

# Valuation Pulse – IT and ITeS industry

**Q3 FY20**



# Foreword



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We are pleased to present **Valuation Pulse** for the third quarter of FY 2020\*.

Globally, the valuations of large tech companies have been increasing steadily and are currently at peak at a whopping 9x revenue and 40x EBITDA multiples. On the back of global economic growth, global IT services companies have also seen recovery in valuation multiples and are currently being valued at a premium EV/EBITDA multiple compared to large Indian IT companies, except TCS and Infosys that are in line with global peers.

The Indian IT companies have also witnessed a slight uptick in valuation multiples on sequential basis on account of the below positive factors:

- continued traction on digital deals across verticals with increasing deal sizes
- stable/improving margins on account of operational efficiency optimisation, controlled hiring or change in mix of employee pyramid or increase in automation
- positive visibility on macro-economic factors like the US-China trade deal, certainty about Brexit etc.
- tailwind on account of rupee depreciation, which is slightly offset by utilisation issues in the quarter due to furloughs

However, certain core verticals such as capital markets in the UK, manufacturing and hi-tech are still under pressure leading to softness in valuations of Indian IT companies.

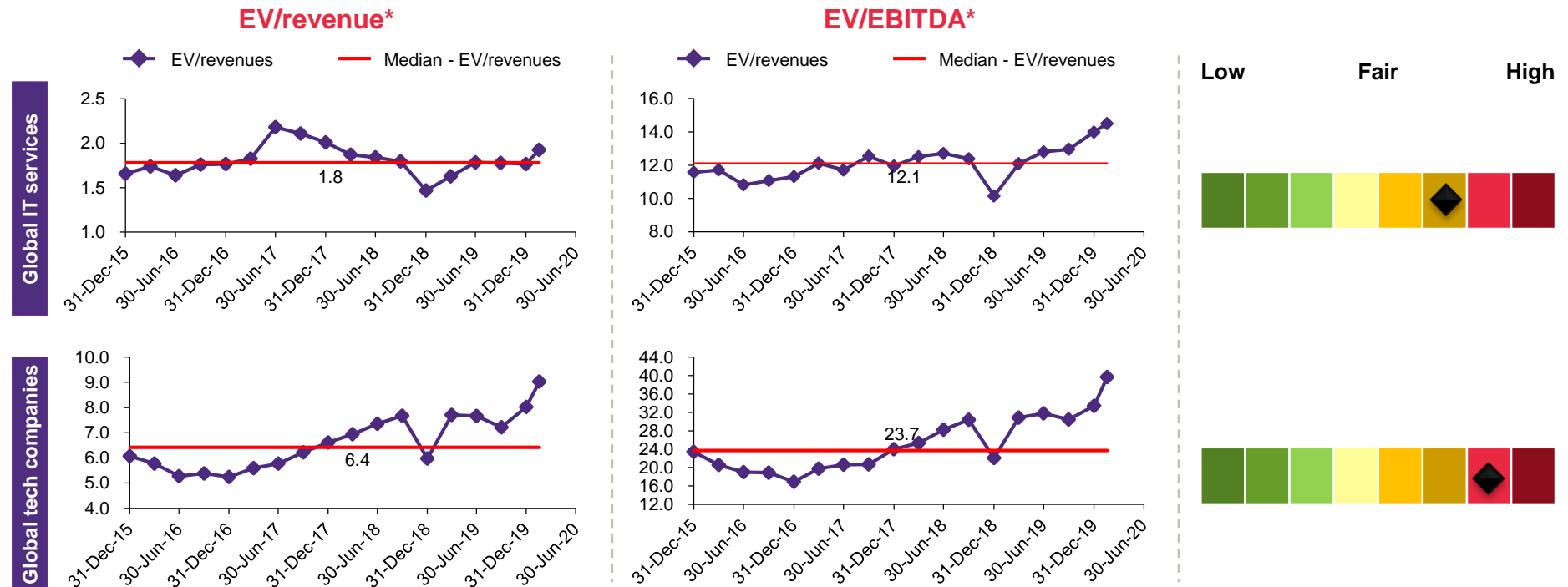
In the Indian scenario of mergers and acquisitions (M&A), both deal values and volumes for the YTD period have shrunk significantly on sequential basis. For the last two quarters, the IT industry has not witnessed any high-value transactions. Among large cap companies, only Infosys and Tech Mahindra have acquired a small/mid-sized company each during the quarter. It seems that the companies have taken a brief pause this year after acquiring targets aggressively in the past to build digital capabilities and are now focusing more on acquiring strategic targets.

However, the Private Equity (PE) deal activity remained robust with the number of investments in tech start-ups going up on a yearly basis.

We hope you will find this publication insightful and informative.

Please note that our analysis takes into account market data up to 17 February 2020 and hence, does not capture the impact of the market reactions on COVID-19.

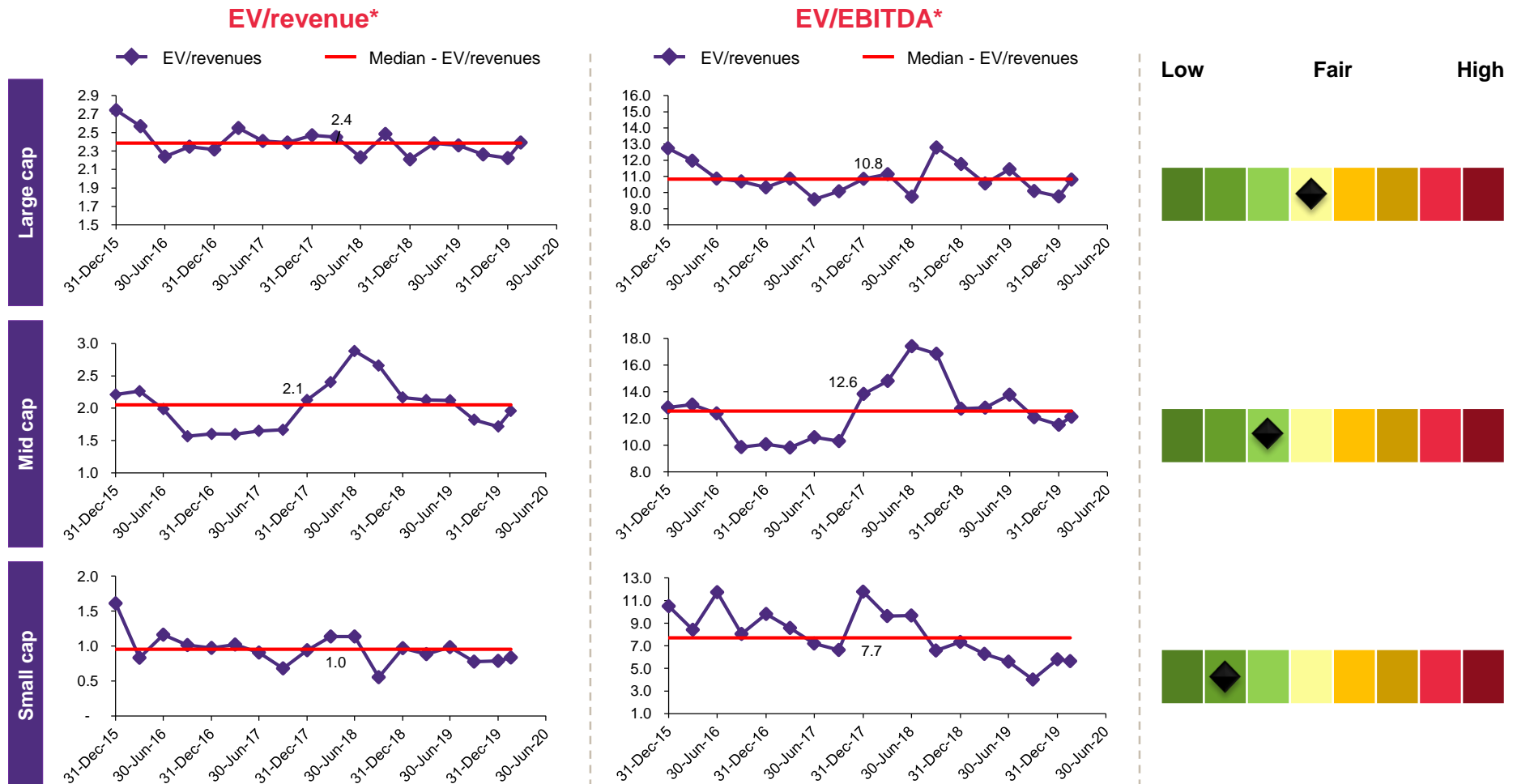
# Executive summary – global IT services and global technology



\*Multiples have been presented till 17 February 2020 in order to capture the results of Q3 FY20.

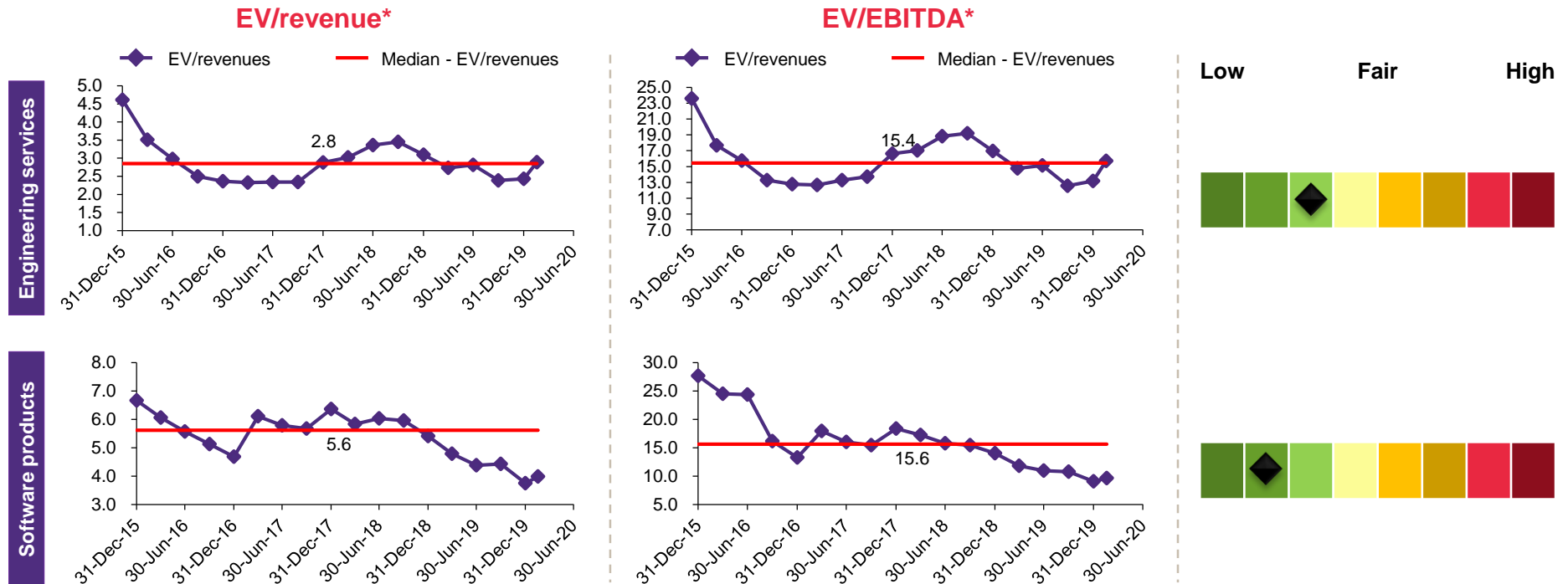
\*\* Please refer Appendix 3 for the list of companies considered

# Executive summary – large, mid and small cap IT services



\* Multiples have been presented till 17 February 2020 in order to capture the results of Q3 FY20.

