

India

HOLD (no change)

Consensus ratings*: Buy 20 Hold 17 Sell 10

Current price:	Rs1,620
Target price:	Rs1,638
Previous target:	Rs1,585
Up/downside:	1.1%
InCred Research / Consensus:	-2.7%
Reuters:	HCLT.NS
Bloomberg:	HCLT IN
Market cap:	US\$51,116m
	Rs4,395,595m
Average daily turnover:	US\$58.7m
	Rs5045.7m
Current shares o/s:	2,708.2m
Free float:	39.0%

*Source: Bloomberg

Key changes in this note

- Expect 5.8% revenue CAGR over FY25-28F.
- Expect 7.2% EBIT CAGR over FY25-28F.
- Expect 6.7% PAT CAGR over FY25-28F.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(4.5)	13.6	3.5
Relative (%)	(5.8)	5.9	1.5

Major shareholders

	% held
LIC	4.8
Artisan International Value Fund	2.2
SBI MF	1.5

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HCL Technologies

Margin headwinds are real

- Management commentary on trading short-term margin pain to secure long-term growth leadership may be a key monitorable for Tier-II earnings.
- Adjusting our estimates lower to account for margin guidance despite raising revenue.
- Retain HOLD rating with a higher TP of Rs1,638 as we shift to FY28F earnings.

1QFY26 results summary

HCL Technologies or HCLT's 1QFY26 constant currency (CC) revenue decline was in line (services segment weakness was likely lower than anticipated) while the EBIT margin miss was higher. Although the lower end of the revenue guidance uplift by 1pp {driven by 1) no deterioration in the demand environment (vs. feared at the start of 1Q), 2) traction in services portfolio (FSI, hi-tech), and 3) expected large deal signings} was encouraging, it may not be enough to offset the earnings impact due to a 1pp cut in the EBIT margin band. We adjust our estimates to account for the same but a shift to FY28F estimates raises our target price to Rs1,638 vs. Rs1,585 earlier. Maintain our HOLD rating on the stock.

Decision-making delay drives the weakness in bookings

Weak net new deal TCV at US\$1,812m, although well-balanced across service lines, geographies, and verticals, was down 40%/8% qoq/yoy partly impacted by the delay in closure (unrelated to external factors) and dragged TTM bookings (-10.1%/-1.6% yoy/qoq). That said, the large consolidation opportunity in the FSI vertical, not accounted in 1Q, and conversion of delayed deals could drive a material uptick in 2QFY26F bookings.

Margin weakness drives our earnings revision

The EBIT margin miss (down 171bp qoq and 81bp yoy at 16.3%) was driven not just by software business seasonality but also due to 1) higher sales and marketing investments (30bp), 2) lower utilization (80bp), 3) client bankruptcy (30bp), and 4) other factors such as a lower share of software in the revenue mix (20bp) and led to trimming of the FY26F guidance band by 100bp. Although not structural, 1Q miss and guidance revision drives a 90bp cut in our FY26F-27F average EBIT margin assumption to 17.9%.

Maintain HOLD rating; shift to FY28F drives target price higher

We now model a 5.8% US\$ revenue CAGR over FY25-28F (4.7% over FY25-27F earlier) and 6.7% PAT (Rs) CAGR (8.3%) to factor in both revenue & EBIT margin guidance and 1Q margin miss. We also shift our valuation to FY28F and value HCL Technologies at 21x FY28F EPS (21x FY27F EPS earlier), or ~10% discount to Tata Consultancy Services' FY28F EPS, to arrive at our target price of Rs1,638 vs. Rs1,585 earlier. Upside risks: Large deal wins, better margin execution, & healthy cash generation. Downside risks: Decision-making delay & account-specific ramp-down.

