

## Result Preview



Cyient
HCL Tech
Hexaware
Infosys
L&T Infotech
Mindtree
Mphasis
NIIT Tech
Persistent
TCS
Tech Mahindra
Wipro
Zensar

## Modest expectations in a seasonally soft quarter

Early budget trends for the new calendar year to be the focus

### Growth to be tepid across Tier-I, some mid-caps to shine

- In a seasonally soft quarter, (i) higher-than-usual furloughs and (ii) caution in key verticals (BFSI, Retail) will create further overhang on growth, in our view.
- Major currencies like GBP/EUR/AUD appreciated (~2%-7%) sequentially, resulting in a cross-currency tailwind of 20-150bp across our coverage. Only NIIT Tech should face a cross-currency headwind of ~110bp.
- We expect Tier-1 to deliver tepid organic growth of 0%-2% (CC), with Wipro/TCS leading/lagging the pack. Including inorganic contribution and cross-currency tailwind, tier-1 should report growth (USD) of 1.3%-3.5%.
- Our mid-cap coverage should report growth of (6.4)%-4.3% (CC), with LTI/Cyient leading/lagging the group. Reported USD growth will likely be (5.1)%-4.5%.
- Companies such as HCLT and Persistent should benefit from positive seasonality associated with their product revenue streams.

### Expect slight margin improvement in most cases

- Utilization/mix improvement and INR depreciation will act as key margin tailwinds. The impact of these will be offset to an extent by (i) fewer working days and (ii) large deal ramp-ups in some cases.
- On an adjusted basis, we expect a sequential margin improvement of 0-90bp across Tier I, with TCS/HCLT leading/lagging the group. On reported 2QFY20 margins, TECHM is expected to witness 50bp contraction.
- Within our mid-cap coverage, EBIT margin change should be (50)-80bp, with Mindtree/Cyient leading/lagging the pack.

### Watch out for outlook on BFSI/Retail, deal wins and attrition

- Caution in spending within key verticals like capital markets/retail resulted in growth moderation for IT companies over the last two quarters.
- In that context, the investor focus will be on commentary around early budget trends in these verticals for the new calendar year.
- Deal wins and commentary around the pace of deal pipeline conversion will be the other key monitorables on the demand side.
- From an operational standpoint, many companies have been struggling to tame high attrition over the previous few quarters. This, along with commentary around onsite supply bottlenecks, will be the key areas of investor focus.
- No material changes are likely in the current guidance of Infosys and HCLT.

### Expect near-term softness in key verticals; prefer INFO, HCLT and LTI

- Discretionary IT spends in key verticals like BFSI and Retail will likely remain subdued over the next year due to (i) the waning impact of US tax reforms and (ii) the policy uncertainty in the US in light of impending elections.
- While verticals should remain tepid, we expect a tactical retreat in some horizontal trends (e.g. IMS) where public cloud repatriation should drive growth.
- In that context, we prefer Infosys and HCLT among large caps and LTI among mid-caps. This is attributable to (i) decent visibility in growth, (ii) headroom for profitability improvement and (iii) reasonable valuations.

**Exhibit 1: Tepid constant currency growth aided by cross currency tailwind**

Company	Revenue (USD m)					Revenue (INR b)				
	3QFY20E	2QFY20	QoQ (%)	3QFY19	YoY (%)	3QFY20E	2QFY20	QoQ (%)	3QFY19	YoY (%)
TCS	5,588	5,517	1.3	5,250	6.4	397	390	2.1	373	6.6
Infosys	3,271	3,210	1.9	2,987	9.5	232	226	2.9	214	8.8
Wipro	2,112	2,049	3.1	2,047	3.2	151	147	3.4	146	3.4
HCLT	2,574	2,486	3.5	2,202	16.9	183	175	4.5	157	16.7
TECHM	1,317	1,287	2.3	1,261	4.5	93	91	3.4	89	4.9
<b>Aggregate</b>	<b>14,862</b>	<b>14,549</b>	<b>2.2</b>	<b>13,746</b>	<b>8.1</b>	<b>1059</b>	<b>1,029</b>	<b>3.0</b>	<b>981</b>	<b>8.1</b>

Company	EBIT Margin (%)					PAT (INR b)				
	3QFY20E	2QFY20	QoQ (%)	3QFY19	YoY (%)	3QFY20E	2QFY20	QoQ (%)	3QFY19	YoY (%)
TCS	25	24.0	90.0	26	-70.0	83	80	3.3	81	2.3
Infosys	22	21.7	70.0	23	-60.0	43	40	6.9	36	19.6
Wipro	18	18.1	-30.0	20	-200.0	25	26	-3.1	25	-2.4
HCLT	20	20.0	10.0	20	40.0	28	27	7.2	26	8.9
TECHM	12	12.8	-50.0	16	-380.0	10	11	-10.3	12	-17.1
<b>Aggregate</b>	<b>21</b>	<b>21.0</b>	<b>40.0</b>	<b>22</b>	<b>-100.0</b>	<b>190</b>	<b>184</b>	<b>2.9</b>	<b>181</b>	<b>4.7</b>

Source: Company, MOFSL

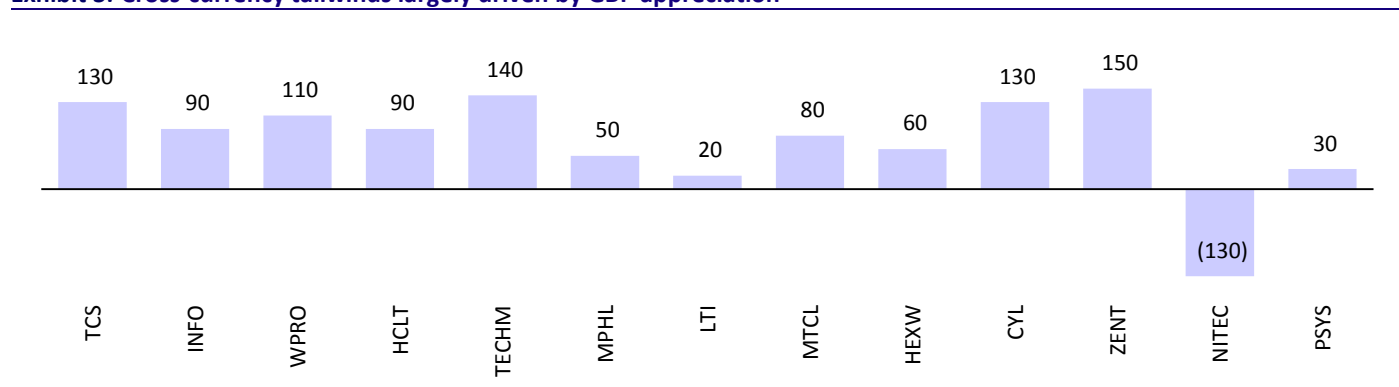
**Exhibit 2: Mid-caps should report better performance than Tier I**

