

# HCL Tech

Refer to important disclosures at the end of this report

## In-line revenue; margin disappoints

- HCLT delivered in-line revenue in Q1FY23; however, margins performance disappointed. Revenue grew 1.1% QoQ to USD3.02bn (2.7% CC). EBITM declined 100bps QoQ to 17.0% due to weakness in the profitability of the Services segment (down ~150bps).
- It signed 7 large services deals and 9 product deals across life sciences and healthcare, technology, manufacturing, and financial services with a total new deal TCV of USD2.05bn. Broad-based demand, robust deal intake (23.4%/17.9% YoY growth in deal TCV/ACV) and a near record-high pipeline augur well for revenue acceleration.
- HCLT has reiterated 12-14% CC revenue growth guidance for FY23, implying a 2.3%-3.5% CQGR over Q2-Q4. Despite weak margins in Q1, it has retained 18-20% EBITM guidance for FY23, factoring in anticipated improvement in margins in coming quarters.
- We cut FY23/FY24/FY25 EPS estimates by 3.2%/2.3/2.5%, factoring in the Q1 miss. Pressure on Services business margins remains a concern, and execution on margin recovery will be key for the stock's performance. We maintain Buy with a TP of Rs1,100 at 18x Jun'24E EPS, considering reasonable valuations and >4% dividend yield.

**What we liked?** Continued momentum in ER&D revenue, healthy deal intake (New deal TCV at USD2.05bn), steady improvement across client buckets, ~83% dividend payout

**What we did not like?** Weakness in Services margin (-150bps QoQ), increase in attrition (23.8% on LTM basis vs 21.9% QoQ); poor cash conversion (OCF/EBITDA at 34% vs 65%/110% YoY/QoQ)

**Services business momentum intact; 12-14% revenue growth guidance for FY23 retained:** Revenue grew 1.1% QoQ to USD3.02bn (2.7% CC), aided by continued traction in the Services business (2.3% CC) and seasonal recovery in the Products & Platforms business (5.1% CC). ER&D Services grew strongly at 3.7% QoQ CC, driven by traction in digital engineering and IoT Works. IT and Business Services grew by 2% QoQ CC, driven by acceleration in cloud transformation and application and data modernization. HCLT continues to see strong momentum in Cloud, Digital & Engineering services and has retained its guidance of 12-14% CC growth in FY23 on the back of continued traction in the services business, healthy deal intake (USD2.05bn in Q1FY23) and a near record-high deal pipeline.

**EBITM down ~100bps QoQ; expects FY23 EBITM to be closer to lower end of guided range of 18-20%:** EBITM declined 100bps QoQ to 17.0% in Q1 due to pressure on services margin. Services margin declined ~150bps QoQ due to higher outsourcing costs (-100bps), higher backfilling costs (-50bps) amid elevated attrition, and higher travel and visa costs (-35bps), partly negated by currency benefits (+40bps). Management expects margins to recover in coming quarters despite staggered salary hikes, which would help HCLT deliver EBITM closer to the lower end of its guided range of 18-20% in FY23. Optimization in subcontracting costs, better pricing, flattening employee pyramid, offshoring, automation, and improvement in utilization remain key levers to drive margin improvement.

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

### Financial Snapshot (Consolidated)

(Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Revenue	753,790	856,510	978,483	1,093,489	1,218,528
EBITDA	207,750	205,300	213,208	243,912	268,728
EBITDA Margin (%)	27.6	24.0	21.8	22.3	22.1
APAT	111,440	134,990	140,203	163,501	182,658
EPS (Rs)	41.1	49.7	51.7	60.3	67.3
EPS (% chg)	0.7	21.1	3.9	16.6	11.7
ROE (%)	19.9	22.2	22.1	24.5	26.0
P/E (x)	22.6	18.7	18.0	15.4	13.8
EV/EBITDA (x)	11.4	11.5	10.8	9.3	8.3
P/BV (x)	4.2	4.1	3.9	3.7	3.5

Source: Company, Emkay Research

### CMP

Rs 928  
as of (July 12, 2022)

### Rating

BUY (■)

### Target Price

Rs 1,100 (▼)  
12 months

### Upside

18.6 %

### Change in Estimates

EPS Chg FY23E/FY24E (%)	(3.2)/(2.3)
Target Price change (%)	(4.3)
Target Period (Months)	12
Previous Reco	BUY

### Emkay vs Consensus

EPS Estimates		
	FY23E	FY24E
Emkay	51.7	60.3
Consensus	53.5	61.1
Mean Consensus TP (12M)	Rs 1,218	

