

# Infosys

Refer to important disclosures at the end of this report

## Revenue growth momentum accelerates; EBITM disappoints

- Infosys reported mixed performance in Q1, with revenue beating our estimates and margin missing our expectations. Revenue grew 3.8% QoQ to USD4.44bn (5.5% CC), driven by broad-based demand. EBITM declined 150bps to 20.1% due to increased cost pressures.
- The company raised its FY23 revenue growth guidance to 14-16% CC (13-15% earlier), implying a 1.4-2.6% CQGR over Q2-Q4, on the back of strong Q1, broad-based demand, solid deal intake and pipeline. It has retained EBITM guidance at 21-23%, but expects it to be at the lower end of guided range, considering Q1 performance and cost woes.
- Though large deal intake has moderated, it was healthy at USD1.7bn in Q1. As per management, large deal pipeline expanded in the last 3-6 months. Healthy large deal wins, progress on client mining and robust deal pipeline give good growth visibility for FY23.
- We cut FY23/FY24/FY25E EPS by 1.9%/0.1%/0.1%, factoring in the Q1 performance. The margin miss should lead to our/consensus earnings downgrades, though revenue beat estimates. We maintain Buy with a TP of Rs1,640 (23x Jun'24E EPS), considering continued market share gains, expected margin recovery, and steady cash generation.

**What we liked?** Strong Q1; broad-based revenue growth; and upward revision of FY23 revenue growth guidance.

**What we did not like?** EBITM miss in Q1; FY23 EBITM guidance at the lower end of the guided range; and elevated attrition (28.4% on LTM basis vs. 27.7% in Q4).

**Mixed performance in Q1; FY23 revenue guidance raised to 14-16%:** Revenue grew 3.8% QoQ to USD4.44bn (5.5% CC), better than our estimates. Revenue growth was broad-based and led by E&U (7.3% in USD), Manufacturing (6.5% QoQ), Communications (5.5%), Retail (5.3%), and Hitech (3.8%) from a vertical perspective and North America (4.5%) and Europe (3.0%) from a geographic perspective. The demand environment remains healthy so far, with weakness seen in select pockets like mortgages and parts of Retail. Management remains watchful of emerging macro situations and their impact on clients' budgets. The company continues to invest in cloud and digital capabilities as it intends to capture significant demand opportunities it is currently witnessing. Infosys upped its FY23 revenue growth guidance to 14-16% CC, implying a 1.4-2.6% CQGR over Q2-Q4, on the back of broad-based demand, robust deal intake and pipeline, and steady progress in client mining efforts.

**EBITM declines 150bps QoQ:** EBITM contracted 150bps QoQ in Q1 to 20.1% due to salary hikes (-160bps), lower utilization (-40bps), higher subcontracting costs (-30bps), partly negated by currency gain (+30bps) and benefits accruing from higher working days, and a reversal of client contractual provisions (+50bps). The company has retained EBITM guidance at 21-23%, but expects it to be at the lower end of the guided range, considering Q1 performance and cost woes. Optimization in subcontracting costs, higher utilization, automation, pyramid rationalization, pricing, and cost efficiencies remain the key margin levers that gives management confidence about margin recovery in the next three quarters.

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

### Financial Snapshot (Consolidated)

(Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Revenue	1,004,730	1,216,410	1,431,834	1,629,275	1,831,678
EBITDA	278,900	314,920	343,524	408,990	467,052
EBITDA Margin (%)	27.8	25.9	24.0	25.1	25.5
APAT	193,510	221,110	239,350	289,336	332,035
EPS (Rs)	45.4	52.6	56.9	68.8	78.9
EPS (% chg)	16.2	15.8	8.2	20.9	14.8
ROE (%)	27.1	29.0	29.7	31.7	31.9
P/E (x)	33.1	28.6	26.4	21.9	19.1
EV/EBITDA (x)	21.6	18.9	17.1	14.1	12.2
P/BV (x)	8.3	8.3	7.4	6.5	5.7

Source: Company, Emkay Research

<b>CMP</b>	<b>Target Price</b>
Rs 1,504 as of (July 25, 2022)	Rs 1,640 (■) 12 months
<b>Rating</b>	<b>Upside</b>
BUY (■)	9.1 %

### Change in Estimates

EPS Chg FY23E/FY24E (%)	(1.9)/(0.1)
Target Price change (%)	-
Target Period (Months)	12
Previous Reco	BUY

### Emkay vs Consensus

EPS Estimates		
	FY23E	FY24E
Emkay	56.9	68.8
Consensus	58.9	68.2
Mean Consensus TP (12M)	Rs 1,782	

### Stock Details

Bloomberg Code	INFO IN
Face Value (Rs)	5
Shares outstanding (mn)	4,208
52 Week H/L	1,954 / 1,367
M Cap (Rs bn/USD bn)	6,327 / 79.34
Daily Avg Volume (nos.)	7,287,507
Daily Avg Turnover (US\$ mn)	136.2

