

## Win some, Lose some

We maintain NEU on Wipro post in-line revenue and operating performance. Increased headwinds in BFSI/large accounts offset the improving outlook in Consumer/Healthcare. Our TP of Rs 230 is based on 12x Sep-21E EPS.

### HIGHLIGHTS OF THE QUARTER

- Revenue in 2Q came in-line at USD 2,049mn, 1.1/3.8% QoQ/YoY CC (vs. TCS/INFY at 8.4/11.4% YoY CC). Growth was supported by uptick in Consumer (16% of rev), E&U (12.9% of rev) and Mfg (8.1% of rev), while Comms vertical (5.7% of rev) declined. BFSI (31.3% of rev) growth decelerated to 5.9% YoY vs. double-digit till 1Q (TCS/INFY at 8.0/10.3% YoY CC), impacted by slowdown in European banks and Capital market sub-segment (similar headwinds as TCS/INFY).
- Growth continues to be NorthAm-led for Wipro (stronger than TCS NorthAm), while Europe continued to remain soft (significantly lower than TCS/INFY). Revenue guidance for 3Q was 0.8 to 2.8% QoQ CC which includes ~0.3% inorganic (ITI Inc).
- Digital (39.6% of rev) grew at a healthy pace of 29% YoY (TCS/INFY at 25/31% YoY organic), however the shrinkage in legacy business continues to be a steep -10% YoY.

### Financial Summary

YE March (Rs bn)	2QFY20	2QFY19	YoY (%)	1QFY20	QoQ (%)	FY18	FY19	FY20E	FY21E	FY22E
Net Revenues	151.26	145.41	4.0	147.16	2.8	544.87	585.85	605.44	641.61	696.03
EBIT	26.09	19.40	34.5	23.82	9.6	82.81	92.62	102.43	109.36	119.46
APAT	25.53	22.89	11.5	23.87	6.9	82.57	90.86	100.17	107.15	117.47
Diluted EPS (Rs)	4.3	3.8	11.5	4.0	6.9	13.9	15.3	16.8	18.0	19.7
P/E (x)						17.6	16.0	14.5	13.5	12.3
EV / EBITDA (x)						12.4	10.4	9.6	8.2	6.7
RoE (%)						16.5	17.3	17.8	17.7	16.5

Source: Company, HDFC sec Inst Research # Consolidated

- IT services margin was in-line at 18.1%. Margin impact from wage increase, onsite shift and lower utilisation (-110bps impact) was offset by lower SG&A (+120bps impact) from provision write-back and absence of S&M expense (marketing event). APAT came at Rs 25.53bn, +6.9% QoQ supported by lower ETR of 18.3% (vs. 21.8% in 1Q).

### STANCE

While Wipro continues to lag growth within Tier-1 IT, its relative growth underperformance has reduced with growth moderation of larger peers. We reckon that growth will continue to lag peers ahead based on soft outlook on ~52% of rev comprising BFSI (earlier a growth driver), Mfg (re-structuring ME) and Technology (semicon sub-segment). This is expected to be offset by relatively stronger outlook in Consumer, Healthcare (ex-HPS) and E&U (large deals).

While slowdown concerns remain (BFSI/large accounts-led) with limited scope of margin expansion (SG&A normalisation). The stock has corrected ~6% in 3M (following the buyback trade) and valuations are at ~13.7x FY21E (vs. 14.1x Tier-1 IT median). We expect USD revenue growth of 2.4/5.7/6.4% and IT services EBIT% at 17.9/18.0/18.2% for FY20/21/22E.

INDUSTRY	IT
<b>CMP (as on 15 Oct 2019)</b>	<b>Rs 244</b>
<b>Target Price</b>	<b>Rs 230</b>
Nifty	11,428
Sensex	38,506
<b>KEY STOCK DATA</b>	
Bloomberg	WPRO IN
No. of Shares (mn)	5,713
MCap (Rs bn) / (\$ mn)	1,392/19,459
6m avg traded value (Rs mn)	1,665
<b>STOCK PERFORMANCE (%)</b>	
<b>52 Week high / low</b>	<b>Rs 302/221</b>
	3M 6M 12M
Absolute (%)	(6.3) (15.3) 1.5
Relative (%)	(5.2) (14.3) (8.9)
<b>SHAREHOLDING PATTERN (%)</b>	
	Jun-19 Sep-19
Promoters	73.45 74.04
FIs & Local MFs	6.49 6.97
FPIs	8.94 8.35
Public & Others	11.12 10.64
Pledged Shares	0.00 0.00
Source : BSE	

### Amit Chandra

amit.chandra@hdfcsec.com  
+91-22-6171-7345

### Apurva Prasad

apurva.prasad@hdfcsec.com  
+91-22-6171-7327

### Akshay Ramnani

akshay.ramnani@hdfcsec.com  
+91-22-6171-7334

**IT services (excluding ISRE business) grew +1.1/3.8% QoQ/YoY CC terms**

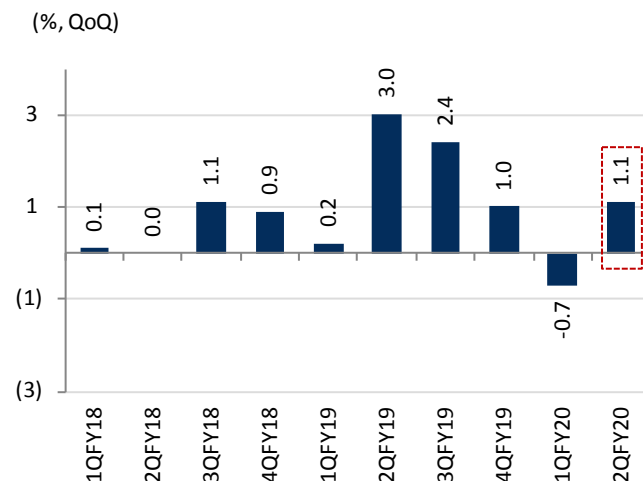
**Growth guidance of 0.8-2.8% QoQ CC for 3QFY20 includes ~0.3% inorganic, guidance is slightly higher than expectation**

**2Q deal bookings were stronger than 1Q on deferral of new deal closures from 1Q to 2Q**

**IT Services EBIT margin was stable at 18.1%, cost optimization aided margins**

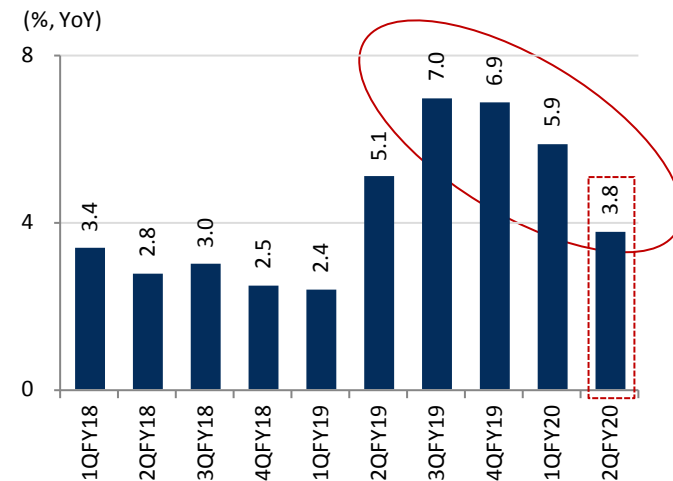
**Revenue/employee was down on strong net additions and tepid utilization**

