

HOLD**TP: Rs 1,783 | ▲ 7%****TECH MAHINDRA**

| IT Services

| 18 January 2026

Sceptics on FY27 margins will start to flip

- 3Q broadly in line; seems on track to deliver 15% EBIT margin in FY27, alongside above-peer revenue growth based on strong TCV
- FY26 USD revenue growth is likely positive after two years of decline. See acceleration into FY27-FY28 due to strong TCV accretion
- Tweak estimates. Raise multiple as we now expect better revenue growth. Maintain HOLD. TML among our top picks in Tier-1s

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3QFY26 broadly in line: Revenue growth of 1.7% CC (our estimate 2.5%) fell short, but EBIT margin at 13.1% beat our estimate of 12.8%. Tech Mahindra (TML) guided for a stronger 2HFY26 post 2QFY26 vs many of its larger peers. We expect a decent QoQ growth in 4Q, setting the stage for a growth year in FY27.

Unlike FY24 and FY25, we expect positive revenue exit in 4QFY26: That should position TML to outpace Tier-1 peers in FY27, even with modest CQGR (1-2%). TCV (all net new) should hold on to US\$800mn or higher in the coming quarters.

15% EBIT margin guidance held on despite lower growth expectation in FY27: When the 3-year journey began in April 2024, FY27 was expected to see materially stronger revenue growth. With pared revenue growth expectation, the EBIT margin goal remains achievable due to disciplined contracting, better margins on fixed price projects, extracting synergies from portfolio companies, pyramid optimization, right skilling, lower subcontracting costs, etc. Achieving a 15% EBIT margin in FY27 would mean exit margin of 13.5%-14% in FY26, up from 13.1% clocked in 3QFY26.

Quality leadership and cross-selling strength drive sustained growth: Faster growth in top accounts (>US\$20mn TTM revenue) vs the company average is viewed as a structural strength, enabling cross-selling across multiple service lines. Confidence in sustainable growth driven by quality leadership team, focus on largest accounts, and increasing large-deal book.

Raise estimates and target multiples: Considering the steady rise in TCV during the last many quarters, we have raised our revenues for FY27/FY28. We have lowered our Target PE discount we give to TML from 10% to 5% vis-vis TCS thereby raising our Target PE (to 20.5x). Rating remains a Hold and it is one of our top picks in the Tier-1 space within our coverage as we believe revenue growth will be at the upper end of the peer set combined with EBIT margin improvement beyond FY27. Thereby driving fastest EPS growth rate over the next 3-5 years.

Key changes

	Target	Rating
	▲	◀ ▶

Ticker/Price	TECHM IN/Rs 1,671
Market cap	US\$ 16.3bn
Free float	65%
3M ADV	US\$ 28.3mn
52wk high/low	Rs 1,736/Rs 1,209
Promoter/FPI/DII	35%/21%/35%

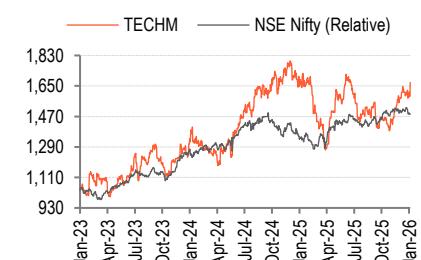
Source: NSE | Price as of 16 Jan 2026

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	5,29,883	5,65,179	6,14,391
EBITDA (Rs mn)	69,911	90,191	112,594
Adj. net profit (Rs mn)	42,818	53,337	74,801
Adj. EPS (Rs)	47.8	60.2	84.3
Consensus EPS (Rs)	47.8	58.5	73.3
Adj. ROAE (%)	15.8	19.6	26.9
Adj. P/E (x)	34.9	27.8	19.8
EV/EBITDA (x)	22.2	17.3	13.9
Adj. EPS growth (%)	80.6	25.9	40.0

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Key points from the quarter and earnings call

- Revenue stood at US\$1,610mn, up 1.7 % QoQ (against our estimate of 2.5%) and 1.3% YoY in CC terms.
 - Constant currency growth, driven by 1% rise in service revenue and seasonality net of furloughs, with remaining contribution from large-deal execution in European auto. This is expected to normalize next quarter.
 - Revenue growth, driven by broad-based performance across communications, manufacturing, high-tech, retail, and healthcare.
- IT services grew 1.3% QoQ; while BPS segment up by 2.6% QoQ. Seasonally, this is a strong quarter for BPS, given its exposure to the retail vertical.
- EBIT margin stood at 13.1% (beating our estimate of 12.8%), up ~100 bps QoQ and ~290 bps YoY.
 - Gross margin expanded by 120 bps QoQ on the improvement in fixed-price productivity program and volume growth.
 - Currency impact on QoQ margin expansion was marginal and not a significant driver; ~20–30 bps of margin improvement on volume leverage. Majority of margin expansion driven by operational efficiencies under Project Fortius; Project Fortius benefits included delivery net improvement, pricing improvement, utilization improvement, and productivity gains in fixed-price projects.
 - Automation and AI embedded in fixed-price programs supported higher revenue productivity and internal redeployment, contributing to margin expansion.
- Margin expansion in 2H, primarily on the back of gross margin levers. SG&A-led margin improvement dominated in 1H through Project Fortius initiatives, portfolio consolidation, and cost actions.
- Other income for the quarter was a loss of US\$2.4mn, primarily on account of foreign exchange losses.
- PAT margin before exceptional item at 9.2%; up 180 bps YoY.
 - Exceptional item for the quarter related to a one-time provision of US\$30 mn in accordance with a new wage code notification.
- Total deal wins at US\$1,096mn, representing ~48% growth on an LTM basis. Deal momentum is attributed to investments in strengthening sales engine, solution-based go-to-market offerings, and AI-enabled capabilities.
 - In the last 5 years, the highest quarterly deal bookings and LTM deal wins, as also the largest-ever deal win in Europe in the communications industry during the quarter.
 - Deal wins mix for the quarter tilted more towards Telecom and High-tech.

- Annual TCV of around US\$3.5 bn is considered reasonable, based on momentum over the last four quarters. Deal wins expected to remain lumpy across quarters, but overall trajectory viewed as structurally upward. Sustaining deal momentum is seen as key to achieving FY27 aspirations.
- Reiteration of confidence in progressing toward FY27 goals, with expectation to grow revenue faster than peer average by the end of FY27 and progress toward 15% EBIT margin.
- Overall improvement observed in the technology spending environment.
- AI revenue measurement presents challenges due to scopes varying from narrow direct AI consulting to broad AI-infused productivity, impacting almost all clients. Currently, no fully credible or auditable AI-specific revenue metric exists, making precise quantification challenging.
- Incremental deal pipeline is described as strong at the start of the year, despite typical lumpiness; though quarter to quarter fluctuations expected due to the lumpy nature of deal wins.
- Vertical-wise revenue performance
- Communications: 2.8% QoQ and 4.7% YoY
 - Stability observed in the US with stabilization in top client spending, while Europe expected to transition from stability to growth phase, supported by the large deal win.
 - Moving into 2027, communications expected to be one of the key growth verticals.
- Manufacturing: 2.2% QoQ and 11.7% YoY
 - Good traction observed in aerospace and industrial segments in the US, while Europe manufacturing growth supported by ramp-up of a large automotive client.
 - Seasonal European auto ramp to normalize next quarter, creating near-term volatility.
 - US automotive segment remained in wait-and-watch mode, with demand trends expected to improve over the medium term.
 - Medium to long-term manufacturing outlook positive.
- BFSI: -6.2% QoQ and -0.8% YoY
 - BFSI revenue declined due to higher-than-normal furloughs and passing of annual productivity gains to a large infrastructure contract in the rest of the world.
 - BFSI demand remained favorable with continued traction across transformation, experience, data analytics, cybersecurity, and AI adoption, with growth expected to normalize as seasonal factors ease.