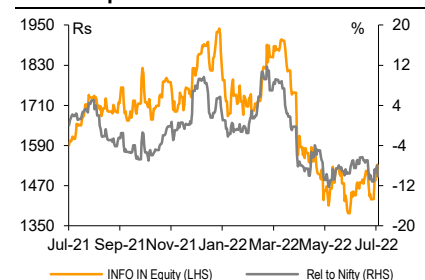
### Shareholding Pattern Jun '22

Promoters	13.1%
FIIIs	31.7%
DIIIs	18.9%
Public and Others	36.3%

### Price Performance

(%)	1M	3M	6M	12M
<b>Absolute</b>	4	(4)	(13)	(5)
<b>Rel. to Nifty</b>	(2)	(2)	(9)	(10)

### Relative price chart



Source: Bloomberg

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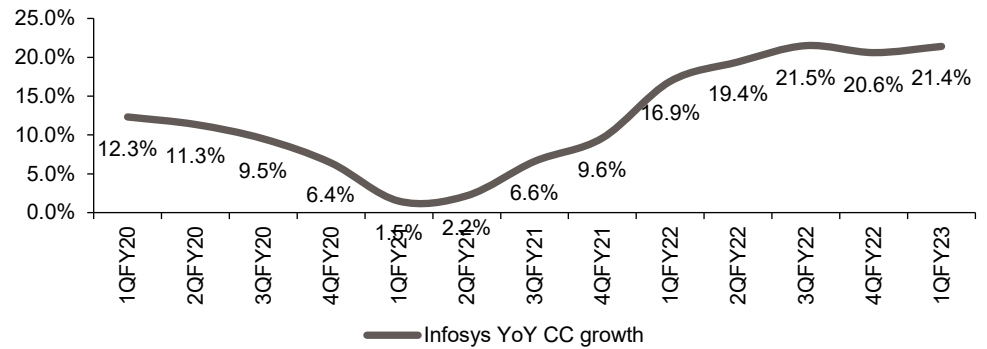
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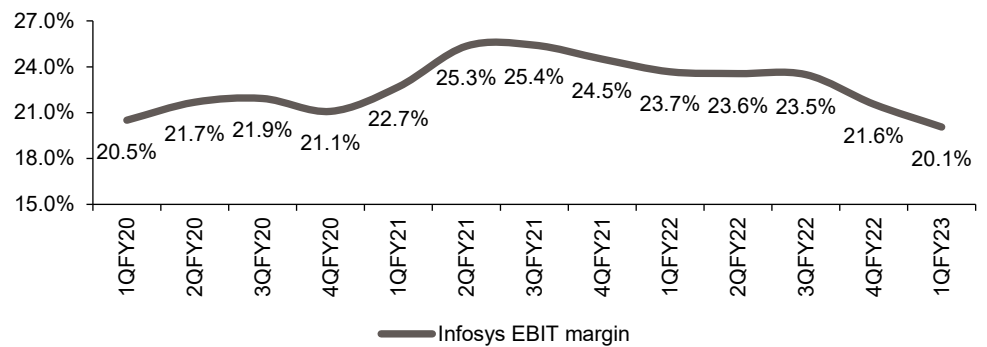
## Story in Charts

