

Refer to important disclosures at the end of this report

# Weak earnings but strong order book

**CMP: Rs 2,204**  
as of (July 9, 2020)

**TP: Rs 1,750 (■)**  
12 months

**Rating: SELL (■)**

**Upside: (20.6) %**



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- TCS reported a weak quarter, missing estimates. Revenue in cc terms fell 6.9% QoQ/6.3% YoY, leading to a 150 bps QoQ drop in EBIT margins despite benefits from INR depreciation, lower SG&A and travel expenses and other cost rationalization measures.
- Revenue decline was contained in Financial Services (-2.2% QoQ cc, along expected lines) and Hi-Tech (-3.4% QoQ cc), although performance was weak in Manufacturing, Telecom and Retail. Among regions, UK and India were the most impacted.
- The order book at US\$6.9bn (vs. US\$8.9bn QoQ/US\$5.7bn YoY) appeared resilient, given the macro. Management highlighted that it benefitted from the closure of large deals already being negotiated over the prior months. The pipeline is robust in areas like Cloud Migration, Remote Enablement and Security, said management.
- We cut FY21/22E EPS by 3%/2% driven by the June'20 quarter miss and slightly lower revenue assumptions (as our expectations of gradual recovery in the Sep'20 quarter and normalized growth rates in H2FY21 remain unchanged). Valuations at ~27x/24x FY21/22E remain punchy. We retain Sell with an unchanged TP of Rs1,750.

**What we like?** Order booking stood at US\$6.9bn during the quarter despite Covid-19-led disruption, albeit aided by deals in negotiation from prior periods.

**What we did not like?** Operational miss higher than estimates. Sharp declines in UK, retail.

**June'20 reflects the sharp disruption from Covid-19:** TCS's June'20 quarter performance reflected the sharp disruption in the business due to Covid-19 as expressed by management after FY20 results. A 6.9% sequential fall in cc revenue was worse than Street estimates of a ~5.2% decline and Emkay estimates of a 4.5% fall. Quarterly EBIT margins, as a result, fell to the lowest levels since the June'17 quarter to 23.6% (-150 bps QoQ/-60 bps YoY) despite benefits from currency depreciation, lower travel expenses as well as other cost containment measures on account of revenue weakness.

**FY21/22E EPS see 3/2% cuts; retain Sell on punchy valuations:** Driven by the June'20 quarter miss, we cut our FY21/22/23E EPS by ~3%/2%/1 to ~Rs82/93/102. Valuations at ~27x/24x FY21/22E earnings remain punchy, in our view. Thereby, we retain Sell and UW in sector EAP, with a TP of Rs1,750, based on 18x June'22E earnings.

Please see our sector model portfolio (Emkay Alpha Portfolio): [Information Technology \(page 11\)](#)

## Financial Snapshot (Consolidated)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	14,64,641	15,69,490	15,45,441	16,96,254	18,62,192
EBITDA	3,95,061	4,21,100	4,12,680	4,54,256	4,94,166
EBITDA Margin (%)	27.0	26.8	26.7	26.8	26.5
APAT	3,14,731	3,23,400	3,05,678	3,47,909	3,82,614
EPS (Rs)	83.0	86.2	81.5	92.7	102.0
EPS (% chg)	23.1	3.8	(5.4)	13.8	10.0
ROE (%)	36.1	37.3	33.3	32.2	30.3
P/E (x)	26.6	25.6	27.1	23.8	21.6
EV/EBITDA (x)	20.1	19.0	18.9	16.9	15.3
P/BV (x)	9.3	9.8	8.3	7.1	6.1

Source: Company, Emkay Research



## Change in Estimates

EPS Chg FY21E/FY22E (%)	(3)/(2)
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	SELL

## Emkay vs Consensus

	EPS Estimates	
	FY21E	FY22E
Emkay	81.5	92.7
Consensus	84.5	94.5
Mean Consensus TP (12M)	Rs 1,960	

## Stock Details

Bloomberg Code	TCS IN
Face Value (Rs)	1
Shares outstanding (mn)	3,752
52 Week H/L	2,303 / 1,504
M Cap (Rs bn/USD bn)	8,272 / 110.29
Daily Avg Volume (nos.)	40,08,310
Daily Avg Turnover (US\$ mn)	105.2

