

January 10, 2025

## Q3FY25 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

### Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
<b>Rating</b>	BUY		BUY	
<b>Target Price</b>	4,810		4,900	
Sales (Rs. bn)	2,769	3,027	2,804	3,075
% Chng.	(1.3)	(1.5)		
EBITDA (Rs. bn)	769	856	781	873
% Chng.	(1.6)	(1.9)		
EPS (Rs.)	154.8	173.6	158.2	177.0
% Chng.	(2.2)	(1.9)		

### Key Financials - Consolidated

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales (Rs. bn)	2,409	2,563	2,769	3,027
EBITDA (Rs. bn)	643	682	769	856
Margin (%)	26.7	26.6	27.8	28.3
PAT (Rs. bn)	466	491	560	628
EPS (Rs.)	127.5	135.8	154.8	173.6
Gr. (%)	10.6	6.5	14.0	12.2
DPS (Rs.)	72.9	122.2	139.3	182.8
Yield (%)	1.8	3.0	3.4	4.5
RoE (%)	50.9	51.7	55.8	61.9
RoCE (%)	48.1	49.5	52.8	58.3
EV/Sales (x)	5.9	5.5	5.1	4.7
EV/EBITDA (x)	22.3	20.7	18.3	16.5
PE (x)	31.7	29.7	26.1	23.3
P/BV (x)	15.9	15.0	14.2	14.6

### Key Data

TCS.BO | TCS IN

52-W High / Low	Rs.4,592 / Rs.3,592
Sensex / Nifty	77,620 / 23,527
Market Cap	Rs.14,613bn/ \$ 1,70,187m
Shares Outstanding	3,618m
3M Avg. Daily Value	Rs.9429.19m

### Shareholding Pattern (%)

Promoter's	71.77
Foreign	12.66
Domestic Institution	10.91
Public & Others	4.66
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	(9.3)	1.3	10.0
Relative	(4.7)	4.9	1.1

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## Weak performance, but painting a positive outlook

### Quick Pointers:

- Discretionary spending revival witnessed in core verticals of BFSI & Retail augurs well for demand recovery
- Tapering of BSNL deal augurs well for FY26 margin

**Revenue reported at USD 7.5 bn, flat QoQ in CC (down 1.7% QoQ in USD) vs our & cons. est. of 0.4% QoQ CC growth. The growth was led by regional market & India regions, primarily attributed to the continued ramp up of BSNL deal, although the incremental growth from the deal has come off substantially in 3Q and it would decelerate further in 4Q. EBIT margin increased by 40 bps QoQ to 24.5% largely in-line with cons. est. & below PLe of 24.8%, attributed to the tailwinds of operational efficiencies, improved utilization & pyramid optimization. Deal TCv was encouraging with strong wins reported in BFSI, Retail & North America leading to total TCv of USD 10.2 bn, up 18.6% QoQ & 25.9% YoY, which translates to BTB of 1.3x (TTM).**

**Although Q3 performance was seasonally impacted, the underlying demand is shaping up well with discretionary spending, witnessing early signs of recovery and building strong deal pipeline across other growth vectors (except Manufacturing and Healthcare). With easing uncertainties around US administration, the deal cycle and decision making have also witnessed marked improvement, which is evident through a robust deal TCv concluded in 3Q. The nature of deal signings is still concentrated upon cost optimization and business transformation, but at the same time the enterprises are embarking upon discretionary areas, and reprioritizing spending. We anticipate BSNL contribution to FY25 revenue to be in the range of ~3.0-3.5%, which would come off substantially in FY26 as it progresses through support and maintenance phase. The improvement of large deal wins and early signs of recovery in discretionary areas, are receding some of the concerns on driving better revenue growth in FY26 vs FY25. Even after adjusting for the Q3 miss, our CC revenue growth remains largely unchanged and baking in 5.0%/7.0%/9.2% for FY25E/FY26E/FY27E.**

The margin improvement of 40 bps was majorly driven by pyramid rationalization and improved utilization, although it was below our estimates of 70 bps improvement. We expect the ramp down of low margin BSNL deal and growing contribution from core geographies would improve margin in FY26. Additionally, the management aspire to achieve 26-28% operating margin on the back of improved growth profile and lesser resource hiring. We are broadly keeping our margin estimates unchanged at 24.6%/25.7%/26.2% for FY25E/FY26E.

**Valuations and outlook:** We believe the company's business mix is more favorable to the prioritized spends which are diverted to stimulate business modernization or bring efficiency to their operations. TCS is well positioned to capture the enterprise spends with its full-stake offerings and scalable resources. We estimate USD revenue/earnings CAGR of 7.6%/13.1% over FY25-FY27E. The stock is currently trading at 23.3x FY27E, we are assigning P/E of 28x to FY27E with a target price of INR 4,810. We maintain "BUY" rating.

