

HCL Tech

Refer to important disclosures at the end of this report

Services biz momentum intact; in-line FY23 guidance

CMP	Target Price
Rs 1,099 as of (April 21, 2022)	Rs 1,400 (▼) 12 months
Rating	Upside
BUY (■)	27.4 %

- HCLT delivered broadly in line operating performance in Q4. Revenue grew 0.5% QoQ to USD2.99bn (1.1% CC) on the back of continued traction in Services (5% CC). Products & Platforms declined 24% CC due to seasonality. EBITM declined by 110bps to 17.9%.
- It signed 6 large services and 4 product deals across technology & services, life sciences & healthcare and public services verticals for a total new deal TCV of USD2.3bn (6% QoQ). Broad-based demand, robust deal intake and pipeline augur well for revenue acceleration.
- HCLT has guided for revenue growth of 12-14% CC in FY23 on the back of continued traction in the services business, healthy deal intake and deal pipeline (close to all time high). It has guided for 18-20% EBITM guidance for FY23, considering supply-side challenges and planned investments in Mode 2 capabilities and markets.
- We cut FY23/FY24 EPS estimates by 3%/2.7%, factoring in Q4 performance and FY23 guidance. Revenue growth momentum is encouraging; however, pressure on Services margin led to earnings cut. We maintain Buy with a TP of Rs1,400 at 22x Mar'24E EPS considering attractive valuations, steady cash generation and ~4% dividend yield.

What we liked? Continued acceleration in Services and ER&D revenue, healthy deal intake (New deal TCV at USD2.3bn), broad-based revenue growth, ~88% dividend payout

What we did not like? Weakness in Products & Platform business (-24% QoQ CC), increase in attrition (21.9% on LTM basis vs 19.8% QoQ)

Services business momentum intact; FY23 revenue growth to be within 12-14% CC range: Revenue grew 0.5% QoQ to USD2.99bn (1.1% CC), impacted by the seasonal decline in the products and platforms business. Revenue growth was aided by continued traction in the Services business (grown organically by over 5% CQGR in the last three quarters). The company expects the Products and Platforms business to be volatile in coming quarters; however, it did indicate that it was seeing good synergies between the Product and Services businesses (~10% of deal pipeline for Services biz was from Product and Platform business clients). Revenue growth was led by Mode 2 offerings (7.8% QoQ CC) and Mode 1 offerings (3.5% QoQ CC), while Mode 3 offerings declined by 20.1% after a strong show in Q3. HCLT continues to see strong momentum in Cloud, Digital & Engineering services and has guided for 12-14% CC growth in FY23 (guidance implies 2.5%-3.2% CQGR in FY23) on the back of continued traction in the services business, healthy deal intake (USD8.3bn in FY22) and robust deal pipeline (close to all time high).

EBITM declines ~110bps QoQ; FY23 EBITM expected to be 18-20%: Q4FY22 EBITM declined by 110bps QoQ to 17.9%, in line with estimates. Services business margin improved by 85bps QoQ on the back of recovery in the seasonal leave impact (+65bp) and other operating efficiencies (+20bps). However, the sharp decline in Products & Platform business margin (-1,160bps) negated improvement in Services business margins and led to a net negative sequential impact of 110bps on EBITM. HCLT has lowered its EBITM guidance range to 18-20% for FY23, considering salary inflation, supply-side challenges and planned investments in Mode 2 capabilities and markets.

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

Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22	FY23E	FY24E
Revenue	706,780	753,790	856,510	988,124	1,115,105
EBITDA	166,930	207,750	205,300	226,301	255,653
EBITDA Margin (%)	23.6	27.6	24.0	22.9	22.9
APAT	110,620	111,440	134,990	147,600	171,665
EPS (Rs)	40.8	41.1	49.7	54.4	63.3
EPS (% chg)	9.2	0.7	21.1	9.3	16.3
ROE (%)	23.4	19.9	22.2	23.2	25.5
P/E (x)	27.0	26.8	22.1	20.2	17.4
EV/EBITDA (x)	17.4	13.7	13.8	12.2	10.6
P/BV (x)	5.7	5.0	4.8	4.6	4.3

Source: Company, Emkay Research
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Change in Estimates

EPS Chg FY23E/FY24E (%)	(3)/(2.7)
Target Price change (%)	(2.1)
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

	EPS Estimates	
	FY23E	FY24E
Emkay	54.4	63.3
Consensus	56.0	64.0
Mean Consensus TP (12M)	Rs 1,400	

Stock Details

Bloomberg Code	HCLT IN
Face Value (Rs)	2
Shares outstanding (mn)	2,714
52 Week H/L	1,378 / 891
M Cap (Rs bn/USD bn)	2,983 / 39.17
Daily Avg Volume (nos.)	4,016,976
Daily Avg Turnover (US\$ mn)	60.7

Shareholding Pattern Dec '21

Promoters	60.3%
FIIIs	20.4%
DIIIs	13.7%
Public and Others	5.5%

Price Performance

(%)	1M	3M	6M	12M
Absolute	(6)	(6)	(9)	16
Rel. to Nifty	(7)	(5)	(5)	(5)