- BFSI business described as relatively smaller within the overall portfolio, leading to amplified percentage impact from changes in a few clients.
- Elevated furloughs are attributed to client-specific factors such as project frequency and internal budgeting cycles.
- Productivity pass-through for the large BFSI client not expected to spill over into 4QFY26.
- At its analyst meet in Dec'25 ([Analyst meet note](#)), the CEO had indicated that while TML has been able to break through some key BFSI accounts, deal flow has not been up to his own expectation. He believes that in the current vendor consolidation environment, it becomes harder for a new vendor.
- TML continues to see demand in AI transformation and expect steady trajectory going ahead. Within BFSI, TML do not have much exposure to credit card issuer referring to Trump decree to freeze Credit card interest rate at 10% recently.
- Technology, Media and Entertainment: 3.0% QoQ and -4.6% YoY
- High-tech vertical declined YoY but showed positive QoQ momentum driven by engineering services, particularly in the semiconductor segment
- High-tech sector expected to remain volatile due to continued cost pressures and cautious IT spending
- Retail, Logistics and Transport: 4.0% QoQ and 11.7% YoY
- Growth supported by strong logistics traction and above-normal seasonality in BPS for retail.
- Healthcare and Lifesciences: 3.0% QoQ and -0.4% YoY
- Geography-wise revenue performance
 - Americas: 3.1% QoQ and 2.1% YoY.
 - Europe: 2.2% QoQ and 11.2% YoY, supported by large-deal ramp in European auto.
 - ROW: -2.3% QoQ and -4.0% YoY. Revenue from RoW declined due to furloughs and annual productivity gains, while priority markets grew 12.9% YoY. Priority rest-of-world markets identified as ANZ, Japan, Singapore, and Indonesia, reflecting focus on markets expected to contribute more meaningfully to future growth.
- Sequential headcount reduction is attributed to productivity improvements in fixed-price portfolio, which accounts for over half of total revenue.
- European telecom large deal value of over US\$500mn is entirely net new revenue
 - Large European telecom deal signed with an existing customer, but only incremental net new component counted in deal wins.

- Execution and delivery of the European telecom deal is expected to commence in 1H of the next financial year, contributing early in the new financial year.
- BFSI payments identified as a large practice overall, but exposure to actual card issuers described as limited
 - Current exposure is largely to the payment networks and not to the actual provider.
- Management reiterated pricing and profitability discipline on large deals.
- Timing of wage hike has not been decided yet. TML has not taken a salary hike thus far in FY27 and has been a contributory factor to its margin improvement. TML has also been of the view that its average resource cost is higher vs peers, as it was compelled to raise its compensation much higher to attract and retain employees during the pandemic phase.
- Communication vertical is largest single vertical with a complete portfolio combining IT and BPS, network services and software.
 - European opportunities driven by consolidation among clients.
 - US market largely consolidated; there was a slight improvement in spending observed compared with FY23 and FY24.
 - Asia market presents opportunities to deploy software stack at scale, with consolidation driving growth.
 - Comviva software portfolio is growing faster than the rest of the company.
 - Overall sector spend not increasing significantly, but market share gains are expected due to unique portfolio offerings and incumbency with key clients.
- Growth ambition beyond telecom supported by multiple verticals as against relying on a single vertical.
 - Manufacturing identified as a key growth driver based on solutions, capabilities, and existing client base.
 - Retail, CPG, and travel transportation logistics portfolio delivered strong performance, exceeding initial expectations. Optimism expressed for retail and related segments driven by strong leadership and execution.
 - BFSI highlighted as a medium to long-term growth driver due to large spend pool and ongoing capability build.
 - Expectation that all verticals will perform well over the long term.

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 12th March 2025 ([FY26 unlikely to be better than FY25](#)). Another report ([Uncertainty stays and 'eating the tariff' may impact even FY27](#)) and ([A fourth slow year?](#)) talks about our continued cautious stance on the sector.

While both earnings and PE multiples have corrected since 1 Jan 2025, the industry's structural organic revenue growth from here on will be lower vs ~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, a wider fiscal deficit from the 'one big, beautiful bill' (OBBB), and tighter immigration rules (including the new hurdles in H1-B visas), etc., may lead to delay in decision making in the near term.

While tariffs drove uncertainty in 2025, Trump's multiple proposals to address affordability crisis in the US ahead of the mid-terms in Nov'26 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 the IT spending outcomes.

Higher for longer interest rate environment: Lately, based on inflation prints and fears of a higher fiscal deficit, US 10Y yields have remained firm. There are fears of sustained high interest rates potentially reducing IT outsourcing demand; particularly in 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 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. 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 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 TCS, as our industry benchmark. Target PE for TCS 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 (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.

Reason for raising Target PE multiple: With Nifty IT underperforming by ~23ppt vs 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

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.

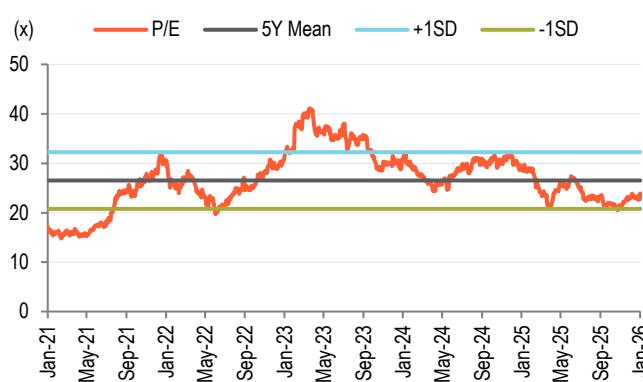
However, current PE premium to Tier-1s is excessive for certain stocks, because to deliver on the high consensus revenue growth expectations, they may be taking on more cost take-out projects that are likely to impact margins adversely.

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.

