

# Larsen & Toubro Infotech (LTI IN)

Rating: BUY | CMP: Rs2,291 | TP: Rs2,421

## Compounding Story!

### Quick Pointers:

- LTI reported inline revenue performance (-5% QoQ decline) & surprised on margin front (+71bps QoQ to 17.4%). **LTI will end FY21E with 4% revenue growth, highest among its peers.**
- LTI bagged one large deal and solid execution in US just a 2.2% QoQ decline in Q1. No client-specific challenges (discount given) in its top accounts, stable client metrics, client additions and ramp-ups in past deals will lead strong recovery in 2HFY21E.
- LTI remains fastest growing company in our coverage universe led by its focus on increasing F500 accounts, large deal wins & strong leadership team. We increase our EPS estimates by 2.2% for FY22E/FY23E & now value LTI at 21X to arrive at changed target price of Rs.2421(Earlier: Rs.1894) on Sep-22 EPS of Rs.115.

**LTI reported CC de-growth of 4.7% QoQ exact in line with our estimates. LTI surprised on margins expanded 71bps QoQ to 17.4% (Ple:17%, Cons: 16.8%) led by 11% QoQ SG&A, lower travel costs & higher proportion of offshore revenue (up 170 bps QoQ). Revenue decline was led by manufacturing (-16% QoQ) & Energy (-11% QoQ). Limited exposure to travel, hospitality and retail limited the revenue decline. Management guided Q1FY21 was trough & Q2FY21 will be flat or up QoQ & recovery will happen in 2HFY21. LTI bagged one large deal and solid execution in US just a 2.2% QoQ decline in Q1. No client-specific challenges (discount given) in its top accounts, stable client metrics, client additions and ramp-ups in past deals will lead strong recovery in 2HFY21E.**

**We have always liked LTI, as we believe it has strong ingredients of being a sustainable growth engine considering the basis :1) Strong in high growth digital solutions, 2) Growth Momentum in high large client deals & deal pipeline, 3) Higher focus on M&A, 4) Strong focused team in place & 5) Higher offshore revenues to protect margins structurally. LTI remains fastest growing company in our coverage universe led by its focus on increasing F500 accounts, large deal wins & strong leadership team. We increase our EPS estimates by 2.2% for FY22E/FY23E & now value LTI at 21X to arrive at changed target price of Rs.2421(Earlier: Rs.1894) on Sep-22 EPS of Rs.115. LTI is currently trading at 21.3x/18.6x earnings multiple. Upgrade to Buy from HOLD. Valuation to remain premium.**

- Sustained strong revenue growth momentum:** LTI reported CC de growth of 4.7% QoQ in line with our estimates (Cons: USD growth stood at USD390mn (Ple: USD389mn, Street: USD 385 mn) de-grew 4.8% QoQ. Revenue decline was led by manufacturing (-16% QoQ) & Energy (-11% QoQ). Limited exposure to travel, hospitality and retail limited the revenue decline. Decline across the Top-5 clients (-7% QoQ, USD) was more pronounced than that of the overall portfolio. Decline in Top 6-10 clients (~16% QoQ) was sharper.

July 17, 2020

## Q1FY21 Result Update

☒ Change in Estimates | ☒ Target | ☒ Reco

### Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
<b>Rating</b>	<b>BUY</b>		<b>HOLD</b>	
<b>Target Price</b>	<b>2,421</b>		<b>1,894</b>	
Sales (Rs. m)	1,34,251	1,50,820	1,33,168	1,51,541
% Chng.	0.8	(0.5)		
EBITDA (Rs. m)	24,856	27,917	24,035	27,307
% Chng.	3.4	2.2		
EPS (Rs.)	109.7	125.2	104.5	122.6
% Chng.	5.0	2.2		

### Key Financials - Standalone

Y/e Mar	FY20	FY21E	FY22E	FY23E
Sales (Rs. bn)	109	120	134	151
EBITDA (Rs. bn)	20	22	25	28
Margin (%)	18.6	18.4	18.5	18.5
PAT (Rs. bn)	15	16	19	22
EPS (Rs.)	86.7	90.6	109.7	125.2
Gr. (%)	(0.1)	4.5	21.0	14.2
DPS (Rs.)	24.3	29.0	35.1	40.1
Yield (%)	1.1	1.3	1.5	1.7
RoE (%)	29.3	26.8	27.4	26.5
RoCE (%)	33.9	33.8	32.8	31.2
EV/Sales (x)	3.4	3.0	2.6	2.3
EV/EBITDA (x)	18.4	16.4	14.2	12.4
PE (x)	26.4	25.3	20.9	18.3
P/BV (x)	7.4	6.3	5.3	4.5