# Executive summary – other IT and ITeS segments

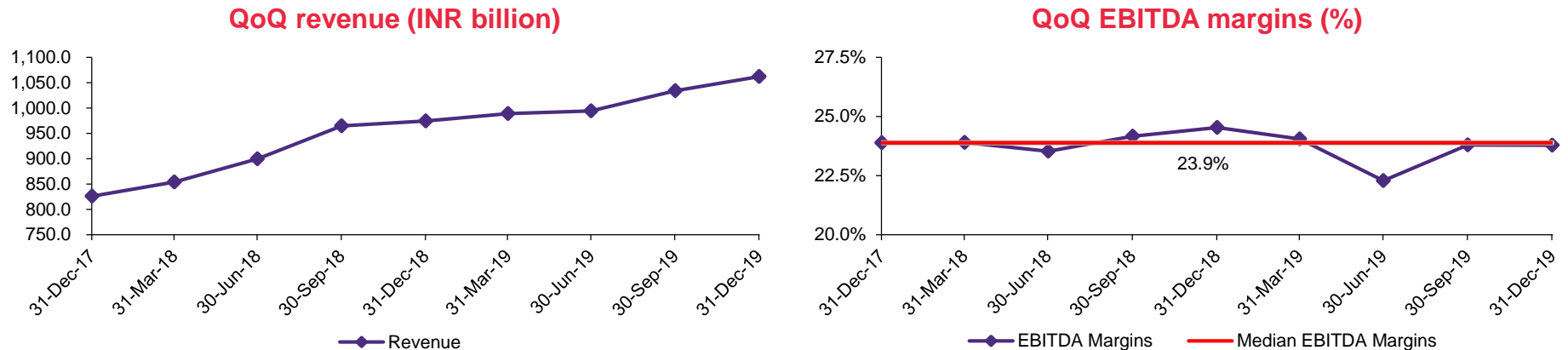


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# Executive summary

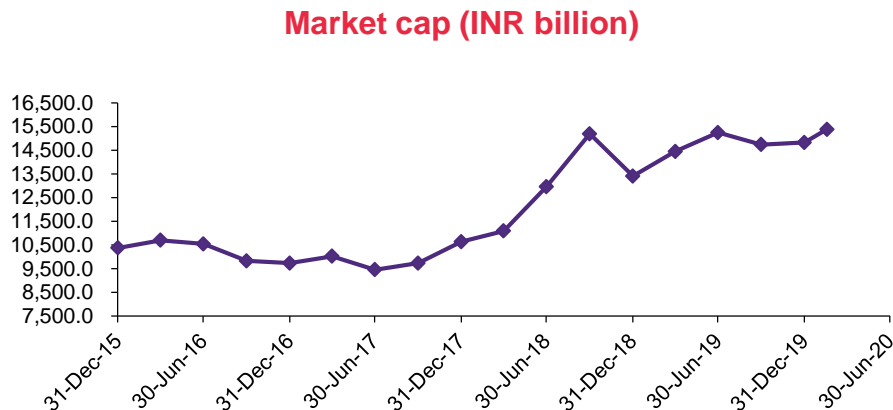
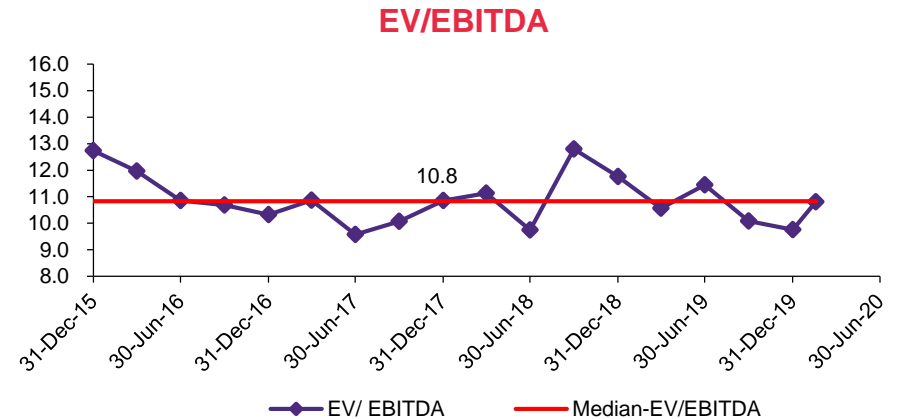
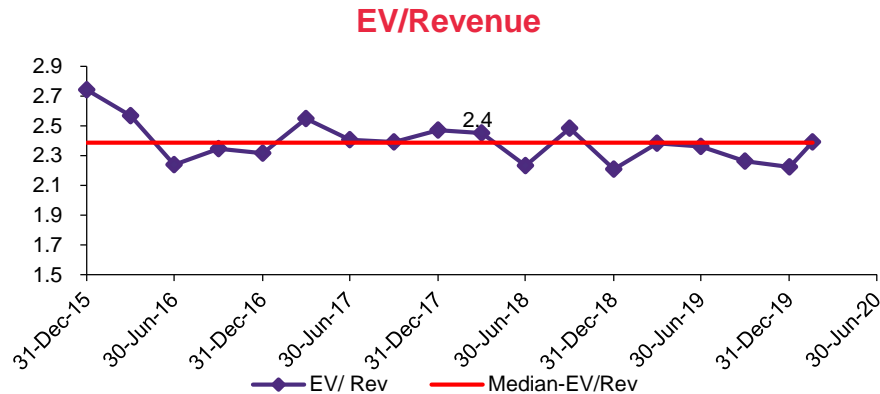
- TCS continues to be the most valuable company in the Indian IT sector and trades at a significant premium when compared to its peers.
- Among the large cap companies, Tech Mahindra recorded the highest revenue growth in Q3 FY20 (in reported rupee terms) followed by HCL. Infosys recorded the lowest revenue growth during the same period.
- In case of Tech Mahindra, the revenue growth was led by two consecutive quarters of strong TCV wins and growth in all verticals with telecom in particular exceeding expectations as a result of a strong ramp up in one of the deals.
- In Q3 FY20, the communications and retail verticals led the revenue growth among large cap companies. BFSI, which is one of the core segment, has witnessed de-growth due to client specific issues in North America and Europe by all large cap companies barring Tech Mahindra.
- Infosys, Wipro and Tech Mahindra led the way with 40-41% of their total revenues coming from digital offerings in Q3 FY20. In the case of HCL Technologies, the digital revenues are classified differently than its peers. Accordingly, based on the Mode 2, Next-Generation Services segment of HCL Technologies, the share of digital offering is around 18% of its revenues.
- Tech Mahindra conducted the largest transaction this quarter through its acquisition of Born Commerce.
- There has been a steady increase in non-IT companies showing interest to acquire tech start-ups. During this quarter, nearly 50% of M&A transactions were done by non-IT companies ranging from insurance, financial services, e-commerce, etc.

# Large cap – revenue and EBITDA margin trend



- On a sequential basis, the revenues increased from INR 1,034.1 billion (USD 14.5 billion) in Q2 FY20 to INR 1,061.6 billion (USD 14.9 billion) in Q3 FY20 at a growth rate of 2.7%. However, for the same period, the EBITDA margins remained flattish at 23.8%.
- On a year-on-year basis, the revenues increased from INR 974.5 billion (USD 13.7 billion) in Q3 FY19 to INR 1,061.6 billion (USD 14.9 billion) in Q3 FY20 at a growth rate of 8.9%. However, for the same period, the EBITDA margins decreased from 24.5% to 23.8%.
- Despite Q3 FY20 being a seasonally weaker quarter due to furloughs, all large cap companies have continued the revenue growth momentum. However, the overall growth momentum is broad-based as the growth rates from few of their core segments such as BFSI, manufacturing, technology were subdued due to stress in these verticals as a result of furloughs, macroeconomic challenges and tight client budgets.
- On the margins front, large cap companies have witnessed flattish margins due to factors such as furloughs, pricing pressure, wage inflation and drop in utilisation that were slightly offset by positive impact of rupee depreciation and cost optimisation measures taken by these companies.

# Large cap – historical multiples



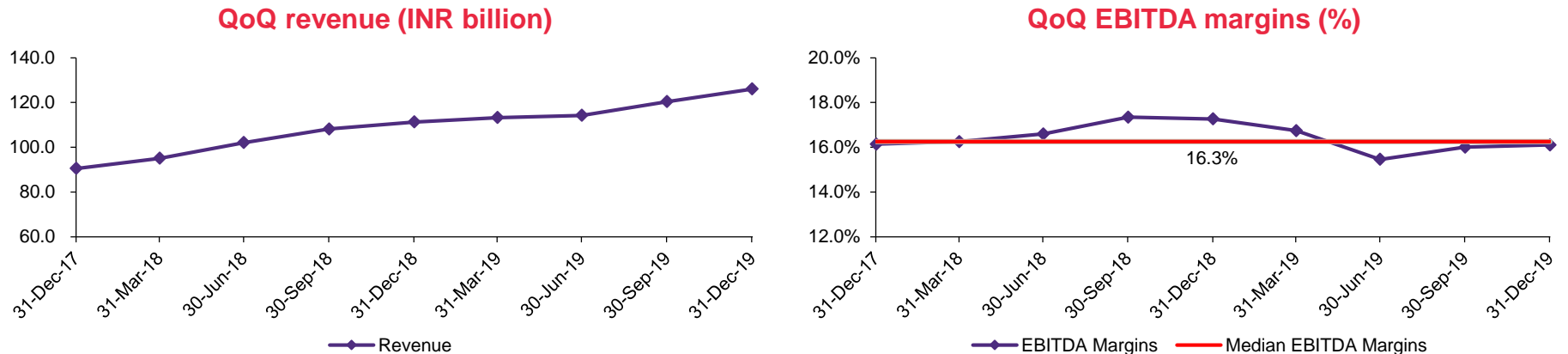
- The valuation multiples have shown an uptick after Q3 FY20 results on account of broad-based growth momentum, stable EBITDA margins and future optimism about growth revival in core verticals on the back of digital deals.
- However, macroeconomic headwinds, conversion of order book and diversification among different verticals are going to be the key aspects for growth.
- Further, the sudden increase in market cap and multiples after 31 December 2019 was mainly driven by Q3 FY20 results and corporate governance allegations being proven untrue for one of the large cap companies.

\* Market cap and multiples have been presented till 17 February 2020 in order to capture the reported results of Q3 FY20.

\*\* Please refer Appendix 1 for the list of companies considered.

