

July 15, 2021

## Q1FY22 Result Update

Change in Estimates |  Target |  Reco

### Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
<b>Rating</b>	<b>BUY</b>		<b>BUY</b>	
<b>Target Price</b>	<b>1,832</b>		<b>1,738</b>	
Sales (Rs. m)	11,80,469	13,58,419	11,82,169	13,62,576
% Chng.	(0.1)	(0.3)		
EBITDA (Rs. m)	3,11,780	3,44,557	3,16,253	3,47,303
% Chng.	(1.4)	(0.8)		
EPS (Rs.)	52.7	61.1	54.2	62.1
% Chng.	(2.9)	(1.6)		

### Key Financials - Standalone

Y/e Mar	FY21	FY22E	FY23E	FY24E
Sales (Rs. bn)	1,005	1,180	1,358	1,522
EBITDA (Rs. bn)	279	312	345	386
Margin (%)	27.8	26.4	25.4	25.4
PAT (Rs. bn)	195	223	259	296
EPS (Rs.)	45.9	52.7	61.1	69.8
Gr. (%)	17.3	14.9	16.0	14.3
DPS (Rs.)	32.4	16.8	24.0	24.0
Yield (%)	2.1	1.1	1.5	1.5
RoE (%)	27.3	28.1	30.8	29.1
RoCE (%)	34.5	35.1	37.5	35.0
EV/Sales (x)	6.4	5.4	4.7	4.0
EV/EBITDA (x)	23.0	20.4	18.4	15.6
PE (x)	34.4	29.9	25.8	22.6
P/BV (x)	8.7	8.1	7.8	5.7

### Key Data

INFO.BO | INFO IN

52-W High / Low	Rs.1,591 / Rs.781
Sensex / Nifty	52,904 / 15,854
Market Cap	Rs.6,720bn/ \$ 90,090m
Shares Outstanding	4,261m
3M Avg. Daily Value	Rs.19280.39m

### Shareholding Pattern (%)

Promoter's	13.31
Foreign	33.39
Domestic Institution	21.98
Public & Others	31.32
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	7.9	15.1	101.3
Relative	7.2	7.8	37.1

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## Mixed Bag - Strong revenue growth offset by weak margin performance

### Quick Pointers:

- Infy raised revenue guidance to 14-16% YoY CC from 12-14%, in-line with our expectations, indicating confidence in strong demand outlook.
- Miss on EBIT margin (23.7%, -80bps QoQ) due to higher sub-con and employee hiring, retention related costs.

**Infy reported growth of 4.8% QoQ CC, 4.7% QoQ USD (Ple: 4.3%, Cons: 3.7%) led by strong broad-based demand across verticals and markets. With full stack differentiated digital portfolio, Infy continues to gain market share reflected by sustained strong growth in digital revenues (9.6% QoQ, 47% YoY USD, 54% of revenue). Strong deal momentum sustained with large deal TCV of \$2.6 Bn, +23.8% QoQ, +49.4% YoY. We note that net new wins at 30% were lower vs avg 66% net new in FY21. Infy raised FY22 revenue guidance to 14-16% YoY CC from 12-14%, in-line with our estimates. We had already baked in 17.7%/12% YoY USD growth in FY22/23E.**

**Infy reported margin of 23.7%, -78bps QoQ (Ple: 24.1%, Cons:24.6%) led by higher sub-con (+110 bps QoQ) and employee hiring, retention costs partially offset by all-time high utilization (excluding trainees at 88.5%) and offshoring (75.9%). Discretionary expenses including travel are expected to inch up in coming quarters. Continued aggression was seen on hiring front with net headcount addition of 8334 employees, +3.2% QoQ.**

**Management mentioned that demand environment continues to be strong with deal pipeline increasing every quarter. They are witnessing strong traction in cloud adoption aided by Cobalt (cloud platform).**

**We believe flex of margin levers (increase in offshore mix, pyramid optimization, focus on high margin digital business) will not completely offset cost increase but will ensure that margins are comfortably above pre-Covid levels (~22%). We have cut our estimates by 3%/1.6% in FY22/23E led by margin headwinds & assumed 23.7%/23.2% EBIT margin in FY22/23E.**

**We value Infy at 28x to arrive at a changed target price of INR 1832 (earlier: INR 1738) now on Sep23 EPS of Rs. 65.4. Infy is currently trading at 29.9X/25.8X earnings of INR 52.7/61.1 for FY22/23E respectively with revenue CAGR of 14.8% and EPS CAGR of 15.4% over FY21-23E. We have introduced FY24 estimates to capture sustainable strong demand into our numbers and valuations.**

- Beat on revenue growth:** Infy reported revenue of \$3,782 mn, growth of 4.8% QoQ CC, 4.7% QoQ USD (Ple: 4.3%, Cons: 3.7%) above our and cons estimates. **Digital revenues continue to grow at strong pace of 9.6% QoQ, 47% YoY USD and now account to 53.9% of total revenues.** With full stack differentiated digital portfolio Infy continues to gain market share in this space. Growth was broad-based and as economies recover from pandemic, verticals

*Digital revenues continue to grow at strong pace of 9.6% QoQ, 47% YoY USD and now account to 53.9% of total revenues.*

*Infy has gained market share in all three sub-segments of manufacturing - automotive, industrial and aerospace throughout the pandemic.*

*Infy is witnessing strong demand in ER&D space especially in industrial IoT, cloud adoption and smart value chains.*

which underperformed in FY21 are also experiencing accelerated digital transformation. Pricing is better for new digital deals and is expected to aid margins in coming quarters as digital share further improves.

