

India

HOLD (no change)

Consensus ratings*: Buy 26 Hold 9 Sell 10

Current price:	Rs3,960
Target price: ▲	Rs4,039
Previous target:	Rs3,628
Up/downside:	2.0%
InCred Research / Consensus:	-3.4%
Reuters:	TCS.NS
Bloomberg:	TCS IN
Market cap:	US\$171,574m Rs14,328,350m
Average daily turnover:	US\$123.6m Rs10321.5m
Current shares o/s:	3,646.7m
Free float:	28.0%

*Source: Bloomberg

Key changes in this note

- Retain a 6.7% revenue CAGR over FY24-26F.
- Retain a 11.3% EBIT CAGR over FY24-26F.
- Retain a 11.9% PAT CAGR over FY24-26F.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	0.3	(4.2)	21.2
Relative (%)	4.0	(5.3)	3.7

Major shareholders	% held
FPI	12.5
LIC	4.8
Mutual Funds	3.5

Tata Consultancy Services

FY24 annual report analysis

- Revenue from a related party was up 30.7% at Rs55.7bn (2.3% of overall revenue) led by a 70% yoy growth in JLR (Rs29bn).
- Median remuneration was up 10.8% yoy in FY24 vs. 5.11% in FY23. Average annual increase in remuneration in India at 7-9% in FY24 vs. 6-9% in FY23.
- TCS continues to see discretionary spending pressure.

Annual report summary

Tata Consultancy Services or TCS' (TCS IN) FY24 annual report highlights the importance of artificial intelligence or AI across industries, investments in 1) Gen AI offerings and 2) the talent pool to capitalize on future growth. Although, near term growth could be challenging as TCS continues to see discretionary spending pressure healthy order book (TCV at US\$42.7bn vs. US\$ 29.1bn revenue in FY24) and resilient execution could aid earnings in the medium term.

Investments in AI could drive medium-term growth

In FY24, TCS' consolidated AI and cloud expertise with the creation of AI.Cloud unit. Each of the business groups are developing domain-specific AI/GenAI offerings relevant to the industry value chain. TCS has created one of the largest AI/ML and GenAI talent pools in the industry and doubled down on partnerships in the areas such as AI, cloud, quantum computing and cybersecurity. Early investments have given the company a head start in being a partner in the customers' technology adoption journey.

Board seeks resolution for material related-party transactions

Revenue from a related party was up 30.7% at Rs55.7bn (2.3% of overall revenue) led by a 70% yoy growth in JLR (Rs29bn) and Tata Steel IJmudien BV (at ~Rs6bn; up 12.4% yoy). The company's board is seeking a resolution to approve the existing as well as new related party transactions with the key proposals being the value of the proposed transaction with Tejas Networks (Rs150bn for a duration up to 12 years, effective FY24) and Tata Motors, JLR & its subsidiaries (~Rs45bn per annum, contracts with a duration of five years and extendable for another five years).

Retain HOLD rating with an unchanged target price of Rs4,039

We retain FY24-26F US\$ revenue CAGR of 6.7% and PAT (Rs) CAGR of 11.9%. We retain our HOLD rating on TCS and the target PE/G at 2.1x to account for operating cash flow certainty. Better order book conversion & faster Bharat Sanchar Nigam or BSNL deal ramp-up are upside risks while higher project cancellations pose a downside risk.

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Financial Summary

	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
Revenue (Rsm)	1,917,540	2,254,580	2,408,930	2,600,391	2,847,811
Operating EBITDA (Rsm)	530,570	592,590	642,960	707,527	791,691
Net Profit (Rsm)	383,270	421,470	468,660	512,962	574,654
Core EPS (Rs)	103.6	115.2	128.5	141.8	158.8
Core EPS Growth	19.5%	11.2%	11.6%	10.3%	12.0%
FD Core P/E (x)	38.22	34.37	30.81	27.93	24.93
DPS (Rs)	43.0	115.0	73.0	113.4	127.1
Dividend Yield	1.09%	2.90%	1.84%	2.86%	3.21%
EV/EBITDA (x)	26.83	23.76	21.88	19.57	17.35
P/FCFE (x)	40.69	36.98	34.01	29.79	27.08
Net Gearing	(46.9%)	(45.7%)	(41.9%)	(48.4%)	(53.2%)
P/BV (x)	16.43	16.02	15.96	14.22	12.76
ROE	43.7%	46.9%	51.8%	53.6%	54.0%
% Change In Core EPS Estimates				0.67%	0.69%
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Chairman's message

- After two years of recessionary fears, persistently high inflation and unprecedented monetary tightening, the global macroeconomic outlook looks relatively better now with improving growth, disinflation, and monetary easing in sight.
- Across industries, multiple mega trends are shaping the priorities of businesses like AI, New Energy, Supply Chain and Talent which could require substantial investment in technology across industry sectors.
- Enterprises have already invested in cloud, data infrastructure and large processing power which will aid GenAI and, in turn, productivity. TCS is investing in research on green hydrogen, biofuels, and developing digital platforms to help customers reduce scope 1/2/3 emissions. The company is pioneering the engineering of the 5G/6G communication stacks using open standards.
- In FY24, TCS' consolidated AI and cloud expertise with the creation of the AI.Cloud unit. Each of the business groups are developing domain-specific AI/GenAI offerings relevant to the industry value chain.