Company	Revenue (USD m)					Revenue (INR b)				
	3QFY20E	2QFY20	QoQ (%)	3QFY19	YoY (%)	3QFY20E	2QFY20	QoQ (%)	3QFY19	YoY (%)
LTI	380	364	4.5	347	9.6	27	26	3.6	25	4.0
MPHL	314	305	3.0	283	11.0	22	22	22.7	20	13.5
MTCL	276	271	2.0	252	9.9	20	19	8.7	18	4.0
HEXW	217	211	3.0	176	23.1	15	15	-5.4	13	3.1
CYL	156	164	-5.1	165	-5.6	11	12	15.8	12	9.5
ZENT	155	152	2.0	142	9.6	11	11	14.5	10	1.7
NITEC	152	149	2.5	135	13	11	10	8.5	10	2
<b>Aggregate</b>	<b>1,651</b>	<b>1,615</b>	<b>2.2</b>	<b>1,499</b>	<b>10.1</b>	<b>117</b>	<b>114</b>	<b>2.9</b>	<b>107</b>	<b>9.9</b>

Company	EBIT margin (%)					PAT (INR b)				
	3QFY20E	2QFY20	QoQ (%)	3QFY19	YoY (%)	3QFY20E	2QFY20	QoQ (%)	3QFY19	YoY (%)
LTI	16	15.5	10	19	-350	4	4	1.2	4	-2.9
MPHL	17	16.1	70	16	100	3	3	12.6	3	10.7
MTCL	10	9.3	80	14	-350	2	1	23.5	2	-3.2
HEXW	14	13.9	50	14	30	2	2	0.6	1	49.7
CYL	9	9.6	-40	12	-320	1	1	-4.8	1	1.9
ZENT	11	10.4	60	9	190	1	1	13.9	1	55.1
NITEC	14	14.0	30	15	-110	1	1	2.4	1	22.1
<b>Aggregate</b>	<b>14</b>	<b>13.1</b>	<b>50</b>	<b>15</b>	<b>-130</b>	<b>13</b>	<b>13</b>	<b>6.4</b>	<b>12</b>	<b>10.9</b>

Source: Company, MOFSL

**Exhibit 3: Cross-currency tailwinds largely driven by GBP appreciation**

Source: Company, MOFSL

**Exhibit 4: 3QFY20 currency highlights (INR)**

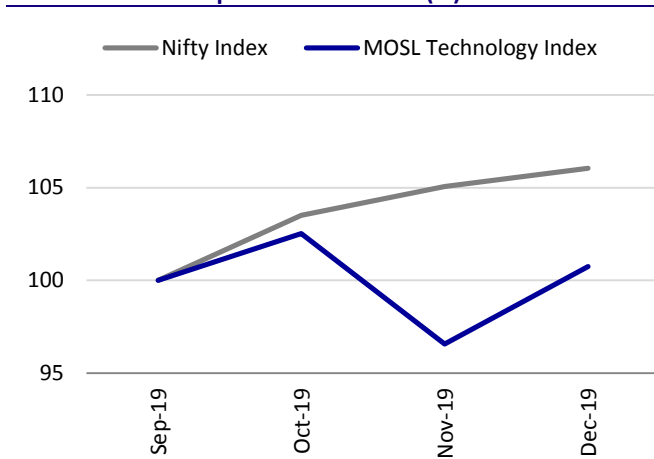
	Rates (INR)				Change (QoQ)			
	USD	EUR	GBP	AUD	USD	EUR	GBP	AUD
Average	71.24	78.9	91.7	48.7	1.3%	0.8%	5.7%	0.8%
Closing	71.38	80.1	94.2	50.0	0.5%	2.6%	6.4%	3.7%

Source: Company, MOFSL

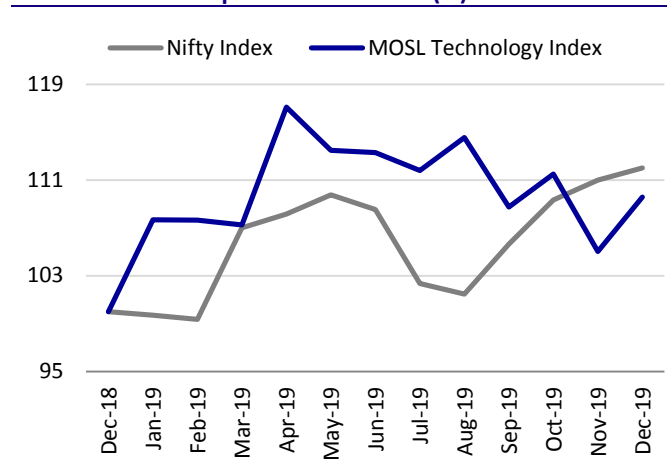
**Exhibit 5: 3QFY20 currency highlights (in USD)**

	Rates (USD)			Change (QoQ)		
	EUR	GBP	AUD	EUR	GBP	AUD
Average	1.11	1.29	0.68	-0.5%	4.5%	-0.3%
Closing	1.12	1.33	0.70	1.8%	6.2%	3.2%

