

# Mindtree

Refer to important disclosures at the end of this report

## Strong operating performance

- MTCL's Q3FY22 revenue grew by a healthy 4.7%/33.7% QoQ/YoY to USD366.4mn in a seasonally soft quarter, and was broadly in line with our expectations. EBITDAM expanded by ~100bps QoQ to 21.5%, ahead of our expectations on the back of operating efficiencies.
- The company is confident of delivering industry-leading double-digit revenue growth, driven by strong deal wins, a healthy deal pipeline and broad-based revenue growth. MTCL remains confident of delivering 20%+ EBITDAM in FY22.
- Deal wins remained healthy in Q3 at USD358mn (flat QoQ), taking the TCV of deals signed in 9MFY21 to ~USD1.2bn (21.5% YoY). Management indicated that the deal intake remains well-balanced across annuity and transformational deals.
- We raise our FY22E/23E/24E EPS by 3.4%/2.8%/0.5%, factoring in the Q3 operating performance beat. We maintain Hold rating on the stock with a TP of Rs4,550 at 36x Dec'23E EPS (Rs4,450 earlier).

**What we liked?** Broad-based revenue growth, healthy deal intake and margin beat amid supply-side challenges.

**What we did not like?** Uptick in LTM attrition (21.9% in Q3 vs. 17.7% in Q2FY22; quarterly annualized attrition was ~29.5% vs. ~27% in Q2FY22).

**Revenue growth momentum remains healthy:** Revenue grew by 4.7% QoQ (5.2% CC) in Q3, on the back of a strong broad-based demand environment, uptick in demand in CMT and TTH verticals, and a steady ramp-up of past deal wins. Revenue growth was broad-based, led by TTH (7% QoQ), CMT (6.1%) and BFSI (4.7%). RCM was flat sequentially after a stellar Q2, while Healthcare, the newly carved-out vertical, maintained its momentum and grew 23.7% QoQ albeit on a small base. Management is confident of sustaining the revenue growth momentum, driven by the strengthening of existing relationships with its clients, stitching new partnerships with strategic partners, and diversifying its offerings. The Top client grew 7.2% and management reiterated confidence in sustaining growth in the top account. Management reiterated its plan to widen the growth base by expanding relationships with other strategic accounts and reducing the dependency on the top client (Top 2-20 accounts grew 2.5%/41.6% QoQ/YoY). Management is confident of sustaining industry-leading double-digit revenue growth on broad-based robust demand, healthy deal intake, deal pipeline, aggressive customer mining, end-to-end digital capabilities, and disciplined execution.

**Expects EBITDAM to sustain above 20%:** Q3FY22 EBITDAM expanded by 100bps QoQ to 21.5% on benefits accruing from revenue momentum and operating efficiencies (+60bps) and cross-currency movement (+40bps). MTCL is confident of sustaining margins above 20%, supported by sustained revenue growth momentum, benefits accruing from the WFH shift, flattening employee pyramid (aiming to add 1,500 freshers per quarter, going ahead) and the offshore shift. These factors should negate the impact of rising costs of talent considering strong demand and tight job markets, and investments in front-end sales, and identified white space opportunities.

Please see our sector model portfolio (Emkay Alpha Portfolio): [Information Technology \(Page 10\)](#)

### Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
Revenue	77,643	79,678	105,188	130,450	153,017
EBITDA	10,898	16,567	21,850	26,049	29,832
EBITDA Margin (%)	14.0	20.8	20.8	20.0	19.5
APAT	6,309	11,105	16,040	18,823	21,402
EPS (Rs)	38.3	67.4	97.3	114.2	129.9
EPS (% chg)	(16.5)	75.9	44.4	17.3	13.7
ROE (%)	19.5	29.7	33.4	32.0	30.0
P/E (x)	123.8	70.4	48.7	41.5	36.5
EV/EBITDA (x)	70.9	45.8	34.4	28.5	24.5
P/BV (x)	24.7	18.1	14.8	12.1	10.0

Source: Company, Emkay Research. [dam.emkay@whitemarquesolutions.com](mailto:dam.emkay@whitemarquesolutions.com) use and downloaded at 01/14/2022 04:10 PM

<b>CMP</b>	<b>Target Price</b>
Rs 4,744 as of (January 13, 2022)	Rs 4,550 (▲) 12 months
<b>Rating</b>	<b>Upside</b>
HOLD (■)	(4.1) %

### Change in Estimates

EPS Chg FY22E/FY23E (%)	3.4/2.8
Target Price change (%)	2.2
Target Period (Months)	12
Previous Reco	HOLD

### Emkay vs Consensus

	EPS Estimates	
	FY22E	FY23E
Emkay	97.3	114.2
Consensus	93.8	108.9
Mean Consensus TP (12M)	Rs 4,496	

### Stock Details

Bloomberg Code	MTCL IN
Face Value (Rs)	10
Shares outstanding (mn)	165
52 Week H/L	5,060 / 1,540
M Cap (Rs bn/USD bn)	782 / 10.58
Daily Avg Volume (nos.)	1,151,670
Daily Avg Turnover (US\$ mn)	72.0

