

July 16, 2021

Q1FY22 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
Rating	BUY		BUY	
Target Price	678		637	
Sales (Rs. m)	773,650	888,074	757,854	871,383
% Chng.	2.1	1.9		
EBITDA (Rs. m)	166,256	191,593	167,892	193,173
% Chng.	(1.0)	(0.8)		
EPS (Rs.)	21.9	25.2	22.0	25.5
% Chng.	(0.1)	(1.1)		

Key Financials - Consolidated

Y/e Mar	FY21	FY22E	FY23E	FY24E
Sales (Rs. bn)	619	774	888	994
EBITDA (Rs. bn)	149	166	192	217
Margin (%)	24.0	21.5	21.6	21.9
PAT (Rs. bn)	108	124	142	164
EPS (Rs.)	19.1	21.9	25.2	29.0
Gr. (%)	14.7	14.8	14.9	15.1
DPS (Rs.)	1.0	1.0	1.0	1.0
Yield (%)	0.2	0.2	0.2	0.2
RoE (%)	19.4	20.2	19.2	18.4
RoCE (%)	19.1	19.0	18.3	17.8
EV/Sales (x)	4.8	3.9	3.2	2.7
EV/EBITDA (x)	20.0	18.0	14.8	12.4
PE (x)	30.1	26.2	22.8	19.9
P/BV (x)	5.9	4.8	4.0	3.4

Key Data

WIPR.BO | WPRO IN

52-W High / Low	Rs.580 / Rs.234
Sensex / Nifty	53,159 / 15,924
Market Cap	Rs.3,155bn/ \$ 42,330m
Shares Outstanding	5,479m
3M Avg. Daily Value	Rs.11785.06m

Shareholding Pattern (%)

Promoter's	73.37
Foreign	9.21
Domestic Institution	6.16
Public & Others	11.26
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	3.2	31.3	119.2
Relative	2.5	21.1	48.6

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Strong Performance & Strong Guidance!

Quick Pointers:

- Strong beat of ~270 bps in revenue growth, +12.2% QoQ USD. Both organic (+4.9% QoQ CC) and inorganic business (Capco revenue ~\$157 mn) beat expectations.
- 2Q22 guidance of 5-7% QoQ CC revenue growth implies strong 2-4% QoQ organic growth and considerably shift full year FY22 growth (~26%).

IT services revenue of \$2.41 bn, 12.2% QoQ USD, surpassed top end of the guidance by ~200 bps driven by strong growth in organic (4.9% QoQ USD) as well as inorganic Capco business. (~US\$ 157 mn). New management's focus & aggression towards growth is clearly visible given strong revenue guidance of 5-7% QoQ CC on top of strong 1Q21 implying ~26% FY22 growth. Wipro closed 8 large deals with TCV of over \$715 mn. TCV was lower than last two quarters due to absence of large or mega deals. However, management is confident of strong demand environment with quality of pipeline improving every quarter.

Consolidated EBIT margins came at 18.4% (Ple: 18.5%, 19%) decline -210bps QoQ. Hiring continued to be strong with net headcount addition of 12,150, 6% QoQ. Management guided 17-17.5% margin for FY22 (~200-250 bps lower YoY) due to impact of wage hikes (for junior employees effective Sept 21), talent retention costs and Capco acquisition charges. Margin levers such as pyramid optimization, offshoring and operating leverage will help them maintain margins within guided range.

Wipro leads in terms of organic revenue growth (4.9% QoQ CC) as compared to Infy (4.8% QoQ CC) & TCS (2.4% QoQ CC). We believe new management's aggressive yet sharp focus towards growth and fast speed of execution can potentially lift up and sustain revenue growth trajectory over medium term. We forecast 16%/11% organic revenue growth for Wipro & 26% & 12% consol growth for FY22/23. We expect EBIT margins at 17.4%/17.7% for FY22/23. Our estimates decrease marginally by 1.1% for FY23 due to slight cut in margin estimates. We were ahead than cons estimates, we should see sharp (4-6%) increase in cons estimates. We value Wipro on Sep-23(roll over) earnings of 25X to arrive at changed TP of INR 678 (earlier: INR637). Wipro is currently trading at 26.2X/22.8X for FY22/23E earnings of INR 21.9/25.2 respectively with Revenue/EPS CAGR of 18%/15% for FY21-23 respectively. Maintain Buy. Please refer our detailed to understand Wipro's new strategy in detail. ([Link of the Report](#))

- Strong beat in revenue:** Wipro reported IT services revenue of \$2.41 bn, 12.2% QoQ USD, strong beat of ~270bps (Ple: 9.5%, Cons: 9.3%). Growth surpassed top end of the guidance (8-10% QoQ CC) by ~200 bps driven by strong growth in organic (4.9% QoQ USD) as well as inorganic business. As per our calculations, Capco generated ~US\$ 157 mn (Ple: 130 mn) revenues for two months' post integration in this quarter.

