

January 14, 2021

## Q3FY21 Result Update

Change in Estimates |  Target |  Reco

### Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
Rating	BUY		BUY	
Target Price	493		434	
Sales (Rs. m)	6,76,879	7,38,297	6,63,590	7,14,751
% Chng.	2.0	3.3		
EBITDA (Rs. m)	1,66,608	1,75,801	1,47,587	1,58,698
% Chng.	12.9	10.8		
EPS (Rs.)	21.8	23.5	19.7	21.7
% Chng.	10.5	8.3		

### Key Financials - Standalone

Y/e Mar	FY20	FY21E	FY22E	FY23E
Sales (Rs. bn)	610	618	677	738
EBITDA (Rs. bn)	122	150	167	176
Margin (%)	20.0	24.2	24.6	23.8
PAT (Rs. bn)	97	109	124	134
EPS (Rs.)	16.2	18.4	21.8	23.5
Gr. (%)	2.9	13.7	18.6	7.7
DPS (Rs.)	0.9	1.0	3.0	3.0
Yield (%)	0.2	0.2	0.7	0.7
RoE (%)	17.3	19.6	20.3	18.6
RoCE (%)	15.6	19.2	19.8	18.3
EV/Sales (x)	4.1	3.7	3.1	2.7
EV/EBITDA (x)	20.5	15.5	12.6	11.2
PE (x)	28.4	25.0	21.1	19.6
P/BV (x)	5.0	4.9	3.9	3.4

### Key Data

WIPR.BO | WPRO IN

52-W High / Low	Rs.467 / Rs.159
Sensex / Nifty	49,492 / 14,565
Market Cap	Rs.2,622bn/ \$ 35,843m
Shares Outstanding	5,715m
3M Avg. Daily Value	Rs.10575.66m

### Shareholding Pattern (%)

Promoter's	74.37
Foreign	8.46
Domestic Institution	6.08
Public & Others	11.09
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	29.8	101.6	80.0
Relative	20.9	49.4	52.3

### Aniket Pande

aniketpande@plindia.com | 91-22-66322300

### Aditi Patil

aditipatil@plindia.com |

## On a Tear

### Quick Pointers:

- EBIT margins came at 22 quarters high at 21.7% (+ 243 bps QoQ and + 329 bps YoY) vs our estimates of 19.0% & cons: 19.1%.
- Wipro closed 12 deals with > \$30Mn TCV and the TCV booked of these deals was over \$1.2Bn. Wipro's aggression in large deal hunt is clearly visible with 5 decent large deals signed this quarter – Metro AG, Marelli, Verifone, Fortum, EON, John Lewis

**Wipro's revenue grew at 3.4% QoQ CC (Ple: 3%, Cons: 3.2%) & 3.9% QoQ in USD terms. Revenue growth was broad based growth led by 5.6% QoQ rise in E&U, 5.2% QoQ in Consumer BU and 5.5% QoQ growth in Health BU (all in reported terms). Sharp margin beat positively surprised us, re-inforcing Wipro's strategy of profitable growth. EBIT margins came at 22 quarters high at 21.7% (+ 243 bps QoQ and + 329 bps YoY) vs our estimates of 19.0% & cons: 19.1%. We believe EBIT margins of Wipro will stay above pre-Covid levels aided by certain structural operational factors such as offshore shift, sustainably higher utilization and lower than pre-Covid level travel costs, visa costs etc. Wipro closed 12 deals with > \$30Mn TCV and the TCV booked of these deals was over \$1.2Bn. Wipro continues to invest in industry experts and strengthens sales team with sharp focus on winning large deals. Management indicated that they aim to deliver consistent revenue growth and margin performance. Guidance for 4Q was at 1.5%-3.5% QoQ.**

**We have increased our estimates by 10.5%/8.3% for FY22/23 which were led by 1) Strong deal win momentum, 2) Sustainable margin performance along with growth, 3) Strong Demand trend, 4) Strong exit rate in FY21. We value Wipro on FY-23 earnings of 21X (earlier 20x, 29%/43% discount to Infy/TCS resp.) to arrive at changed TP of INR 493 (earlier: INR434). Wipro is currently trading at 21.1X/19.6X for FY22/23E earnings of INR 21.8/23.5 respectively with EPS CAGR of ~13% for FY21-23 respectively. Maintain Buy.**

- Second consecutive quarter of strong performance:** Wipro's revenue grew at 3.4% QoQ CC (Ple: 3%, Cons: 3.2%) & 3.9% QoQ in USD terms. Strong revenue growth was led by surge in volumes. Revenue growth was broad based growth led by 5.6% QoQ USD rise in E&U, 5.2% QoQ USD growth in Consumer BU and 5.5% QoQ USD growth in Health BU. Geography wise – Wipro continues to expand in Europe with growth at 0.1% QoQ USD. US grew at 2.5% QoQ. (all in reported terms).
- Demand in **BFSI** is led by strong demand for digital operations and cloud. In E&U vertical utilities continue to show strong growth whereas deal momentum is ramping up in Oil & Gas. Technology vertical grew at +4.5% CC QoQ despite furloughs. Deal momentum is expected to remain strong in manufacturing. There was seasonal uptick in Health services business in 3QFY21. **Management stated that cloud demand and adjacencies created as result of migration to cloud will sustain strong deal momentum in cloud for long term.**

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EBIT margins came at 22 quarters high at 21.7% (+ 243 bps QoQ and + 329 bps YoY) vs our estimates of 19.0% & cons: 19.1%. Sharp improvement in margins was led by higher offshore mix, stable utilization rates, low attrition and optimized sub-contracting.