Financial Summary

	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Revenue (Rsm)	1,099,130	1,170,550	1,248,621	1,355,816	1,443,944
Operating EBITDA (Rsm)	242,000	255,050	262,947	292,992	312,903
Net Profit (Rsm)	157,020	173,910	174,601	197,594	211,281
Core EPS (Rs)	58.0	64.2	64.5	73.0	78.0
Core EPS Growth	5.8%	10.7%	0.4%	13.2%	6.9%
FD Core P/E (x)	27.93	25.22	25.12	22.20	20.76
DPS (Rs)	52.0	60.0	60.0	69.3	74.1
Dividend Yield	3.21%	3.71%	3.71%	4.28%	4.58%
EV/EBITDA (x)	17.19	16.26	15.66	13.96	12.96
P/FCFE (x)	20.50	20.74	24.50	22.09	20.20
Net Gearing	(33.0%)	(34.2%)	(38.1%)	(41.3%)	(45.3%)
P/BV (x)	6.43	6.30	6.19	6.10	6.02
ROE	23.5%	25.2%	24.8%	27.7%	29.2%
% Change In Core EPS Estimates			(4.65%)	(3.33%)	
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 1: Quarterly performance

Y/E Mar (Rs m)	1QFY26	1QFY25	YoY (%)	4QFY25	QoQ (%)	1QFY26F	Var. (%)
Revenue (US\$ m)	3,545	3,364	5.4	3,498	1.3	3,550	(0.1)
Net sales (Rs m)	3,03,490	2,80,570	8.2	3,02,460	0.3	3,03,832	(0.1)
USD-INR realization	85.6	83.4	2.6	86.5	(1.0)	85.6	0.0
EBITDA	60,350	57,940	4.2	64,820	(6.9)	62,893	(4.0)
EBITDA Margin (%)	19.9	20.7	(77bp)	21.4	(155bp)	20.7	(81bp)
EBIT	49,420	47,960	3.0	54,420	(9.2)	52,446	(5.8)
EBIT Margin (%)	16.3	17.1	(81bp)	18.0	(171bp)	17.3	(98bp)
Depreciation	10,930	9,980	9.5	10,400	5.1	10,447	4.6
Net other income	2,470	9,120	(72.9)	2,930	(15.7)	3,228	(23.5)
PBT	51,890	57,080	(9.1)	57,350	(9.5)	55,674	(6.8)
Provision for tax	13,450	14,480	(7.1)	14,260	(5.7)	13,863	(3.0)
% tax rate	25.9	25.4	55bp	24.9	106bp	24.9	102bp
Net Profit	38,430	42,580	(9.7)	43,070	(10.8)	41,791	(8.0)
EPS (Rs)	14.2	15.7	(9.7)	15.9	(10.8)	15.4	(8.2)

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Key conference-call highlights

- **Guidance:**
 - HCL Technologies raised FY26F service and overall revenue growth guidance to 3%-5% yoy in CC terms vs. 2%-5% earlier.
 - The EBIT margin guidance range was trimmed to 17% from 18% vs. 18% -19% earlier.
- **Demand commentary:**
 - Engineering-led approach and client conviction of HCL Technologies' artificial intelligence or AI proposition and data, and AI capabilities is driving large deals in the digital business.
 - Healthy demand for efficiency-led deals across the board.
- **Vertical-wise commentary:**
 - Discretionary spending traction in financial services and technology, public services and telecom is stable while it was stressed in manufacturing driven by auto, life sciences, retail, and CPG.
- **Pipeline:** AI and GenAI are becoming central to nearly every deal.
- Perceived as a very attractive partner to leading tech OEMs, Independent software vendors (ISVs), hyperscalers, and pioneers like OpenAI.
- Formed a strategic partnership with OpenAI to drive large-scale enterprise AI transformation.
- Agentic AI is gaining traction, especially in operational efficiency and accelerating application modernization programs.

