

HOLD

TP: Rs 4,300 | ▼ 2%

LTM

| IT Services

| 17 October 2026

Steady 2Q, stronger 2HFY27 guided; upgrade to HOLD

- In-line revenue (CC growth of 1.1% QoQ vs our estimate of 1.0%) despite a Saudi drag (~70bps)
- Order inflow of US\$1.26bn (down 25% QoQ) reflects a shift to shorter AI-led deals; AI revenue at 13.4% of revenue, up 40% YoY
- Management guides to 2HFY27 better than 1HFY27. Upgrade to HOLD with target price of Rs4,300 (15.5x Sep '28 EPS). Target PE raised

Revenue in line, Saudi the swing factor: Revenue stood at US\$1,235.2mn, growing 1.1% QoQ and 5.1% YoY in CC terms, marginally above our estimate of 1.0% QoQ. Saudi impact was about 0.6% to 0.7% of growth, and QoQ growth would otherwise have been around 1.7% to 1.8%. Financial Services grew 3.1% QoQ, Consumer 0.3%, Production 3.7%, while Technology & Services declined 4.0% on a seasonal renewal cycle plus the Saudi business.

Margin target held: EBIT margin expanded 10 bps QoQ to 15.6% but was below our estimate of 15.8% and declined 30 bps YoY. Management targets FY27 margin at similar levels to last year, including M&A. Randstad approvals and closure are expected by end of 3Q.

Lower order inflow reflects a deliberate shift to AI-led deals: Order inflow stood at US\$1.26bn, down 25% QoQ and 21% YoY. The majority of 2Q deals were AI-led, which are shorter in duration but offer faster revenue acceleration given no long transition period. AI revenue reached 13.4% of revenue, growing 40% YoY. The overall deal pipeline, including large deals, remains healthy. LTM indicated a hard pivot towards AI deals with the sales force being incentivized accordingly.

Growth to build through the year: Management reiterated that every quarter will be better than the previous one, with 2HFY27 better than 1HFY27. Technology is expected to return to its normal trajectory, with some good deals starting to realize revenue from 3Q. CBDT is on a gradual ramp-up linked to hardware delivery. Top accounts have completed the productivity headwind journey, covering roughly 60% to 70% of the portfolio. Pricing weakness is confined to traditional large deals, while AI rate cards are priced above traditional ones.

Upgrade to HOLD; target PE multiple raised: We raise our target PE multiple to a 10% premium (earlier 5%) to the benchmark, resulting in 15.5x on September '28 EPS. We upgrade stock to HOLD from SELL with a target price of Rs 4,300. The higher target PE is driven by expectation of better growth and margins due to a harder pivot that LTM has made towards AI. Execution remains key.

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Key changes

Target	Rating
▲	▲

Ticker/Price	LTM IN/Rs 4,390
Market cap	US\$ 13.5bn
Free float	31%
3M ADV	US\$ 19.6mn
52wk high/low	Rs 6,430/Rs 3,528
Promoter/FPI/DII	68%/6%/17%

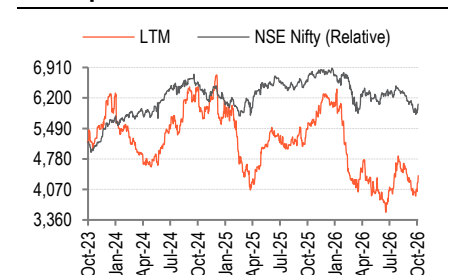
Source: NSE | Price as of 16 Oct 2026

Key financials

Y/E 31 Mar	FY26A	FY27E	FY28E
Total revenue (Rs mn)	423,076	491,041	561,301
EBITDA (Rs mn)	75,552	88,138	101,234
Adj. net profit (Rs mn)	52,434	63,998	77,383
Adj. EPS (Rs)	169.2	212.7	264.1
Consensus EPS (Rs)	169.2	205.9	229.1
Adj. ROAE (%)	22.4	24.9	26.1
Adj. P/E (x)	26.0	20.6	16.6
EV/EBITDA (x)	17.2	14.8	13.2
Adj. EPS growth (%)	10.3	25.7	24.2

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Key Points from the quarter and the earnings call

- Revenue stood at US\$1,235.2mn, growing 1.1% QoQ (broadly in line with our estimate of 1.0%) and 5.1% YoY in CC terms
 - AI revenue for the quarter reached 13.4% of overall revenue, growing 40% YoY
- Vertical-wise revenue growth CC terms:
 - Financial Services grew 3.1% QoQ and 0.4% YoY; Consumer grew 0.3% QoQ and 8.6% YoY; Technology & Services declined 4.0% QoQ (reflecting a seasonal, quarter-specific move) but grew 7.0% YoY; Production grew 3.7% QoQ and 7.4% YoY, contributed by both manufacturing and energy and utilities
- Geography-wise revenue growth CC terms:
 - North America grew 1.5% QoQ and 4.8% YoY; Europe grew 1.0% QoQ and 7.2% YoY; Rest of the World declined 1.4% QoQ (revenue impact in the Middle East business) but grew 4.4% YoY. Short fall in revenue from Saudi Arabia impacted QoQ revenue by 60-70Bbps.
- EBIT margin expanded 10 bps QoQ to 15.6% (below our estimate of 15.8%) and declined 30 bps YoY
- Total employees stood at 88,835, adding 949 QoQ and 2,388 YoY
 - Software professionals stood at 84,132, adding 947 QoQ and 2,777 YoY
 - Total fresher additions for the quarter were 1,743
- TTM attrition stood flat QoQ at 13.3%, down 90 bps YoY
- Utilization (excl. trainees) stood flat QoQ at 86.4%, down 170 bps YoY
- Onsite effort mix stood at 14.1% (down 10 bps QoQ)
- Order inflow stood at US\$1.26bn, declining 25% QoQ and 21% YoY
 - Overall deal pipeline, including large deals, remains healthy
- Operating cash flow to PAT ratio stood at 39% versus 79% in 1Q, mainly due to certain advance payments and funding towards a one-time gratuity provision on account of labor laws impact
 - OCF to PAT to normalize in 3Q, though gratuity funding may still be happening to some extent, so it may not return to the previous levels
- Free cash flow to PAT ratio stood at 24% versus 63% in 1Q for the same reason
- Randstad acquisition approvals and closure expected by end of 3Q
- Commitment made in 1Q that every quarter will be better than the previous one is being held

