

July 19, 2021

Q1FY22 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	4,623		4,304	
Sales (Rs. m)	1,46,471	1,73,257	1,45,016	1,71,450
% Chng.	1.0	1.1		
EBITDA (Rs. m)	29,414	36,384	29,049	36,004
% Chng.	1.3	1.1		
EPS (Rs.)	120.8	144.9	117.3	143.5
% Chng.	3.0	1.0		

Key Financials - Consolidated

Y/e Mar	FY21	FY22E	FY23E	FY24E
Sales (Rs. bn)	124	146	173	197
EBITDA (Rs. bn)	28	29	36	41
Margin (%)	22.3	20.1	21.0	20.6
PAT (Rs. bn)	20	21	26	29
EPS (Rs.)	112.4	120.8	144.9	163.3
Gr. (%)	32.1	7.5	19.9	12.7
DPS (Rs.)	40.0	41.7	50.0	112.8
Yield (%)	0.9	1.0	1.2	2.6
RoE (%)	31.1	27.0	27.6	26.5
RoCE (%)	38.3	32.5	34.4	32.6
EV/Sales (x)	5.7	4.8	4.0	1.6
EV/EBITDA (x)	25.6	23.8	19.1	7.6
PE (x)	38.2	35.5	29.6	26.3
P/BV (x)	10.3	8.8	7.4	3.2

Key Data

LRTI.BO | LTI IN

52-W High / Low	Rs.4,600 / Rs.2,195
Sensex / Nifty	53,140 / 15,923
Market Cap	Rs.750bn/ \$ 10,054m
Shares Outstanding	175m
3M Avg. Daily Value	Rs.2883.71m

Shareholding Pattern (%)

Promoter's	74.25
Foreign	13.07
Domestic Institution	4.77
Public & Others	7.91
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	1.9	-	87.2
Relative	0.7	(7.7)	28.5

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Making the right move for talent war!

Quick Pointers:

- EBIT margin declined sharply by 420 bps in the past two quarters due to consecutive quarters of wage hikes.

LTI reported revenue of \$470.2 mn, +5.1% QoQ USD above our & cons estimates (Ple: 4%, Cons: 3.5%). Growth was broad-based across verticals led by BFS (+9.9% QoQ USD) and Hi-tech & Media (+13.1% QoQ USD). Insurance vertical is recovering aided by recent large deal wins and new leadership. LTI did not announce large deal TCV this quarter but management mentioned that demand for digital transformation is significantly higher vs pre-pandemic period. We believe that growth momentum will be maintained & won't be impacted by volatility of large deal wins.

EBIT Margins came at 16.4%, decline of ~300 bps QoQ, slightly above our estimates (Ple: 16.0%, Cons: 16.6%). Sharp decline was majorly driven by 340bps impact from wage hike (second consecutive quarter of wage hike). We believe that EBIT margins are less likely to increase and will remain at ~17-18% (-200bps YoY) in FY22, given 1) increased LTM attrition (+290bps QoQ, 15.2%), 2) elevated levels of utilization (84.1%) and offshore effort (82.7%), 3) aggressive hiring and 4) focus on investing in growth. In spite of two consecutive quarters of wage hikes, we were surprised to see a sharp increase in voluntary attrition.

We maintain Accumulate rating as we believe LTI will maintain its growth leadership in FY22/23 given its strong F-500 client base, growth in top accounts to bounce back aggressively & the right hard steps taken for handling the talent war.

We anticipate 19%/ 15% revenue growth in FY22/23E. We value LTI at 30X Sep-23 EPS (roll over) of INR 154 to arrive at changed target price of Rs. 4,623 (Earlier: Rs. 4304). Our estimates remained largely unchanged. LTI is currently trading at 35.5x/29.6x earnings multiple on EPS of 120.8/144.9 for FY22/23E. EPS CAGR of 13.5% over FY21-23E.

- Beat on revenue growth:** LTI reported revenue of \$470.2 mn, +5.1% QoQ USD, 4.8% QoQ CC above our & cons estimates (Ple: 4%, Cons: 3%). Growth was broad-based across verticals led by BFS (+9.9% QoQ USD) and Hi-tech & Media (+13.1% QoQ USD). Decline of 20.9% QoQ in India business was due to 1) slowdown in government spending due to second wave of covid and 2) absence of license revenue in 1Q22.

