

October 23, 2020

## Q2FY21 Result Update

Change in Estimates |  Target |  Reco

### Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
<b>Rating</b>	<b>BUY</b>		<b>BUY</b>	
<b>Target Price</b>	<b>2,784</b>		<b>2,634</b>	
Sales (Rs. m)	56,379	66,716	53,461	62,758
% Chng.	5.5	6.3		
EBITDA (Rs. m)	10,151	11,839	9,624	11,136
% Chng.	5.5	6.3		
EPS (Rs.)	112.7	129.4	106.3	133.3
% Chng.	6.0	(2.9)		

### Key Financials - Standalone

Y/e Mar	FY20	FY21E	FY22E	FY23E
Sales (Rs. bn)	42	47	56	67
EBITDA (Rs. bn)	7	8	10	12
Margin (%)	17.7	18.0	18.0	17.7
PAT (Rs. bn)	5	5	7	8
EPS (Rs.)	77.1	86.6	112.7	129.4
Gr. (%)	15.1	12.2	30.1	14.8
DPS (Rs.)	25.3	28.4	36.9	46.7
Yield (%)	1.0	1.2	1.5	1.9
RoE (%)	21.5	21.1	24.0	23.8
RoCE (%)	25.7	25.9	29.2	29.4
EV/Sales (x)	3.3	2.9	2.4	1.7
EV/EBITDA (x)	18.9	16.2	13.2	9.8
PE (x)	31.8	28.4	21.8	19.0
P/BV (x)	6.4	5.7	4.9	3.9

### Key Data

NITT.BO | COFORGE IN

52-W High / Low	Rs.2,814 / Rs.735
Sensex / Nifty	40,558 / 11,896
Market Cap	Rs.149bn/ \$ 2,024m
Shares Outstanding	61m
3M Avg. Daily Value	Rs.2810.39m

### Shareholding Pattern (%)

Promoter's	70.28
Foreign	13.15
Domestic Institution	7.59
Public & Others	8.99
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	13.7	127.3	69.2
Relative	5.7	75.9	62.5

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## Premium Valuation to Sustain!

### Quick Pointers:

- Coforge will post highest revenue growth in FY21, led by strong management revenue guidance of 6% in CC terms in Q3FY21 (implies 5%+ CQGR in H2FY21) & 17.8% EBITDA margin (pre-RSU cost) guidance for FY21.
- We believe with current growth rate, vertical focused strategy, large deal focus Coforge **can reach at USD1bn revenues in next 3 years** & with current management we believe the process will be smoother.
- We believe the stock will continue to command premium valuations given :- i) Sector leading growth profile, ii) Robust order book visibility, iii) Uptick in growth in top-20 accounts ,iv) Robust client mining across buckets, v) Lowest client concentration among its peers.

**Coforge reported robust 8.1% CC growth QoQ (Ple: 7.5%) exceeding their guidance of 7% CC growth in Q2. This translated to 154.9 USD Mn revenue up 10.7% QoQ growth. (Ple/Cons: 10%). Revenue growth was broad-based with Insurance (34% of revs) posted growth of ~14% QoQ USD, Travel & transport (19% of revs) revived & posted 10.5% QoQ USD on account of strong wallet share expansion amongst existing large clients. EBIT Margin expanded by 221 bps QoQ at 13.8% in Q2. They have undertaken cost optimization measures to improve margins and they will maintain margins at these levels. They have substantially reduced SG&A costs during H2FY21 from 16% in 2QFY20 to 13.8% in Q2. Strong deal momentum continued with order book exceptionally strong at 201\$ Mn in Q2 vs 186\$ Mn in Q1 up 8% QoQ, 12-month executable order book was up 5.2% QoQ to USD 489\$ Mn (vs 465\$ Mn in 1Q21 and 405\$ Mn in 2Q20). Management indicated that order book remains robust despite decision making delays at client's end.**

**Led by strong commentary, we raise Coforge USD revenue growth assumption to 6.7%/18.7%/16.8% for FY21/FY22E/23E (vs 4.3%/16.2%/15.9% earlier). Coforge is poised to show strong momentum in FY22 and could outpace peers by wide margin. We assign 23X(unchanged) multiple for Coforge similar to LTI multiple as Coforge growth momentum will surpass everyone in FY22 & concentrated share float (Baring holds 70.3% in NIIT Tech) can also lead to steeper P/E multiple increase for the stock. We arrive at a TP of Rs.2784 (earlier Rs2,634) valued at 23X Sep-20 EPS of Rs.121. At CMP, stock trades at 21x/19x FY22/23E EPS of INR 113/129. Reiterate BUY.**

