

# Wipro

21 January 2019

Reuters: WIPR.BO; Bloomberg: WPRO IN

## Muted Revenue Guidance; First Tier-1 Firm To Hint At Macro Challenges

Wipro IT services witnessed QoQ growth of 2.4% in CC terms in 3QFY19 at the high end of its 1%-3% guidance. YoY growth was 7% in CC terms. QoQ growth was driven by BFSI and ENU verticals (5.3% and 4.6%, respectively). YoY growth was driven by BFSI (17.5%), ENU and Consumer (~10% each) verticals. We believe Aight Solutions-related revenues (two extra months), likely classified under BFSI, contributed bulk of the incremental QoQ growth. Technology, Manufacturing and Healthcare verticals have been laggards. The 4.2% decline QoQ in Technology has been explained as seasonality. However, a look at past records indicates that the effect is more severe this year and the problems could be beyond seasonal aspects. Growth was also strong in its top clients (Top 10 grew 14% in YoY CC terms) and in digital (35.4% YoY growth). EBIT margin at 19.8% (in IT services) was a positive surprise against our estimate of ~18.5%. Wipro was able to cross the band of 19% EBIT margin in IT services after 10 quarters. The margin expansion was driven by: (1) Improvement in SG&A expenses which stood at 11.9% of revenues in 3QFY19 against 14.2% in 2QFY19. This was largely driven by one-off reversal of a doubtful debt write-off. (2) Saving in efforts by increasing automation in fixed-price projects. (3) 60bps sequential gains from currency movement. Decent revenue growth and positive margin expansion point to good execution of the six-themed strategy of the CEO, Mr. Abid Neemuchwala. But this comes at the end of his third year as CEO and possibly comes a bit late in the global economic upcycle. We are saying this because of muted growth guidance for 4QFY19 (0%-2%) which been impacted by: (1) Deteriorating macro. (2) Likely talent-related challenges in execution. (3) Company-specific issues revolving around HPS, Manufacturing and Indian operations. Wipro is the first Tier-1 company in our coverage which has explicitly called out likely challenges from US/UK macro in this cycle. Both, Mr. Neemuchwala and his predecessor, have been unable to match industry growth even once in the past eight years because of either sector or company-specific reasons and we believe this situation will continue for a while. Also, headwinds of talent crunch, increase in salaries, continued investments, a more localised workforce with likely higher bench costs will impact margins negatively in 4QFY19 on a QoQ basis. Post 3QFY19, we have lowered our IT services revenue estimates for FY20/FY21 a tad because of reclassification of India state-run enterprise business. We have, however, tweaked margins higher (on automation benefits) and hence our EPS estimates move up a tad. We retain our Sell rating on Wipro with a target price of Rs277 (using 11.6x target P/E based on September 2020E EPS, 30% discount to target P/E assigned to TCS). Our Sell rating on Wipro is explained by our estimate of a no-growth year in FY21 for the sector as we expect global spending to soften. We believe our target P/E multiple is justified on the basis that Wipro has lagged on organic growth and also on return ratios versus TCS.

**Cautious 4QFY19 guidance:** Despite good order booking, Wipro gave muted guidance of 0%-2% sequential growth in CC terms. This is based on risks like: (1) Macro uncertainties both in the US and UK. (2) Likely weakening of HPS because of 10% lower enrolment in 3QFY19, YoY. (3) restructured India business unlikely to gain traction in the near term. (4) Possible demand fulfilment-related problems as onsite talent situation turns tighter. The management did not commit to a target margin for 4QFY19, but indicated that some negative impact because of salary hikes and normalisation of one-off on the SG&A expenses side is likely. Hence, the outlook for 4QFY19 remains subdued in terms of both growth and margins.

**Automation remains a key margin lever:** Compared to 3% of savings in efforts on RTB in 2QFY19, Wipro indicated 6.7% was saved in 3QFY19. It sees opportunity to grow this number to 10%-15%. This efficiency because of automation is driven by BOTs used in fixed-price projects.

Y/E March (Rsmn)	3QFY18	2QFY19	3QFY19	YoY (%)	QoQ (%)	3QFY19E	Dev (%)
IT Services Revenue (USD mn)	2,014	2,041	2,047	1.6	0.3	2,041	0.3
Net Sales	136,690	145,410	150,595	10.2	3.6	153,011	(1.6)
Employee Costs	95,976	101,770	103,971	8.3	2.2	104,823	(0.8)
% of Sales	70.2	70.0	69.0	-	-	68.5	-
Other Expenditure	21,064	24,510	18,867	(10.4)	(23.0)	20,084	(6.1)
% of Sales	15.4	16.9	12.5	-	-	13.1	-
Forex Gain / (Loss)	125	1,217	911	-	(25.1)	0	-
Other Operating Income	0	269	0	-	-	0	-
EBIT	19,775	20,616	28,668	45.0	39.1	28,105	2.0
EBIT Margin (%)	14.5	14.2	19.0	-	-	18.4	-
Other Income	4,939	3,587	3,742	(24.2)	4.3	4,239	(11.7)
PBT	24,714	24,203	32,410	31.1	33.9	32,343	0.2
Provision for Tax	5,355	5,347	6,966	30.1	30.3	7,183	(3.0)
Effective Tax Rate (%)	21.7	22.1	21.5	-	-	22.2	-
Minority share in Profit / Loss	12	33	(341)	-	-	33	-
PAT (Reported)	19,371	18,889	25,103	29.6	32.9	25,194	(0.4)
NPM (%)	14.2	13.0	16.7	-	-	16.5	-

Source: Company, Nirmal Bang Institutional Equities Research

## SELL

Sector: Information Technology

CMP: Rs347

Target Price: Rs277

Downside: 20%

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### Key Data

Current Shares O/S (mn)	4,525.1
Mkt Cap (Rsbn/US\$bn)	1,566.4/22.0
52 Wk H / L (Rs)	348/254
Daily Vol. (3M NSE Avg.)	4,381,681

### Price Performance (%)

	1 M	6 M	1 Yr
Wipro	7.5	22.3	5.2
Nifty Index	1.4	(0.9)	0.1

Source: Bloomberg

## Exhibit 1: Key financials

Y/E March (Rsbn)	FY17	FY18	FY19E	FY20E	FY21E
Revenue (Rsbn)	550	545	585	639	643
YoY Growth (%)	7.0	(1.0)	7.4	9.3	0.6
EBIT (Rsbn)	94	84	99	117	115
EBIT (%)	17.1	15.5	17.0	18.3	17.8
Adj. PAT (Rsbn)	85	80	90	107	109
YoY Growth (%)	(4.6)	(5.7)	11.9	19.7	1.8
FDEPS (Rs)	17.5	16.8	19.9	23.8	24.2
RoE (%)	17.1	15.9	17.0	17.9	16.6
RoCE (%)	14.4	12.7	14.9	16.3	14.8
RoIC (%)	28.8	24.5	29.2	35.4	35.8
P/E (x)	19.8	20.6	17.4	14.6	14.3
P/BV (x)	3.0	3.2	2.7	2.5	2.3

Source: Company, Nirmal Bang Institutional Equities Research

## Exhibit 2: Change in our estimates

Change in estimates	New			Old			Change (%)		
	FY19E	FY20E	FY21E	FY19E	FY20E	FY21E	FY19E	FY20E	FY21E
INR/USD	70.0	72.0	74.5	70.1	72.0	74.5	(0.2)	-	-
IT Services USD Revenue (USDmn)	8,191	8,667	8,430	8,299	8,795	8,533	(1.3)	(1.4)	(1.2)
Revenue (Rsbn)	585	639	643	591	643	645	(1.0)	(0.5)	(0.3)
EBIT (Rsbn)	99	117	115	99	111	113	0.2	5.4	1.8
EBIT Margin (%)	17.0	18.3	17.8	16.8	17.3	17.5	-	-	-
PAT (Rsbn)	90	107	109	90	102	107	(0.5)	4.8	2.3
FDEPS (Rs)	19.9	23.8	24.2	20.0	22.7	23.7	(0.5)	4.7	2.2

