

Infosys

Refer to important disclosures at the end of this report

Solid operating performance

- Infosys delivered another stellar quarter, beating our and consensus estimates on revenues and margins. Revenues grew 6.2% QoQ (highest in Q3 in 8 years) to USD3.5bn. Digital revenues rose 12.4%/33.8% QoQ/YoY, contributing over 50% of overall revenues.
- Infosys raised its FY21 revenue growth guidance to 4.5-5% in cc terms (earlier 2-3%) and EBITM guidance range to 24-24.5% (earlier 23-24%) based on 9M performance and robust deal wins. Revenue guidance implies 0.5-2.5% QoQ growth in Q4.
- Infosys recorded an all-time high deal TCV of USD7.13bn in Q3 (73% net new). Deal TCV signed in YTD FY21 was ~USD12bn (+63% YoY) with net new deal wins of USD8.2bn (~3.3x YoY). The deal pipeline is healthy (tad lighter after strong conversions in Q2/Q3).
- We raise FY21/22/23E EPS by 3.5%/5.5%/5.1% on strong Q3. We expect Infosys' valuation gap with TCS to narrow down further on the back of sustained strong operating performance. The stock has rallied ~20%/~80% in last 1M/1Y. We maintain Buy/OW in EAP with a revised TP of Rs1,550 (Rs1,470 earlier) at 25x FY23E earnings.

What we liked? Strong operating performance, broad-based revenue growth, upward revision in FY21 guidance, robust large deals intake (US\$ 7.13bn; net new share at 73%).

What we did not like? Softness in Hi-Tech business

Infosys delivers another stellar quarter: Infosys delivered another stellar quarter, beating our/consensus estimates on revenue and margins. Revenue grew 6.2% QoQ/8.4% YoY (5.3%/6.6% QoQ/YoY in CC) to USD3.5bn. EBITM remained flat at 25.4% in Q3. Revenue growth was broad based, led by BFSI (9.8% QoQ), Life sciences (10.8% QoQ), Energy & Utilities (7.9% QoQ) and Manufacturing (8.5% QoQ). Infosys has signed 22 large deals with TCV of USD7.13bn during the quarter split across geographies (13 in NA, 7 in Europe and 2 in RoW) and verticals (8 in BFSI, 4 each in Manufacturing and E&U, 3 in Communication, and 1 each in Retail, Hitech and Others). It expects large part of net new deal wins of Q3 will start flowing into revenue from Q2FY22, considering the deal transitioning timeline.

EBITM remains flat due to transition costs: Infosys reported flat QoQ EBITM in Q3 on the back of revenue acceleration, higher utilization & offshore shift (+100bps) and favorable currency (+20bps), negated by higher subcontracting costs and promotions (-40bps), and transitioning and rebadging costs (-60bps). Infosys plans to implement a salary hike wef Jan 1, 2021, which will weigh on margins in Q4. However, revenue acceleration, high offshoring and other operating efficiencies would support margins. Management expects utilization to come down to a more sustainable range of 83-85% in the coming quarters (86.3% in Q3).

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

Financial Snapshot (Consolidated)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	826,760	907,910	1,007,799	1,191,066	1,357,323
EBITDA	208,890	222,680	279,501	327,782	364,493
EBITDA Margin (%)	25.3	24.5	27.7	27.5	26.9
APAT	154,040	165,950	194,005	234,024	263,178
EPS (Rs)	35.3	39.1	45.5	54.9	61.8
EPS (% chg)	(3.9)	10.8	16.5	20.6	12.5
ROE (%)	23.7	25.4	27.6	29.0	28.3
P/E (x)	39.3	35.5	30.5	25.2	22.5
EV/EBITDA (x)	27.5	25.2	19.9	16.7	14.7
P/BV (x)	9.3	8.9	7.9	6.8	5.9

Source: Company, Emkay Research

CMP	Target Price
Rs 1,387 as of (January 13, 2021)	Rs 1,550 (▲) 12 months
Rating	Upside
BUY (■)	11.7%

Change in Estimates

EPS Chg FY21E/FY22E (%)	3.5/5.5
Target Price change (%)	5.4
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	45.5	54.9
Consensus	44.6	50.2
Mean Consensus TP (12M)	Rs 1,383	

Stock Details

Bloomberg Code	INFO IN
Face Value (Rs)	5
Shares outstanding (mn)	4,260
52 Week H/L	1,393 / 509
M Cap (Rs bn/USD bn)	5,909 / 80.77
Daily Avg Volume (nos.)	11,493,700
Daily Avg Turnover (US\$ mn)	181.8

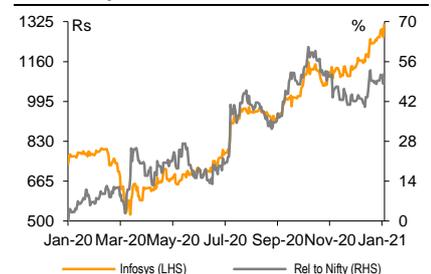
Shareholding Pattern Sep '20

Promoters	13.0%
FIIIs	31.3%
DIIIs	25.0%
Public and Others	30.8%

Price Performance

(%)	1M	3M	6M	12M
Absolute	19	20	74	79
Rel. to Nifty	11	(2)	29	52

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:

Dipesh Mehta

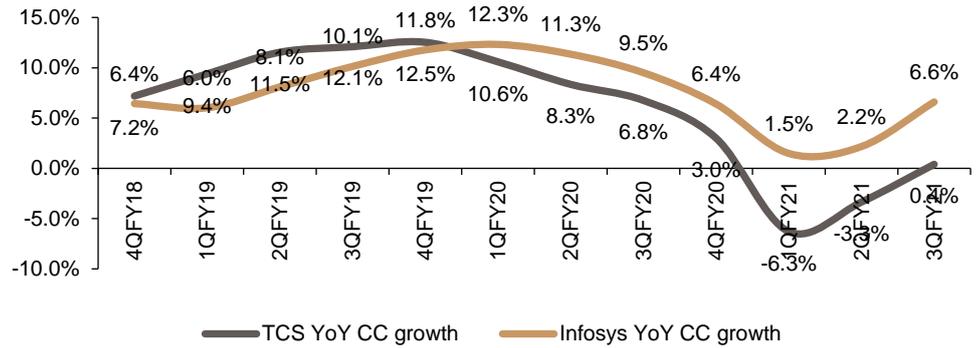
dipeshkumar.mehta@emkayglobal.com
+91 22 6612 1253

