

January 13, 2022

Q3FY22 Result Update

Change in Estimates | Target | Reco

Change in Estimates

| | Current | | Previous | |
|---------------------|---------|---------|----------|---------|
| | FY23E | FY24E | FY23E | FY24E |
| Rating | BUY | | BUY | |
| Target Price | 5,249 | | 5,141 | |
| Sales (Rs. m) | 129,932 | 149,851 | 130,444 | 150,445 |
| % Chng. | (0.4) | (0.4) | | |
| EBITDA (Rs. m) | 26,168 | 30,358 | 26,110 | 30,478 |
| % Chng. | 0.2 | (0.4) | | |
| EPS (Rs.) | 116.1 | 133.8 | 114.4 | 133.3 |
| % Chng. | 1.5 | 0.4 | | |

Key Financials - Consolidated

| Y/e Mar | FY21 | FY22E | FY23E | FY24E |
|----------------|--------|---------|---------|---------|
| Sales (Rs.m) | 79,678 | 105,029 | 129,932 | 149,851 |
| EBITDA (Rs. m) | 16,428 | 21,796 | 26,168 | 30,358 |
| Margin (%) | 20.6 | 20.8 | 20.1 | 20.3 |
| PAT (Rs. m) | 11,083 | 16,165 | 19,120 | 22,041 |
| EPS (Rs.) | 67.3 | 98.1 | 116.1 | 133.8 |
| Gr. (%) | 75.6 | 45.8 | 18.3 | 15.3 |
| DPS (Rs.) | 25.0 | 27.5 | 27.5 | 27.5 |
| Yield (%) | 0.5 | 0.6 | 0.6 | 0.6 |
| RoE (%) | 29.7 | 34.3 | 33.0 | 30.1 |
| RoCE (%) | 36.2 | 40.4 | 38.9 | 35.8 |
| EV/Sales (x) | 9.5 | 7.2 | 5.7 | 4.8 |
| EV/EBITDA (x) | 46.0 | 34.5 | 28.3 | 23.9 |
| PE (x) | 70.5 | 48.3 | 40.9 | 35.4 |
| P/BV (x) | 18.1 | 15.3 | 12.0 | 9.6 |

Key Data

MINT.BO | MTCL IN

| | |
|----------------------|----------------------|
| 52-W High / Low | Rs.5,060 / Rs.1,540 |
| Sensex / Nifty | 61,235 / 18,258 |
| Market Cap | Rs.782bn/ \$ 10,582m |
| Shares Outstanding | 165m |
| 3M Av g. Daily Value | Rs.5317.36m |

Shareholding Pattern (%)

| | |
|-------------------------|-------|
| Promoter's | 61.00 |
| Foreign | 15.72 |
| Domestic Institution | 9.71 |
| Public & Others | 13.57 |
| Promoter Pledge (Rs bn) | - |

Stock Performance (%)

| | 1M | 6M | 12M |
|----------|-------|------|-------|
| Absolute | 3.2 | 90.1 | 171.8 |
| Relative | (1.8) | 63.8 | 119.7 |

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Firing on the engines of Profit and Growth!

Quick Pointers:

- Massive beat in EBIT margins, 19.2%, +100bps QoQ (Ple: 18%, Cons: 18.3%) despite supplyside pressures due to higher attrition is impressive.
- Continued strong headcount addition +7% QoQ, +44% YoY with aggressive fresher hiring targets (~1500 fresher intake per quarter).

MTCL reported 5.2% QoQ CC, 4.7% QoQ USD growth (Ple: 5.1%, Cons: 6%), delivering greater than 5% QoQ CC growth for four consecutive quarters. Miss in revenue was led by softness in RCM (+0.1% QoQ USD) as Retail clients paused their digital transformation initiatives to focus on peak demand during holiday season. These initiatives have restarted in Q4 and growth momentum is back in RCM. Growth was healthy in rest of the verticals.

MTCL reported healthy deal TCv of USD \$358 mn, +14.6% YoY, flattish QoQ despite weak seasonality. It won 10 cloud deals this quarter on back of expanded partnership with one of the hyperscalars. Demand continues to be strong with increasing number of deals coming with large tail of growth.

MTCL reported strong beat in EBIT margin, 19.2%, +100bps QoQ, (Ple: 18%, Cons: 18.3%). Unlike peers, MTCL's sub-con costs as % of revenue trended down since last two quarters despite rising attrition. Aggressive fresher hiring since last few quarters is also aiding margin through pyramid optimization. Trailing 12 months' attrition increased to 21.9%, +420bps QoQ. We believe attrition may peak out next quarter and stabilize thereafter.

MTCL is one of the few companies which is firing on both the engines - 1) strong sustainable growth and 2) steady increase in margins. Our EPS estimates has increased by 3.7%/1.5%/0.4% in FY22/23/24 led by slight increase in margin estimates. We were already ahead by ~12% compared to FY23/24 consensus EPS estimates. We raise our DCF based TP to INR 5,249 from earlier INR 5,141 (implied earnings target multiple of 39x on FY24 EPS). MTCL is currently trading at 41x/35.4x on earnings of INR 116.1/133.8 for FY23/24 respectively with Revenue/EPS CAGR of 17%/17% for FY22-24E.

- Four consecutive quarters of greater than 5% CC growth:** MTCL reported revenue of \$366.4 mn, growth of 5.2% QoQ CC, 4.7% QoQ in USD terms (Ple: 5.1%, Cons: 6%) below our & cons estimates led by softness in RCM which grew +0.1% QoQ USD on a larger base on Q2 (+29.6% QoQ USD growth in Q2 in RCM).
- Weakness in RCM is temporary; strong demand momentum sustains:** Weakness in RCM was because some of the big retail clients had paused their transformation initiatives amidst peak demand during holiday season to concentrate to day-to-day business. These initiatives have restarted in Q4 and management expects growth momentum to continue in this vertical. Weakness in RCM is also reflected in decline in UK and Ireland markets (-7.1% QoQ USD) which has presence of these retail clients.