Source: Company, MOFSL

**Exhibit 6: Relative performance—3m (%)**

Source: Bloomberg, MOFSL

**Exhibit 7: Relative performance—1Yr (%)**

Source: Bloomberg, MOFSL

**Exhibit 8: Expected quarterly performance summary**

Sector	CMP		SALES (INR M)			EBDITA (INR M)			Net Profit (INR M)		
	(INR)	RECO	Dec-19	Var %	Var %	Dec-19	Var %	Var %	Dec-19	Var %	Var %
				YoY	QoQ		YoY	QoQ		YoY	QoQ
Cyient	442	Buy	10,997	-7.4	-5.1	1,452	-17.0	-9.2	939	1.9	-4.8
HCL Technologies	573	Buy	183,249	16.7	4.5	45,538	24.9	11.0	28,429	8.9	7.2
Hexaware Tech.	337	Neutral	15,438	23.3	4.2	2,534	32.5	6.6	1,848	49.7	0.6
Infosys	735	Buy	232,922	8.8	2.9	59,417	9.8	5.4	42,979	19.1	6.9
L&T Infotech	1,822	Buy	27,079	9.5	5.3	5,004	-1.7	7.4	3,645	-2.9	1.2
Mindtree	813	Neutral	19,684	10.1	2.8	2,704	-4.6	8.9	1,667	-3.2	23.5
Mphasis	894	Buy	22,233	12.8	3.0	4,301	30.1	6.1	3,076	10.7	12.6
NIIT Tech.	1,580	Neutral	10,909	12.3	5.0	2,010	11.3	5.9	1,223	22.1	2.4
Persistent Systems	714	Buy	9,233	6.8	4.4	1,297	-23.8	6.6	850	-7.3	-1.3
TCS	2,157	Neutral	397,885	6.6	2.1	107,826	6.9	5.4	83,050	2.3	3.3
Tech Mahindra	766	Buy	93,787	4.9	3.4	15,026	-12.8	0.1	10,080	-16.2	-10.3
Wipro	248	Neutral	156,933	4.2	3.8	32,663	-0.8	5.7	24,823	-2.4	-3.1
Zensar Tech	181	Buy	10,875	6.4	1.4	1,590	35.8	6.0	910	55.1	13.9
<b>Sector Aggregate</b>			<b>1,191,225</b>	<b>8.3</b>	<b>3.0</b>	<b>281,363</b>	<b>7.8</b>	<b>6.0</b>	<b>203,518</b>	<b>5.0</b>	<b>3.1</b>

**Exhibit 9: Comparative valuation**

Company Name	CMP		EPS (INR)			PE (x)			PB (x)			ROE (%)		
	(INR)	Reco	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E
Cyient	442	Buy	36.0	41.8	44.6	12.3	10.6	9.9	1.8	1.6	1.5	14.4	15.3	15.1
HCL Technologies	573	Buy	38.3	44.8	50.3	15.0	12.8	11.4	3.2	2.8	2.5	22.9	23.4	23.4
Hexaware Tech.	337	Neutral	21.8	24.8	28.5	15.5	13.6	11.8	3.6	3.0	2.5	25.2	24.3	23.4
Infosys	735	Buy	38.6	44.7	49.9	19.1	16.4	14.7	5.1	4.7	4.4	26.0	29.7	30.9
L&T Infotech	1,822	Buy	84.9	101.0	116.3	21.5	18.0	15.7	5.3	4.3	3.6	27.2	26.4	25.0
Mindtree	813	Neutral	35.0	45.6	57.8	23.3	17.8	14.1	4.3	3.9	3.4	19.1	23.1	25.9
Mphasis	894	Buy	62.4	72.2	77.7	14.3	12.4	11.5	3.2	2.7	2.3	23.1	25.1	23.6
NIIT Tech.	1,580	Neutral	76.1	88.6	100.9	20.8	17.8	15.6	4.1	3.6	3.1	21.0	21.3	21.2
Persistent Systems	714	Buy	45.1	48.5	58.0	15.8	14.7	12.3	2.3	2.1	1.9	14.8	15.1	16.3
TCS	2,157	Neutral	87.4	95.8	110.0	24.7	22.5	19.6	7.6	7.3	6.8	33.0	33.0	35.8
Tech Mahindra	766	Buy	47.5	53.1	58.1	16.1	14.4	13.2	3.2	2.9	2.6	20.4	21.5	21.2
Zensar Tech	181	Buy	15.2	18.6	19.6	11.9	9.7	9.2	1.9	1.6	1.4	16.6	17.8	16.4
Wipro	248	Neutral	16.5	17.4	18.2	15.0	14.3	13.7	3.0	2.8	2.6	18.4	20.3	20.0

The tables below provide a snapshot of actual and estimated numbers for companies under the MOFSL coverage universe. Highlighted columns indicate the quarter/financial year under review.

**Cyient****Buy****CMP INR 442 | TP: INR520 (+18%)****EPS CHANGE (%): FY20|21: -16.9|+16**

- Services revenue to be largely stagnant.
- DLM revenue to decline by USD9m QoQ.
- Watch out for outlook on A&D/Transportation.
- Fewer working days/higher SG&A in DLM to hurt margin.

**Quarterly Perf. (INR m)**

Y/E March	FY19				FY20E				FY19E	FY20E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Revenue (USD m)	161	169	165	165	157	164	156	161	660	637
QoQ (%)	-2.3	5.0	-2.2	0.1	-5.2	4.9	-5.1	3.1	8.6	-3.4
Revenue (INR m)	10,800	11,870	11,876	11,629	10,890	11,589	10,997	11,338	46,175	44,815
YoY (%)	19.1	23.0	20.8	9.5	0.8	-2.4	-7.4	-2.5	17.9	-2.9
GPM (%)	34.3	34.5	35.0	35.3	34.4	34.4	35.1	34.2	34.8	34.5
SGA (%)	22.1	20.8	20.3	20.2	21.2	20.6	21.9	19.7	20.8	20.8
EBITDA	1,316	1,627	1,749	1,752	1,445	1,599	1,452	1,641	6,444	6,138
EBITDA Margin (%)	12.2	13.7	14.7	15.1	13.3	13.8	13.2	14.5	14.0	13.7
EBIT Margin (%)	9.5	11.3	12.4	12.8	9.2	9.6	9.1	10.5	11.5	9.6
Other income	170	568	-187	789	283	264	332	430	1,340	1,309
ETR (%)	27.2	29.8	22.4	14.5	22.0	22.4	24.0	23.9	22.6	23.1
PAT	825	1,272	921	1,770	904	986	939	1,151	4,788	3,980
QoQ (%)	-30.1	54.2	-27.6	92.2	-48.9	9.1	-4.8	22.6		
YoY (%)	-5.8	14.0	-15.2	49.9	9.6	-22.5	1.9	-35.0	11.6	-16.9
EPS (INR)	7.4	11.4	8.2	16.0	8.2	8.9	8.5	10.4	43.4	36.0
Headcount	13,851	13,845	14,002	13,916	13,912	13,800	14,040	14,220	13,916	14,220
Util incl. trainees (%)	75.0	78.0	78.1	77.8	78.0	78.0	76.0	77.0		
Attrition (%)	16.9	16.9	18.4	19.9	17.4	18.0				
Offshore rev. (%)	41.9	42.8	42.4	42.7	43.5	44.7	42.7	42.7		

E: MOFSL Estimates

**HCL Technologies****Buy****CMP INR 573 | TP: INR700 (+22%)****EPS CHANGE (%): FY20|21: 4.1|16.8**

- Expect sequential growth of 2.6% (CC) in 3Q.
- Seasonality/incre. rev. (~USD50m) in Mode-3 bode well.
- Watch out for commentary around capital markets.
- Commentary around renewals key monitorable.

