

Wipro

Refer to important disclosures at the end of this report

In-line revenue performance; margin surprises positively

- Wipro reported in-line revenue at USD2.1bn (3.4% QoQ CC). IT services EBITM surprised positively, expanding 240bps QoQ to 21.7% (270bps ahead of our expectations), led by revenue acceleration, high offshoring (52.7% vs 50.4% QoQ) and operating efficiencies.
- The new simplified and leaner operating model was implemented across the organization from Jan 1, 2021, under which the number of P&Ls will be reduced to 4 from 26. It will help in faster decision making, more effective go-to-market and client centric approach.
- The company has guided IT Services revenue to be in the range of USD2,102-2,143mn in Q4, implying 1.5% to 3.5% growth QoQ. It expects salary hike and investments in front-end sales and domain capabilities to impact margins in Q4.
- We raise FY21/22/23E EPS by 9.7%/10.9%/10.4% as we factor in Q3 performance, better EBITM and robust deal signings. Wipro has shown better performance in Q3; however, weakness persists in client metrics. Given rich valuations and patchy performance in the past, we maintain Hold with a revised TP of Rs420 (earlier Rs 380).

What did we like? Broad-based sequential revenue growth, 240bps expansion in IT Services EBITM, healthy deal intake (USD1.2bn TCV), cash conversion (106% OCF/EBITDA).

What did we not like? Continued weakness across client buckets

Broad based growth performance: Revenue grew 3.9% QoQ to USD2.1bn (CC 3.4%) in Q3, highest sequential revenue growth in last 36 quarters. Revenue growth was broad based across verticals and service lines in Q3, led by ENU (5.6% QoQ), Healthcare (5.5% QoQ), Manufacturing (5.2% QoQ), Consumer (5.2% QoQ) and Technology (4.8%) verticals. Communications (2% QoQ) and BFSI (1.6% QoQ) grew slower in Q3FY21. From geographic perspectives, growth was led by Europe (10.1% QoQ) and US (2.5% QoQ). Wipro is seeing steady improvement in demand, especially for digital transformation, digital operations, and cloud services. Wipro has closed 12 deals with over USD30mn TCV (including USD700mn deal with Metro AG) and the TCV booked of these deals was over USD1.2bn in Q3 (grew in double digits YoY).

EBITM expanded by 240bps QoQ: IT Services' EBIT margin expanded by 240bps QoQ to 21.7%, which was a 22-quarter high, driven by revenue acceleration, offshoring (up by 230bps QoQ / 590bps YoY), healthy utilization and favorable currency (+30bps). Wipro plans to give salary hikes, effective Jan 1. It expects salary hikes, investments in front-sales and domain capabilities to impact margins in Q4; however, revenue acceleration and offshoring would support margins. Wipro sees scope of further 100-150bps expansion in utilization.

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

Financial Snapshot (Consolidated)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	585,845	610,232	618,433	687,782	752,445
EBITDA	115,040	125,448	148,942	160,697	169,953
EBITDA Margin (%)	19.6	20.6	24.1	23.4	22.6
APAT	90,031	97,218	108,084	117,901	126,430
EPS (Rs)	14.9	17.0	19.7	21.5	23.1
EPS (% chg)	12.4	14.0	16.0	9.1	7.2
ROE (%)	17.1	17.3	19.4	20.0	19.1
P/E (x)	30.8	27.0	23.3	21.3	19.9
EV/EBITDA (x)	21.6	18.8	15.1	13.6	12.5
P/BV (x)	4.9	4.7	4.5	4.0	3.6

Source: Company, Emkay Research

CMP Rs 459 as of (January 14, 2021)	Target Price Rs 420 (▲) 12 months
Rating HOLD (■)	Upside (8.5) %

Change in Estimates

EPS Chg FY21E/FY22E (%)	9.7/10.9
Target Price change (%)	10.5
Target Period (Months)	12
Previous Reco	HOLD

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	19.7	21.5
Consensus	17.7	19.2
Mean Consensus TP (12M)	Rs 373	

Stock Details

Bloomberg Code	WPRO IN
Face Value (Rs)	2
Shares outstanding (mn)	5,715
52 Week H/L	467 / 159
M Cap (Rs bn/USD bn)	2,623 / 35.86
Daily Avg Volume (nos.)	14,573,750
Daily Avg Turnover (US\$ mn)	73.9

