

Company Name

CYIENT
HCLTECH
INFOSYS
LTI
MASTEK
MINDTREE
MPHASIS
NITEC
PERSISTENT
SONATA
TATA ELXSI
TECHM
TCS
WIPRO
ZENARTECH

Result Preview Report 2QFY19E

We expect 2QFY19 to be a favorable one for the IT industry as a whole. Revenue growth is expected to be in the range of 0.5% to 4.5% in constant currency (cc) terms for majority of the companies due to positive macro environment and continuing ramp up in large Total Contract Value (TCV) wins. Margins are expected to benefit from INR depreciation against USD (100 to 120 bps); however depreciation of other currencies (EUR, GBP and AUD) is likely to offset margins partially (50–100bps).

Overall, we expect TCS to continue to deliver strong revenue growth on the back of broad-based performance across verticals and continued growth momentum in the digital business. Even Infosys revenue growth would be aided by expected recovery in its BFS vertical, increasing TCVs of deals and strong seasonality. Under mid-cap company Mindtree, L&T Infotech (LTI) and Zensar technologies are expected to deliver strong CC revenue growth in 2QFY19.

Strong deal wins and high growth in digital business –Growth driver for 2QFY19E

June to September is seasonally a strong quarter for IT companies as most of the companies' performances are expected to be in the range of 0.5%-4.5% CC led by deal wins in digital, strong growth in Europe and continued demand in BFSI and retail .TCS's revenue is expected to grow by 4% QoQ in constant currency in 2QFY19 on the back of revival in US BFS (1.6bn dollar of TCV wins) and retail, robust deal pipeline and accelerating digital demand. For Infosys second quarter generally remains strong, thus we expect revenue to grow by 3%QoQ. Infosys revenue growth will be supported by adoption of digital offering, increase in north America spending and improvement in financial service in Europe. On the other hands, HCL technologies is likely to report 3% cc revenue growth mainly impacted by rationalization of India business (0.6% revenue impact) and seasonal weakness in the IP segment.

In midcap companies, Persistent is expected to recover in 2QFY19 on back of robust pipeline and deal wins. Mind tree are expected to report 3% QoQ mainly led by continued traction from digital, strong growth in top clients and healthy TCV growth. Cyient will report better performance led by bounce back of Aerospace & Defense growth in 2QFY19.However some impact will be seen due to challenges in Utility segment.

Head, Research

Vineeta Sharma

vineeta.sharma@narnolia.com**Research Analyst**

NIHARIKA OJHA

Rupee depreciation to aid margin in 2QFY19E

With the sharp depreciation in rupee (2QFY19), most of the IT companies are likely to witness margin expansion to the extent of 80 to 100bps. Companies like TCS, Infosys, Mind tree, Zensar technologies are expected to get maximum rupee depreciation benefit because of their hedging policy and exposure in North America. There are few companies which are not likely to get benefit (LTI, NIITTECH & Mastek) as major percentage of revenue (60% to 90%) has already being hedged. Infosys margins are expected to improve by 50 bps in 2QFY19 on the back INR depreciations benefit, however it is likely to curtailed by investment done by the company in emerging technologies and wage revision for senior management. HCLTECH's margin is expected to be at 19.3% for 2QFY19 as the company will continue to see impact of India SI projects, weakness in seasonal IP revenue. However Wipro margins may see some impact due to wage hike in 2QFY19.

View and Valuation

Overall, we expect revenue growth momentum for IT companies in Q2FY19 to be better than Q1FY19 driven by ramp-up of large deals won, recovery in BFS and continued performance in digital. Even Mid-caps is expected to outperform as they continue to bag large deal in digital (Mindree).

Also we expect growth rate of most IT companies to be higher in FY19 compared to FY18 as demand environment is continue to improve and increasing deal closures with higher TCVs .Thus our preferred picks in the high cap space are Infosys while Mind tree ,Persistent Systems and Tata elxsi are our preferred picks in the mid-cap space.

Q2FY19 results estimates

Q2FY2019 results estimates		SALES			PAT			EBITDA MARGIN%			PAT MARGIN%		
Company	2QFY18	1QFY19	2QFY19E	2QFY18	1QFY19	2QFY19E	2QFY18	1QFY19	2QFY19E	2QFY18	1QFY19	2QFY19E	
TCS	30,541	34,261	36,392	6,460	7,362	8,006	27%	26%	28%	20%	21%	22%	
INFOSYS	17,567	19,128	20,298	3,726	3,612	3,975	27%	25%	27%	21%	19%	20%	
HCL TECHNOLOGIES	12,433	13,878	14,793	2,207	2,431	2,371	22%	23%	22%	18%	20%	19%	
WIPRO	13,469	14,231	14,293	2,192	2,094	2,105	21%	19%	19%	16%	15%	15%	
TECH MAHINDRA	7,606	8,276	8,603	839	899	1,000	15%	16%	17%	11%	11%	12%	
MINDTREE	1,332	1,640	1,721	125	158	180	12%	14%	15%	9%	10%	10%	
SONATA SOFTWARE	427	688	652	45	57	57	13%	11%	11%	11%	8%	9%	
CYIENT	965	1,080	1,142	111	82	111	14%	12%	14%	12%	8%	10%	
PERISTENT	761	834	875	83	88	89	15%	17%	16%	11%	11%	10%	
LTI	1,751	2,156	2,282	273	361	347	17%	19%	18%	16%	17%	15%	
MPHASIS	1,605	1,820	1,895	198	258	271	16%	18%	18%	12%	14%	14%	
NIIT TECHNOLOGIES	737	825	850	73	90	99	17%	16%	17%	10%	11%	11%	
ZENSAR TECHNOLOGIES	763	905	981	63	84	86	12%	13%	12%	8%	9%	9%	
TATAELXSI	342	382	413	57	71	73	25%	28%	27%	17%	18%	18%	
MASTEK	198	244	256	17	22	24	12%	13%	13%	9%	9%	9%	

