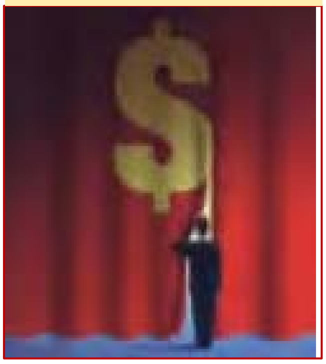
Technology

Results Preview



Company Name

Company Name
Cyient
HCL Tech
Hexaware
Infosys
KPIT Tech
L&T Infotech
Mindtree
Mphasis
NIIT Tech
Persistent
TCS
TechM
Wipro
Zensar

Can growth recover next fiscal?

Amid some H-1B reprieve and BFSI hopes, INR appreciates

Keeping 4Q expectations in check amid limited signs of momentum pick-up

The usual seasonality of the fourth quarter, compounded with (a) sporadic citation of concerns around budget and decision-making delays, and (b) problems in some key accounts, keeps us from building any recovery in growth momentum in 4Q or in the immediate future. Yet, there are a few potential positives to note:

- Overall positive messaging in terms of deal wins, BFSI environment and client conversations, especially by tier-I IT.
- Likely postponement of any developments around H-1B visas, with fresh applications being accepted for the next year, starting early April. That said, recent overrule of programming jobs' automatic qualification under "specialty occupation" may not have a substantive impact, but does call for more scrutiny going forward.
- Traction in change-the-business side of the business, which has been the key additive factor for revenue growth, though not enough on current base.
- These may aid gradual improvement in growth through the course of FY18 rather than a sudden pick-up in growth.

Building 0-2% CC sequential organic growth; expect higher revenue growth to be aided by acquisitions

- We are modeling (on organic basis) 0-2% QoQ CC growth across our coverage universe. Contribution from acquisitions should help HCLT inch this to 3.4% QoQ CC. Among tier-I, last quarter, TCS cited expectation of sustained momentum in 4Q, driving our estimate of 2% QoQ CC; for INFO, we expect growth to be at the midpoint of its guided band (1% QoQ CC). Recovery in Communications witnessed in the past couple of quarters has taken a pause, driving our assumption of marginal growth at TECHM. WPRO should be helped by full-quarter revenue from Appirio acquisition.
- Among tier-II, we expect steady growth for LTI, ZENT and CYL. For MTCL (1.5% QoQ CC) and HEXW (0.5% QoQ CC), growth is likely to remain relatively soft. Revenue would be flat for PSYS due to seasonal weakness in its IBM IoT deal.
- Margins are likely to remain steady across the board, with some hit for the sector coming from currency movement, and from acquisition in the case of WPRO. Note that TECHM has deferred its wage hike – earlier a January 1 cycle – to the next fiscal.

Will INFO announce a buyback? Will top-end of guidance be in double digits?

- We expect INFO to guide 7-9% CC growth for FY18, on the back of a relatively weak exit in 2H. That implies a CQGR of 2.2-3%. INFO is the only remaining company among the top-tier that is yet to reward its shareholders with a buyback, dispensing some of the idly-lying cash (apart from WPRO, which cannot announce a buyback before June). That could be likely on April 13, 2017.

Ashish Chopra (Ashish.Chopra@MotilalOswal.com); +91 22 3982 5424

Sagar Lele (Sagar.Lele@MotilalOswal.com); +91 22 3982 5585

- Watch out for the performance in top clients at INFO following a shocker in 3Q, over which the management alleviated investor concerns by terming it as a one-off without any significant concerns on the same.
- Watch out for guidance from HCLT and outlook from TCS too. Double-digit growth at HCLT looks more-or-less in the bag, given healthy traction in IMS and contribution from acquisitions. At TCS, while the commentary has remained very positive, it remains to be seen in revenue growth. Our estimate of 9.5% CC growth in FY18 implies a CC CQGR of 2.5% in FY18.
- Healthcare exposure will hurt WPRO and we expect guidance of 1.5% to 2.5% QoQ CC for 1QFY18.

Recent trend in INR may spell a fresh challenge for the industry

- The INR has marched since the turn of the year to close below INR65/USD, compared to last quarter's close at ~INR68/USD. Were this to sustain, expect another round of moderation in earnings estimates, this time led by currency. Top-tier IT has seen stock returns over last five years being led by earnings growth rather than P/E multiple expansion (ex-HCL Tech), and that has in turn been boosted by INR depreciation. The impact of INR64.5-65/USD on earnings is not yet factored in estimates, in our view. Various industry participants have already shared expectations of moderate wage hikes next year, which was before the recent trend in INR.
- The range of margin movements QoQ is -30bp to -65bp across tier-I and -80bp to +80bp across tier-II. PSYS could suffer from seasonal revenue decline in its Alliance segment, most of which should flow to EBITDA.

Currency and lack of growth visibility keeps valuations on edge

- Revenue growth for the industry still remains a challenge, with little, if any, clear signs of acceleration after a tepid 2016. There is hope from deregulation in the US and a new taxation regime, but there remain counterbalancing forces on the other hand, mainly from potential moves on Trump tax / H-1B immigration.
- Add to that, we see a gradual uptick in costs, impacting earnings in varying degrees across tier-I and tier-II IT for a couple of years (150-200bp potential negative impact on profitability that would need to be offset), as the model of operating at onsite changes. The business model changes at onsite have been underway for a while, and the higher costs have more-or-less been absorbed so far. But the recent direction of the INR v/s the USD might just end up being an additional headwind to thwart any assumptions of sanguine performance around profitability.
- We believe tier-I companies (INFO, TCS, WPRO, HCLT) would be better placed to adapt to these changes, given their brand to attract talent, wider reach and war-chest to absorb shocks on a higher margin base. Absolute numbers in the US are a single-digit percentage of the overall workforce. Our pecking order in the group is INFO and HCLT, followed by TCS and WPRO. Notwithstanding the regulatory developments, we see greater comfort in the earnings performance at TECHM, with gradual recovery in Telecom and levers to improve margins. In tier-II, we prefer CYL, ZENT and LTI. We see gradual recovery at MTCL, but current valuations factor more than that, in our view.

Exhibit 1: Double-digit organic USD revenue growth (YoY) seen only in HCLT amongst tier-I

	Revenue (USD m)					Revenue (INR b)				
Company	**4QFY17E**	**4QFY16**	**YoY (%)**	**3QFY17**	**QoQ (%)**	**4QFY17E**	**4QFY16**	**YoY (%)**	**3QFY17**	**QoQ (%)**
TCS	4,504	4,207	7.0	4,387	2.7	300	284	5.4	297	0.9
Infosys	2,590	2,446	5.9	2,551	1.5	172	166	4.2	173	(0.1)
Wipro	1,944	1,882	3.3	1,903	2.2	136	136	(0.1)	137	(0.5)
HCLT	1,810	1,587	14.0	1,745	3.7	121	107	12.7	118	2.0
TECHM	1,132	1,023	10.7	1,116	1.4	75	69	9.5	76	(0.2)
Aggregate	11,979	11,145	7.5	11,702	2.4	804	762	5.6	801	0.5
	EBITDA Margin (%)					**PAT (INR b)**				
Company	**4QFY17E**	**4QFY16**	**YoY (bp)**	**3QFY17**	**QoQ (bp)**	**4QFY17E**	**4QFY16**	**YoY (%)**	**3QFY17**	**QoQ (%)**
TCS	27.3	27.8	(50)	27.7	(40)	62	63	(2.3)	68	(8.6)
Infosys	27.1	28.0	(90)	27.6	(50)	34	36	(4.9)	37	(7.7)
Wipro	19.9	20.6	(60)	20.4	(40)	19	22	(15.1)	21	(10.0)
HCLT	21.9	22.2	(30)	22.2	(40)	20	19	2.4	21	(4.8)
TECHM	15.4	16.9	(150)	15.7	(31)	7	9	(18.6)	9	(14.7)
Aggregate	**24.1**	**24.8**	**(70)**	**24.5**	**(39)**	**142**	**150**	**(5.2)**	**155**	**(8.4)**

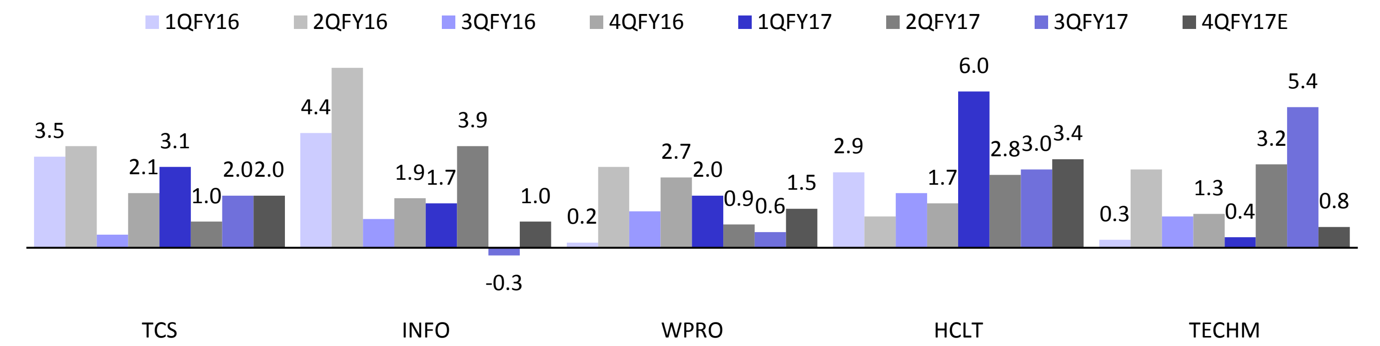
Source: Company, MOSL

Exhibit 2: PAT decline across the sector can be attributed to translation losses

	Revenue (USD m)					Revenue (INR b)				
Company	**4QFY17E**	**4QFY16**	**YoY (%)**	**3QFY17**	**QoQ (%)**	**4QFY17E**	**4QFY16**	**YoY (%)**	**3QFY17**	**QoQ (%)**
Persistent Systems	111	100	10.1	110	0.5	7.4	6.8	8.7	7.5	(1.3)
Hexaware	144	122	18.1	139	3.5	9.3	8.2	13.7	9.4	(0.9)
KPIT Tech.	124	124	0.2	123	1.2	8.3	8.4	(1.5)	8.3	(0.3)
Mindtree	194	196	(0.7)	192	1.1	12.9	13.2	(2.3)	13.0	(0.1)
Mphasis	227	225	0.8	225	1.1	15.1	15.2	(0.7)	15.4	(1.9)
Cyient	140	121	16.0	136	3.3	9.3	8.2	14.5	9.2	1.9
NIIT Tech	105	102	3.2	103	2.2	7.0	6.8	2.0	6.9	0.9
Zensar	121	111	9.2	118	2.7	8.0	7.5	7.7	7.9	1.5
LTI	249	230	8.5	245	1.7	16.6	15.9	4.2	16.7	(0.4)
Aggregate	**1,415**	**1,330**	**6.4**	**1,390**	**1.8**	**93.9**	**90.2**	**4.1**	**94.2**	**(0.2)**
	EBITDA margin (%)					**PAT (INR b)**				
Company	**4QFY17E**	**4QFY16**	**YoY (bp)**	**3QFY17**	**QoQ (bp)**	**4QFY17E**	**4QFY16**	**YoY (%)**	**3QFY17**	**QoQ (%)**
Persistent Systems	15.2	15.9	(70)	15.9	(80)	0.7	0.8	(12.6)	0.8	(13.8)
Hexaware	16.5	14.6	200	17.3	(70)	1.1	0.8	29.0	1.2	(10.7)
KPIT Tech.	10.0	15.7	(570)	10.2	(20)	0.1	0.1	(0.5)	0.1	(5.0)
Mindtree	13.4	17.1	(370)	13.4	-	1.0	1.6	(37.7)	1.0	(5.8)
Mphasis	15.4	15.4	(10)	15.6	(20)	2.0	1.9	5.8	2.0	(3.5)
Cyient	12.8	13.0	(20)	13.4	(50)	0.8	0.8	(3.3)	0.9	(13.2)
NIIT Tech	17.5	18.4	(100)	16.9	60	0.7	0.8	(15.6)	0.7	2.1
Zensar	14.6	12.4	230	13.8	90	0.7	0.7	(2.7)	0.8	(15.7)
LTI	18.3	20.1	(180)	18.1	20	2.2	2.6	(16.1)	2.5	(10.5)
Aggregate	**15.2**	**16.4**	**(130)**	**15.4**	**(20)**	**9.3**	**10.2**	**(9.2)**	**10.1**	**(8.7)**

