

Tech Mahindra (TECHM IN)

Rating: BUY | CMP: Rs962 | TP: Rs1,132

April 27, 2021

Q4FY21 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
Rating	BUY		BUY	
Target Price	1,132		1,143	
Sales (Rs. m)	4,22,363	4,66,479	4,19,063	4,64,118
% Chng.	0.8	0.5		
EBITDA (Rs. m)	81,789	88,754	80,184	88,169
% Chng.	2.0	0.7		
EPS (Rs.)	62.7	66.6	62.8	67.2
% Chng.	(0.2)	(1.0)		

Key Financials - Standalone

Y/e Mar	FY20	FY21	FY22E	FY23E
Sales (Rs. bn)	369	379	422	466
EBITDA (Rs. bn)	57	68	82	89
Margin (%)	15.5	18.1	19.4	19.0
PAT (Rs. bn)	43	44	55	58
EPS (Rs.)	48.8	50.7	62.7	66.6
Gr. (%)	(0.9)	4.0	23.5	6.2
DPS (Rs.)	15.1	45.4	10.1	10.1
Yield (%)	1.6	4.7	1.0	1.0
RoE (%)	19.7	19.3	21.9	19.6
RoCE (%)	18.6	22.4	24.9	23.0
EV/Sales (x)	2.1	2.1	1.8	1.5
EV/EBITDA (x)	13.5	11.4	9.2	8.1
PE (x)	19.7	19.0	15.4	14.5
P/BV (x)	3.7	3.7	3.1	2.6

Key Data

TEML.BO | TECHM IN

52-W High / Low	Rs.1,097 / Rs.481
Sensex / Nifty	48,387 / 14,485
Market Cap	Rs.932bn/ \$ 12,470m
Shares Outstanding	968m
3M Avg. Daily Value	Rs.8492.38m

Shareholding Pattern (%)

Promoter's	35.76
Foreign	38.31
Domestic Institution	14.40
Public & Others	11.53
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(2.9)	19.7	94.8
Relative	(1.7)	(0.7)	26.1

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Deal win momentum to sustain...

Quick Pointers:

- Sustained improvement in margins resulted in 6-year high margin of 16.5%, FY22 margins to be >15%.
- Strong Net new deal win (5-qtr high) TCV at USD 1043 mn up 129% QoQ, 103% YoY and will be at similar levels for 1QFY22 given robust deal pipeline.

TechM reported modest revenue growth of 1.6% QoQ USD, ~70bps below our and street estimates. Growth was soft in both Communications (+1.4% QoQ USD) and Enterprise (+1.8% QoQ USD) segment. Delay in deal closures and lower-than-expected kicker from Comviva led to revenue miss. Net new deal win TCV was strong this quarter at \$1.04 Bn +129% QoQ and 103% YoY. But for the full year FY21, net new TCV declined by 40% to \$2.2 Bn due to weak deal wins in first three quarters. Management mentioned that deal pipeline is robust and they expect this deal win momentum to continue in 1QFY22 led by strong traction in 5G and cloud.

EBIT margins surprised us positively at 16.5% (Ple: 15.7% & Cons:15.8%) led by sustained high utilization, improved offshoring and operational efficiency. Margin has some near-term headwinds like wage hike (effective April 1), increased hiring and lower utilization and large deal ramp up costs, but Management guided that margins can be maintained above 15% levels in FY22 given further scope to improve offshoring, cost optimization of portfolio companies, pyramid optimization and support from revenue growth leverage.

Our estimates largely remain unchanged as we were factoring double-digit revenue growth in FY22 (10.5%) & our EBIT margin estimates are 15.4% for FY22. Management focus towards transformation has worked out well & we saw strong margin performance in last 3 quarters & deal win momentum is going to sustain in coming quarters also. There will be no seasonality impact in Q1FY22 from Comviva as Comviva revenues were lower in this quarter & ramp up of deal wins will help in revenue tailwinds.

On 5G theme, we believe TechM to be the biggest beneficiary. Further, TechM's strong play in network infrastructure services differentiates it from other Indian IT. TM has capabilities in radio frequency planning, design, engineering services, network rollout and post implementation network optimization and support. We believe TechM is well-positioned to capture a fair share of 5G network services spends. We continue to value TM at 17X on Mar-23 EPS of INR 67 to arrive at a changed TP of INR 1132 (Old TP: 1143) with revenue & earnings CAGR of 10%/15% respectively. Announced dividend of Rs45 per share for FY21 translating into a payout ratio of 88% on net profit and 55.4% on FCF. TM is currently trading at 15.4X/14.5X at EPS of INR 62.7/66.6 on FY22/23E respectively, inexpensive. Maintain Buy.