Shareholding Pattern Dec '20

Promoters	74.0%
FIIIs	8.5%
DIIIs	6.1%
Public and Others	11.4%

Price Performance

(%)	1M	3M	6M	12M
Absolute	30	22	102	80
Rel. to Nifty	20	-	50	52

Relative price chart



Source: Bloomberg

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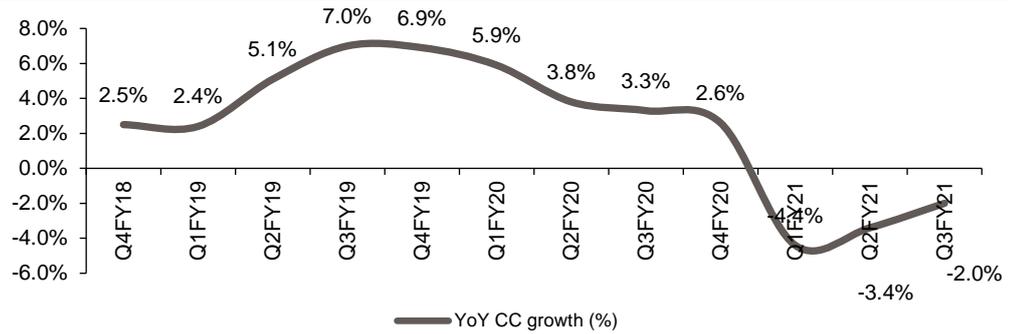
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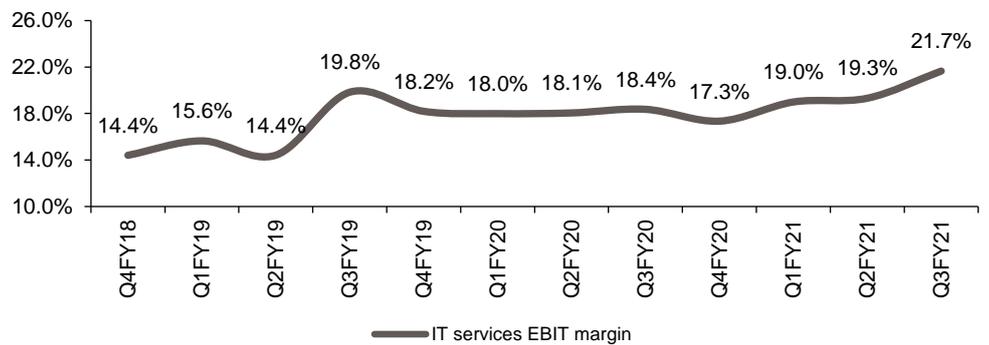
Story in Charts