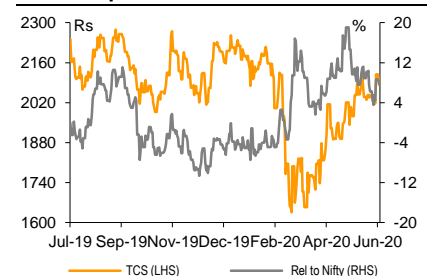
## Shareholding Pattern Mar '20

Promoters	72.1%
FIIIs	15.7%
DIIIs	8.0%
Public and Others	4.2%

## Price Performance

(%)	1M	3M	6M	12M
<b>Absolute</b>	6	25	-	5
<b>Rel. to Nifty</b> (1)	5	12	13	

## Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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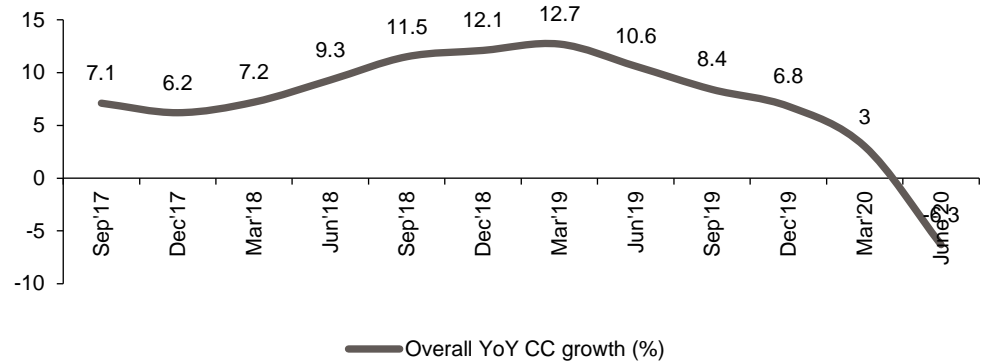
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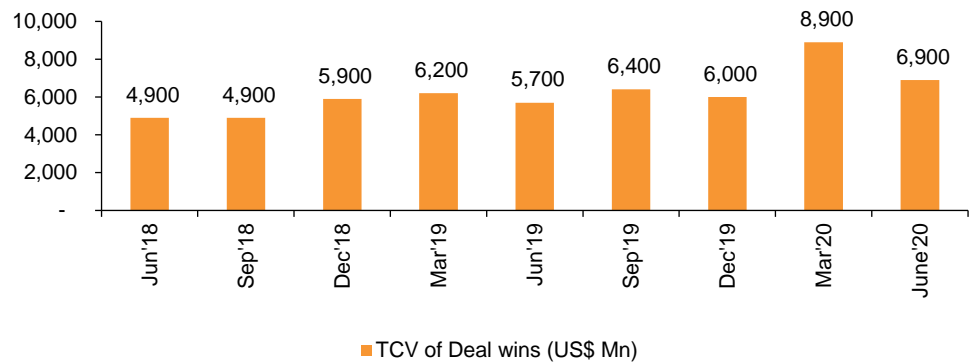
## Story in charts

**Exhibit 1: YoY growth slipped to a negative territory, company expects to achieve a flat YoY c.c growth by Mar'21**



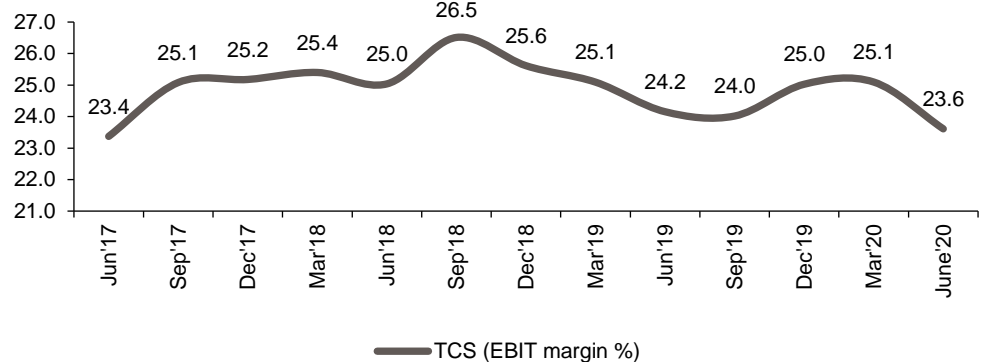
Source: Company, Emkay Research

**Exhibit 2: Order bookings remained solid in June'20 quarter**



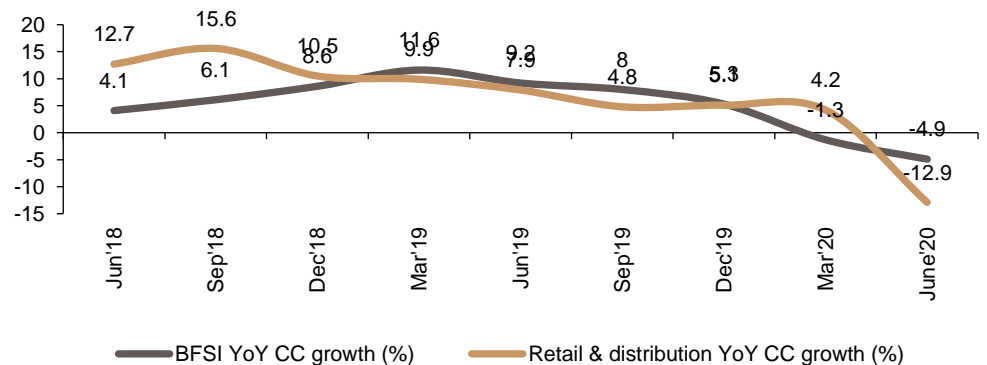
Source: Company, Emkay Research

**Exhibit 3: Quarterly EBIT margins slipped to the lowest since June'17 quarter levels**



Source: Company, Emkay Research

**Exhibit 4: BFSI performance holding up better than other key verticals in the near term.**



Source: Company, Emkay Research

**Exhibit 5: Actual vs. Estimates (Q1FY21)**

(in Rs mn)	Actual	Estimates		% variation		Comment
		Emkay	Consensus	Emkay	Consensus	
Revenues (in US\$ mn)	5,059	5,173	5,134	-2.2%	-1.5%	Revenues were lower than both Emkay/Consensus estimates
Sales	3,83,220	3,92,654	3,88,046	-2.4%	-1.2%	
EBIT	90,480	95,433	94,683	-5.2%	-4.4%	EBIT margins also missed expectations as a direct flow through of revenue miss
EBIT, margin	23.6%	24.3%	24.4%	-70 bps	-80 bps	INR depreciation helped margins
PAT	70,080	77,611	76,833	-9.7%	-8.8%	Lower margins drove net profit miss