Demand momentum was strong in FY21 for BFSI (+17% YoY USD), TME (+21% YoY USD) and Retail, Transport & Logistics (+8% YoY USD).

In FY22 management expects strong recovery in Telecom and Manufacturing

Strong recovery in BPO from second quarter onwards led to full year growth of 7% YoY USD in FY21

- **Miss on revenue growth:** TechM reported revenue of \$1329.6 mn up 0.7% QoQ CC & 1.6% QoQ USD below our and street estimates by 70bps. (Ple: 2.3%, Cons: 2.5%). Growth was soft in both Communications (+1.4% QoQ USD) and Enterprise (+1.8% QoQ USD) segment. Weak performance in Enterprise segment was led by decline of 3.2% QoQ in Retail Transport & Logistics offset by strong growth in BFSI (+4.9% QoQ USD) and steady recovery in Manufacturing (+1.9% QoQ USD) and Telecom (+1.4% QoQ USD).
- **Strong net new deal TCV to continue in 1QFY22:** TechM won very high Net new deal win TCV of USD 1.043 Bn, +129% QoQ, 103% YoY. Net new deal wins are well distributed across - Communication at USD 518 mn (vs Q3FY21: 104 mn) and Enterprise at 525 mn (Q3FY21: 352 mn). Net TCV was powered by the Telefonica large deal (~USD300mn). Vertical wise large deal composition: 1 Technology, 3 Communication, 2 Retail, 2 Manufacturing, 1 Public Sector. However, for the full year the net new deal TCV at \$2.2Bn was down by 40% YoY in FY21 due to soft deal wins in first three quarters. **Management mentioned that deal pipeline is robust and they anticipate similar strong net new deal win TCV in 1QFY22.**
- **Strong traction in cloud and 5G:** Management mentioned that deal pipeline is strong with numerous cloud transformation opportunities and they are working closely with all 4 hyper-scalars. 5G pipeline is also strong with deals centered around network and infrastructure modernization to prepare for 5G. They are currently in talks with very large operator on 5G infra modernization deal and small deals won in 4Q such as testing 5G network for a greenfield operator will also pave way for larger share of client spend on 5G.
- **Sustained strong improvement in margins:** EBIT Margins further improved to 16.5% + 55bps QoQ, highest in last six years, above our & cons estimates by ~70bps (Ple:15.7%, Cons: 15.8%) led by tailwinds from i) high offshoring, ii) sustained high utilization of 87% (vs 87% in 3QFY21), lower depreciation (-17.5 bps QoQ) due to conservative capex for FY21 and iv) operational efficiency and automation partially offset by increase in SG&A (+40bps QoQ) due to increased recruitment costs. There was sharp decline in employee costs by 314 bps QoQ, while sub-contracting costs inched marginally up by 30bps QoQ. BPS segmental margin further improved by +400 bps QoQ to 28%.
- **Attrition inched up, net headcount declined:** Total headcount decreased by 847 employees, which came as a negative surprise given all-time high utilization, inched up attrition (+100 bps QoQ) and strong demand for talent. Headcount reduction was led by substantial reduction in BPO employees by 707 and Software employees by 564 employees. **They aim to manage supply side pressures by – i) increased hiring; they have hired 5000 campus hires in 2021, ii) Re-instated variable pay in 4QFY21, iii) provided employee stock options, project based bonuses and skill based allowance for key talent and niche skills.**

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EBIT Margins further improved to 16.5% + 55bps QoQ, highest in last six years, above our & cons estimates by ~70bps (Ple:15.7%, Cons: 15.8%).