### Stock Details

Bloomberg Code	HCLT IN
Face Value (Rs)	2
Shares outstanding (mn)	2,714
52 Week H/L	1,378 / 924
M Cap (Rs bn/USD bn)	2,518 / 31.63
Daily Avg Volume (nos.)	3,326,626
Daily Avg Turnover (US\$ mn)	43.4

### Shareholding Pattern Mar '22

Promoters	60.7%
FIIIs	19.0%
DIIIs	14.7%
Public and Others	5.6%

### Price Performance

(%)	1M	3M	6M	12M
Absolute	(9)	(18)	(31)	(5)
Rel. to Nifty	(8)	(10)	(22)	(7)

### Relative price chart



Source: Bloomberg

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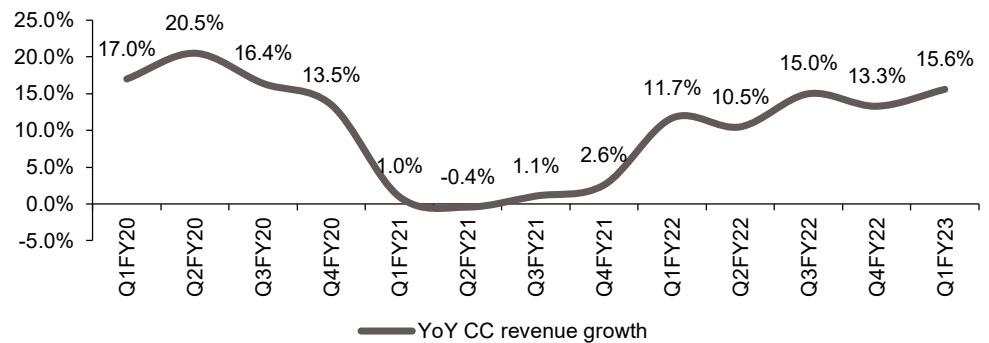
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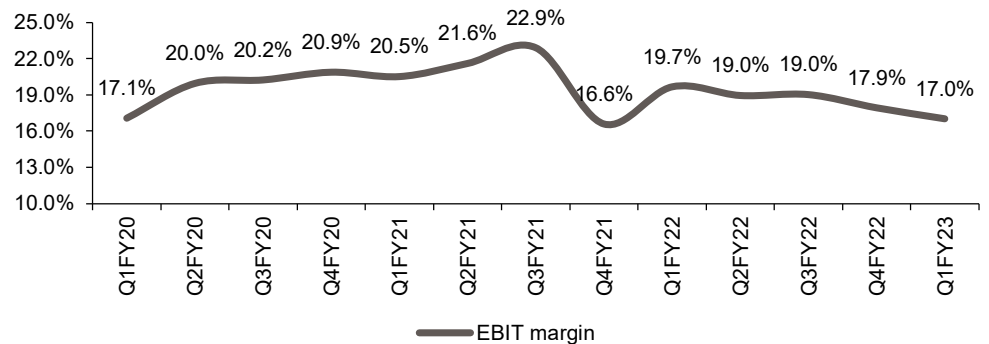
## Story in Charts