Figure 2: Operating metrics - highlights

Operating trends	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
Revenue (US\$m)	3,025	3,082	3,244	3,235	3,200	3,225	3,415	3,430	3,364	3,445	3,533	3,498	3,545
Growth yoy (%)	11.2	10.4	9.0	8.1	5.8	4.6	5.3	6.0	5.1	6.8	3.5	2.0	5.4
Growth qoq (%)	1.1	1.9	5.3	-0.3	-1.1	0.8	5.9	0.4	-1.9	2.4	2.5	-1.0	1.3
CC Growth yoy (%)	15.6	15.8	13.1	10.5	6.3	3.4	4.3	6.0	5.6	6.2	4.1	2.9	3.7
CC Growth qoq (%)	2.7	3.8	5.0	-1.2	-1.3	1.0	6.0	0.3	-1.6	1.6	3.8	-0.8	-0.8
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	2,98,900	3,02,460	3,03,490
Growth yoy (%)	16.9	19.5	19.6	17.7	12.1	8.0	6.5	7.1	6.7	8.2	5.1	6.1	8.2
Growth qoq (%)	3.8	5.2	8.2	-0.4	-1.2	1.4	6.7	0.2	-1.6	2.9	3.6	1.2	0.3
EBIT Margin (%)	17.0	17.9	19.6	18.2	17.0	18.5	19.7	17.6	17.1	18.6	19.5	18.0	16.3
US\$-INR realized rate	77.6	80.1	82.3	82.2	82.2	82.7	83.3	83.1	83.4	83.8	84.6	86.5	85.6
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	2,20,755	2,23,420	2,23,151
Attrition (%)	23.8	23.8	21.7	19.5	16.3	14.2	12.8	12.4	12.8	12.9	13.2	13.0	12.8
Segment (%)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
IT services	72.8	73.6	71.7	73.8	74.7	74.6	71.7	74.4	74.5	74.6	73.0	73.3	74.0
ER&D	16.6	17.0	16.6	16.1	15.5	16.0	16.4	16.2	15.9	15.8	16.0	17.1	17.0
Products & platforms	10.6	9.8	11.8	10.2	9.8	9.4	11.9	9.4	9.6	9.6	11.0	9.6	9.0
Segment (US\$m)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
IT services	2,202	2,268	2,326	2,387	2,390	2,406	2,449	2,552	2,506	2,570	2,579	2,564	2,623
ER&D	502	524	539	521	496	516	560	556	535	544	565	598	603
Products & platforms	321	302	383	330	314	303	406	322	323	330	389	336	319
Segment yoy (%)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
IT services	13.1	12.0	10.6	8.7	8.5	6.0	5.3	6.9	4.8	6.8	5.3	0.5	4.7
ER&D	20.7	19.6	13.7	6.1	-1.2	-1.5	4.0	6.7	7.8	5.5	0.9	7.7	12.7
Products & platforms	-10.0	-7.5	-4.8	7.0	-2.2	0.4	6.2	-2.3	3.0	8.9	-4.4	4.2	-1.2
Segment qoq (%)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
IT services	0.2	3.0	2.5	2.6	0.1	0.6	1.8	4.2	-1.8	2.6	0.3	-0.6	2.3
ER&D	2.3	4.3	2.8	-3.3	-4.8	4.0	8.5	-0.8	-3.7	1.8	3.8	5.8	0.8
Products & platforms	4.0	-5.8	26.7	-13.8	-5.0	-3.3	34.1	-20.7	0.2	2.3	17.7	-13.6	-5.0
Incremental revenue (US\$m)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26