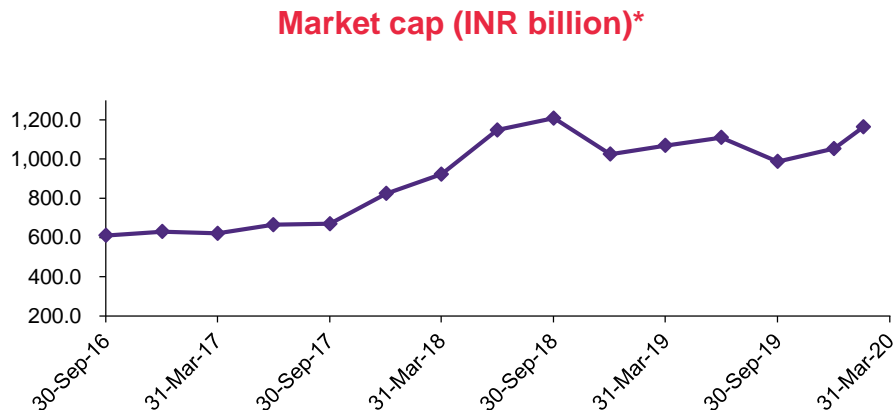
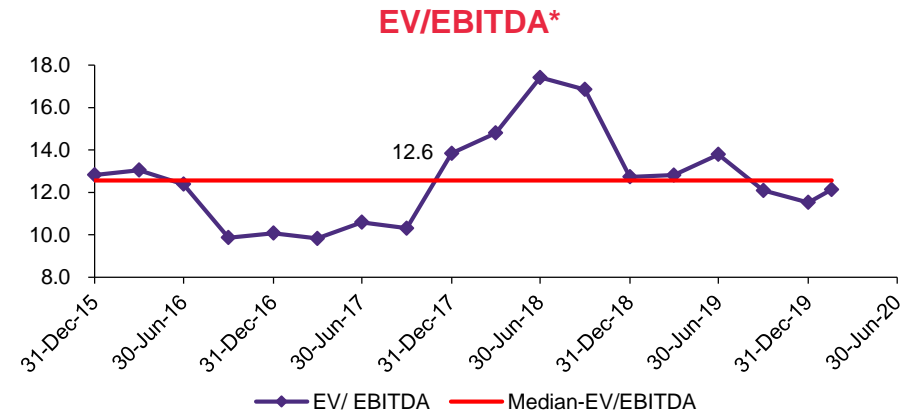
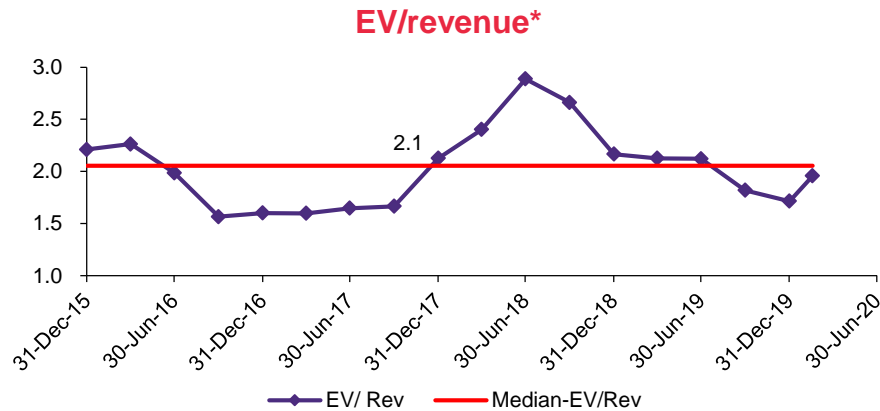


# Mid cap – revenue and EBITDA margin trend



- On a sequential basis, the revenues increased from INR 120.4 billion (USD 1.7 billion) in Q2 FY20 to INR 126.0 billion in Q3 FY20 (USD 1.8 billion) at a growth rate of 4.7%. Further, the EBITDA margins marginally increased by 0.1% in the same period.
- On a year-on-year basis, the revenues increased from INR 111.3 billion (USD 1.6 billion) in Q3 FY19 to INR 126.0 billion in Q3 FY20 (USD 1.8 billion) at a growth rate of 13.2%. However, for the same period, the EBITDA margins decreased from 17.2% to 16.1%.
- In Q3 FY20, all mid cap companies have witnessed good revenue growth, except for Zensar Technologies due to client specific issues. However, the margins remained flattish due to factors such as furloughs leading to lower productivity and drop-in utilisation rates.

# Mid cap – historical multiples



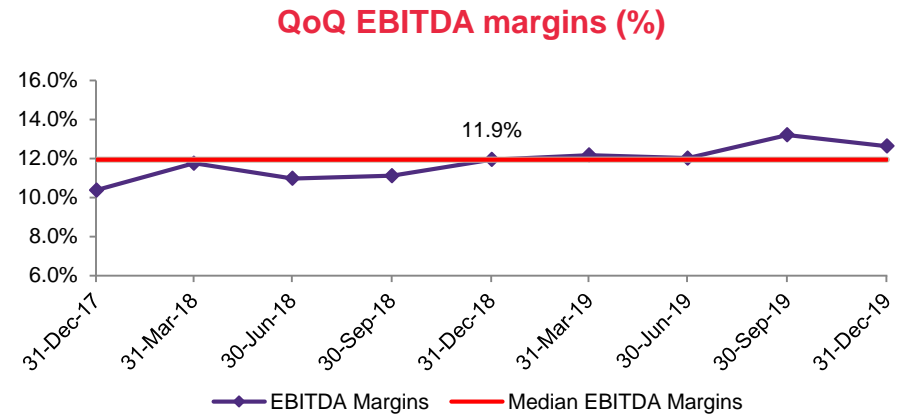
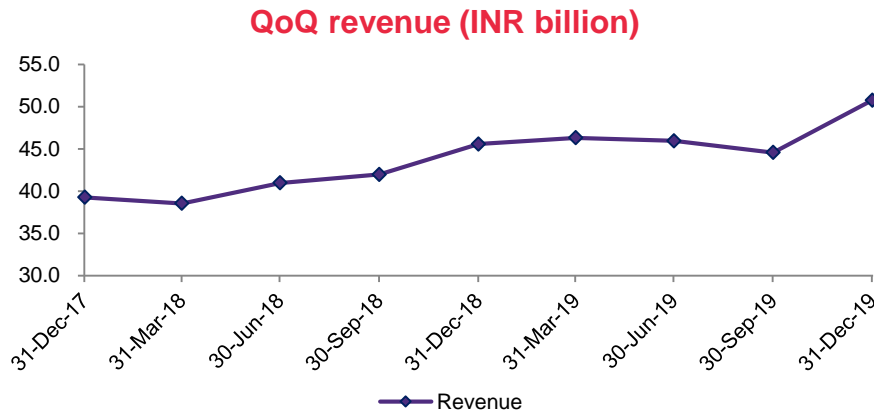
- Similar to large cap companies, mid cap companies have also recorded a slight increase in valuation multiples on account of good revenue growth and stable margins on a sequential basis.
- Mid cap companies have recorded highest revenue growth in the IT services segment and it's getting reflected in the higher multiples of this segment.

\* Market cap has been presented from Q2 FY17 considering that L&T Infotech is listed from that quarter.

\*\* Market cap and multiples have been presented till 17 February 2020 in order to capture the results of Q3 FY20.

\*\*\* Please refer Appendix 1 for the list of companies considered.

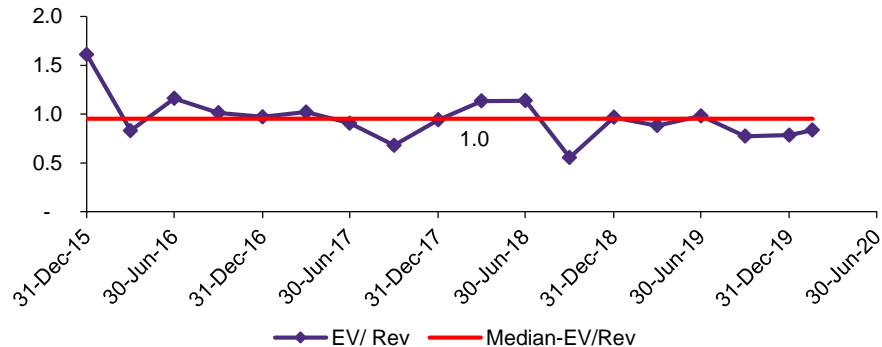
# Small cap – revenue and EBITDA margin trend



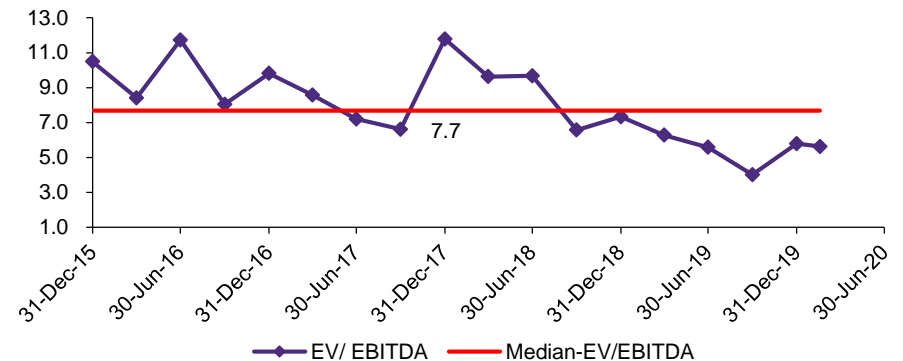
- On a sequential basis, the revenues increased from INR 44.6 billion (USD 0.63 billion) in Q2 FY20 to INR 50.8 billion (USD 0.71 billion) in Q3 FY20, at a growth rate of 13.9%. However, the EBITDA margins decreased from 13.2% to 12.6% during the same period.
- On a year-on-year basis, the revenues increased from INR 45.6 billion (USD 0.64 billion) in Q3 FY19 to INR 50.8 billion (USD 0.71 billion) in Q3 FY20, at a growth rate of 11.4%. However, the EBITDA margins increased from 11.9% to 12.6% in the same period.
- Small cap companies witnessed a high growth in revenue majorly due to increase in revenue of Sonata Software which has witnessed a growth rate of 76% as a result of a large deal. However, that deal had only a margin of 2.5%, which has led to decrease in the EBITDA margins in Q3 FY20.