- Strong broad based revenue growth:** Coforge reported robust 8.1% CC growth QoQ (Ple: 7.5%) exceeding their guidance of 7% CC growth in Q2. This translated to 154.9 USD Mn revenue up 10.7% QoQ growth. (Ple/Cons: 10%). Revenue growth was broad based led by **Insurance** vertical which contributes to 34% of revenue up 13.8% QoQ in USD terms. Insuretech platform of Advantage Go has almost doubled over last four years and Coforge will continue to strongly invest in this business as it is highly differentiated, high value and high profit asset. Growth in **Travel & Transport** vertical revived (+10.5% QoQ USD) due to significant wallet share expansion of existing large

clients. Exposure to this sector has reduced and worst affected segments – Airlines & airports now contribute to only 5% of revenues. Demand in this vertical will remain depressed in H2FY21 with revival dependent on availability of COVID vaccine in H2FY22. **Other** segments contributing to 30% of their revenues grew 10.5% QoQ USD lead by projects in **Healthcare and Hi-tech** sectors. Management has been working on carving out new verticals of Healthcare and Hi-tech (at a later stage). Management believes that it takes ~12 months for investment phase before formally carving out a new vertical. It is actively working on carving out the Healthcare vertical and also considering carving out Hi-tech vertical at a later stage. **Management gave revenue growth guidance of 6% in CC terms and EBITDA margin guidance pre RSU costs of 17.8% for the full year FY21**

- Revenue (operating margin) – Advantage Go: Rs 762 mn (EBITDA margin: 31%) and Whishworks: Rs 572 mn (20%). During the quarter, Coforge bought additional stake in Ruletech for INR 722 Mn and Ruletech is now wholly owned subsidiary of Coforge. Management mentioned that they have been very successful in integrating acquired companies over past 10 years and they will continue to look out for inorganic growth opportunities. Partnership & Alliance also form an important part of their growth strategy which contribute to 25% to their revenues.
- **Sustainable margin performance:** EBIT Margin expanded by 221 bps QoQ at 13.8% in Q2. They have undertaken cost optimization measures to improve margins and they will maintain margins at these levels. They have substantially reduced SG&A costs during H2FY21 from 16% in 2QFY20 to 13.8% in Q2. Utilisation improved this quarter to 81% and going forward they target to maintain at 80%. They haven't decided about wage hike and are continuing to assess business situation. Management indicated that they will maintain EBITDA margin at 17.8% for FY21. Margins may not improve further in near term as they will drive growth by continued investments in growth areas. Capex spending during the quarter was 214 INR Mn. Attrition reduced to 10.5% (vs 11.8% in Q1). Attrition has been one of the lowest in the industry Coforge operating cash flow was 33% of EBITDA for H1FY21, lower on account of higher debtor days (75 days), buyback tax of 714 INR Mn & variable compensation paid in first half of the year. Receivables is higher because of higher credit terms extended to clients especially in travel vertical.
- **Strong Deal wins:** Strong deal momentum continued with order book exceptionally strong at 201\$ Mn in Q2 vs 186\$ Mn in Q1 up 8% QoQ. Order book comprises of 121\$ Mn US deals, 58\$ Mn deals from EMEA and \$21 Mn from RoW. Two large deals were signed in this quarter, one in Insurance space with deal size of 32\$ Mn with new client and second one in BFS vertical with more than 50% of new component. 12 New logos were added this quarter. 12-month executable order book was up 5.2% QoQ to USD 489\$ Mn (vs 465\$ Mn in 1Q21 and 405\$ Mn in 2Q20). Management indicated that order book remains robust despite decision making delays at client's end. They are confident of robust broad based deal velocity in coming quarters.

- Cloud Data & AI are key areas driving demand:** Cloud demand is in terms of large deals. They have developed one click cloud migration solution and innovative solutions in data driven analytics space. AI is increasingly becoming differentiator for each deal. Coforge has heavily build capabilities in AI & Machine learning and continues to win new projects in this space. Coforge is on accelerated growth trajectory and new management is hyper - focused on execution to deliver growth.

**Exhibit 1: Q2FY21: Quick view on results**

Rs mn	2QFY21	1QFY21	QoQ Gr.	2QFY20	YoY (Gr.)	PLe	Variance(PL VS ACTUAL)
Revenue (USDmn)	154.9	140.2	10.5%	148.7	4.2%	152.9	1.3%
Revenue	11537	10570	9.1%	10482	10.1%	11373	1.4%
EBITDA	2048	1686	21.5%	1995	2.7%	1933	5.9%
<i>EBITDA Margin</i>	<i>17.8%</i>	<i>16.0%</i>	<i>180 bps</i>	<i>19.0%</i>	<i>-128 bps</i>	<i>17.0%</i>	<i>75 bps</i>
Adj. PAT	13.8%	11.6%	221 bps	14.8%	-100 bps	12.7%	106 bps
EPS	1207	799	51.1%	1292	-6.6%	1200	0.6%