Simplified org structure, new leadership hires and enhanced focus on sales is yielding results with highest organic growth in past 38 quarters.

We believe that Wipro can further improve its volume of large deals given strong demand environment and increased sales focus with proactive hunting and mining of deals, and improved execution rigour under leadership of new CEO.

Communications (12.8% QoQ CC) recovered strongly this quarter after subdued growth in FY21. Wipro won a multi-year engagement with a leading US-based communication services provider to deliver end-to-end quality engineering (QE)

- **Growth was broad-based across verticals and markets:** Growth was led by **Americas 2 (+16.4% QoQ CC)** and **Europe (19% QoQ CC)**. Growth in Europe was aided by Capco and ramp up of large deal wins in earlier quarters. **Americas 1** grew by 5.4% QoQ CC with healthy traction from healthcare and consumer. **APMEA** markets grew moderately 1.3% QoQ CC. Outlook is now improving in Australia, New Zealand and Southeast Asia.
- The demand in the **BFSI (22.4% QoQ CC)** and **Consumer (+14.1% QoQ CC)** remains strong across service lines. Capco ramp up is included in BFSI. **Communications (12.8% QoQ CC)** recovered strongly this quarter after subdued growth in FY21. **E&U** reported strong growth of 11.1% QoQ CC, however, growth is expected to remain lumpy in this segment. **Manufacturing (-1.1% QoQ CC)** is recovering slowly.
- **Healthy deal wins:** Wipro closed 8 large deals resulting in a TCV of over \$715 mn. TCV was higher in last two quarters (\$1.4 Bn in 4QFY21, \$1.2 Bn in 3QFY21) because of large and mega deals as opposed to small and medium sized deals this quarter. Management mentioned that quality of deal pipeline continues to improve with strong focus on winning large deals. Deals closed this quarter were higher from Healthcare, Consumer and BFSI sector. Within just two months of integration of Capco, joint market efforts are showing early wins – Wipro won a joint consulting win with a leading global payments provider.
- **IDEAS** service vertical grew at strong rate of 18.3% QoQ CC driven by demand in new age offerings like cloud transformation. Wipro is making significant investments in strengthening cloud business. **iCORE** grew by 3.7% QoQ CC led by digital operations, cloud infrastructure services and cybersecurity.
- **Strong growth in top 10 clients for two consecutive quarters** (13.9% QoQ USD in 1Q22, +7.2% QoQ in 4Q21) reflects success of highly focused sales team in mining large clients. Strong growth in this quarter was partly boosted by partly boosted by Capco integration. However, management indicated that excluding Capco, revenues from Top-10 client still grew above the company average. Wipro continues to invest in industry experts, large deal teams and Global Account Executives to strengthen sales.
- **Strong guidance for 2QFY22:** Management expects revenue from IT Services business to be in the range of \$2,535 mn to \$2,583 mn. (5-7% QoQ CC) in 2QFY22. Guidance implies strong organic growth of 2-4% and US\$ 200-230 mn revenues from Capco. Strong growth in 1Q22, coupled with strong guidance for 2Q22 considerably improves full year FY22 revenue growth (~26% YoY USD). There is further upside to growth if the organic growth momentum sustains.
- **Inline operating margin:** Consolidated EBIT margins came at 18.4%, -210bps QoQ (Ple: 18.5%, 19%). Decline in margins was driven by ~200bps decline in cost of sales on account of wage hike rollout to senior management in 1Q22. Gross utilization further increased to 77.7% (vs 76.7% in 4QFY21). Offshore revenue mix was stable at 54% (vs 54.5% in 4QFY21)

- Margin guidance of 17-17.5%:** Management has guided 17-17.5% margin for FY22 (~200-250 bps lower YoY) due to impact of wage hikes and Capco acquisition charges. Wipro will roll-out another salary hike to junior level employees in Sep 2021. Wipro doesn't plan any further wage hikes in all the employees will come under normal wage hike cycle from FY23. Margin levers such as pyramid optimization, offshoring and operating leverage will help them maintain margins within guided range.
- Continued strong hiring momentum, attrition inched up:** Wipro continued strong net headcount addition of 12,150, 6% QoQ. 6000 freshers were on-boarded this quarter. LTM attrition inched up by 340bps QoQ to 15.5% given strong demand for talent. Management mentioned that attrition is expected to inch up further, but they are confident of managing supply through aggressive hiring, training and increased efforts to attract talent.
- Strong cash flow management:** DSO improved by 8 days to 68. For FY21, OCF was at ₹33.5 billion, 94% QoQ, -19.8% YoY, 103.7% of Net Income. FCF/PAT was also healthy at 89.6%. Cash on books was INR 140 Bn (vs INR to INR 169 Bn)
- 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.

