

SELL

TP: Rs 1,381 | ▼ 8%

HCL TECHNOLOGIES

| IT Services

| 14 October 2025

Organic growth guidance in FY26 similar to that in FY25

- 150bps beat versus estimate due to better services biz. Organic growth guide of 4% YoY CC at upper end in FY26, similar to that in FY25
- Best organic growth among Indian Tier-1. But margin performance bit volatile. First to put out Advanced AI revenue number. TCV in line
- Lift estimates for FY27/FY28. Maintain Target PE multiple. Recent stock upmove drives downgrade to 'Sell'

2QFY26 a strong services quarter, overall FY26 revenue guidance maintained but services guidance raised: The 2.4% CC QoQ growth was better than the 1% that we estimated as services growth was better than anticipated. While the services business (91% of revenue) guidance was raised by 100 bps at the lower end for FY26, the company level guidance was maintained as the product business growth under performed.

Organic growth in FY26 similar to that in FY25, though commentary sounded more positive. AI compression likely playing out: The 4% YoY CC growth for the HCLT at the upper end is similar to in FY25. We felt that the demand commentary was slightly more positive. The dichotomy is possibly because HCLT is indulging in self-cannibalization to maintain its client base. It stated that the proactive approach is leading to share gains in its client set especially in the financial services vertical. It is hoping to get additional business from clients when it self-cannibalizes. However, the additional business dropped amongst large renewal deals on a QoQ basis.

Did not commit to return to margins of 18-19% in FY27: While HCLT had indicated one-offs to be among the reasons for 100bps lowering of guidance in FY26 (to 17-18%), it did not explicitly commit to a return to the 18-19% number by FY27. It hinted at the new H1-B rules to be a possible pressure point. It also stated that it wanted to cement its position as industry growth leader during a tectonic shift in the industry and stated that it would invest in its AI propositions.

Raise revenue and EPS estimate but lower rating to 'Sell': The 2QFY26 revenue beat leads us to raise our estimates. We maintain the target PE multiple of 19x (5% discount to that accorded to TCS, our industry benchmark). The recent stock run up leads us to reduce rating to a 'SELL' from 'HOLD'. The revenue compression from Gen AI and margin volatility keeps us cautious.

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Key changes

Target	Rating
▲	▼

Ticker/Price	HCLT IN/Rs 1,495
Market cap	US\$ 45.7bn
Free float	39%
3M ADV	US\$ 53.3mn
52wk high/low	Rs 2,012/Rs 1,303
Promoter/FPI/DII	61%/19%/16%

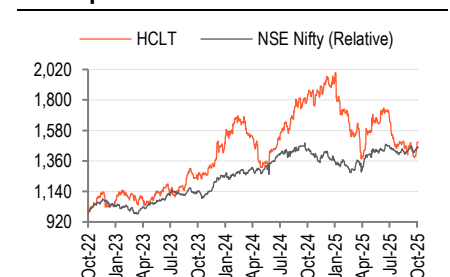
Source: NSE | Price as of 13 Oct 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	1,170,550	1,275,133	1,369,841
EBITDA (Rs mn)	255,050	264,583	295,978
Adj. net profit (Rs mn)	173,910	173,104	199,479
Adj. EPS (Rs)	64.1	63.8	73.5
Consensus EPS (Rs)	64.1	64.2	71.9
Adj. ROAE (%)	25.2	24.5	27.4
Adj. P/E (x)	23.3	23.4	20.3
EV/EBITDA (x)	16.1	15.6	14.0
Adj. EPS growth (%)	10.8	(0.4)	15.2

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Key Points from the quarter and the earnings call

- Revenue stood at US\$3,644mn, up 2.4% QoQ (against our estimate of 1%) & up 4.6% YoY in CC terms
 - Services revenue was US\$3,322 mn, up 2.5% QoQ and 5.5% YoY in CC terms
 - Software revenue US\$333 mn, up 0.5% QoQ and down 3.7% YoY in CC terms. Overall software revenue declined due to lower perpetual license revenue. Focus remains on increasing subscription and professional services revenue over perpetual license revenue for sustainable value. The first was up 9% YoY.
 - **IT and Business Services:** YoY CC growth: 3.8% and QoQ CC growth: 2.6%; **Engineering and R&D Services:** YoY CC growth: 13.4% and QoQ CC growth: 2.2%
 - Digital CC revenue up 15.0% YoY; contributes 42.0% of Services
 - Advanced AI quarterly revenue crossed US\$100 mn
- EBIT margin stood at 17.4% (against our estimate of 18%), up 110 bps QoQ and down 120 bps YoY
 - Major Tailwinds for sequential performance: Software segment margin (+35 bps), absence of Q1 one-time impact (+30 bps), Project Ascend utilization gain (+50 bps), forex gain from INR depreciation (+56 bps)
 - Major Headwinds for sequential performance: Restructuring expenses (-55 bps)
- Geographical Revenue Growth (YoY CC): USA: 2.4%, Europe: 7.6%, India: 0.6%, RoW: 17.9%
- It was a fairly broad based growth that HCLT saw in the quarter on a QoQ basis
- Vertical Revenue Growth (YoY CC): Financial Services: 11.4%; Manufacturing: -1.8%; Lifesciences & Healthcare: -3%; Technology and Services: 13.9%; Telecommunications, Media, Publishing & Entertainment: 11.7%; Retail & CPG: 5.5%; Public Services: 2.2%
 - Strong growth observed in BFSI, Technology, and Telecom & Media verticals
 - Retail and CPG vertical gaining traction with AI adoption and scaling. Key retail/CPG growth areas include M&A integration, carve-outs, and SDLC transformation via GenAI and AI Force
 - Manufacturing vertical stable, but auto sector slowdown continues to impact segment

FY26 Guidance:

- Company revenue growth guidance retained at 3.0% - 5.0% YoY in CC due to softness in software segment from perpetual license decline. There is a 100bps inorganic element in this.
- Services Revenue growth guidance raised to 4.0% - 5.0% YoY in CC (earlier: 3.0% - 5.0%)
- CQGR required to meet low end and high end of guidance: Services 0.3% to 1.5% and company 0.5% to 3.1%
- EBIT margin guidance retained at 17.0% - 18.0%
 - Wage revision cycle to begin from 1 October 2025; expected impact of 70 - 80 bps in 3Q and 40 - 50 bps in 4Q, already factored into margin guidance
- FY26 margin guidance includes one-time restructuring hit of little more than ~40bps for the full year. There will be a hit in 3Q and it will taper off in 4Q.

Other Points:

- External environment remains unpredictable
- New bookings at US\$2.6 bn, first time crossing US\$2.5 bn without any mega deals
 - Two large deals signed this quarter that were delayed last quarter
- Advanced AI revenue crossed US\$100mn in the quarter, ~3% of total revenue. First among Indian companies to put out a number. Accenture has been doing it for many quarters now. Advanced AI revenue includes Agentic AI, Physical AI, AI Engineering, and AI Factory, but excludes Classical AI, Data Analytics, and GenAI-enabled delivery (see Figure 2).
- Company shifting from AI pilot phase to monetization phase driven by past investments in IP, deepening partnerships and strengthening GTM and delivery teams
- HCLT – on renewal deflation - states that in 1Q in eight of the nine deals it got additional business. In 2Q among top 10 deals, only five of them gave it additional business. Other five saw some deflation.
- Four-pronged AI strategy: transform services, build differentiated IP, expand into new AI-led services, and strengthen AI partnerships
- GenAI and Agentic AI now core to nearly every deal, enhancing productivity and innovation
- AI Force platform now deployed across 47 accounts up from 35 in 1Q; goal to scale to top 100 clients
- Advanced AI embedded in most renewals; 5 of top 10 renewals saw ACV increase, while some others declined due to AI-linked productivity gains.
- HCLT indicated its willingness to self-cannibalise to retain clients and business.

