

**Wipro**

Refer to important disclosures at the end of this report

# Strong broad-based growth performance

- Wipro's IT services revenue grew 12.2% QoQ (12% CC; 4.9% organic) to USD2.4bn in Q1FY22, beating our estimates. IT services EBITM declined 320bps QoQ to 17.8% due to the wage hike, Capco integration and investments in senior leadership hiring.
- Wipro guided IT services revenue to be in the range of USD2,535-2,583mn in Q2, implying 5-7% QoQ growth. Management remains fairly confident of delivering double-digit organic revenue growth in FY22. It reiterated EBITM guidance of 17-17.5% for FY22.
- Wipro signed 8 large deals with a combined TCV of USD715mn in Q1. Management indicated that the deal pipeline remains robust across markets with a good mix of small and large deals, offering good revenue visibility.
- We raise FY22E/FY23E/FY24E EPS by 4.3%/3.1%/2.7%, factoring in Q1 performance and higher growth assumptions. Wipro delivered a strong revenue performance in Q1; however, the valuation remains rich (low single-digit valuation discount to Infosys despite ~5% lower earnings CAGR expectations over FY21-24E and ~10% lower ROE). Retain Hold with a revised TP of Rs565 (earlier Rs550).

**What we liked?** Broad-based revenue growth, healthy large deal intake (USD715mn), inline Q2 guidance

**What we did not like?** EBITM miss, voluntary TTM attrition rate rising to 15.5% vs. 12.1% in Q4FYF21

**Broad-based revenue growth performance:** Revenues grew 12.2% QoQ to USD2.4bn (4.9% organic) in Q1FY22. Growth was well ahead of guidance, both organically and with Capco. Revenue growth was broad based, led by BFSI (22.4% QoQ CC), Consumer (14.1%), Communications (12.8%) and ENU (11.1%). Based on the solid deal intake, broad-based demand and a healthy deal pipeline, Wipro has guided for 5-7% QoQ growth in IT services in Q2, and it believes that it is on track to achieve double-digit organic revenue growth in FY22. Wipro has closed 8 large deals with TCV of USD715mn. Q1 deal intake was driven by medium-sized deals as compared to a couple of large deals in the previous two quarters.

**EBITM declined 320bps QoQ:** IT services EBITM fell 320bps to 17.8% on account of wage hikes for mid-to-senior level staff, integration of low-margin Capco business and investments made in leadership hiring, partly negated by revenue acceleration, favorable currency movement, improvement in utilization and other operating efficiencies. Wipro expects that the second round of salary hikes covering ~80% of employees (wef Sep'21), promotions, increased hiring costs and investments in front sales would weigh on margins. However, revenue acceleration and strong operational rigor (automation, offshoring, employee pyramid, etc.) would support margins. Management expects to sustain EBITM in the 17-17.5% range over the medium term.

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

## Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
Revenue	610,232	619,430	780,407	874,782	971,587
EBITDA	125,448	150,790	171,345	190,885	209,628
EBITDA Margin (%)	20.6	24.3	22.0	21.8	21.6
APAT	97,218	107,946	120,522	130,212	146,761
EPS (Rs)	17.0	19.7	22.0	23.8	26.8
EPS (% chg)	14.0	15.8	11.7	8.0	12.7
ROE (%)	17.3	19.4	20.3	19.4	19.6
P/E (x)	33.8	29.2	26.2	24.2	21.5
EV/EBITDA (x)	24.1	19.1	17.1	15.0	13.3
P/BV (x)	5.9	5.7	5.0	4.5	4.0

Source: Company, Emkay Research

<b>CMP</b>	<b>Target Price</b>
<b>Rs 576</b> as of (July 15, 2021)	<b>Rs 565 (▲)</b> 12 months
<b>Rating</b>	<b>Upside</b>
<b>HOLD (■)</b>	<b>(1.9) %</b>

## Change in Estimates

EPS Chg FY22E/FY23E (%)	4.3/3.1
Target Price change (%)	2.7
Target Period (Months)	12
Previous Reco	HOLD

## Emkay vs Consensus

EPS Estimates		
	FY22E	FY23E
Emkay	22.0	23.8
Consensus	20.9	23.3
Mean Consensus TP (12M)	Rs 493	

## Stock Details

Bloomberg Code	WPRO IN
Face Value (Rs)	2
Shares outstanding (mn)	5,479
52 Week H/L	580 / 234
M Cap (Rs bn/USD bn)	3,155 / 42.33
Daily Avg Volume (nos.)	11,977,350
Daily Avg Turnover (US\$ mn)	81.1

