

May 12, 2022

Q4FY22 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY23E	FY24E	FY17E	FY18E
Rating	BUY		BUY	
Target Price	5,295		5,559	
Sales (Rs. m)	79,095	92,081	77,269	89,788
% Chng.	2.4	2.6		
EBITDA (Rs. m)	14,408	17,255	1,4798	17,445
% Chng.	(2.6)	(1.1)		
EPS (Rs.)	143.6	175.6	145.2	171.8
% Chng.	(1.1)	2.2		

Key Financials - Consolidated

Y/e Mar	FY21	FY22	FY23E	FY24E
Sales (Rs. bn)	47	64	79	92
EBITDA (Rs. bn)	8	11	14	17
Margin (%)	18.0	17.3	18.2	18.7
PAT (Rs. bn)	5	7	9	11
EPS (Rs.)	86.8	108.7	143.6	175.6
Gr. (%)	14.2	25.2	32.1	22.3
DPS (Rs.)	28.7	35.9	47.4	58.0
Yield (%)	0.8	1.0	1.3	1.6
RoE (%)	21.6	25.5	29.2	29.9
RoCE (%)	26.9	31.6	34.5	36.4
EV/Sales (x)	4.6	3.4	2.8	2.4
EV/EBITDA (x)	25.3	19.9	15.2	12.5
PE (x)	42.0	33.6	25.4	20.8
P/BV (x)	9.0	8.1	6.8	5.7

Key Data

NITT.BO | COFORGE IN

52-W High / Low	Rs.6,135 / Rs.3,242
Sensex / Nifty	52,930 / 15,808
Market Cap	Rs.222bn / \$ 2,868m
Shares Outstanding	61m
3M Avg. Daily Value	Rs.2447.41m

Shareholding Pattern (%)

Promoter's	40.09
Foreign	22.40
Domestic Institution	25.68
Public & Others	11.83
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(12.1)	(32.7)	7.5
Relative	(2.7)	(22.8)	(1.1)

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Coforge (COFORGE IN)

Rating: BUY | CMP: Rs3,646 | TP: Rs5,295

Poised for strong FY23 on both growth and margin front

Quick Pointers:

- Impressive large deal win momentum since 4 consecutive quarters.
- Resilient margins: Adjusted EBITDA margin guidance of 18.5-19% in cc terms (vs 18.9% in FY22)

Coforge provided strong revenue growth guidance of 20% YoY CC for FY23 factoring -1) strong order book executable over next twelve months (USD720 mn, 38.5% YoY), 2) strong deal win momentum (22% QoQ, 50% YoY in Q4), 3) tailwinds from travel bouncing back, 4) growth in repeat business (93% revenue share in FY22, 400bps YoY) and 5) strong sales team expansion (100 people added in FY22). We believe guidance is conservative and is expected to increase slightly as the year progresses.

Coforge is the only company in our coverage universe to report sequential EBIT margin expansion (74bps QoQ in Q4) despite high supply side pressures. Margins are expected to remain fairly resilient in FY23, given adjusted EBITDA margin guidance of 18.5-19% (vs 18.9% in FY22) supported by levers of structural improvement in offshore mix, pyramid optimization (6.7x higher fresher addition in FY22 over FY21), pricing improvement, revenue growth leverage and lowest attrition in Tier 2 IT (Exhibit 3)

We increase revenue growth estimates by ~2.5% for FY23 & FY24 and decrease EBIT margin estimate by 44bps for FY23 resulting in change in EPS estimates by -1%/2.2% for FY23/24. We arrive at DCF based TP of 5295 (earlier Rs. 5559) with implied target multiple of 30x on FY24 EPS (earlier 32x). At CMP, stock trades at 25x/21x on FY23/24E EPS of INR 144/176 with Revenue and EPS CAGR of 17%/27% respectively over FY22-24. Coforge remains our top pick among Tier-2 IT. Maintain 'BUY'.

