

HCL Technologies (HCLT IN)

Rating: BUY | CMP: Rs599 | TP: Rs691

January 18, 2020

Q3FY20 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY21E	FY22E	FY21E	FY22E
Rating	BUY		BUY	
Target Price	691		628	
Sales (Rs. m)	8,07,377	8,81,921	7,92,213	8,50,938
% Chng.	1.9	3.6		
EBITDA (Rs. m)	1,84,718	2,01,771	1,81,249	1,94,683
% Chng.	1.9	3.6		
EPS (Rs.)	44.1	48.1	43.3	46.4
% Chng.	1.9	3.6		

Key Financials - Standalone

Y/e Mar	FY19	FY20E	FY21E	FY22E
Sales (Rs. bn)	604	710	807	882
EBITDA (Rs. bn)	140	166	185	202
Margin (%)	23.1	23.3	22.9	22.9
PAT (Rs. bn)	101	111	120	130
EPS (Rs.)	36.8	40.8	44.1	48.1
Gr. (%)	17.5	10.9	8.0	9.1
DPS (Rs.)	8.0	7.0	10.0	10.0
Yield (%)	1.3	1.2	1.7	1.7
RoE (%)	25.8	23.7	21.4	20.0
RoCE (%)	28.5	27.3	25.1	23.7
EV/Sales (x)	2.6	2.3	2.0	1.7
EV/EBITDA (x)	11.2	9.8	8.6	7.5
PE (x)	16.3	14.7	13.6	12.5
P/BV (x)	3.9	3.2	2.7	2.3

Key Data

HCLT.BO | HCLT IN

52-W High / Low	Rs.602 / Rs.467	
Sensex / Nifty	41,945 / 12,352	
Market Cap	Rs.1,625bn/ \$ 22,873m	
Shares Outstanding	2,714m	
3M Avg. Daily Value	Rs.3635.66m	

Shareholding Pattern (%)

Promoter's	59.98
Foreign	27.66
Domestic Institution	8.42
Public & Others	3.94
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	7.4	15.1	25.4
Relative	5.8	7.6	8.8

Aniket Pande

aniketpande@plindia.com | 91-22-66322300

Optimism continues!

Quick Pointers:

- Management raised FY20 revenue guidance in cc terms to 16.5-17% (from 15-17%) FY20E margin guidance raised to 19-19.5% (from 18.5-19.5%).
- Organic growth will be industry leading in FY20E at 11%.
- Our confidence remains intact owing to sustained medium-term growth rate, improved digital competencies & balanced growth across.

HCLT reported strong revenue growth of 2.1% QoQ CC above our estimates (Ple: 1.2%, Cons:2%). Strong revenue growth was led by products & platforms segment (+17% QoQ). EBIT margin increased by 30bps QoQ to 20.2% ahead than our estimates of 19.5% led by strong growth in high margin product led business. We like to note that margins are improving in Mode-2 (120bps QoQ, 290bps YoY) at 15.2% in Q3FY20. We believe the raise in upper end of revenue guidance is led by stronger visibility in organic revenues & project ramp ups in line with our thesis of HCLT. We continue to remain pessimistic on strong & steady outlook of new acquired product business but no further capital deployment over the near term gives us comfort.

HCLT won 12 transformational deals in quarter and suggested that order booking was soft during the quarter due to furloughs. But strong deal pipeline of CY19E gives them comfort of delivering industry leading organic growth led by growth across multiple service lines (IMS, Applications & BPO). We have increased our multiple for HCLT from 14X to 15X as we continue to witness steady organic revenue momentum (last 3 quarter) & quality of earnings is also improving (OCF/PAT and FCF/EBITDA for M9FY20 was 109% and 61% with FCF for Q3FY20 at USD 657 mn). We increase our EPS estimates led by lower tax rate & marginally increase of EBIT margin estimates. We now value HCLT at 15X earnings multiple on Sep-21 to arrive at changed TP of Rs. 691 (earlier Rs. 628). Valuations are still inexpensive at just 13.6X/12.5X FY21E/22E multiple. Maintain BUY.

- Steady revenue growth performance largely led by product business:** HCLT reported strong revenue growth of 2.1% QoQ CC above our estimates (Ple: 1.2%, Cons:2%). Strong revenue growth was led by products & platforms segment (+17% QoQ). We were bit disappointed with flattish revenue growth in IT services & ER&D at ~0.1% QoQ. But strong deal pipeline of past quarters gives us confidence of organic growth momentum ahead. We expect deal wins to bounce back in Q4 & broad based growth in organic revenues (IMS, Application & BPO) gives us comfort. Despite no big deal win during the quarter, the management remains confident of steady organic growth. We expect strong exit rate of FY20E to drive low-teen revenue CAGR over FY20-22E.

