

January 11, 2021

Q3FY21 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
Rating	BUY		BUY	
Target Price	3,586		3,358	
Sales (Rs. m)	18,98,627	21,44,924	18,31,276	20,57,499
% Chng.	3.7	4.2		
EBITDA (Rs. m)	5,30,921	5,97,676	5,04,431	5,57,837
% Chng.	5.3	7.1		
EPS (Rs.)	106.4	119.5	101.3	111.9
% Chng.	5.0	6.8		

Key Financials - Standalone

Y/e Mar	FY20	FY21E	FY22E	FY23E
Sales (Rs. bn)	1,569	1,642	1,899	2,145
EBITDA (Rs. bn)	423	461	531	598
Margin (%)	27.0	28.1	28.0	27.9
PAT (Rs. bn)	323	333	403	453
EPS (Rs.)	85.3	87.9	106.4	119.5
Gr. (%)	2.8	3.0	21.0	12.4
DPS (Rs.)	61.0	54.5	54.0	54.0
Yield (%)	2.0	1.7	1.7	1.7
RoE (%)	36.8	36.0	37.0	34.5
RoCE (%)	43.9	45.9	46.1	43.0
EV/Sales (x)	7.3	6.9	5.9	5.2
EV/EBITDA (x)	27.1	24.7	21.2	18.5
PE (x)	36.6	35.5	29.3	26.1
P/BV (x)	13.7	12.0	10.0	8.2

Key Data

TCS.BO | TCS IN

52-W High / Low	Rs.3,128 / Rs.1,504
Sensex / Nifty	48,783 / 14,347
Market Cap	Rs.11,711bn/ \$ 1,59,886m
Shares Outstanding	3,752m
3M Avg. Daily Value	Rs.21581.38m

Shareholding Pattern (%)

Promoter's	72.05
Foreign	15.88
Domestic Institution	7.71
Public & Others	4.36
Promoter Pledge (Rs bn)	248.40

Stock Performance (%)

	1M	6M	12M
Absolute	11.6	40.7	38.4
Relative	4.3	4.7	15.8

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Key Beneficiary of Outsourcing & Cloud Adoption Wave

Quick Pointers:

- TCS reported strongest third quarter growth in 9 yrs. (+4.1% QoQ CC, +0.4% YoY CC). Accomplished positive CC growth Y-o-Y in 3Q itself, a quarter earlier than expected by the management
- Read through for peers: TCS Management expects tech spend to strengthen in CY21 with strong multi-year technology transformation opportunity. **There is upside to growth & margin estimates on account of faster revenue conversion of deals and continued strong demand for cloud & digital adoption.**

Market share gains, quick revenue gains from deals signed in earlier quarters and strong growth in adoption of digital transformation resulted in strongest third quarter growth in 9 yrs. TCS reported strong 4.1% QoQ CC & 5.1% \$ terms way ahead than ours & consensus estimates of 3.0% QoQ CC. Revenue growth was broad-based led by Manufacturing (+7.1% QoQ CC), Life Sciences and Healthcare continued to grow at double digit YoY (+5.2% QoQ CC, +18.2% YoY CC). BFSI (+2 QoQ CC) and Retail (+3 QoQ CC) had good sequential growth in seasonally weak quarter. Management remains positive on UK (+4.5 QoQ CC) despite UK's weak economic recovery and health crisis. We believe that strong revenue ramp up from recent large deal wins will drive strong sequential revenue growth for 4QFY21.

Margin performance was robust at 26.6%(+40bps QoQ) beating our expectations by ~100bps, despite 160 bps headwind from wage hikes. Margin expansion was driven by increase in utilization rate, offshore shift and operational efficiencies. As entire impact of wage hike/bonuses is reflected in 3Q, we believe margins can be maintained at ~26-26.5% in 4Q supported by strong sequential revenue growth.

Management expects tech spend to strengthen in CY21 with strong multi-year technology transformation opportunity. Cloud Adoption will continue to remain strong demand driver and can be characterized as the new ERP. Increased volume of M&A, divestiture & carve outs driving demand in end-to-end technology integration. Hiring for the quarter was highest ever in a single quarter. We have increased our EPS estimates by avg ~6% for FY22/23E led by increase of revenue estimates. We project revenue growth of 14.5%/11.5% \$ terms for FY22/23E respectively. We continue to value TCS on 30X on FY23E earnings of INR120 to arrive at a changed TP of INR 3586 (earlier:3358).

- Strongest third quarter growth in 9 years:** TCS reported strong beat on revenue growth at 5.1% QoQ in USD terms to \$5702 mn, above our & street expectations (Ple: \$5620, Cons: \$5,598 mn). Market share gains, quick revenue gains from deals signed in earlier quarters and strong growth in adoption of digital transformation resulted in strongest third quarter growth in 9 yrs. (+4.1% QoQ CC, +0.4% YoY CC +5.1% USD QoQ). TCS accomplished positive CC growth in Y-o-Y terms in 3Q itself, a quarter ahead of expectations by the management. We believe that strong revenue ramp up from recent large deal wins will drive strong sequential revenue growth for 4QFY21.

In a global survey of about 3,000 corporate tech leaders by staffing firm Robert Half International Inc., more than 90% said they plan to either fill IT vacancies or create new IT positions in the year ahead. Cybersecurity, cloud and data or database management experts were among the most sought-after workers, according to the survey, which was fielded in November and December.