Source: Company, Nirmal Bang Institutional Equities Research

**View on Indian IT services sector:** We downgraded the Indian IT sector (see our report: [Street Is Not Factoring Even A Soft Landing; We Downgrade](#)) on 27 December 2018 based on: (1) Consensus not factoring in significantly softer growth in FY21 as the best demand environment since 2008-09 is largely behind us with corporate capex in both the US and Europe likely to have peaked in 2018. (2) The US BFSI space could witness pressure on margins from a flattened/inverted yield curve and probably a more hostile regulatory environment through a split Congress in the US. (3) Pressure on cost structure because of tariffs levied on imports from China impacting US manufacturers. (4) Front-office capabilities in digital still elusive for Indian IT services players, leading to inability to tap into the marketing budgets of customers in a material way. The focus has been on the technology-intensive back-end of digital where we believe the field is relatively more crowded. (5) 'Automation at scale' in legacy services eating into growth coming in from new services. This is driven by explosive growth in both intelligent and robotic process automation software industry. (6) Factoring in lower INR depreciation benefits than estimated earlier (Refer: [Incorporating New INR Estimate](#)). (7) Capital return to shareholders not being as potent a stock driver as it was earlier as the cash hoard is shrinking after two to three rounds of buyback over the past three years. (8) Talent pressure in the US in new-age services because of a tighter H1-B visa regime. We were planning the downgrade a quarter or two down the road, but the global macro set-up has turned weaker far more quickly than we anticipated, hastening this move. While some of the 'relative' factors - investor positioning, valuation, earnings revision momentum - partly the reasons for turning 'tactically positive in March 2018 - still exist, we believe they are unlikely to carry as much importance with investors as deteriorating fundamentals would over FY19-FY21. While many of our competitors are expecting a better FY20 versus FY19, we believe that is unlikely. We probably had the best macro environment that the industry has seen in the past 10 years in 2018 and incrementally we only see a deterioration which should crimp spending by customers. More importantly, we reiterate our no-industry-growth-in-FY21 call initiated in March 2018. We base this scenario on an explicit expectation of a soft landing in the US (0%-1.5% real GDP growth) in 2020. We believe consensus is expecting mid-high single-digit revenue growth in FY21 for the industry, implicitly assuming continued robust growth in the US (2%-2.5%). It is our belief that the street will converge with our no-growth expectations over time. Until the market prices in this scenario, we believe technical factors are not likely to hold the sector up. A hard landing (recession) - not our current base case - could lead to single-digit negative growth for the sector. Just as outperformance of the sector in 2018 was driven largely by P/E multiple expansion in the belief that growth is going to accelerate, we believe the downside in 2019 will be driven by P/E multiple deflation as investors begin to re-calibrate growth expectations lower over FY19-FY21. We prefer large-caps over mid-caps. The faster growth shown by select mid-caps is a case of 'rising tide lifting all boats', a smaller base and lower exposure to legacy services. But as digital demand shifts from the front to back, we believe that traditional large Indian companies will be in a better position to capture the market. We would advise investors to focus on sustainability and not overpay for a riskier business model - some companies have seen client concentration rising over the past two years.

### Exhibit 3: Vertical-based USD QoQ and YoY revenue growth in 3QFY19

Verticals	Contribution to Revenue (%)	Growth-QoQ(%)	Growth-YoY(%)
Communications	5.8	2.0	(7.9)
Finance Solutions	31.4	2.5	12.0
Manufacturing and Technology	21.1	(6.8)	(5.5)
Healthcare, Life sciences and Services	13.1	2.6	(4.9)
Consumer Business Unit	15.6	(4.0)	(0.9)
Energy, Natural Resources and Utilities	13.0	3.4	6.6
<b>Total</b>	<b>100.00</b>	<b>0.3</b>	<b>1.6</b>

Source: Company, Nirmal Bang Institutional Equities Research

### Exhibit 4: Practice-based USD QoQ and YoY revenue growth in 3QFY19

Practices	Contribution to Revenue	Growth-QoQ(%)	Growth-YoY(%)
Global Infrastructure services	25.0	(5.4)	(9.9)
Analytics and Information Management	7.6	(2.3)	10.4
Business Application Services	45.6	0.0	2.3
BPO	14.7	16.0	18.6
Product Engineering and Mobility	7.1	(2.5)	4.6
<b>Total</b>	<b>100.0</b>	<b>0.3</b>	<b>1.6</b>

Source: Company, Nirmal Bang Institutional Equities Research

### Exhibit 5: Geography-based USD QoQ and YoY revenue growth in 3QFY19

Geographies	Contribution to Revenue	Growth-QoQ(%)	Growth-YoY(%)
Americas	57.1	3.7	9.3
Europe	25.5	1.1	0.1
ROW	17.4	(0.1)	(0.2)
<b>Total</b>	<b>100</b>	<b>0.3</b>	<b>1.6</b>

Source: Company, Nirmal Bang Institutional Equities Research

### Exhibit 6: Vertical-based CC QoQ and YoY revenue growth in 3QFY19

Verticals	Contribution to Revenue (%)	Growth-QoQ(%)	Growth-YoY(%)
Communications	5.8	2.1	(3.2)
Finance Solutions	31.4	5.3	17.5
Manufacturing and Technology	21.1	(3.8)	(0.1)
Healthcare, Life sciences and Services	13.1	2.8	(4.1)
Consumer Business Unit	15.6	1.4	10.0
Energy, Natural Resources and Utilities	13.0	4.6	9.8
<b>Total</b>	<b>100.00</b>	<b>2.4</b>	<b>7.0</b>

Source: Company, Nirmal Bang Institutional Equities Research

### Exhibit 7: Geography-based CC QoQ and YoY revenue growth in 3QFY19

Geographies	Contribution to Revenue	Growth-QoQ(%)	Growth-YoY(%)
Americas	57.1	3.7	12.7
Europe	25.5	2.7	2.9
ROW	17.4	(2.3)	(3.2)
<b>Total</b>	<b>100.0</b>	<b>2.4</b>	<b>7.0</b>

Source: Company, Nirmal Bang Institutional Equities Research

## 3QFY19 result highlights and conference-call takeaways

- **Vertical overview:** Three out of seven verticals grew faster than the company in 3QFY19 (>2.4% QoQ in CC terms). These include BFSI, Energy Utilities and Health Business Unit which grew 5.3%/4.6%/2.8%, respectively. Healthcare & Life Sciences turned around from its negative -3% QoQ growth in 2QFY19 to 2.8% QoQ growth in 3QFY19.
- **Geographic overview:** In 3QFY19, Wipro witnessed stellar growth of 12.7% YoY and 3.7% QoQ in CC terms coming from Americas. Europe grew 2.7% QoQ and 2.9% YoY in CC terms. The company has stopped reporting the performance of APAC, India and Middle-Eastern businesses separately and clubbed them together in Rest of the World segment. This was done as Wipro had decided to carve out the India State-Run Enterprises (ISRE) in 3QFY19 as it felt that it had business momentum and characteristics which were very different from that of its global IT services business. The India business (largely IT services provided to private sector) will continue to remain slightly volatile as the restructuring and transformation is undertaken.
- **Communication business turning volatile:** In 3QFY19, this vertical posted subdued growth of 2.1% QoQ against a decent growth of 4.2% on QoQ basis in 2QFY19. In 2Q, the management had indicated a turnaround in this vertical backed by opportunities around 5G, digital transformation and new client acquisitions in a couple of new markets, but had also warned regarding patchy growth in the next few quarters. Similar to last quarter, YoY growth in Communication remains negative. It may take few more quarters before the growth gets back on smooth trajectory.
- **Softness in Technology vertical:** The management stated that there is some softness in Technology vertical, but still positive on it in the long run. The vertical experienced -4.2% QoQ decline in CC terms and muted growth of 0.1% YoY in 3QFY19. This was down from 1.8% CC growth QoQ in 2QFY19. The furlough impact was the maximum in Technology vertical, according to the management. However, our study of the past history of this vertical indicates that the decline of this magnitude cannot be explained purely through seasonality.
- **Strong Energy and Utilities vertical growth:** With respect to Energy business, the management stated that Wipro has been growing very well. The company witnessed double-digit growth last year and it has been able to win some significant engagements with existing customers and also been able to win new clients in Energy space. In 3QFY19, the vertical witnessed 4.6% QoQ and 9.8% YoY growth in CC terms, as compared to 4% QoQ growth in 2QFY19. The management has been able to turn around this vertical from 2QFY19 through continued investments and has created a moat for the company from volatile macro and crude oil prices. Hence, the company has become instrumental in modernising the application landscape for Utility clients. The management is positive regarding this vertical going forward, despite the volatile crude price.
- **Sub-contracting expenses decline:** At 16.7% of IT services revenues in 2QFY19, Wipro had among the highest sub-contracting expenses in the industry (Infosys and Tata Consultancy Services are in the 6%-8% band). But in 3QFY19, sub-contracting costs as a percentage of sales have reduced marginally and stood at 16%. This could be a deliberate strategy to keep onsite employee utilisation high under the stringent new visa regime. However, we believe that if Wipro does a good job of supply management, there is scope to eke out a few percentage points from this to enhance margins even more.