### Key Data

LRTI.BO | LTI IN

52-W High / Low	Rs.2,340 / Rs.1,208
Sensex / Nifty	36,472 / 10,740
Market Cap	Rs.399bn/ \$ 5,308m
Shares Outstanding	174m
3M Avg. Daily Value	Rs.567.13m

### Shareholding Pattern (%)

Promoter's	74.51
Foreign	9.76
Domestic Institution	7.27
Public & Others	8.46
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	22.1	20.5	39.0
Relative	12.5	38.5	49.1

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Cash collections were better. DSO excluding unbilled revenue was 70 days' vs 77 days QoQ. DSO including unbilled revenue was 99 days' vs 107 days QoQ.

Lower forex gains and higher tax rate resulted in lower PAT YoY. Effective tax rate was 25.5% in the quarter.

OCF at NI was 154% in the quarter.

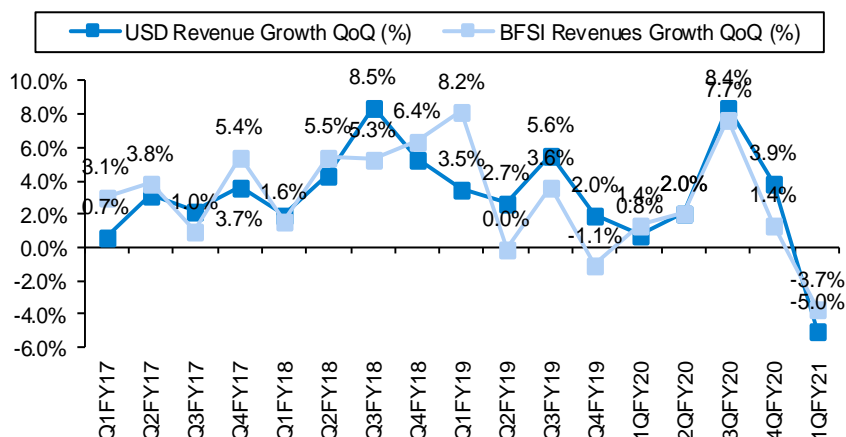
LTI 3X3 strategy 1) Customer first, 2) Resiliency in operations, 3) Protect P&L is working really well in COVID times.

- **Strong margin performance:** LTI surprised on margins expanded 71bps QoQ to 17.4% (Ple:17%, Cons: 16.6%) led by 11% QoQ SG&A, lower travel costs & higher proportion of offshore revenue (up 170 bps QoQ). However, adjusted for the one-off contribution to PM-CARES in Q4FY21, margins were largely stable. SG&A cost control was impressive (from 13.5% of revenue in Mar-20 to 12.3% of revenue). As the world opens up, travel expense will come back. They will try to implement the current learnings and try to sell more virtually. They have deferred the salary hikes (they follow July cycle). They will take decision on this, after they get clarity for the rest of the year. They will maintain margin for rest of FY21 in a narrow band, in-spice of investments for growth.
- **Strong Deal wins:** LTI has added 16 logos in Q1FY20. Deal pipeline continues to be strong and the win rates continue to be high. Deal pipeline is up 19% YoY at the end of Q1FY21. Expect for manufacturing, oil & gas and automotive, deal pipeline is holding up well. EM pipeline if showing good resilience. Manufacturing, oil & gas and automotive, deals are expected to come back in 2HFY21. Customers are focusing on cost saving and additional revenue generation. Most of the deals are in their comfort zone. Large deals are taking higher time to close as these require some amount of personal interaction. They will try to sell more virtually going forward by adopting a hybrid model for selling as well. However, entire selling cannot be done through virtual channel
- **3X3 Strategy reaping benefits in COVID times:** LTI 3X3 strategy 1) Customer first, 2) Resiliency in operations, 3) Protect P&L is working really well in COVID times. Limited exposure to travel and hospitality and low retail exposure to retail limited the revenue decline. All the companies are adopting digital technologies, however, there are lot of moving parts as of now and they will see how things unfold. They continue to believe that if there is a story to tell, clients will hear. In their digital offerings, they focus on- 1) Operate to transform- To carte a backbone for transformation, 2) Data driven transformation- Data and analytics, 3) Digitalise the core, 4) Customer experience.