Management mentioned that demand continues to be strong with increasing number of deals coming with large tail of growth.

Strong growth in \$5mn to \$20 mn client buckets. \$5 million+ clients grew by 5 YoY, total 52 and \$10 million+ clients grew by 11 YoY, total 33.

Top client grew 7% QoQ, 17% YoY.

YTD deal TCV crossed \$1.2 billion.

- **Demand commentary across verticals:**
 - **RCM (0.1% QoQ USD, 24.3% of revenue):** In RCM demand is driven by areas such as consumer experience, core modernization, smart factory, intelligent and connected experiences. MTCL won several large deals in this vertical from -1) Annuity contract form home improvement retailer, 2) Australian online automotive market place, and 3) leading global automotive car manufacturer.
 - **BFSI (+4.7% QoQ USD, 17.5% of revenues):** BFSI verticals reached annual revenue run-rate of \$250 Mn this quarter. MTCL won strategic deals in this space – 1) building new specialty finance platform for a leading credit bureau, 2) Transformation partners across multiple service lines for a leading credit card provider, 3) Modernizing platform of leading payments provider etc.
 - **CMT (+6.1% QoQ USD, 43.1% of revenues):** In CMT there is strong demand from CSPs and OEMs to accelerate rollout of 5G related products, digitization of content chains of media providers and help innovate technology company's platforms. MTCL won 2 large deals in this vertical -1) leading global hyperscaler signed an annuity contract and 2) Preferred supplier for product engineering for one of that world's largest technology companies.
 - **TTH (+7% QoQ USD, 13.8% of revenues):** TTH vertical crossed annual run-rate of \$200 Mn this quarter. MTCL won a large deal from global vacation company to enhance competitive differentiation. It is also working with diverse set of clients in this vertical - Rail company, fast casual restaurant chain, travel technology company, global real estate franchise etc. to make revenue streams more resilient
 - **Healthcare (+29.2% QoQ USD, 1.3% of revenues):** Newly carved out healthcare vertical grew +29.2% QoQ USD aided by low base. MTCL is working with a leading US based managed healthcare and insurance company.
- In terms of service lines, growth was led by Data & Intelligence (7.7% QoQ USD) and Cloud (+7.1% QoQ USD). MTCL won one of the largest data and intelligence deal with a leading accounting and advisory organization. **It has won 10 Cloud deals this quarter on back of expanded relationship with one of leading hyper-scalar.**
- **Healthy deal win momentum:** MTCL reported healthy deal TCV of USD \$358 mn, +14.6% YoY. (\$360 mn in 2Q22 and \$312 mn in 3Q21). Management mentioned that digital transformation deals are iterative in nature and short cycle deals which eventual transform in to multi-year transformation agenda. Therefore, strong demand environment may not be reflected in deal TCV but will flow in to bookings and revenue as digital transformation agenda of clients progresses.
- **Strong beat in margins:** EBIT margin at 19.2%, +100bps QoQ, (Ple: 18%, Cons: 18.3%) was much above our and cons estimates. Margin tailwinds – 1) 60bps due to business growth and operational efficiency and 2) 40bps due to favourable currency impact.

MTCL targets to hire 1500 freshers per quarter. It has ramped up its fresher hiring program with target to increase campus recruitments by 40-50% in FY23.

- Well managed sub-con costs:** Unlike peers whose sub-con costs have increased, MTCL's sub-con costs as % of revenue trended down since last two quarters (11.3% in 1Q22, 10.6% in 2Q22, 9.8% in 3Q22) despite rising attrition. MTCL's ability to utilize sub-con as margin lever is impressive. Aggressive fresher hiring since last few quarters is also aiding margins through pyramid optimization.
- Utilization trended downwards to 81.5% (vs 82.9% in 2Q22 and 83.1% in 3Q21). Offshore effort mix improved to 86% (vs 85% in 3Q22 and 82.8% in 3Q21). Management mentioned that offshore effort mix is at its peak and may come done as international travel opens up via not only increase onshore but also near shore delivery centres in Eastern Europe.
- Strong headcount addition; rise in attrition:** Strong hiring continued with net addition of 2,227 employees, +7% QoQ, +44% YoY in 3Q22. (vs 2,476 in 2Q22). MTCL is aggressively increasing intake of freshers with improved campus recruitment programs. It is also opening delivery centres in Tier 2 cities like Coimbatore and Warangal which is expected to have relatively lower attrition compared to Tier 1 cities. Trailing 12 months' attrition increased to 21.9%, +420bps QoQ (vs 17.7% in 2Q22 and 12.5% in 3Q21)
- DSO days was at 64days, -3 days QoQ, +5days YoY. Cash and investment balances are at all-time high of USD 412.7 mn. OCF/EBITDA improved significantly to 77.6% vs 52.6% last quarter. Annualized ROCE for the quarter was 44.5% and ROE for the quarter was 36.2%.