### USD Revenue Growth (% QoQ CC)



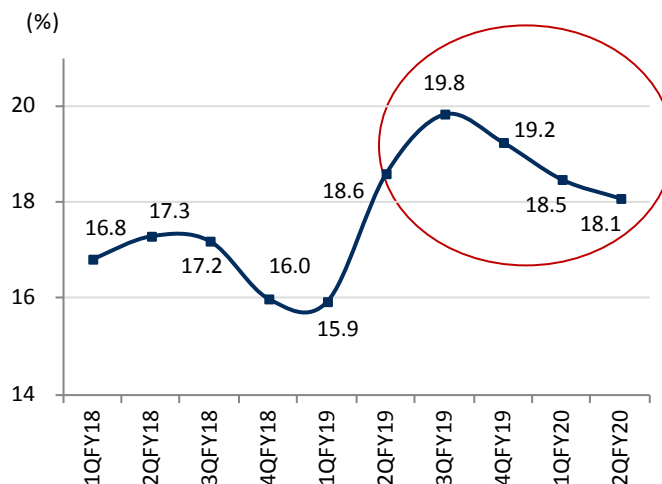
Source: Company, HDFC sec Inst Research

### USD Revenue Growth (% YoY CC)



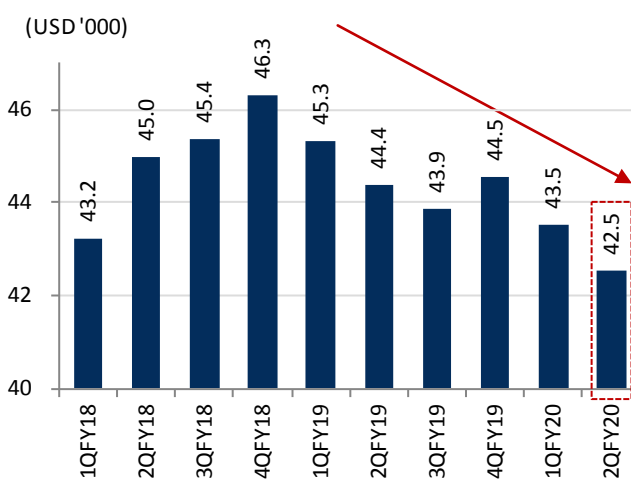
Source: Company, HDFC sec Inst Research

### IT Services EBIT Margin Trend (Adjusted)



Source: Company, HDFC sec Inst Research

### Revenue/Employee Trend



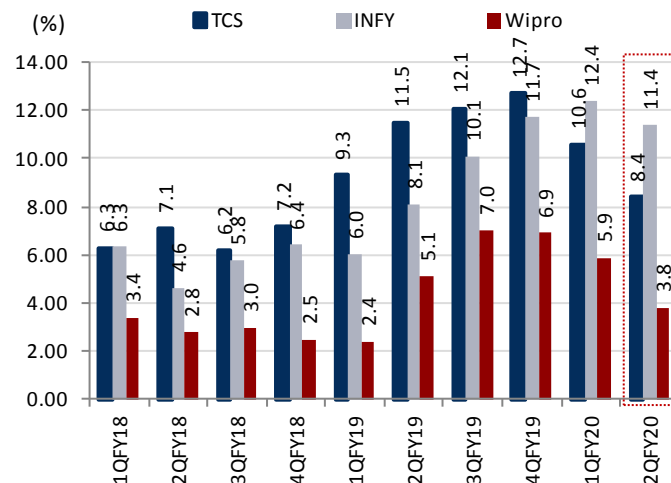
Source: Company, HDFC sec Inst Research

*Wipro has been constantly lagging in terms of growth both in CC QoQ and YoY terms*

*Margin differential between INFY and Wipro widened in 2QFY20*

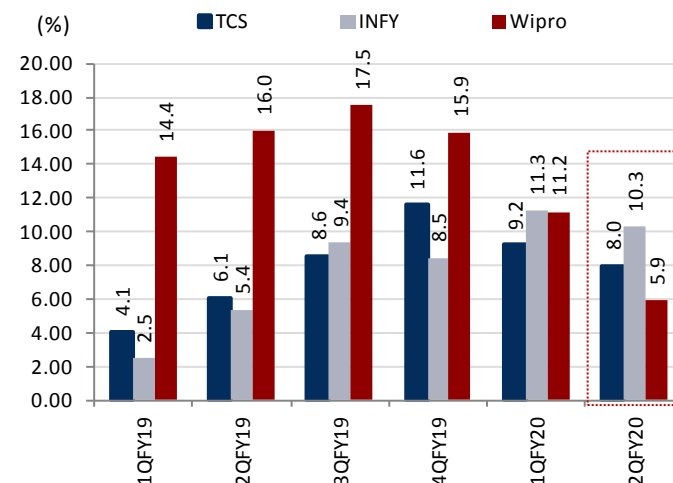
*Attrition trend for Wipro (Voluntary) and INFY improved in 2Q by 60bps and 200bps respectively*

### Revenue Growth Trend For Top-3 IT (% YoY CC)



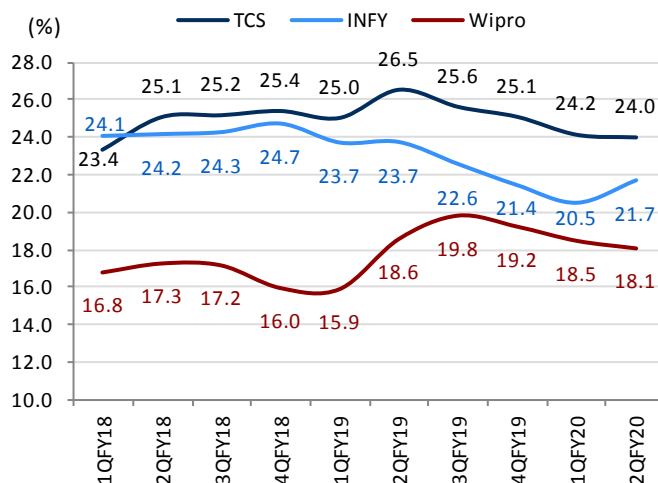
Source: Company, HDFC sec Inst Research

### BFSI Growth Trend For Top-3 IT (% YoY CC)



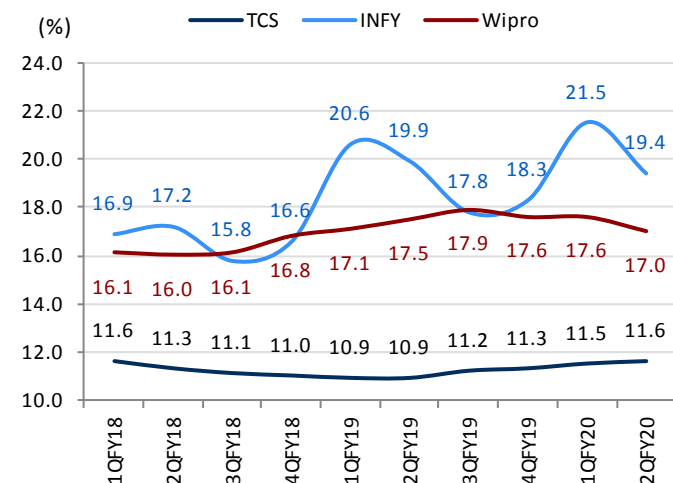
Source: Company, HDFC sec Inst Research

### EBIT Margin Inching Downwards For The Sector



Source: Company, HDFC sec Inst Research

### Attrition Trend For Top-3 IT



Source: Company, HDFC sec Inst Research, Wipro attrition is voluntary attrition

**Revenue came at USD 2.05bn +1.1/3.8% QoQ/YoY in CC terms**

**IT services EBIT margin was 18.1% down 40bps QoQ impacted by utilization and wage hike (-110bps) and absence of other operating gain (-50bps) which was offset by cost optimization (+120bps)**