IT services	5.2	66.3	57.5	61.5	3.0	15.2	42.9	103.3	-45.8	64.1	9.0	-15.1	59.3
ER&D	11.3	21.8	14.5	-17.7	-24.8	20.0	44.1	-4.4	-20.8	9.5	20.9	32.9	4.5
Products & platforms	12.4	-18.6	80.7	-52.8	-16.4	-10.5	103.3	-84.0	0.5	7.3	58.4	-52.8	-16.8
Vertical (%)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
Financial Services	21.1	20.6	19.9	21.2	22.6	22.6	21.7	21.6	21.0	20.5	20.3	21.1	21.6
Manufacturing	18.3	19.2	19.7	19.0	19.9	19.3	20.1	20.4	19.4	19.5	19.1	18.6	18.6
Technology	15.4	15.1	14.8	14.4	13.4	13.1	12.8	12.3	13.0	13.1	13.3	13.4	14.0
Telecom	9.2	9.2	9.4	8.8	7.6	8.0	9.7	11.5	12.2	12.1	12.3	13.9	13.1
Retail & CPG	9.4	9.2	9.3	9.0	9.1	9.6	9.6	9.1	9.4	9.6	10.6	9.7	9.7
Media, Publishing & Telecom	0.0	0.0	0.0	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	15.5	14.7	14.5
Public Services	10.2	10.2	10.2	10.2	10.0	9.9	9.7	8.8	9.1	9.2	8.9	8.6	8.5
Vertical (US\$m)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
Financial Services	571	575	570	617	652	660	653	671	639	638	638	667	697
Manufacturing	495	536	564	553	574	564	605	634	590	607	601	588	600
Technology	416	422	424	419	387	383	385	382	395	408	418	424	452
Telecom	249	257	269	256	219	234	292	357	371	377	387	440	423
Retail & CPG	254	257	266	262	263	280	289	283	286	299	333	307	313
Healthcare	443	461	490	509	505	511	493	507	483	498	487	465	468
Public Services	276	285	292	297	289	289	292	273	277	287	280	272	274
Vertical yoy (%)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
Financial Services	10.2	-4.6	-10.5	6.2	14.3	14.8	14.5	8.9	-2.1	-3.3	-2.2	-0.6	9.1
Manufacturing	12.6	0.6	-0.8	8.8	16.1	5.2	7.2	14.7	2.7	7.7	-0.7	-7.2	1.7
Technology	32.5	9.5	1.7	10.5	-7.1	-9.2	-9.2	-8.7	2.2	6.6	8.6	10.9	14.2
Telecom	25.3	8.3	7.7	5.8	-11.8	-9.0	8.4	39.6	69.1	61.2	32.5	23.0	13.9
Retail & CPG	1.5	-6.1	-17.2	-0.6	3.3	9.2	8.4	8.0	8.8	6.6	15.4	8.5	9.5
Healthcare	13.7	-1.1	2.2	16.9	13.9	11.0	0.7	-0.5	-4.3	-2.5	-1.2	-8.2	-3.3
Public Services	10.1	-1.9	-4.7	5.1	4.6	1.5	-0.1	-7.8	-4.1	-0.9	-4.1	-0.6	-0.9
Vertical qoq (%)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
Financial Services	-1.7	0.8	-0.9	8.2	5.8	1.2	-1.1	2.8	-4.9	-0.0	-0.0	4.5	4.4
Manufacturing	-2.6	8.3	5.3	-2.1	3.9	-1.8	7.2	4.8	-6.9	2.9	-1.1	-2.1	2.0
Technology	9.9	1.2	0.5	-1.2	-7.6	-1.0	0.6	-0.7	3.4	3.2	2.5	1.3	6.6
Telecom	2.8	3.3	4.8	-5.0	-14.3	6.5	24.9	22.5	3.8	1.6	2.6	13.6	-3.9
Retail & CPG	-3.5	1.1	3.7	-1.7	0.4	6.8	3.0	-2.1	1.1	4.6	11.5	-8.0	2.0
Healthcare	1.9	3.9	6.3	3.9	-0.8	1.2	-3.5	2.7	-4.5	3.1	-2.2	-4.6	0.6
Public Services	-2.3	3.3	2.6	1.5	-2.7	0.2	0.9	-6.3	1.2	3.5	-2.3	-2.8	0.8
Incremental revenue (US\$m)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
Financial Services	-10.0	4.6	-5.2	46.5	35.8	8.0	-7.4	18.3	-32.6	-0.1	-0.2	28.9	29.6
Manufacturing	-13.1	41.3	28.2	-11.7	21.8	-10.5	40.9	29.2	-44.0	17.4	-6.7	-12.4	11.9
