

IT SERVICES

13 January 2022

Demand strong; Infosys shines

- Infosys and TCS outperformed already optimistic revenue growth expectations; Wipro's 2.3% QoQ dollar revenue growth was a miss
- Companies reiterate strong demand and indicate broadly near-term profitability status-quo
- We revise up FY23EPS for TCS, INFO and Wipro by 1%/3%/0% respectively and reiterate BUY rating on all three

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On a roll: Looking at the top-3 results, demand environment looks robust and management commentary is confident. Deal pipeline remains strong, driven by cloud, life-sciences and manufacturing verticals in particular. Europe demand remains high across the board. The deal pipeline has a greater number of small and mid-sized deals. Attrition has gone up across the board, which has kept the margins flattish despite growth outperformance. However, all three companies hinted at attrition starting to stabilize.

TCS delivered sanguine results: TCS reported QoQ USD growth of 3%, exceeding our estimate of 2%. The growth was broad based across verticals with growth for most between 2-4 % QoQ USD. Geography wise India grew the most at 11% QoQ USD. EBIT margin stood at 25%, roughly in-line with our estimates of 25.3%. TCV stood at USD7.6 bn, flat QoQ. Attrition jumped to 15.3%, up 340bps QoQ. TCS hired ~28000 employees in Q3.

Infosys sprints ahead: Infosys reported 6.3% QoQ USD revenue, exceeding our (2.9%) and street's estimate by a distance. TCV at USD 2.53bn was up 17.7% QoQ USD. The growth was broad-based led by 'others' segment, life-sciences and manufacturing which were up by 28.4%/12.3%/ 10.2%, QoQ USD. BFSI was up by a muted 3.7%. The impressive performance led to a major FY22 growth guidance upgrade from 16.5-17.5% CC to 19.5%-20%. EBIT margin at 23.5% was flattish QoQ. The only major dampener was attrition soaring to 25.5%, up 540bps QoQ.

Wipro underperformed: Wipro underperformed our estimate of 3.3% growth with a QoQ USD growth of 2.3%. The growth was broad-based with retail and BFSI driving the momentum with 4.7% and 3.5% growth. EBIT margin at 17.6% was below our estimate of 18.1%. However, the Q4FY22 revenue growth guidance of 2-4% QoQ CC, was in line with our estimates, translating into FY22 growth of 27-28%. Pipeline is strong with a mix of small and mid-sized deals. **We adjust TCS FY23/24 EPS by 1%/1%, INFO'S by 3%/3%. WPRO's by -0.1%/0%, factoring in the results. We keep the target multiples intact for all (TCS/INFY/WPRO:36.5x/34x/29x). Maintain BUY**

Recommendation snapshot

| Ticker | Price | Target | Rating |
|---------|-------|--------|--------|
| INFO IN | 1,877 | 2,250 | BUY |
| TCS IN | 3,860 | 4,770 | BUY |
| WPRO IN | 691 | 850 | BUY |

Price & Target in Rupees | Price as of 12 Jan 2022



Other highlights

TCS:

- Products and platform traction was strong in Q3. Ignio saw 10 new projects and 5 go-lives. TCS BANCS saw 9 new wins and 5 go-lives in Q3FY22.
- Clients in USD100mn+ bracket up by 10; USD50mn+ up by 21; USD10mn+ up by 40 & USD1mn+ up by 98 YoY.
- TCS hired ~28000 employees in Q3FY22.
- TCS announced interim dividend of Rs7/sh.
- TCS announced buyback of amount not exceeding Rs180bn, forming 1.08% of paid-up equity capital, at Rs4,500/sh.

Infosys:

- Infosys has increased compensation for employees in Q3. Within digital, Info's cloud segment is growing faster. All segment reported double digit YoY growth.
- Infosys has increased annual college recruitment target to 55,000.
- Client spending has increased in digital channel sales.
- Communication is seeing traction in 5G.

Wipro:

- 9mFY22 deal ACV increased by 27% YoY with Q3FY22 ACV at US\$2.8bn.
- Cloud grew at an accelerated pace of 30% YoY.
- iDEAS and iCORE formed 61% and 39% of revenue.
- Wipro added 10,000 employees in Q3FY22. Attrition is expected to moderate in the next quarter.
- Wipro has declared an interim dividend of Rs1/sh.

Fig 1 – TCS Quarterly performance

| (Rs mn) | Q3FY22 | Q3FY21 | YoY (%) | Q2FY22 | QoQ (%) | 9MFY22 | 9MFY21 | YoY (%) |
|--------------------------------|----------------|----------------|--------------|----------------|--------------|----------------|----------------|--------------|
| Revenues (US\$ mn) | 6,524 | 5,702 | 14.4 | 6,333 | 3.0 | 19,011 | 16,185 | 17.5 |
| Revenue (Rs mn) | 488,850 | 420,150 | 16.4 | 468,670 | 4.3 | 1,411,630 | 1,204,720 | 17.2 |
| Operating Expenditure | 354,520 | 298,080 | 18.9 | 337,520 | 5.0 | 1,019,510 | 867,270 | 17.6 |
| Cost of revenues | 284,010 | 237,490 | 19.6 | 270,480 | 5.0 | 816,890 | 691,930 | 18.1 |
| as % of sales | 58.1 | 56.5 | - | 57.7 | - | 57.9 | 57.4 | - |
| SG&A expenses | 70,510 | 60,590 | 16.4 | 67,040 | 5.2 | 202,620 | 175,340 | 15.6 |
| as % of sales | 14.4 | 14.4 | - | 14.3 | - | 14.4 | 14.6 | - |
| EBITDA | 134,330 | 122,070 | 10.0 | 131,150 | 2.4 | 392,120 | 337,450 | 16.2 |
| Depreciation | 11,960 | 10,230 | 16.9 | 11,150 | 7.3 | 33,870 | 29,980 | 13.0 |
| EBIT | 122,370 | 111,840 | 9.4 | 120,000 | 2.0 | 358,250 | 307,470 | 16.5 |
| Other Income | 9,540 | 5,080 | 87.8 | 9,690 | (1.5) | 24,980 | 17,040 | |
| PBT | 131,910 | 116,920 | 12.8 | 129,690 | 1.7 | 383,230 | 324,510 | 18.1 |
| Total Tax | 33,850 | 29,650 | 14.2 | 33,160 | 2.1 | 98,330 | 79,530 | 23.6 |
| Adjusted PAT | 98,060 | 87,270 | 12.4 | 96,530 | 1.6 | 284,900 | 244,980 | 16.3 |
| (Profit)/loss from JV's/Ass/MI | (370) | (260) | - | (290) | - | (890) | (960) | - |
| APAT after MI | 97,690 | 87,010 | 12.3 | 96,240 | 1.5 | 284,010 | 244,020 | 16.4 |
| Reported PAT | 97,690 | 87,010 | 12.3 | 96,240 | 1.5 | 284,010 | 244,020 | 16.4 |
| Reported EPS | 26.4 | 23.2 | 13.8 | 26.0 | 1.5 | 77 | 65 | 18.0 |
| Margins (%) | | | (bps) | | (bps) | | | (bps) |
| EBIDTA | 27.5 | 29.1 | (160) | 28.0 | (50) | 27.8 | 28.0 | 20 |
| EBIT | 25.0 | 26.6 | (160) | 25.6 | (60) | 25.4 | 25.5 | 10 |
| EBT | 27.0 | 27.8 | (80) | 27.7 | (70) | 27.1 | 26.9 | (20) |
| PAT | 20.0 | 20.7 | (70) | 20.5 | (60) | 20.1 | 20.3 | 10 |
| Effective Tax rate | 25.7 | 25.4 | 30 | 25.6 | 10 | 25.7 | 24.5 | (120) |