# Small cap – historical multiples

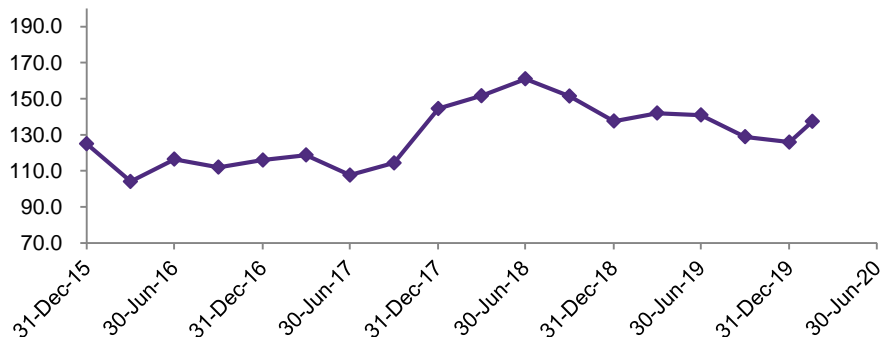
EV/revenue



EV/EBITDA



Market cap (INR billion)

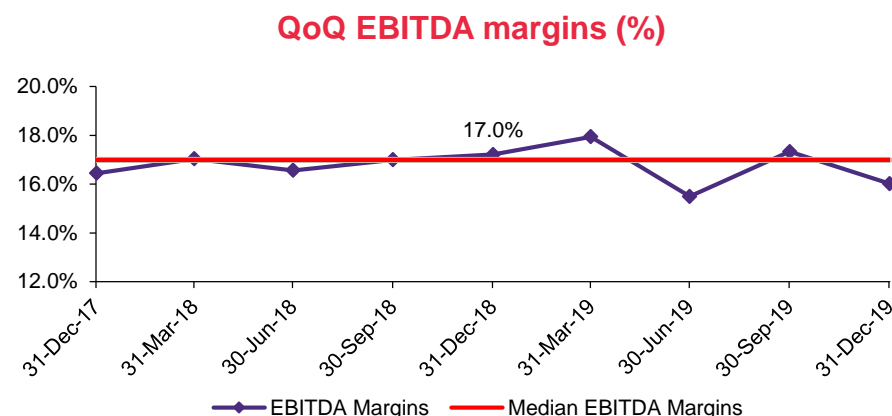
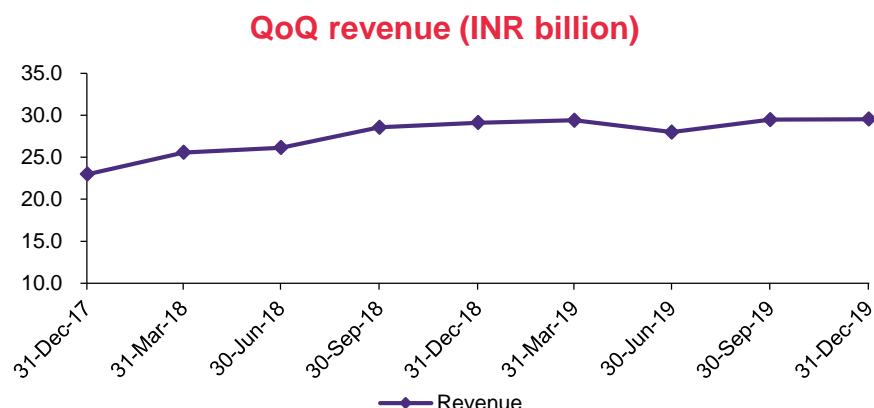


- Barring the growth in revenue in Sonata Software due to one large deal that had a lower margin, the overall revenue and EBITDA margin of small cap companies remained flat, which is evident in the multiples remaining flat in this quarter.
- The lower historical EBITDA margin and revenue growth of small cap companies compared to large cap and mid cap companies are getting reflected in a lower median EV/revenue multiple of 1.0x and EV/EBITDA multiple of 7.7x.

\*Market cap and multiples have been presented till 17 February 2020 in order to capture the results of Q3 FY20.

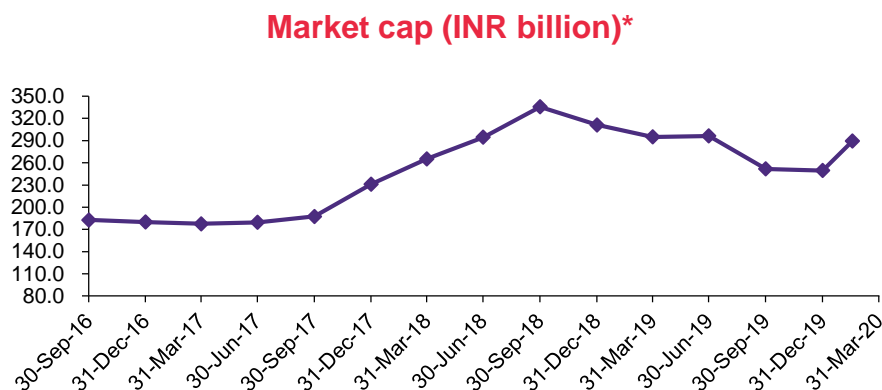
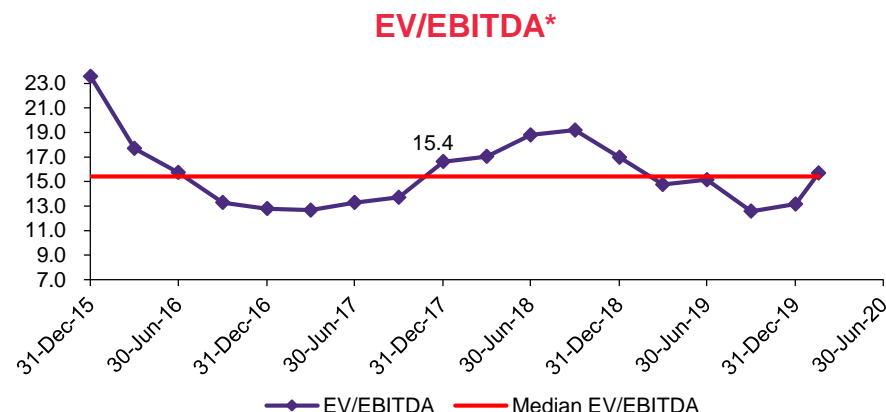
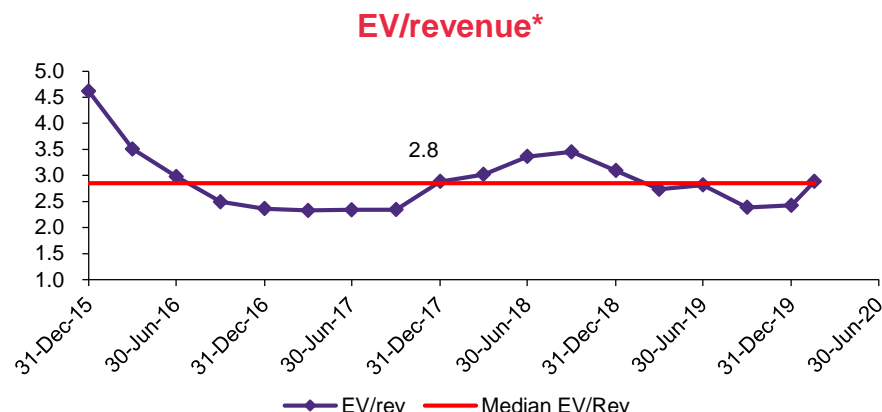
\*\* Please refer Appendix 1 for the list of companies considered

# IT engineering – revenue and EBITDA margin trend



- On a sequential basis, revenues increased from INR 29.47 billion (USD 0.41 billion) in Q2 FY20 to INR 29.52 billion (USD 0.41 billion) in Q3 FY20 at a growth rate of 0.2%. During the same period, EBITDA margins decreased from 17.3% to 16.0%.
- On an annual basis, revenues increased from INR 29.1 billion (USD 0.41 billion) in Q3 FY19 to INR 29.5 billion in Q3 FY20 (USD 0.41 billion) at a growth rate of 1.4%. However, EBITDA margins decreased from 17.2% to 16% over the same period.
- The revenue growth has remained almost flattish in Q3 2020. The softening of growth in key segments like aerospace, defence and telecom was offset by the growth primarily driven by the unconventional operating segments such as medical devices segments, media and communications, rail and off-road vehicles, design-led manufacturing, etc.

# IT engineering – historical multiples



- On margins front, there has been a decline mainly due to wage hike, one-time restructuring cost of one of the companies, growth in lower margin non-core verticals, etc.
- The EV/revenue and EV/EBITDA multiples have shown a positive trend on a sequential basis due to expectations of recovery in growth from conventional segments on the back of a strong order book.

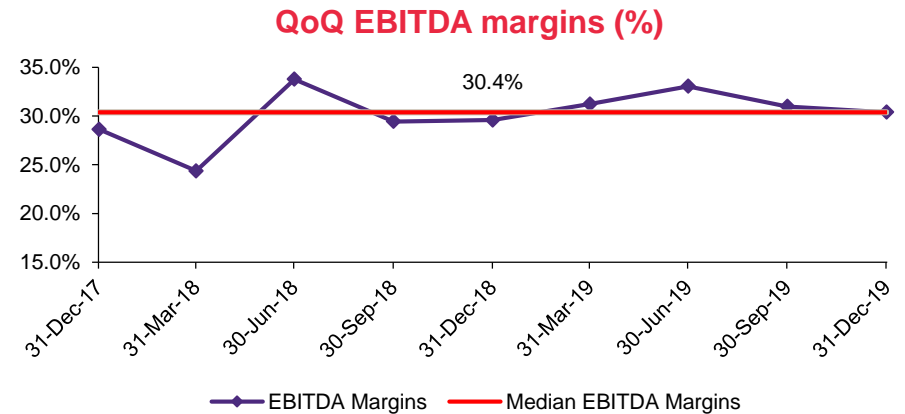
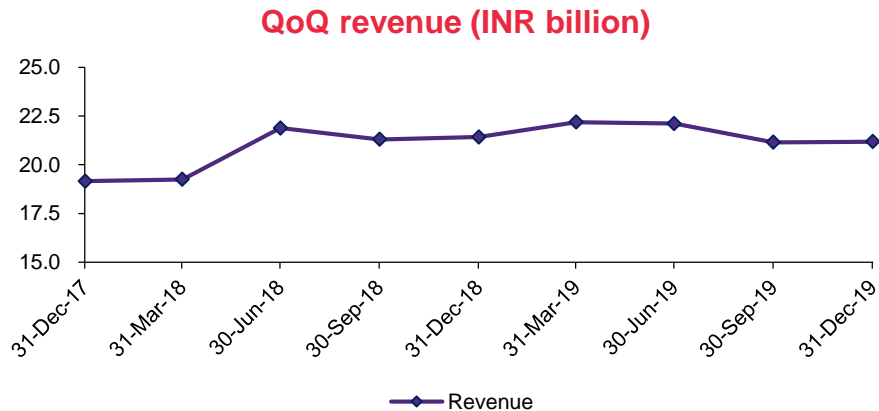
\* Market cap has been presented from Q2 FY17 considering that L&T Technology is listed only from that quarter.

\*Multiples represent weighted average multiples calculated based on the market capitalisation weights. Therefore, the multiples are affected by the large players in this segment and may not be used for valuation of smaller companies.

\*Market cap and multiples have been presented till 17 February 2020 in order to capture the financial results of Q3 FY20.