Exhibit 1: Q1FY22: Quick View on Results

IFRS Consolidated (RS m)	1Q22	4Q21	QoQ gr.	1Q21	YoY gr.	Ple	% var from est
IT Services revenue (US\$ m)	2,415	2,152	12.2%	1,922	25.7%	2,357	2.4%
Consolidated Revenue (US\$ m)	2,456	2,221	10.6%	1,979	24.1%	2,419	1.5%
Consolidated Sales (INR mn)	1,82,524	1,62,454	12.4%	1,49,131	22.4%	1,78,551	2.2%
EBITDA	41,817	41,258	1.4%	31,790.0	31.5%	40,353	3.6%
<i>EBITDA Margin (%)</i>	<i>22.9%</i>	<i>25.4%</i>	<i>-249 bps</i>	<i>21.3%</i>	<i>159 bps</i>	<i>22.6%</i>	<i>31 bps</i>
EBIT	33,560	33,281	0.8%	25,636	30.9%	33,032	
<i>EBIT Margin (%)</i>	<i>18.4%</i>	<i>20.5%</i>	<i>-210 bps</i>	<i>17.2%</i>	<i>120 bps</i>	<i>18.5%</i>	<i>-11 bps</i>
PBT	38,600	37,496	2.9%	30,951	24.7%	37,827	2.0%
Tax	6,225	7,755	-19.7%	6,838	-9.0%	8,143	-23.6%
<i>Tax Rate</i>	<i>16.1%</i>	<i>20.7%</i>	<i>-456 bps</i>	<i>22.1%</i>	<i>-597 bps</i>	<i>21.5%</i>	<i>-540 bps</i>
PAT	32,375	29,741	8.9%	24,113	34.3%	29,684	9.1%
EPS (Rs)	5.9	5.4	9.7%	4.2	40.9%	5.39	9.8%

Source: Company, PL

Exhibit 2: Key external hires under 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	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

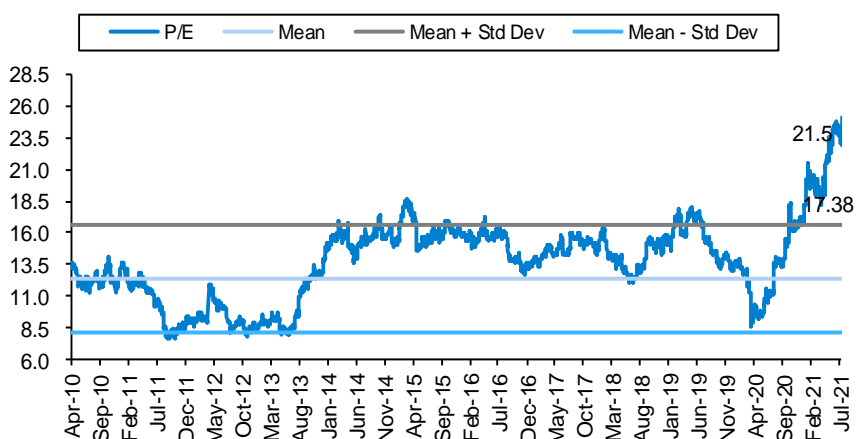
Valuation

We believe new management's aggressive yet sharp focus towards growth and fast speed of execution can potentially lift up and sustain revenue growth trajectory over medium term. We forecast 16%/11% organic revenue growth for Wipro & 26% & 12% consol growth for FY22/23. We expect EBIT margins at 17.4%/17.7% for FY22/23. Our estimates decrease marginally by 1.1% for FY23 due to slight cut in margin estimates. We value Wipro on Sep-23(roll over) earnings of 25X to arrive at changed TP of INR 678 (earlier: INR637). Wipro is currently trading at 26.2X/22.8X for FY22/23E earnings of INR 21.9/25.2 respectively with Revenue/EPS CAGR of 18%/15% for FY21-23 respectively. Maintain Buy. Please refer our detailed to understand Wipro's new strategy in detail. [\(Link of the Report\)](#)

Exhibit 3: Change in Estimates

Year to 31-Mar	FY22E	FY23E	FY24E
IT Services revenue (US\$ m)			
- New	10,444	11,685	12,915
- Old	10,248	11,466	12,915
<i>Change</i>	<i>1.9%</i>	<i>1.9%</i>	<i>0.0%</i>
USD Revenue growth	24.8%	11.9%	10.5%
EBIT Margins			
- New	17.4%	17.7%	18.0%
- Old	18.1%	18.3%	18.0%
<i>Change</i>	<i>-76 bps</i>	<i>-59 bps</i>	<i>0 bps</i>
EPS - Fully diluted (Rs)			
- New	21.9	25.2	29.0
- Old	22.0	25.5	29.0
<i>Change</i>	<i>-0.1%</i>	<i>-1.1%</i>	<i>0.0%</i>