Valuations

Valuation summary			ROE			P/E			P/B			EV/EBITDA		
Company	Target	RATING	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20
TCS	2100	NEUTRAL	30.2	36.4	34.2	21.1	25.9	23.6	6.4	9.2	7.2	16.6	20.7	18.6
INFOSYS	850	BUY	24.7	23.1	24.4	15.4	20.1	17.8	3.8	4.6	4.3	14.0	16.1	14.4
HCL TECHNOLOGIES	1024	NEUTRAL	31.8	33.0	30.4	15.5	14.7	13.9	3.7	3.6	2.9	11.7	10.5	9.4
WIPRO	319	NEUTRAL	16.1	16.5	15.9	15.9	17.4	15.5	2.7	2.7	2.3	13.0	13.9	12.1
TECH MAHINDRA	840	HOLD	21.5	20.3	20.8	16.5	18.2	15.4	3.3	3.5	3.0	13.2	12.6	10.8
MINDTREE	1272	BUY	20.8	22.6	24.7	21.9	24.3	17.8	4.6	5.5	4.4	16.8	17.2	13.3
SONATA SOFTWARE	420	BUY	31.0	33.1	31.9	17.6	16.1	14.4	5.2	5.0	4.3	13.3	11.0	9.4
CYIENT	803	NEUTRAL	18.1	17.9	19.4	19.2	19.1	15.6	3.3	3.2	2.8	13.1	11.9	9.6
PERISTENT	950	BUY	16.1	16.9	18.3	18.0	15.6	12.2	2.7	2.4	2.1	12.2	9.6	7.8
LTI	1833	NEUTRAL	31.8	33.8	30.0	20.7	22.6	20.2	6.0	6.7	5.4	19.1	19.0	17.2
MPHASIS	1288	ACCUMULAT	15.3	17.7	17.4	19.5	20.8	18.9	3.0	3.7	3.3	15.3	16.6	14.4
NIIT TECHNOLOGIES	1342	HOLD	15.7	16.0	17.3	17.2	19.1	16.3	3.0	3.6	3.1	9.8	12.0	10.1
ZENSAR TECHNOLOGIES	318	NEUTRAL	15.7	19.5	19.6	16.4	20.3	17.2	2.4	3.7	3.1	10.5	12.0	9.8
TATAELXSI	1529	BUY	37.0	34.1	30.7	25.5	25.6	21.9	8.3	7.7	6.0	17.5	16.4	14.0
MASTEK	532	BUY	11.9	14.1	15.6	16.5	11.1	9.3	2.1	1.7	1.5	11.3	7.7	6.1

CMP 759
Target 803
Upside 6%
Rating NEUTRAL

	FY17	FY18	FY19	FY20
ROE%	16.9	18.1	17.9	19.4
ROCE%	18.4	18.8	20.5	21.9
PE	15.5	19.2	19.1	15.6
PB	2.5	3.3	3.2	2.8
EV/EBITDA	9.6	13.1	11.9	9.6

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
Revenues (USD m)	538	607	679	778	150	161	166
Segment revenue (in crore)							
<i>Mfg and industrial</i>	1,300	1,460	1,635	1,944	355	385	397
<i>Utilities,geo and comm</i>	1,942	2,060	2,490	2,914	509	574	608
<i>DLM</i>	365	398	565	586	102	121	137
Total	3,607	3,918	4,690	5,444	965	1,080	1,142
<i>Financials</i>							
Sales	3,586	3,914	4,690	5,445	965	1,080	1,142
<i>Sales Gr</i>	13%	16%	9%	20%	16%	20%	18%
Ebdita	477	535	637	765	140	131	156
<i>Ebdita Gr</i>	13%	12%	19%	20%	10%	15%	12%
Net Profits	340	403	459	570	111	82	111
<i>Profit Gr%</i>	4%	18%	14%	24%	15%	-7%	-1%
EbditaM%	13.3%	13.7%	13.6%	14.0%	14.5%	12.1%	13.7%
Net Mgn%	9.5%	10.3%	9.8%	10.5%	11.5%	7.5%	9.7%

Fig in Rs Cr

□ Sales are expected to improve in 2QFY19 led by bounce back of Aerospace & Defense growth in 2QFY19. Communication (which contributes 22% of revenue) is expected to witness double-digit growth as client-specific issues are behind. However revenue growth will see some impact due to challenges in Utility segment as the segment is project-driven and is continue to face phasing challenges.

□ Margins are expected to improve by 200bps in 2QFY19 mainly led by operational efficiency and benefit from INR depreciation. However, this will be offset by the 2nd tranche of wage hikes (impacting 90-100bps) and increased investments.

□ Tax rate benefit of over 200 bps (US tax rate reform and higher growth from SEZ) expected.

□ The Company hedged 70% of forward contract for the next 12-month, they would get benefit of INR depreciation in operating side (50-70bps) but it may be offset by lower other income(due to forex loss).

□ The management has maintained its outlook for FY19 with double-digit revenue growth in services, 20% organic growth in DLM (35% including B&F) and flat EBITDA margin.

Key Trackable this Quarter

□ Aerospace & defense to see growth of 10% in FY19.

□ Double-digit growth in communication segment and increase in DLM revenue.

□ Change in onshore- onshore mix to restrict margin expansion.

We value the stock at 16x FY20E. Maintain Neutral.

HCLT IN

CMP 1084
Target 1024
Upside -6%
Rating NEUTRAL

	FY17	FY18	FY19	FY20
ROE%	31.5	31.8	33.0	30.4
ROCE%	31.0	28.1	30.1	27.4
PE	14.5	15.5	14.7	13.9
PB	3.8	3.7	3.6	2.9
EV/EBITDA	11.2	11.7	10.5	9.4

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
Software Ser Rev \$mn	4,051	4,589	5,021	5,453	1,116	1,203	1,237
IMS Rev. \$mn	2,767	2,959	3,118	3,373	742	745	768
Software Service	27139	29611	34831.695	38167.758	7200	8122	8645.8583
IMS	18,543	19,095	21,633	23,612	4,783	5,031	5,366
BPO Service	1,886	1,863	3,165	3,555	450	725	781
Total	47,568	50,569	59,630	65,335	12,433	13,878	14,793
<i>Financials</i>							
Sales	47,568	50,569	59,630	65,335	12433	13,878	14,793
<i>Sales Gr</i>	55%	6%	18%	10%	8%	14%	19%
Ebdita	10,385	11,246	13,569	14,708	2741	3,237	3,301
<i>Ebdita Gr</i>	59%	8%	21%	8%	10%	20%	24%
Net Profits	8,606	8,722	9,966	10,545	2,207	2,431	2,371
<i>Profit Gr%</i>	52%	1%	14%	6%	9%	10%	7%
<i>EbditaM%</i>	21.8%	22.2%	22.8%	22.5%	22%	23.3%	22.3%
<i>Net Mgn%</i>	18.1%	17.2%	16.7%	16.1%	18%	20%	19.3%

Fig in Rs Cr

□ 2QFY19 sales are expected to improve 3% QoQ led by Robust deal wins, contribution from new acquisitions(Actian and H&D International) and continued growth momentum in the ER&D . However de-focus from India SI projects continue to impact revenue in 2QFY19.

□ Mode 3 which mainly constitutes of intellectual property-related businesses will see some softness in 2QFY19 due to seasonality in the business.

□ IMS which is HCLT's key growth driver prior to FY18 (which was 25-30% YOY CC growth 6-7 quarters ago)is expected to improve in 2QFY19, however it is expected to be in 10% range for FY19 and expected to reach same level(25%YoY)in FY20 as the deal size increases .

