

# Tech Mahindra (TECHM IN)

Rating: BUY | CMP: Rs1,128 | TP: Rs1,494

July 30, 2021

## Q1FY22 Result Update

Change in Estimates |  Target |  Reco

### Change in Estimates

	Current FY23E	Previous FY24E	Current FY23E	Previous FY24E
Rating	BUY	BUY		
Target Price	1,494	1,237		
Sales (Rs. m)	498,697	557,462	485,435	542,182
% Chng.	2.7	2.8		
EBITDA (Rs. m)	94,907	106,085	92,378	103,178
% Chng.	2.7	2.8		
EPS (Rs.)	70.9	78.5	69.1	76.4
% Chng.	2.6	2.7		

### Key Financials - Standalone

Y/e Mar	FY21	FY22E	FY23E	FY24E
Sales (Rs. bn)	379	429	499	557
EBITDA (Rs. bn)	68	82	95	106
Margin (%)	18.1	19.1	19.0	19.0
PAT (Rs. bn)	44	56	62	69
EPS (Rs.)	50.7	63.5	70.9	78.5
Gr. (%)	4.0	25.3	11.5	10.8
DPS (Rs.)	45.4	10.1	10.1	10.1
Yield (%)	4.0	0.9	0.9	0.9
RoE (%)	18.5	20.5	19.4	18.4
RoCE (%)	20.9	22.2	21.9	21.2
EV/Sales (x)	2.3	2.0	1.7	1.4
EV/EBITDA (x)	12.9	10.6	8.8	7.5
PE (x)	22.2	17.7	15.9	14.4
P/BV (x)	4.0	3.4	2.9	2.4

Key Data	TEML.BO   TECHM IN
52-W High / Low	Rs.1,142 / Rs.622
Sensex / Nifty	52,653 / 15,778
Market Cap	Rs.1,093bn / \$ 14,711m
Shares Outstanding	969m
3M Avg. Daily Value	Rs.5959.32m

### Shareholding Pattern (%)

Promoter's	35.74
Foreign	36.14
Domestic Institution	16.51
Public & Others	11.61
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	5.0	18.9	72.2
Relative	4.8	4.5	24.5

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## Initiated Rally phase...

### Quick Pointers:

- Deal wins were strong for second consecutive quarter - USD 815 mn in 1Q22 and USD 1043 mn in 4Q21, much above US\$300-400 mn range pre-Covid
- TechM is trading at significant discount to all its peers, we believe discount to narrow down significantly as progress is happening in multiple dimensions— i) Improving margin profile ii) Restructuring of value acquisitions iii) Disciplined capital allocation with improved payout and FCF generation at 145% of net profit.

**TechM reported strong growth of 4.1% QoQ USD much above our and street estimates (Ple: 2.2%, Cons: 2.4%). Growth was led by Enterprise segment (+4.7% QoQ USD) & Communications in seasonally weak quarter grew +3.2% QoQ USD, registering highest ever 1Q growth in last 5 years.**

**EBIT Margins came at 15.2% (-130 bps QoQ) above our & cons estimates (Ple: 14%, Cons: 14.4%). Management is confident on maintaining EBIT margins above 15% despite headwinds from supply side crunch - higher attrition (17%, +400bps QoQ) coupled with all-time high utilization (88% in 1Q22) due to margin levers such as i) Expand offshoring, ii) G&A costs centralization for portfolio companies iii) operational efficiency and automation, iv) pyramid optimization and v) revenue growth leverage.**

**On 5G theme, we believe TechM to be the biggest beneficiary as its strong play in network infrastructure services differentiates it from other Indian IT. Management mentioned that 5G is gaining traction in areas of 5G for cloud and 5G ecosystem for Telecom OEMs with 60-70% of new deals signed involving 5G element.**

**Management has outlined their strategy (Repair, Rally, Rise Beyond) to completely transforming the business and accelerate growth and margins. We have written detailed report on TechM's strategy in our note TechM's Annual Report Analysis ([click here for the report](#)).**

**We are assigning target multiple of 20X (earlier 17X) on Sep-23 EPS of INR of 74.7 (35% discount to TCS 5-year average + 2SD of 30.6X) to arrive at a TP of INR 1494 (earlier: 1237) with revenue CAGR of 13.4% & EPS CAGR of 18.2%. TechM is currently trading at 17.7X/15.9X at EPS of INR 63.5/70.9 on FY22/23E respectively, inexpensive. Maintain Buy.**

- Beat in revenue growth:** TechM reported revenue of \$1383.6 mn resulting in strong growth of 3.9% QoQ CC, 4.1% QoQ USD above our and street estimates (Ple: 2.2%, Cons: 2.4%). Growth was led by Enterprise segment (+4.7% QoQ USD). Communications grew +3.2% QoQ USD, registering highest ever 1Q growth in last 5 years despite seasonal decline in mobility business. In Enterprise segment, growth broad-based was led by Technology (+8.1% QoQ USD), Manufacturing (+4.5% QoQ USD), BFSI (+3.7% QoQ USD) and Retail (+3.2% QoQ USD).

