

July 9, 2021

Q1 FY22 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
Rating	BUY		BUY	
Target Price	3,776		3,588	
Sales (Rs. m)	19,06,810	21,89,327	19,13,019	21,89,593
% Chng.	(0.3)	-	-	-
EBITDA (Rs. m)	5,25,140	5,95,853	5,28,232	5,95,925
% Chng.	(0.6)	-	-	-
EPS (Rs.)	103.4	118.9	105.8	119.6
% Chng.	(2.3)	(0.7)	-	-

Key Financials - Standalone

Ye Mar	FY21	FY22E	FY23E	FY24E
Sales (Rs. bn)	1,642	1,907	2,189	2,452
EBITDA (Rs. bn)	465	525	596	667
Margin (%)	28.3	27.5	27.2	27.2
PAT (Rs. bn)	334	392	450	504
EPS (Rs.)	88.1	103.4	118.8	132.9
Gr. (%)	3.2	17.3	14.9	11.9
DPS (Rs.)	38.0	53.5	54.0	54.0
Yield (%)	1.2	1.6	1.7	1.7
RoE (%)	34.9	34.2	33.0	30.8
RoCE (%)	44.4	43.4	41.2	38.5
EV/Sales (x)	7.2	6.1	5.3	4.6
EV/EBITDA (x)	25.5	22.3	19.4	16.9
PE (x)	37.0	31.5	27.4	24.5
P/BV (x)	11.7	9.9	8.3	6.9

Key Data

TCS.BO | TCS IN

52-W High / Low	Rs.3,400 / Rs.2,125
Sensex / Nifty	52,569 / 15,728
Market Cap	Rs.12,053bn / \$ 1,61,327m
Shares Outstanding	3,699m
3M Avg. Daily Value	Rs.15360.47m

Shareholding Pattern (%)

Promoter's	72.19
Foreign	15.62
Domestic Institution	7.83
Public & Others	4.37
Promoter Pledge (Rs bn)	41.14

Stock Performance (%)

	1M	6M	12M
Absolute	1.8	4.4	46.9
Relative	1.3	(3.1)	1.5

Aniket Pande

aniketpande@plindia.com | 91-22-66322300

Aditi Patil

aditipatil@plindia.com |

Headline miss, Strong internals & Outlook

Quick Pointers:

- Strong growth in core verticals and markets (+4.1% QoQ CC); sustained healthy deal momentum \$8.1 Bn (+17.3% YoY)
- Management confident of sustaining operating margins at FY21 levels of ~26%
- Read through for peers: robust broad-based demand environment, strong hiring, signs of recovery in travel and hospitality, discretionary costs are back.

Revenue grew by +2.7% QoQ in USD (PLe: 3.6%, Cons: 3.5%) led by strong growth in core verticals and markets (+4.1% QoQ CC), offset by decline in India business due to impact of second wave of COVID. Revenue lost (~INR 3.5 Bn) in India business is expected to come back in coming quarters as COVID situation improves. Almost all sectors had healthy sequential growth led by BFSI (+3.1 QoQ CC), Retail and CPG (+4.4% QoQ CC), Life Sciences and Healthcare (+7.3% QoQ CC) and Tech Services (+5% QoQ CC). Management mentioned that demand environment continues to be strong with signs of recovery in discretionary retail, travel and hospitality.

Deal TCv continues to be healthy at USD \$8.1bn, +17.3% YoY (vs \$9.2 Bn in 4Q21 and average \$7.8bn per quarter in FY21) with higher volume of deals in small to mid-size range. Deal pipeline remains strong and is further broadened by G&T deals.

Margins were in-line with our estimates at 25.5%, -130 bps QoQ driven by 170 bps impact from wage hikes and promotions, offset by +30bps forex impact. Margins in this quarter are also higher compared to previous years (1Q17: 25.1%, 1Q18:23.4%, 1Q19: 25%, 1Q20: 24.2%, 1Q21:23.6%). Management mentioned that discretionary expenses except travel will be back and are expected to reach pre-covid levels by end of FY22. We believe that margins can be sustained at ~26% for FY22 aided by 1) revenue growth leverage, 2) well managed supply side challenges and 3) cost efficiencies.

IT sector has strong structural growth drivers in place to last for next 3-4 years because once organizations modernize their core / migrate to cloud they will be using even more technology (data analytics and AI) to differentiate themselves. TCS's strategy to increase its participation in growth and transformation deals will strengthen its position in high quality, innovation led transformation projects which have better pricing power. Our EPS estimates marginally declined by average 1.5% in FY22E & FY23E. We project revenue growth of 16.3%/11.7% \$ terms for FY22/23E respectively. We now value TCS on 30X on Sep-23E earnings of INR126 to arrive at a changed TP of INR 3776 (earlier:3588). We have introduced FY24 estimates to capture sustainable strong demand into our numbers and valuations.

TCS is leveraging contextual knowledge about the client and their industry, coupled with investments in consulting capabilities to proactively win G&T deals.

TCS proactively won a G&T deal with US-based biopharmaceutical company for design and implementing the integration of a recently acquired entity.

