

Mindtree

Refer to important disclosures at the end of this report

Margin surprise continues

- Mindtree's Dec'20 quarter revenue grew 5% QoQ to USD274.1mn (4.6% QoQ CC), better than our expectations. EBITM expanded ~290bps QoQ (beating estimates) on the back of revenue acceleration, higher offshoring and better utilization (83.1% vs. 78.8% QoQ).
- Revenue growth was broad-based in Q3, led by Travel & Hospitality (12.6% QoQ), Retail, CPG & Manufacturing (5.5% QoQ), and CMT (5.2% QoQ). BFSI reported muted growth sequentially. All geographies and service lines grew sequentially.
- Deal wins remained robust in Q3 at USD312mn (USD1bn in 9MFY21). The deal pipeline remains robust, led by digital transformation and costs takeout initiatives. MTCL expects growth momentum to continue in coming quarters while sustaining EBITDAM of over 20%.
- We raise our FY21/22/23E EPS by 17.6%/15.1%/6.2%, factoring in Q3 performance, better margin trajectory and improving demand outlook. Considering dependency on top client, anticipated subpar revenue growth, unsustainable margins and rich valuations, we maintain Sell with a revised TP of Rs1,580 (earlier Rs1,490) at 20x FY23E earnings.

What we liked? Broad-based revenue growth, sharp margin expansion (adjusted EBITM expanded 690bps QoQ), healthy deal intake.

What we did not like? Continued softness in BFSI

Broad based revenue growth: MTCL reported broad-based revenue growth of 4.6% QoQ CC across verticals, barring BFSI (flat QoQ), on the back of improving demand environment, steady ramp-up of past deal wins, and healthy deal intake and deal pipeline. Geographically, all the regions posted positive growth led by Asia Pacific (10.9% QoQ), North America (4.7%), UK & Ireland (3.7%) and Continental Europe (3.6%). Top client grew by 3.6% QoQ after a muted performance (-1.1%) in Sept'20. The company remains optimistic about the revenue growth trajectory in the top client based on its long relationship and strong delivery.

Reported EBITM expands by ~290bps sequentially: MTCL delivered another quarter of strong margin expansion in Q3. Reported EBITM expanded 290bps sequentially to 19.6%, driven by revenue acceleration, higher offshoring (offshore effort mix increased 70bps), better utilization (83.1% vs 78.8% QoQ) and operating efficiencies. Adjusted for high EPF provision (Rs639mn) and higher amortization costs due to the revision of useful life of intangible assets (Rs167mn), EBIT margin would have expanded by 690bps sequentially to 23.6%. MTCL completed its promotion cycle during the quarter and also announced wage hike (wef 1st Jan 2021), which is likely to impact margins by ~250bps in Q4. However, management believes that it has sufficient levers to absorb salary hike and expects EBITDA margin to be 20%+ in the coming quarters (23.1% in Q3).

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

Financial Snapshot (Consolidated)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	70,215	77,643	79,336	90,758	102,106
EBITDA	10,645	10,898	16,874	18,613	19,383
EBITDA Margin (%)	15.2	14.0	21.3	20.5	19.0
APAT	7,541	6,309	11,327	12,320	13,019
EPS (Rs)	45.9	38.3	68.8	74.8	79.0
EPS (% chg)	32.0	(16.5)	79.4	8.8	5.7
ROE (%)	24.9	19.5	32.4	29.3	26.2
P/E (x)	36.2	43.4	24.2	22.2	21.0
EV/EBITDA (x)	24.7	24.4	15.3	13.5	12.6
P/BV (x)	8.3	8.7	7.1	6.0	5.1

Source: Company, Emkay Research

CMP	Target Price
Rs 1,664 as of (January 18, 2021)	Rs 1,580 (▲) 12 months
Rating	Upside
SELL (■)	(5.0) %

Change in Estimates

EPS Chg FY21E/FY22E (%)	17.6/15.1
Target Price change (%)	6
Target Period (Months)	12
Previous Reco	SELL

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	68.8	74.8
Consensus	58.0	65.6
Mean Consensus TP (12M)	Rs 1,564	

Stock Details

Bloomberg Code	MTCL IN
Face Value (Rs)	10
Shares outstanding (mn)	165
52 Week H/L	1,780 / 692
M Cap (Rs bn/USD bn)	274 / 3.74
Daily Avg Volume (nos.)	1,411,614
Daily Avg Turnover (US\$ mn)	27.8

