

TCS

Refer to important disclosures at the end of this report

Operating performance misses expectations

- TCS Q2 operating performance missed expectations, reporting lower-than-expected revenue and EBITM. Revenue grew 4.2%/15.5% QoQ/YoY in CC terms. EBITM expanded by ~10bps QoQ to 25.6% due to headwinds from supply-side inflation and currency.
- Revenue growth was broad-based and all verticals posted double-digit CC growth YoY. Growth was led by Manufacturing (21.7% CC YoY), Life Sciences & Healthcare (19%), Retail & CPG (18.4%), and BFSI (17%). All geographies, except for Asia Pacific, posted double-digit growth YoY.
- Strong and sustained demand environment, broad-based growth, healthy deal intake (USD15.7bn in H1), and traction in cloud, enterprise application services, analytics and IoT give management confidence of sustaining a robust revenue growth trajectory.
- We cut our FY22/23/24 EPS estimates by 1.2%/0.3%/0.3% after factoring in the Q2 performance miss. The operating performance miss for the second consecutive quarter and rich valuations will weigh on stock performance. Maintain Hold with a TP of Rs3,700 (28x Sep'23E EPS).

What we liked? Healthy deal intake (USD7.6bn), broad-based revenue growth, rebound in India business (~15% QoQ CC)

What we did not like? Uptick in attrition (LTM attrition inched up to 11.9% in Q2 vs. 8.6% QoQ); growth moderation in Continental Europe, MEA and APAC.

Revenue growth healthy but lower than expectations: Revenue grew 2.9% QoQ to USD6.33bn in Q2, missing our/consensus expectations. Revenue growth (excluding India) decelerated on a sequential basis to 2.4% from 3.8% in Q1 in USD terms. Continental Europe had another soft quarter due to increased offshoring, completion of a large program and slowdown in some industries. Management expects it to be temporary as deal momentum remains healthy and broad-based. TCS continued to see robust demand for transformation services as customers took a longer-term view of their businesses, driven by improving vaccination levels and business outlook. The company has signed deals worth USD7.6bn in Q2, with a book-to-bill ratio of 1.2x. Management indicated that the deal intake remained well-balanced across deal sizes in Q2. Management remains confident of delivering double-digit revenue growth in FY22, aided by a healthy deal wins/deal pipeline and broad-based growth. Pricing remains stable at the portfolio level.

EBITM expanded ~10bps sequentially: Supply-side challenges, higher subcontracting expenses (partly due to travel restrictions) and adverse currency movement restricted margin expansion to ~10bps QoQ to 25.6% in Q2. Management expects supply-side challenges to persist for the next 2-3 quarters, which would weigh on margins in H2 even though normalization of salary hikes and revenue growth-led operating leverage may drive margin expansion.

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

Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
Revenue	15,69,490	16,41,770	19,11,084	22,13,281	25,50,912
EBITDA	4,21,100	4,53,280	5,37,198	6,16,173	7,07,608
EBITDA Margin (%)	26.8	27.6	28.1	27.8	27.7
APAT	3,23,400	3,24,300	3,89,862	4,55,026	5,25,951
EPS (Rs)	86.2	87.7	105.4	123.0	142.2
EPS (% chg)	2.8	1.7	20.2	16.7	15.6
ROE (%)	36.4	37.1	39.7	38.1	36.4
P/E (x)	45.7	44.9	37.3	32.0	27.7
EV/EBITDA (x)	34.4	31.4	26.1	22.5	19.2
P/BV (x)	17.1	16.4	13.5	11.1	9.2

Source: Company, Emkay Research

CMP Rs 3,936 as of (October 8, 2021)	Target Price Rs 3,700 (■) 12 months
Rating HOLD (■)	Upside (6.0) %

Change in Estimates

EPS Chg FY22E/FY23E (%)	(1.2)/(0.3)
Target Price change (%)	-
Target Period (Months)	12
Previous Reco	HOLD

Emkay vs Consensus

EPS Estimates		
	FY22E	FY23E
Emkay	105.4	123.0
Consensus	105.9	119.0
Mean Consensus TP (12M)	Rs 3,897	

Stock Details

Bloomberg Code	TCS IN
Face Value (Rs)	1
Shares outstanding (mn)	3,699
52 Week H/L	3,990 / 2,600
M Cap (Rs bn/USD bn)	14,558 / 194.13
Daily Avg Volume (nos.)	25,13,905
Daily Avg Turnover (US\$ mn)	119.0

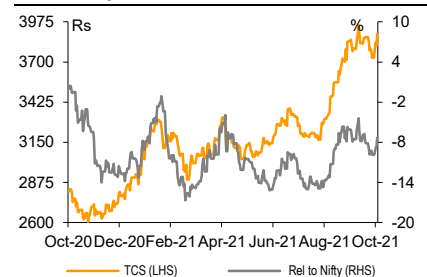
Shareholding Pattern Jun '21

Promoters	72.2%
FIIIs	15.4%
DIIIs	8.0%
Public and Others	4.4%

Price Performance

(%)	1M	3M	6M	12M
Absolute	4	21	19	39
Rel. to Nifty	1	6	(1)	(8)