Source: Company, PL

## Valuations

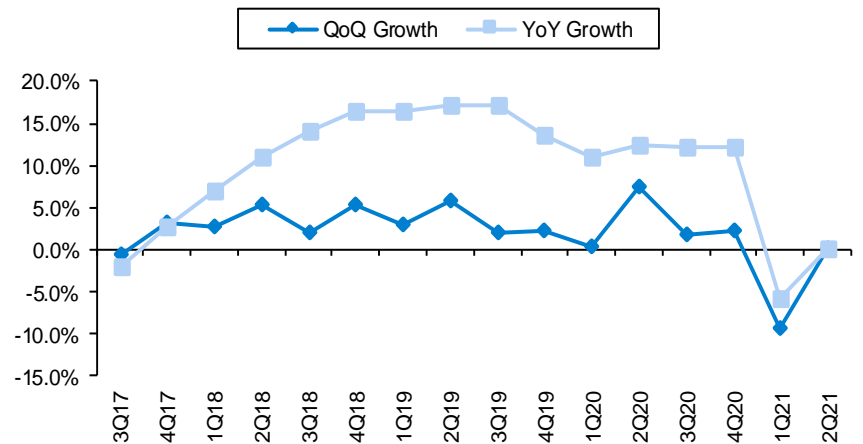
Led by strong commentary, we raise Coforge USD revenue growth assumption to 6.7%/18.7%/16.8% for FY21/FY22E/23E (vs 4.3%/16.2%/15.9% earlier). Coforge is poised to show strong momentum in FY22 and could outpace peers by wide margin. We assign 23X(unchanged) multiple for Coforge similar to LTI multiple as Coforge growth momentum will surpass everyone in FY22 & concentrated share float (Baring holds 70.3% in NIIT Tech) can also lead to steeper P/E multiple increase for the stock. We arrive at a TP of Rs.2784 (earlier Rs2,634) valued at 23X Sep-20 EPS of Rs.121. At CMP, stock trades at 21x/19x FY22/23E EPS of INR 113/129. Reiterate BUY.

**Exhibit 2: Change in Estimates**

Y/e Marh	FY21E	FY22E	FY23E
<b>USD revenues (US\$ m)</b>			
- New	633	752	878
- Old	619	719	834
<i>Change (%)</i>	<i>2.3%</i>	<i>4.5%</i>	<i>5.3%</i>
<b>EBIT Margin</b>			
- New	13.9%	15.0%	14.7%
- Old	12.9%	15.0%	14.7%
<i>Change (%)</i>	<i>106 bps</i>	<i>0 bps</i>	<i>0 bps</i>
<b>Recurring EPS - Fully diluted (Rs)</b>			
- New	86.6	112.7	129.4
- Old	79.4	108.0	123.1
<i>Change (%)</i>	<i>9.0%</i>	<i>4.4%</i>	<i>5.1%</i>

