

TCS

Refer to important disclosures at the end of this report

An all-round beat

- TCS reported strong revenue growth of 4.1% qoq/0.4% YoY in CC terms, beating our and consensus estimates. Despite salary hike impact, Adj. EBIT margin expanded 40bps QoQ on the back of revenue acceleration, operating efficiencies and forex.
- Revenue growth was broad based, led by Manufacturing (7.1% CC QoQ), Communication & Media (5.5%), Life sciences & Healthcare (5.2%), and BFSI (2.0%). All geographies posted sequential growth. Cloud, analytics & insights, IoT, cognitive business operations, quality engineering and transformation platform services led growth.
- Management remains confident of delivering double-digit revenue growth in FY22 on the back of strong deal intakes (USD31.2bn TTM; 28% YoY), broad-based growth momentum and strengthening investments in technology in H2CY20.
- We raise our FY21/FY22/FY23E EPS by 2.8%/4.0%/4.6%, factoring in Q3 beat. We believe that TCS is well poised to benefit from acceleration in cloud adoptions and digital transformation opportunities, considering its end-to-end capabilities. However, valuations are rich. Maintain Hold with a TP of Rs3,150 (earlier Rs3,000) at 26x Mar'23E earnings.

What we like? Broad-based revenue growth performance; 40bps Adj. EBITM expansion QoQ despite salary hike; low attrition rate 7.6% LTM; robust cash generation

What we did not like? Weakness in UK banks and overall volatility in UK markets

Broad-based revenue growth; confident of delivering double-digit growth in FY22: Revenue growth was broad based across verticals, geographies and services, with overall CC YoY revenue growth returning to the positive territory after two quarters of negative growth. Growing demand for core transformational services and quick ramp-ups and revenue conversion from earlier deals helped TCS negate seasonal headwinds, delivering strongest growth in Q3 in the last nine years. TCS has seen strong rebound for growth in transformation services as customers seek to operationalize new models to grow in the new normal. This helped TCS achieve flat CC YoY revenue growth in Q3, a quarter earlier than its guidance. The company remains confident to deliver double-digit growth in FY22 on the back of healthy deal wins/deal pipeline and broad-based growth momentum. The deal intake remained healthy at USD6.8bn in Q3 (excluding deal with Postbank which closed on Jan 1, 2021) and included strong conversion of large deals (vs. largely small to medium deals in Q2).

EBTM held up despite wage hike pressures: Adj. EBITM expanded 40bps QoQ despite the salary increment roll-out (wef from Oct 1, 2020). Strong revenue growth momentum, operating efficiencies and favorable currency movement helped negate the wage hike pressure (-160bps). Management is confident of sustaining EBITM, based on anticipated revenue growth acceleration.

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

Financial Snapshot (Consolidated)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	14,64,630	15,69,490	16,40,581	19,06,976	21,45,512
EBITDA	3,95,050	4,21,100	4,49,054	5,31,250	5,94,413
EBITDA Margin (%)	27.0	26.8	27.4	27.9	27.7
APAT	3,14,720	3,23,400	3,22,425	3,94,315	4,47,647
EPS (Rs)	83.9	86.2	87.2	106.6	121.0
EPS (% chg)	24.3	2.8	1.1	22.3	13.5
ROE (%)	35.2	36.4	37.3	40.1	36.3
P/E (x)	37.2	36.2	35.8	29.3	25.8
EV/EBITDA (x)	28.6	27.1	25.0	20.8	18.2
P/BV (x)	12.8	13.6	13.3	10.5	8.4

Source: Company, Emkay Research

CMP	Target Price
Rs 3,120	Rs 3,150 (▲)
as of (January 8, 2021)	12 months
Rating	Upside
HOLD (■)	1.0 %

Change in Estimates

EPS Chg FY21E/FY22E (%)	2.8/4.0
Target Price change (%)	5
Target Period (Months)	12
Previous Reco	HOLD

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	87.2	106.6
Consensus	86.4	101.4
Mean Consensus TP (12M)	Rs 3,024	

Stock Details

Bloomberg Code	TCS IN
Face Value (Rs)	1
Shares outstanding (mn)	3,752
52 Week H/L	3,128 / 1,504
M Cap (Rs bn/USD bn)	11,709 / 159.86
Daily Avg Volume (nos.)	39,65,342
Daily Avg Turnover (US\$ mn)	150.2

Shareholding Pattern Sep '20

Promoters	72.1%
FIIIs	16.0%
DIIIs	7.9%
Public and Others	4.1%

Price Performance

(%)	1M	3M	6M	12M
Absolute	12	10	41	38
Rel. to Nifty	4	(9)	5	16

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:

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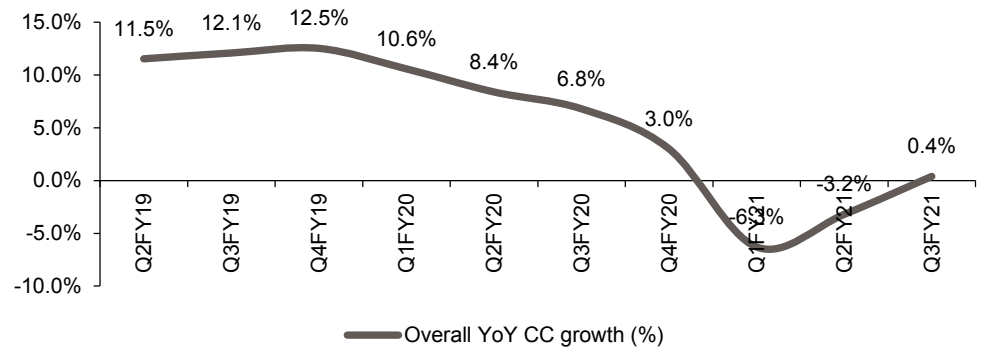
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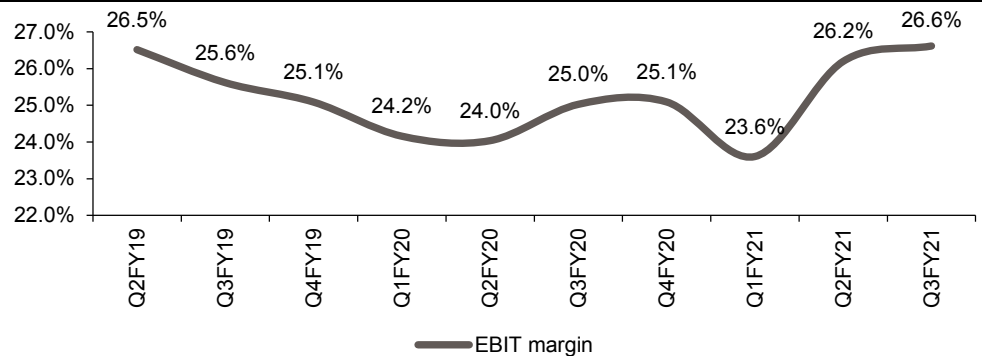
Story in Charts

Exhibit 1: Overall YoY CC growth returned to positive territory after two quarters



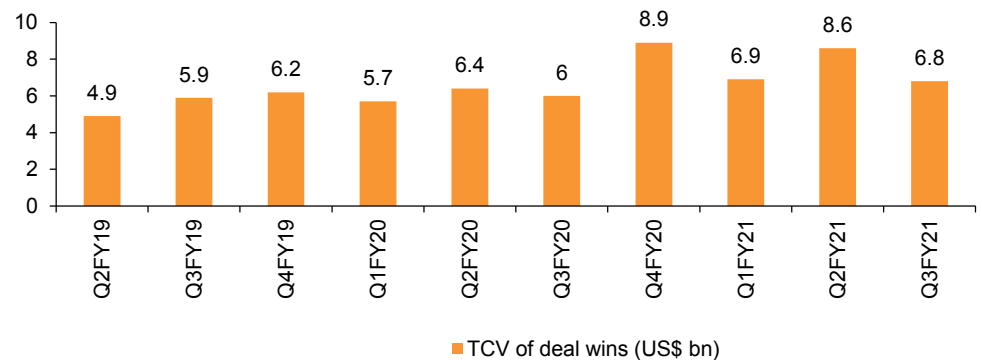
Source: Company, Emkay Research

Exhibit 2: EBIT margins expanded sequentially in Q3 despite salary hikes



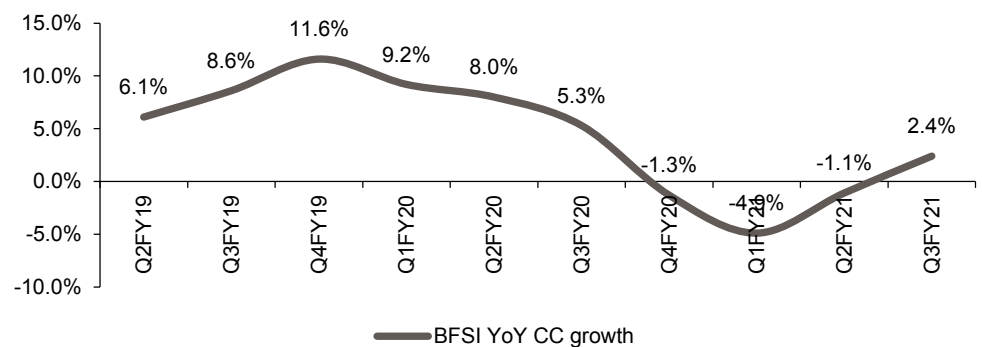
Source: Company, Emkay Research

Exhibit 3: TCV of deal wins remained strong



Source: Company, Emkay Research

Exhibit 4: BFSI YoY CC growth was positive after 3 quarters of decline



Source: Company, Emkay Research

Exhibit 5: Actual vs Estimates (Q3FY21)

(Rs mn)	Actual	Estimate (Emkay)	Consensus estimate	% variation		Comment
				Emkay	Consensus	
Revenues (in USD mn)	5,702	5,565	5,587	2.5%	2.1%	Revenues were ahead of Emkay/Consensus estimates. Broad-based demand and quick ramp up of earlier deal wins helped negate seasonal headwinds.
Sales	4,20,150	4,10,699	4,12,312	2.3%	1.9%	
EBIT	1,11,840	1,02,059	1,04,527	9.6%	7.0%	EBITM beat estimates on the back of better than expected revenue growth.
EBIT, margin	26.6%	24.9%	25.4%	180 bps	130 bps	
PAT	87,010	82,875	86,115	5.0%	1.0%	Strong operating performance led to beat on net profit