Exhibit 1: Q3FY22 quick view on results

| Rs m | 3Q21 | 2Q22 | 3Q22 | QoQ gr. | YoY gr. | 3Q22E | % var from est |
|--------------------|--------|--------|--------|---------|---------|--------|----------------|
| Net Sales (US\$ m) | 274.1 | 350.1 | 366.4 | 4.7% | 33.7% | 367.9 | -0.4% |
| Net Sales | 20,237 | 25,862 | 27,500 | 6.3% | 35.9% | 27,222 | 1.0% |
| EBITDA | 4,679 | 5,307 | 5,921 | 11.6% | 26.5% | 5,444 | 8.8% |
| EBITDA margin (%) | 23.1% | 20.5% | 21.5% | 101bp | -159bp | 20.0% | 153bp |
| EBIT | 3,962 | 4,697 | 5,289 | 12.6% | 33.5% | 4,894 | 8.1% |
| EBIT margin (%) | 19.6% | 18.2% | 19.2% | 107bp | -35bp | 18.0% | 125bp |
| PBT | 4,451 | 5,320 | 5,870 | 10.3% | 31.9% | 5,312 | 10.5% |
| Income tax | 1,186 | 1,331 | 1,495 | 12.3% | 26.1% | 1,328 | 12.6% |
| Reported PAT | 3,265 | 3,989 | 4,375 | 9.7% | 34.0% | 3,984 | 9.8% |
| EPS diluted (Rs.) | 19.8 | 12.5 | 26.53 | 111.7% | 33.7% | 24.2 | 9.8% |

Source: Company, PL

Valuation

MTCL is one of the few companies which is firing on both the engines - 1) strong sustainable growth and 2) steady increase in margins. Our EPS estimates has increased by 3.7%/1.5%/0.4% in FY22/23/24 led by slight increase in margin estimates. We were already ahead by ~12% compared to FY23/24 consensus EPS estimates. We raise our DCF based TP to INR 5,249 from earlier INR 5,141 (implied earnings target multiple of 39x on FY24 EPS). MTCL is currently trading at 41x/35.4x on earnings of INR 116.1/133.8 for FY23/24 respectively with Revenue/EPS CAGR of 17%/17% for FY22-24E.

Exhibit 2: Change in Estimates

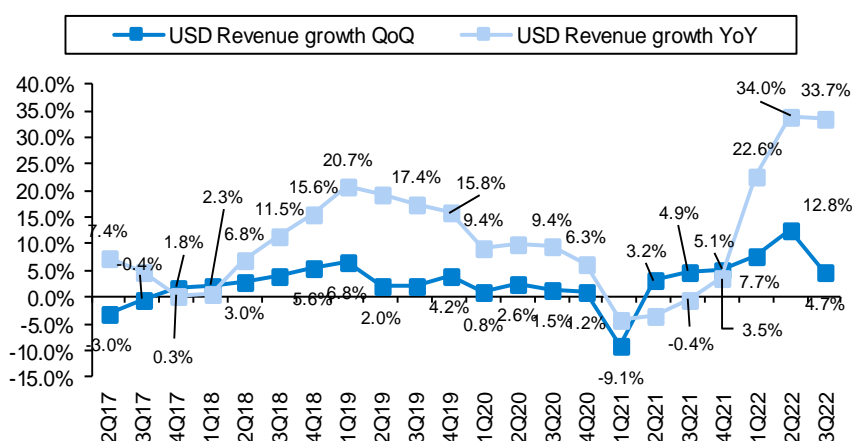
| Y/e March | FY22E | FY23E | FY24E |
|----------------------------------|---------------|---------------|--------------|
| USD revenues (US\$ m) | | | |
| - New | 1,416 | 1,710 | 1,946 |
| - Old | 1,419 | 1,716 | 1,954 |
| <i>Change (%)</i> | <i>-0.2%</i> | <i>-0.4%</i> | <i>-0.4%</i> |
| EBIT Margin | | | |
| - New | 18.5% | 17.6% | 17.7% |
| - Old | 17.9% | 17.5% | 17.7% |
| <i>Change (%)</i> | <i>60 bps</i> | <i>12 bps</i> | <i>0 bps</i> |
| Recurring EPS (Basic) Rs. | | | |
| - New | 98.1 | 116.1 | 133.8 |
| - Old | 94.6 | 114.4 | 133.3 |
| <i>Change (%)</i> | <i>3.7%</i> | <i>1.5%</i> | <i>0.4%</i> |

