

HOLD

TP: Rs 3,072 | ▼ 5%

TATA CONSULTANCY SERVICES

| IT Services

| 11 April 2025

FY26>FY25 is unambitious.

- **Weak start for FY26 likely. Salary hike postponed due to uncertainty in the demand environment**
- **TCS says FY26 growth > than that of FY25 on international revenue- which was flat in USD terms in FY25 versus FY24**
- **Lower estimates for both FY26/FY27 and now assume no growth in FY26. Margin broadly intact. Keep multiple the same and maintain Hold**

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4QFY25 CC revenue decline of 0.8% was against our expectation of 0.5% growth. The management stated that it expected 1% growth at the beginning of the quarter and due to some project ramp downs and delay in project starts the revenue came in almost 200bps lower than expected (~US\$150mn loss of revenue).

24.2% EBIT margin was lower than our estimate of 25%. TCS sated that there was a 100bps impact due to tactical promotion related costs- which is a bit odd coming at a time when the supply side environment is weak. There were also some marketing-related expenses. This was offset by operating efficiency and currency benefits to the extent of 40bps.

The annual salary increase that should have happened in April has been postponed to a later date. No hints given when and the extent of the hike. The company linked it to demand uncertainty. And that the hikes would be restored when the visibility picks up.

TCS reiterated that FY26 growth will be better than that of FY25 but clarified that it was referring to international revenue- which was flat in USD terms in FY25 versus FY24. Difficult to say if it is an unambitious goal in a difficult market environment. Considering the weak exit from FY25 and near-term uncertainty, we believe it implies a pickup at the back end FY26.

On demand visibility, TCS says that it is worse now than it was 12 months back. Though the demand pipeline is indicated to be strong. The FY25 order inflow of US\$39.4bn came in lower than the US\$42.7bn of FY24.

Business environment – saw delays in decision making since mid-February 2025 and accentuated in March with project starts being delayed etc. TCS believes that this will be resolved soon.

Margin performance in FY26 – EBIT margin should be better as the dilutive BSNL deal will only have a small presence. Headwinds could include lower utilization and lack of currency support.

Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	TCS IN/Rs 3,247
Market cap	US\$ 136.2bn
Free float	28%
3M ADV	US\$ 114.8mn
52wk high/low	Rs 4,592/Rs 3,056
Promoter/FPI/DII	72%/13%/11%

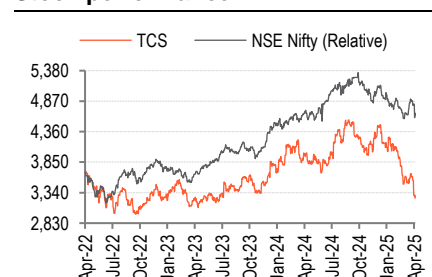
Source: NSE | Price as of 9 Apr 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	2,553,240	2,633,184	2,883,534
EBITDA (Rs mn)	674,070	725,289	814,591
Adj. net profit (Rs mn)	485,530	511,423	555,822
Adj. EPS (Rs)	134.2	141.4	153.6
Consensus EPS (Rs)	136.4	151.5	168.0
Adj. ROAE (%)	51.9	52.3	54.3
Adj. P/E (x)	24.2	23.0	21.1
EV/EBITDA (x)	17.2	15.9	14.0
Adj. EPS growth (%)	4.2	5.3	8.7

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



In terms of verticals, it indicated weakness in US consumer related sectors like retail CPG, travel and hospitality. It also talked about weakness in US Auto and in Insurance space within BFSI.

On Gen AI it believes that savings generated in Gen Ai in IT is being used to run new programs in Gen Ai in Business. It says there is no net deflationary pressure.

Key Points from the quarter and the earnings call

- FY25 revenue was US\$30.2 bn, reflecting 4.2% YoY growth in CC terms and 3.8% in USD terms
- FY25 operating margin stood at 24.3%, a decline of 30 bps YoY
 - 200 bps headwind during the year due to annual wage increases and tactical interventions such as promotions
 - 130 bps headwind from continued investments in infrastructure and capability building
 - Headwinds mitigated by improving utilization, productivity, and realization
 - Currency movements provided 80 bps support
- FY25 net margin was 19%
- 4Q revenue was US\$7.47 bn reflecting 2.5% YoY growth in CC terms and 1.4% YoY growth in USD terms
- 4Q operating margin was 24.2% (Our estimate: 25%), sequential decline of 30 bps
 - 100 bps headwind in 4Q from tactical interventions (Promotions which were effective from January 1)
 - 60 bps headwind from strategic marketing and purpose-driven initiatives in 4Q
 - Headwinds partially mitigated by improved operating leverage and optimized revenue mix
 - Currency movements provided 40 bps support in 4Q
- 4Q net margin was 19%
- 4Q TCV stood at US\$12.2 bn
 - Second best quarterly number in its history.
 - North America TCV: US\$6.8 bn, BFSI TCV: US\$4 bn, Consumer business TCV: US\$1.7 bn
 - 4Q performance was achieved without mega deals
 - TCV improvement visible across markets driven by tech modernization, cost optimization, vendor consolidation, operational transformation, risk and compliance

- Segmental performance in 4Q (YoY, constant currency):
 - BFSI grew 2.5%, Consumer business declined 0.2%, Life Sciences and Healthcare declined 5.6%, Manufacturing declined 2.9%, Technology and Services grew 1.1%, Communication and Media declined 9.8%, Energy Resources and Utilities grew 4.6%, Regional Markets grew 22.5%
- Geographical performance in 4Q (YoY, constant currency):
 - Europe grew 1.4%, UK grew 1.2%, North America declined 1.9%, Middle East and Africa grew 13.2%, LATAM grew 4.3%, Asia-Pacific grew 6.4%, India grew 33%
- Workforce at the end of FY25 stood at 607,979 and LTM attrition was stable at 13.3%

Demand Environment

- Increased global uncertainty seen recently vs. January; delays in decision-making and discretionary spending under pressure
- Delayed decision-making and uncertainty are observed across various sectors, although some industries are more impacted than others. The consumer business, particularly retail, CPG, airlines, travel, and hospitality—has felt more of the impact, as has the auto sector within manufacturing. However, sectors like BFSI have seen relatively less disruption, with some softness in insurance
- In the high-tech segment, the impact has been limited, though there is some softness in professional services, which falls under the broader tech services category. Overall, the challenges of delayed decision-making are present across industries, with certain sectors, such as those directly impacted by tariff implications, feeling more pressure
- Entering the first quarter, the company has slightly less visibility compared to the same period last year, which had more certainty

Vertical Outlook

- BFSI clients focused on tech modernization, cost optimization, vendor consolidation, regulatory compliance. Legacy modernization efforts underway including core platform upgrades and enhanced lending experiences. Significant adoption of Data and AI for efficiency and customer experience
 - Cloud adoption and cybersecurity prioritized for resilience and availability
 - Delayed decision-making observed in US insurance sector
- Consumer business affected by drop in consumer sentiment in February and global trade/tariff changes
 - Discretionary project delays seen in retail, CPG, and TTH industries in US
 - Cost-saving and defensive tech initiatives prioritized, including trade deduction modernization

