

April 13, 2021

Q4FY21 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
Rating	BUY		BUY	
Target Price	3,636		3,620	
Sales (Rs. m)	19,17,824	21,66,653	19,17,404	21,66,292
% Chng.	-	-	-	-
EBITDA (Rs. m)	5,31,675	6,03,731	5,36,172	6,03,630
% Chng.	(0.8)	-	-	-
EPS (Rs.)	107.4	121.2	107.4	120.7
% Chng.	-	0.4	-	-

Key Financials - Standalone

Y/e Mar	FY20	FY21	FY22E	FY23E
Sales (Rs. bn)	1,569	1,642	1,918	2,167
EBITDA (Rs. bn)	423	465	532	604
Margin (%)	27.0	28.3	27.7	27.9
PAT (Rs. bn)	323	334	407	459
EPS (Rs.)	85.3	88.1	107.4	121.2
Gr. (%)	2.8	3.2	21.9	12.9
DPS (Rs.)	61.0	38.0	54.0	54.0
Yield (%)	1.9	1.2	1.7	1.7
RoE (%)	36.8	34.9	35.3	33.2
RoCE (%)	43.9	44.4	43.5	41.3
EV/Sales (x)	7.6	7.2	6.1	5.3
EV/EBITDA (x)	28.2	25.4	21.9	19.0
PE (x)	38.0	36.9	30.2	26.8
P/BV (x)	14.3	11.7	9.8	8.2

Key Data

TCS.BO | TCS IN

52-W High / Low	Rs.3,359 / Rs.1,675
Sensex / Nifty	47,883 / 14,311
Market Cap	Rs.12,009bn/ \$ 1,59,999m
Shares Outstanding	3,699m
3M Avg. Daily Value	Rs.22778.46m

Shareholding Pattern (%)

Promoter's	72.19
Foreign	15.62
Domestic Institution	7.83
Public & Others	4.36
Promoter Pledge (Rs bn)	40.94

Stock Performance (%)

	1M	6M	12M
Absolute	6.2	14.7	83.8
Relative	12.6	(2.7)	19.6

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Best Placed, composition of TCV is positive!

Quick Pointers:

- Highest ever deal wins of 9.2\$ Bn in a quarter taking FY21 order book to 31.6\$ Bn, +17.1% YoY, highest ever revenue growth since FY07, best EBIT margin since Q2FY16 for Q4FY21.
- Management exuded confidence that TCS will not face any supply side challenges and the roll-out of wage hikes from 1st April 2021 supports their view of strong demand and revenue visibility in FY22.
- Read through for peers: Robust Demand environment, strong hiring, Strong pick up from Europe.

TCS reported revenue of \$5,989 mn, +5% QoQ in USD, exact in-line with our expectations. Almost all sectors had strong sequential growth led by BFSI (+8.1 QoQ USD), Retail and CPG (+5% QoQ), Life Sciences and Healthcare (+4% QoQ) and Manufacturing (+5% QoQ). Both captive takeover deals won in Q3 in BFSI vertical (Postbank systems and Prudential Financial) are fully ramped up in Q4. FY21 revenue came at \$22.17 Bn, +0.7% USD YoY. Deal TCV of \$9.2 Bn was highest ever for a quarter, +3% YoY. FY21 order book size is robust at \$31.6 Bn, +17.1% YoY. Management highlighted robust pipeline of smaller deals despite strong deal closure in Q4FY21. Smaller deals are also positive because 1) Largely digital high margin deals, 2) Fast turnaround, 3) Good for near term revenue visibility. In Q4FY21, USD 500 mn would be the largest deal bagged by TCS despite deal closure at all-time high of USD 9.2 bn. They had higher volume of smaller deals as compared to earlier qtrs. Management mentioned that the strong order book and robust deal pipeline provides them much better revenue growth visibility in FY22. We consider composition of TCV a material positive as transmission of TCV into revenues could be faster aiding near-term growth.

EBIT margin slightly improved sequentially by ~20bps QoQ to 26.8% but was 80bps lower than our estimate (Ple: 27.6%, Cons: 26.7%), offset by higher subcontracting costs. For full year FY21 margin expanded by 129 bps to 25.9%. anticipate EBIT margin to improve by 20-30 bps in FY22 led by strong revenue growth, lower than pre-covid attrition rates and strong supply side mechanisms.

Management mentioned that IT sector has strong structural growth drivers in place to last for next 3-4 years because once organizations modernize their core / migrate to cloud they will be using even more technology (data analytics and AI) to differentiate themselves. TCS's strategy to increase its participation in growth and transformation led projects will strengthen its position in high quality, innovation led transformation projects which have better pricing power. Our estimates largely remain unchanged for FY22/23E. We project revenue growth of 15.3%/11.5% \$ terms for FY22/23E respectively. We continue to value TCS on 30X on FY23E earnings of INR121 to arrive at a changed TP of INR 3636 (earlier:3620).

TCS's ability to implement innovative solutions through their crypto banking product, quartz blockchain product and TCS BANCS suite helped them to win marquee clients in BFSI space.

High volume of small deals led to addition of 19 new clients in 1mn+ revenue bucket and 4 new clients in 5mn+ bucket. TCS also won 4 new clients in \$50 mn+ bucket.

Deal TCV of \$9.2 Bn was highest ever for a quarter, +3% YoY. TCV is characterized by high volume of small deals in addition to large core modernization deals. These small deals indicate strong demand for fast paced growth and transformation led projects.