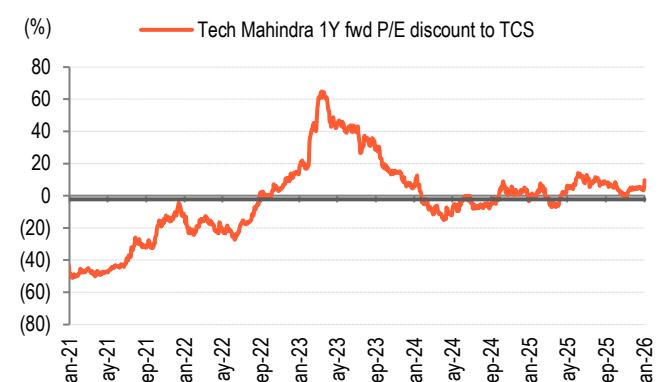
Fig 1 – Quarterly results: Comparison of actuals with estimates

Y/E March (Rs mn)	3QFY25	2QFY26	3QFY26	YoY (%)	QoQ (%)	3QFY26	Dev (%)
Net Sales (USD mn)	1,567	1,586	1,610	2.7	1.5	1,587	1.5
Net Sales	132,856	139,949	143,932	8.3	2.8	141,362	1.8
Direct Cost	94,559	99,159	100,276	6.0	1.1	98,911	1.4
Gross Margin	38,297	40,790	43,656	14.0	7.0	42,451	2.8
% of Sales	28.8	29.1	30.3			30.0	
SG&A	20,207	19,110	20,000	(1.0)	4.7	19,588	2.1
% of Sales	15.2	13.7	13.9			13.9	
EBITDA	18,090	21,680	23,656	30.8	9.1	22,863	3.5
EBITDA Margin (%)	13.6	15.5	16.4			16.2	
Depreciation & Amortisation	4,588	4,687	4,737	3.2	1.1	4,738	(0.0)
EBIT	13,502	16,993	18,919	40.1	11.3	18,125	4.4
EBIT Margin (%)	10.2	12.1	13.1			12.8	
Interest	759	772	936	23.3	21.2	772	21.2
Other Income	165	400	(217)	(231.5)	(154.2)	2,330	(109.3)
Amortisation of goodwill	0	0	0			0	
PBT	12,908	16,621	17,766	37.6	6.9	19,683	(9.7)
Share of Profit/ (loss) from Associate	66	(28)	9			0	
Provision for Tax	3,086	4,576	3,865	25.2	(15.5)	4,527	(14.6)
Effective Tax Rate	23.9	27.5	21.8			23.0	
Minority share in Profit / Loss	(56)	(72)	(34)	(39.3)	(52.8)	60	(156.7)
Adjusted PAT	9,832	11,945	13,944			15,216	(8.4)
Margin%	7.4	8.5	9.7			10.8	
Exceptional Item*	0	0	(2724)			0	
PAT (Reported)	9,832	11,945	11,220	14.1	(6.1)	15,216	(26.3)
Margin%	7.4	8.5	7.8			10.8	

Source: Company, BOBCAPS Research; *Exceptional Item relates to a one-time provision in accordance with the new wage code notification

Fig 2 – 5Y PE trend

Source: Bloomberg, BOBCAPS Research

Fig 3 – Premium/ Discount to TCS

Source: Bloomberg, BOBCAPS Research

Fig 4 – Revised Estimates

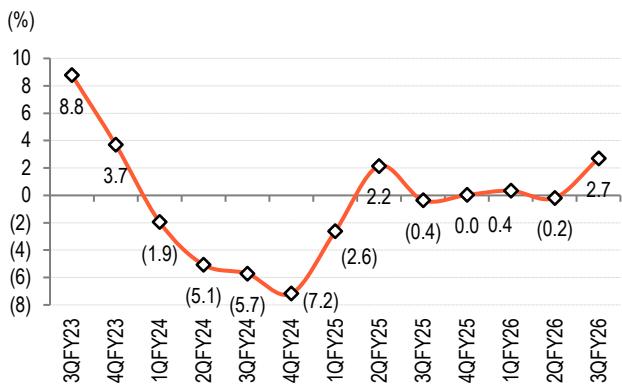
Change in estimates	New			Old			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
INR/USD	87.7	89.3	91.1	87.7	89.3	91.1	0.1	-	-
USD Revenue (USD mn)	6,402	6,827	7,326	6,371	6,700	7,147	0.5	1.9	2.5
USD Revenue Growth (%)	2.2	6.6	7.3	1.7	5.2	6.7			
Revenue (Rs mn)	565.2	614.4	667.2	560.2	598.9	650.9	0.9	2.6	2.5
EBIT (Rs mn)	71.4	92.6	103.6	70.5	88.5	101.0	1.3	4.7	2.6
EBIT Margin (%)	12.6	15.1	15.5	12.6	14.8	15.5			
PAT (Rs mn)	53.4	74.8	77.4	56.2	72.7	82.1	(4.9)	2.9	(5.6)
EPS (Rs)	60.2	84.3	87.2	63.3	81.9	92.4	(4.9)	2.9	(5.6)

