

Weak operating performance; strong FY23 revenue growth guidance

CMP	Target Price
Rs 1,749 as of (April 13, 2022)	Rs 1,970 (▼) 12 months
Rating	Upside
BUY (■)	12.7 %

- Q4FY22 operating performance missed our expectations. Revenues grew by a mere 1.2% QoQ CC, while EBITM declined 190bps to 21.6%. Operating performance remained weak due to seasonality, a Covid-related impact in the early part of the quarter and a client-related contractual provision (likely to be recovered in FY23).
- Infosys has guided for 13-15% YoY CC revenue growth in FY23, implying a healthy 2.7-3.4% CQGR on the back of broad-based demand, robust deal intake and pipeline, and progress in client mining efforts. It has guided for 21-23% EBITM for FY23 (vs. 23% in FY22), considering wage inflation, planned investments and uptick in travel/other costs.
- Large deals intake remained healthy at USD2.3n in Q4FY22 (48% net new) and USD9.5bn in FY22 (40% net new), giving good growth visibility for FY23. The deal pipeline remains healthy across deal sizes (highest ever for large deals).
- We cut FY23/FY24 estimates by 7.2%/4.9%, factoring in the Q4 miss and lower margin guidance. The operating performance miss would weigh on the stock in the near term. We maintain Buy with a revised TP of Rs1,970 at 28x Mar'24E EPS, considering broad-based demand, steady market share gain and robust cash generation.

What we liked? Strong FY23 revenue growth guidance; healthy deal intake

What we did not like? Lower EBITM guidance of 21-23% for FY23; spike in attrition (27.7% on LTM basis vs. 25.5% in Q3); softness in BFSI, Life Sciences and Retail verticals

Disappointing Q4; strong FY23 revenue guidance of 13-15%: Revenue grew by 0.7% QoQ (1.2% QoQ CC) to USD4.28bn, missing estimates due to seasonality, a Covid-related impact in the early part of the quarter and a delay in revenue realization in a client contract. Revenue growth was led by Manufacturing (5.2% QoQ), E&U (3.3%), and Communications (3.1%). Life Sciences declined 11.4% due to the absence of benefits from few one-time deals in Q4 vs. Q3. The company continues to invest in cloud and digital capabilities as it intends to capture significant demand opportunities it is currently witnessing. Deal intake for Q4 was healthy at USD2.3bn (48% new). Infosys gave a strong FY23 revenue growth guidance of 13-15% CC, implying a 2.7-3.4% CQGR in FY23 on the back of broad-based demand, robust deal intake, progress in client mining efforts and a healthy deal pipeline.

Margins under pressure; FY23 EBITM guidance of 21-23%: EBITM contracted ~190bps QoQ to 21.6% due to 1) impact of lower working days, client-related contractual provision and lower pricing (-160bps); 2) lower utilization (-60bps); and 3) higher visa and third-party costs and other investments (-100bps), partly offset by salary benefit on account of lower working days (+110bps) and other operating efficiencies. The salary hike, backfilling costs, investments in digital and cloud capabilities, lower utilization due to increased fresher hiring and normalization of discretionary costs (travel, facility and other related costs) are potential headwinds for margin in FY23, which the company plans to partly offset by revenue growth led operating leverage, value-based pricing, optimizing subcontracting costs, automation and cost rationalization programs. It has guided for 21-23% EBITM for FY23 (vs. 23% in FY22).

Please see our sector model portfolio (Emkay Alpha Portfolio): [Information Technology \(Page 12\)](#)

Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22	FY23E	FY24E
Revenue	907,910	1,004,730	1,216,410	1,427,014	1,644,181
EBITDA	222,680	278,900	314,920	351,977	416,816
EBITDA Margin (%)	24.5	27.8	25.9	24.7	25.4
APAT	165,950	193,510	221,110	247,505	295,934
EPS (Rs)	39.1	45.4	52.6	58.9	70.4
EPS (% chg)	10.8	16.2	15.8	11.9	19.6
ROE (%)	25.4	27.1	29.0	30.6	31.9
P/E (x)	44.7	38.5	33.3	29.7	24.8
EV/EBITDA (x)	32.1	25.3	22.2	19.6	16.3
P/BV (x)	11.3	9.7	9.7	8.5	7.4

Source: Company, Emkay Research

Change in Estimates

EPS Chg FY23E/FY24E (%)	(7.2)/(4.9)
Target Price change (%)	(1.5)
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

EPS Estimates		
	FY23E	FY24E
Emkay	58.9	70.4
Consensus	63.1	72.4
Mean Consensus TP (12M)	Rs 2,138	

Stock Details

Bloomberg Code	INFO IN
Face Value (Rs)	5
Shares outstanding (mn)	4,207
52 Week H/L	1,954 / 1,311
M Cap (Rs bn/USD bn)	7,356 / 96.56
Daily Avg Volume (nos.)	7,396,891
Daily Avg Turnover (US\$ mn)	173.8

