

October 19, 2021

## Q2FY22 Result Update

Change in Estimates |  Target |  Reco

### Change in Estimates

	Current		Previous	
	FY23E	FY24E	FY23E	FY24E
Rating	BUY		BUY	
Target Price	6,710		5,902	
Sales (Rs. m)	1,87,491	2,16,783	1,78,323	2,03,271
% Chng.	5.1	6.6		
EBITDA (Rs. m)	39,373	44,645	37,448	41,866
% Chng.	5.1	6.6		
EPS (Rs.)	156.0	178.8	148.9	167.8
% Chng.	4.8	6.6		

### Key Financials - Consolidated

Y/e Mar (Rs bn)	FY21	FY22E	FY23E	FY24E
Sales (Rs. bn)	124	153	187	217
EBITDA (Rs. bn)	28	30	39	45
Margin (%)	22.3	19.4	21.0	20.6
PAT (Rs. bn)	20	23	28	32
EPS (Rs.)	112.4	127.8	156.0	178.8
Gr. (%)	32.1	13.7	22.1	14.6
DPS (Rs.)	40.0	44.1	53.9	61.8
Yield (%)	0.7	0.7	0.9	1.0
RoE (%)	31.1	28.4	29.3	28.3
RoCE (%)	38.3	32.9	36.7	35.0
EV/Sales (x)	8.0	6.4	5.2	4.5
EV/EBITDA (x)	35.8	33.1	24.8	21.7
PE (x)	52.5	46.2	37.9	33.0
P/BV (x)	14.2	12.0	10.1	8.5

### Key Data

LRTI.BO | LTI IN

52-W High / Low	Rs.6,499 / Rs.2,821
Sensex / Nifty	61,766 / 18,477
Market Cap	Rs.1,035bn/ \$ 13,730m
Shares Outstanding	175m
3M Avg. Daily Value	Rs.4223.53m

### Shareholding Pattern (%)

Promoter's	74.25
Foreign	13.07
Domestic Institution	4.77
Public & Others	8.91
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	3.3	44.7	92.5
Relative	(1.8)	14.3	23.8

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## Primed for growth

### Quick Pointers:

- Highest ever sequential revenue growth of 8.9% CC; demand momentum is strong, broad-based and sustainable over next 3 years.
- Highest ever net headcount addition of 4084, +11% QoQ; total headcount is up 31% YoY.

**LTI reported massive beat on revenue at \$509 mn, +8.9% QoQ CC, +8.3% QoQ USD (Ple: 5.5%, Cons: 3.5%). Growth was broad-based across verticals, geographies and service lines. Historically H2 has been seasonally strong and same trend is expected to continue in H2FY22. LTI won one new large deal in Europe with TCV of \$30mn for 5 years. Management mentioned that deal pipeline is robust with number of large deals. Growth is constrained only by supply and without supply constraints LTI would have grown at much higher rate given extremely strong, secular and sustainable demand environment.**

**EBIT Margins came at 17.2%, +80 bps QoQ & -266 bps YoY (Ple: 17.3%, Cons: 16.9%). Offshore effort mix has consistently increased for last several quarters and it is now at 83.6%, aiding margins amidst supply side cost pressures. Net headcount addition of 4084, +11% QoQ was highest ever in LTI's history. With strong net addition in last few quarters total headcount is up 31% YoY. LTM attrition has increased to 19.6% (+440 bps QoQ). LTI has increased fresher hiring target to 5,500 and target hiring 4000 resources with 1-2 years' experience in FY22.**

**Our EPS estimates increase by 4.4%/4.8%/6.6% for FY22/23/24E led by increase in revenue growth estimates. We arrive at DCF based TP of INR 6,710 (implied target multiple of 37x P/E on FY24 EPS). LTI is currently trading at 37.9x/33.0x earnings multiple on EPS of 156.0/178.8 for FY23/24E with Revenue/EPS CAGR of 17.2%/18.3% over FY22-24E. LTI continues to remain one of our preferred pick in midcap IT space.**

- Massive beat on revenue:** LTI reported massive beat of 320bps & 520bps on our and cons revenue estimates. Revenues came at \$509 mn, +8.3% QoQ USD, 8.9% QoQ CC much above our & cons estimates (Ple: 5.5%, Cons: 3.5%). Growth was broad-based across verticals, geographies and service lines.
- BFS continues to report strong growth (32.5% of revs, 9.6% QoQ USD):** BFS has grown at 9% CQGR for last 5 quarters. Spends in BFSI continue to shift from operations to modernization. **Insurance** (14.2% of revs, 5.6% QoQ USD) vertical which had subdued growth in FY21 has seen growth pickup since Q1 with new leadership driving opportunities. Management mentioned that there is lot of scope for growth in insurance segment.