Technology	37.5	5.2	2.3	-5.1	-32.0	-4.1	2.4	-2.9	13.1	12.7	10.2	5.5	27.9
Telecom	6.9	8.1	12.4	-13.3	-36.6	14.4	58.1	65.5	13.6	5.9	9.9	52.8	-16.9
Retail & CPG	-9.2	2.7	9.5	-4.7	0.9	17.8	8.4	-6.0	3.1	13.1	34.3	-26.6	6.2
Healthcare	8.1	17.2	29.1	19.1	-3.8	6.2	-17.9	13.1	-23.0	14.8	-10.9	-22.5	2.9
Public Services	-6.4	9.0	7.4	4.5	-8.0	0.6	2.6	-18.4	3.3	9.8	-6.7	-7.9	2.3
Clients (%)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
Top 5	11.2	10.7	10.3	10.1	9.8	9.8	9.8	10.4	11.4	12.1	12.6	12.7	12.6
Top 6-10	8.2	8.1	7.9	7.6	7.4	7.4	7.9	8.4	8.2	8.0	7.7	7.5	7.6
Top 11-20	9.5	10.1	10.0	10.1	10.0	10.1	10.3	10.2	10.5	10.7	10.6	10.2	9.7
Non-top 20	71.1	71.1	71.8	72.2	72.8	72.7	72.0	71.0	69.9	69.2	69.1	69.6	70.1
Clients (US\$m)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
Top 5	339	330	334	327	314	316	335	357	383	417	445	444	447
Top 6-10	248	250	256	246	237	239	270	288	276	276	272	262	269
Top 11-20	287	311	324	327	320	326	352	350	353	369	374	357	344
Non-top 20	2,151	2,191	2,329	2,336	2,330	2,344	2,459	2,435	2,351	2,384	2,441	2,435	2,485
Clients yoy (%)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
Top 5	-4.2	-7.0	-8.0	-5.9	-7.4	-4.2	0.2	9.2	22.3	31.9	33.0	24.5	16.5
Top 6-10	16.9	11.8	6.3	0.2	-4.5	-4.4	5.3	17.2	16.5	15.5	0.8	-8.9	-2.3
Top 11-20	10.1	21.2	19.7	17.4	11.4	4.6	8.4	7.1	10.4	13.2	6.5	2.0	-2.6
Non-top 20	13.6	12.0	10.8	10.1	8.3	7.0	5.6	4.3	0.9	1.7	-0.7	-0.0	5.7
Clients qoq (%)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
Top 5	-2.4	-2.7	1.3	-2.2	-4.0	0.8	5.9	6.6	7.5	8.7	6.8	-0.2	0.5
Top 6-10	1.1	0.6	2.7	-4.1	-3.7	0.8	13.1	6.8	-4.3	-0.1	-1.3	-3.6	2.7
Top 11-20	3.2	8.3	4.2	0.7	-2.1	1.8	8.0	-0.5	1.0	4.4	1.6	-4.7	-3.6
Non-top 20	1.3	1.9	6.3	0.3	-0.3	0.6	4.9	-1.0	-3.4	1.4	2.4	-0.3	2.1
Incremental revenue (US\$m)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
Top 5	-8	-9	4	-7	-13	2	19	22	27	33	28	-1	2
Top 6-10	3	2	7	-10	-9	2	31	18	-12	-0	-4	-10	7
Top 11-20	9	24	13	2	-7	6	26	-2	3	15	6	-18	-13
Non-top 20	29	41	138	6	-6	15	114	-24	-84	33	57	-7	50
Client metric	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
US\$100m+	17	17	17	19	20	20	20	22	22	22	22	22	22
US\$50m+	25	25	28	27	28	29	29	24	26	30	31	30	32
US\$20m+	85	86	85	85	79	83	83	91	85	85	83	86	90
US\$10m+	91	92	91	98	110	111	118	117	123	114	112	113	111
US\$5m+	135	136	144	146	153	159	151	141	148	151	150	148	147
US\$1m+	527	534	572	562	557	569	557	556	547	550	554	549	554
Per employee analysis	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
Revenue (US\$m) - TTM	11,786	12,078	12,344	12,586	12,761	12,904	13,075	13,270	13,433	13,654	13,772	13,840	14,021
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	2,21,565	2,20,549	2,21,487
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	62,158	62,752	63,305