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- **Continued momentum of broad-based recovery:** Revenue growth was broad-based led by Manufacturing (+7.1% QoQ CC), Life Sciences and Healthcare (+5.2% QoQ CC) and Communications & Media (+5.5% QoQ CC). BFSI (+2 QoQ CC) and Retail (+3 QoQ CC) had good sequential growth in seasonally weak quarter.

 - **BFSI** revenues are expected to post strong growth in 4QFY21 as revenues from Prudential Financial deal (closed in mid-dec) and Postbank systems deal (closed on 1st Jan 2021) will start flowing in. Public cloud, wealth management and insurance are huge areas of demand in this space.
 - **Retail** demand is coming from areas such as CX, optimization of fulfilment costs, seamless experience across online and offline channels. Discretionary retail continues to be weak.
 - **Life-Sciences** continued to outperform growing double digit Y-o-Y. (+5.2 QoQ CC, +18.2 YoY CC).
 - In terms of geography, growth was broad-based. Though **UK** is extremely difficult to assess it has turned out good in 3Q (+4.5 QoQ CC) and management remains positive on UK.
- **Strong deal momentum:** TCV of deal wins this quarter was robust at \$6.8 Bn (This does not include Postbank deal closed on Jan 1). Deal book was up 11.4% QoQ if we compare it with \$6.1 Bn deal wins in 2Q excluding the \$2.5 Bn Phoenix group contract which was announced last year. BFSI (\$ 2.6 Bn) and NA (\$4Bn) had strong order book in this quarter. Much of the large deal pipeline from 2Q was converted in 3Q with deal size 50-100\$ Mn. Management cited that tech spends have continued to strengthen reinforcing their belief that IT industry is witnessing multi-year technology upcycle.
- **Sequential rise in margins despite wage hike/bonuses:** The highlight of the quarter was sequential beat on margin performance ~40bps QoQ to 26.6% (Ple: 25.5%, Cons: 25.3%) despite wage hike and bonuses rolled in 3QFY21. Strong revenue growth once again turned out to be the biggest lever for margin leading to reduction in employee costs as a % of revenues at 43.2% (vs 44.5% in last qtr.). SGA costs went up by 30bps to 15% of revenues. **Entire impact of wage hike/bonuses is reflected in 3Q and we believe margins can be maintained at ~26-26.5% in 4Q supported by strong sequential revenue growth.** FY22 is expected to be a normal year in terms of wage hike likely being rolled in first quarter.
- TCS showed strong hiring trend with addition of 15,723 employees, highest ever in a quarter. This includes employees of Primerica, Ireland acquired in the Prudential deal. Attrition was at historic lows at 7.6% setting global benchmark in retaining talent. Attrition may inch up from low levels as growth comes. Cash flow from operations significantly improved to 137.4% of net profit.
- The unemployment rate for technology jobs held roughly steady at 3%—the same level as a year ago—compared with a 6.7% overall unemployment rate. U.S. employers added an estimated 391,000 IT jobs last month and posted more than 200,000 job openings for IT.

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- **Growth & Operational efficiency are the two major demand drivers:** Management stated that demand can be characterized in to two buckets. Projects related to i) Growth and transformation to drive topline and the ones related to ii) Improve efficiency and productivity to improve bottom-line. TCS is seeing equal demand traction from both the areas of demand. 1) CX, 2) Core transformation, 3) Cloud adoption 4) Cyber-security continue to be areas of increasing tech spend for their clients.
 - **Cloud Adoption** will continue to remain strong demand driver and can be characterized as the new ERP. TCS embarked on cloud transformation journey for more than 200 clients in 3Q itself. Addressable market in this space is so large that their new dedicated focused BUs on 3 hyper scalars platforms hit the ground running in Q3.
 - **Increased volume of M&A, divestiture & carve outs** driving demand in end-to-end integration and seamless transformation.
 - **Products:** Ignio (won 8 new logos), TCS BANCS (won 5 new clients), Cognix, Quartz continue to win deals for TCS. TCS BANCS won one of the largest deal win from a global Investment Banks. TCS is heavily investing in enhancing these products with best of Ignio yet to come.
- **Strong wave of outsourcing:** We continue to believe that recent deal wins by various IT companies have indicated a strong wave of outsourcing. Recent deals of TCS also such as Prudential and Deutsche indicate increased focus on outsourcing. We believe that every client is focusing towards reducing their cost & increasing their revenues. It is quite difficult for clients to achieve this without investing in digital transformation journey. We continue to expect strong deal win scenario in CY21 also. We had also released the report on 3rd December 2020 to highlight how COVID has accelerated the pace of digital adoption forcing companies to invest in technology in order to remain relevant for their customers. In that report, we have studied all sectors in US/UK/Europe to understand their intent in technology spends in CY21E (View full report: <https://www.plindia.com/ResReport/ITServices-3-12-20-PL.pdf>)

Exhibit 1: Q3FY21 Result Overview (Rs mn)

Y/e March	3Q21	2Q21	QoQ gr.	3Q20	YoY gr.	Ple	Ple vs Act
Revenues (US\$ mn)	5,702	5,424	5.1%	5,586	2.1%	5,620	1.5%
Revenues	4,20,150	4,01,350	4.7%	3,98,540	5.4%	4,14,778	1.3%
EBITDA	1,21,720	1,15,130	5.7%	1,10,810	9.8%	1,12,322	8.4%
EBITDA Margin	29.0%	28.7%	28 bps	27.8%	117 bps	27%	189 bps
EBIT	1,11,840	1,05,150	6.4%	99,740	12.1%	1,05,897	5.6%
EBIT Margin	26.6%	26.2%	42 bps	25.0%	159 bps	25.5%	109 bps
Adjusted PAT	87,010	84,330	3.2%	81,180	7.2%	86,863	0.2%
PAT Margin	20.7%	21.0%	-30 bps	20.4%	34 bps	20.9%	-23 bps
EPS (Rs)	23.2	22.5	3.1%	21.6	7.1%	23.16	0.1%