Source: Company, Emkay Research

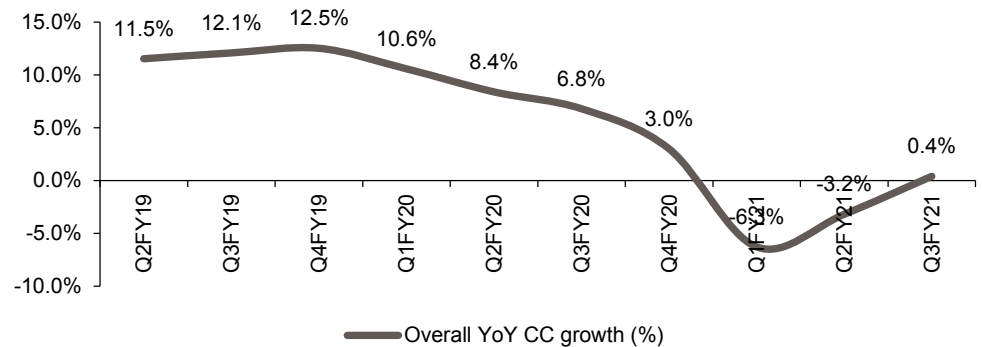
Exhibit 6: Quarterly Snapshot

Rs mn	Q3 FY20	Q4 FY20	Q1 FY21	Q2 FY21	Q3 FY21	YoY (%)	QoQ (%)	FY20TD	FY21TD	YoY (%)
Revenues (US\$ Mn)	5,586	5,444	5,059	5,424	5,702	2.1	5.1	16,588	16,185	(2.4)
Revenue (INR Mn)	3,98,540	3,99,460	3,83,220	4,01,350	4,20,150	5.4	4.7	11,70,030	12,04,720	3.0
Operating Expenditure	2,89,830	2,89,700	2,82,970	2,98,400	2,98,080	2.8	(0.1)	8,58,690	8,79,450	2.4
Cost of revenues	2,26,820	2,24,410	2,24,860	2,29,580	2,37,490	4.7	3.4	6,71,940	6,91,930	3.0
as % of sales	56.9	56.2	58.7	57.2	56.5			57.4	57.4	
SG&A expenses	63,010	65,290	58,110	68,820	60,590	(3.8)	(12.0)	1,86,750	1,87,520	0.4
as % of sales	15.8	16.3	15.2	17.1	14.4			16.0	15.6	
EBITDA	1,08,710	1,09,760	1,00,250	1,02,950	1,22,070	12.3	18.6	3,11,340	3,25,270	4.5
Depreciation	8,970	9,510	9,770	9,980	10,230			25,790	29,980	
EBIT	99,740	1,00,250	90,480	92,970	1,11,840	12.1	20.3	2,85,550	2,95,290	3.4
Other Income	5,950	4,870	4,560	7,400	5,080			31,810	17,040	
PBT	1,05,690	1,05,120	95,040	1,00,370	1,16,920	10.6	16.5	3,17,360	3,12,330	(1.6)
Total Tax	24,260	24,190	24,550	25,330	29,650			73,820	79,530	
Adjusted PAT	81,430	80,930	70,490	75,040	87,270	7.2	16.3	2,43,540	2,32,800	(4.4)
(Profit)/loss from JV's/Ass/MI	-250	-440	-410	-290	-260	4.0	(10.3)	-630	-960	
APAT after MI	81,180	80,490	70,080	74,750	87,010	7.2	16.4	2,42,910	2,31,840	(4.6)
Reported EPS	21.6	21.5	18.7	19.9	23.2	7.2	16.4	65	62	(4.6)
Margins (%)						(bps)	(bps)			(bps)
EBIDTA	27.3	27.5	26.2	25.7	29.1	178	340	26.6	27.0	39
EBIT	25.0	25.1	23.6	23.2	26.6	159	345	24.4	24.5	11
EBT	26.5	26.3	24.8	25.0	27.8	131	282	27.1	25.9	(120)
PAT	20.4	20.1	18.3	18.6	20.7	34	208	20.8	19.2	(152)
Effective Tax rate	23.0	23.0	25.8	25.2	25.4	241	12	23.3	25.5	220

Source: Company, Emkay Research

Broad-based revenue growth; confident to deliver double-digit revenue growth in FY22