Segmental margins have improved in Q3FY21 led by Consumer BU at 24.6% (+152.5 bps QoQ).

FCF is at 133% of Net Income.

- **Strong deal wins:** Wipro closed 12 deals with > \$30Mn TCV and the TCV booked of these deals was over \$1.2Bn. The company also closed their largest deal this quarter with Metro based in Continental Europe. (US\$700 mn over a period of 5 years.) Order book consisted good mix of large and small deals with. Wipro also signed a US based large mortgaged client in addition to several deal wins - Olympus, Thoughtspot, Fortum & Verifone announced in this quarter.
- **Sharp beat in margin performance:** EBIT margins came at 22 quarters high at 21.7% (+ 243 bps QoQ and + 329 bps YoY) vs our estimates of 19.0% & cons: 19.1%. Sharp improvement in margins was led by higher offshore mix, stable utilization rates (86.3% in 3Q & 86.6% in 2Q), low attrition (11% in 3Q & 2Q) and optimized sub-contracting. Management stated that utilization may improve 1-2% going forward and offshoring may also improve. Revenue growth will drive margins as operating leverage kicks in. Salary hikes to be rolled out in 4QFY21.
- **Strong cashflow management & sustained low attrition:** Attrition was held up flat QoQ at 11%. Hiring momentum is expected to continue with strong net addition of 8504 employees. Wipro continues to invest in industry experts and strengthens sales team. DSO improved by 6 days. Cash in balance stood at 6.2\$ Bn and FCF/NI was at 133% in 3QFY21. Board declared DPS of INR 1 per share. We believe, with revenue growth momentum and operational margin levers Wipro will maintain margins in narrow band of 19-20%
- **Strong underlying segmental margins:** Segmental margins have improved in Q3FY21 led by Consumer BU at 24.6% (+152.5 bps QoQ). Followed by BFSI at 21% (+90.1 bps QoQ) and Health BU at 20.5% (+72.8 bps QoQ). E&U vertical margins stood at 18.4% near to their pre-covid levels (+79.5 bps QOQ)
- **Revenue guidance indicates consistent sequential growth:** Management expects revenue from IT Services business to be in the range of \$2,102 million to \$2,143 million. This translates to a sequential growth of 1.5% to 3.5% QoQ. This guidance is reflective of strong deal pipeline.
- The demand environment is steadily improving, especially for digital transformation, digital operations, and cloud services. Wipro continues to invest in industry experts and strengthens sales team with sharp focus on winning large deal pipeline. Management indicated that they aim to deliver consistent revenue growth and margin performance

### Exhibit 1: Q3FY21: Quick View on Results

IFRS Consolidated (RS m)	3Q21	2Q21	QoQ	3Q20	YoY	Plc	% var from est
IT Revenue (US\$ m)	2,071	1,992	3.9%	2,095	-1.1%	2,052	0.9%
Consolidated Sales	1,56,700	1,51,145	3.7%	1,54,705	1.3%	1,53,680	2.0%
EBITDA	41,174	34,555	19.2%	31,801.0	29.5%	35,408	16.3%
EBITDA Margin (%)	26.3%	22.9%	341 bps	20.6%	572 bps	23.0%	324 bps
EBIT	33,813	28,313	19.4%	27,233	24.2%		
EBIT Margin (%)	21.6%	18.7%	285 bps	17.6%	397 bps	18.8%	282 bps
PBT	38,489	32,071	20.0%	30,793	25.0%	32,754	17.5%
Tax	8,524	7,228	17.9%	6,164	38.3%	6,851	24.4%
PAT	29,667	24,656	20.3%	24,558	20.8%	25,843	14.8%
EPS (Rs)	5.2	4.3	19.7%	4.3	20.1%	4.74	9.0%

Source: Company, PL

## Valuation

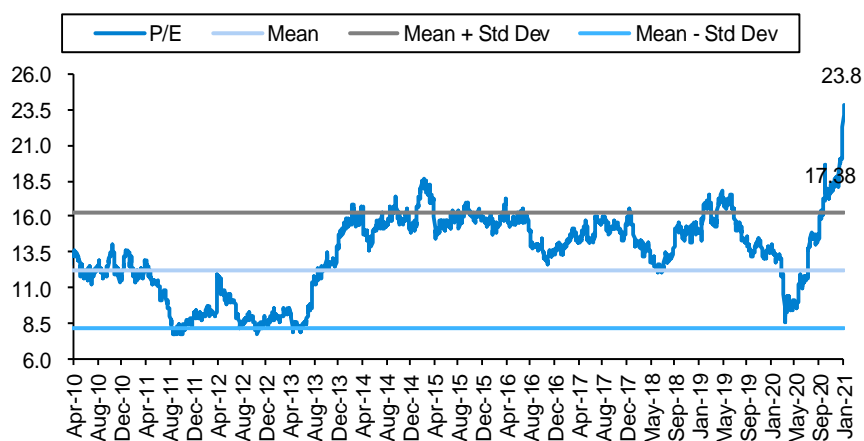
We have increased our estimates by 10.5%/8.3% for FY22/23 which were led by 1) Strong deal win momentum, 2) Sustainable margin performance along with growth, 3) Strong Demand trend, 4) Strong exit rate in FY21. We value Wipro on FY-23 earnings of 21X (earlier 20x, 29%/43% discount to Infy/TCS resp.) to arrive at changed TP of INR 493 (earlier: INR434). Wipro is currently trading at 21.1X/19.6X for FY22/23E earnings of INR 21.8/23.5 respectively with EPS CAGR of ~13% for FY21-23 respectively. Maintain Buy.

