

October 25, 2021

Q2FY22 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY23E	FY24E	FY23E	FY24E
Rating	BUY		BUY	
Target Price	5,596		5,496	
Sales (Rs. m)	76,566	89,776	76,320	88,416
% Chng.	0.3	1.5		
EBITDA (Rs. m)	14,684	17,230	14,633	16,962
% Chng.	0.3	1.6		
EPS (Rs.)	142.1	169.0	149.5	173.2
% Chng.	(4.9)	(2.4)		

Key Financials - Standalone

Y/e Mar (Rs bn)	FY21	FY22E	FY23E	FY24E
Sales (Rs. bn)	47	63	77	90
EBITDA (Rs. bn)	8	11	15	17
Margin (%)	18.0	18.0	19.2	19.2
PAT (Rs. bn)	5	7	9	10
EPS (Rs.)	86.8	108.8	142.1	169.0
Gr. (%)	14.2	25.3	30.6	19.0
DPS (Rs.)	28.7	35.9	46.9	55.8
Yield (%)	0.6	0.7	0.9	1.1
RoE (%)	21.6	24.7	27.6	27.8
RoCE (%)	26.9	31.1	32.8	33.9
EV/Sales (x)	6.4	4.7	3.9	3.3
EV/EBITDA (x)	35.6	26.1	20.2	17.0
PE (x)	58.4	46.6	35.7	30.0
P/BV (x)	12.5	10.7	9.1	7.7

Key Data

NITT.BO | COFORGE IN

52-W High / Low	Rs.6,030 / Rs.2,078
Sensex / Nifty	60,967 / 18,125
Market Cap	Rs.307bn/ \$ 4,090m
Shares Outstanding	61m
3M Avg. Daily Value	Rs.5982.26m

Shareholding Pattern (%)

Promoter's	55.73
Foreign	19.42
Domestic Institution	14.93
Public & Others	9.92
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(10.3)	77.8	113.0
Relative	(11.6)	39.6	42.1

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Emerging Stronger than ever...

Quick Pointers:

- Won 3 large deals (>\$20Mn+) including 2 deals with TCV \$50Mn+ vs Tier 2 peers with deal TCV composed of largely small and mid-sized deals
- Adjusted EBITDA margin target maintained at 19% for FY22, +100bps YoY.

Coforge revenue growth of 6.5% USD QoQ, below our estimates (Ple: 7.8%), but above consensus estimates (Cons: 5.8%). Miss in revenue was led by lower than estimated organic growth +2.9% QoQ USD (Ple: 4.4%), mainly due to flattish growth in insurance vertical because of delayed Advantage Go license realization which is expected to bounce back in Q3 aiding both revenue and margins. Inorganic contribution from SLK is at ~\$22 mn (in-line with our estimates).

Management raised organic growth guidance to 'at least' 22% YoY CC for FY22 from earlier 19% on back of sustained strong deal momentum – 1) 2Q Order book at \$285 mn, +42% YoY and 2) robust next 12 months' executable order book of \$688 Mn, +40.7% YoY including \$603 mn organic component. SLK global acquisition is performing better than management's expectations and is expected to grow 22% YoY CC in FY22. This translates to overall revenue growth of at least 35% YoY CC in FY22. We estimate overall growth of 37% YoY USD (organic growth of 23% YoY USD).

EBIT Margin came at 13.6%, +280bps QoQ (Ple: 13.4%, Cons: 13.6%). Sequential growth was led by higher offshore revenue (44%, 800bps YoY), improved utilization (78.5% in 2Q vs 77% in 1Q) and flattening of employee pyramid (1500 freshers to be added in FY22, 6x more freshers vs two years back). For FY22, management maintained that they can sustain EBITDA pre-RSU and SLK acquisition costs at 19% (in-line with our estimates). Large managed services contracts won recently are not only providing revenue growth but also supporting margins via increased offshoring and increased deployment of freshers in such contracts. Attrition increased to 15.3%, +270 bps QoQ in-line with industry trends.

Our EPS estimates decrease by 7.4%/4.9%/2.4% for FY22/23/24 on account of higher minority interest because of higher profitability of SLK (Coforge owns 60% stake in SLK Global) partially offset by increase in revenue in FY23 and FY24 given management's target to reach \$1Bn revenue in FY23. We arrive at DCF based TP of 5596 (implying target multiple of 33x on FY24 EPS). At CMP, stock trades at 36x/30x FY23/24E EPS of INR 142/169 with Revenue and EPS CAGR of 16.4%/24.7% respectively over FY22-24. Reiterate BUY.

