

# Mindtree

Refer to important disclosures at the end of this report

## Steady operating performance

- MTCL delivered a steady operating performance in Q4. Revenue grew by 4.7% QoQ (CC 5.2%) to USD383.8mn, broadly in line with our expectations. EBITDAM contracted by ~50bps QoQ to 21% and came in a tad better than our expectations.
- Deal wins remained healthy in Q4 at USD390mn vs. USD358mn in Q3, taking the TCv of deals signed in FY22 to ~USD1.6bn (16.7% YoY). Management indicated that the deal intake remains well-balanced across annuity and transformational deals.
- The company is confident about maintaining revenue growth momentum and delivering top quartile growth in FY23 while sustaining EBITDAM over 20% on the back of broad-based revenue growth, strong deal wins, and a healthy deal pipeline.
- We raise our FY23E/24E EPS by 3.2%/3.5%, factoring in the Q4 performance and higher other income assumptions. Considering rich valuations, we maintain Hold rating on the stock with a TP of Rs4,400 (Rs4,300 earlier) at 33x Mar'24E EPS.

**What we liked?** Broad-based revenue growth, healthy deal intake and margin beat amid supply-side challenges.

**What we did not like?** Uptick in LTM attrition (23.8% in Q4 vs. 21.9% in Q3FY22; though quarterly annualized attrition fell to 24.9% from ~29.5% in Q3FY22) and softness in RCM.

**Revenue growth momentum remains healthy:** Revenue grew by 4.7% QoQ (5.2% CC) in Q4, thanks to a strong broad-based demand environment, steady progress on client mining, deepening partnerships with cloud hyperscalers, and a steady ramp-up of past deal wins. Revenue growth was broad-based, led by TTH (9.3% QoQ), BFSI (8.9%) and CMT (5.2%). RCM declined sequentially by 2.6% due to the ramp-down in retail account, while Healthcare, the newly carved-out vertical, maintained its momentum and grew by 20.9% QoQ albeit on a small base. Management is confident of sustaining the revenue growth momentum, driven by the strengthening of relationships with its existing clients, adding new logos with focused upselling and cross-selling, stitching new partnerships with strategic partners, and diversifying its offerings. The Top client grew by 4.7%, and management reiterated confidence in sustaining growth in the top account while widening the growth base by expanding relationships with other strategic accounts and reducing the dependency on the top client. Management believes that the urgency of clients to shift to cloud will continue to drive demand and it is confident of delivering industry-leading profitable growth in FY23 on broad-based robust demand, healthy deal intake, deal pipeline, aggressive customer mining, end-to-end digital capabilities, and disciplined execution.

**Aspires to achieve 20%+ EBITDAM:** Q4FY22 EBITDAM contracted by 50bps QoQ to 21% and came in 30bps above our estimates. MTCL aspires to achieve 20%+ EBITDAM, supported by sustained revenue growth momentum, right pricing, a flattening employee pyramid (added 1,500+ freshers/qtr in last 2-3 quarters, plans to ramp it up further in FY23) and optimization of subcontracting expenses. These factors should help negate the impact of rising costs of talent, considering strong demand and tight job markets, anticipated wage hikes wef Q2FY23 and investments in front-end sales, and identified white space opportunities.

Please see our sector model portfolio (Emkay Alpha Portfolio): [Information Technology \(Page 10\)](#)

### Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22	FY23E	FY24E
Revenue	77,643	79,678	105,253	130,247	152,800
EBITDA	10,898	16,567	21,956	26,139	29,948
EBITDA Margin (%)	14.0	20.8	20.9	20.1	19.6
APAT	6,309	11,105	16,529	19,391	22,114
EPS (Rs)	38.3	67.4	100.3	117.7	134.2
EPS (% chg)	(16.5)	75.9	48.8	17.3	14.0
ROE (%)	19.5	29.7	33.8	31.8	29.9
P/E (x)	103.2	58.7	39.5	33.6	29.5
EV/EBITDA (x)	59.0	38.0	28.3	23.4	20.0
P/BV (x)	20.6	15.1	11.9	9.7	8.0

Source: Company, Emkay Research

<b>CMP</b>	<b>Target Price</b>
<b>Rs 3,958</b> as of (April 18, 2022)	<b>Rs 4,400 (▲)</b> 12 months
<b>Rating</b>	<b>Upside</b>
<b>HOLD (■)</b>	<b>11.2 %</b>

### Change in Estimates

EPS Chg FY23E/FY24E (%)	3.2/3.5
Target Price change (%)	2.3
Target Period (Months)	12
Previous Reco	HOLD

### Emkay vs Consensus

	EPS Estimates	
	FY23E	FY24E
Emkay	117.7	134.2
Consensus	114.2	132.3
Mean Consensus TP (12M)	Rs 4,600	

### Stock Details

Bloomberg Code	MTCL IN
Face Value (Rs)	10
Shares outstanding (mn)	165
52 Week H/L	5,060 / 1,998
M Cap (Rs bn/USD bn)	652 / 8.55
Daily Avg Volume (nos.)	799,873
Daily Avg Turnover (US\$ mn)	42.6