**Quarterly Perf. (INR m)**

Y/E March	FY19				FY20E				FY19	FY20
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Revenue (USD m)	2,055	2,099	2,202	2,278	2,364	2,486	2,574	2,612	8,633	10,035
QoQ (%)	0.8	2.1	4.9	3.5	3.8	5.2	3.5	1.5	10.1	16.3
Revenue (INR m)	1,38,780	1,48,610	1,56,990	1,59,900	1,64,250	1,75,280	1,83,249	1,82,820	6,04,280	7,05,599
YoY (%)	14.2	19.5	22.6	21.3	18.4	17.9	16.7	14.3	19.5	16.8
GPM (%)	34.4	35.5	35.3	34.8	33.5	35.0	36.6	35.3	35.0	35.1
SGA (%)	11.1	11.9	12.1	12.3	12.8	11.6	11.7	11.3	11.9	11.9
EBITDA (INRm)	32,260	34,990	36,470	35,970	34,000	41,030	45,538	43,819	1,39,690	1,64,387
EBITDA Margin (%)	23.2	23.5	23.2	22.5	20.7	23.4	24.9	24.0	23.1	23.3
EBIT Margin (%)	19.7	20.0	19.7	19.0	17.1	20.0	20.0	19.2	19.6	19.1
Other income	2,960	2,520	1,050	1,520	1,280	-30	661	-14	8,050	1,898
ETR (%)	20.6	21.1	17.7	19.3	24.0	23.9	23.9	23.9	19.6	23.9
Adjusted PAT	24,040	25,400	26,110	25,680	22,200	26,510	28,429	26,680	1,01,230	1,03,820
QoQ (%)	7.9	5.7	2.8	-1.6	-13.6	19.4	7.2	-6.2		
YoY (%)	10.7	16.1	19.0	15.2	-7.7	4.4	8.9	3.9	15.3	2.6
EPS	8.6	9.1	9.6	9.5	8.2	9.8	10.5	9.9	36.8	38.3
Headcount	1,24,121	1,27,875	1,32,328	1,37,965	1,43,900	1,47,123	1,53,623	1,54,663	1,37,965	1,54,663
Util excl. trainees (%)	85.5	86.7	86.6	85.4					83.7	83.1
Attrition (%)	16.3	17.1		17.7	17.3	16.9				
Fixed Price (%)	62.0	61.8		63.7	63.5	66.5				

E: MOFSL Estimates

## Hexaware Technologies

Neutral

CMP INR 337 | TP: INR380 (+13%)

EPS CHANGE (%): FY20|21: 12.8|13.8

- Softness in key client to drag growth (by 2.5% QoQ CC).
- Watch out for outlook on integration of Mobiquity.
- Better mix/utilization/INR depreciation – margin tailwind.
- Key client rev. run-rate to stabilize/at best recover post 4Q.

## Quarterly Perf. (Indian GAAP)

(INR m)

Y/E Dec	CY18				CY19E				CY18	CY19E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Revenue (USD m)	162.2	168.3	171.1	176.1	180.0	188.5	210.5	216.8	678	796
QoQ (%)	3.9	3.8	1.7	2.9	2.2	4.7	11.7	3.0	11.6	17.4
Revenue (INR m)	10,490	11,367	12,096	12,524	12,640	13,083	14,814	15,438	46,477	55,975
YoY (%)	9.2	15.6	21.8	24.6	20.5	15.1	22.5	23.3	17.9	20.4
GPM (%)	32.9	31.8	32.8	31.6	30.2	32.4	33.8	33.8	32.2	32.6
SGA (%)	17.4	16.2	16.0	16.3	15.3	16.2	17.7	17.4	16.5	16.7
EBITDA	1,626	1,773	2,023	1,913	1,887	2,117	2,377	2,534	7,335	8,916
EBITDA Margin (%)	15.5	15.6	16.7	15.3	14.9	16.2	16.0	16.4	15.8	15.9
EBIT Margin (%)	14.1	14.0	15.4	14.0	13.8	14.6	13.9	14.3	14.4	14.1
Other income	204	327	264	-215	-42	99	171	40	580	268
ETR (%)	20.0	20.0	19.1	19.9	18.4	16.4	17.4	17.9	19.7	17.5
PAT	1,343	1,534	1,722	1,234	1,385	1,682	1,837	1,848	5,833	6,751
QoQ (%)	10.9	14.2	12.3	-28.3	12.2	21.4	9.2	0.6		
YoY (%)	17.9	25.3	21.3	1.9	3.1	9.6	6.6	49.7	16.8	15.7
EPS (INR)	4.5	5.1	5.7	4.1	4.6	5.0	6.1	6.1	19.3	21.8
Headcount	14,619	15,357	16,050	16,205	16,492	18,294	19,062	19,494	16,205	19,494
Utilization (%)	81.3	78.2	79.0	78.7	79.0	80.7	79.0	81.5	80.9	81.9
Attrition (%)	13.4	14.4	15.7	17.0	18.2	18.2	17.3	0.0		
Offshore rev. (%)	34.6	34.8	35.1	36.1	36.6	37.0	37.3	39.9	35.2	37.8

E: MOFSL Estimates

## Infosys

Buy

CMP INR 735 | TP: INR870 (+19%)

EPS CHANGE (%): FY20|21: 8.9|15.8

- Seasonality to be more pronounced given client mix.
- Better productivity/INR depreciation to drive margins.
- Recent strength from large wins to keep growth positive.
- Progress on investigation related to whistleblower.