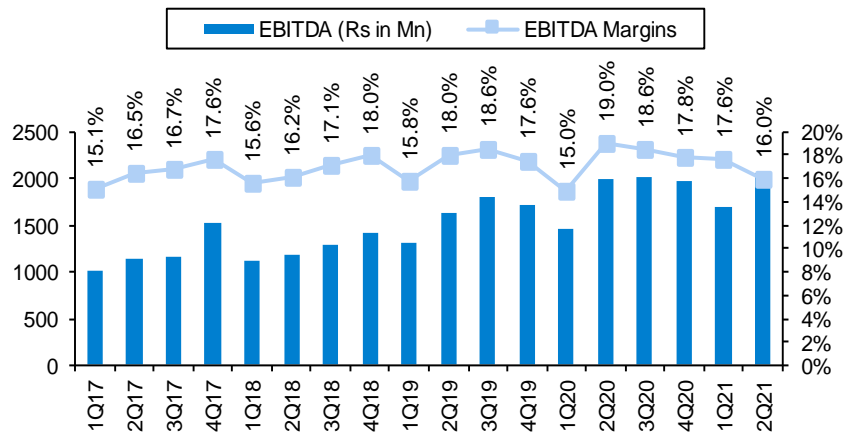
Source: PL

**Exhibit 3: Sustained revenue growth momentum (USD revenues)**



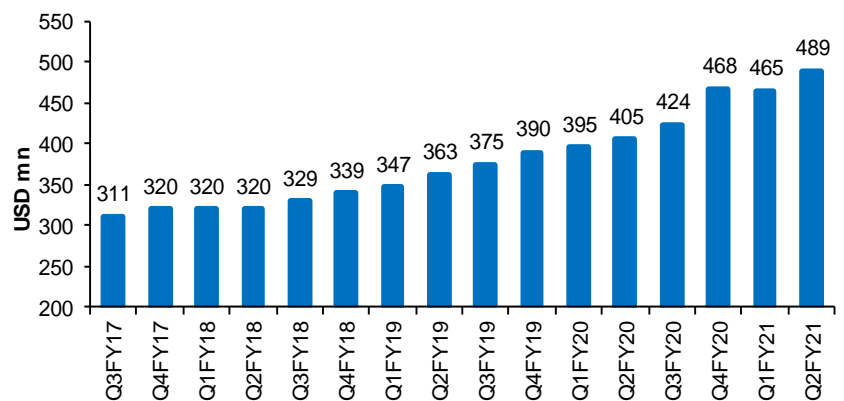
Source: Company, PL

**Exhibit 4: Strong margins performance**

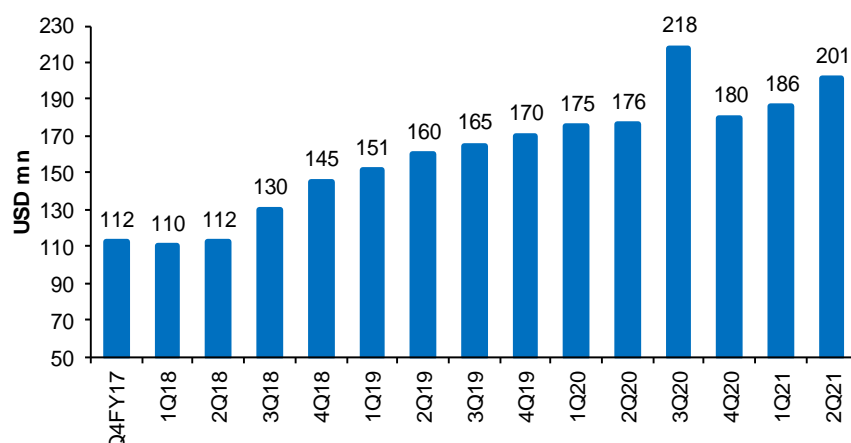


Source: Company, PL

**Exhibit 5: Strong order pipeline executable in one year**



Source: Company, PL

**Exhibit 6: Fresh order continues to grow**


Source: Company, PL

**Exhibit 7: Geography-wise revenues**

Geography revenues (USD Mn)	2QFY21	1QFY21	QoQ Gr.	2QFY20	YoY (Gr.)
Americas	74.4	65.9	12.8%	72.9	2%
EMEA	55.8	50.5	10.5%	55.0	1%
RoW	24.8	23.8	4.0%	20.8	19%
<b>Total</b>	<b>154.9</b>	<b>140.2</b>	<b>10.5%</b>	<b>148.7</b>	<b>4%</b>
<b>-as a % of total sales</b>					
Americas	48%	47%	100bp	49%	-100bp
EMEA	36%	36%	0bp	37%	-100bp
RoW	16%	17%	-100bp	14%	200bp

Source: Company, PL

**Exhibit 8: Vertical-wise revenues**

Vertical revenues (USD mn)	2QFY21	1QFY21	QoQ Gr.	2QFY20	YoY (Gr.)
BFS	26.3	23.8	10.5%	22.1	19%
Insurance	52.7	46.3	13.8%	38.6	36%
Travel and Transport	29.4	26.6	10.5%	37.2	-21%
Others	46.5	42.1	10.5%	40.0	16%
<b>Total</b>	<b>154.9</b>	<b>138.8</b>	<b>11.6%</b>	<b>138.0</b>	<b>12%</b>
<b>-as a % of total sales</b>					
BFS	17%	17%	0bp	17%	0bp
Insurance	34%	33%	100bp	31%	300bp
Travel and Transport	19%	19%	0bp	28%	-900bp
Others	30%	30%	0bp	24%	600bp

Source: Company, PL

**Exhibit 9: Service Line Revenues**

Service Revenues (USD mn)	2QFY21	1QFY21	QoQ Gr.	2QFY20	YoY (Gr.)
ADM	106.9	98.2	8.9%	110.0	-3%
IP assets	10.8	8.4	28.9%	7.4	46%
Managed services	26.3	22.4	17.4%	25.3	4%
SI and PI	7.7	7.0	10.5%	1.5	421%
BPO	4.6	4.2	10.5%	4.5	4%
<b>Total</b>	<b>156.4</b>	<b>140.2</b>	<b>11.6%</b>	<b>148.7</b>	<b>5%</b>
-as a % of total sales					
ADM	69%	70%	-100bp	74%	-500bp
IP assets	7%	6%	100bp	5%	200bp
Managed services	17%	16%	100bp	17%	0bp
SI and PI	5%	5%	0bp	1%	400bp
BPO	3%	3%	0bp	3%	0bp

Source: Company, PL

**Exhibit 10: Revenue by Geography**

USD mn	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21
Americas	62.4	64.8	66.1	67.6	67.9	72.9	72.6	71.2	65.9	74.4
QoQ	7.1%	3.7%	2.0%	2.3%	0.4%	7.3%	-0.4%	-1.9%	-7.4%	12.8%
YoY	22.4%	14.7%	14.7%	16.0%	8.7%	12.5%	9.9%	5.3%	-2.9%	2.0%
EMEA	40.0	44.9	44.5	45.5	48.5	55.0	56.0	61.9	50.5	55.8
QoQ	2.8%	12.4%	-1.0%	2.3%	6.5%	13.5%	1.7%	10.6%	-18.5%	10.5%
YoY	20.0%	37.3%	28.8%	17.2%	21.3%	22.4%	25.8%	36.0%	4.1%	1.4%
RoW	22.5	22.5	24.3	24.8	22.2	20.8	22.7	21.7	23.8	24.8
QoQ	-7.4%	0.0%	8.0%	2.3%	-10.8%	-6.1%	9.0%	-4.5%	10.0%	4.0%
YoY	13.6%	-5.2%	5.4%	2.3%	-1.4%	-7.3%	-6.5%	-12.7%	7.6%	19.1%