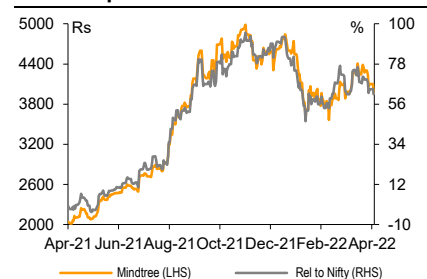
### Shareholding Pattern Dec '21

Promoters	61.0%
FIIIs	15.7%
DIIIs	9.7%
Public and Others	13.6%

### Price Performance

(%)	1M	3M	6M	12M
<b>Absolute</b>	(1)	(9)	(16)	91
<b>Rel. to Nifty</b>	(2)	(3)	(10)	62

### Relative price chart



Source: Bloomberg

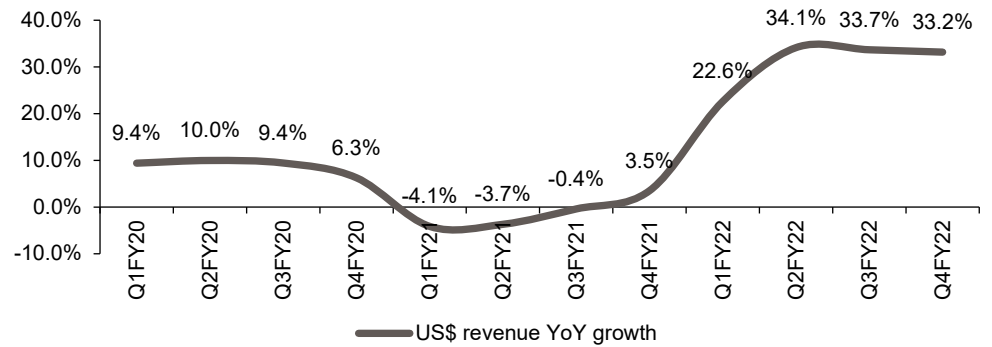
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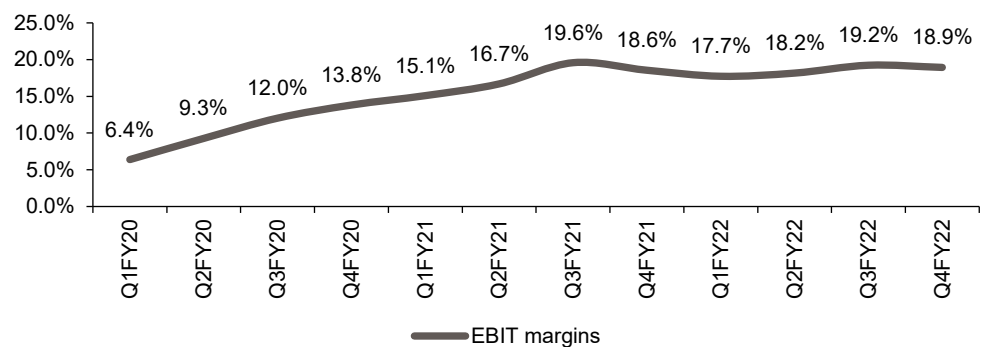
## Story in Charts