- **Higher contribution of product business drives margins, improving margin performance from Mode-2 gives us confidence for stability of margins:** EBIT margin improved 28 bps to 20.2% helped by 22 bps tailwind from higher mix of products and platforms business as 60 bps benefit from better productivity in IT services and products & platforms business was offset by 60 bps headwind from wage hikes. Mode-2 margins are improving since last 3 quarters and now at 15.2% (up +120bps QoQ, 290bps YoY). Still Mode-2 margins are lower than company average margins (20%) but as organic business sustains, the margins (Mode-2) may get better from here also. EBIT margin guidance revised up at 19-19.5% (from 18.5-19.5%). The guidance implies Q4 revenue growth of 0.3% to 2%.
- **BFSI growth remains subdued, recovery in retail & manufacturing revenues:** BFSI growth was -1% QoQ led by softness in US & Europe Banking vertical & higher furloughs. Manufacturing, Telecom & Retail posted a strong growth of 8% QoQ, 5% QoQ & 10% QoQ respectively. On BFSI, management is confident of strong growth momentum within existing client base, especially in retail, which has higher uptake of digital services. Interestingly, the company indicated that cost constraints are being contained in capital markets segment. HCLT expects capital market segment to spend higher on regulatory and compliance digitization.
- **Strong growth in Product & platform business:** After a soft quarter in Q2FY20 for IBM acquisition revenue bookings in which HCLT booked revenues of US\$106 mn from select acquired products of IBM, revenues in the Q3FY20 to US\$140 mn. The growth in products business was led by better execution and transition of IBM licenses to HCL Software. This helped in recognition in full revenues from select signed customers as opposed to deflated deferred revenues. Revenue growth in the product business was a strong 16.8% QoQ. HCL Tech has started refreshing the IBM contracts, which are expected to be over by next 2 quarters. Cross selling efforts have started showing some traction. The team added 1,800+ total partners and resellers in past 6 months (compared to 1,300+ in Q2FY20). HCLT sees no major seasonality for Q4, implying sustained revenue run-rate in product and platform for Q4.
- **Released new version of Domino:** HCLT released a new version of Domino in the quarter. HCLT indicated that after the release of the new version, 18 customers shifted back to Domino in the quarter with several more clients in the pipeline. 10k+ views of the keynote view “Live from Tokyo” Modernize and innovate the Domino ecosystem and transform over 10 mn enterprise grade workflow application powering business for more than 15k customers

Exhibit 1: Q3FY20: Quick view on results

(Rs m)	3Q20	2Q20	QoQ	3Q19	YoY	PL(e)	Var VS PL(e)
Sales (\$ m)	2,543	2,486	2.3%	2,201	15.6%	2,525	0.7%
Sales	1,81,350	1,75,280	3.5%	1,56,990	15.5%	1,79,868	0.8%
EBIT Margin	36,700	34,970	4.9%	30,860	18.9%	35,074	4.6%
<i>EBIT Margin</i>	<i>20.2%</i>	<i>20.0%</i>	<i>29 bps</i>	<i>19.7%</i>	<i>58 bps</i>	<i>19.5%</i>	<i>74 bps</i>
Adjusted PAT	30,380	26,510	14.6%	26,110	16.4%	26,789	13.4%
EPS	11.2	9.8	14.6%	9.6	16.7%	9.87	13.4%
Average (USD rate)	71.3	70.5	1.1%	71.3	0.0%	71.2	0.1%