## Strategic direction given by the CEO

Mr. Abidali Neemuchwala, CEO of Wipro, provided the outcome of its detailed strategy. Key highlights are as follows:

1. **Digital** – The revenues from digital continue to grow strongly and increased 6.4% sequentially and 35.4% YoY in 3QFY19. It now contributes 33.2% to overall revenues against 31.4% in 2QFY19. The rising traction in digital is because of clients going for enterprise adoption of digital. In 3QFY19, the number of digitally-trained employees stood at 130,000 employees.
2. **Client mining** – The results have been quite robust across all buckets, despite a quarter with furloughs. In 3QFY19, top 10 clients grew 6.3% sequentially in constant currency terms and 14% YoY, and top 5 clients grew 9.7% sequentially and 19.1% YoY. 1/2/7 clients were added in the US\$100mn/US\$50 mn/US\$20mn plus buckets, respectively.

3. **Patents (non-linear growth):** In 3QFY19, the management stated that Wipro was granted 60 patents, taking the total number of patents granted to 2,113. Most of these are in the areas of new technologies such as data analytics, artificial intelligence, natural language processing, wireless technologies, virtual/augmented reality, etc.
4. **Hyper-automation:** In 3QFY19, the management stated that Wipro saved nearly 6.7% (up from 3% in 2QFY19) of efforts across all its fixed-price programs. Its fixed-price mix touched a new high of 59.8% in 3QFY19, up from 58.9% in 2QFY19. The automation initiatives helped improve its margins. Wipro indicated that on RTB projects based on current technologies, around 10%-15% of the work can be automated. As time passes by it feels the number can go up. Holmes is now being used in engagements with 350 clients and indicates widespread commercial acceptance of the product.
5. **Focus on localisation:** The management stated that Wipro has achieved high localisation level by having 62.6% of local employees in the US, up from 60% in 2QFY19. The localisation focus is there in all major markets. Wipro is leveraging its brand presence and deep relationships with campuses for achieving this kind of localisation level. This kind of planned localisation is a step towards dealing with the talent crunch prevalent in the industry.

### Wipro wins Aight Solutions deal

On 2 September 2018, Wipro announced that it won a 10-year engagement to provide services to Illinois-based Aight Solutions LLC, a health, wealth, HR and finance solutions company. Aight Solutions, which used to be the technology outsourcing business of HR and management consulting company Aon Hewitt, was acquired by private equity major Blackstone in 2017 and was rebranded an independent company.

Aight Solutions provides benefits administration and cloud-based HR and financial solutions to 1,400 clients serving 19mn employees and their 18mn family members. This deal will result in revenues of US\$1.5bn to US\$1.6bn for Wipro. This is Wipro's largest win to date. The previous largest was the ATCO deal won in 2014 sized at US\$1.1bn for a 10-year tenure.

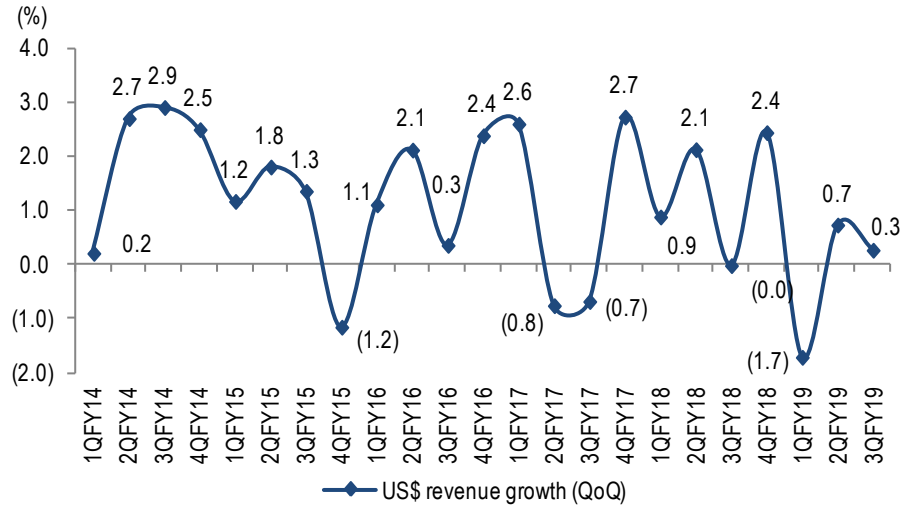
The Aight Solutions deal was initially flagged off on 20 July 2018 when 1QFY19 results were announced. Wipro stated that it would acquire India operations of Aight Solutions. This partnership was to accelerate investment in consumer-facing technologies and services across Aight Solutions' businesses by leveraging Wipro's strengths in automation, machine learning and data analytics. In the process, Wipro was to acquire and take on responsibility for the services delivered from Aight Solutions' captive operations in India. It has India centres at Gurugram, Noida, Mumbai and Chennai.

The enterprise value of the acquisition was indicated to be US\$117mn. The India operations of Aight Solutions apparently clocked revenues of ~US\$175mn in FY18. Around 9,000 employees will join Wipro from Aight Solutions. The deal has been consummated in 2QFY19 and revenues have started flowing in from September 2018. 3QFY19 quarter had two extra months of revenues and it seems as if that was the key driver of incremental growth QoQ.

### Miscellaneous

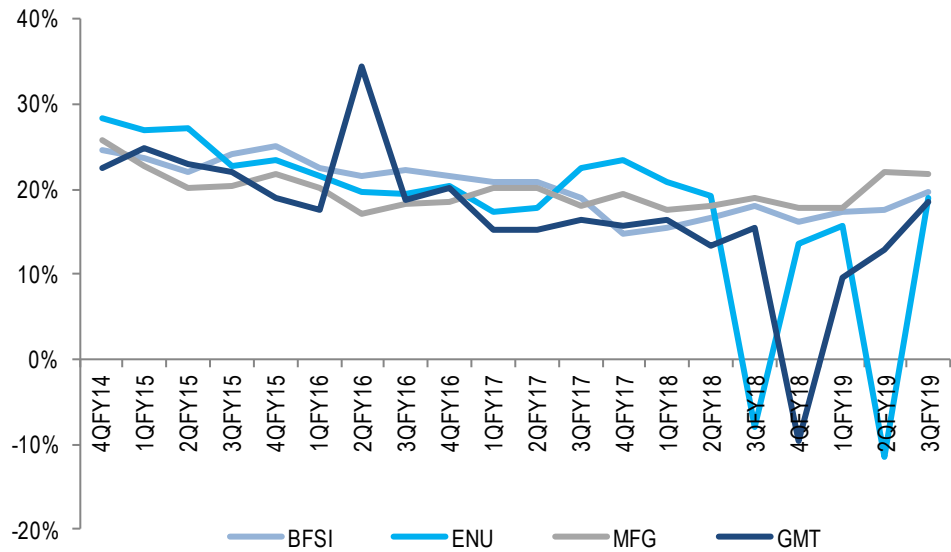
- Net employee utilisation rate (excluding trainees) decreased from 86% to 83.2% on QoQ basis.
- The voluntary quarterly annualised attrition rate declined 100bps to 17.5% in 3QFY19 from 18.5% in 2QFY19.
- Wipro was placed in the leaders' quadrant in 200 out of 300 research reports indicating capabilities in Digital, Artificial Intelligence, Business Transformation and Data Analytics.
- Wipro declared an interim dividend of Re1 (US\$0.011) per equity share/ADS.
- Wipro's board of directors recommended issue of bonus shares to shareholders (including stock dividend to ADS holders) in the ratio of 1:3 (one equity share for every three equity shares held).
- The much-awaited next round of stock buyback has not been announced yet, as Wipro says that it will have to wait for regulatory clearance of the merger of its subsidiaries before such a step can be taken. This will indeed support the stock price.
- Impact from write-back of bad-debt provisions during the quarter was likely ~Rs1.7bn.
- Operating cash flow for the quarter was 142% of net income, indicating significant improvement in handling of the balance sheet, especially on unbilled revenues in the past few quarters.

