

Mindtree (MTCL IN)

Rating: BUY | CMP: Rs4,364 | TP: Rs4,804

Blockbuster Performance!

Quick Pointers:

- Exceptionally strong industry leading double digit sequential growth; highest organic growth of 12.1% QoQ among peers
- EBIT margin of 18.2% increased by 50bps QoQ despite wage hike and supply side pressures.

MTCL reported exceptionally strong beat in revenue (+450bps/+680bps above our/cons estimates) with 12.7% QoQ USD growth led by strong growth in RCM (+29.7% QoQ USD) partly aided by project backlogs as economies opened after extended lock down, especially in Europe region which also posted strong growth. (Continental Europe +14.7% QoQ USD). Rest of the verticals and markets also posted strong growth. Bulk of the growth was driven by Customer Success service line (+21.9% QoQ USD) which also indicates strong demand for adoption of technology for revenue maximization and this is only expected to increase with time.

Deal TCV of \$360 Mn grew 19% YoY but was bit soft compared to record high TCV of \$504 Mn in 1Q22. Management mentioned that deal pipeline is strong with good mix of multi-year annuity and short-term digital transformation deals.

MTCL reported strong beat in EBIT margin as well, 18.2%, 50 bps QoQ, much above our/cons estimates (Ple: 15.7%, Cons: 16.9%). Headwinds from wage hike and supply side pressures were offset by operational efficiencies and increase in scale. Attrition increased sharply by 400bps QoQ to 17.7%. Headcount addition was healthy at 9% QoQ on top of 14% QoQ increase in 1Q22. Management is confident of sustaining EBITDA margins above 20% in FY22 led by pyramid optimization and revenue growth leverage.

MTCL has delivered exceptional performance on revenue growth as well as margin front. Our EPS estimates has increased by 5% in FY22 led by strong beat in revenue and margins in this quarter. Our EPS estimates remain intact for FY23/24E. We were already ahead by ~12% compared to FY23/24 consensus EPS estimates. We expect massive upgrades in consensus EPS estimates. We arrive at DCF based TP of INR 4804 (earlier: 4,593). MTCL is currently trading at 39/33.6X on earnings of INR 111.7/130.1 for FY22/23 respectively with Revenue/EPS CAGR of 21%/25% for FY21-24E.

- Exceptionally strong beat in revenue:** MTCL reported revenue of \$350.1 mn, +12.7% QoQ \$, +450bps/+680bps above our/cons growth estimates (Ple: 8.3%, Cons: 6%). Organic growth was at 12.1% QoQ USD. Exceptionally strong growth was led by RCM (+29.7% QoQ USD) in which part of demand traction was seasonal due to businesses opening up after extended lockdown especially in European region reflected by strong growth in Continental Europe (14.7% QoQ USD) and UK & Ireland (60.5% QoQ USD). Growth in rest of the verticals and geos was also strong.

October 14, 2021

Q2FY22 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY23E	FY24E	FY23E	FY24E
Rating	BUY		BUY	
Target Price	4,804		4,593	
Sales (Rs. m)	1,27,091	1,46,603	1,21,647	1,40,295
% Chng.	4.5	4.5		
EBITDA (Rs. m)	25,439	29,700	24,938	29,659
% Chng.	2.0	0.1		
EPS (Rs.)	111.7	130.1	110.7	131.3
% Chng.	0.9	(1.0)		

Key Financials - Consolidated

Y/e Mar	FY21	FY22E	FY23E	FY24E
Sales (Rs.m)	79,678	1,03,830	1,27,091	1,46,603
EBITDA (Rs. m)	16,428	20,715	25,439	29,700
Margin (%)	20.6	20.0	20.0	20.3
PAT (Rs. m)	11,083	15,348	18,390	21,421
EPS (Rs.)	67.3	93.2	111.7	130.1
Gr. (%)	75.6	38.4	19.8	16.5
DPS (Rs.)	25.0	27.5	27.5	27.5
Yield (%)	0.6	0.6	0.6	0.6
RoE (%)	29.7	32.5	31.9	29.6
RoCE (%)	36.2	38.3	38.0	35.5
EV/Sales (x)	8.7	6.6	5.3	4.5
EV/EBITDA (x)	42.1	33.3	26.7	22.4
PE (x)	64.8	46.8	39.1	33.6
P/BV (x)	16.6	14.1	11.2	8.9

Key Data

MINT.BO | MTCL IN

52-W High / Low	Rs.4,734 / Rs.1,262
Sensex / Nifty	60,737 / 18,162
Market Cap	Rs.719bn/ \$ 9,537m
Shares Outstanding	165m
3M Avg. Daily Value	Rs.9779.71m

Shareholding Pattern (%)

Promoter's	61.03
Foreign	13.92
Domestic Institution	10.86
Public & Others	14.19
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	10.9	112.8	175.3
Relative	6.2	70.1	84.1

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MTCL's focus on mining strategic clients has led to strong growth in Top 2 -10 (+16% QoQ USD) and Top 2 – 20 (+19% QoQ USD) client's revenues.