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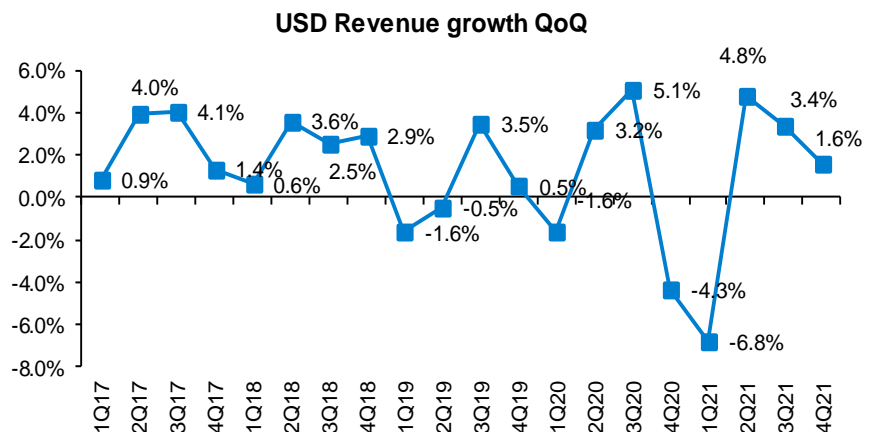
- **Management was confident on maintaining EBIT margins above 15%** (vs 14.2% in FY21) due to margin levers such as i) further scope to expand offshoring, ii) G&A costs centralization for portfolio companies iii) operational efficiency and automation, iv) pyramid optimization and v) revenue growth leverage. These tailwinds will be able to offset headwinds from salary hikes, ramp up costs of large deals and travel & facility costs which may come up in 2HFY22.
- **TechM has rolled out wage hike from 1st April 2021, but hasn't planned and factored in wage hike for FY22 in their margin guidance. Though they are rewarding key talent and niche skills, they are running a risk by deferring full-fledged wage revision at a time when demand for talent is strong.**
- **Acquisition:** Tech Mahindra also announced the acquisition of Eventus Solutions Group, a consulting and technology service company, headquartered in the US, to bolster consulting capabilities in Customer Experience (CX) and customer management space. The acquisition will enable Tech Mahindra to build an industry leading consulting practice and move up the value chain in the BPS business.
- Tax provisions were higher this quarter leading to ETR of 32.4% due to one-time tax charge in two of their subsidiaries. Management expects ETR to be at normal levels of 25-26% going forward.
- **Improved payout and cash flow management:** DSO further improved to 92 days' vs 95 in Q3FY21 and 112 in Q4FY20. FCF/PAT was healthy at 126.6% for 4QFY21 and 163% for FY21. Board announced INR 15 per share of final dividend and INR 15 per share of special dividend taking total dividend for FY21 to INR 45 per share.
- **Steady recovery in revenue and margin performance in FY21:** Recovery from 2QFY21 onwards arrested the revenue decline to -1.6% YoY in FY21. EBIT Margin improved sharply by 250 bps YoY to 14.2% in FY21 led by rigour over operational efficiency and cost optimization across subsidiaries. FY21 PAT came at INR 44280 mn, +9.8% YoY and EPS came at INR 50.19, 9.8% YoY

Exhibit 1: Q4FY21: Quick view on results

Y/e March (Rs mn)	4Q21	3Q21	QoQ gr.	4Q20	YoY gr.	Ple vs. Act	Ple
Net Sales (\$ m)	1,330	1,309	1.6%	1,295	2.7%	-0.7%	1,339.1
Net Sales	97,299	96,471	0.9%	94,902	2.5%	-0.5%	97,823
EBITDA	19,481	18,955	2.8%	13,478	44.5%	1.0%	19,292
EBITDA Margin	20.0%	19.6%	37 bps	14.2%	582 bps	30 bps	19.7%
EBIT	16,037	15,371	4.3%	9,496	68.9%	4.3%	15,379
EBIT margin	16.5%	15.9%	55 bps	10.0%	648 bps	76 bps	15.7%
PAT	10,814	13,098	-17.4%	8,039	34.5%	-20.8%	13,650
EPS (diluted)	12.26	14.90	-17.7%	9.14	34.1%	-21.0%	15.53