**Exhibit 8: USD revenue growth (QoQ) picture**



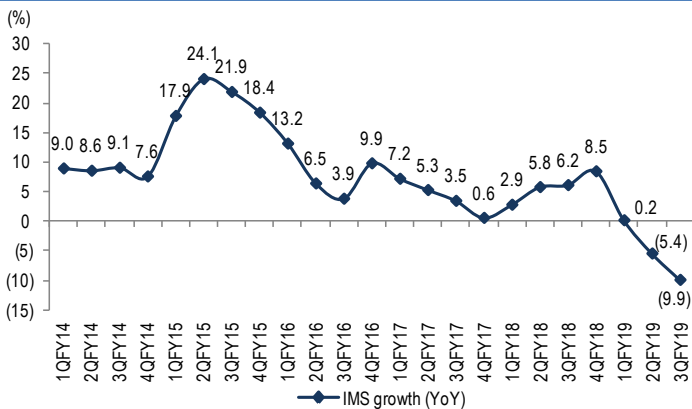
Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 9: Performance of segmental EBIT margins of key verticals**



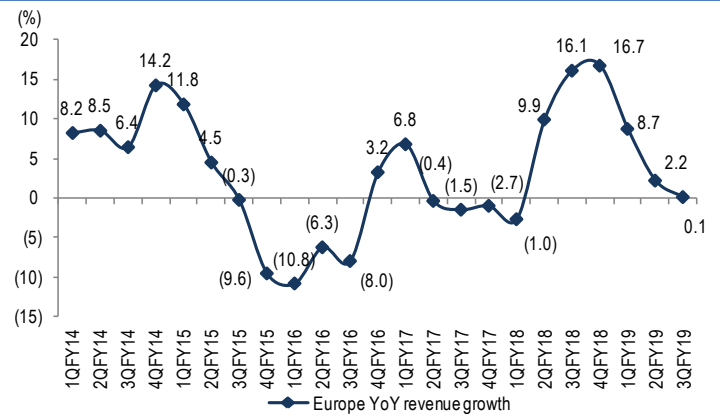
Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 10: YoY growth in IMS revenues (USD terms) has declined**



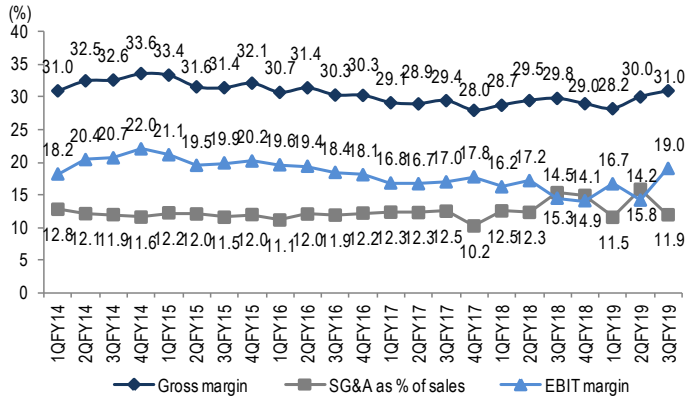
Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 11: YoY Europe revenue growth (USD terms) has declined further**



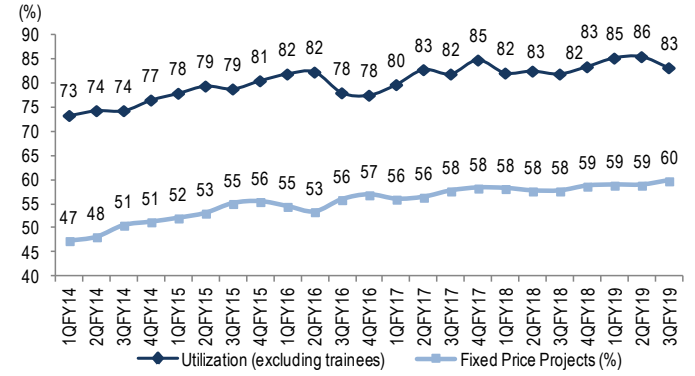
Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 12: SG&A expenses decrease on QoQ basis**



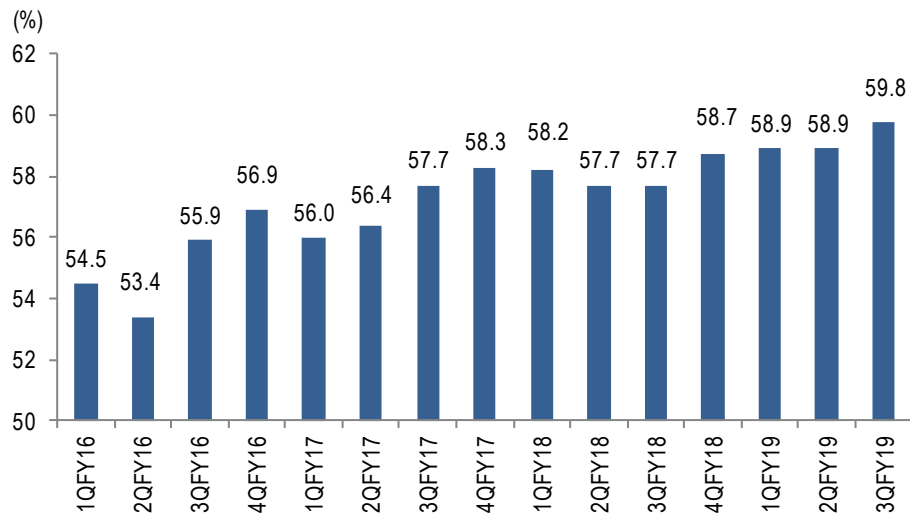
Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 13: Staff utilisation (ex-trainees) declines from its peak**



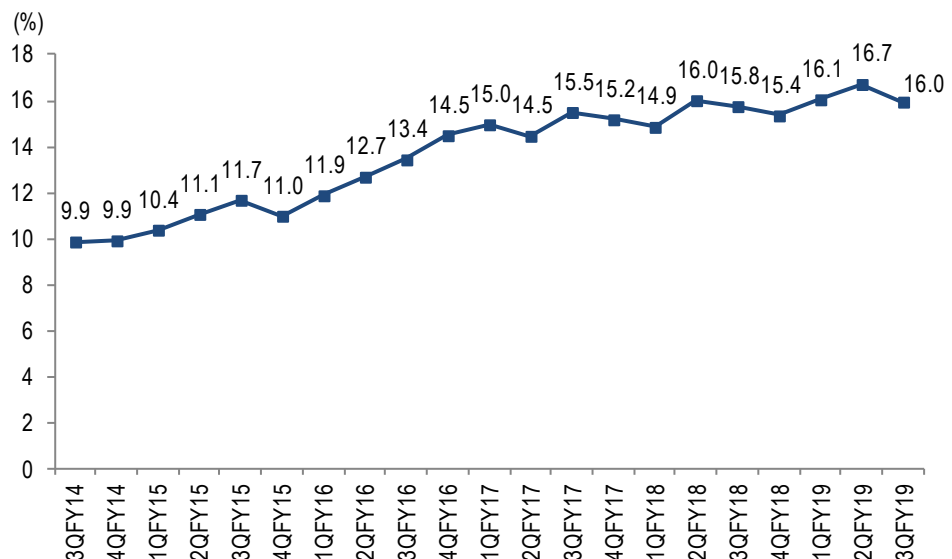
Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 14: Fixed-price engagements increase in terms of revenue share**



Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 15: Sub-contractor charges decline marginally as a percentage of IT services revenues (quarterly)**



Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 16: Quarterly snapshot**

Year to 31 March (Rsmn)	3QFY16	4QFY16	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19
<b>INR/USD</b>	<b>67.0</b>	<b>68.0</b>	<b>67.9</b>	<b>68.6</b>	<b>69.4</b>	<b>68.6</b>	<b>66.1</b>	<b>65.4</b>	<b>65.4</b>	<b>64.4</b>	<b>67.6</b>	<b>70.6</b>	<b>71.7</b>
<b>USD Revenue IT Services (USD mn)</b>	<b>1,838</b>	<b>1,882</b>	<b>1,931</b>	<b>1,916</b>	<b>1,903</b>	<b>1,955</b>	<b>1,972</b>	<b>2,014</b>	<b>2,013</b>	<b>2,062</b>	<b>2,027</b>	<b>2,041</b>	<b>2047</b>
INR Revenue- IT Services	123,147	127,967	131,088	131,366	131,961	134,021	130,256	131,689	131,614	132,746	137,003	143,773	146,656
INR Revenue- IT Products	6,503	9,604	5,930	7,666	5,713	6,613	6,343	2,988	5,076	4,940	3,532	2,876	3,145
Total Revenue- (Services+Products)	129,516	137,417	135,992	137,657	136,878	139,875	136,261	134,234	136,690	137,686	139,777	145,410	150,595
Direct costs	90,270	95,843	96,389	97,808	96,576	100,771	97,111	94,694	95,976	97,794	100,350	101,770	103,971
Gross Margin	39,246	41,574	39,603	39,849	40,302	39,104	39,150	39,540	40,714	39,892	39,427	43,640	46,624
SGA	15,372	16,738	17,740	18,159	17,836	19,103	17,410	16,952	21,064	21,064	19,421	24,510	18,867
Forex gain/(loss)	-	-	984	1,281	767	745	353	453	-	-	771	1,217	911
Other operating Income	-	-	-	-	-	4,082	-	-	-	-	2,529	269	-
EBIT- IT Services	24,820	25,665	23,269	23,269	24,155	25,269	21,916	22,784	19,590	19,323	23,968	21,041	28,456
EBIT- IT Products	(505)	(290)	(368)	(368)	(586)	(428)	31	88	195	48	(740)	(425)	212
Total EBIT	23,874	24,836	22,847	22,971	23,233	24,828	22,093	23,041	19,650	18,828	23,306	20,616	28,668
Other income (net)	4,804	4,333	3,864	3,677	4,353	4,583	4,725	5,280	4,939	3,236	3,495	3,587	3,742
PBT	28,678	29,169	26,711	26,648	27,586	29,411	26,818	28,321	24,589	22,064	26,801	24,203	32,410
Tax	6,248	6,626	6,122	5,909	6,440	6,742	5,994	6,426	5,355	4,615	5,865	5,347	6,966
Minority Interest	(89)	(193)	(71)	(67)	(52)	(58)	(59)	22	12	22	270	33	-341
PAT	22,341	22,350	20,518	20,672	21,094	22,611	20,765	21,917	19,246	17,471	21,206	18,889	25,103
<b>YoY Growth (%)</b>													
USD Revenue IT Services	2.4	6.1	7.6	4.6	3.5	3.9	2.1	5.1	5.8	5.5	2.8	1.4	1.7
INR Revenue	7.2	12.9	11.1	10.0	5.7	1.8	0.2	(2.5)	(0.1)	(1.6)	2.6	8.3	10.2
Gross Profit	3.3	6.3	5.4	1.4	2.7	(5.9)	(1.1)	(0.8)	1.0	2.0	0.7	10.4	14.5
EBIT	(0.7)	1.1	0.9	(3.1)	(2.7)	-	(3.3)	0.3	(15.4)	(24.2)	5.5	(10.5)	45.9
Net Profit	1.9	(1.6)	(0.3)	(5.5)	(5.6)	1.2	1.2	6.0	(8.8)	(22.7)	2.1	(13.8)	30.4
<b>QoQ Growth (%)</b>													
USD Revenue - IT Services	-	2.0	3.0	(1.0)	(1.0)	3.0	1.0	2.0	-	2.0	(2.0)	0.7	0.3
INR Revenue	3.5	6.1	(1.0)	1.2	(0.6)	2.2	(2.6)	(1.5)	1.8	0.7	1.5	4.0	3.6
EBIT	0.7	4.0	(8.0)	0.5	1.1	6.9	(11.0)	4.3	(14.7)	(4.2)	23.8	(11.5)	39.1
Net Profit	2.1	-	(8.2)	0.8	2.0	7.2	(8.2)	5.5	(12.2)	(9.2)	21.4	(10.9)	32.9
<b>Margins (%)</b>													
Gross Margin	30.3	30.3	29.1	28.9	29.4	28.0	28.7	29.5	29.8	29.0	28.2	30.0	31.0
SGA	11.9	12.2	13.0	13.2	13.0	13.7	12.8	12.6	15.4	15.3	13.9	16.9	12.5
EBIT Margin- IT Services	20.2	20.1	17.8	17.7	18.3	18.9	16.8	17.3	14.9	14.6	17.5	14.6	19.4
EBIT Margin- IT Products	(7.8)	(3.0)	(6.2)	(4.8)	(10.3)	(6.5)	0.5	2.9	3.8	1.0	(21.0)	(14.8)	6.7
Total EBIT Margin	18.4	18.1	16.8	16.7	17.0	17.8	16.2	17.2	14.4	13.7	16.7	14.2	19.0
PAT	17.2	16.3	15.1	15.0	15.4	16.2	15.2	16.3	14.1	12.7	15.2	13.0	16.7

Source: Company, Nirmal Bang Institutional Equities Research



**Exhibit 17: Key metrics**

Key Metrics	3QFY16	4QFY16	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19
Revenue (USD mn)	1,838	1,882	1,931	1,916	1,903	1,955	1,972	2,014	2,013	2,062	2,027	2,041	2,047
<b>P and L (Rsmn)</b>													
Revenue	129,516	137,417	135,992	137,657	136,878	139,875	136,261	134,234	136,690	137,686	139,777	145,410	150,595
EBITDA	27,347	28,498	27,512	27,820	28,645	27,016	26,223	27,320	23,905	23,715	27,436	24,895	32,825
PAT	22,341	22,350	20,518	20,672	21,094	22,611	20,765	21,917	19,371	18,028	21,206	18,889	25,103
<b>Vertical Mix (%)</b>													
BFSI	26.2	25.4	25.7	25.6	25.6	26.0	26.8	27.6	28.5	29.1	30.0	30.7	34.1
HLS	12.0	13.2	15.2	15.9	15.9	15.3	14.7	13.7	14.0	13.8	13.3	12.8	14.3
RCTG	15.6	15.4	15.8	15.8	15.7	15.8	15.8	15.9	16.0	15.7	16.0	16.4	17.0
ENU	14.4	14.0	13.2	12.9	13.0	13.1	13.4	13.5	12.4	12.5	12.6	12.7	14.1
MFG	18.4	18.8	22.5	22.4	22.4	22.9	22.5	22.8	22.7	23.0	22.5	21.8	14.2
GMT	13.4	13.1	7.6	7.5	7.4	6.9	6.8	6.5	6.4	5.9	5.6	5.7	6.3
IT Products	-	-	-	-	-	-	-	-	-	-	-	-	-
Consumer care & lighting	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Horizontal Mix (%)</b>													
Practices (IT Services + BPO sales)	-	-	-	-	-	-	-	-	-	-	-	-	-
Technology Infrastructure Services	28.1	28.9	27.9	28.2	28.1	28.0	28.1	28.4	28.2	28.8	27.4	26.5	25.0
Advanced Technologies & Solutions	-	-	-	-	-	-	-	-	-	-	-	-	-
Testing services	-	-	-	-	-	-	-	-	-	-	-	-	-
Package Implementation	-	-	-	-	-	-	-	-	-	-	-	-	-
Analytics & Information Management	7.4	7.2	7.4	7.3	7.0	6.9	7.1	7.1	7.0	7.0	7.1	7.8	7.6
Business Application Services	46.7	45.3	44.7	43.8	44.4	45.7	45.8	45.5	45.3	44.8	46.1	45.7	45.6
BPO	9.8	10.6	12.9	13.4	13.3	12.3	12.0	12.1	12.6	12.1	12.1	12.7	14.7
Product Engineering and Mobility	8.0	8.0	7.1	7.3	7.2	7.1	7.0	6.9	6.9	7.3	7.3	7.3	7.1
ADM	-	-	-	-	-	-	-	-	-	-	-	-	-
R&D	10.4	10.3	-	-	-	-	-	-	-	-	-	-	-
Consulting	1.6	1.4	-	-	-	-	-	-	-	-	-	-	-
<b>Geographic Mix (%)</b>													
US	52.8	52.5	53.5	54.8	55.5	54.9	54.5	53.6	53.1	52.7	54.9	55.2	57.1
Europe	24.8	25.6	25.4	24.0	23.6	24.4	24.2	25.1	25.9	27.0	25.6	25.3	25.5
India & Middle East	11.0	11.0	10.4	10.4	10.0	10.8	10.4	9.9	10.0	9.4	8.6	8.1	-
APAC and Other Emerging Markets	11.4	10.9	10.7	10.8	10.9	10.8	10.9	11.4	11.0	10.8	10.9	11.4	17.4
<b>Project Type</b>													
T&M	44.1	43.1	44.0	43.6	42.3	41.7	41.8	42.3	42.3	41.3	41.1	41.1	40.2
Fixed Price	55.9	56.9	56.0	56.4	57.7	58.3	58.2	57.7	57.7	58.7	58.9	58.9	59.8
<b>Utilization (%) (gross)</b>	<b>66.4</b>	<b>68.1</b>	<b>69.9</b>	<b>71.2</b>	<b>71.6</b>	<b>73.1</b>	<b>72</b>	<b>72.9</b>	<b>71.0</b>	<b>73.1</b>	<b>74.5</b>	<b>74.4</b>	<b>73.4</b>
Revenue mix-Onsite (%)	53.8	54.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revenue mix-Offshore (%)	46.2	45.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Clients Concentration (%)</b>													
Top client	3.2	2.7	2.5	2.6	2.8	2.9	2.9	3.1	3.1	3.5	3.7	3.6	3.7
Top 5 clients	11.5	11.0	10.3	10.1	10.0	10.0	10.3	11.0	11.3	11.9	11.7	12.1	13.0
Top 10 clients	19.3	18.2	17.6	17.5	16.9	16.9	17.5	18.0	17.8	18.4	18.3	18.8	19.7
<b>Number of Clients</b>													
> USD 100 mn+	9	9	9	8	9	9	9	9	9	8	8	9	10
> USD 75 mn+	17	18	19	19	17	18	18	16	17	20	19	19	19
> USD 50 mn+	32	33	33	33	33	34	36	39	41	39	40	39	41
> USD 20 mn+	85	89	91	91	90	91	90	90	90	95	91	93	99
> USD 10 mn+	154	160	170	171	170	163	163	170	167	171	173	180	171
> USD 5 mn+	247	248	252	258	264	268	262	270	272	277	278	274	269
> USD 3 mn+	325	331	336	341	349	354	357	370	364	369	368	358	339
> USD 1 mn+	536	550	565	571	576	602	624	627	635	631	624	612	578
Employees	170,664	172,912	173,863	174,238	179,129	181,482	181,559	178,639	177,434	179,042	179,735	190,208	186,954
Attrition (%)	16.3	14.9	17.9	17.2	15.4	14.8	16.1	16.7	16.2	17.5	17.7	18.3	17.5