- H1B visa fee revision expected to have minimal impact due to reduced visa dependency. Strategic focus on global delivery model reduced visa reliance to a few hundred per year
- Localization will lead to higher investments in training and local hiring. Wage differences are minimal, so not a major concern. HCLTech's dependence on H1B is low, offering some insulation
- Advanced AI revenues billed via a mix of fixed-price, time-and-materials, and IP-linked contracts depending on engagement type (Example: Inference and silicon build projects typically follow fixed-price model, AI Factory implementations may follow time-and-materials model)
- Company believes that industry must evolve from pure labor-based service provider to people plus IP and platform-based service provider
- Restructuring expected to impact margins by slightly higher than ~40 bps for FY26
- EBIT margin in 2Q excluding 55 bps restructuring charge approaches historical 18%–19% band
- Impact of AI on the existing book of business: The biggest impact of AI is expected in the BPO segment: ~40-50%; SDLC: ~25-30%; IT operations, application support, and infrastructure maintenance: ~10-15%, depending on how far along companies are in their automation journeys
- HCL believes in an asset-light business model and sees substantial opportunity to scale within this approach. The strategy is to build and monetize more IPs, not invest in physical assets like data centers. The AI Factory offering is focused on servicing large, specialized data centers being built by major tech companies.
- Auto vertical update: Pipeline remains strong, but decision-making is delayed, especially in Europe. Many deals involve incumbent replacement, adding to the delays. Industry stress is likely to push large outsourcing decisions sooner or later
- Revenue growth is slowly getting delinked from headcount, and the trend will continue into the future.
- Discretionary spending in some areas has become mandatory, driven by M&A and carve-outs at the clients' end.
- AI factory is all about servicing large data centers that are being set up by large tech players – HCLT sees that as a huge services opportunity, and it is very specialized. HCLT is currently working with one of the large tech companies and says that there are at least 20 such players, sovereigns and some enterprises.

We have an underweight stance on Indian IT services.

We reinitiated coverage on the Indian IT Services with an Underweight stance through a report on 1 January 2025 (**Slow is the (new/old) normal**), and reiterated that view with an update on 12th March 2025 (**FY26 unlikely to be better than FY25**). We also put out a recent update (**Uncertainty stays and 'eating the tariff' may impact even FY27**) where we indicate the tariff decisions of 7 July 2025 on 14 countries, post the 90-day pause, prolongs the current phase of uncertainty.

Consequently, we see Tier-1 growth to remain at low single digit level for FY26 and 'eating the tariff' may lead to adverse impact on FY27

While both earnings and PE multiples have corrected since 1 Jan 2025, we believe the industry's structural organic revenue growth from here on will be lower than the ~7% CAGR seen during FY15-FY20, possibly ~5% CAGR over FY25-FY30 in constant currency (CC) terms.

Multiple speed breakers post FY25 drive our Underweight stance

Trump policies raise uncertainty: The tariffs, the higher fiscal deficit from the 'one big, beautiful bill' (OBBA), the crackdown on illegal and legal immigration (the latter through the major new hurdles put in for H1-B visas), etc all point to uncertainty in the coming days which may delay decision making

Higher for longer interest rate environment: Lately, based on inflation prints and fears of a higher fiscal deficit, US 10-year yields have remained firm. There are fears that sustained high interest rates could reduce IT outsourcing demand, particularly in sectors like BFSI and Telecom, and dampen US demand in areas like housing, autos and retail.

Covid-induced pull forward of demand requires a multi-year unwind. We think there were excesses during the compressed transformation phase which are yet to be fully unwound.

Gen AI and GCCs are going to disrupt growth: We also believe that AI/Gen AI will lead to compression of revenue for the industry in the next 24-36 months as companies self-cannibalize to hold on to their existing clients. We also believe that the rapid growth of the GCCs is a threat to outsourcing. While there seems to be collaboration between the outsourcers and their clients in setting up these GCCs, there will be growth discontinuity when the business is insourced at some point.

Massive hyper scaler AI capex should accentuate re-alignment in IT spend:

Software players, including hyper scalers, are increasing capex on AI-related data centres. This will drive higher pricing, forcing enterprises to allocate more IT spend to cloud/SaaS and move it away from the those who have lower bargaining power – the global IT services players.

Higher competition: Indian Tier-1 companies now face higher competition from Accenture, Tier-2 players, and Cognizant, likely slowing their growth compared to FY15-

FY20. This is besides the fact that by FY25, Tier-1 revenue has reached US\$ 85bn, double that in FY15. Due to the higher base now, growth may not be as rapid.

How we are valuing companies: We are using PE methodology and using TCS as our industry benchmark. The target PE used for TCS now is 19x, which is the average PE multiple of TCS over the last 10 years less 1SD. Through our choice of the benchmark Target PE multiple, we seek to capture the probability of downside risks to consensus EPS expectations for FY27.

Tier- 2 valuation reflects growth gap with Tier-1

The Tier-2 set have been taking away market share from the Tier-1 set due to better execution and due to their smaller size. And unlike in the past cycles, they have performed better than the Tier-1 largely due to better management teams.

However, the current PE premium to Tier-1s is excessive as we believe that to deliver on the high consensus revenue growth expectations, they may be taking on more cost take-out projects which are likely to impact their margins adversely.

Fig 1 – Quarterly Results: comparison of actuals with estimates

Y/E March (Rs bn)	2QFY25	1QFY26	2QFY26	YoY (%)	QoQ (%)	2QFY26E	Dev(%)
Net Sales (USD mn)	3,445	3,545	3,644	5.8	2.8	3,600	1.2
Net Sales	289	303	319	10.7	5.2	313	2.1
Employee Costs	188	201	210	12.0	4.6	202	4.0
Gross margin % of Sales	34.9	33.7	34.1			35.3	
SG&A	37	42	43	16.2	2.8	43	(0.2)
% of Sales	12.8	13.8	13.5			13.8	
Depreciation and Amortisation	10	11	10	3.6	(4.6)	11	(5.2)
% of Sales	3.5	3.6	3.3			3.5	
EBIT	53.6	49.4	55.5	3.5	12.3	56.4	(1.7)
EBIT Margin (%)	18.6	16.3	17.4			18.0	
Other Income	3	2	2	(36.3)	(15.3)	3	(37.3)
Forex Gain/(Loss)	0	0	(1)			0	
PBT	57	52	57	0.3	9.9	60	(4.6)
Provision for Tax	15	13	15	1.1	9.0	15	(5.4)
Effective Tax Rate	25.5	25.9	25.7			25.9	
Minority share in Profit / Loss	0	0	0			0	
One time Bonus and DTL for Goodwill	0	0	0			0	
PAT (Reported)	42.4	38.4	42.4	0.0	10.2	44.3	(4.3)
NPM (%)	14.7	12.7	13.3			14.1	

Source: Company, BOBCAPS Research

Fig 2 – HCLT's AI proposition

HCLTech's AI Propositions and IPs

Service Transformation

We are transforming our Services portfolio by leveraging industry-leading Advanced AI solutions, including GenAI, Agentic AI and Robotics, powered by HCLTech's AI Force platform and Service as Software offerings.