## Quarterly Performance (IFRS)

(INR m)

Y/E March	FY19E				FY20E				FY19	FY20E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Revenue (USD m)	2,831	2,921	2,987	3,060	3,131	3,210	3,271	3,333	11,799	12,946
QoQ (%)	0.9	3.2	2.3	2.4	2.3	2.5	1.9	1.9	7.9	9.7
Revenue (INR m)	1,91,280	2,06,090	2,14,000	2,15,390	2,18,030	2,26,290	2,32,922	2,35,818	8,26,760	9,13,061
YoY (%)	12.0	17.3	20.3	19.1	14.0	9.8	8.8	9.5	17.2	10.4
GPM (%)	38.0	37.8	37.2	36.2	35.3	36.6	37.3	37.6	37.3	36.7
SGA (%)	12.0	11.8	11.9	12.2	11.7	11.7	11.8	11.8	12.0	11.7
EBITDA	49,730	53,580	54,100	51,490	51,520	56,390	59,417	60,833	2,08,890	2,28,160
EBITDA Margin (%)	26.0	26.0	25.3	23.9	23.6	24.9	25.5	25.8	25.3	25.0
EBIT Margin (%)	23.7	23.7	23.0	21.4	20.5	21.7	22.4	22.8	22.9	21.9
Other income	7,260	7,390	7,530	6,650	6,960	5,840	6,487	6,107	28,830	25,393
ETR (%)	26.2	27.0	26.8	22.8	26.4	26.5	26.5	26.5	25.8	26.5
PAT	36,120	41,100	36,100	40,740	37,980	40,190	42,979	43,808	1,54,050	1,64,957
QoQ (%)	-2.1	13.8	-12.2	12.9	-6.8	5.8	6.9	1.9		
YoY (%)	3.6	10.3	-2.4	10.4	5.1	-2.2	19.1	7.5	-3.9	7.1
EPS (INR)	8.3	9.4	8.3	9.4	8.8	9.4	10.1	10.2	35.4	38.6
Headcount	2,09,905	2,17,739	2,25,501	2,28,123	2,29,029	2,36,486	2,36,625	2,37,557	2,28,123	2,37,557
Util excl. trainees (%)	86.1	86.0	84.2	82.7	83.5	84.9	85.5	87.0	85.4	85.8
Attrition (%)	23.0	22.2	19.9	20.4	23.4	21.7			21.5	

E: MOFSL Estimates

**LTI****Buy****CMP INR 1,822 | TP: INR2,140 (+18%)****EPS CHANGE (%): FY20|21: -2|18.9**

- Recovery in top client and large deals to drive revenue.
- Limited margin expansion due to deal ramp-up overhang.
- Given currency movement, expect dip in forex gains.
- Outlook on DHS investigation to be watched out for.

**Quarterly Perf. (INR m)**

Y/E March	FY19				FY20				FY19	FY20E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Revenue (USD m)	320	329	347	354	357	364	380	392	1,349	1,492
QoQ (%)	3.5	2.7	5.6	2.0	0.8	2.0	4.5	3.0	19.1	10.6
Revenue (INR m)	21,557	23,312	24,729	24,860	24,849	25,707	27,079	27,895	94,458	1,05,528
YoY (%)	29.0	33.1	31.3	24.2	15.3	10.3	9.5	12.2	29.3	11.7
GPM (%)	35.2	35.1	34.8	34.0	33.1	31.8	33.1	34.8	34.7	33.2
SGA (%)	15.7	14.6	14.2	14.8	14.7	13.7	14.6	14.6	14.8	14.4
EBITDA	4,190	4,790	5,090	4,765	4,579	4,658	5,004	5,641	18,835	19,837
EBITDA Margin (%)	19.4	20.5	20.6	19.2	18.4	18.1	18.5	20.2	19.9	18.8
EBIT Margin (%)	17.7	19.0	19.1	17.7	16.0	15.5	15.8	17.4	18.4	16.1
Other income	1,036	943	288	648	812	739	646	646	2,915	2,844
ETR (%)	25.5	25.4	25.2	24.9	25.6	23.9	25.5	25.5	25.3	25.2
Adj PAT	3,612	4,003	3,755	3,787	3,555	3,603	3,645	4,102	15,157	14,905
QoQ (%)	6.9	10.8	-6.2	0.9	-6.1	1.4	1.2	12.5		
YoY (%)	35.1	46.6	32.7	12.0	-1.6	-10.0	-2.9	8.3	30.5	-1.7
EPS (INR)	20.6	22.9	21.5	21.6	20.3	20.6	20.8	23.4	86.6	84.9
Headcount	25,150	26,414	27,513	28,169	29,347	30,979	31,699	32,529	28,169	32,529
Util incl. trainees (%)	79.7	80.4	82.1	80.1	80.5	78.9				
Attrition (%)	15.1	15.3	16.5	17.5	18.3	18.4				
Offshore rev. (%)	53.2	52.4	52.2	52.2	50.5	51.4			52.5	51.8

E: MOFSL Estimates

**MindTree****Neutral****CMP INR 813 | TP: INR920 (+13%)****EPS CHANGE (%): FY20|21: -21.8|30.6**

- Insurance and Tier-2 banking clients to remain insulated.
- Tepid growth led by management change.
- Utilization and INR depreciation to drive margins
- Outlook around strategy refresh.

**Quarterly Perf. (INR m)**

Y/E March	FY19				FY20E				FY19	FY20E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Revenue (USD m)	242	246	252	262	264	271	276	284	1,001	1,095
QoQ (%)	6.8	2.0	2.1	4.2	0.8	2.6	2.0	2.6	18.3	9.4
Revenue (INR m)	16,395	17,554	17,872	18,394	18,342	19,143	19,684	20,068	70,215	77,237
YoY (%)	27.1	31.8	29.7	25.6	11.9	9.1	10.1	9.1	28.5	10.0
GPM (%)	36.6	36.4	37.7	37.5	34.3	33.9	34.1	34.4	37.0	34.2
SGA (%)	22.5	21.0	21.8	22.2	21.6	21.0	20.4	19.9	21.9	20.7
EBITDA	2,310	2,699	2,833	2,803	2,318	2,482	2,704	2,905	10,645	10,409
EBITDA Margin (%)	14.1	15.4	15.9	15.2	12.6	13.0	13.7	14.5	15.2	13.5
EBIT Margin (%)	11.5	13.1	13.6	12.9	9.0	9.3	10.1	10.9	12.8	9.3
Other income	279	524	-200	290	220	197	413	274	893	1,103
ETR (%)	26.8	26.8	22.5	25.6	26.5	26.4	26.3	26.3	25.5	26.4
Adj. PAT	1,582	2,063	1,722	1,984	1,278	1,350	1,667	1,808	7,351	6,103
QoQ (%)	-6.7	30.4	-16.5	15.2	-35.6	5.6	23.5	8.4		
YoY (%)	70.0	102.8	54.5	17.0	-19.2	-34.6	-3.2	-8.9	54.5	-17.0
EPS (INR)	9.6	12.6	10.5	12.1	5.6	8.2	10.1	11.0	44.7	35.0
Headcount	18,990	19,402	19,908	20,204	20,935	21,267	21,817	22,267	20,204	22,267
Util incl. trainees (%)	75.4	74.5	74.6	75.3	77.2	77.0	76.0	76.0	74.9	76.5
Attrition (%)	12.2	13.0	13.4	14.2						
Fixed Price (%)	56.4	56.1	56.0	55.9						

E: MOFSL Estimates



**Mphasis****Buy****CMP INR 894 | TP: INR1,050 (+18%)****EPS CHANGE (%): FY20|21: 11.2|15.8**

- Recent strength in direct core deal wins to drive growth.
- DXC revenue should report market growth rate.
- Better utilization in application services to drive margins.
- Outlook for DXC channel.

