

October 14, 2021

## Q2FY22 Result Update

Change in Estimates |  Target |  Reco

### Change in Estimates

	Current		Previous	
	FY23E	FY24E	FY23E	FY24E
<b>Rating</b>	<b>BUY</b>		<b>BUY</b>	
<b>Target Price</b>	<b>728</b>		<b>678</b>	
Sales (Rs. m)	9,19,426	10,30,218	8,90,231	9,96,879
% Chng.	3.3	3.3		
EBITDA (Rs. m)	1,98,359	2,25,292	1,92,058	2,18,002
% Chng.	3.3	3.3		
EPS (Rs.)	25.7	29.7	25.3	29.1
% Chng.	1.8	2.0		

### Key Financials - Consolidated

Y/e Mar	FY21	FY22E	FY23E	FY24E
Sales (Rs. bn)	619	790	919	1,030
EBITDA (Rs. bn)	149	169	198	225
Margin (%)	24.0	21.4	21.6	21.9
PAT (Rs. bn)	108	124	145	168
EPS (Rs.)	19.1	21.9	25.7	29.7
Gr. (%)	14.7	14.4	17.5	15.4
DPS (Rs.)	1.0	1.0	1.0	1.0
Yield (%)	0.1	0.1	0.1	0.1
RoE (%)	19.4	20.1	19.5	18.7
RoCE (%)	19.2	19.4	18.9	18.4
EV/Sales (x)	5.7	4.5	3.7	3.2
EV/EBITDA (x)	23.7	21.0	17.1	14.4
PE (x)	35.2	30.8	26.2	22.7
P/BV (x)	6.9	5.6	4.7	3.9

### Key Data

WIPR.BO | WPRO IN

52-W High / Low	Rs.699 / Rs.331
Sensex / Nifty	60,737 / 18,162
Market Cap	Rs.3,686bn/ \$ 48,908m
Shares Outstanding	5,481m
3M Avg. Daily Value	Rs.9673.08m

### Shareholding Pattern (%)

Promoter's	73.37
Foreign	9.21
Domestic Institution	6.16
Public & Others	11.26
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	0.3	60.5	78.9
Relative	(3.9)	28.3	19.7

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## On a tear...

### Quick Pointers:

- IT services revenue growth of 8.1% QoQ CC is well ahead of top-end of guidance range (5-7% QoQ CC)
- 3Q22 guidance of 2-4% QoQ CC revenue growth implies strong growth of ~28% for FY22.

**IT services revenue of \$2.58 bn, 8.1% QoQ CC, 6.9% QoQ USD is above our and cons estimates (Ple: 6.6%, Cons: 6.4%). Organic growth was also robust at 4.6% QoQ CC. Capco acquisition performed well contributing US\$236 mn to revenues from US\$154 mn in Q1FY22 (for two months). Growth was broad-based across verticals and markets. Wipro signed 9 large deals this quarter with TCv of around ~\$580 mn (vs \$715 mn in 1Q21) ACV jumped 28% YoY in H1FY22 while TCv grew 19% YoY in the same period. TCv was lower on QoQ basis due to absence of large or mega deals. However, management is confident of strong demand environment with quality of pipeline improving every quarter.**

**Margin performance was resilient with consolidated EBIT margin at 17.3%, -111bps QoQ (Ple: 17.4%, 16.8%) despite headwinds from Capco and Ampion acquisitions, wage hikes for 80% of employees starting Sep 21 and investments in sales. Full 3-months impact of wage hike will be reflected in Q3FY22. Margin beat was led by Rs673 mn decline (60 bps contribution to margins) in D&A as intangibles were fully amortized for some of the old acquisitions. Hiring continued to be strong with net headcount addition of 11,475, 5% QoQ. LTM attrition inched up by 500bps QoQ to 20.5% given strong demand for talent. Management mentioned that attrition is expected to inch up further in next few quarter before it stabilizes.**

**Strong revenue growth in past two quarters and strong guidance of 2-4% QoQ CC imply ~28% YoY USD growth in IT services revenue. Our EPS estimates increase by ~2% for FY23/24 due to increase in revenue growth estimates. We arrive at DCF based TP of 728 (implied target multiple of 24.6x P/E on FY24 EPS) Wipro is currently trading at 26.2X/22.7X for FY22/23E earnings of INR25.7/29.7 respectively with Revenue/EPS CAGR of 16.9%/15.8% for FY21-24 respectively. Maintain Buy.**

