

Tech Mahindra

Refer to important disclosures at the end of this report

Steady revenue performance; EBITM misses expectations

- Tech Mahindra's Q1FY23 revenue was broadly in line with our expectations, but EBITM missed our estimates. Revenue grew by 1.5% QoQ to USD1,632mn (3.5% CC), led by CME (3.9%) and Enterprise (3.2%). EBITM declined 220bps QoQ to 11%.
- Net new deal wins were robust with a TCV of USD802mn in Q1. The deal pipeline remains healthy across the CME and Enterprise segments, and the company expects steady deal closures and revenue conversion to continue.
- Management remains confident of sustaining revenue growth momentum on the back of broad-based demand, healthy deal intake and strong deal pipeline. It believes EBITM has bottomed out in Q1 and expects 100-150bps sequential margin improvement in every quarter for the next three quarters, leading to an exit quarter margin of ~14%.
- We cut our FY23/FY24/FY25 EPS estimates by 3.3%/1.8%/0.3%, factoring in the Q1 performance. Sustained revenue growth momentum, management guidance on margin recovery and 4%+ dividend yield make the risk-reward favorable, in our view. We maintain Buy with a TP of Rs1,240 (Rs1,260 earlier) at 17x Jun'24E EPS.

What we liked? Broad-based revenue growth, healthy deal intake, moderation in attrition (22.2% vs. 23.5% in Q4), and steady progress across client buckets.

What we did not like? EBITM miss and weak cash conversion (OCF/EBITDA: ~47%).

Steady revenue growth in Q1; growth momentum to continue: Revenue grew by 1.5% QoQ to USD1.63bn in Q1 (3.5% CC), in line with our expectations. Revenue growth was driven by CME (3.9% QoQ CC) and Enterprise businesses (3.2%). The CME business continued to see traction, thanks to Cloud AI-Ops and 5G-led digital transformation spends. Enterprise business revenue growth was led by Technology (6.4% QoQ CC), Retail, Transport & Logistics (6.8%), Manufacturing (5.7%), and Others (2%), while BFSI remained flat. Geographically, growth was led by Americas (4.0% QoQ CC), Europe (3.9%), and RoW (2.4%). Data engineering, cloud, experience, data analytics, and AI/ML continued to drive transformation demand. The deal intake in Q1 was healthy, with net new TCV of deals at USD802mn. Management remains fairly confident of sustaining revenue growth momentum on the back of broad-based demand, robust deal wins and a strong deal pipeline. Management remains watchful given the dynamic global macro environment and will continue to invest in new and emerging technologies to deliver differentiated offerings. TechM has seen steady progress across client buckets in Q1, with USD20mn+ and USD10mn+ client counts increasing by 6 and 7 QoQ, respectively.

Q1 margin misses estimates: EBITM declined by 220bps QoQ to 11% on an uptick in employee costs due to continued interventions amid tight labor markets, subcontracting costs and large deal transition costs (-100bps), uptick in visa costs and mobility seasonality (-80bps), and higher SG&A (-100bps), partly negated by pricing benefits (+50bps). Salary hikes wef July (-100bps) remain a margin headwind for Q2, which management expects to offset by better pricing (at least +50bps); lower visa and large deal transition costs; higher utilization; pyramid rationalization; and offshore shift. Management believes that margins have bottomed out in Q1 and expects 100-150bps QoQ improvement in every quarter for the next three quarters, leading to an exit quarter margin of ~14%.

Please see our sector model portfolio (Emkay Alpha Portfolio): [Information Technology \(Page 10\)](#)

Financial Snapshot (Consolidated)

(Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Revenue	378,551	446,460	526,429	585,169	652,009
EBITDA	68,471	80,200	85,271	98,968	111,710
EBITDA Margin (%)	18.1	18.0	16.2	16.9	17.1
APAT	44,281	55,660	52,395	61,602	70,637
EPS (Rs)	50.7	63.2	59.5	69.9	80.2
EPS (% chg)	9.6	24.8	(5.9)	17.6	14.7
ROE (%)	19.0	21.5	19.0	21.0	22.7
P/E (x)	20.1	16.1	17.1	14.6	12.7
EV/EBITDA (x)	11.3	10.3	9.5	8.1	7.1
P/BV (x)	3.6	3.3	3.2	3.0	2.8

Source: Company, Emkay Research

CMP	Target Price
Rs 1,017	Rs 1,240 (▼)
as of (July 25, 2022)	12 months
Rating	Upside
BUY (■)	21.9 %

Change in Estimates

EPS Chg FY23E/FY24E (%)	(3.3)/(1.8)
Target Price change (%)	(1.6)
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

EPS Estimates		
	FY23E	FY24E
Emkay	59.5	69.9
Consensus	65.2	75.9
Mean Consensus TP (12M)	Rs 1,309	

Stock Details

Bloomberg Code	TECHM IN
Face Value (Rs)	5
Shares outstanding (mn)	973
52 Week H/L	1,811 / 930
M Cap (Rs bn/USD bn)	990 / 12.41
Daily Avg Volume (nos.)	3,480,098
Daily Avg Turnover (US\$ mn)	48.2

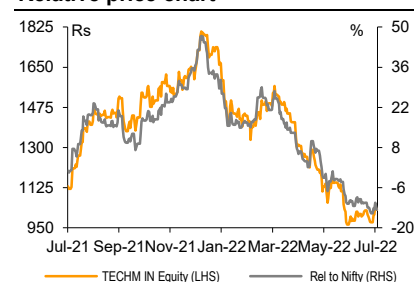
Shareholding Pattern Jun '22

Promoters	35.2%
FIIIs	30.4%
DIIIs	20.7%
Public and Others	13.6%

Price Performance

(%)	1M	3M	6M	12M
Absolute	5	(19)	(31)	(8)
Rel. to Nifty	(1)	(17)	(29)	(12)

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:

Dipesh Mehta

dipeshkumar.mehta@emkayglobal.com
+91 22 6612 1253

Ayush Bansal

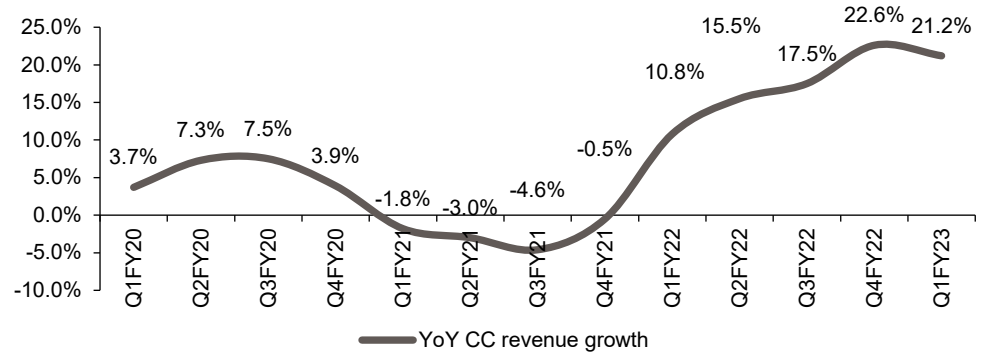
ayush.bansal@emkayglobal.com
+91 22 6612 1344

Ruchita Agarwal

ruchita.agarwal@emkayglobal.com
+91 22 6624 2450

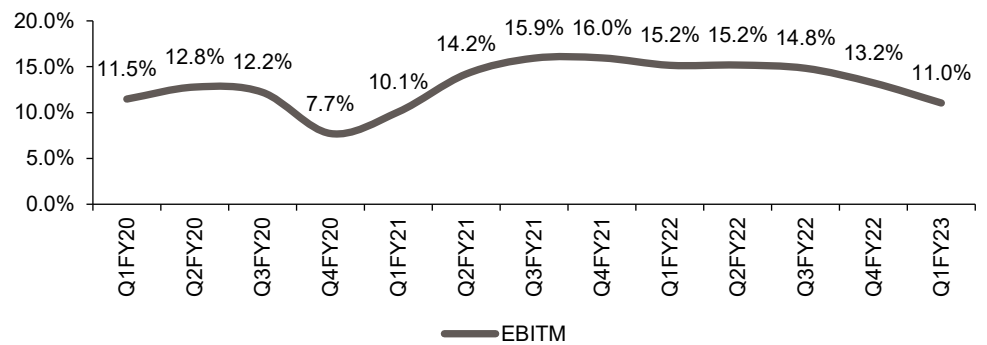
Story in Charts

Exhibit 1: Revenue growth remained healthy in Q1



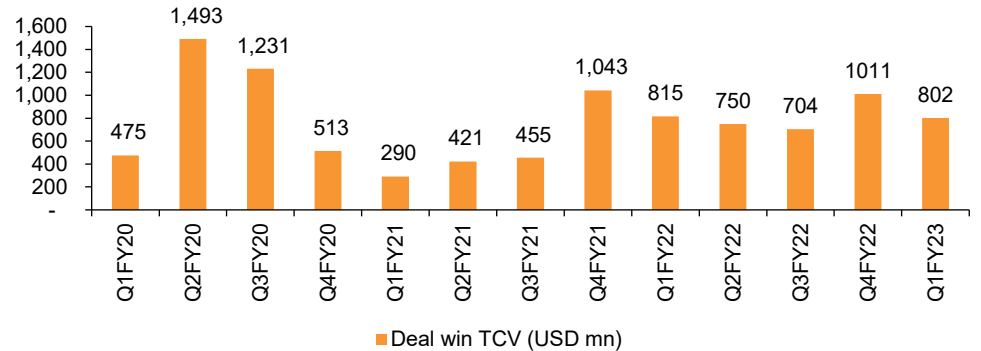
Source: Company, Emkay Research

Exhibit 2: EBITM declined by 220bps in Q1



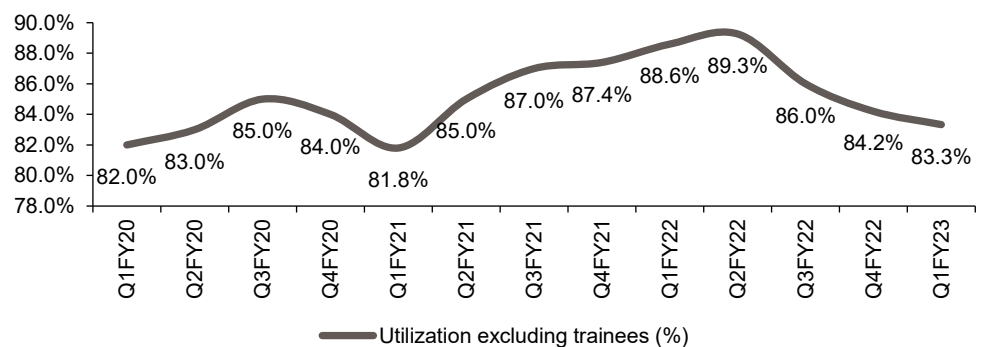
Source: Company, Emkay Research

Exhibit 3: Healthy deal intake in Q1



Source: Company, Emkay Research

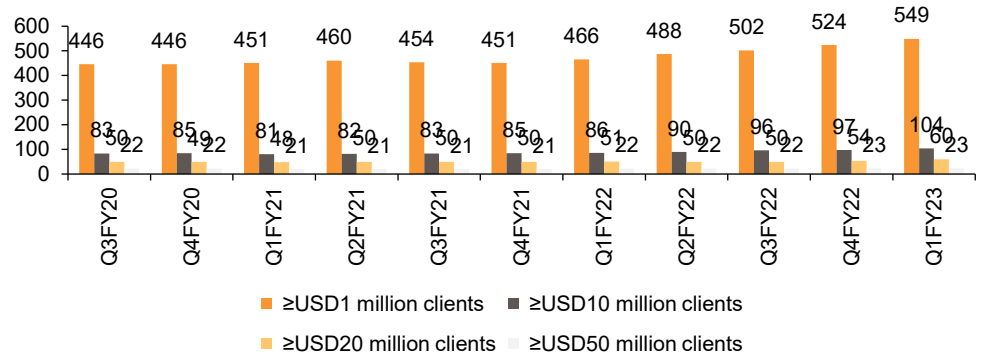
Exhibit 4: Utilization (ex-trainees) moderated to 83.3% in Q1; management targets 87-88% as optimal range



