

April 28, 2022

Q4FY22 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

| | Current | | Previous | |
|----------------|---------|--------|----------|--------|
| | FY23E | FY24E | FY23E | FY24E |
| Rating | BUY | | BUY | |
| Target Price | 4,915 | | 5,160 | |
| Sales (Rs. m) | 77,691 | 91,140 | 77,691 | 90,862 |
| % Chng. | - | 0.3 | | |
| EBITDA (Rs. m) | 13,408 | 16,095 | 13,429 | 16,045 |
| % Chng. | (0.2) | 0.3 | | |
| EPS (Rs.) | 115.5 | 130.8 | 115.9 | 130.1 |
| % Chng. | (0.4) | 0.5 | | |

Key Financials - Consolidated

| Y/e Mar | FY21 | FY22 | FY23E | FY24E |
|----------------|--------|--------|--------|--------|
| Sales (Rs. m) | 41,879 | 57,107 | 77,691 | 91,140 |
| EBITDA (Rs. m) | 6,830 | 9,582 | 13,408 | 16,095 |
| Margin (%) | 16.3 | 16.8 | 17.3 | 17.7 |
| PAT (Rs. m) | 4,507 | 6,904 | 9,239 | 10,458 |
| EPS (Rs.) | 56.4 | 86.3 | 115.5 | 130.8 |
| Gr. (%) | 32.4 | 53.2 | 33.8 | 13.2 |
| DPS (Rs.) | 14.7 | 22.6 | 30.2 | 37.6 |
| Yield (%) | 0.3 | 0.5 | 0.7 | 0.9 |
| RoE (%) | 17.4 | 22.4 | 25.0 | 23.9 |
| RoCE (%) | 19.5 | 23.5 | 24.9 | 25.7 |
| EV/Sales (x) | 7.5 | 5.6 | 4.1 | 3.1 |
| EV/EBITDA (x) | 45.9 | 33.5 | 24.0 | 17.8 |
| PE (x) | 76.5 | 49.9 | 37.3 | 32.9 |
| P/BV (x) | 11.8 | 9.8 | 8.2 | 6.3 |

Key Data

PERS.BO | PSYS IN

| | |
|---------------------|---------------------|
| 52-W High / Low | Rs.4,988 / Rs.1,925 |
| Sensex / Nifty | 57,521 / 17,245 |
| Market Cap | Rs.329bn/ \$ 4,305m |
| Shares Outstanding | 76m |
| 3M Avg. Daily Value | Rs.1390.18m |

Shareholding Pattern (%)

| | |
|-------------------------|-------|
| Promoter's | 34.40 |
| Foreign | 20.03 |
| Domestic Institution | 26.76 |
| Public & Others | 18.81 |
| Promoter Pledge (Rs bn) | - |

Stock Performance (%)

| | 1M | 6M | 12M |
|----------|-------|------|-------|
| Absolute | (7.0) | 8.0 | 119.7 |
| Relative | (6.9) | 12.7 | 90.0 |

Aditi Patil

aditipatil@plindia.com | 91-22-66322258

Persistent Systems (PSYS IN)

Rating: BUY | CMP: Rs4,309 | TP: Rs4,915

Consistent strong performance

Quick Pointers:

- Aspire to maintain EBIT margins at ~14%; but growth will remain first priority.
- TTM ACV at \$943.1mn with Book-to-bill at 1.23x and 36% YoY growth in headcount indicate strong revenue growth momentum in FY23.

Persistent delivered consistently strong (9%+ QoQ) revenue growth since past four quarters. We believe it will continue to deliver industry leading growth and model 33.5% YoY USD growth in FY23E given – 1) strong TTM ACV of \$943.1mn with book-to-bill at 1.23x, 2) incremental revenue contribution (~11%) from acquisitions, 3) opportunity to capture higher share of fast growing cloud services market led by strengthened hyperscaler partnerships due to Data Glove and Media Agility acquisitions and expansion of Payments BU (SCI acquisition). Flattish QoQ EBIT margins in Q4, dip in LTM attrition (-30bps QoQ) and aspiration to maintain EBIT margins at FY22 levels (~14%) is impressive. We believe margins can be maintained (13.8% in FY23E) aided by tailwinds from revenue growth leverage, pyramid optimization, improvement in margin profile of one of the IP deal, improved pricing and currency depreciation.