□ Margin are expected to be in 19.3% for 2QFY19 as the company will continue to see impact of India SI projects, weakness in seasonal weakness in IP revenue . Benefit of INR depreciation will be seen but it will not completely flow to bottom line as the pricing of new deals is getting driven around the higher dollar/rupee conversion ratio so margin maybe in same level for FY19.

□ For FY19, HCLT guided for CC revenue growth of 9.5-11.5% (incl. inorganic growth) similar to FY18 guidance. 5.25pp expected from inorganic investments (including acquisition from C3i solutions USD200m) and other from organic growth (5.25%).

Key Trackable this Quarter

- Organic growth outlook.
- Continued deal wins.
- CC revenue growth of 9.5-11.5% for FY19.

We value the stock at 14.2x FY19E EPS. Maintain Neutral.

INFO:IN

CMP 733
Target 850
Upside 16%
Rating BUY

	FY17	FY18	FY19	FY20
ROE%	20.8	24.7	23.1	24.4
ROCE%	25.7	25.4	28.6	30.3
PE	16.3	15.4	20.1	17.8
PB	3.4	3.8	4.6	4.3
EV/EBITDA	13.8	14.0	16.1	14.4

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
Revenue USD mn	10,206	10,898	11,699	12,761	2,720	2,831	2,904
Revenue by industry							
Financial services		3,574	3,710	3,977	903	900	927
Retail		1,756	1,961	2,213	434	470	484
Communication		1,373	1,465	1,565	338	360	365
Energy, Utilities, Resources & Service		1,286	1,483	1,685	319	351	365
Manufacturing		1,031	1,129	1,236	254	272	277
Hi Tech		793	859	949	196	209	214
Life Sciences		725	759	789	183	187	189
Other		360	333	347	93	82	83
Financials							
Sales	68,485	70,522	81,178	89,326	17,567	19,128	20,298
<i>Sales Gr</i>	10%	3%	15%	10%	1%	12%	16%
Ebdita	18,605	19,011	21,329	24,108	4,702	4,703	5,393
<i>Ebdita Gr</i>	9%	2%	12%	13%	-1%	3%	15%
Net Profits	14,353	16,029	15,884	17,981	3,726	3,612	3,975
<i>Profit Gr%</i>	5%	12%	-1%	13%	3%	4%	7%
EbditaM%	27.2%	27.0%	26.3%	27.0%	27%	25%	27%
Net Mgn%	21.0%	22.7%	19.6%	20.1%	21%	19%	20%

Cons/ Fig in Rs Cr

□ 2QFY19 is a seasonally strong quarter for Infosys, thus the sales are expected to increase 3%QoQ on the back of adoption of digital offering, increase in north America spending and improvement in financial service in Europe.

□ Financial service is expected to improve in 2QFY19 as Europe will start to see improvement and TCV will continue to increase in 2QFY19 (BFSI constituting for 40% of the TCV won in 1QFY19).

□ Margins are expected to improve 50 bps in 2QFY19(excluding the impact of Rs270 crore on sale of Panaya)on the back INR depreciations benefit (50 to100bps), however it will likely to curtailed by investment done by the company in emerging technologies and wage revision for senior management. Even the management had outlined 100 bps investments as a part of growth acceleration plan.

□ Attrition will be major concern for the management as it is continuing to increase and reached 23% in 1QFY19.

Key Trackable this Quarter

□ Financial services to be better in FY19.

□ Outlook on multi- year deal wins and increased TCV wins from BFS.

We value the stock at 21.5x FY20E. Maintain Buy.

LTI:IN

CMP 1914
Target 1833
Upside -4%
Rating NEUTRAL

	FY17	FY18	FY19	FY20
ROE%	36.8	31.8	33.8	30.0
ROCE%	39.6	29.5	36.0	31.3
PE	12.5	20.7	22.6	20.2
PB	3.9	6.0	6.7	5.4
EV/EBITDA	9.6	19.1	19.0	17.2

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
Revenues (\$ m)	972	1,132	1,352	1,555	271	319	333
<i>BFSI</i>	3,073	3,451	4,605	5,450	838	1,058	1,142
<i>Manufacturing</i>	1,189	1,227	1,371	1,435	281	340	341
<i>CPG, Retail, Pharma & c</i>	824	990	1,259	1,437	230	295	311
<i>Energy& Utilities</i>	722	856	915	1,029	210	220	226
<i>Hi tech, Media</i>	694	782	1,079	1,377	193	244	262
Total	6,503	7,306	9,230	10,729	1,751	2,156	2,282
<i>Financials</i>							
Sales	6,501	7,307	9,230	10,729	1,751	2,156	2,282
<i>Sales Gr</i>	11%	12%	26%	16%	9%	29%	30%
Ebdita	1,230	1,188	1,716	1,882	294	419	411
<i>Ebdita Gr</i>	20%	-3%	44%	10%	-3%	50%	40%
Net Profits	971	1,113	1,459	1,629	273	361	347
<i>Profit Gr%</i>	16%	15%	31%	12%	17%	35%	27%
EbditaM%	18.9%	16.3%	18.6%	17.5%	16.8%	19.4%	18.0%
Net Mgn%	14.9%	15.2%	15.8%	15.2%	15.6%	16.8%	15.2%

Cons/ Fig in Rs Cr

□ Sales are expected to show top quartile growth in FY19 on back solid growth in BFS, CPG Retail & Pharma and Hi-tech & Media. We expect these verticals to grow above company average for FY19.

□ BFS vertical (contributes 31% of revenue) saw ~12% QoQ growth in Q1FY19. We expect the growth momentum in BFSI to continue in Q2FY19 as the company will continue to get benefit of tax cut and growth in the US economy.

□ With strong Order bookings and deal pipeline, Energy & utility vertical is expected to recover in Q2FY19.

□ In the near term, Q2FY19 will see ~180bps dip in margin due to wage increments, partially offset by absence of VISA costs. However, on a full year basis the EBIT margin is expected to improve by 250bps mainly led by Improvement in realized rate, strong cross-currency tailwind and pass-through revenues.

Key Trackable this Quarter

□ Management conviction of its past guidance of top quartile growth in FY19.

□ BFSI demand environment in US.

□ Key deal wins to foster future growth.

□ Outlook on margin going forward owing to depreciation in Rupee.