Exhibit 1: YoY CC growth improved to -2% from -3.4% in Sep'20



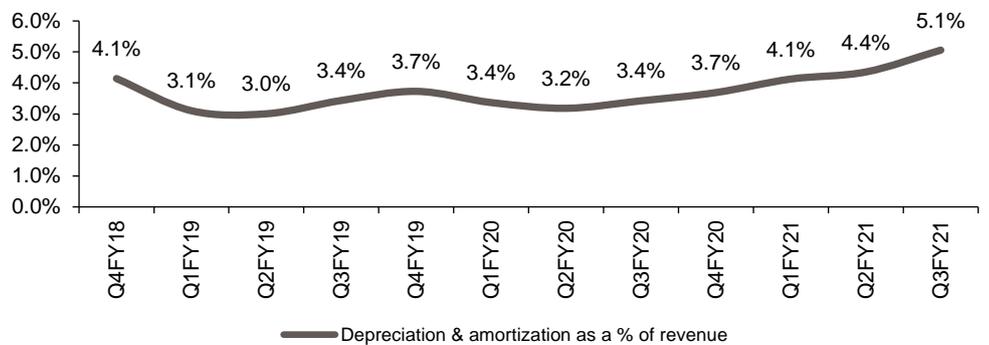
Source: Company, Emkay Research

Exhibit 2: Steady expansion in EBIT margins over last few quarters



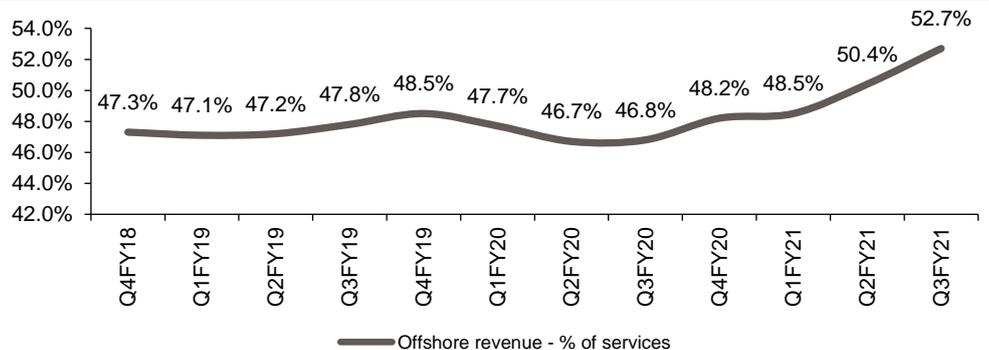
Source: Company, Emkay Research

Exhibit 3: Depreciation and amortization cost continues to inch up



Source: Company, Emkay Research

Exhibit 4: Offshore revenue mix has increased over the last few quarters



Source: Company, Emkay Research

Exhibit 5: Actual vs. Estimates

(in Rs mn)	Actual	Estimates		% variation		Comment
		Emkay	Consensus	Emkay	Consensus	
IT Services Revenues (in USD mn)	2,071	2,052	2,063	0.9%	0.4%	Revenues were in line with both street and Emkay estimates.
IT Services Revenues	153,331	151,450	152,247	1.2%	0.7%	
IT Services EBIT	33,204	28,776	29,079	15.4%	14.2%	
EBIT, margin	21.7%	19.0%	19.1%	270 bps	260 bps	EBIT margins surprised positively and came ahead of our estimates.
PAT	29,667	25,778	25,517	15.1%	16.3%	Net profits were higher due to margin beat.

Source: Company, Emkay Research

Exhibit 6: Quarterly Snapshot

Rs mn	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	YoY (%)	QoQ (%)	FY21 TD	FY20 TD	YoY (%)
US\$ revenues(IT Services)	2,095	2,074	1,922	1,992	2,071	(1.1)	3.9	5,985	6,183	(3.2)
Revenue	154,705	157,110	149,131	151,145	156,700	1.3	3.7	456,976	453,122	0.9
Operating Expenditure	128,199	132,109	123,495	123,170	123,453	(3.7)	0.2	370,118	376,706	(1.7)
Cost of revenues	109,673	114,133	103,700	105,387	104,313	(4.9)	(1.0)	313,400	321,952	(2.7)
as % of sales	70.9	72.6	69.5	69.7	66.6			68.6	71.1	
SG&A expenses	18,526	17,976	19,795	17,783	19,140	3.3	7.6	56,718	54,754	3.6
as % of sales	12.0	11.4	13.3	11.8	12.2			12.4	12.1	
EBIT	26,506	25,001	25,636	27,975	33,247	25.4	18.8	86,858	76,416	13.7
Other Income	4,253	4,642	5,284	4,102	5,141	20.9	25.3	14,527	16,424	(11.6)
PBT	30,759	29,643	30,920	32,077	38,388	24.8	19.7	101,385	92,840	9.2
Total Tax	6,164	6,205	6,838	7,228	8,524	38.3	17.9	22,590	18,594	21.5
Adjusted PAT	24,595	23,438	24,082	24,849	29,864	21.4	20.2	78,795	74,246	6.1
(Profit)/loss from JV's/Ass/MI	-37	-178	-180	-193	-197	432.4	2.1	-570	-288	
APAT after MI	24,558	23,260	23,902	24,656	29,667	20.8	20.3	78,225	73,958	5.8
Reported PAT	24,558	23,260	23,902	24,656	29,667	20.8	20.3	78,225	73,958	5.8
Reported EPS	4.3	4.1	4.2	4.3	5.2	20.8	20.3	14	13	7.6