*Share of repeat business improved to 96% of revenue from 92% in 4Q21 indicating recovery in demand from existing clients.*

*1 client each was added in \$50mn+, \$20mn+ and \$10mn+ bucket*

*TechM's services platforms are gaining traction and have registered 60+ new wins this quarter.*

*TechM's netOps.ai, Network Automation and Managed Services Framework, is geared to accelerate 5G Network adoption by automating all the key network life cycle stages.*

- **Technology vertical reported strong performance in last 5 quarters:** Technology vertical continues to show strong growth, +8.1% QoQ, 23% YoY led by traction in hyper-scalars, product engineering and large investments in semiconductor space. TechM has split 'Technology Media and Entertainment' vertical into 1) Technology and 2) clubbed Media and Entertainment with Communication vertical to reflect true performance of strongly growing technology vertical.
- **Sustained strong deal momentum:** Net new TCV was strong at USD 815 mn for second consecutive quarter on top of record high TCV at USD 1043 mn in 4Q21. Deal wins were well distributed across - Enterprise TCV at USD 463 mn and Communication TCV at USD 352 mn. TechM won one of the biggest deals in 1) Healthcare with one of the largest private healthcare systems in US for patient care modernization and in 2) BPS space for back-office integration.
- **Management mentioned that deal pipeline is at an all-time despite strong bookings in last two quarter. TechM's qualified pipeline has improved even further.** Their investments in 5G, Customer Experience, Data & Analytics, IoT and AI are yielding results.
- TechM won 10 large deals well distributed across verticals: 2 Healthcare, 2 Communication, 1 BFSI, 1 Technology, 1 E&U, 1 Manufacturing, 1 Transport, 1 Public Sector.
- **5G gaining traction:** Management mentioned that 60-70% of new deals signed involve 5G element. There are three core demand areas for 5G – 5G for cloud, 5G ecosystem for Telecom OEMs and 5G for enterprises. TechM is experiencing strong traction in first two areas while the Enterprise 5G demand is yet to pick-up as it involves complex architecture changes. Management mentioned that telecom operator's capex as % of revenues has remained flat however, they are repurposing spends in to cloud, 5G and data transformation. TechM is investing on OEM infra side on OFS orchestration, IP development and core 5G architecture.
- **Beat in margins:** EBIT Margins came at 15.2% (-130 bps QoQ) above our & cons estimates (Ple: 14%, Cons:14.4%). Beat in margins was because headwind from 1) wage hike rollout in 1Q22, 2) visa costs, 3) seasonal decline in mobility business and 4) 210 bps QoQ increase in sub-con costs were partially offset by higher utilization (incl. trainees) of 88% (+100bps QoQ), lower SG&A expenses of (-42bps QoQ) and operating efficiencies.
- **Management is confident on maintaining EBIT margins above 15%** and improving them in coming quarters despite **headwinds** from supply side crunch - higher attrition (17%, +400bps QoQ) coupled with all-time high utilization (88% in 1Q22) due to **margin levers** such as i) further scope to expand offshoring, ii) G&A costs centralization for portfolio companies iii) operational efficiency and automation, iv) pyramid optimization and v) revenue growth leverage. Management did not disclose their plans for wage hikes or selective interventions in FY22 and this can pose further risk to rising attrition.
- PAT came at INR 13532 mn, +25% QoQ aided by higher other income and normalization of ETR to 24% vs 33% in 4Q21

- **Healthy cash flow management:** DSO increased by only 1 day QoQ to 93 days despite strong rise in revenue. FCF/PAT was healthy at 94.1% for 1Q22 vs 126.6% for 4QFY21.

#### Exhibit 1: Q1FY22: Quick view on results

Y/e March (Rs mn)	1Q22	4Q21	QoQ gr.	1Q21	YoY gr.	Pt vs. Act	Pt
Net Sales (\$ m)	1,384	1,330	4.1%	1,207	14.6%	1.8%	1,358.6
Net Sales	1,01,976	97,299	4.8%	91,063	12.0%	1.7%	1,00,265
EBITDA	18,764	19,481	-3.7%	13,005	44.3%	4.0%	18,048
<b>EBITDA Margin</b>	18.4%	20.0%	-162 bps	14.3%	412 bps	40 bps	18.0%
EBIT	15,453	16,037	-3.6%	9,173	68.5%	10.1%	14,037
<b>EBIT margin</b>	15.2%	16.5%	-133 bps	10.1%	508 bps	115 bps	14.0%
PAT	13,532	10,814	25.1%	9,722	39.2%	12.4%	12,038
EPS (diluted)	15.32	12.26	25.0%	11.05	38.6%	12.2%	13.65