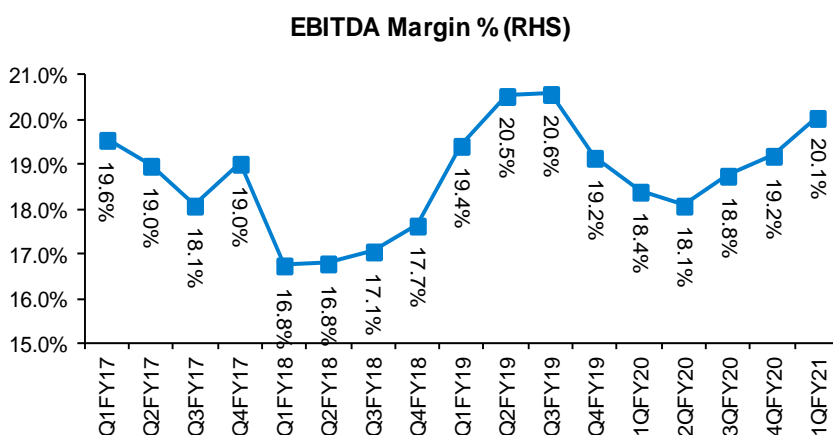
#### Exhibit 1: Q1FY21: Quick view on results

Y/e March (Rs mn)	1QFY21	4QFY20	QoQ (%)	1QFY20	YoY (%)	Ple	Variance (Actual vs Ple)
Revenues (USD mn)	390	410	-4.8%	357	9.5%	389	0.2%
Revenues (INR mn)	29,492	30,119	-2.1%	24,849	18.7%	29,517	-0.1%
EBITDA (INR mn)	5,920	5,781	2.4%	4,579	29.3%	5,461	8.4%
EBITDA Margins (%)	20.1	19.2	88bp	18.4	165bp	18.5	157bp
EBIT (INR mn)	5,139	5,034	2.1%	3,968	29.5%	5,018	2.4%
EBIT Margins (%)	17.4	16.7	71bp	16.0	146bp	17.0	43bp
PAT (INR mn)	4,164	4,274	-2.6%	3,555	17.1%	4,288	-2.9%
EPS	23.7	24.1	-1.5%	20.4	16.4%	24.2	-1.8%

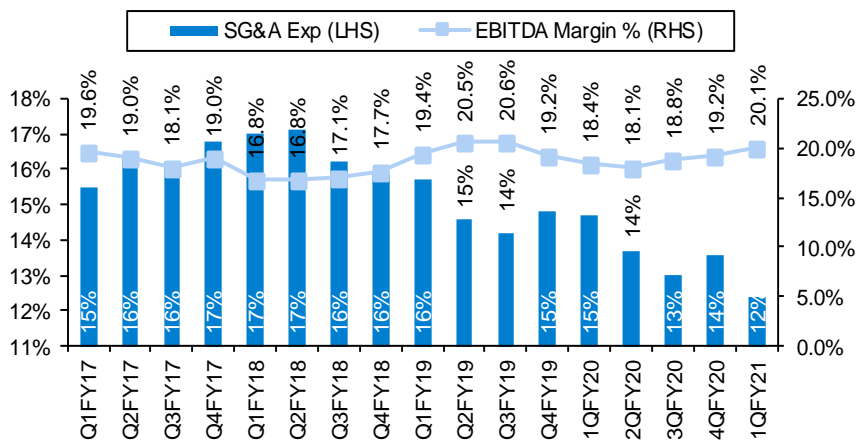
Source: Company, PL

**Exhibit 2: BFSI growth to rebound**


Source: Company, PL

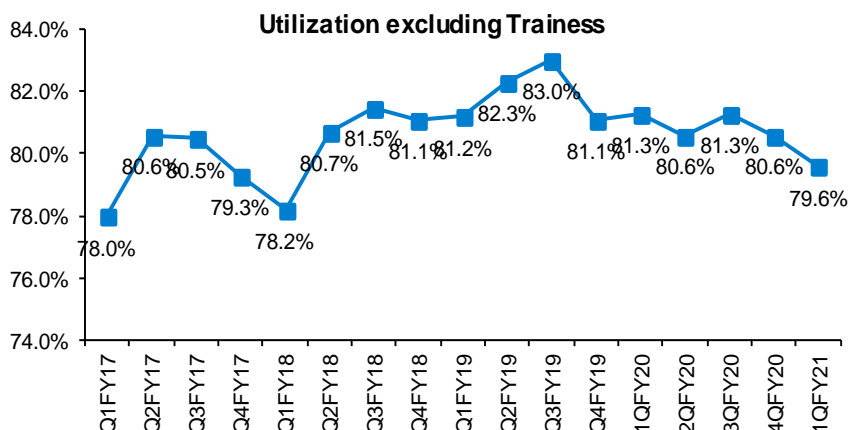
**Exhibit 3: Lower SG&A costs helped to maintain margin momentum**


