

# IT Services

## Uncertain times; Sector staring at zero-growth in FY21

### INDIA | IT SERVICES | Sector Update

25 March 2020

IT stocks have corrected sharply over the last one month (avg -32%, Nifty IT -27%) on the back of the Covid-19 pandemic. The sharp correction is akin to the one seen in the Global Financial Crisis (GFC) 2008, when BFSI, the largest client for the sector, was under significant stress. While the GFC was a financial crisis that led to an economic crisis, Covid-19 is a healthcare crisis that will lead to an economic one, which in turn will cause a financial crisis.

We see Covid-19 impacting the sector in two ways: (1) business operations would be impacted significantly, as companies are forced to move a large part of their workforce to 'work-from-home', and (2) clients' businesses being affected, which might lead to lower discretionary (and even non-discretionary in some cases) spending. As per our analysis and interaction with various consultants/corporates, the immediate (or near-term) impact of this is expected to be visible through: (1) weak order inflow in Q4FY20, due to deferment of deals, and (2) weak revenue growth in Q1FY21 (possibly Q2FY21 too), due to weaker order inflow in Q4 and clients' recovery expected only by Q3FY21.

While all companies maintain that it is nearly impossible to quantify the impact of this crisis on their financials (understandably so) – we have decided to revisit our assumptions, and align our estimates to the current environment (and expectations). We caution that these estimates are, as per the current pandemic situation across the world. The highly fluid situation that it is, our estimates might need revisiting, if the recovery period of US/EU corporates is prolonged or shortened.

We take cue from the FY20 guidance provided by Accenture (ACN) recently. ACN has already reported two 'Corona free' quarters in its FY20 (Aug end), enabling a lower revision of its full year guidance. But even taking two quarters' impact, it lowered its guidance from 6-8% to 3-6%. We believe it would be safe to assume, at least 2x the impact that ACN has taken, on the Indian IT companies' FY21 financials.

For our estimates, we assume two quarters (Q1/Q2FY21) of Covid-19 impact on the corporates in the US and EU. We assume recovery to start gradually in Q3FY21, and possibly back to normalcy by Q4FY21 end or Q1FY22. We hence forecast:

- **0% organic revenue growth in FY21** for ALL IT services companies.
- Overall, **50-80bps yoy fall in margins in FY21** for most companies.
- All this would lead to a **yoy decline in FY21 EPS** for most companies – average -5%.
- **USD revenue growth and margins for FY22 stay the same (pre-pandemic).**
- All this means our **FY21/22 EPS estimates are cut for all companies (avg -12%/-10%)**
- Our forecasts are based on **USD-INR assumption of 71/72 for FY21/22.**
- **We present a range of scenarios in our BULL-BEAR analysis (page 3)**

The above assumptions lead us to an average 10% cut in FY22 EPS for the sector – while the stocks have corrected by over 30% in the last month. That of course, includes multiples derating, apart from the EPS cuts. But even if we assume 10-15% downgrade in multiples (we see no reason for more than that, YET) the stocks appear to have corrected more than warranted. We note that we are still far from the trough valuations reached in FY08 during GFC (Infosys 16x vs. 11x GFC trough). Also, most companies are cash-rich, generate strong OCF/FCF, and currently offer highly attractive 2-5% dividend yield.

We believe a recovery in Indian markets (if and when) will probably be led by domestic consumption stories, and the IT sector might see a longer gestation period. Nonetheless, it could be a good time to accumulate some quality names in the IT sector, at highly attractive valuations, for a longer investment horizon. We believe that a recovery in IT (if and when), would be led by large-caps – for their relatively stable business models, and attractive valuations. We maintain TCS and Infosys as our top BUYs, and upgrade HCLT and LTI to BUY. We continue to like select midcap names, but see a longer gestation period for them.

### Companies

<b>TCS</b>	<b>Buy</b>
CMP	1700
TP	1950
<b>Infosys</b>	<b>BUY</b>
CMP	600
TP	680
<b>Wipro</b>	<b>Neutral</b>
CMP	178
TP	190
<b>HCL Tech</b>	<b>Upgrade to BUY</b>
CMP	449
TP	520
<b>Tech Mahindra</b>	<b>Sell</b>
CMP	498
TP	440
<b>L&amp;T Infotech</b>	<b>Upgrade to BUY</b>
CMP	1388
TP	1580
<b>L&amp;T Technology Services</b>	<b>Buy</b>
CMP	1136
TP	1330
<b>MindTree</b>	<b>Buy</b>
CMP	773
TP	890
<b>Cyient</b>	<b>Buy</b>
CMP	216
TP	320
<b>NIIT Technologies</b>	<b>Neutral</b>
CMP	1020
TP	1090

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## Covid-19 impact: Changes to our estimates

We take cue from the FY20 guidance provided by Accenture (ACN) recently. ACN has already reported two 'Corona free' quarters in its FY20 (Aug end), enabling a lower revision of its full year guidance. But even taking two quarters' impact, it lowered its guidance from 6-8% to 3-6%. We believe it would be safe to assume, at least 2x the impact that ACN has taken, on the Indian IT companies' FY21 financials.

For our estimates, we assume two quarters (Q1/Q2FY21) of Covid-19 impact on the corporates in the US and EU. We assume recovery to start gradually in Q3FY21, and possibly back to normalcy by Q4FY21 end or Q1FY22. We hence forecast:

- **YoY revenue decline for most IT services companies in Q1/Q2 FY21** – followed by mild recovery in Q3FY21 (a seasonally weak quarter).
- **0% organic revenue growth in FY21** for ALL IT services companies. Companies like HCL, might 'report' minor overall growth due to their inorganic component.
- **Margins to be dented severely in Q1/Q2** due to lower revenue growth, lower onsite revenue & operational challenges; partly mitigated by lower travel costs.
- Overall, **50-80bps yoy fall in margins in FY21** for most companies; Mindtree, NIIT, etc., (with exceptional items in FY20) might see lower impact.
- This would lead to a **yoy decline in FY21 EPS for most companies – avg -5%**.
- **USD revenue growth and margins for FY22 stay the same (pre-pandemic)**.
- Our **FY21/22 EPS estimates are cut for all companies (avg -12%/-10%)**.

*Our forecasts are based on USD-INR assumption of 71/72 for FY21/22.*

### Revised growth/margin estimates

	USD Revenue growth (%)			EBIT margins (%)			EPS growth (%)		
	FY20	FY21	FY22	FY20	FY21	FY22	FY20	FY21	FY22
TCS	6.8	0.0	9.0	25.0	24.6	25.4	5.9	-2.4	12.5
Infosys	9.5	0.1	10.1	21.6	21.0	21.7	12.1	-5.1	13.1
Wipro	2.3	0.0	7.5	17.6	17.0	17.6	15.9	-3.3	12.2
HCL Tech	15.7	2.0	9.8	19.3	18.5	19.0	6.7	-1.6	10.2
Tech M	5.6	0.1	7.9	12.2	11.0	12.2	-1.4	-15.9	20.5
L&T Infotech	12.0	-0.2	12.0	16.0	15.2	16.5	-2.7	-4.9	22.3
L&T Tech	9.6	0.0	12.4	16.9	15.8	16.9	6.7	-4.8	17.6
MindTree	8.4	0.3	10.7	9.9	11.0	12.4	-20.5	12.9	27.1
Cyient	-4.0	-1.7	6.1	9.7	10.4	10.9	-14.5	-6.4	13.0
NIIT Tech	12.0	0.0	12.1	13.1	14.1	15.1	7.5	5.5	20.2

### Revised Revenue/EBIT/PAT estimates

	USD Revenue (\$ mn)			EBIT (Rs mn)			EPS (Rs)		
	FY20	FY21	FY22	FY20	FY21	FY22	FY20	FY21	FY22
TCS	22,337	22,342	24,353	3,94,405	3,89,439	4,45,877	88.9	86.8	97.6
Infosys	12,921	12,930	14,233	1,96,926	1,92,371	2,22,233	39.7	37.7	42.6
Wipro	8,309	8,308	8,931	1,06,981	1,01,865	1,14,961	17.4	16.8	18.8
HCL Tech	9,989	10,185	11,182	1,36,419	1,33,912	1,52,693	39.9	39.2	43.3
Tech M	5,250	5,253	5,668	45,365	40,844	49,920	48.6	40.9	49.2
L&T Infotech	1,511	1,507	1,688	17,064	16,261	19,999	84.7	80.6	98.6
L&T Tech	792	792	891	9,463	8,899	10,837	78.9	75.1	88.4
MindTree	1,086	1,089	1,205	7,579	8,538	10,803	36.6	41.3	52.5
Cyient	634	623	661	4,356	4,602	5,164	37.9	35.4	40.0
NIIT Tech	591	591	663	5,448	5,935	7,204	71.2	75.2	90.3

### Change in estimates

% change	USD Revenue			EBIT			EPS		
	FY20	FY21	FY22	FY20	FY21	FY22	FY20	FY21	FY22
TCS	0%	-8%	-8%	0%	-10%	-8%	0%	-10%	-8%
Infosys	0%	-9%	-9%	0%	-12%	-9%	0%	-12%	-10%
Wipro	0%	-6%	-5%	0%	-11%	-8%	0%	-9%	-7%
HCL Tech	0%	-7%	-7%	0%	-10%	-7%	0%	-9%	-7%
Tech M	0%	-6%	-5%	0%	-20%	-13%	0%	-18%	-12%
L&T Infotech	-1%	-12%	-11%	-1%	-19%	-12%	-1%	-17%	-10%
L&T Tech	0%	-11%	-12%	0%	-15%	-12%	0%	-12%	-11%
MindTree	-1%	-10%	-10%	-3%	-17%	-11%	-2%	-16%	-10%
Cyient	0%	-6%	-7%	1%	-14%	-15%	1%	-13%	-14%
NIIT Tech	0%	-11%	-11%	-2%	-15%	-11%	-2%	-14%	-10%

Source: PhillipCapital India Research Estimates

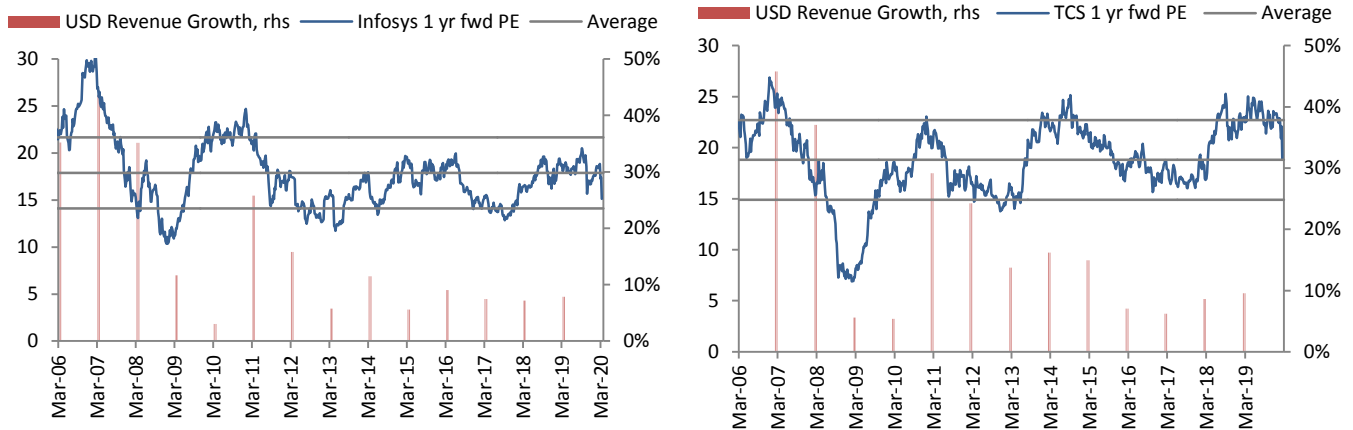
## Sensitivity of EPS to growth/margins

We view the zero-revenue growth scenario in FY21, to be the base case scenario for the sector – as of current situation. If the Covid-19 pandemic worsens, we could even see revenue decline for the companies. On the other hand, if the situation is brought under control earlier than expected and/or Indian IT companies are able to sustain business operations – they might also report 0-3% growth in FY21. The EPS sensitivity for the same can be seen below:

### Bull/Bear/Base case scenarios for the IT Services companies

BULL CASE													
Companies	USD revenue growth			EBIT Margins			EPS			EPS Cut		P/E	
	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
TCS	6.8	3.0	9.0	25.0	24.7	25.4	88.9	89.9	100.5	-6.8	-4.8	18.9	16.9
Infosys	9.5	4.0	10.1	21.6	21.2	21.7	39.6	39.5	44.2	-7.4	-6.3	15.2	13.6
Wipro*	2.3	1.0	7.5	18.1	17.5	17.9	17.3	17.4	19.3	-5.8	-4.7	10.2	9.2
HCL Tech	15.7	4.0	9.8	19.3	18.7	19.0	39.8	40.4	44.1	-6.7	-5.2	11.1	10.2
Tech Mahindra	5.6	1.0	7.9	12.2	11.4	12.2	48.5	42.9	49.8	-13.6	-11.2	11.6	10.0
LTI	12.0	5.0	12.1	16.0	15.9	16.5	84.7	87.7	103.5	-9.5	-5.6	15.8	13.4
LTTTS	9.6	4.0	12.4	16.9	16.1	16.9	78.9	78.8	91.4	-7.8	-8.3	14.4	12.4
MindTree	8.4	5.0	10.7	9.9	11.5	12.4	36.4	44.8	54.8	-8.6	-5.7	17.3	14.1
Cyient	-4.0	1.0	6.1	9.7	10.7	11.0	37.9	37.3	41.5	-8.5	-10.8	5.8	5.2
NIIT Tech	12.0	5.0	12.1	13.1	14.5	15.1	72.1	80.3	94.2	-8.4	-6.5	13.4	11.5
<b>Average</b>										<b>-8.3</b>	<b>-6.9</b>		
BASE CASE													
Companies	USD revenue growth			EBIT Margins			EPS			EPS Cut		P/E	
	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
TCS	6.8	0.0	9.0	25.0	24.6	25.4	88.9	86.8	97.6	-10.0	-7.6	19.6	17.4
Infosys	9.5	0.1	10.1	21.6	21.0	21.7	39.6	37.7	42.6	-11.7	-9.7	15.9	14.1
Wipro*	2.3	0.0	7.5	18.1	17.3	17.9	17.3	16.8	18.8	-9.4	-7.2	10.6	9.5
HCL Tech	15.7	2.0	9.8	19.3	18.5	19.0	39.8	39.2	43.3	-9.4	-7.0	11.4	10.4
Tech Mahindra	5.6	0.1	7.9	12.2	11.0	12.2	48.5	40.9	49.3	-17.7	-12.2	12.2	10.1
LTI	12.0	-0.2	12.0	16.0	15.2	16.5	84.7	80.6	98.6	-16.8	-10.1	17.2	14.1
LTTTS	9.6	0.0	12.4	16.9	15.8	16.9	78.9	75.1	88.4	-12.1	-11.4	15.1	12.9
MindTree	8.4	0.3	10.7	9.9	11.0	12.4	36.4	41.3	52.5	-15.8	-9.7	18.7	14.7
Cyient	-4.0	-1.7	6.1	9.7	10.4	10.9	37.9	35.4	40.0	-13.0	-13.9	6.1	5.4
NIIT Tech	12.0	0.0	12.1	13.1	14.1	15.1	72.1	75.2	90.3	-14.3	-10.4	14.4	12.0
<b>Average</b>										<b>-13.0</b>	<b>-9.9</b>		
BEAR CASE													
Companies	USD revenue growth			EBIT Margins			EPS			EPS Cut		P/E	
	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
TCS	6.8	-5.0	8.0	25.0	24.6	25.4	88.9	83.1	92.6	-13.8	-12.3	20.5	18.4
Infosys	9.5	-5.0	9.0	21.6	21.0	21.7	39.6	36.1	40.4	-15.5	-14.3	16.6	14.9
Wipro*	2.3	-5.0	5.0	18.1	17.3	17.9	17.3	16.4	18.0	-11.4	-11.1	10.9	9.9
HCL Tech	15.7	-5.0	8.0	19.3	18.5	19.0	39.8	36.6	39.7	-15.5	-14.7	12.3	11.3
Tech Mahindra	5.6	-5.0	6.0	12.2	11.0	12.2	48.5	39.2	46.4	-21.0	-17.3	12.7	10.7
LTI	12.0	-5.0	10.0	16.0	15.2	16.5	84.7	77.3	93.1	-20.2	-15.1	18.0	14.9
LTTTS	9.6	-5.0	10.0	16.9	15.8	16.9	78.9	71.9	82.9	-15.8	-16.8	15.8	13.7
MindTree	8.4	-5.0	9.0	9.9	11.0	12.4	36.4	39.2	49.1	-20.0	-15.4	19.7	15.7
Cyient	-4.0	-5.0	5.0	9.7	10.4	10.9	37.9	34.4	38.5	-15.6	-17.3	6.3	5.6
NIIT Tech	12.0	-5.0	10.0	13.1	14.1	15.1	72.1	71.1	83.9	-18.9	-16.7	15.2	12.9
<b>Average</b>										<b>-16.8</b>	<b>-15.1</b>		

Source: PhillipCapital India Research Estimates (\* USD revenue growth for IT Services only)

**Infosys and TCS one year forward PE – Correlation with USD revenue growth rates**

**IT Services – Average historical multiple – Current PE significantly higher than the trough seen in FGC crisis**

	1yr avg	5yr avg	10yr avg	15yr avg	GFC Trough	Current PE	Segment of concern	Reason for our multiple
<b>TCS</b>	23.1	20.0	19.4	18.9	6.9	19.6	NA	Most stable business; should have lower impact of the pandemic
<b>Infosys</b>	18.2	17.0	17.1	18.1	10.4	15.9	NA	Stable business; should have lower impact of the pandemic - 20% discount to TCS
<b>Wipro</b>	16.2	15.6	16.2	18.0	7.2	10.6	E&U (15%)	Relatively inferior clientele; has been consistent underperformer
<b>HCL Tech</b>	13.3	14.3	13.6	14.2	5.3	11.4	NA	Relatively stable business; trades in the range of 12-14x
<b>Tech M</b>	15.3	14.3	12.3	12.4	3.4	12.2	NA	Higher reliance on subcontracting; Margins will be impacted disproportionately
<b>L&amp;T Infotech</b>	18.8	15.5	-	-	-	17.2	E&U (11%)	Most stable business amongst midcaps
<b>L&amp;T Tech</b>	19.6	17.7	-	-	-	15.1	Discretionary (100%)	Business completely dependent on discretionary spend; slight discount to LTI, MTCL
<b>MindTree</b>	19.9	19.8	15.2	-	-	18.7	Travel (17%)	Relatively stable business; Margin expansion to continue
<b>Cyient</b>	12.6	14.6	12.7	12.6	2.5	6.1	Discretionary (100%)	Business going through tough time and transition
<b>NIIT Tech</b>	18.3	13.2	11.0	9.8	2.0	14.4	Travel (29%)	Business has improved fundamentally; significant rerating in last 1year

**Our recommendations**

	CMP Rs	Mkt Cap Rs bn	FY22 EPS Rs	Target PE (x)	PT Rs	Upside %	Rating
TCS	1,700	6,375	97.6	20.0	1,950	15%	BUY
Infosys	600	2,610	42.6	16.0	680	13%	BUY
Wipro	178	1,070	18.8	10.0	190	7%	NEU
HCL Tech	449	1,218	43.3	12.0	520	16%	BUY
Tech Mahindra	498	441	49.2	9.0	440	-12%	SELL
LTI	1,388	242	98.6	16.0	1,580	14%	BUY
LTTS	1,136	118	88.4	15.0	1,330	17%	BUY
MindTree	773	127	52.5	17.0	890	15%	BUY
Cyient	216	24	40.0	8.0	320	48%	BUY
NIIT Tech	1,020	63	90.3	11.0	1,090	7%	NEU

*Cyient remains a BUY only because of highly inexpensive valuations*

**Valuations**

Companies	PE (x)			ROE (%)			PB (x)			Div Yield (%)		
	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E
TCS	19.1	19.6	17.4	37.5	33.4	34.0	7.2	6.5	5.9	3.9%	3.2%	3.5%
Infosys	15.1	15.9	14.1	28.5	24.9	25.3	4.3	4.0	3.6	3.5%	3.7%	3.7%
Wipro	10.2	10.6	9.5	18.4	16.1	16.2	1.9	1.7	1.5	3.3%	3.9%	3.9%
HCL Tech	11.3	11.4	10.4	21.1	17.9	17.1	2.4	2.0	1.8	1.8%	1.8%	1.8%
Tech Mahindra	10.3	12.2	10.1	19.8	15.4	16.9	2.0	1.9	1.7	3.2%	3.6%	4.0%
LTI	16.4	17.2	14.1	27.7	23.1	24.0	4.5	4.0	3.4	2.1%	2.3%	2.3%
LTTS	14.4	15.1	12.9	29.5	24.0	24.1	4.3	3.6	3.1	2.0%	2.2%	2.6%
MindTree	21.1	18.7	14.7	18.5	18.5	20.1	3.9	3.5	3.0	1.0%	1.7%	1.7%
Cyient	5.7	6.1	5.4	15.7	13.5	13.9	0.9	0.8	0.7	5.6%	5.6%	5.6%
NIIT Tech	15.2	14.4	12.0	18.1	17.1	18.1	2.7	2.5	2.2	2.3%	2.3%	2.3%

Source: Company, PhillipCapital India Research Estimates

## Financials - TCS

### Income Statement

Y/E Mar, Rs mn	FY19	FY20E	FY21E	FY22E
<b>Net sales</b>	<b>14,64,630</b>	<b>15,78,234</b>	<b>15,86,293</b>	<b>17,53,411</b>
Growth, %	19.0	7.8	0.5	10.5
Employee expenses	-8,35,090	-9,03,727	-9,01,350	-10,09,490
Other expenses	-2,34,490	-2,52,796	-2,61,031	-2,62,489
<b>EBITDA (Core)</b>	<b>3,95,050</b>	<b>4,21,710</b>	<b>4,23,912</b>	<b>4,81,432</b>
Growth, %	21.5	6.7	0.5	13.6
Margin, %	27.0	26.7	26.7	27.5
Depreciation	-20,550	-27,306	-34,473	-35,555
<b>EBIT</b>	<b>3,74,500</b>	<b>3,94,405</b>	<b>3,89,439</b>	<b>4,45,877</b>
Growth, %	22.8	5.3	(1.3)	14.5
Margin, %	25.6	25.0	24.6	25.4
Interest paid	0	0	0	0
Other Income	41,130	42,370	42,873	43,536
<b>Pre-tax profit</b>	<b>4,15,630</b>	<b>4,36,775</b>	<b>4,32,312</b>	<b>4,89,414</b>
Tax provided	-1,00,010	-1,02,480	-1,05,917	-1,22,353
<b>Profit after tax</b>	<b>3,15,620</b>	<b>3,34,295</b>	<b>3,26,396</b>	<b>3,67,060</b>
Others (Minorities)	-860	-880	-1,000	-1,000
<b>Net Profit</b>	<b>3,14,760</b>	<b>3,33,415</b>	<b>3,25,396</b>	<b>3,66,060</b>
Growth, %	21.8	5.9	(2.4)	12.5
<b>Net Profit (adjusted)</b>	<b>3,14,760</b>	<b>3,33,415</b>	<b>3,25,396</b>	<b>3,66,060</b>
Wtd avg shares (m)	3,750	3,750	3,750	3,750

	FY19	FY20E	FY21E	FY22E
<b>US\$ Revenue (\$ mn)</b>	<b>20,913</b>	<b>22,337</b>	<b>22,342</b>	<b>24,353</b>
Growth, %	9.6	6.8	0.0	9.0
Re / US\$ (rate)	70.7	71.0	71.0	72.0

### Balance Sheet

Y/E Mar, Rs mn	FY19	FY20E	FY21E	FY22E
Cash & bank	72,240	42,768	43,696	61,317
Marketable securities	0	0	0	0
Debtors	2,74,410	2,90,775	3,07,032	3,17,705
Inventory	0	0	0	0
Other current assets	2,88,610	2,95,249	3,16,197	3,42,144
Total current assets	6,35,260	6,28,791	6,66,925	7,21,166
Investments	2,93,300	2,27,300	2,77,300	3,27,300
Net fixed assets	1,56,630	1,67,474	1,73,002	1,77,447
Non-current assets	85,340	1,26,508	1,38,084	1,51,517
<b>Total assets</b>	<b>11,70,530</b>	<b>11,50,074</b>	<b>12,55,311</b>	<b>13,77,430</b>
Total current liabilities	2,29,280	2,25,922	2,44,533	2,60,825
Non-current liabilities	21,160	28,574	30,107	32,113
Total liabilities	2,50,440	2,54,497	2,74,640	2,92,938
Paid-up capital	3,750	3,750	3,750	3,750
Reserves & surplus	9,11,810	8,86,037	9,70,131	10,72,952
Minorities	4,530	5,790	6,790	7,790
Shareholders' equity	9,20,090	8,95,577	9,80,671	10,84,492
<b>Total equity &amp; liabilities</b>	<b>11,70,530</b>	<b>11,50,074</b>	<b>12,55,311</b>	<b>13,77,430</b>

Source: Company, PhillipCapital India Research Estimates

### Cash Flow

Y/E Mar, Rs mn	FY19	FY20E	FY21E	FY22E
Pre-tax profit	4,15,630	4,36,775	4,32,312	4,89,414
Depreciation	20,550	27,306	34,473	35,555
Chg in working capital	-85,260	-59,675	-28,638	-31,755
Total tax paid	-1,00,010	-1,02,480	-1,05,917	-1,22,353
Other operating activities	0	0	0	0
<b>Cash flow from operating activities</b>	<b>2,50,910</b>	<b>3,01,925</b>	<b>3,32,231</b>	<b>3,70,860</b>
Capital expenditure	-22,220	-38,150	-40,000	-40,000
Chg in investments	66,780	66,000	-50,000	-50,000
Chg in marketable securities	0	0	0	0
Other investing activities	0	0	0	0
<b>Cash flow from investing activities</b>	<b>44,560</b>	<b>27,850</b>	<b>-90,000</b>	<b>-90,000</b>
Free cash flow	2,95,470	3,29,775	2,42,231	2,80,860
Equity raised/(repaid)	-1,60,000	0	0	0
Debt raised/(repaid)	-100	-440	0	0
Dividend (incl. tax)	-1,31,994	-2,93,950	-2,41,302	-2,63,239
Other financing activities	20,384	-65,238	0	0
<b>Cash flow from financing activities</b>	<b>-2,72,060</b>	<b>-3,59,248</b>	<b>-2,41,302</b>	<b>-2,63,239</b>
<b>Net chg in cash</b>	<b>23,410</b>	<b>-29,472</b>	<b>929</b>	<b>17,621</b>