**Exhibit 1: Revenue growth acceleration continued in Q1**



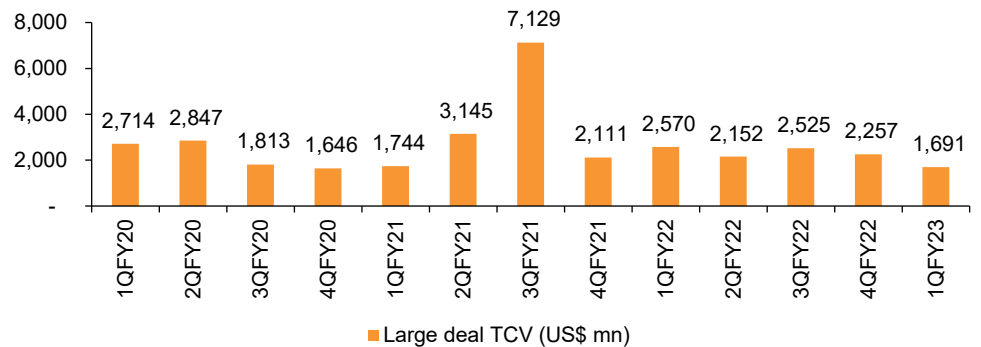
Source: Company, Emkay Research

**Exhibit 2: EBITM declined 150bps sequentially**



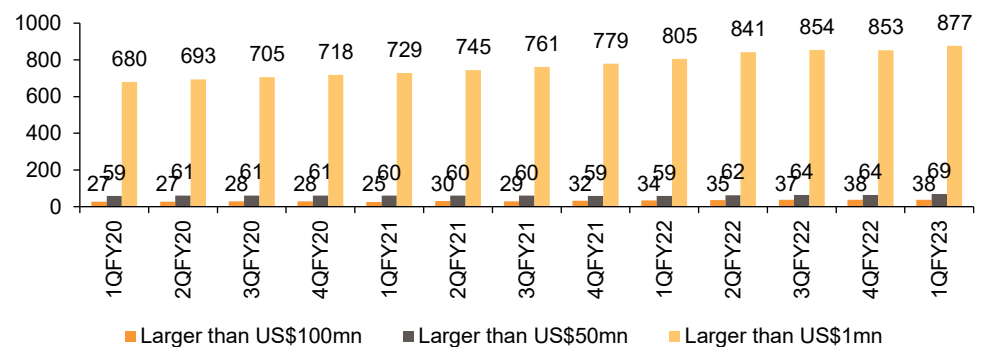
Source: Company, Emkay Research

**Exhibit 3: Healthy large deal intake during the quarter**

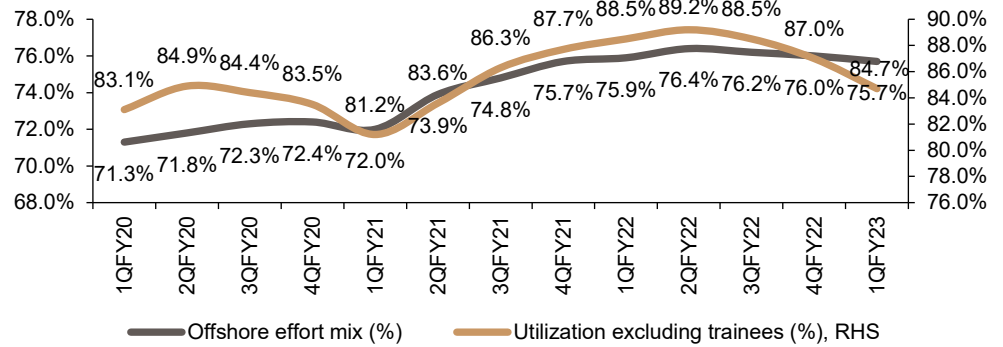


Source: Company, Emkay Research

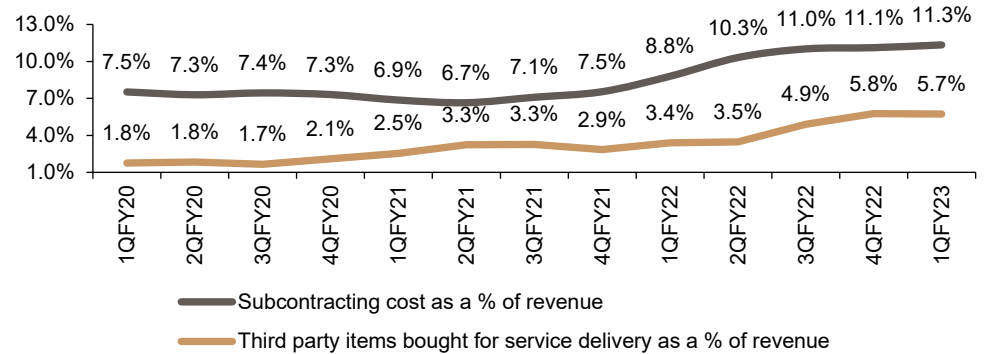
**Exhibit 4: Steady progress across client buckets**



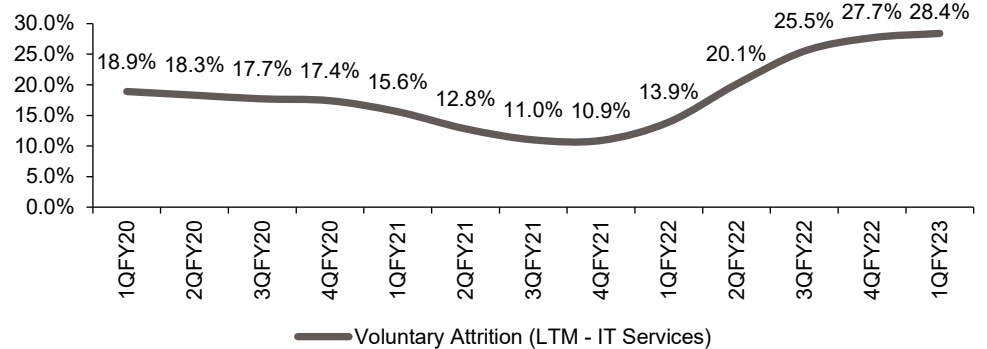
Source: Company, Emkay Research

**Exhibit 5: Offshore mix and utilization moderated further in Q1**

Source: Company, Emkay Research

**Exhibit 6: Subcontracting costs and third-party items bought for service delivery remain elevated in Q1**

Source: Company, Emkay Research

**Exhibit 7: LTM attrition inched up further, although management indicated moderation in quarterly annualized attrition in Q1**