Relative price chart



Source: Bloomberg

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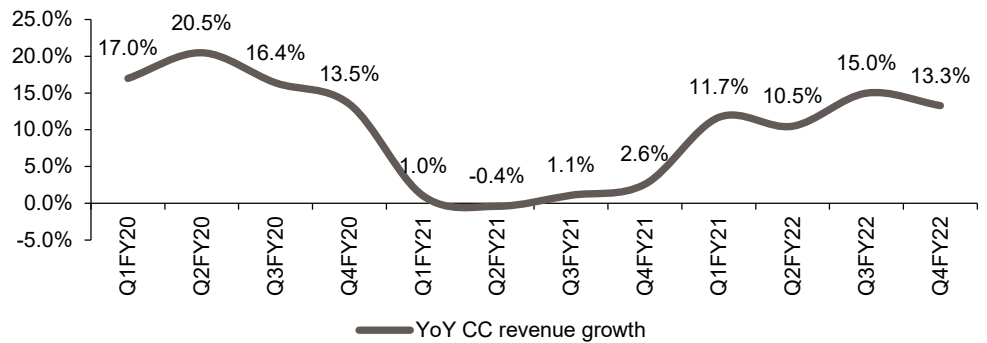
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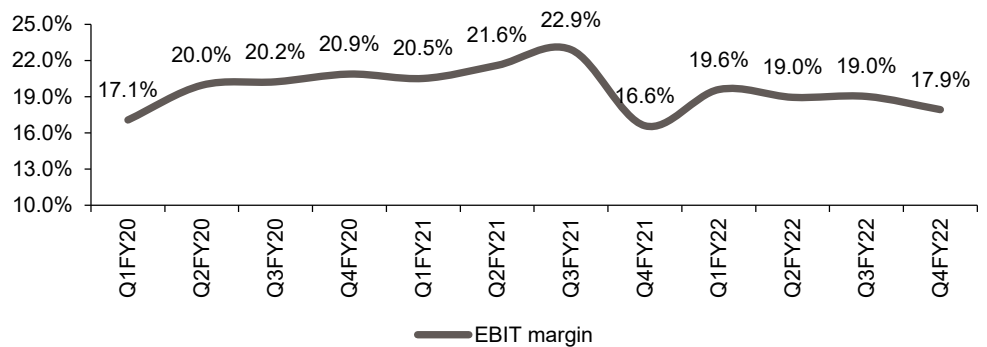
Story in Charts