## Strong TCV wins, but miss on topline and margins

- Revenue at \$7.5bn, flat QoQ in CC vs our & consensus estimates of 0.4% QoQ CC growth. Cross currency headwinds of 170 bps led to reported revenue decline of 1.7% QoQ
- Growth was led by Regional Market again with 40.9% YoY CC growth while BFSI continues recovery with 0.9% YoY CC growth. Communications, Lifesciences & Technology declined by 10.6%, 4.3% & 0.4% YoY CC terms
- Geography wise India region by 70.2% YoY CC & UK region grew by 4.1% YoY CC. North America & Continental Europe declined by 2.3% & 1.5% YoY CC
- Reported strong TCV of US\$ 10.2 bn, up 18.6% QoQ, BFSI, Retail & North America TCV came at US\$3.2 bn, US\$ 1.3 bn & US\$ 5.9 bn respectively. Book to bill (LTM) at 1.3x.**
- EBIT margin of 24.5% (up 40bp QoQ) was below our estimates of 24.8% and tad above consensus of 24.4%. **Subcon expenses as % rev increased by 20 bps QoQ, while Software & Equipment cost (majorly attributed to BSNL deal) increased by 50 bps QoQ**
- Net employees decreased by 5.4k to 607k in 3Q, LTM Attrition was up by 70bps QoQ to 13%**
- PAT came at Rs. 124 bn (19.4% PAT margin), in line to our estimates despite the miss, aided by other income
- Q3FY25 – OCF/NP at 105.3%
- Interim Dividend of Rs. 76/share (incl. special dividend of Rs. 66) in the quarter

## Conference Call Highlights

- The management mentioned that while demand is still driven by cost optimization, they are witnessing increased demand in Agentic AI, data foundation, tech modernization, SAP S/4HANA modernization, and cybersecurity. **They further expect their clients' IT budgets in CY25 to remain at similar levels to CY24, with a positive bias towards discretionary spending.**
- The BFSI sector continued its positive momentum and reported YoY CC growth of 0.9%. The management mentioned that BFSI growth in the North America region was positive, and the growth was driven by its large accounts. Similarly, the Retail segment also reported revival with 1.1% YoY CC growth. Management expects Manufacturing segment weakness to continue due to headwinds in the auto & aero sub-segments while Lifesciences weakness will continue until the new Government in US formulates its medical policy.
- Deal wins remain robust for the company with total TCV wins of USD 10.2 billion, with North America, BFSI, and Retail TCV wins at USD 5.9 billion, USD 3.2 billion, and USD 1.3 billion, respectively. The management also indicated that all verticals have witnessed higher TCV, with strong TCV wins observed in the Europe region. The management further indicated that they are witnessing early signs of revival in discretionary spending within the BFSI and Retail segments. They further noted that Manufacturing, Lifesciences, and High-Tech should see a revival in the medium term as near-term challenges appear to have bottomed out.

- The management expects the Manufacturing segment to bottom out by Q4 and recover thereafter. They mentioned that the aerospace sub-segment was impacted by labor supply headwinds, which are largely behind, and expect the sub-segment to grow in CY25. In the Lifesciences vertical, the current uncertainty stems from the anticipated changes in medical policy by the new US government. The management expects that discretionary spending in the Lifesciences segment will also pick up following the announcement of the new policy
- Management mentioned that the BSNL deal is ~70% executed and expects its contribution to taper off from Q4FY25 onwards. They further noted that the completion of the BSNL deal will present a headwind for the company, but they are confident of recouping the revenue loss from growth in their core and regional markets
- The management expects FY26/CY25 to be better than FY25/CY24 as compared to the last fiscal year the discretionary demand traction has improved & steady deal wins. They further noted that the deal cycle for sub USD 20 mn deals has improved which is also an indicator for discretionary demand revival.
- The management mentioned that the decline in net headcount in Q3FY25 was due to its operational activities. They also mentioned that they are on track to onboard 40k freshers in FY25 and they plan to increase their fresher intake in FY26 to optimize its pyramid.
- The management mentioned that there will be some spillovers of furloughs in Q4 in certain geographies and they will be similar to last year
- On Gen AI, the management mentioned that the demand for Gen AI remains strong.

### **Margin Outlook**

- The management mentioned that margin during the quarter increased by 40 bps QoQ to 24.5% despite the headwinds of furloughs & seasonality due the tailwinds of operational efficiencies, improved utilization & pyramid utilization.
- The management again reiterated its aspirations to maintain its margin in the band of 26-28% without giving any timeline for achieving the same. They further mentioned that tapering of BSNL deal, operational efficiencies, utilization, pyramid and revenue growth will be levers for margin improvement

