

India Equity Analytics

Results Preview Q2FY20 - Technology

Narnolia[®]

Analyst

Niharika Ojha

niharika@narnolia.com

CMP 465
Target 481
Upside 3%
Rating NEUTRAL

	FY18	FY19	FY20E	FY21E
Roe%	18.1	19.4	18.1	17.5
Roce%	18.8	20.5	18.4	19.3
P/E	19.2	15.0	10.4	9.7
P/B	3.4	2.8	1.8	1.6
EV/Ebdita	13.1	10.4	6.0	4.8

	FY18	FY19	FY20E	FY21E	2QFY19	1QFY20	2QFY20E
<i>Revenues (USD m)</i>	607	660	662	733	169	157	165
<i>Segment revenue (in mn\$)</i>							
<i>Mfg and industrial</i>	319	348	380	417	87	94	92
<i>Utilities,geo and comm</i>	226	232	196	223	59	44	49
<i>DLM</i>	62	80	86	93	23	19	23
<i>Financials</i>							
<i>Sales</i>	3,914	4,618	4,632	5,166	1,187	1,089	1,155
<i>Sales Gr%</i>	9%	18%	0%	12%	23%	1%	-3%
<i>Ebdita</i>	535	633	700	790	161	143	176
<i>Ebdita Gr%</i>	12%	18%	11%	13%	15%	10%	9%
<i>Net Profits</i>	403	477	492	532	127	90	129
<i>Profit Gr%</i>	18%	18%	3%	8%	14%	9%	1%
<i>Ebdita Margin%</i>	13.7%	13.7%	15.1%	15.3%	13.6%	13.1%	15.2%
<i>Ebit Margin%</i>	11.0%	11.3%	11.3%	11.8%	11.2%	9.1%	11.3%
<i>Net Profit Margin %</i>	10.3%	10.3%	10.6%	10.3%	10.7%	8.3%	11.1%

Conso/ Fig in Rs Cr

- ❑ CYIENT's 2QFY20 sales are expected to grow by 5.2%QoQ in USD terms owing to recovery in aerospace and communication.
- ❑ Aerospace & defense segment which has been muted for quite some time is expected to recover in 2Q as ramp of deal will support growth and recovery of large client is expected .
- ❑ Communication is expected to bounce back with 4%QoQ growth after posting 9.1%QoQ decline in 1QFY20.
- ❑ However semiconductor is expected to remain under pressure in 2Q and FY20 due to slowdown in demand in this segment. Also Management has stated of de-growth of 3% in this segment for FY20
- ❑ EBIT margin is expected to improve 230bps in 2Q to 11.4% after posting the lowest margin in 1QFY20. Margin will see recovery in 2Q with revenue growth and cost optimization initiatives however wage hike will mitigate some impact.
- ❑ PAT for the quarter is expected to improve 41.1%QoQ, primarily led by margin pickup and higher other income.

Key Trackable this Quarter

- ❑ Commentary on macro challenges, Challenges in top accounts and major vertical performance aerospace and defense, communication etc .
- ❑ Management guidance for H2 and FY20E
- ❑ Key levers for double digit EBIT growth target for FY20 as guided.

We value the stock at 10x FY21E EPS. NEUTRAL

HCLT IN

CMP 1081
Target 1191
Upside 10%
Rating ACCUMULATE

	FY18	FY19	FY20E	FY21E
Roe%	31.8	33.5	29.8	29.7
Roce%	28.1	29.0	26.5	24.8
P/E	15.5	14.6	14.2	12.7
P/B	3.7	3.6	2.9	2.4
EV/Ebdita	11.7	10.3	8.6	7.3

	FY18	FY19	FY20E	FY21E	2QFY19	1QFY20	2QFY20E
<i>Revenue USD mn</i>	7,837	8,633	10,120	11,140	2,099	2,364	2,483
<i>Revenue by industry(*)</i>							
IT and Business services			51,048	55,550	-	12,364	12,637
Engineering and R&D services			11,436	12,778	-	2,783	2,822
Products & Platforms			8,575	10,763	-	1,280	1,998
<i>Financials</i>							
Sales	50,569	60,427	71,059	79,091	14860	16,427	17,457
<i>Sales Gr%</i>	6%	19%	18%	11%	20%	18%	17%
Ebdita	11,246	13,926	16,281	18,148	3463	3,570	4,033
<i>Ebdita Gr%</i>	8%	24%	17%	11%	26%	10%	16%
Net Profits	8,722	10,120	10,337	11,533	2,534	2,230	2,541
<i>Profit Gr%</i>	1%	16%	2%	12%	15%	-8%	0%
Ebdita Margin%	22.2%	23.0%	22.9%	22.9%	23.3%	21.7%	23.1%
Ebit Margin%	19.5%	19.6%	18.6%	18.8%	19.9%	17.3%	18.7%
Net Profit Margin %	17.2%	16.7%	14.5%	14.6%	17.1%	14%	14.6%

*Reorganized new business segments effective from 1QFY20

Conso/ Fig in Rs Cr

- ❑ HCLTECH is expected to post strong growth of 5.1%QoQ in sales (highest among peers). The growth is expected to be supported by growth in IT and Business services especially coming from IMS business (rising adoption of hybrid cloud and digital work place) and moderate growth in ERS.
- ❑ Also Revenue growth is expected to rise further in 2QFY20 as the products business portfolio acquired from IBM will have full quarter impact in 2QFY20 which is likely to provide at least 4% QoQ revenue growth by itself in 2QFY20.
- ❑ However some part of growth is expected to offset in 2QFY20 due to continued challenges in one of account in BFSI.
- ❑ EBIT margin for 2QFY20 is expected to improve 140bps to 18.7%(within guided range of 18.5 to 19.5%)primarily on account of revenue contribution coming from IBM product which has higher margins, However some part will offset by wage hike (likely to impact 40 to 50 bps in 2Q).
- ❑ ETR for the quarter and for the year is expected to at 24% (higher in annualized rate of 20%) with the consummation of IBM product.
- ❑ PAT for the quarter is expected to improve 14%QoQ; primarily led by better revenue growth partially offset by higher ETR.
- ❑ For FY20, the company has guided its revenue growth of 14.0% to 16.0% in cc terms .It now expects organic growth to be 8-10% (1% higher) and inorganic growth of ~6% for FY20E.