Source: Company, BOBCAPS Research

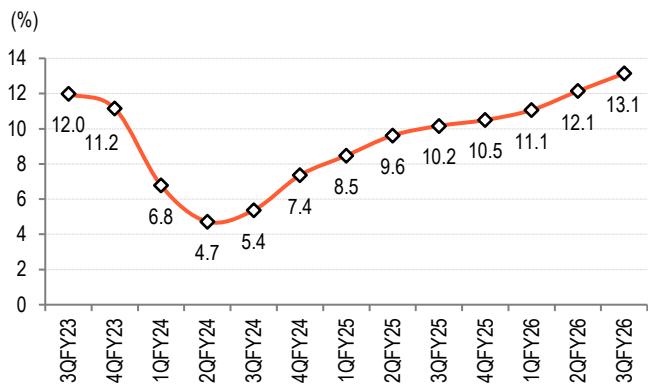
Fig 5 – P&L at a glance

(YE March)	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Average INR/USD	54.4	60.7	61.3	65.6	67.0	64.5	69.9	71.0	74.1	74.4	80.6	82.8	84.6	87.7	89.3	91.1
Net Sales (US\$m)	2,633	3,098	3,664	4,037	4,351	4,771	4,971	5,182	5,111	5,998	6,607	6,277	6,264	6,402	6,827	7,326
-Growth (%)	17.7	18.3	10.2	7.8	9.6	4.2	4.3	(1.4)	17.3	10.1	(5.0)	(0.2)	2.2	6.6	7.3	
Net Sales	143,320	188,313	224,779	264,941	291,408	307,730	347,421	368,677	378,551	446,460	532,902	519,955	529,883	565,179	614,391	667,157
-Growth (%)	31.4	19.4	17.9	10.0	5.6	12.9	6.1	2.7	17.9	19.4	(2.4)	1.9	6.7	8.7	8.6	
Cost of Sales & Services	90,007	117,001	150,734	183,316	205,661	215,299	233,590	259,743	258,555	309,719	381,197	391,146	380,848	397,453	425,726	465,774
Gross Profit	53,313	71,312	74,045	81,625	85,747	92,431	113,831	108,934	119,996	136,741	151,705	128,809	149,035	167,726	188,665	201,383
% of sales	37.2	37.9	32.9	30.8	29.4	30.0	32.8	29.5	31.7	30.6	28.5	24.8	28.1	29.7	30.7	30.2
SG&A	22,682	29,476	32,901	38,289	43,904	45,261	50,463	51,673	51,525	56,540	71,418	79,163	79,124	77,535	76,071	76,056
% of sales	15.8	15.7	14.6	14.5	15.1	14.7	14.5	14.0	13.6	12.7	13.4	15.2	14.9	13.7	12.4	11.4
EBITDA	30,631	41,836	41,144	43,336	41,843	47,170	63,368	57,261	68,471	80,201	80,287	49,646	69,911	90,191	112,594	125,327
% of sales	21.4	22.2	18.3	16.4	14.4	15.3	18.2	15.5	18.1	18.0	15.1	9.5	13.2	16.0	18.3	18.8
Depreciation	3,896	5,221	6,079	7,620	9,781	10,849	11,292	14,458	14,577	15,204	19,567	18,171	18,529	18,764	19,985	21,735
% of sales	2.7	2.8	2.7	2.9	3.4	3.5	3.3	3.9	3.9	3.4	3.7	3.5	3.5	3.3	3.3	3.3
EBIT	26,735	36,615	35,065	35,716	32,062	36,321	52,076	42,803	53,894	64,997	60,720	31,475	51,382	71,426	92,609	103,592
% of sales	18.7	19.4	15.6	13.5	11.0	11.8	15.0	11.6	14.2	14.6	11.4	6.1	9.7	12.6	15.1	15.5
Amortisation of goodwill	0	0	0	0	0	0	0	2,175	0	0	2,370	4,582	0	0	0	0
Interest expenses	922	797	297	871	1,286	1,624	1,332	1,919	1,740	1,626	3,256	3,922	3,217	3,257	3,083	3,083
Other income (net)	2,121	1,130	1,006	5,322	7,776	14,093	5,342	11,924	7,871	11,123	9,650	9,169	8,554	4,807	9,568	10,205
Share of profit from associate							(655)	(55)								
PBT	27,934	36,948	35,774	40,167	38,552	48,790	55,431	50,578	60,025	74,494	64,744	32,140	56,719	72,977	99,095	110,714
-PBT margin (%)	19.5	19.6	15.9	15.2	13.2	15.9	16.0	13.7	15.9	16.7	12.1	6.2	10.7	12.9	16.1	16.6
Provision for tax	6,479	7,524	9,472	8,600	10,021	10,925	12,544	11,604	15,999	18,220	15,885	8,276	14,002	19,610	24,278	27,125
Effective tax rate (%)	23.2	20.4	26.5	21.4	26.0	22.4	22.6	22.9	26.7	24.5	24.5	25.7	24.7	26.9	24.5	24.5
Minority Interest	301	336	310	412	389	(136)	88	1,356	750	(640)	(257)	(390)	(15)	16	16	16
Exceptional Items													2,724	0	0	0
Adj Net profit	20,756	29,122	26,062	31,160	28,136	38,001	43,194	40,166	44,272	55,637	48,531	23,511	42,451	53,437	74,833	77,442
-Growth (%)	263.3	54.9	(13.2)	18.7	(9.8)	35.1	13.1	(6.2)	7.3	31.5	(15.2)	(51.2)	81.6	24.6	40.2	11.7
-Net profit margin (%)	14.5	15.5	11.6	11.8	9.7	12.3	12.4	10.9	11.7	12.5	9.1	4.5	8.0	9.5	12.2	11.6

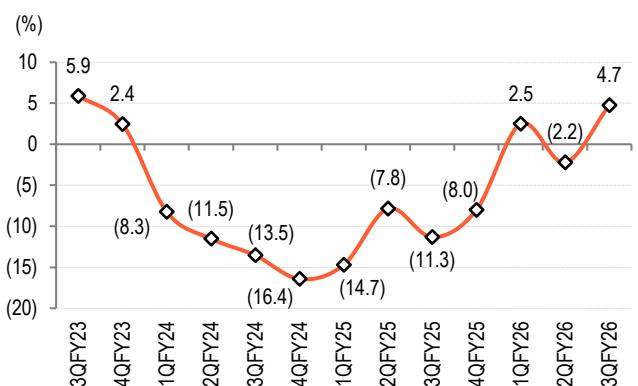
Source: Company, BOBCAPS Research

Fig 6 – YoY USD Revenue growth

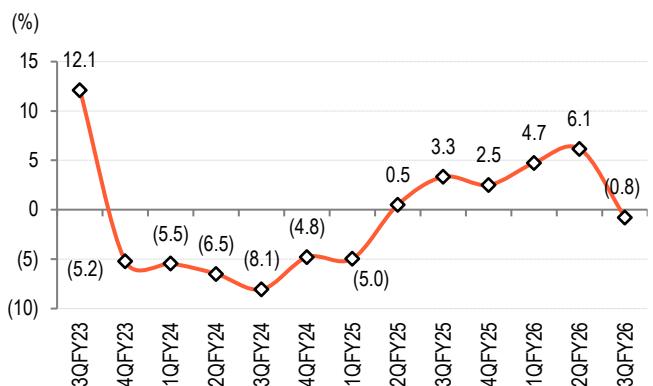
Source: Company, BOBCAPS Research

Fig 7 – EBIT Margin trend

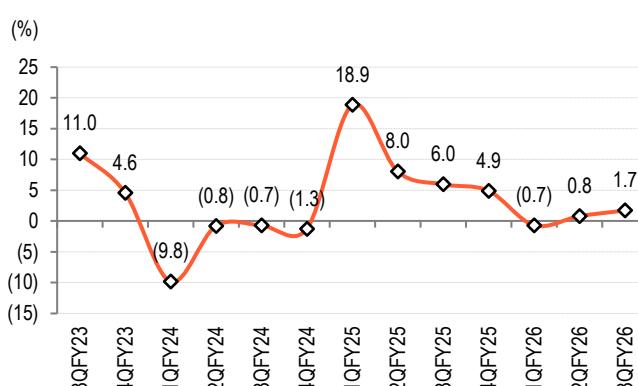
Source: Company, BOBCAPS Research

Fig 8 – Communication (Telecom) Growth (YoY)

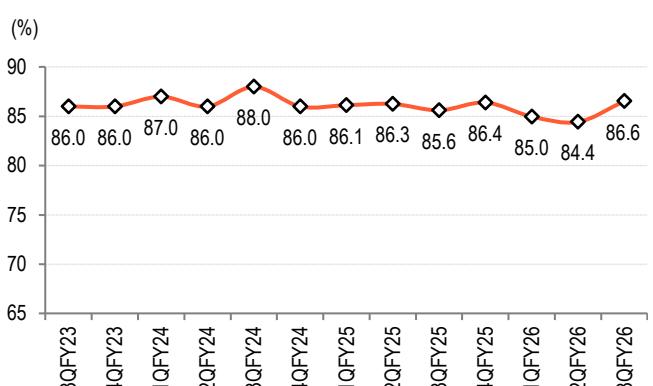
Source: Company, BOBCAPS Research

Fig 9 – BFSI Growth (YoY)