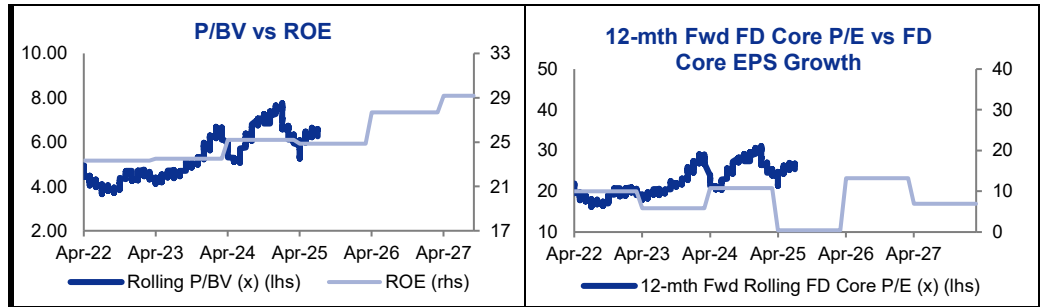
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Change in InCred estimates

Y/E, Mar (Rs m)	FY26F			FY27F			FY28F
	New	Old	% change	New	Old	% change	
US\$ revenue	14,535	14,255	2.0	15,407	15,181	1.5	16,408
Revenue	12,48,621	12,35,879	1.0	13,55,815	13,35,947	1.5	14,43,943
EBIT	2,19,410	2,28,885	-4.1	2,46,894	3,00,455	-17.8	2,63,808
EBIT Margin (%)	17.6	18.5	(95) bp	18.2	22.5	(428) bp	18.3
Net PAT	1,74,601	1,83,106	-4.6	1,97,594	2,04,393	-3.3	2,11,281
EPS (Rs)	64.5	67.6	-4.6	73.0	75.5	-3.3	78.0

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Total Net Revenues	1,099,130	1,170,550	1,248,621	1,355,816	1,443,944
Gross Profit	377,880	392,400	410,830	451,758	481,988
Operating EBITDA	242,000	255,050	262,947	292,992	312,903
Depreciation And Amortisation	(41,730)	(40,840)	(43,537)	(46,098)	(49,094)
Operating EBIT	200,270	214,210	219,410	246,894	263,808
Financial Income/(Expense)	9,420	17,550	14,896	16,102	17,407
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	(20)	860	404	1,220	1,300
Profit Before Tax (pre-EI)	209,670	232,620	234,710	264,217	282,515
Exceptional Items					
Pre-tax Profit	209,670	232,620	234,710	264,217	282,515
Taxation	(52,570)	(58,620)	(60,069)	(66,583)	(71,194)
Exceptional Income - post-tax					
Profit After Tax	157,100	174,000	174,641	197,634	211,321
Minority Interests	(80)	(90)	(40)	(40)	(40)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	157,020	173,910	174,601	197,594	211,281
Recurring Net Profit	157,020	173,910	174,601	197,594	211,281
Fully Diluted Recurring Net Profit	157,020	173,910	174,601	197,594	211,281