Exhibit 1: 3QFY25 Results: Revenue & Margins comes below Ple

	3QFY25	3QFY25E	% Var.	2QFY25	QoQ gr. (%)	3QFY24	YoY gr. (%)	9MFY25	9MFY24	YoY gr. (%)
<b>IT Services Revenue (USD m)</b>	<b>7,539</b>	<b>7,636</b>	<b>-1.3</b>	<b>7,670</b>	<b>-1.7</b>	<b>7,281</b>	<b>3.5</b>	<b>22,714</b>	<b>21,799</b>	<b>4.2</b>
Overall Revenue (INR b)	640	645	-0.8	643	-0.4	606	5.6	1,908	1,803	5.8
Gross Profit	248	259	-3.9	245	1.2	247	0.5	743	726	2.4
<i>Gross Margin (%)</i>	<i>38.8</i>	<i>40.1</i>	<i>-130bps</i>	<i>38.2</i>	<i>60bps</i>	<i>40.8</i>	<i>-200bps</i>	<i>38.9</i>	<i>40.3</i>	<i>-130bps</i>
SG&A and Other Costs	91.8	98.6	-7.0	91	1.1	96	-4.0	277.6	240	15.5
<i>% of Rev</i>	<i>14.3</i>	<i>15.3</i>	<i>-100bps</i>	<i>14.1</i>	<i>20bps</i>	<i>15.8</i>	<i>-140bps</i>	<i>14.5</i>	<i>13.3</i>	<i>120bps</i>
<b>EBITDA</b>	<b>170</b>	<b>173</b>	<b>-1.4</b>	<b>167</b>	<b>1.8</b>	<b>164</b>	<b>3.9</b>	<b>504</b>	<b>523</b>	<b>-3.6</b>
<i>EBITDA Margin (%)</i>	<i>26.6</i>	<i>26.8</i>	<i>-20bps</i>	<i>26.0</i>	<i>60bps</i>	<i>27.1</i>	<i>-40bps</i>	<i>26.4</i>	<i>29.0</i>	<i>-260bps</i>
Depreciation	14	13	6.7	13	9	12	11.6	39	37	3.3
<i>% of Rev</i>	<i>2.2</i>	<i>2.0</i>	<i>20bps</i>	<i>2.0</i>	<i>20bps</i>	<i>2.0</i>	<i>10bps</i>	<i>2.0</i>	<i>2.1</i>	<i>0bps</i>
<b>EBIT</b>	<b>157</b>	<b>160</b>	<b>-2.1</b>	<b>155</b>	<b>1.2</b>	<b>152</b>	<b>3.3</b>	<b>466</b>	<b>486</b>	<b>-4.1</b>
<i>EBIT Margin (%)</i>	<i>24.5</i>	<i>24.8</i>	<i>-30bps</i>	<i>24.1</i>	<i>40bps</i>	<i>25.0</i>	<i>-50bps</i>	<i>24.4</i>	<i>26.9</i>	<i>-250bps</i>
Other Income (net)	10	8	20.4	6	78.0	7	41.1	24	28	-15.4
<b>PBT</b>	<b>167</b>	<b>168</b>	<b>-0.9</b>	<b>160.3</b>	<b>4.0</b>	<b>158.7</b>	<b>5.0</b>	<b>489</b>	<b>513</b>	<b>-4.7</b>
Tax	42	43	-1.6	41	3.6	41	3.1	124	119	4.3
<i>Effective tax rate (%)</i>	<i>25.3</i>	<i>25.5</i>	<i>-20bps</i>	<i>25.4</i>	<i>-10bps</i>	<i>25.8</i>	<i>-50bps</i>	<i>25.4</i>	<i>23.2</i>	<i>220bps</i>
<b>Adjusted PAT</b>	<b>124</b>	<b>125</b>	<b>-0.8</b>	<b>119</b>	<b>4.0</b>	<b>117</b>	<b>5.5</b>	<b>364</b>	<b>394</b>	<b>-7.4</b>
Exceptional items	0.0	0.0	NA	0.0	NA	-6.8	NA	0	-6.7	NA
<b>Reported PAT</b>	<b>124</b>	<b>125</b>	<b>-0.8</b>	<b>119</b>	<b>4.0</b>	<b>111</b>	<b>12.0</b>	<b>364</b>	<b>387</b>	<b>-5.8</b>
<b>Reported EPS (INR)</b>	<b>34</b>	<b>35</b>	<b>-0.8</b>	<b>33</b>	<b>4.0</b>	<b>30</b>	<b>13.0</b>	<b>100</b>	<b>92</b>	<b>9.7</b>

Source: Company, PL

Exhibit 2: Regional growth (%)

Geographies	Contribution to revenue (%)	QoQ gr. (%)
North America	47.7	-1.5
Latin America	1.9	3.8
UK	16.6	-4.0
Continental Europe	13.9	-6.4
India	9.8	8.2
Asia Pacific	7.8	-4.2
MEA	2.3	7.7

Source: Company, PL

Exhibit 3: Vertical Growth (%)

Verticals	Contribution to revenue (%)	QoQ gr. (%)
BFSI	30.5	-2.7
Retail & CPG	15.3	-0.4
Communications & Media	5.8	-3.4
Manufacturing	8.4	-4.0
Life Sciences & Healthcare	10.2	-3.6
Technology & Services	8.0	-1.7
Energy and Utilities	5.6	-3.4
Regional markets & Others	16.3	3.4