**Exhibit 1: Revenue growth momentum remains strong**



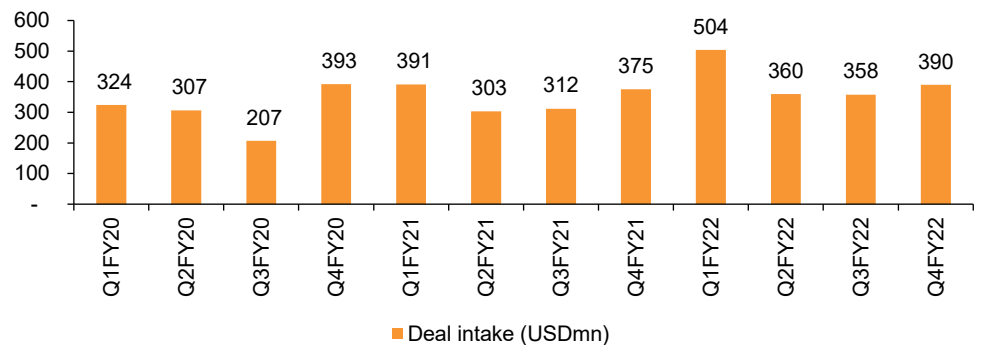
Source: Company, Emkay Research

**Exhibit 2: EBITM declines 30bps QoQ**



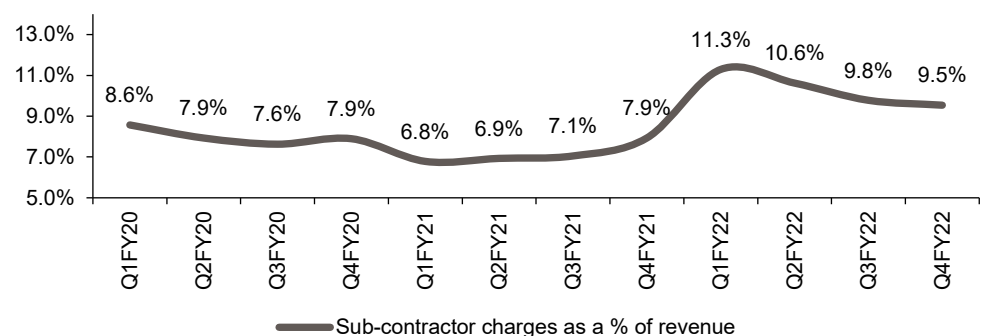
Source: Company, Emkay Research

**Exhibit 3: Deal intake remains healthy in Q4**



Source: Company, Emkay Research

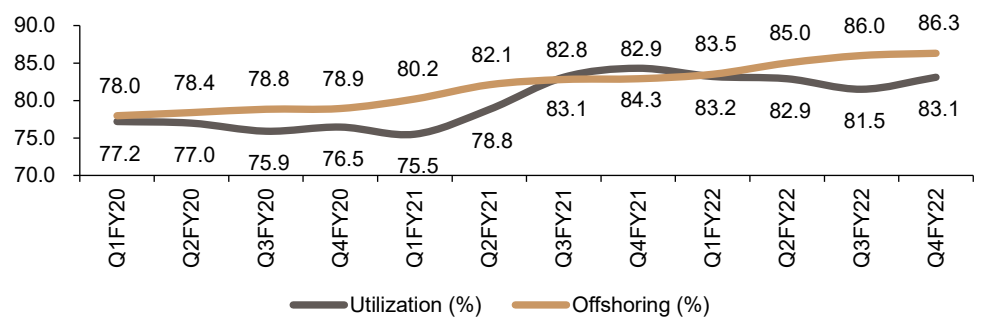
**Exhibit 4: Subcontractor charges declined sequentially aiding margin expansion**



Source: Company, Emkay Research

**Broad-based revenue growth momentum continues:** MTCL's strategy to focus on the annuity business and cross-selling and up-selling to focus 100 clients (contributed ~90% of overall FY22 revenues) continues to deliver the desired results, with revenue growing 4.7% sequentially (5.2% CC) in Q4. Revenue growth was broad-based, led by TTH (9.3% QoQ), BFSI (8.9%) and CMT (5.2%). RCM declined sequentially by 2.6% due to the ramp-down in retail account, while Healthcare, the newly carved-out vertical, maintained its momentum and grew by 20.9% QoQ albeit on a small base. The newly added clients in car rentals, F&B and surface transportation sub verticals are on its way to become strategic clients for MTCL and should drive the revenue growth momentum in the TTH vertical in the coming quarters. Management is confident of sustaining the revenue growth momentum, driven by the strengthening of existing relationships with its clients, adding new strategic accounts, stitching new partnerships with strategic partners, and diversifying its offerings. The Data & Intelligence service line recorded a robust 5.5% QoQ growth rate, followed by Cloud (4.7%), Customer Success (4.7%) and Enterprise IT (4.3%). Management believes that the urgency of clients to shift to cloud will continue to drive the demand. All geographies, except for UK & Ireland, posted sequential growth, led by Asia Pacific (8.5% QoQ), Continental Europe (5.9%) and North America (5.6%). UK and Ireland had yet another soft quarter and declined by 6% sequentially. MTCL is confident of delivering industry-leading profitable growth in FY23 on broad-based robust demand, healthy deal intake, deal pipeline, aggressive customer mining, end-to-end digital capabilities, and disciplined execution and aspires to sustain EBITDAM above 20%. Deal wins were robust at USD390mn vs. USD358mn in Q3.

**Exhibit 5: Offshoring and Utilization, both improved in Q4**



Source: Company, Emkay Research

### Other Takeaways

- Q4FY22 performance:** Revenue grew by 4.7%/33.2% QoQ/YoY to USD383.8mn. EBITDAM contracted by 50bps QoQ to 21%. The company added 3,112 employees in Q4 (11,257 additions in FY22). The attrition rate on LTM basis rose to 23.8% in Q4FY22 from 21.9% QoQ and 12.1% YoY. The offshore effort mix increased to 86.3% (86% in Q3FY22), and utilization rate improved to 83.1% from 81.5% in Q3FY22.
- Outlook:** MTCL is confident of delivering industry-leading profitable growth in FY23 on the back of broad-based robust demand, healthy deal intake, deal pipeline, aggressive customer mining, end-to-end digital capabilities, and disciplined execution. The company has maintained the EBITDA margin guidance of over 20% in FY23.

### Others

- The company expects to roll out wage hike in Q2FY23, in line with industry standards.
- The company has been hiring ~1,500 freshers every quarter for the last 2-3 quarters. It aims to ramp up its fresher hiring for FY23 in order to manage the supply-side challenges and correct employee pyramid.
- The company will continue to invest to augment its capabilities in the Healthcare vertical and added 4 new logos in Q4.
- Utilization is expected to be 80-82% in the near term.
- The company announced a final dividend of Rs27 per share, taking the full-year dividend to Rs37 per share.
- Total outstanding hedges were USD1.7bn at average exchange rate of Rs82/USD which includes on balance sheet hedges of USD184mn, cash flow hedges of USD1.5bn & options of USD6mn.