We value the stock at 19.5x FY20E. Maintain Neutral

MAST:IN

CMP 452
Target 532
Upside 18%
Rating BUY

	FY17	FY18	FY19	FY20
ROE%	7.4	11.9	14.1	15.6
ROCE%	10.1	15.2	18.1	19.1
PE	11.5	16.5	11.1	9.3
PB	1.0	2.1	1.7	1.5
EV/EBITDA	8.3	11.3	7.7	6.1

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
Revenue by industry							
UK	465	563	733	866	136	174.05	184
US	62	237	265	300	58	65.03	66
Others	35	17	20	20	4	4.96	5
TOTAL	562	818	1,018	1,186	198	244	256
UK Growth	-7.7%	21.1%	30.2%	18.1%	56.8%	31.6%	28.9%
US Growth		282.3%	11.8%	13.3%		15.0%	13.9%
Financials							
Sales	562	817	1,018	1,187	198	244	256
Sales Gr	7%	45%	25%	17%	58%	32%	29%
Ebdita	53	100	130	154	24	31	33
Ebdita Gr	191%	89%	30%	19%	112%	38%	39%
Net Profits	37	70	95	113	17	22	24
Profit Gr%	169%	90%	36%	19%	129%	53%	39%
EbditaM%	9.4%	12.2%	12.7%	13.0%	12%	13%	13%
Net Mgn%	6.6%	8.6%	9.4%	9.5%	9%	9%	9%

Cons/ Fig in Rs Cr

□ Sales are expected to improve in 2QFY19 led by large deals/wins and healthy pipeline in UK and strong performance in US (where company has just entered 18 month back) in its digital business.

□ Margin are expected to see benefit from currency fluctuation and improvement in onshore delivery. However volatility will be seen in the quarter due to continued investment to grow the business.

□ Order book for 1QFY19 (Rs. 504 crore) saw a dip due to timing issue and closing of some project, it is expected to improve 2QFY19.

□ Mastek had cash and cash equivalents of around Rs. 200 crore in its book in 1QFY19 excluding the holdings in Majesco (13.8% stake in Majesco USA). Management has indicated that if needed it would sell its stake in Majesco for its M&A activity.

□ With New leadership team (appointment of CEO Mr. John Owen), strong performance by UK and new logo wins, the management expect the growth to continue in FY19 too.

Key Trackable this Quarter

□ Management expects 10% year-over-year growth for US market.

□ Growth in UK business to remain in momentum.

□ Management aspires EBDITA Margin of 14% To 15% in next 3 years.

We value the stock at 11times FY20 EPS. Maintain Buy

MTCL:IN

CMP 1073
Target 1272
Upside 19%
Rating BUY

	FY17	FY18	FY19	FY20
ROE%	16.2	20.8	22.6	24.7
ROCE%	19.2	18.7	24.3	26.3
PE	18.2	21.9	24.3	17.8
PB	2.9	4.6	5.5	4.4
EV/EBITDA	10.6	16.8	17.2	13.3

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
Revenue USD mn	780	847	1,012	1,183	206	242	249
Revenue by industry							
Retail, CPG & Manufact	1,248	1,269	1,630	1,947	312	378	404
BFSI	1,288	1,326	1,560	1,886	329	366	383
Technology, Media and	1,924	2,047	2,711	3,279	497	637	673
Travel & Hospitality	777	822	1,048	1,161	193	259	260
TOTAL	5,236	5,463	6,949	8,273	1,332	1,640	1,720
Financials							
Sales	5,236	5,463	6,951	8,278	1,332	1,640	1,721
<i>Sales Gr</i>	12%	4%	27%	19%	3%	27%	29%
Ebdita	705	741	1,046	1,334	154	231	258
<i>Ebdita Gr</i>	-14%	14%	15%	16%	-5%	61%	67%
Net Profits	419	570	743	1,014	125	158	180
<i>Profit Gr%</i>	-24%	10%	11%	12%	32%	30%	44%
EbditaM%	13%	14%	15%	16%	12%	14%	15%
Net Mgn%	8%	10%	11%	12%	9%	10%	10%

Cons/ Fig in Rs Cr

☐ Mind tree sales are expected to improve 3% QOQ in 2QFY19 mainly led by continued traction from digital , strong growth in top client and healthy TCv growth .

☐ Mindtree's Renewed deal stood at USD255m mainly contributing to majority of deal closures in 1QFY19. However softness was seen in new deals TCv (USD51m) which is expected to improve in the rest of the year as management is seeing robust deal wins.

☐ Margins are expected to improve by 90bps as large deals wins coming in at higher margins, improved execution and INR depreciation benefit may play out in 2QFY19.

☐ Management expects faster growth in bottom line than in top line.

☐ Bluefin and Magnet360 which have been under pressure since time of acquisition are expected to show better performance in FY19.

Key Trackable this Quarter

☐ Strong deal pipelines leading to strong revenue growth.

☐ Steady increase in revenue contribution from Digital.

☐ BFSI traction to come in 2QFY19.

☐ Bottom line to grow faster than top line.

We value the stock at 21.2x FY20E. Maintain Neutral.

MPHL IN

CMP 1160
Target 1288
Upside 11%
Rating ACCUMULATE

	FY17	FY18	FY19	FY20
ROE%	12.9	15.3	17.7	17.4
ROCE%	14.5	18.1	20.8	21.2
PE	15.4	19.5	20.8	18.9
PB	2.0	3.0	3.7	3.3
EV/EBITDA	12.2	15.3	16.6	14.4

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
Revenues (USD m)	894	989	1,116	1,256	242	269	277
Segment revenue (\$mn)							
<i>Direct International</i>	643	691	771	869	170	186	191
<i>DXC / HP Business</i>	214	260	310	350	63	74	76
<i>Others</i>	36	38	35	38	9	9	9
Total	894	989	1,116	1,256	242	269	277
Financials							
Sales	6,076	6,546	7,625	8,607	1,605	1,820	1,895
<i>Sales Gr</i>	0%	8%	16%	13%	6%	19%	18%
Ebdita	969	1,062	1,344	1,523	249	320	339
<i>Ebdita Gr</i>	8%	10%	26%	13%	1%	39%	36%
Net Profits	792	837	1,077	1,185	198	258	271
<i>Profit Gr%</i>	18%	6%	29%	10%	-6%	38%	37%
EbditaM%	15.9%	16.2%	17.6%	17.7%	15.5%	17.6%	17.9%
Net Mgn%	13.0%	12.8%	14.1%	13.8%	12.3%	14.2%	14.3%

Fig in Rs Cr

□HP channel (27% of revenue) has expanded from being one dimensional to four HPE, HP Inc, DXC and Micro Focus. Investments are being made in Digital cloud and automation in terms of capabilities and in new geographies. With multiple opportunities, we expect the channel to grow at or above market in FY19.

□Due to its focus on digital, Mphasis has seen increase in pricing which will aid revenue growth in FY19.

□Digital Risk (22% of direct international channel) business is key to Mphasis strength in BFSI domain and expected to stabilize with it in the desired range of USD28-30m IN 2QFY19 .

□Europe which has shown strong growth in last quarter is expected to continue improve in 2QFY19 as the company continues to focus in sales and investments within the region.

