

July 15, 2021

Q1FY22 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
Rating	BUY		BUY	
Target Price	3,149		3,117	
Sales (Rs. m)	63,873	76,624	63,593	76,292
% Chng.	0.4	0.4		
EBITDA (Rs. m)	13,242	15,123	12,552	14,874
% Chng.	5.5	1.7		
EPS (Rs.)	84.1	100.5	79.8	98.8
% Chng.	5.4	1.7		

Key Financials - Consolidated

Y/e Mar	FY21	FY22E	FY23E	FY24E
Sales (Rs. m)	54,497	63,873	76,624	89,632
EBITDA (Rs. m)	10,074	13,242	15,123	17,380
Margin (%)	18.5	20.7	19.7	19.4
PAT (Rs. m)	6,633	8,749	10,551	11,495
EPS (Rs.)	63.8	84.1	100.5	109.5
Gr. (%)	(19.1)	31.9	19.5	8.9
DPS (Rs.)	20.8	27.5	33.2	54.2
Yield (%)	0.7	0.9	1.1	1.9
RoE (%)	21.3	23.4	24.4	23.1
RoCE (%)	25.2	29.8	29.0	28.8
EV/Sales (x)	5.3	4.5	3.7	2.0
EV/EBITDA (x)	28.6	21.7	18.8	10.4
PE (x)	45.7	34.6	29.0	26.6
P/BV (x)	8.8	7.6	6.6	3.8

Key Data

LTEH.BO | LTTS IN

52-W High / Low	Rs.3,062 / Rs.1,325
Sensex / Nifty	52,904 / 15,854
Market Cap	Rs.306bn/ \$ 4,100m
Shares Outstanding	105m
3M Avg. Daily Value	Rs.1578.63m

Shareholding Pattern (%)

Promoter's	74.23
Foreign	8.92
Domestic Institution	5.96
Public & Others	4.13
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	1.7	8.4	102.3
Relative	1.0	1.6	37.8

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Impressive operational performance

Quick Pointers:

- Margin improved by ~68bps QoQ despite wage hike reflecting shift towards digital engineering and support from margin levers (utilization, offshore mix, pyramid).
- Raised revenue growth guidance to 15-17% YoY USD from 13-15%, We had already baked in 17.2% YoY USD growth for FY22.

LTTS reported strong growth of +4.2% QoQ USD (Ple: 3.7%, Cons:2.7%), despite covid led supply side challenges. Growth was broad-based with four out five segments growing 4%-8% QoQ, led by industrial products (+7.8% QoQ USD). Consistent improvement in EBIT margin for four consecutive quarters led to above pre-covid level margins of 17.3% +68bps QoQ, +220bps higher than our estimates. This is driven by consistent shift towards high margin digital engineering portfolio.

LTTS reported healthy deal win TCV with 6 new deals, which includes 2 USD25 mn+ deals and 4 deals USD 10 mn+ deals. Management raised revenue guidance to 15-17% YoY USD from 13-15% led by strong broad-based demand visibility as economies open up (US & Europe) and strong traction due to investments in six strategic growth areas (EACV, 5G, med-tech, digital manufacturing and AI/ML). We have already baked in 17.2%/16.7% revenue growth in FY22/23. Our EPS estimates increase by 5.4%/1.7% in FY22/23 led by increase in margins & our revenue estimates remains unchanged. Cons upgrades will be higher (7-9%) as we were already factoring strong revenue growth. We assume 17.4%/16.4% margins in FY22/23. We continue to value LTTS at 30X and arrive at a TP of INR 3149 (earlier: 3117) on Sep23 EPS of INR 105 LTTS is currently trading at 34.6X/29X on FY22/23 earnings of INR 84.1/100.5 respectively with Revenue/EPS CAGR of 17%/25.5% over FY21-23. We have introduced FY24 estimates to capture sustainable strong demand into our numbers and valuations.

- Beat in revenue growth:** LTTS reported strong revenue of 205.7 mn USD, +4.2% QoQ USD above our & cons estimate (Ple: 3.7%, Cons:2.7%), despite covid led challenges in this quarter. Revenue share from digital and leading-edge technologies continued to grow (54% in 1Q22 vs 52% in 4Q21). Growth was broad-based with four out five segments growing 4%-8% QoQ, led by industrial products (+7.8% QoQ USD).
- Healthy deal wins:** Deal traction was healthy with 6 deal wins of TCV of USD10mn+ which includes 2 deals with TCV of USD25+. Demand outlook in both US and Europe continues to remain strong, while in Japan and India decision-making environment is slowly recovering. **Management raised revenue growth guidance to 15-17% YoY USD from 13-15%** led by better visibility as economies open up (US & Europe) and traction in six strategic growth areas.