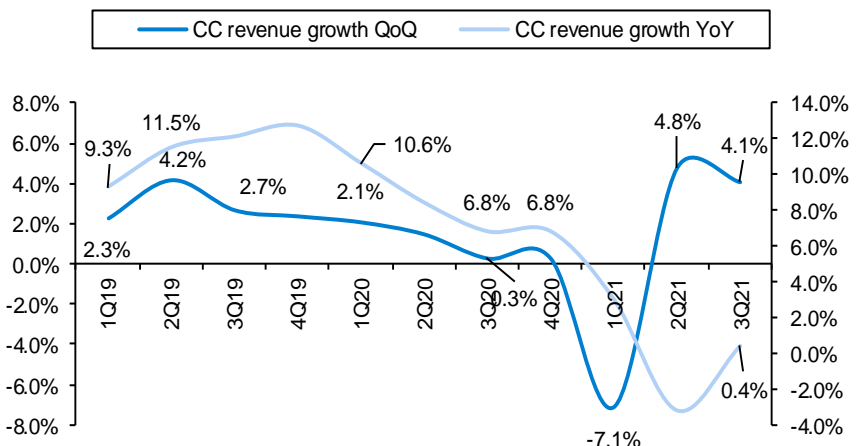
Source: Company, PL

Exhibit 2: Vertical & Geography Wise Rev growth QoQ \$ terms

Revenue growth QoQ \$ Terms	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21
Vertical wise QoQ						
BFSI	1.2%	-0.7%	-4.8%	-2.1%	9.3%	3.1%
Retail & CPG	-0.8%	4.0%	-1.3%	-15.5%	11.8%	4.4%
Comm & media	2.0%	1.3%	0.2%	-8.4%	-1.8%	6.7%
Mfg	0.6%	3.3%	-1.6%	-10.8%	3.9%	7.4%
Life Sc & Healthcare	3.1%	3.8%	3.3%	1.4%	9.4%	5.1%
E&U	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Tech Services	-0.6%	-2.2%	0.9%	-2.8%	4.9%	1.6%
Regional Markets & Others	-0.4%	1.7%	-5.4%	-11.2%	5.5%	9.0%
Geography Wise QoQ						
Americas	0.8%	0.5%	-2.5%	-5.3%	4.2%	3.5%
- North America	0.6%	0.3%	-2.2%	-5.0%	4.1%	3.4%
- Ibero America	6.2%	6.6%	-12.3%	-12.2%	7.2%	5.1%
Europe	0.9%	3.3%	-1.3%	-8.0%	10.3%	5.5%
- UK	-0.7%	3.2%	-1.9%	-11.1%	8.6%	6.5%
- Continental	2.7%	3.3%	-0.6%	-4.6%	12.0%	4.5%
India	-4.4%	1.3%	-6.0%	-27.3%	24.7%	17.7%
Others	1.5%	0.4%	-5.1%	-2.9%	6.3%	5.1%
- AsiaPac	0.6%	0.2%	-2.5%	-2.1%	6.1%	5.1%
- Middle East & Africa	5.4%	1.3%	-15.8%	-7.1%	7.2%	5.1%