Order book is up 24.5% YoY in H1FY22

- **Broad-based growth across verticals:**
 - **RCM (29.7% QoQ USD, 25.4% of revenue):** RCM clients are looking to build scale in connected ecosystem of products and experiences using cloud and digital technologies. Clients are combining smart products and associated services to unlock new revenue streams and better monetize their services portfolio. IoT capabilities of Mindtree are helping them win these transformation deals.
 - **BFSI (+8.9% QoQ USD, 17.5% of revenues):** In BFSI there is strong demand for core modernization, accelerated product rollouts, customer experience, regulatory compliance management and engineering services.
 - **CMT (+5.4% QoQ USD, 42.5% of revenues):** In CMT there is strong demand from code modernization, digital product, omni-channel experience and cyber-security.
 - **TTH (+14.2% QoQ USD, 13.5% of revenues):** TTH vertical grew at strong double digit rate for 4th consecutive quarter indicating strength in recovery and aided by Mindtree's strategy to diversify – 1) won contract from a global cruise company, 2) opportunities in food and beverage and rail-road, 3) Mindtree's innovative digital health passport gaining traction among airlines.
 - **Healthcare (+23.6% QoQ USD, 1.1% of revenues):** Newly carved out healthcare sector is also growing at strong pace aided by small base.
- In terms of service line, **Customer Success** (+21.9% QoQ USD) led growth. Customer success has grown at strong rate of 10% CQGR for last 4 quarters. As deals in this service line directly contribute to client's revenue improvement, growth in this space is sustainable. This service line is enabled by strong ecosystem partnerships – Hyperscalers, Salesforce, Adobe etc.
- **Investments in Europe are yielding results:** MTCL has expanded leadership in Europe and Asia-Pacific with industry veterans based out of respective regional markets (closer to clients). Revenue from Europe has grown at 14% CQGR over last 4 quarters. Growth was strong both in Continental Europe, +14.7% QoQ USD and UK & Ireland +60.5% QoQ USD in Q2. America grew by +7.1% QoQ. APAC & Middle East grew by (+20.3% QoQ USD).
- **Sustained strong growth across client buckets:** MTCL's focus on mining strategic clients through cross-selling and upselling led to strong growth in Top 2 -10 (+16% QoQ USD) and Top 2 – 20 (+19% QoQ USD) client's revenues. Growth in Top client was flattish QoQ. MTCL added 3/5 clients in US\$ 5/10 mn+ category
- **Healthy deal TCV:** MTCL reported deal TCV of \$360mn, strong YoY growth of 19%. On sequential basis deal TCV was soft (-29% QoQ) because of record high deal TCV of US\$ 504 mn in 1Q22. Management mentioned that deal pipeline is strong with good mix of multi-year annuity and short-term digital transformation deals. Cross selling and up selling efforts are resulting in good deal wins in areas like AI, cloud transition, customer success.

MTCL has hired over 2000 freshers in last two quarters and fresher hiring is going to increase this year by multi-fold.

