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Strong revenue performance; raises FY22 revenue growth guidance

- Infosys' Q1FY22 operating performance missed expectations due to margin miss. Revenues grew 4.7% QoQ (4.8% CC) to USD3.78bn, a tad better than our estimates. EBITM declined 80bps QoQ to 23.7%, missing expectations.
- Infosys raised its FY22 revenue growth guidance to 14-16% CC (earlier 12-14%), implying a 2.3-3.5% CQGR over Q2-Q4, on the back of broad-based demand, solid deal intake and healthy deal pipeline. The company retained its EBITM guidance at 22-24%.
- Large deal intake was healthy at USD2.6bn in Q1FY22 (30% new), with 22 large deals signed during the quarter. The deal pipeline remains healthy with a good mix of new and renewal deals, offering good revenue visibility.
- We tweak earnings estimates by -2.2%/0%/0.2% for FY22/FY23/FY24, factoring in Q1 performance. We maintain Buy with a TP of Rs1,800 at 28x Jun'23E earnings, considering a strong demand environment, steady market share gain, and robust cash conversion.

What we liked? Broad-based revenue growth, upward revision in FY22 revenue growth guidance, robust cash conversion (OCF/EBITDA 92.4%)

What we did not like? Spike in attrition (13.9% on LTM basis vs. 10.9% in Q4)

Strong revenue performance; FY22 revenue guidance raised to 14-16%: Infosys delivered a tad better than expected revenue growth. Revenue grew 4.7% QoQ, driven by traction in digital transformation initiatives and market share gains. Revenue growth was broad based, led by Hi-tech (7.3% QoQ), Communication (6.4%), Retail (6.1%), Manufacturing (5.8%), Financial Services (4.7%) and Lifesciences (4.7%). Infosys signed 22 large deals with TCV of USD2.6bn during the quarter split across geographies (14 in NA, 5 in Europe, 1 in India and 2 in RoW) and verticals (9 in BFSI, 4 each in Retail and EURS, 2 in Manufacturing and 1 each in Communication, Hi-tech and Life Sciences). Infosys upped its FY22 revenue growth guidance to 14-16% CC (earlier 12-14%), implying a 2.3-3.5% CQGR over Q2-Q4.

EBITM declined 80bps QoQ in Q1; FY22 EBITM guidance retained at 22-24%: EBITM contracted 80bps QoQ to 23.7% due to higher subcontracting costs and third party costs (-50bps) and employee-related costs, including retention, hiring, promotions (-80bps), partially offset by currency benefit (+10bps) and higher utilization (+40bps). The company retained its FY22 EBITM guidance of 22-24%, considering the impact of salary hikes (wef Jul'21), large deals' transition costs and likely normalization of discretionary costs like travel, facility and other related costs. However, revenue acceleration, improving business mix, employee pyramid and role ratio, pricing in digital projects, automation and other operating efficiencies would help to negate these headwinds.

Please see our sector model portfolio (Emkay Alpha Portfolio): [Information Technology \(Page 12\)](#)

Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
Revenue	907,910	1,004,730	1,196,290	1,373,309	1,568,584
EBITDA	222,680	278,900	317,503	368,867	420,347
EBITDA Margin (%)	24.5	27.8	26.5	26.9	26.8
APAT	165,950	193,510	222,170	259,337	298,325
EPS (Rs)	39.1	45.4	52.9	61.7	71.0
EPS (% chg)	10.8	16.2	16.4	16.7	15.0
ROE (%)	25.4	27.1	29.2	31.9	31.7
P/E (x)	40.3	34.7	29.8	25.5	22.2
EV/EBITDA (x)	28.8	22.7	19.7	16.7	14.4
P/BV (x)	10.2	8.8	8.8	7.6	6.5

Source: Company, Emkay Research

CMP	Target Price
Rs 1,577	Rs 1,800 (■)
as of (July 14, 2021)	12 months
Rating	Upside
BUY (■)	14.1 %

Change in Estimates

EPS Chg FY22E/FY23E (%)	(2.2)/0
Target Price change (%)	-
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

EPS Estimates		
	FY22E	FY23E
Emkay	52.9	61.7
Consensus	52.8	59.6
Mean Consensus TP (12M)	Rs 1,659	

Stock Details

Bloomberg Code	INFO IN
Face Value (Rs)	5
Shares outstanding (mn)	4,261
52 Week H/L	1,591 / 781
M Cap (Rs bn/USD bn)	6,720 / 90.09
Daily Avg Volume (nos.)	7,039,044
Daily Avg Turnover (US\$ mn)	134.0