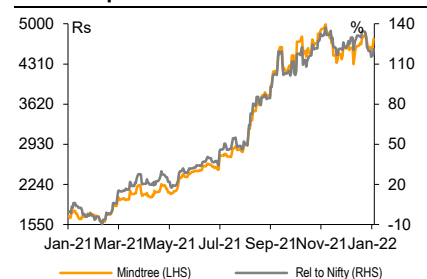
### Shareholding Pattern Dec '21

Promoters	61.0%
FIIIs	15.7%
DIIIs	9.7%
Public and Others	13.6%

### Price Performance

(%)	1M	3M	6M	12M
<b>Absolute</b>	3	9	90	172
<b>Rel. to Nifty (2)</b>		8	65	117

### Relative price chart



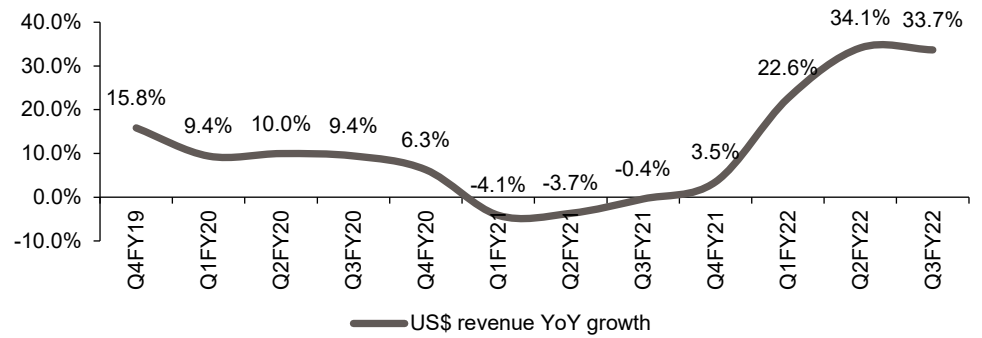
Source: Bloomberg

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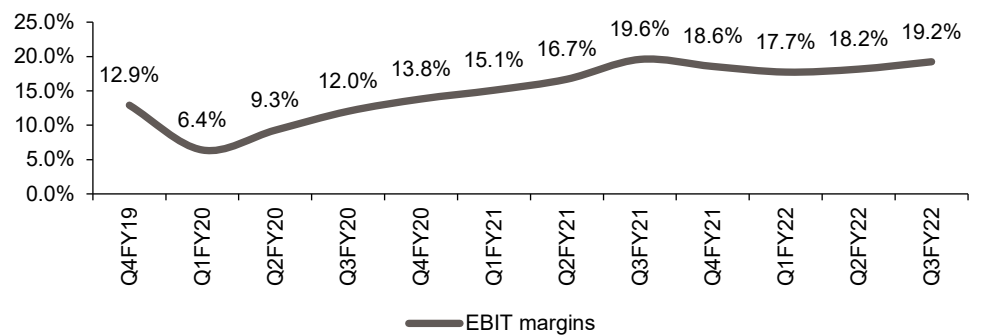
## Story in Charts