- **In-line revenue growth:** TCS reported revenue of \$5989 mn (Ple: \$5988, Cons: \$5978 mn) exact in-line with our expectations. Revenues grew by +5% QoQ in USD (PLe: 5%, Cons: 4.8%) +4.2% QoQ CC. FY21 revenue came at \$22.17 Bn, +0.7% USD, -0.8% CC YoY. Strength in demand for core transformation, market share gains and large deal ramp up powered revenue growth in this quarter. Management stated that pricing has remained stable with best-in-class quality being valued by the customers. We believe that strong revenue ramp up from high deal TCV will drive healthy sequential revenue growth for 1QFY22.
- **BFSI vertical led revenue growth:** Revenue growth was led by BFSI (+8.1% QoQ), Retail and CPG (+5% QoQ), Life Sciences and Healthcare (+4% QoQ) and Manufacturing (+5% QoQ). On a full year basis, Life Sciences and Healthcare (+18% YoY), BFSI (+5% YoY) and Technology & Services (+2%) showed growth while the rest continue to be below prior year levels. (All growth rates are in USD terms.)

 - **BFSI** revenue growth was strong on expected lines as result of ramp-up of Prudential and Postbank deals. BFSI vertical also benefitted from strong demand in areas such as core transformation, customer experience and expansion in to newer businesses. TCS's ability to implement innovative solutions through their crypto banking product, quartz blockchain product and TCS BANCS suite helps them to win marquee clients in this space.
 - **Retail** vertical had good sequential growth despite continued weakness in some sub-segments. TCS had one deal win (PGA super store) and one go-live this quarter for their Omni-store product, AI powered platform that provides unified and personalized experiences to shoppers across platforms. Demand remains strong in areas such as supply chain and Omni-channel experiences.
 - **Life-Sciences and Healthcare** has grown at a CAGR of 19.3% over last 10 years and continues to outperform growing double digit Y-o-Y. (+4 QoQ CC, +21.2 YoY CC). TCS's award winning drug development suite had two go-lives this quarter.
 - In terms of geography, growth was led by **Continental Europe** (+8.9% QoQ USD) and UK (+7% QoQ USD) supported by recent cost-take out led outsourcing deals in this region. NA grew by +4% QoQ USD. On a full year basis, with the exception of Continental Europe which grew +5.5%, all other markets continue to be in negative territory compared to the prior year.
- **Highest ever deal momentum:** Deal TCV of \$9.2 Bn was highest ever for a quarter, +3% YoY. BFSI vertical had strong deal wins of TCV \$3.9 Bn, Retail was \$1.4 Bn. North America was \$4.2 Bn. Increased volume of M&A is also driving demand for IT sector. TCS won 3 M&A related divestiture deals in 4Q. FY 21 order book size is robust at \$31.6 Bn, +17.1% YoY. Management mentioned that the strong order book and robust deal pipeline provides them much better visibility of growth in FY22.

TCS was the first to announce and roll-out wage hike in FY21 as well as for FY22. This indicates Management's confidence of delivering strong resilient pre-covid level performance in FY22.

LTM attrition was at historic lows at 7.2% setting global benchmark in retaining talent. Attrition may inch up from low levels as growth comes.

- **Growth & transformation deals to expand addressable market size:** Since last three quarters TCV is characterized by high volume of small deals in addition to large core modernization deals. These small deals indicate strong demand for fast paced growth and transformation led projects. This includes unique value adding engagements such as implementing Israel's first fully digital bank within 6 months, setting up crypto banking product for neo bank etc. **These small deals do not provide contractual revenue visibility for longer term but gives TCS an opportunity to participate in client's overall transformation agenda.** TCS aims to consolidate their position in this space and increase their participation in higher end part of the work involved in overall client's transformation agenda.
- **Miss on margins:** EBIT margin slightly improved sequentially by ~20bps QoQ to 26.8% but was 80bps lower than our estimate. (Ple: 27.6%, Cons: 26.7%). Reduction in employee costs (-81 bps QoQ) and SG&A (-60 bps QoQ) was largely offset by increase in sub-contracting costs (+114 bps). For full year FY21 margin expanded by 129 bps to 25.9%.
- **Wage hike roll-out and promotion cycle same as pre-covid levels:** TCS was the first to announce and roll-out wage hike in FY21 as well as for FY22. This indicates Management's confidence of delivering strong resilient pre-covid level performance in FY22. They will roll-out wage hike and promotions same as pre-covid levels for FY22 from April 1, 2021. TCS had ~180 bps impact of wage hike pre-covid in 4QFY19 and we anticipate similar impact on margins in 1QFY22. **We anticipate EBIT margin to improve by 20-30 bps in FY22 led by strong revenue growth, lower than pre-covid attrition rates and strong supply side mechanisms.**
- **We believe TCS margin performance will sustain as 1) Strong uptick in offshore delivery, 2) Well managed supply side challenges-fresh hiring, reskilling, lower wage inflation, lower attrition, 3) Strong efficiencies in sales, deal transition and delivery with WFH, 4) Structural cost savings benefits (employee pyramid, travel costs, marketing costs etc).**
- **Strong hiring and ability to manage supply side challenges, Well Placed:** TCS showed strong hiring trend with addition of 19,388 employees, highest ever in a quarter. LTM attrition was at historic lows at 7.2% setting global benchmark in retaining talent. Attrition may inch up from low levels as growth comes. Management mentioned that they are not facing any supply side challenges and have ongoing organic talent development program to manage such challenges.
- Board declared final dividend of INR 15 per share. DSO days further decreased to 68, lower by 1 day. Cash flow from operations was at 100% of net profit.
- **Products:** TCS is heavily investing in enhancing its product portfolio. Ignio (won 15 new logos), TCS BANCS (won 5 new clients), Cognix, Quartz, Mastercraft (8 new wins), Agile (7 new wins) continue to win deals for TCS. They also won a marquee client win of State Street to help enhance their Retiree Services offering by using TCS BANCS.
- **Strategic direction for the future:** TCS will continue to walk on the enterprise wide transformation journey it had started in FY19TCS. Their strategy is to

focus on innovation to deliver contextualized new age solutions to clients and to lead in client's growth and transformation projects. They have developed 250 innovation champions embedded across every account to provide differentiated solutions to their clients. Growth & transformation led demand will open up new segments of opportunity for TCS.

