

# Information Technology

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## *3QFY20E Results Preview*

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# 3QFY20E: Steady quarter, performance broad-basing ahead

Revenue growth in our coverage universe in 3Q FY20 will remain steady (+1.7/7.6% QoQ/YoY vs. 8.3% YoY in 1HFY20) in a seasonally weak quarter. Margins are also likely to be steady supported by INR, cross currency (GBP), offset by furloughs and wage increase for select companies. Within the sector, tier-1 IT will deliver +1.6/7.5% QoQ/YoY (vs. 8.3% YoY in 1HFY20) and tier-2 IT is expected to post +2.1/7.9% QoQ/YoY (vs. 8.7% YoY in 1HFY20).

Indian IT's increased investments in (1) Re-skilling, (2) Localisation/near-shore (HCLT - Canada, Lithuania; Wipro - Virginia, Melbourne), (3) Platforms and partnerships (HCLT-GCP; Wipro-Mulesoft) continue to augment its digital prowess with increasing penetration across the portfolio. Headwinds such as (1) Tighter cost controls by enterprises/clients (particularly in large BFS), and (2) Elevated onsite metrics (localisation, sub-contracting) persist. However, we expect a steady 2020 as reflected in strong deal pipelines and continuity in large deal wins (TCS-Phoenix, INFY-Telenet, Siemens, Arlanxeo, Wipro-Olympus) and stable outlook/guidance increase by Accenture.

- Within tier-1 IT, TechM is expected to lead revenue growth at 2.7% QoQ supported by telecom growth of 3.5% QoQ. TCS/INFY/Wipro/HCLT are expected to post +0.7/1.1/1.6/0.8% QoQ CC (organic), respectively. Within tier-2 IT, LTI (large accounts stability, Ins/Mfg deal full ramp) and Persistent (Alliance seasonality and TSU) are expected to lead the growth with 4.1% and 3.8% QoQ respectively, while Cyient (DLM impact) is expected to lag with -4.6% QoQ.
- Key monitorables include: (1) Commentary on client budgets and spends in CY20 (esp. key verticals of BFSI, Retail & CPG), (2) Deal wins & order book (TCS, INFY, TechM, Mphasis, Mindtree, Hexaware, Zensar, Cyient), (3) Digital performance and large accounts metrics, (4) Update to rev/margin guidance (INFY, Wipro, HCLT, LTTS, Hexaware).

- We expect IT sector's earnings performance to broaden over FY20-22E as compared to Tier-1 IT/TCS skew in FY20. Tier-2 IT growth is expected to move to a modest premium over Tier-1 beyond FY20 (1.8% premium over FY20-22E vs. parity in FY20 and ~3% premium over FY15-20E). Valuations within the sector are expected to revert (tier-2 discount to tier-1 and tier-1 discount to TCS near historical high), following the (1) Earnings broad-basing, (2) Upside risk to USD-INR (tier-2 higher sensitivity), (3) ~8/5% underperformance of NIFTY IT vs. NIFTY over 1Y/3M.
- We have rolled forward valuations to Dec-21E (Sep-21E earlier) and revised EPS est by +0.9/-0.4% for FY20/21E. Maintain our tier-1 IT pecking order of INFY, HCLT, TechM and prefer LTI, LTTS, Sonata within tier-2 IT.

## EXCHANGES & STAFFING

- Within exchanges, MCX is expected to post 9.6% drop in rev post a strong 2Q, led by fall in Bullion (high base). Margins will be under pressure (-463bps QoQ) led by non-linearity. The stock is up ~30% in the last 3M due to increase in volatility of major global commodities, surge in Bullions and Energy ADTV and regulatory tailwinds. On the contrary, BSE is struggling with its core business performance. Cash market share slipped further in the quarter, now at 6.4% (down 190bps YoY). Continued investments in INX and new initiatives is impacting margins.
- CDSL (top pick) will have a steady 3Q with 3.3% growth led by Annual Issuer Charges (+5.5% QoQ). Demat of unlisted public companies remains a big opportunity and hike in Annual Issuer Charges in CY20 will provide boost to revenue and margins.
- Within Staffing, Teamlease will post a strong quarter with 5.6% QoQ growth (+4.6% organic) led by recovery in core staffing. Margin will improve 39bps QoQ on better productivity and change in business mix (higher margin IT Staffing).

# 3QFY20E : Financial Summary

Company	NET SALES (USD mn)			NET SALES (Rs bn)			EBIT (Rs bn)			EBIT Margin (%)			APAT (Rs bn)			Adj. EPS (Rs)		
	3QFY20E	QoQ (%)	YoY (%)	3QFY20E	QoQ (%)	YoY (%)	3QFY20E	QoQ (%)	YoY (%)	3QFY20E	QoQ (bps)	YoY (bps)	3QFY20E	QoQ (%)	YoY (%)	3QFY20E	2QFY20	3QFY19
TCS	5,589	1.3	6.5	397.92	2.1	6.6	96.52	3.1	0.9	24.3	24	(136)	79.63	(1.0)	(1.7)	21.2	21.4	21.6
Infosys	3,250	1.3	8.8	231.43	2.3	8.1	50.18	2.2	3.9	21.7	(2)	(89)	39.75	(1.1)	1.2	9.3	9.4	9.2
Wipro	2,096	2.3	2.4	152.56	0.9	1.3	26.23	0.5	(5.5)	17.2	(6)	(124)	24.74	(3.1)	(1.4)	4.4	4.5	4.5
HCLT	2,522	1.5	14.6	179.56	2.4	14.4	35.21	0.7	14.1	19.6	(34)	(5)	26.63	0.4	2.0	9.8	9.8	9.6
Tech M	1,323	2.7	4.9	94.16	3.8	5.3	11.50	(0.8)	(20.1)	12.2	(57)	(387)	9.86	5.0	(18.1)	11.2	12.8	13.5
<b>Tier-1 IT</b>	<b>14,780</b>	<b>1.6</b>	<b>7.5</b>	<b>1,055.63</b>	<b>2.2</b>	<b>7.2</b>	<b>219.63</b>	<b>2.0</b>	<b>1.2</b>	<b>20.8</b>	<b>(4)</b>	<b>(123)</b>	<b>180.61</b>	<b>(1.8)</b>	<b>(1.6)</b>			
L&T Infotech	379	4.1	9.2	26.97	4.9	9.1	4.38	9.6	(7.5)	16.2	70	(291)	3.86	7.0	2.7	22.2	20.7	21.6
Mphasis	312	2.4	10.4	22.35	3.5	13.4	3.60	3.8	15.8	16.1	4	34	2.83	3.7	1.9	15.2	14.7	14.9
L&T Tech	199	0.6	7.1	14.16	1.0	7.5	2.42	1.1	10.9	17.1	3	52	1.90	(7.9)	2.1	18.2	19.8	17.8
Mindtree	276	1.8	9.7	19.65	2.6	9.9	2.15	21.3	(11.2)	11.0	168	(260)	1.59	17.5	(2.3)	9.6	8.2	9.9
Hexaware*	214	1.8	21.7	15.26	3.0	21.9	2.00	(2.7)	13.6	13.1	(77)	(95)	1.71	(6.6)	38.9	5.7	6.2	4.1
Cyient	157	(4.6)	(5.1)	11.15	(3.8)	(6.1)	1.04	(6.1)	(29.1)	9.4	(23)	(303)	1.01	2.3	9.2	9.0	8.8	8.2
Zensar	154	1.1	7.2	11.03	2.9	7.7	1.20	8.0	28.7	10.9	52	178	0.84	4.8	42.6	3.7	3.5	2.6
Tata Elxsi	56	3.0	(0.3)	4.01	4.0	(1.4)	0.80	35.1	(17.4)	20.0	460	(387)	0.62	(4.4)	(5.7)	10.0	10.5	10.6
Persistent	130	3.8	7.8	9.28	4.9	7.3	0.85	8.0	(34.6)	9.2	26	(591)	0.83	(3.2)	(9.1)	10.9	11.3	12.0
Sonata	46	1.5	12.7	9.36	33.1	10.9	0.89	9.2	(8.3)	9.5	(208)	(199)	0.75	3.3	16.7	7.2	7.0	6.2
Intellect	52	10.8	(1.6)	3.68	12.3	(1.8)	0.16	NM	(41.9)	4.4	NM	(303)	0.15	NM	13.1	1.1	(1.3)	1.0
eClerx	51	2.1	1.8	3.69	3.6	3.3	0.63	4.1	14.9	17.0	7	171	0.52	9.1	32.3	14.0	12.9	10.6
Majesco	36	5.6	1.6	2.56	7.0	0.7	0.20	47.1	(9.7)	7.8	212	(90)	0.14	3.0	(20.6)	5.1	4.9	6.4
HGS	187	1.8	7.5	13.30	3.0	7.1	1.00	7.0	62.2	7.5	28	254	0.58	4.3	58.9	27.8	26.6	17.5
Mastek	36	4.8	(1.5)	2.58	5.9	(2.6)	0.30	30.6	(4.5)	11.8	222	(24)	0.26	5.4	(2.1)	10.3	9.7	10.5
<b>Tier-2 IT</b>	<b>2,285</b>	<b>2.1</b>	<b>7.9</b>	<b>169.04</b>	<b>4.4</b>	<b>8.2</b>	<b>21.63</b>	<b>9.3</b>	<b>(1.0)</b>	<b>12.8</b>	<b>57</b>	<b>(118)</b>	<b>17.59</b>	<b>4.4</b>	<b>7.8</b>			
<b>IT Aggregate</b>	<b>17,065</b>	<b>1.7</b>	<b>7.6</b>	<b>1,224.67</b>	<b>2.5</b>	<b>7.4</b>	<b>241.26</b>	<b>2.6</b>	<b>1.0</b>	<b>19.7</b>	<b>2</b>	<b>(123)</b>	<b>198.19</b>	<b>(1.2)</b>	<b>(0.8)</b>			
TeamLease	NA	NA	NA	13.38	5.6	14.2	0.24	34.9	9.7	1.8	39	(7)	0.26	24.3	3.6	14.9	11.8	14.8
MCX	NA	NA	NA	0.91	(9.6)	17.7	0.35	(19.3)	102.7	38.3	(463)	1,609	0.52	(28.2)	22.7	10.1	14.1	8.3
BSE	NA	NA	NA	1.14	4.2	8.4	-0.10	(23.4)	(27.7)	(9.0)	324	448	0.41	(1.6)	(22.9)	8.3	8.5	10.8
CDSL	NA	NA	NA	0.54	3.3	18.8	0.23	6.5	15.6	42.1	127	(117)	0.29	(1.0)	3.2	2.8	2.8	2.7
<b>Aggregate</b>				<b>15.97</b>	<b>4.4</b>	<b>14.1</b>	<b>0.72</b>	<b>3.5</b>	<b>59.5</b>	<b>4.5</b>	<b>(4)</b>	<b>128</b>	<b>1.48</b>	<b>(9.8)</b>	<b>(0.6)</b>			