Monit Vyas

monit.vyas@emkayglobal.com
+91 22 6624 2434

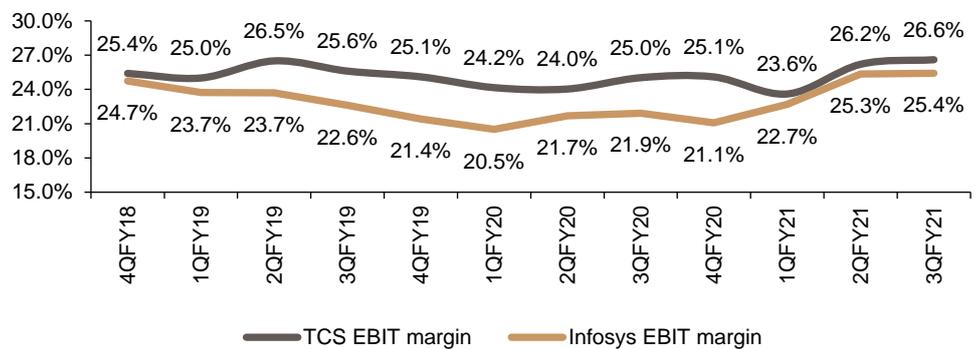
Story in charts

Exhibit 1: Infosys has outperformed TCS in the last few quarters



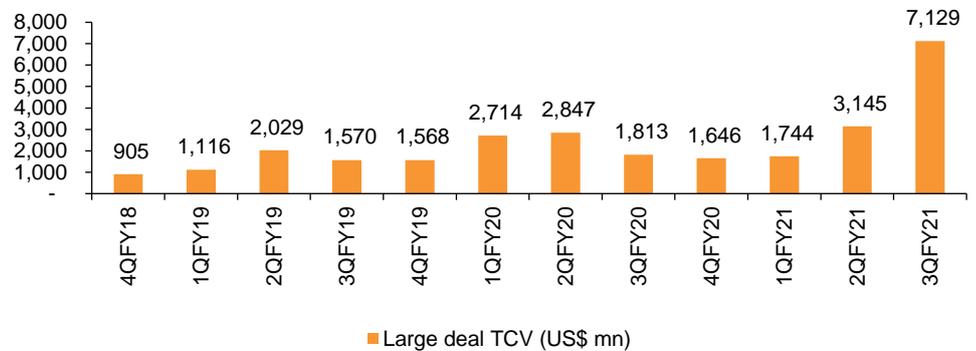
Source: Company, Emkay Research

Exhibit 2: EBIT margin gap between Infosys and TCS narrowing



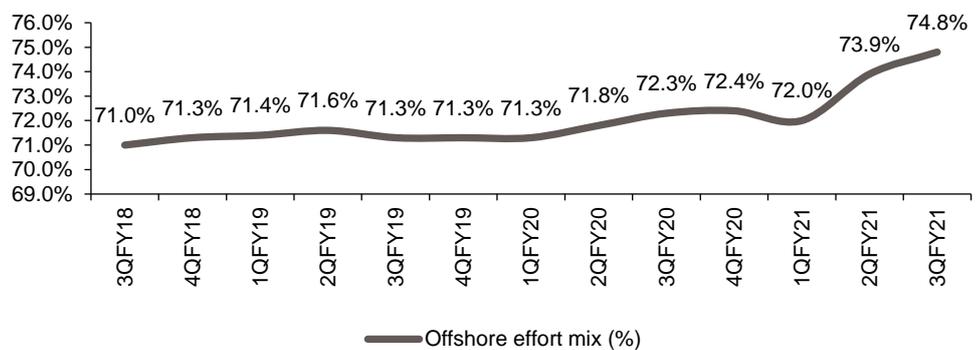
Source: Company, Emkay Research

Exhibit 3: Q3FY21 deal intake was the highest ever for Infosys



Source: Company, Emkay Research

Exhibit 4: Offshore effort mix steadily increasing over the last few quarters



Source: Company, Emkay Research

Exhibit 5: Actual vs Estimates (Q3FY21)

(in Rs mn)	Actual	Estimates		% variation		Comment
		Emkay	Consensus	Emkay	Consensus	
Revenues (in USD mn)	3,516	3,378	3,412	4.1%	3.1%	
Sales	259,270	249,314	251,797	4.0%	3.0%	Revenue was higher than both street and Emkay estimates due to strong deal wins and steady ramp ups
EBIT	65,890	61,611	62,952	6.9%	4.7%	Revenue acceleration, record high utilization and offshore shift led to beat on margins
EBIT, margin %	25.4%	24.7%	25.0%	70 bps	40 bps	
PAT	52,150	49,115	50,570	6.2%	3.1%	Strong operating performance led to net profit beat