Source: Company, PL

Exhibit 3 : Segmental Margin Performance

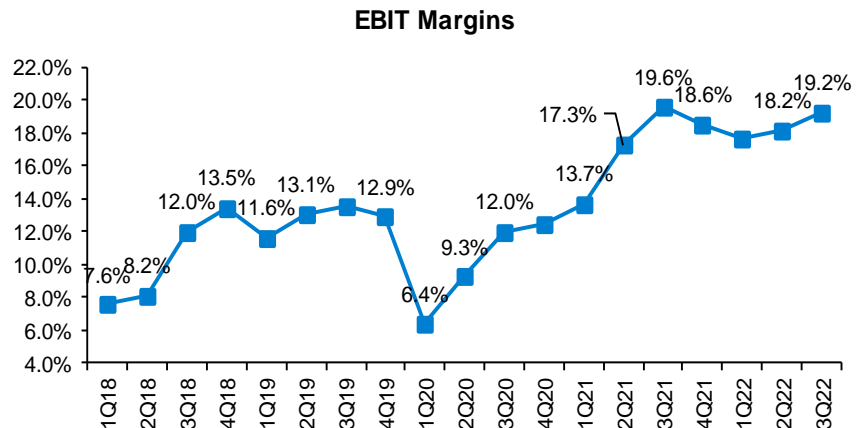
| | 2Q19 | 3Q19 | 4Q19 | 1Q20 | 2Q20 | 3Q20 | 4Q20 | 1Q21 | 2Q21 | 3Q21 | 4Q21 | 1Q22 | 2Q22 | 3Q22 |
|----------------------------|-------|-------|-------|-------|-------|-------|-------|--------|-------|-------|-------|-------|-------|-------|
| Revenues | | | | | | | | | | | | | | |
| Retail,CPG,Manufacturing | 3818 | 3984 | 4076 | 4077 | 4150 | 4048 | 4164 | 3927 | 4139 | 4381 | 4719 | 5059 | 6566 | 6674 |
| BFSI | 3924 | 3878 | 4015 | 3953 | 4136 | 4195 | 4195 | 3879 | 3922 | 3956 | 3875 | 4162 | 4536 | 4805 |
| CMT | 6892 | 7034 | 7290 | 7226 | 7612 | 8139 | 8816 | 9737 | 9597 | 10089 | 10412 | 10420 | 10995 | 11857 |
| Travel & Hospitality | 2920 | 2976 | 3013 | 3086 | 3245 | 3271 | 3330 | 1545 | 1602 | 1811 | 2087 | 3053 | 3489 | 3804 |
| Healthcare | | | | | | | | | | | | 223 | 276 | 360 |
| Operating Profit | | | | | | | | | | | | | | |
| Retail,CPG,Manufacturing | 578 | 712 | 674 | 575 | 664 | 740 | 865 | 783 | 927 | 1051 | 923 | 550 | 1140 | 1090 |
| BFSI | 222 | 101 | 184 | 190 | 468 | 627 | 716 | 785 | 830 | 916 | 779 | 902 | 921 | 932 |
| CMT | 1409 | 1577 | 1560 | 892 | 1016 | 1317 | 1529 | 2114 | 1910 | 2395 | 2472 | 2550 | 2454 | 2979 |
| Travel & Hospitality | 490 | 443 | 385 | 184 | 334 | 379 | 402 | -204 | 117 | 317 | 452 | 582 | 766 | 867 |
| Healthcare | | | | | | | | | | | | 61 | 26 | 53 |
| EBITDA Margins | | | | | | | | | | | | | | |
| Retail,CPG,Manufacturing | 15.1% | 17.9% | 16.5% | 14.1% | 16.0% | 18.3% | 20.8% | 19.9% | 22.4% | 24.0% | 19.6% | 10.9% | 17.4% | 16.3% |
| BFSI | 5.7% | 2.6% | 4.6% | 4.8% | 11.3% | 14.9% | 17.1% | 20.2% | 21.2% | 23.2% | 20.1% | 21.7% | 20.3% | 19.4% |
| CMT | 20.4% | 22.4% | 21.4% | 12.3% | 13.3% | 16.2% | 17.3% | 21.7% | 19.9% | 23.7% | 23.7% | 24.5% | 22.3% | 25.1% |
| Travel & Hospitality | 16.8% | 14.9% | 12.8% | 6.0% | 10.3% | 11.6% | 12.1% | -13.2% | 7.3% | 17.5% | 21.7% | 19.1% | 22.0% | 22.8% |
| Healthcare | | | | | | | | | | | | 27.4% | 9.4% | 14.7% |
| Consolidated EBITDA Margin | 13.1% | 13.6% | 12.9% | 6.4% | 9.3% | 12.0% | 12.5% | 13.7% | 17.3% | 23.1% | 21.9% | 20.3% | 20.5% | 21.5% |
| Revenue Mix | | | | | | | | | | | | | | |
| Retail,CPG,Manufacturing | 21.7% | 22.3% | 22.2% | 22.2% | 21.7% | 20.6% | 20.3% | 20.6% | 21.5% | 21.6% | 22.4% | 22.1% | 25.4% | 24.3% |
| BFSI | 22.4% | 21.7% | 21.8% | 21.6% | 21.6% | 21.3% | 20.4% | 20.3% | 20.4% | 19.6% | 18.4% | 18.2% | 17.5% | 17.5% |
| CMT | 39.2% | 39.3% | 39.6% | 39.4% | 39.8% | 41.5% | 43.1% | 51.0% | 49.8% | 49.9% | 49.4% | 45.4% | 42.5% | 43.1% |
| Travel & Hospitality | 16.7% | 16.7% | 16.4% | 16.8% | 16.9% | 16.6% | 16.2% | 16.6% | 8.1% | 8.9% | 12.7% | 13.3% | 13.5% | 13.8% |
| Healthcare | | | | | | | | | | | | 1.0% | 1.1% | 1.3% |