Source: BOBCAPS Research, Company

Fig 2 – Infosys Quarterly performance

| (Rs mn) | Q3FY22 | Q3FY21 | YoY (%) | Q2FY22 | QoQ (%) | 9MFY22 | 9MFY21 | YoY (%) |
|--------------------------------|---------------|---------------|-------------|---------------|------------|----------------|----------------|-------------|
| Revenues (US\$ mn) | 4,250 | 3,516 | 20.9 | 3,998 | 6.3 | 12,030 | 9,949 | 20.9 |
| Revenue | 318,670 | 259,270 | 22.9 | 296,020 | 7.7 | 893,650 | 741,620 | 20.5 |
| Operating Expenditure | 234,840 | 185,120 | 26.9 | 217,710 | 7.9 | 657,190 | 534,980 | 22.8 |
| Cost of revenues | 205,160 | 159,510 | 28.6 | 189,470 | 8.3 | 571,400 | 458,040 | 24.7 |
| as % of sales | 64.4 | 61.5 | - | 64.0 | - | 63.9 | 185 | - |
| SG&A expenses | 29,680 | 25,610 | 15.9 | 28,240 | 5.1 | 85,790 | 76,940 | 11.5 |
| as % of sales | 9.3 | 9.9 | - | 9.5 | - | 9.6 | 31 | - |
| EBITDA | 83,830 | 74,150 | 13.1 | 78,310 | 7.0 | 236,460 | 206,640 | 14.4 |
| Depreciation | 8,990 | 8,260 | 8.8 | 8,590 | 4.7 | 25,870 | 24,370 | 6.2 |
| EBIT | 74,840 | 65,890 | 13.6 | 69,720 | 7.3 | 210,590 | 182,270 | 15.5 |
| Other Income | 5,120 | 5,620 | - | 5,240 | - | 16,090 | 15,590 | 3.2 |
| PBT | 79,430 | 71,510 | 11.1 | 74,480 | 6.6 | 225,670 | 197,860 | 14.1 |
| Total Tax | 21,210 | 19,360 | 9.6 | 20,200 | 5.0 | 61,160 | 53,480 | 14.4 |
| Adjusted PAT | 58,220 | 52,150 | 11.6 | 54,280 | 7.3 | 164,510 | 144,380 | 13.9 |
| (Profit)/loss from JV's/Ass/MI | 130 | 0 | - | 70 | - | 200 | 0 | - |
| APAT after MI | 58,090 | 52,150 | 11.4 | 54,210 | 7.2 | 164,310 | 144,380 | 13.8 |
| Reported EPS | 13.8 | 12.2 | 13.2 | 12.9 | 7.2 | 39 | 34 | 16.1 |

| (Rs mn) | Q3FY22 | Q3FY21 | YoY (%) | Q2FY22 | QoQ (%) | 9MFY22 | 9MFY21 | YoY (%) |
|--------------------|--------|--------|--------------|--------|--------------|--------|--------|--------------|
| Margins (%) | | | (bps) | | (bps) | | | (bps) |
| EBIDTA | 26.3 | 28.6 | (229) | 26.5 | (15) | 26.5 | 27.9 | (140) |
| EBIT | 23.5 | 25.4 | (193) | 23.6 | (7) | 23.6 | 24.6 | (101) |
| EBT | 24.9 | 27.6 | (266) | 25.2 | (23) | 25.3 | 26.7 | (143) |
| PAT | 18.2 | 20.1 | (189) | 18.3 | (8) | 18.4 | 19.5 | (108) |
| Effective Tax rate | 26.7 | 27.1 | (37.0) | 27.1 | (42) | 27.1 | 27.0 | 7 |

Source: BOBCAPS Research, Company

Fig 3 – Wipro Quarterly performance

| (Rs mn) | Q3FY22 | Q3FY21 | YoY (%) | Q2FY22 | QoQ (%) | 9MFY22 | 9MFY21 | YoY (%) |
|--|----------------|----------------|--------------|----------------|--------------|----------------|----------------|--------------|
| US\$ revenues (IT Services excluding ISRE)* | 2,640 | 2,071 | 27.5 | 2,580 | 2.3 | 7,634 | 5,985 | 27.6 |
| Total Revenue | 204,323 | 157,266 | 29.9 | 197,607 | 3.4 | 585,614 | 459,085 | 27.6 |
| Operating Expenditure | 168,835 | 123,453 | 36.8 | 162,690 | 3.8 | 482,635 | 370,118 | 30.4 |
| Cost of revenues | 142,775 | 104,276 | 36.9 | 137,562 | 3.8 | 407,904 | 314,275 | 29.8 |
| as % of sales | 69.9 | 66.3 | - | 69.6 | - | 69.7 | 68.5 | - |
| SG&A expenses | 26,060 | 19,177 | 35.9 | 25,128 | 3.7 | 74,731 | 55,843 | 33.8 |
| as % of sales | 12.8 | 12.2 | - | 12.7 | - | 12.8 | 12.2 | - |
| EBIT | 35,488 | 33,813 | 5.0 | 34,917 | 1.6 | 102,979 | 88,967 | 15.7 |
| Other Income | 2,298 | 4,676 | (50.9) | 2,648 | (13.2) | 10,972 | 12,544 | (12.5) |
| PBT | 37,786 | 38,489 | (1.8) | 37,565 | 0.6 | 113,951 | 101,511 | 12.3 |
| Total Tax | 8,524 | 8,524 | - | 8,259 | 3.2 | 23,008 | 22,590 | 1.9 |
| Adjusted PAT | 29,262 | 29,965 | (2.3) | 29,306 | (0.2) | 90,943 | 78,921 | 15.2 |
| (Profit)/loss from JV's/Ass/MI | (50) | (298) | - | 1 | - | (103) | (696) | - |
| APAT after MI | 29,212 | 29,667 | (1.5) | 29,307 | (0.3) | 90,840 | 78,225 | 16.1 |
| Extra ordinary items | 0 | 0 | - | 0 | - | 0 | 0 | |
| Reported PAT | 29,212 | 29,667 | (1.5) | 29,307 | (0.3) | 90,840 | 78,225 | 16.1 |
| Reported EPS | 5.3 | 5.4 | (1.5) | 5.3 | (0.3) | 16 | 14 | 20.6 |
| Margins (%) | | | (bps) | | (bps) | | | (bps) |
| EBIT margin-IT Services (excluding ISRE) | 17.6 | 21.7 | (410) | 17.7 | (10) | 18.1 | 20.0 | (190) |
| EBIT | 17.4 | 21.5 | (410) | 17.7 | (30) | 17.6 | 19.4 | (180) |
| EBT | 18.5 | 24.5 | (600) | 19.0 | (50) | 19.5 | 22.1 | (270) |
| PAT | 14.3 | 18.9 | (460) | 14.8 | (50) | 15.5 | 17.0 | (150) |
| Effective Tax rate | 22.6 | 22.1 | 40 | 22.0 | 60 | 20.2 | 22.3 | (210) |