Key Trackable this Quarter

- ❑ Commentary on macro issue, BFSI client and deal wins .
- ❑ Management update on revenue guidance (14% to 16%).
- ❑ Margin levers for FY20.

We value the stock at 14x FY21E EPS. ACCUMULATE

INFO IN

CMP	805
Target	887
Upside	10%
Rating	ACCUMULATE

	FY18	FY19	FY20E	FY21E
Roe%	24.8	23.7	23.8	25.2
Roce%	24.5	23.3	23.5	24.8
P/E	15.4	20.9	20.8	18.2
P/B	3.8	5.0	5.0	4.6
EV/Ebdita	14.0	16.9	16.0	14.1

	FY18	FY19	FY20E	FY21E	2QFY19	1QFY20	2QFY20E
<i>Revenue USD mn</i>	10,936	11,799	13,039	14,307	2,921	3,131	3,225
<i>Revenue by industry</i>							
Financial services	23,214	26,473	28,919	32,477	6,636	6,856	7,138
Manufacturing	6,682	8,140	8,617	9,269	1,978	2,099	2,130
E&U	8,289	10,393	11,923	13,512	2,535	2,833	2,941
Retail	11,333	13,554	14,321	15,636	3,462	3,435	3,557
Life Sciences, Hi tech an	12,124	13,672	14,880	16,115	3,462	3,576	3,707
Communication	8,851	10,431	12,651	13,856	2,535	3,004	3,152
<i>Financials</i>							
Sales	70,522	82,675	91,311	100,865	20,609	21,803	22,625
Sales Gr%	3%	17%	10%	10%	17%	14%	10%
Ebdita	19,011	20,170	22,673	25,994	5,357	5,152	5,588
Ebitda Gr%	2%	6%	12%	15%	14%	10%	4%
Net Profits	16,029	15,411	16,466	18,880	4,110	3,802	4,089
Profit Gr%	11%	-4%	7%	15%	10%	5%	-1%
Ebdita Margin%	27.0%	24.4%	24.8%	25.8%	26.0%	23.6%	24.7%
Ebit Margin%	24.3%	22.0%	21.8%	22.8%	23.7%	20.5%	21.6%
Net Profit Margin %	22.7%	18.6%	18.0%	18.7%	19.9%	17.4%	18.1%

Conso/ Fig in Rs Cr

Infosys sales's is expected to grow by 3%QoQ in USD terms. The growth is expected to be primarily led by robust order booking (TCV of USD2.7b in 1Q) and continued growth in verticals like financial service, communication and E&U.

Financial service (FS) is expected to show moderate growth of 3.5%QoQ despite seeing challenges in capital market. Growth is expected to drive from consumer, corporate and commercial banking, cards and payments and wealth management areas. Also Continued win rates, Revenue from stater deal and large deal pipeline will drive growth in FS.

Communication which was major growth driver in 1QFY20 is expected to continue to grow as investments in the deployment of 5G will drive growth and also as the earlier deal wins will ramp up.

EBIT margin for 2QFY20 is expected to expand 110bps to 21.6% owing to better operational efficiency, increase in realization & cost efficiencies and absence of visa cost however some part will offset by remaining wage hike (50 to 60bps impact in 2Q)

Subcontracting is expected to remain in higher end of 6.5-7.5% in 2QFY20 and is expected to gradual downsize in coming quarters but still remain in the range of 6.5-7.5% of revenues for FY20.

PAT for the quarter is expected to grow 7.6%QoQ to Rs 4089 crore, primarily led by higher other income and better margin execution .

Key Trackable this Quarter

- Outlook on multi- year deal wins, financial service trend and increased TCV wins for FY20
- Commentary on Attrition and margin improvement plan.

We value the stock at 20x FY21E EPS. ACCUMULATE

LTI IN

CMP 1506
Target 1619
Upside 8%
Rating NEUTRAL

	FY18	FY19	FY20E	FY21E
Roe%	31.8	34.6	28.8	27.4
Roce%	29.5	39.7	33.0	31.8
P/E	20.7	19.3	16.9	14.9
P/B	6.0	6.0	4.5	3.7
EV/Ebdita	19.1	15.3	12.7	10.8

	FY18	FY19	FY20E	FY21E	2QFY19	1QFY20	2QFY20E
Revenues (\$ m)	1,132	1,348	1,470	1,671	328	357	359
<i>BFSI</i>	3,451	4,465	4,671	5,190	1,112	1,138	1,156
<i>Manufacturing</i>	1,227	1,496	1,500	1,661	357	377	369
<i>CPG, Retail, Pharma & c</i>	990	1,382	1,703	2,082	351	393	407
<i>Energy& Utilities</i>	856	1,011	1,112	1,278	249	267	270
<i>Hi tech, Media</i>	782	1,092	1,297	1,568	262	310	316
<i>Financials</i>							
Sales	7,307	9,446	10,285	11,780	2,331	2,485	2,518
Sales Gr%	12%	29%	9%	15%	33%	15%	8%
Ebdita	1,188	1,883	2,025	2,344	479	458	471
Ebdita Gr%	-3%	59%	8%	16%	63%	9%	-2%
Net Profits	1,113	1,516	1,546	1,756	400	356	361
Profit Gr%	15%	36%	2%	14%	47%	-2%	-10%
Ebdita Margin%	16.3%	19.9%	19.7%	19.9%	20.5%	18.4%	18.7%
Ebit Margin%	14.1%	18.4%	17.2%	17.3%	19.0%	16.0%	16.2%
Net Profit Margin %	15.2%	16.0%	15.0%	14.9%	17.2%	14.3%	14.3%

Conso/ Fig in Rs Cr

□ LTI 2QFY20 sales will continue to remain muted with 0.8%QoQ growth in USD terms owing to client specific rundowns and continued challenges in major verticals(Manufacturing, BFS and insurance).