Source: Company, PL

Exhibit 4 : Healthy sequential growth


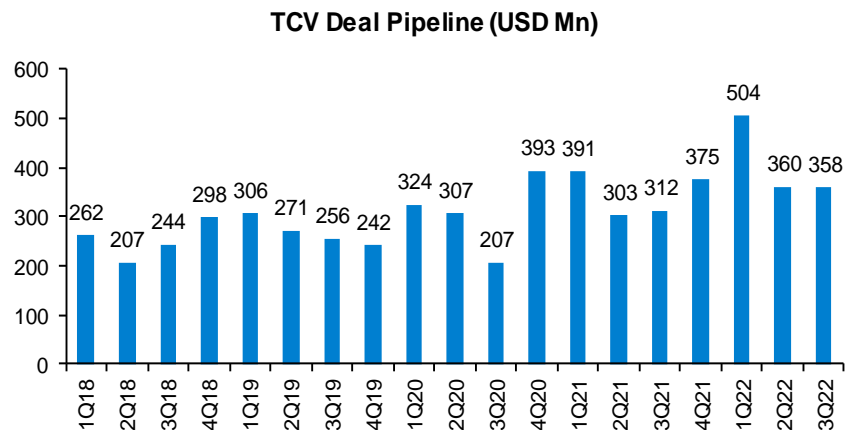
Source: Company, PL

Exhibit 5: Increase in margin despite supply side pressures



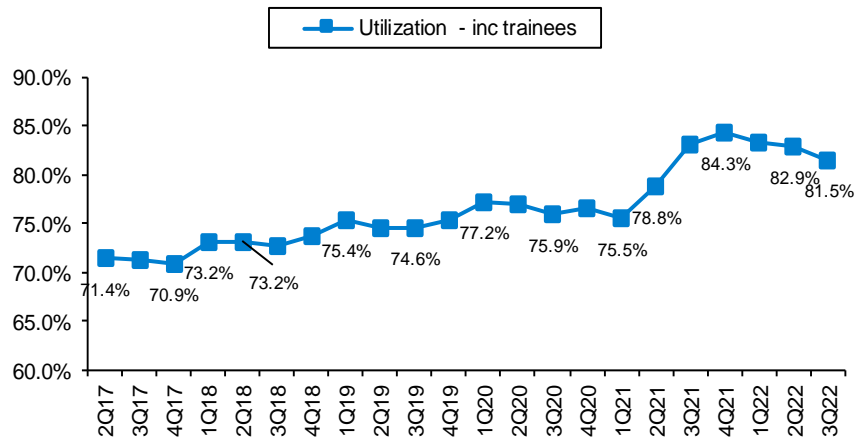
Source: Company, PL

Exhibit 6: Strong deal TCV, +14.6% YoY



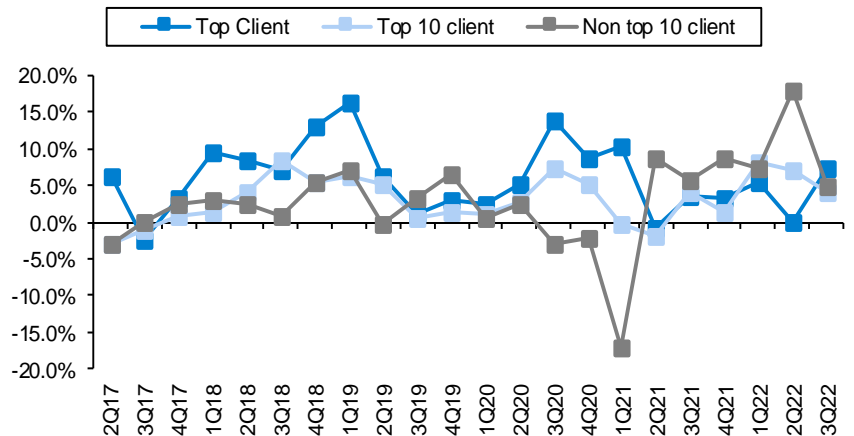
Source: Company, PL

Exhibit 7: Utilization trending down



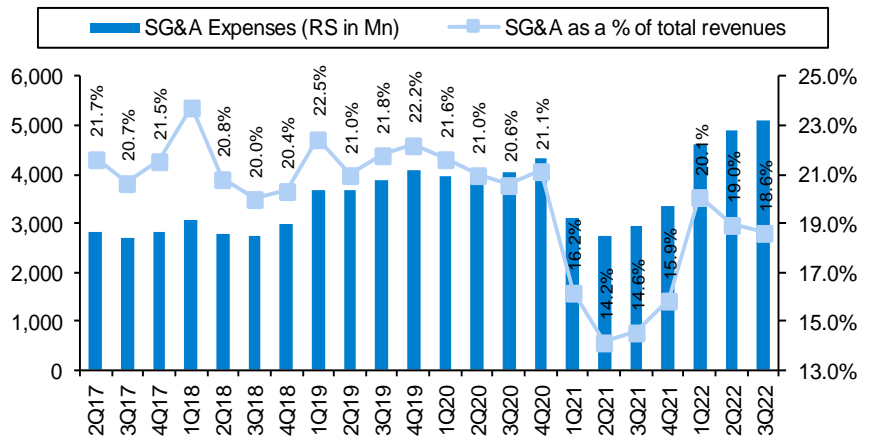
Source: Company, PL

Exhibit 8: Strong growth in top 10, +7% QoQ USD, 17% YoY USD



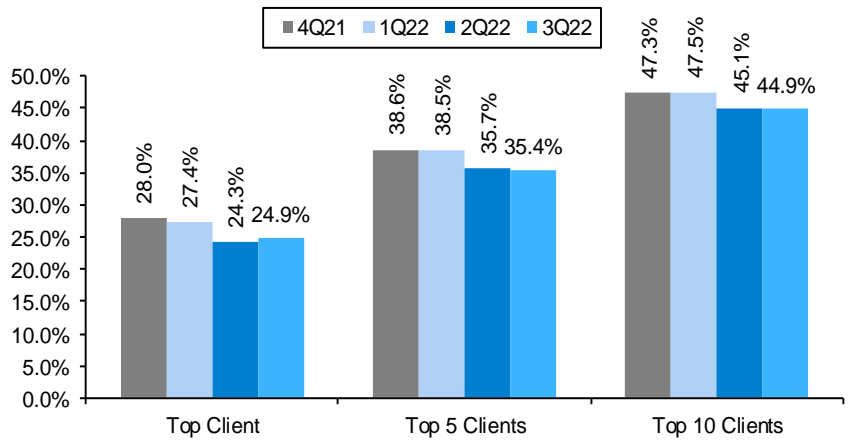
Source: Company, PL

Exhibit 9: SG&A expenses declined by 40bps QoQ



Source: Company, PL

Exhibit 10: Steady reduction in client concentration



Source: Company, PL

Exhibit 11: Europe led growth in 3QFY22

| (US\$ m) | 3Q21 | 2Q22 | 3Q22 | QoQ gr | YoY gr. |
|-----------------------------------|-------|-------|-------|--------|---------|
| America | 212 | 255 | 267 | 4.9 | 26.4 |
| Europe | 42 | 69 | 68 | (0.7) | 63.6 |
| APAC / Rest of the World | 21 | 27 | 31 | 15.7 | 47.7 |
| Geography wise(% of sales) | | | | | |
| America | 77.2% | 72.8% | 73.0% | 20bp | -420bp |
| Europe | 15.2% | 19.6% | 18.6% | -100bp | 340bp |
| APAC / Rest of the World | 7.6% | 7.6% | 8.4% | 80bp | 80bp |