Source: Company, Emkay Research

Exhibit 6: Quarterly Snapshot

Rs mn	Q3 FY20	Q4 FY20	Q1 FY21	Q2 FY21	Q3 FY21	YoY (%)	QoQ (%)	FY20TD	FY21TD	YoY (%)
Revenues (in USD mn)	3,243	3,197	3,121	3,312	3,516	8.4	6.2	9,584	9,949	3.8
Revenue	230,920	232,670	236,650	245,700	259,270	12.3	5.5	675,240	741,620	9.8
Operating Expenditure	172,910	175,910	175,440	174,870	185,120	7.1	5.9	509,320	535,430	5.1
Cost of revenues	146,360	147,520	149,470	149,160	159,510	9.0	6.9	430,860	458,140	6.3
as % of sales	63.4	63.4	63.2	60.7	61.5			63.8	61.8	
SG&A expenses	26,550	28,390	25,970	25,710	25,610	(3.5)	(0.4)	78,460	77,290	(1.5)
as % of sales	11.5	12.2	11.0	10.5	9.9			11.6	10.4	
EBITDA	58,010	56,760	61,210	70,830	74,150	27.8	4.7	165,920	206,190	24.3
Depreciation	7,370	7,490	7,560	8,550	8,260	12.1	(3.4)	21,450	24,370	13.6
EBIT	50,640	49,270	53,650	62,280	65,890	30.1	5.8	144,470	181,820	25.9
Other Income	7,850	5,690	4,270	5,220	5,620			20,650	15,110	(26.8)
PBT	58,490	54,960	57,920	67,500	71,510	22.3	5.9	165,120	196,930	19.3
Total Tax	13,830	11,610	15,200	18,920	19,360	40.0	2.3	42,070	53,480	27.1
Adjusted PAT	44,660	43,350	42,720	48,580	52,150	16.8	7.3	123,050	143,450	16.6
APAT after MI	44,660	43,350	42,720	48,580	52,150	16.8	7.3	123,050	143,450	16.6
Reported PAT	44,660	43,350	42,720	48,580	52,150	16.8	7.3	123,050	143,450	16.6
Reported EPS	10.5	10.2	9.9	11.4	12.2	16.6	7.3	29	34	16.4
Margins (%)						(bps)	(bps)			(bps)
EBIDTA	25.1	24.4	25.9	28.8	28.6	348	(23)	24.6	27.8	323
EBIT	21.9	21.2	22.7	25.3	25.4	348	7	21.4	24.5	312
EBT	25.3	23.6	24.5	27.5	27.6	225	11	24.5	26.6	210
PAT	19.3	18.6	18.1	19.8	20.1	77	34	18.2	19.3	112
Effective Tax rate	23.6	21.1	26.2	28.0	27.1	343	(96)	25.5	27.2	168

Source: Company, Emkay Research

Exhibit 7: Revenues by geography

Particulars	As a % of revenue				
	Q3FY21	Q2FY21	Q3FY20	QoQ (%)	YoY (%)
North America	61.6%	60.7%	61.3%	7.7%	8.9%
Europe	24.0%	24.3%	24.4%	4.8%	6.6%
India	2.6%	3.0%	2.8%	-8.0%	0.7%
Rest of the World	11.8%	12.0%	11.5%	4.4%	11.2%
Total	100%	100%	100%	6.2%	8.4%

Source: Company, Emkay Research

Exhibit 8: Revenues by industry

Particulars	As a % of revenue				
	Q3FY21	Q2FY21	Q3FY20	QoQ (%)	YoY (%)
Financial Services	33.1%	32.0%	31.5%	9.8%	13.9%
Retail	14.7%	14.9%	15.3%	4.7%	4.2%
Communications	12.4%	12.6%	13.0%	4.5%	3.4%
Energy, Utilities, Resources and Services	12.5%	12.3%	12.8%	7.9%	5.9%
Manufacturing	9.3%	9.1%	10.3%	8.5%	-2.1%
Hi Tech	8.2%	9.1%	7.6%	-4.3%	17.0%
Life Sciences	7.1%	6.8%	6.7%	10.8%	14.9%
Others	2.7%	3.2%	2.8%	-10.4%	4.5%
Total	100%	100%	100%	6.2%	8.4%

Source: Company, Emkay Research

Exhibit 9: Client metrics

Particulars	Q3FY21	Q2FY21	Q3FY20
Number of Clients	1,562	1,487	1,384
Added during the quarter	139	96	84
Client Concentration (%)			
Top 5 clients	10.8%	11.3%	11.3%
Top 10 clients	10.8%	18.7%	18.9%
Repeat business	95.1%	98.0%	97.2%
Number of million dollar Clients (on LTM basis)			
Million US\$ clients	761	745	705
10 million US\$ clients	246	242	232
50 million US\$ clients	60	60	61
100 million US\$ clients	29	30	28

Source: Company, Emkay Research

Exhibit 10: Segmental performance

Revenue (\$mn)	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21
Financial Services	970	967	985	1,023	1,021	1,000	984	1,061	1163
Retail	489	485	493	489	496	498	447	492	515
Communications	355	415	431	420	421	415	417	417	436
Energy, Utilities, Resources and Services	383	391	407	420	414	411	399	408	441
Manufacturing	302	307	301	325	334	325	298	302	328
Hi Tech	219	234	241	243	246	251	272	303	289
Life Sciences	187	183	193	207	219	203	208	225	248
Others	82	78	80	83	92	93	96	104	96
Total	2,987	3,060	3,131	3,210	3,243	3,196	3,121	3,312	3516

Growth YoY (%)	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21
Financial Services	7.3%	5.9%	9.6%	8.6%	5.3%	3.4%	-0.1%	3.7%	13.9%
Retail	9.4%	8.5%	5.1%	-0.6%	1.4%	2.7%	-9.3%	0.6%	3.8%
Communications	3.5%	14.6%	19.7%	17.3%	18.6%	0.0%	-3.2%	-0.7%	3.6%
Energy, Utilities, Resources and Services	15.7%	16.4%	16.0%	17.3%	8.1%	5.1%	-2.0%	-2.9%	6.5%
Manufacturing	14.8%	13.7%	10.7%	15.2%	10.6%	5.9%	-1.0%	-7.1%	-1.8%
Hi Tech	10.6%	13.0%	14.2%	11.5%	12.3%	7.3%	12.9%	24.7%	17.5%
Life Sciences	3.3%	-2.7%	3.8%	10.7%	17.1%	10.9%	7.8%	8.7%	13.2%
Others	-6.8%	-4.9%	-3.6%	-1.2%	12.2%	19.2%	20.0%	25.3%	4.3%
Total	8.4%	9.1%	10.6%	9.9%	8.6%	4.4%	-0.3%	3.2%	8.4%

EBITDA (%)	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q1FY21	Q3FY21
Financial Services	26.2%	25.5%	25.0%	25.8%	25.7%	25.5%	26.8%	30.1%	27.3%
Retail	30%	30%	30%	30%	31%	29%	31%	36%	37%
Communications	23.7%	20.0%	20.6%	21.0%	20.7%	18.6%	19.7%	21.6%	25.0%
Energy, Utilities, Resources and Services	25.1%	23.3%	25.6%	27.6%	27.8%	28.5%	28.1%	27.2%	29.0%
Manufacturing	23.5%	21.5%	19.6%	22.2%	24.3%	23.7%	22.5%	29.5%	28.7%
Hi Tech	23.3%	23.5%	22.0%	23.0%	23.6%	23.1%	29.0%	29.7%	29.4%
Life Sciences	27.8%	24.6%	21.2%	27.1%	26.5%	23.2%	30.3%	33.3%	31.0%
Others	4.9%	5.1%	1.3%	1.2%	2.2%	5.4%	3.1%	5.8%	6.3%
Total	25.3%	24.0%	23.7%	24.9%	25.1%	24.5%	25.9%	28.8%	28.6%