### Valuation Ratios

	FY19	FY20E	FY21E	FY22E
<b>Per Share data</b>				
EPS (INR)	83.9	88.9	86.8	97.6
Growth, %	24.1	5.9	(2.4)	12.5
Book NAV/share (INR)	244.1	237.3	259.7	287.1
CFPS (INR)	49.2	80.2	80.2	90.9
DPS (INR)	30.1	67.0	55.0	60.0
<b>Return ratios</b>				
Return on assets (%)	28.0	28.8	27.1	27.9
Return on equity (%)	34.4	37.5	33.4	34.0
Return on capital employed (%)	34.2	35.8	33.7	34.5
<b>Turnover ratios</b>				
Asset turnover (x)	3.5	3.3	3.1	3.3
Sales/Total assets (x)	1.3	1.4	1.3	1.3
Sales/Net FA (x)	9.4	9.7	9.3	10.0
Working capital/Sales (x)	0.2	0.2	0.2	0.2
Receivable days	68.4	67.2	70.6	66.1
<b>Liquidity ratios</b>				
Current ratio (x)	2.8	2.8	2.7	2.8
Quick ratio (x)	2.8	2.8	2.7	2.8
Dividend cover (x)	2.8	1.3	1.6	-
Total debt/Equity (%)	0.0	-	-	-
Net debt/Equity (%)	(7.8)	(4.8)	(4.5)	(5.7)
<b>Valuation</b>				
PER (x)	20.3	19.2	19.6	17.4
PEG (x) - y-o-y growth	0.8	3.2	(8.2)	1.4
Price/Book (x)	7.0	7.2	6.6	5.9
Yield (%)	1.8	3.9	3.2	3.5
EV/Net sales (x)	4.3	4.0	4.0	3.6
EV/EBITDA (x)	16.0	15.0	15.0	13.1
EV/EBIT (x)	16.9	16.1	16.3	14.2



## Financials - Infosys

### Income Statement

Y/E Mar, Rs mn	FY19	FY20E	FY21E	FY22E
<b>Net sales</b>	<b>8,26,760</b>	<b>9,12,164</b>	<b>9,18,042</b>	<b>10,24,766</b>
Growth, %	17.2	10.3	0.6	11.6
Employee expenses	-5,18,580	-5,79,044	-5,84,165	-6,45,553
Other Operating expenses	-99,290	-1,05,706	-1,05,575	-1,17,848
<b>EBITDA (Core)</b>	<b>2,08,890</b>	<b>2,27,413</b>	<b>2,28,303</b>	<b>2,61,365</b>
Growth, %	9.9	8.9	0.4	14.5
Margin, %	25.3	24.9	24.9	25.5
Depreciation	-20,100	-30,487	-35,932	-39,132
<b>EBIT</b>	<b>1,88,790</b>	<b>1,96,926</b>	<b>1,92,371</b>	<b>2,22,233</b>
Growth, %	10.1	4.3	(2.3)	15.5
Margin, %	22.8	21.6	21.0	21.7
Forex gains/losses	1,600	1,197	0	163
Other Non-Op Income	27,230	28,856	24,345	26,018
<b>Pre-tax profit</b>	<b>2,10,410</b>	<b>2,26,979</b>	<b>2,16,716</b>	<b>2,48,414</b>
Tax provided	-56,310	-57,949	-56,346	-67,028
<b>Profit after tax</b>	<b>1,54,100</b>	<b>1,69,029</b>	<b>1,60,370</b>	<b>1,81,387</b>
Others (Minorities etc)	-40	-400	-360	-360
<b>Net Profit</b>	<b>1,54,060</b>	<b>1,68,629</b>	<b>1,60,010</b>	<b>1,81,027</b>
Growth, %	5.5	9.5	(5.1)	13.1
<b>Net Profit (adjusted)</b>	<b>1,54,060</b>	<b>1,68,629</b>	<b>1,60,010</b>	<b>1,81,027</b>
Wtd avg shares (m)	4,350	4,246	4,246	4,246

	FY19	FY20E	FY21E	FY22E
<b>US\$ Revenue (\$ mn)</b>	<b>11,799</b>	<b>12,921</b>	<b>12,930</b>	<b>14,233</b>
Growth, %	7.9	9.5	0.1	10.1
Re / US\$ (rate)	70.1	70.6	71.0	72.0

### Balance Sheet

Y/E Mar, Rs mn	FY19	FY20E	FY21E	FY22E
Cash & bank	1,95,680	1,15,712	1,09,647	1,31,187
Marketable securities at cost	0	0	0	0
Debtors	1,48,270	1,69,937	1,68,517	1,88,108
Inventory	0	0	0	0
Loans & advances	1,93,640	2,13,232	2,18,142	2,36,065
Total current assets	5,37,590	4,98,881	4,96,307	5,55,360
Investments	1,20,200	63,620	1,03,620	1,43,620
Net fixed assets	1,75,870	2,27,753	2,23,821	2,16,689
Non-current assets	0	0	0	0
<b>Total assets</b>	<b>8,47,380</b>	<b>8,04,174</b>	<b>8,37,667</b>	<b>9,29,589</b>
Total current liabilities	1,97,320	2,12,393	1,95,000	2,15,181
Non-current liabilities	0	0	0	0
Total liabilities	1,97,320	2,12,393	1,95,000	2,15,181
Paid-up capital	21,700	21,210	21,210	21,210
Reserves & surplus	6,28,360	5,70,571	6,21,458	6,93,198
Minorities	0	0	0	0
Shareholders' equity	6,50,060	5,91,781	6,42,668	7,14,408
<b>Total equity &amp; liabilities</b>	<b>8,47,380</b>	<b>8,04,174</b>	<b>8,37,667</b>	<b>9,29,589</b>

Source: Company, PhillipCapital India Research Estimates

### Cash Flow

Y/E Mar, Rs mn	FY19	FY20E	FY21E	FY22E
Pre-tax profit	2,10,410	2,26,979	2,16,716	2,48,414
Depreciation	20,100	30,487	35,932	39,132
Chg in working capital	25,850	-26,186	-20,884	-17,332
Total tax paid	-57,210	-58,149	-56,346	-67,028
Other operating activities	0	0	0	0
<b>Cash flow from operating activities</b>	<b>1,99,150</b>	<b>1,73,131</b>	<b>1,75,418</b>	<b>2,03,186</b>
Capital expenditure	-49,960	-82,370	-32,000	-32,000
Chg in investments	1,590	56,580	-40,000	-40,000
Chg in marketable securities	0	0	0	0
Other investing activities	0	0	0	0
<b>Cash flow from investing activities</b>	<b>-48,370</b>	<b>-25,790</b>	<b>-72,000</b>	<b>-72,000</b>
Free cash flow	1,50,780	1,47,341	1,03,418	1,31,186
Equity raised/(repaid)	10,820	-490	0	0
Debt raised/(repaid)	0	0	0	0
Dividend (incl. tax)	-1,06,790	-1,04,245	-1,09,123	-1,09,123
Other financing activities	-57,270	-1,22,173	0	-163
<b>Cash flow from financing activities</b>	<b>-1,53,280</b>	<b>-2,27,308</b>	<b>-1,09,483</b>	<b>-1,09,646</b>
<b>Net chg in cash</b>	<b>-2,500</b>	<b>-79,968</b>	<b>-6,065</b>	<b>21,540</b>

### Valuation Ratios

	FY19	FY20E	FY21E	FY22E
<b>Per Share data</b>				
EPS (INR)	35.4	39.7	37.7	42.6
Growth, %	5.5	12.1	(5.1)	13.1
Book NAV/share (INR)	149.5	139.4	151.4	168.3
CFPS (INR)	41.2	34.0	35.6	41.7
DPS (INR)	21.0	21.0	22.0	22.0
<b>Return ratios</b>				
Return on assets (%)	18.7	20.5	19.5	20.5
Return on equity (%)	23.7	28.5	24.9	25.3
Return on capital employed (%)	23.5	27.0	25.7	26.5
<b>Turnover ratios</b>				
Asset turnover (x)	2.6	2.5	2.2	2.4
Sales/Total assets (x)	1.0	1.1	1.1	1.2
Sales/Net FA (x)	5.1	4.5	4.1	4.7
Working capital/Sales (x)	0.2	0.2	0.2	0.2
Receivable days	65.5	68.0	67.0	67.0
<b>Liquidity ratios</b>				
Current ratio (x)	2.8	2.4	2.6	2.7
Quick ratio (x)	2.8	2.4	2.6	2.7
Dividend cover (x)	1.7	1.9	1.7	1.9
Net debt/Equity (%)	(48.6)	(30.3)	(33.2)	(38.5)
<b>Valuation</b>				
PER (x)	16.9	15.1	15.9	14.1
PEG (x) - y-o-y growth	3.1	1.2	(3.1)	1.1
Price/Book (x)	4.0	4.3	4.0	3.6
Yield (%)	3.5	3.5	3.7	3.7
EV/Net sales (x)	2.9	2.7	2.7	2.4
EV/EBITDA (x)	11.5	10.7	10.7	9.2
EV/EBIT (x)	12.8	12.3	12.7	10.9

## Financials - Wipro

### Income Statement

Y/E Mar, Rs mn	FY19	FY20E	FY21E	FY22E
<b>Net sales</b>	<b>5,85,845</b>	<b>6,06,840</b>	<b>5,99,763</b>	<b>6,52,922</b>
Growth, %	7.5	3.6	-1.2	8.9
Employee expenses	-3,93,559	-4,09,779	-4,07,907	-4,39,526
Other Operating expenses	-72,895	-69,160	-67,572	-73,739
<b>EBITDA (Core)</b>	<b>1,19,391</b>	<b>1,27,901</b>	<b>1,24,283</b>	<b>1,39,657</b>
Growth, %	13.1	7.1	(2.8)	12.4
Margin, %	20.4	21.1	20.7	21.4
Depreciation	-19,474	-20,920	-22,418	-24,696
<b>EBIT</b>	<b>99,917</b>	<b>1,06,981</b>	<b>1,01,865</b>	<b>1,14,961</b>
Growth, %	18.4	7.1	(4.8)	12.9
Margin, %	17.1	17.6	17.0	17.6
Interest paid	0	0	0	0
Other Non-Operating Income	15,548	17,927	20,377	22,093
<b>Pre-tax profit</b>	<b>1,15,465</b>	<b>1,24,908</b>	<b>1,22,241</b>	<b>1,37,053</b>
Tax provided	-25,242	-25,642	-26,282	-29,466
<b>Profit after tax</b>	<b>90,223</b>	<b>99,266</b>	<b>95,960</b>	<b>1,07,587</b>
Others (Minorities, Associates)	-195	-406	-379	-376
<b>Net Profit</b>	<b>90,028</b>	<b>98,860</b>	<b>95,581</b>	<b>1,07,211</b>
Growth, %	12.3	9.8	(3.3)	12.2
<b>Net Profit (adjusted)</b>	<b>90,028</b>	<b>98,860</b>	<b>95,581</b>	<b>1,07,211</b>
Wtd avg shares (m)	6,009	5,692	5,692	5,692

	FY19	FY20E	FY21E	FY22E
<b>IT Services US\$ Revenue (\$ mn)</b>	<b>8,120</b>	<b>8,309</b>	<b>8,308</b>	<b>8,931</b>
Growth, %	2.9	2.3	0.0	7.5
Re / US\$ (rate)	70.6	71.3	71.0	72.0

### Balance Sheet

Y/E Mar, Rs mn	FY19	FY20E	FY21E	FY22E
Cash & bank	1,58,529	1,71,397	1,79,449	1,80,736
Marketable securities at cost	2,20,716	1,74,253	2,14,253	2,54,253
Debtors	1,00,489	1,08,067	1,06,807	1,16,274
Inventory	3,951	4,156	4,108	4,472
Other current assets	88,221	90,283	89,400	96,034
<b>Total current assets</b>	<b>5,71,906</b>	<b>5,48,157</b>	<b>5,94,017</b>	<b>6,51,769</b>
Net fixed assets	2,01,343	2,23,376	2,33,958	2,50,916
Non-current assets	59,922	48,547	47,981	52,234
<b>Total assets</b>	<b>8,33,171</b>	<b>8,20,080</b>	<b>8,75,956</b>	<b>9,54,919</b>
Total current liabilities	2,14,352	2,26,026	2,25,920	2,35,559
Non-current liabilities	48,066	54,471	54,452	56,147
<b>Total liabilities</b>	<b>2,62,418</b>	<b>2,80,497</b>	<b>2,80,372</b>	<b>2,91,707</b>
Paid-up capital	12,068	11,426	11,426	11,426
Reserves & surplus	5,56,048	5,26,475	5,82,097	6,49,349
Minorities	2,637	1,682	2,061	2,437
Shareholders' equity	5,70,753	5,39,583	5,95,584	6,63,212
<b>Total equity &amp; liabilities</b>	<b>8,33,171</b>	<b>8,20,080</b>	<b>8,75,956</b>	<b>9,54,919</b>

