

Information Technology Sector

29 December 2020

Looks stronger near term; Raising target prices

We raise revenue and earnings estimates and consequently target prices across our coverage universe (while maintaining our 'neutral' stance on the sector with a modest positive bias and select 'Buy' calls) as we see FY21-FY23 demand stronger than we had anticipated, with significant transfer of legacy assets (both employees with legacy skill sets and technology assets which are largely on-premise) to outsourcing vendors being the key driver. We have seen a glimpse of that from the number and nature of large deals that have been signed by Tier-1 players in the last few months (see Exhibit 6). We see the elevated valuation of individual stocks (which are at 10-12 year peaks) holding up in the context of the accelerated organic revenue and earnings growth that we anticipate in the FY21-FY23 timeframe relative to FY15-FY20. We believe that the 'compressed transformation' narrative is real and is being under-estimated by the street wherein Global-2000 corporations have realized the need to pivot quickly to a more resilient business model (which entails a shift to the cloud), which serves not only their customers but also their employees and suppliers. This is to ensure that they continue to be relevant players in their respective industries. We believe that the second and the third wave of the Covid-19 pandemic that we have witnessed in recent times in both the US and Europe have likely convinced any fence-sitters, if there were any. What is going to fund the acceleration is a question that is most pertinent. We see three drivers (1) In the near term, we see higher IT spend to sales ratio for almost all enterprises as each and every business function is infused with more technology. While there could be a small spike in this ratio in the next 12-24 months, we think this number could likely settle lower but at levels higher than in the pre-pandemic times. We believe that competitive differentiation using technology would likely be the overarching ingredient in the corporate world in the days ahead which will keep this ratio high. (2) Secondly, we expect a spending shift away from on-premise hardware and software which could benefit other items on the IT spend list. (3) Lastly and more importantly, we expect the internal-to-external spend mix within IT services (which has likely been in 75:25 or 70:30 ratio in favor of internal spend) to shift to outsourcing as acceleration to digital has meant that enterprises are saddled with not only redundant technology assets (hardware and software, largely on-premise) but also some redundant human assets (employees with legacy skillsets). Unlike the IT services vendors, who have been fine-tuning their reskilling engines for many decades and have likely doubled down on them in recent years, we think that enterprises have fallen behind in this aspect in the context of technologies that are 'as-a-service' in nature. All these three points reinforce (at least for the next 24 months) our thesis that it is going to a 'rising tide lifting most boats' scenario, which will likely lead to pick-up in growth across the board. We think that differentiation in growth, over the next 12-24 months, across the current Tier-1 set would be a challenge. But, over a longer term (3-5 years), we believe those IT companies who have strong capabilities, who pick and choose projects judiciously and execute well will not only grow faster on a sustainable basis but will have higher margins and higher return ratios. The target valuation multiples that we have ascribed to these companies reflect our view on this aspect.

Valuation: While valuation multiples of most IT services stocks are at 10-12 year highs currently (see PE charts from 8 – 14), we do not think that they are outrageous in the context of the acceleration in revenue (by 400-600bps in organic US\$ terms) over FY21-FY23 and almost doubling of earnings growth rate over the same timeframe versus the one seen in FY15-FY20 or in FY17-FY20. Therefore, we continue to remain 'neutral' on the sector with a positive bias and select 'Buy' calls. The point to be noted is that our earnings estimates are higher than consensus for all IT companies for FY22 and FY23 and we believe that the street will likely upgrade earnings in times to come. In terms of PE multiples, TCS continues to be our sector benchmark as it has the strongest position in the industry through: (1) Breadth and depth in service lines, geographies and verticals (2) Ability to stitch together integrated offerings (3) Significant lead in automation skills (4) Strong and stable base of experienced employees with contextual knowledge (5) Strong product, platform and agile delivery capabilities and (6) Industry-best margins and return ratios. We had raised the target PE multiple on TCS to 25x (+2SD over 5-year mean) in our 2QFY21 result review note versus a pessimistic 15.1x (1.5SD below its 10-year mean) that we had used in our March 2020 report. We have benchmarked all other IT companies with respect to TCS (see Exhibit 7). As depicted in Exhibit 22-28, we have raised our estimates since 2QFY21 result reviews for all coverage companies. We have also rolled forward the basis of valuation to FY23 EPS from Sept' 2022 earlier. In terms of target PE multiples, we continue to hold on to the ones that we had given these companies post 2QFY21 result reviews. We have lifted target PE multiple only for one company - Persistent Systems - as we see materially faster revenue growth here. The resultant ratings and target prices are given in Exhibit 1. HCL Tech, Tech Mahindra and Persistent Systems are 'Buys'. While others have an 'Accumulate' rating.

Longevity of the strength not yet clear: While CEOs of multiple Indian IT services firms have called out accelerated revenue growth for multiple years, there is no clarity yet about the longevity of the current acceleration. This has to be seen in the context that an acceleration of Digital necessarily means that there has to be a deceleration in the legacy part – which still constitutes ~50% of revenue for most IT services firms. Any material PE multiple expansion from current levels is also hostage to this – in our view. A visibility on this issue is unlikely for another 12 months at least.

Domestic growth is picking up and could pose a portfolio related challenge for IT services in the coming days: India's real GDP growth is expected by consensus to pick up to almost double digit levels in FY22. This number has been upgraded multiple times as domestic macro data has surprised on the upside. The other big unknown in the recent months has been the pandemic-driven asset quality situation of Indian lenders. Here too, we believe that the worst fears are unlikely to come true and credit costs in the coming quarters are likely to be lower than initially anticipated. Should this happen, we believe that more portfolio flows could shift to financials in the coming days – these stocks trade at lower valuations than they were pre-pandemic. A strong pick-up in the domestic economy could therefore pose a challenge to continued performance of the IT services sector in the coming days - something seen in the December quarter 2020 sectoral performance (Exhibit 4).

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Our view on the Indian IT services sector: In our sector updates of 6th September 2020 ([Rising monetary and digital tides lifting most boats](#)) and of 28th September 2020 ([Medium term commentary turning more positive](#)), we upgraded our view to 'neutral' on the sector from a 'cautious' one held for the last many years on the back of both higher earnings and higher target PE multiples. The earnings uplift is coming from an expectation of 400-600bps pick-up in organic revenue growth over FY21-FY23 against the one seen in the FY15-FY20 timeframe along with an improvement in margins. The revenue acceleration is coming from increased spending on Digital by clients and which in our view will likely be compressed in a shorter period of time than was expected in the past. The demand uplift is more widespread than seen in the past and is a 'rising-tide-lifting-most-boats' kind of situation. Reasons for change in customer behavior, in our view are: (1) Strong need for digital transformation, not only to structurally cut costs, but also to deliver contact-less consumer and employee experiences, driven by the nature of the pandemic. Based on the commentary from customers, software companies and IT services vendors, we believe that digital demand has been pulled forward from the future. (2) quick and unprecedented 'whatever-it-takes' monetary and fiscal actions in the US and Europe that likely eliminated tail risks to economic recovery and reduced risk aversion among corporates. While customer P&Ls and cash flows saw pain, credit market conditions significantly eased up with investment grade and junk bond yields more than halving from their pandemic peak as the US Federal Reserve stepped into the credit markets directly. Corporate America binged on cheap debt. These monetary conditions could last, we believe, for at least 18-24 months if not longer. The changed view on margins has been driven by business model changes that the pandemic has induced, which we think are structurally positive. These involve higher offshoring, lower subcontractor cost, structurally lower travel and marketing costs. Also we see accelerated employee pyramid reshaping that could control cost increases. We see WFH/WFA expanding the talent pool in a material way in the long term, leading to lesser pressure on talent costs.

Higher PE multiples are driven by (1) lower interest rates globally and domestically (2) valuation exuberance (irrational!?) in the enterprise technology space in the US and (3) constrained domestic investment choices. While there could be a growth spike in FY22 after a modest dip in FY21 (lower than anticipated), we see organic revenue growth in FY23 being only a tad lower than that of FY22. We are yet to take a concrete view on a 'stronger for longer' (beyond FY23) situation and hence we have not given our benchmark, TCS, a higher target PE multiple.

Why not a sell: (1) We see earnings acceleration over FY21-FY23 due to faster revenue growth and a higher margin trajectory. (2) Current exuberance (irrational!?) in enterprise tech valuations in the US likely rubbing off on Indian IT services. (3) a situation where double digit revenue growth could stretch beyond FY23. (4) lower for longer interest rates globally could keep PE multiples elevated

Why not a buy: (1) PE multiples are already at 10-12 year highs and partly reflect the turnaround in fundamentals over FY21-FY23. (2) Adverse impact on US corporate profits in 2021 and beyond (leading to cut back in spending) due to higher taxation if new US President Joe Biden is able to push them through. (3) Likely slower organic growth in the medium term as spends are pulled forward. Growth could settle into mid-single digit territory in USD terms beyond a point in time. (4) A likely deflation in enterprise tech valuations in the US.

Valuation and stock calls: TCS continues to be our sector benchmark as it has the strongest position in the industry. With enterprise tech sector in the US going through a bout of exuberance currently, an overshoot on the upside is not entirely ruled out. We back our higher PE multiples with (1) expectation of earnings acceleration over FY21-FY23 against FY17-FY20 on revenue expansion (2) lower for longer interest rates globally and likely in India too that could keep PE multiples elevated (3) potential for good return of capital to investors due to strong cash flows. We have benchmarked all other coverage companies with respect to TCS. While historically we have not liked mid-tier IT companies due to their significant client, geographic and vertical concentration risks and weaker capabilities, we believe they could be beneficiaries in the next 24 months of robust demand. We believe vendor consolidation risks are lower due to this. We also think that some of them are undergoing a structural change for the better under new managements, which could set them up for better growth, margins and PE multiples.

Exhibit 1: Changes made to our earnings estimates, target prices and ratings

Company	CMP (Rs)	Market- cap (US\$bn)	New FY21E EPS (Rs)	New FY22E EPS (Rs)	New FY23E EPS (Rs)	Old FY21E EPS (Rs)	Old FY22E EPS (Rs)	Old FY23E EPS (Rs)	New target PE (x)	Old target PE (x)	New rating	Old rating	New TP (Rs)	Upside to CMP (%)	Old TP (%)	Change in TP (%)
TCS	2,929	149.5	87.1	105.9	120.0	87.3	105.3	119.5	25.0	25.0	Accumulate	Accumulate	3,001	2.4	2809	6.8
Infosys	1,240	72.1	45.9	52.1	58.9	45.5	51.4	56.9	22.5	22.5	Accumulate	Accumulate	1,325	6.8	1218	8.8
Wipro	383	29.7	17.6	20.6	23.5	17.9	20.4	23.2	17.5	17.5	Accumulate	Accumulate	411	7.4	382	7.6
HCL Technologies	922	33.9	46.9	53.9	60.8	46.4	52.7	59.6	18.8	18.8	Buy	Buy	1141	23.8	1053	8.4
Tech Mahindra	947	11.3	50.3	56.9	70.8	49.6	56.9	68.3	16.3	16.3	Buy	Accumulate	1150	21.4	1017	13.1
Mindtree	1,609	3.6	60.9	73.6	82.3	61.2	73.1	81.4	20.0	20.0	Accumulate	Accumulate	1,646	2.3	1544	6.6
Persistent Systems	1,473	1.5	56.1	75.2	90.1	55.2	71.8	85.6	18.8	17.5	Buy	Accumulate	1,690	14.7	1377	22.7

Source: Nirmal Bang Institutional Equities Research, All Prices as of 28 December 2020.

Exhibit 2: Assumptions on macro and companies

	2018	2019	2020	2021	2022
Real US GDP growth (%)	3.0	2.2	-3.5	3.9	3.1
	FY19	FY20	FY21E	FY22E	FY23E
INR/USD	70.1	71.0	74.3	75.2	76.8
	FY19	FY20	FY21E	FY22E	FY23E
USD revenue growth (%)					
TCS	9.6	5.4	(1.5)	12.5	10.1
Infosys	7.9	8.3	4.1	12.8	10.5
Wipro (IT services)	1.6	0.8	(2.4)	10.6	7.4
HCL Technologies	10.1	15.1	1.4	14.3	10.3
Tech Mahindra	4.2	4.3	(2.3)	8.5	12.0
Mindtree	18.3	8.7	(2.6)	12.6	9.0
Persistent Systems	2.2	4.3	10.1	14.6	13.4
EBIT margin (INR) (%)					
TCS	25.6	24.6	25.2	26.2	26.5
Infosys	22.8	21.3	23.9	23.2	23.3
Wipro	17.1	17.3	18.1	18.6	18.8
HCL Tech	19.6	19.6	20.8	20.6	20.5
Tech Mahindra	15.0	11.6	13.1	13.6	15.0
Mindtree	12.8	10.1	16.0	17.2	17.1
Persistent Systems	12.6	9.2	11.8	13.3	13.8
EPS (Rs)					
TCS	83.1	86.2	87.1	105.9	120.0
Infosys	36.0	38.9	45.9	52.1	58.9
Wipro	18.6	16.6	17.6	20.6	23.5
HCL Tech	36.8	40.8	46.9	53.9	60.8
Tech Mahindra	48.7	45.2	50.3	56.9	70.8
Mindtree	45.8	38.3	60.9	73.6	82.3
Persistent Systems	44.1	44.4	56.1	75.2	90.1
EPS growth (%)					
TCS	24.0	3.8	1.1	21.5	13.4
Infosys	11.0	8.1	17.8	13.6	12.9
Wipro	10.5	(10.4)	5.5	17.3	14.0
HCL Tech	17.5	10.9	15.0	15.0	12.9
Tech Mahindra	12.5	(7.0)	11.1	13.3	24.3
Mindtree	32.3	(16.3)	58.9	21.0	11.8
Persistent Systems	9.2	0.7	26.4	34.1	19.8

Source: Companies, Bloomberg, Nirmal Bang Institutional Equities Research

Exhibit 3: Indian IT services sector valuations

Year ending	TCS	Infosys	Wipro	HCL Tech	Tech Mahindra	Mindtree	Persistent
	March	March	March	March	March	March	March
Prices as on 28-December-20	2,929	1,240	383	922	947	1,609	1,473
Currency	INR	INR	INR	INR	INR	INR	INR
Market Value (Rs Bn) (US\$mn)	11,032	5,302	2,196	2,510	919	266	113
149,485	71,846	29,757	34,018	12,458	3,604	1,531	
Target Price (on FY23 EPS)	3,001	1325	411	1141	1150	1646	1690
Upside/(downside)	2.4%	6.8%	7.4%	23.8%	21.4%	2.3%	14.7%
Recommendation	Accumulate	Accumulate	Accumulate	Buy	Buy	Accumulate	Buy
FDEPS (Rs)							
FY18	67.0	32.5	16.8	31.5	42.8	34.6	40.4
FY19	83.1	36.0	18.6	36.8	48.7	45.8	44.1
FY20	86.2	38.9	16.6	40.8	45.2	38.3	44.4
FY21E	87.1	45.9	17.6	46.9	50.3	60.9	56.1
FY22E	105.9	52.1	20.6	53.9	56.9	73.6	75.2
FY23E	120.0	58.9	23.5	60.8	70.8	82.3	90.1
PE (x)							
FY18	43.7	38.2	22.8	29.3	22.1	46.5	36.5
FY19	35.3	34.4	20.6	25.1	19.5	35.1	33.4
FY20	34.0	31.9	23.0	22.6	20.9	42.0	33.2
FY21E	33.6	27.0	21.8	19.7	18.8	26.4	26.3
FY22E	27.7	23.8	18.6	17.1	16.6	21.9	19.6
FY23E	24.4	21.1	16.3	15.1	13.4	19.5	16.3
EV/EBITDA (x)							
FY18	34.1	27.2	20.0	21.0	16.5	34.1	24.2
FY19	27.7	24.8	16.5	17.3	11.7	23.9	18.6
FY20	26.2	23.3	15.2	14.5	13.2	23.7	21.6
FY21E	24.9	19.3	14.1	12.3	11.3	16.2	15.9
FY22E	21.2	17.5	11.3	10.5	9.9	13.4	12.8
FY23E	18.5	15.3	9.5	9.1	7.8	11.9	10.9
EV/Sales (x)							
FY18	9.0	7.3	3.7	4.7	2.5	4.6	3.7
FY19	7.6	6.3	3.2	4.0	2.1	3.6	3.2
FY20	7.0	5.7	3.1	3.4	2.0	3.2	3.0
FY21E	6.9	5.2	3.1	3.2	1.9	3.1	2.6
FY22E	6.0	4.5	2.6	2.6	1.7	2.7	2.2
FY23E	5.3	4.0	2.2	2.2	1.5	2.3	1.9
Pre Tax ROIC (%)							
FY18	57.3	44.9	24.5	38.9	25.8	32.9	29.7
FY19	61.8	47.5	30.4	36.3	37.9	45.5	44.2
FY20	55.5	43.0	32.2	33.3	28.6	33.2	35.1
FY21E	53.2	46.1	32.8	31.7	28.6	54.2	49.2
FY22E	58.8	48.0	39.2	33.8	31.9	64.8	61.2
FY23E	62.2	51.3	44.9	36.0	38.6	64.7	69.7