Shareholding Pattern Dec '21

Promoters	13.1%
FIIIs	33.2%
DIIIs	16.3%
Public and Others	37.4%

Price Performance

(%)	1M	3M	6M	12M
Absolute	(4)	(8)	2	25
Rel. to Nifty	(9)	(4)	6	4

Relative price chart



Source: Bloomberg

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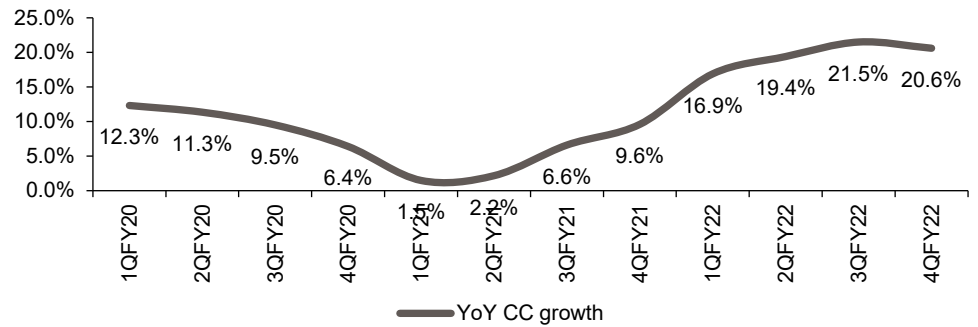
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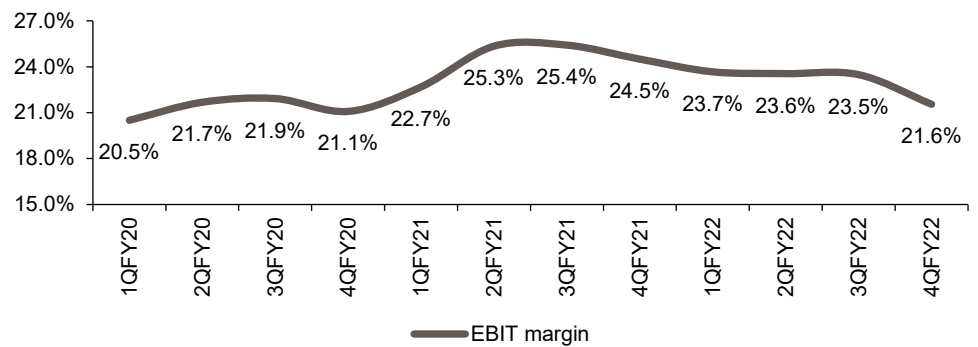
Story in Charts

Exhibit 1: Revenue growth remained healthy



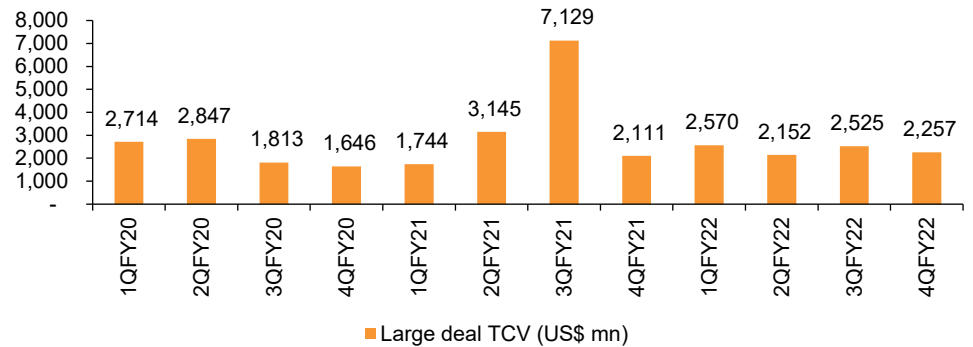
Source: Company, Emkay Research

Exhibit 2: EBITM declined 190bps in Q4



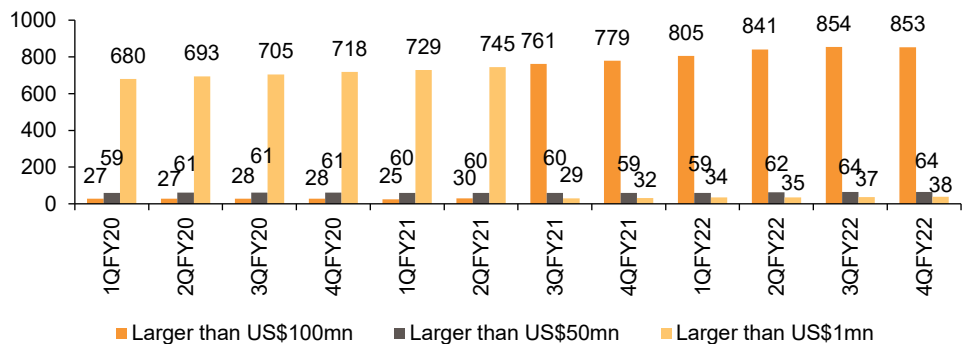
Source: Company, Emkay Research

Exhibit 3: Large deal intake was healthy during the quarter



Source: Company, Emkay Research

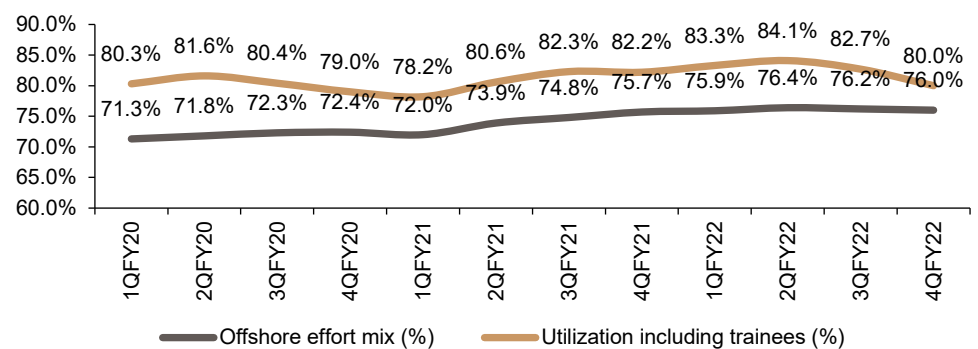
Exhibit 4: Good progress seen across client buckets