- BFS (32.1% of revs, 9.9% QoQ USD) had a strong quarter led by existing clients and ramp up of large deal win with Islamic bank announced last quarter. LTI's position in banking is strengthening with LTI becoming second largest partner for Temenos and Syncordis being recognized as partner of the year by Temenos. LTI has won a large deal with the subsidiary of one of the largest banks in Asia to support of their private banking platform using Temenos Wealth**

LTI's position in banking is strengthening with LTI becoming second largest partner for Temenos and Syncordis being recognized as partner of the year by Temenos.

LTI CEO mentioned that there is secular demand for digital adoption across all verticals and he has not seen this kind of growth opportunity in last 10 years.

- **Insurance** (14.5% of revs, 5.1% QoQ USD) vertical which had subdued growth in FY21 is now recovering led by 1) recently added large deals and mining of existing clients, 2) refined insurance strategy with new leadership and strengthened partnership ecosystem
- **E&U** (9.1% of revs, 5.1%) growth was strong led by Utilities. Ramp up of large deal announced in 3Q21 is expected to ramp up further in 2Q21. LTI won 3 large deals in this segment -1) Fortune 500 energy distribution company in managed securities space, 2) Key Middle East player in the renewables and oil & gas energy market for cloud migration and modernization and 3) multi-national company providing energy related solutions based in North America for front and middle office transformation. Management mentioned that spends in Oil and Gas will remain volatile for short term.
- In **HiTech & Media** (12.7% of revs, 13.1% QoQ USD) growth was strong as Injazat deal is ramping up well. Retail & CPG (10.7% of revs, 4.1% QoQ USD) also had good growth led by ramp up of large deals wins announced in previous quarters.
- **Manufacturing** (15% of revs, -6.7% QoQ USD) declined due to lower pass through revenues which is also reflected in weakness in India market and Enterprise Solutions Service line.
- **Strong demand outlook:** LTI won a total of 10 large deals in 1Q22 spread across verticals – 3 in E&U, 1 in Manufacturing, 2 in BFS, 2 in Insurance and 1 in Pharma. They won 23 new logos this quarter. LTI did not announce large deal TCV this quarter but management mentioned that **demand for digital transformation is significantly higher vs pre-pandemic period and spread across verticals and markets. Nature of demand is also changing with fast paced agile pod based delivery model.** Deal pipeline continues to improve every quarter with mix of small, mid and large sized deals.
- In terms of **Services lines**, growth was led by Enterprise Integration & Mobility (+11.5% QoQ USD), ADM (+7.3% QoQ USD), Analytics, AI & cognitive (+10.8% QoQ USD). Demand is also picking up in ERP (Intelligent Sales Unit).
- **To capture the strength in demand for digital engineering LTI has done Cuelogic acquisition** - digital engineering and outsourced product development company, headquartered in Pune, India. This acquisition will provide instant access to a fast-growing outsourced product business with impressive client roster, and more than 300 employees.
- **Growth robust across Top 5 & Top 10 accounts:** Growth was strong across Top 10 accounts (+5.9% QoQ USD) and Top 5 accounts (+6.6% QoQ USD).
- **Sharp decline in margins due to two consecutive quarters of wage hike:** EBIT Margins came at 16.4%, decline of ~300 bps QoQ, in-line with our estimates (Ple: 16.0%, Cons: 16.6%). Sequential drop in margins was led by +340bps impact from wage hike roll-out in 1Q22, 120bps impact from absence of provisions write-back and 60bps from investments in S&M. This was partially offset by 140bps benefit from productivity improvement and 80bps benefit from forex and absence of pass-through in 1Q. Utilization (excl. trainees) increased by 190bps to 84.1%. Utilization is expected to come down as hiring ramps up.

Sharp decline of ~300bps QoQ in EBIT margins due to two consecutive quarters of wage hikes