Source: Company, Emkay Research

Exhibit 11: Changes in estimates

All fig in Rs mn (except % and EPS)	FY21E			FY22E			FY23E		
	Old	New	% change	Old	New	% change	Old	New	% change
Revenues(in US\$ mn)	13,291	13,570	2.1%	15,154	15,881	4.8%	16,966	17,860	5.3%
YoY revenue growth	4.0%	6.2%		14.0%	17.0%		12.0%	12.5%	
Revenues	987,414	1,007,799	2.1%	1,136,537	1,191,066	4.8%	1,289,394	1,357,323	5.3%
EBIT	237,135	246,297	3.9%	276,014	292,154	5.8%	309,130	325,559	5.3%
EBIT margins, %	24.0	24.4		24.3	24.5		24.0	24.0	
Net profits	187,519	194,005	3.5%	221,790	234,024	5.5%	250,361	263,178	5.1%
EPS	44.0	45.5	3.5%	52.1	54.9	5.5%	58.8	61.8	5.1%

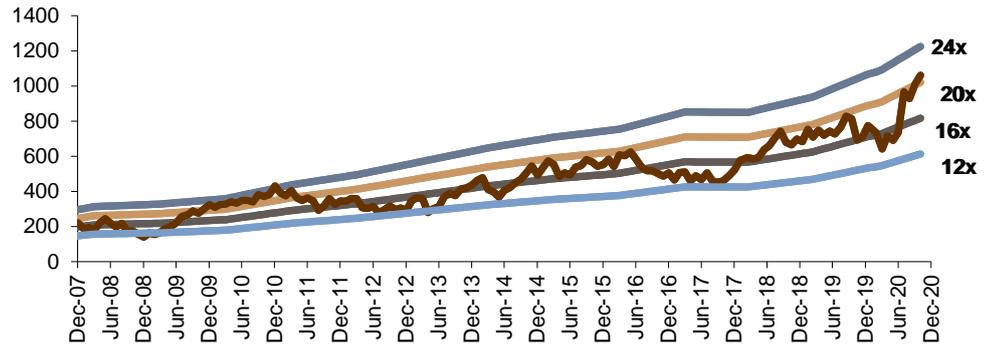
Source: Company, Emkay Research

Exhibit 12: Key revenue assumptions

Particulars	FY20	FY21E	FY22E	FY23E
USD revenue growth	8.3%	6.2%	17.0%	12.5%
USD/INR	71.0	74.3	75.0	76.0
INR revenue growth	9.8%	11.0%	18.2%	14.0%
EBIT Margins	21.3	24.4	24.5	24.0
EPS growth (%)	10.8%	16.5%	20.6%	12.5%

Source: Company, Emkay Research

Exhibit 13: Infosys 1 year forward P/E chart



Source: Company, Emkay Research

Exhibit 14: 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
TCS	3,159	HOLD	3,150	0.4	15.0	11.0	87.2	106.6	121.0	36.2	29.6	26.1	27.9	23.1	20.2
Infosys	1,387	BUY	1,550	6.2	17.0	12.5	45.5	54.9	61.8	30.5	25.2	22.5	22.6	18.7	16.5
Wipro	459	HOLD	420	-1.6	10.0	8.0	19.7	21.5	23.1	23.3	21.3	19.9	18.3	16.3	15.0
HCL Tech	1,056	BUY	1,090	1.6	11.0	8.5	45.6	49.3	54.4	23.2	21.4	19.4	17.5	15.8	14.1
Tech Mahindra	1,070	BUY	1,160	-1.6	9.5	9.0	49.2	55.8	64.4	21.7	19.2	16.6	16.9	14.0	11.8
Mphasis	1,651	HOLD	1,560	5.7	12.0	10.0	64.9	76.7	86.7	25.5	21.5	19.0	18.4	15.7	13.7
Mindtree	1,745	SELL	1,490	-2.5	12.0	11.0	58.5	65.0	74.4	29.8	26.9	23.4	21.6	19.6	17.0
Persistent Systems	1,646	BUY	1,790	10.8	13.0	13.0	54.0	66.7	81.3	30.5	24.7	20.2	23.6	18.7	14.8
Coforge	2,730	HOLD	2,740	4.4	15.1	13.0	76.0	99.8	119.0	35.9	27.3	22.9	26.1	20.8	17.2
Firstsource Solutions	98	BUY	120	12.6	11.3	8.4	6.1	7.2	8.0	16.0	13.6	12.2	13.1	11.0	9.3

Source: Company, Emkay Research

Key takeaways

- **Q3FY21 performance:** Revenue rose 6.2% QoQ and 8.4% YoY (5.3% QoQ CC, 6.6% YoY CC) to USD3.5bn. EBITM was flat sequentially. Digital revenues grew 31.3% YoY and now contributes more than 50% of the overall revenues for the company. Large deal TCV was at the all-time high of USD7.13bn with 73% being net new.
- **Verticals:** Revenue growth during the quarter was broad based, led BFSI (9.8% QoQ), Life sciences (10.8% QoQ), Energy & Utilities (7.9% QoQ) and Manufacturing (8.5% QoQ), Communications (4.5% QoQ). Hi-Tech remained soft (-4.3% QoQ) in Q3. The company signed 22 large deals with TCV of USD7.13bn during the quarter split across geographies (13 in NA, 7 in Europe and 2 in RoW) and verticals (8 in BFSI, 4 each in Manufacturing and E&U, 3 in Communication, and 1 each in Retail, Hitech and Others).
- **Outlook:** Infosys revised its FY21 revenue guidance to 4.5-5% in cc terms (earlier 2-3%) and EBIT margin range to 24-24.5% (earlier 23-24%) based on the continued strong performance. It is seeing demand uptick across verticals as enterprises look to implement their digital transformation agenda. Infosys remains confident on delivering double-digit revenue growth in FY22.
- **Infosys to purchase assets and onboard employees of Carter Digital:** Infosys signed a definitive agreement to purchase assets and onboard employees of Carter Digital, one of Australia's leading and award-winning experience design agencies. This asset takeover strengthens Infosys' global design and experience offerings and expand creative talent pool. Together with Infosys' earlier acquisition of WONGDOODY that offers creative and marketing services, Carter brings complementary capabilities to help global CMOs and businesses thrive in a digital commerce world. As part of Infosys' global design and experience offering, Carter Digital will be rebranded as WONGDOODY and join its network of studios across Seattle, Los Angeles, New York, Providence, Houston, and London, as well as design hubs in five Indian cities. This asset purchase transaction is expected to close during Q4FY21.