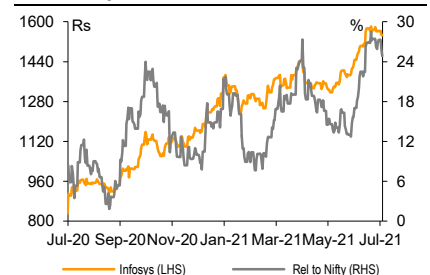
Shareholding Pattern Jun '21

Promoters	13.0%
FIIIs	33.4%
DIIIs	22.0%
Public and Others	31.7%

Price Performance

(%)	1M	3M	6M	12M
Absolute	8	13	15	101
Rel. to Nifty	8	4	5	35

Relative price chart



Source: Bloomberg

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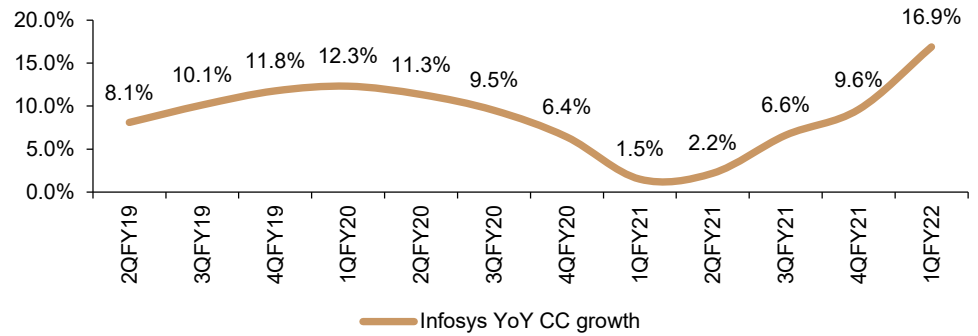
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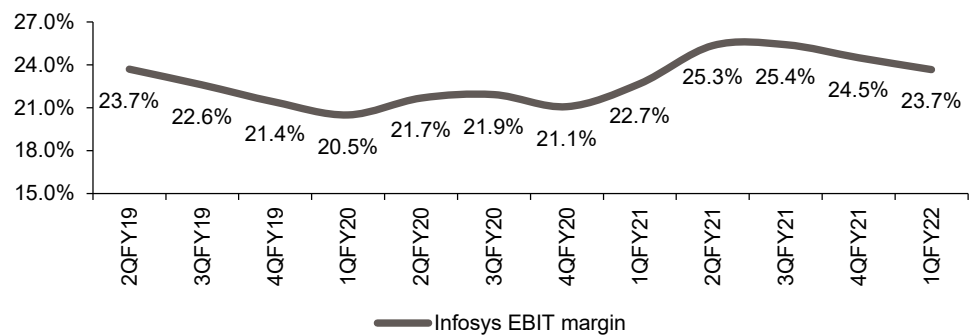
Story in Charts

Exhibit 1: Infosys YoY CC growth accelerated further



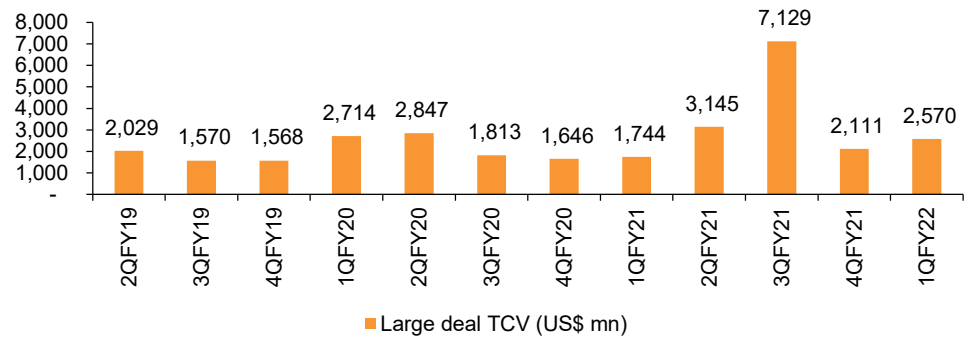
Source: Company, Emkay Research

Exhibit 2: EBITM moderated by 80bps sequentially



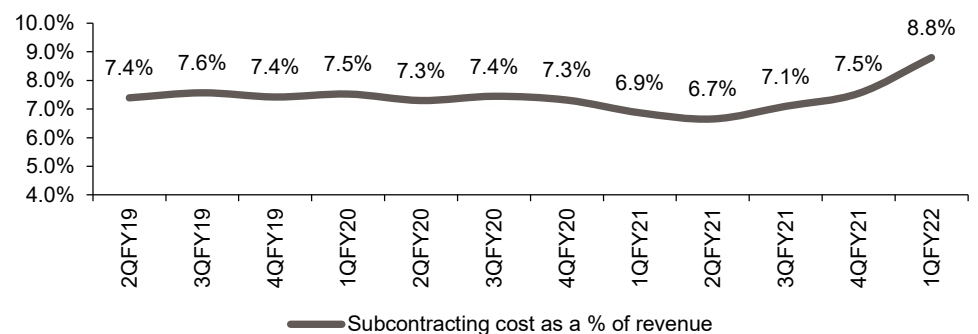
Source: Company, Emkay Research

Exhibit 3: Large deal intake was healthy during the quarter



Source: Company, Emkay Research

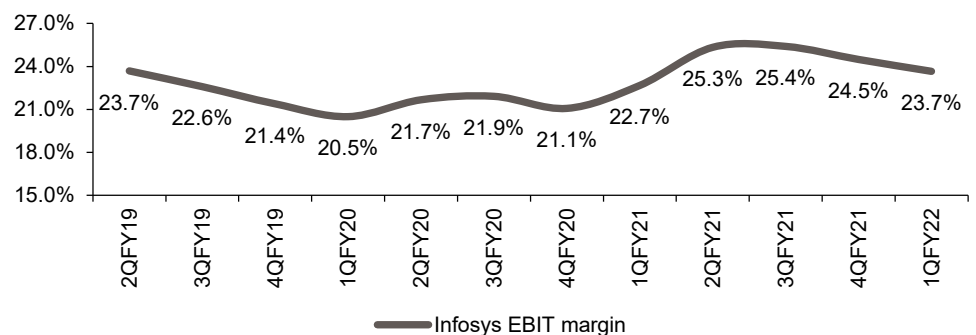
Exhibit 4: Subcontracting costs continued to inch up