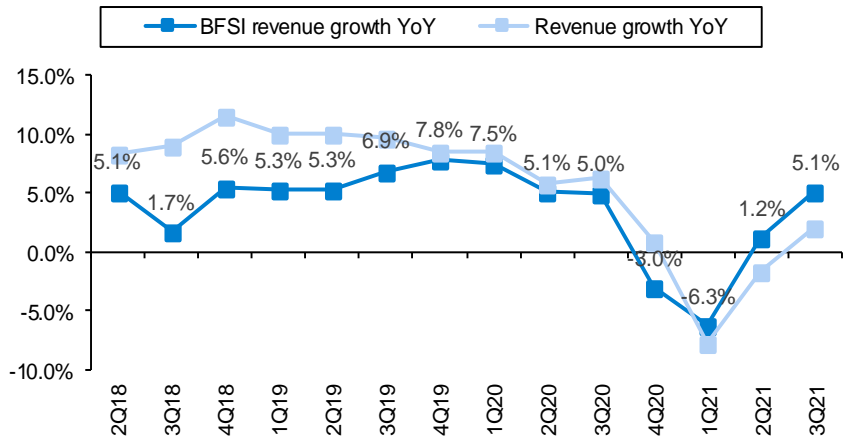
Source: Company, PL

Exhibit 3: Revenue growth strongest in 3Q in 9 years



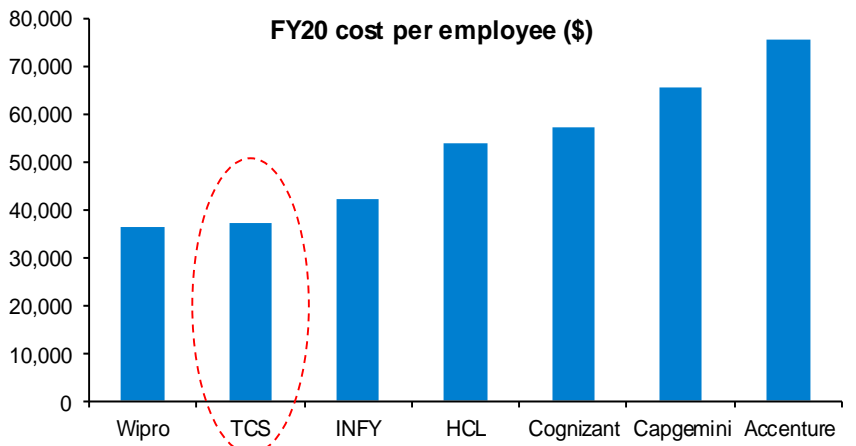
Source: Company, PL

Exhibit 4: BFSI had good growth (+3.1%QoQ USD) in seasonally weak quarter



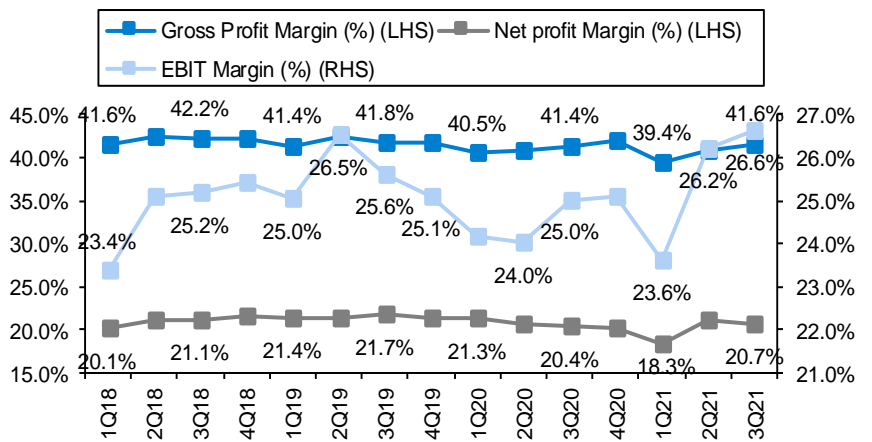
Source: Company, PL

Exhibit 5: TCS has lowest cost / employee



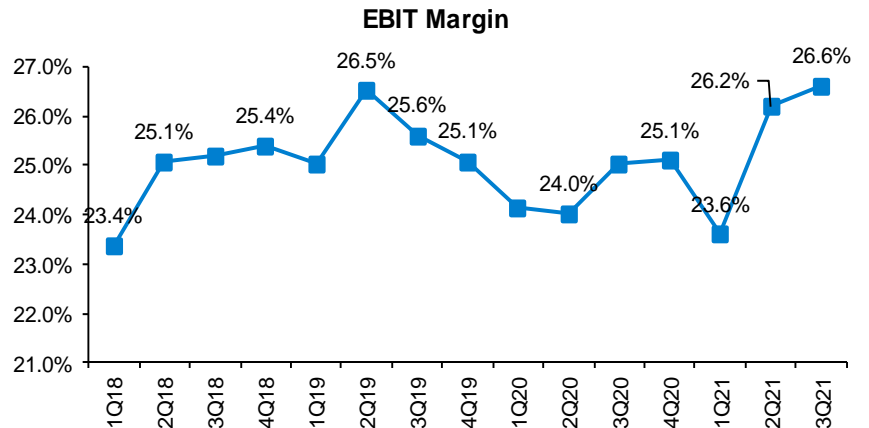
Source: Company, PL

Exhibit 6: Net Profit margin at 20.7%



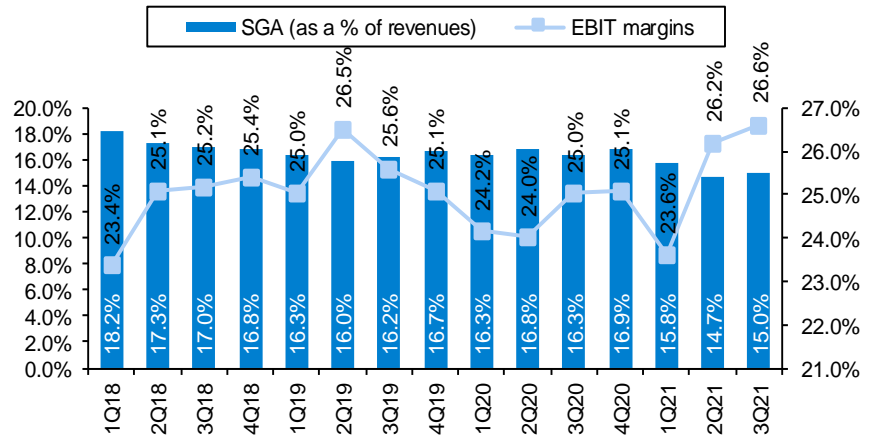
Source: Company, PL

Exhibit 7: Strong beat in margin despite wage hike/ bonuses



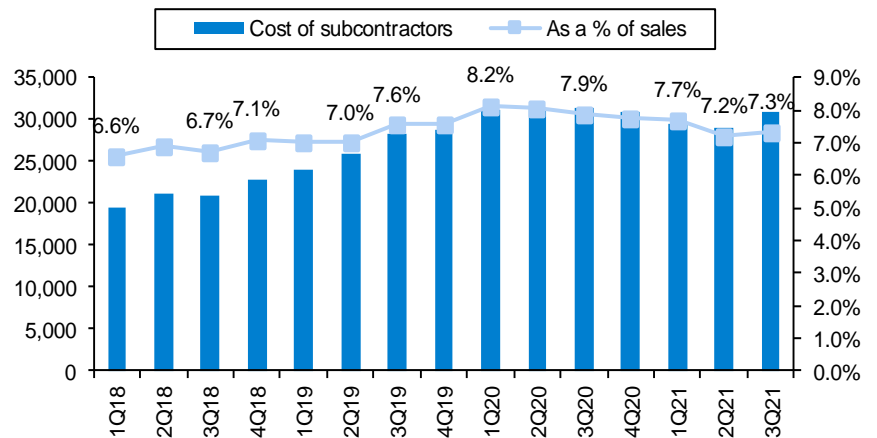
Source: Company, PL

Exhibit 8: SGA costs maintained within narrow band of 14-15%



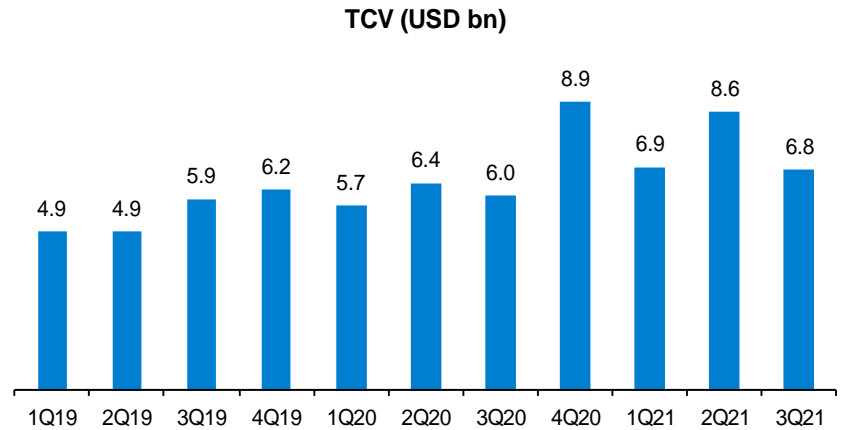
Source: Company, PL

Exhibit 9: Sub-Contracting building new normal level



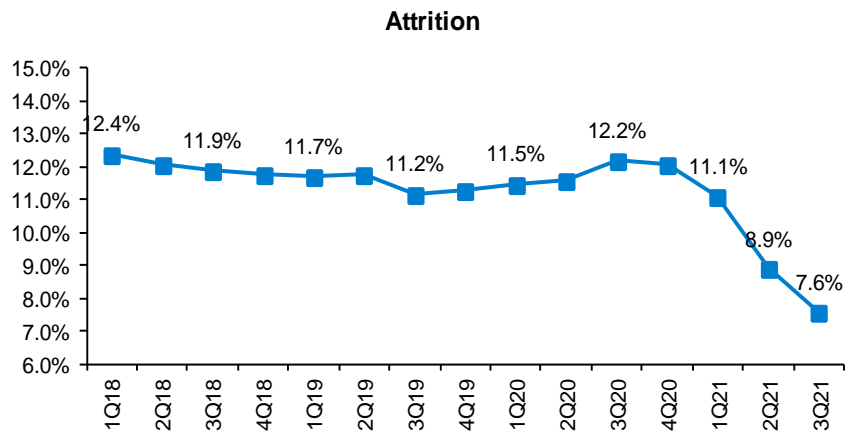
Source: Company, PL

Exhibit 10: TCV Deal Pipeline continues to remain strong



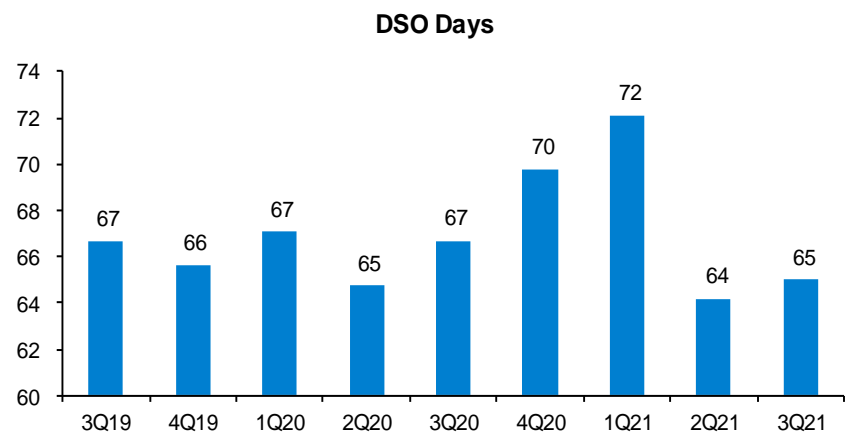
Source: Company, PL

Exhibit 11: Attrition at historical low



Source: Company, PL

Exhibit 12: DSO days maintained



Source: Company, PL

Valuations

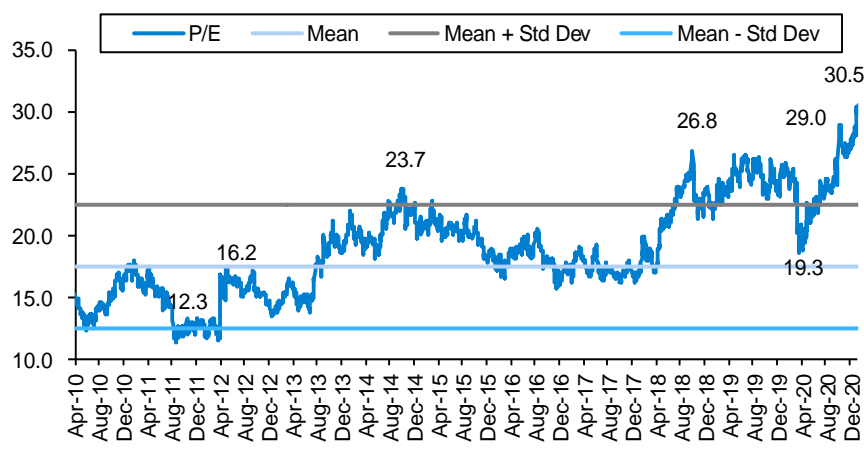
- We have projected revenue growth of 14.5% (earlier: 11.3%) & 11.5% (earlier:10.9%) on account of strong deal wins & TCS will be at forefront accelerating digital shift and core transformation for clients.
- We continue to believe strong revenue growth for FY22 will be led by 1) Client focusing aggressively towards digital transformation, 2) TCS is well positioned to address opportunity from accelerated cloud adoption.