MD & CEO's message

- Over the last 12 months, the company refocused on industry and technology expertise, emphasized & refreshed core values and doubled down on customer centricity and employee empathy.
- In FY24, customers continue to reprioritize business critical projects with faster Rol. TCS continues to see pressure on customers' discretionary spending. The recently won deals are converting into revenue as planned, but the ongoing engagements started during the Covid-19 pandemic are being re-examined for incremental value generated.
- The shift to cloud-native products and platforms are being fast-tracked to achieve increased collaboration, security, scalability and efficiency with hybrid, multi-cloud platforms becoming mainstream.
- AI - TCS has created one of the largest AI/ML and GenAI talent pools in the industry and doubled down on partnerships in the areas such as AI, cloud, quantum computing and cybersecurity. Early investments have given the company a head start in being a partner in customers' technology adoption journey.
- TCS has built a comprehensive suite of over 200 offerings in sustainability services and solutions across different industry verticals to decarbonize operations & create net-zero pathways, addressing biodiversity loss and growing inequity.
- Double-digit growth in TCV at US\$42.7bn (vs. US\$ 29.1bn revenue in FY24), continued deal flow and pipeline velocity provides medium- to long-term growth visibility.

Key takeaways from MD&A

- Global technology spending on enterprise software and IT services topped the US\$2.3tr mark in 2023, with IT services growing 6.1% yoy to US\$ 1.4tr. IT services grew 3.5% yoy to US\$1,250bn.
- Global IT services industry continues to be a highly fragmented one, with even the largest provider having a mid-single digit market share. TCS is among the largest IT services providers globally, with a **market share of 2.1% (down 10bp yoy)**, and has outperformed the market, growing significantly higher than the market's growth over the last decade. (TCS grew revenue by 2.2x over FY14-24 to US\$29.1bn while global spending on IT services grew by 1.5x to US\$1,385bn).
- Demand for TCS' services, particularly around cloud adoption, cost optimization, vendor consolidation and operating model transformation resulted in record deal wins in FY24. The newly won deal conversion to

revenue continues, as expected, but is neutralized by the reduction in existing revenue base.

- TCS' *IP portfolio has posted a CAGR of over 13% over the past decade.*
- One of the significant investments of TCS has been in building a multi-modal, hyperscaler agnostic, domain catalogue-enabled, pattern-driven, multi-orchestrator GenAI platform called TCS AI WisdomNext to help customers accelerate their GenAI journey.
- In addition to the hyper-scalers, TCS has also invested in building key partnerships with other major cloud and AI ecosystem partners to bring the best of GenAI offerings to TCS' customers. The company has invested in onboarding 150+ horizontal and vertical solutions on hyper-scaler platforms in a cloud-native manner augmented with GenAI capabilities.
- Margin improved by 50bp to 24.6% led by productivity, better utilization and reduction in sub-contractor expenses.

Other takeaways

- Revenue per US\$1m+ clients stood at US\$22.5m in FY24 vs. US\$20.6m in FY20.
- Bharat Sanchar Nigam or BSNL awarded TCS the mandate to supply, install and commission the pan-India 4G/5G mobile network across 100,000 sites (as of Apr 2024-end, company has installed 11,000 sites and is on the way to complete the rollout by CY24-end). The contract involves i) establishing modern cloud native data centres with geographical redundancies for each of the four zones and about 30+ edge data centres closer to the clients, ii) deploying the EPC Core and IMS software supplied by C-DOT, integrating it with the existing BSNL landscape in a high scalable cloud architecture along with TCS' Cognitive Network Operations (CNOPS) to efficiently manage and configure the network, iii) install, commission, & optimize the radios (RAN) meeting the specifications of BSNL and global standards, supplied by Tejas, and iv) extend operations and maintenance support to the network on an ongoing basis.
- TCS BaNCS (FSI platform) – 29 new wins and 38 go-lives in FY24, including five large insurance platform wins. BaNCS now serves more than 30% of global population for Banking, 100+ countries and 8 out of top 10 custodian and asset management firms. The platform is the market leader in Indian brokerage & trading systems, with a 35% volume market share across front, back office, risk and professional clearing. The platform serves more than 140m property & casualty policies globally.
- Launched AI Experience Zone to foster hands-on proficiency in AI and GenAI for its employees to explore, engage and experiment with cutting-edge GenAI-powered applications, creating innovative use cases, while upholding responsible AI principles.
- Board seeking a resolution to approve the existing as well as new related party transactions. The key proposals being the value of the proposed transaction with Tejas Networks (Rs150bn for a duration up to 12 years, effective FY24) and Tata Motors, JLR & its subsidiaries (~Rs45bn per annum, contracts with a duration of five years and extendable for another five years).
- TCS has retained its ranking as the second-most valuable global IT services brand, valued at US\$19.2bn, an increase of US\$2bn yoy.

