

January 28, 2022

## Q3FY22 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>5,778</b>		<b>5,708</b>	
Sales (Rs. m)	77,269	89,788	76,566	89,776
% Chng.	0.9	-		
EBITDA (Rs. m)	14,798	17,445	14,684	17,229
% Chng.	0.8	1.3		
EPS (Rs.)	145.2	171.8	142.1	169.0
% Chng.	2.2	1.7		

### Key Financials - Standalone

Y/e Mar	FY20	FY21E	FY22E	FY23E
Sales (Rs. bn)	42	47	64	77
EBITDA (Rs. bn)	7	8	12	15
Margin (%)	17.7	18.0	18.0	19.2
PAT (Rs. bn)	5	5	7	9
EPS (Rs.)	76.1	86.8	113.6	145.2
Gr. (%)	13.4	14.2	30.8	27.9
DPS (Rs.)	25.0	28.7	37.5	47.9
Yield (%)	0.6	0.7	0.9	1.1
RoE (%)	21.3	21.6	25.7	28.0
RoCE (%)	25.5	26.9	32.0	33.2
EV/Sales (x)	6.3	5.5	4.0	3.3
EV/EBITDA (x)	35.7	30.8	22.3	17.3
PE (x)	57.9	50.7	38.8	30.3
P/BV (x)	11.5	10.8	9.3	7.8

### Key Data

NITT.BO | COFORGE IN

52-W High / Low	Rs.6,135 / Rs.2,300
Sensex / Nifty	57,277 / 17,110
Market Cap	Rs.268bn/ \$ 3,568m
Shares Outstanding	61m
3M Avg. Daily Value	Rs.2090.59m

### Shareholding Pattern (%)

Promoter's	63.99
Foreign	14.44
Domestic Institution	12.11
Public & Others	9.36
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	(21.7)	(6.8)	79.8
Relative	(21.9)	(14.0)	51.7

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## Coforge (COFORGE IN)

Rating: BUY | CMP: Rs4,401 | TP: Rs5,778

### Improving margin profile

#### Quick Pointers:

- Large deal wins in three consecutive quarters is impressive compared to peers with TCV composed of largely small and mid-sized deals
- Adjusted EBITDA margin to be around 20.8% in Q4 (vs 19.5% in Q3)

**Coforge reported revenue growth of +4.2% USD QoQ (Ple: 3.5%, Cons: 5%). Organic growth is healthy at +4.6% QoQ USD, 5.7% QoQ CC and contribution from SLK is ~\$22.4 mn flattish on QoQ basis due to lower number of billing days in Q3. Order intake is healthy at \$247 mn (29% YoY, vs FY21 average of ~\$195 mn) including one large 6-year deal of \$45 mn from European Public sector client. Next 12 months' executable order book is \$701 Mn, +2% QoQ, 40% YoY. Strong growth momentum is expected to continue in FY23 given strong deal pipeline, ability to win large deals, strong client mining efforts, increased investments in sales and bounce back of tech spends in Travel.**

**Coforge increased consolidated revenue growth guidance to 37% YoY CC in FY22 vs 35% guided earlier. Management mentioned that organic revenue is expected to grow 24% YoY CC and SLK to grow at par with organic business (~22-23%) YoY CC in FY22. (only 11 months' revenue of SLK will consolidated in FY22). Guidance is largely in-line with our estimates and implies overall revenue growth of 3.5-4% QoQ USD in Q4FY22.**

**EBIT Margin came at 14.8%, +120bps QoQ (Ple: 15.1%, Cons: 14.8%). Management guided adjusted EBITDA growth 44% YoY in FY22 implying 4Q22 adjusted EBITDA margin to be 20.8% (vs 19.5% in 3Q22). We believe there is further scope to improve margins in FY23 as well aided by levers of improving offshore mix, revenue growth leverage and pyramid optimization. Attrition at 16.3% continues to be amongst the lowest in the industry (vs 15.3% in 2Q22).**

**Our EPS estimates increase by 2.2%/1.7% for FY23/24 led slight increase in margin estimates. We arrive at DCF based TP of 5778 from earlier Rs. 5708 (implying target multiple of 34x on FY24 EPS). At CMP, stock trades at 30x/26x on FY23/24E EPS of INR 145/172 with Revenue and EPS CAGR of 16%/23% respectively over FY22-24. Reiterate BUY.**