### Exhibit 2: Change in Estimates

Year to 31-Mar	FY21E	FY22E	FY23E
<b>IT Services revenue (US\$ m)</b>			
- New	8,121	8,910	9,603
- Old	8,085	8,725	9,284
<i>Change</i>	<i>0.4%</i>	<i>2.1%</i>	<i>3.4%</i>
<b>USD Revenue growth</b>	-1.6%	9.7%	7.8%
<b>EBIT Margins</b>			
- New	20.0%	20.1%	19.6%
- Old	18.5%	18.5%	18.6%
<i>Change</i>	<i>149 bps</i>	<i>165 bps</i>	<i>99 bps</i>
<b>EPS - Fully diluted (Rs)</b>			
- New	18.4	21.8	23.5
- Old	17.0	19.7	21.7
<i>Change</i>	<i>8.0%</i>	<i>10.5%</i>	<i>8.3%</i>

Source: PL

### Exhibit 3: WIPRO One year forward P/E valuation chart



Source: Company, PL

**Exhibit 4: Revenue growth**

	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21
<b>Strategic Business Units \$ QoQ growth</b>										
BFSI	3.4%	4.8%	1.7%	-1.5%	-0.5%	0.9%	-2.6%	-6.4%	5.4%	1.6%
Communications	2.8%	1.8%	-0.3%	1.7%	-2.9%	2.2%	-1.0%	-17.1%	7.8%	2.0%
Consumer Business Unit	3.7%	1.2%	5.3%	-5.4%	3.1%	8.0%	-1.6%	-12.3%	5.6%	5.2%
Energy, Natural Resources and Utilities	1.8%	3.4%	-0.1%	-1.8%	1.3%	2.2%	-1.8%	-4.4%	1.3%	5.6%
Health Business Unit	-3.4%	2.6%	2.2%	-1.8%	-1.0%	3.0%	2.0%	-7.3%	5.2%	5.5%
Manufacturing & Technology	-1.7%	-1.9%	-1.0%	-0.3%	1.5%	-0.7%	1.4%	-4.7%	-0.6%	4.9%
<b>Strategic Business Units \$ YoY growth</b>										
BFSI	12.8%	15.1%	12.8%	8.7%	4.6%	0.7%	-3.6%	-8.4%	-3.1%	-2.4%
Communications	-10.3%	-7.4%	-0.7%	6.1%	0.2%	0.6%	-0.1%	-18.5%	-9.6%	-9.8%
Consumer Business Unit	0.8%	1.1%	11.0%	4.5%	3.9%	10.9%	3.6%	-3.9%	-1.5%	-4.1%
Energy, Natural Resources and Utilities	-3.2%	8.7%	3.6%	3.3%	2.8%	1.6%	-0.1%	-2.8%	-2.8%	0.4%
Health Business Unit	-3.2%	9.6%	-4.4%	-0.5%	2.0%	2.4%	2.2%	-3.6%	2.5%	4.9%
Manufacturing & Technology	-2.0%	-3.6%	-9.9%	-4.8%	-1.8%	-0.6%	1.9%	-2.6%	-4.6%	0.8%
<b>Strategic Business Units CC QoQ growth</b>										
Communications	4.4%	5.3%	1.3%	-0.6%	-2.4%	1.5%	-0.2%	-16.2%	4.6%	0.7%
Consumer Business Unit	4.2%	2.1%	-1.2%	2.8%	4.1%	7.0%	-0.1%	-12.4%	4.5%	5.2%
Energy, Natural Resources and Utilities	4.8%	1.4%	5.3%	-4.4%	2.3%	1.2%	1.3%	-5.4%	-2.4%	4.1%
BFSI	4.0%	4.6%	-0.7%	0.2%	-0.1%	0.4%	-0.9%	-6.4%	3.7%	1.2%
Health Business Unit	-3.0%	2.8%	2.1%	-1.5%	-0.6%	3.4%	2.3%	-7.2%	4.1%	5.0%
Manufacturing & Technology	1.7%	0.4%	-0.7%	-2.0%	3.3%	4.4%	-1.3%	-8.1%	3.5%	4.0%
Technology	1.8%	-4.2%	-2.0%	2.7%	1.3%	-3.7%	3.2%	-2.1%	-4.7%	4.5%
<b>Strategic Business Units CC YoY growth</b>										
Communications	16.0%	17.5%	15.9%	11.2%	2.4%	1.3%	2.0%	-16.9%	-10.3%	-11.4%
Consumer Business Unit	-6.7%	-3.2%	3.2%	8.8%	6.1%	12.1%	6.4%	-2.5%	-2.1%	-3.6%
Energy, Natural Resources and Utilities	7.7%	10.0%	14.8%	7.7%	6.3%	2.6%	4.9%	-1.7%	-5.4%	-2.6%
BFSI	0.0%	9.8%	9.4%	7.8%	5.9%	1.0%	-1.3%	-6.9%	-3.3%	-2.5%
Health Business Unit	-4.4%	-4.1%	-2.3%	0.4%	3.0%	4.2%	3.6%	-2.1%	2.3%	3.7%
Manufacturing & Technology	-1.6%	-0.2%	-3.2%	-0.1%	0.9%	4.9%	4.2%	-2.0%	-1.5%	-2.4%
Technology	4.6%	0.1%	-5.4%	-1.6%	-2.5%	-1.7%	3.5%	-1.4%	-7.1%	0.6%
<b>Geography \$ QoQ Growth</b>										
Americas	1.2%	3.7%	3.4%	-0.9%	2.0%	1.6%	-1.2%	-7.4%	2.6%	2.5%
Europe	-0.5%	1.0%	-2.2%	-1.8%	-4.0%	3.1%	0.7%	-8.9%	4.1%	10.1%
Rest of the World	2.7%	-2.6%	0.3%	-4.6%	1.7%	3.5%	-2.7%	-4.7%	6.7%	0.4%
<b>Geography \$ YoY growth</b>										
Americas	4.5%	9.5%	11.2%	7.5%	8.3%	6.1%	1.5%	-5.3%	-4.7%	-3.8%
Europe	2.5%	-0.2%	-8.0%	-3.4%	-6.8%	-4.9%	-2.1%	-9.1%	-1.5%	5.1%
Rest of the World	-5.2%	-7.0%	-5.5%	-4.4%	-5.3%	0.6%	-2.4%	-2.3%	2.4%	-0.6%