- 2HFY27 will be better than 1HFY27. FY27 endeavor is to come as close as possible to FY26 growth, with work under way towards this
- Margin for FY27 targeted at similar levels to previous year
 - Growth in next two quarters not expected to come only from CBDT ramp-up or pass through revenues, as regular services demand also looks robust
 - Overall, work continues towards maintaining margin at similar levels to last year
 - Margin target of similar levels to last year is on a consolidated basis, including M&A, and not on an organic basis
- Traditional large deals are being fought at price points that are somewhat unmanageable. Pricing weakness was expected in traditional areas
- Client spend is shifting towards AI deployment cycle, which includes reimagination of business process scaling, contextual implementation, ensuring sovereignty and optimizing economics
- BlueVerse ecosystem continues to be strengthened to address every layer of enterprise AI transformation: AI foundry services, data modernization, AI-led engineering, domain-specific SLMs, agentic products and governance
- Tech decline has two elements: renewal cycle impact, which is seasonal (connected with its largest Tech client which is Microsoft in our view), and Saudi business (business in Saudi, classified under Technology as it is done through a JV with a tech company there) impact
- Saudi impact in 2Q was about 0.6% to 0.7% of growth, and without it QoQ growth would have been around 1.7% to 1.8%
 - Saudi business was material in 2Q, with an absolute revenue impact in the war geography and this is reflected in Rest of the World revenue
 - Demand is strong outside Saudi, with optimism on continued growth momentum in 2H
- Headcount addition and revenue will not be linear, as demonstrated over the last few quarters
- AI-led deals happen to be shorter duration deals but offer faster revenue acceleration as there is no long transition period. Majority of deals in 2Q were AI-led. There will be one or two quarters with traditional large deals, coming on the back of vendor consolidation or switching from one vendor to another, and deal value for such a quarter will increase
- CBDT contributed revenue in 2Q. Hardware pricing and delivery time, flagged at end of 1Q, are getting better, definitely improved from 1Q. Gradual ramp-up expected in CBDT, linked to hardware delivery, with revenue on track but dependent on hardware availability

- Tech decline was expected and seasonal, with normal growth trajectory to resume in the tech vertical. Some good deals in tech will start realizing revenue from 3Q and beyond. Outlook for next year is also good on the tech side
- Top BFSI client engagement has gone through consolidation from 50-plus vendors to about five vendors, with LTM being one of the five, and the client's savings come through this consolidation exercise. No impact expected in the medium term from the client's tech vendor spend reduction
- FS portfolio is changing dramatically, with a US\$100mn account announced in 2Q, the first in FS over the last few years
- Growth plans and payout are being balanced and the strategy in play. Strategy will require reinvestment in the business through M&A and organic investments. Opportunities for investment are looked at on a regular basis, including bets on AI
- GCC is a focus area requiring a very focused attempt to capture a bigger share of customers wanting to set up GCCs in India. BlueVerse investment will continue to evolve over the next couple of years, as it is strengthening and becoming a go-to-market channel to meet customers. Investments in talent transformation are happening at scale
- M&A door remains open with opportunities coming the way to be looked at
- AI projects run anywhere between six months to one year depending on the area involved.
- Gross margin profile of AI work is better than traditional services. AI rate cards are priced above traditional rate cards
- Travel and hospitality was impacted by fuel and energy price crisis, with customers tightening budgets to manage the swings in fuel prices. Customers in the sector are transforming big time and reimagining travel and hospitality experiences, so budgets put on hold temporarily are expected to come back into these new areas
- Consistent hedging policy followed over a long period, with hedging done for the next two to three years on a rolling and layered basis. Similar forex losses below EBIT may continue for the next couple of quarters. Losses could increase if the rupee depreciates more
- Macroeconomic conditions have been the same over the last two to three quarters, with nothing new this quarter, so macro is not seen as an attribute for the TCV number. TCV reflects the kind of deals pursued
- Top accounts have gone through the productivity headwind journey, including the top BFS client and the top tech client a couple of quarters back, and that part is done. Big LTM clients are done with the journey, which is probably 60% to 70% of the portfolio. About 20% to 30% of the portfolio will always go through different renewal, consolidation and AI infusion cycles, but the material ones are done
- On an industry-level, traditional services will continue to be challenged with deflation cycle expected to go on for a couple of years

Change in Estimates

- Estimate Rundstedt deal to close by end of 3Q. Taking combined revenue from 4Q. On a consolidated basis expect revenue to be a bit better than that seen in FY26. Assuming EBIT margin for FY27 to be similar to that of FY26.
- Considering the proactive focus on AI deals, we think margins in FY28/FY29 to be ~100bps better than what we were anticipating earlier and hence that is reflected in our estimates.
- However, some of these gains are offset by lower other income that we have assumed in coming years and therefore EPS remains largely similar to previous estimates.

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 updates on 12th March 2025 (**FY26 unlikely to be better than FY25**), 10th July 2025 (**Uncertainty stays and 'eating the tariff' may impact even FY27**) and 12 January 2026 (**A fourth slow year?**).

While both earnings and PE multiples have corrected since 1 Jan 2025, the industry's structural organic revenue growth from here on will be much lower vs ~7% CAGR seen during FY15-FY20; possibly ~2-3% CAGR over FY25-FY30 in constant currency (CC) terms.

We believe the release of advanced AI models will cause significant disruption to the industry rendering the sector to be a 'value trap'. We wrote about this in our 17 February 2026 report (**Existential threat, value trap or Temporary blip**) and through our 6 April 2026 report (**Narrative of FY27 being modestly better, set for its first test**).and the 9 July 2026 one (**'Show me the growth' phase will keep valuations compressed**)

Lately we have been worried about global macro which we believe will impact growth. See our 16 September 2026 note (**Macro will weigh down as much as AI near term**)

Multiple speed breakers drive our Underweight stance

Gen AI and GCCs are going to disrupt growth: We believe that AI/Gen AI will lead to compression of revenue for the industry in the next 12-24 months, as companies self-cannibalize to hold on to their existing clients. Rapid growth of the GCCs is a threat to outsourcing. While there seems to be collaboration between 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 ones with lower bargaining power – 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 FY26, Tier-1 revenue has reached US\$ 85bn, double that in FY15 (6.5% CAGR). Due to the higher base now, growth may not be as rapid. In AI reinvention services we see a new set of competitors come in the forms of AI deployment companies from Anthropic, Open AI, Microsoft, Google etc. While professional services companies of software players did not make much of an impact in the past, we believe the situation could be different this time. With the requirement of a large army of offshore bodies being taken away by AI models, we believe players with high technical skills and deep domain and workflow expertise will become competitors. We will have several players from other industries as well senior management

personnel from current incumbents to step out and startup companies and compete with the incumbents.

