

TCS

Refer to important disclosures at the end of this report

Revenue beats expectations, but margins miss

- Q3FY22 revenue exceeded our expectation, while EBITM missed the estimate. Revenue grew 3.9%/15.4% QoQ/YoY in CC terms. EBITM declined by ~60bps QoQ to 25%, due to an increase in compensation costs, higher subcontracting expenses and discretionary non-manpower costs.
- Revenue growth was broad-based, and all verticals posted double-digit CC growth YoY. Growth was led by Retail & CPG (20.4% CC YoY), Manufacturing (18.3%), BFSI (17.9%), Technology & Services (17.7%) and Life Sciences & Healthcare (16.3%). All geographies, except for Asia Pacific and MEA, posted double-digit growth YoY.
- A strong and sustained demand environment, broad-based growth, healthy deal intake (USD23.3bn in 9MFY22), and traction in cloud, IoT and Digital engineering give management confidence to sustain a robust revenue growth trajectory.
- We tweak our FY22/23/24 EPS estimates by -1.5%/0.5%/0.2% after factoring in the Q3 performance and buyback. We maintain Buy with a TP of Rs4,150 (Rs4,100 earlier) at 30x Dec'23E EPS, considering steady deal wins and consistent execution.

What we liked? Healthy deal intake (USD7.6bn TCV), broad-based revenue growth, rebound in Continental Europe (3.7% QoQ)

What we did not like? Uptick in attrition (LTM attrition inched up to 15.3% in Q3 vs. 11.9% QoQ); continued growth moderation in UK, MEA and APAC

Broad-based revenue growth performance: Revenue grew 3% QoQ to USD6.5bn in Q3, ahead of our/consensus expectations. Revenue growth momentum continued in the India business (11.1% QoQ) after a strong show in Q2. Management said that they were seeing clear trends of enterprises investing confidently in technology initiatives for long-term growth. Q3 witnessed broad-based growth across all services, led by cloud, cyber security, consulting & SI, IoT and Digital Engineering. TCS continued to see robust demand as key themes, such as cloud modernization, connected enterprise & product innovation, customer experience and digital workplace transformation, gained traction. It has signed deals worth USD7.6bn in Q3, with a book-to-bill ratio of 1.2x. Management indicated that the deal intake remained well-balanced across deal sizes in Q3, with the strongest deal pipeline. Management remains confident of delivering double-digit revenue growth in FY22, considering healthy deal wins/deal pipeline and broad-based growth.

EBITM down 60bps sequentially: EBITM declined 60bps QoQ on account of targeted salary increments, back filling costs & increased subcontracting costs (-70bps), higher discretionary non-manpower costs like travel/facility/marketing (-60bps), partially offset by favorable currency movement (+10bps) and operating efficiencies (+60bps). Management expects that measures taken to manage supply-side challenges may weigh on margins in the near term.

Please see our sector model portfolio (Emkay Alpha Portfolio): [Information Technology \(Page 11\)](#)

Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	1,569,490	1,641,770	1,913,163	2,225,998	2,565,261
EBITDA	421,100	453,280	530,393	620,413	715,148
EBITDA Margin (%)	26.8	27.6	27.7	27.9	27.9
APAT	323,400	324,300	384,131	451,345	519,738
EPS (Rs)	86.2	87.7	103.8	123.4	142.0
EPS (% chg)	2.8	1.7	18.4	18.8	15.2
ROE (%)	36.4	37.1	39.2	41.9	42.8
P/E (x)	44.8	44.0	37.2	31.3	27.2
EV/EBITDA (x)	33.7	30.8	26.0	22.0	18.8
P/BV (x)	16.8	16.1	13.3	13.1	10.5

Source: Company, Emkay Research

CMP	Target Price
Rs 3,860	Rs 4,150 (▲)
as of (January 13, 2022)	12 months
Rating	Upside
BUY (■)	7.5 %

Change in Estimates

EPS Chg / (%)	(1.5)/0.5
Target Price change (%)	1.2
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

EPS Estimates		
Emkay	-	-
Consensus	104.8	119.4
Mean Consensus TP (12M)	Rs 4,133	

Stock Details

Bloomberg Code	TCS IN
Face Value (Rs)	1
Shares outstanding (mn)	3,699
52 Week H/L	4,123 / 2,701
M Cap (Rs bn/USD bn)	14,278 / 193.16
Daily Avg Volume (nos.)	2,714,610
Daily Avg Turnover (US\$ mn)	132.5

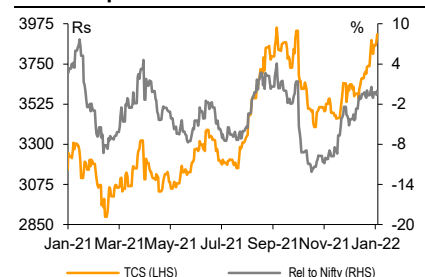
Shareholding Pattern Sep '21

Promoters	72.2%
FIIIs	15.4%
DIIIs	7.9%
Public and Others	4.5%

Price Performance

(%)	1M	3M	6M	12M
Absolute	6	6	21	22
Rel. to Nifty	2	4	4	(3)

