

**HOLD**

TP: Rs 1,629 | ▼ 2%

**HCL TECHNOLOGIES**

| IT Services

| 13 January 2026

## Solid beat on revenue

- **Much better-than-expected services and software QoQ performance.**  
Raises guidance for services part and for the company for FY26
- **While US\$3bn TCV is good, it needs to sustain and increase that for it grow at higher than peers on the US\$15bn revenue run rate**
- **Increase revenue estimates for FY27/FY28 a bit. Raise target PE multiple and bring it at par with that of TCS. Maintain Hold**

**Revenue beat driven by both parts of the business:** A 28% QoQ increase in Software revenue (our estimate of high teens growth) and a 1.8% increase in services revenue (primarily due to ERDS) drove 4.2% QoQ CC growth, beating our estimate of 2.5%. These are all like to like numbers comparable with 2QFY26. We thought services business growth would be around 1% QoQ. Despite the better revenue mix, the EBIT margin fell short of our estimate of 19% and came in at 18.6%. Believe part of the revenue surprise on the software side has come from a higher license revenue in the mix (this tends to be lumpy) compared the general move towards higher subscription.

**TCV of US\$3bn is good but needs to sustain or improve on this to grow at a rate faster than Tier-1 peers:** While the US\$3bn TCV (all net new) is among the best in recent years, it needs to sustain or improve on this to grow its US\$15bn revenue at faster than its immediate peer set. Aiming for US\$2.5bn in the upcoming quarters may not be enough.

**Difficult to compare AI numbers across companies:** We believe there is no apple-to-apple comparison on AI revenue across companies. The definition of Advanced AI is different across companies. In the case of HCLT it is agentic AI, Physical AI, and AI Factory programs.

**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. During 2QFY26 it 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, EPS and Target PE multiple and retain HOLD rating:** The 3QFY26 revenue beat leads us to raise our estimates. We raise target PE multiple of 21.7x (the number accorded to TCS, our industry benchmark, compared to the 5% discount that we used to give it earlier).

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## Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	HCLT IN/Rs 1,668
Market cap	US\$ 50.0bn
Free float	39%
3M ADV	US\$ 42.1mn
52wk high/low	Rs 2,012/Rs 1,303
Promoter/FPI/DII	61%/17%/18%

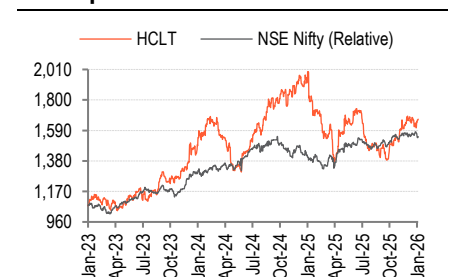
Source: NSE | Price as of 12 Jan 2026

## Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	1,170,550	1,299,207	1,407,533
EBITDA (Rs mn)	255,050	271,161	294,721
Adj. net profit (Rs mn)	173,910	169,072	194,062
Adj. EPS (Rs)	64.1	62.4	71.7
Consensus EPS (Rs)	64.1	64.3	72.3
Adj. ROAE (%)	25.2	23.7	26.3
Adj. P/E (x)	26.0	26.7	23.3
EV/EBITDA (x)	18.0	16.9	15.6
Adj. EPS growth (%)	10.8	(2.7)	14.9

Source: Company, Bloomberg, BOBCAPS Research

## Stock performance



Source: NSE



## Key Points from the quarter and the earnings call

- Revenue stood at US \$3,793mn, up 4.2% QoQ (beating our estimate of 2.5%) & up 4.8% YoY in CC terms
  - Services revenue stood at US\$3,379 mn up 1.8% QoQ & up 5.0% YoY in CC terms; Digital Revenue up 17.7% YoY in CC terms; contributes 43.2% of Services
  - Software Revenue stood at \$425 mn, up 28.1% QoQ and 3.1% YoY in CC terms
  - Advanced AI Revenue at \$146M, up 19.9% QoQ CC led by agentic AI, Physical AI, and AI Factory programs. AI propositions continue to drive overall business growth, with AI embedded across every major engagement including service transformation, advanced AI, and classical AI
- In CC terms: IT and Business Services grew 1.5% QoQ and 3.8% YoY; Engineering and R&D Services segment grew 3.1% QoQ and 10.8% YoY
- In YoY CC terms: USA revenue grew 1.5%, Europe 4.6%, India 15.8%, Rest of World 22.1%
- EBIT Margin (including restructuring costs but excluding one-time new labor code impact) stood at 18.6%, against our estimate of 19%.
  - Company margins increased 111 bps QoQ from 17.5% to 18.6%
  - Software segment margin improvement contributed 118 bps
  - Services margin stood at 16.4%; decreased 7 bps QoQ due to wage hike impact of 80 bps, furlough seasonality 45 bps, and restructuring expenses negative 26 bps, partially offset by Project Ascend utilization gain of 104 bps and ForEx gain from INR depreciation of 40 bps
- Vertical Revenue Growth (YoY CC):
  - Financial Services: 8.1%; Manufacturing: 1.8%; Lifesciences & Healthcare: -1.4%; Technology and Services: 14.4%; Telecommunications, Media, Publishing & Entertainment: 7.1%; Retail & CPG: -2.0%; Public Services: 8.0%
- Net new bookings were \$3 bn, up 17% QoQ and 43% YoY
  - Bookings were driven by applications and engineering and R&D services, which together accounted for 62% of total bookings
- Headcount at 226,379, down 0.1% QoQ; LTM Attrition at 12.4%
- Guidance:
  - Raised full-year services revenue growth guidance to 4.75%-5.25% in CC; company-level revenue guidance 4%-4.5% in CC. Guidance increase was driven by strong execution in 3Q and deal wins over the last few quarters

- Full-year EBIT margin guidance remains 17%-18%, inclusive of restructuring cost, excluding one-time new labor code impact
- Guidance excludes contribution from three recently announced acquisitions: Telco Solutions Business from HPE, Jaspersoft, and Wobby
- Full-year restructuring cost impact remains guided at 50 bps on margins. Similar restructuring cost impact is expected to continue into 4Q
- Restructuring exercise is targeted to be completed by 4Q, with intention to start the next FY with a clean state
- Client conversations on AI have evolved YoY from point solutions and value proof-of-concepts to holistic discussions on enterprise-wide transformation
- Strongest client traction and outcomes are currently observed in accelerating software development and data lifecycle management using GenAI
- Enterprise-wide AI adoption for broader business processes remains muted due to the scale of required process transformation. Overall enterprise AI-driven revenue and spend remain relatively small at this stage
- Investments in SG&A will continue, particularly focused on AI solutions and GTM
- Retail performance was driven by execution of wins secured in previous quarters across a few large clients. Mega deal in the retail vertical did not contribute to 3Q revenues. It is expected to start ramping up in 4Q
- Entire installed base of private data centers is expected to undergo a technology refresh over the next five years. Significant opportunity for the infrastructure business. Meaningful traction in private data center refresh has not yet begun but is expected to be good growth driver
- Sequential decline in ER&D margins was driven primarily by restructuring costs
  - After excluding restructuring costs, ER&D margins were 17.6% compared to 18% in the comparable period last year
  - Wage hikes had a negative margin impact of around 90 bps in ER&D during the quarter. Furloughs also resulted in a negative margin impact of around 30–40 bps
- Manufacturing vertical comprises three major components: mobility (auto and travel transportation), traditional industrial manufacturing, and aerospace and defense
  - Aerospace and defense segment is witnessing good traction and has contributed to growth in the manufacturing vertical; Mobility segment is showing signs of stability, particularly within engineering services
  - It is considered too early to conclude whether the mobility segment has entered a phase of secular growth
  - Traditional industrial manufacturing segment continues to remain muted
  - Tariff-related uncertainty continues to persist across manufacturing clients