- **Beat in revenue:** Coforge reported revenue of USD232.4mn, 5% QoQ CC, 4.9% QoQ USD (Ple: 3.8%, Cons: 4.2%). FY22 revenue growth of 38% YoY USD, 37.6% YoY CC was above guidance of 37% YoY CC. Growth was led by Travel (15.2% QoQ USD) and Others (9.4% QoQ USD). BFS grew 2.3% QoQ USD and Insurance declined by 3% QoQ USD. Growth in Insurance vertical has been soft since three consecutive quarters.
- **Strong order intake with increasing deal sizes:** Order intake during the quarter was strong at USD301mn, 22% QoQ, 50% YoY with 3 large deals including one USD50mn deal. Median large deal sizes went up considerably with one USD105mn deal and three USD50mn+ deals and total of eleven large deals in FY22. Order intake stood at USD1.15bn, 41% YoY USD in FY22. Total order book executable over the next twelve months is USD720mn, 2.7% QoQ, 43.7% YoY.

Large deal wins for 4 consecutive quarter in an environment of higher number of short cycle deals is impressive.

Coforge won - 1) USD105 mn large deal in Q1, 2) two USD50 mn large deals in Q2 and 3) one USD45 mn large deal in Q3 and 4) one USD50 mn large deal in Q4.

Coforge is aggressively hiring freshers which will result provide pyramid optimization benefits in margin going forward. Fresher addition in FY22 is 6.7x times FY21.

- **Higher than expected revenue guidance for FY23:** Management guided FY23 revenue growth guidance of around 20% YoY CC, higher than our expectations of ~18% YoY USD growth. We believe guidance is conservative and is expected to slightly increase as the year progresses. The guidance factors in 1) strong executable order book, 2) jump in repeat business from 89% to 93% in FY22, 3) tailwinds from travel bouncing back and 4) increase in sales team from 180 to 280. Coforge targets next revenue milestone of USD2bn over medium term.
- **Miss in margins; however, margins increased QoQ:** EBIT Margin came at 15.5%, 70bps QoQ below our and cons expectations (Ple: 16.1%, Cons: 16.3%), due to higher than expected ESOP costs. ESOP costs are expected to be ~60-65bps in FY23. Sequential growth in EBIT margin was led by higher gross margin +94 bps QoQ.
- **Highest ever Adj EBITDA Margin** of 20.6% in cc terms and 20.4% on reported basis. Adj EBITDA margins grew 90bps QoQ in Q4, despite high supply side cost pressure. Margin levers in FY22: 1) increased number of large deals and expanding book of managed services contracts are driving up offshore mix (44% in FY22 vs 38% in FY21), 2) improved pricing, 3) 6.7x higher fresher intake in FY22 vs FY21, 4) revenue growth leverage, 5) gradual return of gross margin in travel vertical to pre-pandemic levels.
- **Margins expected to be resilient in FY23:** We believe that Adjusted EBITDA margin guidance of 18.5-19% (vs 18.9% in FY22) does not have downside risk considering strong exit margins of 20.6% in Q4 and guidance factors in worsening attrition. Wage hikes for FY23 are done from 1st April 2022. Wage hike is considerably higher than previous years and margin guidance factors in the same. Improvement in offshore mix is structural in nature and expected to sustain. Pricing power is back but it is minor lever for margins.
- SLK BPS business has grown sequentially in Q4 and strong growth is expected in FY23. SLK business is fully merged with Coforge BPS business.
- **TTH vertical expected to grow strongly in FY22:** TTH vertical revenue in FY22 is 5% higher than pre-covid levels. Management mentioned that most of the airlines are seeing strong demand momentum and improved profitability outlook and there is no noticeable impact in Europe due to war in Ukraine. Tech spend is strong in cloud, cybersecurity, touchless travel, and digitization. Coforge is cross-selling cybersecurity offerings to Travel clients.
- Insurance vertical declined by 3% QoQ USD in Q4FY22, however demand momentum is expected to be strong in FY23. High inflation and CAT losses may impact insurance vertical. But management sees significant demand for Coforge services. In insurance, license revenue grew 13% QoQ in Q4 led by recovery of Advantage Go revenue which declined in last two quarters.
- **Continued strong headcount addition in IT services,** 781 employees added in Q4, +5.5%. Total headcount in IT services is up 34.6% YoY in FY22. BPS headcount decreased by 425 QoQ.
- **Attrition amongst lowest in the industry:** Attrition continues to be lowest among Tier 2 IT at 17.7%, led by ability to retain talent.

