

September 18, 2019

Management Meet Update

■ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY20E	FY21E	FY20E	FY21E
Rating	BUY		BUY	
Target Price	1,210		1,210	
Sales (Rs. m)	7,03,435	7,69,816	7,03,435	7,69,816
% Chng.	-	-	-	-
EBITDA (Rs. m)	1,59,490	1,76,125	1,59,490	1,76,125
% Chng.	-	-	-	-
EPS (Rs.)	77.3	86.5	77.3	86.5
% Chng.	-	-	-	-

Key Financials - Standalone

Y/e Mar	FY18	FY19	FY20E	FY21E
Sales (Rs. bn)	506	604	703	770
EBITDA (Rs. bn)	114	140	159	176
Margin (%)	22.6	23.1	22.7	22.9
PAT (Rs. bn)	88	101	105	117
EPS (Rs.)	62.7	73.6	77.3	86.5
Gr. (%)	4.5	17.5	5.0	11.9
DPS (Rs.)	12.0	8.0	10.0	10.0
Yield (%)	1.1	0.8	0.9	0.9
RoE (%)	25.0	25.8	22.7	21.1
RoCE (%)	28.0	28.5	26.1	24.1
EV/Sales (x)	2.7	2.3	2.1	1.7
EV/EBITDA (x)	12.1	9.9	9.2	7.6
PE (x)	16.9	14.4	13.7	12.2
P/BV (x)	4.0	3.5	2.8	2.4

Key Data

HCLT.BO | HCLT IN

52-W High / Low	Rs.1,190 / Rs.920
Sensex / Nifty	36,481 / 10,818
Market Cap	Rs.1,435bn/ \$ 19,951m
Shares Outstanding	1,356m
3M Avg. Daily Value	Rs.3486.01m

Shareholding Pattern (%)

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

Stock Performance (%)

	1M	6M	12M
Absolute	(0.5)	2.8	(1.9)
Relative	1.9	7.1	1.0

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Industry leading organic growth to re-rate multiple

Our meeting with Management of HCL Technologies(HCLT) increased our conviction in the growth trajectory of their organic and product business in FY20E. HCLT is on its way to deliver industry leading organic growth of (Ple:11%) and meet its margin guidance of 18.5-19.5% in FY20E. The company is confident of its ability to win mega deals on a regular basis. HCLT is confident in growth of IMS segment led by integrated full-stack deals due to strengths in implementation of hybrid cloud, automation skillsets, IoT and core engineering capabilities. We believe management is conservative on revenue guidance on account of weak & volatile external environment & have enough cushion to meet any potential slowdown in spending. We believe there is high possibility of upgrading the growth guidance, as the top-end of FY20 guidance (16% yoy in CC) implies flattish organic revenues over Q2-Q4.

We believe HCLT now has broad-based, diversified business model with multiple engines firing simultaneously to deliver industry leading organic growth in FY20E. We believe a limited understanding of the financial impact of 7 software products acquired from IBM was one of the factors for HCLT underperformances over its peers in past, with the clarity of treatment & strong broad-based organic growth with sustained margin performance makes stock extremely attractive and worth an investment at inexpensive 12X FY21E earnings. We expect USD revenue CAGR of ~12.1% over FY19-21E with earnings CAGR of ~8.4%. we maintain our Buy rating (GARP - growth at reasonable price) valuing HCLT at 14X FY21E earnings (30% discount to Infosys, 60% discount to TCS target multiple) & arrive at a TP of Rs. 1210. Stock is currently trading at 13x FY20E EPS and 12X FY21E EPS. Our EPS estimates stands for FY20E/FY21E stands at Rs 77.2/ Rs 86.4.

- **Strong deal pipeline to fuel organic growth:** HCLT has signed 78 transformation deals in FY19 & 12 deal wins in Q1FY20 also. The company was confident of its ability to continue winning mega deals on a regular basis. Strong deal wins in earlier quarters will drive organic revenue growth in FY20E. Strong organic growth in the past three quarters was due to ramp-up of mega deals with Nokia, Broadcom and Xerox. As deal signings was bit soft in Q1FY20 at 12 vs 17 in Q4FY19, HCLT shrugged off any macro concerns behind slower deal signings and attributed it the dip in signings to business as usual.
- **Confident on Margin performance within the guided range:** HCLT expects margins in the next quarter to be in the guided range of 18.5-19.5%. Margins will be aided by contribution from IBM products acquisition, which has higher margins (~30%). Margins will be highest in 3QFY20E and will moderate in 4QFY20E in line with seasonality of the products business. HCLT margin performance will also be aided by strong revenue growth from IMS segment, as IMS segment has higher margin than company's average margin performance.

- **Investments in Product business & Mode 2 will continue:** HCLT management mentioned that investments in product business & Mode-2 will continue but they are already baked in the guidance. HCLT management expects EBITDA margins from products business to be around 50% in FY20E(USD\$235mn as per run rate of USD\$625mn in FY20E). HCLT's 1QFY20 margin profile had several one-offs and upfront investments. The first reason for weak margin was investments in people, infrastructure, systems and processes to integrate select IBM products acquisition. HCLT has underinvested in digital competencies earlier & now company has stepped up investment in digital & applications. The efforts have started showing up in application business & remain upbeat on the strategy. The company expects improvement in margins as Mode 2 business scales up. HCLT has strong differentiated offerings in its Mode 2 business and reported that conviction of winning large digital engagements has increased. The business is still in investment mode and will take time to deliver on margin improvement.
- **Confident on growth trajectory of IMS in FY20E:** HCLT has developed strong capabilities in hybrid cloud. Acceleration in revenues in IMS in FY20 is based on its strengths in implementation of hybrid cloud, its automation skillsets, IoT and core engineering capabilities to execute integrated full-stack deals. Rising adoption of hybrid cloud provides good opportunities in IMS and has helped HCLT gain market share. Management mentioned that they are very selectively in its choice of clients in IMS segment & are focused on maintaining margin profile deals close to company average.
- **Steady growth in Engineering & R&D vertical:** At US\$2bn (TTM) in revenues, HCLT's ERS practice is likely the largest among its Indian peers and the Top 3 worldwide (on revenues). HCLT's ERS growth has been well above the company average thanks to the various IP licensing partnerships with IBM (now followed by outright acquisitions). EBIT margin of ER&D services declined sharply to 16% from 23.4% in the previous quarter. Margin contraction was mainly due to i) Increase in sub-contractor cost due to limited talent pool, ii) Large revenue write-off , iii) Investments for growth. We believe headwinds will persists in medium term & will take time to recover margin fall.
- **Macro concern persists, but not seen in deal pipeline:** HCLT has seen no incremental headwinds in the demand environment beyond what was already communicated on Q1FY20 call about one client in BFSI vertical in Europe & other in manufacturing vertical. Pipeline has infact improved on an aggregate basis, including in BFSI, with no impact yet of the macro on decision making cycles or revenue conversion of deals.