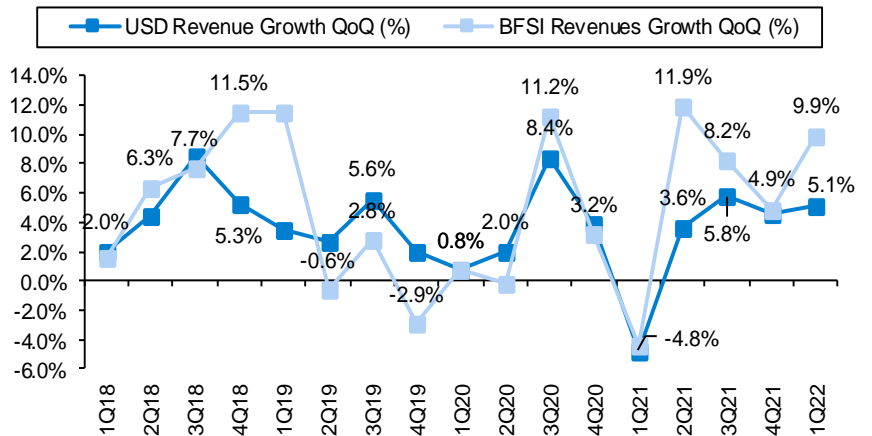
- SG&A as % of revenue was back to 12% from record low levels in 4Q21 due to one-time benefit of reversal of provisions
- Continued strong net headcount addition:** LTI continued strong hiring with net addition of 2307 up 6% QoQ. Aggressive hiring is expected to continue in through FY22 with addition of 4500 freshers, 1.5 times higher than FY21. Attrition increased by 290 bps QoQ to 15.2% vs 12.3% in 4Q21. LTI advanced wage hike cycle from July to April for FY2022, second wage hike in a span of three months. **In spite of 2 wage hikes, we were surprised to see increased voluntary attrition.**
- LTI increased fresher intake to 4,500 freshers in FY2022 up from ~3,000 in FY2021. LTI will also hire 1,500 employees with 1-2 years of experience during the year and upskill them to shore up supply.
- Sustained improvement in offshoring each quarter:** LTI's offshore effort mix increased by 60bps QoQ and is now at all-time high levels of 82.7%, much higher than peers. Both onshore and offshore productivity has also increased each quarter for past four quarters.
- Net Profit was Rs4968m, -9% QoQ and +19% YoY. **PAT margin is 14.4% within their guidance range of 14-15%.** In 4Q21, other income was on higher side due to one-time benefit of ~Rs571mn from reversal of earn-out provisions related to Syncordis acquisition. Adjusted for this, profits grew by 1.7% QoQ. Growth however was only on account of forex gains as EBIT declined 10% QoQ.
- Lower cash conversion due to higher working capital & payouts:** Billed DSO reduced further to 60 days. (vs 61 days in 4Q21 & 70 days in 1Q21). However, OCF/NI was lower at 19% in 1Q22 (vs 38% in 1Q21) due to higher working capital expenses, payout of annual incentive in advance in 1QFY22, increase in DSO by 4 which is Covid related and will reverse Board declared Special dividend of INR 10 per share to commemorate the completion of 5 years of listing on the stock exchanges in India

Exhibit 1: Q1FY22: Quick view on results

Y/e March (Rs mn)	1QFY22	4QFY21	QoQ gr.	1QFY21	YoY gr.	Ple	Variance (Actual vs Ple)
Revenues (USD mn)	470	447	5.1%	390	20.5%	465	1.1%
Revenues (INR mn)	34,625	32,694	5.9%	29,492	17.4%	34,339	0.8%
EBITDA (INR mn)	6,478	7,155	-9.5%	5,920	9.4%	6,353	2.0%
<i>EBITDA Margins (%)</i>	<i>18.7</i>	<i>21.9</i>	<i>-318bp</i>	<i>20.1</i>	<i>-136bp</i>	<i>18.5</i>	<i>21bp</i>
EBIT (INR mn)	5,683	6,329	-10.2%	5,139	10.6%	5,494	3.4%
<i>EBIT Margins (%)</i>	<i>16.4</i>	<i>19.4</i>	<i>-295bp</i>	<i>17.4</i>	<i>-101bp</i>	<i>16.0</i>	<i>41bp</i>
PAT (INR mn)	4,969	5,457	-8.9%	4,164	19.3%	4,496	10.5%
EPS	28.3	31.0	-8.9%	23.7	19.1%	25.4	11.5%