Source: Company, PL

Exhibit 12: Client Metrics

| | 3Q21 | 2Q22 | 3Q22 | QoQ gr. | YoY gr. |
|-----------------------------------|-------|-------|-------|---------|---------|
| Total active clients | 276 | 263 | 265 | 2.00 | (11.0) |
| New clients added | 8 | 7 | 8 | 1.00 | 0.0 |
| Customer Concentration (%) | | | | | |
| Top Customer | 28.5% | 24.3% | 24.9% | 60bp | -360bp |
| Top 5 Customers | 39.8% | 35.7% | 35.4% | -30bp | -440bp |
| Top 10 Customers | 49.0% | 45.1% | 44.9% | -20bp | -410bp |
| Receivables position | | | | | |
| Days of Sales Outstanding | 61 | 67 | 64 | (3.0) | 3.0 |
| Client relationships | | | | | |
| US\$ 1m+ | 120 | 127 | 136 | 9.0 | 16.0 |
| US\$ 5m+ | 43 | 50 | 52 | 2.0 | 9.0 |
| US\$ 10m+ | 21 | 30 | 33 | 3.0 | 12.0 |
| US\$ 50m+ | 4 | 0 | 0 | 0.0 | (4.0) |

Source: Company, PL

Exhibit 13: Headcount Metrics

| | 3Q21 | 2Q22 | 3Q22 | QoQ gr. | YoY gr. |
|------------------------------|--------|--------|--------|---------|---------|
| Total employees | 22,195 | 29,732 | 31,959 | 2,227.0 | 9,764.0 |
| - net hiring | 368 | 2,476 | 2,227 | (249.0) | 1,859.0 |
| Delivery employees | 20,976 | 28,218 | 30,338 | 2,120.0 | 9,362.0 |
| - net addition | 343 | 2,349 | 2,120 | (229.0) | 1,777.0 |
| Sales and support | 1,219 | 1,516 | 1,621 | 105.0 | 402.0 |
| Utilization % - inc trainees | 83.1% | 82.9% | 81.5% | -140bp | -160bp |
| Attrition rate - LTM | 12.5% | 17.7% | 21.9% | 420bp | 940bp |

Source: Company, PL

Exhibit 14: Data & Intelligence and Cloud success led growth in 3QFY22

| | 3Q21 | 2Q22 | 3Q22 | QoQ gr. | YoY gr. |
|-------------------------------------|------|------|-------|---------|---------|
| Revenue by Service Offering* | 38% | 43% | 43% | -30bp | 480bp |
| Customer Success | 15% | 14% | 15% | 50bp | -10bp |
| Data & Intelligence | 19% | 19% | 19% | 40bp | -10bp |
| Cloud | 28% | 24% | 23.2% | -60bp | -460bp |
| Enterprise IT | 100% | 100% | 100% | | |
| Total | | | | | |
| Revenue by Service Offering* | | | | | |
| Customer Success | 104 | 151 | 157 | 3.9% | 50.5% |
| Data & Intelligence | 41 | 50 | 54 | 8.3% | 32.8% |
| Cloud | 53 | 65 | 70 | 6.9% | 33.0% |
| Enterprise IT | 76 | 83 | 85 | 2.0% | 11.6% |
| Total | 274 | 350 | 366 | 4.7% | 33.7% |

Source: Company, PL

Financials

Income Statement (Rs m)

| Y/e Mar | FY21 | FY22E | FY23E | FY24E |
|-------------------------------|---------------|----------------|----------------|----------------|
| Net Revenues | 79,678 | 105,029 | 129,932 | 149,851 |
| YoY gr. (%) | 2.6 | 31.8 | 23.7 | 15.3 |
| Employee Cost | 51,132 | 63,313 | 82,347 | 94,018 |
| Gross Profit | 28,546 | 41,717 | 47,585 | 55,833 |
| Margin (%) | 35.8 | 39.7 | 36.6 | 37.3 |
| SG&A Expenses | - | - | - | - |
| Other Expenses | - | - | - | - |
| EBITDA | 16,428 | 21,796 | 26,168 | 30,358 |
| YoY gr. (%) | 54.6 | 32.7 | 20.1 | 16.0 |
| Margin (%) | 20.6 | 20.8 | 20.1 | 20.3 |
| Depreciation and Amortization | 2,596 | 2,397 | 3,283 | 3,807 |
| EBIT | 13,832 | 19,398 | 22,885 | 26,551 |
| Margin (%) | 17.4 | 18.5 | 17.6 | 17.7 |
| Net Interest | 504 | 481 | 400 | 400 |
| Other Income | 1,656 | 2,747 | 2,673 | 3,237 |
| Profit Before Tax | 14,984 | 21,664 | 25,158 | 29,388 |
| Margin (%) | 18.8 | 20.6 | 19.4 | 19.6 |
| Total Tax | 3,901 | 5,500 | 6,038 | 7,347 |
| Effective tax rate (%) | 26.0 | 25.4 | 24.0 | 25.0 |
| Profit after tax | 11,083 | 16,165 | 19,120 | 22,041 |
| Minority interest | - | - | - | - |
| Share Profit from Associate | - | - | - | - |
| Adjusted PAT | 11,083 | 16,165 | 19,120 | 22,041 |
| YoY gr. (%) | 75.7 | 45.9 | 18.3 | 15.3 |
| Margin (%) | 13.9 | 15.4 | 14.7 | 14.7 |
| Extra Ord. Income / (Exp) | - | - | - | - |
| Reported PAT | 11,083 | 16,165 | 19,120 | 22,041 |
| YoY gr. (%) | 75.7 | 45.9 | 18.3 | 15.3 |
| Margin (%) | 13.9 | 15.4 | 14.7 | 14.7 |
| Other Comprehensive Income | - | - | - | - |
| Total Comprehensive Income | 11,083 | 16,165 | 19,120 | 22,041 |
| Equity Shares O/s (m) | 165 | 165 | 165 | 165 |
| EPS (Rs) | 67.3 | 98.1 | 116.1 | 133.8 |