Relative price chart



Source: Bloomberg

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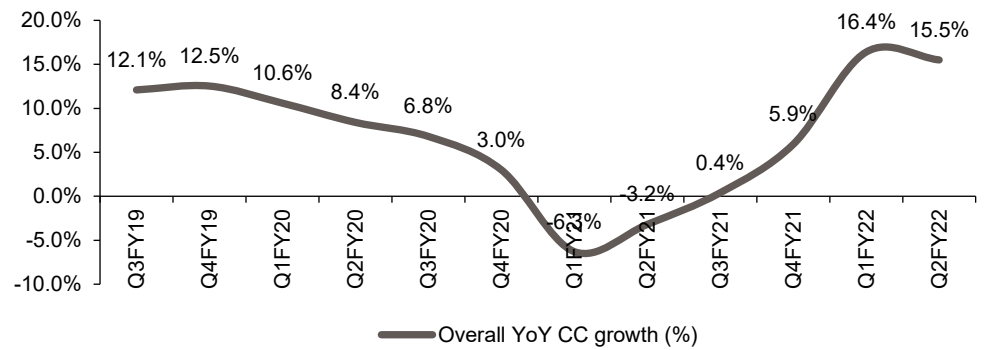
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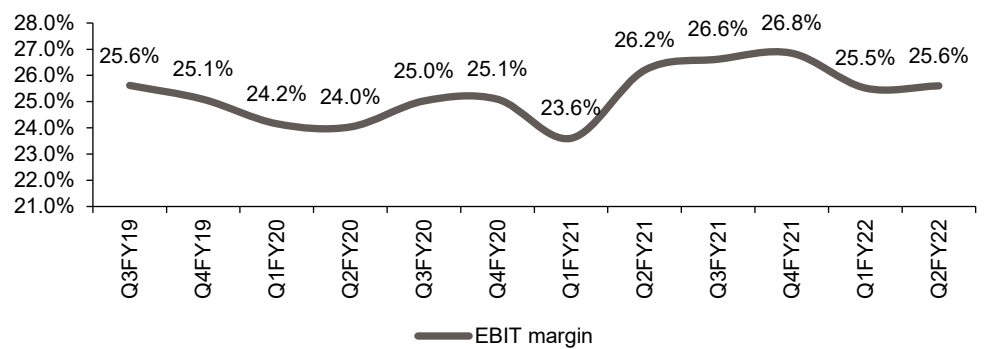
Story in Charts

Exhibit 1: YoY CC revenue growth remains healthy at 15.5%



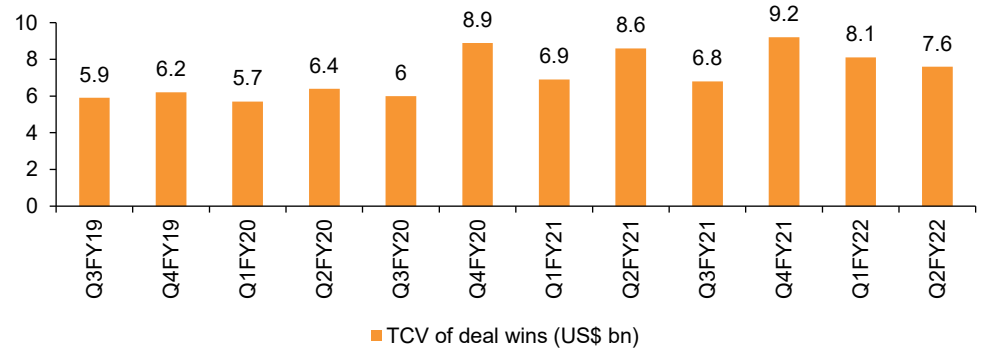
Source: Company, Emkay Research

Exhibit 2: Supply-side inflation restricts margin expansion to ~10bps sequentially