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 4: Stock and Index Performance

Stock Performance(%)	CY14	CY15	CY16	CY17	CY18	CY19	1QCY19	2QCY19	3QCY19	4QCY19	1QCY20	2QCY20	3QCY20	YTD	QTD
TCS	19.2	(4.4)	(2.8)	11.7	44.4	16.3	5.6	11.3	(5.7)	5.0	(15.5)	14.0	19.7	35.5	17.5
Infosys	12.3	10.5	(8.6)	4.1	28.2	11.9	13.8	(1.6)	10.1	(9.2)	(12.3)	14.7	37.0	69.6	23.0
Wipro	0.2	1.0	(15.4)	30.4	7.2	(0.7)	2.9	10.1	(14.5)	2.5	(20.0)	11.7	42.7	55.8	22.1
HCL Tech	28.5	5.8	(2.5)	7.2	9.1	18.6	13.5	(2.1)	1.5	5.1	(23.2)	27.6	45.7	62.3	13.6
Tech Mahindra	41.4	(19.6)	(7.0)	3.0	43.6	6.8	8.7	(8.9)	1.1	6.7	(25.8)	(3.9)	45.7	24.2	19.6
Persistent	65.8	(20.4)	(3.6)	11.7	(9.6)	6.9	(0.1)	(1.9)	(7.7)	18.3	(18.3)	15.3	111.2	118.5	9.8
Mindtree	60.2	16.4	(26.9)	17.5	41.0	(5.3)	9.3	(1.8)	(21.9)	13.0	3.6	11.7	44.6	101.1	20.2
Coforge	(0.1)	63.0	(26.4)	53.1	77.7	37.7	14.9	1.5	3.7	14.0	(27.8)	22.8	64.8	69.2	15.8
DXC	-	-	-	-	(35.5)	(29.0)	21.5	(14.2)	(46.5)	27.4	(65.3)	26.4	8.2	(39.1)	28.3
Endava	-	-	-	-	-	93.0	13.9	46.3	(5.9)	23.1	(24.5)	37.4	30.7	65.9	22.4
Cognizant	6.2	14.8	(7.9)	27.1	(11.9)	(1.4)	15.1	(12.5)	(4.9)	2.9	(25.1)	22.3	22.2	30.7	16.8
Accenture	9.9	17.4	10.5	31.2	(9.0)	50.6	25.9	5.0	4.1	9.5	(22.5)	31.5	5.2	22.2	13.9
Globant SA	-	150.3	(12.9)	39.7	24.3	86.8	25.7	41.5	(9.4)	15.8	(17.1)	70.5	19.6	106.2	22.0
Epam Systems INC	37.2	65.8	(18.9)	67.5	5.9	86.0	48.3	2.3	5.3	16.4	(12.5)	35.7	28.3	68.0	10.2
Cap Gemini	-	44.0	(6.2)	22.5	(13.1)	26.7	25.8	1.2	(1.1)	0.7	(29.3)	32.4	7.7	14.1	13.2
Cyient	53.3	(8.6)	4.5	18.3	5.8	(33.2)	5.7	(16.5)	(14.2)	(11.8)	(44.1)	20.3	39.1	26.2	35.0
Mphasis	(13.9)	33.9	13.8	27.9	38.6	(8.1)	(1.3)	1.3	(4.7)	(3.6)	(28.0)	32.3	57.4	69.2	12.8
LTI	-	-	-	61.2	57.9	1.1	(1.6)	7.5	(17.4)	15.8	(18.4)	37.0	29.9	108.0	43.1
LTTS	-	-	-	30.5	66.0	(13.6)	(7.5)	11.0	(12.8)	(3.6)	(20.9)	10.5	26.1	62.7	47.6
Intellect Design		258.4	(50.2)	27.9	33.7	(38.1)	(9.0)	30.6	(31.3)	(24.2)	(60.7)	105.2	100.0	122.0	37.6
OFSS	1.5	11.5	(17.1)	30.6	(9.9)	(25.2)	(7.5)	(6.4)	0.1	(13.7)	(26.1)	41.5	7.3	16.1	3.6
Ramco Systems	219.0	71.7	(57.8)	57.3	(47.5)	(38.8)	(13.8)	(11.5)	(23.1)	4.2	(56.7)	50.2	285.4	256.3	42.2
Just Dial	(4.9)	(36.0)	(61.5)	57.4	(4.0)	13.7	20.1	26.1	(9.3)	(17.2)	(48.6)	36.9	(5.4)	8.6	63.3
Infoedge	81.3	2.4	5.4	44.3	10.8	74.0	26.7	22.0	(10.1)	25.2	(19.6)	35.7	31.6	83.0	27.4
Makemytrip	33.1	(31.2)	32.5	29.9	(21.3)	(3.0)	16.9	(10.1)	(8.5)	0.9	(47.8)	28.1	0.3	18.7	77.0
Index Performance (%)															
Nasdaq	20.0	8.6	5.7	31.0	(2.4)	38.9	17.4	4.0	1.0	12.7	(10.5)	30.0	12.4	45.6	11.3
S&P 500	13.0	-0.8	9.0	19.5	(7.5)	30.0	14.0	3.8	1.2	8.5	(20.0)	20.0	8.5	14.6	10.1
Stox 600	4.2	7.8	-2.0	8.1	(13.7)	23.7	12.7	1.5	2.2	5.8	(23.0)	12.6	0.2	(4.2)	10.4
DAX	2.7	9.6	6.6	13.4	(18.7)	25.5	9.2	7.6	0.2	6.6	(25.0)	23.9	3.7	4.1	8.1
Nikkei	7.1	9.1	0.6	19.0	(12.2)	18.2	6.0	0.3	2.3	8.7	(20.0)	17.8	4.0	13.5	15.8
MSCI EM	-4.7	-17.1	8.5	34.4	(16.6)	15.8	9.9	(0.3)	(5.1)	11.4	(23.9)	17.3	8.7	12.5	15.9
Bovespa	-2.9	-13.3	38.9	26.9	15.0	31.6	8.6	5.8	3.7	10.4	(36.9)	30.2	(0.5)	1.9	24.5
HSCEI	10.0	-18.4	-3.6	25.5	(14.5)	11.8	13.9	(4.4)	(6.3)	9.5	(14.1)	1.7	(3.7)	(7.7)	9.7
NIFTY IT	17.4	-0.3	-7.4	11.7	25.1	8.8	8.6	2.0	(2.5)	0.7	(18.5)	15.6	35.2	54.0	20.8
NIFTY BANK	63.9	-9.3	6.6	41.4	6.4	18.6	12.2	2.2	(6.4)	10.5	(40.5)	11.6	0.4	(4.0)	44.0
NIFTY FMCG	17.8	0.1	1.7	30.5	14.8	(1.4)	(0.7)	(2.6)	5.4	(3.3)	(9.3)	10.0	(0.7)	13.5	14.5
NIFTY AUTO	57.3	-0.7	10.5	30.2	(22.2)	(10.6)	(9.6)	(4.9)	(5.5)	10.1	(42.6)	42.0	17.7	9.9	14.7
NIFTY ENERGY	8.4	-0.7	19.2	40.8	0.6	10.7	14.7	(2.7)	(3.4)	2.6	(30.1)	29.4	4.4	6.9	13.2
NIFTY PHARMA	42.6	10.3	-15.5	-5.4	(8.0)	(8.8)	6.0	(13.7)	(6.4)	6.5	(10.7)	39.1	17.9	60.1	9.4
NIFTY METAL	6.2	-31.3	45.5	49.7	(21.4)	(10.0)	(2.2)	(2.1)	(18.1)	14.8	(43.4)	25.6	12.6	15.1	43.8
NIFTY INFRA	22.5	-8.8	-2.3	34.1	(11.8)	2.5	1.0	5.0	(4.8)	1.5	(27.5)	28.5	1.6	12.3	18.7
NIFTY MIDCAP	55.7	7.2	6.5	47.4	(15.2)	(3.9)	2.6	(3.3)	(9.2)	6.7	(31.6)	25.6	15.5	21.1	22.0
NIFTY SMALLCAP	53.9	7.4	2.2	57.5	(29.0)	(8.8)	4.3	(7.1)	(9.8)	4.3	(38.4)	28.4	26.2	20.3	20.5
NIFTY	31.1	-4.3	2.6	29.3	3.6	12.0	7.0	1.4	(2.7)	6.0	(29.3)	19.8	9.2	14.0	23.3
USD/INR	63.0	66.2	67.4	65.1	68.5	70.4	70.5	69.5	70.3	71.4	72.4	75.9	74.4	74.1	73.8

Source: Bloomberg, Nirmal Bang Institutional Equities Research, All Prices are as of end of trade on 28 December 2020.

Exhibit 5: Industry valuation sheet

	Price (Rs)	MCap (US\$ mn)	EPS				PE				EV/Sales				P/B			
			FY20	FY21	FY22	FY23	FY20	FY21	FY22	FY23	FY20	FY21	FY22	FY23	FY20	FY21	FY22	FY23
TCS	2,929	149,485	86.2	87.1	105.9	120.0	34.0	33.6	27.7	24.4	7.0	6.9	6.0	5.3	13.1	11.9	10.8	9.5
Infosys	1,240	71,846	38.9	45.9	52.1	58.9	31.9	27.0	23.8	21.1	5.7	5.2	4.5	4.0	8.0	7.0	6.5	5.9
Wipro	383	29,757	16.6	17.6	20.6	23.5	23.0	21.8	18.6	16.3	3.1	3.1	2.6	2.2	3.9	4.0	3.4	2.8
HCL Tech	922	34,018	40.8	46.9	53.9	60.8	22.6	19.7	17.1	15.1	3.4	3.2	2.6	2.2	4.8	4.1	3.5	3.0
Tech Mahindra	947	12,458	45.2	50.3	56.9	70.8	20.9	18.8	16.6	13.4	2.0	1.9	1.7	1.5	3.8	3.3	2.9	2.6
Persistent	1,473	1,531	44.4	56.1	75.2	90.1	33.2	26.3	19.6	16.3	3.0	2.6	2.2	1.9	4.7	4.1	3.6	3.1
Mindtree	1,609	3,604	38.3	60.9	73.6	82.3	42.0	26.4	21.9	19.5	3.2	3.1	2.7	2.3	8.3	6.7	5.7	4.9
Coforge	2,690	2,216	78.2	99.5	116.1	-	34.4	27.0	23.2	-	3.4	2.9	2.4	-	6.6	5.8	5.0	-
DXC	23	5,826	2.1	3.2	4.0	5.2	11.0	7.3	5.7	4.4	0.6	0.5	0.4	-	0.9	1.0	1.0	-
Endava	77	4,248	1.1	1.3	1.5	-	71.8	57.6	50.4	-	7.2	5.7	4.6	-	14.8	12.3	10.3	-
Cognizant* (US\$)	81	43,343	3.6	4.0	4.4	5.0	22.2	20.5	18.5	16.3	2.5	2.4	2.1	-	3.9	3.3	2.9	-
Accenture (US\$)	257	170,357	8.2	9.1	9.8	10.4	31.3	28.4	26.2	24.7	3.4	3.1	2.9	2.8	8.4	7.3	6.5	-
Cap Gemini* (Euro)	124	25,617	6.5	7.5	8.5	9.1	19.0	16.6	14.6	13.7	1.6	1.5	1.4	1.2	2.8	2.6	2.4	-
Globant (US\$)	219	8,651	2.4	3.1	3.9	4.4	90.0	69.9	56.7	49.8	10.5	8.3	6.7	-	10.9	10.0	8.6	-
Epam (US\$)	356	19,951	6.3	7.5	9.2	12.2	57.0	47.6	38.7	29.2	7.2	5.8	4.6	3.6	10.4	8.4	6.9	5.5
Cyient	518	774	31.1	36.1	41.8	-	16.7	14.3	12.4	-	1.2	1.1	0.9	-	2.0	1.9	1.8	-
Mphasis	1,561	3,963	65.4	76.4	86.4	-	23.9	20.4	18.1	-	2.9	2.5	2.2	-	4.7	4.2	3.8	-
eClerx	894	424	68.0	73.7	82.8	-	13.2	12.1	10.8	-	1.7	1.3	1.2	-	2.2	2.0	1.9	-
LTI	3,641	8,647	102.7	120.1	139.0	-	35.5	30.3	26.2	-	5.1	4.4	3.8	-	9.7	8.2	6.8	-
LTTS	2,389	3,408	63.5	79.8	95.0	-	37.6	29.9	25.1	-	4.5	3.9	3.3	-	7.8	6.7	5.7	-
Intellect Design	307	554	16.0	19.9	24.0	-	19.2	15.4	12.8	-	2.8	2.3	2.0	-	3.2	2.6	2.3	-
OFSS	3,182	3,721	197.9	216.2	212.8	-	16.1	14.7	15.0	-	-	-	-	-	3.9	3.7	3.9	-
Just Dial	621	522	33.1	36.3	48.0	-	18.7	17.1	12.9	-	3.3	2.4	1.9	-	3.1	2.7	2.2	-
Infoedge	4,629	8,095	24.3	34.8	43.6	-	190.4	133.1	106.3	-	46.2	37.9	32.9	-	14.9	14.0	12.9	-
Makemytrip (US\$)	27	2,807	-0.7	-0.4	0.1	-	-40.3	-64.7	209.2	-	13.9	4.9	3.6	-	3.7	4.0	4.3	-
Genpact*	42	7,905	2.1	2.3	2.5	-	19.8	18.4	16.4	-	2.3	2.2	2.0	-	4.4	3.5	3.1	-
WNS	72	3,598	2.5	3.1	3.4	4.2	29.4	23.4	21.1	17.3	3.8	3.3	2.9	-	5.5	4.7	4.1	3.2
EXLS*	86	2,915	3.5	3.8	4.2	4.6	25.0	23.0	20.6	18.9	3.0	2.8	2.6	-	4.2	3.7	3.0	-

Source: Bloomberg, Nirmal Bang Institutional Equities Research, All Prices are as of end of trade on 28 December 2020.

