

July 7, 2021

## Company Update

■ Change in Estimates |  Target |  Reco

### Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
<b>Rating</b>	BUY		UNDER REVIEW	
<b>Target Price</b>	637		-	
Sales (Rs. m)	7,57,854	8,71,383	7,57,854	8,71,383
% Chng.	-	-	-	-
EBITDA (Rs. m)	1,67,892	1,93,173	1,67,892	1,93,173
% Chng.	-	-	-	-
EPS (Rs.)	22.0	25.5	22.0	25.5
% Chng.	-	-	-	-

### Key Financials - Consolidated

Ye Mar	FY20	FY21	FY22E	FY23E
Sales (Rs. bn)	610	619	758	871
EBITDA (Rs. bn)	122	149	168	193
Margin (%)	20.0	24.0	22.2	22.2
PAT (Rs. bn)	97	108	124	144
EPS (Rs.)	16.7	19.1	22.0	25.5
Gr. (%)	12.0	14.7	14.8	16.1
DPS (Rs.)	1.0	1.0	1.0	1.0
Yield (%)	0.2	0.2	0.2	0.2
RoE (%)	17.3	19.4	20.3	19.5
RoCE (%)	15.6	18.9	19.8	19.4
EV/Sales (x)	4.7	4.4	3.5	2.9
EV/EBITDA (x)	23.3	18.5	15.9	13.0
PE (x)	32.0	27.9	24.3	20.9
P/BV (x)	5.6	5.4	4.5	3.7

### Key Data

### WIPR.BO | WPRO IN

52-W High / Low	Rs.565 / Rs.219
Sensex / Nifty	52,861 / 15,818
Market Cap	Rs.2,918bn/ \$ 39,144m
Shares Outstanding	5,479m
3M Avg. Daily Value	Rs.12216.47m

### Shareholding Pattern (%)

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

### Stock Performance (%)

	1M	6M	12M
Absolute	(1.6)	31.1	139.2
Relative	(3.0)	19.4	65.1

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## Heading into right direction

### Quick Pointers:

- Revenue growth trajectory to shift up with 17% CAGR over FY21-23 v/s 2.4%/4.7% CAGR over FY15-20/FY10-20.
- Highest ever deal win TCV, +33% YoY growth in 2HFY21 with two mega deals.
- Org structure and new leadership aligned to new strategic priorities coupled with fast paced execution to accelerate revenues over medium term.

**Wipro's new CEO, Thierry Delaporte, (appointed on 6th July 2020) has radically changed company's operating model by 1) simplifying organization structure and reducing P&Ls from 25 to 4, 2) overhauling senior management, 3) focusing on M&A to fast-track capability building as well as access different geos and 4) bringing in sales orientation with centralized large deal teams client centric structure. Thierry took some bold decisions and executed them with speed, so that entire organization gets aligned with the new strategy. We believe, Wipro's turnaround effort is right on track given 1) rise in large and mega deals wins (US\$ 1.4 Bn, 16.6% QoQ in 4QFY21) 2) uptrend in revenue growth rate (strong organic guidance of 2-4% QoQ CC for 1QFY22E vs avg 0.5% QoQ in last 3 years) and 3) speedy closure of Capco acquisition to further accelerate 1Q22 revenues. The company reported 19.4% EBIT margin, strong ~300 bps YoY increase in FY21 underscoring new CEO's focus on profitable growth.**

**We are upgrading Wipro's multiple to 25X (earlier 20X, 10.7%/16% discount to Infy/TCS resp.) given 1) new management's aggressive yet sharp focus towards growth can potentially lift up and sustain revenue growth trajectory over medium term and 2) maintain EBIT margins between ~18-19% (vs 15-16% of pre-covid levels). We forecast Wipro's IT services organic growth of 15.5% and US\$ 587 mn revenue from Capco resulting in consolidated revenue growth of 22.4% in FY22 (Exhibit 7). We assign BUY rating (earlier UNDER REVIEW) and value Wipro on 25X FY-23 EPS of Rs.25.5 to arrive at changed TP of INR 637. Wipro is currently trading at 24/21 for FY22/23E earnings of INR 22/25 respectively with EPS CAGR of 16% for FY21-23 respectively.**

## Radical change in operating model

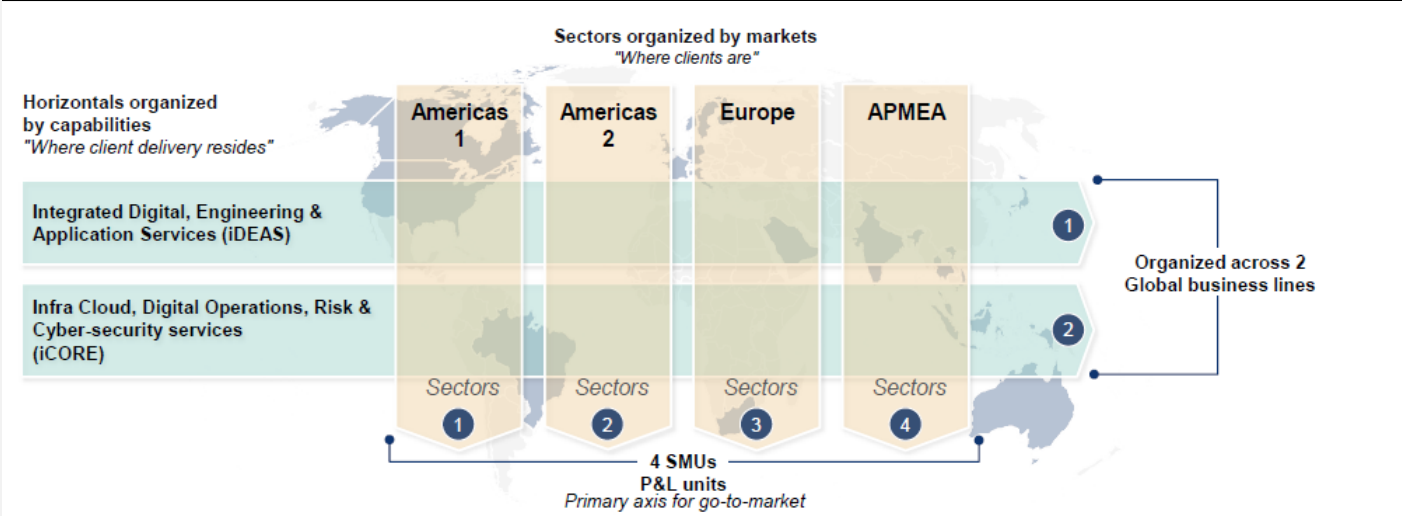
CEO Thierry Delaporte has brought about radical changes to Wipro's operating structure, with an objective to growth the company at a pace closer to larger peers (TCS/INFY) and at the same time deliver sustained margin performance.

