

Refer to important disclosures at the end of this report

# Revenues miss; deal intake remains solid

- Revenue growth missed expectations due to a sharp decline in the India business (-14.1% QoQ due to the second Covid wave). Revenue grew 2.4% QoQ in CC terms in Q1 (ex-regional markets, grew 4.1%). EBITM declined 130bps QoQ to 25.5% due to salary hike.
- Revenue growth was broad-based, driven by Life Sciences & Healthcare (7.3% QoQ CC), Technology & Services (5.0%), Manufacturing (4.8%), Retail & CPG (4.4%) and BFSI (3.1%). All geographies, except for India, posted sequential growth.
- Management remains confident about the revenue growth trajectory in FY22 on broad-based demand, strong deal intake (USD8.1bn in Q1; 17% YoY), healthy deal pipeline, and traction in cloud, cyber security, analytics and enterprise application services.
- We lower our FY22/23/24 EPS estimates by 1.3%/0.1%/0.1%, after factoring in Q1FY22 revenue miss. TCS is well-positioned to benefit from the strong demand environment, acceleration in cloud adoption and digital transformation opportunities. However, revenue miss and rich valuations will weigh on stock performance. Maintain Hold with a TP of Rs3,500 (28x Jun'23E EPS).

**What we liked?** Robust deal intake (USD8.1bn), broad-based revenue growth, good management of attrition (LTM attrition inched up to 8.6% in Q1 but is well under control).

**What we did not like?** Decline in India, growth moderation in Continental Europe and APAC.

**Revenues miss estimates due to drag in India business:** Q1FY22 revenues grew 2.4% QoQ CC and came in below estimates due to the decline in India (-14.1%) on account of the second Covid wave. Revenue growth (excluding Regional markets & Others) was healthy at 4.1% QoQ CC. Overall volume growth for the quarter stood at 4.4% QoQ. TCS continues to see strong demand in growth and transformational services as customers undergo transformational journeys to thrive in the new normal. The company has signed deals worth USD8.1bn in Q1, with a book-to-bill ratio of 1.3x. Management indicated that deal intake remains well-balanced across deal sizes in Q1, with the largest deal being ~USD0.4bn. It added 20,409 employees in Q1, the highest-ever addition in a quarter. Management remains confident of delivering double-digit revenue growth in FY22 on healthy deal wins/deal pipeline and broad-based growth momentum. The pricing environment remains stable as well.

**EBITM declined 130bps sequentially; adjusted EBITM to be resilient in FY22:** EBITM declined 130bps QoQ to 25.5% due to salary hike (-170bps), partly negated by the weak rupee (+30bps). Management expects discretionary expenses to return to pre-pandemic levels by FY22-end. EBITM should recover in the coming quarters, with the normalization of salary hikes and revenue growth recovery. This should drive steady adjusted EBITM YoY in FY22.

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

## Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
Revenue	1,569,490	1,641,770	1,915,425	2,178,605	2,444,441
EBITDA	421,100	453,280	541,701	606,480	677,948
EBITDA Margin (%)	26.8	27.6	28.3	27.8	27.7
APAT	323,400	324,300	392,820	448,487	505,565
EPS (Rs)	86.2	87.7	106.2	121.2	136.7
EPS (% chg)	2.8	1.7	21.1	14.2	12.7
ROE (%)	36.4	37.1	39.9	37.6	35.3
P/E (x)	37.8	37.2	30.7	26.9	23.8
EV/EBITDA (x)	28.4	25.9	21.3	18.7	16.4
P/BV (x)	14.2	13.6	11.1	9.2	7.7

Source: Company, Emkay Research

<b>CMP</b>	<b>Target Price</b>
<b>Rs 3,259</b> as of (July 8, 2021)	<b>Rs 3,500 (■)</b> 12 months
<b>Rating</b>	<b>Upside</b>
<b>HOLD (■)</b>	<b>7.4 %</b>

### Change in Estimates

EPS Chg FY22E/FY23E (%)	(1.3)/(0.1)
Target Price change (%)	-
Target Period (Months)	12
Previous Reco	HOLD

### Emkay vs Consensus

EPS Estimates		
	FY22E	FY23E
Emkay	106.2	121.2
Consensus	107.2	119.2
Mean Consensus TP (12M)	Rs 3,484	

### Stock Details

Bloomberg Code	TCS IN
Face Value (Rs)	1
Shares outstanding (mn)	3,699
52 Week H/L	3,400 / 2,125
M Cap (Rs bn/USD bn)	12,053 / 161.33
Daily Avg Volume (nos.)	2,471,928
Daily Avg Turnover (US\$ mn)	105.6