- US\$2.5 bn in net new bookings per quarter could be considered normal in the near term
- There is strong demand for legacy modernization using AI across enterprises. Clients typically adopt it in one segment first and then scale based on success. Over the next 2–3 years, AI-driven legacy modernization is expected to become a very significant opportunity across most verticals, particularly in financial services, telecom, and healthcare
- The slight increase in perpetual license revenue this quarter was largely seasonal and opportunistic, driven by one client's preference for a perpetual, sovereign solution. This was also the reason why this segment's revenue surprised on the upside. Overall, HCL Tech continues its strategy of minimizing perpetual licenses and shifting customers toward term and subscription models.
- Actian is now among HCL Tech's top three products by revenue
- Interim dividend declared at INR20 per share.

## 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 our view with an update on 12<sup>th</sup> March 2025 (**FY26 unlikely to be better than FY25**). We also put out updates (**Uncertainty stays and 'eating the tariff' may impact even FY27**) and (**A fourth slow year?**) elaborating on continued cautious stance on the sector.

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 drive our Underweight stance

**Trump policies raise uncertainty:** Tariffs, the higher fiscal deficit from the 'one big, beautiful bill' (OBBA), 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 that may delay the decision making.

While Tariffs drove uncertainty in 2025, Trump's multiple proposals to address affordability crisis in the US ahead of the mid-terms in November 2026 will be the key monitorable in 2026 (eg: freezing credit card interest rate at 10%, controlling prices of products and services, cash payments to citizens, buying of US\$200bn MBSs, etc). There will be winners/ losers due to this in USA Inc and that could reflect in IT spending outcomes.

**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.

The Covid-induced pull forward of demand requires a multi-year unwind. We think there were excesses during the compressed transformation phase that 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 vs 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 as also using TCS as our industry benchmark. Target PE used for TCS now is 21.7x, which is the average PE multiple of TCS over the last 10 years less 0.5SD. This has been raised from 19x (which is the average PE multiple of TCS over the last 10 years less 1SD). We have been giving subjective premium/discount to the benchmark Target PE to arrive at Target PE multiples for the rest of our coverage.

**The reason for raising our Target PE multiple:** With Nifty IT underperforming by ~23ppt versus the Nifty in 2025 we believe much of the downside is factored in. With a modest uptick in growth rates in FY27 we believe the stocks will trade a bit higher.

Our target PE multiples are lower than those used by consensus/competitors. 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 as well as their smaller size. And, unlike in the past cycles, they have performed better than the Tier-1 set, largely due to better management teams.

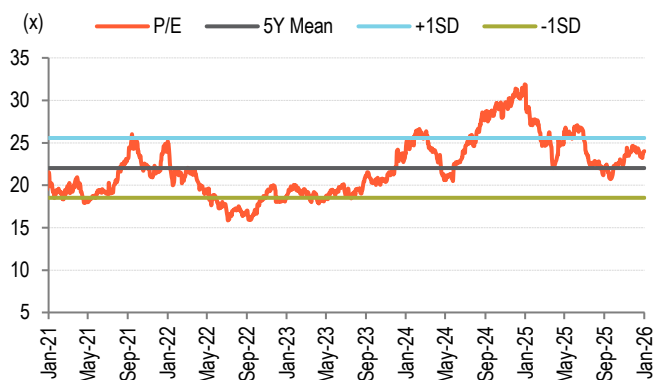
However, current PE premium to Tier-1s is excessive for certain stocks, as we believe that to deliver on the high consensus revenue growth expectations, they may be taking on more cost take-out projects that are likely to impact margins adversely.

Also, some of the Tier-2s have been underperforming on the growth front as they are discretionary project-oriented businesses which are struggling to pivot to a cost-take out driven demand environment.

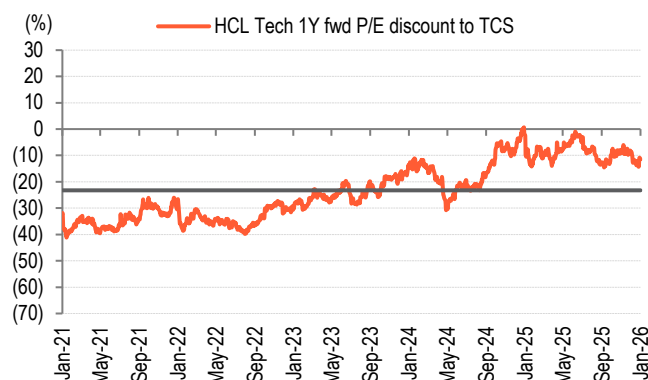
**Fig 1 – Quarterly Results: comparison of actuals with estimates**

Y/E March (Rs bn)	3QFY25	2QFY26	3QFY26	YoY (%)	QoQ (%)	3QFY26E	Dev(%)
<b>Net Sales (USD mn)</b>	<b>3,533</b>	<b>3,644</b>	<b>3,793</b>	<b>7.4</b>	<b>4.1</b>	<b>3,716</b>	<b>2.1</b>
Net Sales	299	319	339	13.3	6.0	331	2.3
Employee Costs	193	210	221	14.7	5.0	211	4.5
Gross margin % of Sales	35.6	34.1	34.7			36.1	
SG&A	38	43	44	15.7	1.2	46	(5.7)
% of Sales	12.6	13.5	12.9			14.0	
Depreciation and Amortisation	10	10	11	8.5	8.1	10	7.6
% of Sales	3.5	3.3	3.3			3.2	
<b>EBIT</b>	<b>58.2</b>	<b>55.5</b>	<b>62.9</b>	<b>8.0</b>	<b>13.2</b>	<b>63.0</b>	<b>(0.2)</b>
<b>EBIT Margin (%)</b>	<b>19.5</b>	<b>17.4</b>	<b>18.6</b>			<b>19.0</b>	
Other Income, Net	3	2	(7)	(333.9)	(446.8)	3	(347.1)
Forex Gain/(Loss)	0	(1)	(1)			(0)	
PBT	61	57	55	(10.2)	(3.4)	66	(16.2)
Provision for Tax	15	15	14	(7.2)	(2.7)	16	(13.2)
Effective Tax Rate	25.1	25.7	25.9			25.0	
PAT (Reported)	45.9	42.4	40.8	(11.2)	(3.8)	49.3	(17.3)
NPM (%)	15.4	13.3	12.0			14.9	
<b>Adjusted PAT</b>	<b>45.9</b>	<b>42.4</b>	<b>47.8</b>	<b>4.2</b>	<b>13.0</b>	<b>49.3</b>	<b>(2.9)</b>
<b>NPM (%)</b>	<b>15.4</b>	<b>13.3</b>	<b>14.1</b>			<b>14.9</b>	