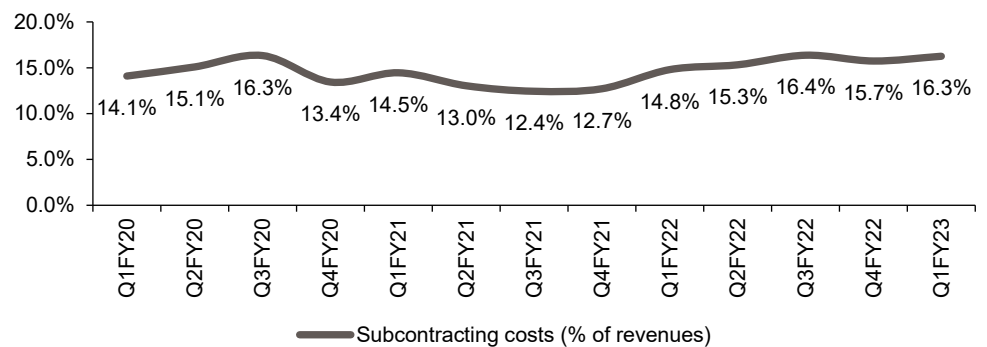
Source: Company, Emkay Research

This report is intended for team.emkay@whitemarquesolutions.com use and downloaded at 08/30/2022 01:02 PM

Emkay Research is also available on www.emkayglobal.com and Bloomberg EMKAY<GO>. Please refer to the last page of the report on Restrictions on Distribution. In Singapore, this research report or research analyses may only be distributed to Institutional Investors, Expert Investors or Accredited Investors as defined in the Securities and Futures Act, Chapter 289 of Singapore.

Exhibit 5: Steady progress across client buckets

Source: Company, Emkay Research

Exhibit 6: Subcontracting costs as a % of revenue inched up in Q1

Source: Company, Emkay Research

Other Takeaways

- **Outlook:** Management continues to see traction in the areas of cloud, data engineering, AI/ML, connectivity, experience and cybersecurity services. Management remains fairly confident of sustaining revenue growth momentum, given broad-based demand across verticals, healthy deal wins and a strong deal pipeline. The company suggested that the margins have bottomed out in Q1 and remains confident about expanding margins by 100-150bps sequentially every quarter for the next three quarters, leading to an exit quarter margin of ~14%. The planned salary hike is expected to have a ~100bps margin impact in Q2FY23, which is expected to be offset by tailwinds like pricing, increased utilization, pyramid rationalization, offshore shift, and lower large deal transition & visa costs.
- The deal pipeline remains healthy across CME and Enterprise segments. Management remains confident of sustaining deal wins in the range of USD700mn-USD1bn on a quarterly basis.
- Management remains comfortable with 87-88% utilization (ex-trainees) and sees scope for expansion in the coming quarters from 83.3% in Q1.
- The FCF-to-PAT conversion ratio remained weak at 50.2% in Q1. Management expects the ratio to return to the 90-110% range in the coming quarters.
- Quarterly annualized attrition has moderated sequentially for the third quarter in a row in Q1. Reported IT attrition on an LTM basis moderated to 22.2% from 23.5% in Q4FY22.
- DSO stood at 100 days in Q1FY23 vs. 97 in Q4FY22, largely driven by the currency impact.
- Total headcount stood at 158,035 - up 6,862 QoQ.
- The hedge book stood at USD2.28bn at Q1-end vs. USD2.23bn at Q4FY22-end.

Exhibit 7: Actual vs. Estimates (Q1FY23)

(Rs mn)	Actual	Estimate		% variation		Comment
		Emkay	Consensus	Emkay	Consensus	
Revenues(US\$ mn)	1,633	1,630	1,624	0.1%	0.5%	Revenue growth was in line with our expectations
Sales	127,079	126,182	125,739	0.7%	1.1%	
EBIT	14,034	14,259	14,334	-1.6%	-2.1%	Margins came below estimates
EBIT margins, %	11.0%	11.3%	11.4%	-30 bps	-40 bps	
Profit	11,316	12,241	11,819	-7.6%	-4.3%	Profit missed expectations due to margin miss and lower other income.

Source: Company, Emkay Research

Exhibit 8: Quarterly snapshot

Rs mn	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	YoY (%)	QoQ (%)	FY23 YTD	FY22 YTD	YoY (%)
Revenues(in US\$ mn)	1,384	1,473	1,534	1,608	1,633	18.0	1.5	1,633	1,384	18.0
Revenue	101,976	108,813	114,508	121,163	127,079	24.6	4.9	127,079	101,976	24.6
Operating Expenditure	83,212	88,861	93,908	100,279	108,278	30.1	8.0	108,278	83,212	30.1
Cost of revenues	69,682	74,346	80,088	85,603	91,162	30.8	6.5	91,162	69,682	30.8
as % of sales	68.3	68.3	69.9	70.7	71.7			71.7	68.3	
SG&A expenses	13,530	14,515	13,819	14,676	17,116	26.5	16.6	17,116	13,530	26.5
as % of sales	13.3	13.3	12.1	12.1	13.5			13.5	13.3	
EBITDA	18,764	19,952	20,600	20,884	18,801	0.2	-10.0	18,801	18,764	0.2
Depreciation	3,311	3,430	3,621	4,842	4,767			4,767	3,311	
EBIT	15,453	16,522	16,979	16,041	14,034	-9.2	-12.5	14,034	15,453	(9.2)
Other Income	2,492	2,467	1,892	2,646	818			818	2,492	(67.2)
PBT	17,945	18,989	18,871	18,687	14,852	-17.2	-20.5	14,852	17,945	(17.2)
Total Tax	4,286	5,572	5,082	3,280	3,380			3,380	4,286	
Adjusted PAT	13,659	13,417	13,789	15,407	11,472	-16.0	-25.5	11,472	13,659	(16.0)
(Profit)/loss from JV's/Ass/MI	-127	-30	-105	-351	-156			-156	-127	
APAT after MI	13,532	13,387	13,684	15,056	11,316	-16.4	-24.8	11,316	13,532	(16.4)
Extra ordinary items	0	0	0	0	0			0	0	
Reported PAT	13,532	13,387	13,684	15,056	11,316	-16.4	-24.8	11,316	13,532	(16.4)
Reported EPS	15.5	15.3	15.6	17.2	12.9	-16.7	-24.9	13	15	(16.7)
Margins (%)						(bps)	(bps)			(bps)
EBIDTA	18.4	18.3	18.0	17.2	14.8	(361)	(244)	14.8	18.4	(361)
EBIT	15.2	15.2	14.8	13.2	11.0	(411)	(220)	11.0	15.2	(411)
EBT	17.6	17.5	16.5	15.4	11.7	(591)	(374)	11.7	17.6	(591)
PAT	13.3	12.3	12.0	12.4	8.9	(437)	(352)	8.9	13.3	(437)
Effective Tax rate	23.9	29.3	26.9	17.6	22.8	(113)	521	22.8	23.9	(113)

