Larsen & Toubro Infotech (LTI IN)

Rating: BUY | CMP: Rs3,100 | TP: Rs3,465

October 22, 2020

Q2FY21 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
Rating	**BUY**		**BUY**	
Target Price	**3,465**		**2,839**	
Sales (Rs. m)	142,440	165,204	139,161	159,850
% Chng.	*2.4*	*3.3*		
EBITDA (Rs. m)	28,215	31,840	26,421	30,426
% Chng.	*6.8*	*4.6*		
EPS (Rs.)	114.8	138.6	114.0	132.9
% Chng.	*0.8*	*4.2*		

Key Financials - Standalone

Y/e Mar	FY20	FY21E	FY22E	FY23E
Sales (Rs. bn)	109	123	142	165
EBITDA (Rs. bn)	20	25	28	32
Margin (%)	*18.6*	*20.7*	*19.8*	*19.3*
PAT (Rs. bn)	15	18	20	25
EPS (Rs.)	85.1	99.2	114.8	138.6
Gr. (%)	*(2.0)*	*16.6*	*15.7*	*20.7*
DPS (Rs.)	24.3	32.3	37.4	45.2
Yield (%)	*0.8*	*1.0*	*1.2*	*1.5*
RoE (%)	*29.3*	*29.6*	*28.6*	*28.9*
RoCE (%)	*33.9*	*38.4*	*36.7*	*34.6*
EV/Sales (x)	4.7	4.1	3.5	2.9
EV/EBITDA (x)	25.4	19.6	17.5	15.2
PE (x)	36.4	31.2	27.0	22.4
P/BV (x)	10.0	8.3	7.0	5.8

Key Data	LRTI.BO | LTI IN
52-W High / Low	Rs.3,515 / Rs.1,208
Sensex / Nifty	40,707 / 11,938
Market Cap	Rs.541bn/ $ 7,353m
Shares Outstanding	175m
3M Avg. Daily Value	Rs.1761.62m

Shareholding Pattern (%)

Promoter's	74.36
Foreign	11.21
Domestic Institution	6.41
Public & Others	8.02
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	16.7	113.8	92.5
Relative	9.0	60.9	85.8

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Superior growth to continue, Valuation premium to sustain!

Quick Pointers:

- LTI indicated that revenues in next quarter will be higher than revenues in 4QFY20(implying at least 4% QoQ USD growth).
- LTI reinstated the PAT Margin guidance at 14-15% despite H1 PAT Margins at ~14.7% and upcoming salary hike in Q4.
- LTI is seeing strong demand across all its four strategic themes—i) digitizing the core, ii) data-driven organization, iii) experience transformation & (iv) operate to transform.

LTI reported strong revenue growth of 2.3% QoQ CC (Ple:1.8% QoQ) & 10.5% YoY, highest among peers. In reported terms, revenues grew 3.6% QoQ to US$404.5 mn. Strong revenue growth was led by i) BFS(9.5%QoQ), ii) Manufacturing (5.4% QoQ) ii) Europe (9.3% QoQ). EBIT margin came at 19.9% (+224 bps QoQ,433bps YoY), strong beat of 227bps led by sustainable improvement in off-shore mix (170bps QoQ), higher utilization (110bps QoQ), benefit from lower SG&A, rollback of rebates gives to few clients in last quarter.

LTI indicated that revenues in next quarter will be higher than revenues in 4QFY20(implying at least 4% QoQ USD growth). LTI's deal pipeline has increased by 22% YoY & had a deal win of net new TCV of USD40mn. We are forecasting 8.1% USD revenue growth in FY21E, highest among its peers.

To achieve top quadrant growth, LTI believes there are 4 components of growth i) Growth from top-20 accounts (58% of revs), 2) Focus on new account opening, iii) Strong invest & participate in growth accounts, iv) Continued traction to win large deals.

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 avg 2.5% for FY22E/FY23E & now value LTI at 25X(earlier 23X) to arrive at changed target price of Rs.3465(Earlier: Rs.2839). LTI is currently trading at 27x/22x earnings multiple. We believe valuation premium will continue on account of strong & stable growth, Maintain BUY!