- Miss in revenue:** Coforge revenue of \$212.8 mn, growth of 6.5% USD QoQ, below our estimates (Ple: 7.8%), but above consensus estimates (Cons: 5.8%). Miss in revenue was led by lower than estimated organic revenue of \$190.6 mn (+2.9% QoQ USD, 3.9% QoQ CC), vs our estimate of 4.4% QoQ USD. Moderate organic growth this quarter was on top of >7.5% QoQ organic growth

Coforge won three large deals during the quarter including two deals of more than \$50 Mn TCV.

Won 3 large deals (>\$20Mn+) including 2 deals with TCV \$50Mn+ vs Tier 2 peers with deal TCV of largely small and mid-sized deals

Coforge added 11 new clients in 2Q22. They added 2 new clients in \$5mn+ category and 1 in \$10mn+ category.

in last two quarters. Inorganic contribution from SLK is at ~\$22 mn (in-line with our estimates).

■ Sequential growth led by BFSI:

- Growth in **BFS (24.1% of revenues, +22% QoQ USD)** was strong both on organic and inorganic front - 10.8% QoQ organic growth and SLK Global's contribution of ~\$18 mn vs ~\$12 mn last quarter (our estimate). Revenue momentum in this vertical is expected to remain strong as significant large deals (\$105mn 4yr 8months digital transformation deal and MSA signed with large bank) won in BFS last quarter ramp up in coming quarters.
- **Insurance (29.2% of revenues, 1% QoQ USD)** vertical had soft growth this quarter due to flat QoQ organic business led by delay in realizing Advantage Go licenses. This is also reflected in 3.4% QoQ USD decline in EMEA region. Growth is expected to rebound strongly in 3Q22 when these licenses get realized. SLK contributed ~\$3 mn as per our estimate.
- **Travel & Transport (18.6% of revenues, 4.9% QoQ USD)** continues to recover at healthy pace. Management expects to reach pre-covid level of FY20 revenue by end of Q4FY22. Pent up demand in European travel client is expected to flow in from 4Q22 onwards. Most of the discount reversal in this vertical is complete.
- **Consistent large deal wins (>\$50mn+):** Organic order intake was strong at \$285 mn, +42% YoY on top of record high deal TCV of \$318 mn in 1Q22. Next 12 months' executable organic order book as consistently for last 4 years and now stands at \$688 Mn, +40.7% YoY with organic component of \$603 mn, +23% YoY. Strong order intake this quarter was on back of three large deals, two of which are \$50Mn+ - 1) largest digital process automation win in company's history, 2) taking over majority IT operating spends of one of the top 10 clients. Order intake was spread across US (\$123 Mn), EMEA (\$144 mn) and RoW (\$48mn) each.
- **Upgrade in revenue guidance:** Management raised the organic growth guidance to at least 22% YoY CC in FY22 from earlier 19% on back of sustained strong deal wins and incremental revenue from clients. Guidance implies 2-3% sequential growth for next two quarters. Management guided overall revenue growth of at least 35% YoY CC. SLK acquisition integration activities have been executed and management expects SLK to grow at par with organic business i.e. at least 22% YoY CC in FY22. (only 11 months' revenue of SLK will consolidated in FY22).
- **Strong sequential expansion in margin:** EBIT Margin came at 13.6%, +280bps QoQ (Ple: 13.4%, Cons: 13.6%). Sequential growth in EBIT margin was higher than management's guidance of 200bps QoQ and was led by higher offshore revenue, improved utilization (78.5% in 2Q vs 77% in 1Q) and flattening of employee pyramid. Coforge is aggressively hiring freshers; around 1500 freshers are expected to be added in FY22 taking the total fresher count 6 times higher than that in FY18

Organic growth excluding SLK for Top 5 clients was strong at 5.1% QoQ USD.