Source: Company, Emkay Research

## Other Takeaways

- **FY23 Outlook:** The company continues to gain market share, driven by its Cobalt cloud capabilities and differentiated digital value proposition. With its large deal pipe being bigger than it has been in the 3-6 months and positive outlook for demand, the company has revised its FY23 revenue guidance upward to 14-16% from 13-15%, implying a 1.4% to 2.6% CQGR over Q2-Q4. However, on account of the inflationary cost environment, it expects FY23 EBITM to be at the lower end of the guided range of 21-23%.
- Digital revenues comprised 61% of the total revenue, and delivered 37.5% CC growth in the quarter.
- Deal pipeline consists of growth opportunities led by cloud & digital transformation and cost takeout opportunities driven by automation.
- Infosys signed 19 large deals with a TCV of USD1.7bn (50% net new) in Q1, split across geographies (15 in North America, 2 in Europe, and 2 in RoW) and verticals (5 in Retail, 4 in Hitech, 3 each in BFSI and EURS, 2 each in Manufacturing and Communications).
- The company added 21,171 employees in Q1. The company plans to hire ~50,000 freshers in F23.
- The company gave salary hikes for the bulk of the employees wef April, and the remaining employees (mid- to senior level) will get from July. The salary hikes awarded in Q1 were higher than traditional hikes, with top performers securing double-digit hikes.
- Attrition, on an LTM basis, inched up to 28.4% in Q1 from 27.7% Q4FY22. However, management indicated that quarterly annualized attrition declined further by 100bps QoQ after declining by ~500bps QoQ in Q4.

**Exhibit 8: Actual vs. Estimates (Q1FY23)**

(Rs mn)	Actual	Estimate		% variation		Comment
		Emkay	Consensus	Emkay	Consensus	
Revenues (in US\$ mn)	4,444	4,400	4,420	1.0%	0.5%	Revenue came in ahead of expectations
Sales	344,700	340,548	341,973	1.2%	0.8%	
EBIT	69,140	69,812	72,156	-1.0%	-4.2%	
EBIT, margin %	20.1%	20.5%	21.1%	-40 bps	-100 bps	Margin missed estimates
PAT	53,600	55,760	56,768	-3.9%	-5.6%	Net profit was below estimates due to margin miss

Source: Company, Emkay Research

**Exhibit 9: Quarterly snapshot**

Rs mn	Q1 FY22	Q2 FY22	Q3 FY22	Q4 FY22	Q1 FY23	YoY (%)	QoQ (%)	FY22 YTD	FY23 YTD	YoY (%)
Revenues(in US\$ mn)	3,782	3,998	4,250	4,280	4,444	17.5	3.8	3,782	4,444	17.5
Revenue	278,960	296,020	318,670	322,760	344,700	23.6	6.8	278,960	344,700	23.6
Operating Expenditure	204,640	217,710	234,840	244,300	266,060	30.0	8.9	204,640	266,060	30.0
Cost of revenues	176,770	189,470	205,160	213,820	234,190	32.5	9.5	176,770	234,190	32.5
as % of sales	63.4	64.0	64.4	66.2	67.9			63.4	67.9	
SG&A expenses	27,870	28,240	29,680	30,480	31,870	14.4	4.6	27,870	31,870	14.4
as % of sales	10.0	9.5	9.3	9.4	9.2			10.0	9.2	
EBITDA	74,320	78,310	83,830	78,460	78,640	5.8	0.2	74,320	78,640	5.8
Depreciation	8,290	8,590	8,990	8,900	9,500	14.6	6.7	8,290	9,500	14.6
EBIT	66,030	69,720	74,840	69,560	69,140	4.7	(0.6)	66,030	69,140	4.7
Other Income	5,730	4,760	4,590	5,870	6,200			5,730	6,200	8.2
PBT	71,760	74,480	79,430	75,430	75,340	5.0	(0.1)	71,760	75,340	5.0
Total Tax	19,750	20,200	21,210	18,480	21,720	10.0	17.5	19,750	21,720	10.0
Adjusted PAT	52,010	54,280	58,220	56,950	53,620	3.1	(5.8)	52,010	53,620	3.1
(Profit)/loss from JV's/Ass/MI	60	70	130	90	20			60	20	
APAT after MI	51,950	54,210	58,090	56,860	53,600	3.2	(5.7)	51,950	53,600	3.2
Extra ordinary items	0	0	0	0	0			0	0	
Reported PAT	51,950	54,210	58,090	56,860	53,600	3.2	(5.7)	51,950	53,600	3.2
Reported EPS	12.2	12.9	13.8	13.5	12.7	4.3	(5.8)	12	13	4.3
<b>Margins (%)</b>						<b>(bps)</b>	<b>(bps)</b>			<b>(bps)</b>
EBIDTA	26.6	26.5	26.3	24.3	22.8	(383)	(150)	26.6	22.8	(383)
EBIT	23.7	23.6	23.5	21.6	20.1	(361)	(149)	23.7	20.1	(361)
EBT	25.7	25.2	24.9	23.4	21.9	(387)	(151)	25.7	21.9	(387)
PAT	18.6	18.3	18.2	17.6	15.5	(307)	(207)	18.6	15.5	(307)
Effective Tax rate	27.5	27.1	26.7	24.5	28.8	131	433	27.5	28.8	131

