

Infosys (INFO IN)

Rating: BUY | CMP: Rs1,424 | TP: Rs1,632

June 10, 2021

Annual Report Analysis

■ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
Rating	BUY		BUY	
Target Price	1,632		1,632	
Sales (Rs. m)	1,185,497	1,328,319	1,185,497	1,328,319
% Chng.	-	-	-	-
EBITDA (Rs. m)	314,317	338,582	314,317	338,582
% Chng.	-	-	-	-
EPS (Rs.)	53.8	60.5	53.8	60.5
% Chng.	-	-	-	-

Key Financials - Standalone

Y/e Mar	FY20	FY21	FY22E	FY23E
Sales (Rs. bn)	908	1,005	1,185	1,328
EBITDA (Rs. bn)	223	279	314	339
Margin (%)	24.5	27.8	26.5	25.5
PAT (Rs. bn)	166	195	228	256
EPS (Rs.)	39.1	45.9	53.8	60.5
Gr. (%)	10.3	17.3	17.4	12.3
DPS (Rs.)	20.9	46.8	21.6	24.0
Yield (%)	1.5	3.3	1.5	1.7
RoE (%)	25.4	27.3	27.3	27.8
RoCE (%)	29.6	34.5	33.7	33.5
EV/Sales (x)	6.4	5.7	4.8	4.2
EV/EBITDA (x)	26.2	20.7	17.9	16.5
PE (x)	36.4	31.1	26.5	23.6
P/BV (x)	9.2	7.9	6.7	6.4

Key Data

INFY.BO | INFO IN

52-W High / Low	Rs.1,526 / Rs.675
Sensex / Nifty	52,300 / 15,738
Market Cap	Rs.6,069bn/ \$ 83,071m
Shares Outstanding	4,261m
3M Avg. Daily Value	Rs.20776.63m

Shareholding Pattern (%)

Promoter's	13.31
Foreign	32.67
Domestic Institution	23.10
Public & Others	30.92
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	6.3	22.0	99.0
Relative	0.6	7.2	30.3

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Well Equipped for Industry leading growth

Quick Pointers:

- P&P revenues scaled to US\$1bn, 23% YoY revenue growth in FY21.
- ESG metrics materially improved in FY21 with over 96% workforce working remotely, turned carbon neutral 30 years ahead of global guidelines.
- Adverse employee-mix ratio led to higher average wage growth, up from 3% in FY20 to 5% in FY21 despite offshoring at all-time high.

Infosys's FY21 annual report titled "Cloud Chaos to Clarity" showcases how aggressive cloud adoption globally has opened many new avenues. Infosys believes that its dynamic Cobalt services will deliver accelerated cloud transformation at scale and future of cloud strategy can be shaped by three key factors – business agility, scaled innovation and security of ecosystem. We are impressed with the strong pick up in P&P revenues at 23% YoY growth in FY21 led by pick up in McCamish, EdgeVerve, and Stater (accounts to 91% of P&P revenues). Also R&D spends at INR9.5bn (0.9% of sales), have remained stable.

Infosys is committed to a hybrid working model and has distributed teams similar to peers, but its remote workforce target is lower than TCS (25x25 ambition of 75%). We were negatively surprised by the growth in average employee costs (from 3% in FY20 to 5% in FY21) despite offshoring at all-time high. This could be mainly due to increased hiring of employees above 30 years of age (lateral) because share of employees below that age was lowest in last 4 years.

The company's FCF/PAT ratio is at all-time high (115%) led by 1) 36% YoY decline in capex, 2) 30% YoY growth in CFO & 3) 45% YoY growth in FCFE. We maintain that Infosys will be at the forefront of digital transformation, also its focused execution is clearly visible in deal win momentum, revenue acceleration & margin resilience. We continue to value Infy at 27x to arrive at unchanged target price of INR 1632 on FY23 EPS of Rs. 60.5. Infosys is currently trading at 26.3X/23.4X FY22/23 earnings of INR 53.8/60.5 on FY22/23E respectively. Reiterate BUY.

Cloud chaos to clarity

- Infosys's FY21 annual report showcases how aggressive global cloud adoption has opened many new avenues for them. They believe its dynamic Cobalt services will deliver accelerated cloud transformation at scale and that the future of cloud strategy will be shaped by three key factors – business agility, scaled innovation and security of ecosystem. This enables businesses to redesign enterprise from the core, and also build new cloud-first capabilities to create seamless experiences in public, private & hybrid cloud, across PaaS, SaaS and IaaS landscapes.

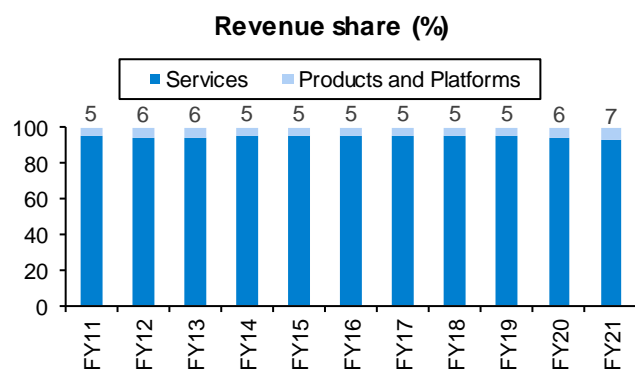
Infy's strength in Cobalt solution to implement flexible, scalable and secure hybrid cloud model helped them win this highly competitive Daimler deal.