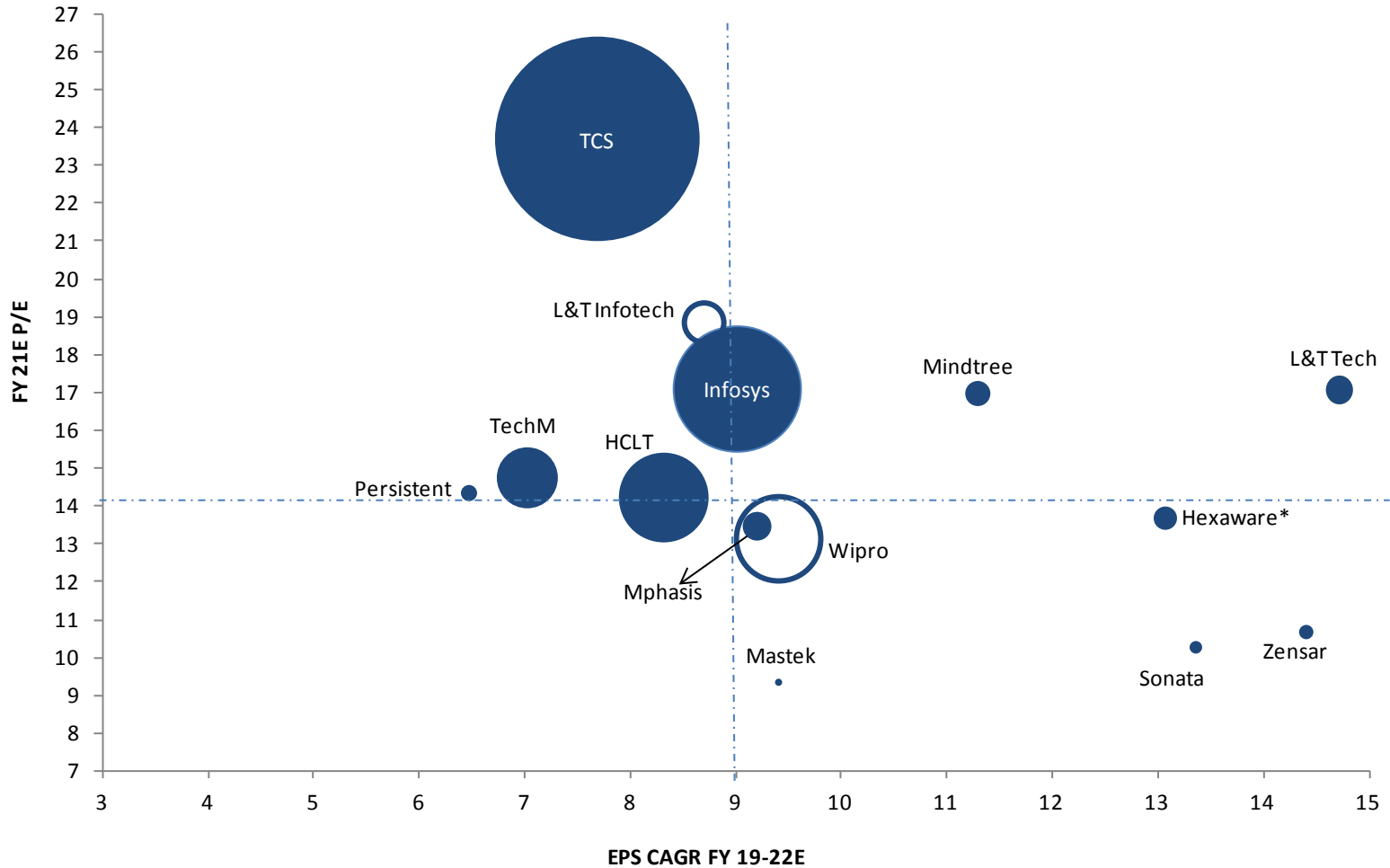
# Peer set comparison

Company	MCap (Rs bn)	CMP (Rs)	TP (Rs)	RECO	EPS (Rs)				P/E (x)				RoE (%)				\$ Rev CAGR% FY19-22	EPS CAGR% FY19-22
					FY19	FY20E	FY21E	FY22E	FY19	FY20E	FY21E	FY22E	FY19	FY20E	FY21E	FY22E		
TCS	8,257	2,200	2,030	NEU	83.9	85.7	92.9	104.7	26.2	25.7	23.7	21.0	36.1	35.4	37.1	39.9	8.2	7.7
Infosys	3,144	739	850	BUY	37.2	37.9	43.6	48.2	19.9	19.5	16.9	15.3	24.4	25.4	28.4	28.5	9.7	9.0
Wipro	1,418	252	235	NEU	16.0	17.7	18.4	19.9	15.8	14.3	13.7	12.7	17.3	17.7	17.1	15.9	4.6	7.5
HCL Tech	1,579	582	640	BUY	37.3	37.4	41.1	47.4	15.6	15.6	14.2	12.3	26.0	22.4	20.9	20.6	11.5	8.3
TechM	743	770	870	BUY	48.9	47.5	52.5	59.9	15.8	16.2	14.7	12.9	22.0	20.2	20.5	20.5	7.4	7.0
<b>Tier-1 IT Median</b>									<b>15.8</b>	<b>16.2</b>	<b>14.7</b>	<b>12.9</b>	<b>24.4</b>	<b>22.4</b>	<b>20.9</b>	<b>20.6</b>	<b>8.2</b>	<b>7.7</b>
LTI	316	1,819	1,945	BUY	87.3	85.1	96.1	112.2	20.8	21.4	18.9	16.2	34.6	27.9	27.1	27.3	11.7	8.7
Mphasis	163	875	1,165	BUY	57.6	58.3	65.5	75.0	15.2	15.0	13.4	11.7	20.0	19.7	19.9	20.2	10.2	9.2
LTTS	156	1,502	1,760	BUY	68.0	76.0	88.5	102.7	22.1	19.8	17.0	14.6	32.0	29.0	28.4	27.6	11.4	14.7
Mindtree	136	824	805	NEU	44.1	35.6	48.0	60.7	18.7	23.1	17.2	13.6	24.9	16.9	23.1	25.3	10.4	11.3
Hexaware #	100	335	450	BUY	19.6	21.6	24.5	28.3	17.1	15.5	13.6	11.8	26.5	24.7	24.1	24.0	14.7	13.1
Cyient	48	426	485	NEU	43.6	36.9	40.5	45.6	9.8	11.5	10.5	9.3	19.5	15.6	15.7	16.1	3.8	1.5
Zensar	41	182	245	BUY	14.3	14.9	17.9	21.4	12.7	12.2	10.2	8.5	17.6	16.0	16.9	17.6	11.2	14.4
Persistent	52	683	725	BUY	47.8	45.2	48.5	57.7	14.3	15.1	14.1	11.8	15.7	14.3	14.8	15.8	8.6	6.5
Tata Elxsi	51	823	720^	NR	46.6	38.3	46.6	53.2	17.7	21.5	17.7	15.5	34.5	23.6	24.8	24.1	6.4	4.5
Sonata	32	311	400	BUY	23.7	27.5	30.5	34.6	13.1	11.3	10.2	9.0	35.1	34.9	34.2	34.4	11.9	13.4
Intellect	19	146	255	BUY	7.7	2.6	7.3	11.2	19.0	56.8	19.9	12.9	11.1	3.3	8.7	12.1	10.8	13.7
eClerx	24	652	560^	NR	61.7	52.0	53.7	57.0	10.6	12.6	12.1	11.4	17.6	14.0	14.7	14.6	2.3	(2.6)
Majesco	11	384	655	BUY	18.3	19.9	30.0	36.7	20.9	19.3	12.8	10.5	8.4	7.9	11.0	12.2	9.9	26.1
HGS	13	600	745^	NR	84.6	100.3	110.9	129.5	7.1	6.0	5.4	4.6	8.5	13.1	13.3	13.7	5.7	15.2
Mastek	10	409	515	BUY	40.4	40.9	45.1	52.9	10.1	10.0	9.1	7.7	16.1	13.7	13.6	14.4	6.5	9.4
<b>Tier-2 IT AVG</b>									<b>15.3</b>	<b>18.1</b>	<b>13.5</b>	<b>11.3</b>	<b>21.5</b>	<b>18.3</b>	<b>19.4</b>	<b>20.0</b>	<b>9.0</b>	<b>10.6</b>
<b>Tier-2 IT Median</b>									<b>15.2</b>	<b>15.1</b>	<b>13.4</b>	<b>11.7</b>	<b>19.5</b>	<b>16.0</b>	<b>16.9</b>	<b>17.6</b>	<b>10.2</b>	<b>11.3</b>
TeamLease	42	2,475	3,600	BUY	57.3	55.9	74.3	95.5	43.2	44.3	33.3	25.9	20.0	16.2	18.1	19.2	18.9*	18.6
MCX	61	1,208	1,300	BUY	29.5	43.4	46.1	57.1	40.9	27.8	26.2	21.2	11.4	17.3	17.7	20.9	19.7*	24.5
BSE	22	496	590	NEU	46.1	38.7	43.7	50.7	10.8	12.8	11.4	9.8	7.1	7.1	8.1	9.5	8.4*	3.2
CDSL	25	240	315	BUY	10.9	11.0	12.1	14.0	22.1	21.7	19.9	17.1	17.0	15.8	15.8	16.6	12.4*	8.9
<b>Median</b>									<b>31.5</b>	<b>24.8</b>	<b>23.0</b>	<b>19.1</b>	<b>14.2</b>	<b>16.0</b>	<b>16.7</b>	<b>17.9</b>	<b>15.6</b>	<b>13.7</b>

# Stock Performance

Stocks/Index	1M	3M	6M	1Y	3Y CAGR	5Y CAGR
Nifty	1.7	7.5	3.7	16.7	16.5	10.1
Nifty IT	4.8	2.1	(4.0)	8.7	14.7	5.7
TCS	7.3	6.8	(1.7)	15.8	21.0	10.3
Infosys	6.8	(7.4)	(0.5)	8.7	11.6	6.6
Wipro	6.0	6.5	(16.0)	(2.6)	8.1	0.8
HCL Tech	4.1	8.7	11.4	20.2	10.4	7.1
Tech Mahindra	3.9	10.4	8.4	10.3	16.1	4.0
L&T Infotech	12.1	20.6	4.8	4.6	39.8	NA
Mphasis	4.2	(5.7)	(10.6)	(10.2)	13.4	15.0
L&T Technology	3.2	(4.8)	(12.1)	(6.5)	24.1	NA
Mindtree	13.7	13.3	(9.7)	(2.1)	16.3	4.3
Hexaware	2.8	(8.9)	(11.7)	1.9	16.4	10.3
Cyient	9.8	(6.4)	(20.1)	(31.6)	(4.6)	(3.5)
Tata Elxsi^	6.3	21.9	(9.0)	(18.6)	6.1	22.5
Zensar	3.2	(9.3)	(25.5)	(17.3)	0.5	9.8
Persistent	2.8	24.6	8.3	8.2	1.9	(6.7)
eClerx	32.9	60.6	(15.9)	(40.9)	(23.7)	(9.3)
Sonata	3.6	(0.0)	(11.4)	6.0	15.8	18.8
Intellect	(5.5)	(23.9)	(45.7)	(34.7)	9.4	16.4
Majesco	(5.0)	(11.7)	(26.2)	(21.7)	6.2	NA
HGS^	(0.5)	10.8	(3.9)	(5.0)	5.2	(0.7)
Mastek	11.1	26.5	(11.9)	(3.1)	35.7	2.5
<b>Global Peers</b>						
Accenture	5.2	12.1	9.1	53.4	20.6	17.6
Cognizant	(2.6)	0.7	(8.4)	(5.4)	(0.8)	0.9
Capgemini	7.4	6.5	0.5	40.5	11.0	13.8
<b>Exchanges &amp; Staffing</b>						
BSE	2.7	(20.9)	(27.4)	(24.8)	(26.1)	NA
CDSL	10.0	21.0	13.7	7.7	0.0	NA
Teamlease	3.6	(17.4)	(19.2)	(13.8)	41.5	NA
MCX	5.7	29.4	43.8	71.3	(0.4)	7.2

# IT sector P/E and EPS Growth



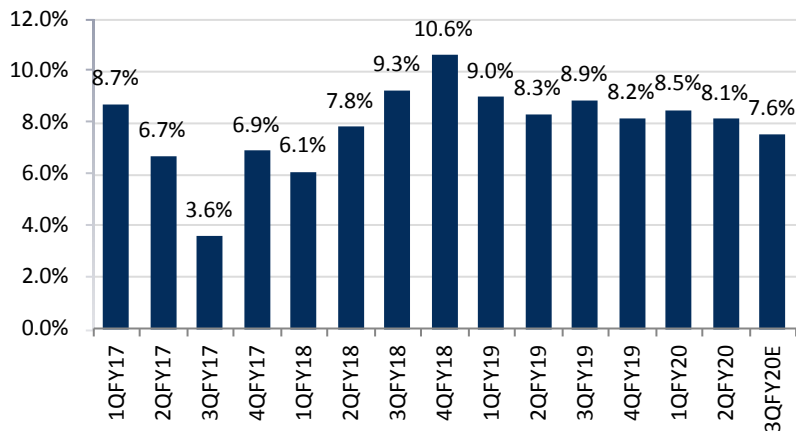
Source : Company, HDFC sec Inst Research, Size of the bubble denotes market cap, Cyient not visible in chart as EPS CAGR < 3%, Dotted lines represent sector median