**Exhibit 1: Revenue growth momentum remained strong**



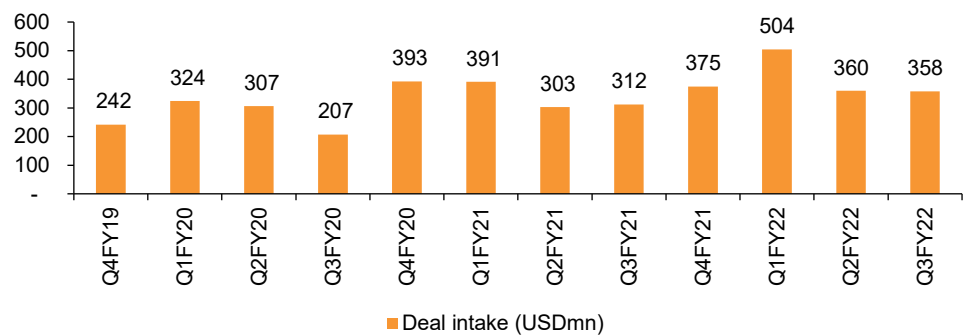
Source: Company, Emkay Research

**Exhibit 2: EBITM expanded 100bps QoQ**



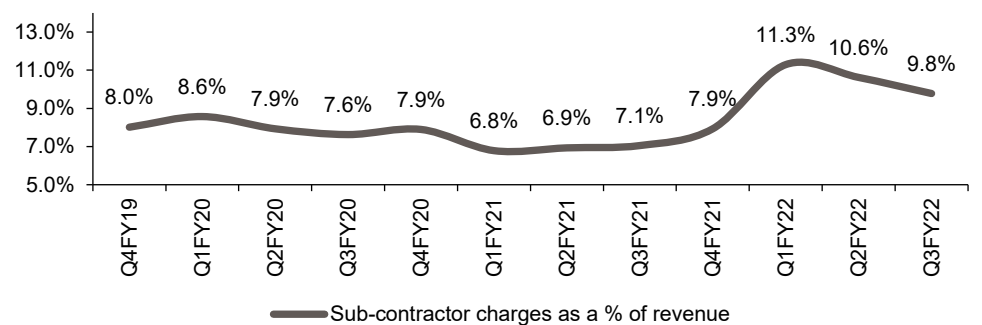
Source: Company, Emkay Research

**Exhibit 3: Healthy deal intake in Q3FY22**



Source: Company, Emkay Research

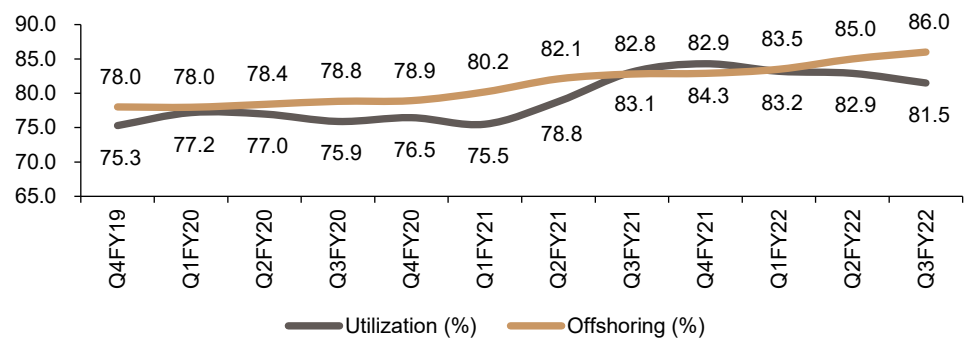
**Exhibit 4: Subcontractor charges declining sequentially aiding margin expansion**



Source: Company, Emkay Research

**Broad-based growth momentum accelerates further:** MTCL's strategy to focus on the annuity business and cross-selling and up-selling to strategic clients continues to deliver desired results, with revenue growing 4.7% sequentially (5.2% CC) on the back of stellar 12.8% sequential growth in Q2 (13.4% CC). Revenue growth was broad-based, led by TTH (7% QoQ), CMT (6.1%) and BFSI (4.7%). Retail, CPG & Manufacturing vertical was flat sequentially after a stellar Q2, while Healthcare, the newly carved-out vertical, maintained its momentum and grew by 23.7% QoQ albeit on a small base. Management is focusing on diversifying the TTH business mix by expanding into car rentals, F&B and surface transportation in addition to the traditional airlines and hospitality segment. Management expects this diversification efforts to yield the desired sustainable growth performance in TTH. Management is confident of sustaining the revenue growth momentum, driven by the strengthening of existing relationships with its clients, adding new strategic accounts, stitching new partnerships with strategic partners, and diversifying its offerings. The Data & Intelligence service line recorded a robust 8.3% QoQ growth rate, followed by Cloud (6.9%), Customer Success (3.9%) and Enterprise IT (2%). The company signed 10 cloud deals in Q3, highlighting its solid strategic relationship with cloud hyperscalers and overall capabilities. All geographies, except for UK & Ireland, posted sequential growth, led by Asia Pacific (15.7% QoQ), Continental Europe (7.1%) and North America (4.9%). UK and Ireland saw a soft quarter (-6.9% QoQ) after recording a very strong 61.7% QoQ growth rate in Q2. MTCL is confident of delivering industry-leading double-digit revenue growth on robust demand, aggressive customer mining, and end-to-end digital transformation capabilities and sustaining EBITDAM above 20%. Deal wins remained flat sequentially at USD358mn and grew by 14% on a TTM basis to ~USD1.6bn. Reported TCv data does not capture the strength of demand fully as a growing number of digital transformational deals are characterized by short cycles and iterative nature, which have some bearing on deal TCv numbers.

**Exhibit 5: Offshoring inch up further while utilization moderated a bit**



Source: Company, Emkay Research

### Other Takeaways

- Q3FY22 performance:** Revenue grew by 4.7%/33.7% QoQ/YoY to USD366.4mn. EBITDAM expanded 100bps QoQ to 21.5%. The company added 2,227 employees in Q2 (8,145 additions in 9M). The attrition rate on LTM basis rose to 21.9% in Q3FY22 from 17.7% QoQ and 12.5% YoY. The offshore effort mix increased to 86.0% (85% in Q2FY22), while the utilization rate moderated a bit to 81.5% from 82.9% in Q2FY22.
- Outlook:** Management is confident of delivering industry-leading double-digit revenue growth in FY22, driven by broad-based demand, healthy deal intake, deal pipeline and disciplined execution. The company has maintained the EBITDA margin guidance of over 20% in FY22.

### Others:

- DSO days inched up to 64 days as some clients requested for extended credit period but the company anticipates it to come down to 60-62 days.
- The company has acquired NxT Digital business from L&T for a cash consideration of ~Rs2bn in Q1FY22. The company has paid ~Rs1.1bn in 9MFY22 and is likely to pay the remaining ~Rs0.9bn in Q1FY23.
- Contractual pricing remains stable.
- The company is aiming to ramp up its fresher hiring to 1,500 on quarterly basis in order to manage the supply-side challenges and correct employee pyramid.