- **Sustained strong revenue growth momentum:** LTI posted revenue growth of 2.3% QoQ CC vs our estimates of 1.8% QoQ CC. In $ terms, LTI posted 3.6% QoQ vs estimates of 2.7%. Continuing its momentum of strong double digit growth, LTI posted 10.5% YoY CC growth, way higher than all its peers in Q2. Strong revenue growth was led by rebound in BFS (+9.5% QoQ CC, 12%

QoQ USD) and Manufacturing (+5.4% QoQ CC, 6.3% QoQ USD) verticals. Growth in BFS was aided by strong growth in top account. Growth momentum in manufacturing will continue in coming quarters with clients focusing on modernizing supply chain, connecting directly with customers & automation in operations.

- Management indicated that **E&U** (1.7% QoQ USD) recovery will remain tepid and recovery can be seen from Q4 in this vertical. **Retail** (-0.9% QoQ USD) posted flat growth in Q2. With addition of new Global Fortune 500 client belonging to retail vertical, this segment will post higher growth in coming quarters. **Insurance vertical** (-3.6% QoQ USD) continues to struggle as it is hit by lower premiums and losses due to COVID and Hurricane. **Hi-Tech Media** (-5.3% QoQ USD) de grew in this quarter due to reprioritization of work from top accounts and this vertical is expected to return to growth in coming quarters. Region wise **Europe** posted strong growth of 15.9% QoQ USD followed by RoW with 7.6% QoQ USD growth. Accelerated pace of **cloud adoption** contributed to higher growth in **IMS** - strong growth of 7.9% QoQ & 43.3% YoY in CC terms, **Enterprise Solutions** (+3.4% QoQ CC) and **ADM** (+5.7% QoQ CC).

- **Strong margin performance:** Strong beat in EBIT margin of 19.9% (+244 bps QoQ, +433 bps YoY) vs our estimates of 17.6% led by improved offshore mix (80.6% in Q2 vs 78.9% in Q1), higher utilization, higher working days, operational efficiency & lower sales and marketing costs. Direct costs decreased sharply by 237 bps accounting to 65.2% of revenue vs 67.5% in Q1.

- LTI always had sharp focus on improving offshore mix (Exhibit 6) and management indicated that savings due to continued improvement offshore mix is sustainable. Savings due to improve operational efficiency are also sustainable while sales & marketing expense will come back as world returns to normal. Exchange loss and lower other income partially offset increase in EBIT margin with Net income margin at 15.2% this quarter. Net income rose by 9.7% QoQ, 26.7% driven by strong operating margin and revenue growth. INR 15 per share dividend was declared for this quarter.

- Total headcount stood at 32,455 with Net addition of 978 up 3% on QOQ basis. LTI will role out salary hike from 1st Jan 2021. With continued focus on building talent LTI recruited 1000 fresh hires this quarter as per plan earlier. LTM Attrition lowered to 13.5% vs 15% in Q1. They will continue working based on hybrid model of work from home & office. Billed DSO improved significantly by 8 days and was at an all-time low of 62 days. LTI declared interim dividend of Rs15/share.

- LTI posted **strong cash flow** from operations 97.7% of Net Income in spite of annual incentive paid in Q2. They will maintain margin for rest of FY21 in a narrow band of 14-15%, in-spite of investments for growth in cloud and data.

- **Strong Deal wins:** LTI bagged large deal with net new TCV in excess of USD 40mn in analytics. LTI added 26 new logos taking overall deal pipeline up 22% YoY this quarter. New logos include addition of Global Fortune 500 client belonging to Retail industry. Large deal win signed this quarter is in defense and public services verticals. Large deal wins comprise of 1 – public sector, 1-HiTech, 3-Manufacturing, 2-BFS, 1-Medical 1-Pharma, 2-E&U deals. Deal pipeline is broad based with large deal pipeline stronger than last quarter. Though large deal closure is slower than pre-COVID times, management is confident of strong growth in coming quarter driven by focus on all fronts – growth in existing account, addition of new accounts & wining large deals.