Client wins

- Announced a 15-year expansion of its partnership with **Aviva** to enhance customer experience leveraging the TCS BaNCS platform, end-to-end policy administration and servicing >5.5m policies.
- Partnered with **SIX**, the operator of the Swiss and Spanish financial market infrastructures, to transform its post trade market infrastructure. The program likely to be scalable and currently processing >4m transactions per day, covering more than 60 global markets.

- Partnered with **JLR** to accelerate digital transformation across its business to services spanning application development & maintenance, enterprise infrastructure management, cloud migration, cybersecurity, and data services.
- Selected by **Nest**, to digitally transform its scheme administration services with a future-ready, digitally enabled, omni channel platform powered by TCS BaNCS.
- Engaged by **Standard Life International DAC**, a wholly-owned subsidiary of the Phoenix Group, to transform its operating model and enhance the customer experience for its policyholders in Europe.
- Selected as a strategic partner by the Government of India to transform the Government e-Marketplace (GeM) platform.
- TCS has enabled Europe's most modern post-trade platform with **Euroclear** Finland to integrate its core platform with the European securities settlement engine.
- Selected by **ASX** (Australia's primary securities exchange) to provide a next-generation clearing and settlement platform to service the Australian market.
- Signed a multi-year partnership with **ASDA** in a divestiture and digital transformation deal to help implement a new organization-wide IT operating model, following its divestiture from Walmart.
- Selected by **TPG Telecom** (Australia's leading telecommunications company) to simplify and streamline internal systems and platforms, enhance customer journey and products, and increase digitization.
- Partnered **Dassault Systèmes** through its Living Heart Project that unites an ecosystem of cardiovascular researchers, educators, medical device developers, regulatory agencies including the US FDA, and practicing cardiologists to develop and validate realistic digital simulations of the human heart.
- Partnered with **Munch Museum in Oslo** to create immersive and interactive drawing experiences for local visitors and global audiences.

Employees

- Employees clocked 51m learning hours in FY24 (vs. 48.3m in FY23) and acquired nearly 5m competencies (vs. nearly 6m in FY23). Average learning hours per employee was 87.1.
- TCS launched several initiatives to inculcate a strong engineering culture among employees and build deeper skills in market-relevant technologies like Cloud, AI, Cyber Security etc.
- More than half of the workforce has been trained in AI/ML and Gen AI. TCS expects every employee to be GenAI-ready by 2025F.
- 33% of the job requirement was fulfilled through grooming its internal talent base.
- 73,000 are Contextual Masters, of which 27% are women.
- Women employees (2,14,000+) constitute 35.6% of the overall workforce (vs. 35.7% in FY23). Around 58%+ increase in senior women executives over the last five years.
- ~89% of employees are millennials.
- TCS has 5,500+ Researchers & Innovators and 40+ Research and Innovation labs.
- The company now has six Pace ports (co-innovation hubs) at New York, Amsterdam, Tokyo, Pittsburgh, Tokyo and London.
- ~55% of its employees are working from the office on all working days of the week.
- TCS has been selected as a Top employer of choice in 32 countries.

ESG

- **Board composition:** Nine board members, of which five are independent non-executive directors (~56%), two are non-independent executive directors and two are non-independent non-executive directors. The company's board comprises two women directors.
- TCS has fully adopted Project Aalingana (Tata group's sustainability roadmap with an aim to be net zero by 2045F), integrating sustainability into business strategy and concentrating on three interlinked pillars of the project: i) promoting the de-carbonization of company and value chains, ii) utilizing a systematic, circular economy approach to reduce resource usage and waste, and iii) protecting and regenerating the environment.
- TCS had set a target to reduce its absolute Scope 1 and Scope 2 emissions by 70% by 2025F and become net zero by 2030F. TCS has brought down absolute carbon footprint across Scope 1 and Scope 2 emissions by 80% over base year 2016.
- Renewable energy sources today make up 74% of the total vs. 7.25% in 2016.