Source: Company, Emkay Research

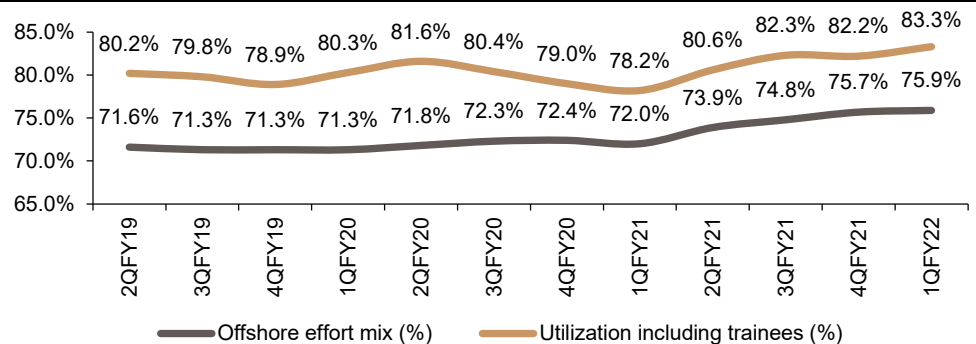
Strong revenue performance; FY22 revenue growth guidance raised to 14-16%: Infosys' Q1FY22 revenue grew 4.7% QoQ/21.2% YoY to USD3.78bn, led by increased traction in digital transformation initiatives and market share gains. Revenue growth in Q1FY22 was broad based, led by Hi-tech (7.3% QoQ), Communication (6.4%), Retail (6.1%), Manufacturing (5.8%), Financial Services (4.7%) and Lifesciences (4.7%). Management suggested that Auto, Aero and Industrial reported healthy performance in Manufacturing. It expects to sustain healthy growth momentum in Manufacturing on the back of large deal wins and robust pipeline. It expects Life sciences to maintain the growth momentum seen during Q1. After a soft FY21, the outlook for the E&U vertical is improving on the back of deal wins and pipeline. The Communications vertical recovered during the quarter on the back of ramp-ups of recently signed deals. All geographies saw positive sequential growth, led by RoW (6.6%), North America (4.8%), Europe (3.8%) and India (1.2%). Infosys continues to see increased demand in the areas of digital transformation, cloud, data analytics, Automation and cyber security. It signed 22 large deals during the quarter with TCV of USD2.6bn. Infosys upped its FY22 revenue growth guidance to 14-16% CC (earlier 12-14%) on the back of broad-based demand, strong deal intake and healthy deal pipeline. The attrition rate inched up to 13.9% on LTM basis in Q1FY22 from 10.9% in Q4FY21 (voluntary quarterly annualized attrition likely inched up to 23-23.5% in Q1 vs. 15.2% in Q4). Management indicated that strong demand and offshore centric growth led to an uptick in the attrition rate and expects it to stay at elevated levels in the near term.

Exhibit 5: EBITM moderated by 80bps sequentially



Source: Company, Emkay Research

Exhibit 6: Utilization and offshoring were at an all-time high levels in Q1



Source: Company, Emkay Research

Other Takeaways

Q1FY22 performance: Revenues rose 4.7% QoQ and 21.2% YoY (4.8% QoQ CC, 16.9% YoY CC) to USD3.78bn. EBITM declined by 80bps sequentially. Digital revenues grew 42.1% YoY cc, contributing to 53.9% of the total revenues. Large deal TCV was robust at USD2.6bn. IT Services' voluntary attrition on LTM basis inched up to 13.9% in Q1FY22 due to robust demand environment and tight job markets. Utilization (including trainees) and offshoring were at the all-time high levels of 83.3% and 75.9%, respectively.

Outlook: Infosys has upped its FY22 revenue growth guidance to 14-16% CC from 12-14% earlier. EBITM is expected to be within the 22-24% range. Infosys is confident of delivering industry-leading growth, aided by solid relationship with clients, all-round capabilities and enterprises accelerating the implementation of their digital transformation agenda.

Others:

- Subcontracting costs inched up ~130bps QoQ due to stronger-than-expected demand and higher attrition.
- Infosys hired 10,000 freshers during the quarter. It plans to recruit 35,000 freshers globally in FY22 (earlier planned to hire ~26,000).
- Infosys expects the attrition rate to remain high on account of a strong demand environment.
- The company has started a share buyback program through the open market route from Jun 25, 2021. Till date, it has bought back 9.8mn shares worth Rs15.4bn (16.8% of buyback size) at an average price of ~Rs1,569 per share.