**Exhibit 6: Actual vs. estimates (Q4FY22)**

(in Rs mn)	Actual	Estimate		% variation		Comment
		Emkay	Consensus	Emkay	Consensus	
Revenues (in US\$ mn)	383.8	384.7	386.9	-0.2%	-0.8%	Revenues were broadly in-line with our estimates
Sales	28,974	28,969	29,018	0.0%	-0.2%	
EBIT	5,487	5,322	5,444	3.1%	0.8%	
EBIT, margin	18.9%	18.4%	18.8%	60 bps	20 bps	EBITM beat estimates by 60bps partly due to lower D&A
PAT	4,731	4,222	4,531	12.1%	4.4%	Strong operating performance and higher other income led to profit beat

Source: Company, Emkay Research

**Exhibit 7: Quarterly snapshot**

Rs mn	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	YoY (%)	QoQ (%)	FY21	FY22	YoY (%)
Revenues(in USD mn)	288.2	310.5	350.1	366.4	383.8	33.2	4.7	1,077	1,411	31.1
Revenue	21,093	22,917	25,862	27,500	28,974	37.4	5.4	79,678	105,253	32.1
Operating Expenditure	16,467	18,272	20,555	21,579	22,891	39.0	6.1	63,111	83,297	32.0
Cost of revenues	13,123	13,673	15,644	16,458	17,503	33.4	6.3	51,132	63,278	23.8
as % of sales	62.2	59.7	60.5	59.8	60.4			64.2	60.1	
SG&A expenses	3,344	4,599	4,911	5,121	5,388	61.1	5.2	11,979	20,019	67.1
as % of sales	15.9	20.1	19.0	18.6	18.6			15.0	19.0	
EBITDA	4,626	4,645	5,307	5,921	6,083	31.5	2.7	16,567	21,956	32.5
Depreciation	713	582	610	632	596	(16.4)	(5.7)	2,596	2,420	(6.8)
EBIT	3,913	4,063	4,697	5,289	5,487	40.2	3.7	13,971	19,536	39.8
Other Income	275	589	623	581	778			1,013	2,571	153.8
PBT	4,188	4,652	5,320	5,870	6,265	49.6	6.7	14,984	22,107	47.5
Total Tax	1,015	1,218	1,331	1,495	1,534	51.1	2.6	3,879	5,578	43.8
Adjusted PAT	3,173	3,434	3,989	4,375	4,731	49.1	8.1	11,105	16,529	48.8
APAT after MI	3,173	3,434	3,989	4,375	4,731	49.1	8.1	11,105	16,529	48.8
Reported PAT	3,173	3,434	3,989	4,375	4,731	49.1	8.1	11,105	16,529	48.8
Reported EPS	19.3	20.8	24.2	26.5	28.7	49.0	8.1	67	100	48.8

Margins (%)						(bps)	(bps)				(bps)
EBIDTA	21.9	20.3	20.5	21.5	21.0	(94)	(54)	20.8	20.9	7	
EBIT	18.6	17.7	18.2	19.2	18.9	39	(30)	17.5	18.6	103	
EBT	19.9	20.3	20.6	21.3	21.6	177	28	18.8	21.0	220	
PAT	15.0	15.0	15.4	15.9	16.3	129	42	13.9	15.7	177	
Effective Tax rate	24.2	26.2	25.0	25.5	24.5	25	(98)	25.9	25.2	(66)	

Source: Company, Emkay Research

**Exhibit 8: Revenue by service offerings**

As a % of revenues	Q4FY22	Q3FY22	Q4FY21	QoQ (%)	YoY (%)
Customer Success	42.9%	42.9%	38.60%	4.7%	48.0%
Data & Intelligence	14.9%	14.8%	16.00%	5.5%	24.0%
Cloud	19.1%	19.1%	19.40%	4.7%	31.1%
Enterprise IT	23.1%	23.2%	26.00%	4.3%	18.3%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>4.7%</b>	<b>33.2%</b>

Source: Company, Emkay Research

**Exhibit 9: Revenue by geographical segments**

As a % of revenues	Q4FY22	Q3FY22	Q4FY21	QoQ (%)	YoY (%)
North America	73.6%	73.0%	76.6%	5.6%	28.0%
Continental Europe	9.0%	8.9%	7.1%	5.9%	68.8%
UK and Ireland	8.7%	9.7%	8.6%	-6.0%	34.7%
Asia Pacific	8.7%	8.4%	7.7%	8.5%	50.5%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>4.7%</b>	<b>33.2%</b>

Source: Company, Emkay Research

**Exhibit 10: Revenues by industry**

As a % of revenues	Q4FY22	Q3FY22	Q4FY21	QoQ (%)	YoY (%)
Communications, Media & Technology	43.3%	43.1%	45.8%	5.2%	25.9%
BFSI	18.2%	17.5%	18.4%	8.9%	31.7%
Retail, CPG & Manufacturing	22.6%	24.3%	22.1%	-2.6%	36.2%
Travel & Hospitality	14.4%	13.8%	12.7%	9.3%	51.0%
Healthcare	1.5%	1.3%	1.0%	20.9%	99.8%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>4.7%</b>	<b>33.2%</b>

