

October 9, 2021

Q2FY22 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY23E	FY24E	FY23E	FY24E
Rating	BUY		BUY	
Target Price	4,113		3,968	
Sales (Rs. m)	2,221,833	2,507,512	2,253,920	2,535,643
% Chng.	(1.4)	(1.1)		
EBITDA (Rs. m)	611,711	682,431	620,545	690,087
% Chng.	(1.4)	(1.1)		
EPS (Rs.)	122.6	136.6	123.6	137.3
% Chng.	(0.7)	(0.5)		

Key Financials - Standalone

Y/e Mar (Rs bn)	FY21	FY22E	FY23E	FY24E
Sales (Rs. bn)	1,642	1,901	2,222	2,508
EBITDA (Rs. bn)	465	522	612	682
Margin (%)	28.3	27.5	27.5	27.2
PAT (Rs. bn)	334	389	465	518
EPS (Rs.)	88.1	102.6	122.6	136.6
Gr. (%)	3.2	16.4	19.6	11.4
DPS (Rs.)	38.0	53.0	54.0	54.0
Yield (%)	1.0	1.3	1.4	1.4
RoE (%)	38.7	40.6	39.3	35.2
RoCE (%)	49.2	51.2	48.9	43.8
EV/Sales (x)	8.9	7.5	6.3	5.5
EV/EBITDA (x)	31.2	27.4	23.0	20.1
PE (x)	44.7	38.4	32.1	28.8
P/BV (x)	17.3	14.2	11.4	9.2

Key Data

TCS.BO | TCS IN

52-W High / Low	Rs.3,990 / Rs.2,600
Sensex / Nifty	60,059 / 17,895
Market Cap	Rs.14,558bn/ \$ 194,128m
Shares Outstanding	3,699m
3M Avg. Daily Value	Rs.17413.5m

Shareholding Pattern (%)

Promoter's	72.19
Foreign	15.37
Domestic Institution	7.89
Public & Others	4.55
Promoter Pledge (Rs bn)	49.72

Stock Performance (%)

	1M	6M	12M
Absolute	4.3	18.6	39.3
Relative	1.1	(1.7)	(6.8)

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Minor blip, well positioned to gain market share!

Quick Pointers:

- TCS is betting on sustainability of strong demand environment in the medium term by continuing aggressive fresher hiring (total headcount up 16.6% YoY)
- Read through for peers: sustainable strong demand environment, continued strong hiring, increased attrition, resilient margin performance.

Revenue grew by +4% QoQ CC lower than our (5.5%) & cons estimates (4.5%) led by softness in Life Sciences & Healthcare (0.9% QoQ USD) led by closure of contracts in European region (-0.2% QoQ USD). Growth was strong in other verticals & geos, recovery in India business was strong (+14.1% QoQ USD).

Deal TCV of USD \$7.6bn was lower on QoQ and YoY basis (vs \$8.1 Bn in 1QFY22 and \$8.6 Bn in 2QFY21). But TCV continues to be healthy with growth of 25% YoY excluding the mega deal of \$2.5 Bn won in 2Q21. Deal TCV is heterogeneous mix of all type of deals from small to large size and several new deal wins were driven by TCS's innovative products and platforms.

Margins at 25.6% (+10bps QoQ) were slightly lower than our & cons estimate of 25.8%. However, margin performance was resilient given currency headwinds (10bps impact) and higher hiring costs to backfill attrition (LTM attrition at 11.9%, +330 bps QoQ). We believe Q2, Q3 are peak quarters for margin pressure across pack & margins will normalize aggressively from Q4 onwards as freshers will come on-board.

We believe TCS' low attrition (as compared to peers) is a competitive advantage in the current environment where growth is constrained more by supply rather than demand. TCS well managed supply side engine is an ace in the current battle for talent. We believe that Leaders have far broader set of capabilities and they end up addressing larger portion of IT spending pool, which helps them to grow at a solid rate on a high base (example of ACN- has guided for absolute revenue addition of US\$7.5 bn for FY2022E, very impressive unbelievable number).

Due to miss on revenues, our EPS cut stands for ~1.4% for FY22, estimates largely remain intact for FY23/24. We project revenue growth of 16%/13.7% \$ terms for FY22/23E respectively. We arrive at a DCF based TP of INR 4113 (earlier: 3968). TCS is currently trading at 32.1/28.8 on FY23/24 EPS of 122.6/136.6 with revenue/EPS CAGR of 13.7%/15.7% over FY21-24E.

- Miss in revenue:** Revenue grew by +2.9% QoQ USD (PLe: 4.7%, Cons: 3.8%), +4% QoQ CC (PLe: 5.5%, Cons: 4.5%). Miss on revenue was due to softness in growth in Life Sciences and Healthcare (0.9% QoQ USD vs 6.6% CQGR in last 4 quarters) led by closure of contract in Europe (-0.2% QoQ USD). Growth in BFSI was also soft (+2.6% QoQ USD vs 6% CQGR in last 4 quarters). Among regional markets, though India recovered strongly as expected (+14.1% QoQ USD), growth was soft in RoW (-0.7% QoQ USD). Growth was strong across rest of the verticals and in terms of geos it was led by Americas (+4.7% QoQ USD).

Strong demand for Growth Transformation services as clients take a long term view of their businesses, with improving global vaccination levels business outlook

TCS report strong growth across client buckets with addition of 4 new clients in \$100 mn+, 9 clients in \$50 mn+, 6 in \$20 mn+ and 12 in \$10Mn+ on QoQ basis.

