

# Mphasis

Refer to important disclosures at the end of this report

## In-line performance but DXC uncertainties remain

- Q3 performance came in line with expectations, with net revenue rising 1.6% QoQ to Rs24.7bn on strong growth in the revenues of the Direct business. EBITM expanded 25bps QoQ to 16.4%. Adj. net profit grew 8.8% QoQ to Rs3.3bn on account of lower taxes.
- Direct revenue grew 5.1% QoQ (5.3% CC) to Rs20.8bn. Broad-based revenue growth momentum, robust deal wins (US\$247mn in Q3; US\$867mn in 9MFY21, up 64% YoY) and healthy deal pipeline (up 49% YoY) impart confidence on growth sustainability.
- DXC revenue declined 17.9%/39.2% QoQ/YoY to Rs3.2bn (-18.2%/-42.2% CC). Although DXC revenue run-rate fell below MRC in Q3 (12% lower), the company expects a catch-up in next 3 quarters. There is a fall-back provision in place if revenue falls short of MRC.
- Strong traction in the Direct business and robust deal intake augur well for revenue growth; however, continued weakness in DXC and volatility in the Digital Risk business remain key risks. Maintain Hold with a revised TP of Rs1,570 (Rs1,560 earlier) on 18x FY23E EPS.

**What we liked?** Broad-based growth, continued traction in the Direct business and deal intake.

**What we did not like?** Continued decline in DXC revenues (-18.2% QoQ CC).

**Strong operating performance:** Net revenue grew 1.6% QoQ to Rs24.7bn, based on the traction seen in the Direct business. Mphasis signed deals worth US\$247mn (up ~31% YoY; 71% of deal TCV from new-gen areas) in Q3. The company is witnessing a steady increase in deal size and tenure (avg deal size grew to US\$67mn in Q3FY21 from US\$31mn in Q3FY20). It has signed net new deal wins of US\$1.1bn on a TTM basis, providing considerable revenue growth visibility, as the Direct business has historically exhibited a high correlation (0.84) between revenue conversion and deal TCV. Management remains confident of continuing the revenue growth trajectory on continued traction in the Direct business, solid deal-win momentum, steady progress in client mining across buckets, wallet share gains across large clients and consistent new client wins despite DXC weakness. EBITM expanded 25bps QoQ to 16.4% in Q3. The company retained its EBITM guidance of 15.5-16.5% for FY21 as it looks to invest some of the cost savings back into the business.

**Uncertainties in the DXC business remain:** DXC revenues declined 17.9% QoQ to Rs3.2bn (-18.2% CC) and contributed ~13% of overall gross revenues in Q3. DXC revenue run-rate fell below MRC in Q3 (12% lower); however, management expects a catch-up in revenue in the next three quarters (annual MRC ~US\$200mn). Mphasis has fall-back provisions in place if the revenue falls short of the MRC. Mphasis remains committed on ensuring its relationship with DXC and has reaffirmed its strategic partner status with DXC. The focus remains on building visibility beyond the MRC tenure.

Please see our sector model portfolio (Emkay Alpha Portfolio): [Information Technology \(page 11\)](#)

### Financial Snapshot (Consolidated)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	77,311	88,435	97,616	111,435	124,188
EBITDA	13,240	16,504	18,150	20,755	23,135
EBITDA Margin (%)	17.1	18.7	18.6	18.6	18.6
APAT	10,736	11,848	12,279	14,435	16,297
EPS (Rs)	57.7	63.5	65.8	77.3	87.3
EPS (% chg)	30.9	10.2	3.5	17.6	12.9
ROE (%)	20.0	21.4	20.1	21.3	21.6
P/E (x)	27.8	25.2	24.3	20.7	18.3
EV/EBITDA (x)	21.6	17.2	15.3	13.1	11.4
P/BV (x)	5.7	5.1	4.7	4.2	3.8

Source: Company, Emkay Research

<b>CMP</b> Rs 1,601 as of (January 22, 2021)	<b>Target Price</b> Rs 1,570 (▲) 12 months
<b>Rating</b> HOLD (■)	<b>Upside</b> (1.9) %

### Change in Estimates

EPS Chg FY21E/FY22E (%)	1.4/0.8
Target Price change (%)	0.6
Target Period (Months)	12
Previous Reco	HOLD

### Emkay vs Consensus

	EPS Estimates	
	FY21E	FY22E
Emkay	65.8	77.3
Consensus	65.4	77.0
Mean Consensus TP (12M)	Rs 1,674	

### Stock Details

Bloomberg Code	MPHL IN
Face Value (Rs)	10
Shares outstanding (mn)	187
52 Week H/L	1,735 / 612
M Cap (Rs bn/USD bn)	299 / 4.10
Daily Avg Volume (nos.)	429,254
Daily Avg Turnover (US\$ mn)	8.6