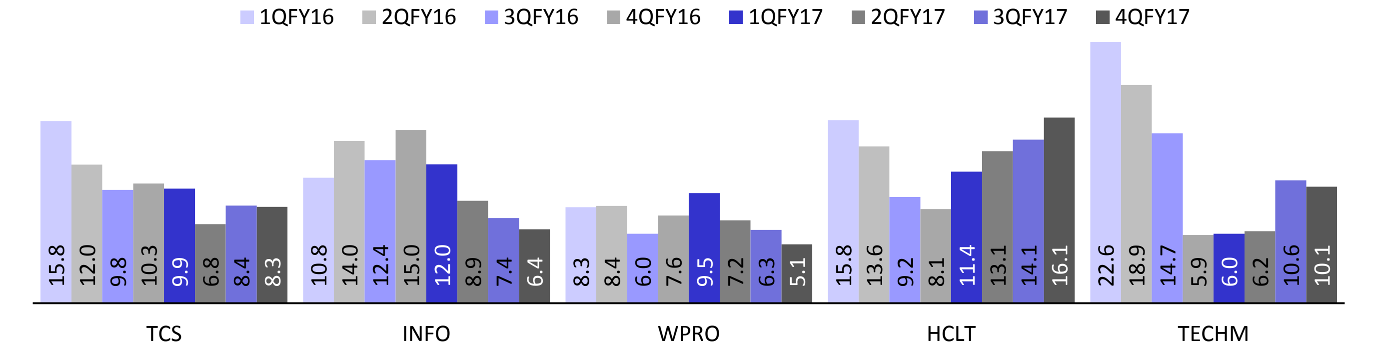
Source: Company, MOSL

Exhibit 3: Seasonal weakness dampens revenue growth (QoQ, CC %)



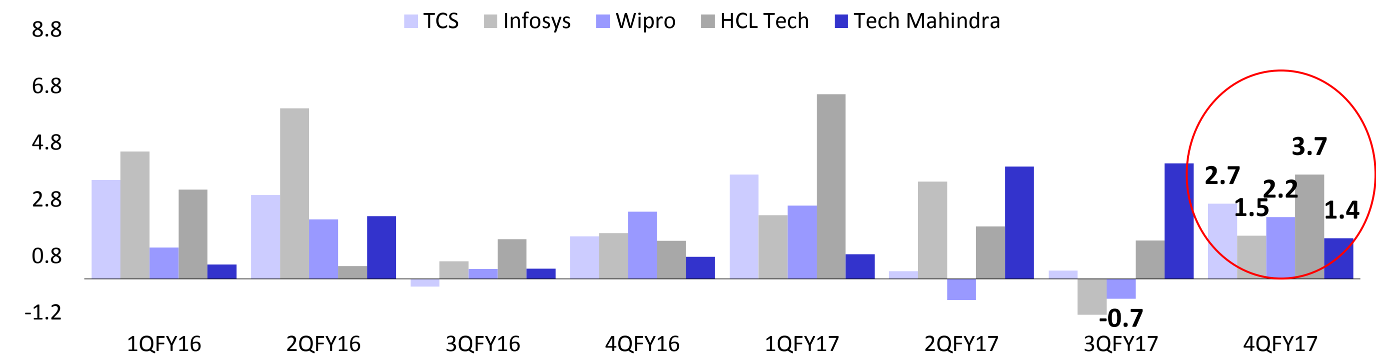
Source: Company, MOSL

Exhibit 4: YoY traction seen picking up only at HCLT, led by Volvo IT acquisition and IBM partnerships (YoY, CC, %)



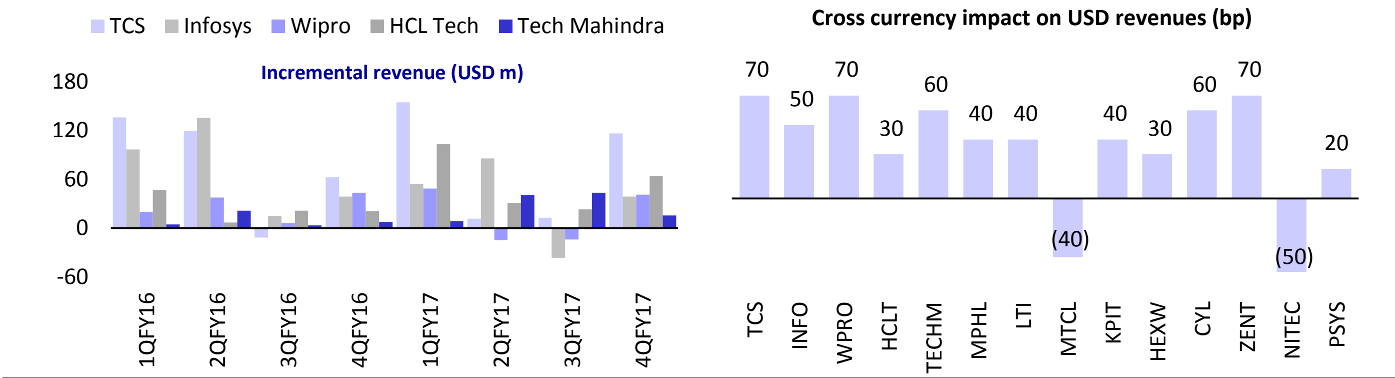
Source: Company, MOSL

Exhibit 5: HCLT to outperform peers organically in 4Q (Revenue growth, QoQ, USD, %)



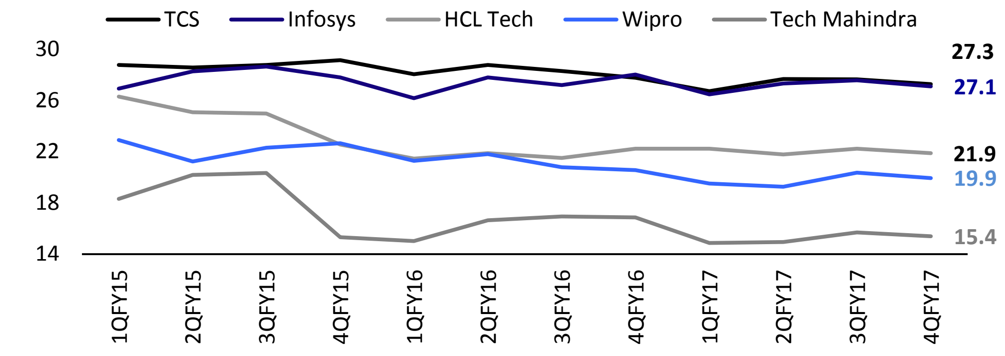
Source: Company, MOSL

Exhibit 6: Incremental revenue higher for all other than TECHM; cross-currency tailwinds this quarter



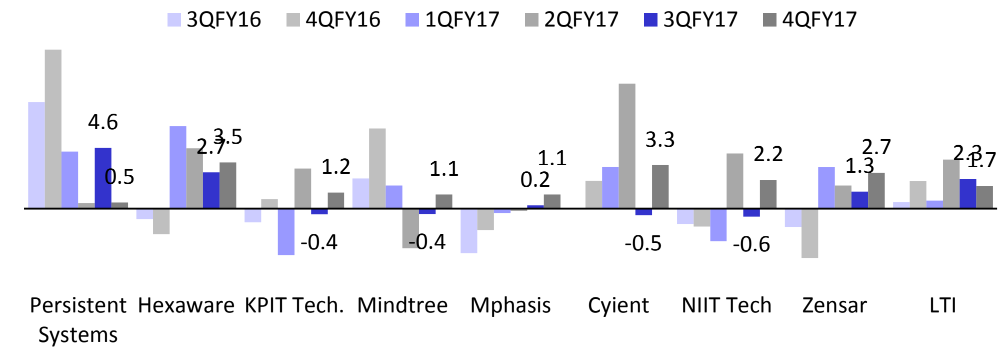
Source: Company, MOSL

Exhibit 7: Margins lower across the board in YoY terms (EBITDA margin, %)



Source: Company, MOSL

Exhibit 8: Sequential improvement seen in some mid-caps due to company-specific dynamics (Revenue growth, QoQ, USD, %)



Source: Company, MOSL

Exhibit 9: 4QFY17 currency highlights (INR)

	Rates (INR)				Change (QoQ)			
	USD	EUR	GBP	AUD	USD	EUR	GBP	AUD
Average	67.00	71.3	82.9	50.7	-0.7%	-1.9%	-1.0%	0.4%
Closing	64.84	69.3	80.9	49.6	-4.5%	-3.4%	-3.2%	1.0%

Source: Company, MOSL

Exhibit 10: 4QFY17 currency highlights (in USD)

	Rates (USD)			Change (QoQ)		
	EUR	GBP	AUD	EUR	GBP	AUD
Average	1.07	1.24	0.76	-1.2%	-0.2%	1.2%
Closing	1.07	1.25	0.76	1.6%	1.1%	6.1%

Source: Company, MOSL

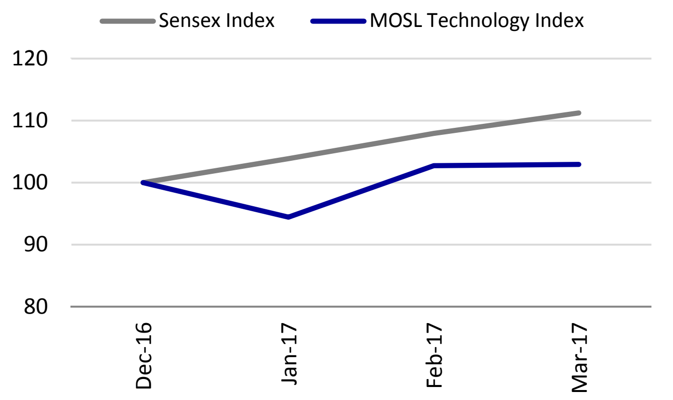
Exhibit 11: Cross currencies: Assumed rates v/s actual

Guided at	EUR	GBP	AUD	INR/USD
Infosys	1.10	1.51	0.73	nm
Wipro	1.04	1.23	0.74	67.73
Actual (Average)	1.07	1.24	0.76	67.00

Change (%)	EUR	GBP	AUD	INR/USD
Infosys	-3.1%	-17.9%	3.9%	nm
Wipro	2.4%	0.7%	2.4%	-1.1%

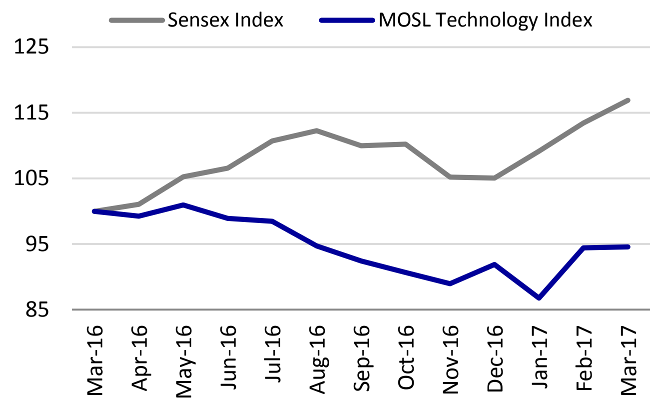
Source: Company, MOSL

Exhibit 12: Relative performance—3m (%)



Source: Bloomberg, MOSL

Exhibit 13: Relative performance—1Yr (%)



Source: Bloomberg, MOSL

Exhibit 14: Comparative valuation

Company	MCap	Rating	TP	Upside	EPS (INR)			P/E (x)			RoE (%)			FY17-19E CAGR (%)	
	USD b		(INR)	(%)	FY17E	FY18E	FY19E	FY17E	FY18E	FY19E	FY17E	FY18E	FY19E	USD rev.	EPS
TCS	71.5	Neutral	2,550	4.9	131.3	144.7	154.7	18.5	16.8	15.7	33.0	33.4	33.0	9.1	8.5
Infosys	34.8	Buy	1,250	22.4	62.0	66.6	73.3	16.5	15.3	13.9	23.0	22.1	22.1	8.5	8.7
Wipro	18.9	Neutral	540	4.9	33.0	37.5	42.9	15.6	13.7	12.0	16.8	17.2	17.8	7.2	14.0
HCL Tech	18.4	Buy	1,000	14.5	57.2	64.3	70.3	15.3	13.6	12.4	27.0	27.8	28.1	10.6	10.8
TechM	6.8	Buy	550	19.6	32.5	35.7	40.2	14.2	12.9	11.4	20.1	19.5	19.2	9.6	11.2
Mphasis	1.8	Neutral	550	-4.8	42.7	43.0	44.9	13.5	13.4	12.9	14.1	14.9	14.7	8.4	2.6
L&T Infotech	1.9	Buy	800	12.5	53.6	58.0	60.8	13.3	12.3	11.7	41.4	36.6	32.1	8.3	6.5
Mindtree	0.6	Neutral	530	17.3	24.9	34.6	39.4	18.2	13.1	11.5	17.0	21.5	21.7	9.3	25.9
KPIT Tech	0.4	Neutral	150	15.4	11.5	13.8	15.0	11.3	9.4	8.6	13.7	15.9	14.9	6.8	14.4
Cyient	0.8	Buy	600	27.9	30.9	37.6	43.1	15.2	12.5	10.9	14.8	16.0	16.3	12.0	18.0
Hexaware	1.0	Neutral	220	2.3	13.7	14.9	16.3	15.7	14.4	13.2	26.5	24.4	22.7	10.1	9.0
NIIT Tech	0.4	Neutral	470	7.8	36.2	46.8	52.9	12.0	9.3	8.2	13.5	15.9	16.0	8.1	20.9
Persistent	0.7	Neutral	730	22.5	37.4	43.4	50.5	15.9	13.7	11.8	16.9	17.9	20.1	11.0	16.2
Zensar	0.6	Buy	1,200	29.7	65.3	81.4	92.0	14.2	11.4	10.0	19.1	20.4	19.7	12.7	18.7

