

# L&T Infotech

Refer to important disclosures at the end of this report

## Revenue beats estimates; margins a tad lower

- LTI's revenues grew 8.3% QoQ to USD509.0mn (CC: 8.9%), above our estimate. EBITM expanded by 80bps QoQ to 17.2% on the back of strong revenue growth, SG&A leverage and offshore shift, partly negated by supply-side inflation and lower utilization.
- Revenue growth was broad-based and driven by Manufacturing (12.9% QoQ CC), BFS (10.6%), Insurance (6.1%), High-tech, Media & Entertainment (7.0% QoQ CC), and ENU (6.9%). All geographies reported over 5% QoQ CC growth, led by North America and RoW.
- Management is confident of top-quartile revenue performance and expects at least USD2bn revenue in FY22 on strong demand and good progress on client mining. LTI signed a USD30mn TCV deal in Europe in Q2. It expects better large deal closures in H2.
- We raise our FY22E/FY23E/FY24E EPS by 2.7%/4.9%/4.7%, factoring in Q2 performance. We expect LTI to deliver top-quartile revenue/earnings performance over FY21-24E. We retain Hold with a revised TP of Rs6,400 at 37x Sep'23E EPS (earlier 30x), considering the rich valuation.

**What we liked?** Strong broad-based revenue growth, continued strength in BFS (10.6% CC QoQ), and good progress across client buckets.

**What we did not like?** Uptick in attrition (LTM attrition rose to 19.6% vs 15.2% QoQ).

**Strong revenue performance; confident of delivering top-quartile growth in FY22E:** LTI's Q2FY22 revenues grew 8.3% QoQ to USD509.0mn, above our estimates. Volume growth stood at 8.1% QoQ in Q2 (onsite 2.2% and offshore 9.4%). Among geographies, growth was led by RoW (11.5% QoQ CC), North America (9.1%), Europe (7.5%) and India (6.6%). Management is fairly confident of sustaining the growth momentum and delivering top-quartile revenue performance in FY22E on the back of 1) strong broad-based demand environment, 2) anticipated normal seasonality in H2 (H2 better than H1), 3) traction in newer areas of spending like Cloud, Security, Data, 4) healthy deal pipeline, 5) healthy new logo additions (added 25 new logos in Q2), and 6) client mining. The company's Top-5, Top-10 and Top-20 clients registered impressive QoQ growth rates of 8.3%, 6.7% and 7.9%, respectively, in Q2. The company added 4,084 employees in Q2 to meet strong demand.

**EBITM up by 80bps QoQ to 17.2%:** LTI's Q2FY22 EBITM expanded by 80bps QoQ on the back of strong revenue growth-led operating leverage (SG&A expenses down 80bps QoQ), offshore shift and improvement in productivity partly, negated by lower utilization and supply-side inflation. LTI remains confident of sustaining 14-15% NPM in FY22, considering continued revenue growth momentum, higher attrition and planned investments in sales and capability augmentation.

Please see our sector model portfolio (Emkay Alpha Portfolio): [Information Technology \(Page 12\)](#)

### Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
Revenue	1,08,786	1,23,698	1,56,013	1,89,483	2,24,131
EBITDA	20,294	27,252	30,980	37,958	44,667
EBITDA Margin (%)	18.7	22.0	19.9	20.0	19.9
APAT	15,201	19,361	22,851	27,708	32,898
EPS (Rs)	87.3	110.8	130.4	158.2	187.8
EPS (% chg)	(0.1)	26.9	17.7	21.3	18.7
ROE (%)	29.5	30.5	28.7	29.2	28.7
P/E (x)	67.7	53.3	45.3	37.3	31.4
EV/EBITDA (x)	50.4	37.6	33.0	26.8	22.6
P/BV (x)	19.0	14.1	12.0	10.0	8.2

Source: Company, Emkay Research

<b>CMP</b>	<b>Target Price</b>
<b>Rs 5,906</b> as of (October 18, 2021)	<b>Rs 6,400 (▲)</b> 12 months
<b>Rating</b>	<b>Upside</b>
<b>HOLD (■)</b>	<b>8.4 %</b>

### Change in Estimates

EPS Chg FY22E/FY23E (%)	2.7/4.9
Target Price change (%)	29.8
Target Period (Months)	12
Previous Reco	HOLD

### Emkay vs Consensus

	EPS Estimates	
	FY22E	FY23E
Emkay	130.4	158.2
Consensus	125.0	148.0
Mean Consensus TP (12M)	Rs 5,258	

### Stock Details

Bloomberg Code	LTI IN
Face Value (Rs)	1
Shares outstanding (mn)	175
52 Week H/L	6,499 / 2,821
M Cap (Rs bn/USD bn)	1,035 / 13.73
Daily Avg Volume (nos.)	4,25,569
Daily Avg Turnover (US\$ mn)	28.9