- TCS will be the major beneficiary of vendor consolidation, supported by its scale and end-to end services capability. Strong payout ratio, more focus towards WFH will help in improving margin tailwinds. Industry tailwinds and TCS specific strengths (lowest attrition, strong execution, access to large talent pool, and company’s confidence in successfully implementing its WFH strategy sustainably) would enable TCS to maintain industry leading margins and returns, in our view. Reiterate BUY.

Exhibit 13: Change in Estimates

Y/e March	FY21E	FY22E	FY23E
USD revenues (US\$ m)			
- New	22,114	25,315	28,223
- Old	21,945	24,417	27,072
<i>Change (%)</i>	<i>0.8%</i>	<i>3.7%</i>	<i>4.2%</i>
USD Revenue growth YoY	0.4%	14.5%	11.5%
EBIT Margin			
- New	25.9%	26.4%	26.3%
- Old	25.1%	26.0%	25.6%
<i>Change (%)</i>	<i>76 bps</i>	<i>44 bps</i>	<i>75 bps</i>
Recurring EPS - Fully diluted (Rs)			
- New	87.9	106.4	119.5
- Old	86.1	101.3	111.9
<i>Change (%)</i>	<i>2.1%</i>	<i>5.0%</i>	<i>6.8%</i>

Source: Company, PL

Exhibit 14: One year forward PE chart of TCS



Source: Bloomberg, Company, PL

Exhibit 15: Geography-wise growth led by North America at 3.5% QoQ USD

(US\$ m)	3Q21	2Q21	QoQ gr.	3Q20	YoY gr.
America	2,897	2,799	3.5%	2,910	-0.5%
North America	2,800	2,707	3.4%	2,799	0.0%
Ibero America	97	92	5.1%	112	-13.2%
Europe	1,819	1,725	5.5%	1,720	5.7%
UK	895	841	6.5%	888	0.8%
Continental Europe	924	884	4.5%	832	11.0%
India	319	271	17.7%	318	0.3%