Source: Company, Emkay Research

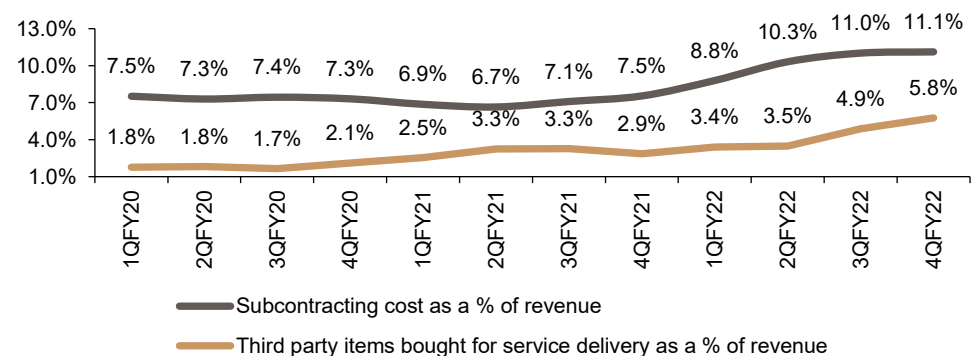
Disappointing Q4; strong FY23 revenue guidance of 13-15%: Q4FY22 revenue grew by 0.7% QoQ/18.5% YoY to USD4.28bn, below our and consensus estimates. Revenue growth was led by Manufacturing (5.2% QoQ), E&U (3.3%), and Communications (3.1%). Revenue from Life Sciences declined 11.4% QoQ due to the absence of benefits from few one-time deals in Q4 vs. Q3, whereas revenues from Retail and Financial services were flat. Growth is expected to rebound in the Financial Services and Retail verticals on the back of a strong demand environment and deal intake in these verticals. India and Europe geographies saw sequential growth of 7.4% and 1.9%, respectively, while North America and the rest of the world geographies were flat in Q4. Infosys continues to see increased demand in the areas of digital transformation, cloud, data analytics, Automation and cyber security, and signed large deals worth TCV of USD2.3bn in Q4. Infosys gave a strong FY23 revenue growth guidance of 13-15% CC, implying a 2.7-3.4% CQGR in FY23 on the back of broad-based demand, robust deal intake, progress in client mining efforts and a healthy deal pipeline. The attrition rate rose to 27.7% on the LTM basis in Q4FY22 from 25.5% in Q3FY22; however, management indicated that quarterly annualized attrition has declined by ~5% QoQ.

Exhibit 5: Utilization moderated in Q4



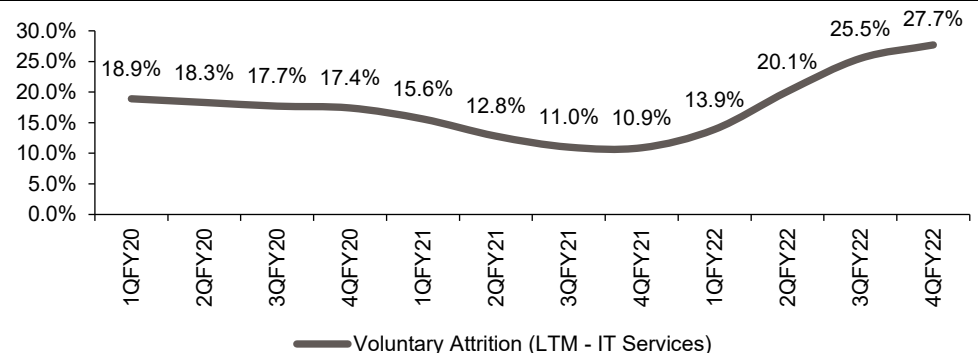
Source: Company, Emkay Research

Exhibit 6: Third party items bought for service delivery cost and subcontracting cost remain elevated in Q4



Source: Company, Emkay Research

Exhibit 7: LTM attrition rose further, although management indicated moderation in quarterly annualized attrition in Q4



Source: Company, Emkay Research

Other Takeaways

Q4FY22 performance: Revenue grew by 0.7% QoQ and 18.5% YoY (1.2% QoQ CC, 20.6% YoY CC) to USD4.28bn. EBITM declined ~190 bps QoQ to 21.6%. Digital revenues grew by 38.8% YoY CC and contributed 59.2% of the total revenue (vs 58.5% QoQ). Large deal TCV was USD2.3bn. IT services voluntary attrition on the LTM basis rose further to 27.7% in Q4FY22 from 25.5% in Q3FY22. Utilization (including trainees) moderated to 80% from 82.7% in Q3FY22.