Transportation segment has further improved to 19.3% EBITDA, +250bps, inching towards company average margins due to focused growth in high margin sub-segments.

LTTS won 6 deals, which includes 2 USD25 mn+ deals and 4 deals with TCV of USD10-15mn.

Both the \$25 mn+ deals are in Electric Vehicle space, one with a new age OEM and one with major Tier 1 company.

- **LTTS has identified 6 strategic investment areas** – Electric Autonomous & Connected Vehicle (EACV), 5G, Med-tech, Digital Manufacturing, AI&ML driven smart offerings and Sustainability. They focus will on innovation and solution building in these new age areas that will position them as the partner of choice in next generation product development cycle. These focus areas will be sustainable growth engine for the medium term.
- **Sustained improvement in margins for four consecutive quarters:** EBIT margin of 17.3%, +68 bps QoQ, +517bps YoY, much above our & cons estimates (Ple: 15%, Cons: 15.6%). Beat in margins despite headwinds from wage hike this quarter and higher sub-con costs reflects portfolio shift towards more digital engineering as well as operational efficiencies around pyramid optimization, cross skilling, productivity improvements and cost optimization.
- Utilization (incl. trainees) further increased to all-time high levels of 79.2% (+30 bps QoQ). Employee costs increased by 100bps QoQ partially offset by decrease in SG&A expenses (60bps QoQ).
- **Segmental margin performance was better across all five segments** on a sequential basis with transportation and plant engineering showing marked improvement. **Transportation segment has further improved to 19.3% EBITDA, +250bps, inching towards company average margins due to focused growth in high margin sub-segments.** LTTS continues to work towards improving Telecom margins which are currently at 12.1% (vs 20.9% company EBITDA)
- **Margins to sustain above pre-covid levels in FY22:** LTTS has margin headwind in 2Q22 from 1) wage hike roll-out to mid and senior level employees effective 1st July 21 and 2) rising attrition (14.5% in 1Q22, +230 bps QoQ). Management aims to offset this impact through 1) employee pyramid optimization, 2) improvement in productivity 3) growth leverage and better revenue mix and 4) improve margins in low margin telecom & hi-tech segment.
- **Hiring plans for FY22:** Net headcount addition of 520 employees, 3.2% in 1QFY22 was moderate compared to IT services peers. LTTS plans to hire 450-500 employees per quarter in FY22 and at the same time they will focus on optimizing employee pyramid. LTM attrition inched up by 230bps QoQ to 14.5% (vs 12.2% in 4Q21 & 11.4% in 1Q21) and is expected to trend upwards.

Segment wise outlook

- **Transportation (31.2% of revs, +4.2% QoQ, +19% YoY)** - Growth was led by electrification and platform development across Auto, Trucks and Off-Highway vehicles. Infrastructure spending plans in US and Europe which seeks to accelerate nationwide charging network for EV is driving demand. 2) They won two \$25 mn+ deals in auto, both in EV space, one with a new age OEM and one with major Tier 1. 3) Commercial segments are slowly coming back in aerospace with spending on digital transformation and connected platforms.
- **Plant engineering (15.5% of revs, +4.2% QoQ, 35% YoY)** - 1) In **FMCG**, there is demand in from green field projects – LTTS recently won an order from a food giant to design a plant to meet the most stringent global food and beverage standards. 2) They are witnessing traction in sustainability, one of their six strategic bets with one more win in water treatment are. 3) In **Oil &**

Gas there is demand in brownfield expansion, asset digitization. Capex outlook is improving with emerging areas of product mix optimization and quicker transition to green fuels.

