

India

**HOLD** (no change)

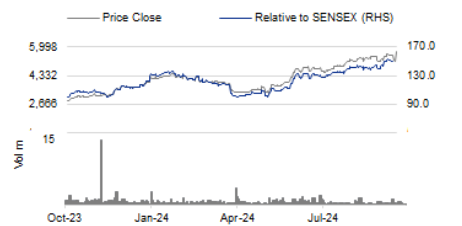
Consensus ratings\*: Buy 16 Hold 10 Sell 11

|                              |         |
|------------------------------|---------|
| Current price:               | Rs5,719 |
| Target price: ▲              | Rs6,260 |
| Previous target:             | Rs4,679 |
| Up/downside:                 | 9.5%    |
| InCred Research / Consensus: | 16.9%   |

|                         |                           |
|-------------------------|---------------------------|
| Reuters:                |                           |
| Bloomberg:              | PSYS IN                   |
| Market cap:             | US\$12,274m<br>Rs891,267m |
| Average daily turnover: | US\$35.1m<br>Rs2551.2m    |
| Current shares o/s:     | 154.8m                    |
| Free float:             | 69.0%                     |
| *Source: Bloomberg      |                           |

**Key changes in this note**

- Expect 17.6% revenue CAGR over FY25F-27F.
- Expect 24.7% EBIT CAGR over FY25F-27F.
- Expect 23.6% PAT CAGR over FY25F-27F.



Source: Bloomberg

| Price performance | 1M   | 3M   | 12M  |
|-------------------|------|------|------|
| Absolute (%)      | 7.3  | 18.9 | 97.0 |
| Relative (%)      | 13.8 | 19.0 | 58.8 |

| Major shareholders             | % held |
|--------------------------------|--------|
| Kotak Emerging Equity Scheme   | 3.4    |
| Motilal Oswal Midcap Fund      | 3.1    |
| HDFC Midcap opportunities fund | 2.7    |

**Research Analyst(s)**



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# Persistent Systems Ltd

## In a momentum of its own

- Commentary reflects the confidence in achieving ~US\$2bn revenue aspiration.
- Bookings engine firing well. Renewals remain monitorable.
- Recovery in the hi-tech portfolio bodes well for secular growth in FY26F.

**2QFY25 results summary**

Persistent Systems' (PSYS) 2QFY25 results underscore a continued strategic emphasis on digital engineering and platform-driven services to drive revenue growth, even at the expense of margin in certain areas to gain market share. The company is aggressively leveraging artificial intelligence or AI and automation capabilities, as well as enhancing client relationships through its T100 program, focusing on deepening the relationship with top 100 clients to unlock opportunities. Growth leverage (5.3% qoq) helped offset the impact of wage hike and other headwinds and, in turn, sustain the EBIT margin at 14%. Going ahead, strength in FSI & healthcare verticals and recovery in the hi-tech segment, healthy bookings led by investments in sales, and strong exit momentum may aid the growth momentum, while structural cost optimization actions, such as improved utilization and reduced sub-contractor costs, could help improve the margin.

**New bookings encouraging**

TCV growth (up 14.3% qoq/10.4% yoy at US\$529m) was driven by new bookings (25.4%/24.5%/US\$390m) offset by the decline in renewals (-8.4%/-16.2%/US\$139m), while ACV growth (3.3%/10.3%/US\$348m) too was led by new bookings (10.3%/18.7%/US\$219m) offset by the decline in renewals (-6.8%/-1.5%/US\$130m). Persistent Systems highlighted that leveraging strategic partnerships, advancing AI and automation capabilities, targeting industry-specific solutions, expanding global delivery centres, and strengthening client relationships may aid bookings and revenue conversion.

**Retains medium-term margin expansion guidance of 200-300bp**

The EBIT margin at 14%, flat/up 31bp qoq/yoy, was impacted by wage hike (-210bp), absence of policy rationalization benefits similar to 1QFY25 (-130bp), incremental ESOP costs (-60bp), and lower earn-off credit (-60bp) offset by utilization improvement (+120bp), reduction in sub-contractor costs (+70bp), lower resale business (+50bp), pricing & right shoring (+130bp), favourable currency movement and absence of visa costs (+30bp). Headwinds from furloughs in 3QFY25F may be offset by utilization improvement, right-shoring and SG&A optimization, which could help sustain FY24-like margin in FY25F.

**Retain HOLD rating with a higher TP of Rs6,260 vs. Rs4,679 earlier**

We now expect an ~18% US\$ revenue CAGR over FY25F-27F and ~24% PAT (Rs) CAGR. We retain HOLD rating with a higher target price of Rs6,260 to account for the increase in the benchmark multiple of Tata Consultancy Services (TCS) and despite maintaining the PE/G discount at 24%. Upside risk: Strong bookings and M&A-led revenue acceleration. Downside risk: Client-specific challenges.