**S&M expenses were down 3% QoQ on absence of marketing expense which are concentrated in 1Q**

**G&A expenses were down 19.6% QoQ largely on provision write backs**

**Lower ETR at 18.3% led profit growth, ETR is expected to stabilize between 20-21%**

### Quarterly Consolidated Financials Snapshot

YE March (Rs bn)	2QFY20	2QFY19	YoY (%)	1QFY20	QoQ (%)
<b>IT Services Revenues (USD bn)</b>	<b>2.05</b>	<b>2.01</b>	<b>2.0</b>	<b>2.04</b>	<b>0.5</b>
<b>Total Revenues</b>	<b>151.26</b>	<b>145.41</b>	<b>4.0</b>	<b>147.16</b>	<b>2.8</b>
Operating Expenses	120.35	121.64	-1.1	118.39	1.7
<b>EBITDA</b>	<b>30.91</b>	<b>23.77</b>	<b>30.0</b>	<b>28.77</b>	<b>7.4</b>
Depreciation	4.81	4.37	10.2	4.96	-2.8
<b>EBIT</b>	<b>26.09</b>	<b>19.40</b>	<b>34.5</b>	<b>23.82</b>	<b>9.6</b>
Other Income	6.91	5.16	33.9	7.63	-9.5
Interest costs	2.25	1.57	43.2	1.58	41.9
Forex gain/(loss)	0.59	1.22	-51.4	0.86	-31.1
<b>PBT</b>	<b>31.34</b>	<b>24.20</b>	<b>29.5</b>	<b>30.72</b>	<b>2.0</b>
Minority Interest	0.09	(0.03)	NM	0.15	-41.5
Tax	5.73	5.35	7.2	6.70	-14.4
<b>RPAT</b>	<b>25.53</b>	<b>18.89</b>	<b>35.1</b>	<b>23.87</b>	<b>6.9</b>
E/o (adj for tax)	0.00	(4.01)	NM	0.00	NM
<b>APAT</b>	<b>25.53</b>	<b>22.89</b>	<b>11.5</b>	<b>23.87</b>	<b>6.9</b>

Source: Company, HDFC sec Inst Research

### Margin Analysis

MARGIN ANALYSIS	2QFY20	2QFY19	YoY (bps)	1QFY20	QoQ (bps)
Operating Expenses % Net Revenues	79.6	83.7	(409)	80.4	(88)
EBITDA Margin (%)	20.4	16.3	409	19.6	88
EBIT Margin (%)	17.3	13.3	391	16.2	107
<b>IT Services EBIT Margin (%)</b>	<b>18.1</b>	<b>15.0</b>	<b>305</b>	<b>18.5</b>	<b>-39</b>
Tax Rate (%)	18.3	22.1	(381)	21.8	(352)
APAT Margin (%)	16.9	13.0	389	16.2	65

Source: Company, HDFC sec Inst Research

*Wipro was gaining market share in BFSI for the past two years but BFSI has slowed down for Wipro, challenges in BFSI include Capital markets and Large European Banking segment*

*Communications dipped 2.9% QoQ, global Communication saw double digit YoY growth but decline in India communication business impacted overall growth*

*Consumer grew 3.1% QoQ on a soft quarter base*

*Healthcare has been muted for two straight qtrs impacted by HPS, HPS has now flattened out and ex HPS Healthcare is expected to grow*

*Manufacturing grew 3.0% QoQ, restructuring in this vertical is underway*

### Vertical Revenue Break-up (IT Services ex ISRE)

Verticals (USD mn)	2Q FY18	3Q FY18	4Q FY18	FY18	1Q FY19	2Q FY19	3Q FY19	4Q FY19	FY19	1Q FY20	2Q FY20
<b>BFSI</b>	<b>544</b>	<b>558</b>	<b>579</b>	<b>2,195</b>	<b>593</b>	<b>613</b>	<b>643</b>	<b>654</b>	<b>2,509</b>	<b>644</b>	<b>641</b>
QoQ %	5.7%	2.7%	3.8%		2.3%	3.4%	4.8%	1.7%		-1.5%	-0.5%
YoY %	NA	NA	NA	NA	15.2%	12.7%	15.1%	12.8%	14.3%	8.7%	4.6%
% of Rev	27.6%	28.3%	28.7%	27.8%	29.8%	30.5%	31.4%	31.5%	30.9%	31.6%	31.3%
<b>Communications</b>	<b>130</b>	<b>128</b>	<b>119</b>	<b>513</b>	<b>113</b>	<b>117</b>	<b>119</b>	<b>118</b>	<b>463</b>	<b>120</b>	<b>117</b>
QoQ %	-2.6%	-1.4%	-7.1%		-4.8%	2.8%	1.8%	-0.3%		1.7%	-2.9%
YoY %	NA	NA	NA	NA	-15.0%	-10.3%	-7.4%	-0.7%	-9.8%	6.1%	0.2%
% of Rev	6.6%	6.5%	5.9%	6.5%	5.7%	5.8%	5.8%	5.7%	5.7%	5.9%	5.7%
<b>Consumer</b>	<b>297</b>	<b>298</b>	<b>303</b>	<b>1,184</b>	<b>304</b>	<b>315</b>	<b>319</b>	<b>336</b>	<b>1,275</b>	<b>318</b>	<b>328</b>
QoQ %	2.6%	0.2%	1.7%		0.5%	3.7%	1.2%	5.3%		-5.4%	3.1%
YoY %	NA	NA	NA	NA	4.9%	6.1%	7.2%	11.0%	7.7%	4.5%	3.9%
% of Rev	15.1%	15.1%	15.0%	15.0%	15.3%	15.7%	15.6%	16.2%	15.7%	15.6%	16.0%
<b>ENU</b>	<b>266</b>	<b>251</b>	<b>256</b>	<b>1,034</b>	<b>253</b>	<b>257</b>	<b>266</b>	<b>266</b>	<b>1,039</b>	<b>261</b>	<b>264</b>
QoQ %	1.9%	-5.8%	2.3%		-1.5%	1.8%	3.4%	-0.1%		-1.8%	1.3%
YoY %	NA	NA	NA	NA	-3.2%	-3.3%	6.2%	3.6%	0.5%	3.3%	2.8%
% of Rev	13.5%	12.7%	12.7%	13.1%	12.7%	12.8%	13.0%	12.8%	12.8%	12.8%	12.9%
<b>Healthcare</b>	<b>276</b>	<b>282</b>	<b>287</b>	<b>1,137</b>	<b>270</b>	<b>261</b>	<b>268</b>	<b>274</b>	<b>1,072</b>	<b>269</b>	<b>266</b>
QoQ %	-5.5%	2.3%	1.6%		-5.7%	-3.4%	2.6%	2.2%		-1.8%	-1.0%
YoY %	NA	NA	NA	NA	-7.4%	-5.3%	-5.0%	-4.4%	-5.7%	-0.5%	2.0%
% of Rev	14.0%	14.3%	14.2%	14.4%	13.6%	13.0%	13.1%	13.2%	13.2%	13.2%	13.0%
<b>Manufacturing</b>	<b>175</b>	<b>174</b>	<b>180</b>	<b>703</b>	<b>167</b>	<b>167</b>	<b>166</b>	<b>166</b>	<b>666</b>	<b>161</b>	<b>166</b>
QoQ %	-0.4%	-1.0%	3.5%		-7.0%	-0.2%	-0.6%	0.2%		-3.0%	3.0%
YoY %	NA	NA	NA	NA	-5.0%	-4.9%	-4.5%	-7.6%	-5.2%	-3.6%	-0.5%
% of Rev	8.9%	8.8%	8.9%	8.9%	8.4%	8.3%	8.1%	8.0%	8.2%	7.9%	8.1%
<b>Technology</b>	<b>282</b>	<b>282</b>	<b>295</b>	<b>1,129</b>	<b>288</b>	<b>279</b>	<b>266</b>	<b>262</b>	<b>1,096</b>	<b>265</b>	<b>266</b>
QoQ %	5.6%	0.2%	4.5%		-2.2%	-3.1%	-4.8%	-1.7%		1.4%	0.5%
YoY %	NA	NA	NA	NA	8.1%	-0.8%	-5.7%	-11.3%	-2.9%	-8.1%	-4.6%
% of Rev	14.3%	14.3%	14.6%	14.3%	14.5%	13.9%	13.0%	12.6%	13.5%	13.0%	13.0%
<b>Total Revenue (IT Services)</b>	<b>1,970</b>	<b>1,973</b>	<b>2,019</b>	<b>7,895</b>	<b>1,989</b>	<b>2,010</b>	<b>2,047</b>	<b>2,076</b>	<b>8,120</b>	<b>2,039</b>	<b>2,049</b>
QoQ %	1.9%	0.2%	2.3%		-1.5%	1.0%	1.8%	1.4%		-1.8%	0.5%
YoY %	NA	NA	NA	NA	2.9%	2.0%	3.7%	2.8%	2.9%	2.5%	2.0%