Source: BOBCAPS Research, Company | *India business from State Run Enterprises

Fig 4 – TCS operating metrics

| | Q3FY22 (% Contri to Revenue) | Growth | |
|----------------------------------|---------------------------------|---------|---------|
| | | QoQ (%) | YoY (%) |
| Deal win TCV (US\$ mn) | 7600 | - | 11.8 |
| Revenues by Geography | | | |
| Americas | 50.7 | 3.8 | 18.1 |
| UK | 15.6 | (0.2) | 13.7 |
| Europe | 16.0 | 3.7 | 13.0 |
| India | 5.5 | 11.1 | 12.4 |
| Asia Pac | 8.6 | (1.6) | 1.4 |
| Ibero America | 1.7 | 9.5 | 1.9 |
| MEA | 1.9 | (2.1) | 8.7 |
| Revenue breakup by Domain | | | |
| BFSI | 32.1 | 2.1 | 17.3 |
| Manufacturing | 9.9 | 3.0 | 18.0 |
| Telecom & Media | 6.5 | 3.0 | 12.7 |
| Life Sciences & Healthcare | 9.9 | 2.0 | 15.6 |
| Retail & CPG | 15.1 | 3.7 | 19.2 |
| Technology & Services | 8.7 | 1.8 | 15.7 |
| Regional Markets & Others | 17.8 | 5.4 | 3.9 |

| | Q3FY22 | Q2FY22 | Q3FY21 |
|----------------------------|--------|--------|--------|
| Attrition (LTM) (%) | 15.3 | 11.9 | 7.6 |

Source: BOBCAPS Research, Company

Fig 5 – Infosys Operating metrics

| | Q3FY22 (% Contri to Revenue) | Growth | |
|---|---------------------------------|---------|---------|
| | | QoQ (%) | YoY (%) |
| TCV of deal wins (in US\$ mn) | 2,530 | 17.7 | (64.5) |
| Digital Revenues | 58.5 | 10.9 | 41.1 |
| Revenue breakup-Geography | | | |
| North America | 61.8 | 6.1 | 21.3 |
| Europe | 24.9 | 6.7 | 25.4 |
| India | 3.0 | 22.7 | 39.5 |
| ROW | 10.3 | 2.3 | 5.5 |
| Revenue by industry groups | | | |
| BFSI | 31.5 | 3.7 | 15.0 |
| Retail | 14.5 | 5.6 | 19.2 |
| Communications | 12.5 | 7.2 | 21.9 |
| Energy, Utilities, Resources and Services | 11.7 | 5.4 | 13.1 |
| Manufacturing | 11.3 | 10.2 | 46.9 |
| Hi Tech | 8.1 | 1.3 | 19.4 |
| Life Sciences | 7.5 | 12.3 | 27.7 |
| Others | 2.9 | 28.4 | 29.8 |
| Client concentration | | | |
| Top 10 Clients | 20.2 | 10.7 | 32.0 |
| Non Top 10 Clients | 79.8 | 5.2 | 18.4 |

| | Q3FY22 | Q2FY22 | Q3FY21 |
|--|--------|--------|--------|
| Onsite-Offshore Effort Split | | | |
| Onsite | 23.8 | 23.6 | 25.2 |
| Offshore | 76.2 | 76.4 | 74.8 |
| Utilization measures (IT Services and Consulting) | | | |
| Including trainees | 82.7 | 84.1 | 82.3 |
| Excluding trainees | 88.5 | 89.2 | 86.3 |
| Attrition | 25.5 | 20.1 | 10.0 |

Source: BOBCAPS Research, Company

Fig 6 – Wipro's operating metrics

| | Q3FY22 (% contri to Revenue) | Growth | |
|---|---------------------------------|---------|---------|
| | | QoQ (%) | YoY (%) |
| Verticals: | | | |
| Global Media & Telecom | 5.0 | 2.3 | 22.6 |
| Finance Solutions | 35.2 | 3.5 | 47.1 |
| Manufacturing & Hitech | 6.7 | 2.3 | 2.9 |
| Healthcare, Life Sciences & Services | 11.8 | 3.2 | 8.2 |
| Retail & Transportation | 17.7 | 4.7 | 37.6 |
| Energy & Utilities | 11.7 | (2.7) | 13.8 |
| Technology | 11.9 | (0.2) | 20.4 |
| Revenue Split-Geographical Split | | | |
| Americas 1 +Americas 2 | 58.6 | 3.2 | 27.7 |
| Europe | 29.7 | 0.6 | 35.2 |
| APMEA | 11.7 | 2.3 | 10.5 |
| Customer Concentration | | | |
| Top customer | 3.2 | 5.6 | 31.6 |
| Top 5 customers | 12.7 | 4.0 | 36.0 |
| Top 10 customers | 20.2 | 2.8 | 36.2 |
| Non Top 10 | 79.8 | 2.2 | 25.4 |

| Utilisation (%) | Q3FY22 | Q2FY22 | Q3FY21 |
|--|--------|--------|--------|
| Global IT services ex IFOX -Gross | 75.6 | 78.1 | 74.8 |
| Global IT services ex IFOX-Net | 85.8 | 89.2 | 86.3 |
| Global IT services ex IFOX-Net ex trainees | 85.8 | 89.2 | 86.3 |
| Attrition | | | |
| Voluntary Attrition TTM | 22.7 | 20.5 | 11.0 |

Source: BOBCAPS Research, Company

Valuation methodology

Given the robust demand commentary, in-line growth (except for Wipro's), confident management commentary and margin defense against attrition, we maintain our positive stance on the sector. Factoring in the strong Q3FY22 results, we adjust FY23/24 EPS for TCS and INFO by 1%/1% and 3.4%/3.3%, respectively and raise the TP to Rs 4,770 (from Rs 4,720) and Rs 2,250 (from Rs 2,170) respectively. We keep the EPS and TP largely unchanged for WPRO. We keep the one year forward target multiples unchanged for TCS, INFO and WPRO. We prefer INFO, TECHM among large sized players and Coforge and LTI among mid-sized players.