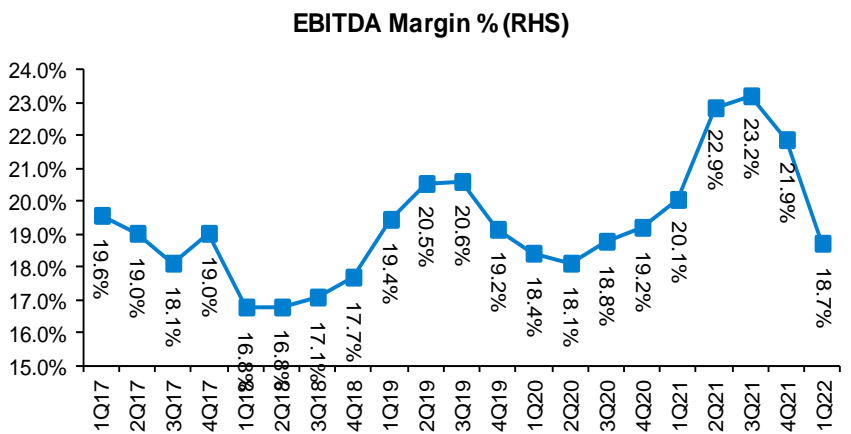
Source: Company, PL

Exhibit 2: Strong BFSI growth driving overall revenue growth



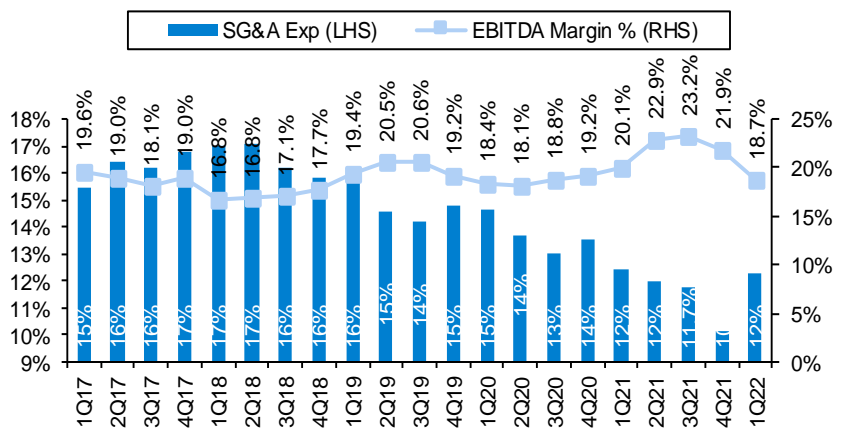
Source: Company, PL

Exhibit 3: EBITDA margins impacted by wage hikes



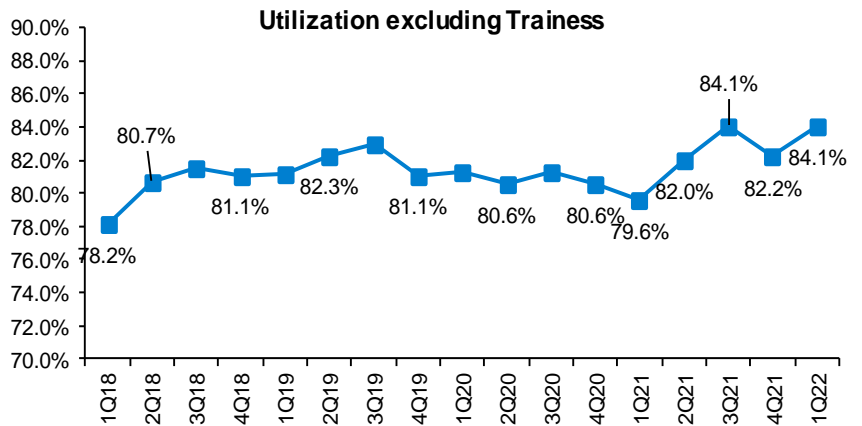
Source: Company, PL

Exhibit 4: SG&A expenses stable YoY



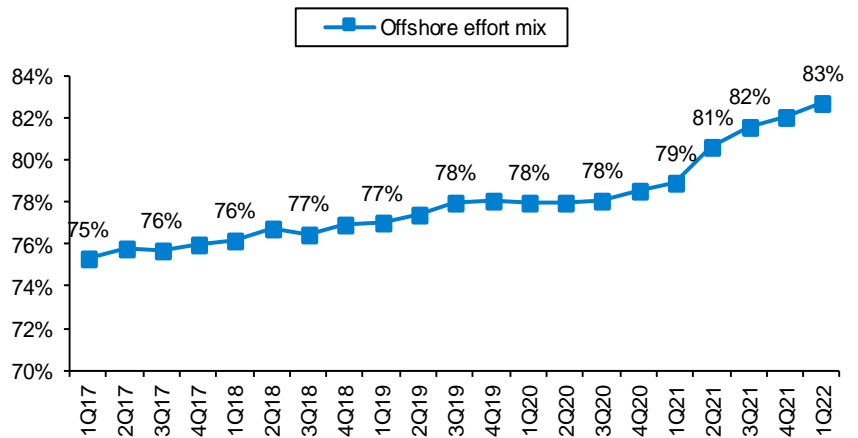
Source: Company, PL

Exhibit 5: Utilization at elevated levels



Source: Company, PL

Exhibit 6: Continued focus on improving offshore mix



Source: Company, PL

Exhibit 7: North America led the growth

Geography	Revenues (USD mn)	1QFY22	4QFY21	QoQ gr.	1QFY21	YoY gr.
North America		315	296	6.4%	276	14.0%
Europe		78	74	5.7%	56	38.9%
RoW		45	38	20.1%	31	46.4%
India		32	40	-20.9%	27	17.0%
Total		470	447	5.0%	390	20.4%
-as a % of total sales						
North America		67.0%	66.2%	80bp	70.8%	-380bp
Europe		16.6%	16.5%	10bp	14.4%	220bp
RoW		9.6%	8.4%	120bp	7.9%	170bp
India		6.7%	8.9%	-220bp	6.9%	-20bp

Source: Company, PL

Exhibit 8: Revenue growth led by BFSI, E&U, Hi-tech & Media

Vertical revenues (USD mn)	1QFY22	4QFY21	QoQ gr.	1QFY21	YoY gr.
BFS	150.9	137.4	9.9%	108.1	39.6%
Insurance	68.2	64.9	5.1%	67.1	1.6%
Manufacturing	70.5	75.6	-6.7%	61.7	14.4%
Energy & Utilities	42.8	40.7	5.1%	42.2	1.5%
CPG, Retail	50.3	48.3	4.1%	44.9	12.1%
Hi-tech & Media	59.7	52.8	13.1%	45.3	31.9%
Others	27.7	27.7	0.0%	21.1	31.6%
Total	470.2	447.4	5.1%	390.3	20.5%
-as a % of total sales					
BFS	30.7%	30.6%	10bp	27.6%	310bp
Insurance	14.5%	15.0%	-50bp	16.8%	-230bp