### Shareholding Pattern Mar '21

Promoters	72.2%
FIIIs	15.6%
DIIIs	7.8%
Public and Others	4.4%

### Price Performance

(%)	1M	3M	6M	12M
<b>Absolute</b>	2	(2)	4	47
<b>Rel. to Nifty</b>	2	(7)	(5)	-

### 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:

### Dipesh Mehta

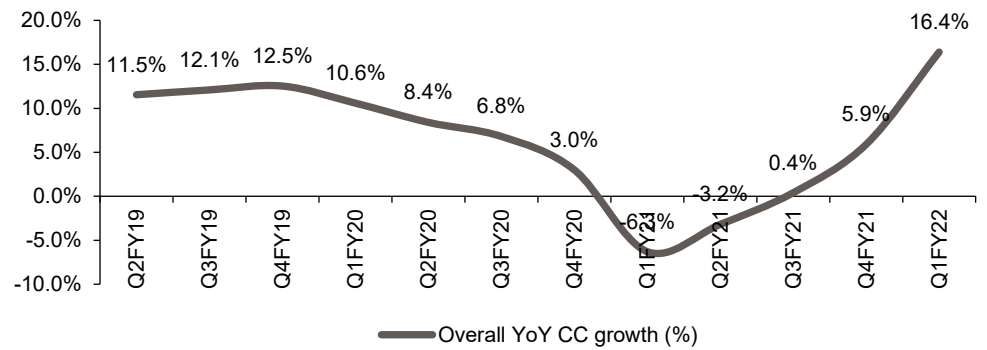
dipeshkumar.mehta@emkayglobal.com  
+91 22 6612 1253