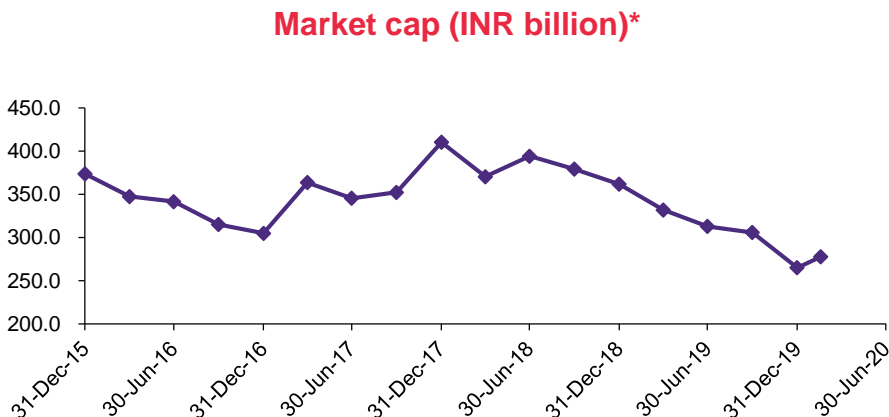
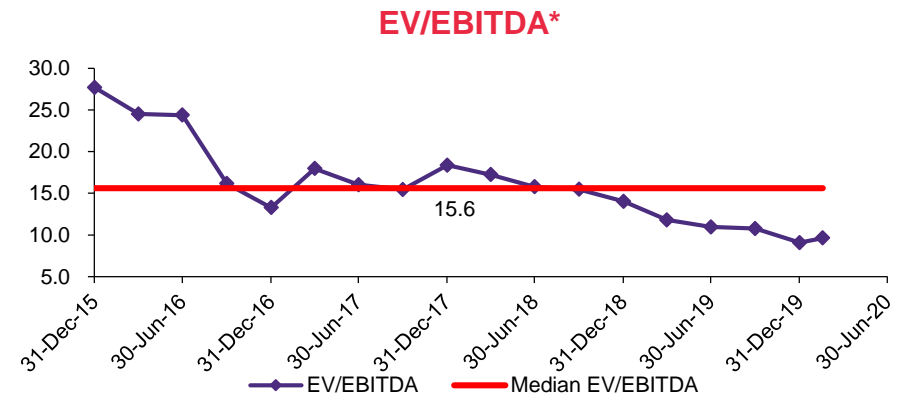
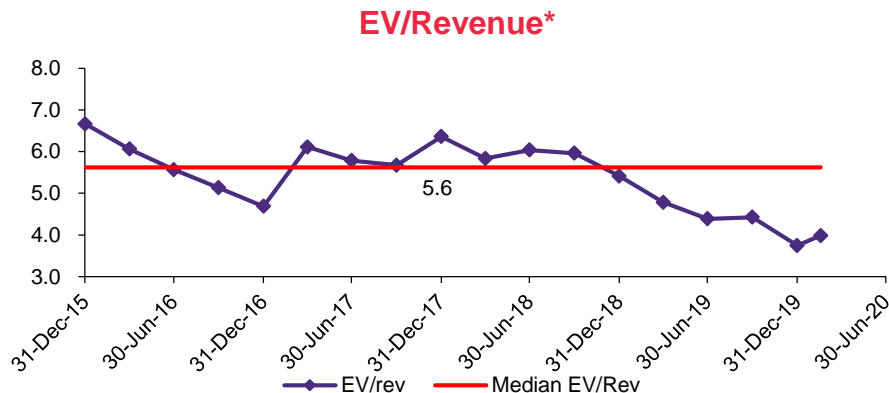
\*\* Please refer Appendix 2 for the list of companies considered

# Software products – revenue and EBITDA margin trend



- On a sequential basis, revenues marginally increased from INR 21.15 billion (USD 0.30 billion) in Q2 FY20 to INR 21.18 billion (USD 0.30 billion) in Q3 FY20 at a growth rate of 0.1%. However, the EBITDA margins decreased from 31% to 30.4% during the same period.
- On an annual basis, revenues decreased from INR 21.4 billion (USD 0.30 billion) in Q3 FY19 to INR 21.2 billion (USD 0.30 billion) in Q3 FY20 at a de-growth rate of 1.1%. However, EBITDA margins increased from 29.6 to 30.4%.

# Software products – historical multiples



- Despite having furloughs during the quarter, the stability in revenue and margins have led to a marginal increase in the EV/revenue and EV/EBITDA multiples.
- However, software companies are optimistic on the Q4 FY20 performance owing to a strong order book.
- As an increasing trend, software companies are betting on emerging technologies, considering the increased movement of customers to cloud options, which is also reflected in the higher transaction activity in the SaaS segments in the last few quarters.

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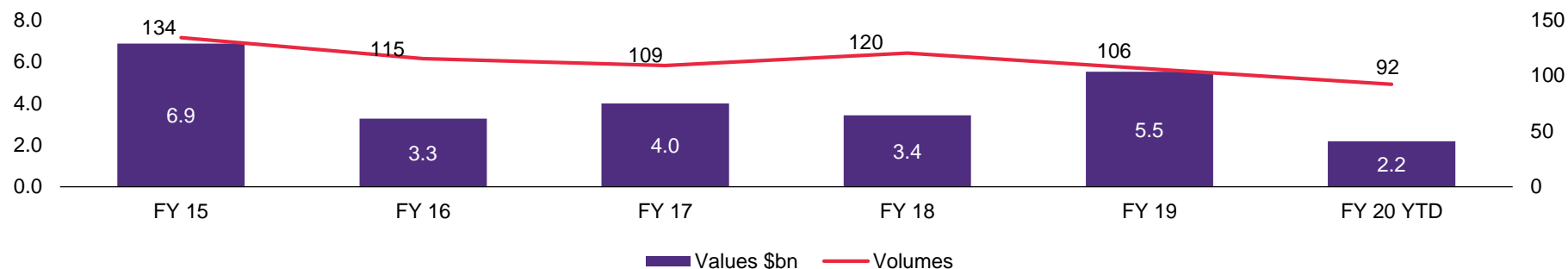
\*\* Market cap and multiples have been presented till 17 February 2020 in order to capture the results of Q3 FY20.

\*\*\* Please refer Appendix 2 for the list of companies considered.



# Deals – IT and ITeS industry (yearly trends)

Yearly deal values and volumes for FY15-FY20 YTD



\*The above data covers deals that have happened in all sub-segments of the IT and ITeS industry such as IT solutions, product development, analytics, and business intelligence.

## Break-up of the above deal values and deal volumes for FY15-FY20 YTD

Deal values (USD billion)

Year	Domestic	Merger and internal restructuring	Inbound	Outbound	PE/VC
FY15	0.2	0.5	1.6	3.9	0.6
FY16	0.1	-	0.9	1.4	0.8
FY17	0.4	-	1.3	1.0	1.4
FY18	0.2	0.7	1.2	0.3	1.1
FY19	0.8	-	1.2	2.5	0.9
FY20 YTD	0.3	-	0.1	0.5	1.3

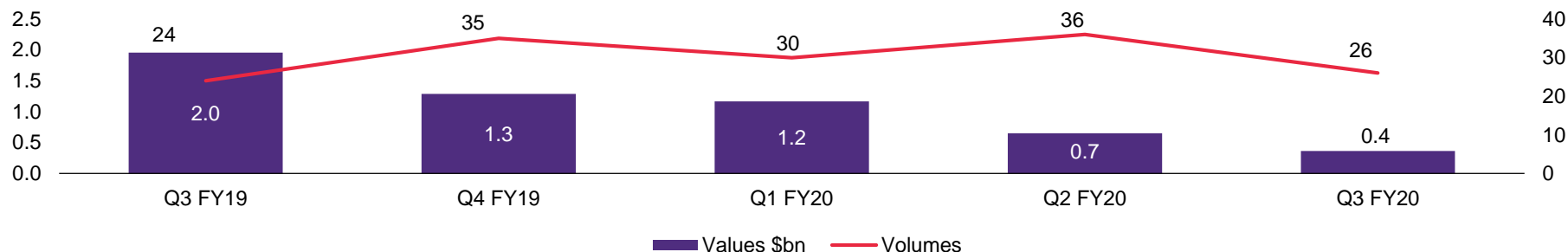
Deal volumes

Year	Domestic	Merger and internal restructuring	Inbound	Outbound	PE/VC
FY15	19	4	20	34	57
FY16	19	-	14	37	45
FY17	23	-	14	22	50
FY18	24	2	16	22	56
FY19	27	-	19	29	31
FY20 YTD	22	-	11	22	37

\* YTD = Year to date

# Deals – IT and ITeS industry (quarterly trends)

Quarterly deal values and volumes for Q3 FY19 to Q3 FY20



\*The above data covers deals which have happened in all sub-segments of the IT and ITeS industry such as IT solutions, product development, analytics and business intelligence.

## Break-up of the above deal values and deal volumes Q3 FY19 – Q3 FY20

Deal values (USD billion)

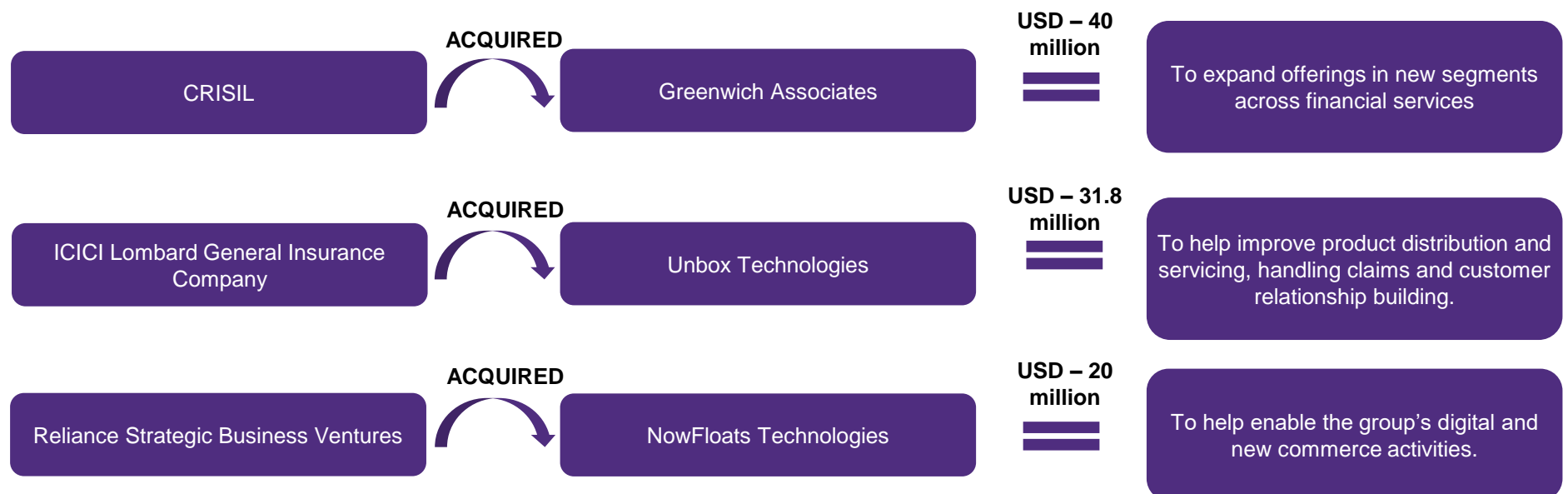
Year	Domestic	Merger and internal restructuring	Inbound	Outbound	PE/VC
Q3 FY19	0.01	-	0.03	1.9	0.03
Q4 FY19	0.6	-	0.1	0.1	0.5
Q1 FY20	0.1	-	0.02	0.4	0.6
Q2 FY20	0.1	-	0.03	0.04	0.5
Q3 FY20	0.1	-	0.01	0.1	0.2

Deal volumes

Year	Domestic	Merger and internal restructuring	Inbound	Outbound	PE/VC
Q3 FY19	2	-	6	10	6
Q4 FY19	14	-	6	5	10
Q1 FY20	4	-	3	10	13
Q2 FY20	9	-	6	7	14
Q3 FY20	9	-	2	5	10