- **Getting first mover advantage due to Cobalt:** Infosys believes that Cobalt is market leading and has been a real differentiator for them with first mover advantage. Infosys mentioned that go-to-market approach for cloud business is across a few levels which are 1) Vertical aligned approach by focused deep industry approach, 2) Focus on partnerships with large IaaS and SaaS vendors.
- **Retail, Manufacturing, BFSI, Communications led sequential growth:**
  - **Retail & CPG (15% of revenue, 6.1% QoQ USD)** continues to recover strongly due to ramp up of large deals won in previous quarters. As economies are opening up in US & Europe, clients are investing heavily in enhancing Omni-channel capabilities, analytics across supply chain & customer acquisition, trade promotion fulfillment etc.
  - **Manufacturing (9.7% of revenue, 5.8% QoQ USD)** showed strong sequential growth led by ramp up of past deal wins. Infy has gained market share in all three sub-segments - automotive, industrial and aerospace throughout the pandemic. There is strong demand in ER&D space especially in industrial IoT, cloud adoption and smart value chains. This vertical is expected to show strong growth with ramp up of Daimler deal in 2Q21.
  - **BFSI (33% of revenue, 4.7% QoQ USD).** There is sustained strong demand momentum in BFSI for past several quarters. In this quarter, growth was strong in US led by banking, mortgages and wealth management. With opening of economy there is significant improvement in payment sector. Demand continues to be strong in area of cloud adoption – migration and management with strong traction from Infosys Cobalt.
  - **Communication (12.2% of revenue, 6.4% QoQ)** There is increased traction in this segment due to increased deployment of 5G. Infosys is working with clients in areas of 5G and IoT in this vertical.
  - **E&U (12.1% of revenue, 3% QoQ USD)** Outlook in E&U is improving with discretionary spends trending to normalized levels. There is strong demand in areas of CX, legacy transformation, security and improving operational efficiency. **Life Sciences** grew 4.4% QoQ USD led by increasing digital adoption across pharma value chain.
- Geography wise growth was led by America which grew +4.8% QoQ USD, Europe grew by +3.8% QoQ USD. India grew by +1.2% QoQ USD and RoW grew by +6.6% QoQ USD.
- **Sustained strong deal wins:** Strong deal momentum sustained with large deal TCV of \$2.6 Bn, +23.8% QoQ, +49.4% YoY. Net new deals were lower at 30%, however, management mentioned that for the full year FY22 net new wins will be in-line with historical trend. They also mentioned demand environment is extremely strong with deal pipeline increasing every quarter.

*Infy raised revenue guidance to 14-16% YoY CC from 12-14% given earlier for FY22, in-line with our estimates, led by confidence in strong demand outlook and robust deal pipeline.*

*Given strength in demand, fresher hiring outlook increased to 35,000 from 25,000 earlier*

Demand environment continues to be strong in cloud adoption, digital transformation, vendor consolidation and cost-take out projects. The company is not overly worried about execution risk involved in large deals and highlighted that execution risk can be managed through its industry leading delivery capabilities.

- Deals were broad-based spread across verticals and geos. Infy won 22 large deals this quarter 9 in BFSI, 4 each in Retail, E&U resources & services, 3 each in manufacturing, communications, high-tech and life-sciences. 14 were from US, 5 from Europe, 2 from RoW and 1 from India.
- **Upgrade in revenue guidance in-line with our estimates:** Infy raised revenue guidance to 14-16% YoY CC from 12-14% given earlier for FY22, in-line with our estimates, led by confidence in strong demand outlook and robust deal pipeline. Margin guidance remains unchanged at 22%-24%. **We were already baking in a 17.7%/12% YoY USD growth in FY22/23E.**
- **Miss on margins led by higher sub-con, hiring and retention costs:** Infy reported margin of 23.7%, -78bps QoQ below our estimates (Ple: 24.1%, Cons:24.6%). Sequential **headwinds** were i) 50 bps impact from higher sub-con costs, ii) 80bps impact from employee costs related to hiring, retention, promotions which were partially offset by **tailwinds** from i) 10 bps benefit from favourable currency movement and ii) 40 bps benefit from increased utilization.
- Utilization was at all-time high levels of 88.5% (excluding trainees) and 83.3% (including trainees) and is expected to trend downwards in coming quarters. Offshore effort mix was also at elevated levels of 75.9%. Infy will roll-out wage hikes and promotions for FY22 from July 21. **Management is confident of maintaining margins between 22-24% aided by levers of pyramid optimization, higher pricing for new age digital deals and operating leverage.**
- We believe flex of margin levers (Increase in offshore mix, pyramid optimization, focus on high margin digital business) will not completely offset cost increase but will ensure that margin band is comfortably much above pre-Covid levels. We have cut our estimates by 3%/1.6% in FY22/23E led by margin headwinds & assumed 23.7%/23.2% EBIT margin in FY22/23E.
- **Attrition inched up; strong hiring continued:** LTM IT services attrition increased to 13.9%, +300 bps QoQ and is expected to inch up given strong demand for talent. Strong demand environment also led to increase in sub-con costs up by 100 bps QoQ. Infy continued its aggressive hiring with net headcount addition of 8334 employees, +3.2% QoQ. **Fresher hiring is significantly increased with 10K freshers added this quarter. Total fresher hiring target is also increased to 35K from earlier 25K.**
- **Robust cash flows:** FCF was healthy \$863 million, +18.5% YoY. DSO further improved by 1 day QoQ to 70 days. PAT to cash flow conversion was healthy with FCF/PAT at 122.3% (vs 115% in 4QFY21).