Source: PL

Exhibit 4: WIPRO One year forward P/E valuation chart


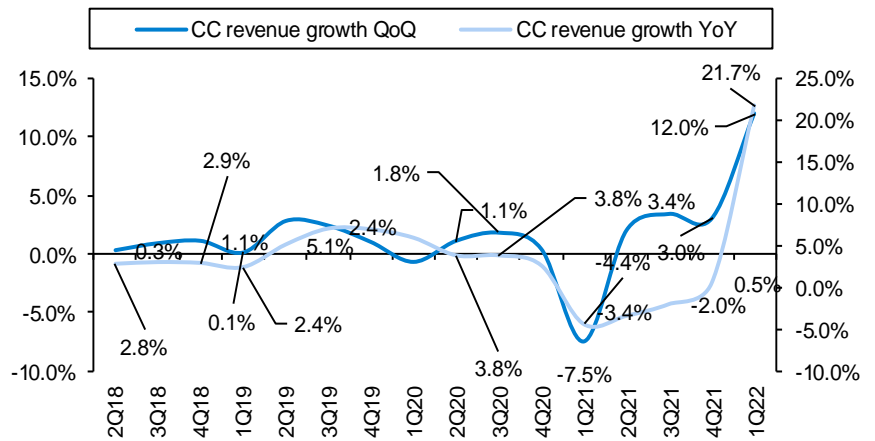
Source: Company, PL

Exhibit 5: Revenue growth

	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22
Strategic Business Units \$ QoQ growth										
BFSI	1.7%	-1.5%	-0.5%	0.9%	-2.6%	-6.4%	5.4%	1.6%	3.9%	22.8%
Communications	-0.3%	1.7%	-2.9%	2.2%	-1.0%	-17.1%	7.8%	2.0%	-0.1%	14.4%
Consumer Business Unit	5.3%	-5.4%	3.1%	8.0%	-1.6%	-12.3%	5.6%	5.2%	7.7%	14.2%
Energy, Natural Resources and Utilities	-0.1%	-1.8%	1.3%	2.2%	-1.8%	-4.4%	1.3%	5.6%	4.7%	11.3%
Health Business Unit	2.2%	-1.8%	-1.0%	3.0%	2.0%	-7.3%	5.2%	5.5%	-2.8%	2.7%
Manufacturing & Technology	-1.0%	-0.3%	1.5%	-0.7%	1.4%	-4.7%	-0.6%	4.9%	5.9%	1%
Strategic Business Units \$ YoY growth										
BFSI	12.8%	8.7%	4.6%	0.7%	-3.6%	-8.4%	-3.1%	-2.4%	4.1%	36.7%
Communications	-0.7%	6.1%	0.2%	0.6%	-0.1%	-18.5%	-9.6%	-9.8%	-9.0%	25.7%
Consumer Business Unit	11.0%	4.5%	3.9%	10.9%	3.6%	-3.9%	-1.5%	-4.1%	5.0%	36.7%
Energy, Natural Resources and Utilities	3.6%	3.3%	2.8%	1.6%	-0.1%	-2.8%	-2.8%	0.4%	7.0%	24.7%
Health Business Unit	-4.4%	-0.5%	2.0%	2.4%	2.2%	-3.6%	2.5%	4.9%	0.0%	10.8%
Manufacturing & Technology	-9.9%	-4.8%	-1.8%	-0.6%	1.9%	-2.6%	-4.6%	0.8%	5.3%	8.6%
Strategic Business Units CC QoQ growth										
Communications	1.3%	-0.6%	-2.4%	1.5%	-0.2%	-16.2%	4.6%	0.7%	-0.4%	12.8%
Consumer Business Unit	-1.2%	2.8%	4.1%	7.0%	-0.1%	-12.4%	4.5%	5.2%	6.9%	14.1%
Energy, Natural Resources and Utilities	5.3%	-4.4%	2.3%	1.2%	1.3%	-5.4%	-2.4%	4.1%	2.7%	11.1%
BFSI	-0.7%	0.2%	-0.1%	0.4%	-0.9%	-6.4%	3.7%	1.2%	2.7%	22.4%
Health Business Unit	2.1%	-1.5%	-0.6%	3.4%	2.3%	-7.2%	4.1%	5.0%	-2.9%	2.6%
Manufacturing	-0.7%	-2.0%	3.3%	4.4%	-1.3%	-8.1%	3.5%	4.0%	-1.1%	-1.1%
Technology	-2.0%	2.7%	1.3%	-3.7%	3.2%	-2.1%	-4.7%	4.5%	9.9%	2.7%

