

## Mindtree

Refer to important disclosures at the end of this report

# Lopsided growth and expensive valuations; maintain Sell

CMP: Rs 911

as of (June 14, 2020)

TP: Rs 740 (▲)

12 months

Rating: SELL (■)

Upside: (18.8) %

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- MTCL last week said that it expects a high single-digit revenue decline in the June'20 quarter, albeit expects to hold margins at the Mar'20 quarter levels, aided by cost control measures. MTCL keeps outlook unchanged and expects sequential increase in the Sep'20 quarter and growth recovery in H2FY21
- We had been perplexed with the general outlook of mid-single digit fall in the June'20 quarter by Indian offshore techs as compared to a much sharper declines indicated by US-listed peers. We see potential downside risks to near-term growth for Indian techs.
- MTCL improved EBIT margins in H2FY20 under the new leadership, aided by cost rationalization. We continue to believe that Indian techs in general have lot of flexibility around margins, given that manpower expenses account for 60-65% of revenues.
- We cut revenue growth estimates and incorporate hedging losses into our EPS estimates (hedging losses of Rs2.1bn on B/s as of FY20 end), which may limit EPS changes despite raising EBIT margin assumptions. Maintain Sell, with a revised TP of Rs740, based on 13x June'22E EPS.

## High qoq decline in revenues; margins to hold in June'20 quarter

In an exchange filing late last week ([refer link here](#)), MTCL indicated that it expects a high single-digit decline in revenue in the June'20 quarter. It expects near-term headwinds in the Travel vertical (as expected) and increased demand in CMT and CPG industries. MTCL expects a sequential revenue increase in the Sep'20 quarter and expects improvement in growth in H2FY21. With regards to margins, Mindtree has suggested that the several cost optimization measures will limit margin impact, with margins expected to be at Mar'20 levels (note that reported EBITDA/EBIT margins were 17.1%/13.8% in Mar'20 quarter which included ~100bps impact from the contribution to the PM Cares fund).

## Tweak estimates on higher margins but Sell stance stays

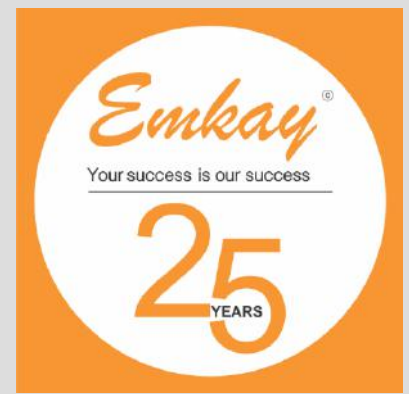
We cut revenue estimates along with incorporating hedging losses into our estimates despite raising our EBIT margins assumptions higher (13.8%/14.1%/14.3% vs. 12.5%/12.5%/13.6% for FY21/FY22/FY23 earlier), which limit any meaningful changes to our estimates. Our revised FY21/22/23E EPS stand at Rs46.3/54.9/65.3. **Our negative view on MTCL stays due to lopsided growth and expensive valuations at ~20x/16.6x FY21/22E EPS. Maintain Sell, with a revised TP of Rs740 (Rs710 earlier) as we roll forward to June'22 (vs. Mar'22 earlier) on an unchanged 1-year forward P/E of 13x.**

Please see our sector model portfolio (Emkay Alpha Portfolio): [Information Technology \(Page 11\)](#)

## Financial Snapshot (Consolidated)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	70,215	77,643	79,183	87,689	97,504
EBITDA	10,645	10,898	13,680	15,296	16,921
EBITDA Margin (%)	15.2	14.0	17.3	17.4	17.4
APAT	7,540	6,309	7,627	9,051	10,753
EPS (Rs)	45.8	38.4	46.3	54.9	65.3
EPS (% chg)	59.2	(16.2)	20.7	18.6	18.8
ROE (%)	24.9	19.5	22.5	23.3	24.0
P/E (x)	19.9	23.7	19.7	16.6	14.0
EV/EBITDA (x)	13.1	12.5	9.7	8.5	7.4
P/BV (x)	4.5	4.7	4.1	3.6	3.1

Source: Company, Emkay Research



## Change in Estimates

EPS Chg FY21E/FY22E (%)	(0.3)/2.6
Target Price change (%)	4.2
Target Period (Months)	12
Previous Reco	SELL

## Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	46.3	54.9
Consensus	43.9	53.7
Mean Consensus TP (12M)	Rs 815	

## Stock Details

Bloomberg Code	MTCL IN
Face Value (Rs)	10
Shares outstanding (mn)	165
52 Week H/L	1,063 / 652
M Cap (Rs bn/USD bn)	150 / 1.98
Daily Avg Volume (nos.)	11,28,580
Daily Avg Turnover (US\$ mn)	12.8