TCS is the leader in driving Azure production deployments, leading to 1 position globally in Azure Consumption Revenue for Microsoft in FY21

- In terms of geography, **growth was soft in Europe** (-0.2% QoQ USD) especially in continental Europe, due to – 1) ending of very large project in Europe this quarter, 2) increased offshoring by European clients as they face talent scarcity, has deflationary impact on pricing and thus revenue, 3) slowdown across some industries in Europe. European BFSI industry has always been ahead of the curve in investing in digital transformation and now their focus is shifting towards investing in resilience (data privacy, cybersecurity, compliance etc.). TCS is seeing strong demand for digital transformation from Insurance sector in Europe.
- **Growth led by Retail & CPG, Manufacturing, Tech Services, Comm & Media.** Retail & CPG (15% of revs, +4.3% QoQ USD, 20% YoY USD) vertical continued to show strong growth with increase demand from D2C commerce with focus on hyper-personalized and experience driven consumer journeys. Growth was also strong in Tech Services (+5.3% QoQ USD), Comm & Media (+4.5% QoQ USD) and Manufacturing (+4% QoQ USD). BFSI crossed an important milestone of quarterly revenue run-rate of \$2 Bn in Q2FY22.
- **Sustained healthy deal momentum:** TCS reported healthy deal TCV of USD \$7.6bn (vs \$8.1 Bn in 1QFY22 and \$8.6 Bn in 2QFY21). Though TCV was lower on QoQ and YoY basis, excluding the mega deal of \$2.5 Bn won in 2Q21, TCV growth is robust at 25% YoY. Deal TCV was heterogeneous mix of small to mid-size to large deals and spread across verticals and geographies. BFSI had TCV of US\$ 2.1 Bn, Retail US\$1.2 Bn. North America's TCV stood at \$3.9Bn. Demand continues to be strong led by cloud, digital transformation, engineering product innovation in connected and autonomous vehicles, sustainability solutions, M&A solutions, B2B and D2C online commerce transformation etc.
- **Management confident of sustainability of strong demand environment:** Demand continues to be driven by three broad trends
 - 1) Increased outsourcing - Higher levels of outsourcing activity is gaining further urgency because of scarcity of talent and the speed at which the demand is being driven. TCS continues to dominate the space by leveraging machine first delivery model.
 - 2) Investments in building digital core – Multi-horizon cloud transformation journey continues to drive demand with several deals won in this quarter in ERP modernization space, shift from on-premise to cloud leveraging SAP S4 HANA, Salesforce cloud, Oracle cloud etc. TCS continues to gain market share as they benefit from flight to quality and vendor consolidation exercises.
 - 3) Growth & Transformation agenda – TCS continues to win G&T deals involving business transformation and business model innovations.
- **Product and platforms won numerous new deals this quarter:** Product and platforms continue to perform well winning more SaaS deals this quarter. Cognix won 6 large deals, Quartz blockchain had 2 new wins and one go-live, TCS HOBS suite of products for communication service provider had 4 new wins and 6 go-lives and TCS Mastercraft suite had 22 new wins in Q2FY22.

- Resilient margins:** Margins at 25.6% (+10bps QoQ) were slightly lower than our & cons estimate of 25.8%. However, margin performance was resilient given currency headwinds (10bps impact) and higher hiring costs to backfill attrition. Sub-con costs increased by 30bps QoQ led by supply shortages and overseas travel restrictions. This was partially offset by 20bps QoQ decline in employee costs. Increased in sub-con costs from 7.7% to 8.6% of revenues from Q1FY21 to Q2FY22 not only shows scarcity of talent but also showcases strength in demand.
- TCS can easily sustain ~26% EBIT margin despite return of discretionary expenses to pre-Covid levels by the end of FY2023E. Excellent supply-side management, low attrition and leverage from growth will offset some of the ensuing cost-normalization pressure on EBIT margin.**
- Continued strong hiring for four consecutive quarters:** Strong hiring momentum continued with net headcount addition 19,690 employees +3.9% QoQ, +16.6% YoY (vs 20,409 in Q1FY22 and avg ~6-7K per quarter pre-covid). LTM attrition ticked up to 11.9%, +330 bps QoQ, still lower than industry average. Management mentioned that supply side challenges may continue over next 2-3 quarters and ease out thereafter. However, due to ahead of the curve fresher hiring and strategic talent development processes, TCS is not facing any supply side challenges to fulfill order book. Betting on strong demand environment, TCS will continue aggressive hiring from campus.
- More than 95% of associates have received at least one dose of vaccine and over 70% have been fully vaccinated. TCS plans to bring back work force gradually to office from Q3FY22. However, they will continue to evaluate and adopt hybrid working model in the long term.
- PAT was largely in-line with our estimates at INR 96,240 mn (vs Ple: INR 96,385 mn) helped by higher other income at INR 9,690 mn.
- DSO days increased to 67, +2 days QoQ. However, cash conversion was healthy with cash from operations at 103% of net profit (vs 114.3% in 1Q22). Net cash from operations stood at INR99.45 billion, while FCF stood at INR 92.9 Bn. Board declared second interim dividend of INR 7 per share.