- Healthy revenue growth:** Coforge revenue of \$221.6 mn, +4.2% USD QoQ (Ple: 3.5%, Cons: 5%) above our estimates, but below cons estimates. Organic revenue for the quarter is \$199.2 mn (+4.6% QoQ USD, 5.7% QoQ CC), above our estimate of 3% QoQ USD. Inorganic contribution from SLK is at ~\$22.4 mn flattish on QoQ basis due to lower number of billing days in Q3.
- Sequential growth led by BFS:** Growth was led by BFS (+21.0% QoQ USD). Travel (+0.8% QoQ USD), Insurance (-0.1% QoQ USD) and Others (-7.4% QoQ) showed muted performance. Core Insurance business grew 6% QoQ while Advantage Go (2.5% of consolidated revenues) declined for second

*Large deal wins for 3 consecutive quarter in an environment of higher number of short cycle deals is impressive.*

*Coforge won -1) \$105 mn large deal in Q1, 2) two \$50 mn large deals in Q2 and 3) \$45 mn large deal in Q3.*

*Strong client mining efforts have led to doubling of \$10 mn clients in last one year.*

*Coforge is aggressively hiring freshers. Fresher count in FY22 is expected to be 6x times the fresher count two years back and 3x times in FY21*

consecutive quarter. Management expects growth in Advantage Go to come back in Q4.

- **Travel is expected to grow strongly in FY23** given recovery in new account opening and wallet share expansion. As per SITA's survey 85% of CIOs and CTOs in travel industry are expected to expand IT budgets in CY22.
- **Healthy order intake with consistent large deal wins:** Order intake during the quarter was \$247 mn (-13% QoQ, 29% YoY) including one large 6-year deal win of \$45 mn from European Public sector client. Next 12 months' executable order book is \$701 Mn, +2% QoQ and 40% YoY with organic component of \$616 mn, +23% YoY. Order intake was spread across US (\$91 Mn), EMEA (\$110 mn) and RoW (\$47 mn) each.
- **Upgrade in revenue guidance:** Coforge increased consolidated revenue growth guidance to 37% YoY CC in FY22 vs 35% guided earlier. Management mentioned that organic revenue is expected to grow 24% YoY CC and SLK to grow at par with organic business (~22-23%) YoY CC in FY22. (only 11 months' revenue of SLK will consolidated in FY22). Guidance is largely in-line with our estimates and implies overall revenue growth of 3.5-4% QoQ USD in 4QFY22.
- **Expansion in margins despite supply side pressures:** EBIT Margin came at 14.8%, +120bps QoQ (Ple: 15.1%, Cons: 14.8%). Margin headwinds of higher hiring and retention costs, sequential decline in Advantage Go revenue, furloughs and drop in utilization (-140bps QoQ) were offset by strong growth in offshoring and lower SG&A costs (-54bps QoQ).
- **Rising share of offshore revenue aiding margins:** Large deals are turning out to be margin lever for Coforge as they are aiding in improving offshore revenue mix (+800bps YoY, 46% in Q3). Management mentioned that offshore revenue mix is sustainable and has further scope to improve.
- **Margin guidance:** It expects adjusted EBITDA (excluding acquisition related and ESOP cost) to grow 44% YoY translating to EBITDA margin ~19% for FY22. Margin levers for Q4 are – 1) increase in offshore mix, 2) come back of growth in Advantage Go, 3) no impact of furloughs and lower billing days in Q4, 4) Utilization expected to increase QoQ, 5) operating leverage and 6) pyramid optimization. Adjusted EBITDA margins in Q4 are expected to be ~20.8% (vs 19.5% in Q3FY22)
- **Continued strong headcount addition; attrition amongst lowest in the industry:** Strong headcount addition continued with total billable net-addition in IT headcount of 1087, +8% QoQ, 40% YoY. Overall net addition was 1344, +6.5% QoQ. Attrition at 16.3% continues to be amongst the lowest in the industry (vs 15.3% in 2Q22).
- **Increased investments in sales and marketing:** Coforge continues to invest very strongly in front end sales and capabilities. They hired 2 Executive Vice Presidents – 1) Global head of sales for BFS and BPS (SLK). He will report to current BFS business head and will be responsible for joint sales of BFS and BPS (SLK). He earlier held the position of transformation head of one of the largest BPS company. 2) Sales head for insurance business in North America with previous experience in Tier 1 organization.

- DSO days increased by 4 days QoQ to 70. Board announced third interim dividend of INR 13 per share. Board has declared similar dividend in Q1 and Q2 as well translating to dividend payout of 51% in 9MFY22.