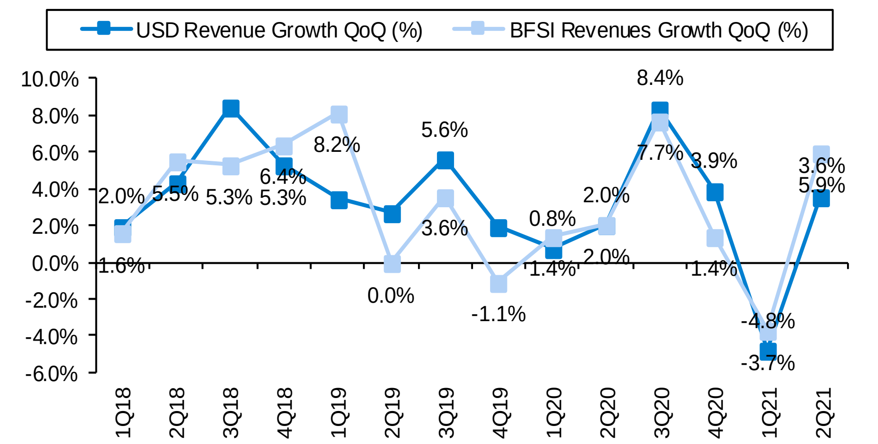
- LTI's top account is growing handsomely with client being even more tech savvy than ever before. LTI added 2 clients each in 10mn+/5mn+ bucket. Top 5 clients grew is 2% QoQ, Top 10 clients 2.4%, Top 20 is 3% QoQ. Large deal pipeline remains strong with increased traction in digital, cloud and analytics.
- **Investments in cloud & data driven analytics:** Management mentioned that there is increasing dichotomy with poor macro-economic environment and increasing technology spends by companies. Pandemic has forced companies to re-imagine the operating model to remain relevant. Clients are focusing on cloud migration, digitizing core, remote operations, online servicing, workplace transformation and data analytics driven cost optimization. Cloud business and Data driven solutions and products have emerged as huge opportunity areas. They have seen lot of traction in the work they do with their hyper scaler partners – AWS, azure, GCP. Management mentioned that speed has become most important in providing solutions to clients and will continue building capabilities in cloud and data driven analytics service and products.

Exhibit 1: Q2FY21: Quick view on results

Y/e March (Rs mn)	2QFY21	1QFY21	*QoQ (%)*	2QFY20	*YoY (%)*	PIe	*Variance (Actual vs PIe)*
Revenues (USD mn)	405	390	*3.6%*	364	*11.2%*	401	*0.9%*
Revenues (INR mn)	29,984	29,492	*1.7%*	25,707	*16.6%*	29,822	*0.5%*
EBITDA (INR mn)	6,856	5,920	*15.8%*	4,658	*47.2%*	5,696	*20.4%*
EBITDA Margins (%)	*22.9*	*20.1*	*279bp*	*18.1*	*475bp*	*19.1*	*377bp*
EBIT (INR mn)	5,957	5,139	*15.9%*	3,994	*49.1%*	5,249	*13.5%*
EBIT Margins (%)	*19.9*	*17.4*	*244bp*	*15.5*	*433bp*	*17.6*	*227bp*
PAT (INR mn)	4,568	4,164	*9.7%*	3,603	*26.8%*	4,094	*11.6%*
EPS	26.0	23.7	*9.3%*	20.7	*25.5%*	23.1	*12.4%*