Figure 1: 56% of directors on TCS board are independent directors

Name	Designation
N Chandrasekaran	Chairman, Non-Independent, Non-Executive
Aarathi Subramanian	Non-Independent, Non-Executive
K Kirthivasan	MD & CEO, Non-Independent, Executive
N G Subramanian	COO and ED, Non-Independent, Executive
O P Bhatt	Independent, Non-Executive
Al-Noor Ramji	Independent, Non-Executive
Keki Mistry	Independent, Non-Executive
Dr Pradeep Kumar Khosla	Independent, Non-Executive
Hanne Sorensen	Independent, Non-Executive

SOURCE: COMPANY REPORTS, INCRED RESEARCH

Figure 2: Management team under new MD & CEO

Name	Designation
K Kirthivasan	MD & CEO
N G Subramanian	COO & ED
Samir Seksaria	CFO
Milind Lakkad	Chief Human Resources
Abhinav Kumar	Chief Marketing Officer
Dr Harrick Vin	Chief Technology Officer
Madhav Anchan	General counsel legal
Pradeep Manohar Gaitonde	Company secretary
Susheel Vasudevan	Head - BFSI
Shankar Narayanan	Head - BFSI
Debashis Ghosh	Head – Life Sciences, Healthcare & Public Services
Krishnan Ramanujam	Head - Consumer Business Group
Anupam Singhal	Head - Manufacturing
V Rajanna	Head - Technology, Software & Services
Akhilesh Tiwari	Head - Communication, Media & Information services
Suresh Muthuswami	Chairman - TCS North America
Amit Bajaj	Head - North America
Amit Kapur	Head -UK & Ireland
Sapthagiri Chapalapalli	Head -Europe
Girish Ramachandran	Head - Growth Markets
Siva Ganesan	Head - AI.Cloud
Vikram Karakoti	Head -Enterprise Solutions
Ganesa Subramanian Vaikuntam	Head -Cybersecurity
Ashok Pai	Head -Enterprise Cognitive Business Operations
Regu Ayyaswamy	Head -IoT and Digital Engineering
Kamal Bhadada	Head -TCS Interactive

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Demand drivers across verticals

Industry vertical	Key demand drivers
FSI	Customer journey transformation, payment modernization, new products and services creation with simultaneous transformation of core systems, legacy modernization, and systems of engagement.
	GenAI / AI for hyper personalization, fraud detection, AI-driven advisory and customer support.
	Sustainability and climate change initiatives, green lending and ESG regulatory compliance.
Communication, Media & Technology	Service Reliability Engineering, and implementation of future-ready target operating model.
	5G and fibre rollout, digital product innovation, smart bundling, network virtualization, product and platform engineering.
	Steady adoption of GenAI, autonomous networks, automated content creation, contact centre transformation, marketing personalization, field operations productivity, software engineering, and ecosystem play.
	Product innovation - digital platform-led businesses, next-gen communication tech (5G and satellite communication), AI platforms, faster and efficient chips, and cloudification of the engineering environment.
	Enabling new business models - everything-as-a-service (XaaS), subscription-based services (SaaS), and the transition to direct channels.
Consumer	Digital core transformation – next-generation cloud ERPs, PLM, CRM to standardize, simplify and scale business, cloud data engineering and analytics.
	Marketplace, social commerce, future stores, retail media networks, and payments.
	Smart checkout, smart shelves, smart manufacturing, sustainability, and AI-enabled pricing.
	Resilient and intelligent supply chain, track and trace, last-mile delivery, intelligent inventory management, and green labelling.
	Seamless and unified customer experience across channels (omnichannel), hyper personalization, CX and recommendations, and AI for apparel design.
	Retailing in airlines, new distribution capability, and decision intelligence.
	Automation and self-service, touchless experience, digital identity solutions, maintenance drones, autonomous vehicles, and robotics.
Warehouse robotics, intelligent shipment planning, last mile delivery, real-time insights driven operations, AI-enabled pricing, and end-to-end shipment visibility in logistics.	
Lifesciences & Healthcare	Modernization of clinical landscape to accelerate the launch of new medicines, repurpose medicines and reduce cost of clinical trials.
	Digital twin for manufacturing and factory of the future.
	GenAI to empower knowledge synthesis and high precision in contextual information discovery.
	AI-driven agility in decision-making and increasing efficiency across the ecosystem.
Manufacturing	Patient experience, new business models in value-based care, remote care, and care in new settings.
	Connected Autonomous Vehicles, Advanced Driver Assistance Systems.
	Connected assets and smart plants, factory twin, plant safety and modernization, energy efficiency and decarbonization, emission tracking and monitoring.