Shareholding Pattern Dec '20

Promoters	61.0%
FIIIs	13.3%
DIIIs	10.6%
Public and Others	15.1%

Price Performance

(%)	1M	3M	6M	12M
Absolute	13	25	63	88
Rel. to Nifty	9	3	24	63

Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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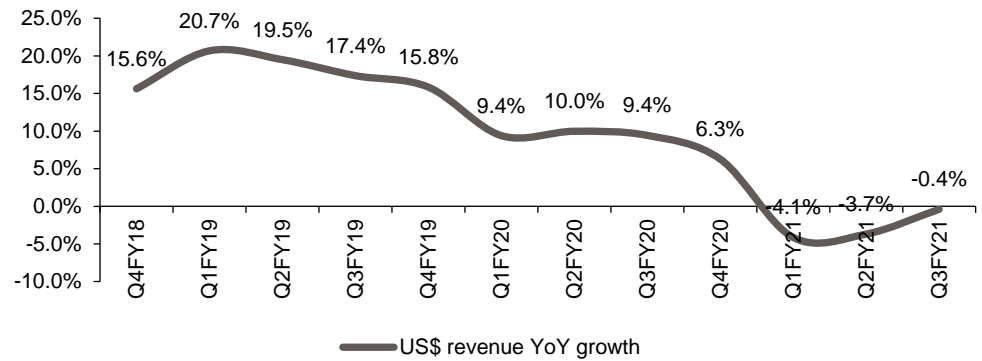
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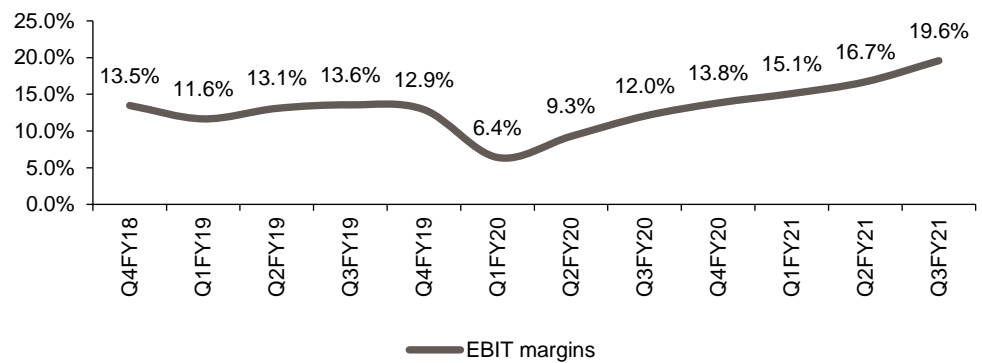
Story in Charts

Exhibit 1: US\$ revenue YoY growth recovered further in Q3FY21



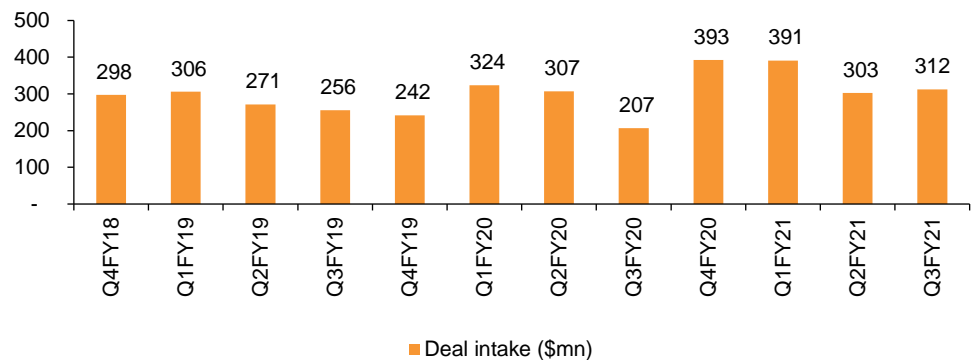
Source: Company, Emkay Research

Exhibit 2: EBIT margin expansion continued in Q3FY21



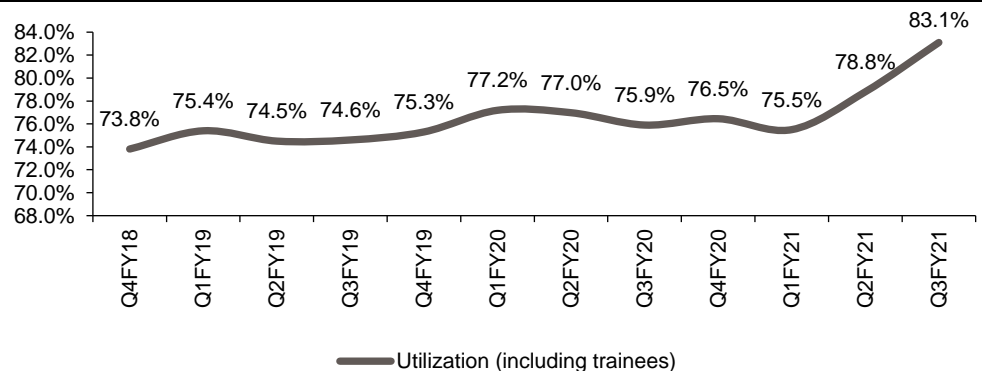
Source: Company, Emkay Research

Exhibit 3: Deal intake remained robust



Source: Company, Emkay Research

Exhibit 4: Utilization improved substantially over last 2 quarters



Source: Company, Emkay Research

Exhibit 5: Actual vs Estimates (Q3FY21)

(in Rs mn)	Actual	Estimate		% variation		Comment
		Emkay	Consensus	Emkay	Consensus	
Revenues (in US\$ mn)	274.1	270.1	270.3	1.5%	1.4%	
Sales	20,237	19,936	19,947	1.5%	1.5%	Revenues were ahead of Emkay/consensus estimates.
EBIT	3,962	3,322	3,432	19.3%	15.5%	
EBIT, margin	19.6%	16.7%	17.2%	290 bps	240 bps	EBIT margins came in better than estimates on the back of revenue acceleration, offshore shift, and sharp increase in utilization.
PAT	3,265	2,524	2,688	29.4%	21.5%	Strong operating performance and forex gain led to beat on net profit.