Relative price chart



Source: Bloomberg

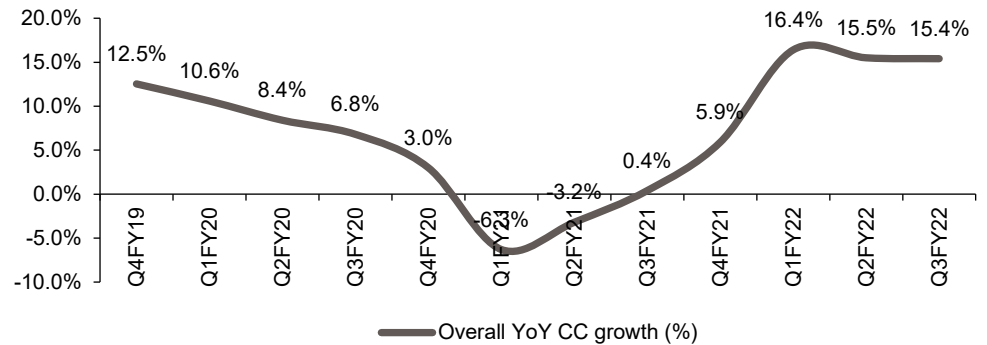
This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

Dipesh Mehta

dipeshkumar.mehta@emkayglobal.com
+91 22 6612 1253

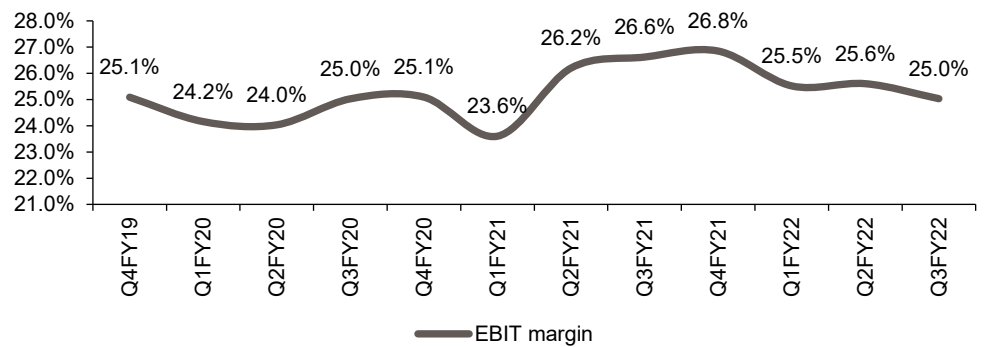
Story in Charts

Exhibit 1: Revenue growth momentum remains strong



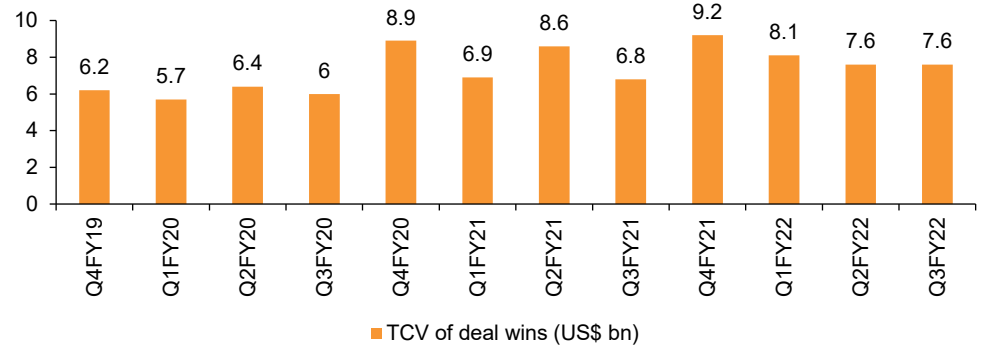
Source: Company, Emkay Research

Exhibit 2: EBITM moderated by 60bps in Q3



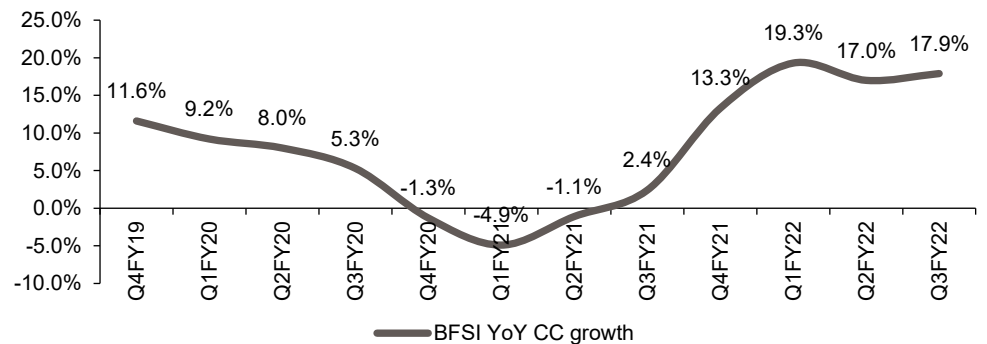
Source: Company, Emkay Research

Exhibit 3: Deal intake remains healthy



Source: Company, Emkay Research

Exhibit 4: BFSI has seen strong revenue growth momentum in last 3 quarters

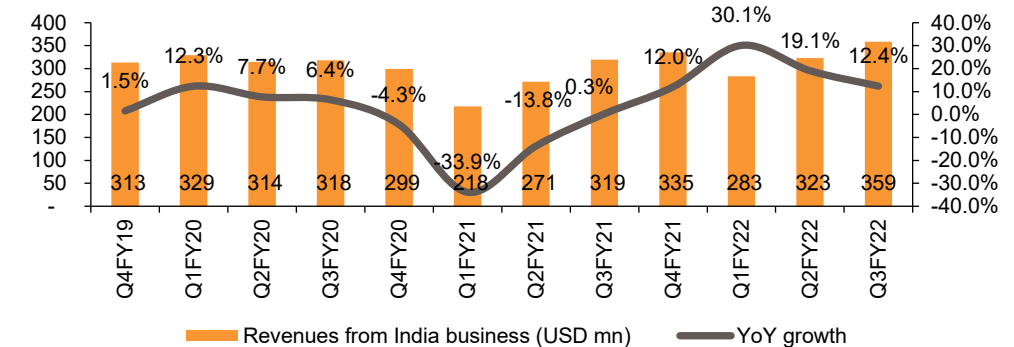


Source: Company, Emkay Research

Revenue growth remains healthy

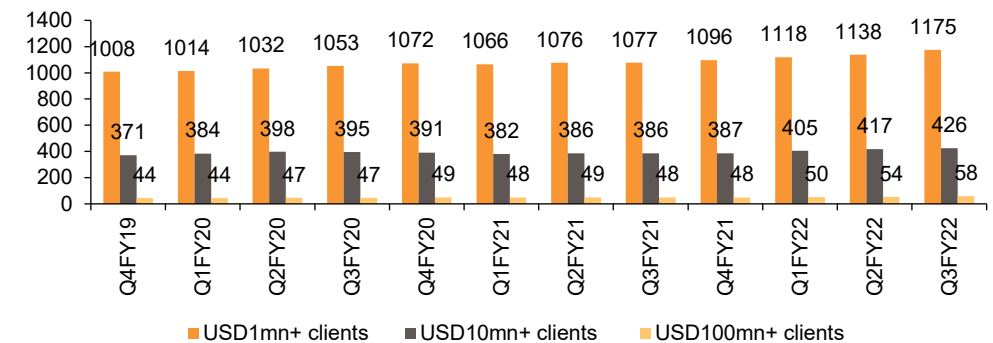
Revenue grew 3%/14.4% QoQ/YoY to USD6.52bn in Q3 (3.9%/15.4% on QoQ/YoY in CC terms), ahead of our estimates. The India business maintained its revenue growth momentum and recorded 11.1% QoQ growth. TCS is seeing broad-based growth for its services, as customers accelerate their investments in cloud-based digital transformation initiatives. Cloud, Cyber Security, and IoT & Digital Engineering are the areas that led growth in Q3. Management believes demand is going to remain high in the next 2-4 quarters as key themes such as Cloud Modernization, Connected Enterprise & Product Innovation, Customer Experience and Digital Workplace Transformation continue to gain traction. Revenue growth was broad-based and all verticals posted double-digit CC growth YoY in Q2. Growth was led by Retail & CPG (20.4% CC YoY), Manufacturing (18.3%), BFSI (17.9%), Technology & Services (17.7%) and Life Sciences & Healthcare (16.3%). All geographies, except for Asia Pacific and MEA, posted double-digit growth YoY, with North America growing 18% YoY CC, Latin America 21.1%, UK 12.7%, Continental Europe 17.5%, India 15.2%, MEA 6.9%, and Asia Pacific 4.3%.