Exhibit 6: Deals wins by TCS, Infosys and Wipro since the pandemic broke out

Company	Deal wins	Comments
TCS	Postbank Systems	PBS is the captive IT services provider of project management, application management and infrastructure support services to Postbank and other subsidiaries of Deutsche Bank. The deal would help TCS expand in Germany. Under the deal, 1500 employees of PBS would get transferred to TCS. It is expected to deliver revenue of US\$315mn in 2021 for TCS. This deal is likely to help TCS be involved more deeply in the Digital transformation strategy of one of the largest Global banks
	Pramerica	TCS acquire the staff and select assets of Pramerica Systems Ireland Ltd, PFI's subsidiary based in Ireland. It builds on a long relationship between the two and will see over 1,500 of Pramerica's staff in Ireland transfer to TCS. As part of TCS' new Global Delivery Centre in Ireland, they will continue to provide PFI with a range of business, digital and technology services, while also expanding TCS nearshore capabilities to provide the multifunctional, digital services and solutions to other customers in Ireland, the UK, Europe and the US.
	ABB information Systems	TCS will function as ABB' managed service partner with an end-to-end responsibility in Hosting Infrastructure and Cloud Service Management. TCS will transition from ABB' incumbent . Through the transformation, TCS will optimize, simplify and improve the quality assurance of services via automation and consolidation of services housed in ABB's strategic data centers and remote sites, with a cloud-first approach. TCS Intelligent Cloud Migration Continuum (iCMC) and TCS automation software ignio is expected to be used extensively in this project
	Coop Sweden	Coop Sweden had selected TCS as a strategic partner in 2019 to drive the integration of SAP S/4HANA within its core business systems. In September 2020 the expanded partnership builds on that success, and will leverage TCS' deep domain knowledge of the retail grocery industry and its extensive expertise on SAP S/4HANA and digital technologies to power Coop's ongoing retail business transformation program. Over the next two years, TCS will transform several key business areas across the retailer's network, including finance, logistics and procurement; category management, pricing, campaigns, and store operations; and master data and analytics. TCS will redesign the business processes and help create a unified, real-time, process-centric view across Coop's retail operations that will enable overall operational excellence, improved stock visibility, optimized stock levels, richer assortment of offerings, traceability, and better availability at local stores, driving a superior customer experience.
Infosys	Daimler	The deal involves migration to a smart hybrid cloud, using Infosys Cobalt and Daimler AG will transform its IT operating model and infra landscape. Media indicates deal size to be in the wide range of US\$1bn-US\$3.2bn over its life. And a transfer of 600-1000 employees. This deal would likely help Infosys make a bigger mark in the auto vertical that has not been an area of strength - relatively.
	Roll Royce	Aerospace and defence technology major Rolls-Royce and Infosys have signed a strategic partnership for sourcing engineering and R & D services for Rolls-Royce's civil aerospace business. As part of the overall partnership, Rolls-Royce will transition a significant part of its engineering centre capabilities for civil aerospace in Bengaluru to Infosys. Rolls Royce is already a customer of Infosys and we believe that this deal will likely involve transfer of about 500 employees from Rolls Royce to Infosys
	Vanguard	Infosys will assume day-to-day operations, supporting Vanguard's defined contribution (DC) record-keeping business, including software platforms, administration and associated processes. Infosys will provide a cloud-based record- keeping platform, enabling greater insights and unprecedented personalization to help deliver better outcomes for nearly five million participants and 1,500 sponsors. Approximately 1,300 Vanguard roles will transition to Infosys. Infosys serves half of the top 20 retirement service firms in the US.
		Vanguard's current system and process are decade old and runs on the Mainframe system; Vanguard is taking a bold step to align its business with newer technologies. The deal size over the longer term would likely have a size of US\$1.5bn-US\$2bn. Infosys apparently serves 50% of the top 10 retirement services companies in the US
	Con Edison	As a part of this association, Infosys will provide end-to-end program management, business process blueprint, design, development, testing, deployment and post go-live stabilization support services to Con Edison which is a Fortune 500 US utility company
	Essential utilities	Essential is one of the largest publicly traded water, wastewater and natural gas providers in the US, serving approximately 5 million people across 10 states under the Aqua and Peoples brands. Infosys, along with SAP, will implement SAP S/4HANA and the SAP customer relationship management and billing for utilities package in an agile operating model to enable nimble and real-time decision making while transforming digital user experience and operations for Essential Utilities.
Wipro	Metro AG	Wipro's transformation program will encompass cloud, data center services, workplace and network services, along with application development and operations to provide an integrated, flexible and robust digital infrastructure to help drive METRO's transformation agenda. It is expected to be a US\$700m contract for 5 years and extensions could deliver revenue number of US\$1bn
	Marelli	Marelli is one of the world's leading global independent suppliers to the automotive sector with operational headquarters in Saitama, Japan, and Corbetta, Italy. This is the second deal win for Wipro from Marelli. Earlier this year, it signed a contract with the latter for IT services. The current one involves providing automotive engineering services. Wipro will also help improve Marelli's operational efficiency and expedite the launch of technologies on connectivity and sustainable mobility solutions
	Verifone	Wipro will develop new features, capabilities and interfaces for Verifone's Cloud Services offerings, enabling seamless and flexible transaction processing for the company. Leveraging its global engineering support team, Wipro will accelerate time-to-market for Verifone assisting it to transform its customer partnerships. This is a multi-year engagement

Source: Companies, Media, Nirmal Bang Institutional Equities Research

Exhibit 7: Our relative valuation matrix and rationale

Company	Target PE multiple	Discount to TCS	Rationale for the discount and our other company commentary
TCS	25x		TCS continues to be our sector benchmark as it has the strongest position in the industry through: (1) Breadth and depth in service lines, geographies and verticals (2) Ability to stitch together integrated offerings (3) Significant lead in automation skills (4) Strong and stable base of experienced employees with contextual knowledge (5) Strong product, platform and agile delivery capabilities and (6) Industry-best margins and return ratios.
Infosys	22.5x	10%	Lower 'legacy services' capabilities in terms of automation. Lower platform skills. Lower margins, ROIC. There seems to be a bit of a growth-margin trade off. Big positive has been the good large deal TCV traction ever since the new CEO came in.
HCLT	18.8x	25%	Weaker organic growth in the last few years, except in FY20. Significant concentration in IMS. Lower margin and much lower ROIC. Significant investment in products business where credentials need to be proved but the recent exuberance in enterprise software stocks in the US could potentially rub off on HCLT. HCLT is also likely a significant beneficiary of the build out of Digital foundation business which plays into the IMS strength of the company.
Wipro	17.5x	30%	Weak overall growth. Company specific issues have impacted growth in the last 10 years. Margins have recovered but are lower than peers. Lower ROIC is partly due to lower margins and partly due to ineffective M&A. Working capital has been admirably handled. The new CEO has indicated that he will be obsessed with growth – though not at the expense of margins. We expect Wipro to display a significant growth pick-up in FY22 and be closer to industry benchmark standards than it has ever been in the past.
Tech Mahindra	16.25x	35%	High vertical concentration in Communications (40%). Partly M&A driven growth. Margins and ROIC are poor. Has struggled to balance growth and margins. Has had fairly volatile growth and margin performance over the last many quarters. 5G could be a savior but many others are also eyeing the same opportunity. Large deal wins in FY20 have been a positive surprise. The 35% discount to the target P/E multiple of TCS, reflects TML's structural weakness because of its less diversified revenue mix, higher client concentration, slower organic growth, lower margins, lower RoIC and behind-the-curve investments in automation and digital. TML has had a challenge managing both growth and margins together in the past and we look forward to it delivering on its commentary in the coming quarters on both non-volatile revenue growth and margins.
Mindtree	20x	20%	The business model prior to L&T taking over was dependent on short-term discretionary projects. We have reduced discount to TCS from the past due to L&T parentage and the possibility of a 2-way or a 3-way merger between LTI, Mindtree and LTTS. Also, the recent focus on annuity revenues is a positive. We think the current management team with considerable experience from larger organisations like Cognizant and Accenture will have the strategies and tactics to scale up.
Persistent Systems	18.8x	25%	Has had a terrible run in FY15-FY20 where nothing much worked. The new management that was put in place in the early-mid 2019 has been taking steps to make the business more predictable and growth oriented. Technology services unit (~75-80% of revenue) has done well with ~3.5% CAGR growth for 8 quarters till 2QFY21 while the IP revenue stream has floundered. While we have reduced the discount from 30% to 25% we still think the business model is significantly weaker when compared to that to TCS and a 25% discount is appropriate despite likely faster growth in the next few years.

Source: Companies, Nirmal Bang Institutional Equities Research

Key Buy recommendations and brief commentary

HCLT – could be a dark horse: Despite HCL Tech delivering the best organic revenue growth among its Indian peers in FY20 and margins which are respectable, the market continues to give it a big discount in valuation compared to TCS. This largely stems from the dim view that it has taken on the US\$3.1bn bet HCL Tech has placed on developing an enterprise product business. We have been a bit more constructive on that part of the business vis-à-vis consensus ([A Low-cost Call Option](#)). Should it make a success of this effort, we believe the multiple expansion could be significant. Though there is no concrete data to suggest any positive turn of events, we believe that the Indian market has largely ignored the frenzy in the enterprise software space (specifically SAAS) in the US where valuations have reached dotcom equivalent levels. We think that in the coming days, if the rally in the US software stocks sustains for some more time, there could be a positive rub-off on HCL Tech. We are excited by the fact that an Indian company is probably taking a bet on the largest profit pool in the technology space. We think that at this stage, the reward vis-à-vis the risk is quite significant.

Tech Mahindra: Tech Mahindra's at its Analyst Meet 2020 which was held recently indicated: (1) a pick-up in overall revenue growth to high single digits in FY22 with enterprise side leading with a double-digit number and communication vertical growing in mid-high single digits with no material revenue from 5G. This is on the back of higher large deal pipeline and deal flow. The medium term commentary hints at an acceleration as 5G revenues kick in significantly, not just on the communication service provider (CSP) side but also on the enterprise side. Echoing the views of its peers, TML believes that the acceleration could potentially be a multi-year phenomenon (2) reiteration of EBIT margin guidance of 15% for FY22 with a focus on driving greater synergies in portfolio, reducing subcontractor charges, greater offshoring/right shoring, usage of automation, etc. These will offset rising costs from higher travel, marketing and also higher compensation (3) focus on more predictable and less volatile growth and margins due to a significant thrust on large deals with 200% increase in investment to take proactive solutions to customers. A greater focus on increasing average deal size as well as increase in annuity streams in contracts (4) a 5G opportunity that not only focuses on the CSPs but also on enterprises and also on the larger eco-system consisting of device vendors. There exists the potential to finally monetize the LCC acquisition in a material way as TML starts working to disrupt incumbent 5G equipment players both on the CSP and on the enterprise side with a focus on Open RAN and cloud native technologies. This opens up a new and exciting market with a new set of competitors and collaborators. However, this space is still evolving and could see entry of unexpected players, thereby increasing competitive intensity. However, for TML, most of these revenue streams are incremental and therefore a positive (5) a thrust on the cloud, which involves a significant focus on its IPs and accelerators and collaboration with hyperscaler and SaaS partners. There seems to be an opportunity to monetise data centers of the customers without involving TML's balance sheet. (6) A significant thrust on empowering and enabling the client partners of key accounts. The performance measurement/incentivization is being drilled down to the account level and are no longer at the SBU or the vertical level (7) focus on selling multiple offerings to various verticals whereby some of them become US\$1bn units in the next few years.

Persistent Systems: We see Persistent System's (PSL) accelerating earnings at a ~26.7% CAGR over FY20-FY23 on the back of a ~15.6% INR revenue growth and an expansion in EBIT margins by ~460bps. Until ~9 months back, PSL had been underperforming its peers due to a rather lackluster EPS growth of just ~4% over FY15-FY20 despite a ~13.5% INR revenue CAGR as its EBIT margin compressed by 650bps (entirely gross margin driven due to higher onsite mix, likely lower margins in IP, Alliances and offshore services businesses). This turnaround in our view can be partly attributed to Sandeep Kalra, the new CEO, who was heading its Technology Services business (~80% of revenues), which has delivered a robust ~3.5% CAGR since his arrival in May 2019. Much of the new vigour has been driven by a new large deals strategy which has improved predictability of revenues. Plus, we see margins improving on higher offshoring, better margins in IP and Alliance businesses and some rationalization of SGA. Quite a bit of the PSL turnaround is already reflected in the steep YTDFY21 stock run-up but we are hopeful that much more upside remains as PSL executes on its goal of becoming a US\$1bn company within 4 years (an aggressive ~19% USD CAGR including inorganic elements) with a possible better margin profile. We assume only 12.7% USD revenue growth (organic) over FY20-FY23 currently. Post pandemic, the better demand environment would help PSL. While fleshing out the strategy will likely take a few months, execution on the Technology Services unit front does inspire confidence.

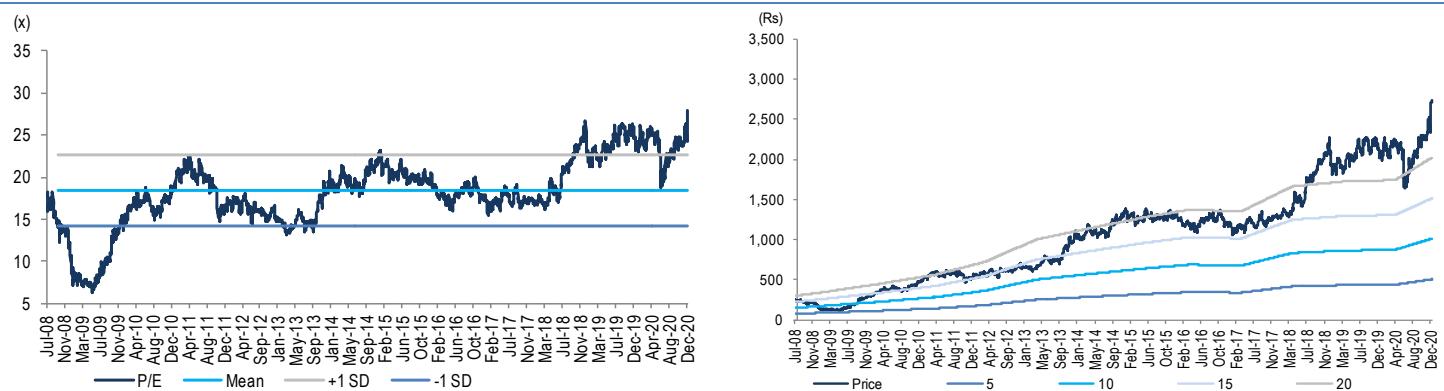
Risks to our view:

The upside risks to our stock target prices include: (1) A faster-than-economic turnaround than what we have anticipated post the Covid-19 crisis (2) higher spending on IT services, which is out of line with that compared to the past, leading to the upgrade in revenue growth (3) a higher-than-expected margin expansion (4) A higher-than-currently expected depreciation of the Indian rupee or INR. (5) A sustained flight away from financials as India growth collapses and a prolonged stressed asset cycle emerges.

Downside risks to our target prices include: (1) A longer and deeper than currently expected slowdown in the US/global economy as Covid-19 is not controlled, leading to a second/third phase of the pandemic later in 2020 or early 2021. This will lead to slower-than-expected spending by customers. (2) a sooner-than-expected cut back in monetary and fiscal stimulus in the US and Europe. (3) a sharp INR appreciation vis-à-vis the USD due to the significant capital inflows on both portfolio and FDI fronts into India. There is an ongoing macro-economic debate about the debasement of the USD due to the unprecedented and unconventional monetary and fiscal policies being followed (4) faster-than-expected return to Indian 'financials' as stressed asset provisioning is not as high as currently feared.