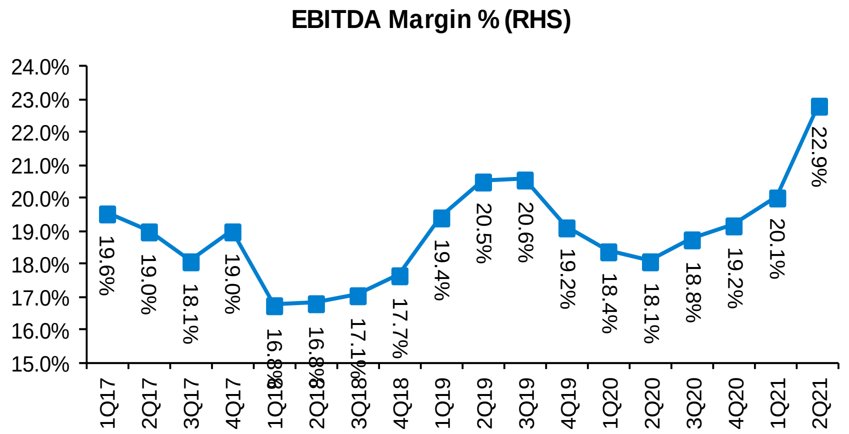
Source: Company, PL

Exhibit 2: BFSI growth to rebound



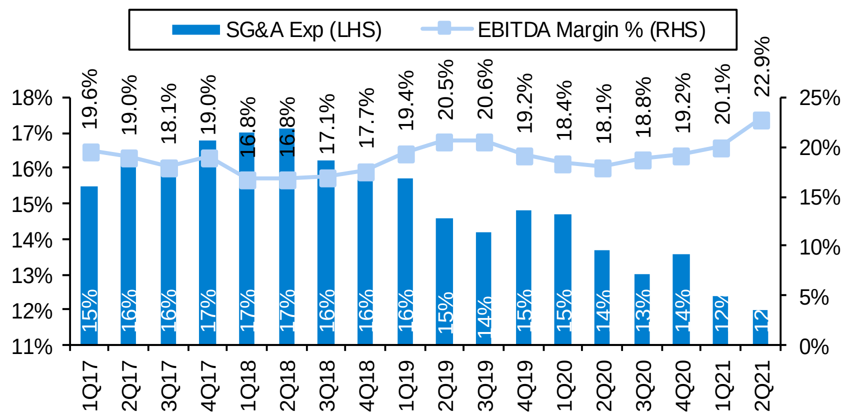
Source: Company, PL

Exhibit 3: Lower Direct costs helped to maintain margin momentum



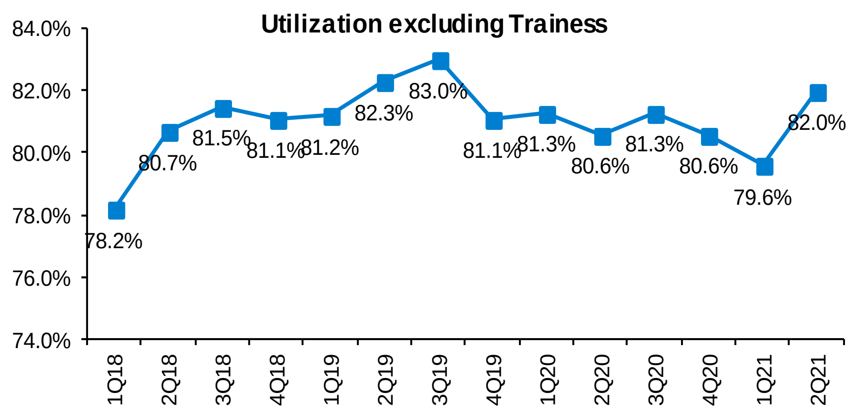
Source: Company, PL

Exhibit 4: SGA costs to decrease further



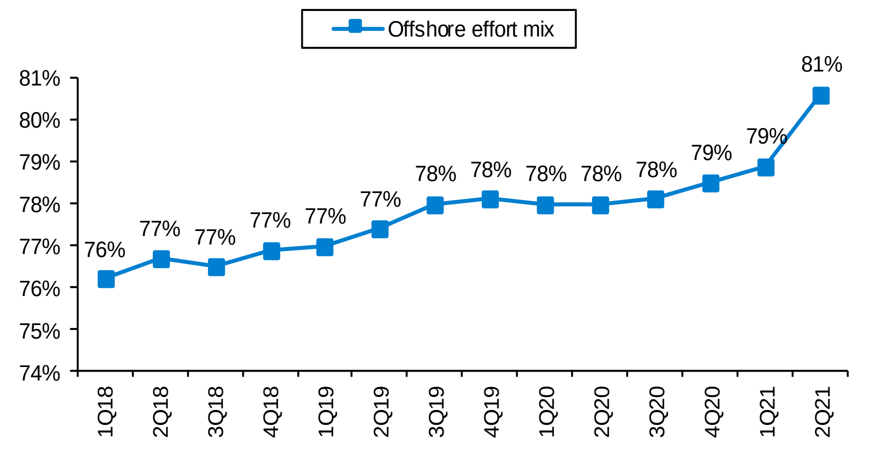
Source: Company, PL

Exhibit 5: Sharp rebound in Utilization level



Source: Company, PL

Exhibit 6: Continued focus on improving offshore mix



Source: Company, PL

Exhibit 7: Geography-wise revenues

Geography Revenues (USD mn)	2QFY21	1QFY21	*QoQ gr.*	2QFY20	*YoY gr.*
North America	278	276	*0.6%*	250	*11.2%*
Europe	65	56	*15.9%*	60	*9.2%*
RoW	33	31	*7.6%*	32	*2.4%*
India	28	27	*3.6%*	22	*27.9%*
Total	404	390	*3.5%*	364	*11.1%*
-as a % of totsl sales					
North America	68.7%	70.8%	*-210bp*	68.7%	*0bp*
Europe	16.1%	14.4%	*170bp*	16.4%	*-30bp*
RoW	8.2%	7.9%	*30bp*	8.9%	*-70bp*
India	6.9%	6.9%	*0bp*	6.0%	*90bp*

Source: Company, PL

Exhibit 8: Vertical- wise revenues

Vertical revenues (USD mn)	2QFY21	1QFY21	*QoQ gr.*	2QFY20	*YoY gr.*
BFS	121	108	12%	99	23%
Insurance	65	67	-4%	68	-5%
Manufacturing	66	62	6%	60	10%
Energy & Utilities	43	42	2%	44	-3%
CPG, Retail	44	45	-1%	42	6%
Hi-tech & Media	43	45	-5%	39	9%
Others	23	21	9%	13	81%
Total	405	390	4%	364	11%
-as a % of total sales					
BFS	29.9%	27.7%	220bp	27.1%	280bp
Insurance	16.0%	17.2%	-120bp	18.7%	-270bp