TCS report strong growth across client buckets with addition of 2 new clients in \$100 mn+, 5 clients in \$50 mn+, 11 in \$20 mn+ and 23 in \$10Mn+

- **Strong growth in core markets; India demand impacted by covid:** Revenue grew by +2.7% QoQ in USD (PLe: 3.6%, Cons: 3.5%), +2.4% QoQ CC. Miss on revenue was due to impact of second wave of COVID in emerging markets especially India, with loss of around INR 3.5 Bn revenues primarily led by TCS iON business and some government and private businesses. Revenue lost in India business is expected to come back in coming quarters as COVID situation improves. **Growth continued to be strong in core verticals and markets (+4.1% QoQ CC) with overall volume growth of 4.4%.** Management is confident of strong demand in core markets and their double digit revenue guidance for full year remains intact.
- **Broad based growth across all verticals led by Life Sciences, Retail & BFSI**

 - **BFSI (32.5% of revs, +3.1% QoQ CC, 19.3% YoY CC)** revenue growth continued to be strong led by demand in areas such as customer experience, product innovation, cloud transformation and optimization of core operations. In North America there is significant adoption of public hyper scalar platforms in BFSI space.
 - **Retail & CPG (14.8% of revs, +4.4% QoQ CC, 21.7% YoY CC)** vertical continued to recover strongly with discretionary retail as well as parts of travel and hospitality in early stages of recovery in major markets.
 - **Life-Sciences and Healthcare (10.2% of revs, +7.3% QoQ, 25.4% YoY)** continues to outperform growing double digit Y-o-Y for last 5 quarters driven by growth and transformation deals. Share of this vertical has consistently increased and the company now has a strong portfolio of Life Sciences clients
- **In terms of geography,** growth was led by North America (+4.1% QoQ CC), UK (+3.6% QoQ CC) and Continental Europe (+1.5% QoQ CC). There is increasing traction in NA in Airlines and automotive manufacturing side. Demand remains strong in Europe with strong deal pipeline and closures, however sequential growth is expected to remain soft and normalize over couple of quarters due to high base in 4QFY21. The second covid wave impacted growth in India (-14.1% QoQ) and Asia Pacific (+2.4% QoQ CC)
- **Sustained healthy deal momentum:** TCS reported strong deal TCV of USD \$8.1bn, +17.3% YoY (vs \$9.2 Bn in 4QFY21 and average \$7.8bn per quarter in FY21). Deal TCV was broad based across verticals and markets ranging from small to mid-size deals. Largest deal this quarter was of US \$400 mn. BFSI had TCV of US\$ 2.2 Bn while Retail TCV reached new high of US\$ 1.5 Bn. North America's TCV stood at \$4Bn. Demand continues to be strong for cloud and digital technologies as enterprises are investing for the future.
- **TCS chasing Growth & Transformation (G&T) deals:** TCS is leveraging contextual knowledge about the client and their industry, coupled with investments in consulting capabilities to proactively win G&T deals. They are experiencing lot of traction for G&T in M&A space because for M&A bulk of synergy benefit comes from technology integration and rationalization. TCS proactively won a G&T deal with US-based biopharmaceutical company for design and implementing the integration of a recently acquired entity.

TCS was the first to announce and roll-out wage hike in FY21 as well as for FY22. This indicates management's confidence of delivering strong resilient pre-covid level performance in FY22.

- In-line margins:** Margins were in-line with our estimates at 25.5%, -130 bps QoQ driven by 170 bps impact from wage hikes and promotions, offset by +30bps forex impact. TCS has always posted weak margins in 1Q but they are higher in 1Q22 compared to previous years (1Q17: 25.1%, 1Q18:23.4%, 1Q19: 25%, 1Q20: 24.2%, 1Q21:23.6%). Management mentioned that discretionary expenses except travel will be back and are expected to reach pre-covid levels by end of FY22.
- We believe that margins can be sustained at ~26% for FY22 aided by 1) revenue growth leverage, 2) well managed supply side challenges-fresh hiring, reskilling, lower wage inflation, lower attrition, 3) Strong efficiencies in sales, deal transition and delivery with WFH and 4) employee pyramid optimization.**
- Well placed to manage supply side challenges:** Strong hiring momentum continued with Net headcount addition of 20,409 employees, +4.18% QoQ, +14.74% YoY (vs 19,388 in 4QFY21), highest ever in a quarter. LTM attrition ticked up to 8.6%, +140 bps QoQ, still lower than industry average and pre-covid levels of 10-11%. Given intense demand for talent, attrition may inch up further. However, management is confident of managing supply side challenges given their robust talent skilling mechanism, aggressive hiring and lowest attrition levels among peers.
- More than 70% TCS workforce has received 1st dose of COVID vaccine in India. All TCSers and families are expected to be covered by Sep 2021. With large scale vaccination of employees, potential impact on delivery because of third COVID wave is expected to be minimal.**
- Board declared final dividend of INR 7 per share. DSO days further decreased to 65, lower by 3 days. Cash flow from operations at 114.3% of net profit (vs 100% in 4Q21)**
- Product business continues to perform well:** Ignio, cognitive automation software, signed 17 new customers and had 8 go-lives. TCS BANCS had 5 new wins and 5 go-lives in 1Q22. **Over 50% of product deals are now based on SaaS version of the product. TCS signed one of their largest SaaS deal this quarter** involving TCS BANCS for one of the largest groups in Finland. Quartz block-chain platform won 2 new wins this quarter.

Exhibit 1: Q1FY22 Result Overview (Rs mn)

Y/e March	1Q22	4Q21	QoQ gr.	1Q21	YoY gr.	Ple	Ple vs Act
Revenues (US\$ mn)	6,154	5,989	2.7%	5,059	21.6%	6,204	-0.8%
Revenues	4,54,110	4,37,050	3.9%	3,83,220	18.5%	4,57,873	-0.8%
EBITDA	1,21,580	1,28,010	-5.0%	1,00,250	21.3%	1,23,992	-1.9%
EBITDA Margin	26.8%	29.3%	-252 bps	26.2%	61 bps	27%	-31 bps
EBIT	1,15,880	1,17,340	-1.2%	90,480	28.1%	1,16,963	-0.9%
<i>EBIT Margin</i>	<i>25.5%</i>	<i>26.8%</i>	<i>-133 bps</i>	<i>23.6%</i>	<i>191 bps</i>	<i>25.5%</i>	<i>-3 bps</i>
Adjusted PAT	90,080	92,460	-2.6%	70,080	28.5%	95,889	-6.1%
<i>PAT Margin</i>	<i>19.8%</i>	<i>21.2%</i>	<i>-132 bps</i>	<i>18.3%</i>	<i>155 bps</i>	<i>20.9%</i>	<i>-111 bps</i>
EPS (Rs)	24.3	25.0	-2.6%	18.7	30.2%	25.89	-6.1%