- **Rising share of offshore revenue aiding margins:** Large deals such as large managed services contract is turning out to be margin lever for Coforge as it improves offshore revenue mix which has gone up 8% in last 4 quarters. Offshore revenue mix in 2Q was up by 400bps to 44% (vs 40% in 1Q22 and 36% in 2Q21). Management mentioned that this level of offshore revenue mix is sustainable.
- **For FY22, management maintained that they can sustain EBITDA pre-RSU and SLK acquisition costs at 19%** supported by tailwinds from 1) Higher offshore revenue because of large deals, 2) employee pyramid flattening, 3) Delayed realization of Advantage Go licenses from Q2 to Q3 and 4) operating leverage from strong revenue growth including travel. Headwinds include wage higher retention and hiring costs and large deal transition costs. **For next quarter, management expects margins to improve by 100bps QoQ.**
- **Continued strong headcount addition, attrition inched up:** Total billable headcount has increased by 743, +4.5% QoQ. Over last four quarters, Coforge has added organic billable headcount of 1402, +8% QoQ. Apart from this, 6,692 SLK Global employees were also added last quarter. Attrition increased to 15.3%, +270 bps QoQ in-line with industry trends.
- Management mentioned that Coforge's strong unique tech capabilities give them confidence of delivering industry leading growth. Cloud and Infra services now form 72% of total revenue. They have also made material progress in AI/ML powered compliance solution for large banks. Insuretech platform is getting good response on maiden foray in Africa region. For a large Australian client, Pega factory has developed 65 innovation ideas which has improved revenue from this client and NPS score significantly.
- Advantage Go revenue for the quarter is INR 646 mn and EBITDA margin at 15%. Whishwork's balance 18.6% stake is bought at INR 66 Cr and it is completely consolidated in Coforge. Higher minority interest of INR 148 mn this quarter was due to higher profitability of SLK business. (Note: Coforge has acquired 60% stake in SLK Global)
- DSO decreased by 5days QoQ to 66 days. Board announced dividend of INR 13 per share in-line with quarterly DPS of INR 13 per share declared in previous 2 quarters.

Exhibit 1: Q2FY22: Quick view on results

Rs mn	2QFY22	1QFY22	QoQ gr.	2QFY21	YoY gr.	PLe	Variance(PL VS ACTUAL)
Revenue (USDmn)	212.8	199.7	6.6%	154.9	37.4%	215.2	-1.1%
Revenue	15694	14616	7.4%	11537	36.0%	15945	-1.6%
EBITDA	2737	2104	30.1%	2048	33.6%	2770	-1.2%
EBITDA Margin	17.4%	14.4%	304 bps	17.8%	-31 bps	17.4%	7 bps
EBIT Margin	13.6%	10.8%	282 bps	13.8%	-13 bps	13.4%	26 bps
Adj. PAT	1468	1236	18.8%	1207	21.6%	1680	-12.6%
EPS	24.2	20.4	18.8%	19.9	21.6%	27.7	-12.6%

Source: Company, PL

Valuations

We continue to like Coforge given 1) acceleration in organic growth momentum, 2) consistent strong large deal wins with increasing deal sizes, 3) ability to leverage acquisition and partnerships to materially accelerate revenue growth and 5) scope to further improve margins.

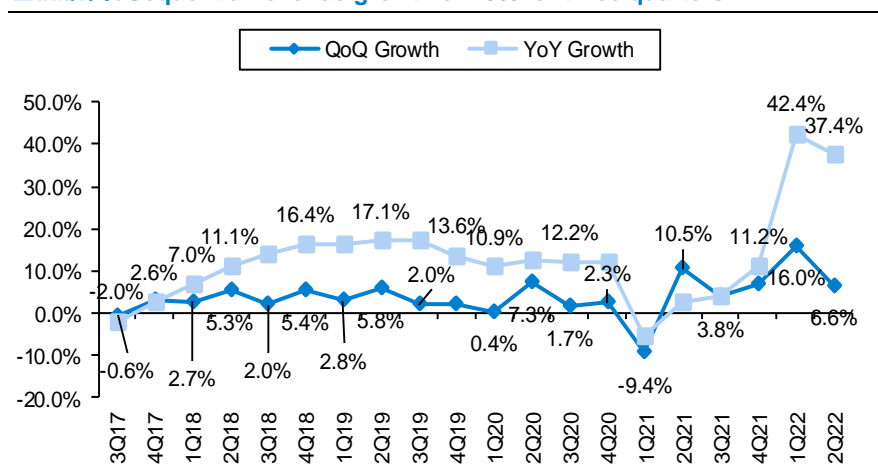
Our EPS estimates decrease by 7.4%/4.9%/2.4% for FY22/23/24 on account of higher minority interest because of higher profitability of SLK (Coforge owns 60% stake in SLK Global) partially offset by increase in revenue in FY23 and FY24 given management's target to reach \$1Bn revenue in FY23. We arrive at DCF based TP of 5596 (implying target multiple of 33x on FY24 EPS). At CMP, stock trades at 36x/30x FY23/24E EPS of INR 142/169 with Revenue and EPS CAGR of 16.4%/24.7% respectively over FY22-24. Reiterate BUY.