### Shareholding Pattern Dec '20

Promoters	56.1%
FIIIs	22.8%
DIIIs	16.0%
Public and Others	5.1%

### Price Performance

(%)	1M	3M	6M	12M
<b>Absolute</b>	13	19	61	80
<b>Rel. to Nifty</b>	5	(2)	25	52

### Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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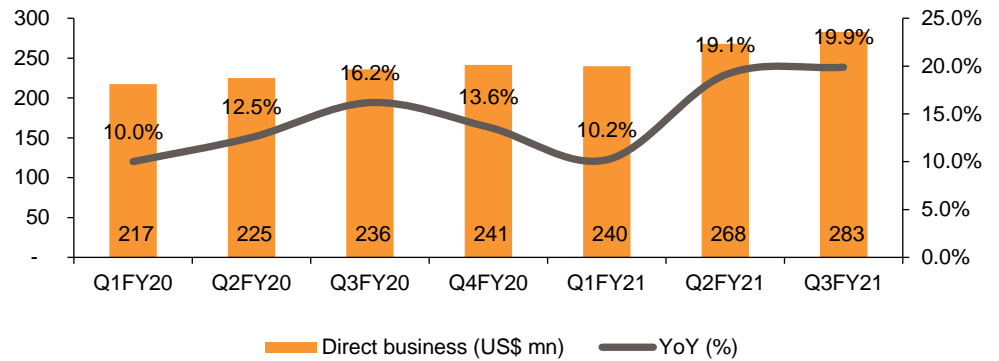
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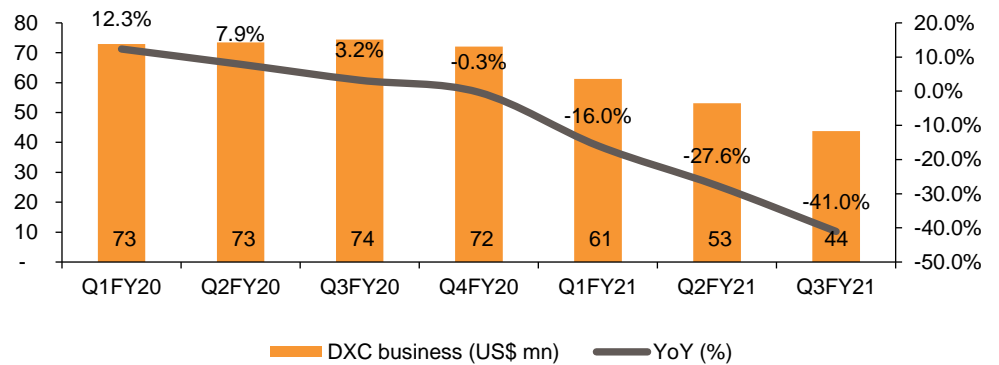
## Story in Charts