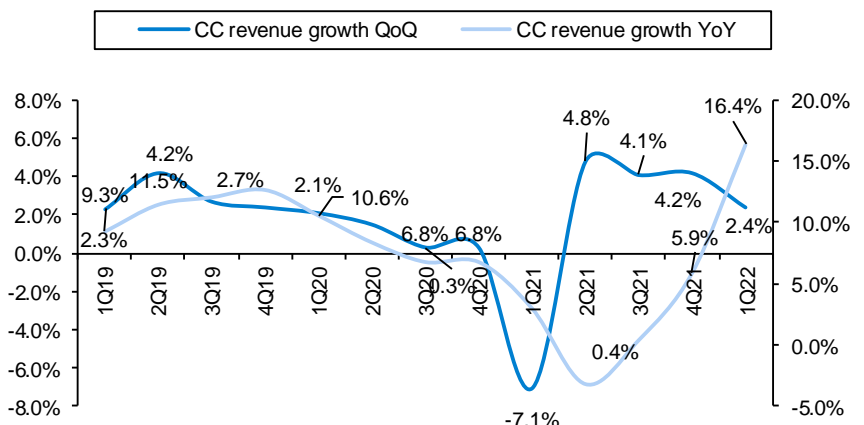
Source: Company, PL

Exhibit 2: Vertical & Geography Wise Rev growth QoQ \$ terms

Revenue growth QoQ \$ Terms	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22
Vertical wise QoQ						
BFSI	-4.8%	-2.1%	9.3%	3.1%	8.1%	3.7%
Retail & CPG	-1.3%	-15.5%	11.8%	4.4%	5.0%	4.9%
Comm & media	0.2%	-8.4%	-1.8%	6.7%	3.4%	1.2%
Manufacturing	-1.6%	-10.8%	3.9%	7.4%	5.0%	4.9%
Life Science & Healthcare	3.3%	1.4%	9.4%	5.1%	4.0%	8.1%
Tech Services	0.9%	-2.8%	4.9%	1.6%	2.6%	5.2%
Regional Markets & Others	-5.4%	-11.2%	5.5%	9.0%	2.4%	-4.8%
Geography Wise QoQ						
Americas	-2.5%	-5.3%	4.2%	3.5%	3.8%	4.4%
- North America	-2.2%	-5.0%	4.1%	3.4%	4.0%	4.4%
- Ibero America	-12.3%	-12.2%	7.2%	5.1%	-1.1%	2.8%
Europe	-1.3%	-8.0%	10.3%	5.5%	8.0%	3.4%
- UK	-1.9%	-11.1%	8.6%	6.5%	7.0%	4.7%
- Continental	-0.6%	-4.6%	12.0%	4.5%	8.9%	2.1%
India	-6.0%	-27.3%	24.7%	17.7%	5.0%	-15.6%
Others	-5.1%	-2.9%	6.3%	5.1%	3.2%	2.8%
- AsiaPac	-2.5%	-2.1%	6.1%	5.1%	1.8%	1.7%
- Middle East & Africa	-15.8%	-7.1%	7.2%	5.1%	10.6%	7.9%