Understanding the balance sheet impact of IBM product acquisitions

- HCLT has paid out US\$813 mn of the agreed US\$1,775 mn purchase consideration for seven products of IBM. The installment of US\$813 mn will be paid out in June 2020. The deal also has an earn-out clause equating to US\$150 mn over three installments.
- The present value of this purchase consideration stands at US\$1,736 mn. Five of the seven products that were acquired by HCLT were part of the earlier IPR agreement. Unamortized present value of IPR stood at US\$427 mn. The purchase price comprising price paid, fair value of earn-out, remaining consideration and unamortized value of IPR stood at US\$2.162 bn.
- HCLT has allocated US\$903 mn to customer relationship that will be amortized in proportion of estimated revenue over a period of 10 years. US\$352 mn been allocated to technology/ IP, which will be amortized over a period of 7-10 years based on product life. The company also allocated US\$918 mn to goodwill. The acquired portfolio is to be parked under a separate business unit – HCL Software.

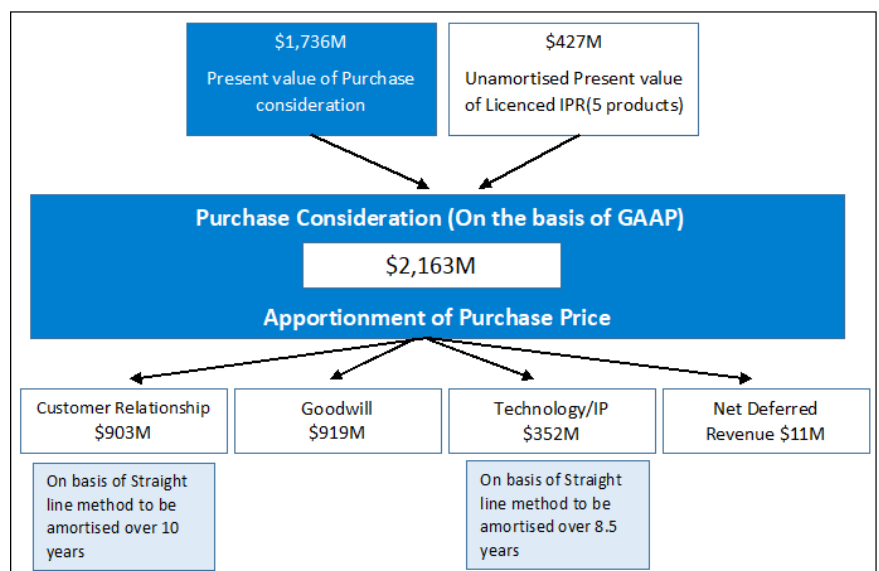
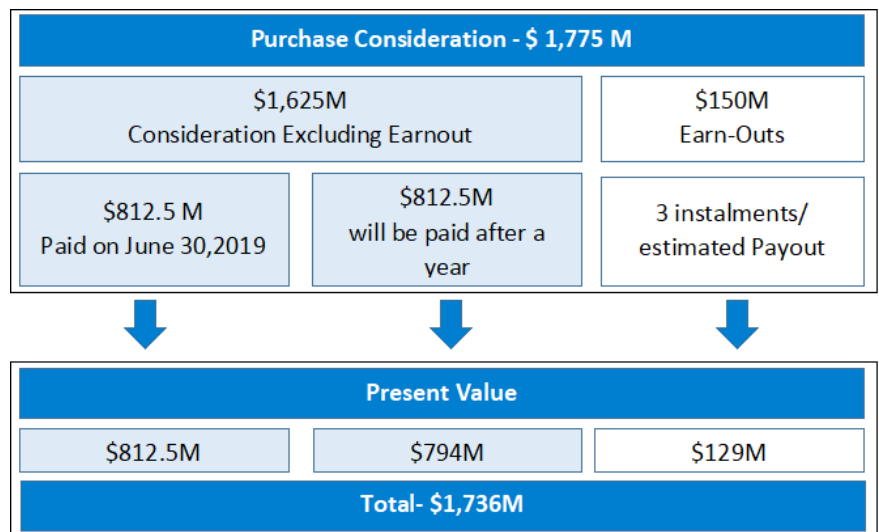
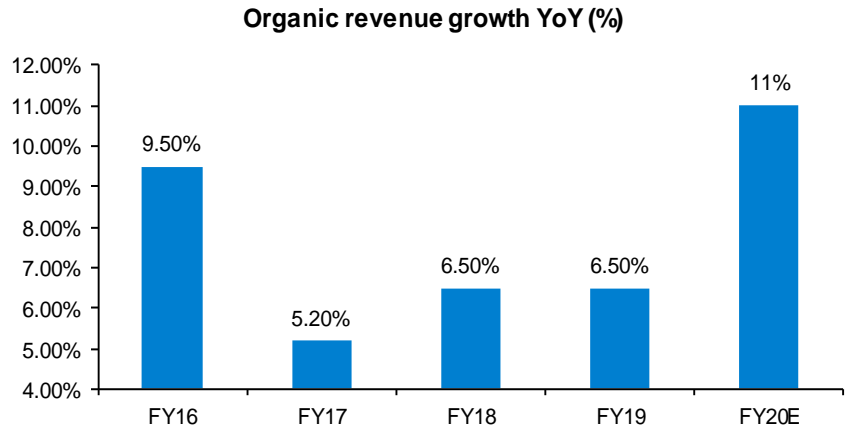
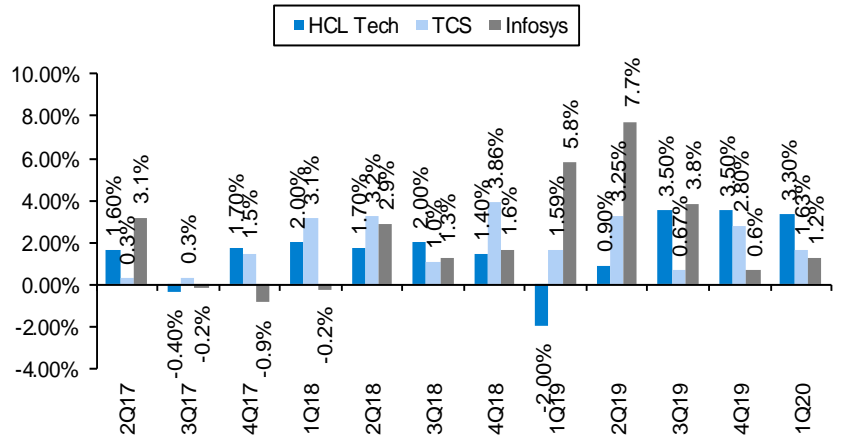