Source: Company, PL

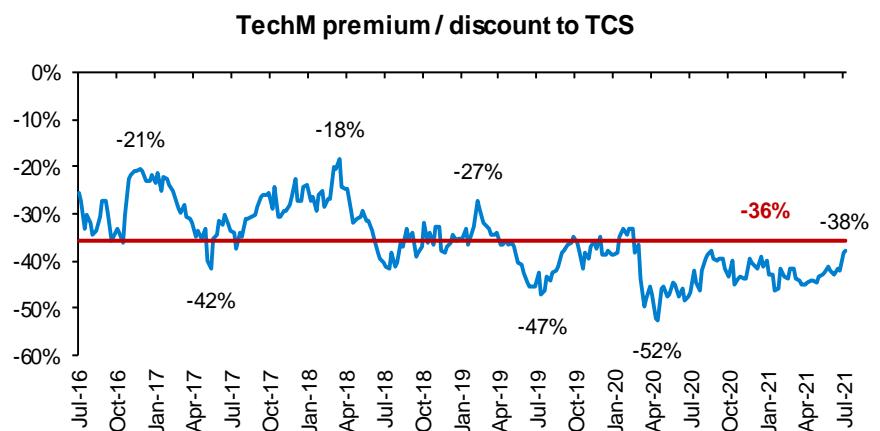
## Valuation

TechM is trading as significant discount to all its peers TCS (41%), INFY (40%), Wipro (31%) & HCLT (9%) on FY23E earnings, we believe discount to narrow down significantly as TechM is doing progress in multiple dimensions— i) Improving margin profile ii) Restructuring of value acquisitions iii) Disciplined capital allocation with improved payout and FCF generation at 145% of net profit.

Historically TechM has traded at 36% discount (5-yr average P/E discount) to TCS. Now this gap has widened to 41%. Historically, TechM's EPS CAGR was also lower at 6 over FY18-21 vs 10% of TCS (Exhibit 3). Given the progress made by TechM in multiple dimensions, we believe TechM's EPS CAGR to improve to 18% over FY21-23E vs 16% of TCS.

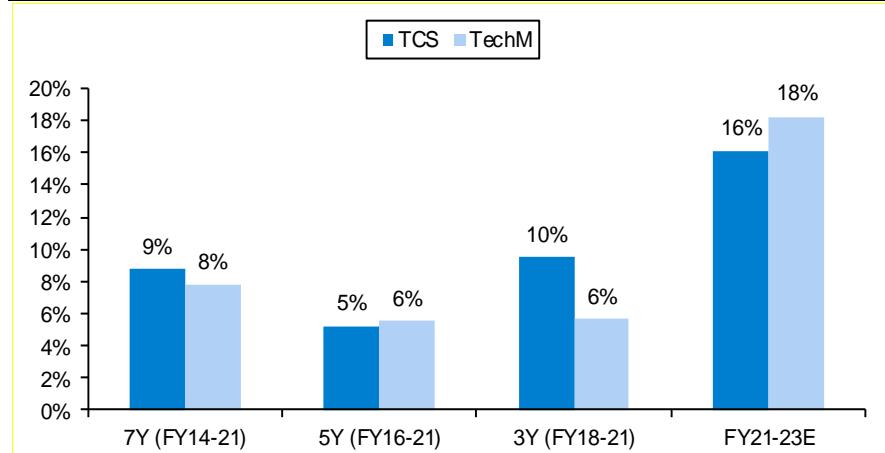
We are assigning target multiple of 20X (earlier 17X) on Sep-23 EPS of INR of 74.7 (35% discount to TCS 5-year average +2SD of 30.6X) to arrive at a TP of INR 1494 (earlier: 1237) with revenue CAGR of 13.4% & EPS CAGR of 18.2%. TechM is currently trading at 17.7X/15.9X at EPS of INR 63.5/70.9 on FY22/23E respectively, inexpensive. Maintain Buy.

#### Exhibit 2: TechM's discount to TCS



Source: Company, PL

## Exhibit 3: TCS vs TechM EPS CAGR



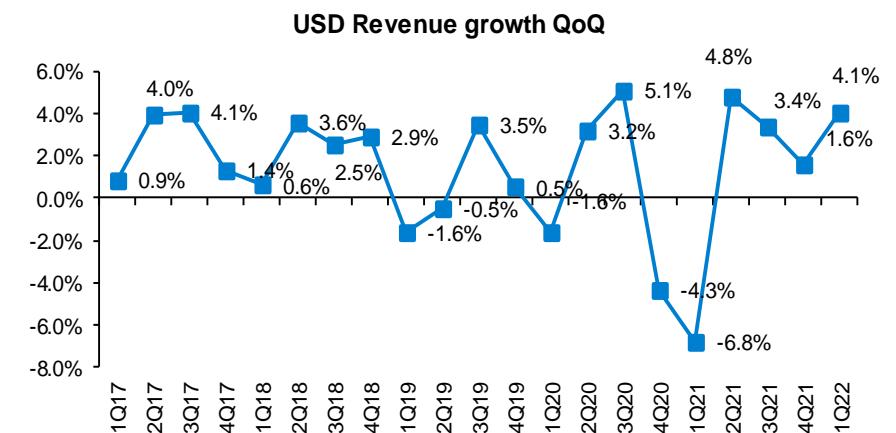
Source: Company, PL

## Exhibit 4: Change in Estimates

Y/e March	FY22E	FY23E	FY24E
<b>USD revenues (US\$ m)</b>			
- New	5,800	6,562	7,335
- Old	5,679	6,387	7,134
<b>Change (%)</b>			
	2.1%	2.7%	2.8%
<b>EBIT Margin</b>			
- New	15.3%	15.0%	15.0%
- Old	15.0%	15.0%	15.0%
<b>Change (%)</b>			
	28 bps	0 bps	0 bps
<b>Recurring EPS - Fully diluted (Rs)</b>			
- New	63.5	70.9	78.5
- Old	61.1	69.1	76.4
<b>Change (%)</b>			
	4.0%	2.6%	2.8%