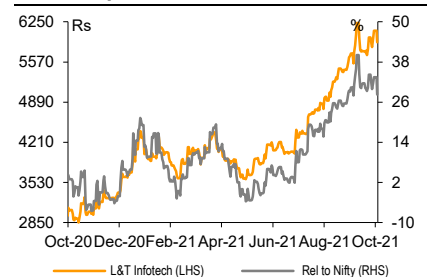
### Shareholding Pattern Sep '21

Promoters	74.1%
FII's	13.3%
DII's	4.7%
Public and Others	7.9%

### Price Performance

(%)	1M	3M	6M	12M
<b>Absolute</b>	3	38	45	92
<b>Rel. to Nifty (2)</b>	19	14	22	

### 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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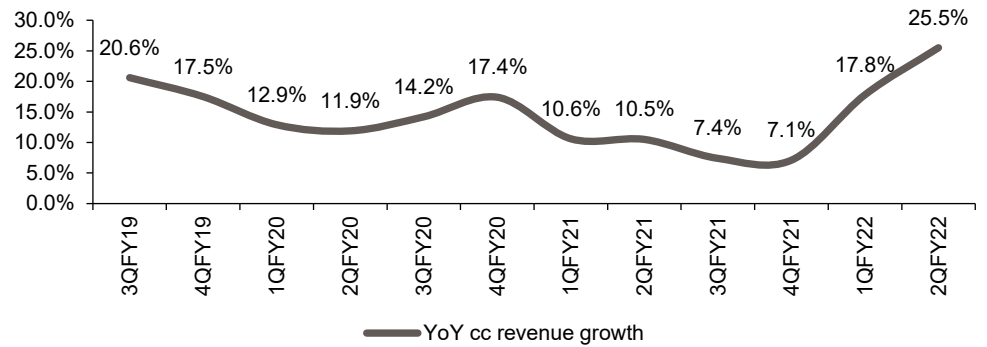
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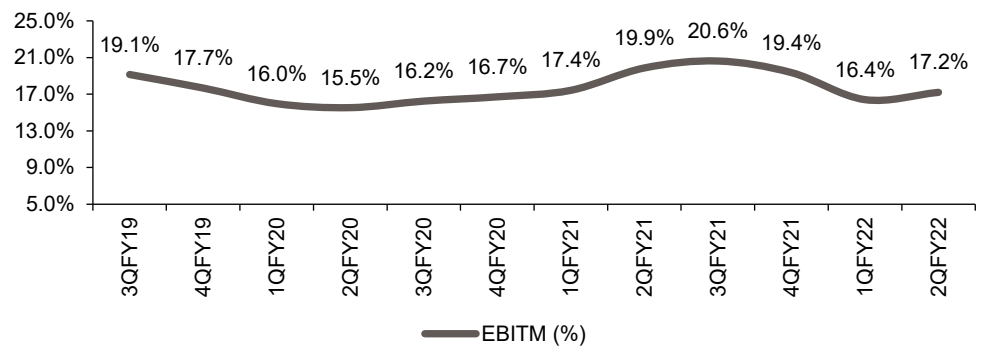
## Story in Charts