#### Exhibit 1: Q3FY22: Quick view on results

Rs mn	3QFY22	2QFY22	QoQ gr.	3QFY21	YoY gr.	PLe	Variance(PL VS ACTUAL)
Revenue (USDmn)	221.6	212.8	4.1%	160.8	37.8%	220.2	0.6%
Revenue	16581	15694	5.7%	11906	39.3%	16473	0.7%
EBITDA	3020	2737	10.3%	2009	50.3%	3142	-3.9%
EBITDA Margin	18.2%	17.4%	77 bps	16.9%	134 bps	19.1%	-86 bps
EBIT Margin	14.8%	13.6%	117 bps	13.0%	181 bps	15.1%	-27 bps
Adj. PAT	1837	1468	25.1%	1220	50.6%	1837	0.0%
EPS	30.3	24.2	25.1%	20.1	50.6%	30.3	0.0%

Source: Company, PL

## Valuations

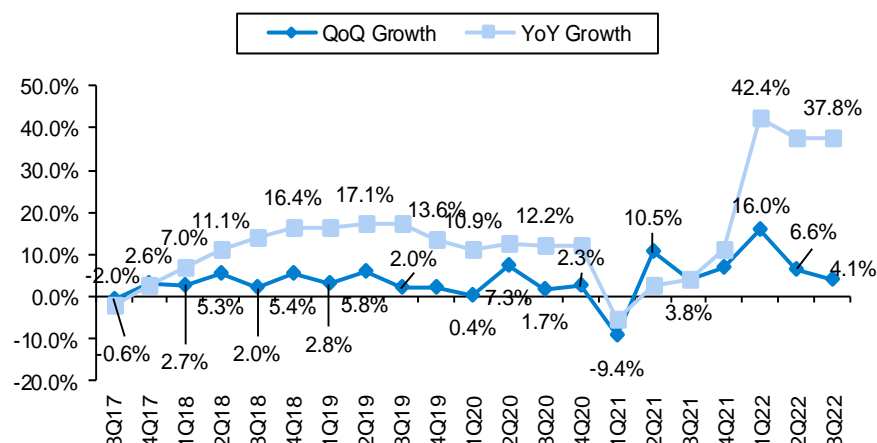
We continue to like Coforge given 1) acceleration in organic growth momentum, 2) consistent strong large deal wins with increasing deal sizes, 3) ability to leverage acquisition and partnerships to materially accelerate revenue growth and 5) scope to further improve margins.

Our EPS estimates increase by 2.2%/1.7% for FY23/24 led slight increase in margin estimates. We arrive at DCF based TP of 5778 from earlier Rs. 5708 (implying target multiple of 34x on FY24 EPS). At CMP, stock trades at 30x/26x on FY23/24E EPS of INR 145/172 with Revenue and EPS CAGR of 16%/23% respectively over FY22-24. Reiterate BUY.

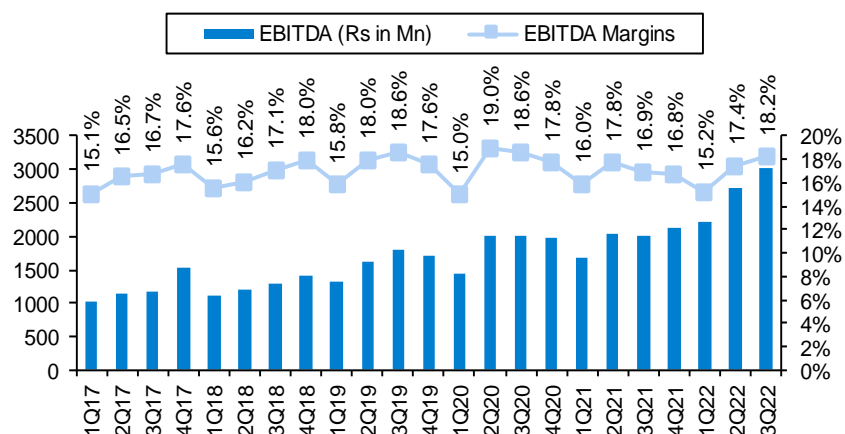
#### Exhibit 2: Change in Estimates

Y/e March	FY22E	FY23E	FY24E
<b>USD revenues (US\$ m)</b>			
- New	864	1,017	1,166
- Old	861	1,007	1,166
Change (%)	0.4%	0.9%	0.0%
<b>EBIT Margin</b>			
- New	14.4%	15.2%	15.2%
- Old	14.0%	15.0%	15.0%
Change (%)	44 bps	17 bps	24 bps
<b>Recurring EPS - Fully diluted (Rs)</b>			
- New	113.6	145.2	171.8
- Old	108.3	142.1	169.0
Change (%)	4.9%	2.2%	1.7%