Exhibit 7: Actual vs Estimates (Q1FY22)

(Rs mn)	Actual	Estimates		% variation		Comment
		Emkay	Consensus	Emkay	Consensus	
Revenues (in USD mn)	3,782	3,758	3,749	0.7%	0.9%	
Sales	278,960	277,117	276,348	0.7%	0.9%	Revenues were a tad better than our estimates
EBIT	66,030	68,510	67,705	-3.6%	-2.5%	EBITM below our estimates due to higher subcontracting and employee related costs
EBIT, margin %	23.7%	24.7%	24.5%	-110 bps	-80 bps	
PAT	51,950	54,326	53,888	-4.4%	-3.6%	Net profit missed expectations due to margin miss

Source: Company, Emkay Research

Exhibit 8: Quarterly snapshot

Rs mn	Q1 FY21	Q2 FY21	Q3 FY21	Q4 FY21	Q1 FY22	YoY (%)	QoQ (%)	FY21YTD	FY22YTD	YoY (%)
Revenues(in USD mn)	3,121	3,312	3,516	3,613	3,782	21.2	4.7	3,121	3,782	21.2
Revenue	236,650	245,700	259,270	263,110	278,960	17.9	6.0	236,650	278,960	17.9
Operating Expenditure	175,440	174,870	185,120	190,400	204,640	16.6	7.5	175,440	204,640	16.6
Cost of revenues	149,470	149,160	159,510	163,330	176,770	18.3	8.2	149,470	176,770	18.3
as % of sales	63.2	60.7	61.5	62.1	63.4			63.2	63.4	
SG&A expenses	25,970	25,710	25,610	27,070	27,870	7.3	3.0	25,970	27,870	7.3
as % of sales	11.0	10.5	9.9	10.3	10.0			11.0	10.0	
EBITDA	61,210	70,830	74,150	72,710	74,320	21.4	2.2	61,210	74,320	21.4
Depreciation	7,560	8,550	8,260	8,310	8,290	9.7	(0.2)	7,560	8,290	9.7
EBIT	53,650	62,280	65,890	64,400	66,030	23.1	2.5	53,650	66,030	23.1
Other Income	4,270	5,220	5,620	4,950	5,730			4,270	5,730	34.2
PBT	57,920	67,500	71,510	69,350	71,760	23.9	3.5	57,920	71,760	23.9
Total Tax	15,200	18,920	19,360	18,570	19,750	29.9	6.4	15,200	19,750	29.9
Adjusted PAT	42,720	48,580	52,150	50,780	52,010	21.7	2.4	42,720	52,010	21.7
APAT after MI	42,720	48,580	52,150	50,780	52,010	21.7	2.4	42,720	52,010	21.7
Reported PAT	42,720	48,580	52,150	50,780	52,010	21.7	2.4	42,720	52,010	21.7
Reported EPS (Rs)	9.9	11.4	12.2	11.9	12.2	22.9	2.5	10	12	22.9
Margins (%)						(bps)	(bps)			
EBIDTA	25.9	28.8	28.6	27.6	26.6	78	(99)	25.9	26.6	78
EBIT	22.7	25.3	25.4	24.5	23.7	100	(81)	22.7	23.7	100
EBT	24.5	27.5	27.6	26.4	25.7	125	(63)	24.5	25.7	125
PAT	18.1	19.8	20.1	19.3	18.6	59	(66)	18.1	18.6	59
Effective Tax rate	26.2	28.0	27.1	26.8	27.5	128	75	26.2	27.5	128

Source: Company, Emkay Research

Exhibit 9: Revenues by geography

Particulars	As a % of revenue				
	Q1FY22	Q4FY21	Q1FY21	QoQ (%)	YoY (%)
North America	61.7%	61.6%	61.5%	4.8%	21.6%
Europe	24.2%	24.4%	24.0%	3.8%	22.2%
India	2.9%	3.0%	2.9%	1.2%	21.2%
Rest of the World	11.2%	11.0%	11.6%	6.6%	17.0%
Total	100%	100%	100%	4.7%	21.2%

Source: Company, Emkay Research

Exhibit 10: Revenues by industry

Particulars	As a % of revenue				
	Q1FY22	Q4FY21	Q1FY21	QoQ (%)	YoY (%)
Financial Services	33.0%	33.0%	31.5%	4.7%	26.9%
Retail	15.0%	14.8%	14.3%	6.1%	27.1%
Communications	12.2%	12.0%	13.4%	6.4%	10.3%
Energy, Utilities, Resources and Services	12.1%	12.3%	12.8%	3.0%	14.6%
Manufacturing	9.7%	9.6%	9.5%	5.8%	23.7%
Hi Tech	8.3%	8.1%	8.7%	7.3%	15.6%
Life Sciences	6.8%	6.8%	6.7%	4.7%	23.0%
Others	2.9%	3.4%	3.1%	-10.7%	13.4%
Total	100%	100%	100%	4.7%	21.2%