- **Industrial products (19.5% of revs, +7.5% QoQ, 21% YoY)** – 1) All three sub-segments – electrical, machinery and building automation showed strong growth. 2) continued demand for product, digitization and personalization, shop floor automation and digital twin has been driving this strong growth. 3) pickup in industrial capex and manufacturing activity across US and Europe should aid momentum in this segment.
- **Telecom and high tech (22.0% of revs, 3.7% QoQ, 18% YoY):** 1) Growth bounced back driven by semiconductor, consumer electronics and telecom. LTTS's recent investments in labs-as-a-service and co-investment in new labs is helping them drive growth 2) In telecom, there are huge investments being made in 5G, leveraging open brand technologies, both in traditional telecom as well as infra OEMs and ISV. LTTS won two \$10 million plus deals in this segment 1Q22.
- **Medical Devices (11.7% of revs, -0.9% QoQ, +10% YoY)** – Medical devices continues to be soft, but outlook is improving on diagnostic device side. Demand for digital products, platforms and optimization of manufacturing processes are key growth drivers in this segment. MedTech is another emerging area with focus on AI-based diagnostics decision making and infection management platform. Management's outlook remains positive and this segment is expected to bounce back in 2QFY22.

Exhibit 1: Q1FY22: Quick view on results

Y/e March (Rs mn)	1QFY22	4QFY21	QoQ gr.	1QFY21	YoY gr. PL Estimates	Variance	
Revenues(USD mn)	206	198	4.2%	171	20.3%	205	0.4%
Revenues	15,184	14,405	5.4%	12,947	17.3%	15,115	0.5%
EBIDTA	3,177	2,931	8.4%	2,059	54.3%	2,857	11.2%
<i>EBIDTA margin (%)</i>	<i>20.9%</i>	<i>20.3%</i>	<i>58bp</i>	<i>15.9%</i>	<i>502bp</i>	<i>18.9%</i>	<i>202bp</i>
EBIT	2,623	2,391	9.7%	1,567	67.4%	2,267	15.7%
<i>EBIT Margin (%)</i>	<i>17.3%</i>	<i>16.6%</i>	<i>68bp</i>	<i>12.1%</i>	<i>517bp</i>	<i>15.0%</i>	<i>227bp</i>
PAT	2,170	1,953	11.1%	1,812	19.8%	1,993	8.9%
<i>PAT margin (%)</i>	<i>14%</i>	<i>14%</i>	<i>73bp</i>	<i>14%</i>	<i>30bp</i>	<i>13%</i>	<i>111bp</i>
EPS (Rs)	20.4	18.4	0bp	11.1	1bp	18.8	0bp

Source: Company, PL

Exhibit 2: Significant growth in transportation and plant engineering EBITDA margins

Particulars (Rs mn)	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22
Transportation	12.8%	16.3%	17.5%	19.4%	20.6%	18.1%	17.7%	14.7%	10.0%	15.4%	16.4%	16.8%	19.3%
Plant Engineering	22.6%	24.9%	22.5%	21.0%	24.4%	26.7%	27.8%	22.6%	16.4%	19.2%	23.9%	23.2%	25.1%
Industrial Products	23.5%	25.6%	25.6%	24.8%	25.4%	26.1%	26.7%	26.3%	25.2%	25.5%	28.4%	28.6%	29.2%
Medical Devices	21.6%	24.8%	24.6%	27.6%	26.6%	26.9%	27.5%	28.0%	29.6%	30.3%	31.5%	31.8%	32.7%
Telecom	15.2%	13.0%	14.6%	19.4%	18.5%	18.5%	14.7%	13.9%	13.9%	11.3%	11.5%	11.5%	12.1%
Total	17.6%	19.1%	19.6%	21.3%	22.1%	21.9%	21.5%	19.4%	17.2%	19.0%	20.6%	20.7%	22.1%