*Demand is robust, secular and sustainable. Growth momentum is constrained by supply rather than demand.*

- **Strong pipeline in manufacturing (15.6% of revs, 12.4% QoQ USD):** Manufacturing has grown at strong rate post decline in Q1 due to lower pass through revenues. LTI has strong pipeline in this segment driven by demand from capital goods and industrial manufacturing. **E&U** (8.9% of revs, 6.3% QoQ) reported strong growth, potentially due to ramp up of large deals announced in 3Q21. Traction in Utilities is strong while Oil & Gas continued to be volatile.
- **Growth was soft in Retail & CPG (10.7% of revs, 4.1% QoQ USD)** but demand momentum continues to be strong in data, cloud, security and ERP projects. Growth is expected to pick-up in 2HFY22. **HiTech & Media** (12.5% of revs, 6.9% QoQ USD) and **Others** (6.2% of revs, 14.2% QoQ USD) also reported strong growth.
- In terms of **Services lines**, growth was led by Analytics, AI & cognitive (+11.9% QoQ USD), Enterprise Integration & Mobility (+16.2% QoQ USD), ADM and Testing (+8.7% QoQ USD) and Enterprise Solutions (+7.2% QoQ USD). Growth was soft in Cloud Infrastructure and security (+1.9% QoQ USD). Only infrastructure part of cloud is reported in this segment; whereas cloud continues to be demand driver growing higher than company average.
- **Strong sustainable demand tailwinds:** LTI won 12 deals in 2Q22 and added 25 new logos this quarter. It won one new client in Europe with TCV of \$30mn for 5 years. Management mentioned that technology **demand is secular in nature driven by -1) emergence of new business models and increased discretionary spends driving once in a century transformation, 2) New spend areas such as ESG, cyber security etc., and 3) Clients are facing employee shortage and attrition rates similar to that experienced by IT industry which is driving demand for automation.**
- **Growth robust across top accounts:** Growth was strong across Top 5 (8.3% QoQ USD) accounts and Top 10-20 accounts (+11.4% QoQ USD), while it was moderate in Top 6-10 (+3.3% QoQ USD).
- **Margins increased sequentially:** EBIT Margins came at 17.2%, +80 bps QoQ & -266 bps YoY slightly lower than our estimates but higher than consensus estimates (Ple: 17.3%, Cons: 16.9%). Margin walk: 70bps of SG&A leverage was offset by 70bps of margin drop due to utilization. Tailwinds from higher working days and offshore mix was partly offset by higher employee cost. LTI's offshore effort mix has consistently increased for last several quarters and it is now at 83.6% (vs 82.7% in Q1FY22 and 80.6% in Q2FY21).
- **Highest ever headcount addition; attrition trending upwards:** Net headcount addition of 4084, +11% QoQ was highest ever in LTI's history. With strong net addition in last few quarters total headcount is up 31% YoY. LTM attrition has increased to 19.6% (+440 bps QoQ). LTI will continue strong hiring – 1) Fresher intake target increased twice, firstly from 3,000 to 4,500 and then to 5,500 in FY22, 2) targets to hire 4000 resources in 1-2 years' experience bracket and upskill them to shore up supply.
- Net Income 5,517 INR mn, +11.1% QoQ, +20.8% YoY. (Ple: 5,219 mn). **PAT margin is 14.6% within their guidance range of 14-15%.**