### Monit Vyas

monit.vyas@emkayglobal.com  
+91 22 6624 2434

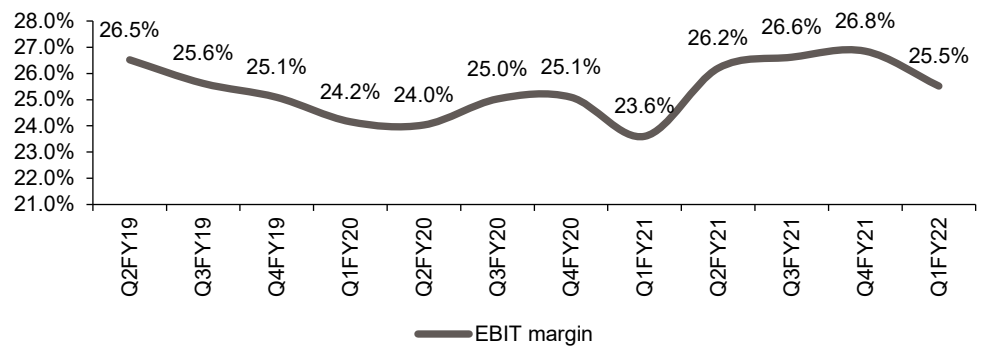
## Story in Charts

**Exhibit 1: Overall YoY CC revenue growth accelerates to 16.4% albeit on a lower base**



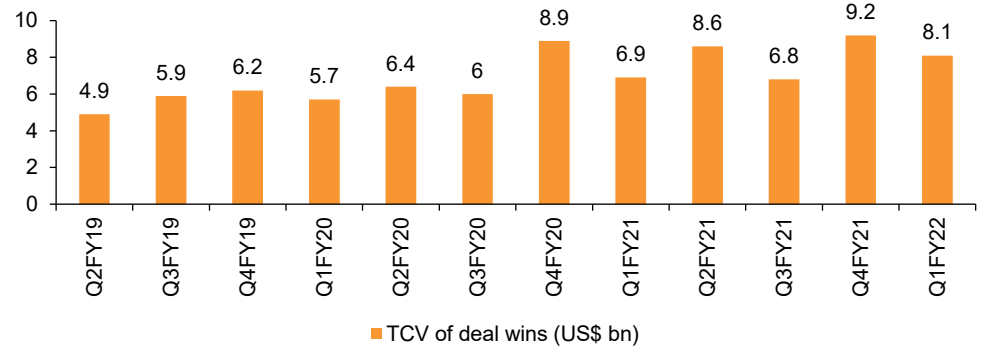
Source: Company, Emkay Research

**Exhibit 2: Margins under pressure in Q1 due to wage hikes**



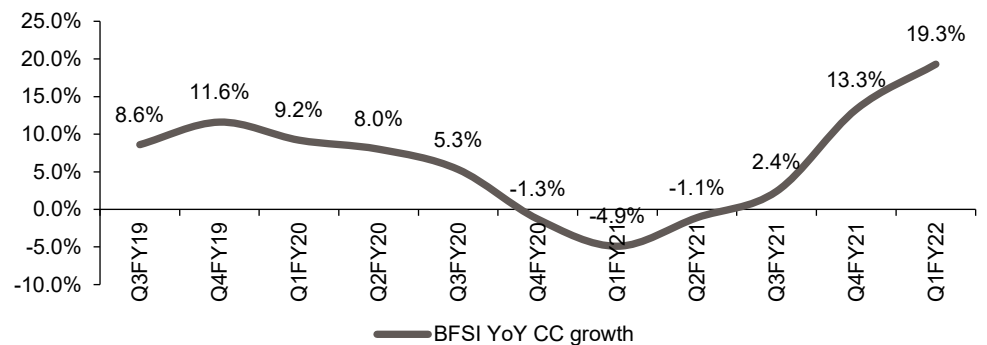
Source: Company, Emkay Research

**Exhibit 3: Deal intake remains robust in Q1FY22**



Source: Company, Emkay Research

**Exhibit 4: BFSI YoY CC growth rate accelerates further in Q1FY22**

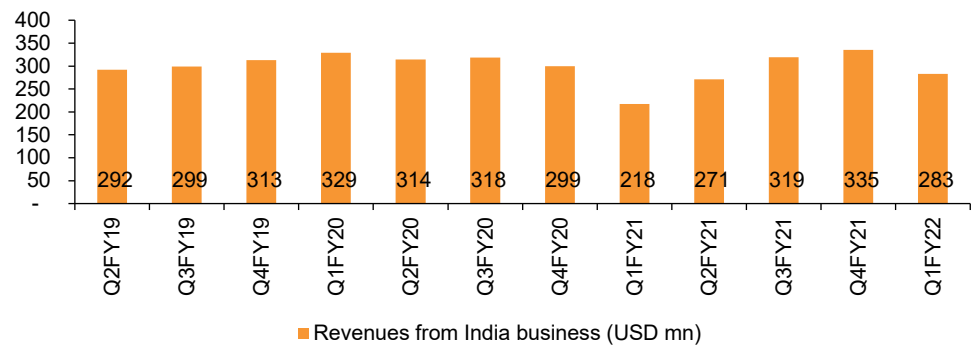


Source: Company, Emkay Research

## Decline in India business impacts revenue growth

Revenue growth in Q1 was impacted by the decline in India business (down 14.1% QoQ CC) on account of the second wave of Covid. However, management believes that it is just a postponement of business and expects the India business to bounce back strongly in the coming quarters. Excluding Regional markets and others vertical, revenue growth for Q1 stood at 4.1% QoQ CC. Revenue growth was driven by Life sciences & Healthcare (7.3% QoQ CC), Technology & Services (5.0%), Manufacturing (4.8%), Retail & CPG (4.4%), BFSI (3.1%) and Communication and Media (1.7%). All geographies, except for India, posted positive sequential growth, with North America growing 4.1% QoQ CC, Latin America at 4.0%, UK at 3.6%, MEA at 4.2%, Asia Pacific at 2.4% and Continental Europe at 1.5%.

**Exhibit 5: Revenues from India business declined by 14.1% QoQ CC in Q1FY22 due to second wave of Covid**

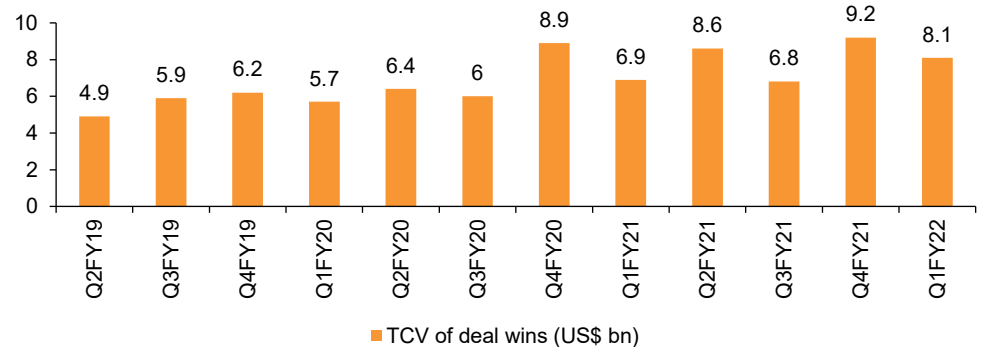


Source: Company, Emkay Research

## Deal intake remains robust

TCS reported robust deal wins of USD8.1bn (book-to-bill: 1.3x) for the quarter, and had a good mix of small and large deals, with the largest deal for the quarter at around USD400mn. TCVs of deals signed in BFSI, Retail and North America were USD2.2bn, USD1.5bn and USD4bn, respectively. The deal pipeline remains robust and has a healthy mix of large, medium and small-size deals.

**Exhibit 6: Deal intake remains robust in Q1FY22**



Source: Company, Emkay Research

## Other Takeaways

**Q1FY22 performance:** Revenue grew 2.8% QoQ and 21.6% YoY (2.4% QoQ CC, 16.4% YoY CC) to USD6.15bn. EBITM declined 130bps sequentially, primarily due to the wage hike (170bps impact) and return of discretionary spends. The company saw healthy demand in Cloud Platform services, Enterprise Application services, Cyber Security & Analytics.

**Outlook:** TCS signed deals worth a TCV of USD8.1bn in the quarter, continuing the deal closure momentum of the last quarter. The company saw a good mix of large and small deals during the quarter. It does not expect the deal pipeline mix to change materially (well-diversified mix). The robust deal pipeline, along with strong deal wins, offers good revenue visibility for the coming quarters.

## Others

- The company declared a final dividend of Rs7 per share.
- IT Services attrition rate inched up to 8.6% from 7.2% (all-time low) in Q4.
- Sequential addition of 20,409 to the headcount was the highest in any quarter and reflects the company's confidence about demand uptick.
- TCS hired ~40,000 campus recruits in FY21 and expects to hire even more in FY22. It also plans to hire another 2,000-3,000 freshers in the US in FY22.
- DSO stood at 65 days - down by 3 days QoQ.