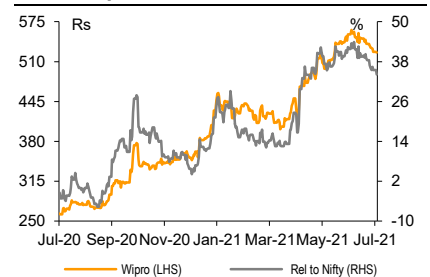
## Shareholding Pattern Mar '21

Promoters	73.0%
FII's	9.2%
DII's	6.2%
Public and Others	11.6%

## Price Performance

(%)	1M	3M	6M	12M
<b>Absolute</b>	3	34	31	119
<b>Rel. to Nifty</b>	3	22	19	46

## 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:

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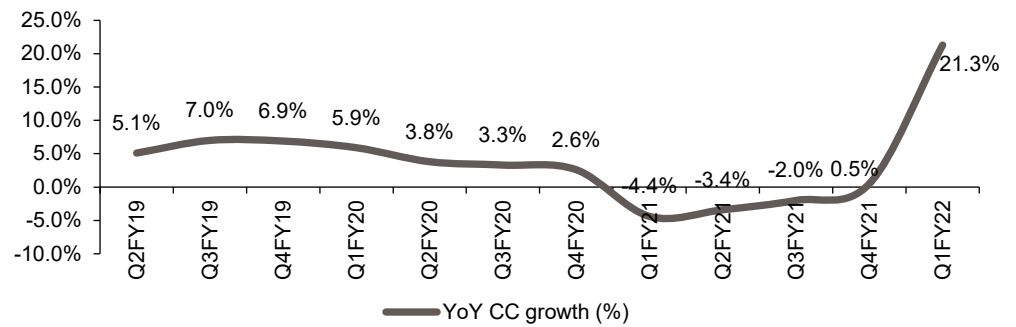
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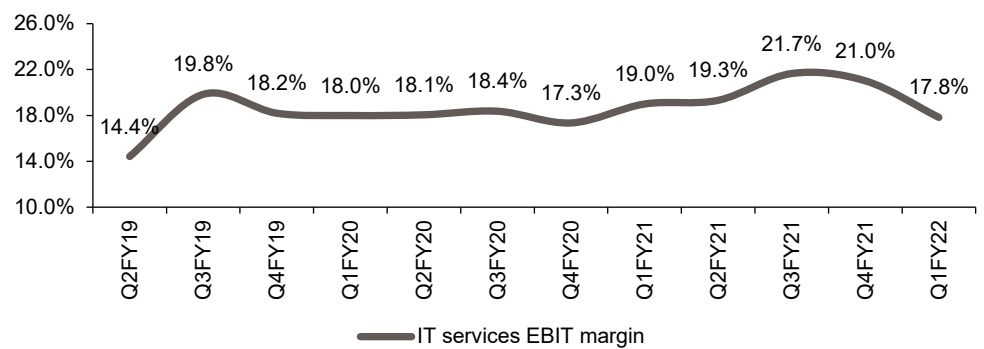
## Story in Charts