□ Top client budget tightness is expected to bottom out in this quarter and deals are expected to ramp up however separation of one of top 10 client will continue to weigh on revenues in BFS space.

□ Manufacturing & Insurance verticals to start accelerate in 2H supported by ramp-up of large deals (USD 100mn large deal TCV won in Mfg, Re-insurer in 4Q).2QFY20 will continue to see challenges in Manufacturing & Insurance.

□ 2QFY20 margins are expected to expand 20bps to 16.2% for the quarter. The expansion covers the wage hike which will impact 170bps however it will completely be offset by absence of visa cost and non-recurrence of S&M spend (150bps).

□ We expect the Pat for 2QFY20 to be lower than threshold band of 15% owing to muted revenue growth.

Key Trackable this Quarter

- Commentary on BFS & CPG, Retail and continued deal wins to foster future growth.
- Margin levers for 2H of the year.

We value the stock at 16x FY21E EPS. NEUTRAL

LTTS IN

CMP 1523
Target 1764
Upside 16%
Rating BUY

	FY18	FY19	FY20E	FY21E
Roe%	29.6	34.8	29.2	26.6
Roce%	27.0	35.4	32.6	30.4
P/E	25.1	21.3	19.5	17.3
P/B	6.6	6.6	5.1	4.2
EV/Ebdita	21.9	17.7	14.1	11.8

	FY18	FY19	FY20E	FY21E	2QFY19	1QFY20	2QFY20E
Revenues (USD m)	581	724	622	953	177	194	198
<i>Segment revenue (\$mn)</i>							
Transportation	184	230	225	346	56	68	71
Industrial Products	132	145	123	195	36	38	39
Telecom & Hi-tech	150	197	124	181	48	43	41
Process Industry	132	103	97	145	25	30	31
Medical Devices	39	48	52	86	11	15	16
<i>Financials</i>							
Sales	3,747	5,078	5,700	6,670	1,266	1,348	1,391
Sales Gr%	15%	36%	12%	17%	41%	17%	10%
Ebdita	576	915	1,104	1,305	229	273	267
Ebdita Gr%	-2%	59%	21%	18%	67%	39%	17%
Net Profits	507	768	812	917	192	204	197
Profit Gr%	19%	52%	6%	13%	56%	3%	3%
Ebdita Margin%	15.4%	18.0%	19.4%	19.6%	18.1%	20.2%	19.2%
Ebit Margin%	13.0%	16.0%	16.4%	16.1%	15.9%	17.1%	16.2%
Net Profit Margin %	13.5%	15.1%	14.3%	13.8%	15.1%	15.1%	14.1%

Conso/ Fig in Rs Cr

□ LTTS is expected to post moderate sales growth of 2.2%QoQ in USD terms despite 2Q historically being strong quarter for the company.

□ The growth is expected to dragged by residual impact from telecom client (USD 7 million impact was seen in 1Q) and slowdown in semiconductor segment (sub segment of telecom and Hi tech vertical).However Transportation and other verticals is expected to continue to post healthy growth in 2QFY20

□ Despite macro challenges around auto segment , Company's transportation vertical is expected post growth among peers on back of deal won in last few quarters(7 multi-million deals in 1Q / 9 in 4Q).

□ Telecom segment is expected to slightly dip in revenue growth in 2QFY20(magnitude of decline in revenue will be lesser than 1Q) ;Growth trajectory is expected to rear up in H2FY20 on back of strong deal pipeline in this vertical.

□ EBIT margin for the quarter is expected to decline 90bps to 16.2%owing to wage hike which will impact the margin by 160bps. However, Better operational efficiencies will offset some impact.

□ Company has planned to give complete wage hike in 2Q as compared to last year where it was shared in 2Q and 3Q.

□ PAT for the quarter is expected to decline 3.6% sequentially owing to margin decline and lower other income.

Key Trackable this Quarter

□ Commentary on deals signed, ER&D budget and any further client specific issues.

□ Revision in guidance (12% to 14% guided for FY20)

We value the stock at 20x FY21E EPS. BUY

MAST IN

CMP **349**
Target **422**
Upside **21%**
Rating **BUY**

	FY18	FY19	FY20E	FY21E
Roe%	11.1	12.4	13.4	16.6
Roce%	15.2	18.1	15.4	16.3
P/E	16.5	10.3	7.9	6.6
P/B	2.1	1.5	1.0	0.9
EV/Ebdita	11.3	7.8	5.8	4.6

	FY18	FY19	FY20E	FY21E	2QFY19	1QFY20	2QFY20E
<i>Revenue by industry (in GBP Mn)</i>							
UK	66	83	87	104	20	20	21
US	27	28	31	36	7	7	7
Others	2	2	2	2	0	0	0
TOTAL	95	113	120	142	28	28	29
UK Growth	23.3%	25.5%	4.5%	18.9%	25.7%	5.1%	2.1%
US Growth	270.6%	2.2%	11.8%	16.5%	5.3%	-1.3%	2.9%
<i>Financials</i>							
Sales	817	1,033	1,060	1,267	257	248	249
Sales Gr%	45%	26%	3%	20%	30%	1%	-3%
Ebdita	100	132	137	165	31	33	32
Ebdita Gr%	88%	32%	4%	20%	32%	6%	2%
Net Profits	70	100	104	123	25	24	25
Profit Gr%	90%	43%	3%	19%	44%	8%	-1%
Ebdita Margin%	12.2%	12.7%	12.9%	13.0%	12.2%	13.3%	12.8%
Net Profit Margin %	8.6%	9.7%	9.8%	9.7%	9.8%	9.8%	10.0%

Conso/ Fig in Rs Cr

❑ Mastek is expected to post moderate sales growth of 3.7%QoQ in GBP terms. The growth is expected to drive through recovery in UK public sector and turnaround from US geography however UK private sector will continue to remain under pressure in 2QFY20.