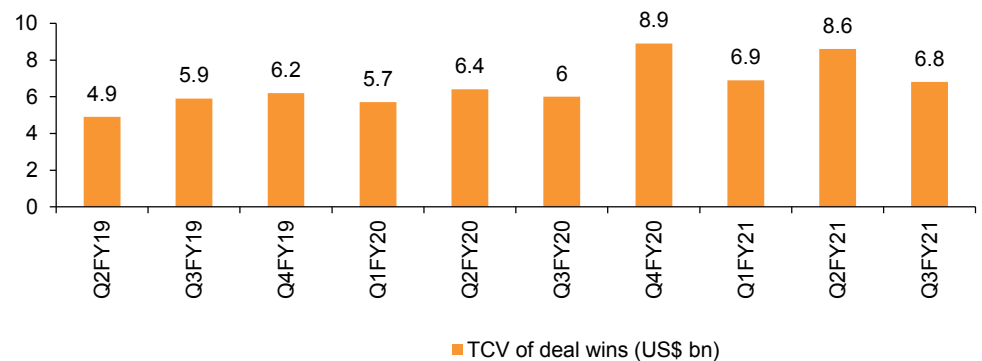
Revenue growth was strong and broad-based in Q3FY21. Revenue grew 5.1% QoQ and 2.1% YoY (4.1% QoQ CC, 0.4% YoY CC) to USD5.7bn, which was the strongest Q3 growth in the last nine years. Manufacturing (7.1% QoQ CC), BFSI (2.0%), Life Sciences & Healthcare (5.2%), Communications & Media (5.5%) and Retail and CPG (3.1%) led growth in Q3. BFSI and Technology & Services returned to growth on a YoY basis. All geographies showed sequential growth, with North America growing 3.3%, India 18.1%, UK 4.5% and Continental Europe 6.1%. TCS believes that this is the start of a multi-year technology transformation cycle and expects it to benefit from this secular demand trends. It is seeing accelerated demand in the areas of Cloud, Analytics & Insights, Cyber-Security, IoT and Customer experience. The company is seeing balanced growth opportunities across a) growth & transformation initiatives and b) operating transformation & cost efficiencies initiatives. The company has set-up separate business units for Microsoft, AWS and Google Cloud during the quarter along with their go-to-market programs with a refreshed suite of offerings to capitalize on growing demand for cloud infrastructure.

Exhibit 7: Overall YoY CC growth returned to positive territory after two quarters

Source: Company, Emkay Research

Deal intake remained robust

The deal intake remained healthy at USD6.8bn (book-to-bill 1.2x) for the quarter and included some large deals also (vs. large volume of small- and medium-sized deals in Q2). Q3 deal TCVs does not include deal with Postbank as the deal is closed on Jan 1, 2021. TCV of deals signed in BFSI, Retail and North America was USD2.6bn, USD1bn and USD4bn, respectively. The deal pipeline remains healthy and consists of healthy mix of large, medium and small size deals. Deal intake grew over 28% YoY to USD31.2bn on TTM basis (book-to-bill 1.4x vs 1.1x YoY).

Exhibit 8: TCV of deal wins remained strong

Source: Company, Emkay Research

Exhibit 9: Revenue by geography

Particulars	As % of revenue			QoQ (%)	YoY (%)
	Q3FY21	Q2FY21	Q3FY20		
North Americas	49.1%	49.9%	50.1%	3.4%	0.0%
Latin America	1.7%	1.7%	1.9%	5.1%	-8.7%
UK	15.7%	15.5%	15.9%	6.5%	0.8%
Continental Europe	16.2%	16.3%	14.9%	4.5%	11.0%
India	5.6%	5.0%	5.7%	17.7%	0.3%
Asia Pacific	9.7%	9.7%	9.3%	5.1%	6.5%
MEA	2.0%	1.9%	2.2%	10.7%	-7.2%
Total	100%	100%	100%	5.1%	2.1%

Source: Company, Emkay Research

Exhibit 10: Revenue by verticals

Revenue by verticals	As % of revenue				
Particulars	Q3FY21	Q2FY21	Q3FY20	QoQ (%)	YoY (%)
BFSI	31.3%	31.9%	30.4%	3.1%	5.1%
Retail & CPG	14.5%	14.6%	15.2%	4.4%	-2.6%
Communication & Media	6.6%	6.5%	7.0%	6.7%	-3.8%
Manufacturing	9.6%	9.4%	10.0%	7.4%	-2.0%
Life Science & Healthcare	9.8%	9.8%	8.3%	5.1%	20.5%
Technology & Services	8.6%	8.9%	8.4%	1.6%	4.5%
Regional Markets & Others	19.6%	18.9%	20.7%	9.0%	-3.3%
Total	100%	100%	100%	5.1%	2.1%

Source: Company, Emkay Research

Exhibit 11: Client Data (LTM)

No. of clients	Q3 FY19	Q4 FY19	Q1 FY20	Q2 FY20	Q3 FY20	Q4 FY20	Q1 FY21	Q2 FY21	Q3 FY21
USD 1 mn clients *	996	1008	1014	1032	1053	1072	1066	1076	1077
USD 5 mn clients *	519	532	551	554	557	565	564	565	565
USD 10 mn clients *	370	371	384	398	395	391	382	386	386
USD 20 mn clients *	211	215	219	225	232	240	230	228	229
USD 50 mn clients *	99	99	100	101	102	105	100	97	97
USD 100 mn clients *	45	44	44	47	47	49	48	49	48

Source: Company, Emkay Research

Exhibit 12: Segmental performance

Revenue (US\$ mn)	Q3 FY19	Q4 FY19	Q1 FY20	Q2 FY20	Q3 FY20	Q4 FY20	Q1 FY21	Q2 FY21	Q3 FY21
BFSI	2070	2144	2152	2183	2170	2073	2017	2181	2260
Manufacturing	557	576	581	572	585	575	513	517	547
Retail and consumer business	907	917	923	915	940	911	780	859	888
Communication, media and tech	856	865	896	903	926	920	857	887	947
Others	860	895	933	944	965	964	892	980	1060
Total	5250	5397	5485	5517	5586	5443	5059	5424	5702