**Exhibit 1: Q1FY22 Result Overview (Rs mn)**

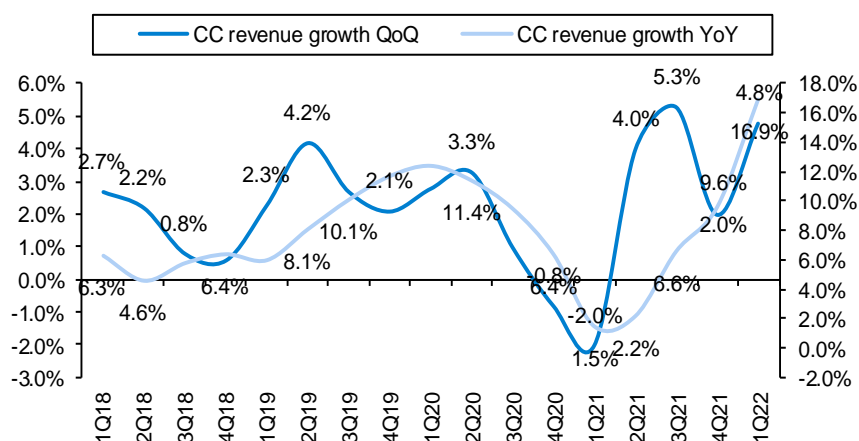
Y/e March	1Q22	4Q21	QoQ gr.	1Q21	YoY gr.	Plc	Variance (Plc VS ACTUAL)
Net sales (US\$ m)	3,782	3,613	4.7%	3,121	21.2%	3,768	0.4%
Net sales	2,78,960	2,63,110	6.0%	2,36,650	17.9%	2,78,052	0.3%
EBITDA	74,320	72,710	2.2%	61,210	21.4%	75,074	-1.0%
EBITDA Margin	26.6%	27.6%	-99 bps	25.9%	78 bps	27.0%	-36 bps
EBIT	66,030	64,400	2.5%	53,650	23.1%	67,104	-1.6%
EBIT Margin	23.7%	24.5%	-81 bps	22.7%	100 bps	24.1%	-46 bps
Adj. Net Profit	51,950	50,760	2.3%	42,330	22.7%	55,185	-5.9%
Adjusted EPS	12.2	11.9	2.3%	10.0	22.6%	13.0	-5.9%

Source: Company, PL

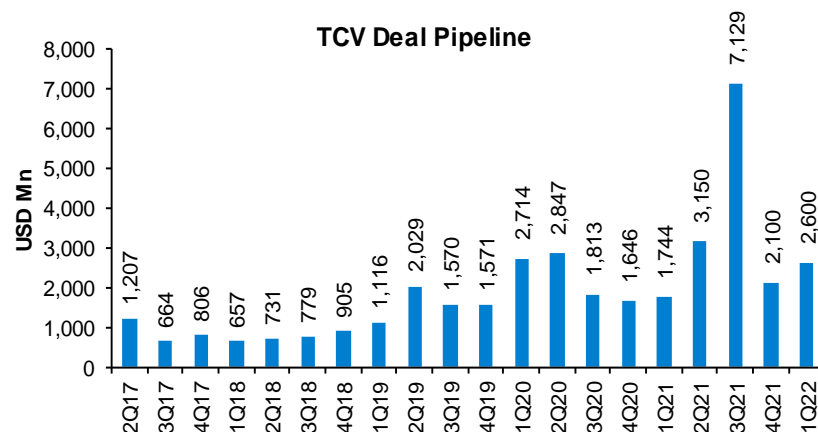
**Exhibit 2: Actual revenue growth always higher than guided range**

Year	Guidance CC (%)	Actuals CC (%)	Mid-point %	Outperformance
FY22	14-16%		15%	
FY21	0-2%	5%	1%	4%
FY20	7.5-9.5%	9.8%	8.0%	1.8%
FY19	6.0%-8.0%	9.0%	7.0%	2.0%

Source: Company, PL

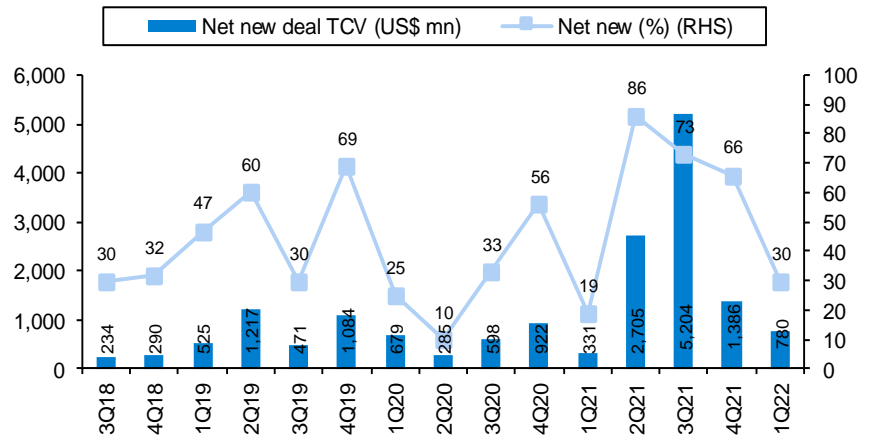
**Exhibit 3: Strong revenue growth in 1Q22**