**Exhibit 1: YoY CC growth jumps to 25.5% in Q2**



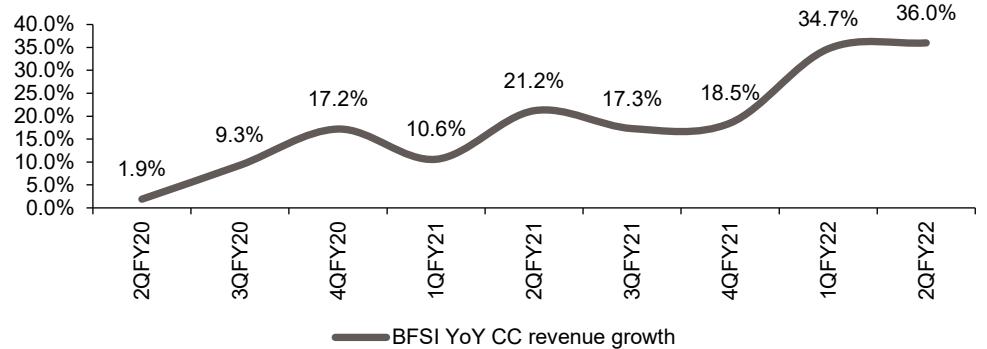
Source: Company, Emkay Research

**Exhibit 2: EBITM expands by 80bps QoQ in Q2**



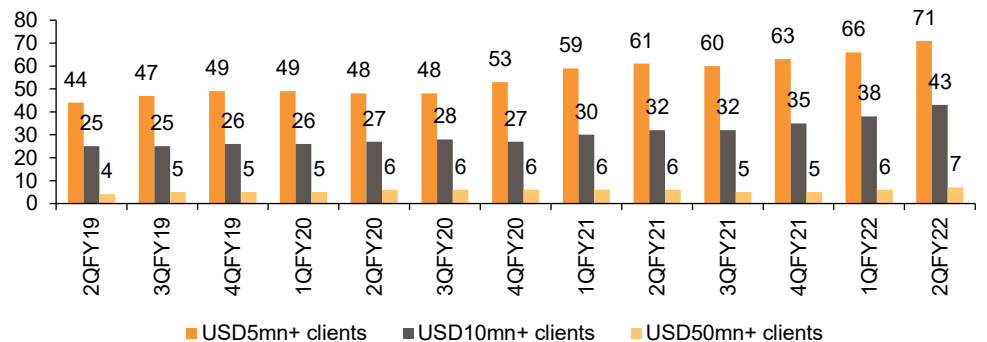
Source: Company, Emkay Research

**Exhibit 3: BFSI YoY CC revenue growth trajectory remains robust**



Source: Company, Emkay Research

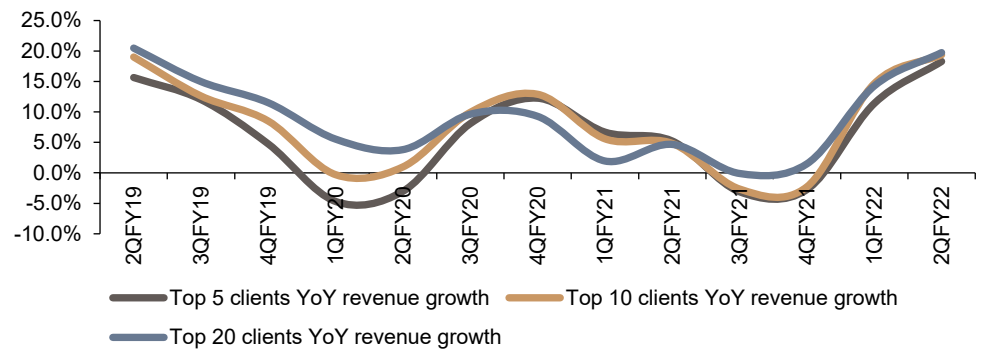
**Exhibit 4: Improvement seen across client buckets**



Source: Company, Emkay Research

**Strong revenue performance; confident of delivering top-quartile growth in FY22E:** LTI's Q2FY22 revenues rose 8.3% QoQ to USD509.0mn (8.9% CC) on the back of 8.1% volume growth. Revenue growth was broad-based and led by Manufacturing (12.9% QoQ CC), BFS (10.6%), Insurance (6.1%), High-tech, Media & Entertainment (7.0% QoQ CC), and ENU (6.9%). The insurance vertical was able to sustain revenue recovery in Q2 after returning to growth in Q1, driven by new logo additions, execution of a new strategy and leadership augmentation. Manufacturing grew strongly in Q2 as clients invested in core digitization, data and new business models. Management expects the growth momentum to continue. ENU remained a mixed bag as volatility persisted in Oil & Gas, while traction continued in Utilities. Among geographies, growth was led by RoW (11.5% QoQ CC), North America (9.1%), Europe (7.5%), and India (6.6%). Among service offerings, Enterprise Integration & Mobility (16.7% QoQ CC) led revenue growth, followed by Analytics, AI & Cognitive (12.1%), ADM and Testing (9.2%), Enterprise Solutions (8.1%) and Cloud Infrastructure and Security (2.7%). The company has signed a USD30mn TCV deal in Europe in Q2. Management is fairly confident of sustaining the growth momentum and delivering a top-quartile revenue performance in FY22 on the back of a strong broad-based demand environment, good growth across client buckets, healthy new logo additions and a solid deal pipeline. Revenue from Top-5/Top-10/Top-20 clients grew 8.3%/6.7%/7.9% QoQ and 18.3%/19.4%/19.7% YoY. The company has steadily expanded its client base, increasing it to 463 clients as of Q2FY22 from 258 as of FY16-end with strong new client addition. This has helped LTI to deliver broad-based revenue growth and reduce revenue concentration on its Top-5/10 clients to 28.2%/40.7% in Q2FY22 from 37.5%/52.7% in FY16. In Q2, LTI added 1 client in the USD50mn client bucket, 3 clients in the USD20mn bucket, and 5 clients each in USD5mn+ and USD10mn+ client buckets.

**Exhibit 5: YoY revenue growth from Top-5/10/20 clients improves in Q2FY22**



Source: Company, Emkay Research

## Other takeaways

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**Q2FY22 performance:** Revenue grew 8.3% QoQ and 25.8% YoY (8.9%/25.5% in CC terms) to USD509.0mn, with volume growth at 8.1%. Q2FY22 EBITM increased by 80bps QoQ to 17.2% due to SG&A leverage, effort mix and improvement in productivity, negated by lower utilization and higher employee costs. Attrition (LTM) was 19.6% in Q2FY22. LTI added 4,084 employees in Q2. Utilization, including trainees, was at 81.6%, down 210bps QoQ. Offshoring revenue contribution increased further to 59.2% in Q2 from 57.3 % in Q1 and 53.5% in Q2FY21.

**Outlook:** Management is confident of top-quartile revenue performance and delivering at least USD2bn revenue in FY22 on strong demand, deal pipeline and good progress on client mining. Management expects the usual seasonal strength to play out in H2 even though H1 remained strong in FY22. LTI has maintained NPM guidance of 14%-15% for FY22.