**Quarterly Perf. (INR m)**

Y/E March	FY19				FY20E				FY19	FY20E
	Jun 18	Sep 18	Dec 18	Mar 19	Jun 19	Sep 19	Dec 19	Mar 20		
Revenue (USD m)	269	276	283	292	297	305	314	325	1,119	1,240
QoQ (%)	1.7	2.6	2.6	3.2	1.8	2.6	3.0	3.6	13.1	10.9
Revenue (INR m)	18,202	19,149	19,710	20,250	20,626	21,581	22,233	23,091	77,310	87,532
YoY (%)	18.5	19.3	18.7	16.1	13.3	12.7	12.8	14.0	18.1	13.2
GPM (%)	28.9	28.1	27.9	26.8	28.4	28.8	30.0	30.8	27.9	29.5
SGA (%)	11.2	10.7	11.2	10.0	10.2	10.0	10.6	10.6	10.8	10.4
EBITDA	3,201	3,329	3,306	3,404	3,743	4,052	4,301	4,660	13,239	16,756
EBITDA Margin (%)	17.6	17.4	16.8	16.8	18.1	18.8	19.3	20.2	17.1	19.1
EBIT Margin (%)	16.6	16.4	15.8	15.8	15.5	16.1	16.8	17.7	16.1	16.5
Other income	449	467	499	332	541	351	357	657	1,747	1,906
ETR (%)	24.7	24.5	22.4	23.4	25.1	24.2	24.2	24.2	23.7	24.4
PAT	2,583	2,709	2,780	2,662	2,647	2,733	3,076	3,564	10,733	12,021
QoQ (%)	3.0	4.9	2.6	-4.2	-0.5	3.3	12.6	15.9		
YoY (%)	38.0	37.0	29.3	6.2	2.5	0.9	10.7	33.9	26.2	12.0
EPS (INR)	13.4	14.0	14.4	14.3	14.2	14.2	16.0	18.5	56.1	62.8
Headcount	22,566	23,478	24,215	24,485	25,500	26,963	27,171	27,511	24,485	27,511
Net Additions	302	912	737	270	1015	1463	208	340	2221	3026
HP Channel rev. (%)	27.4	28.3	29.0	28.0	28.0	27.6	0.0		28.0	
Fixed Price (%)	26.5	24.6	24.1	23.0	24.0	26.0	0.0	23.0	24.0	

E: MOFSL Estimates

**NIIT Technologies****Neutral****CMP INR 1,580 | TP: INR1,620 (+13%)****EPS CHANGE (%): FY20|21: 14.9|+16.4**

- Recent deal wins to drive sequential growth.
- CC headwind due to difference in settlement dates.
- Quality revenue and INR depreciation to drive margins.
- Outlook on spending at key BFS accounts.

**Quarterly Perf. (IND-AS, INR m)**

Y/E March	FY19				FY20E				FY19	FY20E
(Consolidated)	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Rev. (USD m) Ex. forex & bought outs	121	131	135	132	138	149	152	157	519	597
QoQ (%)	-1.3	8.5	3.0	-1.9	4.4	7.7	2.5	3.3	11.9	15.0
Revenue (INR m)	8,005	9,074	9,717	9,319	9,597	10,385	10,909	11,238	36,115	42,129
YoY (%)	12.9	23.1	28.4	18.1	19.9	14.4	12.3	20.6	20.7	16.7
GPM (%)	33.8	35.0	35.4	34.7	33.9	34.6	34.9	35.4	34.8	34.7
SGA (%)	17.7	17.0	16.8	17.1	16.8	16.3	16.5	16.5	17.1	16.5
EBITDA (INRM)	1,287	1,634	1,805	1,641	1,641	1,898	2,010	2,122	6,367	7,670
EBITDA Margin (%)	16.1	18.0	18.6	17.6	17.1	18.3	18.4	18.9	17.6	18.2
EBIT Margin (%)	12.2	14.5	15.3	14.4	12.9	14.0	14.3	14.8	14.2	14.0
Other income	206	215	5	45	75	76	75	-12	471	214
ETR (%)	25.3	23.7	29.7	17.5	20.5	18.1	22.5	22.5	24.1	21.0
Minority Interest	45.0	49.0	49.0	34.0	24.0	56.0	40.8	38.7	177.0	159.4
PAT	841	1,118	1,002	1,111	1,022	1,195	1,223	1,240	4,072	4,680
QoQ (%)	-2.3	32.9	-10.4	10.9	-8.0	16.9	2.4	1.4	45.3	14.9
YoY (%)	63.9	66.6	32.4	29.0	21.5	6.9	22.1	11.6		
EPS (INR)	13.7	18.2	16.3	18.1	16.6	19.4	19.9	20.2	66.2	76.1
Headcount	9,764	10,025	10,144	10,263	10,297	10,800	11,050	11,450	10,263	11,450
Util excl. trainees (%)	80.1	80.4	79.0	79.3	80.5	79.0	79.0	82.0	79.7	81.3
Attrition (%)	10.1	10.8	11.7	11.7	12.9					
Offshore rev. (%)	36.0	36.0	35.0	35.0	34.0				35.2	34.5
Fixed Price (%)	47.0	45.0	47.0	47.0	48.0					

E: MOFSL Estimates



**Persistent Systems****Buy****CMP INR 714 | TP: INR830 (+16%)****EPS CHANGE (%): FY20|21: 2.6|7.5**

- Alliance segment to drive revenue growth.
- Lower costs/INR depreciation to drive margins.
- TSU to be supportive of growth, Accelerite to be overhang
- Outlook for hiring in senior roles.