**Exhibit 1: Revenue growth remains healthy in Q1**



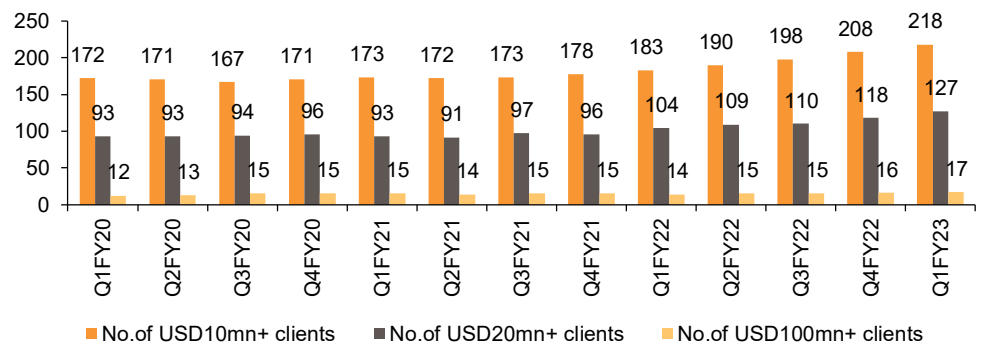
Source: Company, Emkay Research

**Exhibit 2: EBITM margins contract on account of increased outsourcing costs, attrition and business travel costs**



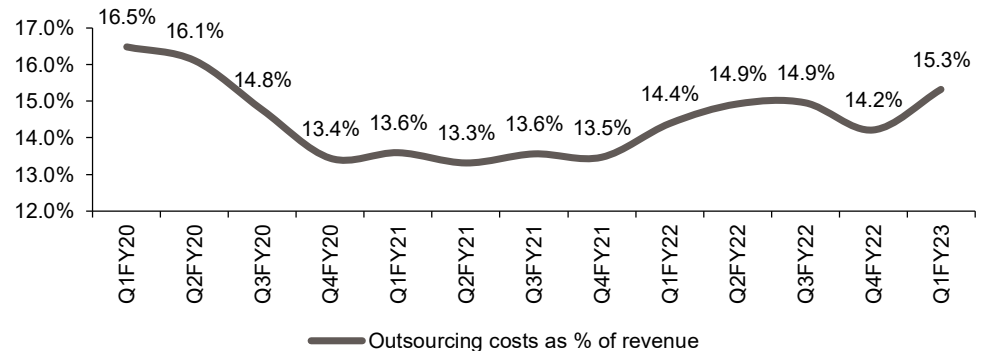
Source: Company, Emkay Research

**Exhibit 3: Steady improvement across client buckets**

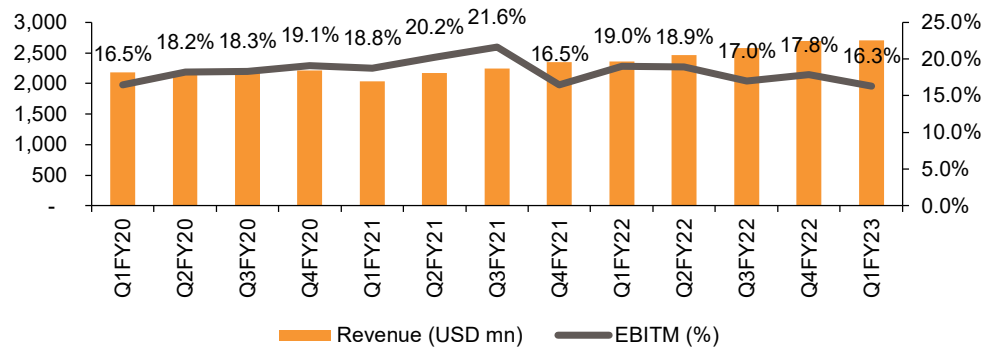


Source: Company, Emkay Research

**Exhibit 4: Outsourcing costs witnessed an uptick**



Source: Company, Emkay Research

**Exhibit 5: Services margin was under pressure**

Source: Company, Emkay Research

## Other takeaways

**Q1FY23 performance:** Revenue grew 1.1%/11.2% QoQ/YoY (2.7%/15.6% QoQ/YoY CC) to USD3.02bn. EBITM declined by 100bps QoQ to 17.0%. HCLT signed 16 net new large deals in Q1, with new deal TCV of USD2.05bn - up 23.4% YoY. LTM IT services attrition rose to 23.8% in Q1 from 21.9% QoQ.

**Outlook:** HCLT has maintained its guidance of 12-14% CC growth in FY23, implying a 2.3%-3.5% CQGR over Q2-Q4. The company expects FY23 EBITM to be around the lower end of its guided range of 18-20%, considering Q1 performance and supply-side challenges.

### Others

- The growth momentum in services was led by digital engineering and digital application services, with cloud adoption being a horizontal theme across all services and verticals.
- Growth momentum in Services was led by Technology & Services (10.9% QoQ CC), Telecom, Media, Publishing & Entertainment (4.3%), Lifesciences & Healthcare (2.7%), and Financial services (0.8%). Manufacturing and Public Services reported muted performance sequentially. Retail & CPG declined 1.4% CC QoQ.
- Q1 operating performance was partly impacted by seasonal factors - productivity benefit were passed on to clients.
- Products and platforms business is well distributed across geographies and verticals; it is shielded from negative macro movements and is likely to perform well even in a slowdown.
- Mode 2 continues to lead the growth momentum, growing at 39.3% CC YoY in Q1FY23.
- HCLT added 2,089 employees in Q1FY23 compared to over 10,000 net additions in the previous 3 quarters. Management provided assurance that the low net addition is not a reflection of any slowdown in the demand environment and largely reflects focus on driving utilization and operational efficiencies.
- The company added 6,023 freshers in Q1. It plans to onboard ~10,000 freshers in Q2 and is on track to hire 30,000-35,000 freshers in FY23.
- Localization progress - Localization stands at 70.6% in the US.
- The company announced an interim dividend of Rs10 per share.