Source: Company, Emkay Research

**Exhibit 6: Quarterly snapshot**

Rs mn	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	YoY (%)	QoQ (%)	FY20TD	FY21TD	YoY (%)
Revenues (US\$ Mn)	5,485	5,517	5,586	5,444	5,059	(7.8)	(7.1)	5,485	5,059	(7.8)
Revenue (INR Mn)	3,81,720	3,89,770	3,98,540	3,99,460	3,83,220	0.4	(4.1)	3,81,720	3,83,220	0.4
Operating Expenditure	2,81,350	2,87,510	2,89,830	2,89,700	2,82,970	0.6	(2.3)	2,81,350	2,82,970	0.6
Cost of revenues	2,21,020	2,24,100	2,26,820	2,24,410	2,24,860	1.7	0.2	2,21,020	2,24,860	1.7
as % of sales	57.9	57.5	56.9	56.2	58.7			57.9	58.7	
SG&A expenses	60,330	63,410	63,010	65,290	58,110	(3.7)	(11.0)	60,330	58,110	(3.7)
as % of sales	15.8	16.3	15.8	16.3	15.2			15.8	15.2	
EBITDA	1,00,370	1,02,260	1,08,710	1,09,760	1,00,250	(0.1)	(8.7)	1,00,370	1,00,250	(0.1)
Depreciation	8,170	8,650	8,970	9,510	9,770			8,170	9,770	
EBIT	92,200	93,610	99,740	1,00,250	90,480	(1.9)	(9.7)	92,200	90,480	(1.9)
Other Income	14,180	11,680	5,950	4,870	4,560			14,180	4,560	
PBT	1,06,380	1,05,290	1,05,690	1,05,120	95,040	(10.7)	(9.6)	1,06,380	95,040	(10.7)
Total Tax	24,850	24,710	24,260	24,190	24,550			24,850	24,550	
Adjusted PAT	81,530	80,580	81,430	80,930	70,490	(13.5)	(12.9)	81,530	70,490	(13.5)
APAT after MI	81,310	80,420	81,180	80,490	70,080	(13.8)	(12.9)	81,310	70,080	(13.8)
Reported EPS	21.7	21.4	21.6	21.4	18.7	(13.7)	(12.9)	22	19	(13.7)

Margins (%)						(bps)	(bps)			(bps)
EBIDTA	26.3	26.2	27.3	27.5	26.2	(13)	(132)	26.3	26.2	(13)
EBIT	24.2	24.0	25.0	25.1	23.6	(54)	(149)	24.2	23.6	(54)
EBT	27.9	27.0	26.5	26.3	24.8	(307)	(152)	27.9	24.8	(307)
PAT	21.3	20.6	20.4	20.1	18.3	(301)	(186)	63.8	18.3	(4,553)
Effective Tax rate	23.4	23.5	23.0	23.0	25.8	247	282	23.4	25.8	247

Source: Company, Emkay Research

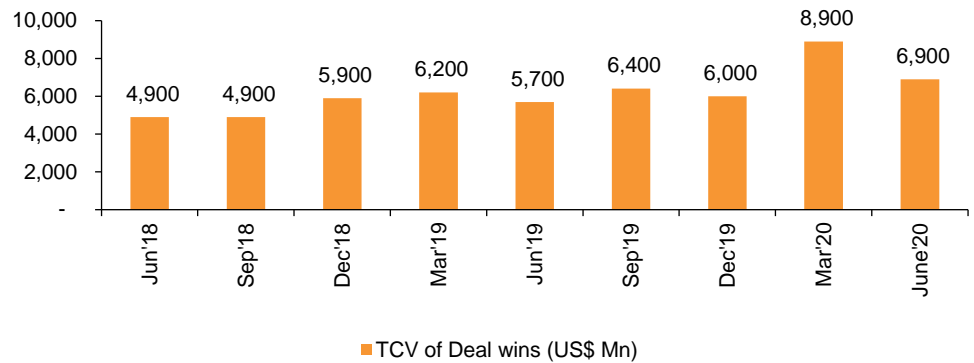
**June'20 reflects the sharp disruption from Covid-19**

TCS's June'20 quarter performance reflected the sharp disruption in the business due to Covid-19 as expected by management after FY20 results. A 6.9% sequential cc revenue decline was worse than Street estimates (~5.2% QoQ cc decline, Emkay Est:-4.5% QoQ). Quarterly EBIT margins, as a result, fell to the lowest levels since the June'17 quarter to 23.6% (-150 bps QoQ, -60 bps YoY) despite benefits from currency depreciation, lower travel expenses as well as other cost containment measures on account of revenue weakness. Net profits at Rs70.1bn (-13% QoQ, -14% YoY) were down ~9.5% from our estimates, impacted by ~5% lower EBIT and slightly higher ETR. Among verticals, Healthcare and Lifesciences was the only vertical to see a sequential revenue increase, while declines were contained in verticals like BFSI (-2.2% QoQ, along our expected lines) and Hi-tech (-3.4% QoQ c.c) as other verticals saw much sharper cuts in revenue contribution. Headcount declined by ~4,800 sequentially to ~4,44,000, with LTM attrition falling to 11.15, lowest in nearly two years, and may remain subdued in the foreseeable future, in our view.