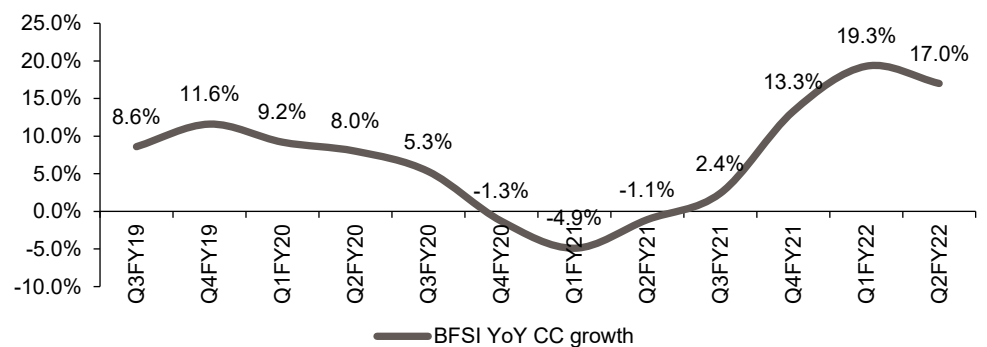
Source: Company, Emkay Research

Exhibit 3: Deal intake remains healthy in Q2FY22



Source: Company, Emkay Research

Exhibit 4: BFSI YoY CC growth rate remains healthy but moderates a bit

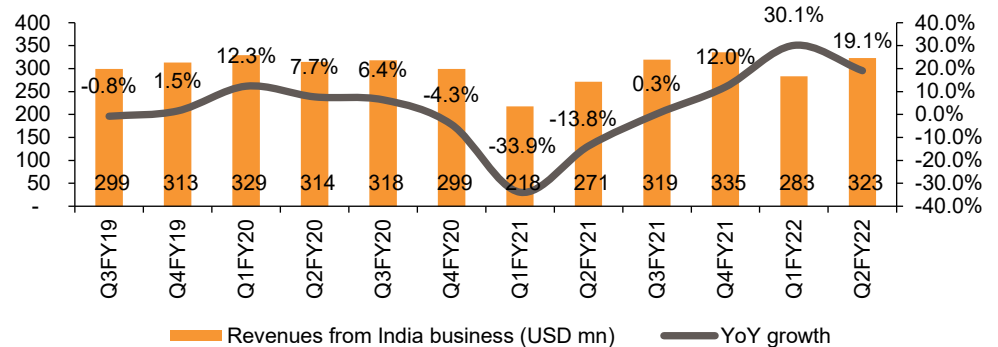


Source: Company, Emkay Research

Revenue growth misses expectations

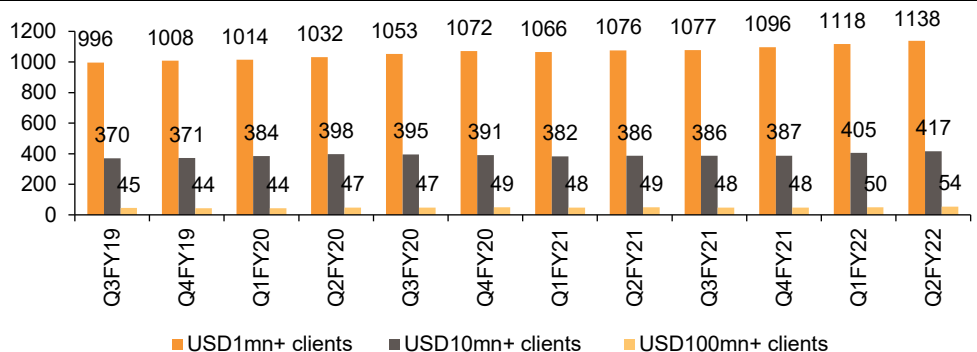
Revenue grew 2.9%/16.8% QoQ/YoY to USD6.33bn in Q2 (4.2%/15.5% on QoQ/YoY in CC terms), missing our/consensus expectations. India bounced back strongly, as expected; however, USD revenue growth (excluding India) decelerated on a sequential basis to 2.4% from 3.8% in Q1. The company is making the necessary investments into relevant capabilities and offerings to capitalize on the once-in-a-decade opportunity amid a strong demand environment to position itself as the preferred growth and transformation partner to customers. TCS continued to see robust demand for transformation services as customers took a longer-term view of their businesses, driven by improving vaccination levels and business outlook. Revenue growth was broad-based and all verticals posted double-digit CC growth YoY in Q2. Growth was led by Manufacturing (21.7% CC YoY), Life Sciences & Healthcare (19%), Retail & CPG (18.4%), BFSI (17%), and Communication and Media (15.6%). All geographies, except for Asia Pacific, posted double-digit growth YoY, with North America growing 17.4% YoY CC, Latin America 15.2%, UK 15.6%, India 20.1%, MEA 13.8%, and Continental Europe 13.5%.

Exhibit 5: Revenues from India business rebounded strongly in Q2FY22



Source: Company, Emkay Research

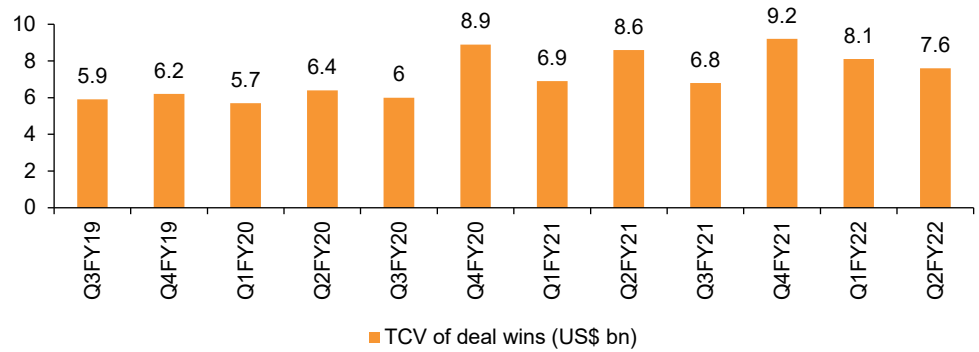
Exhibit 6: Steady improvement across client buckets



Source: Company, Emkay Research

Deal intake remains robust

TCS reported robust deal wins of USD7.6bn (book-to-bill: 1.2x) for the quarter, with a good mix of small, mid-sized and large deals. The TCV of deals signed in BFSI, Retail and North America stood at USD2.1bn, USD1.2bn and USD3.9bn, respectively. The deal intake stood at USD7.6bn in Q2, down 11.6 YoY on reported basis. However, adjusted for ~USD2.5bn mega deal in base quarter, deal intake grew ~25% YoY in Q2.