**Exhibit 1: Strong growth momentum in Direct business continued**



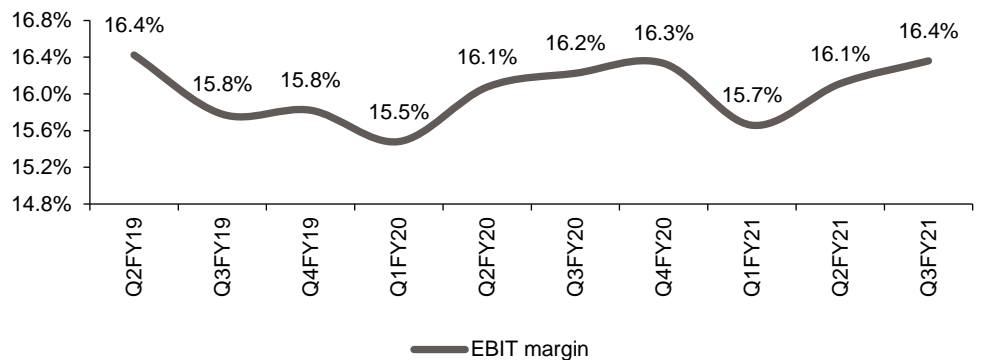
Source: Company, Emkay Research

**Exhibit 2: DXC business revenue decline continues; revenues fell below MRC in Q3FY21**



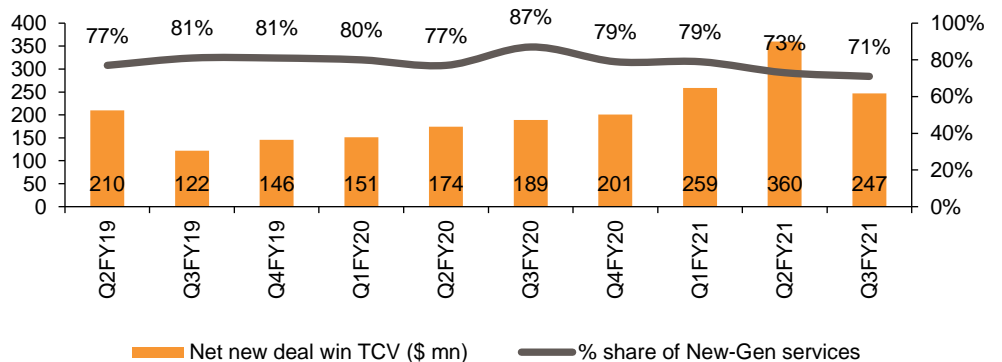
Source: Company, Emkay Research

**Exhibit 3: EBIT margin expanded 25bps in Q3FY21**



Source: Company, Emkay Research

**Exhibit 4: Deal intake remained robust in Q3FY21**

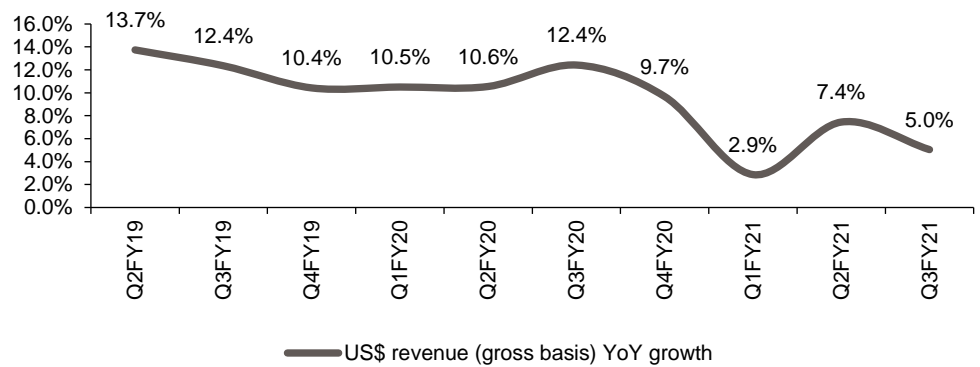


Source: Company, Emkay Research

### ITCE vertical leads revenue growth

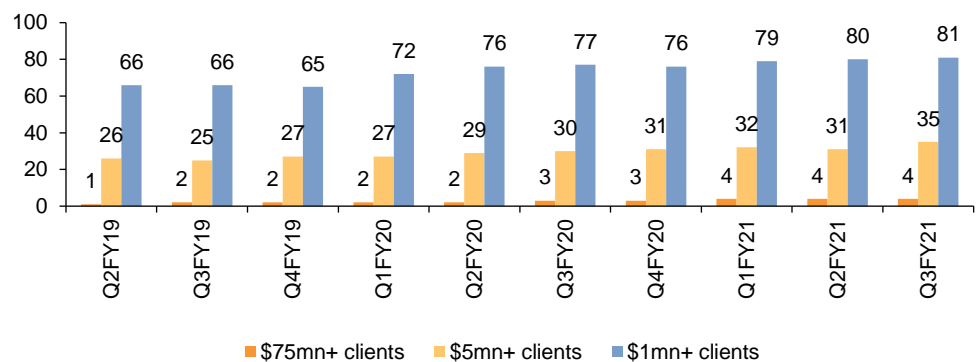
Mphasis' Q3 revenue performance came in line with our expectations. Net revenue grew 1.6% QoQ to Rs24.7bn, mainly driven by the continued uptick seen in the Direct business. The acquisition of Datalytx contributed <0.5% of revenues in Q3. Revenue growth was driven by the ITCE vertical (10.7% QoQ), followed by Logistics and Transportation (4.4%) and Insurance (3.4%). BCM revenues grew slower at 1.3%, while Emerging industries declined 10% QoQ. Direct business revenue growth was driven by ITCE (57% QoQ), followed by Logistics and Transportation (8%) and Insurance (7%). Growth in Direct ITCE was driven by Hi-Tech sub vertical which has seen a CAGR of 47% in Q3FY19-Q3FY21. It is focusing on Compute Systems, Enterprise Software, Medical Devices, Consumer Tech & Industrial Engineering in Hi-Tech. The company's focus on the Europe region has yielded results as revenues grew 12% QoQ. Mphasis expects the Europe region to be a growth driver for the company in the near term. Revenue growth continued to be driven by BPM services (12.4%/76.1% QoQ/YoY) on strong traction in the Digital Risk business. Infrastructure services (2.9%/-24.0% QoQ/YoY) and Application services (-3.8%/-0.6% QoQ/YoY) remained weak, partly due to the weakness in DXC. Mphasis signed deals worth US\$247mn (31% YoY) in Q3. The deal pipeline remains robust (up 49% QoQ) even after healthy deal conversions over the last two quarters. The company remains optimistic about its revenue growth trajectory based on the traction it is seeing in the Direct business, robust deal intake, steady progress across client buckets, ability to increase wallet share in strategic client and robust deal pipeline.

**Exhibit 5: USD revenue YoY growth moderates in Q3FY21**



Source: Company, Emkay Research

**Exhibit 6: Mphasis has been successful in mining its clients over the quarters**

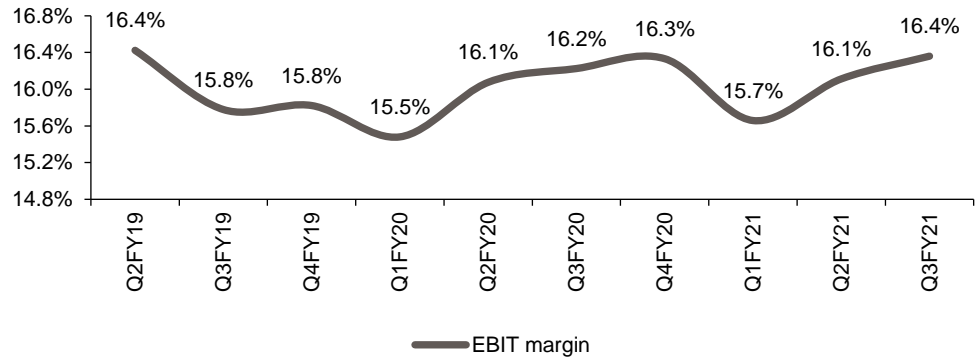


Source: Company, Emkay Research

## EBITM to remain in a narrow range

Mphasis delivered 16.4% EBITM in Q3 – the 13<sup>th</sup> quarter in a row in which it delivered EBITM within the 15.5-16.5% range. The company expects EBITM to be stable at current levels with an upward bias as it looks to invest back into the business. The company retained its EBITM guidance range of 15.5-16.5% for FY21 as improving business mix and cost optimization measures would negate large deal transition cost, DXC challenges and S&M investments.