❑ We expect growth in UK public sector to return given the strong order backlog (+14% QoQ). Also new leadership team, 6 new logo wins and increased focus on the US geography will start to support the revenues from 2QFY20..

❑ UK private sector's revenue is expected to remain under pressure in near term given the Brexit uncertainty.

❑ Margins for 2QFY20 is expect to decline by 50bps owing to wage hike (70 to 80bps impact) however some part will be offset by better execution during the quarter.

❑ PAT for the quarter is expected to grow 2% to Rs 24.8crore primarily cushioned by higher other income.

Key Trackable this Quarter

- ❑ Management commentary on decision making of UK government, deal wins and brexit impact.
- ❑ M&A plan for inorganic growth.
- ❑ Margins outlook for FY20

We value the stock at 8x FY21E EPS. BUY

MTCL IN

CMP 708
Target 709
Upside 0%
Rating NEUTRAL

	FY18	FY19	FY20E	FY21E
Roe%	20.8	22.8	18.2	19.7
Roce%	18.7	27.1	22.9	25.9
P/E	21.4	20.6	17.9	15.0
P/B	4.4	4.7	3.3	2.9
EV/Ebdita	16.4	14.3	10.5	8.6

	FY18	FY19	FY20E	FY21E	2QFY19	1QFY20	2QFY20E
<i>Revenue USD mn</i>	847	1,002	1,092	1,222	247	264	269
<i>Revenue by industry</i>							
Retail, CPG & Manufact	197	223	242	262	54	59	60
BFSI	205	221	235	272	55	57	58
Technology, Media and	317	393	428	478	97	104	106
Travel & Hospitality	127	164	186	209	41	44	46
<i>Financials</i>							
Sales	5,463	7,022	7,631	8,612	1,755	1,834	1,886
<i>Sales Gr%</i>	4%	29%	9%	13%	32%	12%	7%
Ebdita	741	1,065	1,082	1,309	270	184	252
<i>Ebdita Gr%</i>	5%	44%	2%	21%	75%	-20%	-7%
Net Profits	570	754	650	777	206	93	151
<i>Profit Gr%</i>	36%	32%	-14%	20%	65%	-55%	-27%
Ebdita Margin%	13.6%	15.2%	14.2%	15.2%	15.4%	10.0%	13.4%
Ebit Margin%	10.4%	12.8%	10.8%	11.9%	13.1%	6.4%	10.0%
Net Profit Margin %	10.4%	10.7%	8.5%	9.0%	11.7%	5.1%	8.0%

Conso/ Fig in Rs Cr

☐ Mindtree is expected to post slow sales growth 1.8%QoQ in USD terms. The growth is expected to come through robust deal wins(record highest TCv of USD324million won in 1QFY20) and continued growth in key verticals like retail and travel .

☐ Transition within the company (new leadership on board) will restrict growth as client interaction with new team will gradually improve, thus for near terms delay in decision making will drag growth.

☐ BFSI has begun to post growth. Though we expect growth to be slower than the other verticals due to slow adoption of digital and some client specific challenges.

☐ EBIT margin for the quarter is expected to expand 360bps to 10%.Absense of onetime expenses (260bps); better operational execution will be the key reason for the margin growth .However wage hike will offset some part of the margin (100bps) in 2QFY20.

Key Trackable this Quarter.

- ☐ Key initiative taken by the new leadership team.
- ☐ Commentary on the macro issues and client decision making developments.
- ☐ Margin lever for FY20 and attrition concerns

We value the stock at 15x FY21E EPS. NEUTRAL

MPHL IN

CMP 952
Target 1214
Upside 28%
Rating BUY

	FY18	FY19	FY20E	FY21E
Roe%	15.3	20.4	19.9	20.4
Roce%	18.1	23.8	24.5	25.2
P/E	19.5	17.1	15.4	13.3
P/B	3.0	3.5	3.1	2.7
EV/Ebdita	15.3	14.0	11.0	9.6

	FY18	FY19	FY20E	FY21E	2QFY19	1QFY20	2QFY20E
<i>Revenues (USD m)</i>	989	1,119	1,251	1,405	276	297	306
<i>Segment revenue (\$mn)</i>							
<i>Direct International</i>	691	763	856	959	187	203	210
<i>DXC / HP Business</i>	260	316	355	405	78	84	87
<i>Others</i>	38	39	39	41	10	10	10
<i>Financials</i>							
<i>Sales</i>	6,546	7,731	8,751	9,906	1,915	2,063	2,150
<i>Sales Gr%</i>	8%	18%	13%	13%	19%	13%	12%
<i>Ebdita</i>	1,062	1,324	1,628	1,836	333	374	398
<i>Ebdita Gr%</i>	10%	25%	23%	13%	34%	17%	19%
<i>Net Profits</i>	837	1,073	1,153	1,330	271	265	292
<i>Profit Gr%</i>	6%	28%	7%	15%	37%	2%	8%
<i>Ebdita Margin%</i>	16.2%	17.1%	18.6%	18.5%	17.4%	18.1%	18.5%
<i>Ebit Margin%</i>	15.1%	16.1%	16.2%	16.6%	16.4%	15.5%	16.1%
<i>Net Profit Margin %</i>	12.8%	13.9%	13.2%	13.4%	14.2%	12.8%	13.6%

Conso/ Fig in Rs Cr

☐ Mphasis is expected to post moderate sales growth of 2.7%QoQ in USD terms mainly driving from direct core channel; especially from Blackstone portfolio companies (expect to grow at double-digit rate in 2QFY20).

☐ Even HP /DXC channel is expected to continue to remain strong during the quarter supported by existing MSA and strategic partnership, geo diversification.

☐ Digital Risk business which is key to Mphasis strength in BFSI domain is expected to improve its performance in 2QFY20 however we expect it still remain below management guidance(USD25 to 27 mn on ramp-up of deal wins) in 2Q.