Source: Company, PL

**Exhibit 4: Sustained strong deal win momentum, +23.8% QoQ**


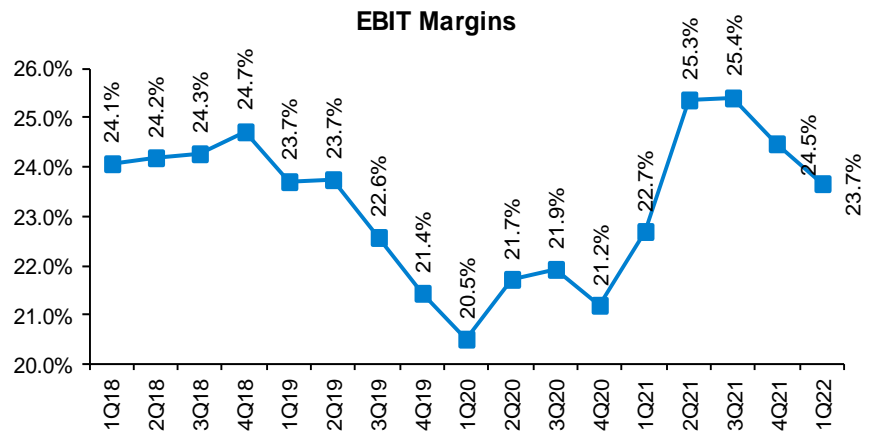
Source: Company, PL

**Exhibit 5: Soft net new deal wins...**



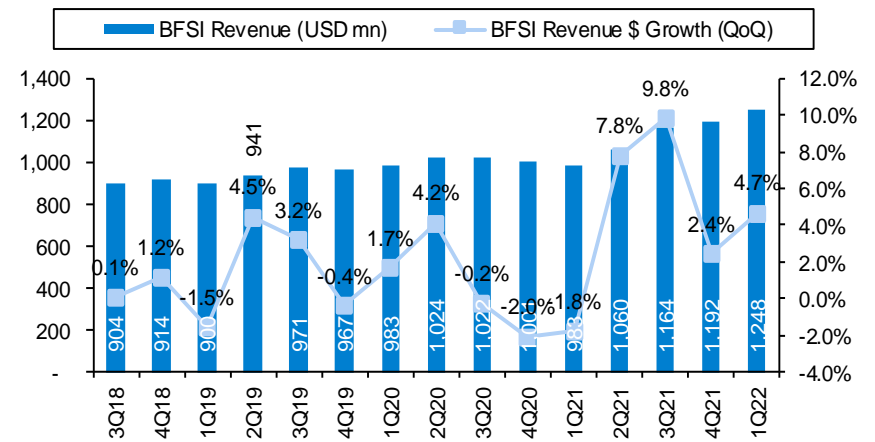
Source: Company, PL

**Exhibit 6: Margins maintained within guided range of 22-24%**



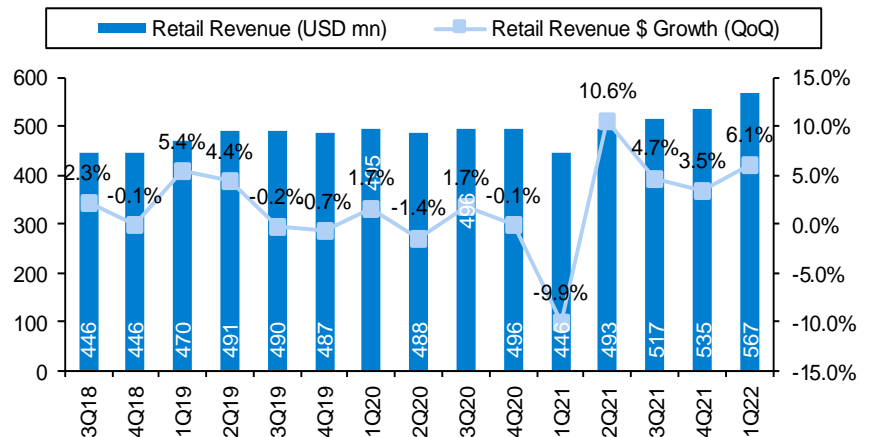
Source: Company, PL

**Exhibit 7: Sustained strong growth momentum in BFSI**



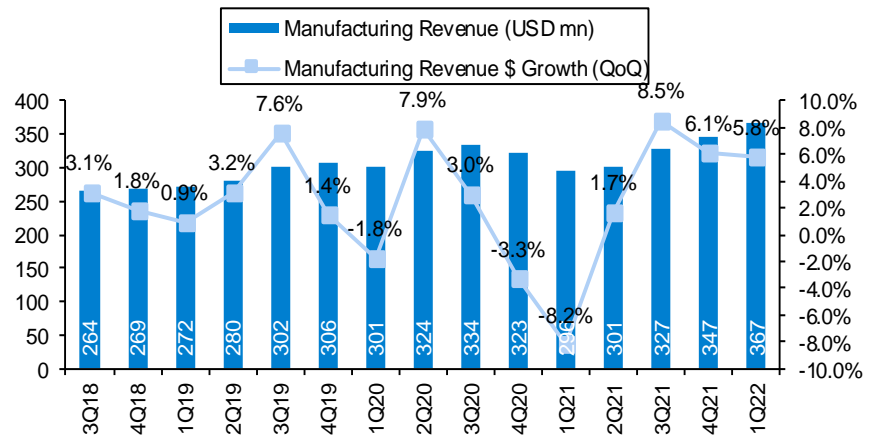
Source: Company, PL

**Exhibit 8: Strong recovery in retail continues...**



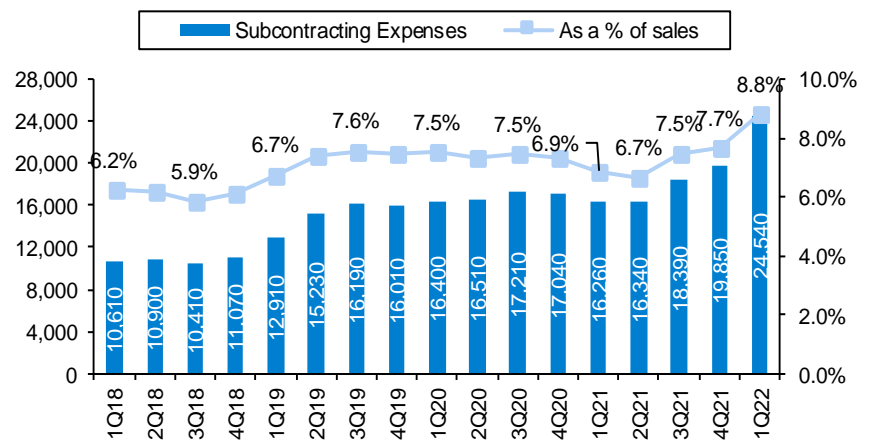
Source: Company, PL

**Exhibit 9: Strong recovery in manufacturing**



Source: Company, PL

**Exhibit 10: Subcontracting expenses increased by 110 bps QoQ**



Source: Company, PL

## Valuation

As demand environment continues to be strong with deal pipeline increasing every quarter, Infy raised FY22 revenue guidance to 14-16% YoY CC from 12-14%, in-line with our estimates. We had already baked in 17.7%/12% YoY USD growth in FY22/23E. We believe flex of margin levers (increase in offshore mix, pyramid optimization, focus on high