# Change in EPS estimates

Company	EPS (Old)		EPS (New)		Change		Target Price (Rs)	
	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E	Earlier	New
TCS	85.5	92.9	85.7	92.9	0.2%	0.0%	1,975	2,030
INFY	38.4	44.3	37.9	43.6	-1.3%	-1.4%	840	850
Wipro	17.8	19.0	18.0	19.1	1.0%	0.5%	230	235
HCLT	37.0	41.5	37.4	41.1	0.9%	-1.0%	625	640
TechM	47.6	52.9	47.5	52.5	-0.1%	-0.8%	850	870
LTI	83.7	95.5	85.1	96.1	1.7%	0.6%	1,845	1,945
Mphasis	59.3	67.5	58.3	65.5	-1.6%	-2.9%	1,140	1,165
LTTS	74.0	88.4	76.0	88.5	2.7%	0.1%	1,705	1,760
Mindtree	36.4	47.9	35.6	48.0	-2.0%	0.3%	760	805
Hexaware *	21.4	24.5	21.6	24.5	1.2%	-0.1%	445	450
Cyient	39.3	42.1	36.9	40.5	-6.0%	-3.8%	485	485
Zensar	15.5	18.1	14.9	17.9	-3.8%	-1.1%	240	245
Persistent	44.6	48.2	45.2	48.5	1.2%	0.5%	670	725
Tata Elxsi	38.6	45.1	38.3	46.6	-0.6%	3.4%	680^	720^
Sonata	27.0	30.7	27.5	30.5	1.8%	-0.7%	405	400
Intellect	4.6	8.7	2.6	7.3	NM	-15.8%	288	255
eClerx	53.6	54.6	52.0	53.7	-3.0%	-1.6%	495^	560^
Majesco	19.6	28.8	19.9	30.0	1.2%	4.1%	677	655
HGS	85.3	101.2	100.3	110.9	17.6%	9.6%	760^	745^
Mastek	38.3	42.7	40.9	45.1	7.0%	5.5%	505	515
TeamLease	55.0	74.1	55.9	74.3	1.6%	0.2%	3,415	3,600
MCX	43.2	46.0	43.4	46.1	0.6%	0.2%	1,250	1,300
BSE	39.1	44.1	38.7	43.7	-1.0%	-1.0%	585	590
CDSL	10.8	11.6	11.0	12.1	2.3%	4.3%	285	315

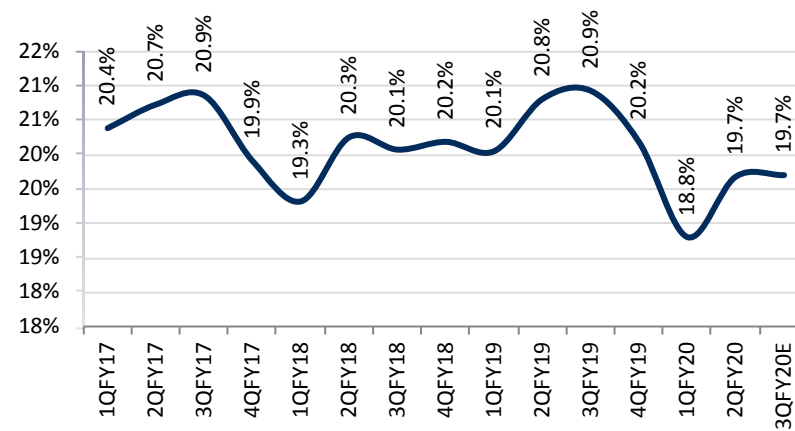
Source : Company, HDFC sec Inst Research, \*Dec Y/E, ^ Tata Elxsi, eClerx and HGS TP implies Fair Value

## IT Sector USD Revenue Growth (% YoY)



Source : Company, HDFC sec Inst Research

## IT Sector EBIT Margin Trend (%)



Source : Company, HDFC sec Inst Research

## 3QFY20 Result Calendar

Company	Result Date	Company	Result Date	Company	Result Date
TCS*	09-Jan-20	Mindtree	16-Jan-20	eClerx*	Feb 1 <sup>st</sup> week
Infosys	10-Jan-20	Hexaware*	Feb 1 <sup>st</sup> week	Majesco	Feb 2 <sup>nd</sup> week
Wipro	14-Jan-20	Cyient	16-Jan-20	HGS*	07-Feb-2020
HCLT	17-Jan-20	Zensar	23-Jan-20	Mastek	28- Jan-2020
Tech M	31-Jan-20	Tata Elxsi	13-Jan-20	TeamLease*	Feb 1 <sup>st</sup> week
L&T Infotech	15-Jan-20	Persistent	30-Jan-20	MCX	30-Jan-20
Mphasis	06-Feb-20	Sonata*	Feb 2 <sup>nd</sup> week	BSE*	Feb 1 <sup>st</sup> week
L&T Tech	17-Jan-20	Intellect*	Feb 1 <sup>st</sup> week	CDSL*	Jan last week

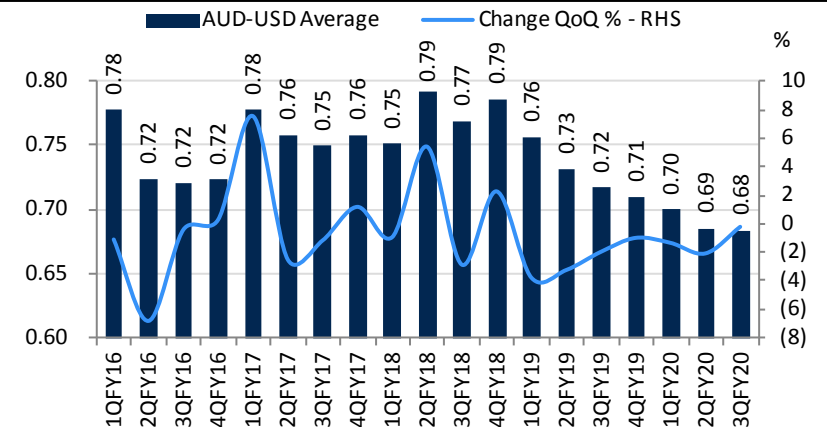
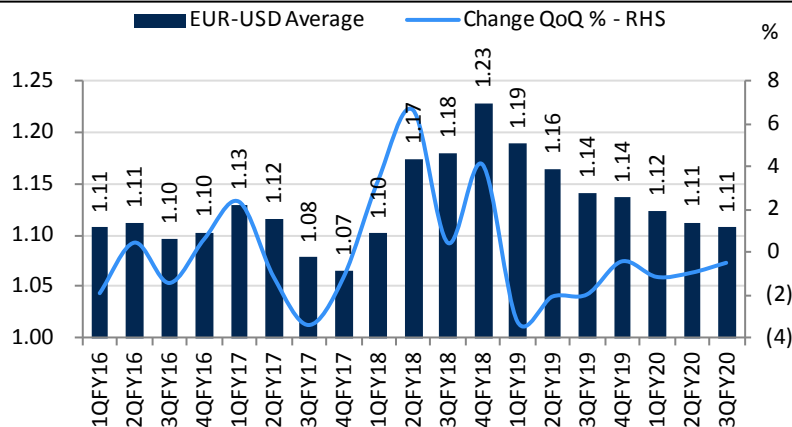
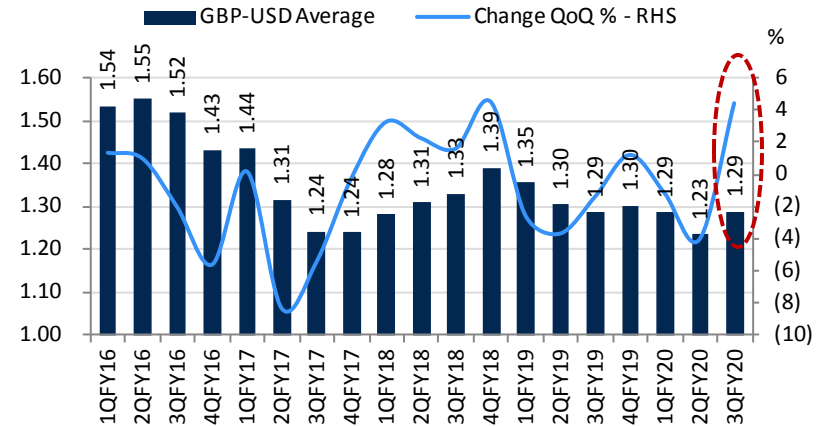
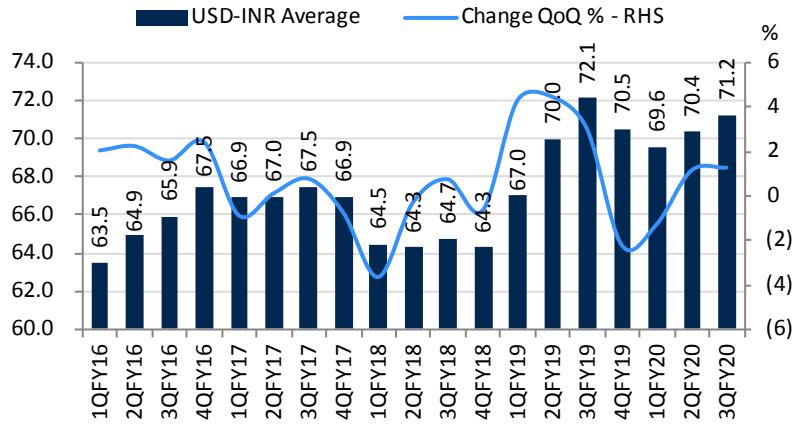
Source : Company, \* tentative



# Currency movements

*Favourable movement of USD-INR (+1.0% QoQ) to support margins.*

*Favourable cross currency impact in 3Q due to GBP-USD depreciation of 5% QoQ.*

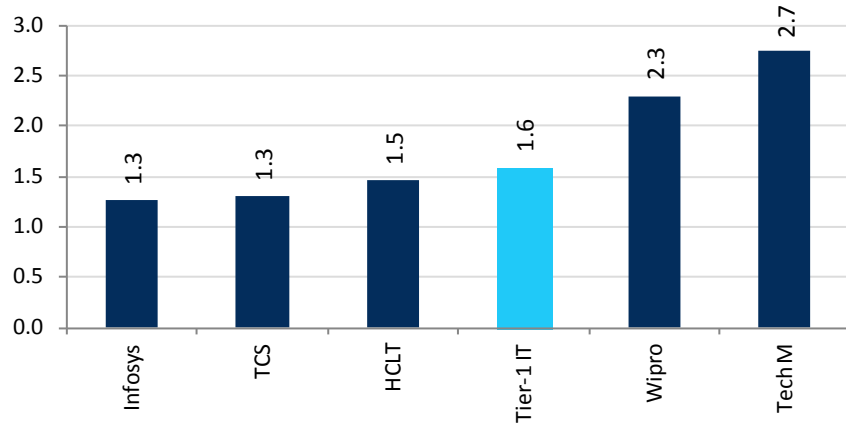


Source : NSE, Bloomberg, HDFC sec Inst Research

Source : NSE, Bloomberg, HDFC sec Inst Research

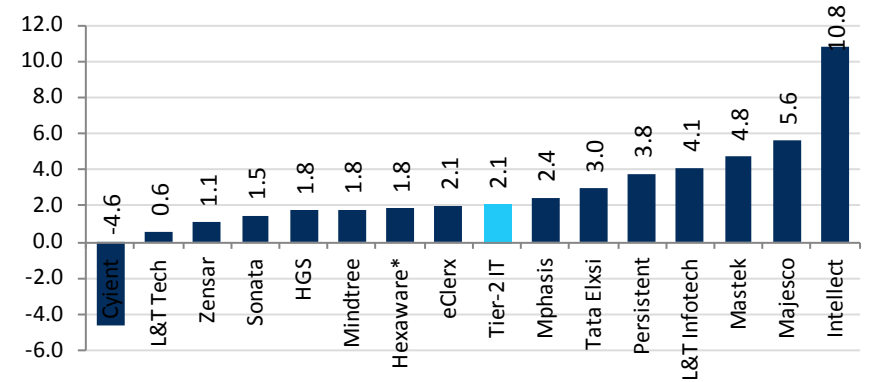
# Revenue & margin performance (3QFY20E)