☐ EBIT margin is expected to improve 60bps to 16.1% mainly on account of the better operational efficiency ,absence of visa cost and one-time client specific provision for receivables that occurred in 1QFY20.However some part is expected to be mitigated by transition impact and continued investment.

☐ PAT for the quarter is expected to improve 10.2%QoQ to Rs292 crore owing to forex gain and better margin.

Key Trackable this Quarter

- ☐ Management commentary on macro challenges, Blackstone progress and DXC challenges .
- ☐ Commentary on top customer performance
- ☐ Margin levers for FY20.

We value the stock at 17x FY21E EPS. BUY

NITEC IN

CMP 1394
Target 1407
Upside 1%
Rating NEUTRAL

	FY18	FY19	FY20E	FY21E
Roe%	15.7	14.5	18.0	17.1
Roce%	18.3	23.9	22.4	23.5
P/E	19.0	20.2	19.2	15.9
P/B	3.0	3.9	3.6	3.0
EV/Ebdita	9.8	11.8	11.4	9.5

	FY18	FY19	FY20E	FY21E	2QFY19	1QFY20	2QFY20E
<i>Revenues growth(usd)</i>	462	528	585	665	131	139	144
<i>Vertical Mix(mn \$)</i>							
<i>BFSI</i>	197	236	265	303	59	63	65
<i>Travel & Trans.</i>	126	140	167	190	35	39	41
<i>Mfg, Med & Oth</i>	138	149	153	171	37	37	38
<i>Financials</i>							
<i>Sales</i>	2,991	3,676	4,092	4,688	907	963	1,007
<i>Sales Gr%</i>	7%	23%	11%	15%	23%	17%	11%
<i>Ebdita</i>	501	649	708	830	164	139	181
<i>Ebdita Gr%</i>	4%	29%	9%	17%	35%	5%	10%
<i>Net Profits</i>	280	403	448	542	112	87	115
<i>Profit Gr%</i>	3%	44%	11%	21%	67%	1%	2%
<i>Ebdita Margin%</i>	16.7%	17.6%	17.3%	17.7%	18.1%	14.4%	18.0%
<i>Ebit Margin%</i>	12.5%	14.2%	13.4%	14.1%	14.6%	10.2%	14.0%
<i>Net Profit Margin %</i>	9.4%	11.0%	10.9%	11.6%	12.4%	9.0%	11.4%

Conso/ Fig in Rs Cr

□ 2QFY20 is expected to post moderate quarter for the NIITTECH. We expect the sales to clock 3.6%QoQ on back of strong deal signings (USD 175million TCV won in 1QFY20), continued growth in travel and insurance vertical .Also, full revenue from whiskwork acquisition will further aid to revenue.

□ Banking and financial service is expected to be relatively soft in 2QFY20.

□ EBITDA of 1QFY20 includes onetime non recurring expenses of Rs23.5 crore related to ex gratia payment which is not expected to reoccur in 2Q.

□ EBITDA margin for 2QFY20 is expected to improve 360bps to 18% owing to absence of wage hike and onetime payment that occurred in 1QFY20.Also better operational execution and benefit from INDAS116 accounting change will further support margin expansion.

□ PAT is expected to improve 31.9%QoQ to Rs115crore primarily led by expansion in margins and lower ETR expectation.

□ For FY20, The management continues to plan for robust predictable and profitable growth seeing the healthy order book and absence of client specific issue. On margins, Management has clearly stated of over and above 18% threshold will be ploughed back in business.

Key Trackable this Quarter

□ Management commentary on Top 5 client revenue, Progress on development of strategy under new leadership and macro challenges .

□ Expectation of sign at least two large deals every quarter.

□ Commentary on M&A and Outlook for FY20.

We value the stock at 16x FY21E EPS. NEUTRAL

PSYS IN

CMP 569
Target 663
Upside 17%
Rating BUY

	FY18	FY19	FY20E	FY21E
Roe%	16.0	15.7	15.3	16.6
Roce%	15.4	17.8	17.0	19.3
P/E	18.0	14.3	12.1	10.3
P/B	2.7	2.1	1.8	1.6
EV/Ebdita	12.1	8.8	7.6	6.2

	FY18	FY19	FY20E	FY21E	2QFY19	1QFY20	2QFY20E
<i>Revenues (USD m)</i>	471	481	496	546	118	120	122
<i>Revenue by industry</i>							
Services	206	206	229	252	51	55	56
Digital	100	109	114	128	26	27	29
Alliance	130	139	133	145	35	33	32
Accelerite	34	27	19	21	7	4	5
<i>Financials</i>							
Sales	3,034	3,366	3,481	3,872	836	832	855
<i>Sales Gr%</i>	5%	11%	3%	11%	10%	0%	2%
Ebdita	469	556	558	657	144	120	124
<i>Ebdita Gr%</i>	1%	19%	0%	18%	24%	-14%	-14%
Net Profits	323	352	362	425	88	82	82
<i>Profit Gr%</i>	7%	9%	3%	18%	7%	-6%	-7%
Ebdita Margin%	15.5%	16.5%	16.0%	17.0%	17.2%	14.4%	14.5%
Ebit Margin%	10.2%	11.9%	11.6%	12.7%	12.4%	9.8%	10.0%
Net Profit Margin %	10.6%	10.4%	10.4%	11.0%	10.6%	9.9%	9.6%

Conso/ Fig in Rs Cr

❑ Persistent is expected to grow sales by 2%QoQ in USD terms. The growth will primarily be driven by continued growth in service business and recovery in digital business.

❑ However Alliance business will remain soft due to seasonality.

❑ With the new leadership on board and changes that will be going ahead, we expect FY20 will continue to be a year of transition. We expect IBM/IP segment to fully accelerate revenue in FY21 as the restructuring will start to play out

❑ EBIT margin for 2QFY20 is expected to improve 20 bps to 10%.The margin will be impacted by wage hike (250bps to 275 bps impact) However, the absence of visa costs and scope of utilization improvement will offset the margins in Q2FY20E.