Source: Company, Emkay Research

**Exhibit 11: Client contribution to revenue**

As a % of revenues	Q4FY22	Q3FY22	Q4FY21	QoQ (%)	YoY (%)
Top customer	24.9%	24.9%	28.0%	4.7%	18.4%
Top-5 customers	35.7%	35.4%	38.6%	5.6%	23.2%
Top-10 customers	44.4%	44.9%	47.3%	3.6%	25.0%

Source: Company, Emkay Research

**Exhibit 12: Changes in estimates**

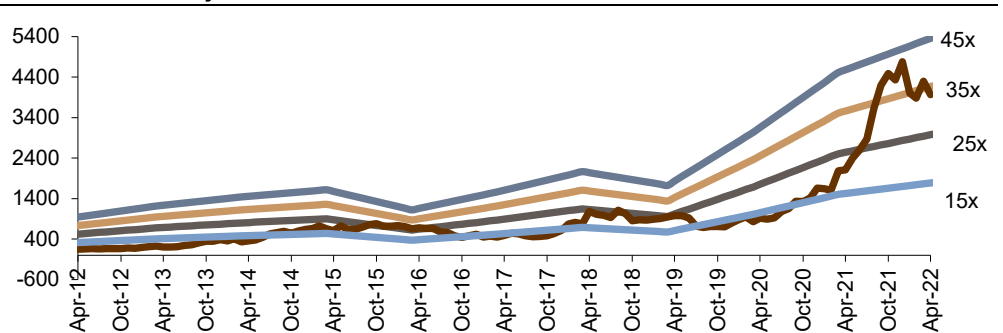
All fig in Rs mn except EPS and %	FY23E			FY24E		
	Old	New	% change	Old	New	% change
Overall Revenues( in US\$ mn)	1,713	1,714	0.0%	1,971	1,972	0.0%
YoY growth, %	21.4%	21.5%		15.0%	15.0%	
Revenues	130,202	130,247	0.0%	152,726	152,800	0.0%
EBIT	23,197	23,439	1.0%	26,664	26,967	1.1%
EBIT margins, %	17.8	18.0		17.5	17.6	
Net profits	18,785	19,391	3.2%	21,358	22,114	3.5%
EPS	114.0	117.7	3.2%	129.6	134.2	3.5%

Source: Company, Emkay Research

**Exhibit 13: Key assumptions**

(in Rs mn)	FY23E	FY24E
USD revenues growth (%)	21.5%	15.0%
USD/INR	76.0	77.5
INR revenues Growth (%)	23.7%	17.3%
EBIT margin (%)	18.0%	17.6%
EPS Growth (%)	17.3%	14.0%

Source: Company, Emkay Research

**Exhibit 14: MTCL's 1 year forward P/E band**

Source: Company, Emkay Research

## Exhibit 15: 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	3,528	4,000	13.4	16.1	17.4	33.7	28.9	24.9	23.5	20.1	17.1	42.6	44.5	42.3
Infosys	BUY	1,621	1,970	21.5	17.8	15.7	30.8	27.6	23.0	20.5	18.1	15.0	29.0	30.6	31.9
Wipro	BUY	539	670	24.4	18.7	13.6	24.2	21.4	18.7	16.0	13.4	11.6	20.4	20.2	20.5
HCL Tech	BUY	1,102	1,430	29.8	14.0	12.4	22.6	19.6	16.9	14.0	12.2	10.6	20.8	22.5	24.5
Tech Mahindra	BUY	1,345	1,730	28.7	15.6	15.5	21.6	19.5	17.2	13.7	11.4	10.0	20.9	20.9	21.3
L&T Infotech	HOLD	5,874	6,500	10.7	22.9	20.0	45.0	36.3	30.7	33.0	26.2	22.1	28.9	30.3	29.9
Mphasis	BUY	2,880	3,650	26.7	19.9	19.2	38.2	31.4	26.1	24.6	20.0	16.6	20.7	22.9	24.6
<b>Mindtree</b>	<b>HOLD</b>	<b>3,958</b>	<b>4,400</b>	<b>11.2</b>	<b>24.2</b>	<b>25.8</b>	<b>39.5</b>	<b>33.6</b>	<b>29.5</b>	<b>28.3</b>	<b>23.4</b>	<b>20.0</b>	<b>33.8</b>	<b>31.8</b>	<b>29.9</b>
Persistent Systems	BUY	4,215	4,600	9.1	30.4	30.9	48.3	39.3	31.9	32.4	23.9	19.5	22.1	23.4	24.6
Coforge	HOLD	4,072	5,050	24.0	25.7	26.2	37.7	30.2	25.0	21.9	17.3	14.6	25.0	27.4	29.0
Birlasoft	BUY	425	530	24.7	17.6	26.6	27.0	22.7	18.6	16.5	13.3	10.7	19.1	19.8	20.9
Firstsource Solutions	BUY	127	180	41.2	15.2	15.0	16.6	14.4	12.2	10.3	8.7	7.3	18.4	19.5	20.8
eClerx	BUY	2,355	2,620	11.3	19.0	21.5	19.7	17.5	16.1	11.0	9.7	8.9	27.1	28.8	29.3
Route Mobile	BUY	1,540	2,150	39.6	34.5	34.6	59.2	43.8	29.7	39.9	26.3	18.7	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
<b>Revenue</b>	<b>77,643</b>	<b>79,678</b>	<b>105,253</b>	<b>130,247</b>	<b>152,800</b>
<b>Expenditure</b>	<b>66,745</b>	<b>63,111</b>	<b>83,297</b>	<b>104,107</b>	<b>122,852</b>
<b>EBITDA</b>	<b>10,898</b>	<b>16,567</b>	<b>21,956</b>	<b>26,139</b>	<b>29,948</b>
Depreciation	2,754	2,596	2,420	2,700	2,980
<b>EBIT</b>	<b>8,144</b>	<b>13,971</b>	<b>19,536</b>	<b>23,439</b>	<b>26,967</b>
Other Income	144	1,013	2,571	2,943	3,120
Interest expenses	0	0	0	0	0
<b>PBT</b>	<b>8,288</b>	<b>14,984</b>	<b>22,107</b>	<b>26,382</b>	<b>30,087</b>
Tax	1,979	3,879	5,578	6,991	7,973
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
<b>Reported Net Income</b>	<b>6,309</b>	<b>11,105</b>	<b>16,529</b>	<b>19,391</b>	<b>22,114</b>
<b>Adjusted PAT</b>	<b>6,309</b>	<b>11,105</b>	<b>16,529</b>	<b>19,391</b>	<b>22,114</b>