- Simplified org structure to drive agility and reduce overlapping costs:** New simplified operating model has replaced traditional 3 axes (7 industry verticals, 5 service lines & 3 geos) with 2 axes comprising of 4 Strategic Market Units (SMUs) – Americas 1, Americas 2, Europe & APMEA and 2 Global Business Lines (GBLs) – iDEAS and iCORE. The new model has also reduced P&Ls from 25 to just 4 which will be owned by the 4 SMUs. Speed of adopting to this change is phenomenal with new organization structure coming into

effect in Jan-21, within just six months of new CEOs appointment. This simplification is expected to reduce overlapping efforts and costs, enable faster decision making and drive agility and take the company closer to its vision of One Wipro.

- Focus on only selective high performing verticals in a specific geo:** Wipro is now focusing on only selective high performing verticals in a particular geography and does not have dedicated resources for all verticals in all geographies. Though de-prioritized sectors/geos contributed to only 2-3% of revenues, yet significant portion of investments & resources that were tied up can now be used to invest in focus areas.

**Exhibit 1 : Simplification of operating model has brought down 25 P&Ls to just 4**



Source: Company, PL

- Moved closer to clients:** With an aim to make the company more client centric and sales oriented, Wipro has assigned global account executive (GAE) to its key accounts, top 80-100 accounts. GAEs have higher accountability and decision making authority. They will be level 3/4 executives (vs. level 6/7 previously) and will represent 25% of top 200 leaders (vs. ~3% previously).
- Shift to geography focused model and recent top leadership hires in Europe, Brazil, ANZ, Japan** who are local leaders in these regions also aligns with their strategy of moving closer to clients. These leaders can drive deeper client relationships due to better understanding of the market.
- Overhauled top leadership to energize growth:** Wipro has brought in several external hires in senior leadership positions with an objective of strengthening sales capability and taking revenue growth trajectory to next level. New leadership hires are from reputed global Tier-1 organizations and are locals in their respective markets. Wipro has appointed Stephanie Trautman from Accenture for the key role of Chief Growth Officer. She will be responsible for driving sales and large deal focus. Most of their leadership team is in place and the company will continue to hire GAEs.

**Exhibit 2: Key external hires by new CEO**

Period	Name	Designation	Previous Role
Jun-21	Anup Purohit	CIO	CIO, Yes Bank
Apr-21	Subha Tatavarti	CTO	Senior Director, Technology Commercialization, Walmart
Apr - 21	Suzzane Dann	Senior Vice president and Sector head for Capital markets & Insurance, North America	Corporate vice President and GM at Avande (Accenture & Microsoft JV)
Apr - 21	Sarah Adam Gedge	MD – Australia and New Zealand	Worked in project and service-based consultancies for more than 25 years across ANZ, APMEA and LATM
Mar - 21	Subha Tatavarti	CTO	Lead Walmart's product and technology transformation
Mar-21	Philippe Dintrans	Head, Domain & consulting, iDEAS	Global consulting leader, BFS, Cognizant
Feb-21	Michael Seiger	Country Head and Managing Director for Germany and Austria.	Global Head of Application Management at Atos SE
Feb-21	Stephanie Trautman	Chief Growth Officer	MD, Global Strategic Account Lead, NE Leadership Team, Accenture
Feb-21	Pierre Bruno	CEO, Europe	VP & MD, South Europe, DXC
Feb-21	Graziella Neuvéglise	Regional head, MD, Southern Europe	VP, Manufacturing, France, CGI
Feb-21	Tomoaki Takeuchi	MD, Head, Japan	President, Cognizant Japan
Feb-21	René Mulder	MD, Head, Switzerland	MD, Chairman, DXC Technology Switzerland
Jan-21	Douglas Silva	MD, Head, Brazil	Sales Director, Brazil, AWS
Dec-20	Tony Buffomante	SVP, Head, Cybersecurity & Risk services	Principal, Head, US, Cyber Security Services, KPMG
Nov-20	Michael Seiger	MD, Head, Germany and Austria	Global head, Application management, Atos

Source: Company, PL

- Fast-tracked capability building and access to new geos through M&A:**  
 Wipro aims to speed up strengthening of capabilities in high growth areas and access to new markets through acquisitions. The company has formed cross merger integration teams to derive synergies from M&A.
- In FY21 Wipro closed its biggest ever acquisition of Capco for USD 1.45 bn. Capco will enhance its consulting practice in the BFSI domain. It has an annual revenue run-rate of USD700m and employs ~5,000 consultants. Historically, Indian IT services have had limited success in creating a consulting base organically or inorganically. But we believe that Wipro can successfully integrate Capco acquisition and derive significant synergies given 1) CEOs aggression & determination, 2) strategic alignment of entire organization to new growth goals while creating unified brand identity – “One Wipro” and 3) high speed of execution – closure of Capco acquisitions 3 months prior to the target date and consequent upgrade of 1Q22E revenue guidance.
- New CEO has also created unified brand image of “One Wipro” and brought all the acquisitions (4C, Appirio, Encore Theme, Eximius, Healthplan Services, IMA and Opus) which were previously operating under their independent brands into Wipro brand.