Fig 7 – Revised estimates - TCS

| (Rs mn) | New | | | Old | | | Change (%) | | |
|--------------------|-----------|-----------|-----------|-----------|-----------|---------|------------|-------|-------|
| | FY22E | FY23E | FY24E | FY22E | FY23E | FY24E | FY22E | FY23E | FY24E |
| Revenues (US\$ mn) | 25,731 | 28,845 | 31,715 | 25,598 | 28,555 | 31396 | 0.5 | 1.0 | 1.0 |
| YoY Growth (%) | 16.0 | 12.1 | 10.0 | 15.4 | 11.6 | 10.0 | - | - | - |
| Revenues | 1,908,889 | 2,192,194 | 2,410,337 | 1,897,491 | 2,170,173 | 2386124 | 0.6 | 1.0 | 1.0 |
| EBITDA | 531,353 | 618,813 | 680,375 | 528,779 | 612,597 | 673540 | 0.5 | 1.0 | 1.0 |
| EBITDA margins (%) | 27.8 | 28.2 | 28.2 | 27.9 | 28.2 | 28.2 | - | - | - |
| EBIT margins (%) | 25.5 | 26.0 | 26.6 | 25.5 | 26.0 | 26.6 | (10bps) | 0bps | 0bps |
| Net profits | 384,917 | 445,227 | 505,706 | 382,530 | 440,647 | 500698 | 0.6 | 1.0 | 1.0 |
| EPS (Rs) | 104.0 | 120.3 | 136.7 | 103.4 | 119.1 | 135.3 | 0.6 | 1.0 | 1.0 |

Source: BOBCAPS Research

Fig 8 – Revised estimates- INFOSYS

| (Rs mn) | New | | | Old | | | Change (%) | | |
|------------------------|-----------|-----------|-----------|-----------|-----------|-----------|------------|-------|-------|
| | FY22E | FY23E | FY24E | FY22E | FY23E | FY24E | FY22E | FY23E | FY24E |
| Revenues (in US\$ mn) | 16,365 | 18,605 | 20,287 | 16,088 | 18,005 | 19,633 | 1.7 | 3.3 | 3.3 |
| YoY revenue growth (%) | 20.7 | 13.7 | 9.0 | 18.6 | 11.9 | 9.0 | - | - | - |
| Revenues | 1,218,775 | 1,413,956 | 1,541,789 | 1,196,881 | 1,368,411 | 1,492,127 | 1.8 | 3.3 | 3.3 |
| EBIT | 287,906 | 334,857 | 365,615 | 283,559 | 322,898 | 352,576 | 1.5 | 3.7 | 3.7 |
| EBIT margins (%) | 23.6 | 23.7 | 23.7 | 23.7 | 23.6 | 23.6 | - | - | - |
| Net profits | 228,849 | 262,336 | 288,341 | 228,128 | 253,800 | 279,101 | 0.3 | 3.4 | 3.3 |
| EPS (Rs) | 54.4 | 62.3 | 68.5 | 54.2 | 60.3 | 66.3 | 0.3 | 3.4 | 3.3 |

Source: BOBCAPS Research

Fig 9 – Revised estimates- WIPRO

| (Rs mn) | New | | | Old | | | Change (%) | | |
|--|---------|---------|-----------|---------|---------|-----------|------------|-------|-------|
| | FY22E | FY23E | FY24E | FY22E | FY23E | FY24E | FY22E | FY23E | FY24E |
| IT Services revenues (US\$ mn) | 10,353 | 11,472 | 12,523 | 10,377 | 11,468 | 12,518 | (0.2) | 0.0 | 0.0 |
| IT Services revenues (US\$ mn) YoY growth (%) | 27.2 | 10.8 | 9.2 | 27.5 | 10.5 | 9.2 | - | - | - |
| Company Wide Revenues | 798,974 | 916,442 | 1,001,925 | 803,966 | 917,042 | 1,001,507 | (0.6) | (0.1) | 0.0 |
| EBIT | 145,325 | 175,420 | 191,826 | 146,983 | 175,538 | 191,762 | (1.1) | (0.1) | 0.0 |
| EBIT margins (%) | 18.2 | 19.1 | 19.1 | 18.3 | 19.1 | 19.1 | - | - | - |
| Net profits | 124,866 | 152,708 | 166,088 | 127,800 | 152,844 | 166,114 | (2.3) | (0.1) | 0.0 |
| EPS (Rs) | 22.6 | 27.6 | 30.1 | 23.1 | 27.7 | 30.1 | (2.3) | (0.1) | 0.0 |

Source: BOBCAPS Research

Fig 10 – Peer comparison

| Ticker | Rating | Target Price (Rs) | US\$ revenue CAGR FY21-23E (%) | EPS (Rs) | | RoE | | P/E | |
|------------|--------|-------------------|--------------------------------|----------|-------|-------|-------|-------|-------|
| | | | | FY22E | FY23E | FY22E | FY23E | FY22E | FY23E |
| TCS IN | BUY | 4,770 | 14.1 | 104.0 | 120.3 | 39.6 | 37.5 | 37.1 | 32.1 |
| INFO IN | BUY | 2,250 | 17.1 | 54.4 | 62.3 | 29.8 | 32.0 | 34.5 | 30.1 |
| WPRO IN | BUY | 850 | 18.2 | 22.6 | 26.9 | 20.5 | 21.6 | 30.6 | 25.7 |
| HCLT IN | BUY | 1,560 | 10.9 | 49.2 | 55.5 | 20.4 | 20.6 | 27.5 | 24.4 |
| TECHM IN | BUY | 1,970 | 16.1 | 65.5 | 81.1 | 21.5 | 23.6 | 26.4 | 21.3 |
| LTI IN | BUY | 8,270 | 21.4 | 132.0 | 162.5 | 29.0 | 30.1 | 54.3 | 44.1 |
| MPHL IN | HOLD | 3,650 | 17.0 | 76.6 | 95.0 | 21.1 | 24.2 | 42.0 | 33.9 |
| MTCL IN | SELL | 3,540 | 21.0 | 94.1 | 100.2 | 33.0 | 29.8 | 49.3 | 46.3 |
| PSYS IN | HOLD | 4,240 | 24.8 | 78.5 | 93.1 | 21.0 | 21.7 | 57.2 | 48.2 |
| COFORGE IN | BUY | 7,040 | 27.5 | 123.4 | 173.2 | 27.9 | 33.1 | 46.9 | 33.4 |
| ECLX IN | BUY | 3,690 | 22.9 | 125.8 | 143.6 | 27.0 | 28.4 | 22.6 | 19.8 |

Source: BOBCAPS Research

Key risks

Key downside risks to our estimates are:

- rising attrition impacting margins
- covid impact on demand, causing slowdown
- pricing pressure

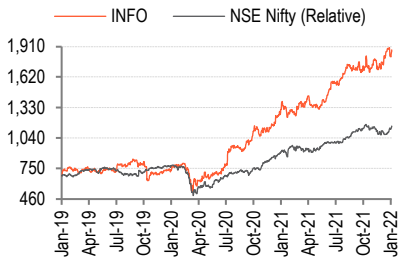
Sector recommendation snapshot

| Company | Ticker | Market Cap (US\$ bn) | Price (Rs) | Target (Rs) | Rating |
|---------------------------|------------|----------------------|------------|-------------|--------|
| Coforge | COFORGE IN | 4.9 | 5,767 | 7,040 | BUY |
| eClerx Services | ECLX IN | 1.4 | 2,833 | 3,690 | BUY |
| HCL Technologies | HCLT IN | 49.3 | 1,344 | 1,560 | BUY |
| Infosys | INFO IN | 106.8 | 1,856 | 2,170 | BUY |
| L&T Infotech | LTI IN | 17.0 | 7,174 | 8,270 | BUY |
| Mindtree | MTCL IN | 10.2 | 4,584 | 3,540 | SELL |
| Mphasis | MPHL IN | 8.1 | 3,207 | 3,650 | HOLD |
| Persistent Systems | PSYS IN | 4.9 | 4,492 | 4,240 | HOLD |
| Tata Consultancy Services | TCS IN | 198.7 | 3,916 | 4,720 | BUY |
| Tech Mahindra | TECHM IN | 20.5 | 1,737 | 1,970 | BUY |
| Wipro | WPRO IN | 51.9 | 694 | 850 | BUY |