**Exhibit 6: Actual vs. Estimates (Q1FY23)**

(in Rs mn)	Actual	Estimates		% variation		Comment
		Emkay	Consensus	Emkay	Consensus	
Revenues (in USD mn)	3,025	3,019	3,021	0.2%	0.1%	Revenue is in line with our/consensus estimates
Sales	234,640	233,696	233,749	0.4%	0.4%	
EBIT	39,920	42,690	41,374	-6.5%	-3.5%	Margin is below our/consensus estimates
EBIT, margin	17.0%	18.3%	17.7%	-130 bps	-70 bps	
PAT	32,830	34,644	32,959	-5.2%	-0.4%	Profit missed estimates due to margin miss

Source: Company, Emkay Research

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**Exhibit 7: Quarterly snapshot**

Rs mn	Q1 FY22	Q2 FY22	Q3 FY22	Q4 FY22	Q1 FY23	YoY (%)	QoQ (%)	FY23 YTD	FY22 YTD	YoY (%)
Revenues(US\$ mn)	2,720	2,791	2,978	2,993	3,025	11.2	1.1	3,025	2,720	11.2
Revenue	200,680	206,550	223,310	225,970	234,640	16.9	3.8	234,640	200,680	16.9
Operating Expenditure	150,060	158,170	169,380	175,440	184,890	23.2	5.4	184,890	150,060	23.2
Cost of revenues	120,590	127,580	137,980	142,920	150,660	24.9	5.4	150,660	120,590	24.9
as % of sales	60.1	61.8	61.8	63.2	64.2			64.2	60.1	
SG&A expenses	29,470	30,590	31,400	32,520	34,230	16.2	5.3	34,230	29,470	16.2
as % of sales	14.7	14.8	14.1	14.4	14.6			14.6	14.7	
EBITDA	50,620	48,380	53,930	50,530	49,750	-1.7	-1.5	49,750	50,620	(1.7)
Depreciation	11,280	9,220	11,360	9,840	9,830			9,830	11,280	(12.9)
EBIT	39,340	39,160	42,570	40,690	39,920	1.5	-1.9	39,920	39,340	1.5
Other Income	1,660	2,070	1,730	2,520	3,450			3,450	1,660	107.8
PBT	41,000	41,230	44,300	43,210	43,370	5.8	0.4	43,370	41,000	5.8
Total Tax	8,870	8,460	9,820	7,210	10,560			10,560	8,870	19.1
Adjusted PAT	32,130	32,770	34,480	36,000	32,810	2.1	-8.9	32,810	32,130	2.1
(Profit)/loss from JV's/Ass/MI	-80	-130	-60	-60	20	-125.0	-133.3	20	-80	
APAT after MI	32,050	32,640	34,420	35,940	32,830	2.4	-8.7	32,830	32,050	2.4
Reported PAT	32,050	32,640	34,420	35,940	32,830	2.4	-8.7	32,830	32,050	2.4
Reported EPS (Rs)	11.8	12.0	12.7	13.2	12.1	2.4	-8.7	12	12	2.4

Margins (%)						(bps)	(bps)			
EBIDTA	25.2	23.4	24.2	22.4	21.2	(402)	(116)	21.2	25.2	(402)
EBIT	19.6	19.0	19.1	18.0	17.0	(259)	(99)	17.0	19.6	(259)
EBT	20.4	20.0	19.8	19.1	18.5	(195)	(64)	18.5	20.4	(195)
PAT	16.0	15.8	15.4	15.9	14.0	(198)	(191)	14.0	16.0	(198)
Effective Tax rate	21.6	20.5	22.2	16.7	24.3	271	766	24.3	21.6	271

Source: Company, Emkay Research

**Exhibit 8: Revenues by vertical - at Services level**

Particulars	As a % of revenues				
	Q1FY23	Q4FY22	Q1FY22	QoQ (%)	YoY (%)
Financial Services	21.1%	21.6%	21.9%	-1.8%	10.3%
Manufacturing	18.3%	18.9%	18.6%	-2.7%	12.6%
Technology& Services	15.4%	14.1%	13.3%	9.8%	32.5%
Life Sciences & Healthcare	16.4%	16.2%	16.5%	1.8%	13.7%
Public Services	10.2%	10.5%	10.6%	-2.4%	10.1%
Retail & CPG	9.4%	9.8%	10.6%	-3.6%	1.5%
Telecommunications, Media, Publishing & Entertainment	9.2%	9.0%	8.4%	2.7%	25.3%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>0.5%</b>	<b>14.4%</b>