Source: Company, Emkay Research

Exhibit 6: Quarterly Snapshot

Rs mn	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	YoY (%)	QoQ (%)	FY20TD	FY21TD	YoY (%)
Revenues (in US\$ mn)	275.2	278.4	253.2	261.0	274.1	(0.4)	5.0	810	788	(2.7)
Revenue	19,653	20,505	19,088	19,260	20,237	3.0	5.1	57,138	58,585	2.5
Operating Expenditure	16,590	16,993	15,610	15,476	15,558	(6.2)	0.5	49,752	46,644	(6.2)
Cost of revenues	12,535	12,933	12,776	12,623	12,610	0.6	(0.1)	37,714	38,009	0.8
as % of sales	63.8	63.1	66.9	65.5	62.3			66.0	64.9	
SG&A expenses	4,055	4,060	2,834	2,853	2,948	(27.3)	3.3	12,038	8,635	(28.3)
as % of sales	20.6	19.8	14.8	14.8	14.6			21.1	14.7	
EBITDA	3,063	3,512	3,478	3,784	4,679	52.8	23.7	7,386	11,941	61.7
Depreciation	699	679	597	569	717	2.6	26.0	2,075	1,883	(9.3)
EBIT	2,364	2,833	2,881	3,215	3,962	67.6	23.2	5,311	10,058	89.4
Other Income	215	(220)	17	232	489			364	738	102.7
PBT	2,579	2,613	2,898	3,447	4,451	72.6	29.1	5,675	10,796	90.2
Total Tax	609	551	768	910	1,186	94.7	30.3	1,428	2,864	100.6
Adjusted PAT	1,970	2,062	2,130	2,537	3,265	65.7	28.7	4,247	7,932	86.8
APAT after MI	1,970	2,062	2,130	2,537	3,265	65.7	28.7	4,247	7,932	86.8
Reported PAT	1,970	2,062	2,130	2,537	3,265	65.7	28.7	4,247	7,932	86.8
Reported EPS	12.0	12.5	12.9	15.4	19.8	65.5	28.6	26	48	86.6
Margins (%)						(bps)	(bps)			(bps)
EBIDTA	15.6	17.1	18.2	19.6	23.1	754	347	12.9	20.4	746
EBIT	12.0	13.8	15.1	16.7	19.6	755	289	9.3	17.2	787
EBT	13.1	12.7	15.2	17.9	22.0	887	410	9.9	18.4	850
PAT	10.0	10.1	11.2	13.2	16.1	611	296	7.4	13.5	611
Effective Tax rate	23.6	21.1	26.5	26.4	26.6	303	25	25.2	26.5	137