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**Exhibit 6: Actual vs. estimates (Q3FY22)**

(Rs mn)	Actual	Estimate		% variation		Comment
		Emkay	Consensus	Emkay	Consensus	
Revenues (in US\$ mn)	366.4	367.6	365.5	-0.3%	0.2%	Revenues were broadly in-line with our estimates
Sales	27,500	27,570	27,416	-0.3%	0.3%	
EBIT	5,289	4,950	5,032	6.8%	5.1%	
EBIT, margin	19.2%	18.0%	18.4%	130 bps	90 bps	EBITM beat estimates by 130bps
PAT	4,375	3,961	4,070	10.4%	7.5%	Strong operating performance and higher other income led to profit beat

Source: Company, Emkay Research

**Exhibit 7: Quarterly snapshot**

Rs mn	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	YoY (%)	QoQ (%)	FY21YTD	FY22YTD	YoY (%)
Revenues(in USD mn)	274.1	288.2	310.5	350.1	366.4	33.7	4.7	788	1,027	30.3
Revenue	20,237	21,093	22,917	25,862	27,500	35.9	6.3	58,585	76,279	30.2
Operating Expenditure	15,558	16,467	18,272	20,555	21,579	38.7	5.0	46,644	60,406	29.5
Cost of revenues	12,610	13,123	13,673	15,644	16,458	30.5	5.2	38,009	45,775	20.4
as % of sales	62.3	62.2	59.7	60.5	59.8			64.9	60.0	
SG&A expenses	2,948	3,344	4,599	4,911	5,121	73.7	4.3	8,635	14,631	69.4
as % of sales	14.6	15.9	20.1	19.0	18.6			14.7	19.2	
EBITDA	4,679	4,626	4,645	5,307	5,921	26.5	11.6	11,941	15,873	32.9
Depreciation	717	713	582	610	632	(11.9)	3.6	1,883	1,824	(3.1)
EBIT	3,962	3,913	4,063	4,697	5,289	33.5	12.6	10,058	14,049	39.7
Other Income	489	275	589	623	581			738	1,793	143.0
PBT	4,451	4,188	4,652	5,320	5,870	31.9	10.3	10,796	15,842	46.7
Total Tax	1,186	1,015	1,218	1,331	1,495	26.1	12.3	2,864	4,044	41.2
Adjusted PAT	3,265	3,173	3,434	3,989	4,375	34.0	9.7	7,932	11,798	48.7
APAT after MI	3,265	3,173	3,434	3,989	4,375	34.0	9.7	7,932	11,798	48.7
Reported PAT	3,265	3,173	3,434	3,989	4,375	34.0	9.7	7,932	11,798	48.7
Reported EPS	19.8	19.3	20.8	24.2	26.5	34.0	9.6	48	72	48.7

Margins (%)						(bps)	(bps)				(bps)
EBIDTA	23.1	21.9	20.3	20.5	21.5	(159)	101	20.4	20.8	43	
EBIT	19.6	18.6	17.7	18.2	19.2	(35)	107	17.2	18.4	125	
EBT	22.0	19.9	20.3	20.6	21.3	(65)	77	18.4	20.8	234	
PAT	16.1	15.0	15.0	15.4	15.9	(22)	48	13.5	15.5	193	
Effective Tax rate	26.6	24.2	26.2	25.0	25.5	(118)	45	26.5	25.5	(100)	

Source: Company, Emkay Research

**Exhibit 8: Revenues by service offerings**

As a % of revenues	Q3FY22	Q2FY22	Q3FY21	QoQ (%)	YoY (%)
Customer Success	42.9%	43.2%	38.10%	3.9%	50.5%
Data & Intelligence	14.8%	14.3%	14.90%	8.3%	32.8%
Cloud	19.1%	18.7%	19.20%	6.9%	33.0%
Enterprise IT	23.2%	23.8%	27.80%	2.0%	11.6%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>4.7%</b>	<b>33.7%</b>

Source: Company, Emkay Research

**Exhibit 9: Revenues by geographical segment**

As a % of revenues	Q3FY22	Q2FY22	Q3FY21	QoQ (%)	YoY (%)
North America	73.0%	72.8%	77.2%	4.9%	26.4%
Continental Europe	8.9%	8.7%	7.4%	7.1%	60.8%
UK and Ireland	9.7%	10.9%	7.8%	-6.9%	66.2%
Asia Pacific	8.4%	7.6%	7.6%	15.7%	47.7%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>4.7%</b>	<b>33.7%</b>

Source: Company, Emkay Research

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**Exhibit 10: Revenues by industry**

As a % of revenues	Q3FY22	Q2FY22	Q3FY21	QoQ (%)	YoY (%)
Communications, Media & Technology	43.1%	42.5%	46.2%	6.1%	24.7%
BFSI	17.5%	17.5%	19.6%	4.7%	19.4%
Retail, CPG & Manufacturing	24.3%	25.4%	21.4%	0.1%	51.8%
Travel & Hospitality	13.8%	13.5%	11.8%	7.0%	56.3%
Healthcare	1.3%	1.1%	1.0%	23.7%	73.8%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>4.7%</b>	<b>33.7%</b>

Source: Company, Emkay Research

**Exhibit 11: Client contribution to revenue**

As a % of revenues	Q3FY22	Q2FY22	Q3FY21	QoQ (%)	YoY (%)
Top customer	24.9%	24.3%	28.5%	7.2%	16.8%
Top-5 customers	35.4%	35.7%	39.8%	3.8%	18.9%
Top-10 customers	44.9%	45.1%	49.0%	4.2%	22.5%