Source: Company, BOBCAPS Research; Note: Other Income, net in 3QFY26 includes One-time impact of New Labour Codes

**Fig 2 – 5 Year PE trend**

Source: Company, BOBCAPS Research

**Fig 3 – Premium/ Discount to TCS**

Source: Company, BOBCAPS Research

**Fig 4 – Revised Estimates**

HCL TECH	New			Old			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
<b>Change in estimates</b>									
INR/USD	87.9	89.4	91.1	87.8	89.4	91.1	0.1	-	-
USD Revenue (USD mn)	14,775	15,748	16,653	14,603	15,422	16,531	1.2	2.1	0.7
USD Revenue Growth (%)	6.8	6.6	5.7	5.5	5.6	7.2			
Revenue (Rsbn)	1,299	1,408	1,516	1,283	1,379	1,505	1.3	2.1	0.7
EBIT (Rsbn)	227	249	266	228	247	265	(0.5)	0.9	0.3
EBIT Margin (%)	17.5	17.7	17.5	17.8	17.9	17.6			
PAT (Rsbn)	169	194	206	178	195	208	(4.9)	(0.3)	(0.9)
FDEPS (Rs)	62.4	71.7	76.2	65.5	71.7	76.8	(4.8)	(0.1)	(0.7)

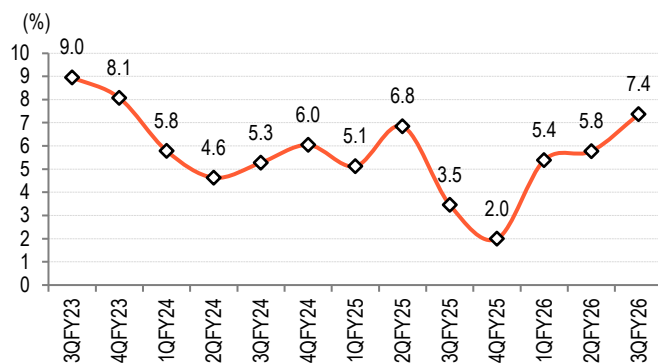
Source: BOBCAPS Research

**Fig 5 – P&L at a glance**

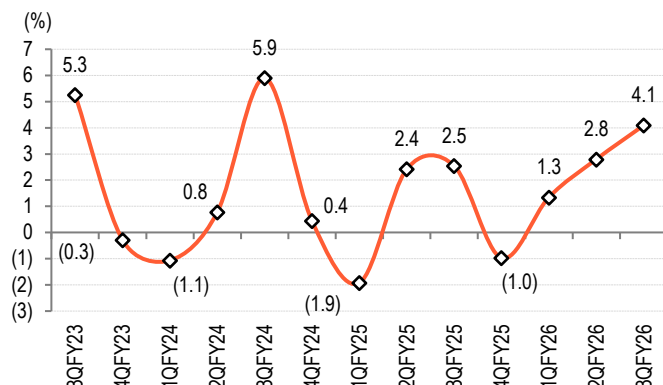
YE March	FY13	FY14	FY15	FY16*	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Average INR/USD	54.9	61.5	62.4	66.3	67.0	64.5	69.9	72.2	74.2	74.6	80.6	82.8	84.6	87.9	89.4	91.1
<b>Net Sales (USD mn)</b>	<b>4,686</b>	<b>5,360</b>	<b>5,952</b>	<b>4,698</b>	<b>6,975</b>	<b>7,838</b>	<b>8,633</b>	<b>9,936</b>	<b>10,175</b>	<b>11,481</b>	<b>12,586</b>	<b>13,270</b>	<b>13,840</b>	<b>14,775</b>	<b>15,748</b>	<b>16,653</b>
<b>YoY Growth (%)</b>		<b>14.4</b>	<b>11.1</b>	<b>(21.1)</b>	<b>48.5</b>	<b>12.4</b>	<b>10.1</b>	<b>15.1</b>	<b>2.4</b>	<b>12.8</b>	<b>9.6</b>	<b>5.4</b>	<b>4.3</b>	<b>6.8</b>	<b>6.6</b>	<b>5.7</b>
INR Net Sales (Rs bn)	258	329	371	311	467	506	604	707	754	857	1,015	1,099	1,171	1,299	1,408	1,516
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	11.0	8.3	7.7
Cost of Sales & Services	165	202	238	204	309	332	393	443	440	528	645	705	762	856	938	1,020
Gross Margin	93	127	133	108	158	173	212	264	314	329	369	394	409	443	469	497
% 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	34.1	33.3	32.7
SG&A	35	40	46	40	55	59	72	97	106	124	143	152	154	172	174	185
% 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	13.2	12.4	12.2
EBITDA	58	87	87	68	103	114	140	167	208	205	226	242	255	271	295	311
% 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	20.9	20.9	20.5
Depreciation and Amortization	7	7	5	4	8	15	21	28	46	43	41	42	41	44	45	46
% 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	3.4	3.2	3.0
<b>EBIT</b>	<b>51</b>	<b>79</b>	<b>83</b>	<b>64</b>	<b>95</b>	<b>100</b>	<b>118</b>	<b>139</b>	<b>162</b>	<b>162</b>	<b>185</b>	<b>200</b>	<b>214</b>	<b>227</b>	<b>249</b>	<b>266</b>
<b>% of sales</b>	<b>19.9</b>	<b>24.1</b>	<b>22.3</b>	<b>20.5</b>	<b>20.3</b>	<b>19.8</b>	<b>19.6</b>	<b>19.6</b>	<b>21.4</b>	<b>18.9</b>	<b>18.2</b>	<b>18.2</b>	<b>18.3</b>	<b>17.5</b>	<b>17.7</b>	<b>17.5</b>
Other income (net) (incl forex gain/loss)	2	(0)	9	8	9	11	8	2	4	7	10	9	18	1	13	13
PBT	53	79	92	72	104	111	126	140	166	170	195	210	233	228	262	279
Provision for tax	12	15	19	15	20	23	25	29	36	34	46	53	59	59	68	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	25.9	25.9	25.9
Minority Interest	(2)	3	1	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Net profit</b>	<b>41</b>	<b>64</b>	<b>73</b>	<b>57</b>	<b>84</b>	<b>88</b>	<b>101</b>	<b>111</b>	<b>129</b>	<b>135</b>	<b>149</b>	<b>157</b>	<b>174</b>	<b>169</b>	<b>194</b>	<b>206</b>
<b>-Growth (%)</b>	<b>60.7</b>	<b>56.9</b>	<b>13.9</b>	<b>(21.9)</b>	<b>49.0</b>	<b>4.0</b>	<b>15.3</b>	<b>9.3</b>	<b>17.0</b>	<b>4.3</b>	<b>10.0</b>	<b>5.7</b>	<b>10.8</b>	<b>(2.8)</b>	<b>14.8</b>	<b>6.3</b>
<b>-Net profit margin (%)</b>	<b>15.8</b>	<b>19.4</b>	<b>19.6</b>	<b>18.2</b>	<b>18.1</b>	<b>17.4</b>	<b>16.8</b>	<b>15.7</b>	<b>17.2</b>	<b>15.8</b>	<b>14.6</b>	<b>14.3</b>	<b>14.9</b>	<b>13.0</b>	<b>13.8</b>	<b>13.6</b>