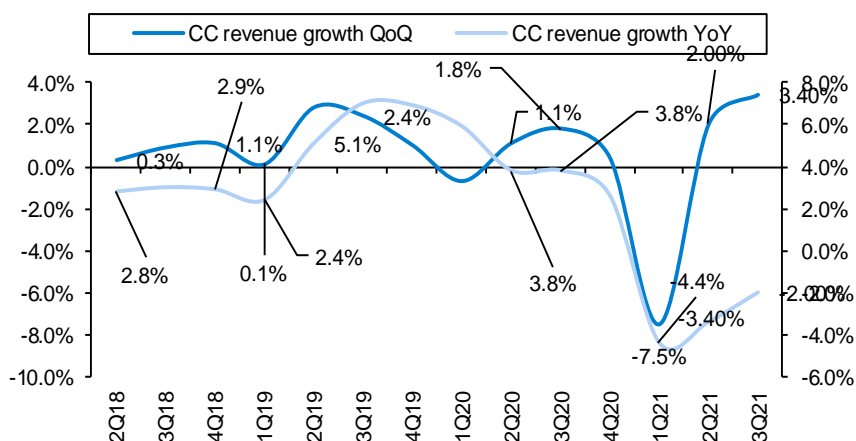
Source: Company, PL

**Exhibit 5: Strong underlying Margins**

	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21
<b>Strategic Business quarterly Margins</b>										
BFSI	18%	20%	21%	20.6%	18.4%	17.7%	17.4%	19.0%	20.1%	21.0%
Health BU	14%	10%	10%	15.5%	15.1%	16.1%	14.8%	13.8%	19.8%	20.5%
Consumer	18%	23%	20%	15.7%	16.8%	18.6%	17.7%	19.1%	23.1%	24.6%
Energy, Natural Resources & Utilities	-11%	19%	15%	11.9%	16.3%	16.0%	19.2%	18.5%	17.6%	18.4%
Technology	24%	22%	16%	18.9%	18.9%	17.5%	20.0%	21.2%	14.3%	16.1%
Manufacturing	19%	20%	20%	18.5%	20.5%	19.2%	18.7%	18.8%	19.6%	20.1%
Communication	13%	19%	12%	18.0%	12.5%	16.9%	15.7%	12.0%	16.9%	18.0%
<b>QoQ BPS change (bps)</b>										
BFSI	10.1	226.6	117.6	(39.3)	(219.2)	(68.1)	(24.8)	155.7	107.1	90
Health BU	311.1	(422.5)	(19.6)	546.3	(43.8)	100.8	(128.3)	(100.3)	596.4	73
Consumer	576.8	546.9	(320.4)	(425.1)	112.0	177.5	(86.1)	135.5	399.8	153
Energy, Natural Resources & Utilities	(2,706.1)	3,044.6	(405.8)	(304.7)	441.4	(32.0)	323.6	(73.1)	(93.7)	79
Technology	288.0	(185.2)	(539.3)	242.5	3.0	(140.6)	250.7	115.7	(690.5)	185
Manufacturing	675.0	80.4	(37.4)	(112.8)	206.5	(136.3)	(44.8)	14.0	74.2	54
Communication	327.5	559.1	(672.1)	606.8	(548.0)	438.3	(112.5)	(372.6)	491.1	111