Source: Company, Emkay Research

**Exhibit 12: Changes in estimates**

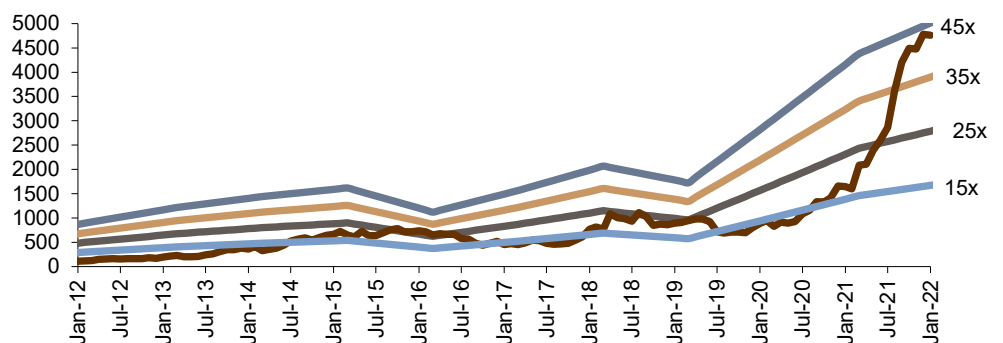
All fig in Rs mn except EPS and %	FY22E			FY23E			FY24E		
	Old	New	% change	Old	New	% change	Old	New	% change
Overall Revenues( in US\$ mn)	1,414	1,412	-0.1%	1,711	1,716	0.3%	1,968	1,974	0.3%
YoY growth, %	31.4%	31.2%		21.0%	21.5%		15.0%	15.0%	
Revenues	105,298	105,188	-0.1%	130,011	130,450	0.3%	152,502	153,017	0.3%
EBIT	18,879	19,359	2.5%	22,479	23,246	3.4%	26,556	26,720	0.6%
EBIT margins, %	17.9	18.4		17.3	17.8		17.4	17.5	
Net profits	15,507	16,040	3.4%	18,299	18,823	2.9%	21,283	21,402	0.6%
EPS	94.1	97.3	3.4%	111.1	114.2	2.8%	129.2	129.9	0.5%

Source: Company, Emkay Research

**Exhibit 13: Key assumptions**

(in Rs mn)	FY22E	FY23E	FY24E
USD revenues growth (%)	31.2%	21.5%	15.0%
USD/INR	74.5	76.0	77.5
INR revenues Growth (%)	32.0%	24.0%	17.3%
EBIT margin (%)	18.4%	17.8%	17.5%
EPS Growth (%)	44.4%	17.3%	13.7%

Source: Company, Emkay Research

**Exhibit 14: MTCL 1-year forward P/E chart**

Source: Company, Emkay Research

## Exhibit 15: Valuation Summary

Co Name	Reco.	CMP (Rs)	Target Price (Rs)	USD revenue growth (%)			EPS (Rs)			P/E (x)			EV/EBITDA (x)		
				FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
TCS	BUY	3,898	4,150	15.9	14.0	13.0	103.8	123.4	142.0	37.5	31.6	27.4	26.2	22.2	19.0
Infosys	BUY	1,897	2,160	20.7	16.0	13.0	53.6	63.9	74.7	35.4	29.7	25.4	23.5	19.7	16.8
Wipro	HOLD	650	700	27.6	14.5	11.0	22.3	25.3	28.9	29.1	25.7	22.5	19.5	16.4	14.3
HCL Tech	BUY	1,334	1,420	11.2	11.5	10.5	49.3	56.2	63.7	27.1	23.7	20.9	16.9	14.7	13.0
Tech Mahindra	BUY	1,719	1,930	16.1	11.6	10.0	62.7	70.7	79.8	27.4	24.3	21.5	17.1	14.8	13.1
L&T Infotech	HOLD	7,133	6,650	25.5	19.0	16.0	130.0	158.3	188.0	54.9	45.1	37.9	40.3	32.5	27.4
Mphasis	BUY	3,306	3,730	20.3	17.1	13.8	75.3	90.0	108.3	43.9	36.7	30.5	28.7	23.6	19.6
<b>Mindtree</b>	<b>HOLD</b>	<b>4,744</b>	<b>4,550</b>	<b>31.2</b>	<b>21.5</b>	<b>15.0</b>	<b>97.3</b>	<b>114.2</b>	<b>129.9</b>	<b>48.7</b>	<b>41.5</b>	<b>36.5</b>	<b>34.4</b>	<b>28.5</b>	<b>24.5</b>
Persistent Systems	BUY	4,518	5,000	33.7	24.5	17.0	86.7	107.7	129.4	52.1	42.0	34.9	34.3	26.4	21.8
Coforge	HOLD	5,727	5,400	37.6	18.9	15.0	105.4	137.1	164.9	54.3	41.8	34.7	30.8	24.3	20.7
Birlasoft	BUY	569	550	15.8	15.5	15.0	15.9	18.8	22.8	35.8	30.2	25.0	22.3	18.5	15.1
Firstsource Solutions	BUY	182	230	18.1	17.9	12.7	8.0	9.6	11.3	22.8	18.9	16.1	13.8	11.2	9.5
eClerx	BUY	2,912	2,700	32.1	7.5	7.0	116.3	127.5	139.1	25.0	22.8	20.9	14.3	12.9	11.7