Source: MOSL

Cyient

Bloomberg	CYL IN
Equity Shares (m)	112.2
M. Cap. (INR b)/(USD b)	52 / 1.0
52-Week Range (INR)	555 / 416
1,6,12 Rel Perf. (%)	-4 / -9 / -18

Financial Snapshot (INR b)

Y/E June	2016	2017E	2018E	2019E
Sales	31.0	36.0	40.8	46.2
EBITDA	4.2	4.8	5.7	6.4
PAT	3.3	3.5	4.2	4.8
EPS (INR)	30.7	30.9	37.6	43.1
EPS Gr. (%)	(1.9)	0.7	21.6	14.6
BV/Sh. (INR)	186.6	208.3	234.6	264.7
RoE (%)	16.5	14.8	16.0	16.3
RoCE (%)	15.1	14.0	15.0	15.4
Payout (%)	22.8	30.0	30.0	30.0
Valuation				
P/E (x)	15.3	15.2	12.5	10.9
P/BV (x)	2.5	2.3	2.0	1.8
EV/EBITDA (x)	10.8	9.2	7.4	6.2
Div yld (%)	1.5	2.0	2.4	2.8

CMP: INR467 TP: INR600 (+28%) Buy

- We expect CYL's USD revenue to grow 3.3% QoQ in 4QFY17 (+2.7% QoQ in CC).
- In the core services business, CYL's revenue is expected to increase by 1.9% QoQ. Revenue growth is expected to pick up post the seasonal weakness witnessed in the previous quarter.
- We expect USD17m in revenue in Rangsons, which would imply annual revenue of USD55m; +42% YoY, short of the 50% guidance by ~USD3m.
- Margins are expected to decline by 60bp QoQ to 12.8% because of INR depreciation and higher incremental revenue from lower-margin Rangsons.
- While we expect margins in the services business to decline by 50bp to 14.3%, we anticipate flat margins in Rangsons at 2%.
- PAT estimate for the quarter is INR816m, -13.2% QoQ. Lower other income is a function of translation losses in 4Q.
- The stock trades at 12.5x FY18E and 10.9x FY19E EPS. Maintain **Buy.**

Key issues to watch for

- **Update on problem verticals like Semiconductor and Energy.**
- **Outlook for Rangsons for FY18 and progress on synergy through DLM.**
- **Margin trajectory going ahead.**

Quarterly Performance (INR m)

Y/E March	FY16				FY17E				FY16	FY17E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Revenue (USD m)	**114**	**118**	**118**	**121**	**125**	**137**	**136**	**140**	**472**	**537**
QoQ (%)	-2.6	3.6	0.0	2.1	3.1	9.5	-0.5	3.3	5.6	13.8
Revenue (INR m)	**7,263**	**7,717**	**7,818**	**8,158**	**8,349**	**9,136**	**9,171**	**9,342**	**30,955**	**35,998**
YoY (%)	16.8	14.8	9.8	11.7	15.0	18.4	17.3	14.5	13.1	16.3
GPM (%)	**35.4**	**36.6**	**34.4**	**34.2**	**35.0**	**34.4**	**34.0**	**33.3**	**35.1**	**34.1**
SGA (%)	22.7	21.6	20.3	21.1	22.0	20.4	20.6	20.4	21.4	20.8
EBITDA	**918**	**1,164**	**1,102**	**1,063**	**1,090**	**1,283**	**1,228**	**1,200**	**4,247**	**4,801**
EBITDA Margin (%)	**12.6**	**15.1**	**14.1**	**13.0**	**13.1**	**14.0**	**13.4**	**12.8**	**13.7**	**13.3**
EBIT Margin (%)	10.1	12.6	11.3	9.4	10.4	11.5	10.7	10.7	10.8	10.8
Other income	298	299	246	222	116	184	309	50	1,065	659
ETR (%)	28.7	23.5	20.8	20.4	25.5	22.6	25.8	23.5	23.4	24.3
PAT	**748**	**985**	**869**	**844**	**740**	**973**	**940**	**816**	**3,446**	**3,470**
QoQ (%)	-20.3	31.7	-11.8	-2.8	-12.3	31.5	-3.4	-13.2		
YoY (%)	9.2	9.2	-13.9	-10.1	-1.1	-1.2	8.3	-3.3	-1.9	0.7
EPS (INR)	**6.7**	**8.8**	**7.7**	**7.5**	**6.6**	**8.7**	**8.4**	**7.3**	**30.7**	**30.9**
Headcount	**11,507**	**11,311**	**11,481**	**11,569**	**12,297**	**12,797**	**12,747**	**12,877**	**11,569**	**12,877**
Util incl. trainees (%)	75.4	76.1	76.7	73.3	75.5	77.2	74.8	76.4		
Attrition (%)	18.8	21.6	20.6	18.4	19.9	22.7	22.6			
Offshore rev. (%)	44.7	44.6	43.3	41.0	42.9	42.4	42.6	43.5		

E: MOSL Estimates

HCL Technologies

Bloomberg	HCLT IN
Equity Shares (m)	1412.9
M. Cap. (INR b)/(USD b)	1222 / 19
52-Week Range (INR)	890 / 707
1,6,12 Rel Perf. (%)	-2 / 0 / -18

Financial Snapshot (INR b)

Y/E JUNE	2016	2017E	2018E	2019E
Sales	311.4	467.2	523.9	583.9
EBITDA	68.2	103.0	113.2	124.9
PAT	56.7	81.0	89.7	98.2
EPS (INR)	40.1	57.2	64.3	70.3
EPS Gr. (%)	-20.3	42.5	12.4	9.3
BV/Sh. (INR)	200.2	227.8	233.1	264.7
RoE (%)	21.5	27.0	27.8	28.1
RoCE (%)	19.9	25.2	25.5	26.1
Payout (%)	42.4	42.0	43.6	45.5
Valuation				
P/E (x)	21.7	15.2	13.6	12.4
P/BV (x)	4.4	3.8	3.7	3.3
EV/EBITDA (x)	12.2	10.6	9.7	8.5
Div yld (%)	2.0	2.8	3.2	3.7

CMP: INR865 TP:INR1,000 (+16%) Buy

- We expect HCLT's USD revenue to grow 3.7% QoQ in 4QFY17 and 3.4% QoQ on a constant currency basis.
- It is expected to be divided as follows: Organic: 1.5pp, new IBM partnership: 0.6pp (USD10m), and Butler: 1.3pp (USD23m).
- We expect momentum to continue in the IMS business. Deal signings over the last many quarters and growth so far provide visibility and confidence in execution of its 12-14% revenue growth guidance.
- EBIT margins are likely to decline by 20bp to 20.2% because of continued investments in the business, integration of lower margin businesses and increased depreciation, led by amortization of investments made in the IBM partnerships.
- With this, we expect 20.3% EBIT margin for FY17 – towards the higher-end of the 19.5-20.5% guidance range.
- PAT estimate for the quarter is INR19.7b, -4.8% QoQ, on the back of lower margins and lower other income.
- The stock trades at 13.6x FY18E and 12.4x FY19E EPS. Maintain **Buy.**

Key issues to watch for

- **Commentary on performance expectations for FY18.**
- **Deal signings.**
- **Organic growth in IMS and traction in Engineering.**

HCL Tech Quarterly Performance (US GAAP, INR Million)

Y/E June	FY15	FY16*			FY17				FY16*	FY17E
	4Q	1Q	2Q	3Q	1Q	2Q	3Q	4Q		
Revenue (USD m)	1,538	1,545	1,566	1,587	1,691	1,722	1,745	1,810	4,698	6,968
QoQ (%)	3.2	0.5	1.4	1.3	6.5	1.9	1.4	3.7	7.1	11.7
Revenue (INR m)	97,770	100,970	103,410	106,980	113,360	115,190	118,140	120,518	311,360	467,208
YoY (%)	16.1	15.6	11.4	15.4	15.9	14.1	14.2	12.7	14.6	14.2
GPM (%)	34.2	34.4	34.6	34.9	34.4	33.6	33.9	33.4	34.6	33.8
SGA (%)	12.8	12.5	13.0	12.7	12.1	11.8	11.7	11.5	12.7	11.8
EBITDA (INRm)	21,000	22,110	22,250	23,790	25,210	25,110	26,280	26,386	68,150	102,986
EBITDA Margin (%)	21.5	21.9	21.5	22.2	22.2	21.8	22.2	21.9	21.9	22.0
EBIT Margin (%)	20.2	20.6	20.0	20.8	20.6	20.1	20.4	20.2	20.5	20.3
Other income	2,120	2,410	3,550	2,000	2,530	2,350	2,310	713	7,960	7,903
ETR (%)	18.6	21.3	20.9	20.5	21.0	21.1	21.5	21.5	20.9	21.3
PAT before EOI	17,820	18,230	19,190	19,250	20,430	20,150	20,710	19,706	56,670	80,996
QoQ (%)	5.8	2.3	5.3	0.3	6.1	-1.4	2.8	-4.8		
YoY (%)	-2.9	6.1	-0.2	14.3	14.6	10.5	7.9	2.4	4.0	8.7
EPS	12.6	12.9	13.6	13.6	14.5	14.3	14.7	13.8	40.1	57.2
Headcount	106,107	105,571	103,696	104,896	107,968	109,795	111,092	114,742	104,896	114,742
Util excl. trainees (%)	83.5	83.6	84.7	85.6	85.8	85.3	84.6	84.9	81.8	83.0
Attrition (%)	16.5	16.3	16.7	17.3	17.8	18.6	17.9			
Fixed Price (%)	56.1	56.2	57.0	56.8	60.9	61.3	63.2			

E: MOSL Estimates

Hexaware Technologies

Bloomberg	HEXW IN
Equity Shares (m)	301.8
M. Cap. (INR b)/(USD b)	65 / 1
52-Week Range (INR)	273 / 178
1,6,12 Rel Perf. (%)	-7 / 7 / -35

Financial Snapshot (INR b)

Y/E DEC	2015	2016	2017E	2018E
Sales	31.2	35.3	39.0	43.4
EBITDA	5.4	5.7	6.4	7.1
PAT	3.9	4.2	4.5	5.0
EPS (INR)	12.9	13.7	14.9	16.3
EPS Gr. (%)	22.1	5.8	8.9	9.1
BV/Sh. (INR)	47.4	56.3	66.3	77.3
RoE (%)	28.9	26.5	24.4	22.7
RoCE (%)	27.7	24.2	22.8	21.7
Payout (%)	64.5	38.6	25.8	23.6
Valuation				
P/E (x)	16.6	15.7	14.4	13.2
P/BV (x)	4.5	3.8	3.2	2.8
EV/EBITDA (x)	11.0	10.2	9.2	8.0
Div yld (%)	4.0	2.6	1.9	1.9

CMP: INR215 TP: INR220 (+2%) Neutral

- We expect USD revenue to grow 0.8% QoQ to USD140m (0.5% QoQ CC).
- Although QoQ growth is expected to be soft, the quarter would strike 15% YoY growth, signifying strong momentum in the business.
- EBITDA margins have been steady over the last two quarters despite wage hike, resulting out of strong volume growth and improvement in operational efficiencies.
- However, in 1Q, we expect EBITDA margins to decline by 80bp QoQ to 16.5%, as utilization gets aligned to comfortable levels, and because of INR appreciation against the USD.
- Our PAT estimate for the quarter is INR1,086m, down 10.7% from the previous quarter, on the back of lower other income led by translation losses.
- The stock trades at 14.4x CY17E and 13.2x CY18E earnings. **Neutral.**