Source: Company, HDFC sec Inst Research

**Digital Operations & Platforms and Data, Analytics & AI grew +0.5% and -0.9% on a weak base**

**Cloud and Infrastructure continued on flat growth trajectory**

**Industrial & Engineering Services flattened at -0.8% QoQ after two quarters of strong growth**

**ER&D expansion plans across verticals from just Tech vertical currently**

### Service Line Break-Up (IT Services ex ISRE)

Services Mix (USD mn)	2Q FY18	3Q FY18	4Q FY18	FY18	1Q FY19	2Q FY19	3Q FY19	4Q FY19	FY19	1Q FY20	2Q FY20
<b>Digital Operations and Platforms</b>	<b>244</b>	<b>255</b>	<b>250</b>	<b>987</b>	<b>247</b>	<b>259</b>	<b>301</b>	<b>309</b>	<b>1,112</b>	<b>300</b>	<b>301</b>
QoQ %	2.7%	4.2%	-1.6%		-1.5%	5.1%	16.1%	2.8%		-3.1%	0.5%
YoY %	NA	NA	NA	NA	3.7%	6.1%	18.2%	23.5%	12.7%	21.5%	16.2%
% of Rev	12.4%	12.9%	12.4%	12.5%	12.4%	12.9%	14.7%	14.9%	13.7%	14.7%	14.7%
<b>Cloud and Infrastructure</b>	<b>536</b>	<b>539</b>	<b>557</b>	<b>2,155</b>	<b>523</b>	<b>514</b>	<b>512</b>	<b>523</b>	<b>2,071</b>	<b>524</b>	<b>527</b>
QoQ %	1.9%	0.5%	3.5%		-6.1%	-1.6%	-0.5%	2.2%		0.2%	0.5%
YoY %	NA	NA	NA	NA	-0.5%	-4.0%	-5.0%	-6.1%	-3.9%	0.2%	2.4%
% of Rev	27.2%	27.3%	27.6%	27.3%	26.3%	25.6%	25.0%	25.2%	25.5%	25.7%	25.7%
<b>Data, Analytics and AI</b>	<b>142</b>	<b>140</b>	<b>143</b>	<b>568</b>	<b>143</b>	<b>157</b>	<b>156</b>	<b>158</b>	<b>617</b>	<b>151</b>	<b>150</b>
QoQ %	0.5%	-1.2%	2.3%		-0.1%	9.5%	-0.8%	1.4%		-4.4%	-0.9%
YoY %	NA	NA	NA	NA	1.5%	10.5%	11.0%	10.0%	8.6%	5.4%	-4.6%
% of Rev	7.2%	7.1%	7.1%	7.2%	7.2%	7.8%	7.6%	7.6%	7.6%	7.4%	7.3%
<b>Modern Application Services</b>	<b>908</b>	<b>902</b>	<b>919</b>	<b>3,616</b>	<b>929</b>	<b>930</b>	<b>933</b>	<b>936</b>	<b>3,727</b>	<b>909</b>	<b>918</b>
QoQ %	1.9%	-0.7%	1.9%		1.1%	0.2%	0.3%	0.3%		-2.9%	0.9%
YoY %	NA	NA	NA	NA	4.2%	2.5%	3.5%	1.9%	3.1%	-2.1%	-1.3%
% of Rev	46.1%	45.7%	45.5%	45.8%	46.7%	46.3%	45.6%	45.1%	45.9%	44.6%	44.8%
<b>Industrial &amp; Engineering Services</b>	<b>140</b>	<b>138</b>	<b>149</b>	<b>568</b>	<b>147</b>	<b>149</b>	<b>145</b>	<b>149</b>	<b>593</b>	<b>155</b>	<b>154</b>
QoQ %	1.9%	-1.2%	8.2%		-1.5%	1.0%	-2.3%	2.8%		3.7%	-0.8%
YoY %	NA	NA	NA	NA	7.2%	6.3%	5.2%	0.0%	4.3%	5.3%	3.3%
% of Rev	7.1%	7.0%	7.4%	7.2%	7.4%	7.4%	7.1%	7.2%	7.3%	7.6%	7.5%
<b>Total Revenue (IT Services)</b>	<b>1,970</b>	<b>1,973</b>	<b>2,019</b>	<b>7,895</b>	<b>1,989</b>	<b>2,010</b>	<b>2,047</b>	<b>2,076</b>	<b>8,120</b>	<b>2,039</b>	<b>2,049</b>
QoQ %	1.9%	0.2%	2.3%		-1.5%	1.0%	1.8%	1.4%		-1.8%	0.5%
YoY %	NA	NA	NA	NA	2.9%	2.0%	3.7%	2.8%	2.9%	2.5%	2.0%

Source: Company, HDFC sec Inst Research

*America's growth recovered after a soft quarter*

*Europe has been soft for Wipro for the past 6-qtrs, impacted by European Banking*

*Higher macro impact faced in Europe than in Americas*

*Growth was onsite led, onsite revenue mix at 53.3% of total revenue is at 7 qtr high*

### Geographic Revenue Break-up (IT Services ex ISRE)

Geography Mix (USD mn)	2Q FY18	3Q FY18	4Q FY18	FY18	1Q FY19	2Q FY19	3Q FY19	4Q FY19	FY19	1Q FY20	2Q FY20
US	1,079	1,067	1,086	4,311	1,114	1,127	1,169	1,208	4,612	1,197	1,221
QoQ %	0.4%	-1.1%	1.8%		2.5%	1.2%	3.7%	3.4%		-0.9%	2.0%
YoY %	NA	NA	NA	NA	3.6%	4.4%	9.5%	11.2%	7.0%	7.5%	8.3%
% of Rev	54.8%	54.1%	53.8%	54.6%	56.0%	56.1%	57.1%	58.2%	56.8%	58.7%	59.6%
Europe	504	523	555	2,061	519	516	522	511	2,071	502	481
QoQ %	5.6%	3.7%	6.2%		-6.5%	-0.5%	1.0%	-2.2%		-1.8%	-4.0%
YoY %	NA	NA	NA	NA	8.7%	2.4%	-0.2%	-8.0%	0.5%	-3.4%	-6.8%
% of Rev	25.6%	26.5%	27.5%	26.1%	26.1%	25.7%	25.5%	24.6%	25.5%	24.6%	23.5%
RoW	386	383	378	1,524	356	366	356	357	1,437	340	346
QoQ %	1.4%	-0.9%	-1.4%		-5.7%	2.7%	-2.6%	0.3%		-4.6%	1.7%
YoY %	NA	NA	NA	NA	-6.5%	-5.3%	-7.0%	-5.5%	-5.7%	-4.4%	-5.3%
% of Rev	19.6%	19.4%	18.7%	19.3%	17.9%	18.2%	17.4%	17.2%	17.7%	16.7%	16.9%
Total Revenue (IT Services)	1,970	1,973	2,019	7,895	1,989	2,010	2,047	2,076	8,120	2,039	2,049
QoQ %	1.9%	0.2%	2.3%		-1.5%	1.0%	1.8%	1.4%		-1.8%	0.5%
YoY %	NA	NA	NA	NA	2.9%	2.0%	3.7%	2.8%	2.9%	2.5%	2.0%

