

Refer to important disclosures at the end of this report

Steady performance; in-line FY22 guidance

CMP	Target Price
Rs 1,397 as of (April 14, 2021)	Rs 1,550 (■) 12 months
Rating	Upside
BUY (■)	10.9 %

- Infosys delivered a broadly in-line operating performance in Q4. Revenue growth was a tad softer, while EBITM came in slightly better than expectations. Revenues grew 2.8% QoQ to USD3.6bn (2% CC). Digital revenues rose 5.6%/38.6% QoQ/YoY to USD1.86bn.
- Infosys guided for 12-14% YoY CC revenue growth for FY22, implying a 2.6-3.3% CQGR over Q1-Q4. The company guided for 22-24% EBITM, broadly in line with our estimates, factoring in the impact of wage hike (Jan'21 and Jul'21) and large deals' transition costs.
- Large deal intake moderated sequentially but remained healthy at USD2.1bn in Q4 (52% new). Large deal TCV signed in FY21 was at an all-time high of ~USD14.1bn (+56.6% YoY) with net new deal wins of USD9.3bn (~2.7x YoY). The deal pipeline remains healthy.
- We lowered FY22/23E EPS by <1%, factoring in FY21 performance, buyback and higher ETR. Q4 lacked positive surprises after strong growth in the last two quarters. Strong revenue momentum with stable margins, continued market share gain, strong deal intake, robust cash conversion and comparable cash payouts will narrow down the valuation gap with TCS. We maintain Buy/OW in EAP, with a TP of Rs1,550 at 25x FY23E earnings.

What we liked? Broad-based revenue growth, In-line revenue and EBITM guidance for FY22, robust cash conversion (OCF/EBITDA 88.6%)

What we did not like? Spike in attrition (15.2% vs. 10% in Q3), softness in communications

Tad softer revenue performance in Q4; FY22 revenue growth guidance at 12-14%: Infosys delivered a tad softer revenue growth in Q4 due to lower contribution from third party sales, offshore shift and usual seasonality. Revenues grew 2.8% QoQ/13% YoY to USD3.6bn. EBITM declined 94bps to 24.5%. Revenue growth was broad based, led by Manufacturing (6.1% QoQ), Retail (3.5% QoQ) and BFSI (2.4% QoQ). Infosys signed 23 large deals with TCV of USD2.1bn during the quarter split across geographies (16 in NA, 6 in Europe and 1 in RoW) and verticals (6 each in BFSI and retail, 3 in Lifesciences and 2 each in communication, manufacturing Hi-tech and Energy, utilities & Resources). Infosys guided for 12-14% CC revenue growth in FY22 on the back of broad-based demand, strong deal intake and healthy deal pipeline.

EBITM to be in the range of 21-24% in FY22: EBITM declined 94bps in Q4 to 24.5% due to wage hike (-130bps) and higher G&A (-20bps), partly negated by offshore shift, higher utilization and other operating efficiencies. The company has guided for 22-24% EBITM for FY22, considering the impact of salary hikes (Jan'21 and planned wef Jul'21), large deals' transition costs, likely normalization of travel and related costs in H2. However, revenue acceleration, improving business mix, employee pyramid, offshore shift, 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)	FY19	FY20	FY21	FY22E	FY23E
Revenue	826,760	907,910	1,004,730	1,188,882	1,363,134
EBITDA	208,890	222,680	278,900	327,365	367,095
EBITDA Margin (%)	25.3	24.5	27.8	27.5	26.9
APAT	154,040	165,950	193,510	230,347	259,487
EPS (Rs)	35.3	39.1	45.5	54.9	61.8
EPS (% chg)	(3.9)	10.8	16.4	20.5	12.7
ROE (%)	23.7	25.4	27.1	30.1	31.5
P/E (x)	39.6	35.7	30.7	25.5	22.6
EV/EBITDA (x)	27.7	25.4	19.9	16.8	14.7
P/BV (x)	9.4	9.0	7.7	7.7	6.6

Source: Company, Emkay Research

Change in Estimates

EPS Chg FY22E/FY23E (%)	(0.3)/(0.7)
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

	EPS Estimates	
	FY22E	FY23E
Emkay	54.9	61.8
Consensus	52.9	60.3
Mean Consensus TP (12M)	Rs 1,575	

Stock Details

Bloomberg Code	INFO IN
Face Value (Rs)	5
Shares outstanding (mn)	4,261
52 Week H/L	1,526 / 604
M Cap (Rs bn/USD bn)	5,953 / 78.98
Daily Avg Volume (nos.)	8,749,130
Daily Avg Turnover (US\$ mn)	155.2