Source: Company, BOBCAPS Research

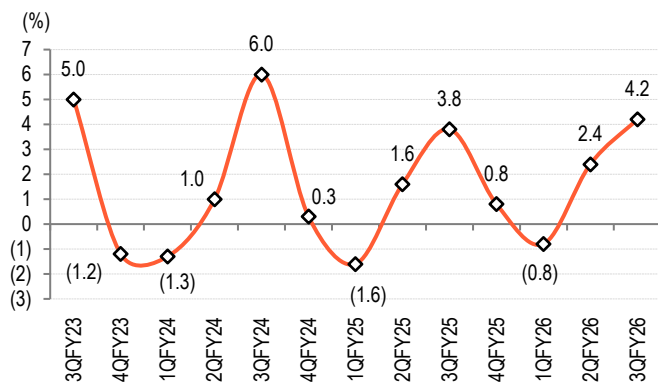


**Fig 6 – YoY US\$ revenue growth**

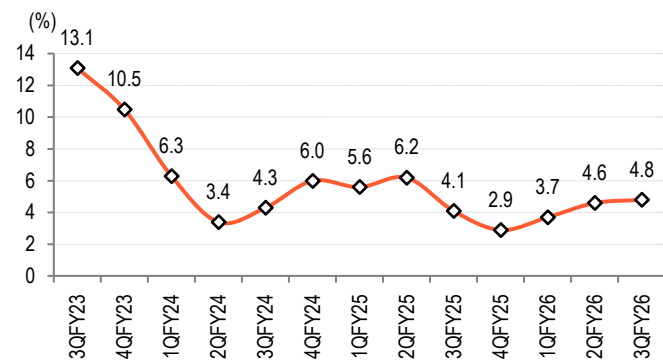
Source: Company, BOBCAPS Research

**Fig 7 – QoQ US\$ revenue growth**

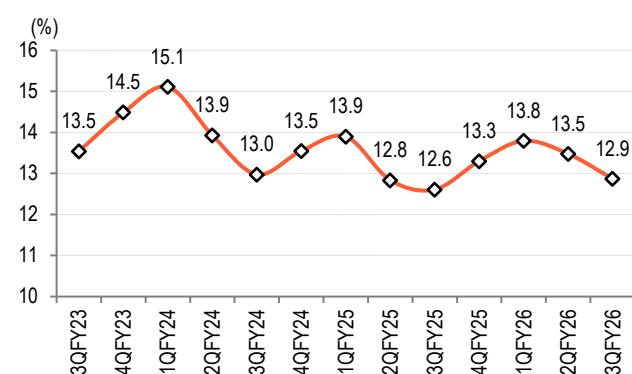
Source: Company, BOBCAPS Research

**Fig 8 – QoQ CC revenue growth**

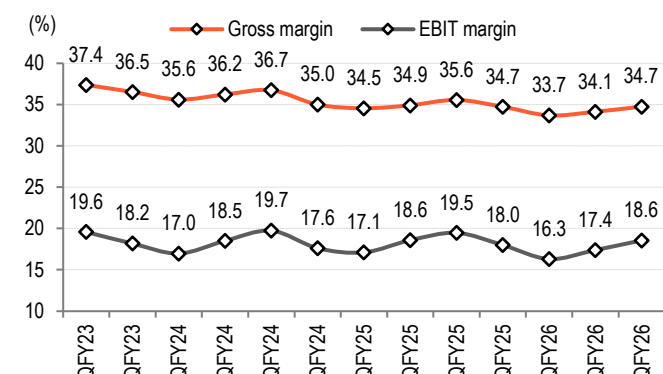
Source: Company, BOBCAPS Research

**Fig 9 – YoY CC Revenue growth**

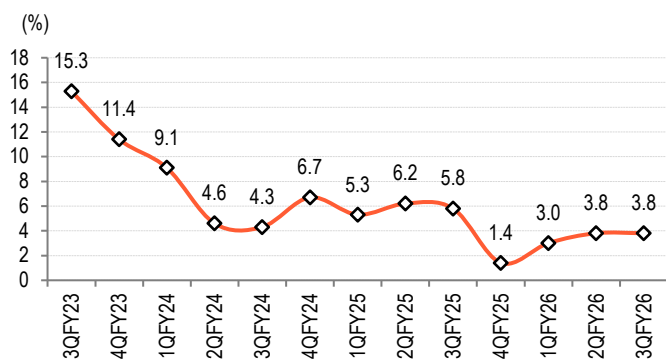
Source: Company, BOBCAPS Research

**Fig 10 – SG&A as % of sales**

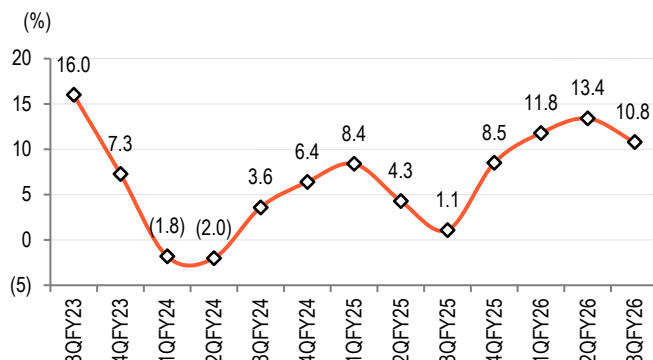
Source: Company, BOBCAPS Research

**Fig 11 – Gross margin and EBIT margin**

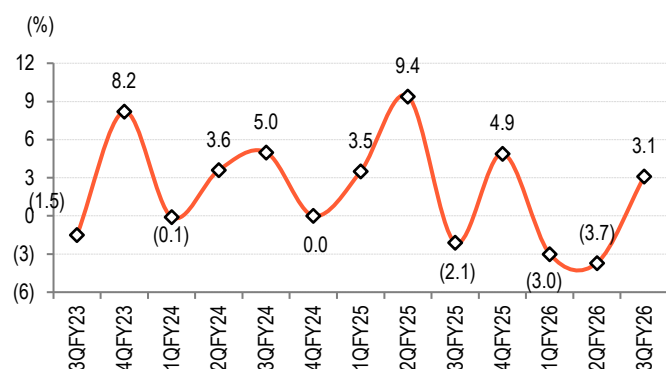
Source: Company, BOBCAPS Research

**Fig 12 – IT and Business Services growth YoY CC**

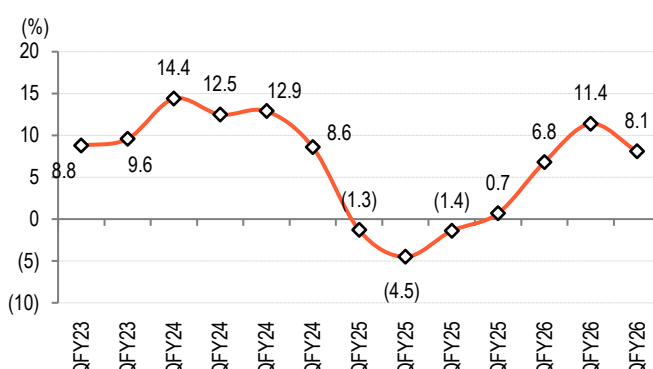
Source: Company, BOBCAPS Research

**Fig 13 – Engineering and R&D Services YoY CC Growth**

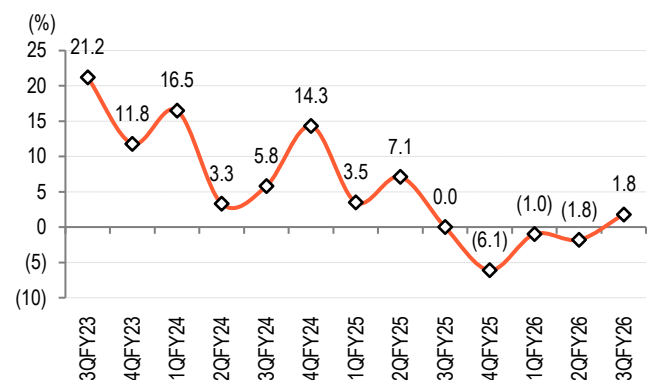
Source: Company, BOBCAPS Research

**Fig 14 – Products and Platforms growth YoY CC**

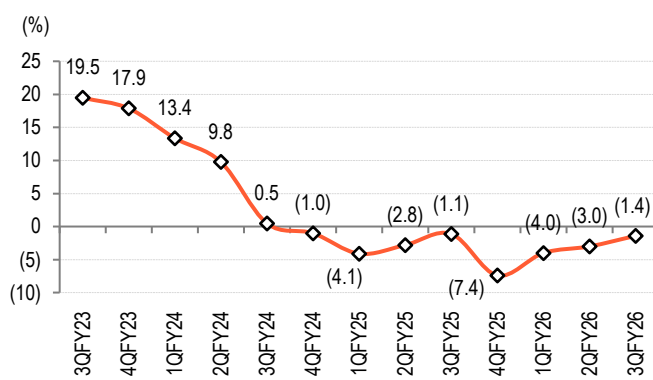
Source: Company, BOBCAPS Research

**Fig 15 – Financial Services growth YoY CC**

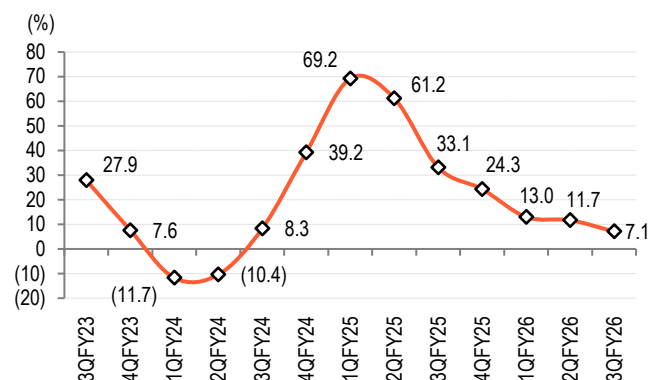
Source: Company, BOBCAPS Research

**Fig 16 – Manufacturing YoY CC growth**

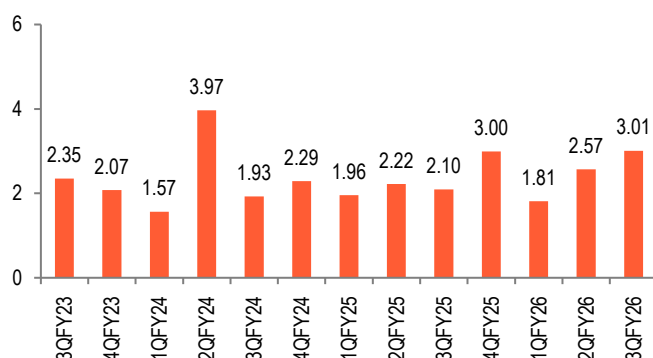
Source: Company, BOBCAPS Research

**Fig 17 – Lifesciences and Healthcare YoY CC growth**

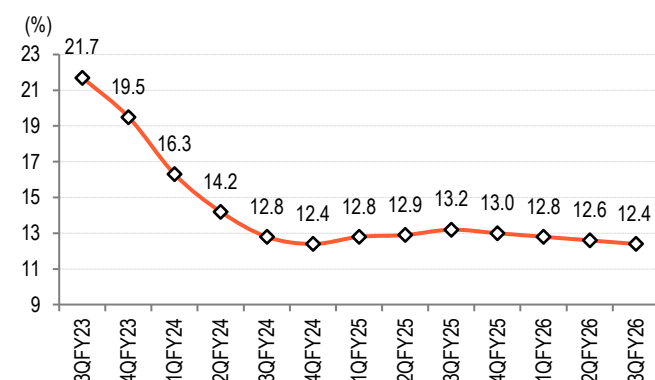
Source: Company, BOBCAPS Research

**Fig 18 – Telecommunications, Media YoY CC growth**

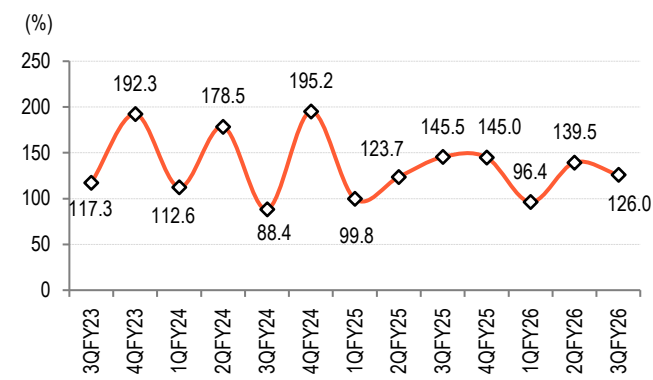
Source: Company, BOBCAPS Research

**Fig 19 – Quarterly net new TCV wins (US\$ bn)**

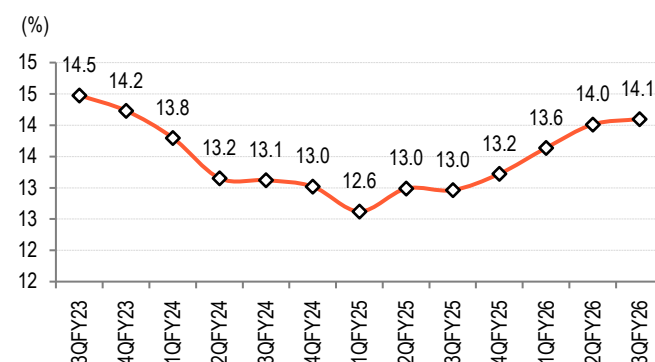
Source: Company, BOBCAPS Research

**Fig 20 – Attrition trend**

Source: Company, BOBCAPS Research

**Fig 21 – OCF/Net income (%)**

Source: Company, BOBCAPS Research

**Fig 22 – Outsourcing cost as % of sales**

Source: Company, BOBCAPS Research

**Fig 23 – Quarterly Snapshot**

Year to 31 March	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26
<b>Rs mn</b>													
INR/USD	82.34	82.30	82.17	82.72	83.28	83.10	83.40	83.79	84.66	86.45	85.62	87.63	89.34