- DSO days decreased by 7 days QoQ to 63. OCF/EBITDA stands at 69% for FY22. Board announced interim dividend of Rs.13 per share. Total dividend for FY22 is Rs.52 per share with payout of 48%.

Exhibit 1: Q4FY22: Quick view on results

Rs mn	4QFY22E	3QFY22	QoQ gr.	4QFY21	YoY gr.	PLe	Variance(PL VS ACTUAL)
Revenue (USD mn)	232.4	221.6	4.9%	172.1	35.0%	230.1	1.0%
Revenue	17429	16581	5.1%	12615	38.2%	17301	0.7%
EBITDA	3293	3020	9.0%	2122	55.2%	3384	-2.7%
EBITDA Margin	18.9%	18.2%	68 bps	16.8%	207 bps	19.6%	-66 bps
EBIT Margin	15.5%	14.8%	74 bps	13.3%	228 bps	16.1%	-51 bps
Adj. PAT	2077	1837	13.1%	1330	56.2%	2060	0.8%
EPS	34.1	30.3	12.6%	21.9	55.5%	34.0	0.4%

Source: Company, PL

Exhibit 2: Change in Estimates

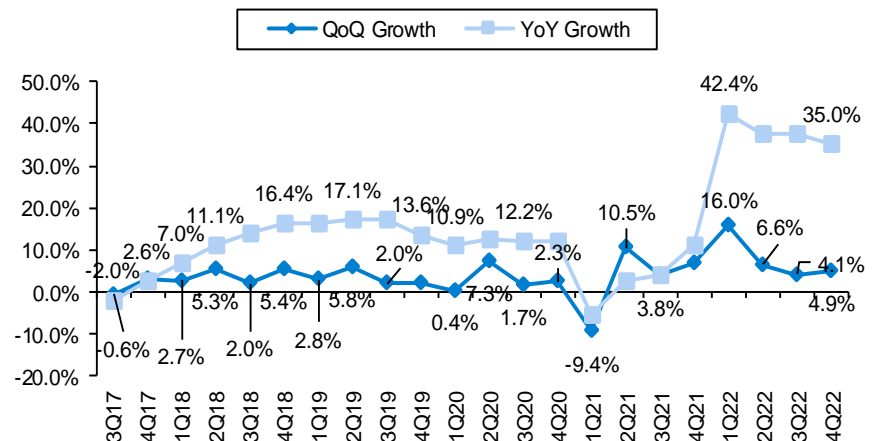
Y/e March	FY23E	FY24E
USD revenues (mn)		
- New	1,041	1,196
- Old	1,017	1,166
Change (%)	2.4%	2.6%
EBIT Margin		
- New	14.7%	15.2%
- Old	15.2%	15.2%
Change (%)	-44 bps	1 bps
Recurring EPS - Fully diluted (Rs)		
- New	143.6	175.6
- Old	145.2	171.8
Change (%)	-1.1%	2.2%

Source: PL

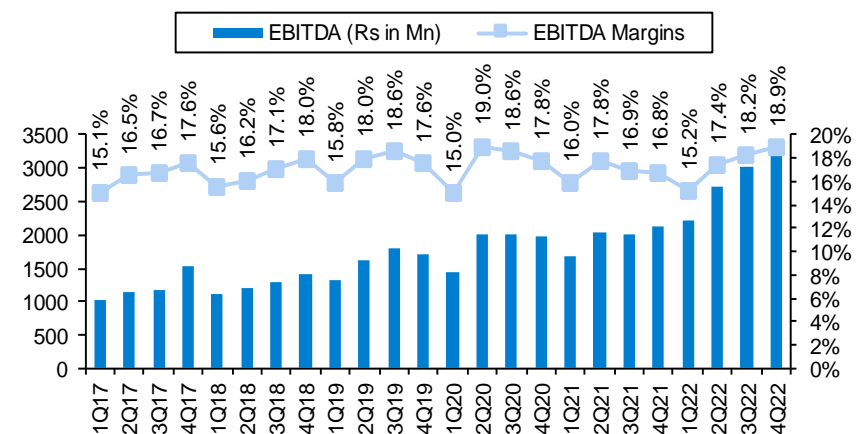
Exhibit 3: Attrition lowest among Tier 2 IT peers