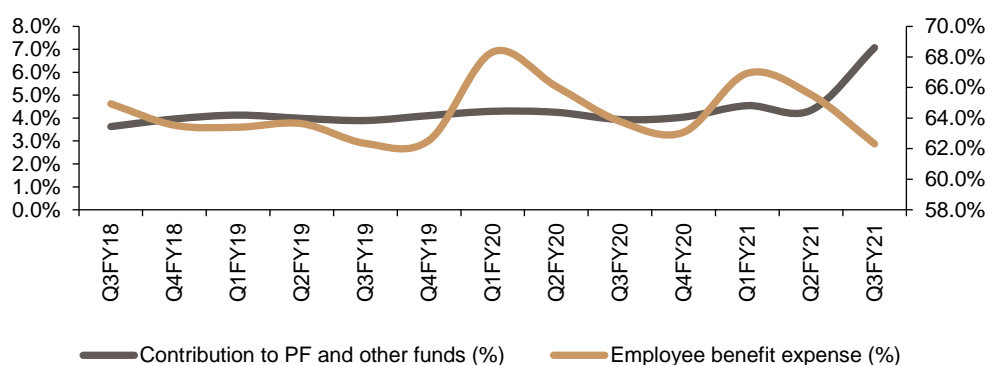
Source: Company, Emkay Research

Operating performance continues to beat estimates largely due to margin beat

MTCL's 4*4*4 strategy is resonating well with the clients as the company is witnessing strong business momentum across all verticals with a significant demand for cloud, data, and analytics capabilities. MTCL's all four service offerings witnessed positive sequential growth, led by Data & Intelligence (10.2%), Cloud (6.1%), Enterprise IT (4.6%) and customer success (2.9%). Revenue uptick was across verticals, barring BFSI (flat sequentially), led by Travel & Hospitality (12.6% QoQ), Retail, CPG & Manufacturing (5.5% QoQ) and CMT (5.2% QoQ). Geographically, Asia Pacific (10.9% QoQ) led growth followed by North America (4.7%), UK & Ireland (3.7%) and Continental Europe (3.6%). MTCL remains positive with regards to the growth trajectory in the top client (grew 3.6% QoQ) based on its strong relationship and flawless delivery with the client. MTCL has not lost any client in travel, and weakness was largely due to Covid-19 and client situations in Travel verticals. The company is seeing early signs of green shoot; however, it prefers to wait to comment on the pace of growth recovery. MTCL continued its rationalization of tail accounts strategy in Q3 (number of active clients fell 7 QoQ and 44 YoY). The company has rationalized ~20% of its large tail of clients in the last seven quarters and will continue the rationalization in order to better focus on the strategic clients. The deal intake for the quarter was robust at USD312mn and the deal pipeline remains healthy with the company seeing increased acceleration in digital transformation as well cost take out deals.

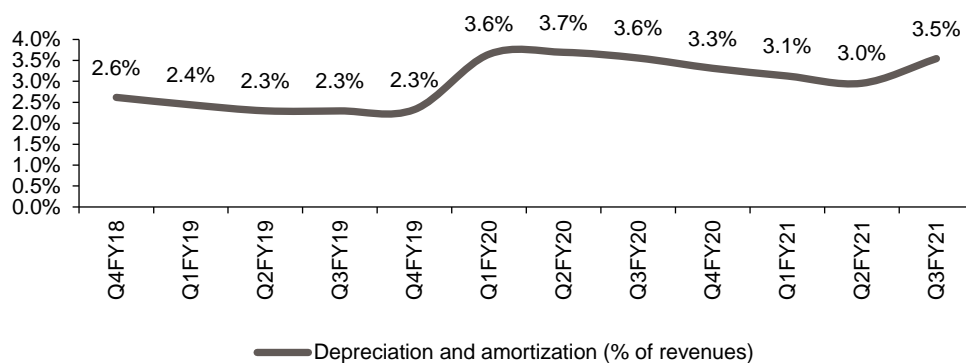
Adjusted EBITM expanded 690bps sequentially to 23.6% in Q3 on back of revenue acceleration, higher offshoring (offshore effort mix increased 70bps), better utilization (83.1% vs 78.8% QoQ), benefits accruing from WFH shift, and other operating efficiencies. The company has announced wage hike effective Jan 1, 2021 which is likely to impact margins by ~250bps in Q4. However, management believes that it has sufficient levers to absorb salary hike and expects EBITDA margin to be 20%+ in the coming quarters (reported/adjusted EBITDAM 23.1% / 26.3% in Q3).

Exhibit 7: Despite contribution to provident and other funds (% of revenues) increasing significantly, overall employee benefit expense (% of revenues) came down in Q3FY21



Source: Company, Emkay Research

Exhibit 8: D&A expense increased sequentially due to higher amortization cost due to revision of useful life of intangibles



Source: Company, Emkay Research

Exhibit 9: Revenues by service offerings

As a % of revenues	Q3FY21	Q2FY21	Q3FY20	QoQ (%)	YoY (%)
Customer Success	38.1%	38.9%	39.80%	2.9%	-4.7%
Data & Intelligence	14.9%	14.2%	14.00%	10.2%	6.0%
Cloud	19.2%	19.0%	15.90%	6.1%	20.3%
Enterprise IT	27.8%	27.9%	30.30%	4.6%	-8.6%
Total	100%	100%	100.0%	5.0%	-0.4%

Source: Company, Emkay Research

Exhibit 10: Revenues by geographical segment

As a % of revenues	Q3FY21	Q2FY21	Q3FY20	QoQ (%)	YoY (%)
North America	77.2%	77.4%	74.6%	4.7%	3.1%
Continental Europe	7.4%	7.5%	8.3%	3.6%	-11.2%
UK and Ireland	7.8%	7.9%	8.7%	3.7%	-10.7%
Asia Pacific	7.6%	7.2%	8.4%	10.9%	-9.9%
Total	100%	100%	100%	5.0%	-0.4%

Source: Company, Emkay Research

Exhibit 11: Revenues by industry

As a % of revenues	Q3FY21	Q2FY21	Q3FY20	QoQ (%)	YoY (%)
Communications, Media & Technology	49.9%	49.8%	41.5%	5.2%	19.8%
BFSI	19.6%	20.4%	21.3%	0.9%	-8.3%
Retail, CPG & Manufacturing	21.6%	21.5%	20.6%	5.5%	4.4%
Travel & Hospitality	8.9%	8.3%	16.6%	12.6%	-46.6%
Total	100%	100%	100%	5.0%	-0.4%

Source: Company, Emkay Research

Exhibit 12: Client contribution to revenue

As a % of revenues	Q3FY21	Q2FY21	Q3FY20	QoQ (%)	YoY (%)
Top customer	28.5%	28.9%	23.1%	3.6%	22.9%
Top-5 customers	39.8%	40.6%	36.1%	2.9%	9.8%
Top-10 customers	49.0%	49.4%	45.6%	4.2%	7.0%