- Clients have been expanding their work with Infosys, especially in the areas of digital and cloud. Most large enterprises are impressed with the capabilities that Infosys has built over past three years. Capabilities in data & analytics, cybersecurity, AI, automation and IoT enable it to be a critical partner for clients.
- Cloud is anticipated to be the foundational pillar for driving digital journeys of large enterprises. It will 1) empower the enterprise to innovate infrastructure, 2) bring agility to operations, 3) drive connected products, 4) enable employees to work from anywhere through hybrid workplaces and 5) drive non-linear value for business from new-age AI and data platforms.
- In FY21, Infosys launched Cobalt, bringing together all cloud investments – public cloud, private cloud, cloud application, data on cloud and cloud security.

Strong performance in P&P Segment:

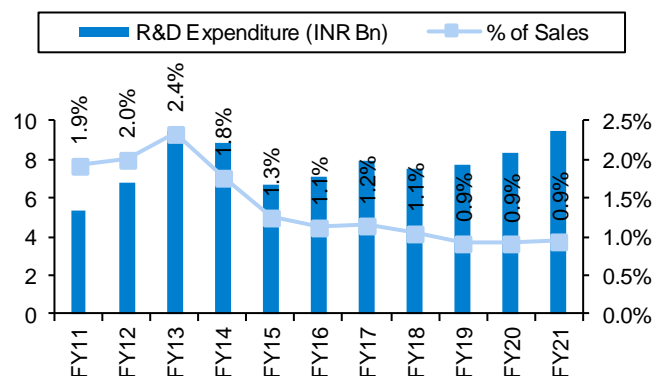
- Infosys products & platforms include Finacle, Edge Suite, NIA, McCamish, Panaya, Skava, Stater, Wingspan, Meridianm, Cybernext & LEAP. The Share of P&P revenues was highest over a decade in FY21 at 7% of total revenues. Strong growth in P&P segment boosted overall growth by 100bps in FY21.
- We are impressed with the strong pick up in P&P revenues at 23% YoY in FY21. Impressive pick up in P&P business is led by pick up in McCamish, EdgeVerve and Stater (accounts to 91% of P&P revenues). Infy R&D spend were at INR9.5bn (~0.9% of sales), remained stable.

Exhibit 1: Consistently rising share of P&P since last 3 yrs.

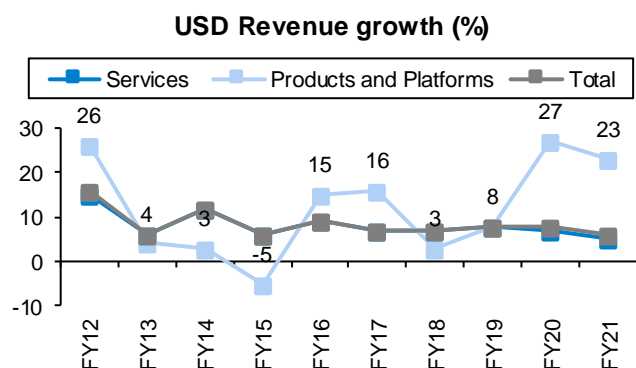


Source: Company, PL

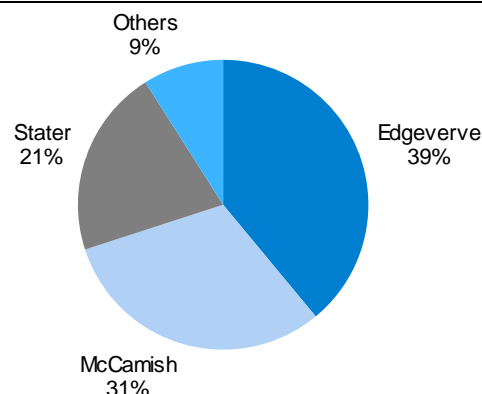
Exhibit 2: R&D expenses remained stable at 0.9% of sales



Source: Company, PL

Exhibit 3: Strong growth in P&P in last two years


Source: Company, PL

Exhibit 4: Edgeverve and McCamish form 70% of revenues


Source: Company, PL

Edgeverve's PAT margins significantly improved from 15.2% in FY20 to 23.6% in FY21 led by strong revenue growth (+11.2% YoY) leverage.

McCamish revenue growth remains robust, growing > 30% every year.

Exhibit 5: Revenue & margins of key subsidiaries

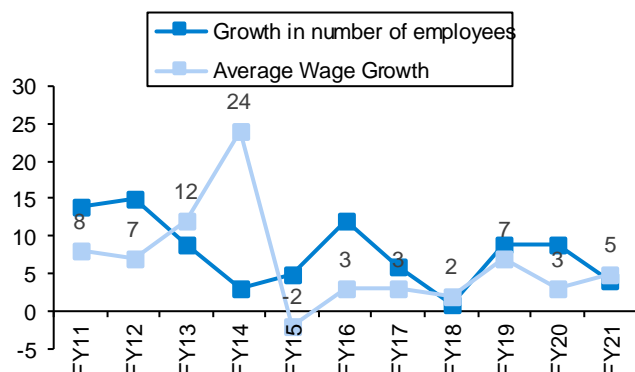
Key Products	FY17	FY18	FY19	FY20	FY21
Edgeverve					
Revenue (INR mn)	23,514	24,392	25,383	24,968	27,775
% YoY		3.7	4.1	-1.6	11.2
PAT (INR mn)	2	3.1	4.0	3.8	6.5
% margin	10.4	12.8	16.0	15.2	23.6
McCamish					
Revenue (USD mn)	70	102	159	224	297
% YoY		46.5	55.0	41.2	32.7
PAT (USD mn)	2	2	12	20	21
% margin	2.9	2.3	7.4	8.7	7.0
Stater					
Revenue (EUR mn)			163	166	168
% YoY				1.6	1.5
PAT (EUR mn)			11	15	18
% margin			6.6	9.1	10.7
Panaya Ltd					
Revenue (NIS mn)	128	125	134	102	121
% YoY		-2.9	7.6	-23.7	17.9
PAT (NIS mn)	-79	-66	-75	-6	9
% margin	-61.2	-53	-55.6	-5.8	7.6