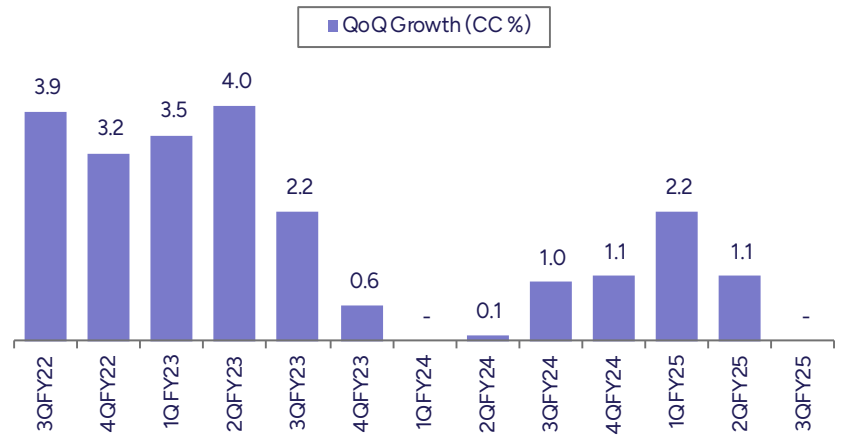
Source: Company, PL

Exhibit 4: Key Performance Indicator

	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	FY24	FY25E
Revenue (QoQ CC %)	0.6	0.0	0.1	1.0	1.1	2.2	1.1	0.0	3.4	5.0
<b>Costs (% of revenue)</b>										
COGS	59.9	60.5	59.9	59.2	58.9	60.1	61.8	61.2	59.6	60.9
SGA	15.7	16.4	15.8	15.8	15.1	15.2	14.1	14.3	15.8	14.5
<b>Margins</b>										
Gross Margin	40.1	39.5	40.1	40.8	41.1	39.9	38.2	38.8	40.4	39.1
EBIT Margin	24.5	23.2	24.3	25.0	26.0	24.7	24.1	24.5	24.6	24.6
Net Margin	19.3	18.7	19.1	19.4	20.4	19.3	18.6	19.5	19.1	19.2
<b>Operating metrics</b>										
Headcount (k)	615	615	609	603	602	607	613	607	602	-
Attrition (%)	20.1	17.8	14.9	13.3	12.5	12.1	12.3	13	12.5	-
Deal Win TCW (USD b)	10	10.2	11.2	8.1	13.2	8.3	8.6	10.2	42.7	-