Source: Company, Emkay Research

Exhibit 13: Segmental performance

Revenues (Rs mn)	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21
Retail, CPG & Mfg	3,984	4,076	4,077	4,150	4,048	4,164	3,927	4,139	4,381
BFSI	3,878	4,015	3,953	4,136	4,195	4,195	3,879	3,922	3,956
Hi-tech	7,034	7,290	7,226	7,612	8,139	8,816	9,737	9,597	10,089
Travel, Transport & Hospitality	2,976	3,013	3,086	3,245	3,271	3,330	1,545	1,602	1,811
Total	17,872	18,394	18,342	19,143	19,653	20,505	19,088	19,260	20,237

YoY Growth (%)

Revenues (Rs mn)	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21
Retail, CPG & Mfg	24.1%	18.6%	7.8%	8.7%	1.6%	2.2%	-3.7%	-0.3%	8.2%
BFSI	13.6%	21.0%	8.2%	5.4%	8.2%	4.5%	-1.9%	-5.2%	-5.7%
Hi-tech	39.3%	31.2%	13.4%	10.4%	15.7%	20.9%	34.7%	26.1%	24.0%
Travel, Transport & Hospitality	41.4%	29.4%	19.2%	11.1%	9.9%	10.5%	-49.9%	-50.6%	-44.6%
Total	29.7%	25.6%	11.9%	9.1%	10.0%	11.5%	4.1%	0.6%	3.0%

Segment margin (%)

Segment margin (%)	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21
Retail, CPG & Mfg	17.9%	16.5%	14.1%	16.0%	18.3%	20.8%	19.9%	22.4%	24.0%
BFSI	2.6%	4.6%	4.8%	11.3%	14.9%	17.1%	20.2%	21.2%	23.2%
Hi-tech	22.4%	21.4%	12.3%	13.3%	16.2%	17.3%	21.7%	19.9%	23.7%
Travel, Transport & Hospitality	14.9%	12.8%	6.0%	10.3%	11.6%	12.1%	-13.2%	7.3%	17.5%
Total	15.9%	15.2%	10.0%	13.0%	15.6%	17.1%	18.2%	19.6%	23.1%

Source: Company, Emkay Research

Exhibit 14: Changes in estimates

All fig in Rs mn (except EPS and %)	FY21E			FY22E			FY23E		
	Old	New	% change	Old	New	% change	Old	New	% change
Overall Revenues(in US\$ mn)	1,061	1,071	0.9%	1,189	1,210	1.8%	1,319	1,343	1.8%
YoY growth, %	-2.5%	-1.7%		12.0%	13.0%		11.0%	11.0%	
Revenues	78,635	79,336	0.9%	89,142	90,758	1.8%	100,260	102,106	1.8%
EBIT	12,628	14,388	13.9%	13,576	15,829	16.6%	15,282	16,367	7.1%
EBIT margins, %	16.1	18.1		15.2	17.4		15.2	16.0	
Net profits	9,633	11,327	17.6%	10,699	12,320	15.1%	12,258	13,019	6.2%
EPS	58.5	68.8	17.6%	65.0	74.8	15.1%	74.4	79.0	6.2%

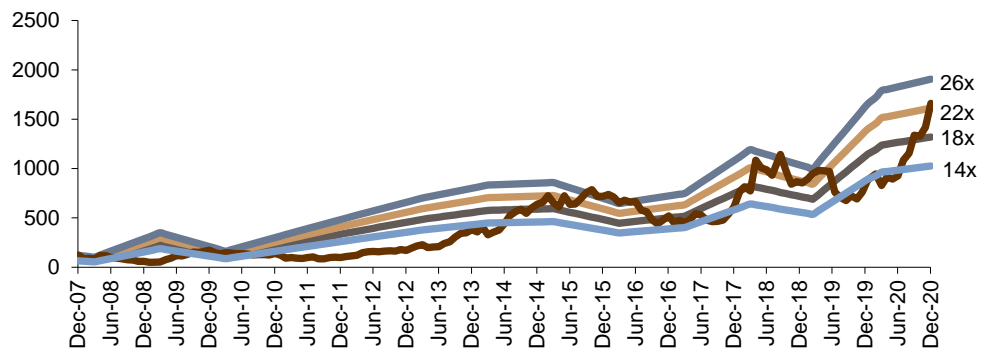
Source: Company, Emkay Research

Exhibit 15: Key revenue assumptions

	FY20	FY21E	FY22E	FY23E
USD revenues growth (%)	8.7%	-1.7%	13.0%	11.0%
USD/INR	71.3	74.1	75.0	76.0
INR revenues Growth (%)	10.6%	2.2%	14.4%	12.5%
EBIT margin (%)	10.5%	18.1%	17.4%	16.0%
EPS Growth (%)	-16.5%	79.4%	8.8%	5.7%