### Others:

- LTI announced an interim dividend of Rs15 per share.
- Management indicated that attrition was high in the 3-6 year experience bracket.
- LTI expects supply-side stability will take at least 3-4 quarters.
- The company has forex cash flow hedges of USD1,586mn and BS hedges of USD88mn at the end of the quarter.
- Billed DSO stood at 61 days; including unbilled DSO, the total was 98 days.

**Exhibit 6: Actual vs. Estimates (Q2FY22)**

(in Rs mn)	Actual	Estimates		% variation		Comment
		Emkay	Consensus	Emkay	Consensus	
Sales (USD mn)	509	494	493	3.0%	3.1%	USD revenue ahead of our expectations
Sales (Rs mn)	37,670	36,569	36,516	3.0%	3.2%	
EBIT	6,482	6,367	6,134	1.8%	5.7%	Margins were a tad lower than our estimates
EBIT, margin	17.2%	17.4%	16.8%	-20 bps	40 bps	
PAT	5,517	5,201	5,270	6.1%	4.7%	Net profits were above estimates due to better operating performance and higher other income (forex gain of Rs675mn)

Source: Company, Bloomberg, Emkay Research

**Exhibit 7: Quarterly snapshot**

Rs mn	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	YoY (%)	QoQ (%)	FY21YTD	FY22 YTD	YoY (%)
Revenues(in US\$ mn)	405	428	447	470	509	25.8	8.3	795	979	23.2
Revenue	29,984	31,528	32,694	34,625	37,670	25.6	8.8	59,476	72,295	21.6
Operating Expenditure	23,128	24,207	25,539	28,147	30,338	31.2	7.8	46,700	58,485	25.2
Cost of revenues	19,537	20,507	22,233	23,898	26,011	33.1	8.8	39,453	49,909	26.5
as % of sales	65.2	65.0	68.0	69.0	69.0			66.3	69.0	
SG&A expenses	3,591	3,700	3,306	4,249	4,327	20.5	1.8	7,247	8,576	18.3
as % of sales	12.0	11.7	10.1	12.3	11.5			12.2	11.9	
EBITDA	6,856	7,321	7,155	6,478	7,332	6.9	13.2	12,776	13,810	8.1
Depreciation	899	819	826	795	850	(5.5)	6.9	1,680	1,645	(2.1)
EBIT	5,957	6,502	6,329	5,683	6,482	8.8	14.1	11,096	12,165	9.6
Other Income	174	492	839	1,039	938			624	1,977	
PBT	6,131	6,994	7,168	6,722	7,420	21.0	10.4	11,720	14,142	20.7
Total Tax	1,563	1,801	1,711	1,753	1,903	21.8	8.6	2,988	3,656	22.4
Adjusted PAT	4,568	5,193	5,457	4,969	5,517	20.8	11.0	8,732	10,486	20.1
(Profit)/loss from JV's/Ass/MI	12	6	5	-	-			10	0	
APAT after MI	4,556	5,187	5,452	4,969	5,517	21.1	11.0	8,722	10,486	20.2
Reported PAT	4,556	5,187	5,452	4,969	5,517	21.1	11.0	8,722	10,486	20.2
Reported EPS (Rs)	26.1	29.7	31.2	28.4	31.5	20.7	10.9	50	60	19.7

Margins (%)						(bps)	(bps)				(bps)
EBIDTA	22.9	23.2	21.9	18.7	19.5	(340)	75	21.5	19.1	(238)	
EBIT	19.9	20.6	19.4	16.4	17.2	(266)	79	18.7	16.8	(183)	
EBT	20.4	22.2	21.9	19.4	19.7	(75)	28	19.7	19.6	(14)	
PAT	15.2	16.5	16.7	14.4	14.6	(55)	29	14.7	14.5	(16)	
Effective Tax rate	25.5	25.8	23.9	26.1	25.6	15	(43)	25.5	25.9	36	

Source: Company, Emkay Research

**Exhibit 8: Revenue by geography**

Particulars	As a % of revenue				
	Q2FY22	Q1FY22	Q2FY21	QoQ (%)	YoY (%)
North America	67.5	67.0	68.7	9.1%	23.6%
Europe	16.1	16.6	16.1	5.0%	25.8%
Rest of World	9.8	9.6	8.2	10.5%	50.4%
India	6.6	6.7	6.9	6.6%	20.4%
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>8.3%</b>	<b>25.8%</b>

Source: Company, Emkay Research

**Exhibit 9: Revenue by industry**

Particulars	As a % of revenue				
	Q2FY22	Q1FY22	Q2FY21	QoQ (%)	YoY (%)
BFS	32.5	32.1	29.9	9.6%	36.8%
Insurance	14.2	14.5	16.0	6.0%	11.7%
Manufacturing	15.6	15.0	16.2	12.6%	21.2%
Energy & Utilities	8.9	9.1	10.6	5.9%	5.7%
CPG, Retail & Pharma	10.1	10.7	11.0	2.2%	15.5%
High-Tech,Media & Entertainment	12.5	12.7	10.6	6.5%	48.4%
Others	6.2	5.9	5.7	13.8%	36.9%
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>8.3%</b>	<b>25.8%</b>