Source: Company, Emkay Research

**Exhibit 9: Revenues by geography - at Services level**

Particulars	As a % of revenues				
	Q1FY23	Q4FY22	Q1FY22	QoQ (%)	YoY (%)
US	64.2%	63.1%	63.1%	2.3%	16.4%
Europe	27.8%	28.7%	28.6%	-2.6%	11.2%
Rest of the world	8.0%	8.2%	8.3%	-1.9%	10.3%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>0.5%</b>	<b>14.4%</b>

Source: Company, Emkay Research

**Exhibit 10: Revenue by segments**

Particulars	As a % of revenues				
	Q1FY23	Q4FY22	Q1FY22	QoQ (%)	YoY (%)
IT & Business Services	72.8%	73.5%	71.6%	0.1%	13.1%
Engg and R&D services	16.6%	16.4%	15.3%	2.3%	20.7%
Products & Platforms	10.6%	10.2%	13.1%	5.0%	-10.0%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>1.1%</b>	<b>11.2%</b>

Source: Company, Emkay Research

**Exhibit 11: Segmental performance**

	Q1FY23	Q4FY22	QoQ (%)	Q1FY22	YoY (%)
<b>IT Business &amp; Services</b>					
Revenue (USD mn)	2,201	2,200	0.0%	1,946	13.1%
EBIT (USD mn)	346	387	-10.6%	365	-5.2%
EBIT (%)	15.7%	17.6%	-187	18.8%	-304
<b>Engineering and R&amp;D Services</b>					
Revenue (USD mn)	503	490	2.7%	417	20.6%
EBIT (USD mn)	94	93	1.3%	83	13.3%
EBIT (%)	18.7%	19.0%	-26	19.9%	-122
<b>Products &amp; Platforms</b>					
Revenue (USD mn)	321	303	6.1%	357	-10.1%
EBIT (USD mn)	75	59	26.2%	87	-13.8%
EBIT (%)	23.4%	19.6%	373	24.4%	-101

Source: Company, Emkay Research

**Exhibit 12: Client numbers**

No. of clients	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23
US\$ 1mn+	848	865	814	809	817	836	864	882	880
US\$ 5mn+	320	317	312	318	326	329	346	349	353
US\$ 10mn+	173	172	173	178	183	190	198	208	218
US\$ 20mn+	93	91	97	96	104	109	110	118	127
US\$ 50mn+	29	29	31	35	37	41	42	43	42
US\$ 100mn+	15	14	15	15	14	15	15	16	17

Source: Company, Emkay Research

**Exhibit 13: Changes in estimates**

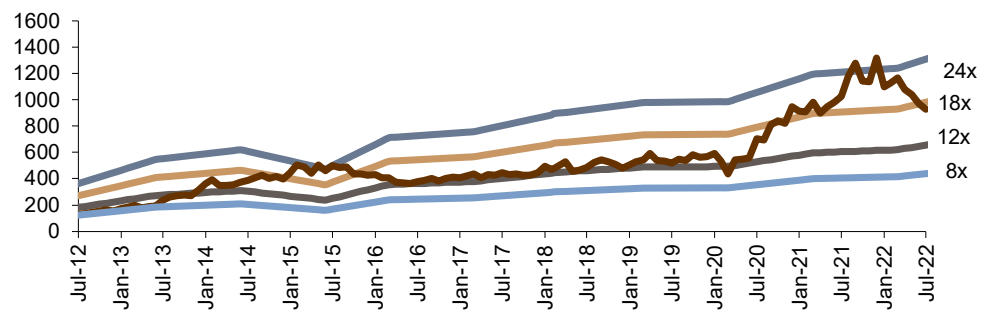
(Rs mn)	FY23E			FY24E			FY25E		
	Old	New	% change	Old	New	% change	Old	New	% change
Revenues(USD mn)	12,705	12,685	-0.2	14,043	14,019	-0.2	15,441	15,424	-0.1
YoY growth, %	10.7%	10.5%		10.5%	10.5%		10.0%	10.0%	
Revenues	979,525	978,483	-0.1	1,095,330	1,093,489	-0.2	1,219,865	1,218,528	-0.1
EBIT	179,759	173,312	-3.6	206,796	202,066	-2.3	231,446	225,910	-2.4
EBIT mgns, %	18.4	17.7		18.9	18.5		19.0	18.5	
Net profits	144,853	140,203	-3.2	167,325	163,501	-2.3	187,354	182,658	-2.5
EPS (Rs)	53.4	51.7	-3.2	61.7	60.3	-2.3	69.0	67.3	-2.5