How we are valuing companies: We are using PE methodology. However, we are moving away from the earlier stance that we had taken of using TCS as our industry benchmark.

Considering the underperformance of TCS in terms of growth in FY26 and the likelihood of that repeating in the foreseeable future we have decided to shift from using TCS as the benchmark and move to Tier-1 PE multiple based valuation. That too using the valuation seen in the FY15-FY20 timeframe when the Tier-1 USD revenue CAGR was ~7% in organic terms. Our analysis indicates that Tier-1 (consisting of TCS, Infosys, HCLT, Wipro and Tech Mahindra) were collectively trading at mean multiple of 17.6x forward EPS with an SD of 1.7. We are using 14.1x as the benchmark multiple for the basis of valuation which is mean multiple of Tier-1 companies during this period less 2SD. We have been giving subjective premium/discount to this benchmark target PE to arrive at target PE multiples for the rest of our coverage

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 mortality and relevance risk that players face in this era of advanced AI models.

Tier- 2 valuation reflects growth gap with Tier-1

Tier-2 set has been taking away market share from the Tier-1 set, due to better execution as well as their smaller size. And, unlike previous cycles, they have performed better than the Tier-1 set, largely on better management teams.

However, current PE premium to Tier-1s is excessive for certain stocks, because 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.

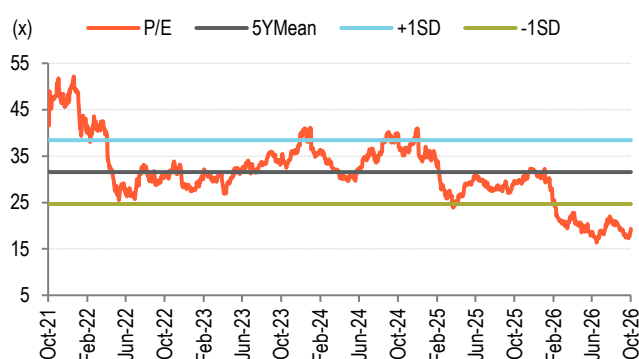
We believe the recent large acquisitions done by the prominent Tier-2 companies like Persistent Systems and Coforge are return dilutive and may pose execution challenges. They also seem to be funded partly or fully through stock dilution.

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

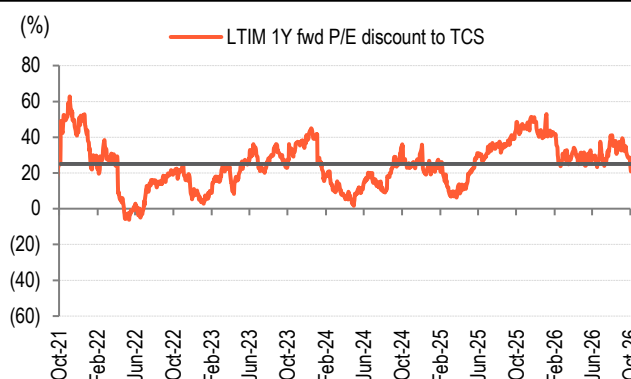
Fig 1 – Quarterly results: Comparison of actuals with estimates

Y/E Mar (Rs mn)	2QFY26	1QFY27	2QFY27	YoY(%)	QoQ (%)	2QFY27E	Dev (%)
Net Sales (USD mn)	1,180	1,224	1,235	4.7	1.0	1,234	0.1
Net Sales	103,943	116,080	118,076	13.6	1.7	117,426	0.6
Software Expenses (Direct Costs)	72,439	83,620	85,017	17.4	1.7	83,443	1.9
% of Sales	69.7	72.0	72.0			71.1	
Gross Margin	31,504	32,460	33,059	4.9	1.8	33,983	(2.7)
% of Sales	30.3	28.0	28.0			28.9	
Operating Expenses (Selling, General & Administration Expenses)	12,203	11,854	12,126	(0.6)	2.3	11830.3	2.5
% of Sales	11.7	10.2	10.3			10.1	
EBIT	16,481	17,993	18,381	11.5	2.2	18,606	(1.2)
EBIT Margin (%)	15.9	15.5	15.6			15.8	
Other Income	2,311	1,791	216	(90.7)	(87.9)	3,664	(94.1)
PBT	18,792	19,784	18,597	(1.0)	(6.0)	22,270	(16.5)
Provision for Tax	4,980	5,098	4,798	(3.7)	(5.9)	5,739	(16.4)
Effective Tax Rate	26.5	25.8	25.8			25.8	
Minority share in Profit / Loss	0	0	0			0	
PAT (Reported)	13,812	14,686	13,799	(0.1)	(6.0)	16,531	(16.5)
Margin (%)	13.3	12.7	11.7			14.1	

Source: Company, BOBCAPS Research

Fig 2 – 5 Year PE trend

Source: Bloomberg, BOBCAPS Research

Fig 3 – Premium/ Discount to TCS

Source: Bloomberg, BOBCAPS Research

Fig 4 – Revised Estimates

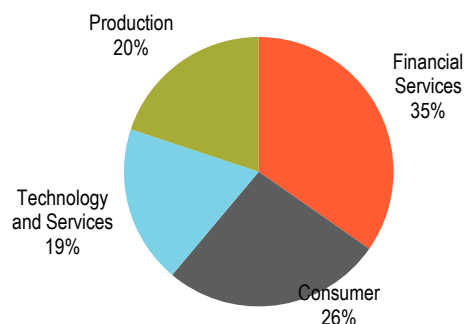
	New			Old			Change (%)		
	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
INR/USD	95.9	97.4	98.4	95.2	96.2	97.2	0.7	1.2	1.2
USD Revenue (USD mn)	5,117	5,764	6,117	5,301	5,969	6,358	(3.5)	(3.4)	(3.8)
USD Revenue Growth (%)	7.4	12.6	6.1	11.3	12.6	6.5			
Revenue (Rsmn)	491,041	561,301	601,831	504,958	574,564	618,334	(2.8)	(2.3)	(2.7)
EBIT (Rsmn)	75,880	87,047	94,203	76,297	83,833	91,393	(0.5)	3.8	3.1
EBIT Margin (%)	15.5	15.5	15.7	15.1	14.6	14.8			
PAT (Rsmn)	63,998	77,383	85,070	67,907	77,076	85,251	(5.8)	0.4	(0.2)
EPS (Rs)	212.7	264.1	290.4	225.9	259.3	286.8	(5.8)	1.9	1.3