Classical AI

Includes Traditional AI propositions across AI/ML/RPA technologies

Advanced AI

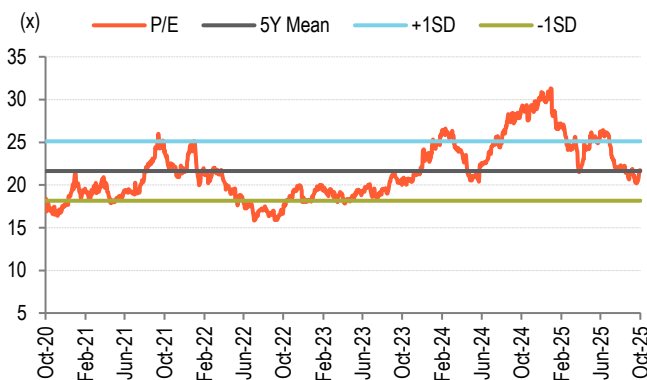
- **Industry AI Solutions**
 - HCLTech IP-led AI Solutions
 - Custom AI Solutions
- **AI Engineering**
 - Custom Silicon Engineering
 - AI Product Engineering
- **Agentic AI**
 - HCLTech Agentic Solutions
 - Partner Agentic Solutions
- **Physical AI**
 - Edge AI
 - Robotics
- **AI Factory – Build & Operate**
 - For Hyperscalers, Tech OEMs, Enterprise and Sovereigns
- **AI Advisory**
 - Idea to MVP, Business case
 - Responsible AI, AI Security, Red Teaming
- **HCLTech AI IPs**

HCLTech AI IPs

- **AI Force**
 - AI Force.Software
 - AI Force.ITOps
 - AI Force.BizOps
 - AI Force.SAP
 - AI Force.Data
- **HCL UnO**
- **HCL Zeenea**
- **InsightGen**
- **Intelligent Regulatory Platform (IRP)**
- **Intelligent Safety Platform (ISP)**
- **NetSight**
- **PaymentsX**
- **Talent Navigator – "TaNGAI"**
- **VisionX**

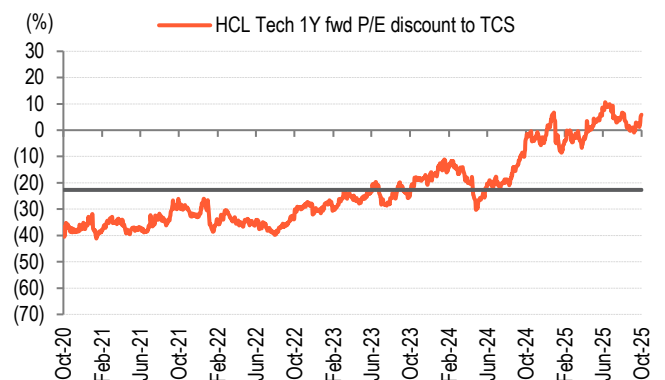
Source: Company, BOBCAPS Research

Fig 3 – 5 Year PE trend



Source: Bloomberg, BOBCAPS Research

Fig 4 – Premium/ Discount to TCS



Source: Bloomberg, BOBCAPS Research

Fig 5 – Revised Estimates

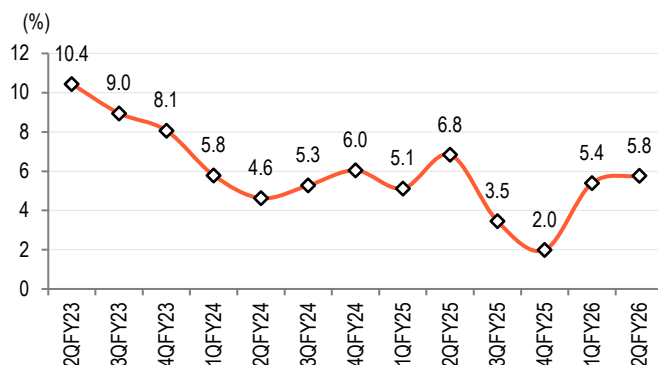
	New			Old			% Change		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
INR/USD	87.2	89.3	91.1	87.0	89.3	91.1	0.2	-	-
USD Revenue (USD mn)	14,622	15,345	16,449	14,448	15,078	16,162	1.2	1.8	1.8
USD Revenue Growth (%)	5.6	4.9	7.2	4.4	4.4	7.2			
Revenue (Rs bn)	1,275	1,370	1,498	1,257	1,346	1,472	1.4	1.8	1.8
EBIT (Rs bn)	222	254	275	222	249	270	0.1	1.9	1.7
EBIT Margin (%)	17.4	18.5	18.4	17.7	18.5	18.4			
PAT (Rs bn)	173	199	216	173	194	210	(0.2)	2.9	2.9
FDEPS (Rs)	63.8	73.5	79.5	63.9	71.5	77.3	(0.2)	2.9	2.8