Source: Company, PL

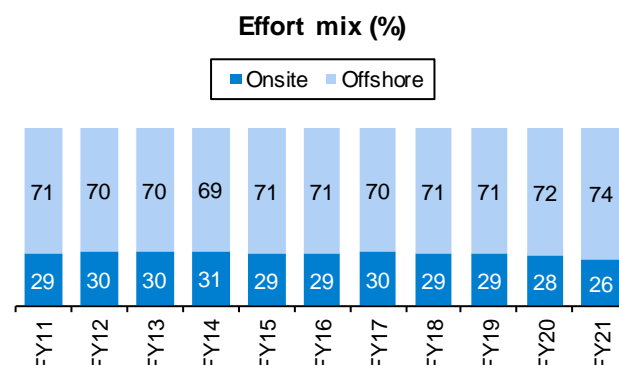
Space to optimize employee pyramid:

- We were negatively surprised by the growth in average employee costs (from 3% in FY20 to 5% in FY21) in spite of offshoring at all-time high. We believe this is mainly due to increased hiring of employees above 30 years of age (lateral) because the share of employee below this age was lowest in last 4 years. Infosys' employee pyramid comprises of 1) 55.4% employees below 30 years and 2) 42.2% in age group of 31-50 years'. We believe there is scope for improvement in share of employees below 30 years of age which will provide positive upside to margins.

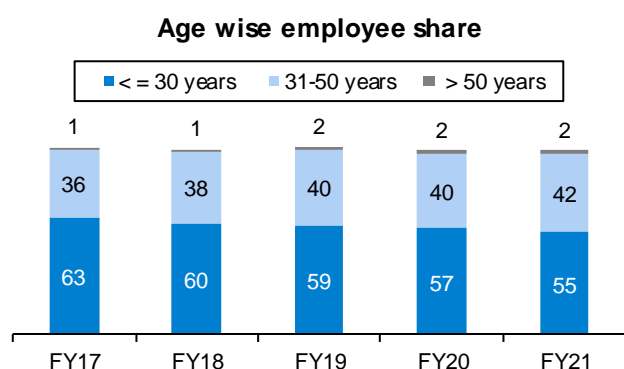
- Associates declined from 50% headcount in FY2014 to 40% in FY2021 & mid-management level increased to 47% in FY2021 from 36% in FY2014. This has put more pressure on the costs.

Exhibit 6: Higher average wage growth over past year


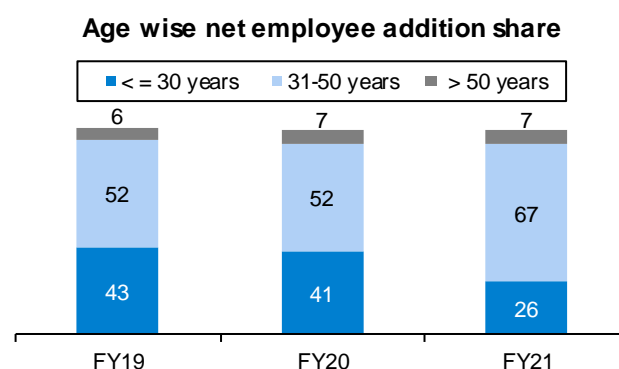
Source: Company, PL

Exhibit 7: Offshore effort mix improved by 200bps


Source: Company, PL

Exhibit 8: Share of employees less than 30 years declined


Source: Company, PL

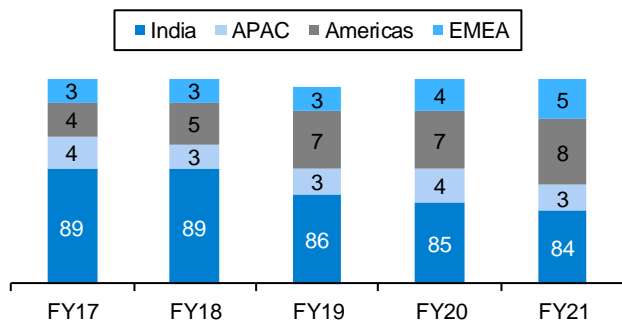
Exhibit 9: <30-year-old employee addition lowest in FY21


Source: Company, PL

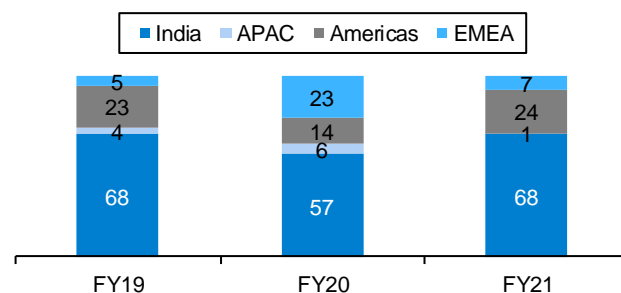
Infosys has leveraged initiatives like Skill Tags and Digital Quotient for reskilling of talent. There has been a threefold increase in reskilled talent over the last fiscal.