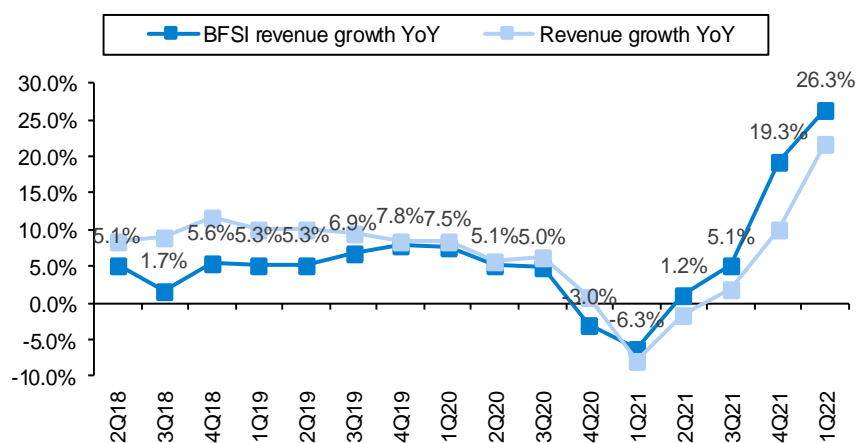
Source: Company, PL

Exhibit 3: Revenue growth impacted by India business



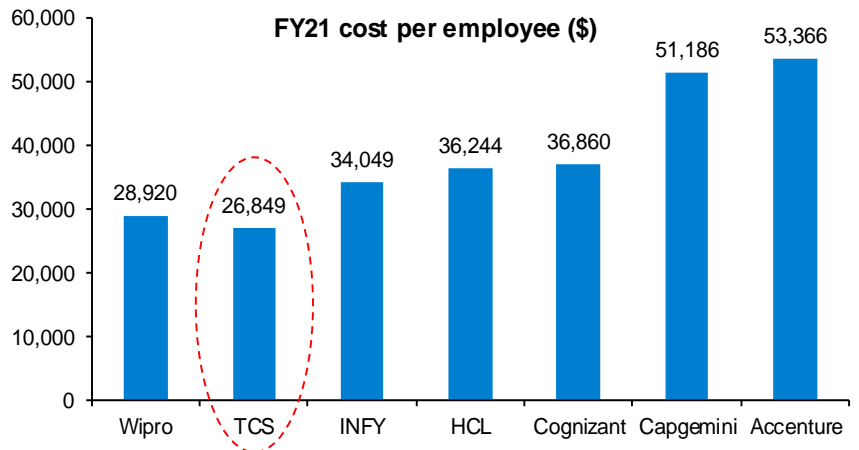
Source: Company, PL

Exhibit 4: Strong growth momentum in BFSI continues



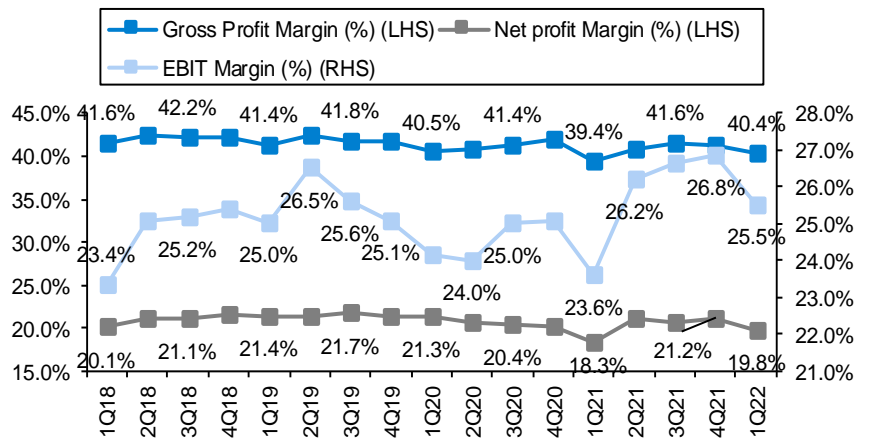
Source: Company, PL

Exhibit 5: TCS has lowest cost per employee



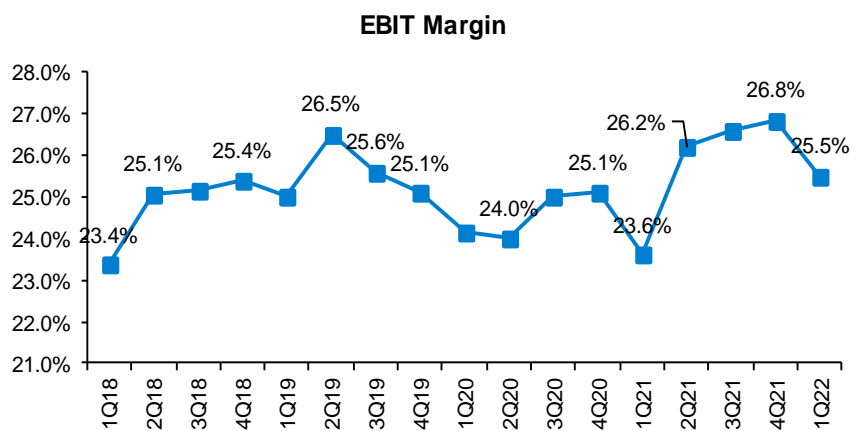
Source: Company, PL, Cost per employee = Cost of sales / Total headcount