Source: BOBCAPS Research

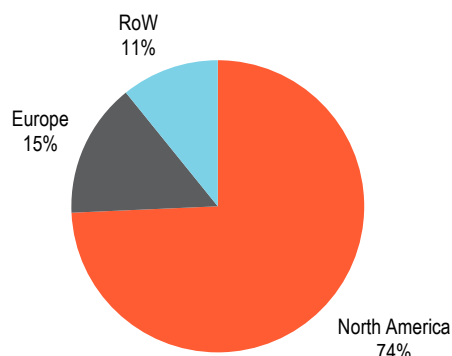
Fig 5 – P&L at a glance

(YE March) Rs mn	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Average INR/USD	67.0	64.5	70.0	71.4	74.2	75.0	80.7	82.8	84.6	88.8	95.9	97.4	98.4
Net Sales (USD mn)	970	1,132	1,349	1,525	1,670	3,502	4,106	4,287	4,493	4,763	5,117	5,764	6,117
-Growth (%)	9.3	16.7	19.1	13.0	9.5	109.7	17.2	4.4	4.8	6.0	7.4	12.6	6.1
Net Sales	65,009	73,065	94,458	108,786	123,698	261,086	331,830	355,170	380,081	423,076	491,041	561,301	601,831
-Growth (%)	11.2	12.4	29.3	15.2	13.7	111.1	27.1	7.0	7.0	11.3	16.1	14.3	7.2
Cost of Sales & Services	42,122	49,124	61,643	73,589	82,193	178,271	232,037	246,214	268,217	299,909	353,935	409,819	435,501
Gross Margin	22,887	23,941	32,815	35,197	41,505	82,815	99,793	108,956	111,864	123,167	137,106	151,481	166,329
% of sales	35.2	32.8	34.7	32.4	33.6	31.7	30.1	30.7	29.4	29.1	27.9	27.0	27.6
SG& A	10,583	12,065	13,980	14,905	14,254	30,330	38,715	45,082	46,915	47,615	48,968	50,247	57,939
% of sales	16.3	16.5	14.8	13.7	11.5	11.6	11.7	12.7	12.3	11.3	10.0	9.0	9.6
EBITDA	12304	11876	18835	20292	27251	52485	61078	63874	64949	75552	88138	101234	108390
% of sales	18.9	16.3	19.9	18.7	22.0	20.1	18.4	18.0	17.1	17.9	17.9	18.0	18.0
Depreciation and Amortisation	1,780	1,563	1,471	2,731	3,325	5,971	7,227	8,189	9,915	10,541	12,259	14,187	14,187
% of sales	2.7	2.1	1.6	2.5	2.7	2.3	2.2	2.3	2.6	2.5	2.5	2.5	2.4
EBIT	10,524	10,313	17,364	17,561	23,926	46,514	53,851	55,685	55,034	65,011	75,880	87,047	94,203
EBIT Margin (%)	16.2	14.1	18.4	16.1	19.3	17.8	16.2	15.7	14.5	15.4	15.5	15.5	15.7
Gross other income (incl Forex gains/(loss))	1855	4225	3021	3291	2743	8892	7073	9236	12686	13707	12986	20830	24245
Interest cost	17	123	106	826	788	1,233	1,504	2,217	2,789	2,763	2,946	3,165	3,333
PBT	12,362	14,415	20,279	20,026	25,881	54,173	59,420	62,704	64,931	75,955	85,920	104,713	115,115
-PBT margin (%)	19.0	19.7	21.5	18.4	20.9	20.7	17.9	17.7	17.1	18.0	17.5	18.7	19.1
Provision for tax	2,649	3,290	5,122	4,825	6,500	13,439	13,812	14,641	16,122	19,570	21,922	27,330	30,045
Effective tax rate (%)	21.4	22.8	25.3	24.1	25.1	24.8	23.2	23.3	24.8	25.8	25.5	26.1	26.1
Net profit	9,713	11,125	15,157	15,201	19,381	40,734	45,608	48,063	48,809	52,434	63,998	77,383	85,070
-Growth (%)	16.1	14.5	36.2	0.3	27.5	110.2	12.0	5.4	1.6	7.4	22.1	20.9	9.9
-Net profit margin (%)	14.9	15.2	16.0	14.0	15.7	15.6	13.7	13.5	12.8	12.4	13.0	13.8	14.1