❑ PAT for the quarter is expected to remain muted to Rs82crore primarily impacted by higher tax rate.

Key Trackable this Quarter

❑ Initiative taken by new leadership team (new Ceo).

❑ Commentary on IP led revenue and new wins in digital business.

We value the stock at 12x FY21E EPS. BUY

TELX IN

CMP 676
Target 740
Upside 9%
Rating NEUTRAL

	FY18	FY19	FY20E	FY21E
Roe%	37.0	34.5	25.0	25.0
Roce%	48.0	45.5	29.7	30.7
P/E	25.6	20.7	16.4	13.7
P/B	8.3	6.4	3.8	3.1
EV/Ebdita	17.5	14.3	11.8	9.6

	FY18	FY19	FY20E	FY21E	2QFY19	1QFY20	2QFY20E
Software Development	1329	1543	1147	1736	391	352	369
Systems Integration	57	54	50	54	11	10	9
<i>Segments(in cr)</i>							
Software Development							
<i>Embedded Prod Design</i>	1,160	1,377	1,410	1,557	349	318	326
<i>Incl Design & Visualis.</i>	169	166	162	179	42	33	43
Systems Integration	57	54	51	54	12	10	9
<i>Financials</i>							
Sales	1,386	1,597	1,623	1,790	403	362	378
<i>Sales Gr%</i>	12%	15%	2%	10%	18%	-5%	-6%
Ebdita	346	415	349	420	107	70	77
<i>Ebdita Gr%</i>	18%	20%	-16%	20%	27%	-34%	-28%
Net Profits	240	290	257	307	82	49	62
<i>Profit Gr%</i>	39%	21%	-11%	20%	44%	-31%	-25%
Ebdita Margin%	25.0%	26.0%	21.5%	23.4%	26.5%	19.3%	20.4%
Ebit Margin%	23.1%	24.4%	19.1%	21.3%	25.0%	16.4%	17.9%
Net Profit Margin %	17.3%	18.2%	15.8%	17.2%	20.4%	13.5%	16.3%

Std/ Fig in Rs Cr

□ TATA ELXSI is expected to recover after steep decline in 1Q. The revenue is expected to grow 4.6%QoQ owing to continued growth in verticals like broadcast and medical vertical .

□ Even in auto segment , growth is expected to slight improve in 2Q mainly coming from non JLR accounts(~35% of revenue contributor). However JLR (largest account) is expect to remain under pressure in 1HFY20 .

□ Though automotive segment is seeing slowdown (part of EPD) however we see some growth coming from communication (traction from 5G in the areas of network transformation and testing) and medical business in 2Q as traction continued in these segments.

□ Growth in the Industrial Design segment has lagged company average; we see that expansion in Industrial Business remains a challenge in FY20.

□ EBITDA margin for 2QFY20 is expected to pickup in revenue growth (still below its 22% to 25% range) however some portion will be mitigated by wage revision during the quarter.

□ PAT for the quarter is expected to improve 29.3%QoQ mainly owing to lower ETR expectation and pickup in revenues

Key Trackable this Quarter

- Watchful on new CEO strategy for future.
- Update on expansion plan in new markets and segments.
- Management response on Brexit, macro challenges and revenue visibility for FY20

We value the stock at 15x FY21E EPS. NEUTRAL

TCS IN

CMP 2099
Target 2279
Upside 9%
Rating NEUTRAL

	FY18	FY19	FY20E	FY21E
Roe%	30.2	36.2	34.5	32.0
Roce%	34.4	41.3	39.5	37.7
P/E	21.1	23.8	23.4	21.2
P/B	6.4	8.4	7.4	6.2
EV/Ebdita	16.6	18.8	17.9	15.8

	FY18	FY19	FY20E	FY21E	2QFY19	1QFY20	2QFY20E
<i>Revenues growth(%)</i>	9%	10%	9%	10%	10%	9%	8%
<i>Revenue by industry</i>							
BFSI	6,096	6,483	6,909	7,635	1,627	1689.38	1,711
Manufacturing	2,254	2,059	2,246	2,501	511	537.53	556
Retail and Consumer bu	3,113	3,210	3,457	3,830	803	822.75	852
Communication, media	2,863	3,282	3,598	3,978	819	861	892
Others	4,763	5,880	6,598	7,250	1,455	1,574	1,637
TOTAL	19,089	20,913	22,809	25,193	5,215	5,485	5,649
<i>Financials</i>							
Sales	123,104	146,463	159,702	177,610	36,854	38,172	39,628
<i>Sales Gr%</i>	4%	19%	9%	11%	21%	11%	8%
Ebdita	32,516	39,506	43,260	48,582	10,280	10,037	10,700
<i>Ebdita Gr%</i>	1%	21%	10%	12%	26%	11%	4%
Net Profits	25,880	31,562	33,690	37,193	7,929	8,153	8,183
<i>Profit Gr%</i>	-2%	22%	7%	10%	23%	11%	3%
Ebdita Margin%	26.4%	27.0%	27.1%	27.4%	27.9%	26.3%	27.0%
Ebit Margin%	24.8%	25.6%	25.0%	25.4%	26.5%	24.2%	24.9%
Net Profit Margin %	21.0%	21.5%	21.1%	20.9%	21.5%	21.4%	20.6%

Conso/ Fig in Rs Cr

□ TCS is expected to post strong sales growth of 3%QoQ in USD terms. The growth will primarily be coming through revival in retail and continued traction Life Sciences & Healthcare and Technology & Services. However BFSI is expected to continue to post laggard growth.

□ BFSI revenue is expected to remain impacted due to continued weakness in capital markets and European banks. This trend is expected to continue, Thus resulting in key dragger for revenue growth in the near term.

□ Retail segment posted a slow growth in 1QFY20 .We expect retail segment to recover in 2QFY20 led by ramp up of deal won in last few quarters.