**Balance Sheet**

Y/E Mar (Rs mn)	FY20	FY21	FY22	FY23E	FY24E
Equity share capital	1,646	1,647	1,648	1,648	1,648
Reserves & surplus	29,922	41,543	53,103	65,407	79,446
<b>Net worth</b>	<b>31,568</b>	<b>43,190</b>	<b>54,751</b>	<b>67,055</b>	<b>81,094</b>
<b>Minority Interest</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Loan Funds</b>	<b>5,663</b>	<b>5,377</b>	<b>5,557</b>	<b>5,800</b>	<b>5,900</b>
Net deferred tax liability	(1,835)	(351)	0	0	0
<b>Total Liabilities</b>	<b>35,396</b>	<b>48,216</b>	<b>60,308</b>	<b>72,855</b>	<b>86,994</b>
<b>Net block</b>	<b>14,092</b>	<b>12,758</b>	<b>13,752</b>	<b>13,912</b>	<b>14,392</b>
<b>Investment</b>	<b>9,709</b>	<b>20,468</b>	<b>25,507</b>	<b>25,507</b>	<b>25,507</b>
<b>Current Assets</b>	<b>25,794</b>	<b>29,813</b>	<b>42,058</b>	<b>56,552</b>	<b>73,672</b>
Cash & bank balance	3,909	7,597	10,513	21,816	33,992
Other Current Assets	7,496	9,474	14,232	12,612	13,724
<b>Current liabilities &amp; Provision</b>	<b>14,335</b>	<b>15,047</b>	<b>21,224</b>	<b>23,331</b>	<b>26,791</b>
<b>Net current assets</b>	<b>11,459</b>	<b>14,766</b>	<b>20,834</b>	<b>33,221</b>	<b>46,880</b>
Misc. exp	0	0	0	0	0
<b>Total Assets</b>	<b>35,396</b>	<b>48,216</b>	<b>60,308</b>	<b>72,855</b>	<b>86,994</b>

**Cash Flow**

Y/E Mar (Rs mn)	FY20	FY21	FY22	FY23E	FY24E
<b>PBT (Ex-Other income) (NI+Dep)</b>	<b>8,144</b>	<b>13,971</b>	<b>19,536</b>	<b>23,439</b>	<b>26,967</b>
Other Non-Cash items	390	(544)	4,999	(1,364)	(1,886)
Chg in working cap	(1,541)	5,882	(3,114)	(1,084)	(1,483)
<b>Operating Cashflow</b>	<b>8,251</b>	<b>19,960</b>	<b>15,370</b>	<b>19,643</b>	<b>21,726</b>
Capital expenditure	(1,220)	(619)	(3,048)	(2,617)	(3,360)
<b>Free Cash Flow</b>	<b>7,031</b>	<b>19,341</b>	<b>12,322</b>	<b>17,026</b>	<b>18,366</b>
Investments	858	(11,382)	(4,085)	0	0
Other Investing Cash Flow	0	0	0	0	0
<b>Investing Cashflow</b>	<b>(229)</b>	<b>(11,833)</b>	<b>(6,860)</b>	<b>(733)</b>	<b>(914)</b>
Equity Capital Raised	4	1	1	0	0
Loans Taken / (Repaid)	(495)	(842)	(928)	0	0
Dividend paid (incl tax)	(5,940)	(2,880)	(4,528)	(7,087)	(8,075)
Other Financing Cash Flow	288	(214)	363	0	0
<b>Financing Cashflow</b>	<b>(6,672)</b>	<b>(4,439)</b>	<b>(5,594)</b>	<b>(7,607)</b>	<b>(8,635)</b>
<b>Net chg in cash</b>	<b>1,350</b>	<b>3,688</b>	<b>2,916</b>	<b>11,303</b>	<b>12,176</b>
Opening cash position	2,559	3,909	7,597	10,513	21,816
<b>Closing cash position</b>	<b>3,909</b>	<b>7,597</b>	<b>10,513</b>	<b>21,816</b>	<b>33,992</b>