Source: Company, HDFC sec Inst Research

### Onsite-offshore Split (IT Services ex ISRE)

Onsite Offshore Revenue (USD mn)	2Q FY18	3Q FY18	4Q FY18	FY18	1Q FY19	2Q FY19	3Q FY19	4Q FY19	FY19	1Q FY20	2Q FY20
Onsite	1,048	1,056	1,064	4,200	1,052	1,061	1,068	1,069	4,247	1,066	1,092
QoQ %	1.1%	0.7%	0.8%		-1.1%	0.8%	0.7%	0.1%		-0.2%	2.4%
YoY %	NA	NA	NA	NA	1.5%	1.3%	1.2%	0.5%	1.1%	1.4%	2.9%
% of Rev	53.2%	53.5%	52.7%	53.2%	52.9%	52.8%	52.2%	51.5%	52.3%	52.3%	53.3%
Offshore	922	917	955	3,695	937	948	978	1,007	3,873	973	957
QoQ %	2.8%	-0.5%	4.1%		-1.9%	1.3%	3.1%	2.9%		-3.4%	-1.6%
YoY %	NA	NA	NA	NA	4.4%	2.9%	6.6%	5.4%	4.8%	3.8%	0.9%
% of Rev	46.8%	46.5%	47.3%	46.8%	47.1%	47.2%	47.8%	48.5%	47.7%	47.7%	46.7%
Total Revenue (IT Services)	1,970	1,973	2,019	7,895	1,989	2,010	2,047	2,076	8,120	2,039	2,049
QoQ %	1.9%	0.2%	2.3%		-1.5%	1.0%	1.8%	1.4%		-1.8%	0.5%
YoY %	NA	NA	NA	NA	2.9%	2.0%	3.7%	2.8%	2.9%	2.5%	2.0%

Source: Company, HDFC sec Inst Research



**Top customer de-grew 13.1% QoQ impacted by Digital project completion**

**Top 2-10 clients were down 4.5% QoQ impacted by BFSI on macro uncertainty**

**Wipro's Top-5 clients have been muted for the past two qtrs impacted by BFSI**

**Utilisation dipped 290bps impacted by higher intakes**

**Wipro added 3,200 freshers in 2QFY20, current bench size is at historical high**

**Attrition moderated to 17.0% (-60bps QoQ), attrition is at 6 qtr low**

**Achieved 68% localization in US (vs. 65% in 1Q)**

### Client Performance (IT Services ex ISRE)

Clients Revenue Metric (USD mn)	2Q FY18	3Q FY18	4Q FY18	FY18	1Q FY19	2Q FY19	3Q FY19	4Q FY19	FY19	1Q FY20	2Q FY20
<b>Top customer</b>	<b>63</b>	<b>63</b>	<b>73</b>	<b>253</b>	<b>74</b>	<b>74</b>	<b>76</b>	<b>77</b>	<b>300</b>	<b>75</b>	<b>66</b>
QoQ %	12.4%	0.2%	15.1%		1.2%	1.0%	1.8%	1.4%		-1.8%	-13.1%
YoY %	NA	NA	NA	NA	31.2%	18.0%	19.9%	5.6%	18.9%	2.5%	-11.8%
% of Rev	3.2%	3.2%	3.6%	3.2%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.2%
<b>Top 2-5</b>	<b>158</b>	<b>164</b>	<b>174</b>	<b>647</b>	<b>163</b>	<b>171</b>	<b>190</b>	<b>208</b>	<b>731</b>	<b>206</b>	<b>197</b>
QoQ %	7.2%	3.9%	6.0%		-6.1%	4.7%	11.4%	9.1%		-0.8%	-4.5%
YoY %	NA	NA	NA	NA	11.0%	8.4%	16.2%	19.5%	12.9%	26.3%	15.2%
% of Rev	8.0%	8.3%	8.6%	8.2%	8.2%	8.5%	9.3%	10.0%	9.0%	10.1%	9.6%
<b>Top 5</b>	<b>221</b>	<b>227</b>	<b>246</b>	<b>900</b>	<b>237</b>	<b>245</b>	<b>266</b>	<b>284</b>	<b>1,031</b>	<b>281</b>	<b>262</b>
QoQ %	8.7%	2.9%	8.6%		-3.9%	3.6%	8.5%	6.9%		-1.1%	-6.8%
YoY %	NA	NA	NA	NA	16.6%	11.1%	17.3%	15.4%	14.6%	18.9%	7.0%
% of Rev	11.2%	11.5%	12.2%	11.4%	11.9%	12.2%	13.0%	13.7%	12.7%	13.8%	12.8%
<b>Top 6-10</b>	<b>142</b>	<b>132</b>	<b>133</b>	<b>545</b>	<b>135</b>	<b>139</b>	<b>137</b>	<b>139</b>	<b>552</b>	<b>141</b>	<b>143</b>
QoQ %	0.5%	-6.8%	0.8%		1.5%	2.5%	-1.1%	1.4%		1.2%	2.0%
YoY %	NA	NA	NA	NA	-4.2%	-2.2%	3.7%	4.4%	1.4%	4.0%	3.4%
% of Rev	7.2%	6.7%	6.6%	6.9%	6.8%	6.9%	6.7%	6.7%	6.8%	6.9%	7.0%
<b>Top 10</b>	<b>362</b>	<b>359</b>	<b>380</b>	<b>1,445</b>	<b>372</b>	<b>384</b>	<b>403</b>	<b>423</b>	<b>1,583</b>	<b>422</b>	<b>406</b>
QoQ %	5.3%	-0.9%	5.7%		-2.0%	3.2%	5.0%	5.0%		-0.3%	-3.9%
YoY %	NA	NA	NA	NA	8.1%	5.9%	12.3%	11.5%	9.6%	13.5%	5.7%
% of Rev	18.4%	18.2%	18.8%	18.3%	18.7%	19.1%	19.7%	20.4%	19.5%	20.7%	19.8%
<b>Non top 10</b>	<b>1,607</b>	<b>1,614</b>	<b>1,640</b>	<b>6,450</b>	<b>1,617</b>	<b>1,626</b>	<b>1,643</b>	<b>1,652</b>	<b>6,537</b>	<b>1,617</b>	<b>1,643</b>
QoQ %	1.1%	0.4%	1.6%		-1.4%	0.5%	1.1%	0.5%		-2.1%	1.6%
YoY %	NA	NA	NA	NA	1.7%	1.1%	1.8%	0.8%	1.3%	0.0%	1.1%
% of Rev	81.6%	81.8%	81.2%	81.7%	81.3%	80.9%	80.3%	79.6%	80.5%	79.3%	80.2%