□ Regional Markets (18.4% of TCS revenues) delivered strong performance in FY19.The growth in the segment slowed a bit in 1QFY20 but we still expect it to grow in 2QFY20 and for FY20 due to some large deal wins in products & platform space

□ EBIT margin are expected to expand 70bps to 24.9% mainly led by better execution and absence of visa cost .However in order to aggressively meet demand, the company will continue to go for subcontracting in near terms which will offset some margin benefit.

□ PAT for the quarter will remain muted (growth of 0.4%QoQ) to Rs 8183 crore, primarily impacted by lower other income.

Key Trackable this Quarter

□ Outlook on multi- year deal wins, financial service trend and increased TCV wins for FY20.

□ Management commentary on supply crunch and margin levers for FY20 .

We value the stock at 23x FY21E EPS. NEUTRAL

TECHM IN

CMP 716
Target 666
Upside -7%
Rating NEUTRAL

	FY18	FY19	FY20E	FY21E
Roe%	21.5	21.9	20.8	22.9
Roce%	16.5	21.8	19.7	21.8
P/E	16.5	17.8	16.3	14.0
P/B	3.3	3.8	3.3	3.0
EV/Ebdita	13.2	11.9	11.2	9.7

	FY18	FY19	FY20E	FY21E	2QFY19	1QFY20	2QFY20E
<i>Revenues growth(%)</i>	6%	13%	5%	11%	13%	5%	4%
<i>Revenue by industry</i>							
Communication	2,066	2,050	2,233	2,574	506	525	542
Enterprise	2,706	2,923	2,991	3,218	714	722	738
TOTAL	4,772	4,973	5,225	5,793	1,219	1,247	1,280
<i>Financials</i>							
Sales	30,773	34,742	36,380	40,548	8,630	8,653	8,978
<i>Sales Gr%</i>	6%	13%	5%	11%	13%	5%	4%
Ebdita	4,710	6,337	6,151	6,977	1,619	1,314	1,508
<i>Ebdita Gr%</i>	13%	35%	-3%	13%	46%	-3%	-7%
Net Profits	3,786	4,289	4,216	4,932	1,056	949	1,001
<i>Profit Gr%</i>	33%	13%	-2%	17%	26%	6%	-5%
Ebdita Margin%	15.3%	18.2%	16.9%	17.2%	18.8%	15.2%	16.8%
Ebit Margin%	11.8%	15.0%	13.4%	14.0%	15.3%	11.5%	13.2%
Net Profit Margin %	12.3%	12.3%	11.6%	12.2%	12.2%	11.0%	11.2%

Conso/ Fig in Rs Cr

□ TECHM 2QFY20 sales are expected to post moderate growth of 2.6% QoQ in USD terms. The growth is expected to drive from ramp up deal wins in communication. Even Enterprise is expected to improve led by growth in retail and healthcare vertical.

□ Communication which saw slow growth in 1QFY20 due to seasonality in Comviva business is expected to see the growth to gear up from 2QFY20 on back of deal pipeline. Recent deal announced with AT&T(estimated TCV of USD 1 billion) is expected to reflect in revenue from 3QFY20; Full impact to be seen in FY21.

□ For 5G, Full blown adoption of 5G is expected in FY21 while FY20 is just being considered a initial year. Thus Growth in Communications in 2QFY20 /FY20 does not factor in any tailwinds from the 5G opportunity.

□ Enterprise segment is expected to continue to remain volatile in 2QFY20as challenges continues in manufacturing however some growth will come from retail, Others (HCI) and BFS.

□ EBIT margin for 2QFY20 is expected to expand 180bps to 13.2%. Automation, lower visa cost, wage hike recovery and improved revenue growth will be key margin levers for TechM.

□ PAT for the quarter is expected to improve 5.5%QoQ to Rs 1001 crore, primarily driven by better margin execution and lower tax rate.

Key Trackable this Quarter

- Commentary on deal wins and 5G play out.
- Management comment on enterprise segment challenges.
- Margin outlook for FY20 and the leverages that will play out.

We value the stock at 13x FY21E EPS. NEUTRAL

CMP 240
Target 283
Upside 18%
Rating BUY

	FY18	FY19	FY20E	FY21E
Roe%	16.1	17.3	17.1	17.0
Roce%	15.6	17.3	17.2	17.0
P/E	15.9	17.0	14.4	13.6
P/B	2.7	2.7	2.5	2.1
EV/Ebdita	13.0	12.7	10.9	9.5

	FY18	FY19	FY20E	FY21E	Q2FY19	Q1FY20	Q2FY20E
<i>Revenues (USD m)</i>	7,895	8,120	8,327	8,930	2,010	2,039	2,056
<i>Segment revenue (in crore)</i>							
<i>IT Services</i>	52,841	57,329	58,533	62,959	14,377	14,351	14,492
<i>IT Products</i>	1,800	1,231	993	746	288	241	243
Total	54,641	58,560	59,526	63,704	14,665	14,592	14,735
<i>Financials</i>							
<i>Sales</i>	54,487	59,019	60,190	63,691	14,568	14,786	14,892
<i>Sales Gr</i>	-2%	8%	2%	6%	8%	3.9%	2%
<i>Ebdita</i>	10,387	11,617	12,059	12,661	2,377	2,947	2,949
<i>Ebdita Gr</i>	-8%	12%	4%	5%	-16%	10%	24%
<i>Net Profits</i>	8,003	9,018	9,485	10,080	1,886	2,404	2,302
<i>Profit Gr%</i>	-6%	13%	5%	6%	-14%	15%	22%
<i>Ebdita Margin%</i>	19.1%	19.7%	20.0%	19.9%	16.3%	19.9%	19.8%
<i>Ebit Margin%</i>	15.2%	16.4%	16.7%	16.7%	13.3%	16.6%	16.4%
<i>Net Profit Margin %</i>	14.7%	15.3%	15.8%	15.8%	12.9%	16.3%	15.5%

Fig in Rs Cr

□ Wipro is expected to grow by 0.8%QoQ in USD terms mainly owing to client specific issues, weakness in BFS, manufacturing, HPS and continued legacy drag.