| Financial Summary                 | Mar-23A | Mar-24A | Mar-25F | Mar-26F | Mar-27F |
|-----------------------------------|---------|---------|---------|---------|---------|
| Revenue (Rsm)                     | 83,506  | 98,216  | 118,216 | 142,084 | 169,955 |
| Operating EBITDA (Rsm)            | 15,191  | 17,243  | 20,317  | 25,291  | 31,272  |
| Net Profit (Rsm)                  | 9,211   | 10,935  | 13,775  | 17,007  | 21,045  |
| Core EPS (Rs)                     | 60.3    | 74.5    | 89.2    | 109.9   | 135.9   |
| Core EPS Growth                   | 33.4%   | 23.6%   | 19.8%   | 23.1%   | 23.7%   |
| FD Core P/E (x)                   | 94.90   | 80.21   | 64.08   | 52.05   | 42.07   |
| DPS (Rs)                          | 25.0    | 26.0    | 32.0    | 42.8    | 54.4    |
| Dividend Yield                    | 0.43%   | 0.45%   | 0.56%   | 0.75%   | 0.95%   |
| EV/EBITDA (x)                     | 56.96   | 50.12   | 42.52   | 33.96   | 27.15   |
| P/FCFE (x)                        | 227.67  | 112.54  | 89.46   | 66.74   | 51.58   |
| Net Gearing                       | (22.3%) | (25.9%) | (32.1%) | (38.5%) | (44.7%) |
| P/BV (x)                          | 22.05   | 17.75   | 15.16   | 12.87   | 10.88   |
| ROE                               | 25.1%   | 25.6%   | 25.5%   | 26.7%   | 28.0%   |
| % Change In Core EPS Estimates    |         |         | 2.70%   | 1.03%   |         |
| InCred Research/Consensus EPS (x) |         |         |         |         |         |

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 1: Quarterly performance**

| Y/E Mar (Rs m)      | 2QFY25 | 2QFY24 | YoY (%) | 1QFY25 | QoQ (%) | 1QFY25F | Var. (%) |
|---------------------|--------|--------|---------|--------|---------|---------|----------|
| Revenue (US\$ m)    | 345.5  | 291.7  | 18.4    | 328.2  | 5.3     | 344.8   | 0.2      |
| Revenue (Rs m)      | 28,972 | 24,117 | 20.1    | 27,372 | 5.8     | 28,886  | 0.3      |
| US\$-Rs realization | 84     | 82.7   | 1.4     | 83.4   | 0.5     | 84      | 0.1      |
| EBITDA              | 4,807  | 4,052  | 18.6    | 4,552  | 5.6     | 4,853   | (0.9)    |
| EBITDA margin (%)   | 16.6   | 16.8   | (21bp)  | 16.6   | (4bp)   | 16.8    | (21bp)   |
| EBIT                | 4,062  | 3,308  | 22.8    | 3,840  | 5.8     | 3,986   | 1.9      |
| EBIT margin (%)     | 14.0   | 13.7   | 31bp    | 14.0   | (1bp)   | 13.8    | 22bp     |
| Depreciation        | 745    | 744    | 0.1     | 712    | 4.6     | 867     | (14.0)   |
| Net other income    | 283    | 250    | 13.2    | 165    | 71.2    | 188     | 50.7     |
| PBT                 | 4,345  | 3,558  | 22.1    | 4,005  | 8.5     | 4,174   | 4.1      |
| Provision for tax   | 1,095  | 925    | 18.4    | 941    | 16.3    | 1,064   | 2.9      |
| % tax rate          | 25.2   | 26.0   | (79bp)  | 23.5   | 170bp   | 25.5    | (29bp)   |
| Net profit          | 3,250  | 2,633  | 23.4    | 3,064  | 6.1     | 3,110   | 4.5      |
| EPS (Rs)            | 21.0   | 17.1   | 23.4    | 19.9   | 6.1     | 20.2    | 3.8      |

SOURCE: INCRED RESEARCH, COMPANY REPORTS

## Key conference-call highlights

- **Guidance:** Management expects to sustain the healthy growth trajectory. On track to achieve long-term revenue aspiration of US\$2bn by capitalizing on discretionary and legacy opportunities across healthcare, BFSI and hi-tech portfolios.
- **Demand environment:** 3QFY25F furloughs could be similar yoy and led by BFSI and hi-tech customers.
- **Vertical commentary:** Hi-tech vertical challenges bottoming out while ramp-up of new programs and deal wins could drive the growth in next few quarters. BFSI and healthcare momentum continues.
- **AI:**
  - Persistent Systems is leveraging AI-driven platforms, such as SASVA and iAURA, to generate significant wins across various industries. The company has integrated advanced AI and platform-based solutions to enhance its service offerings, focusing on AI for technology and AI for business.
  - SASVA2.0 has helped enhance efficiency, cost-effectiveness, and time-to-market, with its ability to identify technical debt and optimize product roadmaps, serving as key differentiators in securing competitive engagements with leading companies in observability platforms and financial analytics.
  - Additionally, the company's GenAI Hub and iAURA platforms have broadened their AI model libraries and use cases, leading to successful projects, such as accelerating drug discovery for a global pharmaceutical company and optimizing data handling for a food services leader.
- The company is prioritizing talent development to deliver premium services and client engagement. Aiming at just-in-time hiring, given the benign labour market. Also, it aims to maintain the employee utilization rate between 83-85%.
- **Acquisition:**
  - The company has strategically enhanced its capabilities through acquisitions, like Arrka for AI, governance, and cybersecurity in data privacy and Starfish for AI-enhanced contact centre administration.