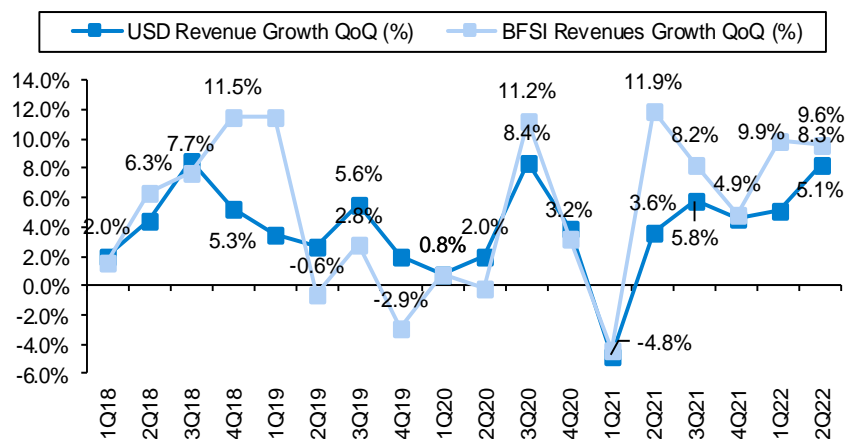
- Stable DSO and robust cash flow:** Billed DSO stood at 61 days (vs 60 days in 1Q21). DSO including unbilled stood at 91 days, flat QoQ. OCF/NI was healthy at 91.3%. Board declared dividend of INR 15 per share.

Exhibit 1: Q2FY22: Quick view on results

Y/e March (Rs mn)	2QFY22	1QFY22	QoQ gr.	2QFY21	YoY gr.	Ple	Variance (Actual vs Ple)
Revenues (USD mn)	509	470	8.3%	405	25.8%	496	2.6%
Revenues (INR mn)	37,670	34,625	8.8%	29,984	25.6%	36,758	2.5%
EBITDA (INR mn)	7,332	6,478	13.2%	6,856	6.9%	7,278	0.7%
EBITDA Margins (%)	19.5	18.7	75bp	22.9	-340bp	19.8	-34bp
EBIT (INR mn)	6,482	5,683	14.1%	5,957	8.8%	6,359	1.9%
EBIT Margins (%)	17.2	16.4	79bp	19.9	-266bp	17.3	-9bp
PAT (INR mn)	5,517	4,969	11.0%	4,568	20.8%	5,219	5.7%
EPS	31.1	28.3	10.1%	26.0	20.0%	29.4	5.8%