Source: Company, PL

**Exhibit 11: Revenue by Verticals**

USD mn	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21
BFS	21.2	21.1	20.2	22.1	22.2	25.3	24.2	23.2	23.8	26.3
QoQ	9.3%	-0.4%	-4.3%	9.1%	0.4%	14.1%	-4.3%	-4.0%	2.7%	10.5%
YoY	20.0%	10.2%	3.3%	13.6%	4.4%	19.6%	19.6%	5.2%	7.6%	4.2%
Insurance	36.2	38.3	40.5	38.6	40.2	46.1	45.4	48.0	46.3	52.7
QoQ	6.5%	5.8%	5.6%	-4.5%	4.0%	14.8%	-1.6%	5.8%	-3.6%	13.8%
YoY	39.1%	35.8%	35.1%	13.6%	10.9%	20.3%	12.2%	24.2%	15.2%	14.3%
Travel and Transport	33.7	35.7	35.1	37.2	38.8	41.6	43.9	41.8	26.6	29.4
QoQ	6.8%	5.8%	-1.7%	6.2%	4.1%	7.3%	5.3%	-4.7%	-36.2%	10.5%
YoY	11.7%	17.1%	12.7%	18.0%	15.0%	16.7%	25.1%	12.2%	-31.3%	-29.3%
Manufacturing and Media	33.7	37.0	39.1	40.0	37.4	35.7	37.8	41.8	42.1	46.5
QoQ	-4.2%	9.8%	5.7%	2.3%	-6.5%	-4.6%	6.0%	10.5%	0.7%	10.5%
YoY	11.7%	5.7%	25.8%	13.6%	10.9%	-3.6%	-3.3%	4.5%	12.5%	30.2%

Source: Company, PL

**Exhibit 12: Revenue by Services**

USD mn	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21
ADM	84.9	89.9	91.7	96.6	99.7	110.0	110.4	111.5	98.2	106.9
QoQ	6.0%	5.8%	2.0%	5.3%	3.3%	10.3%	0.3%	0.9%	-11.9%	8.9%
YoY	23.6%	24.4%	22.5%	20.5%	17.5%	22.4%	20.4%	15.4%	-1.6%	-2.9%
IP assets	8.7	7.9	8.1	6.9	8.3	7.4	9.1	12.4	8.4	10.8
QoQ	2.8%	-9.3%	2.0%	-14.7%	20.5%	-10.5%	22.1%	36.5%	-32.1%	28.9%
YoY	39.9%	0.4%	0.4%	-18.8%	-4.9%	-6.2%	12.2%	79.5%	1.2%	45.8%
Managed services	23.7	23.8	24.3	23.5	23.5	25.3	24.2	26.3	22.4	26.3
QoQ	2.8%	0.3%	2.0%	-3.4%	0.4%	7.3%	-4.3%	8.7%	-14.7%	17.4%
YoY	26.6%	17.1%	10.9%	1.7%	-0.7%	6.3%	-0.3%	12.2%	-4.7%	4.2%
SI and PI	3.7	5.3	5.4	5.5	1.4	1.5	3.0	1.5	7.0	7.7
QoQ	-22.9%	41.1%	2.0%	2.3%	-74.9%	7.3%	103.4%	-48.8%	353.0%	10.5%
YoY	-28.0%	-21.9%	-6.3%	13.6%	-63.0%	-71.9%	-43.9%	-71.9%	406.2%	420.9%
BPO	3.7	5.3	5.4	5.5	5.5	4.5	4.5	4.6	4.2	4.6
QoQ	-22.9%	41.1%	2.0%	2.3%	0.4%	-19.5%	1.7%	2.3%	-9.4%	10.5%
YoY	-28.0%	17.1%	17.1%	13.6%	47.9%	-15.6%	-15.9%	-15.8%	-24.1%	4.2%

Source: Company, PL

**Exhibit 13: Client Metrics**

Client Concentration (%)	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21
Top 5	31	30	29	27	28	28	29	27	29	27	27	26	25
Top 10	43	42	40	36	40	40	41	39	39	36	37	38	36
Between 1 mn - 5mn	55	59	60	63	63	62	66	66	70	74	80	80	83
5mn-10 mn	13	12	13	14	18	20	16	17	16	17	15	15	16
>10mn	6	7	7	7	7	8	8	8	9	9	11	11	10
<b>Total</b>	<b>74</b>	<b>78</b>	<b>80</b>	<b>84</b>	<b>88</b>	<b>90</b>	<b>90</b>	<b>91</b>	<b>95</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: Company, PL

**Exhibit 14: Revenue Mix**

	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21
Onsite	61%	61%	61%	64%	64%	65%	66%	66%	66%	64%	64%	62%	64%
Offshore	39%	39%	39%	36%	36%	35%	34%	34%	34%	36%	36%	38%	36%