## Order booking remains solid; company expects to 'trace our path to growth' going forward

TCS's order booking at US\$6.9bn (vs. US\$8.9bn QoQ/US\$5.7bn YoY) was solid, albeit management noted that this benefitted from closure on a number of large transformation deals in negotiation over the prior months. Both the pipeline and order bookings during the June'20 quarter include a significant client spending toward Cloud migration, cybersecurity as well as the company's product offerings. TCS noted that it continued to see opportunities around vendor consolidation and expects improvement in traction, with clients on the business front as the wheels on the global economy start moving slowly.

**Exhibit 7: Order bookings remained solid in June'20 quarter**

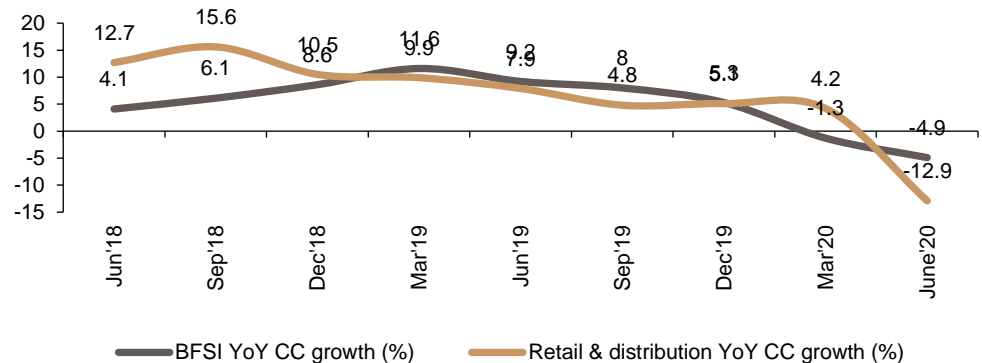


Source: Company, Emkay Research

Management expects sequential recovery in revenues from the Sep'20 quarter and reiterated its earlier outlook of matching the Dec'19 quarter revenues by Dec'20 in INR terms. From a geography perspective, the company seemed more confident about recovery in Continental Europe (we have continued to highlight that this remains an area of strength due to offshore under-penetration, which has supported higher growth rates in recent years in general) and cautiously optimistic about North America.

With regards to verticals, the company confirmed what we had highlighted in our research based on our channel checks that financial services performance may hold up relatively better in the near term, aided by work around enabling the systems for doling out the 'Payment Protection Program' support in the US. We note that the decline in financial services during the quarter was limited to 2.2% QoQ cc (vs. 6.9% QoQ cc at the company wide level).

**Exhibit 8: BFSI performance holding up better than other key verticals in the near term.**



Source: Company, Emkay Research

## Client metrics deteriorates on a sequential basis; albeit we see that driven by sharp revenue declines in the last 2 quarters

TCS stands out among the offshore Tier I peers when it comes to mining and growing its clients to a higher revenue contribution level. However, the client metrics suggest some deterioration in the June'20 quarter, with the number of US\$100Mn+/US\$ 50Mn+/US\$20Mn+ clients declining by 1/5/10 sequentially (though still up by 4/0/11 on a YoY basis). This, in our view, reflects the sharp contraction in revenues at an overall level.

Management suggested during the call that it continues to work proactively and closely with its clients with a significant increase in engagement levels in the backdrop of the Covid-19-led business disruptions. TCS expects to continue working with these clients through the tough period and believes that it will benefit when the tide turns.

### Exhibit 9: Company saw a decline in no of US\$100mn+/50mn+ /20mn+ clients on a sequential basis

	Sep'18	Dec'18	Mar'19	Jun'19	Sep'19	Dec'19	Mar'20	June'20
No of US\$ 1 mn+ clients	989	996	1,008	1,014	1,032	1,053	1,072	1,066
No of US\$ 5 mn+ clients	513	519	532	551	554	557	565	564
No of US\$ 10 mn+ clients	365	370	371	384	398	395	391	382
No of US\$ 20 mn+ clients	213	211	215	219	225	232	240	230
No of US\$ 50 mn+ clients	98	99	99	100	101	102	105	100
No of US\$ 100 mn+ clients	44	45	44	44	47	47	49	48

Source: Company, Emkay Research

## Changes in Estimates

### FY21/22E EPS see 3/2% cuts; SELL stays on punchy valuations

Driven by the June'20 quarter miss, we tweak our FY21/22/23E EPS lower by ~3%/2%/1 to ~Rs82/93/102. Valuations at ~27x/24x FY21/22E earnings remain punchy, in our view. Thereby, we retain Sell with a TP of Rs1,750, based on 18x June'22E earnings. UW in sector EAP.

Exhibit 10: Changes in estimates

(All fig in Rs mn except EPS)	FY21E			FY22E			FY23E		
	Old	New	% change	Old	New	% change	Old	New	% change
Revenues(US\$ mn)	21,144	20,765	-1.8%	23,348	22,922	-1.8%	25,440	25,165	-1.1%
YoY growth, %	-4.0	-5.8		10.4	10.4		9.0	9.8	
Revenues	15,74,485	15,45,441	-1.8%	17,27,784	16,96,254	-1.8%	18,82,586	18,62,192	-1.1%
EBIT	3,81,025	3,73,245	-2.0%	4,23,636	4,13,591	-2.4%	4,58,756	4,52,255	-1.4%
EBIT Margins, %	24.2	24.2		24.5	24.4		24.4	24.3	
Net profits	3,14,877	3,05,678	-2.9%	3,55,543	3,47,909	-2.1%	3,87,555	3,82,614	-1.3%
EPS	83.9	81.5	-2.9%	94.7	92.7	-2.1%	103.3	102.0	-1.2%

