

India

**ADD** (no change)

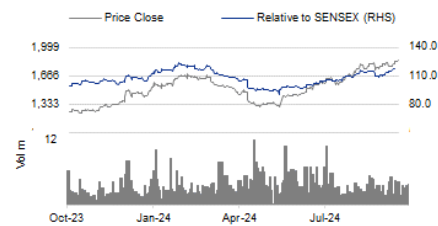
Consensus ratings\*: Buy 18 Hold 17 Sell 8

Current price:	Rs1,856
Target price:	Rs2,021 ▲
Previous target:	Rs1,987
Up/downside:	8.9%
InCred Research / Consensus:	14.8%
Reuters:	HCLT.NS
Bloomberg:	HCLT IN
Market cap:	US\$59,915m Rs5,036,291m
Average daily turnover:	US\$65.3m Rs5488.1m
Current shares o/s:	2,708.2m
Free float:	39.0%

\*Source: Bloomberg

**Key changes in this note**

- Expect 8% revenue CAGR over FY25F-27F.
- Expect 12.2% EBIT CAGR over FY25F-27F.
- Expect 11.1% PAT CAGR over FY25F-27F.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	2.4	19.0	47.8
Relative (%)	3.5	17.1	19.5

Major shareholders	% held
LIC	4.7
Artisan International Value Fund	2.2
HDFC MF	1.5

**Research Analyst(s)**



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# HCL Technologies

## Beat + encouraging commentary

- 2QFY25 saw all-round beat.
- FSI, discretionary spending strength drives optimism; sustainability is key.
- Better execution narrows the PE/G multiple gap and increases our target price to Rs2,021 from Rs1,987 earlier.

### 2QFY25 results summary

HCL Technologies or HCLT's 2QFY25 revenue growth at 1.6% qoq in constant currency or CC terms & 6.2% yoy (US\$3,445m) was ~1%/0.8% above consensus/InCred estimates, respectively, while the EBIT margin beat (at 18.6%) was 60bp/98bp, respectively. Management commentary of 1) 2Q growth equally split between discretionary and non-discretionary portfolio, 2) optimism from an improving demand environment across multiple verticals (though sustainability is key, given macroeconomic, geopolitical and political uncertainty), 3) better discretionary demand outlook (in FSI, tech services) driven by ramp-up of additional work within existing customers, and 4) the strength in FSI and SAP was encouraging, echoing the thoughts shared in our [14 Sep 2024](#) sector upgrade report, while moderation in the growth of TCv bookings is a concern but commentary on sales investments could help alleviate the same.

### BFSI commentary encouraging; auto, aero to drag manufacturing

The BFSI vertical's (20.5% of revenue) weakness (down 4.5 yoy in CC terms) was due to planned divestiture while the vertical grew ~4%/+3.5% qoq in US\$/CC terms, respectively, adjusting for the same and the improved outlook is driven in part by discretionary demand. Manufacturing continues to be impacted by automotive (cancellation and significant cost reductions by select large clients) and aerospace, partly offset by the strength in SAP. Management acknowledged optimism from the improving demand environment across multiple verticals but remains cautious, given the uncertainty and volatility.

### Retains EBIT margin guidance

The EBIT margin beat (up 148bp qoq & 8bp yoy at 18.6%) was aided by software business (54bp), 110bp improvement in services margin driven by operating leverage, reduced marketing and travel expenses, and 22bp from forex tailwinds. Wage hike impact of 65-80bp/ 50-60bp in 3Q/4QFY25F, respectively, is a key headwind while product seasonality is a key tailwind. 2Q beat raises our avg. FY25F-27F margin assumption by 20bp to 18.7%.

### Maintain ADD rating with a higher target price of Rs2,021

We model an 8% US\$ revenue CAGR over FY25F-27F and 11.1% PAT (Rs) CAGR (11.5% earlier; base effect) and increase our target PE/G multiple to 2.3x (2.2x earlier) to account for improving outlook and execution. We apply a 10% discount to Tata Consultancy Services or TCS' PE/G multiple, vs. 15% earlier, to account for better margin execution. Prudent capital allocation, healthy cash generation & FCF yield (~4.5%) provide cushion, in our view, while decision-making delay is a downside risk.