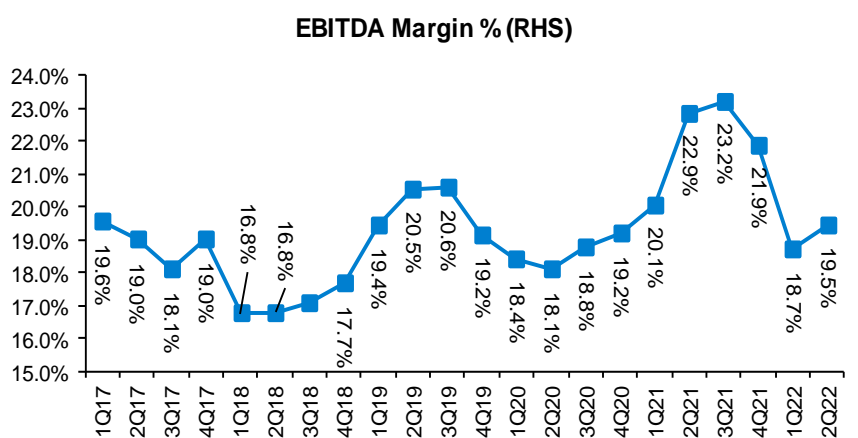
Source: Company, PL

Exhibit 2: Strong BFSI growth driving overall revenue growth



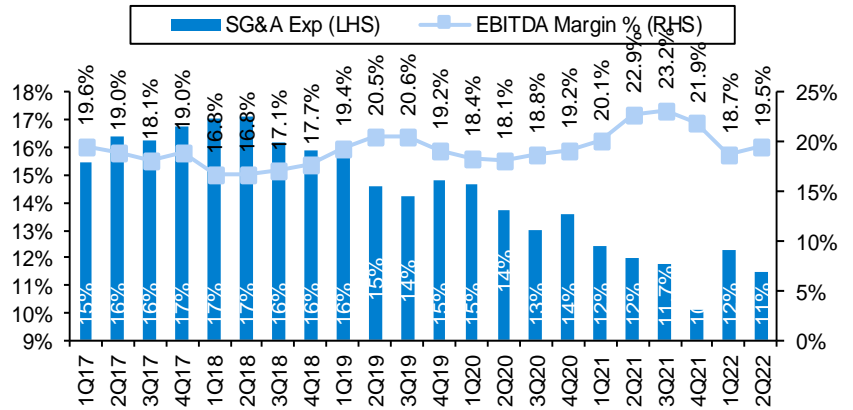
Source: Company, PL

Exhibit 3: Uptick in EBITDA margins



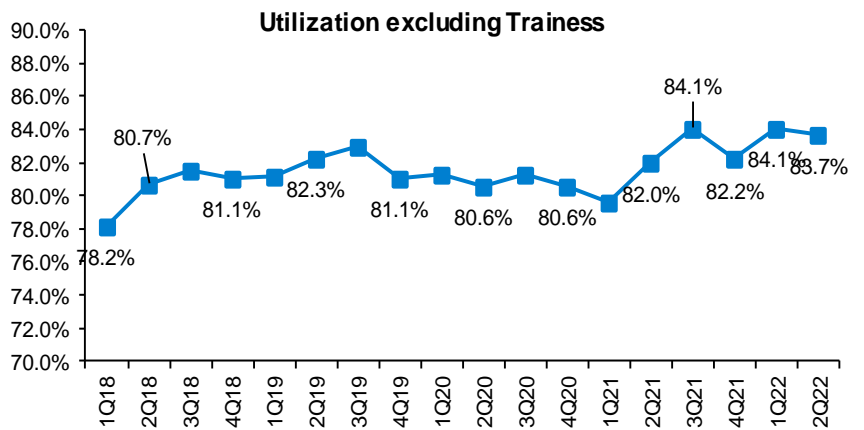
Source: Company, PL

**Exhibit 4: Lower SG&A expenses led by operating leverage**



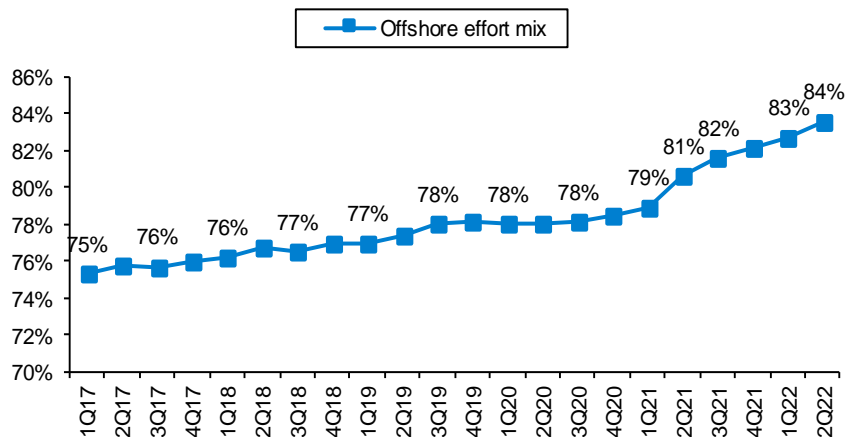
Source: Company, PL

**Exhibit 5: Utilization at elevated levels**



Source: Company, PL

**Exhibit 6: Continued focus on improving offshore mix**



Source: Company, PL

**Exhibit 7: North America led the growth**

Geography Revenues (USD mn)	2QFY22	1QFY22	QoQ gr.	2QFY21	YoY gr.
North America	344	315	9.1%	278	23.6%
Europe	82	78	5.0%	65	25.8%
RoW	50	45	10.5%	33	50.4%
India	34	32	6.6%	28	20.4%
<b>Total</b>	<b>509</b>	<b>470</b>	<b>8.4%</b>	<b>404</b>	<b>26.0%</b>
<b>-as a % of total sales</b>					
North America	67.5%	67.0%	50bp	68.7%	-120bp
Europe	16.1%	16.6%	-50bp	16.1%	0bp
RoW	9.8%	9.6%	20bp	8.2%	160bp
India	6.6%	6.7%	-10bp	6.9%	-30bp