Manufacturing	16.2%	15.8%	40bp	16.4%	-20bp
Energy & Utilities	10.6%	10.8%	-20bp	12.1%	-150bp
CPG, Retail	11.0%	11.5%	-50bp	11.5%	-50bp
Hi-tech & Media	10.6%	11.6%	-100bp	10.8%	-20bp
Others	5.7%	5.4%	30bp	3.5%	220bp

Source: Company, PL

Exhibit 9: Revenue by service offerings

Service Revenues (USD mn)	2QFY21	1QFY21	*QoQ gr.*	2QFY20	*YoY gr.*
Application Development Maintenance	146	139	5%	131	11%
Enterprise Solutions	125	116	7%	107	16%
Infrastructure Management Services	58	53	10%	40	44%
Analytics, AI & Cognitive	43	49	-12%	41	4%
Enterprise Integration & Mobility	34	34	0%	33	3%
Platform Based Solutions	0	0	#DIV/0!	11	-100%
Total	405	390	4%	364	11%
-as a % of total sales					
Application Development Maintenance	36.0%	35.6%	36bp	36.1%	-14bp
Enterprise Solutions	30.8%	29.7%	107bp	29.5%	127bp
Infrastructure Management Services	14.4%	13.6%	79bp	11.1%	329bp
Analytics, AI & Cognitive	10.6%	12.5%	-191bp	11.3%	-71bp
Enterprise Integration & Mobility	8.3%	8.6%	-31bp	9.0%	-71bp
Platform Based Solutions	0.0%	0.0%	0bp	3.0%	-300bp

Source: Company, PL

Exhibit 10: Client Concentration (%)

Client Details	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21
Top 5 clients	38.0%	36.4%	35.2%	36.6%	36.2%	34.5%	32.2%	31.3%	32.0%	32.8%	31.2%	30.5%	30.0%
Top 10 clients	50.9%	50.8%	49.6%	50.3%	49.9%	48.4%	47.0%	45.0%	46.0%	46.8%	45.8%	43.4%	42.9%
Top 20 clients	66.0%	66.1%	65.1%	66.0%	65.5%	64.3%	63.4%	62.5%	61.0%	62.0%	59.8%	58.2%	57.8%