Source: Company, Emkay Research

Exhibit 9: Revenue by geography

Particulars	As a % of revenue				
	Q1FY23	Q4FY22	Q1FY22	QoQ (%)	YoY (%)
North America	49.6%	48.3%	46.7%	4.2%	25.4%
Europe	25.5%	26.4%	27.2%	-1.8%	10.8%
Rest of World	24.9%	25.3%	26.1%	-0.2%	12.6%
Total	100.0%	100.0%	100.0%	1.5%	18.0%

Source: Company, Emkay Research

Exhibit 10: Revenue by vertical

Particulars	As a % of revenue				
	Q1FY23	Q4FY22	Q1FY22	QoQ (%)	YoY (%)
Communication, Media & Entertainment	40.4%	40.6%	40.0%	1.0%	19.1%
Manufacturing	15.3%	14.9%	16.5%	4.3%	9.3%
Technology, Media & Entertainment	9.7%	9.3%	8.8%	6.3%	30.1%
Banking, financial services & insurance	16.7%	17.4%	16.4%	-2.7%	20.3%
Retail, transport & logistics	7.9%	7.6%	7.7%	5.7%	21.4%
Others	10.0%	10.2%	10.6%	-0.6%	11.2%
Total	100%	100%	100%	1.5%	18.0%

Source: Company, Emkay Research

Exhibit 11: Clients data

Particulars	Q1FY23	Q4FY22	Q1FY22
Client Concentration (%)			
Top 5 clients	21%	22%	22%
Top 10 clients	30%	31%	31%
Top 20	41%	43%	43%
Number of million dollar Clients (on LTM basis)			
Million US\$ clients	549	524	466
5 million US\$ clients	176	174	168
10 million US\$ clients	104	97	86
20 million US\$ clients	60	54	51
50 million US\$ clients	23	23	22

Source: Company, Emkay Research

Exhibit 12: Segmental performance

Revenue (Rs mn)	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23
IT	83,667	84,193	85,905	86,730	90,158	95,758	100,010	105,926	111,015
BPO	7,396	9,525	10,566	10,569	11,818	13,055	14,498	15,237	16,064
Total	91,063	93,718	96,471	97,299	101,976	108,813	114,508	121,163	127,079
Growth YoY (%)	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23
IT	6.5%	2.4%	-1.3%	0.1%	7.8%	13.7%	16.4%	22.1%	23.1%
BPO	-7.1%	12.7%	11.5%	28.6%	59.8%	37.1%	37.2%	44.2%	35.9%
Total	5.2%	3.3%	-0.1%	2.5%	12.0%	16.1%	18.7%	24.5%	24.6%
EBITDA (%)	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23
IT	14.9%	17.8%	19.1%	19.1%	18.0%	18.4%	17.6%	16.9%	14.5%
BPO	6.8%	21.9%	23.7%	28.0%	21.3%	18.2%	20.8%	19.3%	17.1%
Total	14.3%	18.2%	19.6%	20.0%	18.4%	18.3%	18.0%	17.2%	14.8%

Source: Company, Emkay Research

Exhibit 13: Changes in estimates

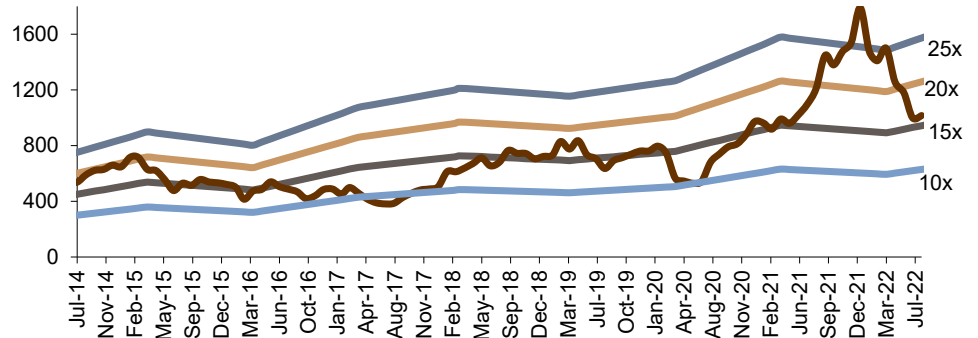
(All fig in Rs mn except EPS)	FY23E			FY24E			FY25E		
	Old	New	Change	Old	New	Change	Old	New	Change
US\$ Revenues (US\$ mn)	6,826	6,819	-0.1%	7,511	7,502	-0.1%	8,263	8,253	-0.1%
YoY growth, %	13.8%	13.7%		10.0%	10.0%		10.0%	10.0%	
Revenues	526,269	526,429	0.0%	585,856	585,169	-0.1%	652,783	652,009	-0.1%
EBIT (in Rs mn)	67,441	66,097	-2.0%	80,314	78,876	-1.8%	90,776	90,697	-0.1%
EBITM (%)	12.8	12.6		13.7	13.5		13.9	13.9	
Net Profits	54,148	52,395	-3.2%	62,684	61,602	-1.7%	70,775	70,637	-0.2%
EPS	61.7	59.7	-3.3%	71.4	70.1	-1.8%	80.6	80.4	-0.3%