Source: Company, PL

**Exhibit 8: Broad-based growth across verticals**

Vertical revenues (USD mn)	2QFY22	1QFY22	QoQ gr.	2QFY21	YoY gr.
BFS	165.4	150.9	9.6%	120.9	36.8%
Insurance	72.3	68.2	6.0%	64.7	11.7%
Manufacturing	79.4	70.5	12.6%	65.5	21.2%
Energy & Utilities	45.3	42.8	5.9%	42.9	5.7%
CPG, Retail	51.4	50.3	2.2%	44.5	15.5%
Hi-tech & Media	63.6	59.7	6.5%	42.9	48.4%
Others	31.6	27.7	13.8%	23.1	36.9%
<b>Total</b>	<b>509.0</b>	<b>470.2</b>	<b>8.3%</b>	<b>404.5</b>	<b>25.8%</b>
<b>-as a % of total sales</b>					
BFS	32.5%	32.1%	40bp	29.9%	260bp
Insurance	14.2%	14.5%	-30bp	16.0%	-180bp
Manufacturing	15.6%	15.0%	60bp	16.2%	-60bp
Energy & Utilities	8.9%	9.1%	-20bp	10.6%	-170bp
CPG, Retail	10.1%	10.7%	-60bp	11.0%	-90bp
Hi-tech & Media	12.5%	12.7%	-20bp	10.6%	190bp
Others	6.2%	5.9%	30bp	5.7%	50bp

Source: Company, PL

**Exhibit 9: Growth led by Analytics, AI & Cognitive & Enterprise Mobility**

Service Revenues (USD mn)	2QFY22	1QFY22	QoQ gr.	2QFY21	YoY gr.
Application Development Maintenance	174.1	159.9	8.9%	145.6	19.5%
Enterprise Solutions	154.7	144.4	7.2%	124.6	24.2%
Infrastructure Management Services	71.3	70.1	1.7%	58.2	22.3%
Analytics, AI & Cognitive	61.6	55.0	12.0%	42.9	43.6%
Enterprise Integration & Mobility	47.3	40.9	15.7%	33.6	41.0%
<b>Total</b>	<b>509.0</b>	<b>470.2</b>	<b>8.3%</b>	<b>404.9</b>	<b>25.7%</b>
<b>-as a % of total sales</b>					
Application Development Maintenance	34.2%	34.0%	20bp	36.0%	-176bp
Enterprise Solutions	30.4%	30.7%	-30bp	30.8%	-37bp
Infrastructure Management Services	14.0%	14.9%	-90bp	14.4%	-39bp
Analytics, AI & Cognitive	12.1%	11.7%	40bp	10.6%	151bp
Enterprise Integration & Mobility	9.3%	8.7%	60bp	8.3%	101bp
Platform Based Solutions	174.1	159.9	8.9%	145.6	19.5%

Source: Company, PL

**Exhibit 10: Stable top 5, top 10 & top 20 client concentration**

Client Details	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22
Top 5 clients	36.2%	34.5%	32.2%	31.3%	32.0%	32.8%	31.2%	30.5%	30.0%	29.3%	27.8%	28.2%	28.2%
Top 10 clients	49.9%	48.4%	47.0%	45.0%	46.0%	46.8%	45.8%	43.4%	42.9%	42.0%	41.0%	41.3%	40.7%
Top 20 clients	65.5%	64.3%	63.4%	62.5%	61.0%	62.0%	59.8%	58.2%	57.8%	57.1%	55.6%	55.2%	55.0%

Source: Company, PL

**Exhibit 11: Added 5 clients in \$10mn+ bucket, 3 in 20Mn+ bucket and 1 in 50 Mn+ bucket**

Client details	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22
Number of Active Clients	312	314	343	354	366	429	424	409	419	419	427	438	463
New Clients Added	22	17	14	20	20	29	27	16	26	22	14	23	25
100 Million dollar +	1	1	1	1	1	1	1	1	1	1	1	1	1
50 Million dollar +	4	5	5	5	6	6	6	6	6	5	5	6	7
20 Million dollar +	14	15	17	19	18	18	16	16	16	18	18	18	21
10 Million dollar +	25	25	26	26	27	28	27	30	32	32	32	38	43
5 Million dollar +	44	47	49	49	48	48	53	59	61	60	63	66	71
1 Million dollar +	114	121	123	124	137	153	165	164	169	165	167	169	180