Exhibit 6: Net margin declined by only 30bps



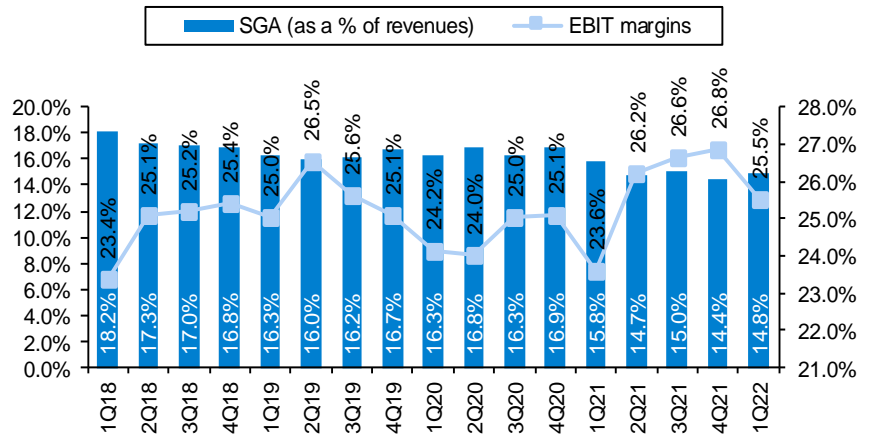
Source: Company, PL

Exhibit 7: Highest 1Q EBIT margin in last 5 years



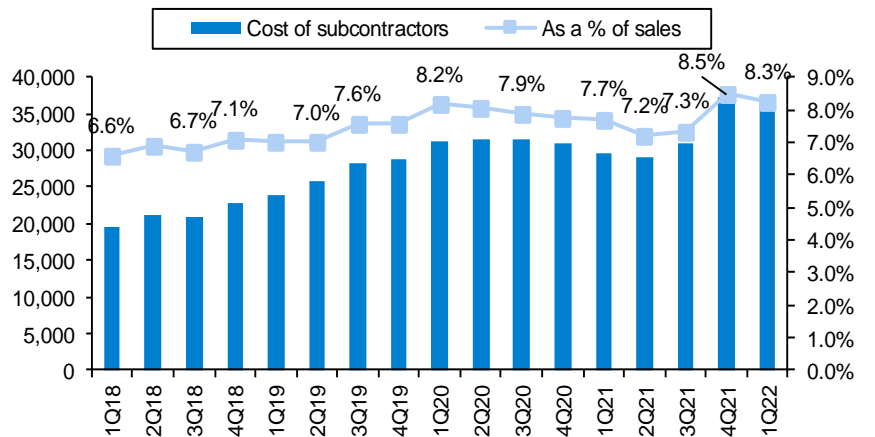
Source: Company, PL

Exhibit 8: SGA costs maintained within narrow band of 14-15%



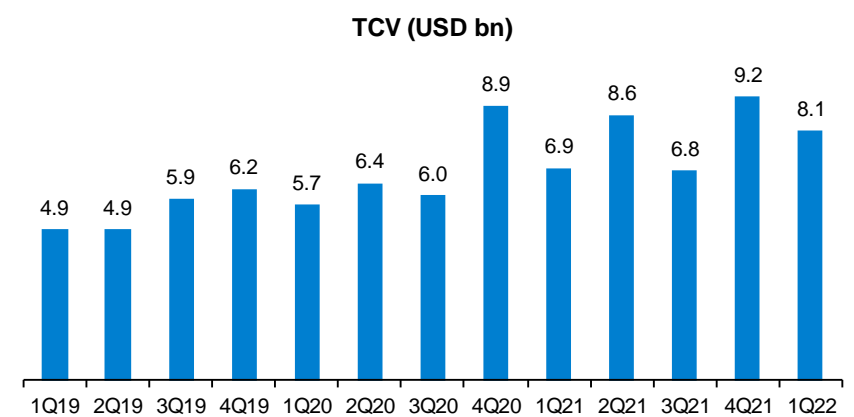
Source: Company, PL

Exhibit 9: Sub-Contracting costs decreased by 20 bps



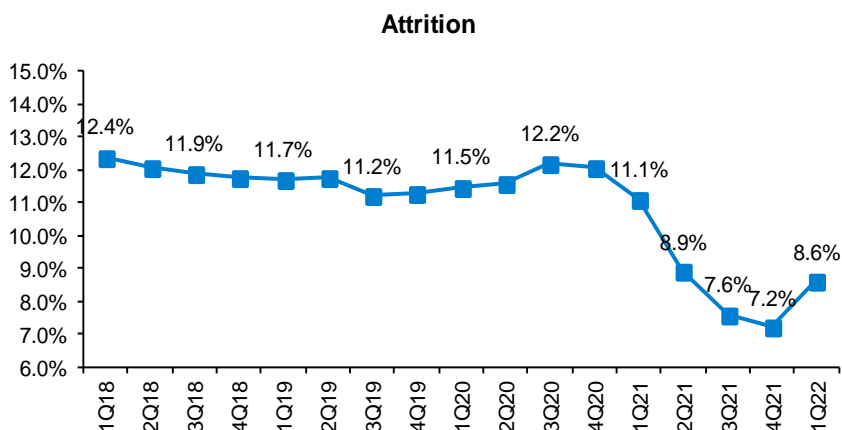
Source: Company, PL

Exhibit 10: Highest ever deal pipeline



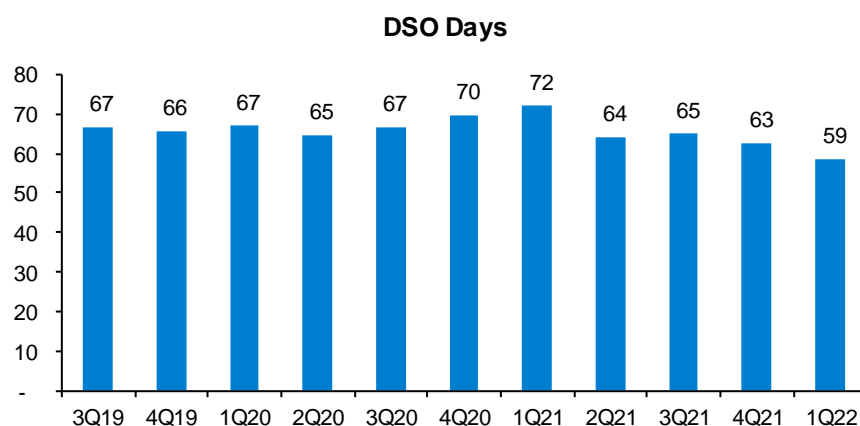
Source: Company, PL

Exhibit 11: Attrition inching up



Source: Company, PL

Exhibit 12: DSO days improved



Source: Company, PL

Valuations

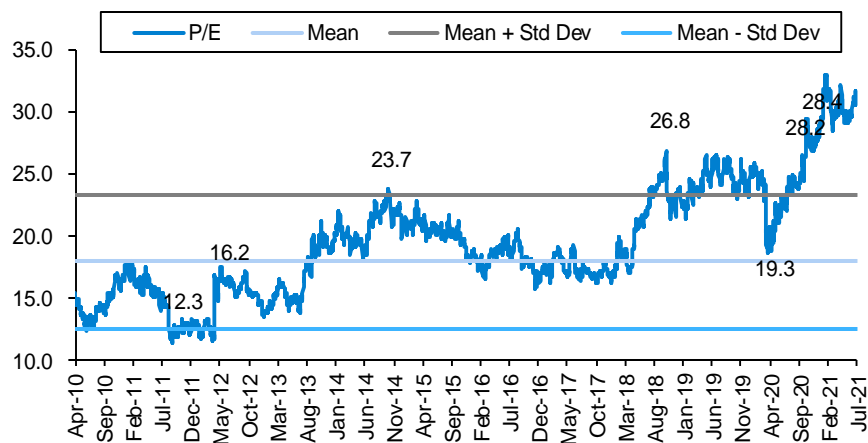
- IT sector has strong structural growth drivers in place to last for next 3-4 years because once organizations modernize their core / migrate to cloud they will be using even more technology (data analytics and AI) to differentiate themselves. TCS's strategy to increase its participation in growth and transformation deals will strengthen its position in high quality, innovation led transformation projects which have better pricing power.
- Our estimates marginally decline by 2%/0.7% for FY22/23E. We project revenue growth of 16.3%/11.7% \$ terms for FY22/23E respectively. We now value TCS on 30X on Sep-23E earnings of INR126 to arrive at a changed TP of INR 3776 (earlier:3588). We have introduced FY24 estimates to capture sustainable strong demand into our numbers and valuations.