Exhibit 7: Deal intake remains healthy in Q2FY22

Source: Company, Emkay Research

Other Takeaways

- The company declared a dividend of Rs7 per share.
- Sequential addition of 19,690 employees, taking the total headcount to 528,748. TCS has on boarded 43,000 fresh graduates in H1FY22.
- Pricing remains stable at the portfolio level - digital projects command pricing premium; however, consolidation-led deals remain competitively priced in and negates any pricing benefits from digital projects.
- TCS plans to gradually get its employees back to office by the end of FY22, considering the progress made on the vaccination front (70% workforce fully vaccinated and over 95% received at least one dose).
- OCF/EBITDA at 75.8% in Q2 vs. 81.3% QoQ and 92.7% YoY

Exhibit 8: Actual vs. Estimates (Q2FY22)

(in Rs mn)	Actual	Estimates		% variation		Comment
		Emkay	Consensus	Emkay	Consensus	
Revenues (in US\$ mn)	6,333	6,443	6,399	-1.7%	-1.0%	Revenues missed expectations due to softness in Continental Europe, APAC and MEA business
Sales	4,68,670	4,76,800	4,73,557	-1.7%	-1.0%	
EBIT	1,20,000	1,24,778	1,22,447	-3.8%	-2.0%	EBITM missed expectations due to a revenue miss and supply-side inflation
EBIT, margin	25.6%	26.2%	25.9%	-60 bps	-30 bps	
PAT	96,240	99,182	96,522	-3.0%	-0.3%	PAT missed expectations due to operating performance miss

Source: Company, Bloomberg, Emkay Research

Exhibit 9: Quarterly Snapshot

Rs mn	Q2 FY21	Q3 FY21	Q4 FY21	Q1 FY22	Q2 FY22	YoY (%)	QoQ (%)	FY21 YTD	FY22 YTD	YoY (%)
Revenue (US\$ Mn)	5,424	5,702	5,989	6,154	6,333	16.8	2.9	10,483	12,487	19.1
Revenue	4,01,350	4,20,150	4,37,050	4,54,110	4,68,670	16.8	3.2	7,84,570	9,22,780	17.6
Operating Expenditure	2,98,400	2,98,080	3,09,040	3,27,470	3,37,520	13.1	3.1	5,81,370	6,64,990	14.4
Cost of revenues	2,29,580	2,37,490	2,48,600	2,62,400	2,70,480	17.8	3.1	4,54,440	5,32,880	17.3
as % of sales	57.2	56.5	56.9	57.8	57.7			57.9	57.7	
SG&A expenses	68,820	60,590	60,440	65,070	67,040	(2.6)	3.0	1,26,930	1,32,110	4.1
as % of sales	17.1	14.4	13.8	14.3	14.3			16.2	14.3	
EBITDA	1,02,950	1,22,070	1,28,010	1,26,640	1,31,150	27.4	3.6	2,03,200	2,57,790	26.9
Depreciation	9,980	10,230	10,670	10,760	11,150			19,750	21,910	
EBIT	92,970	1,11,840	1,17,340	1,15,880	1,20,000	29.1	3.6	1,83,450	2,35,880	28.6
Other Income	7,400	5,080	7,930	5,750	9,690			11,960	15,440	
PBT	1,00,370	1,16,920	1,25,270	1,21,630	1,29,690	29.2	6.6	1,95,410	2,51,320	28.6
Total Tax	25,330	29,650	32,450	31,320	33,160			49,880	64,480	
Adjusted PAT	75,040	87,270	92,820	90,310	96,530	28.6	6.9	1,45,530	1,86,840	28.4
(Profit)/loss from JV's/Ass/MI	-290	-260	-360	-230	-290	-	26.1	-700	-520	
APAT after MI	74,750	87,010	92,460	90,080	96,240	28.7	6.8	1,44,830	1,86,320	28.6
Reported EPS (Rs)	19.9	23.2	25.0	24.4	26.0	30.6	6.8	39	50	30.5

Margins (%)					(bps)	(bps)				(bps)
EBIDTA	25.7	29.1	29.3	27.9	28.0	233	10	25.9	27.9	204
EBIT	23.2	26.6	26.8	25.5	25.6	244	9	23.4	25.6	218
EBT	25.0	27.8	28.7	26.8	27.7	266	89	24.9	27.2	233
PAT	18.6	20.7	21.2	19.8	20.5	191	70	18.5	20.2	173
Effective Tax rate	25.2	25.4	25.9	25.8	25.6	33	(18)	25.5	25.7	13

Source: Company, Emkay Research

Exhibit 10: Revenue by Geography

Particulars	As % of revenue				
	Q2FY22	Q1FY22	Q2FY21	QoQ (%)	YoY (%)
North Americas	50.3%	49.4%	49.9%	4.8%	17.7%
Latin America	1.6%	1.6%	1.7%	2.9%	9.9%
UK	16.1%	16.3%	15.5%	1.6%	21.3%
Continental Europe	15.9%	16.7%	16.3%	-2.0%	13.9%
India	5.1%	4.6%	5.0%	14.1%	19.1%
Asia Pacific	9.0%	9.3%	9.7%	-0.4%	8.3%
MEA	2.0%	2.1%	1.9%	-2.0%	22.9%
Total	100.0%	100.0%	100.0%	2.9%	16.8%