Exhibit 5: India business continues its strong growth momentum



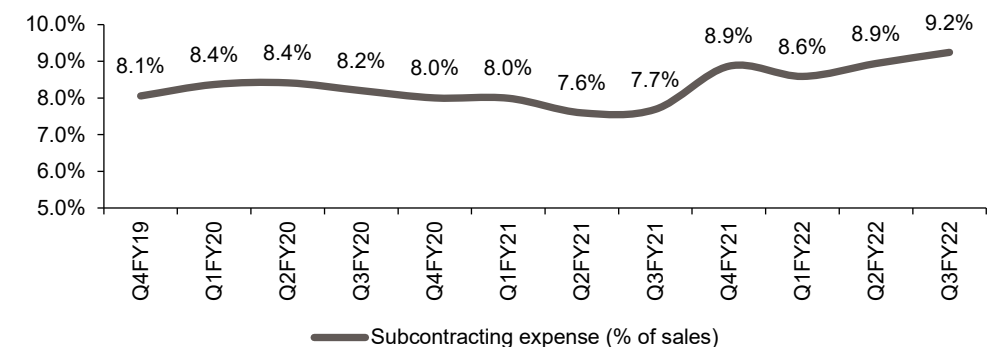
Source: Company, Emkay Research

Exhibit 6: Steady movement across client buckets



Source: Company, Emkay Research

Exhibit 7: Subcontracting expenses continue to rise



Source: Company, Emkay Research

Other Takeaways

- TCS has announced a buyback of shares worth Rs180bn at Rs4,500 per share, ~1.1% of equity. It has also announced an interim dividend of Rs7 per share
- The company added 28,238 employees in Q3, taking the total headcount to 556,986. TCS has on-boarded ~75,000 fresh graduates in 9MFY22, closer to the earlier plan for FY22. It plans to add more fresh graduates in Q4FY22.
- TCS has seen an elevated level of attrition in the last few months. Although attrition has stabilized on the QoQ basis, reported LTM attrition may go up in Q4. It expects the attrition rate to stabilize and start declining in few quarters.
- The company is seeing a conducive environment for a price uptick, particularly digital projects.
- Subcontracting costs are likely to remain higher in the near term and will come down once attrition starts moderating.
- OCF/EBITDA at 80.8% in Q3 vs. 75.8% QoQ and 92.4% YoY

Exhibit 8: Actual vs Estimates (Q3FY22)

(in Rs mn)	Actual	Estimate		% variation		Comment
		Emkay Consensus	Emkay Consensus	Emkay	Consensus	
Revenues (in US\$ mn)	6,524	6,453	6,460	1.1%	1.0%	Revenues were ahead of estimates
Sales	488,850	484,000	484,428	1.0%	0.9%	
EBIT	122,370	124,727	124,498	-1.9%	-1.7%	EBITM missed expectations due to supply-side challenges
EBIT, margin	25.0%	25.8%	25.7%	-70 bps	-70 bps	
PAT	97,690	99,512	98,823	-1.8%	-1.1%	EBIT miss led to PAT miss

Source: Company, Emkay Research

Exhibit 9: Quarterly Snapshot

Rs mn	Q3 FY21	Q4 FY21	Q1 FY22	Q2 FY22	Q3 FY22	YoY (%)	QoQ (%)	FY21 YTD	FY22 YTD	YoY (%)
Revenues (US\$ Mn)	5,702	5,989	6,154	6,333	6,524	14.4	3.0	16,185	19,011	17.5
Revenue (Rs Mn)	420,150	437,050	454,110	468,670	488,850	16.4	4.3	1,204,720	1,411,630	17.2
Operating Expenditure	298,080	309,040	327,470	337,520	354,520	18.9	5.0	879,450	1,019,510	15.9
Cost of revenues	237,490	248,600	262,400	270,480	284,010	19.6	5.0	691,930	816,890	18.1
as % of sales	56.5	56.9	57.8	57.7	58.1			57.4	57.9	
SG&A expenses	60,590	60,440	65,070	67,040	70,510	16.4	5.2	187,520	202,620	8.1
as % of sales	14.4	13.8	14.3	14.3	14.4			15.6	14.4	
EBITDA	122,070	128,010	126,640	131,150	134,330	10.0	2.4	325,270	392,120	20.6
Depreciation	10,230	10,670	10,760	11,150	11,960			29,980	33,870	
EBIT	111,840	117,340	115,880	120,000	122,370	9.4	2.0	295,290	358,250	21.3
Other Income	5,080	7,930	5,750	9,690	9,540			17,040	24,980	
PBT	116,920	125,270	121,630	129,690	131,910	12.8	1.7	312,330	383,230	22.7
Total Tax	29,650	32,450	31,320	33,160	33,850			79,530	98,330	
Adjusted PAT	87,270	92,820	90,310	96,530	98,060	12.4	1.6	232,800	284,900	22.4
(Profit)/loss from JV's/Ass/MI	-260	-360	-230	-290	-370	42.3	27.6	-960	-890	
APAT after MI	87,010	92,460	90,080	96,240	97,690	12.3	1.5	231,840	284,010	22.5
Reported EPS (Rs)	23.2	25.0	24.4	26.0	26.4	13.9	1.5	62	77	24.3

Margins (%)						(bps)	(bps)			
EBIDTA	29.1	29.3	27.9	28.0	27.5	(158)	(50)	27.0	27.8	78
EBIT	26.6	26.8	25.5	25.6	25.0	(159)	(57)	24.5	25.4	87
EBT	27.8	28.7	26.8	27.7	27.0	(84)	(69)	25.9	27.1	122
PAT	20.7	21.2	19.8	20.5	20.0	(73)	(55)	13.4	20.1	669
Effective Tax rate	25.4	25.9	25.8	25.6	25.7	30	9	25.5	25.7	19

Source: Company, Emkay Research

Exhibit 10: Revenue by geography

Revenue by Geography		As % of revenue			
Particulars	Q3FY22	Q2FY22	Q3FY21	QoQ (%)	YoY (%)
North Americas	50.7%	50.3%	49.1%	3.8%	18.1%
Latin America	1.7%	1.6%	1.7%	9.5%	14.4%
UK	15.6%	16.1%	15.7%	-0.2%	13.7%
Continental Europe	16.0%	15.9%	16.2%	3.7%	13.0%
India	5.5%	5.1%	5.6%	11.1%	12.4%
Asia Pacific	8.6%	9.0%	9.7%	-1.6%	1.4%
MEA	1.9%	2.0%	2.0%	-2.1%	8.7%
Total	100.0%	100.0%	100.0%	3.0%	14.4%