Our EPS estimates remain largely unchanged. We arrive at DCF based target price of Rs. 4915 (earlier Rs. 5160) with implied target multiple of 38x (earlier: 40x) factoring increase in risk free rate to 7.2% (earlier 6.8%). Persistent is currently trading at 37x/33x earnings multiple on FY23/24 EPS of INR 116/131 respectively with Revenue/EPS CAGR of 24%/23% over FY22-24. Maintain Buy.

- Strong 9%+ QoQ for four consecutive quarters:** Persistent reported revenue of \$217.3 mn, +9.1% QoQ USD (Ple: 8%, Cons: 6.6%) led by organic growth of 6.8% QoQ USD and ~\$9.2 mn contribution from acquisitions - SCI, Shree Partners and Data Glove (one-month integration). Growth was broad-based across markets and verticals.
- Services volume growth (onsite 17.7% QoQ, offshore 9.8%) as well as price rate increase (onsite: 2.1%, offshore 1.5%) was strong. Onsite volume growth in Q4 was led by higher increase in revenue share from Europe and improvement in SCI Fusion contribution.
- IP led revenue declined by 17.7% QoQ USD, due to restructuring of a contract from revenue sharing based pricing to T&M pricing having impact of \$4 mn QoQ and seasonal weakness. This is also reflected in 12.7% QoQ USD decline in top client. Restructuring will improve margin profile in IP business to company level margins, going forward. Management mentioned that IP revenues are expected to grow at ~10-15% YoY USD in FY23.
- Sustained strong deal TCV:** Deal TCV of \$361 mn, 8% QoQ, 46% YoY with 54% net new wins. ACV stood at \$261.9 mn, -10% QoQ, 30% YoY with 50% net new wins. TTM Deal TCV is now at \$1.2 bn and TTM ACV is at \$0.9 bn.

Consistent strong deal wins led to TTM \$1.22 bn and TTM ACV is at \$0.94 bn.

TTM ACV Book-to-Bill ratio stands at 1.23x

Persistent delivered strong growth across Top 2-5 (8.6%QoQ USD), top 6-10 (17.7% QoQ USD) and Top 11-20 (19.6% QoQ USD) clients

ACV/TCV ratio of 0.77 implies higher share of short cycle deals. Pipeline remains healthy despite strong bookings.

- Persistent has not yet seen incremental material deals due to shifting of IT delivery from Eastern Europe to other regions. However, deal discussions on the same are progressing.
- **Beat in margins:** EBIT margin was flat QoQ at 14% (Ple: 13.5%, Cons: 13.7%). Headwinds from one-time integration costs of acquisitions were offset by tailwinds from currency benefits and one-time reversal of doubtful debt provision. Gross margins decreased by 10bps QoQ led by increase in travel costs. Sub-con costs declined by 50bps QoQ.
- **Aspire to maintain EBIT margin at FY22 levels of ~14%:** Margin headwinds from higher than normal wage hikes (in Q2FY23) due to high inflation and 50bps incremental amortization cost in FY23 due to acquisitions is expected to be offset by pyramid optimization, revenue growth leverage and pricing benefits from customers. Management aspires to maintain margins at ~14% levels; however, growth will remain first priority.
- Utilization (blended) further decreased by 240bps QoQ to 80.6% led by 290bps decline in offshore utilization in Q4 because of aggressive fresher hiring and additional capacity creation for future ramp ups.
- **Continued strong headcount addition:** Hiring was strong with net addition of 1610 employees, 9.5% QoQ, 36% YoY. They have hired 3.8K freshers in FY22 who are expected to join in H1FY23 and plan to add ~3K in FY23.
- **LTM attrition declined slightly to 26.6% (vs 26.9% in Q3) implying considerable decline in QoQ annualized attrition.** However, management mentioned that attrition is expected to remain volatile over next couple of quarters.
- OCF/EBITDA is lower in Q4 at 62% because annual insurance premium payouts were made in March this year instead of April and billing of efforts on deals signed in Q3 got shifted to April. Adjusted OCF/EBITDA is at 87% for Q4 and ~92% for FY22.
- Persistent has added several senior leaders in Q4, in-line with their expectations to deliver industry leading growth
- Persistent has been delivering consistent strong performance on revenue as well as margin front in last six quarters. It delivered industry leading growth of 35.2% YoY USD (32.8% YoY USD organic) and EBIT margin of 13.9% (+175 bps YoY) in FY22. Board of directors declared final dividend of Rs. 11 per share resulting in total DPS of Rs. 31 per share in FY22 (34% payout).