Source: Company, Emkay Research

**Exhibit 10: Revenue by service lines**

Particulars	As a % of revenue				
	Q2FY22	Q1FY22	Q2FY21	QoQ (%)	YoY (%)
ADM & Testing	34.2	34.0	36.0	8.9%	19.5%
Enterprise Solutions	30.4	30.7	30.8	7.2%	24.2%
Cloud Infrastructure & Security	14.0	14.9	14.4	1.7%	22.3%
Analytics, AI & Cognitive	12.1	11.7	10.6	12.0%	43.6%
Enterprise Integration & Mobility	9.3	8.7	8.3	15.7%	41.0%
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>8.3%</b>	<b>25.8%</b>

Source: Company, Emkay Research

**Exhibit 11: Client data**

Particulars	Q2FY22	Q1FY22	Q2FY21
Number of active clients	463	438	419
New clients added	25	23	26
<b>Client contribution to revenue (%)</b>			
Top 5 clients	28	28	30
Top 10 clients	41	41	43
Top 20 clients	55	55	58
<b>Client profile</b>			
\$1mn clients	180	169	169
\$5mn clients	71	66	61
\$10mn clients	43	38	32
\$20mn clients	21	18	16
\$50mn clients	7	6	6
\$100mn clients	1	1	1

Source: Company, Emkay Research

**Exhibit 12: Segmental performance**

Revenue (\$ mn)	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22
BFSI	13,409	13,243	13,780	14,391	14,777	16,120	17,582
Manufacturing	5,404	4,666	4,854	5,311	5,522	5,199	5,867
E&U	3,437	3,176	3,176	3,166	2,983	3,150	3,363
High-Tech, Media & Entertainment	3,308	3,416	3,170	3,342	3,850	4,398	4,706
CPG, Retail, Pharma & Others	4,561	4,991	5,004	5,318	5,562	5,758	6,152
<b>Total</b>	<b>30,119</b>	<b>29,492</b>	<b>29,984</b>	<b>31,528</b>	<b>32,694</b>	<b>34,625</b>	<b>37,670</b>

Growth YoY (%)	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22
BFSI	19%	16%	17%	13%	10%	22%	28%
Manufacturing	31%	24%	16%	8%	2%	11%	21%
E&U	25%	19%	2%	0%	-13%	-1%	6%
High-Tech, Media & Entertainment	7%	10%	16%	10%	16%	29%	48%
CPG, Retail, Pharma & Others	27%	27%	28%	27%	22%	15%	23%
<b>Total</b>	<b>21%</b>	<b>19%</b>	<b>17%</b>	<b>12%</b>	<b>9%</b>	<b>17%</b>	<b>26%</b>

EBITDA (%)	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22
BFSI	20.4%	19.8%	23.3%	24.8%	21.1%	19.7%	20.6%
Manufacturing	19.2%	24.0%	27.5%	26.0%	22.1%	19.2%	23.8%
E&U	16.7%	17.0%	24.3%	22.4%	20.4%	22.7%	16.9%
High-Tech, Media & Entertainment	20.8%	20.3%	20.9%	24.0%	18.6%	14.3%	15.7%
CPG, Retail, Pharma & Others	22.5%	19.7%	18.3%	17.0%	28.3%	17.6%	18.9%
<b>Total</b>	<b>20.1%</b>	<b>20.2%</b>	<b>23.0%</b>	<b>23.4%</b>	<b>22.1%</b>	<b>18.9%</b>	<b>19.9%</b>

Source: Emkay Research, Company

**Exhibit 13: Increased medium term revenue growth assumptions leading to higher target PE multiple**

Rupee revenue growth assumptions (%)	FY21-25E	FY26-30E	FY31-35E	Beyond FY35E
Old	19.1%	14.0%	7.0%	7.0%
New	20.7%	14.0%	14.0%	7.0%

Source: Emkay Research

**Exhibit 14: Change in estimates**

(Rs mn)	FY22E			FY23E			FY24E		
	Old	New	% change	Old	New	% change	Old	New	% change
Revenues( US\$ mn)	2,021	2,095	3.7%	2,364	2,493	5.5%	2,741	2,892	5.5%
YoY growth, %	21.0	25.5		17.0	19.0		16.0	16.0	
Revenues	1,50,421	1,56,013	3.7%	1,79,645	1,89,483	5.5%	2,12,420	2,24,131	5.5%
EBIT	26,991	27,531	2.0%	32,425	34,178	5.4%	38,410	40,374	5.1%
EBIT margins, %	17.9	17.6		18.0	18.0		18.1	18.0	
Net profits	22,218	22,851		26,385	27,708		31,380	32,898	
EPS	127.0	130.4	2.7%	150.8	158.2	4.9%	179.3	187.8	4.7%