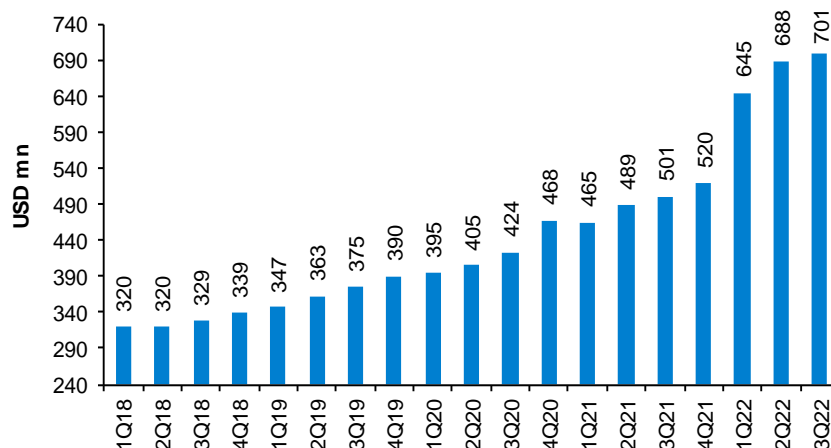
Source: PL

**Exhibit 3: Healthy sequential growth despite seasonal weakness**


Source: Company, PL, Organic revenue growth of 2.9% QoQ USD

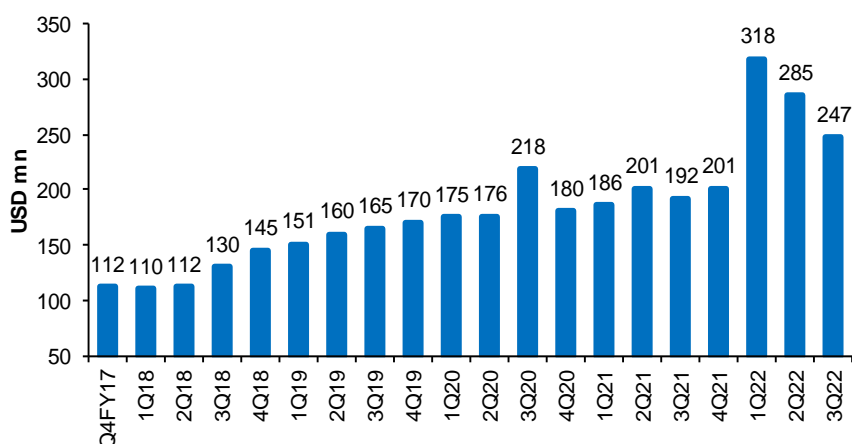
**Exhibit 4: Strong recovery in margins**


Source: Company, PL

**Exhibit 5: Next 12 months executable order book is up 40% YoY**


Source: Company, PL

Exhibit 6: Healthy deal win momentum, order book up 29% YoY



Source: Company, PL

Exhibit 7: Geography-wise revenues

Geography revenues (USD Mn)	3QFY22	2QFY22	QoQ gr.	3QFY21	YoY gr.
Americas	118.1	110.7	6.7%	78.8	50%
EMEA	74.7	68.1	9.7%	57.9	29%
RoW	28.8	31.9	-9.7%	24.1	19%
<b>Total</b>	<b>221.6</b>	<b>210.7</b>	<b>5.2%</b>	<b>160.8</b>	<b>38%</b>
<b>-as a % of total sales</b>					
Americas	53%	52%	130bp	49%	430bp
EMEA	34%	32%	170bp	36%	-230bp
RoW	13%	15%	-200bp	15%	-200bp

Source: Company, PL;

Exhibit 8: Vertical-wise revenues

Vertical revenues (USD mn)	3QFY22	2QFY22	QoQ gr.	3QFY21	YoY gr.
BFS	62.0	51.3	21.0%	28.9	114%
Insurance	62.0	62.1	-0.1%	51.5	21%
Travel and Transport	39.9	39.6	0.8%	32.2	24%
Others	55.4	59.8	-7.4%	48.2	15%
<b>Total</b>	<b>219.4</b>	<b>212.8</b>	<b>3.1%</b>	<b>160.8</b>	<b>36%</b>
<b>-as a % of total sales</b>					
BFS	28%	24%	390bp	18%	1000bp
Insurance	28%	29%	-120bp	32%	-400bp
Travel and Transport	18%	19%	-60bp	20%	-200bp
Others	25%	28%	-310bp	30%	-500bp

Source: Company, PL;