Asia Pacific	553	526	5.1%	519	6.5%
MEA	108	103	5.1%	123	-11.8%
% of Total					
America	50.8%	51.6%	-80 bps	52.1%	-130 bps
North America	49.1%	49.9%	-80 bps	50.1%	-100 bps
Ibero America	1.7%	1.7%	0 bps	2.0%	-30 bps
Europe	31.9%	31.8%	10 bps	30.8%	110 bps
UK	15.7%	15.5%	20 bps	15.9%	-20 bps
Continental Europe	16.2%	16.3%	-10 bps	14.9%	130 bps
India	5.6%	5.0%	60 bps	5.7%	-10 bps
Asia Pacific	9.7%	9.7%	0 bps	9.3%	40 bps
MEA	1.9%	1.9%	0 bps	2.2%	-30 bps

Source: Company, PL

Exhibit 16: Sequential growth led by Manufacturing & Life Sciences

(US\$ m)	3Q21	2Q21	QoQ gr.	3Q20	YoY gr.
BFSI	1,785	1,730	3.1%	1,698	5.1%
Retail & CPG	827	792	4.4%	849	-2.6%
Comm & media	376	353	6.7%	391	-3.8%
Mfg	547	510	7.4%	559	-2.0%
Life Sc & Healthcare	559	532	5.1%	464	20.5%
Tech Services	490	483	1.6%	469	4.5%
Regional Markets & Others	1,118	1,025	9.0%	1,156	-3.3%
Total	5,702	5,059	12.7%	5,586	2.1%
% of Total					
BFSI	31.3%	31.9%	-60 bps	30.4%	90 bps
Retail & CPG	14.5%	14.6%	-10 bps	15.2%	-70 bps
Comm & media	6.6%	6.5%	10 bps	7.0%	-40 bps
Mfg	9.6%	9.4%	20 bps	10.0%	-40 bps
Life Sc & Healthcare	9.8%	9.8%	0 bps	8.3%	150 bps
Tech Services	8.6%	8.9%	-30 bps	8.4%	20 bps
Regional Markets & Others	19.6%	18.9%	70 bps	20.7%	-110 bps

Source: Company, PL

Exhibit 17: Client Metrics expected to remain soft for next 2-3 quarters

	3Q21	2Q21	QoQ gr.	3Q20	YoY gr.
US\$ 1mn clients	1,077	1,076	1	1,053	24
US\$ 5mn clients	565	565	0	557	8
US\$ 10mn clients	386	386	0	395	-9
US\$ 20mn clients	229	228	1	232	-3
US\$ 50mn clients	97	97	0	102	-5
US\$ 100mn clients	48	49	-1	47	1