Outlook: Infosys has guided for 13-15% YoY CC growth in FY23, implying a 2.7-3.4% CQGR. EBITM is expected to be within the 21-23% range.

Others:

- Infosys hired 85,000 freshers in FY22 and plans to hire more than 50,000 freshers in FY23.
- Subcontracting costs were flat and management intends to optimize them in the coming quarters with a strong hiring plan.
- The company announced a final dividend of Rs16 per share in Q4, taking the total dividend to Rs31 per share for FY22.
- Infosys has no active work relationship with local Russian companies. It employs ~100 employees in Russia to serve global clients, which it plans to relocate.
- The impact of the specific client-related contract provision was less than 1% in Q4. The company expects it to reverse in FY23.
- Wage inflation in developed markets is expected to be higher than in last year.
- The optimal utilization range in the near term is ~85%.
- ETR was lower in Q4 due to the reversal (net of provisions) of Rs2,420mn related to prior periods primarily on account of adjudication of certain disputed matters in favor of the company and upon filing of tax returns across various jurisdictions.

Exhibit 8: Actual vs. Estimate (Q4FY22)

(in Rs mn)	Actual	Estimates		% variation		Comment
		Emkay	Consensus	Emkay	Consensus	
Revenues (in US\$ mn)	4,280	4,331	4,359	-1.2%	-1.8%	Revenue came below expectations
Sales	322,760	326,105	328,251	-1.0%	-1.7%	
EBIT	69,560	76,788	75,826	-9.4%	-8.3%	
EBIT, margin %	21.6%	23.5%	23.1%	-200 bps	-150 bps	Margin miss was on account of revenue miss, lower utilization and supply side challenges
PAT	56,860	60,102	59,413	-5.4%	-4.3%	Net profit was below estimates due to revenue and margin miss

Source: Company, Emkay Research

Exhibit 9: Quarterly snapshot

Rs mn	Q4 FY21	Q1 FY22	Q2 FY22	Q3 FY22	Q4 FY22	YoY (%)	QoQ (%)	FY21	FY22	YoY (%)
Revenues(in US\$ mn)	3,613	3,782	3,998	4,250	4,280	18.5	0.7	13,562	16,310	20.3
Revenue	263,110	278,960	296,020	318,670	322,760	22.7	1.3	1,004,730	1,216,410	21.1
Operating Expenditure	190,400	204,640	217,710	234,840	244,300	28.3	4.0	725,830	901,490	24.2
Cost of revenues	163,330	176,770	189,470	205,160	213,820	30.9	4.2	621,470	785,220	26.3
as % of sales	62.1	63.4	64.0	64.4	66.2			61.9	64.6	
SG&A expenses	27,070	27,870	28,240	29,680	30,480	12.6	2.7	104,360	116,270	11.4
as % of sales	10.3	10.0	9.5	9.3	9.4			10.4	9.6	
EBITDA	72,710	74,320	78,310	83,830	78,460	7.9	(6.4)	278,900	314,920	12.9
Depreciation	8,310	8,290	8,590	8,990	8,900	7.1	(1.0)	32,680	34,770	6.4
EBIT	64,400	66,030	69,720	74,840	69,560	8.0	(7.1)	246,220	280,150	13.8
Other Income	4,950	5,730	4,760	4,590	5,870			20,060	20,950	4.4
PBT	69,350	71,760	74,480	79,430	75,430	8.8	(5.0)	266,280	301,100	13.1
Total Tax	18,570	19,750	20,200	21,210	18,480	(0.5)	(12.9)	72,050	79,640	10.5
Adjusted PAT	50,780	52,010	54,280	58,220	56,950	12.2	(2.2)	194,230	221,460	14.0
(Profit)/loss from JV's/Ass/MI	20	60	70	130	90			720	220	
APAT after MI	50,760	51,950	54,210	58,090	56,860	12.0	(2.1)	193,510	221,110	14.3
Extra ordinary items	0	0	0	0	0			0	0	
Reported PAT	50,760	51,950	54,210	58,090	56,860	12.0	(2.1)	193,510	221,110	14.3
Reported EPS (Rs)	11.9	12.2	12.9	13.8	13.5	13.5	(2.1)	45	52	15.4
Margins (%)						(bps)	(bps)			(bps)
EBIDTA	27.6	26.6	26.5	26.3	24.3	(333)	(200)	27.8	25.9	(187)
EBIT	24.5	23.7	23.6	23.5	21.6	(292)	(193)	24.5	23.0	(148)
EBT	26.4	25.7	25.2	24.9	23.4	(299)	(156)	26.5	24.8	(175)
PAT	19.3	18.6	18.3	18.2	17.6	(168)	(61)	19.3	18.2	(108)
Effective Tax rate	26.8	27.5	27.1	26.7	24.5	(228)	(220)	27.1	26.4	(61)

Source: Company, Emkay Research

Exhibit 10: Revenue by geography

Particulars	As a % of revenue				
	Q4FY22	Q3FY22	Q4FY21	QoQ (%)	YoY (%)
North America	61.4%	61.8%	61.6%	0.1%	18.1%
Europe	25.2%	24.9%	24.4%	1.9%	22.3%
India	3.2%	3.0%	3.0%	7.4%	26.4%
Rest of the World	10.2%	10.3%	11.0%	-0.3%	9.8%
Total	100%	100%	100%	0.7%	18.5%