Source: BOBCAPS Research

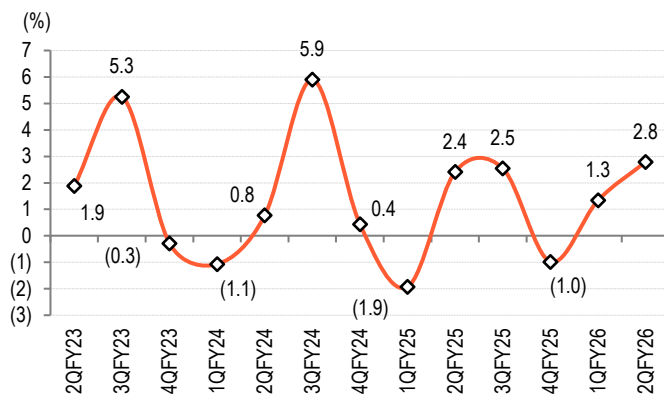
Fig 6 – P&L at a glance

Rs bn	FY13	FY14	FY15	FY16*	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Average INR/USD	54.9	61.5	62.4	66.3	67.0	64.5	69.9	72.2	74.2	74.6	80.6	82.8	84.6	87.2	89.3	91.1
Net Sales (USD mn)	4,686	5,360	5,952	4,698	6,975	7,838	8,633	9,936	10,175	11,481	12,586	13,270	13,840	14,622	15,345	16,449
YoY Growth (%)		14.4	11.1	(21.1)	48.5	12.4	10.1	15.1	2.4	12.8	9.6	5.4	4.3	5.6	4.9	7.2
INR Net Sales (Rs bn)	258	329	371	311	467	506	604	707	754	857	1,015	1,099	1,171	1,275	1,370	1,498
YoY Growth (%)	22.5	27.7	12.6	-16.0	50.1	8.2	19.5	17.0	6.6	13.6	18.5	8.3	6.5	8.9	7.4	9.3
Cost of Sales & Services	165	202	238	204	309	332	393	443	440	528	645	705	762	837	896	989
Gross Margin	93	127	133	108	158	173	212	264	314	329	369	394	409	438	474	508
% of sales	35.9	38.6	35.8	34.6	33.9	34.3	35.0	37.3	41.7	38.4	36.4	35.9	34.9	34.4	34.6	33.9
SG&A	35	40	46	40	55	59	72	97	106	124	143	152	154	174	178	191
% of sales	13.4	12.3	12.3	12.7	11.8	11.7	11.9	13.7	14.1	14.4	14.1	13.9	13.2	13.6	13.0	12.7
EBITDA	58	87	87	68	103	114	140	167	208	205	226	242	255	265	296	318
% of sales	22.5	26.3	23.5	21.9	22.1	22.6	23.1	23.6	27.6	24.0	22.3	22.0	21.8	20.7	21.6	21.2
Depreciation and Amortization	7	7	5	4	8	15	21	28	46	43	41	42	41	42	42	43
% of sales	2.6	2.2	1.2	1.4	1.8	2.9	3.6	4.0	6.1	5.1	4.1	3.8	3.5	3.3	3.1	2.9
EBIT	51	79	83	64	95	100	118	139	162	162	185	200	214	222	254	275
% of sales	19.9	24.1	22.3	20.5	20.3	19.8	19.6	19.6	21.4	18.9	18.2	18.2	18.3	17.4	18.5	18.4
Other income (net) (incl forex gain/loss)	2	(0)	9	8	9	11	8	2	4	7	10	9	18	10	12	13
PBT	53	79	92	72	104	111	126	140	166	170	195	210	233	232	266	288
Provision for tax	12	15	19	15	20	23	25	29	36	34	46	53	59	59	67	72
Effective tax rate (%)	23.1	19.5	20.8	20.9	18.8	20.9	19.8	21.0	21.8	20.2	23.8	25.1	25.2	25.4	25.0	25.0
Minority Interest	(2)	3	1	0	0	0	0	0	0	0	0	0	0	0	0	0
Net profit	41	64	73	57	84	88	101	111	129	135	149	157	174	173	199	216
-Growth (%)	60.7	56.9	13.9	-21.9	49.0	4.0	15.3	9.3	17.0	4.3	10.0	5.7	10.8	-0.5	15.2	8.2
-Net profit margin (%)	15.8	19.4	19.6	18.2	18.1	17.4	16.8	15.7	17.2	15.8	14.6	14.3	14.9	13.6	14.6	14.4