Source: Company, Emkay Research

Exhibit 11: Revenue by verticals

Particulars	As % of revenue				
	Q2FY22	Q1FY22	Q2FY21	QoQ (%)	YoY (%)
BFSI	32.4%	32.5%	31.9%	2.6%	18.6%
Retail & CPG	15.0%	14.8%	14.6%	4.3%	20.0%
Communication & Media	6.5%	6.4%	6.5%	4.5%	16.8%
Manufacturing	9.9%	9.8%	9.4%	4.0%	23.0%
Life Science & Healthcare	10.0%	10.2%	9.8%	0.9%	19.1%
Technology & Services	8.8%	8.6%	8.9%	5.3%	15.4%
Regional Markets & Others	17.4%	17.7%	18.9%	1.2%	7.5%
Total	100.0%	100.0%	100.0%	2.9%	16.8%

Source: Company, Emkay Research

Exhibit 12: Client data (LTM)

No. of clients	Q2 FY20	Q3 FY20	Q4 FY20	Q1 FY21	Q2 FY21	Q3 FY21	Q4 FY21	Q1 FY22	Q2 FY22
USD 1 mn clients *	1032	1053	1072	1066	1076	1077	1096	1118	1138
USD 5 mn clients *	554	557	565	564	565	565	569	586	609
USD 10 mn clients *	398	395	391	382	386	386	387	405	417
USD 20 mn clients *	225	232	240	230	228	229	228	241	247
USD 50 mn clients *	101	102	105	100	97	97	101	105	114
USD 100 mn clients *	47	47	49	48	49	48	48	50	54

Source: Company, Emkay Research

Exhibit 13: Segmental performance

Revenue (US\$ mn)	Q2 FY20	Q3 FY20	Q4 FY20	Q1 FY21	Q2 FY21	Q3 FY21	Q4 FY21	Q1 FY22	Q2 FY22
BFSI	2183	2170	2073	2017	2181	2260	2406	2460	2492
Manufacturing	572	585	575	513	517	547	577	596	613
Retail and consumer business	915	940	911	780	859	888	929	972	1011
Communication, media and tech	903	926	920	857	887	947	965	1004	1045
Others	944	965	964	892	980	1060	1112	1122	1172
Total	5517	5586	5443	5059	5424	5702	5989	6154	6333

Growth YoY (%)	Q2 FY20	Q3 FY20	Q4 FY20	Q1 FY21	Q2 FY21	Q3 FY21	Q4 FY21	Q1 FY22	Q2 FY22
BFSI	5.3%	4.8%	-3.3%	-6.3%	-0.1%	4.1%	16.1%	22.0%	14.3%
Manufacturing	3.1%	5.0%	-0.2%	-11.7%	-9.6%	-6.5%	0.3%	16.2%	18.6%
Retail and consumer business	1.9%	3.6%	-0.7%	-15.5%	-6.1%	-5.5%	2.0%	24.6%	17.7%
Communication, media and tech	6.2%	8.2%	6.4%	-4.4%	-1.8%	2.3%	4.9%	17.2%	17.8%
Others	12.5%	12.2%	7.7%	-4.4%	3.8%	9.8%	15.4%	25.8%	19.6%
Total	5.8%	6.4%	0.9%	-7.8%	-1.7%	2.1%	10.0%	21.6%	16.8%

EBITDAM (%)	Q2 FY20	Q3 FY20	Q4 FY20	Q1 FY21	Q2 FY21	Q3 FY21	Q4 FY21	Q1 FY22	Q2 FY22
BFSI	27.6%	28.5%	27.4%	26.9%	29.6%	28.8%	28.4%	27.0%	26.8%
Manufacturing	26.0%	27.2%	28.2%	25.5%	26.9%	29.6%	30.3%	30.4%	30.0%
Retail and consumer business	25.1%	26.8%	26.3%	22.1%	29.1%	30.0%	30.1%	29.2%	28.0%
Communication, media and tech	28.9%	29.2%	31.1%	29.1%	29.2%	29.6%	30.5%	30.3%	30.9%
Others	21.7%	23.2%	24.7%	25.6%	26.9%	27.9%	29.0%	25.3%	26.8%
Total	26.2%	27.3%	27.5%	26.1%	28.7%	29.0%	29.3%	27.9%	28.0%

Source: Company, Emkay Research

Exhibit 14: Changes in estimates

(Rs mn)	FY22E			FY23E			FY24E		
	Old	New	% change	Old	New	% change	Old	New	% change
Revenues (US\$ mn)	25,838	25,664	-0.7%	29,206	29,122	-0.3%	33,010	32,915	-0.3%
YoY growth, %	16.5	15.7		13.0	13.5		13.0	13.0	
Revenues	19,23,948	19,11,084	-0.7%	22,19,674	22,13,281	-0.3%	25,58,288	25,50,912	-0.3%
EBIT	4,99,553	4,92,557	-1.4%	5,65,810	5,64,161	-0.3%	6,49,553	6,47,661	-0.3%
EBIT Margins, %	26.0	25.8		25.5	25.5		25.4	25.4	
Net profits	3,94,481	3,89,862	-1.2%	4,56,414	4,55,026	-0.3%	5,27,600	5,25,951	-0.3%
EPS (Rs)	106.6	105.4	-1.2%	123.4	123.0	-0.3%	142.6	142.2	-0.3%