Margins (%)						(bps)	(bps)				(bps)
EBIT	17.1	15.9	17.2	18.5	21.2	408	271	19.0	16.9	214	
EBT	19.9	18.9	20.7	21.2	24.5	462	328	22.2	20.5	170	
PAT	15.9	14.8	16.0	16.3	18.9	306	262	17.1	16.3	80	
Effective Tax rate	20.0	20.9	22.1	22.5	22.2	217	(33)	22.3	20.0	225	

Source: Company, Emkay Research

Broad-based revenue growth

Wipro's IT services revenue grew 3.9% QoQ to USD2.1bn (3.4% cc terms) in the Dec'20 quarter. Revenue growth was broad based, led by ENU vertical (5.6% QoQ), Healthcare (5.5% QoQ), Manufacturing (5.2% QoQ), Consumer (5.2% QoQ) and Technology (4.8%) verticals. Communications (2% QoQ) and BFSI (1.6% QoQ) grew slower in Q3FY21. All regions posted positive sequential growth, led by Europe (10.1% QoQ), Americas (2.5% QoQ) and RoW (0.4% QoQ). Among practices, growth was led by Business Process Services (6.6% QoQ), Global Infrastructure services (3.9% QoQ), Application services (3.7% QoQ) and Wipro Analytics (2.5% QoQ). Product engineering growth was lower at 1.1% QoQ. Top 10 clients posted muted revenue growth in dollar terms in Q3. India SRE business reported marked improvement in its performance with revenue growing 12.9% QoQ and EBITM expanding 1380bps to 19.8%. Management suggested that low single digit margin is sustainable in India SRE business from the medium-term perspective.

Exhibit 7: Revenues by service lines

As a % of revenues	Q3FY21	Q2FY21	Q3FY20	QoQ (%)	YoY (%)
Cloud & Infrastructure Services	25.6%	25.6%	25.8%	3.9%	-1.9%
Data, Analytics & AI	6.9%	7.0%	7.2%	2.5%	-5.3%
Digital operations & platforms	15.9%	15.5%	15.3%	6.6%	2.7%
Industrial & Engineering services	7.2%	7.4%	7.5%	1.1%	-5.1%
Modern Application Services	44.4%	44.5%	44.2%	3.7%	-0.7%
Total	100%	100%	100%	3.9%	-1.1%

Source: Company, Emkay Research

Exhibit 8: Revenues by verticals

As a % of revenues	Q3FY21	Q2FY21	Q3FY20	QoQ (%)	YoY (%)
Communications	5.2%	5.3%	5.7%	2.0%	-9.8%
Consumer Business Unit	16.4%	16.2%	16.9%	5.2%	-4.1%
Energy, Natural resources & Utilities	13.1%	12.9%	12.9%	5.6%	0.4%
Banking, Financial Services & Insurance	30.5%	31.2%	30.9%	1.6%	-2.4%
Health Business unit	13.9%	13.7%	13.1%	5.5%	4.9%
Manufacturing	8.3%	8.2%	8.2%	5.2%	0.1%
Technology	12.6%	12.5%	12.3%	4.8%	1.3%
Total	100%	100%	100%	3.9%	-1.1%

Source: Company, Emkay Research

Exhibit 9: Revenue by geography

As a % of revenues	Q3FY21	Q2FY21	Q3FY20	QoQ (%)	YoY (%)
Americas	57.6%	58.4%	59.2%	2.5%	-3.8%
Europe	25.2%	23.8%	23.7%	10.1%	5.1%
ROW	17.2%	17.8%	17.1%	0.4%	-0.6%
Total	100%	100%	100.0%	3.9%	-1.1%

Source: Company, Emkay Research

Exhibit 10: Client concentration

As a % of revenues	Q3FY21	Q2FY21	Q3FY20	QoQ (%)	YoY (%)
Top customer	3.1%	3.2%	3.0%	0.7%	2.2%
Top 5	11.9%	12.0%	12.3%	3.1%	-4.4%
Top 10	18.9%	19.6%	19.2%	0.2%	-2.7%

Source: Company, Emkay Research

Exhibit 11: Client distribution

Particulars	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21
US\$100mn +	10	10	13	13	14	15	13	11	10
US\$75mn+	19	22	23	23	22	22	22	24	24
US\$50mn+	41	41	41	41	41	40	39	39	38
US\$20mn+	99	96	92	92	96	96	97	100	97
US\$10mn+	171	172	166	165	169	166	163	166	168
US\$5mn+	269	262	259	261	260	260	258	257	260
US\$3mn+	339	339	340	341	344	341	348	342	341
US\$1mn+	578	571	564	569	572	574	577	573	567