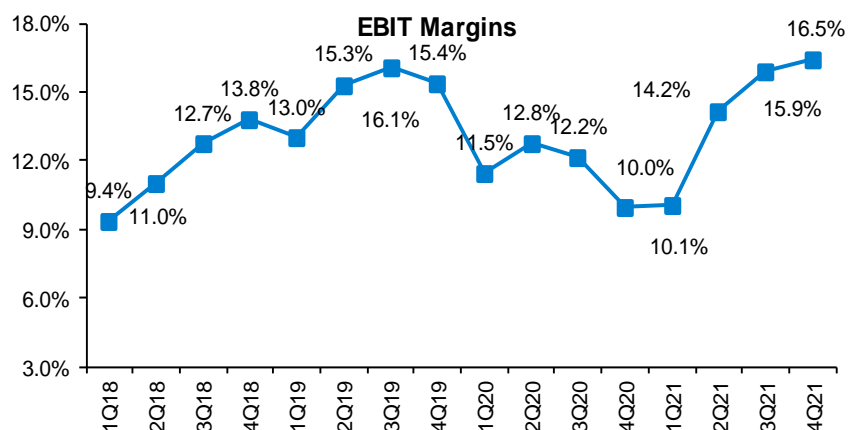
Source: Company, PL

Exhibit 2: Soft revenue growth in 4QFY21



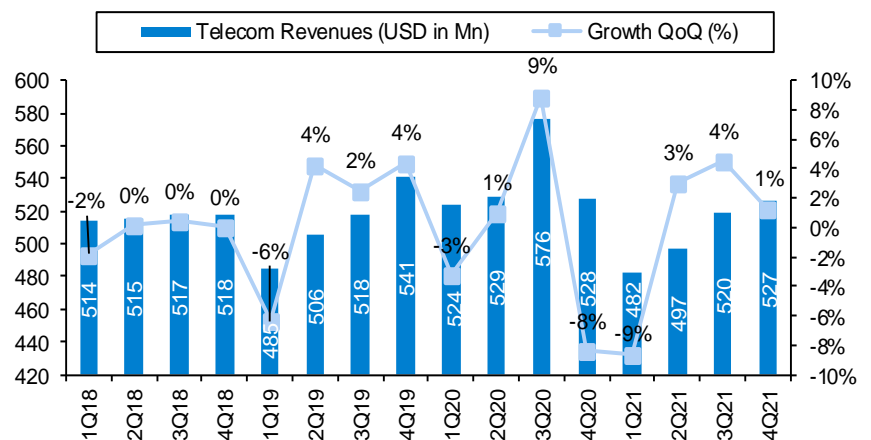
Source: Company, PL

Exhibit 3: Sustained improvement in EBIT Margins



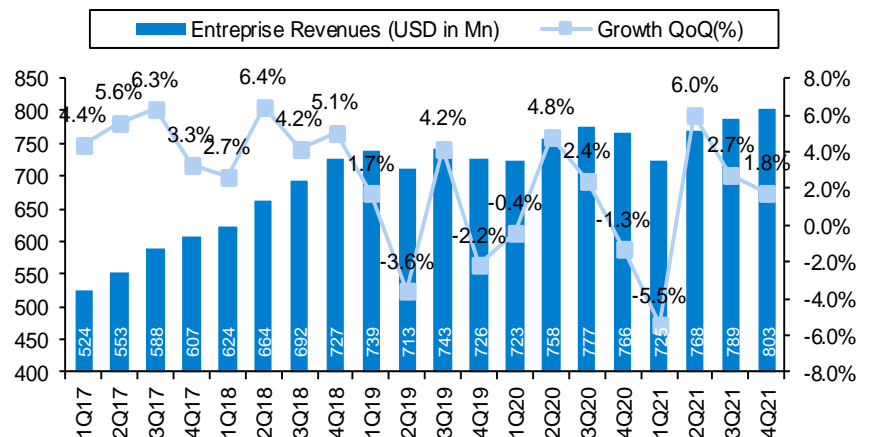
Source: Company, PL

Exhibit 4: Weak growth in Communications vertical



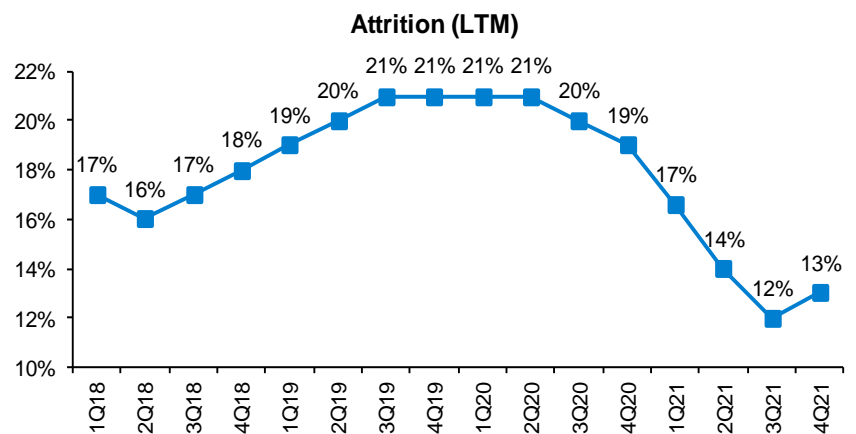
Source: Company, PL

Exhibit 5: Weak growth in Enterprise Vertical



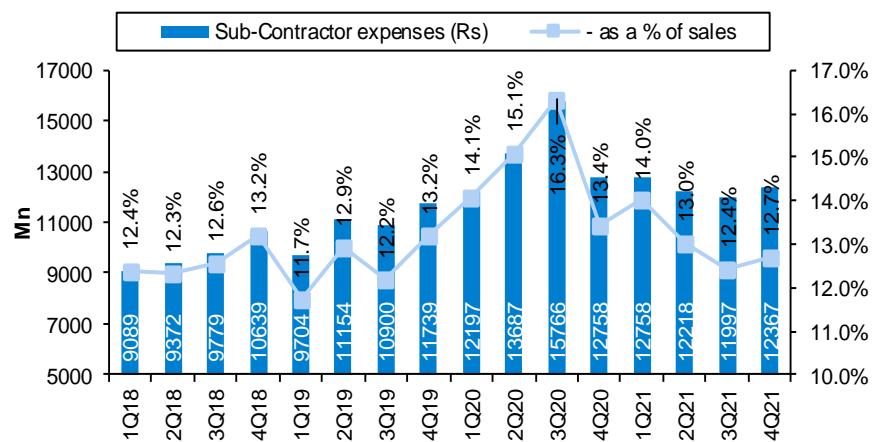
Source: Company, PL

Exhibit 6: Attrition inched up slightly (+100bps QoQ)