Source: BOBCAPS Research, NSE | Price as of 11 Jan 2022

Stock performance

Fig 11 – INFO



Source: NSE

Fig 12 – TCS

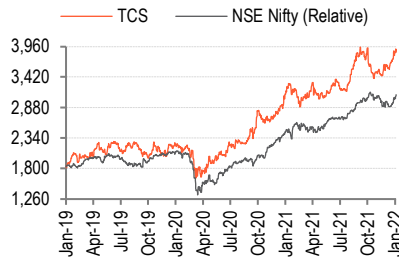
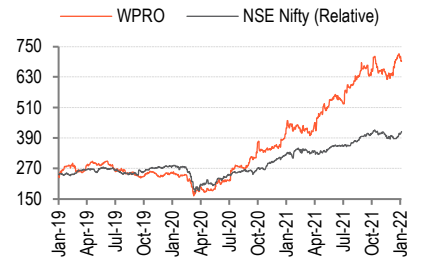


Fig 13 – WPRO



Financials – INFO

Income Statement

| Y/E 31 Mar (Rs mn) | FY20A | FY21A | FY22E | FY23E | FY24E |
|----------------------------|----------------|------------------|------------------|------------------|------------------|
| Total revenue | 907,910 | 1,004,730 | 1,218,775 | 1,413,956 | 1,541,789 |
| EBITDA | 222,680 | 279,350 | 322,293 | 371,342 | 404,872 |
| Depreciation | 28,930 | 32,680 | 34,387 | 36,485 | 39,257 |
| EBIT | 193,750 | 246,670 | 287,906 | 334,857 | 365,615 |
| Net interest inc./(exp.) | 16,120 | 16,150 | 18,831 | 14,563 | 18,573 |
| Other inc./(exp.) | 28,030 | 19,960 | 25,701 | 24,563 | 29,373 |
| Exceptional items | 0 | 0 | 0 | 0 | 0 |
| EBT | 221,780 | 266,630 | 313,607 | 359,420 | 394,988 |
| Income taxes | 53,680 | 72,050 | 84,498 | 97,083 | 106,647 |
| Extraordinary items | 0 | 0 | 0 | 0 | 0 |
| Min. int./Inc. from assoc. | 750 | 590 | 260 | 0 | 0 |
| Reported net profit | 167,350 | 193,990 | 228,849 | 262,336 | 288,341 |
| Adjustments | 0 | 0 | 0 | 0 | 0 |
| Adjusted net profit | 167,350 | 193,990 | 228,849 | 262,336 | 288,341 |

Balance Sheet

| Y/E 31 Mar (Rs mn) | FY20A | FY21A | FY22E | FY23E | FY24E |
|---------------------------------|----------------|------------------|------------------|------------------|------------------|
| Accounts payables | 0 | 0 | 0 | 0 | 0 |
| Other current liabilities | 263,520 | 308,910 | 257,111 | 298,287 | 325,254 |
| Provisions | 5,720 | 7,130 | 10,017 | 11,622 | 12,672 |
| Debt funds | 0 | 0 | 0 | 0 | 0 |
| Other liabilities | 0 | 0 | 0 | 0 | 0 |
| Equity capital | 21,220 | 21,240 | 21,240 | 21,240 | 21,240 |
| Reserves & surplus | 637,220 | 746,580 | 745,719 | 850,195 | 965,027 |
| Shareholders' fund | 658,440 | 767,820 | 766,959 | 871,435 | 986,267 |
| Total liab. and equities | 927,680 | 1,083,860 | 1,034,088 | 1,181,343 | 1,324,193 |
| Cash and cash eq. | 186,490 | 247,140 | 76,054 | 137,755 | 227,345 |
| Accounts receivables | 184,870 | 192,940 | 250,433 | 290,539 | 316,806 |
| Inventories | 0 | 0 | 0 | 0 | 0 |
| Other current assets | 71,210 | 75,270 | 83,478 | 96,846 | 105,602 |
| Investments | 87,920 | 147,990 | 147,990 | 147,990 | 147,990 |
| Net fixed assets | 250,530 | 265,680 | 264,807 | 264,802 | 262,025 |
| CWIP | 41,680 | 47,940 | 47,940 | 47,940 | 47,940 |
| Intangible assets | 0 | 0 | 0 | 0 | 0 |
| Deferred tax assets, net | 17,440 | 10,980 | 10,980 | 10,980 | 10,980 |
| Other assets | 129,220 | 143,860 | 200,347 | 232,431 | 253,445 |
| Total assets | 927,680 | 1,083,860 | 1,034,088 | 1,181,343 | 1,324,193 |

Cash Flows

| Y/E 31 Mar (Rs mn) | FY20A | FY21A | FY22E | FY23E | FY24E |
|------------------------------------|------------------|------------------|------------------|------------------|------------------|
| Cash flow from operations | 255,638 | 227,791 | 66,436 | 231,479 | 270,207 |
| Capital expenditures | (88,220) | (41,570) | (33,514) | (36,480) | (36,480) |
| Change in investments | 0 | (28,798) | 0 | 0 | 0 |
| Other investing cash flows | 28,030 | 19,960 | 25,701 | 24,563 | 29,373 |
| Cash flow from investing | (60,190) | (50,408) | (7,813) | (11,917) | (7,107) |
| Equities issued/Others | (73,287) | 0 | (92,000) | 0 | 0 |
| Debt raised/repaid | 0 | 0 | 0 | 0 | 0 |
| Interest expenses | 0 | 0 | 0 | 0 | 0 |
| Dividends paid | (100,703) | (116,733) | (137,710) | (157,861) | (173,509) |
| Other financing cash flows | 0 | 0 | 0 | 0 | 0 |
| Cash flow from financing | (173,990) | (116,733) | (229,710) | (157,861) | (173,509) |
| Chg in cash & cash eq. | 21,458 | 60,650 | (171,086) | 61,701 | 89,591 |
| Closing cash & cash eq. | 186,490 | 247,140 | 76,054 | 137,755 | 227,345 |

Per Share

| Y/E 31 Mar (Rs) | FY20A | FY21A | FY22E | FY23E | FY24E |
|----------------------|-------|-------|-------|-------|-------|
| Reported EPS | 39.0 | 45.5 | 54.4 | 62.3 | 68.5 |
| Adjusted EPS | 39.0 | 45.5 | 54.4 | 62.3 | 68.5 |
| Dividend per share | 19.5 | 22.8 | 27.2 | 31.2 | 34.3 |
| Book value per share | 153.5 | 180.2 | 182.2 | 207.0 | 234.3 |