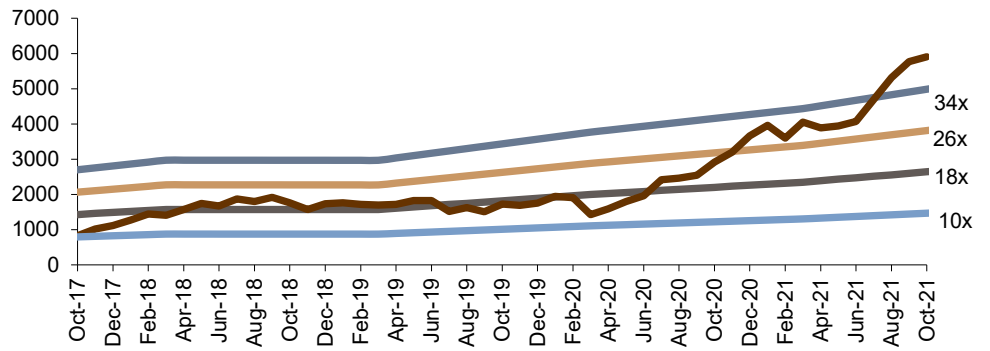
Source: Emkay Research

**Exhibit 15: Key Assumptions**

(in Rs mn)	FY22E	FY23E	FY24E
USD revenue growth (%)	25.5%	19.0%	16.0%
USD/INR	74.5	76.0	77.5
INR Growth (%)	26.1%	21.5%	18.3%
EBIT margin (%)	17.6%	18.0%	18.0%
EPS Growth (%)	17.7%	21.3%	18.7%

Source: Emkay Research

**Exhibit 16: LTI 1-year forward P/E band**



Source: Company, Bloomberg, Emkay Research



**Key Financials (Consolidated)****Income Statement**

Y/E Mar (Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
<b>Revenue</b>	<b>1,08,786</b>	<b>1,23,698</b>	<b>1,56,013</b>	<b>1,89,483</b>	<b>2,24,131</b>
<b>Expenditure</b>	<b>88,492</b>	<b>96,446</b>	<b>1,25,032</b>	<b>1,51,525</b>	<b>1,79,465</b>
<b>EBITDA</b>	<b>20,294</b>	<b>27,252</b>	<b>30,980</b>	<b>37,958</b>	<b>44,667</b>
Depreciation	2,730	3,325	3,449	3,780	4,293
<b>EBIT</b>	<b>17,564</b>	<b>23,927</b>	<b>27,531</b>	<b>34,178</b>	<b>40,374</b>
Other Income	2,465	1,955	3,208	3,014	3,784
Interest expenses	0	0	0	0	0
<b>PBT</b>	<b>20,029</b>	<b>25,882</b>	<b>30,739</b>	<b>37,192</b>	<b>44,158</b>
Tax	4,824	6,500	7,888	9,484	11,260
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	4	21	0	0	0
<b>Reported Net Income</b>	<b>15,201</b>	<b>19,361</b>	<b>22,851</b>	<b>27,708</b>	<b>32,898</b>
<b>Adjusted PAT</b>	<b>15,201</b>	<b>19,361</b>	<b>22,851</b>	<b>27,708</b>	<b>32,898</b>

**Balance Sheet**

Y/E Mar (Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
Equity share capital	174	175	175	175	175
Reserves & surplus	53,866	72,859	86,075	1,03,623	1,25,310
<b>Net worth</b>	<b>54,040</b>	<b>73,034</b>	<b>86,250</b>	<b>1,03,798</b>	<b>1,25,485</b>
<b>Minority Interest</b>	<b>11</b>	<b>37</b>	<b>37</b>	<b>37</b>	<b>37</b>
<b>Loan Funds</b>	<b>320</b>	<b>414</b>	<b>0</b>	<b>0</b>	<b>0</b>
Net deferred tax liability	(2,121)	(511)	(511)	(511)	(511)
<b>Total Liabilities</b>	<b>52,250</b>	<b>72,974</b>	<b>85,776</b>	<b>1,03,324</b>	<b>1,25,011</b>
<b>Net block</b>	<b>19,197</b>	<b>19,060</b>	<b>18,176</b>	<b>18,061</b>	<b>17,933</b>
<b>Investment</b>	<b>22,188</b>	<b>37,295</b>	<b>41,012</b>	<b>51,012</b>	<b>61,012</b>
<b>Current Assets</b>	<b>44,050</b>	<b>49,528</b>	<b>63,864</b>	<b>77,313</b>	<b>95,013</b>
Cash & bank balance	5,252	7,594	12,544	15,997	23,350
Other Current Assets	10,568	14,271	13,834	15,851	17,939
<b>Current liabilities &amp; Provision</b>	<b>33,777</b>	<b>33,571</b>	<b>37,938</b>	<b>43,723</b>	<b>49,609</b>
<b>Net current assets</b>	<b>10,273</b>	<b>15,957</b>	<b>25,926</b>	<b>33,589</b>	<b>45,404</b>
Misc. exp	0	0	0	0	0
<b>Total Assets</b>	<b>52,250</b>	<b>72,974</b>	<b>85,776</b>	<b>1,03,324</b>	<b>1,25,011</b>