Source: Company, Emkay Research

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**Key Ratios**

<b>Profitability (%)</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23E</b>	<b>FY24E</b>
EBITDA Margin	14.0	20.8	20.9	20.1	19.6
EBIT Margin	10.5	17.5	18.6	18.0	17.6
Effective Tax Rate	23.9	25.9	25.2	26.5	26.5
Net Margin	8.1	13.9	15.7	14.9	14.5
ROCE	24.3	35.8	40.7	39.6	37.6
ROE	19.5	29.7	33.8	31.8	29.9
RoIC	37.5	67.2	88.8	94.9	102.5

<b>Per Share Data (Rs)</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23E</b>	<b>FY24E</b>
EPS	38.3	67.4	100.3	117.7	134.2
CEPS	55.1	83.2	115.0	134.0	152.3
BVPS	191.8	262.2	332.2	406.9	492.1
DPS	30.0	17.5	37.0	43.0	49.0

<b>Valuations (x)</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23E</b>	<b>FY24E</b>
PER	103.2	58.7	39.5	33.6	29.5
P/CEPS	71.9	47.6	34.4	29.5	26.0
P/BV	20.6	15.1	11.9	9.7	8.0
EV / Sales	8.3	7.9	5.9	4.7	3.9
EV / EBITDA	59.0	38.0	28.3	23.4	20.0
Dividend Yield (%)	0.8	0.4	0.9	1.1	1.2

<b>Gearing Ratio (x)</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23E</b>	<b>FY24E</b>
Net Debt/ Equity	(0.3)	(0.5)	(0.6)	(0.6)	(0.7)
Net Debt/EBIDTA	(0.7)	(1.4)	(1.4)	(1.6)	(1.8)
Working Cap Cycle (days)	35.5	32.8	35.8	32.0	30.8

<b>Growth (%)</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23E</b>	<b>FY24E</b>
Revenue	10.6	2.6	32.1	23.7	17.3
EBITDA	2.4	52.0	32.5	19.1	14.6
EBIT	(9.6)	71.5	39.8	20.0	15.1
PAT	(16.3)	76.0	48.8	17.3	14.0

<b>Quarterly (Rs mn)</b>	<b>Q4FY21</b>	<b>Q1FY22</b>	<b>Q2FY22</b>	<b>Q3FY22</b>	<b>Q4FY22</b>
Revenue	21,093	22,917	25,862	27,500	28,974
EBITDA	4,626	4,645	5,307	5,921	6,083
<b>EBITDA Margin (%)</b>	<b>21.9</b>	<b>20.3</b>	<b>20.5</b>	<b>21.5</b>	<b>21.0</b>
PAT	3,173	3,434	3,989	4,375	4,731
<b>EPS (Rs)</b>	<b>19.3</b>	<b>20.8</b>	<b>24.2</b>	<b>26.5</b>	<b>28.7</b>

Source: Company, Emkay Research

<b>Shareholding Pattern (%)</b>	<b>Dec-20</b>	<b>Mar-21</b>	<b>Jun-21</b>	<b>Sep-21</b>	<b>Dec-21</b>
Promoters	61.0	61.0	61.0	61.0	61.0
FIs	13.3	13.9	13.7	15.0	15.7
DIs	10.6	10.9	12.0	10.1	9.7
Public and Others	15.1	14.2	13.3	13.9	13.6