Exhibit 1: YoY CC growth remained healthy in Q4



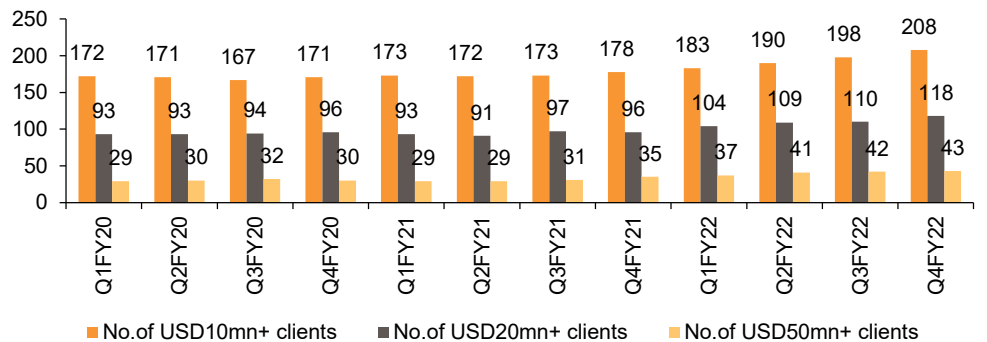
Source: Company, Emkay Research

Exhibit 2: EBITM declined by ~110bps in Q4



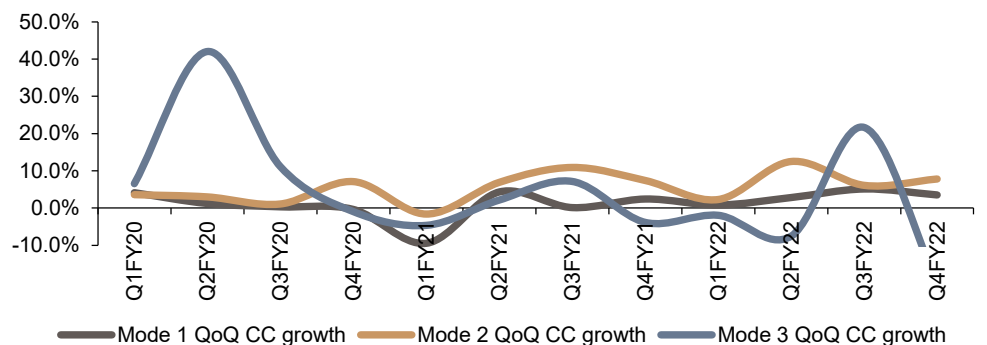
Source: Company, Emkay Research

Exhibit 3: Steady improvement seen across client buckets



Source: Company, Emkay Research

Exhibit 4: Mode 2 led revenue growth; Mode 3 declined due to seasonality

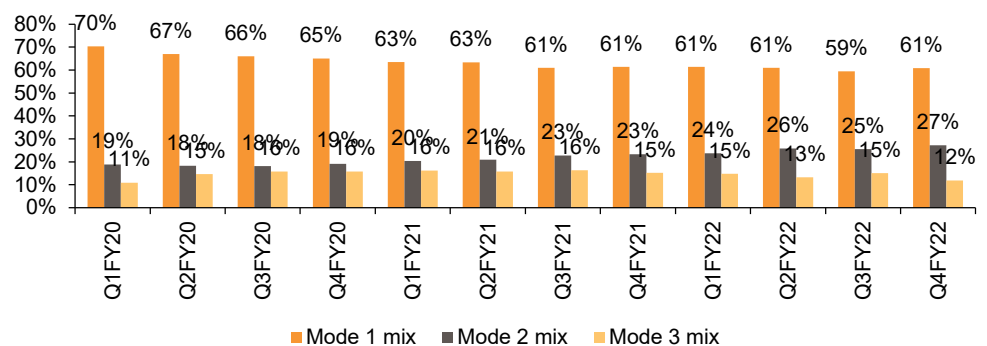


Source: Company, Emkay Research

Services business leads growth in Q4; guides for 12-14% CC growth in FY23

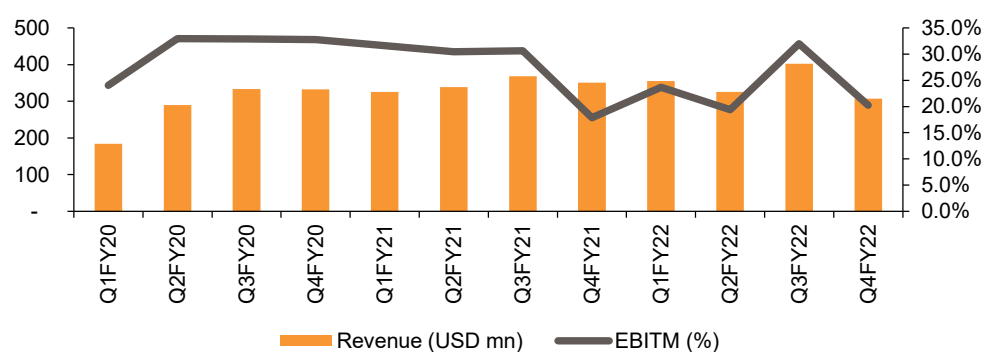
HCLT's 1.1%/13.3% QoQ/YoY CC growth was driven by continued traction in the Services business (5% QoQ CC) and negated a sharp 24% QoQ CC decline in the Products and Platforms business on account of seasonality. IT & business services grew 5.2%, driven by traction in cloud migration and application and data modernization. Engineering and R&D services maintained growth momentum and grew 3.9% QoQ CC, driven by traction in digital engineering and IoT Works. Across verticals, growth was led by Telecommunication, Media, Publishing & Entertainment (6.8% QoQ CC), Manufacturing (4.3%), Lifesciences and Healthcare (4.1%) and Public services (3.2%). Technology and Retail & CPG verticals reported 3.8% QoQ CC and 5.6% QoQ CC decline in Q4. All geographies posted positive growth, led by RoW (3.5% QoQ CC) and Europe (2.3%), while Americas was flat (0.2%). HCLT signed 6 large services (TCV of USD2,216mn) and 4 product deals (USD54mn) across technology & services, life sciences & healthcare and public services verticals for a total new deal TCV of USD2,260mn (6% QoQ). Management indicated that while the TCV of net new deal wins grew by ~14% YoY to USD8.3bn in FY22, ACV growth has been even higher at 21% YoY on account of the significant number of small deal wins. The deal pipeline remains strong with a good mix of large and small deals. HCLT is confident of sustaining revenue growth momentum in the Services business on the back of broad-based demand and strong order bookings. Management has guided for 12-14% CC growth in FY23, implying 2.5-3.2% CQGR. Hiring continued at a brisk pace with net addition of 11,110 during the quarter (39,900 in FY23), reflecting management's confidence in growth momentum in the near term.

Exhibit 5: Revenue share of Mode 2 has increased over the quarters



Source: Company, Emkay Research

Exhibit 6: Product and Platform business declined sharply in Q4 due to seasonality



Source: Company, Emkay Research

Other takeaways

Q4FY22 performance: Revenue grew 0.5%/11% QoQ/YoY (1.1%/13.3% QoQ/YoY CC) to USD 2.99bn. Q4 EBITM declined by 110bps QoQ to 17.9%. HCLT signed 10 net new large deals in Q4, with new deal TCV at USD2.3bn - up 6% QoQ. LTM IT services attrition rose to 21.9% in Q4 from 19.8% QoQ.

Outlook: HCLT has guided for 12-14% CC growth in FY23 on the back of broad-based demand, deal intake and deal pipeline. It expects the product and platform business to be volatile in FY23. The company expects FY23 EBITM to be in the range of 18-20%.