## Exhibit 9: Service Line Revenues

Service Revenues (USD mn)	3QFY22	2QFY22	QoQ gr.	3QFY21	YoY gr.
Product Engineering	23.9	27.0	-11.4%	26.7	-10%
Data & Integration	45.4	43.8	3.6%	30.9	47%
Intelligent Automation	31.0	30.4	2.0%	24.6	26%
CIMS	41.2	36.2	13.9%	31.7	30%
ADM	54.7	50.9	7.6%	44.5	23%
BPM	25.3	24.7	2.3%	2.4	947%
<b>Total</b>	<b>221.6</b>	<b>213.0</b>	<b>4.0%</b>	<b>160.8</b>	<b>38%</b>
<b>-as a % of total sales</b>					
Product Engineering	11%	13%	-190bp	17%	-580bp
Data & Integration	21%	21%	-10bp	19%	130bp
Intelligent Automation	14%	14%	-30bp	15%	-130bp
CIMS	19%	17%	160bp	20%	-110bp
ADM	25%	24%	80bp	28%	-300bp
BPM	11%	12%	-20bp	2%	990bp

Source: Company, PL

## Exhibit 10: Revenue by Geography

USD mn	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22
Americas	72.9	72.6	71.2	65.9	74.4	78.8	79.2	103.0	110.7	118.1
QoQ	7.3%	-0.4%	-1.9%	-7.4%	12.8%	6.0%	0.5%	30.2%	7.4%	6.7%
YoY	12.5%	9.9%	5.3%	-2.9%	2.0%	8.5%	11.2%	56.3%	48.8%	49.9%
EMEA	55.0	56.0	61.9	50.5	55.8	57.9	68.8	70.5	68.1	74.7
QoQ	13.5%	1.7%	10.6%	-18.5%	10.5%	3.8%	18.9%	2.4%	-3.4%	9.7%
YoY	22.4%	25.8%	36.0%	4.1%	1.4%	3.4%	11.2%	39.6%	22.1%	29.0%
RoW	20.8	22.7	21.7	23.8	24.8	24.1	24.1	26.2	31.9	28.8
QoQ	-6.1%	9.0%	-4.5%	10.0%	4.0%	-2.7%	-0.1%	8.6%	22.0%	-9.7%
YoY	-7.3%	-6.5%	-12.7%	7.6%	19.1%	6.3%	11.2%	9.7%	28.8%	19.4%

Source: Company, PL

## Exhibit 11: Revenue by Verticals

USD mn	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22
BFS	25.3	24.2	23.2	23.8	26.3	28.9	29.3	42.1	51.3	62.0
QoQ	14.1%	-4.3%	-4.0%	2.7%	10.5%	9.9%	1.1%	44.0%	21.7%	21.0%
YoY	19.6%	19.6%	5.2%	7.6%	4.2%	19.6%	26.0%	76.7%	94.8%	114.4%
Insurance	46.1	45.4	48.0	46.3	52.7	51.5	53.4	61.5	62.1	62.0
QoQ	14.8%	-1.6%	5.8%	-3.6%	13.8%	-2.3%	3.7%	15.3%	1.0%	-0.1%
YoY	20.3%	12.2%	24.2%	15.2%	14.3%	13.4%	11.2%	32.9%	18.0%	20.6%
Travel and Transport	41.6	43.9	41.8	26.6	29.4	32.2	32.7	37.7	39.6	39.9
QoQ	7.3%	5.3%	-4.7%	-36.2%	10.5%	9.3%	1.7%	15.4%	4.9%	0.8%
YoY	16.7%	25.1%	12.2%	-31.3%	-29.3%	-26.7%	-21.8%	41.6%	34.5%	24.0%
Manufacturing and Media	35.7	37.8	41.8	42.1	46.5	48.2	56.8	58.3	59.8	55.4
QoQ	-4.6%	6.0%	10.5%	0.7%	10.5%	3.8%	17.7%	2.7%	2.5%	-7.4%
YoY	-3.6%	-3.3%	4.5%	12.5%	30.2%	27.6%	35.9%	38.6%	28.7%	14.8%

Source: Company, PL

## Exhibit 12: Client Metrics

Client Concentration (%)	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22
Top 5	28	29	27	29	27	27	26	25	24	25	25	23	25
Top 10	40	41	39	39	36	37	38	36	34	36	36	33	36
Between 1 mn - 5mn	62	66	66	70	74	80	81	83	87	88	95	92	94
5mn-10 mn	20	16	17	16	17	15	15	16	17	16	20	22	21
>10mn	8	8	8	9	9	11	11	10	11	11	15	16	18
<b>Total</b>	<b>90</b>	<b>90</b>	<b>91</b>	<b>95</b>	<b>100</b>	<b>106</b>	<b>107</b>	<b>109</b>	<b>115</b>	<b>115</b>	<b>130</b>	<b>130</b>	<b>133</b>