margin digital business) will not completely offset cost increase but will ensure that margins are comfortably above pre-Covid levels (~22%). We have cut our estimates by 3%/1.6% in FY22/23E led by margin headwinds & assumed 23.7%/23.2% EBIT margin in FY22/23E.

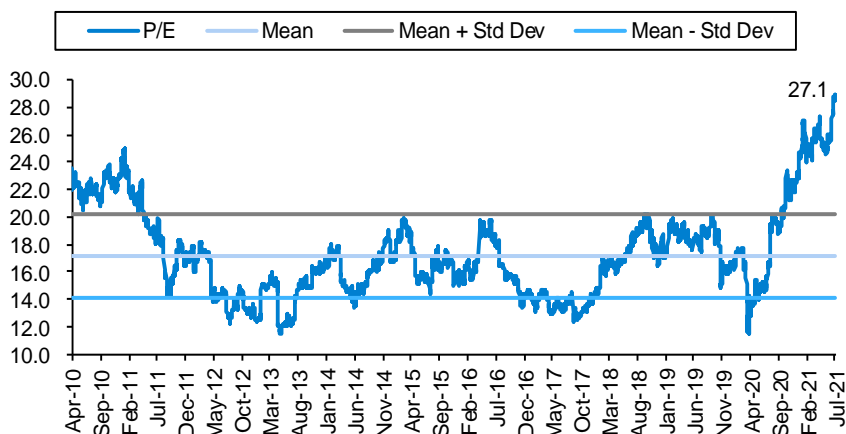
We value Infy at 28x to arrive at a changed target price of INR 1832 (earlier: INR 1738) now on Sep23 EPS of Rs. 65.4. Infy is currently trading at 29.9X/25.8X earnings of INR 52.7/61.1 for FY22/23E respectively. We have introduced FY24 estimates to capture sustainable strong demand into our numbers and valuations.

### Exhibit 11: Changes in Estimates

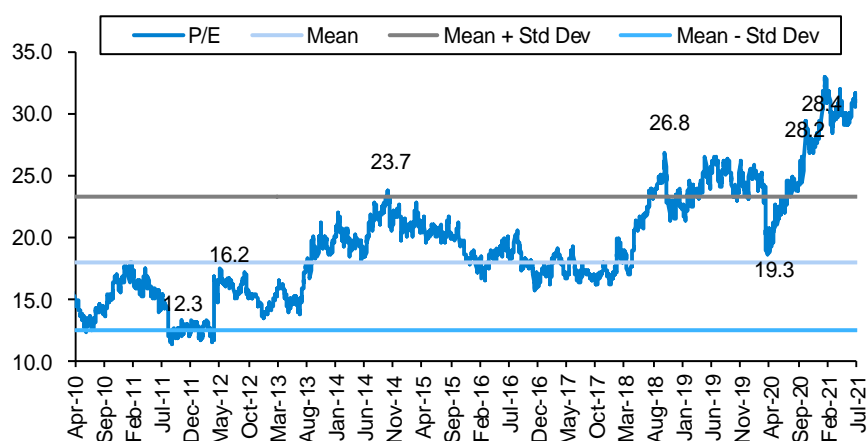
	FY22E	FY23E	FY24E
<b>USD revenues (US\$ m)</b>			
- New	15,965	17,874	19,763
- Old	15,985	17,929	19,763
<i>Change (%)</i>	<i>-0.1%</i>	<i>-0.3%</i>	<i>0.0%</i>
<b>EBIT Margin</b>			
- New	23.7%	23.2%	23.4%
- Old	24.0%	23.3%	23.4%
<i>Change (%)</i>	<i>-33 bps</i>	<i>-9 bps</i>	<i>0 bps</i>
<b>Recurring EPS - Fully diluted (Rs)</b>			
- New	52.7	61.1	69.8
- Old	54.2	62.1	69.8
<i>Change (%)</i>	<i>-2.9%</i>	<i>-1.6%</i>	<i>0.0%</i>