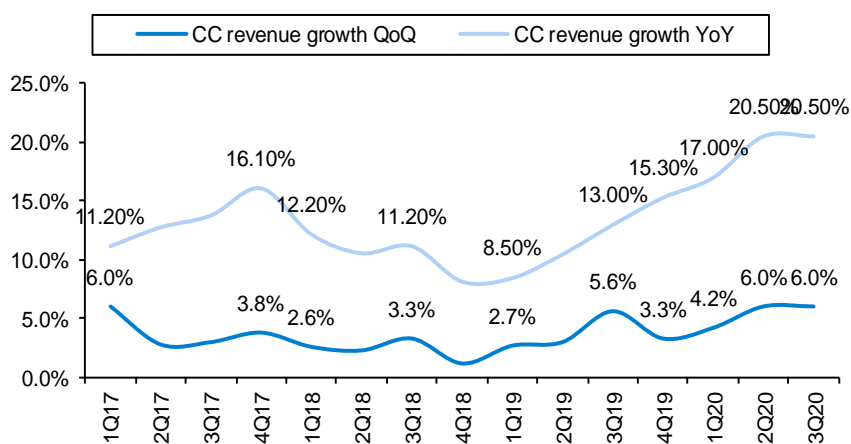
Source: Company, PL

Exhibit 2: Estimates for HCL Tech

US\$ mn	FY20E	FY21E	FY22E
IT and Business Services	7,127	7,458	8,188
ER&D	1,669	1,785	1,903
Products & Platforms	1,145	1,479	1,680
Total Revenues	10,097	11,372	12,421
<i>YoY Growth</i>	<i>17.0%</i>	<i>12.6%</i>	<i>9.2%</i>
EBIDTA (INR mn)	165,760	184,718	201,771
<i>EBITDA Margins</i>	<i>23.3%</i>	<i>22.9%</i>	<i>22.9%</i>
EBIT (INR Mn)	138,169	150,469	164,356
<i>EBIT Margins</i>	<i>19.4%</i>	<i>18.6%</i>	<i>18.6%</i>
EPS (Rs.)	40.8	44.1	48.1

Source: PL

HCLT reported strong revenue growth of 2.1% QoQ CC above our estimates (Ple: 1.2%, Cons:2%). Strong revenue growth was led by products & platforms segment (+17% QoQ).

Exhibit 3: Revenue growth momentum maintained


Source: Company, PL

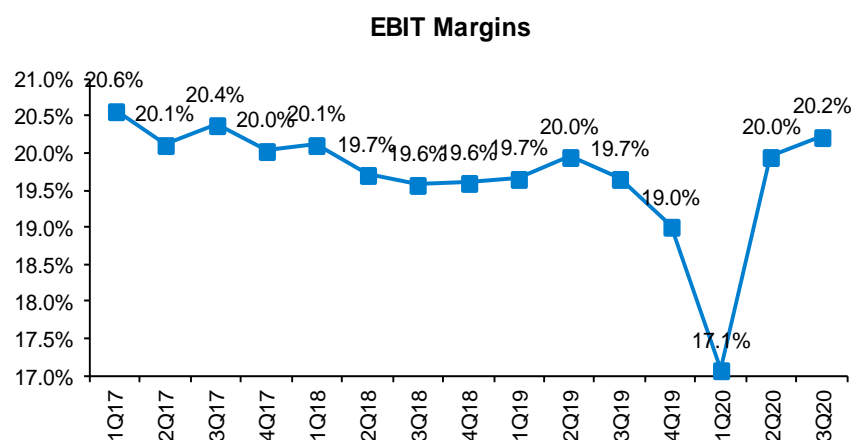
Mode-2 margins are improving since last 3 quarters and now at 15.2% (up +120bps QoQ, 290bps YoY). Still Mode-2 margins are lower than company average margins (20%) but as organic business sustains, the margins (Mode-2) may get better from here also.

EBIT margin improved 28 bps to 20.2% helped by 22 bps tailwind from higher mix of products and platforms business as 60 bps benefit from better productivity in IT services and products & platforms business was offset by 60 bps headwind from wage hikes.

Exhibit 4: Performance Metrics of Mode 1-2-3 business

Revenues (US\$ mn)	Q3FY19	Q2FY20	Q3FY20	QoQ gr.	YoY gr.
Mode 1	1,561	1665	1679	0.8%	7.6%
Mode 2	377	455	462	1.5%	22.5%
Mode 3	263	365	402	10.1%	52.9%
Total	2,201	2,485	2,543	2.3%	15.5%
Revenue mix (%)					
Mode 1	70.9	67	66	-100 bps	-490 bps
Mode 2	17.1	18.3	18.2	-10 bps	110 bps
Mode 3	11.9	14.7	15.8	110 bps	390 bps
Total	100	100	100		
EBIT margin (%)					
Mode 1	20.7	20.0	19.9	-10 bps	-80 bps
Mode 2	12.3	14.0	15.2	120 bps	290 bps
Mode 3	23	27.1	27.3	20 bps	430 bps
Total	19.7	20.0	20.2	20 bps	50 bps
Growth (qoq c/c %)					
Mode 1	3.9	1.2	0.3	-90 bps	-360 bps
Mode 2	13.1	3.0	1.1	-190 bps	-1200 bps
Mode 3	6.2	42.0	11.1	-3090 bps	490 bps
Total	5.6	6.0	2.1	-390 bps	-350 bps