Source: Company, PL

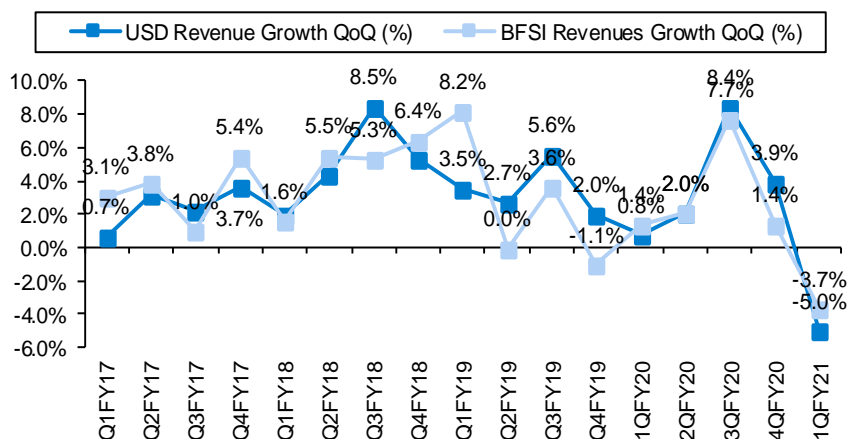
**Exhibit 4: SGA costs curtailed**


Source: Company, PL

LTI surprised on margins expanded 71bps QoQ to 17.4% (Ple:17%, Cons: 16.6%) led by 11% QoQ SG&A, lower travel costs & higher proportion of offshore revenue (up 170 bps QoQ).

**Exhibit 5: Utilization level to remain flat**


Source: Company, PL

**Exhibit 6: BFSI vertical posted flat growth in the quarter**


Source: Company, PL

**Exhibit 7: Geography-wise revenues**

Geography Revenues (USD mn)	1QFY21	4QFY20	QoQ gr.	1QFY20	YoY gr.
North America	276	282	-2.2%	245	12.8%
Europe	56	62	-9.2%	57	-1.5%
RoW	31	33	-7.1%	30	1.8%
India	27	32	-15.8%	25	9.5%
<b>Total</b>	<b>390</b>	<b>409</b>	<b>-4.7%</b>	<b>357</b>	<b>9.4%</b>
<b>-as a % of total sales</b>					
North America	70.8%	68.9%	190bp	68.7%	210bp
Europe	14.4%	15.1%	-70bp	16.0%	-160bp
RoW	7.9%	8.1%	-20bp	8.5%	-60bp
India	6.9%	7.8%	-90bp	6.9%	0bp

Source: Company, PL

### Exhibit 8: Vertical- wise revenues

Vertical revenues (USD mn)	1QFY21	4QFY20	QoQ gr.	1QFY20	YoY gr.
BFS	108	113	-4%	99	9%
Insurance	67	69	-3%	65	4%
Manufacturing	62	74	-16%	54	14%
Energy & Utilities	42	47	-10%	38	11%
CPG, Retail	45	46	-2%	40	13%
Hi-tech & Media	45	45	0%	45	2%
Others	21	16	29%	16	29%
<b>Total</b>	<b>390</b>	<b>410</b>	<b>-5%</b>	<b>356</b>	<b>10%</b>
<b>-as a % of total sales</b>					
BFS	27.7%	27.6%	10bp	27.7%	0bp
Insurance	17.2%	16.8%	40bp	18.1%	-90bp
Manufacturing	15.8%	18.0%	-220bp	15.2%	60bp
Energy & Utilities	10.8%	11.4%	-60bp	10.7%	10bp
CPG, Retail	11.5%	11.2%	30bp	11.1%	40bp
Hi-tech & Media	11.6%	11.0%	60bp	12.5%	-90bp
Others	5.4%	4.0%	140bp	4.6%	80bp