### Tier-1 IT Revenue performance (QoQ %)



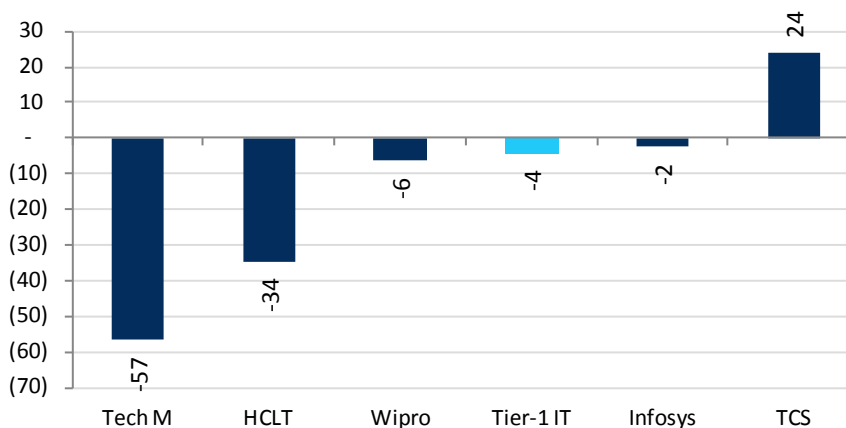
Source : HDFC sec Inst Research

### Tier-2 IT Revenue performance (QoQ %)



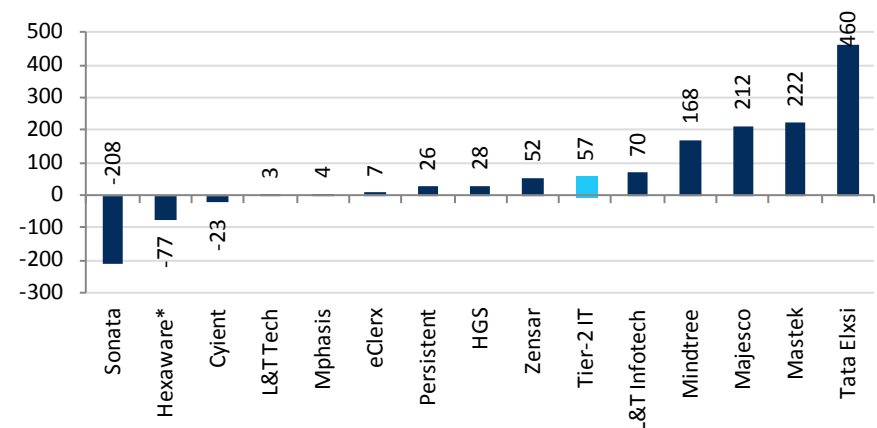
Source : HDFC sec Inst Research

### Tier-1 IT Margin performance (QoQ bps)



Source : HDFC sec Inst Research

### Tier-2 IT Margin performance (QoQ bps)



Source : HDFC sec Inst Research

## 3QFY20E : Steady quarter, performance broad-basing ahead

COMPANY	3QFY20E OUTLOOK	WHAT'S LIKELY	KEY MONITORABLES
TCS	Average	<ul style="list-style-type: none"> <li>TCS' 3Q revenue estimated at USD 5,589mn, +1.3/6.5% QoQ/YoY factoring 0.7% CC and +60bps QoQ cross currency impact. Revenue expected to be Rs 397.92bn, 2.1/6.6% QoQ/YoY.</li> <li>EBIT margin expected at 24.3%, +24bps QoQ supported by INR depreciation and cross currency. APAT estimated at Rs 79.63bn, -1.0/-1.7% QoQ/YoY.</li> <li>Factored USD rev growth at 6.5/8.8/9.4% for FY20/21/22E and EBIT margin at 24.2/24.5/25.0%.</li> </ul>	<ul style="list-style-type: none"> <li>Outlook on client budgets and spends for CY20. Outlook on a challenged US/Europe capital market/banking segment and select Retail &amp; CPG.</li> <li>Digital revenue performance (33.2% of rev) and large account metrics.</li> <li>TCV of Deal wins (USD 6.4bn in 2Q and book-to-bill of 1.16x) and BFSI TCV (USD 2.2bn in 2Q at 1.29x book-to-bill) to be supported by Phoenix mega deal.</li> <li>Outlook of Europe geo (key growth driver) and commentary on macro trends impacting client spend. Performance and outlook of key verticals – BFSI/Retail &amp; CPG.</li> <li>Supple-side commentary on onsite talent, localisation, sub-contracting and availability of offshoring lever.</li> </ul>
Infosys	Average	<ul style="list-style-type: none"> <li>INFY's 3Q revenue estimated at USD 3,250mn, 1.3/8.8% QoQ/YoY factoring 1.1% QoQ CC and +20bps QoQ from cross currency. Revenue expected to be Rs 231.43bn, 2.3/8.1% QoQ/YoY.</li> <li>EBIT% estimated at 21.7%, flat QoQ supported by INR and offset by furlough, title-holder wage increase. APAT estimated at Rs 39.75bn, -1.1/+1.2% QoQ/YoY.</li> <li>Strong cost take out program and front-ended investments will support margin stability. Factored margins and mid-point of guided band.</li> </ul>	<ul style="list-style-type: none"> <li>Large deal bookings (USD 2.85bn in 2Q) and commentary on key verticals and stress segments in BFSI and Retail &amp; CPG. Outlook on client budgets and spends for CY20.</li> <li>Expect increase in revenue guidance (9 to 10% earlier) to 9.5 to 10.5% and EBIT margin guidance of 21 to 23% to be maintained. INFY's investments to drive increase in localisation (Europe/Australia) are expected to continue following accelerated localisation in US.</li> <li>Performance of Digital and top accounts, employee attrition and sub-contracting (expected to remain elevated in near term).</li> </ul>

## 3QFY20E : Steady quarter, performance broad-basing ahead

COMPANY	3QFY20E OUTLOOK	WHAT'S LIKELY	KEY MONITORABLES
<b>Wipro</b>	<b>Good</b>	<ul style="list-style-type: none"> <li>Wipro's USD revenue is expected to increase by 2.3% QoQ (+1.9% CC, 1.6% CC organic) to USD 2,096mn led by revival in Communications and Consumer offset by weak BFSI (Capital markets). Inorganic (ITI) will add 30bps to growth. Guidance of 0.8% to +2.8% CC growth includes inorganic. Healthcare (HPS) has stabilised and Technology can revive (leadership changes).</li> <li>Consolidated EBIT margin to decline 6bps to 17.2%. IT services EBIT margin will expand 11bps QoQ to 18.2% led by INR dep. and cross currency tailwind.</li> <li>APAT is expected to decline 3.1% QoQ to Rs 24.74bn. Factored in USD rev growth of 2.3/5.5/6.1% and IT services margin of 18.1/18.2/18.0% for FY20/21/22E.</li> </ul>	<ul style="list-style-type: none"> <li>4QFY20E guidance is expected to be in the range of 1-2.5% in CC (seasonally strong quarter).</li> <li>Growth outlook for the BFSI vertical, specially when the Capital market (US) and Large banks (Europe) are slowing within BFSI.</li> <li>Sustainability of current IT services margins in a challenging environment, impact of BREXIT and cross currency benefits.</li> <li>Outlook of Communication &amp; Healthcare verticals (HPS) and client specific issues.</li> <li>Deal pipeline and TCW wins, growth in Digital business and stress in legacy portfolio.</li> </ul>
<b>HCL Technologies</b>	<b>Average</b>	<ul style="list-style-type: none"> <li>HCLT's 3Q revenue estimated at USD 2,522mn, 1.5/14.6% QoQ/YoY factoring 1% QoQ CC (0.8% organic and 0.2% from Sankalp Semiconductor) and cross currency impact of +45bps QoQ. Revenue expected at Rs 179.56bn, 2.4/14.4% QoQ/YoY.</li> <li>EBIT margin expected at 19.6%, -34bps QoQ closer to the top-end of the guided band impacted by wage increase.</li> <li>APAT estimated at Rs 26.63bn, +0.4/2.0% QoQ/YoY. Factored USD rev growth of 15.2/9.7/9.7% and EBIT% of 18.9/18.8/18.8% for FY20/21/22E.</li> </ul>	<ul style="list-style-type: none"> <li>Performance of Products &amp; platform business, customer renewals in IBM products, new product/version release and P&amp;P margins.</li> <li>Performance of Mode-2 business and margins, margin outlook/levers in Mode-2 business.</li> <li>Commentary on large deal pipeline, Infra services deals (large transformational deals have decelerated in 1HFY20 as compared to FY19). Revenue and margin performance of ER&amp;D business.</li> <li>Expect revenue guidance of 15-17% CC including 10-11% organic (highest in Tier-1 IT) and EBIT guidance of 18.5-19.5% for FY20E to be maintained.</li> </ul>

## 3QFY20E : Steady quarter, performance broad-basing ahead

COMPANY	3QFY20E OUTLOOK	WHAT'S LIKELY	KEY MONITORABLES
<b>Tech Mahindra</b>	<b>Good</b>	<ul style="list-style-type: none"> <li>TechM's USD revenue to increase by 2.7% QoQ (USD 1,323mn, +2.2% CC), owing to growth in Telecom (+3.5% QoQ). Enterprise growth (+2.2% QoQ) will moderate due to drop in HCI revenue. There was bunching up of deals in the last quarter, growth in 3Q will be led by revival in manufacturing, strong BPS and stable BFSI. AT&amp;T deal contribution will be lower than expected but transition cost will impact margins.</li> <li>EBIT margin to contract by 57bps QoQ to 12.2% despite currency benefits on account large deal transition cost.</li> <li>Net profit to increase 5.0% QoQ to Rs 9.86bn. We estimate USD revenue growth of 5.3/8.1/8.6% and EBIT% of 12.5/13.6/14.1 for FY20/21/22E.</li> </ul>	<ul style="list-style-type: none"> <li>Growth outlook for Enterprise, demand outlook for Manufacturing and BFSI verticals.</li> <li>Telecom vertical TCV, scope of work related to 5G and large deal pipeline in Telecom.</li> <li>Roadmap for the 15% EBIT margin guidance given for FY21E, which appears aggressive (our est. 13.6%).</li> <li>Growth and margin outlook for portfolio companies.</li> <li>Progress on transition of the large deal and the impact on margins 2HFY20E.</li> <li>Growth in Digital portfolio and steps taken to bring down attrition rate.</li> </ul>
<b>L&amp;T Infotech</b>	<b>Good</b>	<ul style="list-style-type: none"> <li>L&amp;T Infotech's (LTI) 3Q revenue estimated at USD 379mn, 4.1/9.2% QoQ/YoY supported by full ramp of large deals (Insurance, Mfg), recovery/stability in large accounts and inorganic (0.2% from Powerupcloud).</li> <li>Revenue is expected at Rs 26.97bn, 4.9/9.1% QoQ/YoY. EBIT margin estimated at 16.2%, +70bps QoQ supported by INR depreciation and better efficiencies. APAT estimated at Rs 3.86bn, 7.0/2.7% QoQ/YoY.</li> </ul>	<ul style="list-style-type: none"> <li>Deal wins and its ramp-up schedule and trends in deal pipeline. Commentary on sourcing strategy of large accounts following changes in leadership.</li> <li>Digital revenue performance and commentary on go-to-market strategy with Mindtree. Synergies from recent acquisitions (Powerup, Lymbyc)</li> <li>Outlook of revenue from top account and outlook of BFS vertical (high client concentration within the vertical).</li> </ul>

