Robust revenue guidance keeps us positive…

Infosys’ volume in the quarter increased 4.6% QoQ but revenue growth was lower by 2% QoQ in constant currency (CC) terms due to offshoring. The revenue growth was across verticals & geographies. Digital revenues increased 5.6% QoQ, 38.6% YoY and now accounts for 51.5% of overall revenues. In terms of deal pipeline, it increased 27.3% YoY to US$2.1 billion. Further, despite wage hike, margins were healthy. In terms of guidance, the company expects FY22E revenues to grow in the range of 12-14% with operating margin in the range of 22-24%. Robust revenue guidance points at strong demand environment.

Improving IT spend, large deal momentum key positive

We expect IT spends to improve led by cloud migration, increased spend by companies in customer & employee experience (P&L led investment) and ancillary technologies like AI, IOT, data analytics. Infosys is in a sweet spot to capture this growth considering the investment it has made in digital technologies. This, coupled with an increase in outsourcing in the US and Europe, vendor consolidation opportunities, captive carve outs and cost take out deals will further boost its revenues. In addition, Infosys has executed well on large deal conversion that is expected to be a key driver of revenue growth in the long run. Hence, we expect the company to register 13.8% CAGR in dollar revenues over FY21-23E.

Margins to remain healthy in coming years

The company believes there will be margin headwinds in FY22E led by lower utilisation, higher travel cost, large deal transition cost and phased wage hike starting from July 2021. Hence, the company has guided for 22-24% margin guidance for FY22E. However, we believe with many levers (like offshoring, revenue growth, pyramid rationalisation, rupee depreciation and automation) available to Infosys, the company will surpass the top end of its guidance in FY22E. Hence, we expect margins of 24.2% and 24.4% in FY22E and FY23E, respectively.

Valuation & Outlook

An improved demand environment, traction in large deals, increase in outsourcing in the US and Europe, vendor consolidation opportunities, captive carve outs and cost takeout deals are expected to drive revenues in the long term. In addition, healthy traction in digital revenues, revenue growth outpacing TCS over the past 12 months and margin gap narrowing with TCS are other key positives. This, coupled with healthy cash conversion, robust capital allocation policy and EPS accretive buyback prompt us to be positive on the stock. Hence, we maintain our BUY rating on the stock with a revised target price of ₹ 1,650 (26x P/E on FY23E EPS) (earlier target price ₹ 1,610).

Key Risk

- Largely we assume acceleration in digital technologies will drive revenue growth of IT companies. However, a slower-than-expected pace of growth in digital technologies will impact Infosys’ revenue growth
- If Infosys is unable to realise cost savings, it may impact its margins adversely

Research Analyst

Devang Bhatt
devang.bhatt@icicisecurities.com

Key Financial Summary

<table>
<thead>
<tr>
<th>Particulars</th>
<th>₹ Crore</th>
<th>FY19</th>
<th>FY20</th>
<th>FY21</th>
<th>FY22E</th>
<th>FY23E</th>
<th>CAGR (FY21-23E)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales</td>
<td></td>
<td>82,676</td>
<td>90,791</td>
<td>1,00,472</td>
<td>1,19,073</td>
<td>1,37,115</td>
<td>16.8%</td>
</tr>
<tr>
<td>EBITDA</td>
<td></td>
<td>20,890</td>
<td>22,268</td>
<td>27,890</td>
<td>32,689</td>
<td>37,916</td>
<td>16.6%</td>
</tr>
<tr>
<td>EBITDA Margins (%)</td>
<td></td>
<td>25.3</td>
<td>24.5</td>
<td>27.8</td>
<td>27.5</td>
<td>27.7</td>
<td>16.6%</td>
</tr>
<tr>
<td>Net Profit</td>
<td></td>
<td>15,411</td>
<td>16,595</td>
<td>19,351</td>
<td>23,375</td>
<td>27,247</td>
<td>18.7%</td>
</tr>
<tr>
<td>EPS (₹)</td>
<td></td>
<td>35.4</td>
<td>38.9</td>
<td>45.6</td>
<td>55.1</td>
<td>64.2</td>
<td>18.7%</td>
</tr>
<tr>
<td>P/E</td>
<td></td>
<td>39.5</td>
<td>35.9</td>
<td>30.7</td>
<td>25.4</td>
<td>21.8</td>
<td>18.7%</td>
</tr>
<tr>
<td>RoNW (%)</td>
<td></td>
<td>23.7</td>
<td>25.2</td>
<td>25.2</td>
<td>27.9</td>
<td>30.2</td>
<td>18.7%</td>
</tr>
<tr>
<td>RoCE (%)</td>
<td></td>
<td>32.9</td>
<td>30.8</td>
<td>31.7</td>
<td>34.1</td>
<td>36.9</td>
<td>18.7%</td>
</tr>
</tbody>
</table>