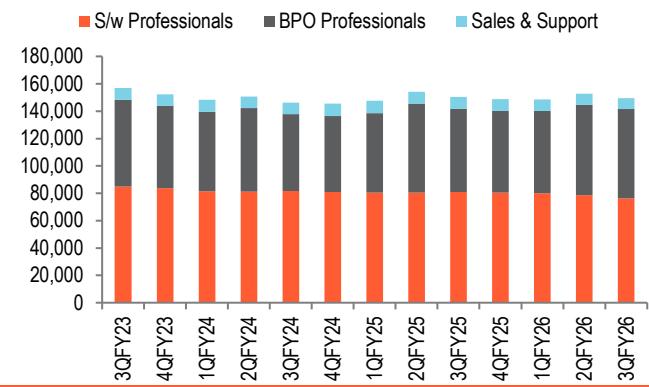
Source: Company, BOBCAPS Research

Fig 10 – Enterprise side Growth (YoY)

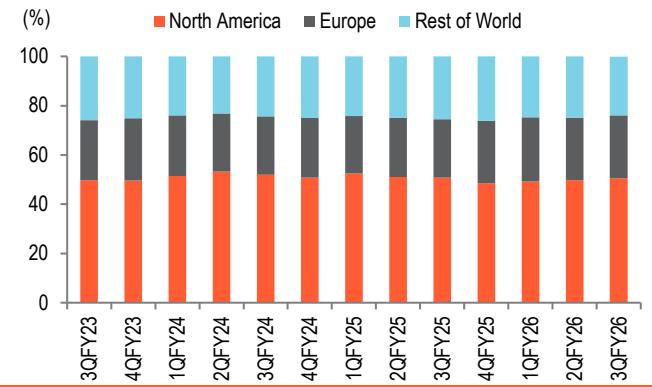
Source: Company, BOBCAPS Research

Fig 11 – IT Utilization (%) (including trainees)

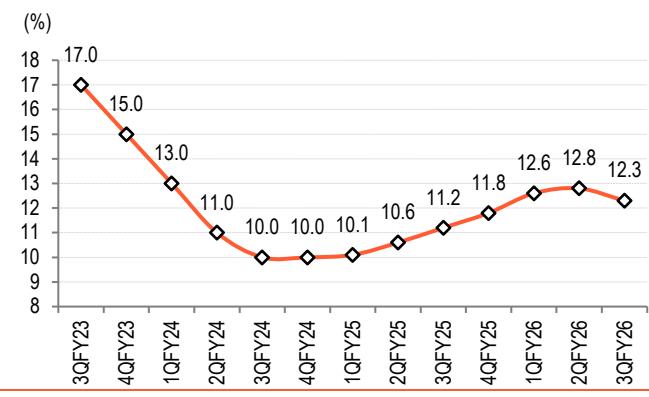
Source: Company, BOBCAPS Research

Fig 12 – Total Headcount trend QoQ

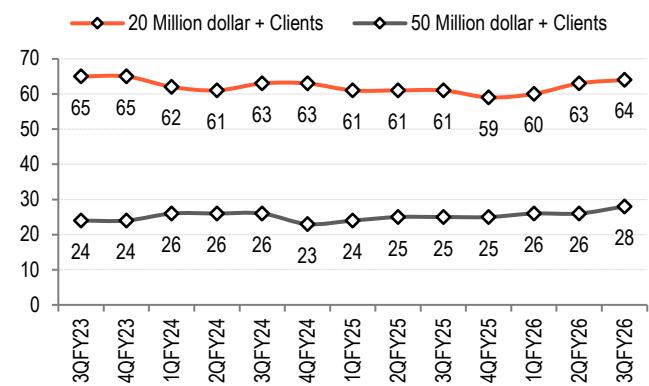
Source: Company, BOBCAPS Research

Fig 13 – Revenue contribution in terms of Geographies

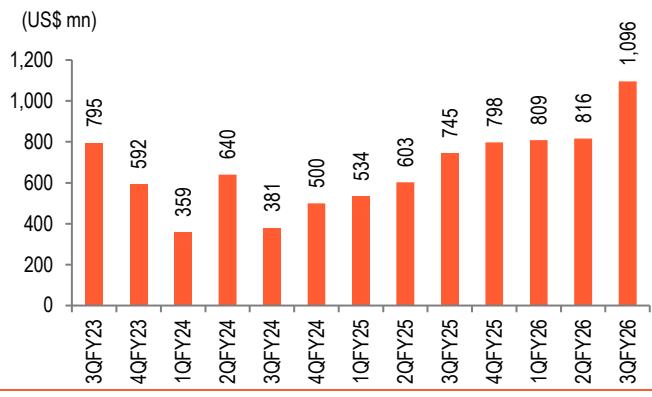
Source: Company, BOBCAPS Research

Fig 14 – TTM Attrition Rate (%)