**Exhibit 3: 6 acquisitions done in FY21 vs avg 2-3 acquisitions per year**

Date	Target	Country	Business description	Consideration (mn)	Sales (mn)	Price/Sales
Apr-21	Ampion	Australia	Cybersecurity, DevOps & quality eng services	US\$117	US\$85.5	1.4
Mar-21	Capco	UK	Global management and technology consultancy	US\$1450	US\$720	2
Oct-20	Encore Theme	India	Finastra trade finance solutions' implementation	INR 950	INR 545	1.7
Oct-20	Eximius Design	US	VLSI and systems design engineering services	US\$80	US\$35	2.3
Jul-20	4C	Belgium	Salesforce services	EUR 68	EUR 31.8	2.1
Jul-20	IVIA	Brazil	IT services provider in Brazil	US\$22.4	US\$13.5	1.7
Feb-20	Rational Interaction	USA	CRM, digital marketing	US\$52	NA	NA
Jun-19	International TechneGroup	US	Engineering services firm	US\$45	US\$23.2	1.9
Dec-18	Syfte	Australia	Strategic design consultancy	NA	NA	NA
Oct-17	Cooper Software Inc	US	Design and User Experience firm	US\$8.5	US\$8	1.1
Jun-17	IBM IP deal	US	IP partnership	US\$90	US\$30	3
Jan-17	InfoSERVER	Brazil	A specialized IT services provider for BFSI in Brazil	US\$8.7	US\$11	0.8
Oct-16	Appirio	US	Cloud services provider	US\$500	US\$196	2.6
Feb-16	HealthPlan Services	US	BPaaS provider	US\$460	US\$223	2.1
Dec-15	cellent AG	Germany	IT services	EUR 73.5	EUR 87.0	0.8
Jul-15	Designit	Denmark	Strategic design firm	EUR 85.0	EUR 27.0	3.1
Mar-15	Drivestream Inc	US	Consulting in Oracle cloud services	US\$5	NA	NA
Jan-14	Opus Capital Markets Consultants	US	Risk management solutions for mortgage industry	US\$75	EUR 43.0	1.7
Apr-12	Promax Applications Group	Australia	Trade promotion planning and optimization	US\$36.75	US\$16.8	\$2.2
Apr-11	SAIC	US	IT Services - Oil & Gas	US\$150	EUR 188.0	0.8
Dec-08	Citos	US	Infrastructure Management Services, ADM for BFSI	US\$127	US\$80	\$1.6

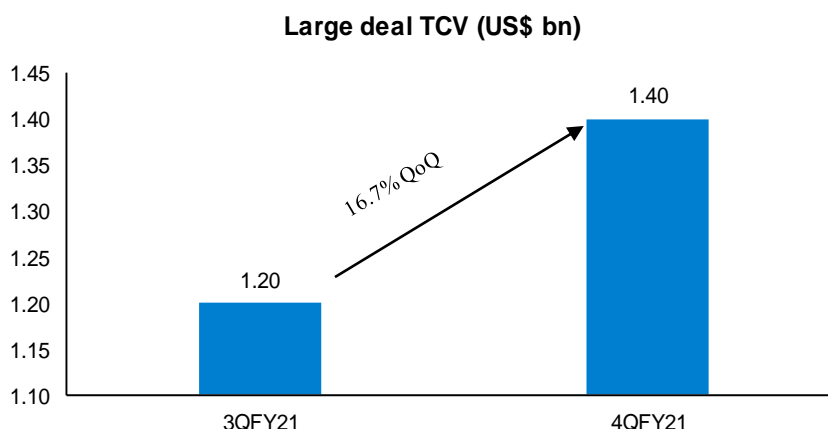
Source: Company, PL

### Early signs of successful execution of turnaround plan

Wipro's turnaround effort under new CEO is right on track given rise in large and mega deals wins, uptrend in revenue growth rate and speedy closure of Capco acquisition. He has energized the organization with an aspiration to drive industry leading growth.

- Increase in mega & large deal wins:** Creation of centralized large deal teams, client centric approach and new sales oriented organization is yielding results. Wipro announced two mega deals in 2HFY21 – 1) deal with Estee Lauder in Consumer space with potential TCV of US\$ 1Bn and 2) 5-year US\$ 700 mn deal with Metro AG. Large deal TCV of US\$ 1.4 Bn in 4QFY21 was 16.7% higher QoQ and in 2HFY21 deal TCV increased by 33% YoY. Most of the large deal wins are from new clients and will lead to strong ramp up in revenue in FY22. Management also mentioned that there are more number of large deals in the pipeline compared to previous year.

**Exhibit 4: Strong large deal TCV in 2HFY21**



Source: Company, PL

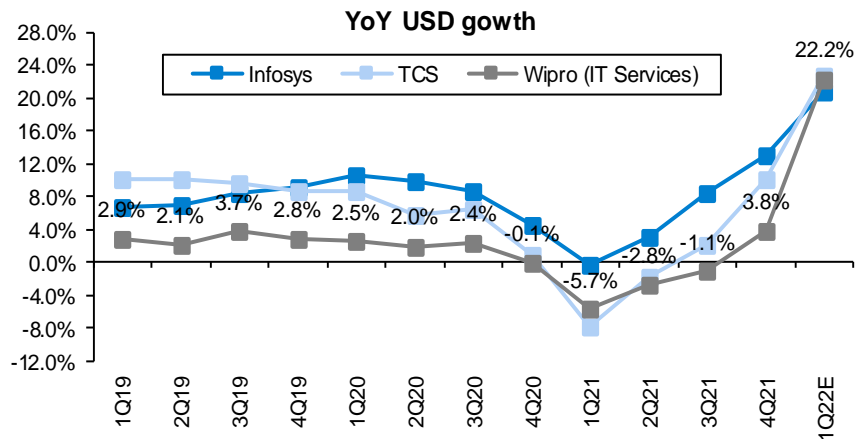
**Exhibit 5: Rise in large deals signed by Wipro in FY21**