Source: Capitaline

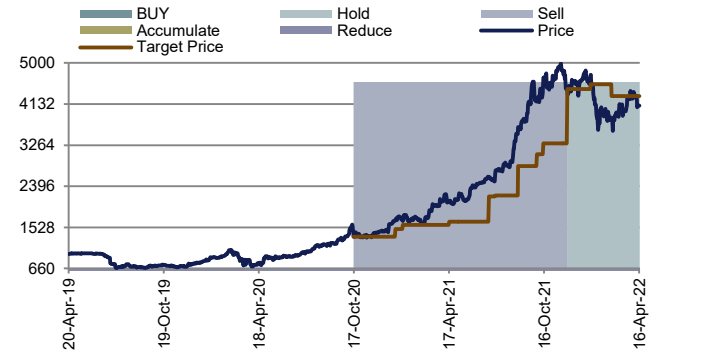


## RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
1-Apr-22	4,243	4,300	12m	Hold	Dipeshkumar Mehta
24-Feb-22	3,566	4,300	12m	Hold	Dipeshkumar Mehta
22-Feb-22	3,821	4,300	12m	Hold	Dipeshkumar Mehta
13-Jan-22	4,744	4,550	12m	Hold	Dipeshkumar Mehta
1-Jan-22	4,780	4,450	12m	Hold	Dipeshkumar Mehta
29-Nov-21	4,445	4,450	12m	Hold	Dipeshkumar Mehta
14-Oct-21	4,691	3,300	12m	Sell	Dipeshkumar Mehta
2-Oct-21	4,185	3,070	12m	Sell	Dipeshkumar Mehta
27-Aug-21	3,643	2,825	12m	Sell	Dipeshkumar Mehta
14-Jul-21	2,703	2,200	12m	Sell	Dipeshkumar Mehta
2-Jul-21	2,583	2,180	12m	Sell	Dipeshkumar Mehta
27-Apr-21	2,055	1,650	12m	Sell	Dipeshkumar Mehta
17-Apr-21	2,070	1,650	12m	Sell	Dipeshkumar Mehta
5-Apr-21	2,088	1,580	12m	Sell	Dipeshkumar Mehta
18-Mar-21	1,970	1,580	12m	Sell	Dipeshkumar Mehta
18-Jan-21	1,664	1,580	12m	Sell	Dipeshkumar Mehta
4-Jan-21	1,689	1,490	12m	Sell	Dipeshkumar Mehta
18-Dec-20	1,476	1,330	12m	Sell	Dipeshkumar Mehta
4-Dec-20	1,438	1,330	12m	Sell	Dipeshkumar Mehta
16-Oct-20	1,329	1,330	12m	Sell	Dipeshkumar Mehta

Source: Company, Emkay Research

## RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

## Emkay Alpha Portfolio – Information Technology



### Analyst: Dipesh Mehta

#### Contact Details

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+91 22 6612 1253

#### Sector

IT Services, ITes and Software

#### Analyst bio

Dipesh is a seasoned Equities professional who has covered Technology sector for over 15 years. Dipesh has completed his B.E. in Information Technology from Sardar Patel University and MMS in Finance from Mumbai University.

### EAP sector portfolio

Company Name	BSE200 Weight	EAP Weight	OW/UW (%)	OW/UW (bps)	EAP Weight based on Current NAV	Change vs last published EAP (bps)
<b>Information Technology</b>	<b>13.67</b>	<b>13.59</b>	<b>-1%</b>	<b>-8</b>	<b>100.00</b>	
BirlaSoft	0.00	0.04	NA	4	0.26	0
Coforge	0.13	0.00	-100%	-13	0.00	0
Firstsource Solutions	0.00	0.04	NA	4	0.28	0
HCL Tech	1.18	1.28	8%	9	9.35	0
Infosys	6.20	6.28	1%	8	45.94	0
L&T Infotech	0.27	0.00	-100%	-27	0.00	0
Mindtree	0.24	0.19	-20%	-5	1.42	0
Mphasis	0.24	0.28	13%	3	2.02	0
Oracle Financial Services*	0.08	0.00	-100%	-8	0.00	0
Persistent Systems	0.00	0.18	NA	18	1.35	0
TCS	3.67	3.59	-2%	-8	26.26	0
Tech Mahindra	0.85	0.89	5%	4	6.49	0
Wipro	0.80	0.82	3%	2	6.02	0
<b>Cash</b>	<b>0.00</b>	<b>0.08</b>	<b>NA</b>	<b>8</b>	<b>0.62</b>	<b>0</b>

Source: Emkay Research

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

### Sector portfolio NAV

	Base					Latest
	1-Apr-19	13-Apr-21	13-Oct-21	13-Jan-22	14-Mar-22	13-Apr-22
EAP - Information Technology	100.0	179.2	230.1	251.3	240.8	228.8
BSE200 Neutral Weighted Portfolio (ETF)	100.0	168.6	215.3	234.3	223.0	211.9

\*Performance measurement base date 1st April 2019

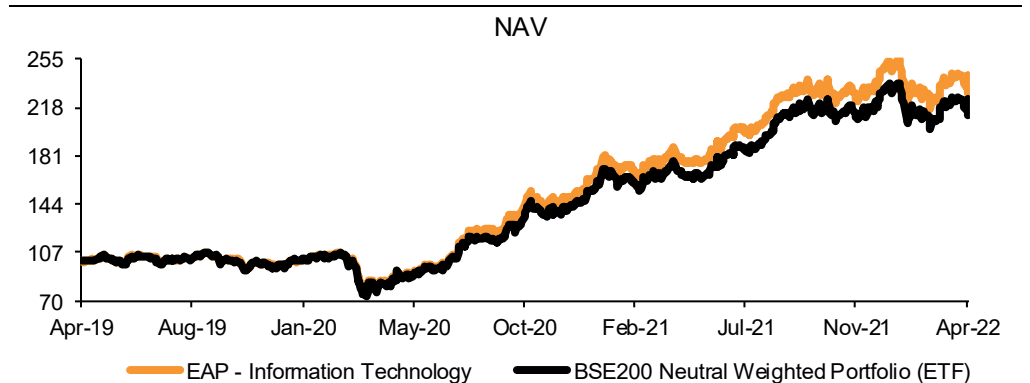
Source: Emkay Research

### Price Performance (%)

	1m	3m	6m	12m
EAP - Information Technology	-5.0%	-8.9%	-0.6%	27.7%
BSE200 Neutral Weighted Portfolio (ETF)	-5.0%	-9.6%	-1.5%	25.7%

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: 19 Apr 2022 02:53:09 (SGT)

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