**Exhibit 7: EBIT margin expanded by 25bps in Q3FY21**



Source: Company, Emkay Research

## Other key takeaways

- Q3FY21 performance:** Net revenue grew 1.6% QoQ and 8.7% YoY to Rs24.7bn in Q3FY21 and 1.7% QoQ and 4.5% YoY in CC terms. Direct revenue grew 5.1% QoQ/23.7% YoY in Q3FY21 and 5.3% QoQ/19% YoY in CC terms. While DXC revenues fell 17.9% QoQ/39.2% YoY in Q3FY21 (down 18.2% QoQ /42.2% YoY in CC terms). EBIT margin expanded by 25bps sequentially to 16.4%. Deal wins for the quarter stood at US\$247mn (71% in new gen services). The deal pipeline is up 49% YoY despite large deal wins in FY21TD.
- Geographies:** EMEA and India regions recorded 12% growth QoQ and 4.1% QoQ, respectively, while Americas grew slower at 1.2% QoQ and RoW fell 14.1% QoQ. Mphasis reiterated that Europe remains a major focus and investment area for it and is expected to be a growth driver for the coming quarters.
- Outlook:** The company expects to continue the revenue growth trajectory in the coming quarters, based on the traction it is seeing in the Direct business, strong deal intake and robust deal pipeline. It is witnessing steady progress across client buckets, driven by market share gains and consistent new client wins. EBITM is expected to be in the narrow range of 15.5-16.5% in the coming quarters as the company looks to continue investing in the business. The company expects the BPM business to stabilize in the range of 20-25% of total revenue share. Currently, the share is higher at 29.4% due to the traction seen in the Digital Risk business.

## Others

- Mphasis is witnessing a steady increase in deal size and tenure (average deal sizes grew to US\$67mn in Q3FY21 from US\$31mn in Q3FY20).
- DSO was steady at 62 days for the quarter.
- The company has moved away from annual salary hikes and has linked it with skills upscaling cycle which will smoothen the impact across the quarters.

**Exhibit 8: Actual vs. Estimates (Q3FY21)**

(in Rs mn)	Actual	Estimate		% variation		Comment
		Emkay	Consensus	Emkay	Consensus	
Revenues (in US\$ mn)	334	336	339	-0.7%	-1.5%	Revenue performance broadly in line with expectations. Direct business' performance was better than expectations, while the DXC decline was higher than expected
Sales	24,744	24,816	25,013	-0.3%	-1.1%	
EBIT	4,048	4,018	4,081	0.8%	-0.8%	EBTIM was a tad higher than expectations on offshoring and operating efficiencies
EBIT, margin	16.4%	16.2%	16.3%	20 bps	0 bps	
PAT	3,255	3,166	3,200	2.8%	1.7%	Profits were tad higher due to lower ETR

Source: Company, Emkay Research

**Exhibit 9: Quarterly Snapshot**

(Rs mn)	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	YoY (%)	QoQ (%)	FY20TD	FY21TD	YoY
Revenues (US\$ mn)	318	320	305	327	334	5.0	2.0	919	967	5.1
Net Revenue	22,767	23,462	22,882	24,354	24,743	8.7	1.6	64,973	71,979	10.8
Operating Expenditure	18,498	19,021	18,704	19,830	20,089	8.6	1.3	52,910	58,623	10.8
Cost of revenues	16,228	16,167	16,261	16,974	17,073	5.2	0.6	46,050	50,308	9.2
as % of sales	71.3	68.9	71.1	69.7	69.0			70.9	69.9	
SG&A expenses	2,270	2,854	2,443	2,856	3,016	32.9	5.6	6,860	8,315	21.2
as % of sales	10.0	12.2	10.7	11.7	12.2			10.6	11.6	
EBITDA	4,269	4,441	4,178	4,524	4,654	9.0	2.9	12,063	13,356	10.7
Depreciation	575	609	595	600	606	5.4	1.0	1,707	1,801	5.5
EBIT	3,694	3,832	3,583	3,924	4,048	9.6	3.2	10,356	11,555	11.6
Other Income	172	319	182	114	218	26.7	91.2	648	514	(20.7)
PBT	3,866	4,151	3,765	4,038	4,266	10.3	5.6	11,004	12,069	9.7
Total Tax	929	618	1,014	1,046	1,011	8.8	(3.3)	2,688	3,071	14.2
Adjusted PAT	2,937	3,533	2,751	2,992	3,255	10.8	8.8	8,316	8,998	8.2
APAT after MI	2,937	3,533	2,751	2,992	3,255	10.8	8.8	8,316	8,998	8.2
Reported PAT	2,937	3,533	2,751	2,992	3,255	10.8	8.8	8,316	8,998	8.2
Reported EPS	15.8	18.9	14.7	16.0	17.4	10.7	8.7	45	48	8.0
<b>Margins (%)</b>						<b>(bps)</b>	<b>(bps)</b>			<b>(bps)</b>
EBIDTA	18.8	18.9	18.3	18.6	18.8	6	23	18.6	18.6	(1)
EBIT	16.2	16.3	15.7	16.1	16.4	13	25	15.9	16.1	11
EBT	17.0	17.7	16.5	16.6	17.2	26	66	16.9	16.8	(17)
PAT	12.9	15.1	12.0	12.3	13.2	25	87	12.8	12.5	(30)
Effective Tax rate	24.0	14.9	26.9	25.9	23.7	(33)	(220)	24.4	25.4	102