Source: Company, PL

**Exhibit 15: Employee Metrics**

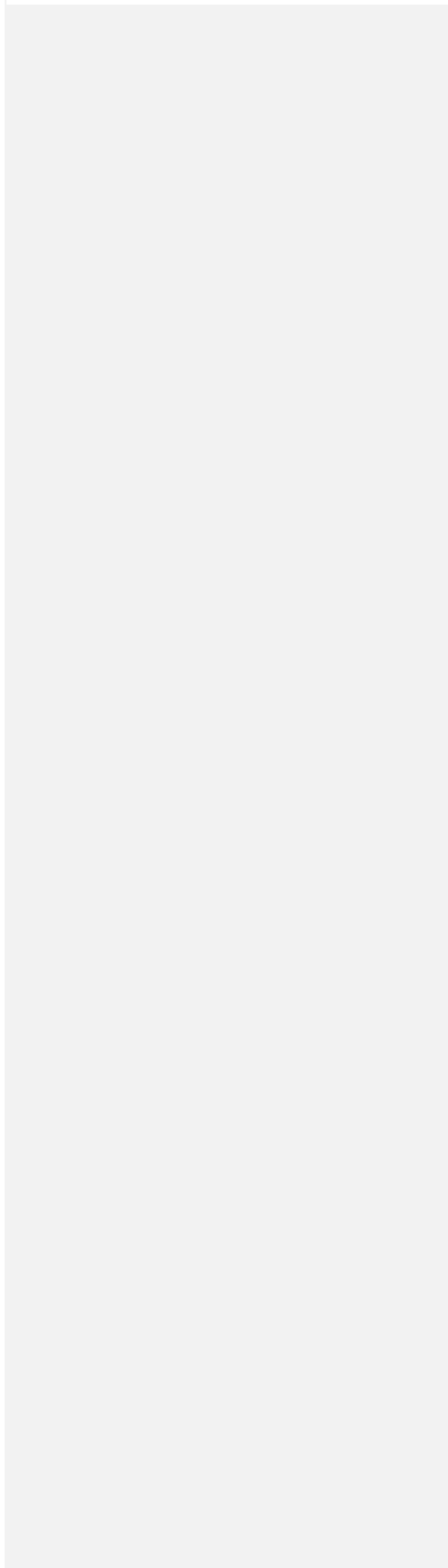
Billable Personnel	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21
Onsite	2040	2018	2088	2217	2369	2408	2345	2429	2468	2451	2451	2260	2524
Offshore	6156	6217	6500	6684	6815	6881	7018	7063	7453	7515	7823	7476	7757
<b>Total Billable</b>	<b>8196</b>	<b>8235</b>	<b>8588</b>	<b>8901</b>	<b>9184</b>	<b>9289</b>	<b>9363</b>	<b>9492</b>	<b>9921</b>	<b>9966</b>	<b>10274</b>	<b>9736</b>	<b>10281</b>
Sales & Marketing (Excl GIS)	135	147	145	131	123	114	122	141	185	185	170	184	191
Sales & Marketing (GIS)	85	85	85	90	94	94	89	0	0	0	0	0	0
Others	606	614	605	642	624	647	689	664	694	698	712	678	690
<b>Grand Total</b>	<b>9,022</b>	<b>9,081</b>	<b>9,423</b>	<b>9,764</b>	<b>10,025</b>	<b>10,144</b>	<b>10,263</b>	<b>10,297</b>	<b>10,800</b>	<b>10,849</b>	<b>11,156</b>	<b>10,598</b>	<b>11,162</b>
Net addition	59	59	342	341	261	119	119	34	503	49	307	(558)	564
<b>Capacity Utilisation</b>	<b>79.5%</b>	<b>79.0%</b>	<b>79.5%</b>	<b>80.1%</b>	<b>80.4%</b>	<b>79.0%</b>	<b>79.3%</b>	<b>80.5%</b>	<b>80.7%</b>	<b>79.3%</b>	<b>78.1%</b>	<b>77.0%</b>	<b>81.0%</b>
Attrition (%)	11.4	10.6	10.5	10.1	10.8	11.7	12.2	12.9	12.3	11.9	11.8	11.8	10.5

Source: Company, PL

**Exhibit 16: Strong Order Book**

Figures in USD Mn	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21
Fresh Order Intake	112	130	145	151	160	165	170	175	176	218	180	186	201
Executable Order Book over Next 12 months	320	329	339	347	363	375	390	395	405	424	468	465	489