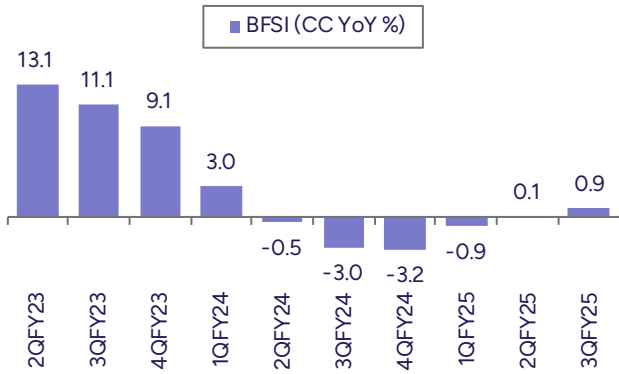
Source: Company, PL

**Exhibit 5: Q3 revenue flat vs our estimate of 0.4% QoQ CC growth**



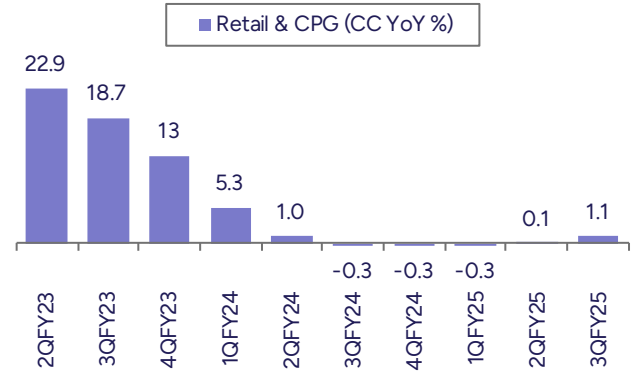
Source: Company, PL

**Exhibit 6: BFSI revival continues**



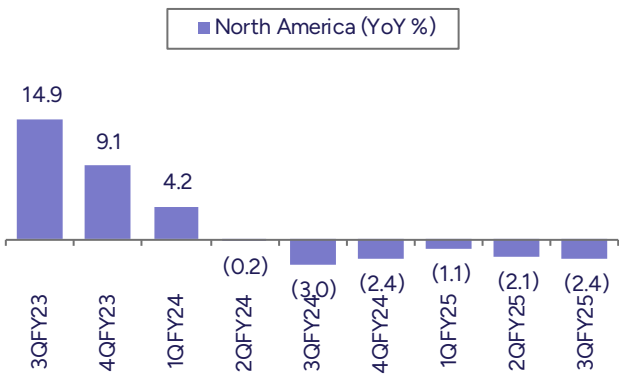
Source: Company, PL

**Exhibit 7: Retail also recovers**



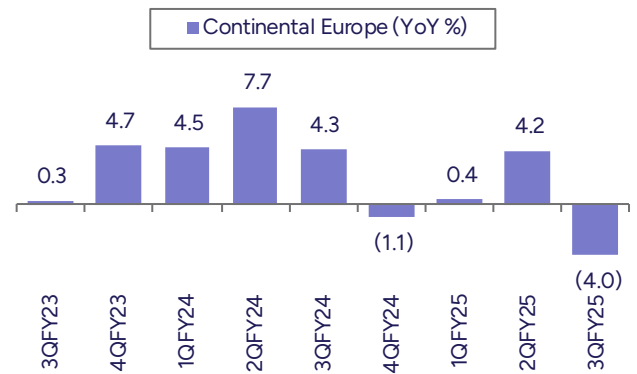
Source: Company, PL

**Exhibit 8: North America declined by 1.5% QoQ**



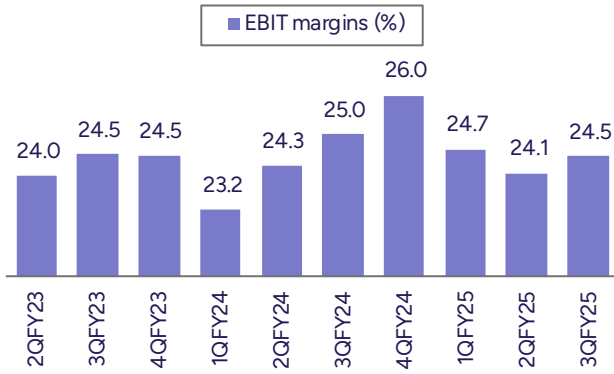
Source: Company, PL

**Exhibit 9: Continental Europe declines by 6.4% QoQ**



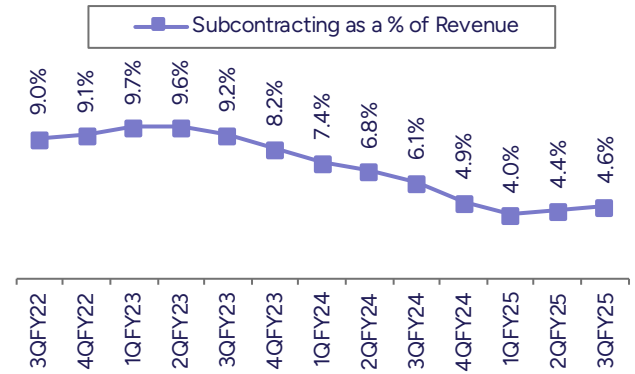
Source: Company, PL

**Exhibit 10: Margins improved due to operational efficiency**



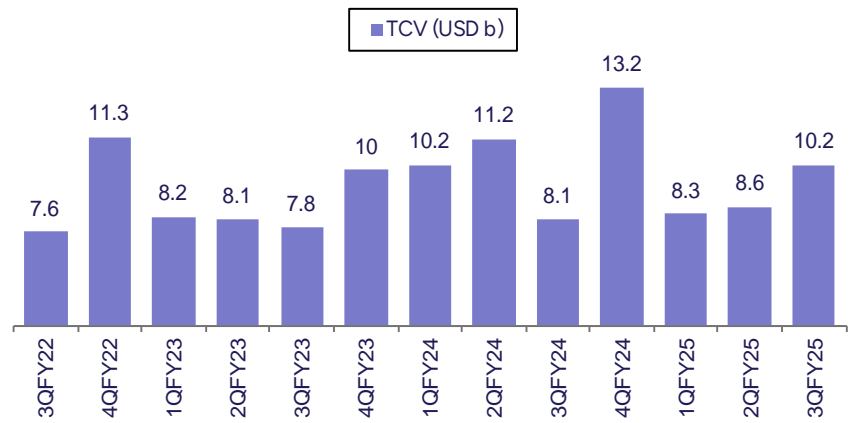
Source: Company, PL

**Exhibit 11: Sub-contracting cost increases by 20 bps QoQ in Q3**



Source: Company, PL

**Exhibit 12: TCV wins increases by 18.6% QoQ in Q2, LTM BTB steady at 1.3x**



Source: Company, PL

Exhibit 13: Operating Metrics

Consolidated (INR b)	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25
<b>Verticals (%)</b>												
BFSI	31.9	32.1	33.6	33.1	32.9	32.5	32.6	31.7	31.3	30.9	30.8	30.5
Retail & CPG	15.4	15.9	16.1	16.0	16.0	16.1	15.9	15.7	15.7	15.4	15.1	15.3
Communication & Media	6.7	6.8	7.3	7.2	7.1	7.0	6.9	6.7	6.6	6.2	5.9	5.8
Manufacturing	10.0	9.9	8.2	8.2	8.2	8.3	8.5	8.6	8.8	8.8	8.6	8.4
Life Sciences & Healthcare	10.0	10.1	10.7	10.8	10.9	11.0	10.9	10.9	10.9	11.0	10.4	10.2
Technology & Services	8.7	8.8	9.1	9.0	8.9	8.7	8.6	8.4	8.2	8.1	8.0	8.0
Energy & Utilities			5.0	5.2	5.4	5.5	5.6	5.7	5.7	5.7	5.7	5.7
Regional markets & Others	17.3	16.4	10.0	10.5	10.6	10.9	11.0	12.3	12.9	14.0	15.5	16.3
<b>Geographies (%)</b>												
North America	51.6	53.2	54.3	53.7	52.4	52.0	51.7	50.6	50.0	49.5	47.6	47.7
Latin America	1.7	1.8	1.7	1.8	1.8	2.0	2.0	2.1	2.0	1.9	1.8	1.9