Source: Company, Emkay Research

Exhibit 11: Revenue by verticals

Revenue by verticals		As % of revenue			
Particulars	Q2FY22	Q1FY22	Q2FY21	QoQ (%)	YoY (%)
BFSI	32.1%	32.4%	31.3%	2.1%	17.3%
Retail & CPG	15.1%	15.0%	14.5%	3.7%	19.2%
Communication & Media	6.5%	6.5%	6.6%	3.0%	12.7%
Manufacturing	9.9%	9.9%	9.6%	3.0%	18.0%
Life Science & Healthcare	9.9%	10.0%	9.8%	2.0%	15.6%
Technology & Services	8.7%	8.8%	8.6%	1.8%	15.7%
Regional Markets & Others	17.8%	17.4%	19.6%	5.4%	3.9%
Total	100.0%	100.0%	100.0%	3.0%	14.4%

Source: Company, Emkay Research

Exhibit 12: Client Data (LTM)

No. of clients	Q3 FY20	Q4 FY20	Q1 FY21	Q2 FY21	Q3 FY21	Q4 FY21	Q1 FY22	Q2 FY22	Q3 FY22
USD 1 mn clients	1053	1072	1066	1076	1077	1096	1118	1138	1175
USD 5 mn clients	557	565	564	565	565	569	586	609	619
USD 10 mn clients	395	391	382	386	386	387	405	417	426
USD 20 mn clients	232	240	230	228	229	228	241	247	255
USD 50 mn clients	102	105	100	97	97	101	105	114	118
USD 100 mn clients	47	49	48	49	48	48	50	54	58

Source: Company, Emkay Research

Exhibit 13: Segmental performance

Revenue (US\$ mn)	Q3 FY20	Q4 FY20	Q1 FY21	Q2 FY21	Q3 FY21	Q4 FY21	Q1 FY22	Q2 FY22	Q3 FY22
BFSI	2170	2073	2017	2181	2260	2406	2460	2492	2535
Manufacturing	585	575	513	517	547	577	596	613	630
Retail and consumer business	940	911	780	859	888	929	972	1011	1048
Communication, media and tech	926	920	857	887	947	965	1004	1045	1102
Others	965	964	892	980	1060	1112	1122	1172	1209
Total	5586	5443	5059	5424	5702	5989	6154	6333	6524

Growth YoY (%)	Q3 FY20	Q4 FY20	Q1 FY21	Q2 FY21	Q3 FY21	Q4 FY21	Q1 FY22	Q2 FY22	Q3 FY22
BFSI	4.8%	-3.3%	-6.3%	-0.1%	4.1%	16.1%	22.0%	14.3%	12.2%
Manufacturing	5.0%	-0.2%	-11.7%	-9.6%	-6.5%	0.3%	16.2%	18.6%	15.2%
Retail and consumer business	3.6%	-0.7%	-15.5%	-6.1%	-5.5%	2.0%	24.6%	17.7%	18.0%
Communication, media and tech	8.2%	6.4%	-4.4%	-1.8%	2.3%	4.9%	17.2%	17.8%	16.4%
Others	12.2%	7.7%	-4.4%	3.8%	9.8%	15.4%	25.8%	19.6%	14.1%
Total	6.4%	0.9%	-7.8%	-1.7%	2.1%	10.0%	21.6%	16.8%	14.4%

EBITDAM (%)	Q3 FY20	Q4 FY20	Q1 FY21	Q2 FY21	Q3 FY21	Q4 FY21	Q1 FY22	Q2 FY22	Q3 FY22
BFSI	28.5%	27.4%	26.9%	29.6%	28.8%	28.4%	27.0%	26.8%	26.8%
Manufacturing	27.2%	28.2%	25.5%	26.9%	29.6%	30.3%	30.4%	30.0%	29.8%
Retail and consumer business	26.8%	26.3%	22.1%	29.1%	30.0%	30.1%	29.2%	28.0%	27.1%
Communication, media and tech	29.2%	31.1%	29.1%	29.2%	29.6%	30.5%	30.3%	30.9%	28.9%
Others	23.2%	24.7%	25.6%	26.9%	27.9%	29.0%	25.3%	26.8%	26.8%
Total	27.3%	27.5%	26.1%	28.7%	29.0%	29.3%	27.9%	28.0%	27.5%