Others

- It expects usual seasonality (productivity benefits pass on to clients) to impact Q1 growth momentum.
- MTM gains on forex derivatives stood at USD74mn at the end of Q4 and booked under Other OCI on the balance sheet.
- ETR was lower at 16.7% in Q4 on account of some one-time reversals.
- Expects ETR to be 24-26% in P&L, while cash ETR is expected to be ~4% lower due to MAT credits (total ~USD312mn) in India.
- Revenue mix of Products and Platform biz, Subscription & support (~67% of revenue), Professional service (~5%) and product licensing (~28%). HCLT plans to shift the product license revenue to subscription revenues over a period of time to reduce volatility.
- It hired 23,000 freshers in FY22.
- Localization progress - Localization stands at 70.9% in the US, 80.5% in Europe and 88.9% in APAC and the rest of the world (excluding India).
- The company announced an interim dividend of Rs18 per share.

Exhibit 7: Actual vs. Estimates (Q4FY22)

(in Rs mn)	Actual	Estimates		% variation		Comment
		Emkay	Consensus	Emkay	Consensus	
Revenues (in USD mn)	2,993	3,005	3,004	-0.4%	-0.4%	Revenue growth was largely in line with our and consensus estimates
Sales	225,970	226,286	226,180	-0.1%	-0.1%	
EBIT	40,690	40,949	41,391	-0.6%	-1.7%	Margin was in line with our estimates
EBIT, margin	18.0%	18.1%	18.3%	-10 bps	-30 bps	
PAT	35,930	33,258	33,248	8.0%	8.1%	Profit beat was due to lower tax

Source: Company, Emkay Research

Exhibit 8: Quarterly snapshot

Rs mn	Q4 FY21	Q1 FY22	Q2 FY22	Q3 FY22	Q4 FY22	YoY (%)	QoQ (%)	FY22	FY21	YoY (%)
Revenues(US\$ mn)	2,696	2,720	2,791	2,978	2,993	11.0	0.5	11,481	10,175	12.8
Revenue	196,410	200,680	206,550	223,310	225,970	15.1	1.2	856,510	753,780	13.6
Operating Expenditure	143,650	151,600	158,170	169,380	175,440	22.1	3.6	654,590	551,430	18.7
Cost of revenues	115,840	121,970	127,580	137,980	142,920	23.4	3.6	530,450	444,360	19.4
as % of sales	59.0	60.8	61.8	61.8	63.2			61.9	59.0	
SG&A expenses	27,810	29,630	30,590	31,400	32,520	16.9	3.6	124,140	107,070	15.9
as % of sales	14.2	14.8	14.8	14.1	14.4			14.5	14.2	
EBITDA	52,760	49,080	48,380	53,930	50,530	-4.2	-6.3	201,920	202,350	(0.2)
Depreciation	12,680	9,770	9,220	11,360	9,840			40,190	41,360	(2.8)
EBIT	40,080	39,310	39,160	42,570	40,690	1.5	-4.4	161,730	160,990	0.5
Other Income	860	1,940	2,070	1,730	2,520			8,260	5,530	49.4
PBT	40,940	41,250	41,230	44,300	43,210	5.5	-2.5	169,990	166,520	2.1
Total Tax	29,830	8,940	8,460	9,820	7,210			34,430	54,550	(36.9)
Adjusted PAT	11,110	32,310	32,770	34,480	36,000	224.0	4.4	135,560	111,970	21.1
(Profit)/loss from JV's/Ass/MI	-90	-160	-130	-60	-60	-33.3	0.0	-410	-490	
APAT after MI	11,020	32,150	32,640	34,420	35,940	226.1	4.4	135,150	111,480	21.2
Reported PAT	11,020	32,150	32,640	34,420	35,940	226.1	4.4	135,150	111,480	21.2
Reported EPS (Rs)	4.1	11.8	12.0	12.7	13.2	226.1	4.4	50	41	21.2

Margins (%)						(bps)	(bps)			
EBITDA	26.9	24.5	23.4	24.2	22.4	(450)	(179)	23.6	26.8	(327)
EBIT	20.4	19.6	19.0	19.1	18.0	(240)	(106)	18.9	21.4	(248)
EBT	20.8	20.6	20.0	19.8	19.1	(172)	(72)	19.8	22.1	(224)
PAT	5.6	16.0	15.8	15.4	15.9	1,029	49	15.8	14.8	99
Effective Tax rate	72.9	21.7	20.5	22.2	16.7	(5,618)	(548)	20.3	32.8	(1,250)

Source: Company, Emkay Research

Exhibit 9: Revenue by verticals

Particulars	As a % of revenues				
	Q4FY22	Q3FY22	Q4FY21	QoQ (%)	YoY (%)
Financial Services	21%	21%	22%	-0.4%	7.4%
Manufacturing	18%	18%	18%	3.4%	12.9%
Technology & Services	18%	18%	17%	-4.4%	13.0%
Life Sciences & Healthcare	15%	14%	14%	4.0%	17.3%
Public Services	11%	10%	11%	3.4%	6.1%
Retail & CPG	9%	10%	10%	-6.4%	3.3%
Telecommunications, Media, Publishing & Entertainment	9%	8%	8%	6.7%	17.9%
Total	100%	100%	100%	0.5%	11.0%