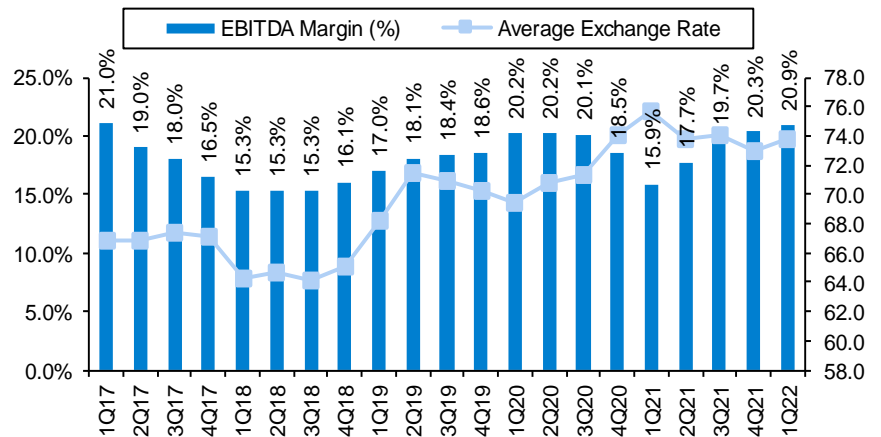
Source: Company, PL

Exhibit 3: Industrial products led sequential growth in 1Q22

Revenue by vertical (USD mn)	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22
Transportation	62.9	67.7	69.3	71.3	69.8	53.9	56.1	57.8	61.6	64.2
<i>Growth (%)</i>	6.9%	7.5%	2.4%	3.0%	-2.2%	-22.8%	4.1%	3.1%	6.6%	4.2%
Industrial products	36.9	38.0	38.4	38.3	37.9	33.2	34.7	36.7	37.3	40.1
<i>Growth (%)</i>	-1.6%	2.9%	1.1%	-0.4%	-0.9%	-12.5%	4.6%	5.7%	1.7%	7.5%
Telecom & Hi-tech	50.1	43.2	40.8	36.9	36.5	38.3	38.1	43.5	43.6	45.3
<i>Growth (%)</i>	0.0%	-13.7%	-5.7%	-9.6%	-0.9%	4.8%	-0.6%	14.3%	0.3%	3.7%
Plant Engineering	28.1	29.7	32.1	34.3	31.3	23.6	25.6	27.9	30.6	31.9
<i>Growth (%)</i>	5.2%	5.5%	8.1%	6.9%	-8.8%	-24.5%	8.6%	9.0%	9.5%	4.2%
Medical Devices	13.4	15.5	17.4	18.7	20.1	21.9	23.5	24.1	24.3	24.1
<i>Growth (%)</i>	7.6%	15.8%	12.3%	7.5%	7.4%	8.8%	7.3%	2.8%	0.6%	-0.9%
Total	191.5	194.1	198.0	199.5	195.6	170.8	178.0	190.1	197.5	205.5
<i>Growth (%)</i>	3.1%	1.4%	2.0%	0.8%	-2.0%	-12.7%	4.2%	6.8%	3.9%	4.0%