Period	Client	Tenure	Geography	Description
<b>Mega deals (&gt;US\$500 mn)</b>				
Feb-20	Estee Lauder	NA	US	Integrated applications and infrastructure deal
Dec-20	Metro AG	5 years	Germany	Wipro will take over captive centers, acquire 1,300 staff and provide and application services
<b>Large deals (&lt;US\$500 mn)</b>				
Jun-21	Levi Strauss	4	US	Wipro will provide global IT support services across Levi Strauss & Co.' consumer digital technology space
Feb-21	Telefonica	5 years	Germany	Wipro will provide BSS and QA services for Telefonica's B2B segment
Dec-20	Verifone	NA	US	Wipro will develop engineering services - new features, capabilities & interfaces for Verifone's cloud services offerings
Nov-20	Thoughtspot	5 years	US	Wipro will deliver software engineering services
Oct-20	Fortum	5 years	Finland	Wipro will provide application management and service integration & management services
Sep-20	Marelli	NA	Japan+Italy	Wipro will provide automotive engineering services expanding upon existing partnership for IT services
Jul-20	Metro Bank	NA	UK	Wipro will deliver testing and environment management services. In addition Wipro has been chosen as one of the preferred partners for business-IT services
Jun-20	John Lewis	NA	UK	Wipro will take over 244 staff and provide infrastructure services
Jun-20	E.ON	NA	Germany	Wipro will provide digital infrastructure services

Source: Company, PL

- Potential step-up in revenue growth trajectory:** Wipro's growth has always been muted with US\$ revenue CAGR over last 5-year (FY15-20) at 2.4% and 10-year (FY10-20) CAGR at 4.7%. The company aspires to change this scenario and post growth comparable to larger peers. Wipro provided strong organic growth guidance of 2-4% QoQ (vs avg 0.3% QoQ growth over FY19 & 20). Post speedy closure of Capco acquisition, Wipro further upgraded the revenue growth guidance to 8-10% CC. We anticipate FY21-23E IT services revenue CAGR to be 17% with organic revenue CAGR of 13%.

**Exhibit 6: Uptrend in YoY US\$ revenue growth**



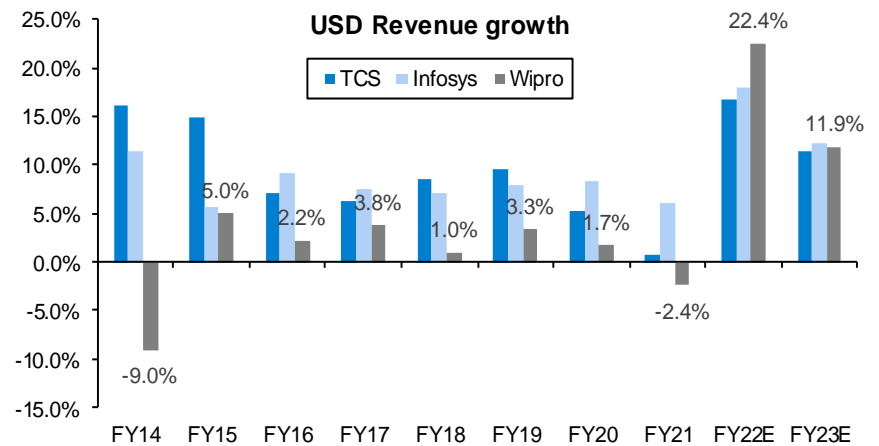
Source: Company, PL, Note: Wipro's growth rates are mentioned in chart.

**Exhibit 7: Revenue growth assumptions**

Revenue growth assumptions	FY21	FY22E	FY23E
Consolidated US\$ revenue growth	-2.4%	22.4%	11.9%
Overall IT Services US\$ revenue growth	-1.4%	22.7%	11.8%
Organic IT services US\$ revenue growth	-1.4%	15.5%	11.3%
Capco revenue (US\$ mn)		587	706

Source: Company, PL

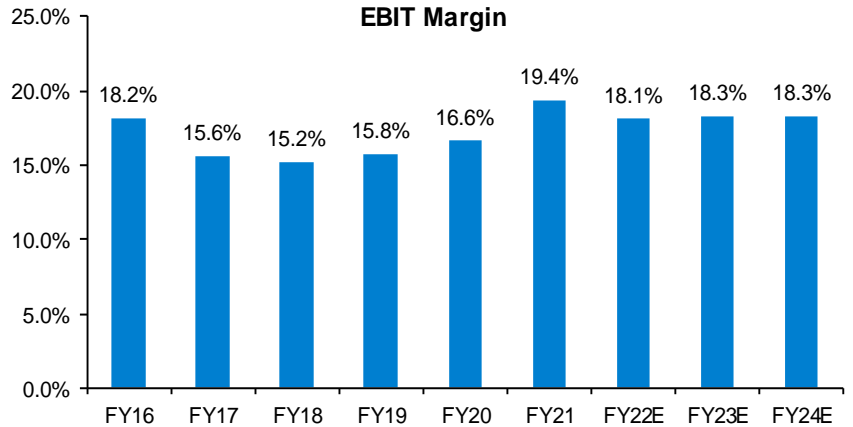
**Exhibit 8: Wipro's growth trajectory expected to shift upwards closer to peers**