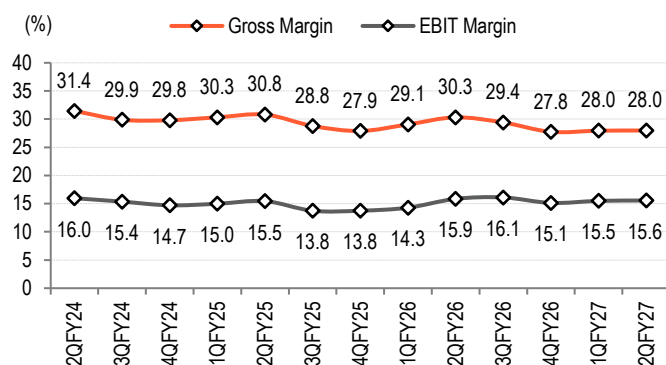
Source: Company, BOBCAPS Research

Fig 6 – Revenue by Vertical (%) – 2QFY27

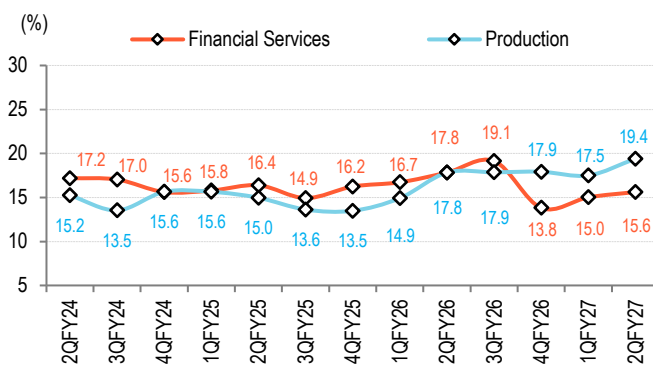
Source: Company, BOBCAPS Research

Fig 7 – Revenue by Geography (%) – 2QFY27

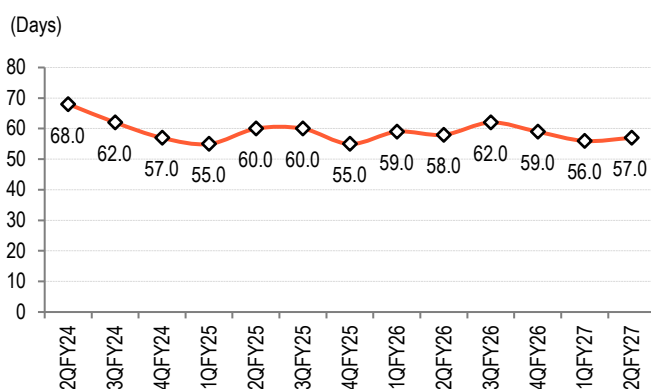
Source: Company, BOBCAPS Research

Fig 8 – Gross Margin and EBIT Margin

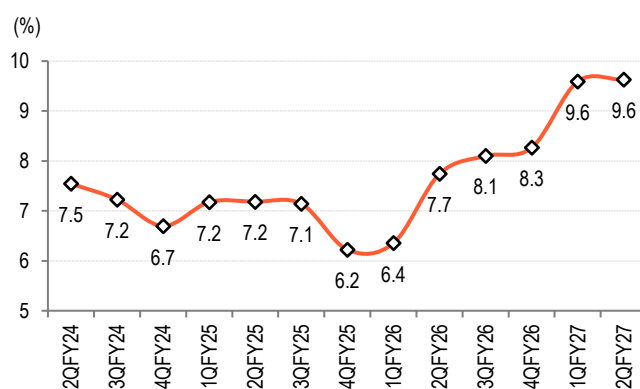
Source: Company, BOBCAPS Research

Fig 9 – EBITDA margin trends of Financial services and Production

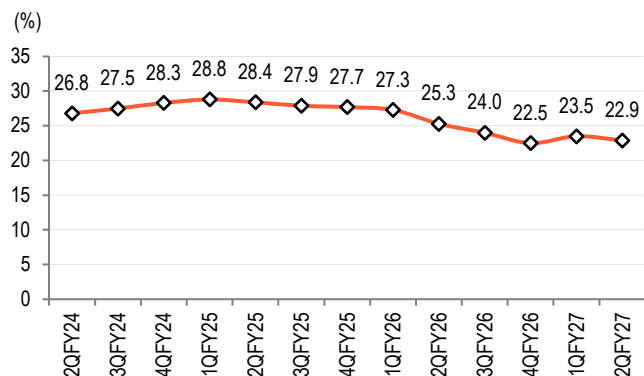
Source: Company, BOBCAPS Research

Fig 10 – DSO (Billed) trend

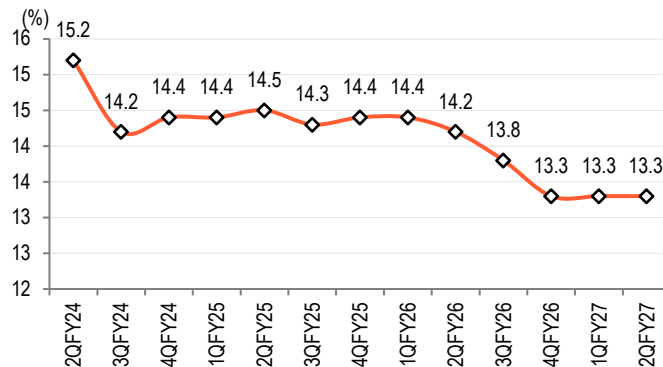
Source: Company, BOBCAPS Research

Fig 11 – Sub-contracting charges

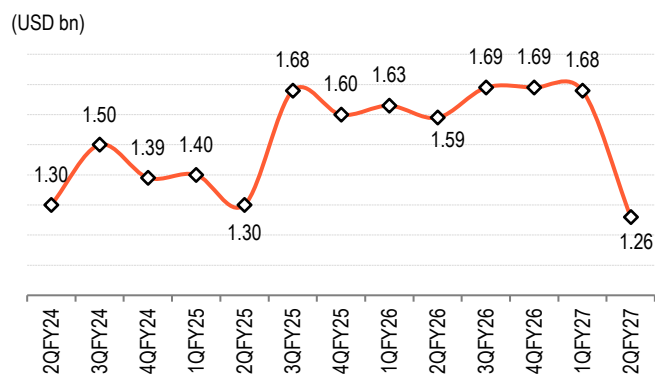
Source: Company, BOBCAPS Research

Fig 12 – Top 5 client concentration (%)

Source: Company, BOBCAPS Research

Fig 13 – Attrition trend on a QoQ basis (%)

Source: Company, BOBCAPS Research

Fig 14 – Order Inflow (USD bn)