### Headcount, Attrition and Utilisation Data

(Nos.)	2Q FY18	3Q FY18	4Q FY18	FY18	1Q FY19	2Q FY19	3Q FY19	4Q FY19	FY19	1Q FY20	2Q FY20
<b>Total headcount</b>	<b>159,300</b>	<b>158,865</b>	<b>159,923</b>	<b>159,923</b>	<b>160,846</b>	<b>171,451</b>	<b>172,379</b>	<b>171,425</b>	<b>171,425</b>	<b>174,850</b>	<b>181,453</b>
<b>Net additions</b>	<b>(2,139)</b>	<b>(435)</b>	<b>1,058</b>		<b>923</b>	<b>10,605</b>	<b>928</b>	<b>(954)</b>	<b>11,502</b>	<b>3,425</b>	<b>6,603</b>
Voluntary TTM attrition (%)	16.0%	16.1%	16.8%	16.8%	17.1%	17.5%	17.9%	17.6%	17.6%	17.6%	17.0%
Gross Utilisation (%)	72.9%	71.0%	73.1%	72.2%	74.5%	74.4%	73.4%	75.4%	74.4%	73.9%	71.4%
Utilisation ex-trainees (%)	82.5%	81.9%	83.4%	82.5%	85.2%	85.5%	83.2%	85.4%	84.8%	85.0%	82.1%

Source: Company, HDFC sec Inst Research



**Digital growth decelerated to 28.6% in 2QFY20 (vs. 33.1% in FY19 and 36.9% in 1QFY20) impacted by project completion at top account**

**Legacy continues to decline at 10.2% YoY**

**DSO including unbilled were at 75 days vs. 77 days at FY19, decrease in DSO is despite unbilled days going up to 16 days at 2QFY20 vs. 14 days at FY19**

### Business Mix

Segments (USD mn)	2Q FY18	3Q FY18	4Q FY18	FY18	1Q FY19	2Q FY19	3Q FY19	4Q FY19	FY19	1Q FY20	2Q FY20
Digital	475	493	537	1,946	557	631	679	722	2,590	763	811
QoQ %	7.7%	3.9%	8.9%		3.7%	13.3%	7.7%	6.3%		5.6%	6.4%
YoY %	NA	NA	NA	NA	26.3%	32.9%	37.7%	34.5%	33.1%	36.9%	28.6%
% of Rev	24.1%	25.0%	26.6%	24.6%	28.0%	31.4%	33.2%	34.8%	31.9%	37.4%	39.6%
Legacy (Non Digital)	1,495	1,480	1,482	5,949	1,432	1,379	1,367	1,353	5,531	1,276	1,238
QoQ %	0.2%	-1.0%	0.2%		-3.4%	-3.7%	-0.8%	-1.0%		-5.7%	-3.0%
YoY %	NA	NA	NA	NA	-4.1%	-7.8%	-7.6%	-8.7%	-7.0%	-10.9%	-10.2%
% of Rev	75.9%	75.0%	73.4%	75.4%	72.0%	68.6%	66.8%	65.2%	68.1%	62.6%	60.4%

Source: HDFC sec Inst Research

### Key Assumptions

Particulars	FY17	FY18	FY19	FY20E	FY21E	FY22E
IT Services Growth (USD) %	4.9	2.5	2.9	2.4	5.7	6.4
USD/INR rate	68.0	66.4	70.3	71.3	71.5	73.0
Products Growth (INR) %	(4.6)	(28.3)	(28.5)	(12.1)	2.4	0.0
IT Services EBIT Margin* %	18.2	16.8	18.4	17.9	18.0	18.2
Consolidated EBIT margin (%)	15.6	15.2	17.1	16.9	17.0	17.2

Source: Company, HDFC sec Inst Research \* Adjusted

### Change In Estimates

Particulars	Earlier estimates	Revised estimates	% change
<b>FY20E</b>			
IT revenue (USD bn)	8.33	8.31	(0.2)
Net revenue (Rs bn)	599.83	605.44	0.9
Cons. EBIT (Rs bn)	98.22	102.43	4.3
EBIT margin (%)	16.4	16.9	54
EPS (Rs)	16.6	16.8	1.3
<b>FY21E</b>			
IT revenue (USD bn)	8.79	8.79	0.0
Net revenue (Rs bn)	640.06	641.61	0.2
Cons. EBIT (Rs bn)	107.56	109.36	1.7
EBIT margin (%)	16.8	17.0	24
EPS (Rs)	17.8	18.0	1.4
<b>FY22E</b>			
IT revenue (USD bn)	9.32	9.36	0.4
Net revenue (Rs bn)	691.54	696.03	0.6
Cons. EBIT (Rs bn)	117.75	119.46	1.5
EBIT margin (%)	17.0	17.2	14
EPS (Rs)	19.2	19.7	3.0

Source: HDFC sec Inst Research

## Peer Set Comparison

Company	MCap (Rs bn)	CMP (Rs)	TP (Rs)	RECO	EPS (Rs)				P/E (x)				RoE (%)			
					FY18	FY19	FY20E	FY21E	FY18	FY19	FY20E	FY21E	FY18	FY19	FY20E	FY21E
TCS	7,645	2,037	1,975	NEU	68.8	83.9	85.5	92.9	29.6	24.3	23.8	21.9	30.1	36.1	35.3	37.1
Infosys	3,270	768	835	NEU	34.6	37.2	37.9	43.7	22.2	20.7	20.3	17.6	22.0	24.4	25.4	28.5
<b>Wipro</b>	<b>1,392</b>	<b>244</b>	<b>230</b>	<b>NEU</b>	<b>13.5</b>	<b>15.1</b>	<b>16.8</b>	<b>18.0</b>	<b>18.1</b>	<b>16.1</b>	<b>14.5</b>	<b>13.5</b>	<b>16.5</b>	<b>17.3</b>	<b>17.8</b>	<b>17.7</b>
HCL Tech	1,471	1,085	1,275	BUY	64.7	74.6	73.1	83.7	16.8	14.5	14.8	13.0	25.3	26.0	22.6	23.2
TechM	633	720	650	NEU	43.2	48.9	45.4	51.0	16.7	14.7	15.9	14.1	21.5	22.0	19.4	20.0
<b>Tier-1 IT Median</b>									<b>18.1</b>	<b>16.1</b>	<b>15.9</b>	<b>14.1</b>	<b>22.0</b>	<b>24.4</b>	<b>22.6</b>	<b>23.2</b>
LTI	259	1,491	1,835	BUY	66.9	87.3	83.6	95.1	22.3	17.1	17.8	15.7	33.2	34.6	27.4	26.9
Mphasis	172	922	1,180	BUY	45.4	57.6	58.3	69.1	20.3	16.0	15.8	13.3	14.6	20.0	19.7	20.9
LTTS	161	1,547	1,960	BUY	45.5	68.0	78.4	92.9	34.0	22.7	19.7	16.7	27.7	32.0	29.8	29.4
Mindtree	119	727	755	NEU	32.3	44.2	36.4	49.1	22.5	16.5	20.0	14.8	21.4	24.9	17.3	23.4
Hexaware *	110	370	450	BUY	16.8	19.6	20.4	24.6	22.1	18.9	18.2	15.1	26.6	26.5	23.5	24.4
Cyient	51	455	490	NEU	38.6	43.6	39.8	42.7	11.8	10.4	11.5	10.7	18.1	19.5	16.6	16.2
Zensar	48	209	295	BUY	10.6	14.1	15.5	19.1	19.7	14.9	13.5	11.0	15.1	17.3	16.7	17.8
Persistent	45	586	655	BUY	42.0	47.5	43.3	47.5	14.0	12.3	13.5	12.3	16.0	15.7	13.8	14.7
Tata Elxsi	41	651	645	NR	38.5	46.6	33.1	41.3	16.9	14.0	19.6	15.7	37.0	34.5	20.5	22.2
Sonata	31	299	448	BUY	18.6	24.0	26.5	29.9	16.1	12.4	11.3	10.0	31.0	35.1	33.7	33.8
Intellect	25	186	315	BUY	3.5	7.7	7.6	11.7	NM	24.3	24.6	15.9	6.7	11.1	9.3	12.8
eClerx	14	390	460	NEU	74.0	61.7	50.1	51.2	5.3	6.3	7.8	7.6	24.1	17.6	13.8	14.1
Majesco	11	408	700	BUY	(1.5)	18.3	20.9	31.1	NM	22.2	19.5	13.1	NM	8.4	8.3	11.4
HGS	12	565	760	NR	96.5	84.6	85.3	101.2	5.9	6.7	6.6	5.6	10.5	8.5	11.2	11.8
Mastek	8	319	530	BUY	27.7	40.4	39.2	45.2	11.5	7.9	8.1	7.0	13.7	16.1	13.2	13.7
<b>Tier-2 IT Median</b>									<b>16.9</b>	<b>14.9</b>	<b>15.8</b>	<b>13.1</b>	<b>19.8</b>	<b>19.5</b>	<b>16.7</b>	<b>17.8</b>