Source: Company, Emkay Research

**Key Financials (Consolidated)****Income Statement**

Y/E Mar (Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
<b>Revenue</b>	<b>77,643</b>	<b>79,678</b>	<b>105,188</b>	<b>130,450</b>	<b>153,017</b>
<b>Expenditure</b>	<b>66,745</b>	<b>63,111</b>	<b>83,338</b>	<b>104,401</b>	<b>123,185</b>
<b>EBITDA</b>	<b>10,898</b>	<b>16,567</b>	<b>21,850</b>	<b>26,049</b>	<b>29,832</b>
Depreciation	2,754	2,596	2,491	2,802	3,111
<b>EBIT</b>	<b>8,144</b>	<b>13,971</b>	<b>19,359</b>	<b>23,246</b>	<b>26,720</b>
Other Income	144	1,013	2,255	2,363	2,398
Interest expenses	0	0	0	0	0
<b>PBT</b>	<b>8,288</b>	<b>14,984</b>	<b>21,614</b>	<b>25,609</b>	<b>29,118</b>
Tax	1,979	3,879	5,574	6,786	7,716
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
<b>Reported Net Income</b>	<b>6,309</b>	<b>11,105</b>	<b>16,040</b>	<b>18,823</b>	<b>21,402</b>
<b>Adjusted PAT</b>	<b>6,309</b>	<b>11,105</b>	<b>16,040</b>	<b>18,823</b>	<b>21,402</b>

**Balance Sheet**

Y/E Mar (Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
Equity share capital	1,646	1,647	1,648	1,648	1,648
Reserves & surplus	29,922	41,543	51,156	63,057	76,548
<b>Net worth</b>	<b>31,568</b>	<b>43,190</b>	<b>52,804</b>	<b>64,705</b>	<b>78,197</b>
<b>Minority Interest</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Loan Funds</b>	<b>5,663</b>	<b>5,377</b>	<b>5,600</b>	<b>5,800</b>	<b>5,900</b>
Net deferred tax liability	(1,835)	(351)	(351)	(351)	(351)
<b>Total Liabilities</b>	<b>35,396</b>	<b>48,216</b>	<b>58,053</b>	<b>70,154</b>	<b>83,746</b>
<b>Net block</b>	<b>14,092</b>	<b>12,758</b>	<b>13,457</b>	<b>13,784</b>	<b>14,323</b>
<b>Investment</b>	<b>9,709</b>	<b>20,468</b>	<b>14,161</b>	<b>14,161</b>	<b>14,161</b>
<b>Current Assets</b>	<b>25,794</b>	<b>29,813</b>	<b>49,258</b>	<b>64,192</b>	<b>80,583</b>
Cash & bank balance	3,909	7,597	20,676	30,143	41,650
Other Current Assets	7,496	9,474	10,714	11,891	12,942
<b>Current liabilities &amp; Provision</b>	<b>14,335</b>	<b>15,047</b>	<b>18,922</b>	<b>22,083</b>	<b>25,422</b>
<b>Net current assets</b>	<b>11,459</b>	<b>14,766</b>	<b>30,335</b>	<b>42,109</b>	<b>55,161</b>
Misc. exp	0	0	0	0	0
<b>Total Assets</b>	<b>35,396</b>	<b>48,216</b>	<b>58,053</b>	<b>70,154</b>	<b>83,746</b>

**Cash Flow**

Y/E Mar (Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
<b>PBT (Ex-Other income) (NI+Dep)</b>	<b>8,144</b>	<b>13,971</b>	<b>19,359</b>	<b>23,246</b>	<b>26,720</b>
Other Non-Cash items	390	(544)	(724)	(1,219)	(1,678)
Chg in working cap	(1,541)	5,882	(2,490)	(2,307)	(1,546)
<b>Operating Cashflow</b>	<b>8,251</b>	<b>19,960</b>	<b>15,317</b>	<b>18,100</b>	<b>21,290</b>
Capital expenditure	(1,220)	(619)	(2,843)	(2,930)	(3,550)
<b>Free Cash Flow</b>	<b>7,031</b>	<b>19,341</b>	<b>12,474</b>	<b>15,170</b>	<b>17,740</b>
Investments	858	(11,382)	6,937	0	0
Other Investing Cash Flow	0	0	0	0	0
<b>Investing Cashflow</b>	<b>(229)</b>	<b>(11,833)</b>	<b>4,699</b>	<b>(1,151)</b>	<b>(1,272)</b>
Equity Capital Raised	4	1	1	0	0
Loans Taken / (Repaid)	(495)	(842)	0	0	0
Dividend paid (incl tax)	(5,940)	(2,880)	(6,427)	(6,922)	(7,911)
Other Financing Cash Flow	288	(214)	0	0	0
<b>Financing Cashflow</b>	<b>(6,672)</b>	<b>(4,439)</b>	<b>(6,937)</b>	<b>(7,482)</b>	<b>(8,511)</b>
<b>Net chg in cash</b>	<b>1,350</b>	<b>3,688</b>	<b>13,079</b>	<b>9,467</b>	<b>11,507</b>
Opening cash position	2,559	3,909	7,597	20,676	30,143
<b>Closing cash position</b>	<b>3,909</b>	<b>7,597</b>	<b>20,676</b>	<b>30,143</b>	<b>41,650</b>