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Key related-party transactions

Particulars (Rs m)	FY21	FY22	FY23	FY24
Revenue				
Tata Sons Pvt Ltd	350	400	380	500
Subsidiaries of Tata Sons Pvt Ltd	6,090	7,890	11,740	10,250
Associates /JV of Tata Sons	22,050	27,850	30,500	44,950
Total	28,490	36,140	42,620	55,700
yoy growth	7.3%	26.9%	17.9%	30.7%
% of total revenue	1.7%	1.9%	1.9%	2.3%
JLR	10,930	15,000	17,070	29,020
yoy growth		37.2%	13.8%	70.0%
% of related party	38.4%	41.5%	40.1%	52.1%
% of total revenue	0.7%	0.8%	0.8%	1.2%
Tata Steel Jmuiden BV	4,520	5,580	5,330	5,990
yoy growth		23.5%	-4.5%	12.4%
% of related party	15.9%	15.4%	12.5%	10.8%
Tata Digital Pvt Ltd		2,690	5,020	2,860
yoy growth			86.6%	-43.0%
% of related party	0.0%	7.4%	11.8%	5.1%
Purchase of services				
Tata Sons Pvt Ltd	10	0	10	20
Subsidiaries of Tata Sons Pvt Ltd	4,750	5,710	6,100	13,900
Associates /JV of Tata Sons	3,610	1,590	2,250	2,500
Total	8,370	7,300	8,360	16,420
yoy growth	-17.5%	-12.8%	14.5%	96.4%
Trade receivables & contract assets	9,820	11,810	14,400	19,250
yoy growth		20.3%	21.9%	33.7%
Ending basis DSO	126	119	123	126
JLR	2,900	3,790	4,820	8,980
yoy growth		30.7%	27.2%	86.3%
Ending basis DSO	97	92	103	113
Balances payables to related parties	8,680	8,340	11,900	17,860
yoy growth		-3.9%	42.7%	50.1%
Dividend paid	78,170	96,160	2,99,030	1,81,870
Buy-back of shares	99,980	1,11,740	NA	1,05,550

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: Products and platforms trend

Products & Platforms	FY22	FY23	FY24
TCS BaNCS (BFSI platform)			
New wins	22	10	29
Go live	16	15	38
TCS ADD (Drug trial)			
New wins	3	2	2
Go live	1	4	4
TCS HOBS (SaaS solution for subscription businesses)			
New wins	2	5	3
Go-lives	NA	6	5
TCS TwinX			
New wins	20	10	13
Go-lives	9	7	8
TCS Optumera (Retail Suite)			
New wins	1	2	1
Go-lives	3	4	NA
TCS Omnistore (Commerce)			
New wins	3	NA	2
Go-lives	5	8	1
TCS Mastercraft			
New wins	27	111	110
TCS Quartz (Blockchain)			
New wins	7	5	6
Go-lives	NA	6	3

SOURCE: COMPANY REPORTS, INCRED RESEARCH

Figure 6: MD & CEO compensation trend

MD & CEO compensation (Rs m)	FY22	FY23	FY24
Salary	15.2	17.3	12.8
Commissions	220	250	210
Others	22.5	24.3	30.8
Total	257.7	291.6	253.6
% of PAT	0.07%	0.07%	0.06%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 7: Contingent liabilities up 36.5% yoy in FY24

Contingent liabilities (Rs m)	FY22	FY23	FY24
Direct	16,520	15,420	18,710
Indirect	5,680	5,680	11,610
Other claims	2,910	2,770	2,260
Total	25,110	23,870	32,580
Rs per share	6.8	6.5	8.9

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 8: Innovation-led R&D spending continues

Particular (Rs m)	FY22	FY23	FY24
R&D including innovation expenses	22,420	25,000	27,510
% of revenue	1.2%	1.1%	1.1%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 9: Employee break-up trend

Employee break-up	< 30 years				30-40 years				40-50 years				>50 years			
	Male		Female		Male		Female		Male		Female		Male		Female	
	FY21	FY24	FY21	FY24	FY21	FY24	FY21	FY24	FY21	FY24	FY21	FY24	FY21	FY24	FY21	FY24
India	31.0%	28.9%	25.0%	21.4%	26.0%	23.8%	10.0%	12.0%	6.0%	10.2%	1.0%	2.4%	1.0%	1.1%	0.1%	0.2%
North America	16.0%	9.2%	6.0%	3.9%	21.0%	19.4%	8.0%	11.5%	23.0%	26.6%	5.0%	8.7%	16.0%	16.2%	5.0%	4.5%
UK	13.0%	9.0%	7.0%	9.6%	18.0%	14.0%	9.0%	9.8%	24.0%	20.4%	6.0%	10.2%	19.0%	15.6%	4.0%	11.4%
Europe	15.0%	9.7%	14.0%	6.2%	20.0%	18.9%	13.0%	12.6%	16.0%	18.7%	6.0%	8.1%	12.0%	20.2%	4.0%	5.6%
Emerging Markets	25.0%	21.2%	15.0%	10.3%	26.0%	26.3%	12.0%	12.3%	11.0%	15.5%	4.0%	6.0%	5.0%	6.4%	2.0%	2.1%
APAC	15.0%	12.6%	17.0%	12.6%	23.0%	21.7%	19.0%	17.8%	13.0%	17.8%	6.0%	9.3%	6.0%	6.4%	1.0%	1.8%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 10: Revenue growth moderated but was offset by higher margin in FY24