**Exhibit 1: YoY CC growth accelerated in Q1FY22**



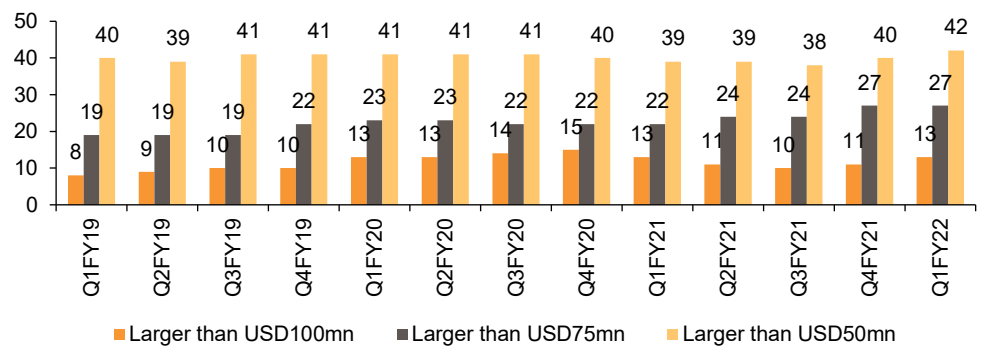
Source: Company, Emkay Research

**Exhibit 2: EBITM moderated by 320bps QoQ in Q1FY22**



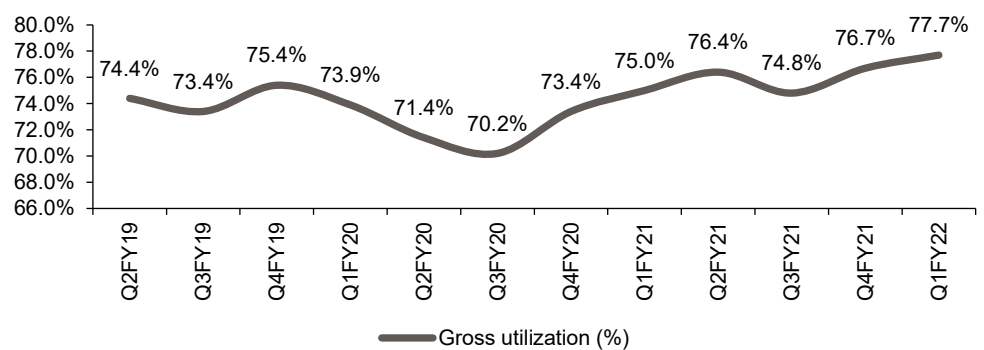
Source: Company, Emkay Research

**Exhibit 3: Improvement seen in USD100mn+ and USD50mn+ client buckets**



Source: Company, Emkay Research

**Exhibit 4: Gross utilization continues to improve**

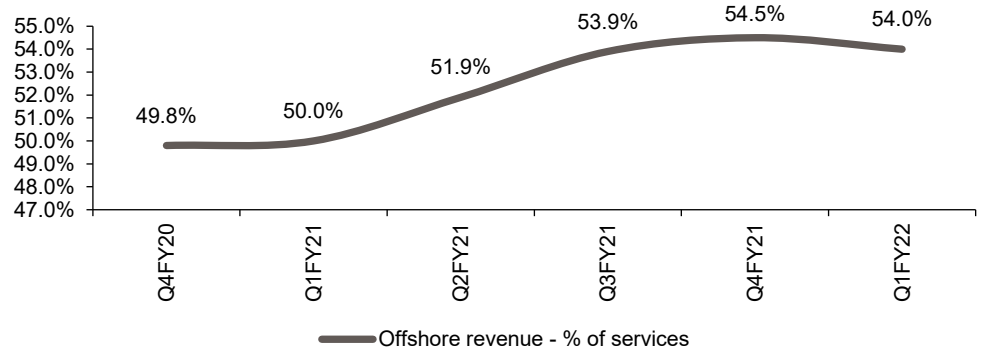


Source: Company, Emkay Research

### Broad-based revenue growth momentum continues

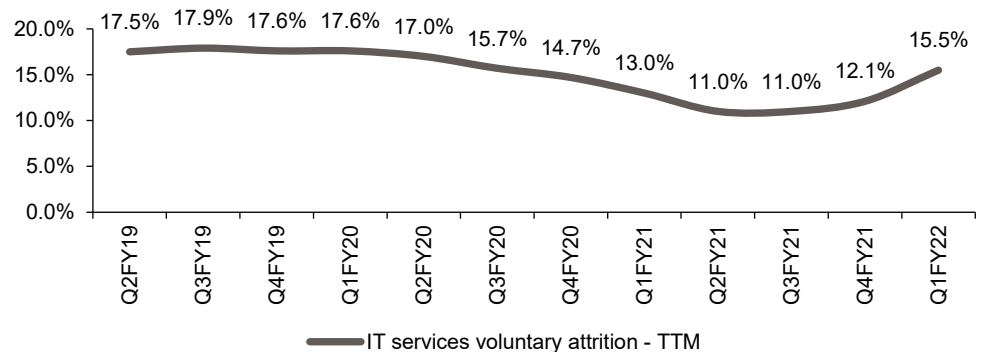
Wipro's IT services revenue grew 12.2% QoQ to USD2.41bn (12% cc terms, 4.9% organic growth) and came in well ahead of the top end of the company's guided range. Revenue growth was broad based across verticals and business lines in Q1, led by BFSI (22.4% QoQ CC), Consumer (14.1%), Communications (12.8%), ENU (11.1%), Technology (2.7%) and Healthcare (2.6%). Manufacturing (-1.1%) remained soft; however, management expects it to return to growth in Q2. Revenue growth momentum is improving in the Healthcare vertical and Wipro expects it to accelerate further in coming quarters. The ENU vertical reported strong double-digit growth in Q1 and management remains optimistic on the growth trajectory but expects that growth may remain lumpy and that double-digit growth is unlikely to be repeated in Q2. IDEAS and iCORE business lines reported 18.3% and 3.7% QoQ growth in Q1FY22, respectively. From the perspective of strategic market units, growth was led by Europe (19% QoQ CC), Americas 2 (16.4%), Americas 1 (5.4%) and APMEA (1.3%). Integration of Capco business boosted the performance of Americas 2 and Europe market units. In the APMEA region, Wipro is seeing improved demand environment in Australia, New Zealand and South East Asia. Wipro is seeing steady improvement in demand for new age services such as cloud, digital transformation, Cyber security and data analytics. Wipro has closed 8 large deals with TCV of USD715mn. Healthcare, Consumer and BFSI led the deal closures in Q1. Management indicated that the overall deal pipeline remains robust with a good mix of small, medium and large deals. Wipro has guided IT Services revenues to be in the range of USD2,535-2,583mn for Q2FY22, translating to sequential growth of 5-7%. Wipro believes that it is on track to deliver double-digit organic revenue growth in FY22. The voluntary TTM attrition rate rose to 15.5% in Q1 from 12.1% in Q4, reflecting a war for talent.

**Exhibit 5: Offshoring remains high in Q1FY22**



Source: Company, Emkay Research

**Exhibit 6: IT services voluntary attrition inched up in Q1FY22**



Source: Company, Emkay Research

## Other Takeaways

**Q1FY22 performance:** Revenues grew 12.2% QoQ and 25.7% YoY (12% QoQ and 21.3% YoY in CC terms). Q1 revenue came in well ahead of the guidance, both organic and with Capco. IT services EBITM declined by 320bps QoQ to 17.8% on account of wage hikes for mid-to-senior level staff, integration of low-margin Capco business and investments made in leadership hiring during the quarter. Wipro signed 8 large deals during the quarter with a combined TCV of USD715mn. Attrition inched up to 15.5% and is expected to remain elevated on account of the robust demand environment.