Exhibit 2: Change in Estimates

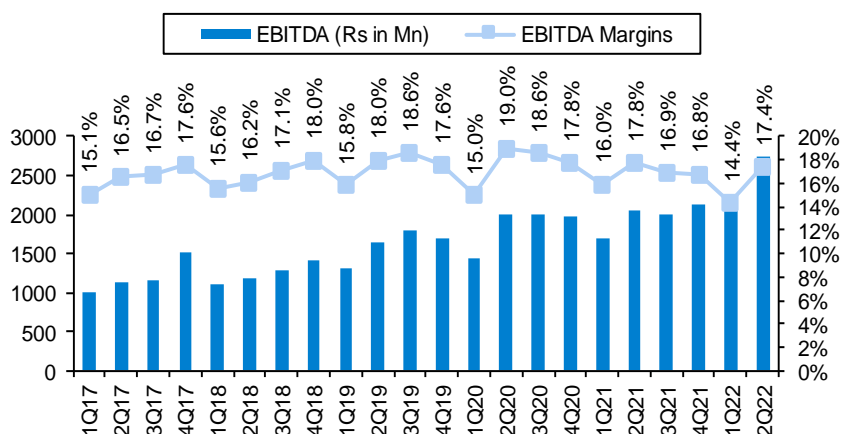
Y/e March	FY22E	FY23E	FY24E
USD revenues (US\$ m)			
- New	861	1,007	1,166
- Old	868	1,004	1,148
Change (%)	-0.8%	0.3%	1.5%
EBIT Margin			
- New	14.1%	15.0%	15.0%
- Old	14.1%	15.0%	15.0%
Change (%)	-1 bps	0 bps	1 bps
Recurring EPS - Fully diluted (Rs)			
- New	108.8	142.1	169.0
- Old	117.5	149.5	173.2
Change (%)	-7.4%	-4.9%	-2.4%

Source: PL

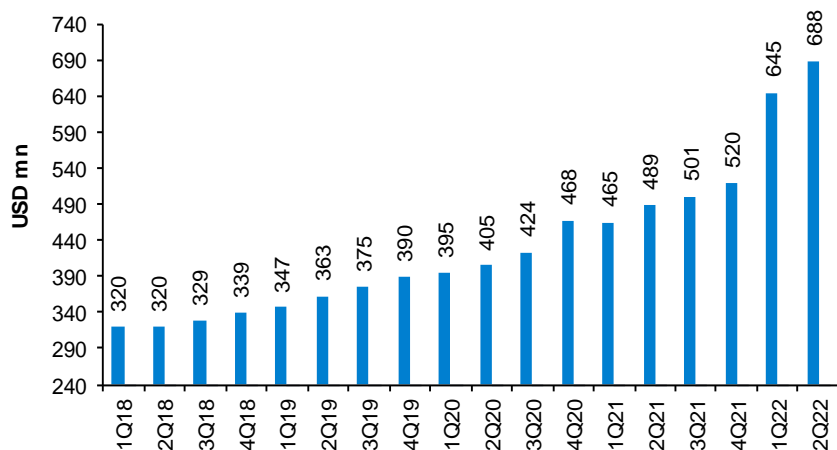
Exhibit 3: Sequential revenue growth of >6% for three quarters



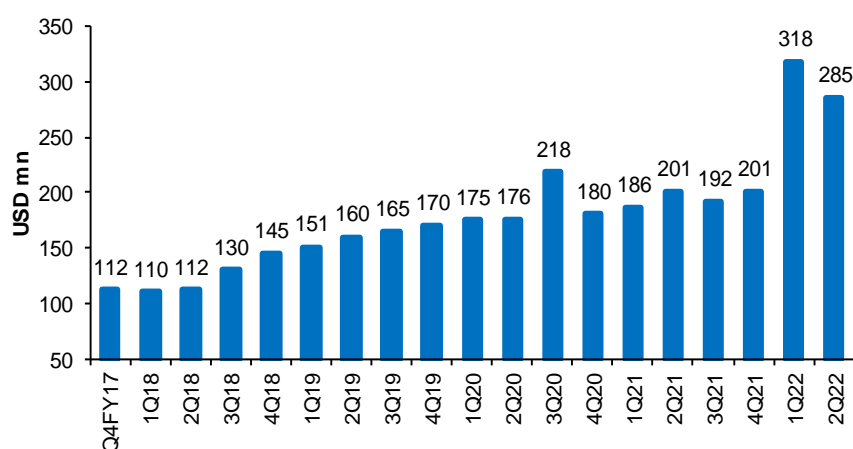
Source: Company, PL, Organic revenue growth of 2.9% QoQ USD