- Beat in revenue:** Wipro reported IT services revenue of \$2.58 bn, 6.9% QoQ USD above our and cons estimates (Ple: 6.6%, Cons: 6.4%). Growth in CC terms was 8.1% QoQ CC well ahead of the top end of the guided range of 5-7% QoQ CC. Excluding performance of Capco and Ampion acquisitions, on organic basis also Wipro grew at healthy rate of 4.6% QoQ CC.
- Growth was broad-based across verticals and markets:** Growth was led by **Americas 2 (+7.7% QoQ CC)** and **Europe (9.2% QoQ CC)**. Growth in Europe was aided by Capco and ramp up of several large deal wins in earlier quarters. **Americas 1** grew by 6.8% QoQ CC with healthy traction from consumer, tech, communication and healthcare. **APMEA** markets grew moderately 9.6% QoQ

*Simplified org structure, new leadership hires and enhanced focus on sales is yielding results with strong organic growth >4% QoQ CC*

*We believe that Wipro can further improve its volume of large deals given strong demand environment and increased sales focus with proactive hunting and mining of deals, and improved execution rigour under leadership of new CEO.*

CC with improved traction in Australia, New Zealand and Southeast Asia. In terms of verticals demand was led by **BFSI** +12.5% QoQ CC, Communications grew +8.9% QoQ CC. Consumer grew +7.7% QoQ CC, Technology grew +7% QoQ CC, Health grew +5.5% QoQ CC.

- **Healthy deal wins:** Wipro signed 9 large deals this quarter with TCV of around ~\$580 mn. ACV jumped 28% YoY in H1FY22 while TCV grew 19% YoY in the same period. Higher growth in ACV vs TCV indicates higher share of short-term deals. However, Wipro has formed large deal team under leadership of Chief Growth Officer to hunt for large deals. Management mentioned that pipeline remains robust and quality of pipeline has considerably improved. Capco has also won 10 deals within first 100 days of integration.
- **iDEAS** service vertical grew at strong rate of 10.5% QoQ CC driven by demand in new age offerings like cloud transformation.
- Wipro is making significant investments in strengthening cloud business. **iCORE** grew by 3.7% QoQ CC led by digital operations, cloud infrastructure services and cybersecurity. Cloud ecosystem now contributes 30% of revenue and grew 27% YoY in H1FY22. Cloud pipeline has also crossed \$8 Bn for the first time this quarter.
- **Evolution of leadership:** New CEO simplified organization structure to create one Wipro mindset and empower employees to move closer to customers. 58% of Wipro's leadership are now in regional markets with increased proximity to customers. Out of the top 200 leaders, 8% of them are Global Account Executives vs 1% 2 years back. There is significant change in the mix of leadership towards client facing people.
- **Strong guidance for 3QFY22:** Management expects revenue from IT Services business to be in the range of \$2,631 mn to \$2,683 mn. (2-4% QoQ CC) in 2QFY22. Strong growth in last two quarters, coupled with guidance for 3QFY22 imply strong ~28% YoY growth in IT services.
- **Inline operating margin:** Consolidated EBIT margins came at 17.3%, -111bps QoQ, largely in-line with our estimates and much ahead of consensus estimates (Ple: 17.4%, 16.8%). Margin performance was robust given several headwinds this quarter -1) from Capco and Ampion acquisition transition costs, 2) wage hike given to 80% of employees in Sep 21 and 3) heavy investments in building sales capabilities. IT Services Operating Margin was at 17.8%, flat on adjusted basis QoQ and reported decrease of 104 bps QoQ
- Gross utilization further increased to 78.1% (vs 77.7% in 1QFY22). Offshore revenue mix also increased to 55% (vs 54.5% in 1QFY22)
- **Continued strong hiring momentum, attrition increased sharply:** Wipro continued strong net headcount addition of 11,475, 5% QoQ. ~8,800 freshers were on-boarded this quarter. LTM attrition inched up by 500bps QoQ to 20.5% given strong demand for talent. **Management mentioned that attrition is expected to inch up further in next few quarter before it stabilizes.** But they are confident of managing supply through aggressive hiring, training and increased efforts to attract talent. They plan to add 25000 freshers in next financial year.

**Exhibit 1: Q2FY22: Quick View on Results**

IFRS Consolidated (RS m)	2Q22	1Q21	QoQ gr.	2Q21	YoY gr.	P1e	% var from est
IT Services revenue (US\$ m)	2,580	2,415	6.9%	1,992	29.5%	2,573	0.3%
Consolidated Revenue (US\$ m)	2,652	2,456	8.0%	2,044	29.8%	2,618	1.3%
Consolidated Sales (INR mn)	1,96,674	1,82,524	7.8%	1,51,145	30.1%	1,93,998	1.4%
EBITDA	41,689	41,817	-0.3%	34,555.0	20.6%	41,630	0.1%
EBITDA Margin (%)	21.2%	22.9%	-171 bps	22.9%	-167 bps	21.5%	-26 bps
EBIT	33,972	33,560	1.2%	27,975	21.4%	33,756	
EBIT Margin (%)	17.3%	18.4%	-111 bps	18.5%	-124 bps	17.4%	-13 bps
PBT	37,565	38,600	-2.7%	32,071	17.1%	38,782	-3.1%
Tax	8,259	6,225	32.7%	7,228	14.3%	8,140	1.5%
Tax Rate	22.0%	16.1%	586 bps	22.5%	-55 bps	21.0%	100 bps
PAT	29,306	32,375	-9.5%	24,843	18.0%	30,642	-4.4%
EPS (Rs)	5.4	5.9	-9.4%	4.3	23.8%	5.60	-4.2%