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

| Y/e Mar | FY21 | FY22E | FY23E | FY24E |
|---------------------------------------|---------------|---------------|---------------|----------------|
| Non-Current Assets | | | | |
| Gross Block | 8,036 | 8,919 | 8,923 | 8,927 |
| Tangibles | 8,036 | 8,919 | 8,923 | 8,927 |
| Intangibles | - | - | - | - |
| Acc: Dep / Amortization | - | - | - | - |
| Tangibles | - | - | - | - |
| Intangibles | - | - | - | - |
| Net fixed assets | 8,036 | 8,919 | 8,923 | 8,927 |
| Tangibles | 8,036 | 8,919 | 8,923 | 8,927 |
| Intangibles | - | - | - | - |
| Capital Work In Progress | - | - | - | - |
| Goodwill | 4,946 | 4,732 | 4,732 | 4,732 |
| Non-Current Investments | 1,161 | 4,695 | 4,695 | 4,695 |
| Net Deferred tax assets | 351 | (66) | (66) | (66) |
| Other Non-Current Assets | 3,366 | 1,546 | 1,546 | 1,546 |
| Current Assets | | | | |
| Investments | 19,307 | 23,965 | 23,965 | 23,965 |
| Inventories | - | - | - | - |
| Trade receivables | 12,742 | 18,125 | 21,419 | 24,860 |
| Cash & Bank Balance | 7,597 | 5,337 | 17,344 | 32,192 |
| Other Current Assets | 6,108 | 9,427 | 11,140 | 12,930 |
| Total Assets | 63,614 | 76,746 | 93,765 | 113,847 |
| Equity | | | | |
| Equity Share Capital | 1,647 | 1,648 | 1,648 | 1,648 |
| Other Equity | 41,543 | 49,447 | 63,262 | 79,997 |
| Total Network | 43,190 | 51,095 | 64,910 | 81,645 |
| Non-Current Liabilities | | | | |
| Long Term borrowings | - | - | - | - |
| Provisions | - | - | - | - |
| Other non current liabilities | 4,498 | 4,764 | 4,764 | 4,764 |
| Current Liabilities | | | | |
| ST Debt / Current of LT Debt | 885 | 883 | 883 | 883 |
| Trade payables | 2,676 | 4,950 | 5,850 | 6,790 |
| Other current liabilities | 12,365 | 14,988 | 17,292 | 19,700 |
| Total Equity & Liabilities | 63,614 | 76,746 | 93,765 | 113,847 |

Source: Company Data, PL Research

Cash Flow (Rs m)

| Y/e Mar | FY21 | FY22E | FY23E | FY24E |
|--------------------------------------|-----------------|----------------|----------------|----------------|
| PBT | 14,984 | 21,664 | 25,158 | 29,388 |
| Add. Depreciation | 2,596 | 2,397 | 3,283 | 3,807 |
| Add. Interest | - | - | - | - |
| Less Financial Other Income | 1,656 | 2,747 | 2,673 | 3,237 |
| Add. Other | (1,656) | (2,747) | (2,673) | (3,237) |
| Op. profit before WC changes | 15,924 | 21,315 | 25,768 | 29,958 |
| Net Changes-WC | 7,204 | (3,807) | (1,803) | (1,883) |
| Direct tax | (3,168) | (5,500) | (6,038) | (7,347) |
| Net cash from Op. activities | 19,960 | 12,008 | 17,927 | 20,728 |
| Capital expenditures | (673) | (3,066) | (3,287) | (3,811) |
| Interest / Dividend Income | - | - | - | - |
| Others | (11,160) | (3,274) | 2,673 | 3,237 |
| Net Cash from Inv. activities | (11,833) | (6,340) | (614) | (574) |
| Issue of share cap. / premium | 1 | 1 | - | - |
| Debt changes | (842) | (332) | - | - |
| Dividend paid | (2,880) | (5,435) | (5,435) | (5,436) |
| Interest paid | (504) | (481) | (400) | (400) |
| Others | (214) | - | - | - |
| Net cash from Fin. activities | (4,439) | (6,247) | (5,835) | (5,836) |
| Net change in cash | 3,688 | (580) | 11,478 | 14,318 |
| Free Cash Flow | 19,287 | 8,941 | 14,640 | 16,917 |

Source: Company Data, PL Research

Quarterly Financials (Rs m)