Figure 2: Operating metric trend

| Operating trends                        | 1QFY23  | 2QFY23  | 3QFY23  | 4QFY23  | 1QFY24  | 2QFY24  | 3QFY24  | 4QFY24  | 1QFY25  | 2QFY25  |
|---|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Revenue (US\$m)                         | 242     | 256     | 264     | 275     | 283     | 292     | 301     | 311     | 328     | 346     |
| Growth yoy (%)                          | 44.8    | 40.2    | 32.8    | 26.4    | 17.1    | 14.1    | 13.7    | 13.2    | 16.0    | 18.4    |
| Growth qoq (%)                          | 11.1    | 5.8     | 3.4     | 3.9     | 3.0     | 3.1     | 3.0     | 3.4     | 5.6     | 5.3     |
| Revenue (Rsm)                           | 18,781  | 20,486  | 21,694  | 22,545  | 23,212  | 24,117  | 24,982  | 25,905  | 27,372  | 28,972  |
| Growth yoy (%)                          | 52.7    | 51.6    | 45.4    | 37.6    | 23.6    | 17.7    | 15.2    | 14.9    | 17.9    | 20.1    |
| Growth qoq (%)                          | 14.7    | 9.1     | 5.9     | 3.9     | 3.0     | 3.9     | 3.6     | 3.7     | 5.7     | 5.8     |
| EBIT margin (%)                         | 14.3    | 14.6    | 15.4    | 15.4    | 14.9    | 13.7    | 14.5    | 14.5    | 14.0    | 14.0    |
| US\$-INR realized rate                  | 77.8    | 80.2    | 82.1    | 82.1    | 82.0    | 82.7    | 83.1    | 83.3    | 83.4    | 83.9    |
| Headcount                               | 21,638  | 22,476  | 22,598  | 22,889  | 23,130  | 22,842  | 23,336  | 23,850  | 23,519  | 23,237  |
| Utilization - trainees (%)              | 79.5    | 79.9    | 77.6    | 77.3    | 78.3    | 80.6    | 81.5    | 80.0    | 82.1    | 84.8    |
| LTM attrition (%)                       | 24.8    | 23.7    | 21.6    | 19.8    | 15.5    | 13.5    | 11.9    | 11.5    | 11.9    | 12.0    |
| Geography (%)                           | 1QFY23  | 2QFY23  | 3QFY23  | 4QFY23  | 1QFY24  | 2QFY24  | 3QFY24  | 4QFY24  | 1QFY25  | 2QFY25  |
| North America                           | 78.4    | 78.6    | 77.1    | 77.9    | 79.2    | 79.2    | 79.7    | 80.1    | 80.7    | 81.3    |
| Europe                                  | 8.5     | 8.3     | 9.0     | 10.3    | 9.7     | 9.5     | 8.9     | 7.8     | 7.8     | 7.9     |
| India                                   | 11.3    | 11.5    | 12.3    | 10.0    | 9.9     | 9.7     | 10.0    | 10.1    | 9.8     | 9.2     |
| RoW                                     | 1.8     | 1.6     | 1.6     | 1.8     | 1.2     | 1.6     | 1.4     | 2.0     | 1.7     | 1.6     |
| Geography (US\$m)                       | 1QFY23  | 2QFY23  | 3QFY23  | 4QFY23  | 1QFY24  | 2QFY24  | 3QFY24  | 4QFY24  | 1QFY25  | 2QFY25  |
| North America                           | 189.4   | 200.9   | 203.8   | 213.9   | 224.1   | 231.0   | 239.5   | 249.0   | 264.9   | 280.9   |
| Europe                                  | 20.5    | 21.2    | 23.8    | 28.3    | 27.4    | 27.7    | 26.7    | 24.2    | 25.6    | 27.3    |
| India                                   | 27.3    | 29.4    | 32.5    | 27.5    | 28.0    | 28.3    | 30.1    | 31.4    | 32.2    | 31.8    |
| RoW                                     | 4.3     | 4.1     | 4.2     | 4.9     | 3.4     | 4.7     | 4.2     | 6.2     | 5.6     | 5.5     |
| Geography yoy (%)                       | 1QFY23  | 2QFY23  | 3QFY23  | 4QFY23  | 1QFY24  | 2QFY24  | 3QFY24  | 4QFY24  | 1QFY25  | 2QFY25  |
| North America                           | 43.9    | 40.0    | 29.3    | 25.2    | 18.3    | 15.0    | 17.5    | 16.4    | 18.2    | 21.6    |
| Europe                                  | 29.6    | 32.2    | 44.0    | 54.9    | 33.7    | 30.6    | 12.4    | -14.3   | -6.7    | -1.5    |
| India                                   | 67.0    | 53.5    | 49.8    | 14.9    | 2.6     | -3.7    | -7.6    | 14.3    | 14.8    | 12.3    |
| RoW                                     | 44.8    | 12.2    | 32.8    | 13.7    | -21.9   | 14.1    | -0.5    | 25.8    | 64.4    | 18.4    |