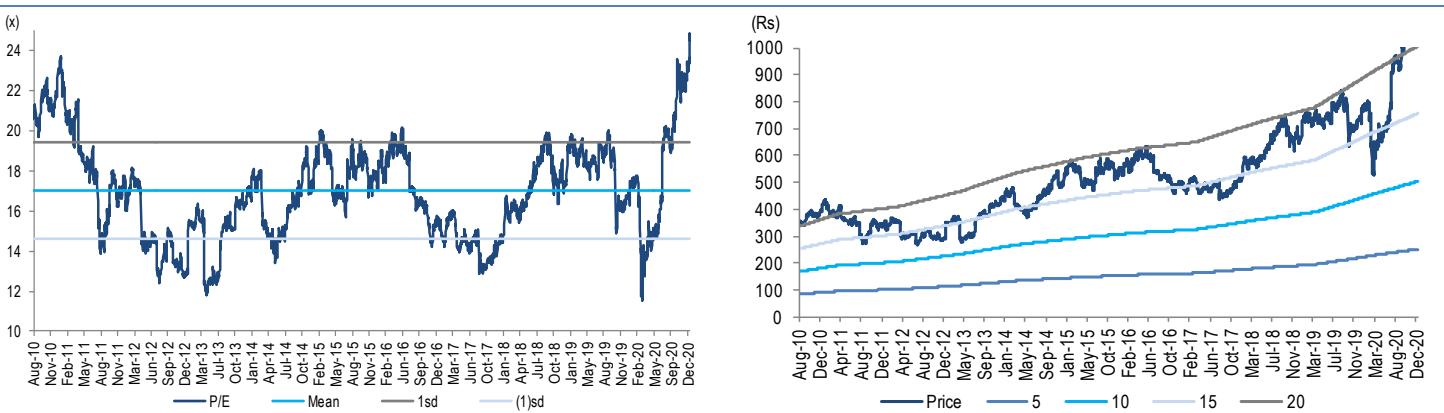
PE multiple charts

Exhibit 8: TCS 12-month forward PE Chart



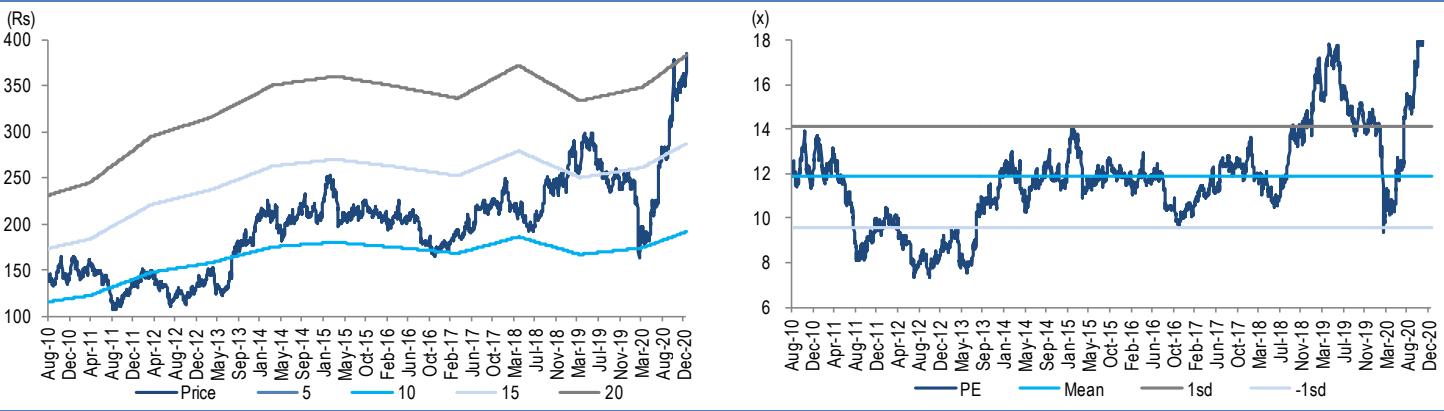
Source: Company, Bloomberg, Nirmal Bang Institutional Equities Research

Exhibit 9: Infosys 12-month forward PE Chart

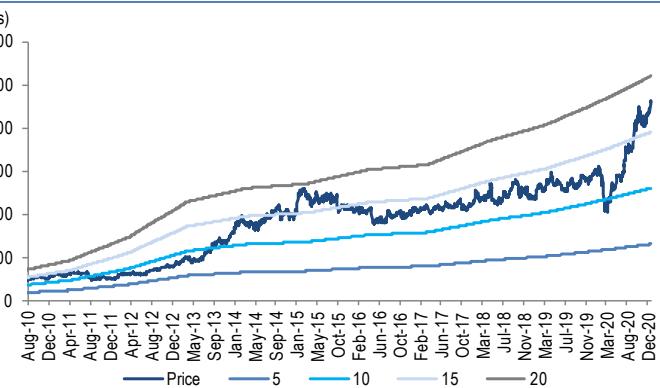


Source: Company, Bloomberg, Nirmal Bang Institutional Equities Research

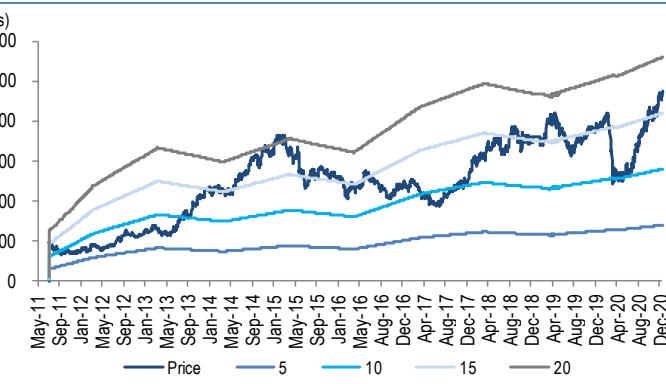
Exhibit 10: Wipro 12-month forward PE Chart



Source: Company, Bloomberg, Nirmal Bang Institutional Equities Research

Exhibit 11: HCL Technologies 12-month forward PE Chart


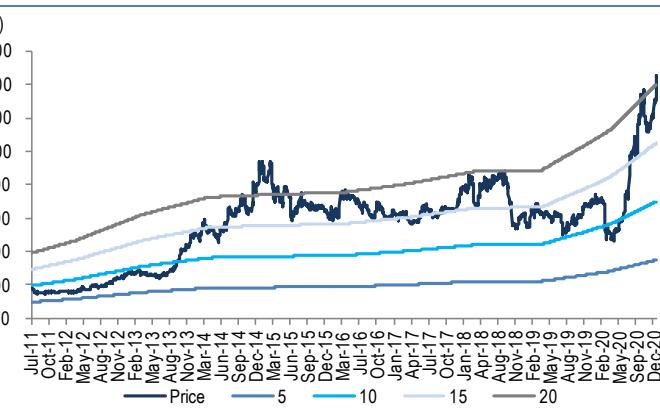
Source: Company, Bloomberg, Nirmal Bang Institutional Equities Research

Exhibit 12: Tech Mahindra 12-month forward PE Chart


Source: Company, Bloomberg, Nirmal Bang Institutional Equities Research

Exhibit 13: Mindtree 12-month forward PE Chart


Source: Company, Bloomberg, Nirmal Bang Institutional Equities Research

Exhibit 14: Persistent Systems 12-month forward PE Chart


Source: Company, Bloomberg, Nirmal Bang Institutional Equities Research

Summary financials

Exhibit 15: TCS

Y/E March (Rsbn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue (Rsbn)	1,465	1,569	1,609	1,837	2,064
YoY Growth %	19.0	7.2	2.5	14.2	12.4
EBIT (Rsbn)	375	386	405	482	547
% of sales	25.6	24.6	25.2	26.2	26.5
PAT (Rsbn)	315	323	326	392	444
YoY Growth %	21.9	2.8	0.7	20.2	13.4
FDEPS (Rs)	83.1	86.2	87.1	105.9	120.0
ROE (%)	35.0	36.6	36.5	39.8	40.6
ROCE (%)	35.7	35.1	34.8	37.9	39.3
Pre Tax ROIC (%)	61.8	55.5	53.2	58.8	62.2
P/E (x)	35.3	34.0	33.6	27.7	24.4
P/BV (x)	12.2	13.2	12.0	10.9	9.5

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 16: Infosys

Y/E March (Rsbn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue (Rsbn)	827	908	987	1130	1274
YoY Growth (%)	17.2	9.8	8.8	14.4	12.8
EBIT (Rsbn)	189	194	236	262	297
EBIT (%)	22.8	21.3	23.9	23.2	23.3
Adj. PAT(Rsbn)	157	166	195	222	250
YoY Growth (%)	6.8	5.8	17.5	13.7	12.9
FDEPS-Adjusted (Rs)	36.0	38.9	45.9	52.1	58.9
ROE (%)	24.1	25.4	27.8	28.4	29.5
ROCE (%)	32.8	33.4	36.9	37.7	39.0
Pre Tax ROIC (%)	47.5	43.0	46.1	48.0	51.3
P/E (x)	34.4	31.8	27.0	23.8	21.1
P/BV (x)	8.3	8.0	7.1	6.5	5.9

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 17: Wipro

Y/E March (Rsbn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue (Rsbn)	586	610	615	693	758
YoY Growth (%)	7.5	4.2	0.8	12.6	9.4
EBIT (Rsbn)	100	106	112	129	143
EBIT (%)	17.1	17.3	18.1	18.6	18.8
Adj. PAT (Rsbn)	90	97	99	113	128
YoY Growth (%)	12.4	8.0	2.0	13.6	14.0
FDEPS (Rs)	18.6	16.6	17.6	20.6	23.5
ROE (%)	17.0	17.2	18.0	18.9	18.1
ROCE (%)	15.0	15.4	16.7	18.1	17.3
Pre Tax ROIC (%)	30.4	32.2	32.8	39.2	44.9
P/E (x)	20.6	23.0	21.8	18.6	16.3
P/BV (x)	3.8	3.9	4.0	3.4	2.8

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 18: HCL Technologies

Y/E March (Rsmn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue (Rsmn)	604,280	706,780	747,222	866,108	975,203
YoY Growth (%)	19.5	17.0	5.7	15.9	12.6
EBIT (Rsmn)	118,210	138,530	155,265	178,361	199,934
EBIT (%)	19.6	19.6	20.8	20.6	20.5
Adj. PAT (Rsmn)	101,230	110,620	127,179	146,237	165,119
YoY Growth (%)	15.3	9.3	15.0	15.0	12.9
FDEPS (Rs)	36.8	40.8	46.9	53.9	60.8
ROE (%)	25.8	23.7	22.5	21.9	21.2
ROCE (%)	27.4	25.2	23.6	24.3	23.8
Pre Tax ROIC (%)	36.3	33.3	31.7	33.8	36.0
P/E(x)	25.1	22.6	19.7	17.1	15.2
P/BV (x)	6.1	4.8	4.1	3.5	3.0

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 19: Tech Mahindra

Y/E March (Rsmn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	347,421	368,677	375,120	413,254	472,298
YoY %	12.9	6.1	1.7	10.2	14.3
EBIT	52,076	42,803	48,981	56,229	70,952
% of sales	15.0	11.6	13.1	13.6	15.0
PAT	43,194	40,166	44,619	50,532	62,828
YoY %	13.7	(7.0)	11.1	13.3	24.3
FDEPS	48.7	45.2	50.3	56.9	70.8
ROE (%)	22.0	19.2	18.8	19.0	20.9
ROCE (%)	22.8	17.3	17.6	18.9	22.2
Pre Tax ROIC (%)	37.9	28.6	28.6	31.9	38.6
P/E(x)	19.3	20.7	18.7	16.5	13.2
P/BV (x)	4.1	3.8	3.3	2.9	2.6

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 20: Mindtree

Y/E March (Rsmn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue (Rsmn)	70,215	77,643	78,501	89,869	99,978
YoY Growth (%)	28.5	10.6	1.1	14.5	11.2
EBIT (Rsmn)	9,004	7,869	12,562	15,497	17,131
as % of sales	12.8	10.1	16.0	17.2	17.1
Adj. PAT (Rsmn)	7,541	6,309	10,023	12,126	13,559
YoY Growth (%)	32.3	-16.3	58.9	21.0	11.8
FDEPS (Rs)	45.8	38.3	60.9	73.6	82.3
RoE (%)	24.9	19.5	28.4	28.6	27.4
RoCE (%)	31.5	23.8	32.7	35.1	33.7
Pre Tax ROIC (%)	45.5	33.2	54.2	64.8	64.7
P/E(x)	35.9	43.0	27.0	22.4	20.0
P/BV (x)	8.2	8.6	7.0	5.9	5.1

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 21: Persistent Systems

Y/E March (Rsmn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue (Rsmn)	33,659	35,658	40,958	47,613	55,089
YoY Growth (%)	11.0	5.9	14.9	16.2	15.7
EBIT (Rsmn)	4,233	3,270	4,817	6,350	7,595
% of sales	12.6	9.2	11.8	13.3	13.8
Adj. PAT (Rsmn)	3,517	3,403	4,302	5,772	6,914
YoY Growth (%)	8.9	-3.2	26.4	34.1	19.8
FDEPS (Rs)	44.1	44.4	56.1	75.2	90.1
ROE (%)	15.7	14.4	17.0	20.0	20.8
ROCE (%)	18.9	13.8	19.0	22.0	22.8
Pre Tax ROIC (%)	44.2	35.1	49.2	61.2	69.7
P/E (x)	33.4	33.2	26.3	19.6	16.3
P/BV (x)	5.0	4.7	4.2	3.7	3.2

Source: Company, Nirmal Bang Institutional Equities Research

Change in our estimates

Exhibit 22: TCS

Change in estimates	New			Old			Change (%)		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
INR/USD	74.2	75.2	76.8	74.2	75.2	76.8	-	-	-
USD Revenue (USD mn)	21,702	24,423	26,887	21,603	24,276	26,496	0.5	0.6	1.5
Revenue (Rsbn)	1,609	1,837	2,064	1,601	1,826	2,034	0.5	0.6	1.5
EBIT (Rsbn)	405	482	547	406	478	544	(0.1)	0.8	0.6
EBIT Margin (%)	25.2	26.2	26.5	25.3	26.2	26.7	-	-	-
PAT (Rsbn)	326	392	444	326	389	442	(0.2)	0.6	0.4
FDEPS (Rs)	87.1	105.9	120.0	87.3	105.3	119.5	(0.2)	0.6	0.4

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 23: Infosys

Change in estimates	New			Old			Change (%)		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
INR/USD	74.2	75.2	76.8	74.2	75.2	76.8	0.0	0.0	0.0
USD Revenue (USD mn)	13,310	15,016	16,598	13,198	14,703	15,902	0.8	2.1	4.4
Revenue (Rsbn)	987	1130	1274	979	1106	1,221	0.8	2.1	4.4
EBIT (Rsbn)	236	262	297	234	258	285	1.0	1.9	4.3
EBIT Margin (%)	23.9	23.2	23.3	23.9	23.3	23.3	-	-	-
PAT Adjusted (Rsbn)	195	222	250	193	218	242	0.8	1.4	3.6
FDEPS-Adjusted (Rs)	45.9	52.1	58.9	45.5	51.4	56.9	0.8	1.4	3.6