- **Strong beat in margins:** MTCL reported EBIT margin of 18.2%, +50 bps QoQ, much above our and cons estimates (Ple: 15.7%, Cons: 16.9%). Margin headwinds - i) 140bps from wage hike and ii) 30bps from cross currency headwinds were offset by i) +190 bps impact of operational efficiencies. MTCL is leveraging margin levers of pyramid optimization (added 2000 freshers in last 2 quarters), better pricing on new deals and decline in sub-con costs. Travel expenses are expected to gradually increase from Q4FY22.
- **Management expects EBITDA margin to be sustained at 20% levels for the full year aided by operating efficiencies, revenue growth leverage and pyramid optimization.**
- Utilization declined marginally to 82.9% (vs 83.2% in 1QFY22). Offshore effort mix further improved to 85% (vs 83.5% in 1QFY22). As customers have got comfortable with remote working and with increase in share of annuity and outcome based deals, offshore effort mix is expected to stay at 83-85% in near term.
- **Strong headcount addition; sharp rise in attrition:** Net headcount addition was strong at 2,476, +95 QoQ on top of strong addition of +14.4% QoQ in 1Q22. Trailing 12 months' attrition increased sharply to 17.7%, +400bps QoQ. Management believes that attrition will stabilize over next 2-3 quarters as they continue to aggressively hire freshers.
- To build additional supplies in digital technologies MTCL has launched career development programs and unique learn-and-earn program (Mindtree Edge) for BSc and BCA graduates in collaboration with BITS Pilani.
- DSO days increased to 63, +6days QoQ. It is one-off and management expect to bring it down in coming quarters. Free cash flow to EBITDA was at 52.6%. Return metrics continue to improve with ROCE for the quarter at 41.7% and ROE at 34.2%.

Exhibit 1: Q2FY22 quick view on results

Rs m	2Q21	1Q22	2Q22	QoQ gr.	YoY gr.	Ple 2Q22	Act vs estimates
Net Sales (US\$ m)	261.3	310.5	350.1	12.8%	34.0%	336.2	4.1%
Net Sales	19,260	22,917	25,862	12.9%	34.3%	24,916	3.8%
EBITDA	3,903	4,645	5,307	14.3%	36.0%	4,435	19.7%
EBITDA margin (%)	20.3%	20.3%	20.5%	25bp	26bp	17.8%	272bp
EBIT	3,334	4,063	4,697	15.6%	40.9%	3,924	19.7%
EBIT margin (%)	17.3%	17.7%	18.2%	43bp	85bp	15.7%	241bp
PBT	3,447	4,652	5,320	14.4%	54.3%	4,305	23.6%
Income tax	1,014	1,218	1,331	9.3%	31.3%	1,076	23.7%
Reported PAT	2,433	3,434	3,989	16.2%	64.0%	3,229	23.5%
EPS diluted (Rs.)	14.8	12.5	24.19	93.1%	63.6%	19.6	23.4%

Source: Company, PL

Valuation

MTCL has delivered exceptional performance on revenue growth as well as margin front. Our EPS estimates has increased by 5% in FY22 led by strong beat in revenue and margins in this quarter. Our EPS estimates remain intact for FY23/24E. We were already ahead by ~12% compared to FY23/24 consensus EPS estimates. We expect massive upgrades in consensus EPS estimates. We arrive at DCF based TP of INR 4804 (earlier: 4,593). MTCL is currently trading at 39/33.6X on earnings of INR 111.7/130.1 for FY22/23 respectively with Revenue/EPS CAGR of 21%/25% for FY21-24E.

Exhibit 2: Change in Estimates

Y/e March	FY22E	FY23E	FY24E
USD revenues (US\$ m)			
- New	1,405	1,672	1,904
- Old	1,361	1,601	1,822
<i>Change (%)</i>	<i>3.2%</i>	<i>4.5%</i>	<i>4.5%</i>
EBIT Margin			
- New	17.7%	17.5%	17.7%
- Old	17.8%	18.0%	18.6%
<i>Change (%)</i>	<i>-4 bps</i>	<i>-48 bps</i>	<i>-88 bps</i>
Recurring EPS (Basic) Rs.			
- New	93.2	111.7	130.1
- Old	88.7	110.7	131.3
<i>Change (%)</i>	<i>5.0%</i>	<i>0.9%</i>	<i>-1.0%</i>