Source: Company, Emkay Research

Exhibit 14: Changes in estimates

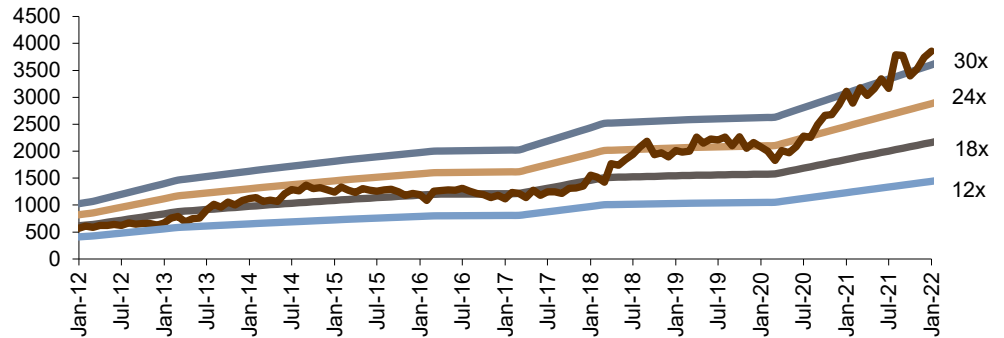
(Rs mn)	FY22E			FY23E			FY24E		
	Old	New	% change	Old	New	% change	Old	New	% change
Revenues(US\$ mn)	25,587	25,698	0.4%	29,036	29,289	0.9%	32,823	33,100	0.8%
YoY growth, %	15.4	15.9		13.5	14.0		13.0	13.0	
Revenues	1,905,299	1,913,163	0.4%	2,206,768	2,225,998	0.9%	2,543,798	2,565,261	0.8%
EBIT	492,066	484,486	-1.5%	562,520	565,876	0.6%	645,841	652,299	1.0%
EBIT Margins, %	25.8	25.3		25.5	25.4		25.4	25.4	
Net profits	389,877	384,131	-1.5%	453,816	451,345	-0.5%	524,557	519,738	-0.9%
EPS (Rs)	105.4	103.8	-1.5%	122.7	123.4	0.5%	141.8	142.0	0.2%

Source: Company, Emkay Research

Exhibit 15: Key Assumptions

Key Assumptions	FY22E	FY23E	FY24E
USD Revenues growth (%)	15.9	14.0	13.0
USD/INR	74.4	76.0	77.5
INR revenue growth (%)	16.5%	16.4%	15.2%
EBIT Margins	25.3	25.4	25.4
EPS growth (%)	18.4%	18.8%	15.2%

Source: Company, Emkay Research

Exhibit 16: TCS' 1 year forward P/E chart

Source: Company, Emkay Research

Exhibit 17: 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	3,860	4,150	15.9	14.0	13.0	103.8	123.4	142.0	37.2	31.3	27.2	26.0	22.0	18.8
Infosys	BUY	1,877	2,160	20.7	16.0	13.0	53.6	63.9	74.7	35.0	29.4	25.1	23.3	19.5	16.6
Wipro	HOLD	691	700	27.6	14.5	11.0	22.3	25.3	28.9	31.0	27.4	23.9	20.8	17.6	15.3
HCL Tech	BUY	1,351	1,420	11.2	11.5	10.5	49.3	56.2	63.7	27.4	24.0	21.2	17.2	14.9	13.1
Tech Mahindra	BUY	1,729	1,930	16.1	11.6	10.0	62.7	70.7	79.8	27.6	24.5	21.7	17.2	14.9	13.1
L&T Infotech	HOLD	7,171	6,650	25.5	19.0	16.0	130.0	158.3	188.0	55.2	45.3	38.1	40.5	32.6	27.6
Mphasis	BUY	3,217	3,730	20.3	17.1	13.8	75.3	90.0	108.3	42.7	35.7	29.7	27.9	23.0	19.1
Mindtree	HOLD	4,636	4,450	31.4	21.0	15.0	94.1	111.1	129.2	49.2	41.7	35.9	34.3	28.6	23.9
Persistent Systems	BUY	4,486	5,000	33.7	24.5	17.0	86.7	107.7	129.4	51.7	41.6	34.7	34.0	26.2	21.7
Coforge	HOLD	5,788	5,400	37.6	18.9	15.0	105.4	137.1	164.9	54.9	42.2	35.1	31.2	24.5	21.0
Birlasoft	BUY	575	550	15.8	15.5	15.0	15.9	18.8	22.8	36.2	30.5	25.3	22.6	18.8	15.3
Firstsource Solutions	BUY	184	230	18.1	17.9	12.7	8.0	9.6	11.3	23.1	19.1	16.2	13.9	11.3	9.6
eClerx	BUY	2,847	2,700	32.1	7.5	7.0	116.3	127.5	139.1	24.5	22.3	20.5	14.0	12.6	11.5

Source: Company, Emkay Research

Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	1,569,490	1,641,770	1,913,163	2,225,998	2,565,261
Expenditure	1,148,390	1,188,490	1,382,770	1,605,585	1,850,113
EBITDA	421,100	453,280	530,393	620,413	715,148
Depreciation	35,300	40,650	45,907	54,537	62,849
EBIT	385,800	412,630	484,486	565,876	652,299
Other Income	36,680	24,970	33,667	41,855	47,425
Interest expenses	0	0	0	0	0
PBT	422,480	437,600	518,153	607,731	699,724
Tax	98,010	111,980	132,735	154,971	178,430
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	1,070	1,320	1,286	1,415	1,556
Reported Net Income	323,400	324,300	384,131	451,345	519,738
Adjusted PAT	323,400	324,300	384,131	451,345	519,738