Source: Company, PL

Exhibit 11: Client Metrics

Client details	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21
Number of Active Clients	256	289	300	301	312	314	343	354	366	429	424	409	419
New Clients Added	13	17	15	19	22	17	14	20	20	29	27	16	26
100 Million dollar +	1	1	1	1	114	121	123	124	137	153	165	164	1
50 Million dollar +	4	4	4	4	44	47	49	49	48	48	53	59	6
20 Million dollar +	12	13	13	13	25	25	26	26	27	28	27	30	16
10 Million dollar +	23	22	23	25	14	15	17	19	18	18	16	16	32
5 Million dollar +	39	43	44	42	4	5	5	5	6	6	6	6	61
1 Million dollar +	99	102	109	114	1	1	1	1	1	1	1	1	169

Source: Company, PL

Exhibit 12: Headcount Metrics

	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21
Total Headcount	22,554	23,394	24,139	25,150	26,414	27,513	28,169	29,347	30,979	31,419	31,437	31,477	32,455
Development	21,147	21,979	22,655	23,656	24,923	25,985	26,572	27,665	29,266	29,669	29,683	29,712	30,682
Sales & Support	1,407	1,415	1,484	1,494	1,491	1,528	1,597	1,682	1,713	1,750	1,754	1,765	1,773
Attrition % (LTM)	15.0%	14.6%	14.8%	15.1%	15.3%	16.5%	17.5%	18.3%	18.4%	17.7%	17%	15%	14%
Net addition	233	840	745	1,011	1,264	1,099	656	1,178	1,632	440	18	40	978

Source: Company, PL

Exhibit 13: Effort Mix & Revenue Mix (%)

Effort Mix	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21
Onsite	23.3%	23.5%	23.1%	23.0%	22.6%	22.0%	21.9%	22.0%	22.0%	21.9%	21.5%	21.1%	19.4%
Offshore	76.7%	76.5%	76.9%	77.0%	77.4%	78.0%	78.1%	78.0%	78.0%	78.1%	78.5%	78.9%	80.6%
Revenue Mix													
Onsite	46.6%	46.2%	45.7%	46.8%	47.6%	47.8%	47.8%	49.5%	48.60%	49.0%	50.9%	49.2%	46.5%
Offshore	53.4%	53.8%	54.3%	53.2%	52.4%	52.2%	52.2%	50.5%	51.40%	51.0%	49.1%	50.8%	53.5%

Source: Company, PL

Exhibit 14: Change in Estimates

Y/e March	FY21E	FY22E	FY23E
USD revenues (US$ m)			
- New	1,649	1,899	2,174
- Old	1,625	1,846	2,113
Change (%)	*1.5%*	*2.9%*	*2.9%*
EBIT Margin			
- New	18.6%	18.3%	17.8%
- Old	17.5%	17.5%	17.5%
Change (%)	*107 bps*	*82 bps*	*24 bps*
Recurring EPS - Fully diluted (Rs)			
- New	99.2	114.8	138.6
- Old	94.6	113.4	133.5
Change (%)	*4.9%*	*1.2%*	*3.8%*

Source: PL

Financials

Income Statement (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
Net Revenues	**108,673**	**122,706**	**142,440**	**165,204**
YoY gr. (%)	*15.1*	*12.9*	*16.1*	*16.0*
Employee Cost	73,589	81,477	94,723	109,231
Gross Profit	35,084	41,228	47,718	55,973
Margin (%)	*32.3*	*33.6*	*33.5*	*33.9*
SG&A Expenses	-	-	-	-
Other Expenses	-	-	-	-
EBITDA	**20,179**	**25,445**	**28,215**	**31,840**
YoY gr. (%)	*7.4*	*26.1*	*10.9*	*12.8*
Margin (%)	*18.6*	*20.7*	*19.8*	*19.3*
Depreciation and Amortization	2,731	2,628	2,137	2,478
EBIT	**17,448**	**22,818**	**26,078**	**29,362**
Margin (%)	*16.1*	*18.6*	*18.3*	*17.8*
Net Interest	-	-	-	-
Other Income	2,463	700	2,074	3,400
Profit Before Tax	**19,911**	**23,518**	**28,152**	**32,762**
Margin (%)	*18.3*	*19.2*	*19.8*	*19.8*
Total Tax	4,825	5,929	7,795	8,191
Effective tax rate (%)	*24.2*	*25.2*	*27.7*	*25.0*
Profit after tax	**15,086**	**17,589**	**20,358**	**24,572**
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	**15,086**	**17,589**	**20,358**	**24,572**
YoY gr. (%)	*(0.1)*	*16.6*	*15.7*	*20.7*
Margin (%)	*13.9*	*14.3*	*14.3*	*14.9*
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	**15,086**	**17,589**	**20,358**	**24,572**
YoY gr. (%)	*(0.1)*	*16.6*	*15.7*	*20.7*
Margin (%)	*13.9*	*14.3*	*14.3*	*14.9*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	15,086	17,589	20,358	24,572
Equity Shares O/s (m)	**174**	**174**	**174**	**174**
EPS (Rs)	**85.1**	**99.2**	**114.8**	**138.6**