- Interest in AI, GenAI, and IoT adoption visible via smaller projects
- In technology software and services, modest growth observed in 4Q
- Flat IT budgets reflect cautious optimism due to geopolitical and inflationary uncertainties
 - Tech upgrades funded via savings from optimization and rationalization
 - GenAI is leveraged to enhance efficiency across value chain and software development lifecycle
- In Life Sciences & Healthcare, earlier client-specific challenges were largely resolved
 - Life sciences clients reducing operational costs and pursuing vendor consolidation
 - Healthcare clients investing in tech-led transformation, cost optimization, cybersecurity, and GenAI scaling
 - Deal closures in healthcare delayed; priorities shifted to critical business needs
- The manufacturing sector saw softness in 4Q
 - Auto industry affected by EV downturn and ICE market turbulence; OEMs under pressure with cuts in discretionary spending
 - Aerospace is experiencing strong demand for planes and engines, but near-term supply chain disruptions persist
 - North America seeing demand for renewals, cost optimization, automation, GenAI, cybersecurity, and technical debt reduction
- Communications, Media & Information vertical faced ongoing challenges and cautious discretionary spend
 - Sequential growth led by vendor consolidation, tech, and productivity improvement programs
 - Increased cloud and cybersecurity investments driven by need for individualized services
- Energy, Resources & Utilities vertical continued strong growth
 - Pipeline strength driven by investments in AI, GenAI, data analytics, and energy storage for efficiency and reliability
 - Shift to cleaner energy creating new market opportunities
- **Management view for FY26:** FY26 will be better than FY25 (for the international side), supported by two consecutive quarters of strong TCV performance. Confidence is based on the assumption that current macroeconomic uncertainties are temporary, and greater clarity is expected to emerge soon. Ongoing client discussions indicate that investments in technology transformation and adoption are likely to resume once visibility improves

- Improvement in the overall business is also anticipated once macroeconomic uncertainties ease
- Efforts are ongoing to replace potential revenue loss from domestic sources, including BSNL, through new opportunities in both domestic and international markets
- Potential headwinds for margins in FY26 include lower utilization levels due to prevailing macroeconomic uncertainty, which could result in reduced operating leverage. Sudden contraction in demand or delays in deal closures may further impact margin performance. Currency movement benefits that supported margins in FY25 may not be replicated in FY26, presenting another possible headwind

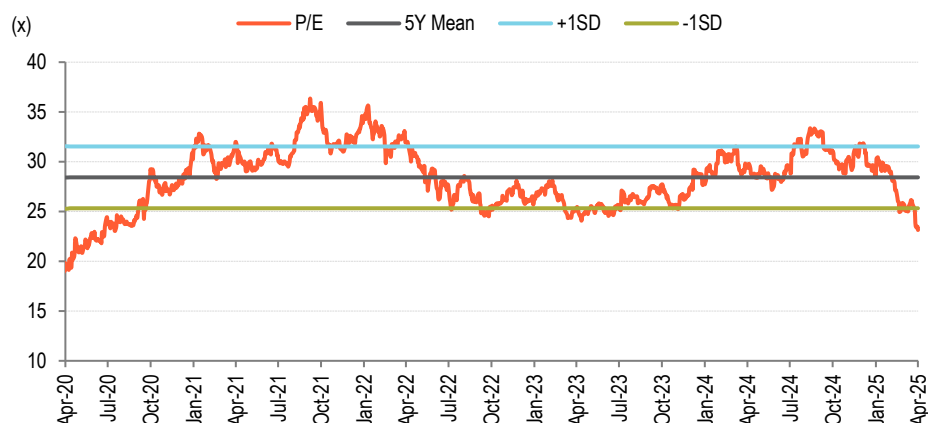
Other Points

- In certain cases, AI for IT has enabled significant cost savings for clients, leading to larger deal wins and market share gains, thereby resulting in net incremental revenue. AI for business is also contributing positively, as it involves new programs and revenue streams. Overall, both AI for IT and AI for business are currently seen as net positive for the business, with no significant evidence of deflationary impact over the medium term
- The company's global hiring model remains unaffected by changes in H1B visa policies
- The company has seen a shift in its talent strategy, with a significant increase in the quality of hires, particularly in the digital fields. About 40% of campus hires now focus on digital skills, up from 17% last year. Additionally, 50% of lateral hires are from high-end technology areas, including AI and data analytics
- Service lines such as AI, GenAI, data, cloud, IoTDE, and enterprise solutions delivered strong engagement and growth in 4Q
- AI and GenAI pipelines in 4Q were highest in recent quarters, with significant increase in AI for IT and business
- The cloud market showed a significant increase in sovereign cloud demand in FY25
- Campus hiring progressing as planned; increased onboarding expected in FY26
- The board recommended final dividend of INR30 per share, taking total dividend for FY25 to INR126 per share

Fig 1 – Quarterly results: Comparison of actuals with estimates

Y/E Mar (Rs mn)	4QFY24	3QFY25	4QFY25	YoY(%)	QoQ (%)	4QFY25E	Deviation (%)
Net Sales (US\$ mn)	7,363	7,539	7,465	1.4	(1.0)	7,516	(0.7)
Net Sales	612,370	639,730	644,790	5.3	0.8	650,141	(0.8)
Software Expenses	360,460	391,390	394,740	9.5	0.9	394,521	0.1
% of Sales	58.9	61.2	61.2			60.7	
Gross Margin	251,910	248,340	250,050	(0.7)	0.7	255,620	(2.2)
% of Sales	41.1	38.8	38.8			39.3	
Operating Expenses	92,730	91,770	94,040	1.4	2.5	93,147	1.0
% of Sales	15.1	14.3	14.6			14.3	
EBIT	159,180	156,570	156,010	(2.0)	(0.4)	162,473	(4.0)
EBIT Margin (%)	26.0	24.5	24.2			25.0	
Other Income	9,310	10,090	8,010	(14.0)	(20.6)	11,525	(30.5)
PBT	168,490	166,660	164,020	(2.7)	(1.6)	173,998	(5.7)
Provision for Tax	43,470	42,220	41,090	(5.5)	(2.7)	44,079	(6.8)
Effective Tax Rate	25.8	25.3	25.1			25.3	
Minority share in Profit / Loss	680	640	690	1.5	7.8	640	7.8
Less: One-off Items	0	0	0	0.0		0	
Reported PAT	124,340	123,800	122,240	(1.7)	(1.3)	129,279	(5.4)
PAT Adjusted	124,340	123,800	122,240	(1.7)	(1.3)	129,279	(5.4)
NPM (%)	20.3	19.4	19.0			19.9	

Source: Company, BOBCAPS Research

Fig 2 – 5 Year PE trend

Source: Company, BOBCAPS Research

Fig 3 – Revised Estimates

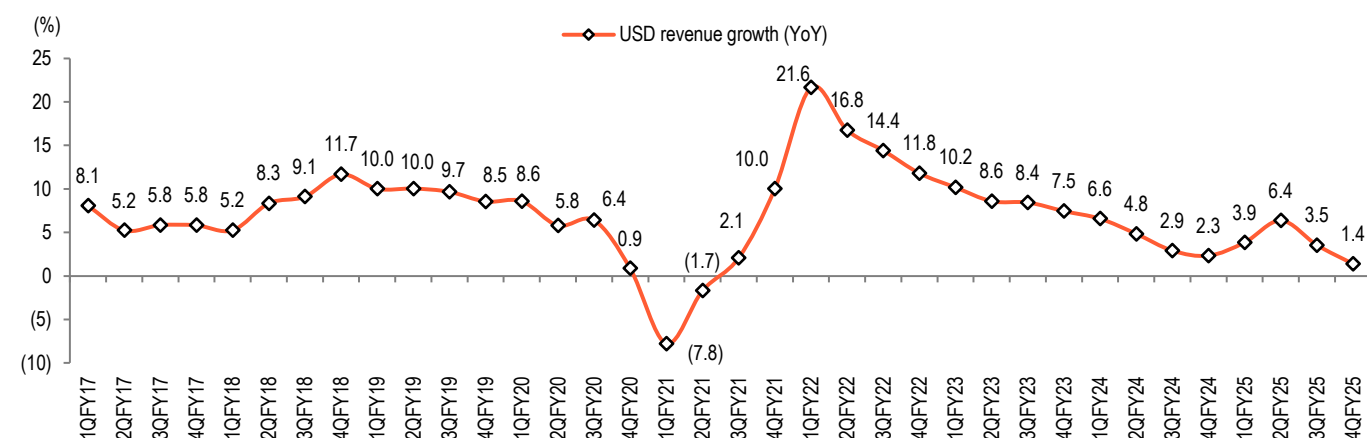
Change in estimates	New		Old		Change (%)	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
INR/US\$	87.3	89.3	87.3	89.3	-	-
USD Revenue (US\$ mn)	30,179	32,304	31,002	33,381	(2.7)	(3.2)
USD Revenue Growth (%)	(0.0)	7.0	2.7	7.7		
Revenue (Rs bn)	2,633	2,884	2,705	2,980	(2.7)	(3.2)
EBIT (Rs bn)	653	715	667	744	(2.1)	(3.9)
EBIT Margin (%)	24.8	24.8	24.7	25.0		
PAT (Rs bn)	511	556	528	587	(3.2)	(5.4)
FDEPS (Rs)	141.4	153.6	146.1	162.3	(3.2)	(5.4)