Source: Company, Emkay Research

**Exhibit 14: Key assumptions**

Key Assumptions	FY23E	FY24E	FY25E
Growth in Revenues (USD mn)	10.5%	10.5%	10.0%
USD/INR	77.1	78.0	79.0
INR revenues growth	14.2%	11.8%	11.4%
EBIT margins	17.7%	18.5%	18.5%
EPS growth (%)	3.9%	16.6%	11.7%

Source: Company, Emkay Research

**Exhibit 15: HCLT's 1-year forward P/E band**

Source: Company, Emkay Research

**Key Financials (Consolidated)****Income Statement**

Y/E Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
<b>Revenue</b>	<b>753,790</b>	<b>856,510</b>	<b>978,483</b>	<b>1,093,489</b>	<b>1,218,528</b>
<b>Expenditure</b>	<b>546,040</b>	<b>651,210</b>	<b>765,275</b>	<b>849,578</b>	<b>949,800</b>
<b>EBITDA</b>	<b>207,750</b>	<b>205,300</b>	<b>213,208</b>	<b>243,912</b>	<b>268,728</b>
Depreciation	46,110	43,260	39,896	41,846	42,818
<b>EBIT</b>	<b>161,640</b>	<b>162,040</b>	<b>173,312</b>	<b>202,066</b>	<b>225,910</b>
Other Income	4,160	7,470	11,946	13,889	15,261
Interest expenses	0	0	0	0	0
<b>PBT</b>	<b>165,800</b>	<b>169,510</b>	<b>185,258</b>	<b>215,955</b>	<b>241,171</b>
Tax	54,120	34,280	44,613	51,829	57,881
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	(240)	(240)	(482)	(624)	(632)
<b>Reported Net Income</b>	<b>111,440</b>	<b>134,990</b>	<b>140,203</b>	<b>163,501</b>	<b>182,658</b>
<b>Adjusted PAT</b>	<b>111,440</b>	<b>134,990</b>	<b>140,203</b>	<b>163,501</b>	<b>182,658</b>

**Balance Sheet**

Y/E Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Equity share capital	5,427	5,427	5,427	5,427	5,427
Reserves & surplus	593,703	613,713	645,369	678,615	714,735
<b>Net worth</b>	<b>599,130</b>	<b>619,140</b>	<b>650,797</b>	<b>684,042</b>	<b>720,162</b>
<b>Minority Interest</b>	<b>1,690</b>	<b>920</b>	<b>920</b>	<b>920</b>	<b>920</b>
<b>Loan Funds</b>	<b>65,010</b>	<b>65,790</b>	<b>65,950</b>	<b>65,950</b>	<b>65,950</b>
Net deferred tax liability	(10,328)	(10,641)	(10,260)	(10,260)	(10,260)
<b>Total Liabilities</b>	<b>655,502</b>	<b>675,209</b>	<b>707,407</b>	<b>740,652</b>	<b>776,772</b>
<b>Net block</b>	<b>374,570</b>	<b>371,390</b>	<b>345,789</b>	<b>318,926</b>	<b>300,131</b>
<b>Investment</b>	<b>140,700</b>	<b>114,850</b>	<b>173,120</b>	<b>173,120</b>	<b>173,120</b>
<b>Current Assets</b>	<b>334,860</b>	<b>392,330</b>	<b>437,405</b>	<b>525,242</b>	<b>610,303</b>
Cash & bank balance	65,210	105,100	100,698	149,150	191,389
Other Current Assets	93,460	78,910	112,593	125,826	140,214
<b>Current liabilities &amp; Provision</b>	<b>194,628</b>	<b>203,361</b>	<b>248,908</b>	<b>276,636</b>	<b>306,782</b>
<b>Net current assets</b>	<b>140,232</b>	<b>188,969</b>	<b>188,497</b>	<b>248,606</b>	<b>303,521</b>
Misc. exp	0	0	0	0	0
<b>Total Assets</b>	<b>655,502</b>	<b>675,209</b>	<b>707,407</b>	<b>740,652</b>	<b>776,772</b>