# Deals – IT and ITeS industry: Overview

- On M&A activity front, Indian IT companies' deal values and volumes have shrunk significantly on a sequential basis. For the last two quarters, the IT industry has not witnessed any high-value transactions. Among the large cap companies, only Infosys and Tech Mahindra have acquired a small and a mid-sized company, respectively, during the quarter. It seems the acquisitive Indian IT companies have taken a brief pause this year after achieving the targets aggressively in the past to build their digital capabilities. They are now focusing more on acquiring strategic targets.
- There has been a steady increase in non-IT companies showing interest to acquire tech start-ups. During this quarter, nearly 50% of M&A transactions were done by non-IT companies ranging from insurance, financial services, e-commerce etc. This signifies the importance of companies aligning the business processes with technology to improve efficiencies, for better workforce management, decrease supply constraints and improve customer experiences. Following were the major transactions in which non-tech companies acquired tech companies during the quarter:



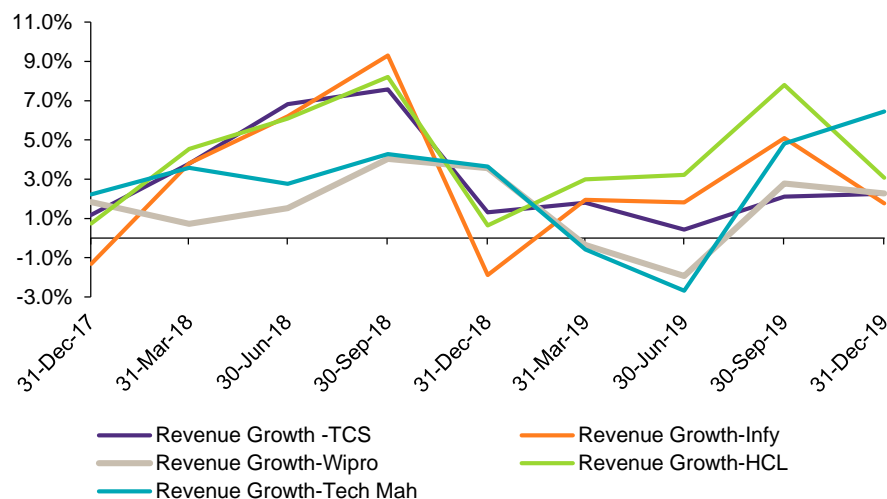
# Deals – IT and ITeS

- Despite a fall in the number of M&A transactions, the PE deal activity remained robust with PE investments in tech start-ups going up in both value and volume terms in YTD period up to 31 December 2019, compared to FY19. On a quarter-on-quarter basis, the PE investments increased from 6 in Q3 FY19 to 10 in Q3 FY20.
- In Q3 FY20, Sequoia Capital announced the highest number of deals through investing in Girnar Software, WizRocket Technologies, Kyte Technologies and Urban Piper. It was followed by Tiger Global, which invested in Vivish Technologies, WizRocket Technologies and UrbanPiper.
- Following are the top PE deals of this quarter:

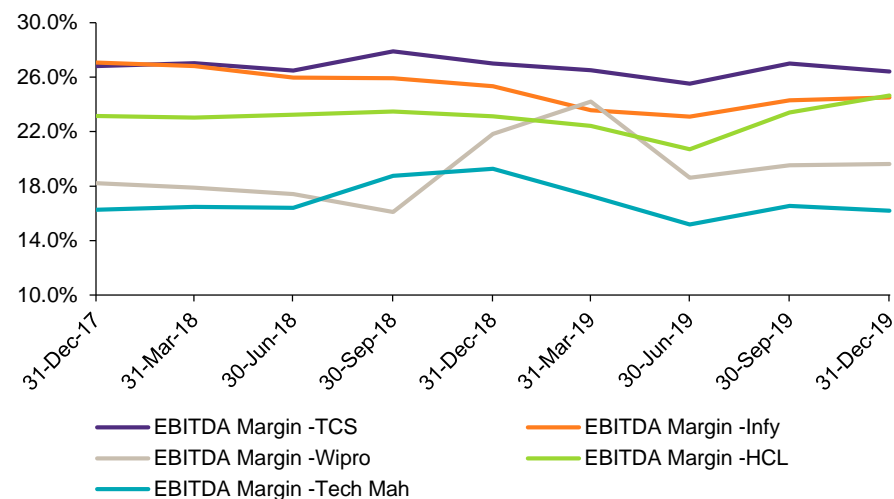
Deal month	Acquirer	Country (Acquirer)	Target	Country (Target)	Segment	Deal type	Transaction value (USD million)
October 2019	Multiple investors	NA	Vivish Technologies Pvt. Ltd.	India	Security	Private equity	56.0
November 2019	Multiple investors	NA	Perfios Software Solutions Pvt. Ltd.	India	Predictive Analytics/AI	Private equity	50.0
November 2019	Vista Equity Partners LLC	NA	Accelya Solutions India Limited	India	IT Consultancy	Private equity	49.7
December 2019	Multiple investors	NA	Girnar Software Pvt. Ltd.	India	SaaS/PaaS/VaaS	Private equity	70.0

# Company-specific analysis of large cap companies

QoQ revenue growth (%)



Quarter wise EBITDA margins (%)

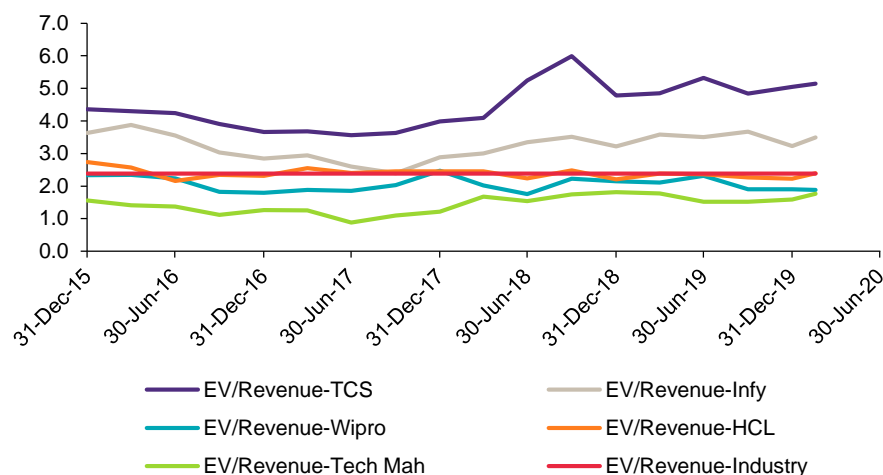


Company	Two-year CAGR (%)	Two-year median margins (%)
TCS	13.6%	26.8%
Infosys	14.6%	25.3%
HCL	19.5%	23.1%
Wipro	6.4%	18.6%
Tech Mahindra	11.4%	16.5%

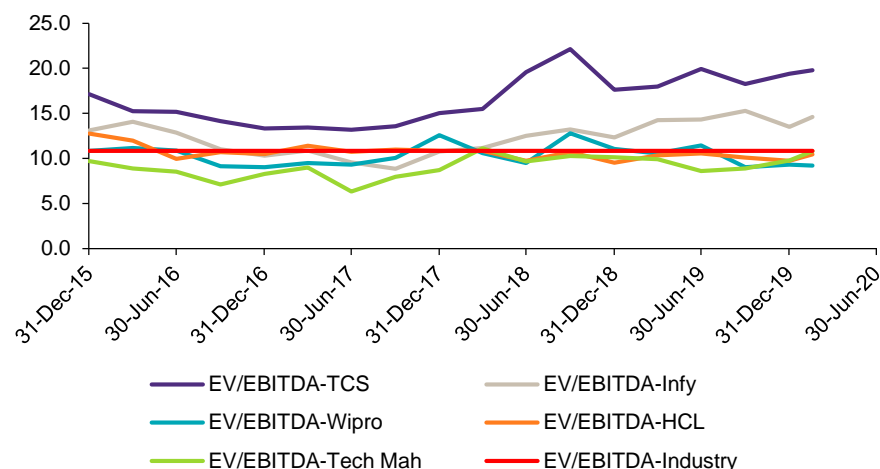
- Tech Mahindra recorded the highest revenue growth in Q3 FY20 (in reported rupee terms) followed by HCL. Infosys recorded the lowest revenue growth in the quarter. The large cap companies demonstrated growth sequentially along with stable EBITDA margins.

# Company-specific analysis of large cap companies

EV/Revenue



EV/EBITDA

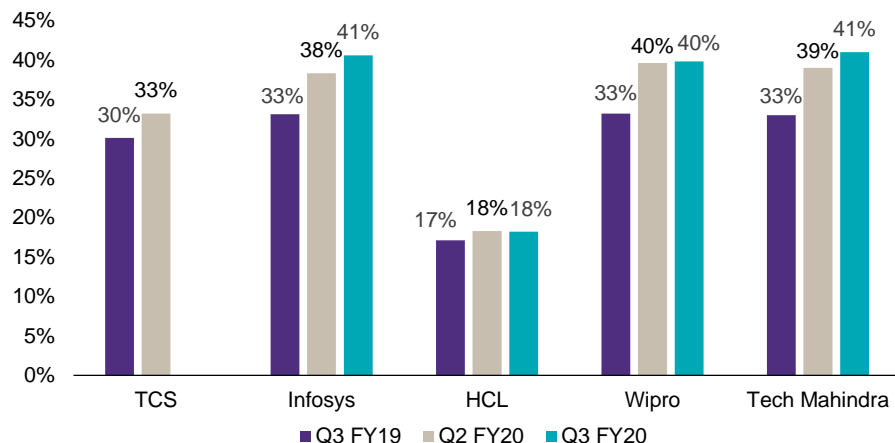


	Five-year median EV/revenue	Premium/ (discount) on 2.4x	EV/LTM revenue	EV/one-year forward revenue	EV/Two-year forward revenue	Five-year median EV/EBITDA	Premium/ (discount) on 10.9x	EV/LTM EBITDA	EV/LTM one-year forward EBITDA	EV/LTM two-year forward EBITDA
<b>Large cap companies</b>	<b>2.4x</b>					<b>10.8x</b>				
TCS	4.3x	81.4%	5.1x	5.0x	4.6x	16.3x	50.5%	19.8x	18.6x	17.0x
Infosys	3.3x	37.9%	3.5x	3.4x	3.1x	12.7x	17.1%	14.6x	13.7x	12.3x
HCL	2.4x	0.0%	2.4x	2.3x	2.1x	10.6x	(2.0)%	10.5x	9.9x	8.7x
Wipro	2.0x	(15.0)%	1.9x	1.9x	1.8x	10.3x	(4.7)%	9.2x	9.0x	8.6x
Tech Mahindra	1.5x	(36.4)%	1.8x	1.7x	1.5x	8.9x	(17.4)%	10.8x	10.3x	8.9x

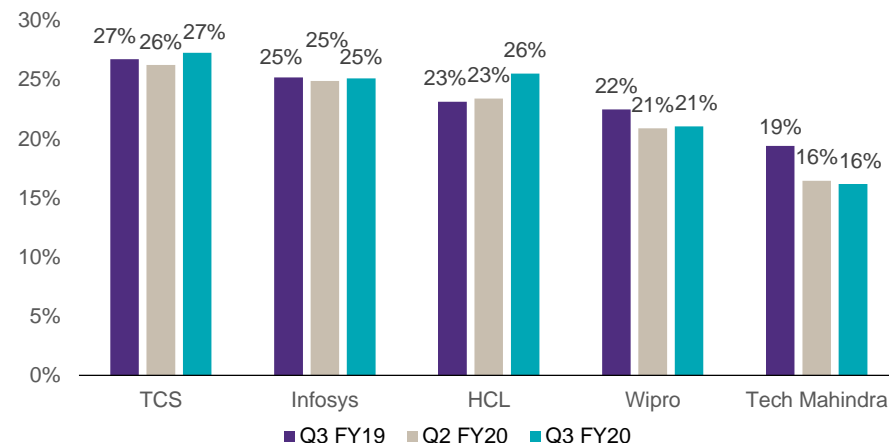
\* Multiples have been presented till 17 February 2020 in order to capture the results of Q3 FY20.