Source: Company, BOBCAPS Research

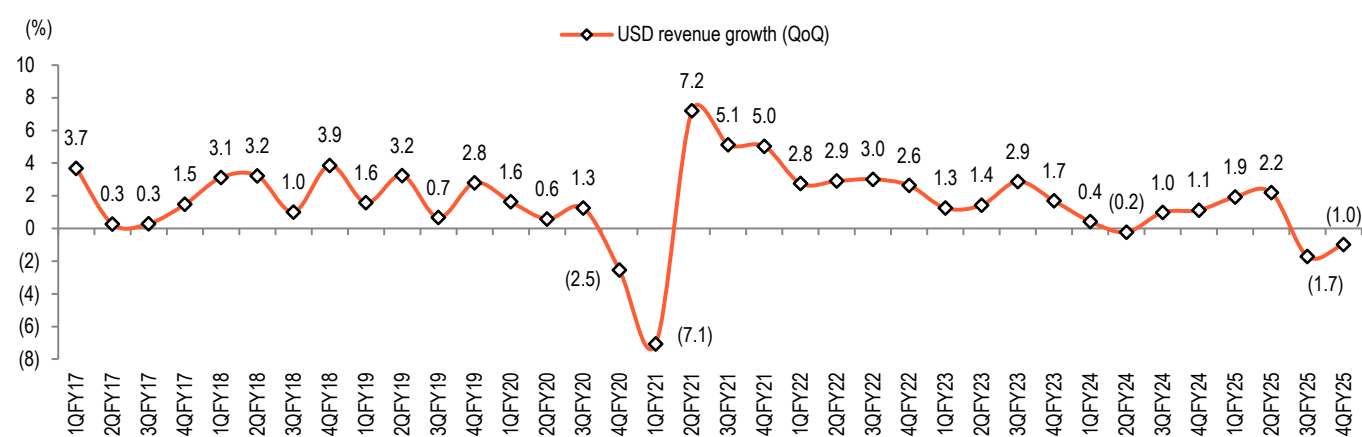
Fig 4 – P&L at a glance

Y/E Mar (Rs bn)	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Average INR/US\$	54.5	60.8	61.2	65.6	67.1	64.5	70.1	71.0	74.1	74.6	80.7	82.8	84.6	87.3	89.3
Net Sales (US\$ mn)	11,569	13,443	15,454	16,544	17,575	19,089	20,913	22,032	22,174	25,707	27,927	29,080	30,179	30,179	32,304
-Growth (%)	15.7	16.2	15.0	7.1	6.2	8.6	9.6	5.4	0.6	15.9	8.6	4.1	3.8	0.00	7.0
Net Sales	630	818	946	1,086	1,180	1,231	1,465	1,569	1,642	1,918	2,255	2,409	2,553	2,633	2,884
-Growth (%)	28.8	29.9		14.8	8.6	4.4	19.0	7.2	4.6	16.8	17.6	6.8	6.0	3.1	9.5
Cost of Sales & Services	339	431	525	609	669	713	852	923	971	1,146	1,363	1,436	1,560	1,609	1,747
Gross Margin	291	387	421	477	511	518	613	646	670	771	892	973	993	1,024	1,136
% of sales	46.2	47.4	44.5	43.9	43.3	42.1	41.9	41.2	40.8	40.2	39.6	40.4	38.9	38.9	39.4
SG& A	121	149	167	190	208	213	239	260	246	287	350	380	372	371	421
% of sales	19.2	18.3	17.6	17.4	17.6	17.3	16.3	16.6	15.0	15.0	15.5	15.8	14.6	14.1	14.6
EBIT	170	238	254	288	303	305	375	386	425	485	542	593	622	653	715
EBIT Margin (%)	27.0	29.1	26.9	26.5	25.7	24.8	25.6	24.6	25.9	25.3	24.1	24.6	24.3	24.8	24.8
Other income (net)	10	15	31	31	42	36	41	37	25	32	27	37	32	33	30
PBT	180	254	286	318	345	341	416	422	450	517	569	630	653	686	745
-PBT margin (%)	28.6	31.0	30.2	29.3	29.3	27.7	28.4	26.9	27.4	27.0	25.2	26.2	25.6	26.1	25.8
Provision for tax	40	61	67	75	82	82	100	98	115	132	146	163	165	172	187
Effective tax rate (%)	22.4	23.9	23.3	23.6	23.6	24.1	24.1	23.2	25.5	25.6	25.7	25.8	25.3	25.1	25.1
Minority Interest	2	2	2	1	1	1	1	1	1	1	2	2	2	3	3
Net profit	138	191	217	242	263	258	315	323	334	383	421	466	486	511	556
-Growth (%)	29.9	38.2	13.5	11.6	8.6	(1.8)	21.9	2.8	3.2	14.8	10.0	10.5	4.2	5.3	8.7
-Net profit margin (%)	22.0	23.4	22.9	22.3	22.3	21.0	21.5	20.6	20.3	20.0	18.7	19.3	19.0	19.4	19.3

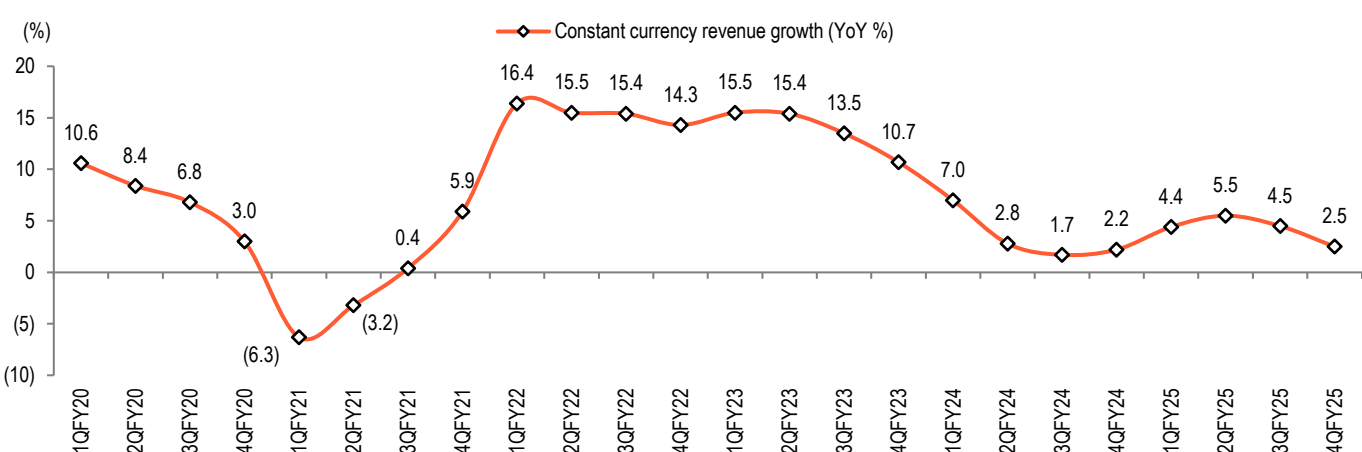
Source: Company, BOBCAPS Research

Fig 5 – US\$ revenue growth rate (YoY)