Exhibit 1: Q2FY22 Result Overview (Rs mn)

Y/e March	2Q22	1Q22	QoQ gr.	2Q21	YoY gr.	Ple	Act vs Ple
Revenues (US\$ mn)	6,333	6,154	2.9%	5,424	16.8%	6,443	-1.7%
Revenues	4,68,670	4,54,110	3.2%	4,01,350	16.8%	4,77,453	-1.8%
EBITDA	1,31,150	1,21,580	7.9%	1,15,130	13.9%	1,30,249	0.7%
EBITDA Margin	28.0%	26.8%	121 bps	28.7%	-70 bps	27%	70 bps
EBIT	1,20,000	1,15,880	3.6%	1,05,150	14.1%	1,22,993	-2.4%
<i>EBIT Margin</i>	<i>25.6%</i>	<i>25.5%</i>	<i>9 bps</i>	<i>26.2%</i>	<i>-59 bps</i>	<i>25.8%</i>	<i>-16 bps</i>
Adjusted PAT	96,240	90,080	6.8%	84,330	14.1%	96,385	-0.2%
<i>PAT Margin</i>	<i>20.5%</i>	<i>19.8%</i>	<i>70 bps</i>	<i>21.0%</i>	<i>-48 bps</i>	<i>20.2%</i>	<i>35 bps</i>
EPS (Rs)	26.0	24.3	7.0%	22.5	15.7%	26.03	0.0%

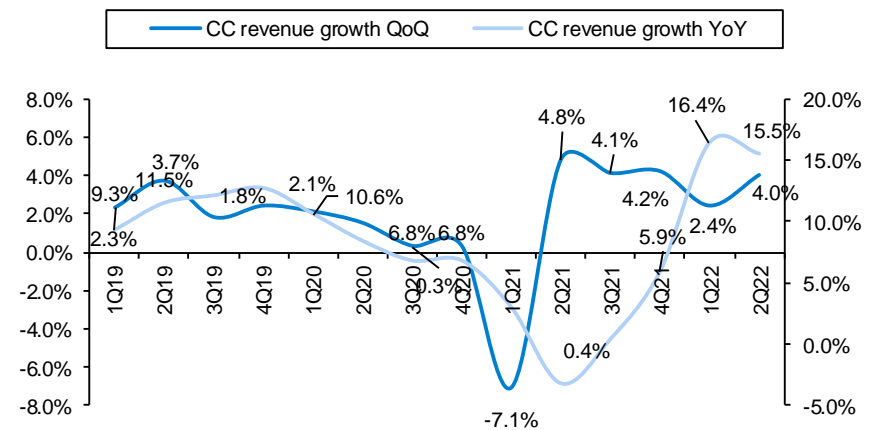
Source: Company, PL

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

Revenue growth QoQ \$ Terms	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22
Vertical wise QoQ							
BFSI	-4.8%	-2.1%	9.3%	3.1%	8.1%	3.7%	2.6%
Retail & CPG	-1.3%	-15.5%	11.8%	4.4%	5.0%	4.9%	4.3%
Comm & media	0.2%	-8.4%	-1.8%	6.7%	3.4%	1.2%	4.5%
Manufacturing	-1.6%	-10.8%	3.9%	7.4%	5.0%	4.9%	4.0%
Life Science & Healthcare	3.3%	1.4%	9.4%	5.1%	4.0%	8.1%	0.9%
Tech Services	0.9%	-2.8%	4.9%	1.6%	2.6%	5.2%	0.0%
Regional Markets & Others	-5.4%	-11.2%	5.5%	9.0%	2.4%	-4.8%	5.3%
Geography Wise QoQ							
Americas	-2.5%	-5.3%	4.2%	3.5%	3.8%	4.4%	4.7%
- North America	-2.2%	-5.0%	4.1%	3.4%	4.0%	4.4%	4.8%
- Ibero America	-12.3%	-12.2%	7.2%	5.1%	-1.1%	2.8%	2.9%
Europe	-1.3%	-8.0%	10.3%	5.5%	8.0%	3.4%	-0.2%
- UK	-1.9%	-11.1%	8.6%	6.5%	7.0%	4.7%	1.6%
- Continental	-0.6%	-4.6%	12.0%	4.5%	8.9%	2.1%	-2.0%
India	-6.0%	-27.3%	24.7%	17.7%	5.0%	-15.6%	14.1%
Others	-5.1%	-2.9%	6.3%	5.1%	3.2%	2.8%	-0.7%
- AsiaPac	-2.5%	-2.1%	6.1%	5.1%	1.8%	1.7%	-0.4%
- Middle East & Africa	-15.8%	-7.1%	7.2%	5.1%	10.6%	7.9%	-2.0%

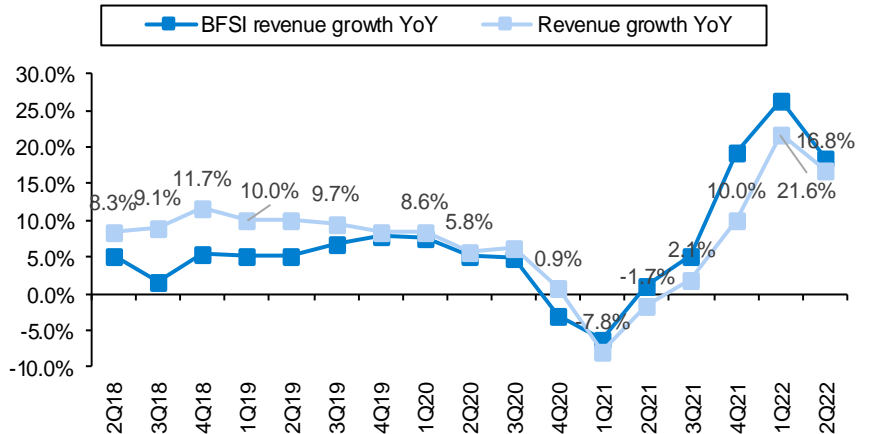
Source: Company, PL

Exhibit 3: Growth lower than expectations due to softness in European Life Sciences segment