Others:

- Utilization (ex-trainees) at 86.3% was at an all-time high.
- Offshore effort mix up 90bps/250bps QoQ/YoY to 74.8%
- 97% employees globally and 98.3% employees in India working from home
- The company plan to hire 17k fresher in FY21 and 24k in FY22.
- Infosys BPM growth for the quarter was in double digit with robust deal pipeline.

Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	826,760	907,910	1,007,799	1,191,066	1,357,323
Expenditure	617,870	685,230	728,298	863,284	992,830
EBITDA	208,890	222,680	279,501	327,782	364,493
Depreciation	20,110	28,940	33,204	35,628	38,934
EBIT	188,780	193,740	246,297	292,154	325,559
Other Income	21,620	26,340	20,059	24,798	30,898
Interest expenses	0	0	0	0	0
PBT	210,400	220,080	266,356	316,952	356,457
Tax	56,310	53,680	71,531	82,408	92,679
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	50	450	820	520	600
Reported Net Income	154,040	165,950	194,005	234,024	263,178
Adjusted PAT	154,040	165,950	194,005	234,024	263,178

Balance Sheet

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity share capital	21,700	21,220	21,220	21,220	21,220
Reserves & surplus	628,360	637,220	726,865	843,751	972,752
Net worth	650,060	658,440	748,085	864,971	993,972
Minority Interest	0	0	0	0	0
Loan Funds	0	0	0	0	0
Net deferred tax liability	(7,000)	(7,760)	(9,000)	(10,000)	(11,000)
Total Liabilities	643,060	650,680	739,085	854,971	982,972
Net block	157,100	237,890	240,766	236,218	230,864
Investment	112,610	87,920	89,550	89,550	89,550
Current Assets	545,180	571,790	672,161	827,139	991,852
Cash & bank balance	195,680	186,490	255,870	351,619	459,219
Other Current Assets	0	0	0	0	0
Current liabilities & Provision	190,600	259,560	273,392	307,936	339,295
Net current assets	354,580	312,230	398,769	519,203	652,558
Misc. exp	0	0	0	0	0
Total Assets	643,060	650,680	739,085	854,971	982,972

Cash Flow

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
PBT (Ex-Other income) (NI+Dep)	188,780	193,740	246,297	292,154	325,559
Other Non-Cash items	58,470	55,130	71,531	82,408	92,679
Chg in working cap	(5,920)	(19,380)	(18,399)	(25,685)	(26,755)
Operating Cashflow	158,440	185,570	208,810	243,967	275,358
Capital expenditure	(32,190)	(51,730)	(33,440)	(31,080)	(33,580)
Free Cash Flow	126,250	133,840	175,370	212,887	241,778
Investments	16,940	33,800	(1,630)	0	0
Other Investing Cash Flow	0	0	0	0	0
Investing Cashflow	(15,250)	(17,930)	(35,070)	(31,080)	(33,580)
Equity Capital Raised	(8,070)	(74,720)	0	0	0
Loans Taken / (Repaid)	0	(5,710)	0	0	0
Dividend paid (incl tax)	(137,050)	(95,480)	(104,360)	(117,139)	(134,177)
Other Financing Cash Flow	(570)	(920)	0	0	0
Financing Cashflow	(145,690)	(176,830)	(104,360)	(117,139)	(134,177)
Net chg in cash	(2,500)	(9,190)	69,380	95,748	107,601
Opening cash position	198,180	195,680	186,490	255,870	351,619
Closing cash position	195,680	186,490	255,870	351,619	459,219

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY19	FY20	FY21E	FY22E	FY23E
EBITDA Margin	25.3	24.5	27.7	27.5	26.9
EBIT Margin	22.8	21.3	24.4	24.5	24.0
Effective Tax Rate	26.8	24.4	26.9	26.0	26.0
Net Margin	18.6	18.3	19.3	19.7	19.4
ROCE	32.7	34.0	38.3	39.8	38.8
ROE	23.7	25.4	27.6	29.0	28.3
RoIC	61.1	57.0	65.9	74.2	78.6

Per Share Data (Rs)	FY19	FY20	FY21E	FY22E	FY23E
EPS	35.3	39.1	45.5	54.9	61.8
CEPS	39.9	45.9	53.3	63.3	70.9
BVPS	148.8	155.1	175.6	203.1	233.3
DPS	21.5	17.5	24.5	27.5	31.5

Valuations (x)	FY19	FY20	FY21E	FY22E	FY23E
PER	39.3	35.5	30.5	25.2	22.5
P/CEPS	34.8	30.2	26.0	21.9	19.6
P/BV	9.3	8.9	7.9	6.8	5.9
EV / Sales	7.0	6.2	5.5	4.6	3.9
EV / EBITDA	27.5	25.2	19.9	16.7	14.7
Dividend Yield (%)	1.5	1.3	1.8	2.0	2.3

Gearing Ratio (x)	FY19	FY20	FY21E	FY22E	FY23E
Net Debt/ Equity	(0.5)	(0.4)	(0.5)	(0.5)	(0.6)
Net Debt/EBIDTA	(1.5)	(1.2)	(1.2)	(1.3)	(1.5)
Working Cap Cycle (days)	70.2	50.6	51.8	51.4	52.0

Growth (%)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	17.2	9.8	11.0	18.2	14.0
EBITDA	9.9	6.6	25.5	17.3	11.2
EBIT	10.1	2.6	27.1	18.6	11.4
PAT	5.5	7.7	16.9	20.6	12.5