Growth YoY (%)	Q3 FY19	Q4 FY19	Q1 FY20	Q2 FY20	Q3 FY20	Q4 FY20	Q1 FY21	Q2 FY21	Q3 FY21
BFSI	11.7%	11.3%	8.4%	5.3%	4.8%	-3.3%	-6.3%	-0.1%	4.1%
Manufacturing	8.6%	4.0%	5.3%	3.1%	5.0%	-0.2%	-11.7%	-9.6%	-6.5%
Retail and consumer business	8.8%	6.3%	6.0%	1.9%	3.6%	-0.7%	-15.5%	-6.1%	-5.5%
Communication, media and tech	2.9%	2.4%	6.0%	6.2%	8.2%	6.4%	-4.4%	-1.8%	2.3%
Others	14.1%	14.3%	16.9%	12.5%	12.2%	7.7%	-4.4%	3.8%	9.8%
Total	9.7%	8.5%	8.6%	5.8%	6.4%	0.9%	-7.8%	-1.7%	2.1%

EBITDAM (%)	Q3 FY19	Q4 FY19	Q1 FY20	Q2 FY20	Q3 FY20	Q4 FY20	Q1 FY21	Q2 FY21	Q3 FY21
BFSI	27.3%	28.4%	27.3%	27.6%	28.5%	27.4%	26.9%	29.6%	28.8%
Manufacturing	29.4%	24.7%	26.5%	26.0%	27.2%	28.2%	25.5%	26.9%	29.6%
Retail and consumer business	26.8%	27.7%	26.3%	25.1%	26.8%	26.3%	22.1%	29.1%	30.0%
Communication, media and tech	27.3%	27.9%	29.4%	28.9%	29.2%	31.1%	29.1%	29.2%	29.6%
Others	24.5%	20.3%	20.8%	21.7%	23.2%	24.7%	25.6%	26.9%	27.9%
Total	27.0%	26.4%	26.3%	26.2%	27.3%	27.5%	26.1%	28.7%	29.0%

Source: Company, Emkay Research

Exhibit 13: Changes in estimates

(All fig in Rs mn except EPS)	FY21E			FY22E			FY23E		
	Old	New	% change	Old	New	% change	Old	New	% change
Revenues(US\$ mn)	21,808	22,115	1.4%	24,636	25,426	3.2%	27,109	28,230	4.1%
YoY growth, %	-1.0	0.4		13.0	15.0		10.0	11.0	
Revenues	16,18,614	16,40,581	1.4%	18,47,716	19,06,976	3.2%	20,60,274	21,45,512	4.1%
EBIT	3,91,557	4,08,396	4.3%	4,67,109	4,85,482	3.9%	5,21,376	5,43,994	4.3%
EBIT Margins, %	24.2	24.9		25.3	25.5		25.3	25.4	
Net profits	3,13,611	3,22,425	2.8%	3,79,190	3,94,315	4.0%	4,27,924	4,47,647	4.6%
EPS	84.8	87.2	2.8%	102.5	106.6	4.0%	115.7	121.0	4.6%

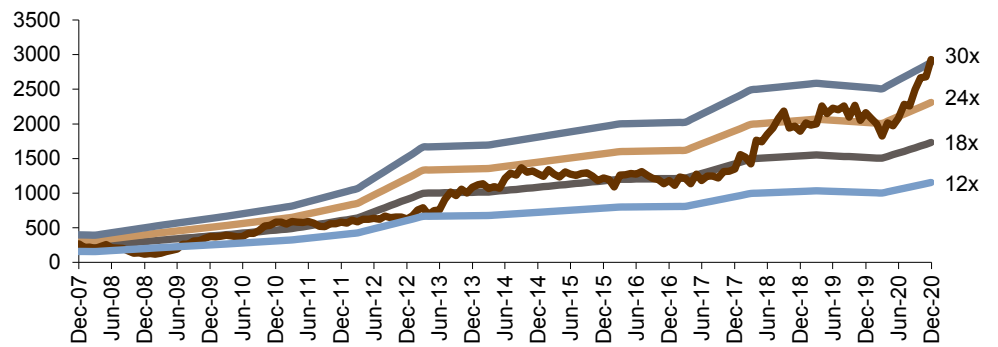
Source: Company, Emkay Research

Exhibit 14: Key Assumptions

Key Assumptions	FY20	FY21E	FY22E	FY23E
USD Revenues growth	5.4	0.4	15.0	11.0
USD/INR	71.2	74.2	75.0	76.0
INR revenue growth	7.2%	4.5%	16.2%	12.5%
EBIT Margins	24.6	24.9	25.5	25.4
EPS growth (%)	2.8%	1.1%	22.3%	13.5%