UK	15.6	14.9	14.5	14.9	15.7	16.4	16.5	16.4	16.8	16.9	17.0	16.6
Continental Europe	15.5	15.2	14.5	14.8	15.1	14.9	14.9	15.0	14.6	14.4	14.6	13.9
India	5.1	4.8	5.1	5.1	5.0	4.9	4.9	6.1	6.7	7.5	8.9	9.8
Asia Pacific	8.5	8.3	8.0	7.9	8.0	7.8	7.8	7.8	7.8	7.8	8.0	7.8
MEA	2.0	1.8	1.9	1.8	2.0	2.0	2.2	2.0	2.1	2.0	2.1	2.3
<b>QoQ growth (%)</b>												
BFSI	2.0	1.9	6.2	1.3	1.1	-0.8	0.1	-1.8	-0.1	0.6	1.9	-2.7
Retail & CPG	9.0	4.5	2.7	2.2	1.7	1.1	-1.5	-0.3	1.1	0.0	0.2	-0.4
Communication & Media	4.2	2.8	8.9	1.5	0.3	-1.0	-1.6	-1.9	-0.4	-4.2	-2.7	-3.4
Manufacturing	6.9	0.2	-16.0	2.9	1.7	1.7	2.2	2.2	3.5	1.9	-0.1	-4.0
Life Sciences & Healthcare	4.7	2.3	7.5	3.8	2.6	1.4	-1.1	1.0	1.1	2.9	-3.4	-3.6
Technology & Services	3.8	2.4	4.9	1.7	0.6	-1.8	-1.4	-1.4	-1.3	0.7	0.9	-1.7
Energy and Utilities				7.0	5.6	2.3	1.6	2.8	-0.6	1.9	4.0	-3.4
Regional markets & Others	-5.6	-4.0	-38.2	8.0	2.7	3.3	0.7	12.9	6.1	10.6	13.1	3.4
North America	4.5	4.4	3.5	1.7	-0.8	-0.3	-0.8	-1.2	-0.1	0.9	-1.7	-1.5
Latin America	2.6	7.2	-4.2	8.9	1.7	11.6	-0.2	6.0	-3.7	-3.2	-3.2	3.8
UK	2.6	-3.3	-1.3	5.7	7.2	4.9	0.4	0.4	3.6	2.5	2.8	-4.0
Continental Europe	-0.6	-0.7	-3.2	5.0	3.8	-0.9	-0.2	1.7	-1.6	0.5	3.6	-6.4
India	-4.8	-4.7	7.8	2.9	-0.3	-1.6	-0.2	25.7	11.1	14.1	21.3	8.2
Asia Pacific	1.4	-1.1	-2.2	1.6	3.0	-2.1	-0.2	1.0	1.1	1.9	4.8	-4.2
MEA	8.0	-8.9	7.1	-2.5	13.0	0.4	9.8	-8.2	6.2	-2.9	7.3	7.7
<b>Total Employees (k)</b>	<b>592.2</b>	<b>606.3</b>	<b>616.2</b>	<b>614.0</b>	<b>614.8</b>	<b>615.3</b>	<b>609.0</b>	<b>603.3</b>	<b>601.5</b>	<b>607.0</b>	<b>612.7</b>	<b>607.4</b>
<b>Net Additions (k)</b>	<b>35.2</b>	<b>14.1</b>	<b>9.8</b>	<b>-2.2</b>	<b>0.8</b>	<b>0.5</b>	<b>-6.3</b>	<b>-5.7</b>	<b>-1.8</b>	<b>5.5</b>	<b>5.7</b>	<b>-5.4</b>
<b>Attrition (LTM %)</b>	<b>17.4</b>	<b>19.7</b>	<b>21.5</b>	<b>21.3</b>	<b>20.1</b>	<b>17.8</b>	<b>14.9</b>	<b>13.3</b>	<b>12.5</b>	<b>12.1</b>	<b>12.3</b>	<b>13.0</b>