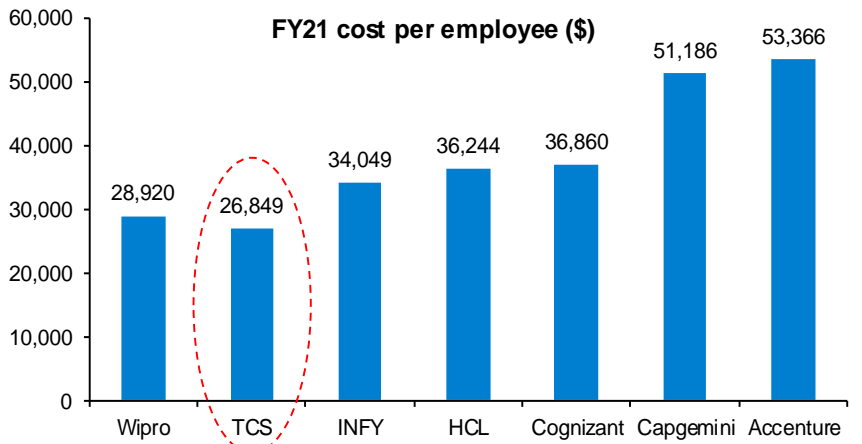
Source: Company, PL

Exhibit 4: Healthy YoY growth in BFSI continues



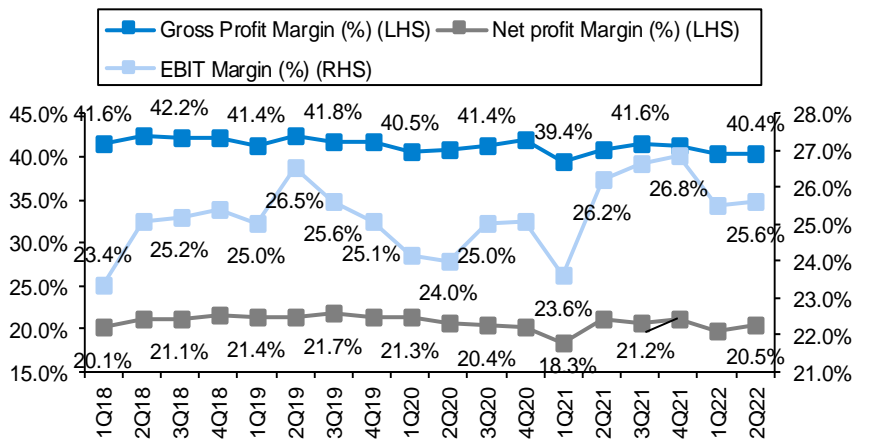
Source: Company, PL

Exhibit 5: TCS has lowest cost per employee



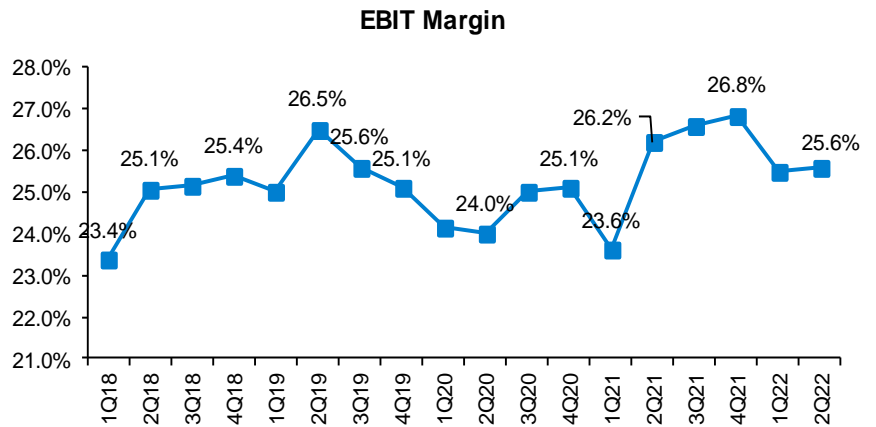
Source: Company, PL, Cost per employee = Cost of sales / Total headcount