Source: Company, PL

**Exhibit 12: Highest ever net headcount addition, attrition inched up**

	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22
Total Headcount	26,414	27,513	28,169	29,347	30,979	31,419	31,437	31,477	32,455	33,983	35,991	38,298	42,382
Development	24,923	25,985	26,572	27,665	29,266	29,669	29,683	29,712	30,682	32,194	34,176	36,431	40,395
Sales & Support	1,491	1,528	1,597	1,682	1,713	1,750	1,754	1,765	1,773	1,789	1,815	1,867	1,987
Attrition % (LTM)	15.3%	16.5%	17.5%	18.3%	18.4%	17.7%	17%	15%	13.5%	12.4%	12.3%	15.2%	19.6%
Net addition	1,264	1,099	656	1,178	1,632	440	18	40	978	1,528	2,008	2,307	4,084

Source: Company, PL

**Exhibit 13: Offshore effort mix continues to improve**

Effort Mix	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22
Onsite	22.6%	22.0%	21.9%	22.0%	22.0%	21.9%	21.5%	21.1%	19.4%	18.4%	17.9%	17.3%	16.4%
Offshore	77.4%	78.0%	78.1%	78.0%	78.0%	78.1%	78.5%	78.9%	80.6%	81.6%	82.1%	82.7%	83.6%
<b>Revenue Mix</b>													
Onsite	47.6%	47.8%	47.8%	49.5%	48.60%	49.0%	50.9%	49.2%	46.5%	44.3%	44.1%	42.7%	40.8%
Offshore	52.4%	52.2%	52.2%	50.5%	51.40%	51.0%	49.1%	50.8%	53.5%	55.7%	55.9%	57.3%	59.2%

Source: Company, PL

**Exhibit 14: Change in Estimates**

<b>Y/e March</b>	<b>FY22E</b>	<b>FY23E</b>	<b>FY24E</b>
<b>USD revenues (US\$ m)</b>			
- New	2,069	2,467	2,843
- Old	2,014	2,346	2,666
<i>Change (%)</i>	<i>2.8%</i>	<i>5.1%</i>	<i>6.6%</i>
<b>EBIT Margin</b>			
- New	17.2%	18.5%	18.1%
- Old	17.6%	18.5%	18.1%
<i>Change (%)</i>	<i>-44 bps</i>	<i>0 bps</i>	<i>0 bps</i>
<b>Recurring EPS - Fully diluted (Rs)</b>			
- New	127.8	156.0	178.8
- Old	122.4	148.9	167.8
<i>Change (%)</i>	<i>4.4%</i>	<i>4.8%</i>	<i>6.6%</i>