Valuations Ratios

| Y/E 31 Mar (x) | FY20A | FY21A | FY22E | FY23E | FY24E |
|----------------|-------|-------|-------|-------|-------|
| EV/Sales | 8.6 | 7.8 | 6.4 | 5.5 | 5.1 |
| EV/EBITDA | 35.1 | 28.0 | 24.1 | 21.1 | 19.5 |
| Adjusted P/E | 48.1 | 41.2 | 34.5 | 30.1 | 27.4 |
| P/BV | 12.2 | 10.4 | 10.3 | 9.1 | 8.0 |

DuPont Analysis

| Y/E 31 Mar (%) | FY20A | FY21A | FY22E | FY23E | FY24E |
|------------------------------|-------|-------|-------|-------|-------|
| Tax burden (Net profit/PBT) | 75.5 | 72.8 | 73.0 | 73.0 | 73.0 |
| Interest burden (PBT/EBIT) | 114.5 | 108.1 | 108.9 | 107.3 | 108.0 |
| EBIT margin (EBIT/Revenue) | 21.3 | 24.6 | 23.6 | 23.7 | 23.7 |
| Asset turnover (Rev./Avg TA) | 106.3 | 99.9 | 115.1 | 127.6 | 123.1 |
| Leverage (Avg TA/Avg Equity) | 1.4 | 1.4 | 1.4 | 1.4 | 1.3 |
| Adjusted ROAE | 26.5 | 27.2 | 29.8 | 32.0 | 31.0 |

Ratio Analysis

| Y/E 31 Mar | FY20A | FY21A | FY22E | FY23E | FY24E |
|--|-------|-------|-------|-------|-------|
| YoY growth (%) | | | | | |
| Revenue | 9.8 | 10.7 | 21.3 | 16.0 | 9.0 |
| EBITDA | 6.6 | 25.4 | 15.4 | 15.2 | 9.0 |
| Adjusted EPS | 10.3 | 16.7 | 19.4 | 14.6 | 9.9 |
| Profitability & Return ratios (%) | | | | | |
| EBITDA margin | 24.5 | 27.8 | 26.4 | 26.3 | 26.3 |
| EBIT margin | 21.3 | 24.6 | 23.6 | 23.7 | 23.7 |
| Adjusted profit margin | 18.4 | 19.3 | 18.8 | 18.6 | 18.7 |
| Adjusted ROAE | 26.5 | 27.2 | 29.8 | 32.0 | 31.0 |
| ROCE | 32.1 | 36.3 | 34.7 | 34.3 | 35.8 |
| Working capital days (days) | | | | | |
| Receivables | 65 | 69 | 66 | 70 | 72 |
| Inventory | 0 | 0 | 0 | 0 | 0 |
| Payables | 115 | 144 | 115 | 97 | 100 |
| Ratios (x) | | | | | |
| Gross asset turnover | 4.5 | 3.9 | 4.6 | 5.3 | 5.9 |
| Current ratio | 2.1 | 2.1 | 2.3 | 2.4 | 2.7 |
| Net interest coverage ratio | 12.0 | 15.3 | 15.3 | 23.0 | 19.7 |
| Adjusted debt/equity | (0.3) | (0.3) | (0.1) | (0.2) | (0.2) |

Source: Company, BOBCAPS Research | Note: TA = Total Assets

Financials – TCS

Income Statement

| Y/E 31 Mar (Rs mn) | FY20A | FY21A | FY22E | FY23E | FY24E |
|----------------------------|------------------|------------------|------------------|------------------|------------------|
| Total revenue | 1,569,490 | 1,641,770 | 1,908,889 | 2,192,194 | 2,410,337 |
| EBITDA | 421,100 | 465,460 | 531,353 | 618,813 | 680,375 |
| Depreciation | 35,300 | 40,650 | 44,995 | 48,471 | 39,695 |
| EBIT | 385,800 | 424,810 | 486,357 | 570,342 | 640,680 |
| Net interest inc./(exp.) | 0 | 0 | 0 | 0 | 0 |
| Other inc./(exp.) | 36,680 | 24,970 | 31,615 | 28,083 | 38,925 |
| Exceptional items | 0 | 0 | 0 | 0 | 0 |
| EBT | 422,480 | 449,780 | 517,972 | 598,425 | 679,605 |
| Income taxes | 98,010 | 111,980 | 132,016 | 152,598 | 173,299 |
| Extraordinary items | 0 | 0 | 0 | 0 | 0 |
| Min. int./Inc. from assoc. | (1,070) | (1,320) | (1,040) | (600) | (600) |
| Reported net profit | 323,400 | 336,480 | 384,917 | 445,227 | 505,706 |
| Adjustments | 0 | 0 | 0 | 0 | 0 |
| Adjusted net profit | 323,400 | 336,480 | 384,917 | 445,227 | 505,706 |

Balance Sheet

| Y/E 31 Mar (Rs mn) | FY20A | FY21A | FY22E | FY23E | FY24E |
|---------------------------------|------------------|------------------|------------------|------------------|------------------|
| Accounts payables | 0 | 0 | 0 | 0 | 0 |
| Other current liabilities | 292,440 | 371,480 | 329,480 | 378,379 | 416,031 |
| Provisions | 0 | 0 | 0 | 0 | 0 |
| Debt funds | 69,060 | 65,030 | 65,030 | 65,030 | 65,030 |
| Other liabilities | 0 | 0 | 0 | 0 | 0 |
| Equity capital | 3,750 | 3,700 | 3,700 | 3,700 | 3,700 |
| Reserves & surplus | 0 | 0 | 0 | 0 | 0 |
| Shareholders' fund | 847,490 | 871,080 | 1,071,738 | 1,303,232 | 1,566,092 |
| Total liab. and equities | 1,208,990 | 1,307,590 | 1,466,247 | 1,746,641 | 2,047,152 |
| Cash and cash eq. | 86,460 | 68,580 | 147,978 | 322,006 | 528,541 |
| Accounts receivables | 305,320 | 300,790 | 366,088 | 420,421 | 462,256 |
| Inventories | 0 | 0 | 0 | 0 | 0 |
| Other current assets | 239,510 | 295,170 | 313,790 | 360,361 | 396,220 |
| Investments | 273,760 | 318,440 | 318,440 | 318,440 | 318,440 |
| Net fixed assets | 198,410 | 196,690 | 189,873 | 185,245 | 193,758 |
| CWIP | 0 | 0 | 0 | 0 | 0 |
| Intangible assets | 19,930 | 22,780 | 22,780 | 22,780 | 22,780 |
| Deferred tax assets, net | 28,280 | 39,310 | 39,310 | 39,310 | 39,310 |
| Other assets | 57,320 | 65,830 | 67,988 | 78,078 | 85,848 |
| Total assets | 1,208,990 | 1,307,590 | 1,466,247 | 1,746,641 | 2,047,152 |