## 3QFY20E : Steady quarter, performance broad-basing ahead

COMPANY	3QFY20E OUTLOOK	WHAT'S LIKELY	KEY MONITORABLES
Mphasis	Average	<ul style="list-style-type: none"> <li>Mphasis' 3Q revenue estimated at USD 312mn, 2.4/10.4% QoQ/YoY led by Direct Core segment. Revenue expected at Rs 22.35bn, 3.5/13.4% QoQ/YoY.</li> <li>EBIT margin estimated to be flat at 16.1% (within the EBIT% range of 15.5-17.0%) with wage increase offsetting the INR gains. APAT estimated at Rs 2.83bn. Moderate FY20/21E EPS by 1.6/2.9% to factor lower growth in DXC portfolio.</li> </ul>	<ul style="list-style-type: none"> <li>Performance and outlook of DXC-HP business, commentary on DXC' medium term delivery strategy.</li> <li>Direct core performance &amp; outlook, progress on Blackstone channel mining (USD 70mn annual rate currently). New logo addition and growth.</li> <li>Digital Risk business performance &amp; outlook and deal TCV of Direct International. Expect Mphasis to maintain EBIT% guidance of 15.5 to 17%.</li> </ul>
L&T Tech	Bad	<ul style="list-style-type: none"> <li>L&amp;T Technology Services' (LTTS) 3Q revenue estimated at USD 199mn, 0.6/7.1% QoQ/YoY impacted by soft performance in Telecom &amp; Hi-tech vertical (semiconductor) and within Transportation sub-segments.</li> <li>Revenue is expected at Rs 14.16bn, 1.0/7.5% QoQ/YoY. EBIT margin estimated at 17.1%, flat QoQ. APAT estimated at Rs 1.90bn.</li> </ul>	<ul style="list-style-type: none"> <li>Performance and outlook of Telecom &amp; Hi-tech vertical and commentary on semiconductor sub segment and new deal wins. Expect the revenue guidance of 10% for FY20E to be maintained (cut from 14-16% at the beginning of the year).</li> <li>Performance of Medical devices and Process industry verticals (growth drivers) and deal pipeline and wins in the segments. IP monetisation strategy.</li> <li>Margin outlook and levers. Acquisition strategy in non-Telecom &amp; Hitech verticals.</li> </ul>
Mindtree	Average	<ul style="list-style-type: none"> <li>Mindtree's 3Q revenue estimated at USD 276mn, +1.8/9.7% QoQ/YoY. Revenue expected at Rs 19.65bn, 2.6/9.9% QoQ/YoY.</li> <li>EBIT margin estimated at 11.0%, +168bps QoQ supported by INR depreciation, deal ramp-up, higher utilisation and SG&amp;A efficiencies. APAT estimated at Rs 1.59bn.</li> </ul>	<ul style="list-style-type: none"> <li>Performance &amp; outlook of top account. Update on large deal strategy (partnerships, advisory, joint go-to-market) and large accounts client mining progress.</li> <li>Digital revenue (Interactive and Data science &amp; engg.) performance and TCV of digital deals. Outlook on BFSI vertical (expected to revive) which has been a laggard and low margin segment historically.</li> <li>Outlook on T10 accounts and employee attrition (including senior management). TCV of deal wins and commentary on deal pipeline.</li> </ul>

## 3QFY20E : Steady quarter, performance broad-basing ahead

COMPANY	3QFY20E OUTLOOK	WHAT'S LIKELY	KEY MONITORABLES
Hexaware Technologies	Average	<ul style="list-style-type: none"> <li>Hexaware's 4QCY19 revenue estimated at USD 214mn, 1.8/21.7% QoQ/YoY. Revenue estimated at Rs 15.26bn, 3.0/21.9% QoQ/YoY.</li> <li>EBIT margin estimated at 13.1%, -77bps QoQ impacted by partial impact of wage increase (~50bps impact), furloughs and offset by INR, business mix (lower mix of onsite heavy BFS). APAT estimated at Rs 1.71bn.</li> <li>Expect CY19 to close with revenue at bottom-end of 17-18% growth guidance and CY20 guidance at 15-17% (we've factored 15.7%).</li> </ul>	<ul style="list-style-type: none"> <li>Outlook on large BFS account (asset management &amp; secondary mortgage) which is expected to have steeper decline in 4Q vs. 3Q (-2% revenue impact in 3Q).</li> <li>TCV of NN deal bookings and commentary on renewals. Commentary on synergies from Mobiquity (Mobiquity performance), supply side factors (attrition, local crunch) and interventions (Mexico center).</li> <li>IMS and BPM revenue performance. Performance of Professional services and de-risking progress within the vertical.</li> </ul>
Cyient	Bad	<ul style="list-style-type: none"> <li>Cyient's USD rev is estimated to decline 4.6% QoQ to USD 157mn led by sharp fall in DLM (14% of rev, -37% QoQ). DLM fall is due to tail pruning exercise (non strategic clients) and lower capacity (3%). Services (86% of rev, +0.9% QoQ) is relatively stable. Within services, Comm. is expected to grow while A&amp;D and Transportation vertical will be impacted by client specific issues.</li> <li>EBIT % will decline 23bps QoQ to 9.4% led by DLM decline (lower SG&amp;A absorption) offset by currency.</li> <li>APAT to increase 2.3% QoQ to Rs 1.01bn due to tax incentives received for exports.</li> </ul>	<ul style="list-style-type: none"> <li>Growth recovery in services business which has slowed down considerably in the last three quarters.</li> <li>Outlook for A&amp;D vertical specially when Boeing, Airbus and UTC are facing challenges.</li> <li>Issues with top client in the Transportation vertical, recovery of growth and Europe demand outlook.</li> <li>Services margin outlook in the scenario of slow growth, rising on-site cost, investments in NBA program and increasing sub-contracting cost.</li> <li>Strategy for revival in growth and margin for the DLM business.</li> </ul>

# 3QFY20E : Steady quarter, performance broad-basing ahead

COMPANY	3QFY20E OUTLOOK	WHAT'S LIKELY	KEY MONITORABLES
<b>Zensar Technologies</b>	<b>Average</b>	<ul style="list-style-type: none"> <li>Zensar's USD revenue is expected to grow 1.1% QoQ (USD 154mn, CC 0.7% QoQ) led by recovery in Retail offset by weakness in core manufacturing. TCV wins should recover led by cloud infra deal wins.</li> <li>EBIT margin to expand 52bps QoQ to 10.9% led by currency tailwinds and absence of one-off costs.</li> <li>Net profit to increase by 4.8% QoQ to Rs 0.84bn.</li> </ul>	<ul style="list-style-type: none"> <li>Deal pipeline, total TCV wins and update on the execution of large deals and renewals.</li> <li>Outlook on margins considering increasing on-site business proportion and on-site cost pressure.</li> <li>Recovery in the performance of Retail and Manufacturing Verticals. Commentary on improvement in Cloud and Infra business.</li> </ul>
<b>Persistent Systems</b>	<b>Good</b>	<ul style="list-style-type: none"> <li>Persistent's 3Q revenue is estimated at USD 130mn, 3.8/7.8% QoQ/YoY factoring 3.7% growth in Technology Services Unit (Services+Digital), 7% growth in Alliance business and decline in Accelerite.</li> <li>Revenue expected at Rs 9.28bn, 4.9/7.3% QoQ/YoY. EBIT margin estimated at 9.2%, +26bps QoQ supported by INR depreciation. APAT estimated at Rs 0.83bn.</li> </ul>	<ul style="list-style-type: none"> <li>Progress on rewired strategy towards annuity deals, large deals and client mining. Progress on cross-sell initiatives, investments to drive verticalisation and progress in Salesforce ecosystem.</li> <li>Outlook on alliance business and growth strategy, opportunities from Red Hat ecosystem.</li> <li>Outlook on Accelerite portfolio and IP monetisation strategy. Overall growth and margin outlook.</li> </ul>
<b>Sonata Software</b>	<b>Good</b>	<ul style="list-style-type: none"> <li>We expect International IT services (IITS) USD revenue to grow by 1.5% QoQ to USD 46mn led by Dynamics 365 and growth in IP-led business.</li> <li>International IT services/DPS EBITDA margin is expected to be at 22.5/4.0% +54/-164bps QoQ.</li> <li>Consolidated revenue will stand at Rs 9.36bn up 33.1% QoQ due to strong DPS and stable IITS.</li> <li>DPS revenue will grow 52.4% QoQ to Rs 6.08bn and EBIDTA will increase 8.1% QoQ to Rs 0.24bn.</li> <li>Consolidated EBIT margin will be at 10.5% down 239bps QoQ led by DPS.</li> <li>Net profit is expected to be Rs 0.75bn up 3.3% QoQ.</li> </ul>	<ul style="list-style-type: none"> <li>Growth outlook for the IITS segment and investments required to strengthen the Microsoft relationship.</li> <li>Updated on the Platformation strategy and growth of IP-led business.</li> <li>Margin outlook for the IITS business considering the currency benefits and higher IP-led revenue.</li> <li>Top-client performance and mining opportunity within Top-5 clients in IITS.</li> <li>DPS growth outlook and scope to increase profitability of this segment.</li> <li>Receivables in the DPS business considering slowdown in domestic market.</li> </ul>



## 3QFY20E : Steady quarter, performance broad-basing ahead

COMPANY	3QFY20E OUTLOOK	WHAT'S LIKELY	KEY MONITORABLES
Intellect Design Arena	Good	<ul style="list-style-type: none"> <li>▪ Intellect's USD revenue is expected to grow 10.8% QoQ to USD 52mn led by growth in Transaction Banking (iGTB) and Intellect Digital Core (IDC, iGCB).</li> <li>▪ Slowdown in large deal wins in Europe (Brexit) and shift to Cloud has impacted revenue growth for FY20E. Recovery is expected in FY21E, iGTB (Europe) is expected to recover strongly while middle east will be soft.</li> <li>▪ We expect -1.6/+17.6% USD revenue growth in FY20/21E.</li> <li>▪ We expect EBITDA margin of 8.8% vs -1.5% last quarter. EBIT% will be at 4.4% QoQ. Focus is to improve margins by scaling cloud subscription revenue. Total cost will increase marginally QoQ (+0.9% QoQ) to Rs 3.36bn.</li> <li>▪ APAT of Rs 0.15bn vs loss last in the last two quarters.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Order book growth, Deal funnel size in various business segments, active deal pursuits and win rate.</li> <li>▪ Update on the large deal wins in iGTB and iGCB segments.</li> <li>▪ Delay in decision making and impact of slowdown in BFSI segment.</li> <li>▪ Gross margin outlook and venture into advanced markets.</li> <li>▪ R&amp;D capitalisation for new product development.</li> <li>▪ Cash burn rate and ability to fund R&amp;D and pre-sales efforts.</li> <li>▪ Impact of shift to cloud and revenue from GeM.</li> </ul>