Source: Company, Emkay Research

Exhibit 11: Key Assumptions

Key Assumptions	FY20	FY21E	FY22E	FY23E
USD Revenues growth	5.4	-5.8	10.4	9.8
USD/INR	71.2	74.4	74.0	74.0
INR growth	7.2%	-0.8%	9.0%	9.6%
EBIT Margins	24.6	24.2	24.4	24.3
EPS growth (%)	3.8%	-5.4%	13.8%	10.0%

Source: Company, Emkay Research

Exhibit 12: Valuation Summary

Co Name	CMP	Reco.	Target Price	US\$ revenue growth (%)			EPS			P/E			EV/EBIT		
				FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
<b>IT Services companies</b>															
TCS	2,219	SELL	1,750	-5.8	10.4	9.8	81.5	92.7	102.0	27.2	23.9	21.8	21.0	18.7	16.9
Infosys	782	HOLD	700	-3.3	11.2	10.5	37.5	42.3	47.7	20.9	18.5	16.4	15.4	13.2	11.6
Wipro	222	HOLD	215	-4.0	5.9	5.5	16.8	17.7	19.0	13.2	12.5	11.7	8.7	7.1	5.8
HCL Tech	588	BUY	630	-2.0	10.2	11.6	39.6	45.7	51.6	14.9	12.9	11.4	11.0	9.5	8.2
Tech Mahindra	577	BUY	620	-6.2	8.6	10.9	41.2	49.6	58.5	14.0	11.6	9.9	10.7	8.4	6.4
L&T Infotech	2,082	SELL	1,475	2.7	12.6	13.1	87.8	102.2	113.5	23.7	20.4	18.3	17.5	14.9	12.7
Mphasis	903	HOLD	825	-0.4	6.3	9.4	61.8	67.9	69.7	14.6	13.3	13.0	10.2	9.1	8.6
Mindtree	988	SELL	740	-2.1	11.2	11.2	46.3	54.9	65.3	21.3	18.0	15.1	13.3	11.3	9.7
Hexaware*	343	NR	-	3.5	9.8	7.9	19.2	23.2	25.6	17.8	14.8	13.4	13.9	10.6	9.1
Persistent Systems	743	BUY	750	-0.6	8.9	10.9	46.1	58.9	67.9	16.1	12.6	10.9	11.0	7.7	6.0
Birlasoft	102	BUY	125	1.8	11.0	9.4	8.4	12.3	14.8	12.2	8.2	6.9	6.1	3.9	3.0
NIIT Tech	1,568	SELL	1,150	0.6	9.4	9.1	69.3	86.5	99.8	22.6	18.1	15.7	15.3	12.4	10.6
<b>Other companies</b>															
eClerx Services	480	HOLD	510	-5.0	9.3	7.1	51.0	61.9	67.3	9.4	7.7	7.1	4.4	3.2	2.4
Firstsource Solutions	40	HOLD	40	-2.8	7.7	5.1	4.5	5.2	5.7	9.0	7.7	7.1	7.8	6.1	5.0

Source: Company, Emkay Research

## Other Takeaways

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### Outlook

The June'20 quarter saw the full-quarter impact of Covid-19 with customers reprioritizing their spending and deferring the discretionary spends. Management believes that the June'20 quarter saw the worst impact on account of Covid-19 and the company should begin its growth trajectory next quarter. TCS expects increased spending in the areas of cyber security, customer experience transformation and digital transformation in the foreseeable future. TCS reported order bookings of US\$6.9bn (vs. US\$8.9bn QoQ/ US\$5.7bn YoY), however these included a significant mix of very large transformational deals that had been in negotiation over the prior months as well as a number of smaller engagements. TCV of deals signed in BFSI, Retail and North America was \$2.1bn, \$0.9bn and \$3.3bn, respectively.

### Sectors

Except Life Sciences, revenues declined across all the other sectors, with Retail (includes travel and hospitality) seeing the biggest impact. The impact on BFSI was less than anticipated and the decline was mainly because Covid-19-driven softness in UK and Canada. Communication and Media sector suffered due to the cancellation of various sporting events.

### Margins

A significant impact on margin was from revenue contraction. Management believes that with the growth picking up in coming quarters as well as the rationalization of discretionary spends should aid margin expansion.

### Other Takeaways

- 20% of the YoY cc decline of 6.3% in revenues was on account of Supply side impact.
- DSO at the end of June'20 quarter stood at 68 days.

**Key Financials (Consolidated)****Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
<b>Revenue</b>	<b>14,64,641</b>	<b>15,69,490</b>	<b>15,45,441</b>	<b>16,96,254</b>	<b>18,62,192</b>
<b>Expenditure</b>	<b>10,69,580</b>	<b>11,48,390</b>	<b>11,32,761</b>	<b>12,41,998</b>	<b>13,68,027</b>
<b>EBITDA</b>	<b>3,95,061</b>	<b>4,21,100</b>	<b>4,12,680</b>	<b>4,54,256</b>	<b>4,94,166</b>
Depreciation	20,550	35,300	39,435	40,665	41,911
<b>EBIT</b>	<b>3,74,511</b>	<b>3,85,800</b>	<b>3,73,245</b>	<b>4,13,591</b>	<b>4,52,255</b>
Other Income	41,130	36,680	28,935	45,500	52,500
Interest expenses	0	0	0	0	0
<b>PBT</b>	<b>4,15,641</b>	<b>4,22,480</b>	<b>4,02,180</b>	<b>4,59,091</b>	<b>5,04,755</b>
Tax	1,00,010	98,010	95,192	1,10,182	1,21,141
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	900	1,070	1,310	1,000	1,000
<b>Reported Net Income</b>	<b>3,14,731</b>	<b>3,23,400</b>	<b>3,05,678</b>	<b>3,47,909</b>	<b>3,82,614</b>
<b>Adjusted PAT</b>	<b>3,14,731</b>	<b>3,23,400</b>	<b>3,05,678</b>	<b>3,47,909</b>	<b>3,82,614</b>