Exhibit 1: Improving organic revenue growth



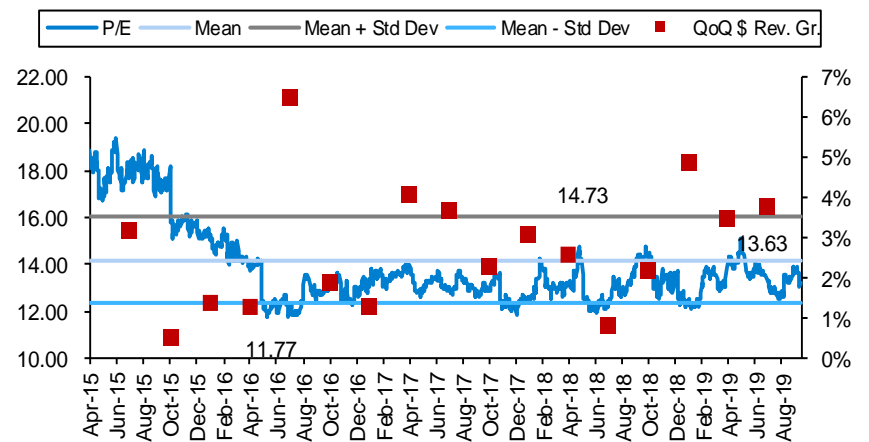
Source: Company, PL

Exhibit 2: Organic growth comparison of HCL Tech with TCS & Infosys



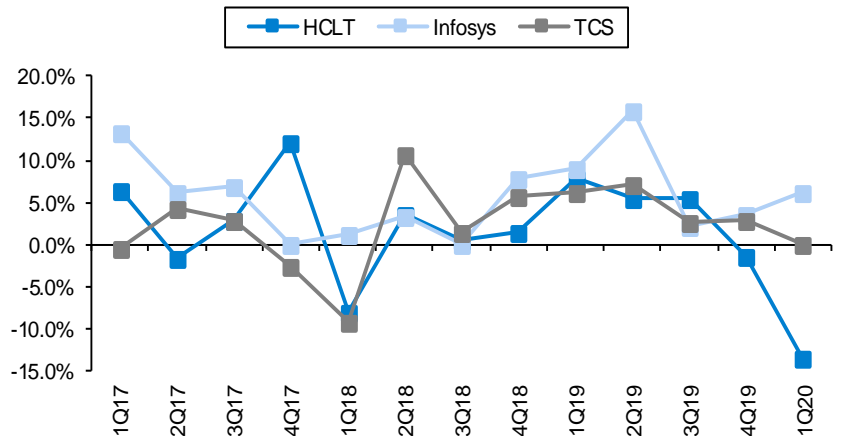
Source: Company, PL

Exhibit 3: USD revenue growth vs P/E chart of HCL Tech



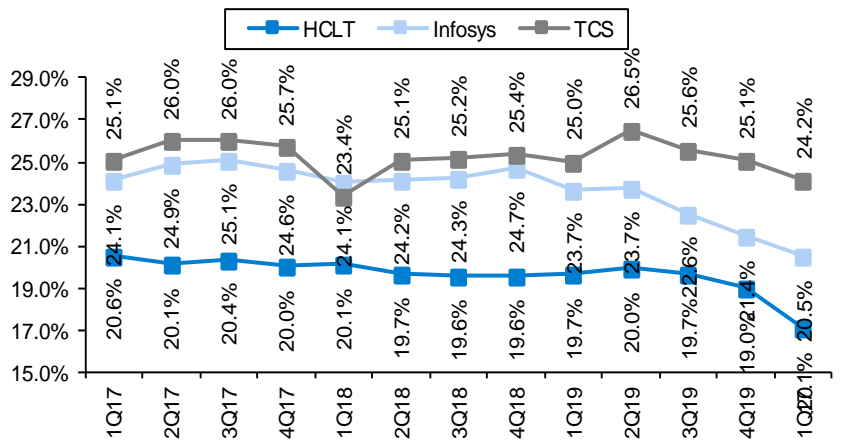
Source: Company, PL

Exhibit 4: EPS growth comparison of HCL Tech with TCS & Infosys



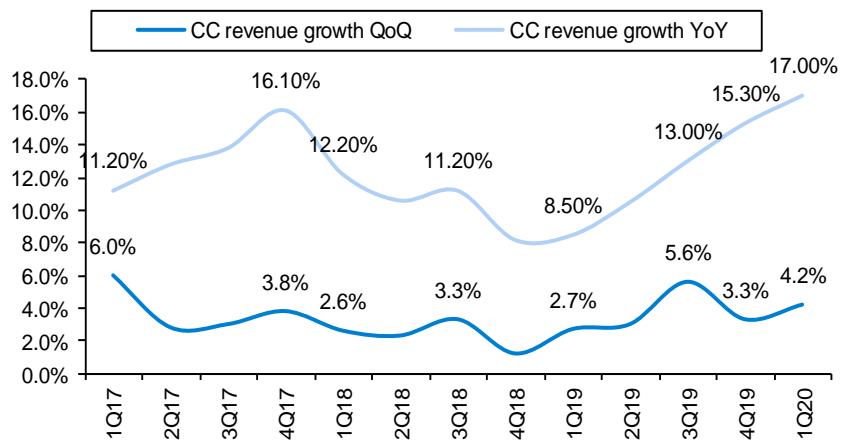
Source: Company, PL

Exhibit 5: EBIT Margin comparison of HCL Tech with TCS & Infosys



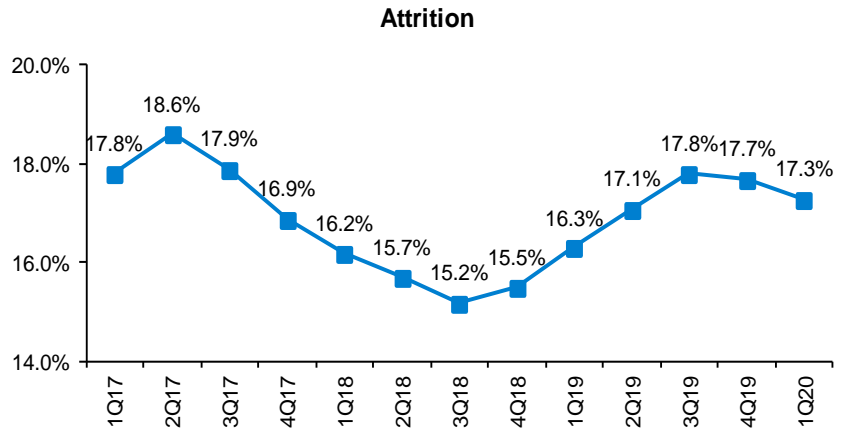
Source: Company, PL

Exhibit 6: Revenue growth momentum maintained



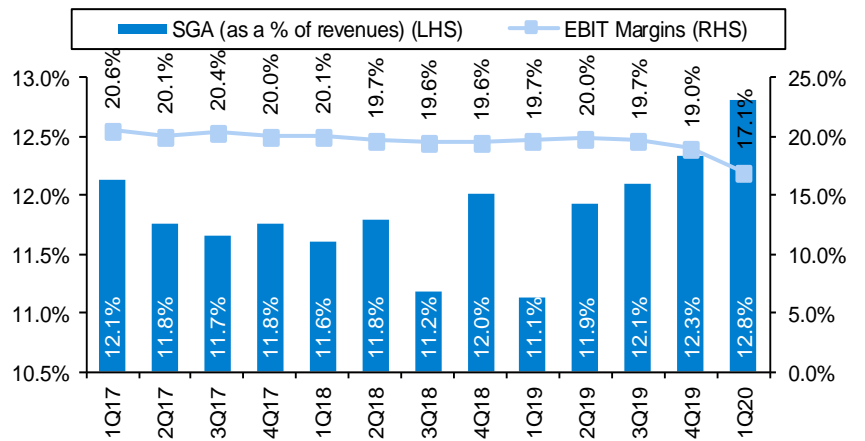
Source: Company, PL

Exhibit 7: Attrition stabilizing after peaked out in Q2 & Q3



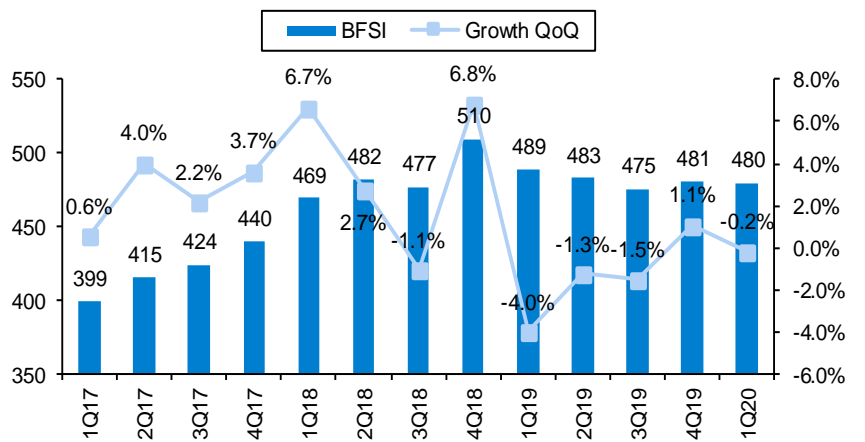
Source: Company, PL

Exhibit 8: Increasing SG&A Expenses weighing on margins



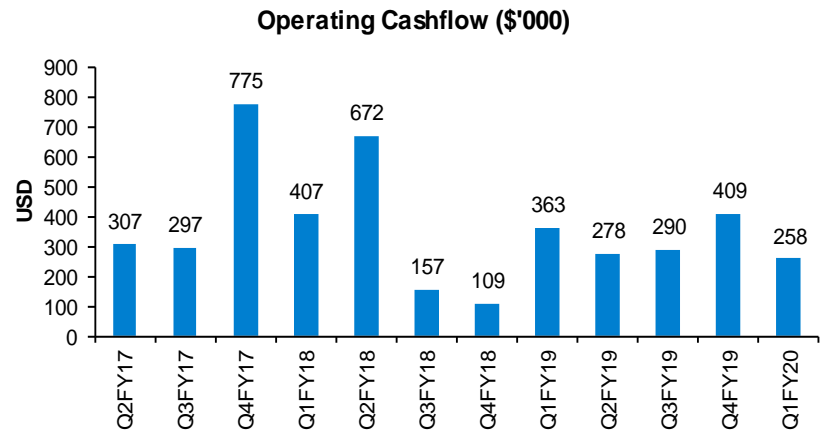
Source: Company, PL

Exhibit 9: BFSI continue to show tepid performance



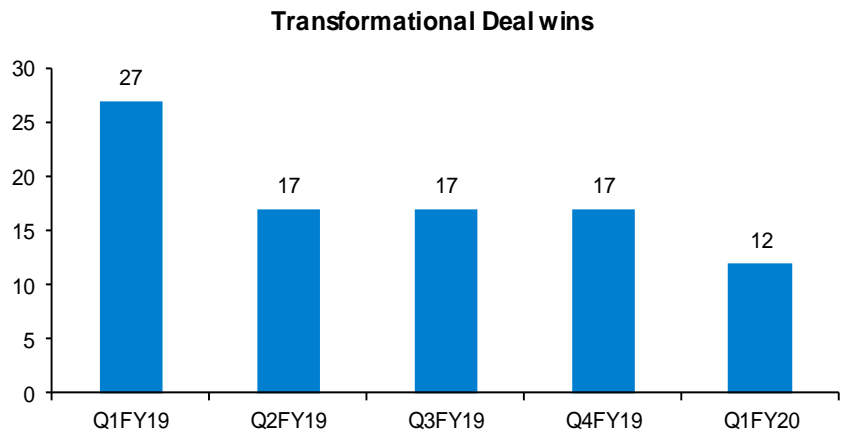
Source: Company, PL

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



Source: Company, PL

Exhibit 11: Deal wins remains robust



Source: Company, PL

Exhibit 12: Deal wins of HCLT

Q1FY20	HCL continues its strong deal win momentum, signing 12 transformational deals this quarter, across its service lines. These deals were led by industries such as Financial Services, Manufacturing and Retail.