Source: Company, PL

Exhibit 5: Margins rebounded strong


Source: Company, PL

Changes in Estimates

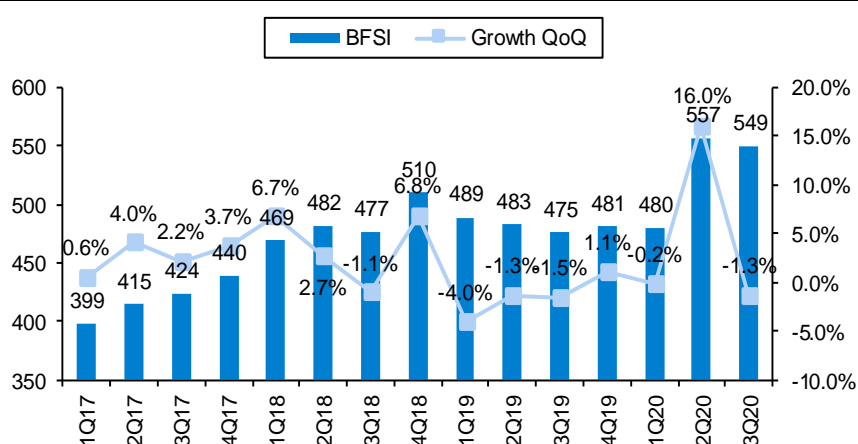
We have increased our multiple for HCLT from 14X to 15X as we continue to see steady organic revenue momentum (last 3 quarter) & quality of earnings is also improving (OCF/PAT and FCF/EBITDA for M9FY20 was 109% and 61% with FCF for Q3FY20 at USD 657 mn.) We increase our EPS estimates led by lower tax rate & marginally increase of EBIT margin estimates. We now value HCLT at 15X earnings multiple on Sep-21 to arrive at changed TP of Rs. 691 (earlier Rs. 628). Valuations are still inexpensive at just 13.6X/12.5X FY21E/22E multiple. Maintain BUY.

Exhibit 6: Change in Estimates

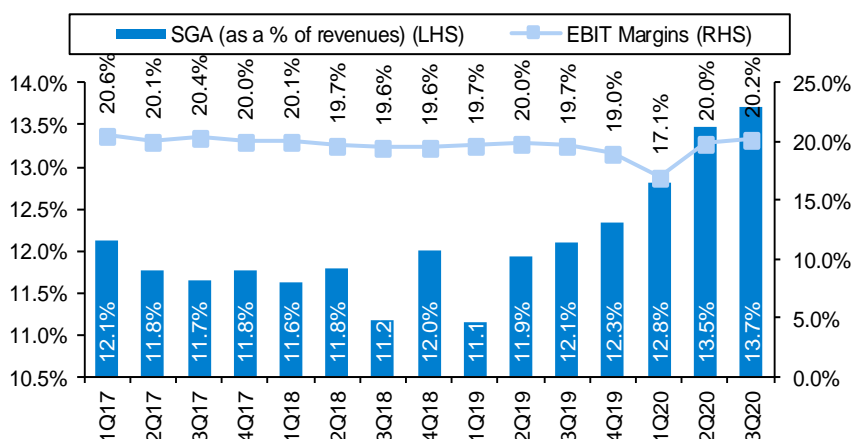
Particulars	FY20E	FY21E	FY22E
Revenue (US\$ m)			
New	10,081	11,372	12,421
Old	10,122	11,158	11,985
Change (%)	-0.4%	1.9%	3.6%
USD Revenue growth (%)	16.8%	12.8%	9.2%
EBIT Margins (%)			
- New	19.4%	18.6%	18.6%
- Old	18.9%	18.6%	18.6%
Change (%)	53 bps	0 bps	0 bps
EPS (Rs)			
- New	40.8	44.1	48.1
- Old	38.2	43.3	46.4
Change (%)	6.8%	1.9%	3.6%