Quarterly (Rs mn)	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21
Revenue	230,920	232,670	236,650	245,700	259,270
EBITDA	58,010	56,760	61,210	70,830	74,150
EBITDA Margin (%)	25.1	24.4	25.9	28.8	28.6
PAT	44,570	43,210	42,330	48,450	51,970
EPS (Rs)	10.5	10.2	9.9	11.4	12.2

Source: Company, Emkay Research

Shareholding Pattern (%)	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20
Promoters	13.2	13.2	13.2	13.2	13.0
FII	33.5	31.8	31.0	30.5	31.3
DII	22.8	24.0	24.7	25.4	25.0
Public and Others	30.5	31.1	31.2	31.0	30.8

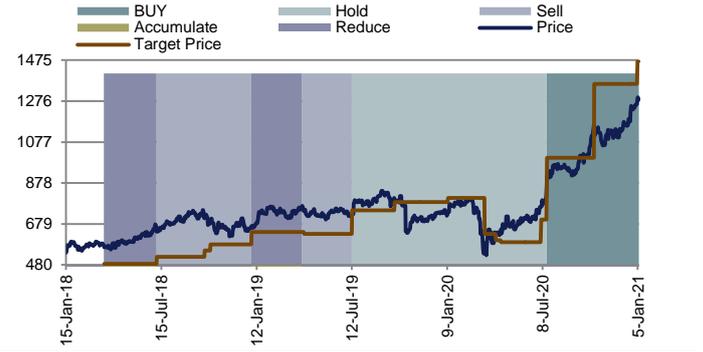
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
4-Jan-21	1,288	1,470	12m	Buy	Dipeshkumar Mehta
18-Dec-20	1,190	1,360	12m	Buy	Dipeshkumar Mehta
12-Nov-20	1,118	1,360	12m	Buy	Dipeshkumar Mehta
14-Oct-20	1,137	1,360	12m	Buy	Dipeshkumar Mehta
16-Jul-20	911	1,000	12m	Buy	Manik Taneja
5-Jul-20	763	700	12m	Hold	Manik Taneja
25-Jun-20	701	590	12m	Hold	Manik Taneja
18-Jun-20	714	590	12m	Hold	Manik Taneja
26-May-20	681	590	12m	Hold	Manik Taneja
20-Apr-20	653	590	12m	Hold	Manik Taneja
10-Apr-20	636	600	12m	Hold	Manik Taneja
20-Mar-20	585	630	12m	Hold	Manik Taneja
11-Feb-20	774	805	12m	Hold	Manik Taneja
3-Feb-20	767	805	12m	Hold	Manik Taneja
10-Jan-20	738	805	12m	Hold	Manik Taneja
8-Jan-20	718	785	12m	Hold	Manik Taneja
1-Jan-20	737	785	12m	Hold	Manik Taneja
21-Nov-19	713	785	12m	Hold	Manik Taneja
11-Oct-19	815	785	12m	Hold	Manik Taneja
1-Oct-19	794	785	12m	Hold	Manik Taneja
12-Jul-19	727	745	12m	Hold	Manik Taneja
3-Jul-19	731	630	12m	Sell	Manik Taneja
12-Apr-19	748	630	12m	Sell	Rahul Jain
8-Apr-19	767	640	12m	Sell	Rahul Jain
11-Jan-19	684	640	12m	Reduce	Rahul Jain
9-Jan-19	676	640	12m	Reduce	Rahul Jain
2-Jan-19	669	640	12m	Reduce	Rahul Jain
16-Oct-18	695	580	12m	Sell	Rahul Jain
5-Oct-18	725	550	12m	Sell	Rahul Jain
18-Aug-18	715	520	12m	Sell	Rahul Jain
13-Jul-18	659	520	12m	Sell	Rahul Jain
10-Jul-18	651	520	12m	Sell	Rahul Jain
6-Jul-18	642	520	12m	Sell	Rahul Jain
13-Apr-18	586	485	12m	Reduce	Rahul Jain
5-Apr-18	574	485	12m	Reduce	Rahul Jain
28-Mar-18	566	485	12m	Reduce	Rahul Jain

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Emkay Alpha Portfolio – Information Technology



Analyst: Dipesh Mehta

Contact Details

dipeshkumar.mehta@emkayglobal.com
+91 22 6612 1253

Sector

IT Services, ITeS and Software

Analyst bio

Dipesh is a seasoned Equities professional who has covered Technology sector for over 15 years. Dipesh has completed his B.E. in Information Technology from Sardar Patel University and MMS in Finance from Mumbai University.

EAP sector portfolio

Company Name	BSE200 Weight	EAP Weight	OW/UW (%)	OW/UW (bps)	EAP Weight (Normalised)
Information Technology	13.93	13.65	-2%	-28	100.00
BirlaSoft*	0.00	0.11	NA	11	0.78
Coforge	0.00	0.00	NA	0	0.00
eClerx Services*	0.00	0.00	NA	0	0.00
Firstsource Solutions	0.00	0.00	NA	0	0.00
HCL Tech	1.42	1.57	10%	15	11.24
Infosys	6.18	6.47	5%	29	46.46
Intellect Design*	0.00	0.00	NA	0	0.00
L&T Infotech*	0.22	0.00	-100%	-22	0.00
Majesco*	0.00	0.00	NA	0	0.00
Mindtree	0.09	0.00	-100%	-9	0.00
Mphasis	0.17	0.19	13%	2	1.36
MPS*	0.00	0.00	NA	0	0.00
NIIT*	0.00	0.00	NA	0	0.00
Nucleus Software*	0.00	0.00	NA	0	0.00
Oracle Financial Services*	0.10	0.00	-100%	-10	0.00
Persistent Systems	0.00	0.55	NA	55	3.97
Ramco Systems*	0.00	0.00	NA	0	0.00
TCS	4.10	3.18	-23%	-93	22.81
Tech Mahindra	0.81	0.83	3%	2	5.98
Wipro	0.84	0.75	-10%	-9	5.40
Cash	0.00	0.28	NA	28	1.99