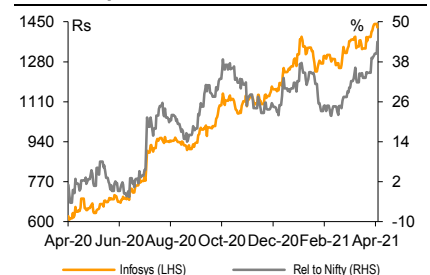
Shareholding Pattern Dec '20

Promoters	13.0%
FII's	32.3%
DII's	23.8%
Public and Others	31.0%

Price Performance

(%)	1M	3M	6M	12M
Absolute	2	1	21	119
Rel. to Nifty	5	1	(1)	36

Relative price chart



Source: Bloomberg

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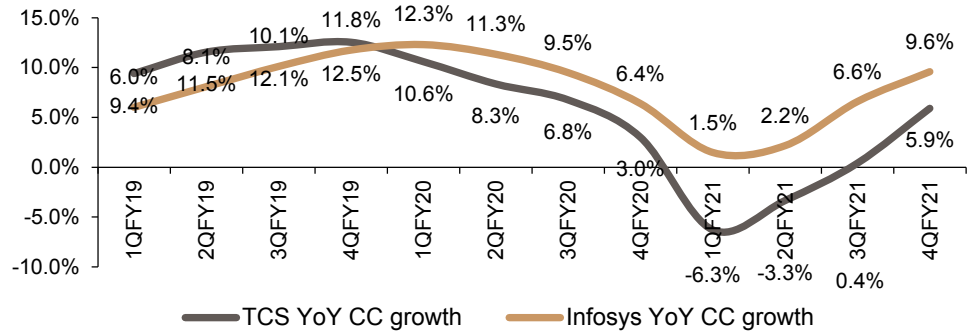
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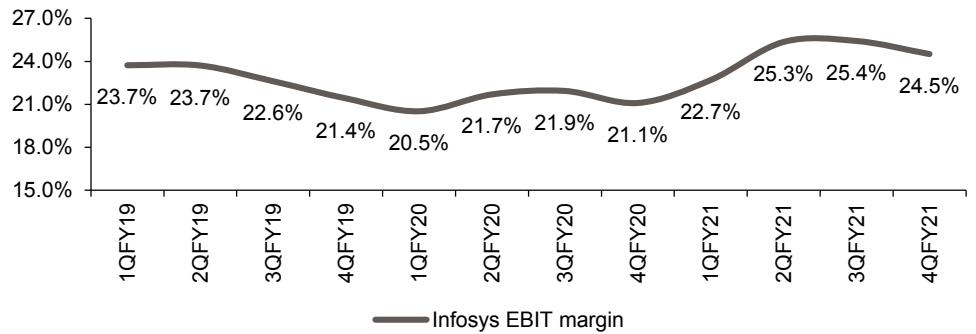
Story in Charts

Exhibit 1: Infosys revenue growth outperformance compared to TCS continued but narrowed down a bit in Q4FY21



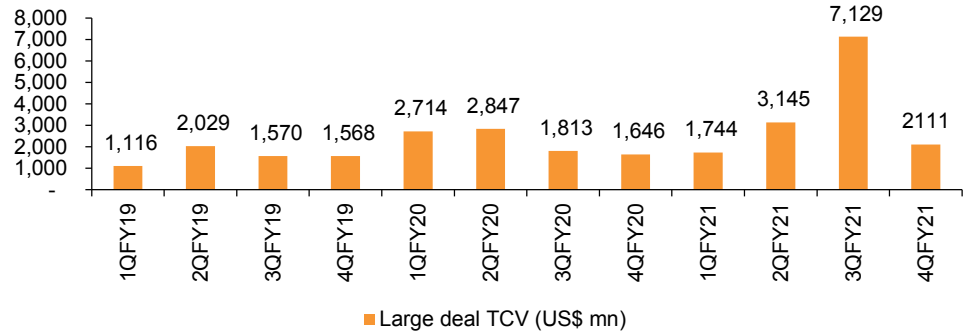
Source: Company, Emkay Research

Exhibit 2: EBITM declined by ~90bps in Q4FY21



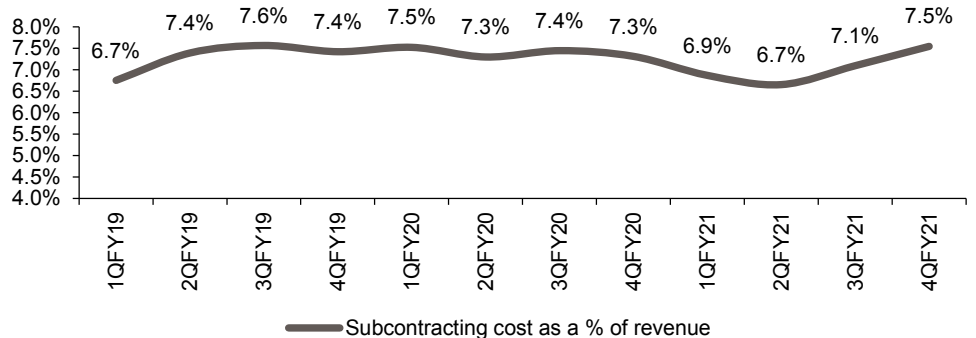
Source: Company, Emkay Research

Exhibit 3: Deal intake was healthy at USD2.1bn



Source: Company, Emkay Research

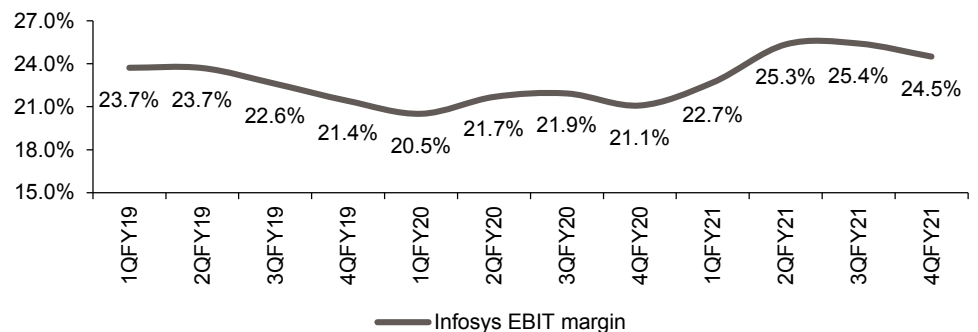
Exhibit 4: Subcontracting cost inched up further in Q4