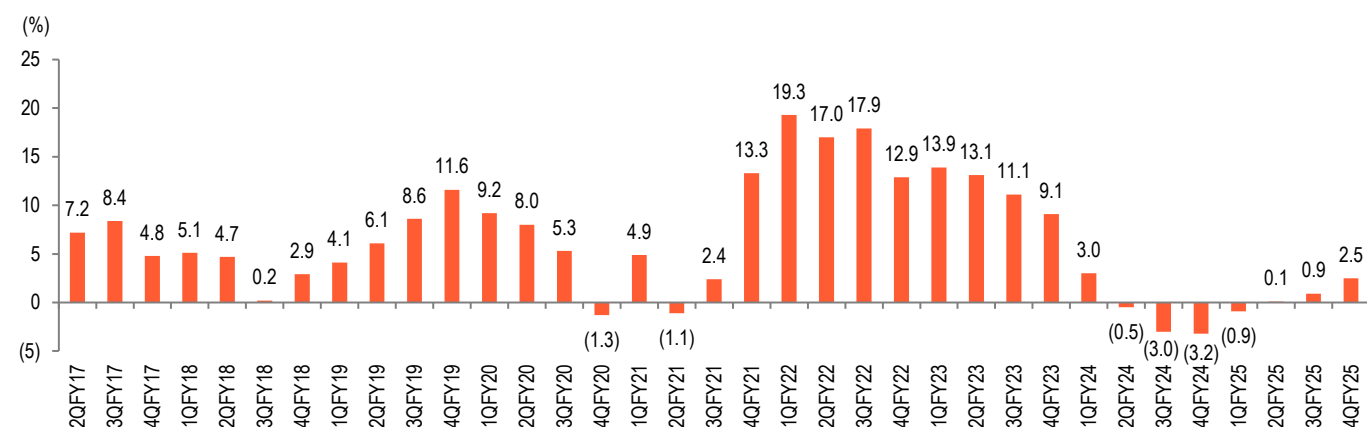
Source: Company, BOBCAPS Research

Fig 6 – US\$ revenue growth rate (QoQ)

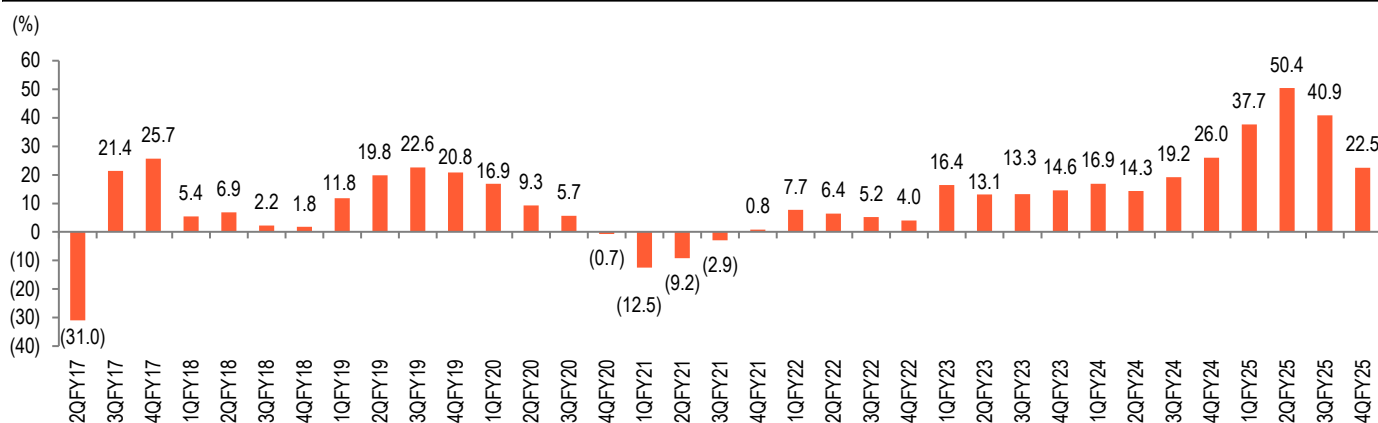
Source: Company, BOBCAPS Research

Fig 7 – CC Revenue Growth (YoY)

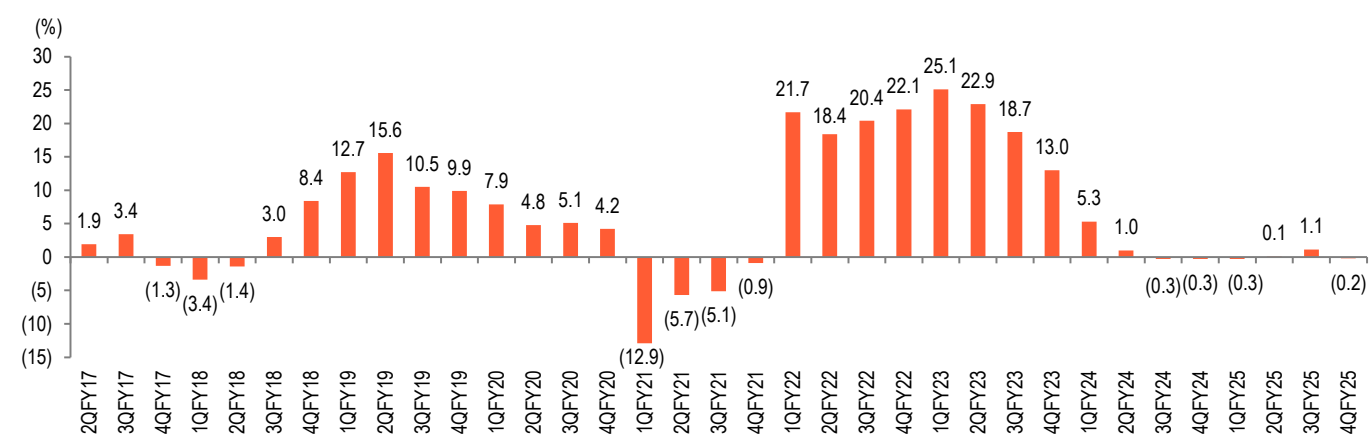
Source: Company, BOBCAPS Research

Fig 8 – CC BFSI Vertical Growth (YoY)

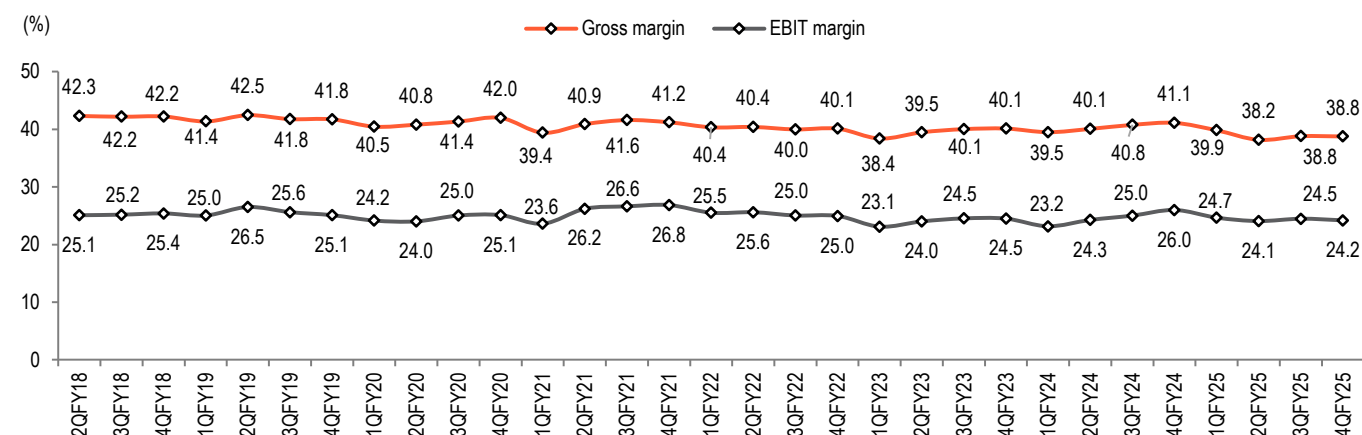
Source: Company, BOBCAPS Research

Fig 9 – CC Regional Market and Others Vertical Growth (YoY)