Source: Company, PL

**Exhibit 2: Key external hires under new CEO**

Period	Name	Designation	Previous Role
Jun-21	Anup Purohit	CIO	CIO, Yes Bank
Apr-21	Subha Tatavarti	CTO	Senior Director, Technology Commercialization, Walmart
Apr - 21	Suzzane Dann	Senior Vice president and Sector head for Capital markets & Insurance, North America	Corporate vice President and GM at Avande (Accenture & Microsoft JV)
Apr - 21	Sarah Adam Gedge	MD – Australia and New Zealand	Worked in project and service-based consultancies for more than 25 years across ANZ, APMEA and LATM
Mar - 21	Subha Tatavarti	CTO	Lead Walmart's product and technology transformation
Mar-21	Philippe Dintrans	Head, Domain & consulting, iDEAS	Global consulting leader, BFS, Cognizant
Feb-21	Stephanie Trautman	Chief Growth Officer	MD, Global Strategic Account Lead, NE Leadership Team, Accenture
Feb-21	Pierre Bruno	CEO, Europe	VP & MD, South Europe, DXC
Feb-21	Graziella Neuvéglise	Regional head, MD, Southern Europe	VP, Manufacturing, France, CGI
Feb-21	Tomoaki Takeuchi	MD, Head, Japan	President, Cognizant Japan
Feb-21	René Mulder	MD, Head, Switzerland	MD, Chairman, DXC Technology Switzerland
Jan-21	Douglas Silva	MD, Head, Brazil	Sales Director, Brazil, AWS
Dec-20	Tony Buffomante	SVP, Head, Cybersecurity & Risk services	Principal, Head, US, Cyber Security Services, KPMG
Nov-20	Michael Seiger	MD, Head, Germany and Austria	Global head, Application management, Atos

Source: Company, PL

## Valuation

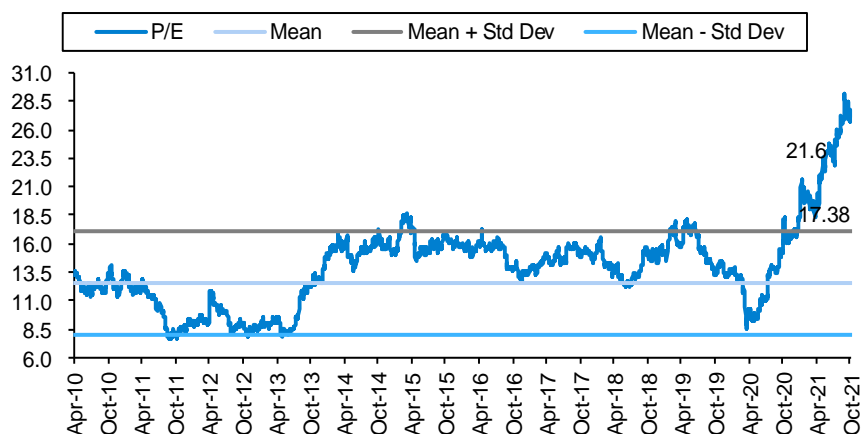
Strong revenue growth in past two quarters and strong guidance of 2-4% QoQ CC imply ~28% YoY USD growth in IT services revenue. Our EPS estimates increase by ~2% for FY23/24 due to increase in revenue growth estimates. We arrive at DCF based TP of 728 (implied target multiple of 24.6x P/E on FY24 EPS) Wipro is currently trading at 26.2X/22.7X for FY22/23E earnings of INR 25.7/29.7 respectively with Revenue/EPS CAGR of 16.9%/15.8% for FY21-24 respectively. Maintain Buy.