Source: Company, BOBCAPS Research

Fig 15 – Quarterly Snapshot

Year to 31 March (Rsmn)	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	4QFY26	1QFY27	2QFY27
INR/USD	82.8	83.2	83.2	83.4	83.7	84.8	86.4	85.3	88.1	89.3	92.4	94.9	95.6
Revenue (in USDmn)	1,076	1,084	1,069	1,096	1,127	1,139	1,131	1,153	1,180	1,208	1,222	1,224	1,235
Revenue	89,054	90,166	88,929	91,426	94,329	96,609	97,717	98,406	103,943	107,810	112,917	116,080	118,076
Gross margin	28,006	26,942	26,506	27,711	29,052	27,824	27,277	28,599	31,504	31,712	31,352	32,460	33,059
SGA	11,693	11,093	11,149	11,650	12,059	11,891	11,315	12,105	12,203	11,685	11,622	11,854	12,126
Depreciation and Amortisation	2,082	1,990	2,270	2,352	2,411	2,644	2,508	2,429	2,820	2,656	2,636	2,613	2,552
EBIT	14,231	13,859	13,087	13,709	14,582	13,289	13,454	14,065	16,481	17,371	17,094	17,993	18,381
Revenue Related Forex gain/loss	(21)	426	(164)	134	751	132	232	1,291	652	(501)	(786)	(2,664)	(2,067)
Other income	1,453	1,769	2,240	2,137	2,238	1,993	2,280	2,630	2,352	2,773	2,533	5,218	2,982
Interest	470	607	680	724	703	689	673	724	693	693	653	763	699
PBT	15,193	15,447	14,483	15,256	16,868	14,725	15,293	17,262	18,792	13,047	18,810	19,784	18,597
Tax	3,570	3,754	3,476	3,905	4,352	3,858	4,007	4,716	4,980	3,451	4,937	5,098	4,798
PAT	11,623	11,693	11,007	11,351	12,516	10,867	11,286	12,546	13,812	9,596	13,873	14,686	13,799
EPS	39	39	37	38	42	37	36	42	47	33	47	49	47
YoY Growth													
USD Revenue	5.2	3.5	1.1	3.5	4.8	5.1	5.8	5.2	4.7	6.1	8.0	6.1	4.7
INR Revenues	8.2	4.6	2.3	5.1	5.9	7.1	9.9	7.6	10.2	11.6	15.6	18.0	13.6
Gross profit	10.4	9.3	2.0	0.8	3.7	3.3	2.9	3.2	8.4	14.0	14.9	13.5	4.9
EBIT	(1.2)	15.8	(7.9)	(5.5)	2.5	(4.1)	2.8	2.6	13.0	30.7	27.1	27.9	11.5
Net profit	(2.2)	16.8	(1.2)	(1.5)	7.7	(7.1)	2.5	10.5	10.4	(11.7)	22.9	17.1	(0.1)
QoQ Growth													
USD Revenues	1.6	0.8	(1.3)	2.5	2.8	1.1	(0.7)	2.0	2.3	2.4	1.2	0.1	1.0
INR Revenues	2.3	1.2	(1.4)	2.8	3.2	2.4	1.1	0.7	5.6	3.7	4.7	2.8	1.7
EBIT	(1.9)	(2.6)	(5.6)	4.8	6.4	(8.9)	1.2	4.5	17.2	5.4	(1.6)	5.3	2.2
Net profit	0.9	0.6	(5.9)	3.1	10.3	(13.2)	3.9	11.2	10.1	(30.5)	44.6	5.9	(6.0)
Margins (%)													
Gross margin	31.4	29.9	29.8	30.3	30.8	28.8	27.9	29.1	30.3	29.4	27.8	28.0	28.0
EBIT	16.0	15.4	14.7	15.0	15.5	13.8	13.8	14.3	15.9	16.1	15.1	15.5	15.6
PAT	13.1	13.0	12.4	12.4	13.3	11.2	11.5	12.7	13.3	8.9	12.3	12.7	11.7
SGA	13.1	12.3	12.5	12.7	12.8	12.3	11.6	12.3	11.7	10.8	10.3	10.2	10.3

Source: Company, BOBCAPS Research

Fig 16 – Key Metrics

	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	4QFY26	1QFY27	2QFY27
P and L (Rs mn)													
Revenue	89,054	90,166	88,929	91,426	94,329	96,609	97,717	98,406	103,943	107,810	112,917	116,080	118,076
EBIT	14,231	13,859	13,087	13,709	14,582	13,289	13,454	14,065	16,481	17,371	17,094	17,993	18,381
PAT	11,623	11,693	11,007	11,351	12,516	10,867	11,286	12,546	13,812	9,596	13,873	14,686	13,799
Revenue - Vertical Mix (%)													
Financial Services	36.5	35.6	35.1	35.2	35.6	36.4	37.1	37.0	36.2	35.1	33.0	34.0	34.7
Consumer								24.1	25.7	25.8	26.9	26.6	26.4
Technology and Services								19.3	18.6	18.2	19.4	20.0	19.0
Production	17.9	20.3	18.6	18.5	18.1	19.3	19.9	19.6	19.5	20.8	20.7	19.4	19.9
High-Tech, Media & Entertainment	23.8	22.9	24.3	25.6	25.4	23.7	23.4						
CPG, Retail, Travel	15.3	14.7	15.1	14.5	14.5	14.3	14.1						
Transportation & Hospitality													
Health, Life sciences & Public Services	6.5	6.5	6.9	6.2	6.4	6.3	5.5						
Revenue - Geographic Mix (%)													
North America	73.4	72.7	73.8	75.1	75.0	74.7	74.5	74.4	74.2	72.8	72.3	73.9	74.3
Europe	15.3	14.5	14.6	14.4	14.4	13.8	13.6	14.7	14.7	14.8	15.4	15.0	14.9
RoW	11.3	12.8	11.6	10.5	10.6	11.5	11.9	11.0	11.1	12.4	12.3	11.1	10.8
Effort mix (%)													
Onsite	14.8	15.0	15.1	15.4	15.5	15.4	15.1	15.1	14.8	14.5	14.2	14.2	14.1
Off shore	85.2	85.0	84.9	84.6	84.5	84.6	84.9	84.9	85.2	85.5	85.8	85.8	85.9
Utilization (%) (including Trainees)	86.60	87.40	86.90	88.30	87.70	85.40	85.80	88.10	88.10	86.90	85.70	86.40	86.40
Clients Concentration (%)													
Top 5 Clients	26.8	27.5	28.3	28.8	28.4	27.9	27.7	27.3	25.3	24.0	22.5	23.5	22.9
Top 10 Clients	34.3	35.3	35.5	35.7	35.0	34.5	34.3	34.3	32.8	31.7	30.7	32.0	31.4
Top 20 Clients	45.2	45.9	45.9	46.2	45.8	45.5	44.8	44.5	43.5	43.3	41.6	42.8	42.3
Top 40 Clients	57.6	58.5	58.0	58.9	58.2	58.1	57.2	56.8	56.1	56.8	55.3	56.1	55.6
Client Profile													
Number of Active Clients*	737	739	738	748	742	742	741	741	749	746	751	740	729
New Clients Added	30	23	30	27	22	23	26	17	23	26	13	16	20
100 Million dollar +	2	2	2	2	2	2	2	2	2	2	2	2	3
50 Million dollar +	14	12	13	12	12	13	14	14	14	12	14	15	15
20 Million dollar +	41	40	40	43	42	39	40	41	45	47	48	52	51
10 Million dollar +	90	89	91	87	88	90	89	90	93	97	101	104	109
5 Million dollar +	146	149	153	148	154	152	154	159	158	162	164	170	172
1 Million dollar +	391	388	394	390	392	401	410	404	402	399	411	407	398
Employee Number	83,532	82,471	81,650	81,934	84,438	86,800	84,307	83,889	86,447	87,958	87,950	87,886	88,835
Net employee addition	794	(1,061)	(821)	284	2,504	2,362	(2,493)	(418)	2,558	1,511	(8)	(64)	949
Attrition LTM (%)	15.2	14.2	14.4	14.4	14.5	14.3	14.4	14.4	14.2	13.8	13.3	13.3	13.3
(USD mn)													
Revenue	1,075.5	1,083.7	1,069.4	1,096.2	1,126.6	1,138.7	1,131.0	1,153.3	1,180.1	1,208.0	1,222.0	1,223.5	1,235.2
USD-INR	82.80	83.20	83.16	83.40	83.73	84.84	86.40	85.33	88.08	89.25	92.37	94.87	95.59
TCV (US\$m)	1300	1500	1390	1400	1300	1680	1600	1630	1590	1690	1690	1680	1260