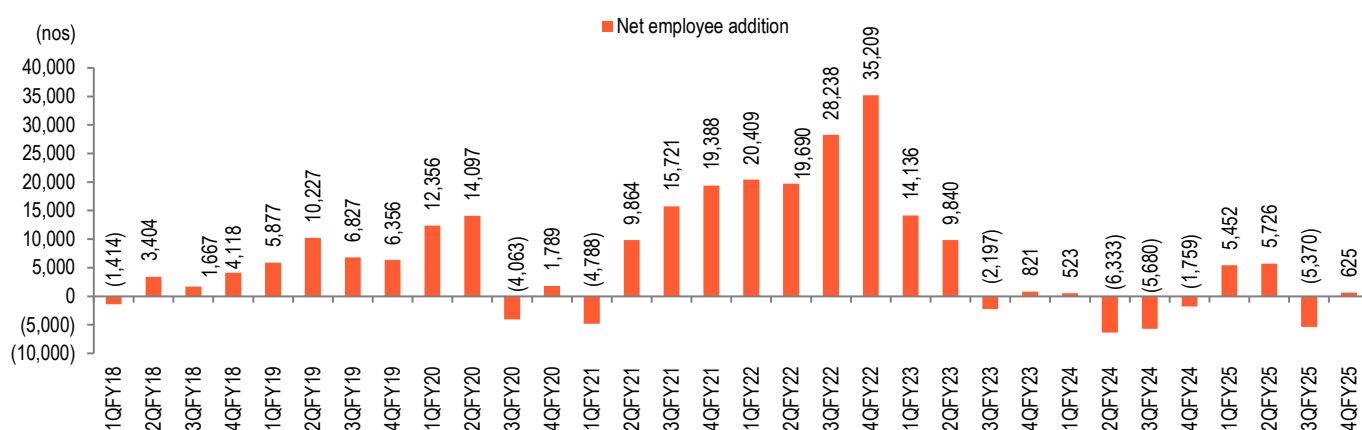
Source: Company, BOBCAPS Research

Fig 10 – CC Retail and CPG Vertical Growth (YoY)

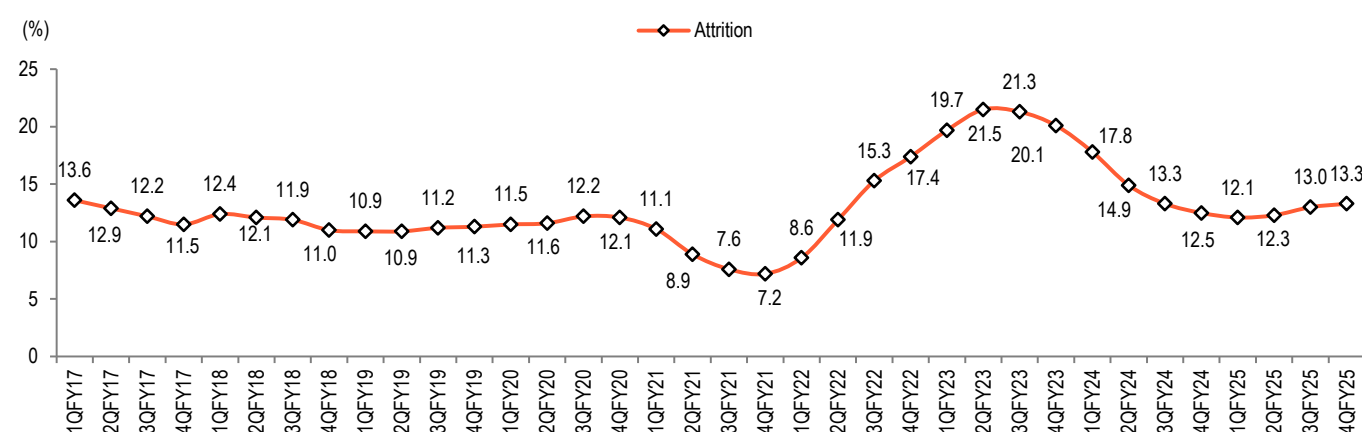
Source: Company, BOBCAPS Research

Fig 11 – Gross and EBIT margin trend

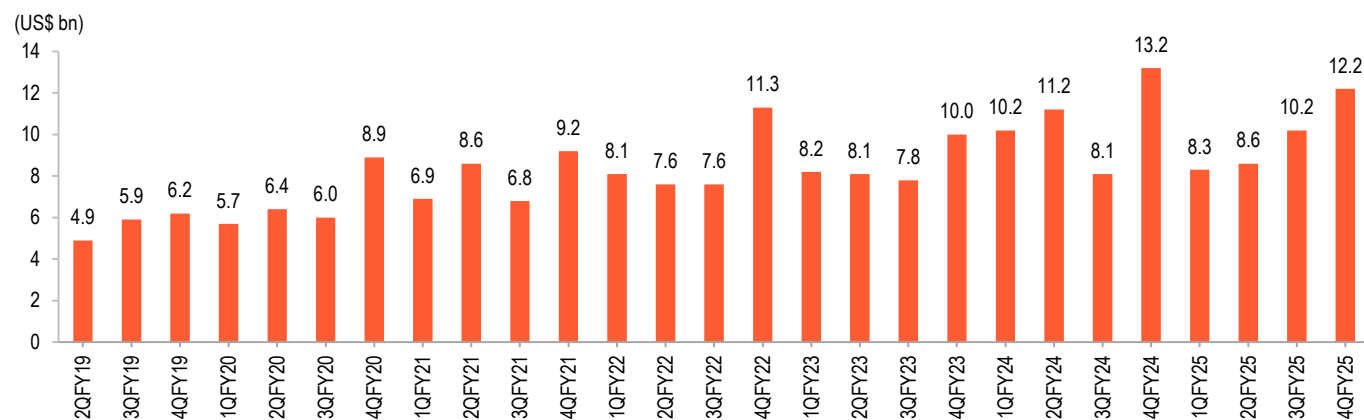
Source: Company, BOBCAPS Research

Fig 12 – Net employee addition (QoQ)