Source: Company, PL

### Exhibit 9: Revenue by service offerings

Service Revenues (USD mn)	1QFY21	4QFY20	QoQ gr.	1QFY20	YoY gr.
Application Development Maintenance	139	142	-2%	136	2%
Enterprise Solutions	116	123	-6%	101	14%
Infrastructure Management Services	53	52	3%	39	37%
Analytics, AI & Cognitive	49	48	3%	40	22%
Enterprise Integration & Mobility	34	36	-6%	29	15%
Platform Based Solutions	0	10	-100%	11	-100%
<b>Total</b>	<b>390</b>	<b>410</b>	<b>-5%</b>	<b>357</b>	<b>9%</b>
<b>-as a % of total sales</b>					
Application Development Maintenance	35.6%	34.7%	93bp	38.1%	-250bp
Enterprise Solutions	29.7%	30.0%	-27bp	28.4%	130bp
Infrastructure Management Services	13.6%	12.6%	101bp	10.9%	270bp
Analytics, AI & Cognitive	12.5%	11.6%	91bp	11.2%	130bp
Enterprise Integration & Mobility	8.6%	8.7%	-9bp	8.2%	40bp
Platform Based Solutions	0.0%	2.5%	-250bp	3.2%	-320bp

Source: Company, PL

### Exhibit 10: Client Concentration (%)

Client Details	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21
Top 5 clients	38.1%	38.0%	36.4%	35.2%	36.6%	36.2%	34.5%	32.2%	31.3%	32.0%	32.8%	31.2%	30.5%
Top 10 clients	50.9%	50.9%	50.8%	49.6%	50.3%	49.9%	48.4%	47.0%	45.0%	46.0%	46.8%	45.8%	43.4%
Top 20 clients	66.3%	66.0%	66.1%	65.1%	66.0%	65.5%	64.3%	63.4%	62.5%	61.0%	62.0%	59.8%	58.2%

Source: Company, PL

**Exhibit 11: Client Metrics**

Client details	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21
Number of Active Clients	256	256	289	300	301	312	314	343	354	366	429	424	409
New Clients Added	12	13	17	15	19	22	17	14	20	20	29	27	16
100 Million dollar +	1	1	1	1	1	114	121	123	124	137	153	165	164
50 Million dollar +	4	4	4	4	4	44	47	49	49	48	48	53	59
20 Million dollar +	12	12	13	13	13	25	25	26	26	27	28	27	30
10 Million dollar +	24	23	22	23	25	14	15	17	19	18	18	16	16
5 Million dollar +	35	39	43	44	42	4	5	5	5	6	6	6	6
1 Million dollar +	97	99	102	109	114	1	1	1	1	1	1	1	1

Source: Company, PL

**Exhibit 12: Headcount Metrics**

	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21
Total Headcount	22,321	22,554	23,394	24,139	25,150	26,414	27,513	28,169	29,347	30,979	31,419	31,437	31,477
Development	20,899	21,147	21,979	22,655	23,656	24,923	25,985	26,572	27,665	29,266	29,669	29,683	29,712
Sales & Support	1,422	1,407	1,415	1,484	1,494	1,491	1,528	1,597	1,682	1,713	1,750	1,754	1,765
Attrition % (LTM)	14.70%	15.0%	14.6%	14.8%	15.1%	15.3%	16.5%	17.5%	18.3%	18.4%	17.7%	17%	15%
Net addition	1,118	233	840	745	1,011	1,264	1,099	656	1,178	1,632	440	18	40

Source: Company, PL

**Exhibit 13: Effort Mix & Revenue Mix (%)**

Effort Mix	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21
Onsite	23.8%	23.3%	23.5%	23.1%	23.0%	22.6%	22.0%	21.9%	22.0%	22.0%	21.9%	21.5%	21.1%
Offshore	76.2%	76.7%	76.5%	76.9%	77.0%	77.4%	78.0%	78.1%	78.0%	78.0%	78.1%	78.5%	78.9%
Revenue Mix													
Onsite	46.8%	46.6%	46.2%	45.7%	46.8%	47.6%	47.8%	47.8%	49.5%	48.60%	49.0%	50.9%	49.2%
Offshore	53.2%	53.4%	53.8%	54.3%	53.2%	52.4%	52.2%	52.2%	50.5%	51.40%	51.0%	49.1%	50.8%