Source: Company, PhillipCapital India Research Estimates

### Cash Flow

Y/E Mar, Rs mn	FY19	FY20E	FY21E	FY22E
Pre-tax profit	1,15,465	1,24,908	1,22,241	1,37,053
Depreciation	19,474	20,920	22,418	24,696
Chg in working capital	17,922	15,044	2,633	-9,383
Total tax paid	-25,242	-25,642	-26,282	-29,466
Other operating activities	0	0	0	0
<b>Cash flow from operating activities</b>	<b>1,27,619</b>	<b>1,35,231</b>	<b>1,21,011</b>	<b>1,22,900</b>
Capital expenditure	-20,677	-42,953	-33,000	-41,654
Chg in investments	0	0	0	0
Chg in marketable securities	28,378	46,463	-40,000	-40,000
Other investing activities	0	0	0	0
<b>Cash flow from investing activities</b>	<b>7,701</b>	<b>3,510</b>	<b>-73,000</b>	<b>-81,654</b>
Free cash flow	1,35,320	1,38,741	48,011	41,246
Equity raised/(repaid)	3,745	-1,01,929	0	0
Debt raised/(repaid)	-16,900	4,563	0	0
Dividend (incl. tax)	-5,269	-33,299	-39,959	-39,959
Other financing activities	421	9,224	0	0
<b>Cash flow from financing activities</b>	<b>-21,716</b>	<b>-1,25,873</b>	<b>-39,959</b>	<b>-39,959</b>
Net chg in cash	1,13,604	12,868	8,052	1,287

### Valuation Ratios

	FY19	FY20E	FY21E	FY22E
<b>Per Share data</b>				
EPS (INR)	15.0	17.4	16.8	18.8
Growth, %	(15.8)	15.9	(3.3)	12.2
Book NAV/share (INR)	94.5	94.5	104.3	116.1
CFPS (INR)	23.2	15.6	17.6	18.5
DPS (INR)	0.9	5.9	7.0	7.0
<b>Return ratios</b>				
Return on assets (%)	11.3	12.0	11.3	11.8
Return on equity (%)	15.8	18.4	16.1	16.2
Return on capital employed (%)	15.5	16.4	15.4	15.7
<b>Turnover ratios</b>				
Asset turnover (x)	2.3	2.4	2.2	2.3
Sales/Total assets (x)	0.7	0.7	0.7	0.7
Sales/Net FA (x)	2.9	2.9	2.6	2.7
Receivable days	62.6	65.0	65.0	65.0
Inventory days	2.5	2.5	2.5	2.5
<b>Liquidity ratios</b>				
Current ratio (x)	2.7	2.4	2.6	2.8
Quick ratio (x)	2.6	2.4	2.6	2.7
Dividend cover (x)	17.1	3.0	2.4	2.7
Total debt/Equity (%)	17.5	22.5	20.4	18.3
Net debt/Equity (%)	(10.4)	(9.4)	(9.8)	(9.0)
<b>Valuation</b>				
PER (x)	11.9	10.2	10.6	9.5
PEG (x) - y-o-y growth	(0.8)	0.6	(3.2)	0.8
Price/Book (x)	1.9	1.9	1.7	1.5
Yield (%)	0.5	3.3	3.9	3.9
EV/Net sales (x)	1.3	1.3	1.2	1.1
EV/EBITDA (x)	6.6	6.2	6.0	5.0
EV/EBIT (x)	7.9	7.4	7.3	6.1

## Financials - HCL

### Income Statement

Y/E Mar, Rs mn	FY19	FY20E	FY21E	FY22E
<b>Net sales</b>	<b>6,04,280</b>	<b>7,05,275</b>	<b>7,23,139</b>	<b>8,05,081</b>
Growth, %	19	17	3	11
Employee expenses	-3,92,680	-4,56,303	-4,77,265	-5,27,921
Other Operating expenses	-71,910	-83,831	-76,413	-86,365
<b>EBITDA (Core)</b>	<b>1,39,690</b>	<b>1,65,142</b>	<b>1,69,461</b>	<b>1,90,795</b>
Growth, %	22.1	18.2	2.6	12.6
Margin, %	23.1	23.4	23.4	23.7
Depreciation	-21,480	-28,723	-35,549	-38,102
<b>EBIT</b>	<b>1,18,210</b>	<b>1,36,419</b>	<b>1,33,912</b>	<b>1,52,693</b>
Growth, %	18.4	15.4	(1.8)	14.0
Margin, %	19.6	19.3	18.5	19.0
Other Non-Operating Income	6,240	2,416	2,437	1,544
Forex Gains\ (Losses)	1,810	270	200	200
<b>Pre-tax profit</b>	<b>1,26,260</b>	<b>1,38,789</b>	<b>1,36,549</b>	<b>1,54,438</b>
Tax provided	-24,810	-30,552	-30,041	-37,065
<b>Profit after tax</b>	<b>1,01,450</b>	<b>1,08,237</b>	<b>1,06,508</b>	<b>1,17,373</b>
Non Recurring Item	0	0	0	0
<b>Net Profit</b>	<b>1,01,450</b>	<b>1,08,237</b>	<b>1,06,508</b>	<b>1,17,373</b>
Growth, %	15.5	6.7	(1.6)	10.2
<b>Net Profit (adjusted)</b>	<b>1,01,450</b>	<b>1,08,237</b>	<b>1,06,508</b>	<b>1,17,373</b>
Wtd avg shares (m)	2,714	2,714	2,714	2,714

	FY19	FY20E	FY21E	FY22E
<b>US\$ Revenue (\$ mn)</b>	<b>8,632</b>	<b>9,989</b>	<b>10,185</b>	<b>11,182</b>
Growth, %	10.1	15.7	2.0	9.8
Re / US\$ (rate)	70.0	70.6	71.0	72.0

### Balance Sheet

Y/E Mar, Rs mn	FY19	FY20E	FY21E	FY22E
Cash & bank	62,840	44,080	69,240	81,685
Marketable securities at cost	54,620	98,590	1,22,590	1,46,590
Debtors	1,46,100	1,73,904	1,76,327	1,96,307
Inventory	0	0	0	0
Other current assets	37,160	51,631	52,869	58,029
Total current assets	3,00,720	3,68,205	4,21,026	4,82,611
Investments	350	400	400	400
Net fixed assets	2,87,890	4,37,614	4,96,968	5,59,096
Non-current assets	0	0	0	0
<b>Total assets</b>	<b>5,88,960</b>	<b>8,06,218</b>	<b>9,18,394</b>	<b>10,42,108</b>
Total current liabilities	1,11,480	2,23,013	2,32,202	2,39,944
Non-current liabilities	55,240	64,831	86,706	1,10,702
Total liabilities	1,66,720	2,87,845	3,18,908	3,50,646
Paid-up capital	2,786	2,792	2,721	2,714
Reserves & surplus	4,14,914	5,10,522	5,91,705	6,83,688
Minorities	4,540	5,060	5,060	5,060
Shareholders' equity	4,22,240	5,18,374	5,99,486	6,91,462
<b>Total equity &amp; liabilities</b>	<b>5,88,960</b>	<b>8,06,218</b>	<b>9,18,394</b>	<b>10,42,108</b>

Source: Company, PhillipCapital India Research Estimates

### Cash Flow

Y/E Mar, Rs mn	FY19	FY20E	FY21E	FY22E
Pre-tax profit	1,26,260	1,38,789	1,36,549	1,54,438
Depreciation	21,480	28,723	35,549	38,102
Chg in working capital	-23,150	69,259	5,527	-17,399
Total tax paid	-24,810	-30,552	-30,041	-37,065
Other operating activities	0	0	0	0
<b>Cash flow from operating activities</b>	<b>99,780</b>	<b>2,06,219</b>	<b>1,47,585</b>	<b>1,38,076</b>
Capital expenditure	-75,791	-1,78,447	-94,903	-1,00,230
Chg in investments	2,522	-50	0	0
Chg in marketable securities	26,218	-43,970	-24,000	-24,000
Other investing activities	0	0	0	0
<b>Cash flow from investing activities</b>	<b>-47,051</b>	<b>-2,22,467</b>	<b>-1,18,903</b>	<b>-1,24,230</b>
Free cash flow	52,729	-16,248	28,682	13,846
Equity raised/(repaid)	-38,574	6	-71	-8
Debt raised/(repaid)	38,200	9,591	21,875	23,996
Dividend (incl. tax)	-25,745	-25,393	-25,397	-25,397
Other financing activities	12,401	12,763	71	8
<b>Cash flow from financing activities</b>	<b>-9,178</b>	<b>-2,512</b>	<b>-3,522</b>	<b>-1,401</b>
<b>Net chg in cash</b>	<b>43,551</b>	<b>-18,760</b>	<b>25,160</b>	<b>12,445</b>

### Valuation Ratios

	FY19	FY20E	FY21E	FY22E
<b>Per Share data</b>				
EPS (INR)	37.4	39.9	39.2	43.3
Growth, %	(40.7)	6.7	(1.6)	10.2
Book NAV/share (INR)	153.9	189.2	219.0	252.9
CFPS (INR)	34.5	75.1	53.5	50.3
DPS (INR)	8.1	8.0	8.0	8.0
<b>Return ratios</b>				
Return on assets (%)	18.9	15.5	12.4	12.0
Return on equity (%)	24.3	21.1	17.9	17.1
Return on capital employed (%)	23.5	20.4	16.8	15.8
<b>Turnover ratios</b>				
Asset turnover (x)	1.9	1.8	1.5	1.5
Sales/Total assets (x)	1.1	1.0	0.8	0.8
Sales/Net FA (x)	2.3	1.9	1.5	1.5
Working capital/Sales (x)	0.1	0.0	(0.0)	0.0
Receivable days	88.2	90.0	89.0	89.0
<b>Liquidity ratios</b>				
Current ratio (x)	2.7	1.7	1.8	2.0
Quick ratio (x)	2.7	1.7	1.8	2.0
Dividend cover (x)	4.6	5.0	4.9	5.4
Total debt/Equity (%)	13.2	12.6	14.6	16.1
Net debt/Equity (%)	(1.8)	4.0	2.9	4.2
<b>Valuation</b>				
PER (x)	12.0	11.3	11.4	10.4
PEG (x) - y-o-y growth	(0.3)	1.7	(7.2)	1.0
Price/Book (x)	2.9	2.4	2.0	1.8
Yield (%)	1.8	1.8	1.8	1.8
EV/Net sales (x)	1.9	1.6	1.5	1.4
EV/EBITDA (x)	8.3	6.9	6.6	5.8
EV/EBIT (x)	9.8	8.4	8.3	7.2



## Financials – Tech Mahindra

### Income Statement

Y/E Mar, Rs mn	FY19	FY20E	FY21E	FY22E
<b>Net sales</b>	<b>3,47,421</b>	<b>3,70,507</b>	<b>3,72,982</b>	<b>4,08,082</b>
Growth, %	12.9	6.6	0.7	9.4
Employee expenses	-2,18,576	-2,45,376	-2,48,190	-2,69,009
Other Operating expenses	-65,476	-65,676	-68,897	-73,142
<b>EBITDA (Core)</b>	<b>63,369</b>	<b>59,454</b>	<b>55,895</b>	<b>65,931</b>
Growth, %	34.3	(6.2)	(6.0)	18.0
Margin, %	18.2	16.0	15.0	16.2
Depreciation	-11,292	-14,089	-15,051	-16,011
<b>EBIT</b>	<b>52,077</b>	<b>45,365</b>	<b>40,844</b>	<b>49,920</b>
Growth, %	43.4	(12.9)	(10.0)	22.2
Margin, %	15.0	12.2	11.0	12.2
Interest paid	-1,332	-1,955	-2,273	-2,273
Other Non-Operating Income	5,221	7,635	7,003	7,323
FX Gain	121	3,049	800	800
<b>Pre-tax profit</b>	<b>56,087</b>	<b>54,094</b>	<b>46,374</b>	<b>55,770</b>
Tax provided	-12,544	-12,358	-11,135	-13,390
<b>Profit after tax</b>	<b>43,543</b>	<b>41,736</b>	<b>35,240</b>	<b>42,380</b>
Others (Minorities, Associates)	88	565	359	508
<b>Net Profit</b>	<b>43,631</b>	<b>42,301</b>	<b>35,599</b>	<b>42,889</b>
Growth, %	14.6	(3.0)	(15.8)	20.5
<b>Net Profit (adjusted)</b>	<b>43,631</b>	<b>42,301</b>	<b>35,599</b>	<b>42,889</b>
Wtd avg shares (m)	885	871	871	871

	FY19	FY20E	FY21E	FY22E
<b>US\$ Revenue (\$ mn)</b>	<b>4,971</b>	<b>5,250</b>	<b>5,253</b>	<b>5,668</b>
Growth, %	4.2	5.6	0.1	7.9
Re / US\$ (rate)	69.9	70.6	71.0	72.0

### Balance Sheet

Y/E Mar, Rs mn	FY19	FY20E	FY21E	FY22E
Cash & bank	23,587	12,619	15,256	17,556
Debtors	69,649	76,391	82,115	90,476
Inventory	752	419	419	419
Other current assets	26,770	26,502	27,350	29,354
<b>Total current assets</b>	<b>1,54,650</b>	<b>1,55,154</b>	<b>1,65,617</b>	<b>1,81,248</b>
Investments	73,419	64,964	66,964	70,964
Net fixed assets	73,375	92,410	98,410	1,04,410
<b>Total assets</b>	<b>3,34,469</b>	<b>3,51,404</b>	<b>3,70,885</b>	<b>3,98,920</b>
Current liabilities	24,893	26,650	27,290	28,888
Provisions	9,753	10,660	10,916	11,555
Total current liabilities	34,646	37,310	38,206	40,443
Non-current liabilities	92,202	95,343	96,656	99,931
<b>Total liabilities</b>	<b>1,26,848</b>	<b>1,32,653</b>	<b>1,34,862</b>	<b>1,40,375</b>
Paid-up capital	4,437	4,356	4,356	4,356
Reserves & surplus	1,98,407	2,09,445	2,26,717	2,49,241
Minorities	4,777	4,949	4,949	4,949
Shareholders' equity	2,07,621	2,18,750	2,36,022	2,58,546
<b>Total equity &amp; liabilities</b>	<b>3,34,469</b>	<b>3,51,404</b>	<b>3,70,885</b>	<b>3,98,920</b>