Source: Company, Emkay Research

Exhibit 14: Key assumptions

(in Rs mn)	FY23E	FY24E	FY25E
USD revenue growth (%)	13.7%	10.0%	10.0%
USD/INR	77.2	78.0	79.0
INR revenue growth (%)	17.9%	11.2%	11.4%
EBIT margins (% of sales)	12.6%	13.5%	13.9%
EPS growth (%)	-5.9%	17.6%	14.7%

Source: Company, Emkay Research

Exhibit 15: TechM's 1-year forward P/E chart

Source: Company, Emkay Research

Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Revenue	378,551	446,460	526,429	585,169	652,009
Expenditure	310,080	366,260	441,158	486,201	540,299
EBITDA	68,471	80,200	85,271	98,968	111,710
Depreciation	15,084	15,204	19,174	20,092	21,013
EBIT	53,387	64,996	66,097	78,876	90,697
Other Income	6,131	9,497	4,673	4,910	5,299
Interest expenses	0	0	0	0	0
PBT	59,518	74,493	70,770	83,787	95,996
Tax	15,999	18,220	17,919	21,785	24,959
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	(762)	613	456	400	400
Reported Net Income	44,281	55,660	52,395	61,602	70,637
Adjusted PAT	44,281	55,660	52,395	61,602	70,637

Balance Sheet

Y/E Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Equity share capital	4,370	4,388	4,392	4,392	4,392
Reserves & surplus	244,280	264,469	279,535	297,221	317,355
Net worth	248,650	268,857	283,927	301,613	321,746
Minority Interest	3,795	4,954	4,954	4,954	4,954
Loan Funds	16,618	14,901	14,688	14,688	14,688
Net deferred tax liability	(8,372)	(3,639)	(8,372)	(8,372)	(8,372)
Total Liabilities	260,691	285,073	295,197	312,883	333,016
Net block	90,185	147,836	143,222	134,440	132,538
Investment	102,376	48,838	50,255	50,255	50,255
Current Assets	193,903	242,191	274,057	310,674	343,536
Cash & bank balance	28,352	39,745	48,295	63,429	71,844
Other Current Assets	0	0	0	0	0
Current liabilities & Provision	126,956	155,443	173,337	183,487	194,313
Net current assets	66,947	86,748	100,720	127,187	149,224
Misc. exp	0	0	0	0	0
Total Assets	260,691	285,073	295,197	312,883	333,016

Cash Flow

Y/E Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
PBT (Ex-Other income) (NI+Dep)	59,529	74,521	70,770	83,787	95,996
Other Non-Cash items	5,343	608	(456)	(400)	(400)
Chg in working cap	15,635	(14,343)	(10,155)	(11,334)	(13,621)
Operating Cashflow	80,938	52,853	61,415	70,360	78,029
Capital expenditure	(17,065)	(54,241)	(13,909)	(11,310)	(19,110)
Free Cash Flow	63,873	(1,388)	47,506	59,050	58,919
Investments	(39,997)	57,243	(1,417)	0	0
Other Investing Cash Flow	0	0	0	0	0
Investing Cashflow	(54,501)	4,815	(15,326)	(11,310)	(19,110)
Equity Capital Raised	1,257	1,175	4	0	0
Loans Taken / (Repaid)	(11,743)	(6,802)	(213)	0	0
Dividend paid (incl tax)	(17,594)	(39,808)	(37,329)	(43,916)	(50,504)
Other Financing Cash Flow	0	0	0	0	0
Financing Cashflow	(29,869)	(46,666)	(37,538)	(43,916)	(50,504)
Net chg in cash	(3,432)	11,002	8,550	15,133	8,415
Opening cash position	30,167	26,904	37,889	46,439	61,573
Closing cash position	28,352	39,745	48,295	63,429	71,844

Source: Company, Emkay Research

This report is intended for team.emkay@whitemarquesolutions.com use and downloaded at 08/30/2022 01:02 PM

Emkay Research is also available on www.emkayglobal.com and Bloomberg EMKAY<GO>. Please refer to the last page of the report on Restrictions on Distribution. In Singapore, this research report or research analyses may only be distributed to Institutional Investors, Expert Investors or Accredited Investors as defined in the Securities and Futures Act, Chapter 289 of Singapore.

Key Ratios

Profitability (%)	FY21	FY22	FY23E	FY24E	FY25E
EBITDA Margin	18.1	18.0	16.2	16.9	17.1
EBIT Margin	14.1	14.6	12.6	13.5	13.9
Effective Tax Rate	26.9	24.5	25.3	26.0	26.0
Net Margin	11.5	12.6	10.0	10.6	10.9
ROCE	23.9	27.3	24.4	27.6	29.7
ROE	19.0	21.5	19.0	21.0	22.7
RoIC	28.2	30.3	25.3	29.6	32.9

Per Share Data (Rs)	FY21	FY22	FY23E	FY24E	FY25E
EPS	50.7	63.2	59.5	69.9	80.2
CEPS	67.9	80.5	81.2	92.7	104.0
BVPS	284.4	305.3	322.2	342.2	365.1
DPS	45.0	44.8	42.4	49.8	57.3

Valuations (x)	FY21	FY22	FY23E	FY24E	FY25E
PER	20.1	16.1	17.1	14.6	12.7
P/CEPS	15.0	12.6	12.5	11.0	9.8
P/BV	3.6	3.3	3.2	3.0	2.8
EV / Sales	2.0	1.8	1.5	1.4	1.2
EV / EBITDA	11.3	10.3	9.5	8.1	7.1
Dividend Yield (%)	4.4	4.4	4.2	4.9	5.6