Q4FY19	HCL continued its strong deal win momentum in Q4, signing 17 transformational deals, reflecting a strong mix of Mode 1 and Mode 2 services. These deals were led by verticals such as Retail & Consumer Packaged Goods, Manufacturing, Public Services and Financial Services. A total of 78 transformational deals have been signed in FY'19.
Q3FY19	HCL continues its strong deal win momentum, signing 17 transformational deals this quarter, which are a mix of Mode 1 and Mode 2 services across all our service lines. These deals were led by sectors such as Financial Services, Technology & Services and Manufacturing.
Q2FY19	Strong deal win momentum continues. Signed 17 transformational deals reflecting a mix of Mode 1 and Mode 2 services led by Digital & Analytics, Cloud Native, IoT Works, Cybersecurity, along with Infrastructure Services, Engineering and R&D Services and Business Services
Q1FY19	Signed 27 Transformational deals during the quarter led by strong momentum in Telecom, Financial Services, Retail CPG and Energy & Utilities verticals.

Source: Company, PL

Exhibit 13: Performance Metrics of Mode 1-2-3 business

	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20
Revenues (US\$ mn)					
Mode 1	1,507	1,512	1,561	1,606	1662
Mode 2	321	336	377	430	444
Mode 3	227	251	263	242	258
Total	2,055	2,099	2,201	2,278	2,278
Revenue mix (%)					
Mode 1	73.3	72	70.9	70.5	70.3
Mode 2	15.6	16	17.1	18.9	18.8
Mode 3	11	12	11.9	10.6	10.9
Total	100	100	100	100	100
EBIT margin (%)					