Source: Company, PhillipCapital India Research Estimates

### Cash Flow

Y/E Mar, Rs mn	FY19	FY20E	FY21E	FY22E
Pre-tax profit	56,087	54,094	46,374	55,770
Depreciation	11,292	14,089	15,051	16,011
Chg in working capital	3,373	-25,502	-6,891	-10,863
Total tax paid	-12,697	-12,434	-10,879	-12,750
Other operating activities	0	0	0	0
<b>Cash flow from operating activities</b>	<b>58,055</b>	<b>30,247</b>	<b>43,656</b>	<b>48,168</b>
Capital expenditure	-6,044	-33,124	-21,051	-22,011
Chg in investments	-26,512	8,455	-2,000	-4,000
Chg in marketable securities	0	0	0	0
Other investing activities	0	0	0	0
<b>Cash flow from investing activities</b>	<b>-32,556</b>	<b>-24,669</b>	<b>-23,051</b>	<b>-26,011</b>
Free cash flow	25,499	5,578	20,605	22,157
Equity raised/(repaid)	20	-81	0	0
Debt raised/(repaid)	-2,914	14,061	0	0
Dividend (incl. tax)	-14,535	-16,308	-18,347	-20,385
Other financing activities	-14,700	-14,955	20	20
<b>Cash flow from financing activities</b>	<b>-32,355</b>	<b>-16,546</b>	<b>-17,967</b>	<b>-19,857</b>
<b>Net chg in cash</b>	<b>-6,856</b>	<b>-10,968</b>	<b>2,637</b>	<b>2,300</b>

### Valuation Ratios

	FY19	FY20E	FY21E	FY22E
<b>Per Share data</b>				
EPS (INR)	49.3	48.6	40.9	49.2
Growth, %	13.8	(1.4)	(15.9)	20.5
Book NAV/share (INR)	229.1	245.5	265.2	291.1
CFPS (INR)	63.2	31.6	43.2	49.6
DPS (INR)	14.0	16.0	18.0	20.0
<b>Return ratios</b>				
Return on assets (%)	13.9	12.5	10.1	11.4
Return on equity (%)	21.5	19.8	15.4	16.9
Return on capital employed (%)	15.5	14.0	11.3	12.7
<b>Turnover ratios</b>				
Asset turnover (x)	3.2	3.0	2.5	2.5
Sales/Total assets (x)	1.1	1.1	1.0	1.1
Sales/Net FA (x)	4.6	4.5	3.9	4.0
Working capital/Sales (x)	0.3	0.3	0.3	0.3
Receivable days	73.2	75.3	80.4	80.9
<b>Liquidity ratios</b>				
Current ratio (x)	4.5	4.2	4.3	4.5
Quick ratio (x)	4.4	4.1	4.3	4.5
Dividend cover (x)	3.5	3.0	2.3	2.5
Total debt/Equity (%)	0.1	0.1	0.1	0.1
Net debt/Equity (%)	(0.0)	0.1	0.1	0.0
<b>Valuation</b>				
PER (x)	10.1	10.3	12.2	10.1
PEG (x) - y-o-y growth	0.7	(7.2)	(0.8)	0.5
Price/Book (x)	2.2	2.0	1.9	1.7
Yield (%)	2.8	3.2	3.6	4.0
EV/Net sales (x)	1.2	1.2	1.2	1.1
EV/EBITDA (x)	6.8	7.6	8.0	6.7
EV/EBIT (x)	8.3	9.9	10.9	8.9

## Financials - LTI

### Income Statement

Y/E Mar, Rs mn	FY19	FY20E	FY21E	FY22E
<b>Net sales</b>	<b>94,458</b>	<b>1,06,792</b>	<b>1,07,019</b>	<b>1,21,561</b>
Growth, %	29	13	0	14
Total income	94,458	1,06,792	1,07,019	1,21,561
Employee expenses	-61,643	-72,632	-76,701	-84,245
Other Operating expenses	-13,980	-14,390	-10,916	-13,995
<b>EBITDA (Core)</b>	<b>18,835</b>	<b>19,770</b>	<b>19,402</b>	<b>23,321</b>
Growth, %	50.8	5.0	(1.9)	20.2
Margin, %	19.9	18.5	18.1	19.2
Depreciation	-1,471	-2,705	-3,142	-3,322
<b>EBIT</b>	<b>17,364</b>	<b>17,064</b>	<b>16,261</b>	<b>19,999</b>
Growth, %	58.8	(1.7)	(4.7)	23.0
Margin, %	18.4	16.0	15.2	16.5
Interest paid	-106	-817	-848	-848
Other Income	3,021	3,392	3,416	3,880
<b>Pre-tax profit</b>	<b>20,279</b>	<b>19,639</b>	<b>18,829</b>	<b>23,031</b>
Tax provided	-5,122	-4,894	-4,801	-5,873
<b>Profit after tax</b>	<b>15,157</b>	<b>14,746</b>	<b>14,027</b>	<b>17,158</b>
Others (Minorities, Associates)	0	0	0	0
<b>Net Profit</b>	<b>15,157</b>	<b>14,746</b>	<b>14,027</b>	<b>17,158</b>
Growth, %	30.5	(2.7)	(4.9)	22.3
<b>Net Profit (adjusted)</b>	<b>15,157</b>	<b>14,746</b>	<b>14,027</b>	<b>17,158</b>
Wtd avg shares (m)	174	174	174	174

### Assumptions

	FY19	FY20E	FY21E	FY22E
<b>US\$ Revenue (\$ mn)</b>	<b>1,349</b>	<b>1,511</b>	<b>1,507</b>	<b>1,688</b>
Growth, %	19.1	12.0	(0.2)	12.0
Re / US\$ (rate)	70.0	70.7	71.0	72.0

### Balance Sheet

Y/E Mar, Rs mn	FY19	FY20E	FY21E	FY22E
Cash & bank	4,150	4,664	6,241	9,832
Debtors	23,845	26,199	27,316	29,444
Loans & advances	3,854	2,943	3,222	3,572
Other current assets	0	0	0	0
Total current assets	31,849	33,806	36,780	42,849
Investments	17,402	18,636	22,636	26,636
Net fixed assets	9,414	19,160	20,060	21,460
Non-current assets	5,641	6,781	7,070	7,621
<b>Total assets</b>	<b>66,692</b>	<b>80,718</b>	<b>88,881</b>	<b>1,00,901</b>
Current liabilities	13,981	14,785	15,303	16,400
Provisions	3,335	12,100	12,232	12,511
Total current liabilities	17,316	26,885	27,535	28,911
Non-current liabilities	430	543	543	543
Total liabilities	17,746	27,428	28,078	29,454
Paid-up capital	174	174	174	174
Reserves & surplus	48,772	53,116	60,629	71,273
Shareholders' equity	48,946	53,290	60,803	71,447
<b>Total equity &amp; liabilities</b>	<b>66,692</b>	<b>80,718</b>	<b>88,881</b>	<b>1,00,901</b>

Source: Company, PhillipCapital India Research Estimates

### Cash Flow

Y/E Mar, Rs mn	FY19	FY20E	FY21E	FY22E
Pre-tax profit	20,279	19,639	18,829	23,031
Depreciation	1,471	2,705	3,142	3,322
Chg in working capital	-2,870	6,986	-1,036	-1,653
Total tax paid	-4,771	-4,730	-4,801	-5,873
<b>Cash flow from operating activities</b>	<b>14,109</b>	<b>24,601</b>	<b>16,133</b>	<b>18,827</b>
Capital expenditure	-4,011	-12,451	-4,042	-4,722
Chg in investments	-4,759	-1,234	-4,000	-4,000
Chg in marketable securities	0	0	0	0
Other investing activities	0	0	0	0
<b>Cash flow from investing activities</b>	<b>-8,770</b>	<b>-13,685</b>	<b>-8,042</b>	<b>-8,722</b>
Free cash flow	5,339	10,915	8,092	10,106
Equity raised/(repaid)	2	0	0	0
Debt raised/(repaid)	0	0	0	0
Dividend (incl. tax)	-5,686	-5,802	-6,515	-6,515
Other financing activities	862	-4,599	0	0
<b>Cash flow from financing activities</b>	<b>-4,822</b>	<b>-10,401</b>	<b>-6,515</b>	<b>-6,515</b>
Net chg in cash	517	514	1,577	3,591

### Valuation Ratios

	FY19	FY20E	FY21E	FY22E
<b>Per Share data</b>				
EPS (INR)	87.1	84.7	80.6	98.6
Growth, %	28.0	(2.7)	(4.9)	22.3
Book NAV/share (INR)	281.3	306.3	349.4	410.6
CEPS (INR)	95.6	100.3	98.7	117.7
CFPS (INR)	93.9	141.2	85.1	99.4
DPS (INR)	27.9	28.5	32.0	32.0
<b>Return ratios</b>				
Return on assets (%)	25.3	20.7	17.1	18.6
Return on equity (%)	31.0	27.7	23.1	24.0
Return on capital employed (%)	32.1	25.7	20.8	22.3
<b>Turnover ratios</b>				
Asset turnover (x)	4.3	3.8	3.1	3.3
Sales/Total assets (x)	1.6	1.4	1.3	1.3
Sales/Net FA (x)	11.6	7.5	5.5	5.9
Working capital/Sales (x)	0.1	0.1	0.1	0.1
Receivable days	92.1	89.5	93.2	88.4
Payable days	22.5	50.5	51.9	49.6
Working capital days	53.0	49.1	52.0	49.9
<b>Liquidity ratios</b>				
Current ratio (x)	2.3	2.3	2.4	2.6
Quick ratio (x)	2.3	2.3	2.4	2.6
Interest cover (x)	163.8	20.9	19.2	23.6
Dividend cover (x)	3.1	3.0	2.5	3.1
Total debt/Equity (%)	-	-	-	-
Net debt/Equity (%)	(8.5)	(8.8)	(10.3)	(13.8)
<b>Valuation</b>				
PER (x)	15.9	16.4	17.2	14.1
PEG (x) - y-o-y growth	0.6	(6.0)	(3.5)	0.6
Price/Book (x)	4.9	4.5	4.0	3.4
Yield (%)	2.0	2.1	2.3	2.3
EV/Net sales (x)	2.5	2.2	2.2	1.9
EV/EBITDA (x)	12.6	12.0	12.1	9.9
EV/EBIT (x)	13.7	13.9	14.5	11.6

## Financials - LTTS

### Income Statement

Y/E Mar, Rs mn	FY19	FY20E	FY21E	FY22E
<b>Net sales</b>	<b>50,783</b>	<b>56,004</b>	<b>56,266</b>	<b>64,151</b>
Growth, %	36	10	0	14
Total income	50,783	56,004	56,266	64,151
Employee expenses	-35,165	-37,728	-38,452	-42,253
Other Operating expenses	-6,472	-7,023	-7,093	-9,180
<b>EBITDA (Core)</b>	<b>9,146</b>	<b>11,253</b>	<b>10,720</b>	<b>12,719</b>
Growth, %	58.9	23.0	(4.7)	18.6
Margin, %	18.0	20.1	19.1	19.8
Depreciation	-1,042	-1,790	-1,821	-1,882
<b>EBIT</b>	<b>8,104</b>	<b>9,463</b>	<b>8,899</b>	<b>10,837</b>
Growth, %	66.5	16.8	(6.0)	21.8
Margin, %	16.0	16.9	15.8	16.9
Interest paid	0	0	0	0
Other Income	1,277	926	1,099	1,222
<b>Pre-tax profit</b>	<b>10,315</b>	<b>11,045</b>	<b>10,559</b>	<b>12,418</b>
Tax provided	-2,630	-2,842	-2,745	-3,229
<b>Profit after tax</b>	<b>7,685</b>	<b>8,203</b>	<b>7,813</b>	<b>9,190</b>
Others (Minorities, Associates)	0	0	0	0
<b>Net Profit</b>	<b>7,685</b>	<b>8,203</b>	<b>7,813</b>	<b>9,190</b>
Growth, %	51.7	6.7	(4.8)	17.6
<b>Net Profit (adjusted)</b>	<b>7,685</b>	<b>8,203</b>	<b>7,813</b>	<b>9,190</b>
Wtd avg shares (m)	104	104	104	104

	FY19	FY20E	FY21E	FY22E
<b>US\$ Revenue (\$ mn)</b>	<b>723</b>	<b>792</b>	<b>792</b>	<b>891</b>
Growth, %	24.6	9.6	0.0	12.4
Re / US\$ (rate)	70.2	70.7	71.0	72.0