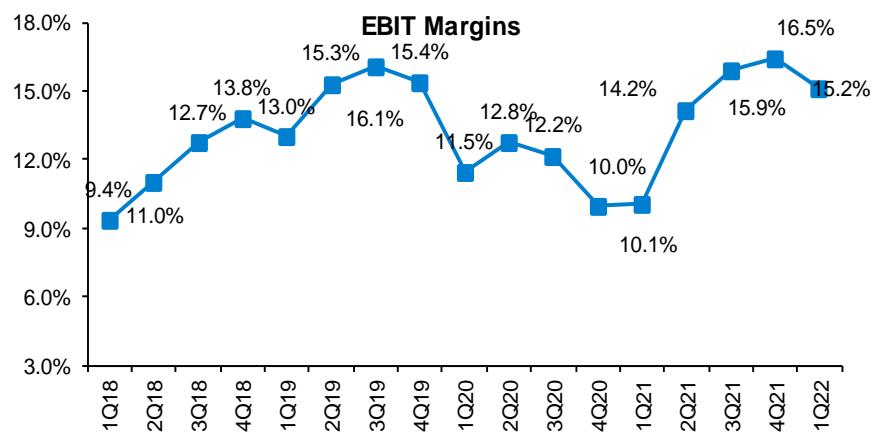
Source: PL

## Exhibit 5: Strong growth in 1Q22 after softness in last two quarters



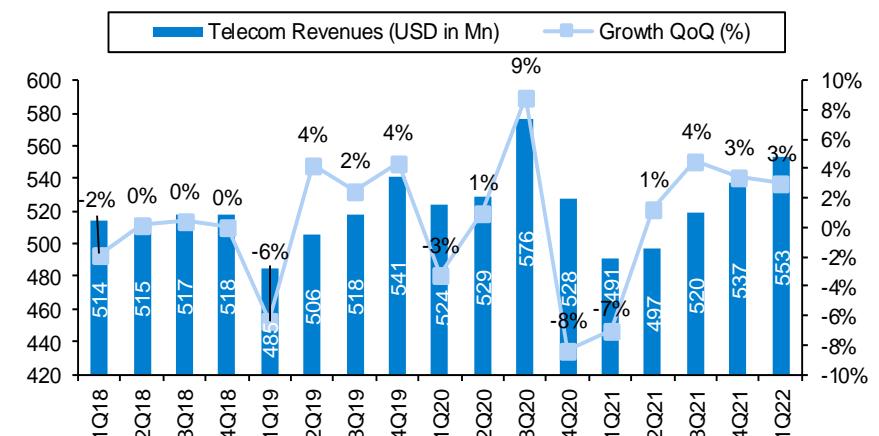
Source: Company, PL

## Exhibit 6: Sequential decline in margins due to wage hike



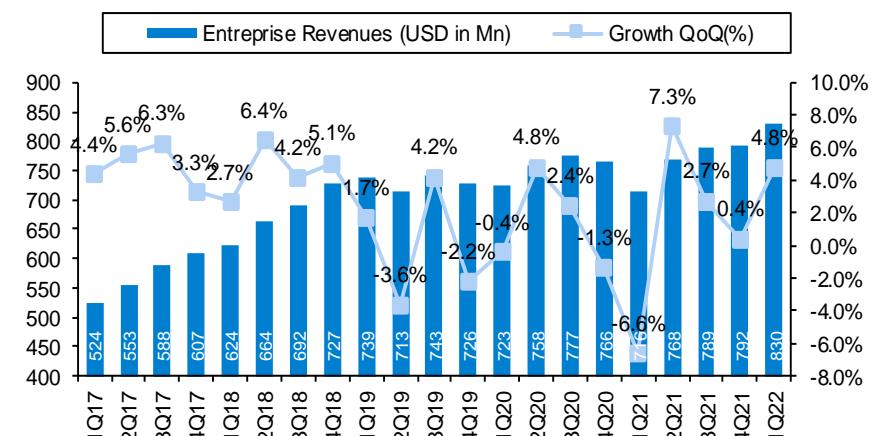
Source: Company, PL

## Exhibit 7: Modest growth in Communications vertical



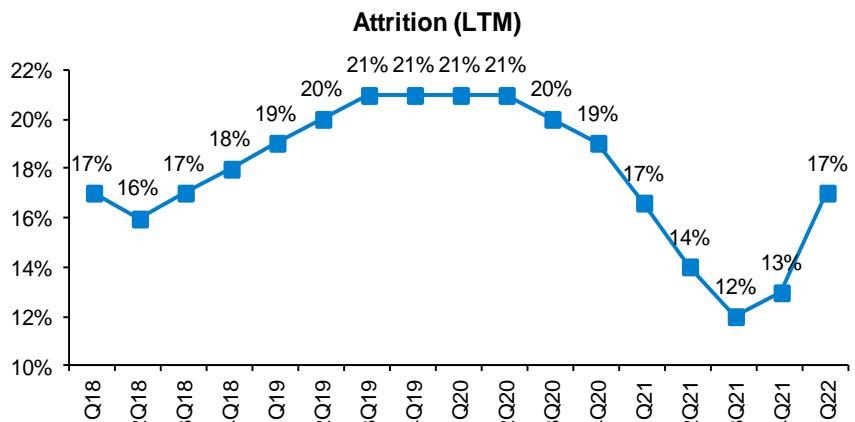
Source: Company, PL

## Exhibit 8: Growth back in Enterprise vertical



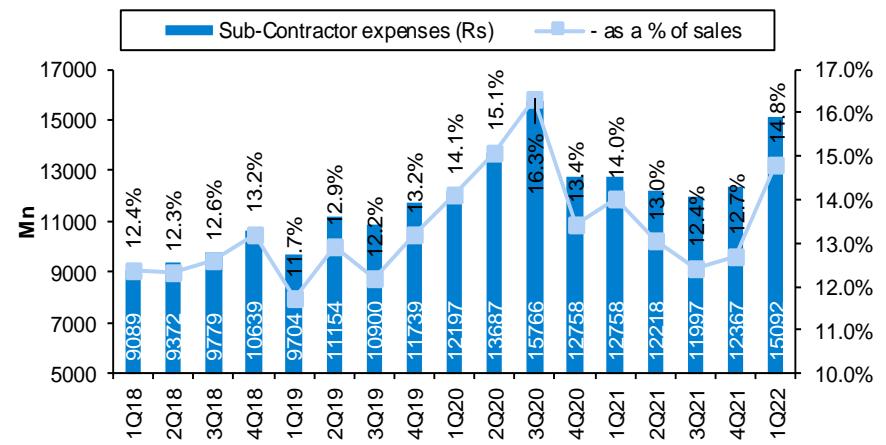
Source: Company, PL

## Exhibit 9: Attrition jumped up by +400bps QoQ



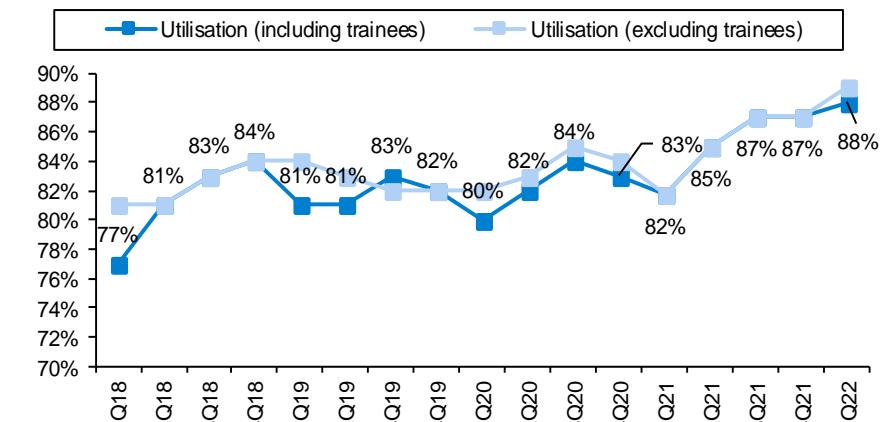
Source: Company, PL

## Exhibit 10: Subcontracting costs increased sharply by 210 bps QoQ



Source: Company, PL

## Exhibit 11: Sustained high utilization levels



Source: Company, PL

## Exhibit 12: Deal Wins (USD Mn)

	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22
Communications	150	174	105	208	104	518	352
Enterprise	1,081	339	185	214	352	525	463
<b>Total</b>	<b>1,231</b>	<b>513</b>	<b>290</b>	<b>421</b>	<b>455</b>	<b>1043</b>	<b>815</b>

Source: Company, PL