Source: Company, PL

## Exhibit 13: Revenue Mix

	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22
Onsite	65%	66%	66%	66%	64%	64%	62%	64%	62%	61%	60%	56%	54%
Offshore	35%	34%	34%	34%	36%	36%	38%	36%	38%	39%	40%	44%	46%

Source: Company, PL

## Exhibit 14: Employee Metrics

Billable Personnel	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22
Onsite	2408	2345	2429	2468	2451	2451	2260	2524	2506	2536	3361	3458	3360
Offshore	6881	7018	7063	7453	7515	7823	7476	7757	8032	8933	15378	16121	17578
<b>Total Billable</b>	<b>9289</b>	<b>9363</b>	<b>9492</b>	<b>9921</b>	<b>9966</b>	<b>10274</b>	<b>9736</b>	<b>10281</b>	<b>10538</b>	<b>11469</b>	<b>18739</b>	<b>19579</b>	<b>20938</b>
Sales & Marketing (Excl GIS)	114	122	141	185	185	170	184	191	189	188	258	297	281
Sales & Marketing (GIS)	94	89	0	0	0	0	0	0	0	0	0	0	0
Others	647	689	664	694	698	712	678	690	697	734	1494	910	911
<b>Grand Total</b>	<b>10144</b>	<b>10263</b>	<b>10297</b>	<b>10800</b>	<b>10849</b>	<b>11156</b>	<b>10598</b>	<b>11162</b>	<b>11424</b>	<b>12391</b>	<b>20491</b>	<b>20786</b>	<b>22130</b>
Net addition	119	119	34	503	49	307	(558)	564	262	967	8,100	295	1,344
<b>Capacity Utilization</b>	<b>79.0%</b>	<b>79.3%</b>	<b>80.5%</b>	<b>80.7%</b>	<b>79.3%</b>	<b>78.1%</b>	<b>77.0%</b>	<b>81.0%</b>	<b>78.9%</b>	<b>81.0%</b>	<b>77.0%</b>	<b>78.5%</b>	<b>77.1%</b>
Attrition (%)	11.7	12.2	12.9	12.3	11.9	11.8	11.8	10.5	10.4	10.5	12.6	15.3	16.3

Source: Company, PL

## Exhibit 15: Strong Order Book

Figures in USD Mn	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22
Fresh Order Intake	165	170	175	176	218	180	186	201	192	201	318	285	247
Executable Order Book over Next 12 months	375	390	395	405	424	468	465	489	501	520	645	688	701