Source: Company, Emkay Research

Exhibit 15: TCS 1 year forward P/E chart



Source: Company, Emkay Research

Exhibit 16: Valuation Summary

Co Name	CMP	Reco.	Target Price	US\$ revenue growth (%)			EPS			P/E			EV/EBIT		
				FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
TCS	3,120	Hold	3,150	0.4	15.0	11.0	87.2	106.6	121.0	35.8	29.3	25.8	27.5	22.8	19.9
Infosys	1,312	Buy	1,470	4.0	14.0	12.0	44.0	52.1	58.8	29.8	25.2	22.3	22.1	18.7	16.4
Wipro	430	Hold	380	-2.4	8.5	6.0	18.0	19.4	20.9	23.9	22.2	20.6	18.9	16.9	15.5
HCL Tech	995	Buy	1,090	1.6	11.0	8.5	45.6	49.3	54.4	21.8	20.2	18.3	16.4	14.8	13.2
Tech Mahindra	1,051	Buy	1,160	-1.6	9.5	9.0	49.2	55.8	64.4	21.4	18.8	16.3	16.6	13.7	11.5
Mphasis	1,639	Hold	1,560	5.7	12.0	10.0	64.9	76.7	86.7	25.3	21.4	18.9	18.3	15.6	13.5
Mindtree	1,740	Sell	1,490	-2.5	12.0	11.0	58.5	65.0	74.4	29.8	26.8	23.4	21.5	19.5	16.9
Persistent Systems	1,571	Buy	1,790	10.8	13.0	13.0	54.0	66.7	81.3	29.1	23.6	19.3	22.4	17.7	14.0
Coforge	2,804	Hold	2,740	4.4	15.1	13.0	76.0	99.8	119.0	36.9	28.1	23.6	26.8	21.4	17.7
Firstsource Solutions	102	Buy	120	12.6	11.3	8.4	6.1	7.2	8.0	16.7	14.1	12.7	13.6	11.5	9.7

Source: Company, Emkay Research

Other takeaways:

Q3FY21 performance: Revenue grew 5.1% QoQ and 2.1% YoY (4.1% QoQ CC, 0.4% YoY CC) to USD5.7bn, which was the strongest Q3 growth in nine years. EBITM expanded 40bps sequentially despite wage hike impact wef Oct 1, 2020 (160bps impact), negated by revenue acceleration, strong operating performance and favorable currency movement. The company saw demand in growth oriented IT investments as well as efficiency enhancement investments during the quarter.

Outlook: TCS signed deals worth USD6.8bn during the quarter. The company did see many large deals closing during the quarter; however, it does not expect the deal pipeline mix to change materially (well diversified mix). Core digital transformation, cloud initiatives, cyber security and data analytics demand to drive revenue growth in the near term and the company is optimistic with regards to its growth prospects based on its strong market position and deal pipeline.

Others:

- The company declared an interim dividend of Rs6 per share.
- IT Services attrition rate dips to a new all-time low of 7.6%; however, the company expects the attrition to inch up in the coming quarters as growth returns across the industry.
- The company plans to return to a normal salary hike cycle in FY22 (salary hike likely in a gap of 6M).
- Sequential addition of 15,721 to the headcount was the highest in any quarter and reflects company's confidence in the demand uptick.

Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	14,64,630	15,69,490	16,40,581	19,06,976	21,45,512
Expenditure	10,69,580	11,48,390	11,91,526	13,75,726	15,51,099
EBITDA	3,95,050	4,21,100	4,49,054	5,31,250	5,94,413
Depreciation	20,550	35,300	40,659	45,767	50,420
EBIT	3,74,500	3,85,800	4,08,396	4,85,482	5,43,994
Other Income	41,130	36,680	23,467	35,027	46,765
Interest expenses	0	0	0	0	0
PBT	4,15,630	4,22,480	4,31,863	5,20,510	5,90,758
Tax	1,00,010	98,010	1,08,218	1,24,922	1,41,782
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	900	1,070	1,220	1,272	1,329
Reported Net Income	3,14,720	3,23,400	3,22,425	3,94,315	4,47,647
Adjusted PAT	3,14,720	3,23,400	3,22,425	3,94,315	4,47,647

Balance Sheet

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity share capital	3,750	3,750	3,697	3,697	3,697
Reserves & surplus	9,11,810	8,58,650	8,62,069	10,97,325	13,63,719
Net worth	9,15,560	8,62,400	8,65,766	11,01,022	13,67,416
Minority Interest	4,530	6,230	7,450	8,722	10,051
Loan Funds	620	81,740	50,000	52,000	54,000
Net deferred tax liability	(15,900)	(20,230)	(22,000)	(24,000)	(26,000)
Total Liabilities	9,04,810	9,30,140	9,01,216	11,37,744	14,05,467
Net block	1,56,630	2,40,650	2,31,330	2,36,330	2,42,330
Investment	3,47,580	2,75,090	2,13,690	3,83,690	5,63,690
Current Assets	6,40,000	6,86,370	7,40,615	8,34,714	9,46,978
Cash & bank balance	72,240	86,460	1,34,329	1,62,563	2,05,148
Other Current Assets	2,37,870	2,33,290	2,28,727	2,43,735	2,59,825
Current liabilities & Provision	2,39,400	2,71,970	2,84,419	3,16,990	3,47,532
Net current assets	4,00,600	4,14,400	4,56,196	5,17,724	5,99,447
Misc. exp	0	0	0	0	0
Total Assets	9,04,810	9,30,140	9,01,216	11,37,744	14,05,467

