensation or other benefits from the subject company or third party in connection with the research report.

PL encourages independence in research report preparation and strives to minimize conflict in preparation of research report. PL or its analysts did not receive any compensation or other benefits from the subject Company or third party in connection with the preparation of the research report. PL or its Research Analysts do not have any material conflict of interest at the time of publication of this report.

It is confirmed that Mr. Aniket Pande- MBA Research Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months

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

The Research analysts for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

The research analysts for this report has not served as an officer, director or employee of the subject company PL or its research analysts have not engaged in market making activity for the subject company

Our sales people, traders, and other professionals or affiliates may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest.

PL and its associates, their directors and employees may (a) from time to time, have a long or short position in, and buy or sell the securities of the subject company or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company or act as an advisor or lender/borrower to the subject company or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.

### **US Clients**

This research report is a product of Prabhudas Lilladher Pvt. Ltd., which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is intended for distribution by Prabhudas Lilladher Pvt. Ltd. only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor.

In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, Prabhudas Lilladher Pvt. Ltd. has entered into an agreement with a U.S. registered broker-dealer, Marco Polo Securities Inc. ("Marco Polo").

Transactions in securities discussed in this research report should be effected through Marco Polo or another U.S. registered broker dealer.

### **Prabhudas Lilladher Pvt. Ltd.**

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

**[www.plindia.com](http://www.plindia.com) | Bloomberg Research Page: PRLD <GO>**