- **Resilient FY21:** TCS reported revenue decline of 0.8% in constant currency in FY2021. Revenues increased by 0.7% in US\$ terms to US\$22.2 bn. Healthcare impressed with 17.1% growth. However, barring healthcare and BFSI, other verticals were flattish or declined.
- Geography-wise, every region except Continental Europe declined. Despite revenue decline, EBIT margin increased 130 bps to 25.9%.
- EPS increased 3.6% to Rs89 share aided by share buyback. Operating cash flow was strong at 123.1% of net profit. FCF increased 17.5% to Rs379.7 bn and was 113.7% of net profit.

Exhibit 1: Q3FY21 Result Overview (Rs mn)

Y/e March	4Q21	3Q21	QoQ gr.	4Q20	YoY gr.	Ple	Ple vs Act
Revenues (US\$ mn)	5,989	5,702	5.0%	5,444	10.0%	5,988	0.0%
Revenues	4,37,050	4,20,150	4.0%	3,99,460	9.4%	4,36,522	0.1%
EBITDA	1,28,010	1,21,720	5.2%	1,09,760	16.6%	1,26,941	0.8%
EBITDA Margin	29.3%	29.0%	32 bps	27.5%	181 bps	29%	21 bps
EBIT	1,17,340	1,11,840	4.9%	1,00,250	17.0%	1,20,406	-2.5%
EBIT Margin	26.8%	26.6%	23 bps	25.1%	175 bps	27.6%	-73 bps
Adjusted PAT	92,460	87,010	6.3%	80,490	14.9%	94,182	-1.8%
PAT Margin	21.2%	20.7%	45 bps	20.1%	101 bps	21.6%	-42 bps
EPS (Rs)	25.0	23.2	7.7%	21.5	16.3%	25.10	-0.5%

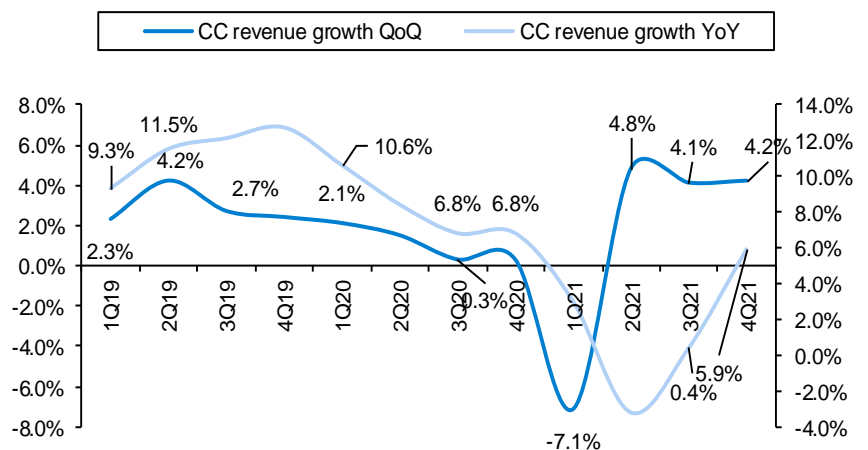
Source: Company, PL

Exhibit 2: Vertical & Geography Wise Rev growth QoQ \$ terms

Revenue growth QoQ \$ Terms	Q3FY20	4Q20	1Q21	2Q21	3Q21	4Q21
Vertical wise QoQ						
BFSI	-0.7%	-4.8%	-2.1%	9.3%	3.1%	8.1%
Retail & CPG	4.0%	-1.3%	-15.5%	11.8%	4.4%	5.0%
Comm & media	1.3%	0.2%	-8.4%	-1.8%	6.7%	3.4%
Mfg	3.3%	-1.6%	-10.8%	3.9%	7.4%	5.0%
Life Sc & Healthcare	3.8%	3.3%	1.4%	9.4%	5.1%	4.0%
E&U	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Tech Services	-2.2%	0.9%	-2.8%	4.9%	1.6%	2.6%
Regional Markets & Others	1.7%	-5.4%	-11.2%	5.5%	9.0%	2.4%
Geography Wise QoQ						
Americas	0.5%	-2.5%	-5.3%	4.2%	3.5%	3.8%
- North America	0.3%	-2.2%	-5.0%	4.1%	3.4%	4.0%
- Ibero America	6.6%	-12.3%	-12.2%	7.2%	5.1%	-1.1%
Europe	3.3%	-1.3%	-8.0%	10.3%	5.5%	8.0%
- UK	3.2%	-1.9%	-11.1%	8.6%	6.5%	7.0%
- Continental	3.3%	-0.6%	-4.6%	12.0%	4.5%	8.9%
India	1.3%	-6.0%	-27.3%	24.7%	17.7%	5.0%
Others	0.4%	-5.1%	-2.9%	6.3%	5.1%	3.2%
- AsiaPac	0.2%	-2.5%	-2.1%	6.1%	5.1%	1.8%
- Middle East & Africa	1.3%	-15.8%	-7.1%	7.2%	5.1%	10.6%