## Exhibit 13: Geography-wise revenues

(US\$ m)	1Q22	4Q21	QoQ gr.	1Q21	YoY gr.
North America	646.1	605.0	6.8%	595.5	8.5%
Europe	376.3	352.3	6.8%	311.5	20.8%
RoW	361.1	372.3	-3.0%	300.0	20.4%
<b>% of Total</b>					
North America	46.7%	45.5%	120 bps	49.3%	-264 bps
Europe	27.2%	26.5%	70 bps	25.8%	139 bps
RoW	26.1%	28.0%	-190 bps	24.9%	125 bps

Source: Company, PL

## Exhibit 14: Vertical-wise revenues

(US\$ m)	1Q22	4Q21	QoQ gr.	1Q21	YoY gr.
Telecom	553.4	537.2	3.0%	491.2	12.7%
Enterprise	830.2	792.4	4.8%	715.8	16.0%
- Manufacturing	228.3	218.1	4.7%	204.0	11.9%
- Technology, media & entertainment	121.8	113.0	7.7%	99.0	23.0%
- BFSI	226.9	218.1	4.1%	189.5	19.7%
- Retail, Transport & Logistics	106.5	102.4	4.1%	91.7	16.1%
- Others	146.7	140.9	4.1%	131.6	11.5%
<b>% of Total</b>					
Telecom	40.0%	40.4%	-40 bps	40.7%	-70 bps
Enterprise	60.0%	59.6%	40 bps	59.3%	70 bps
- Manufacturing	16.5%	16.4%	10 bps	16.9%	-40 bps
- Technology, media & entertainment	8.8%	8.5%	30 bps	8.2%	60 bps
- BFSI	16.4%	16.4%	0 bps	15.7%	70 bps
- Retail, Transport & Logistics	7.7%	7.7%	0 bps	7.6%	10 bps
- Others	10.6%	10.6%	0 bps	10.9%	-30 bps