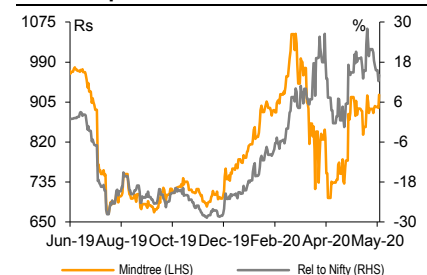
## Shareholding Pattern Mar '20

Promoters	74.1%
FIIIs	11.9%
DIIIs	5.8%
Public and Others	8.3%

## Price Performance

(%)	1M	3M	6M	12M
Absolute	3	12	21	(4)
Rel. to Nifty	(5)	7	45	14

## Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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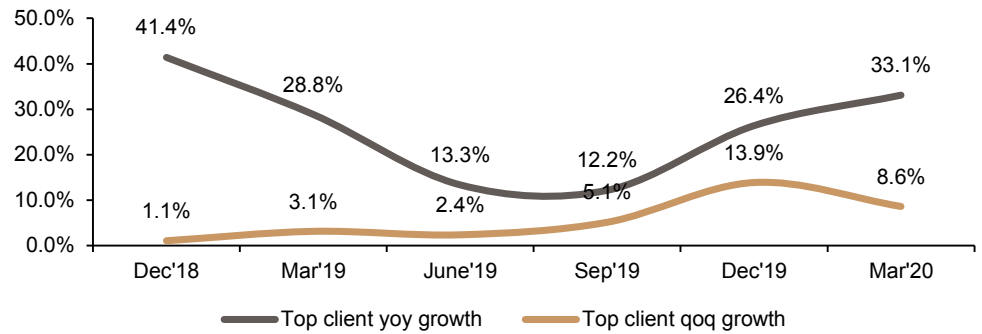
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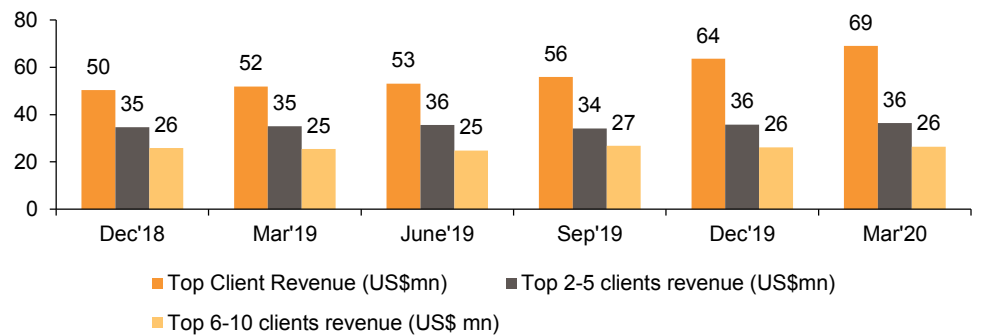
## Story in Charts

**Exhibit 1: Top client continues to drive growth as has been the case for the last several quarters**



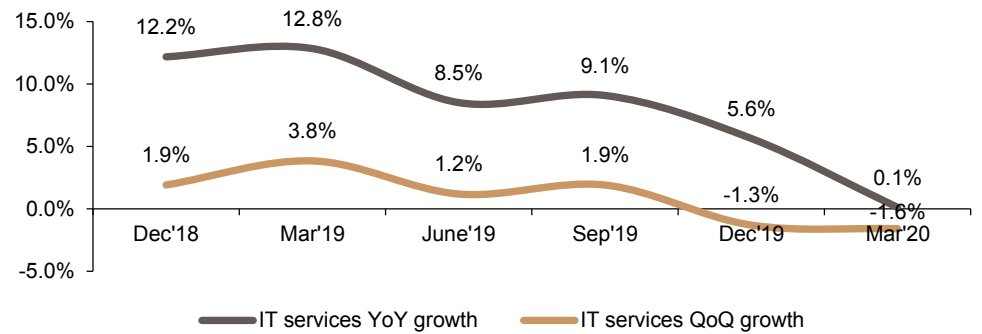
Source: Company, Emkay Research

**Exhibit 2: Revenue growth at top 2-10 clients have been anemic**



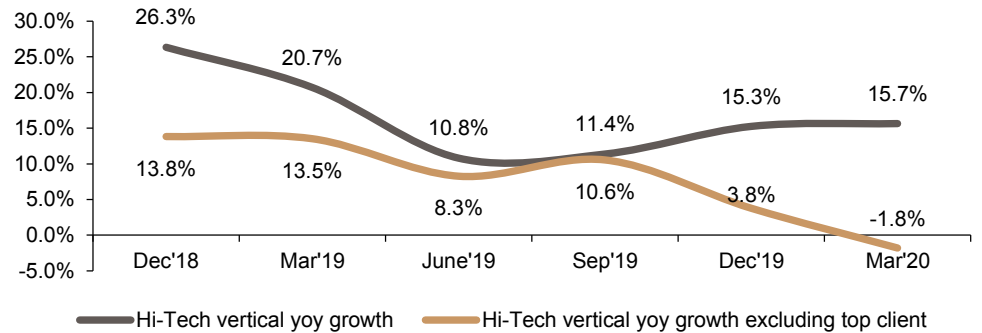
Source: Company, Emkay Research

**Exhibit 3: Meanwhile IT Services growth has been faltering sharply**



Source: Company, Emkay Research

**Exhibit 4: Growth in Hi-Tech vertical outside of MFST has been falling off as well**



Source: Company, Emkay Research

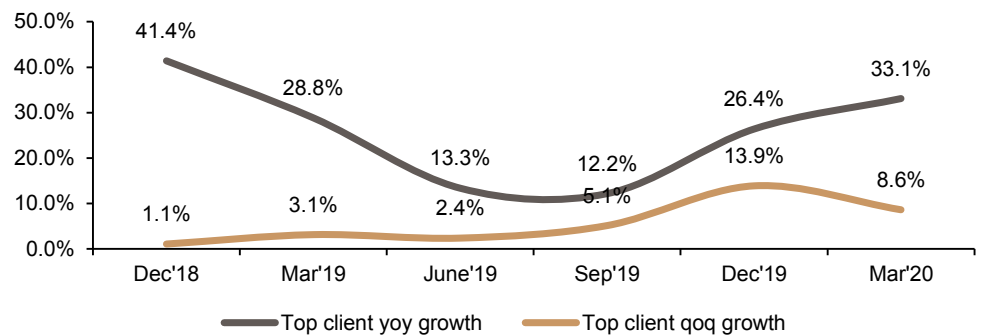
## Expects high single-digit sequential decline in June'20 quarter, though expects margins to hold