**Outlook:** Wipro has guided for Q2FY22 growth to be in the range of 5% to 7% QoQ. Wipro is seeing accelerated demand in the areas of cloud, digital, data analytics and cyber security, and expects to sustain the growth momentum in coming quarters. It believes that it is on track to deliver double-digit organic revenue growth in FY22. A second round of salary hikes covering ~80% of employees (wef Sep'21), promotions, increased hiring cost and investments in front sales would weigh on margins in FY22; however, revenue momentum, automation, employee pyramid rationalization and offshoring would support margins. .

### Others key takeaways:

- Revenues from Top 10 clients grew 13.9% QoQ, partly boosted by Capco integration. However, management indicated that excluding Capco, revenues from Top-10 client still grew above the company average.
- Wipro sold its investments in Ensono Holding and Denim Group during the quarter and recognized a total gain of Rs2,150mn as other operating income in Q1.
- The company is planning to make a significant announcement in relation to its cloud business in the coming days.
- ETR was lower at 16.1% in Q1 due to the reversal of provisions for taxes amounting to Rs2,767mn on account of closure of tax assessments for earlier years.
- Wipro on-boarded 2,000 freshers in Q1 and plans to add another 6,000 in Q2. For FY22, it plans to add more than 12,000 freshers.
- Management indicated that the sustainable margin profile in the India SRE business is in single digit and not ~25% as seen in last couple of quarters.

**Exhibit 7: Actual vs. Estimates (Q1FY22)**

(in Rs mn)	Actual	Estimates (Emkay)	Consensus estimates	% variation		Comment
				Emkay	Consensus	
IT Services Revenues (in US\$ mn)	2,415	2,353	2,355	2.6%	2.5%	Revenues were above our estimates
IT Services Revenues	180,481	173,502	173,844	4.0%	3.8%	
IT Services EBIT	32,176	32,618	32,683	-1.4%	-1.6%	
EBIT, margin	17.8%	18.8%	18.8%	-100 bps	-100 bps	EBIT margins were below estimates
PAT	32,321	29,256	28,279	10.5%	14.3%	Higher other income and lower ETR led to profit beat

Source: Company, Emkay Research

**Exhibit 8: Quarterly Snapshot**

Rs mn	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	YoY (%)	QoQ (%)	FY22 YTD	FY21 YTD	YoY (%)
US\$ revenues(IT Services)	1,922	1,992	2,071	2,152	2,415	25.7	12.2	2,415	1,922	25.7
Revenue	149,131	151,145	156,700	162,454	182,524	22.4	12.4	182,524	149,131	22.4
Operating Expenditure	123,495	123,170	123,453	129,173	151,114	22.4	17.0	151,114	123,495	22.4
Cost of revenues	103,700	105,387	104,313	109,805	127,567	23.0	16.2	127,567	103,700	23.0
as % of sales	69.5	69.7	66.6	67.6	69.9			69.9	69.5	
SG&A expenses	19,795	17,783	19,140	19,368	23,547	19.0	21.6	23,547	19,795	19.0
as % of sales	13.3	11.8	12.2	11.9	12.9			12.9	13.3	
EBIT	25,636	27,975	33,247	33,281	31,410	22.5	(5.6)	31,410	25,636	22.5
Other Income	5,284	4,102	5,141	4,211	7,183	35.9	70.6	7,183	5,284	35.9
PBT	30,920	32,077	38,388	37,492	38,593	24.8	2.9	38,593	30,920	24.8
Total Tax	6,838	7,228	8,524	7,755	6,225	(9.0)	(19.7)	6,225	6,838	(9.0)
Adjusted PAT	24,082	24,849	29,864	29,737	32,368	34.4	8.8	32,368	24,082	34.4
(Profit)/loss from JV's/Ass/MI	-180	-193	-197	-16	-47	(73.9)	193.8	-47	-180	
APAT after MI	23,902	24,656	29,667	29,721	32,321	35.2	8.7	32,321	23,902	35.2
Reported PAT	23,902	24,656	29,667	29,721	32,321	35.2	8.7	32,321	23,902	35.2
Reported EPS (Rs)	4.2	4.3	5.2	5.4	5.9	41.1	8.8	6	4	41.1

Margins (%)						(bps)	(bps)			(bps)
EBIT	17.2	18.5	21.2	20.5	17.2	2	(328)	17.2	17.2	2
EBT	20.7	21.2	24.5	23.1	21.1	41	(193)	21.1	20.7	41
PAT	16.0	16.3	18.9	18.3	17.7	168	(59)	17.7	16.0	168
Effective Tax rate	22.1	22.5	22.2	20.7	16.1	(599)	(455)	16.1	22.1	(599)

Source: Company, Emkay Research

**Exhibit 9: Revenues by business lines**

As a % of revenues	Q1FY22	Q4FY21	Q1FY21	QoQ (%)	YoY (%)
iDEAS	60.1%	56.8%	58.0%	18.7%	30.2%
iCORE	39.9%	43.2%	42.0%	3.6%	19.4%
Total	100%	100%	100%	12.2%	25.7%