□Margin are expected to land in the higher end of guided range of 15% to 17% on the back of FX tailwind, shift in business model and better margin in the digital services.

Key Trackable this Quarter

- Expanded relationship with HP to aid strong revenue growth
- Continued increase in share of Digital/Newgen (44.9% of Direct Core).
- For structuring process, company may avail M&A option.
- Margin expected to be in range of 15% to 17% band despite wage hike in 3QFY19.

We value the stock at 21x FY20EPS. Maintain Accumulate.

NITEC:IN

CMP 1217
Target 1342
Upside 10%
Rating HOLD

	FY17	FY18	FY19	FY20
ROE%	17.6	15.7	16.0	17.3
ROCE%	17.8	18.3	20.7	21.7
PE	9.8	17.2	19.1	16.3
PB	1.6	3.0	3.6	3.1
EV/EBITDA	4.9	9.8	12.0	10.1

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
<i>Revenues growth(%)</i>	4%	7%	18%	17%	6%	16%	19%
Vertical Mix(mn \$)							
<i>BFSI</i>	175	197	239	286	47	56	58
<i>Travel & Trans.</i>	134	126	141	159	30	34	35
<i>Mfg, Med & Oth</i>	109	138	139	145	35	34	35
<i>Financials</i>							
Sales	2,802	2,991	3,530	4,128	737	825	850
<i>Sales Gr</i>	4%	7%	18%	17%	6%	16%	19%
Ebdita	480	501	597	701	122	132	151
<i>Ebdita Gr</i>	1%	4%	19%	17%	6%	21%	23%
Net Profits	272	308	391	434	73	90	99
<i>Profit Gr%</i>	-5%	13%	27%	17%	24%	63%	35%
EbditaM%	17.1%	16.7%	16.9%	17.0%	17%	16%	17%
Net Mgn%	9.7%	10.3%	11.1%	11.1%	10%	11%	11%

Cons/ Fig in Rs Cr

□ 2QFY19 revenue growth are expected to improve as the impact of morris has 100% bottomed out, strong traction continuing in Digital and continued ramp up in order book (which is now USD 151mn).

□ The management expects double digit growth in revenue in FY19 on an organic basis in CC terms owing to a healthy order book attained in FY18 and deal win momentum.

□ As BFS industry spending is increasing significantly, with increase in spending across regulatory and innovation domains, BFS is expected to show a strong growth in FY19. Also, Digital Engagements will also aid growth in BFS in FY19.

□ Margin are expected to slightly improve in 2QFY19 as wage hikes, H1B visa fees and the seasonality in GIS revenues has been already seen in 1QFY19, thus we expect to see increased margin as onsite /offshore mix improves and increased contribution of high margin digital segments.

Key Trackable this Quarter

- Management expects to win around 8 new clients per quarter (4to 5 client last quarter).
- Commentary regarding new compensation, crucial for margin in FY19
- Significant growth in revenue driven by Digital and bottomed out of Client specific issue.
- Double digit growth in revenue on an organic basis in CC terms in FY19.

We value the stock at 18x FY20E. Maintain Hold.

PERSISTENT

PSYS:IN

IT Sector

CMP 730
Target 950
Upside 30%
Rating BUY

	FY17	FY18	FY19	FY20
ROE%	17	16	17	18
ROCE%	18	15	18	20
PE	16	18	16	12
PB	3	3	2	2
EV/EBITDA	10	12	10	8

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
Revenues growth(%)	22%	10%	9%	14%	12%	9%	15%
Revenue by industry							
Services	195	206	211	229	52	51	52
Digital	70	100	116	150	25	26	28
Alliance	126	130	161	181	32	40	39
Accelerite	38	34	25	26	10	6	6
TOTAL	429	471	513	586	118	124	126
Financials							
Sales	2,878	3,034	3,543	4,102	761	834	875
Sales Gr	24%	5%	17%	16%	8%	15%	15%
Ebdita	465	466	582	697	116	140	139
Ebdita Gr	12%	0%	25%	20%	5%	34%	20%
Net Profits	302	323	376	480	83	88	89
Profit Gr%	1%	7%	16%	28%	12%	17%	8%
EbditaM%	16.2%	15.4%	16.4%	17.0%	15.2%	16.8%	15.9%
Net Mgn%	10.5%	10.7%	10.6%	11.7%	11%	11%	10%

Cons/ Fig in Rs Cr

□ Digital unit saw a dip in 1QFY19 due to completion of project with two partner platform and delay in ramping up of new deals. However with robust pipeline we expect the digital unit to recover gradually and return back to its 30% growth in FY19.

□ With strong pipeline and great traction from the focus areas, the management expects technology service business is well poised to drive the growth in future.

□ IP revenues (which contribute 27% of overall revenue) increased 30% QoQ in 1QFY19 due to strong performance in the IBM business as well as the ramp up of new IP deals. We expect strong deal momentum to continue for rest of the year.

□ EBIT margins for 2QFY19 are expected to be impacted because of wage hikes by 2%. The overall margin for the year is expected to improve by 100 bps in FY19.

□ Alliance expected to see weakness due to Seasonality in IBM IoT.

Key Trackable this Quarter

□ Digital (contributes 21% of revenue) is expected to recover in 2QFY19 on back of robust pipeline and deal wins.

□ Accelerite revenue to bounce back in 2QFY19 as demand for new products (Neuro, Share Insights and Sentient) and new project ramps up.

□ Wage hike will impact margins in 2QFY19 by 250bps.

We value the stock at 16x FY20E. Maintain Buy.

SSOF:IN

CMP 353
Target 420
Upside 19%
Rating BUY

	FY17	FY18	FY19	FY20
ROE%	29.1	31.0	33.1	31.9
ROCE%	28.7	27.7	29.7	35.2
PE	21.4	17.6	16.1	14.4
PB	5.6	5.2	5.0	4.3
EV/EBITDA	16.0	13.3	11.0	9.4

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
IIT Services growth	18%	19%	15%	12%	18%	22%	12%
Domestic growth	36%	-12%	10%	14%	-39%	2%	97%
Revenue (Ex intersegmental)							
Intl Services- OPD	234	267	297	329	68	72	73
Intl Services-TTL	214	255	290	332	63	69	71
Intl Services-Retail Dist.	195	237	269	310	61	64	66
Intl Services-Others	134	170	209	223	42	51	52
Domestic	1,764	1,547	1,704	1,942	200	437	393
TOTAL	2,541	2,475	2,768	3,136	434	694	656
Financials							
Sales	2,521	2,454	2,749	3,117	427	688	652
<i>Sales Gr</i>	30%	-3%	12%	13%	-18%	8%	53%
Ebdita	192	231	306	343	55	73	75
<i>Ebdita Gr</i>	0%	20%	32%	12%	8%	54%	37%
Net Profits	154	193	231	261	45	57	57
<i>Profit Gr%</i>	-3%	25%	20%	13%	19%	33%	27%
EbditaM%	7.6%	9.4%	11.1%	11.0%	13%	11%	11%
Net Mgn%	6.1%	7.8%	8.4%	8.4%	11%	8%	9%

Fig in Rs Cr

□ IITS revenue growth are expected to revive in 2QFY19 as 50% of IITS revenues growth are mainly driven by IP-led revenues we expect it to continue to witness an upward trajectory in IP revenue.