USD Revenue (USD mn)	3,244	3,235	3,200	3,225	3,415	3,430	3,364	3,445	3,533	3,498	3,545	3,644	3,793
INR Revenue	267,000	266,060	262,960	266,720	284,460	284,990	280,570	288,620	298,900	302,460	303,490	319,420	338,720
Gross margin	99,800	97,170	93,600	96,590	104,480	99,720	96,930	100,730	106,280	105,040	102,210	108,980	117,700
EBITDA	63,650	58,630	53,870	59,440	67,580	61,110	57,940	63,690	68,600	64,820	60,350	65,930	74,120
EBIT	52,290	48,360	44,600	49,340	56,150	50,180	47,960	53,620	58,210	54,420	49,420	55,500	62,850
Other income	1,440	3,570	2,360	1,940	2,590	2,510	9,120	3,250	3,110	2,930	2,470	1,520	(7,760)
PBT	53,730	51,930	46,960	51,280	58,740	52,690	57,080	56,870	61,320	57,350	51,890	57,020	55,090
Tax	12,760	12,120	11,650	12,950	15,230	12,740	14,480	14,500	15,380	14,260	13,450	14,660	14,270
PAT	40,970	39,830	35,340	38,320	43,500	39,860	42,580	42,350	45,910	43,070	38,430	42,350	40,760
EPS	15.1	14.7	13.0	14.1	16.0	14.7	15.7	15.6	16.9	15.9	14.2	15.6	15.1
<b>YoY growth (%)</b>													
USD Revenue	9.0	8.1	5.8	4.6	5.3	6.0	5.1	6.8	3.5	2.0	5.4	5.8	7.4
INR Revenue	19.6	17.7	12.1	8.0	6.5	7.1	6.7	8.2	5.1	6.1	8.2	10.7	13.3
Gross Profit	17.0	17.0	11.5	9.3	4.7	2.6	3.6	4.3	1.7	5.3	5.4	8.2	10.7
EBITDA	18.0	16.0	8.3	9.5	6.2	4.2	7.6	7.2	1.5	6.1	4.2	3.5	8.0
EBIT	22.8	18.8	11.7	11.4	7.4	3.8	7.5	8.7	3.7	8.4	3.0	3.5	8.0
Net Profit	19.0	10.9	7.6	9.8	6.2	0.1	20.5	10.5	5.5	8.1	(9.7)	0.0	(11.2)
<b>QoQ growth (%)</b>													
USD Revenue	5.3	(0.3)	(1.1)	0.8	5.9	0.4	(1.9)	2.4	2.5	(1.0)	1.3	2.8	4.09
INR Revenue	8.2	(0.4)	(1.2)	1.4	6.7	0.2	(1.6)	2.9	3.6	1.2	0.3	5.2	6.0
EBITDA	17.3	(7.9)	(8.1)	10.3	13.7	(9.6)	(5.2)	9.9	7.7	(5.5)	(6.9)	9.2	12.4
EBIT	18.1	(7.5)	(7.8)	10.6	13.8	(10.6)	(4.4)	11.8	8.6	(6.5)	(9.2)	12.3	13.2
Net Profit	17.4	(2.8)	(11.3)	8.4	13.5	(8.4)	6.8	(0.5)	8.4	(6.2)	(10.8)	10.2	(3.8)
<b>Margins (%)</b>													
Gross Margin	37.4	36.5	35.6	36.2	36.7	35.0	34.5	34.9	35.6	34.7	33.7	34.1	34.7
EBITDA	23.8	22.0	20.5	22.3	23.8	21.4	20.7	22.1	23.0	21.4	19.9	20.6	21.9
EBIT	19.6	18.2	17.0	18.5	19.7	17.6	17.1	18.6	19.5	18.0	16.3	17.4	18.6
PAT	15.3	15.0	13.4	14.4	15.3	14.0	15.2	14.7	15.4	14.2	12.7	13.3	12.0
SGA	13.5	14.5	15.1	13.9	13.0	13.5	13.9	12.8	12.6	13.3	13.8	13.5	12.9

Source: Company, BOBCAPS Research