Source: Company, PL

## Exhibit 15: Client Metrics

	1Q22	4Q21	QoQ gr.	1Q21	YoY gr.
≥ \$1 million clients	466	451	3.3%	451	3.3%
≥ \$5 million clients	168	169	-0.6%	161	4.3%
≥ \$10 million clients	86	85	1.2%	81	6.2%
≥ \$20 million clients	51	50	2.0%	48	6.3%
≥ \$50 million clients	22	21	4.8%	21	4.8%
Number Of active clients	<b>1,058</b>	<b>1,007</b>	<b>5.1%</b>	<b>981</b>	<b>7.8%</b>

Source: Company, PL

## Exhibit 16: Client concentration

(US\$ m)	1Q22	4Q21	QoQ gr.	1Q21	YoY gr.
Top 5 Client	304	293	4.1%	263	15.8%
Top 6-10 Clients	125	120	4.1%	112	11.0%
Top 10 Clients	429	412	4.1%	375	14.4%
Top 10-20 Clients	166	160	4.1%	150	10.7%
Top 20 Clients	595	572	4.1%	525	13.4%
Non Top 20 Clients	789	758	4.1%	682	15.6%
<b>% of Total</b>					
Top 5 Clients	22.0%	22.0%	0 bps	21.8%	23 bps
Top 10 Clients	31.0%	31.0%	0 bps	31.1%	-6 bps
Top 20 Clients	43.0%	43.0%	0 bps	43.5%	-48 bps
Non Top 20 Clients	57.0%	57.0%	0 bps	56.5%	48 bps

Source: Company, PL

## Exhibit 17: Headcount Metrics

	1Q22	4Q21	QoQ gr.	1Q21	YoY gr.
Software Professional	69,877	68,427	2.1%	71,020	-1.6%
BPO Professionals	49,668	46,125	7.7%	45,554	9.0%
Sales & Support	6,718	6,502	3.3%	6,842	-1.8%
<b>Total Employees</b>	<b>1,26,263</b>	<b>1,21,054</b>	<b>4.3%</b>	<b>1,23,416</b>	<b>2.3%</b>
<b>Attrition</b>					
IT Utilization(excl. trainees)	89.0%	87.0%	200 bps	81.8%	720 bps
IT Utilization(incl. trainees)	88.0%	87.0%	100 bps	81.7%	630 bps

Source: Company, PL

## Exhibit 18: Effort Mix

(US\$ m)	1Q22	4Q21	QoQ gr.	1Q21	YoY gr.
Onsite	858	838	2.4%	774	10.9%
Offshore	526	492	6.9%	433	21.4%
<b>% of Total</b>					
Onsite	62.0%	63.0%	-100 bps	64.1%	-211 bps
Offshore	38.0%	37.0%	100 bps	35.9%	211 bps