In an exchange filing late last week ([refer link here](#)), Mindtree said that it expects a high single-digit revenue decline in the June'20 quarter. From a vertical-wise perspective, the company expects a significant near-term impact in Travel, Transportation and Hospitality verticals (16.2% of revenues in the Mar'20 quarter), while it continues to see increased demand in verticals like Communications, Media and Technology (CMT) and Consumer Packaged Goods (CPG). The company said that it expects a sequential revenue increase in the Sep'20 quarter and expects improvement in growth in H2FY21. With regards to margins, Mindtree has suggested that the several cost optimization measures undertaken by the company will hold June'20-quarter margins at the Mar'20 quarter levels (note that reported EBITDA/EBIT margins were 17.1%/13.8% in the Mar'20 quarter, including ~100bps impact from the contribution to the PM Cares fund).

## Revenue growth lopsided, with Mindtree unable to replicate the success of the top client to the next leg of top clients

Our concerns on Mindtree have been around lopsided nature of revenue growth at the top client, MSFT. It is worthwhile to note that Microsoft has accounted for 87%/56% of the total revenue increase through FY18-20 for the company.

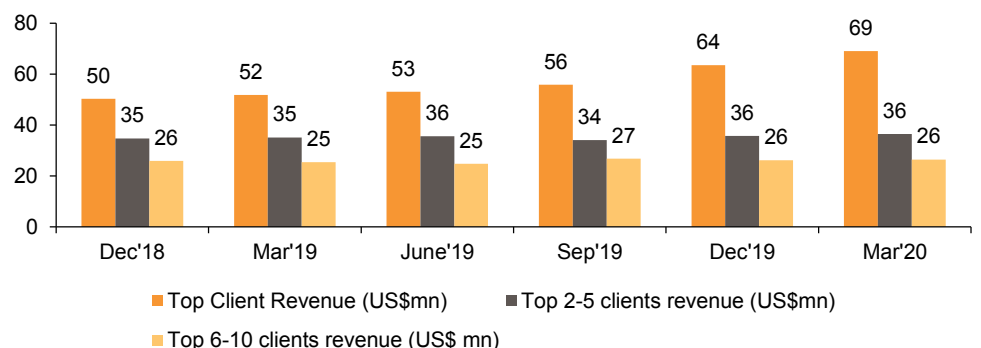
**Exhibit 5: Top client continues to drive growth as has been the case for the last several quarters**



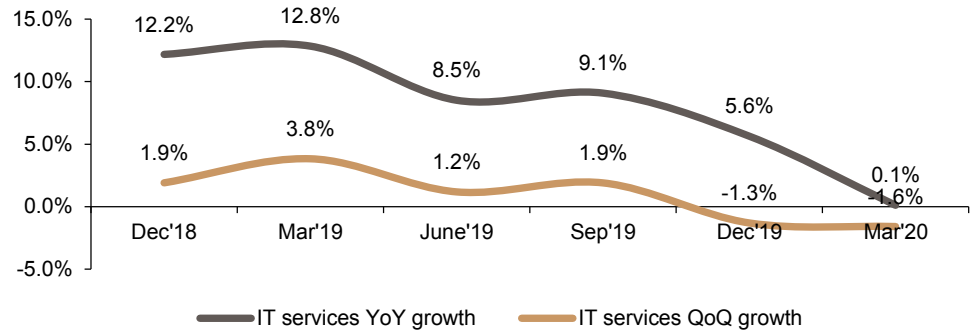
Source: Company, Emkay Research

While growth at the top client has been great, the company's performance elsewhere has been very weak. In this respect, it is worth noting that the entire revenue increase from the top 10 clients in FY20 was led by the top account alone. Additionally, we highlight that the company's growth in the IT Services segment has moderated sharply from ~13% YoY in the Mar'19 quarter to ~0% in the Mar'20 quarter. Even in the Hi-Tech vertical, growth outside of the top account has been faltering in the recent quarters

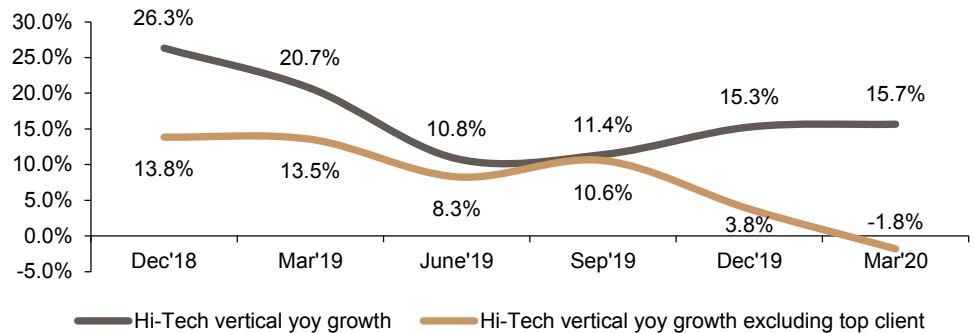
**Exhibit 6: Revenue growth at top 2-10 clients have been anemic**