Mode 1	19.9	21.2	20.7	20.5	17.8
Mode 2	14.8	10.8	12.3	13.1	13.2
Mode 3	25.2	24.4	23	18.8	19
Total	19.7	19.9	19.7	19	17.1
Growth (qoq c/c %)					
Mode 1	0.5	1.4	3.9	2.5	4.1
Mode 2	8.2	5.3	13.1	14.3	3.6
Mode 3	11.7	10.4	6.2	-7.6	6.5
Total	2.7	3	5.6	3.3	4.2

Source: Company, PL

Exhibit 14: Growth projections of HCL Tech Segments

Particulars	1Q20E	2Q20E	3Q20E	4Q20E	FY20E	1Q21E	2Q21E	3Q21E	4Q21E	FY21E
IT & Business Services (% of total revenues)	75%	72%	71%	69%	72%	71%	72%	70%	69%	70%
IT & Business Services (USD Mn)	1,780	1,798	1,805	1,812	7,194	1,866	1,894	1,923	1,952	7,635
QoQ Growth (%)	3.1%	1.0%	0.4%	0.4%		3.0%	1.5%	1.5%	1.5%	6.1%
IT & Business Services (Rs m)	123,695	126,730	127,237	127,746	505,408	132,511	134,499	136,517	138,564	542,091
Engineering & R&D Services (% of total revenues)	17%	16%	16%	15%	16%	16%	16%	16%	16%	16%
Engineering & R&D Services (US\$ m)	399	401	402	404	1606	427	433	435	444	1739
QoQ Growth (%)	5.6%	0.3%	0.4%	0.5%		5.6%	1.5%	0.5%	2.0%	8.3%
Engineering & R&D Services (Rs m)	27,762	28,246	28,359	28,486	112,852	30,295	30,749	30,903	31,521	123,468
Products & Platforms (%)	8%	7%	7%	7%	7%	8%	8%	8%	7%	8%
Products & Platforms (US\$ m)	184	185	185	186	741	198	201	207	211	818
QoQ Growth (%)	6.5%	0.2%	0.4%	0.4%		6.5%	1.5%	3.0%	2.0%	10.5%
Products & Platforms (Rs m)	12,813	13,023	13,076	13,128	52,040	14,080	14,291	14,720	15,015	58,107
IBM Business (% of total revenues)	0%	5%	6%	8%	5%	5%	4%	7%	8%	6%
IBM Business (US\$ m)	-	118	141	212	470	130	98	195	228	650