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
Non-Current Assets				
Gross Block	**17,377**	**21,388**	**25,399**	**29,410**
Tangibles	8,500	11,307	14,115	16,923
Intangibles	8,877	10,081	11,284	12,487
Acc: Dep / Amortization	**11,745**	**14,373**	**16,510**	**18,988**
Tangibles	3,873	5,059	6,023	7,142
Intangibles	7,872	9,314	10,486	11,846
Net fixed assets	**5,632**	**7,015**	**8,889**	**10,422**
Tangibles	4,627	6,249	8,092	9,781
Intangibles	1,005	766	797	641
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
Current Assets				
Investments	22,186	23,186	24,186	25,186
Inventories	-	-	-	-
Trade receivables	23,121	23,738	27,556	31,960
Cash & Bank Balance	5,252	16,444	21,976	29,824
Other Current Assets	6,562	6,562	6,562	6,562
Total Assets	**88,249**	**98,180**	**111,670**	**127,901**
Equity				
Equity Share Capital	174	174	174	174
Other Equity	53,866	64,678	77,193	92,297
Total Networth	**54,040**	**64,852**	**77,367**	**92,471**
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	330	330	330	330
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	6,950	6,069	7,045	8,171
Other current liabilities	16,362	16,362	16,362	16,362
Total Equity & Liabilities	**88,249**	**98,180**	**111,670**	**127,901**

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
PBT	20,029	23,518	28,152	32,762
Add. Depreciation	2,730	2,628	2,137	2,478
Add. Interest	826	-	-	-
Less Financial Other Income	2,463	700	2,074	3,400
Add. Other	(719)	(700)	(2,074)	(3,400)
Op. profit before WC changes	22,866	25,445	28,215	31,840
Net Changes-WC	(2,313)	(4,384)	(4,059)	(4,674)
Direct tax	(4,118)	(5,929)	(7,795)	(8,191)
Net cash from Op. activities	**16,435**	**15,133**	**16,362**	**18,976**
Capital expenditures	(2,914)	(4,011)	(4,011)	(4,011)
Interest / Dividend Income	1,101	700	2,074	3,400
Others	(4,707)	(1,050)	(1,050)	(1,050)
Net Cash from Invt. activities	**(6,520)**	**(4,361)**	**(2,987)**	**(1,661)**
Issue of share cap. / premium	-	-	-	-
Debt changes	320	-	-	-
Dividend paid	(5,679)	(6,777)	(7,843)	(9,467)
Interest paid	(40)	-	-	-
Others	(3,501)	-	-	-
Net cash from Fin. activities	**(8,900)**	**(6,777)**	**(7,843)**	**(9,467)**
Net change in cash	**1,015**	**3,995**	**5,531**	**7,848**
Free Cash Flow	13,970	11,122	12,351	14,965