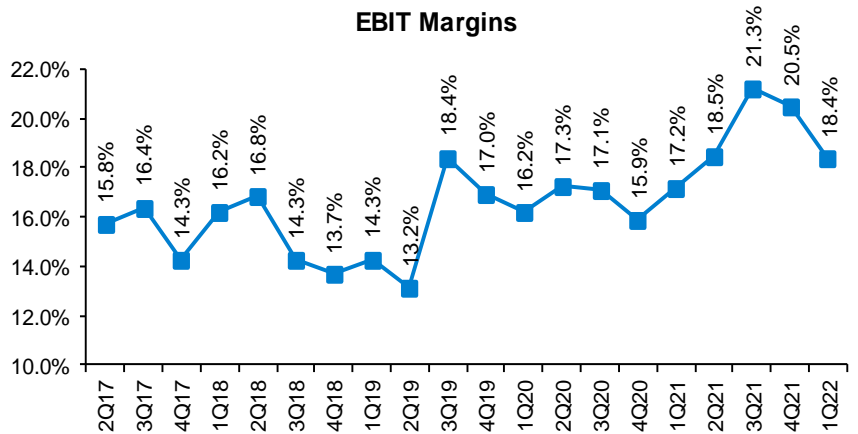
Source: Company, PL

Exhibit 6: Strong Revenue Performance



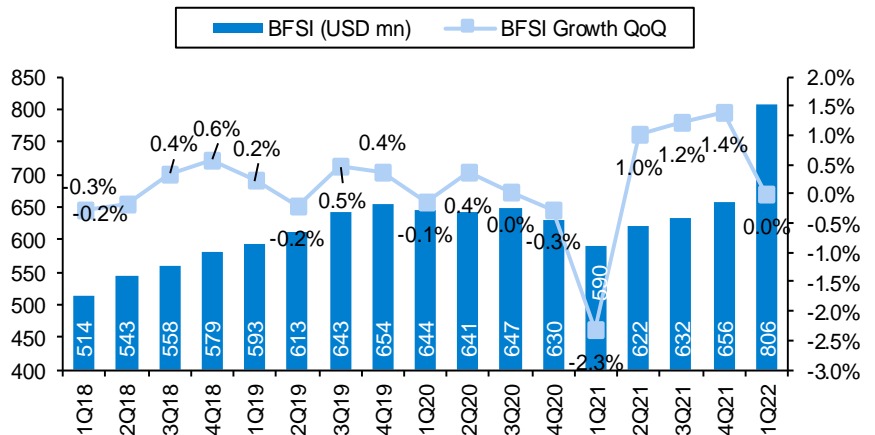
Source: Company, PL

Exhibit 7: Tight cost management supported margins

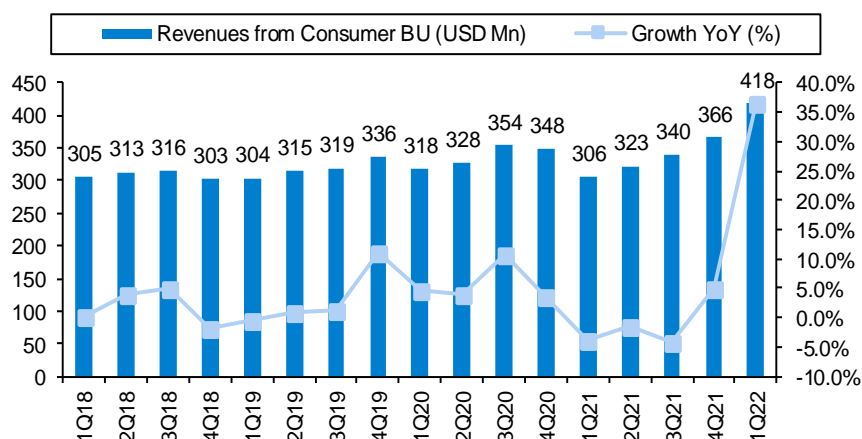


Source: Company, PL

Exhibit 8: Strong demand momentum in BFSI



Source: Company, PL

Exhibit 9: Strong recovery in CBU


Source: Company, PL

Exhibit 10: Vertical-wise Revenues

(US\$ m)	1Q22	4Q21	QoQ gr.	1Q21	YoY gr.
Communications	806.4	656.5	22.8%	589.9	36.7%
BFSI	417.7	365.9	14.2%	305.5	36.7%
Manufacturing & Tech	287.3	279.8	2.7%	259.4	10.8%
Healthcare and Life Sciences	316.3	284.1	11.3%	253.7	24.7%
Consumer	294.6	288.4	2.1%	259.4	13.6%
Energy & Utilities	169.0	170.0	-0.6%	155.6	8.6%
% of Total					
Communications	33.4%	30.5%	290 bps	30.7%	270 bps
BFSI	17.3%	17.0%	30 bps	15.9%	140 bps
Manufacturing & Tech	11.9%	13.0%	-110 bps	13.5%	-160 bps
Healthcare and Life Sciences	13.1%	13.2%	-10 bps	13.2%	-10 bps
Consumer	12.2%	13.4%	-120 bps	13.5%	-130 bps
Energy & Utilities	7.0%	7.9%	-90 bps	8.1%	-110 bps