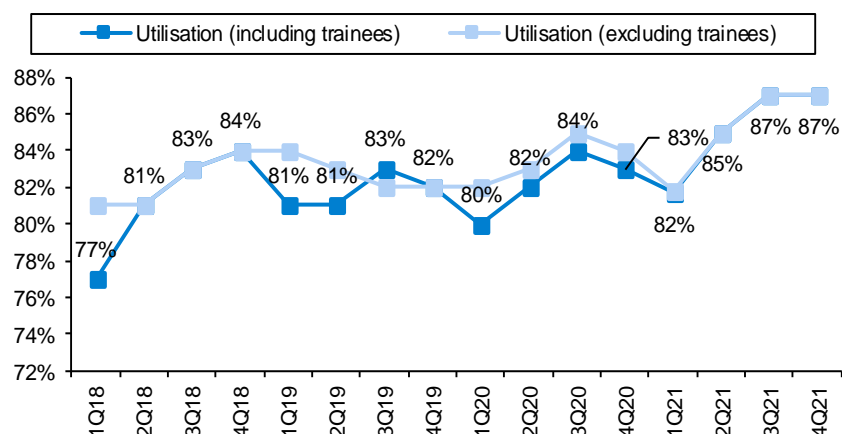


Source: Company, PL

Exhibit 7: Subcontracting costs increased marginally (+30 bps QoQ)



Source: Company, PL

Exhibit 8: Sustained high utilization levels


Source: Company, PL

Exhibit 9: Geography-wise revenues

(US\$ m)	4Q21	3Q21	QoQ gr.	4Q20	YoY gr.
North America	605.0	612.5	-1.2%	617.5	-2.0%
Europe	352.3	345.5	2.0%	343.1	2.7%
RoW	372.3	350.7	6.1%	334.0	11.5%
% of Total					
North America	45.5%	46.8%	-130 bps	47.7%	-220 bps
Europe	26.5%	26.4%	10 bps	26.5%	0 bps
RoW	28.0%	26.8%	120 bps	25.8%	220 bps

Source: Company, PL

Exhibit 10: Vertical-wise revenues

(US\$ m)	4Q21	3Q21	QoQ gr.	4Q20	YoY gr.
Telecom	526.5	519.6	1.3%	528.2	-0.3%
Enterprise	803.1	790.5	1.6%	766.4	4.8%
- Manufacturing	216.7	213.3	1.6%	229.1	-5.4%
- Technology, media & entertainment	123.7	123.0	0.5%	95.8	29.1%
- BFSI	219.4	209.4	4.8%	198.1	10.8%
- Retail, Transport & Logistics	99.7	103.4	-3.5%	94.5	5.5%
- Others	143.6	141.3	1.6%	148.9	-3.5%
% of Total					
Telecom	39.6%	39.7%	-10 bps	40.8%	-120 bps
Enterprise	60.4%	60.4%	0 bps	59.2%	120 bps
- Manufacturing	16.3%	16.3%	0 bps	17.7%	-140 bps
- Technology, media & entertainment	9.3%	9.4%	-10 bps	7.4%	190 bps
- BFSI	16.5%	16.0%	50 bps	15.3%	120 bps
- Retail, Transport & Logistics	7.5%	7.9%	-40 bps	7.3%	20 bps
- Others	10.8%	10.8%	0 bps	11.5%	-70 bps

Source: Company, PL

Exhibit 11: Client Metrics

	4Q21	3Q21	QoQ gr.	4Q20	YoY gr.
≥ \$1 million clients	451	454	-0.7%	446	1.1%
≥ \$5 million clients	169	162	4.3%	160	5.6%
≥ \$10 million clients	85	83	2.4%	85	0.0%
≥ \$20 million clients	50	50	0.0%	49	2.0%
≥ \$50 million clients	21	21	0.0%	22	-4.5%
Number Of active clients	1,007	997	1.0%	973	3.5%