Source: Company, PL



## Financials

### Income Statement (Rs bn)

Y/e Mar	FY24	FY25E	FY26E	FY27E
<b>Net Revenues</b>	<b>2,409</b>	<b>2,563</b>	<b>2,769</b>	<b>3,027</b>
YoY gr. (%)	6.8	6.4	8.0	9.3
Employee Cost	1,436	1,562	1,670	1,804
Gross Profit	973	1,001	1,099	1,223
Margin (%)	40.4	39.1	39.7	40.4
Employee Cost	-	-	-	-
Other Expenses	63	62	55	61
<b>EBITDA</b>	<b>643</b>	<b>682</b>	<b>769</b>	<b>856</b>
YoY gr. (%)	8.5	6.1	12.8	11.3
Margin (%)	26.7	26.6	27.8	28.3
Depreciation and Amortization	50	52	58	63
<b>EBIT</b>	<b>593</b>	<b>631</b>	<b>711</b>	<b>793</b>
Margin (%)	24.6	24.6	25.7	26.2
Net Interest	-	-	-	-
Other Income	37	32	42	51
<b>Profit Before Tax</b>	<b>630</b>	<b>662</b>	<b>753</b>	<b>845</b>
Margin (%)	26.2	25.8	27.2	27.9
Total Tax	163	168	192	215
Effective tax rate (%)	25.8	25.4	25.5	25.5
<b>Profit after tax</b>	<b>468</b>	<b>494</b>	<b>561</b>	<b>629</b>
Minority interest	2	3	1	1
Share Profit from Associate	-	-	-	-
<b>Adjusted PAT</b>	<b>466</b>	<b>491</b>	<b>560</b>	<b>628</b>
YoY gr. (%)	10.5	5.4	14.0	12.2
Margin (%)	19.3	19.2	20.2	20.7
Extra Ord. Income / (Exp)	(7)	-	-	-
<b>Reported PAT</b>	<b>459</b>	<b>491</b>	<b>560</b>	<b>628</b>
YoY gr. (%)	8.9	7.0	14.0	12.2
Margin (%)	19.1	19.2	20.2	20.7
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	459	491	560	628
<b>Equity Shares O/s (bn)</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>
<b>EPS (Rs)</b>	<b>127.5</b>	<b>135.8</b>	<b>154.8</b>	<b>173.6</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs bn)

Y/e Mar	FY24	FY25E	FY26E	FY27E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>608</b>	<b>650</b>	<b>696</b>	<b>748</b>
Tangibles	608	650	696	748
Intangibles	-	-	-	-
<b>Acc: Dep / Amortization</b>	<b>412</b>	<b>476</b>	<b>545</b>	<b>621</b>
Tangibles	412	476	545	621
Intangibles	-	-	-	-
<b>Net fixed assets</b>	<b>196</b>	<b>174</b>	<b>151</b>	<b>127</b>
Tangibles	196	174	151	127
Intangibles	-	-	-	-
Capital Work In Progress	-	-	-	-
Goodwill	40	40	40	40
Non-Current Investments	53	62	66	72
Net Deferred tax assets	24	22	22	24
Other Non-Current Assets	33	35	38	42
<b>Current Assets</b>				
Investments	353	308	263	218
Inventories	-	-	-	-
Trade receivables	444	456	492	538
Cash & Bank Balance	90	186	299	308
Other Current Assets	216	195	210	230
<b>Total Assets</b>	<b>1,486</b>	<b>1,524</b>	<b>1,635</b>	<b>1,656</b>
<b>Equity</b>				
Equity Share Capital	4	4	4	4
Other Equity	923	972	1,028	994
<b>Total Network</b>	<b>926</b>	<b>975</b>	<b>1,031</b>	<b>998</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	-	-	-	-
Provisions	-	-	-	-
Other non current liabilities	80	85	97	106
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	100	108	121	130
Other current liabilities	361	336	363	397
<b>Total Equity &amp; Liabilities</b>	<b>1,486</b>	<b>1,524</b>	<b>1,635</b>	<b>1,656</b>

Source: Company Data, PL Research



**Cash Flow (Rs bn)**

Y/e Mar	FY24	FY25E	FY26E	FY27E
PBT	461	662	753	845
Add. Depreciation	50	50	54	58
Add. Interest	0	-	-	-
Less Financial Other Income	37	32	42	51
Add. Other	0	-	-	-
Op. profit before WC changes	511	713	807	902
Net Changes-WC	(76)	(23)	(12)	(28)
Direct tax	34	(168)	(192)	(215)
<b>Net cash from Op. activities</b>	<b>469</b>	<b>521</b>	<b>603</b>	<b>659</b>
Capital expenditures	(27)	(28)	(31)	(34)
Interest / Dividend Income	-	-	-	-
Others	54	45	45	45
<b>Net Cash from Inv. activities</b>	<b>27</b>	<b>17</b>	<b>14</b>	<b>11</b>
Issue of share cap. / premium	-	-	-	-
Debt changes	-	-	-	-
Dividend paid	(252)	(442)	(504)	(661)
Interest paid	-	-	-	-
Others	(226)	-	-	-
<b>Net cash from Fin. activities</b>	<b>(478)</b>	<b>(442)</b>	<b>(504)</b>	<b>(661)</b>
<b>Net change in cash</b>	<b>18</b>	<b>96</b>	<b>114</b>	<b>9</b>
Free Cash Flow	443	493	573	625