Source: Company, Emkay Research

**Exhibit 7: Meanwhile IT Services growth has been faltering sharply**

Source: Company, Emkay Research

**Exhibit 8: Growth in Hi-Tech vertical outside of MFST has been falling off as well**

Source: Company, Emkay Research

Our repeated concern on Mindtree has been around replicating the success that they have enjoyed at scaling the business at Microsoft to other top clients. We note that Mindtree had 6 US\$20mn+ clients as of FY14 end, which has remained stagnant for a very long time since then. During the same time, revenues from the top client have grown strongly from ~US\$40mn in FY14 to an annualized run rate of ~US\$275-280mn in the Mar'20 quarter

Interestingly, Mindtree has had a steady increase in the number of US\$5mn+/US\$10mn+ clients over the years. This suggests that while Mindtree has been good at winning new client logos, scaling them up to a certain level, but has failed to ramp them to the higher revenue contribution levels. Our industry checks also seem to confirm that while several large clients selected Mindtree as a challenger vendor in the past, some delivery issues along with lack of Program management capabilities have limited the company's abilities to capture the available opportunity at these clients.

**Exhibit 9: While Mindtree does well in winning marquee logos and ramping them to US\$5m/US\$10mn engagements, it seems to struggle in growing them beyond US\$20mn+ levels**

Particulars	FY14	FY15	FY16	FY17	FY18	FY19	FY20
No of US\$ 10 mn+ clients	13	14	15	16	17	23	23
No of US\$ 25 mn+ clients	6	6	6	4	4	4	5
No of US\$ 50 mn+ clients	0	1	2	1	1	1	1

Source: Company, Emkay Research

As Exhibit 10 shows, while Hexaware is smaller in revenues vs. Mindtree, It has 6 US\$20mn+p.a clients (vs. 5 for Mindtree) as well as 3 US\$50mn+ revenue p.a. clients (vs. 1 for Mindtree). This also reflects in the average revenue/client metrics comparison as well, where the average revenue/client within the top 5 clients is decent but ex. MSFT is significantly lower versus peers.

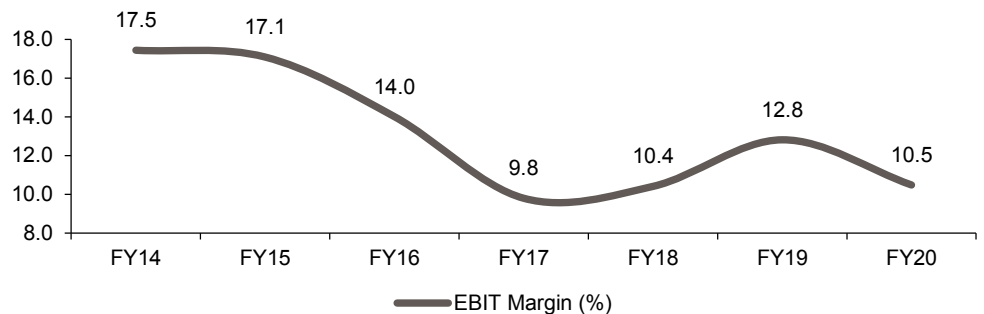
**Exhibit 10: Mindtree's revenue/top client is lower than peers when adjusted for Microsoft**

	LTI	MTCL	HEXW	NITEC
Qtrly Revenues( Mar'20 quarter)	409.9	278.4	210.6	154.8
No of Active clients	424	307	252	n.a
No of US\$ 1 Mn	165	134	126	106
No of US\$ 5 Mn	53	47	35	26
No of US\$ 10 MN	27	23	14	11
No of US\$ 20 Mn	16	5	6	n.a
No of US\$ 50 Mn	6	1	3	n.a
Top 5 clients( in US\$ Mn)	127.9	105.5	72.2	41.8
Top 10 clients( in US\$ Mn)	187.7	132.0	95.0	57.3
Avg Size( Top 5 )( in US\$ Mn p.a)	102.3	84.4	57.8	33.4
<b>Avg Size ( Top 2- Top 5 )( in US\$ Mn p.a)</b>	<b>36.5</b>			

Source: Company, Emkay Research

### New leadership doing well in pulling up margins in H2FY20 and may hold them in June'20 quarter as well

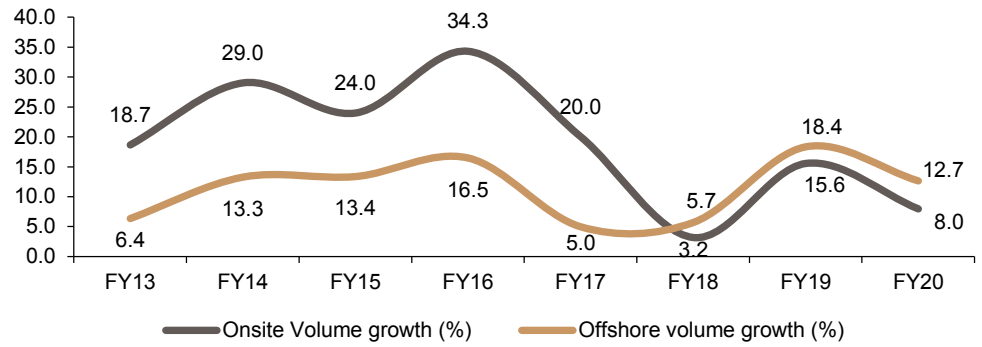
Mindtree's margin performance was quite patchy under the erstwhile management. EBIT margins were down by 230bps in FY20 after showing a 300bps improvement through FY17-19. Margin performance has been more volatile as compared to Tier II peers like LTI, Hexaware and NIIT Tech over the last several years. **However, Mindtree's new leadership did a credible job at improving margins in H2FY20, with Mar'20 quarter EBIT margins at 13.8% (up 450bps in H2FY20). The company is suggesting that it may be able to hold the margins in the June'20 quarter as well despite revenue declines led by cost containment measures that include freezing all discretionary spending, possible reduction in subcontracting expenses, reduction in travel expenses (3.6% of revenues in the Mar'20 quarter) and currency depreciation (note that INR depreciation could help margins by ~90-120bps across companies if current exchange rates were to hold).**