Source: Company, PL

Exhibit 15: Acquisitions by HCL Tech

Date	Target	Country	Business	Consideration (\$ mn)	Revenue (mn)
Sep-19	Sankalp Semiconductors pvt ltd	India	Integrated portfolio of services and solutions in the areas of VLSI Design & Verification, Physical & Layout Design, Library Development including Memory & Standard Cells and Analog Design & Layout.	INR180Cr	INR141Cr
Mar-19	Strong-Bridge Envision	US	Digital consulting firm specialising in customer experience strategy, business transformation and change management	45	45
Dec-18	Enterprise software products of IBM	US	7 products from IBM portfolio in areas of security, marketing and commerce. HCLT had strategic IP partnerships with IBM for 5 of the products.	1775	650
Jun-18	H&D International Group	Germany	Integrated IT and engineering service provider in German automotive industry	35	86.3
Jun-18	IP deal	NA	IP partnership with Cisco	177	NA
Apr-18	Action Corp.	US	Hybrid data management, analytics and integration company. HCLT will own 80% of the company with 19.5% with a private equity player	330	107.1
Apr-18	C3i Solutions	US	Multi-channel customer engagement services for the life sciences and CPG verticals	65	199
Jan-18	3 IP partnerships	US	3 IP partnerships- One with IBM, one with DXC and one with undisclosed global tech firm	300	105
Oct-17	Strategic IP partnership with IBM (6)	US	Extended IP partnership to include Notes, Domino, Smart Cloud Notes, Verse and Sametime products	60	30
Sep-17	Datawave	UK	Data Management	NA	NA
Jul-17	Strategic IP partnership with IBM (5)	US	Extended IP partnership to cover marketing automation area	140	30-35
Apr-17	Urban Fulfillment Services LLC	US	Mortgage BPO provider with 350 resources in US	30	48
Apr-17	Strategic IP partnership with IBM (4)	US	Extended partnership to cover Information management and Database management systems	80	~25
Jan-17	Strategic IP partnership with IBM (3)	US	Extended partnership to cover Application security, B2B data transformation, testing automation and Mainframe management tools	155	50
Oct-16	Strategic IP partnership with IBM (2)	US	Extended IP partnership to cover API/web service enablement of mainframes	55	15
Oct-16	Butler America Aerospace	US	Provider of engineering and design services to US aerospace and defense customers	85	85.4
Jun-16	Strategic IP partnership (1)	US	To invest in and grow workload automation and DevOps software of a global tech major	350	100
Apr-16	Geometric (share swap deal)	India	PLM and engineering services	195	135
Feb-16	Volvo IT AB	Sweden	External IT services arm of Volvo	134.9	190
Jan-16	Point to Point (P2P)	UK	Workplace engineering services	10	11.5
Nov-15	Arrangement with CSC	US	To operate and expand the existing Core Banking business of CSC	53.4	NA
Oct-15	Powerteam LLC	US	Professional services for Microsoft Dynamics CRM	41.4	37
Oct-15	C2SiS	India	Engineering services firm	1.9	NA
Aug-15	Trygstad Technical Services Inc	US	Turnkey solutions for a large ISV	9.9	NA
Total				4150+	1960+

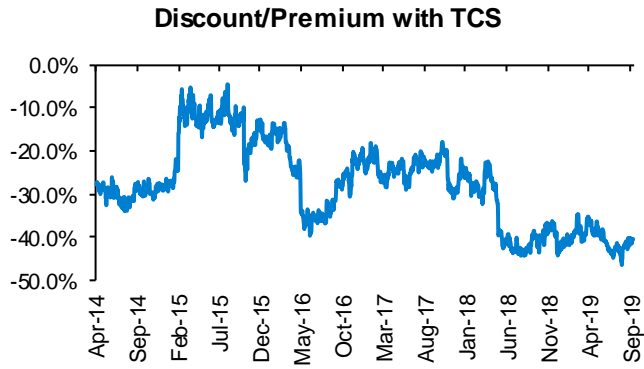
Source: Company, PL

Exhibit 16: Large deals announced by HCL Tech

Period	Client	TCV (US\$ mn)	Tenure	Description
19-Mar	Xerox	1,300	7 years	HCLT will manage portions of Xerox's shared services, including global administrative and support functions
18-Dec	Barclays	NA	NA	HCLT will provide digital workplace services and mainframe services to Barclays
18-Dec	Broadcom	NA	NA	HCLT provide professional services, education and training services
18-Jun	Nokia	500	5 years	HCLT provide IT infrastructure and application services such as cloud orchestration, digital platforms, big data analytics, cybersecurity, autonomies and modern collaborative workplaces.
17-Oct	P&G	250	5 years	P&G has outsourced some portion of its global IT operations to HCL