Key issues to watch for

- **Large deal pipeline and traction post the increased S&M spend.**
- **Commentary on sustenance of revenue growth.**
- **Health of top customers and outlook over CY17E.**

Quarterly Performance (Indian GAAP) **(INR m)**

Y/E Dec	CY16				CY17				CY15	CY16E
	1Q	2Q	3Q	4Q	1QE	2QE	3QE	4QE		
Revenue (USD m)	121.7	129.7	135.2	138.9	140.0	144.3	146.9	148.1	525	579
QoQ (%)	-1.9	6.6	4.2	2.7	0.8	3.1	1.8	0.8	8.2	10.3
Revenue (INR m)	8,202	8,697	9,041	9,409	9,323	9,670	9,915	10,069	35,349	38,977
YoY (%)	15.0	12.6	10.5	14.8	13.7	11.2	9.7	7.0	13.2	10.3
GPM (%)	33.6	34.6	35.4	34.6	33.8	34.2	34.1	32.3	34.6	33.6
SGA (%)	19.0	19.0	18.0	17.3	17.3	17.3	17.3	17.3	18.3	17.3
EBITDA	1,194	1,353	1,576	1,624	1,541	1,631	1,670	1,515	5,747	6,357
EBITDA Margin	14.6	15.6	17.4	17.3	16.5	16.9	16.8	15.0	16.3	16.3
EBIT Margin (%)	12.9	14.0	15.9	15.8	15.0	15.3	15.3	13.5	14.7	14.8
Other income	55	132	67	140	70	112	107	93	394	382
ETR (%)	24.2	25.8	25.8	25.1	26.0	26.0	26.0	26.0	25.3	26.0
PAT	842	999	1,114	1,216	1,086	1,180	1,202	1,074	4,171	4,543
QoQ (%)	-15.3	18.6	11.5	9.2	-10.7	8.6	1.9	-10.6		
YoY (%)	1.0	1.0	-0.1	22.3	29.0	18.1	7.9	-11.6	6.1	8.9
EPS (INR)	2.8	3.3	3.7	4.0	3.6	3.9	3.9	3.5	13.7	14.9
Headcount	11,599	11,875	11,859	12,115	12,390	12,820	13,095	13,536	12,115	13,536
Utilization (%)	69.6	70.0	74.1	78.6	77.0	77.0	77.0	74.0	73.8	77.3
Attrition (%)	16.0	16.6	16.5	16.1						
Offshore rev. (%)	36.9	36.1	34.4	35.5	35.1	35.3	35.6	34.5	35.7	35.1

E: MOSL Estimates

Infosys

Bloomberg	INFO IN
Equity Shares (m)	2285.6
M. Cap. (INR b)/(USD b)	2307 / 35
52-Week Range (INR)	1278 / 900
1,6,12 Rel Perf. (%)	-6 / -9 / -37

Financial Snapshot (INR b)

Y/E MAR	2016	2017E	2018E	2019E
Sales	624.4	686.1	747.4	825.1
EBITDA	170.8	186.2	200.2	220.8
PAT	134.9	141.8	152.2	167.5
EPS (INR)*	59.0	62.0	66.6	73.3
EPS Gr. (%)	9.4	5.1	7.4	10.0
BV/Sh. (INR)	270.3	300.7	331.0	365.5
RoE (%)	24.7	23.0	22.1	22.1
RoCE (%)	23.2	21.7	21.1	21.0
Payout (%)	41.9	50.0	45.1	46.4
Valuations				
P/E (x)	17.4	16.5	15.4	14.0
P/BV (x)	3.8	3.4	3.1	2.8
EV/EBITDA (x)	11.7	10.4	9.4	8.3
Div Yield (%)	2.4	3.0	2.9	3.3

CMP: INR1,009 TP: INR1,250 (+24%) Buy

- In 3Q, INFO narrowed its guidance band to 8.4-8.8% YoY CC, implying 4Q revenue growth of 0.3-1.8% QoQ (mid-point of 0.1%).
- In CC terms, our revenue growth estimate is 1% QoQ on the back of improvement in top clients after the sharp fall seen in 3Q and the RBS ramp-down being behind. Cross-currency tailwinds of 50bp would result in USD revenue growth of 1.5%.
- Given the lower exit rate for FY17 and expected conservatism in initial guidance to avoid three revisions like the previous year, we expect INFO to guide for 7-9% YoY CC growth for FY18. This would result in a CQGR ask rate of 2.2-3%.
- We expect EBITDA margin to decline by 50bp QoQ to 27.1%, led by INR appreciation and the absence of certain tailwinds that INFO benefited from in the previous quarter (higher leave utilization, lapse of leaves and lower leave liabilities).
- Our PAT estimate is INR34.2b, -7.7% QoQ led by lower profitability and translation losses.
- The stock trades at 15.4x FY18E and 14x FY19E earnings. **Buy**.

Key issues to watch for

- **TCV of deal wins during the quarter.**
- **Commentary around contribution of newly launched services.**
- **Commentary around macro, verticals, margins and pricing.**

Quarterly Performance (IFRS) (INR m)

Y/E March	FY16				FY17E				FY16	FY17E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Revenue (USD m)	2,256	2,392	2,407	2,446	2,501	2,587	2,551	2,590	9,501	10,229
QoQ (%)	4.5	6.0	0.6	1.6	2.2	3.4	-1.4	1.5	9.1	7.7
Revenue (INR m)	143,540	156,350	159,020	165,500	167,820	173,100	172,730	172,489	624,410	686,139
YoY (%)	12.4	17.2	15.3	23.4	16.9	10.7	8.6	4.2	17.1	9.9
GPM (%)	38.6	40.1	39.5	40.5	38.7	39.1	39.7	38.9	39.7	39.1
SGA (%)	12.4	12.3	12.3	12.5	12.2	11.8	12.2	11.8	12.4	12.0
EBITDA	37,600	43,510	43,280	46,390	44,470	47,330	47,670	46,775	170,790	186,245
EBITDA Margin (%)	26.2	27.8	27.2	28.0	26.5	27.3	27.6	27.1	27.4	27.1
EBIT Margin (%)	24.0	25.5	24.9	25.5	24.1	24.9	25.1	24.6	25.0	24.7
Other income	7,580	7,930	8,020	7,720	7,530	7,600	8,200	5,745	31,250	29,075
ETR (%)	27.9	29.0	27.2	27.9	28.4	28.8	28.1	29.0	28.0	28.6
PAT	30,300	33,980	34,650	35,970	34,360	36,060	37,080	34,218	134,930	141,768
QoQ (%)	-2.2	12.1	2.0	3.8	-4.5	4.9	2.8	-7.7		
YoY (%)	5.0	9.8	6.6	16.1	13.4	6.1	7.0	-4.9	9.4	5.1
EPS (INR)	13.3	14.9	15.2	15.7	15.0	15.8	16.2	15.0	59.0	62.0
Headcount	179,523	187,976	193,383	194,044	197,050	199,829	199,763	205,370	194,044	205,370
Util excl. trainees (%)	80.9	82.0	81.4	80.8	81.1	83.1	82.4	82.9	81.7	82.7
Attrition (%)	19.2	19.9	18.1	17.3	21.0	20.0	18.4			
Offshore rev. (%) (IT	43.9	43.9	43.5	43.5	43.0	43.0	43.5			
Fixed Price (%)	42.4	44.0	44.6	45.1	45.7	47.1	49.5			

E: MOSL Estimates

KPIT Technologies

Bloomberg	KPIT IN
Equity Shares (m)	200.2
M.Cap. (INR b) /(USD b)	26.2/0.4
52-Week Range (INR)	197/121
1, 6, 12 Rel. Per (%)	-7/-5/-32

Financial Snapshot (INR b)

Y/E MAR	2016	2017E	2018E	2019E
Sales	32.2	32.9	35.2	38.4
EBITDA	4.4	3.4	4.2	4.7
PAT	3.0	2.0	2.8	3.0
EPS (INR)	14.1	11.5	13.8	15.0
EPS Gr. (%)	19.0	-18.4	19.8	9.2
BV/Sh. (INR)	69.0	79.6	93.4	108.4
RoE (%)	21.0	13.7	15.9	14.9
RoCE (%)	24.3	15.8	17.8	17.3
Payout (%)	10.6	17.4	14.5	13.3
Valuations				
P/E (x)	9.3	11.4	9.5	8.7
P/BV (x)	1.9	1.6	1.4	1.2
EV/EBITDA (x)	5.1	5.9	4.3	3.4
Div yld (%)	1.1	1.5	1.5	1.5

CMP: INR130 TP: INR150 (+16%) Neutral

- Revenue performance has been lumpy for KPIT, with guidance of a better 2H compared to 1H.
- However, the impact of seasonal weakness and pressure in ERP implementation continue weighing on overall performance.
- Expect revenue of US124m, 1.2% QoQ growth in USD terms and 0.8% QoQ CC.
- While the company's drive has been to increase profitability, excessive fresher hiring led to operational inefficiencies, negatively impacting profitability. We expect margins to be subdued till there is a sustained uptick in revenue growth momentum, which remains elusive.
- Our PAT estimate is INR451m, -5% QoQ because of the compounding of lower margins and translation losses.
- KPIT trades at 9.5x FY18E and 8.7x FY19E earnings. Maintain **Neutral.**

Key issues to watch for

- **Growth in IES, Engineering Services and top client.**
- **Margin performance and guidance.**
- **Commentary on deal wins across segments.**
- **Plan to recoup revenue growth and profitability.**

Quarterly Performance (Indian GAAP) (INR m)

Y/E March	FY16				FY17				FY16	FY17E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Revenue (USD m)	118	125	123	124	120	123	123	124	490	490
QoQ (%)	-3.3	5.3	-1.0	0.7	-3.5	3.0	-0.4	1.2	0.3	0.0
Revenue (INR m)	7,583	8,123	8,130	8,407	8,032	8,310	8,307	8,284	32,243	32,933
YoY (%)	9.9	7.2	4.3	10.2	5.9	2.3	2.2	-1.5	7.8	2.1
GPM (%)	28.2	32.1	32.9	35.3	28.9	29.5	29.0	28.9	32.2	29.1
SGA (%)	18.7	18.1	18.3	19.1	18.3	18.5	18.8	18.9	18.6	18.6
EBITDA	718	1,139	1,186	1,359	855	914	846	830	4,353	3,446
EBITDA Margin (%)	9.5	14.0	14.6	16.2	10.7	11.0	10.2	10.0	13.5	10.5
EBIT Margin (%)	7.3	11.9	12.3	13.6	8.3	8.6	7.9	7.6	11.4	8.1
Other income	106	86	36	20	116	49	29	20	248	214
Interest	47	44	35	25	56	14	66	63	152	199
ETR (%)	27.9	25.4	26.5	13.4	24.3	25.1	23.1	23.1	22.8	24.0
PAT	444	751	735	885	551	562	475	451	2,815	2,039
QoQ (%)	-11.8	69.1	-2.1	20.4	-37.8	2.0	-15.5	-5.0		
YoY (%)	-12.6	6.3	12.5	75.7	24.0	-25.2	-35.4	-49.0	18.7	-27.6
EPS (INR)	2.2	3.8	3.7	4.4	2.8	2.8	3.7	2.3	14.1	11.5
Headcount	10,839	10,659	10,559	10,910	11,288	11,666	11,881	11,770	10,910	11,770
Util excl. trainees (%)	66.4	69.7	69.1	70.2	68.1	69.2	69.2	70.0	68.8	69.1
Offshore rev. (%)	44.7	44.9	41.2	42.1	41.5	43.3	43.6	43.8	43.2	43.1
Fixed Price (%)	26.2	27.1	29.1	26.4	28.5	28.0	33.7			

E: MOSL Estimates

L&T Infotech

Bloomberg	LTI IN
Equity Shares (m)	170.5
M. Cap. (INR b)/(USD b)	123 / 2
52-Week Range (INR)	725 / 595
1,6,12 Rel Perf. (%)	-1/-11/-

Financial Snapshot (INR b)

Y/E MARCH	2016	2017E	2018E	2019E
Sales	58.5	64.8	70.7	77.6
EBITDA	10.4	12.1	12.5	13.3
PAT	9.2	9.4	10.2	10.6
EPS (INR)	52.4	53.6	58.0	60.8
EPS Gr. (%)	21.5	2.3	8.2	4.8
BV/Sh. (INR)	115.6	143.5	173.7	205.3
RoE (%)	45.3	41.4	36.6	32.1
RoCE (%)	39.9	44.3	36.4	33.7
Payout (%)	59.6	40.0	40.0	40.0
Valuation				
P/E (x)	13.6	13.3	12.3	11.7
P/BV (x)	6.2	5.0	4.1	3.5
EV/EBITDA (x)	11.9	9.9	9.4	8.6
Div Yld (%)	4.4	3.0	3.3	3.4