### Financial Summary

	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue (Rsm)	1,014,560	1,099,130	1,166,479	1,275,387	1,414,080
Operating EBITDA (Rsm)	226,290	242,000	254,824	283,391	317,319
Net Profit (Rsm)	148,490	157,020	173,280	189,407	213,771
Core EPS (Rs)	54.8	58.0	64.0	69.9	78.9
Core EPS Growth	10.0%	5.8%	10.3%	9.3%	12.9%
FD Core P/E (x)	33.87	32.01	29.01	26.54	23.51
DPS (Rs)	48.0	52.0	58.0	66.4	75.0
Dividend Yield	2.59%	2.80%	3.13%	3.58%	4.04%
EV/EBITDA (x)	21.51	19.84	18.71	16.74	14.89
P/FCFE (x)	31.51	23.65	29.23	26.76	24.06
Net Gearing	(24.8%)	(33.0%)	(36.9%)	(39.6%)	(42.1%)
P/BV (x)	7.68	7.36	7.19	7.10	6.99
ROE	23.3%	23.5%	25.1%	26.9%	30.0%
% Change In Core EPS Estimates			1.14%	(1.49%)	
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 1: Quarterly performance**

Y/E Mar (Rs m)	2QFY25	2QFY24	YoY (%)	1QFY25	QoQ (%)	2QFY25F	Var. (%)
Revenue (US\$ m)	3,445	3,225	6.8	3,364	2.4	3,425	0.6
Net sales (Rs m)	2,88,620	2,66,720	8.2	2,80,570	2.9	2,86,963	0.6
USD-INR realization	83.8	82.7	1.3	83.4	0.4	83.8	0.0
EBITDA	63,690	59,440	7.2	57,940	9.9	60,836	4.7
EBITDA margin (%)	22.1	22.3	(22 bp)	20.7	142 bp	21.2	87 bp
EBIT	53,620	49,340	8.7	47,960	11.8	50,506	6.2
EBIT margin (%)	18.6	18.5	8bp	17.1	148bp	17.6	98bp
Depreciation	10,070	10,100	(0.3)	9,980	0.9	10,331	(2.5)
Net other income	3,250	1,940	67.5	9,120	(64.4)	2,870	13.3
PBT	56,870	51,280	10.9	57,080	(0.4)	53,375	6.5
Provision for tax	14,500	12,950	12.0	14,480	0.1	13,504	7.4
% tax rate	25.5	25.3	24bp	25.4	13bp	25.3	20bp
Net profit	42,350	38,320	10.5	42,580	(0.5)	39,851	6.3
EPS (Rs)	15.6	14.1	10.5	15.7	(0.5)	14.7	6.2

SOURCE: INCRED RESEARCH, COMPANY REPORTS

## Key conference-call highlights

- **Guidance:**
  - HCL Technologies has revised its FY25F yoy CC revenue growth guidance range to 3.5%-5% vs. 3%-5% earlier. The ask rate for 2HFY25F is ~0-2%.
  - The company retained its EBIT margin guidance of 18% to 19%.
  - Revenue and margin guidance do not include the potential contribution from the HPE CTG acquisition (Dec 2024F closure likely).
- **Demand environment:** Witnessing an improvement across multiple verticals and demand in engineering services is healthy. Deal closure timeline remains largely unchanged.
- **Vertical-wise commentary**
  - **Retail, CPG, Life Sciences, and Healthcare:** Witnessing healthy demand and a growing order pipeline.
  - **Manufacturing:** Witnessing stress in the automotive segment and is likely to continue in 3QFY25F as well. Some impact is expected from aerospace clients too.
- Witnessing demand for SAP and other commercial applications. SAP emerging as a strong growth area due to S/4HANA migration.
- Signed 20 deals with 12 in services and eight from HCL Software.
- **Wage Hikes:** India employees to receive average wage hike of 7% while top performers could get 12-15%. Onsite employee hikes are influenced by local conditions and agreements.
- **Headcount:** The net headcount decline could be attributed to a shift towards specialized skills and focus on GenAI-led delivery transformation (including automation and upskilling).
- **Generative AI:** Witnessing good traction, wins, and adoption for service transformation of AI Force platform. Integrated AI Force with Microsoft GitHub Copilot and will be enabled as a Microsoft GitHub Copilot extension. HCLT has entered into a strategic collaboration with AWS and Google Cloud to accelerate GenAI adoption and HCLTech AI Force is integrated with Anthropic Claude 3 on Amazon bedrock. Notable deals include AI-driven engineering services for Xerox and application modernization for a North American transportation client.