### Exhibit 3: Change in Estimates

Year to 31-Mar	FY22E	FY23E	FY24E
<b>IT Services revenue (US\$ m)</b>			
- New	10,658	12,098	13,379
- Old	10,464	11,714	12,946
<i>Change</i>	<i>1.9%</i>	<i>3.3%</i>	<i>3.3%</i>
<b>USD Revenue growth</b>	<b>27.4%</b>	<b>13.5%</b>	<b>10.6%</b>
<b>EBIT Margins</b>			
- New	17.3%	17.7%	18.0%
- Old	17.3%	17.7%	18.0%
<i>Change</i>	<i>-4 bps</i>	<i>0 bps</i>	<i>0 bps</i>
<b>EPS - Fully diluted (Rs)</b>			
- New	21.9	25.7	29.7
- Old	22.0	25.3	29.1
<i>Change</i>	<i>-0.4%</i>	<i>1.8%</i>	<i>2.0%</i>

Source: PL

### Exhibit 4: WIPRO One year forward P/E valuation chart



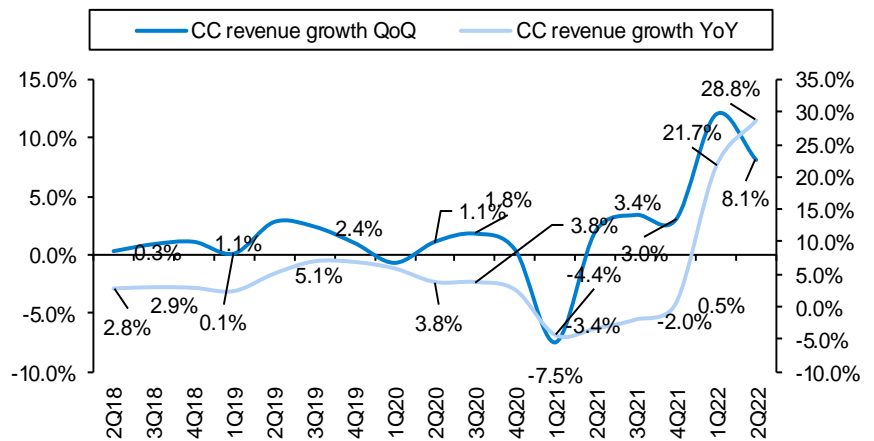
Source: Company, PL

**Exhibit 5: Revenue growth**

	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22
<b>Strategic Business Units \$ QoQ growth</b>										
BFSI	-1.5%	-0.5%	0.9%	-2.6%	-6.4%	5.4%	1.6%	3.9%	22.8%	11.3%
Communications	1.7%	-2.9%	2.2%	-1.0%	-17.1%	7.8%	2.0%	-0.1%	14.4%	4.8%
Consumer Business Unit	-5.4%	3.1%	8.0%	-1.6%	-12.3%	5.6%	5.2%	7.7%	14.2%	6.9%
Energy, Natural Resources and Utilities	-1.8%	1.3%	2.2%	-1.8%	-4.4%	1.3%	5.6%	4.7%	11.3%	0.3%
Health Business Unit	-1.8%	-1.0%	3.0%	2.0%	-7.3%	5.2%	5.5%	-2.8%	2.7%	5.1%
Manufacturing & Technology	-0.3%	1.5%	-0.7%	1.4%	-4.7%	-0.6%	4.9%	5.9%	1%	5.2%
<b>Strategic Business Units \$ YoY growth</b>										
BFSI	8.7%	4.6%	0.7%	-3.6%	-8.4%	-3.1%	-2.4%	4.1%	<b>36.7%</b>	<b>44.4%</b>
Communications	6.1%	0.2%	0.6%	-0.1%	-18.5%	-9.6%	-9.8%	-9.0%	25.7%	22.2%
Consumer Business Unit	4.5%	3.9%	10.9%	3.6%	-3.9%	-1.5%	-4.1%	5.0%	36.7%	38.3%
Energy, Natural Resources and Utilities	3.3%	2.8%	1.6%	-0.1%	-2.8%	-2.8%	0.4%	7.0%	24.7%	23.5%
Health Business Unit	-0.5%	2.0%	2.4%	2.2%	-3.6%	2.5%	4.9%	0.0%	10.8%	10.6%
Manufacturing & Technology	-4.8%	-1.8%	-0.6%	1.9%	-2.6%	-4.6%	0.8%	5.3%	8.6%	18.2%