Particulars (Rs m)	FY19	FY20	FY21	FY22	FY23	FY24
Revenue	14,64,630	15,69,490	16,41,770	19,17,540	22,54,580	24,08,930
yoy growth	19.0%	7.2%	4.6%	16.8%	17.6%	6.8%
Cost of services	8,31,020	8,87,930	9,30,730	11,00,170	13,12,460	13,97,750
% of revenue	56.7%	56.6%	56.7%	57.4%	58.2%	58.0%
Other expenses	2,38,550	2,60,470	2,45,580	2,86,800	3,49,530	3,68,230
% of revenue	16.3%	16.6%	15.0%	15.0%	15.5%	15.3%
EBITDA	3,95,060	4,21,090	4,65,460	5,30,570	5,92,590	6,42,950
% of revenue	27.0%	26.8%	28.4%	27.7%	26.3%	26.7%
Depreciation	20,560	35,290	40,650	46,040	50,220	49,840
% of revenue	1.4%	2.2%	2.5%	2.4%	2.2%	2.1%
EBIT	3,74,500	3,85,800	4,24,810	4,84,530	5,42,370	5,93,110
% of revenue	25.6%	24.6%	25.9%	25.3%	24.1%	24.6%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 11: Reduction in sub-contractor costs was key margin tailwind in FY24

Particulars (Rs m)	FY19	FY20	FY21	FY22	FY23	FY24
Revenue	14,64,630	15,69,490	16,41,770	19,17,540	22,54,580	24,08,930
yoy growth	19.0%	7.2%	4.6%	16.8%	17.6%	6.8%
Employee Cost	7,82,460	8,59,520	9,18,140	10,75,540	12,75,220	14,01,310
as % of revenue	53.4%	54.8%	55.9%	56.1%	56.6%	58.2%
Fees to external consultants	1,13,300	1,29,370	1,32,140	1,74,090	2,13,370	1,58,200
as % of revenue	7.7%	8.2%	8.0%	9.1%	9.5%	6.6%
Cost of equipment & software licenses	22,700	19,050	14,620	11,630	18,810	37,020
as % of revenue	1.5%	1.2%	0.9%	0.6%	0.8%	1.5%
Facility Expenses	42,620	27,020	21,310	21,390	26,550	31,000
as % of revenue	2.9%	1.7%	1.3%	1.1%	1.2%	1.3%
Travel expenses	34,740	32,950	10,810	15,890	26,750	29,700
as % of revenue	2.4%	2.1%	0.7%	0.8%	1.2%	1.2%
Communication expenses	13,210	15,920	18,960	20,500	22,460	22,610
as % of revenue	0.9%	1.0%	1.2%	1.1%	1.0%	0.9%
Others	60,540	64,570	60,330	67,930	78,830	86,130
as % of revenue	4.1%	4.1%	3.7%	3.5%	3.5%	3.6%
Total Cost	10,69,570	11,48,400	11,76,310	13,86,970	16,61,990	17,65,970
as % of revenue	73.0%	73.2%	71.6%	72.3%	73.7%	73.3%
EBITDA	3,95,060	4,21,090	4,65,460	5,30,570	5,92,590	6,42,950
as % of revenue	27.0%	26.8%	28.4%	27.7%	26.3%	26.7%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 12: Segmental performance

Segmental (Rs m)	BFSI	MFG	RCB	CMT	L&H	Others	Total
Revenues (Rs m)							
FY24	9,09,280	2,34,910	3,93,570	3,93,910	2,67,450	2,09,810	24,08,930
FY23	8,61,270	2,12,360	3,75,060	3,76,530	2,46,050	1,83,310	22,54,580
FY22	7,51,260	1,86,100	3,07,150	3,18,740	2,04,620	1,49,670	19,17,540
Growth (yoy %)	5.6%	10.6%	4.9%	4.6%	8.7%	14.5%	6.8%
Operating income (Rs m)							
FY24	2,35,740	72,680	1,02,520	1,09,180	76,110	46,730	6,42,960
FY23	2,23,450	58,420	96,360	1,06,670	68,940	38,750	5,92,590
FY22	2,01,740	56,020	85,340	95,180	61,390	30,900	5,30,570
Growth (yoy %)	5.5%	24.4%	6.4%	2.4%	10.4%	20.6%	8.5%
Operating margin (%)							
FY24	25.9%	30.9%	26.0%	27.7%	28.5%	22.3%	26.7%
FY23	25.9%	27.5%	25.7%	28.3%	28.0%	21.1%	26.3%
FY22	26.9%	30.1%	27.8%	29.9%	30.0%	20.6%	27.7%