Source: Company, PL

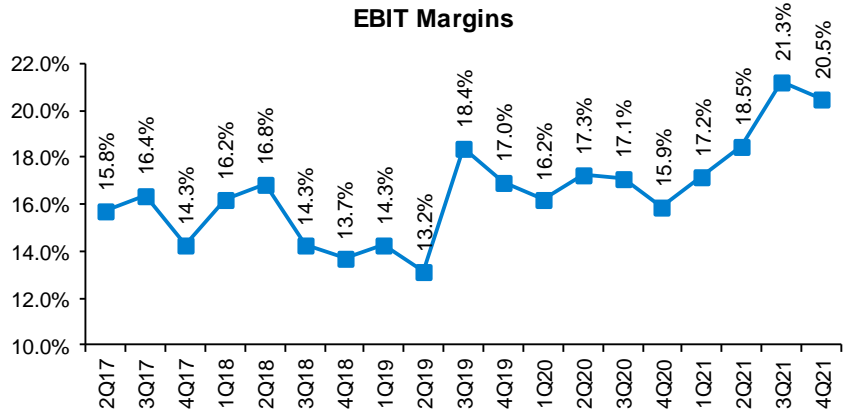
- Focus of driving profitable growth:** Wipro reported strong ~300 bps YoY increase in margins in FY21 underscoring new CEO's focus on profitable growth. There are headwinds to margins- 1) Wage hike rollouts and 2) Capco integration to impact margins by ~200 bps in FY22 due to non-cash charges & incentive plans. But we anticipate margins to be >18%, around 150-200 bps above pre-covid levels aided by revenue growth leverage, operating efficiencies derived from simplifying org structure and higher offshoring.