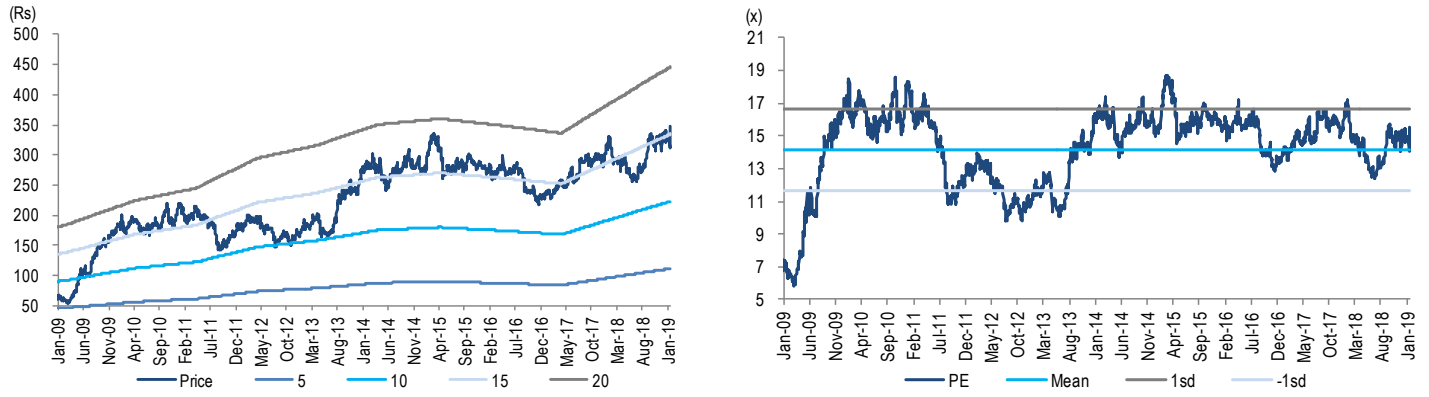
Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 18: QoQ and YoY growth of various parameters**

<b>QoQ Growth (%)</b>	2QFY16	3QFY16	4QFY16	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19
<b>Horizontal Service Lines</b>														
Technology Infrastructure Services	2.1	0.7	5.3	(1.0)	0.3	(1.0)	2.4	1.2	3.2	(0.7)	4.6	(6.5)	(2.6)	(5.4)
Analytics and Information Management	2.1	(1.0)	(0.4)	5.4	(2.1)	(4.8)	1.3	3.8	2.1	(1.4)	2.4	(0.3)	10.7	(2.3)
Business Application Services	0.6	0.1	(0.7)	1.2	(2.8)	0.7	5.7	1.1	1.5	(0.5)	1.3	1.1	(0.1)	0.0
BPO	7.6	0.3	10.7	24.9	3.1	(1.4)	(5.0)	(1.6)	3.0	4.1	(1.6)	(1.7)	5.7	16.0
Product Engineering and Mobility	4.8	1.6	2.4	(8.9)	2.0	(2.0)	1.3	(0.5)	0.7	(0.0)	8.4	(1.7)	0.7	(2.5)
R&D Business	4.1	(0.6)	1.4	-	-	-	-	-	-	-	-	-	-	-
Consulting	14.1	(15.5)	(10.4)	-	-	-	-	-	-	-	-	-	-	-
<b>Vertical Wise</b>														
Communications	3.7	0.3	0.1	(40.5)	(2.1)	(2.0)	(4.2)	(0.6)	(2.4)	(1.6)	(7.2)	(5.1)	2.5	2.0
Finance Solutions	1.7	(1.5)	(0.7)	3.4	(1.2)	(0.7)	4.7	3.6	5.6	3.2	5.0	1.0	3.1	2.5
Manufacturing and Technology	2.7	(1.3)	4.6	22.8	(1.2)	(1.1)	5.0	(0.5)	3.5	(0.5)	3.8	(3.9)	1.6	(6.8)
Healthcare, Life sciences and Services	3.9	5.6	13.5	18.0	3.8	(0.7)	(1.1)	(3.1)	(5.5)	2.2	1.7	(5.3)	(3.8)	2.6
Consumer	2.8	3.7	1.1	5.3	(1.4)	(0.1)	2.7	0.9	2.8	0.6	(0.1)	0.8	2.6	(4.0)
Energy, Natural Resources and Utilities	(1.2)	(1.7)	(0.5)	(3.3)	(3.0)	0.1	3.5	3.2	2.9	(8.2)	3.3	(1.7)	1.5	3.4
<b>Geography-wise</b>														
Americas	3.1	(0.0)	1.8	4.5	1.6	0.6	1.6	0.1	0.4	(1.0)	1.7	2.4	1.3	3.7
Europe	0.5	(1.2)	5.7	1.8	(6.2)	(2.3)	6.2	0.0	5.9	3.2	6.8	(6.8)	(0.5)	1.1
India & Middle East	2.1	4.1	2.4	(3.0)	(0.8)	(4.5)	10.9	(2.9)	(2.8)	1.0	(3.7)	(10.1)	(5.1)	(100.0)
APAC and Other Emerging Markets	1.2	2.1	(2.1)	0.7	0.2	0.2	1.8	1.8	6.8	(3.5)	0.6	(0.8)	5.3	53.0
Non Americas Total	1.0	0.8	3.0	0.4	(3.5)	(2.2)	6.2	(0.2)	4.1	1.1	3.1	(6.1)	0.1	(4.0)
<b>Customer Concentration</b>														
Top customer	(5.7)	5.7	(13.4)	(8.1)	3.3	10.6	4.5	2.1	6.9	2.4	11.0	6.5	(2.5)	4.3
Top 5	(3.8)	0.6	(1.9)	(7.1)	(2.6)	1.7	0.9	5.2	6.8	5.2	3.5	(1.0)	3.7	9.0
Top 10	(1.1)	(0.2)	(3.3)	(4.0)	(1.3)	(0.8)	0.9	5.7	2.8	1.3	1.6	0.2	3.0	6.4
<b>YoY Growth (%)</b>														
<b>Horizontal Service Lines</b>														
Technology Infrastructure Services	6.5	3.9	9.9	7.2	5.3	3.5	0.6	2.9	5.8	6.2	8.5	0.2	(5.4)	(9.9)
Analytics and Information Management	7.7	8.2	7.6	6.2	1.8	(2.1)	(0.5)	(2.0)	2.2	5.8	7.0	2.8	11.4	10.4
Business Application Services	(2.0)	(1.8)	0.1	1.3	(2.1)	(1.6)	4.8	4.6	9.2	7.9	3.4	3.5	1.8	2.3
BPO	10.2	5.6	19.6	49.3	43.0	40.5	20.5	(5.0)	(5.1)	0.2	3.8	3.6	6.4	18.6
Product Engineering and Mobility	16.7	15.4	11.6	(0.8)	(3.4)	(6.8)	(7.8)	0.7	(0.7)	1.4	8.5	7.2	7.3	4.6
R&D Business	11.9	8.7	7.1	-	-	-	-	-	-	-	-	-	-	-
Consulting	(1.8)	(13.8)	(17.5)	-	-	-	-	-	-	-	-	-	-	-
<b>Vertical Wise (New from Q1FY11)</b>														
Communications	(0.3)	(0.6)	2.9	(38.0)	(41.5)	(42.8)	(45.3)	(8.6)	(8.9)	(8.5)	(11.3)	(15.4)	(11.1)	(7.9)
Finance Solutions	6.2	4.4	1.7	2.8	(0.1)	0.7	6.3	6.5	13.7	18.2	18.5	15.5	12.8	12.0
Manufacturing and Technology	6.3	2.9	9.0	30.2	25.3	25.4	26.0	2.1	7.0	7.7	6.4	2.8	0.9	(5.5)
Healthcare, Life sciences and Services	5.3	5.0	20.6	47.0	46.8	38.0	20.3	(1.2)	(10.0)	(7.4)	(4.8)	(6.9)	(5.3)	(4.9)
Consumer	12.3	13.3	12.6	13.4	8.7	4.8	6.6	2.1	6.4	7.1	4.2	4.1	3.9	(0.9)
Energy, Natural Resources and Utilities	(9.5)	(10.1)	(4.2)	(6.5)	(8.2)	(6.6)	(2.8)	3.7	10.0	0.9	0.7	(4.1)	(5.4)	6.6
<b>Geography-wise</b>														
Americas	7.5	5.2	7.7	9.7	8.1	8.8	8.6	4.0	2.8	1.2	1.3	3.5	4.4	9.3
Europe	(6.3)	(8.0)	3.2	6.8	(0.4)	(1.5)	(1.0)	(2.7)	9.9	16.1	16.7	8.7	2.2	0.1
India & Middle East	19.1	17.3	9.0	5.6	2.6	(5.9)	2.0	2.1	0.0	5.8	(8.2)	(15.0)	(17.1)	(100.0)
APAC and Other Emerging Markets / ROW	(3.5)	2.4	2.3	1.9	0.9	(1.0)	2.9	4.0	10.9	6.8	5.5	2.8	1.4	60.8
Non Americas Total	(0.8)	(0.6)	4.3	5.4	0.6	(2.4)	0.6	(0.1)	7.9	11.5	8.2	1.9	(2.1)	(7.0)
<b>Customer Concentration</b>														
Top customer	(9.3)	(10.7)	(23.5)	(20.8)	(13.2)	(9.1)	9.7	21.9	26.1	16.8	24.0	29.3	18.1	20.2
Top 5	(7.1)	(4.0)	(6.0)	(11.7)	(10.6)	(9.7)	(7.2)	5.1	15.2	19.2	22.3	15.2	11.8	15.9
Top 10	(5.7)	(2.5)	(4.9)	(8.4)	(8.5)	(9.1)	(5.2)	4.5	8.8	11.1	11.9	6.0	6.2	11.5