Source: Company, PL

Exhibit 12: Client concentration

(US\$ m)	4Q21	3Q21	QoQ gr.	4Q20	YoY gr.
Top 5 Client	293	288	1.6%	277	5.6%
Top 6-10 Clients	120	118	1.6%	124	-3.7%
Top 10 Clients	412	406	1.6%	401	2.7%
Top 10-20 Clients	160	144	10.8%	163	-2.2%
Top 20 Clients	572	550	4.0%	564	1.3%
Non Top 20 Clients	758	759	-0.2%	730	3.8%
% of Total					
Top 5 Clients	22.0%	22.0%	0 bps	21.4%	60 bps
Top 10 Clients	31.0%	31.0%	0 bps	31.0%	0 bps
Top 20 Clients	43.0%	42.0%	100 bps	43.6%	-60 bps
Non Top 20 Clients	57.0%	58.0%	-100 bps	56.4%	60 bps

Source: Company, PL

Exhibit 13: Headcount Metrics

	4Q21	3Q21	QoQ gr.	4Q20	YoY gr.
Software Professional	68,427	68,734	-0.4%	71,515	-4.3%
BPO Professionals	46,125	46,832	-1.5%	46,816	-1.5%
Sales & Support	6,502	6,335	2.6%	6,905	-5.8%
Total Employees	1,21,054	1,21,901	-0.7%	1,25,236	-3.3%
Attrition					
IT Utilization(excl. trainees)	87.0%	87.0%	0 bps	84.0%	300 bps
IT Utilization(incl. trainees)	87.0%	87.0%	0 bps	83.0%	400 bps

Source: Company, PL

Exhibit 14: Effort Mix

(US\$ m)	4Q21	3Q21	QoQ gr.	4Q20	YoY gr.
Onsite	838	824	1.6%	844	-0.8%
Offshore	492	484	1.6%	451	9.2%
% of Total					
Onsite	63.0%	63.0%	0 bps	65.2%	-220 bps
Offshore	37.0%	37.0%	0 bps	34.8%	220 bps

Source: Company, PL

Exhibit 15: Deal Wins (USD Mn)

	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21
Communications	1,079	150	174	105	208	104	518
Enterprise	414	1,081	339	185	214	352	525
Total	1,493	1,231	513	290	421	455	1043

Source: Company, PL

Valuation

Our estimates largely remain unchanged as we were factoring double-digit revenue growth in FY22 (10.5%) & our EBIT margin estimates are 15.4% for FY22. Management focus towards transformation has worked out well & we saw strong margin performance in last 3 quarters & deal win momentum is going to sustain in coming quarters also. There will be no seasonality impact in Q1FY22 from Comviva as Comviva revenues were lower in this quarter & ramp up of deal wins will help in revenue tailwinds.

On 5G theme, we believe TechM to be the biggest beneficiary. Further, TechM's strong play in network infrastructure services differentiates it from other Indian IT. TM has capabilities in radio frequency planning, design, engineering services, network rollout and post implementation network optimization and support. We believe TechM is well-positioned to capture a fair share of 5G network services spends. We continue to value TM at 17X on Mar-23 EPS of INR 67 to arrive at a changed TP of INR 1132 (Old TP: 1143) with revenue & earnings CAGR of 10%/15% respectively. Announced dividend of Rs45 per share for FY21 translating into a payout ratio of 88% on net profit and 55.4% on FCF. TM is currently trading at 15.4X/14.5X at EPS of INR 62.7/66.6 on FY22/23E respectively, inexpensive. Maintain Buy.

Exhibit 16: Change in Estimates

Y/e March	FY21E	FY22E	FY23
USD revenues (US\$ m)			
- New	5,098	5,632	6,138
- Old	5,108	5,588	6,107
<i>Change (%)</i>	<i>-0.2%</i>	<i>0.8%</i>	<i>0.5%</i>
EBIT Margin			
- New	14.2%	15.4%	15.0%
- Old	14.0%	15.1%	15.0%
<i>Change (%)</i>	<i>19 bps</i>	<i>23 bps</i>	<i>3 bps</i>
Recurring EPS - Fully diluted (Rs)			
- New	50.3	62.1	66.0
- Old	53.5	62.4	66.8
<i>Change (%)</i>	<i>-6.0%</i>	<i>-0.5%</i>	<i>-1.3%</i>