- There was healthy net addition of 17,248 employees in FY2021 / headcount growth of 7.1%. The company plans strong fresher intake of 25K in FY2022, which is 4K or 19% higher than FY2021. Despite unprecedented employee additions, Infosys ended this year with its highest ever employee utilization (i.e. 87.7% in Q4 FY21).
- Increased attrition coupled with record high utilization (+140 bps QoQ, +400 bps YoY) indicate near term supply side challenges and margin pressures for Infosys. **Attrition rate including BPO and involuntary stood at 13.9% in FY2021.** Management mentioned that attrition is expected to remain at these levels given high demand situation. However, utilization and subcontracting costs are expected to reduce with aggressive hiring in FY21 and FY22.
- Infosys's local headcount in Americas (US, Canada and Mexico) stood at 21,799 of the total headcount. Localization (~69%) was strong in US on account of employee rebadging deal from Vanguard. In FY2021, there were 7,280 local hires across geographies including 1,941 freshers.

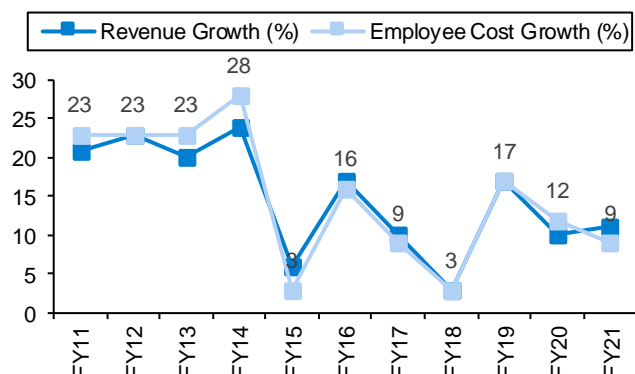
- 96.5% of employees continue to work from home. Infosys is committed to a hybrid working model and has distributed teams similar to peers but its remote workforce target is lower than TCS (25x25 ambition of 75%).

Exhibit 10: Share of employees in India on declining trend
Employee share across regions


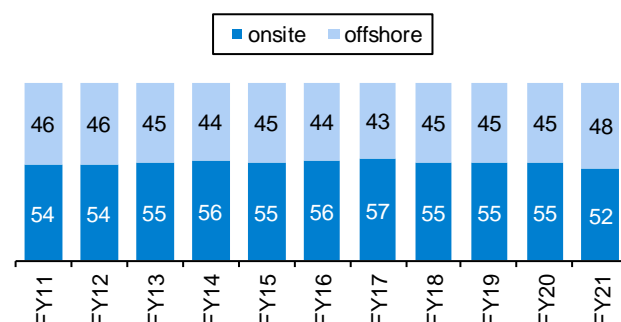
Source: Company, PL

Exhibit 11: Focus on localization driving hiring in Americas
Net employee additions share across regions


Source: Company, PL

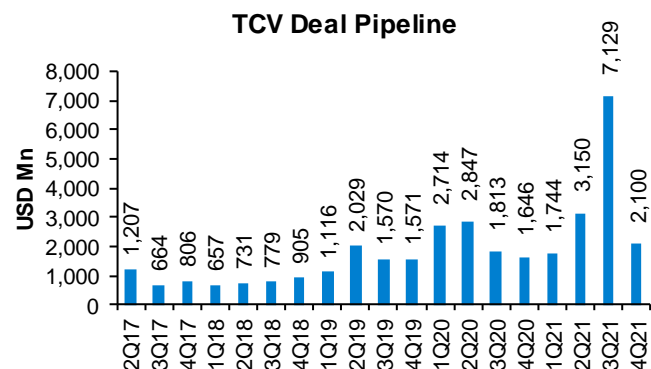
Exhibit 12: Employee cost growth less than revenue growth


Source: Company, PL

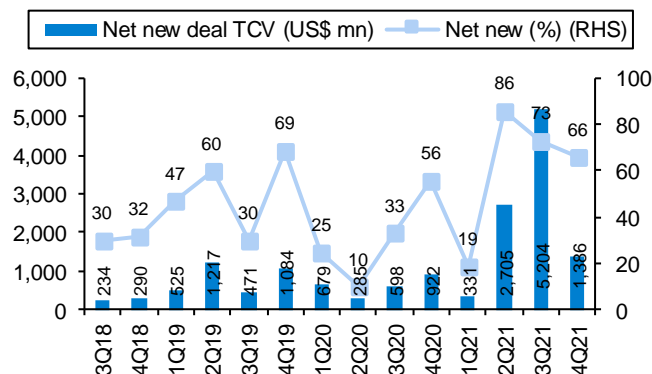
Exhibit 13: Offshore revenue share increased by 300bps
Revenue share (%)


Source: Company, PL

- Deal pipeline highest ever in history:** Infosys reported large deal TCV of \$2.1bn, largely in-line with average quarterly run-rate of \$2.2bn in FY20. For FY21 this number peaked to an all-time high of \$14.1bn with 66% being net new. Management mentioned that demand environment is extremely strong with robust deal pipeline. They are confident of sustaining the traction of large deal wins and gaining market share in FY22.