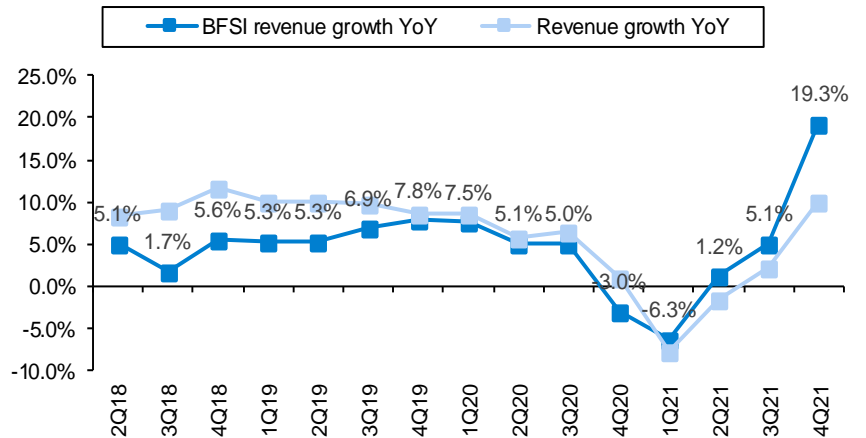
Source: Company, PL

Exhibit 3: Revenue growth strongest in 3Q in 9 years



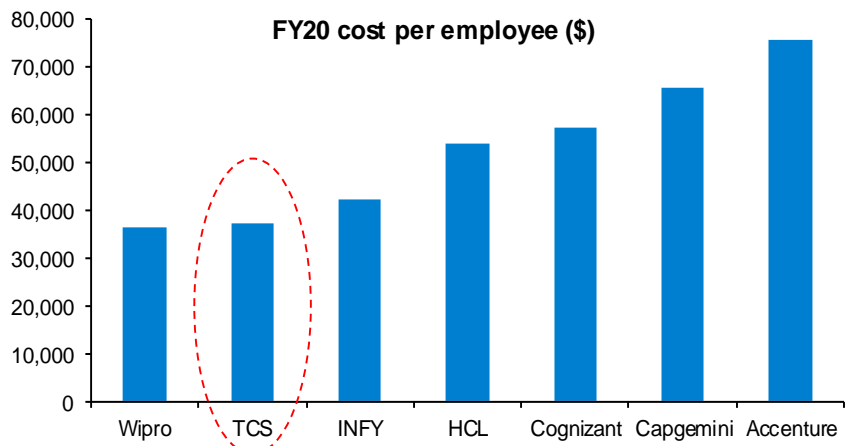
Source: Company, PL

Exhibit 4: BFSI led revenue growth (+8.1%QoQ USD) in FY21



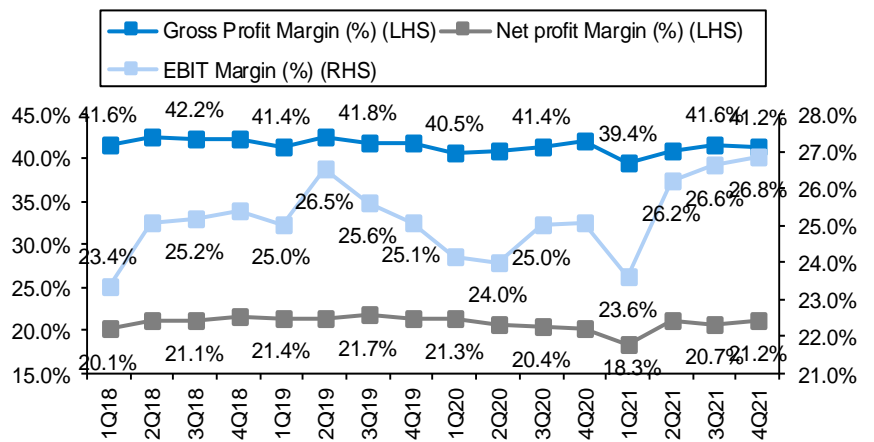
Source: Company, PL

Exhibit 5: TCS has lowest cost / employee



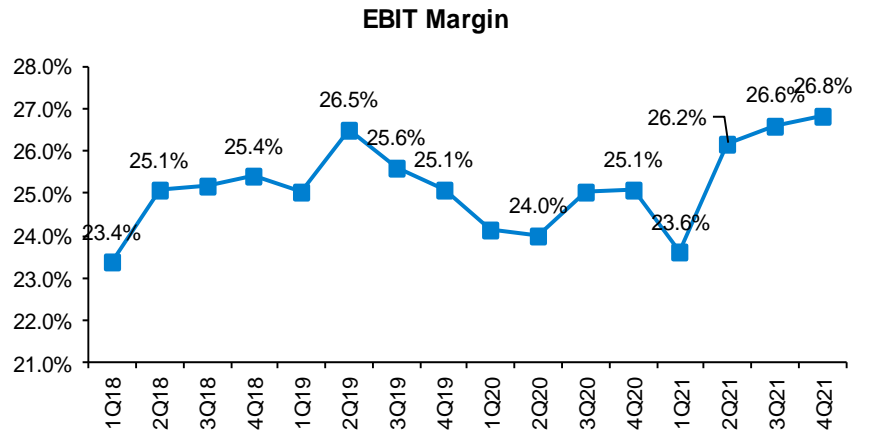
Source: Company, PL

Exhibit 6: Net Profit margin stable at 21.2%



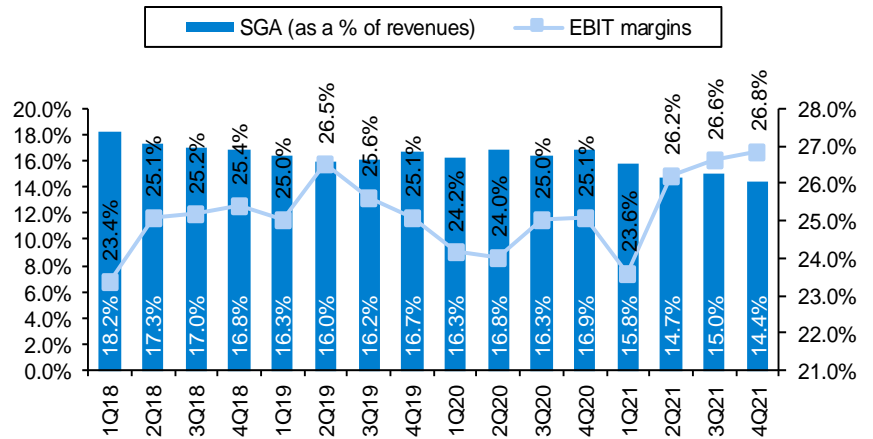
Source: Company, PL

Exhibit 7: EBIT Margin stable at 26.8%



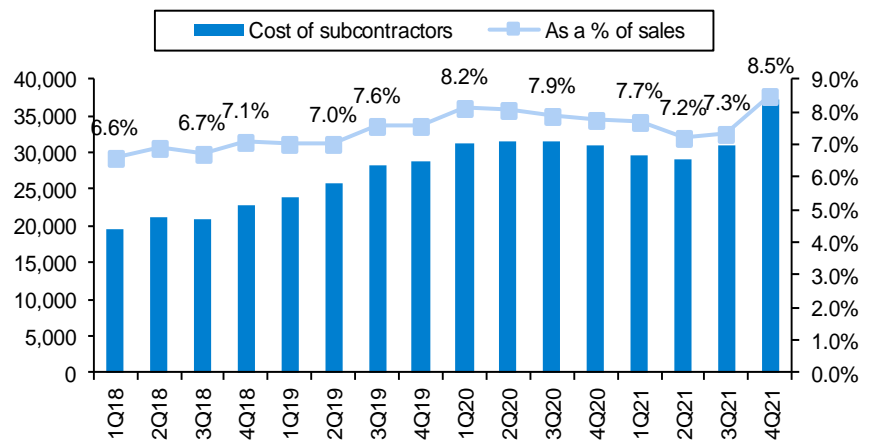
Source: Company, PL

Exhibit 8: SGA costs maintained within narrow band of 14-15%



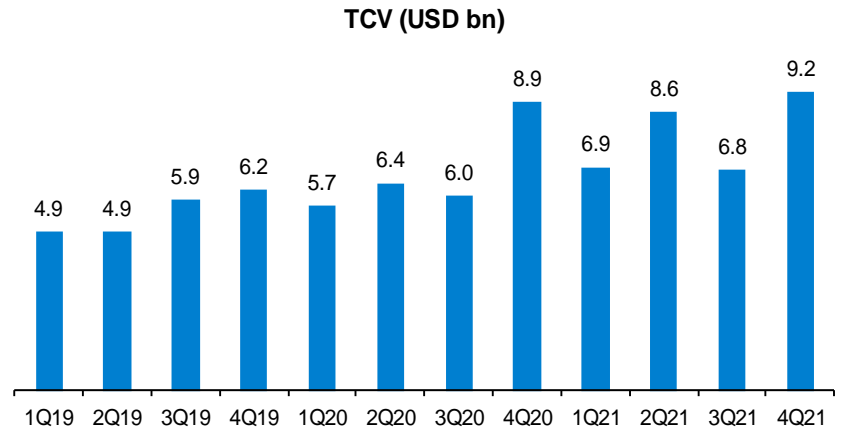
Source: Company, PL

Exhibit 9: Sub-Contracting costs increased by 120 bps



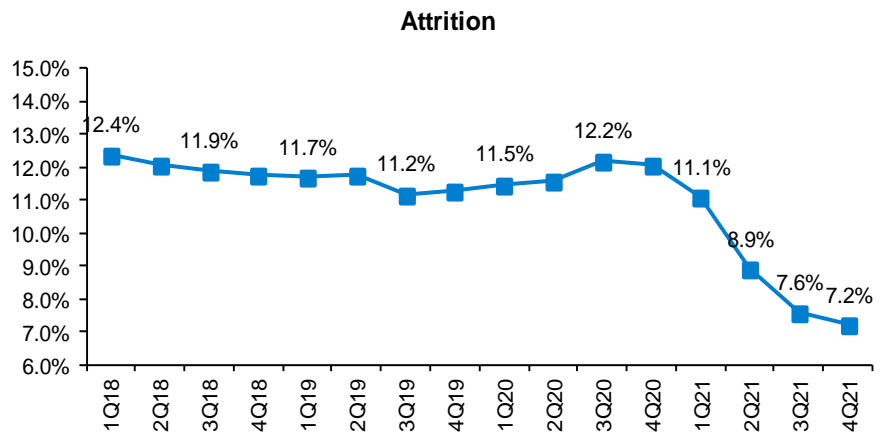
Source: Company, PL

Exhibit 10: Highest ever deal pipeline



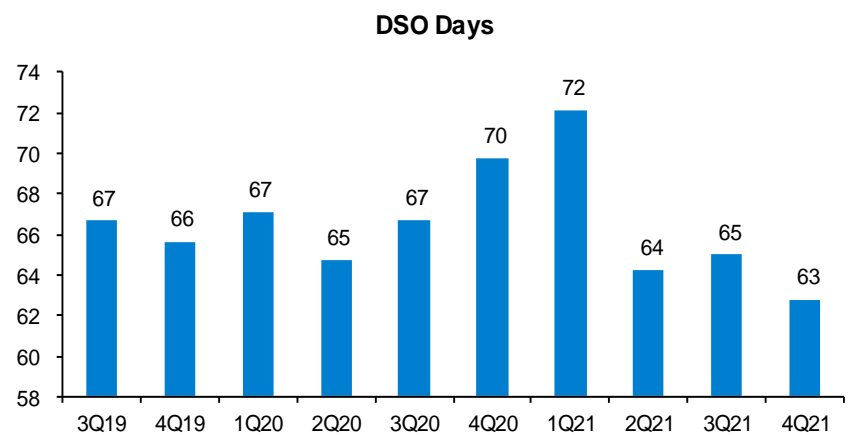
Source: Company, PL

Exhibit 11: Attrition at historical low



Source: Company, PL

Exhibit 12: DSO days improved



Source: Company, PL

Valuations

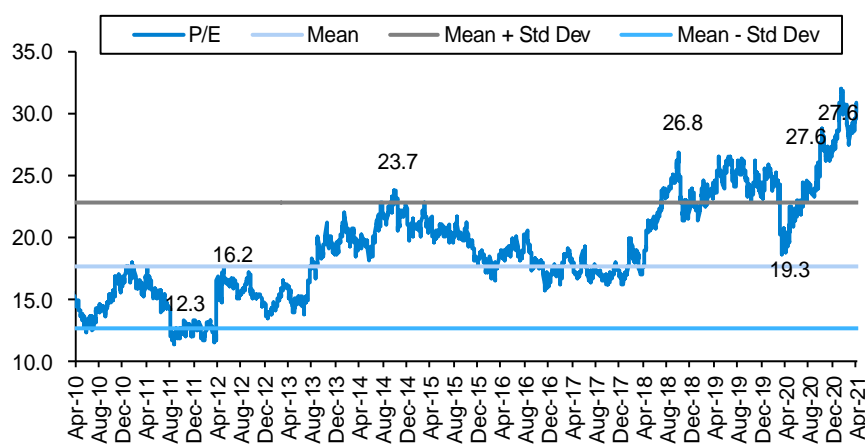
- Our estimates largely remain unchanged for FY22/23E. We project revenue growth of 15.3%/11.5% \$ terms for FY22/23E respectively. We continue to value TCS on 30X on FY23E earnings of INR121 to arrive at a changed TP of INR 3636 We continue to believe strong revenue growth for FY22 will be led by 1) Client focusing aggressively towards digital transformation, 2) TCS is well positioned to address opportunity from accelerated cloud adoption.