Cash Flow

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
PBT (Ex-Other income) (NI+Dep)	3,14,720	3,23,400	3,22,425	3,94,315	4,47,647
Other Non-Cash items	1,03,190	97,610	1,220	1,272	1,329
Chg in working cap	(23,120)	(45,000)	4,303	(35,294)	(41,137)
Operating Cashflow	3,16,670	3,53,910	3,68,607	4,06,061	4,58,258
Capital expenditure	(20,530)	(30,570)	(31,339)	(50,767)	(56,420)
Free Cash Flow	2,96,140	3,23,340	3,37,268	3,55,293	4,01,839
Investments	3,890	76,760	61,400	(1,70,000)	(1,80,000)
Other Investing Cash Flow	0	0	0	0	0
Investing Cashflow	(16,640)	46,190	30,061	(2,20,767)	(2,36,420)
Equity Capital Raised	(1,60,450)	0	(1,60,000)	0	0
Loans Taken / (Repaid)	(1,940)	(12,890)	(31,740)	2,000	2,000
Dividend paid (incl tax)	(1,14,720)	(3,77,020)	(1,59,059)	(1,59,059)	(1,81,254)
Other Financing Cash Flow	490	4,030	0	0	0
Financing Cashflow	(2,76,620)	(3,85,880)	(3,50,799)	(1,57,059)	(1,79,254)
Net chg in cash	23,410	14,220	47,869	28,234	42,585
Opening cash position	48,830	72,240	86,460	1,34,329	1,62,563
Closing cash position	72,240	86,460	1,34,329	1,62,563	2,05,148

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY19	FY20	FY21E	FY22E	FY23E
EBITDA Margin	27.0	26.8	27.4	27.9	27.7
EBIT Margin	25.6	24.6	24.9	25.5	25.4
Effective Tax Rate	24.1	23.2	25.1	24.0	24.0
Net Margin	21.5	20.7	19.7	20.7	20.9
ROCE	47.2	46.0	47.2	51.1	46.5
ROE	35.2	36.4	37.3	40.1	36.3
RoIC	82.1	73.2	72.8	84.8	88.6

Per Share Data (Rs)	FY19	FY20	FY21E	FY22E	FY23E
EPS	83.9	86.2	87.2	106.6	121.0
CEPS	89.3	95.6	98.2	119.0	134.6
BVPS	244.0	229.8	234.1	297.6	369.7
DPS	30.0	73.0	43.0	43.0	49.0

Valuations (x)	FY19	FY20	FY21E	FY22E	FY23E
PER	37.2	36.2	35.8	29.3	25.8
P/CEPS	34.9	32.6	31.8	26.2	23.2
P/BV	12.8	13.6	13.3	10.5	8.4
EV / Sales	7.7	7.3	6.9	5.8	5.0
EV / EBITDA	28.6	27.1	25.0	20.8	18.2
Dividend Yield (%)	1.0	2.3	1.4	1.4	1.6

Gearing Ratio (x)	FY19	FY20	FY21E	FY22E	FY23E
Net Debt/ Equity	(0.5)	(0.3)	(0.3)	(0.4)	(0.5)
Net Debt/EBIDTA	(1.1)	(0.7)	(0.7)	(0.9)	(1.2)
Working Cap Cycle (days)	81.8	76.3	71.6	68.0	67.1

Growth (%)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	19.0	7.2	4.5	16.2	12.5
EBITDA	21.5	6.6	6.6	18.3	11.9
EBIT	22.8	3.0	5.9	18.9	12.1
PAT	21.9	2.8	(0.3)	22.3	13.5

Quarterly (Rs mn)	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21
Revenue	3,98,540	3,99,460	3,83,220	4,01,350	4,20,150
EBITDA	1,08,710	1,09,760	1,00,250	1,02,950	1,22,070
EBITDA Margin (%)	27.3	27.5	26.2	25.7	29.1
PAT	81,180	80,490	70,080	74,750	87,010
EPS (Rs)	21.6	21.5	18.7	19.9	23.2

Source: Company, Emkay Research

Shareholding Pattern (%)	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20
Promoters	72.1	72.1	72.1	72.1	72.1
FIs	15.5	15.9	15.7	15.9	16.0
DIs	8.2	8.0	8.0	8.0	7.9
Public and Others	4.2	4.0	4.2	4.1	4.1