Source: Company, Emkay Research

Exhibit 10: Revenue by service line

Particulars	As a % of revenues				
	Q4FY22	Q3FY22	Q4FY21	QoQ (%)	YoY (%)
IT & Business Services	73.5%	70.6%	71.9%	4.7%	13.5%
Engg and R&D services	16.4%	15.9%	14.8%	3.7%	23.0%
Products & Platforms	10.2%	13.5%	13.3%	-24.0%	-14.9%
Total	100.0%	100.0%	100.0%	0.5%	11.0%

Source: Company, Emkay Research

Exhibit 11: Revenue by geography

Particulars	As a % of revenues				
	Q4FY22	Q3FY22	Q4FY21	QoQ (%)	YoY (%)
US	62.8%	63.1%	62.0%	0.0%	12.5%
Europe	28.3%	28.3%	29.1%	0.5%	8.0%
Rest of the world	8.9%	8.7%	8.9%	2.8%	11.0%
Total	100.0%	100.0%	100.0%	0.5%	11.0%

Source: Company, Emkay Research

Exhibit 12: Mode 1-2-3 revenue mix

Particulars	As a % of revenues				
	Q4FY22	Q3FY22	Q4FY21	QoQ (%)	YoY (%)
Mode 1	60.9%	59.5%	61.4%	3.0%	10.1%
Mode 2	27.2%	25.5%	23.4%	7.3%	29.2%
Mode 3	11.9%	15.0%	15.2%	-20.5%	-13.2%
Total	100.0%	100.0%	100.0%	0.5%	11.0%

Source: Company, Emkay Research

Exhibit 13: Client Numbers

No. of clients	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22
US\$ 1mn+	791	848	865	814	809	817	836	864	882
US\$ 5mn+	308	320	317	312	318	326	329	346	349
US\$ 10mn+	171	173	172	173	178	183	190	198	208
US\$ 20mn+	96	93	91	97	96	104	109	110	118
US\$ 50mn+	30	29	29	31	35	37	41	42	43
US\$ 100mn+	15	15	14	15	15	14	15	15	16

Source: Company, Emkay Research

Exhibit 14: Segmental performance

	Q4FY22	Q3FY22	QoQ (%)	Q4FY21	YoY (%)
IT Business & Services					
Revenue (USD mn)	2,199	2,103	4.6%	1,937	13.5%
EBIT (USD mn)	387	350	10.6%	322	19.9%
EBIT (%)	17.6%	16.6%	95	16.6%	94
Engineering and R&D Services					
Revenue (USD mn)	490	473	3.6%	408	20.0%
EBIT (USD mn)	93	88	5.5%	64	44.1%
EBIT (%)	18.9%	18.6%	33	15.7%	316
Products & Platforms					
Revenue (USD mn)	307	402	-23.6%	350	-12.3%
EBIT (USD mn)	62	128	-51.5%	63	-0.7%
EBIT (%)	20.3%	31.9%	-1167	17.9%	237

Source: Company, Emkay Research

Exhibit 15: Changes in estimates

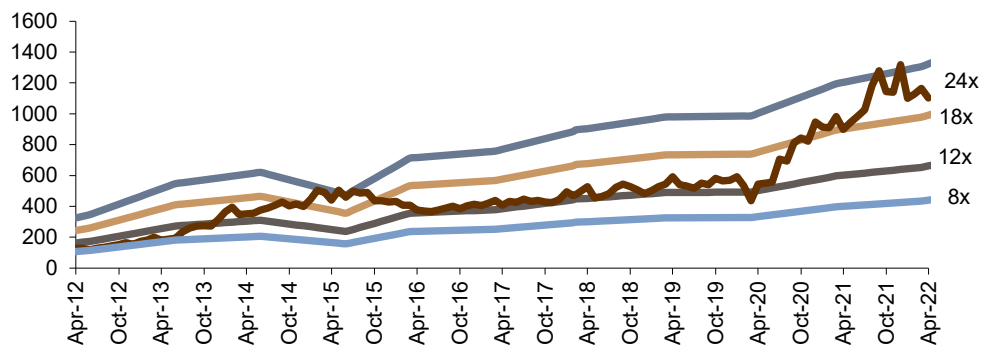
(Rs mn)	FY23E			FY24E		
	Old	New	% change	Old	New	% change
Revenues(USD mn)	13,027	13,002	-0.2	14,392	14,388	0.0
YoY growth, %	13.3%	13.2%		10.5%	10.7%	
Revenues	990,016	988,124	-0.2	1,115,381	1,115,105	0.0
EBIT	189,213	182,855	-3.4	219,100	211,613	-3.4
EBIT mgns, %	19.1	18.5		19.6	19.0	
Net profits	152,176	147,600	-3.0	176,496	171,665	-2.7
EPS (Rs)	56.1	54.4	-3.0	65.0	63.3	-2.7