Figure 2: Operating metric trends

Operating trends	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25
Revenue (US\$m)	3,025	3,082	3,244	3,235	3,200	3,225	3,415	3,430	3,364	3,445
Growth yoy (%)	11.2	10.4	9.0	8.1	5.8	4.6	5.3	6.0	5.1	6.8
Growth qoq (%)	1.1	1.9	5.3	-0.3	-1.1	0.8	5.9	0.4	-1.9	2.4
CC growth yoy (%)	15.6	15.8	13.1	10.5	6.3	3.4	4.3	6.0	5.6	6.2
CC growth qoq (%)	2.7	3.8	5.0	-1.2	-1.3	1.0	6.0	0.3	-1.6	1.6
Revenue (Rsm)	2,34,640	2,46,860	2,67,000	2,66,060	2,62,960	2,66,720	2,84,460	2,84,990	2,80,570	2,88,620
Growth yoy (%)	16.9	19.5	19.6	17.7	12.1	8.0	6.5	7.1	6.7	8.2
Growth qoq (%)	3.8	5.2	8.2	-0.4	-1.2	1.4	6.7	0.2	-1.6	2.9
EBIT margin (%)	17.0	17.9	19.6	18.2	17.0	18.5	19.7	17.6	17.1	18.6
US\$-INR realized rate	77.6	80.1	82.3	82.2	82.2	82.7	83.3	83.1	83.4	83.8
Headcount	2,10,966	2,19,325	2,22,270	2,25,944	2,23,438	2,21,139	2,24,756	2,27,481	2,19,401	2,18,621
Attrition (%)	23.8	23.8	21.7	19.5	16.3	14.2	12.8	12.4	12.8	12.9
<b>Segment (%)</b>	<b>1QFY23</b>	<b>2QFY23</b>	<b>3QFY23</b>	<b>4QFY23</b>	<b>1QFY24</b>	<b>2QFY24</b>	<b>3QFY24</b>	<b>4QFY24</b>	<b>1QFY25</b>	<b>2QFY25</b>
IT services	72.8	73.6	71.7	73.8	74.7	74.6	71.7	74.4	74.5	74.6
ER&D	16.6	17.0	16.6	16.1	15.5	16.0	16.4	16.2	15.9	15.8
Products & platforms	10.6	9.8	11.8	10.2	9.8	9.4	11.9	9.4	9.6	9.6
<b>Segment (US\$m)</b>	<b>1QFY23</b>	<b>2QFY23</b>	<b>3QFY23</b>	<b>4QFY23</b>	<b>1QFY24</b>	<b>2QFY24</b>	<b>3QFY24</b>	<b>4QFY24</b>	<b>1QFY25</b>	<b>2QFY25</b>
IT services	2,202	2,268	2,326	2,387	2,390	2,406	2,449	2,552	2,506	2,570
ER&D	502	524	539	521	496	516	560	556	535	544
Products & platforms	321	302	383	330	314	303	406	322	323	330
<b>Segment yoy (%)</b>	<b>1QFY23</b>	<b>2QFY23</b>	<b>3QFY23</b>	<b>4QFY23</b>	<b>1QFY24</b>	<b>2QFY24</b>	<b>3QFY24</b>	<b>4QFY24</b>	<b>1QFY25</b>	<b>2QFY25</b>
IT services	13.1	12.0	10.6	8.7	8.5	6.0	5.3	6.9	4.8	6.8
ER&D	20.7	19.6	13.7	6.1	-1.2	-1.5	4.0	6.7	7.8	5.5
Products & platforms	-10.0	-7.5	-4.8	7.0	-2.2	0.4	6.2	-2.3	3.0	8.9
<b>Segment qoq (%)</b>	<b>1QFY23</b>	<b>2QFY23</b>	<b>3QFY23</b>	<b>4QFY23</b>	<b>1QFY24</b>	<b>2QFY24</b>	<b>3QFY24</b>	<b>4QFY24</b>	<b>1QFY25</b>	<b>2QFY25</b>