**Cash Flow**

Y/E Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
<b>PBT (Ex-Other income) (NI+Dep)</b>	<b>161,640</b>	<b>162,040</b>	<b>173,312</b>	<b>202,066</b>	<b>225,910</b>
Other Non-Cash items	3,874	(4,371)	(3,730)	0	0
Chg in working cap	(4,149)	(39,913)	(3,549)	(11,658)	(12,675)
<b>Operating Cashflow</b>	<b>203,390</b>	<b>169,127</b>	<b>176,550</b>	<b>193,689</b>	<b>212,800</b>
Capital expenditure	(29,856)	(15,219)	(14,295)	(14,982)	(24,023)
<b>Free Cash Flow</b>	<b>173,534</b>	<b>153,908</b>	<b>162,255</b>	<b>178,707</b>	<b>188,778</b>
Investments	(27,559)	29,916	(58,270)	0	0
Other Investing Cash Flow	0	0	0	0	0
<b>Investing Cashflow</b>	<b>(57,415)</b>	<b>14,697</b>	<b>(72,565)</b>	<b>(14,982)</b>	<b>(24,023)</b>
Equity Capital Raised	0	0	0	0	0
Loans Taken / (Repaid)	(76,751)	(14,995)	160	0	0
Dividend paid (incl tax)	(32,595)	(122,051)	(108,547)	(130,256)	(146,538)
Other Financing Cash Flow	(8,238)	(6,888)	0	0	0
<b>Financing Cashflow</b>	<b>(117,585)</b>	<b>(143,934)</b>	<b>(108,387)</b>	<b>(130,256)</b>	<b>(146,538)</b>
<b>Net chg in cash</b>	<b>28,390</b>	<b>39,890</b>	<b>(4,402)</b>	<b>48,451</b>	<b>42,240</b>
Opening cash position	48,430	65,210	105,100	100,698	149,150
<b>Closing cash position</b>	<b>76,820</b>	<b>105,100</b>	<b>100,698</b>	<b>149,150</b>	<b>191,389</b>

Source: Company, Emkay Research

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**Key Ratios**

<b>Profitability (%)</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23E</b>	<b>FY24E</b>	<b>FY25E</b>
EBITDA Margin	27.6	24.0	21.8	22.3	22.1
EBIT Margin	21.4	18.9	17.7	18.5	18.5
Effective Tax Rate	32.6	20.2	24.1	24.0	24.0
Net Margin	14.8	15.8	14.4	15.0	15.0
ROCE	26.8	25.5	26.8	29.8	31.8
ROE	19.9	22.2	22.1	24.5	26.0
RoIC	24.9	28.6	29.6	36.1	41.3

<b>Per Share Data (Rs)</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23E</b>	<b>FY24E</b>	<b>FY25E</b>
EPS	41.1	49.7	51.7	60.3	67.3
CEPS	58.1	65.7	66.4	75.7	83.1
BVPS	220.8	228.2	239.8	252.1	265.4
DPS	26.0	44.0	40.0	48.0	54.0

<b>Valuations (x)</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23E</b>	<b>FY24E</b>	<b>FY25E</b>
PER	22.6	18.7	18.0	15.4	13.8
P/CEPS	16.0	14.1	14.0	12.3	11.2
P/BV	4.2	4.1	3.9	3.7	3.5
EV / Sales	3.2	2.8	2.4	2.1	1.8
EV / EBITDA	11.4	11.5	10.8	9.3	8.3
Dividend Yield (%)	2.8	4.7	4.3	5.2	5.8

<b>Gearing Ratio (x)</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23E</b>	<b>FY24E</b>	<b>FY25E</b>
Net Debt/ Equity	(0.2)	(0.2)	(0.3)	(0.4)	(0.4)
Net Debt/EBIDTA	(0.7)	(0.8)	(1.0)	(1.1)	(1.1)
Working Cap Cycle (days)	36.3	35.7	32.8	33.2	33.6

<b>Growth (%)</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23E</b>	<b>FY24E</b>	<b>FY25E</b>
Revenue	6.7	13.6	14.2	11.8	11.4
EBITDA	24.5	(1.2)	3.9	14.4	10.2
EBIT	16.7	0.2	7.0	16.6	11.8
PAT	0.7	21.1	3.9	16.6	11.7

<b>Quarterly (Rs mn)</b>	<b>Q1FY22</b>	<b>Q2FY22</b>	<b>Q3FY22</b>	<b>Q4FY22</b>	<b>Q1FY23</b>
Revenue	200,680	206,550	223,310	225,970	234,640
EBITDA	50,620	48,380	53,930	50,530	49,750
<b>EBITDA Margin (%)</b>	<b>25.2</b>	<b>23.4</b>	<b>24.2</b>	<b>22.4</b>	<b>21.2</b>
PAT	32,210	32,640	34,420	35,940	32,830
<b>EPS (Rs)</b>	<b>11.9</b>	<b>12.0</b>	<b>12.7</b>	<b>13.2</b>	<b>12.1</b>