Source: HDFC sec Inst Research, Bloomberg, \*Dec YE, ^CMP and EPS in EUR terms

Company	MCap (USD bn)	CMP USD	TP	RECO	EPS (USD)				P/E (x)				RoE (%)			
					FY18	FY19E	FY20E	FY21E	FY18	FY19E	FY20E	FY21E	FY18	FY19E	FY20E	FY21E
Accenture	126	187	NA	NR	5.6	6.5	7.8	8.6	33.6	28.9	24.0	21.8	41.7	42.0	34.9	35.0
Cognizant	34	61	NA	NR	2.5	3.6	4.0	4.3	24.2	17.0	15.5	14.3	14.1	19.0	19.0	20.4
Capgemini^	20	110	NA	NR	4.9	4.4	6.5	7.2	22.5	25.2	16.8	15.4	11.5	10.1	13.4	13.6
<b>Global IT Median</b>									<b>24.2</b>	<b>25.2</b>	<b>16.8</b>	<b>15.4</b>	<b>14.1</b>	<b>19.0</b>	<b>19.0</b>	<b>20.4</b>

Source: HDFC sec Inst Research, Bloomberg, \*Dec YE, ^CMP and EPS in EUR terms

## Consolidated Income Statement

YE March (Rs bn)	FY18	FY19	FY20E	FY21E	FY22E
IT Services Net Revenues (US \$bn)	7.90	8.12	8.31	8.79	9.36
<b>Growth (%)</b>	<b>2.5</b>	<b>2.9</b>	<b>2.4</b>	<b>5.7</b>	<b>6.4</b>
Net Revenues	544.87	585.85	605.44	641.61	696.03
<b>Growth (%)</b>	<b>(1.0)</b>	<b>7.5</b>	<b>3.3</b>	<b>6.0</b>	<b>8.5</b>
Operating Expenses	440.94	473.75	483.14	511.01	553.54
<b>EBITDA</b>	<b>103.93</b>	<b>112.09</b>	<b>122.30</b>	<b>130.60</b>	<b>142.49</b>
Depreciation	21.12	19.47	19.87	21.24	23.02
<b>EBIT</b>	<b>82.81</b>	<b>92.62</b>	<b>102.43</b>	<b>109.36</b>	<b>119.46</b>
<b>EBIT (%)</b>	<b>15.2</b>	<b>15.8</b>	<b>16.9</b>	<b>17.0</b>	<b>17.2</b>
<b>EBIT Growth (%)</b>	<b>(3.7)</b>	<b>11.9</b>	<b>10.6</b>	<b>6.8</b>	<b>9.2</b>
Other Income	23.86	26.96	29.41	32.24	35.56
Interest	5.68	7.38	7.84	7.66	7.78
Forex gains/(losses)	1.49	3.22	2.60	2.31	2.12
<b>PBT</b>	<b>102.47</b>	<b>115.42</b>	<b>126.60</b>	<b>136.25</b>	<b>149.35</b>
Tax (incl deferred)	22.39	25.24	25.98	28.61	31.36
Minority Interest and associate profit	(0.00)	(0.14)	(0.45)	(0.48)	(0.52)
<b>RPAT</b>	<b>80.08</b>	<b>90.03</b>	<b>100.17</b>	<b>107.15</b>	<b>117.47</b>
EO (Loss) / Profit (Net Of Tax)	(2.49)	(0.82)	0.00	0.00	0.00
<b>APAT</b>	<b>82.57</b>	<b>90.86</b>	<b>100.17</b>	<b>107.15</b>	<b>117.47</b>
<b>APAT Growth (%)</b>	<b>2.2</b>	<b>10.0</b>	<b>10.3</b>	<b>7.0</b>	<b>9.6</b>
<b>EPS</b>	<b>13.9</b>	<b>15.3</b>	<b>16.8</b>	<b>18.0</b>	<b>19.7</b>
<b>EPS Growth (%)</b>	<b>2.2</b>	<b>10.0</b>	<b>10.3</b>	<b>7.0</b>	<b>9.6</b>

Source: Company, HDFC sec Inst Research

## Consolidated Balance Sheet

YE March (Rs bn)	FY18	FY19	FY20E	FY21E	FY22E
<b>SOURCES OF FUNDS</b>					
Share Capital - Equity	9.05	12.07	11.42	11.42	11.42
Reserves	473.89	556.05	544.89	644.37	752.77
<b>Total Shareholders' Funds</b>	<b>482.94</b>	<b>568.12</b>	<b>556.31</b>	<b>655.79</b>	<b>764.19</b>
Minority Interest	2.41	2.64	3.08	3.57	4.09
<b>Total Debt</b>	<b>138.26</b>	<b>99.47</b>	<b>99.47</b>	<b>99.47</b>	<b>99.47</b>
Net Deferred Taxes	(3.85)	(2.19)	(2.19)	(2.19)	(2.19)
Long Term Provisions & Others	19.67	16.28	16.28	16.28	16.28
<b>TOTAL SOURCES OF FUNDS</b>	<b>639.43</b>	<b>684.32</b>	<b>672.96</b>	<b>772.92</b>	<b>881.84</b>
<b>APPLICATION OF FUNDS</b>					
Net Block	49.28	47.83	40.06	31.65	22.55
CWIP	15.17	22.77	22.77	22.77	22.77
Goodwill & Other Intangible Assets	135.70	130.74	130.74	130.74	130.74
LT Loans & Advances, Others	74.64	54.56	54.56	54.56	54.56
<b>Total Non Current Assets</b>	<b>274.78</b>	<b>255.90</b>	<b>248.14</b>	<b>239.73</b>	<b>230.62</b>
<b>Cash &amp; Equivalents</b>	<b>294.02</b>	<b>379.25</b>	<b>370.45</b>	<b>476.79</b>	<b>589.14</b>
Debtors	100.99	100.49	104.50	110.74	120.14
Inventories	3.37	3.95	4.24	4.49	4.87
Other Current Assets	80.58	87.98	90.82	96.24	104.40
<b>Total Current Assets</b>	<b>184.94</b>	<b>192.42</b>	<b>199.55</b>	<b>211.48</b>	<b>229.41</b>
Creditors	68.13	88.30	90.64	95.77	102.54
Other Current Liabilities & Provns	46.18	54.95	54.54	59.30	64.79
<b>Total Current Liabilities</b>	<b>114.30</b>	<b>143.25</b>	<b>145.18</b>	<b>155.07</b>	<b>167.33</b>
<b>Net Current Assets</b>	<b>70.63</b>	<b>49.17</b>	<b>54.38</b>	<b>56.40</b>	<b>62.08</b>
<b>TOTAL APPLICATION OF FUNDS</b>	<b>639.43</b>	<b>684.32</b>	<b>672.96</b>	<b>772.92</b>	<b>881.84</b>