Source: Company, Emkay Research

Exhibit 12: IT Service's segmental performance

Revenue (Rs mn)	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21
BFSI	45,979	46,043	45,395	45,760	46,612	46,690	44,828	45,995	46,825
Healthcare & Life sciences	19,241	19,288	18,871	18,981	19,799	20,589	19,760	20,294	21,266
Consumer	22,875	23,667	22,366	23,530	25,443	25,669	23,179	23,927	25,077
ENU	18,996	18,628	18,432	18,888	19,553	19,570	19,279	18,990	20,076
Tech	19,104	18,402	18,660	19,148	18,584	19,503	19,670	18,478	19,394
Manufacturing	11,981	11,551	11,336	11,886	12,450	12,486	11,820	12,175	12,677
Communication	8,480	8,286	8,454	8,368	8,565	8,453	7,420	7,822	8,016
Total	146,656	145,865	143,514	146,561	151,006	152,960	145,956	147,681	153,331

Growth YoY (%)	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21
BFSI	24.8%	21.9%	13.5%	3.8%	1.4%	1.4%	-1.2%	0.5%	0.5%
Healthcare & Life sciences	4.3%	3.9%	3.7%	3.4%	2.9%	6.7%	4.7%	6.9%	7.4%
Consumer	16.8%	20.3%	8.6%	0.0%	11.2%	8.5%	3.6%	1.7%	-1.4%
ENU	15.2%	12.1%	7.8%	3.6%	2.9%	5.1%	4.6%	0.5%	2.7%
Tech	2.5%	-3.9%	-4.3%	-2.2%	-2.7%	6.0%	5.4%	-3.5%	4.4%
Manufacturing	5.5%	-0.8%	0.8%	1.3%	3.9%	8.1%	4.3%	2.4%	1.8%
Communication	0.7%	5.8%	9.6%	1.8%	1.0%	2.0%	-12.2%	-6.5%	-6.4%
Total	13.0%	11.1%	6.8%	1.9%	3.0%	4.9%	1.7%	0.8%	1.5%

Profitability (%)	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21
BFSI	19.8%	21.0%	20.6%	18.4%	17.7%	17.4%	19.0%	20.0%	21.0%
Healthcare & Life sciences	10.3%	10.1%	15.5%	15.1%	16.1%	14.8%	13.8%	19.7%	20.5%
Consumer	23.1%	19.9%	15.7%	16.8%	18.6%	17.7%	19.1%	23.0%	24.6%
ENU	19.0%	15.0%	11.9%	16.3%	16.0%	19.2%	18.5%	17.5%	18.4%
Tech	21.9%	16.5%	18.9%	18.9%	17.5%	20.0%	21.2%	14.2%	16.1%
Manufacturing	20.0%	19.6%	18.5%	20.5%	19.2%	18.7%	18.8%	19.5%	20.1%
Communication	18.6%	11.9%	18.0%	12.5%	16.9%	15.7%	12.0%	16.9%	18.0%
Total	19.2%	17.4%	17.5%	17.3%	17.5%	17.7%	18.2%	19.2%	20.3%

Source: Company, Emkay Research

Exhibit 13: Changes in estimates

(All fig in Rs mn except EPS)	FY21E			FY22E			FY23E		
	Old	New	% change	Old	New	% change	Old	New	% change
IT Services Revenues(US\$ mn)	8,059	8,120	0.8	8,745	8,932	2.1	9,272	9,645	4.0
US\$ revenues growth YoY, %	-2.4%	-1.6%		8.5%	10.0%		6.0%	8.0%	
Company Wide Revenues	615,005	618,433	0.6	673,964	687,782	2.1	723,212	752,445	4.0
EBIT	111,339	122,856	10.3	121,281	134,530	10.9	128,499	141,577	10.2
EBIT mgns, %	18.1	19.9		18.0	19.6		17.8	18.8	
Net profits	98,497	108,084	9.7	106,293	117,901	10.9	114,503	126,430	10.4
EPS (Rs)	18.0	19.7	9.7	19.4	21.5	10.9	20.9	23.1	10.4