LTM Attrition	4Q21	1Q22	2Q22	3Q22	4Q22	QoQ bps	YoY bps
LTI	12.3%	15.2%	19.6%	22.5%	24.0%	150	1170
Mindtree	12.1%	13.7%	17.7%	21.9%	23.8%	190	1170
LTTS	12.2%	14.5%	16.5%	17.5%	20.4%	290	820
Persistent	11.7%	16.6%	23.6%	26.9%	26.6%	-30	1490
Coforge	10.5%	12.6%	15.3%	16.3%	17.7%	140	720

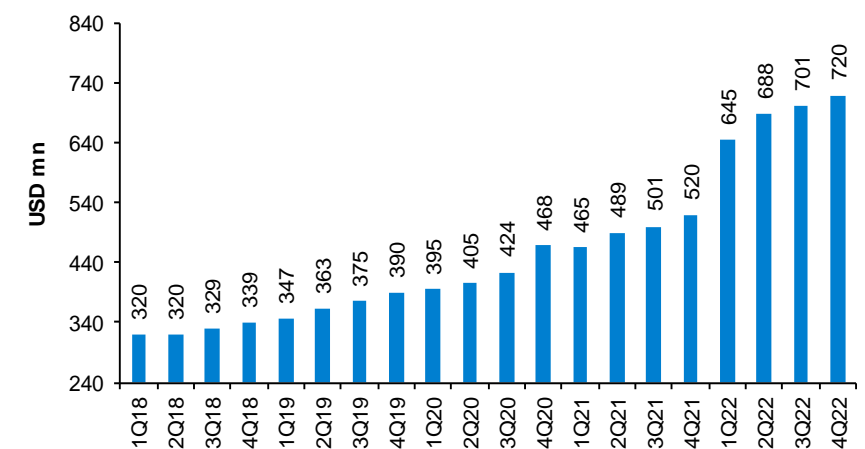
Source: Company, PL

Exhibit 4: Healthy sequential growth


Source: Company, PL

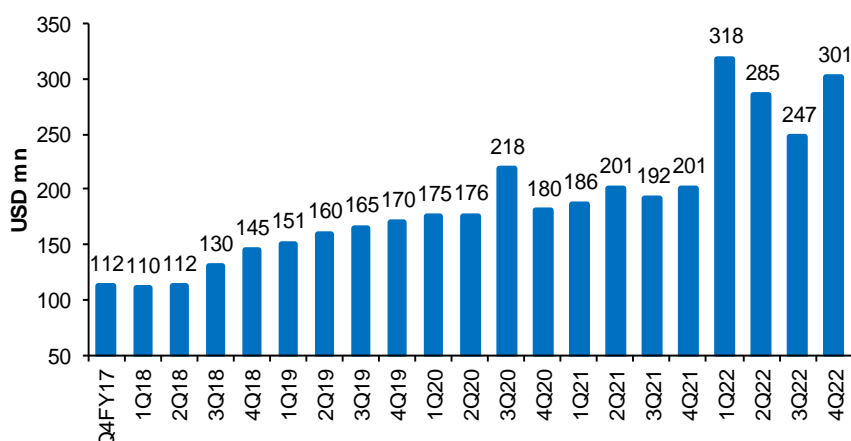
Exhibit 5: Strong recovery in margins


Source: Company, PL

Exhibit 6: Next 12 months executable order book is up 38.5% YoY


Source: Company, PL

Exhibit 7: Healthy deal win momentum, order book up 50% YoY



Source: Company, PL

Exhibit 8: Geography-wise revenues

Geography revenues (USD Mn)	4QFY22	3QFY22	QoQ gr.	4QFY21	YoY gr.
Americas	116.0	118.1	-1.8%	79.2	46%
EMEA	92.5	74.7	23.9%	68.8	34%
RoW	23.9	28.8	-16.9%	24.1	-1%
Total	232.4	221.6	4.9%	172.1	35%
-as a % of total sales					
Americas	50%	53%	-340bp	46%	390bp
EMEA	40%	34%	610bp	40%	-20bp
RoW	10%	13%	-270bp	14%	-370bp