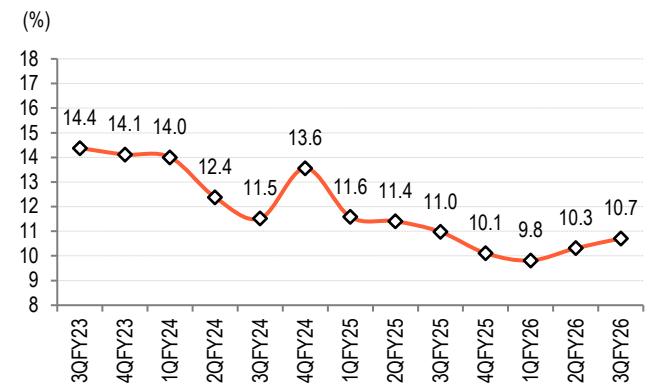
Source: Company, BOBCAPS Research

Fig 16 – Number of clients: >US\$20mn and >US\$50mn bucket

Source: Company, BOBCAPS Research

Fig 15 – Net new deal wins (TCV) trend QoQ

Source: Company, BOBCAPS Research

Fig 17 – Subcontracting costs as % of revenue

Source: Company, BOBCAPS Research

Fig 18 – Quarterly Snapshot

Year to 31 March	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26
Rs Million													
INR/USD	82.3	82.3	82.2	82.7	83.3	83.1	83.4	83.8	84.7	86.5	85.3	88.2	89.4
USD Revenue (USD mn)	1668	1668	1601	1555	1573	1548	1559	1589	1567	1549	1564	1586	1610
INR Revenue	137,346	137,182	131,590	128,639	131,013	128,713	130,055	133,132	132,856	133,840	133,512	139,949	143,932
Gross Margin	39,409	39,698	33,785	28,887	31,365	34,772	34,523	37,175	38,297	39,040	38,276	40,790	43,656
SGA	17,969	19,493	20,405	18,164	19,900	20,694	18,878	19,673	20,207	20,366	18,924	19,110	20,000
EBITDA	21,440	20,205	13,380	10,723	11,465	14,078	15,645	17,502	18,090	18,674	19,352	21,680	23,656
Depreciation	4,981	4,902	4,466	4,657	4,434	4,614	4,622	4,698	4,588	4,621	4,581	4,687	4,737
EBIT	16,459	15,303	8,914	6,066	7,031	9,464	11,023	12,804	13,502	14,053	14,771	16,993	18,919
Other income (net)	2,472	3,055	1,917	2,642	875	3,735	1,447	5,215	165	1,727	2,183	400	(217)
PBT	17,712	15,248	9,712	6,153	6,789	9,591	11,781	17,135	12,974	14,642	16,181	16,593	17,775
Tax	4,859	3,999	2,676	1,100	1,551	2,949	3,133	4,560	3,086	3,223	4,893	4,576	3,865
Minority Share in profit/Loss	113	(73)	(111)	(114)	(133)	(32)	(133)	(74)	(56)	248	118	(72)	(34)
Share of Profit/ (loss) from Associate	(90)	(50)	78	(85)	48	64	26	6	66	(12)	5	(28)	9
PAT	12,966	11,176	6,925	4,939	5,105	6,610	8,515	12,501	9,832	11,667	11,406	11,945	11,220
YoY Growth (%)													
USD Revenue	8.8	3.7	(1.9)	(5.1)	(5.7)	(7.2)	(2.6)	2.2	(0.4)	0.0	0.4	(0.2)	2.7
INR Revenue	19.9	13.2	3.5	(2.0)	(4.6)	(6.2)	(1.2)	3.5	1.4	4.0	2.7	5.1	8.3
Gross Profit	14.5	11.6	(5.9)	(21.2)	(20.4)	(12.4)	2.2	28.7	22.1	12.3	10.9	9.7	14.0
EBITDA	4.1	(3.3)	(28.8)	(46.0)	(46.5)	(30.3)	16.9	63.2	57.8	32.6	23.7	23.9	30.8
EBIT	(3.1)	(4.6)	(36.5)	(59.4)	(57.3)	(38.2)	23.7	111.1	92.0	48.5	34.0	32.7	40.1
Net Profit	(5.3)	(25.8)	(38.8)	(61.6)	(60.6)	(40.9)	23.0	153.1	92.6	76.5	34.0	(4.5)	14.1
QoQ Growth (%)													
USD Revenue	1.8	0.0	(4.0)	(2.8)	1.1	(1.6)	0.7	1.9	(1.3)	(1.2)	1.0	1.4	1.5
INR Revenue	4.6	(0.1)	(4.1)	(2.2)	1.8	(1.8)	1.0	2.4	(0.2)	0.7	(0.2)	4.8	2.8
EBITDA	8.1	(5.8)	(33.8)	(19.9)	6.9	22.8	11.1	11.9	3.4	3.2	3.6	12.0	9.1
EBIT	10.3	(7.0)	(41.7)	(31.9)	15.9	34.6	16.5	16.2	5.4	4.1	5.1	15.0	11.3
Net Profit	0.9	(13.8)	(38.0)	(28.7)	3.4	29.5	28.8	46.8	(21.4)	18.7	(2.2)	4.7	(6.1)
Margins (%)													
Gross Margin	28.7	28.9	25.7	22.5	23.9	27.0	26.5	27.9	28.8	29.2	28.7	29.1	30.3
EBITDA	15.6	14.7	10.2	8.3	8.8	10.9	12.0	13.1	13.6	14.0	14.5	15.5	16.4
EBIT	12.0	11.2	6.8	4.7	5.4	7.4	8.5	9.6	10.2	10.5	11.1	12.1	13.1
PAT	9.4	8.1	5.3	3.8	3.9	5.1	6.5	9.4	7.4	8.7	8.5	8.5	7.8
SGA	13.1	14.2	15.5	14.1	15.2	16.1	14.5	14.8	15.2	15.2	14.2	13.7	13.9

Source: Company, BOBCAPS Research

Fig 19 – Key Metrics

	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26
P and L (Rs mn)													
Revenue	137,346	137,182	131,590	128,639	131,013	128,713	130,055	133,132	132,856	133,840	133,512	139,949	143,932
EBITDA	21,440	20,205	13,380	10,723	11,465	14,078	15,645	17,502	18,090	18,674	19,352	21,680	23,656
PAT	12,966	11,176	6,925	4,939	5,105	6,610	8,515	12,501	9,832	11,667	11,406	11,945	11,220
Vertical Mix (%)													
Communication (Telecom)	39.8	40.1	37.8	37.0	36.5	36.1	33.1	33.4	32.5	33.2	33.8	32.7	33.1
Manufacturing	15.7	15.9	16.9	17.8	18.1	18.2	18.3	17.2	16.8	17.0	17.5	18.1	18.3
Technology, media & entertainment	10.3	10.3	10.7	11.0	10.5	10.7	13.8	14.3	14.3	13.2	13.3	13.1	13.2
Banking, financial services & insurance	15.9	15.9	16.1	16.1	15.5	16.3	15.7	15.8	16.1	16.7	16.4	16.8	15.5
Retail, transport & logistics	8.5	7.6	7.1	8.2	8.6	7.3	7.7	7.9	8.1	8.1	7.9	8.5	8.7
Healthcare and Life sciences							7.2	7.7	7.4	7.7	7.3	7.3	7.4
Others	9.9	10.2	4.0	10.0	10.8	4.0	3.8	4.0	4.6	4.5	3.9	3.5	3.7
Geographical Mix (%)													
North America	49.7	49.6	51.4	53.3	51.9	50.8	52.4	51.1	50.8	48.4	49.2	49.8	50.5
Europe	24.4	25.3	24.6	23.6	23.8	24.2	23.4	24.0	23.6	25.4	26.0	25.4	25.6
Rest of World	25.9	25.1	24.0	23.2	24.3	25.0	24.2	24.9	25.6	26.2	24.8	24.8	23.9
IT Headcount Mix (%)													
Onsite	27.5	27.3	26.9	26.6	26.1	25.2	24.6	23.7	22.7	22.1	21.4	21.7	22.1
Offshore	72.5	72.7	73.1	73.4	73.9	74.8	75.4	76.3	77.3	77.9	78.6	78.3	77.9
IT Utilization (%) (including trainees)	86.0	86.0	87.0	86.0	88.0	86.0	86.1	86.3	85.6	86.4	85.0	84.4	86.6
Clients Concentration (%)													
Top 5 Clients	18.0	17.0	17.0	17.0	16.0	16.0	15.5	15.1	14.8	16.0	15.6	15.6	15.2
Top 10 Clients	27.0	26.0	27.0	27.0	26.0	26.0	25.1	24.9	24.2	25.0	25.2	24.3	24.3
Top 20 Clients	40.0	40.0	39.0	39.0	39.0	39.0	38.4	38.6	38.0	38.0	39.0	37.1	37.7
Number of Client													
1 USD mn +	574	582	580	568	558	553	545	545	540	540	529	520	521
5 USD mn +	185	186	190	186	185	190	191	195	191	195	193	194	196
10 USD mn +	109	112	115	114	118	114	113	109	104	106	108	106	111
20 USD mn +	65	65	62	61	63	63	61	61	61	59	60	63	64
50 USD mn +	24	24	26	26	26	23	24	25	25	25	26	26	28
Employees	157,068	152,400	148,297	150,604	146,250	145,455	147,620	154,273	150,488	148,731	148,517	152,714	149,616
Net employee added	(6,844)	(4,668)	(4,103)	2,307	(4,354)	(795)	2,165	6,653	(3,785)	(1,757)	(214)	4,197	(3,098)
TTM Attrition (%)	17	15	13	11	10	10	10	11	11	12	13	13	12
Financial Metrics (USD mn)													
Revenue	1,668	1,668	1,601	1,555	1,573	1,548	1,559	1,589	1,567	1,549	1,564	1,586	1,610
EBITDA	260	245	163	129	138	169	188	209	213	217	226	245	264
EBIT	200	186	108	73	84	114	132	153	159	163	172	192	211
PAT	157	137	85	62	62	79	103	150	115	133	131	136	125
Per Capita (Annualised) - USD													
Revenue	42,486	43,769	43,176	41,306	43,022	42,575	42,241	41,192	41,664	41,654	42,134	41,539	43,040
EBITDA	6,626	6,441	4,388	3,437	3,766	4,653	5,082	5,414	5,661	5,831	6,081	6,416	7,056
EBIT	5,086	4,877	2,924	1,942	2,311	3,127	3,581	3,961	4,221	4,395	4,634	5,024	5,639
PAT	3,998	3,601	2,279	1,644	1,707	2,172	2,800	3,888	3,070	3,572	3,540	3,562	3,335
Per capita operating cost	37,400	38,892	40,252	39,364	40,711	39,449	38,661	37,232	37,442	37,259	37,500	36,515	37,401