SOURCE: INCRED RESEARCH, COMPANY REPORTS, BFSI IS BANKING, FINANCIAL SERVICES & INSURANCE, MFG IS MANUFACTURING, RCB IS RETAIL AND CONSUMER BUSINESS, CMT IS COMMUNICATION, MEDIA & TECHNOLOGY, L&H IS LIFESCIENCES & HEALTHCARE

Figure 13: Cash and investments form ~31% of balance sheet

Particulars (Rs m)	FY19	FY20	FY21	FY22	FY23	FY24
Cash & Cash Equivalents	4,19,390	3,58,060	3,84,890	4,84,830	4,79,290	4,47,670
Account Receivables	3,25,030	3,62,640	3,66,620	4,18,100	4,99,540	5,35,770
Other Current Assets	1,76,890	1,81,670	2,41,290	1,80,170	1,23,870	1,46,400
Total current Assets	9,21,310	9,02,370	9,92,800	10,83,100	11,02,700	11,29,840
Net Fixed Assets	1,32,530	2,18,340	2,19,470	2,25,030	2,17,490	2,06,580
Other Long-term assets	95,590	88,280	95,320	1,07,010	1,16,320	1,28,070
Total Long-term Assets	2,28,120	3,06,620	3,14,790	3,32,040	3,33,810	3,34,650
Total Assets	11,49,430	12,08,990	13,07,590	14,15,140	14,36,510	14,64,490
Accounts Payable	62,920	67,400	78,600	80,450	1,05,150	99,810
Other Current Liabilities	1,57,920	2,03,200	2,62,950	3,43,060	3,30,430	3,61,230
Total Current Liabilities	2,20,840	2,70,600	3,41,550	4,23,510	4,35,580	4,61,040
Other Long-term Liabilities	29,600	90,900	94,960	93,170	88,870	90,260
Total Long-term Liabilities	29,600	90,900	94,960	93,170	88,870	90,260
Total Equity	8,98,990	8,47,490	8,71,080	8,98,460	9,12,060	9,13,190
Total Equity & Liabilities	11,49,430	12,08,990	13,07,590	14,15,140	14,36,510	14,64,490

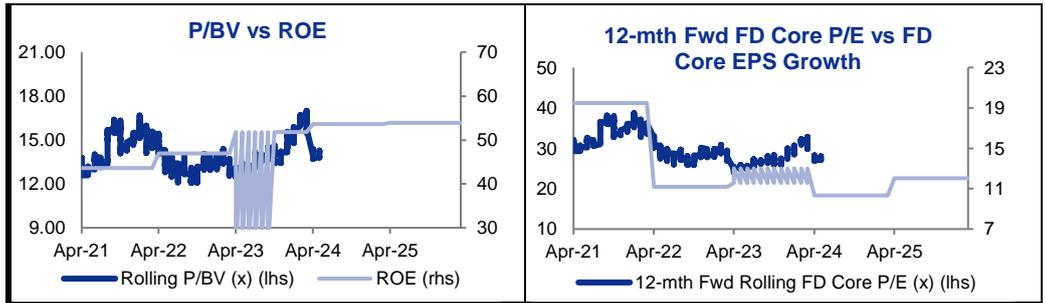
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 14: Average payout of free cash flow was ~101% over FY19-24

Particulars (Rs m)	FY19	FY20	FY21	FY22	FY23	FY24
OCF before WC Changes	4,07,200	4,28,820	4,70,310	5,42,040	5,91,480	6,37,090
Changes in working Capital	-21,690	-46,670	8,630	-27,690	-42,170	-68,820
Taxes Paid	99,580	58,460	90,920	1,14,860	1,29,660	1,24,890
Operating Cash Flow	2,85,930	3,23,690	3,88,020	3,99,490	4,19,650	4,43,380
Capex	-21,320	-25,690	-30,750	-29,800	-28,870	-26,440
Investing Cash Flow	15,960	85,650	-81,290	-8,970	390	60,260
Payout	2,74,240	3,76,340	3,05,760	3,13,170	4,13,470	4,21,370
Financing Cash Flow	-2,78,970	-3,99,150	-3,26,340	-3,35,630	-4,78,780	-4,85,360
OCF/revenue	19.5%	20.6%	23.6%	20.8%	18.6%	18.4%
OCF/EBITDA	72.4%	76.9%	83.4%	75.3%	70.8%	69.0%
Payout % free cash flow	103.6%	126.3%	85.6%	84.7%	105.8%	101.1%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
Total Net Revenues	1,917,540	2,254,580	2,408,930	2,600,391	2,847,811
Gross Profit	817,370	942,120	1,022,830	1,110,588	1,224,559
Operating EBITDA	530,570	592,590	642,960	707,527	791,691
Depreciation And Amortisation	(46,040)	(50,220)	(49,850)	(52,463)	(56,956)
Operating EBIT	484,530	542,370	593,110	655,064	734,735
Financial Income/(Expense)	32,340	26,700	36,440	37,127	40,263
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)					
Profit Before Tax (pre-EI)	516,870	569,070	629,550	692,191	774,999
Exceptional Items					
Pre-tax Profit	516,870	569,070	629,550	692,191	774,999
Taxation	(132,380)	(146,040)	(158,980)	(176,509)	(197,625)
Exceptional Income - post-tax					
Profit After Tax	384,490	423,030	470,570	515,682	577,374
Minority Interests	(1,220)	(1,560)	(1,910)	(2,720)	(2,720)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	383,270	421,470	468,660	512,962	574,654
Recurring Net Profit	383,270	421,470	468,660	512,962	574,654
Fully Diluted Recurring Net Profit	383,270	421,470	468,660	512,962	574,654