Source: Company, Emkay Research

Exhibit 11: Revenue by industry

Particulars	As a % of revenue				
	Q4FY22	Q3FY22	Q4FY21	QoQ (%)	YoY (%)
Financial Services	31.3%	31.5%	33.0%	0.1%	12.4%
Retail	14.3%	14.5%	14.8%	-0.7%	14.5%
Communications	12.8%	12.5%	12.0%	3.1%	26.4%
Energy, Utilities, Resources and Services	12.0%	11.7%	12.3%	3.3%	15.6%
Manufacturing	11.8%	11.3%	9.6%	5.2%	45.6%
Hi Tech	8.2%	8.1%	8.1%	1.9%	19.9%
Life Sciences	6.6%	7.5%	6.8%	-11.4%	15.0%
Others	3.0%	2.9%	3.4%	4.2%	4.5%
Total	100%	100%	100%	0.7%	18.5%

Source: Company, Emkay Research

Exhibit 12: Clients data

Particulars	Q4FY22	Q3FY22	Q4FY21
Number of Clients	1,741	1,738	1,626
Added during the quarter	110	111	130
Client Concentration (%)			
Top 5 clients	11.8%	12.0%	10.9%
Top 10 clients	19.4%	20.2%	18.3%
Repeat business	0.0%	93.4%	99.0%
Number of million dollar Clients (on LTM basis)			
Million US\$ clients	853	854	779
10 million US\$ clients	275	274	252
50 million US\$ clients	64	64	59
100 million US\$ clients	38	37	32

Source: Company, Emkay Research

Exhibit 13: Segmental performance

Revenue (\$mn)	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22
Financial Services	1,000	984	1,061	1,163	1,192	1,250	1,292	1,337	1,339
Retail	498	447	492	515	535	566	585	615	613
Communications	415	417	417	436	433	462	495	531	548
Energy, Utilities, Resources and Services	411	399	408	441	444	457	473	499	514
Manufacturing	325	298	302	328	348	366	435	479	505
Hi Tech	251	272	303	289	292	313	339	342	351
Life Sciences	203	208	225	248	247	256	284	318	284
Others	93	96	104	96	122	112	95	129	126
Total	3,196	3,121	3,312	3,516	3,613	3,782	3,998	4,250	4,280
Growth YoY (%)	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22
Financial Services	3.4%	-0.1%	3.7%	13.9%	19.2%	27.0%	21.8%	15.0%	12.3%
Retail	2.7%	-9.3%	0.6%	3.8%	7.4%	26.6%	18.9%	19.4%	14.6%
Communications	0.0%	-3.2%	-0.7%	3.6%	4.3%	10.8%	18.7%	21.8%	26.6%
Energy, Utilities, Resources and Services	5.1%	-2.0%	-2.9%	6.5%	8.0%	14.5%	15.9%	13.2%	15.8%
Manufacturing	5.9%	-1.0%	-7.1%	-1.8%	7.1%	22.8%	44.0%	46.0%	45.1%
Hi Tech	7.3%	12.9%	24.7%	17.5%	16.3%	15.1%	11.9%	18.3%	20.2%
Life Sciences	10.9%	7.8%	8.7%	13.2%	21.7%	23.1%	26.2%	28.2%	15.0%
Others	19.2%	20.0%	25.3%	4.3%	31.2%	16.7%	-8.7%	34.4%	3.3%
Total	4.4%	-0.3%	3.2%	8.4%	13.0%	21.2%	20.7%	20.9%	18.5%
EBITDA (%)	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22
Financial Services	25.5%	26.8%	30.1%	27.3%	25.8%	25.6%	27.6%	27.3%	25.5%
Retail	29.3%	30.9%	35.6%	36.5%	35.5%	35.5%	34.7%	35.3%	33.0%
Communications	18.6%	19.7%	21.6%	25.0%	22.4%	20.8%	22.2%	24.3%	21.4%
Energy, Utilities, Resources and Services	28.5%	28.1%	27.2%	29.0%	28.8%	30.4%	29.2%	28.5%	28.6%
Manufacturing	23.7%	22.5%	29.5%	28.7%	27.9%	23.2%	22.5%	17.5%	10.9%
Hi Tech	23.1%	29.0%	29.7%	29.4%	26.4%	24.6%	24.5%	24.9%	25.4%
Life Sciences	23.2%	30.3%	33.3%	31.0%	30.4%	30.1%	27.8%	26.7%	27.1%
Others	5.4%	3.1%	5.8%	6.3%	22.1%	12.5%	-11.6%	7.8%	7.9%
Total	24.5%	25.9%	28.8%	28.6%	27.6%	26.7%	26.4%	26.3%	24.3%

Source: Company, Emkay Research

Exhibit 14: Changes in estimates

Rs mn	FY23E			FY24E		
	Old	New	% change	Old	New	% change
Revenues(in US\$ mn)	18,968	18,777	-1.0%	21,430	21,215	-1.0%
YoY revenue growth	15.9%	15.1%		13.0%	13.0%	
Revenues	1,441,538	1,427,014	-1.0%	1,660,795	1,644,181	-1.0%
EBIT	339,971	314,446	-7.5%	394,939	375,560	-4.9%
EBIT margins, %	23.6	22.0		23.8	22.8	
Net profits	266,669	247,505	-7.2%	311,261	295,934	-4.9%
EPS (Rs)	63.4	58.9	-7.2%	74.0	70.4	-4.9%