# 3QFY20E : Steady quarter, performance broad-basing ahead

COMPANY	3QFY20E OUTLOOK	WHAT'S LIKELY	KEY MONITORABLES
Majesco Ltd	Good	<ul style="list-style-type: none"> <li>We expect USD revenue to increase by 5.6% QoQ to USD 36.0mn, led by recovery in Cloud (+8.8/-3.7% QoQ/YoY). Non-cloud revenue will grow by 3.9/5.4% QoQ/YoY.</li> <li>Gross margin will stand at 45.2% up 267bps QoQ, EBIT margin will expand 212bps QoQ to 7.8% led by growth and currency benefits. Increase in cloud subscription revenue will help in margin expansion.</li> <li>Net profit to stand at Rs 0.14bn up 3.0% QoQ.</li> </ul>	<ul style="list-style-type: none"> <li>Growth drivers for the cloud business (~39% of rev) and stability in the legacy business (~20% of revenue).</li> <li>Update on the progress on the phase-2 of the Metlife implementation program and go-live of phase-1.</li> <li>Order-book growth and deal pipe-line both from the IBM and the core channel.</li> <li>Steps taken to streamline the sales engine and any update on the acquisition pipeline will be helpful.</li> <li>Investments required in sales and R&amp;D and margin outlook.</li> </ul>
Mastek	Average	<ul style="list-style-type: none"> <li>Mastek's 3Q revenue estimated at GBP 28.1mn, flat QoQ and -1.8% YoY. USD revenue will grow 4.8% QoQ led by currency (GBP - USD 1.29 vs. 1.23 QoQ).</li> <li>We expect recovery in UK Govt. revenue while UK private will continue to be under pressure. US will register growth led by ramp up of deals.</li> <li>INR revenue estimated at Rs 2.58bn, +5.9%/-2.6% QoQ/YoY.</li> <li>EBIT% estimated at 11.8%, +222bps QoQ. APAT estimated at Rs 0.26bn +5.4/-2.2% QoQ/YoY.</li> </ul> <p><b><i>We cut the value of stake in Majesco to Rs 55/sh (earlier Rs 94/sh) post the transaction. The concerns around delay in decision making, currency fluctuations and slowdown in UK Private remain, but we are hopeful of improvement in sentiments post the new Govt. formation in UK and Brexit outcome.</i></b></p>	<ul style="list-style-type: none"> <li>IT spending in UK Govt post the new Govt. formation. Revival in spending of the various UK Govt departments like HMRC, possibility of a new deal win.</li> <li>Revenue growth drivers in US, investments in channel partners and deal pipeline.</li> <li>Growth outlook for CY20 and sustainable margin range post the currency benefits.</li> <li>Update on possible acquisitions post partial stake sale in Majesco US.</li> <li>Update on sale of the remaining 7% stake in Majesco US.</li> </ul>

# 3QFY20E: Exchanges

COMPANY	3QFY20E OUTLOOK	WHAT'S LIKELY	KEY MONITORABLES
<b>MCX</b>	<b>Bad</b>	<ul style="list-style-type: none"> <li>We expect revenue to decline 9.6% QoQ to Rs 0.91 bn led by 10.6% QoQ decline in ADTV to Rs 309bn.</li> <li>Bullion/Metals ADTV is down 22.7/24.7% QoQ to Rs 101.71/50.42bn while Energy ADTV is up 6.4% QoQ to Rs 153.24bn. Metals volume is impacted due to compulsory physical delivery in most of the contracts.</li> <li>EBITDA margin to decline 408bps to 43.1%, APAT is expected to decline 28.2% QoQ to Rs 0.52bn due to lower revenue and other income (-32.4% QoQ).</li> </ul>	<ul style="list-style-type: none"> <li>Launch of new products like Indices, pricing for options and timeline for implementation.</li> <li>Update on the Institutional participation volume post SEBI approval.</li> <li>Volume up-tick from the tie-up with broking subsidiaries of leading Retail banks.</li> <li>Increase in Physical delivery mechanism for various commodities.</li> <li>Margin outlook and total increase in fixed costs.</li> </ul>
<b>BSE</b>	<b>Average</b>	<ul style="list-style-type: none"> <li>We expect revenue to increase 4.2% QoQ to Rs 1.13 bn led by 4.0/4.9% increase in security services/services to corporate. Cash ADTV is up 3.6% QoQ to Rs 25.35bn while currency derivative turnover is down 9.6% QoQ. Cash market share continuous to slip further, stands at 6.4% vs 8.3% YoY.</li> <li>StAR MF orders increased 11.6% QoQ to 14.29mn while INX no. of daily trades is up 166% YoY to 60K.</li> <li>EBITDA margin will stand at +2.2% vs -0.7% QoQ and APAT will decline 1.6% QoQ to Rs 0.41bn.</li> </ul>	<ul style="list-style-type: none"> <li>Strategy to arrest cash segment market share loss and benefit from interoperability of clearing corporations.</li> <li>Steps taken to improve StAR MF volume (only growth driver for the company).</li> <li>Timeline for revenue generation from the INX exchange. Investment in INX is eating margins.</li> <li>Strategy to scale up revenue from emerging segments like SME, StAR MF and INX.</li> <li>Cost cutting initiatives specially when core business is under stress.</li> </ul>
<b>CDSL</b>	<b>Average</b>	<ul style="list-style-type: none"> <li>We expect revenue to increase 3.3% QoQ to Rs 0.54bn led by growth in annual issuer changes and recovery in transaction and IPO/corporate action charges.</li> <li>The issuer charges will be boosted by addition of ~250 unlisted public companies in the quarter.</li> <li>EBIT margin will increase 127bps QoQ to 42.1% and PAT will come at Rs 0.29bn down 1.0% QoQ due to lower other income (-5.0% QoQ).</li> </ul>	<ul style="list-style-type: none"> <li>Progress on the big opportunity, Demat of unlisted public companies.</li> <li>Contribution from the lower margin Govt. business (we have not assumed any revenue from the Govt. project)</li> <li>Growth drivers for KYC business and impact of C-KYC.</li> <li>Annual Issuer charges hike and progress on the new revenue streams like NAD, e-warehouse receipts etc.</li> </ul>

## 3QFY20E: Staffing

COMPANY	3QFY20E OUTLOOK	WHAT'S LIKELY	KEY MONITORABLES
TeamLease	Good	<ul style="list-style-type: none"> <li>▪ We expect revenue to increase 5.6% QoQ (organic 4.6% QoQ) to Rs 13.38bn led by uptick in core staffing (strong festive demand), growth in IT staffing (acquisition of IMSI) offset by slowdown in NETAP (stabilising).</li> <li>▪ EBIT margin will expand 39bps QoQ 1.8% led by productivity improvement and better business mix (higher margin IT staffing). APAT will stand at 0.26bn up 24.3% QoQ.</li> <li>▪ Core Staffing+NETAP/Specialised staffing revenue to grow by 4.7/14.2% QoQ and EBITDA margins to stand at 2.0/6.0% respectively.</li> <li>▪ Core staffing mark-up to increase to Rs 754/employee/month.</li> <li>▪ Staffing/NETAP/Specilaised staffing headcount to grow by 4.8/3.9/23.6% QoQ.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Update on the demand environment across top sectors (BFSI, Retail, Manufacturing, e-commerce) .</li> <li>▪ Recovery in NETAP addition post slowdown in 1HFY20. Impact of domestic slowdown in core staffing.</li> <li>▪ Possibility of further margin increase in core staffing segment led by higher productivity.</li> <li>▪ Mix of fixed and variable mark-up associates in core staffing business. Working capital efficiency as the funding exposure is coming down.</li> <li>▪ Update on TDS refunds which has to be collected from the IT department. Impact of accumulated Mat credit if we shift to the new tax regime.</li> <li>▪ Update on the performance of the Evolve and possibility of margin expansion in Telecom Staffing.</li> </ul>

# Change in Estimates

TCS	Earlier		Revised		Change	
	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E
Revenue (USD mn)	22,237	24,237	22,276	24,237	0.2%	0.0%
EBIT Margin (%)	24.2	24.5	24.2	24.5	1 bps	0 bps
PAT (Rs bn)	320.97	348.62	321.8	348.6	0.3%	0.0%

Wipro	Earlier		Revised		Change	
	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E
Revenue (USD mn)	8,314	8,791	8,336	8,837	0.3%	0.5%
EBIT Margin (%)	16.9	17.0	17.0	17.0	12 bps	-8 bps
PAT (Rs bn)	100.2	107.2	99.5	103.5	-0.7%	-3.4%

TechM	Earlier		Revised		Change	
	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E
Revenue (USD mn)	5,253	5,698	5,236	5,662	-0.3%	-0.6%
EBIT Margin (%)	12.5	13.6	12.5	13.6	2 bps	-2 bps
PAT (Rs bn)	41.8	46.6	41.8	46.2	-0.1%	-0.8%

Mphasis	Earlier		Revised		Change	
	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E
Revenue (USD mn)	1,234	1,373	1,232	1,366	-0.1%	-0.5%
EBIT Margin (%)	15.8	15.8	15.6	15.5	-17 bps	-27 bps
PAT (Rs bn)	11.05	12.57	10.9	12.2	-1.6%	-2.9%

INFY	Earlier		Revised		Change	
	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E
Revenue (USD mn)	12,964	14,214	12,926	14,164	-0.3%	-0.3%
EBIT Margin (%)	21.7	22.2	21.5	22.0	-24 bps	-26 bps
PAT (Rs bn)	163.45	188.34	161.4	185.7	-1.3%	-1.4%

HCLT	Earlier		Revised		Change	
	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E
Revenue (USD mn)	9,948	10,935	9,943	10,912	0.0%	-0.2%
EBIT Margin (%)	18.8	19.0	18.9	18.8	14 bps	-15 bps
PAT (Rs bn)	100.37	112.53	101.3	111.4	0.9%	-1.0%

LTI	Earlier		Revised		Change	
	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E
Revenue (USD mn)	1,488	1,650	1,489	1,674	0.1%	1.5%
EBIT Margin (%)	15.6	16.1	15.9	15.9	29 bps	-17 bps
PAT (Rs bn)	14.57	16.62	14.8	16.7	1.7%	0.6%

LTTS	Earlier		Revised		Change	
	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E
Revenue (USD mn)	797	888	797	888	0.0%	0.0%
EBIT Margin (%)	17.0	17.3	17.0	17.3	-2 bps	3 bps
PAT (Rs bn)	7.70	9.19	7.9	9.2	2.7%	0.1%

Source : HDFC sec Inst Research

# Change in Estimates

Mindtree	Earlier		Revised		Change	
	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E
Revenue (USD mn)	1,099	1,213	1,094	1,210	-0.5%	-0.2%
EBIT Margin (%)	9.8	11.9	9.5	12.0	-26 bps	8 bps
PAT (Rs bn)	5.98	7.88	5.9	7.9	-2.0%	0.3%

Cyient	Earlier		Revised		Change	
	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E
Revenue (USD mn)	658	703	641	677	-2.6%	-3.7%
EBIT Margin (%)	10.4	10.7	9.8	10.7	-63 bps	-7 bps
PAT (Rs bn)	4.4	4.7	4.2	4.6	-6.0%	-3.8%

Persistent	Earlier		Revised		Change	
	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E
Revenue (USD mn)	504	552	507	558	0.6%	1.1%
EBIT Margin (%)	9.5	10.0	9.5	9.8	-4 bps	-15 bps
PAT (Rs bn)	3.41	3.68	3.5	3.7	1.2%	0.5%

Intellect	Earlier		Revised		Change	
	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E
Revenue (USD mn)	211	244	204	240	-3.0%	-1.7%
EBIT Margin (%)	4.5	7.7	2.3	6.6	-223 bps	-108 bps
PAT (Rs bn)	0.6	1.1	0.3	1.0	-44.9%	-15.8%

Hexaware	Earlier		Revised		Change	
	CY19E	CY20E	CY19E	CY20E	CY19E	CY20E
Revenue (USD mn)	793	918	793	918	0.0%	0.0%
EBIT Margin (%)	13.5	13.6	13.5	13.6	5 bps	-1 bps
PAT (Rs bn)	6.37	7.32	6.4	7.3	1.2%	-0.1%

Zensar	Earlier		Revised		Change	
	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E
Revenue (USD mn)	619	688	618	686	-0.2%	-0.3%
EBIT Margin (%)	11.1	11.2	11.0	11.2	-17 bps	-8 bps
PAT (Rs bn)	3.5	4.1	3.4	4.1	-3.8%	-1.1%

Sonata	Earlier		Revised		Change	
	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E
Revenue (USD mn)	183	204	183	203	-0.3%	-0.5%
EBIT Margin (%)	10.0	10.5	10.0	10.5	0 bps	3 bps
PAT (Rs bn)	2.8	3.2	2.9	3.2	1.8%	-0.7%