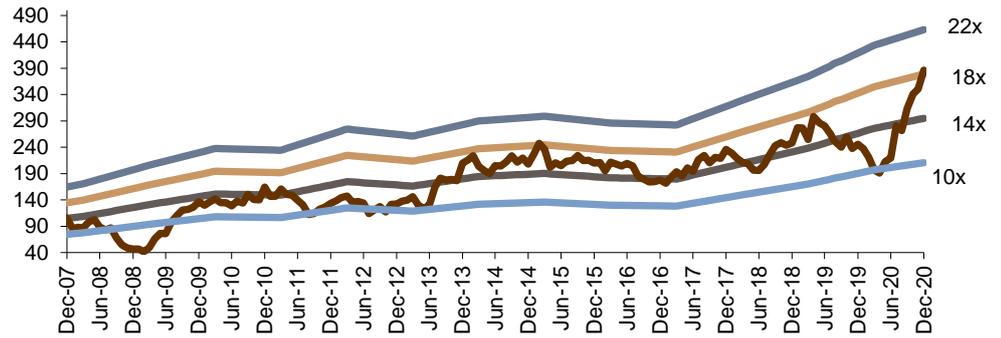
Source: Company, Emkay Research

Exhibit 14: Key assumptions

(in Rs mn)	FY20A	FY21E	FY22E	FY23E
USD revenue growth (%)	1.7%	-1.6%	10.0%	8.0%
USD/INR	72.0	74.4	75.0	76.0
INR revenue Growth (%)	4.2%	1.3%	11.2%	9.4%
EBIT margin (%)	17.1%	19.9%	19.6%	18.8%
EPS Growth (%)	14.0%	16.0%	9.1%	7.2%

Source: Emkay Research, Company

Exhibit 15: Wipro 1 year forward P/E chart



Source: Company, Emkay Research

Exhibit 16: 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 grew 3.9% QoQ and -1.1% YoY (3.4% QoQ CC, -2% YoY CC) to USD2.7bn. The sequential growth of 3.9% was the highest in 36 quarters for Wipro and was broad based, led by a surge in volume. Wipro's Q3 operating margin was at 22 quarters high and the company expects margin to be sustained at current levels, based on revenue acceleration and improving operating parameter. Wipro signed 12 deals with TCV of over USD30mn closed during Q3 with combined TCV of USD1.2bn.
- **Outlook:** Wipro's Q3FY21 revenue came in at the upper end of the guidance. It has guided Q4 growth to be in the range of 1.5% to 3.5% QoQ. Wipro has announced a wage hike for 80% of employees effective Jan 1, 2021, which will have a bearing on the margin. The company has put in place a large deals team and has a goal of winning 1 large deal per quarter.

Others:

- The company announced an interim dividend of Rs1 per share.
- It expects all the key roles to be filled by Q4FY21 under new operating model.
- Wipro has hired ~14,000 employees in Q3 including onboarding of >2,900 freshers.

Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	585,845	610,232	618,433	687,782	752,445
Expenditure	470,805	484,784	469,492	527,085	582,492
EBITDA	115,040	125,448	148,942	160,697	169,953
Depreciation	19,474	20,862	26,085	26,167	28,375
EBIT	95,566	104,586	122,856	134,530	141,577
Other Income	19,892	17,897	17,192	17,651	21,640
Interest expenses	0	0	0	0	0
PBT	115,458	122,483	140,048	152,181	163,217
Tax	25,242	24,799	31,096	33,480	35,908
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	99	524	1,120	800	880
Reported Net Income	90,031	97,218	108,084	117,901	126,430
Adjusted PAT	90,031	97,218	108,084	117,901	126,430

Balance Sheet

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity share capital	12,068	11,427	10,956	10,956	10,956
Reserves & surplus	556,048	546,031	544,151	613,551	687,178
Net worth	568,116	557,458	555,106	624,507	698,134
Minority Interest	2,637	1,875	2,372	2,772	3,212
Loan Funds	99,467	78,042	65,000	65,000	65,000
Net deferred tax liability	(2,187)	(3,180)	1,800	2,000	2,200
Total Liabilities	668,033	634,195	624,278	694,279	768,546
Net block	178,570	224,894	224,259	223,231	219,996
Investment	227,632	198,937	257,000	277,000	307,000
Current Assets	398,592	366,878	298,688	366,025	428,080
Cash & bank balance	158,529	144,499	72,088	114,786	155,061
Other Current Assets	112,743	90,831	94,136	104,146	112,283
Current liabilities & Provision	159,534	176,862	175,668	191,978	206,530
Net current assets	239,058	190,016	123,020	174,047	221,550
Misc. exp	0	0	0	0	0
Total Assets	668,033	634,195	624,278	694,279	768,546