### Balance Sheet

Y/E Mar, Rs mn	FY19	FY20E	FY21E	FY22E
Cash & bank	2,051	2,635	4,132	6,112
Debtors	10,643	11,735	11,145	12,789
Loans & advances	3,783	4,264	4,632	4,737
Other current assets	0	0	0	0
Total current assets	16,477	18,635	19,909	23,637
Investments	5,749	6,427	8,427	10,027
Net fixed assets	7,800	11,782	12,182	12,582
Non-current assets	3,486	3,129	3,503	3,654
<b>Total assets</b>	<b>33,638</b>	<b>39,973</b>	<b>44,020</b>	<b>49,900</b>
Current liabilities	7,285	10,779	10,321	10,535
Provisions	1,341	1,428	1,162	1,167
Total current liabilities	8,626	12,207	11,483	11,702
Non-current liabilities	190	0	0	0
Total liabilities	8,816	12,207	11,483	11,702
Paid-up capital	208	208	208	208
Reserves & surplus	24,614	27,558	32,330	37,991
Shareholders' equity	24,822	27,766	32,538	38,199
<b>Total equity &amp; liabilities</b>	<b>33,638</b>	<b>39,973</b>	<b>44,020</b>	<b>49,900</b>

Source: Company, PhillipCapital India Research Estimates

### Cash Flow

Y/E Mar, Rs mn	FY19	FY20E	FY21E	FY22E
Pre-tax profit	10,315	11,045	10,559	12,418
Depreciation	1,042	1,790	1,821	1,882
Chg in working capital	-833	2,364	-875	-1,681
Total tax paid	-2,496	-2,906	-2,745	-3,229
<b>Cash flow from operating activities</b>	<b>8,028</b>	<b>12,293</b>	<b>8,760</b>	<b>9,391</b>
Capital expenditure	-1,747	-5,772	-2,221	-2,282
Chg in investments	-3,542	-678	-2,000	-1,600
Chg in marketable securities	0	0	0	0
Other investing activities	0	0	0	0
<b>Cash flow from investing activities</b>	<b>-5,289</b>	<b>-6,450</b>	<b>-4,221</b>	<b>-3,882</b>
Free cash flow	2,739	5,843	4,539	5,509
Equity raised/(repaid)	3	0	0	0
Debt raised/(repaid)	0	0	0	0
Dividend (incl. tax)	-2,248	-2,738	-3,042	-3,529
Other financing activities	15	-2,521	0	0
<b>Cash flow from financing activities</b>	<b>-2,230</b>	<b>-5,259</b>	<b>-3,042</b>	<b>-3,529</b>
Net chg in cash	509	584	1,497	1,980

### Valuation Ratios

	FY19	FY20E	FY21E	FY22E
<b>Per Share data</b>				
EPS (INR)	73.9	78.9	75.1	88.4
Growth, %	48.3	6.7	(4.8)	17.6
Book NAV/share (INR)	238.7	267.0	312.9	367.3
CEPS (INR)	83.9	96.1	92.6	106.5
CFPS (INR)	50.0	109.5	79.6	79.5
DPS (INR)	18.5	22.5	25.0	29.0
<b>Return ratios</b>				
Return on assets (%)	25.3	22.3	18.6	19.6
Return on equity (%)	31.0	29.5	24.0	24.1
Return on capital employed (%)	32.6	29.5	24.8	25.2
<b>Turnover ratios</b>				
Asset turnover (x)	3.0	2.9	2.8	3.0
Sales/Total assets (x)	1.7	1.5	1.3	1.4
Sales/Net FA (x)	6.8	5.7	4.7	5.2
Working capital/Sales (x)	0.1	0.1	0.1	0.1
Receivable days	76.5	76.5	72.3	72.8
Payable days	16.5	17.5	17.5	18.9
Working capital days	51.3	34.0	35.4	39.8
<b>Liquidity ratios</b>				
Current ratio (x)	2.3	1.7	1.9	2.2
Quick ratio (x)	2.3	1.7	1.9	2.2
Interest cover (x)				
Dividend cover (x)	4.0	3.5	3.0	3.0
Total debt/Equity (%)	13.9	11.1	8.7	7.5
Net debt/Equity (%)	5.6	1.6	(4.0)	(8.5)
<b>Valuation</b>				
PER (x)	15.4	14.4	15.1	12.9
PEG (x) - y-o-y growth	0.3	2.1	(3.2)	0.7
Price/Book (x)	4.8	4.3	3.6	3.1
Yield (%)	1.6	2.0	2.2	2.6
EV/Net sales (x)	2.4	2.1	2.1	1.8
EV/EBITDA (x)	13.1	10.5	10.9	9.0
EV/EBIT (x)	14.8	12.5	13.1	10.6

## Financials - Mindtree

### Income Statement

Y/E Mar, Rs mn	FY19	FY20E	FY21E	FY22E
<b>Net sales</b>	<b>70,215</b>	<b>76,690</b>	<b>77,298</b>	<b>86,795</b>
Growth, %	28.5	9.2	0.8	12.3
Total income	70,215	76,690	77,298	86,795
Employee expenses	-44,212	-50,335	-51,238	-55,819
SG&A	-15,358	-16,046	-14,687	-17,099
<b>EBITDA (Core)</b>	<b>10,645</b>	<b>10,308</b>	<b>11,374</b>	<b>13,877</b>
Growth, %	43.8	(3.2)	10.3	22.0
Margin, %	15.2	13.4	14.7	16.0
Depreciation	-1,641	-2,730	-2,836	-3,074
<b>EBIT</b>	<b>9,004</b>	<b>7,579</b>	<b>8,538</b>	<b>10,803</b>
Growth, %	58.2	(15.8)	12.7	26.5
Margin, %	12.8	9.9	11.0	12.4
Other Non-Operating Income	893	1,006	1,016	1,192
<b>Pre-tax profit</b>	<b>9,868</b>	<b>8,051</b>	<b>9,022</b>	<b>11,464</b>
Tax provided	-2,327	-2,058	-2,255	-2,866
<b>Profit after tax</b>	<b>7,541</b>	<b>5,993</b>	<b>6,766</b>	<b>8,598</b>
<b>Net Profit</b>	<b>7,541</b>	<b>5,993</b>	<b>6,766</b>	<b>8,598</b>
Growth, %	32.3	(20.5)	12.9	27.1
<b>Net Profit (adjusted)</b>	<b>7,541</b>	<b>5,993</b>	<b>6,766</b>	<b>8,598</b>
Wtd avg shares (m)	164	164	164	164

	FY19	FY20E	FY21E	FY22E
<b>US\$ Revenue (\$ mn)</b>	<b>1,001</b>	<b>1,086</b>	<b>1,089</b>	<b>1,205</b>
Growth, %	18.3	8.4	0.3	10.7
Re / US\$ (rate)	70.1	70.6	71.0	72.0

### Balance Sheet

Y/E Mar, Rs mn	FY19	FY20E	FY21E	FY22E
Cash & bank	2,562	1,621	2,995	6,484
Debtors	13,356	13,927	13,980	15,896
Loans & advances	3,326	3,311	3,323	3,765
Other current assets	2,267	1,928	1,936	2,201
Total current assets	21,511	20,788	22,234	28,345
Investments	8,036	8,846	10,846	10,846
Gross fixed assets	9,669	15,392	16,192	16,992
Add: Capital WIP	297	95	95	95
Net fixed assets	9,966	15,487	16,287	17,087
Non-current assets	1,889	1,714	1,721	1,956
<b>Total assets</b>	<b>41,790</b>	<b>47,382</b>	<b>51,635</b>	<b>58,782</b>
Current liabilities	7,151	8,275	8,258	9,092
Provisions	1,399	1,640	1,636	1,844
Total current liabilities	8,550	9,915	9,894	10,936
Non-current liabilities	179	5,101	5,101	5,101
Total liabilities	8,729	15,016	14,995	16,037
Paid-up capital	1,642	1,646	1,646	1,646
Reserves & surplus	31,419	30,720	34,994	41,099
Shareholders' equity	33,061	32,366	36,640	42,745
<b>Total equity &amp; liabilities</b>	<b>41,790</b>	<b>47,382</b>	<b>51,635</b>	<b>58,782</b>

Source: Company, PhillipCapital India Research Estimates

### Cash Flow

Y/E Mar, Rs mn	FY19	FY20E	FY21E	FY22E
Pre-tax profit	9,868	8,051	9,022	11,464
Depreciation	1,641	2,730	2,836	3,074
Chg in working capital	-5,403	6,008	-95	-2,025
Total tax paid	-2,216	-1,975	-2,260	-2,658
<b>Cash flow from operating activities</b>	<b>3,890</b>	<b>14,813</b>	<b>9,503</b>	<b>9,855</b>
Capital expenditure	-1,947	-8,251	-3,636	-3,874
Chg in investments	-772	-810	-2,000	0
<b>Cash flow from investing activities</b>	<b>-2,719</b>	<b>-9,061</b>	<b>-5,636</b>	<b>-3,874</b>
Free cash flow	1,171	5,752	3,867	5,981
Equity raised/(repaid)	3	4	0	0
Debt raised/(repaid)	-4	-5	0	0
Dividend (incl. tax)	-6,328	-1,534	-2,493	-2,493
Other financing activities	4,431	-5,158	0	0
<b>Cash flow from financing activities</b>	<b>-1,898</b>	<b>-6,693</b>	<b>-2,493</b>	<b>-2,493</b>
Net chg in cash	-727	-941	1,374	3,488

### Valuation Ratios

	FY19	FY20E	FY21E	FY22E
<b>Per Share data</b>				
EPS (INR)	46.0	36.6	41.3	52.5
Growth, %	32.3	(20.5)	12.9	27.1
Book NAV/share (INR)	201.7	197.5	223.6	260.8
FDEPS (INR)	46.0	36.6	41.3	52.5
CEPS (INR)	56.0	53.2	58.6	71.2
CFPS (INR)	38.7	83.2	51.8	54.3
DPS (INR)	33.0	8.0	13.0	13.0
<b>Return ratios</b>				
Return on assets (%)	19.1	14.2	14.3	16.1
Return on equity (%)	22.8	18.5	18.5	20.1
Return on capital employed (%)	24.9	17.9	17.9	19.9
<b>Turnover ratios</b>				
Asset turnover (x)	3.4	3.6	3.6	3.7
Sales/Total assets (x)	1.8	1.7	1.6	1.6
Sales/Net FA (x)	7.2	6.0	4.9	5.2
Working capital/Sales (x)	0.1	0.1	0.1	0.1
Receivable days	69.4	66.3	66.0	66.8
Payable days	13.1	13.0	13.1	13.3
Working capital days	54.1	44.0	44.1	45.9
<b>Liquidity ratios</b>				
Current ratio (x)	2.5	2.1	2.2	2.6
Quick ratio (x)	2.5	2.1	2.2	2.6
Dividend cover (x)	1.4	4.6	3.2	4.0
Total debt/Equity (%)	0.0	-	-	-
Net debt/Equity (%)	(7.7)	(5.0)	(8.2)	(15.2)
<b>Valuation</b>				
PER (x)	16.8	21.1	18.7	14.7
PEG (x) - y-o-y growth	0.5	(1.0)	1.5	0.5
Price/Book (x)	3.8	3.9	3.5	3.0
Yield (%)	4.3	1.0	1.7	1.7
EV/Net sales (x)	1.8	1.6	1.6	1.4
EV/EBITDA (x)	11.7	12.1	10.9	8.7
EV/EBIT (x)	13.8	16.5	14.5	11.1

## Financials - Cyient

### Income Statement

Y/E Mar, Rs mn	FY19	FY20E	FY21E	FY22E
<b>Net sales</b>	<b>46,175</b>	<b>44,734</b>	<b>44,232</b>	<b>47,574</b>
Growth, %	18	-3	-1	8
Employee expenses	-24,052	-23,913	-23,568	-25,293
Other Operating expenses	-15,679	-14,596	-14,036	-14,962
<b>EBITDA (Core)</b>	<b>6,444</b>	<b>6,225</b>	<b>6,628</b>	<b>7,320</b>
Growth, %	17.3	(3.4)	6.5	10.4
Margin, %	14.0	13.9	15.0	15.4
Depreciation	-1,113	-1,868	-2,026	-2,156
<b>EBIT</b>	<b>5,331</b>	<b>4,356</b>	<b>4,602</b>	<b>5,164</b>
Growth, %	20.0	(18.3)	5.6	12.2
Margin, %	11.5	9.7	10.4	10.9
Forex gains/losses	-362	-549	-639	-599
Other Non-Operating Income	1,340	1,588	1,133	1,229
<b>Pre-tax profit</b>	<b>6,309</b>	<b>5,396</b>	<b>5,096</b>	<b>5,794</b>
Tax provided	-1,427	-1,234	-1,198	-1,391
Exceptional item	0	0	0	0
<b>Profit after tax</b>	<b>4,882</b>	<b>4,162</b>	<b>3,898</b>	<b>4,403</b>
Others (Minorities, Associates)	4	2	0	0
<b>Net Profit</b>	<b>4,886</b>	<b>4,164</b>	<b>3,898</b>	<b>4,403</b>
Growth, %	13.9	(14.8)	(6.4)	13.0
<b>Net Profit (adjusted)</b>	<b>4,886</b>	<b>4,164</b>	<b>3,898</b>	<b>4,403</b>
Wtd avg shares (m)	110	110	110	110

	FY19	FY20E	FY21E	FY22E
<b>Total US\$ Revenue (\$ mn)</b>	<b>660</b>	<b>634</b>	<b>623</b>	<b>661</b>
Growth, %	8.7	-4.0	-1.7	6.1
Re / US\$ (rate)	70.0	70.6	71.0	72.0