Exhibit 1: Q4FY22 Result Summary

| Particulars (Rs mn) | 4QFY22 | 3QFY22 | QoQ gr. | 4QFY21 | YoY gr. | Ple | Var (ACT. Vs. Est) |
|---------------------|--------|--------|---------|--------|---------|--------|--------------------|
| Sales (USD mn) | 217 | 199 | 9.1% | 153 | 42.2% | 215 | 1.1% |
| Sales | 16,379 | 14,917 | 9.8% | 11,134 | 47.1% | 16,167 | 1.3% |
| EBITDA | 2,812 | 2,511 | 12.0% | 1,883 | 49.3% | 2,684 | 4.8% |
| EBITDA Margins | 17.2% | 16.8% | 34bp | 16.9% | 25bp | 16.6% | 56.7 |
| EBIT | 2,300 | 2,083 | 10.4% | 1,464 | 57.1% | 2,183 | 5.4% |
| EBIT Margins | 14.0% | 14.0% | 8bp | 13.2% | 89bp | 13.5% | 54.5 |
| PAT | 2,010 | 1,764 | 13.9% | 1,378 | 45.9% | 1,924 | 4.5% |
| EPS (diluted) | 25.1 | 22.1 | 13.9% | 17.2 | 45.9% | 24.1 | 4.5% |

Source: Company, PL

Exhibit 2: Strong Deal win momentum

| Deal win TCV | Q3FY21 | Q4FY21 | Q1FY22 | Q2FY22 | Q3FY22 | Q4FY22 |
|--------------|--------|--------|--------|--------|--------|--------|
| Deal TCV | 302 | 246.5 | 244.8 | 282.5 | 334.3 | 361.0 |
| QoQ | | -18% | -1% | 15% | 18% | 8% |
| New Deal TCV | 175.5 | 137.7 | 147.7 | 149.3 | 157.6 | 195.1 |
| New Deal (%) | 58% | 56% | 60% | 53% | 47% | 54% |
| Deal ACV | 256 | 200.7 | 188.8 | 201.1 | 291.3 | 261.9 |
| QoQ | | -22% | -6% | 7% | 45% | -10% |
| New Deal ACV | 140.1 | 96.9 | 93.5 | 108.8 | 128.6 | 131 |
| New Deal | | 48% | 50% | 54% | 44% | 50% |

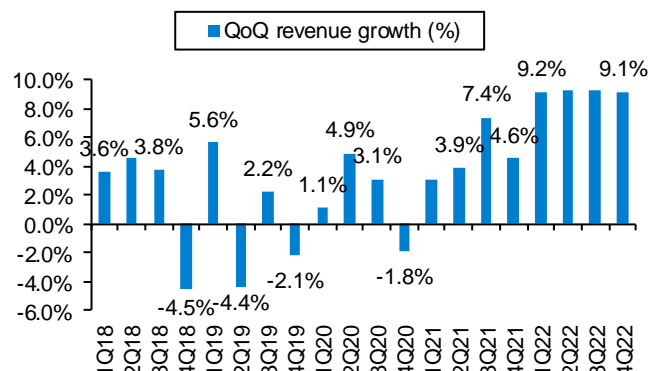
Source: Company, PL

Exhibit 3: Change in Estimates

| | FY23E | FY24E |
|------------------------------------|--------|-------|
| USD revenues (US\$ m) | | |
| - New | 1,022 | 1,184 |
| - Old | 1,022 | 1,180 |
| Change (%) | 0.0% | 0.3% |
| EBIT Margin | | |
| - New | 13.8% | 14.2% |
| - Old | 13.8% | 14.2% |
| Change (%) | -3 bps | 0 bps |
| Recurring EPS - Fully diluted (Rs) | | |
| - New | 115.5 | 130.7 |
| - Old | 115.9 | 130.1 |
| Change (%) | -0.4% | 0.5% |