Source: Company, PL

Exhibit 18: Highest ever headcount addition in a quarter

Headcount Metrics	3Q21	2Q21	QoQ gr.	3Q20	YoY gr.
Headcount	4,69,261	4,53,540	3.5%	4,46,675	5.1%
Net Addition (Consolidated)	15,721	1,789	778.8%	6,356	147.3%
Overall Attrition	7.6%	12.1%	-450 bps	11.3%	-370 bps

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
Net Revenues	15,69,490	16,41,589	18,98,627	21,44,924
YoY gr. (%)	7.2	4.6	15.7	13.0
Employee Cost	8,94,250	9,31,771	10,44,630	11,79,708
Gross Profit	6,75,240	7,09,818	8,53,997	9,65,216
Margin (%)	43.0	43.2	45.0	45.0
SG&A Expenses	-	-	-	-
Other Expenses	-	-	-	-
EBITDA	4,23,200	4,60,647	5,30,921	5,97,676
YoY gr. (%)	7.1	8.8	15.3	12.6
Margin (%)	27.0	28.1	28.0	27.9
Depreciation and Amortization	37,400	36,166	29,231	33,083
EBIT	3,85,800	4,24,481	5,01,690	5,64,593
Margin (%)	24.6	25.9	26.4	26.3
Net Interest	-	-	-	-
Other Income	36,680	23,820	29,042	34,299
Profit Before Tax	4,22,480	4,48,301	5,30,732	5,98,891
Margin (%)	26.9	27.3	28.0	27.9
Total Tax	98,010	1,14,196	1,27,373	1,45,527
Effective tax rate (%)	23.2	25.5	24.0	24.3
Profit after tax	3,24,470	3,34,105	4,03,359	4,53,364
Minority interest	1,070	1,035	300	300
Share Profit from Associate	-	-	-	-
Adjusted PAT	3,23,400	3,33,070	4,03,059	4,53,064
YoY gr. (%)	2.8	3.0	21.0	12.4
Margin (%)	20.6	20.3	21.2	21.1
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	3,23,400	3,33,070	4,03,059	4,53,064
YoY gr. (%)	2.8	3.0	21.0	12.4
Margin (%)	20.6	20.3	21.2	21.1
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	3,23,400	3,33,070	4,03,059	4,53,064
Equity Shares O/s (m)	3,790	3,790	3,790	3,790
EPS (Rs)	85.3	87.9	106.4	119.5

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
Non-Current Assets				
Gross Block	1,60,710	1,93,329	2,17,129	2,39,934
Tangibles	1,19,380	1,51,999	1,75,799	1,98,604
Intangibles	41,330	41,330	41,330	41,330
Acc: Dep / Amortization	-	-	-	-
Tangibles	-	-	-	-
Intangibles	-	-	-	-
Net fixed assets	1,60,710	1,93,329	2,17,129	2,39,934
Tangibles	1,19,380	1,51,999	1,75,799	1,98,604
Intangibles	41,330	41,330	41,330	41,330
Capital Work In Progress	-	-	-	-
Goodwill	-	-	-	-
Non-Current Investments	2,160	2,160	2,160	2,160
Net Deferred tax assets	-	-	-	-
Other Non-Current Assets	1,64,890	1,64,890	1,64,890	1,64,890
Current Assets				
Investments	-	-	-	-
Inventories	-	-	-	-
Trade receivables	3,62,640	4,13,681	4,78,454	5,40,521
Cash & Bank Balance	3,55,910	4,59,742	5,92,715	7,78,427
Other Current Assets	1,83,820	65,664	75,945	85,797
Total Assets	12,30,130	12,99,465	15,31,293	18,11,729
Equity				
Equity Share Capital	3,750	3,750	3,750	3,750
Other Equity	8,58,650	9,85,179	11,83,591	14,32,009
Total Network	8,62,400	9,88,929	11,87,341	14,35,759
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	-	-	-	-
Other non current liabilities	97,130	97,130	97,130	97,130
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	-	-	-	-
Other current liabilities	2,70,600	2,13,407	2,46,822	2,78,840
Total Equity & Liabilities	12,30,130	12,99,465	15,31,293	18,11,729

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
PBT	4,22,480	4,48,301	5,30,732	5,98,891
Add. Depreciation	37,400	36,166	29,231	33,083
Add. Interest	-	-	-	-
Less Financial Other Income	36,680	23,820	29,042	34,299
Add. Other	-	-	-	-
Op. profit before WC changes	4,59,880	4,84,467	5,59,963	6,31,974
Net Changes-WC	(27,130)	9,923	(41,640)	(39,900)
Direct tax	(98,010)	(1,14,196)	(1,27,373)	(1,45,527)
Net cash from Op. activities	3,34,740	3,80,194	3,90,950	4,46,548
Capital expenditures	(41,480)	(68,785)	(53,031)	(55,889)
Interest / Dividend Income	-	-	-	-
Others	230	-	-	-
Net Cash from Inv. activities	(41,250)	(68,785)	(53,031)	(55,889)
Issue of share cap. / premium	-	-	-	-
Debt changes	(440)	-	-	-
Dividend paid	(2,31,175)	(2,06,541)	(2,04,646)	(2,04,646)
Interest paid	-	-	-	-
Others	(1,25,355)	(1,035)	(300)	(300)
Net cash from Fin. activities	(3,56,970)	(2,07,576)	(2,04,946)	(2,04,946)
Net change in cash	(63,480)	1,03,832	1,32,972	1,85,713
Free Cash Flow	2,93,260	3,11,409	3,37,919	3,90,659