| Geography qoq (%)                       | 1QFY23  | 2QFY23  | 3QFY23  | 4QFY23  | 1QFY24  | 2QFY24  | 3QFY24  | 4QFY24  | 1QFY25  | 2QFY25  |
| North America                           | 10.9    | 6.1     | 1.4     | 5.0     | 4.7     | 3.1     | 3.7     | 4.0     | 6.4     | 6.1     |
| Europe                                  | 12.5    | 3.3     | 12.1    | 18.9    | -3.0    | 1.0     | -3.5    | -9.3    | 5.6     | 6.6     |
| India                                   | 14.2    | 7.7     | 10.6    | -15.5   | 2.0     | 1.0     | 6.2     | 4.5     | 2.4     | -1.2    |
| RoW                                     | 0.0     | -5.9    | 3.4     | 16.9    | -31.3   | 37.5    | -9.8    | 47.8    | -10.3   | -0.9    |
| Incremental revenue (US\$m)             | 1QFY23  | 2QFY23  | 3QFY23  | 4QFY23  | 1QFY24  | 2QFY24  | 3QFY24  | 4QFY24  | 1QFY25  | 2QFY25  |
| North America                           | 18.5    | 11.5    | 2.9     | 10.1    | 10.1    | 7.0     | 8.5     | 9.5     | 15.8    | 16.0    |
| Europe                                  | 2.3     | 0.7     | 2.6     | 4.5     | -0.8    | 0.3     | -1.0    | -2.5    | 1.4     | 1.7     |
| India                                   | 3.4     | 2.1     | 3.1     | -5.1    | 0.5     | 0.3     | 1.8     | 1.3     | 0.8     | -0.4    |
| RoW                                     | 0.0     | -0.3    | 0.1     | 0.7     | -1.5    | 1.3     | -0.5    | 2.0     | -0.6    | -0.1    |
| Vertical (%)                            | 1QFY23  | 2QFY23  | 3QFY23  | 4QFY23  | 1QFY24  | 2QFY24  | 3QFY24  | 4QFY24  | 1QFY25  | 2QFY25  |
| Financial Services                      | 33.7    | 32.8    | 32.6    | 32.3    | 33.3    | 32.3    | 31.2    | 30.7    | 30.8    | 31.5    |
| Healthcare & Life sciences              | 19.9    | 19.7    | 19.6    | 19.7    | 18.6    | 19.3    | 21.8    | 24.2    | 26.7    | 27.8    |
| Software, Hi-tech & Emerging Industries | 46.4    | 47.5    | 47.8    | 48.0    | 48.1    | 48.4    | 47.0    | 45.1    | 42.5    | 40.7    |
| Business unit (US\$m)                   | 1QFY23  | 2QFY23  | 3QFY23  | 4QFY23  | 1QFY24  | 2QFY24  | 3QFY24  | 4QFY24  | 1QFY25  | 2QFY25  |
| Financial Services                      | 81.4    | 83.8    | 86.2    | 88.7    | 94.2    | 94.2    | 93.8    | 95.4    | 101.1   | 108.8   |
| Healthcare & Life Sciences              | 48.1    | 50.4    | 51.8    | 54.1    | 52.6    | 56.3    | 65.5    | 75.2    | 87.6    | 96.0    |
| Software, Hi-tech & Emerging Industries | 112.1   | 121.4   | 126.4   | 131.8   | 136.1   | 141.2   | 141.3   | 140.2   | 139.5   | 140.6   |
| Business unit yoy (%)                   | 1QFY23  | 2QFY23  | 3QFY23  | 4QFY23  | 1QFY24  | 2QFY24  | 3QFY24  | 4QFY24  | 1QFY25  | 2QFY25  |
| Financial Services                      | 58.4    | 49.8    | 34.4    | 26.0    | 15.7    | 12.4    | 8.8     | 7.6     | 7.3     | 15.5    |
| Healthcare & Life Sciences              | 40.6    | 30.3    | 25.7    | 20.3    | 9.5     | 11.8    | 26.5    | 39.1    | 66.5    | 70.6    |
| Software, Hi-tech & Emerging Industries | 38.0    | 38.4    | 34.7    | 29.3    | 21.4    | 16.3    | 11.8    | 6.4     | 2.5     | -0.4    |
| Business unit qoq (%)                   | 1QFY23  | 2QFY23  | 3QFY23  | 4QFY23  | 1QFY24  | 2QFY24  | 3QFY24  | 4QFY24  | 1QFY25  | 2QFY25  |
| Financial Services                      | 15.6    | 3.0     | 2.8     | 2.9     | 6.2     | 0.0     | -0.5    | 1.8     | 5.9     | 7.7     |
| Healthcare & Life Sciences              | 6.8     | 4.8     | 2.9     | 4.4     | -2.7    | 7.0     | 16.4    | 14.8    | 16.5    | 9.6     |
| Software, Hi-tech & Emerging Industries | 10.0    | 8.3     | 4.1     | 4.3     | 3.2     | 3.8     | 0.1     | -0.7    | -0.5    | 0.8     |
| Incremental revenue (US\$m)             | 1QFY23  | 2QFY23  | 3QFY23  | 4QFY23  | 1QFY24  | 2QFY24  | 3QFY24  | 4QFY24  | 1QFY25  | 2QFY25  |
| Financial Services                      | 11.0    | 2.4     | 2.3     | 2.5     | 5.5     | 0.0     | -0.4    | 1.7     | 5.6     | 7.7     |