Source: Company, Emkay Research

Exhibit 16: Key assumptions

Key Assumptions	FY23E	FY24E
Growth in Revenues	13.2%	10.7%
USD/INR	76.0	77.5
INR revenues growth	15.4%	12.9%
EBIT margins	18.5%	19.0%
EPS growth (%)	9.3%	16.3%

Source: Company, Emkay Research

Exhibit 17: HCLT's 1 year forward P/E band

Source: Company, Emkay Research

Exhibit 18: Valuation Summary

Co Name	Reco.	CMP (Rs)	Target Price (Rs)	% upside	Revenue CAGR			EPS CAGR			P/E (x)			EV/EBITDA (x)			ROE		
					(FY21-24E)	(FY21-24E)	FY22	FY23E	FY24E	FY22	FY23E	FY24E	FY22	FY23E	FY24E	FY22	FY23E	FY24E	
TCS	BUY	3,629	4,000	10.2	16.1	17.4	34.6	29.7	25.6	24.2	20.7	17.7	42.6	44.5	42.3				
Infosys	BUY	1,619	1,970	21.7	17.8	15.7	30.8	27.5	23.0	20.4	18.0	15.0	29.0	30.6	31.9				
Wipro	BUY	539	670	24.3	18.7	13.6	24.2	21.5	18.7	16.0	13.4	11.6	20.4	20.2	20.5				
HCL Tech	BUY	1,099	1,400	27.4	13.9	15.5	22.1	20.2	17.4	13.8	12.2	10.6	22.2	23.2	25.5				
Tech Mahindra	BUY	1,313	1,730	31.8	15.6	15.5	21.0	19.0	16.8	13.4	11.1	9.7	20.9	20.9	21.3				
L&T Infotech	HOLD	5,077	6,350	25.1	22.6	19.0	38.8	32.6	27.2	28.8	23.9	19.6	28.5	28.4	28.8				
Mphasis	BUY	2,891	3,650	26.3	19.9	19.2	38.3	31.5	26.2	24.7	20.1	16.7	20.7	22.9	24.6				
Mindtree	HOLD	3,738	4,400	17.7	24.2	25.8	37.3	31.8	27.9	26.7	22.0	18.8	33.8	31.8	29.9				
Persistent Systems	BUY	3,986	4,600	15.4	30.4	30.9	45.6	37.2	30.2	30.5	22.5	18.3	22.1	23.4	24.6				
Coforge	HOLD	3,982	5,050	26.8	25.7	26.2	36.9	29.6	24.4	21.5	16.9	14.2	25.0	27.4	29.0				
Birlasoft	BUY	420	530	26.3	17.6	26.6	26.7	22.4	18.3	16.3	13.1	10.6	19.1	19.8	20.9				
Firstsource Solutions	BUY	129	180	39.6	15.2	15.0	16.8	14.6	12.4	10.4	8.8	7.4	18.4	19.5	20.8				
eClerx	BUY	2,433	2,620	7.7	19.0	21.5	20.3	18.1	16.7	11.4	10.1	9.2	27.1	28.8	29.3				
Route Mobile	BUY	1,548	2,150	38.9	34.5	34.6	59.5	44.0	29.8	40.1	26.5	18.8	14.3	12.7	16.4				

Source: Company, Emkay Research

Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY20	FY21	FY22	FY23E	FY24E
Revenue	706,780	753,790	856,510	988,124	1,115,105
Expenditure	539,850	546,040	651,210	761,823	859,452
EBITDA	166,930	207,750	205,300	226,301	255,653
Depreciation	28,400	46,110	43,260	43,446	44,041
EBIT	138,530	161,640	162,040	182,855	211,613
Other Income	1,790	4,160	7,470	12,155	15,078
Interest expenses	0	0	0	0	0
PBT	140,320	165,800	169,510	195,010	226,690
Tax	29,380	54,120	34,280	46,802	54,406
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	(320)	240	240	(608)	(620)
Reported Net Income	110,620	111,440	134,990	147,600	171,665
Adjusted PAT	110,620	111,440	134,990	147,600	171,665

Balance Sheet

Y/E Mar (Rs mn)	FY20	FY21	FY22	FY23E	FY24E
Equity share capital	5,427	5,427	5,427	5,427	5,427
Reserves & surplus	516,339	593,703	613,713	647,339	688,747
Net worth	521,766	599,130	619,140	652,766	694,175
Minority Interest	384	1,690	920	920	920
Loan Funds	79,614	65,010	65,790	65,950	65,950
Net deferred tax liability	(21,946)	(10,328)	(10,641)	(10,260)	(10,260)
Total Liabilities	579,818	655,502	675,209	709,376	750,785
Net block	382,890	374,570	371,390	343,130	316,546
Investment	106,070	140,700	114,850	173,120	173,120
Current Assets	320,430	334,860	392,330	444,359	542,966
Cash & bank balance	48,430	65,210	105,100	104,350	159,471
Other Current Assets	93,370	93,460	78,910	113,702	128,313
Current liabilities & Provision	229,572	194,628	203,361	251,233	281,847
Net current assets	90,858	140,232	188,969	193,126	261,119
Misc. exp	0	0	0	0	0
Total Assets	579,818	655,502	675,209	709,376	750,785