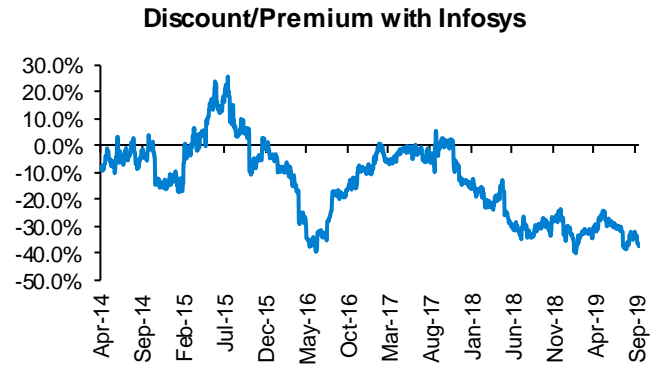
Source: Company, PL

Exhibit 17: HCLT trading at ~41% discount to TCS

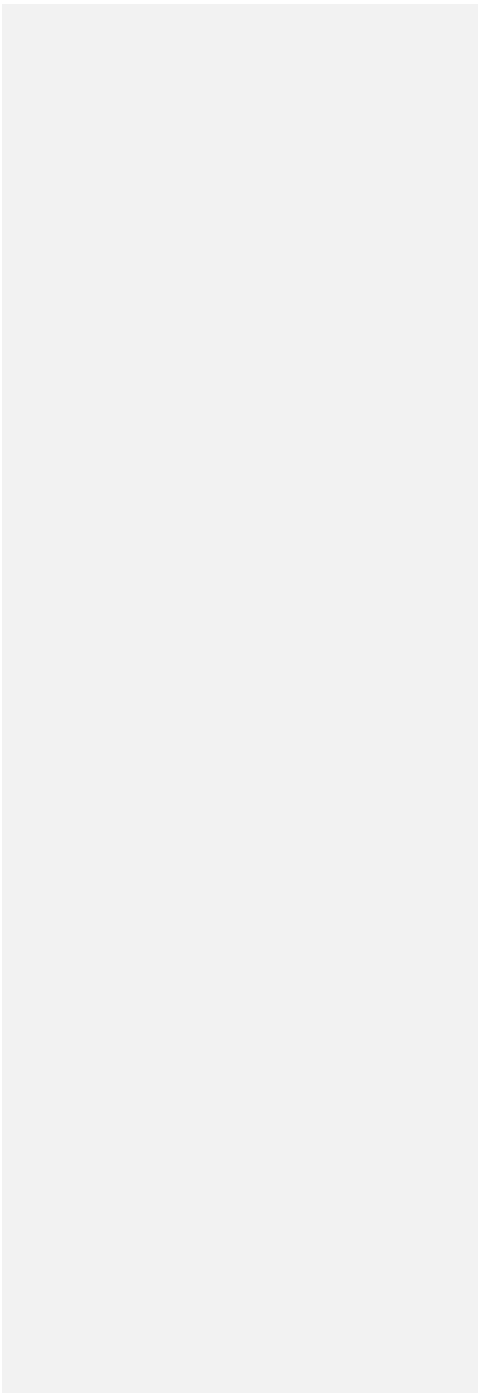


Source: Company, PL

Exhibit 18: HCLT trading at ~37% discount to Infosys



Source: Company, PL



Financials

Income Statement (Rs m)

Y/e Mar	FY18	FY19	FY20E	FY21E
Net Revenues	5,05,700	6,04,280	7,03,435	7,69,816
YoY gr. (%)	8.2	19.5	16.4	9.4
Employee Cost	3,32,370	3,92,680	4,60,010	5,00,380
Gross Profit	1,73,330	2,11,600	2,43,425	2,69,436
Margin (%)	34.3	35.0	34.6	35.0
SG&A Expenses	-	-	-	-
Other Expenses	-	-	-	-
EBITDA	1,14,400	1,39,690	1,59,490	1,76,125
YoY gr. (%)	11.0	22.1	14.2	10.4
Margin (%)	22.6	23.1	22.7	22.9
Depreciation and Amortization	14,520	21,480	28,398	32,656
EBIT	99,880	1,18,210	1,31,092	1,43,470
Margin (%)	19.8	19.6	18.6	18.6
Net Interest	-	-	-	-
Other Income	11,110	8,050	7,130	8,100
Profit Before Tax	1,10,990	1,26,260	1,38,222	1,51,570
Margin (%)	21.9	20.9	19.6	19.7
Total Tax	23,170	24,810	33,340	34,285
Effective tax rate (%)	20.9	19.6	24.1	22.6
Profit after tax	87,820	1,01,450	1,04,882	1,17,285
Minority interest	-	220	80	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	87,820	1,01,230	1,04,802	1,17,285
YoY gr. (%)	3.8	15.3	3.5	11.9
Margin (%)	17.4	16.8	14.9	15.2
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	87,820	1,01,230	1,04,802	1,17,285
YoY gr. (%)	3.8	15.3	3.5	11.9
Margin (%)	17.4	16.8	14.9	15.2
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	87,820	1,01,230	1,04,802	1,17,285
Equity Shares O/s (m)	1,401	1,375	1,356	1,356
EPS (Rs)	62.7	73.6	77.3	86.5

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY18	FY19	FY20E	FY21E
Non-Current Assets				
Gross Block	1,95,904	2,34,960	4,13,867	4,25,940
Tangibles	51,847	58,010	1,16,887	1,28,960
Intangibles	1,44,057	1,76,950	2,96,980	2,96,980
Acc: Dep / Amortization	-	-	-	-
Tangibles	-	-	-	-
Intangibles	-	-	-	-
Net fixed assets	1,95,904	2,34,960	4,13,867	4,25,940
Tangibles	51,847	58,010	1,16,887	1,28,960
Intangibles	1,44,057	1,76,950	2,96,980	2,96,980
Capital Work In Progress	-	-	-	-
Goodwill	-	-	-	-
Non-Current Investments	2,872	350	370	370
Net Deferred tax assets	-	-	-	-
Other Non-Current Assets	37,675	52,930	76,730	76,730
Current Assets				
Investments	-	-	-	-
Inventories	-	-	-	-
Trade receivables	1,22,575	1,46,100	1,63,450	1,80,332
Cash & Bank Balance	1,00,127	1,17,460	9,992	1,31,412
Other Current Assets	25,198	37,160	42,033	46,374
Total Assets	4,84,351	5,88,960	7,06,442	8,61,159
Equity				
Equity Share Capital	1,341	1,341	1,341	1,341
Other Equity	3,66,828	4,16,360	5,04,704	6,05,917
Total Network	3,68,168	4,17,700	5,06,044	6,07,257
Non-Current Liabilities				
Long Term borrowings	4,371	39,860	39,860	39,860
Provisions	-	-	-	-
Other non current liabilities	12,669	15,380	20,338	29,919
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	99,143	1,11,480	1,35,589	1,79,513
Other current liabilities	-	-	-	-
Total Equity & Liabilities	4,84,351	5,88,960	7,06,442	8,61,159