Source: Company, Emkay Research

**Exhibit 10: Revenue by geography**

Particulars	As a % of revenue				
	Q1FY23	Q4FY22	Q1FY22	QoQ (%)	YoY (%)
North America	61.8%	61.4%	61.7%	4.5%	17.7%
Europe	25.0%	25.2%	24.2%	3.0%	21.4%
India	2.6%	3.2%	2.9%	-15.6%	5.3%
Rest of the World	10.6%	10.2%	11.2%	7.9%	11.2%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>3.8%</b>	<b>17.5%</b>

Source: Company, Emkay Research

**Exhibit 11: Revenue by industry**

Particulars	As a % of revenue				
	Q1FY23	Q4FY22	Q1FY22	QoQ (%)	YoY (%)
Financial Services	30.6%	31.3%	33.0%	1.5%	9.0%
Retail	14.5%	14.3%	15.0%	5.3%	13.6%
Communications	13.0%	12.8%	12.2%	5.5%	25.2%
Energy, Utilities, Resources and Services	12.4%	12.0%	12.1%	7.3%	20.4%
Manufacturing	12.1%	11.8%	9.7%	6.5%	46.6%
Hi Tech	8.2%	8.2%	8.3%	3.8%	16.1%
Life Sciences	6.5%	6.6%	6.8%	2.3%	12.3%
Others	2.7%	3.0%	2.9%	-6.6%	9.4%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>3.8%</b>	<b>17.5%</b>

Source: Company, Emkay Research

**Exhibit 12: Client data**

Particulars	Q1FY23	Q4FY22	Q1FY22
Number of Clients	1,778	1,741	1,659
Added during the quarter	106	110	113
Client Concentration (%)			
Top 5 clients	13.0%	11.8%	11.3%
Top 10 clients	20.8%	19.4%	18.8%
Repeat business	0.0%	93.4%	99.0%
Number of million dollar Clients (on LTM basis)			
Million US\$ clients	877	853	805
10 million US\$ clients	278	275	264
50 million US\$ clients	69	64	59
100 million US\$ clients	38	38	34

Source: Company, Emkay Research

**Exhibit 13: Segmental performance**

Revenue (\$mn)	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23
Financial Services	984	1,061	1,163	1,192	1,250	1,292	1,337	1,339	1,362
Retail	447	492	515	535	566	585	615	613	645
Communications	417	417	436	433	462	495	531	548	576
Energy, Utilities, Resources and Services	399	408	441	444	457	473	499	514	549
Manufacturing	298	302	328	348	366	435	479	505	537
Hi Tech	272	303	289	292	313	339	342	351	363
Life Sciences	208	225	248	247	256	284	318	284	291
Others	96	104	96	122	112	95	129	126	121
<b>Total</b>	<b>3,121</b>	<b>3,312</b>	<b>3,516</b>	<b>3,613</b>	<b>3,782</b>	<b>3,998</b>	<b>4,250</b>	<b>4,280</b>	<b>4,444</b>

Growth YoY (%)	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23
Financial Services	-0.1%	3.7%	13.9%	19.2%	27.0%	21.8%	15.0%	12.3%	9.0%
Retail	-9.3%	0.6%	3.8%	7.4%	26.6%	18.9%	19.4%	14.6%	14.0%
Communications	-3.2%	-0.7%	3.6%	4.3%	10.8%	18.7%	21.8%	26.6%	24.7%
Energy, Utilities, Resources and Services	-2.0%	-2.9%	6.5%	8.0%	14.5%	15.9%	13.2%	15.8%	20.1%
Manufacturing	-1.0%	-7.1%	-1.8%	7.1%	22.8%	44.0%	46.0%	45.1%	46.7%
Hi Tech	12.9%	24.7%	17.5%	16.3%	15.1%	11.9%	18.3%	20.2%	16.0%
Life Sciences	7.8%	8.7%	13.2%	21.7%	23.1%	26.2%	28.2%	15.0%	13.7%
Others	20.0%	25.3%	4.3%	31.2%	16.7%	-8.7%	34.4%	3.3%	8.0%
<b>Total</b>	<b>-0.3%</b>	<b>3.2%</b>	<b>8.4%</b>	<b>13.0%</b>	<b>21.2%</b>	<b>20.7%</b>	<b>20.9%</b>	<b>18.5%</b>	<b>17.5%</b>

EBITDA (%)	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23
Financial Services	26.8%	30.1%	27.3%	25.8%	25.6%	27.6%	27.3%	25.5%	26.0%
Retail	30.9%	35.6%	36.5%	35.5%	35.5%	34.7%	35.3%	33.0%	30.5%
Communications	19.7%	21.6%	25.0%	22.4%	20.8%	22.2%	24.3%	21.4%	17.9%
Energy, Utilities, Resources and Services	28.1%	27.2%	29.0%	28.8%	30.4%	29.2%	28.5%	28.6%	26.8%
Manufacturing	22.5%	29.5%	28.7%	27.9%	23.2%	22.5%	17.5%	10.9%	9.1%
Hi Tech	29.0%	29.7%	29.4%	26.4%	24.6%	24.5%	24.9%	25.4%	24.0%
Life Sciences	30.3%	33.3%	31.0%	30.4%	30.1%	27.8%	26.7%	27.1%	23.7%
Others	3.1%	5.8%	6.3%	22.1%	12.5%	-11.6%	7.8%	7.9%	4.1%
<b>Total</b>	<b>25.9%</b>	<b>28.8%</b>	<b>28.6%</b>	<b>27.6%</b>	<b>26.7%</b>	<b>26.4%</b>	<b>26.3%</b>	<b>24.3%</b>	<b>22.7%</b>