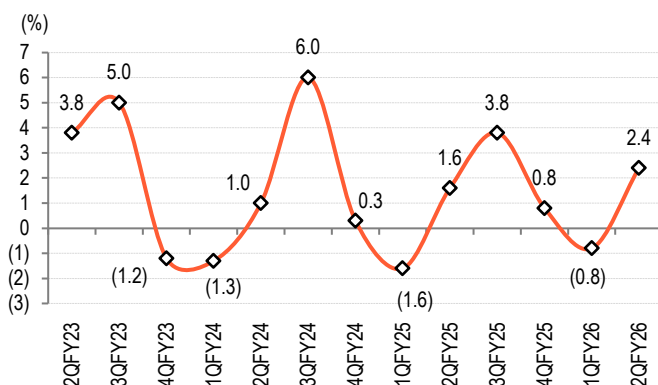
Source: Company, BOBCAPS Research

Fig 7 – YoY US\$ revenue growth

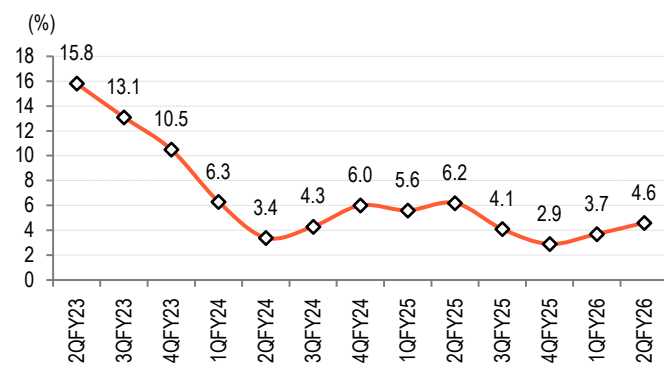
Source: Company, BOBCAPS Research

Fig 8 – QoQ US\$ revenue growth

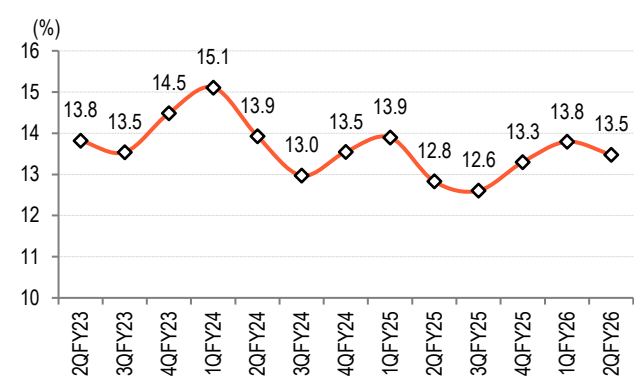
Source: Company, BOBCAPS Research

Fig 9 – QoQ CC revenue growth

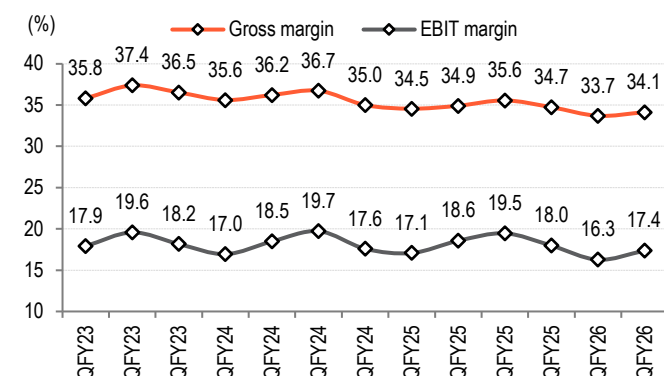
Source: Company, BOBCAPS Research

Fig 10 – YoY CC Revenue growth

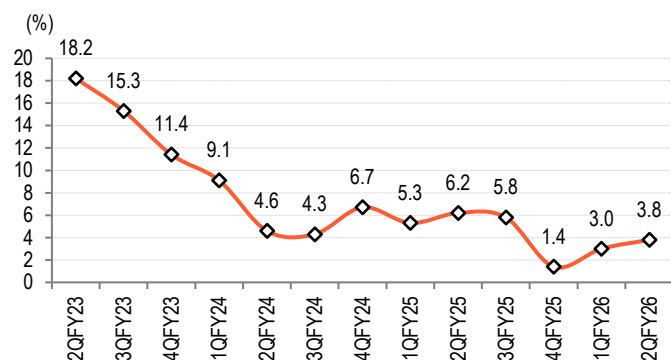
Source: Company, BOBCAPS Research

Fig 11 – SG&A as % of sales

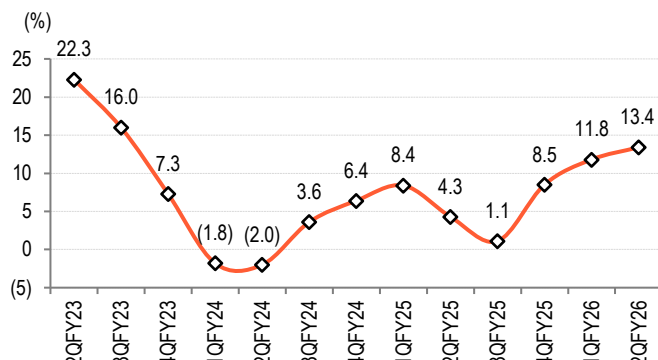
Source: Company, BOBCAPS Research

Fig 12 – Gross margin and EBIT margin

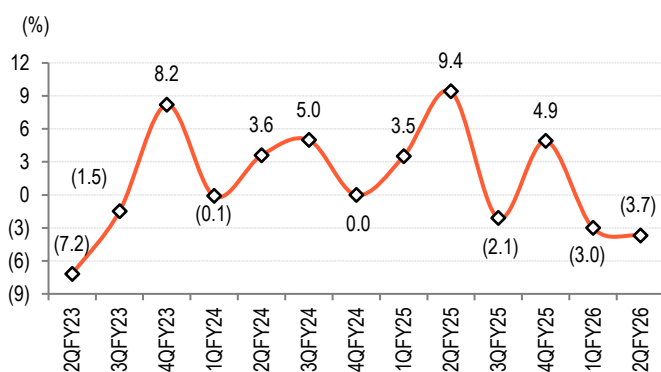
Source: Company, BOBCAPS Research

Fig 13 – IT and Business Services growth YoY CC

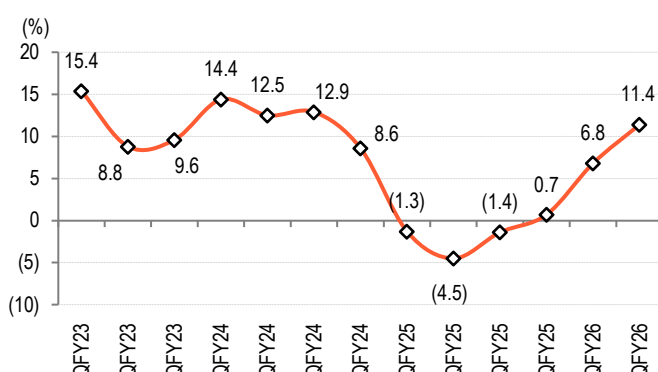
Source: Company, BOBCAPS Research

Fig 14 – Engineering and R&D Services YoY CC Growth

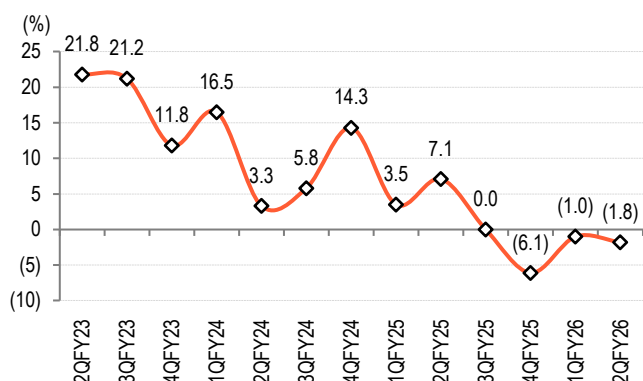
Source: Company, BOBCAPS Research

Fig 15 – Products and Platforms growth YoY CC

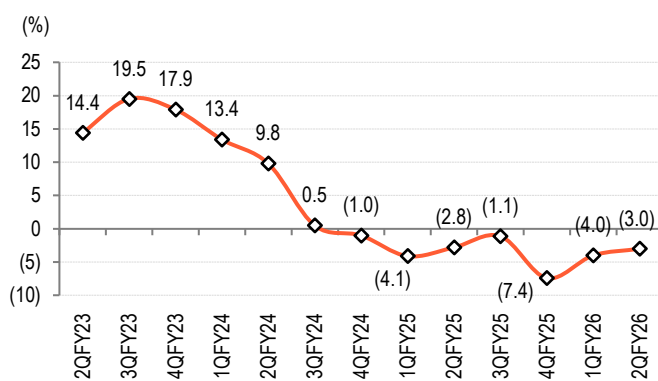
Source: Company, BOBCAPS Research

Fig 16 – Financial Services growth YoY CC

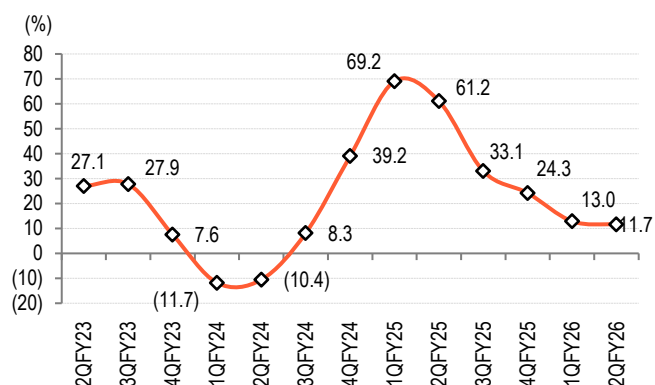
Source: Company, BOBCAPS Research

Fig 17 – Manufacturing YoY CC growth

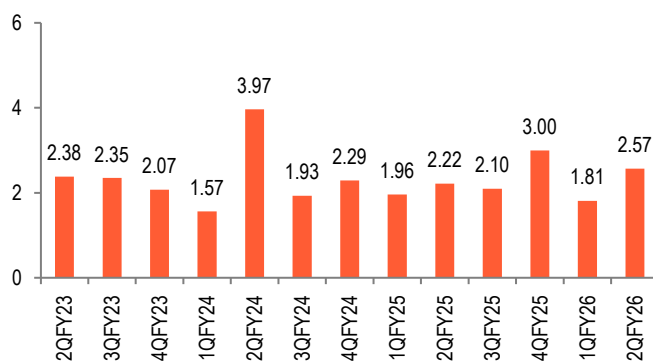
Source: Company, BOBCAPS Research

Fig 18 – Lifesciences and Healthcare YoY CC growth

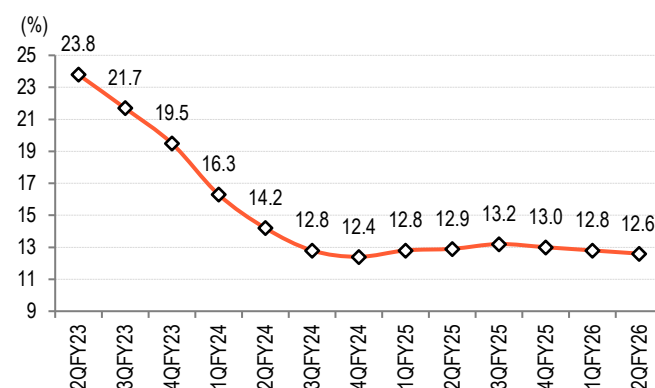
Source: Company, BOBCAPS Research

Fig 19 – Telecommunications, Media YoY CC growth

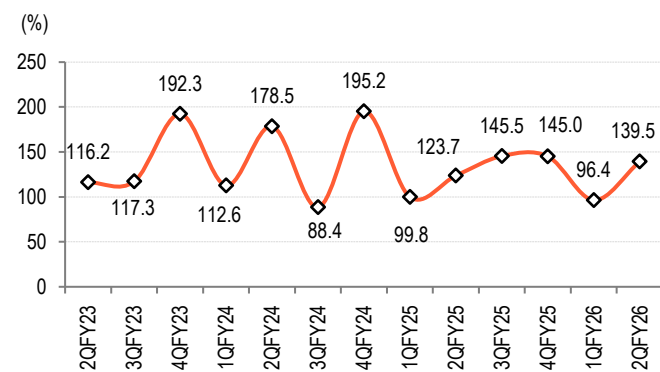
Source: Company, BOBCAPS Research

Fig 20 – Quarterly net new TCV wins (US\$ bn)