Balance Sheet

Y/E Mar (Rs mn)	FY20	FY21	FY22	FY23	FY24
Equity share capital	3,750	3,700	3,700	3,660	3,660
Reserves & surplus	858,650	881,850	1,069,932	1,077,623	1,344,887
Net worth	862,400	885,550	1,073,632	1,081,283	1,348,547
Minority Interest	6,230	6,750	8,036	9,451	11,007
Loan Funds	81,740	77,950	52,000	52,000	52,000
Net deferred tax liability	(20,230)	(31,360)	(27,000)	(27,000)	(27,000)
Total Liabilities	930,140	938,890	1,106,668	1,115,734	1,384,554
Net block	240,650	241,960	239,280	238,280	239,280
Investment	275,090	323,540	398,260	378,260	578,260
Current Assets	686,370	724,280	844,312	919,900	1,035,472
Cash & bank balance	86,460	68,580	159,968	159,045	180,527
Other Current Assets	233,290	285,800	265,021	272,965	292,696
Current liabilities & Provision	271,970	350,890	375,185	420,706	468,458
Net current assets	414,400	373,390	469,128	499,194	567,014
Misc. exp	0	0	0	0	0
Total Assets	930,140	938,890	1,106,668	1,115,734	1,384,554

Cash Flow

Y/E Mar (Rs mn)	FY20	FY21	FY22	FY23	FY24
PBT (Ex-Other income) (NI+Dep)	323,400	324,300	384,131	451,345	519,738
Other Non-Cash items	97,610	124,800	1,286	1,415	1,556
Chg in working cap	(45,000)	10,920	11	(30,990)	(46,338)
Operating Cashflow	353,910	411,070	431,335	476,307	537,805
Capital expenditure	(30,570)	(28,200)	(43,227)	(53,537)	(63,849)
Free Cash Flow	323,340	382,870	388,108	422,770	473,957
Investments	76,760	(82,480)	(74,720)	20,000	(200,000)
Other Investing Cash Flow	0	0	0	0	0
Investing Cashflow	46,190	(110,680)	(117,947)	(33,537)	(263,849)
Equity Capital Raised	0	(197,570)	0	(220,491)	0
Loans Taken / (Repaid)	(12,890)	(13,360)	(25,950)	0	0
Dividend paid (incl tax)	(377,020)	(109,070)	(196,050)	(223,202)	(252,475)
Other Financing Cash Flow	4,030	1,730	0	0	0
Financing Cashflow	(385,880)	(318,270)	(222,000)	(443,693)	(252,475)
Net chg in cash	14,220	(17,880)	91,388	(923)	21,482
Opening cash position	72,240	86,460	68,580	159,968	159,045
Closing cash position	86,460	68,580	159,968	159,045	180,527

Source: Company, Emkay Research

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Key Ratios

Profitability (%)	FY20	FY21	FY22	FY23	FY24
EBITDA Margin	26.8	27.6	27.7	27.9	27.9
EBIT Margin	24.6	25.1	25.3	25.4	25.4
Effective Tax Rate	23.2	25.6	25.6	25.5	25.5
Net Margin	20.7	19.8	20.1	20.3	20.3
ROCE	46.0	46.8	50.7	54.7	56.0
ROE	36.4	37.1	39.2	41.9	42.8
RoIC	73.2	74.0	88.5	100.4	108.3

Per Share Data (Rs)	FY20	FY21	FY22	FY23	FY24
EPS	86.2	87.7	103.8	123.4	142.0
CEPS	95.6	98.7	116.3	138.3	159.2
BVPS	229.8	239.4	290.2	295.5	368.6
DPS	73.0	38.0	53.0	61.0	69.0

Valuations (x)	FY20	FY21	FY22	FY23	FY24
PER	44.8	44.0	37.2	31.3	27.2
P/CEPS	40.4	39.1	33.2	27.9	24.2
P/BV	16.8	16.1	13.3	13.1	10.5
EV / Sales	9.1	8.5	7.2	6.1	5.2
EV / EBITDA	33.7	30.8	26.0	22.0	18.8
Dividend Yield (%)	1.9	1.0	1.4	1.6	1.8

Gearing Ratio (x)	FY20	FY21	FY22	FY23	FY24
Net Debt/ Equity	(0.3)	(0.4)	(0.5)	(0.4)	(0.5)
Net Debt/EBIDTA	(0.7)	(0.7)	(1.0)	(0.8)	(1.0)
Working Cap Cycle (days)	76.3	67.8	59.0	55.8	55.0

Growth (%)	FY20	FY21	FY22	FY23	FY24
Revenue	7.2	4.6	16.5	16.4	15.2
EBITDA	6.6	7.6	17.0	17.0	15.3
EBIT	3.0	7.0	17.4	16.8	15.3
PAT	2.8	0.3	18.4	17.5	15.2

Quarterly (Rs mn)	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22
Revenue	420,150	437,050	454,110	468,670	488,850
EBITDA	122,070	128,010	126,640	131,150	134,330
EBITDA Margin (%)	29.1	29.3	27.9	28.0	27.5
PAT	87,010	92,460	90,080	96,240	97,690
EPS (Rs)	23.2	25.0	24.4	26.0	26.4

Source: Company, Emkay Research

Shareholding Pattern (%)	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21
Promoters	72.1	72.1	72.2	72.2	72.2
FII	16.0	15.9	15.6	15.4	15.4
DII	7.9	7.7	7.8	8.0	7.9
Public and Others	4.1	4.4	4.4	4.4	4.5