Source: Company, Emkay Research

**Exhibit 10: Revenues by verticals**

As a % of revenues	Q1FY22	Q4FY21	Q1FY21	QoQ (%)	YoY (%)
Communications	5.1%	5.0%	5.1%	14.4%	25.7%
Consumer Business Unit	17.3%	17.0%	15.9%	14.2%	36.7%
Energy, Natural resources & Utilities	13.1%	13.2%	13.2%	11.3%	24.7%
Banking, Financial Services & Insurance	33.4%	30.5%	30.7%	22.8%	36.7%
Health Business unit	11.9%	13.0%	13.5%	2.7%	10.8%
Manufacturing	7.0%	7.9%	8.1%	-0.6%	8.6%
Technology	12.2%	13.4%	13.5%	2.1%	13.6%
Total	100%	100%	100%	12.2%	25.7%

Source: Company, Emkay Research

**Exhibit 11: Revenues by strategic market units**

As a % of revenues	Q1FY22	Q4FY21	Q1FY21	QoQ (%)	YoY (%)
Americas 1	27.6%	29.2%	29.2%	6.0%	18.8%
Americas 2	30.5%	29.3%	30.3%	16.8%	26.5%
Europe	30.2%	28.4%	26.7%	19.3%	42.1%
APMEA	11.7%	13.1%	13.8%	0.2%	6.5%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>12.2%</b>	<b>25.7%</b>

Source: Company, Emkay Research

**Exhibit 12: Client concentration**

As a % of revenues	Q1FY22	Q4FY21	Q1FY21	QoQ (%)	YoY (%)
Top customer	3.1%	3.1%	3.2%	12.2%	21.7%
Top 5	12.1%	12.2%	12.3%	11.3%	23.6%
<b>Top 10</b>	<b>19.8%</b>	<b>19.5%</b>	<b>20.3%</b>	<b>13.9%</b>	<b>22.6%</b>

Source: Company, Emkay Research

**Exhibit 13: Client size distribution**

Particulars	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22
USD100mn +	13	13	14	15	13	11	10	11	13
USD75mn+	23	23	22	22	22	24	24	27	27
USD50mn+	41	41	41	40	39	39	38	40	42
USD20mn+	92	92	96	96	97	100	97	93	95
USD10mn+	166	165	169	166	163	166	168	167	176
USD5mn+	259	261	260	260	258	257	260	257	273
USD3mn+	340	341	344	341	348	342	341	349	361
USD1mn+	564	569	572	574	577	573	567	566	601

Source: Company, Emkay Research

**Exhibit 14: Changes in estimates**

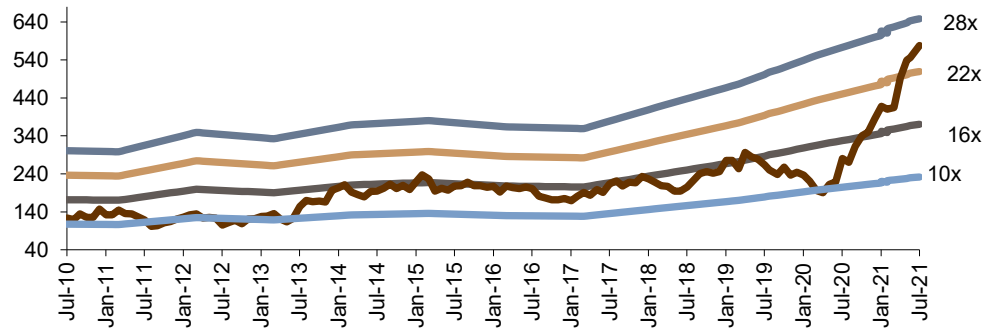
Rs mn	FY22E			FY23E			FY24E		
	Old	New	% change	Old	New	% change	Old	New	% change
IT Services Revenues(US\$ mn)	9,970	10,256	2.9	10,877	11,284	3.7	11,747	12,297	4.7
US\$ revenues growth YoY, %	22.5%	26.0%		9.1%	10.0%		8.0%	9.0%	
Company Wide Revenues	759,141	780,407	2.8	844,867	874,782	3.5	930,032	971,587	4.5
EBIT	136,035	136,900	0.6	148,090	152,411	2.9	163,084	169,355	3.8
EBIT mgns, %	17.9	17.5		17.5	17.4		17.5	17.4	
Net profits	115,560	120,522	4.3	126,402	130,212	3.0	142,974	146,761	2.6
EPS (Rs)	21.1	22.0	4.3	23.1	23.8	3.1	26.1	26.8	2.7

Source: Company, Emkay Research

**Exhibit 15: Key Assumptions**

(in Rs mn)	FY22E	FY23E	FY24E
USD revenue growth (%)	26.0%	10.0%	9.0%
USD/INR	74.7	76.0	77.5
INR revenue Growth (%)	26.0%	12.1%	11.1%
EBIT margin (%)	17.5%	17.4%	17.4%
EPS Growth (%)	11.7%	8.0%	12.7%