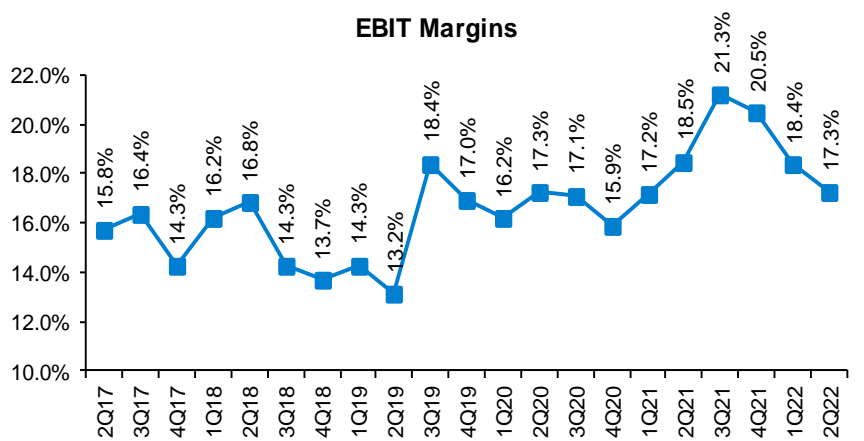
Source: Company, PL

**Exhibit 6: Strong Revenue Performance**



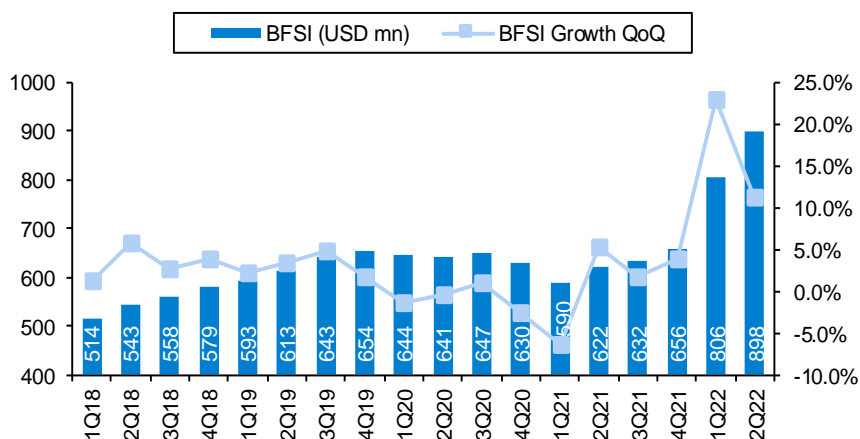
Source: Company, PL

**Exhibit 7: Tight cost management supported margins**



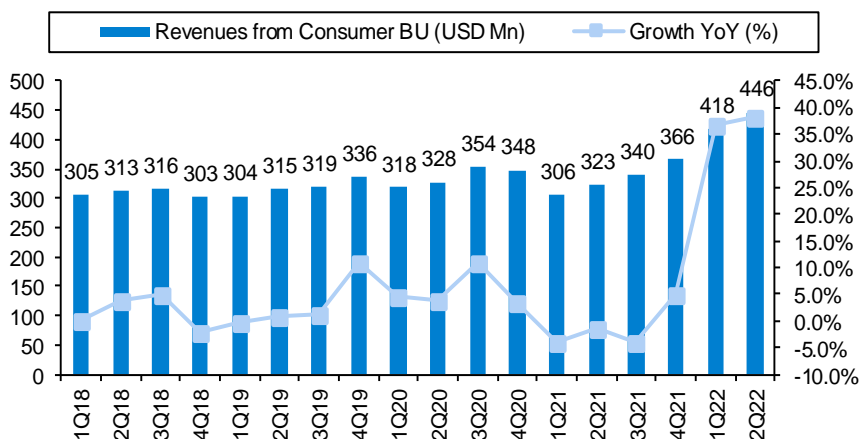
Source: Company, PL

**Exhibit 8: Strong growth in BFSI aided by Capco**



Source: Company, PL

**Exhibit 9: Strong recovery in CBU**



Source: Company, PL

**Exhibit 10: Vertical-wise Revenues**

(US\$ m)	2Q22	1Q21	QoQ gr.	2Q21	YoY gr.
Communications	897.8	806.4	11.3%	621.6	44.4%
BFSI	446.3	417.7	6.9%	322.8	38.3%
Manufacturing & Tech	301.9	287.3	5.1%	273.0	10.6%
Healthcare and Life Sciences	317.3	316.3	0.3%	257.0	23.5%
Consumer	314.8	294.6	6.9%	249.1	26.4%
Energy & Utilities	172.9	169.0	2.3%	163.4	5.8%
<b>% of Total</b>					
Communications	34.8%	33.4%	140 bps	31.2%	360 bps
BFSI	17.3%	17.3%	0 bps	16.2%	110 bps
Manufacturing & Tech	11.7%	11.9%	-20 bps	13.7%	-200 bps
Healthcare and Life Sciences	12.3%	13.1%	-80 bps	12.9%	-60 bps
Consumer	12.2%	12.2%	0 bps	12.5%	-30 bps
Energy & Utilities	6.7%	7.0%	-30 bps	8.2%	-150 bps

Source: Company, PL

**Exhibit 11: Market-wise revenue mix**

(US\$ m)	2Q22	1Q21	QoQ gr.	2Q21	YoY gr.
Americas 1	709.5	666.4	6.5%	591.7	19.9%
Americas 2	789.5	736.4	7.2%	599.7	31.6%
Europe	779.2	729.2	6.9%	520.0	49.8%
APMEA	301.9	282.5	6.9%	280.9	7.5%
<b>% of Total</b>					
Americas 1	27.5%	27.6%	-10 bps	29.7%	-220 bps
Americas 2	30.6%	30.5%	10 bps	30.1%	50 bps
Europe	30.2%	30.2%	0 bps	26.1%	410 bps
APMEA	11.7%	11.70%	0 bps	14.10%	-240 bps