Source: Company, PL

**Exhibit 14: Change in Estimates**

Y/e March	FY21E	FY22E	FY23E
<b>USD revenues (US\$ m)</b>			
- New	1,585	1,766	1,959
- Old	1,534	1,752	1,968
Change (%)	3.3%	0.8%	-0.5%
<b>EBIT Margin</b>			
- New	16.6%	17.0%	17.0%
- Old	16.2%	16.5%	16.5%
Change (%)	35 bps	47 bps	49 bps
<b>Recurring EPS - Fully diluted (Rs)</b>			
- New	89.0	107.7	122.9
- Old	92.0	105.3	120.3
Change (%)	-3.3%	2.2%	2.2%

Source: PL

## Financials

### Income Statement (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
<b>Net Revenues</b>	<b>1,08,673</b>	<b>1,19,794</b>	<b>1,34,251</b>	<b>1,50,820</b>
YoY gr. (%)	15.1	10.2	12.1	12.3
Employee Cost	73,589	80,870	89,257	99,541
Gross Profit	35,084	38,924	44,994	51,279
Margin (%)	32.3	32.5	33.5	34.0
SG&A Expenses	-	-	-	-
Other Expenses	-	-	-	-
<b>EBITDA</b>	<b>20,179</b>	<b>22,021</b>	<b>24,856</b>	<b>27,917</b>
YoY gr. (%)	7.4	9.1	12.9	12.3
Margin (%)	18.6	18.4	18.5	18.5
Depreciation and Amortization	2,731	2,136	2,014	2,262
<b>EBIT</b>	<b>17,448</b>	<b>19,885</b>	<b>22,843</b>	<b>25,654</b>
Margin (%)	16.1	16.6	17.0	17.0
Net Interest	-	-	-	-
Other Income	2,463	1,180	3,230	3,400
<b>Profit Before Tax</b>	<b>19,911</b>	<b>21,065</b>	<b>26,073</b>	<b>29,054</b>
Margin (%)	18.3	17.6	19.4	19.3
Total Tax	4,825	5,294	6,986	7,264
Effective tax rate (%)	24.2	25.1	26.8	25.0
<b>Profit after tax</b>	<b>15,086</b>	<b>15,771</b>	<b>19,087</b>	<b>21,791</b>
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
<b>Adjusted PAT</b>	<b>15,086</b>	<b>15,771</b>	<b>19,087</b>	<b>21,791</b>
YoY gr. (%)	(0.1)	4.5	21.0	14.2
Margin (%)	13.9	13.2	14.2	14.4
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>15,086</b>	<b>15,771</b>	<b>19,087</b>	<b>21,791</b>
YoY gr. (%)	(0.1)	4.5	21.0	14.2
Margin (%)	13.9	13.2	14.2	14.4
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	15,086	15,771	19,087	21,791
<b>Equity Shares O/s (m)</b>	<b>174</b>	<b>174</b>	<b>174</b>	<b>174</b>
<b>EPS (Rs)</b>	<b>86.7</b>	<b>90.6</b>	<b>109.7</b>	<b>125.2</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>17,377</b>	<b>21,388</b>	<b>25,399</b>	<b>29,410</b>
Tangibles	8,500	11,307	14,115	16,923
Intangibles	8,877	10,081	11,284	12,487
<b>Acc: Dep / Amortization</b>	<b>11,745</b>	<b>13,881</b>	<b>15,894</b>	<b>18,157</b>
Tangibles	3,873	4,836	5,745	6,766
Intangibles	7,872	9,044	10,149	11,390
<b>Net fixed assets</b>	<b>5,632</b>	<b>7,507</b>	<b>9,505</b>	<b>11,253</b>
Tangibles	4,627	6,471	8,370	10,156
Intangibles	1,005	1,037	1,135	1,097
Capital Work In Progress	592	592	592	592
Goodwill	6,368	6,368	6,368	6,368
Non-Current Investments	680	730	780	830
Net Deferred tax assets	2,121	2,121	2,121	2,121
Other Non-Current Assets	2,268	2,268	2,268	2,268
<b>Current Assets</b>				
Investments	22,186	23,186	24,186	25,186
Inventories	-	-	-	-
Trade receivables	23,121	23,175	25,972	29,177
Cash & Bank Balance	5,252	15,426	21,125	28,306
Other Current Assets	6,562	6,562	6,562	6,562
<b>Total Assets</b>	<b>88,249</b>	<b>96,919</b>	<b>1,09,367</b>	<b>1,23,581</b>
<b>Equity</b>				
Equity Share Capital	174	174	174	174
Other Equity	53,866	63,561	75,294	88,689
<b>Total Network</b>	<b>54,040</b>	<b>63,735</b>	<b>75,468</b>	<b>88,863</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	-	-	-	-
Provisions	330	330	330	330
Other non current liabilities	-	-	-	-
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	6,950	5,925	6,640	7,459
Other current liabilities	16,362	16,362	16,362	16,362
<b>Total Equity &amp; Liabilities</b>	<b>88,249</b>	<b>96,919</b>	<b>1,09,367</b>	<b>1,23,581</b>