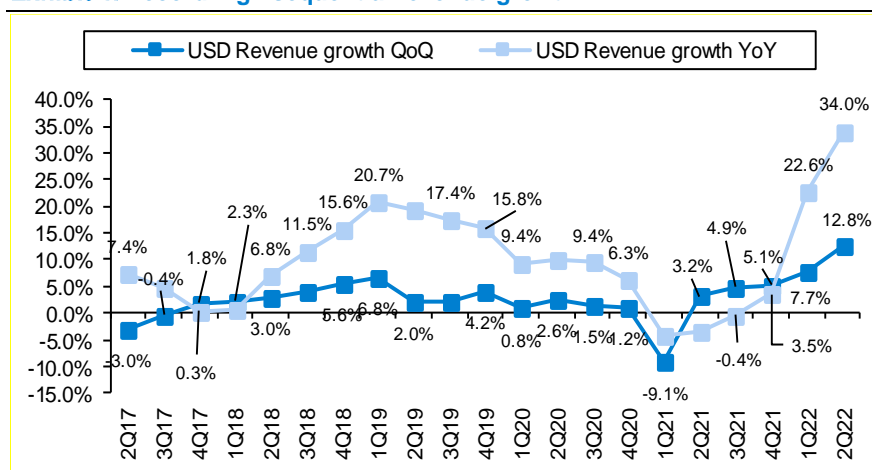
Source: Company, PL

Exhibit 3: Segmental Margin Performance

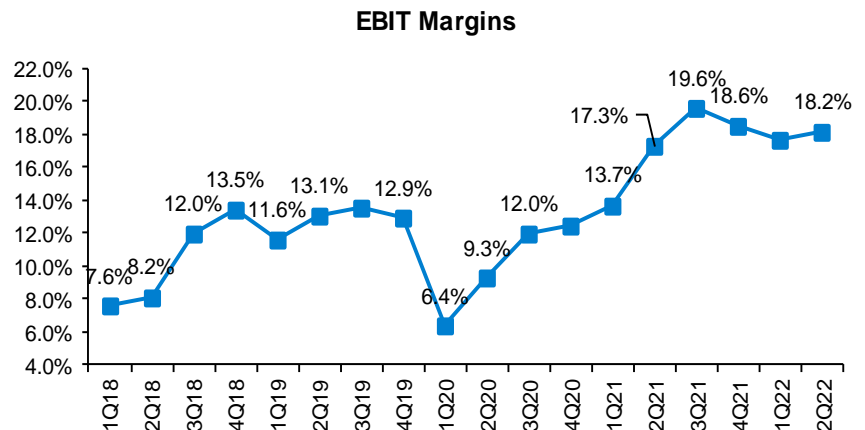
	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22
Revenues														
Retail,CPG,Manufacturing	3782	3818	3984	4076	4077	4150	4048	4164	3927	4139	4381	4719	5059	6566
BFSI	3655	3924	3878	4015	3953	4136	4195	4195	3879	3922	3956	3875	4162	4536
CMT	6370	6892	7034	7290	7226	7612	8139	8816	9737	9597	10089	10412	10420	10995
Travel & Hospitality	2588	2920	2976	3013	3086	3245	3271	3330	1545	1602	1811	2087	3053	3489
Healthcare													223	276
Operating Profit														
Retail,CPG,Manufacturing	615	578	712	674	575	664	740	865	783	927	1051	923	550	1140
BFSI	121	222	101	184	190	468	627	716	785	830	916	779	902	921
CMT	1264	1409	1577	1560	892	1016	1317	1529	2114	1910	2395	2472	2550	2454
Travel & Hospitality	310	490	443	385	184	334	379	402	-204	117	317	452	582	766
Healthcare													61	26
EBITDA Margins														
Retail,CPG,Manufacturing	16.3%	15.1%	17.9%	16.5%	14.1%	16.0%	18.3%	20.8%	19.9%	22.4%	24.0%	19.6%	10.9%	17.4%
BFSI	3.3%	5.7%	2.6%	4.6%	4.8%	11.3%	14.9%	17.1%	20.2%	21.2%	23.2%	20.1%	21.7%	20.3%
CMT	19.8%	20.4%	22.4%	21.4%	12.3%	13.3%	16.2%	17.3%	21.7%	19.9%	23.7%	23.7%	24.5%	22.3%
Travel & Hospitality	12.0%	16.8%	14.9%	12.8%	6.0%	10.3%	11.6%	12.1%	-13.2%	7.3%	17.5%	21.7%	19.1%	22.0%
Healthcare													27.4%	9.4%
Consolidated EBITDA Margin	11.6%	13.1%	13.6%	12.9%	6.4%	9.3%	12.0%	12.5%	13.7%	17.3%	23.1%	21.9%	20.3%	20.5%
Revenue Mix														
Retail,CPG,Manufacturing	23.1%	21.7%	22.3%	22.2%	22.2%	21.7%	20.6%	20.3%	20.6%	21.5%	21.6%	22.4%	22.1%	25.4%
BFSI	22.3%	22.4%	21.7%	21.8%	21.6%	21.6%	21.3%	20.4%	20.3%	20.4%	19.6%	18.4%	18.2%	17.5%
CMT	38.8%	39.2%	39.3%	39.6%	39.4%	39.8%	41.5%	43.1%	51.0%	49.8%	49.9%	49.4%	45.4%	42.5%
Travel & Hospitality	15.8%	16.7%	16.7%	16.4%	16.8%	16.9%	16.6%	16.2%	16.6%	8.1%	8.9%	12.7%	13.3%	13.5%
Healthcare													1.0%	1.1%