Cash Flow

Y/E Mar (Rs mn)	FY20	FY21	FY22	FY23E	FY24E
PBT (Ex-Other income) (NI+Dep)	139,800	161,640	162,040	182,855	211,613
Other Non-Cash items	(7,970)	3,874	(4,371)	(3,730)	0
Chg in working cap	(19,120)	(4,149)	(39,913)	(4,526)	(12,872)
Operating Cashflow	123,774	203,390	169,127	186,520	202,833
Capital expenditure	(83,819)	(29,856)	(15,219)	(15,186)	(17,457)
Free Cash Flow	39,955	173,534	153,908	171,334	185,377
Investments	(45,930)	(27,559)	29,916	(58,270)	0
Other Investing Cash Flow	0	0	0	0	0
Investing Cashflow	(129,750)	(57,415)	14,697	(73,456)	(17,457)
Equity Capital Raised	1	0	0	0	0
Loans Taken / (Repaid)	9,242	(76,751)	(14,995)	160	0
Dividend paid (incl tax)	(16,231)	(32,595)	(122,051)	(113,974)	(130,256)
Other Financing Cash Flow	2,104	(8,238)	(6,888)	0	0
Financing Cashflow	(4,884)	(117,585)	(143,934)	(113,814)	(130,256)
Net chg in cash	(10,860)	28,390	39,890	(750)	55,121
Opening cash position	59,290	48,430	65,210	105,100	104,350
Closing cash position	48,430	76,820	105,100	104,350	159,471

Source: Company, Emkay Research

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Key Ratios

Profitability (%)	FY20	FY21	FY22	FY23E	FY24E
EBITDA Margin	23.6	27.6	24.0	22.9	22.9
EBIT Margin	19.6	21.4	18.9	18.5	19.0
Effective Tax Rate	20.9	32.6	20.2	24.0	24.0
Net Margin	15.7	14.8	15.8	15.0	15.5
ROCE	27.5	26.8	25.5	28.2	31.1
ROE	23.4	19.9	22.2	23.2	25.5
RoIC	37.0	37.0	35.8	41.2	49.8

Per Share Data (Rs)	FY20	FY21	FY22	FY23E	FY24E
EPS	40.8	41.1	49.7	54.4	63.3
CEPS	51.2	58.1	65.7	70.4	79.5
BVPS	192.3	220.8	228.2	240.5	255.8
DPS	8.0	26.0	44.0	42.0	48.0

Valuations (x)	FY20	FY21	FY22	FY23E	FY24E
PER	27.0	26.8	22.1	20.2	17.4
P/CEPS	21.5	18.9	16.7	15.6	13.8
P/BV	5.7	5.0	4.8	4.6	4.3
EV / Sales	4.1	3.8	3.3	2.8	2.4
EV / EBITDA	17.4	13.7	13.8	12.2	10.6
Dividend Yield (%)	0.7	2.4	4.0	3.8	4.4

Gearing Ratio (x)	FY20	FY21	FY22	FY23E	FY24E
Net Debt/ Equity	(0.1)	(0.2)	(0.2)	(0.3)	(0.4)
Net Debt/EBIDTA	(0.4)	(0.7)	(0.8)	(0.9)	(1.0)
Working Cap Cycle (days)	21.9	36.3	35.7	32.8	33.3

Growth (%)	FY20	FY21	FY22	FY23E	FY24E
Revenue	17.0	6.7	13.6	15.4	12.9
EBITDA	19.5	24.5	(1.2)	10.2	13.0
EBIT	17.2	16.7	0.2	12.8	15.7
PAT	9.3	0.7	21.1	9.3	16.3

Quarterly (Rs mn)	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22
Revenue	196,410	200,680	206,550	223,310	225,970
EBITDA	52,760	49,080	48,380	53,930	50,530
EBITDA Margin (%)	26.9	24.5	23.4	24.2	22.4
PAT	11,200	32,150	32,640	34,540	36,060
EPS (Rs)	4.1	11.8	12.0	12.7	13.3

Source: Company, Emkay Research

Shareholding Pattern (%)	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21
Promoters	60.3	60.3	60.3	60.3	60.3
FIs	24.9	24.1	23.2	22.3	20.4
DIs	10.3	10.5	11.3	12.5	13.7
Public and Others	4.5	5.0	5.1	4.9	5.5