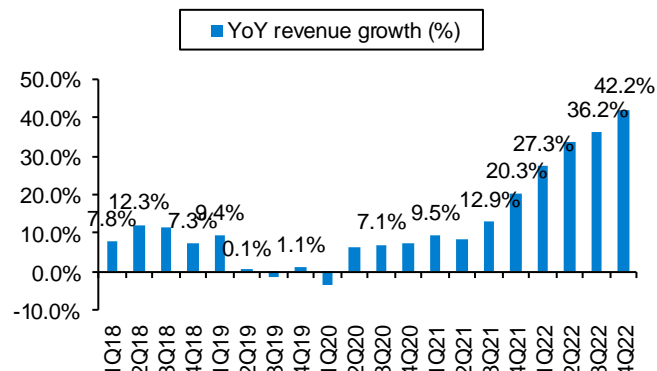
Source: Company, PL

Exhibit 4: Strong 9%+ QoQ growth for last 4 quarters



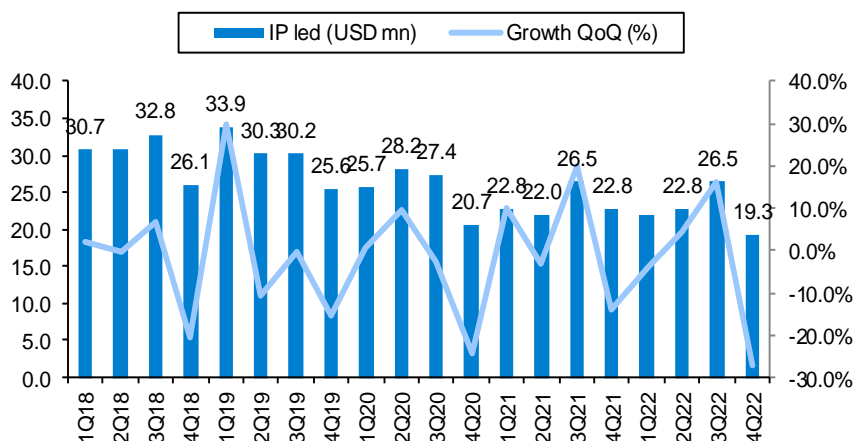
Source: Company, PL

Exhibit 5: Strong YoY growth momentum



Source: Company, PL

Exhibit 6: Restructuring of contract from license based to T&M pricing led to sharp decline in IP led business



Source: Company, PL

Exhibit 7: Geography-wise revenues

| USD in Mn | 4QFY22 | 3QFY22 | QoQ gr. | 4QFY21 | YoY gr. |
|-------------------------|--------------|--------------|-----------|--------------|--------------|
| America | 170.8 | 157.7 | 8.3% | 121.0 | 41.1% |
| Europe | 18.3 | 16.5 | 10.5% | 15.3 | 19.5% |
| APAC | 28.2 | 24.9 | 13.5% | 16.5 | 71.2% |
| Total | 217.3 | 199.1 | 9% | 152.8 | 42.2% |
| -as a % of sales | | | | | |
| America | 78.6% | 79.2% | -60bp | 79.2% | -60bp |
| Europe | 8.4% | 8.3% | 10bp | 10.0% | -160bp |
| APAC | 13.0% | 12.5% | 50bp | 10.8% | 220bp |

Source: Company, PL

Exhibit 8: Vertical-wise revenues

| USD in Mn | 4QFY22 | 3QFY22 | QoQ gr. | 4QFY21 | YoY gr. |
|---------------------------------|---------------|---------------|-------------|---------------|--------------|
| BFSI | 70.41 | 64.11 | 9.8% | 45.99 | 53.1% |
| Healthcare & Life Science | 44.98 | 41.21 | 9.1% | 29.49 | 52.5% |
| Tech. Cos. & Emerging Verticals | 101.91 | 93.78 | 8.7% | 77.32 | 31.8% |
| Total | 217.30 | 199.10 | 9.1% | 152.80 | 42.2% |
| -as a % of sales | | | | | |
| BFSI | 32.40% | 32.20% | 20bp | 30.10% | 230bp |
| Healthcare & Life Science | 20.70% | 20.70% | 0bp | 19.30% | 140bp |
| Tech. Cos. & Emerging Verticals | 46.90% | 47.10% | -20bp | 50.60% | -370bp |

Source: Company, PL

Exhibit 9: Revenue by Industry classification

| USD in Mn | 4QFY22 | 3QFY22 | QoQ gr. | 4QFY21 | YoY gr. |
|-------------------------|--------------|--------------|-----------|--------------|--------------|
| ISV | 198.0 | 172.6 | 15% | 114.0 | 73.6% |
| IP led | 19.3 | 26.5 | -27% | 22.0 | -12.3% |
| Total | 217.3 | 199.1 | 9% | 136.1 | 59.7% |
| -as a % of sales | | | | | |
| ISV | 85.1% | 81.9% | 320bp | 41.7% | 4340bp |
| IP led | 14.9% | 18.1% | -320bp | 16.3% | -140bp |