Source: Company, Emkay Research

**Exhibit 14: Changes in Estimates**

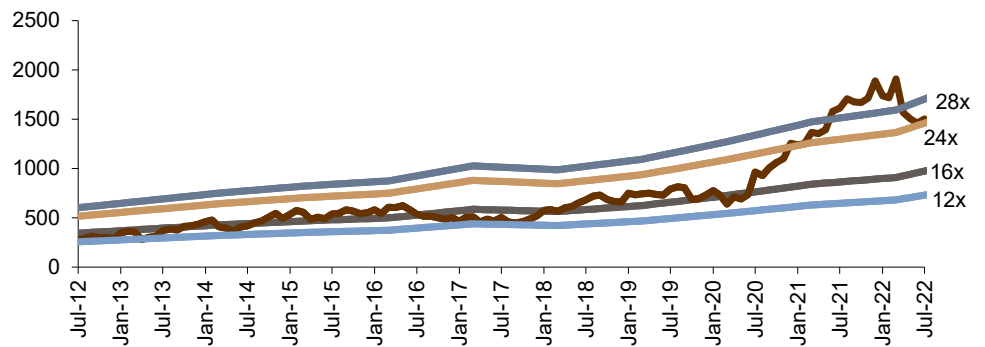
All fig in Rs mn except % and EPS)	FY23E			FY24E			FY25E		
	Old	New	% change	Old	New	% change	Old	New	% change
Revenues(in US\$ mn)	18,471	18,563	0.5%	20,870	20,888	0.1%	23,172	23,186	0.1%
YoY revenue growth	13.2%	13.8%		13.0%	12.5%		11.0%	11.0%	
Revenues	1,424,031	1,431,834	0.5%	1,627,869	1,629,275	0.1%	1,830,599	1,831,678	0.1%
EBIT	308,930	305,357	-1.2%	367,377	367,376	0.0%	420,561	420,476	0.0%
EBIT margins, %	21.7	21.3		22.6	22.5		23.0	23.0	
Net profits	243,754	239,350	-1.8%	289,619	289,336	-0.1%	332,366	332,035	-0.1%
EPS	58.0	56.9	-1.9%	68.9	68.8	-0.1%	79.0	78.9	-0.1%

Source: Company, Emkay Research

**Exhibit 15: Key Assumptions**

Particulars	FY23E	FY24E	FY25E
USD revenue growth	13.8%	12.5%	11.0%
USD/INR	77.1	78.0	79.0
INR revenue growth	17.7%	13.8%	12.4%
EBIT Margins	21.3	22.5	23.0
EPS growth (%)	8.2%	20.9%	14.8%

Source: Company, Emkay Research

**Exhibit 16: Infosys 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>1,004,730</b>	<b>1,216,410</b>	<b>1,431,834</b>	<b>1,629,275</b>	<b>1,831,678</b>
<b>Expenditure</b>	<b>725,830</b>	<b>901,490</b>	<b>1,088,311</b>	<b>1,220,286</b>	<b>1,364,626</b>
<b>EBITDA</b>	<b>278,900</b>	<b>314,920</b>	<b>343,524</b>	<b>408,990</b>	<b>467,052</b>
Depreciation	32,680	34,770	38,166	41,614	46,576
<b>EBIT</b>	<b>246,220</b>	<b>280,150</b>	<b>305,357</b>	<b>367,376</b>	<b>420,476</b>
Other Income	20,060	20,950	23,193	27,095	32,088
Interest expenses	0	0	0	0	0
<b>PBT</b>	<b>266,280</b>	<b>301,100</b>	<b>328,551</b>	<b>394,471</b>	<b>452,564</b>
Tax	72,050	79,640	88,821	104,535	119,929
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	720	350	380	600	600
<b>Reported Net Income</b>	<b>193,510</b>	<b>221,110</b>	<b>239,350</b>	<b>289,336</b>	<b>332,035</b>
<b>Adjusted PAT</b>	<b>193,510</b>	<b>221,110</b>	<b>239,350</b>	<b>289,336</b>	<b>332,035</b>