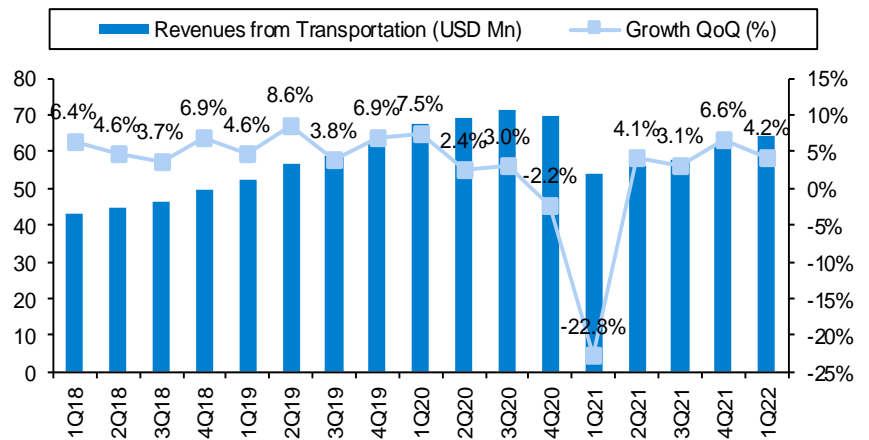
Source: Company, PL

Exhibit 4: EBITDA margin posted a strong performance



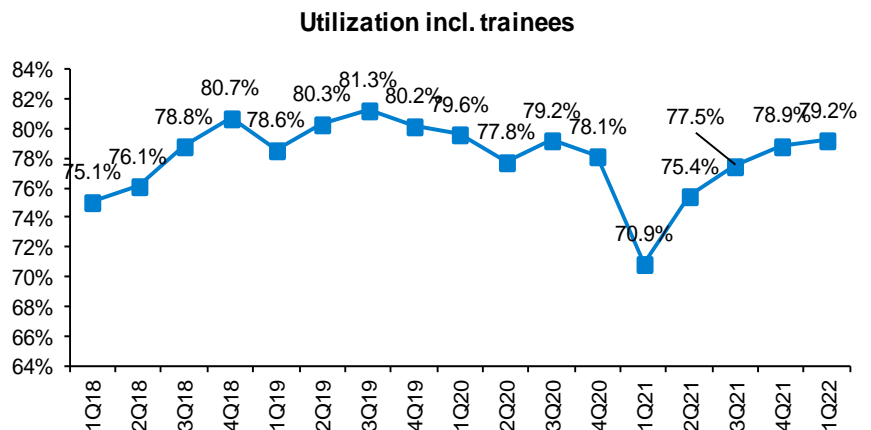
Source: Company, PL

Exhibit 5: Healthy growth in Transportation



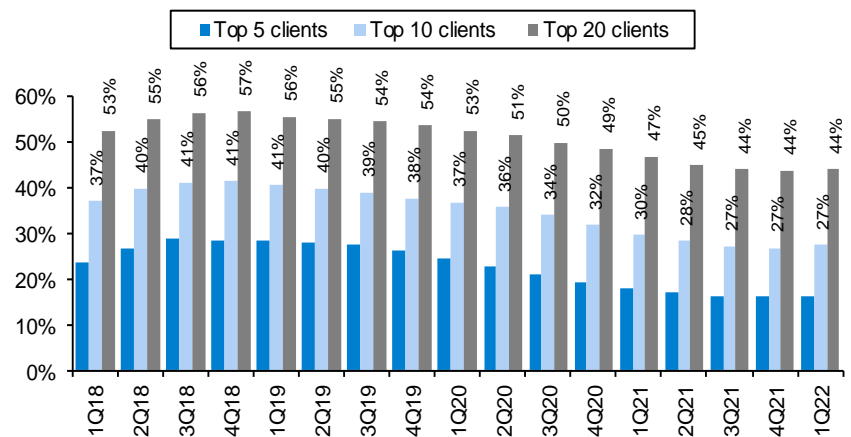
Source: Company, PL

Exhibit 6: Utilization continues to improve



Source: Company, PL

Exhibit 7: Client concentration stable since last three quarters



Source: Company, PL

Exhibit 8: Vertical wise revenues

Fig in USD mn	1QFY22	4QFY21	QoQ gr.	1QFY21	YoY gr.
Transportation	64.2	61.6	4.2%	53.9	19.1%
Industrial products	40.1	37.3	7.5%	33.2	20.9%
Telecom & Hi-tech	45.3	43.6	3.7%	38.3	18.1%
Plant Engineering	31.9	30.6	4.2%	23.6	35.1%
Medical Devices	24.1	24.3	-0.9%	21.9	9.9%
Total Revenues	205.5	197.5	4.0%	170.8	20.3%
-as a % of total sales					
Transportation	31.2%	31.2%	0bp	31.5%	-30bp
Industrial products	19.5%	18.9%	60bp	19.4%	10bp
Telecom & Hi-tech	22.0%	22.1%	-10bp	22.4%	-40bp
Plant Engineering	15.5%	15.5%	0bp	13.8%	170bp
Medical Devices	11.7%	12.3%	-60bp	12.8%	-111bp

Source: Company, PL

Exhibit 9: Geography-wise revenues

Fig in USD mn	1QFY22	4QFY21	QoQ gr.	1QFY21	YoY gr.
North America	128.2	121.5	5.5%	104.7	22.5%
Europe	34.6	33.0	4.8%	27.4	26.3%
India	26.5	25.9	2.6%	22.2	19.4%
RoW	16.5	17.4	-5.3%	16.8	-1.8%
Total Revenues	205.7	197.7	4.0%	171.0	20.3%
-as a % of total sales					
North America	62.3%	61.5%	80bp	61.2%	110bp
Europe	16.8%	16.7%	10bp	16.0%	80bp
India	12.9%	13.1%	-20bp	13.0%	-10bp
RoW	8.0%	8.8%	-80bp	9.8%	-180bp

Source: Company, PL

Exhibit 10: Client Concentration (%)

Client contribution	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22
Top 5 clients	28.3	28.2	27.4	26.4	24.7	22.9	21.1	19.2	17.8	17.0	16.3	16.1	16.4
Top 10 clients	40.5	39.9	38.9	37.7	36.7	35.7	33.9	31.8	29.7	28.3	27.3	26.9	27.4
Top 20 clients	55.6	55.1	54.4	53.5	52.5	51.3	49.8	48.5	46.8	44.9	44.0	43.8	43.9