**Exhibit 9: EBIT margins to expected to be above 18%**



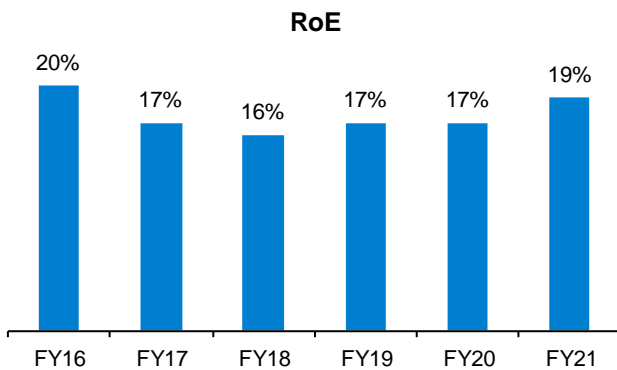
Source: Company, PL

**Exhibit 10: Sharp improvement in margins in FY21**



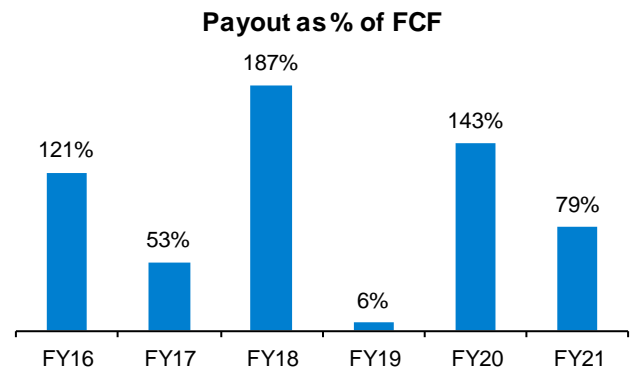
Source: Company, PL

**Exhibit 11: ROE improved by 200bps in FY21**

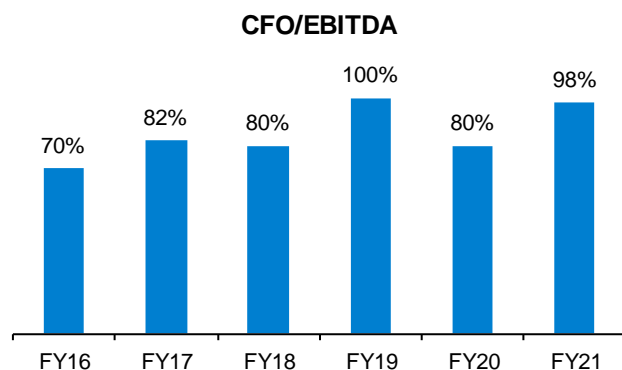


Source: Company, PL

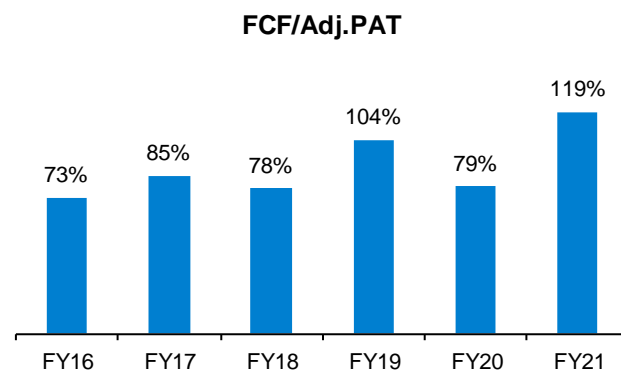
**Exhibit 12: Healthy payout levels**



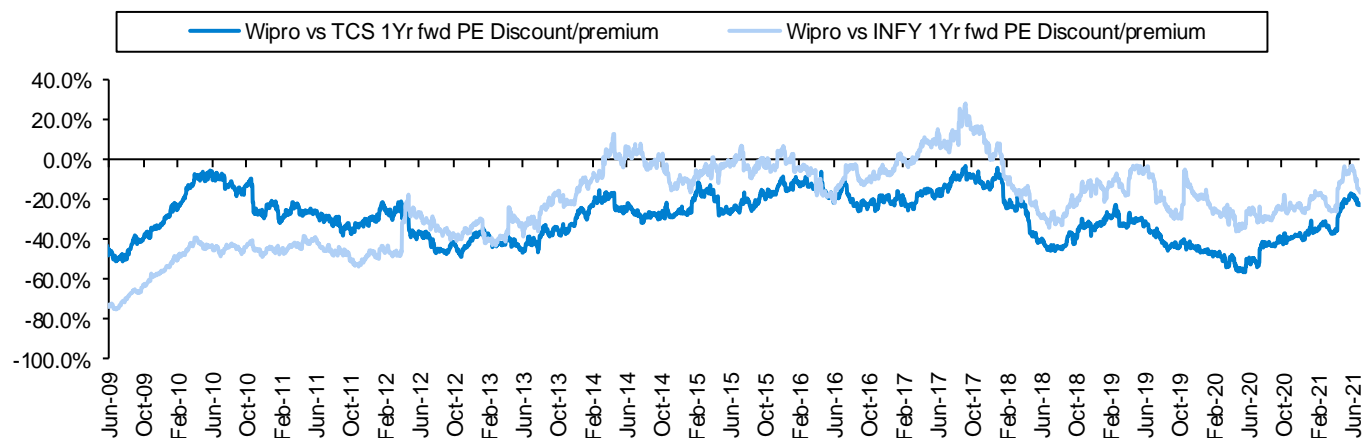
Source: Company, PL, Note: FY19 payout spilled over to FY20

**Exhibit 13: CFO/EBITDA increased to 98%**


Source: Company, PL

**Exhibit 14: Strong FCF generation with FCF/PAT >100%**


Source: Company, PL

**Exhibit 15: Valuation gap between Wipro vs TCS/INFY narrowing**


Source: Company, PL

**Exhibit 16: Wipro Key Metrics**

	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21
<b>IT services revenues (US\$ mn)</b>	2,047	2,076	2,038	2,049	2,095	2,074	1,922	1,992	2,071	2,152
<b>Vertical wise \$ QoQ growth</b>										
BFSI	4.8%	1.7%	-1.5%	-0.5%	0.9%	-2.6%	-6.4%	5.4%	1.6%	3.9%
Communications	1.8%	-0.3%	1.7%	-2.9%	2.2%	-1.0%	-17.1%	7.8%	2.0%	-0.1%
Consumer Business Unit	1.2%	5.3%	-5.4%	3.1%	8.0%	-1.6%	-12.3%	5.6%	5.2%	7.7%
Energy, Natural Resources and Utilities	3.4%	-0.1%	-1.8%	1.3%	2.2%	-1.8%	-4.4%	1.3%	5.6%	4.7%
Health Business Unit	2.6%	2.2%	-1.8%	-1.0%	3.0%	2.0%	-7.3%	5.2%	5.5%	-2.8%
Manufacturing & Technology	-1.9%	-1.0%	-0.3%	1.5%	-0.7%	1.4%	-4.7%	-0.6%	4.9%	5.9%
<b>Vertical wise revenue split</b>										
BFSI	30.5%	31.4%	31.6%	31.3%	30.9%	30.4%	30.7%	31.2%	30.5%	30.5%
Communications	5.8%	5.8%	5.9%	5.7%	5.7%	5.7%	5.1%	5.3%	5.2%	5.0%
Consumer Business Unit	15.7%	15.6%	15.6%	16.0%	16.9%	16.8%	15.9%	16.2%	16.4%	17.0%
Energy, Natural Resources and Utilities	12.8%	13.0%	12.8%	12.9%	12.9%	12.8%	13.2%	12.9%	13.1%	13.2%
Health Business Unit	13.0%	13.1%	13.2%	13.0%	13.1%	13.5%	13.5%	13.7%	13.9%	13.0%
Manufacturing & Technology	21.9%	21.1%	20.9%	21.1%	20.5%	21.0%	21.6%	20.7%	20.9%	21.3%





	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21
<b>Global Business Lines Mix (%)</b>										
iDEAS						58.3%	58.0%	57.6%	57.3%	56.8%
iCORE						41.7%	42.0%	42.4%	42.7%	43.2%
<b>Strategic market units mix (%)</b>										
Americas 1						30.1%	29.2%	29.7%	29.4%	29.2%
Americas 2						29.6%	30.3%	30.1%	29.1%	29.3%
Europe						26.9%	26.7%	26.1%	28.0%	28.4%
APMEA						13.4%	13.8%	14.1%	13.5%	13.1%
<b>Client metrics</b>										
<b>Customer size distribution</b>										
\$1M+	578	571	564	569	572	574	577	573	567	566
\$3M+	339	339	340	341	344	341	348	342	341	349
\$5M+	269	262	259	261	260	260	258	257	260	257
\$10M+	171	172	166	165	169	166	163	166	168	167
\$20M+	99	96	92	92	96	96	97	100	97	93
\$50M+	41	41	41	41	41	40	39	39	38	40
\$75M+	19	22	23	23	22	22	22	24	24	27
\$100M+	10	10	13	13	14	15	13	11	10	11
<b>Repeat revenue from customers</b>										
Repeat business (%)	98%	98%	99%	98%	98%	97%	100%	99%	97%	96%
New client additions	57	63	41	57	77	65	42	97	89	52
Total active customers	1132	1115	1060	1027	1070	1074	1004	1089	1136	1120
<b>Customer concentration</b>										
Top customer	3.7%	3.7%	3.7%	3.2%	3.0%	3.0%	3.2%	3.2%	3.1%	3.1%
Top 5 customers	13.0%	13.7%	13.8%	12.8%	12.3%	12.2%	12.3%	12.0%	11.9%	12.2%
Top 10 customers	19.7%	20.4%	20.7%	19.8%	19.2%	19.3%	20.3%	19.6%	18.9%	19.5%
<b>Employee metrics</b>										
<b>Headcount</b>										
Employee IT services	1,71,425	1,74,850	1,81,453	1,87,318	1,82,886	1,81,804	1,85,243	1,90,308	1,97,712	1,71,425
Sales and support	14,360	14,116	14,990	15,232	14,908	14,567	14,806	14,838	15,368	14,360
<b>Utilization</b>										
Global IT Services Gross	73.4%	75.4%	73.9%	71.4%	70.2%	73.4%	75.0%	76.4%	74.8%	76.7%
Global IT Services Net	81.9%	84.1%	82.8%	79.9%	78.5%	82.4%	84.5%	86.9%	86.3%	86.0%
<b>Attrition%</b>										
IT services excluding DOP (ttm)	17.5%	16.6%	17.9%	16.0%	12.5%	12.6%	10.7%	11.0%	11.0%	12.1%
<b>Revenues by project type (%)</b>										
Fixed price						63.5%	61.8%	60.4%	62.7%	63%
Time and material						36.5%	38.2%	39.6%	37.3%	37%
<b>Onsite-offshore revenue split (%)</b>										
Onsite						50.2%	50%	48.1%	46.1%	45.5%
Offshore						49.8%	50%	51.9%	53.9%	54.5%