Source : HDFC sec Inst Research

# Change in Estimates

Majesco	Earlier		Revised		Change	
	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E
Revenue (USD mn)	146	163	145	163	-0.2%	-0.3%
EBIT Margin (%)	8.3	12.8	8.1	12.5	-22 bps	-24 bps
PAT (Rs bn)	0.5	0.8	0.6	0.8	1.2%	4.1%

Mastek	Earlier		Revised		Change	
	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E
Revenue (GBP mn)	142	154	144	158	1.6%	2.4%
EBIT Margin (%)	10.7	10.9	11.3	11.2	60 bps	29 bps
PAT (Rs bn)	1.0	1.1	1.0	1.1	7.0%	5.5%

Teamlease	Earlier		Revised		Change	
	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E
Revenue (Rs bn)	52.30	62.02	52.6	62.5	0.5%	0.8%
EBIT Margin (%)	1.7	2.0	1.7	1.9	-3 bps	-4 bps
PAT (Rs bn)	0.9	1.3	1.0	1.3	1.6%	0.2%

MCX	Earlier		Revised		Change	
	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E
Revenue (Rs bn)	3.68	4.38	3.7	4.3	-0.7%	-0.7%
EBIT Margin (%)	38.1	43.4	37.8	44.0	-31 bps	57 bps
PAT (Rs bn)	2.2	2.3	2.2	2.3	0.6%	0.2%

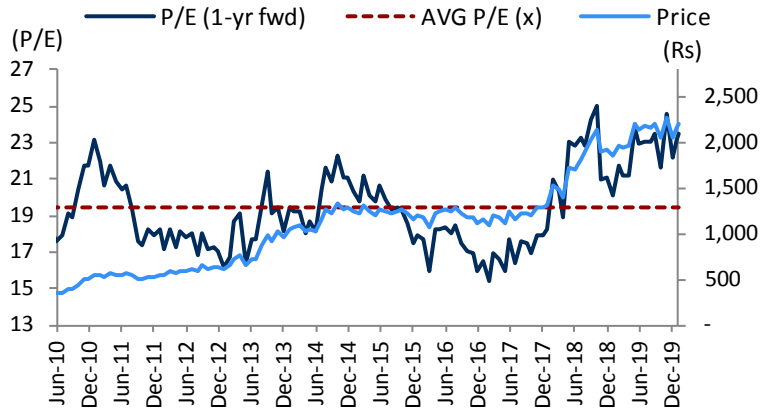
BSE	Earlier		Revised		Change	
	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E
Revenue (Rs bn)	4.63	5.22	4.62	5.20	-0.3%	-0.3%
EBIT Margin (%)	-5.8	2.0	-6.2	1.6	-46 bps	-42 bps
PAT (Rs bn)	1.76	1.99	1.74	1.97	-1.0%	-1.0%

CDSL	Earlier		Revised		Change	
	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E
Revenue (Rs bn)	2.22	2.47	2.2	2.4	0.2%	-3.8%
EBIT Margin (%)	40.1	41.2	40.2	43.7	11 bps	251 bps
PAT (Rs bn)	1.1	1.2	1.2	1.3	2.3%	4.3%

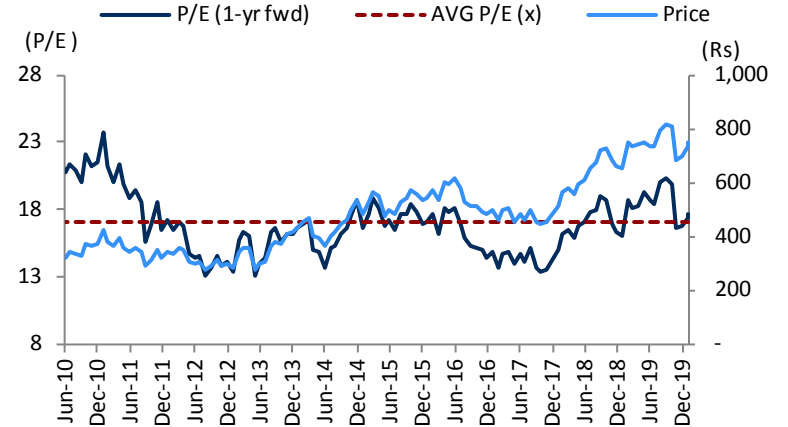
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# Stock performance & valuation trend

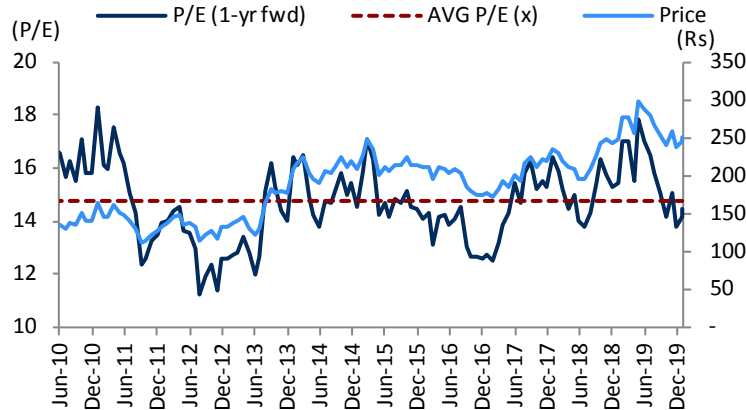
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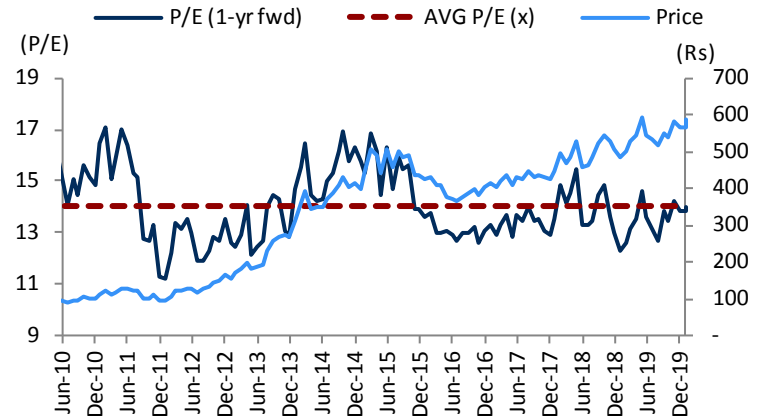
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## Wipro



## HCL Tech

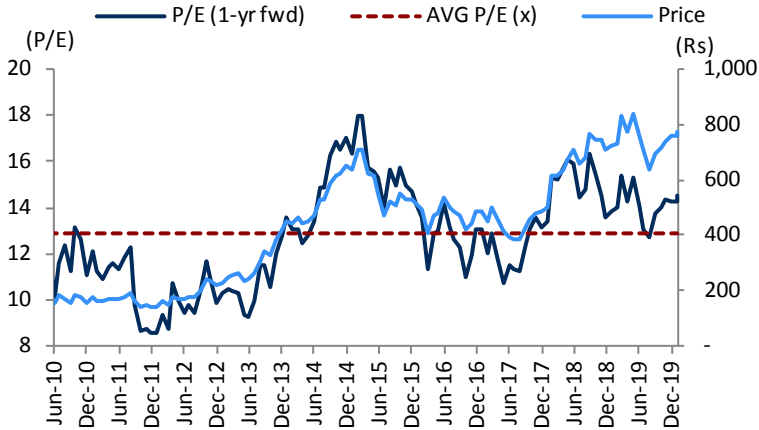


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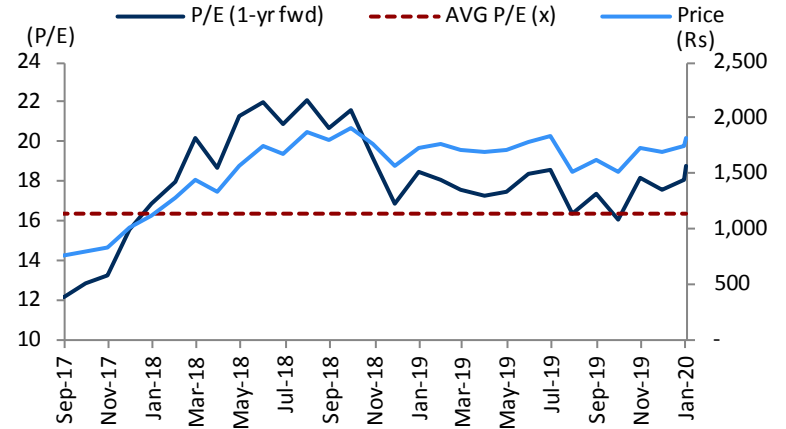


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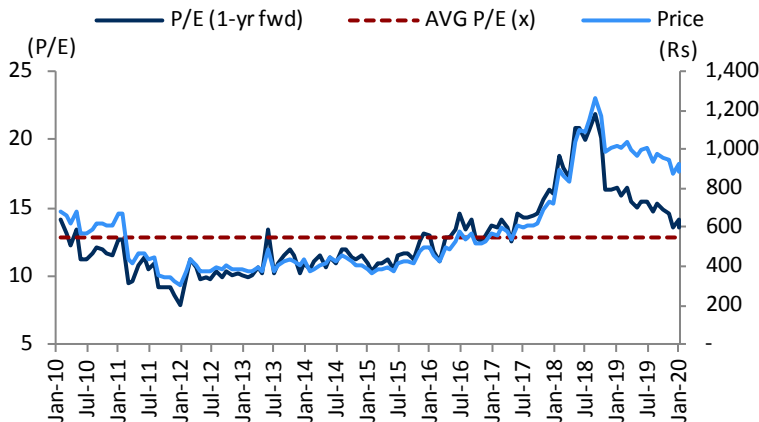
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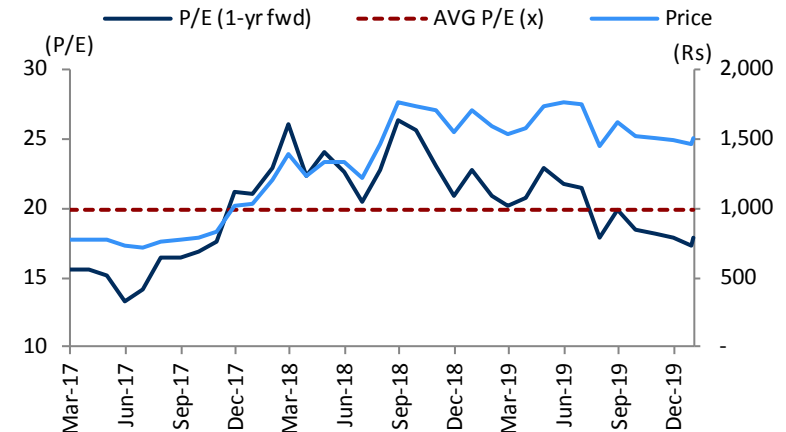
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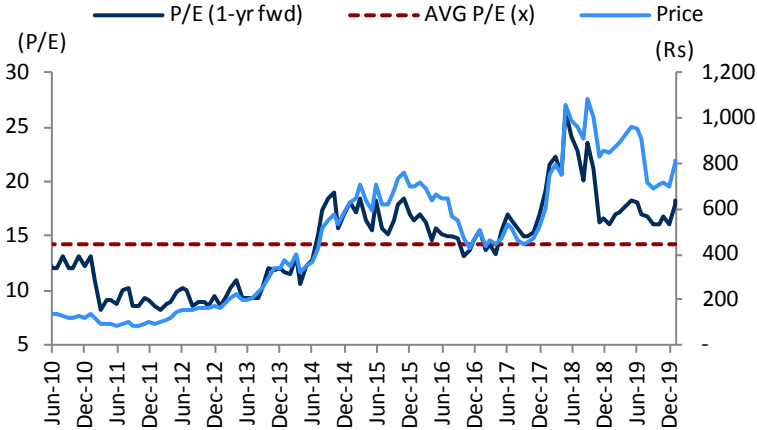