Source: Company, PL

Exhibit 11: Market-wise revenue mix

(US\$ m)	1Q22	4Q21	QoQ gr.	1Q21	YoY gr.
Americas 1	666.4	628.5	6.0%	561.1	18.8%
Americas 2	736.4	630.7	16.8%	582.2	26.5%
Europe	729.2	611.3	19.3%	513.1	42.1%
APMEA	282.5	282.0	0.2%	265.2	6.5%
% of Total					
Americas 1	27.6%	29.2%	-160 bps	29.2%	-160 bps
Americas 2	30.5%	29.3%	120 bps	30.3%	20 bps
Europe	30.2%	28.4%	180 bps	26.7%	350 bps
APMEA	11.7%	13.10%	-140 bps	13.80%	-210 bps

Source: Company, PL

Exhibit 12: Service wise revenues

(US\$ m)	1Q22	4Q21	QoQ gr.	1Q21	YoY gr.
iDEAS	1476.1	1261.5	17.0%	1148.1	28.6%
iCORE	979.9	959.5	2.1%	831.4	17.9%
% of Total					
iDEAS	60.1%	56.8%	330 bps	58.0%	210 bps
iCORE	39.9%	43.2%	-330 bps	42.0%	-210 bps

Source: Company, PL

Exhibit 13: Client Metrics

	1Q22	4Q21	QoQ gr.	1Q21	YoY gr.
Total >1\$m	601	566	35	577	24
US\$1m - US\$3m	361	349	12	348	13
US\$3m - US\$5m	273	257	16	258	15
US\$5m - US\$10m	176	167	9	163	13
US\$10m - US\$20m	95	93	2	97	-2
US\$20m - US\$50m	42	40	2	39	3
> US\$50m	27	27	0	22	5
> US\$100m	13	11	2	13	0

Source: Company, PL

Exhibit 14: Revenues from Top clients

	1Q22	4Q21	QoQ gr.	1Q21	YoY gr.
Revenue from new Customers	68.77	79.96	-14.0%	5.94	1058.1%
Revenue from repeat businesses	2,387	2,141	11.5%	1,973	21.0%
Number of new customers	129	52	77	42	87
Total Number of active customers	1,229	1,120	9.7%	1,004	22.4%
Customer Concentration					
Top Customer	3%	3%	0.0%	3%	-3.1%
Top 2-5 Clients	9%	9%	-1.1%	9%	-1.1%
Top 5	12%	12%	-0.8%	12%	-1.6%
Top 6-10	8%	7%	5.5%	8%	-3.8%
Top 10	20%	20%	1.5%	20%	-2.5%
Non Top 10 customers	80%	81%	-0.4%	80%	0.6%
Revenue from new Customers (%)	2.8%	3.6%	-80 bps	0.3%	833.3%
Customer Concentration					
Top Customer	3.1%	3.1%	0 bps	3.2%	-10 bps
Top 5	12.1%	12.2%	-10 bps	12.3%	-20 bps
Top 10	19.8%	19.5%	30 bps	20.3%	-50 bps

Source: Company, PL

Exhibit 15: Headcount Metrics

	1Q22	4Q21	QoQ gr.	1Q21	YoY gr.
Closing HC	2,09,890	1,97,712	12,178	1,82,886	28,086
Gross Utilization	77.7%	76.7%	100 bps	75%	270 bps
Net Utilization (Excl Training)	86.8%	86.0%	80 bps	84.5%	230 bps
Attrition					
IT Services excl BPO and I&ME					
Voluntary TTM	15.5%	12.1%	340 bps	10.7%	480 bps
Sales & Support Staff (IT Services) (avg)	16689	15,368	1321	14567	2,122

Source: Company, PL

Exhibit 16: Revenue contribution

	1Q22	4Q21	QoQ gr.	1Q21	YoY gr.
Revenue from FPP	63.1%	63.0%	10 bps	61.7%	140 bps
Onsite Revenue	46.0%	45.5%	50 bps	50.0%	-400 bps
Offshore Revenue	54.0%	54.5%	-50 bps	50.0%	400 bps