Source: Company, PL

## Financials

### Income Statement (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
<b>Net Revenues</b>	<b>6,10,232</b>	<b>6,19,430</b>	<b>7,57,854</b>	<b>8,71,383</b>
YoY gr. (%)	4.2	1.5	22.3	15.0
Employee Cost	4,15,225	3,94,555	4,90,475	5,64,931
Gross Profit	1,95,007	2,24,875	2,67,378	3,06,452
Margin (%)	32.0	36.3	35.3	35.2
SG&A Expenses	-	-	-	-
Other Expenses	-	-	-	-
<b>EBITDA</b>	<b>1,22,277</b>	<b>1,48,829</b>	<b>1,67,892</b>	<b>1,93,173</b>
YoY gr. (%)	8.0	21.7	12.8	15.1
Margin (%)	20.0	24.0	22.2	22.2
Depreciation and Amortization	20,860	28,637	30,586	33,709
<b>EBIT</b>	<b>1,01,417</b>	<b>1,20,192</b>	<b>1,37,306</b>	<b>1,59,463</b>
Margin (%)	16.6	19.4	18.1	18.3
Net Interest	-	-	-	-
Other Income	21,095	18,856	19,985	23,422
<b>Profit Before Tax</b>	<b>1,22,512</b>	<b>1,39,048</b>	<b>1,57,291</b>	<b>1,82,885</b>
Margin (%)	20.1	22.4	20.8	21.0
Total Tax	24,799	30,341	33,268	38,846
Effective tax rate (%)	20.2	21.8	21.2	21.2
<b>Profit after tax</b>	<b>97,713</b>	<b>1,08,707</b>	<b>1,24,023</b>	<b>1,44,039</b>
Minority interest	495	716	-	-
Share Profit from Associate	0	0	-	-
<b>Adjusted PAT</b>	<b>97,218</b>	<b>1,07,991</b>	<b>1,24,023</b>	<b>1,44,039</b>
YoY gr. (%)	8.7	11.1	14.8	16.1
Margin (%)	15.9	17.4	16.4	16.5
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>97,218</b>	<b>1,07,991</b>	<b>1,24,023</b>	<b>1,44,039</b>
YoY gr. (%)	8.7	11.1	14.8	16.1
Margin (%)	15.9	17.4	16.4	16.5
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	97,218	1,07,991	1,24,023	1,44,039
<b>Equity Shares O/s (m)</b>	<b>5,833</b>	<b>5,649</b>	<b>5,649</b>	<b>5,649</b>
<b>EPS (Rs)</b>	<b>16.7</b>	<b>19.1</b>	<b>22.0</b>	<b>25.5</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>97,482</b>	<b>98,277</b>	<b>1,11,277</b>	<b>1,15,277</b>
Tangibles	81,120	85,192	98,192	1,02,192
Intangibles	16,362	13,085	13,085	13,085
<b>Acc: Dep / Amortization</b>	-	-	-	-
Tangibles	-	-	-	-
Intangibles	-	-	-	-
<b>Net fixed assets</b>	<b>97,482</b>	<b>98,277</b>	<b>1,11,277</b>	<b>1,15,277</b>
Tangibles	81,120	85,192	98,192	1,02,192
Intangibles	16,362	13,085	13,085	13,085
Capital Work In Progress	-	-	-	-
Goodwill	1,31,012	1,39,127	1,39,127	1,39,127
Non-Current Investments	16,748	16,420	16,420	16,420
Net Deferred tax assets	-	-	-	-
Other Non-Current Assets	51,969	54,424	54,424	54,424
<b>Current Assets</b>				
Investments	1,89,635	1,75,707	1,75,707	1,75,707
Inventories	1,865	1,064	1,308	1,488
Trade receivables	1,04,474	94,298	1,15,925	1,31,896
Cash & Bank Balance	1,44,499	1,69,793	2,53,282	4,01,871
Other Current Assets	73,471	75,799	93,183	1,06,021
<b>Total Assets</b>	<b>8,17,062</b>	<b>8,31,434</b>	<b>9,67,179</b>	<b>11,48,756</b>
<b>Equity</b>				
Equity Share Capital	11,427	10,958	10,958	10,958
Other Equity	5,46,031	5,42,137	6,59,548	7,96,974
<b>Total Network</b>	<b>5,57,458</b>	<b>5,53,095</b>	<b>6,70,506</b>	<b>8,07,932</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	4,840	7,458	7,458	7,458
Provisions	-	-	-	-
Other non current liabilities	36,496	39,343	39,343	39,343
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	73,202	75,874	75,874	75,874
Trade payables	78,129	78,870	96,959	1,10,316
Other current liabilities	65,062	75,296	75,541	1,06,334
<b>Total Equity &amp; Liabilities</b>	<b>8,17,062</b>	<b>8,31,434</b>	<b>9,67,179</b>	<b>11,48,756</b>