Source: Company, BOBCAPS Research

Fig 20 – QoQ and YoY growth of various parameters

	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26
QoQ Growth													
Total Company	1.9	(0.1)	(11.1)	4.9	1.1	(1.8)	0.9	1.9	(1.3)	(1.2)	1.0	1.3	1.5
By Geography(%)													
North America	(0.4)	(0.2)	(0.5)	0.7	(1.4)	(3.7)	3.9	(0.7)	(1.9)	(5.9)	2.6	2.6	3.0
Europe	1.4	3.6	(6.7)	(7.0)	2.2	0.1	(2.6)	4.5	(3.0)	6.3	3.6	(1.2)	2.2
Rest of World	6.8	(3.1)	(8.2)	(6.1)	5.9	1.3	(2.7)	5.0	1.4	1.2	(4.5)	1.5	(2.3)
By Industry (%)													
Communications, Media and Entertainment	2.1	0.7	(9.5)	(4.9)	(0.2)	(2.7)	(7.6)	2.7	(4.0)	1.0	2.9	(2.0)	2.8
Manufacturing	(0.1)	1.2	2.0	2.0	3.1	(1.0)	1.1	(4.0)	(3.7)	(0.0)	3.8	5.2	2.2
Technology	3.9	(0.0)	(0.3)	(0.1)	(3.5)	0.3	29.7	5.7	(1.6)	(8.5)	1.7	(0.4)	3.0
Banking, financial services & insurance	(0.7)	(0.0)	(2.8)	(3.1)	(2.3)	3.5	(3.0)	2.4	0.4	2.7	(0.8)	3.8	(6.2)
Retail, transport & logistics	6.9	(10.6)	(10.3)	12.2	6.1	(16.5)	5.5	5.6	0.9	(1.3)	9.0	4.0	
Healthcare and Life sciences							7.3	(1.8)	2.1	(5.7)	0.3	2.2	3.1
Others	2.9	3.0	(62.4)	142.9	9.2	(63.5)	(4.6)	7.8	14.2	(4.2)	(13.2)	(9.1)	7.9
By Client classification (%)													
Top 5 Clients	(3.5)	(5.6)	(4.0)	(2.8)	(4.8)	(1.6)	(2.5)	(0.4)	(3.9)	7.2	(1.7)	1.3	(0.7)
Top 10 Clients	(1.8)	(3.7)	(0.3)	(2.8)	(2.6)	(1.6)	(2.8)	1.0	(4.1)	2.2	1.8	(2.3)	1.5
Top 20 Clients	1.8	(0.0)	(6.4)	(2.8)	1.1	(1.6)	(0.9)	2.5	(2.9)	(1.2)	3.6	(3.5)	3.0
YoY Growth													
Total Company	8.8	3.7	(1.9)	(5.1)	(5.7)	(7.2)	(2.6)	2.2	(0.3)	0.0	0.4	(0.2)	2.6
By Geography(%)													
North America	10.6	6.5	1.6	(0.5)	(1.5)	(4.9)	(0.7)	(2.0)	(2.4)	(4.7)	(5.9)	(2.8)	2.0
Europe	4.1	(0.6)	(5.4)	(8.7)	(8.0)	(11.2)	(7.3)	4.2	(1.1)	5.0	11.7	5.6	11.2
Rest of World	10.1	2.9	(5.5)	(10.8)	(11.5)	(7.5)	(2.0)	9.6	4.9	4.8	2.9	(0.5)	(4.2)
By Industry (%)													
Communications, Media and Entertainment	5.9	2.4	(8.3)	(11.5)	(13.5)	(16.4)	(14.7)	(7.8)	(11.3)	(8.0)	2.5	(2.2)	4.7
Manufacturing	8.0	10.7	8.3	5.3	8.7	6.3	5.3	(0.9)	(7.5)	(6.6)	(4.1)	5.2	11.7
Technology	32.8	14.9	8.2	3.4	(3.9)	(3.6)	25.4	32.7	35.2	23.4	(3.3)	(8.8)	(4.6)
Banking, financial services & insurance	12.1	(5.2)	(5.5)	(6.5)	(8.1)	(4.8)	(5.0)	0.5	3.3	2.5	4.7	6.1	(0.8)
Retail, transport & logistics	8.5	3.7	(11.9)	(3.9)	(4.6)	(10.8)	4.9	(1.2)	(6.0)	11.0	3.8	7.1	10.4
Healthcare and Life sciences							NA	NA	NA	1.4	(5.1)	(1.3)	(0.3)
Others	(1.1)	3.7	(60.8)	(3.1)	2.9	(63.6)	(7.7)	(59.0)	(57.2)	12.5	2.4	(13.6)	(18.4)
By Client Classification (%)													
Top 5 Clients	(13.6)	(19.9)	(20.6)	(15.1)	(16.2)	(12.6)	(11.3)	(9.0)	(8.1)	0.0	0.9	2.6	6.0
Top 10 Clients	(6.5)	(13.0)	(11.8)	(8.5)	(9.2)	(7.2)	(9.5)	(5.9)	(7.3)	(3.8)	0.8	(2.5)	3.2
Top 20 Clients	2.7	(3.5)	(6.7)	(7.4)	(8.1)	(9.5)	(4.1)	1.2	(2.9)	(2.5)	1.8	(4.1)	1.7