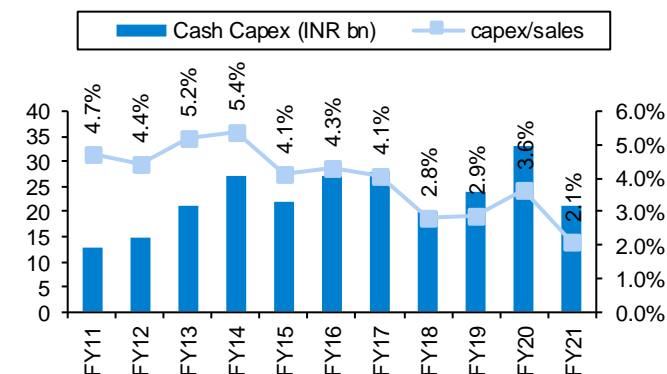
Exhibit 14: Robust \$14 Bn TCV deal wins in FY21


Source: Company, PL

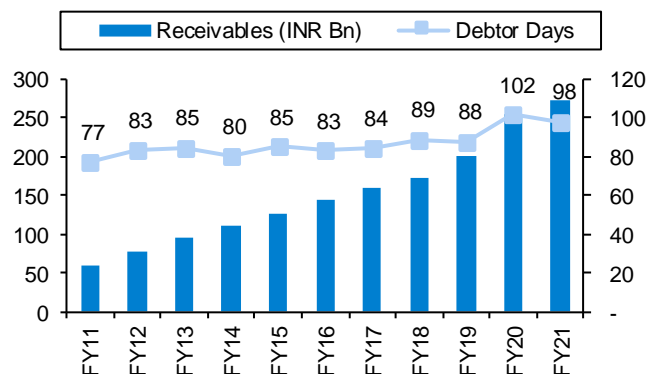
Exhibit 15: Healthy net new deal wins


Source: Company, PL

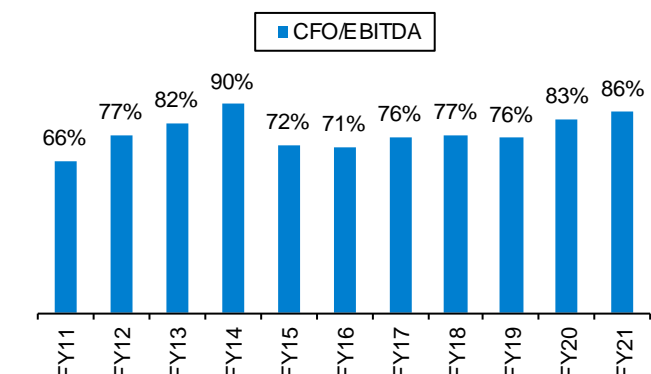
- Highest ever FCF:** Infosys FCF/PAT ratio is at all-time high (115%) led by 1) 36% YoY decline in capex, 2) 30% YoY growth in CFO and 3) 45% YoY growth in FCFE. The company announced total dividend of Rs27/ share for FY2021 (Rs17.5 in FY2020) and buyback of Rs92 bn (excluding buyback tax) through open market route at a price not exceeding Rs1,750/ share. Infosys will end up returning 83% of FCF for FY2020 and FY2021 after considering dividends and buybacks.

Exhibit 16: Lower capex/sales in FY21


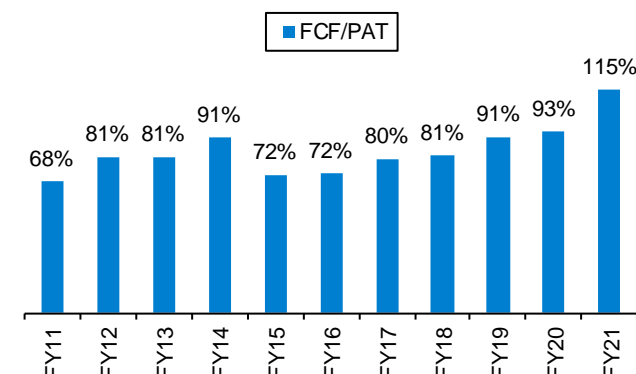
Source: Company, PL

Exhibit 17: Debtor days declined by 4 in FY21


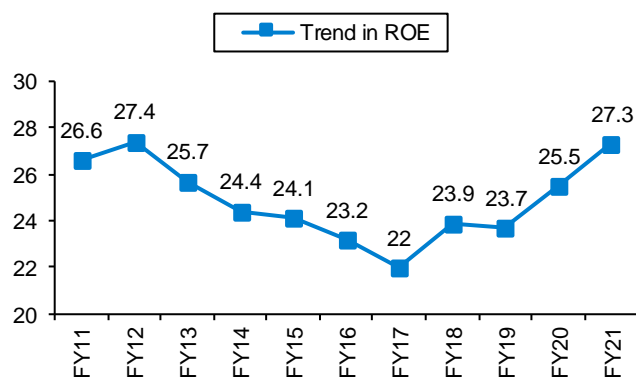
Source: Company, PL

Exhibit 18: CFO/EBITDA improved to 86% in FY21


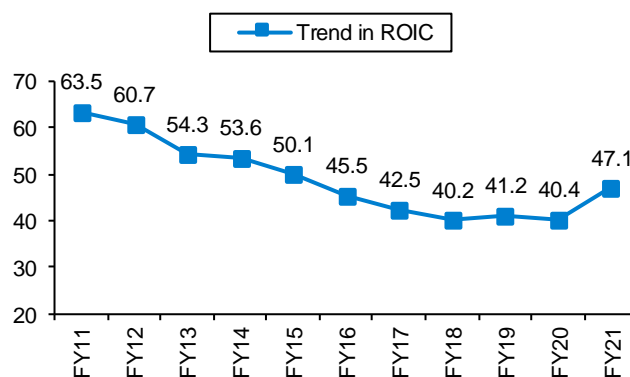
Source: Company, PL

Exhibit 19: FCF/PAT conversion greater than 100%


Source: Company, PL

Exhibit 20: Consistent improvement in ROE


Source: Company, PL

Exhibit 21: Considerable improvement in ROIC in FY21


Source: Company, PL

Strong 320 bps YoY expansion in operating margin led to strong improvement in ROE. Infosys will end up returning 83% of FCF for FY2020 and FY2021 after considering dividends and buybacks