Source: Company, Emkay Research

Exhibit 11: Clients data

Particulars	Q1FY22	Q4FY21	Q1FY21
Number of Clients	1,659	1,626	1,458
Added during the quarter	113	130	110
Client Concentration (%)			
Top 5 clients	11.3%	10.9%	11.8%
Top 10 clients	11.3%	18.3%	19.3%
Number of million dollar Clients (on LTM basis)			
Million US\$ clients	805	779	729
10 million US\$ clients	264	252	236
50 million US\$ clients	59	59	60
100 million US\$ clients	34	32	25

Source: Company, Emkay Research

Exhibit 12: Segmental performance

Revenue (USD mn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22
Financial Services	985	1,023	1,021	1,000	984	1,061	1,163	1,192	1,250
Retail	493	489	496	498	447	492	515	535	566
Communications	431	420	421	415	417	417	436	433	462
Energy, Utilities, Resources and Services	407	420	414	411	399	408	441	444	457
Manufacturing	301	325	334	325	298	302	328	348	366
Hi Tech	241	243	246	251	272	303	289	292	313
Life Sciences	193	207	219	203	208	225	248	247	256
Others	80	83	92	93	96	104	96	122	112
Total	3,131	3,210	3,243	3,196	3,121	3,312	3,516	3,613	3,782

Growth YoY (%)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22
Financial Services	9.6%	8.6%	5.3%	3.4%	-0.1%	3.7%	13.9%	19.2%	27.0%
Retail	5.1%	-0.6%	1.4%	2.7%	-9.3%	0.6%	3.8%	7.4%	26.6%
Communications	19.7%	17.3%	18.6%	0.0%	-3.2%	-0.7%	3.6%	4.3%	10.8%
Energy, Utilities, Resources and Services	16.0%	17.3%	8.1%	5.1%	-2.0%	-2.9%	6.5%	8.0%	14.5%
Manufacturing	10.7%	15.2%	10.6%	5.9%	-1.0%	-7.1%	-1.8%	7.1%	22.8%
Hi Tech	14.2%	11.5%	12.3%	7.3%	12.9%	24.7%	17.5%	16.3%	15.1%
Life Sciences	3.8%	10.7%	17.1%	10.9%	7.8%	8.7%	13.2%	21.7%	23.1%
Others	-3.6%	-1.2%	12.2%	19.2%	20.0%	25.3%	4.3%	31.2%	16.7%
Total	10.6%	9.9%	8.6%	4.4%	-0.3%	3.2%	8.4%	13.0%	21.2%

EBITDA (%)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22
Financial Services	25.0%	25.8%	25.7%	25.5%	26.8%	30.1%	27.3%	25.8%	25.6%
Retail	30.0%	30.1%	30.6%	29.3%	30.9%	35.6%	36.5%	35.5%	35.5%
Communications	20.6%	21.0%	20.7%	18.6%	19.7%	21.6%	25.0%	22.4%	20.8%
Energy, Utilities, Resources and Services	25.6%	27.6%	27.8%	28.5%	28.1%	27.2%	29.0%	28.8%	30.4%
Manufacturing	19.6%	22.2%	24.3%	23.7%	22.5%	29.5%	28.7%	27.9%	23.2%
Hi Tech	22.0%	23.0%	23.6%	23.1%	29.0%	29.7%	29.4%	26.4%	24.6%
Life Sciences	21.2%	27.1%	26.5%	23.2%	30.3%	33.3%	31.0%	30.4%	30.1%
Others	1.3%	1.2%	2.2%	5.4%	3.1%	5.8%	6.3%	22.1%	12.5%
Total	23.7%	24.9%	25.1%	24.5%	25.9%	28.8%	28.6%	27.6%	26.7%

Source: Company, Emkay Research

Exhibit 13: Changes in estimates

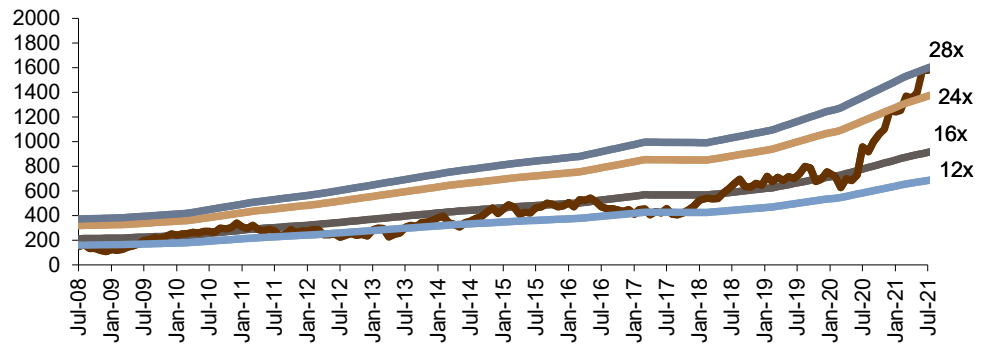
Rs mn	FY22E			FY23E			FY24E		
	Old	New	% change	Old	New	% change	Old	New	% change
Revenues(in USD mn)	15,951	16,067	0.7%	17,936	18,070	0.7%	20,090	20,240	0.7%
YoY revenue growth	17.6%	18.5%		12.4%	12.5%		12.0%	12.0%	
Revenues	1,187,650	1,196,290	0.7%	1,363,134	1,373,309	0.7%	1,556,962	1,568,584	0.7%
EBIT	287,344	281,542	-2.0%	327,478	328,949	0.4%	373,139	375,994	0.8%
EBIT margins, %	24.2	23.5		24.0	24.0		24.0	24.0	
Net profits	227,083	222,170	-2.2%	259,222	259,337	0.0%	297,479	298,325	0.3%
EPS (Rs)	54.1	52.9	-2.2%	61.7	61.7	0.0%	70.8	71.0	0.2%