Source: PL

### Exhibit 12: Infosys One year forward PE



Source: Company, PL

**Exhibit 13: TCS One Year Forward P/E chart**


Source: Company, PL

**Exhibit 14: Geography-wise revenues**

(US\$ m)	1Q22	4Q21	QoQ gr.	1Q21	YoY gr.
North America	2,333	2,226	4.8%	1,919	21.6%
Europe	915	882	3.8%	749	22.2%
India	110	108	1.2%	91	21.2%
Rest of World	424	397	6.6%	362	17.0%
<b>Total</b>	<b>3,782</b>	<b>3,613</b>	<b>4.7%</b>	<b>3,121</b>	<b>21.2%</b>
<b>as % of Total</b>					
North America	61.7%	61.6%	10 bps	61.5%	20 bps
Europe	24.2%	24.4%	-20 bps	24.0%	20 bps
India	2.9%	3.0%	-10 bps	2.9%	0 bps
Rest of World	11.2%	11.0%	20 bps	11.6%	-40 bps

Source: Company, PL

**Exhibit 15: Vertical-wise revenues**

	1Q22	4Q21	QoQ gr.	1Q21	YoY gr.
Financial Services	1,248	1,192	4.7%	983	26.9%
Manufacturing	367	347	5.8%	296	23.7%
Communication Services	461	434	6.4%	399	15.5%
Retail CPG	567	535	6.1%	446	27.1%
Life Sc & Healthcare	256	246	4.4%	209	22.7%
Others	882	860	2.6%	786	12.1%
<b>Total</b>	<b>3,782</b>	<b>3,613</b>	<b>4.7%</b>	<b>3,121</b>	<b>21.2%</b>
<b>as % of Total</b>					
Financial Services	33.0%	33.0%	0 bps	31.5%	150 bps
Manufacturing	9.7%	9.6%	10 bps	9.5%	20 bps
Communication Services	12.2%	12.0%	20 bps	12.8%	-60 bps
Retail CPG	15.0%	14.8%	20 bps	14.3%	70 bps
Life Sc & Healthcare	6.8%	6.8%	-2 bps	6.7%	8 bps
Others	23.3%	23.8%	-48 bps	25.2%	-188 bps

Source: Company, PL



**Exhibit 16: Client Metrics**

	1Q22	4Q21	QoQ gr.	1Q21	YoY gr.
<b>Number of Clients</b>					
Active	1659	1626	2.0%	1458	13.8%
Added during the period	113	130	-13.1%	110	2.7%
<b>Revenue concentration (US\$ m)</b>					
Top 10 clients	711	661	7.5%	602	18.0%
Top 25 clients	1,301	1,236	5.3%	1,080	20.5%
Top 11-25 clients	590	574	2.7%	478	23.6%
Non Top 25	2,481	2,377	4.4%	2,041	21.5%
<b>Total</b>	<b>3,782</b>	<b>3,613</b>	<b>4.7%</b>	<b>3,121</b>	<b>21.2%</b>
<b>Revenue concentration (%)</b>					
Top 10 clients	18.8%	18.3%	50 bps	19.3%	-50 bps
Top 25 clients	34.4%	34.2%	20 bps	34.6%	-20 bps
Account Receivables (days)	70	71	(1)	71	(1)

Source: Company, PL

**Exhibit 17: Utilization continues to trend upwards despite strong hiring**

	1Q22	4Q21	QoQ gr.	1Q21	YoY gr.
<b>Utilization (%)</b>					
Include Trainees	83.3%	82.2%	110 bps	78.2%	510 bps
Exclude Trainees	88.5%	87.7%	80 bps	81.2%	730 bps

Source: Company, PL

**Exhibit 18: Consistent growth in digital revenues (53.9% revenue share)**

Revenues by offering	1Q22	4Q21	QoQ gr.	1Q21	YoY gr.
Digital	53.9%	51.5%	240 bps	44.5%	940 bps
Core	46.1%	48.5%	-240 bps	55.5%	-940 bps
<b>Revenue by offering ( \$mn)</b>					
Digital	1,748	1,625	7.6%	1443	21.1%
Core	1,495	1,618	-7.6%	1800	-16.9%