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	14-Jan-20	14-Jul-20	13-Oct-20	11-Dec-20	12-Jan-21
EAP - Information Technology	100.0	103.7	104.5	153.9	152.6	180.2
BSE200 Neutral Weighted Portfolio (ETF)	100.0	104.4	102.2	146.0	144.8	170.9

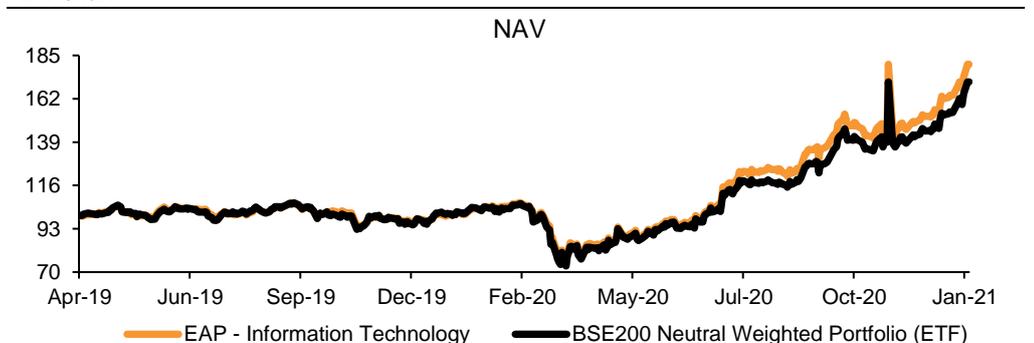
*Performance measurement base date 1st April 2019 | Source: Emkay Research

Price Performance (%)

	1m	3m	6m	12m
EAP - Information Technology	18.1%	17.1%	72.5%	73.7%
BSE200 Neutral Weighted Portfolio (ETF)	18.0%	17.0%	67.3%	63.6%

Source: Emkay Research

NAV chart



Source: Emkay Research

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

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

“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: 14 Jan 2021 05:01:38 (SGT)

Dissemination Date: 14 Jan 2021 05:02:38 (SGT)

Sources for all charts and tables are Emkay Research unless otherwise specified.

GENERAL DISCLOSURE/DISCLAIMER BY EMKAY GLOBAL FINANCIAL SERVICES LIMITED (EGFSL):

Emkay Global Financial Services Limited (CIN-L67120MH1995PLC084899) and its affiliates are a full-service, brokerage, investment banking, investment management and financing group. Emkay Global Financial Services Limited (EGFSL) along with its affiliates are participants in virtually all securities trading markets in India. EGFSL was established in 1995 and is one of India's leading brokerage and distribution house. EGFSL is a corporate trading member of Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE), MCX Stock Exchange Limited (MCX-SX). EGFSL along with its subsidiaries offers the most comprehensive avenues for investments and is engaged in the businesses including stock broking (Institutional and retail), merchant banking, commodity broking, depository participant, portfolio management, insurance broking and services rendered in connection with distribution of primary market issues and financial products like mutual funds, fixed deposits. Details of associates are available on our website i.e. www.emkayglobal.com

EGFSL is registered as Research Analyst with SEBI bearing registration Number INH000000354 as per SEBI (Research Analysts) Regulations, 2014. EGFSL hereby declares that it has not defaulted with any stock exchange nor its activities were suspended by any stock exchange with whom it is registered in last five years, except that NSE had disabled EGFSL from trading on October 05, October 08 and October 09, 2012 for a manifest error resulting into a bonafide erroneous trade on October 05, 2012. However, SEBI and Stock Exchanges have conducted the routine inspection and based on their observations have issued advice letters or levied minor penalty on EGFSL for certain operational deviations in ordinary/routine course of business. EGFSL has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has its certificate of registration been cancelled by SEBI at any point of time.

EGFSL offers research services to clients as well as prospects. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

Other disclosures by Emkay Global Financial Services Limited (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report

EGFSL and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that may be inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest including but not limited to those stated herein. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject EGFSL or its group companies to any registration or licensing requirement within such jurisdiction. Specifically, this document does not constitute an offer to or solicitation to any U.S. person for the purchase or sale of any financial instrument or as an official confirmation of any transaction to any U.S. person. Unless otherwise stated, this message should not be construed as official confirmation of any transaction. No part of this document may be used by private customers in United Kingdom. All material presented in this report, unless specifically indicated otherwise, is under copyright to Emkay. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of EGFSL. All trademarks, service marks and logos used in this report are trademarks or registered trademarks of EGFSL or its Group Companies. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

- This publication has not been reviewed or authorized by any regulatory authority. There is no planned schedule or frequency for updating research publication relating to any issuer.
- Please contact the primary analyst for valuation methodologies and assumptions associated with the covered companies or price targets

Disclaimer for U.S. persons only: This research report is a product of Emkay Global Financial Services Limited (Emkay), which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of Financial Institutions Regulatory Authority (FINRA) or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account. This report is intended for distribution to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a-6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor. In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors.

ANALYST CERTIFICATION BY EMKAY GLOBAL FINANCIAL SERVICES LIMITED (EGFSL)

The research analyst(s) primarily responsible for the content of this research report, in part or in whole, certifies that the views about the companies and their securities expressed in this report accurately reflect his/her personal views. The analyst(s) also certifies that no part of his/her compensation was, is, or will be, directly or indirectly, related to specific recommendations or views expressed in the report. The research analyst (s) primarily responsible of the content of this research report, in part or in whole, certifies that he or his associate¹ does not serve as an officer, director or employee of the issuer or the new listing applicant (which includes in the case of a real estate investment trust, an officer of the management company of the real estate investment trust; and in the case of any other entity, an officer or its equivalent counterparty of the entity who is responsible for the management of the issuer or the new listing applicant). The research analyst(s) primarily responsible for the content of this research report or his associate does not have financial interests² in relation to an issuer or a new listing applicant that the analyst reviews. EGFSL has procedures in place to eliminate, avoid and manage any potential conflicts of interests that may arise in connection with the production of research reports. The research analyst(s) responsible for this report operates as part of a separate and independent team to the investment banking function of the EGFSL and procedures are in place to ensure that confidential information held by either the research or investment banking function is handled appropriately. There is no direct link of EGFSL compensation to any specific investment banking function of the EGFSL.