Source: Company Data, PL Research



### Cash Flow (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
PBT	20,029	21,065	26,073	29,054
Add. Depreciation	2,730	2,136	2,014	2,262
Add. Interest	826	-	-	-
Less Financial Other Income	2,463	1,180	3,230	3,400
Add. Other	(719)	(1,180)	(3,230)	(3,400)
Op. profit before WC changes	22,866	22,021	24,856	27,917
Net Changes-WC	(2,313)	(3,792)	(2,987)	(3,415)
Direct tax	(4,118)	(5,294)	(6,986)	(7,264)
<b>Net cash from Op. activities</b>	<b>16,435</b>	<b>12,934</b>	<b>14,884</b>	<b>17,238</b>
Capital expenditures	(2,914)	(4,011)	(4,011)	(4,011)
Interest / Dividend Income	1,101	1,180	3,230	3,400
Others	(4,707)	(1,050)	(1,050)	(1,050)
<b>Net Cash from Invt. activities</b>	<b>(6,520)</b>	<b>(3,881)</b>	<b>(1,831)</b>	<b>(1,661)</b>
Issue of share cap. / premium	-	-	-	-
Debt changes	320	-	-	-
Dividend paid	(5,679)	(6,076)	(7,354)	(8,396)
Interest paid	(40)	-	-	-
Others	(3,501)	-	-	-
<b>Net cash from Fin. activities</b>	<b>(8,900)</b>	<b>(6,076)</b>	<b>(7,354)</b>	<b>(8,396)</b>
<b>Net change in cash</b>	<b>1,015</b>	<b>2,977</b>	<b>5,699</b>	<b>7,181</b>
Free Cash Flow	13,970	8,923	10,873	13,227

Source: Company Data, PL Research

### Key Financial Metrics

Y/e Mar	FY20	FY21E	FY22E	FY23E
<b>Per Share(Rs)</b>				
EPS	86.7	90.6	109.7	125.2
CEPS	102.4	102.9	121.3	138.2
BVPS	310.6	366.3	433.7	510.7
FCF	80.3	51.3	62.5	76.0
DPS	24.3	29.0	35.1	40.1
<b>Return Ratio(%)</b>				
RoCE	33.9	33.8	32.8	31.2
ROIC	55.0	73.4	68.8	67.1
RoE	29.3	26.8	27.4	26.5
<b>Balance Sheet</b>				
Net Debt : Equity (x)	(0.5)	(0.6)	(0.6)	(0.6)
Debtor (Days)	78	71	71	71
<b>Valuation(x)</b>				
PER	26.4	25.3	20.9	18.3
P/B	7.4	6.3	5.3	4.5
P/CEPS	22.4	22.3	18.9	16.6
EV/EBITDA	18.4	16.4	14.2	12.4
EV/Sales	3.4	3.0	2.6	2.3
Dividend Yield (%)	1.1	1.3	1.5	1.7