**Exhibit 11: Mindtree's margins in the past have seen lot of volatility**

Source: Company, Emkay Research

However over the medium/long term, Mindtree's margin improvement will hinge on:

- Mix of revenues (**after seeing a significant increase in onshore mix of revenues through the last several years, we are once again seeing an increase in offshore delivery of revenues through the recent quarters, refer to Exhibit 12 below**). This dynamic could also be helped by increased focus on winning managed services deals.
- Employee Utilization (**still significantly lower than peers, refer to chart below**)
- Broadening the employee pyramid (**Once again, a lever that could be in focus across the industry as the companies use more junior resources to optimize average cost of delivery.**)
- Revenue growth leverage and Bill Rates: **Mindtree's realized offshore rates are significantly lower than peers and have scope for improvement notwithstanding the pricing pressure in general (refer to Exhibit 14 below).**

**Exhibit 12: Offshore volumes are now outgrowing onshore volumes after several years**

Source: Company, Emkay Research

**Exhibit 13: Mindtree's Utilization is still about 200-300 bps lower than peers and can be pushed up in our view**

Including trainees	June'17	Sep'17	Dec'17	Mar'18	June'18	Sep'18	Dec'18	Mar'19	June'19	Sep'19	Dec'19	Mar'20
Mindtree	73.2	73.2	72.8	73.8	75.4	74.5	74.6	75.3	77.2	77.0	75.9	76.5
NIIT Tech	81.2	79.5	79.0	79.5	80.1	80.4	79.0	79.3	80.5	80.7	79.3	78.1
Persistent	77.2	78.6	79.9	81.2	80.7	81.9	82.1	79.7	77.9	77.6	79.8	78.7
LTI	77.1	79.6	80.3	79.9	79.7	80.4	82.1	80.1	80.5	78.9	79.2	79.3

Source: Company, Emkay Research

**Exhibit 14: Mindtree's offshore realizations are significantly lower than peers and can be a source of revenue/margin improvement under the new leadership**

Offshore Blended Revenue Productivity (in US\$/hr)	FY14	FY15	FY16	FY17	FY18
MTCL	20.4	19.9	18.5	17.2	18.4
LTI	n.a	n.a	21.0	21.9	22.6
Infosys	25.5	24.8	23.0	22.3	23.2

Source: Company, Emkay Research

### Tweak estimates on higher margins but Sell stance stays

We cut revenue growth estimates and raise our EBIT margins assumptions (13.8%/14.1%/14.3% vs. 12.5%/12.5%/13.6% for FY21/FY22/FY23 earlier). We also incorporate the hedging losses sitting on the company's balance sheet currently into our earnings estimates, which limit any meaningful change to our EPS estimates (MTCL has built up a significant hedge book through H2FY20 in line with L&T group philosophy unlike very limited hedges that MTCL used to take under the erstwhile management). We note that MTCL recorded a forex loss of Rs275mn in the Mar'20 quarter as well and as per the company's detailed financials, it had hedging losses of ~Rs2,035mn sitting on the balance sheet. MTCL's hedge book has increased from ~US\$226mn in the Sep'19 quarter to US\$1.1bn+ by FY20 end.

Our revised FY21/22/23E EPS stand at Rs46.3/54.9/65.3. Our negative view on MTCL is underpinned on lopsided growth and expensive valuations at ~19.7x/16.6x FY21/22E EPS. It is in line with our broader industry thesis that underlying trends in the form of digitization at scale, along with significant offshore shift, favor scale players more than Tier II techs in general reversing multi years of the trend on the contrary. We maintain Sell, with a revised TP of Rs740, based on 13x June'22E (vs. Mar'22E earlier).

**Exhibit 15: Changes in estimates**

(All fig in Rs mn except EPS and %)	FY21E			FY22E			FY23E		
	Old	New	% change	Old	New	% change	Old	New	% change
Overall Revenues (in US\$ mn)	1,075	1,063	-1.0%	1,207	1,185	-1.8%	1,318	1,318	0.0%
YoY growth, %	-1.3%	-2.3%		12.3%	11.4%		12.2%	11.2%	
Revenues	79,531	79,183	-0.4%	89,325	87,689	-1.8%	97,504	97,504	0.0%
EBIT	9,939	10,910	9.8%	11,158	12,368	10.8%	13,267	13,908	4.8%
EBIT margins, %	12.5	13.8		12.5	14.1		13.6	14.3	
Net profits	7,649	7,627	-0.3%	8,788	9,051	3.0%	10,461	10,753	2.8%
EPS (Rs)	46.5	46.3	-0.3%	53.5	54.9	2.6%	63.5	65.3	2.8%