Source: Company, Emkay Research

Exhibit 14: Key assumptions

Particulars	FY22E	FY23E	FY24E
USD revenue growth	18.5%	12.5%	12.0%
USD/INR	74.5	76.0	77.5
INR revenue growth	19.1%	14.8%	14.2%
EBIT Margins	23.5	24.0	24.0
EPS growth (%)	16.4%	16.7%	15.0%

Source: Company, Emkay Research

Exhibit 15: Infosys' 1-year forward P/E band

Source: Company, Emkay Research

Exhibit 16: IT services valuation Summary

Co Name	Reco.	CMP (Rs)	Target Price (Rs)	USD revenue growth (%)			EPS (Rs)			P/E (x)			EV/EBIT (x)		
				FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
TCS	HOLD	3,215	3,500	16.0	11.4	10.0	106.2	121.2	136.7	30.3	26.5	23.5	22.9	20.1	17.7
Infosys	BUY	1,577	1,800	18.5	12.5	12.0	52.9	61.7	71.0	29.8	25.5	22.2	22.3	18.8	16.1
Wipro	HOLD	562	550	22.5	9.1	8.0	21.1	23.1	26.1	26.6	24.3	21.5	20.9	18.7	16.5
HCL Tech	BUY	989	1,280	12.5	10.0	9.0	51.3	56.9	63.5	19.3	17.4	15.6	14.2	12.5	10.9
Tech Mahindra	BUY	1,079	1,410	10.4	9.2	8.0	58.2	66.0	72.8	18.5	16.3	14.8	13.0	11.2	9.9
L&T Infotech	HOLD	4,215	4,280	17.5	14.0	14.0	125.9	146.9	171.1	33.5	28.7	24.6	26.7	22.9	19.6
Mphasis	HOLD	2,376	2,260	12.0	11.9	11.8	75.3	87.3	99.5	31.6	27.2	23.9	23.4	20.1	17.4
Mindtree	SELL	2,703	2,200	21.0	12.0	12.0	81.3	86.7	96.0	33.3	31.2	28.1	24.9	23.0	20.5
Persistent Systems	HOLD	2,787	2,850	21.5	15.0	14.0	81.0	97.6	112.5	34.4	28.6	24.8	26.9	21.6	18.3
Birlasoft	BUY	391	450	14.0	14.0	13.0	15.0	18.1	21.6	26.1	21.6	18.1	17.5	14.2	11.5
Coforge	SELL	4,535	3,700	30.3	14.8	14.0	105.4	131.3	153.8	43.0	34.5	29.5	31.0	25.3	21.8
Firstsource Solutions	HOLD	197	210	17.4	11.8	11.7	5.2	8.2	9.6	37.9	24.1	20.4	18.9	15.9	13.4

Source: Company, Emkay Research

Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
Revenue	907,910	1,004,730	1,196,290	1,373,309	1,568,584
Expenditure	685,230	725,830	878,787	1,004,442	1,148,236
EBITDA	222,680	278,900	317,503	368,867	420,347
Depreciation	28,940	32,680	35,961	39,918	44,354
EBIT	193,740	246,220	281,542	328,949	375,994
Other Income	26,340	20,060	22,341	24,707	30,707
Interest expenses	0	0	0	0	0
PBT	220,080	266,280	303,883	353,656	406,700
Tax	53,680	72,050	81,263	93,719	107,776
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	450	720	450	600	600
Reported Net Income	165,950	193,510	222,170	259,337	298,325
Adjusted PAT	165,950	193,510	222,170	259,337	298,325

Balance Sheet

Y/E Mar (Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
Equity share capital	21,220	21,240	20,977	20,977	20,977
Reserves & surplus	637,220	746,580	733,756	850,268	991,065
Net worth	658,440	767,820	754,733	871,245	1,012,042
Minority Interest	0	0	0	0	0
Loan Funds	0	0	0	0	0
Net deferred tax liability	(7,760)	(2,230)	(2,000)	(2,000)	(2,000)
Total Liabilities	650,680	765,590	752,733	869,245	1,010,042
Net block	237,890	255,050	253,639	252,301	252,527
Investment	87,920	142,050	143,420	143,420	143,420
Current Assets	571,790	665,150	693,778	845,955	1,024,710
Cash & bank balance	186,490	247,140	215,532	308,206	422,424
Other Current Assets	0	0	0	0	0
Current liabilities & Provision	259,560	307,290	348,104	382,431	420,615
Net current assets	312,230	357,860	345,674	463,524	604,095
Misc. exp	0	0	0	0	0
Total Assets	650,680	765,590	752,733	869,245	1,010,042