Exhibit 13: Change in Estimates

Y/e March	FY22E	FY23E	FY24E
USD revenues (US\$ m)			
- New	25,785	28,807	31,848
- Old	25,868	28,810	31,848
<i>Change (%)</i>	<i>-0.3%</i>	<i>0.0%</i>	<i>0.0%</i>
USD Revenue growth YoY			
	16.3%	11.7%	10.6%
EBIT Margin			
- New	26.1%	25.7%	25.7%
- Old	26.1%	25.7%	25.7%
<i>Change (%)</i>	<i>0 bps</i>	<i>0 bps</i>	<i>0 bps</i>
Recurring EPS - Fully diluted (Rs)			
- New	103.4	118.8	132.9
- Old	105.8	119.6	132.9
<i>Change (%)</i>	<i>-2.3%</i>	<i>-0.7%</i>	<i>0.0%</i>

Source: Company, PL

Exhibit 14: One year forward PE chart of TCS



Source: Bloomberg, Company, PL

Exhibit 15: Sequential growth led by North America and UK

(US\$ m)	1Q22	4Q21	QoQ gr.	1Q21	YoY gr.
America	3,139	3,006	4.4%	2,686	16.8%
North America	3,040	2,911	4.4%	2,600	16.9%
Ibero America	98	96	2.8%	86	14.5%
Europe	2,031	1,964	3.4%	1,563	29.9%
UK	1,003	958	4.7%	774	29.6%
Continental Europe	1,028	1,006	2.1%	789	30.2%
India	283	335	-15.6%	218	30.1%
Asia Pacific	572	563	1.7%	496	15.4%
MEA	129	120	7.9%	96	34.4%
% of Total					
America	51.0%	50.2%	80 bps	53.1%	-210 bps
North America	49.4%	48.6%	80 bps	51.4%	-200 bps
Ibero America	1.6%	1.6%	0 bps	1.7%	-10 bps
Europe	33.0%	32.8%	20 bps	30.9%	210 bps
UK	16.3%	16.0%	30 bps	15.3%	100 bps
Continental Europe	16.7%	16.8%	-10 bps	15.6%	110 bps
India	4.6%	5.6%	-100 bps	4.3%	30 bps
Asia Pacific	9.3%	9.4%	-10 bps	9.8%	-50 bps
MEA	2.1%	2.0%	10 bps	1.9%	20 bps

Source: Company, PL

Exhibit 16: Sequential growth led by BFSI, Retail & Life Sciences

(US\$ m)	1Q22	4Q21	QoQ gr.	1Q21	YoY gr.
BFSI	2,000	1,928	3.7%	1,583	26.3%
Retail & CPG	911	868	4.9%	708	28.6%
Comm & media	394	389	1.2%	359	9.7%
Mfg	603	575	4.9%	491	22.9%
Life Sc & Healthcare	628	581	8.1%	486	29.2%
Tech Services	529	503	5.2%	460	15.0%
Regional Markets & Others	1,089	1,144	-4.8%	971	12.1%
Total	6,154	5,059	21.6%	5,059	21.6%
% of Total					
BFSI	32.5%	32.2%	30 bps	31.3%	120 bps
Retail & CPG	14.8%	14.5%	30 bps	14.0%	80 bps
Comm & media	6.4%	6.5%	-10 bps	7.1%	-70 bps
Mfg	9.8%	9.6%	20 bps	9.7%	10 bps
Life Sc & Healthcare	10.2%	9.7%	50 bps	9.6%	60 bps
Tech Services	8.6%	8.4%	20 bps	9.1%	-50 bps
Regional Markets & Others	17.7%	19.1%	-140 bps	19.2%	-150 bps

Source: Company, PL

Exhibit 17: Client Metrics improved across buckets

	1Q22	4Q21	QoQ gr.	1Q21	YoY gr.
US\$ 1mn clients	1,118	1,096	22	1,066	52
US\$ 5mn clients	586	569	17	564	22
US\$ 10mn clients	405	387	18	382	23
US\$ 20mn clients	241	228	13	230	11
US\$ 50mn clients	105	101	4	100	5
US\$ 100mn clients	50	48	2	48	2

Source: Company, PL

Exhibit 18: Highest ever headcount addition in a quarter

Headcount Metrics	1Q22	4Q21	QoQ gr.	1Q21	YoY gr.
Headcount	5,09,058	4,88,649	4.2%	4,43,676	14.7%
Net Addition (Consolidated)	20,409	19,388	5.3%	-4,788	-526.3%
Overall Attrition	8.6%	7.2%	140 bps	11.1%	-250 bps

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
Net Revenues	16,41,770	19,06,810	21,89,327	24,52,271
YoY gr. (%)	4.6	16.1	14.8	12.0
Employee Cost	9,40,530	10,69,886	12,18,326	13,64,655
Gross Profit	7,01,240	8,36,924	9,71,000	10,87,617
Margin (%)	42.7	43.9	44.4	44.4
SG&A Expenses	-	-	-	-
Other Expenses	-	-	-	-
EBITDA	4,65,110	5,25,140	5,95,853	6,67,396
YoY gr. (%)	9.9	12.9	13.5	12.0
Margin (%)	28.3	27.5	27.2	27.2
Depreciation and Amortization	40,300	27,960	33,614	37,990
EBIT	4,24,810	4,97,180	5,62,238	6,29,406
Margin (%)	25.9	26.1	25.7	25.7
Net Interest	-	-	-	-
Other Income	24,970	28,982	34,806	35,451
Profit Before Tax	4,49,780	5,26,161	5,97,044	6,64,857
Margin (%)	27.4	27.6	27.3	27.1
Total Tax	1,14,580	1,33,973	1,46,603	1,60,753
Effective tax rate (%)	25.5	25.5	24.6	24.2
Profit after tax	3,35,200	3,92,188	4,50,441	5,04,104
Minority interest	1,320	455	300	300
Share Profit from Associate	-	-	-	-
Adjusted PAT	3,33,880	3,91,733	4,50,141	5,03,804
YoY gr. (%)	3.2	17.3	14.9	11.9
Margin (%)	20.3	20.5	20.6	20.5
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	3,33,880	3,91,733	4,50,141	5,03,804
YoY gr. (%)	3.2	17.3	14.9	11.9
Margin (%)	20.3	20.5	20.6	20.5
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	3,33,880	3,91,733	4,50,141	5,03,804
Equity Shares O/s (m)	3,790	3,790	3,790	3,790
EPS (Rs)	88.1	103.4	118.8	132.9