Source: Company, PL

Exhibit 11: Revenues by Vertical (%)

Contribution by Verticals	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22
Transportation	30.9	32.0	31.7	32.9	34.9	35.0	35.8	35.7	31.5	31.5	30.4	31.2	31.2
Industrial products	20.4	20.6	20.2	19.3	19.6	19.4	19.2	19.4	19.4	19.5	19.3	18.9	19.5
Telecom & Hi-tech	28.7	26.7	27.0	26.2	22.3	20.6	18.5	18.7	22.4	21.4	22.9	22.1	22.0
Plant Engineering*	13.5	14.2	14.4	14.7	15.3	16.2	17.2	16.0	13.8	14.4	14.7	15.5	15.5
Medical Devices	6.5	6.5	6.7	7.0	8.0	8.8	9.4	10.3	12.8	13.2	12.7	12.3	11.7
Total	100	100.0	100.0	100.1	100.1	100.0	100.1	100.1	99.9	100.0	100.0	100.0	100

Source: Company, PL *Earlier called as Process Industry

Exhibit 12: Revenues by geography (%)

Contribution by geographies	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22
North America	56.3	57.7	57.8	58.9	60.9	61.7	61.2	61.2	61.2	60.0	61.2	61.5	62.3
Europe	18.5	17.2	16.2	16.0	15.6	14.4	14.1	16.7	16.0	16.0	16.1	16.7	16.8
India	12.4	12.5	14.4	13.9	12.8	13.1	13.2	12.8	13.0	13.6	13.9	13.1	12.9
RoW	12.8	12.6	11.6	11.2	10.7	10.7	11.4	9.2	9.8	10.4	8.8	8.8	8.0
Total	100	100.0	100.0	100.0	100.0	99.9	99.9	99.9	100.0	100.0	100.0	100.1	100.0

Source: Company, PL

Exhibit 13: Headcount Metrics

Employee stats	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22
Total headcount	14777	15140	15913	16789	16787	16,883	16,641	15,902	16,069	16,452	16,972
Billable	13711	14034	14755	15614	15604	15,667	15,481	14,778	14,975	15,335	15,896
Sales & Support	1066	1106	1158	1175	1183	1,216	1,160	1,124	1,094	1,117	1,076
Voluntary attrition	14.9%	14.8%	15.8%	13.4%	13.9%	13.8%	11.4%	10.8%	10.7%	12.2%	14.5%
Net Headcount Add	1192	363	773	876	-2	96	-242	-739	167	383	520

Source: Company, PL

Valuation

Management raised revenue guidance to 15-17% YoY USD from 13-15% led by strong broad-based demand visibility as economies open up (US & Europe) and strong traction due to investments in six strategic growth areas (EACV, 5G, med-tech, digital manufacturing and AI/ML). We have already baked in 17.2%/16.7% revenue growth in FY22/23. Our EPS estimates increase by 5.4%/1.7% in FY22/23 led by increase in margins & our revenue estimates remains unchanged. Cons upgrades will be higher (7-9%) as we were already factoring strong revenue growth. We assume 17.4%/16.4% margins in FY22/23. We continue to value LTTS at 30X and arrive at a TP of INR 3149 (earlier: 3117) on Sep23 EPS of INR 105 LTTS is currently trading at 34.6X/29X on FY22/23 earnings of INR 84.1/100.5 respectively with Revenue/EPS CAGR of 17%/25.5% over FY21-23. We have introduced FY24 estimates to capture sustainable strong demand into our numbers and valuations.

Exhibit 14: Change in Estimate

Change in Estimates	FY22E	FY23E	FY24E
USD revenues (US\$ m)			
- New	864	1,008	1,164
- Old	860	1,004	1,164
<i>Change (%)</i>	<i>0.4%</i>	<i>0.4%</i>	<i>0.0%</i>
EBIT Margin			
- New	17.4%	16.4%	16.0%
- Old	16.4%	16.1%	16.0%
<i>Change (%)</i>	<i>105 bps</i>	<i>24 bps</i>	<i>0 bps</i>
Recurring EPS - Fully diluted (Rs)			
- New	84.1	100.5	109.5
- Old	79.8	98.8	109.5
<i>Change (%)</i>	<i>5.4%</i>	<i>1.7%</i>	<i>0.0%</i>