Source: Company, PL





## Financials

### Income Statement (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
<b>Net Revenues</b>	<b>42,064</b>	<b>47,128</b>	<b>56,379</b>	<b>66,716</b>
YoY gr. (%)	14.4	12.0	19.6	18.3
Employee Cost	27,528	31,781	37,064	43,712
Gross Profit	14,536	15,347	19,315	23,004
Margin (%)	34.6	32.6	34.3	34.5
SG&A Expenses	7,096	6,865	9,164	11,165
Other Expenses	-	-	-	-
<b>EBITDA</b>	<b>7,440</b>	<b>8,482</b>	<b>10,151</b>	<b>11,839</b>
YoY gr. (%)	15.3	14.0	19.7	16.6
Margin (%)	17.7	18.0	18.0	17.7
Depreciation and Amortization	1,730	1,923	1,691	2,001
<b>EBIT</b>	<b>5,710</b>	<b>6,558</b>	<b>8,460</b>	<b>9,837</b>
Margin (%)	13.6	13.9	15.0	14.7
Net Interest	-	-	-	-
Other Income	558	185	400	450
<b>Profit Before Tax</b>	<b>6,268</b>	<b>6,743</b>	<b>8,860</b>	<b>10,287</b>
Margin (%)	14.9	14.3	15.7	15.4
Total Tax	1,278	1,341	1,861	2,263
Effective tax rate (%)	20.4	19.9	21.0	22.0
<b>Profit after tax</b>	<b>4,990</b>	<b>5,402</b>	<b>6,999</b>	<b>8,024</b>
Minority interest	236	85	80	80
Share Profit from Associate	-	-	-	-
<b>Adjusted PAT</b>	<b>4,754</b>	<b>5,317</b>	<b>6,919</b>	<b>7,944</b>
YoY gr. (%)	14.7	11.8	30.1	14.8
Margin (%)	11.3	11.3	12.3	11.9
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>4,754</b>	<b>5,317</b>	<b>6,919</b>	<b>7,944</b>
YoY gr. (%)	14.7	11.8	30.1	14.8
Margin (%)	11.3	11.3	12.3	11.9
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	4,754	5,317	6,919	7,944
<b>Equity Shares O/s (m)</b>	<b>62</b>	<b>62</b>	<b>62</b>	<b>56</b>
<b>EPS (Rs)</b>	<b>77.1</b>	<b>86.6</b>	<b>112.7</b>	<b>129.4</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>12,212</b>	<b>13,712</b>	<b>15,212</b>	<b>16,712</b>
Tangibles	7,793	8,693	9,593	10,493
Intangibles	4,419	5,019	5,619	6,219
<b>Acc: Dep / Amortization</b>	<b>6,703</b>	<b>8,626</b>	<b>10,318</b>	<b>12,319</b>
Tangibles	3,608	4,615	5,501	6,548
Intangibles	3,095	4,011	4,817	5,771
<b>Net fixed assets</b>	<b>5,509</b>	<b>5,086</b>	<b>4,894</b>	<b>4,393</b>
Tangibles	4,185	4,078	4,093	3,945
Intangibles	1,324	1,007	801	448
Capital Work In Progress	14	14	14	14
Goodwill	2,448	2,448	2,448	2,448
Non-Current Investments	298	308	318	329
Net Deferred tax assets	677	717	757	797
Other Non-Current Assets	280	280	280	280
<b>Current Assets</b>				
Investments	3,751	3,851	3,951	4,051
Inventories	-	-	-	-
Trade receivables	7,491	8,393	10,040	11,881
Cash & Bank Balance	7,927	10,788	13,808	17,603
Other Current Assets	1,136	1,136	1,136	1,136
<b>Total Assets</b>	<b>31,485</b>	<b>34,985</b>	<b>39,621</b>	<b>44,917</b>
<b>Equity</b>				
Equity Share Capital	618	618	618	618
Other Equity	22,952	26,148	30,307	35,081
<b>Total Network</b>	<b>23,570</b>	<b>26,766</b>	<b>30,925</b>	<b>35,699</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	110	120	130	140
Provisions	-	-	-	-
Other non current liabilities	762	787	812	837
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	1,697	1,747	1,797	1,847
Other current liabilities	4,328	4,537	4,918	5,343
<b>Total Equity &amp; Liabilities</b>	<b>31,485</b>	<b>34,985</b>	<b>39,620</b>	<b>44,915</b>

Source: Company Data, PL Research

**Cash Flow (Rs m)**

Y/e Mar	FY20	FY21E	FY22E	FY23E
PBT	6,251	6,743	8,860	-
Add. Depreciation	1,730	1,923	1,691	-
Add. Interest	-	-	-	-
Less Financial Other Income	558	185	400	450
Add. Other	-	-	-	-
Op. profit before WC changes	7,981	8,667	10,551	-
Net Changes-WC	(1,497)	(717)	(1,290)	-
Direct tax	(1,278)	(1,341)	(1,861)	-
<b>Net cash from Op. activities</b>	<b>5,206</b>	<b>6,609</b>	<b>7,400</b>	-
Capital expenditures	(1,500)	(1,500)	(1,500)	-
Interest / Dividend Income	-	-	-	-
Others	(100)	(100)	(100)	-
<b>Net Cash from Inv. activities</b>	<b>(1,600)</b>	<b>(1,600)</b>	<b>(1,600)</b>	-
Issue of share cap. / premium	1	-	-	-
Debt changes	10	10	10	-
Dividend paid	(1,890)	(2,121)	(2,761)	-
Interest paid	-	-	-	-
Others	-	-	-	-
<b>Net cash from Fin. activities</b>	<b>(1,879)</b>	<b>(2,111)</b>	<b>(2,751)</b>	-
<b>Net change in cash</b>	<b>1,727</b>	<b>2,898</b>	<b>3,050</b>	-
Free Cash Flow	3,706	5,109	5,900	-