Source: Company, Emkay Research

**Exhibit 10: Revenues by secondary business segment**

Particulars (Rs mn)	Q3FY21	Q2FY21	Q3FY20	QoQ (%)	YoY (%)
DXC	3,231	3,934	5,311	-17.9%	-39.2%
Direct	20,832	19,823	16,840	5.1%	23.7%
Others	539	481	545	12.1%	-1.0%

Source: Company, Emkay Research

**Exhibit 11: Segment performance**

Particulars (Rs mn)	Q3FY21	Q2FY21	Q3FY20	QoQ (%)	YoY (%)
<b>Revenue</b>					
Banking and Capital Market	13,117	12,950	10,326	1.3%	27.0%
Insurance	2,386	2,308	2,553	3.4%	-6.5%
Logistic and Transport	3,109	2,979	3,159	4.4%	-1.6%
ITC&E	3,165	2,860	3,567	10.7%	-11.3%
Others	2,824	3,141	3,090	-10.1%	-8.6%

**Segment gross profit margin (%)**

Banking and Capital Market	24.6	25.1	26.2	-50 bps	-160 bps
Insurance	34.3	32.4	25.7	190 bps	860 bps
Logistic and Transport	41.5	37.8	36.8	370 bps	470 bps
ITC&E	24.0	19.7	22.9	440 bps	110 bps
Others	34.0	35.0	31.8	-100 bps	220 bps

Source: Company, Emkay Research

**Exhibit 12: Revenues by geography**

Particulars (Rs mn)	Q3FY21	Q2FY21	Q3FY20	QoQ (%)	YoY (%)
Americas	19,156	18,929	17,592	1.2%	8.9%
EMEA	2,940	2,624	2,616	12.0%	12.4%
India	1,146	1,101	1,149	4.1%	-0.3%
RoW	1,360	1,584	1,337	-14.1%	1.7%

Source: Company, Emkay Research

**Exhibit 13: Revenue by service lines**

Particulars (Rs mn)	Q3FY21	Q2FY21	Q3FY20	QoQ (%)	YoY (%)
Application Services	13,760	14,300	13,844	-3.8%	-0.6%
Business Process Services	7,235	6,434	4,108	12.4%	76.1%
Infrastructure Services	3,607	3,504	4,743	2.9%	-24.0%

Source: Company, Emkay Research

**Exhibit 14: Client contribution to revenue (ex-DXC)**

As a % of revenue	Q3FY21	Q2FY21	Q3FY20	QoQ (%)	YoY (%)
Top customer	11.0	12.0	13.0	-7.0%	-8.3%
Top-5 customer	40.0	39.0	38.0	4.1%	14.1%
Top-10 customer	52.0	50.0	47.0	5.6%	19.9%

Source: Company, Emkay Research

## Exhibit 15: Changes in estimates

(in Rs mn, except EPS)	FY21E			FY22E			FY23E		
	Old	New	% change	Old	New	% change	Old	New	% change
Reported revenues(US\$ mn)	1,314	1,314	0.0%	1,472	1,484	0.9%	1,619	1,633	0.9%
YoY, %	6.0%	6.0%		12.0%	13.0%		10.0%	10.0%	
Revenues	97,398	97,616	0.2%	110,373	111,435	1.0%	123,068	124,188	0.9%
EBIT	15,580	15,724	0.9%	17,907	18,054	0.8%	19,976	20,139	0.8%
EBIT margins, %	16.0	16.1		16.2	16.2		16.2	16.2	
Net Profits	12,101	12,279	1.5%	14,309	14,435	0.9%	16,179	16,297	0.7%
EPS	64.9	65.8	1.4%	76.7	77.3	0.8%	86.7	87.3	0.6%

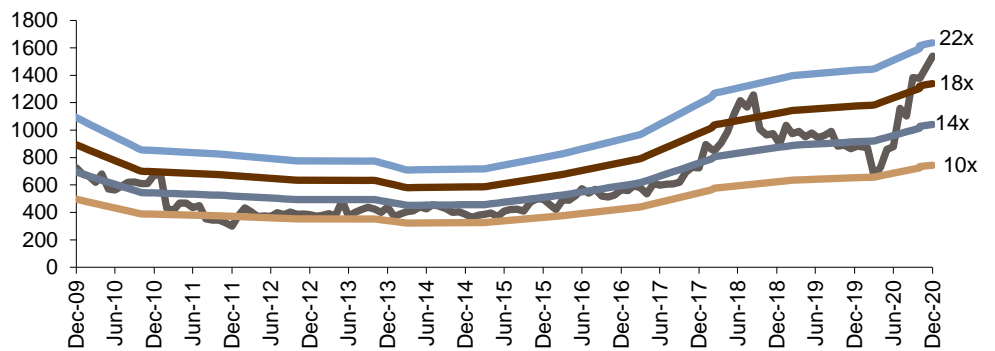
Source: Company, Emkay Research

## Exhibit 16: Key Assumptions

	FY20A	FY21E	FY22E	FY23E
Growth in Revenues (US\$ mn)	10.8%	6.0%	13.0%	10.0%
USD/INR	71.2	74.3	75.1	76.0
INR Revenue growth	14.4%	10.4%	14.2%	11.4%
EBIT margins	16.0%	16.1%	16.2%	16.2%
EPS growth (%)	10.2%	3.5%	17.6%	12.9%