Cash Flow

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
PBT (Ex-Other income) (NI+Dep)	115,414	104,586	122,856	134,530	141,577
Other Non-Cash items	4,653	12,308	31,593	33,880	36,348
Chg in working cap	27,165	(23,856)	(435)	(8,130)	(7,026)
Operating Cashflow	116,316	100,643	135,226	137,138	149,098
Capital expenditure	4,997	(24,771)	(25,102)	(25,140)	(25,140)
Free Cash Flow	121,313	75,872	110,124	111,998	123,958
Investments	24,340	34,579	(58,063)	(20,000)	(30,000)
Other Investing Cash Flow	0	0	0	0	0
Investing Cashflow	49,861	34,012	(83,165)	(45,140)	(55,140)
Equity Capital Raised	4	(105,297)	(94,996)	0	0
Loans Taken / (Repaid)	(38,878)	(32,822)	(13,042)	0	0
Dividend paid (incl tax)	(5,434)	(8,278)	(16,434)	(49,301)	(53,683)
Other Financing Cash Flow	526	1,922	0	0	0
Financing Cashflow	(48,578)	(149,076)	(124,472)	(49,301)	(53,683)
Net chg in cash	117,599	(14,421)	(72,411)	42,698	40,276
Opening cash position	40,926	158,525	144,499	72,088	114,786
Closing cash position	158,529	144,499	72,088	114,786	155,061

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY19	FY20	FY21E	FY22E	FY23E
EBITDA Margin	19.6	20.6	24.1	23.4	22.6
EBIT Margin	16.3	17.1	19.9	19.6	18.8
Effective Tax Rate	21.9	20.2	22.2	22.0	22.0
Net Margin	15.4	16.0	17.6	17.3	16.9
ROCE	17.9	18.8	22.3	23.1	22.3
ROE	17.1	17.3	19.4	20.0	19.1
RoIC	34.0	39.5	45.0	48.2	49.8

Per Share Data (Rs)	FY19	FY20	FY21E	FY22E	FY23E
EPS	14.9	17.0	19.7	21.5	23.1
CEPS	18.1	20.7	24.5	26.3	28.3
BVPS	94.2	97.6	101.3	114.0	127.4
DPS	1.0	1.0	3.0	9.0	9.8

Valuations (x)	FY19	FY20	FY21E	FY22E	FY23E
PER	30.8	27.0	23.3	21.3	19.9
P/CEPS	25.3	22.2	18.7	17.5	16.2
P/BV	4.9	4.7	4.5	4.0	3.6
EV / Sales	4.2	3.9	3.6	3.2	2.8
EV / EBITDA	21.6	18.8	15.1	13.6	12.5
Dividend Yield (%)	0.2	0.2	0.7	2.0	2.1

Gearing Ratio (x)	FY19	FY20	FY21E	FY22E	FY23E
Net Debt/ Equity	(0.5)	(0.5)	(0.5)	(0.5)	(0.6)
Net Debt/EBIDTA	(2.5)	(2.1)	(1.8)	(2.0)	(2.3)
Working Cap Cycle (days)	50.2	27.2	30.1	31.4	32.3

Growth (%)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	7.5	4.2	1.3	11.2	9.4
EBITDA	9.1	9.0	18.7	7.9	5.8
EBIT	13.4	9.4	17.5	9.5	5.2
PAT	12.4	8.0	11.2	9.1	7.2

Quarterly (Rs mn)	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21
Revenue	154,705	157,110	149,131	151,145	156,700
EBITDA	31,801	30,799	31,790	34,555	41,174
EBITDA Margin (%)	20.6	19.6	21.3	22.9	26.3
PAT	24,558	23,260	23,902	24,656	29,667
EPS (Rs)	4.3	4.1	4.2	4.3	5.2