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY18	FY19	FY20E	FY21E
PBT	1,10,990	1,26,260	1,38,222	1,51,570
Add. Depreciation	14,520	21,480	28,398	32,656
Add. Interest	-	-	-	-
Less Financial Other Income	11,110	8,050	7,130	8,100
Add. Other	-	-	-	-
Op. profit before WC changes	1,25,510	1,47,740	1,66,620	1,84,225
Net Changes-WC	(22,662)	(35,694)	(16,955)	32,280
Direct tax	(23,170)	(24,810)	(33,340)	(34,285)
Net cash from Op. activities	79,678	87,236	1,16,325	1,82,220
Capital expenditures	(49,362)	(60,536)	(2,07,305)	(44,729)
Interest / Dividend Income	-	-	-	-
Others	(1,406)	2,522	(20)	-
Net Cash from Invt. activities	(50,768)	(58,014)	(2,07,325)	(44,729)
Issue of share cap. / premium	-	-	-	-
Debt changes	(1,046)	35,489	-	-
Dividend paid	(19,642)	(12,873)	(16,031)	(16,072)
Interest paid	-	-	-	-
Others	(34,914)	(34,505)	(436)	-
Net cash from Fin. activities	(55,602)	(11,889)	(16,468)	(16,072)
Net change in cash	(26,692)	17,333	(1,07,468)	1,21,420
Free Cash Flow	30,316	26,700	(90,980)	1,37,492

Source: Company Data, PL Research

Key Financial Metrics

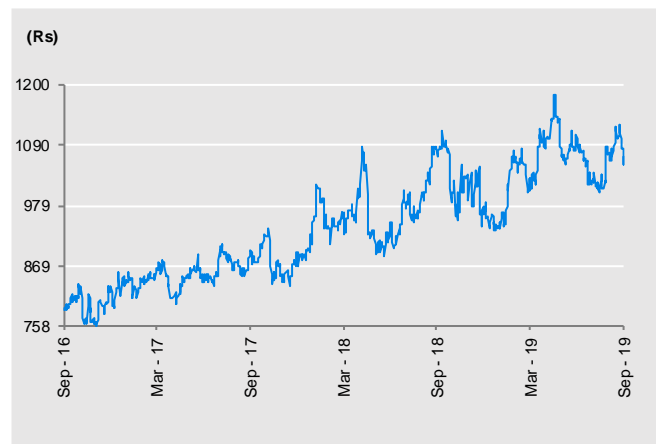
Y/e Mar	FY18	FY19	FY20E	FY21E
Per Share(Rs)				
EPS	62.7	73.6	77.3	86.5
CEPS	73.0	89.2	98.2	110.6
BVPS	262.7	303.7	373.1	447.7
FCF	21.6	19.4	(67.1)	101.4
DPS	12.0	8.0	10.0	10.0
Return Ratio(%)				
RoCE	28.0	28.5	26.1	24.1
ROIC	39.5	42.4	44.8	44.0
RoE	25.0	25.8	22.7	21.1
Balance Sheet				
Net Debt : Equity (x)	(0.3)	(0.2)	0.1	(0.2)
Debtor (Days)	88	88	85	86
Valuation(x)				
PER	16.9	14.4	13.7	12.2
P/B	4.0	3.5	2.8	2.4
P/CEPS	14.5	11.9	10.8	9.6
EV/EBITDA	12.1	9.9	9.2	7.6
EV/Sales	2.7	2.3	2.1	1.7
Dividend Yield (%)	1.1	0.8	0.9	0.9

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q2FY19	Q3FY19	Q4FY19	Q1FY20
Net Revenue	1,48,610	1,56,990	1,59,900	1,64,270
YoY gr. (%)	19.5	22.6	21.3	18.4
Raw Material Expenses	95,890	1,01,520	1,04,210	1,09,200
Gross Profit	52,720	55,470	55,690	55,070
Margin (%)	35.5	35.3	34.8	33.5
EBITDA	34,990	36,470	35,970	34,020
YoY gr. (%)	26.8	23.0	18.5	5.5
Margin (%)	23.5	23.2	22.5	20.7
Depreciation / Depletion	5,330	5,610	5,580	5,950
EBIT	29,660	30,860	30,390	28,070
Margin (%)	20.0	19.7	19.0	17.1
Net Interest	-	-	-	-
Other Income	2,520	1,050	1,520	1,280
Profit before Tax	32,180	31,910	31,910	29,350
Margin (%)	21.7	20.3	20.0	17.9
Total Tax	6,780	5,660	6,150	7,050
Effective tax rate (%)	21.1	17.7	19.3	24.0
Profit after Tax	25,400	26,250	25,760	22,300
Minority interest	-	140	80	80
Share Profit from Associates	-	-	-	-
Adjusted PAT	25,400	26,110	25,680	22,220
YoY gr. (%)	16.1	19.0	15.2	(7.6)
Margin (%)	17.1	16.6	16.1	13.5
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	25,400	26,110	25,680	22,220
YoY gr. (%)	16.1	19.0	15.2	(7.6)
Margin (%)	17.1	16.6	16.1	13.5
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	25,400	26,110	25,680	22,220
Avg. Shares O/s (m)	1,396	1,361	1,357	1,357
EPS (Rs)	18.2	19.2	18.9	16.4

Source: Company Data, PL Research

Price Chart

Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Aug-19	BUY	1,210	1,023
2	04-Jul-19	BUY	1,186	1,041
3	10-Jun-19	BUY	1,186	1,080
4	12-May-19	BUY	1,186	1,087
5	05-Apr-19	BUY	1,186	1,093
6	29-Jan-19	Accumulate	1,170	988
7	07-Jan-19	Accumulate	1,100	942
8	08-Dec-18	Accumulate	1,100	962
9	23-Oct-18	BUY	1,255	952
10	05-Oct-18	BUY	1,255	1,077

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Cyient	Hold	500	544
2	HCL Technologies	BUY	1,210	1,023
3	Hexaware Technologies	Hold	347	371
4	Infosys	Accumulate	782	727
5	L&T Technology Services	Accumulate	1,693	1,599
6	Larsen & Toubro Infotech	Accumulate	1,701	1,576
7	Mindtree	Reduce	755	750
8	Mphasis	Accumulate	1,042	960
9	NIIT Technologies	Accumulate	1,445	1,354
10	Persistent Systems	Hold	520	561
11	Redington (India)	BUY	114	107
12	Sonata Software	Accumulate	400	352
13	Tata Consultancy Services	BUY	2,291	2,133
14	TeamLease Services	Hold	3,203	3,079
15	Tech Mahindra	Reduce	610	640
16	Wipro	Reduce	238	260
17	Zensar Technologies	Accumulate	260	217

PL's Recommendation Nomenclature (Absolute Performance)

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



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