Source: Company, PL

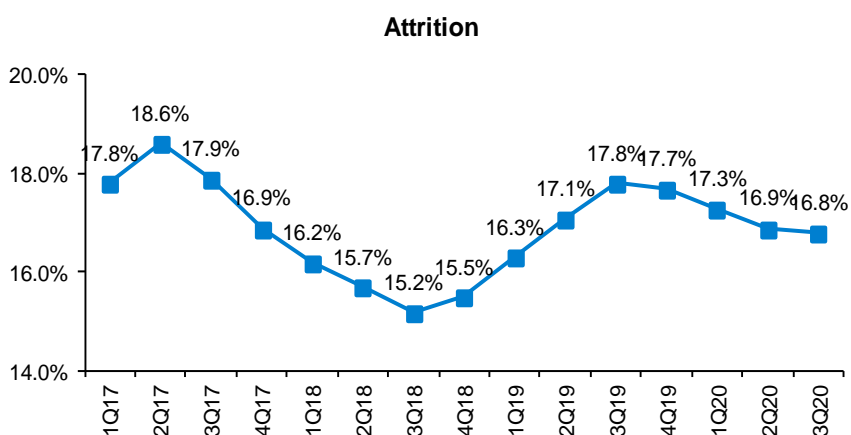
Exhibit 7: BFSI continued tepid performance



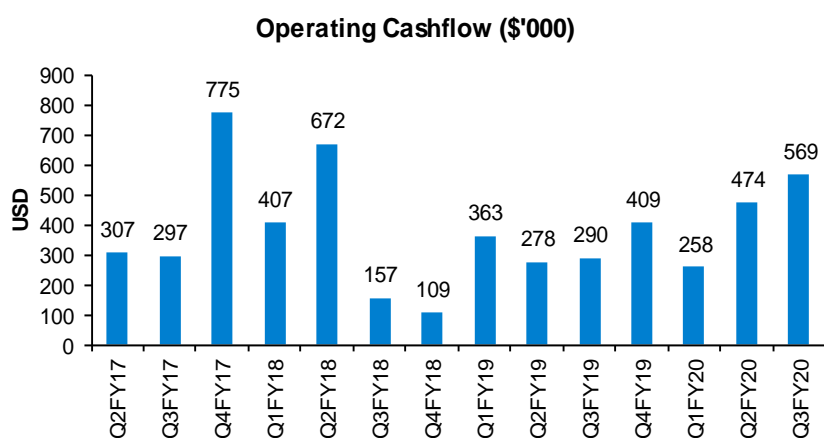
Source: Company, PL

Exhibit 8: Increasing SG&A Expenses weighing on margins


Source: Company, PL

Exhibit 9: Attrition declined by ~40bps in Q1FY20


Source: Company, PL

Exhibit 10: Operating Cash Flow ('000's)


Source: Company, PL

Exhibit 11: Geography-wise revenues

(US\$ m)	3Q20	2Q20	QoQ	3Q19	YoY
US	1,597.3	1,600.7	-0.2%	1,417.4	12.7%
Europe	742.7	700.9	6.0%	620.7	19.7%
Asia Pacific	203.5	183.9	10.6%	162.9	24.9%
% Total					
US	62.8%	64.4%	-160 bps	64.4%	-160 bps
Europe	29.2%	28.2%	100 bps	28.2%	100 bps
Asia Pacific	8.0%	7.4%	60 bps	7.4%	60 bps

Source: Company, PL

Exhibit 12: Vertical-wise revenues

(US\$ m)	3Q20	2Q20	QoQ	3Q19	YoY
Financial Services	549.4	556.8	-1.3%	475.4	15.6%
Manufacturing	531.6	492.1	8.0%	389.6	36.4%
Telecom	228.9	208.8	9.6%	202.5	13.0%
Retail	262.0	248.6	5.4%	224.5	16.7%
Public Services	277.2	273.4	1.4%	213.5	29.9%
Life Sciences	310.3	320.6	-3.2%	286.1	8.4%
Others	384.1	385.3	-0.3%	409.4	-6.2%
% of Total Revenue					
Financial Services	21.6%	22.4%	-80 bps	21.6%	0 bps
Manufacturing	20.9%	19.8%	110 bps	17.7%	320 bps
Telecom	9.0%	8.4%	60 bps	9.2%	-20 bps
Retail	10.3%	10.0%	30 bps	10.2%	10 bps
Public Services	10.9%	11.0%	-10 bps	9.7%	120 bps
Life Sciences	12.2%	12.9%	-70 bps	13.0%	-80 bps
Others	15.1%	15.5%	-40 bps	18.6%	-350 bps