Source: Company, Emkay Research

**Exhibit 16: Wipro 1-year forward P/E chart**

Source: Company, Emkay Research

**Exhibit 17: 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
TCS	HOLD	3,203	3,500	16.0	11.4	10.0	106.2	121.2	136.7	30.2	26.4	23.4	22.8	20.0	17.6
Infosys	BUY	1,581	1,800	18.5	12.5	12.0	52.9	61.7	71.0	29.9	25.6	22.3	22.3	18.8	16.2
<b>Wipro</b>	<b>HOLD</b>	<b>576</b>	<b>565</b>	<b>26.0</b>	<b>10.0</b>	<b>9.0</b>	<b>22.0</b>	<b>23.8</b>	<b>26.8</b>	<b>26.2</b>	<b>24.2</b>	<b>21.5</b>	<b>21.4</b>	<b>18.8</b>	<b>16.4</b>
HCL Tech	BUY	1,040	1,280	12.5	10.0	9.0	51.3	56.9	63.5	20.3	18.3	16.4	15.0	13.2	11.6
Tech Mahindra	BUY	1,112	1,410	10.4	9.2	8.0	58.2	66.0	72.8	19.1	16.9	15.3	13.5	11.7	10.2
L&T Infotech	HOLD	4,417	4,280	17.5	14.0	14.0	125.9	146.9	171.1	34.8	30.1	25.8	28.2	24.1	20.7
Mphasis	HOLD	2,389	2,260	12.0	11.9	11.8	75.3	87.3	99.5	31.7	27.4	24.0	23.6	20.2	17.5
Mindtree	SELL	2,732	2,200	21.0	12.0	12.0	81.3	86.7	96.0	33.6	31.5	28.5	25.2	23.2	20.7
Persistent Systems	HOLD	2,846	2,850	21.5	15.0	14.0	81.0	97.6	112.5	35.1	29.2	25.3	27.5	22.1	18.7
Birlasoft	BUY	419	450	14.0	14.0	13.0	15.0	18.1	21.6	28.0	23.1	19.4	18.9	15.4	12.6
Coforge	SELL	4,590	3,700	30.3	14.8	14.0	105.4	131.3	153.8	43.5	34.9	29.8	31.4	25.6	22.0
Firstsource Solutions	HOLD	205	210	17.4	11.8	11.7	5.2	8.2	9.6	39.5	25.2	21.3	19.7	16.6	14.0

Source: Company, Emkay Research

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

Y/E Mar (Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
<b>Revenue</b>	<b>610,232</b>	<b>619,430</b>	<b>780,407</b>	<b>874,782</b>	<b>971,587</b>
<b>Expenditure</b>	<b>484,784</b>	<b>468,640</b>	<b>609,062</b>	<b>683,896</b>	<b>761,959</b>
<b>EBITDA</b>	<b>125,448</b>	<b>150,790</b>	<b>171,345</b>	<b>190,885</b>	<b>209,628</b>
Depreciation	20,862	27,656	34,445	38,474	40,273
<b>EBIT</b>	<b>104,586</b>	<b>123,134</b>	<b>136,900</b>	<b>152,411</b>	<b>169,355</b>
Other Income	17,897	15,743	14,979	15,040	19,312
Interest expenses	0	0	0	0	0
<b>PBT</b>	<b>122,483</b>	<b>138,877</b>	<b>151,880</b>	<b>167,452</b>	<b>188,668</b>
Tax	24,799	30,345	31,148	36,839	41,507
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	524	846	223	400	400
<b>Reported Net Income</b>	<b>97,218</b>	<b>107,946</b>	<b>120,522</b>	<b>130,212</b>	<b>146,761</b>
<b>Adjusted PAT</b>	<b>97,218</b>	<b>107,946</b>	<b>120,522</b>	<b>130,212</b>	<b>146,761</b>

**Balance Sheet**

Y/E Mar (Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
Equity share capital	11,427	10,958	10,958	10,958	10,958
Reserves & surplus	546,031	542,137	622,346	695,997	777,434
<b>Net worth</b>	<b>557,458</b>	<b>553,095</b>	<b>633,304</b>	<b>706,955</b>	<b>788,392</b>
<b>Minority Interest</b>	<b>1,875</b>	<b>1,498</b>	<b>1,606</b>	<b>1,806</b>	<b>2,006</b>
<b>Loan Funds</b>	<b>78,042</b>	<b>83,332</b>	<b>105,000</b>	<b>105,000</b>	<b>105,000</b>
Net deferred tax liability	(3,180)	2,969	2,000	2,200	2,200
<b>Total Liabilities</b>	<b>634,195</b>	<b>640,894</b>	<b>741,910</b>	<b>815,961</b>	<b>897,598</b>
<b>Net block</b>	<b>224,894</b>	<b>234,515</b>	<b>348,351</b>	<b>336,587</b>	<b>325,075</b>
<b>Investment</b>	<b>198,937</b>	<b>187,747</b>	<b>185,709</b>	<b>185,709</b>	<b>185,709</b>
<b>Current Assets</b>	<b>366,878</b>	<b>388,199</b>	<b>406,799</b>	<b>509,970</b>	<b>619,768</b>
Cash & bank balance	144,499	169,793	139,297	213,995	294,640
Other Current Assets	90,831	95,920	110,021	119,519	129,211
<b>Current liabilities &amp; Provision</b>	<b>176,862</b>	<b>188,876</b>	<b>218,950</b>	<b>236,305</b>	<b>252,953</b>
<b>Net current assets</b>	<b>190,016</b>	<b>199,323</b>	<b>187,849</b>	<b>273,665</b>	<b>366,815</b>
Misc. exp	0	0	0	0	0
<b>Total Assets</b>	<b>634,195</b>	<b>640,894</b>	<b>741,910</b>	<b>815,961</b>	<b>897,598</b>