Source: Company, Emkay Research

## Exhibit 17: Mphasis 1-year forward P/E band



Source: Company, Emkay Research

## Exhibit 18: 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	FY21E	FY22E	FY23E
TCS	3,303	HOLD	3,150	0.4	15.0	11.0	87.2	106.6	121.0	37.9	31.0	27.3	29.2	24.2	21.1
Infosys	1,341	BUY	1,550	6.2	17.0	12.5	45.5	54.9	61.8	29.4	24.4	21.7	21.8	18.0	15.9
Wipro	445	HOLD	420	-1.6	10.0	8.0	19.7	21.5	23.1	22.5	20.7	19.3	17.7	15.7	14.4
HCL Tech	986	BUY	1,130	2.4	12.0	9.5	49.4	51.5	56.6	20.0	19.1	17.4	15.7	14.0	12.5
Tech Mahindra	981	BUY	1,160	-1.6	9.5	9.0	49.2	55.8	64.4	19.9	17.6	15.2	15.3	12.6	10.6
<b>Mphasis</b>	<b>1,601</b>	<b>HOLD</b>	<b>1,570</b>	<b>6.0</b>	<b>12.8</b>	<b>10.0</b>	<b>65.8</b>	<b>77.3</b>	<b>87.3</b>	<b>24.3</b>	<b>20.7</b>	<b>18.3</b>	<b>17.7</b>	<b>15.0</b>	<b>13.1</b>
Mindtree	1,791	SELL	1,580	-1.7	13.0	11.0	68.8	74.8	79.0	26.0	23.9	22.7	19.4	17.2	16.2
Persistent Systems	1,544	BUY	1,790	10.8	13.0	13.0	54.0	66.7	81.3	28.6	23.1	19.0	21.9	17.4	13.7
Coforge	2,490	HOLD	2,740	4.4	15.1	13.0	76.0	99.8	119.0	32.8	24.9	20.9	23.7	18.8	15.6
Firstsource Solutions	99	BUY	120	12.6	11.3	8.4	6.1	7.2	8.0	16.2	13.7	12.4	12.8	10.7	9.1

Source: Company, Emkay Research

**Key Financials (Consolidated)****Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
<b>Revenue</b>	<b>77,311</b>	<b>88,435</b>	<b>97,616</b>	<b>111,435</b>	<b>124,188</b>
<b>Expenditure</b>	<b>64,071</b>	<b>71,931</b>	<b>79,466</b>	<b>90,681</b>	<b>101,053</b>
<b>EBITDA</b>	<b>13,240</b>	<b>16,504</b>	<b>18,150</b>	<b>20,755</b>	<b>23,135</b>
Depreciation	758	2,316	2,426	2,701	2,996
<b>EBIT</b>	<b>12,482</b>	<b>14,188</b>	<b>15,724</b>	<b>18,054</b>	<b>20,139</b>
Other Income	1,593	966	720	1,193	1,590
Interest expenses	0	0	0	0	0
<b>PBT</b>	<b>14,075</b>	<b>15,154</b>	<b>16,444</b>	<b>19,246</b>	<b>21,729</b>
Tax	3,339	3,306	4,165	4,812	5,432
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
<b>Reported Net Income</b>	<b>10,736</b>	<b>11,848</b>	<b>12,279</b>	<b>14,435</b>	<b>16,297</b>
<b>Adjusted PAT</b>	<b>10,736</b>	<b>11,848</b>	<b>12,279</b>	<b>14,435</b>	<b>16,297</b>

**Balance Sheet**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity share capital	1,862	1,865	1,865	1,865	1,865
Reserves & surplus	50,636	56,431	62,174	69,513	77,781
<b>Net worth</b>	<b>52,498</b>	<b>58,296</b>	<b>64,040</b>	<b>71,379</b>	<b>79,646</b>
<b>Minority Interest</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Loan Funds</b>	<b>5,426</b>	<b>5,713</b>	<b>3,000</b>	<b>3,000</b>	<b>3,000</b>
Net deferred tax liability	(786)	(2,020)	(1,163)	(1,163)	(1,163)
<b>Total Liabilities</b>	<b>57,138</b>	<b>61,989</b>	<b>65,877</b>	<b>73,216</b>	<b>81,484</b>
<b>Net block</b>	<b>21,697</b>	<b>30,135</b>	<b>29,669</b>	<b>29,378</b>	<b>28,992</b>
<b>Investment</b>	<b>13,292</b>	<b>13,257</b>	<b>18,479</b>	<b>20,479</b>	<b>20,479</b>
<b>Current Assets</b>	<b>37,878</b>	<b>41,819</b>	<b>41,915</b>	<b>49,380</b>	<b>59,738</b>
Cash & bank balance	6,416	11,257	9,034	13,235	20,742
Other Current Assets	14,360	14,744	15,143	16,769	18,291
<b>Current liabilities &amp; Provision</b>	<b>15,759</b>	<b>23,389</b>	<b>24,249</b>	<b>26,083</b>	<b>27,788</b>
<b>Net current assets</b>	<b>22,120</b>	<b>18,431</b>	<b>17,666</b>	<b>23,296</b>	<b>31,950</b>
Misc. exp	0	0	0	0	0
<b>Total Assets</b>	<b>57,138</b>	<b>61,989</b>	<b>65,877</b>	<b>73,216</b>	<b>81,484</b>