Source: Company, ICICI Direct Research
### Exhibit 1: Variance Analysis

<table>
<thead>
<tr>
<th></th>
<th>Q4FY21</th>
<th>Q4FY21E</th>
<th>Q4FY20</th>
<th>YoY (%)</th>
<th>Q3FY21</th>
<th>QoQ (%)</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>26,311</td>
<td>26,986</td>
<td>23,267</td>
<td>13.1</td>
<td>25,927</td>
<td>1.5</td>
<td>Dollar revenues were below our estimate. The growth in dollar revenues of 2.8% was led by BFSI, retail, manufacturing and hi tech</td>
</tr>
<tr>
<td>Employee expenses</td>
<td>16,333</td>
<td>17,041</td>
<td>14,752</td>
<td>10.7</td>
<td>15,951</td>
<td>2.4</td>
<td></td>
</tr>
<tr>
<td>Gross Profit</td>
<td>9,978</td>
<td>9,945</td>
<td>8,515</td>
<td>17.2</td>
<td>9,976</td>
<td>0.0</td>
<td></td>
</tr>
<tr>
<td>Gross margin (%)</td>
<td>37.9</td>
<td>36.9</td>
<td>36.6</td>
<td>133 bps</td>
<td>36.9</td>
<td>1.1</td>
<td></td>
</tr>
<tr>
<td>Selling &amp; marketing</td>
<td>1,200</td>
<td>1,187</td>
<td>1,172</td>
<td>2.4</td>
<td>1,145</td>
<td>2.8</td>
<td></td>
</tr>
<tr>
<td>G&amp;A expenses</td>
<td>1,507</td>
<td>1,430</td>
<td>1,667</td>
<td>-9.6</td>
<td>1,416</td>
<td>-6.4</td>
<td></td>
</tr>
<tr>
<td>EBITDA</td>
<td>7,271</td>
<td>7,327</td>
<td>5,676</td>
<td>28.1</td>
<td>7,415</td>
<td>-1.9</td>
<td></td>
</tr>
<tr>
<td>EBITDA Margin (%)</td>
<td>27.6</td>
<td>27.2</td>
<td>24.4</td>
<td>324 bps</td>
<td>28.6</td>
<td>-96 bps</td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>831</td>
<td>826</td>
<td>749</td>
<td>10.9</td>
<td>826</td>
<td>0.6</td>
<td></td>
</tr>
<tr>
<td>EBIT</td>
<td>6,440</td>
<td>6,501</td>
<td>4,927</td>
<td>30.7</td>
<td>6,589</td>
<td>-2.3</td>
<td></td>
</tr>
<tr>
<td>EBIT Margin (%)</td>
<td>24.5</td>
<td>24.1</td>
<td>21.2</td>
<td>330 bps</td>
<td>25.4</td>
<td>-94 bps</td>
<td></td>
</tr>
<tr>
<td>Other income</td>
<td>545</td>
<td>599</td>
<td>614</td>
<td>-11.2</td>
<td>611</td>
<td>-10.8</td>
<td></td>
</tr>
<tr>
<td>PBT</td>
<td>6,985</td>
<td>7,100</td>
<td>5,541</td>
<td>26.1</td>
<td>7,200</td>
<td>-3.0</td>
<td></td>
</tr>
<tr>
<td>Tax paid</td>
<td>1,857</td>
<td>1,763</td>
<td>1,161</td>
<td>59.9</td>
<td>1,936</td>
<td>-4.1</td>
<td></td>
</tr>
<tr>
<td>Reported PAT</td>
<td>5,076</td>
<td>5,271</td>
<td>4,321</td>
<td>17.5</td>
<td>5,197</td>
<td>-2.3</td>
<td></td>
</tr>
</tbody>
</table>

Source: Company, ICICI Direct Research

### Exhibit 2: Change in estimates

<table>
<thead>
<tr>
<th></th>
<th>FY22E Old</th>
<th>FY22E New</th>
<th>% Change</th>
<th>FY23E Old</th>
<th>FY23E New</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>115,735</td>
<td>119,073</td>
<td>2.9</td>
<td>132,539</td>
<td>137,115</td>
<td>3.5</td>
</tr>
<tr>
<td>EBIT</td>
<td>28,355</td>
<td>28,816</td>
<td>1.6</td>
<td>32,605</td>
<td>33,466</td>
<td>2.6</td>
</tr>
<tr>
<td>EBIT Margin (%)</td>
<td>24.5</td>
<td>24.2</td>
<td>-30 bps</td>
<td>24.6</td>
<td>24.4</td>
<td>-20 bps</td>
</tr>
<tr>
<td>PAT</td>
<td>23,202</td>
<td>23,375</td>
<td>0.7</td>
<td>26,980</td>
<td>27,247</td>
<td>1.0</td>
</tr>
<tr>
<td>EPS (₹)</td>
<td>54.6</td>
<td>55.1</td>
<td>0.9</td>
<td>63.5</td>
<td>64.2</td>
<td>1.1</td>
</tr>
</tbody>
</table>