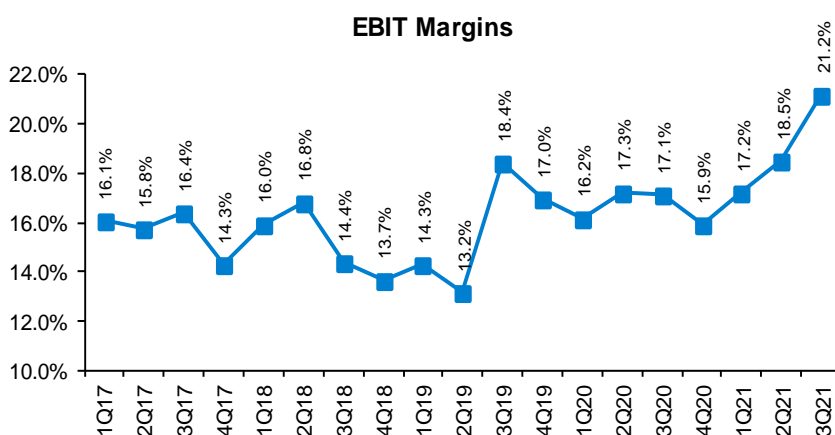
Source: Company, PL

**Exhibit 6: Strong Revenue Performance**



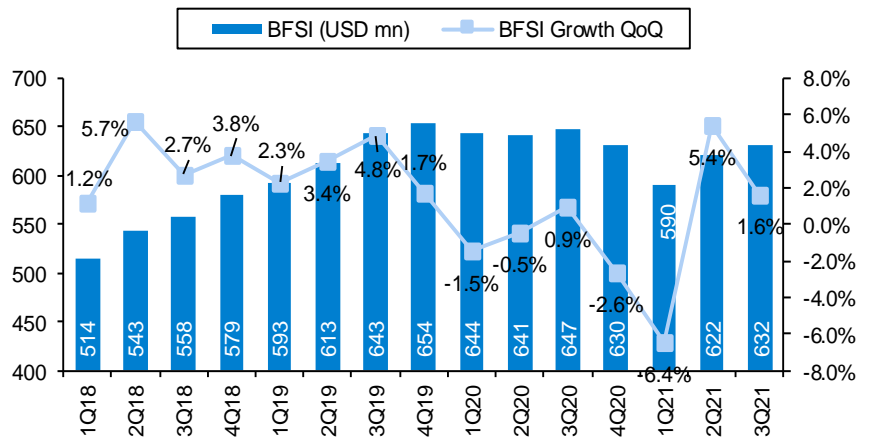
Source: Company, PL

**Exhibit 7: Tight cost management supported margins**



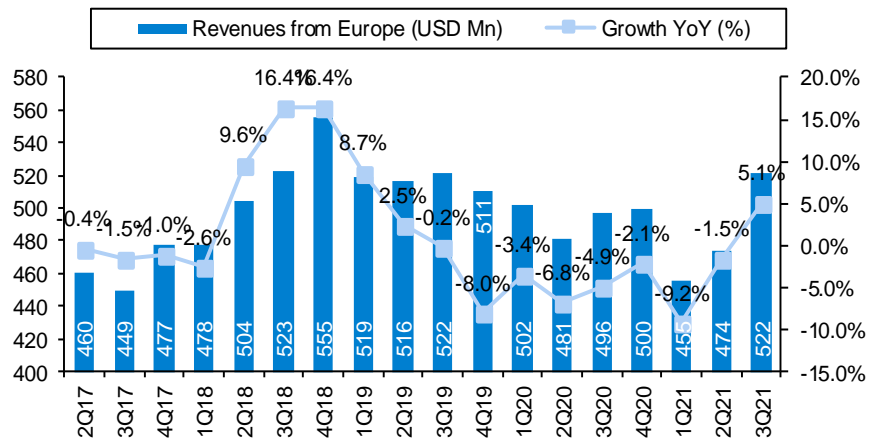
Source: Company, PL

**Exhibit 8: BFSI vertical bouncing back**



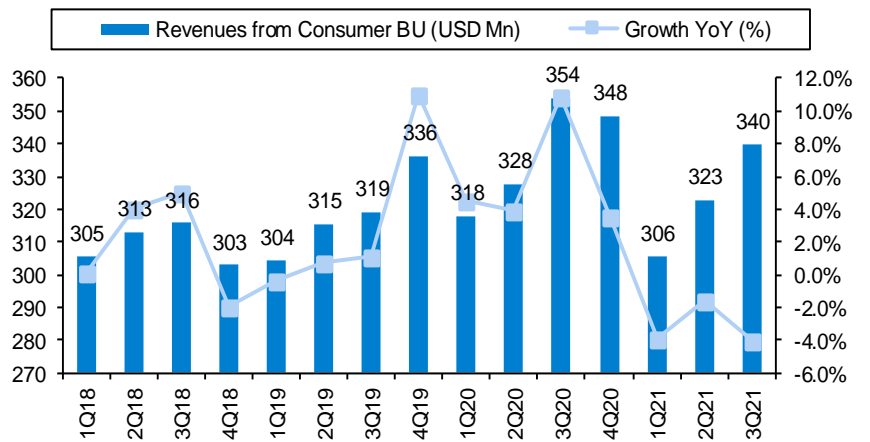
Source: Company, PL

**Exhibit 9: Revenues from Europe improving**



Source: Company, PL

**Exhibit 10: Strong growth ahead for CBU**



Source: Company, PL

**Exhibit 11: Vertical-wise Revenues**

(US\$ m)	3Q21	2Q21	QoQ gr.	3Q20	YoY gr.
Communications	107.7	105.6	2.0%	119.4	-9.8%
BFSI	631.7	621.6	1.6%	647.3	-2.4%
Manufacturing & Tech	432.8	412.4	4.9%	429.4	0.8%
Healthcare and Life Sciences	287.9	273.0	5.5%	274.4	4.9%
Consumer	339.6	322.8	5.2%	354.0	-4.1%
Energy & Utilities	271.3	257.0	5.6%	270.2	0.4%
<b>% of Total</b>					
Communications	5.2%	5.3%	-10 bps	5.7%	-50 bps
BFSI	30.5%	31.2%	-70 bps	30.9%	-40 bps
Manufacturing & Tech	20.9%	20.7%	20 bps	20.5%	40 bps
Healthcare and Life Sciences	13.9%	13.7%	20 bps	13.1%	80 bps
Consumer	16.4%	16.2%	20 bps	16.9%	-50 bps
Energy & Utilities	13.1%	12.9%	20 bps	12.9%	20 bps