Source: Company, Emkay Research

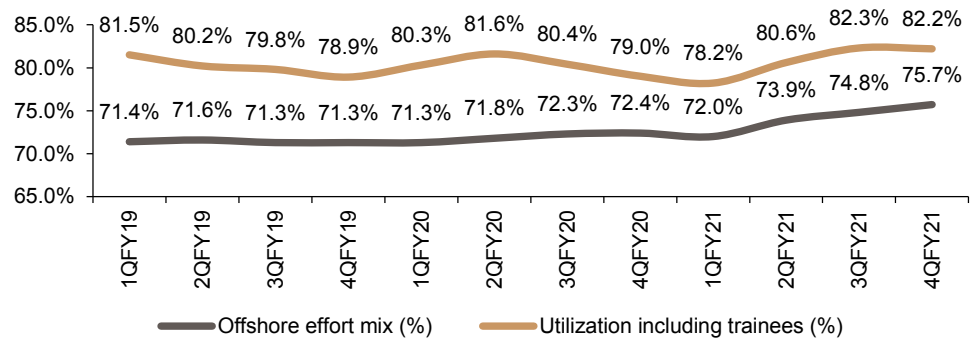
Tad softer revenue performance in Q4; FY22 revenue growth guidance at 12-14%: Infosys delivered a tad softer revenue growth in Q4 due to lower contribution from third party hardware and software sales, offshore shift and usual seasonality. Revenues grew 2.8% QoQ/13% YoY to USD3.6bn. Revenue growth in Q4FY21 was broad based, led by Manufacturing (6.1% QoQ), Retail (3.5%), BFSI (2.4%), Hi-Tech (1.5%) and Energy, utilities & resources (1.1%). Management suggested that Auto and Industrial reported healthy recovery in Manufacturing, while Aero remained soft. It expects healthy growth momentum continuing in Manufacturing on the back of large deal wins and robust pipeline. E&U performance remained soft in FY21; however, management expects stability returning in FY22 on the back of deal wins and pipeline. Communications vertical was flat (-0.6% QoQ) during the quarter; however, it is expected to perform well in the coming quarters on the back of ramp-ups of recently signed deals. All geographies barring RoW (-4.2% QoQ) saw positive sequential growth, led by India (18.6%), Europe (4.5%) and North America (2.8%). Infosys is continuing to see increased demand in the areas of digital transformation, cloud, data analytics, Automation and cyber security. It signed 23 large deals during the quarter with TCV of USD2.1bn, taking the FY21 TCV to an all-time high of USD14.1bn. On the back of solid deal signings in FY21, Infosys guided for FY22 revenue growth in the range of 12-14% in CC terms and EBITM to be in the range of 21-24%, which was in line with our expectations. The attrition rate inched up to 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 high in the near term.

Exhibit 5: EBITM declined by ~90bps in Q4FY21



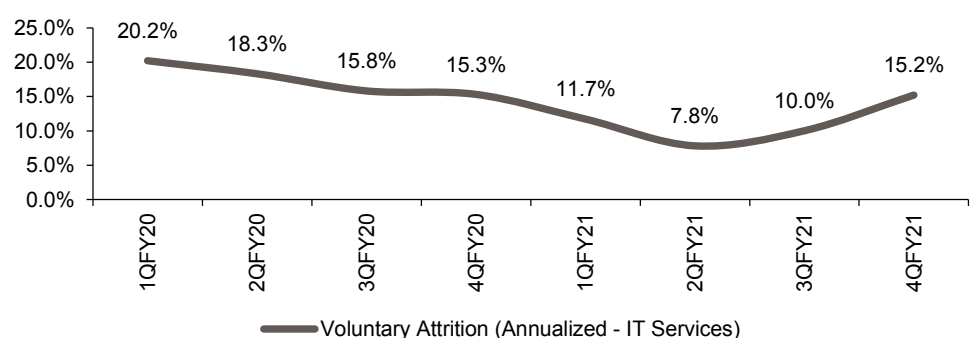
Source: Company, Emkay Research

Exhibit 6: Improvement in Offshore mix and utilization in recent quarters have aided margins



Source: Company, Emkay Research

Exhibit 7: Attrition inched up to 15.2% in Q4



Source: Company, Emkay Research

Other Takeaways

Q4FY21 performance: Revenues rose 2.8% QoQ and 13% YoY (2% QoQ CC, 9.6% YoY CC) to USD3.6bn. EBITM declined by 94bps sequentially. Digital revenues grew 34.4% YoY cc and now contributes to 51.5% of the total revenues. Large deal TCV was robust at USD2.1bn, taking the FY21 TCV to an all-time high of USD14.1bn.