Exhibit 22: Strong improvement in margins led to rise in ROE in FY21

	FY17	FY18	FY19	FY20	FY21
ROE (%)	22	23.9	23.7	25.5	27.3
Operating margin (EBIT/Sales)	24.7	24.3	22.8	21.3	24.5
Interest burden (PBT/EBIT)	1.2	1.3	1.1	1.1	1.1
Tax burden (PAT/PBT)	0.7	0.7	0.7	0.8	0.7
Asset Turnover (Sales/Assets)	0.9	0.9	1	1	1
Gearing (Assets/Equity)	1.2	1.2	1.3	1.4	1.4

Source: Company, PL

Acquisitions were focused in CX & cloud: Infosys acquired four companies in the areas of CX and cloud in FY2021- GuideVision, Kaleidoscope Innovation, Blue Acorn and Carter Digital. We would like to highlight that acquisitions done under current CEO Mr. Salil Parekh are doing great whereas previous acquisitions Skava, Panaya continue to decline. Infosys spent Rs14.07 bn cash on acquisitions & represents 6% of FY2021 OCF.

Exhibit 23: Acquisitions done by Infosys

Acquisitions	Country	Acquired in	Deal size (US\$ mn)
Lodestone Management Consultants	Switzerland	12-Sep	CHF 330
Panaya Inc.	Israel	15-Feb	200
Kallidus (Skava)	US	15-Apr	120
Noah Consulting	US	15-Oct	70
Brilliant Basics	UK	17-Aug	NA
Wongdoody	US	18-Apr	NA
Trusted Source, Temasek subsidiary (60% stake, JV)	Singapore	18-Sep	12
Fluido	Finland	18-Sep	NA
Hitachi Procurement service (81% stake, JV)	Japan	18-Dec	JPY 2762
Stater (75% equity stake)	Netherlands	19-Mar	EUR 127.5
Eishtec	Ireland	19-Oct	NA
Simplus	US	20-Feb	250
GuideVision	Czech Republic	20-Sep	EUR 30
Kaleidoscope Innovation	US	20-Sep	42
Blue Acorn iCi	US	20-Oct	125
Carter Digital	Australia	21-Jan	NA
STEP Solutions (certain assets)	US	21-Feb	NA

Source: Company, PL

30% YoY growth in Cash flow from operations.

Dividend payout was stable at 52.2%

Overall management remuneration as % of PAT marginally increased by 10bps

Exhibit 24: Infy also announced INR 91 bn buyback which will happen in FY22

	FY17	FY18	FY19	FY20	FY21
CFO	141	146	158	186	241
Capex	28	20	24	33	21
Dividend	69	75	137	95	91
Buyback	0	130	8	75	0
Acquisition	0	1	8	19	14
Financial investments	43	-80	-19	-36	115

Source: Company, PL

Exhibit 25: Increased investments in government bond and declining yields

	FY17	FY18	FY19	FY20	FY21
Yield on investments (%)	8.2	7.4	7.1	6.3	5.3
Investments (INR bn)					
Govt Sector	0	0	7	7	55
NCD	40	40	33	24	48
Tax free/Gov bonds	19	19	19	18	22
Liquid MF	18	0	18	21	15
Equity / Pref Sec	2	1	1	1	2
Others	85	61	35	17	0

Source: Company, PL

Exhibit 26: Infosys executive compensation

US\$ mn	FY20	FY21	% change
Salil Parekh (CEO)			
Cash compensation	2.4	2.5	4%
Performance-based RSUs	3.2	3.1	-3%
Time-based RSUs	0.5	0.4	-20%
Total	6	6	0%
U B Pravin Rao (COO)			
Cash compensation	1.2	1.3	8%
Performance-based RSUs	0.6	0.5	-17%
Time-based RSUs	0.6	0.0	
Total	2.4	1.8	-25%

Source: Company, PL

Exhibit 27: Management remuneration at Infy grew 45%

INR mn	FY16	FY17	FY18	FY19	FY20	FY21	% Chng.
CEO	484	451	169	247	343	497	45%
CFO	65	92	80	74	54	61	13%
COO	81	118	82	91	106	173	63%
Total	630	662	331	411	503	731	45%
Mgmt. remuneration as a % of PAT	0.5%	0.5%	0.2%	0.3%	0.3%	0.4%	10 bps

Source: Company, PL

Infosys BPM revenues continued grown in double digit, +19% YoY in FY21.