Manufacturing	16.9%	16.8%	10bp	18.0%	-110bp
Energy & Utilities	9.1%	10.0%	-90bp	11.4%	-230bp
CPG, Retail	10.8%	10.9%	-10bp	11.2%	-40bp
Hi-tech & Media	11.8%	10.6%	120bp	11.0%	80bp
Others	6.2%	6.1%	10bp	4.0%	220bp

Source: Company, PL

Exhibit 9: Growth led by ADM, Analytics, Mobility

Service Revenues (USD mn)	1QFY22	4QFY21	QoQ gr.	1QFY21	YoY gr.
Application Development Maintenance	159.9	149.0	7.3%	138.9	15.1%
Enterprise Solutions	144.4	144.5	-0.1%	115.9	24.5%
Infrastructure Management Services	70.1	67.6	3.7%	53.1	32.0%
Analytics, AI & Cognitive	55.0	49.7	10.8%	48.8	12.8%
Enterprise Integration & Mobility	40.9	36.7	11.5%	33.6	21.9%
Total	470.2	447.4	5.1%	390.3	20.5%
-as a % of total sales					
Application Development Maintenance	34.0%	33.3%	70bp	35.6%	-160bp
Enterprise Solutions	30.7%	32.3%	-160bp	29.7%	100bp
Infrastructure Management Services	14.9%	15.1%	-20bp	13.6%	130bp
Analytics, AI & Cognitive	11.7%	11.1%	60bp	12.5%	-80bp
Enterprise Integration & Mobility	8.7%	8.2%	50bp	8.6%	10bp
Platform Based Solutions	34.0%	33.3%	70bp	35.6%	-160bp
Platform Based Solutions	30.7%	32.3%	-160bp	29.7%	100bp

Source: Company, PL

Exhibit 10: Stable top 5, top 10 & top 20 client concentration

Client Details	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22
Top 5 clients	36.6%	36.2%	34.5%	32.2%	31.3%	32.0%	32.8%	31.2%	30.5%	30.0%	29.3%	27.8%	28.2%
Top 10 clients	50.3%	49.9%	48.4%	47.0%	45.0%	46.0%	46.8%	45.8%	43.4%	42.9%	42.0%	41.0%	41.3%
Top 20 clients	66.0%	65.5%	64.3%	63.4%	62.5%	61.0%	62.0%	59.8%	58.2%	57.8%	57.1%	55.6%	55.2%