Source: Company, PL

Exhibit 10: Client Metrics

| Revenue by clients (%) | Q4FY19 | Q1FY20 | Q2FY20 | Q3FY20 | Q4FY20 | Q1FY21 | Q2FY21 | Q3FY21 | Q4FY21 | Q1FY22 | Q2FY22 | Q3FY22 | Q4FY22 |
|------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Top Client | 20.2% | 23.6% | 23.7% | 21.5% | 19.2% | 17.7% | 19.4% | 18.5% | 17.9% | 17.0% | 16.9% | 17.5% | 14.0% |
| Top 5 Clients | 40.0% | 44.6% | 44.3% | 42.3% | 41.5% | 40.8% | 41.6% | 37.8% | 36.4% | 36.5% | 35.8% | 36.1% | 32.5% |
| Top 10 Clients | 50.2% | 52.6% | 53.4% | 51.1% | 49.9% | 49.0% | 50.5% | 47.0% | 46.3% | 46.7% | 45.4% | 45.0% | 42.1% |
| Non Top 10 Clients | 49.8% | 47.4% | 46.6% | 48.9% | 50.1% | 51.0% | 49.5% | 53.0% | 53.7% | 53.3% | 54.6% | 55.0% | 57.9% |

Source: Company, PL

Exhibit 11: Other Operating Metrics

| Billing rates | Q4FY19 | Q1FY20 | Q2FY20 | Q3FY20 | Q4FY20 | Q1FY21 | Q2FY21 | Q3FY21 | Q4FY21 | Q1FY22 | Q2FY22 | Q3FY22 | Q4FY22 |
|-------------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Per Employee Per Month (USD) | | | | | | | | | | | | | |
| Onsite | 16,846 | 16742 | 17155 | 16761 | 17276 | 17036 | 16993 | 16,790 | 16,603 | 17,004 | 16,544 | 16,043 | 16,383 |
| Offshore | 4,385 | 4427 | 4437 | 4420 | 4427 | 4308 | 4304 | 4,204 | 4,203 | 4,286 | 4,307 | 4,252 | 4,317 |
| Billing rates per hour | | | | | | | | | | | | | |
| Rest of the World | 95.7 | 95.1 | 97.5 | 95.2 | 98.2 | 96.8 | 96.6 | 95.4 | 94.3 | 96.6 | 94.0 | 91.2 | 93.1 |
| Growth | 4.0% | -0.6% | 2.5% | -2.3% | 3.1% | -1.4% | -0.3% | -1.2% | -1.1% | 2.4% | -2.7% | -3.0% | 2.1% |
| India | 24.9 | 25.2 | 25.2 | 25.1 | 25.2 | 24.5 | 24.5 | 23.9 | 23.9 | 24.4 | 24.5 | 24.2 | 24.5 |
| Growth | -0.2% | 1.0% | 0.2% | -0.4% | 0.2% | -2.7% | -0.1% | -2.3% | 0.0% | 2.0% | 0.5% | -1.3% | 1.5% |

Source: Company, PL

Financials

Income Statement (Rs m)

| Y/e Mar | FY21 | FY22 | FY23E | FY24E |
|-------------------------------|---------------|---------------|---------------|---------------|
| Net Revenues | 41,879 | 57,107 | 77,691 | 91,140 |
| YoY gr. (%) | 17.4 | 36.4 | 36.0 | 17.3 |
| Employee Cost | 27,650 | 37,895 | 51,308 | 59,788 |
| Gross Profit | 14,229 | 19,213 | 26,383 | 31,352 |
| Margin (%) | 34.0 | 33.6 | 34.0 | 34.4 |
| SG&A Expenses | - | - | - | - |
| Other Expenses | 7,398 | 9,631 | 12,975 | 15,257 |
| EBITDA | 6,830 | 9,582 | 13,408 | 16,095 |
| YoY gr. (%) | 38.6 | 40.3 | 39.9 | 20.0 |
| Margin (%) | 16.3 | 16.8 | 17.3 | 17.7 |
| Depreciation and Amortization | 1,756 | 1,660 | 2,719 | 3,190 |
| EBIT | 5,075 | 7,922 | 10,689 | 12,905 |
| Margin (%) | 12.1 | 13.9 | 13.8 | 14.2 |
| Net Interest | - | - | - | - |
| Other Income | 1,020 | 1,321 | 1,760 | 1,150 |
| Profit Before Tax | 6,094 | 9,243 | 12,449 | 14,055 |
| Margin (%) | 14.6 | 16.2 | 16.0 | 15.4 |
| Total Tax | 1,588 | 2,339 | 3,210 | 3,597 |
| Effective tax rate (%) | 26.1 | 25.3 | 25.8 | 25.6 |
| Profit after tax | 4,507 | 6,904 | 9,239 | 10,458 |
| Minority interest | - | - | - | - |
| Share Profit from Associate | - | - | - | - |
| Adjusted PAT | 4,507 | 6,904 | 9,239 | 10,458 |
| YoY gr. (%) | 32.4 | 53.2 | 33.8 | 13.2 |
| Margin (%) | 10.8 | 12.1 | 11.9 | 11.5 |
| Extra Ord. Income / (Exp) | - | - | - | - |
| Reported PAT | 4,507 | 6,904 | 9,239 | 10,458 |
| YoY gr. (%) | 32.4 | 53.2 | 33.8 | 13.2 |
| Margin (%) | 10.8 | 12.1 | 11.9 | 11.5 |
| Other Comprehensive Income | - | - | - | - |
| Total Comprehensive Income | 4,507 | 6,904 | 9,239 | 10,458 |
| Equity Shares O/s (m) | 76 | 76 | 76 | 69 |
| EPS (Rs) | 56.4 | 86.3 | 115.5 | 130.8 |