Outlook: Infosys has guided for 12-14% CC revenue growth for FY22. EBITM is expected to be within the 22-24% range. Infosys is confident of delivering industry-leading growth as enterprises look to implement their digital transformation agenda on the back of its solid relationship with clients and all round capabilities.

Others:

- Infosys announced a final dividend of Rs15 per share.
- The company has also announced a share buyback of up to Rs92bn for a price not exceeding Rs1,750/share through the open market route. With the dividend and buyback combined, Infosys has returned ~83% of FCF to shareholders over FY20-21 period, in line with its stated policy of returning 85% of FCF over a 5-year period.
- Infosys BPM growth for the quarter was in double digits with robust pipeline.
- Infosys has hired ~36,500 employees in FY21, out of which 21,000 were freshers.
- The company plans to recruit ~26,000 freshers from campus in FY22 (including ~24,000 in India).
- ~69% US employees are local.
- The proposed increase in the US tax rate from 21% to 25% will not have a meaningful impact as most of the operations of Infosys run through the branch structure in US.

Exhibit 8: Actual vs Estimates (Q4FY21)

(in Rs mn)	Actual	Estimates		% variation		Comment
		Estimates (Emkay)	Consensus	Emkay	Consensus	
Revenues (in USD mn)	3,613	3,650	3,597	-1.0%	0.4%	
Sales	263,110	266,056	265,488	-1.1%	-0.9%	Revenue was tad softer than our estimates.
EBIT	64,400	64,816	64,334	-0.6%	0.1%	EBITM slightly better than expected on the back of offshore shift and higher utilization.
EBIT, margin %	24.5%	24.4%	24.2%	10 bps	20 bps	
PAT	50,760	51,507	52,059	-1.5%	-2.5%	Net profit missed expectations on softer revenue and higher ETR.

Source: Company, Emkay Research

Exhibit 9: Quarterly snapshot

Rs mn	Q4 FY20	Q1 FY21	Q2 FY21	Q3 FY21	Q4 FY21	YoY (%)	QoQ (%)	FY20	FY21	YoY (%)
Revenues (in USD mn)	3,197	3,121	3,312	3,516	3,613	13.0	2.8	12,781	13,562	6.1
Revenue	232,670	236,650	245,700	259,270	263,110	13.1	1.5	907,910	1,004,730	10.7
Operating Expenditure	175,910	175,440	174,870	185,120	190,400	8.2	2.9	685,230	725,830	5.9
Cost of revenues	147,520	149,470	149,160	159,510	163,330	10.7	2.4	578,380	621,470	7.5
as % of sales	63.4	63.2	60.7	61.5	62.1			63.7	61.9	
SG&A expenses	28,390	25,970	25,710	25,610	27,070	(4.6)	5.7	106,850	104,360	(2.3)
as % of sales	12.2	11.0	10.5	9.9	10.3			11.8	10.4	
EBITDA	56,760	61,210	70,830	74,150	72,710	28.1	(1.9)	222,680	278,900	25.2
Depreciation	7,490	7,560	8,550	8,260	8,310	10.9	0.6	28,940	32,680	12.9
EBIT	49,270	53,650	62,280	65,890	64,400	30.7	(2.3)	193,740	246,220	27.1
Other Income	5,690	4,270	5,220	5,620	4,950			26,340	20,060	(23.8)
PBT	54,960	57,920	67,500	71,510	69,350	26.2	(3.0)	220,080	266,280	21.0
Total Tax	11,610	15,200	18,920	19,360	18,570	59.9	(4.1)	53,680	72,050	34.2
Adjusted PAT	43,350	42,720	48,580	52,150	50,780	17.1	(2.6)	166,400	194,230	16.7
APAT after MI	43,350	42,720	48,580	52,150	50,780	17.1	(2.6)	166,400	194,230	16.7
Reported PAT	43,350	42,720	48,580	52,150	50,780	17.1	(2.6)	166,400	194,230	16.7
Reported EPS (Rs)	10.2	9.9	11.4	12.2	11.9	17.3	(2.1)	39	45	16.6
Margins (%)						(bps)	(bps)			(bps)
EBIDTA	24.4	25.9	28.8	28.6	27.6	324	(96)	24.5	27.8	323
EBIT	21.2	22.7	25.3	25.4	24.5	330	(94)	21.3	24.5	317
EBT	23.6	24.5	27.5	27.6	26.4	274	(122)	24.2	26.5	226
PAT	18.6	18.1	19.8	20.1	19.3	67	(81)	18.3	19.3	100
Effective Tax rate	21.1	26.2	28.0	27.1	26.8	565	(30)	24.4	27.1	267

Source: Company, Emkay Research

Exhibit 10: Revenues by geography

Particulars	As a % of revenue				
	Q4FY21	Q3FY21	Q4FY20	QoQ (%)	YoY (%)
North America	61.6%	61.6%	61.6%	2.8%	13.0%
Europe	24.4%	24.0%	24.4%	4.5%	13.0%
India	3.0%	2.6%	2.6%	18.6%	30.4%
Rest of the World	11.0%	11.8%	11.4%	-4.2%	9.0%
Total	100%	100%	100%	2.8%	13.0%