Source: Company, PL

## Financials

### Income Statement (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
<b>Net Revenues</b>	<b>378,551</b>	<b>428,815</b>	<b>498,697</b>	<b>557,462</b>
YoY gr. (%)	2.7	13.3	16.3	11.8
Employee Cost	258,555	287,535	328,986	367,758
Gross Profit	119,997	141,281	169,712	189,705
Margin (%)	31.7	32.9	34.0	34.0
SG&A Expenses	-	-	-	-
Other Expenses	-	-	-	-
<b>EBITDA</b>	<b>68,471</b>	<b>81,993</b>	<b>94,907</b>	<b>106,085</b>
YoY gr. (%)	19.6	19.7	15.8	11.8
Margin (%)	18.1	19.1	19.0	19.0
Depreciation and Amortization	14,577	16,385	19,948	22,298
<b>EBIT</b>	<b>53,894</b>	<b>65,608</b>	<b>74,959</b>	<b>83,787</b>
Margin (%)	14.2	15.3	15.0	15.0
Net Interest	1,740	1,881	1,500	1,500
Other Income	7,364	8,873	8,873	8,873
<b>Profit Before Tax</b>	<b>59,518</b>	<b>72,600</b>	<b>82,332</b>	<b>91,160</b>
Margin (%)	15.7	16.9	16.5	16.4
Total Tax	15,999	17,334	20,634	22,773
Effective tax rate (%)	26.9	23.9	25.1	25.0
<b>Profit after tax</b>	<b>43,519</b>	<b>55,267</b>	<b>61,698</b>	<b>68,387</b>
Minority interest	(750)	(458)	(458)	(458)
Share Profit from Associate	-	-	-	-
<b>Adjusted PAT</b>	<b>44,269</b>	<b>55,725</b>	<b>62,156</b>	<b>68,845</b>
YoY gr. (%)	4.0	25.9	11.5	10.8
Margin (%)	11.7	13.0	12.5	12.3
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>44,269</b>	<b>55,725</b>	<b>62,156</b>	<b>68,845</b>
YoY gr. (%)	4.0	25.9	11.5	10.8
Margin (%)	11.7	13.0	12.5	12.3
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	44,269	55,725	62,156	68,845
<b>Equity Shares O/s (m)</b>	<b>873</b>	<b>877</b>	<b>877</b>	<b>877</b>
<b>EPS (Rs)</b>	<b>50.7</b>	<b>63.5</b>	<b>70.9</b>	<b>78.5</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>64,430</b>	<b>53,602</b>	<b>62,337</b>	<b>69,683</b>
Tangibles	64,430	53,602	62,337	69,683
Intangibles	-	-	-	-
<b>Acc: Dep / Amortization</b>				
Tangibles	-	-	-	-
Intangibles	-	-	-	-
<b>Net fixed assets</b>	<b>64,430</b>	<b>53,602</b>	<b>62,337</b>	<b>69,683</b>
Tangibles	64,430	53,602	62,337	69,683
Intangibles	-	-	-	-
Capital Work In Progress	-	-	-	-
Goodwill	40,082	41,672	43,262	44,852
Non-Current Investments	10,294	10,294	10,294	10,294
Net Deferred tax assets	9,133	9,133	9,133	9,133
Other Non-Current Assets	20,288	20,331	20,338	20,344
<b>Current Assets</b>				
Investments	-	-	-	-
Inventories	-	-	-	-
Trade receivables	64,728	82,239	95,641	106,911
Cash & Bank Balance	124,971	145,621	176,642	217,096
Other Current Assets	62,612	70,755	82,285	91,981
<b>Total Assets</b>	<b>396,780</b>	<b>441,364</b>	<b>508,908</b>	<b>580,328</b>
<b>Equity</b>				
Equity Share Capital	4,370	4,370	4,370	4,370
Other Equity	244,280	289,668	341,490	400,000
<b>Total Networth</b>	<b>248,650</b>	<b>294,038</b>	<b>345,860</b>	<b>404,370</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	9,735	9,735	9,735	9,735
Provisions	-	-	-	-
Other non current liabilities	31,825	29,457	32,252	34,602
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	14,960	13,460	11,960	10,460
Trade payables	27,850	36,449	42,389	47,384
Other current liabilities	59,965	54,888	63,833	71,355
<b>Total Equity &amp; Liabilities</b>	<b>396,780</b>	<b>441,364</b>	<b>508,908</b>	<b>580,328</b>

Source: Company Data, PL Research

Cash Flow (Rs m)					Key Financial Metrics				
Y/e Mar	FY21	FY22E	FY23E	FY24E	Y/e Mar	FY21	FY22E	FY23E	FY24E
PBT	59,518	72,600	82,332	91,160	Per Share(Rs)				
Add. Depreciation	14,577	16,385	19,948	22,298	EPS	50.7	63.5	70.9	78.5
Add. Interest	1,740	1,881	1,500	1,500	CEPS	67.4	82.2	93.6	103.9
Less Financial Other Income	7,364	8,873	8,873	8,873	BVPS	284.9	335.3	394.4	461.1
Add. Other	-	-	-	-	FCF	65.2	39.2	50.6	61.3
Op. profit before WC changes	75,835	90,866	103,780	114,958	DPS	45.4	10.1	10.1	10.1
Net Changes-WC	25,798	(32,018)	(8,517)	(7,162)	Return Ratio(%)				
Direct tax	(15,999)	(17,334)	(20,634)	(22,773)	RoCE	20.9	22.2	21.9	21.2
<b>Net cash from Op. activities</b>	<b>85,634</b>	<b>41,514</b>	<b>74,629</b>	<b>85,023</b>	ROIC	19.1	20.1	19.1	18.0
Capital expenditures	(31,781)	(7,146)	(30,273)	(31,234)	RoE	18.5	20.5	19.4	18.4
Interest / Dividend Income	-	-	-	-	Balance Sheet				
Others	7,611	-	-	-	Net Debt : Equity (x)	(0.4)	(0.4)	(0.4)	(0.5)
<b>Net Cash from Invt. activities</b>	<b>(24,170)</b>	<b>(7,146)</b>	<b>(30,273)</b>	<b>(31,234)</b>	Debtor (Days)	62	70	70	70
Issue of share cap. / premium	(67)	-	-	-	Valuation(x)				
Debt changes	12,148	(1,500)	(1,500)	(1,500)	PER	22.2	17.7	15.9	14.4
Dividend paid	(46,387)	(10,334)	(10,334)	(10,334)	P/B	4.0	3.4	2.9	2.4
Interest paid	(1,740)	(1,881)	(1,500)	(1,500)	P/CEPS	16.7	13.7	12.0	10.9
Others	22,052	(2)	-	-	EV/EBITDA	12.9	10.6	8.8	7.5
<b>Net cash from Fin. activities</b>	<b>(13,994)</b>	<b>(13,717)</b>	<b>(13,334)</b>	<b>(13,334)</b>	EV/Sales	2.3	2.0	1.7	1.4
<b>Net change in cash</b>	<b>47,470</b>	<b>20,650</b>	<b>31,021</b>	<b>40,454</b>	Dividend Yield (%)	4.0	0.9	0.9	0.9
Free Cash Flow	56,895	34,367	44,355	53,789					