**Fig 24 – Key Metrics**

	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26
<b>P and L (Rs mn)</b>													
Revenue	267,000	266,060	262,960	266,720	284,460	284,990	280,570	288,620	298,900	302,460	303,490	319,420	338,720
EBITDA	63,650	58,630	53,870	59,440	67,580	61,110	57,940	63,690	68,600	64,820	60,350	65,930	74,120
PAT	40,970	39,830	35,340	38,320	43,500	39,860	42,580	42,350	45,910	43,070	38,430	42,350	40,760
<b>Vertical Mix (%)</b>													
Banking, FS & Insurance (BFSI)	19.9	21.2	22.6	22.6	21.7	21.6	21.0	20.5	20.3	21.1	21.6	21.7	21.1
Hi-tech - Manufacturing	19.7	19.0	19.9	19.3	20.1	20.4	19.4	19.5	19.1	18.6	18.6	18.3	18.8
Telecom	9.4	8.8	7.6	8.0	9.7	11.5	12.2	12.1	12.3	13.9	13.1	12.7	12.5
Retail & CPG	8.9	9.0	9.1	9.6	9.6	9.1	9.4	9.6	10.6	9.7	9.7	9.6	9.9
Life Sciences	17.1	17.5	17.5	17.5	16.4	16.3	15.9	16.0	15.5	14.7	14.5	14.7	14.4
Energy-Utilities-Public Sector	10.2	10.2	10.0	9.9	9.7	8.8	9.1	9.2	8.9	8.6	8.5	8.9	9.1
Technology and Services	14.8	14.4	13.4	13.1	12.8	12.3	13.0	13.1	13.3	13.4	14.0	14.0	14.2
<b>Geographical Mix (%)</b>													
Americas	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	56.3
Europe	29.1	28.9	28.7	28.5	29.0	28.9	27.9	28.4	29.2	27.5	28.3	28.3	27.7
India										3.1	3.3	3.2	3.3
RoW	7.4	7.3	6.8	7.0	6.4	5.9	6.1	6.5	6.3	12.0	11.9	12.4	12.8
Employees	222,270	225,944	223,438	221,139	224,756	227,481	219,401	218,621	220,755	223,420	223,151	226,640	226,379
Net new addition	2,945	3,674	(2,506)	(2,299)	3,617	2,725	(8,080)	(780)	2,134	2,665	(269)	3,489	(261)
Attrition (%)	21.7	19.5	16.3	14.2	12.8	12.4	12.8	12.9	13.2	13.0	12.8	12.6	12.4
<b>Segmental revenue mix</b>													
IT and Business Services	71.6	73.7	74.7	74.6	71.7	74.4	74.5	74.6	73	73.3	74	74.2	72.3
Engineering and R&D Services	16.6	16.1	15.4	16	16.4	16.1	15.9	15.8	16	17.1	17	17	16.8
Products & Platforms	12.3	10.6	10.4	9.9	12.3	10	9.9	9.9	11.3	9.9	9.3	9.1	11.2
Inter Segment	(0.5)	(0.4)	(0.5)	(0.5)	(0.4)	(0.5)	(0.3)	(0.3)	(0.3)	(0.4)	(0.3)	(0.3)	(0.3)
<b>Productivity Metrics</b>													
(USD mn)													
Revenue	3,244	3,235	3,200	3,225	3,415	3,430	3,364	3,445	3,533	3,498	3,545	3,644	3,793
EBIT	635	584	543	597	675	603	575	640	689	627	578	637	704
PAT	496	481	430	463	523	481	496	506	544	496	450	486	538