Source: Company, PL;

Exhibit 9: Vertical-wise revenues

Vertical revenues (USD mn)	4QFY22	3QFY22	QoQ gr.	4QFY21	YoY gr.
BFS	64.4	62.9	2.3%	29.3	120%
Insurance	59.7	61.6	-3.0%	53.4	12%
Travel and Transport	46.7	40.6	15.2%	32.7	43%
Others	61.6	56.3	9.4%	56.8	8%
Total	232.4	221.4	5.0%	172.1	35%
-as a % of total sales					
BFS	28%	28%	-70bp	17%	1070bp
Insurance	26%	28%	-210bp	31%	-530bp
Travel and Transport	20%	18%	180bp	19%	110bp
Others	27%	25%	110bp	33%	-650bp

Source: Company, PL

Exhibit 10: Service Line Revenues

Service Revenues (USD mn)	4QFY22	3QFY22	QoQ gr.	4QFY21	YoY gr.
Product Engineering	24.9	23.9	3.9%	27.5	-10%
Data & Integration	51.1	45.4	12.5%	39.6	29%
Intelligent Automation	29.5	31.0	-4.9%	25.8	14%
CIMS	41.8	41.2	1.5%	32.7	28%
ADM	58.8	54.7	7.4%	44.7	31%
BPM	26.5	25.3	4.9%	1.7	NA
Total	232.6	221.6	5.0%	172.1	35%
-as a % of total sales					
Product Engineering	11%	11%	-10bp	16%	-530bp
Data & Integration	22%	21%	150bp	23%	-100bp
Intelligent Automation	13%	14%	-130bp	15%	-230bp
CIMS	18%	19%	-60bp	19%	-100bp
ADM	25%	25%	60bp	26%	-70bp
BPM	11%	11%	0bp	1%	1040bp

Source: Company, PL

Exhibit 11: Strong QoQ growth in EMEA in 4Q22

USD mn	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22
Americas	72.6	71.2	65.9	74.4	78.8	79.2	103.0	110.7	118.1	116.0
QoQ	-0.4%	-1.9%	-7.4%	12.8%	6.0%	0.5%	30.2%	7.4%	6.7%	-1.8%
YoY	9.9%	5.3%	-2.9%	2.0%	8.5%	11.2%	56.3%	48.8%	49.9%	46.5%
EMEA	56.0	61.9	50.5	55.8	57.9	68.8	70.5	68.1	74.7	92.5
QoQ	1.7%	10.6%	-18.5%	10.5%	3.8%	18.9%	2.4%	-3.4%	9.7%	23.9%
YoY	25.8%	36.0%	4.1%	1.4%	3.4%	11.2%	39.6%	22.1%	29.0%	34.4%
RoW	22.7	21.7	23.8	24.8	24.1	24.1	26.2	31.9	28.8	23.9
QoQ	9.0%	-4.5%	10.0%	4.0%	-2.7%	-0.1%	8.6%	22.0%	-9.7%	-16.9%
YoY	-6.5%	-12.7%	7.6%	19.1%	6.3%	11.2%	9.7%	28.8%	19.4%	-0.7%

Source: Company, PL

Exhibit 12: Travel and transport revenue grew 15.2% in 4Q22, is 5% above pre-pandemic levels