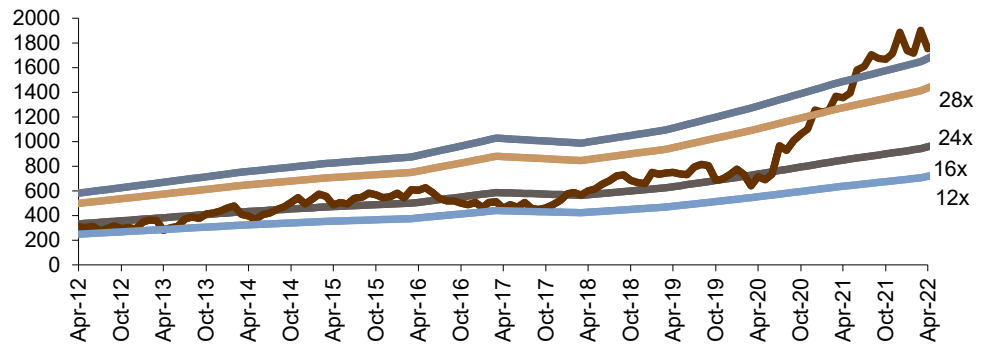
Source: Company, Emkay Research

Exhibit 15: Key assumptions

Particulars	FY23E	FY24E
USD revenue growth	15.1%	13.0%
USD/INR	76.0	77.5
INR revenue growth	17.3%	15.2%
EBIT Margins	22.0	22.8
EPS growth (%)	11.9%	19.6%

Source: Company, Emkay Research

Exhibit 16: Infosys 1-year forward P/E band



Source: Company, Emkay Research

Exhibit 17: 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
TCS	BUY	3,662	4,000	9.2	16.1	17.4	35.0	30.0	25.8	24.5	20.9	17.8	42.6	44.5	42.3
Infosys	BUY	1,749	1,970	12.7	17.8	15.7	33.3	29.7	24.8	22.2	19.6	16.3	29.0	30.6	31.9
Wipro	BUY	559	670	19.8	18.7	13.6	25.1	22.2	19.4	16.6	14.0	12.1	20.4	20.2	20.5
HCL Tech	BUY	1,125	1,430	27.1	14.0	12.4	23.0	20.1	17.3	14.3	12.4	10.8	20.8	22.5	24.5
Tech Mahindra	BUY	1,410	1,730	22.7	15.6	15.5	22.6	20.4	18.1	14.4	12.0	10.5	20.9	20.9	21.3
L&T Infotech	HOLD	6,039	6,500	7.6	22.9	20.0	46.2	37.3	31.5	33.9	26.9	22.7	28.9	30.3	29.9
Mphasis	BUY	3,055	3,650	19.5	19.9	19.2	40.5	33.3	27.7	26.1	21.3	17.7	20.7	22.9	24.6
Mindtree	HOLD	4,099	4,300	4.9	24.2	24.3	42.2	36.0	31.6	29.6	24.5	21.0	33.4	32.0	29.9
Persistent Systems	BUY	4,330	4,600	6.2	30.4	30.9	49.6	40.4	32.8	33.3	24.6	20.0	22.1	23.4	24.6
Coforge	HOLD	4,161	5,050	21.4	25.7	26.2	38.5	30.9	25.5	22.4	17.7	14.9	25.0	27.4	29.0
Birlasoft	BUY	452	530	17.2	17.6	26.6	28.8	24.1	19.8	17.7	14.3	11.6	19.1	19.8	20.9
Firstsource Solutions	BUY	132	180	36.7	15.2	15.0	17.2	14.9	12.6	10.6	8.9	7.6	18.4	19.5	20.8
eClerx	BUY	2,404	2,620	9.0	19.0	21.5	20.1	17.9	16.5	11.3	10.0	9.1	27.1	28.8	29.3
Route Mobile	BUY	1,565	2,150	37.4	34.5	34.6	60.2	44.5	30.2	40.6	26.8	19.0	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	907,910	1,004,730	1,216,410	1,427,014	1,644,181
Expenditure	685,230	725,830	901,490	1,075,037	1,227,365
EBITDA	222,680	278,900	314,920	351,977	416,816
Depreciation	28,940	32,680	34,770	37,531	41,256
EBIT	193,740	246,220	280,150	314,446	375,560
Other Income	26,340	20,060	20,950	22,948	27,888
Interest expenses	0	0	0	0	0
PBT	220,080	266,280	301,100	337,394	403,447
Tax	53,680	72,050	79,640	89,410	106,914
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	450	720	350	480	600
Reported Net Income	165,950	193,510	221,110	247,505	295,934
Adjusted PAT	165,950	193,510	221,110	247,505	295,934