# Company-specific analysis of large cap companies

Quarter-wise share of digital revenue (%)



Quarter-wise EBITDA margins (%)



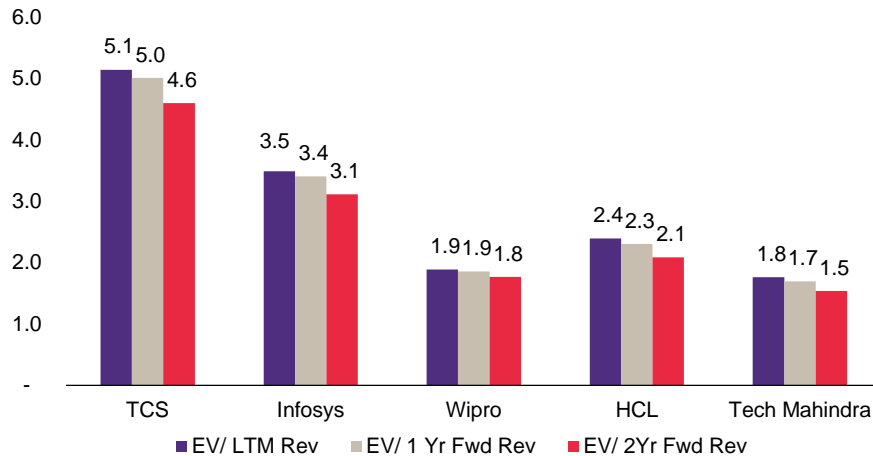
Company	Contract value won in Q3 FY19	Contract value won in Q2 FY20	Contract value won in Q3 FY20
TCS	USD 5.9 billion	USD 6.4 billion	USD 6.0 billion
Infosys	USD 1.6 billion (from 14 large deals)	USD 2.8 billion	USD 1.8 billion
HCL	17 transformational deals signed in Q3 FY19**	15 transformational deals signed in Q2 FY20**	12 transformational deals signed in Q3 FY20**
Wipro	-**	-**	-**
Tech Mahindra	USD 0.4 billion	USD 1.5 billion	USD 1.2 billion

\* TCS has not disclosed their share of digital revenue for Q3 FY20.

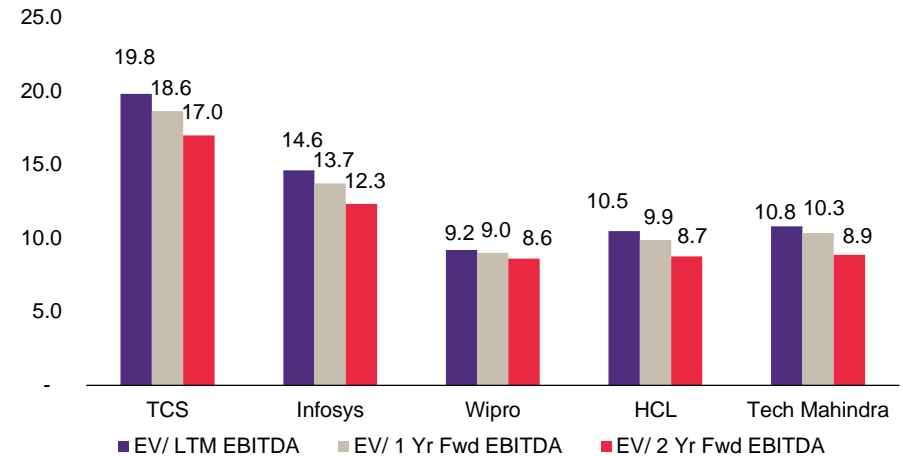
\*\* Amount not disclosed by the company in the earnings call.

# Forward estimates of large cap companies

LTM and Forward EV/revenue



LTM and forward EV/EBITDA



EV/revenue and EV/EBITDA are estimated on the basis of the following information:

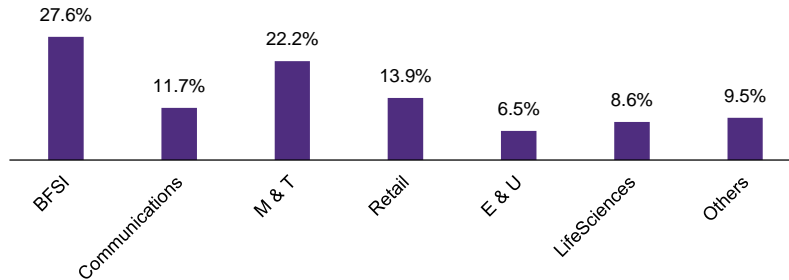
- Enterprise value as on 17 February 2020
- Last 12-month (LTM) revenue and EBITDA as on 17 February 2020 (reported currency)
- One-year and two-year forward estimates of revenue and EBITDA as on 17 February 2020



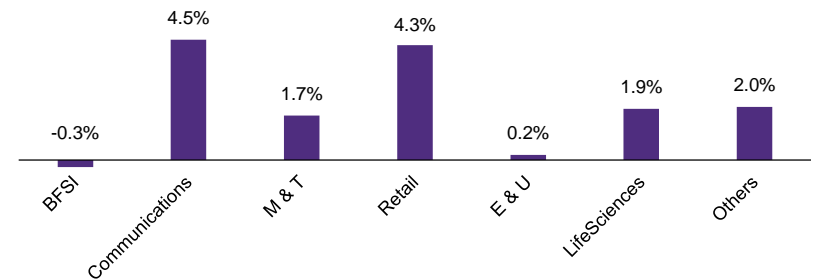
# Revenue contribution and growth (reported US dollar currency) in verticals for Q3 FY20

Revenue contribution in verticals for Q3 FY 20

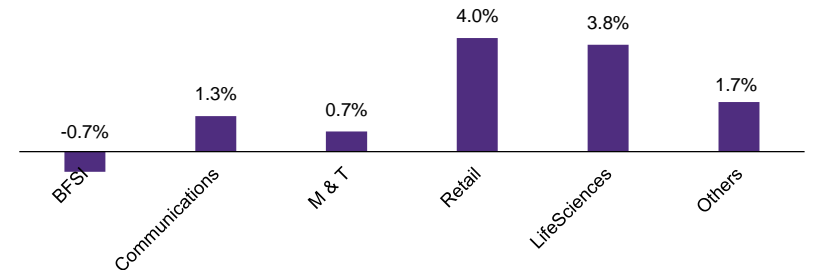
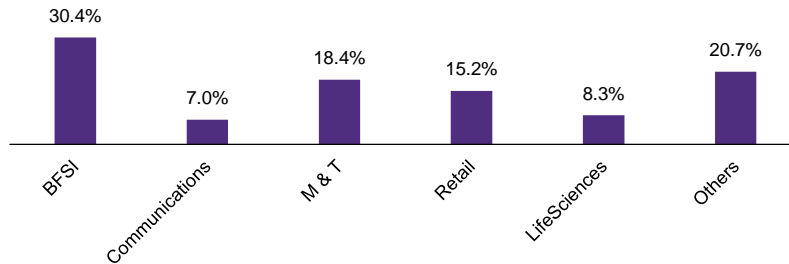
**A**  
Large cap



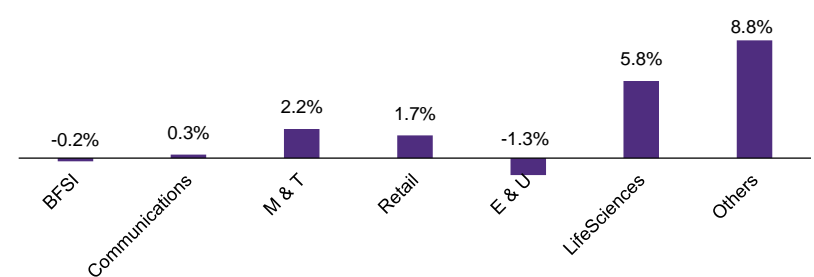
Revenue growth in verticals for Q3 FY20 (QoQ %)



**B**  
TCS



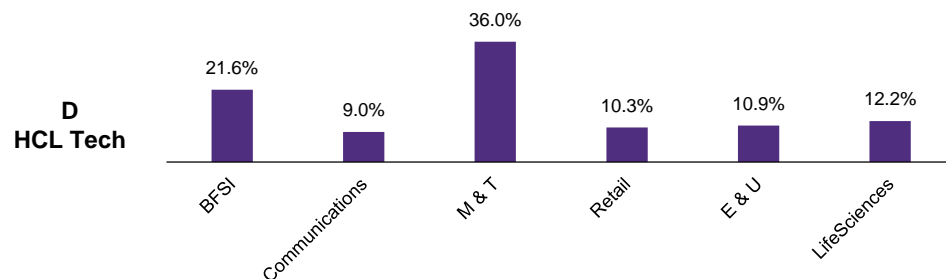
**C**  
Infosys



Segments: i) BFSI, ii) Communications, iii) M&T = manufacturing and technology, iv) Retail, v) E&U= energy and utilities, vi) Life sciences, vii) Others

# Revenue contribution and growth (reported US dollar currency) in verticals as of Q3 FY20 (cont'd.)

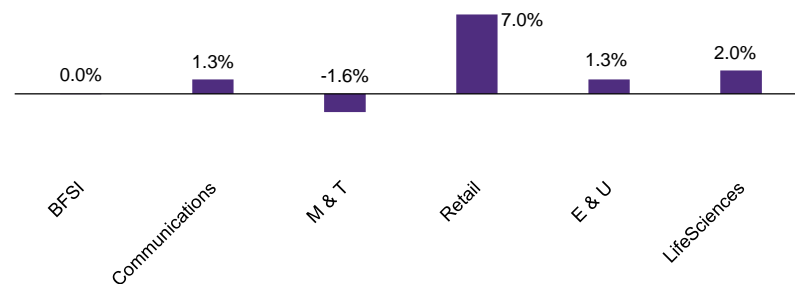
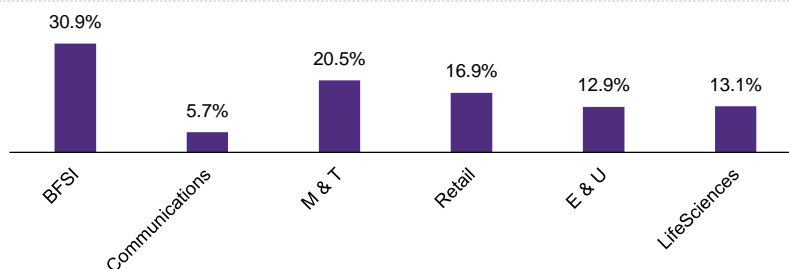
Revenue contribution in verticals for Q3 FY 20