Source: Company, PL

## Financials

### Income Statement (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
<b>Net Revenues</b>	<b>10,04,730</b>	<b>11,80,469</b>	<b>13,58,419</b>	<b>15,21,778</b>
YoY gr. (%)	10.7	17.5	15.1	12.0
Employee Cost	6,21,470	7,50,738	8,55,804	9,58,720
Gross Profit	3,83,260	4,29,731	5,02,615	5,63,058
Margin (%)	38.1	36.4	37.0	37.0
SG&A Expenses	58,090	61,350	61,282	68,654
Other Expenses	-	-	-	-
<b>EBITDA</b>	<b>2,78,900</b>	<b>3,11,780</b>	<b>3,44,557</b>	<b>3,86,050</b>
YoY gr. (%)	25.3	11.8	10.5	12.0
Margin (%)	27.8	26.4	25.4	25.4
Depreciation and Amortization	32,680	32,257	28,974	29,753
<b>EBIT</b>	<b>2,46,220</b>	<b>2,79,523</b>	<b>3,15,583</b>	<b>3,56,297</b>
Margin (%)	24.5	23.7	23.2	23.4
Net Interest	-	-	-	-
Other Income	20,060	19,151	23,598	30,826
<b>Profit Before Tax</b>	<b>2,66,280</b>	<b>2,98,675</b>	<b>3,39,182</b>	<b>3,87,123</b>
Margin (%)	26.5	25.3	25.0	25.4
Total Tax	72,050	75,128	80,037	90,918
Effective tax rate (%)	27.1	25.2	23.6	23.5
<b>Profit after tax</b>	<b>1,94,230</b>	<b>2,23,547</b>	<b>2,59,145</b>	<b>2,96,204</b>
Minority interest	(320)	60	-	-
Share Profit from Associate	-	-	-	-
<b>Adjusted PAT</b>	<b>1,94,550</b>	<b>2,23,487</b>	<b>2,59,145</b>	<b>2,96,204</b>
YoY gr. (%)	16.9	14.9	16.0	14.3
Margin (%)	19.4	18.9	19.1	19.5
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>1,94,550</b>	<b>2,23,487</b>	<b>2,59,145</b>	<b>2,96,204</b>
YoY gr. (%)	16.9	14.9	16.0	14.3
Margin (%)	19.4	18.9	19.1	19.5
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,94,550	2,23,487	2,59,145	2,96,204
<b>Equity Shares O/s (m)</b>	<b>4,242</b>	<b>4,243</b>	<b>4,243</b>	<b>4,243</b>
<b>EPS (Rs)</b>	<b>45.9</b>	<b>52.7</b>	<b>61.1</b>	<b>69.8</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>4,01,910</b>	<b>2,95,709</b>	<b>3,05,529</b>	<b>3,69,765</b>
Tangibles	3,20,400	2,13,499	2,23,319	2,87,555
Intangibles	81,510	82,210	82,210	82,210
<b>Acc: Dep / Amortization</b>	<b>1,36,230</b>	<b>23,967</b>	<b>30,761</b>	<b>82,695</b>
Tangibles	1,36,230	23,967	30,761	82,695
Intangibles	-	-	-	-
<b>Net fixed assets</b>	<b>2,65,680</b>	<b>2,71,741</b>	<b>2,74,768</b>	<b>2,87,070</b>
Tangibles	1,84,170	1,89,531	1,92,558	2,04,860
Intangibles	81,510	82,210	82,210	82,210
Capital Work In Progress	-	-	-	-
Goodwill	-	-	-	-
Non-Current Investments	-	-	-	-
Net Deferred tax assets	2,230	1,750	1,750	1,750
Other Non-Current Assets	1,99,870	2,03,380	2,03,380	2,03,380
<b>Current Assets</b>				
Investments	-	-	-	-
Inventories	-	-	-	-
Trade receivables	1,92,940	2,24,289	2,27,218	2,81,529
Cash & Bank Balance	2,69,336	3,23,043	3,67,925	6,56,134
Other Current Assets	68,560	69,120	69,120	69,120
<b>Total Assets</b>	<b>10,82,636</b>	<b>11,72,552</b>	<b>12,26,252</b>	<b>15,98,690</b>
<b>Equity</b>				
Equity Share Capital	21,240	21,220	21,220	21,220
Other Equity	7,46,580	8,02,167	8,40,078	11,53,859
<b>Total Network</b>	<b>7,67,820</b>	<b>8,23,387</b>	<b>8,61,298</b>	<b>11,75,079</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	-	-	-	-
Provisions	-	-	-	-
Other non current liabilities	68,640	67,950	67,950	67,950
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	25,226	4,722	4,913	6,087
Other current liabilities	2,12,200	2,68,093	2,83,692	3,41,174
<b>Total Equity &amp; Liabilities</b>	<b>10,82,636</b>	<b>11,72,552</b>	<b>12,26,252</b>	<b>15,98,690</b>

Source: Company Data, PL Research

**Cash Flow (Rs m)**

Y/e Mar	FY21	FY22E	FY23E	FY24E
PBT	2,66,280	2,98,675	3,39,182	3,87,123
Add. Depreciation	32,680	32,257	28,974	29,753
Add. Interest	-	-	-	-
Less Financial Other Income	20,060	19,151	23,598	30,826
Add. Other	-	-	-	-
Op. profit before WC changes	2,98,960	3,30,932	3,68,156	4,16,876
Net Changes-WC	(63,464)	3,722	9,997	(13,269)
Direct tax	(72,050)	(75,128)	(80,037)	(90,918)
<b>Net cash from Op. activities</b>	<b>1,63,446</b>	<b>2,59,526</b>	<b>2,98,116</b>	<b>3,12,689</b>
Capital expenditures	(89,510)	(38,319)	(32,001)	(42,056)
Interest / Dividend Income	-	-	-	-
Others	-	-	-	-
<b>Net Cash from Invt. activities</b>	<b>(89,510)</b>	<b>(38,319)</b>	<b>(32,001)</b>	<b>(42,056)</b>
Issue of share cap. / premium	3,950	1,120	-	-
Debt changes	-	-	-	-
Dividend paid	(1,37,455)	(71,280)	(1,01,829)	(1,01,829)
Interest paid	-	-	-	-
Others	47,725	(98,170)	(1,19,405)	1,19,405
<b>Net cash from Fin. activities</b>	<b>(85,780)</b>	<b>(1,68,330)</b>	<b>(2,21,234)</b>	<b>17,576</b>
<b>Net change in cash</b>	<b>(11,844)</b>	<b>52,877</b>	<b>44,881</b>	<b>2,88,209</b>
Free Cash Flow	73,936	2,21,207	2,66,116	2,70,633