Exhibit 28: Management remuneration at TCS grew 56%

INR mn	FY16	FY17	FY18	FY19	FY20	FY21	% Chng.
CEO	257	342	125	160	134	204	52%
CFO	30	46	34	41	40	64	60%
COO	NA	62	93	116	101	161	59%
Total	286	449	252	318	275	429	56%
Mgmt. remuneration as a % of PAT	0.10%	0.20%	0.10%	0.10%	0.10%	0.10%	0 bps

Source: Company, PL

Exhibit 29: Strong performance of Infy BPM and Japan operations

Key Products	FY17	FY18	FY19	FY20	FY21
Infosys BPM					
Revenue (INR mn)	29,400	30,610	39,320	45,950	54,500
% YoY		4%	28%	17%	19%
PAT (INR mn)	5,520	4,690	5,960	6,480	6,950
% margin	19%	15%	15%	14%	13%
HIPUS JV					
Revenue (INR mn)			3,281	3,543	4,046
% YoY				8%	14%
PAT (INR mn)			136	230	374
% margin			4%	6%	9%
Fluido					
Revenue (INR mn)		18	28	37	40
% YoY			55%	32%	8%
PAT (INR mn)		0	-1	1	3
% margin		1%	-2%	2%	8%
Wongdoody					
Revenue (INR mn)			25	34	35
% YoY				36%	4%
PAT (INR mn)			3	3	3
% margin			10%	8%	8%
Kallidus					
Revenue (INR mn)	56	30	15	15	10
% YoY	-	-47%	-50%	1%	-33%
PAT (INR mn)	15	-10	-12	-7	-14
% margin	27%	-35%	-84%	-47%	-143%

Source: Company, PL

Exhibit 30: Considerable improvement in environmental metrics due to WFH

	FY17	FY18	FY19	FY20	FY21
Electricity consumption (Gwh)	278	263	279	286	177
Share of renewable energy (%)	43	42	43	42	45
Scope 1+2 emissions ('000 tCO2e)	134	132	132	139	77
Water consumption (m KL)	3.7	3	3.5	3	1.3
Physical Infrastructure space (m sqft)	44.5	46.6	49.3	52	52.8

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
Net Revenues	907,910	1,004,730	1,185,497	1,328,319
YoY gr. (%)	9.8	10.7	18.0	12.0
Employee Cost	578,390	621,470	755,717	836,841
Gross Profit	329,520	383,260	429,780	491,478
Margin (%)	36.3	38.1	36.3	37.0
SG&A Expenses	59,730	58,090	59,275	59,914
Other Expenses	-	-	-	-
EBITDA	222,670	278,900	314,317	338,582
YoY gr. (%)	6.6	25.3	12.7	7.7
Margin (%)	24.5	27.8	26.5	25.5
Depreciation and Amortization	28,930	32,680	32,452	29,303
EBIT	193,740	246,220	281,865	309,279
Margin (%)	21.3	24.5	23.8	23.3
Net Interest	-	-	-	-
Other Income	26,340	20,060	21,377	27,012
Profit Before Tax	220,080	266,280	303,242	336,290
Margin (%)	24.2	26.5	25.6	25.3
Total Tax	53,680	72,050	74,783	79,806
Effective tax rate (%)	24.4	27.1	24.7	23.7
Profit after tax	166,400	194,230	228,459	256,485
Minority interest	(10)	(320)	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	166,410	194,550	228,459	256,485
YoY gr. (%)	8.0	16.9	17.4	12.3
Margin (%)	18.3	19.4	19.3	19.3
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	166,410	194,550	228,459	256,485
YoY gr. (%)	8.0	16.9	17.4	12.3
Margin (%)	18.3	19.4	19.3	19.3
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	166,410	194,550	228,459	256,485
Equity Shares O/s (m)	4,258	4,242	4,243	4,243
EPS (Rs)	39.1	45.9	53.8	60.5

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
Non-Current Assets				
Gross Block	355,720	401,910	445,965	454,197
Tangibles	283,860	320,400	364,455	372,687
Intangibles	71,860	81,510	81,510	81,510
Acc: Dep / Amortization	146,870	136,230	168,682	175,614
Tangibles	146,870	136,230	168,682	175,614
Intangibles	-	-	-	-
Net fixed assets	208,850	265,680	277,284	278,583
Tangibles	136,990	184,170	195,774	197,073
Intangibles	71,860	81,510	81,510	81,510
Capital Work In Progress	-	-	-	-
Goodwill	-	-	-	-
Non-Current Investments	-	-	-	-
Net Deferred tax assets	7,760	2,230	2,230	2,230
Other Non-Current Assets	113,950	199,870	199,870	199,870
Current Assets				
Investments	-	-	-	-
Inventories	-	-	-	-
Trade receivables	184,870	192,940	225,244	226,241
Cash & Bank Balance	233,040	269,336	401,911	444,823
Other Current Assets	56,640	68,560	68,560	68,560
Total Assets	927,680	1,082,636	1,254,979	1,302,434
Equity				
Equity Share Capital	21,220	21,240	21,240	21,240
Other Equity	637,220	746,580	883,393	920,422
Total Network	658,440	767,820	904,633	941,662
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	-	-	-	-
Other non current liabilities	51,000	68,640	68,640	68,640
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	28,520	25,226	4,742	4,892
Other current liabilities	180,040	212,200	268,214	278,490
Total Equity & Liabilities	927,680	1,082,636	1,254,979	1,302,434

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
PBT	220,080	266,280	303,242	336,290
Add. Depreciation	28,930	32,680	32,452	29,303
Add. Interest	-	-	-	-
Less Financial Other Income	26,340	20,060	21,377	27,012
Add. Other	-	-	-	-
Op. profit before WC changes	249,010	298,960	335,694	365,593
Net Changes-WC	38,130	(63,464)	7,366	7,183
Direct tax	(53,680)	(72,050)	(74,783)	(79,806)
Net cash from Op. activities	233,460	163,446	268,276	292,971
Capital expenditures	(61,910)	(89,510)	(44,055)	(30,603)
Interest / Dividend Income	-	-	-	-
Others	-	-	-	-
Net Cash from Invt. activities	(61,910)	(89,510)	(44,055)	(30,603)
Issue of share cap. / premium	1,560	3,950	-	-
Debt changes	-	-	-	-
Dividend paid	(89,132)	(198,552)	(91,646)	(101,829)
Interest paid	-	-	-	-
Others	(67,488)	108,822	-	(117,627)
Net cash from Fin. activities	(155,060)	(85,780)	(91,646)	(219,456)
Net change in cash	16,490	(11,844)	132,575	42,912
Free Cash Flow	171,550	73,936	224,221	262,368