Source: Company, Emkay Research

Shareholding Pattern (%)	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20
Promoters	74.0	74.0	74.0	74.0	74.0
FIs	8.4	8.5	7.8	8.4	8.5
DIs	7.0	7.0	7.6	6.5	6.1
Public and Others	10.5	10.5	10.5	11.1	11.4

Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
4-Jan-21	396	380	12m	Hold	Dipeshkumar Mehta
23-Dec-20	386	360	12m	Hold	Dipeshkumar Mehta
18-Dec-20	364	360	12m	Hold	Dipeshkumar Mehta
19-Nov-20	343	360	12m	Hold	Dipeshkumar Mehta
14-Oct-20	350	360	12m	Hold	Dipeshkumar Mehta
15-Jul-20	263	240	12m	Hold	Manik Taneja
5-Jul-20	225	215	12m	Hold	Manik Taneja
25-Jun-20	218	210	12m	Hold	Manik Taneja
18-Jun-20	218	210	12m	Hold	Manik Taneja
31-May-20	213	210	12m	Hold	Manik Taneja
26-May-20	189	195	12m	Hold	Manik Taneja
15-Apr-20	187	195	12m	Hold	Manik Taneja
10-Apr-20	197	200	12m	Hold	Manik Taneja
20-Mar-20	179	205	12m	Hold	Manik Taneja
3-Feb-20	237	245	12m	Sell	Manik Taneja
14-Jan-20	257	245	12m	Sell	Manik Taneja
8-Jan-20	255	235	12m	Sell	Manik Taneja
1-Jan-20	248	235	12m	Sell	Manik Taneja
21-Nov-19	248	235	12m	Sell	Manik Taneja
15-Oct-19	244	235	12m	Sell	Manik Taneja
1-Oct-19	234	250	12m	Sell	Manik Taneja
17-Jul-19	260	240	12m	Sell	Manik Taneja
3-Jul-19	283	230	12m	Sell	Manik Taneja
16-Apr-19	281	230	12m	Sell	Rahul Jain
8-Apr-19	264	230	12m	Sell	Rahul Jain
9-Jan-19	247	225	12m	Reduce	Rahul Jain
2-Jan-19	244	225	12m	Reduce	Rahul Jain
25-Oct-18	239	218	12m	Reduce	Rahul Jain
5-Oct-18	244	210	12m	Sell	Rahul Jain
20-Jul-18	212	218	12m	Hold	Rahul Jain
10-Jul-18	203	210	12m	Hold	Rahul Jain
6-Jul-18	197	210	12m	Hold	Rahul Jain
25-Apr-18	215	188	12m	Reduce	Rahul Jain
5-Apr-18	215	195	12m	Reduce	Rahul Jain
19-Jan-18	247	195	12m	Reduce	Rahul Jain

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Emkay Alpha Portfolio – Information Technology



Analyst: Dipesh Mehta

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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

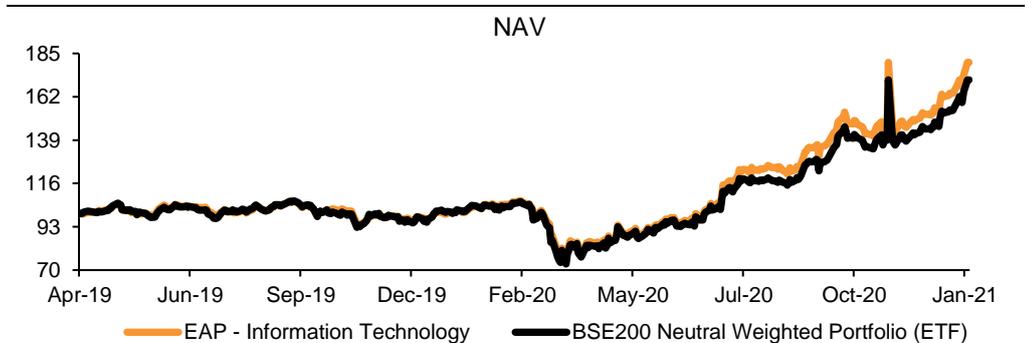
*Performance measurement base date 1st April 2019 | Source: Emkay Research

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”

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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 05:18:32 (SGT)

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