Source: Company, Emkay Research

Exhibit 11: Revenue by industry

Particulars	As a % of revenue				
	Q4FY21	Q3FY21	Q4FY20	QoQ (%)	YoY (%)
Financial Services	33.0%	33.1%	31.3%	2.4%	19.2%
Retail	14.8%	14.7%	15.5%	3.5%	7.9%
Communications	12.0%	12.4%	13.0%	-0.6%	4.3%
Energy, Utilities, Resources and Services	12.3%	12.5%	12.9%	1.1%	7.8%
Manufacturing	9.6%	9.3%	10.1%	6.1%	7.4%
Hi Tech	8.1%	8.2%	7.9%	1.5%	15.9%
Life Sciences	6.8%	7.1%	6.4%	-1.6%	20.1%
Others	3.4%	2.7%	2.9%	29.4%	32.5%
Total	100%	100%	100%	2.8%	13.0%

Source: Company, Emkay Research

Exhibit 12: Clients data

Particulars	Q4FY21	Q3FY21	Q4FY20
Number of Clients	1,626	1,562	1,411
Added during the quarter	130	139	84
Client Concentration (%)			
Top 5 clients	10.9%	10.8%	11.3%
Top 10 clients	10.9%	18.5%	18.7%
Repeat business	93.4%	95.1%	95.9%
Number of million dollar Clients (on LTM basis)			
Million US\$ clients	779	761	718
10 million US\$ clients	252	246	234
50 million US\$ clients	59	60	61
100 million US\$ clients	32	29	28

Source: Company, Emkay Research

Exhibit 13: Segmental performance

Revenue (USD mn)	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21
Financial Services	967	985	1,023	1,021	1,000	984	1,061	1,163	1,192
Retail	485	493	489	496	498	447	492	515	535
Communications	415	431	420	421	415	417	417	436	433
Energy, Utilities, Resources and Services	391	407	420	414	411	399	408	441	444
Manufacturing	307	301	325	334	325	298	302	328	348
Hi Tech	234	241	243	246	251	272	303	289	292
Life Sciences	183	193	207	219	203	208	225	248	247
Others	78	80	83	92	93	96	104	96	122
Total	3,060	3,131	3,210	3,243	3,196	3,121	3,312	3,516	3,613

Growth YoY (%)	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21
Financial Services	5.9%	9.6%	8.6%	5.3%	3.4%	-0.1%	3.7%	13.9%	19.2%
Retail	8.5%	5.1%	-0.6%	1.4%	2.7%	-9.3%	0.6%	3.8%	7.4%
Communications	14.6%	19.7%	17.3%	18.6%	0.0%	-3.2%	-0.7%	3.6%	4.3%
Energy, Utilities, Resources and Services	16.4%	16.0%	17.3%	8.1%	5.1%	-2.0%	-2.9%	6.5%	8.0%
Manufacturing	13.7%	10.7%	15.2%	10.6%	5.9%	-1.0%	-7.1%	-1.8%	7.1%
Hi Tech	13.0%	14.2%	11.5%	12.3%	7.3%	12.9%	24.7%	17.5%	16.3%
Life Sciences	-2.7%	3.8%	10.7%	17.1%	10.9%	7.8%	8.7%	13.2%	21.7%
Others	-4.9%	-3.6%	-1.2%	12.2%	19.2%	20.0%	25.3%	4.3%	31.2%
Total	9.1%	10.6%	9.9%	8.6%	4.4%	-0.3%	3.2%	8.4%	13.0%

EBITDA (%)	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21
Financial Services	25.5%	25.0%	25.8%	25.7%	25.5%	26.8%	30.1%	27.3%	25.8%
Retail	30%	30%	30%	31%	29%	31%	36%	37%	36%
Communications	20.0%	20.6%	21.0%	20.7%	18.6%	19.7%	21.6%	25.0%	22.4%
Energy, Utilities, Resources and Services	23.3%	25.6%	27.6%	27.8%	28.5%	28.1%	27.2%	29.0%	28.8%
Manufacturing	21.5%	19.6%	22.2%	24.3%	23.7%	22.5%	29.5%	28.7%	27.9%
Hi Tech	23.5%	22.0%	23.0%	23.6%	23.1%	29.0%	29.7%	29.4%	26.4%
Life Sciences	24.6%	21.2%	27.1%	26.5%	23.2%	30.3%	33.3%	31.0%	30.4%
Others	5.1%	1.3%	1.2%	2.2%	5.4%	3.1%	5.8%	6.3%	22.1%
Total	24.0%	23.7%	24.9%	25.1%	24.5%	25.9%	28.8%	28.6%	27.6%

Source: Company, Emkay Research

Exhibit 14: Changes in estimates

Rs mn	FY22E			FY23E		
	Old	New	% change	Old	New	% change
Revenues(in USD mn)	16,007	15,951	-0.3%	17,994	17,936	-0.3%
YoY revenue growth	17.7%	17.6%		12.4%	12.4%	
Revenues	1,192,989	1,188,882	-0.3%	1,367,537	1,363,134	-0.3%
EBIT	292,756	291,705	-0.4%	328,302	327,583	-0.2%
EBIT margins, %	24.5	24.5		24.0	24.0	
Net profits	234,340	230,347	-1.7%	264,948	259,487	-2.1%
EPS (Rs)	55.0	54.9	-0.3%	62.2	61.8	-0.7%