□ Domestic business which is volatile in nature and depends on the large deal signing in a particular quarter is expected to report 4% margin in 2QFY19 (included one time impact in 2QFY18).

□ Margin in IT services are likely to be within the range of 22% to 24% in 2QFY19 as the company is seeing growth through its IP-strategy (higher margin business), digital spending in retail and support from currency.

□ Other income to be soft in near-term (2QFY19) as the company will be impacted by forex loss since the company has hedged its 75% of net exposure at INR67.68 per USD.

□ The management has highlighted that if the ~30 clients who are identified as strategic customers, if these accounts scale up from current US\$1mn revenues to US\$3-5mn, it would significantly boost its service revenues in three years.

Key Trackable this Quarter

□ IITS business to report better margins than FY18, continued growth in IP revenue.

□ Hedging of 75% of revenue, this may result in forex loss in 2QFY19.

We value the stock at 16x FY20E. Maintain Buy.

TELX:IN

CMP 1197
Target 1529
Upside 28%
Rating BUY

	FY17	FY18	FY19	FY20
ROE%	36.7	37.0	34.1	30.7
ROCE%	56.4	49.5	48.0	41.9
PE	26.3	25.5	25.6	21.9
PB	8.2	8.3	7.7	6.0
EV/EBITDA	14.9	17.5	16.4	14.0

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
Software Development	16%	14%	20%	17%	13%	20%	22%
Systems Integration	0%	-15%	-10%	-10%	16%	-12%	-10%
Segments(in cr)							
Software Development							
<i>Embedded Prod Design</i>	996	1,160	1,422	1,678	285	328	356
<i>Incl Design & Visualis.</i>	171	169	171	180	39	41	41
Systems Integration	67	57	51	46	18	13	16
Financials							
Sales	1,233	1,386	1,645	1,904	342	382	413
<i>Sales Gr</i>	15%	12%	19%	16%	13%	18%	21%
Ebdita	293	346	436	495	84	107	111
<i>Ebdita Gr</i>	19%	18%	26%	14%	13%	45%	32%
Net Profits	173	240	291	340	57	71	73
<i>Profit Gr%</i>	12%	39%	21%	17%	33%	41%	28%
EbditaM%		25%	27%	26%	25%	28%	27%
Net Mgn%		17%	18%	18%	17%	18%	18%

Cons/ Fig in Rs Cr

□ Sales are expected to achieve 19% YoY in 2QFY19 on back of synergies across all the Embedded Product Design business (automotive, broadcast and medical).

□ In EPD segment, SDN as a technology (part of media & broadcast) where the management were investing for the last 18 months, is bearing fruits. We expect large deal wins will be seen in this quarter again.

□ Medical business (small part of EPD) is expected to continue to win large deals and will be growth engine for the company in FY19.

□ System integration (now only left with the contribution of 4%) which mainly involves resale business is expected to be continue to soft in 2QFY19 as management is focused to reduce the contribution and is planning to exit from the resale business.

□ Margin are expected to be improve and surpass the comfort level of 24% -25% in 2QFY19 too led by increase in higher margin SDS segment and revenue from IP business .

Key Trackable this Quarter

- FY19 margins to surpass FY18 (~25%).
- Continued Automotive segment growth and medical segment.
- SIS to continue to see softness in 2QFY19.
- Revenue from JLR's business.

We value the stock at 28x FY20E. Maintain Buy.

TECHM:IN

CMP 761
Target 840
Upside 10%
Rating HOLD

	FY17	FY18	FY19	FY20
ROE%	18.4	21.5	20.3	20.8
ROCE%	16.8	16.5	19.5	19.7
PE	15.7	16.5	18.2	15.4
PB	2.7	3.3	3.5	3.0
EV/EBITDA	10.5	13.2	12.6	10.8

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
Revenues growth(%)	10%	6%	14%	12%	6%	13%	13%
Revenue by industry							
Communication	2,077	2,065	2,018	2,260	516	485	494
Enterprise	2,268	2,707	3,053	3,348	662	739	752
TOTAL	4,345	4,772	5,071	5,608	1,178	1,224	1,247
Financials							
Sales	29,141	30,773	35,047	39,204	7,606	8,276	8,603
Sales Gr	10%	6%	14%	12%	6%	13%	13%
Ebdita	4,184	4,710	5,945	6,735	1,106	1,357	1,445
Ebdita Gr	-2%	13%	26%	13%	3%	45%	31%
Net Profits	2,851	3,786	4,105	4,842	839	899	1,000
Profit Gr%	-6%	33%	8%	18%	30%	14%	19%
EbditaM%	14.4%	15.3%	17.0%	17.2%	15%	16%	17%
Net Mgn%	9.8%	12.3%	11.7%	12.3%	11%	11%	12%

Cons/ Fig in Rs Cr

□ TECHM'S communication business is expected to see sequential acceleration in 2QFY19 as the company is witnessing opportunities in the area of network modernization and 5G which will pose broad-based opportunities for the company.

□ Enterprise business is expected to continue to report strong performance led by manufacturing. For FY19, it is expected to grow at double digit on the back of success in large deal wins and increase in strong digital demand (30% growth YoY).

□ Robust deal flows (reflected in LOIs) worth ~USD200m received within first 30 days of the quarter (Q2FY19) is expected to continue to be strong for FY19.

□ Margins are expected to improve 70bps in 2QFY19 led by INR depreciation benefit (80bps), improved operational efficiencies. However some proportion will be offset by wage hike (for ~50% employees).

□ Tax rate are expected to be in guided range of 24% for 2QFY19.

Key Trackable this Quarter

- Commentary on telecom revival around 5G technologies.
- Continued deal wins.
- Continued outperformance by enterprise business.

We value the stock at 17x FY20E. Maintain Hold.