Source: Company, PL

Exhibit 11: Added 6 clients in \$10mn+ bucket

Client details	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22
Number of Active Clients	301	312	314	343	354	366	429	424	409	419	419	427	438
New Clients Added	19	22	17	14	20	20	29	27	16	26	22	14	23
100 Million dollar +	1	1	1	1	1	1	1	1	1	1	1	1	1
50 Million dollar +	4	4	5	5	5	6	6	6	6	6	5	5	6
20 Million dollar +	13	14	15	17	19	18	18	16	16	16	18	18	18
10 Million dollar +	25	25	25	26	26	27	28	27	30	32	32	32	38
5 Million dollar +	42	44	47	49	49	48	48	53	59	61	60	63	66
1 Million dollar +	114	114	121	123	124	137	153	165	164	169	165	167	169

Source: Company, PL

Exhibit 12: Strong net headcount addition +6.4% QoQ, Attrition inched up 300bps QoQ

	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22
Total Headcount	25,150	26,414	27,513	28,169	29,347	30,979	31,419	31,437	31,477	32,455	33,983	35,991	38,298
Development	23,656	24,923	25,985	26,572	27,665	29,266	29,669	29,683	29,712	30,682	32,194	34,176	36,431
Sales & Support	1,494	1,491	1,528	1,597	1,682	1,713	1,750	1,754	1,765	1,773	1,789	1,815	1,867
Attrition % (LTM)	15.1%	15.3%	16.5%	17.5%	18.3%	18.4%	17.7%	17%	15%	13.5%	12.4%	12.3%	15.2%
Net addition	1,011	1,264	1,099	656	1,178	1,632	440	18	40	978	1,528	2,008	2,307

Source: Company, PL

Exhibit 13: Offshore effort mix continues to improve (+60 bps QoQ)

Effort Mix	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22
Onsite	23.0%	22.6%	22.0%	21.9%	22.0%	22.0%	21.9%	21.5%	21.1%	19.4%	18.4%	17.9%	17.3%
Offshore	77.0%	77.4%	78.0%	78.1%	78.0%	78.0%	78.1%	78.5%	78.9%	80.6%	81.6%	82.1%	82.7%
Revenue Mix													
Onsite	46.8%	47.6%	47.8%	47.8%	49.5%	48.6%	49.0%	50.9%	49.2%	46.5%	44.3%	44.1%	42.7%
Offshore	53.2%	52.4%	52.2%	52.2%	50.5%	51.4%	51.0%	49.1%	50.8%	53.5%	55.7%	55.9%	57.3%

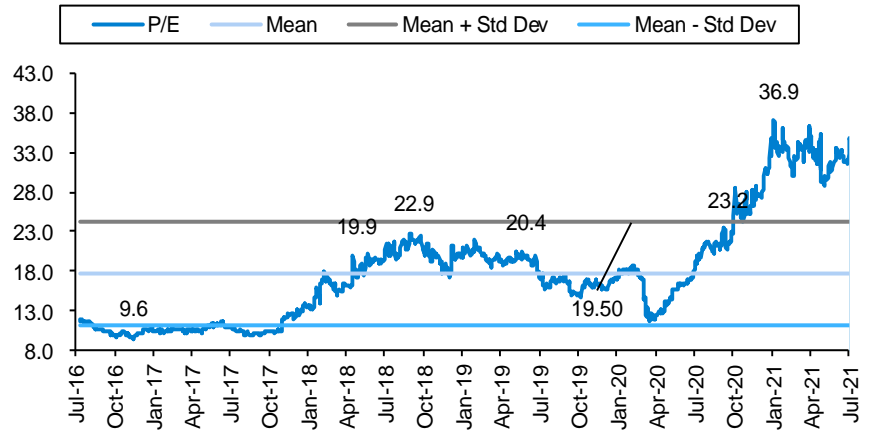
Source: Company, PL

Exhibit 14: Change in Estimates

Y/e March	FY22E	FY23E	FY24E
USD revenues (US\$ m)			
- New	1,982	2,280	2,590
- Old	1,961	2,256	2,590
<i>Change (%)</i>	<i>1.1%</i>	<i>1.1%</i>	<i>0.0%</i>
EBIT Margin			
- New	17.6%	18.5%	18.1%
- Old	17.5%	18.5%	18.1%
<i>Change (%)</i>	<i>10 bps</i>	<i>0 bps</i>	<i>0 bps</i>
Recurring EPS - Fully diluted (Rs)			
- New	120.8	144.9	163.3
- Old	117.3	143.5	163.3
<i>Change (%)</i>	<i>3.0%</i>	<i>1.0%</i>	<i>0.0%</i>