Source: Company, BOBCAPS Research

**Fig 25 – QoQ and YoY growth of various parameters**

	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26
<b>QoQ Growth (%)</b>													
<b>Geography Wise</b>													
Americas	3.1	0.2	0.0	0.8	5.9	1.5	(0.7)	1.0	1.6				
USA											(0.3)	2.2	4.3
Europe	11.4	(1.0)	(1.8)	0.1	7.8	0.1	(5.3)	4.3	5.4	(6.7)	4.3	2.8	1.9
India											7.9	(0.3)	7.3
RoW	1.2	(1.6)	(7.8)	3.7	(3.2)	(7.4)	1.4	9.1	(0.6)	88.6	0.5	7.1	7.4
Total	5.3	(0.3)	(1.1)	0.8	5.8	0.5	(1.9)	2.4	2.5	(1.0)	1.3	2.9	4.1
Non-US	9.1	(1.1)	(3.0)	0.8	5.6	(1.3)	(4.2)	5.1	4.3	18.8	3.5	3.7	3.9
<b>Vertical Wise</b>													
Banking, FS & Insurance (BFSI)	1.7	6.2	5.5	0.8	1.7	(0.0)	(4.7)	(0.0)	1.5	2.9	3.7	3.3	1.2
Hi-tech - Manufacturing	8.0	(3.8)	3.6	(2.3)	10.3	1.9	(6.7)	2.9	0.4	(3.6)	1.3	1.1	6.9
Telecom	7.5	(6.7)	(14.6)	6.1	28.4	19.1	4.0	1.6	4.2	11.9	(4.5)	(0.3)	2.4
Retail	1.8	0.8	0.0	6.3	5.9	(4.8)	1.3	4.6	13.2	(9.4)	1.3	1.7	7.3
Life Sciences	9.1	2.0	(1.1)	0.8	(0.8)	(0.2)	(4.3)	3.1	(0.7)	(6.1)	(0.0)	4.2	2.0
Energy-Utilities-Public Sector	5.3	(0.3)	(3.0)	(0.2)	3.8	(8.9)	1.4	3.5	(0.8)	(4.3)	0.2	7.6	6.4
Technology & Services	3.2	(3.0)	(7.9)	(1.5)	3.5	(3.5)	3.7	3.2	4.1	(0.2)	5.9	2.8	5.6
<b>Client Concentration</b>													
Top 5 clients	1.3	(2.2)	(4.0)	0.8	5.9	0.4	14.1	8.7	6.8	(0.2)	0.5	1.2	2.4
Top 10 clients	1.9	(3.0)	(3.9)	0.8	9.0	0.4	8.6	5.0	3.6	(1.5)	1.3	1.3	3.0
Top 20 clients	3.8	(1.7)	(3.2)	1.1	8.6	0.4	5.4	4.8	2.9	(2.6)	(0.3)	1.4	2.7
<b>Segment wise</b>													
IT and Business Services	2.3	2.6	0.3	0.6	1.8	4.2	(1.8)	2.6	0.3	(0.6)	2.3	3.1	1.4
Engineering and R&D Services	2.8	(3.3)	(5.4)	4.7	8.5	(1.4)	(3.1)	1.8	3.8	5.8	0.7	2.8	2.9
Products & Platforms	32.1	(14.1)	(2.9)	(4.1)	31.6	(18.3)	(2.9)	2.4	17.0	(13.2)	(4.8)	0.6	28.1
<b>YoY Growth (%)</b>													
<b>Geography Wise</b>													
Americas	9.8	9.8	6.3	4.1	6.9	8.4	7.6	7.8	3.5				
USA										NA	NA	NA	NA
Europe	12.0	10.4	9.2	8.4	4.9	6.0	2.2	6.5	4.2	(2.9)	6.9	5.4	1.8
India											NA	NA	NA
RoW	(7.3)	(11.4)	(10.1)	(4.9)	(9.0)	(14.3)	(5.7)	(0.8)	1.8	107.4	105.6	101.8	118.1
Total	9.0	8.1	5.8	4.6	5.2	6.0	5.1	6.8	3.6	2.0	5.4	5.9	7.5
Non-US	7.5	5.2	4.9	5.5	2.1	1.9	0.7	5.0	3.7	24.9	34.8	33.0	32.5
<b>Vertical Wise</b>													
Banking, FS & Insurance (BFSI)	2.8	9.6	13.3	14.8	14.8	8.0	(2.3)	(3.1)	(3.2)	(0.4)	8.4	12.0	11.6
Hi-tech - Manufacturing	22.6	14.1	15.0	5.2	7.4	13.9	2.5	7.9	(1.7)	(7.0)	1.0	(0.7)	5.7
Telecom	26.4	10.6	(12.6)	(9.0)	8.6	38.6	68.7	61.6	31.2	23.3	13.2	11.0	9.1
Retail	(4.0)	3.5	2.4	9.2	13.6	7.2	8.6	6.8	14.2	8.7	8.8	5.8	0.3
Life Sciences	29.4	26.9	12.9	11.0	1.0	(1.2)	(4.5)	(2.3)	(2.2)	(8.0)	(3.9)	(2.8)	(0.3)
Energy-Utilities-Public Sector	6.9	3.0	3.7	1.5	0.1	(8.5)	(4.3)	(0.7)	(5.1)	(0.3)	(1.6)	2.3	9.8
Technology & Services	(12.4)	(11.1)	(8.0)	(9.2)	(9.0)	(9.4)	2.0	6.8	7.5	11.1	13.5	13.0	14.6
<b>Client Concentration</b>													
Top 5 clients	(8.0)	(5.9)	(7.4)	(4.2)	0.2	2.9	22.3	31.9	33.0	32.2	16.5	8.4	4.0
Top 10 clients	(2.3)	(3.4)	(6.2)	(4.3)	2.4	6.0	19.8	24.9	18.6	16.4	8.6	4.7	4.2
Top 20 clients	4.5	3.2	(0.4)	(0.1)	4.5	6.8	16.3	20.5	14.2	10.7	4.7	1.3	1.1
<b>Segment wise</b>													
IT and Business Services	10.5	8.5	8.5	5.9	5.4	7.0	4.8	6.8	5.3	0.5	4.7	5.2	6.3
Engineering and R&D Services	13.8	6.3	(1.9)	(1.5)	4.0	6.0	8.5	5.5	0.9	8.3	12.7	13.8	12.7
Products & Platforms	(4.1)	6.4	0.0	5.7	5.3	0.0	0.1	6.8	(5.0)	1.0	(1.0)	(2.8)	6.4

Source: Company, BOBCAPS Research

## Financials

### Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
<b>Total revenue</b>	<b>1,099,130</b>	<b>1,170,550</b>	<b>1,299,207</b>	<b>1,407,533</b>	<b>1,516,473</b>
EBITDA	242,000	255,050	271,161	294,721	311,485
Depreciation	41,730	40,840	43,894	45,382	45,905
EBIT	200,270	214,210	227,268	249,340	265,580
Net interest inc./(exp.)	0	0	0	0	0
Other inc./(exp.)	9,400	18,410	962	12,886	13,193
Exceptional items	0	0	0	0	0
EBT	209,670	232,620	228,229	262,226	278,773
Income taxes	52,570	58,620	59,017	67,925	72,211
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	80	90	140	240	240
<b>Reported net profit</b>	<b>157,020</b>	<b>173,910</b>	<b>169,072</b>	<b>194,062</b>	<b>206,322</b>
Adjustments	0	0	0	0	0
<b>Adjusted net profit</b>	<b>157,020</b>	<b>173,910</b>	<b>169,072</b>	<b>194,062</b>	<b>206,322</b>