Source: Company, ICICI Direct Research


Conference Call Highlights

- **Revenue outlook:** The company's volume in the quarter increased by 4.6% QoQ but revenue growth was lower by 2% QoQ due to offshoring. Going forward, Infosys has guided revenue growth of 12-14% (augmented by Daimler deal), which represents strong growth potential despite a robust FY21 performance. The company expects healthy traction in large deals, traction in digital technologies, healthy deal pipeline (US$9.4 billion net new out of US$14 billion won), captive carve outs, vendor consolidation opportunities and cost take out kind of deals to be key drivers of growth. This coupled with improved tech spend (investment via P&L), improving spend across verticals and traction in Cloud data analytics AI and IOT and cybersecurities prompt us to believe the demand outlook in the medium term remains robust. Further, the company's digital prowess and market share gains are expected to drive revenues in the medium term

- **Vertical wise commentary:** Financial services are seeing traction in customer experience, mortgage transformation, lending services, call centre transformation and end to end transformation. The company has won 25 large deals in this vertical of which six were in Q4FY21. In retail, there is traction in mass modernisation, cloud and cybersecurity. Infosys has seen healthy net new deal in second half and remains optimistic on its growth. In communication, there is traction in digital led 5G, cybersecurity, IOT, AI and improved deals. Energy & utility (E&U) & travel continue to be impacted but the company is seeing healthy deal wins and vendor consolidation opportunity in the E&U vertical. In manufacturing, auto is seeing improving traction but aerospace is expected to lag. Largest deal of Daimler will support growth in the vertical in FY22E

- **Margin trajectory:** The company reported healthy margins despite a wage hike in the quarter. Infosys believes there will be margin headwinds in FY22E led by lower utilisation, higher travel cost, large deal transition cost, higher sub-contracting cost and phased wage hike starting from July 2021. Hence, the company has guided for 22-24% margin for FY22E. However, we believe with many levers (like offshoring, revenue growth, pyramid rationalisation, rupee depreciation and automation) available to Infosys, the company will surpass the top end of its guidance in FY22E. Hence, we expect margins of 24.2% & 24.4% in FY22E & FY23E, respectively

- **TCV:** Large deal TCV was healthy with deal signings worth ~US$2.1 billion, up 27.3% YoY. On a QoQ basis, it saw a dip due to one off large deal in the previous quarter. In Q4FY21, 52% of deal wins were net new deals. Total 15 deals were in Americas, six in Europe and one in RoW. On an annual basis, the company has won US$14 billion of which US$9.4 billion was net new deal wins (which is higher than FY20 deals won cumulatively)

- **Digital story:** Digital continues to drive the growth of the company with 38.6% YoY growth and constituting 51.5% of revenues (vs. 41.9% in Q4FY20). Further, the company continues to see acceleration in digital technology like cyber security, cloud, data, experience and automation

- **Employee update:** There was addition of 10,307 employees taking employee strength to 259,619. The company is planning to give a second wage hike from July 2021 in a phased manner. Infosys plans to hire 2600 freshers in FY22E
Key Metrics

Exhibit 3: Geography wise split

<table>
<thead>
<tr>
<th></th>
<th>Q4FY20</th>
<th>Q1FY21</th>
<th>Q2FY21</th>
<th>Q3FY21</th>
<th>Q4FY21</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue by geography (%)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>North America</td>
<td>61.6</td>
<td>61.5</td>
<td>60.7</td>
<td>61.6</td>
<td>61.6</td>
</tr>
<tr>
<td>Europe</td>
<td>24.4</td>
<td>24.0</td>
<td>24.3</td>
<td>24.0</td>
<td>24.4</td>
</tr>
<tr>
<td>India</td>
<td>2.6</td>
<td>2.9</td>
<td>3.0</td>
<td>2.6</td>
<td>3.0</td>
</tr>
<tr>
<td>ROW</td>
<td>11.4</td>
<td>11.6</td>
<td>12.0</td>
<td>11.8</td>
<td>11.0</td>
</tr>
</tbody>
</table>