**Cash Flow**

Y/E Mar (Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
<b>PBT (Ex-Other income) (NI+Dep)</b>	<b>17,564</b>	<b>23,927</b>	<b>27,531</b>	<b>34,178</b>	<b>40,374</b>
Other Non-Cash items	4,931	4,985	7,888	9,484	11,260
Chg in working cap	(2,313)	2,704	(5,019)	(4,210)	(4,462)
<b>Operating Cashflow</b>	<b>16,435</b>	<b>23,996</b>	<b>21,280</b>	<b>27,278</b>	<b>32,729</b>
Capital expenditure	(3,017)	(3,091)	(2,565)	(3,665)	(4,165)
<b>Free Cash Flow</b>	<b>13,418</b>	<b>20,905</b>	<b>18,715</b>	<b>23,613</b>	<b>28,564</b>
Investments	(5,003)	(14,611)	(3,717)	(10,000)	(10,000)
Other Investing Cash Flow	0	0	0	0	0
<b>Investing Cashflow</b>	<b>(6,919)</b>	<b>(16,560)</b>	<b>(6,282)</b>	<b>(13,665)</b>	<b>(14,165)</b>
Equity Capital Raised	0	1	0	0	0
Loans Taken / (Repaid)	320	94	(414)	0	0
Dividend paid (incl tax)	(5,679)	(5,319)	(9,635)	(10,160)	(11,211)
Other Financing Cash Flow	(3,501)	157	0	0	0
<b>Financing Cashflow</b>	<b>(8,900)</b>	<b>(5,088)</b>	<b>(10,048)</b>	<b>(10,160)</b>	<b>(11,211)</b>
<b>Net chg in cash</b>	<b>616</b>	<b>2,348</b>	<b>4,950</b>	<b>3,453</b>	<b>7,353</b>
Opening cash position	4,150	5,252	7,594	12,544	15,997
<b>Closing cash position</b>	<b>5,252</b>	<b>7,594</b>	<b>12,544</b>	<b>15,997</b>	<b>23,350</b>

Source: Company, Emkay Research

**Key Ratios**

<b>Profitability (%)</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22E</b>	<b>FY23E</b>	<b>FY24E</b>
EBITDA Margin	18.7	22.0	19.9	20.0	19.9
EBIT Margin	16.1	19.3	17.6	18.0	18.0
Effective Tax Rate	24.1	25.1	25.7	25.5	25.5
Net Margin	14.0	15.7	14.6	14.6	14.7
ROCE	40.2	41.3	38.7	39.3	38.7
ROE	29.5	30.5	28.7	29.2	28.7
RoIC	70.2	92.7	93.4	101.7	106.8

<b>Per Share Data (Rs)</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22E</b>	<b>FY23E</b>	<b>FY24E</b>
EPS	87.3	110.8	130.4	158.2	187.8
CEPS	103.0	129.8	150.1	179.8	212.3
BVPS	310.3	417.9	492.4	592.5	716.3
DPS	28.0	40.0	55.0	58.0	64.0

<b>Valuations (x)</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22E</b>	<b>FY23E</b>	<b>FY24E</b>
PER	67.7	53.3	45.3	37.3	31.4
P/CEPS	57.4	45.5	39.3	32.9	27.8
P/BV	19.0	14.1	12.0	10.0	8.2
EV / Sales	9.4	8.3	6.5	5.4	4.5
EV / EBITDA	50.4	37.6	33.0	26.8	22.6
Dividend Yield (%)	0.5	0.7	0.9	1.0	1.1

<b>Gearing Ratio (x)</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22E</b>	<b>FY23E</b>	<b>FY24E</b>
Net Debt/ Equity	(0.1)	(0.1)	(0.2)	(0.2)	(0.2)
Net Debt/EBIDTA	(0.2)	(0.3)	(0.4)	(0.4)	(0.5)
Working Cap Cycle (days)	16.8	24.7	31.3	33.9	35.9

<b>Growth (%)</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22E</b>	<b>FY23E</b>	<b>FY24E</b>
Revenue	15.2	13.7	26.1	21.5	18.3
EBITDA	7.8	34.3	13.7	22.5	17.7
EBIT	1.2	36.2	15.1	24.1	18.1
PAT	0.3	27.4	18.0	21.3	18.7

<b>Quarterly (Rs mn)</b>	<b>Q2FY21</b>	<b>Q3FY21</b>	<b>Q4FY21</b>	<b>Q1FY22</b>	<b>Q2FY22</b>
Revenue	29,984	31,528	32,694	34,625	37,670
EBITDA	6,856	7,321	7,155	6,478	7,332
<b>EBITDA Margin (%)</b>	<b>22.9</b>	<b>23.2</b>	<b>21.9</b>	<b>18.7</b>	<b>19.5</b>
PAT	4,556	5,187	5,452	4,969	5,517
<b>EPS (Rs)</b>	<b>26.1</b>	<b>29.7</b>	<b>31.2</b>	<b>28.4</b>	<b>31.5</b>

Source: Company, Emkay Research

<b>Shareholding Pattern (%)</b>	<b>Sep-20</b>	<b>Dec-20</b>	<b>Mar-21</b>	<b>Jun-21</b>	<b>Sep-21</b>
Promoters	74.4	74.3	74.3	74.3	74.1
FIs	11.2	13.3	13.6	13.1	13.3
DIs	6.4	4.6	4.3	4.8	4.7
Public and Others	8.0	7.8	7.9	7.9	7.9