USD mn	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22
BFS	24.2	23.2	23.8	26.3	28.9	29.3	42.1	51.3	62.9	64.4
QoQ	-4.3%	-4.0%	2.7%	10.5%	9.9%	1.1%	44.0%	21.7%	22.7%	2.3%
YoY	19.6%	5.2%	7.6%	4.2%	19.6%	26.0%	76.7%	94.8%	117.4%	120.0%
Insurance	45.4	48.0	46.3	52.7	51.5	53.4	61.5	62.1	61.6	59.7
QoQ	-1.6%	5.8%	-3.6%	13.8%	-2.3%	3.7%	15.3%	1.0%	-0.9%	-3.0%
YoY	12.2%	24.2%	15.2%	14.3%	13.4%	11.2%	32.9%	18.0%	19.7%	12.0%
Travel and Transport	43.9	41.8	26.6	29.4	32.2	32.7	37.7	39.6	40.6	46.7
QoQ	5.3%	-4.7%	-36.2%	10.5%	9.3%	1.7%	15.4%	4.9%	2.5%	15.2%
YoY	25.1%	12.2%	-31.3%	-29.3%	-26.7%	-21.8%	41.6%	34.5%	26.1%	42.9%
Manufacturing and Media	37.8	41.8	42.1	46.5	48.2	56.8	58.3	59.8	56.3	61.6
QoQ	6.0%	10.5%	0.7%	10.5%	3.8%	17.7%	2.7%	2.5%	-5.9%	9.4%
YoY	-3.3%	4.5%	12.5%	30.2%	27.6%	35.9%	38.6%	28.7%	16.7%	8.4%

Source: Company, PL

Exhibit 13: Client Metrics

Client Concentration (%)	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	4QFY22
Top 5	29	27	29	27	27	26	25	24	25	25	23	25	23
Top 10	41	39	39	36	37	38	36	34	36	36	33	36	35
Between 1 mn - 5mn	66	66	70	74	80	81	83	87	88	95	92	94	100
5mn-10 mn	16	17	16	17	15	15	16	17	16	20	22	21	19
>10mn	8	8	9	9	11	11	10	11	11	15	16	18	18
Total	90	91	95	100	106	107	109	115	115	130	130	133	137

Source: Company, PL

Exhibit 14: Revenue Mix

	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	4QFY22
Onsite	66%	66%	66%	64%	64%	62%	64%	62%	61%	60%	56%	54%	53%
Offshore	34%	34%	34%	36%	36%	38%	36%	38%	39%	40%	44%	46%	47%

Source: Company, PL

Exhibit 15: Employee Metrics

Billable Personnel	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	4QFY22
Total Billable	9363	9492	9921	9966	10274	9736	10281	10538	11469	18739	19579	20938	21294
Sales & Marketing	122	141	185	185	170	184	191	189	188	258	297	281	278
Others	689	664	694	698	712	678	690	697	734	1494	910	911	928
Grand Total	10263	10297	10800	10849	11156	10598	11162	11424	12391	20491	20786	22130	22500
Net addition	119	34	503	49	307	(558)	564	262	967	8,100	295	1,344	370
Capacity Utilization	79.3%	80.5%	80.7%	79.3%	78.1%	77.0%	81.0%	78.9%	81.0%	77.0%	78.5%	77.1%	76.1%
Attrition (%)	12.2	12.9	12.3	11.9	11.8	11.8	10.5	10.4	10.5	12.6	15.3	16.3	17.7

Source: Company, PL

Exhibit 16: Strong Order Book

Figures in USD Mn	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	4QFY22
Fresh Order Intake	170	175	176	218	180	186	201	192	201	318	285	247	301
Executable Order Book over Next 12 months	390	395	405	424	468	465	489	501	520	645	688	701	720

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
Net Revenues	46,628	64,320	79,095	92,081
YoY gr. (%)	10.9	37.9	23.0	16.4
Employee Cost	31,693	43,736	53,183	61,344
Gross Profit	14,935	20,584	25,912	30,737
Margin (%)	32.0	32.0	32.8	33.4
SG&A Expenses	6,544	9,430	11,505	13,482
Other Expenses	-	-	-	-
EBITDA	8,391	11,154	14,408	17,255
YoY gr. (%)	12.8	32.9	29.2	19.8
Margin (%)	18.0	17.3	18.2	18.7
Depreciation and Amortization	1,836	2,272	2,768	3,223
EBIT	6,555	8,882	11,639	14,033
Margin (%)	14.1	13.8	14.7	15.2
Net Interest	-	-	-	-
Other Income	113	(266)	140	140
Profit Before Tax	6,668	8,616	11,779	14,173
Margin (%)	14.3	13.4	14.9	15.4
Total Tax	1,302	1,468	2,474	2,976
Effective tax rate (%)	19.5	17.0	21.0	21.0
Profit after tax	5,366	7,148	9,306	11,196
Minority interest	104	530	560	500
Share Profit from Associate	-	-	-	-
Adjusted PAT	5,262	6,618	8,746	10,696
YoY gr. (%)	10.7	25.8	32.1	22.3
Margin (%)	11.3	10.3	11.1	11.6
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	5,262	6,618	8,746	10,696
YoY gr. (%)	10.7	25.8	32.1	22.3
Margin (%)	11.3	10.3	11.1	11.6
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	5,262	6,618	8,746	10,696
Equity Shares O/s (m)	61	61	61	61
EPS (Rs)	86.8	108.7	143.6	175.6