Source: Company, PL

## Financials

### Income Statement (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
<b>Net Revenues</b>	<b>42,064</b>	<b>46,628</b>	<b>63,916</b>	<b>77,269</b>
YoY gr. (%)	14.4	10.9	37.1	20.9
Employee Cost	27,528	31,693	43,421	51,184
Gross Profit	14,536	14,935	20,495	26,085
Margin (%)	34.6	32.0	32.1	33.8
SG&A Expenses	7,096	6,544	8,977	11,288
Other Expenses	-	-	-	-
<b>EBITDA</b>	<b>7,440</b>	<b>8,391</b>	<b>11,518</b>	<b>14,798</b>
YoY gr. (%)	15.3	12.8	37.3	28.5
Margin (%)	17.7	18.0	18.0	19.2
Depreciation and Amortization	1,730	1,836	2,284	3,091
<b>EBIT</b>	<b>5,710</b>	<b>6,555</b>	<b>9,234</b>	<b>11,707</b>
Margin (%)	13.6	14.1	14.4	15.2
Net Interest	-	-	-	-
Other Income	558	113	(127)	140
<b>Profit Before Tax</b>	<b>6,268</b>	<b>6,668</b>	<b>9,107</b>	<b>11,847</b>
Margin (%)	14.9	14.3	14.2	15.3
Total Tax	1,278	1,302	1,717	2,488
Effective tax rate (%)	20.4	19.5	18.8	21.0
<b>Profit after tax</b>	<b>4,990</b>	<b>5,366</b>	<b>7,391</b>	<b>9,359</b>
Minority interest	236	104	509	560
Share Profit from Associate	-	-	-	-
<b>Adjusted PAT</b>	<b>4,754</b>	<b>5,262</b>	<b>6,882</b>	<b>8,799</b>
YoY gr. (%)	14.7	10.7	30.8	27.9
Margin (%)	11.3	11.3	10.8	11.4
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>4,754</b>	<b>5,262</b>	<b>6,882</b>	<b>8,799</b>
YoY gr. (%)	14.7	10.7	30.8	27.9
Margin (%)	11.3	11.3	10.8	11.4
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	4,754	5,262	6,882	8,799
<b>Equity Shares O/s (m)</b>	<b>63</b>	<b>61</b>	<b>61</b>	<b>61</b>
<b>EPS (Rs)</b>	<b>76.1</b>	<b>86.8</b>	<b>113.6</b>	<b>145.2</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>6,702</b>	<b>5,980</b>	<b>7,480</b>	<b>8,980</b>
Tangibles	4,805	4,516	5,416	6,316
Intangibles	1,897	1,464	2,064	2,664
<b>Acc: Dep / Amortization</b>	-	-	-	-
Tangibles	-	-	-	-
Intangibles	-	-	-	-
<b>Net fixed assets</b>	<b>6,702</b>	<b>5,980</b>	<b>7,480</b>	<b>8,980</b>
Tangibles	4,805	4,516	5,416	6,316
Intangibles	1,897	1,464	2,064	2,664
Capital Work In Progress	3	2	2	2
Goodwill	4,091	4,226	4,226	4,226
Non-Current Investments	650	1,829	1,839	1,849
Net Deferred tax assets	905	1,253	1,293	1,333
Other Non-Current Assets	140	254	254	254
<b>Current Assets</b>				
Investments	137	124	224	324
Inventories	-	-	-	-
Trade receivables	8,565	8,895	11,382	13,760
Cash & Bank Balance	9,034	8,122	13,376	14,260
Other Current Assets	1,347	1,437	1,437	1,437
<b>Total Assets</b>	<b>34,398</b>	<b>35,134</b>	<b>44,535</b>	<b>49,457</b>
<b>Equity</b>				
Equity Share Capital	625	606	606	606
Other Equity	23,340	24,055	28,191	33,480
<b>Total Network</b>	<b>23,965</b>	<b>24,661</b>	<b>28,797</b>	<b>34,086</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	48	5	4,301	3,301
Provisions	593	696	696	696
Other non current liabilities	206	506	206	231
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	2,634	3,398	3,448	3,498
Other current liabilities	5,308	5,027	6,236	6,784
<b>Total Equity &amp; Liabilities</b>	<b>34,398</b>	<b>35,134</b>	<b>44,535</b>	<b>49,457</b>

Source: Company Data, PL Research



### Cash Flow (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
PBT	6,251	6,668	9,107	11,847
Add. Depreciation	1,730	1,836	2,284	3,091
Add. Interest	-	-	-	-
Less Financial Other Income	558	113	(127)	140
Add. Other	-	-	-	-
Op. profit before WC changes	7,981	8,504	11,391	14,938
Net Changes-WC	(1,729)	(1,449)	(1,628)	(1,853)
Direct tax	(1,278)	(1,302)	(1,717)	(2,488)
<b>Net cash from Op. activities</b>	<b>4,974</b>	<b>5,753</b>	<b>8,047</b>	<b>10,597</b>
Capital expenditures	(1,500)	(2,473)	(1,500)	(1,500)
Interest / Dividend Income	-	-	-	-
Others	3,514	13	(100)	(100)
<b>Net Cash from Invt. activities</b>	<b>2,014</b>	<b>(2,460)</b>	<b>(1,600)</b>	<b>(1,600)</b>
Issue of share cap. / premium	1	-	-	-
Debt changes	(28)	516	4,296	(1,000)
Dividend paid	(1,890)	(2,099)	(2,746)	(3,511)
Interest paid	-	-	-	-
Others	-	-	-	-
<b>Net cash from Fin. activities</b>	<b>(1,917)</b>	<b>(1,583)</b>	<b>1,550</b>	<b>(4,511)</b>
<b>Net change in cash</b>	<b>5,071</b>	<b>1,710</b>	<b>7,997</b>	<b>4,486</b>
Free Cash Flow	3,474	3,280	6,547	9,097