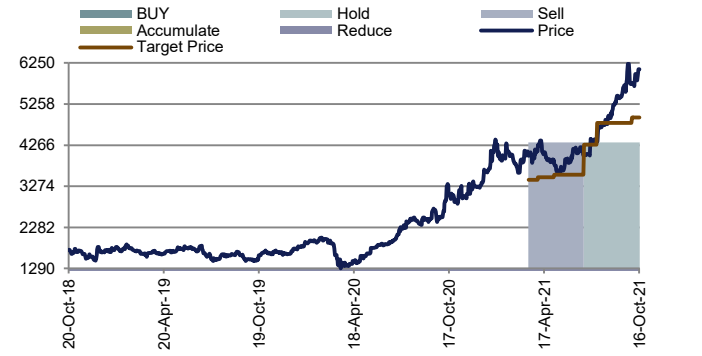
Source: Capitaline

## RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
02-Oct-21	5,751	4,930	12m	Hold	Dipeshkumar Mehta
27-Jul-21	4,349	4,800	12m	Hold	Dipeshkumar Mehta
17-Jul-21	4,289	4,280	12m	Hold	Dipeshkumar Mehta
02-Jul-21	4,043	4,280	12m	Hold	Dipeshkumar Mehta
16-Jun-21	4,210	3,550	12m	Sell	Dipeshkumar Mehta
06-May-21	3,812	3,550	12m	Sell	Dipeshkumar Mehta
05-Apr-21	4,270	3,490	12m	Sell	Dipeshkumar Mehta
18-Mar-21	4,007	3,430	12m	Sell	Dipeshkumar Mehta

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)
<b>Information Technology</b>	<b>13.43</b>	<b>13.16</b>	<b>-2%</b>	<b>-27</b>	<b>100.00</b>
BirlaSoft	0.00	0.06	NA	6	0.47
Coforge	0.00	0.00	NA	0	0.00
eClerx Services*	0.00	0.00	NA	0	0.00
Firstsource Solutions	0.00	0.04	NA	4	0.33
HCL Tech	1.27	1.37	7%	9	10.17
Infosys	5.94	6.12	3%	17	45.55
Intellect Design*	0.00	0.00	NA	0	0.00
L&T Infotech	0.26	0.00	-100%	-26	0.00
Majesco*	0.00	0.00	NA	0	0.00
Mindtree	0.27	0.00	-100%	-27	0.00
Mphasis	0.25	0.18	-28%	-7	1.35
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*	0.10	0.00	-100%	-10	0.00
Persistent Systems	0.00	0.41	NA	41	3.03
Ramco Systems*	0.00	0.00	NA	0	0.00
TCS	3.51	3.31	-6%	-20	24.63
Tech Mahindra	0.83	0.96	16%	13	7.18
Wipro	0.98	0.71	-28%	-27	5.30
<b>Cash</b>	<b>0.00</b>	<b>0.27</b>	<b>NA</b>	<b>27</b>	<b>1.99</b>

Source: Emkay Research

\* Not under coverage: Equal Weight

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

### Sector portfolio NAV

	Base					Latest
	1-Apr-19	14-Oct-20	16-Apr-21	15-Jul-21	14-Sep-21	14-Oct-21
EAP - Information Technology	100.0	151.5	179.6	202.9	231.4	231.0
BSE200 Neutral Weighted Portfolio (ETF)	100.0	143.7	169.1	188.9	217.0	216.3

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

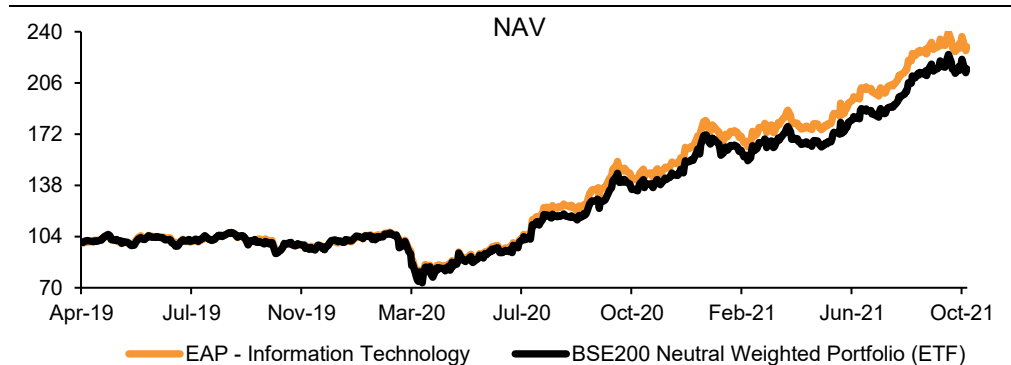
Source: Emkay Research

### Price Performance (%)

	1m	3m	6m	12m
EAP - Information Technology	-0.2%	13.8%	28.6%	52.5%
BSE200 Neutral Weighted Portfolio (ETF)	-0.3%	14.5%	27.9%	50.5%

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 Oct 2021 03:04:29 (SGT)

Dissemination Date: 19 Oct 2021 03:05:29 (SGT)

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