Exhibit 6: Resilient margins



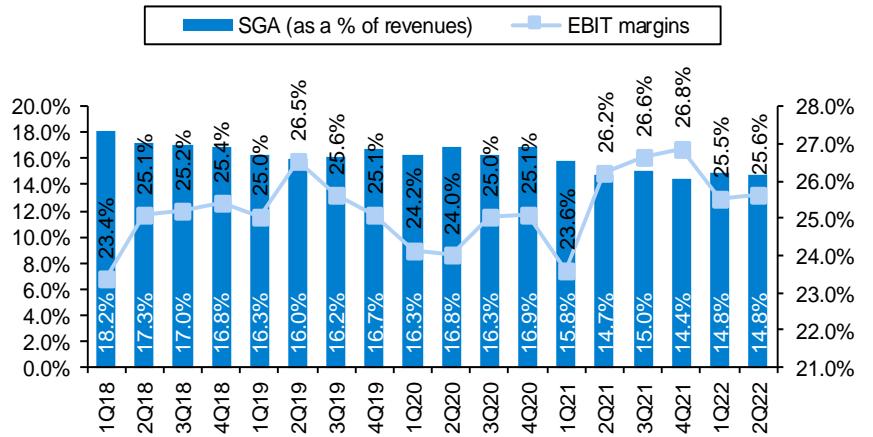
Source: Company, PL

Exhibit 7: Stable margins despite currency and supply side headwinds



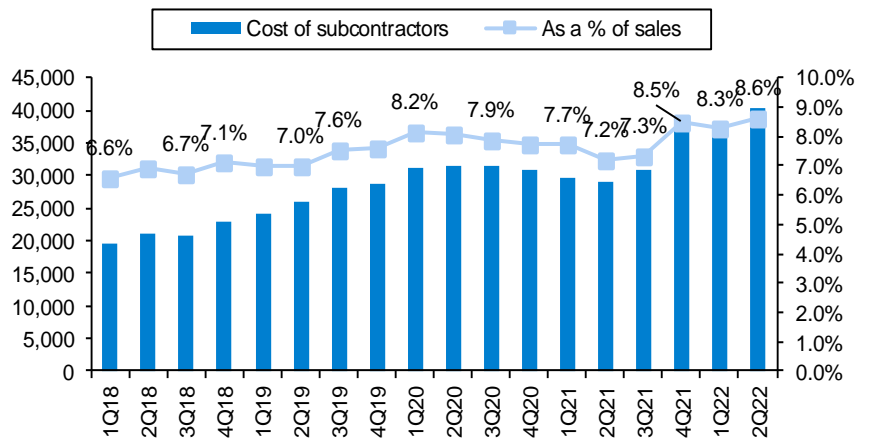
Source: Company, PL

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



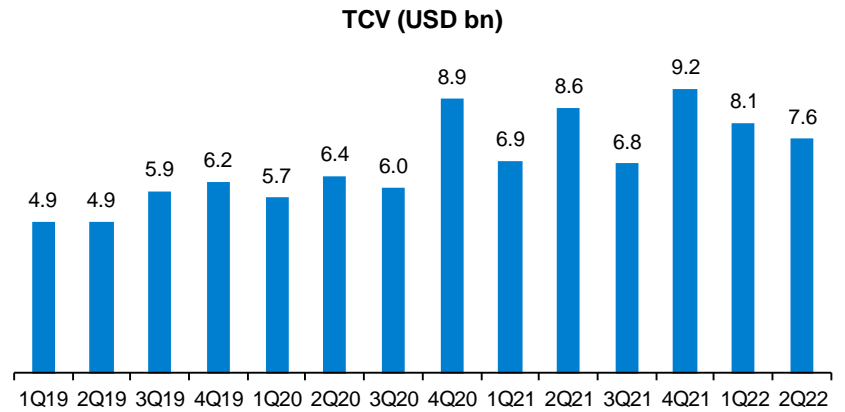
Source: Company, PL

Exhibit 9: Sub-Contracting costs increased by 30 bps



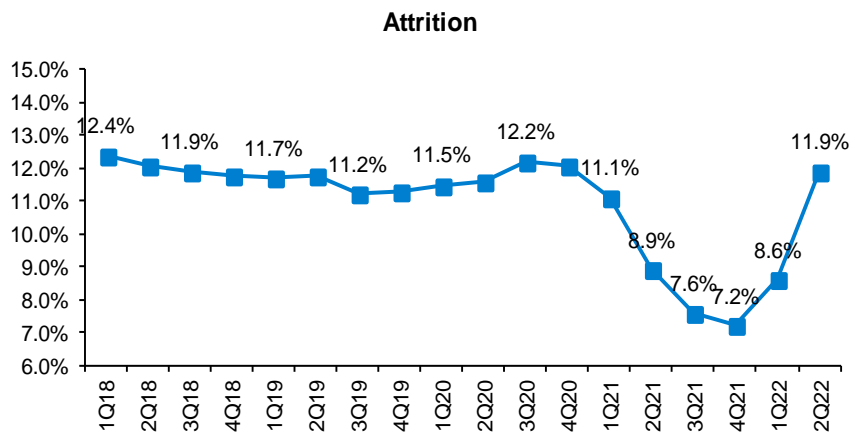
Source: Company, PL

Exhibit 10: Healthy deal momentum



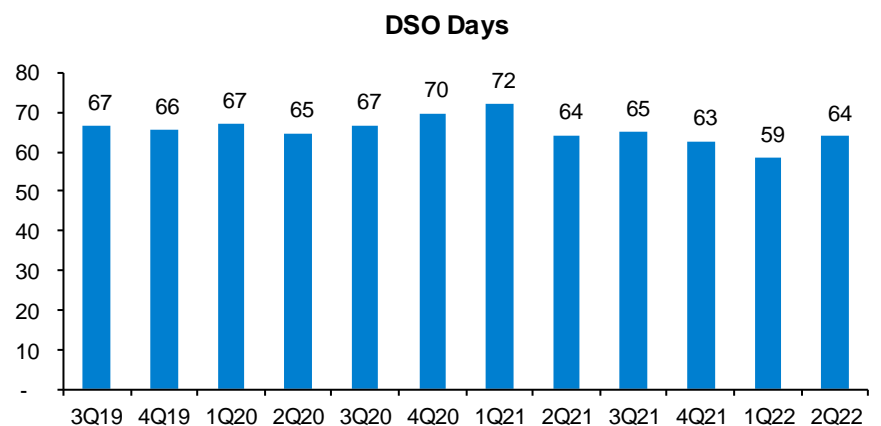
Source: Company, PL

Exhibit 11: Attrition inching up but still low compared to peers



Source: Company, PL

Exhibit 12: DSO (ex-cluding unbilled revenue) days increased by 5 days



Source: Company, PL

Valuations

We believe TCS' low attrition (as compared to peers) is a competitive advantage in the current environment where growth is constrained more by supply rather than demand. TCS well managed supply side engine is an ace in the current battle for talent. We believe that Leaders have far broader set of capabilities and they end up addressing larger portion of IT spending pool, which helps them to grow at a solid rate on a high base (example of ACN- has guided for absolute revenue addition of US\$7.5 bn for FY2022E, very impressive unbelievable number).

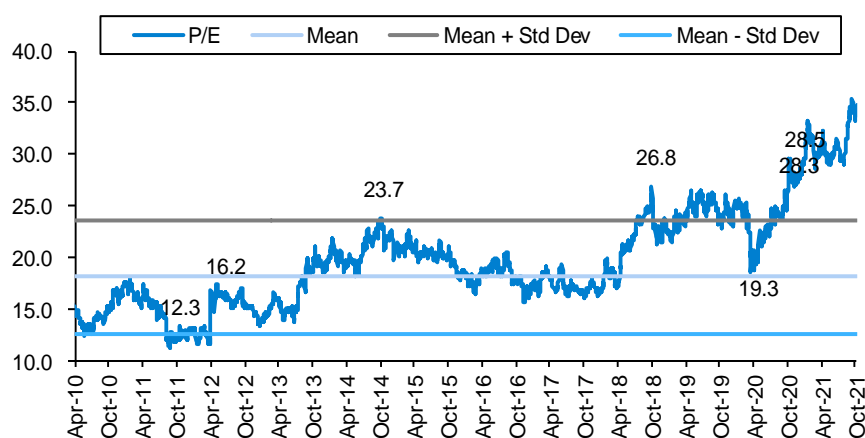
Due to miss on revenues, our EPS cut stands for ~1.4% for FY22, estimates largely remain intact for FY23/24. We project revenue growth of 16%/13.7% \$ terms for FY22/23E respectively. We arrive at a DCF based TP of INR 4113 (earlier: 3968). TCS is currently trading at 32.1/28.8 on FY23/24 EPS of 122.6/136.6 with revenue/EPS CAGR of 13.7%/15.7% over FY21-24E.