Source: Company, PL

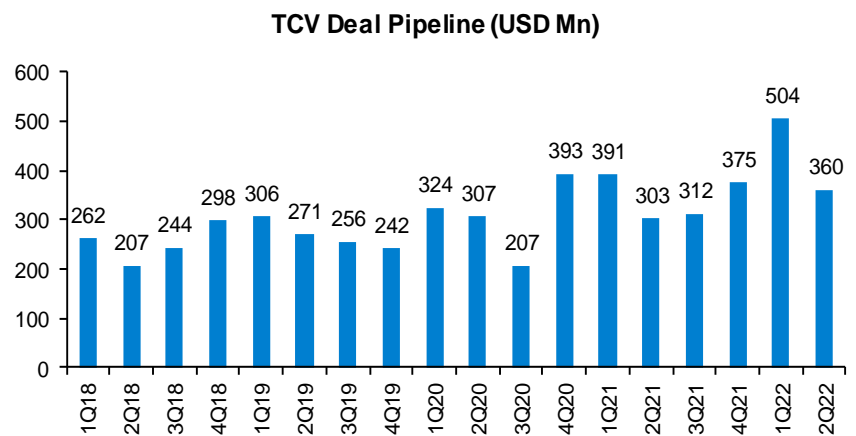
Exhibit 4: Record high sequential revenue growth