Source: Company, HDFC sec Inst Research

## Consolidated Cash Flow

YE March (Rs bn)	FY18	FY19	FY20E	FY21E	FY22E
Reported PBT	102.47	115.42	126.60	136.25	149.35
Non-operating & EO items	(10.32)	(20.63)	(29.41)	(32.24)	(35.56)
Interest expenses	5.68	7.38	7.84	7.66	7.78
Depreciation	21.12	19.47	19.87	21.24	23.02
Working Capital Change	(0.94)	27.17	(5.21)	(2.02)	(5.68)
Tax paid	(28.11)	(25.15)	(25.98)	(28.61)	(31.36)
<b>OPERATING CASH FLOW ( a )</b>	<b>89.91</b>	<b>123.65</b>	<b>93.71</b>	<b>102.28</b>	<b>107.56</b>
Capex	(27.35)	(20.84)	(12.11)	(12.83)	(13.92)
<i>Free cash flow (FCF)</i>	<i>62.56</i>	<i>102.81</i>	<i>81.60</i>	<i>89.45</i>	<i>93.64</i>
Investments	0.00	0.00	0.00	0.00	0.00
Non-operating income	14.96	20.52	29.41	32.24	35.56
<b>INVESTING CASH FLOW ( b )</b>	<b>(12.40)</b>	<b>(0.32)</b>	<b>17.30</b>	<b>19.40</b>	<b>21.64</b>
Debt Issuance	(11.15)	(39.14)	0.00	0.00	0.00
Interest expenses	(5.68)	(4.80)	(7.84)	(7.66)	(7.78)
<i>FCFE</i>	<i>45.74</i>	<i>58.87</i>	<i>73.77</i>	<i>81.78</i>	<i>85.86</i>
Share capital Issuance/Buyback	(110.29)	0.00	(105.00)	0.00	0.00
Dividend	(5.42)	(5.43)	(6.98)	(7.67)	(9.07)
<b>FINANCING CASH FLOW ( c )</b>	<b>(132.53)</b>	<b>(49.37)</b>	<b>(119.81)</b>	<b>(15.34)</b>	<b>(16.85)</b>
<b>NET CASH FLOW (a+b+c)</b>	<b>(55.02)</b>	<b>73.96</b>	<b>(8.80)</b>	<b>106.35</b>	<b>112.35</b>
Non-operating and EO items	4.30	11.26	0.00	0.00	0.00
Closing Cash & Equivalents	294.02	379.25	370.45	476.79	589.14

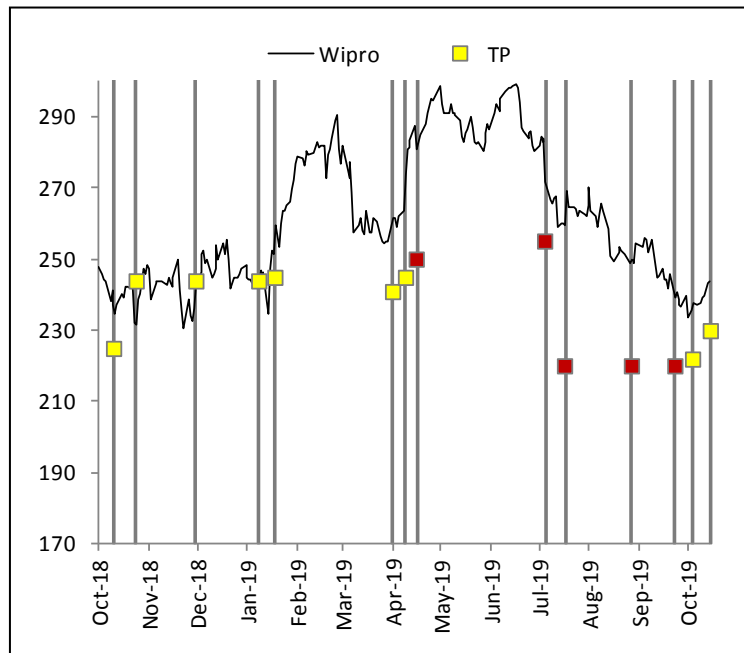
Source: Company, HDFC sec Inst Research

## Key Ratios

	FY18	FY19	FY20E	FY21E	FY22E
<b>PROFITABILITY (%)</b>					
EBITDA Margin	19.1	19.1	20.2	20.4	20.5
APAT Margin	15.2	15.5	16.5	16.7	16.9
RoE	16.5	17.3	17.8	17.7	16.5
RoIC or Core RoCE	18.7	23.7	26.9	29.2	32.2
RoCE	11.2	12.1	12.8	12.9	12.4
<b>EFFICIENCY</b>					
Tax Rate (%)	22.8	21.8	21.9	20.5	21.0
Fixed Asset Turnover (x)	4.1	4.2	4.0	3.9	3.9
Debtors (days)	68	63	63	63	63
Other Current Assets (days)	54	55	55	55	55
Payables (days)	46	55	55	54	54
Other Current Liability (days)	31	34	33	34	34
Cash Conversion Cycle (days)	45	28	30	30	30
Net Debt/EBITDA (x)	(1.5)	(2.5)	(2.2)	(2.9)	(3.4)
Net Debt/Equity (x)	(0.3)	(0.5)	(0.5)	(0.6)	(0.6)
Interest Coverage (x)	14.6	12.6	13.1	14.3	15.3
<b>PER SHARE DATA</b>					
EPS (Rs/sh)	13.9	15.3	16.8	18.0	19.7
CEPS (Rs/sh)	17.0	18.4	20.2	21.6	23.6
DPS (Rs/sh)	0.9	0.9	1.2	1.3	1.5
BV (Rs/sh)	81.2	95.5	93.5	110.3	128.5
<b>VALUATION</b>					
P/E	17.6	16.0	14.5	13.5	12.3
P/BV	3.0	2.6	2.6	2.2	1.9
EV/EBITDA	12.4	10.4	9.6	8.2	6.7
OCF/EV (%)	7.0	10.6	8.0	9.6	11.2
FCF/EV (%)	4.8	8.8	6.9	8.4	9.8
FCFE/mkt cap (%)	3.2	4.1	5.1	5.7	5.9
Dividend Yield (%)	0.3	0.3	0.4	0.5	0.5

Source: Company, HDFC sec Inst Research

## RECOMMENDATION HISTORY



Date	CMP	Reco	Target
10-Oct-18	238	NEU	225
25-Oct-18	232	NEU	244
30-Nov-18	236	NEU	244
8-Jan-19	245	NEU	244
19-Jan-19	260	NEU	245
1-Apr-19	255	NEU	241
9-Apr-19	264	NEU	245
17-Apr-19	281	SELL	250
5-Jul-19	272	SELL	255
18-Jul-19	260	SELL	220
27-Aug-19	249	SELL	220
22-Sep-19	246	SELL	220
4-Oct-19	236	NEU	222
16-Oct-19	244	NEU	230

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**BUY** : Where the stock is expected to deliver more than 10% returns over the next 12 month period  
**NEUTRAL** : Where the stock is expected to deliver (-)10% to 10% returns over the next 12 month period  
**SELL** : Where the stock is expected to deliver less than (-)10% returns over the next 12 month period

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HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066 Compliance Officer: Binkle R. Oza Email: [complianceofficer@hdfcsec.com](mailto:complianceofficer@hdfcsec.com) Phone: (022) 3045 3600

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