Cash Flows

| Y/E 31 Mar (Rs mn) | FY20A | FY21A | FY22E | FY23E | FY24E |
|------------------------------------|------------------|------------------|------------------|------------------|------------------|
| Cash flow from operations | 328,975 | 372,880 | 271,260 | 404,120 | 459,264 |
| Capital expenditures | (119,970) | (38,930) | (38,178) | (43,844) | (48,207) |
| Change in investments | (75,780) | 44,680 | 0 | 0 | 0 |
| Other investing cash flows | 36,680 | 24,970 | 31,615 | 28,083 | 38,925 |
| Cash flow from investing | (159,070) | 30,720 | (6,563) | (15,761) | (9,282) |
| Equities issued/Others | 0 | (259,499) | 0 | 0 | 0 |
| Debt raised/repaid | 0 | 0 | 0 | 0 | 0 |
| Interest expenses | 0 | 0 | 0 | 0 | 0 |
| Dividends paid | (155,685) | (161,981) | (185,299) | (214,332) | (243,447) |
| Other financing cash flows | 0 | 0 | 0 | 0 | 0 |
| Cash flow from financing | (155,685) | (421,480) | (185,299) | (214,332) | (243,447) |
| Chg in cash & cash eq. | 14,220 | (17,880) | 79,399 | 174,027 | 206,535 |
| Closing cash & cash eq. | 86,460 | 68,580 | 147,978 | 322,006 | 528,541 |

Per Share

| Y/E 31 Mar (Rs) | FY20A | FY21A | FY22E | FY23E | FY24E |
|----------------------|-------|-------|-------|-------|-------|
| Reported EPS | 86.2 | 90.9 | 104.0 | 120.3 | 136.7 |
| Adjusted EPS | 86.2 | 90.9 | 104.0 | 120.3 | 136.7 |
| Dividend per share | 34.5 | 36.4 | 41.6 | 48.1 | 54.7 |
| Book value per share | 225.8 | 235.4 | 289.7 | 352.2 | 423.3 |

Valuations Ratios

| Y/E 31 Mar (x) | FY20A | FY21A | FY22E | FY23E | FY24E |
|----------------|-------|-------|-------|-------|-------|
| EV/Sales | 9.2 | 8.8 | 7.6 | 6.6 | 5.9 |
| EV/EBITDA | 34.3 | 31.0 | 27.2 | 23.3 | 21.0 |
| Adjusted P/E | 44.8 | 42.4 | 37.1 | 32.1 | 28.2 |
| P/BV | 17.1 | 16.4 | 13.3 | 11.0 | 9.1 |

DuPont Analysis

| Y/E 31 Mar (%) | FY20A | FY21A | FY22E | FY23E | FY24E |
|------------------------------|-------|-------|-------|-------|-------|
| Tax burden (Net profit/PBT) | 76.5 | 74.8 | 74.3 | 74.4 | 74.4 |
| Interest burden (PBT/EBIT) | 109.5 | 105.9 | 106.5 | 104.9 | 106.1 |
| EBIT margin (EBIT/Revenue) | 24.6 | 25.9 | 25.5 | 26.0 | 26.6 |
| Asset turnover (Rev./Avg TA) | 133.1 | 130.5 | 137.6 | 136.5 | 127.1 |
| Leverage (Avg TA/Avg Equity) | 1.4 | 1.5 | 1.4 | 1.4 | 1.3 |
| Adjusted ROAE | 37.0 | 39.2 | 39.6 | 37.5 | 35.2 |

Ratio Analysis

| Y/E 31 Mar | FY20A | FY21A | FY22E | FY23E | FY24E |
|--|-------|-------|-------|-------|-------|
| YoY growth (%) | | | | | |
| Revenue | 7.2 | 4.6 | 16.3 | 14.8 | 10.0 |
| EBITDA | 6.6 | 10.5 | 14.2 | 16.5 | 9.9 |
| Adjusted EPS | 2.6 | 5.5 | 14.4 | 15.7 | 13.6 |
| Profitability & Return ratios (%) | | | | | |
| EBITDA margin | 26.8 | 28.4 | 27.8 | 28.2 | 28.2 |
| EBIT margin | 24.6 | 25.9 | 25.5 | 26.0 | 26.6 |
| Adjusted profit margin | 20.6 | 20.5 | 20.2 | 20.3 | 21.0 |
| Adjusted ROAE | 37.0 | 39.2 | 39.6 | 37.5 | 35.2 |
| ROCE | 35.8 | 37.6 | 39.0 | 41.8 | 44.4 |
| Working capital days (days) | | | | | |
| Receivables | 67 | 67 | 64 | 65 | 67 |
| Inventory | 0 | 0 | 0 | 0 | 0 |
| Payables | 86 | 103 | 93 | 82 | 84 |
| Ratios (x) | | | | | |
| Gross asset turnover | 10.1 | 8.3 | 9.9 | 11.7 | 12.7 |
| Current ratio | 2.4 | 2.0 | 2.7 | 3.1 | 3.5 |
| Net interest coverage ratio | NA | NA | NA | NA | NA |
| Adjusted debt/equity | 0.0 | 0.0 | (0.1) | (0.2) | (0.3) |

Source: Company, BOBCAPS Research | Note: TA = Total Assets

Financials – WIPRO

Income Statement

| Y/E 31 Mar (Rs mn) | FY20A | FY21A | FY22E | FY23E | FY24E |
|----------------------------|----------------|----------------|----------------|----------------|------------------|
| Total revenue | 613,401 | 622,425 | 803,966 | 917,042 | 1,001,507 |
| EBITDA | 124,867 | 144,560 | 173,514 | 205,800 | 224,812 |
| Depreciation | 20,281 | 20,540 | 26,531 | 30,262 | 33,050 |
| EBIT | 104,586 | 124,020 | 146,983 | 175,538 | 191,762 |
| Net interest inc./(exp.) | 16,752 | 15,824 | 14,602 | 20,411 | 21,177 |
| Other inc./(exp.) | 0 | 0 | (63) | 0 | 0 |
| Exceptional items | 0 | 0 | 0 | 0 | 0 |
| EBT | 120,589 | 139,844 | 161,522 | 195,948 | 212,939 |
| Income taxes | 24,799 | 30,345 | 33,569 | 42,904 | 46,625 |
| Extraordinary items | 0 | 0 | 0 | 0 | 0 |
| Min. int./Inc. from assoc. | 495 | 716 | 153 | 200 | 200 |
| Reported net profit | 95,295 | 108,783 | 127,800 | 152,844 | 166,114 |
| Adjustments | 0 | 0 | 0 | 0 | 0 |
| Adjusted net profit | 95,295 | 108,783 | 127,800 | 152,844 | 166,114 |