**Balance Sheet**

Y/E Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Equity share capital	21,240	20,980	20,980	20,980	20,980
Reserves & surplus	746,580	736,380	832,671	953,702	1,085,875
<b>Net worth</b>	<b>767,820</b>	<b>757,360</b>	<b>853,651</b>	<b>974,682</b>	<b>1,106,855</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>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Net deferred tax liability	(2,230)	(560)	(560)	(560)	(560)
<b>Total Liabilities</b>	<b>765,590</b>	<b>756,800</b>	<b>853,091</b>	<b>974,122</b>	<b>1,106,295</b>
<b>Net block</b>	<b>255,050</b>	<b>258,000</b>	<b>257,394</b>	<b>253,340</b>	<b>270,324</b>
<b>Investment</b>	<b>142,050</b>	<b>203,240</b>	<b>203,240</b>	<b>203,240</b>	<b>203,240</b>
<b>Current Assets</b>	<b>665,150</b>	<b>700,450</b>	<b>819,841</b>	<b>988,957</b>	<b>1,149,232</b>
Cash & bank balance	247,140	174,720	244,104	345,375	436,150
Other Current Assets	0	0	0	0	0
<b>Current liabilities &amp; Provision</b>	<b>307,290</b>	<b>409,930</b>	<b>437,384</b>	<b>481,415</b>	<b>526,502</b>
<b>Net current assets</b>	<b>357,860</b>	<b>290,520</b>	<b>382,457</b>	<b>507,542</b>	<b>622,731</b>
Misc. exp	0	0	0	0	0
<b>Total Assets</b>	<b>765,590</b>	<b>756,800</b>	<b>853,091</b>	<b>974,122</b>	<b>1,106,295</b>

**Cash Flow**

Y/E Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
<b>PBT (Ex-Other income) (NI+Dep)</b>	<b>246,220</b>	<b>280,150</b>	<b>305,357</b>	<b>367,376</b>	<b>420,476</b>
Other Non-Cash items	71,930	81,370	88,821	104,535	119,929
Chg in working cap	6,330	(11,830)	(22,553)	(23,815)	(24,413)
<b>Operating Cashflow</b>	<b>241,270</b>	<b>249,640</b>	<b>254,963</b>	<b>307,135</b>	<b>354,198</b>
Capital expenditure	(34,860)	(22,140)	(42,520)	(37,560)	(63,560)
<b>Free Cash Flow</b>	<b>206,410</b>	<b>227,500</b>	<b>212,443</b>	<b>269,575</b>	<b>290,638</b>
Investments	(48,730)	(52,810)	0	0	0
Other Investing Cash Flow	0	0	0	0	0
<b>Investing Cashflow</b>	<b>(83,590)</b>	<b>(74,950)</b>	<b>(42,520)</b>	<b>(37,560)</b>	<b>(63,560)</b>
Equity Capital Raised	150	(109,960)	0	0	0
Loans Taken / (Repaid)	(6,640)	(9,150)	0	0	0
Dividend paid (incl tax)	(91,370)	(127,310)	(143,059)	(168,305)	(199,862)
Other Financing Cash Flow	830	(690)	0	0	0
<b>Financing Cashflow</b>	<b>(97,030)</b>	<b>(247,110)</b>	<b>(143,059)</b>	<b>(168,305)</b>	<b>(199,862)</b>
<b>Net chg in cash</b>	<b>60,650</b>	<b>(72,420)</b>	<b>69,384</b>	<b>101,270</b>	<b>90,776</b>
Opening cash position	186,490	247,140	174,720	244,104	345,375
<b>Closing cash position</b>	<b>247,140</b>	<b>174,720</b>	<b>244,104</b>	<b>345,375</b>	<b>436,150</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	27.8	25.9	24.0	25.1	25.5
EBIT Margin	24.5	23.0	21.3	22.5	23.0
Effective Tax Rate	27.1	26.4	27.0	26.5	26.5
Net Margin	19.3	18.2	16.7	17.8	18.2
ROCE	37.6	39.6	40.8	43.2	43.5
ROE	27.1	29.0	29.7	31.7	31.9
RoIC	49.2	55.7	57.9	66.6	70.8

<b>Per Share Data (Rs)</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23E</b>	<b>FY24E</b>	<b>FY25E</b>
EPS	45.4	52.6	56.9	68.8	78.9
CEPS	53.1	60.8	66.0	78.7	90.0
BVPS	180.2	180.1	202.9	231.6	263.1
DPS	27.0	31.0	34.0	40.0	47.5

<b>Valuations (x)</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23E</b>	<b>FY24E</b>	<b>FY25E</b>
PER	33.1	28.6	26.4	21.9	19.1
P/CEPS	28.3	24.7	22.8	19.1	16.7
P/BV	8.3	8.3	7.4	6.5	5.7
EV / Sales	6.0	4.9	4.1	3.5	3.1
EV / EBITDA	21.6	18.9	17.1	14.1	12.2
Dividend Yield (%)	1.8	2.1	2.3	2.7	3.2

<b>Gearing Ratio (x)</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23E</b>	<b>FY24E</b>	<b>FY25E</b>
Net Debt/ Equity	(0.5)	(0.5)	(0.5)	(0.6)	(0.6)
Net Debt/EBIDTA	(1.4)	(1.2)	(1.3)	(1.3)	(1.4)
Working Cap Cycle (days)	40.2	34.7	35.3	36.3	37.2

<b>Growth (%)</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23E</b>	<b>FY24E</b>	<b>FY25E</b>
Revenue	10.7	21.1	17.7	13.8	12.4
EBITDA	25.2	12.9	9.1	19.1	14.2
EBIT	27.1	13.8	9.0	20.3	14.5
PAT	16.6	14.3	8.2	20.9	14.8