IT services	0.2	3.0	2.5	2.6	0.1	0.6	1.8	4.2	-1.8	2.6
ER&D	2.3	4.3	2.8	-3.3	-4.8	4.0	8.5	-0.8	-3.7	1.8
Products & platforms	4.0	-5.8	26.7	-13.8	-5.0	-3.3	34.1	-20.7	0.2	2.3
<b>Incremental revenue (US\$m)</b>	<b>1QFY23</b>	<b>2QFY23</b>	<b>3QFY23</b>	<b>4QFY23</b>	<b>1QFY24</b>	<b>2QFY24</b>	<b>3QFY24</b>	<b>4QFY24</b>	<b>1QFY25</b>	<b>2QFY25</b>
IT services	5.2	66.3	57.5	61.5	3.0	15.2	42.9	103.3	-45.8	64.1
ER&D	11.3	21.8	14.5	-17.7	-24.8	20.0	44.1	-4.4	-20.8	9.5
Products & platforms	12.4	-18.6	80.7	-52.8	-16.4	-10.5	103.3	-84.0	0.5	7.3
<b>Vertical (%)</b>	<b>1QFY23</b>	<b>2QFY23</b>	<b>3QFY23</b>	<b>4QFY23</b>	<b>1QFY24</b>	<b>2QFY24</b>	<b>3QFY24</b>	<b>4QFY24</b>	<b>1QFY25</b>	<b>2QFY25</b>
Financial Services	21.1	20.6	19.9	21.2	22.6	22.6	21.7	21.6	21.0	20.5
Manufacturing	18.3	19.2	19.7	19.0	19.9	19.3	20.1	20.4	19.4	19.5
Technology	15.4	15.1	14.8	14.4	13.4	13.1	12.8	12.3	13.0	13.1
Telecom	9.2	9.2	9.4	8.8	7.6	8.0	9.7	11.5	12.2	12.1
Retail & CPG	9.4	9.2	9.3	9.0	9.1	9.6	9.6	9.1	9.4	9.6
Media, Publishing & Telecom	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Healthcare	16.4	16.5	17.1	17.5	17.5	17.5	16.4	16.3	15.9	16.0
Public Services	10.2	10.2	10.2	10.2	10.0	9.9	9.7	8.8	9.1	9.2
<b>Vertical (US\$m)</b>	<b>1QFY23</b>	<b>2QFY23</b>	<b>3QFY23</b>	<b>4QFY23</b>	<b>1QFY24</b>	<b>2QFY24</b>	<b>3QFY24</b>	<b>4QFY24</b>	<b>1QFY25</b>	<b>2QFY25</b>
Financial Services	571	575	570	617	652	660	653	671	639	638
Manufacturing	495	536	564	553	574	564	605	634	590	607
Technology	416	422	424	419	387	383	385	382	395	408
Telecom	249	257	269	256	219	234	292	357	371	377
Retail & CPG	254	257	266	262	263	280	289	283	286	299
Healthcare	443	461	490	509	505	511	493	507	483	498
Public Services	276	285	292	297	289	289	292	273	277	287
<b>Vertical yoy (%)</b>	<b>1QFY23</b>	<b>2QFY23</b>	<b>3QFY23</b>	<b>4QFY23</b>	<b>1QFY24</b>	<b>2QFY24</b>	<b>3QFY24</b>	<b>4QFY24</b>	<b>1QFY25</b>	<b>2QFY25</b>
Financial Services	10.2	-4.6	-10.5	6.2	14.3	14.8	14.5	8.9	-2.1	-3.3
Manufacturing	12.6	0.6	-0.8	8.8	16.1	5.2	7.2	14.7	2.7	7.7
Technology	32.5	9.5	1.7	10.5	-7.1	-9.2	-9.2	-8.7	2.2	6.6