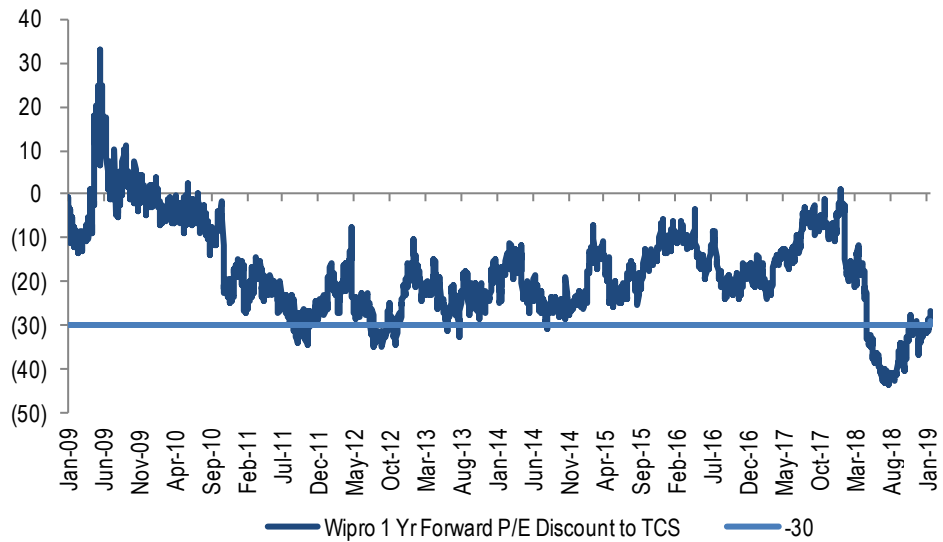
Source: Nirmal Bang Institutional Equities Research

**Exhibit 19: P/E charts**



Source: Bloomberg, Nirmal Bang Institutional Equities Research

**Exhibit 20: P/E (discount)/premium of Wipro to TCS**



Source: Bloomberg, Nirmal Bang Institutional Equities Research

**Exhibit 21: Comparative valuation**

	<b>TCS</b>	<b>Infosys</b>	<b>Wipro</b>	<b>HCL Tech</b>	<b>TechMahindra</b>	<b>Mindtree</b>	<b>Persistent</b>
<b>Year Ending</b>	<b>March</b>	<b>March</b>	<b>March</b>	<b>March</b>	<b>March</b>	<b>March</b>	<b>March</b>
Prices as on 18 Jan 2019	1,901	731	346	966	709	887	551
Currency	INR	INR	INR	INR	INR	INR	INR
Market Value (Rs Bn)	7,277	3,177	1,709	1,310	625	147	44
(US\$m)	101,066	44,127	23,740	18,200	8,684	2,039	612
September 2019 Target Price	1,545	603	277	958	525	553	455
Upside/(downside)	-19%	-17%	-20%	-1%	-26%	-38%	-17%
Recommendation	Sell	Sell	Sell	Accumulate	Sell	Sell	Sell
<b>FDEPS (Rs)</b>							
FY18	67.0	32.5	16.8	62.9	42.8	34.7	40.4
FY19E	82.9	35.7	19.9	74.5	48.3	46.2	46.8
FY20E	91.3	39.5	23.8	81.3	53.0	54.2	54.8
FY21E	96.0	41.7	24.2	84.6	53.9	56.0	55.4
<b>PE (x)</b>							
FY18	28	22	21	15	17	26	14
FY19E	23	20	17	13	15	19	12
FY20E	21	19	15	12	13	16	10
FY21E	20	18	14	11	13	16	10
<b>EV/EBITDA (x)</b>							
FY18	22	15	14	10	12	17	9
FY19E	18	14	11	9	9	12	7
FY20E	16	12	9	8	8	10	6
FY21E	16	12	9	7	8	9	5
<b>EV/Sales (x)</b>							
FY18	6	4	3	2	2	2	1
FY19E	5	4	2	2	2	2	1
FY20E	4	3	2	2	1	2	1
FY21E	4	3	2	2	1	1	1
<b>ROIC (%)</b>							
FY18	57.3	44.9	24.5	38.9	25.8	32.9	29.7
FY19E	61.7	47.9	29.2	36.3	34.1	47.6	41.9
FY20E	61.3	51.3	35.4	32.2	33.9	51.3	48.4
FY21E	60.7	50.2	35.8	28.7	32.4	53.2	51.2