Cash Flow

Y/E Mar (Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
PBT (Ex-Other income) (NI+Dep)	193,740	246,220	281,542	328,949	375,994
Other Non-Cash items	55,130	71,930	81,263	93,719	107,776
Chg in working cap	(19,380)	6,330	(19,192)	(25,177)	(26,352)
Operating Cashflow	185,570	241,270	238,940	274,078	316,326
Capital expenditure	(51,730)	(34,860)	(33,920)	(38,580)	(44,580)
Free Cash Flow	133,840	206,410	205,020	235,498	271,746
Investments	33,800	(48,730)	(1,370)	0	0
Other Investing Cash Flow	0	0	0	0	0
Investing Cashflow	(17,930)	(83,590)	(35,290)	(38,580)	(44,580)
Equity Capital Raised	(74,720)	150	(113,436)	0	0
Loans Taken / (Repaid)	(5,710)	(6,640)	0	0	0
Dividend paid (incl tax)	(95,480)	(91,370)	(121,821)	(142,825)	(157,528)
Other Financing Cash Flow	(920)	830	0	0	0
Financing Cashflow	(176,830)	(97,030)	(235,257)	(142,825)	(157,528)
Net chg in cash	(9,190)	60,650	(31,608)	92,673	114,218
Opening cash position	195,680	186,490	247,140	215,532	308,206
Closing cash position	186,490	247,140	215,532	308,206	422,424

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY20	FY21	FY22E	FY23E	FY24E
EBITDA Margin	24.5	27.8	26.5	26.9	26.8
EBIT Margin	21.3	24.5	23.5	24.0	24.0
Effective Tax Rate	24.4	27.1	26.7	26.5	26.5
Net Margin	18.3	19.3	18.6	18.9	19.1
ROCE	34.0	37.6	40.0	43.6	43.3
ROE	25.4	27.1	29.2	31.9	31.7
RoIC	57.0	67.5	75.1	83.1	89.3

Per Share Data (Rs)	FY20	FY21	FY22E	FY23E	FY24E
EPS	39.1	45.4	52.9	61.7	71.0
CEPS	45.9	53.1	61.4	71.2	81.6
BVPS	155.1	180.2	179.7	207.4	240.9
DPS	17.5	27.0	29.0	34.0	37.5

Valuations (x)	FY20	FY21	FY22E	FY23E	FY24E
PER	40.3	34.7	29.8	25.5	22.2
P/CEPS	34.4	29.7	25.7	22.1	19.3
P/BV	10.2	8.8	8.8	7.6	6.5
EV / Sales	7.1	6.3	5.2	4.5	3.9
EV / EBITDA	28.8	22.7	19.7	16.7	14.4
Dividend Yield (%)	1.1	1.7	1.8	2.2	2.4

Gearing Ratio (x)	FY20	FY21	FY22E	FY23E	FY24E
Net Debt/ Equity	(0.4)	(0.5)	(0.5)	(0.5)	(0.6)
Net Debt/EBIDTA	(1.2)	(1.4)	(1.1)	(1.2)	(1.3)
Working Cap Cycle (days)	50.6	40.2	39.7	41.3	42.3

Growth (%)	FY20	FY21	FY22E	FY23E	FY24E
Revenue	9.8	10.7	19.1	14.8	14.2
EBITDA	6.6	25.2	13.8	16.2	14.0
EBIT	2.6	27.1	14.3	16.8	14.3
PAT	7.7	16.6	14.8	16.7	15.0

Quarterly (Rs mn)	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22
Revenue	236,650	245,700	259,270	263,110	278,960
EBITDA	61,210	70,830	74,150	72,710	74,320
EBITDA Margin (%)	25.9	28.8	28.6	27.6	26.6
PAT	42,330	48,450	51,970	50,760	51,950
EPS (Rs)	9.9	11.4	12.2	11.9	12.2

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21
Promoters	13.2	13.0	13.0	13.0	13.0
FII	30.5	31.3	32.3	32.7	33.4
DII	25.4	25.0	23.8	23.1	22.0
Public and Others	31.0	30.8	31.0	31.3	31.7

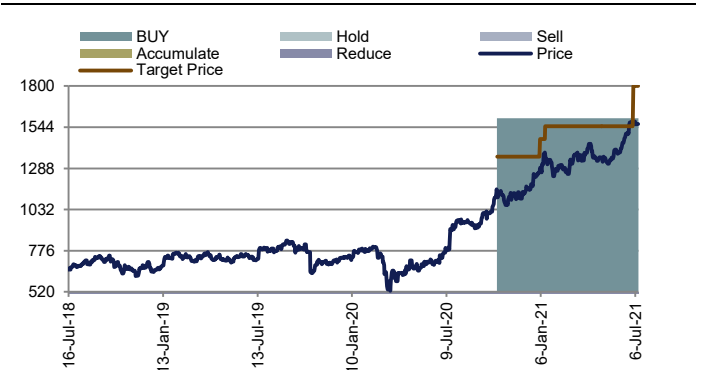
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
2-Jul-21	1,568	1,800	12m	Buy	Dipeshkumar Mehta
14-Apr-21	1,397	1,550	12m	Buy	Dipeshkumar Mehta
5-Apr-21	1,410	1,550	12m	Buy	Dipeshkumar Mehta
18-Mar-21	1,337	1,550	12m	Buy	Dipeshkumar Mehta
14-Jan-21	1,371	1,550	12m	Buy	Dipeshkumar Mehta
4-Jan-21	1,288	1,470	12m	Buy	Dipeshkumar Mehta
18-Dec-20	1,190	1,360	12m	Buy	Dipeshkumar Mehta
12-Nov-20	1,118	1,360	12m	Buy	Dipeshkumar Mehta
14-Oct-20	1,137	1,360	12m	Buy	Dipeshkumar Mehta