Source: Company, Emkay Research



**Key Financials (Consolidated)****Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
<b>Revenue</b>	<b>70,215</b>	<b>77,643</b>	<b>79,183</b>	<b>87,689</b>	<b>97,504</b>
<b>Expenditure</b>	<b>59,570</b>	<b>66,745</b>	<b>65,503</b>	<b>72,392</b>	<b>80,582</b>
<b>EBITDA</b>	<b>10,645</b>	<b>10,898</b>	<b>13,680</b>	<b>15,296</b>	<b>16,921</b>
Depreciation	1,641	2,754	2,770	2,929	3,014
<b>EBIT</b>	<b>9,004</b>	<b>8,144</b>	<b>10,910</b>	<b>12,368</b>	<b>13,908</b>
Other Income	863	144	(740)	(300)	430
Interest expenses	0	0	0	0	0
<b>PBT</b>	<b>9,867</b>	<b>8,288</b>	<b>10,170</b>	<b>12,068</b>	<b>14,338</b>
Tax	2,327	1,979	2,542	3,017	3,584
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
<b>Reported Net Income</b>	<b>7,540</b>	<b>6,309</b>	<b>7,627</b>	<b>9,051</b>	<b>10,753</b>
<b>Adjusted PAT</b>	<b>7,540</b>	<b>6,309</b>	<b>7,627</b>	<b>9,051</b>	<b>10,753</b>

**Balance Sheet**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity share capital	1,642	1,646	1,646	1,646	1,646
Reserves & surplus	31,419	29,926	34,502	39,933	46,385
<b>Net worth</b>	<b>33,061</b>	<b>31,572</b>	<b>36,148</b>	<b>41,579</b>	<b>48,031</b>
<b>Minority Interest</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Loan Funds</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>
Net deferred tax liability	(388)	(1,835)	(1,835)	(1,835)	(1,835)
<b>Total Liabilities</b>	<b>32,678</b>	<b>29,742</b>	<b>34,318</b>	<b>39,749</b>	<b>46,201</b>
<b>Net block</b>	<b>9,669</b>	<b>14,092</b>	<b>14,853</b>	<b>16,210</b>	<b>17,615</b>
<b>Investment</b>	<b>8,036</b>	<b>7,748</b>	<b>7,748</b>	<b>7,748</b>	<b>7,748</b>
<b>Current Assets</b>	<b>23,400</b>	<b>27,755</b>	<b>31,105</b>	<b>37,276</b>	<b>44,743</b>
Cash & bank balance	2,562	5,870	8,978	12,772	17,496
Other Current Assets	5,339	4,348	4,339	4,805	5,343
<b>Current liabilities &amp; Provision</b>	<b>8,724</b>	<b>19,989</b>	<b>19,524</b>	<b>21,622</b>	<b>24,042</b>
<b>Net current assets</b>	<b>14,676</b>	<b>7,766</b>	<b>11,581</b>	<b>15,655</b>	<b>20,701</b>
Misc. exp	0	0	0	0	0
<b>Total Assets</b>	<b>32,678</b>	<b>29,742</b>	<b>34,318</b>	<b>39,749</b>	<b>46,201</b>

**Cash Flow**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
<b>PBT (Ex-Other income) (NI+Dep)</b>	<b>9,868</b>	<b>8,144</b>	<b>10,910</b>	<b>12,368</b>	<b>13,908</b>
Other Non-Cash items	(561)	0	0	0	0
Chg in working cap	(2,360)	10,218	(707)	(280)	(323)
<b>Operating Cashflow</b>	<b>6,305</b>	<b>8,251</b>	<b>10,430</b>	<b>12,000</b>	<b>13,014</b>
Capital expenditure	(1,708)	(6,283)	(3,532)	(4,285)	(4,419)
<b>Free Cash Flow</b>	<b>4,597</b>	<b>1,968</b>	<b>6,898</b>	<b>7,714</b>	<b>8,595</b>
Investments	(301)	(1,159)	0	0	0
Other Investing Cash Flow	0	253	0	0	0
<b>Investing Cashflow</b>	<b>(1,933)</b>	<b>(7,045)</b>	<b>(4,272)</b>	<b>(4,585)</b>	<b>(3,989)</b>
Equity Capital Raised	3	(1,031)	0	0	0
Loans Taken / (Repaid)	(3,044)	0	0	0	0
Dividend paid (incl tax)	(2,180)	(6,526)	(3,051)	(3,620)	(4,301)
Other Financing Cash Flow	0	9,659	0	0	0
<b>Financing Cashflow</b>	<b>(5,085)</b>	<b>2,102</b>	<b>(3,051)</b>	<b>(3,620)</b>	<b>(4,301)</b>
<b>Net chg in cash</b>	<b>(713)</b>	<b>3,308</b>	<b>3,108</b>	<b>3,794</b>	<b>4,724</b>
Opening cash position	3,275	2,562	5,870	8,977	12,772
<b>Closing cash position</b>	<b>2,562</b>	<b>5,870</b>	<b>8,977</b>	<b>12,772</b>	<b>17,496</b>