Source: Nirmal Bang Institutional Equities Research

## Financials

### Exhibit 22: Income statement

Y/E March (Rsbn)	FY17	FY18	FY19E	FY20E	FY21E
<b>Average INR/USD</b>	<b>68.6</b>	<b>65.3</b>	<b>70.0</b>	<b>72.0</b>	<b>74.5</b>
<b>Net Sales - IT Services (USDmn)</b>	<b>7,704</b>	<b>8,060</b>	<b>8,191</b>	<b>8,667</b>	<b>8,430</b>
<b>-Growth (%)</b>	<b>4.9</b>	<b>4.6</b>	<b>1.6</b>	<b>5.8</b>	<b>(2.7)</b>
<b>Net Sales - Overall</b>	<b>550</b>	<b>545</b>	<b>585</b>	<b>639</b>	<b>643</b>
<b>-Growth (%)</b>	<b>7.0</b>	<b>(1.0)</b>	<b>7.4</b>	<b>9.3</b>	<b>0.6</b>
Cost of Sales & Services	392	386	408	436	440
% of sales	71.1	70.8	69.8	68.1	68.4
<b>Gross profit</b>	<b>159</b>	<b>159</b>	<b>177</b>	<b>204</b>	<b>203</b>
<b>% of sales</b>	<b>28.9</b>	<b>29.2</b>	<b>30.2</b>	<b>31.9</b>	<b>31.6</b>
<b>SG&amp;A</b>	<b>73</b>	<b>76</b>	<b>83</b>	<b>87</b>	<b>89</b>
<b>% of sales</b>	<b>13.2</b>	<b>14.0</b>	<b>14.2</b>	<b>13.6</b>	<b>13.8</b>
<b>EBIT</b>	<b>94</b>	<b>84</b>	<b>99</b>	<b>117</b>	<b>115</b>
<b>% of sales</b>	<b>17.1</b>	<b>15.5</b>	<b>17.0</b>	<b>18.3</b>	<b>17.8</b>
Interest expenses	5	6	6	6	6
Other income (net)	22	24	22	27	31
PBT	110	102	115	138	140
<b>-PBT margin (%)</b>	<b>20.1</b>	<b>18.8</b>	<b>19.6</b>	<b>21.5</b>	<b>21.8</b>
Provision for tax	25	22	25	30	31
<b>Effective tax rate (%)</b>	<b>22.8</b>	<b>21.8</b>	<b>21.8</b>	<b>22.0</b>	<b>22.0</b>
Minority Interest	0.2	0.0	0.0	0.0	0.0
<b>Net profit</b>	<b>85</b>	<b>80</b>	<b>90</b>	<b>107</b>	<b>109</b>
<b>-Growth (%)</b>	<b>(4.6)</b>	<b>(5.7)</b>	<b>11.9</b>	<b>19.7</b>	<b>1.8</b>
<b>-Net profit margin (%)</b>	<b>15.4</b>	<b>14.7</b>	<b>15.3</b>	<b>16.8</b>	<b>17.0</b>

Source: Company, Nirmal Bang Institutional Equities Research

### Exhibit 24: Balance sheet

Y/E March (Rsbn)	FY17	FY18	FY19E	FY20E	FY21E
Equity capital	5	9	9	9	9
Reserves & surplus	518	476	561	620	674
Net worth	523	485	570	629	683
Deferred tax liability, net	4	(4)	(5)	(5)	(5)
Other liabilities	15	13	13	13	13
Total loans	20	45	50	50	50
<b>Total liabilities</b>	<b>561</b>	<b>540</b>	<b>628</b>	<b>687</b>	<b>742</b>
Goodwill	126	118	123	123	123
Other intangible assets	16	18	15	15	15
Net block	70	64	68	56	44
Investments	299	258	221	221	221
Other non-current assets	29	34	57	57	57
Unbilled revenue	45	42	27	30	29
Inventories	4	3	4	4	4
Other current assets	50	65	51	55	53
Debtors	99	105	110	122	117
Cash & bank balance	53	45	144	209	278
Total current assets	251	262	336	419	480
Total current liabilities	230	214	192	205	199
Net current assets	21	48	144	214	281
<b>Total assets</b>	<b>561</b>	<b>540</b>	<b>628</b>	<b>687</b>	<b>742</b>

Source: Company, Nirmal Bang Institutional Equities Research

### Exhibit 23: Cash flow

Y/E March (Rsbn)	FY17	FY18	FY19E	FY20E	FY21E
EBIT	94	84	99	117	115
(Inc./dec. in working capital)	4	(17)	44	(6)	2
Cash flow from operations	97	67	143	111	117
Other income	22	24	22	27	31
Depreciation & amortisation	17	17	17	17	18
Financial expenses	(5)	(6)	(6)	(6)	(6)
Tax paid	(25)	(22)	(25)	(30)	(31)
Dividends paid	(30)	(5)	(11)	(48)	(55)
<b>Net cash from operations</b>	<b>76</b>	<b>74</b>	<b>140</b>	<b>71</b>	<b>75</b>
Capital expenditure	(12)	24	(9)	(6)	(6)
Net cash after capex	64	98	131	65	69
Inc./(dec.) in debt	17	(4)	(34)	0	0
(Inc./dec. in investments)	(90)	42	37	0	0
Equity issue/(buyback)	(25)	(110)	0	0	0
<b>Cash from financial activities</b>	<b>(98)</b>	<b>(72)</b>	<b>3</b>	<b>0</b>	<b>0</b>
Others	(12)	(34)	(34)		
Opening cash	99	53	45	144	209
Closing cash	53	45	145	209	278
Change in cash	(46)	(8)	100	65	69

Source: Company, Nirmal Bang Institutional Equities Research

### Exhibit 25: Key ratios

Y/E March	FY17	FY18	FY19E	FY20E	FY21E
<b>Per Share (Rs)</b>					
EPS	17.5	16.8	19.9	23.8	24.2
FDEPS	17.5	16.8	19.9	23.8	24.2
Dividend Per Share	6.1	1.2	2.4	10.7	12.1
Dividend Yield (%)	1.8	0.3	0.7	3.1	3.5
Book Value	116	108	126	140	152
Dividend Payout Ratio	35.0	6.7	12.2	45.0	50.0
<b>Return ratios (%)</b>					
RoE	17.1	15.9	17.0	17.9	16.6
RoCE	14.4	12.7	14.9	16.3	14.8
ROIC	28.8	24.5	29.2	35.4	35.8
<b>Turnover Ratios</b>					
Asset Turnover Ratio	0.7	0.7	0.7	0.7	0.7
Debtor Days (incl. unbilled Rev)	95	99	86	87	83
Working Capital Cycle Days	56	68	36	36	34
<b>Valuation ratios (x)</b>					
PER	19.8	20.6	17.4	14.6	14.3
P/BV	3.0	3.2	2.7	2.5	2.3
EV/EBTDA	12.2	13.9	11.3	9.3	8.9
EV/Sales	2.5	2.6	2.2	1.9	1.8
M-cap/Sales	2.8	2.9	2.7	2.4	2.4

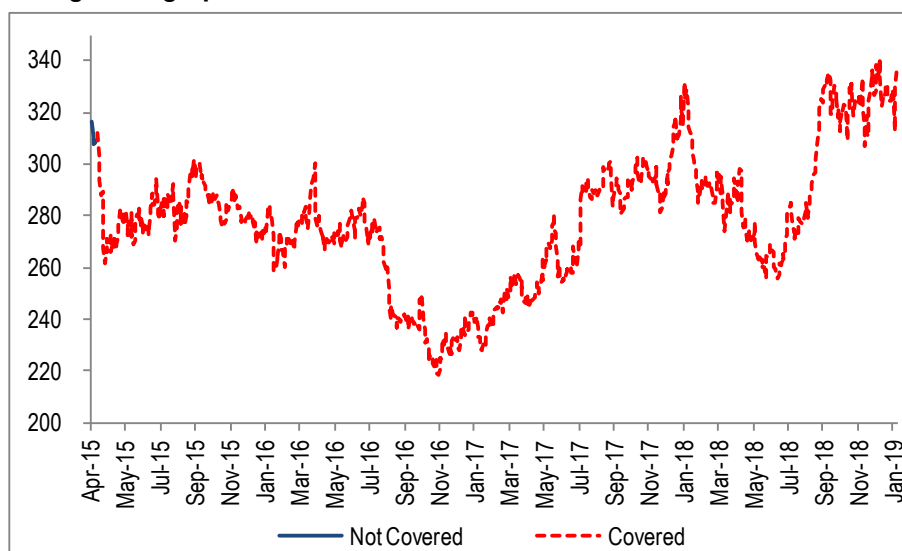
Source: Company, Nirmal Bang Institutional Equities Research

## Rating track

Date	Rating	Market price (Rs)	Target price (Rs)
13 April 2015	Sell	618	576
22 April 2015	Sell	588	546
24 July 2015	Sell	588	548
30 September 2015	Sell	587	546
23 October 2015	Sell	578	544
8 January 2016	Under Review	556	-
19 January 2016	Under Review	549	-
14 March 2016	Sell	540	498
21 April 2016	Sell	601	489
20 July 2016	Sell	549	478
24 October 2016	Sell	499	436
10 January 2017	Sell	472	410
27 January 2017	Sell	474	413
14 February 2017	Sell	474	427
26 April 2017	Sell	495	437
21 June 2017*	Sell	254	197
21 July 2017	Sell	269	235
28 September 2017	Sell	290	228
18 October 2017	Sell	290	244
26 December 2017	Under Review	302	-
22 January 2018	Under Review	329	-
17 March 2018	Accumulate	296	302
26 April 2018	Accumulate	287	303
3 July 2018	Buy	262	335
23 July 2018	Buy	282	323
5 October 2018	Buy	325	377
17 October 2018	Buy	309	364
27 December 2018	Sell	326	297
7 January 2019	Sell	324	268
21 January 2019	Sell	347	277

\* Post 1:1 bonus share issue

## Rating track graph



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BUY > 15%

ACCUMULATE -5% to 15%

SELL < -5%

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