Source: Company, PL

**Exhibit 12: Geography-wise revenues**

(US\$ m)	3Q21	2Q21	QoQ gr.	3Q20	YoY gr.
US	1221.9	1163.6	5.0%	1,240.1	-1.5%
Europe	490.8	474.2	3.5%	496.5	-1.1%
Other Emerging Markets	358.3	354.6	1.0%	358.2	0.0%
<b>% of Total</b>					
US	59.0%	58.4%	60 bps	59.2%	-20 bps
Europe	23.7%	23.8%	-10 bps	23.7%	0 bps
Other Emerging Markets	17.3%	17.8%	-50 bps	17.1%	20 bps

Source: Company, PL

**Exhibit 13: Client Metrics**

	3Q21	2Q21	QoQ gr.	3Q20	YoY gr.
Total >1\$m	567	573	-6	572	-5
US\$1m - US\$3m	226	231	-5	228	-2
US\$3m - US\$5m	81	85	-4	84	-3
US\$5m - US\$10m	92	91	1	91	1
US\$10m - US\$20m	71	66	5	73	-2
US\$20m - US\$50m	59	61	-2	55	4
> US\$50m	38	39	-1	41	-3
> US\$100m	10	11	-1	14	-4

Source: Company, PL



**Exhibit 14: Revenues from Top clients**

	3Q21	2Q21	QoQ gr.	3Q20	YoY gr.
Revenue from new Customers	53.8	27.9	93.0%	50.3	7.1%
Revenue from repeat businesses	2,017	1,965	2.7%	2,045	-1.3%
Number of new customers	42	65	-23	41	1
Total Number of active customers	1,004	1,074	-6.5%	1,060	-5.3%
<b>Customer Concentration</b>					
Top Customer	64.2	63.8	0.7%	62.8	2.2%
Top 2-5 Clients	182.2	175.3	3.9%	194.8	-6.5%
Top 5	246.4	239.1	3.1%	257.7	-4.4%
Top 6-10	145.0	151.4	-4.3%	144.5	0.3%
Top 10	391.4	390.5	0.2%	402.2	-2.7%
Non Top 10 customers	1,679.6	1,601.9	4.8%	1,692.6	-0.8%
Revenue from new Customers (%)	2.6%	1.4%	120 bps	2.4%	8.3%
<b>Customer Concentration</b>					
Top Customer	3.1%	3.2%	-10 bps	3.0%	10 bps
Top 5	11.9%	12.0%	-10 bps	12.3%	-40 bps
Top 10	18.9%	19.6%	-70 bps	19.2%	-30 bps

Source: Company, PL

**Exhibit 15: Headcount Metrics**

	3Q21	2Q21	QoQ gr.	3Q20	YoY gr.
Closing HC	1,90,308	1,85,243	5065	1,87,318	2,990
Gross Utilization	74.8%	76.4%	-160 bps	70.2%	460 bps
Net Utilization (Excl Support)	86.3%	86.9%	-60 bps	78.5%	780 bps
Net Utilization (Excl Training)	86.3%	86.9%	-60 bps	79.6%	670 bps
<b>Attrition</b>					
<b>IT Services excl BPO and I&amp;ME</b>					
Voluntary TTM	11.0%	11.0%	0 bps	15.7%	-470 bps
Sales & Support Staff (IT Services) (avg)	14,838	14,806	32	15,232	(394)

Source: Company, PL

**Exhibit 16: Revenue contribution**

	3Q21	2Q21	QoQ gr.	3Q20	YoY gr.
Revenue from FPP	63.2%	60.3%	290 bps	62.6%	60 bps
Onsite Revenue	47.3%	49.6%	-230 bps	53.2%	-590 bps
Offshore Revenue	52.7%	50.4%	230 bps	46.8%	590 bps