**Balance Sheet**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity share capital	3,750	3,750	3,750	3,750	3,750
Reserves & surplus	8,90,710	8,37,510	9,90,349	11,64,303	13,55,610
<b>Net worth</b>	<b>8,94,460</b>	<b>8,41,260</b>	<b>9,94,099</b>	<b>11,68,053</b>	<b>13,59,360</b>
<b>Minority Interest</b>	<b>4,530</b>	<b>6,230</b>	<b>6,230</b>	<b>6,230</b>	<b>6,230</b>
<b>Loan Funds</b>	<b>440</b>	<b>81,740</b>	<b>81,700</b>	<b>81,700</b>	<b>81,700</b>
Net deferred tax liability	(26,560)	(28,280)	(26,540)	(26,540)	(26,540)
<b>Total Liabilities</b>	<b>8,72,870</b>	<b>9,00,950</b>	<b>10,55,489</b>	<b>12,29,443</b>	<b>14,20,750</b>
<b>Net block</b>	<b>1,22,900</b>	<b>1,29,340</b>	<b>1,40,325</b>	<b>1,89,660</b>	<b>2,37,749</b>
<b>Investment</b>	<b>2,93,300</b>	<b>2,63,560</b>	<b>2,97,200</b>	<b>2,97,200</b>	<b>2,97,200</b>
<b>Current Assets</b>	<b>6,97,040</b>	<b>7,78,750</b>	<b>8,88,354</b>	<b>10,40,244</b>	<b>12,13,466</b>
Cash & bank balance	1,28,480	96,660	2,74,361	3,66,339	4,73,641
Other Current Assets	2,38,570	3,15,420	2,54,045	2,78,836	3,06,114
<b>Current liabilities &amp; Provision</b>	<b>2,50,000</b>	<b>2,79,760</b>	<b>2,79,450</b>	<b>3,06,720</b>	<b>3,36,725</b>
<b>Net current assets</b>	<b>4,47,040</b>	<b>4,98,990</b>	<b>6,08,904</b>	<b>7,33,524</b>	<b>8,76,741</b>
Misc. exp	0	0	0	0	0
<b>Total Assets</b>	<b>8,72,870</b>	<b>9,00,950</b>	<b>10,55,489</b>	<b>12,29,443</b>	<b>14,20,750</b>

**Cash Flow**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
<b>PBT (Ex-Other income) (NI+Dep)</b>	<b>3,74,491</b>	<b>3,24,470</b>	<b>3,73,245</b>	<b>4,13,591</b>	<b>4,52,255</b>
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(77,760)	(46,670)	67,787	(32,642)	(35,915)
<b>Operating Cashflow</b>	<b>2,17,226</b>	<b>3,23,690</b>	<b>3,85,275</b>	<b>3,11,432</b>	<b>3,37,109</b>
Capital expenditure	(21,320)	(30,880)	(48,680)	(90,000)	(90,000)
<b>Free Cash Flow</b>	<b>1,95,906</b>	<b>2,92,810</b>	<b>3,36,595</b>	<b>2,21,432</b>	<b>2,47,109</b>
Investments	1,02,650	81,070	(33,640)	0	0
Other Investing Cash Flow	0	0	0	0	0
<b>Investing Cashflow</b>	<b>1,22,460</b>	<b>85,650</b>	<b>(53,385)</b>	<b>(44,500)</b>	<b>(37,500)</b>
Equity Capital Raised	(1,60,019)	0	0	0	0
Loans Taken / (Repaid)	225	(10,620)	(40)	0	0
Dividend paid (incl tax)	(1,16,838)	(3,77,020)	(1,52,839)	(1,73,955)	(1,91,307)
Other Financing Cash Flow	(6,184)	(42,010)	(1,000)	(1,000)	(1,000)
<b>Financing Cashflow</b>	<b>(2,82,816)</b>	<b>(4,41,160)</b>	<b>(1,53,879)</b>	<b>(1,74,955)</b>	<b>(1,92,307)</b>
<b>Net chg in cash</b>	<b>56,870</b>	<b>(31,820)</b>	<b>1,78,011</b>	<b>91,978</b>	<b>1,07,302</b>
Opening cash position	71,610	1,28,480	96,660	2,74,361	3,66,339
<b>Closing cash position</b>	<b>1,28,480</b>	<b>96,660</b>	<b>2,74,671</b>	<b>3,66,339</b>	<b>4,73,641</b>

Source: Company, Emkay Research



**Key Ratios**

<b>Profitability (%)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
EBITDA Margin	27.0	26.8	26.7	26.8	26.5
EBIT Margin	25.6	24.6	24.2	24.4	24.3
Effective Tax Rate	24.1	23.2	23.7	24.0	24.0
Net Margin	21.6	20.7	19.9	20.6	20.6
ROCE	49.0	47.6	41.1	40.2	38.1
ROE	36.1	37.3	33.3	32.2	30.3
RoIC	91.3	79.3	74.2	80.2	75.5