Balance Sheet

Y/E Mar (Rs mn)	FY20	FY21	FY22	FY23E	FY24E
Equity share capital	21,220	21,240	20,980	20,980	20,980
Reserves & surplus	637,220	746,580	736,380	840,894	972,809
Net worth	658,440	767,820	757,360	861,874	993,789
Minority Interest	0	0	0	0	0
Loan Funds	0	0	0	0	0
Net deferred tax liability	(7,760)	(2,230)	(560)	(560)	(560)
Total Liabilities	650,680	765,590	756,800	861,314	993,229
Net block	237,890	255,050	258,000	255,029	251,333
Investment	87,920	142,050	203,240	203,240	203,240
Current Assets	571,790	665,150	700,450	829,403	1,013,244
Cash & bank balance	186,490	247,140	174,720	255,274	364,691
Other Current Assets	0	0	0	0	0
Current liabilities & Provision	259,560	307,290	409,930	436,358	484,588
Net current assets	312,230	357,860	290,520	393,045	528,656
Misc. exp	0	0	0	0	0
Total Assets	650,680	765,590	756,800	861,314	993,229

Cash Flow

Y/E Mar (Rs mn)	FY20	FY21	FY22	FY23E	FY24E
PBT (Ex-Other income) (NI+Dep)	193,740	246,220	280,150	314,446	375,560
Other Non-Cash items	55,130	71,930	81,370	89,410	106,914
Chg in working cap	(19,380)	6,330	(11,830)	(21,971)	(26,194)
Operating Cashflow	185,570	241,270	249,640	263,065	310,996
Capital expenditure	(51,730)	(34,860)	(22,140)	(39,520)	(37,560)
Free Cash Flow	133,840	206,410	227,500	223,545	273,436
Investments	33,800	(48,730)	(52,810)	0	0
Other Investing Cash Flow	0	0	0	0	0
Investing Cashflow	(17,930)	(83,590)	(74,950)	(39,520)	(37,560)
Equity Capital Raised	(74,720)	150	(109,960)	0	0
Loans Taken / (Repaid)	(5,710)	(6,640)	(9,150)	0	0
Dividend paid (incl tax)	(95,480)	(91,370)	(127,310)	(142,991)	(164,019)
Other Financing Cash Flow	(920)	830	(690)	0	0
Financing Cashflow	(176,830)	(97,030)	(247,110)	(142,991)	(164,019)
Net chg in cash	(9,190)	60,650	(72,420)	80,554	109,417
Opening cash position	195,680	186,490	247,140	174,720	255,274
Closing cash position	186,490	247,140	174,720	255,274	364,691

Source: Company, Emkay Research

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Key Ratios

Profitability (%)	FY20	FY21	FY22	FY23E	FY24E
EBITDA Margin	24.5	27.8	25.9	24.7	25.4
EBIT Margin	21.3	24.5	23.0	22.0	22.8
Effective Tax Rate	24.4	27.1	26.4	26.5	26.5
Net Margin	18.3	19.3	18.2	17.4	18.0
ROCE	34.0	37.6	39.6	41.7	43.5
ROE	25.4	27.1	29.0	30.6	31.9
RoIC	57.0	67.5	75.8	82.0	92.9

Per Share Data (Rs)	FY20	FY21	FY22	FY23E	FY24E
EPS	39.1	45.4	52.6	58.9	70.4
CEPS	45.9	53.1	60.8	67.8	80.2
BVPS	155.1	180.2	180.1	204.9	236.3
DPS	17.5	27.0	31.0	34.0	39.0

Valuations (x)	FY20	FY21	FY22	FY23E	FY24E
PER	44.7	38.5	33.3	29.7	24.8
P/CEPS	38.1	32.9	28.7	25.8	21.8
P/BV	11.3	9.7	9.7	8.5	7.4
EV / Sales	7.9	7.0	5.7	4.8	4.1
EV / EBITDA	32.1	25.3	22.2	19.6	16.3
Dividend Yield (%)	1.0	1.5	1.8	1.9	2.2

Gearing Ratio (x)	FY20	FY21	FY22	FY23E	FY24E
Net Debt/ Equity	(0.4)	(0.5)	(0.5)	(0.5)	(0.6)
Net Debt/EBIDTA	(1.2)	(1.4)	(1.2)	(1.3)	(1.4)
Working Cap Cycle (days)	50.6	40.2	34.7	35.2	36.4

Growth (%)	FY20	FY21	FY22	FY23E	FY24E
Revenue	9.8	10.7	21.1	17.3	15.2
EBITDA	6.6	25.2	12.9	11.8	18.4
EBIT	2.6	27.1	13.8	12.2	19.4
PAT	7.7	16.6	14.3	11.9	19.6

Quarterly (Rs mn)	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22
Revenue	263,110	278,960	296,020	318,670	322,760
EBITDA	72,710	74,320	78,310	83,830	78,460
EBITDA Margin (%)	27.6	26.6	26.5	26.3	24.3
PAT	50,760	51,950	54,210	58,090	56,860
EPS (Rs)	11.9	12.2	12.9	13.8	13.5

Source: Company, Emkay Research

Shareholding Pattern (%)	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21
Promoters	13.0	13.0	13.0	13.1	13.1
FII	32.3	32.7	33.4	33.5	33.2
DII	23.8	23.1	22.0	15.7	16.3
Public and Others	31.0	31.3	31.7	37.8	37.4