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 24: Wipro

Change in estimates	New			Old			Change (%)		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
INR/USD	74.0	75.2	76.8	74.0	75.2	76.8	-	-	-
IT Services USD Revenue (USD mn)	8,054	8,909	9,570	8,039	8,757	9,385	0.2	1.7	2.0
Revenue (Rsbn)	615	693	758	614	681	744	0.2	1.7	1.9
EBIT (Rsbn)	112	129	143	113	128	140	(1.0)	1.2	1.6
EBIT Margin (%)	18.1	18.6	18.8	18.4	18.7	18.9	-	-	-
PAT (Rsbn)	99	113	128	101	112	127	(1.8)	0.7	1.1
FDEPS (Rs)	17.6	20.6	23.5	17.9	20.4	23.2	(1.9)	0.7	1.1

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 25: HCL Technologies

Change in estimates	New			Old			Change (%)		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
INR/USD	74.2	75.2	76.8	74.2	75.2	76.8	-	-	-
USD Revenue (USD mn)	10,075	11,514	12,704	10,027	11,209	12,340	0.5	2.7	3.0
Revenue (Rsbn)	747,222	866,108	975,203	743,703	843,171	947,230	0.5	2.7	3.0
EBIT (Rsbn)	155,265	178,361	199,934	154,577	174,380	194,796	0.4	2.3	2.6
EBIT Margin (%)	20.8	20.6	20.5	20.8	20.7	20.6	-	-	-
PAT (Rsbn)	127,179	146,237	165,119	125,808	142,903	161,870	1.1	2.3	2.0
FDEPS (Rs)	46.9	53.9	60.8	46.4	52.7	59.6	1.1	2.3	2.0

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 26: Tech Mahindra

Change in estimates	New			Old			Change (%)		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
INR/USD	74.1	75.2	76.8	74.1	75.2	76.8	-	-	-
USD Revenue (USD mn)	5,064	5,494	6,153	5,055	5,494	5,990	0.2	-	2.7
Revenue (Rs mn)	375,120	413,254	472,298	374,410	413,254	459,824	0.2	-	2.7
EBIT (Rs mn)	48,981	56,229	70,952	48,271	56,229	68,000	1.5	-	4.3
EBIT Margin (%)	13.1	13.6	15.0	12.9	13.6	14.8	-	-	-
PAT (Rs mn)	44,619	50,532	62,828	44,062	50,507	60,621	1.3	0.1	3.6
EPS (Rs)	50.3	56.9	70.8	49.6	56.9	68.3	1.3	0.1	3.6

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 27: Mindtree

Change in estimates	New			Old			Change (%)		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
INR/USD	74.0	75.2	76.8	74.0	75.2	76.8	-	-	-
USD Revenue (USD mn)	1,061	1,195	1,302	1,063	1,183	1283.7	(0.2)	1.0	1.5
Revenue (Rs mn)	78,501	89,869	99,978	78,667	88,993	98544.5	(0.2)	1.0	1.5
EBIT (Rs mn)	12,562	15,497	17,131	12,641	15,332	16864.7	(0.6)	1.1	1.6
EBIT Margin (%)	16.0	17.2	17.1	16.1	17.2	17.1	-	-	-
PAT (Rs mn)	10,023	12,126	13,559	10,083	12,032	13400.6	(0.6)	0.8	1.2
EPS (Rs)	60.9	73.6	82.3	61.2	73.1	81.4	(0.6)	0.8	1.2

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 28: Persistent Systems

Change in estimates	New			Old			Change (%)		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
INR/USD	74.0	75.2	76.8	74.0	75.2	76.8	-	-	-
USD Revenue (USD mn)	552	633	718	547	613	682	0.8	3.2	5.3
Revenue (Rs mn)	40,958	47,613	55,089	40,587	46,127	52,322	0.9	3.2	5.3
EBIT (Rs mn)	4,817	6,350	7,595	4,721	5,997	7,135	2.0	5.9	6.5
EBIT Margin (%)	11.8	13.3	13.8	11.6	13.0	13.6	-	-	-
PAT (Rs mn)	4,302	5,772	6,914	4,231	5,505	6,563	1.7	4.8	5.3
FDEPS (Rs)	56.1	75.2	90.1	55.2	71.8	85.6	1.7	4.8	5.3

Source: Company, Nirmal Bang Institutional Equities Research

NBIE vs Consensus Estimates

Exhibit 29: TCS

TCS	Consensus			NBIE			NBIE/Consensus		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Revenues (Rs bn)	1,616	1,802	2,000	1,609	1,837	2,064	100%	102%	103%
EBIT (Rs bn)	401	466	517	405	482	547	101%	103%	106%
PAT Adj (Rs bn)	322	376	421	326	392	444	101%	104%	106%
FDEPS Adj (Rs)	86.1	100.9	112.6	87.1	105.9	120.0	101%	105%	107%
EBIT Margin (%)	24.8	25.9	25.8	25.2	26.2	26.5	-	-	-

Exhibit 30: Infosys

Infosys	Consensus			NBIE			NBIE/Consensus		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Revenue (Rsbn)	988	1,104	1,227	987	1,130	1,274	100%	102%	104%
EBIT (Rsbn)	236	257	287	236	262	297	100%	102%	103%
PAT Adj (Rsbn)	188	210	235	195	222	250	103%	105%	106%
FDEPS Adj (Rs)	44.3	49.5	55.4	45.9	52.1	58.9	104%	105%	106%
EBIT Margin (%)	23.9	23.3	23.4	23.9	23.2	23.3	-	-	-

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 31: Wipro

Wipro	Consensus			NBIE			NBIE/Consensus		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Revenue (Rsbn)	616	664	710	615	693	758	100%	104%	107%
EBIT (Rsbn)	110	119	128	112	129	143	101%	109%	111%
PAT (Rsbn)	99	105	114	99	113	128	100%	107%	112%
FDEPS (Rs)	17.6	19.1	20.7	17.6	20.6	23.5	100%	108%	113%
EBIT Margin (%)	17.9	17.9	18.1	18.1	18.6	18.8	-	-	-

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 32: HCL Technologies

HCL TECH	Consensus			NBIE			NBIE/Consensus		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Revenue (Rsbn)	750	835	921	747	866	975	100%	104%	106%
EBIT (Rsbn)	157	173	191	155	178	200	99%	103%	104%
PAT (Rsbn)	123	137	152	127	146	165	103%	107%	108%
EPS (Rs)	45.4	50.6	56.5	46.9	53.9	60.8	103%	106%	108%
EBIT Margin (%)	20.9	20.7	20.8	20.8	20.6	20.5	-	-	-

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 33: Tech Mahindra

Tech Mahindra	Consensus			NBIE			NBIE/Consensus		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Revenue (Rsbn)	378	415	455	375	413	472	99%	100%	104%
EBIT (Rsbn)	49	57	65	49	56	71	100%	98%	109%
PAT (Rsbn)	43	49	56	45	51	63	104%	103%	113%
EPS (Rs)	48.8	55.9	63.2	50.3	56.9	70.8	103%	102%	112%
EBIT Margin (%)	12.9	13.8	14.3	13.1	13.6	15.0	-	-	-

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 34: Mindtree

Mindtree	Consensus			NBIE			NBIE/Consensus		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Revenue (Rs mn)	79,043	88,427	97,741	78,501	89,869	99,978	99%	102%	102%
EBIT (Rs mn)	12,042	13,195	14,672	12,562	15,497	17,131	104%	117%	117%
PAT (Rs mn)	9,344	10,558	11,932	10,023	12,126	13,559	107%	115%	114%
EPS (Rs)	56.7	64.0	72.3	60.9	73.6	82.3	107%	115%	114%
EBIT Margin (%)	15.2	14.9	15.0	16.0	17.2	17.1	-	-	-

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 35: Persistent Systems

Persistent	Consensus			NBIE			NBIE/Consensus		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Revenue (Rs mn)	40,901	45,560	51,286	40,958	47,613	55,089	100%	105%	107%
EBIT (Rs mn)	4,712	5,527	6,532	4,817	6,350	7,595	102%	115%	116%
PAT (Rs mn)	4,098	4,867	5,829	4,302	5,772	6,914	105%	119%	119%
EPS (Rs)	53.6	64.0	75.3	56.1	75.2	90.1	105%	118%	120%
EBIT Margin (%)	11.5	12.1	12.7	11.8	13.3	13.8	-	-	-

Source: Company, Nirmal Bang Institutional Equities Research

Financials -TCS

Exhibit 36: Income statement

Y/E March (Rsbn)	FY19	FY20	FY21E	FY22E	FY23E
Average INR/USD	70.1	71.0	74.2	75.2	76.8
Net Sales (USD mn)	20,913	22,032	21,702	24,423	26,887
-Growth (%)	9.6	5.4	-1.5	12.5	10.1
Net Sales	1,465	1,569	1,609	1,837	2,064
-Growth (%)	19.0	7.2	2.5	14.2	12.4
Cost of Sales & Services	852	923	960	1,083	1,208
Gross Margin	613	646	648	754	855
% of sales	41.9	41.2	40.3	41.1	41.4
SG& A	239	260	243	272	308
% of sales	16.3	16.6	15.1	14.8	14.9
EBIT	375	386	405	482	547
EBIT Margin (%)	25.6	24.6	25.2	26.2	26.5
Other income (net)	41	37	27	31	35
PBT	416	422	432	513	582
-PBT margin (%)	28.4	26.9	26.9	27.9	28.2
Provision for tax	100	98	105	121	137
Effective tax rate (%)	24.1	23.2	24.4	23.5	23.5
Minority Interest	1	1	1	1	1
Net profit	315	323	326	392	444
-Growth (%)	21.9	2.8	0.7	20.2	13.4
-Net profit margin (%)	21.5	20.6	20.2	21.3	21.5
Average Shares outstanding- Basic	3,790	3,752	3,726	3,699	3,699

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 38: Balance sheet

Y/E March (Rsbn)	FY19	FY20	FY21E	FY22E	FY23E
Equity capital	3.8	3.8	3.8	3.8	3.8
Reserves & surplus	916	844	933	1,029	1,151
Net worth	920	847	937	1,033	1,155
Minority Interest	-	-	-	-	-
Other liabilities	29	22	21	24	27
Total loans	1	-	-	-	-
Lease Liabilities	-	82	79	79	79
Total liabilities	950	951	1,037	1,136	1,261
Goodwill	40	20	21	21	21
Net block (incl. CWIP)	117	118	119	121	123
Investments	2	2	2	2	2
Deferred tax asset - net	26	28	32	36	40
Other non-current assets	59	54	48	51	54
Right of use asset	-	80	77	77	77
Other current assets	470	443	400	414	425
Debtors	330	367	369	424	470
Cash & bank balance	72	86	63	53	43
Bank deposits	54	10	177	231	320
Total current assets	926	906	1,009	1,122	1,258
Total current liabilities	221	258	271	295	314
Net current assets	706	648	738	827	944
Total assets	950	951	1,037	1,136	1,261

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 37: Cash flow

Y/E March (Rsbn)	FY19	FY20	FY21E	FY22E	FY23E
EBIT	375	386	405	482	547
(Inc.)/dec. in working capital	(50)	75	(36)	(50)	(41)
Cash flow from operations	325	461	369	432	506
Other income	41	37	27	31	35
Depreciation & amortisation	24	35	40	41	41
Financial expenses	-	-	-	-	-
Tax paid	(100)	(98)	(105)	(121)	(137)
Dividends paid	(136)	(330)	(77)	(357)	(388)
Net cash from operations	154	105	253	27	57
Capital expenditure	(18)	(19)	(10)	(15)	(15)
Net cash after capex	136	86	243	12	42
Inc./(dec.) in debt	(2)	(1)	-	-	-
(Inc.)/dec. in investments	67	30	89	-	-
Equity issue/(Share Buyback)	(160)	-	(192)	-	-
Cash from financial activities	(95)	29	(103)	-	-
Others	17	(145)	3	32	37
Opening cash	69	127	97	240	284
Closing cash	127	96	240	284	363
Change in cash	58	(30)	144	44	79

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 39: Key ratios

Y/E March	FY19	FY20	FY21E	FY22E	FY23E
Per Share (Rs)					
EPS	83.1	86.2	87.1	105.9	120.0
FDEPS	83.1	86.2	87.1	105.9	120.0
Dividend Per Share	29.9	73.0	17.1	80.0	87.0
Dividend Yield (%)	1.0	2.5	0.6	2.7	3.0
Book Value	240	221	245	270	308
Dividend Payout Ratio (incl DT)	36.0	84.7	19.6	75.6	72.5
Return ratios (%)					
RoE	35.0	36.6	36.5	39.8	40.6
RoCE	35.7	35.1	34.8	37.9	39.3
Pre Tax ROIC (%)	61.8	55.5	53.2	58.8	62.2
Turnover Ratios					
Asset Turnover Ratio	1.3	1.3	1.2	1.3	1.3
Debtor Days (incl. unbilled Rev)	82	85	84	84	83
Working Capital Cycle Days	72	49	56	58	58
Valuation ratios (x)					
PER	35.3	34.0	33.6	27.7	24.4
P/BV	12.2	13.2	12.0	10.9	9.5
EV/EBTDA	27.9	26.4	25.1	21.4	18.6
EV/Sales	7.6	7.1	6.9	6.1	5.3
M-cap/Sales	7.7	7.1	7.0	6.1	5.3

Source: Company, Nirmal Bang Institutional Equities Research

Financials - Infosys

Exhibit 40: Income statement

Y/E March (Rsbn)	FY19	FY20	FY21E	FY22E	FY23E
Average INR/USD	70.0	71.0	74.2	75.2	76.8
Net Sales (USD mn)	11,799	12,781	13,310	15,016	16,598
-Growth (%)	7.9	8.3	4.1	12.8	10.5
Net Sales	827	908	987	1,130	1,274
-Growth (%)	17.2	9.8	8.8	14.4	12.8
Direct Costs	539	607	644	731	822
Gross Margin	288	301	344	399	452
% of sales	34.8	33.1	34.8	35.3	35.5
SG&A	99	107	108	136	155
% of sales	12.0	11.8	10.9	12.1	12.2
EBIT	189	194	236	262	297
% of sales	22.8	21.3	23.9	23.2	23.3
Other income (net)	29	28	25	31	35
PBT	213	220	261	295	334
-PBT margin (%)	25.8	24.2	26.4	26.1	26.2
Provision for tax	56	54	65	74	83
Effective tax rate (%)	26.4	24.4	25.0	25.0	25.0
Net profit (adjusted)	157	166	195	222	250
-Growth (%)	6.8	5.8	17.5	13.7	12.9
-Net profit margin (%)	19.0	18.3	19.7	19.6	19.6
Shares Outstanding (Basic)	4,347	4,240	4,242	4,242	4,242

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 42: Balance sheet

Y/E March (Rsbn)	FY19	FY20	FY21E	FY22E	FY23E
Equity capital	21.7	21.2	21.2	21.2	21.2
Reserves & surplus	628	637	724	791	866
Net worth	650	658	746	812	887
Deferred tax liability	7	10	9	9	9
Other liabilities	4	11	15	15	15
Lease Liabilities	-	40	41	41	41
Total liabilities and Equity	661	719	810	877	952
Goodwill	35	53	54	54	54
Other intangible assets	7	19	18	18	18
Net block	134	137	142	147	153
Investments	113	88	114	114	114
Deferred tax asset - net	14	17	13	13	13
Other non-current assets	83	73	73	82	89
Unbilled revenue	54	71	76	89	98
Derivative financial instrument	3	1	3	3	3
Other current assets	57	56	63	74	82
Income tax assets-current	4	0	-	-	-
Debtors	148	185	197	227	250
Cash & bank balance	196	186	245	276	322
Right-of-use Assets		42	42	42	42
Total current assets	463	541	626	710	796
Total current liabilities	186	209	228	261	284
Net current assets	276	332	398	450	512
Total assets	661	719	810	877	952