### Balance Sheet

Y/E Mar, Rs mn	FY19	FY20E	FY21E	FY22E
Cash & bank	9,705	9,164	9,698	10,920
Debtors	8,137	8,588	8,596	9,266
Inventory	1,833	1,840	1,842	1,985
Other current assets	5,900	4,907	4,912	5,295
Total current assets	25,575	24,499	25,048	27,466
Investments	545	1,329	2,129	2,129
Net fixed assets	10,820	14,411	15,011	15,611
Non-current assets	1,658	1,840	1,842	1,985
<b>Total assets</b>	<b>38,892</b>	<b>42,584</b>	<b>44,535</b>	<b>47,697</b>
Current liabilities	9,182	10,377	10,384	10,951
Provisions	1,870	1,830	1,820	1,955
Total current liabilities	11,052	12,206	12,204	12,906
Non-current liabilities	2,218	3,869	3,469	3,069
Total liabilities	13,270	16,075	15,673	15,975
Paid-up capital	552	550	550	550
Reserves & surplus	25,070	25,959	28,313	31,171
Shareholders' equity	25,622	26,509	28,863	31,721
<b>Total equity &amp; liabilities</b>	<b>38,892</b>	<b>42,584</b>	<b>44,535</b>	<b>47,697</b>

Source: Company, PhillipCapital India Research Estimates

### Cash Flow

Y/E Mar, Rs mn	FY19	FY20E	FY21E	FY22E
Pre-tax profit	6,309	5,396	5,096	5,794
Depreciation	1,113	1,868	2,026	2,156
Chg in working capital	-1,715	1,507	-19	-637
Total tax paid	-1,351	-1,472	-1,198	-1,391
<b>Cash flow from operating activities</b>	<b>4,356</b>	<b>7,299</b>	<b>5,905</b>	<b>5,922</b>
Capital expenditure	-3,443	-5,459	-2,626	-2,756
Chg in investments	883	-784	-800	0
<b>Cash flow from investing activities</b>	<b>-2,560</b>	<b>-6,243</b>	<b>-3,426</b>	<b>-2,756</b>
Free cash flow	1,796	1,056	2,479	3,167
Equity raised/(repaid)	-11	-2	0	0
Debt raised/(repaid)	804	1,678	-400	-400
Dividend (incl. tax)	-1,952	-1,544	-1,544	-1,544
Other financing activities	-743	-1,731	0	0
<b>Cash flow from financing activities</b>	<b>-1,898</b>	<b>-1,597</b>	<b>-1,944</b>	<b>-1,944</b>
Net chg in cash	-102	-541	535	1,222

### Valuation Ratios

	FY19	FY20E	FY21E	FY22E
<b>Per Share data</b>				
EPS (INR)	44.3	37.9	35.4	40.0
Growth, %	16.0	(14.5)	(6.4)	13.0
Book NAV/share (INR)	232.1	241.0	262.4	288.4
CFPS (INR)	23.2	44.8	43.4	44.0
DPS (INR)	15.1	12.0	12.0	12.0
<b>Return ratios</b>				
Return on assets (%)	13.9	11.0	9.8	10.3
Return on equity (%)	19.1	15.7	13.5	13.9
Return on capital employed (%)	18.2	14.5	12.9	13.4
<b>Turnover ratios</b>				
Asset turnover (x)	2.7	2.1	1.9	2.0
Sales/Total assets (x)	1.3	1.1	1.0	1.0
Sales/Net FA (x)	4.8	3.5	3.0	3.1
Working capital/Sales (x)	0.1	0.1	0.1	0.1
Receivable days	64.3	70.1	70.9	71.1
Inventory days	14.5	15.0	15.2	15.2
Payable days	34.1	37.1	38.1	38.3
Working capital days	52.9	40.5	41.0	42.9
<b>Liquidity ratios</b>				
Current ratio (x)	2.8	2.4	2.4	2.5
Quick ratio (x)	2.6	2.2	2.2	2.3
Interest cover (x)	14.7	7.9	7.2	8.6
Dividend cover (x)	2.9	3.2	3.0	3.3
Total debt/Equity (%)	15.4	24.9	21.4	18.3
Net debt/Equity (%)	(24.6)	(14.7)	(19.5)	(22.9)
<b>Valuation</b>				
PER (x)	4.9	5.7	6.1	5.4
PEG (x) - y-o-y growth	0.3	(0.4)	(1.0)	0.4
Price/Book (x)	0.9	0.9	0.8	0.7
Yield (%)	7.0	5.6	5.6	5.6
EV/Net sales (x)	0.4	0.5	0.5	0.4
EV/EBITDA (x)	2.8	3.4	3.1	2.5
EV/EBIT (x)	3.4	4.9	4.4	3.6

## Financials – NIIT Tech

### Income Statement

Y/E Mar, Rs mn	FY19	FY20E	FY21E	FY22E
<b>Net sales</b>	<b>36,762</b>	<b>41,592</b>	<b>41,986</b>	<b>47,714</b>
Growth, %	22.9	13.1	0.9	13.6
Employee expenses	-23,907	-27,377	-28,037	-31,527
Other Operating expenses	-6,402	-7,021	-6,215	-7,099
<b>EBITDA (Core)</b>	<b>6,453</b>	<b>7,194</b>	<b>7,734</b>	<b>9,088</b>
Growth, %	28.8	11.5	7.5	17.5
Margin, %	17.6	17.3	18.4	19.0
Depreciation	-1,248	-1,746	-1,800	-1,884
<b>EBIT</b>	<b>5,205</b>	<b>5,448</b>	<b>5,935</b>	<b>7,204</b>
Growth, %	39.2	4.7	8.9	21.4
Margin, %	14.2	13.1	14.1	15.1
Interest paid	0	0	0	0
Other Non-Operating Income	476	495	533	570
Exceptional Item	-56	57	0	0
<b>Pre-tax profit</b>	<b>5,625</b>	<b>5,999</b>	<b>6,468</b>	<b>7,774</b>
Tax provided	-1,404	-1,323	-1,552	-1,866
<b>Profit after tax</b>	<b>4,221</b>	<b>4,677</b>	<b>4,916</b>	<b>5,908</b>
Others (Minorities, Associates)	-188	-189	-226	-272
<b>Net Profit</b>	<b>4,033</b>	<b>4,488</b>	<b>4,690</b>	<b>5,636</b>
Growth, %	45.9	8.4	5.8	20.2
<b>Net Profit (adjusted)</b>	<b>4,089</b>	<b>4,431</b>	<b>4,690</b>	<b>5,636</b>
Wtd avg shares (m)	62	62	62	62

### Assumptions

	FY19	FY20E	FY21E	FY22E
<b>US\$ Revenue (\$ mn)</b>	<b>528</b>	<b>591</b>	<b>591</b>	<b>663</b>
Growth, %	13.9	12.0	0.0	12.1
Re / US\$ (rate)	69.6	70.3	71.0	72.0

### Balance Sheet

Y/E Mar, Rs mn	FY19	FY20E	FY21E	FY22E
Cash & bank	9,695	10,523	14,081	18,256
Marketable securities at cost	0	0	0	0
Debtors	6,189	7,407	7,477	8,497
Inventory	52	52	52	52
Other current assets	1,282	885	609	671
Total current assets	19,312	21,349	25,009	30,675
Investments	2,301	2,301	2,301	2,301
Net fixed assets	3,646	6,953	6,353	5,669
Non-current assets	0	0	0	0
<b>Total assets</b>	<b>26,385</b>	<b>31,877</b>	<b>34,938</b>	<b>39,919</b>
Total current liabilities	5,453	7,068	7,038	7,937
Non-current liabilities	134	210	210	210
Total liabilities	5,587	7,278	7,248	8,147
Paid-up capital	618	625	625	625
Reserves & surplus	20,105	23,917	26,781	30,592
Minorities	75	57	283	555
Shareholders' equity	20,798	24,599	27,689	31,772
<b>Total equity &amp; liabilities</b>	<b>26,385</b>	<b>31,877</b>	<b>34,938</b>	<b>39,919</b>

### Cash Flow

Y/E Mar, Rs mn	FY19	FY20E	FY21E	FY22E
Pre-tax profit	5,625	5,999	6,468	7,774
Depreciation	1,248	1,746	1,800	1,884
Chg in working capital	-667	407	-133	-592
Total tax paid	-1,299	-1,472	-1,552	-1,866
Other operating activities	56	-57	0	0
<b>Cash flow from operating activities</b>	<b>4,963</b>	<b>6,624</b>	<b>6,583</b>	<b>7,200</b>
Capital expenditure	-681	-5,053	-1,200	-1,200
Chg in investments	0	0	0	0
Chg in marketable securities	0	0	0	0
Other investing activities	0	0	0	0
<b>Cash flow from investing activities</b>	<b>-681</b>	<b>-5,053</b>	<b>-1,200</b>	<b>-1,200</b>
Free cash flow	4,282	1,571	5,383	6,000
Equity raised/(repaid)	3	7	0	0
Debt raised/(repaid)	-90	76	0	0
Dividend (incl. tax)	0	-1,818	-1,825	-1,825
Other financing activities	-1,110	1,199	0	0
<b>Cash flow from financing activities</b>	<b>-1,532</b>	<b>-743</b>	<b>-1,825</b>	<b>-1,825</b>
<b>Net chg in cash</b>	<b>2,750</b>	<b>828</b>	<b>3,558</b>	<b>4,175</b>

### Valuation Ratios

	FY19	FY20E	FY21E	FY22E
<b>Per Share data</b>				
EPS (INR)	66.2	71.2	75.2	90.3
Growth, %	44.7	7.5	5.5	20.2
Book NAV/share (INR)	335.6	394.4	439.2	500.3
CFPS (INR)	71.8	99.4	96.9	106.3
DPS (INR)	-	25.0	25.0	25.0
<b>Return ratios</b>				
Return on assets (%)	17.0	16.1	14.7	15.8
Return on equity (%)	19.7	18.1	17.1	18.1
Return on capital employed (%)	20.2	19.1	17.5	18.6
<b>Turnover ratios</b>				
Asset turnover (x)	4.0	3.8	3.4	4.0
Sales/Total assets (x)	1.5	1.4	1.3	1.3
Sales/Net FA (x)	9.4	7.8	6.3	7.9
Working capital/Sales (x)	0.2	0.1	0.1	0.1
Receivable days	61.4	65.0	65.0	65.0
<b>Liquidity ratios</b>				
Current ratio (x)	4.7	4.0	4.7	5.2
Quick ratio (x)	4.7	4.0	4.7	5.1
Dividend cover (x)	-	2.9	3.0	3.6
Total debt/Equity (%)	0.6	0.9	0.8	0.7
Net debt/Equity (%)	(46.1)	(42.0)	(50.6)	(57.8)
<b>Valuation</b>				
PER (x)	15.4	14.3	13.6	11.3
PEG (x) - y-o-y growth	0.3	1.9	2.5	0.6
Price/Book (x)	3.0	2.6	2.3	2.0
Yield (%)	-	2.4	2.5	-
EV/Net sales (x)	1.5	1.3	1.2	1.0
EV/EBITDA (x)	8.3	7.4	6.4	5.0
EV/EBIT (x)	10.3	9.8	8.4	6.3

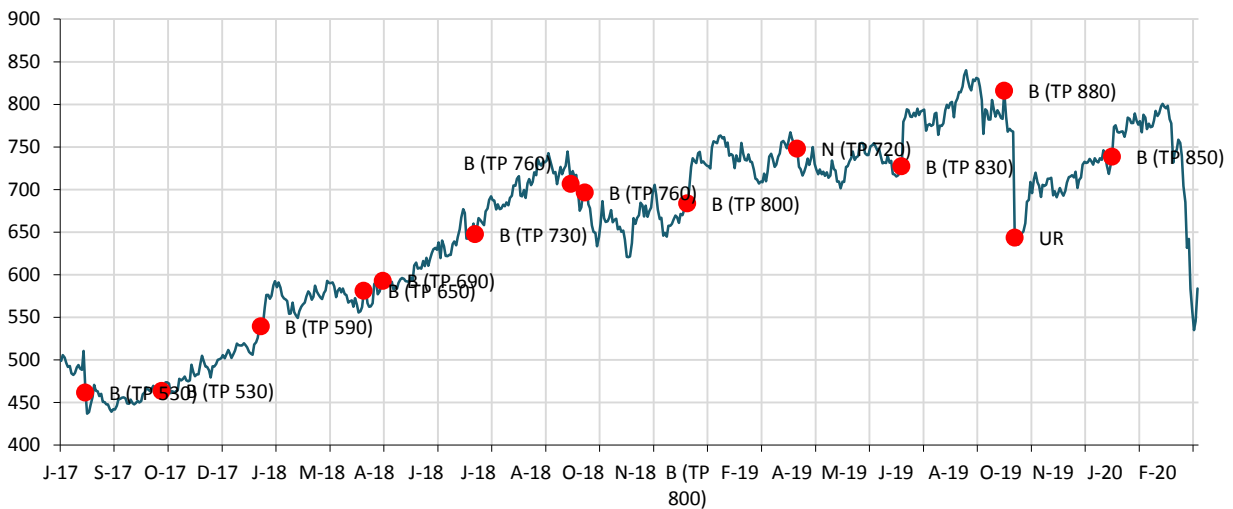
Source: Company, PhillipCapital India Research Estimates