Exhibit 4: Strong recovery in margins


Source: Company, PL

Exhibit 5: Next 12 months executable order book is up 40.6% YoY


Source: Company, PL

Exhibit 6: Strong deal win momentum


Source: Company, PL

Exhibit 7: Geography-wise revenues

Geography revenues (USD Mn)	2QFY22	1QFY22	QoQ Gr.	2QFY21	YoY gr.
Americas	110.7	103.0	7.4%	74.4	49%
EMEA	68.1	70.5	-3.4%	55.8	22%
RoW	31.9	26.2	22.0%	24.8	29%
Total	210.7	199.7	5.5%	154.9	36%
-as a % of total sales					
Americas	52%	52%	40bp	48%	400bp
EMEA	32%	35%	-330bp	36%	-400bp
RoW	15%	13%	190bp	16%	-100bp

Source: Company, PL;

Exhibit 8: Vertical-wise revenues

Vertical revenues (USD mn)	2QFY22	1QFY22	QoQ Gr.	2QFY21	YoY gr.
BFS	51.3	42.1	21.7%	26.3	95%
Insurance	62.1	61.5	1.0%	52.7	18%
Travel and Transport	39.6	37.7	4.9%	29.4	34%
Others	59.8	58.3	2.5%	46.5	29%
Total	212.8	199.7	6.6%	154.9	37%
-as a % of total sales					
BFS	24%	21%	300bp	17%	710bp
Insurance	29%	31%	-160bp	34%	-480bp
Travel and Transport	19%	19%	-30bp	19%	-40bp
Others	28%	29%	-110bp	30%	-190bp

Source: Company, PL;

Exhibit 9: Service Line Revenues

Service Revenues (USD mn)	2QFY22	1QFY22	QoQ Gr.	2QFY21	YoY gr.
Product Engineering	27.0	28.0	-3.3%	25.4	6%
Data & Integration	43.8	40.3	8.7%	29.7	47%
Intelligent Automation	30.4	29.0	5.1%	23.1	32%
CIMS	36.2	34.1	5.9%	32.2	12%
ADM	50.9	51.7	-1.7%	41.5	23%
BPM	24.7	16.8	47.2%	2.9	739%
Total	213.0	199.9	6.6%	154.9	38%
-as a % of total sales					
Product Engineering	13%	14%	-130bp	16%	-370bp
Data & Integration	21%	20%	40bp	19%	140bp
Intelligent Automation	14%	15%	-20bp	15%	-60bp
CIMS	17%	17%	-10bp	21%	-380bp
ADM	24%	26%	-200bp	27%	-290bp
BPM	12%	8%	320bp	2%	970bp

Source: Company, PL

Exhibit 10: Revenue by Geography

USD mn	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22
Americas	67.9	72.9	72.6	71.2	65.9	74.4	78.8	79.2	103.0	110.7
QoQ	0.4%	7.3%	-0.4%	-1.9%	-7.4%	12.8%	6.0%	0.5%	30.2%	7.4%
YoY	8.7%	12.5%	9.9%	5.3%	-2.9%	2.0%	8.5%	11.2%	56.3%	48.8%
EMEA	48.5	55.0	56.0	61.9	50.5	55.8	57.9	68.8	70.5	68.1
QoQ	6.5%	13.5%	1.7%	10.6%	-18.5%	10.5%	3.8%	18.9%	2.4%	-3.4%
YoY	21.3%	22.4%	25.8%	36.0%	4.1%	1.4%	3.4%	11.2%	39.6%	22.1%
RoW	22.2	20.8	22.7	21.7	23.8	24.8	24.1	24.1	26.2	31.9
QoQ	-10.8%	-6.1%	9.0%	-4.5%	10.0%	4.0%	-2.7%	-0.1%	8.6%	22.0%
YoY	-1.4%	-7.3%	-6.5%	-12.7%	7.6%	19.1%	6.3%	11.2%	9.7%	28.8%