| Healthcare & Life Sciences              | 3.1     | 2.3     | 1.5     | 2.3     | -1.5    | 3.7     | 9.2     | 9.7     | 12.4    | 8.4     |
| Software, Hi-tech & Emerging Industries | 10.1    | 9.3     | 4.9     | 5.4     | 4.3     | 5.1     | 0.1     | -1.0    | -0.7    | 1.1     |
| TCV deal wins (US\$m)                   | 1QFY23  | 2QFY23  | 3QFY23  | 4QFY23  | 1QFY24  | 2QFY24  | 3QFY24  | 4QFY24  | 1QFY25  | 2QFY25  |
| New wins TCV                            | 230.3   | 228.3   | 239.0   | 250.3   | 237.2   | 313.1   | 277.4   | 302.0   | 310.8   | 389.8   |
| qoq                                     | 18.0    | -0.9    | 4.7     | 4.7     | -5.2    | 32.0    | -11.4   | 8.9     | 2.9     | 25.4    |
| yoy                                     | 55.9    | 52.9    | 51.6    | 28.3    | 3.0     | 37.1    | 16.1    | 20.7    | 31.0    | 24.5    |
| TTM new wins TCV                        | 732.3   | 811.3   | 892.7   | 947.9   | 954.8   | 1039.6  | 1078.0  | 1129.7  | 1203.3  | 1280.0  |
| yoy                                     | NA      | 33.0    | 50.7    | 45.9    | 30.4    | 28.1    | 20.8    | 19.2    | 26.0    | 23.1    |
| Renewals TCV                            | 163.7   | 139.5   | 201.2   | 171.3   | 143.1   | 166.2   | 244.0   | 145.7   | 152.0   | 139.2   |
| qoq                                     | -1.3    | -14.8   | 44.2    | -14.9   | -16.5   | 16.1    | 46.8    | -40.3   | 4.3     | -8.4    |
| yoy                                     | 68.6    | 4.7     | 13.9    | 3.3     | -12.6   | 19.1    | 21.3    | -14.9   | 6.2     | -16.2   |
| TTM renewals TCV                        | 639.5   | 645.8   | 670.3   | 675.7   | 655.1   | 681.8   | 724.6   | 699.0   | 707.9   | 680.9   |
| yoy                                     | NA      | 38.7    | 30.0    | 17.9    | 2.4     | 5.6     | 8.1     | 3.4     | 8.1     | -0.1    |
| TTM TCV wins                            | 1,371.8 | 1,457.1 | 1,563.0 | 1,623.6 | 1,609.9 | 1,721.4 | 1,802.6 | 1,828.7 | 1,911.2 | 1,960.9 |
| yoy                                     | NA      | 35.4    | 41.1    | 32.8    | 17.4    | 18.1    | 15.3    | 12.6    | 18.7    | 13.9    |
| ACV deal wins (US\$m)                   | 1QFY23  | 2QFY23  | 3QFY23  | 4QFY23  | 1QFY24  | 2QFY24  | 3QFY24  | 4QFY24  | 1QFY25  | 2QFY25  |
| New wins ACV                            | 139.8   | 137.0   | 143.8   | 168.3   | 144.1   | 184.2   | 182.9   | 184.5   | 198.1   | 218.6   |
| qoq                                     | 6.7     | -2.0    | 5.0     | 17.0    | -14.4   | 27.8    | -0.7    | 0.9     | 7.4     | 10.3    |
| yoy                                     | 49.5    | 25.9    | 11.8    | 28.5    | 3.1     | 34.5    | 27.2    | 9.6     | 37.5    | 18.7    |
| TTM new wins ACV                        | 508.2   | 536.4   | 551.6   | 588.9   | 593.2   | 640.4   | 679.5   | 695.7   | 749.7   | 784.1   |
| yoy                                     | NA      | 22.1    | 28.9    | 27.5    | 16.7    | 19.4    | 23.2    | 18.1    | 26.4    | 22.4    |
| Renewals ACV                            | 123.2   | 134.2   | 182.5   | 142.1   | 127.8   | 131.7   | 209.2   | 132.3   | 139.2   | 129.7   |
| qoq                                     | -5.9    | 8.9     | 36.0    | -22.1   | -10.1   | 3.1     | 58.8    | -36.8   | 5.2     | -6.8    |
| yoy                                     | 29.3    | 45.4    | 12.2    | 8.6     | 3.7     | -1.9    | 14.6    | -6.9    | 8.9     | -1.5    |
| TTM renewals ACV                        | 509.1   | 551.0   | 570.8   | 582.0   | 586.6   | 584.1   | 610.8   | 601.0   | 612.4   | 610.4   |
| yoy                                     | NA      | 35.3    | 25.7    | 20.9    | 15.2    | 6.0     | 7.0     | 3.3     | 4.4     | 4.5     |
| TTM ACV wins                            | 1,017.3 | 1,087.4 | 1,122.4 | 1,170.9 | 1,179.8 | 1,224.5 | 1,290.3 | 1,296.7 | 1,362.1 | 1,394.5 |
| yoy                                     | NA      | 28.4    | 27.3    | 24.2    | 16.0    | 12.6    | 15.0    | 10.7    | 15.5    | 13.9    |