Source: Company Data, PL Research

**Cash Flow (Rs m)**

Y/e Mar	FY20	FY21	FY22E	FY23E
PBT	1,22,512	1,39,048	1,57,291	1,82,885
Add. Depreciation	20,860	28,637	30,586	33,709
Add. Interest	-	-	-	-
Less Financial Other Income	21,095	18,856	19,985	23,422
Add. Other	(17,897)	(15,742)	(16,441)	(19,878)
Op. profit before WC changes	1,25,475	1,51,943	1,71,436	1,96,717
Net Changes-WC	(18,448)	20,522	(21,167)	(15,631)
Direct tax	(6,384)	(24,915)	(33,268)	(38,846)
<b>Net cash from Op. activities</b>	<b>1,00,643</b>	<b>1,47,550</b>	<b>1,17,001</b>	<b>1,42,240</b>
Capital expenditures	(23,497)	(29,450)	(43,586)	(37,709)
Interest / Dividend Income	-	-	-	-
Others	57,509	37,189	16,441	19,878
<b>Net Cash from Inv. activities</b>	<b>34,012</b>	<b>7,739</b>	<b>(27,145)</b>	<b>(17,831)</b>
Issue of share cap. / premium	14	-	-	-
Debt changes	(1,32,380)	6,212	-	-
Dividend paid	(6,863)	(5,459)	(6,833)	(6,833)
Interest paid	(4,601)	(3,335)	-	-
Others	(5,246)	(1,26,258)	-	-
<b>Net cash from Fin. activities</b>	<b>(1,49,076)</b>	<b>(1,28,840)</b>	<b>(6,833)</b>	<b>(6,833)</b>
<b>Net change in cash</b>	<b>(14,421)</b>	<b>26,449</b>	<b>83,024</b>	<b>1,17,576</b>
Free Cash Flow	77,146	1,18,100	73,416	1,04,530

Source: Company Data, PL Research

**Key Financial Metrics**

Y/e Mar	FY20	FY21	FY22E	FY23E
<b>Per Share(Rs)</b>				
EPS	16.7	19.1	22.0	25.5
CEPS	20.2	24.2	27.4	31.5
BVPS	95.6	97.9	118.7	143.0
FCF	13.2	20.9	13.0	18.5
DPS	1.0	1.0	1.0	1.0
<b>Return Ratio(%)</b>				
RoCE	15.6	18.9	19.8	19.4
ROIC	16.4	20.1	21.6	25.6
RoE	17.3	19.4	20.3	19.5
<b>Balance Sheet</b>				
Net Debt : Equity (x)	(0.5)	(0.5)	(0.5)	(0.6)
Debtor (Days)	62	56	56	55
<b>Valuation(x)</b>				
PER	32.0	27.9	24.3	20.9
P/B	5.6	5.4	4.5	3.7
P/CEPS	26.3	22.0	19.5	16.9
EV/EBITDA	23.3	18.5	15.9	13.0
EV/Sales	4.7	4.4	3.5	2.9
Dividend Yield (%)	0.2	0.2	0.2	0.2

Source: Company Data, PL Research

**Quarterly Financials (Rs m)**

Y/e Mar	Q2FY21	Q3FY21	Q4FY21	Q1FY22E
<b>Net Revenue</b>	<b>1,51,145</b>	<b>1,56,700</b>	<b>1,62,454</b>	<b>1,78,551</b>
YoY gr. (%)	(0.1)	1.3	3.4	19.7
Raw Material Expenses	98,807	96,374	1,01,828	1,14,986
Gross Profit	52,338	60,326	60,626	63,565
Margin (%)	34.6	38.5	37.3	35.6
<b>EBITDA</b>	<b>34,555</b>	<b>41,226</b>	<b>41,258</b>	<b>40,353</b>
YoY gr. (%)	11.8	29.6	34.0	26.9
Margin (%)	22.9	26.3	25.4	22.6
Depreciation / Depletion	6,580	7,926	7,977	7,321
<b>EBIT</b>	<b>28,313</b>	<b>33,860</b>	<b>34,167</b>	<b>33,918</b>
Margin (%)	18.7	21.6	21.0	19.0
Net Interest	-	-	-	-
Other Income	4,096	5,230	4,215	4,795
<b>Profit before Tax</b>	<b>32,071</b>	<b>38,530</b>	<b>37,496</b>	<b>37,827</b>
Margin (%)	21.2	24.6	23.1	21.2
Total Tax	7,228	8,520	7,755	8,143
Effective tax rate (%)	22.5	22.1	20.7	21.5
<b>Profit after Tax</b>	<b>24,843</b>	<b>30,010</b>	<b>29,741</b>	<b>29,684</b>
Minority interest	187	298	20	-
Share Profit from Associates	-	-	-	-
<b>Adjusted PAT</b>	<b>24,656</b>	<b>29,712</b>	<b>29,721</b>	<b>29,684</b>
YoY gr. (%)	(3.4)	21.0	27.8	24.2
Margin (%)	16.3	19.0	18.3	16.6
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>24,656</b>	<b>29,712</b>	<b>29,721</b>	<b>29,684</b>
YoY gr. (%)	(3.4)	21.0	27.8	24.2
Margin (%)	16.3	19.0	18.3	16.6
Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income</b>	<b>24,656</b>	<b>29,712</b>	<b>29,721</b>	<b>29,684</b>
Av.g. Shares O/s (m)	5,694	5,696	5,510	5,510
<b>EPS (Rs)</b>	<b>4.3</b>	<b>5.2</b>	<b>5.4</b>	<b>5.4</b>

Source: Company Data, PL Research

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


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	02-Jul-21	UR	-	540
2	16-Apr-21	BUY	500	431
3	05-Apr-21	BUY	476	417
4	05-Mar-21	BUY	474	439
5	14-Jan-21	BUY	493	459
6	04-Jan-21	BUY	434	388
7	23-Dec-20	BUY	415	364
8	19-Nov-20	BUY	415	345
9	14-Oct-20	BUY	415	376
10	05-Oct-20	BUY	350	313

**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	UR	-	540
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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