CMP: INR711 TP: INR800 (+12%) Buy

- LTI saw revenue growth of 3.8% QoQ CC despite 3Q being a seasonally weak quarter. This was largely attributed to the ramp-up of deals won earlier during the year.
- Led by the higher base, and expectations of new ramp-ups beginning in FY18, we expect CC growth of 1.3% QoQ. A 40bp tailwind during the quarter would result in 1.7% USD revenue growth.
- Expect 20bp expansion in EBITDA margin to 18.3% as 3Q was negatively impacted by seasonality and increased share of India in the overall portfolio. This would be partly offset by INR appreciation and continued investments in the business.
- Our PAT estimate for the quarter is INR2.2b, which implies 10.5% QoQ decline, largely led by translation losses offsetting hedge gains and resulting in lower other income.
- The stock trades at 12.3x FY18E and 11.7x FY19E earnings. **Neutral.**

Key issues to watch for

- **Deal wins and ramp-up schedule for FY18.**
- **Margin trajectory, going forward, given the increased investments.**
- **Growth in Digital.**

Quarterly Performance **(INR m)**

Y/E March	FY16				FY17E				FY16	FY17E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Revenue (USD m)	209	224	225	230	231	240	245	249	887	965
QoQ (%)	0.0	7.3	0.5	2.1	0.6	3.7	2.3	1.7	9.5	8.8
Revenue (INR m)	13,332	14,682	14,870	15,939	15,550	16,020	16,667	16,605	58,471	64,842
YoY (%)	14.5	18.7	12.4	20.5	16.6	9.1	12.1	4.2	17.5	10.9
GPM (%)	34.0	34.5	36.4	35.0	35.3	35.4	34.3	34.3	33.5	34.8
SGA (%)	18.5	17.9	16.8	14.9	15.7	16.4	16.2	16.0	15.8	16.1
EBITDA	2,068	2,431	2,914	3,204	3,050	3,044	3,018	3,035	10,359	12,147
EBITDA Margin (%)	15.5	16.6	19.6	20.1	19.6	19.0	18.1	18.3	17.7	18.7
EBIT Margin (%)	12.2	13.6	16.7	17.4	16.9	16.1	15.3	15.3	14.7	15.9
Other income	512	532	285	500	372	365	598	261	2,802	1,596
ETR (%)	18.2	24.4	18.8	19.2	21.2	21.0	21.2	21.0	19.7	21.1
PAT	1,746	1,917	2,245	2,644	2,359	2,326	2,480	2,219	9,171	9,384
QoQ (%)	-21.2	9.8	17.1	17.8	-10.8	-1.4	6.6	-10.5		
YoY (%)	7.5	7.2	12.5	19.4	35.1	21.3	10.5	-16.1	21.5	2.3
EPS (INR)	10.0	11.0	12.8	15.1	13.5	13.3	14.2	12.7	52.4	53.6
Headcount	20,331	22,689	22,477	20,072	19,292	21,074	21,976	22,246	20,072	22,246
Util incl. trainees (%)	73.8	72.8	74.0	75.9	77.4	78.7	78.1	76.0	73.8	77.5
Attrition (%)	20.1	19.7	18.5	18.4	19.5	18.5	18.1			
Offshore rev. (%)	51.9	51.7	51.3	52.4	51.9	51.2	52.3	52.7	49.7	52.0

E: MOSL Estimates

MindTree

Bloomberg	MTCL IN
Equity Shares (m)	167.7
M. Cap. (INR b)/(USD b)	77 / 1
52-Week Range (INR)	758 / 400
1,6,12 Rel Perf. (%)	-5 / -14 / -51

Financial Snapshot (INR b)

Y/E MARCH	2016	2017E	2018E	2019E
Sales	46.9	52.1	57.1	63.7
EBITDA	8.3	7.0	8.1	9.1
PAT	6.0	4.2	5.8	6.6
EPS (INR)	35.9	24.9	34.6	39.4
EPS Gr. (%)	14.2	-30.6	39.0	14.0
BV/Sh. (INR)	142.4	151.0	171.1	192.4
RoE (%)	27.4	17.0	21.5	21.7
RoCE (%)	30.6	19.5	21.1	21.0
Payout (%)	29.3	48.2	34.7	38.0
Valuation				
P/E (x)	12.6	18.2	13.1	11.5
P/BV (x)	3.2	3.0	2.6	2.4
EV/EBITDA (x)	8.6	10.0	8.5	7.3
Div Yld (%)	2.3	2.6	2.6	3.3

CMP: INR452 TP: INR530 (+17%) Neutral

- MTCL's performance has been impacted since the last couple of quarters because of softness in top accounts, project cancellations, delays in decision making and deterioration in the performance of acquisitions.
- These factors are expected to play on performance in 4Q as well, restricting signs of a revival. While we expect 1.5% QoQ CC growth, we expect a headwind of 40bp due to cross-currency headwinds, resulting in 1.1% QoQ growth.
- Note, for MTCL, rates at the beginning of the month are considered while billing, resulting in a headwind versus a tailwind for peers.
- Although margins have bottomed out, we don't see a material pick-up till organic growth momentum increases or acquisitions turn around. We assume flat EBITDA margins in 4Q at 13.4%.
- Our PAT estimate for the quarter is INR972m, which implies 5.8% QoQ decline.
- The stock trades at 13.1x FY18E and 11.5x FY19E earnings. **Neutral.**

Key issues to watch for

- **Update on top clients, pricing pressure and outlook.**
- **Margin trajectory, going forward, given the increased investments and revenue growth issues.**
- **Deal wins during the quarter and growth in Digital.**

Quarterly Performance (INR m)

Y/E March	FY16				FY17E				FY16	FY17E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Revenue (USD m)	**154**	**180**	**184**	**195**	**199**	**193**	**192**	**194**	**715**	**778**
QoQ (%)	4.4	16.9	2.3	5.7	2.1	-3.0	-0.4	1.1	22.5	8.8
Revenue (INR m)	**9,775**	**11,693**	**12,145**	**13,203**	**13,276**	**12,954**	**12,953**	**12,937**	**46,896**	**52,120**
YoY (%)	15.9	31.6	33.2	43.8	35.8	10.8	6.7	-2.0	31.7	11.1
GPM (%)	**41.1**	**41.3**	**40.3**	**38.0**	**37.0**	**34.2**	**34.1**	**34.1**	**40.2**	**34.9**
SGA (%)	24.0	22.8	22.6	21.3	22.3	21.7	20.7	20.7	22.5	21.3
EBITDA	**1,672**	**2,164**	**2,147**	**2,206**	**1,951**	**1,621**	**1,740**	**1,733**	**8,299**	**7,045**
EBITDA Margin (%)	**17.1**	**18.5**	**17.7**	**16.7**	**14.7**	**12.5**	**13.4**	**13.4**	**17.7**	**13.5**
EBIT Margin (%)	13.6	15.8	14.8	13.1	10.8	8.6	9.5	9.4	14.8	9.6
Other income	321	195	147	42	198	170	144	65	810	577
ETR (%)	22.4	22.5	22.6	25.0	24.2	26.0	25.2	24.0	22.4	24.8
PAT	**1,283**	**1,582**	**1,509**	**1,330**	**1,235**	**948**	**1,031**	**972**	**6,033**	**4,186**
QoQ (%)	-0.3	23.3	-4.6	-11.9	-7.1	-23.2	8.8	-5.8		
YoY (%)	-0.9	15.1	7.2	3.3	-3.7	-40.1	-31.7	-27.0	12.5	-30.6
EPS (INR)	**7.6**	**9.4**	**9.0**	**7.9**	**7.4**	**5.6**	**6.1**	**5.8**	**35.9**	**24.9**
Headcount	**14,427**	**15,582**	**16,243**	**16,623**	**16,110**	**16,219**	**16,099**	**16,249**	**16,623**	**16,249**
Util incl. trainees (%)	70.3	71.4	68.5	69.4	71.4	71.4	71.3	72.0	69.9	71.5
Attrition (%)	18.4	17.1	16.0	15.7	16.5	16.4	16.1			
Offshore rev. (%)	51.9	47.6	45.5	42.4	40.5	40.8	39.8	40.1	46.6	40.3
Fixed Price (%)	48.9	49.7	50.0	47.7	48.7	50.6	52.5			

E: MOSL Estimates

Mphasis

Bloomberg	MPHL IN
Equity Shares (m)	210.1
M. Cap. (INR b)/(USD b)	120 / 2
52-Week Range (INR)	622 / 425
1,6,12 Rel Perf. (%)	-7 / -2 / 6

Financial Snapshot (INR b)

Y/E MAR	2016	2017E	2018E	2019E
Sales	60.9	60.8	65.7	72.3
EBITDA	9.0	9.6	10.2	11.2
PAT	7.2	8.2	8.3	8.7
EPS (INR)	34.5	42.7	43.0	44.9
EPS Gr. (%)	6.8	23.9	0.8	4.4
BV/Sh. (INR)	299.4	280.1	296.7	315.3
RoE (%)	12.3	14.1	14.9	14.7
RoCE (%)	11.2	13.1	14.2	14.3
Payout (%)	58.0	124.2	51.1	49.0
Valuations				
P/E (x)	16.8	13.6	13.5	12.9
P/BV (x)	1.9	2.1	2.0	1.8
EV/EBITDA(x)	10.8	9.9	9.0	8.0
Div yld (%)	3.5	9.1	3.8	3.8

CMP: INR578 TP: INR550 (-5%) Neutral

- In 3QFY17, HP channel revenue grew for the second consecutive time in 20 quarters. This is expected to remain stable with the renewed MSA coming into effect, after the completion of the transaction between HPE and Blackstone.
- We expect revenue growth of 1.1% QoQ (0.7% QoQ CC), driven by stability in HP channel and Digital Risk and continued traction in the Direct International business.
- Margins are likely to be stable (+20bp QoQ), as wage hike pressures are now behind, and there is stability seen in the HP channel.
- MPHL had raised its EBIT margin guidance by 100bp at the end of 4QFY16 to 14-16% for FY17, and expressed confidence in achieving the higher end of the range. Looking at the traction so far, this seems achievable.
- Our PAT estimate is INR1.97b (-3.5% QoQ).
- The stock trades at 12.2x FY17E and 9.5x FY18E EPS. Neutral.

Key issues to watch for

- **Outlook for Digital Risk given an interest rate cycle reversal.**
- **Strategy changes and roadmap under the new leadership.**
- **Performance in Direct International business, and outlook for the year.**

Quarterly Performance (INR m)

Y/E March	FY16				FY17E				FY16	FY17E
	Jun 15	Sep 15	Dec 15	Mar 16	Jun 16	Sep 16	Dec 16	Mar 17		
Revenue (USD m)	**234**	**237**	**229**	**225**	**224**	**224**	**225**	**227**	**926**	**900**
QoQ (%)	1.7	1.2	-3.4	-1.7	-0.3	-0.2	0.2	1.1	-2.2	-2.7
Revenue (INR m)	**14,945**	**15,575**	**15,167**	**15,160**	**15,167**	**15,176**	**15,361**	**15,064**	**60,879**	**60,768**
YoY (%)	0.3	6.3	7.5	6.1	1.5	-2.6	1.3	-0.6	5.1	-0.2
GPM (%)	**26.2**	**26.9**	**25.6**	**27.9**	**28.1**	**28.1**	**27.8**	**27.1**	**26.6**	**27.8**
SGA (%)	11.9	11.9	11.3	12.2	12.0	11.8	12.3	**11.7**	11.8	12.0
EBITDA	**2,115**	**2,345**	**2,166**	**2,344**	**2,445**	**2,463**	**2,396**	**2,315**	**8,970**	**9,619**
EBITDA Margin (%)	**14.1**	**15.1**	**14.3**	**15.7**	**16.1**	**16.2**	**15.6**	**15.4**	**14.7**	**15.8**
EBIT Margin (%)	12.7	13.9	13.2	14.5	15.2	15.3	14.7	14.5	13.5	14.9
Other income	440	492	456	490	572	711	617	566	1,954	2,466
ETR (%)	29.2	26.4	27.7	31.1	27.7	27.5	28.5	27.5	27.1	27.8
PAT	**1,658**	**1,900**	**1,736**	**1,920**	**2,043**	**2,166**	**2,044**	**1,973**	**7,242**	**8,226**
QoQ (%)	-6.7	14.6	-8.6	10.6	6.4	6.0	-5.6	-3.5		
YoY (%)	-5.1	18.6	5.1	8.0	23.2	14.0	17.7	2.7	6.9	13.6
EPS (INR)	**8.3**	**9.0**	**8.3**	**9.2**	**9.7**	**10.3**	**9.7**	**10.2**	**34.5**	**40.0**
Headcount	**34,159**	**24,169**	**23,563**	**22,324**	**22,374**	**22,284**	**22,018**	**21,529**	**22,324**	**21,529**
Net Additions	100	-9990	-606	-1239	50	-90	-266	-489	-11735	-795
HP Channel rev. (%)	28.8	26.5	24.2	24.3	23.4	23.9	24.0			
Fixed Price (%)	12.3	14.0	19.2	21.1	19.8	19.1	20.6			