Telecom	25.3	8.3	7.7	5.8	-11.8	-9.0	8.4	39.6	69.1	61.2
Retail & CPG	1.5	-6.1	-17.2	-0.6	3.3	9.2	8.4	8.0	8.8	6.6
Healthcare	13.7	-1.1	2.2	16.9	13.9	11.0	0.7	-0.5	-4.3	-2.5
Public Services	10.1	-1.9	-4.7	5.1	4.6	1.5	-0.1	-7.8	-4.1	-0.9
<b>Vertical qoq (%)</b>	<b>1QFY23</b>	<b>2QFY23</b>	<b>3QFY23</b>	<b>4QFY23</b>	<b>1QFY24</b>	<b>2QFY24</b>	<b>3QFY24</b>	<b>4QFY24</b>	<b>1QFY25</b>	<b>2QFY25</b>
Financial Services	-1.7	0.8	-0.9	8.2	5.8	1.2	-1.1	2.8	-4.9	-0.0
Manufacturing	-2.6	8.3	5.3	-2.1	3.9	-1.8	7.2	4.8	-6.9	2.9
Technology	9.9	1.2	0.5	-1.2	-7.6	-1.0	0.6	-0.7	3.4	3.2
Telecom	2.8	3.3	4.8	-5.0	-14.3	6.5	24.9	22.5	3.8	1.6
Retail & CPG	-3.5	1.1	3.7	-1.7	0.4	6.8	3.0	-2.1	1.1	4.6
Healthcare	1.9	3.9	6.3	3.9	-0.8	1.2	-3.5	2.7	-4.5	3.1
Public Services	-2.3	3.3	2.6	1.5	-2.7	0.2	0.9	-6.3	1.2	3.5
<b>Incremental revenue (US\$m)</b>	<b>1QFY23</b>	<b>2QFY23</b>	<b>3QFY23</b>	<b>4QFY23</b>	<b>1QFY24</b>	<b>2QFY24</b>	<b>3QFY24</b>	<b>4QFY24</b>	<b>1QFY25</b>	<b>2QFY25</b>
Financial Services	-10.0	4.6	-5.2	46.5	35.8	8.0	-7.4	18.3	-32.6	-0.1
Manufacturing	-13.1	41.3	28.2	-11.7	21.8	-10.5	40.9	29.2	-44.0	17.4
Technology	37.5	5.2	2.3	-5.1	-32.0	-4.1	2.4	-2.9	13.1	12.7
Telecom	6.9	8.1	12.4	-13.3	-36.6	14.4	58.1	65.5	13.6	5.9
Retail & CPG	-9.2	2.7	9.5	-4.7	0.9	17.8	8.4	-6.0	3.1	13.1
Healthcare	8.1	17.2	29.1	19.1	-3.8	6.2	-17.9	13.1	-23.0	14.8
Public Services	-6.4	9.0	7.4	4.5	-8.0	0.6	2.6	-18.4	3.3	9.8
<b>Clients (%)</b>	<b>1QFY23</b>	<b>2QFY23</b>	<b>3QFY23</b>	<b>4QFY23</b>	<b>1QFY24</b>	<b>2QFY24</b>	<b>3QFY24</b>	<b>4QFY24</b>	<b>1QFY25</b>	<b>2QFY25</b>
Top 5	11.2	10.7	10.3	10.1	9.8	9.8	9.8	10.4	11.4	12.1
Top 6-10	8.2	8.1	7.9	7.6	7.4	7.4	7.9	8.4	8.2	8.0
Top 11-20	9.5	10.1	10.0	10.1	10.0	10.1	10.3	10.2	10.5	10.7
Non-top 20	71.1	71.1	71.8	72.2	72.8	72.7	72.0	71.0	69.9	69.2
<b>Clients (US\$m)</b>	<b>1QFY23</b>	<b>2QFY23</b>	<b>3QFY23</b>	<b>4QFY23</b>	<b>1QFY24</b>	<b>2QFY24</b>	<b>3QFY24</b>	<b>4QFY24</b>	<b>1QFY25</b>	<b>2QFY25</b>
Top 5	339	330	334	327	314	316	335	357	383	417
Top 6-10	248	250	256	246	237	239	270	288	276	276
Top 11-20	287	311	324	327	320	326	352	350	353	369