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
Non-Current Assets				
Gross Block	5,980	9,959	12,459	14,959
Tangibles	4,516	5,928	7,428	8,928
Intangibles	1,464	4,031	5,031	6,031
Acc: Dep / Amortization	-	-	-	-
Tangibles	-	-	-	-
Intangibles	-	-	-	-
Net fixed assets	5,980	9,959	12,459	14,959
Tangibles	4,516	5,928	7,428	8,928
Intangibles	1,464	4,031	5,031	6,031
Capital Work In Progress	2	168	168	168
Goodwill	4,226	10,708	10,708	10,708
Non-Current Investments	1,829	2,719	2,729	2,739
Net Deferred tax assets	1,253	1,970	2,010	2,050
Other Non-Current Assets	254	1,045	1,045	1,045
Current Assets				
Investments	124	-	100	200
Inventories	-	-	-	-
Trade receivables	8,895	13,894	14,085	16,398
Cash & Bank Balance	8,122	4,535	6,515	7,591
Other Current Assets	1,437	1,934	1,934	1,934
Total Assets	35,134	49,544	54,376	60,424
Equity				
Equity Share Capital	606	609	609	609
Other Equity	24,055	26,722	31,978	38,407
Total Network	24,661	27,331	32,587	39,016
Non-Current Liabilities				
Long Term borrowings	5	4,302	3,302	2,302
Provisions	696	-	-	-
Other non current liabilities	506	1,462	1,123	1,148
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	3,398	6,160	6,210	6,260
Other current liabilities	5,027	5,632	6,486	7,021
Total Equity & Liabilities	35,134	49,544	54,376	60,424

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
PBT	6,668	8,616	11,779	14,173
Add. Depreciation	1,836	2,272	2,768	3,223
Add. Interest	-	-	-	-
Less Financial Other Income	113	(266)	140	140
Add. Other	-	-	-	-
Op. profit before WC changes	8,504	10,888	14,548	17,395
Net Changes-WC	(1,449)	(977)	275	(1,801)
Direct tax	(1,302)	(1,468)	(2,474)	(2,976)
Net cash from Op. activities	5,753	8,443	12,349	12,618
Capital expenditures	(2,473)	(10,098)	(2,500)	(2,500)
Interest / Dividend Income	-	-	-	-
Others	13	124	(100)	(100)
Net Cash from Invt. activities	(2,460)	(9,974)	(2,600)	(2,600)
Issue of share cap. / premium	-	-	-	-
Debt changes	516	4,266	(1,000)	(1,000)
Dividend paid	(2,099)	(2,640)	(3,489)	(4,268)
Interest paid	-	-	-	-
Others	-	-	-	-
Net cash from Fin. activities	(1,583)	1,626	(4,489)	(5,268)
Net change in cash	1,710	95	5,260	4,751
Free Cash Flow	3,280	(1,655)	9,849	10,118