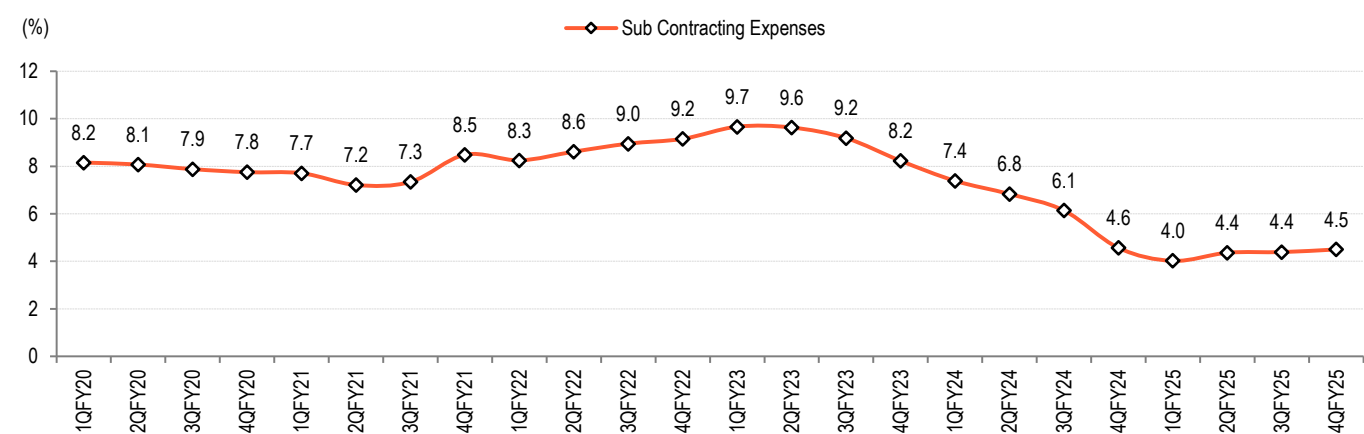
Source: Company, BOBCAPS Research

Fig 13 – LTM Attrition rate

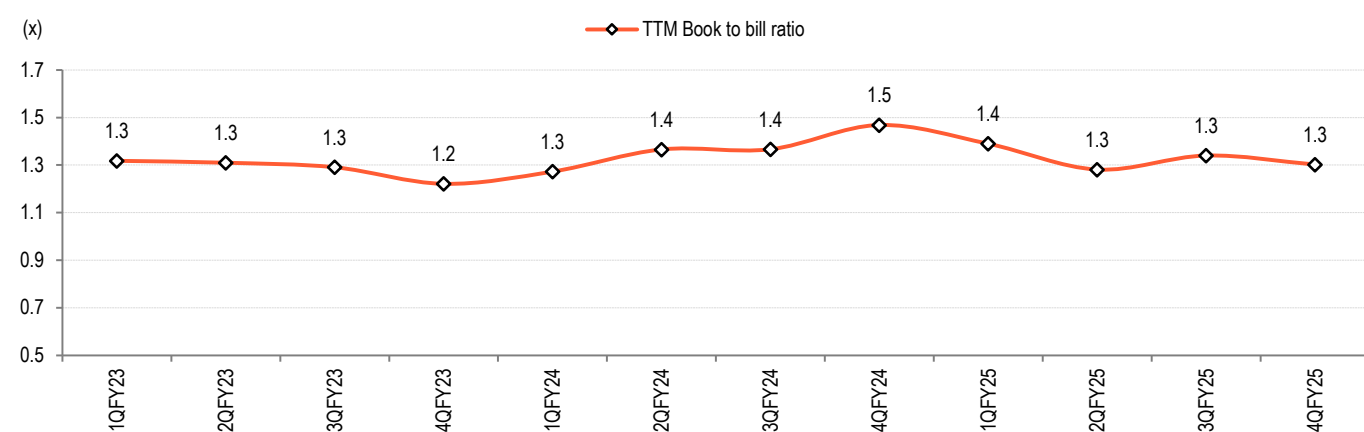
Source: Company, BOBCAPS Research

Fig 14 – Order book TCV picture

Source: Company, BOBCAPS Research

Fig 15 – Subcontractor charges (% of revenue)

Source: Company, BOBCAPS Research

Fig 16 – TTM Book/ Bill Ratio

Source: Company, BOBCAPS Research

Fig 17 – Quarterly Snapshot

Year to 31 March	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
INR/US\$	77.8	80.4	82.3	82.2	82.2	82.8	83.2	83.2	83.4	83.8	84.9	86.4
Revenue (in US\$ bn)	6.8	6.9	7.1	7.2	7.2	7.2	7.3	7.4	7.5	7.7	7.5	7.5
(Rs bn)												
Revenue	527.6	553.1	582.3	591.6	593.8	596.9	605.8	612.4	626.1	642.6	639.7	644.8
Gross margin	202.7	218.5	233.2	237.5	234.7	239.3	247.1	251.9	249.5	245.4	248.3	250.1
EBIT	121.9	132.8	142.8	144.9	137.6	144.8	151.6	159.2	154.4	154.7	156.6	156.0
Other income	5.9	8.2	3.6	9.0	12.3	8.5	7.2	9.3	7.9	5.7	10.1	8.0
PBT	127.8	141.0	146.4	153.9	149.9	153.3	158.7	168.5	162.3	160.3	166.7	164.0
Tax	32.6	36.3	37.6	39.6	38.7	39.5	41.0	43.5	41.3	40.8	42.2	41.1
PAT	94.8	104.3	108.5	113.9	110.7	113.4	117.4	124.3	120.4	119.1	123.8	122.2
Number of shares	3,659	3,659	3,659	3,658	3,660	3,659	3,610	3,618	3,618	3,618	3,618	3,618
EPS	25.9	28.5	29.6	31.1	30.3	31.0	32.5	34.4	33.3	32.9	34.2	33.8
YoY Growth (%)												
USD Revenue	10.2	8.6	8.4	7.5	6.6	4.8	2.9	2.3	3.9	6.4	3.5	1.4
INR Revenues	16.2	18.0	19.1	16.9	12.6	7.9	4.0	3.5	5.4	7.7	5.6	5.3
Gross profit	10.6	15.3	19.3	17.0	15.8	9.5	6.0	6.1	6.3	2.5	0.5	(0.7)
EBIT	5.2	10.7	16.7	14.7	12.9	9.1	6.1	9.9	12.3	6.8	3.3	(2.0)
Net profit	5.2	8.4	11.0	14.8	16.8	8.7	8.2	9.1	8.7	5.0	5.5	(1.7)
QoQ Growth (%)												
USD Revenues	1.25	1.4	2.9	1.70	0.43	(0.22)	1.0	1.1	1.93	2.20	(1.71)	(0.98)
INR Revenues	4.3	4.8	5.3	1.6	0.4	0.5	1.5	1.1	2.2	2.6	(0.4)	0.8
EBIT	(3.5)	9.0	7.6	1.4	(5.1)	5.3	4.6	5.0	(3.0)	0.1	1.2	(0.4)
Net profit	(4.5)	10.1	4.0	5.0	(2.8)	2.4	3.5	6.0	(3.2)	(1.1)	4.0	(1.3)
Margins (%)												
Gross margin	38.4	39.5	40.1	40.1	39.5	40.1	40.8	41.1	39.9	38.2	38.8	38.8
EBIT	23.1	24.0	24.5	24.5	23.2	24.3	25.0	26.0	24.7	24.1	24.5	24.2
PAT	18.0	18.9	18.6	19.3	18.6	19.0	19.4	20.3	19.2	18.5	19.4	19.0
SGA	15.3	15.5	15.5	15.7	16.4	15.8	15.8	15.1	15.2	14.1	14.3	14.6