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
Non-Current Assets				
Gross Block	2,38,020	2,17,886	2,44,045	2,68,392
Tangibles	1,96,690	1,76,556	2,02,715	2,27,062
Intangibles	41,330	41,330	41,330	41,330
Acc: Dep / Amortization	-	-	-	-
Tangibles	-	-	-	-
Intangibles	-	-	-	-
Net fixed assets	2,38,020	2,17,886	2,44,045	2,68,392
Tangibles	1,96,690	1,76,556	2,02,715	2,27,062
Intangibles	41,330	41,330	41,330	41,330
Capital Work In Progress	-	-	-	-
Goodwill	-	-	-	-
Non-Current Investments	2,160	2,160	2,160	2,160
Net Deferred tax assets	-	-	-	-
Other Non-Current Assets	1,64,890	1,64,890	1,64,890	1,64,890
Current Assets				
Investments	-	-	-	-
Inventories	-	-	-	-
Trade receivables	4,13,726	4,80,516	5,51,710	6,17,972
Cash & Bank Balance	4,78,363	6,44,541	8,18,110	10,50,323
Other Current Assets	65,671	76,272	87,573	98,091
Total Assets	13,62,830	15,86,267	18,68,488	22,01,828
Equity				
Equity Share Capital	3,750	3,750	3,750	3,750
Other Equity	10,48,520	12,37,501	14,82,996	17,82,153
Total Network	10,52,270	12,41,251	14,86,746	17,85,903
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	-	-	-	-
Other non current liabilities	97,130	97,130	97,130	97,130
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	-	-	-	-
Other current liabilities	2,13,430	2,47,885	2,84,612	3,18,795
Total Equity & Liabilities	13,62,830	15,86,267	18,68,488	22,01,828

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
PBT	4,49,780	5,26,161	5,97,044	6,64,857
Add. Depreciation	40,300	27,960	33,614	37,990
Add. Interest	-	-	-	-
Less Financial Other Income	24,970	28,982	34,806	35,451
Add. Other	-	-	-	-
Op. profit before WC changes	4,90,080	5,54,122	6,30,659	7,02,847
Net Changes-WC	9,893	(42,937)	(45,768)	(42,597)
Direct tax	(1,14,580)	(1,33,973)	(1,46,603)	(1,60,753)
Net cash from Op. activities	3,85,393	3,77,212	4,38,288	4,99,497
Capital expenditures	(1,17,610)	(7,827)	(59,773)	(62,337)
Interest / Dividend Income	-	-	-	-
Others	-	-	-	-
Net Cash from Inv. activities	(1,17,610)	(7,827)	(59,773)	(62,337)
Issue of share cap. / premium	-	-	-	-
Debt changes	-	-	-	-
Dividend paid	(1,44,010)	(2,02,752)	(2,04,646)	(2,04,646)
Interest paid	-	-	-	-
Others	(1,320)	(455)	(300)	(300)
Net cash from Fin. activities	(1,45,330)	(2,03,207)	(2,04,946)	(2,04,946)
Net change in cash	1,22,453	1,66,179	1,73,568	2,32,213
Free Cash Flow	2,67,783	3,69,385	3,78,515	4,37,160

Source: Company Data, PL Research

Key Financial Metrics

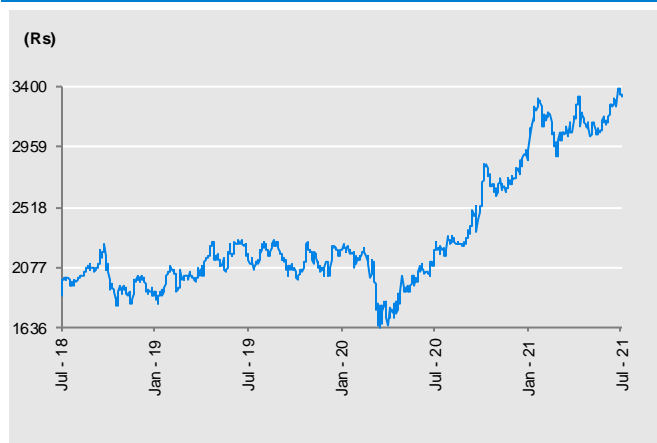
Y/e Mar	FY21	FY22E	FY23E	FY24E
Per Share(Rs)				
EPS	88.1	103.4	118.8	132.9
CEPS	98.7	110.7	127.6	143.0
BVPS	277.7	327.5	392.3	471.2
FCF	70.7	97.5	99.9	115.4
DPS	38.0	53.5	54.0	54.0
Return Ratio(%)				
RoCE	44.4	43.4	41.2	38.5
ROIC	37.4	35.8	33.9	31.3
RoE	34.9	34.2	33.0	30.8
Balance Sheet				
Net Debt : Equity (x)	(0.5)	(0.5)	(0.6)	(0.6)
Debtor (Days)	92	92	92	92
Valuation(x)				
PER	37.0	31.5	27.4	24.5
P/B	11.7	9.9	8.3	6.9
P/CEPS	33.0	29.4	25.5	22.8
EV/EBITDA	25.5	22.3	19.4	16.9
EV/Sales	7.2	6.1	5.3	4.6
Dividend Yield (%)	1.2	1.6	1.7	1.7