## L&T Technology

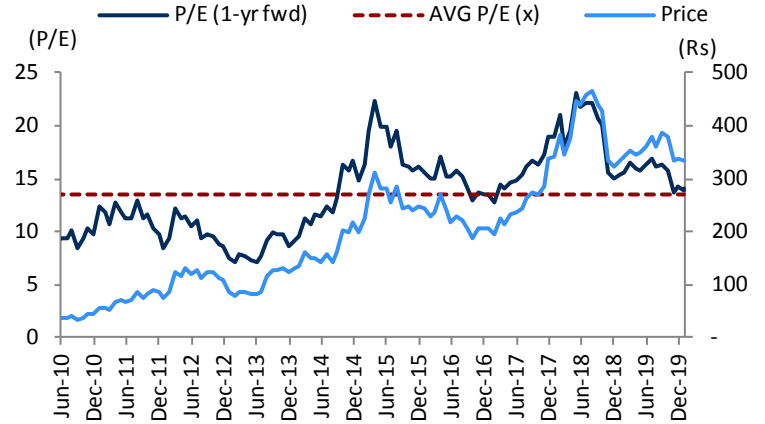


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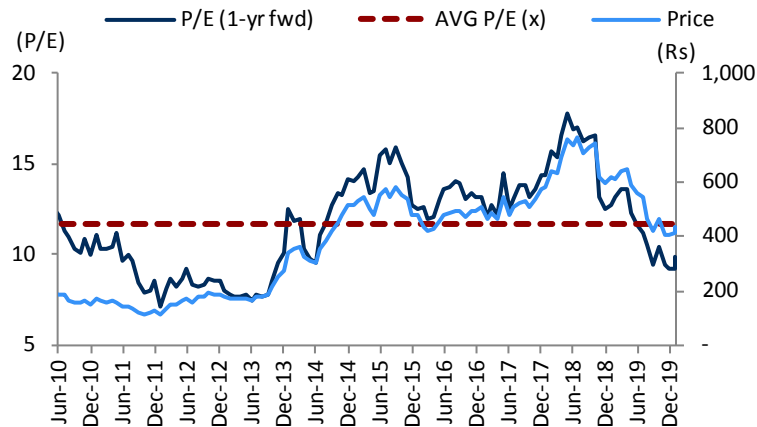
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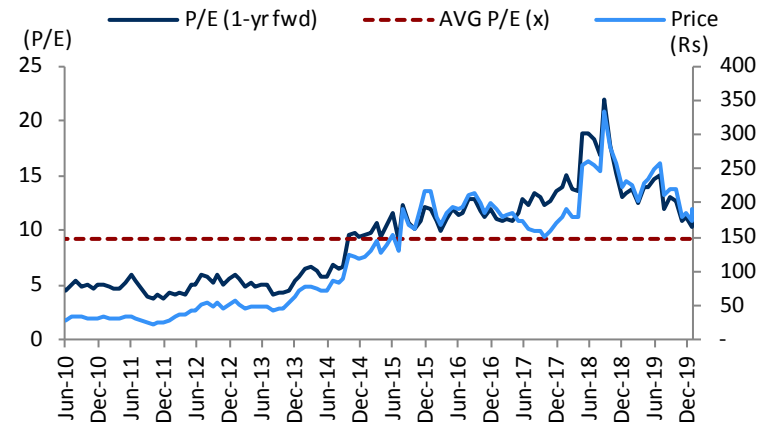
## Hexaware



## Cyient



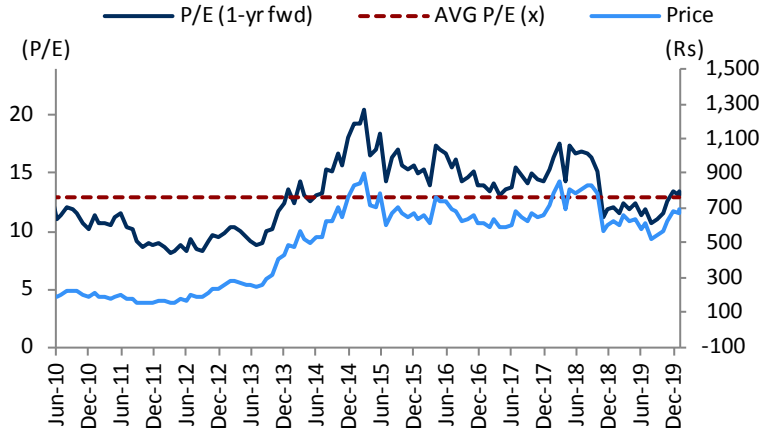
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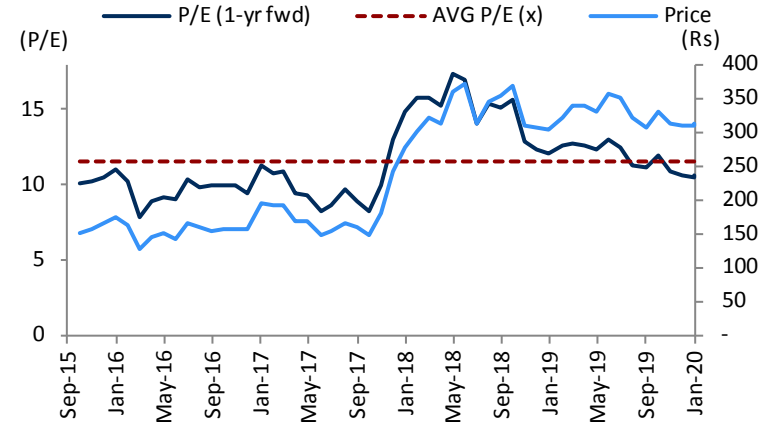
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# Stock performance & valuation trend

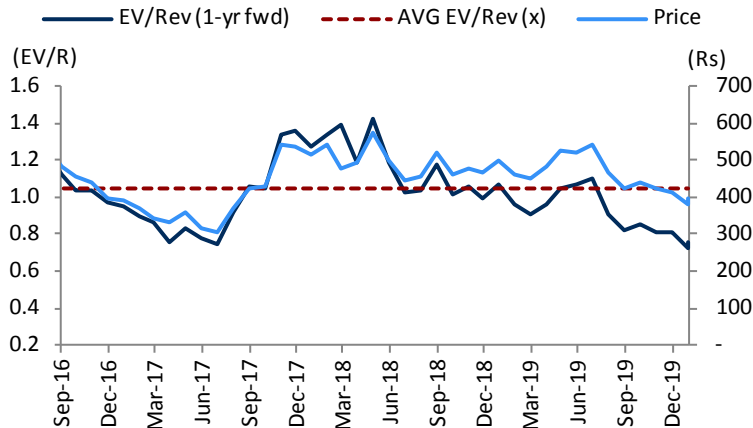
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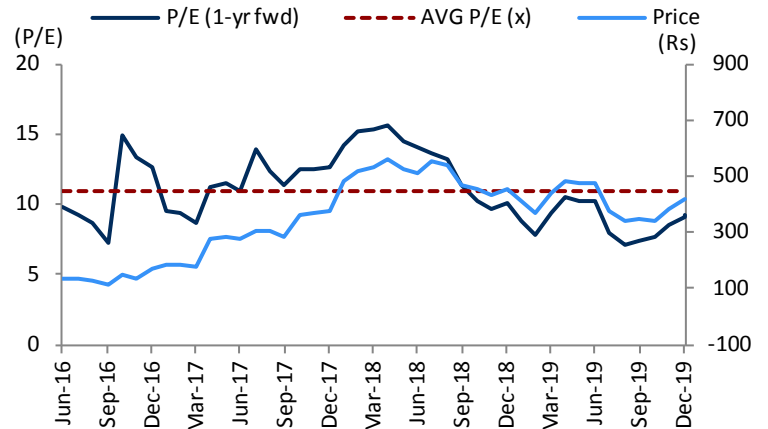
## Sonata



## Majesco

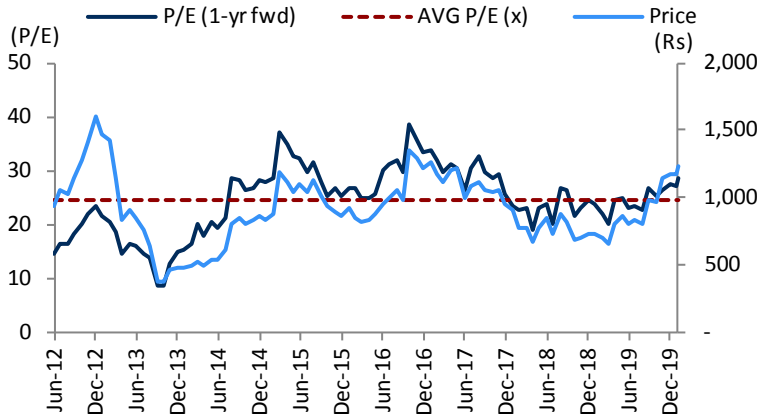


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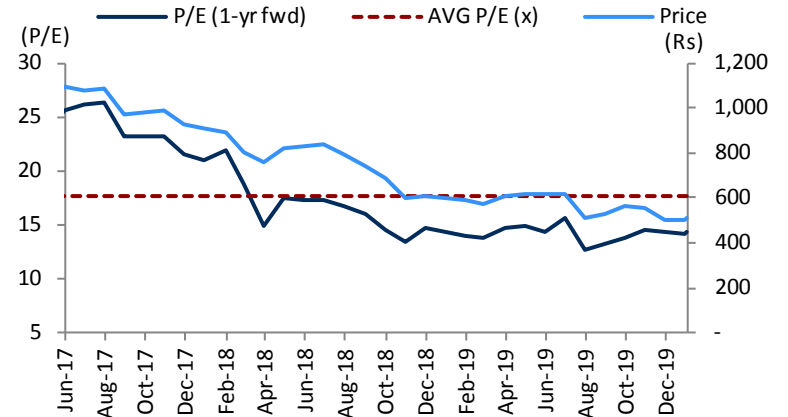


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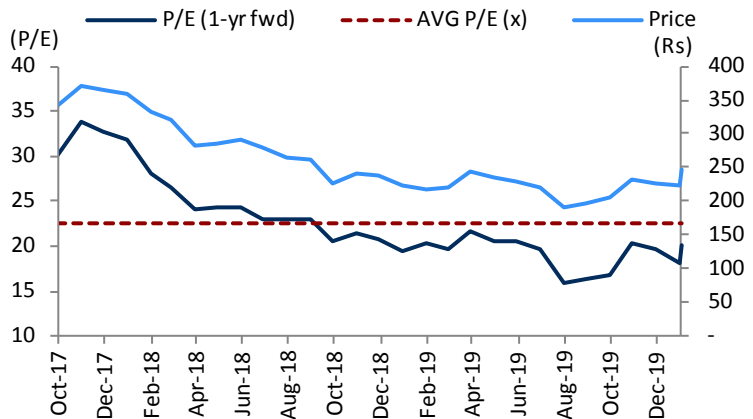
## MCX



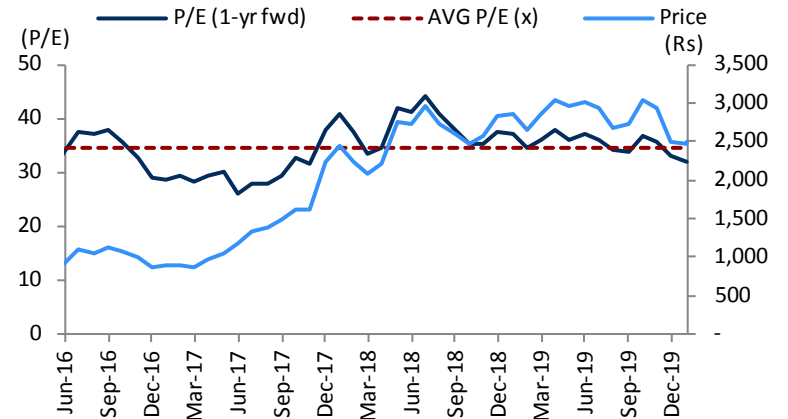
## BSE



## CDSL



## Teamlease



Source : Bloomberg, HDFC sec Inst Research

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