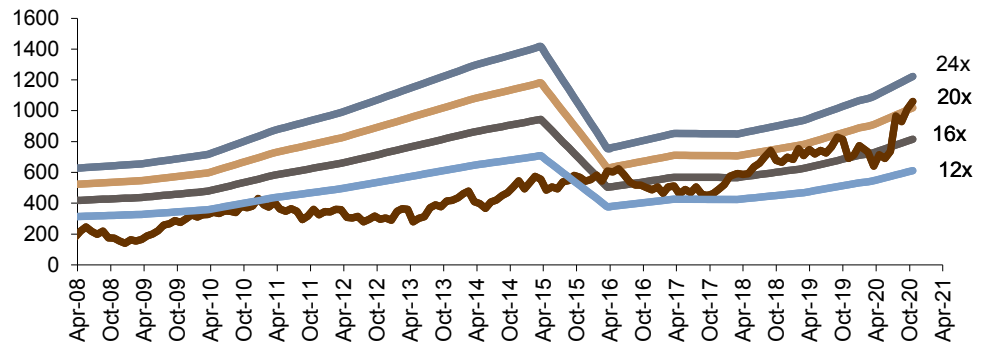
Source: Company, Emkay Research

Exhibit 15: Key Assumptions

Particulars	FY21	FY22E	FY23E
USD revenue growth	6.1%	17.6%	12.4%
USD/INR	74.1	74.5	76.0
INR revenue growth	10.7%	18.3%	14.7%
EBIT Margins	24.5	24.5	24.0
EPS growth (%)	16.4%	20.5%	12.7%

Source: Company, Emkay Research

Exhibit 16: Infosys 1-year forward P/E band



Source: Company, Emkay Research

Exhibit 17: Valuation Summary

Co Name	CMP	Reco.	Target Price	US\$ revenue growth (%)			EPS			P/E			EV/EBIT		
				FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21	FY22E	FY23E
TCS	3,104	Hold	3,150	0.6	15.8	11.0	87.7	107.2	121.3	35.4	29.0	25.6	27.1	22.1	19.5
Infosys	1,397	Buy	1,550	6.1	17.6	12.4	45.5	54.9	61.8	30.7	25.5	22.6	22.5	18.9	16.5
Wipro	419	Hold	450	-1.4	17.7	10.0	19.6	20.8	22.6	21.3	20.2	18.6	16.6	15.7	13.9
HCL Tech	983	Buy	1,130	2.6	12.7	9.5	47.9	52.7	57.0	20.5	18.7	17.3	16.2	13.8	12.4
Tech Mahindra	1,002	Buy	1,190	-1.0	10.4	9.0	52.3	58.5	65.9	19.1	17.1	15.2	14.9	12.3	10.7
L&T Infotech	4,108	Sell	3,490	9.4	16.5	15.3	107.7	124.6	145.4	38.1	33.0	28.3	29.7	25.6	21.9
Mphasis	1,682	Hold	1,570	6.3	13.5	9.8	65.7	77.4	87.8	25.6	21.7	19.2	18.6	15.9	13.8
Mindtree	2,050	Sell	1,580	-1.2	14.6	11.0	67.5	75.8	80.2	30.4	27.0	25.6	23.1	19.6	18.6
Persistent Systems	1,944	Buy	2,200	12.6	17.0	15.0	56.5	76.1	91.1	34.4	25.5	21.3	27.1	19.8	15.7
Birlasoft	257	Hold	290	3.4	14.0	13.0	11.0	14.3	17.7	23.5	18.0	14.5	14.4	11.3	8.9
Coforge	2,891	Hold	2,740	5.2	16.4	13.0	75.3	101.1	119.3	38.4	28.6	24.2	27.8	21.8	18.1
Firstsource Solutions	116	Buy	125	17.2	12.0	8.5	6.3	7.2	8.3	18.5	16.1	14.0	15.0	12.7	10.9

Source: Company, Emkay Research

Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21	FY22E	FY23E
Revenue	826,760	907,910	1,004,730	1,188,882	1,363,134
Expenditure	617,870	685,230	725,830	861,517	996,039
EBITDA	208,890	222,680	278,900	327,365	367,095
Depreciation	20,110	28,940	32,680	35,660	39,512
EBIT	188,780	193,740	246,220	291,705	327,583
Other Income	21,620	26,340	20,060	22,399	26,277
Interest expenses	0	0	0	0	0
PBT	210,400	220,080	266,280	314,104	353,860
Tax	56,310	53,680	72,050	83,238	93,773
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	50	450	720	520	600
Reported Net Income	154,040	165,950	193,510	230,347	259,487
Adjusted PAT	154,040	165,950	193,510	230,347	259,487