Source: PL

Financials

Income Statement (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
Net Revenues	54,497	63,873	76,624	89,632
YoY gr. (%)	(3.0)	17.2	20.0	17.0
Employee Cost	33,615	38,375	47,709	55,788
Gross Profit	20,882	25,498	28,915	33,844
Margin (%)	38.3	39.9	37.7	37.8
SG&A Expenses	10,808	12,257	13,792	16,464
Other Expenses	-	-	-	-
EBITDA	10,074	13,242	15,123	17,380
YoY gr. (%)	(9.3)	31.4	14.2	14.9
Margin (%)	18.5	20.7	19.7	19.4
Depreciation and Amortization	2,183	2,112	2,588	3,027
EBIT	7,891	11,130	12,535	14,353
Margin (%)	14.5	17.4	16.4	16.0
Net Interest	455	456	40	200
Other Income	1,537	1,192	1,600	1,200
Profit Before Tax	8,973	11,866	14,095	15,353
Margin (%)	16.5	18.6	18.4	17.1
Total Tax	2,308	3,094	3,524	3,838
Effective tax rate (%)	25.7	26.1	25.0	25.0
Profit after tax	6,665	8,772	10,571	11,515
Minority interest	32	23	20	20
Share Profit from Associate	-	-	-	-
Adjusted PAT	6,633	8,749	10,551	11,495
YoY gr. (%)	(19.0)	31.9	20.6	8.9
Margin (%)	12.2	13.7	13.8	12.8
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	6,633	8,749	10,551	11,495
YoY gr. (%)	(19.0)	31.9	20.6	8.9
Margin (%)	12.2	13.7	13.8	12.8
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	6,633	8,749	10,551	11,495
Equity Shares O/s (m)	105	105	105	70
EPS (Rs)	63.8	84.1	100.5	109.5

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
Non-Current Assets				
Gross Block	6,997	8,997	10,997	12,197
Tangibles	6,260	7,460	8,660	9,380
Intangibles	737	1,537	2,337	2,817
Acc: Dep / Amortization	-	-	-	-
Tangibles	-	-	-	-
Intangibles	-	-	-	-
Net fixed assets	6,997	8,997	10,997	12,197
Tangibles	6,260	7,460	8,660	9,380
Intangibles	737	1,537	2,337	2,817
Capital Work In Progress	119	119	119	119
Goodwill	5,827	5,827	5,827	5,827
Non-Current Investments	1,644	1,644	1,644	1,644
Net Deferred tax assets	(511)	(511)	(511)	(511)
Other Non-Current Assets	1,049	1,049	1,049	1,049
Current Assets				
Investments	15,149	15,249	15,349	15,449
Inventories	-	-	-	-
Trade receivables	12,346	14,470	17,359	20,306
Cash & Bank Balance	2,327	3,580	5,301	8,343
Other Current Assets	3,519	3,719	3,919	4,119
Total Assets	50,729	56,606	63,716	71,405
Equity				
Equity Share Capital	210	210	210	210
Other Equity	34,521	39,794	46,153	53,080
Total Networkth	34,731	40,004	46,363	53,290
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	2,352	2,757	3,307	3,868
Other current liabilities	8,630	8,830	9,030	9,230
Total Equity & Liabilities	50,729	56,606	63,716	71,405

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
PBT	8,973	11,866	14,095	15,353
Add. Depreciation	2,183	2,112	2,588	3,027
Add. Interest	(126)	(259)	(920)	200
Less Financial Other Income	1,537	1,192	1,600	1,200
Add. Other	521	-	-	-
Op. profit before WC changes	11,551	13,718	15,763	18,580
Net Changes-WC	4,245	(1,920)	(2,538)	(2,585)
Direct tax	(2,523)	(3,094)	(3,524)	(3,838)
Net cash from Op. activities	13,273	8,705	9,701	12,156
Capital expenditures	(1,551)	(2,000)	(2,000)	(1,200)
Interest / Dividend Income	355	715	960	-
Others	(8,858)	(100)	(100)	(100)
Net Cash from Inv. activities	(10,054)	(1,385)	(1,140)	(1,300)
Issue of share cap. / premium	1	-	-	-
Debt changes	(287)	-	-	-
Dividend paid	(2,198)	(3,476)	(4,192)	(4,567)
Interest paid	(455)	(456)	(40)	(200)
Others	(688)	-	-	-
Net cash from Fin. activities	(3,627)	(3,932)	(4,232)	(4,767)
Net change in cash	(408)	3,388	4,329	6,089
Free Cash Flow	11,707	6,705	7,701	10,956