**Growth QoQ in $ terms (%)**

<table>
<thead>
<tr>
<th></th>
<th>Q4FY20</th>
<th>Q1FY21</th>
<th>Q2FY21</th>
<th>Q3FY21</th>
<th>Q4FY21</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>-0.9</td>
<td>-2.5</td>
<td>4.7</td>
<td>7.7</td>
<td>2.8</td>
</tr>
<tr>
<td>Europe</td>
<td>-1.4</td>
<td>-4.0</td>
<td>7.4</td>
<td>4.8</td>
<td>4.5</td>
</tr>
<tr>
<td>India</td>
<td>-8.5</td>
<td>8.9</td>
<td>9.8</td>
<td>-8.0</td>
<td>18.6</td>
</tr>
<tr>
<td>ROW</td>
<td>-2.3</td>
<td>-0.7</td>
<td>9.8</td>
<td>4.4</td>
<td>-4.2</td>
</tr>
</tbody>
</table>

Source: Company, ICICI Direct Research

Revenues growth was across geographies except RoW

Exhibit 4: Vertical wise split

<table>
<thead>
<tr>
<th></th>
<th>%contribution to revenues Q4FY21</th>
<th>%contribution to revenues Q3FY21</th>
<th>Growth QoQ (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Services</td>
<td>33.0</td>
<td>33.1</td>
<td>2.4</td>
</tr>
<tr>
<td>Insurance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retail</td>
<td>14.8</td>
<td>14.7</td>
<td>3.5</td>
</tr>
<tr>
<td>Communication</td>
<td>12.0</td>
<td>12.4</td>
<td>-0.6</td>
</tr>
<tr>
<td>E&amp;U</td>
<td>12.3</td>
<td>12.5</td>
<td>1.1</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>9.6</td>
<td>9.3</td>
<td>6.1</td>
</tr>
<tr>
<td>Hi Tech</td>
<td>8.1</td>
<td>8.2</td>
<td>1.5</td>
</tr>
<tr>
<td>Life Sciences</td>
<td>6.8</td>
<td>7.1</td>
<td>-1.6</td>
</tr>
<tr>
<td>Others</td>
<td>3.4</td>
<td>2.7</td>
<td>15.9</td>
</tr>
</tbody>
</table>

Source: Company, ICICI Direct Research

The company has seen growth in financial services, manufacturing and retail

Exhibit 5: Client & human resource matrix

<table>
<thead>
<tr>
<th></th>
<th>04FY20</th>
<th>01FY21</th>
<th>02FY21</th>
<th>03FY21</th>
<th>04FY21</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Client metrics</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5 Million $ clients</td>
<td>718</td>
<td>729</td>
<td>745</td>
<td>761</td>
<td>779</td>
</tr>
<tr>
<td>25 Million $ clients</td>
<td>234</td>
<td>236</td>
<td>242</td>
<td>246</td>
<td>252</td>
</tr>
<tr>
<td>50 Million $ clients</td>
<td>61</td>
<td>60</td>
<td>60</td>
<td>60</td>
<td>59</td>
</tr>
<tr>
<td>100 Million $ clients</td>
<td>28</td>
<td>25</td>
<td>30</td>
<td>29</td>
<td>32</td>
</tr>
</tbody>
</table>

**Headcount, Utilization & Attrition**

<table>
<thead>
<tr>
<th></th>
<th>04FY20</th>
<th>01FY21</th>
<th>02FY21</th>
<th>03FY21</th>
<th>04FY21</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Employees</td>
<td>242371</td>
<td>239233</td>
<td>240208</td>
<td>249312</td>
<td>259619</td>
</tr>
<tr>
<td>Utilization (Excluding trainees)</td>
<td>83.5</td>
<td>81.2</td>
<td>83.6</td>
<td>86.3</td>
<td>87.7</td>
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<tr>
<td>LTM Attrition</td>
<td>20.7</td>
<td>11.7</td>
<td>7.8</td>
<td>10.0</td>
<td>15.2</td>
</tr>
</tbody>
</table>

Source: Company, ICICI Direct Research

The company has seen increase in attrition up ~500 bps in the quarter. The company’s employee addition of 10307 continues to be healthy.
Financial story in charts

Exhibit 6: Dollar revenues to increase at a CAGR of 13.8% over FY21-23E

Source: Company, ICICI Direct Research

Exhibit 7: Change in margin estimates for FY22E & FY23E

Source: Company, ICICI Direct Research

Exhibit 8: PAT trend

Source: Company, ICICI Direct Research
Exhibit 9: Price Performance

Source: Company, ICICI Direct Research
### Exhibit 10: Profit and loss statement (₹ crore)