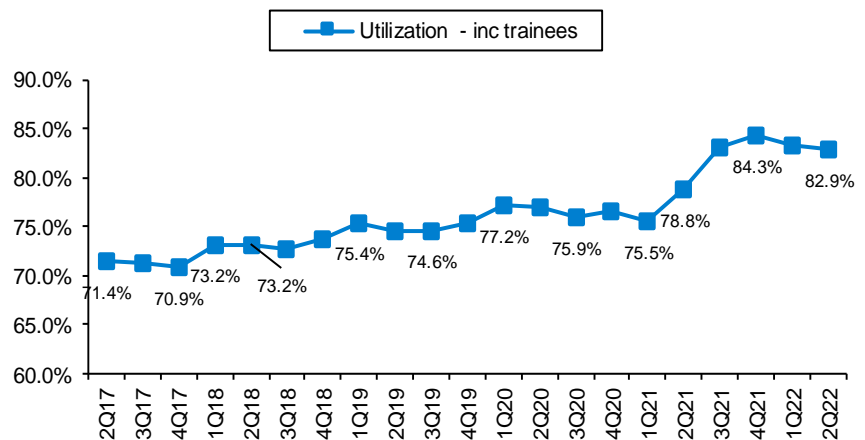
Source: Company, PL

Exhibit 5: Increase in margins despite supply side pressures


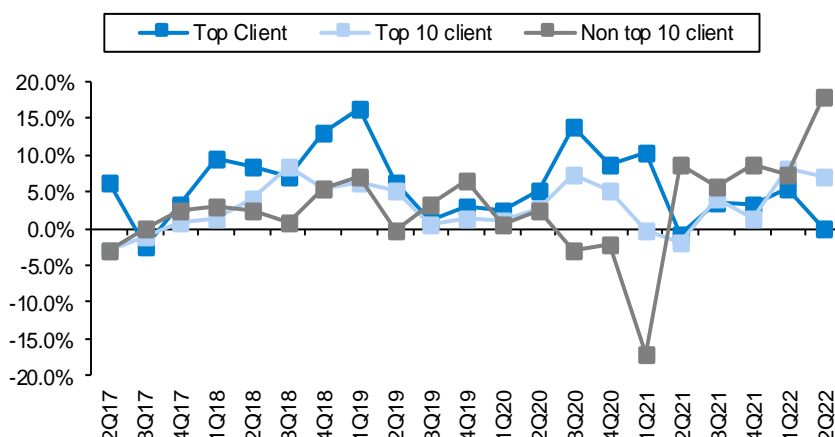
Source: Company, PL

Exhibit 6: Strong deal TCV 19% YoY


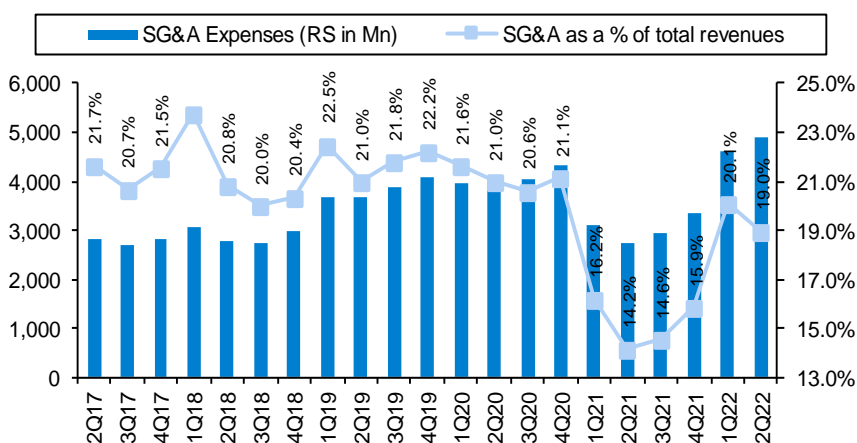
Source: Company, PL

Exhibit 7: Utilization trending down


Source: Company, PL

Exhibit 8: Strong growth in non-top 10 clients


Source: Company, PL

Exhibit 9: SG&A expenses declined by 100bps QoQ


Source: Company, PL

Exhibit 10: Reduction in client concentration in 2Q22


Source: Company, PL

Exhibit 11: Europe led growth in 2QFY22

(US\$ m)	2Q21	1Q22	2Q22	QoQ gr.	YoY gr.
America	202	238	255	7.2	26.0
Europe	40	50	69	36.4	70.5
APAC / Rest of the World	19	22	27	19.0	41.4
Geography wise(% of sales)					
America	77.4%	76.6%	72.8%	-380bp	-460bp
Europe	15.4%	16.2%	19.6%	340bp	420bp
APAC / Rest of the World	7.2%	7.2%	7.6%	40bp	40bp

Source: Company, PL

Exhibit 12: Client Metrics

	2Q21	1Q22	2Q22	QoQ gr.	YoY gr.
Total active clients	283	260	263	3.00	(20.0)
New clients added	8	7	7	0.00	(1.0)
Customer Concentration (%)					
Top Customer	28.9%	27.4%	24.3%	-310bp	-460bp
Top 5 Customers	40.6%	38.5%	35.7%	-280bp	-490bp
Top 10 Customers	49.4%	47.5%	45.1%	-240bp	-430bp
Receivables position					
Days of Sales Outstanding	65	57	67	10.0	2.0
Client relationships					
US\$ 1m+	125	120	127	7.0	2.0
US\$ 5m+	43	47	50	3.0	7.0
US\$ 10m+	24	25	30	5.0	6.0
US\$ 50m+	0	0	0	0.0	0.0

Source: Company, PL

Exhibit 13: Headcount Metrics

	2Q21	1Q22	2Q22	QoQ gr.	YoY gr.
Total employees	21,827	27,256	29,732	2,476.0	7,905.0
- net hiring	-164	3,442	2,476	(966.0)	2,640.0
Delivery employees	20,633	25,869	28,218	2,349.0	7,585.0
- net addition	-184	4,236	5,678	1,442.0	5,862.0
Sales and support	1,194	1,387	1,516	129.0	322.0
Utilization % - inc trainees	78.8%	83.2%	82.9%	-30bp	410bp
Attrition rate - LTM	13.8%	13.7%	17.7%	400bp	390bp

Source: Company, PL

Exhibit 14: Customer success led growth in 2QFY22

	2Q21	1Q22	2Q22	QoQ gr.	YoY gr.
Revenue by Service Offering*					
Customer Success	39%	40%	43%	320bp	430bp
Data & Intelligence	14%	15%	14%	-70bp	10bp
Cloud	19%	20%	19%	-120bp	-30bp
Enterprise IT	28%	25%	23.8%	-130bp	-410bp
Total	100%	100%	100%		
Revenue by Service Offering*					
Customer Success	102	124	151	21.8%	48.8%
Data & Intelligence	37	47	50	7.5%	34.9%
Cloud	50	62	65	6.0%	31.9%
Enterprise IT	73	78	83	6.9%	14.3%
Total	261	311	350	12.8%	34.0%