Source: Company, Emkay Research

<b>Shareholding Pattern (%)</b>	<b>Mar-21</b>	<b>Jun-21</b>	<b>Sep-21</b>	<b>Dec-21</b>	<b>Mar-22</b>
Promoters	60.3	60.3	60.3	60.3	60.7
FII	24.1	23.2	22.3	20.4	19.0
DII	10.5	11.3	12.5	13.7	14.7
Public and Others	5.0	5.1	4.9	5.5	5.6

Source: Capitaline

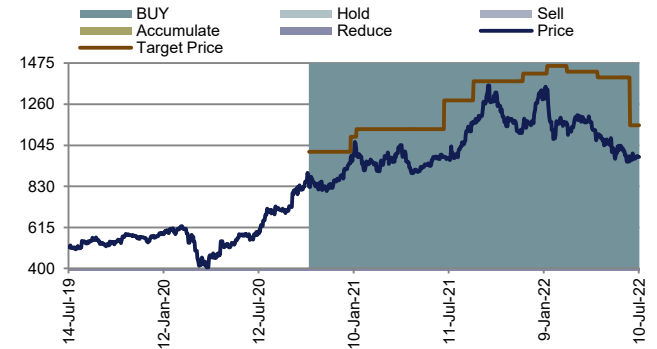


## RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
23-Jun-22	971	1,150	12m	Buy	Dipeshkumar Mehta
12-May-22	1,059	1,400	12m	Buy	Dipeshkumar Mehta
22-Apr-22	1,102	1,400	12m	Buy	Dipeshkumar Mehta
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



### 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>12.26</b>	<b>12.20</b>	<b>-1%</b>	<b>-6</b>	<b>100.00</b>	
BirlaSoft	0.00	0.03	NA	3	0.24	0
Coforge	0.12	0.00	-100%	-12	0.00	0
Firstsource Solutions	0.00	0.03	NA	3	0.23	0
HCL Tech	1.07	1.11	4%	4	9.08	0
Infosys	5.64	5.64	0%	0	45.95	0
L&T Infotech	0.19	0.00	-100%	-19	0.00	0
Mindtree	0.18	0.22	23%	4	1.79	0
Mphasis	0.19	0.24	27%	5	1.97	0
Oracle Financial Services*	0.08	0.00	-100%	-8	0.00	0
Persistent Systems	0.17	0.16	-8%	-1	1.30	0
TCS	3.34	3.37	1%	4	27.50	0
Tech Mahindra	0.66	0.67	2%	1	5.43	0
Wipro	0.64	0.74	16%	10	6.00	0
<b>Cash</b>	<b>0.00</b>	<b>0.06</b>	<b>NA</b>	<b>6</b>	<b>0.51</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	12-Jul-21	10-Jan-22	11-Apr-22	10-Jun-22	11-Jul-22
EAP - Information Technology	100.0	197.9	248.0	231.7	197.4	188.5
BSE200 Neutral Weighted Portfolio (ETF)	100.0	183.7	231.4	214.6	182.4	174.1

\*Performance measurement base date 1<sup>st</sup> April 2019

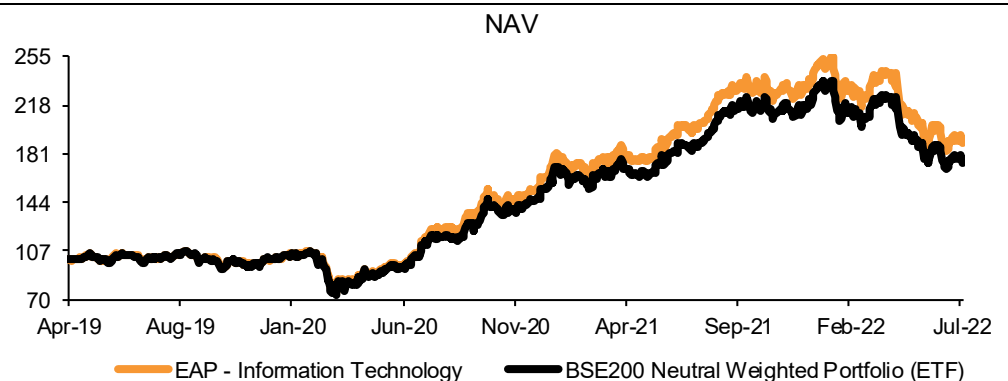
Source: Emkay Research

### Price Performance (%)

	1m	3m	6m	12m
EAP - Information Technology	-4.5%	-18.7%	-24.0%	-4.8%
BSE200 Neutral Weighted Portfolio (ETF)	-4.5%	-18.8%	-24.7%	-5.2%

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: 13 Jul 2022 10:31:02 (SGT)

Dissemination Date: 13 Jul 2022 10:32:02 (SGT)

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