### Exhibit 7: Actual vs. estimates (Q1FY22)

(Rs mn)	Actual	Estimate (Emkay)	Consensus estimate	% variation		Comment
				Emkay	Consensus	
Revenues (in USD mn)	6,154	6,229	6,195	-1.2%	-0.7%	Revenues missed expectations due to the decline in India business
Sales	454,110	459,356	457,224	-1.1%	-0.7%	
EBIT	115,880	116,539	117,507	-0.6%	-1.4%	EBITM was in line with our estimates
EBIT, margin	25.5%	25.4%	25.7%	10 bps	-20 bps	
PAT	90,080	92,923	92,816	-3.1%	-2.9%	PAT missed expectations due to revenue miss and lower other income

Source: Company, Emkay Research

### Exhibit 8: Quarterly Snapshot

Rs mn	Q1FY21	Q2 FY21	Q3 FY21	Q4 FY21	Q1FY22	YoY (%)	QoQ (%)	FY21 YTD	FY22 YTD	YoY (%)
Revenues (USD Mn)	5,059	5,424	5,702	5,989	6,154	21.6	2.8	5,059	6,154	21.6
Revenue (INR Mn)	383,220	401,350	420,150	437,050	454,110	18.5	3.9	383,220	454,110	18.5
Operating Expenditure	282,970	298,400	298,080	309,040	327,470	15.7	6.0	282,970	327,470	15.7
Cost of revenues	224,860	229,580	237,490	248,600	262,400	16.7	5.6	224,860	262,400	16.7
as % of sales	58.7	57.2	56.5	56.9	57.8			58.7	57.8	
SG&A expenses	58,110	68,820	60,590	60,440	65,070	12.0	7.7	58,110	65,070	12.0
as % of sales	15.2	17.1	14.4	13.8	14.3			15.2	14.3	
EBITDA	100,250	102,950	122,070	128,010	126,640	26.3	(1.1)	100,250	126,640	26.3
Depreciation	9,770	9,980	10,230	10,670	10,760			9,770	10,760	
EBIT	90,480	92,970	111,840	117,340	115,880	28.1	(1.2)	90,480	115,880	28.1
Other Income	4,560	7,400	5,080	7,930	5,750			4,560	5,750	
PBT	95,040	100,370	116,920	125,270	121,630	28.0	(2.9)	95,040	121,630	28.0
Total Tax	24,550	25,330	29,650	32,450	31,320			24,550	31,320	
Adjusted PAT	70,490	75,040	87,270	92,820	90,310	28.1	(2.7)	70,490	90,310	28.1
(Profit)/loss from JV's/Ass/MI	-410	-290	-260	-360	-230	(43.9)	(36.1)	-410	-230	
APAT after MI	70,080	74,750	87,010	92,460	90,080	28.5	(2.6)	70,080	90,080	28.5
Reported EPS	18.7	19.9	23.2	25.0	24.4	30.4	(2.6)	19	24	30.4
Margins (%)					(bps)		(bps)			
EBIDTA	26.2	25.7	29.1	29.3	27.9	173	(140)	26.2	27.9	173
EBIT	23.6	23.2	26.6	26.8	25.5	191	(133)	23.6	25.5	191
EBT	24.8	25.0	27.8	28.7	26.8	198	(188)	24.8	26.8	198
PAT	18.3	18.6	20.7	21.2	19.8	155	(132)	60.5	19.8	(4,064)
Effective Tax rate	25.8	25.2	25.4	25.9	25.8	(8)	(15)	25.8	25.8	(8)

Source: Company, Emkay Research

**Exhibit 9: Revenues by geography**

Particulars	As % of revenue				
	Q1FY22	Q4FY21	Q1FY21	QoQ (%)	YoY (%)
North Americas	49.4%	48.6%	51.4%	4.4%	16.9%
Latin America	1.6%	1.6%	1.7%	2.8%	14.5%
UK	16.3%	16.0%	15.3%	4.7%	29.6%
Continental Europe	16.7%	16.8%	15.6%	2.1%	30.2%
India	4.6%	5.6%	4.3%	-15.6%	30.1%
Asia Pacific	9.3%	9.4%	9.8%	1.7%	15.4%
MEA	2.1%	2.0%	1.9%	7.9%	34.4%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>2.8%</b>	<b>21.6%</b>

Source: Company, Emkay Research

**Exhibit 10: Revenues by verticals**

Particulars	As % of revenue				
	Q1FY22	Q4FY21	Q1FY21	QoQ (%)	YoY (%)
BFSI	32.5%	32.2%	31.3%	3.7%	26.3%
Retail & CPG	14.8%	14.5%	14.0%	4.9%	28.6%
Communication & Media	6.4%	6.5%	7.1%	1.2%	9.7%
Manufacturing	9.8%	9.6%	9.7%	4.9%	22.9%
Life Science & Healthcare	10.2%	9.7%	9.6%	8.1%	29.2%
Technology & Services	8.6%	8.4%	9.1%	5.2%	15.0%
Regional Markets & Others	17.7%	19.1%	19.2%	-4.8%	12.1%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>2.8%</b>	<b>21.6%</b>

Source: Company, Emkay Research

**Exhibit 11: Client data (LTM)**

No. of clients	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22
USD1mn clients	1014	1032	1053	1072	1066	1076	1077	1096	1118
USD5mn clients	551	554	557	565	564	565	565	569	586
USD10mn clients	384	398	395	391	382	386	386	387	405
USD20mn clients	219	225	232	240	230	228	229	228	241
USD50mn clients	100	101	102	105	100	97	97	101	105
USD100mn clients	44	47	47	49	48	49	48	48	50

Source: Company, Emkay Research

**Exhibit 12: Segmental performance**

Revenue (USD mn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22
BFSI	2152	2183	2170	2073	2017	2181	2260	2406	2460
Manufacturing	581	572	585	575	513	517	547	577	596
Retail and consumer business	923	915	940	911	780	859	888	929	972
Communication, media and tech	896	903	926	920	857	887	947	965	1004
Others	933	944	965	964	892	980	1060	1112	1122
<b>Total</b>	<b>5485</b>	<b>5517</b>	<b>5586</b>	<b>5443</b>	<b>5059</b>	<b>5424</b>	<b>5702</b>	<b>5989</b>	<b>6154</b>