□ BFS is expected to remain slow in 2QFY20 owing to continued challenges in capital market and European banks. We expect delay in project to bottom out and we see growth in 2H.

□ Even Manufacturing and Healthcare is expected to remain volatile during the 1HFY20 due to continued macro challenges. Communication and consumer will expect to drive growth in 2QFY20.

□ EBIT for 2QFY20 is expected to decline 20 bps owing to salary hike (2 months' salary impact) however some part will be offset by better operational execution.

□ PAT for the quarter is expected to decline 4.2%QoQ and 22.1%YoY (Rs 514 crore came as onetime expenses in 2QFY19) to Rs2302 crore; primarily led by lower other income.

□ Management expects 2QFY20 IT Services revenue to reach USD 2,039-2,080 million implying 0.0-2.0% QoQ growth rate. The lower guidance considered deferment of some projects in 1Q.

Key Trackable this Quarter

- Commentary on macro challenges and outlook on BFS vertical.
- Commentary on large deal wins for FY20

We value the stock at 16x FY21E EPS. BUY

ZENT IN

CMP 220
Target 225
Upside 2%
Rating NEUTRAL

	FY18	FY19	FY20E	FY21E
Roe%	15.7	17.6	16.7	17.5
Roce%	17.4	19.2	18.6	20.0
P/E	16.4	16.4	14.2	11.7
P/B	2.4	2.7	2.2	1.9
EV/Ebdita	10.5	10.8	8.0	6.9

	FY18	FY19	FY20E	FY21E	2QFY19	1QFY20	2QFY20E
<i>Revenues (in usd term)</i>	482	567	639	712	138	153	157
<i>Revenue (in crore)</i>							
Application	2,592	3,347	3,673	4,094	822	888	906
IMS	517	619	803	959	147	183	196
<i>Financials</i>							
Sales	3,108	3,966	4,477	5,053	969	1,071	1,102
Sales Gr%	2%	28%	13%	13%	27%	18%	14%
Ebdita	365	479	600	684	123	146	143
Ebdita Gr%	-4%	31%	25%	14%	38%	25%	17%
Net Profits	246	319	349	422	95	76	81
Profit Gr%	3%	29%	9%	21%	51%	-10%	-15%
Ebdita Margin%	11.7%	12.1%	13.4%	13.5%	12.7%	13.6%	13.0%
Ebit Margin%	9.6%	9.8%	10.1%	10.9%	10.4%	10.1%	9.7%
Net Profit Margin %	7.9%	8.0%	7.8%	8.3%	9.8%	7.1%	7.3%

Conso/ Fig in Rs Cr

□ ZENSAR is expected post moderate sales growth of 2.6%QoQ in USD terms. Robust order book (USD700mn), continued growth in digital business and Cloud, Digital led next gen CIs will drive growth in 2QFY20.

□ Core Application Services is expected to remain slow in 2QFY20 (continued weakness in retail) while Digital application Services will provide some cushion for growth .Major growth in 2Q is expected to drive from Cloud and Infrastructure Services (CIS) as deal wins and strategic partnership with companies such as Cisco, Nutanix etc will result in pass-through revenues in coming quarters(~2.5 mn USD quarterly run-rate) .

□ Vertical wise, insurance will drive growth in FSI vertical through cynosure while retail will continued to post laggard growth in 2QFY20 as the company is struggling in legacy core applications business within the vertical. Recovery in Retail will take few more quarters.

□ Margin are expected to remain muted and decline 40bps to 10% primarily impacted by wage hike (impacting margin by 150bps)however it will partially be offset by operational efficiency and with increase in margin-accretive cloud infrastructure deals.

□ PAT for the quarter is expected to improve 11%QoQ mainly owing to higher other income .

Key Trackable this Quarter

□ Management complementary on Macro challenges / Trade war, demand environment and top client renewals .

□ Continued increase in share of Digital revenue and CIS deals

We value the stock at 12x FY21E EPS. NEUTRAL

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Disclosure of Interest Statement-

Analyst's ownership of the stocks mentioned in the Report	NIL
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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: Marble Arch, Office 201, 2nd Floor, 236B, AJC Bose Road, Kolkata 700 020; Tel No.: 033-4050 1500; www.narnolia.com

Compliance Officer: Manish Kr Agarwal, Email Id: mkgarwal@narnolia.com, Contact No.:033-40541700.

Registration details of Company: Narnolia Financial Advisors Ltd. (NFAL): SEBI Stock Broker Registration: INZ000166737 (NSE/BSE/MSEI); NSDL/CDSL: IN-DP-380-2018; Research Analyst: INH300006500, Merchant Banking: (Registration No.: INM000010791), PMS: (Registration No.: INP000002304), AMFI Registered Mutual Fund distributor: ARN 3087

Registration Details of Group entities: G. Raj & Company Consultants Ltd (G RAJ)-BSE Broker INZ260010731; NSDL DP: IN-DP-NSDL-371-2014 || Narnolia Commerce Limited (Formerly Microsec Commerce Ltd.)-MCX/NCDEX Commodities Broker: INZ000051636 || NarnoliaVelox Advisory Ltd.- SEBI Registered PMS: INP000005109 || Eastwind Capital Advisors Pvt Ltd. (EASTWIND)-SEBI Registered Investment Adviser: INA300005439 || Narnolia Insurance Brokers Limited (Formerly Microsec Insurance Brokers Ltd.)-IRDA Licensed Direct Insurance Broker (Life & Non-Life) Certificate No. 134, License No. DB046/02 || Narnolia Securities Ltd. (NSL)-AMFI Registered Mutual Fund distributor: ARN 20558, PFRDA NPS POP: 27092018 || Narnolia Capital Advisors Pvt. Ltd. - RBI Registered NBFC:B.05.02568.

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Narnolia Financial Advisors Ltd.
803 & 703, A Wing, Kanakia Wall
Street
Andheri Kurla Road, Andheri (E)
Mumbai-400093
T: +912262701200
D: +912262701236
www.narnolia.com