Source: Company Data, PL Research

**Key Financial Metrics**

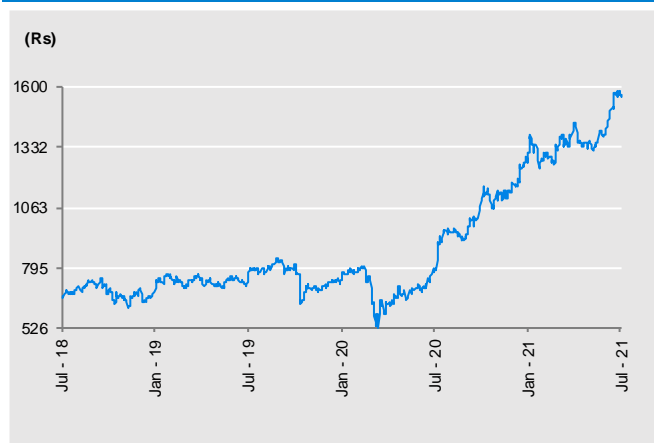
Y/e Mar	FY21	FY22E	FY23E	FY24E
<b>Per Share(Rs)</b>				
EPS	45.9	52.7	61.1	69.8
CEPS	53.6	60.3	67.9	76.8
BVPS	181.0	194.1	203.0	277.0
FCF	17.4	52.1	62.7	63.8
DPS	32.4	16.8	24.0	24.0
<b>Return Ratio(%)</b>				
RoCE	34.5	35.1	37.5	35.0
ROIC	35.0	36.2	38.7	34.1
RoE	27.3	28.1	30.8	29.1
<b>Balance Sheet</b>				
Net Debt : Equity (x)	(0.4)	(0.4)	(0.4)	(0.6)
Debtor (Days)	70	69	61	68
<b>Valuation(x)</b>				
PER	34.4	29.9	25.8	22.6
P/B	8.7	8.1	7.8	5.7
P/CEPS	29.4	26.2	23.2	20.5
EV/EBITDA	23.0	20.4	18.4	15.6
EV/Sales	6.4	5.4	4.7	4.0
Dividend Yield (%)	2.1	1.1	1.5	1.5

Source: Company Data, PL Research

**Quarterly Financials (Rs m)**

Y/e Mar	Q2FY21	Q3FY21	Q4FY21	Q1FY22
<b>Net Revenue</b>	<b>2,45,700</b>	<b>2,59,270</b>	<b>2,63,110</b>	<b>2,78,960</b>
YoY gr. (%)	8.6	12.3	13.1	17.9
Raw Material Expenses	1,49,160	1,59,510	1,63,330	1,76,770
Gross Profit	96,540	99,760	99,780	1,02,190
Margin (%)	39.3	38.5	37.9	36.6
<b>EBITDA</b>	<b>70,830</b>	<b>74,150</b>	<b>72,710</b>	<b>74,320</b>
YoY gr. (%)	25.6	27.8	28.1	21.4
Margin (%)	28.8	28.6	27.6	26.6
Depreciation / Depletion	8,550	8,260	8,310	8,290
<b>EBIT</b>	<b>62,280</b>	<b>65,890</b>	<b>64,400</b>	<b>66,030</b>
Margin (%)	25.3	25.4	24.5	23.7
Net Interest	-	-	-	-
Other Income	5,220	5,620	4,950	5,730
<b>Profit before Tax</b>	<b>67,500</b>	<b>71,510</b>	<b>69,350</b>	<b>71,760</b>
Margin (%)	27.5	27.6	26.4	25.7
Total Tax	18,920	19,360	18,570	19,750
Effective tax rate (%)	28.0	27.1	26.8	27.5
<b>Profit after Tax</b>	<b>48,580</b>	<b>52,150</b>	<b>50,780</b>	<b>52,010</b>
Minority interest	(130)	180	20	60
Share Profit from Associates	-	-	-	-
<b>Adjusted PAT</b>	<b>48,450</b>	<b>52,330</b>	<b>50,800</b>	<b>52,070</b>
YoY gr. (%)	20.6	17.4	17.6	23.0
Margin (%)	19.7	20.2	19.3	18.7
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>48,450</b>	<b>52,330</b>	<b>50,800</b>	<b>52,070</b>
YoY gr. (%)	20.6	17.4	17.6	23.0
Margin (%)	19.7	20.2	19.3	18.7
Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income</b>	<b>48,450</b>	<b>52,330</b>	<b>50,800</b>	<b>52,070</b>
Avg. Shares O/s (m)	4,249	4,251	4,251	4,251
<b>EPS (Rs)</b>	<b>11.4</b>	<b>12.3</b>	<b>12.0</b>	<b>12.3</b>

Source: Company Data, PL Research

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


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	02-Jul-21	BUY	1,738	1,560
2	10-Jun-21	BUY	1,632	1,424
3	15-Apr-21	BUY	1,632	1,397
4	05-Apr-21	BUY	1,646	1,386
5	14-Jan-21	BUY	1,611	1,387
6	04-Jan-21	BUY	1,538	1,260
7	23-Dec-20	BUY	1,436	1,221
8	15-Oct-20	BUY	1,436	1,137
9	05-Oct-20	BUY	1,259	1,018
10	01-Oct-20	BUY	1,259	1,008

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Coforge	BUY	4,327	4,194
2	Cyient	BUY	912	886
3	HCL Technologies	BUY	1,055	986
4	Infosys	BUY	1,738	1,560
5	L&T Technology Services	BUY	3,117	2,914
6	Larsen & Toubro Infotech	Accumulate	4,304	4,017
7	Mindtree	BUY	3,229	2,505
8	Mphasis	BUY	2,335	2,161
9	Persistent Systems	UR	-	2,965
10	Redington (India)	BUY	301	279
11	Sonata Software	BUY	834	757
12	Tata Consultancy Services	BUY	3,776	3,259
13	TeamLease Services	BUY	4,136	3,604
14	Tech Mahindra	BUY	1,174	1,085
15	Wipro	BUY	637	533
16	Zensar Technologies	BUY	290	276

**PL's Recommendation Nomenclature (Absolute Performance)**

<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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