Source: Company Data, PL Research

### Quarterly Financials (Rs m)

Y/e Mar	Q4FY20	Q1FY21	Q2FY21	Q3FY21
<b>Net Revenue</b>	<b>11,093</b>	<b>10,570</b>	<b>11,537</b>	<b>11,906</b>
YoY gr. (%)	14.1	9.1	10.1	10.3
Raw Material Expenses	7,289	7,241	7,776	8,096
Gross Profit	3,804	3,329	3,761	3,810
Margin (%)	34.3	31.5	32.6	32.0
<b>EBITDA</b>	<b>1,988</b>	<b>1,806</b>	<b>2,172</b>	<b>2,145</b>
YoY gr. (%)	16.5	24.4	8.9	7.0
Margin (%)	17.9	17.1	18.8	18.0
Depreciation / Depletion	433	465	460	462
<b>EBIT</b>	<b>1,555</b>	<b>1,341</b>	<b>1,712</b>	<b>1,683</b>
Margin (%)	14.0	12.7	14.8	14.1
Net Interest	-	-	-	-
Other Income	180	48	(63)	19
<b>Profit before Tax</b>	<b>1,735</b>	<b>1,389</b>	<b>1,649</b>	<b>1,702</b>
Margin (%)	15.6	13.1	14.3	14.3
Total Tax	348	260	303	331
Effective tax rate (%)	20.1	18.7	18.4	19.4
<b>Profit after Tax</b>	<b>1,387</b>	<b>1,129</b>	<b>1,346</b>	<b>1,371</b>
Minority interest	106	30	15	15
Share Profit from Associates	-	-	-	-
<b>Adjusted PAT</b>	<b>1,153</b>	<b>919</b>	<b>1,331</b>	<b>1,356</b>
YoY gr. (%)	9.2	(2.2)	3.0	4.5
Margin (%)	10.4	8.7	11.5	11.4
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>1,153</b>	<b>919</b>	<b>1,331</b>	<b>1,356</b>
YoY gr. (%)	9.2	(2.2)	3.0	4.5
Margin (%)	10.4	8.7	11.5	11.4
Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income</b>	<b>1,153</b>	<b>919</b>	<b>1,331</b>	<b>1,356</b>
Avg. Shares O/s (m)	63	63	61	61
<b>EPS (Rs)</b>	<b>18.4</b>	<b>14.7</b>	<b>21.9</b>	<b>22.4</b>

Source: Company Data, PL Research

### Key Financial Metrics

Y/e Mar	FY20	FY21E	FY22E	FY23E
<b>Per Share(Rs)</b>				
EPS	76.1	86.8	113.6	145.2
CEPS	103.7	117.1	151.2	196.2
BVPS	383.4	406.9	475.2	562.5
FCF	55.6	54.1	108.0	150.1
DPS	25.0	28.7	37.5	47.9
<b>Return Ratio(%)</b>				
RoCE	25.5	26.9	32.0	33.2
ROIC	30.6	32.1	38.4	40.6
RoE	21.3	21.6	25.7	28.0
<b>Balance Sheet</b>				
Net Debt : Equity (x)	(0.4)	(0.3)	(0.3)	(0.3)
Debtor (Days)	74	70	65	65
<b>Valuation(x)</b>				
PER	57.9	50.7	38.8	30.3
P/B	11.5	10.8	9.3	7.8
P/CEPS	42.4	37.6	29.1	22.4
EV/EBITDA	35.7	30.8	22.3	17.3
EV/Sales	6.3	5.5	4.0	3.3
Dividend Yield (%)	0.6	0.7	0.9	1.1

Source: Company Data, PL Research

## Price Chart

## Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	4-Jan-22	BUY	5,708	5,973
2	25-Oct-21	BUY	5,596	5,069
3	5-Oct-21	BUY	5,496	5,338
4	6-Aug-21	BUY	5,393	4,790
5	29-Jul-21	BUY	5,306	4,749
6	2-Jul-21	BUY	4,327	4,194
7	18-Jun-21	BUY	4,325	3,979
8	6-May-21	BUY	3,762	3,396
9	5-Apr-21	BUY	3,020	2,924
10	29-Jan-21	BUY	3,051	2,420

## Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Affle (India)	BUY	1,530	1,194
2	Coforge	BUY	5,708	5,973
3	Cyient	BUY	1,293	976
4	HCL Technologies	BUY	1,398	1,337
5	Infosys	BUY	2,234	1,877
6	L&T Technology Services	BUY	5,714	5,421
7	Larsen & Toubro Infotech	BUY	7,503	6,697
8	Mindtree	BUY	5,249	4,744
9	Mphasis	BUY	3,868	3,051
10	Persistent Systems	BUY	4,970	4,302
11	Redington (India)	BUY	215	147
12	Sonata Software	BUY	1,011	858
13	Tata Consultancy Services	BUY	4,468	3,860
14	TeamLease Services	Accumulate	4,429	3,800
15	Tech Mahindra	BUY	1,945	1,722
16	Wipro	BUY	737	691
17	Zensar Technologies	BUY	517	416

## 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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