<b>Quarterly (Rs mn)</b>	<b>Q1FY22</b>	<b>Q2FY22</b>	<b>Q3FY22</b>	<b>Q4FY22</b>	<b>Q1FY23</b>
Revenue	278,960	296,020	318,670	322,760	344,700
EBITDA	74,320	78,310	83,830	78,460	78,640
<b>EBITDA Margin (%)</b>	<b>26.6</b>	<b>26.5</b>	<b>26.3</b>	<b>24.3</b>	<b>22.8</b>
PAT	51,950	54,210	58,090	56,860	53,600
<b>EPS (Rs)</b>	<b>12.2</b>	<b>12.9</b>	<b>13.8</b>	<b>13.5</b>	<b>12.7</b>

Source: Company, Emkay Research

<b>Shareholding Pattern (%)</b>	<b>Jun-21</b>	<b>Sep-21</b>	<b>Dec-21</b>	<b>Mar-22</b>	<b>Jun-22</b>
Promoters	13.0	13.1	13.1	13.1	13.1
FII	33.4	33.5	33.2	33.3	31.7
DII	22.0	15.7	16.3	17.1	18.9
Public and Others	31.7	37.8	37.4	36.5	36.3

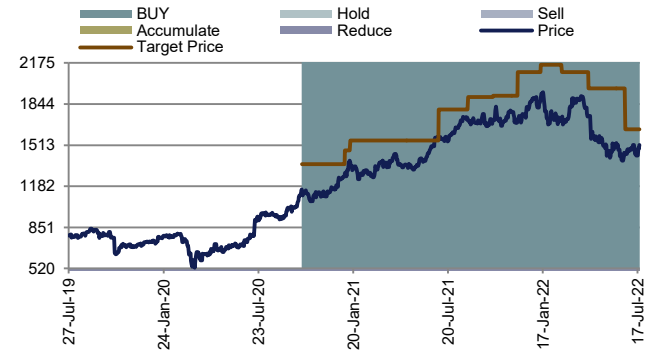
Source: Capitaline

## RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
23-Jun-22	1,452	1,640	12m	Buy	Dipeshkumar Mehta
1-Jun-22	1,479	1,970	12m	Buy	Dipeshkumar Mehta
14-Apr-22	1,749	1,970	12m	Buy	Dipeshkumar Mehta
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

#### 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>12.14</b>	<b>12.08</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	1.01	1.10	9%	9	9.08	0
Infosys	5.59	5.58	0%	-1	45.95	0
L&T Infotech	0.21	0.00	-100%	-21	0.00	0
Mindtree	0.20	0.22	11%	2	1.79	0
Mphasis	0.19	0.24	25%	5	1.97	0
Oracle Financial Services*	0.08	0.00	-100%	-8	0.00	0
Persistent Systems	0.19	0.16	-15%	-3	1.30	0
TCS	3.29	3.34	1%	5	27.50	0
Tech Mahindra	0.65	0.66	2%	1	5.43	0
Wipro	0.62	0.73	18%	11	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 1-Apr-19	20-Jul-21	21-Jan-22	22-Apr-22	22-Jun-22	Latest 22-Jul-22
EAP - Information Technology	100.0	199.4	237.5	215.5	188.1	192.0
BSE200 Neutral Weighted Portfolio (ETF)	100.0	185.7	220.7	199.3	174.0	177.8

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

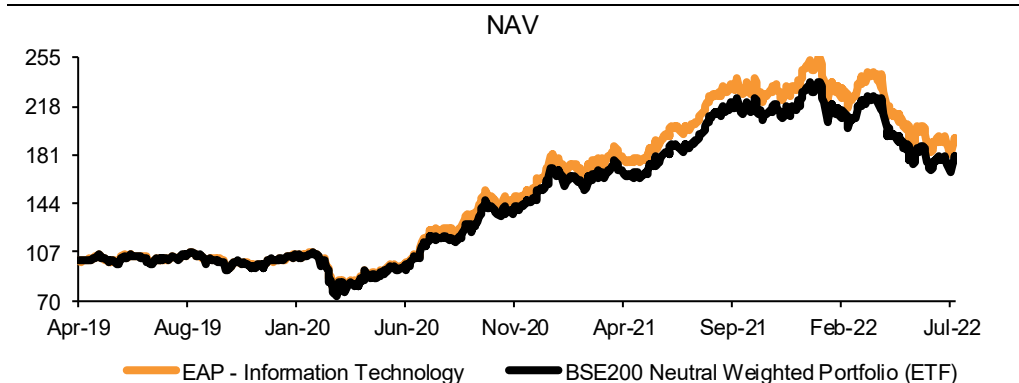
Source: Emkay Research

### Price Performance (%)

	1m	3m	6m	12m
EAP - Information Technology	2.1%	-10.9%	-19.1%	-3.7%
BSE200 Neutral Weighted Portfolio (ETF)	2.2%	-10.8%	-19.4%	-4.3%

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: 25 Jul 2022 23:46:39 (SGT)

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