Exhibit 13: Change in Estimates

Y/e March	FY22E	FY23E	FY24E
USD revenues (US\$ m)			
- New	25,710	29,235	32,565
- Old	26,053	29,657	32,930
<i>Change (%)</i>	<i>-1.3%</i>	<i>-1.4%</i>	<i>-1.1%</i>
USD Revenue growth YoY	15.9%	13.7%	11.4%
EBIT Margin			
- New	25.8%	26.0%	25.7%
- Old	26.0%	26.0%	25.7%
<i>Change (%)</i>	<i>-17 bps</i>	<i>0 bps</i>	<i>0 bps</i>
Recurring EPS - Fully diluted (Rs)			
- New	102.6	122.6	136.6
- Old	104.1	123.6	137.3
<i>Change (%)</i>	<i>-1.4%</i>	<i>-0.7%</i>	<i>-0.5%</i>

Source: Company, PL

Exhibit 14: One year forward PE chart of TCS



Source: Bloomberg, Company, PL

Exhibit 15: Sequential growth led by North America

(US\$ m)	2Q22	1Q22	QoQ gr.	2Q21	YoY gr.
America	3,287	3,139	4.7%	2,799	17.4%
North America	3,185	3,040	4.8%	2,707	17.7%
Ibero America	101	98	2.9%	92	9.9%
Europe	2,027	2,031	-0.2%	1,725	17.5%
UK	1,020	1,003	1.6%	841	21.3%
Continental Europe	1,007	1,028	-2.0%	884	13.9%
India	323	283	14.1%	271	19.1%
Asia Pacific	570	572	-0.4%	526	8.3%
MEA	127	129	-2.0%	103	22.9%
% of Total					
America	51.9%	51.0%	90 bps	51.6%	30 bps
North America	50.3%	49.4%	90 bps	49.9%	40 bps
Ibero America	1.6%	1.6%	0 bps	1.7%	-10 bps
Europe	32.0%	33.0%	-100 bps	31.8%	20 bps
UK	16.1%	16.3%	-20 bps	15.5%	60 bps
Continental Europe	15.9%	16.7%	-80 bps	16.3%	-40 bps
India	5.1%	4.6%	50 bps	5.0%	10 bps
Asia Pacific	9.0%	9.3%	-30 bps	9.7%	-70 bps
MEA	2.0%	2.1%	-10 bps	1.9%	10 bps