Source: Company, Emkay Research

Exhibit 16: MTCL 1 year forward P/E band



Source: Company, Emkay Research

Exhibit 17: Valuation Summary

Co Name	CMP	Reco.	Target Price	US\$ revenue growth (%)			EPS			P/E			EV/EBIT		
				FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
TCS	3,222	HOLD	3,150	0.4	15.0	11.0	87.2	106.6	121.0	37.0	30.2	26.6	28.5	23.5	20.6
Infosys	1,312	BUY	1,550	6.2	17.0	12.5	45.5	54.9	61.8	28.8	23.9	21.2	21.3	17.6	15.5
Wipro	432	HOLD	420	-1.6	10.0	8.0	19.7	21.5	23.1	21.9	20.1	18.7	17.1	15.1	13.9
HCL Tech	982	BUY	1,130	2.4	12.0	9.5	49.4	51.5	56.6	19.9	19.0	17.3	15.6	13.9	12.5
Tech Mahindra	998	BUY	1,160	-1.6	9.5	9.0	49.2	55.8	64.4	20.3	17.9	15.5	15.6	12.9	10.8
Mphasis	1,635	HOLD	1,560	5.7	12.0	10.0	64.9	76.7	86.7	25.2	21.3	18.9	18.2	15.5	13.5
Mindtree	1,664	SELL	1,580	-1.7	13.0	11.0	68.8	74.8	79.0	24.2	22.2	21.0	18.0	15.9	15.0
Persistent Systems	1,592	BUY	1,790	10.8	13.0	13.0	54.0	66.7	81.3	29.5	23.9	19.6	22.7	18.0	14.2
Coforge	2,510	HOLD	2,740	4.4	15.1	13.0	76.0	99.8	119.0	33.0	25.1	21.1	23.9	19.0	15.7
Firstsource Solutions	92	BUY	120	12.6	11.3	8.4	6.1	7.2	8.0	15.0	12.7	11.5	12.4	10.3	8.8

Source: Company, Emkay Research

Other takeaways

- **Q3FY21 performance:** Revenue grew 5%/-0.4% QoQ/YoY (4.6%QoQ CC) to USD274.1mn. Revenue growth of 5% QoQ in Q3 was the highest ever growth for Q3 in a decade. EBITM expanded 290bps sequentially to 19.6%, driven by revenue acceleration, higher offshoring, better utilization (83.1% vs 78.8% in Q2), and operating efficiencies. Adjusted for higher EPF provision (Rs639mn) and higher amortization costs due to the revision of useful life of intangible assets (Rs167mn), EBIT margin would have expanded by 690bps sequentially to 23.6%.
- **Outlook:** The company expects the revenue growth trajectory to sustain in the coming quarters based on the demand uptick across verticals and solid deal pipeline. The company is seeing very good traction across its four service offerings and with the increased pace of discussion with the clients, it hopes to see better deals conversion. Margins in Q4 will have headwinds due to wage hike (~250bps QoQ); however, management believes that it has enough levers in place to absorb some of the revenue headwind. It expects to deliver EBITDA margin of 20%+ in the coming quarters.

Other takeaways:

- The company is actively looking at inorganic opportunities to drive growth.
- Utilization is expected to come down as the pace of hiring gathers momentum in coming quarters. The company expects utilization to stabilize in the range of 81-82%.
- Contractual pricing remains stable.
- The company has scored better on customer satisfaction and response scores in recently conducted client survey.
- The company honored all its campus offers and has on-boarded freshers regularly in batches with the last batch to be on-boarded next month.

Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	70,215	77,643	79,336	90,758	102,106
Expenditure	59,570	66,745	62,461	72,145	82,723
EBITDA	10,645	10,898	16,874	18,613	19,383
Depreciation	1,641	2,754	2,487	2,784	3,016
EBIT	9,004	8,144	14,388	15,829	16,367
Other Income	864	144	982	933	1,346
Interest expenses	0	0	0	0	0
PBT	9,868	8,288	15,370	16,762	17,713
Tax	2,327	1,979	4,042	4,442	4,694
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	7,541	6,309	11,327	12,320	13,019
Adjusted PAT	7,541	6,309	11,327	12,320	13,019

Balance Sheet

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity share capital	1,642	1,646	1,647	1,647	1,647
Reserves & surplus	31,419	29,922	36,720	44,098	51,846
Net worth	33,061	31,568	38,367	45,745	53,493
Minority Interest	0	0	0	0	0
Loan Funds	5	5,663	7,000	7,500	8,200
Net deferred tax liability	(388)	(1,835)	(600)	(600)	(600)
Total Liabilities	32,678	35,396	44,767	52,645	61,093
Net block	9,669	14,092	13,235	12,522	11,866
Investment	8,036	9,709	10,804	13,804	13,804
Current Assets	23,396	25,794	34,463	41,330	51,623
Cash & bank balance	2,559	3,909	11,500	15,987	23,600
Other Current Assets	7,481	7,496	7,965	8,435	9,001
Current liabilities & Provision	8,720	14,335	14,036	15,111	16,300
Net current assets	14,676	11,459	20,427	26,220	35,323
Misc. exp	0	0	0	0	0
Total Assets	32,678	35,396	44,767	52,645	61,093