- TCS will be the major beneficiary of vendor consolidation, supported by its scale and end-to end services capability. Strong payout ratio, more focus towards WFH will help in improving margin tailwinds. Industry tailwinds and TCS specific strengths (lowest attrition, strong execution, access to large talent pool, and company's confidence in successfully implementing its WFH strategy sustainably) would enable TCS to maintain industry leading margins and returns, in our view. Reiterate BUY.

Exhibit 13: Change in Estimates

Y/e March	FY21E	FY22E	FY23E
USD revenues (US\$ m)			
- New	22,174	25,571	28,509
- Old	22,173	25,565	28,504
<i>Change (%)</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>
USD Revenue growth YoY	0.6%	15.3%	11.5%
EBIT Margin			
- New	25.9%	26.2%	26.3%
- Old	26.1%	26.4%	26.3%
<i>Change (%)</i>	<i>-20 bps</i>	<i>-24 bps</i>	<i>0 bps</i>
Recurring EPS - Fully diluted (Rs)			
- New	88.1	107.4	121.2
- Old	88.6	107.4	120.7
<i>Change (%)</i>	<i>-0.5%</i>	<i>0.0%</i>	<i>0.4%</i>

Source: Company, PL

Exhibit 14: One year forward PE chart of TCS



Source: Bloomberg, Company, PL

Exhibit 15: Geography-wise growth led by Continental Europe

(US\$ m)	4Q21	3Q21	QoQ gr.	4Q20	YoY gr.
America	3,006	2,897	3.8%	2,836	6.0%