Source: PL

## Financials

### Income Statement (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
<b>Net Revenues</b>	<b>1,24,076</b>	<b>1,52,965</b>	<b>1,87,490</b>	<b>2,16,783</b>
YoY gr. (%)	14.2	23.3	22.6	15.6
Employee Cost	82,193	1,05,294	1,27,014	1,47,500
Gross Profit	41,883	47,672	60,477	69,283
Margin (%)	33.8	31.2	32.3	32.0
SG&A Expenses	-	-	-	-
Other Expenses	-	-	-	-
<b>EBITDA</b>	<b>27,629</b>	<b>29,738</b>	<b>39,373</b>	<b>44,645</b>
YoY gr. (%)	36.9	7.6	32.4	13.4
Margin (%)	22.3	19.4	21.0	20.6
Depreciation and Amortization	3,325	3,501	4,687	5,473
<b>EBIT</b>	<b>24,304</b>	<b>26,238</b>	<b>34,686</b>	<b>39,172</b>
Margin (%)	19.6	17.2	18.5	18.1
Net Interest	-	-	-	-
Other Income	1,955	4,127	2,200	2,200
<b>Profit Before Tax</b>	<b>26,259</b>	<b>30,365</b>	<b>36,886</b>	<b>41,372</b>
Margin (%)	21.2	19.9	19.7	19.1
Total Tax	6,500	7,714	9,221	9,663
Effective tax rate (%)	24.8	25.4	25.0	23.4
<b>Profit after tax</b>	<b>19,759</b>	<b>22,650</b>	<b>27,664</b>	<b>31,709</b>
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
<b>Adjusted PAT</b>	<b>19,759</b>	<b>22,650</b>	<b>27,664</b>	<b>31,709</b>
YoY gr. (%)	31.0	14.6	22.1	14.6
Margin (%)	15.9	14.8	14.8	14.6
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>19,759</b>	<b>22,650</b>	<b>27,664</b>	<b>31,709</b>
YoY gr. (%)	31.0	14.6	22.1	14.6
Margin (%)	15.9	14.8	14.8	14.6
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	19,759	22,650	27,664	31,709
<b>Equity Shares O/s (m)</b>	<b>175</b>	<b>175</b>	<b>175</b>	<b>175</b>
<b>EPS (Rs)</b>	<b>112.4</b>	<b>127.8</b>	<b>156.0</b>	<b>178.8</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>12,745</b>	<b>16,003</b>	<b>19,261</b>	<b>22,519</b>
Tangibles	10,078	12,033	13,988	15,942
Intangibles	2,667	3,970	5,273	6,577
<b>Acc: Dep / Amortization</b>	-	-	-	-
Tangibles	-	-	-	-
Intangibles	-	-	-	-
<b>Net fixed assets</b>	<b>12,745</b>	<b>16,003</b>	<b>19,261</b>	<b>22,519</b>
Tangibles	10,078	12,033	13,988	15,942
Intangibles	2,667	3,970	5,273	6,577
Capital Work In Progress	403	662	662	662
Goodwill	6,574	6,574	6,574	6,574
Non-Current Investments	3,065	3,115	3,165	3,215
Net Deferred tax assets	511	511	511	511
Other Non-Current Assets	2,445	2,445	2,445	2,445
<b>Current Assets</b>				
Investments	36,282	37,282	38,282	39,282
Inventories	-	-	-	-
Trade receivables	20,835	26,402	32,361	37,417
Cash & Bank Balance	7,594	11,073	17,634	27,397
Other Current Assets	8,373	8,373	8,373	8,373
<b>Total Assets</b>	<b>1,07,091</b>	<b>1,21,807</b>	<b>1,40,293</b>	<b>1,60,835</b>
<b>Equity</b>				
Equity Share Capital	175	175	175	175
Other Equity	72,859	86,213	1,02,524	1,21,219
<b>Total Network</b>	<b>73,034</b>	<b>86,388</b>	<b>1,02,699</b>	<b>1,21,394</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	-	-	-	-
Provisions	363	363	363	363
Other non current liabilities	-	-	-	-
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	8,277	9,639	11,814	13,660
Other current liabilities	18,046	18,046	18,046	18,046
<b>Total Equity &amp; Liabilities</b>	<b>1,07,091</b>	<b>1,21,807</b>	<b>1,40,293</b>	<b>1,60,835</b>

Source: Company Data, PL Research



**Cash Flow (Rs m)**

Y/e Mar	FY21	FY22E	FY23E	FY24E
PBT	25,882	30,365	36,886	41,372
Add. Depreciation	3,325	3,501	4,687	5,473
Add. Interest	788	-	-	-
Less Financial Other Income	1,955	4,127	2,200	2,200
Add. Other	(2,303)	(4,127)	(2,200)	(2,200)
Op. profit before WC changes	27,692	29,738	39,373	44,645
Net Changes-WC	2,704	(5,309)	(5,442)	(4,624)
Direct tax	(6,400)	(7,714)	(9,221)	(9,663)
<b>Net cash from Op. activities</b>	<b>23,996</b>	<b>16,715</b>	<b>24,710</b>	<b>30,358</b>
Capital expenditures	(3,073)	(3,258)	(3,258)	(3,258)
Interest / Dividend Income	1,142	4,127	2,200	2,200
Others	(14,629)	(1,050)	(1,050)	(1,050)
<b>Net Cash from Inv. activities</b>	<b>(16,560)</b>	<b>(181)</b>	<b>(2,108)</b>	<b>(2,108)</b>
Issue of share cap. / premium	1	-	-	-
Debt changes	94	-	-	-
Dividend paid	(5,319)	(9,296)	(11,354)	(13,014)
Interest paid	(21)	-	-	-
Others	157	-	-	-
<b>Net cash from Fin. activities</b>	<b>(5,088)</b>	<b>(9,296)</b>	<b>(11,354)</b>	<b>(13,014)</b>
<b>Net change in cash</b>	<b>2,348</b>	<b>7,238</b>	<b>11,248</b>	<b>15,236</b>
Free Cash Flow	21,277	13,457	21,452	27,100