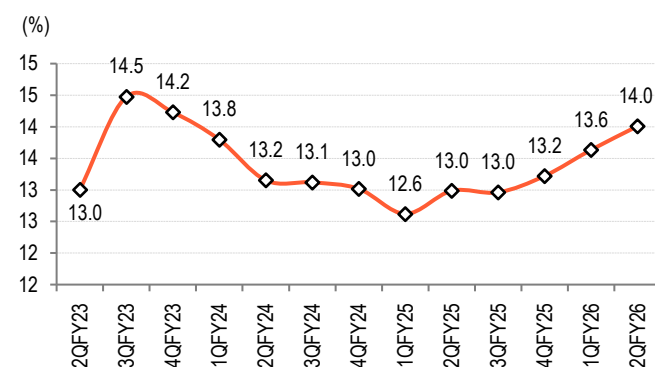
Source: Company, BOBCAPS Research

Fig 21 – Attrition trend

Source: Company, BOBCAPS Research

Fig 22 – OCF/Net income (%)

Source: Company, BOBCAPS Research

Fig 23 – Outsourcing cost as % of sales

Source: Company, BOBCAPS Research

Fig 24 – Quarterly Snapshot

Year to 31 Mar	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
Rsmn													
INR/USD	79.98	82.34	82.30	82.17	82.72	83.28	83.10	83.40	83.79	84.66	86.45	85.62	87.63
USD Revenue (USD mn)	3,082	3,244	3,235	3,200	3,225	3,415	3,430	3,364	3,445	3,533	3,498	3,545	3,644
INR Revenue	246,860	267,000	266,060	262,960	266,720	284,460	284,990	280,570	288,620	298,900	302,460	303,490	319,420
Gross margin	88,380	99,800	97,170	93,600	96,590	104,480	99,720	96,930	100,730	106,280	105,040	102,210	108,980
EBITDA	54,260	63,650	58,630	53,870	59,440	67,580	61,110	57,940	63,690	68,600	64,820	60,350	65,930
EBIT	44,280	52,290	48,360	44,600	49,340	56,150	50,180	47,960	53,620	58,210	54,420	49,420	55,500
Other income	1,570	1,440	3,570	2,360	1,940	2,590	2,510	9,120	3,250	3,110	2,930	2,470	1,520
PBT	45,850	53,730	51,930	46,960	51,280	58,740	52,690	57,080	56,870	61,320	57,350	51,890	57,020
Tax	10,960	12,760	12,120	11,650	12,950	15,230	12,740	14,480	14,500	15,380	14,260	13,450	14,660
One time bonus													
PAT	34,900	40,970	39,830	35,340	38,320	43,500	39,860	42,580	42,350	45,910	43,070	38,430	42,350
EPS	12.9	15.1	14.7	13.0	14.1	16.0	14.7	15.7	15.6	16.9	15.9	14.2	15.6
YoY growth (%)													
USD Revenue	10.4	9.0	8.1	5.8	4.6	5.3	6.0	5.1	6.8	3.5	2.0	5.4	5.8
INR Revenue	19.5	19.6	17.7	12.1	8.0	6.5	7.1	6.7	8.2	5.1	6.1	8.2	10.7
Gross Profit	11.9	17.0	17.0	11.5	9.3	4.7	2.6	3.6	4.3	1.7	5.3	5.4	8.2
EBITDA	12.2	18.0	16.0	8.3	9.5	6.2	4.2	7.6	7.2	1.5	6.1	4.2	3.5
EBIT	13.1	22.8	18.8	11.7	11.4	7.4	3.8	7.5	8.7	3.7	8.4	3.0	3.5
Net Profit	6.9	19.0	10.9	7.6	9.8	6.2	0.1	20.5	10.5	5.5	8.1	-9.7	0.0
QoQ growth (%)													
USD Revenue	1.9	5.3	(0.3)	(1.1)	0.8	5.9	0.4	(1.9)	2.4	2.5	(1.0)	1.34	2.8
INR Revenue	5.2	8.2	(0.4)	(1.2)	1.4	6.7	0.2	(1.6)	2.9	3.6	1.2	0.3	5.2
EBITDA	9.1	17.3	(7.9)	(8.1)	10.3	13.7	(9.6)	(5.2)	9.9	7.7	(5.5)	(6.9)	9.2
EBIT	10.9	18.1	(7.5)	(7.8)	10.6	13.8	(10.6)	(4.4)	11.8	8.6	(6.5)	(9.2)	12.3
Net Profit	6.3	17.4	(2.8)	(11.3)	8.4	13.5	(8.4)	6.8	(0.5)	8.4	(6.2)	(10.8)	10.2
Margins (%)													
Gross Margin	35.8	37.4	36.5	35.6	36.2	36.7	35.0	34.5	34.9	35.6	34.7	33.7	34.1
EBITDA	22.0	23.8	22.0	20.5	22.3	23.8	21.4	20.7	22.1	23.0	21.4	19.9	20.6
EBIT	17.9	19.6	18.2	17.0	18.5	19.7	17.6	17.1	18.6	19.5	18.0	16.3	17.4
PAT	14.1	15.3	15.0	13.4	14.4	15.3	14.0	15.2	14.7	15.4	14.2	12.7	13.3
SGA	13.8	13.5	14.5	15.1	13.9	13.0	13.5	13.9	12.8	12.6	13.3	13.8	13.5

Source: Company, BOBCAPS Research

Fig 25 – Key Metrics

Key Metrics	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
P and L (Rs mn)													
Revenue	246,860	267,000	266,060	262,960	266,720	284,460	284,990	280,570	288,620	298,900	302,460	303,490	319,420
EBITDA	54,260	63,650	58,630	53,870	59,440	67,580	61,110	57,940	63,690	68,600	64,820	60,350	65,930
PAT	34,900	40,970	39,830	35,340	38,320	43,500	39,860	42,580	42,350	45,910	43,070	38,430	42,350
Vertical Mix (%)													
Banking, FS & Insurance (BFSI)	20.6	19.9	21.2	22.6	22.6	21.7	21.6	21.0	20.5	20.3	21.1	21.6	21.7
Hi-tech - Manufacturing	19.2	19.7	19.0	19.9	19.3	20.1	20.4	19.4	19.5	19.1	18.6	18.6	18.3
Telecom	9.2	9.4	8.8	7.6	8.0	9.7	11.5	12.2	12.1	12.3	13.9	13.1	12.7
Retail & CPG	9.2	8.9	9.0	9.1	9.6	9.6	9.1	9.4	9.6	10.6	9.7	9.7	9.6
Life Sciences	16.5	17.1	17.5	17.5	17.5	16.4	16.3	15.9	16.0	15.5	14.7	14.5	14.7
Energy-Utilities-Public Sector	10.2	10.2	10.2	10.0	9.9	9.7	8.8	9.1	9.2	8.9	8.6	8.5	8.9
Technology and Services	15.1	14.8	14.4	13.4	13.1	12.8	12.3	13.0	13.1	13.3	13.4	14.0	14.0
Geographical Mix (%)													
Americas	64.8	63.5	63.8	64.5	64.5	64.5	65.2	66.0	65.1	64.5			
USA											57.4	56.5	56.2
Europe	27.5	29.1	28.9	28.7	28.5	29.0	28.9	27.9	28.4	29.2	27.5	28.3	28.3
India											3.1	3.3	3.2
RoW	7.7	7.4	7.3	6.8	7.0	6.4	5.9	6.1	6.5	6.3	12.0	11.9	12.4
Employees	219,325	222,270	225,944	223,438	221,139	224,756	227,481	219,401	218,621	220,755	223,420	223,151	226,640
Net new addition	8,359	2,945	3,674	(2,506)	(2,299)	3,617	2,725	(8,080)	(780)	2,134	2,665	(269)	3,489
Attrition (%)	23.8	21.7	19.5	16.3	14.2	12.8	12.4	12.8	12.9	13.2	13.0	12.8	12.6
Segmental revenue mix													
IT and Business Services	73.7	71.6	73.7	74.7	74.6	71.7	74.4	74.5	74.6	73	73.3	74	74.2
Engineering and R&D Services	17	16.6	16.1	15.4	16	16.4	16.1	15.9	15.8	16	17.1	17	17
Products & Platforms	9.8	12.3	10.6	10.4	9.9	12.3	10	9.9	9.9	11.3	9.9	9.3	9.1
Inter Segment	(0.5)	(0.5)	(0.4)	(0.5)	(0.5)	(0.4)	(0.5)	(0.3)	(0.3)	(0.3)	(0.4)	(0.3)	(0.3)
Productivity Metrics													
(USD mn)													
Revenue	3,082	3,244	3,235	3,200	3,225	3,415	3,430	3,364	3,445	3,533	3,498	3,545	3,644
EBIT	553	635	584	543	597	675	603	575	640	689	627	578	637
PAT	436	496	481	430	463	523	481	496	506	544	496	450	486