Source: Company, BOBCAPS Research

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Total revenue	5,19,955	5,29,883	5,65,179	6,14,391	6,67,157
EBITDA	49,646	69,911	90,191	1,12,594	1,25,327
Depreciation	18,171	18,529	18,764	19,985	21,735
EBIT	31,475	51,382	71,426	92,609	1,03,592
Net interest inc./exp.)	(3,922)	(3,217)	(3,257)	(3,083)	(3,083)
Other inc./exp.)	9,169	8,554	4,807	9,568	10,205
Exceptional items	(4,582)	0	0	0	0
EBT	32,140	56,719	72,977	99,095	1,10,714
Income taxes	8,276	14,002	19,610	24,278	27,125
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	(285)	(101)	30	16	16
Reported net profit	23,579	42,818	53,337	74,801	83,573
Adjustments	0	0	0	0	0
Adjusted net profit	23,579	42,818	53,337	74,801	83,573

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	0	0	0	0	0
Other current liabilities	1,26,166	1,26,740	1,44,007	1,52,833	1,68,740
Provisions	0	0	0	0	0
Debt funds	1,570	160	1,352	1,352	1,352
Other liabilities	39,806	44,430	45,520	45,520	45,520
Equity capital	4,413	4,424	4,427	4,427	4,427
Reserves & surplus	2,62,281	2,69,191	2,66,943	2,79,728	2,96,853
Shareholders' fund	2,66,694	2,73,615	2,71,370	2,84,155	3,01,280
Total liab. and equities	4,34,236	4,44,945	4,62,249	4,83,860	5,16,892
Cash and cash eq.	75,149	74,350	79,021	87,135	97,605
Accounts receivables	1,14,011	1,15,470	1,25,618	1,33,316	1,47,192
Inventories	375	394	961	961	961
Other current assets	45,179	47,117	52,317	55,524	61,302
Investments	7,092	7,836	4,862	4,862	4,862
Net fixed assets	54,640	47,636	39,636	39,651	37,916
CWIP	1,011	206	230	230	230
Intangible assets	75,106	76,993	80,319	80,319	80,319
Deferred tax assets, net	14,396	18,573	20,536	20,536	20,536
Other assets	47,277	56,370	58,750	61,326	65,969
Total assets	4,34,236	4,44,945	4,62,249	4,83,860	5,16,892

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operations	59,607	61,621	76,740	95,804	1,04,659
Capital expenditures	(7,600)	(10,899)	(10,774)	(20,000)	(20,000)
Change in investments	5,805	(8,433)	161	(2,576)	(4,643)
Other investing cash flows	0	0	0	0	0
Cash flow from investing	(1,795)	(19,332)	(10,613)	(22,576)	(24,643)
Equities issued/Others	13	11	3	0	0
Debt raised/repaid	(7,774)	3,686	2,095	0	0
Interest expenses	(3,922)	(3,217)	(3,257)	(3,083)	(3,083)
Dividends paid	(35,264)	(39,857)	(44,320)	(62,048)	(66,480)
Other financing cash flows	0	0	0	0	0
Cash flow from financing	(46,947)	(39,377)	(45,478)	(65,130)	(69,562)
Chg in cash & cash eq.	4,770	(799)	4,671	8,114	10,470
Closing cash & cash eq.	75,149	74,350	79,021	87,135	97,605

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	26.9	47.9	60.3	84.4	87.4
Adjusted EPS	26.5	47.8	60.2	84.3	87.2
Dividend per share	40.3	45.0	50.0	70.0	75.0
Book value per share	304.6	308.9	306.1	320.6	339.9

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	3.0	2.9	2.8	2.5	2.4
EV/EBITDA	31.2	22.2	17.3	13.9	12.5
Adjusted P/E	63.1	34.9	27.8	19.8	19.1
P/BV	5.5	5.4	5.5	5.2	4.9

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	73.4	75.5	73.1	75.5	75.5
Interest burden (PBT/EBIT)	102.1	110.4	102.2	107.0	106.9
EBIT margin (EBIT/Revenue)	6.1	9.7	12.6	15.1	15.5
Asset turnover (Rev./Avg TA)	163.4	169.2	177.6	189.3	196.5
Leverage (Avg TA/Avg Equity)	1.2	1.2	1.2	1.2	1.2
Adjusted ROAE	8.6	15.8	19.6	26.9	28.6

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	(2.4)	1.9	6.7	8.7	8.6
EBITDA	(38.2)	40.8	29.0	24.8	11.3
Adjusted EPS	(51.6)	80.6	25.9	40.0	3.5
Profitability & Return ratios (%)					
EBITDA margin	9.5	13.2	16.0	18.3	18.8
EBIT margin	6.1	9.7	12.6	15.1	15.5
Adjusted profit margin	4.5	8.1	9.4	12.2	12.5
Adjusted ROAE	8.6	15.8	19.6	26.9	28.6
ROCE	7.3	12.4	16.4	21.5	23.0
Working capital days (days)					
Receivables	80	80	81	79	81
Inventory	NA	NA	NA	NA	NA
Payables	NA	NA	NA	NA	NA
Ratios (x)					
Gross asset turnover	9.5	11.1	14.3	15.5	17.6
Current ratio	1.9	1.9	1.8	1.8	1.8
Net interest coverage ratio	NA	NA	NA	NA	NA
Adjusted debt/equity	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)

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

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BUY – Expected return >+15%

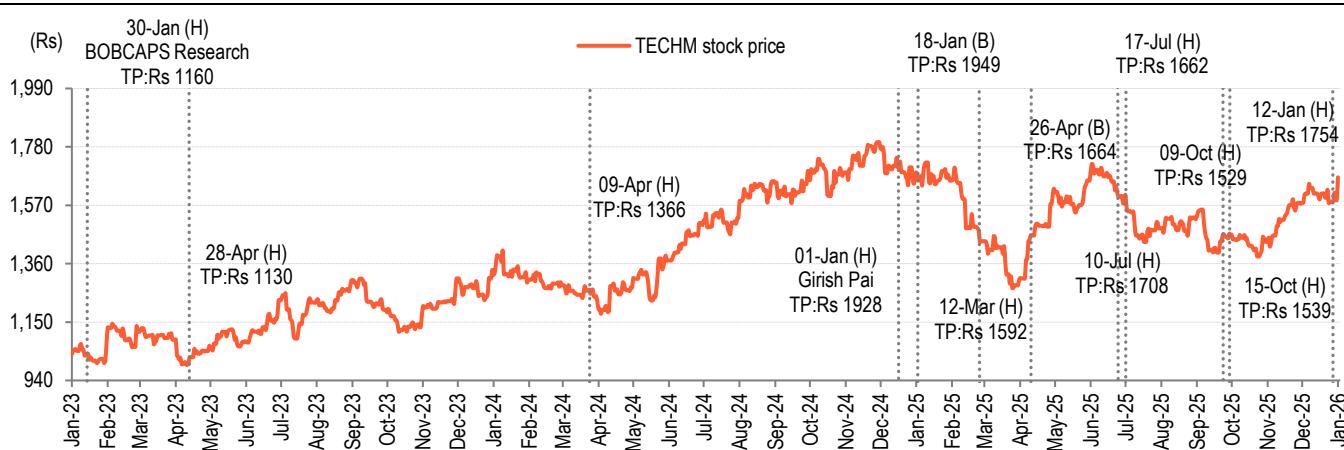
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

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