**Cash Flow**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
<b>PBT (Ex-Other income) (NI+Dep)</b>	<b>12,482</b>	<b>14,188</b>	<b>15,724</b>	<b>18,054</b>	<b>20,139</b>
Other Non-Cash items	271	1,594	2,414	2,447	2,544
Chg in working cap	(1,421)	422	(602)	(1,429)	(1,146)
<b>Operating Cashflow</b>	<b>9,497</b>	<b>13,210</b>	<b>14,092</b>	<b>15,453</b>	<b>17,695</b>
Capital expenditure	(2,511)	(1,243)	(1,856)	(2,410)	(2,610)
<b>Free Cash Flow</b>	<b>6,986</b>	<b>11,967</b>	<b>12,236</b>	<b>13,043</b>	<b>15,085</b>
Investments	5,570	899	(5,222)	(2,000)	0
Other Investing Cash Flow	0	0	0	0	0
<b>Investing Cashflow</b>	<b>3,364</b>	<b>(132)</b>	<b>(6,395)</b>	<b>(3,492)</b>	<b>(1,486)</b>
Equity Capital Raised	(9,846)	151	0	0	0
Loans Taken / (Repaid)	1,246	(1,553)	(2,713)	0	0
Dividend paid (incl tax)	(4,655)	(6,065)	(6,536)	(7,096)	(8,029)
Other Financing Cash Flow	0	0	0	0	0
<b>Financing Cashflow</b>	<b>(13,418)</b>	<b>(8,247)</b>	<b>(9,920)</b>	<b>(7,760)</b>	<b>(8,701)</b>
<b>Net chg in cash</b>	<b>(557)</b>	<b>4,831</b>	<b>(2,223)</b>	<b>4,201</b>	<b>7,508</b>
Opening cash position	7,067	6,416	11,257	9,034	13,235
<b>Closing cash position</b>	<b>6,416</b>	<b>11,257</b>	<b>9,034</b>	<b>13,235</b>	<b>20,742</b>

Source: Company, Emkay Research



**Key Ratios**

<b>Profitability (%)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
EBITDA Margin	17.1	18.7	18.6	18.6	18.6
EBIT Margin	16.1	16.0	16.1	16.2	16.2
Effective Tax Rate	23.7	21.8	25.3	25.0	25.0
Net Margin	13.9	13.4	12.6	13.0	13.1
ROCE	24.5	25.4	25.7	27.7	28.1
ROE	20.0	21.4	20.1	21.3	21.6
RoIC	35.6	38.0	41.6	46.4	50.6

<b>Per Share Data (Rs)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
EPS	57.7	63.5	65.8	77.3	87.3
CEPS	61.7	75.9	78.8	91.8	103.3
BVPS	281.9	312.5	343.0	382.3	426.5
DPS	27.0	35.0	35.0	38.0	43.0

<b>Valuations (x)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
PER	27.8	25.2	24.3	20.7	18.3
P/CEPS	25.9	21.1	20.3	17.4	15.5
P/BV	5.7	5.1	4.7	4.2	3.8
EV / Sales	3.7	3.2	2.8	2.4	2.1
EV / EBITDA	21.6	17.2	15.3	13.1	11.4
Dividend Yield (%)	1.7	2.2	2.2	2.4	2.7

<b>Gearing Ratio (x)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
Net Debt/ Equity	(0.2)	(0.3)	(0.3)	(0.4)	(0.4)
Net Debt/EBIDTA	(0.9)	(0.9)	(1.2)	(1.3)	(1.5)
Working Cap Cycle (days)	74.1	29.6	32.3	33.0	32.9

<b>Growth (%)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
Revenue	18.1	14.4	10.4	14.2	11.4
EBITDA	24.6	24.7	10.0	14.4	11.5
EBIT	25.9	13.7	10.8	14.8	11.6
PAT	28.1	10.4	3.6	17.6	12.9

<b>Quarterly (Rs mn)</b>	<b>Q3FY20</b>	<b>Q4FY20</b>	<b>Q1FY21</b>	<b>Q2FY21</b>	<b>Q3FY21</b>
Revenue	22,767	23,462	22,882	24,354	24,743
EBITDA	4,269	4,441	4,178	4,524	4,654
<b>EBITDA Margin (%)</b>	<b>18.8</b>	<b>18.9</b>	<b>18.3</b>	<b>18.6</b>	<b>18.8</b>
PAT	2,937	3,533	2,751	2,992	3,255
<b>EPS (Rs)</b>	<b>15.8</b>	<b>18.9</b>	<b>14.7</b>	<b>16.0</b>	<b>17.4</b>

Source: Company, Emkay Research

<b>Shareholding Pattern (%)</b>	<b>Dec-19</b>	<b>Mar-20</b>	<b>Jun-20</b>	<b>Sep-20</b>	<b>Dec-20</b>
Promoters	52.2	56.2	56.2	56.2	56.1
FII	28.5	23.9	23.7	22.1	22.8
DII	13.9	14.2	14.2	16.2	16.0
Public and Others	5.4	5.8	6.0	5.5	5.1