Non-top 20	2,151	2,191	2,329	2,336	2,330	2,344	2,459	2,435	2,351	2,384
<b>Clients yoy (%)</b>	<b>1QFY23</b>	<b>2QFY23</b>	<b>3QFY23</b>	<b>4QFY23</b>	<b>1QFY24</b>	<b>2QFY24</b>	<b>3QFY24</b>	<b>4QFY24</b>	<b>1QFY25</b>	<b>2QFY25</b>
Top 5	-4.2	-7.0	-8.0	-5.9	-7.4	-4.2	0.2	9.2	22.3	31.9
Top 6-10	16.9	11.8	6.3	0.2	-4.5	-4.4	5.3	17.2	16.5	15.5
Top 11-20	10.1	21.2	19.7	17.4	11.4	4.6	8.4	7.1	10.4	13.2
Non-top 20	13.6	12.0	10.8	10.1	8.3	7.0	5.6	4.3	0.9	1.7
<b>Clients qoq (%)</b>	<b>1QFY23</b>	<b>2QFY23</b>	<b>3QFY23</b>	<b>4QFY23</b>	<b>1QFY24</b>	<b>2QFY24</b>	<b>3QFY24</b>	<b>4QFY24</b>	<b>1QFY25</b>	<b>2QFY25</b>
Top 5	-2.4	-2.7	1.3	-2.2	-4.0	0.8	5.9	6.6	7.5	8.7
Top 6-10	1.1	0.6	2.7	-4.1	-3.7	0.8	13.1	6.8	-4.3	-0.1
Top 11-20	3.2	8.3	4.2	0.7	-2.1	1.8	8.0	-0.5	1.0	4.4
Non-top 20	1.3	1.9	6.3	0.3	-0.3	0.6	4.9	-1.0	-3.4	1.4
<b>Incremental revenue (US\$m)</b>	<b>1QFY23</b>	<b>2QFY23</b>	<b>3QFY23</b>	<b>4QFY23</b>	<b>1QFY24</b>	<b>2QFY24</b>	<b>3QFY24</b>	<b>4QFY24</b>	<b>1QFY25</b>	<b>2QFY25</b>
Top 5	-8	-9	4	-7	-13	2	19	22	27	33
Top 6-10	3	2	7	-10	-9	2	31	18	-12	-0
Top 11-20	9	24	13	2	-7	6	26	-2	3	15
Non-top 20	29	41	138	6	-6	15	114	-24	-84	33
<b>Client metric</b>	<b>1QFY23</b>	<b>2QFY23</b>	<b>3QFY23</b>	<b>4QFY23</b>	<b>1QFY24</b>	<b>2QFY24</b>	<b>3QFY24</b>	<b>4QFY24</b>	<b>1QFY25</b>	<b>2QFY25</b>
US\$100m+	17	17	17	19	20	20	20	22	22	22
US\$50m+	42	42	45	46	48	49	49	46	48	52
US\$20m+	127	128	130	131	127	132	132	137	133	137
US\$10m+	218	220	221	229	237	243	250	254	256	251
US\$5m+	353	356	365	375	390	402	401	395	404	402
US\$1m+	880	890	937	937	947	971	958	951	951	952
<b>Per employee analysis</b>	<b>1QFY23</b>	<b>2QFY23</b>	<b>3QFY23</b>	<b>4QFY23</b>	<b>1QFY24</b>	<b>2QFY24</b>	<b>3QFY24</b>	<b>4QFY24</b>	<b>1QFY25</b>	<b>2QFY25</b>
Revenue (US\$m) - TTM	11,786	12,078	12,344	12,586	12,761	12,904	13,075	13,270	13,433	13,654
Employees (average TTM)	2,01,314	2,09,236	2,15,360	2,19,626	2,22,744	2,23,198	2,23,819	2,24,204	2,23,194	2,22,565
Revenue per employee (TTM basis)	58,546	57,722	57,319	57,306	57,290	57,813	58,416	59,186	60,187	61,348