North America	2,911	2,800	4.0%	2,738	6.3%
Ibero America	96	97	-1.1%	98	-2.2%
Europe	1,964	1,819	8.0%	1,699	15.7%
UK	958	895	7.0%	871	10.0%
Continental Europe	1,006	924	8.9%	827	21.6%
India	335	319	5.0%	299	12.0%
Asia Pacific	563	553	1.8%	506	11.2%
MEA	120	108	10.6%	103	15.8%
% of Total					
America	50.2%	50.8%	-60 bps	52.1%	-190 bps
North America	48.6%	49.1%	-50 bps	50.3%	-170 bps
Ibero America	1.6%	1.7%	-10 bps	1.8%	-20 bps
Europe	32.8%	31.9%	90 bps	31.2%	160 bps
UK	16.0%	15.7%	30 bps	16.0%	0 bps
Continental Europe	16.8%	16.2%	60 bps	15.2%	160 bps
India	5.6%	5.6%	0 bps	5.5%	10 bps
Asia Pacific	9.4%	9.7%	-30 bps	9.3%	10 bps
MEA	2.0%	1.9%	10 bps	1.9%	10 bps

Source: Company, PL

Exhibit 16: Sequential growth led by BFSI, Retail & Mfg

(US\$ m)	4Q21	3Q21	QoQ gr.	4Q20	YoY gr.
BFSI	1,928	1,785	8.1%	1,617	19.3%
Retail & CPG	868	827	5.0%	838	3.6%
Comm & media	389	376	3.4%	392	-0.7%
Mfg	575	547	5.0%	550	4.6%
Life Sc & Healthcare	581	559	4.0%	479	21.3%
Tech Services	503	490	2.6%	474	6.2%
Regional Markets & Others	1,144	1,118	2.4%	1,094	4.5%
Total	5,989	5,059	18.4%	5,444	10.0%
% of Total					
BFSI	32.2%	31.3%	90 bps	29.7%	250 bps
Retail & CPG	14.5%	14.5%	0 bps	15.4%	-90 bps
Comm & media	6.5%	6.6%	-10 bps	7.2%	-70 bps
Mfg	9.6%	9.6%	0 bps	10.1%	-50 bps
Life Sc & Healthcare	9.7%	9.8%	-10 bps	8.8%	90 bps
Tech Services	8.4%	8.6%	-20 bps	8.7%	-30 bps
Regional Markets & Others	19.1%	19.6%	-50 bps	20.1%	-100 bps