Source: Company, BOBCAPS Research

Fig 26 – QoQ and YoY growth of various parameters

	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
QoQ Growth (%)													
Geography Wise													
Americas	2.8	3.1	0.2	0.0	0.8	5.9	1.5	(0.7)	1.0	1.6			
USA											NA	(0.3)	2.2
Europe	0.8	11.4	(1.0)	(1.8)	0.1	7.8	0.1	(5.3)	4.3	5.4	(6.7)	4.3	2.8
India												7.9	(0.3)
RoW	(1.9)	1.2	(1.6)	(7.8)	3.7	(3.2)	(7.4)	1.4	9.1	(0.6)	88.6	0.5	7.1
Total	1.9	5.3	(0.3)	(1.1)	0.8	5.8	0.5	(1.9)	2.4	2.5	(1.0)	1.3	2.9
Non-US	0.2	9.1	(1.1)	(3.0)	0.8	5.6	(1.3)	(4.2)	5.1	4.3	18.8	3.5	3.7
Vertical Wise													
Banking, FS & Insurance (BFSI)	(0.5)	1.7	6.2	5.5	0.8	1.7	(0.0)	(4.7)	(0.0)	1.5	2.9	3.7	3.3
Hi-tech - Manufacturing	6.9	8.0	(3.8)	3.6	(2.3)	10.3	1.9	(6.7)	2.9	0.4	(3.6)	1.3	1.1
Telecom	1.9	7.5	(6.7)	(14.6)	6.1	28.4	19.1	4.0	1.6	4.2	11.9	(4.5)	(0.3)
Retail	(0.3)	1.8	0.8	0.0	6.3	5.9	(4.8)	1.3	4.6	13.2	(9.4)	1.3	1.7
Life Sciences	2.5	9.1	2.0	(1.1)	0.8	(0.8)	(0.2)	(4.3)	3.1	(0.7)	(6.1)	(0.0)	4.2
Energy-Utilities-Public Sector	1.9	5.3	(0.3)	(3.0)	(0.2)	3.8	(8.9)	1.4	3.5	(0.8)	(4.3)	0.2	7.6
Technology & Services	(0.1)	3.2	(3.0)	(7.9)	(1.5)	3.5	(3.5)	3.7	3.2	4.1	(0.2)	5.9	2.8
Client Concentration													
Top 5 clients	(2.7)	1.3	(2.2)	(4.0)	0.8	5.9	0.4	14.1	8.7	6.8	(0.2)	0.5	1.2
Top 10 clients	(1.3)	1.9	(3.0)	(3.9)	0.8	9.0	0.4	8.6	5.0	3.6	(1.5)	1.3	1.3
Top 20 clients	0.8	3.8	(1.7)	(3.2)	1.1	8.6	0.4	5.4	4.8	2.9	(2.6)	(0.3)	1.4
Segment wise													
IT and Business Services	3.2	2.3	2.6	0.3	0.6	1.8	4.2	(1.8)	2.6	0.3	(0.6)	2.3	3.1
Engineering and R&D Services	4.3	2.8	(3.3)	(5.4)	4.7	8.5	(1.4)	(3.1)	1.8	3.8	5.8	0.7	2.8
Products & Platforms	(9.2)	32.1	(14.1)	(2.9)	(4.1)	31.6	(18.3)	(2.9)	2.4	17.0	(13.2)	(4.8)	0.6
YoY Growth (%)													
Geography Wise													
Americas	14.0	9.8	9.8	6.3	4.1	6.9	8.4	7.6	7.8	3.5			
Europe	7.3	12.0	10.4	9.2	8.4	4.9	6.0	2.2	6.5	4.2	(2.9)	6.9	5.4
India												NA	NA
RoW	(4.4)	(7.3)	(11.4)	(10.1)	(4.9)	(9.0)	(14.3)	(5.7)	(0.8)	1.8	107.4	105.6	101.8
Total	10.4	9.0	8.1	5.8	4.6	5.2	6.0	5.1	6.8	3.6	2.0	5.4	5.9
Non-US	4.5	7.5	5.2	4.9	5.5	2.1	1.9	0.7	5.0	3.7	24.9	34.8	33.0
Vertical Wise													
Banking, FS & Insurance (BFSI)	6.8	2.8	9.6	13.3	14.8	14.8	8.0	(2.3)	(3.1)	(3.2)	(0.4)	8.4	12.0
Hi-tech - Manufacturing	18.5	22.6	14.1	15.0	5.2	7.4	13.9	2.5	7.9	(1.7)	(7.0)	1.0	(0.7)
Telecom	28.6	26.4	10.6	(12.6)	(9.0)	8.6	38.6	68.7	61.6	31.2	23.3	13.2	11.0
Retail	3.7	(4.0)	3.5	2.4	9.2	13.6	7.2	8.6	6.8	14.2	8.7	8.8	5.8
Life Sciences	19.1	29.4	26.9	12.9	11.0	1.0	(1.2)	(4.5)	(2.3)	(2.2)	(8.0)	(3.9)	(2.8)
Energy-Utilities-Public Sector	6.3	6.9	3.0	3.7	1.5	0.1	(8.5)	(4.3)	(0.7)	(5.1)	(0.3)	(1.6)	2.3
Technology & Services	(3.0)	(12.4)	(11.1)	(8.0)	(9.2)	(9.0)	(9.4)	2.0	6.8	7.5	11.1	13.5	13.0
Client Concentration													
Top 5 clients	(7.0)	(8.0)	(5.9)	(7.4)	(4.2)	0.2	2.9	22.3	31.9	33.0	32.2	16.5	8.4
Top 10 clients	0.3	(2.3)	(3.4)	(6.2)	(4.3)	2.4	6.0	19.8	24.9	18.6	16.4	8.6	4.7
Top 20 clients	5.6	4.5	3.2	(0.4)	(0.1)	4.5	6.8	16.3	20.5	14.2	10.7	4.7	1.3
Segment wise													
IT and Business Services	12.1	10.5	8.5	8.5	5.9	5.4	7.0	4.8	6.8	5.3	0.5	4.7	5.2
Engineering and R&D Services	19.6	13.8	6.3	(1.9)	(1.5)	4.0	6.0	8.5	5.5	0.9	8.3	12.7	13.8
Products & Platforms	(11.0)	(4.1)	6.4	0.0	5.7	5.3	0.0	0.1	6.8	(5.0)	1.0	(1.0)	(2.8)