<table>
<thead>
<tr>
<th>(Year-end March)</th>
<th>FY20</th>
<th>FY21</th>
<th>FY22E</th>
<th>FY23E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total operating Income</td>
<td>90,791</td>
<td>1,00,472</td>
<td>1,19,073</td>
<td>1,37,115</td>
</tr>
<tr>
<td>Growth (%)</td>
<td>9.8</td>
<td>10.7</td>
<td>18.5</td>
<td>15.2</td>
</tr>
<tr>
<td>CDGS (employee expenses)</td>
<td>57,838</td>
<td>62,145</td>
<td>73,762</td>
<td>84,802</td>
</tr>
<tr>
<td>Admin expenses</td>
<td>5,973</td>
<td>5,810</td>
<td>7,144</td>
<td>8,227</td>
</tr>
<tr>
<td>S&amp;M expenses</td>
<td>4,712</td>
<td>4,627</td>
<td>5,477</td>
<td>6,170</td>
</tr>
<tr>
<td>Total Operating Expenditure</td>
<td>68,523</td>
<td>72,582</td>
<td>86,384</td>
<td>99,199</td>
</tr>
<tr>
<td>EBITDA</td>
<td>22,268</td>
<td>27,890</td>
<td>32,689</td>
<td>37,916</td>
</tr>
<tr>
<td>Growth (%)</td>
<td>6.6</td>
<td>25.2</td>
<td>17.2</td>
<td>16.0</td>
</tr>
<tr>
<td>Depreciation</td>
<td>2,894</td>
<td>3,268</td>
<td>3,873</td>
<td>4,460</td>
</tr>
<tr>
<td>Other Income</td>
<td>2,803</td>
<td>2,201</td>
<td>2,394</td>
<td>2,685</td>
</tr>
<tr>
<td>PBT</td>
<td>22,007</td>
<td>26,628</td>
<td>31,015</td>
<td>35,946</td>
</tr>
<tr>
<td>Total Tax</td>
<td>5,367</td>
<td>7,205</td>
<td>7,568</td>
<td>8,627</td>
</tr>
<tr>
<td>PAT</td>
<td>16,595</td>
<td>19,351</td>
<td>23,375</td>
<td>27,247</td>
</tr>
<tr>
<td>Growth (%)</td>
<td>7.7</td>
<td>16.6</td>
<td>20.8</td>
<td>16.6</td>
</tr>
<tr>
<td>EPS (₹)</td>
<td>38.9</td>
<td>45.6</td>
<td>55.1</td>
<td>64.2</td>
</tr>
<tr>
<td>Growth (%)</td>
<td>9.9</td>
<td>17.2</td>
<td>20.8</td>
<td>16.6</td>
</tr>
</tbody>
</table>

Source: Company, ICICI Direct Research

### Exhibit 11: Cash flow statement (₹ crore)

<table>
<thead>
<tr>
<th>(Year-end March)</th>
<th>FY20</th>
<th>FY21</th>
<th>FY22E</th>
<th>FY23E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit after Tax</td>
<td>16,595</td>
<td>19,351</td>
<td>23,375</td>
<td>27,247</td>
</tr>
<tr>
<td>Add: Depreciation</td>
<td>2,894</td>
<td>3,267</td>
<td>3,873</td>
<td>4,460</td>
</tr>
<tr>
<td>(Inc)/dec in Current Assets</td>
<td>(3,357)</td>
<td>(2,504)</td>
<td>(7,043)</td>
<td>(5,593)</td>
</tr>
<tr>
<td>Inc/(dec) in CL and Provisions</td>
<td>1,419</td>
<td>3,137</td>
<td>3,505</td>
<td>3,399</td>
</tr>
<tr>
<td>Taxes paid</td>
<td>(4,550)</td>
<td>(6,389)</td>
<td>(7,568)</td>
<td>(8,627)</td>
</tr>
<tr>
<td>CF from operating activities</td>
<td>18,557</td>
<td>24,127</td>
<td>21,315</td>
<td>26,828</td>
</tr>
<tr>
<td>(Inc)/dec in Investments</td>
<td>(222)</td>
<td>1,235</td>
<td>2,394</td>
<td>2,685</td>
</tr>
<tr>
<td>(Inc)/dec in Fixed Assets</td>
<td>(3,307)</td>
<td>(2,107)</td>
<td>(2,200)</td>
<td>(2,200)</td>
</tr>
<tr>
<td>CF from investing activities</td>
<td>(1,793)</td>
<td>(8,359)</td>
<td>194</td>
<td>485</td>
</tr>
<tr>
<td>Dividend paid &amp; dividend tax</td>
<td>(9,515)</td>
<td>(9,117)</td>
<td>(16,248)</td>
<td>(20,934)</td>
</tr>
<tr>
<td>Others</td>
<td>(27)</td>
<td>29</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>CF from financing activities</td>
<td>(17,591)</td>
<td>(9,786)</td>
<td>(16,248)</td>
<td>(20,934)</td>
</tr>
<tr>
<td>Net Cash flow</td>
<td>(827)</td>
<td>5,982</td>
<td>5,262</td>
<td>6,380</td>
</tr>
<tr>
<td>Exchange difference</td>
<td>(92)</td>
<td>83</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Opening Cash</td>
<td>19,568</td>
<td>18,649</td>
<td>24,714</td>
<td>29,976</td>
</tr>
<tr>
<td>Closing Cash</td>
<td>18,649</td>
<td>24,714</td>
<td>29,976</td>
<td>36,355</td>
</tr>
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</table>