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
Net Revenues	619,430	773,650	888,074	994,431
YoY gr. (%)	1.5	24.9	14.8	12.0
Employee Cost	394,555	508,168	581,031	647,689
Gross Profit	224,875	265,483	307,042	346,742
Margin (%)	36.3	34.3	34.6	34.9
SG&A Expenses	-	-	-	-
Other Expenses	-	-	-	-
EBITDA	148,829	166,256	191,593	217,466
YoY gr. (%)	21.7	11.7	15.2	13.5
Margin (%)	24.0	21.5	21.6	21.9
Depreciation and Amortization	28,637	31,999	34,354	38,469
EBIT	120,192	134,257	157,239	178,998
Margin (%)	19.4	17.4	17.7	18.0
Net Interest	-	-	-	-
Other Income	18,856	20,591	23,852	29,371
Profit Before Tax	139,048	154,848	181,091	208,369
Margin (%)	22.4	20.0	20.4	21.0
Total Tax	30,341	30,678	38,469	44,259
Effective tax rate (%)	21.8	19.8	21.2	21.2
Profit after tax	108,707	124,170	142,622	164,110
Minority interest	716	216	216	216
Share Profit from Associate	0	0	0	0
Adjusted PAT	107,991	123,954	142,406	163,894
YoY gr. (%)	11.1	14.8	14.9	15.1
Margin (%)	17.4	16.0	16.0	16.5
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	107,991	123,954	142,406	163,894
YoY gr. (%)	11.1	14.8	14.9	15.1
Margin (%)	17.4	16.0	16.0	16.5
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	107,991	123,954	142,406	163,894
Equity Shares O/s (m)	5,649	5,649	5,649	5,649
EPS (Rs)	19.1	21.9	25.2	29.0

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
Non-Current Assets				
Gross Block	98,277	141,749	145,749	149,749
Tangibles	85,192	98,720	102,720	106,720
Intangibles	13,085	43,029	43,029	43,029
Acc: Dep / Amortization	-	-	-	-
Tangibles	-	-	-	-
Intangibles	-	-	-	-
Net fixed assets	98,277	141,749	145,749	149,749
Tangibles	85,192	98,720	102,720	106,720
Intangibles	13,085	43,029	43,029	43,029
Capital Work In Progress	-	-	-	-
Goodwill	139,127	223,485	223,485	223,485
Non-Current Investments	16,420	11,024	11,024	11,024
Net Deferred tax assets	-	-	-	-
Other Non-Current Assets	54,424	58,807	58,807	58,807
Current Assets				
Investments	175,707	167,034	167,034	167,034
Inventories	1,064	1,041	1,202	1,344
Trade receivables	94,298	116,736	134,747	150,662
Cash & Bank Balance	169,793	209,983	356,734	499,340
Other Current Assets	75,799	88,950	102,674	114,800
Total Assets	831,434	1,025,854	1,208,501	1,383,289
Equity				
Equity Share Capital	10,958	10,958	10,958	10,958
Other Equity	542,137	663,787	799,637	956,976
Total Network	553,095	674,745	810,595	967,934
Non-Current Liabilities				
Long Term borrowings	7,458	55,392	55,392	55,392
Provisions	-	-	-	-
Other non current liabilities	39,343	54,744	54,744	54,744
Current Liabilities				
ST Debt / Current of LT Debt	60,105	60,105	60,105	60,105
Trade payables	78,870	97,997	113,118	126,477
Other current liabilities	75,296	81,614	113,074	116,948
Total Equity & Liabilities	815,665	1,025,854	1,208,501	1,383,289

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
PBT	139,048	154,848	181,091	208,369
Add. Depreciation	28,637	31,999	34,354	38,469
Add. Interest	-	-	-	-
Less Financial Other Income	18,856	20,591	23,852	29,371
Add. Other	(15,742)	(15,923)	(19,184)	(24,703)
Op. profit before WC changes	151,943	170,924	196,261	222,134
Net Changes-WC	20,522	(12,518)	(16,776)	(14,823)
Direct tax	(24,915)	(30,678)	(38,469)	(44,259)
Net cash from Op. activities	147,550	127,727	141,015	163,053
Capital expenditures	(29,450)	(159,829)	(38,354)	(42,469)
Interest / Dividend Income	-	-	-	-
Others	37,189	27,215	19,184	24,703
Net Cash from Inv. activities	7,739	(132,613)	(19,169)	(17,765)
Issue of share cap. / premium	-	76,680	216	216
Debt changes	6,212	63,335	-	-
Dividend paid	(5,459)	(6,833)	(6,833)	(6,833)
Interest paid	(3,335)	-	-	1,000
Others	(126,258)	-	-	1,000
Net cash from Fin. activities	(128,840)	133,182	(6,617)	(4,617)
Net change in cash	26,449	128,296	115,229	140,671
Free Cash Flow	118,100	(32,102)	102,662	120,584