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY20	FY21E	FY22E	FY23E
Per Share(Rs)				
EPS	85.1	99.2	114.8	138.6
CEPS	102.4	116.2	129.3	155.5
BVPS	310.6	372.7	444.6	531.4
FCF	80.3	63.9	71.0	86.0
DPS	24.3	32.3	37.4	45.2
Return Ratio(%)				
RoCE	33.9	38.4	36.7	34.6
ROIC	55.0	86.1	75.6	73.6
RoE	29.3	29.6	28.6	28.9
Balance Sheet				
Net Debt : Equity (x)	(0.5)	(0.6)	(0.6)	(0.6)
Debtor (Days)	78	71	71	71
Valuation(x)				
PER	36.4	31.2	27.0	22.4
P/B	10.0	8.3	7.0	5.8
P/CEPS	30.3	26.7	24.0	19.9
EV/EBITDA	25.4	19.6	17.5	15.2
EV/Sales	4.7	4.1	3.5	2.9
Dividend Yield (%)	0.8	1.0	1.2	1.5

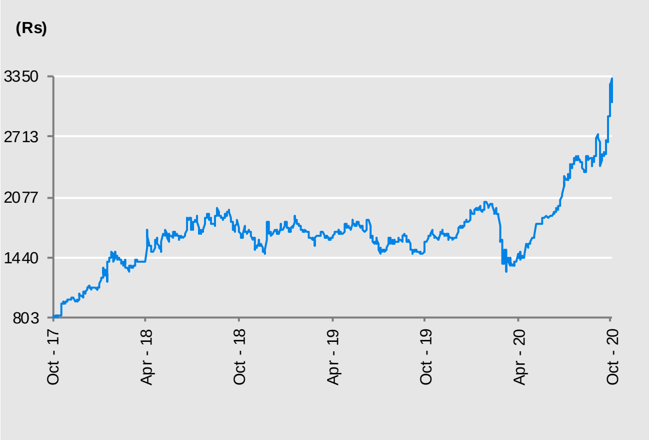
Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q3FY20	Q4FY20	Q1FY21	Q2FY21
Net Revenue	**28,111**	**30,119**	**29,492**	**29,984**
YoY gr. (%)	*13.7*	*21.2*	*18.7*	*16.6*
Raw Material Expenses	19,188	20,251	19,916	19,537
Gross Profit	8,923	9,868	9,576	10,447
Margin (%)	*31.7*	*32.8*	*32.5*	*34.8*
EBITDA	**5,274**	**5,781**	**5,920**	**6,856**
YoY gr. (%)	*3.6*	*21.3*	*29.3*	*47.2*
Margin (%)	*18.8*	*19.2*	*20.1*	*22.9*
Depreciation / Depletion	709	747	781	899
EBIT	**4,565**	**5,034**	**5,139**	**5,957**
Margin (%)	*16.2*	*16.7*	*17.4*	*19.9*
Net Interest	-	-	-	-
Other Income	433	479	450	174
Profit before Tax	**4,998**	**5,513**	**5,589**	**6,131**
Margin (%)	*17.8*	*18.3*	*19.0*	*20.4*
Total Tax	1,231	1,239	1,425	1,563
Effective tax rate (%)	*24.6*	*22.5*	*25.5*	*25.5*
Profit after Tax	**3,767**	**4,274**	**4,164**	**4,568**
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	**3,767**	**4,274**	**4,164**	**4,568**
YoY gr. (%)	*0.3*	*12.9*	*17.1*	*26.8*
Margin (%)	*13.4*	*14.2*	*14.1*	*15.2*
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	**3,767**	**4,274**	**4,164**	**4,568**
YoY gr. (%)	*0.3*	*12.9*	*17.1*	*26.8*
Margin (%)	*13.4*	*14.2*	*14.1*	*15.2*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	**3,767**	**4,274**	**4,164**	**4,568**
Avg. Shares O/s (m)	174	177	177	176
EPS (Rs)	**21.6**	**24.1**	**23.5**	**26.0**

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	5-Oct-20	BUY	2,839	2,527
2	1-Oct-20	BUY	2,839	2,544
3	17-Jul-20	BUY	2,421	2,291
4	4-Jul-20	Hold	1,894	1,978
5	21-May-20	Hold	1,598	1,755
6	12-Apr-20	Hold	1,403	1,399
7	16-Jan-20	BUY	2,119	1,925
8	3-Jan-20	Accumulate	1,825	1,813
9	12-Dec-19	Accumulate	1,825	1,633

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	2,839	2,527
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)

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

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