Source: Company, ICICI Direct Research

### Exhibit 12: Balance sheet (₹ crore)

<table>
<thead>
<tr>
<th>(Year-end March)</th>
<th>FY20</th>
<th>FY21</th>
<th>FY22E</th>
<th>FY23E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity Capital</td>
<td>2,122</td>
<td>2,124</td>
<td>2,124</td>
<td>2,124</td>
</tr>
<tr>
<td>Reserve and Surplus</td>
<td>63,722</td>
<td>74,658</td>
<td>81,785</td>
<td>88,099</td>
</tr>
<tr>
<td>Total Shareholders funds</td>
<td>65,844</td>
<td>76,782</td>
<td>83,909</td>
<td>90,223</td>
</tr>
<tr>
<td>Employee benefit obligation</td>
<td>38</td>
<td>97</td>
<td>97</td>
<td>97</td>
</tr>
<tr>
<td>Debt</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Deferred Tax Liability</td>
<td>968</td>
<td>875</td>
<td>875</td>
<td>875</td>
</tr>
<tr>
<td>Other non current liabilities</td>
<td>5,062</td>
<td>6,767</td>
<td>6,767</td>
<td>6,767</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>71,912</td>
<td>84,521</td>
<td>91,648</td>
<td>97,962</td>
</tr>
<tr>
<td>Assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property,plant and equipment</td>
<td>17,887</td>
<td>18,417</td>
<td>16,744</td>
<td>14,484</td>
</tr>
<tr>
<td>Goodwill</td>
<td>5,286</td>
<td>6,079</td>
<td>6,079</td>
<td>6,079</td>
</tr>
<tr>
<td>Intangibles</td>
<td>1,900</td>
<td>2,072</td>
<td>2,072</td>
<td>2,072</td>
</tr>
<tr>
<td>Available for sale assets</td>
<td>4,137</td>
<td>11,863</td>
<td>11,863</td>
<td>11,863</td>
</tr>
<tr>
<td>Other assets</td>
<td>9,002</td>
<td>9,222</td>
<td>9,222</td>
<td>9,222</td>
</tr>
<tr>
<td>Cash</td>
<td>18,649</td>
<td>24,714</td>
<td>29,976</td>
<td>36,355</td>
</tr>
<tr>
<td>Current Investments</td>
<td>4,655</td>
<td>2,342</td>
<td>2,342</td>
<td>2,342</td>
</tr>
<tr>
<td>Trade receivables</td>
<td>18,487</td>
<td>19,294</td>
<td>22,866</td>
<td>26,331</td>
</tr>
<tr>
<td>Unbilled revenue</td>
<td>7,121</td>
<td>7,527</td>
<td>9,764</td>
<td>10,695</td>
</tr>
<tr>
<td>Prepayment &amp; O.fin.assets</td>
<td>5,602</td>
<td>6,668</td>
<td>7,902</td>
<td>9,100</td>
</tr>
<tr>
<td>Other current assets</td>
<td>62</td>
<td>188</td>
<td>188</td>
<td>188</td>
</tr>
<tr>
<td>Total Current Assets</td>
<td>54,576</td>
<td>60,733</td>
<td>73,038</td>
<td>85,011</td>
</tr>
<tr>
<td>Trade payables</td>
<td>2,852</td>
<td>2,645</td>
<td>3,135</td>
<td>3,610</td>
</tr>
<tr>
<td>Unearned revenue</td>
<td>2,990</td>
<td>4,050</td>
<td>4,800</td>
<td>5,527</td>
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<tr>
<td>OCL &amp; provisions</td>
<td>15,014</td>
<td>17,170</td>
<td>19,435</td>
<td>21,632</td>
</tr>
<tr>
<td>Total Current Liabilities</td>
<td>20,856</td>
<td>23,865</td>
<td>27,370</td>
<td>30,769</td>
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<tr>
<td>Net Current Assets</td>
<td>33,720</td>
<td>36,668</td>
<td>45,668</td>
<td>54,242</td>
</tr>
<tr>
<td>Application of Funds</td>
<td>71,912</td>
<td>84,521</td>
<td>91,648</td>
<td>97,962</td>
</tr>
</tbody>
</table>