Source: Company, BOBCAPS Research

Fig 17 – QoQ and YoY growth of various parameter

	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	4QFY26	1QFY27	2QFY27
QoQ Growth (%)													
Geographical Data													
North America	2.0	(0.2)	0.2	4.3	2.6	0.7	(0.9)	1.8	2.0	0.4	0.5	2.3	1.5
Europe	2.3	(4.5)	(0.6)	1.1	2.8	(3.1)	(2.1)	10.2	2.3	3.1	5.3	(2.5)	0.3
RoW	(1.9)	14.1	(10.6)	(7.2)	3.8	9.7	2.8	(5.7)	3.3	14.4	0.3	(9.6)	(1.8)
Verticals													
Financial Services	(1.1)	(1.7)	(2.7)	2.8	3.9	3.3	1.2	1.7	0.1	(0.7)	(4.9)	3.2	3.0
Consumer									9.1	2.8	5.5	(1.0)	0.2
Technology and Services									(1.4)	0.2	7.8	3.2	(4.1)
Production	5.1	14.3	(9.6)	2.0	0.6	7.8	2.4	0.4	1.8	9.2	0.7	(6.2)	3.6
High-Tech, Media & Entertainment	2.0	(3.0)	4.7	8.0	2.0	(5.7)	(1.9)	1.1				-	-
CPG, Retail, Travel Transportation & Hospitality	2.9	(3.2)	1.4	(1.6)	2.8	(0.3)	(2.1)	5.6				-	-
Health, Life sciences & Public Services	3.2	0.8	4.8	(7.9)	6.1	(0.5)	(13.3)	3.8				-	-
Client Metrics													
Top 5 Clients	2.0	3.4	1.6	4.3	1.3	(0.7)	(1.4)	0.5	(5.2)	(2.9)	(5.2)	4.6	(1.6)
Top 10 Clients	2.2	3.7	(0.8)	3.1	0.8	(0.4)	(1.3)	2.0	(2.2)	(1.1)	(2.0)	4.4	(0.9)
Top 20 Clients	2.3	2.3	(1.3)	3.2	1.9	0.4	(2.2)	1.3	0.0	1.9	(2.8)	3.0	(0.2)
Top 40 clients	2.3	2.3	(2.2)	4.1	1.6	0.9	(2.2)	1.3	1.1	3.6	(1.5)	1.6	0.1
YoY Growth (%)													
Geographical Data													
North America	6.0	4.1	3.8	6.4	7.0	8.0	6.8	4.2	3.6	3.4	4.9	5.4	4.8
Europe	10.3	0.8	(4.1)	(1.9)	(1.4)	0.0	(1.5)	7.4	6.9	13.8	22.3	8.3	6.1
RoW	(4.9)	3.5	(7.6)	(7.1)	(1.7)	(5.6)	8.5	10.2	9.7	14.4	11.7	7.1	1.8
Verticals													
Financial Services	6.1	(1.4)	(6.6)	(2.8)	2.2	7.4	11.8	10.6	6.5	2.3	(3.9)	(2.5)	0.3
Consumer												17.1	7.5
Technology and Services												9.9	6.9
Production	16.3	20.1	7.5	10.7	5.9	(0.1)	13.2	11.5	12.9	14.3	12.4	5.0	6.8
High-Tech, Media & Entertainment	(1.0)	0.5	6.8	11.8	11.8	8.7	1.8	(4.7)	(6.4)	(0.6)	9.4	-	-
CPG, Retail, Travel Transportation & Hospitality	4.6	0.1	(0.8)	(0.6)	(0.7)	2.2	(1.2)	5.9	12.7	14.2	19.5	-	-
Health, Life sciences & Public Services	0.6	6.8	14.4	0.3	3.1	1.8	(15.7)	(5.0)	(1.8)	9.5	37.5	-	-
Client Metrics													
Top 5 Clients	5.6	8.3	12.7	11.7	11.0	6.6	3.5	(0.3)	(6.7)	(8.7)	(12.2)	(8.7)	(5.3)
Top 10 Clients	5.2	8.1	9.1	8.4	6.9	2.7	2.2	1.1	(1.8)	(2.5)	(3.3)	(1.0)	0.2
Top 20 Clients	5.5	4.9	5.5	6.5	6.1	4.2	3.2	1.3	(0.5)	1.0	0.3	2.0	1.8
Top 40 clients	5.6	5.2	3.3	6.6	5.8	4.4	4.3	1.5	1.0	3.7	4.5	4.8	3.7

Source: Company, BOBCAPS Research

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Total revenue	380,081	423,076	491,041	561,301	601,831
EBITDA	64,949	75,552	88,138	101,234	108,390
Depreciation	9,915	10,541	12,259	14,187	14,187
EBIT	55,034	65,011	75,880	87,047	94,203
Net interest inc./(exp.)	(2,789)	(2,763)	(2,946)	(3,165)	(3,333)
Other inc./(exp.)	12,686	13,707	12,986	20,830	24,245
Exceptional items	0	0	0	0	0
EBT	64,931	75,955	85,920	104,713	115,115
Income taxes	16,122	19,570	21,922	27,330	30,045
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	48,809	52,434	63,998	77,383	85,070
Adjustments	0	0	0	0	0
Adjusted net profit	48,809	52,434	63,998	77,383	85,070