Source: Company, PL



## Financials

### Income Statement (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
<b>Net Revenues</b>	<b>6,10,232</b>	<b>6,17,921</b>	<b>6,76,879</b>	<b>7,38,297</b>
YoY gr. (%)	4.2	1.3	9.5	9.1
Employee Cost	4,15,225	3,92,392	4,23,029	4,74,692
Gross Profit	1,95,007	2,25,528	2,53,850	2,63,605
Margin (%)	32.0	36.5	37.5	35.7
SG&A Expenses	-	-	-	-
Other Expenses	-	-	-	-
<b>EBITDA</b>	<b>1,22,277</b>	<b>1,49,751</b>	<b>1,66,608</b>	<b>1,75,801</b>
YoY gr. (%)	9.3	22.5	11.3	5.5
Margin (%)	20.0	24.2	24.6	23.8
Depreciation and Amortization	20,860	28,638	32,408	33,208
<b>EBIT</b>	<b>1,01,417</b>	<b>1,21,113</b>	<b>1,34,200</b>	<b>1,42,593</b>
Margin (%)	16.6	19.6	19.8	19.3
Net Interest	-	-	-	-
Other Income	21,066	19,577	23,168	27,168
<b>Profit Before Tax</b>	<b>1,22,483</b>	<b>1,40,690</b>	<b>1,57,368</b>	<b>1,69,761</b>
Margin (%)	20.1	22.8	23.2	23.0
Total Tax	24,799	30,831	33,106	35,889
Effective tax rate (%)	20.2	21.9	21.0	21.1
<b>Profit after tax</b>	<b>97,684</b>	<b>1,09,860</b>	<b>1,24,262</b>	<b>1,33,872</b>
Minority interest	495	756	240	240
Share Profit from Associate	-	-	-	-
<b>Adjusted PAT</b>	<b>97,189</b>	<b>1,09,104</b>	<b>1,24,022</b>	<b>1,33,632</b>
YoY gr. (%)	3.0	12.3	13.7	7.7
Margin (%)	15.9	17.7	18.3	18.1
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>97,189</b>	<b>1,09,104</b>	<b>1,24,022</b>	<b>1,33,632</b>
YoY gr. (%)	3.0	12.3	13.7	7.7
Margin (%)	15.9	17.7	18.3	18.1
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	97,189	1,09,104	1,24,022	1,33,632
<b>Equity Shares O/s (m)</b>	<b>6,011</b>	<b>5,936</b>	<b>5,692</b>	<b>5,693</b>
<b>EPS (Rs)</b>	<b>16.2</b>	<b>18.4</b>	<b>21.8</b>	<b>23.5</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>2,28,494</b>	<b>2,32,705</b>	<b>2,38,258</b>	<b>2,43,842</b>
Tangibles	81,120	83,327	88,880	94,464
Intangibles	1,47,374	1,49,378	1,49,378	1,49,378
<b>Acc: Dep / Amortization</b>	-	-	-	-
Tangibles	-	-	-	-
Intangibles	-	-	-	-
<b>Net fixed assets</b>	<b>2,28,494</b>	<b>2,32,705</b>	<b>2,38,258</b>	<b>2,43,842</b>
Tangibles	81,120	83,327	88,880	94,464
Intangibles	1,47,374	1,49,378	1,49,378	1,49,378
Capital Work In Progress	-	-	-	-
Goodwill	-	-	-	-
Non-Current Investments	16,748	15,427	15,427	15,427
Net Deferred tax assets	-	-	-	-
Other Non-Current Assets	51,969	48,602	48,602	48,602
<b>Current Assets</b>				
Investments	1,89,635	3,12,909	3,12,909	3,12,909
Inventories	1,865	1,213	1,328	1,449
Trade receivables	1,04,474	92,415	1,01,232	1,10,418
Cash & Bank Balance	1,44,499	1,69,036	2,69,280	3,79,484
Other Current Assets	61,235	75,998	82,634	89,548
<b>Total Assets</b>	<b>7,98,919</b>	<b>9,48,304</b>	<b>10,69,671</b>	<b>12,01,679</b>
<b>Equity</b>				
Equity Share Capital	2,930	2,930	2,930	2,930
Other Equity	5,54,348	5,55,124	6,59,577	7,73,641
<b>Total Network</b>	<b>5,57,278</b>	<b>5,58,054</b>	<b>6,62,507</b>	<b>7,76,571</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	4,840	213	213	213
Provisions	-	-	-	-
Other non current liabilities	36,496	39,250	39,250	39,250
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	73,202	71,256	63,256	55,256
Trade payables	78,129	83,982	91,995	1,00,343
Other current liabilities	65,062	1,94,000	2,10,661	2,28,017
<b>Total Equity &amp; Liabilities</b>	<b>8,16,882</b>	<b>9,48,304</b>	<b>10,69,671</b>	<b>12,01,679</b>

Source: Company Data, PL Research

**Cash Flow (Rs m)**

Y/e Mar	FY20	FY21E	FY22E	FY23E
PBT	1,22,483	1,40,690	1,57,368	1,69,761
Add. Depreciation	20,860	28,638	32,408	33,208
Add. Interest	(17,897)	(17,168)	(21,168)	(25,168)
Less Financial Other Income	21,066	19,577	23,168	27,168
Add. Other	-	-	-	-
Op. profit before WC changes	1,25,446	1,52,160	1,68,608	1,77,801
Net Changes-WC	34,498	1,38,861	9,104	9,484
Direct tax	(24,799)	(30,831)	(33,106)	(35,889)
<b>Net cash from Op. activities</b>	<b>1,35,145</b>	<b>2,60,191</b>	<b>1,44,606</b>	<b>1,51,397</b>
Capital expenditures	(48,011)	(32,849)	(37,961)	(38,792)
Interest / Dividend Income	-	-	-	-
Others	14,333	(1,21,953)	-	-
<b>Net Cash from Invt. activities</b>	<b>(33,678)</b>	<b>(1,54,802)</b>	<b>(37,961)</b>	<b>(38,792)</b>
Issue of share cap. / premium	-	-	-	-
Debt changes	(21,425)	(6,573)	(8,000)	(8,000)
Dividend paid	(6,517)	(6,523)	(19,569)	(19,569)
Interest paid	17,897	17,168	21,168	25,168
Others	(1,257)	(1,082)	-	-
<b>Net cash from Fin. activities</b>	<b>(11,302)</b>	<b>2,990</b>	<b>(6,401)</b>	<b>(2,401)</b>
<b>Net change in cash</b>	<b>90,165</b>	<b>1,08,379</b>	<b>1,00,244</b>	<b>1,10,204</b>
Free Cash Flow	87,134	2,27,342	1,06,645	1,12,605