Source: PL

Financials

Income Statement (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
Net Revenues	3,68,677	3,78,551	4,22,363	4,66,479
YoY gr. (%)	6.1	2.7	11.6	10.4
Employee Cost	2,59,743	2,58,555	2,79,293	3,07,753
Gross Profit	1,08,934	1,19,997	1,43,070	1,58,726
Margin (%)	29.5	31.7	33.9	34.0
SG&A Expenses	-	-	-	-
Other Expenses	-	-	-	-
EBITDA	57,261	68,471	81,789	88,754
YoY gr. (%)	(9.6)	19.6	19.4	8.5
Margin (%)	15.5	18.1	19.4	19.0
Depreciation and Amortization	14,458	14,577	16,895	18,659
EBIT	42,803	53,894	64,894	70,095
Margin (%)	11.6	14.2	15.4	15.0
Net Interest	1,919	1,740	1,900	1,500
Other Income	11,924	7,364	8,000	8,000
Profit Before Tax	52,808	59,518	70,994	76,595
Margin (%)	14.3	15.7	16.8	16.4
Total Tax	11,604	15,999	16,975	19,164
Effective tax rate (%)	22.0	26.9	23.9	25.0
Profit after tax	41,204	43,519	54,019	57,431
Minority interest	(1,356)	(750)	(750)	(750)
Share Profit from Associate	-	-	-	-
Adjusted PAT	42,560	44,269	54,769	58,181
YoY gr. (%)	(2.5)	4.0	23.7	6.2
Margin (%)	11.5	11.7	13.0	12.5
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	42,560	44,269	54,769	58,181
YoY gr. (%)	(2.5)	4.0	23.7	6.2
Margin (%)	11.5	11.7	13.0	12.5
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	42,560	44,269	54,769	58,181
Equity Shares O/s (m)	873	873	874	874
EPS (Rs)	48.8	50.7	62.7	66.6

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
Non-Current Assets				
Gross Block	46,085	47,319	52,795	58,310
Tangibles	46,085	47,319	52,795	58,310
Intangibles	-	-	-	-
Acc: Dep / Amortization	-	-	-	-
Tangibles	-	-	-	-
Intangibles	-	-	-	-
Net fixed assets	46,085	47,319	52,795	58,310
Tangibles	46,085	47,319	52,795	58,310
Intangibles	-	-	-	-
Capital Work In Progress	-	-	-	-
Goodwill	44,265	45,855	47,445	49,035
Non-Current Investments	17,905	17,905	17,905	17,905
Net Deferred tax assets	6,091	6,091	6,091	6,091
Other Non-Current Assets	21,434	21,435	21,439	21,444
Current Assets				
Investments	-	-	-	-
Inventories	-	-	-	-
Trade receivables	70,705	72,599	81,001	89,462
Cash & Bank Balance	77,501	69,117	98,910	1,32,041
Other Current Assets	60,832	62,461	69,690	76,969
Total Assets	3,51,454	3,49,596	4,02,880	4,59,653
Equity				
Equity Share Capital	4,437	4,437	4,437	4,437
Other Equity	2,25,470	2,23,363	2,67,813	3,15,675
Total Network	2,29,907	2,27,800	2,72,250	3,20,112
Non-Current Liabilities				
Long Term borrowings	2,086	2,086	2,086	2,086
Provisions	-	-	-	-
Other non current liabilities	27,051	27,446	29,199	30,963
Current Liabilities				
ST Debt / Current of LT Debt	10,461	8,961	7,461	5,961
Trade payables	31,338	32,177	35,901	39,651
Other current liabilities	47,191	48,455	54,062	59,709
Total Equity & Liabilities	3,51,454	3,49,596	4,02,880	4,59,653

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
PBT	52,808	59,518	70,994	76,595
Add. Depreciation	14,458	14,577	16,895	18,659
Add. Interest	1,919	1,740	1,900	1,500
Less Financial Other Income	11,924	7,364	8,000	8,000
Add. Other	-	-	-	-
Op. profit before WC changes	69,185	75,835	89,789	96,754
Net Changes-WC	(19,217)	(1,204)	(5,340)	(5,377)
Direct tax	(11,604)	(15,999)	(16,975)	(19,164)
Net cash from Op. activities	38,364	58,633	67,474	72,213
Capital expenditures	(31,433)	(17,401)	(23,961)	(25,764)
Interest / Dividend Income	-	-	-	-
Others	-	-	-	-
Net Cash from Invst. activities	(31,433)	(17,401)	(23,961)	(25,764)
Issue of share cap. / premium	-	-	-	-
Debt changes	(1,500)	(1,500)	(1,500)	(1,500)
Dividend paid	(15,442)	(46,387)	(10,319)	(10,319)
Interest paid	(1,919)	(1,740)	(1,900)	(1,500)
Others	(55)	11	-	-
Net cash from Fin. activities	(18,916)	(49,616)	(13,719)	(13,319)
Net change in cash	(11,985)	(8,384)	29,793	33,130
Free Cash Flow	6,932	41,232	43,513	46,450