Source: Company, PL

Exhibit 11: Revenue by Verticals

USD mn	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22
BFS	22.2	25.3	24.2	23.2	23.8	26.3	28.9	29.3	42.1	51.3
QoQ	0.4%	14.1%	-4.3%	-4.0%	2.7%	10.5%	9.9%	1.1%	44.0%	21.7%
YoY	4.4%	19.6%	19.6%	5.2%	7.6%	4.2%	19.6%	26.0%	76.7%	94.8%
Insurance	40.2	46.1	45.4	48.0	46.3	52.7	51.5	53.4	61.5	62.1
QoQ	4.0%	14.8%	-1.6%	5.8%	-3.6%	13.8%	-2.3%	3.7%	15.3%	1.0%
YoY	10.9%	20.3%	12.2%	24.2%	15.2%	14.3%	13.4%	11.2%	32.9%	18.0%
Travel and Transport	38.8	41.6	43.9	41.8	26.6	29.4	32.2	32.7	37.7	39.6
QoQ	4.1%	7.3%	5.3%	-4.7%	-36.2%	10.5%	9.3%	1.7%	15.4%	4.9%
YoY	15.0%	16.7%	25.1%	12.2%	-31.3%	-29.3%	-26.7%	-21.8%	41.6%	34.5%
Manufacturing and Media	37.4	35.7	37.8	41.8	42.1	46.5	48.2	56.8	58.3	59.8
QoQ	-6.5%	-4.6%	6.0%	10.5%	0.7%	10.5%	3.8%	17.7%	2.7%	2.5%
YoY	10.9%	-3.6%	-3.3%	4.5%	12.5%	30.2%	27.6%	35.9%	38.6%	28.7%

Source: Company, PL

Exhibit 12: Client Metrics

Client Concentration (%)	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22
Top 5	28	28	29	27	29	27	27	26	25	24	25	25	23
Top 10	40	40	41	39	39	36	37	38	36	34	36	36	33
Between 1 mn - 5mn	63	62	66	66	70	74	80	81	83	87	88	95	92
5mn-10 mn	18	20	16	17	16	17	15	15	16	17	16	20	22
>10mn	7	8	8	8	9	9	11	11	10	11	11	15	16
Total	88	90	90	91	95	100	106	107	109	115	115	130	130

Source: Company, PL

Exhibit 13: Revenue Mix

	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22
Onsite	64%	65%	66%	66%	66%	64%	64%	62%	64%	62%	61%	60%	56%
Offshore	36%	35%	34%	34%	34%	36%	36%	38%	36%	38%	39%	40%	44%

Source: Company, PL

Exhibit 14: Employee Metrics

Billable Personnel	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22
Onsite	2369	2408	2345	2429	2468	2451	2451	2260	2524	2506	2536	3361	
Offshore	6815	6881	7018	7063	7453	7515	7823	7476	7757	8032	8933	15378	16121
Total Billable	9184	9289	9363	9492	9921	9966	10274	9736	10281	10538	11469	18739	19579
Sales & Marketing (Excl GIS)	123	114	122	141	185	185	170	184	191	189	188	258	297
Sales & Marketing (GIS)	94	94	89	0	0	0	0	0	0	0	0	0	0
Others	624	647	689	664	694	698	712	678	690	697	734	1494	910
Grand Total	10,025	10144	10263	10297	10800	10849	11156	10598	11162	11424	12391	20491	20786
Net addition	261	119	119	34	503	49	307	(558)	564	262	967	8,100	295
Capacity Utilization	80.4%	79.0%	79.3%	80.5%	80.7%	79.3%	78.1%	77.0%	81.0%	78.9%	81.0%	77.0%	78.5%
Attrition (%)	10.8	11.7	12.2	12.9	12.3	11.9	11.8	11.8	10.5	10.4	10.5	12.6	0.2

Source: Company, PL

Exhibit 15: Strong Order Book

Figures in USD Mn	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22
Fresh Order Intake	160	165	170	175	176	218	180	186	201	192	201	318	285
Executable Order Book over Next 12 months	363	375	390	395	405	424	468	465	489	501	520	645	688