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 41: Cash flow

Y/E March (Rsbn)	FY19	FY20	FY21E	FY22E	FY23E
EBIT	189	194	236	262	297
(Inc.)/dec. in working capital	18	(8)	1	(29)	(23)
Cash flow from operations	206	186	237	233	274
Other Income	29	28	25	31	35
Depreciation & Amortisation	20	29	29	29	33
Financial Expenses	0	(2)	(2)	(2)	(2)
Tax Paid	(56)	(54)	(65)	(74)	(83)
Dividends Paid	(113)	(90)	(124)	(155)	(175)
Net Cash from Operations	86	98	100	62	82
Capital Expenditure	(50)	(62)	(33)	(35)	(39)
Net Cash after Capex	36	36	66	27	42
Inc./(Dec.) in Debt	-	-	-	-	-
(Inc.)/Dec. in Investments	9	(17)	(26)	0	0
Share Issue/(Share Buyback)	0	(83)	0	0	0
Cash from Financial Activities	9	(100)	(26)	0	0
Others	(48)	54	18	4	4
Opening Cash	198	196	186	245	276
Closing Cash	196	186	245	276	323
Change in Cash	(3)	(9)	58	31	46

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 43: Key ratios

Y/E March	FY19	FY20	FY21E	FY22E	FY23E
Per Share (Rs)					
EPS-Adjusted	36.1	39.0	46.0	52.2	59.0
FDEPS-Adjusted	36.0	38.9	45.9	52.1	58.9
Dividend Per Share	21.5	17.5	29.2	36.6	41.3
Dividend Yield (%)	1.7	1.4	2.4	2.9	3.3
Book Value	150	155	176	191	209
Dividend Payout Ratio (incl DT)	71.8	53.9	63.5	70.0	70.0
Return ratios (%)					
RoE	24.1	25.4	27.8	28.4	29.5
RoCE	32.8	33.4	36.9	37.7	39.0
Pre Tax ROIC (%)	47.5	43.0	46.1	48.0	51.3
Turnover Ratios					
Asset Turnover Ratio	1.0	1.0	1.0	1.0	1.0
Debtor Days (incl. unbilled Rev)	88	102	100	101	98
Working Capital Cycle Days	35	41	41	42	42
Valuation ratios (x)					
PER	34.4	31.8	27.0	23.8	21.1
P/BV	8.3	8.0	7.1	6.5	5.9
EV/EBTDA	24.9	23.4	19.4	17.5	15.4
EV/Sales	6.3	5.7	5.2	4.5	4.0
M-cap/Sales	6.5	5.9	5.5	4.8	4.2

Source: Company, Nirmal Bang Institutional Equities Research

Financials –Wipro

Exhibit 44: Income statement

Y/E March (Rsbn)	FY19	FY20	FY21E	FY22E	FY23E
Average INR/USD	70.0	72.5	74.0	75.2	76.8
Net Sales- IT Services (USD mn)	8,190	8,256	8,054	8,909	9,570
- Growth (%)	1.6	0.8	-2.4	10.6	7.4
Net Sales - Overall	586	610	615	693	758
- Growth (%)	7.5	4.2	0.8	12.6	9.4
Cost of Sales & Services	413	436	434	493	541
% of sales	70.5	71.5	70.5	71.2	71.4
Gross profit	173	174	182	199	217
% of sales	29.5	28.5	29.5	28.8	28.6
SG& A	80	73	72	72	76
% of sales	13.7	11.9	11.7	10.3	10.0
EBIT	100	106	112	129	143
% of sales	17.1	17.3	18.1	18.6	18.8
Interest expenses	7	7	5	5	5
Other income (net)	23	24	21	20	27
PBT	115	123	127	144	164
- PBT margin (%)	19.7	20.1	20.7	20.8	21.7
Provision for tax	25	25	28	31	35
Effective tax rate (%)	21.9	20.2	21.9	21.5	21.5
Minority Interest	0.1	0.5	0.3	0.6	0.6
Net profit	90	97	99	113	128
- Growth (%)	12.4	8.0	2.0	13.6	14.0
- Net profit margin (%)	15.4	15.9	16.1	16.3	16.9
Number of Shares (Fully Diluted)	6,016	5,703	5,469	5,469	5,469

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 46: Balance sheet

Y/E March (Rsbn)	FY19	FY20	FY21E	FY22E	FY23E
Equity capital	12	11	11	11	11
Reserves & surplus	559	548	533	638	758
Net worth	571	559	544	649	769
Deferred tax liability, net	(2)	(3)	2	2	2
Other liabilities	16	21	20	20	20
Total loans	28	5	0	0	0
Lease Liability		19	17	17	17
Total liabilities	613	601	583	688	808
Goodwill	117	131	135	135	135
Other intangible assets	14	16	15	15	15
Net block	71	81	76	61	44
Investments	229	200	152	152	152
Other non-current assets	36	29	29	29	29
Unbilled receivables	23	25	25	29	31
Inventories	4	2	1	1	1
Other current assets	71	55	54	58	60
Receivables	105	111	106	121	130
Cash & bank balance	159	144	183	297	430
Right-of-use Assets		17	16	16	16
Total current assets	362	354	386	522	669
Total current liabilities	214	210	210	226	236
Net current assets	147	144	176	296	432
Total assets	613	601	583	688	808

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 45: Cash flow

Y/E March (Rsbn)	FY19	FY20	FY21E	FY22E	FY23E
EBIT	100	106	112	129	143
(Inc./dec. in working capital)	65	(11)	6	(6)	(3)
Cash flow from operations	165	95	118	123	139
Other income	23	24	21	20	27
Depreciation & amortisation	15	20	25	31	33
Financial expenses	(7)	(7)	(5)	(5)	(5)
Tax paid	(25)	(25)	(28)	(31)	(35)
Dividends paid	(5)	(5)	(4)	(8)	(9)
Net cash from operations	165	101	127	130	150
Capital expenditure	(8)	(21)	(13)	(16)	(16)
Net cash after capex	157	81	114	114	134
Inc./dec. in debt	(39)	(21)	(4)	0	0
(Inc./dec. in investments)	29	29	48	0	0
Equity issue/(buyback)	3	(105)	(116)	0	0
Cash from financial activities	(7)	(98)	(71)	0	0
Others	(37)	3	(4)	(1)	(1)
Opening cash	45	159	144	183	297
Closing cash	158	144	184	297	430
Change in cash	113	(14)	39	113	133

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 47: Key ratios

Y/E March	FY19	FY20	FY21E	FY22E	FY23E
Per Share (Rs)					
EPS	18.6	16.7	17.4	19.8	22.6
FDEPS	18.6	16.6	17.6	20.6	23.5
Dividend Per Share	0.9	1.0	0.6	1.4	1.6
Dividend Yield (%)	0.2	0.2	0.2	0.4	0.4
Book Value	100	98	96	114	135
Dividend Payout Ratio	6.0	5.6	3.5	7.0	7.0
Return ratios (%)					
RoE	17.0	17.2	18.0	18.9	18.1
RoCE	15.0	15.4	16.7	18.1	17.3
Pre Tax ROIC (%)	30.4	32.2	32.8	39.2	44.9
Turnover Ratios					
Asset Turnover Ratio	0.7	0.7	0.8	0.8	0.7
Debtor Days (incl. unbilled Rev)	80	81	78	79	77
Working Capital Cycle Days	22	28	24	24	24
Valuation ratios (x)					
PER	20.6	23.0	21.8	18.6	16.3
P/BV	3.8	3.9	4.0	3.4	2.8
EV/EBTDA	16.5	15.3	14.1	11.4	9.6
EV/Sales	3.2	3.2	3.1	2.6	2.2
M-cap/Sales	3.7	3.6	3.5	3.1	2.9

Source: Company, Nirmal Bang Institutional Equities Research

Financials – HCL Technologies

Exhibit 48: Income statement

Y/E March (Rsmn)	FY19	FY20	FY21E	FY22E	FY23E
Average INR/USD	69.9	72.2	74.2	75.2	76.8
Net Sales (USD mn)	8,633	9,936	10,075	11,514	12,704
YoY Growth (%)	10.1	15.1	1.4	14.3	10.3
INR Net Sales	604,280	706,780	747,222	866,108	975,203
YoY Growth (%)	19.5	17.0	5.7	15.9	12.6
Cost of Sales & Services	392,680	443,080	447,983	527,804	599,440
Gross Margin	211,600	263,700	299,239	338,304	375,763
% of sales	35.0	37.3	40.0	39.1	38.5
SG&A	71,910	96,770	106,890	121,967	137,030
% of sales	11.9	13.7	14.3	14.1	14.1
EBITDA	139,690	166,930	192,349	216,337	238,733
% of sales	23.1	23.6	25.7	25.0	24.5
Depreciation and Amortization	21,480	28,400	37,084	37,976	38,799
Depreciation & Amortization (as % of sales)	3.6	4.0	5.0	4.4	4.0
EBIT	118,210	138,530	155,265	178,361	199,934
% of sales	19.6	19.6	20.8	20.6	20.5
Other income (net) (incl forex gain/loss)	8,050	1,790	6,292	6,901	9,270
PBT	126,260	140,320	161,556	185,262	209,204
Provision for tax	25,030	29,460	33,923	38,585	43,645
Effective tax rate (%)	19.8	21.0	21.0	20.8	20.9
Minority Interest	0	0	0	0	0
Net profit	101,230	110,620	127,179	146,237	165,119
-Growth (%)	15.3	9.3	15.0	15.0	12.9
-Net profit margin (%)	16.8	15.7	17.0	16.9	16.9

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 50: Balance sheet

Y/E March (Rsmn)	FY19	FY20	FY21E	FY22E	FY23E
Equity capital	1,356	1,356	1,356	1,356	1,356
Minority Interest	4,540	5,280	5,150	5,150	5,150
Reserves & surplus	416,344	515,514	613,533	716,352	838,052
Net worth	422,240	516,870	614,889	717,708	839,408
Other liabilities	15,380	25,480	26,988	31,769	35,174
Total loans	39,860	50,920	21,000	1,000	0
Lease Liabilities	-	24,720	23,020	23,020	23,020
Total liabilities	477,480	623,270	691,047	778,647	902,752
Intangible assets	176,950	294,210	0	0	0
Net block	58,010	62,440	354,705	362,499	370,293
Investments	3,900	380	380	380	380
Other non-Current assets (FD,etc)	52,930	64,650	65,542	77,154	85,422
Debtors	146,100	177,720	173,495	204,230	226,118
Cash & bank balance	59,290	48,430	41,040	41,040	41,040
Other Current assets	91,780	158,090	186,739	251,704	357,448
Right of use assets		26,240	24,420	24,420	24,420
Total Current assets	297,170	410,480	425,693	521,395	649,026
Total Current liabilities	111,480	208,890	155,273	182,781	202,369
Net Current assets	185,690	201,590	270,420	338,614	446,657
Total assets	477,480	623,270	691,047	778,647	902,752

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 49: Cash flow

Y/E March (Rsmn)	FY19	FY20	FY21E	FY22E	FY23E
EBIT	118,210	138,530	155,265	178,361	199,934
(Inc.)/Dec. in Working Capital	(23,150)	50,160	(44,795)	(11,766)	(8,379)
Cash flow from Operations	95,060	188,690	110,470	166,595	191,556
Other Income	8,050	1,790	6,292	6,901	9,270
Depreciation & Amortisation	21,480	28,400	37,084	37,976	38,799
Tax Paid	(25,030)	(29,460)	(33,923)	(38,585)	(43,645)
Dividends Paid	20,310	19,551	37,991	43,419	43,419
Net Cash from Operations	119,870	208,971	157,914	216,306	239,398
Capital Expenditure	(60,536)	(150,090)	(35,139)	(45,770)	(46,593)
Net Cash after Capex	59,334	58,881	122,775	170,535	192,805
Inc./(dec.) in Debt	35,489	35,780	(31,620)	(20,000)	(1,000)
(Inc.)/Dec. in Investments	12,285	(58,880)	(34,138)	(68,039)	(107,933)
Equity Issue/(Buyback)	(40,000)	0	0	0	0
Cash from Financial Activities	10,292	29,301	27,453	23,628	23,006
Others	(27,275)	(99,042)	(157,618)	(194,163)	(215,811)
Opening Cash	16,939	59,290	48,430	41,040	41,040
Closing Cash	59,290	48,430	41,040	41,040	41,040
Change in Cash	42,351	(10,860)	(7,390)	0	0

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 51: Key ratios

Y/E March (Rsmn)	FY19	FY20	FY21E	FY22E	FY23E
Per Share (Rs)					
EPS	36.8	40.8	46.9	53.9	60.8
FDEPS	36.8	40.8	46.9	53.9	60.8
Dividend Per Share	6.1	6.0	14.0	16.0	16.0
Dividend Yield (%)	0.7	0.6	1.5	1.7	1.7
Book Value	152	190	227	264	309
Dividend Payout Ratio (excl DDT)	16.6	14.7	29.9	29.7	26.3
Return ratios (%)					
RoE	25.8	23.7	22.5	21.9	21.2
RoCE	27.4	25.2	23.6	24.3	23.8
Pre Tax ROIC (%)	36.3	33.3	31.7	33.8	36.0
Turnover Ratios					
Asset Turnover Ratio	1.0	0.8	0.9	0.9	0.9
Debtor Days (incl. unbilled Rev)	88	92	85	86	85
Working Capital Cycle Days	43	11	32	33	32
Valuation ratios (x)					
PER	25.1	22.6	19.7	17.1	15.2
P/BV	6.1	4.8	4.1	3.5	3.0
EV/EBTDA	17.4	14.5	12.3	10.6	9.2
EV/Sales	4.0	3.4	3.2	2.6	2.2
M-cap/Sales	4.1	3.5	3.3	2.9	2.6

Source: Company, Nirmal Bang Institutional Equities Research

Financials –Tech Mahindra

Exhibit 52: Income statement

Y/E March (Rsmn)	FY19	FY20	FY21E	FY22E	FY23E
Average INR/USD	69.9	71.0	74.1	75.2	76.8
Net Sales (US\$m)	4,971	5,182	5,064	5,494	6,153
-Growth (%)	4.2	4.3	-2.3	8.5	12.0
Net Sales	347,421	368,677	375,120	413,254	472,298
-Growth (%)	12.9	6.1	1.7	10.2	14.3
Cost of Sales & Services	233,590	259,743	260,397	288,731	329,053
Gross Profit	113,831	108,934	114,723	124,523	143,245
% of sales	32.8	29.5	30.6	30.1	30.3
SG& A	50,463	51,673	50,406	52,061	55,091
% of sales	14.5	14.0	13.4	12.6	11.7
EBITDA	63,368	57,261	64,316	72,462	88,154
% of sales	18.2	15.5	17.1	17.5	18.7
Depreciation	11,292	14,458	15,336	16,233	17,201
% of sales	3.3	3.9	4.1	3.9	3.6
EBIT	52,076	42,803	48,981	56,229	70,952
% of sales	15.0%	11.6%	13.1%	13.6%	15.0%
Amortisation of goodwill	-	2,175	-	-	-
Interest expenses	1,332	1,919	1,617	1,096	650
Other income (net)	5,342	11,924	11,217	12,164	13,094
Share of profit from associate	-655	-55	-	-	-
PBT	55,431	50,578	58,581	67,297	83,396
-PBT margin (%)	16.0	13.7	15.6	16.3	17.7
Provision for tax	12,544	11,604	13,545	15,565	19,368
Effective tax rate (%)	22.6	22.9	23.1	23.1	23.2
Minority Interest	88	1,356	782	1,200	1,200
Net profit	43,194	40,166	44,619	50,532	62,828
-Growth (%)	13.1	-6.2	9.7	14.2	24.3
-Net profit margin (%)	12.4	10.9	11.9	12.2	13.3