Cash Flow

(Rs mn)	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
EBITDA	530,570	592,590	642,960	707,527	791,691
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(27,690)	(42,170)	(68,820)	(23,473)	(40,250)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	(1,220)	(1,560)	(1,910)	(2,720)	(2,720)
Other Operating Cashflow					
Net Interest (Paid)/Received					
Tax Paid	(114,860)	(129,660)	(124,890)	(176,509)	(197,625)
Cashflow From Operations	386,800	419,200	447,340	504,825	551,096
Capex	(24,830)	(25,320)	(22,020)	(22,020)	(22,020)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	15,860	25,710	82,280	46,167	49,303
Cash Flow From Investing	(8,970)	390	60,260	24,147	27,283
Debt Raised/(repaid)					
Proceeds From Issue Of Shares					
Shares Repurchased	(180,490)	(41,920)	(210,050)		
Dividends Paid	(133,170)	(413,470)	(251,370)	(410,370)	(459,723)
Preferred Dividends					
Other Financing Cashflow	(21,970)	(23,390)	(23,940)	(9,040)	(9,040)
Cash Flow From Financing	(335,630)	(478,780)	(485,360)	(419,410)	(468,763)
Total Cash Generated	42,200	(59,190)	22,240	109,562	109,617
Free Cashflow To Equity	361,970	393,880	425,320	482,805	529,076
Free Cashflow To Firm	377,830	419,590	507,600	528,972	578,380

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet					
(Rs mn)	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
Total Cash And Equivalents	484,830	479,290	447,670	557,232	666,849
Total Debtors	418,100	499,540	535,770	568,905	623,034
Inventories	200	280	280	280	280
Total Other Current Assets	179,970	123,590	146,120	146,120	146,120
Total Current Assets	1,083,100	1,102,700	1,129,840	1,272,537	1,436,283
Fixed Assets	196,150	190,240	188,260	157,817	122,881
Total Investments	29,870	29,360	36,980	36,980	36,980
Intangible Assets	28,880	27,250	23,420	23,420	23,420
Total Other Non-Current Assets	77,140	86,960	85,990	85,990	85,990
Total Non-current Assets	332,040	333,810	334,650	304,207	269,271
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors	80,450	105,150	99,810	106,865	117,033
Other Current Liabilities	343,060	330,430	361,230	363,836	367,547
Total Current Liabilities	423,510	435,580	461,040	470,701	484,581
Total Long-term Debt					
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	93,170	88,870	90,260	90,260	90,260
Total Non-current Liabilities	93,170	88,870	90,260	90,260	90,260
Total Provisions					
Total Liabilities	516,680	524,450	551,300	560,961	574,841
Shareholders Equity	891,390	904,240	904,890	1,007,483	1,122,413
Minority Interests	7,070	7,820	8,300	8,300	8,300
Total Equity	898,460	912,060	913,190	1,015,783	1,130,713

Key Ratios					
	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
Revenue Growth	16.8%	17.6%	6.8%	7.9%	9.5%
Operating EBITDA Growth	17.1%	11.7%	8.5%	10.0%	11.9%
Operating EBITDA Margin	27.7%	26.3%	26.7%	27.2%	27.8%
Net Cash Per Share (Rs)	113.87	114.06	104.89	136.02	166.32
BVPS (Rs)	241.02	247.17	248.14	278.49	310.26
Gross Interest Cover	61.80	69.62	76.24	72.46	81.28
Effective Tax Rate	25.6%	25.7%	25.3%	25.5%	25.5%
Net Dividend Payout Ratio	41.5%	99.8%	56.7%	80.0%	80.0%
Accounts Receivables Days	74.68	74.28	78.43	77.53	76.38
Inventory Days	0.05	0.07	0.07	0.07	0.06
Accounts Payables Days	26.38	25.81	26.99	25.32	25.17
ROIC (%)	64.4%	84.5%	90.1%	94.1%	106.9%
ROCE (%)	38.0%	41.6%	45.4%	47.4%	48.1%
Return On Average Assets	26.5%	28.3%	30.6%	32.1%	33.4%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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