Source: Company, PL

**Exhibit 12: Service wise revenues**

(US\$ m)	2Q22	1Q21	QoQ gr.	2Q21	YoY gr.
iDEAS	1625.7	1476.1	10.1%	1177.2	38.1%
iCORE	1026.3	979.9	4.7%	866.6	18.4%
<b>% of Total</b>					
iDEAS	61.3%	60.1%	120 bps	57.6%	370 bps
iCORE	38.7%	39.9%	-120 bps	42.4%	-370 bps

Source: Company, PL

**Exhibit 13: Client Metrics**

	2Q22	1Q21	QoQ gr.	2Q21	YoY gr.
Total >1\$m	623	601	22	573	50
US\$1m - US\$3m	390	361	29	342	48
US\$3m - US\$5m	279	273	6	257	22
US\$5m - US\$10m	182	176	6	166	16
US\$10m - US\$20m	100	95	5	100	0
US\$20m - US\$50m	44	42	2	39	5
> US\$50m	28	27	1	24	4
> US\$100m	15	13	2	11	4

Source: Company, PL

**Exhibit 14: Revenues from Top clients**

	2Q22	1Q21	QoQ gr.	2Q21	YoY gr.
Revenue from new Customers	129.95	68.77	89.0%	28.61	354.2%
Revenue from repeat businesses	2,522	2,387	5.6%	2,015	25.2%
Number of new customers	116	129	-13	97	19
Total Number of active customers	1,284	1,229	4.5%	1,089	17.9%
<b>Customer Concentration</b>					
Top Customer	3%	3%	0.0%	3%	-3.1%
Top 2-5 Clients	9%	9%	4.4%	9%	6.8%
Top 5	13%	12%	3.3%	12%	4.2%
Top 6-10	8%	8%	-1.3%	8%	0.0%
Top 10	20%	20%	1.5%	20%	2.6%
Non Top 10 customers	80%	80%	-0.4%	80%	-0.6%
Revenue from new Customers (%)	4.9%	2.8%	210 bps	1.4%	250.0%
<b>Customer Concentration</b>					
Top Customer	3.1%	3.1%	0 bps	3.2%	-10 bps
Top 5	12.5%	12.1%	40 bps	12.0%	50 bps
Top 10	20.1%	19.8%	30 bps	19.6%	50 bps

Source: Company, PL

**Exhibit 15: Headcount Metrics**

	2Q22	1Q22	QoQ gr.	2Q21	YoY gr.
Closing HC	2,21,365	2,09,890	11,475	185,243	36,122
Gross Utilization	78.1%	77.7%	40 bps	76.4%	170 bps
Net Utilization (Excl Training)	89.2%	86.8%	240 bps	86.9%	230 bps
<b>Attrition</b>					
<b>IT Services excl BPO and I&amp;ME</b>					
Voluntary TTM	20.5%	15.5%	500 bps	11%	950 bps

Source: Company, PL

**Exhibit 16: Revenue contribution**

	2Q22	1Q21	QoQ gr.	2Q21	YoY gr.
Revenue from FPP	62.6%	63.1%	-50 bps	60.3%	230 bps
Onsite Revenue	44.4%	46.0%	-160 bps	48.1%	-370 bps
Offshore Revenue	55.6%	54.0%	160 bps	51.9%	370 bps