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
Net Revenues	79,678	1,03,830	1,27,091	1,46,603
YoY gr. (%)	2.6	30.3	22.4	15.4
Employee Cost	51,132	63,449	80,703	91,980
Gross Profit	28,546	40,382	46,388	54,622
Margin (%)	35.8	38.9	36.5	37.3
SG&A Expenses	-	-	-	-
Other Expenses	-	-	-	-
EBITDA	16,428	20,715	25,439	29,700
YoY gr. (%)	54.6	26.1	22.8	16.7
Margin (%)	20.6	20.0	20.0	20.3
Depreciation and Amortization	2,596	2,297	3,211	3,724
EBIT	13,832	18,418	22,228	25,976
Margin (%)	17.4	17.7	17.5	17.7
Net Interest	504	454	400	400
Other Income	1,656	2,575	2,369	2,986
Profit Before Tax	14,984	20,539	24,197	28,561
Margin (%)	18.8	19.8	19.0	19.5
Total Tax	3,901	5,191	5,807	7,140
Effective tax rate (%)	26.0	25.3	24.0	25.0
Profit after tax	11,083	15,348	18,390	21,421
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	11,083	15,348	18,390	21,421
YoY gr. (%)	75.7	38.5	19.8	16.5
Margin (%)	13.9	14.8	14.5	14.6
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	11,083	15,348	18,390	21,421
YoY gr. (%)	75.7	38.5	19.8	16.5
Margin (%)	13.9	14.8	14.5	14.6
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	11,083	15,348	18,390	21,421
Equity Shares O/s (m)	165	165	165	165
EPS (Rs)	67.3	93.2	111.7	130.1

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
Non-Current Assets				
Gross Block	8,036	8,498	8,502	8,506
Tangibles	8,036	8,498	8,502	8,506
Intangibles	-	-	-	-
Acc: Dep / Amortization	-	-	-	-
Tangibles	-	-	-	-
Intangibles	-	-	-	-
Net fixed assets	8,036	8,498	8,502	8,506
Tangibles	8,036	8,498	8,502	8,506
Intangibles	-	-	-	-
Capital Work In Progress	-	-	-	-
Goodwill	4,946	4,732	4,732	4,732
Non-Current Investments	1,161	4,097	4,097	4,097
Net Deferred tax assets	351	160	160	160
Other Non-Current Assets	3,366	1,670	1,670	1,670
Current Assets				
Investments	19,307	22,282	22,282	22,282
Inventories	-	-	-	-
Trade receivables	12,742	17,727	20,957	24,316
Cash & Bank Balance	7,597	7,530	18,730	32,885
Other Current Assets	6,108	8,732	10,323	11,977
Total Assets	63,614	75,428	91,453	1,10,625
Equity				
Equity Share Capital	1,647	1,648	1,648	1,648
Other Equity	41,543	49,493	62,577	78,692
Total Network	43,190	51,141	64,225	80,340
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	-	-	-	-
Other non current liabilities	4,498	4,761	4,761	4,761
Current Liabilities				
ST Debt / Current of LT Debt	885	847	847	847
Trade payables	2,676	4,456	5,268	6,112
Other current liabilities	12,365	14,223	16,352	18,565
Total Equity & Liabilities	63,614	75,428	91,453	1,10,625

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
PBT	14,984	20,539	24,197	28,561
Add. Depreciation	2,596	2,297	3,211	3,724
Add. Interest	-	-	-	-
Less Financial Other Income	1,656	2,575	2,369	2,986
Add. Other	(1,656)	(2,575)	(2,369)	(2,986)
Op. profit before WC changes	15,924	20,261	25,039	29,300
Net Changes-WC	7,204	(4,008)	(1,881)	(1,955)
Direct tax	(3,168)	(5,191)	(5,807)	(7,140)
Net cash from Op. activities	19,960	11,062	17,351	20,204
Capital expenditures	(673)	(2,545)	(3,215)	(3,728)
Interest / Dividend Income	-	-	-	-
Others	(11,160)	(1,449)	2,369	2,986
Net Cash from Invt. activities	(11,833)	(3,994)	(846)	(743)
Issue of share cap. / premium	1	1	-	-
Debt changes	(842)	(263)	-	-
Dividend paid	(2,880)	(5,435)	(5,435)	(5,436)
Interest paid	(504)	(454)	(400)	(400)
Others	(214)	-	-	-
Net cash from Fin. activities	(4,439)	(6,151)	(5,835)	(5,836)
Net change in cash	3,688	917	10,670	13,625
Free Cash Flow	19,287	8,517	14,136	16,476