Source: Company, PL

Exhibit 17: Client Metrics improved in lower revenue buckets

	4Q21	3Q21	QoQ gr.	4Q20	YoY gr.
US\$ 1mn clients	1,096	1,077	19	1,072	24
US\$ 5mn clients	569	565	4	565	4
US\$ 10mn clients	387	386	1	391	-4
US\$ 20mn clients	228	229	-1	240	-12
US\$ 50mn clients	101	97	4	105	-4
US\$ 100mn clients	48	48	0	49	-1

Source: Company, PL

Exhibit 18: Highest ever headcount addition in a quarter

Headcount Metrics	4Q21	3Q21	QoQ gr.	4Q20	YoY gr.
Headcount	4,88,649	4,69,261	4.1%	4,48,464	9.0%
Net Addition (Consolidated)	19,388	1,789	983.7%	6,356	205.0%
Overall Attrition	7.2%	12.1%	-490 bps	11.3%	-410 bps

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
Net Revenues	15,69,490	16,41,770	19,17,824	21,66,653
YoY gr. (%)	7.2	4.6	16.8	13.0
Employee Cost	8,94,250	9,40,530	10,59,807	11,91,659
Gross Profit	6,75,240	7,01,240	8,58,017	9,74,994
Margin (%)	43.0	42.7	44.7	45.0
SG&A Expenses	-	-	-	-
Other Expenses	-	-	-	-
EBITDA	4,23,200	4,65,110	5,31,675	6,03,731
YoY gr. (%)	7.1	9.9	14.3	13.6
Margin (%)	27.0	28.3	27.7	27.9
Depreciation and Amortization	37,400	40,300	29,424	33,418
EBIT	3,85,800	4,24,810	5,02,251	5,70,313
Margin (%)	24.6	25.9	26.2	26.3
Net Interest	-	-	-	-
Other Income	36,680	24,970	34,342	37,161
Profit Before Tax	4,22,480	4,49,780	5,36,593	6,07,473
Margin (%)	26.9	27.4	28.0	28.0
Total Tax	98,010	1,14,580	1,29,359	1,47,855
Effective tax rate (%)	23.2	25.5	24.1	24.3
Profit after tax	3,24,470	3,35,200	4,07,234	4,59,618
Minority interest	1,070	1,320	300	300
Share Profit from Associate	-	-	-	-
Adjusted PAT	3,23,400	3,33,880	4,06,934	4,59,318
YoY gr. (%)	2.8	3.2	21.9	12.9
Margin (%)	20.6	20.3	21.2	21.2
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	3,23,400	3,33,880	4,06,934	4,59,318
YoY gr. (%)	2.8	3.2	21.9	12.9
Margin (%)	20.6	20.3	21.2	21.2
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	3,23,400	3,33,880	4,06,934	4,59,318
Equity Shares O/s (m)	3,790	3,790	3,790	3,790
EPS (Rs)	85.3	88.1	107.4	121.2

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
Non-Current Assets				
Gross Block	1,60,710	2,38,020	2,18,906	2,41,946
Tangibles	1,19,380	1,96,690	1,77,576	2,00,616
Intangibles	41,330	41,330	41,330	41,330
Acc: Dep / Amortization	-	-	-	-
Tangibles	-	-	-	-
Intangibles	-	-	-	-
Net fixed assets	1,60,710	2,38,020	2,18,906	2,41,946
Tangibles	1,19,380	1,96,690	1,77,576	2,00,616
Intangibles	41,330	41,330	41,330	41,330
Capital Work In Progress	-	-	-	-
Goodwill	-	-	-	-
Non-Current Investments	2,160	2,160	2,160	2,160
Net Deferred tax assets	-	-	-	-
Other Non-Current Assets	1,64,890	1,64,890	1,64,890	1,64,890
Current Assets				
Investments	-	-	-	-
Inventories	-	-	-	-
Trade receivables	3,62,640	4,13,726	4,83,292	5,45,997
Cash & Bank Balance	3,55,910	4,78,363	6,55,043	8,46,364
Other Current Assets	1,83,820	65,671	76,713	86,666
Total Assets	12,30,130	13,62,830	16,01,004	18,88,023
Equity				
Equity Share Capital	3,750	3,750	3,750	3,750
Other Equity	8,58,650	10,48,520	12,50,807	15,05,478
Total Network	8,62,400	10,52,270	12,54,557	15,09,228
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	-	-	-	-
Other non current liabilities	97,130	97,130	97,130	97,130
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	-	-	-	-
Other current liabilities	2,70,600	2,13,430	2,49,317	2,81,665
Total Equity & Liabilities	12,30,130	13,62,830	16,01,004	18,88,023

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
PBT	4,22,480	4,49,780	5,36,593	6,07,473
Add. Depreciation	37,400	40,300	29,424	33,418
Add. Interest	-	-	-	-
Less Financial Other Income	36,680	24,970	34,342	37,161
Add. Other	-	-	-	-
Op. profit before WC changes	4,59,880	4,90,080	5,66,017	6,40,891
Net Changes-WC	(27,130)	9,893	(44,721)	(40,310)
Direct tax	(98,010)	(1,14,580)	(1,29,359)	(1,47,855)
Net cash from Op. activities	3,34,740	3,85,393	3,91,937	4,52,726
Capital expenditures	(41,480)	(1,17,610)	(10,310)	(56,458)
Interest / Dividend Income	-	-	-	-
Others	230	-	-	-
Net Cash from Inv. activities	(41,250)	(1,17,610)	(10,310)	(56,458)
Issue of share cap. / premium	-	-	-	-
Debt changes	(440)	-	-	-
Dividend paid	(2,31,175)	(1,44,010)	(2,04,646)	(2,04,646)
Interest paid	-	-	-	-
Others	(1,25,355)	(1,320)	(300)	(300)
Net cash from Fin. activities	(3,56,970)	(1,45,330)	(2,04,946)	(2,04,946)
Net change in cash	(63,480)	1,22,453	1,76,680	1,91,321
Free Cash Flow	2,93,260	2,67,783	3,81,627	3,96,268