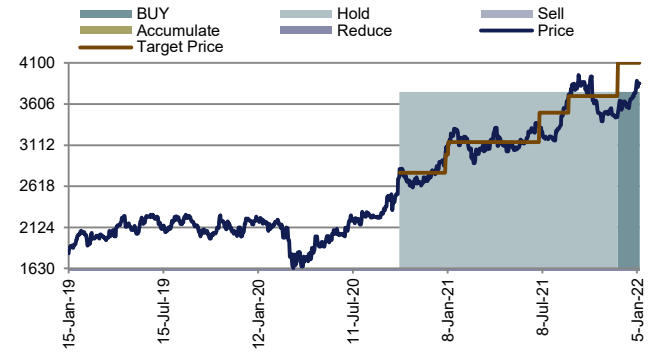
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
1-Jan-22	3,738	4,100	12m	Buy	Dipeshkumar Mehta
29-Nov-21	3,502	4,100	12m	Buy	Dipeshkumar Mehta
9-Oct-21	3,936	3,700	12m	Hold	Dipeshkumar Mehta
2-Oct-21	3,730	3,700	12m	Hold	Dipeshkumar Mehta
27-Aug-21	3,720	3,700	12m	Hold	Dipeshkumar Mehta
9-Jul-21	3,208	3,500	12m	Hold	Dipeshkumar Mehta
2-Jul-21	3,325	3,500	12m	Hold	Dipeshkumar Mehta
13-Apr-21	3,104	3,150	12m	Hold	Dipeshkumar Mehta
5-Apr-21	3,239	3,150	12m	Hold	Dipeshkumar Mehta
9-Jan-21	3,121	3,150	12m	Hold	Dipeshkumar Mehta
4-Jan-21	3,039	3,000	12m	Hold	Dipeshkumar Mehta
18-Dec-20	2,861	2,780	12m	Hold	Dipeshkumar Mehta
8-Oct-20	2,826	2,780	12m	Hold	Dipeshkumar Mehta

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Emkay Alpha Portfolio – Information Technology



Analyst: Dipesh Mehta

Contact Details

dipeshkumar.mehta@emkayglobal.com
+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)
Information Technology	14.73	14.45	-2%	-28	100.00	
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	1.47	6%	8	9.96	0
Infosys	6.44	6.64	3%	20	45.09	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	1.70	0
Oracle Financial Services*	0.09	0.00	-100%	-9	0.00	0
Persistent Systems	0.00	0.34	NA	34	2.29	0
TCS	3.85	3.85	0%	1	26.16	0
Tech Mahindra	1.02	1.00	-2%	-2	6.80	0
Wipro	0.97	0.77	-21%	-20	5.24	0
Cash	0.00	0.28	NA	28	1.93	00

Source: Emkay Research

* Not under coverage: Equal Weight

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

Sector portfolio NAV

	Base 1-Apr-19	11-Jan-21	12-Jul-21	11-Oct-21	10-Dec-21	Latest 11-Jan-22
EAP - Information Technology	100.0	180.3	197.9	229.7	233.2	250.2
BSE200 Neutral Weighted Portfolio (ETF)	100.0	170.9	183.7	214.8	217.6	233.4

*Performance measurement base date 1st April 2019

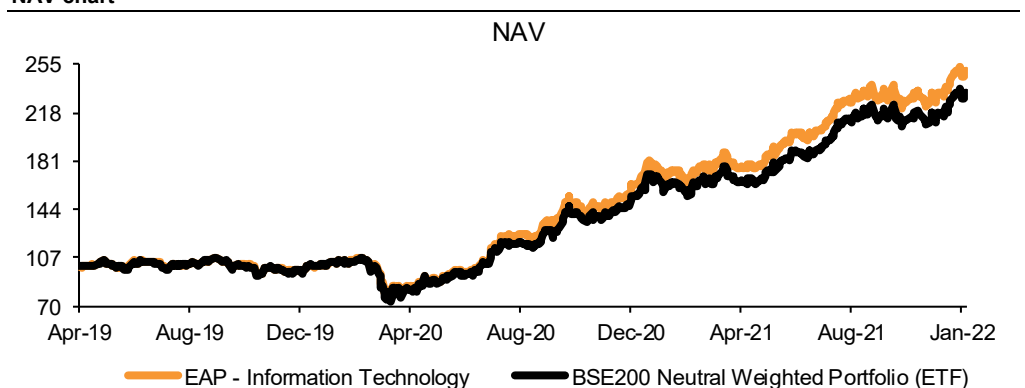
Source: Emkay Research

Price Performance (%)

	1m	3m	6m	12m
EAP - Information Technology	7.3%	8.9%	26.4%	38.8%
BSE200 Neutral Weighted Portfolio (ETF)	7.3%	8.7%	27.1%	36.6%

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: 13 Jan 2022 06:55:15 (SGT)

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CIN - L67120MH1995PLC084899

7th Floor, The Ruby, Senapati Bapat Marg, Dadar - West, Mumbai - 400028. India

Tel: +91 22 66121212 Fax: +91 22 66121299 Web: www.emkayglobal.com