Source: Company, PL

Exhibit 16: Sequential growth led by Retail, Mfg, Tech Services, Comm

(US\$ m)	2Q22	1Q22	QoQ gr.	2Q21	YoY gr.
BFSI	2,052	2,000	2.6%	1,730	18.6%
Retail & CPG	950	911	4.3%	792	20.0%
Comm & media	412	394	4.5%	353	16.8%
Mfg	627	603	4.0%	510	23.0%
Life Sc & Healthcare	633	628	0.9%	532	19.1%
Tech Services	557	529	5.3%	483	15.4%
Regional Markets & Others	1,102	1,089	1.2%	1,025	7.5%
Total	6,333	5,059	25.2%	5,424	16.8%
% of Total					
BFSI	32.4%	32.5%	-10 bps	31.9%	50 bps
Retail & CPG	15.0%	14.8%	20 bps	14.6%	40 bps
Comm & media	6.5%	6.4%	10 bps	6.5%	0 bps
Mfg	9.9%	9.8%	10 bps	9.4%	50 bps
Life Sc & Healthcare	10.0%	10.2%	-20 bps	9.8%	20 bps
Tech Services	8.8%	8.6%	20 bps	8.9%	-10 bps
Regional Markets & Others	17.4%	17.7%	-30 bps	18.9%	-150 bps

Source: Company, PL

Exhibit 17: Consistent improvement in client Metrics

	2Q22	1Q22	QoQ gr.	2Q21	YoY gr.
US\$ 1mn clients	1,138	1,118	20	1,076	62
US\$ 5mn clients	609	586	23	565	44
US\$ 10mn clients	417	405	12	386	31
US\$ 20mn clients	247	241	6	228	19
US\$ 50mn clients	114	105	9	97	17
US\$ 100mn clients	54	50	4	49	5

Source: Company, PL

Exhibit 18: Strong hiring continued

Headcount Metrics	2Q22	1Q22	QoQ gr.	2Q21	YoY gr.
Headcount	5,28,748	5,09,058	3.9%	4,53,540	16.6%
Net Addition (Consolidated)	19,690	20,409	-3.5%	9,864	99.6%
Overall Attrition	11.9%	8.6%	330 bps	8.9%	300 bps

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
Net Revenues	1,641,770	1,901,426	2,221,833	2,507,512
YoY gr. (%)	4.6	15.8	16.9	12.9
Employee Cost	940,530	1,094,865	1,229,413	1,395,395
Gross Profit	701,240	806,560	992,421	1,112,117
Margin (%)	42.7	42.4	44.7	44.4
SG&A Expenses	-	-	-	-
Other Expenses	-	-	-	-
EBITDA	465,110	522,161	611,711	682,431
YoY gr. (%)	9.9	12.3	17.2	11.6
Margin (%)	28.3	27.5	27.5	27.2
Depreciation and Amortization	40,300	31,814	33,915	38,751
EBIT	424,810	490,347	577,797	643,680
Margin (%)	25.9	25.8	26.0	25.7
Net Interest	-	-	-	-
Other Income	24,970	31,922	39,061	40,046
Profit Before Tax	449,780	522,269	616,858	683,726
Margin (%)	27.4	27.5	27.8	27.3
Total Tax	114,580	132,889	151,802	165,684
Effective tax rate (%)	25.5	25.4	24.6	24.2
Profit after tax	335,200	389,380	465,056	518,042
Minority interest	1,320	670	300	300
Share Profit from Associate	-	-	-	-
Adjusted PAT	333,880	388,710	464,756	517,742
YoY gr. (%)	3.2	16.4	19.6	11.4
Margin (%)	20.3	20.4	20.9	20.6
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	333,880	388,710	464,756	517,742
YoY gr. (%)	3.2	16.4	19.6	11.4
Margin (%)	20.3	20.4	20.9	20.6
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	333,880	388,710	464,756	517,742
Equity Shares O/s (m)	3,790	3,790	3,790	3,790
EPS (Rs)	88.1	102.6	122.6	136.6

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
Non-Current Assets				
Gross Block	219,470	198,838	228,505	254,957
Tangibles	196,690	176,058	205,725	232,177
Intangibles	22,780	22,780	22,780	22,780
Acc: Dep / Amortization	-	-	-	-
Tangibles	-	-	-	-
Intangibles	-	-	-	-
Net fixed assets	219,470	198,838	228,505	254,957
Tangibles	196,690	176,058	205,725	232,177
Intangibles	22,780	22,780	22,780	22,780
Capital Work In Progress	-	-	-	-
Goodwill	-	-	-	-
Non-Current Investments	2,130	2,130	2,130	2,130
Net Deferred tax assets	-	-	-	-
Other Non-Current Assets	93,190	93,190	93,190	93,190
Current Assets				
Investments	-	-	-	-
Inventories	-	-	-	-
Trade receivables	366,620	486,765	522,131	581,743
Cash & Bank Balance	384,890	601,141	834,666	1,171,205
Other Current Assets	241,290	76,057	88,873	100,300
Total Assets	1,307,590	1,458,121	1,769,496	2,203,526
Equity				
Equity Share Capital	3,700	3,700	3,700	3,700
Other Equity	860,630	1,048,483	1,308,593	1,621,688
Total Network	864,330	1,052,183	1,312,293	1,625,388
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	-	-	-	-
Other non current liabilities	101,710	101,710	101,710	101,710
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	-	-	-	-
Other current liabilities	341,550	304,228	355,493	476,427
Total Equity & Liabilities	1,307,590	1,458,121	1,769,496	2,203,526