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q2FY21	Q3FY21	Q4FY21	Q1FY22
Net Revenue	4,01,350	4,20,150	4,37,050	4,54,110
YoY gr. (%)	3.0	5.4	9.4	18.5
Raw Material Expenses	2,29,580	2,37,490	2,48,600	2,67,460
Gross Profit	1,71,770	1,82,660	1,88,450	1,86,650
Margin (%)	42.8	43.5	43.1	41.1
EBITDA	1,15,130	1,21,720	1,28,010	1,21,580
YoY gr. (%)	12.6	9.8	16.6	21.3
Margin (%)	28.7	29.0	29.3	26.8
Depreciation / Depletion	9,980	9,880	10,670	5,700
EBIT	1,05,150	1,11,840	1,17,340	1,15,880
Margin (%)	26.2	26.6	26.8	25.5
Net Interest	-	-	-	-
Other Income	7,400	5,080	7,930	5,750
Profit before Tax	1,12,550	1,16,920	1,25,270	1,21,630
Margin (%)	28.0	27.8	28.7	26.8
Total Tax	27,930	29,650	32,450	31,320
Effective tax rate (%)	24.8	25.4	25.9	25.8
Profit after Tax	84,620	87,270	92,820	90,310
Minority interest	290	260	360	230
Share Profit from Associates	-	-	-	-
Adjusted PAT	84,330	87,010	92,460	90,080
YoY gr. (%)	4.9	7.2	14.9	28.5
Margin (%)	21.0	20.7	21.2	19.8
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	84,330	87,010	92,460	90,080
YoY gr. (%)	4.9	7.2	14.9	28.5
Margin (%)	21.0	20.7	21.2	19.8
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	84,330	87,010	92,460	90,080
Av g. Shares O/s (m)	3,750	3,752	3,703	3,703
EPS (Rs)	22.5	23.2	25.0	24.3

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	02-Jul-21	BUY	3,588	3,342
2	13-Apr-21	BUY	3,636	3,247
3	05-Apr-21	BUY	3,620	3,167
4	04-Jan-21	BUY	3,358	2,928
5	08-Oct-20	BUY	3,200	2,736
6	05-Oct-20	BUY	2,738	2,523
7	01-Oct-20	BUY	2,738	2,492
8	10-Jul-20	Hold	2,116	2,204

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	2,902	2,581
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	3,588	3,342
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)

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

ANALYST CERTIFICATION

(Indian Clients)

We/I, Mr. Aniket Pande- MBA, Ms. Aditi Patil- MBA Finance Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

(US Clients)

The research analysts, with respect to each issuer and its securities covered by them in this research report, certify that: All of the views expressed in this research report accurately reflect his or her or their personal views about all of the issuers and their securities; and No part of his or her or their compensation was, is or will be directly related to the specific recommendation or views expressed in this research report.

DISCLAIMER

Indian Clients

Prabhudas Lilladher Pvt. Ltd, Mumbai, India (hereinafter referred to as "PL") is engaged in the business of Stock Broking, Portfolio Manager, Depository Participant and distribution for third party financial products. PL is a subsidiary of Prabhudas Lilladher Advisory Services Pvt Ltd, which has its various subsidiaries engaged in business of commodity broking, investment banking, financial services (margin funding) and distribution of third party financial/other products, details in respect of which are available at www.plindia.com.

This document has been prepared by the Research Division of PL and is meant for use by the recipient only as information and is not for circulation. This document is not to be reported or copied or made available to others without prior permission of PL. It should not be considered or taken as an offer to sell or a solicitation to buy or sell any security.

The information contained in this report has been obtained from sources that are considered to be reliable. However, PL has not independently verified the accuracy or completeness of the same. Neither PL nor any of its affiliates, its directors or its employees accepts any responsibility of whatsoever nature for the information, statements and opinion given, made available or expressed herein or for any omission therein.

Recipients of this report should be aware that past performance is not necessarily a guide to future performance and value of investments can go down as well. The suitability or otherwise of any investments will depend upon the recipient's particular circumstances and, in case of doubt, advice should be sought from an independent expert/advisor.

Either PL or its affiliates or its directors or its employees or its representatives or its clients or their relatives may have position(s), make market, act as principal or engage in transactions of securities of companies referred to in this report and they may have used the research material prior to publication.

PL may from time to time solicit or perform investment banking or other services for any company mentioned in this document.

PL is in the process of applying for certificate of registration as Research Analyst under Securities and Exchange Board of India (Research Analysts) Regulations, 2014

PL submits that no material disciplinary action has been taken on us by any Regulatory Authority impacting Equity Research Analysis activities.

PL or its research analysts or its associates or his relatives do not have any financial interest in the subject company.

PL or its research analysts or its associates or his relatives do not have actual/beneficial ownership of one per cent or more securities of the subject company at the end of the month immediately preceding the date of publication of the research report.

PL or its research analysts or its associates or his relatives do not have any material conflict of interest at the time of publication of the research report.

PL or its associates might have received compensation from the subject company in the past twelve months.

PL or its associates might have managed or co-managed public offering of securities for the subject company in the past twelve months or mandated by the subject company for any other assignment in the past twelve months.

PL or its associates might have received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months.

PL or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months

PL or its associates might have received any compensation or other benefits from the subject company or third party in connection with the research report.

PL encourages independence in research report preparation and strives to minimize conflict in preparation of research report. PL or its analysts did not receive any compensation or other benefits from the subject Company or third party in connection with the preparation of the research report. PL or its Research Analysts do not have any material conflict of interest at the time of publication of this report.

It is confirmed that Mr. Aniket Pande- MBA, Ms. Aditi Patil- MBA Finance Research Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

The Research analysts for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

The research analysts for this report has not served as an officer, director or employee of the subject company PL or its research analysts have not engaged in market making activity for the subject company

Our sales people, traders, and other professionals or affiliates may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest.

PL and its associates, their directors and employees may (a) from time to time, have a long or short position in, and buy or sell the securities of the subject company or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company or act as an advisor or lender/borrower to the subject company or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.

US Clients

This research report is a product of Prabhudas Lilladher Pvt. Ltd., which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is intended for distribution by Prabhudas Lilladher Pvt. Ltd. only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a-6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor.

In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, Prabhudas Lilladher Pvt. Ltd. has entered into an agreement with a U.S. registered broker-dealer, Marco Polo Securities Inc. ("Marco Polo").

Transactions in securities discussed in this research report should be effected through Marco Polo or another U.S. registered broker dealer.

Prabhudas Lilladher Pvt. Ltd.

3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

www.plindia.com