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Emkay Alpha Portfolio – Information Technology



Analyst: Dipesh Mehta

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Sector

IT Services, ITes and Software

Analyst bio

Dipesh is a seasoned Equities professional who has covered Technology sector for over 15 years. Dipesh has completed his B.E. in Information Technology from Sardar Patel University and MMS in Finance from Mumbai University.

EAP sector portfolio

Company Name	BSE200 Weight	EAP Weight	OW/UW (%)	OW/UW (bps)	EAP Weight (Normalised)
Information Technology	13.19	12.92	-2%	-27	100.00
BirlaSoft	0.00	0.07	NA	7	0.50
Coforge	0.00	0.00	NA	0	0.00
eClerx Services*	0.00	0.00	NA	0	0.00
Firstsource Solutions	0.00	0.07	NA	7	0.54
HCL Tech	1.16	1.27	10%	11	9.65
Infosys	6.25	6.38	2%	14	48.37
Intellect Design*	0.00	0.00	NA	0	0.00
L&T Infotech	0.19	0.00	-100%	-19	0.00
Majesco*	0.00	0.00	NA	0	0.00
Mindtree	0.12	0.00	-100%	-12	0.00
Mphasis	0.20	0.07	-65%	-13	0.53
MPS*	0.00	0.00	NA	0	0.00
NIIT*	0.00	0.00	NA	0	0.00
Nucleus Software*	0.00	0.00	NA	0	0.00
Oracle Financial Services*	0.10	0.00	-100%	-10	0.00
Persistent Systems	0.00	0.38	NA	38	2.90
Ramco Systems*	0.00	0.00	NA	0	0.00
TCS	3.64	3.41	-6%	-23	25.85
Tech Mahindra	0.72	0.74	4%	3	5.64
Wipro	0.82	0.52	-37%	-30	3.97
Cash	0.00	0.27	NA	27	2.06

Source: Emkay Research

* Not under coverage: Equal Weight

■ High Conviction/Strong Over Weight ■ High Conviction/Strong Under Weight

Sector portfolio NAV

	Base					Latest
	1-Apr-19	14-Jul-20	12-Jan-21	13-Apr-21	11-Jun-21	13-Jul-21
EAP - Information Technology	100.0	104.5	180.2	179.2	192.6	197.3
BSE200 Neutral Weighted Portfolio (ETF)	100.0	102.2	170.9	168.6	179.8	183.2

*Performance measurement base date 1st April 2019

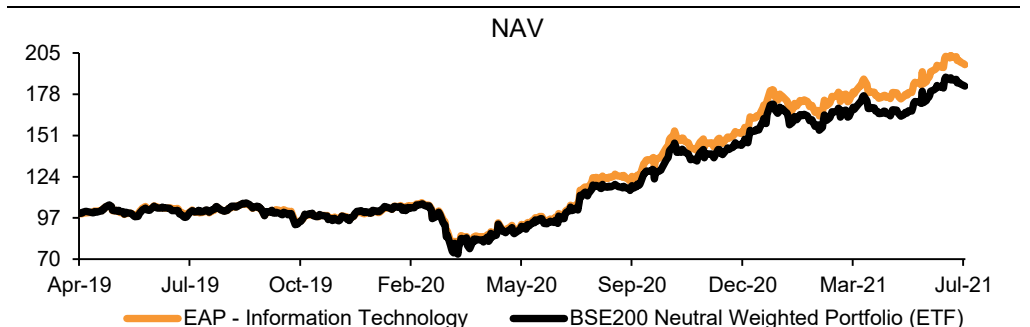
Source: Emkay Research

Price Performance (%)

	1m	3m	6m	12m
EAP - Information Technology	2.4%	10.1%	9.5%	88.8%
BSE200 Neutral Weighted Portfolio (ETF)	1.8%	8.6%	7.2%	79.3%

Source: Emkay Research

NAV chart



Source: Emkay Research

Please see our model portfolio (Emkay Alpha Portfolio): [Nifty](#)

Please see our model portfolio (Emkay Alpha Portfolio): [SMID](#)

“Emkay Alpha Portfolio – SMID and Nifty are a supporting document to the Emkay Alpha Portfolios Report and is updated on regular intervals”

Emkay Rating Distribution

Ratings	Expected Return within the next 12-18 months.
BUY	Over 15%
HOLD	Between -5% to 15%
SELL	Below -5%

Completed Date: 15 Jul 2021 12:16:03 (SGT)

Dissemination Date: 15 Jul 2021 12:17:03 (SGT)

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