Cash Flow

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
PBT (Ex-Other income) (NI+Dep)	9,868	8,144	14,388	15,829	16,367
Other Non-Cash items	(589)	390	(740)	(853)	(1,266)
Chg in working cap	(2,360)	(1,541)	(1,377)	(1,305)	(1,491)
Operating Cashflow	6,305	8,251	12,932	12,946	13,278
Capital expenditure	(1,708)	(1,220)	(457)	(1,370)	(1,660)
Free Cash Flow	4,597	7,031	12,475	11,576	11,618
Investments	(301)	858	(310)	(3,000)	0
Other Investing Cash Flow	0	0	0	0	0
Investing Cashflow	(1,933)	(229)	(414)	(2,957)	206
Equity Capital Raised	3	4	1	0	0
Loans Taken / (Repaid)	(3,004)	(495)	0	0	0
Dividend paid (incl tax)	(2,180)	(5,940)	(4,530)	(4,942)	(5,271)
Other Financing Cash Flow	133	288	0	0	0
Financing Cashflow	(5,088)	(6,672)	(4,927)	(5,502)	(5,871)
Net chg in cash	(716)	1,350	7,591	4,487	7,613
Opening cash position	3,275	2,559	3,909	11,500	15,987
Closing cash position	2,559	3,909	11,500	15,987	23,600

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY19	FY20	FY21E	FY22E	FY23E
EBITDA Margin	15.2	14.0	21.3	20.5	19.0
EBIT Margin	12.8	10.5	18.1	17.4	16.0
Effective Tax Rate	23.6	23.9	26.3	26.5	26.5
Net Margin	10.7	8.1	14.3	13.6	12.8
ROCE	31.4	24.3	38.3	34.4	31.1
ROE	24.9	19.5	32.4	29.3	26.2
RoIC	43.6	37.5	65.7	70.5	70.6

Per Share Data (Rs)	FY19	FY20	FY21E	FY22E	FY23E
EPS	45.9	38.3	68.8	74.8	79.0
CEPS	55.9	55.1	83.9	91.7	97.3
BVPS	201.3	191.8	232.9	277.7	324.8
DPS	11.0	30.0	27.5	30.0	32.0

Valuations (x)	FY19	FY20	FY21E	FY22E	FY23E
PER	36.2	43.4	24.2	22.2	21.0
P/CEPS	29.8	30.2	19.8	18.1	17.1
P/BV	8.3	8.7	7.1	6.0	5.1
EV / Sales	3.7	3.4	3.3	2.8	2.4
EV / EBITDA	24.7	24.4	15.3	13.5	12.6
Dividend Yield (%)	0.7	1.8	1.7	1.8	1.9

Gearing Ratio (x)	FY19	FY20	FY21E	FY22E	FY23E
Net Debt/ Equity	(0.3)	(0.3)	(0.4)	(0.5)	(0.5)
Net Debt/EBIDTA	(1.0)	(0.7)	(0.9)	(1.2)	(1.5)
Working Cap Cycle (days)	63.0	35.5	41.1	41.2	41.9

Growth (%)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	28.5	10.6	2.2	14.4	12.5
EBITDA	43.8	2.4	54.8	10.3	4.1
EBIT	58.2	(9.6)	76.7	10.0	3.4
PAT	32.3	(16.3)	79.5	8.8	5.7

Quarterly (Rs mn)	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21
Revenue	19,653	20,505	19,088	19,260	20,237
EBITDA	3,063	3,512	3,478	3,784	4,679
EBITDA Margin (%)	15.6	17.1	18.2	19.6	23.1
PAT	1,970	2,062	2,130	2,537	3,265
EPS (Rs)	12.0	12.5	12.9	15.4	19.8

Source: Company, Emkay Research

Shareholding Pattern (%)	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20
Promoters	73.6	74.1	73.5	67.6	61.0
FIs	10.5	11.9	10.4	12.0	13.3
DIs	6.2	5.8	7.9	12.0	10.6
Public and Others	9.7	8.3	8.2	8.4	15.1