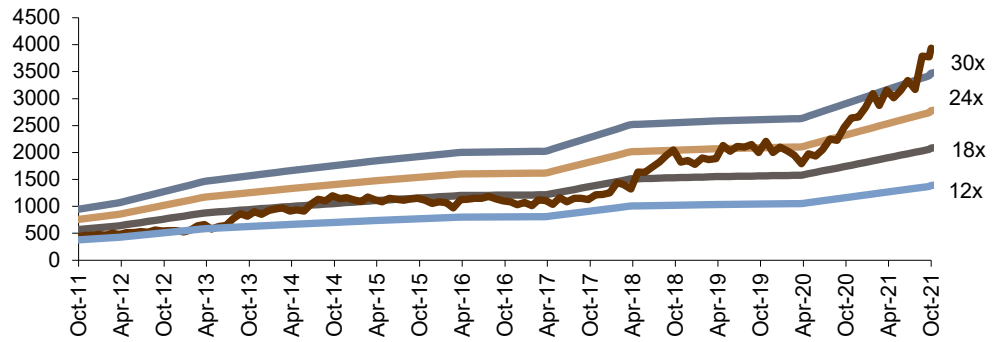
Source: Company, Emkay Research

Exhibit 15: Key Assumptions

	FY22E	FY23E	FY24E
USD Revenues growth (%)	15.7	13.5	13.0
USD/INR	74.5	76.0	77.5
INR revenue growth (%)	16.4%	15.8%	15.3%
EBIT Margins	25.8	25.5	25.4
EPS growth (%)	20.2%	16.7%	15.6%

Source: Emkay Research

Exhibit 16: 1-year forward P/E band



Source: Bloomberg, 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/EBITDA (x)		
				FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
TCS	HOLD	3,936	3,700	15.7	13.5	13.0	105.4	123.0	142.2	37.3	32.0	27.7	26.1	22.5	19.2
Infosys	BUY	1,724	1,900	18.3	14.0	13.0	52.8	62.5	72.6	32.7	27.6	23.7	21.8	18.2	15.6
Wipro	HOLD	661	600	26.7	12.0	10.0	22.1	24.4	27.8	29.9	27.1	23.8	19.8	17.0	15.0
HCL Tech	BUY	1,322	1,380	12.3	11.0	10.0	51.0	57.0	64.2	25.9	23.2	20.6	15.8	14.0	12.4
Tech Mahindra	BUY	1,440	1,700	13.7	10.0	10.0	61.8	68.9	77.6	23.3	20.9	18.6	14.3	12.5	11.0
L&T Infotech	HOLD	5,984	4,930	21.0	17.0	16.0	127.0	150.8	179.3	47.1	39.7	33.4	33.9	28.5	24.0
Mphasis	HOLD	3,248	2,900	20.3	16.3	13.9	77.0	90.1	108.0	42.2	36.0	30.1	27.5	23.1	19.3
Mindtree	SELL	4,456	3,070	25.0	17.0	15.0	86.0	96.6	109.7	51.8	46.1	40.6	35.1	30.8	26.6
Persistent Systems	BUY	4,013	3,800	32.5	23.0	17.0	85.5	103.8	125.9	46.9	38.6	31.9	30.7	24.0	19.6
Coforge	SELL	5,645	4,550	39.4	18.1	15.0	110.8	142.9	170.7	51.0	39.5	33.1	30.0	23.7	20.2
Birlasoft	BUY	435	500	14.3	14.5	14.5	15.7	18.3	22.0	27.8	23.7	19.8	16.9	14.0	11.4
Firstsource Solutions	HOLD	211	220	18.3	12.0	11.7	8.0	9.6	11.2	26.3	22.1	18.8	15.4	13.1	11.2

Source: Company, Emkay Research

Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
Revenue	15,69,490	16,41,770	19,11,084	22,13,281	25,50,912
Expenditure	11,48,390	11,88,490	13,73,886	15,97,109	18,43,304
EBITDA	4,21,100	4,53,280	5,37,198	6,16,173	7,07,608
Depreciation	35,300	40,650	44,641	52,012	59,946
EBIT	3,85,800	4,12,630	4,92,557	5,64,161	6,47,661
Other Income	36,680	24,970	32,889	48,317	60,118
Interest expenses	0	0	0	0	0
PBT	4,22,480	4,37,600	5,25,446	6,12,478	7,07,779
Tax	98,010	1,11,980	1,34,382	1,56,182	1,80,484
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	1,070	1,320	1,202	1,270	1,345
Reported Net Income	3,23,400	3,24,300	3,89,862	4,55,026	5,25,951
Adjusted PAT	3,23,400	3,24,300	3,89,862	4,55,026	5,25,951

Balance Sheet

Y/E Mar (Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
Equity share capital	3,750	3,700	3,700	3,700	3,700
Reserves & surplus	8,58,650	8,81,850	10,75,662	13,05,046	15,75,761
Net worth	8,62,400	8,85,550	10,79,362	13,08,746	15,79,461
Minority Interest	6,230	6,750	7,952	9,222	10,567
Loan Funds	81,740	77,950	52,000	52,000	52,000
Net deferred tax liability	(20,230)	(31,360)	(27,000)	(27,000)	(27,000)
Total Liabilities	9,30,140	9,38,890	11,12,314	13,42,968	16,15,029
Net block	2,40,650	2,41,960	2,39,280	2,38,280	2,39,280
Investment	2,75,090	3,23,540	3,98,260	5,78,260	5,78,260
Current Assets	6,86,370	7,24,280	8,49,697	9,45,532	12,64,139
Cash & bank balance	86,460	68,580	1,65,922	1,88,091	4,13,046
Other Current Assets	2,33,290	2,85,800	2,64,907	2,72,338	2,91,988
Current liabilities & Provision	2,71,970	3,50,890	3,74,923	4,19,104	4,66,650
Net current assets	4,14,400	3,73,390	4,74,774	5,26,428	7,97,489
Misc. exp	0	0	0	0	0
Total Assets	9,30,140	9,38,890	11,12,314	13,42,968	16,15,029