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q3FY21	Q4FY21	Q1FY22	Q2FY22
Net Revenue	20,237	21,093	22,917	25,862
YoY gr. (%)	3.0	2.9	20.1	34.3
Raw Material Expenses	12,610	13,123	13,673	15,644
Gross Profit	7,627	7,970	9,244	10,218
Margin (%)	37.7	37.8	40.3	39.5
EBITDA	4,679	4,626	4,645	5,307
YoY gr. (%)	52.8	42.9	44.3	36.0
Margin (%)	23.1	21.9	20.3	20.5
Depreciation / Depletion	717	713	582	610
EBIT	3,962	3,913	4,063	4,697
Margin (%)	19.6	18.6	17.7	18.2
Net Interest	127	114	129	125
Other Income	616	389	718	748
Profit before Tax	4,451	4,188	4,652	5,320
Margin (%)	22.0	19.9	20.3	20.6
Total Tax	1,186	1,015	1,218	1,331
Effective tax rate (%)	26.6	24.2	26.2	25.0
Profit after Tax	3,265	3,173	3,434	3,989
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	3,265	3,173	3,434	3,989
YoY gr. (%)	65.7	53.9	55.2	64.0
Margin (%)	16.1	15.0	15.0	15.4
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	3,265	3,173	3,434	3,989
YoY gr. (%)	65.7	53.9	55.2	64.0
Margin (%)	16.1	15.0	15.0	15.4
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	3,265	3,173	3,434	3,989
Avg. Shares O/s (m)	165	165	165	165
EPS (Rs)	19.8	19.3	20.9	24.2

Source: Company Data, PL Research

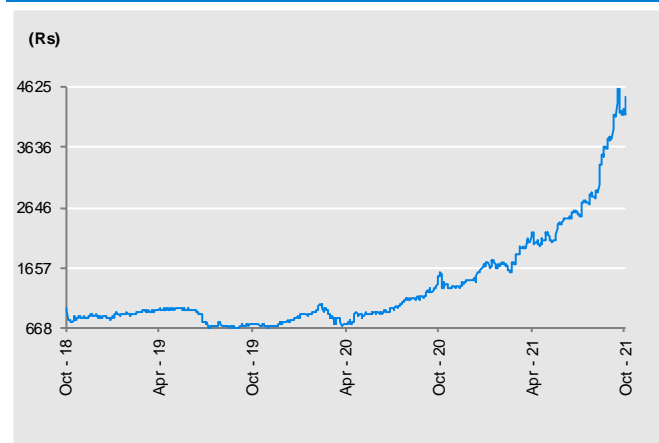
Key Financial Metrics

Y/e Mar	FY21	FY22E	FY23E	FY24E
Per Share(Rs)				
EPS	67.3	93.2	111.7	130.1
CEPS	83.1	107.1	131.2	152.7
BVPS	262.4	310.5	390.0	487.8
FCF	117.2	51.7	85.8	100.0
DPS	25.0	27.5	27.5	27.5
Return Ratio(%)				
RoCE	36.2	38.3	38.0	35.5
ROIC	25.0	28.0	33.1	36.7
RoE	29.7	32.5	31.9	29.6
Balance Sheet				
Net Debt : Equity (x)	(0.6)	(0.6)	(0.6)	(0.7)
Debtor (Days)	58	62	60	61
Valuation(x)				
PER	64.8	46.8	39.1	33.6
P/B	16.6	14.1	11.2	8.9
P/CEPS	83.1	107.1	131.2	152.7
EV/EBITDA	42.1	33.3	26.7	22.4
EV/Sales	8.7	6.6	5.3	4.5
Dividend Yield (%)	0.6	0.6	0.6	0.6

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	05-Oct-21	BUY	4,593	4,253
2	06-Aug-21	BUY	3,450	2,842
3	14-Jul-21	BUY	3,229	2,505
4	02-Jul-21	BUY	2,902	2,581
5	18-Jun-21	BUY	3,118	2,477
6	27-May-21	BUY	2,567	2,207
7	21-May-21	BUY	2,567	2,094
8	19-Apr-21	BUY	2,567	2,070
9	05-Apr-21	BUY	2,326	2,068
10	17-Mar-21	BUY	2,170	2,021

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	1,145	1,055
4	HCL Technologies	BUY	1,429	1,279
5	Infosys	BUY	1,908	1,679
6	L&T Technology Services	BUY	4,880	4,624
7	Larsen & Toubro Infotech	BUY	5,902	5,738
8	Mindtree	BUY	4,593	4,253
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	678	641
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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