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

| Y/e Mar | FY21 | FY22 | FY23E | FY24E |
|---------------------------------------|---------------|---------------|---------------|---------------|
| Non-Current Assets | | | | |
| Gross Block | 4,484 | 12,546 | 13,546 | 14,246 |
| Tangibles | 3,254 | 4,276 | 4,776 | 5,126 |
| Intangibles | 1,230 | 8,270 | 8,770 | 9,120 |
| Acc: Dep / Amortization | - | - | - | - |
| Tangibles | - | - | - | - |
| Intangibles | - | - | - | - |
| Net fixed assets | 4,484 | 12,546 | 13,546 | 14,246 |
| Tangibles | 3,254 | 4,276 | 4,776 | 5,126 |
| Intangibles | 1,230 | 8,270 | 8,770 | 9,120 |
| Capital Work In Progress | 122 | 1,071 | 1,071 | 1,071 |
| Goodwill | 86 | 2,790 | 2,790 | 2,790 |
| Non-Current Investments | 3,782 | 7,740 | 7,840 | 7,940 |
| Net Deferred tax assets | 1,038 | 1,123 | 1,123 | 1,123 |
| Other Non-Current Assets | 442 | 532 | 532 | 532 |
| Current Assets | | | | |
| Investments | 6,375 | 4,347 | 4,347 | 4,347 |
| Inventories | - | - | - | - |
| Trade receivables | 5,709 | 9,484 | 11,707 | 13,733 |
| Cash & Bank Balance | 9,809 | 9,144 | 10,227 | 14,971 |
| Other Current Assets | 2,272 | 2,132 | 2,182 | 2,232 |
| Total Assets | 36,656 | 54,141 | 58,296 | 66,504 |
| Equity | | | | |
| Equity Share Capital | 764 | 764 | 764 | 764 |
| Other Equity | 27,192 | 32,918 | 39,376 | 46,686 |
| Total Network | 27,957 | 33,682 | 40,140 | 47,451 |
| Non-Current Liabilities | | | | |
| Long Term borrowings | 44 | 3,915 | 4,915 | 4,915 |
| Provisions | 241 | 246 | 246 | 246 |
| Other non current liabilities | - | - | - | - |
| Current Liabilities | | | | |
| ST Debt / Current of LT Debt | 222 | 1,525 | 1,525 | 1,525 |
| Trade payables | 3,124 | 4,299 | 4,896 | 5,743 |
| Other current liabilities | 4,352 | 4,437 | 4,487 | 4,537 |
| Total Equity & Liabilities | 36,655 | 50,191 | 58,296 | 66,504 |

Source: Company Data, PL Research

Cash Flow (Rs m)