### 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	274,471	291,655	320,341
Provisions	0	0	0	0	0
Debt funds	23,270	22,910	23,670	23,670	23,670
Other liabilities	76,550	91,270	112,162	116,201	122,943
Equity capital	5,430	5,430	5,430	5,430	5,430
Reserves & surplus	677,200	691,120	722,375	743,220	765,500
Shareholders' fund	682,630	696,550	727,805	748,650	770,930
<b>Total liab. and equities</b>	<b>997,770</b>	<b>1,055,440</b>	<b>1,138,107</b>	<b>1,180,176</b>	<b>1,237,884</b>
Cash and cash eq.	94,560	82,450	90,953	138,294	147,298
Accounts receivables	194,830	195,230	231,446	245,937	270,126
Inventories	0	0	0	0	0
Other current assets	303,920	343,410	373,130	345,827	360,345
Investments	3,810	12,970	16,930	16,930	16,930
Net fixed assets	322,610	332,150	333,136	337,006	340,875
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	92,511	96,182	102,310
<b>Total assets</b>	<b>997,770</b>	<b>1,055,440</b>	<b>1,138,107</b>	<b>1,180,176</b>	<b>1,237,884</b>

### Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
<b>Cash flow from operations</b>	<b>205,170</b>	<b>233,950</b>	<b>196,220</b>	<b>233,680</b>	<b>242,446</b>
Capital expenditures	(41,120)	(50,380)	(44,880)	(49,251)	(49,774)
Change in investments	(47,780)	(38,770)	(23,250)	36,000	0
Other investing cash flows	0	0	0	0	0
<b>Cash flow from investing</b>	<b>(88,900)</b>	<b>(89,150)</b>	<b>(68,130)</b>	<b>(13,251)</b>	<b>(49,774)</b>
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	9,700	5,200	8,280	0	0
Interest expenses	0	0	0	0	0
Dividends paid	(140,714)	(162,528)	(146,151)	(173,216)	(184,042)
Other financing cash flows	0	0	0	0	0
<b>Cash flow from financing</b>	<b>(131,014)</b>	<b>(157,328)</b>	<b>(137,871)</b>	<b>(173,216)</b>	<b>(184,042)</b>
<b>Chg in cash &amp; cash eq.</b>	<b>3,910</b>	<b>(12,021)</b>	<b>8,219</b>	<b>47,213</b>	<b>8,630</b>
<b>Closing cash &amp; cash eq.</b>	<b>94,560</b>	<b>82,539</b>	<b>90,669</b>	<b>138,166</b>	<b>146,923</b>

### Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	58.0	64.2	62.5	71.7	76.2
Adjusted EPS	57.9	64.1	62.4	71.7	76.2
Dividend per share	52.0	60.0	54.0	64.0	68.0
Book value per share	251.2	256.5	268.7	276.4	284.7

### Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	4.2	3.9	3.5	3.3	3.1
EV/EBITDA	18.9	18.0	16.9	15.6	14.9
Adjusted P/E	28.8	26.0	26.7	23.3	21.9
P/BV	6.6	6.5	6.2	6.0	5.9

### DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	74.9	74.8	74.1	74.0	74.0
Interest burden (PBT/EBIT)	104.7	108.6	100.4	105.2	105.0
EBIT margin (EBIT/Revenue)	18.2	18.3	17.5	17.7	17.5
Asset turnover (Rev./Avg TA)	113.8	114.0	118.5	121.4	125.4
Leverage (Avg TA/Avg Equity)	1.4	1.5	1.5	1.6	1.6
Adjusted ROAE	23.5	25.2	23.7	26.3	27.2

### Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
<b>YoY growth (%)</b>					
Revenue	8.3	6.5	11.0	8.3	7.7
EBITDA	6.9	5.4	6.3	8.7	5.7
Adjusted EPS	5.5	10.8	(2.7)	14.9	6.3
<b>Profitability &amp; Return ratios (%)</b>					
EBITDA margin	22.0	21.8	20.9	20.9	20.5
EBIT margin	18.2	18.3	17.5	17.7	17.5
Adjusted profit margin	14.3	14.9	13.0	13.8	13.6
Adjusted ROAE	23.5	25.2	23.7	26.3	27.2
ROCE	19.8	20.1	20.1	21.1	21.8

### Working capital days (days)

Receivables	65	61	65	64	65
Inventory	NA	NA	NA	NA	NA
Payables	NA	NA	NA	NA	NA

### Ratios (x)

Gross asset turnover	3.4	3.5	3.9	4.2	4.4
Current ratio	2.9	2.7	2.7	2.6	2.5
Net interest coverage ratio	NA	NA	NA	NA	NA
Adjusted debt/equity	(0.1)	(0.1)	(0.1)	(0.2)	(0.2)

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

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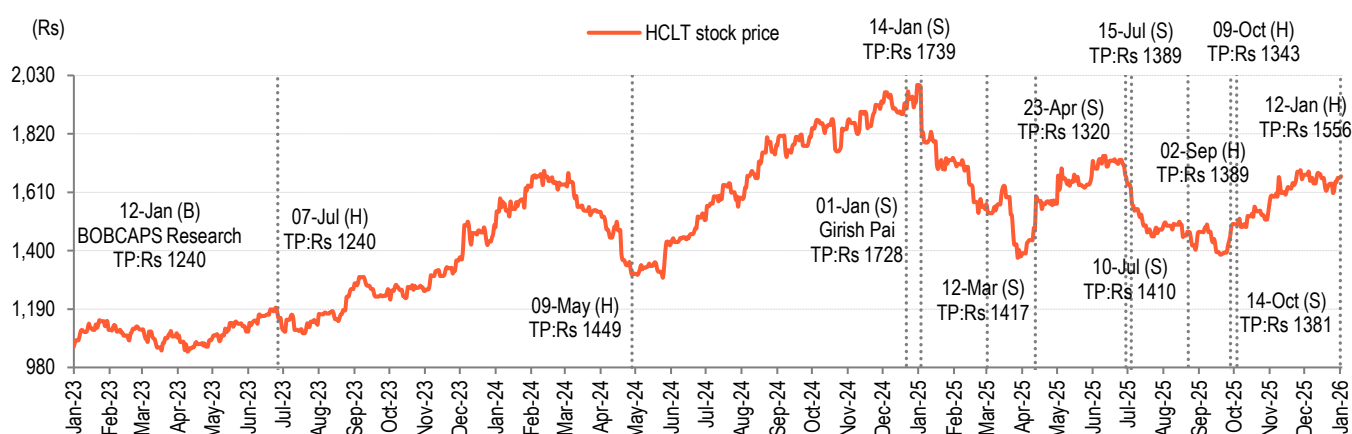
**HOLD** – Expected return from -6% to +15%

**SELL** – Expected return <-6%

**Note:** Recommendation structure changed with effect from 21 June 2021

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