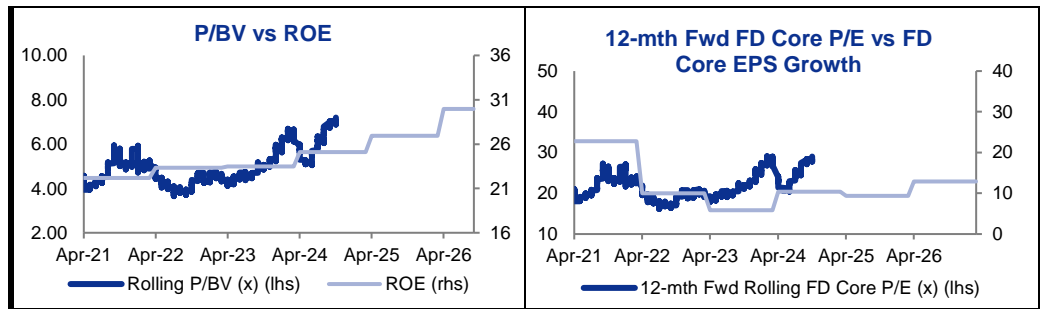
SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 3: Change in InCred estimates**

Y/E Mar (Rsm)	FY25F			FY26F			FY27F		
	New	Old	% change	New	Old	% change	New	Old	% change
US\$ revenue	13,939	13,894	0.3	14,917	14,860	0.4	16,254	16,193	0.4
Revenue	11,66,479	11,58,825	0.7	12,75,387	12,70,534	0.4	14,14,080	14,08,806	0.4
EBIT	2,13,934	2,11,758	1.0	2,38,752	2,35,049	1.6	3,17,319	3,12,614	1.5
EBIT Margin (%)	18.3	18.3	7bp	18.7	18.5	22bp	22.4	22.2	25bp
Net PAT	1,73,280	1,71,438	1.1	1,89,407	1,89,323	0.0	2,13,771	2,13,311	0.2
EPS (Rs)	64.0	63.3	1.1	69.9	69.9	0.0	78.9	78.8	0.2

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
<b>Total Net Revenues</b>	<b>1,014,560</b>	<b>1,099,130</b>	<b>1,166,479</b>	<b>1,275,387</b>	<b>1,414,080</b>
<b>Gross Profit</b>	<b>353,010</b>	<b>377,880</b>	<b>392,119</b>	<b>433,632</b>	<b>482,908</b>
<b>Operating EBITDA</b>	<b>226,290</b>	<b>242,000</b>	<b>254,824</b>	<b>283,391</b>	<b>317,319</b>
Depreciation And Amortisation	(41,450)	(41,730)	(40,890)	(44,639)	(48,079)
<b>Operating EBIT</b>	<b>184,840</b>	<b>200,270</b>	<b>213,934</b>	<b>238,752</b>	<b>269,241</b>
Financial Income/(Expense)	9,120	9,420	17,204	13,763	15,002
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	910	(20)	1,139	1,148	1,273
<b>Profit Before Tax (pre-EI)</b>	<b>194,870</b>	<b>209,670</b>	<b>232,277</b>	<b>253,664</b>	<b>285,516</b>
Exceptional Items					
<b>Pre-tax Profit</b>	<b>194,870</b>	<b>209,670</b>	<b>232,277</b>	<b>253,664</b>	<b>285,516</b>
Taxation	(46,430)	(52,570)	(58,917)	(64,177)	(71,664)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>148,440</b>	<b>157,100</b>	<b>173,360</b>	<b>189,487</b>	<b>213,851</b>
Minority Interests	50	(80)	(80)	(80)	(80)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>148,490</b>	<b>157,020</b>	<b>173,280</b>	<b>189,407</b>	<b>213,771</b>
Recurring Net Profit	148,490	157,020	173,280	189,407	213,771
<b>Fully Diluted Recurring Net Profit</b>	<b>148,490</b>	<b>157,020</b>	<b>173,280</b>	<b>189,407</b>	<b>213,771</b>

Cash Flow

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
<b>EBITDA</b>	<b>226,290</b>	<b>242,000</b>	<b>254,824</b>	<b>283,391</b>	<b>317,319</b>
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(13,050)	23,050	(12,052)	(19,488)	(24,818)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	(50)	80	80	80	80
Other Operating Cashflow					
Net Interest (Paid)/Received					
Tax Paid	(36,980)	(42,120)	(58,917)	(64,177)	(71,664)
<b>Cashflow From Operations</b>	<b>176,210</b>	<b>223,010</b>	<b>183,935</b>	<b>199,806</b>	<b>220,917</b>
Capex	(16,610)	(10,480)	(12,000)	(12,000)	(12,000)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(22,700)	(56,750)	17,204	13,763	15,002
<b>Cash Flow From Investing</b>	<b>(39,310)</b>	<b>(67,230)</b>	<b>5,204</b>	<b>1,763</b>	<b>3,002</b>
Debt Raised/(repaid)					
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(129,950)	(140,730)	(157,264)	(179,936)	(203,083)
Preferred Dividends					
Other Financing Cashflow	(28,860)	(13,910)			
<b>Cash Flow From Financing</b>	<b>(158,810)</b>	<b>(154,640)</b>	<b>(157,264)</b>	<b>(179,936)</b>	<b>(203,083)</b>
Total Cash Generated	(21,910)	1,140	31,876	21,633	20,837
<b>Free Cashflow To Equity</b>	<b>159,600</b>	<b>212,530</b>	<b>171,935</b>	<b>187,806</b>	<b>208,917</b>
<b>Free Cashflow To Firm</b>	<b>136,900</b>	<b>155,780</b>	<b>189,140</b>	<b>201,569</b>	<b>223,919</b>