Growth YoY (%)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22
BFSI	8.4%	5.3%	4.8%	-3.3%	-6.3%	-0.1%	4.1%	16.1%	22.0%
Manufacturing	5.3%	3.1%	5.0%	-0.2%	-11.7%	-9.6%	-6.5%	0.3%	16.2%
Retail and consumer business	6.0%	1.9%	3.6%	-0.7%	-15.5%	-6.1%	-5.5%	2.0%	24.6%
Communication, media and tech	6.0%	6.2%	8.2%	6.4%	-4.4%	-1.8%	2.3%	4.9%	17.2%
Others	16.9%	12.5%	12.2%	7.7%	-4.4%	3.8%	9.8%	15.4%	25.8%
<b>Total</b>	<b>8.6%</b>	<b>5.8%</b>	<b>6.4%</b>	<b>0.9%</b>	<b>-7.8%</b>	<b>-1.7%</b>	<b>2.1%</b>	<b>10.0%</b>	<b>21.6%</b>

EBITDAM (%)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22
BFSI	27.3%	27.6%	28.5%	27.4%	26.9%	29.6%	28.8%	28.4%	27.0%
Manufacturing	26.5%	26.0%	27.2%	28.2%	25.5%	26.9%	29.6%	30.3%	30.4%
Retail and consumer business	26.3%	25.1%	26.8%	26.3%	22.1%	29.1%	30.0%	30.1%	29.2%
Communication, media and tech	29.4%	28.9%	29.2%	31.1%	29.1%	29.2%	29.6%	30.5%	30.3%
Others	20.8%	21.7%	23.2%	24.7%	25.6%	26.9%	27.9%	29.0%	25.3%
<b>Total</b>	<b>26.3%</b>	<b>26.2%</b>	<b>27.3%</b>	<b>27.5%</b>	<b>26.1%</b>	<b>28.7%</b>	<b>29.0%</b>	<b>29.3%</b>	<b>27.9%</b>

Source: Company, Emkay Research

**Exhibit 13: Changes in estimates**

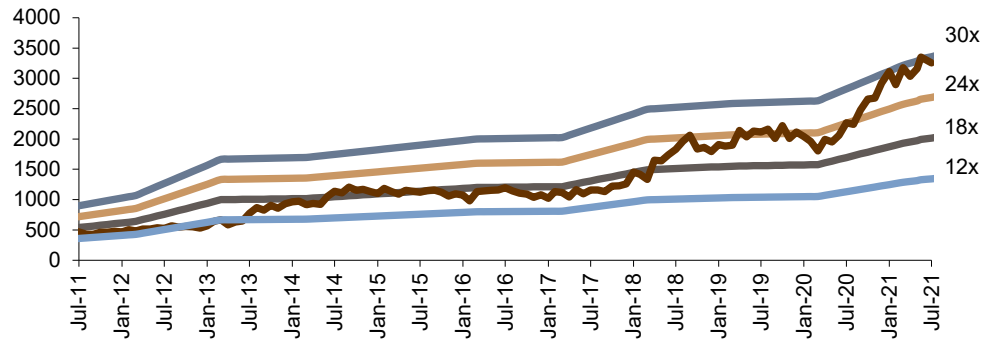
(All fig in Rs mn, except EPS)	FY22E			FY23E			FY24E		
	Old	New	% change	Old	New	% change	Old	New	% change
Revenues(USD mn)	25,857	25,724	-0.5%	28,702	28,666	-0.1%	31,581	31,541	-0.1%
YoY growth, %	16.6	16.0		11.0	11.4		10.0	10.0	
Revenues	1,924,985	1,915,425	-0.5%	2,181,346	2,178,605	-0.1%	2,447,516	2,444,441	-0.1%
EBIT	501,074	497,331	-0.7%	555,981	555,282	-0.1%	621,284	620,503	-0.1%
EBIT Margins, %	26.0	26.0		25.5	25.5		25.4	25.4	
Net profits	397,963	392,820	-1.3%	448,868	448,487	-0.1%	506,053	505,565	-0.1%
EPS	107.6	106.2	-1.3%	121.3	121.2	-0.1%	136.8	136.7	-0.1%

Source: Company, Emkay Research

**Exhibit 14: Key Assumptions**

	FY22E	FY23E	FY24E
USD revenue growth (%)	16.0	11.4	10.0
USD/INR	74.5	76.0	77.5
INR revenue growth (%)	16.7%	13.7%	12.2%
EBIT margins (%)	26.0	25.5	25.4
EPS growth (%)	21.1%	14.2%	12.7%