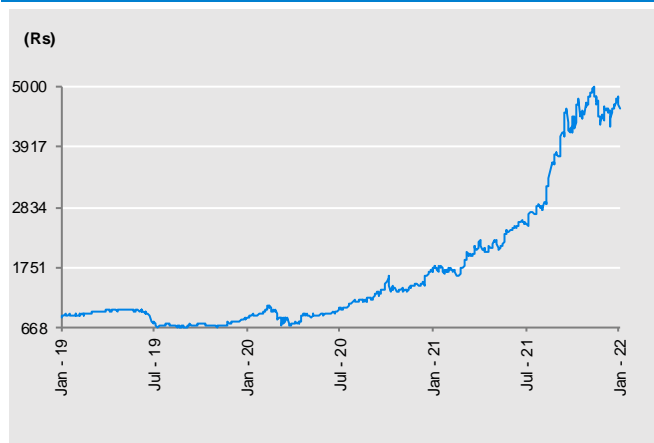
| Y/e Mar | Q4FY21 | Q1FY22 | Q2FY22 | Q3FY22 |
|-----------------------------------|---------------|---------------|---------------|---------------|
| Net Revenue | 21,093 | 22,917 | 25,862 | 27,500 |
| YoY gr. (%) | 2.9 | 20.1 | 34.3 | 35.9 |
| Raw Material Expenses | 13,123 | 13,673 | 15,644 | 16,458 |
| Gross Profit | 7,970 | 9,244 | 10,218 | 11,042 |
| Margin (%) | 37.8 | 40.3 | 39.5 | 40.2 |
| EBITDA | 4,626 | 4,645 | 5,307 | 5,921 |
| YoY gr. (%) | 42.9 | 44.3 | 36.0 | 26.5 |
| Margin (%) | 21.9 | 20.3 | 20.5 | 21.5 |
| Depreciation / Depletion | 713 | 582 | 610 | 632 |
| EBIT | 3,913 | 4,063 | 4,697 | 5,289 |
| Margin (%) | 18.6 | 17.7 | 18.2 | 19.2 |
| Net Interest | 114 | 129 | 125 | 127 |
| Other Income | 389 | 718 | 748 | 708 |
| Profit before Tax | 4,188 | 4,652 | 5,320 | 5,870 |
| Margin (%) | 19.9 | 20.3 | 20.6 | 21.3 |
| Total Tax | 1,015 | 1,218 | 1,331 | 1,495 |
| Effective tax rate (%) | 24.2 | 26.2 | 25.0 | 25.5 |
| Profit after Tax | 3,173 | 3,434 | 3,989 | 4,375 |
| Minority interest | - | - | - | - |
| Share Profit from Associates | - | - | - | - |
| Adjusted PAT | 3,173 | 3,434 | 3,989 | 4,375 |
| YoY gr. (%) | 53.9 | 55.2 | 64.0 | 34.0 |
| Margin (%) | 15.0 | 15.0 | 15.4 | 15.9 |
| Extra Ord. Income / (Exp) | - | - | - | - |
| Reported PAT | 3,173 | 3,434 | 3,989 | 4,375 |
| YoY gr. (%) | 53.9 | 55.2 | 64.0 | 34.0 |
| Margin (%) | 15.0 | 15.0 | 15.4 | 15.9 |
| Other Comprehensive Income | - | - | - | - |
| Total Comprehensive Income | 3,173 | 3,434 | 3,989 | 4,375 |
| Av g. Shares O/s (m) | 165 | 165 | 165 | 165 |
| EPS (Rs) | 19.3 | 20.9 | 24.2 | 26.5 |

Source: Company Data, PL Research

Key Financial Metrics

| Y/e Mar | FY21 | FY22E | FY23E | FY24E |
|------------------------|-------|-------|-------|-------|
| Per Share(Rs) | | | | |
| EPS | 67.3 | 98.1 | 116.1 | 133.8 |
| CEPS | 83.1 | 112.7 | 136.0 | 156.9 |
| BVPS | 262.4 | 310.2 | 394.1 | 495.7 |
| FCF | 117.2 | 54.3 | 88.9 | 102.7 |
| DPS | 25.0 | 27.5 | 27.5 | 27.5 |
| Return Ratio(%) | | | | |
| RoCE | 36.2 | 40.4 | 38.9 | 35.8 |
| ROIC | 25.0 | 28.2 | 32.7 | 36.1 |
| RoE | 29.7 | 34.3 | 33.0 | 30.1 |
| Balance Sheet | | | | |
| Net Debt : Equity (x) | (0.6) | (0.6) | (0.6) | (0.7) |
| Debtor (Days) | 58 | 63 | 60 | 61 |
| Valuation(x) | | | | |
| PER | 70.5 | 48.3 | 40.9 | 35.4 |
| P/B | 18.1 | 15.3 | 12.0 | 9.6 |
| P/CEPS | 83.1 | 112.7 | 136.0 | 156.9 |
| EV/EBITDA | 46.0 | 34.5 | 28.3 | 23.9 |
| EV/Sales | 9.5 | 7.2 | 5.7 | 4.8 |
| Dividend Yield (%) | 0.5 | 0.6 | 0.6 | 0.6 |

Source: Company Data, PL Research

Price Chart
Recommendation History


| No. | Date | Rating | TP (Rs.) | Share Price (Rs.) |
|-----|-----------|--------|----------|-------------------|
| 1 | 4-Jan-22 | BUY | 5,141 | 4,842 |
| 2 | 14-Oct-21 | BUY | 4,804 | 4,364 |
| 3 | 5-Oct-21 | BUY | 4,593 | 4,253 |
| 4 | 6-Aug-21 | BUY | 3,450 | 2,842 |
| 5 | 14-Jul-21 | BUY | 3,229 | 2,505 |
| 6 | 2-Jul-21 | BUY | 2,902 | 2,581 |
| 7 | 18-Jun-21 | BUY | 3,118 | 2,477 |
| 8 | 27-May-21 | BUY | 2,567 | 2,207 |
| 9 | 21-May-21 | BUY | 2,567 | 2,094 |
| 10 | 19-Apr-21 | BUY | 2,567 | 2,070 |

Analyst Coverage Universe

| Sr. No. | Company Name | Rating | TP (Rs) | Share Price (Rs) |
|---------|---------------------------|--------|---------|------------------|
| 1 | Affle (India) | BUY | 1,530 | 1,194 |
| 2 | Coforge | BUY | 5,708 | 5,973 |
| 3 | Cyient | BUY | 1,301 | 1,065 |
| 4 | HCL Technologies | BUY | 1,400 | 1,326 |
| 5 | Infosys | BUY | 2,234 | 1,877 |
| 6 | L&T Technology Services | BUY | 5,705 | 5,729 |
| 7 | Larsen & Toubro Infotech | BUY | 7,239 | 7,533 |
| 8 | Mindtree | BUY | 5,141 | 4,842 |
| 9 | Mphasis | BUY | 3,772 | 3,423 |
| 10 | Persistent Systems | BUY | 4,808 | 4,872 |
| 11 | Redington (India) | BUY | 215 | 147 |
| 12 | Sonata Software | BUY | 994 | 869 |
| 13 | Tata Consultancy Services | BUY | 4,468 | 3,860 |
| 14 | TeamLease Services | Reduce | 4,366 | 4,187 |
| 15 | Tech Mahindra | BUY | 1,908 | 1,785 |
| 16 | Wipro | BUY | 737 | 691 |
| 17 | Zensar Technologies | BUY | 528 | 533 |

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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