Gearing Ratio (x)	FY21	FY22	FY23E	FY24E	FY25E
Net Debt/ Equity	(0.5)	(0.3)	(0.3)	(0.3)	(0.3)
Net Debt/EBIDTA	(1.7)	(0.9)	(1.0)	(1.0)	(1.0)
Working Cap Cycle (days)	37.2	38.4	36.3	39.8	43.3

Growth (%)	FY21	FY22	FY23E	FY24E	FY25E
Revenue	2.7	17.9	17.9	11.2	11.4
EBITDA	19.6	17.1	6.3	16.1	12.9
EBIT	31.4	21.7	1.7	19.3	15.0
PAT	9.8	25.7	(5.9)	17.6	14.7

Quarterly (Rs mn)	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23
Revenue	101,976	108,813	114,508	121,163	127,079
EBITDA	18,764	19,952	20,600	20,884	18,801
EBITDA Margin (%)	18.4	18.3	18.0	17.2	14.8
PAT	13,532	13,387	13,684	15,056	11,316
EPS (Rs)	15.5	15.4	15.7	17.3	13.0

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22
Promoters	35.7	35.7	35.7	35.3	35.2
FII	36.2	35.6	35.4	34.3	30.4
DII	16.5	16.9	17.2	18.1	20.7
Public and Others	11.6	11.8	11.8	12.4	13.6

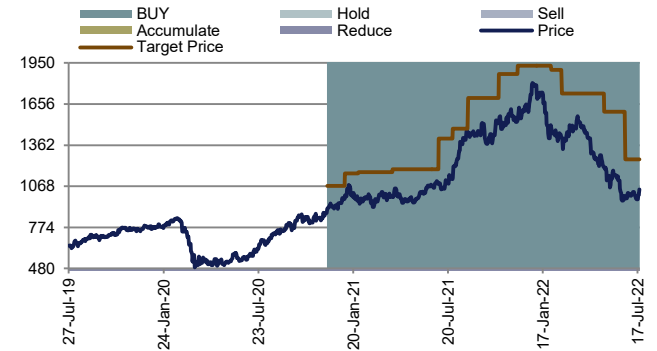
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
23-Jun-22	991	1,260	12m	Buy	Dipeshkumar Mehta
14-May-22	1,203	1,600	12m	Buy	Dipeshkumar Mehta
1-Apr-22	1,487	1,730	12m	Buy	Dipeshkumar Mehta
22-Feb-22	1,413	1,730	12m	Buy	Dipeshkumar Mehta
2-Feb-22	1,483	1,900	12m	Buy	Dipeshkumar Mehta
18-Jan-22	1,661	1,930	12m	Buy	Dipeshkumar Mehta
1-Jan-22	1,791	1,930	12m	Buy	Dipeshkumar Mehta
30-Nov-21	1,541	1,930	12m	Buy	Dipeshkumar Mehta
11-Nov-21	1,522	1,870	12m	Buy	Dipeshkumar Mehta
25-Oct-21	1,524	1,870	12m	Buy	Dipeshkumar Mehta
2-Oct-21	1,371	1,700	12m	Buy	Dipeshkumar Mehta
27-Aug-21	1,445	1,700	12m	Buy	Dipeshkumar Mehta
29-Jul-21	1,128	1,480	12m	Buy	Dipeshkumar Mehta
2-Jul-21	1,089	1,410	12m	Buy	Dipeshkumar Mehta
27-Apr-21	969	1,190	12m	Buy	Dipeshkumar Mehta
5-Apr-21	998	1,190	12m	Buy	Dipeshkumar Mehta
18-Mar-21	996	1,170	12m	Buy	Dipeshkumar Mehta
15-Mar-21	1,027	1,170	12m	Buy	Dipeshkumar Mehta
30-Jan-21	961	1,170	12m	Buy	Dipeshkumar Mehta
4-Jan-21	1,002	1,160	12m	Buy	Dipeshkumar Mehta
18-Dec-20	934	1,070	12m	Buy	Dipeshkumar Mehta
1-Dec-20	907	1,070	12m	Buy	Dipeshkumar Mehta

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Emkay Alpha Portfolio – Information Technology



Analyst: Dipesh Mehta

Contact Details

dipeshkumar.mehta@emkayglobal.com
+91 22 6612 1253

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 based on Current NAV	Change vs last published EAP (bps)
Information Technology	12.14	12.08	-1%	-6	100.00	
BirlaSoft	0.00	0.03	NA	3	0.24	0
Coforge	0.12	0.00	-100%	-12	0.00	0
Firstsource Solutions	0.00	0.03	NA	3	0.23	0
HCL Tech	1.01	1.10	9%	9	9.08	0
Infosys	5.59	5.58	0%	-1	45.95	0
L&T Infotech	0.21	0.00	-100%	-21	0.00	0
Mindtree	0.20	0.22	11%	2	1.79	0
Mphasis	0.19	0.24	25%	5	1.97	0
Oracle Financial Services*	0.08	0.00	-100%	-8	0.00	0
Persistent Systems	0.19	0.16	-15%	-3	1.30	0
TCS	3.29	3.34	1%	5	27.50	0
Tech Mahindra	0.65	0.66	2%	1	5.43	0
Wipro	0.62	0.73	18%	11	6.00	0
Cash	0.00	0.06	NA	6	0.51	0

Source: Emkay Research

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

Sector portfolio NAV

	Base 1-Apr-19	20-Jul-21	21-Jan-22	22-Apr-22	22-Jun-22	Latest 22-Jul-22
EAP - Information Technology	100.0	199.4	237.5	215.5	188.1	192.0
BSE200 Neutral Weighted Portfolio (ETF)	100.0	185.7	220.7	199.3	174.0	177.8