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 54: Balance sheet

Y/E March (Rsmn)	FY19	FY20	FY21E	FY22E	FY23E
Equity capital	4,437	4,359	4,362	4,362	4,362
Reserves & surplus	198,407	213,772	247,114	277,434	315,130
Net worth	202,844	218,131	251,476	281,796	319,492
Minority Interest	4,777	3,933	4,129	4,129	4,129
Other liabilities	18,441	28,104	27,418	12,304	12,304
Total loans	5,095	14,110	8,162	4,162	162
Total liabilities	231,157	264,278	291,185	302,391	336,087
Goodwill	28,163	33,877	36,899	36,899	36,899
Net block (incl. CWIP)	45,212	43,614	42,407	39,512	37,650
Investments	12,050	6,526	6,547	6,547	6,547
Right of Use Asset	-	11,730	11,108	11,108	11,108
Deferred tax asset - net	6,091	8,443	9,021	9,021	9,021
Other non-current assets	26,934	37,425	35,134	39,783	44,901
Other current assets	26,770	30,632	29,265	33,137	37,401
Debtors	69,586	75,772	73,117	82,791	93,444
Loans & Advances	29,425	37,552	35,134	39,783	44,901
Cash & bank balance	89,486	87,606	111,982	116,430	141,362
Inventory	752	358	277	277	277
Total current assets	216,019	231,920	249,774	272,418	317,384
Total current liabilities	103,312	109,257	99,705	112,897	127,423
Net current assets	112,707	122,663	150,070	159,521	189,961
Total assets	231,157	264,278	291,185	302,391	336,087

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 53: Cash flow

Y/E March (Rsmn)	FY19	FY20	FY21E	FY22E	FY23E
EBIT	52,076	42,803	48,981	56,229	70,952
(Inc.)/dec. in working capital	13,790	(11,836)	(3,031)	(5,003)	(5,509)
Cash flow from operations	65,866	30,967	45,950	51,226	65,444
Other income	5,342	11,924	11,217	12,164	13,094
Depreciation & amortisation	11,292	14,458	15,336	16,233	17,201
Financial expenses	(1,332)	(1,919)	(1,617)	(1,096)	(650)
Tax paid	(12,544)	(11,604)	(13,545)	(15,565)	(19,368)
Dividends paid	(14,900)	(15,506)	(22,809)	(20,213)	(25,131)
Net cash from operations	53,724	28,320	34,532	42,750	50,589
Capital expenditure	(5,608)	(9,521)	(10,790)	(10,000)	(12,000)
Net cash after capex	48,116	18,799	23,743	32,750	38,589
Inc./(dec.) in debt	(8,150)	18,678	(6,634)	(19,114)	(4,000)
(Inc.)/dec. in investments	(396)	(7,319)	1,692	(4,649)	(5,119)
Equity issue/(buyback)	(19,560)	(78)	3	-	-
Cash from financial activities	(28,106)	11,281	(4,939)	(2,509)	(2,509)
Others	4,584	(31,960)	5,572	(25,793)	(11,149)
Opening cash	64,892	89,486	87,606	111,982	116,430
Closing cash	89,486	87,606	111,982	116,430	141,361
Change in cash	24,594	(1,880)	24,376	4,448	24,931

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 55: Key ratios

Y/E March	FY19	FY20	FY21E	FY22E	FY23E
Per Share (Rs)					
FDEPS	48.7	45.2	50.3	56.9	70.8
Dividend Per Share	17.1	16.1	26.1	23.1	28.8
Dividend Yield (%)	1.8	1.7	2.8	2.4	3.0
Book Value	232	250	288	322	366
Dividend Payout Ratio (%: Incl DDT)	34.7	38.4	51.5	40.0	40.0
Return ratios (%)					
RoE	22.0	19.2	18.8	19.0	20.9
RoCE	22.8	17.3	17.6	18.9	22.2
Pre Tax ROIC (%)	37.9	28.6	28.6	31.9	38.6
Turnover Ratios					
Asset Turnover Ratio	1.0	1.0	1.0	1.0	1.0
Debtor Days (not including unbilled)	73	75	71	73	72
Working Capital Cycle Days	24	35	37	38	38
Valuation ratios (x)					
PER	19.3	20.7	18.7	16.5	13.2
P/BV	4.1	3.8	3.3	2.9	2.6
EV/EBITDA	11.7	13.2	11.3	9.9	7.8
EV/Sales	2.1	2.0	1.9	1.7	1.5
M-cap/Sales	2.4	2.2	2.2	2.0	1.8

Source: Company, Nirmal Bang Institutional Equities Research

Financials - Mindtree

Exhibit 56: Income statement

Y/E March (Rsmn)	FY19	FY20	FY21E	FY22E	FY23E
Average INR/USD	69.9	70.9	74.0	75.2	76.8
Net Sales (USD mn)	1,001	1,089	1,061	1,195	1,302
YoY Growth (%)	18.3	8.7	-2.6	12.6	9.0
Net Sales	70,215	77,643	78,501	89,869	99,978
YoY Growth (%)	28.5	10.6	1.1	14.5	11.2
Employee benefits expense	44,212	50,647	52,075	59,021	65,976
% of sales	63.0	65.2	66.3	65.7	66.0
Gross Margin	26003	26996	26426	30848	34002
% of sales	37.0	34.8	33.7	34.3	34.0
Other expenses	15,358	16,373	11,549	13,031	14,497
% of sales	21.9	21.1	14.7	14.5	14.5
EBITDA	10,645	10,623	14,877	17,817	19,506
% of sales	15.2	13.7	19.0	19.8	19.5
Depreciation & Amortisation	1,641	2,754	2,314	2,319	2,375
EBIT	9,004	7,869	12,562	15,497	17,131
% of sales	12.8	10.1	16.0	17.2	17.1
Interest expenses	29	529	527	528	528
Other income (net)	893	948	1,221	1,185	1,474
PBT	9,868	8,288	13,256	16,155	18,077
-PBT margin (%)	14.1	10.7	16.9	18.0	18.1
Provision for tax	2,327	1,979	3,233	4,028	4,518
Effective tax rate (%)	23.6	23.9	24.4	24.9	25.0
Net profit	7,541	6,309	10,023	12,126	13,559
-Growth (%)	32.3	-16.3	58.9	21.0	11.8
-Net profit margin (%)	10.7	8.1	12.8	13.5	13.6

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 58: Balance sheet

Y/E March (Rsmn)	FY19	FY20	FY21E	FY22E	FY23E
Equity capital	1,642	1,646	1,647	1,647	1,647
Reserves & surplus	31,423	29,926	37,347	44,137	51,539
Net worth	33,065	31,572	38,994	45,784	53,186
Other liabilities	174	54	7	7	7
Total loans	5	1,744	-	-	-
Lease Liabilities	-	4,964	4,834	4,834	4,834
Total liabilities	33,244	38,334	43,835	50,625	58,027
Net block	5,234	4,295	3,324	2,524	2,070
Goodwill	4,732	4,732	4,732	4,732	4,732
Investments	8,036	7,748	20,576	24,576	28,576
Deferred tax asset - net	388	1,835	600	600	600
Other non-current assets	2,564	2,150	2,337	2,337	2,337
Unbilled revenue	2,991	3,148	3,258	3,761	4,084
Other current assets	1,927	2,198	1,638	1,889	2,051
Debtors	13,356	14,389	14,048	17,628	19,143
Cash & bank balance	2,562	5,870	1,623	(119)	2,666
Right-of-use Assets	-	5,201	5,184	5,184	5,184
Total current assets	20,836	30,806	25,751	28,343	33,128
Total current liabilities	8,546	13,232	13,484	12,487	13,416
Net current assets	12,290	17,574	12,267	15,856	19,712
Total assets	33,244	38,334	43,835	50,625	58,027

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 57: Cash flow

Y/E March (Rsmn)	FY19	FY20	FY21E	FY22E	FY23E
EBIT	9,004	7,869	12,562	15,497	17,131
(Inc.)/dec. in working capital	(5,045)	3,225	1,043	(5,331)	(1,071)
Cash flow from operations	3,959	11,094	13,605	10,166	16,060
Other income	893	948	1,221	1,185	1,474
Depreciation & amortisation	1,641	2,754	2,314	2,319	2,375
Financial expenses	(29)	(529)	(527)	(528)	(528)
Tax paid	(2,327)	(1,979)	(3,233)	(4,028)	(4,518)
Dividends paid	(5,342)	(2,572)	(4,516)	(5,337)	(6,158)
Net cash from operations	(1,205)	9,716	8,865	3,778	8,705
Capital expenditure	1,587	147	280	800	1,200
Net cash after capex	(2,792)	9,569	8,585	2,978	7,505
Inc./dec. in debt	85	1,619	(1,791)	-	-
(Inc.)/dec. in investments	(1,108)	(745)	(11,780)	(4,000)	(4,000)
Equity issue/(buyback)	3	4	1	-	-
Cash from financial activities	(1,020)	878	(13,570)	(4,000)	(4,000)
Others	3,085	(7,139)	737	(720)	(720)
Opening cash	3,289	2,562	5,870	1,623	(119)
Closing cash	2,562	5,870	1,623	(119)	2,666
Change in cash	(727)	3,308	(4,247)	(1,742)	2,785

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 59: Key ratios

Y/E March	FY19	FY20	FY21E	FY22E	FY23E
Per Share (Rs)					
EPS	45.9	38.4	61.0	73.9	82.6
FDEPS	45.8	38.3	60.9	73.6	82.3
Dividend Per Share	27.0	13.0	27.5	32.5	37.5
Book Value	201	192	237	278	323
Dividend Payout Ratio (incl DDT)	71	41	45	44	45
Return ratios (%)					
RoE	24.9	19.5	28.4	28.6	27.4
RoCE	31.5	23.8	32.7	35.1	33.7
Pre Tax ROIC (%)	45.5	33.2	54.2	64.8	64.7
Turnover Ratios					
Asset Turnover Ratio	1.7	1.5	1.4	1.4	1.4
Debtor Days (incl. unbilled Rev)	85	82	80	87	85
Working Capital Cycle Days	37	38	28	33	41
Valuation ratios (x)					
PER	35.9	43.0	27.0	22.4	20.0
P/BV	8.2	8.6	7.0	5.9	5.1
EV/EBITDA	24.6	24.5	16.7	13.8	12.3
EV/Sales	3.7	3.3	3.2	2.7	2.4
M-cap/Sales	3.9	3.5	3.5	3.0	2.7
Dividend Yield (%)	1.6	0.8	1.7	2.0	2.3

Source: Company, Nirmal Bang Institutional Equities Research

Financials –Persistent Systems

Exhibit 60: Income statement

Y/E March (Rsmn)	FY19	FY20	FY21E	FY22E	FY23E
Average INR/USD	70.0	71.1	74.0	75.2	76.8
Net Sales (USD mn)	481	502	552	633	718
YoY Growth (%)	2.2	4.3	10.1	14.6	13.4
Net Sales	33,659	35,658	40,958	47,613	55,089
YoY Growth (%)	11.0	5.9	14.9	16.2	15.7
Cost of Sales & Services	21,378	23,494	26,879	31,179	36,588
% of sales	63.5	65.9	65.6	65.5	66.4
Gross Margin	12,281	12,164	14,078	16,434	18,501
% of sales	36.5	34.1	34.4	34.5	33.6
SG&A	6,476	7,234	7,481	8,144	8,793
% of sales	19.2	20.3	18.3	17.1	16.0
EBITDA	5,805	4,930	6,597	8,290	9,708
% of sales	17.2	13.8	16.1	17.4	17.6
Depreciation	1,573	1,660	1,780	1,940	2,113
EBIT	4,233	3,270	4,817	6,350	7,595
% of sales	12.6%	9.2%	11.8%	13.3%	13.8%
Other income (net)	631	1,254	955	1,345	1,623
PBT	4,863	4,524	5,772	7,696	9,218
-PBT margin (%)	14.4	12.7	14.1	16.2	16.7
Provision for tax	1,347	1,121	1,470	1,924	2,305
Effective tax rate (%)	27.7	24.8	25.5	25.0	25.0
Net profit	3,517	3,403	4,302	5,772	6,914
-Growth (%)	8.9	-3.2	26.4	34.1	19.8
-Net profit margin (%)	10.4	9.5	10.5	12.1	12.5

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 62: Balance sheet

Y/E March (Rsmn)	FY19	FY20	FY21E	FY22E	FY23E
Equity capital	791	764	764	764	764
Reserves & surplus	22,656	23,093	26,019	30,059	34,899
Net worth	23,447	23,858	26,784	30,824	35,663
Deferred tax liability	-	-	-	-	-
Other liabilities	253	544	988	988	988
Total loans	12	46	46	46	46
Total liabilities	23,712	24,448	27,817	31,857	36,697
Goodwill	81	89	87	87	87
Net block (incl CWIP)	4,242	4,530	4,122	3,783	3,270
Investments	7,641	9,786	10,816	14,816	18,816
Deferred tax asset	405	960	1,031	1,031	1,031
Other non-current assets	418	690	468	468	468
Other current assets	4,122	4,373	4,796	5,705	6,493
Debtors	4,923	5,922	6,564	7,808	8,887
Cash & bank balance	6,724	4,572	5,968	5,338	5,815
Total current assets	15,769	14,867	17,327	18,851	21,195
Total current liabilities	4,844	6,474	6,034	7,178	8,170
Net current assets	10,924	8,393	11,293	11,673	13,025
Total assets	23,712	24,448	27,817	31,857	36,697

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 61: Cash flow

Y/E March (Rsmn)	FY19	FY20	FY21E	FY22E	FY23E
EBIT	4,233	3,270	4,817	6,350	7,595
(Inc.)/dec. in working capital	362	741	(1,131)	(1,010)	(875)
Cash flow from operations	4,595	4,011	3,686	5,341	6,720
Other income	631	1,254	955	1,345	1,623
Depreciation & amortisation	1,573	1,660	1,780	1,940	2,113
Tax paid	(1,347)	(1,121)	(1,470)	(1,924)	(2,305)
Dividends paid	(1,059)	(920)	(1,291)	(1,731)	(2,074)
Net cash from operations	4,392	4,883	3,661	4,970	6,077
Capital expenditure	718	1,380	1,297	1,200	1,200
Net cash after capex	3,675	3,503	2,363	3,770	4,877
Inc./(dec.) in debt	(5)	34	(1)	-	-
(Inc.)/dec. in investments	1,288	(2,669)	(808)	(4,000)	(4,000)
Equity issue/(buyback)	(571)	(1,679)	-	-	-
Cash from financial activities	713	(4,314)	(809)	(4,000)	(4,000)
Others	(78)	(1,340)	(159)	(400)	(400)
Opening cash	2,414	6,724	4,572	5,968	5,338
Closing cash	6,723	4,572	5,968	5,338	5,815
Change in cash	4,309	(2,151)	1,396	(630)	477

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 63: Key ratios

Y/E March	FY19	FY20	FY21E	FY22E	FY23E
Per Share (Rs)					
EPS	44.1	44.4	56.1	75.2	90.1
FDEPS	44.1	44.4	56.1	75.2	90.1
Dividend Per Share	11.1	12.0	16.8	22.6	27.0
Book Value	296	311	349	402	465
Dividend Payout Ratio (%) (incl DDT)	30	27	30	30	30
Return ratios (%)					
RoE	15.7	14.4	17.0	20.0	20.8
RoCE	18.9	13.8	19.0	22.0	22.8
Pre Tax ROIC (%)	44.2	35.1	49.2	61.2	69.7
Turnover Ratios					
Asset Turnover Ratio	1.4	1.5	1.5	1.5	1.5
Debtor Days (incl. unbilled Rev)	53	61	58	60	59
Working Capital Cycle Days	48	39	36	39	40
Valuation ratios (x)					
PER	33.4	33.2	26.3	19.6	16.3
P/BV	5.0	4.7	4.2	3.7	3.2
EV/EBTDA	18.9	22.0	16.2	13.0	11.0
EV/Sales	3.3	3.0	2.6	2.3	1.9
M-cap/Sales	3.5	3.2	2.8	2.4	2.1
Dividend Yield	0.8%	0.8%	1.1%	1.5%	1.8%