**Quarterly Perf. (IFRS, INR m)**

Y/E March	FY19				FY20E				FY19	FY20E
(Consolidated)	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Revenue (USD m)	123.6	118.2	120.8	118.3	119.6	125.5	129.7	133.3	481	508
QoQ (%)	5.7	-4.3	2.2	-2.1	1.1	4.9	3.3	2.8	2.2	5.6
Revenue (INR m)	8,343	8,356	8,642	8,318	8,321	8,846	9,233	9,492	33,659	35,891
QoQ (%)	10.9	0.2	3.4	-3.8	0.0	6.3	4.4	2.8		
YoY (%)	14.6	9.8	9.1	10.5	-0.3	5.9	6.8	14.1	11.0	6.6
GPM (%)	35.6	35.3	38.2	36.8	34.7	34.7	34.9	35.6	36.5	35.0
SGA (%)	18.8	18.0	18.3	21.6	20.2	20.7	20.8	20.4	19.2	20.6
EBITDA	1,400	1,436	1,703	1,265	1,202	1,216	1,297	1,450	5,805	5,165
EBITDA Margin (%)	16.8	17.2	19.7	15.2	14.4	13.8	14.0	15.3	17.2	14.4
EBIT Margin (%)	12.0	12.4	15.1	10.7	9.8	8.9	9.1	10.7	12.6	9.7
Other income	187	231	-12	224	282	364	290	250	631	1,186
ETR (%)	26.4	30.5	29.2	24.1	24.9	25.5	25.1	25.1	27.7	25.1
PAT	873	881	917	844	825	861	850	948	3,516	3,483
QoQ (%)	18.5	0.9	4.1	-7.9	-2.3	4.4	-1.3	11.5		
YoY (%)	16.3	6.7	0.1	14.6	-5.6	-2.3	-7.3	12.3	8.8	-0.9
EPS (INR)	10.9	11.0	11.5	10.6	10.7	11.2	11.0	12.3	44.0	45.1
Headcount	8,902	9,302	9,530	9,962	10,167	10,543	10,757	10,771	9,962	10,771
Util excl. trainees (%)	80.7	81.9	82.1	79.7	77.9	77.6	78.0	78.5	81.1	77.8
Attrition (%)	14.8	15.4	16.4	16.7	17.2	15.7			16.7	
IP rev. proportion(%)	27.4	25.6	25.0	21.6	21.5	22.5	22.8	22.8	24.9	22.4

E: MOFSL Estimates

**TCS****Neutral****CMP INR 2,157 | TP: INR2,340 (+8%)****EPS CHANGE (%): FY20|21: 4.7|+9.7**

- Softness in BFSI and Retail.
- Updated outlook on order backlog.
- Better utilization and INR depreciation to drive margins.
- Cross currency tailwind of 130bp on high GBP exposure.

**Quarterly Perf. (IFRS, INR m)**

Y/E March	FY19				FY20E				FY19	FY20E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Revenue (USD m)	5,051	5,215	5,250	5,397	5,485	5,517	5,588	5,697	20,913	22,288
QoQ (%)	1.6	3.2	0.7	2.8	1.6	0.6	1.3	2.0	9.6	6.6
Revenue (INR m)	3,42,610	3,68,540	3,73,380	3,80,100	3,81,720	3,89,770	3,97,885	4,03,373	14,64,630	15,72,748
YoY (%)	15.8	20.7	20.8	18.5	11.4	5.8	6.6	6.1	19.0	7.4
GPM (%)	42.5	43.6	42.9	42.9	42.1	42.5	42.6	42.0	43.0	42.3
SGA (%)	16.1	15.7	15.9	15.8	15.8	16.3	15.5	15.6	15.9	15.8
EBITDA	90,710	1,02,780	1,00,830	1,03,011	1,00,370	1,02,260	1,07,826	1,06,309	3,97,331	4,16,765
EBITDA Margin (%)	26.5	27.9	27.0	27.1	26.3	26.2	27.1	26.4	27.1	26.5
EBIT Margin (%)	25.0	26.5	25.6	25.7	24.2	24.0	24.9	24.2	25.7	24.3
Other income	12,250	7,300	11,630	11,650	14,180	11,680	9,576	11,011	42,830	46,447
ETR (%)	24.7	23.2	24.1	23.3	23.4	23.5	23.5	23.5	23.8	23.5
PAT	73,570	80,380	81,210	83,541	81,310	80,420	83,050	83,050	3,18,701	3,27,830
QoQ (%)	6.6	9.3	1.0	2.9	-2.7	-1.1	3.3	0.0		
YoY (%)	23.8	24.7	24.3	21.0	10.5	0.0	2.3	-0.6	23.4	2.9
EPS (INR)	19.2	21.0	21.6	21.7	21.7	21.4	22.1	22.1	83.5	87.4
Headcount	4,00,875	4,11,102	4,17,929	4,24,285	4,36,641	4,50,738	4,47,670	4,56,478	4,24,285	4,56,478
CC QoQ rev gr (%)	4.1	3.7	1.8	2.4	2.3	0.6	1.3	2.4	9.6	6.6
Attrition (%)	11.7	10.9		11.3	11.5					

E: MOFSL Estimates

**Tech Mahindra****Buy****CMP INR 766 | TP: INR880 (+15%)****EPS CHANGE (%): FY20|21: -1.5|11.9**

- Tepid growth in both communication and enterprise.
- Partial AT&T deal impact on growth.
- Margin pressure from transition cost (A&T) constraint.
- Outlook for communications segment.

**Quarterly Perf. (INR m)**

Y/E March	FY19				FY20E				FY19	FY20E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Revenue (USD m)	1,224	1,218	1,261	1,268	1,247	1,287	1,317	1,386	4,971	5,237
QoQ (%)	-1.6	-0.5	3.5	0.5	-1.6	3.2	2.3	5.2	4.2	5.4
Revenue (INR m)	82,763	86,298	89,437	88,923	86,530	90,699	93,787	98,660	3,47,421	3,69,676
YoY (%)	12.8	13.5	15.0	10.4	4.6	5.1	4.9	11.0	12.9	6.4
GPM (%)	30.7	34.0	33.1	33.1	28.8	29.6	29.7	30.1	32.8	29.6
SGA (%)	14.3	15.3	13.8	14.7	13.6	13.0	13.7	13.8	14.5	13.5
EBITDA	13,569	16,186	17,226	16,387	13,141	15,009	15,026	16,058	63,368	59,234
EBITDA Margin (%)	16.4	18.8	19.3	18.4	15.2	16.5	16.0	16.3	18.2	16.0
EBIT Margin (%)	13.0	15.3	16.1	15.4	11.5	12.8	12.3	12.7	15.0	12.3
Other income	1,114	1,751	806	1,671	3,413	2,163	2,560	2,594	5,342	10,730
Interest expense	305	388	358	281	454	383	612	612	1,332	2,061
ETR (%)	21.2	26.8	17.8	23.5	25.7	16.9	25.5	25.5	22.4	23.4
PAT excl. BT amort & EOI	8,979	10,642	12,029	11,325	9,593	11,239	10,080	10,887	42,975	41,799
QoQ (%)	-26.5	18.5	13.0	-5.9	-15.3	17.2	-10.3	8.0		
YoY (%)	12.4	27.3	27.7	-7.3	6.8	5.6	-16.2	-3.9	13.1	-2.7
EPS (INR)	10.1	11.9	13.5	12.6	10.9	12.8	11.5	12.4	48.0	47.5
Headcount	1,13,552	1,18,391	1,21,842	1,21,082	1,25,773	1,31,522	1,32,371	1,37,555	1,21,082	1,37,555
Util excl. trainees (%)	81.0	81.0	82.0	82.0	80.0	82.0	83.0	86.5	81.5	82.9
Attrition (%)	19.0	20.0	21.0	21.0	21.0	21.0	0.0	0.0		
Offshore rev. (%)	33.4	35.5	34.5	34.8	34.7	34.6	33.9	33.8	34.5	34.2