| Clients (%)                 | 1QFY23 | 2QFY23 | 3QFY23 | 4QFY23 | 1QFY24 | 2QFY24 | 3QFY24 | 4QFY24 | 1QFY25 | 2QFY25 |
|-----------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Top 5                       | 30.8   | 26.9   | 24.7   | 26.5   | 27.9   | 28.3   | 28.0   | 29.2   | 30.7   | 31.4   |
| Top 6-10                    | 9.9    | 9.8    | 10.3   | 10.9   | 11.7   | 11.2   | 11.3   | 10.8   | 10.8   | 10.1   |
| Top 11-20                   | 10.5   | 11.7   | 12.8   | 10.5   | 10.8   | 11.1   | 12.1   | 11.1   | 10.4   | 10.6   |
| Clients (US\$m)             | 1QFY23 | 2QFY23 | 3QFY23 | 4QFY23 | 1QFY24 | 2QFY24 | 3QFY24 | 4QFY24 | 1QFY25 | 2QFY25 |
| Top 5                       | 74.4   | 68.8   | 65.3   | 72.8   | 78.9   | 82.6   | 84.2   | 90.8   | 100.8  | 108.5  |
| Top 6-10                    | 23.9   | 25.0   | 27.2   | 29.9   | 33.1   | 32.7   | 34.0   | 33.6   | 35.4   | 34.9   |
| Top 11-20                   | 25.4   | 29.9   | 33.8   | 28.8   | 30.6   | 32.4   | 36.4   | 34.5   | 34.1   | 36.6   |
| Clients yoy (%)             | 1QFY23 | 2QFY23 | 3QFY23 | 4QFY23 | 1QFY24 | 2QFY24 | 3QFY24 | 4QFY24 | 1QFY25 | 2QFY25 |
| Top 5                       | 22.2   | 5.3    | -9.2   | 3.0    | 6.1    | 20.1   | 28.9   | 24.8   | 27.7   | 31.4   |
| Top 6-10                    | 40.5   | 43.1   | 53.7   | 43.5   | 38.4   | 30.4   | 24.7   | 12.2   | 7.1    | 6.8    |
| Top 11-20                   | 52.0   | 65.7   | 86.8   | 32.7   | 20.5   | 8.3    | 7.5    | 19.7   | 11.7   | 13.1   |
| Clients qoq (%)             | 1QFY23 | 2QFY23 | 3QFY23 | 4QFY23 | 1QFY24 | 2QFY24 | 3QFY24 | 4QFY24 | 1QFY25 | 2QFY25 |
| Top 5                       | 5.3    | -7.6   | -5.0   | 11.4   | 8.5    | 4.6    | 1.9    | 7.9    | 11.0   | 7.7    |
| Top 6-10                    | 14.6   | 4.8    | 8.7    | 9.9    | 10.6   | -1.3   | 4.0    | -1.1   | 5.6    | -1.6   |
| Top 11-20                   | 16.7   | 17.9   | 13.1   | -14.8  | 6.0    | 6.0    | 12.3   | -5.1   | -1.1   | 7.3    |
| Incremental revenue (US\$m) | 1QFY23 | 2QFY23 | 3QFY23 | 4QFY23 | 1QFY24 | 2QFY24 | 3QFY24 | 4QFY24 | 1QFY25 | 2QFY25 |
| Top 5                       | 3.8    | -5.6   | -3.5   | 7.5    | 6.2    | 3.6    | 1.6    | 6.6    | 10.0   | 7.7    |
| Top 6-10                    | 3.0    | 1.1    | 2.2    | 2.7    | 3.2    | -0.4   | 1.3    | -0.4   | 1.9    | -0.6   |
| Top 11-20                   | 3.6    | 4.5    | 3.9    | -5.0   | 1.7    | 1.8    | 4.0    | -1.9   | -0.4   | 2.5    |
| Client metrics              | 1QFY23 | 2QFY23 | 3QFY23 | 4QFY23 | 1QFY24 | 2QFY24 | 3QFY24 | 4QFY24 | 1QFY25 | 2QFY25 |
| US\$ 30m+                   | 3.0    | 3.0    | 5.0    | 5.0    | 5.0    | 6.0    | 5.0    | 6.0    | NA     | NA     |
| US\$ 20-30m                 | 1.0    | 3.0    | 2.0    | 4.0    | 5.0    | 3.0    | 6.0    | 4.0    | NA     | NA     |
| US\$ 10-20m                 | 7.0    | 6.0    | 9.0    | 8.0    | 7.0    | 7.0    | 5.0    | 7.0    | 9.0    | 11.0   |
| US\$ 5-10m                  | 15.0   | 18.0   | 18.0   | 17.0   | 21.0   | 23.0   | 22.0   | 23.0   | 22.0   | 22.0   |
| US\$ 1-5m                   | 104.0  | 116.0  | 118.0  | 126.0  | 129.0  | 136.0  | 138.0  | 138.0  | 137.0  | 141.0  |
| Per employee analysis       | 1QFY23 | 2QFY23 | 3QFY23 | 4QFY23 | 1QFY24 | 2QFY24 | 3QFY24 | 4QFY24 | 1QFY25 | 2QFY25 |
| Revenue (US\$m) - TTM       | 840    | 914    | 979    | 1,036  | 1,077  | 1,114  | 1,150  | 1,186  | 1,231  | 1,285  |
| Employees (average TTM)     | 16,951 | 18,522 | 19,850 | 20,853 | 21,195 | 21,276 | 21,452 | 21,684 | 21,773 | 21,876 |
| Revenue per employee (TTM)  | 49,569 | 49,321 | 49,309 | 49,684 | 50,835 | 52,340 | 53,597 | 54,697 | 56,554 | 58,747 |