Source: Company, PL



## Financials

### Income Statement (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
<b>Net Revenues</b>	<b>6,19,430</b>	<b>7,89,924</b>	<b>9,19,426</b>	<b>10,30,218</b>
YoY gr. (%)	1.5	27.5	16.4	12.1
Employee Cost	3,94,555	5,21,055	6,01,542	6,70,998
Gross Profit	2,24,875	2,68,868	3,17,884	3,59,220
Margin (%)	36.3	34.0	34.6	34.9
SG&A Expenses	-	-	-	-
Other Expenses	-	-	-	-
<b>EBITDA</b>	<b>1,48,829</b>	<b>1,68,937</b>	<b>1,98,359</b>	<b>2,25,292</b>
YoY gr. (%)	21.7	13.5	17.4	13.6
Margin (%)	24.0	21.4	21.6	21.9
Depreciation and Amortization	28,637	32,385	35,567	39,853
<b>EBIT</b>	<b>1,20,192</b>	<b>1,36,551</b>	<b>1,62,792</b>	<b>1,85,439</b>
Margin (%)	19.4	17.3	17.7	18.0
Net Interest	-	-	-	-
Other Income	18,856	18,067	21,628	27,284
<b>Profit Before Tax</b>	<b>1,39,048</b>	<b>1,54,619</b>	<b>1,84,420</b>	<b>2,12,723</b>
Margin (%)	22.4	19.6	20.1	20.6
Total Tax	30,341	31,002	39,176	45,184
Effective tax rate (%)	21.8	20.1	21.2	21.2
<b>Profit after tax</b>	<b>1,08,707</b>	<b>1,23,617</b>	<b>1,45,244</b>	<b>1,67,539</b>
Minority interest	716	54	-	-
Share Profit from Associate	0	0	0	0
<b>Adjusted PAT</b>	<b>1,07,991</b>	<b>1,23,563</b>	<b>1,45,244</b>	<b>1,67,539</b>
YoY gr. (%)	11.1	14.4	17.5	15.4
Margin (%)	17.4	15.6	15.8	16.3
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>1,07,991</b>	<b>1,23,563</b>	<b>1,45,244</b>	<b>1,67,539</b>
YoY gr. (%)	11.1	14.4	17.5	15.4
Margin (%)	17.4	15.6	15.8	16.3
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,07,991	1,23,563	1,45,244	1,67,539
<b>Equity Shares O/s (m)</b>	<b>5,649</b>	<b>5,649</b>	<b>5,649</b>	<b>5,649</b>
<b>EPS (Rs)</b>	<b>19.1</b>	<b>21.9</b>	<b>25.7</b>	<b>29.7</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>98,277</b>	<b>1,33,621</b>	<b>1,37,621</b>	<b>1,41,621</b>
Tangibles	85,192	90,813	94,813	98,813
Intangibles	13,085	42,808	42,808	42,808
<b>Acc: Dep / Amortization</b>	-	-	-	-
Tangibles	-	-	-	-
Intangibles	-	-	-	-
<b>Net fixed assets</b>	<b>98,277</b>	<b>1,33,621</b>	<b>1,37,621</b>	<b>1,41,621</b>
Tangibles	85,192	90,813	94,813	98,813
Intangibles	13,085	42,808	42,808	42,808
Capital Work In Progress	-	-	-	-
Goodwill	1,39,127	2,28,763	2,28,763	2,28,763
Non-Current Investments	16,420	698	698	698
Net Deferred tax assets	-	-	-	-
Other Non-Current Assets	54,424	68,960	68,960	68,960
<b>Current Assets</b>				
Investments	1,75,707	1,75,223	1,75,223	1,75,223
Inventories	1,064	824	951	1,066
Trade receivables	94,298	1,20,907	1,39,577	1,56,398
Cash & Bank Balance	1,69,793	1,93,568	3,43,722	4,88,535
Other Current Assets	75,799	91,316	1,05,417	1,18,121
<b>Total Assets</b>	<b>8,31,434</b>	<b>10,22,905</b>	<b>12,09,958</b>	<b>13,88,410</b>
<b>Equity</b>				
Equity Share Capital	10,958	10,962	10,962	10,962
Other Equity	5,42,137	6,66,080	8,04,766	9,65,747
<b>Total Network</b>	<b>5,53,095</b>	<b>6,77,042</b>	<b>8,15,728</b>	<b>9,76,709</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	7,458	55,319	55,319	55,319
Provisions	-	-	-	-
Other non current liabilities	39,343	52,798	52,798	52,798
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	58,910	58,910	58,910	58,910
Trade payables	78,870	96,146	1,10,993	1,24,369
Other current liabilities	75,296	81,602	1,15,122	1,19,217
<b>Total Equity &amp; Liabilities</b>	<b>8,14,470</b>	<b>10,22,905</b>	<b>12,09,958</b>	<b>13,88,410</b>

Source: Company Data, PL Research

**Cash Flow (Rs m)**

Y/e Mar	FY21	FY22E	FY23E	FY24E
PBT	1,39,048	1,54,619	1,84,420	2,12,723
Add. Depreciation	28,637	32,385	35,567	39,853
Add. Interest	-	-	-	-
Less Financial Other Income	18,856	18,067	21,628	27,284
Add. Other	(15,742)	(14,131)	(17,936)	(23,592)
Op. profit before WC changes	1,51,943	1,72,873	2,02,051	2,28,984
Net Changes-WC	20,522	(19,948)	(18,052)	(16,264)
Direct tax	(24,915)	(31,002)	(39,176)	(45,184)
<b>Net cash from Op. activities</b>	<b>1,47,550</b>	<b>1,21,923</b>	<b>1,44,823</b>	<b>1,67,536</b>
Capital expenditures	(29,450)	(1,57,365)	(39,567)	(43,853)
Interest / Dividend Income	-	-	-	-
Others	37,189	15,557	17,936	23,592
<b>Net Cash from Inv. activities</b>	<b>7,739</b>	<b>(1,41,808)</b>	<b>(21,631)</b>	<b>(20,261)</b>
Issue of share cap. / premium	-	79,857	-	-
Debt changes	6,212	61,316	-	-
Dividend paid	(5,459)	(6,833)	(6,833)	(6,833)
Interest paid	(3,335)	-	-	1,000
Others	(1,26,258)	-	-	1,000
<b>Net cash from Fin. activities</b>	<b>(1,28,840)</b>	<b>1,34,340</b>	<b>(6,833)</b>	<b>(4,833)</b>
<b>Net change in cash</b>	<b>26,449</b>	<b>1,14,455</b>	<b>1,16,359</b>	<b>1,42,442</b>
Free Cash Flow	1,18,100	(35,442)	1,05,256	1,23,684