E: MOSL Estimates

Persistent Systems

Bloomberg	PSYS IN
Equity Shares (m)	80.0
M. Cap. (INR b)/(USD b)	47 / 1
52-Week Range (INR)	782 / 501
1,6,12 Rel Perf. (%)	-12 / -21 / -41

Financial Snapshot (INR b)

Y/E MARCH	2016	2017E	2018E	2019E
Sales	23.1	28.9	32.5	36.4
EBITDA	4.2	4.5	5.3	6.2
Adj. PAT	3.0	3.0	3.5	4.0
Adj. EPS (INR)	37.2	37.4	43.4	50.5
EPS Gr. (%)	2.3	0.6	16.0	16.4
BV/Sh.(INR)	211.0	244.4	254.2	264.6
RoE (%)	19.5	16.9	17.9	20.1
RoCE (%)	18.9	16.7	15.3	17.1
Valuations				
P/E (x)	16.0	15.9	13.7	11.8
P/BV (x)	2.8	2.4	2.3	2.3
EV/EBITDA (x)	9.3	8.6	7.0	5.9
Div. Yield (%)	1.8	2.0	2.0	2.0

CMP: INR596 TP: INR730 (+23%) Neutral

- Revenue growth is expected to be led by the Enterprise segment, whereas revenue from the IBM Watson deal would decline, as 3Q is the strongest quarter for IBM seasonally.
- Growth in ISVs is likely to continue following the same trajectory as earlier. Aided by these factors, we expect 4QFY17 revenue to grow 0.3% QoQ CC to USD110.5m.
- Cross-currency movements are likely to result in a tailwind of 20bp during the quarter, leading to 0.5% USD growth.
- EBITDA margins are expected to decline, as revenue from the IBM Watson IoT deal would decline during the quarter. This is likely to result in a 70bp reduction in EBITDA margins to 15.2%.
- Our PAT estimate for the quarter is INR706m, down 14% QoQ owing to lower other income. Translation losses due to the USD closing at INR65/USD would lead to pressure on PAT.
- The stock trades at 13.7x FY18E and 11.8x FY19E earnings. **Neutral**.

Key issues to watch for

- **Performance and outlook for top clients in ISV (ex-IBM).**
- **Commentary on traction with Enterprise customers and potential of winning large deals.**
- **Outlook on sustainable profit margins in the near to medium term.**

Quarterly Performance (IFRS) (INR m)

Y/E March	FY16				FY17E				FY16	FY17E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Revenue (USD m)	**78.6**	**83.0**	**89.7**	**100.4**	**104.8**	**105.2**	**110.0**	**110.5**	**352**	**431**
QoQ (%)	-1.8	5.5	8.1	12.0	4.3	0.4	4.6	0.5	14.0	22.4
Revenue (INR m)	**5,004**	**5,427**	**5,921**	**6,771**	**7,018**	**7,040**	**7,455**	**7,362**	**23,123**	**28,875**
QoQ (%)	0.6	8.5	9.1	14.4	3.6	0.3	5.9	-1.3		
YoY (%)	15.0	16.9	19.7	36.1	40.2	29.7	25.9	8.7	22.3	24.9
GPM (%)	**39.7**	**38.9**	**38.8**	**35.7**	**34.7**	**35.5**	**36.3**	**35.0**	**38.1**	**35.4**
SGA (%)	20.4	20.2	20.1	19.8	19.6	19.8	20.4	19.4	20.1	19.9
EBITDA	**969**	**1,018**	**1,110**	**1,074**	**1,058**	**1,108**	**1,187**	**1,116**	**4,171**	**4,467**
EBITDA Margin (%)	**19.4**	**18.7**	**18.8**	**15.9**	**15.1**	**15.7**	**15.9**	**15.2**	**18.0**	**15.5**
EBIT Margin (%)	14.8	14.4	14.6	12.1	10.2	10.5	10.7	9.8	13.9	10.3
Other income	198	182	160	210	253	243	318	217	750	1,031
ETR (%)	28.5	25.5	24.4	21.4	24.3	25.3	26.7	25.0	24.8	25.4
PAT	**672**	**718**	**775**	**808**	**733**	**735**	**819**	**706**	**2,974**	**2,993**
QoQ (%)	-11.6	6.9	7.8	4.3	-9.3	0.3	11.4	-13.8		
YoY (%)	-2.3	0.7	4.1	6.3	9.0	2.3	5.7	-12.6	2.3	0.6
EPS (INR)	**8.4**	**9.0**	**9.7**	**10.1**	**9.2**	**9.2**	**10.2**	**8.8**	**37.2**	**37.4**
Headcount	**8,454**	**8,545**	**8,966**	**9,264**	**9,389**	**9,305**	**9,229**	**9,271**	**9,264**	**9,271**
Util excl. trainees (%)	72.9	76.1	74.5	75.2	75.3	74.2	78.9	78.3	74.7	76.6
Attrition (%)	16.4	17.1	17.1	16.4	16.7	15.9	15.8			
IP rev. proportion (%)	18.4	16.2	20.1	28.2	28.2	27.8	28.4	29.0	21.1	28.4

E: MOSL Estimates

NIIT Technologies

Bloomberg	NITEC IN
Equity Shares (m)	61.2
M. Cap. (INR b)/(USD b)	27 / 0
52-Week Range (INR)	588 / 370
1,6,12 Rel Perf. (%)	1 / -4 / -32

Financial Snapshot (INR b)

Y/E MARCH	2016	2017E	2018E	2019E
Sales	26.8	27.5	29.3	31.9
EBITDA	4.7	4.5	5.0	5.5
PAT	2.8	2.6	2.9	3.3
EPS (INR)	45.7	36.2	46.8	52.9
EPS Gr. (%)	143.7	-20.9	29.3	13.1
BV/Sh. (INR)	259.8	278.0	311.6	350.1
RoE (%)	19.0	13.5	15.9	16.0
RoCE (%)	18.6	15.3	14.9	14.8
Payout (%)	21.9	30.4	23.5	22.7
Valuations				
P/E (x)	9.5	12.1	9.3	8.2
P/BV (x)	1.7	1.6	1.4	1.2
EV/EBITDA (x)	4.9	5.0	4.3	3.5
Div Yld (%)	2.3	2.5	2.5	2.7

CMP: INR 436 TP: INR470 (+8%) Neutral

- We expect revenue growth for NITEC to pick up in 4Q (2% QoQ CC), led by stability in top clients and ramp-up of new deals won earlier in the year.
- However, bookings using the start date of the month would result in 50bp of a headwind on account of cross-currency movement, which has been a tailwind for peers.
- We expect EBITDA margin to expand by 60bp QoQ to 17.5%, aided by higher international revenue and increased traction in Digital.
- Our PAT estimate is INR667m, down 7.4% QoQ, driven by lower other income, led by translation losses.
- The stock trades at 9.3x FY18E and 8.2x FY19E earnings. Neutral.

Key issues to watch for

- **Traction in the international business.**
- **Demand environment and update on ramp-up delays.**
- **Deal wins.**

Quarterly Performance (IFRS) (INR m)

Y/E March	FY16				FY17E				FY16	FY17E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Revenue (USD m) Ex. forex	98	104	103	102	99	103	103	104	406	409
QoQ (%)	5.9	6.2	-0.9	-1.2	-2.5	4.2	-0.6	1.5	8.6	1.4
Revenue (INR m)	6,411	6,779	6,787	6,847	6,692	6,913	6,922	6,982	26,824	28,506
YoY (%)	11.0	15.2	14.0	12.0	4.4	2.0	2.0	2.0	338.9	344.6
GPM (%)	36.4	37.2	37.3	37.1	35.3	35.3	36.2	36.8	37.0	36.6
SGA (%)	20.1	19.6	19.1	18.7	20.0	19.0	19.3	19.3	19.5	19.4
EBITDA	1,043	1,194	1,235	1,261	1,023	1,122	1,168	1,219	4,733	4,532
EBITDA Margin (%)	16.3	17.6	18.2	18.4	15.3	16.2	16.9	17.5	17.6	17.3
EBIT Margin (%)	12.0	13.7	14.2	14.2	10.9	12.0	12.7	13.2	13.5	13.2
Other income	79	13	52	39	71	27	45	21	183	234
ETR (%)	25.9	22.9	20.9	18.2	10.3	24.2	24.2	24.2	21.8	21.4
Minority Interest	40.0	43.0	48.0	39.0	46.0	54.0	48.0	48.0	170.0	208.0
PAT	587	683	741	790	720	720	720	667	2,801	2,578
QoQ (%)	-433.5	16.4	8.5	6.6	-8.9	0.0	0.0	-7.4	145.9	-8.0
YoY (%)	35.6	70.8	53.7	-548.9	22.7	5.4	-2.8	-15.6		
EPS (INR)	9.6	11.2	12.1	12.9	5.1	9.7	10.6	10.8	45.8	42.0
Headcount	9,228	9,592	9,517	9,476	9,022	8,868	8,809	8,979	9,476	9,318
Util excl. trainees (%)	79.5	79.7	78.7	79.0	79.8	81.0	80.0	80.0	79.2	79.1
Attrition (%)	14.3	13.7	13.6	13.6	13.4	12.9	12.9			
Offshore rev. (%)	39.0	41.0	41.0	39.0	39.0	39.0	40.0		40.0	38.5
Fixed Price (%)	42.0	41.0	43.0	46.0	46.0	46.0	48.0			

TCS

Bloomberg	TCS IN
Equity Shares (m)	1970.4
M. Cap. (INR b)/(USD b)	4755 / 73
52-Week Range (INR)	2740 / 2055
1,6,12 Rel Perf. (%)	-7 / -5 / -22

Financial Snapshot (INR b)

Y/E MAR	2016	2017E	2018E	2019E
Sales	1,086.5	1,183.2	1,303.9	1,442.2
EBITDA	306.8	323.7	348.8	379.5
PAT	242.1	258.8	277.0	296.2
EPS (INR)	123.2	131.3	144.7	154.7
EPS Gr. (%)	11.5	6.6	10.2	6.9
BV/Sh. (INR)	371.4	423.8	417.1	494.0
RoE (%)	37.1	33.0	33.4	33.0
RoCE (%)	36.8	31.9	28.7	26.2
Payout (%)	35.2	35.4	93.9	39.3
Valuation				
P/E (x)	19.6	18.4	16.7	15.6
P/BV (x)	6.5	5.7	5.8	4.9
EV/EBITDA (x)	14.6	13.7	12.9	11.6
Div. yield (%)	1.8	1.9	5.6	2.5

CMP: INR2,431 TP: INR2,550 (+5%) Neutral

- Revenue growth for TCS in 3Q was 2% QoQ CC, which included a tailwind of ~USD27m from a deferment of revenue in an India-based contract.
- We expect momentum to continue in 4Q, and hence, expect 2% QoQ CC growth.
- However, cross-currency movement would provide a tailwind of 70bp, resulting in revenue of USD4,504m, a growth of 2.7%.
- Our EBIT margin estimate for 4Q stands at 25.6% QoQ (-40bp QoQ), below the lower end of the guided range of 26-28%. There is a possibility of TCS' margins being lower than the range for FY17, lest there is a material beat on profitability in 4Q.
- Our PAT estimate stands at INR62b (-8.6% QoQ). The decline is led by lower other income, resulting out of a translation loss, led by USD/INR appreciation on a closing basis.
- The stock trades at 16.7x FY18E and 15.6x FY19E earnings. **Neutral.**

Key issues to watch for

- **Outlook on revenue from TCS Japan and Diligenta.**
- **Traction in new Digital initiatives (automation/solutions).**
- **Outlook for BFSI vertical going ahead.**

Quarterly Performance (IFRS) (INR m)