Source: Company, Emkay Research

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**Key Ratios**

<b>Profitability (%)</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22E</b>	<b>FY23E</b>	<b>FY24E</b>
EBITDA Margin	14.0	20.8	20.8	20.0	19.5
EBIT Margin	10.5	17.5	18.4	17.8	17.5
Effective Tax Rate	23.9	25.9	25.8	26.5	26.5
Net Margin	8.1	13.9	15.2	14.4	14.0
ROCE	24.3	35.8	40.7	39.9	37.8
ROE	19.5	29.7	33.4	32.0	30.0
RoIC	37.5	67.2	90.0	95.1	99.7

<b>Per Share Data (Rs)</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22E</b>	<b>FY23E</b>	<b>FY24E</b>
EPS	38.3	67.4	97.3	114.2	129.9
CEPS	55.1	83.2	112.4	131.2	148.7
BVPS	191.8	262.2	320.4	392.6	474.5
DPS	30.0	17.5	39.0	42.0	48.0

<b>Valuations (x)</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22E</b>	<b>FY23E</b>	<b>FY24E</b>
PER	123.8	70.4	48.7	41.5	36.5
P/CEPS	86.1	57.0	42.2	36.2	31.9
P/BV	24.7	18.1	14.8	12.1	10.0
EV / Sales	10.0	9.5	7.2	5.7	4.8
EV / EBITDA	70.9	45.8	34.4	28.5	24.5
Dividend Yield (%)	0.6	0.4	0.8	0.9	1.0

<b>Gearing Ratio (x)</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22E</b>	<b>FY23E</b>	<b>FY24E</b>
Net Debt/ Equity	(0.3)	(0.5)	(0.6)	(0.6)	(0.6)
Net Debt/EBIDTA	(0.7)	(1.4)	(1.3)	(1.5)	(1.7)
Working Cap Cycle (days)	35.5	32.8	33.5	33.5	32.2

<b>Growth (%)</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22E</b>	<b>FY23E</b>	<b>FY24E</b>
Revenue	10.6	2.6	32.0	24.0	17.3
EBITDA	2.4	52.0	31.9	19.2	14.5
EBIT	(9.6)	71.5	38.6	20.1	14.9
PAT	(16.3)	76.0	44.4	17.3	13.7

<b>Quarterly (Rs mn)</b>	<b>Q3FY21</b>	<b>Q4FY21</b>	<b>Q1FY22</b>	<b>Q2FY22</b>	<b>Q3FY22</b>
Revenue	20,237	21,093	22,917	25,862	27,500
EBITDA	4,679	4,626	4,645	5,307	5,921
<b>EBITDA Margin (%)</b>	<b>23.1</b>	<b>21.9</b>	<b>20.3</b>	<b>20.5</b>	<b>21.5</b>
PAT	3,265	3,173	3,434	3,989	4,375
<b>EPS (Rs)</b>	<b>19.8</b>	<b>19.3</b>	<b>20.8</b>	<b>24.2</b>	<b>26.5</b>

Source: Company, Emkay Research

<b>Shareholding Pattern (%)</b>	<b>Dec-20</b>	<b>Mar-21</b>	<b>Jun-21</b>	<b>Sep-21</b>	<b>Dec-21</b>
Promoters	61.0	61.0	61.0	61.0	61.0
FIs	13.3	13.9	13.7	15.0	15.7
DIs	10.6	10.9	12.0	10.1	9.7
Public and Others	15.1	14.2	13.3	13.9	13.6

Source: Capitaline

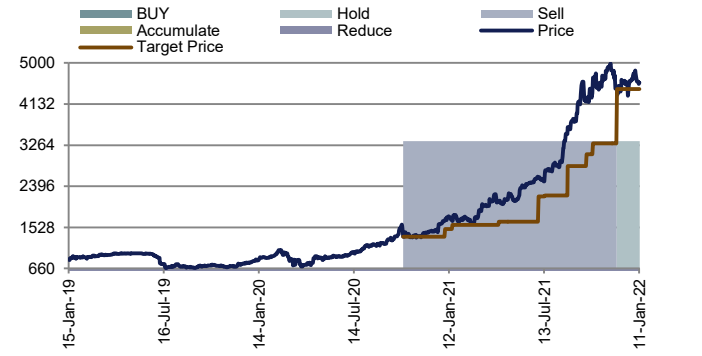


## RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
1-Jan-22	4,780	4,450	12m	Hold	Dipeshkumar Mehta
29-Nov-21	4,445	4,450	12m	Hold	Dipeshkumar Mehta
14-Oct-21	4,691	3,300	12m	Sell	Dipeshkumar Mehta
2-Oct-21	4,185	3,070	12m	Sell	Dipeshkumar Mehta
27-Aug-21	3,643	2,825	12m	Sell	Dipeshkumar Mehta
14-Jul-21	2,703	2,200	12m	Sell	Dipeshkumar Mehta
2-Jul-21	2,583	2,180	12m	Sell	Dipeshkumar Mehta
27-Apr-21	2,055	1,650	12m	Sell	Dipeshkumar Mehta
17-Apr-21	2,070	1,650	12m	Sell	Dipeshkumar Mehta
5-Apr-21	2,088	1,580	12m	Sell	Dipeshkumar Mehta
18-Mar-21	1,970	1,580	12m	Sell	Dipeshkumar Mehta
18-Jan-21	1,664	1,580	12m	Sell	Dipeshkumar Mehta
4-Jan-21	1,689	1,490	12m	Sell	Dipeshkumar Mehta
18-Dec-20	1,476	1,330	12m	Sell	Dipeshkumar Mehta
4-Dec-20	1,438	1,330	12m	Sell	Dipeshkumar Mehta
16-Oct-20	1,329	1,330	12m	Sell	Dipeshkumar Mehta