Source: Company Data, PL Research

Key Financial Metrics

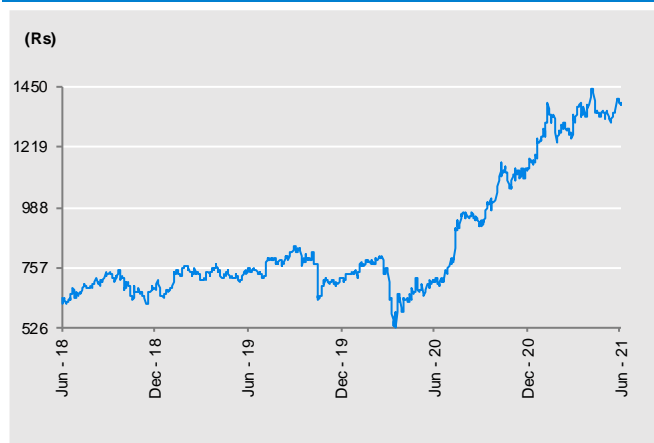
Y/e Mar	FY20	FY21	FY22E	FY23E
Per Share(Rs)				
EPS	39.1	45.9	53.8	60.5
CEPS	45.9	53.6	61.5	67.4
BVPS	154.6	181.0	213.2	221.9
FCF	40.3	17.4	52.8	61.8
DPS	20.9	46.8	21.6	24.0
Return Ratio(%)				
RoCE	29.6	34.5	33.7	33.5
ROIC	30.8	35.0	34.2	33.3
RoE	25.4	27.3	27.3	27.8
Balance Sheet				
Net Debt : Equity (x)	(0.4)	(0.4)	(0.4)	(0.5)
Debtor (Days)	74	70	69	62
Valuation(x)				
PER	36.4	31.1	26.5	23.6
P/B	9.2	7.9	6.7	6.4
P/CEPS	31.0	26.6	23.2	21.1
EV/EBITDA	26.2	20.7	17.9	16.5
EV/Sales	6.4	5.7	4.8	4.2
Dividend Yield (%)	1.5	3.3	1.5	1.7

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY21	Q2FY21	Q3FY21	Q4FY21
Net Revenue	236,650	245,700	259,270	263,110
YoY gr. (%)	8.5	8.6	12.3	13.1
Raw Material Expenses	149,470	149,160	159,510	163,330
Gross Profit	87,180	96,540	99,760	99,780
Margin (%)	36.8	39.3	38.5	37.9
EBITDA	61,210	70,830	74,150	72,710
YoY gr. (%)	18.8	25.6	27.8	28.1
Margin (%)	25.9	28.8	28.6	27.6
Depreciation / Depletion	7,560	8,550	8,260	8,310
EBIT	53,650	62,280	65,890	64,400
Margin (%)	22.7	25.3	25.4	24.5
Net Interest	-	-	-	-
Other Income	4,270	5,220	5,620	4,950
Profit before Tax	57,920	67,500	71,510	69,350
Margin (%)	24.5	27.5	27.6	26.4
Total Tax	15,200	18,920	19,360	18,570
Effective tax rate (%)	26.2	28.0	27.1	26.8
Profit after Tax	42,720	48,580	52,150	50,780
Minority interest	(390)	(130)	180	20
Share Profit from Associates	-	-	-	-
Adjusted PAT	42,330	48,450	52,330	50,800
YoY gr. (%)	11.5	20.6	17.4	17.6
Margin (%)	17.9	19.7	20.2	19.3
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	42,330	48,450	52,330	50,800
YoY gr. (%)	11.5	20.6	17.4	17.6
Margin (%)	17.9	19.7	20.2	19.3
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	42,330	48,450	52,330	50,800
Avg. Shares O/s (m)	4,246	4,249	4,251	4,251
EPS (Rs)	10.0	11.4	12.3	12.0

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	15-Apr-21	BUY	1,632	1,397
2	5-Apr-21	BUY	1,646	1,386
3	14-Jan-21	BUY	1,611	1,387
4	4-Jan-21	BUY	1,538	1,260
5	23-Dec-20	BUY	1,436	1,221
6	15-Oct-20	BUY	1,436	1,137
7	5-Oct-20	BUY	1,259	1,018
8	1-Oct-20	BUY	1,259	1,008
9	16-Jul-20	BUY	1,037	831
10	4-Jul-20	Hold	788	763

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Coforge	BUY	3,762	3,396
2	Cyient	BUY	825	689
3	HCL Technologies	BUY	1,010	956
4	Infosys	BUY	1,632	1,397
5	L&T Technology Services	BUY	3,006	2,797
6	Larsen & Toubro Infotech	BUY	4,415	3,915
7	Mindtree	BUY	2,567	2,207
8	Mphasis	BUY	1,935	1,789
9	Persistent Systems	BUY	2,344	2,038
10	Redington (India)	BUY	267	183
11	Sonata Software	BUY	674	586
12	Tata Consultancy Services	BUY	3,636	3,247
13	TeamLease Services	BUY	4,002	3,774
14	Tech Mahindra	BUY	1,132	962
15	Wipro	BUY	500	431
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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