Source: Company, Nirmal Bang Institutional Equities Research

Rating track – TCS

Date	Rating	Market price (Rs)	Target price (Rs)
13 April 2015	Sell	2,619	2,314
17 April 2015	Sell	2,574	2,325
10 July 2015	Sell	2,529	2,173
9 September 2015	Sell	2,540	2,173
5 October 2015	Sell	2,641	2,217
14 October 2015	Sell	2,599	2,248
8 January 2016	Under Review	2,398	-
13 January 2016	Under Review	2,327	-
14 March 2016	Sell	2,360	2,055
20 April 2016	Sell	2,520	2,089
15 July 2016	Sell	2,521	2,075
14 September 2016	Sell	2,359	2,041
14 October 2016	Sell	2,329	2,073
10 January 2017	Sell	2,304	1,952
13 January 2017	Sell	2,344	1,956
14 February 2017	Sell	2,414	1,983
21 February 2017	Sell	2,502	1,983
2 March 2017	Sell	2,477	1,983
19 April 2017	Sell	2,309	1,996
21 June 2017	Sell	2,443	1,923
14 July 2017	Sell	2,446	1,930
28 September 2017	Sell	2,475	1,908
13 October 2017	Sell	2,548	1,913
26 December 2017	Under Review	2,647	-
12 January 2018	Under Review	2,792	-
17 March 2018	Accumulate	2,829	3,155
20 April 2018	Accumulate	3,191	3,176
26 June 2018*	Accumulate	1,818	1,812
11 July 2018	Accumulate	1,876	1,862
05 October 2018	Accumulate	2,063	2,145
12 October 2018	Accumulate	1,980	2,120
27 December 2018	Sell	1,892	1,712
7 January 2019	Sell	1,877	1,533
11 January 2019	Sell	1,883	1,545
18 March 2019	Sell	2,040	1,607
19 March 2019	Sell	2,023	1,607
15 April 2019	Sell	2,015	1,614
10 July 2019	Sell	2,120	1,601
23 September 2019	Sell	2,020	1,615
10 October 2019	Sell	2,004	1,593
2 January 2020	Under Review	2,170	-
20 January 2020	Under Review	2,220	-
30 March 2020	Sell	1,850	1,393
17 April 2020	Sell	1,716	1,393
9 July 2020	Under Review	2,218	-
10 July 2020	Under Review	2,204	-
6 September 2020	Accumulate	2,289	2,381
28 September 2020	Accumulate	2,422	2,537
8 October 2020	Accumulate	2,736	2,809
29 December 2020	Accumulate	2,929	3,001

* Post 1:1 Bonus

Rating track - Infosys

Date	Rating	Market price (Rs)	Target price (Rs)
13 April 2015	Accumulate	2,229	2,147
27 April 2015	Sell	1,995	1,823
4 June 2015	Sell	2,032	1,823
22 July 2015**	Accumulate	1,116	1,189
7 September 2015	Accumulate	1,074	1,189
14 September 2015	Accumulate	1,091	1,189
13 October 2015	Accumulate	1,122	1,194
8 January 2016	Under Review	1,063	-
14 January 2016	Under Review	1,133	-
14 March 2016	Sell	1,141	1,002
15 April 2016	Sell	1,173	1,010
9 June 2016	Sell	1,238	1,010
18 July 2016	Sell	1,072	988
29 August 2016	Sell	1,020	970
17 October 2016	Sell	1,027	964
10 January 2017	Sell	970	920
16 January 2017	Sell	975	910
14 February 2017	Sell	985	926
15 April 2017	Sell	931	887
15 May 2017	Sell	964	887
21 June 2017	Sell	944	844
17 July 2017	Sell	972	846
21 August 2017	Sell	923	794
28 August 2017	Sell	912	836
11 September 2017	Sell	884	836
28 September 2017	Sell	906	833
25 October 2017	Sell	924	873
26 December 2017	Under Review	1,039	-
15 January 2018	Under Review	1,079	-
17 March 2018	Accumulate	1,170	1,154
14 April 2018	Accumulate	1,171	1,157
24 April 2018	Accumulate	1,188	1,157
3 July 2018	Accumulate	1,307	1,314
14 July 2018	Accumulate	1,317	1,328
5 October 2018**	Accumulate	711	752
17 October 2018	Accumulate	695	756
27 December 2018	Accumulate	644	688
7 January 2019	Sell	661	620
14 January 2019	Sell	684	603
19 March 2019	Sell	710	620
15 April 2019	Sell	748	601
27 June 2019	Sell	739	601
15 July 2019	Sell	727	596
23 September 2019	Sell	765	607
14 October 2019	Sell	815	625
22 October 2019	Sell	768	625
8 November 2019	Sell	708	625
2 January 2020	Under Review	737	-
13 January 2020	Under Review	740	-
31 March 2020	Sell	654	550
21 April 2020	Sell	653	543
9 July 2020	Under Review	775	-
16 July 2020	Under Review	834	-
6 September 2020	Accumulate	919	1,027
28 September 2020	Accumulate	1,011	1,096
15 October 2020	Accumulate	1,137	1,218
12 November 2020	Accumulate	1,123	1,218
29 December 2020	Accumulate	1,240	1,325

** Post 1:1 Bonus

Rating track – HCL Technologies

Date	Rating	Market price (Rs)	Target price (Rs)
13 April 2015	Accumulate	959	1,013
22 April 2015	Accumulate	895	1,014
4 August 2015	Accumulate	938	1,008
1 October 2015	Accumulate	982	991
5 October 2015	Accumulate	859	991
20 October 2015	Buy	859	989
8 January 2016	Under Review	828	-
20 January 2016	Under Review	841	-
14 March 2016	Sell	824	737
29 April 2016	Sell	799	719
4 August 2016	Sell	826	745
24 October 2016	Sell	832	718
10 January 2017	Sell	838	712
25 January 2017	Sell	849	718
14 February 2017	Sell	827	740
12 May 2017	Sell	839	743
21 June 2017	Sell	854	713
28 July 2017	Sell	899	764
28 September 2017	Sell	874	744
26 October 2017	Sell	903	763
26 December 2017	Under Review	887	-
22 January 2018	Under Review	958	-
17 March 2018	Accumulate	968	1,048
16 April 2018	Accumulate	991	1,048
3 May 2018	Accumulate	1,001	1,041
3 July 2018	Buy	926	1,131
30 July 2018	Buy	963	1,172
5 October 2018	Buy	1,081	1,281
24 October 2018	Buy	952	1,277
11 December 2018	Buy	942	1,329
27 December 2018	Accumulate	942	1,072
7 January 2019	Accumulate	932	958
30 January 2019	Accumulate	988	1,054
19 March 2019	Accumulate	1,012	1,076
10 May 2019	Accumulate	1,139	1,090
13 August 2019	Accumulate	1,083	1,127
23 August 2019	Accumulate	1,026	1,150
24 October 2019	Accumulate	1,102	1,153
13 November 2020	Accumulate	1,146	1,153
2 January 2020*	Under Review	572	-
20 January 2020	Under Review	601	-
31 March 2020	Accumulate	433	483
8 May 2020	Accumulate	512	535
9 July 2020	Under Review	588	-
20 July 2020	Under Review	628	-
6 September 2020	Buy	701	881
28 September 2020	Buy	828	958
18 October 2020	Buy	827	1,053
29 December 2020	Buy	922	1,141

* Post 1:1 Bonus issue

Rating track – Wipro

Date	Rating	Market price (Rs)	Target price (Rs)
13 April 2015	Sell	618	576
22 April 2015	Sell	588	546
24 July 2015	Sell	588	548
30 September 2015	Sell	587	546
23 October 2015	Sell	578	544
8 January 2016	Under Review	556	-
19 January 2016	Under Review	549	-
14 March 2016	Sell	540	498
21 April 2016	Sell	601	489
20 July 2016	Sell	549	478
24 October 2016	Sell	499	436
10 January 2017	Sell	472	410
27 January 2017	Sell	474	413
14 February 2017	Sell	474	427
26 April 2017	Sell	495	437
21 June 2017*	Sell	254	197
21 July 2017	Sell	269	235
28 September 2017	Sell	290	228
18 October 2017	Sell	290	244
26 December 2017	Under Review	302	-
22 January 2018	Under Review	329	-
17 March 2018	Accumulate	296	302
26 April 2018	Accumulate	287	303
3 July 2018	Buy	262	335
23 July 2018	Buy	282	323
5 October 2018	Buy	325	377
17 October 2018	Buy	309	364
27 December 2018	Sell	326	297
7 January 2019	Sell	324	268
21 January 2019	Sell	347	277
19 March 2019**	Sell	258	209
18 April 2019	Sell	282	219
18 July 2019	Sell	260	212
23 September 2019	Sell	239	222
15 October 2019	Sell	244	221
2 January 2020	Under review	248	-
15 January 2020	Under review	256	-
31 March 2020	Accumulate	186	186
16 April 2020	Accumulate	186	178
9 July 2020	Under Review	222	-
15 July 2020	Under Review	225	-
6 September 2020	Buy	276	326
28 September 2020	Accumulate	314	346
14 October 2020	Accumulate	376	382
19 November 2020	Accumulate	345	382
29 December 2020	Accumulate	383	411

* Post 1:1 bonus share issue, **Post 1:3 bonus share issue

Rating track – Tech Mahindra

Date	Rating	Market price (Rs)	Target price (Rs)
13 April 2015	Sell	660	593
28 May 2015	Sell	549	511
19 June 2015	Sell	541	470
28 July 2015	Sell	520	470
28 September 2015	Sell	567	474
4 November 2015	Sell	557	472
15 December 2015	Sell	543	471
8 January 2016	Under Review	522	-
2 February 2016	Under Review	497	-
14 March 2016	Sell	459	395
25 May 2016	Sell	480	409
21 June 2016	Sell	544	421
3 August 2016	Sell	499	400
28 October 2016	Sell	414	385
10 January 2017	Sell	473	368
31 January 2017	Sell	472	383
14 February 2017	Sell	500	388
7 March 2017	Sell	501	408
29 May 2017	Sell	429	403
21 June 2017	Sell	395	367
1 August 2017	Sell	385	360
28 September 2017	Sell	447	358
2 November 2017	Sell	478	387
11 December 2017	Sell	496	426
26 December 2017	Under Review	493	-
30 January 2018	Under Review	605	-
17 March 2018	Accumulate	635	608
28 May 2018	Accumulate	703	721
3 July 2018	Accumulate	655	716
31 July 2018	Accumulate	658	718
5 October 2018	Buy	696	845
31 October 2018	Accumulate	685	731
27 November 2018	Accumulate	695	731
27 December 2018	Sell	695	590
7 January 2019	Sell	681	525
6 February 2019	Sell	751	561
19 March 2019	Sell	789	587
6 June 2019	Sell	750	562
31 July 2019	Sell	641	535
9 September 2019	Sell	684	544
23 September 2019	Sell	688	563
5 November 2019	Sell	775	575
19 December 2019	Sell	787	614
2 January 2020	Under Review	762	-
3 February 2020	Under Review	807	-
31 March 2020	Accumulate	501	540
4 May 2020	Sell	546	476
9 July 2020	Under Review	577	-
28 July 2020	Under Review	665	-
6 September 2020	Accumulate	748	819
28 September 2020	Accumulate	772	868
26 October 2020	Buy	852	1,017
22 December 2020	Accumulate	907	1,017
29 December 2020	Buy	947	1,150

Rating track - Mindtree

Date	Rating	Market price (Rs)	Target price (Rs)
7 June 2017	Sell	547	424
21 June 2017	Sell	519	382
20 July 2017	Sell	506	382
22 August 2017	Sell	461	382
28 September 2017	Sell	471	396
26 October 2017	Sell	507	426
26 December 2017	Under Review	600	-
18 January 2018	Under Review	622	-
17 March 2018	Sell	812	574
26 October 2017	Sell	867	-
26 December 2017	Under Review	600	-
18 January 2018	Under Review	622	-
17 March 2018	Sell	812	574
19 April 2018	Sell	867	577
3 July 2018	Sell	986	716
19 July 2018	Sell	1,062	803
4 September 2018	Sell	1,100	803
5 October 2018	Sell	1,063	986
19 October 2018	Sell	978	778
27 December 2018	Sell	855	631
7 January 2019	Sell	815	552
17 January 2019	Sell	835	553
19 March 2019	Sell	963	554
20 March 2019	Sell	943	554
18 April 2019	Sell	972	563
18 July 2019	Sell	751	531
23 September 2019	Sell	711	567
17 October 2019	Sell	744	532
2 January 2020	Under Review	812	-
15 January 2020	Under Review	863	-
31 March 2020	Sell	830	522
27 April 2020	Sell	780	532
9 July 2020	Under Review	988	-
15 July 2020	Under Review	973	-
6 September 2020	Accumulate	1,194	1,222
28 September 2020	Accumulate	1,269	1,310
16 October 2020	Accumulate	1,425	1,544
4 December 2020	Accumulate	1,442	1,544
29 December 2020	Accumulate	1,609	1,646

Rating track– Persistent Systems

Date	Rating	Market price (Rs)	Target price (Rs)
21 September 2015	Sell	685	562
27 October 2015	Sell	669	553
7 December 2015	Sell	663	544
8 January 2016	Under Review	630	-
27 January 2016	Under Review	609	-
14 March 2016	Sell	599	522
22 March 2016	Sell	741	555
26 April 2016	Sell	719	558
22 June 2016	Sell	697	558
26 July 2016	Sell	665	562
26 October 2016	Sell	660	573
19 December 2016	Sell	613	573
10 January 2017	Sell	636	557
24 January 2017	Sell	612	548
14 February 2017	Sell	624	574
27 April 2017	Sell	568	534
21 June 2017	Sell	681	516
24 July 2017	Sell	659	526
28 September 2017	Sell	651	540
17 October 2017	Sell	663	566
4 December 2017	Sell	654	566
26 December 2017	Under Review	650	-
30 January 2018	Under Review	788	-
17 March 2018	Sell	816	698
25 April 2018	Accumulate	726	717
3 July 2018	Accumulate	811	847
31 July 2018	Accumulate	828	867
5 October 2018	Buy	718	909
23 October 2018	Accumulate	560	622
12 December 2018	Accumulate	611	622
27 December 2018	Sell	630	504
7 January 2019	Sell	577	455
29 January 2019	Sell	567	481
19 March 2019	Sell	658	489
2 May 2019	Sell	642	558
14 June 2019	Accumulate	622	604
29 July 2019	Accumulate	561	602
23 September 2019	Sell	610	525
8 November 2019	Sell	612	554
2 January 2020	Under Review	706	-
31 January 2020	Under Review	689	-
31 March 2020	Sell	544	502
7 May 2020	Accumulate	505	522
9 July 2020	Under Review	743	-
28 July 2020	Under Review	856	-
6 September 2020	Accumulate	986	1,081
28 September 2020	Accumulate	1,220	1,178
1 October 2020	Under Review	1,341	-
27 October 2020	Buy	1,184	1,377
22 December 2020	Accumulate	1,310	1,377
29 December 2020	Buy	1,690	1,577

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Stock Ratings Absolute Returns

BUY > 15%

ACCUMULATE -5% to 15%

SELL < -5%

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