Source: Company Data, PL Research

Key Financial Metrics

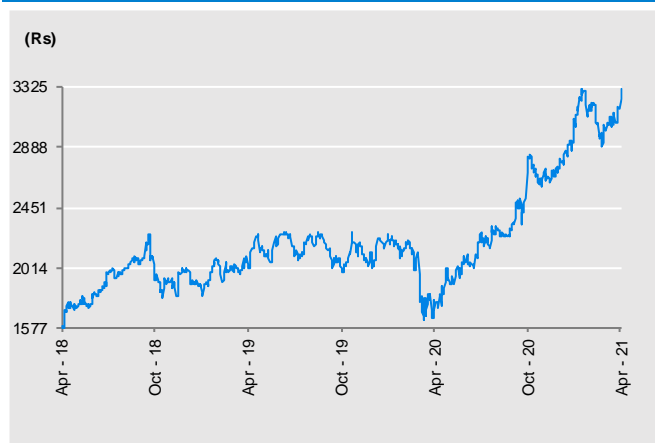
Y/e Mar	FY20	FY21	FY22E	FY23E
Per Share(Rs)				
EPS	85.3	88.1	107.4	121.2
CEPS	95.2	98.7	115.1	130.0
BVPS	227.6	277.7	331.0	398.2
FCF	77.4	70.7	100.7	104.6
DPS	61.0	38.0	54.0	54.0
Return Ratio(%)				
RoCE	43.9	44.4	43.5	41.3
ROIC	37.8	37.4	36.6	34.0
RoE	36.8	34.9	35.3	33.2
Balance Sheet				
Net Debt : Equity (x)	(0.4)	(0.5)	(0.5)	(0.6)
Debtor (Days)	84	92	92	92
Valuation(x)				
PER	38.0	36.9	30.2	26.8
P/B	14.3	11.7	9.8	8.2
P/CEPS	34.1	32.9	28.2	25.0
EV/EBITDA	28.2	25.4	21.9	19.0
EV/Sales	7.6	7.2	6.1	5.3
Dividend Yield (%)	1.9	1.2	1.7	1.7

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY21	Q2FY21	Q3FY21	Q4FY21
Net Revenue	3,83,220	4,01,350	4,20,150	4,37,050
YoY gr. (%)	0.4	3.0	5.4	9.4
Raw Material Expenses	2,24,860	2,29,580	2,37,490	2,48,600
Gross Profit	1,58,360	1,71,770	1,82,660	1,88,450
Margin (%)	41.3	42.8	43.5	43.1
EBITDA	1,00,250	1,15,130	1,21,720	1,28,010
YoY gr. (%)	(0.1)	12.6	9.8	16.6
Margin (%)	26.2	28.7	29.0	29.3
Depreciation / Depletion	9,770	9,980	9,880	10,670
EBIT	90,480	1,05,150	1,11,840	1,17,340
Margin (%)	23.6	26.2	26.6	26.8
Net Interest	-	-	-	-
Other Income	4,560	7,400	5,080	7,930
Profit before Tax	95,040	1,12,550	1,16,920	1,25,270
Margin (%)	24.8	28.0	27.8	28.7
Total Tax	24,550	27,930	29,650	32,450
Effective tax rate (%)	25.8	24.8	25.4	25.9
Profit after Tax	70,490	84,620	87,270	92,820
Minority interest	410	290	260	360
Share Profit from Associates	-	-	-	-
Adjusted PAT	70,080	84,330	87,010	92,460
YoY gr. (%)	(13.8)	4.9	7.2	14.9
Margin (%)	18.3	21.0	20.7	21.2
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	70,080	84,330	87,010	92,460
YoY gr. (%)	(13.8)	4.9	7.2	14.9
Margin (%)	18.3	21.0	20.7	21.2
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	70,080	84,330	87,010	92,460
Avg. Shares O/s (m)	3,750	3,750	3,752	3,703
EPS (Rs)	18.7	22.5	23.2	25.0

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	05-Apr-21	BUY	3,620	3,167
2	04-Jan-21	BUY	3,358	2,928
3	08-Oct-20	BUY	3,200	2,736
4	05-Oct-20	BUY	2,738	2,523
5	01-Oct-20	BUY	2,738	2,492
6	10-Jul-20	Hold	2,116	2,204
7	04-Jul-20	Hold	1,982	2,200
8	17-Apr-20	Hold	1,584	1,716

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Coforge	BUY	3,020	2,924
2	Cyient	BUY	683	666
3	HCL Technologies	BUY	1,168	1,001
4	Infosys	BUY	1,646	1,386
5	L&T Technology Services	BUY	3,006	2,721
6	Larsen & Toubro Infotech	BUY	4,394	4,121
7	Mindtree	BUY	2,326	2,068
8	Mphasis	BUY	1,869	1,749
9	Persistent Systems	BUY	2,017	1,954
10	Redington (India)	BUY	189	184
11	Sonata Software	BUY	537	522
12	Tata Consultancy Services	BUY	3,620	3,167
13	TeamLease Services	BUY	4,002	3,774
14	Tech Mahindra	BUY	1,143	990
15	Wipro	BUY	476	417
16	Zensar Technologies	BUY	290	276

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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