TCS:IN

CMP 2180
Target 2100
Upside -4%
Rating NEUTRAL

	FY17	FY18	FY19	FY20
ROE%	34%	30%	36%	34%
ROCE%	37%	34%	41%	39%
PE	18.2	21.1	25.9	23.6
PB	5.6	6.4	9.2	7.2
EV/EBITDA	14.7	16.6	20.7	18.6

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
Revenues growth(%)	9%	4%	19%	10%	4%	16%	19%
Revenue by industry							
BFSI	47,505	48,418	48,793	52,402	12,229	13464	11,418
Manufacturing	12,486	13,361	11,826	11,628	3,288	3746	2,629
Retail and Consumer bu	20,459	21,055	24,582	26,963	5,109	5906	6,036
Communication, media	19,521	21,131	21,949	23,117	5,269	5,730	5,329
Others	17,995	19,139	39,169	48,576	4,646	5,415	10,981
TOTAL	117,966	123,104	146,318	162,686	30,541	34,261	36,392
Financials							
Sales	117,966	123,104	146,318	162,686	30,541	34,261	36,392
<i>Sales Gr</i>	9%	4%	19%	10%	1%	16%	19%
Ebdita	32,311	32,516	39,923	43,892	8,164	9,071	10,044
<i>Ebdita Gr</i>	6%	1%	23%	10%	-5%	22%	23%
Net Profits	26,357	25,880	31,977	35,084	6,460	7,362	8,006
<i>Profit Gr%</i>	9%	-2%	24%	9%	-5%	24%	24%
EbditaM%	27.4%	26.4%	27.3%	27.0%	27%	26%	28%
Net Mgn%	22.3%	21.0%	21.9%	21.6%	20%	21%	22%

Cons/ Fig in Rs Cr

□ Sales are expected to improve 4% QoQ in constant currency in 2QFY19 on the back of revival in US BFS (1.6bn dollar of TCV wins) and retail, robust deal pipeline and accelerating digital demand.

□ BFSI which pulled down the revenue growth in FY18 has showed turnaround in 1QFY19. It is expected to continue to improve in 2QFY19 too as spending as picked up in North America and strong traction in deal wins

□ All segments for TCS (ex BFS and Retail) are expected to grow in healthy single-digits or lower double-digits in 2QFY19. TCS is expected to post double-digit revenue growth in FY19.

□ Margin is expected to improve 120bps on account of benefit from INR depreciation (100 bps) and improved operational efficiency. For FY19 margins are expected to reach the aspired band of 26-28% led by currency tailwind, higher revenue growth and improved operational metrics.

Key Trackable this Quarter

- Currency, higher revenue growth & improved operations metrics are drivers for Margins.
- Increase in TCV wins.
- Revival in revenue growth from BFS and Retail in North America expected.

We value the stock at 22x FY20E. Maintain Neutral.

CMP 329
Target 319
Upside -3%
Rating NEUTRAL

	FY17	FY18	FY19	FY20
ROE%	17.4	16.1	16.5	15.9
ROCE%	17.8	15.6	16.3	15.9
PE	14.7	15.9	17.4	15.5
PB	2.4	2.7	2.7	2.3
EV/EBITDA	11.8	13.0	13.9	12.1

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
Revenues (USD m)	8,111	8,192	8,415	9,023	2,013	2,079	2,087
Segment revenue (in crore)							
<i>IT Services</i>	52,844	52,841	55,935	60,492	13,169	13,700	13,917
<i>IT Products</i>	2,592	1,800	1,526	1,764	299	353	376
Total	55,436	54,641	57,461	62,256	13,467	14,054	14,293
<i>Financials</i>							
Sales	55,448	54,487	57,385	62,256	13,469	14,231	14,293
<i>Sales Gr</i>	8%	-2%	5%	9%	-3%	4.2%	6%
Ebdita	11,321	10,387	11,098	12,400	2,824	2,687	2,737
<i>Ebdita Gr</i>	5%	-8%	7%	12%	1%	-1%	-3%
Net Profits	8,518	8,003	8,581	9,619	2,192	2,094	2,105
<i>Profit Gr%</i>	-5%	-6%	7%	12%	6%	1%	-4%
EbditaM%	20.4%	19.1%	19.3%	19.9%	21.0%	18.9%	19.2%
Net Mgn%	15.4%	14.7%	15.0%	15.5%	16.3%	14.7%	14.7%

Fig in Rs Cr

□IT service revenue are expected to be in range of \$2,009 million to \$2,049 million(also guided by the management) in 2QFY19 on the back of [1] Greater traction in BFSI, [2] Continued restructuring in the India/Middle East business, [3] Uncertainty in HPS and [4] Pressure in Utilities.

□IT Products revenue is expected to improve in 2QFY19 onwards as management focus is now to run tight and profitable business .

□Margins are expected to be impacted by wage hike, restructuring of India business and weakness in HPS (health plan service), however we expects IT Service EBIT margins to be within a 16% range, similar to what it earned in 4QFY18 adjusted for one-time items.

□We have not factored the loss due to settlement of the lawsuit filed by National Grid US (impact of Rs 500 crore) in 2QFY19 performance.

□Wipro declared a new deal wins from Alight Solutions in September 2018.This deal will result in revenues of USD \$1.5 to \$1.6 billion for Wipro from 2HFY19.

Key Trackable this Quarter

- Continued strength in BFS and Energy.
- Management guided to achieve revenue growth of 0.3-2.3% QoQ in IT Service business.
- Continued uncertainties in HPS, near-term weakness in Utilities and Manufacturing verticals is expected to impact USD revenue growth in 2QFY19.

We value the stock at 15x FY20E. Maintain Neutral.

ZENT:IN

CMP 321
Target 318
Upside -1%
Rating NEUTRAL

	FY17	FY18	FY19	FY20
ROE%	17.4	15.7	19.5	19.6
ROCE%	19.3	15.7	19.1	20.9
PE	17.4	16.4	20.3	17.2
PB	2.8	2.4	3.7	3.1
EV/EBITDA	10.4	10.5	12.0	9.8

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
Revenues growth(%)	1%	5%	18%	15%	3%	18%	18%
Revenue (in usd mn)							
Application	359	402	481	544	98	115	119
IMS	99	80	86	97	20	20	21
TOTAL	458	482	567	641	118	135	140
Financials							
Sales	3,056	3,108	3,927	4,485	763	905	981
<i>Sales Gr</i>	2%	2%	26%	14%	-1%	23%	29%
Ebdita	382	365	499	585	89	116	121
<i>Ebdita Gr</i>	-21%	-4%	37%	17%	-21%	55%	36%
Net Profits	238	246	355	422	63	84	86
<i>Profit Gr%</i>	-18%	3%	44%	19%			
EbditaM%	12.5%	11.7%	12.7%	13.0%	12%	13%	12%
Net Mgn%	7.8%	7.9%	9.0%	9.4%	8%	9%	9%

Cons/ Fig in Rs Cr

□ Zensar won a largest deal size of TCV of USD79mn in 4QFY18 (majority of which were in Digital across the areas of UX, CX, analytics, automation, cloud, commerce and IoT). We expect revenue from this to start coming from 2QFY19 and full impact from 3QFY19, thus aiding significant revenue growth in FY19.