Source: Company Data, PL Research

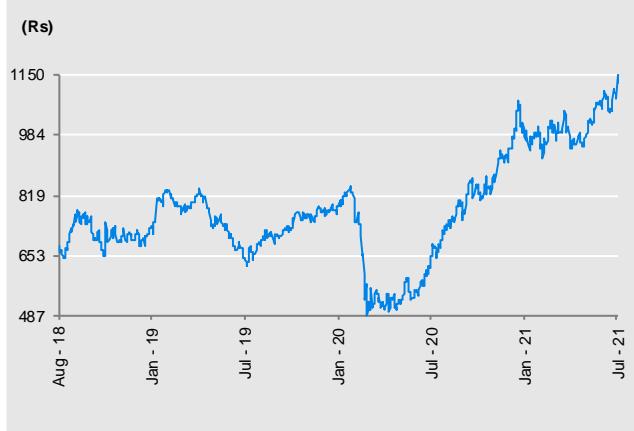
#### Quarterly Financials (Rs m)

Y/e Mar	Q2FY21	Q3FY21	Q4FY21	Q1FY22
<b>Net Revenue</b>	<b>93,718</b>	<b>96,471</b>	<b>97,299</b>	<b>101,976</b>
YoY gr. (%)	3.3	(0.1)	2.5	12.0
Raw Material Expenses	64,245	64,708	64,497	69,682
<b>Gross Profit</b>	<b>29,473</b>	<b>31,763</b>	<b>32,802</b>	<b>32,294</b>
Margin (%)	31.4	32.9	33.7	31.7
<b>EBITDA</b>	<b>17,030</b>	<b>18,955</b>	<b>19,481</b>	<b>18,764</b>
YoY gr. (%)	13.5	21.2	44.5	44.3
Margin (%)	18.2	19.6	20.0	18.4
Depreciation / Depletion	3,717	3,584	3,444	3,311
<b>EBIT</b>	<b>13,313</b>	<b>15,371</b>	<b>16,037</b>	<b>15,453</b>
Margin (%)	14.2	15.9	16.5	15.2
Net Interest	399	421	417	381
Other Income	1,175	2,209	(181)	2,873
<b>Profit before Tax</b>	<b>14,089</b>	<b>17,159</b>	<b>15,439</b>	<b>17,945</b>
Margin (%)	15.0	17.8	15.9	17.6
Total Tax	3,462	4,263	4,998	4,286
Effective tax rate (%)	24.6	24.8	32.4	23.9
<b>Profit after Tax</b>	<b>10,627</b>	<b>12,896</b>	<b>10,441</b>	<b>13,659</b>
Minority interest	(15)	(197)	(371)	125
Share Profit from Associates	4	5	2	(2)
<b>Adjusted PAT</b>	<b>10,646</b>	<b>13,098</b>	<b>10,814</b>	<b>13,532</b>
YoY gr. (%)	(5.3)	14.3	5.9	39.2
Margin (%)	11.4	13.6	11.1	13.3
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>10,646</b>	<b>13,098</b>	<b>10,814</b>	<b>13,532</b>
YoY gr. (%)	(5.3)	14.3	5.9	39.2
Margin (%)	11.4	13.6	11.1	13.3
Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income</b>	<b>10,646</b>	<b>13,098</b>	<b>10,814</b>	<b>13,532</b>
Avg. Shares O/s (m)	879	879	882	883
<b>EPS (Rs)</b>	<b>12.1</b>	<b>14.9</b>	<b>12.3</b>	<b>15.3</b>

Source: Company Data, PL Research

## Price Chart

## Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	22-Jul-21	BUY	1,237	1,149
2	2-Jul-21	BUY	1,174	1,085
3	27-Apr-21	BUY	1,132	962
4	5-Apr-21	BUY	1,143	990
5	1-Feb-21	BUY	1,138	961
6	4-Jan-21	BUY	1,099	978
7	26-Oct-20	BUY	1,042	848
8	5-Oct-20	BUY	966	823
9	1-Oct-20	BUY	966	792

## Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Coforge	BUY	5,306	4,749
2	Cyient	BUY	1,088	946
3	HCL Technologies	BUY	1,094	1,000
4	Infosys	BUY	1,832	1,577
5	L&T Technology Services	BUY	3,149	2,911
6	Larsen & Toubro Infotech	Accumulate	4,623	4,289
7	Mindtree	BUY	3,229	2,505
8	Mphasis	BUY	2,770	2,530
9	Persistent Systems	Hold	2,851	3,039
10	Redington (India)	BUY	301	279
11	Sonata Software	BUY	834	757
12	Tata Consultancy Services	BUY	3,776	3,259
13	TeamLease Services	BUY	4,716	3,731
14	Tech Mahindra	BUY	1,237	1,149
15	Wipro	BUY	678	576
16	Zensar Technologies	BUY	424	401

PL's Recommendation Nomenclature (Absolute Performance)

<b>Buy</b>	: > 15%
<b>Accumulate</b>	: 5% to 15%
<b>Hold</b>	: +5% to -5%
<b>Reduce</b>	: -5% to -15%
<b>Sell</b>	: < -15%
<b>Not Rated (NR)</b>	: No specific call on the stock
<b>Under Review (UR)</b>	: Rating likely to change shortly

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