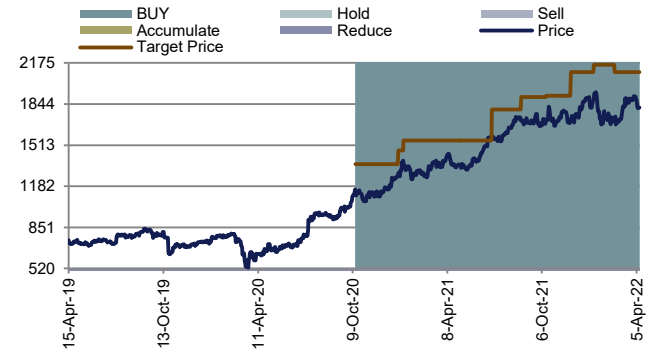
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
1-Apr-22	1,904	2,100	12m	Buy	Dipeshkumar Mehta
22-Feb-22	1,734	2,100	12m	Buy	Dipeshkumar Mehta
13-Jan-22	1,897	2,160	12m	Buy	Dipeshkumar Mehta
1-Jan-22	1,888	2,100	12m	Buy	Dipeshkumar Mehta
30-Nov-21	1,713	2,100	12m	Buy	Dipeshkumar Mehta
14-Oct-21	1,716	1,910	12m	Buy	Dipeshkumar Mehta
2-Oct-21	1,665	1,900	12m	Buy	Dipeshkumar Mehta
27-Aug-21	1,709	1,900	12m	Buy	Dipeshkumar Mehta
15-Jul-21	1,581	1,800	12m	Buy	Dipeshkumar Mehta
2-Jul-21	1,568	1,800	12m	Buy	Dipeshkumar Mehta
14-Apr-21	1,397	1,550	12m	Buy	Dipeshkumar Mehta
5-Apr-21	1,410	1,550	12m	Buy	Dipeshkumar Mehta
18-Mar-21	1,337	1,550	12m	Buy	Dipeshkumar Mehta
14-Jan-21	1,371	1,550	12m	Buy	Dipeshkumar Mehta
4-Jan-21	1,288	1,470	12m	Buy	Dipeshkumar Mehta
18-Dec-20	1,190	1,360	12m	Buy	Dipeshkumar Mehta
12-Nov-20	1,118	1,360	12m	Buy	Dipeshkumar Mehta
14-Oct-20	1,137	1,360	12m	Buy	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 based on Current NAV	Change vs last published EAP (bps)
Information Technology	13.68	13.60	-1%	-8	100.00	
BirlaSoft	0.00	0.04	NA	4	0.26	0
Coforge	0.14	0.00	-100%	-14	0.00	0
Firstsource Solutions	0.00	0.04	NA	4	0.26	0
HCL Tech	1.18	1.25	6%	7	9.14	0
Infosys	6.19	6.43	4%	25	47.03	0
L&T Infotech	0.26	0.00	-100%	-26	0.00	0
Mindtree	0.25	0.19	-23%	-6	1.38	0
Mphasis	0.25	0.28	15%	4	2.08	0
Oracle Financial Services*	0.08	0.00	-100%	-8	0.00	0
Persistent Systems	0.00	0.19	NA	19	1.38	0
TCS	3.67	3.47	-5%	-20	25.36	0
Tech Mahindra	0.86	0.88	2%	2	6.44	0
Wipro	0.81	0.83	3%	2	6.09	0
Cash	0.00	0.08	NA	8	0.58	0

Source: Emkay Research

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

Sector portfolio NAV

	Base 1-Apr-19	12-Apr-21	12-Oct-21	12-Jan-22	11-Mar-22	Latest 12-Apr-22
EAP - Information Technology	100.0	184.3	227.5	250.5	235.2	243.1
BSE200 Neutral Weighted Portfolio (ETF)	100.0	173.6	212.9	233.7	217.9	225.0

*Performance measurement base date 1st April 2019

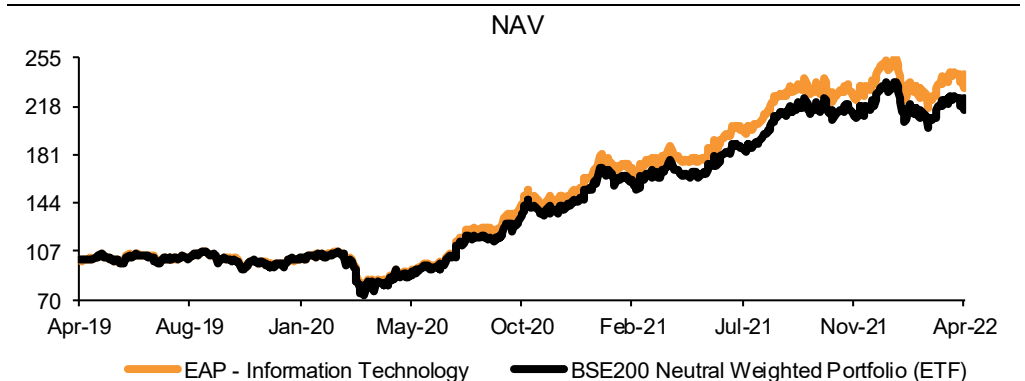
Source: Emkay Research

Price Performance (%)

	1m	3m	6m	12m
EAP - Information Technology	3.4%	-2.9%	6.9%	31.9%
BSE200 Neutral Weighted Portfolio (ETF)	3.2%	-3.8%	5.7%	29.6%

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: 14 Apr 2022 04:50:34 (SGT)

Dissemination Date: 14 Apr 2022 04:51:34 (SGT)

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