Source: Company Data, PL Research

Key Financial Metrics

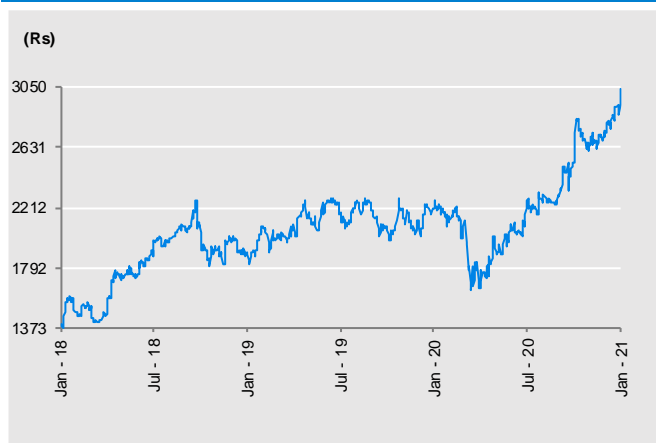
Y/e Mar	FY20	FY21E	FY22E	FY23E
Per Share(Rs)				
EPS	85.3	87.9	106.4	119.5
CEPS	95.2	97.4	114.1	128.3
BVPS	227.6	260.9	313.3	378.9
FCF	77.4	82.2	89.2	103.1
DPS	61.0	54.5	54.0	54.0
Return Ratio(%)				
RoCE	43.9	45.9	46.1	43.0
ROIC	37.8	38.8	39.0	35.6
RoE	36.8	36.0	37.0	34.5
Balance Sheet				
Net Debt : Equity (x)	(0.4)	(0.5)	(0.5)	(0.5)
Debtor (Days)	84	92	92	92
Valuation(x)				
PER	36.6	35.5	29.3	26.1
P/B	13.7	12.0	10.0	8.2
P/CEPS	32.8	32.0	27.4	24.3
EV/EBITDA	27.1	24.7	21.2	18.5
EV/Sales	7.3	6.9	5.9	5.2
Dividend Yield (%)	2.0	1.7	1.7	1.7

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY20	Q1FY21	Q2FY21	Q3FY21
Net Revenue	3,99,460	3,83,220	4,01,350	4,20,150
YoY gr. (%)	5.1	0.4	3.0	5.4
Raw Material Expenses	2,24,410	2,24,860	2,29,580	2,37,490
Gross Profit	1,75,050	1,58,360	1,71,770	1,82,660
Margin (%)	43.8	41.3	42.8	43.5
EBITDA	1,09,760	1,00,250	1,15,130	1,21,720
YoY gr. (%)	9.0	(0.1)	12.6	9.8
Margin (%)	27.5	26.2	28.7	29.0
Depreciation / Depletion	9,510	9,770	9,980	9,880
EBIT	1,00,250	90,480	1,05,150	1,11,840
Margin (%)	25.1	23.6	26.2	26.6
Net Interest	-	-	-	-
Other Income	4,870	4,560	7,400	5,080
Profit before Tax	1,05,120	95,040	1,12,550	1,16,920
Margin (%)	26.3	24.8	28.0	27.8
Total Tax	24,190	24,550	27,930	29,650
Effective tax rate (%)	23.0	25.8	24.8	25.4
Profit after Tax	80,930	70,490	84,620	87,270
Minority interest	440	410	290	260
Share Profit from Associates	-	-	-	-
Adjusted PAT	80,490	70,080	84,330	87,010
YoY gr. (%)	(0.9)	(13.8)	4.9	7.2
Margin (%)	20.1	18.3	21.0	20.7
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	80,490	70,080	84,330	87,010
YoY gr. (%)	(0.9)	(13.8)	4.9	7.2
Margin (%)	20.1	18.3	21.0	20.7
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	80,490	70,080	84,330	87,010
Avg. Shares O/s (m)	3,750	3,750	3,750	3,752
EPS (Rs)	21.5	18.7	22.5	23.2

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	04-Jan-21	BUY	3,358	2,928
2	08-Oct-20	BUY	3,200	2,736
3	05-Oct-20	BUY	2,738	2,523
4	01-Oct-20	BUY	2,738	2,492
5	10-Jul-20	Hold	2,116	2,204
6	04-Jul-20	Hold	1,982	2,200
7	17-Apr-20	Hold	1,584	1,716
8	12-Apr-20	Hold	1,723	1,766
9	04-Feb-20	Hold	2,106	2,103
10	18-Jan-20	Hold	2,106	2,219

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Coforge	BUY	2,966	2,722
2	Cyient	BUY	606	514
3	HCL Technologies	BUY	1,152	951
4	Infosys	BUY	1,538	1,260
5	L&T Technology Services	BUY	2,509	2,410
6	Larsen & Toubro Infotech	BUY	3,714	3,694
7	Mindtree	BUY	1,792	1,659
8	Mphasis	BUY	1,802	1,530
9	Persistent Systems	BUY	1,526	1,498
10	Redington (India)	BUY	138	133
11	Sonata Software	BUY	437	393
12	Tata Consultancy Services	BUY	3,358	2,928
13	TeamLease Services	BUY	2,931	2,666
14	Tech Mahindra	BUY	1,099	978
15	Wipro	BUY	434	388
16	Zensar Technologies	BUY	257	243

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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