Source: Company Data, PL Research

### Quarterly Financials (Rs m)

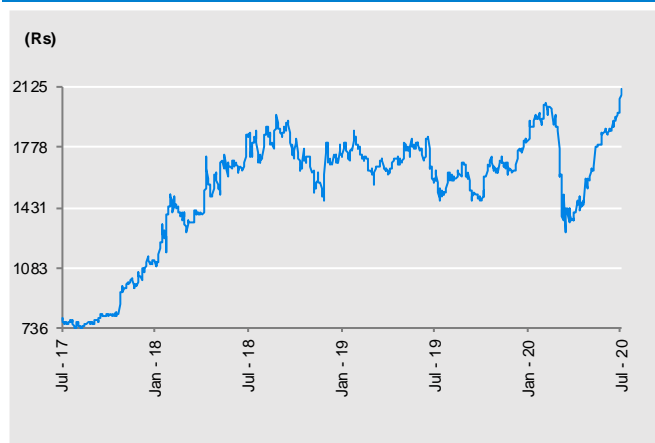
Y/e Mar	Q2FY20	Q3FY20	Q4FY20	Q1FY21
<b>Net Revenue</b>	<b>25,707</b>	<b>28,111</b>	<b>30,119</b>	<b>29,492</b>
YoY gr. (%)	10.3	13.7	21.2	18.7
Raw Material Expenses	17,525	19,188	20,251	19,916
Gross Profit	8,182	8,923	9,868	9,576
Margin (%)	31.8	31.7	32.8	32.5
<b>EBITDA</b>	<b>4,658</b>	<b>5,274</b>	<b>5,781</b>	<b>5,920</b>
YoY gr. (%)	(2.8)	3.6	21.3	29.3
Margin (%)	18.1	18.8	19.2	20.1
Depreciation / Depletion	664	709	747	781
<b>EBIT</b>	<b>3,994</b>	<b>4,565</b>	<b>5,034</b>	<b>5,139</b>
Margin (%)	15.5	16.2	16.7	17.4
Net Interest	-	-	-	-
Other Income	739	433	479	450
<b>Profit before Tax</b>	<b>4,733</b>	<b>4,998</b>	<b>5,513</b>	<b>5,589</b>
Margin (%)	18.4	17.8	18.3	19.0
Total Tax	1,130	1,231	1,239	1,425
Effective tax rate (%)	23.9	24.6	22.5	25.5
<b>Profit after Tax</b>	<b>3,603</b>	<b>3,767</b>	<b>4,274</b>	<b>4,164</b>
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
<b>Adjusted PAT</b>	<b>3,603</b>	<b>3,767</b>	<b>4,274</b>	<b>4,164</b>
YoY gr. (%)	(10.0)	0.3	12.9	17.1
Margin (%)	14.0	13.4	14.2	14.1
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>3,603</b>	<b>3,767</b>	<b>4,274</b>	<b>4,164</b>
YoY gr. (%)	(10.0)	0.3	12.9	17.1
Margin (%)	14.0	13.4	14.2	14.1
Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income</b>	<b>3,603</b>	<b>3,767</b>	<b>4,274</b>	<b>4,164</b>
Avg. Shares O/s (m)	174	174	177	177
<b>EPS (Rs)</b>	<b>20.7</b>	<b>21.6</b>	<b>24.1</b>	<b>23.5</b>

Source: Company Data, PL Research



## Price Chart

## Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	04-Jul-20	Hold	1,894	1,978
2	21-May-20	Hold	1,598	1,755
3	12-Apr-20	Hold	1,403	1,399
4	16-Jan-20	BUY	2,119	1,925
5	03-Jan-20	Accumulate	1,825	1,813
6	12-Dec-19	Accumulate	1,825	1,633
7	18-Oct-19	Accumulate	1,825	1,500
8	03-Oct-19	Accumulate	1,665	1,505
9	19-Jul-19	Accumulate	1,701	1,576

## Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Cyient	Hold	450	437
2	HCL Technologies	Hold	591	579
3	Hexaware Technologies	Reduce	282	334
4	Infosys	BUY	1,037	831
5	L&T Technology Services	Hold	1,169	1,295
6	Larsen & Toubro Infotech	Hold	1,894	1,978
7	Mindtree	Reduce	888	978
8	Mphasis	Accumulate	943	887
9	NIIT Technologies	BUY	1,533	1,420
10	Persistent Systems	Reduce	447	514
11	Redington (India)	BUY	114	117
12	Sonata Software	Accumulate	400	313
13	Tata Consultancy Services	Hold	2,116	2,204
14	TeamLease Services	Hold	3,203	2,487
15	Tech Mahindra	Reduce	493	567
16	Wipro	BUY	257	225
17	Zensar Technologies	Accumulate	246	191

## PL's Recommendation Nomenclature (Absolute Performance)

<b>Buy</b>	: > 15%
<b>Accumulate</b>	: 5% to 15%
<b>Hold</b>	: +5% to -5%
<b>Reduce</b>	: -5% to -15%
<b>Sell</b>	: < -15%
<b>Not Rated (NR)</b>	: No specific call on the stock
<b>Under Review (UR)</b>	: Rating likely to change shortly

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