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**BY THE NUMBERS...cont'd**

<b>Balance Sheet</b>					
<b>(Rs mn)</b>	<b>Mar-23A</b>	<b>Mar-24A</b>	<b>Mar-25F</b>	<b>Mar-26F</b>	<b>Mar-27F</b>
Total Cash And Equivalents	201,090	271,930	304,785	327,406	349,355
Total Debtors	255,060	255,210	270,848	296,136	328,339
Inventories	2,280	1,850	1,850	1,850	1,850
Total Other Current Assets	77,340	64,320	64,320	64,320	64,320
<b>Total Current Assets</b>	<b>535,770</b>	<b>593,310</b>	<b>641,803</b>	<b>689,711</b>	<b>743,864</b>
Fixed Assets	160,920	150,390	121,500	88,862	52,783
Total Investments	20,700	23,500	23,500	23,500	23,500
Intangible Assets	185,670	201,320	201,320	201,320	201,320
Total Other Non-Current Assets	31,050	29,250	29,250	29,250	29,250
<b>Total Non-current Assets</b>	<b>398,340</b>	<b>404,460</b>	<b>375,570</b>	<b>342,932</b>	<b>306,853</b>
Short-term Debt	1,400	1,040	1,040	1,040	1,040
Current Portion of Long-Term Debt					
Total Creditors	64,280	58,530	62,116	67,916	75,301
Other Current Liabilities	148,630	167,690	167,690	167,690	167,690
<b>Total Current Liabilities</b>	<b>214,310</b>	<b>227,260</b>	<b>230,846</b>	<b>236,646</b>	<b>244,031</b>
Total Long-term Debt	21,110	22,230	22,230	22,230	22,230
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	44,710	65,570	65,570	65,570	65,570
<b>Total Non-current Liabilities</b>	<b>65,820</b>	<b>87,800</b>	<b>87,800</b>	<b>87,800</b>	<b>87,800</b>
Total Provisions					
<b>Total Liabilities</b>	<b>280,130</b>	<b>315,060</b>	<b>318,646</b>	<b>324,446</b>	<b>331,831</b>
Shareholders Equity	653,980	682,710	698,727	708,197	718,886
Minority Interests					
<b>Total Equity</b>	<b>653,980</b>	<b>682,710</b>	<b>698,727</b>	<b>708,197</b>	<b>718,886</b>

<b>Key Ratios</b>					
	<b>Mar-23A</b>	<b>Mar-24A</b>	<b>Mar-25F</b>	<b>Mar-26F</b>	<b>Mar-27F</b>
Revenue Growth	18.5%	8.3%	6.1%	9.3%	10.9%
Operating EBITDA Growth	12.1%	6.9%	5.3%	11.2%	12.0%
Operating EBITDA Margin	22.3%	22.0%	21.8%	22.2%	22.4%
Net Cash Per Share (Rs)	59.81	83.18	95.31	103.67	111.77
BVPS (Rs)	241.52	252.09	258.01	261.50	265.45
Gross Interest Cover					
Effective Tax Rate	23.8%	25.1%	25.4%	25.3%	25.1%
Net Dividend Payout Ratio	87.5%	89.7%	90.8%	95.0%	95.0%
Accounts Receivables Days	83.06	84.73	82.30	81.13	80.59
Inventory Days	1.07	1.05	0.87	0.80	0.73
Accounts Payables Days	35.05	31.07	28.43	28.19	28.07
ROIC (%)	37.8%	30.0%	33.5%	38.8%	45.2%
ROCE (%)	27.0%	21.1%	21.7%	23.8%	26.5%
Return On Average Assets	15.3%	15.5%	15.9%	17.5%	19.5%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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*The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.*

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