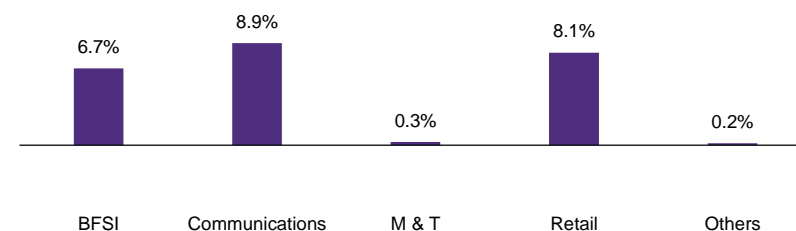
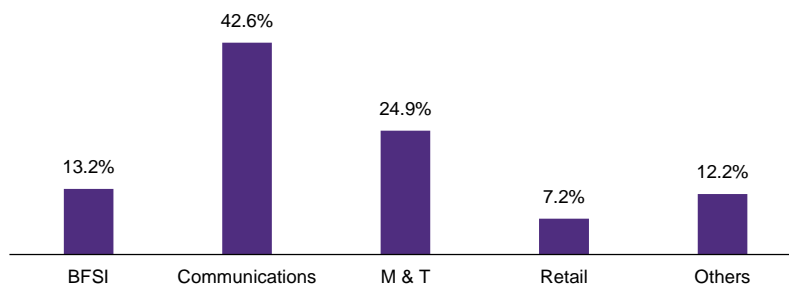
Revenue growth in verticals for Q3 FY20 (QoQ %)



**E Wipro**



**F Tech**



Segments: i) BFSI, ii) Communications, iii) M&T = manufacturing and technology, iv) Retail, v) E&U = energy and utilities, vi) Life sciences, vii) Others

## Other observations – large cap companies: Specific analysis

- Infosys, Wipro and Tech Mahindra led the way with 40-41% of their total revenues coming from digital offerings in Q3 FY20. In the case of HCL Technologies, the digital revenues are classified differently than its peers. Accordingly, based on the Mode 2, next-generation services segment of HCL Technologies, the share of digital offering is around 18% of its revenues.
- TCS's five-year median EV/revenue and EV/EBITDA multiples were trading at premiums of 81.4% and 50.5% respectively compared to the overall large cap median multiples. It had the highest premium among all the large cap companies.
- In Q3 FY20, the communications and retail verticals led the revenue growth among large cap companies.
- However, BFSI witnessed de-growth due to client specific issues in North America and Europe, which is reflected in the flattish or negative revenue growth in BFSI, recorded by the large cap companies barring Tech Mahindra.
- For Tech Mahindra, the revenue growth was led by two consecutive quarters of strong TCV wins and growth in all verticals with telecom in particular exceeding expectations as a result of a strong ramp up in one of the deals.

# Appendix 1 – IT Services Companies

- We have analysed the valuation multiples of IT services companies and have segregated the companies into large, mid and small cap categories based on their current market capitalisation:

Large cap	Mid cap	Small cap
<ul style="list-style-type: none"> <li>• Tata Consultancy Services</li> <li>• Infosys</li> <li>• Wipro</li> <li>• HCL Technologies</li> <li>• Tech Mahindra</li> </ul>	<ul style="list-style-type: none"> <li>• Mphasis</li> <li>• WNS (holdings)</li> <li>• Mindtree</li> <li>• Hexaware Technologies</li> <li>• Zensar Technologies Limited</li> <li>• L&amp;T Infotech Limited</li> <li>• Persistent Systems</li> <li>• eClerx Services</li> </ul>	<ul style="list-style-type: none"> <li>• Sonata Software</li> <li>• Firstsource Solutions</li> <li>• Hinduja Global Solutions</li> <li>• NIIT</li> <li>• Mastek</li> <li>• Genesys International Corporation</li> <li>• Datamatics Global Services</li> <li>• Cigniti Technologies</li> <li>• Kellton Tech Solutions</li> <li>• Expleo Solutions</li> <li>• R Systems International</li> </ul>

- For our analysis, we have considered only those companies that were listed five years before Q3 FY20 except for L&T Infotech Ltd. Further, we have removed certain outlier companies based on various parameters.
- We have carried out the analysis based on the financial numbers of these companies in reported rupee currency. Further, for comparison purposes, we have presented the corresponding dollar numbers that are converted based on the 31 December 2019 exchange rate and do not represent reported dollar financial numbers.
- Kindly note that in Q1 FY20, all companies accounted for leases in accordance with the transition guidelines of the relevant new accounting standard Ind AS 116/IFRS 16. This adjustment had a marginal impact on the EBITDA margins of Q1, Q2 and Q3 FY20. However, the same adjustments are not reflected in the previous years' margins.

# Appendix 2 – IT Engineering and Software Product Companies

- We have analysed the valuation multiples of listed engineering and software products companies in India over the last five years.

IT engineering companies*	Software product companies*/**
<ul style="list-style-type: none"><li>• Tata Elxsi Limited</li><li>• Cyient Limited</li><li>• L&amp;T Technology Services Limited</li></ul>	<ul style="list-style-type: none"><li>• ABM Knowledgeware Limited</li><li>• AurionPro Solutions Limited</li><li>• Nucleus Software Exports Limited</li><li>• Oracle Financial Services Software Limited</li><li>• 3i Infotech Limited</li><li>• Ramco Systems Limited</li><li>• Majesco Limited</li></ul>

\* For our analysis, we have considered only those companies which were listed five years before Q3 FY20 except for L&T Technology Services. Further, we have removed certain outlier companies based on various parameters.

\* We have carried out the analysis based on the financial numbers of these companies in reported rupee currency. Further, for comparison purposes, we have presented the corresponding dollar numbers which are converted based on the 31 December 2019 exchange rate and do not represent reported dollar financial numbers.

\* Kindly note that from Q1 FY20, all companies accounted for leases in accordance with the transition guidelines of the relevant new accounting standard Ind AS 116/IFRS 16. This adjustment had a marginal impact on the EBITDA margins of Q1, Q2 and Q3 FY20. However, the same adjustments are not reflected in the previous years' margins.

\*\* Companies primarily into developing software products.

# Appendix 3– Global IT Services & Technology Companies

- We have analysed the valuation multiples of IT services companies and have segregated the companies into large, mid and small cap categories based on their current market capitalisation:

- 
- |   |   |
|---|---|
| • Capgemini SE                            | • Leidos Holding Incorporation                      |
| • EPAM Systems Incorporation              | • Accenture plc                                     |
| • CACI International Corporation          | • Cognizant Technology Solutions Corporation        |
| • Amdocs Limited                          | • DXC Technology Company                            |
| • Booz Allen Hamilton Holding Corporation | • International Business Machines (IBM) Corporation |
- 

- We have analysed the valuation multiples of following global technology companies over the last five years:

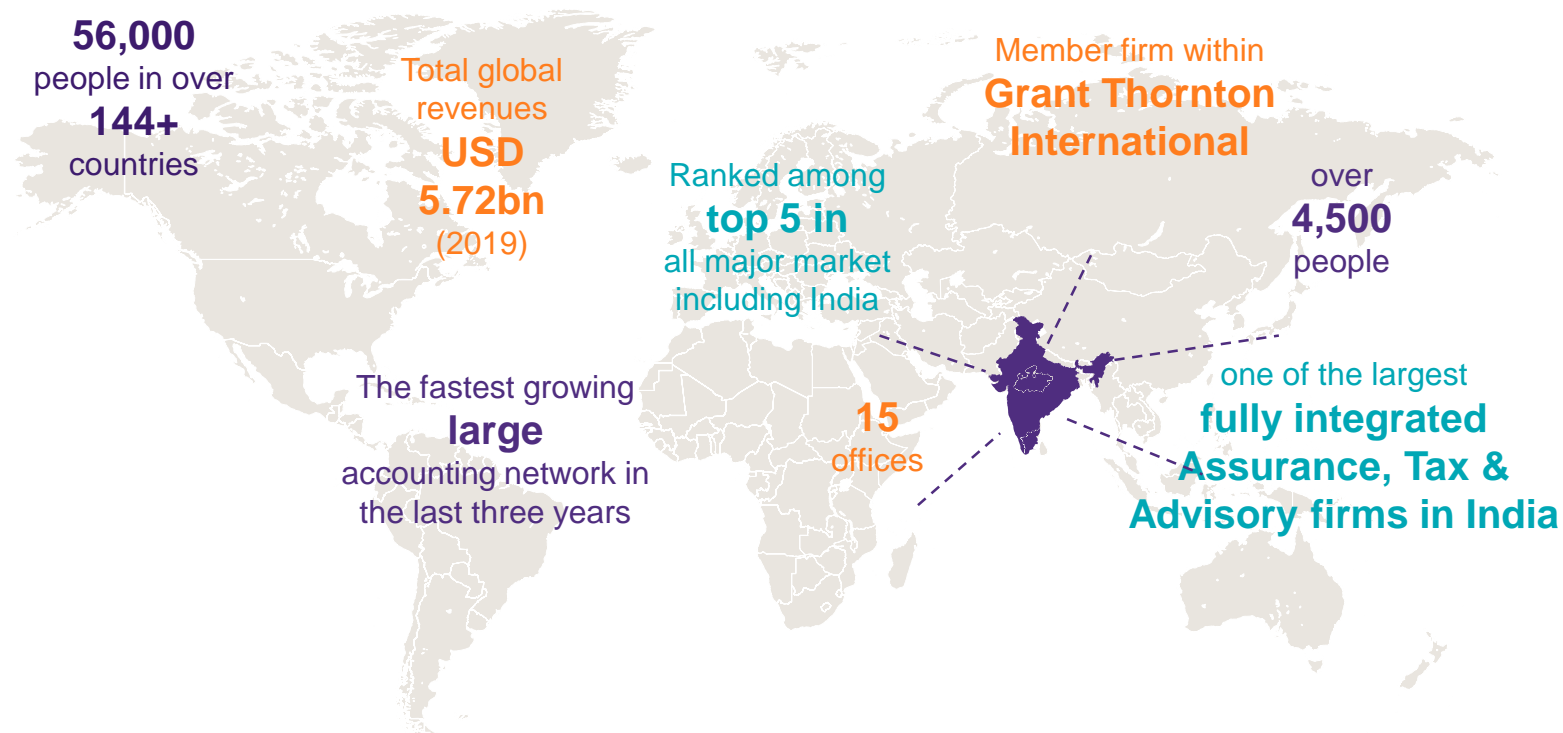
- 
- |                            |  |
|----------------------------|--|
| • Microsoft Corporation    | • Synopsys Incorporation                   |
| • Adobe Incorporation      | • ANSYS Incorporation                      |
| • Oracle Corporation       | • Fortinet Incorporation                   |
| • Salesforce Incorporation | • Paycom Software Incorporation            |
| • VMware Incorporation     | • SS&C Technologies Holdings Incorporation |
-

# References

- S&P Capital IQ database
- Annual fillings of IT services companies
- Earnings call transcripts of IT services companies
- Dealtracker published by Grant Thornton in India

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