□ 2QFY19 growth is expected to come on back of strength in digital (contributes 38% in Application management service), ramp-up of recent deal wins and growth from Cloud, Digital Led next gen CIS (part of IMS).

□ MVS (part of IMS) which is non-core is expected to remain flattish in the range of USD10-15mn in FY19 as the management doesn't intent to invest any further in this business segment.

□ In 2QFY19, margins are expected to see some headwinds because of wage. However, this would be mitigated through higher revenue and other operational efficiency for entire year FY19.

Key Trackable this Quarter

- 2QFY19 revenue will include 2 months of Indigo Slate's revenues.
- Revenue growth and improved margins in IMS.
- Strong performance in Digital.

We value the stock at 17x FY20E. Maintain Neutral.

Disclosures:

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations). Narnolia Financial Advisors Ltd. (Formerly Microsec Capital Ltd) (MCL) is a SEBI Registered Research Analyst having registration no. INH300002407. MCL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock broking services, Depository participant services, Merchant Banking, Portfolio Management & distribution of various financial products. MCL is a subsidiary company of G Raj & Company Consultants Ltd. (GRaj). MCL is registered with the Securities & Exchange Board of India (SEBI) and is a registered Trading Member with National Stock Exchange of India Ltd. (NSE), Bombay Stock Exchange Limited (BSE) and Metropolitan Stock Exchange Of India Ltd. (MSEI) for its stock broking activities & is Depository participant with Central Depository Services Limited (CDSL) & National Securities Depository Limited (NSDL) and is member of Association of Mutual Funds of India (AMFI) for distribution of financial products. MCL is also SEBI registered Category 1 Merchant Banker & Portfolio Manager. Details of associate entities of MCL is available on the website at www.narnolia.com

No penalties have been levied on MCL by any Regulatory/Statutory authority. MCL, it's associates, Research Analyst or their relative may have any financial interest in the subject company. MCL and/or its associates and/or Research Analyst may have beneficial ownership of 1% or more securities in the subject company at the end of the month immediately preceding the date of publication of the Research Report. MCL and its associate company(ies), their directors and Research Analyst and their relatives may; (a) from time to time, have a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MCL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report. Research Analyst may have served as director/officer, etc. in the subject company in the last 12 month period. MCL and/or its associates may have received any compensation from the subject company in the past 12 months. In the last 12 months period ending on the last day of the month immediately preceding the date of publication of this research report, MCL or any of its associates may have: a) managed or co-managed public offering of securities from subject company of this research report, b) received compensation for investment banking or merchant banking or brokerage services from subject company of this research report, c) received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company of this research report. d) Subject Company may have been a client of MCL or its associates during twelve months preceding the date of distribution of the research report. MCL and it's associates have not received any compensation or other benefits from the subject company or third party in connection with the research report. MCL and / or its affiliates do and seek to do business including investment banking with companies covered in its research reports. As a result, the recipients of this report should be aware that MCL may have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

Terms & Conditions: This report has been prepared by MCL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of MCL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. MCL will not treat recipients as customers by virtue of their receiving this report.

Analyst Certification The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report.

Disclosure of Interest Statement Companies where there is interest
Analyst's ownership of the stocks mentioned NIL

A graph of daily closing prices of securities is available at www.nseindia.com, www.bseindia.com.

Research Analyst's views on Subject Company may vary based on Fundamental research and Technical Research. Proprietary trading desk of MCL or its associates maintains arm's length distance with Research Team as all the activities are segregated from MCL research activity and therefore it can have an independent view with regards to subject company for which Research Team have expressed their views.

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

Disclaimer:

The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent. This report and information herein is solely for informational purpose and may not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. Certain transactions -including those involving futures, options, another derivative products as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. No representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document. This information is subject to change without any prior notice. The Company reserves the right to make modifications and alternations to this statement as may be required from time to time without any prior approval. MCL, its associates, their directors and the employees may from time to time, effect or have effected an own account transaction in, or deal as principal or agent in or for the securities mentioned in this document. They may perform or seek to perform investment banking or other services for, or solicit investment banking or other business from, any company referred to in this report. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting the document. The views expressed are those of the analyst, and the Company may or may not subscribe to all the views expressed therein. This document is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MCL to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sell in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction. Neither the Firm, nor its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits or lost opportunities that may arise from or in connection with the use of the information. The person accessing this information specifically agrees to exempt MCL or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold MCL or any of its affiliates or employees responsible for any such misuse and further agrees to hold MCL or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent. This report and information herein is solely for informational purpose and may not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. Certain transactions -including those involving futures, options, another derivative products as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. No representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document. This information is subject to change without any prior notice. The Company reserves the right to make modifications and alternations to this statement as may be required from time to time without any prior approval. MCL, its associates, their directors and the employees may from time to time, effect or have effected an own account transaction in, or deal as principal or agent in or for the securities mentioned in this document. They may perform or seek to perform investment banking or other services for, or solicit investment banking or other business from, any company referred to in this report. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting the document. The views expressed are those of the analyst, and the Company may or may not subscribe to all the views expressed therein. This document is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MCL to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sell in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction. Neither the Firm, nor its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits or lost opportunities that may arise from or in connection with the use of the information. The person accessing this information specifically agrees to exempt MCL or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold MCL or any of its affiliates or employees responsible for any such misuse and further agrees to hold MCL or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

Correspondence Office Address: Arch Waterfront, 5th Floor, Block GP, Saltlake, Sector 5, Kolkata 700 091; Tel No.: 033-40541700; www.narnolia.com. Registered Office Address: Shivam Chambers, 1st Floor, 53, Syed Amir Ali Avenue, Kolkata 700 091. Compliance Officer: Manish Kr Agarwal, Email Id: mkagarwal@narnolia.com, Contact No.:033-4054 1766.

Registration details Company & Group entities: MCL: SEBI Registration: INZ000166737 (BSE/NSE/MSE); CDSL: IN-DP-424-2007; NSDL: IN-DP-NSDL-245-2005; Research Analyst: INH300002407, Merchant Banking: (Registration No.: INM000010791), PMS: (Registration No.: INP000002304), AMFI: ARN 3087

SEBI Registration: BSE Broker INZ260010731; NSDL DP: IN-DP-NSDL-371-2014 G. Raj & Company Consultants Ltd (G RAJ), MCX/NCDEx Commodities Broker: INZ000051636 Microsec Commerce Limited, PMS: INP000005109Narnolia Velox Advisory Ltd., Investment Adviser: INA300005439 Eastwind Capital Advisors Pvt Ltd. (EASTWIND),IRDA License No.134 (Microsec Insurance Brokers Limited), AMFI: ARN 20558, PFRDA NPS POP: 35012016 Narnolia Securities Ltd. (NSL), RBI Registered NBFC:B.05.02568 Narnolia Capital Advisors Pvt. Ltd.