Source: Company, Emkay Research

**Exhibit 15: 1-year forward P/E band**

Source: Company, Emkay Research

**Exhibit 16: IT services valuation summary**

Co Name	Reco	CMP (Rs)	Target Price (Rs)	USD revenue growth (%)			EPS (Rs)			P/E (x)			EV/EBIT (x)		
				FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
<b>TCS</b>	<b>HOLD</b>	<b>3,259</b>	<b>3,500</b>	<b>16.0</b>	<b>11.4</b>	<b>10.0</b>	<b>106.2</b>	<b>121.2</b>	<b>136.7</b>	<b>30.7</b>	<b>26.9</b>	<b>23.8</b>	<b>23.2</b>	<b>20.4</b>	<b>17.9</b>
Infosys	BUY	1,561	1,800	17.6	12.4	12.0	54.1	61.7	70.8	28.9	25.3	22.0	21.5	18.6	16.0
Wipro	HOLD	531	550	22.5	9.1	8.0	21.1	23.1	26.1	25.2	23.0	20.3	19.7	17.5	15.5
HCL Tech	BUY	977	1,280	12.5	10.0	9.0	51.3	56.9	63.5	19.0	17.2	15.4	14.0	12.3	10.8
Tech Mahindra	BUY	1,060	1,410	10.4	9.2	8.0	58.2	66.0	72.8	18.2	16.1	14.6	12.8	11.0	9.6
L&T Infotech	HOLD	4,043	4,280	17.5	14.0	14.0	125.9	146.9	171.1	32.1	27.5	23.6	25.6	21.9	18.8
Mphasis	HOLD	2,176	2,260	12.0	11.9	11.8	75.3	87.3	99.5	28.9	24.9	21.9	21.4	18.3	15.8
Mindtree	SELL	2,522	2,180	19.0	12.0	12.0	79.4	85.3	94.8	31.8	29.6	26.6	23.5	21.6	19.3
Persistent Systems	HOLD	2,799	2,850	21.5	15.0	14.0	81.0	97.6	112.5	34.5	28.7	24.9	27.0	21.7	18.4
Birlasoft	BUY	391	450	14.0	14.0	13.0	15.0	18.1	21.6	26.2	21.6	18.1	17.5	14.2	11.5
Coforge	SELL	4,465	3,700	30.3	14.8	14.0	105.4	131.3	153.8	42.3	34.0	29.0	30.5	24.9	21.4
Firstsource Solutions	HOLD	194	210	17.4	11.8	11.7	5.2	8.2	9.6	37.3	23.7	20.1	18.6	15.6	13.2

Source: Company, Emkay Research

**Key Financials (Consolidated)****Income Statement**

Y/E Mar (Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
<b>Revenue</b>	<b>1,569,490</b>	<b>1,641,770</b>	<b>1,915,425</b>	<b>2,178,605</b>	<b>2,444,441</b>
<b>Expenditure</b>	<b>1,148,390</b>	<b>1,188,490</b>	<b>1,373,724</b>	<b>1,572,126</b>	<b>1,766,493</b>
<b>EBITDA</b>	<b>421,100</b>	<b>453,280</b>	<b>541,701</b>	<b>606,480</b>	<b>677,948</b>
Depreciation	35,300	40,650	44,370	51,197	57,444
<b>EBIT</b>	<b>385,800</b>	<b>412,630</b>	<b>497,331</b>	<b>555,282</b>	<b>620,503</b>
Other Income	36,680	24,970	31,966	48,418	59,914
Interest expenses	0	0	0	0	0
<b>PBT</b>	<b>422,480</b>	<b>437,600</b>	<b>529,297</b>	<b>603,701</b>	<b>680,417</b>
Tax	98,010	111,980	135,275	153,944	173,506
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	1,070	1,320	1,202	1,270	1,345
<b>Reported Net Income</b>	<b>323,400</b>	<b>324,300</b>	<b>392,820</b>	<b>448,487</b>	<b>505,565</b>
<b>Adjusted PAT</b>	<b>323,400</b>	<b>324,300</b>	<b>392,820</b>	<b>448,487</b>	<b>505,565</b>

**Balance Sheet**

Y/E Mar (Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
Equity share capital	3,750	3,700	3,700	3,700	3,700
Reserves & surplus	858,650	881,850	1,078,620	1,301,465	1,551,796
<b>Net worth</b>	<b>862,400</b>	<b>885,550</b>	<b>1,082,320</b>	<b>1,305,165</b>	<b>1,555,496</b>
<b>Minority Interest</b>	<b>6,230</b>	<b>6,750</b>	<b>7,952</b>	<b>9,222</b>	<b>10,567</b>
<b>Loan Funds</b>	<b>81,740</b>	<b>77,950</b>	<b>52,000</b>	<b>52,000</b>	<b>52,000</b>
Net deferred tax liability	(20,230)	(31,360)	(27,000)	(27,000)	(27,000)
<b>Total Liabilities</b>	<b>930,140</b>	<b>938,890</b>	<b>1,115,272</b>	<b>1,339,387</b>	<b>1,591,063</b>
<b>Net block</b>	<b>240,650</b>	<b>241,960</b>	<b>239,280</b>	<b>238,280</b>	<b>239,280</b>
<b>Investment</b>	<b>275,090</b>	<b>323,540</b>	<b>398,260</b>	<b>578,260</b>	<b>578,260</b>
<b>Current Assets</b>	<b>686,370</b>	<b>724,280</b>	<b>853,202</b>	<b>937,581</b>	<b>1,226,756</b>
Cash & bank balance	86,460	68,580	168,238	189,451	404,250
Other Current Assets	233,290	285,800	265,145	270,628	286,738
<b>Current liabilities &amp; Provision</b>	<b>271,970</b>	<b>350,890</b>	<b>375,470</b>	<b>414,734</b>	<b>453,233</b>
<b>Net current assets</b>	<b>414,400</b>	<b>373,390</b>	<b>477,732</b>	<b>522,847</b>	<b>773,523</b>
Misc. exp	0	0	0	0	0
<b>Total Assets</b>	<b>930,140</b>	<b>938,890</b>	<b>1,115,272</b>	<b>1,339,387</b>	<b>1,591,063</b>