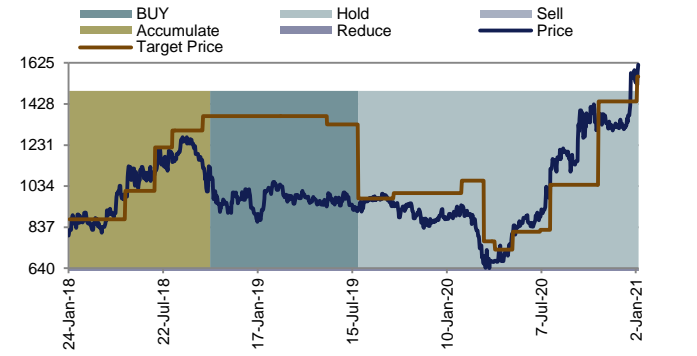
Source: Capitaline

## RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
4-Jan-21	1,519	1,560	12m	Hold	Dipeshkumar Mehta
18-Dec-20	1,373	1,440	12m	Hold	Dipeshkumar Mehta
23-Nov-20	1,315	1,440	12m	Hold	Dipeshkumar Mehta
23-Oct-20	1,382	1,440	12m	Hold	Dipeshkumar Mehta
24-Jul-20	1,117	1,040	12m	Hold	Manik Taneja
5-Jul-20	887	825	12m	Hold	Manik Taneja
25-Jun-20	872	815	12m	Hold	Manik Taneja
14-May-20	803	815	12m	Hold	Manik Taneja
10-Apr-20	676	730	12m	Hold	Manik Taneja
20-Mar-20	699	770	12m	Hold	Manik Taneja
18-Mar-20	688	1,060	12m	Hold	Manik Taneja
7-Feb-20	937	1,060	12m	Hold	Manik Taneja
1-Jan-20	924	1,000	12m	Hold	Manik Taneja
21-Nov-19	890	1,000	12m	Hold	Manik Taneja
15-Nov-19	907	1,000	12m	Hold	Manik Taneja
1-Oct-19	937	1,000	12m	Hold	Manik Taneja
26-Jul-19	930	975	12m	Hold	Manik Taneja
3-Jul-19	989	1,330	12m	Buy	Manik Taneja
28-May-19	952	1,330	12m	Buy	Rahul Jain
8-Apr-19	977	1,370	12m	Buy	Rahul Jain
25-Jan-19	921	1,370	12m	Buy	Rahul Jain
9-Jan-19	905	1,370	12m	Buy	Rahul Jain
2-Jan-19	989	1,370	12m	Buy	Rahul Jain
19-Oct-18	1,068	1,370	12m	Buy	Rahul Jain
5-Oct-18	1,121	1,370	12m	Accumulate	Rahul Jain
8-Aug-18	1,150	1,300	12m	Accumulate	Rahul Jain
10-Jul-18	1,132	1,220	12m	Accumulate	Rahul Jain
6-Jul-18	1,109	1,220	12m	Accumulate	Rahul Jain
14-May-18	984	1,012	12m	Accumulate	Rahul Jain
11-May-18	988	1,012	12m	Accumulate	Rahul Jain
5-Apr-18	870	875	12m	Accumulate	Rahul Jain
25-Jan-18	824	875	12m	Accumulate	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)
<b>Information Technology</b>	<b>13.77</b>	<b>13.49</b>	<b>-2%</b>	<b>-28</b>	<b>100.00</b>
BirlaSoft*	0.00	0.10	NA	10	0.76
Coforge	0.00	0.00	NA	0	0.00
eClerx Services*	0.00	0.00	NA	0	0.00
Firstsource Solutions	0.00	0.00	NA	0	0.00
HCL Tech	1.33	1.47	11%	14	10.70
Infosys	6.05	6.35	5%	30	46.16
Intellect Design*	0.00	0.00	NA	0	0.00
L&T Infotech*	0.21	0.00	-100%	-21	0.00
Majesco*	0.00	0.00	NA	0	0.00
Mindtree	0.09	0.00	-100%	-9	0.00
Mphasis	0.16	0.18	14%	2	1.34
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	0.55	NA	55	3.98
Ramco Systems*	0.00	0.00	NA	0	0.00
TCS	4.25	3.30	-22%	-95	23.95
Tech Mahindra	0.77	0.79	3%	2	5.74
Wipro	0.82	0.74	-10%	-8	5.35
<b>Cash</b>	<b>0.00</b>	<b>0.28</b>	<b>NA</b>	<b>28</b>	<b>2.03</b>

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	23-Jan-20	23-Jul-20	22-Oct-20	22-Dec-20	21-Jan-21
EAP - Information Technology	100.0	104.7	115.0	147.7	159.3	177.1
BSE200 Neutral Weighted Portfolio (ETF)	100.0	104.5	111.5	140.3	151.1	168.4

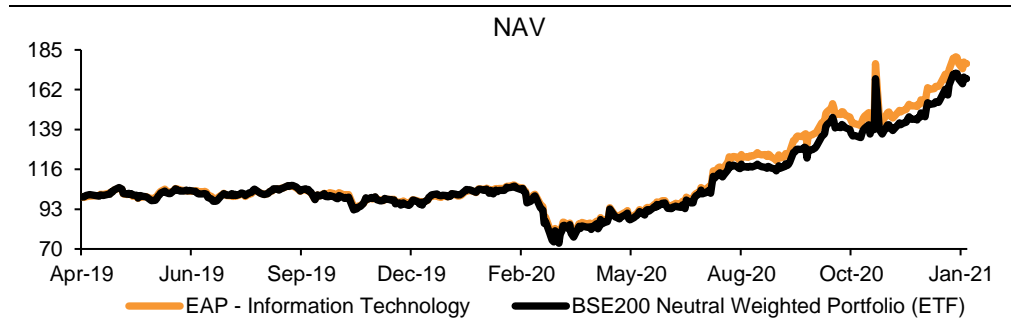
\*Performance measurement base date 1<sup>st</sup> April 2019 | Source: Emkay Research

### Price Performance (%)

	1m	3m	6m	12m
EAP - Information Technology	11.1%	19.9%	54.0%	69.2%
BSE200 Neutral Weighted Portfolio (ETF)	11.5%	20.1%	51.1%	61.2%

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”

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

Completed Date: 22 Jan 2021 22:31:27 (SGT)

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