Source: Company, BOBCAPS Research

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Total revenue	1,099,130	1,170,550	1,275,133	1,369,841	1,497,888
EBITDA	242,000	255,050	264,583	295,978	317,745
Depreciation	41,730	40,840	42,335	42,312	42,796
EBIT	200,270	214,210	222,247	253,665	274,949
Net interest inc./(exp.)	0	0	0	0	0
Other inc./(exp.)	9,400	18,410	9,788	12,361	12,848
Exceptional items	0	0	0	0	0
EBT	209,670	232,620	232,036	266,026	287,797
Income taxes	52,570	58,620	58,891	66,506	71,949
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	80	90	40	40	40
Reported net profit	157,020	173,910	173,104	199,479	215,808
Adjustments	0	0	0	0	0
Adjusted net profit	157,020	173,910	173,104	199,479	215,808

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	0	0	0	0	0
Other current liabilities	215,320	244,710	260,322	287,364	310,963
Provisions	0	0	0	0	0
Debt funds	23,270	22,910	23,590	23,590	23,590
Other liabilities	76,550	91,270	102,070	108,057	113,283
Equity capital	5,430	5,430	5,430	5,430	5,430
Reserves & surplus	677,200	691,120	709,970	736,039	767,599
Shareholders' fund	682,630	696,550	715,400	741,469	773,029
Total liab. and equities	997,770	1,055,440	1,101,381	1,160,481	1,220,864
Cash and cash eq.	94,560	82,450	101,079	113,782	133,183
Accounts receivables	194,830	195,230	205,467	226,811	245,438
Inventories	0	0	0	0	0
Other current assets	303,920	343,410	367,431	383,034	396,651
Investments	3,810	12,970	4,510	4,510	4,510
Net fixed assets	322,610	332,150	337,287	341,167	345,046
CWIP	0	0	0	0	0
Intangible assets	0	0	0	0	0
Deferred tax assets, net	0	0	0	0	0
Other assets	78,040	89,230	85,606	91,177	96,038
Total assets	997,770	1,055,440	1,101,381	1,160,481	1,220,864

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operations	205,170	233,950	199,133	231,927	250,000
Capital expenditures	(41,120)	(50,380)	(47,472)	(46,192)	(46,675)
Change in investments	(47,780)	(38,770)	6,160	0	0
Other investing cash flows	0	0	0	0	0
Cash flow from investing	(88,900)	(89,150)	(41,312)	(46,192)	(46,675)
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	9,700	5,200	5,040	0	0
Interest expenses	0	0	0	0	0
Dividends paid	(140,714)	(162,528)	(154,443)	(173,410)	(184,248)
Other financing cash flows	0	0	0	0	0
Cash flow from financing	(131,014)	(157,328)	(149,403)	(173,410)	(184,248)
Chg in cash & cash eq.	3,910	(12,021)	18,417	12,325	19,077
Closing cash & cash eq.	94,560	82,539	100,867	113,405	132,859

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	58.0	64.2	63.9	73.6	79.6
Adjusted EPS	57.9	64.1	63.8	73.5	79.5
Dividend per share	52.0	60.0	57.0	64.0	68.0
Book value per share	251.2	256.5	263.7	273.3	284.9

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	3.7	3.5	3.2	3.0	2.8
EV/EBITDA	17.0	16.1	15.6	14.0	13.1
Adjusted P/E	25.8	23.3	23.4	20.3	18.8
P/BV	5.9	5.8	5.7	5.5	5.2

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	74.9	74.8	74.6	75.0	75.0
Interest burden (PBT/EBIT)	104.7	108.6	104.4	104.9	104.7
EBIT margin (EBIT/Revenue)	18.2	18.3	17.4	18.5	18.4
Asset turnover (Rev./Avg TA)	113.8	114.0	118.2	121.1	125.8
Leverage (Avg TA/Avg Equity)	1.4	1.5	1.5	1.6	1.6
Adjusted ROAE	23.5	25.2	24.5	27.4	28.5

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	8.3	6.5	8.9	7.4	9.3
EBITDA	6.9	5.4	3.7	11.9	7.4
Adjusted EPS	5.5	10.8	(0.4)	15.2	8.2
Profitability & Return ratios (%)					
EBITDA margin	22.0	21.8	20.7	21.6	21.2
EBIT margin	18.2	18.3	17.4	18.5	18.4
Adjusted profit margin	14.3	14.9	13.6	14.6	14.4
Adjusted ROAE	23.5	25.2	24.5	27.4	28.5
ROCE	19.8	20.1	20.1	22.2	23.1
Working capital days (days)					
Receivables	65	61	59	60	60
Inventory	NA	NA	NA	NA	NA
Payables	NA	NA	NA	NA	NA
Ratios (x)					
Gross asset turnover	3.4	3.5	3.8	4.0	4.3
Current ratio	2.9	2.7	2.7	2.6	2.6
Net interest coverage ratio	NA	NA	NA	NA	NA
Adjusted debt/equity	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)

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

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

BUY – Expected return >+15%

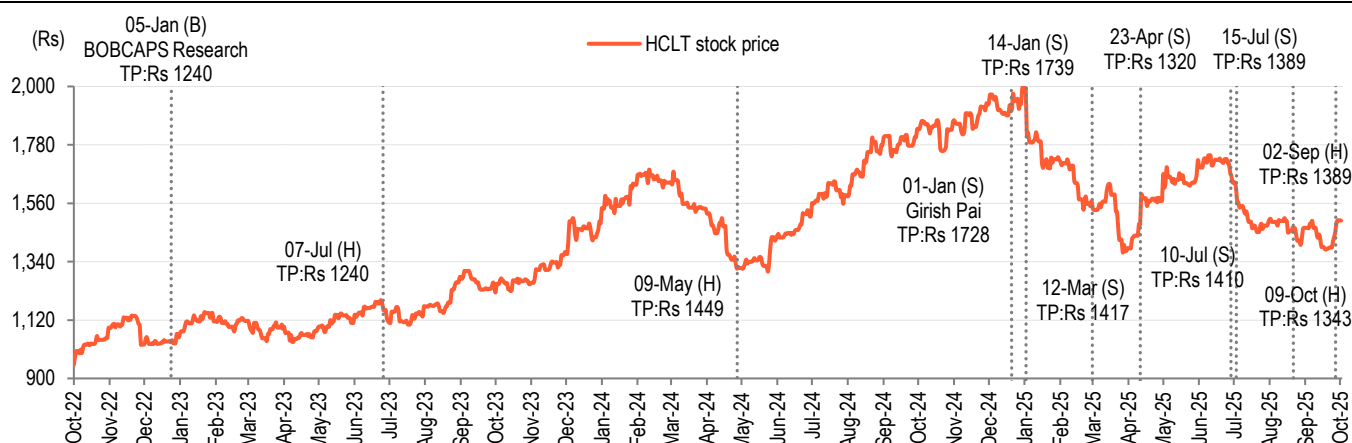
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

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