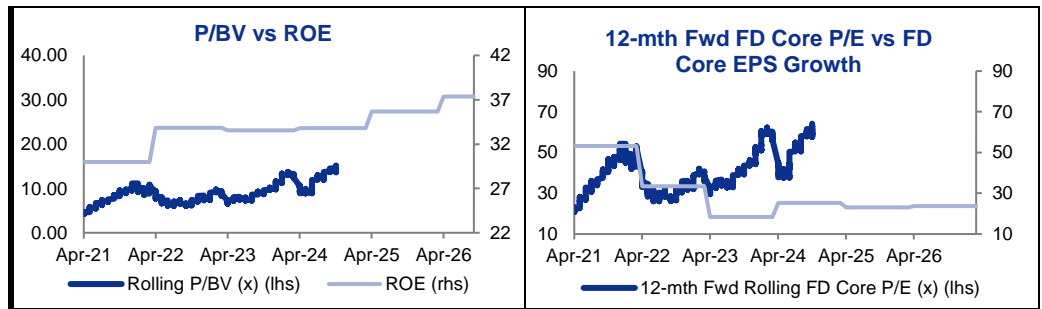
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Change in our earnings estimates

| Y/E Mar (Rs m)  | FY25F    |          |          | FY26F    |          |          | FY27F    |          |          |
|-----------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
|                 | New      | Old      | % change | New      | Old      | % change | New      | Old      | % change |
| US\$ revenue    | 1,412    | 1,385    | 1.9      | 1,662    | 1,593    | 4.3      | 1,954    | 1,832    | 6.6      |
| Revenue         | 1,18,216 | 1,15,547 | 2.3      | 1,42,084 | 1,36,233 | 4.3      | 1,69,955 | 1,59,350 | 6.7      |
| EBIT            | 20,317   | 16,541   | 22.8     | 21,597   | 20,026   | 7.8      | 26,853   | 24,699   | 8.7      |
| EBIT Margin (%) | 17.2     | 14.3     | 287bp    | 15.2     | 14.7     | 50bp     | 15.8     | 15.5     | 30bp     |
| Net PAT         | 13,775   | 13,048   | 5.6      | 17,007   | 15,918   | 6.8      | 21,045   | 19,693   | 6.9      |
| EPS (Rs)        | 89.0     | 84.8     | 5.6      | 109.9    | 103.4    | 6.8      | 135.9    | 128.0    | 6.9      |

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>83,506</b> | <b>98,216</b> | <b>118,216</b> | <b>142,084</b> | <b>169,955</b> |
| <b>Gross Profit</b>                       | <b>28,191</b> | <b>32,985</b> | <b>39,392</b>  | <b>47,740</b>  | <b>57,615</b>  |
| <b>Operating EBITDA</b>                   | <b>15,191</b> | <b>17,243</b> | <b>20,317</b>  | <b>25,291</b>  | <b>31,272</b>  |
| Depreciation And Amortisation             | (2,719)       | (3,094)       | (3,048)        | (3,694)        | (4,419)        |
| <b>Operating EBIT</b>                     | <b>12,472</b> | <b>14,149</b> | <b>17,269</b>  | <b>21,597</b>  | <b>26,853</b>  |
| Financial Income/(Expense)                | (64)          | 813           | 976            | 1,080          | 1,207          |
| Pretax Income/(Loss) from Assoc.          |               |               |                |                |                |
| Non-Operating Income/(Expense)            |               |               |                |                |                |
| <b>Profit Before Tax (pre-EI)</b>         | <b>12,409</b> | <b>14,962</b> | <b>18,245</b>  | <b>22,677</b>  | <b>28,060</b>  |
| Exceptional Items                         |               |               |                |                |                |
| <b>Pre-tax Profit</b>                     | <b>12,409</b> | <b>14,962</b> | <b>18,245</b>  | <b>22,677</b>  | <b>28,060</b>  |
| Taxation                                  | (3,198)       | (3,541)       | (4,471)        | (5,669)        | (7,015)        |
| Exceptional Income - post-tax             |               | (486)         |                |                |                |
| <b>Profit After Tax</b>                   | <b>9,211</b>  | <b>10,935</b> | <b>13,775</b>  | <b>17,007</b>  | <b>21,045</b>  |
| Minority Interests                        |               |               |                |                |                |
| Preferred Dividends                       |               |               |                |                |                |
| FX Gain/(Loss) - post tax                 |               |               |                |                |                |
| Other Adjustments - post-tax              |               |               |                |                |                |
| <b>Net Profit</b>                         | <b>9,211</b>  | <b>10,935</b> | <b>13,775</b>  | <b>17,007</b>  | <b>21,045</b>  |
| Recurring Net Profit                      | 9,211         | 11,421        | 13,775         | 17,007         | 21,045         |
| <b>Fully Diluted Recurring Net Profit</b> | <b>9,211</b>  | <b>11,421</b> | <b>13,775</b>  | <b>17,007</b>  | <b>21,045</b>  |