Source: Company Data, PL Research

**Key Financial Metrics**

Y/e Mar	FY20	FY21E	FY22E	FY23E
<b>Per Share(Rs)</b>				
EPS	77.1	86.6	112.7	129.4
CEPS	104.9	117.2	139.3	177.0
BVPS	381.4	433.1	500.4	635.4
FCF	60.0	82.7	95.5	-
DPS	25.3	28.4	36.9	46.7
<b>Return Ratio(%)</b>				
RoCE	25.7	25.9	29.2	29.4
ROIC	37.9	42.9	50.3	54.1
RoE	21.5	21.1	24.0	23.8
<b>Balance Sheet</b>				
Net Debt : Equity (x)	(0.5)	(0.5)	(0.6)	(0.6)
Debtor (Days)	65	65	65	65
<b>Valuation(x)</b>				
PER	31.8	28.4	21.8	19.0
P/B	6.4	5.7	4.9	3.9
P/CEPS	23.4	21.0	17.6	13.9
EV/EBITDA	18.9	16.2	13.2	9.8
EV/Sales	3.3	2.9	2.4	1.7
Dividend Yield (%)	1.0	1.2	1.5	1.9

Source: Company Data, PL Research

**Quarterly Financials (Rs m)**

Y/e Mar	Q3FY20	Q4FY20	Q1FY21	Q2FY21
<b>Net Revenue</b>	<b>10,799</b>	<b>11,093</b>	<b>10,570</b>	<b>11,537</b>
YoY gr. (%)	11.1	14.1	9.1	10.1
Raw Material Expenses	7,069	7,289	7,241	7,776
Gross Profit	3,730	3,804	3,329	3,761
Margin (%)	34.5	34.3	31.5	32.6
<b>EBITDA</b>	<b>2,005</b>	<b>1,988</b>	<b>1,806</b>	<b>2,172</b>
YoY gr. (%)	11.1	16.5	24.4	8.9
Margin (%)	18.6	17.9	17.1	18.8
Depreciation / Depletion	449	433	465	460
<b>EBIT</b>	<b>1,556</b>	<b>1,555</b>	<b>1,341</b>	<b>1,712</b>
Margin (%)	14.4	14.0	12.7	14.8
Net Interest	-	-	-	-
Other Income	130	180	48	(63)
<b>Profit before Tax</b>	<b>1,686</b>	<b>1,735</b>	<b>1,389</b>	<b>1,649</b>
Margin (%)	15.6	15.6	13.1	14.3
Total Tax	336	348	260	303
Effective tax rate (%)	19.9	20.1	18.7	18.4
<b>Profit after Tax</b>	<b>1,350</b>	<b>1,387</b>	<b>1,129</b>	<b>1,346</b>
Minority interest	52	106	30	15
Share Profit from Associates	-	-	-	-
<b>Adjusted PAT</b>	<b>1,298</b>	<b>1,153</b>	<b>919</b>	<b>1,331</b>
YoY gr. (%)	29.5	9.2	(2.2)	3.0
Margin (%)	12.0	10.4	8.7	11.5
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>1,298</b>	<b>1,153</b>	<b>919</b>	<b>1,331</b>
YoY gr. (%)	29.5	9.2	(2.2)	3.0
Margin (%)	12.0	10.4	8.7	11.5
Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income</b>	<b>1,298</b>	<b>1,153</b>	<b>919</b>	<b>1,331</b>
Avg. Shares O/s (m)	63	63	63	61
<b>EPS (Rs)</b>	<b>20.8</b>	<b>18.4</b>	<b>14.7</b>	<b>21.9</b>

Source: Company Data, PL Research

**Price Chart**
**Recommendation History**


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	5-Oct-20	BUY	2,634	2,336
2	1-Oct-20	BUY	2,634	2,322
3	29-Jul-20	BUY	2,190	1,769
4	4-Jul-20	BUY	1,533	1,420
5	6-May-20	BUY	1,340	1,190
6	12-Apr-20	Hold	1,029	1,111
7	29-Jan-20	Accumulate	1,881	1,941
8	3-Jan-20	Accumulate	1,551	1,631
9	24-Oct-19	Accumulate	1,551	1,469

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Coforge	BUY	2,634	2,336
2	Cyient	BUY	456	379
3	HCL Technologies	BUY	1,101	830
4	Hexaware Technologies	BUY	495	466
5	Infosys	BUY	1,436	1,137
6	L&T Technology Services	Accumulate	1,860	1,754
7	Larsen & Toubro Infotech	BUY	3,465	3,100
8	Mindtree	BUY	1,625	1,438
9	Mphasis	BUY	1,693	1,345
10	Persistent Systems	BUY	1,304	1,304
11	Redington (India)	BUY	146	117
12	Sonata Software	BUY	436	311
13	Tata Consultancy Services	BUY	3,200	2,736
14	TeamLease Services	BUY	2,753	2,265
15	Tech Mahindra	BUY	966	823
16	Wipro	BUY	415	376
17	Zensar Technologies	BUY	216	192

**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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