| Y/e Mar | FY21 | FY22 | FY23E | FY24E |
|---------------------------------------|--------------|----------------|----------------|----------------|
| PBT | 6,094 | 9,243 | 12,449 | 14,055 |
| Add. Depreciation | 1,756 | 1,660 | 2,719 | 3,190 |
| Add. Interest | (559) | (600) | (900) | (480) |
| Less Financial Other Income | 1,020 | 1,321 | 1,760 | 1,150 |
| Add. Other | - | 921 | - | - |
| Op. profit before WC changes | - | 11,224 | 14,268 | 16,765 |
| Net Changes-WC | 1,578 | (407) | (5,376) | (1,866) |
| Direct tax | (1,582) | (2,339) | (3,210) | (3,597) |
| Net cash from Op. activities | - | 8,478 | 5,682 | 11,302 |
| Capital expenditures | (1,638) | (9,840) | (3,719) | (3,890) |
| Interest / Dividend Income | - | 719 | 900 | 480 |
| Others | (3,717) | 2,992 | - | - |
| Net Cash from Invt. activities | - | (6,129) | (2,819) | (3,410) |
| Issue of share cap. / premium | - | - | - | - |
| Debt changes | (5) | 3,928 | - | - |
| Dividend paid | - | (1,987) | (2,310) | (2,615) |
| Interest paid | (319) | (118) | - | - |
| Others | 9 | - | (471) | (533) |
| Net cash from Fin. activities | (315) | 1,823 | (2,781) | (3,148) |
| Net change in cash | - | 4,172 | 82 | 4,744 |
| Free Cash Flow | - | (1,469) | 1,963 | 7,412 |

Source: Company Data, PL Research

Key Financial Metrics

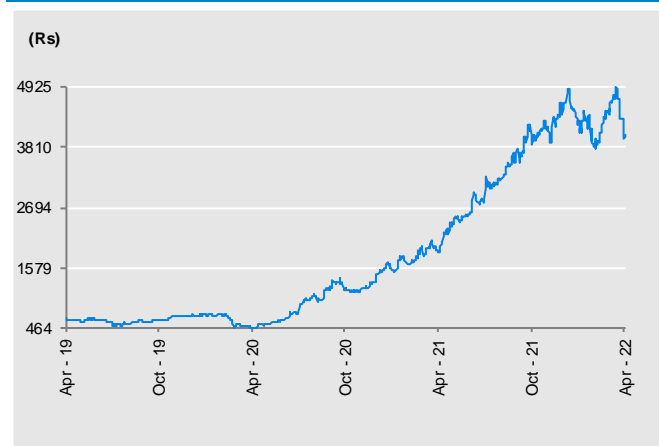
| Y/e Mar | FY21 | FY22 | FY23E | FY24E |
|------------------------|-------|--------|-------|-------|
| Per Share(Rs) | | | | |
| EPS | 56.4 | 86.3 | 115.5 | 130.8 |
| CEPS | 81.9 | 112.1 | 156.5 | 196.4 |
| BVPS | 365.8 | 440.7 | 525.2 | 683.0 |
| FCF | - | (19.2) | 25.7 | 106.7 |
| DPS | 14.7 | 22.6 | 30.2 | 37.6 |
| Return Ratio(%) | | | | |
| RoCE | 19.5 | 23.5 | 24.9 | 25.7 |
| ROIC | 31.2 | 23.1 | 24.8 | 27.8 |
| RoE | 17.4 | 22.4 | 25.0 | 23.9 |
| Balance Sheet | | | | |
| Net Debt : Equity (x) | (0.6) | (0.2) | (0.2) | (0.3) |
| Debtor (Days) | 50 | 61 | 55 | 55 |
| Valuation(x) | | | | |
| PER | 76.5 | 49.9 | 37.3 | 32.9 |
| P/B | 11.8 | 9.8 | 8.2 | 6.3 |
| P/CEPS | 81.9 | 112.1 | 156.5 | 196.4 |
| EV/EBITDA | 45.9 | 33.5 | 24.0 | 17.8 |
| EV/Sales | 7.5 | 5.6 | 4.1 | 3.1 |
| Dividend Yield (%) | 0.3 | 0.5 | 0.7 | 0.9 |

Source: Company Data, PL Research

Quarterly Financials (Rs m)