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
Net Revenues	46,628	63,477	76,566	89,776
YoY gr. (%)	10.9	36.1	20.6	17.3
Employee Cost	31,693	42,712	50,713	59,252
Gross Profit	14,935	20,765	25,853	30,524
Margin (%)	32.0	32.7	33.8	34.0
SG&A Expenses	6,544	9,363	11,169	13,294
Other Expenses	-	-	-	-
EBITDA	8,391	11,402	14,684	17,229
YoY gr. (%)	12.8	35.9	28.8	17.3
Margin (%)	18.0	18.0	19.2	19.2
Depreciation and Amortization	1,836	2,449	3,216	3,771
EBIT	6,555	8,953	11,468	13,459
Margin (%)	14.1	14.1	15.0	15.0
Net Interest	-	-	-	-
Other Income	113	15	140	140
Profit Before Tax	6,668	8,968	11,608	13,599
Margin (%)	14.3	14.1	15.2	15.1
Total Tax	1,302	1,874	2,438	2,856
Effective tax rate (%)	19.5	20.9	21.0	21.0
Profit after tax	5,366	7,095	9,171	10,743
Minority interest	104	504	560	500
Share Profit from Associate	-	-	-	-
Adjusted PAT	5,262	6,591	8,611	10,243
YoY gr. (%)	10.7	25.3	30.6	19.0
Margin (%)	11.3	10.4	11.2	11.4
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	5,262	6,591	8,611	10,243
YoY gr. (%)	10.7	25.3	30.6	19.0
Margin (%)	11.3	10.4	11.2	11.4
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	5,262	6,591	8,611	10,243
Equity Shares O/s (m)	61	61	61	61
EPS (Rs)	86.8	108.8	142.1	169.0

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
Non-Current Assets				
Gross Block	5,980	7,480	8,980	10,480
Tangibles	4,516	5,416	6,316	7,216
Intangibles	1,464	2,064	2,664	3,264
Acc: Dep / Amortization	-	-	-	-
Tangibles	-	-	-	-
Intangibles	-	-	-	-
Net fixed assets	5,980	7,480	8,980	10,480
Tangibles	4,516	5,416	6,316	7,216
Intangibles	1,464	2,064	2,664	3,264
Capital Work In Progress	2	2	2	2
Goodwill	4,226	4,226	4,226	4,226
Non-Current Investments	1,829	1,839	1,849	1,859
Net Deferred tax assets	1,253	1,293	1,333	1,373
Other Non-Current Assets	254	254	254	254
Current Assets				
Investments	124	224	324	424
Inventories	-	-	-	-
Trade receivables	8,895	11,304	13,635	15,988
Cash & Bank Balance	8,122	13,261	14,068	15,841
Other Current Assets	1,437	1,437	1,437	1,437
Total Assets	35,134	44,342	49,140	54,925
Equity				
Equity Share Capital	606	606	606	606
Other Equity	24,055	28,016	33,191	39,348
Total Network	24,661	28,622	33,797	39,954
Non-Current Liabilities				
Long Term borrowings	5	4,301	3,301	2,301
Provisions	696	696	696	696
Other non current liabilities	506	206	231	256
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	3,398	3,448	3,498	3,548
Other current liabilities	5,027	6,218	6,756	7,299
Total Equity & Liabilities	35,134	44,342	49,140	54,925

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
PBT	6,668	8,968	11,608	13,599
Add. Depreciation	1,836	2,449	3,216	3,771
Add. Interest	-	-	-	-
Less Financial Other Income	113	15	140	140
Add. Other	-	-	-	-
Op. profit before WC changes	8,504	11,417	14,824	17,369
Net Changes-WC	(1,449)	(1,567)	(1,817)	(1,832)
Direct tax	(1,302)	(1,874)	(2,438)	(2,856)
Net cash from Op. activities	5,753	7,976	10,569	12,682
Capital expenditures	(2,473)	(1,500)	(1,500)	(1,500)
Interest / Dividend Income	-	-	-	-
Others	13	(100)	(100)	(100)
Net Cash from Invt. activities	(2,460)	(1,600)	(1,600)	(1,600)
Issue of share cap. / premium	-	-	-	-
Debt changes	516	4,296	(1,000)	(1,000)
Dividend paid	(2,099)	(2,629)	(3,435)	(4,087)
Interest paid	-	-	-	-
Others	-	-	-	-
Net cash from Fin. activities	(1,583)	1,667	(4,435)	(5,087)
Net change in cash	1,710	8,042	4,534	5,995
Free Cash Flow	3,280	6,476	9,069	11,182

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY21	FY22E	FY23E	FY24E
Per Share(Rs)				
EPS	86.8	108.8	142.1	169.0
CEPS	117.1	149.2	195.2	231.2
BVPS	406.9	472.3	557.7	659.3
FCF	54.1	106.9	149.7	184.5
DPS	28.7	35.9	46.9	55.8
Return Ratio(%)				
RoCE	26.9	31.1	32.8	33.9
ROIC	32.1	36.4	39.9	40.9
RoE	21.6	24.7	27.6	27.8
Balance Sheet				
Net Debt : Equity (x)	(0.3)	(0.3)	(0.3)	(0.3)
Debtor (Days)	70	65	65	65
Valuation(x)				
PER	58.4	46.6	35.7	30.0
P/B	12.5	10.7	9.1	7.7
P/CEPS	43.3	34.0	26.0	21.9
EV/EBITDA	35.6	26.1	20.2	17.0
EV/Sales	6.4	4.7	3.9	3.3
Dividend Yield (%)	0.6	0.7	0.9	1.1