Source: Company, BOBCAPS Research

Fig 18 – Key Metrics

	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
P and L (Rs mn)												
Revenue	527,580	553,090	582,290	591,620	593,810	596,920	605,830	612,370	626,130	642,590	639,730	644,790
EBITDA	121,860	132,790	142,840	144,880	137,550	144,830	151,550	159,180	154,420	154,650	156,570	156,010
PAT	94,780	104,310	108,460	113,920	110,740	113,420	117,350	124,340	120,400	119,090	123,800	122,240
Vertical Mix (%)												
BFSI	32.1	33.6	33.1	32.9	32.5	32.6	31.7	31.3	30.9	30.8	30.5	31.2
Manufacturing	9.9	8.2	8.2	8.2	8.3	8.6	8.7	8.8	8.8	8.6	8.4	8.4
Communication and Media	6.8	7.3	7.2	7.1	7.0	6.9	6.7	6.6	6.2	5.9	5.8	5.8
Life Sciences	10.1	10.7	10.8	10.9	11.0	10.9	10.9	10.9	11.0	10.4	10.1	10.1
Retail & Distribution	15.9	16.1	16.0	16.0	16.1	15.9	15.7	15.7	15.4	15.1	15.3	15.3
Hi-Tech	8.8	9.1	9.0	8.9	8.7	8.6	8.4	8.2	8.1	8.0	8.0	8.1
Energy And Utility	-	5.0	5.2	5.4	5.5	5.6	5.7	5.6	5.6	5.7	5.6	5.7
Others	16.4	10.0	10.5	10.6	10.9	10.9	12.2	12.9	14.0	15.5	16.3	15.4
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Geographic Mix (%)												
North America	53.2	54.3	53.7	52.4	52.0	51.7	50.6	50.0	49.5	47.6	47.7	48.2
UK	14.9	14.5	14.9	15.7	16.4	16.5	16.4	16.8	16.9	17.0	16.6	16.8
Europe	15.2	14.5	14.8	15.1	14.9	14.9	15.0	14.6	14.4	14.6	13.9	14.3
India	4.8	5.1	5.1	5.0	4.9	4.9	6.1	6.7	7.5	8.9	9.8	8.4
APAC	8.3	8.0	7.9	8.0	7.8	7.8	7.8	7.8	7.8	8.0	7.8	8.1
Ibero America	1.8	1.7	1.8	1.8	2.0	2.0	2.1	2.0	1.9	1.8	1.9	1.8
MEA	1.8	1.9	1.8	2.0	2.0	2.2	2.0	2.1	2.0	2.1	2.3	2.4
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Number of Client												
\$100mn +	59	59	59	60	60	61	61	62	63	66	64	64
\$50mn +	124	124	130	133	137	137	137	139	140	136	134	130
Employee Number	606,331	616,171	613,974	614,795	615,318	608,985	603,305	601,546	606,998	612,724	607,354	607,979
Net Addition	14,136	9,840	(2,197)	821	523	(6,333)	(5,680)	(1,759)	5,452	5,726	(5,370)	625
Attrition (%)	19.7	21.5	21.3	20.1	17.8	14.9	13.3	12.5	12.1	12.3	13.0	13.3
Net Employee Growth (YoY%)	19	17	10	4	1	(1)	(2)	(2)	(1)	1	1	1
P&L (USD mn)												
Revenue	6,780	6,877	7,075	7,195	7,226	7,210	7,281	7,363	7,505	7,670	7,539	7,465
EBIT	1,566	1,652	1,736	1,761	1,674	1,749	1,821	1,915	1,850	1,846	1,845	1,807
PAT	1,218	1,299	1,318	1,385	1,347	1,370	1,410	1,497	1,441	1,421	1,459	1,418
Per Capita (Annualised) (US\$)												
Revenue	44,728	44,643	46,093	46,812	46,974	47,357	48,274	48,961	49,457	50,071	49,651	49,114
EBIT	10,333	10,721	11,311	11,456	10,880	11,488	12,072	12,732	12,190	12,051	12,148	11,891
PAT	8,038	8,430	8,588	9,009	8,755	8,999	9,347	9,953	9,495	9,276	9,606	9,332
Direct and Opex cost per capita	34,395	33,922	34,782	35,357	36,094	35,869	36,202	36,228	37,266	38,021	37,503	37,222

Source: Company, BOBCAPS Research

Fig 19 – QoQ and YoY growth of various parameters

(in US\$)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
QoQ Growth (%)												
Revenue	1.3	1.4	2.9	1.7	0.4	-0.2	1.0	1.1	1.9	2.2	-1.7	-1.0
Geographical Data												
Americas	4.4	3.5	1.7	(0.8)	(0.3)	(0.8)	(1.2)	(0.1)	0.9	(1.7)	(1.5)	0.1
UK	(3.3)	(1.3)	5.7	7.2	4.9	0.4	0.4	3.6	2.5	2.8	(4.0)	0.2
Europe	(0.7)	(3.2)	5.0	3.8	(0.9)	(0.2)	1.7	(1.6)	0.5	3.6	(6.4)	1.9
India	(4.7)	7.8	2.9	(0.3)	(1.6)	(0.2)	25.7	11.1	14.1	21.3	8.2	(15.1)
APAC	(1.1)	(2.2)	1.6	3.0	(2.1)	(0.2)	1.0	1.1	1.9	4.8	(4.2)	2.8
Ibero America	7.2	(4.2)	8.9	1.7	11.6	(0.2)	6.0	(3.7)	(3.2)	(3.2)	3.8	(6.2)
MEA	(8.9)	7.1	(2.5)	13.0	0.4	9.8	(8.2)	6.2	(2.9)	7.3	7.7	3.3
Verticals												
BFSI	1.9	6.2	1.3	1.1	(0.8)	0.1	(1.8)	(0.1)	0.6	1.9	(2.7)	1.3
Manufacturing	0.2	(16.0)	2.9	1.7	1.7	3.4	2.2	2.3	1.9	(0.1)	(4.0)	(1.0)
Communication and Media	2.8	8.9	1.5	0.3	(1.0)	(1.6)	(1.9)	(0.4)	(4.2)	(2.7)	(3.4)	(1.0)
Life Science & Healthcare	2.3	7.5	3.8	2.6	1.4	(1.1)	1.0	1.1	2.9	(3.4)	(4.5)	(1.0)
Retail and distribution	4.5	2.7	2.2	1.7	1.1	(1.5)	(0.3)	1.1	(0.0)	0.2	(0.4)	(1.0)
Hi-Tech (Now Technology Services)	2.4	4.9	1.7	0.6	(1.8)	(1.4)	(1.4)	(1.3)	0.7	0.9	(1.7)	0.3
Energy and Utilities	0.0	0.0	7.0	5.6	2.3	1.6	2.8	(0.6)	1.9	4.0	(3.4)	0.8
Regional Market & Others	(4.0)	(38.2)	8.0	2.7	3.3	(0.2)	13.0	6.9	10.6	13.1	3.4	(6.4)
YoY Growth (%)												
Revenue	10.2	8.6	8.4	7.5	6.6	4.8	2.9	2.3	3.9	6.4	3.5	1.4
Geographical Data												
Americas	18.6	17.2	14.9	9.1	4.2	(0.2)	(3.0)	(2.4)	(1.1)	(2.1)	(2.4)	(2.3)
UK	0.7	(2.2)	3.6	8.1	17.3	19.3	13.3	9.5	7.0	9.6	4.8	1.4
Europe	0.3	(1.0)	0.3	4.7	4.5	7.7	4.3	(1.1)	0.4	4.2	(4.0)	(0.7)
India	15.0	8.6	0.6	5.3	8.8	0.7	23.1	37.1	59.0	93.2	66.3	27.1
APAC	(1.7)	(3.5)	(0.4)	1.1	0.2	2.2	1.6	(0.2)	3.9	9.1	3.5	5.3
Ibero America	23.9	15.4	14.8	13.8	18.4	23.3	20.1	13.7	(1.3)	(4.3)	(6.3)	(8.8)
MEA	(5.6)	3.2	2.7	7.5	18.4	21.4	14.3	7.5	3.9	1.5	19.1	15.9
Verticals												
BFSI	8.8	12.6	11.8	10.8	7.9	1.7	(1.4)	(2.6)	(1.3)	0.5	(0.4)	1.1
Manufacturing	11.3	(10.1)	(10.2)	(11.9)	(10.6)	10.0	9.2	9.8	10.1	6.4	(0.0)	(3.2)
Communication and Media	17.1	22.0	20.1	13.9	9.7	(0.9)	(4.2)	(4.9)	(8.0)	(9.0)	(10.4)	(10.9)
Life Science & Healthcare	9.1	16.2	18.3	17.1	16.1	6.8	3.9	2.3	3.9	1.5	(4.1)	(6.1)
Retail and distribution	18.4	16.6	14.9	11.6	7.9	3.5	1.0	0.4	(0.7)	1.0	0.9	(1.2)
Hi-Tech	12.7	12.3	12.2	9.9	5.4	(0.9)	(3.9)	(5.7)	(3.3)	(1.0)	(1.4)	0.1
Energy and Utilities	0.0	0.0	0.0	0.0	0.0	17.4	12.8	6.1	5.7	8.3	1.7	3.2
Regional Market & Others	2.1	(37.6)	(36.0)	(34.2)	(29.2)	14.3	19.6	24.5	33.4	51.3	38.3	21.0