Balance Sheet

Y/E Mar (Rs mn)	FY19	FY20	FY21	FY22E	FY23E
Equity share capital	21,700	21,220	21,240	20,977	20,977
Reserves & surplus	628,360	637,220	746,580	741,976	862,889
Net worth	650,060	658,440	767,820	762,954	883,867
Minority Interest	0	0	0	0	0
Loan Funds	0	0	0	0	0
Net deferred tax liability	(7,000)	(7,760)	(2,230)	(2,000)	(2,000)
Total Liabilities	643,060	650,680	765,590	760,954	881,867
Net block	157,100	237,890	255,050	253,940	250,008
Investment	112,610	87,920	142,050	143,420	143,420
Current Assets	545,180	571,790	665,150	700,294	858,942
Cash & bank balance	195,680	186,490	247,140	224,497	324,556
Other Current Assets	0	0	0	0	0
Current liabilities & Provision	190,600	259,560	307,290	346,701	380,504
Net current assets	354,580	312,230	357,860	353,593	478,438
Misc. exp	0	0	0	0	0
Total Assets	643,060	650,680	765,590	760,954	881,867

Cash Flow

Y/E Mar (Rs mn)	FY19	FY20	FY21	FY22E	FY23E
PBT (Ex-Other income) (NI+Dep)	188,780	193,740	246,220	291,705	327,583
Other Non-Cash items	58,470	55,130	71,930	83,238	93,773
Chg in working cap	(5,920)	(19,380)	6,330	(18,146)	(24,786)
Operating Cashflow	158,440	185,570	241,270	247,860	274,213
Capital expenditure	(32,190)	(51,730)	(34,860)	(33,920)	(35,580)
Free Cash Flow	126,250	133,840	206,410	213,940	238,633
Investments	16,940	33,800	(48,730)	(1,370)	0
Other Investing Cash Flow	0	0	0	0	0
Investing Cashflow	(15,250)	(17,930)	(83,590)	(35,290)	(35,580)
Equity Capital Raised	(8,070)	(74,720)	150	(113,436)	0
Loans Taken / (Repaid)	0	(5,710)	(6,640)	0	0
Dividend paid (incl tax)	(137,050)	(95,480)	(91,370)	(121,777)	(138,574)
Other Financing Cash Flow	(570)	(920)	830	0	0
Financing Cashflow	(145,690)	(176,830)	(97,030)	(235,213)	(138,574)
Net chg in cash	(2,500)	(9,190)	60,650	(22,643)	100,059
Opening cash position	198,180	195,680	186,490	247,140	224,497
Closing cash position	195,680	186,490	247,140	224,497	324,556

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY19	FY20	FY21	FY22E	FY23E
EBITDA Margin	25.3	24.5	27.8	27.5	26.9
EBIT Margin	22.8	21.3	24.5	24.5	24.0
Effective Tax Rate	26.8	24.4	27.1	26.5	26.5
Net Margin	18.6	18.3	19.3	19.4	19.1
ROCE	32.7	34.0	37.6	41.2	43.1
ROE	23.7	25.4	27.1	30.1	31.5
RoIC	61.1	57.0	67.5	77.9	83.3

Per Share Data (Rs)	FY19	FY20	FY21	FY22E	FY23E
EPS	35.3	39.1	45.5	54.9	61.8
CEPS	39.9	45.9	53.2	63.3	71.2
BVPS	148.8	155.1	180.6	181.7	210.5
DPS	21.5	17.5	27.0	29.0	33.0

Valuations (x)	FY19	FY20	FY21	FY22E	FY23E
PER	39.6	35.7	30.7	25.5	22.6
P/CEPS	35.0	30.4	26.3	22.1	19.6
P/BV	9.4	9.0	7.7	7.7	6.6
EV / Sales	7.0	6.2	5.5	4.6	4.0
EV / EBITDA	27.7	25.4	19.9	16.8	14.7
Dividend Yield (%)	1.5	1.3	1.9	2.1	2.4

Gearing Ratio (x)	FY19	FY20	FY21	FY22E	FY23E
Net Debt/ Equity	(0.5)	(0.4)	(0.5)	(0.5)	(0.5)
Net Debt/EBIDTA	(1.5)	(1.2)	(1.4)	(1.1)	(1.3)
Working Cap Cycle (days)	70.2	50.6	40.2	39.6	41.2

Growth (%)	FY19	FY20	FY21	FY22E	FY23E
Revenue	17.2	9.8	10.7	18.3	14.7
EBITDA	9.9	6.6	25.2	17.4	12.1
EBIT	10.1	2.6	27.1	18.5	12.3
PAT	5.5	7.7	16.6	19.0	12.7

Quarterly (Rs mn)	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21
Revenue	232,670	236,650	245,700	259,270	263,110
EBITDA	56,760	61,210	70,830	74,150	72,710
EBITDA Margin (%)	24.4	25.9	28.8	28.6	27.6
PAT	43,210	42,330	48,450	51,970	50,760
EPS (Rs)	10.2	9.9	11.4	12.2	11.9

Source: Company, Emkay Research

Shareholding Pattern (%)	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20
Promoters	13.2	13.2	13.2	13.0	13.0
FIIIs	31.8	31.0	30.5	31.3	32.3
DIIs	24.0	24.7	25.4	25.0	23.8
Public and Others	31.1	31.2	31.0	30.8	31.0