Balance Sheet

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Accounts payables	0	0	0	0	0
Other current liabilities	31,075	61,345	91,190	95,088	99,240
Provisions	9,691	11,741	12,988	12,988	12,988
Debt funds	554	13,397	11,805	11,805	11,805
Other liabilities	37,997	45,227	48,944	49,426	49,914
Equity capital	296	296	296	296	296
Reserves & surplus	226,687	239,954	273,492	318,716	368,704
Shareholders' fund	226,983	240,250	273,788	319,012	369,000
Total liab. and equities	306,300	371,960	438,715	488,319	542,947
Cash and cash eq.	20,623	23,311	51,932	81,079	114,505
Accounts receivables	76,882	94,717	110,523	117,931	125,822
Inventories	28	33	29	29	29
Other current assets	38,106	38,556	50,988	54,114	57,445
Investments	111,515	146,055	158,145	166,145	174,145
Net fixed assets	15,946	13,431	8,602	8,846	9,090
CWIP	5,818	9,171	10,491	10,491	10,491
Intangible assets	12,036	12,923	12,919	12,919	12,919
Deferred tax assets, net	5,303	12,980	13,109	13,988	14,924
Other assets	20,043	20,783	21,978	22,778	23,578
Total assets	306,300	371,960	438,715	488,319	542,947

Cash Flows

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Cash flow from operations	54,672	51,800	82,061	88,098	95,520
Capital expenditures	(3,825)	(7,049)	(6,000)	(6,000)	(6,000)
Change in investments	(12,747)	(34,540)	(12,090)	(8,000)	(8,000)
Other investing cash flows	0	0	0	0	0
Cash flow from investing	(16,572)	(41,589)	(18,090)	(14,000)	(14,000)
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	236	12,843	(1,592)	0	0
Interest expenses	(2,789)	(2,763)	(2,946)	(3,165)	(3,333)
Dividends paid	(19,261)	(22,081)	(26,312)	(32,159)	(35,082)
Other financing cash flows	0	0	0	0	0
Cash flow from financing	(21,814)	(12,001)	(30,850)	(35,323)	(38,415)
Chg in cash & cash eq.	2,423	23,311	51,932	73,079	106,505
Closing cash & cash eq.	20,623	23,311	51,932	81,079	114,505

Per Share

Y/E 31 Mar (Rs)	FY25A	FY26A	FY27E	FY28E	FY29E
Reported EPS	153.7	169.3	213.2	264.7	291.0
Adjusted EPS	153.4	169.2	212.7	264.1	290.4
Dividend per share	65.0	75.0	90.0	110.0	120.0
Book value per share	766.0	816.2	938.8	1,093.5	1,264.5

Valuations Ratios

Y/E 31 Mar (x)	FY25A	FY26A	FY27E	FY28E	FY29E
EV/Sales	3.4	3.1	2.7	2.4	2.3
EV/EBITDA	20.1	17.2	14.8	13.2	12.6
Adjusted P/E	28.6	26.0	20.6	16.6	15.1
P/BV	5.7	5.4	4.7	4.0	3.5

DuPont Analysis

Y/E 31 Mar (%)	FY25A	FY26A	FY27E	FY28E	FY29E
Tax burden (Net profit/PBT)	75.2	74.4	74.5	73.9	73.9
Interest burden (PBT/EBIT)	118.0	108.7	113.2	120.3	122.2
EBIT margin (EBIT/Revenue)	14.5	15.4	15.5	15.5	15.7
Asset turnover (Rev./Avg TA)	130.6	124.8	121.1	121.1	116.7
Leverage (Avg TA/Avg Equity)	1.4	1.4	1.6	1.6	1.5
Adjusted ROAE	22.8	22.5	24.8	26.0	24.7

Ratio Analysis

Y/E 31 Mar	FY25A	FY26A	FY27E	FY28E	FY29E
YoY growth (%)					
Revenue	7.0	11.3	16.1	14.3	7.2
EBITDA	1.7	16.3	16.7	14.9	7.1
Adjusted EPS	(0.8)	10.3	25.7	24.2	9.9
Profitability & Return ratios (%)					
EBITDA margin	17.1	17.9	17.9	18.0	18.0
EBIT margin	14.5	15.4	15.5	15.5	15.7
Adjusted profit margin	12.8	12.4	13.0	13.8	14.1
Adjusted ROAE	22.9	22.4	24.9	26.1	24.7
ROCE	18.4	18.0	17.8	18.0	17.2

Working capital days (days)

Receivables	74	82	82	77	76
Inventory	NA	NA	NA	NA	NA
Payables	NA	NA	NA	NA	NA

Ratios (x)

Gross asset turnover	23.8	31.5	57.1	63.5	66.2
Current ratio	3.3	2.1	2.0	2.3	2.7
Net interest coverage ratio	NA	NA	NA	NA	NA
Adjusted debt/equity	(0.1)	0.0	(0.1)	(0.2)	(0.3)

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%

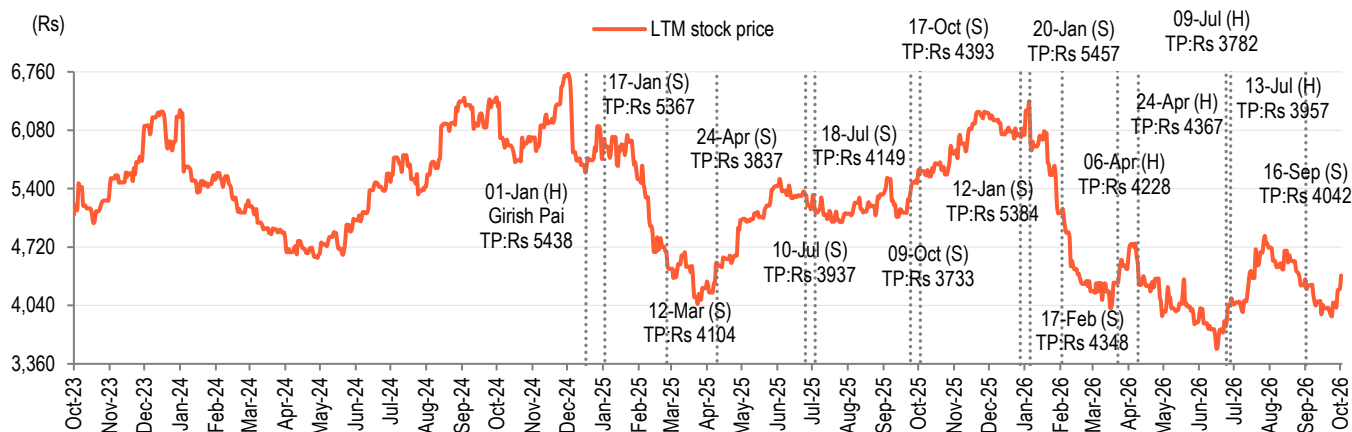
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

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.

Ratings and Target Price (3-year history): LTM (LTM IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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