Source: Company Data, PL Research

**Quarterly Financials (Rs bn)**

Y/e Mar	Q4FY24	Q1FY25	Q2FY25	Q3FY25
<b>Net Revenue</b>	<b>612</b>	<b>626</b>	<b>643</b>	<b>640</b>
YoY gr. (%)	3.5	5.4	7.7	5.6
Raw Material Expenses	360	377	397	391
Gross Profit	252	250	245	248
Margin (%)	41.1	39.9	38.2	38.8
<b>EBITDA</b>	<b>172</b>	<b>167</b>	<b>167</b>	<b>170</b>
YoY gr. (%)	8.8	11.1	6.3	3.9
Margin (%)	28.0	26.6	26.0	26.6
Depreciation / Depletion	12	12	13	14
<b>EBIT</b>	<b>159</b>	<b>154</b>	<b>155</b>	<b>157</b>
Margin (%)	26.0	24.7	24.1	24.5
Net Interest	-	-	-	-
Other Income	9	8	6	10
<b>Profit before Tax</b>	<b>168</b>	<b>162</b>	<b>160</b>	<b>167</b>
Margin (%)	27.5	25.9	24.9	26.1
Total Tax	43	41	41	42
Effective tax rate (%)	25.8	25.4	25.4	25.3
<b>Profit after Tax</b>	<b>125</b>	<b>121</b>	<b>120</b>	<b>124</b>
Minority interest	1	1	-	1
Share Profit from Associates	-	-	-	-
<b>Adjusted PAT</b>	<b>124</b>	<b>120</b>	<b>119</b>	<b>124</b>
YoY gr. (%)	9.1	8.7	5.0	5.5
Margin (%)	20.3	19.2	18.5	19.4
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>124</b>	<b>120</b>	<b>119</b>	<b>124</b>
YoY gr. (%)	9.1	8.7	5.0	12.0
Margin (%)	20.3	19.2	18.5	19.4
Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income</b>	<b>124</b>	<b>120</b>	<b>119</b>	<b>124</b>
Avg. Shares O/s (m)	4	4	4	4
<b>EPS (Rs)</b>	<b>34.1</b>	<b>33.3</b>	<b>32.9</b>	<b>34.2</b>

Source: Company Data, PL Research

**Key Financial Metrics**

Y/e Mar	FY24	FY25E	FY26E	FY27E
<b>Per Share(Rs)</b>				
EPS	127.5	135.8	154.8	173.6
CEPS	141.1	150.1	170.8	190.9
BVPS	253.4	269.5	285.0	275.8
FCF	121.1	136.2	158.2	172.7
DPS	72.9	122.2	139.3	182.8
<b>Return Ratio(%)</b>				
RoCE	48.1	49.5	52.8	58.3
ROIC	32.2	33.7	35.4	39.2
RoE	50.9	51.7	55.8	61.9
<b>Balance Sheet</b>				
Net Debt : Equity (x)	(0.5)	(0.5)	(0.5)	(0.5)
Net Working Capital (Days)	52	49	49	49
<b>Valuation(x)</b>				
PER	31.7	29.7	26.1	23.3
P/B	15.9	15.0	14.2	14.6
P/CEPS	28.6	26.9	23.6	21.2
EV/EBITDA	22.3	20.7	18.3	16.5
EV/Sales	5.9	5.5	5.1	4.7
Dividend Yield (%)	1.8	3.0	3.4	4.5

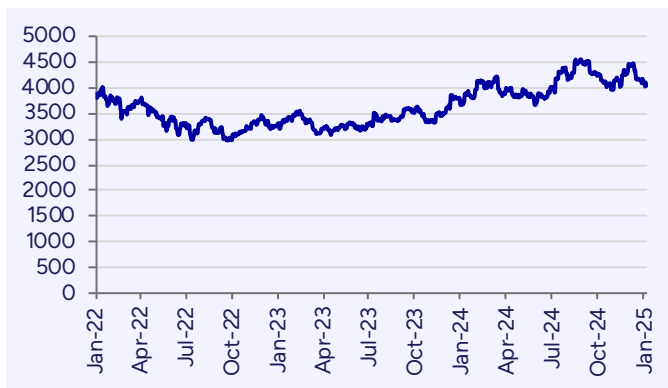
Source: Company Data, PL Research

**Key Operating Metrics**

Y/e Mar	FY24	FY25E	FY26E	FY27E
Revenue (USD mn)	29,080	30,366	32,366	35,184

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Jan-25	BUY	4,900	4,100
2	11-Oct-24	BUY	4,920	4,227
3	03-Oct-24	BUY	4,950	4,288
4	12-Jul-24	Accumulate	4,370	3,924
5	02-Jul-24	Accumulate	4,360	3,978
6	14-Apr-24	Accumulate	4,360	4,001

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Cyient	BUY	2,120	1,780
2	HCL Technologies	Accumulate	2,120	1,947
3	Infosys	BUY	2,270	1,939
4	LTIMindtree	BUY	7,130	5,733
5	Mphasis	Hold	3,020	2,869
6	Persistent Systems	Hold	6,060	6,395
7	Tata Consultancy Services	BUY	4,900	4,100
8	Tech Mahindra	Accumulate	1,790	1,689
9	Wipro	Accumulate	310	294

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<b>Buy</b>	: > 15%
<b>Accumulate</b>	: 5% to 15%
<b>Hold</b>	: +5% to -5%
<b>Reduce</b>	: -5% to -15%
<b>Sell</b>	: < -15%
<b>Not Rated (NR)</b>	: No specific call on the stock
<b>Under Review (UR)</b>	: Rating likely to change shortly

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