Source: Company, ICICI Direct Research

### Exhibit 13: Key ratios

<table>
<thead>
<tr>
<th>(Year-end March)</th>
<th>FY20</th>
<th>FY21</th>
<th>FY22E</th>
<th>FY23E</th>
</tr>
</thead>
<tbody>
<tr>
<td>EPS</td>
<td>38.9</td>
<td>45.5</td>
<td>55.0</td>
<td>64.1</td>
</tr>
<tr>
<td>Cash EPS</td>
<td>45.7</td>
<td>53.2</td>
<td>64.1</td>
<td>74.6</td>
</tr>
<tr>
<td>BV</td>
<td>154</td>
<td>181</td>
<td>197</td>
<td>212</td>
</tr>
<tr>
<td>DPS</td>
<td>17.5</td>
<td>27.0</td>
<td>38.2</td>
<td>49.2</td>
</tr>
<tr>
<td>Cash Per Share</td>
<td>44</td>
<td>58</td>
<td>71</td>
<td>86</td>
</tr>
<tr>
<td>EBIT Margin</td>
<td>21.3</td>
<td>24.5</td>
<td>24.2</td>
<td>24.4</td>
</tr>
<tr>
<td>PBT Margin</td>
<td>24.2</td>
<td>26.5</td>
<td>26.0</td>
<td>26.2</td>
</tr>
<tr>
<td>PAT Margin</td>
<td>18.3</td>
<td>19.3</td>
<td>19.6</td>
<td>19.9</td>
</tr>
<tr>
<td>Debtor days</td>
<td>74</td>
<td>70</td>
<td>70</td>
<td>70</td>
</tr>
<tr>
<td>Unbilled revenue</td>
<td>25</td>
<td>27</td>
<td>27</td>
<td>27</td>
</tr>
<tr>
<td>Creditor days</td>
<td>11</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>RoE</td>
<td>25.2</td>
<td>25.2</td>
<td>27.9</td>
<td>30.2</td>
</tr>
<tr>
<td>RoCE</td>
<td>30.8</td>
<td>31.7</td>
<td>34.1</td>
<td>36.9</td>
</tr>
<tr>
<td>RoC</td>
<td>39.9</td>
<td>42.8</td>
<td>48.6</td>
<td>56.5</td>
</tr>
<tr>
<td>P/E</td>
<td>35.9</td>
<td>30.7</td>
<td>25.4</td>
<td>21.8</td>
</tr>
<tr>
<td>EV / EBITDA</td>
<td>25.7</td>
<td>20.4</td>
<td>17.3</td>
<td>14.7</td>
</tr>
<tr>
<td>EV / Net Sales</td>
<td>6.3</td>
<td>5.7</td>
<td>4.7</td>
<td>4.1</td>
</tr>
<tr>
<td>Market Cap / Sales</td>
<td>6.6</td>
<td>5.9</td>
<td>5.0</td>
<td>4.4</td>
</tr>
<tr>
<td>Price to Book Value</td>
<td>9.1</td>
<td>7.7</td>
<td>7.1</td>
<td>6.6</td>
</tr>
<tr>
<td>Solvency Ratios</td>
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<td></td>
</tr>
<tr>
<td>Debt/EBITDA</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Debt / Equity</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Current Ratio</td>
<td>2.1</td>
<td>2.3</td>
<td>2.3</td>
<td>2.2</td>
</tr>
<tr>
<td>Quick Ratio</td>
<td>2.1</td>
<td>2.3</td>
<td>2.3</td>
<td>2.2</td>
</tr>
</tbody>
</table>

Source: Company, ICICI Direct Research
**Exhibit 14: ICICI Direct coverage universe (IT)**