Y/E March	FY16				FY17E				FY16	FY17E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Revenue (USD m)	4,036	4,156	4,145	4,207	4,362	4,374	4,387	4,504	16,544	17,627
QoQ (%)	3.5	3.0	-0.3	1.5	3.7	0.3	0.3	2.7	7.1	6.5
Revenue (INR m)	256,681	271,655	273,640	284,486	293,050	292,840	297,350	299,935	1,086,462	1,183,175
YoY (%)	16.1	14.1	11.7	17.5	14.2	7.8	8.7	5.4	14.8	8.9
GPM (%)	44.9	45.5	45.6	44.8	43.9	44.8	44.5	44.4	45.2	44.4
SGA (%)	16.8	16.7	17.3	17.0	17.1	17.1	16.8	17.1	17.0	17.0
EBITDA	72,019	78,224	77,469	79,068	78,380	81,110	82,290	81,880	306,780	323,660
EBITDA Margin (%)	28.1	28.8	28.3	27.8	26.7	27.7	27.7	27.3	28.2	27.4
EBIT Margin (%)	26.3	27.1	26.6	26.1	25.1	26.0	26.0	25.6	26.5	25.7
Other income	7,707	6,751	6,990	9,050	9,630	10,520	11,850	4,614	30,498	36,614
ETR (%)	23.2	24.1	23.2	23.7	24.0	23.8	23.6	23.5	23.6	23.7
PAT	57,086	60,553	61,095	63,412	63,179	65,860	67,780	61,965	242,146	258,784
QoQ (%)	-3.3	6.1	0.9	3.8	-0.4	4.2	2.9	-8.6		
YoY (%)	12.9	14.5	12.2	7.4	10.7	8.8	10.9	-2.3	11.6	6.9
EPS (INR)	29.1	30.8	31.0	32.3	32.1	33.4	34.4	31.4	123.2	131.3
Headcount	324,935	335,620	344,691	353,843	362,079	371,519	378,497	385,749	353,843	385,749
CC QoQ rev gr (%)	3.4	3.9	0.5	2.1	3.1	1.0	2.0	2.0	11.8	8.4
Attrition (%)	15.9	16.2	15.9	15.5	13.6	12.9	12.2			

E: MOSL Estimates

Tech Mahindra

Bloomberg	TECHM IN
Equity Shares (m)	984.7
M. Cap. (INR b)/(USD b)	446 / 7
52-Week Range (INR)	564 / 405
1,6,12 Rel Perf. (%)	-14 / 1 / -22

Financial Snapshot (INR b)

Y/E MARCH	2016	2017E	2018E	2019E
Sales	264.9	291.9	324.9	358.4
EBITDA	43.4	44.5	48.9	54.7
Adj. PAT	31.2	29.8	31.7	35.7
Adj. EPS (INR)	35.1	33.6	35.7	40.2
EPS Gr. (%)	18.4	-4.2	6.2	12.7
BV/Sh.(INR)	165.6	175.1	197.2	227.7
RoE (%)	23.4	20.1	19.5	19.2
RoCE (%)	20.1	16.6	16.6	16.7
Payout (%)	34.2	36.9	33.6	21.8
Valuation				
P/E (x)	13.1	13.7	12.9	11.4
P/BV (x)	2.8	2.6	2.3	2.0
EV/EBITDA (x)	8.3	8.8	7.6	6.2
Div. Yield (%)	2.6	2.6	2.6	1.9

CMP: INR460 TP: INR550 (+20%) Buy

- We expect 0.8% QoQ CC growth in TECHM in 4QFY17. Our expectations are led by 0.6% growth in Telecom and 0.9% in Enterprise.
- The seasonal strength in Comviva is expected to be offset by the pressure in LCC, resulting in subdued performance in Telecom.
- Organic CC growth in Enterprise exceeded 4% QoQ in 3Q, and that's likely to moderate growth in the current quarter. Cross-currency tailwinds of 60bp are likely to result in USD revenue growth of 1.4%.
- We expect EBITDA margin to decline by 30bp to 15.4%. The benefits of higher profitability in Comviva are expected to be offset by INR appreciation during the quarter.
- Expect PAT to decline 14.7% QoQ to INR7.3b, led by lower other income.
- The stock trades at 12.9x FY18E and 11.4x FY19E earnings. **Buy.**

Key issues to watch for

- **Performance of the Telecom segment.**
- **Comments on profitability including LCC.**
- **TCV of deal wins in the Enterprise segment.**

Quarterly Performance (INR m)

Y/E March	FY16				FY17E				FY16	FY17E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Revenue (USD m)	**989**	**1,011**	**1,015**	**1,023**	**1,032**	**1,072**	**1,116**	**1,132**	**4,037**	**4,352**
QoQ (%)	0.5	2.2	0.4	0.8	0.9	4.0	4.1	1.4	10.2	7.8
Revenue (INR m)	**62,938**	**66,155**	**67,011**	**68,837**	**69,209**	**71,674**	**75,575**	**75,399**	**264,941**	**291,857**
YoY (%)	22.9	20.5	16.5	12.5	10.0	8.3	12.8	9.5	17.9	10.2
GPM (%)	**29.4**	**32.0**	**31.3**	**30.6**	**29.5**	**30.6**	**30.7**	**30.9**	**30.8**	**30.5**
SGA (%)	15.0	15.4	14.3	13.8	14.6	15.7	15.0	**15.5**	14.5	15.2
EBITDA	**9,050**	**11,010**	**11,358**	**11,510**	**10,290**	**10,701**	**11,865**	**11,605**	**43,426**	**44,461**
EBITDA Margin (%)	**14.4**	**16.6**	**16.9**	**16.7**	**14.9**	**14.9**	**15.7**	**15.4**	**16.4**	**15.2**
EBIT Margin (%)	11.6	13.7	14.4	13.6	12.0	11.5	12.4	12.0	13.5	12.0
Other income	1,244	1,658	639	1,603	1,519	1,387	1,552	864	5,322	5,323
Interest expense	215	173	244	340	274	345	349	392	961	1,360
ETR (%)	25.6	24.8	23.2	17.0	25.9	30.8	20.2	22.5	21.4	24.7
PAT excl. BT amort & EOI	**6,225**	**7,855**	**7,592**	**8,581**	**6,561**	**6,447**	**8,560**	**7,302**	**31,180**	**28,870**
QoQ (%)	31.9	26.2	-3.3	13.0	-23.5	-1.7	32.8	-14.7		
YoY (%)	-1.3	9.2	-2.3	81.8	5.4	-17.9	12.8	-14.9	20.0	-7.4
EPS (INR)	**7.6**	**8.8**	**8.5**	**10.1**	**7.4**	**7.3**	**9.6**	**8.2**	**35.1**	**33.5**
Headcount	**103,673**	**105,235**	**107,137**	**105,432**	**107,216**	**111,743**	**117,095**	**114,549**	**103,673**	**105,235**
Util excl. trainees (%)	74.0	77.0	77.0	77.0	78.0	78.0	77.0	77.8	76.2	77.7
Attrition (%)	19.0	20.0	20.0	21.0	21.0	19.0	18.0			
Offshore rev. (%)	39.0	38.3	37.3	36.8	36.6	36.5	36.1	35.8	37.8	36.3

E: MOSL Estimates

Wipro

Bloomberg	WPRO IN
Equity Shares (m)	2466.0
M. Cap. (INR b)/(USD b)	1251 / 19
52-Week Range (INR)	607 / 410
1,6,12 Rel Perf. (%)	-1 / 0 / -30

Financial Snapshot (INR b)

Y/E MAR	2016	2017E	2018E	2019E
Sales	512.4	546.7	580.6	633.8
EBITDA	108.1	108.1	118.9	133.9
PAT	88.9	81.3	90.8	103.9
EPS (INR)	36.1	33.0	37.5	42.9
EPS Gr. (%)	2.9	-8.6	13.6	14.3
BV/Sh. (INR)	189.7	204.1	229.3	254.1
RoE (%)	20.3	16.8	17.2	17.8
RoCE (%)	16.7	13.6	13.9	14.9
Payout (%)	16.6	29.8	34.7	35.0
Valuations				
P/E (x)	14.3	15.6	13.8	12.0
P/BV (x)	2.7	2.5	2.2	2.0
EV/EBITDA (x)	10.6	10.7	9.3	8.0
Div Yld (%)	1.2	1.9	2.5	2.9

CMP: INR515 TP: INR540 (+5%) Neutral

- In the previous quarter, Wipro had guided 1-2% QoQ CC growth for 4Q. However, this would include ~7 weeks of additional revenue from the integration of Appirio (~1.5%). Excluding this, the guidance of organic growth is -0.5% to +0.5% QoQ CC.
- We expect organic growth to be flat in 4Q, Appirio is likely to add 1.5pp and cross-currency tailwinds to add 0.7pp, resulting in 2.2% USD revenue growth.
- We expect EBIT margin in IT Services to decline by 65bp because of flattish organic revenue, the integration of lower margin Appirio and INR depreciation during the quarter.
- We expect overall EBIT margins to decline by 20bp, led by improved profitability in the Products business.
- Our PAT estimate is INR19b, -10% QoQ on account of lower other income, resulting from translation losses.
- The stock trades at 13.8x FY18E and 12x FY19E earnings. **Neutral**.

Key issues to watch for

- **Revenue growth guidance for 1QFY18.**
- **Commentary on the Healthcare vertical.**
- **Commentary on large deal wins and ramp-up schedule.**

Quarterly Performance (IFRS) (INR m)

Y/E March	FY16				FY17E				FY16	FY17E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Revenue (USD m)	**1,794**	**1,832**	**1,838**	**1,882**	**1,931**	**1,916**	**1,903**	**1,944**	**7,346**	**7,694**
QoQ (%)	1.1	2.1	0.3	2.4	2.6	-0.8	-0.7	2.2	3.7	4.7
Revenue (INR m)	**122,376**	**125,135**	**128,605**	**136,324**	**135,992**	**137,657**	**136,878**	**136,157**	**512,440**	**546,684**
QoQ (%)	0.8	2.3	2.8	6.0	-0.2	1.2	-0.6	-0.5		
YoY (%)	9.9	7.1	7.2	12.3	11.1	10.0	6.4	-0.1	9.1	6.7
GPM (%)	**30.7**	**31.4**	**29.8**	**29.7**	**29.1**	**28.9**	**29.4**	**29.5**	**30.4**	**29.3**
SGA (%)	12.2	12.4	12.0	12.3	13.0	13.2	13.0	13.3	12.2	13.1
IT Serv. EBIT (%)	21.0	20.7	20.2	20.1	17.8	17.8	18.3	17.7	20.5	17.9
EBIT Margin (%)	18.5	19.0	17.9	17.4	16.1	15.8	16.4	16.2	18.2	16.1
Other income	5,286	5,138	5,715	5,426	4,848	4,958	5,120	2,493	21,565	17,419
ETR (%)	21.2	22.4	21.8	22.7	22.9	22.2	23.3	22.5	22.1	22.7
PAT	**21,877**	**22,354**	**22,341**	**22,350**	**20,518**	**20,672**	**21,094**	**18,983**	**88,922**	**81,267**
QoQ (%)	-3.8	2.2	-0.1	0.0	-8.2	0.8	2.0	-10.0		
YoY (%)	4.0	7.2	1.9	-1.8	-6.2	-7.5	-5.6	-15.1	2.7	-8.6
EPS (INR)	**8.9**	**9.1**	**9.1**	**9.1**	**8.3**	**8.5**	**8.7**	**7.8**	**36.1**	**33.0**
Headcount	**161,789**	**168,396**	**170,664**	**172,912**	**173,863**	**174,238**	**179,129**	**182,764**	**172,912**	**182,764**
Util excl. trainees (%)	81.9	82.3	78.0	77.5	79.7	82.8	81.9	81.9	74.9	77.0
Attrition (%)	16.4	16.4	16.3	16.1	16.5	16.6	16.3			
Offshore rev. (%)	45.4	46.1	46.2	45.8	45.6	46.1	46.5	46.3	45.9	46.1
Fixed Price (%)	54.5	53.4	55.9	56.9	56	56.4	57.7			

E: MOSL Estimates

Zensar Technologies

Bloomberg	ZENT IN
Equity Shares (m)	45.4
M. Cap. (INR b)/(USD b)	42 / 1
52-Week Range (INR)	1136 / 865
1,6,12 Rel Perf. (%)	-3 / -14 / -24

Financial Snapshot (INR b)

Y/E MAR	2016	2017E	2018E	2019E
Sales	29.6	31.4	35.9	40.7
EBITDA	4.3	4.4	5.2	6.0
PAT	3.1	2.9	3.7	4.2
EPS (INR)	68.2	65.3	81.4	92.0
EPS Gr. (%)	17.0	-4.8	24.6	13.1
BV/Sh. (INR)	314.4	367.4	431.7	502.4
RoE (%)	24.0	19.1	20.4	19.7
RoCE (%)	28.5	25.0	25.4	25.2
Payout (%)	17.6	18.1	18.0	19.8
Valuations				
P/E (x)	13.6	14.2	11.4	10.0
P/BV (x)	2.9	2.5	2.1	1.8
EV/EBITDA (x)	9.3	8.7	7.2	5.8
Div Yld (%)	1.3	1.3	1.6	2.0

CMP: INR925 TP: INR1,200 (+30%) Buy

- We expect revenue of USD121m, representing growth of 2.7% QoQ. This would translate into 2% QoQ CC growth. 5% appreciation in USD/ZAR would result in a cross-currency tailwind of 70bp for ZENT.
- The quarter will also include about one month of revenue from the acquisition of Foolproof. Organic revenue growth is likely to be 1.2% QoQ CC.
- With the pruning of non-core/low-yield business, we expect EBITDA margins to expand 80bp QoQ to 14.6%. Seasonality and investments in the business had resulted in 30bp decline in margins in the previous quarter.
- Our PAT estimate is INR684m, -15.7% QoQ on account of a decline in other income (translation losses).
- The stock trades at 11.4x FY18E and 10x FY19E earnings. **Buy**.