Cash Flow

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
EBITDA	242,000	255,050	262,947	292,992	312,903
Cash Flow from Invt. & Assoc.					
Change In Working Capital	23,050	10,100	(13,084)	(17,964)	(14,769)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	80	90	40	40	40
Other Operating Cashflow	1,470	(200)	324	1,140	1,220
Net Interest (Paid)/Received					
Tax Paid	(42,120)	(42,430)	(60,069)	(66,583)	(71,194)
Cashflow From Operations	224,480	222,610	190,158	209,625	228,199
Capex	(10,480)	(11,080)	(11,080)	(11,080)	(11,080)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(56,750)	(38,060)	14,896	16,102	17,407
Cash Flow From Investing	(67,230)	(49,140)	3,816	5,022	6,327
Debt Raised/(repaid)					
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(140,730)	(162,500)	(162,609)	(187,714)	(200,717)
Preferred Dividends					
Other Financing Cashflow	(13,910)	(23,110)			
Cash Flow From Financing	(154,640)	(185,610)	(162,609)	(187,714)	(200,717)
Total Cash Generated	2,610	(12,140)	31,365	26,933	33,809
Free Cashflow To Equity	214,000	211,530	179,078	198,545	217,119
Free Cashflow To Firm	157,250	173,470	193,974	214,647	234,526

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Total Cash And Equivalents	271,930	287,620	318,985	345,918	379,727
Total Debtors	255,210	258,420	275,656	299,321	318,777
Inventories	1,850	1,330	1,330	1,330	1,330
Total Other Current Assets	64,320	73,720	73,720	73,720	73,720
Total Current Assets	593,310	621,090	669,690	720,288	773,553
Fixed Assets	150,390	144,750	112,293	77,275	39,261
Total Investments	23,500	39,110	39,110	39,110	39,110
Intangible Assets	201,320	217,560	217,560	217,560	217,560
Total Other Non-Current Assets	29,250	32,930	32,930	32,930	32,930
Total Non-current Assets	404,460	434,350	401,893	366,875	328,861
Short-term Debt	1,040	22,210	22,210	22,210	22,210
Current Portion of Long-Term Debt					
Total Creditors	58,530	62,250	66,402	72,102	76,789
Other Current Liabilities	167,690	195,930	195,930	195,930	195,930
Total Current Liabilities	227,260	280,390	284,542	290,242	294,929
Total Long-term Debt	22,230	700	700	700	700
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	65,570	77,620	77,620	77,620	77,620
Total Non-current Liabilities	87,800	78,320	78,320	78,320	78,320
Total Provisions					
Total Liabilities	315,060	358,710	362,862	368,562	373,249
Shareholders Equity	682,710	696,730	708,721	718,601	729,165
Minority Interests					
Total Equity	682,710	696,730	708,721	718,601	729,165

Key Ratios

	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Revenue Growth	8.3%	6.5%	6.7%	8.6%	6.5%
Operating EBITDA Growth	6.9%	5.4%	3.1%	11.4%	6.8%
Operating EBITDA Margin	22.0%	21.8%	21.1%	21.6%	21.7%
Net Cash Per Share (Rs)	83.18	88.00	99.59	109.53	122.02
BVPS (Rs)	252.09	257.27	261.70	265.35	269.25
Gross Interest Cover					
Effective Tax Rate	25.1%	25.2%	25.6%	25.2%	25.2%
Net Dividend Payout Ratio	89.7%	93.5%	93.1%	95.0%	95.0%
Accounts Receivables Days	84.73	80.08	78.06	77.39	78.12
Inventory Days	1.05	0.75	0.58	0.54	0.50
Accounts Payables Days	31.07	28.33	28.02	27.96	28.25
ROIC (%)	30.0%	33.7%	34.7%	40.9%	45.5%
ROCE (%)	21.1%	21.7%	21.7%	24.2%	25.5%
Return On Average Assets	15.5%	15.7%	15.4%	17.2%	18.1%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

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.

Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.w