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY21	FY22	FY23E	FY24E
Per Share(Rs)				
EPS	86.8	108.7	143.6	175.6
CEPS	117.1	146.0	189.1	228.6
BVPS	406.9	448.8	535.1	640.7
FCF	54.1	(27.2)	161.7	166.1
DPS	28.7	35.9	47.4	58.0
Return Ratio(%)				
RoCE	26.9	31.6	34.5	36.4
ROIC	32.1	27.2	31.4	33.1
RoE	21.6	25.5	29.2	29.9
Balance Sheet				
Net Debt : Equity (x)	(0.3)	0.0	(0.1)	(0.1)
Debtor (Days)	70	79	65	65
Valuation(x)				
PER	42.0	33.6	25.4	20.8
P/B	9.0	8.1	6.8	5.7
P/CEPS	31.1	25.0	19.3	16.0
EV/EBITDA	25.3	19.9	15.2	12.5
EV/Sales	4.6	3.4	2.8	2.4
Dividend Yield (%)	0.8	1.0	1.3	1.6

Source: Company Data, PL Research

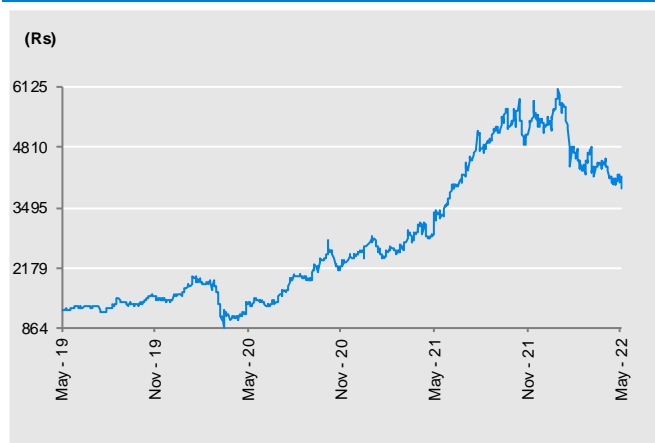
Quarterly Financials (Rs m)

Y/e Mar	Q1FY22	Q2FY22	Q3FY22	Q4FY22
Net Revenue	14,616	15,694	16,581	17,429
YoY gr. (%)	38.3	36.0	39.3	38.2
Raw Material Expenses	10,250	10,656	11,210	11,620
Gross Profit	4,366	5,038	5,371	5,809
Margin (%)	29.9	32.1	32.4	33.3
EBITDA	2,359	2,923	3,226	3,549
YoY gr. (%)	30.6	34.6	50.4	56.5
Margin (%)	16.1	18.6	19.5	20.4
Depreciation / Depletion	524	598	566	584
EBIT	1,835	2,325	2,660	2,965
Margin (%)	12.6	14.8	16.0	17.0
Net Interest	-	-	-	-
Other Income	52	(77)	(122)	(119)
Profit before Tax	1,887	2,248	2,538	2,846
Margin (%)	12.9	14.3	15.3	16.3
Total Tax	320	446	360	342
Effective tax rate (%)	17.0	19.8	14.2	12.0
Profit after Tax	1,567	1,802	2,178	2,504
Minority interest	76	148	135	171
Share Profit from Associates	-	-	-	-
Adjusted PAT	1,491	1,654	2,043	2,333
YoY gr. (%)	62.2	24.3	50.7	58.1
Margin (%)	10.2	10.5	12.3	13.4
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	1,491	1,654	2,043	2,333
YoY gr. (%)	62.2	24.3	50.7	58.1
Margin (%)	10.2	10.5	12.3	13.4
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,491	1,654	2,043	2,333
Avg. Shares O/s (m)	61	61	61	61
EPS (Rs)	24.6	27.3	33.7	38.3

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	05-Apr-22	BUY	5,559	4,512
2	28-Jan-22	BUY	5,778	4,401
3	04-Jan-22	BUY	5,708	5,973
4	25-Oct-21	BUY	5,596	5,069
5	05-Oct-21	BUY	5,496	5,338
6	06-Aug-21	BUY	5,393	4,790
7	29-Jul-21	BUY	5,306	4,749
8	02-Jul-21	BUY	4,327	4,194
9	18-Jun-21	BUY	4,325	3,979

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	4,593
8	Mindtree	BUY	4,778	3,958
9	Mphasis	BUY	3,379	2,843
10	Persistent Systems	BUY	4,915	4,309
11	Redington (India)	BUY	200	150
12	Sonata Software	Accumulate	833	748
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	616	509
17	Zensar Technologies	BUY	371	297

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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