Source: Company Data, PL Research

**Quarterly Financials (Rs m)**

Y/e Mar	Q4FY20	Q1FY21	Q2FY21	Q3FY21
<b>Net Revenue</b>	<b>1,57,110</b>	<b>1,49,131</b>	<b>1,51,145</b>	<b>1,56,700</b>
YoY gr. (%)	3.6	1.3	(0.1)	1.3
Raw Material Expenses	1,08,335	97,546	98,807	96,386
Gross Profit	48,775	51,585	52,338	60,314
Margin (%)	31.0	34.6	34.6	38.5
<b>EBITDA</b>	<b>30,799</b>	<b>31,790</b>	<b>34,555</b>	<b>41,174</b>
YoY gr. (%)	(5.5)	10.5	11.8	29.5
Margin (%)	19.6	21.3	22.9	26.3
Depreciation / Depletion	5,798	6,154	6,580	7,927
<b>EBIT</b>	<b>25,994</b>	<b>26,841</b>	<b>28,313</b>	<b>33,813</b>
Margin (%)	16.5	18.0	18.7	21.6
Net Interest	-	-	-	-
Other Income	4,642	5,284	4,102	5,242
<b>Profit before Tax</b>	<b>29,656</b>	<b>30,951</b>	<b>32,071</b>	<b>38,489</b>
Margin (%)	18.9	20.8	21.2	24.6
Total Tax	6,205	6,838	7,228	8,524
Effective tax rate (%)	20.9	22.1	22.5	22.1
<b>Profit after Tax</b>	<b>23,451</b>	<b>24,113</b>	<b>24,843</b>	<b>29,965</b>
Minority interest	191	211	187	298
Share Profit from Associates	13	31	(6)	-
<b>Adjusted PAT</b>	<b>23,260</b>	<b>23,902</b>	<b>24,656</b>	<b>29,667</b>
YoY gr. (%)	(11.8)	0.1	(3.4)	20.8
Margin (%)	14.8	16.0	16.3	18.9
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>23,260</b>	<b>23,902</b>	<b>24,656</b>	<b>29,667</b>
YoY gr. (%)	(11.8)	0.1	(3.4)	20.8
Margin (%)	14.8	16.0	16.3	18.9
Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income</b>	<b>23,260</b>	<b>23,902</b>	<b>24,656</b>	<b>29,667</b>
Avg. Shares O/s (m)	5,703	5,703	5,706	5,741
<b>EPS (Rs)</b>	<b>4.1</b>	<b>4.2</b>	<b>4.3</b>	<b>5.2</b>

Source: Company Data, PL Research

**Key Financial Metrics**

Y/e Mar	FY20	FY21E	FY22E	FY23E
<b>Per Share(Rs)</b>				
EPS	16.2	18.4	21.8	23.5
CEPS	19.6	23.2	27.5	29.3
BVPS	92.7	94.0	116.4	136.4
FCF	14.5	38.3	18.7	19.8
DPS	0.9	1.0	3.0	3.0
<b>Return Ratio(%)</b>				
RoCE	15.6	19.2	19.8	18.3
ROIC	17.5	21.1	21.0	18.5
RoE	17.3	19.6	20.3	18.6
<b>Balance Sheet</b>				
Net Debt : Equity (x)	(0.5)	(0.7)	(0.8)	(0.8)
Debtor (Days)	62	55	55	55
<b>Valuation(x)</b>				
PER	28.4	25.0	21.1	19.6
P/B	5.0	4.9	3.9	3.4
P/CEPS	23.4	19.8	16.7	15.7
EV/EBITDA	20.5	15.5	12.6	11.2
EV/Sales	4.1	3.7	3.1	2.7
Dividend Yield (%)	0.2	0.2	0.7	0.7

Source: Company Data, PL Research

**Price Chart**
**Recommendation History**


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	04-Jan-21	BUY	434	388
2	23-Dec-20	BUY	415	364
3	19-Nov-20	BUY	415	345
4	14-Oct-20	BUY	415	376
5	05-Oct-20	BUY	350	313
6	01-Oct-20	BUY	350	314
7	15-Jul-20	BUY	257	225
8	04-Jul-20	Sell	201	225
9	16-Apr-20	Sell	169	187
10	12-Apr-20	Sell	168	197

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Coforge	BUY	2,966	2,722
2	Cyient	BUY	606	514
3	HCL Technologies	BUY	1,152	951
4	Infosys	BUY	1,538	1,260
5	L&T Technology Services	BUY	2,509	2,410
6	Larsen & Toubro Infotech	BUY	3,714	3,694
7	Mindtree	BUY	1,792	1,659
8	Mphasis	BUY	1,802	1,530
9	Persistent Systems	BUY	1,526	1,498
10	Redington (India)	BUY	138	133
11	Sonata Software	BUY	437	393
12	Tata Consultancy Services	BUY	3,358	2,928
13	TeamLease Services	BUY	2,931	2,666
14	Tech Mahindra	BUY	1,099	978
15	Wipro	BUY	434	388
16	Zensar Technologies	BUY	257	243

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<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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**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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