<table>
<thead>
<tr>
<th>Company</th>
<th>Cmp (₹)</th>
<th>TP (₹)</th>
<th>Rating</th>
<th>Mcap (₹ Cr)</th>
<th>EPS (₹) FY20</th>
<th>EPS (₹) FY21E</th>
<th>EPS (₹) FY22E</th>
<th>EPS (₹) FY23E</th>
<th>P/E FY20</th>
<th>P/E FY21E</th>
<th>P/E FY22E</th>
<th>P/E FY23E</th>
<th>RoCE (%) FY20</th>
<th>RoCE (%) FY21E</th>
<th>RoCE (%) FY22E</th>
<th>RoCE (%) FY23E</th>
<th>RoE (%) FY20</th>
<th>RoE (%) FY21E</th>
<th>RoE (%) FY22E</th>
<th>RoE (%) FY23E</th>
</tr>
</thead>
<tbody>
<tr>
<td>HCL Tech (HCLTEC)</td>
<td>982</td>
<td>1,150</td>
<td>Buy</td>
<td>2,66,390</td>
<td>40.8</td>
<td>48.3</td>
<td>54.1</td>
<td>62.6</td>
<td>24</td>
<td>20</td>
<td>18</td>
<td>16</td>
<td>23.0</td>
<td>23.6</td>
<td>24.4</td>
<td>24.8</td>
<td>21.6</td>
<td>21.5</td>
<td>20.8</td>
<td>20.6</td>
</tr>
<tr>
<td>Infosys (INFTEC)</td>
<td>1,399</td>
<td>1,650</td>
<td>Buy</td>
<td>5,96,488</td>
<td>38.9</td>
<td>45.5</td>
<td>55.0</td>
<td>64.1</td>
<td>36</td>
<td>31</td>
<td>25</td>
<td>22</td>
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<td>31.7</td>
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<td>36.9</td>
<td>25.2</td>
<td>25.2</td>
<td>27.9</td>
<td>30.2</td>
</tr>
<tr>
<td>TCS (TCS)</td>
<td>3,105</td>
<td>3,800</td>
<td>Buy</td>
<td>11,48,850</td>
<td>86.2</td>
<td>96.7</td>
<td>109.3</td>
<td>128.7</td>
<td>36</td>
<td>36</td>
<td>28</td>
<td>24</td>
<td>44.4</td>
<td>45.9</td>
<td>51.2</td>
<td>54.4</td>
<td>38.4</td>
<td>37.5</td>
<td>43.3</td>
<td>45.7</td>
</tr>
<tr>
<td>Tech M (TECM)</td>
<td>1,001</td>
<td>1,120</td>
<td>Buy</td>
<td>92,924</td>
<td>45.9</td>
<td>53.4</td>
<td>58.9</td>
<td>69.2</td>
<td>22</td>
<td>19</td>
<td>17</td>
<td>14</td>
<td>19.1</td>
<td>20.5</td>
<td>20.4</td>
<td>21.5</td>
<td>18.5</td>
<td>19.4</td>
<td>18.8</td>
<td>19.3</td>
</tr>
<tr>
<td>Wipro (WIPRO)</td>
<td>419</td>
<td>490</td>
<td>Hold</td>
<td>4,54,449</td>
<td>16.6</td>
<td>19.5</td>
<td>20.3</td>
<td>22.7</td>
<td>25</td>
<td>21</td>
<td>21</td>
<td>18</td>
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<td>25.5</td>
<td>17.4</td>
<td>19.7</td>
<td>20.5</td>
<td>23.0</td>
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<td>Mindtree (MINCON)</td>
<td>2,048</td>
<td>1,970</td>
<td>Buy</td>
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<td>66.4</td>
<td>75.4</td>
<td>87.7</td>
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<td>26.0</td>
<td>28.2</td>
<td>27.2</td>
<td>27.0</td>
</tr>
<tr>
<td>LTI (LTINFC)</td>
<td>4,120</td>
<td>4,580</td>
<td>Hold</td>
<td>71,965</td>
<td>86.6</td>
<td>107.7</td>
<td>125.5</td>
<td>149.1</td>
<td>48</td>
<td>38</td>
<td>33</td>
<td>28</td>
<td>30.7</td>
<td>32.4</td>
<td>31.7</td>
<td>31.6</td>
<td>28.1</td>
<td>28.7</td>
<td>28.0</td>
<td>27.9</td>
</tr>
<tr>
<td>Coforge (NITEC)</td>
<td>2,889</td>
<td>2,875</td>
<td>Buy</td>
<td>17,391</td>
<td>71.4</td>
<td>72.6</td>
<td>95.3</td>
<td>111.7</td>
<td>40</td>
<td>40</td>
<td>30</td>
<td>26</td>
<td>23.0</td>
<td>23.5</td>
<td>26.6</td>
<td>27.4</td>
<td>18.5</td>
<td>19.4</td>
<td>22.4</td>
<td>22.9</td>
</tr>
<tr>
<td>Infosys (INFEDG)</td>
<td>4,560</td>
<td>5,725</td>
<td>Hold</td>
<td>58,634</td>
<td>26.8</td>
<td>21.8</td>
<td>38.9</td>
<td>49.0</td>
<td>170</td>
<td>209</td>
<td>117</td>
<td>93</td>
<td>18.0</td>
<td>8.3</td>
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<td>16.3</td>
<td>13.5</td>
<td>6.3</td>
<td>10.5</td>
<td>12.3</td>
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<tr>
<td>Teamlease (TEASER)</td>
<td>3,365</td>
<td>3,290</td>
<td>Buy</td>
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<td>53.1</td>
<td>68.8</td>
<td>85.6</td>
<td>164</td>
<td>63</td>
<td>49</td>
<td>39</td>
<td>15.0</td>
<td>13.5</td>
<td>15.7</td>
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<td>6.5</td>
<td>14.4</td>
<td>15.5</td>
<td>16.3</td>
</tr>
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</table>

Source: Company, ICICI Direct Research
ICICI Direct Research Desk,
ICICI Securities Limited,
1st Floor, Akruti Trade Centre,
Road No 7, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com
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