*Performance measurement base date 1st April 2019

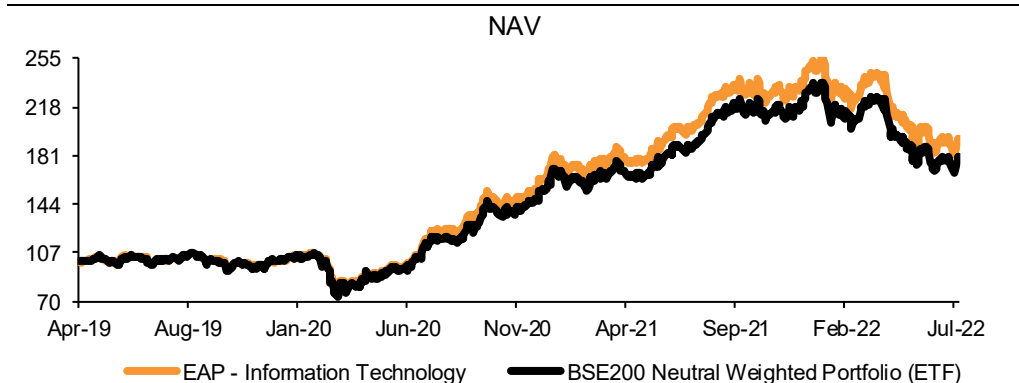
Source: Emkay Research

Price Performance (%)

	1m	3m	6m	12m
EAP - Information Technology	2.1%	-10.9%	-19.1%	-3.7%
BSE200 Neutral Weighted Portfolio (ETF)	2.2%	-10.8%	-19.4%	-4.3%

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: 26 Jul 2022 01:54:00 (SGT)

Dissemination Date: 26 Jul 2022 01:55:00 (SGT)

Sources for all charts and tables are Emkay Research unless otherwise specified.

GENERAL DISCLOSURE/DISCLAIMER BY EMKAY GLOBAL FINANCIAL SERVICES LIMITED (EGFSL):

Emkay Global Financial Services Limited (CIN-L67120MH1995PLC084899) and its affiliates are a full-service, brokerage, investment banking, investment management and financing group. Emkay Global Financial Services Limited (EGFSL) along with its affiliates are participants in virtually all securities trading markets in India. EGFSL was established in 1995 and is one of India's leading brokerage and distribution house. EGFSL is a corporate trading member of Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE), MCX Stock Exchange Limited (MCX-SX). EGFSL along with its subsidiaries offers the most comprehensive avenues for investments and is engaged in the businesses including stock broking (Institutional and retail), merchant banking, commodity broking, depository participant, portfolio management, insurance broking and services rendered in connection with distribution of primary market issues and financial products like mutual funds, fixed deposits. Details of associates are available on our website i.e. www.emkayglobal.com

EGFSL is registered as Research Analyst with SEBI bearing registration Number INH000000354 as per SEBI (Research Analysts) Regulations, 2014. EGFSL hereby declares that it has not defaulted with any stock exchange nor its activities were suspended by any stock exchange with whom it is registered in last five years, except that NSE had disabled EGFSL from trading on October 05, October 08 and October 09, 2012 for a manifest error resulting into a bonafide erroneous trade on October 05, 2012. However, SEBI and Stock Exchanges have conducted the routine inspection and based on their observations have issued advice letters or levied minor penalty on EGFSL for certain operational deviations in ordinary/routine course of business. EGFSL has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has its certificate of registration been cancelled by SEBI at any point of time.

EGFSL offers research services to clients as well as prospects. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

Other disclosures by Emkay Global Financial Services Limited (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report

EGFSL and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that may be inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest including but not limited to those stated herein. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject EGFSL or its group companies to any registration or licensing requirement within such jurisdiction. Specifically, this document does not constitute an offer to or solicitation to any U.S. person for the purchase or sale of any financial instrument or as an official confirmation of any transaction to any U.S. person. Unless otherwise stated, this message should not be construed as official confirmation of any transaction. No part of this document may be used by private customers in United Kingdom. All material presented in this report, unless specifically indicated otherwise, is under copyright to Emkay. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of EGFSL. All trademarks, service marks and logos used in this report are trademarks or registered trademarks of EGFSL or its Group Companies. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

- This publication has not been reviewed or authorized by any regulatory authority. There is no planned schedule or frequency for updating research publication relating to any issuer.

- Please contact the primary analyst for valuation methodologies and assumptions associated with the covered companies or price targets

Disclaimer for U.S. persons only: This research report is a product of Emkay Global Financial Services Limited (Emkay), which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of Financial Institutions Regulatory Authority (FINRA) or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account. This report is intended for distribution to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a-6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor. In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors.

ANALYST CERTIFICATION BY EMKAY GLOBAL FINANCIAL SERVICES LIMITED (EGFSL)

The research analyst(s) primarily responsible for the content of this research report, in part or in whole, certifies that the views about the companies and their securities expressed in this report accurately reflect his/her personal views. The analyst(s) also certifies that no part of his/her compensation was, is, or will be, directly or indirectly, related to specific recommendations or views expressed in the report. The research analyst (s) primarily responsible of the content of this research report, in part or in whole, certifies that he or his associate¹ does not serve as an officer, director or employee of the issuer or the new listing applicant (which includes in the case of a real estate investment trust, an officer of the management company of the real estate investment trust; and in the case of any other entity, an officer or its equivalent counterparty of the entity who is responsible for the management of the issuer or the new listing applicant). The research analyst(s) primarily responsible for the content of this research report or his associate does not have financial interests² in relation to an issuer or a new listing applicant that the analyst reviews. EGFSL has procedures in place to eliminate, avoid and manage any potential conflicts of interests that may arise in connection with the production of research reports. The research analyst(s) responsible for this report operates as part of a separate and independent team to the investment banking function of the EGFSL and procedures are in place to ensure that confidential information held by either the research or investment banking function is handled appropriately. There is no direct link of EGFSL compensation to any specific investment banking function of the EGFSL.

¹ An associate is defined as (i) the spouse, or any minor child (natural or adopted) or minor step-child, of the analyst; (ii) the trustee of a trust of which the analyst, his spouse, minor child (natural or adopted) or minor step-child, is a beneficiary or discretionary object; or (iii) another person accustomed or obliged to act in accordance with the directions or instructions of the analyst.