Source: Company, Emkay Research

## RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

## Emkay Alpha Portfolio – Information Technology



### Analyst: Dipesh Mehta

#### Contact Details

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+91 22 6612 1253

#### Sector

IT Services, ITeS and Software

#### Analyst bio

Dipesh is a seasoned Equities professional who has covered Technology sector for over 15 years. Dipesh has completed his B.E. in Information Technology from Sardar Patel University and MMS in Finance from Mumbai University.

### EAP sector portfolio

Company Name	BSE200 Weight	EAP Weight	OW/UW (%)	OW/UW (bps)	EAP Weight based on Current NAV	Change vs last published EAP (bps)
<b>Information Technology</b>	<b>14.62</b>	<b>14.34</b>	<b>-2%</b>	<b>-28</b>	<b>100.00</b>	
BirlaSoft	0.00	0.06	NA	6	0.42	0
Coforge	0.15	0.00	-100%	-15	0.00	0
Firstsource Solutions	0.00	0.06	NA	6	0.40	0
HCL Tech	1.38	1.46	6%	8	10.00	0
Infosys	6.46	6.66	3%	20	45.56	0
L&T Infotech	0.31	0.00	-100%	-31	0.00	0
Mindtree	0.27	0.00	-100%	-27	0.00	0
Mphasis	0.25	0.25	0%	0	1.71	0
Oracle Financial Services*	0.09	0.00	-100%	-9	0.00	0
Persistent Systems	0.00	0.33	NA	33	2.29	0
TCS	3.76	3.76	0%	1	25.73	0
Tech Mahindra	1.01	0.99	-2%	-2	6.76	0
Wipro	0.96	0.76	-21%	-20	5.21	0
<b>Cash</b>	<b>0.00</b>	<b>0.28</b>	<b>NA</b>	<b>28</b>	<b>1.93</b>	<b>0</b>

Source: Emkay Research

\* Not under coverage: Equal Weight

■ High Conviction/Strong Over Weight ■ High Conviction/Strong Under Weight

### Sector portfolio NAV

	Base					Latest
	1-Apr-19	12-Jan-21	12-Jul-21	12-Oct-21	13-Dec-21	12-Jan-22
EAP - Information Technology	100.0	180.2	197.9	227.5	232.6	250.5
BSE200 Neutral Weighted Portfolio (ETF)	100.0	170.9	183.7	212.9	217.1	233.7

\*Performance measurement base date 1<sup>st</sup> April 2019

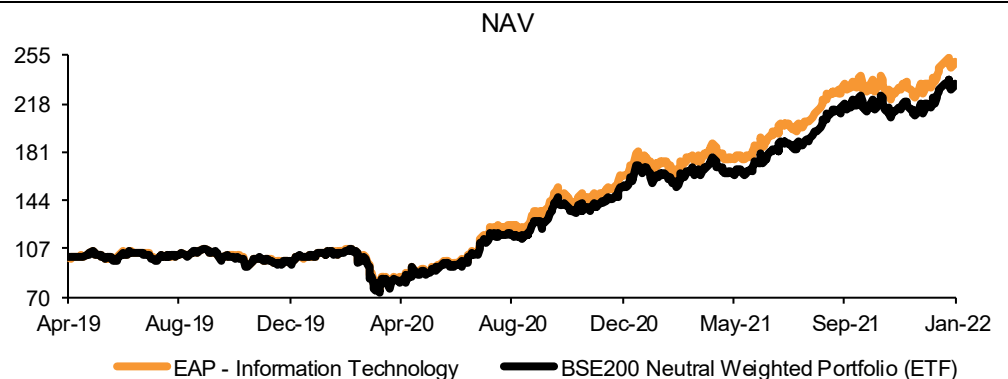
Source: Emkay Research

### Price Performance (%)

	1m	3m	6m	12m
EAP - Information Technology	7.7%	10.1%	26.6%	39.0%
BSE200 Neutral Weighted Portfolio (ETF)	7.6%	9.8%	27.3%	36.8%

Source: Emkay Research

### NAV chart



Source: Emkay Research

Please see our model portfolio (Emkay Alpha Portfolio): [Nifty](#)

Please see our model portfolio (Emkay Alpha Portfolio): [SMID](#)

“Emkay Alpha Portfolio – SMID and Nifty are a supporting document to the Emkay Alpha Portfolios Report and is updated on regular intervals”

## Emkay Rating Distribution

Ratings	Expected Return within the next 12-18 months.
BUY	Over 15%
HOLD	Between -5% to 15%
SELL	Below -5%

Completed Date: 14 Jan 2022 01:51:37 (SGT)

Dissemination Date: 14 Jan 2022 01:52:37 (SGT)

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