**Cash Flow**

| (Rs mn)                          | Mar-23A        | Mar-24A        | Mar-25F        | Mar-26F        | Mar-27F        |
|----------------------------------|----------------|----------------|----------------|----------------|----------------|
| <b>EBITDA</b>                    | <b>15,191</b>  | <b>17,243</b>  | <b>20,317</b>  | <b>25,291</b>  | <b>31,272</b>  |
| Cash Flow from Invt. & Assoc.    |                |                |                |                |                |
| Change In Working Capital        | (4,377)        | (2,052)        | (3,180)        | (3,558)        | (4,292)        |
| (Incr)/Decr in Total Provisions  | 827            | (1,145)        |                |                |                |
| Other Non-Cash (Income)/Expense  |                |                |                |                |                |
| Other Operating Cashflow         |                |                |                |                |                |
| Net Interest (Paid)/Received     | (64)           |                |                |                |                |
| Tax Paid                         | (3,405)        | (3,414)        | (4,471)        | (5,669)        | (7,015)        |
| <b>Cashflow From Operations</b>  | <b>8,172</b>   | <b>10,633</b>  | <b>12,667</b>  | <b>16,064</b>  | <b>19,965</b>  |
| Capex                            | (4,333)        | (2,839)        | (2,800)        | (2,800)        | (2,800)        |
| Disposals Of FAs/subsidiaries    | 12             | 49             |                |                |                |
| Acq. Of Subsidiaries/investments | (4,311)        | (2,074)        |                |                |                |
| Other Investing Cashflow         | 4,418          | 169            | 976            | 1,080          | 1,207          |
| <b>Cash Flow From Investing</b>  | <b>(4,213)</b> | <b>(4,695)</b> | <b>(1,824)</b> | <b>(1,720)</b> | <b>(1,593)</b> |
| Debt Raised/(repaid)             |                |                |                |                |                |
| Proceeds From Issue Of Shares    |                |                |                |                |                |
| Shares Repurchased               |                |                |                |                |                |
| Dividends Paid                   | (2,981)        | (4,084)        | (4,954)        | (6,633)        | (8,418)        |
| Preferred Dividends              |                |                |                |                |                |
| Other Financing Cashflow         | (1,059)        | (1,853)        |                |                |                |
| <b>Cash Flow From Financing</b>  | <b>(4,039)</b> | <b>(5,937)</b> | <b>(4,954)</b> | <b>(6,633)</b> | <b>(8,418)</b> |
| Total Cash Generated             | (80)           | 1              | 5,889          | 7,711          | 9,954          |
| <b>Free Cashflow To Equity</b>   | <b>3,840</b>   | <b>7,794</b>   | <b>9,867</b>   | <b>13,264</b>  | <b>17,165</b>  |
| <b>Free Cashflow To Firm</b>     | <b>4,023</b>   | <b>5,938</b>   | <b>10,843</b>  | <b>14,344</b>  | <b>18,371</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           | 10,912         | 12,955         | 18,845         | 26,556         | 36,510         |
| Total Debtors                        | 20,376         | 23,282         | 27,781         | 33,248         | 39,769         |
| Inventories                          |                |                |                |                |                |
| Total Other Current Assets           | 3,891          | 4,994          | 4,994          | 4,994          | 4,994          |
| <b>Total Current Assets</b>          | <b>35,179</b>  | <b>41,232</b>  | <b>51,619</b>  | <b>64,798</b>  | <b>81,273</b>  |
| Fixed Assets                         | 7,220          | 7,062          | 6,815          | 5,920          | 4,302          |
| Total Investments                    | 4,516          | 5,539          | 5,539          | 5,539          | 5,539          |
| Intangible Assets                    | 16,355         | 15,488         | 15,488         | 15,488         | 15,488         |
| Total Other Non-Current Assets       | 2,922          | 4,415          | 4,415          | 4,415          | 4,415          |
| <b>Total Non-current Assets</b>      | <b>31,012</b>  | <b>32,504</b>  | <b>32,256</b>  | <b>31,362</b>  | <b>29,743</b>  |
| Short-term Debt                      |                |                |                |                |                |
| Current Portion of Long-Term Debt    |                |                |                |                |                |
| Total Creditors                      | 5,689          | 8,139          | 9,457          | 11,367         | 13,596         |
| Other Current Liabilities            | 13,892         | 13,703         | 13,703         | 13,703         | 13,703         |
| <b>Total Current Liabilities</b>     | <b>19,581</b>  | <b>21,842</b>  | <b>23,160</b>  | <b>25,070</b>  | <b>27,299</b>  |
| Total Long-term Debt                 | 2,058          | 99             | 99             | 99             | 99             |
| Hybrid Debt - Debt Component         |                |                |                |                |                |
| Total Other Non-Current Liabilities  | 4,529          | 1,671          | 1,671          | 1,671          | 1,671          |
| <b>Total Non-current Liabilities</b> | <b>6,587</b>   | <b>1,770</b>   | <b>1,770</b>   | <b>1,770</b>   | <b>1,770</b>   |
| Total Provisions                     | 373            | 547            | 547            | 547            | 547            |
| <b>Total Liabilities</b>             | <b>26,541</b>  | <b>24,159</b>  | <b>25,478</b>  | <b>27,387</b>  | <b>29,617</b>  |
| Shareholders Equity                  | 39,651         | 49,577         | 58,398         | 68,773         | 81,399         |
| Minority Interests                   |                |                |                |                |                |
| <b>Total Equity</b>                  | <b>39,651</b>  | <b>49,577</b>  | <b>58,398</b>  | <b>68,773</b>  | <b>81,399</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            | 46.2%          | 17.6%          | 20.4%          | 20.2%          | 19.6%          |
| Operating EBITDA Growth   | 58.5%          | 13.5%          | 17.8%          | 24.5%          | 23.6%          |
| Operating EBITDA Margin   | 18.2%          | 17.6%          | 17.2%          | 17.8%          | 18.4%          |
| Net Cash Per Share (Rs)   | 57.93          | 83.54          | 121.09         | 170.91         | 235.20         |
| BVPS (Rs)                 | 259.40         | 322.14         | 377.24         | 444.26         | 525.82         |
| Gross Interest Cover      | 195.55         |                |                |                |                |
| Effective Tax Rate        | 25.8%          | 23.7%          | 24.5%          | 25.0%          | 25.0%          |
| Net Dividend Payout Ratio | 30.1%          | 26.7%          | 27.2%          | 29.2%          | 30.0%          |
| Accounts Receivables Days | 72.10          | 81.12          | 78.83          | 78.39          | 78.41          |
| Inventory Days            |                |                |                |                |                |
| Accounts Payables Days    | 32.95          | 38.69          | 40.74          | 40.28          | 40.55          |
| ROIC (%)                  | 41.0%          | 34.6%          | 39.0%          | 44.6%          | 51.6%          |
| ROCE (%)                  | 23.7%          | 23.6%          | 24.1%          | 25.4%          | 26.8%          |
| Return On Average Assets  | 20.7%          | 20.5%          | 22.2%          | 24.3%          | 26.2%          |

SOURCE: INCRED RESEARCH, COMPANY REPORTS



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#### Recommendation Framework

##### Stock Ratings

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.