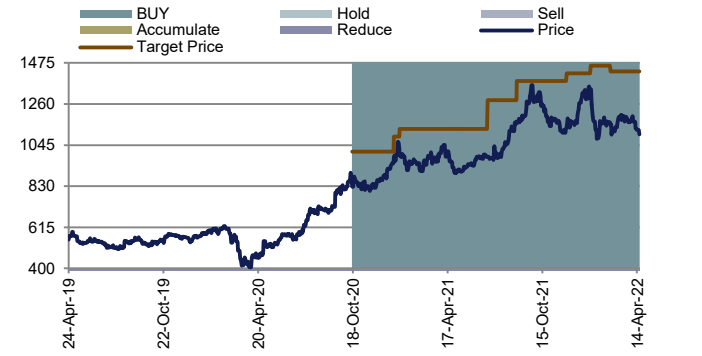
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
1-Apr-22	1,170	1,430	12m	Buy	Dipeshkumar Mehta
22-Feb-22	1,150	1,430	12m	Buy	Dipeshkumar Mehta
15-Jan-22	1,337	1,460	12m	Buy	Dipeshkumar Mehta
1-Jan-22	1,319	1,420	12m	Buy	Dipeshkumar Mehta
30-Nov-21	1,139	1,420	12m	Buy	Dipeshkumar Mehta
15-Oct-21	1,251	1,380	12m	Buy	Dipeshkumar Mehta
2-Oct-21	1,274	1,380	12m	Buy	Dipeshkumar Mehta
27-Aug-21	1,163	1,380	12m	Buy	Dipeshkumar Mehta
20-Jul-21	977	1,280	12m	Buy	Dipeshkumar Mehta
2-Jul-21	985	1,280	12m	Buy	Dipeshkumar Mehta
24-Apr-21	956	1,130	12m	Buy	Dipeshkumar Mehta
5-Apr-21	1,034	1,130	12m	Buy	Dipeshkumar Mehta
18-Mar-21	948	1,130	12m	Buy	Dipeshkumar Mehta
15-Jan-21	990	1,130	12m	Buy	Dipeshkumar Mehta
4-Jan-21	980	1,090	12m	Buy	Dipeshkumar Mehta
18-Dec-20	891	1,010	12m	Buy	Dipeshkumar Mehta
16-Oct-20	827	1,010	12m	Buy	Dipeshkumar Mehta

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Emkay Alpha Portfolio – Information Technology



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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 based on Current NAV	Change vs last published EAP (bps)
Information Technology	13.02	12.93	-1%	-9	100.00	
BirlaSoft	0.00	0.03	NA	3	0.26	0
Coforge	0.13	0.00	-100%	-13	0.00	0
Firstsource Solutions	0.00	0.04	NA	4	0.29	0
HCL Tech	1.17	1.26	8%	9	9.67	0
Infosys	5.73	5.80	1%	7	44.55	0
L&T Infotech	0.23	0.00	-100%	-23	0.00	0
Mindtree	0.22	0.18	-20%	-4	1.35	0
Mphasis	0.23	0.26	13%	3	2.03	0
Oracle Financial Services*	0.08	0.00	-100%	-8	0.00	0
Persistent Systems	0.00	0.17	NA	17	1.33	0
TCS	3.63	3.55	-2%	-9	27.24	0
Tech Mahindra	0.80	0.84	4%	4	6.44	0
Wipro	0.78	0.80	2%	2	6.17	0
Cash	0.00	0.09	NA	9	0.66	0

Source: Emkay Research

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

Sector portfolio NAV

	Base					Latest
	1-Apr-19	20-Apr-21	20-Oct-21	20-Jan-22	21-Mar-22	20-Apr-22
EAP - Information Technology	100.0	177.3	237.1	240.7	236.9	214.2
BSE200 Neutral Weighted Portfolio (ETF)	100.0	167.0	222.5	224.0	219.4	198.2

*Performance measurement base date 1st April 2019

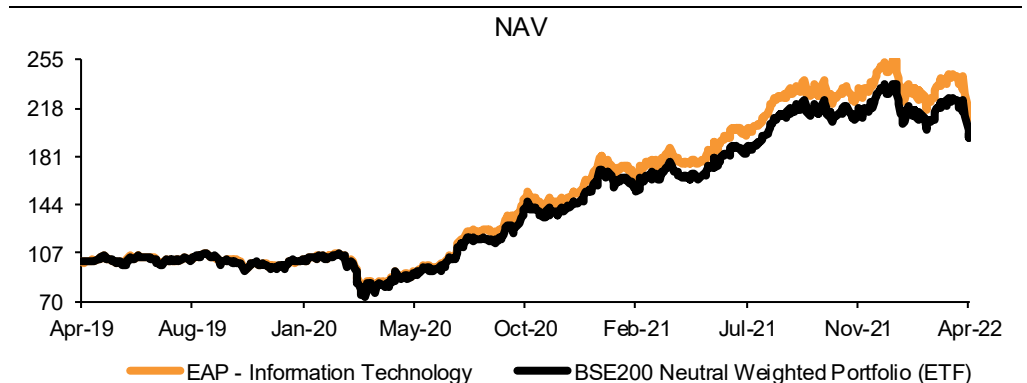
Source: Emkay Research

Price Performance (%)

	1m	3m	6m	12m
EAP - Information Technology	-9.6%	-11.0%	-9.6%	20.8%
BSE200 Neutral Weighted Portfolio (ETF)	-9.7%	-11.6%	-10.9%	18.6%

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: 22 Apr 2022 08:55:15 (SGT)

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