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY21	FY22E	FY23E	FY24E
Per Share(Rs)				
EPS	63.8	84.1	100.5	109.5
CEPS	84.0	103.4	125.1	207.4
BVPS	330.8	381.0	441.5	761.3
FCF	111.5	63.9	73.3	156.5
DPS	20.8	27.5	33.2	54.2
Return Ratio(%)				
RoCE	25.2	29.8	29.0	28.8
ROIC	34.0	38.9	36.6	36.5
RoE	21.3	23.4	24.4	23.1
Balance Sheet				
Net Debt : Equity (x)	(0.5)	(0.5)	(0.4)	(0.4)
Debtor (Days)	83	83	83	83
Valuation(x)				
PER	45.7	34.6	29.0	26.6
P/B	8.8	7.6	6.6	3.8
P/CEPS	84.0	103.4	125.1	207.4
EV/EBITDA	28.6	21.7	18.8	10.4
EV/Sales	5.3	4.5	3.7	2.0
Dividend Yield (%)	0.7	0.9	1.1	1.9

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q2FY21	Q3FY21	Q4FY21	Q1FY22
Net Revenue	13,138	14,007	14,405	15,184
YoY gr. (%)	(6.3)	(1.6)	(0.4)	17.3
Raw Material Expenses	8,161	8,556	8,496	8,758
Gross Profit	4,977	5,451	5,909	6,426
Margin (%)	37.9	38.9	41.0	42.3
EBITDA	2,328	2,756	2,931	3,177
YoY gr. (%)	(17.8)	(3.8)	9.2	54.3
Margin (%)	17.7	19.7	20.3	20.9
Depreciation / Depletion	527	624	540	554
EBIT	1,801	2,132	2,391	2,623
Margin (%)	13.7	15.2	16.6	17.3
Net Interest	109	114	125	108
Other Income	566	488	346	442
Profit before Tax	2,258	2,506	2,612	2,957
Margin (%)	17.2	17.9	18.1	19.5
Total Tax	595	637	659	787
Effective tax rate (%)	26.4	25.4	25.2	26.6
Profit after Tax	1,663	1,869	1,953	2,170
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	1,663	1,869	1,953	2,170
YoY gr. (%)	(19.4)	(9.2)	(5.3)	83.9
Margin (%)	12.7	13.3	13.6	14.3
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	1,663	1,869	1,953	2,170
YoY gr. (%)	(19.4)	(9.2)	(5.3)	296.0
Margin (%)	12.7	13.3	13.6	14.3
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,663	1,869	1,953	2,170
Avg. Shares O/s (m)	105	105	106	106
EPS (Rs)	15.8	17.7	18.5	20.5

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	02-Jul-21	BUY	3,117	2,914
2	04-May-21	BUY	3,006	2,797
3	05-Apr-21	BUY	3,006	2,721
4	21-Jan-21	BUY	3,057	2,658
5	04-Jan-21	BUY	2,509	2,410
6	22-Dec-20	BUY	2,509	2,157
7	20-Oct-20	Accumulate	1,860	1,754
8	05-Oct-20	Hold	1,529	1,587
9	01-Oct-20	Hold	1,529	1,611
10	17-Jul-20	Hold	1,362	1,442

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Coforge	BUY	4,327	4,194
2	Cyient	BUY	912	886
3	HCL Technologies	BUY	1,055	986
4	Infosys	BUY	1,738	1,560
5	L&T Technology Services	BUY	3,117	2,914
6	Larsen & Toubro Infotech	Accumulate	4,304	4,017
7	Mindtree	BUY	3,229	2,505
8	Mphasis	BUY	2,335	2,161
9	Persistent Systems	UR	-	2,965
10	Redington (India)	BUY	301	279
11	Sonata Software	BUY	834	757
12	Tata Consultancy Services	BUY	3,776	3,259
13	TeamLease Services	BUY	4,136	3,604
14	Tech Mahindra	BUY	1,174	1,085
15	Wipro	BUY	637	533
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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