<b>Per Share Data (Rs)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
EPS	83.0	86.2	81.5	92.7	102.0
CEPS	88.4	95.6	92.0	103.6	113.2
BVPS	235.9	224.1	265.0	311.3	362.3
DPS	30.1	73.0	40.7	46.4	51.0

<b>Valuations (x)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
PER	26.6	25.6	27.1	23.8	21.6
P/CEPS	25.1	23.2	24.1	21.4	19.6
P/BV	9.3	9.8	8.3	7.1	6.1
EV / Sales	5.4	5.1	5.0	4.5	4.1
EV / EBITDA	20.1	19.0	18.9	16.9	15.3
Dividend Yield (%)	1.4	3.3	1.8	2.1	2.3

<b>Gearing Ratio (x)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
Net Debt/ Equity	(0.5)	(0.3)	(0.5)	(0.5)	(0.5)
Net Debt/EBIDTA	(1.1)	(0.7)	(1.2)	(1.3)	(1.4)
Working Cap Cycle (days)	79.4	93.6	79.0	79.0	79.0

<b>Growth (%)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
Revenue	19.0	7.2	(1.5)	9.8	9.8
EBITDA	21.5	6.6	(2.0)	10.1	8.8
EBIT	22.8	3.0	(3.3)	10.8	9.3
PAT	21.9	2.8	(5.5)	13.8	10.0

<b>Quarterly (Rs mn)</b>	<b>Q1FY20</b>	<b>Q2FY20</b>	<b>Q3FY20</b>	<b>Q4FY20</b>	<b>Q1FY21</b>
Revenue	3,81,720	3,89,770	3,98,540	3,99,460	3,83,220
EBITDA	1,00,370	1,02,260	1,08,710	1,09,760	1,00,250
<b>EBITDA Margin (%)</b>	<b>26.3</b>	<b>26.2</b>	<b>27.3</b>	<b>27.5</b>	<b>26.2</b>
PAT	81,410	80,420	81,180	80,490	70,080
<b>EPS (Rs)</b>	<b>21.7</b>	<b>21.4</b>	<b>21.6</b>	<b>21.4</b>	<b>18.7</b>

Source: Company, Emkay Research

<b>Shareholding Pattern (%)</b>	<b>Jun-19</b>	<b>Sep-19</b>	<b>Dec-19</b>	<b>Mar-20</b>	<b>Jun-20</b>
Promoters	72.1	72.1	72.1	72.1	72.1
FIs	15.8	15.9	15.5	15.9	15.7
DIs	7.8	7.9	8.2	8.0	8.0
Public and Others	4.4	4.2	4.2	4.0	4.2

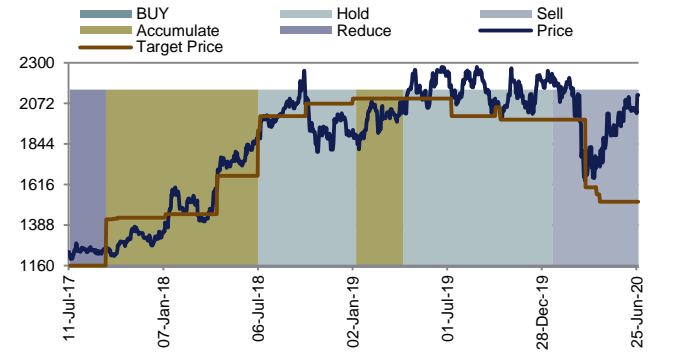
Source: Capitaline

## RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
25-Jun-20	2,016	1,520	12m	Sell	Manik Taneja
18-Jun-20	2,038	1,520	12m	Sell	Manik Taneja
26-May-20	1,943	1,520	12m	Sell	Manik Taneja
16-Apr-20	1,716	1,520	12m	Sell	Manik Taneja
10-Apr-20	1,766	1,560	12m	Sell	Manik Taneja
20-Mar-20	1,797	1,600	12m	Sell	Manik Taneja
03-Feb-20	2,103	1,980	12m	Sell	Manik Taneja
17-Jan-20	2,219	1,980	12m	Sell	Manik Taneja
08-Jan-20	2,255	1,980	12m	Hold	Manik Taneja
01-Jan-20	2,168	1,980	12m	Hold	Manik Taneja
21-Nov-19	2,118	1,980	12m	Hold	Manik Taneja
10-Oct-19	2,004	1,980	12m	Hold	Manik Taneja
01-Oct-19	2,060	2,050	12m	Hold	Manik Taneja
09-Jul-19	2,133	2,000	12m	Hold	Manik Taneja
03-Jul-19	2,238	2,100	12m	Hold	Manik Taneja
12-Apr-19	2,015	2,100	12m	Hold	Rahul Jain
08-Apr-19	2,071	2,100	12m	Hold	Rahul Jain
11-Jan-19	1,843	2,100	12m	Accumulate	Rahul Jain
09-Jan-19	1,887	2,100	12m	Accumulate	Rahul Jain
02-Jan-19	1,923	2,100	12m	Hold	Rahul Jain
11-Oct-18	1,980	2,070	12m	Hold	Rahul Jain
05-Oct-18	2,103	2,070	12m	Hold	Rahul Jain
10-Jul-18	1,875	2,000	12m	Hold	Rahul Jain
10-Jul-18	1,875	1,920	12m	Hold	Rahul Jain
06-Jul-18	1,913	1,920	12m	Hold	Rahul Jain
19-Apr-18	1,596	1,665	12m	Accumulate	Rahul Jain
05-Apr-18	1,479	1,450	12m	Accumulate	Rahul Jain
11-Jan-18	1,395	1,450	12m	Accumulate	Rahul Jain
11-Jan-18	1,395	1,450	12m	Accumulate	Rahul Jain
12-Oct-17	1,274	1,430	12m	Accumulate	Rahul Jain
04-Oct-17	1,221	1,425	12m	Accumulate	Rahul Jain
20-Sep-17	1,247	1,420	12m	Accumulate	Rahul Jain
13-Jul-17	1,223	1,160	12m	Reduce	Rahul Jain
10-Jul-17	1,217	1,185	12m	Hold	Rahul Jain
10-Jul-17	1,217	1,185	12m	Hold	Manik Taneja