Source: Company, BOBCAPS Research

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25A	FY26E	FY27E
Total revenue	2,254,580	2,408,930	2,553,240	2,633,184	2,883,534
EBITDA	592,600	642,950	674,070	725,289	814,591
Depreciation	50,230	49,840	52,420	72,222	99,522
EBIT	542,370	593,110	621,650	653,066	715,069
Net interest inc./(exp.)	(7,790)	(7,780)	(7,960)	(9,080)	(9,080)
Other inc./(exp.)	34,490	45,050	39,620	42,064	39,302
Exceptional items	0	0	0	0	0
EBT	569,070	630,380	653,310	686,051	745,291
Income taxes	146,040	162,620	165,340	171,868	186,709
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	1,560	1,910	2,440	2,760	2,760
Reported net profit	421,470	465,850	485,530	511,423	555,822
Adjustments	0	0	0	0	0
Adjusted net profit	421,470	465,850	485,530	511,423	555,822

Balance Sheet

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25A	FY26E	FY27E
Accounts payables	105,150	99,810	139,090	144,036	160,664
Other current liabilities	312,130	344,780	373,580	382,344	411,803
Provisions	3,450	1,400	1,800	1,800	1,800
Debt funds	0	0	0	0	0
Other liabilities	103,720	105,310	124,110	125,184	128,793
Equity capital	3,660	3,620	3,620	3,620	3,620
Reserves & surplus	908,400	909,570	954,090	995,161	1,044,451
Shareholders' fund	912,060	913,190	957,710	998,781	1,048,071
Total liab. and equities	1,436,510	1,464,490	1,596,290	1,652,145	1,751,131
Cash and cash eq.	110,320	132,860	154,630	188,894	204,705
Accounts receivables	503,020	537,200	591,750	612,795	683,535
Inventories	280	280	280	210	210
Other current assets	126,250	148,930	180,670	185,928	203,601
Investments	368,970	314,810	306,890	236,890	166,890
Net fixed assets	114,640	109,400	125,240	183,215	241,190
CWIP	0	0	0	0	0
Intangible assets	27,250	23,420	28,000	28,000	28,000
Deferred tax assets, net	33,070	34,030	35,780	37,052	41,330
Other assets	152,710	163,560	173,120	179,161	181,670
Total assets	1,436,510	1,464,490	1,596,360	1,652,145	1,751,131

Cash Flows

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25A	FY26E	FY27E
Cash flow from operations	443,450	486,970	551,930	576,653	621,680
Capital expenditures	(57,130)	(44,600)	(45,000)	(45,000)	(45,000)
Change in investments	(66,780)	54,010	7,980	70,000	70,000
Other investing cash flows	0	0	0	0	0
Cash flow from investing	(123,910)	9,410	(37,020)	25,000	25,000
Equities issued/Others	0	(207,400)	0	0	0
Debt raised/repaid	0	0	0	0	0
Interest expenses	(7,790)	(7,780)	(7,960)	(9,080)	(9,080)
Dividends paid	(507,050)	(318,888)	(549,334)	(566,773)	(610,371)
Other financing cash flows	0	0	0	0	0
Cash flow from financing	(514,840)	(534,068)	(557,294)	(575,853)	(619,451)
Chg in cash & cash eq.	(82,300)	22,312	217,719	105,625	113,068
Closing cash & cash eq.	109,970	132,632	350,579	260,255	301,963

Per Share

Y/E 31 Mar (Rs)	FY23A	FY24A	FY25A	FY26E	FY27E
Reported EPS	115.2	128.8	134.2	141.4	153.6
Adjusted EPS	115.2	128.8	134.2	141.4	153.6
Dividend per share	115.0	73.2	126.0	130.0	140.0
Book value per share	249.3	252.4	264.7	276.1	289.7

Valuations Ratios

Y/E 31 Mar (x)	FY23A	FY24A	FY25A	FY26E	FY27E
EV/Sales	5.1	4.8	4.6	4.4	4.0
EV/EBITDA	19.6	18.0	17.2	15.9	14.0
Adjusted P/E	28.2	25.2	24.2	23.0	21.1
P/BV	13.0	12.9	12.3	11.8	11.2

DuPont Analysis

Y/E 31 Mar (%)	FY23A	FY24A	FY25A	FY26E	FY27E
Tax burden (Net profit/PBT)	74.1	73.9	74.3	74.5	74.6
Interest burden (PBT/EBIT)	104.9	106.3	105.1	105.1	104.2
EBIT margin (EBIT/Revenue)	24.1	24.6	24.3	24.8	24.8
Asset turnover (Rev./Avg TA)	157.0	166.1	166.8	162.1	169.5
Leverage (Avg TA/Avg Equity)	1.6	1.6	1.6	1.6	1.6
Adjusted ROAE	46.2	51.0	50.7	51.2	53.0

Ratio Analysis

Y/E 31 Mar	FY23A	FY24A	FY25A	FY26E	FY27E
YoY growth (%)					
Revenue	17.6	6.8	6.0	3.1	9.5
EBITDA	11.7	8.5	4.8	7.6	12.3
Adjusted EPS	10.0	11.8	4.2	5.3	8.7

Profitability & Return ratios (%)

EBITDA margin	26.3	26.7	26.4	27.5	28.2
EBIT margin	24.1	24.6	24.3	24.8	24.8
Adjusted profit margin	18.7	19.3	19.0	19.4	19.3
Adjusted ROAE	46.0	51.0	51.9	52.3	54.3
ROCE	30.9	33.6	33.8	34.0	35.6

Working capital days (days)

Receivables	81	81	85	85	87
Inventory	NA	NA	NA	NA	NA
Payables	17	15	20	20	20

Ratios (x)

Gross asset turnover	19.7	22.0	20.4	14.4	12.0
Current ratio	1.8	1.8	1.8	1.9	1.9
Net interest coverage ratio	NA	NA	NA	NA	NA
Adjusted debt/equity	(0.1)	(0.1)	(0.2)	(0.2)	(0.2)

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

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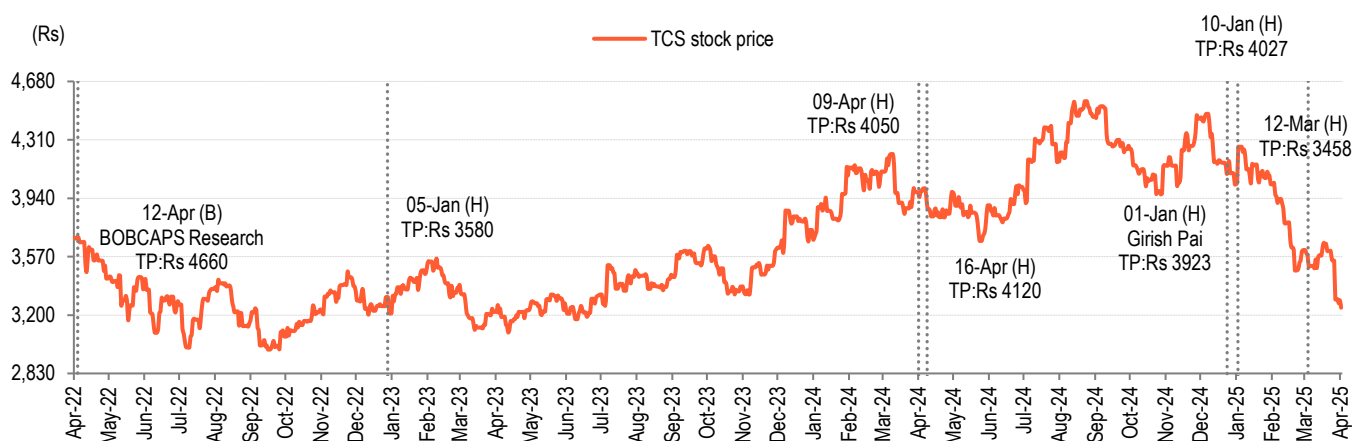
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

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