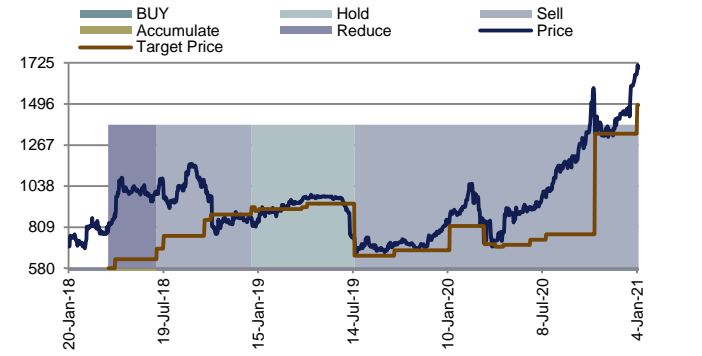
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
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
15-Jul-20	976	770	12m	Sell	Manik Taneja
5-Jul-20	945	740	12m	Sell	Manik Taneja
25-Jun-20	917	740	12m	Sell	Manik Taneja
15-Jun-20	923	740	12m	Sell	Manik Taneja
25-Apr-20	780	710	12m	Sell	Manik Taneja
10-Apr-20	734	700	12m	Sell	Manik Taneja
20-Mar-20	842	715	12m	Sell	Manik Taneja
14-Feb-20	960	815	12m	Sell	Manik Taneja
14-Jan-20	864	815	12m	Sell	Manik Taneja
1-Jan-20	812	680	12m	Sell	Manik Taneja
21-Nov-19	710	680	12m	Sell	Manik Taneja
16-Oct-19	743	680	12m	Sell	Manik Taneja
1-Oct-19	721	680	12m	Sell	Manik Taneja
26-Aug-19	706	650	12m	Sell	Manik Taneja
17-Jul-19	751	650	12m	Sell	Manik Taneja
3-Jul-19	906	940	12m	Hold	Manik Taneja
18-Apr-19	969	940	12m	Hold	Rahul Jain
8-Apr-19	957	920	12m	Hold	Rahul Jain
19-Mar-19	943	910	12m	Hold	Rahul Jain
16-Jan-19	841	910	12m	Hold	Rahul Jain
9-Jan-19	823	900	12m	Hold	Rahul Jain
2-Jan-19	861	920	12m	Hold	Rahul Jain
17-Oct-18	978	880	12m	Sell	Rahul Jain
5-Oct-18	1,041	850	12m	Sell	Rahul Jain
4-Sep-18	1,118	760	12m	Sell	Rahul Jain
19-Jul-18	971	760	12m	Sell	Rahul Jain
10-Jul-18	1,036	690	12m	Sell	Rahul Jain
6-Jul-18	993	690	12m	Sell	Rahul Jain
18-Apr-18	865	630	12m	Reduce	Rahul Jain
5-Apr-18	806	580	12m	Reduce	Rahul Jain

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 (Normalised)
Information Technology	13.85	13.57	-2%	-28	100.00
BirlaSoft*	0.00	0.11	NA	11	0.77
Coforge	0.00	0.00	NA	0	0.00
eClerx Services*	0.00	0.00	NA	0	0.00
Firstsource Solutions	0.00	0.00	NA	0	0.00
HCL Tech	1.34	1.48	11%	14	10.67
Infosys	6.13	6.43	5%	30	46.39
Intellect Design*	0.00	0.00	NA	0	0.00
L&T Infotech*	0.22	0.00	-100%	-22	0.00
Majesco*	0.00	0.00	NA	0	0.00
Mindtree	0.09	0.00	-100%	-9	0.00
Mphasis	0.17	0.19	13%	2	1.39
MPS*	0.00	0.00	NA	0	0.00
NIIT*	0.00	0.00	NA	0	0.00
Nucleus Software*	0.00	0.00	NA	0	0.00
Oracle Financial Services*	0.09	0.00	-100%	-9	0.00
Persistent Systems	0.00	0.56	NA	56	4.05
Ramco Systems*	0.00	0.00	NA	0	0.00
TCS	4.23	3.28	-22%	-95	23.67
Tech Mahindra	0.78	0.80	3%	2	5.76
Wipro	0.81	0.73	-10%	-8	5.27
Cash	0.00	0.28	NA	28	2.03

Source: Emkay Research

* Not under coverage: Equal Weight

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

Sector portfolio NAV

	Base					Latest
	01-Apr-19	17-Jan-20	17-Jul-20	16-Oct-20	16-Dec-20	15-Jan-21
EAP - Information Technology	100.0	103.8	114.2	148.2	153.8	177.0
BSE200 Neutral Weighted Portfolio (ETF)	100.0	104.0	110.9	140.6	146.0	168.2

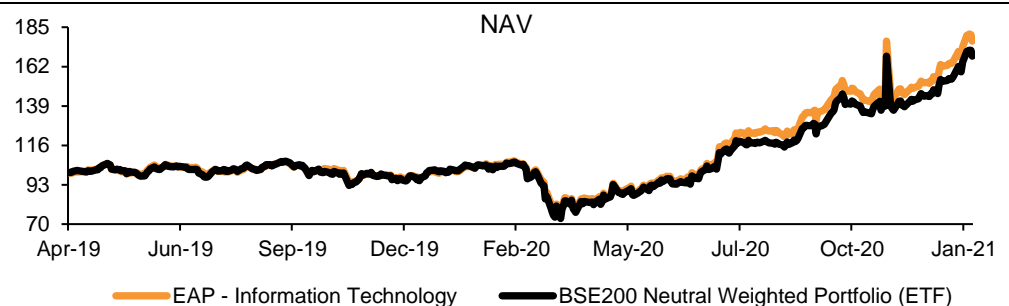
*Performance measurement base date 1st April 2019 | Source: Emkay Research

Price Performance (%)

	1m	3m	6m	12m
EAP - Information Technology	15.1%	19.4%	55.0%	70.5%
BSE200 Neutral Weighted Portfolio (ETF)	15.2%	19.6%	51.6%	61.7%

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 Jan 2021 03:05:07 (SGT)

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