Balance Sheet

| Y/E 31 Mar (Rs mn) | FY20A | FY21A | FY22E | FY23E | FY24E |
|---------------------------------|----------------|----------------|----------------|------------------|------------------|
| Accounts payables | 0 | 0 | 0 | 0 | 0 |
| Other current liabilities | 156,761 | 164,725 | 178,414 | 203,508 | 222,252 |
| Provisions | 612 | 676 | 1,982 | 2,261 | 2,469 |
| Debt funds | 78,042 | 83,332 | 83,332 | 83,332 | 83,332 |
| Other liabilities | 2,825 | 4,633 | 4,633 | 4,633 | 4,633 |
| Equity capital | 11,427 | 10,958 | 10,958 | 10,958 | 10,958 |
| Reserves & surplus | 547,906 | 543,635 | 656,207 | 695,857 | 747,179 |
| Shareholders' fund | 559,333 | 554,593 | 667,165 | 706,815 | 758,137 |
| Total liab. and equities | 797,573 | 807,959 | 935,527 | 1,000,549 | 1,070,824 |
| Cash and cash eq. | 144,499 | 169,793 | 238,201 | 260,100 | 301,522 |
| Accounts receivables | 104,474 | 94,298 | 145,375 | 165,821 | 181,094 |
| Inventories | 1,865 | 1,064 | 6,608 | 7,537 | 8,232 |
| Other current assets | 108,891 | 111,925 | 170,705 | 194,714 | 212,649 |
| Investments | 203,345 | 191,811 | 193,261 | 193,261 | 193,261 |
| Net fixed assets | 81,120 | 85,192 | 84,661 | 82,399 | 77,349 |
| CWIP | 0 | 0 | 0 | 0 | 0 |
| Intangible assets | 147,374 | 152,212 | 152,212 | 152,212 | 152,212 |
| Deferred tax assets, net | 6,005 | 1,664 | 1,664 | 1,664 | 1,664 |
| Other assets | 0 | 0 | 0 | 0 | 0 |
| Total assets | 797,573 | 807,959 | 992,687 | 1,057,709 | 1,127,983 |

Cash Flows

| Y/E 31 Mar (Rs mn) | FY20A | FY21A | FY22E | FY23E | FY24E |
|------------------------------------|------------------|------------------|-----------------|------------------|------------------|
| Cash flow from operations | 130,744 | 141,154 | 39,477 | 142,883 | 163,238 |
| Capital expenditures | (45,057) | (39,531) | (26,000) | (28,000) | (28,000) |
| Change in investments | 34,579 | 26,907 | (1,450) | 0 | 0 |
| Other investing cash flows | 16,752 | 15,824 | 14,602 | 20,411 | 21,177 |
| Cash flow from investing | 6,274 | 3,200 | (12,848) | (7,589) | (6,823) |
| Equities issued/Others | (105,000) | (95,000) | 0 | (95,000) | (95,000) |
| Debt raised/repaid | 0 | 0 | 0 | 0 | 0 |
| Interest expenses | (4,601) | (3,335) | 0 | 0 | 0 |
| Dividends paid | (11,469) | (13,092) | (15,381) | (18,395) | (19,992) |
| Other financing cash flows | 0 | 0 | 0 | 0 | 0 |
| Cash flow from financing | (121,070) | (111,427) | (15,381) | (113,395) | (114,992) |
| Chg in cash & cash eq. | 15,949 | 32,927 | 11,248 | 21,899 | 41,423 |
| Closing cash & cash eq. | 194,025 | 226,952 | 238,201 | 260,100 | 301,522 |

Per Share

| Y/E 31 Mar (Rs) | FY20A | FY21A | FY22E | FY23E | FY24E |
|----------------------|-------|-------|-------|-------|-------|
| Reported EPS | 16.7 | 19.7 | 23.1 | 27.7 | 30.1 |
| Adjusted EPS | 16.7 | 19.7 | 23.1 | 27.7 | 30.1 |
| Dividend per share | 1.7 | 2.0 | 2.3 | 2.8 | 3.0 |
| Book value per share | 97.9 | 100.4 | 120.8 | 128.0 | 137.2 |

Valuations Ratios

| Y/E 31 Mar (x) | FY20A | FY21A | FY22E | FY23E | FY24E |
|----------------|-------|-------|-------|-------|-------|
| EV/Sales | 6.2 | 6.0 | 4.6 | 4.0 | 3.6 |
| EV/EBITDA | 30.6 | 25.7 | 21.3 | 17.8 | 16.3 |
| Adjusted P/E | 41.5 | 35.1 | 29.9 | 25.0 | 23.0 |
| P/BV | 7.1 | 6.9 | 5.7 | 5.4 | 5.0 |

DuPont Analysis

| Y/E 31 Mar (%) | FY20A | FY21A | FY22E | FY23E | FY24E |
|------------------------------|-------|-------|-------|-------|-------|
| Tax burden (Net profit/PBT) | 79.0 | 77.8 | 79.1 | 78.0 | 78.0 |
| Interest burden (PBT/EBIT) | 115.3 | 112.8 | 109.9 | 111.6 | 111.0 |
| EBIT margin (EBIT/Revenue) | 17.1 | 19.9 | 18.3 | 19.1 | 19.1 |
| Asset turnover (Rev./Avg TA) | 75.2 | 77.5 | 89.3 | 89.5 | 91.6 |
| Leverage (Avg TA/Avg Equity) | 1.4 | 1.4 | 1.5 | 1.5 | 1.5 |
| Adjusted ROAE | 16.9 | 19.5 | 20.9 | 22.2 | 22.7 |

Ratio Analysis

| Y/E 31 Mar | FY20A | FY21A | FY22E | FY23E | FY24E |
|--|-------|-------|-------|-------|-------|
| YoY growth (%) | | | | | |
| Revenue | 4.1 | 1.5 | 29.2 | 14.1 | 9.2 |
| EBITDA | 2.6 | 15.8 | 20.0 | 18.6 | 9.2 |
| Adjusted EPS | 11.6 | 18.1 | 17.5 | 19.6 | 8.7 |
| Profitability & Return ratios (%) | | | | | |
| EBITDA margin | 20.4 | 23.2 | 21.6 | 22.4 | 22.4 |
| EBIT margin | 17.1 | 19.9 | 18.3 | 19.1 | 19.1 |
| Adjusted profit margin | 15.5 | 17.5 | 15.9 | 16.7 | 16.6 |
| Adjusted ROAE | 16.9 | 19.5 | 20.9 | 22.2 | 22.7 |
| ROCE | 20.7 | 25.6 | 29.6 | 33.3 | 35.5 |
| Working capital days (days) | | | | | |
| Receivables | 61 | 58 | 54 | 62 | 63 |
| Inventory | 2 | 1 | 2 | 3 | 4 |
| Payables | 113 | 118 | 95 | 94 | 96 |
| Ratios (x) | | | | | |
| Gross asset turnover | 8.1 | 7.5 | 9.5 | 11.0 | 12.5 |
| Current ratio | 2.3 | 2.3 | 3.1 | 3.1 | 3.1 |
| Net interest coverage ratio | 6.2 | 7.8 | 10.1 | 8.6 | 9.1 |
| Adjusted debt/equity | (0.1) | (0.2) | (0.2) | (0.3) | (0.3) |

Source: Company, BOBCAPS Research | Note: TA = Total Assets

Disclaimer

Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Rating distribution

As of 31 December 2021, out of 115 rated stocks in the BOB Capital Markets Limited (BOBCAPS) coverage universe, 57 have BUY ratings, 31 have HOLD ratings, 5 are rated ADD*, 2 are rated REDUCE* and 20 are rated SELL. None of these companies have been investment banking clients in the last 12 months. (*Our ADD and REDUCE ratings are in the process of being migrated to the new recommendation structure.)

Analyst certification

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