Source: Company Data, PL Research

**Quarterly Financials (Rs m)**

Y/e Mar	Q2FY21	Q3FY21	Q4FY21	Q1FY22
<b>Net Revenue</b>	<b>1,51,145</b>	<b>1,56,700</b>	<b>1,62,454</b>	<b>1,82,524</b>
YoY gr. (%)	(0.1)	1.3	3.4	22.4
Raw Material Expenses	98,807	96,374	1,01,828	1,19,310
Gross Profit	52,338	60,326	60,626	63,214
Margin (%)	34.6	38.5	37.3	34.6
<b>EBITDA</b>	<b>34,555</b>	<b>41,226</b>	<b>41,258</b>	<b>41,817</b>
YoY gr. (%)	11.8	29.6	34.0	31.5
Margin (%)	22.9	26.3	25.4	22.9
Depreciation / Depletion	6,580	7,926	7,977	8,257
<b>EBIT</b>	<b>28,313</b>	<b>33,860</b>	<b>34,167</b>	<b>34,720</b>
Margin (%)	18.7	21.6	21.0	19.0
Net Interest	-	-	-	-
Other Income	4,096	5,230	4,215	5,040
<b>Profit before Tax</b>	<b>32,071</b>	<b>38,530</b>	<b>37,496</b>	<b>38,600</b>
Margin (%)	21.2	24.6	23.1	21.1
Total Tax	7,228	8,520	7,755	6,225
Effective tax rate (%)	22.5	22.1	20.7	16.1
<b>Profit after Tax</b>	<b>24,843</b>	<b>30,010</b>	<b>29,741</b>	<b>32,375</b>
Minority interest	187	298	20	54
Share Profit from Associates	-	-	-	-
<b>Adjusted PAT</b>	<b>24,656</b>	<b>29,712</b>	<b>29,721</b>	<b>32,321</b>
YoY gr. (%)	(3.4)	21.0	27.8	35.2
Margin (%)	16.3	19.0	18.3	17.7
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>24,656</b>	<b>29,712</b>	<b>29,721</b>	<b>32,321</b>
YoY gr. (%)	(3.4)	21.0	27.8	35.2
Margin (%)	16.3	19.0	18.3	17.7
Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income</b>	<b>24,656</b>	<b>29,712</b>	<b>29,721</b>	<b>32,321</b>
Avg. Shares O/s (m)	5,694	5,696	5,510	5,463
<b>EPS (Rs)</b>	<b>4.3</b>	<b>5.2</b>	<b>5.4</b>	<b>5.9</b>

Source: Company Data, PL Research

**Key Financial Metrics**

Y/e Mar	FY21	FY22E	FY23E	FY24E
<b>Per Share(Rs)</b>				
EPS	19.1	21.9	25.7	29.7
CEPS	24.2	27.6	32.0	36.7
BVPS	97.9	119.8	144.4	172.9
FCF	20.9	(6.3)	18.6	21.9
DPS	1.0	1.0	1.0	1.0
<b>Return Ratio(%)</b>				
RoCE	19.2	19.4	18.9	18.4
ROIC	20.8	18.2	21.8	24.2
RoE	19.4	20.1	19.5	18.7
<b>Balance Sheet</b>				
Net Debt : Equity (x)	(0.5)	(0.4)	(0.5)	(0.6)
Debtor (Days)	56	56	55	55
<b>Valuation(x)</b>				
PER	35.2	30.8	26.2	22.7
P/B	6.9	5.6	4.7	3.9
P/CEPS	27.8	24.4	21.0	18.3
EV/EBITDA	23.7	21.0	17.1	14.4
EV/Sales	5.7	4.5	3.7	3.2
Dividend Yield (%)	0.1	0.1	0.1	0.1

Source: Company Data, PL Research

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


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	5-Oct-21	BUY	678	641
2	6-Aug-21	BUY	665	598
3	16-Jul-21	BUY	678	576
4	7-Jul-21	BUY	637	533
5	2-Jul-21	UR	-	540
6	16-Apr-21	BUY	500	431
7	5-Apr-21	BUY	476	417
8	5-Mar-21	BUY	474	439
9	14-Jan-21	BUY	493	459
10	4-Jan-21	BUY	434	388

**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)**

<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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