Source: Company, Emkay Research



**Key Ratios**

<b>Profitability (%)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
EBITDA Margin	15.2	14.0	17.3	17.4	17.4
EBIT Margin	12.8	10.5	13.8	14.1	14.3
Effective Tax Rate	23.6	23.9	25.0	25.0	25.0
Net Margin	10.7	8.1	9.6	10.3	11.0
ROCE	31.4	26.6	31.7	32.6	33.4
ROE	24.9	19.5	22.5	23.3	24.0
RoIC	43.7	43.1	65.2	67.7	69.7

<b>Per Share Data (Rs)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
EPS	45.8	38.4	46.3	54.9	65.3
CEPS	55.8	55.1	63.2	72.7	83.6
BVPS	200.8	192.1	219.6	252.4	291.6
DPS	13.0	33.0	18.5	22.0	26.1

<b>Valuations (x)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
PER	19.9	23.7	19.7	16.6	14.0
P/CEPS	16.0	16.2	14.1	12.2	10.7
P/BV	4.5	4.7	4.1	3.6	3.1
EV / Sales	2.0	1.8	1.7	1.5	1.3
EV / EBITDA	13.1	12.5	9.7	8.5	7.4
Dividend Yield (%)	1.4	3.6	2.0	2.4	2.9

<b>Gearing Ratio (x)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
Net Debt/ Equity	(0.3)	(0.4)	(0.5)	(0.5)	(0.5)
Net Debt/EBITDA	(1.0)	(1.2)	(1.2)	(1.3)	(1.5)
Working Cap Cycle (days)	63.0	8.9	12.0	12.0	12.0

<b>Growth (%)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
Revenue	28.5	10.6	2.0	10.7	11.2
EBITDA	43.8	2.4	25.5	11.8	10.6
EBIT	58.2	(9.6)	34.0	13.4	12.5
PAT	57.6	(16.3)	20.9	18.7	18.8

<b>Quarterly (Rs mn)</b>	<b>Q4FY19</b>	<b>Q1FY20</b>	<b>Q2FY20</b>	<b>Q3FY20</b>	<b>Q4FY20</b>
Revenue	18,394	18,342	19,143	19,653	20,505
EBITDA	2,803	1,841	2,482	3,063	3,512
<b>EBITDA Margin (%)</b>	<b>15.2</b>	<b>10.0</b>	<b>13.0</b>	<b>15.6</b>	<b>17.1</b>
PAT	1,984	927	1,350	1,970	2,062
<b>EPS (Rs)</b>	<b>12.1</b>	<b>5.6</b>	<b>8.2</b>	<b>12.0</b>	<b>12.5</b>

Source: Company, Emkay Research

<b>Shareholding Pattern (%)</b>	<b>Mar-19</b>	<b>Jun-19</b>	<b>Sep-19</b>	<b>Dec-19</b>	<b>Mar-20</b>
Promoters	13.3	13.3	73.8	73.6	74.1
FII	39.3	36.2	10.8	10.5	11.9
DII	11.1	8.4	5.3	6.2	5.8
Public and Others	36.3	42.2	10.1	9.7	8.3

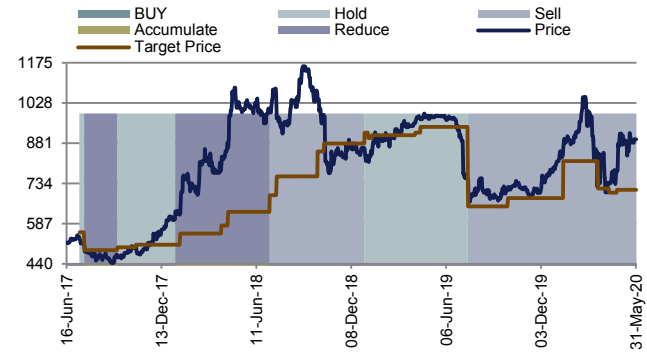
Source: Capitaline

## RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
25-Apr-20	780	710	12m	Sell	Manik Taneja
10-Apr-20	734	700	12m	Sell	Manik Taneja
20-Mar-20	842	715	12m	Sell	Manik Taneja
14-Feb-20	960	815	12m	Sell	Manik Taneja
14-Jan-20	864	815	12m	Sell	Manik Taneja
01-Jan-20	812	680	12m	Sell	Manik Taneja
21-Nov-19	710	680	12m	Sell	Manik Taneja
16-Oct-19	743	680	12m	Sell	Manik Taneja
01-Oct-19	721	680	12m	Sell	Manik Taneja
26-Aug-19	706	650	12m	Sell	Manik Taneja
17-Jul-19	751	650	12m	Sell	Manik Taneja
03-Jul-19	906	940	12m	Hold	Manik Taneja
18-Apr-19	969	940	12m	Hold	Rahul Jain
08-Apr-19	957	920	12m	Hold	Rahul Jain
19-Mar-19	943	910	12m	Hold	Rahul Jain
16-Jan-19	841	910	12m	Hold	Rahul Jain
09-Jan-19	823	900	12m	Hold	Rahul Jain
02-Jan-19	861	920	12m	Hold	Rahul Jain
17-Oct-18	978	880	12m	Sell	Rahul Jain
05-Oct-18	1,041	850	12m	Sell	Rahul Jain
04-Sep-18	1,118	760	12m	Sell	Rahul Jain
19-Jul-18	971	760	12m	Sell	Rahul Jain
10-Jul-18	1,036	690	12m	Sell	Rahul Jain
06-Jul-18	993	690	12m	Sell	Rahul Jain
18-Apr-18	865	630	12m	Reduce	Rahul Jain
05-Apr-18	806	580	12m	Reduce	Rahul Jain
17-Jan-18	625	550	12m	Reduce	Rahul Jain
08-Jan-18	633	510	12m	Reduce	Rahul Jain
25-Oct-17	507	510	12m	Hold	Rahul Jain
04-Oct-17	480	500	12m	Hold	Rahul Jain
20-Sep-17	464	500	12m	Hold	Rahul Jain
19-Jul-17	507	490	12m	Reduce	Rahul Jain
10-Jul-17	530	555	12m	Hold	Rahul Jain