Source: PL

Exhibit 15: LTI one year forward P/E chart



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
Net Revenues	1,24,076	1,46,471	1,73,257	1,97,496
YoY gr. (%)	14.2	18.0	18.3	14.0
Employee Cost	82,193	1,00,136	1,17,375	1,34,375
Gross Profit	41,883	46,334	55,881	63,120
Margin (%)	33.8	31.6	32.3	32.0
SG&A Expenses	-	-	-	-
Other Expenses	-	-	-	-
EBITDA	27,629	29,414	36,384	40,676
YoY gr. (%)	36.9	6.5	23.7	11.8
Margin (%)	22.3	20.1	21.0	20.6
Depreciation and Amortization	3,325	3,591	4,331	4,986
EBIT	24,304	25,823	32,052	35,690
Margin (%)	19.6	17.6	18.5	18.1
Net Interest	-	-	-	-
Other Income	1,955	2,839	2,200	2,200
Profit Before Tax	26,259	28,662	34,252	37,890
Margin (%)	21.2	19.6	19.8	19.2
Total Tax	6,500	7,239	8,563	8,931
Effective tax rate (%)	24.8	25.3	25.0	23.6
Profit after tax	19,759	21,423	25,689	28,959
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	19,759	21,423	25,689	28,959
YoY gr. (%)	31.0	8.4	19.9	12.7
Margin (%)	15.9	14.6	14.8	14.7
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	19,759	21,423	25,689	28,959
YoY gr. (%)	31.0	8.4	19.9	12.7
Margin (%)	15.9	14.6	14.8	14.7
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	19,759	21,423	25,689	28,959
Equity Shares O/s (m)	175	175	175	88
EPS (Rs)	112.4	120.8	144.9	163.3

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
Non-Current Assets				
Gross Block	12,745	16,003	19,261	22,519
Tangibles	10,078	12,033	13,988	15,942
Intangibles	2,667	3,970	5,273	6,577
Acc: Dep / Amortization	-	-	-	-
Tangibles	-	-	-	-
Intangibles	-	-	-	-
Net fixed assets	12,745	16,003	19,261	22,519
Tangibles	10,078	12,033	13,988	15,942
Intangibles	2,667	3,970	5,273	6,577
Capital Work In Progress	403	662	662	662
Goodwill	6,574	6,574	6,574	6,574
Non-Current Investments	3,065	3,115	3,165	3,215
Net Deferred tax assets	511	511	511	511
Other Non-Current Assets	2,445	2,445	2,445	2,445
Current Assets				
Investments	36,282	37,282	38,282	39,282
Inventories	-	-	-	-
Trade receivables	20,835	24,595	29,093	33,164
Cash & Bank Balance	7,594	12,246	19,012	28,089
Other Current Assets	8,373	8,373	8,373	8,373
Total Assets	1,07,091	1,21,216	1,38,149	1,56,840
Equity				
Equity Share Capital	175	175	175	175
Other Equity	72,859	85,490	1,00,636	1,17,710
Total Network	73,034	85,665	1,00,811	1,17,885
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	363	363	363	363
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	8,277	9,771	11,558	13,175
Other current liabilities	18,046	18,046	18,046	18,046
Total Equity & Liabilities	1,07,091	1,21,216	1,38,149	1,56,840

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
PBT	25,882	28,662	34,252	37,890
Add. Depreciation	3,325	3,591	4,331	4,986
Add. Interest	788	-	-	-
Less Financial Other Income	1,955	2,839	2,200	2,200
Add. Other	(2,303)	(2,839)	(2,200)	(2,200)
Op. profit before WC changes	27,692	29,414	36,384	40,676
Net Changes-WC	2,704	(3,412)	(4,072)	(3,689)
Direct tax	(6,400)	(7,239)	(8,563)	(8,931)
Net cash from Op. activities	23,996	18,763	23,749	28,056
Capital expenditures	(3,073)	(3,258)	(3,258)	(3,258)
Interest / Dividend Income	1,142	2,839	2,200	2,200
Others	(14,629)	(1,050)	(1,050)	(1,050)
Net Cash from Inv. activities	(16,560)	(1,469)	(2,108)	(2,108)
Issue of share cap. / premium	1	-	-	-
Debt changes	94	-	-	-
Dividend paid	(5,319)	(8,792)	(10,543)	(11,885)
Interest paid	(21)	-	-	-
Others	157	-	-	-
Net cash from Fin. activities	(5,088)	(8,792)	(10,543)	(11,885)
Net change in cash	2,348	8,502	11,098	14,063
Free Cash Flow	21,277	15,505	20,491	24,798