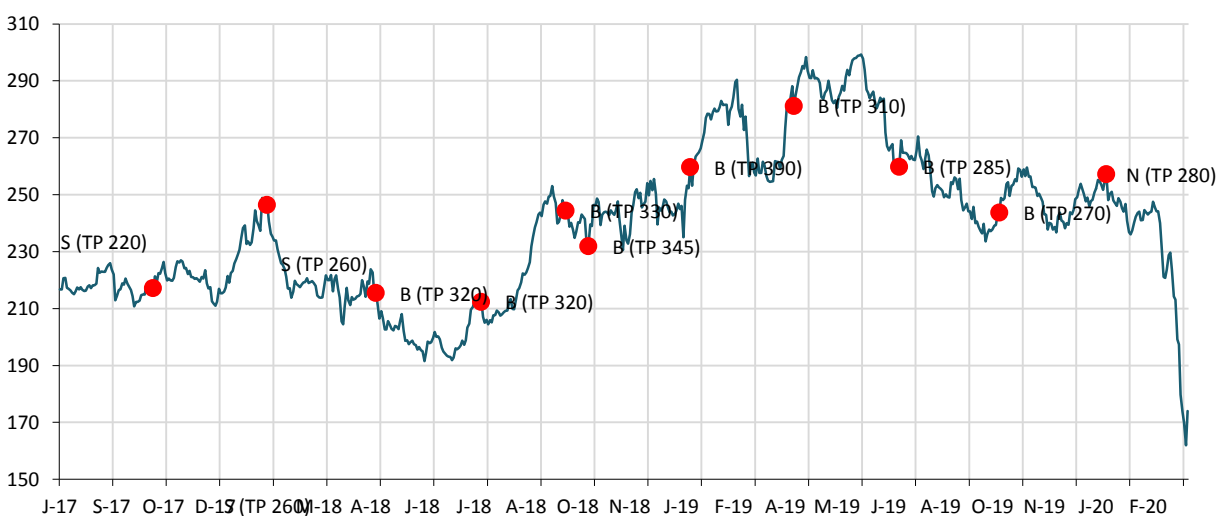
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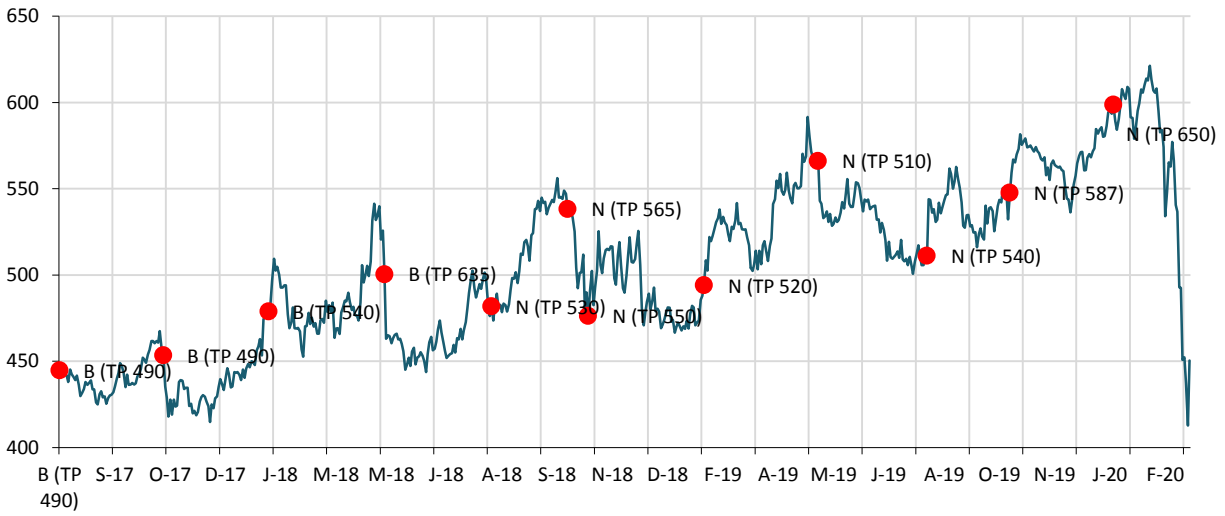
### Stock Price, Price Target and Rating History (Infosys)



### Stock Price, Price Target and Rating History (Wipro)



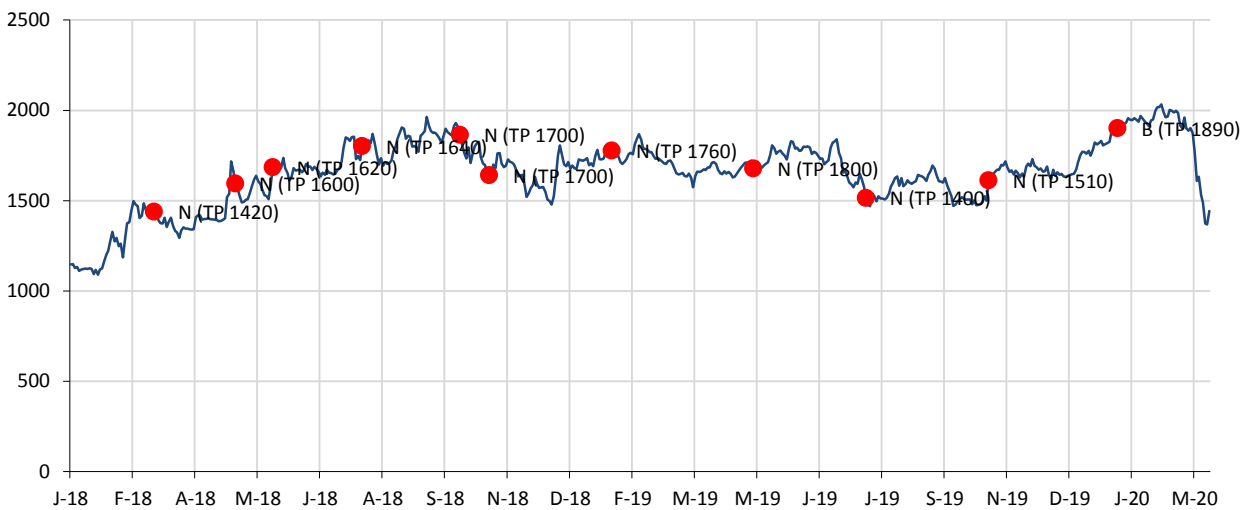
**Stock Price, Price Target and Rating History (HCL)**



**Stock Price, Price Target and Rating History (Tech Mahindra)**



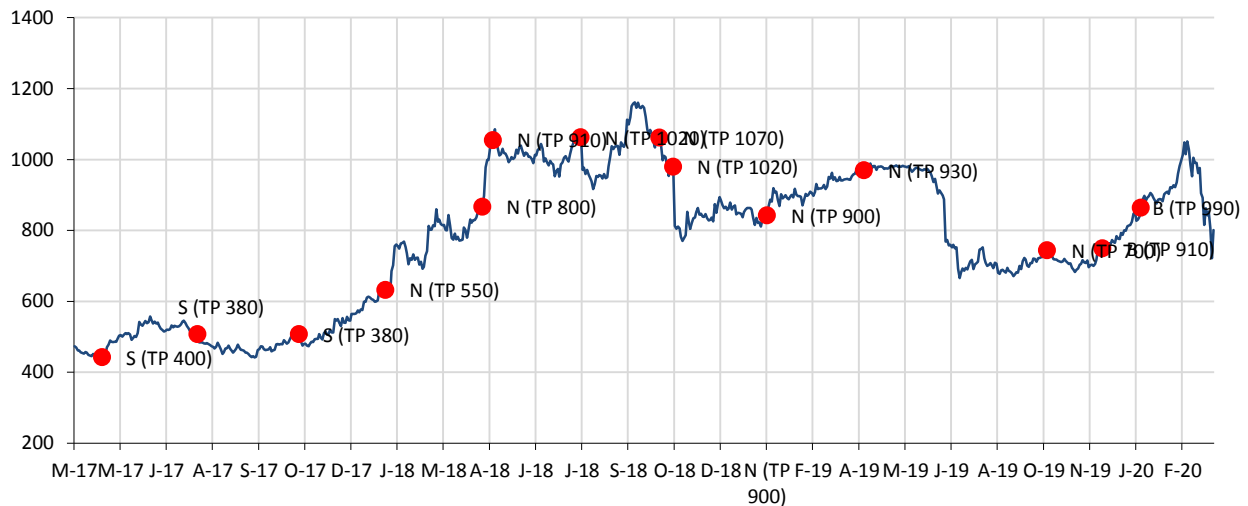
**Stock Price, Price Target and Rating History (LTI)**



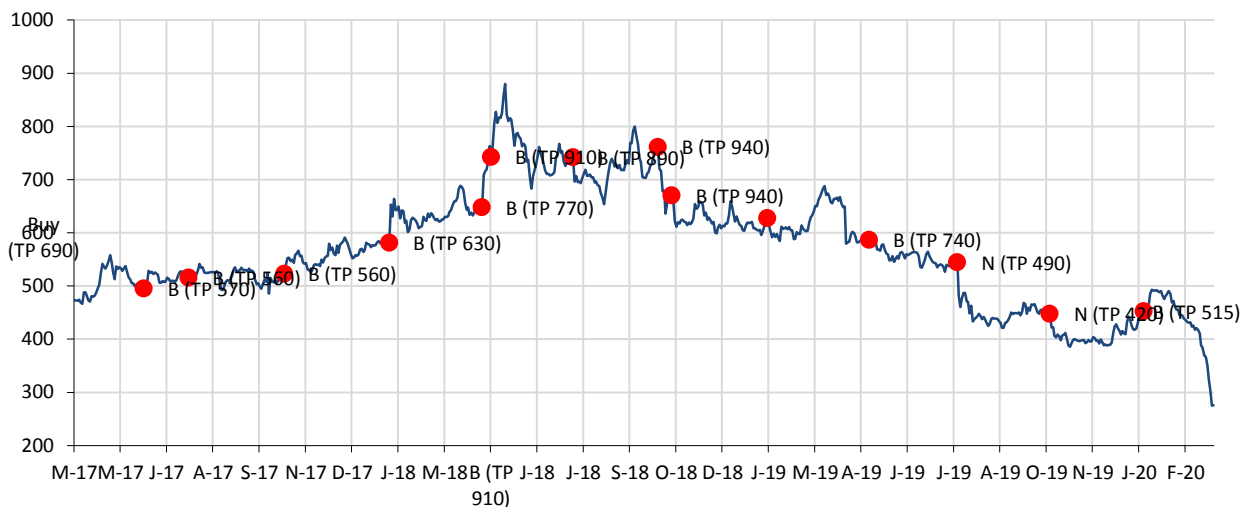
**Stock Price, Price Target and Rating History (LTTS)**



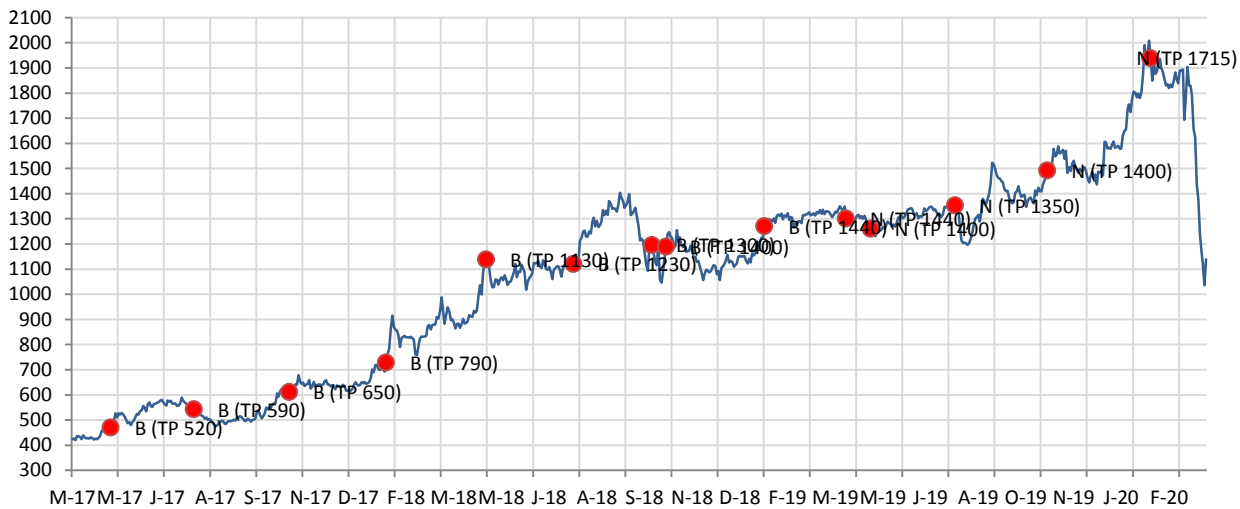
**Stock Price, Price Target and Rating History (Mindtree)**



**Stock Price, Price Target and Rating History (Cyient)**



## Stock Price, Price Target and Rating History (NIIT Tech)



## Rating Methodology

We rate stock on absolute return basis. Our target price for the stocks has an investment horizon of one year. We have different threshold for large market capitalisation stock and Mid/small market capitalisation stock. The categorisation of stock based on market capitalisation is as per the SEBI requirement.

### Large cap stocks

Rating	Criteria	Definition
BUY	$\geq +10\%$	Target price is equal to or more than 10% of current market price
NEUTRAL	$-10\% > \text{to} < +10\%$	Target price is less than +10% but more than -10%
SELL	$\leq -10\%$	Target price is less than or equal to -10%.

### Mid cap and Small cap stocks

Rating	Criteria	Definition
BUY	$\geq +15\%$	Target price is equal to or more than 15% of current market price
NEUTRAL	$-15\% > \text{to} < +15\%$	Target price is less than +15% but more than -15%
SELL	$\leq -15\%$	Target price is less than or equal to -15%.

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