**Cash Flow**

Y/E Mar (Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
<b>PBT (Ex-Other income) (NI+Dep)</b>	<b>323,400</b>	<b>324,300</b>	<b>392,820</b>	<b>448,487</b>	<b>505,565</b>
Other Non-Cash items	97,610	124,800	1,202	1,270	1,345
Chg in working cap	(45,000)	10,920	(324)	(23,902)	(35,876)
<b>Operating Cashflow</b>	<b>353,910</b>	<b>411,070</b>	<b>438,068</b>	<b>477,052</b>	<b>528,479</b>
Capital expenditure	(30,570)	(28,200)	(41,690)	(50,197)	(58,444)
<b>Free Cash Flow</b>	<b>323,340</b>	<b>382,870</b>	<b>396,378</b>	<b>426,855</b>	<b>470,034</b>
Investments	76,760	(82,480)	(74,720)	(180,000)	0
Other Investing Cash Flow	0	0	0	0	0
<b>Investing Cashflow</b>	<b>46,190</b>	<b>(110,680)</b>	<b>(116,410)</b>	<b>(230,197)</b>	<b>(58,444)</b>
Equity Capital Raised	0	(197,570)	0	0	0
Loans Taken / (Repaid)	(12,890)	(13,360)	(25,950)	0	0
Dividend paid (incl tax)	(377,020)	(109,070)	(196,050)	(225,642)	(255,235)
Other Financing Cash Flow	4,030	1,730	0	0	0
<b>Financing Cashflow</b>	<b>(385,880)</b>	<b>(318,270)</b>	<b>(222,000)</b>	<b>(225,642)</b>	<b>(255,235)</b>
<b>Net chg in cash</b>	<b>14,220</b>	<b>(17,880)</b>	<b>99,658</b>	<b>21,212</b>	<b>214,800</b>
Opening cash position	72,240	86,460	68,580	168,238	189,451
<b>Closing cash position</b>	<b>86,460</b>	<b>68,580</b>	<b>168,238</b>	<b>189,451</b>	<b>404,250</b>

Source: Company, Emkay Research



**Key Ratios**

<b>Profitability (%)</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22E</b>	<b>FY23E</b>	<b>FY24E</b>
EBITDA Margin	26.8	27.6	28.3	27.8	27.7
EBIT Margin	24.6	25.1	26.0	25.5	25.4
Effective Tax Rate	23.2	25.6	25.6	25.5	25.5
Net Margin	20.7	19.8	20.6	20.6	20.7
ROCE	46.0	46.8	51.5	49.2	46.4
ROE	36.4	37.1	39.9	37.6	35.3
RoIC	73.2	74.0	90.8	99.1	105.1

<b>Per Share Data (Rs)</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22E</b>	<b>FY23E</b>	<b>FY24E</b>
EPS	86.2	87.7	106.2	121.2	136.7
CEPS	95.6	98.7	118.2	135.1	152.2
BVPS	229.8	239.4	292.6	352.8	420.5
DPS	73.0	38.0	53.0	61.0	69.0

<b>Valuations (x)</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22E</b>	<b>FY23E</b>	<b>FY24E</b>
PER	37.8	37.2	30.7	26.9	23.8
P/CEPS	34.1	33.0	27.6	24.1	21.4
P/BV	14.2	13.6	11.1	9.2	7.7
EV / Sales	7.6	7.2	6.0	5.2	4.6
EV / EBITDA	28.4	25.9	21.3	18.7	16.4
Dividend Yield (%)	2.2	1.2	1.6	1.9	2.1

<b>Gearing Ratio (x)</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22E</b>	<b>FY23E</b>	<b>FY24E</b>
Net Debt/ Equity	(0.3)	(0.4)	(0.5)	(0.5)	(0.6)
Net Debt/EBITDA	(0.7)	(0.7)	(0.9)	(1.2)	(1.4)
Working Cap Cycle (days)	76.3	67.8	59.0	55.9	55.1

<b>Growth (%)</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22E</b>	<b>FY23E</b>	<b>FY24E</b>
Revenue	7.2	4.6	16.7	13.7	12.2
EBITDA	6.6	7.6	19.5	12.0	11.8
EBIT	3.0	7.0	20.5	11.7	11.7
PAT	2.8	0.3	21.1	14.2	12.7

<b>Quarterly (Rs mn)</b>	<b>Q1FY21</b>	<b>Q2FY21</b>	<b>Q3FY21</b>	<b>Q4FY21</b>	<b>Q1FY22</b>
Revenue	383,220	401,350	420,150	437,050	454,110
EBITDA	100,250	102,950	122,070	128,010	126,640
<b>EBITDA Margin (%)</b>	<b>26.2</b>	<b>25.7</b>	<b>29.1</b>	<b>29.3</b>	<b>27.9</b>
PAT	70,080	74,750	87,010	92,460	90,080
<b>EPS (Rs)</b>	<b>18.7</b>	<b>19.9</b>	<b>23.2</b>	<b>25.0</b>	<b>24.4</b>

Source: Company, Emkay Research

<b>Shareholding Pattern (%)</b>	<b>Mar-20</b>	<b>Jun-20</b>	<b>Sep-20</b>	<b>Dec-20</b>	<b>Mar-21</b>
Promoters	72.1	72.1	72.1	72.1	72.2
FII	15.7	15.9	16.0	15.9	15.6
DII	8.0	8.0	7.9	7.7	7.8
Public and Others	4.2	4.1	4.1	4.4	4.4