Source: Company Data, PL Research

Key Financial Metrics

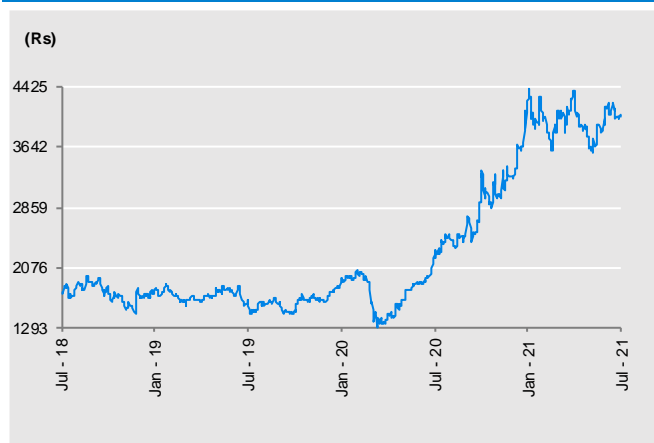
Y/e Mar	FY21	FY22E	FY23E	FY24E
Per Share(Rs)				
EPS	112.4	120.8	144.9	163.3
CEPS	131.9	142.9	171.5	387.9
BVPS	417.3	489.5	576.1	1,347.3
FCF	121.6	88.6	117.1	283.4
DPS	40.0	41.7	50.0	112.8
Return Ratio(%)				
RoCE	38.3	32.5	34.4	32.6
ROIC	93.0	64.7	66.9	65.0
RoE	31.1	27.0	27.6	26.5
Balance Sheet				
Net Debt : Equity (x)	(0.6)	(0.6)	(0.6)	(0.6)
Debtor (Days)	61	61	61	61
Valuation(x)				
PER	38.2	35.5	29.6	26.3
P/B	10.3	8.8	7.4	3.2
P/CEPS	32.5	30.0	25.0	11.1
EV/EBITDA	25.6	23.8	19.1	7.6
EV/Sales	5.7	4.8	4.0	1.6
Dividend Yield (%)	0.9	1.0	1.2	2.6

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q2FY21	Q3FY21	Q4FY21	Q1FY22
Net Revenue	29,984	31,528	32,694	34,625
YoY gr. (%)	16.6	12.2	8.5	17.4
Raw Material Expenses	19,537	20,507	22,233	23,898
Gross Profit	10,447	11,021	10,461	10,727
Margin (%)	34.8	35.0	32.0	31.0
EBITDA	6,856	7,320	7,155	6,478
YoY gr. (%)	47.2	38.8	23.8	9.4
Margin (%)	22.9	23.2	21.9	18.7
Depreciation / Depletion	899	819	826	795
EBIT	5,957	6,501	6,329	5,683
Margin (%)	19.9	20.6	19.4	16.4
Net Interest	-	-	-	-
Other Income	174	492	839	1,039
Profit before Tax	6,131	6,993	7,168	6,722
Margin (%)	20.4	22.2	21.9	19.4
Total Tax	1,563	1,801	1,711	1,753
Effective tax rate (%)	25.5	25.8	23.9	26.1
Profit after Tax	4,568	5,192	5,457	4,969
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	4,568	5,192	5,457	4,969
YoY gr. (%)	26.8	37.8	27.7	19.3
Margin (%)	15.2	16.5	16.7	14.4
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	4,568	5,192	5,457	4,969
YoY gr. (%)	26.8	37.8	27.7	19.3
Margin (%)	15.2	16.5	16.7	14.4
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	4,568	5,192	5,457	4,969
Avg. Shares O/s (m)	176	177	176	176
EPS (Rs)	26.0	29.3	31.0	28.3

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	02-Jul-21	Accumulate	4,304	4,017
2	06-May-21	BUY	4,415	3,915
3	05-Apr-21	BUY	4,394	4,121
4	20-Jan-21	BUY	4,364	4,091
5	04-Jan-21	BUY	3,714	3,694
6	11-Dec-20	BUY	3,465	3,259
7	22-Oct-20	BUY	3,465	3,100
8	05-Oct-20	BUY	2,839	2,527
9	01-Oct-20	BUY	2,839	2,544

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Coforge	BUY	4,327	4,194
2	Cyient	BUY	1,088	946
3	HCL Technologies	BUY	1,055	986
4	Infosys	BUY	1,832	1,577
5	L&T Technology Services	BUY	3,149	2,911
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	678	576
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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