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY20	FY21	FY22E	FY23E
Per Share(Rs)				
EPS	48.8	50.7	62.7	66.6
CEPS	65.3	67.4	82.0	87.9
BVPS	263.4	261.0	311.5	366.2
FCF	7.9	47.2	49.8	53.1
DPS	15.1	45.4	10.1	10.1
Return Ratio(%)				
RoCE	18.6	22.4	24.9	23.0
ROIC	19.7	21.8	24.8	21.6
RoE	19.7	19.3	21.9	19.6
Balance Sheet				
Net Debt : Equity (x)	(0.3)	(0.3)	(0.3)	(0.4)
Debtor (Days)	70	70	70	70
Valuation(x)				
PER	19.7	19.0	15.4	14.5
P/B	3.7	3.7	3.1	2.6
P/CEPS	14.7	14.3	11.7	10.9
EV/EBITDA	13.5	11.4	9.2	8.1
EV/Sales	2.1	2.1	1.8	1.5
Dividend Yield (%)	1.6	4.7	1.0	1.0

Source: Company Data, PL Research

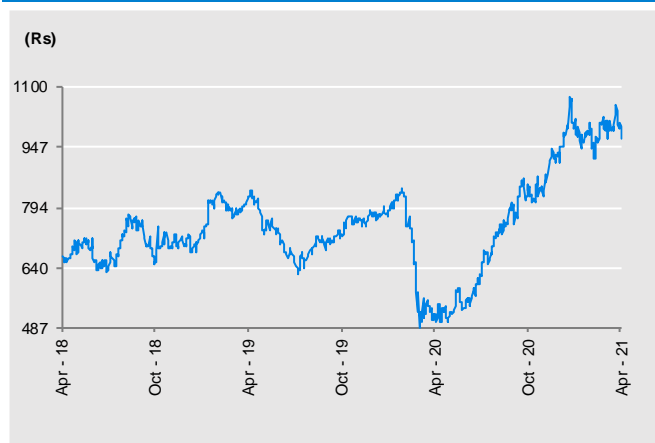
Quarterly Financials (Rs m)

Y/e Mar	Q1FY21	Q2FY21	Q3FY21	Q4FY21
Net Revenue	91,063	93,718	96,471	97,299
YoY gr. (%)	5.2	3.3	(0.1)	2.5
Raw Material Expenses	65,105	64,245	64,708	64,497
Gross Profit	25,959	29,473	31,763	32,802
Margin (%)	28.5	31.4	32.9	33.7
EBITDA	13,005	17,030	18,955	19,481
YoY gr. (%)	(1.0)	13.5	21.2	44.5
Margin (%)	14.3	18.2	19.6	20.0
Depreciation / Depletion	3,832	3,717	3,584	3,444
EBIT	9,173	13,313	15,371	16,037
Margin (%)	10.1	14.2	15.9	16.5
Net Interest	503	399	421	417
Other Income	4,161	1,175	2,209	(181)
Profit before Tax	12,831	14,089	17,159	15,439
Margin (%)	14.1	15.0	17.8	15.9
Total Tax	3,276	3,462	4,263	4,998
Effective tax rate (%)	25.5	24.6	24.8	32.4
Profit after Tax	9,555	10,627	12,896	10,441
Minority interest	(167)	(15)	(197)	(371)
Share Profit from Associates	-	4	5	2
Adjusted PAT	9,722	10,646	13,098	10,814
YoY gr. (%)	1.3	(5.3)	14.3	5.9
Margin (%)	10.7	11.4	13.6	11.1
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	9,722	10,646	13,098	10,814
YoY gr. (%)	1.3	(5.3)	14.3	5.9
Margin (%)	10.7	11.4	13.6	11.1
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	9,722	10,646	13,098	10,814
Avg. Shares O/s (m)	880	879	879	882
EPS (Rs)	11.1	12.1	14.9	12.3

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	05-Apr-21	BUY	1,143	990
2	01-Feb-21	BUY	1,138	961
3	04-Jan-21	BUY	1,099	978
4	26-Oct-20	BUY	1,042	848
5	05-Oct-20	BUY	966	823
6	01-Oct-20	BUY	966	792
7	28-Jul-20	Accumulate	716	665
8	04-Jul-20	Reduce	493	567
9	02-May-20	Reduce	478	546

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Coforge	BUY	3,020	2,924
2	Cyient	BUY	825	689
3	HCL Technologies	BUY	1,010	956
4	Infosys	BUY	1,632	1,397
5	L&T Technology Services	BUY	3,006	2,721
6	Larsen & Toubro Infotech	BUY	4,394	4,121
7	Mindtree	BUY	2,567	2,070
8	Mphasis	BUY	1,869	1,749
9	Persistent Systems	BUY	2,017	1,954
10	Redington (India)	BUY	189	184
11	Sonata Software	BUY	537	522
12	Tata Consultancy Services	BUY	3,636	3,247
13	TeamLease Services	BUY	4,002	3,774
14	Tech Mahindra	BUY	1,143	990
15	Wipro	BUY	500	431
16	Zensar Technologies	BUY	290	276

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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