**Cash Flow**

Y/E Mar (Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
<b>PBT (Ex-Other income) (NI+Dep)</b>	<b>104,586</b>	<b>123,134</b>	<b>136,900</b>	<b>152,411</b>	<b>169,355</b>
Other Non-Cash items	12,308	13,225	31,256	37,039	41,707
Chg in working cap	(23,856)	22,922	(19,991)	(10,918)	(12,504)
<b>Operating Cashflow</b>	<b>100,643</b>	<b>147,550</b>	<b>135,300</b>	<b>158,368</b>	<b>175,129</b>
Capital expenditure	(24,771)	(28,697)	(148,972)	(26,710)	(28,760)
<b>Free Cash Flow</b>	<b>75,872</b>	<b>118,853</b>	<b>(13,672)</b>	<b>131,658</b>	<b>146,369</b>
Investments	34,579	16,808	2,038	0	0
Other Investing Cash Flow	0	0	0	0	0
<b>Investing Cashflow</b>	<b>34,012</b>	<b>7,739</b>	<b>(146,934)</b>	<b>(26,710)</b>	<b>(28,760)</b>
Equity Capital Raised	(105,297)	(116,648)	0	0	0
Loans Taken / (Repaid)	(32,822)	(2,438)	21,668	0	0
Dividend paid (incl tax)	(8,278)	(6,419)	(40,530)	(56,961)	(65,724)
Other Financing Cash Flow	1,922	(890)	0	0	0
<b>Financing Cashflow</b>	<b>(149,076)</b>	<b>(129,730)</b>	<b>(18,862)</b>	<b>(56,961)</b>	<b>(65,724)</b>
<b>Net chg in cash</b>	<b>(14,421)</b>	<b>25,559</b>	<b>(30,496)</b>	<b>74,698</b>	<b>80,645</b>
Opening cash position	158,525	144,499	169,793	139,297	213,995
<b>Closing cash position</b>	<b>144,499</b>	<b>170,058</b>	<b>139,297</b>	<b>213,995</b>	<b>294,640</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	20.6	24.3	22.0	21.8	21.6
EBIT Margin	17.1	19.9	17.5	17.4	17.4
Effective Tax Rate	20.2	21.9	20.5	22.0	22.0
Net Margin	16.0	17.5	15.5	14.9	15.1
ROCE	18.8	21.8	22.0	21.5	22.0
ROE	17.3	19.4	20.3	19.4	19.6
RoIC	39.5	46.1	41.4	38.4	42.7

<b>Per Share Data (Rs)</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22E</b>	<b>FY23E</b>	<b>FY24E</b>
EPS	17.0	19.7	22.0	23.8	26.8
CEPS	20.7	24.7	28.3	30.8	34.1
BVPS	97.6	100.9	115.6	129.1	143.9
DPS	1.0	1.0	7.4	10.4	12.0

<b>Valuations (x)</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22E</b>	<b>FY23E</b>	<b>FY24E</b>
PER	33.8	29.2	26.2	24.2	21.5
P/CEPS	27.9	23.3	20.4	18.7	16.9
P/BV	5.9	5.7	5.0	4.5	4.0
EV / Sales	5.0	4.7	3.8	3.3	2.9
EV / EBITDA	24.1	19.1	17.1	15.0	13.3
Dividend Yield (%)	0.2	0.2	1.3	1.8	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	(0.5)	(0.5)	(0.3)	(0.4)	(0.5)
Net Debt/EBITDA	(2.1)	(1.8)	(1.3)	(1.5)	(1.8)
Working Cap Cycle (days)	27.2	17.4	22.7	24.9	27.1

<b>Growth (%)</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22E</b>	<b>FY23E</b>	<b>FY24E</b>
Revenue	4.2	1.5	26.0	12.1	11.1
EBITDA	9.0	20.2	13.6	11.4	9.8
EBIT	9.4	17.7	11.2	11.3	11.1
PAT	8.0	11.0	11.7	8.0	12.7

<b>Quarterly (Rs mn)</b>	<b>Q1FY21</b>	<b>Q2FY21</b>	<b>Q3FY21</b>	<b>Q4FY21</b>	<b>Q1FY22</b>
Revenue	149,131	151,145	156,700	162,454	182,524
EBITDA	31,790	34,555	41,174	40,276	39,800
<b>EBITDA Margin (%)</b>	<b>21.3</b>	<b>22.9</b>	<b>26.3</b>	<b>24.8</b>	<b>21.8</b>
PAT	23,902	24,656	29,667	29,721	32,321
<b>EPS (Rs)</b>	<b>4.2</b>	<b>4.3</b>	<b>5.2</b>	<b>5.4</b>	<b>5.9</b>