Cash Flow

Y/E Mar (Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
PBT (Ex-Other income) (NI+Dep)	3,23,400	3,24,300	3,89,862	4,55,026	5,25,951
Other Non-Cash items	97,610	1,24,800	1,202	1,270	1,345
Chg in working cap	(45,000)	10,920	318	(29,485)	(46,105)
Operating Cashflow	3,53,910	4,11,070	4,36,023	4,78,823	5,41,137
Capital expenditure	(30,570)	(28,200)	(41,961)	(51,012)	(60,946)
Free Cash Flow	3,23,340	3,82,870	3,94,062	4,27,811	4,80,190
Investments	76,760	(82,480)	(74,720)	(1,80,000)	0
Other Investing Cash Flow	0	0	0	0	0
Investing Cashflow	46,190	(1,10,680)	(1,16,681)	(2,31,012)	(60,946)
Equity Capital Raised	0	(1,97,570)	0	0	0
Loans Taken / (Repaid)	(12,890)	(13,360)	(25,950)	0	0
Dividend paid (incl tax)	(3,77,020)	(1,09,070)	(1,96,050)	(2,25,642)	(2,55,235)
Other Financing Cash Flow	4,030	1,730	0	0	0
Financing Cashflow	(3,85,880)	(3,18,270)	(2,22,000)	(2,25,642)	(2,55,235)
Net chg in cash	14,220	(17,880)	97,342	22,169	2,24,956
Opening cash position	72,240	86,460	68,580	1,65,922	1,88,091
Closing cash position	86,460	68,580	1,65,922	1,88,091	4,13,046

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY20	FY21	FY22E	FY23E	FY24E
EBITDA Margin	26.8	27.6	28.1	27.8	27.7
EBIT Margin	24.6	25.1	25.8	25.5	25.4
Effective Tax Rate	23.2	25.6	25.6	25.5	25.5
Net Margin	20.7	19.8	20.5	20.6	20.7
ROCE	46.0	46.8	51.2	49.9	47.9
ROE	36.4	37.1	39.7	38.1	36.4
RoIC	73.2	74.0	90.0	100.3	107.9

Per Share Data (Rs)	FY20	FY21	FY22E	FY23E	FY24E
EPS	86.2	87.7	105.4	123.0	142.2
CEPS	95.6	98.7	117.5	137.1	158.4
BVPS	229.8	239.4	291.8	353.8	427.0
DPS	73.0	38.0	53.0	61.0	69.0

Valuations (x)	FY20	FY21	FY22E	FY23E	FY24E
PER	45.7	44.9	37.3	32.0	27.7
P/CEPS	41.2	39.9	33.5	28.7	24.8
P/BV	17.1	16.4	13.5	11.1	9.2
EV / Sales	9.2	8.7	7.3	6.3	5.3
EV / EBITDA	34.4	31.4	26.1	22.5	19.2
Dividend Yield (%)	1.9	1.0	1.3	1.5	1.8

Gearing Ratio (x)	FY20	FY21	FY22E	FY23E	FY24E
Net Debt/ Equity	(0.3)	(0.4)	(0.5)	(0.5)	(0.6)
Net Debt/EBIDTA	(0.7)	(0.7)	(1.0)	(1.2)	(1.3)
Working Cap Cycle (days)	76.3	67.8	59.0	55.8	55.0

Growth (%)	FY20	FY21	FY22E	FY23E	FY24E
Revenue	7.2	4.6	16.4	15.8	15.3
EBITDA	6.6	7.6	18.5	14.7	14.8
EBIT	3.0	7.0	19.4	14.5	14.8
PAT	2.8	0.3	20.2	16.7	15.6

Quarterly (Rs mn)	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22
Revenue	4,01,350	4,20,150	4,37,050	4,54,110	4,68,670
EBITDA	1,02,950	1,22,070	1,28,010	1,26,640	1,31,150
EBITDA Margin (%)	25.7	29.1	29.3	27.9	28.0
PAT	74,750	87,010	92,460	90,080	96,240
EPS (Rs)	19.9	23.2	25.0	24.4	26.0

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21
Promoters	72.1	72.1	72.1	72.2	72.2
FIs	15.9	16.0	15.9	15.6	15.4
DIs	8.0	7.9	7.7	7.8	8.0
Public and Others	4.1	4.1	4.4	4.4	4.4