Key issues to watch for

- **Traction in Digital, large deals and other new initiatives.**
- **Margin outlook, given the need for reinvestment.**
- **Progress on restructuring.**

Quarterly Performance (IFRS) **(INR m)**

Y/E March	FY16				FY17E				FY16	FY17E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Revenue (USD m)	**111**	**116**	**115**	**111**	**114**	**116**	**118**	**121**	**453**	**468**
QoQ (%)	5.1	4.8	-1.4	-3.7	3.1	1.8	1.3	2.7	5.4	3.4
Revenue (INR m)	**7,046**	**7,564**	**7,568**	**7,464**	**7,624**	**7,767**	**7,922**	**8,037**	**29,643**	**31,350**
YoY (%)	16.5	16.8	5.5	13.5	8.2	2.7	4.7	7.7	12.8	5.8
GPM (%)	**31.7**	**32.1**	**30.6**	**30.8**	**29.1**	**29.7**	**30.0**	**30.6**	**31.3**	**29.9**
SGA (%)	16.4	16.6	16.2	18.5	15.3	15.6	16.2	16.0	16.9	15.8
EBITDA	**1,080**	**1,171**	**1,089**	**922**	**1,053**	**1,092**	**1,090**	**1,176**	**4,262**	**4,412**
EBITDA Margin (%)	**15.3**	**15.5**	**14.4**	**12.4**	**13.8**	**14.1**	**13.8**	**14.6**	**14.4**	**14.1**
EBIT Margin (%)	13.8	14.0	12.9	10.7	12.5	12.5	12.4	13.2	12.8	12.7
Other income	148	229	95	116	169	37	183	-75	588	313
ETR (%)	29.8	26.9	30.4	21.1	30.5	28.2	29.1	28.0	27.3	29.0
PAT	**762**	**913**	**715**	**703**	**763**	**687**	**811**	**684**	**3,094**	**2,945**
QoQ (%)	6.2	19.8	-21.7	-1.7	8.5	-10.0	18.1	-15.7		
YoY (%)	36.3	35.7	2.9	-2.1	0.1	-24.8	13.4	-2.7	17.0	-4.8
EPS (INR)	**17.6**	**20.6**	**15.8**	**15.5**	**16.9**	**15.2**	**18.0**	**15.2**	**68.2**	**65.3**
Headcount	**7,895**	**8,050**	**8,192**	**8,256**	**8,238**	**8,316**	**8,564**	**8,564**	**8,256**	**8,564**
Utilization (%)	79.0	80.0	82.0	81.0	79.8	80.1	79.5	80.0	80.5	79.9
Offshore rev. (%)	35.0	37.0	34.0	36.0	31.2	33.8	33.5	33.6	35.5	33.0

E: MOSL Estimates

NOTES

Disclosures

This document has been prepared by Motilal Oswal Securities Limited (hereinafter referred to as Most) to provide information about the company (ies) and/sector(s), if any, covered in the report and may be distributed by it and/or its affiliated company(ies). This report is for personal information of the selected recipient/s and does not construe to be any investment, legal or taxation advice to you. This research report does not constitute an offer, invitation or inducement to invest in securities or other investments and Motilal Oswal Securities Limited (hereinafter referred as MOSt) is not soliciting any action based upon it. This report is not for public distribution and has been furnished to you solely for your general information and should not be reproduced or redistributed to any other person in any form. This report does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Before acting on any advice or recommendation in this material, investors should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice. The price and value of the investments referred to in this material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance, future returns are not guaranteed and a loss of original capital may occur.

MOSt and its affiliates are a full-service, integrated investment banking, investment management, brokerage and financing group. We and our affiliates have investment banking and other business relationships with a some companies covered by our Research Department. Our research professionals may provide input into our investment banking and other business selection processes. Investors should assume that MOSt and/or its affiliates are seeking or will seek investment banking or other business from the company or companies that are the subject of this material and that the research professionals who were involved in preparing this material may educate investors on investments in such business . The research professionals responsible for the preparation of this document may interact with trading desk personnel, sales personnel and other parties for the purpose of gathering, applying and interpreting information. Our research professionals are paid on twin parameters of performance & profitability of MOSt.
MOSt generally prohibits its analysts, persons reporting to analysts, and members of their households from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover. Additionally, MOSt generally prohibits its analysts and persons reporting to analysts from serving as an officer, director, or advisory board member of any companies that the analysts cover. Our salespeople, traders, and other professionals or affiliates may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoingamong other things, may give rise to real or potential conflicts of interest. MOSt and its affiliated company(ies), their directors and employees and their relatives may; (a) from time to time, have a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the affiliates of MOSt even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report Reports based on technical and derivative analysis center on studying charts company's price movement, outstanding positions and trading volume, as opposed to focusing on a company's fundamentals and, as such, may not match with a report on a company's fundamental analysis. In addition MOST has different business segments / Divisions with independent research separated by Chinese walls catering to different set of customers having various objectives, risk profiles, investment horizon, etc, and therefore may at times have different contrary views on stocks sectors and markets.

Unauthorized disclosure, use, dissemination or copying (either whole or partial) of this information, is prohibited. The person accessing this information specifically agrees to exempt MOSt or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold MOSt or any of its affiliates or employees responsible for any such misuse and further agrees to hold MOSt or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays. The information contained herein is based on publicly available data or other sources believed to be reliable. Any statements contained in this report attributed to a third party represent MOSt's interpretation of the data, information and/or opinions provided by that third party either publicly or through a subscription service, and such use and interpretation have not been reviewed by the third party. This Report is not intended to be a complete statement or summary of the securities, markets or developments referred to in the document. While we would endeavor to update the information herein on reasonable basis, MOSt and/or its affiliates are under no obligation to update the information. Also there may be regulatory, compliance, or other reasons that may prevent MOSt and/or its affiliates from doing so. MOSt or any of its affiliates or employees shall not be in any way responsible and liable for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. MOSt or any of its affiliates or employees do not provide, at any time, any express or implied warranty of any kind, regarding any matter pertaining to this report, including without limitation the implied warranties of merchantability, fitness for a particular purpose, and non-infringement. The recipients of this report should rely on their own investigations.

This report is intended for distribution to institutional investors. Recipients who are not institutional investors should seek advice of their independent financial advisor prior to taking any investment decision based on this report or for any necessary explanation of its contents.

Most and it's associates may have managed or co-managed public offering of securities, may have received compensation for investment banking or merchant banking or brokerage services, may have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months.
Most and it's associates have not received any compensation or other benefits from the subject company or third party in connection with the research report.
Subject Company may have been a client of Most or its associates during twelve months preceding the date of distribution of the research report

MOSt and/or its affiliates and/or employees may have interests/positions, financial or otherwise of over 1 % at the end of the month immediately preceding the date of publication of the research in the securities mentioned in this report. To enhance transparency, MOSt has incorporated a Disclosure of Interest Statement in this document. This should, however, not be treated as endorsement of the views expressed in the report.

Motilal Oswal Securities Limited is registered as a Research Analyst under SEBI (Research Analyst) Regulations, 2014. SEBI Reg. No. INH000000412

Pending Regulatory inspections against Motilal Oswal Securities Limited:
SEBI pursuant to a complaint from client Shri C.R. Mohanraj alleging unauthorized trading, issued a letter dated 29th April 2014 to MOSL notifying appointment of an Adjudicating Officer as per SEBI regulations to hold inquiry and adjudge violation of SEBI Regulations; MOSL replied to the Show Cause Notice whereby SEBI granted us an opportunity of Inspection of Documents. Since all the documents requested by us were not covered we have requested to SEBI vide our letter dated June 23, 2015 to provide pending list of documents for inspection.

List of associate companies of Motilal Oswal Securities Limited -Click here to access detailed report

Analyst Certification

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report. The research analysts, strategists, or research associates principally responsible for preparation of MOSt research receive compensation based upon various factors, including quality of research, investor client feedback, stock picking, competitive factors and firm revenues

Disclosure of Interest Statement	Companies where there is interest
▪ Analyst ownership of the stock	No
▪ Served as an officer, director or employee	No

A graph of daily closing prices of securities is available at www.nseindia.com and http://economictimes.indiatimes.com/markets/stocks/stock-quotes

Regional Disclosures (outside India)

This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOSt& its group companies to registration or licensing requirements within such jurisdictions.

For Hong Kong: This report is distributed in Hong Kong by Motilal Oswal capital Markets (Hong Kong) Private Limited, a licensed corporation (CE AYY-301) licensed and regulated by the Hong Kong Securities and Futures Commission (SFC) pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) "SFO". As per SEBI (Research Analyst Regulations) 2014 Motilal Oswal Securities (SEBI Reg No. INH000000412) has an agreement with Motilal Oswal capital Markets (Hong Kong) Private Limited for distribution of research report in Kong Kong. This report is intended for distribution only to "Professional Investors" as defined in Part I of Schedule 1 to SFO. Any investment or investment activity to which this document relates is only available to professional investor and will be engaged only with professional investors." Nothing here is an offer or solicitation of these securities, products and services in any jurisdiction where their offer or sale is not qualified or exempt from registration. The Indian Analyst(s) who compile this report is/are not located in Hong Kong & are not conducting Research Analysis in Hong Kong.

For U.S

Motilal Oswal Securities Limited (MOSL) is not a registered broker - dealer under the U.S. Securities Exchange Act of 1934, as amended (the"1934 act") and under applicable state laws in the United States. In addition MOSL is not a registered investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act" and together with the 1934 Act, the "Acts), and under applicable state laws in the United States. Accordingly, in the absence of specific exemption under the Acts, any brokerage and investment services provided by MOSL, including the products and services described herein are not available to or intended for U.S. persons.

This report is intended for distribution only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the Exchange Act and interpretations thereof by SEC (henceforth referred to as "major institutional investors"). This document must not be acted on or relied on by persons who are not major institutional investors. Any investment or investment activity to which this document relates is only available to major institutional investors and will be engaged in only with major institutional investors. In reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") and interpretations thereof by the U.S. Securities and Exchange Commission ("SEC") in order to conduct business with Institutional Investors based in the U.S., MOSL has entered into a chaperoning agreement with a U.S. registered broker-dealer, Motilal Oswal Securities International Private Limited. ("MOSIPL"). Any business interaction pursuant to this report will have to be executed within the provisions of this chaperoning agreement.

The Research Analysts contributing to the report may not be registered /qualified as research analyst with FINRA. Such research analyst may not be associated persons of the U.S. registered broker-dealer, MOSIPL, and therefore, may not be subject to NASD rule 2711 and NYSE Rule 472 restrictions on communication with a subject company, public appearances and trading securities held by a research analyst account.

For Singapore
Motilal Oswal Capital Markets Singapore Pte Limited is acting as an exempt financial advisor under section 23(1)(f) of the Financial Advisers Act(FAA) read with regulation 17(1)(d) of the Financial Advisors Regulations and is a subsidiary of Motilal Oswal Securities Limited in India. This research is distributed in Singapore by Motilal Oswal Capital Markets Singapore Pte Limited and it is only directed in Singapore to accredited investors, as defined in the Financial Advisers Regulations and the Securities and Futures Act (Chapter 289), as amended from time to time.

In respect of any matter arising from or in connection with the research you could contact the following representatives of Motilal Oswal Capital Markets Singapore Pte Limited:
Varun Kumar
Varun.kumar@motilaloswal.com
Contact : (+65) 68189232
Office Address:21 (Suite 31),16 CollyerQuay,Singapore 04931

Motilal Oswal Securities Ltd
Motilal Oswal Tower, Level 9, Sayani Road, Prabhadevi, Mumbai 400 025
Phone: +91 22 3982 5500 E-mail: reports@motilaloswal.com