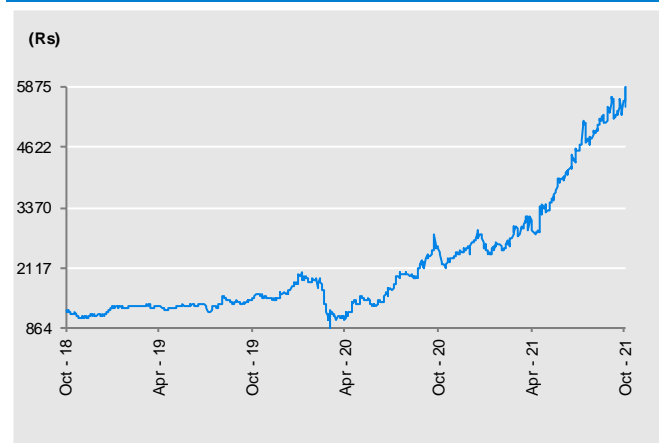
Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q3FY21	Q4FY21	Q1FY22	Q2FY22
Net Revenue	11,906	12,615	14,616	15,694
YoY gr. (%)	10.3	13.7	38.3	36.0
Raw Material Expenses	8,096	8,580	10,250	10,656
Gross Profit	3,810	4,035	4,366	5,038
Margin (%)	32.0	32.0	29.9	32.1
EBITDA	2,145	2,268	2,359	2,923
YoY gr. (%)	7.0	14.1	30.6	34.6
Margin (%)	18.0	18.0	16.1	18.6
Depreciation / Depletion	462	449	524	598
EBIT	1,683	1,819	1,835	2,325
Margin (%)	14.1	14.4	12.6	14.8
Net Interest	-	-	-	-
Other Income	19	109	52	(77)
Profit before Tax	1,702	1,928	1,887	2,248
Margin (%)	14.3	15.3	12.9	14.3
Total Tax	331	408	320	446
Effective tax rate (%)	19.4	21.2	17.0	19.8
Profit after Tax	1,371	1,520	1,567	1,802
Minority interest	15	44	76	148
Share Profit from Associates	-	-	-	-
Adjusted PAT	1,356	1,476	1,491	1,654
YoY gr. (%)	4.5	28.0	62.2	24.3
Margin (%)	11.4	11.7	10.2	10.5
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	1,356	1,476	1,491	1,654
YoY gr. (%)	4.5	28.0	62.2	24.3
Margin (%)	11.4	11.7	10.2	10.5
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,356	1,476	1,491	1,654
Avg. Shares O/s (m)	61	61	61	61
EPS (Rs)	22.4	24.3	24.6	27.3

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	05-Oct-21	BUY	5,496	5,338
2	06-Aug-21	BUY	5,393	4,790
3	29-Jul-21	BUY	5,306	4,749
4	02-Jul-21	BUY	4,327	4,194
5	18-Jun-21	BUY	4,325	3,979
6	06-May-21	BUY	3,762	3,396
7	05-Apr-21	BUY	3,020	2,924
8	29-Jan-21	BUY	3,051	2,420
9	04-Jan-21	BUY	2,966	2,722

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Affle (India)	BUY	1,411	1,123
2	Coforge	BUY	5,496	5,338
3	Cyient	BUY	1,315	1,160
4	HCL Technologies	BUY	1,386	1,251
5	Infosys	BUY	2,004	1,709
6	L&T Technology Services	BUY	5,621	5,132
7	Larsen & Toubro Infotech	BUY	6,710	5,906
8	Mindtree	BUY	4,804	4,364
9	Mphasis	BUY	3,674	3,396
10	Persistent Systems	BUY	3,994	3,714
11	Redington (India)	BUY	202	146
12	Sonata Software	BUY	994	918
13	Tata Consultancy Services	BUY	4,113	3,936
14	TeamLease Services	BUY	4,892	4,645
15	Tech Mahindra	BUY	1,551	1,399
16	Wipro	BUY	728	673
17	Zensar Technologies	BUY	496	479

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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