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
PBT	449,780	522,269	616,858	683,726
Add. Depreciation	40,300	31,814	33,915	38,751
Add. Interest	-	-	-	-
Less Financial Other Income	24,970	31,922	39,061	40,046
Add. Other	-	-	-	-
Op. profit before WC changes	490,080	554,082	650,773	722,477
Net Changes-WC	85,780	7,766	3,083	49,895
Direct tax	(114,580)	(132,889)	(151,802)	(165,684)
Net cash from Op. activities	461,280	428,959	502,054	606,688
Capital expenditures	(99,060)	(11,182)	(63,582)	(65,203)
Interest / Dividend Income	-	-	-	-
Others	30	-	-	-
Net Cash from Inv. activities	(99,030)	(11,182)	(63,582)	(65,203)
Issue of share cap. / premium	(50)	-	-	-
Debt changes	-	-	-	-
Dividend paid	(144,010)	(200,857)	(204,646)	(204,646)
Interest paid	-	-	-	-
Others	(189,210)	(670)	(300)	(300)
Net cash from Fin. activities	(333,270)	(201,527)	(204,946)	(204,946)
Net change in cash	28,980	216,251	233,525	336,539
Free Cash Flow	362,220	417,778	438,472	541,485

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY21	FY22E	FY23E	FY24E
Per Share(Rs)				
EPS	88.1	102.6	122.6	136.6
CEPS	98.7	111.0	131.6	146.8
BVPS	228.1	277.6	346.3	428.9
FCF	95.6	110.2	115.7	142.9
DPS	38.0	53.0	54.0	54.0
Return Ratio(%)				
RoCE	49.2	51.2	48.9	43.8
ROIC	39.6	38.8	37.4	33.6
RoE	38.7	40.6	39.3	35.2
Balance Sheet				
Net Debt : Equity (x)	(0.4)	(0.6)	(0.6)	(0.7)
Debtor (Days)	82	93	86	85
Valuation(x)				
PER	44.7	38.4	32.1	28.8
P/B	17.3	14.2	11.4	9.2
P/CEPS	39.9	35.5	29.9	26.8
EV/EBITDA	31.2	27.4	23.0	20.1
EV/Sales	8.9	7.5	6.3	5.5
Dividend Yield (%)	1.0	1.3	1.4	1.4

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q3FY21	Q4FY21	Q1FY22	Q2FY22
Net Revenue	420,150	437,050	454,110	468,670
YoY gr. (%)	5.4	9.4	18.5	16.8
Raw Material Expenses	237,490	248,600	267,460	270,480
Gross Profit	182,660	188,450	186,650	198,190
Margin (%)	43.5	43.1	41.1	42.3
EBITDA	121,720	128,010	121,580	131,150
YoY gr. (%)	9.8	16.6	21.3	13.9
Margin (%)	29.0	29.3	26.8	28.0
Depreciation / Depletion	9,880	10,670	5,700	11,150
EBIT	111,840	117,340	115,880	120,000
Margin (%)	26.6	26.8	25.5	25.6
Net Interest	-	-	-	-
Other Income	5,080	7,930	5,750	9,690
Profit before Tax	116,920	125,270	121,630	129,690
Margin (%)	27.8	28.7	26.8	27.7
Total Tax	29,650	32,450	31,320	33,160
Effective tax rate (%)	25.4	25.9	25.8	25.6
Profit after Tax	87,270	92,820	90,310	96,530
Minority interest	260	360	230	290
Share Profit from Associates	-	-	-	-
Adjusted PAT	87,010	92,460	90,080	96,240
YoY gr. (%)	7.2	14.9	28.5	14.1
Margin (%)	20.7	21.2	19.8	20.5
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	87,010	92,460	90,080	96,240
YoY gr. (%)	7.2	14.9	28.5	14.1
Margin (%)	20.7	21.2	19.8	20.5
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	87,010	92,460	90,080	96,240
Avg. Shares O/s (m)	3,752	3,703	3,703	3,699
EPS (Rs)	23.2	25.0	24.3	26.0

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	5-Oct-21	BUY	3,968	3,773
2	6-Aug-21	BUY	3,807	3,310
3	9-Jul-21	BUY	3,776	3,259
4	2-Jul-21	BUY	3,588	3,342
5	13-Apr-21	BUY	3,636	3,247
6	5-Apr-21	BUY	3,620	3,167
7	4-Jan-21	BUY	3,358	2,928

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Affle (India)	BUY	7,047	5,613
2	Coforge	BUY	5,496	5,338
3	Cyient	BUY	1,145	1,055
4	HCL Technologies	BUY	1,429	1,279
5	Infosys	BUY	1,908	1,679
6	L&T Technology Services	BUY	4,880	4,624
7	Larsen & Toubro Infotech	BUY	5,902	5,738
8	Mindtree	BUY	4,593	4,253
9	Mphasis	BUY	3,690	3,089
10	Persistent Systems	BUY	3,994	3,714
11	Redington (India)	BUY	202	146
12	Sonata Software	BUY	936	883
13	Tata Consultancy Services	BUY	3,968	3,773
14	TeamLease Services	BUY	4,892	4,645
15	Tech Mahindra	BUY	1,551	1,399
16	Wipro	BUY	678	641
17	Zensar Technologies	BUY	496	479

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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