Source: Company, PL

Exhibit 13: Revenues by project type

(US\$ m)	3Q20	2Q20	QoQ	3Q19	YoY
Fixed Price Projects	1,724.4	1,652.9	4.3%	1,393.2	23.8%
Time & Material	819.0	832.7	-1.6%	807.8	1.4%
% of total Revenue					
Fixed Price Projects	67.8%	66.5%	130 bps	63.3%	450 bps
Time & Material	32.2%	33.5%	-130 bps	36.7%	-450 bps

Source: Company, PL

Exhibit 14: Client Metrics

Particulars	3Q20	2Q20	QoQ	3Q19	YoY
US\$100m	10	13	-3	10	0
US\$50m	29	30	-1	29	0
US\$20m	95	93	2	95	0
US\$10m	164	171	-7	164	0
US\$5m	276	299	-23	276	0
US\$1m	597	667	-70	597	0
(US\$ m)					
Top 5 Clients	386.6	387.8	-0.3%	383.0	0.9%
Top 6-10 Clients	183.1	186.4	-1.8%	162.9	12.4%
Top 10 Clients	569.7	574.2	-0.8%	545.8	4.4%
Top 10-20 Clients	269.6	263.5	2.3%	204.7	31.7%
Top 20 Clients	839.3	837.6	0.2%	750.5	11.8%
Non-Top 20 Clients	1,704.1	1,648.0	3.4%	1,450.5	17.5%
New business	145.0	141.7	2.3%	83.6	73.3%
Repeat business	2,398.4	2,343.9	2.3%	2,117.4	13.3%
% of Total Revenue					
Top 5 Clients	15.2%	15.6%	-40 bps	17.4%	-220 bps
Top 10 Clients	22.4%	23.1%	-70 bps	24.8%	-240 bps
Top 20 Clients	33.0%	33.7%	-70 bps	34.1%	-110 bps
New Clients Business	5.7%	5.7%	0 bps	3.8%	190 bps
Repeat Business	94.3%	94.3%	0 bps	96.2%	-190 bps

Source: Company, PL

Exhibit 15: Headcount Metrics

	3Q20	2Q20	QoQ	3Q19	YoY
Attrition LTM - IT Services	16.8%	16.9%	-10 bps	17.8%	-100 bps
Total Employees	1,49,173	1,47,123	2050	1,32,328	16,845
Gross Addition	11,502	13,430	-14.4%	13,191	-12.8%
Net Addition	2,050	3,223	-1173	4,453	(2,403)

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY19	FY20E	FY21E	FY22E
Net Revenues	6,04,280	7,10,435	8,07,377	8,81,921
YoY gr. (%)	19.5	17.6	13.6	9.2
Employee Cost	3,92,680	4,49,082	5,24,795	5,73,248
Gross Profit	2,11,600	2,61,353	2,82,582	3,08,672
Margin (%)	35.0	36.8	35.0	35.0
SG&A Expenses	-	-	-	-
Other Expenses	-	-	-	-
EBITDA	1,39,690	1,65,760	1,84,718	2,01,771
YoY gr. (%)	22.1	18.7	11.4	9.2
Margin (%)	23.1	23.3	22.9	22.9
Depreciation and Amortization	21,480	27,591	34,250	37,415
EBIT	1,18,210	1,38,169	1,50,469	1,64,356
Margin (%)	19.6	19.4	18.6	18.6
Net Interest	-	-	-	-
Other Income	8,050	2,220	3,350	3,350
Profit Before Tax	1,26,260	1,40,389	1,53,819	1,67,706
Margin (%)	20.9	19.8	19.1	19.0
Total Tax	24,810	29,415	34,229	37,284
Effective tax rate (%)	19.6	21.0	22.3	22.2
Profit after tax	1,01,450	1,10,974	1,19,590	1,30,422
Minority interest	220	240	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	1,01,230	1,10,734	1,19,590	1,30,422
YoY gr. (%)	15.3	9.4	8.0	9.1
Margin (%)	16.8	15.6	14.8	14.8
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	1,01,230	1,10,734	1,19,590	1,30,422
YoY gr. (%)	15.3	9.4	8.0	9.1
Margin (%)	16.8	15.6	14.8	14.8
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,01,230	1,10,734	1,19,590	1,30,422
Equity Shares O/s (m)	2,751	2,713	2,713	2,713
EPS (Rs)	36.8	40.8	44.1	48.1