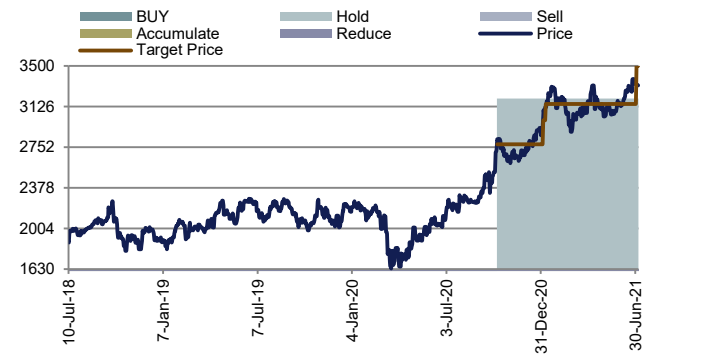
Source: Capitaline

## RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
2-Jul-21	3,325	3,500	12m	Hold	Dipeshkumar Mehta
13-Apr-21	3,104	3,150	12m	Hold	Dipeshkumar Mehta
5-Apr-21	3,239	3,150	12m	Hold	Dipeshkumar Mehta
9-Jan-21	3,121	3,150	12m	Hold	Dipeshkumar Mehta
4-Jan-21	3,039	3,000	12m	Hold	Dipeshkumar Mehta
18-Dec-20	2,861	2,780	12m	Hold	Dipeshkumar Mehta
8-Oct-20	2,826	2,780	12m	Hold	Dipeshkumar Mehta

Source: Company, Emkay Research

## RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

## Emkay Alpha Portfolio – Information Technology



### Analyst: Dipesh Mehta

#### Contact Details

dipeshkumar.mehta@emkayglobal.com  
+91 22 6612 1253

#### 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)
<b>Information Technology</b>	<b>13.35</b>	<b>13.08</b>	<b>-2%</b>	<b>-27</b>	<b>100.00</b>
BirlaSoft	0.00	0.07	NA	7	0.49
Coforge	0.00	0.00	NA	0	0.00
eClerx Services*	0.00	0.00	NA	0	0.00
Firstsource Solutions	0.00	0.07	NA	7	0.51
HCL Tech	1.17	1.28	10%	11	9.57
Infosys	6.31	6.44	2%	14	48.27
Intellect Design*	0.00	0.00	NA	0	0.00
L&T Infotech	0.19	0.00	-100%	-19	0.00
Majesco*	0.00	0.00	NA	0	0.00
Mindtree	0.12	0.00	-100%	-12	0.00
Mphasis	0.20	0.07	-65%	-13	0.52
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	0.39	NA	39	2.92
Ramco Systems*	0.00	0.00	NA	0	0.00
<b>TCS</b>	<b>3.73</b>	<b>3.50</b>	<b>-6%</b>	<b>-24</b>	<b>26.18</b>
Tech Mahindra	0.71	0.74	4%	3	5.54
Wipro	0.83	0.53	-37%	-30	3.97
<b>Cash</b>	<b>0.00</b>	<b>0.27</b>	<b>NA</b>	<b>27</b>	<b>2.03</b>

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	8-Jul-20	6-Jan-21	7-Apr-21	7-Jun-21	7-Jul-21
EAP - Information Technology	100.0	103.8	169.3	185.2	186.1	200.1
BSE200 Neutral Weighted Portfolio (ETF)	100.0	101.8	160.5	174.6	173.8	185.8

\*Performance measurement base date 1<sup>st</sup> April 2019

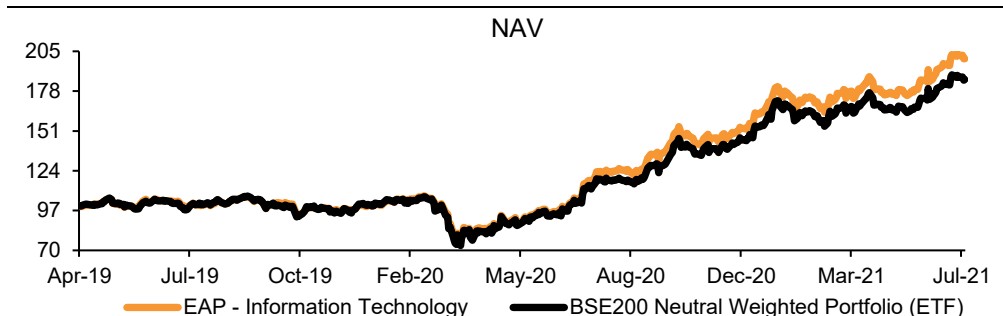
Source: Emkay Research

### Price Performance (%)

	1m	3m	6m	12m
EAP - Information Technology	7.5%	8.1%	18.2%	92.7%
BSE200 Neutral Weighted Portfolio (ETF)	6.9%	6.4%	15.7%	82.4%

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 Jul 2021 04:02:46 (SGT)

Dissemination Date: 09 Jul 2021 04:03:46 (SGT)

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CIN - L67120MH1995PLC084899

7th Floor, The Ruby, Senapati Bapat Marg, Dadar - West, Mumbai - 400028. India

Tel: +91 22 66121212 Fax: +91 22 66121299 Web: [www.emkayglobal.com](http://www.emkayglobal.com)