¹ An associate is defined as (i) the spouse, or any minor child (natural or adopted) or minor step-child, of the analyst; (ii) the trustee of a trust of which the analyst, his spouse, minor child (natural or adopted) or minor step-child, is a beneficiary or discretionary object; or (iii) another person accustomed or obliged to act in accordance with the directions or instructions of the analyst.

² Financial interest is defined as interest that are commonly known financial interest, such as investment in the securities in respect of an issuer or a new listing applicant, or financial accommodation arrangement between the issuer or the new listing applicant and the firm or analysis. This term does not include commercial lending conducted at the arm's length, or investments in any collective investment scheme other than an issuer or new listing applicant notwithstanding the fact that the scheme has investments in securities in respect of an issuer or a new listing applicant.

COMPANY-SPECIFIC / REGULATORY DISCLOSURES BY EMKAY GLOBAL FINANCIAL SERVICES LIMITED (EGFSL):

Disclosures by Emkay Global Financial Services Limited (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report:-

1. EGFSL, its subsidiaries and/or other affiliates do not have a proprietary position in the securities recommended in this report as of January 13, 2021
2. EGFSL, and/or Research Analyst does not market make in equity securities of the issuer(s) or company(ies) mentioned in this Research Report
Disclosure of previous investment recommendation produced:
3. EGFSL may have published other investment recommendations in respect of the same securities / instruments recommended in this research report during the preceding 12 months. Please contact the primary analyst listed in the first page of this report to view previous investment recommendations published by EGFSL in the preceding 12 months.
4. EGFSL, its subsidiaries and/or other affiliates and Research Analyst or his/her relative's does not have any material conflict of interest in the securities recommended in this report as of January 13, 2021.
5. EGFSL, its subsidiaries and/or other affiliates and Research Analyst or his/her relative's does not have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the January 13, 2021
6. EGFSL, its subsidiaries and/or other affiliates and Research Analyst have not received any compensation in whatever form including compensation for investment banking or merchant banking or brokerage services or for products or services other than investment banking or merchant banking or brokerage services from securities recommended in this report (subject company) in the past 12 months.
7. EGFSL, its subsidiaries and/or other affiliates and/or and Research Analyst have not received any compensation or other benefits from securities recommended in this report (subject company) or third party in connection with the research report.
8. Securities recommended in this report (Subject Company) has not been client of EGFSL, its subsidiaries and/or other affiliates and/or and Research Analyst during twelve months preceding the January 13, 2021

RESTRICTIONS ON DISTRIBUTION

General	This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation.
Australia	This report is not for distribution into Australia.
Hong Kong	This report is not for distribution into Hong Kong.
Indonesia	This report is being distributed in Indonesia by PT DBS Vickers Sekuritas Indonesia.
Malaysia	This report is not for distribution into Malaysia.
Singapore	This report is distributed in Singapore by DBS Bank Ltd (Company Regn. No. 16800306E) or DBSVS (Company Regn. No. 1860024G) both of which are Exempt Financial Advisers as defined in the Financial Advisers Act and regulated by the Monetary Authority of Singapore. DBS Bank Ltd and/or DBSVS, may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an agreement under Regulation 32C of the financial Advisers Regulations. Singapore recipients should contact DBS Bank Ltd at 6327 2288 for matters arising from, or in connection with the report.
Thailand	This report is being distributed in Thailand by DBS Vickers Securities (Thailand) Co Ltd.
United Kingdom	This report is disseminated in the United Kingdom by DBS Vickers Securities (UK) Ltd, ("DBSVUK"). DBSVUK is authorised and regulated by the Financial Conduct Authority in the United Kingdom. In respect of the United Kingdom, this report is solely intended for the clients of DBSVUK, its respective connected and associated corporations and affiliates only and no part of this document may be (i) copied, photocopied or duplicated in any form or by any means or (ii) redistributed without the prior written consent of DBSVUK. This communication is directed at persons having professional experience in matters relating to investments. Any investment activity following from this communication will only be engaged in with such persons. Persons who do not have professional experience in matters relating to investments should not rely on this communication.
Dubai International Financial Centre	This research report is being distributed by DBS Bank Ltd., (DIFC Branch) having its office at units 608-610, 6 th Floor, Gate Precinct Building 5, PO Box 506538, Dubai International Financial Centre (DIFC), Dubai, United Arab Emirates. DBS Bank Ltd., (DIFC Branch) is regulated by The Dubai Financial Services Authority. This research report is intended only for professional clients (as defined in the DFSA rulebook) and no other person may act upon it.
United Arab Emirates	This report is provided by DBS Bank Ltd (Company Regn. No. 196800306E) which is an Exempt Financial Adviser as defined in the Financial Advisers Act and regulated by the Monetary Authority of Singapore. This report is for information purposes only and should not be relied upon or acted on by the recipient or considered as a solicitation or inducement to buy or sell any financial product. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situation, or needs of individual clients. You should contact your relationship manager or investment adviser if you need advice on the merits of buying, selling or holding a particular investment. You should note that the information in this report may be out of date and it is not represented or warranted to be accurate, timely or complete. This report or any portion thereof may not be reprinted, sold or redistributed without our written consent.
United States	DBSVUSA did not participate in its preparation. The research analyst(s) named on this report are not registered as research analysts with FINRA and are not associated persons of DBSVUSA. The research analyst(s) are not subject to FINRA Rule 2241 restrictions on analyst compensation, communications with a subject company, public appearances and trading securities held by a research analyst. This report is being distributed in the United States by DBSVUSA, which accepts responsibility for its contents. This report may only be distributed to Major U.S. Institutional Investors (as defined in SEC Rule 15a-6) and to such other institutional investors and qualified persons as DBSVUSA may authorize. Any U.S. person receiving this report who wishes to effect transactions in any securities referred to herein should contact DBSVUSA directly and not its affiliate.
Other jurisdictions	In any other jurisdictions, except if otherwise restricted by laws or regulations, this report is intended only for qualified, professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions.

Emkay Global Financial Services Ltd.

CIN - L67120MH1995PLC084899

7th Floor, The Ruby, Senapati Bapat Marg, Dadar - West, Mumbai - 400028. India

Tel: +91 22 66121212 Fax: +91 22 66121299 Web: www.emkayglobal.com