E: MOFSL Estimates

**Wipro****Neutral****CMP INR 248 | TP: INR270 (+9%)****EPS CHANGE (%): FY20|21: 11.7|5.1**

- Growth expected in the midpoint of the guidance range.
- Higher exposure to capital markets to be a overhang
- Margins to be effected by normalization of SGA.
- Outlook on capital markets and healthcare segment.

**Quarterly Perf.(IFRS, INR m)**

Y/E March	FY19				FY20E				FY19	FY20E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
IT Services Revenue (USD m)	1,989	2,010	2,047	2,076	2,039	2,049	2,112	2,155	8,120	8,355
QoQ (%)	-1.5	1.0	1.8	1.4	-1.8	0.5	3.1	2.1	2.9	2.9
Overall Revenue (INR m)	1,39,777	1,45,410	1,50,595	1,50,063	1,47,161	1,51,256	1,56,933	1,58,921	5,85,845	6,14,270
QoQ (%)	1.5	4.0	3.6	-0.4	-1.9	2.8	3.8	1.3		
YoY (%)	2.6	8.3	10.2	9.0	5.3	4.0	4.2	5.9	7.5	4.9
GPM (%)	28.2	30.0	31.0	28.7	29.1	28.6	30.6	30.5	29.5	29.7
SGA (%)	13.9	13.3	12.5	11.8	13.0	11.3	12.9	13.0	12.9	12.6
EBITDA	24,343	28,641	32,929	31,053	28,771	30,908	32,663	32,910	1,16,966	1,25,252
EBITDA Margin (%)	17.4	19.7	21.9	20.7	19.6	20.4	20.8	20.7	20.0	20.4
IT Serv. EBIT (%)	17.2	15.0	19.8	19.0	18.4	18.1	17.8	17.2	17.8	17.8
EBIT Margin (%)	14.3	16.7	18.4	17.0	16.2	17.3	17.7	17.6	16.6	17.2
Other income	4,319	5,053	4,646	6,560	6,221	5,251	3,323	1,731	20,578	16,526
ETR (%)	24.1	22.1	21.5	22.1	22.3	18.3	20.0	20.0	22.3	20.1
PAT	18,407	22,860	25,444	24,937	23,322	25,612	24,823	23,728	91,648	97,485
QoQ (%)	-8.4	24.2	11.3	-2.0	-6.5	9.8	-3.1	-4.4		
YoY (%)	-11.6	4.4	12.9	24.2	26.7	12.0	-2.4	-4.8	7.4	6.4
EPS (INR)	3.5	2.9	4.2	4.1	4.0	4.3	4.2	4.0	14.8	16.5
Headcount	1,60,846	1,71,451	1,72,379	1,71,425	1,74,850	1,81,453	1,84,538	1,71,425	1,71,425	1,87,623
Util excl. trainees (%)	85.2	85.5	83.2	85.4	85.0	82.1	82.1	82.1	79.6	78.4
Attrition (%)	17.1	17.5	17.9	17.6	17.6	17.0			17.6	
Offshore rev. (%)	47.1	47.2	47.8	48.5	47.7	46.7	47.3	47.3	47.7	47.3
Fixed Price (%)	58.9	58.9	59.8	60	61.6	61.9			59.4	

E: MOFSL Estimates

**Zensar Technologies****Buy****CMP INR 181 | TP: INR210 (+17%)****EPS CHANGE (%): FY20|21: 6.5|21.9**

- Completion of large transformation deal to be overhang.
- Utilization, onsite/offshore mix, INR dep to drive margins
- Outlook in MVS business.
- Progress on change in value proposition in Retail.

**Quarterly Perf. (INR m)**

Y/E March	FY19				FY20E				FY19	FY20E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Revenue (USD m)	132	135	142	149	153	152	155	159	557	620
QoQ (%)	4.1	2.4	5.1	4.9	3.1	-0.7	2.0	2.2	15.6	11.2
Revenue (INR m)	8,827	9,465	10,220	10,476	10,661	10,723	10,875	11,115	38,988	43,373
YoY (%)	19.8	24.1	28.8	28.6	20.8	13.3	6.4	6.1	29.7	11.2
GPM (%)	31.1	29.4	27.5	28.9	29.4	29.1	30.1	30.8	29.1	29.9
SGA (%)	16.5	16.5	16.0	15.7	15.2	15.1	15.5	15.8	16.1	15.4
EBITDA	1,252	1,275	1,171	1,381	1,515	1,500	1,590	1,665	5,079	6,270
EBITDA Margin (%)	14.2	13.5	11.5	13.2	14.2	14.0	14.6	15.0	13.0	14.5
EBIT Margin (%)	12.1	11.1	9.1	10.8	10.7	10.4	11.0	11.4	10.7	10.9
Other income	169	391	5	228	146	181	138	134	793	599
ETR (%)	27.8	28.1	28.0	29.9	28.4	28.5	28.0	28.0	28.5	28.2
PAT	836	951	587	870	787	799	910	960	3,244	3,455
QoQ (%)	15.1	13.8	-38.3	48.3	-9.6	1.5	13.9	5.5		
YoY (%)	77.1	52.1	-0.7	19.9	-5.8	-16.0	55.1	10.3	40.6	6.5
EPS (INR)	3.7	4.2	2.6	3.9	3.5	3.5	4.0	4.2	14.4	15.2
Headcount	8,790	9,138	9,456	9,748	10,166	10,219	10,464	10,414	9,748	10,414
Utilization (%)	85.8	82.6	81.7	83.4	82.4	84.1	80.5	81.0	83.4	82.0
Offshore rev. (%)	35.4	33.6	32.6	32.6	31.9	33.3	32.0	31.9	33.5	32.3

## NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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