Source: Company, Emkay Research

## RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

## Emkay Alpha Portfolio – Information Technology



### Analyst: Manik Taneja

#### Contact Details

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+91 22 6612 1253

#### Sector

IT Services, ITeS and Software

#### Analyst bio

Manik is a seasoned Equities professional who has covered the offshore IT Services space since 2006. He has rejoined Emkay Global recently after a 1.5-year stint in Business Finance and Financial strategy in the US. Manik holds a PGDBA (Finance) from SIIB.

### EAP – Information Technology

Company Name	BSE200 Weight	EAP Weight	OW/UW (%)	OW/UW (bps)	EAP Weight (Normalised)
<b>Information Technology</b>	<b>11.92</b>	<b>11.36</b>	<b>-5%</b>	<b>-56</b>	<b>100.00</b>
BirlaSoft	0.00	0.25	NA	25	2.11
eClerx Services	0.00	0.00	NA	0	0.00
Firstsource Solutions	0.00	0.00	NA	0	0.00
HCL Tech	1.08	1.28	18%	20	10.75
Hexaware Technologies	0.00	0.00	NA	0	0.00
Infosys	5.03	5.00	0%	-2	41.98
Intellect Design*	0.00	0.00	NA	0	0.00
L&T Infotech	0.15	0.00	-100%	-15	0.00
Majesco*	0.00	0.00	NA	0	0.00
Mindtree	0.16	0.00	-100%	-16	0.00
Mphasis	0.14	0.18	23%	3	1.47
MPS	0.00	0.00	NA	0	0.00
NIIT	0.00	0.00	NA	0	0.00
NIIT Tech	0.00	0.00	NA	0	0.00
Nucleus Software*	0.00	0.00	NA	0	0.00
Oracle Financial Services*	0.11	0.00	-100%	-11	0.00
Persistent Systems	0.00	0.58	NA	58	4.83
Ramco Systems*	0.00	0.00	NA	0	0.00
<b>TCS</b>	<b>4.05</b>	<b>2.77</b>	<b>-32%</b>	<b>-128</b>	<b>23.24</b>
Tech Mahindra	0.63	0.72	16%	10	6.06
Wipro	0.58	0.58	0%	0	4.84
<b>Cash</b>	<b>0.00</b>	<b>0.56</b>	<b>NA</b>	<b>56</b>	<b>4.7</b>

Source: Emkay Research

\* Not under coverage: Equal Weight

■ High Conviction/Strong Over Weight ■ High Conviction/Strong Under Weight

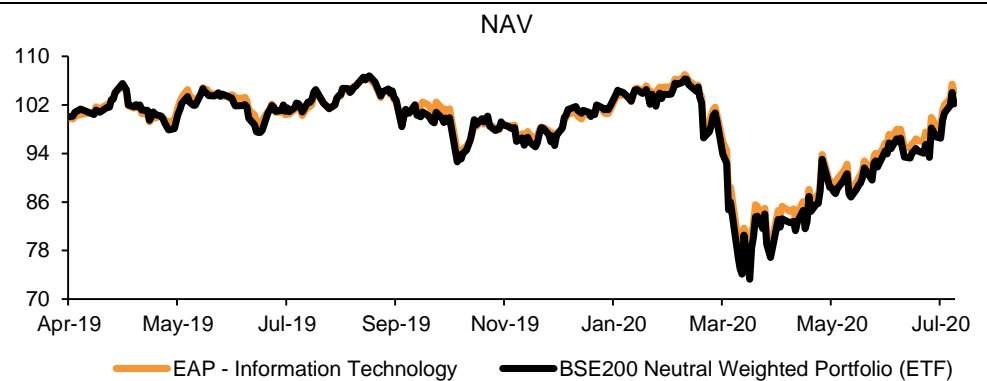
### Sector portfolio NAV

	Base					Latest
	1-Apr-19	7-Oct-19	8-Jan-20	9-Apr-20	8-Jun-20	8-Jul-20
EAP - Information Technology	100.0	102.0	100.5	85.3	98.0	104.1
BSE200 Neutral Weighted Portfolio (ETF)	100.0	100.2	101.4	83.2	96.4	102.2

\*Performance measurement base date 1<sup>st</sup> April 2019

Source: Emkay Research

### NAV chart



Source: Emkay Research

Please see our model portfolio (Emkay Alpha Portfolio): [SMID](#)

Please see our model portfolio (Emkay Alpha Portfolio): [Nifty](#)

“Emkay Alpha Portfolio – SMID and Nifty are a supporting document to the Emkay Alpha Portfolios Report and is updated on regular intervals”

## Emkay Rating Distribution

Ratings	Expected Return within the next 12-18 months.
BUY	Over 15%
HOLD	Between -5% to 15%
SELL	Below -5%

Completed Date: 10 Jul 2020 04:16:56 (SGT)

Dissemination Date: 10 Jul 2020 04:17:56 (SGT)

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