Source: Company, Emkay Research

## RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

## Emkay Alpha Portfolio – Information Technology



### Analyst: Manik Taneja

#### Contact Details

manik.taneja@emkayglobal.com  
+91 22 6612 1253

#### Sector

IT Services, ITes and Software

#### Analyst bio

Manik is a seasoned Equities professional who has covered the offshore IT Services space since 2006. He has rejoined Emkay Global recently after a 1.5-year stint in Business Finance and Financial strategy in the US. Manik holds a PGDBA (Finance) from SIIB.

### EAP – Information Technology

Company Name	BSE200 Weight	EAP Weight	OW/UW (%)	OW/UW (bps)	EAP Weight (Normalised)
<b>Information Technology</b>	<b>12.04</b>	<b>11.52</b>	<b>-4%</b>	<b>-52</b>	<b>100.00</b>
Birlasoft	0.00	0.24	NA	24	2.00
eClerx Services	0.00	0.00	NA	0	0.00
Firstsource Solutions	0.00	0.00	NA	0	0.00
HCL Tech	1.18	1.41	20%	23	11.75
Hexaware Technologies	0.00	0.00	NA	0	0.00
Infosys	4.95	4.93	0%	-1	41.00
Intellect Design*	0.00	0.00	NA	0	0.00
L&T Infotech	0.15	0.00	-100%	-15	0.00
Majesco*	0.00	0.00	NA	0	0.00
Mindtree	0.16	0.00	-100%	-16	0.00
Mphasis	0.14	0.14	0%	0	1.20
MPS	0.00	0.00	NA	0	0.00
NIIT	0.00	0.00	NA	0	0.00
NIIT Tech	0.00	0.00	NA	0	0.00
Nucleus Software*	0.00	0.00	NA	0	0.00
Oracle Financial Services*	0.11	0.00	-100%	-11	0.00
Persistent Systems	0.00	0.52	NA	52	4.34
Ramco Systems*	0.00	0.00	NA	0	0.00
TCS	4.09	2.88	-29%	-120	23.95
Tech Mahindra	0.66	0.78	18%	12	6.50
Wipro	0.59	0.59	0%	0	4.93
<b>Cash</b>	<b>0.00</b>	<b>0.52</b>	<b>NA</b>	<b>52</b>	<b>4.33</b>

Source: Emkay Research

\* Not under coverage: Equal Weight

■ High Conviction/Strong Over Weight ■ High Conviction/Strong Under Weight

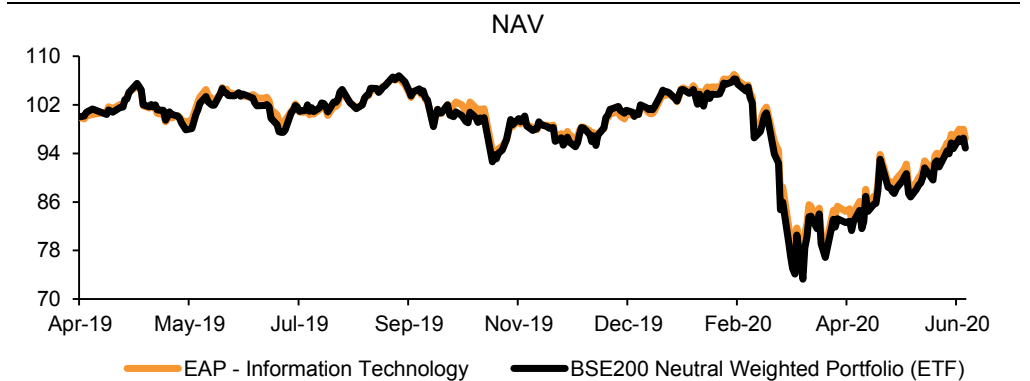
### Sector portfolio NAV

	Base					Latest
	1-Apr-19	9-Sep-19	12-Dec-19	12-Mar-20	12-May-20	11-Jun-20
EAP - Information Technology	100.0	105.3	95.9	87.2	91.5	96.5
BSE200 Neutral Weighted Portfolio (ETF)	100.0	105.8	95.3	84.7	90.1	94.9

\*Performance measurement base date 1<sup>st</sup> April 2019

Source: Emkay Research

### NAV chart



Source: Emkay Research

Please see our model portfolio (Emkay Alpha Portfolio): [SMID](#)

Please see our model portfolio (Emkay Alpha Portfolio): [Nifty](#)

“Emkay Alpha Portfolio – SMID and Nifty are a supporting document to the Emkay Alpha Portfolios Report and is updated on regular intervals”

## Emkay Rating Distribution

Ratings	Expected Return within the next 12-18 months.
<b>BUY</b>	Over 15%
<b>HOLD</b>	Between -5% to 15%
<b>SELL</b>	Below -5%

Completed Date: 15 Jun 2020 02:47:46 (SGT)

Dissemination Date: 15 Jun 2020 02:48:46 (SGT)

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