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY19	FY20E	FY21E	FY22E
Non-Current Assets				
Gross Block	2,34,960	3,83,864	4,34,263	4,47,115
Tangibles	58,010	88,804	1,39,203	1,52,055
Intangibles	1,76,950	2,95,060	2,95,060	2,95,060
Acc: Dep / Amortization	-	-	-	-
Tangibles	-	-	-	-
Intangibles	-	-	-	-
Net fixed assets	2,34,960	3,83,864	4,34,263	4,47,115
Tangibles	58,010	88,804	1,39,203	1,52,055
Intangibles	1,76,950	2,95,060	2,95,060	2,95,060
Capital Work In Progress	-	-	-	-
Goodwill	-	-	-	-
Non-Current Investments	350	770	770	770
Net Deferred tax assets	-	-	-	-
Other Non-Current Assets	52,930	82,100	82,100	82,100
Current Assets				
Investments	-	-	-	-
Inventories	-	-	-	-
Trade receivables	1,46,100	1,69,337	1,94,655	2,12,627
Cash & Bank Balance	1,17,460	44,835	80,919	1,61,636
Other Current Assets	37,160	44,047	50,057	54,679
Total Assets	5,88,960	7,24,953	8,42,764	9,58,928
Equity				
Equity Share Capital	1,341	1,341	1,341	1,341
Other Equity	4,16,360	5,14,293	6,01,733	7,00,006
Total Network	4,17,700	5,15,633	6,03,074	7,01,347
Non-Current Liabilities				
Long Term borrowings	39,860	40,860	40,860	40,860
Provisions	-	-	-	-
Other non current liabilities	15,380	21,313	32,295	35,277
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	1,11,480	1,42,087	1,61,475	1,76,384
Other current liabilities	-	-	-	-
Total Equity & Liabilities	5,88,960	7,24,953	8,42,764	9,58,928

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY19	FY20E	FY21E	FY22E
PBT	1,26,260	1,40,389	1,53,819	1,67,706
Add. Depreciation	21,480	27,591	34,250	37,415
Add. Interest	-	-	-	-
Less Financial Other Income	8,050	2,220	3,350	3,350
Add. Other	-	-	-	-
Op. profit before WC changes	1,47,740	1,67,980	1,88,068	2,05,121
Net Changes-WC	(35,694)	(22,753)	(959)	(4,703)
Direct tax	(24,810)	(29,415)	(34,229)	(37,284)
Net cash from Op. activities	87,236	1,15,812	1,52,881	1,63,134
Capital expenditures	(60,536)	(1,76,496)	(84,648)	(50,267)
Interest / Dividend Income	-	-	-	-
Others	2,522	(420)	-	-
Net Cash from Invt. activities	(58,014)	(1,76,916)	(84,648)	(50,267)
Issue of share cap. / premium	-	-	-	-
Debt changes	35,489	1,000	-	-
Dividend paid	(25,746)	(22,301)	(32,149)	(32,149)
Interest paid	-	-	-	-
Others	(21,632)	9,780	-	-
Net cash from Fin. activities	(11,889)	(11,521)	(32,149)	(32,149)
Net change in cash	17,333	(72,625)	36,083	80,717
Free Cash Flow	26,700	(60,684)	68,233	1,12,867

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY19	FY20E	FY21E	FY22E
Per Share(Rs)				
EPS	36.8	40.8	44.1	48.1
CEPS	44.6	51.0	56.7	61.9
BVPS	151.9	190.1	222.3	258.5
FCF	9.7	(22.4)	25.2	41.6
DPS	8.0	7.0	10.0	10.0
Return Ratio(%)				
RoCE	28.5	27.3	25.1	23.7
ROIC	42.4	48.3	46.0	36.1
RoE	25.8	23.7	21.4	20.0
Balance Sheet				
Net Debt : Equity (x)	(0.2)	0.0	(0.1)	(0.2)
Debtor (Days)	88	87	88	88
Valuation(x)				
PER	16.3	14.7	13.6	12.5
P/B	3.9	3.2	2.7	2.3
P/CEPS	13.4	11.7	10.6	9.7
EV/EBITDA	11.2	9.8	8.6	7.5
EV/Sales	2.6	2.3	2.0	1.7
Dividend Yield (%)	1.3	1.2	1.7	1.7