Source: Company Data, PL Research

**Key Financial Metrics**

Y/e Mar	FY21	FY22E	FY23E	FY24E
<b>Per Share(Rs)</b>				
EPS	112.4	127.8	156.0	178.8
CEPS	131.9	149.4	184.9	212.5
BVPS	417.3	493.6	586.9	693.7
FCF	121.6	76.9	122.6	154.9
DPS	40.0	44.1	53.9	61.8
<b>Return Ratio(%)</b>				
RoCE	38.3	32.9	36.7	35.0
ROIC	93.0	62.4	67.3	66.2
RoE	31.1	28.4	29.3	28.3
<b>Balance Sheet</b>				
Net Debt : Equity (x)	(0.6)	(0.6)	(0.5)	(0.5)
Debtor (Days)	61	63	63	63
<b>Valuation(x)</b>				
PER	52.5	46.2	37.9	33.0
P/B	14.2	12.0	10.1	8.5
P/CEPS	44.8	39.5	31.9	27.8
EV/EBITDA	35.8	33.1	24.8	21.7
EV/Sales	8.0	6.4	5.2	4.5
Dividend Yield (%)	0.7	0.7	0.9	1.0

Source: Company Data, PL Research

**Quarterly Financials (Rs m)**

Y/e Mar	Q3FY21	Q4FY21	Q1FY22	Q2FY22
<b>Net Revenue</b>	<b>31,528</b>	<b>32,694</b>	<b>34,625</b>	<b>37,670</b>
YoY gr. (%)	12.2	8.5	17.4	25.6
Raw Material Expenses	20,507	22,233	23,898	26,011
Gross Profit	11,021	10,461	10,727	11,659
Margin (%)	35.0	32.0	31.0	31.0
<b>EBITDA</b>	<b>7,320</b>	<b>7,155</b>	<b>6,478</b>	<b>7,332</b>
YoY gr. (%)	38.8	23.8	9.4	6.9
Margin (%)	23.2	21.9	18.7	19.5
Depreciation / Depletion	819	826	795	850
<b>EBIT</b>	<b>6,501</b>	<b>6,329</b>	<b>5,683</b>	<b>6,482</b>
Margin (%)	20.6	19.4	16.4	17.2
Net Interest	-	-	-	-
Other Income	492	839	1,039	938
<b>Profit before Tax</b>	<b>6,993</b>	<b>7,168</b>	<b>6,722</b>	<b>7,420</b>
Margin (%)	22.2	21.9	19.4	19.7
Total Tax	1,801	1,711	1,753	1,903
Effective tax rate (%)	25.8	23.9	26.1	25.6
<b>Profit after Tax</b>	<b>5,192</b>	<b>5,457</b>	<b>4,969</b>	<b>5,517</b>
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
<b>Adjusted PAT</b>	<b>5,192</b>	<b>5,457</b>	<b>4,969</b>	<b>5,517</b>
YoY gr. (%)	37.8	27.7	19.3	20.8
Margin (%)	16.5	16.7	14.4	14.6
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>5,192</b>	<b>5,457</b>	<b>4,969</b>	<b>5,517</b>
YoY gr. (%)	37.8	27.7	19.3	20.8
Margin (%)	16.5	16.7	14.4	14.6
Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income</b>	<b>5,192</b>	<b>5,457</b>	<b>4,969</b>	<b>5,517</b>
Avg. Shares O/s (m)	177	176	176	177
<b>EPS (Rs)</b>	<b>29.3</b>	<b>31.0</b>	<b>28.3</b>	<b>31.1</b>

Source: Company Data, PL Research

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


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	05-Oct-21	BUY	5,902	5,738
2	06-Aug-21	BUY	5,416	4,763
3	19-Jul-21	Accumulate	4,623	4,289
4	02-Jul-21	Accumulate	4,304	4,017
5	06-May-21	BUY	4,415	3,915
6	05-Apr-21	BUY	4,394	4,121
7	20-Jan-21	BUY	4,364	4,091
8	04-Jan-21	BUY	3,714	3,694
9	11-Dec-20	BUY	3,465	3,259
10	22-Oct-20	BUY	3,465	3,100

**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	4,880	4,624
7	Larsen & Toubro Infotech	BUY	5,902	5,738
8	Mindtree	BUY	4,804	4,364
9	Mphasis	BUY	3,690	3,089
10	Persistent Systems	BUY	3,994	3,714
11	Redington (India)	BUY	202	146
12	Sonata Software	BUY	936	883
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)**

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



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