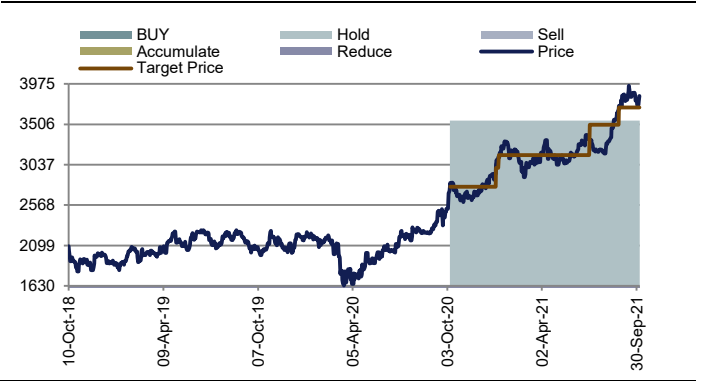
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
02-Oct-21	3,730	3,700	12m	Hold	Dipeshkumar Mehta
27-Aug-21	3,720	3,700	12m	Hold	Dipeshkumar Mehta
09-Jul-21	3,208	3,500	12m	Hold	Dipeshkumar Mehta
02-Jul-21	3,325	3,500	12m	Hold	Dipeshkumar Mehta
13-Apr-21	3,104	3,150	12m	Hold	Dipeshkumar Mehta
05-Apr-21	3,239	3,150	12m	Hold	Dipeshkumar Mehta
09-Jan-21	3,121	3,150	12m	Hold	Dipeshkumar Mehta
04-Jan-21	3,039	3,000	12m	Hold	Dipeshkumar Mehta
18-Dec-20	2,861	2,780	12m	Hold	Dipeshkumar Mehta
08-Oct-20	2,826	2,780	12m	Hold	Dipeshkumar Mehta

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Emkay Alpha Portfolio – Information Technology



Analyst: Dipesh Mehta

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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)
Information Technology	13.96	13.68	-2%	-28	100.00
BirlaSoft	0.00	0.06	NA	6	0.47
Coforge	0.00	0.00	NA	0	0.00
eClerx Services*	0.00	0.00	NA	0	0.00
Firstsource Solutions	0.00	0.04	NA	4	0.31
HCL Tech	1.37	1.47	7%	10	10.53
Infosys	6.04	6.22	3%	17	44.54
Intellect Design*	0.00	0.00	NA	0	0.00
L&T Infotech	0.25	0.00	-100%	-25	0.00
Majesco*	0.00	0.00	NA	0	0.00
Mindtree	0.25	0.00	-100%	-25	0.00
Mphasis	0.25	0.18	-28%	-7	1.31
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*	0.11	0.00	-100%	-11	0.00
Persistent Systems	0.00	0.38	NA	38	2.72
Ramco Systems*	0.00	0.00	NA	0	0.00
TCS	3.90	3.67	-6%	-23	26.33
Tech Mahindra	0.85	0.98	16%	13	7.05
Wipro	0.92	0.67	-28%	-25	4.78
Cash	0.00	0.28	NA	28	1.97

Source: Emkay Research

* Not under coverage: Equal Weight

■ High Conviction/Strong Over Weight ■ High Conviction/Strong Under Weight

Sector portfolio NAV

	Base					Latest
	1-Apr-19	8-Oct-20	8-Apr-21	8-Jul-21	7-Sep-21	7-Oct-21
EAP - Information Technology	100.0	148.4	186.9	199.8	230.0	232.9
BSE200 Neutral Weighted Portfolio (ETF)	100.0	140.9	176.3	185.4	215.6	218.0

*Performance measurement base date 1st April 2019

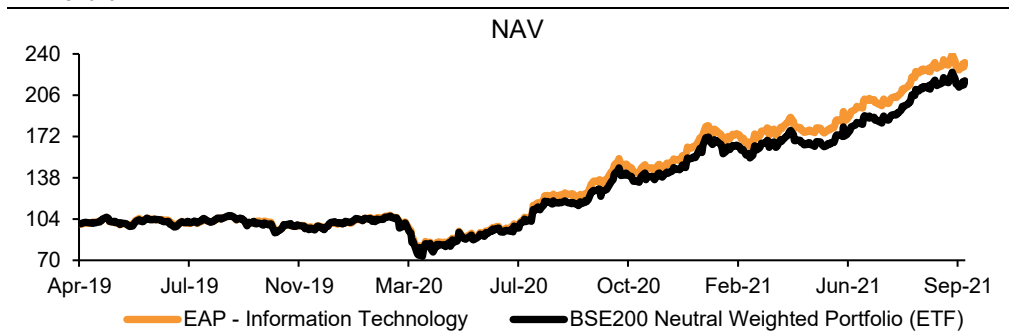
Source: Emkay Research

Price Performance (%)

	1m	3m	6m	12m
EAP - Information Technology	1.2%	16.6%	24.6%	57.0%
BSE200 Neutral Weighted Portfolio (ETF)	1.1%	17.6%	23.7%	54.7%

Source: Emkay Research

NAV chart



Source: Emkay Research

Please see our model portfolio (Emkay Alpha Portfolio): [Nifty](#)

Please see our model portfolio (Emkay Alpha Portfolio): [SMID](#)

“Emkay Alpha Portfolio – SMID and Nifty are a supporting document to the Emkay Alpha Portfolios Report and is updated on regular intervals”

Emkay Rating Distribution

Ratings	Expected Return within the next 12-18 months.
BUY	Over 15%
HOLD	Between -5% to 15%
SELL	Below -5%

Completed Date: 09 Oct 2021 05:04:30 (SGT)

Dissemination Date: 09 Oct 2021 05:05:30 (SGT)

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