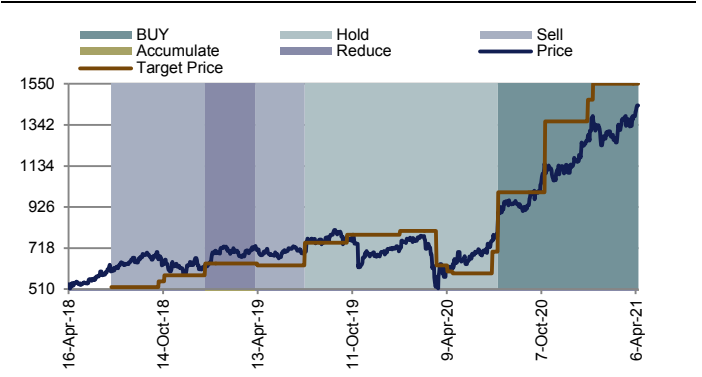
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
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	1,125	1,360	12m	Buy	Dipeshkumar Mehta
16-Jul-20	901	1,000	12m	Buy	Manik Taneja
5-Jul-20	755	700	12m	Hold	Manik Taneja
25-Jun-20	693	590	12m	Hold	Manik Taneja
18-Jun-20	706	590	12m	Hold	Manik Taneja
26-May-20	664	590	12m	Hold	Manik Taneja
20-Apr-20	638	590	12m	Hold	Manik Taneja
10-Apr-20	621	600	12m	Hold	Manik Taneja
20-Mar-20	571	630	12m	Hold	Manik Taneja
11-Feb-20	755	805	12m	Hold	Manik Taneja
3-Feb-20	749	805	12m	Hold	Manik Taneja
10-Jan-20	721	805	12m	Hold	Manik Taneja
8-Jan-20	701	785	12m	Hold	Manik Taneja
1-Jan-20	719	785	12m	Hold	Manik Taneja
21-Nov-19	696	785	12m	Hold	Manik Taneja
11-Oct-19	785	785	12m	Hold	Manik Taneja
1-Oct-19	765	785	12m	Hold	Manik Taneja
12-Jul-19	701	745	12m	Hold	Manik Taneja
3-Jul-19	705	630	12m	Sell	Manik Taneja
12-Apr-19	711	630	12m	Sell	Rahul Jain
8-Apr-19	729	640	12m	Sell	Rahul Jain
11-Jan-19	646	640	12m	Reduce	Rahul Jain
9-Jan-19	639	640	12m	Reduce	Rahul Jain
2-Jan-19	632	640	12m	Reduce	Rahul Jain
16-Oct-18	650	580	12m	Sell	Rahul Jain
5-Oct-18	678	550	12m	Sell	Rahul Jain
18-Aug-18	669	520	12m	Sell	Rahul Jain
13-Jul-18	616	520	12m	Sell	Rahul Jain
10-Jul-18	609	520	12m	Sell	Rahul Jain
6-Jul-18	600	520	12m	Sell	Rahul Jain

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	14.14	13.86	-2%	-28	100.00
BirlaSoft*	0.00	0.07	NA	7	0.48
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	0.46
HCL Tech	1.36	1.44	6%	9	10.21
Infosys	6.47	6.57	2%	10	46.46
Intellect Design*	0.00	0.00	NA	0	0.00
L&T Infotech*	0.22	0.00	-100%	-22	0.00
Majesco*	0.00	0.00	NA	0	0.00
Mindtree	0.11	0.00	-100%	-11	0.00
Mphasis	0.18	0.14	-22%	-4	0.97
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*	0.09	0.00	-100%	-9	0.00
Persistent Systems	0.00	0.50	NA	50	3.53
Ramco Systems*	0.00	0.00	NA	0	0.00
TCS	4.16	3.53	-15%	-63	24.96
Tech Mahindra	0.80	0.82	3%	3	5.82
Wipro	0.76	0.73	-4%	-3	5.17
Cash	0.00	0.28	NA	28	1.95

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	13-Apr-20	12-Oct-20	11-Jan-21	12-Mar-21	12-Apr-21
EAP - Information Technology	100.0	84.4	151.3	180.3	176.4	184.3
BSE200 Neutral Weighted Portfolio (ETF)	100.0	82.6	144.1	170.9	166.3	173.6

*Performance measurement base date 1st April 2019

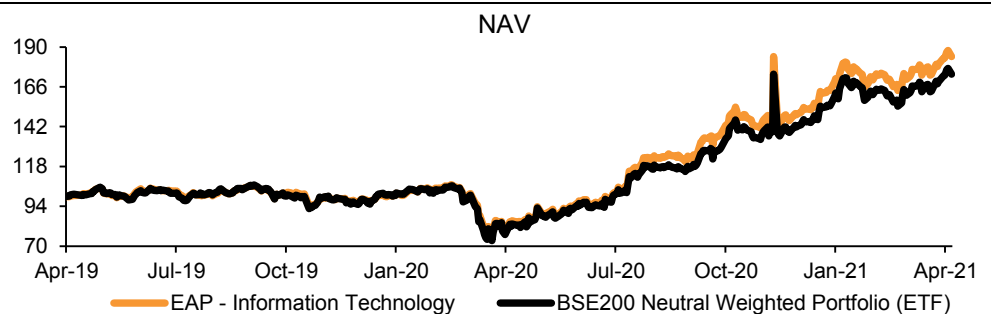
Source: Emkay Research

Price Performance (%)

	1m	3m	6m	12m
EAP - Information Technology	4.5%	2.2%	21.8%	118.2%
BSE200 Neutral Weighted Portfolio (ETF)	4.4%	1.5%	20.5%	110.1%

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 Apr 2021 03:16:58 (SGT)

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