| Y/e Mar | Q1FY22 | Q2FY22 | Q3FY22 | Q4FY22 |
|-----------------------------------|---------------|---------------|---------------|---------------|
| Net Revenue | 12,299 | 13,512 | 14,917 | 16,379 |
| YoY gr. (%) | 24.1 | 34.1 | 38.7 | 47.1 |
| Raw Material Expenses | 8,173 | 8,982 | 9,880 | 10,859 |
| Gross Profit | 4,126 | 4,530 | 5,037 | 5,519 |
| Margin (%) | 33.5 | 33.5 | 33.8 | 33.7 |
| EBITDA | 2,015 | 2,244 | 2,511 | 2,812 |
| YoY gr. (%) | 37.6 | 35.4 | 37.6 | 49.3 |
| Margin (%) | 16.4 | 16.6 | 16.8 | 17.2 |
| Depreciation / Depletion | 350 | 371 | 428 | 511 |
| EBIT | 1,665 | 1,873 | 2,083 | 2,300 |
| Margin (%) | 13.5 | 13.9 | 14.0 | 14.0 |
| Net Interest | - | - | - | - |
| Other Income | 365 | 303 | 281 | 371 |
| Profit before Tax | 2,031 | 2,176 | 2,364 | 2,672 |
| Margin (%) | 16.5 | 16.1 | 15.8 | 16.3 |
| Total Tax | 518 | 559 | 600 | 662 |
| Effective tax rate (%) | 25.5 | 25.7 | 25.4 | 24.8 |
| Profit after Tax | 1,512 | 1,618 | 1,764 | 2,010 |
| Minority interest | - | - | - | - |
| Share Profit from Associates | - | - | - | - |
| Adjusted PAT | 1,512 | 1,618 | 1,764 | 2,010 |
| YoY gr. (%) | 68.0 | 58.6 | 45.9 | 45.9 |
| Margin (%) | 12.3 | 12.0 | 11.8 | 12.3 |
| Extra Ord. Income / (Exp) | - | - | - | - |
| Reported PAT | 1,512 | 1,618 | 1,764 | 2,010 |
| YoY gr. (%) | 68.0 | 58.6 | 45.9 | 45.9 |
| Margin (%) | 12.3 | 12.0 | 11.8 | 12.3 |
| Other Comprehensive Income | - | - | - | - |
| Total Comprehensive Income | 1,512 | 1,618 | 1,764 | 2,010 |
| Avg. Shares O/s (m) | 80 | 80 | 80 | 80 |
| EPS (Rs) | 18.9 | 20.2 | 22.1 | 25.1 |

Source: Company Data, PL Research

Price Chart

Recommendation History

| No. | Date | Rating | TP (Rs.) | Share Price (Rs.) |
|-----|-----------|--------|----------|-------------------|
| 1 | 05-Apr-22 | BUY | 5,160 | 4,792 |
| 2 | 23-Jan-22 | BUY | 4,970 | 4,302 |
| 3 | 04-Jan-22 | BUY | 4,808 | 4,872 |
| 4 | 28-Oct-21 | BUY | 4,641 | 4,060 |
| 5 | 05-Oct-21 | BUY | 3,994 | 3,714 |
| 6 | 01-Oct-21 | BUY | 3,954 | 3,716 |
| 7 | 06-Aug-21 | BUY | 3,603 | 3,118 |
| 8 | 25-Jul-21 | Hold | 2,851 | 3,039 |
| 9 | 02-Jul-21 | UR | - | 2,965 |
| 10 | 01-May-21 | BUY | 2,344 | 2,038 |

Analyst Coverage Universe

| Sr. No. | Company Name | Rating | TP (Rs) | Share Price (Rs) |
|---------|---------------------------|------------|---------|------------------|
| 1 | Affle (India) | BUY | 1,535 | 1,270 |
| 2 | Coforge | BUY | 5,559 | 4,512 |
| 3 | Cyient | BUY | 1,208 | 899 |
| 4 | HCL Technologies | Accumulate | 1,169 | 1,099 |
| 5 | Infosys | Accumulate | 1,899 | 1,749 |
| 6 | L&T Technology Services | Accumulate | 4,549 | 4,244 |
| 7 | Larsen & Toubro Infotech | BUY | 6,369 | 5,472 |
| 8 | Mindtree | BUY | 4,778 | 3,958 |
| 9 | Mphasis | BUY | 3,755 | 3,312 |
| 10 | Persistent Systems | BUY | 5,160 | 4,792 |
| 11 | Redington (India) | BUY | 200 | 150 |
| 12 | Sonata Software | BUY | 1,065 | 765 |
| 13 | Tata Consultancy Services | BUY | 4,221 | 3,696 |
| 14 | TeamLease Services | Accumulate | 4,647 | 4,034 |
| 15 | Tech Mahindra | BUY | 1,837 | 1,499 |
| 16 | Wipro | BUY | 735 | 606 |
| 17 | Zensar Technologies | BUY | 453 | 384 |

PL's Recommendation Nomenclature (Absolute Performance)

| | |
|--------------------------|-----------------------------------|
| Buy | : > 15% |
| Accumulate | : 5% to 15% |
| Hold | : +5% to -5% |
| Reduce | : -5% to -15% |
| Sell | : < -15% |
| Not Rated (NR) | : No specific call on the stock |
| Under Review (UR) | : Rating likely to change shortly |

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3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

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