Source: Company Data, PL Research

Key Financial Metrics

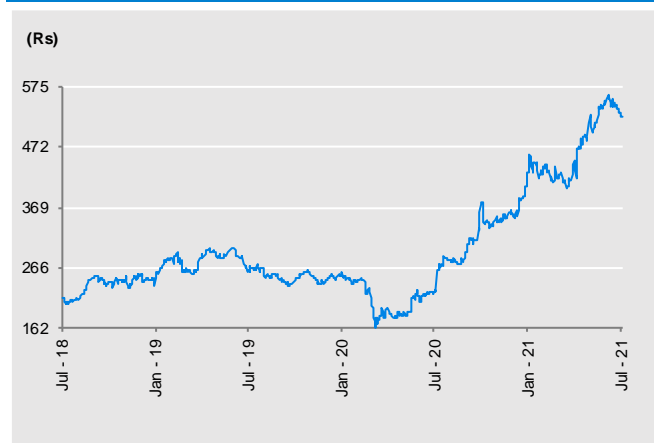
Y/e Mar	FY21	FY22E	FY23E	FY24E
Per Share(Rs)				
EPS	19.1	21.9	25.2	29.0
CEPS	24.2	27.6	31.3	35.8
BVPS	97.9	119.4	143.5	171.3
FCF	20.9	(5.7)	18.2	21.3
DPS	1.0	1.0	1.0	1.0
Return Ratio(%)				
RoCE	19.1	19.0	18.3	17.8
ROIC	20.8	18.5	21.7	24.1
RoE	19.4	20.2	19.2	18.4
Balance Sheet				
Net Debt : Equity (x)	(0.5)	(0.4)	(0.5)	(0.6)
Debtor (Days)	56	55	55	55
Valuation(x)				
PER	30.1	26.2	22.8	19.9
P/B	5.9	4.8	4.0	3.4
P/CEPS	23.8	20.9	18.4	16.1
EV/EBITDA	20.0	18.0	14.8	12.4
EV/Sales	4.8	3.9	3.2	2.7
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	Q1FY22
Net Revenue	151,145	156,700	162,454	182,524
YoY gr. (%)	(0.1)	1.3	3.4	22.4
Raw Material Expenses	98,807	96,374	101,828	119,310
Gross Profit	52,338	60,326	60,626	63,214
Margin (%)	34.6	38.5	37.3	34.6
EBITDA	34,555	41,226	41,258	41,817
YoY gr. (%)	11.8	29.6	34.0	31.5
Margin (%)	22.9	26.3	25.4	22.9
Depreciation / Depletion	6,580	7,926	7,977	8,257
EBIT	28,313	33,860	34,167	34,720
Margin (%)	18.7	21.6	21.0	19.0
Net Interest	-	-	-	-
Other Income	4,096	5,230	4,215	5,040
Profit before Tax	32,071	38,530	37,496	38,600
Margin (%)	21.2	24.6	23.1	21.1
Total Tax	7,228	8,520	7,755	6,225
Effective tax rate (%)	22.5	22.1	20.7	16.1
Profit after Tax	24,843	30,010	29,741	32,375
Minority interest	187	298	20	54
Share Profit from Associates	-	-	-	-
Adjusted PAT	24,656	29,712	29,721	32,321
YoY gr. (%)	(3.4)	21.0	27.8	35.2
Margin (%)	16.3	19.0	18.3	17.7
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	24,656	29,712	29,721	32,321
YoY gr. (%)	(3.4)	21.0	27.8	35.2
Margin (%)	16.3	19.0	18.3	17.7
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	24,656	29,712	29,721	32,321
Avg. Shares O/s (m)	5,694	5,696	5,510	5,463
EPS (Rs)	4.3	5.2	5.4	5.9

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	7-Jul-21	BUY	637	533
2	2-Jul-21	UR	-	540
3	16-Apr-21	BUY	500	431
4	5-Apr-21	BUY	476	417
5	5-Mar-21	BUY	474	439
6	14-Jan-21	BUY	493	459
7	4-Jan-21	BUY	434	388
8	23-Dec-20	BUY	415	364
9	19-Nov-20	BUY	415	345
10	14-Oct-20	BUY	415	376

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	1,832	1,577
5	L&T Technology Services	BUY	3,149	2,911
6	Larsen & Toubro Infotech	Accumulate	4,304	4,017
7	Mindtree	BUY	3,229	2,505
8	Mphasis	BUY	2,335	2,161
9	Persistent Systems	UR	-	2,965
10	Redington (India)	BUY	301	279
11	Sonata Software	BUY	834	757
12	Tata Consultancy Services	BUY	3,776	3,259
13	TeamLease Services	BUY	4,136	3,604
14	Tech Mahindra	BUY	1,174	1,085
15	Wipro	BUY	637	533
16	Zensar Technologies	BUY	290	276

PL's Recommendation Nomenclature (Absolute Performance)

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

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