Source: Company, Emkay Research

<b>Shareholding Pattern (%)</b>	<b>Jun-20</b>	<b>Sep-20</b>	<b>Dec-20</b>	<b>Jan-21</b>	<b>Mar-21</b>
Promoters	74.0	74.0	74.0	73.0	73.0
FII	7.8	8.4	8.5	9.1	9.2
DII	7.6	6.5	6.1	6.3	6.2
Public and Others	10.5	11.1	11.4	11.6	11.6

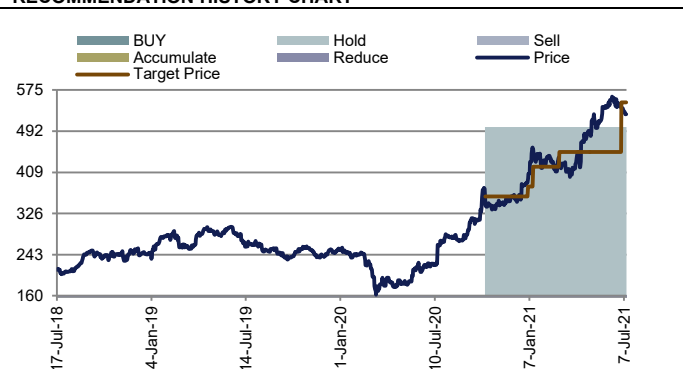
Source: Capitaline

## RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
2-Jul-21	539	550	12m	Hold	Dipeshkumar Mehta
16-Apr-21	469	450	12m	Hold	Dipeshkumar Mehta
5-Apr-21	425	450	12m	Hold	Dipeshkumar Mehta
1-Apr-21	416	450	12m	Hold	Dipeshkumar Mehta
18-Mar-21	410	450	12m	Hold	Dipeshkumar Mehta
5-Mar-21	421	450	12m	Hold	Dipeshkumar Mehta
14-Jan-21	454	420	12m	Hold	Dipeshkumar Mehta
4-Jan-21	396	380	12m	Hold	Dipeshkumar Mehta
23-Dec-20	386	360	12m	Hold	Dipeshkumar Mehta
18-Dec-20	364	360	12m	Hold	Dipeshkumar Mehta
19-Nov-20	343	360	12m	Hold	Dipeshkumar Mehta
14-Oct-20	350	360	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

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+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>13.46</b>	<b>13.19</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	0.53
HCL Tech	1.18	1.30	10%	12	9.66
Infosys	6.36	6.52	3%	16	48.43
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	0.13	0.00	-100%	-13	0.00
Mphasis	0.22	0.08	-65%	-14	0.56
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*	0.10	0.00	-100%	-10	0.00
Persistent Systems	0.00	0.39	NA	39	2.88
Ramco Systems*	0.00	0.00	NA	0	0.00
TCS	3.66	3.44	-6%	-22	25.57
Tech Mahindra	0.74	0.76	4%	3	5.68
Wipro	0.88	0.56	-36%	-32	4.17
<b>Cash</b>	<b>0.00</b>	<b>0.27</b>	<b>NA</b>	<b>27</b>	<b>2.02</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	15-Jul-20	13-Jan-21	13-Apr-21	14-Jun-21	14-Jul-21
EAP - Information Technology	100.0	109.8	181.0	179.2	193.7	201.1
BSE200 Neutral Weighted Portfolio (ETF)	100.0	107.3	171.6	168.6	180.8	187.3

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

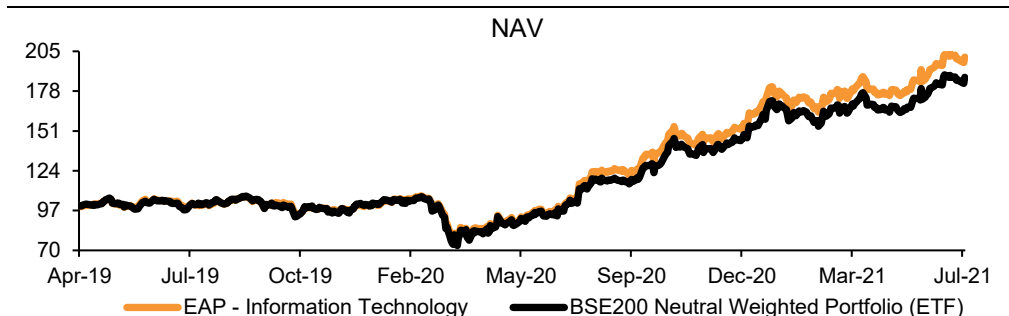
Source: Emkay Research

### Price Performance (%)

	1m	3m	6m	12m
EAP - Information Technology	3.8%	12.2%	11.1%	83.2%
BSE200 Neutral Weighted Portfolio (ETF)	3.6%	11.1%	9.2%	74.6%

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: 16 Jul 2021 04:29:43 (SGT)

Dissemination Date: 16 Jul 2021 04:30:43 (SGT)

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