Source: Company Data, PL Research

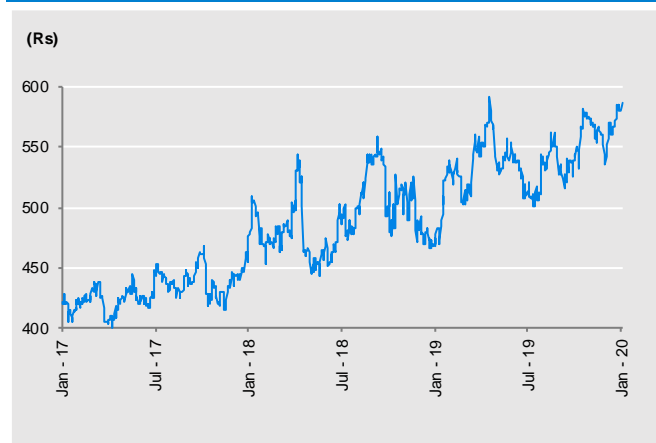
Quarterly Financials (Rs m)

Y/e Mar	Q4FY19	Q1FY20	Q2FY20	Q3FY20
Net Revenue	1,59,900	1,64,270	1,75,280	1,81,350
YoY gr. (%)	21.3	18.4	17.9	15.5
Raw Material Expenses	1,04,210	1,09,200	1,10,610	1,11,760
Gross Profit	55,690	55,070	64,670	69,590
Margin (%)	34.8	33.5	36.9	38.4
EBITDA	35,970	34,020	41,030	44,700
YoY gr. (%)	18.5	5.5	17.3	22.6
Margin (%)	22.5	20.7	23.4	24.6
Depreciation / Depletion	5,580	5,950	6,060	8,000
EBIT	30,390	28,070	34,970	36,700
Margin (%)	19.0	17.1	20.0	20.2
Net Interest	-	-	-	-
Other Income	1,520	1,280	(30)	670
Profit before Tax	31,910	29,350	34,940	37,370
Margin (%)	20.0	17.9	19.9	20.6
Total Tax	6,150	7,050	8,350	6,910
Effective tax rate (%)	19.3	24.0	23.9	18.5
Profit after Tax	25,760	22,300	26,590	30,460
Minority interest	80	80	80	80
Share Profit from Associates	-	-	-	-
Adjusted PAT	25,680	22,220	26,510	30,380
YoY gr. (%)	15.2	(7.6)	4.4	16.4
Margin (%)	16.1	13.5	15.1	16.8
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	25,680	22,220	26,510	30,380
YoY gr. (%)	15.2	(7.6)	4.4	16.4
Margin (%)	16.1	13.5	15.1	16.8
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	25,680	22,220	26,510	30,380
Avg. Shares O/s (m)	2,714	2,714	2,713	2,714
EPS (Rs)	9.5	8.2	9.8	11.2

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	3-Jan-20	BUY	628	585
2	7-Nov-19	BUY	1,258	1,148
3	24-Oct-19	BUY	1,258	1,095
4	3-Oct-19	BUY	1,210	1,077
5	18-Sep-19	BUY	1,210	1,058
6	8-Aug-19	BUY	1,210	1,023
7	4-Jul-19	BUY	1,186	1,041
8	10-Jun-19	BUY	1,186	1,080
9	12-May-19	BUY	1,186	1,087
10	5-Apr-19	BUY	1,186	1,093

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Cyient	Hold	450	437
2	HCL Technologies	BUY	628	585
3	Hexaware Technologies	Hold	349	336
4	Infosys	BUY	820	738
5	L&T Technology Services	Hold	1,437	1,511
6	Larsen & Toubro Infotech	BUY	2,119	1,925
7	Mindtree	Reduce	808	863
8	Mphasis	Accumulate	1,010	884
9	NIIT Technologies	Accumulate	1,551	1,631
10	Persistent Systems	Hold	616	695
11	Redington (India)	BUY	114	117
12	Sonata Software	Accumulate	400	313
13	Tata Consultancy Services	Hold	2,102	2,201
14	TeamLease Services	Hold	3,203	2,487
15	Tech Mahindra	Reduce	656	775
16	Wipro	Hold	253	256
17	Zensar Technologies	Accumulate	246	191

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

ANALYST CERTIFICATION

(Indian Clients)

We/I, Mr. Aniket Pande- MBA, Mr. Siddharth Gurav- MBA Finance 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.

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, Mr. Siddharth Gurav- MBA Finance 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