² Financial interest is defined as interest that are commonly known financial interest, such as investment in the securities in respect of an issuer or a new listing applicant, or financial accommodation arrangement between the issuer or the new listing applicant and the firm or analysis. This term does not include commercial lending conducted at the arm's length, or investments in any collective investment scheme other than an issuer or new listing applicant notwithstanding the fact that the scheme has investments in securities in respect of an issuer or a new listing applicant.

COMPANY-SPECIFIC / REGULATORY DISCLOSURES BY EMKAY GLOBAL FINANCIAL SERVICES LIMITED (EGFSL):

Disclosures by Emkay Global Financial Services Limited (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report:-

1. EGFSL, its subsidiaries and/or other affiliates do not have a proprietary position in the securities recommended in this report as of July 25, 2022
2. EGFSL, and/or Research Analyst does not market make in equity securities of the issuer(s) or company(ies) mentioned in this Research Report
- Disclosure of previous investment recommendation produced:**
3. EGFSL may have published other investment recommendations in respect of the same securities / instruments recommended in this research report during the preceding 12 months. Please contact the primary analyst listed in the first page of this report to view previous investment recommendations published by EGFSL in the preceding 12 months.
4. EGFSL, its subsidiaries and/or other affiliates and Research Analyst or his/her relative's does not have any material conflict of interest in the securities recommended in this report as of July 25, 2022.
5. EGFSL, its subsidiaries and/or other affiliates and Research Analyst or his/her relative's does not have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the July 25, 2022
6. EGFSL, its subsidiaries and/or other affiliates and Research Analyst have not received any compensation in whatever form including compensation for investment banking or merchant banking or brokerage services or for products or services other than investment banking or merchant banking or brokerage services from securities recommended in this report (subject company) in the past 12 months.
7. EGFSL, its subsidiaries and/or other affiliates and/or and Research Analyst have not received any compensation or other benefits from securities recommended in this report (subject company) or third party in connection with the research report.
8. Securities recommended in this report (Subject Company) has not been client of EGFSL, its subsidiaries and/or other affiliates and/or and Research Analyst during twelve months preceding the July 25, 2022

RESTRICTIONS ON DISTRIBUTION

General	This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation.
Australia	This report is not for distribution into Australia.
Hong Kong	This report is not for distribution into Hong Kong.
Indonesia	This report is being distributed in Indonesia by PT DBS Vickers Sekuritas Indonesia.
Malaysia	This report is not for distribution into Malaysia.
Singapore	This report is distributed in Singapore by DBS Bank Ltd (Company Regn. No. 16800306E) or DBSVS (Company Regn. No. 1860024G) both of which are Exempt Financial Advisers as defined in the Financial Advisers Act and regulated by the Monetary Authority of Singapore. DBS Bank Ltd and/or DBSVS, may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an agreement under Regulation 32C of the financial Advisers Regulations. Singapore recipients should contact DBS Bank Ltd at 6327 2288 for matters arising from, or in connection with the report.
Thailand	This report is being distributed in Thailand by DBS Vickers Securities (Thailand) Co Ltd.
United Kingdom	This report is disseminated in the United Kingdom by DBS Vickers Securities (UK) Ltd, ("DBSVUK"). DBSVUK is authorised and regulated by the Financial Conduct Authority in the United Kingdom. In respect of the United Kingdom, this report is solely intended for the clients of DBSVUK, its respective connected and associated corporations and affiliates only and no part of this document may be (i) copied, photocopied or duplicated in any form or by any means or (ii) redistributed without the prior written consent of DBSVUK. This communication is directed at persons having professional experience in matters relating to investments. Any investment activity following from this communication will only be engaged in with such persons. Persons who do not have professional experience in matters relating to investments should not rely on this communication.
Dubai International Financial Centre	This research report is being distributed by DBS Bank Ltd., (DIFC Branch) having its office at units 608-610, 6 th Floor, Gate Precinct Building 5, PO Box 506538, Dubai International Financial Centre (DIFC), Dubai, United Arab Emirates. DBS Bank Ltd., (DIFC Branch) is regulated by The Dubai Financial Services Authority. This research report is intended only for professional clients (as defined in the DFSA rulebook) and no other person may act upon it.
United Arab Emirates	This report is provided by DBS Bank Ltd (Company Regn. No. 196800306E) which is an Exempt Financial Adviser as defined in the Financial Advisers Act and regulated by the Monetary Authority of Singapore. This report is for information purposes only and should not be relied upon or acted on by the recipient or considered as a solicitation or inducement to buy or sell any financial product. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situation, or needs of individual clients. You should contact your relationship manager or investment adviser if you need advice on the merits of buying, selling or holding a particular investment. You should note that the information in this report may be out of date and it is not represented or warranted to be accurate, timely or complete. This report or any portion thereof may not be reprinted, sold or redistributed without our written consent.
United States	DBSVUSA did not participate in its preparation. The research analyst(s) named on this report are not registered as research analysts with FINRA and are not associated persons of DBSVUSA. The research analyst(s) are not subject to FINRA Rule 2241 restrictions on analyst compensation, communications with a subject company, public appearances and trading securities held by a research analyst. This report is being distributed in the United States by DBSVUSA, which accepts responsibility for its contents. This report may only be distributed to Major U.S. Institutional Investors (as defined in SEC Rule 15a-6) and to such other institutional investors and qualified persons as DBSVUSA may authorize. Any U.S. person receiving this report who wishes to effect transactions in any securities referred to herein should contact DBSVUSA directly and not its affiliate.
Other jurisdictions	In any other jurisdictions, except if otherwise restricted by laws or regulations, this report is intended only for qualified, professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions.

Emkay Global Financial Services Ltd.

CIN - L67120MH1995PLC084899

7th Floor, The Ruby, Senapati Bapat Marg, Dadar - West, Mumbai - 400028. India

Tel: +91 22 66121212 Fax: +91 22 66121299 Web: www.emkayglobal.com