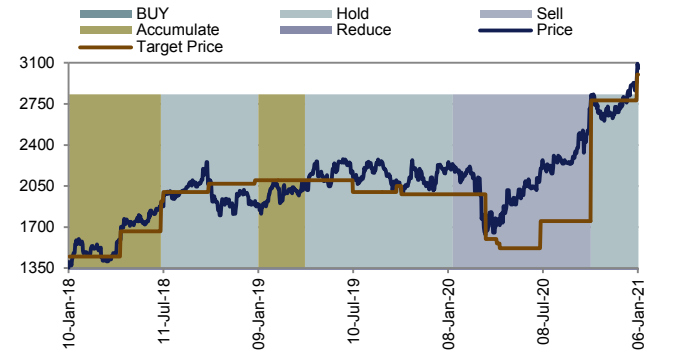
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
04-Jan-21	3,039	3,000	12m	Hold	Dipesh Mehta
18-Dec-20	2,861	2,780	12m	Hold	Dipesh Mehta
08-Oct-20	2,826	2,780	12m	Hold	Dipesh Mehta
10-Jul-20	2,222	1,750	12m	Sell	Manik Taneja
03-Jul-20	2,200	1,750	12m	Sell	Manik Taneja
25-Jun-20	2,016	1,520	12m	Sell	Manik Taneja
18-Jun-20	2,038	1,520	12m	Sell	Manik Taneja
26-May-20	1,943	1,520	12m	Sell	Manik Taneja
16-Apr-20	1,716	1,520	12m	Sell	Manik Taneja
10-Apr-20	1,766	1,560	12m	Sell	Manik Taneja
20-Mar-20	1,797	1,600	12m	Sell	Manik Taneja
03-Feb-20	2,103	1,980	12m	Sell	Manik Taneja
17-Jan-20	2,219	1,980	12m	Sell	Manik Taneja
08-Jan-20	2,255	1,980	12m	Hold	Manik Taneja
01-Jan-20	2,168	1,980	12m	Hold	Manik Taneja
21-Nov-19	2,118	1,980	12m	Hold	Manik Taneja
10-Oct-19	2,004	1,980	12m	Hold	Manik Taneja
01-Oct-19	2,060	2,050	12m	Hold	Manik Taneja
09-Jul-19	2,133	2,000	12m	Hold	Manik Taneja
03-Jul-19	2,238	2,100	12m	Hold	Manik Taneja
12-Apr-19	2,015	2,100	12m	Hold	Rahul Jain
08-Apr-19	2,071	2,100	12m	Hold	Rahul Jain
11-Jan-19	1,843	2,100	12m	Accumulate	Rahul Jain
09-Jan-19	1,887	2,100	12m	Accumulate	Rahul Jain
02-Jan-19	1,923	2,100	12m	Hold	Rahul Jain
11-Oct-18	1,980	2,070	12m	Hold	Rahul Jain
05-Oct-18	2,103	2,070	12m	Hold	Rahul Jain
10-Jul-18	1,875	2,000	12m	Hold	Rahul Jain
10-Jul-18	1,875	1,920	12m	Hold	Rahul Jain
06-Jul-18	1,913	1,920	12m	Hold	Rahul Jain
19-Apr-18	1,596	1,665	12m	Accumulate	Rahul Jain
05-Apr-18	1,479	1,450	12m	Accumulate	Rahul Jain
11-Jan-18	1,395	1,450	12m	Accumulate	Rahul Jain
11-Jan-18	1,395	1,450	12m	Accumulate	Rahul Jain

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Emkay Alpha Portfolio – Information Technology



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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 (Normalised)
Information Technology	13.29	13.00	-2%	-28	100.00
BirlaSoft*	0.00	0.11	NA	11	0.83
Coforge	0.00	0.00	NA	0	0.00
eClerx Services*	0.00	0.00	NA	0	0.00
Firstsource Solutions	0.00	0.00	NA	0	0.00
HCL Tech	1.32	1.46	10%	14	10.99
Infosys	5.84	6.11	5%	27	45.97
Intellect Design*	0.00	0.00	NA	0	0.00
L&T Infotech*	0.21	0.00	-100%	-21	0.00
Majesco*	0.00	0.00	NA	0	0.00
Mindtree	0.09	0.00	-100%	-9	0.00
Mphasis	0.17	0.20	13%	2	1.47
MPS*	0.00	0.00	NA	0	0.00
NIIT*	0.00	0.00	NA	0	0.00
Nucleus Software*	0.00	0.00	NA	0	0.00
Oracle Financial Services*	0.09	0.00	-100%	-9	0.00
Persistent Systems	0.00	0.53	NA	53	3.98
Ramco Systems*	0.00	0.00	NA	0	0.00
TCS	4.02	3.12	-23%	-91	23.45
Tech Mahindra	0.78	0.80	3%	2	6.01
Wipro	0.76	0.69	-10%	-8	5.16
Cash	0.00	0.29	NA	28	2.14

Source: Emkay Research

* Not under coverage: Equal Weight

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

Sector portfolio NAV

	Base					Latest
	1-Apr-19	9-Jan-20	9-Jul-20	8-Oct-20	8-Dec-20	7-Jan-21
EAP - Information Technology	100.0	100.6	104.4	148.4	152.0	167.5
BSE200 Neutral Weighted Portfolio (ETF)	100.0	101.2	102.1	140.9	144.9	158.9

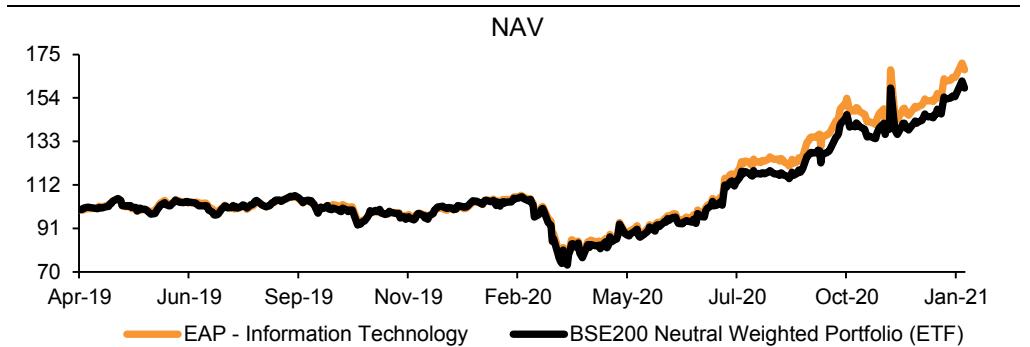
*Performance measurement base date 1st April 2019 | Source: Emkay Research

Price Performance (%)

	1m	3m	6m	12m
EAP - Information Technology	10.2%	12.9%	60.5%	66.5%
BSE200 Neutral Weighted Portfolio (ETF)	9.6%	12.8%	55.6%	56.9%

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: 09 Jan 2021 04:10:07 (SGT)

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