

India

ADD (no change)

Consensus ratings*: Buy 36 Hold 11 Sell 3

Current price:	Rs3,405
Target price:	Rs3,589
Previous target:	Rs3,925
Up/downside:	5.4%
InCred Research / Consensus:	-4.7%
Reuters:	TCS.NS
Bloomberg:	TCS IN
Market cap:	US\$143,942m Rs12,320,310m
Average daily turnover:	US\$113.5m Rs9710.5m
Current shares o/s:	3,617.9m
Free float:	28.2%

*Source: Bloomberg

Key changes in this note

- Retain 3% revenue CAGR over FY25-27F.
- Retain 7.2% EBIT CAGR over FY25-27F.
- Retains 7.5% PAT CAGR over FY25-27F



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(1.1)	(3.6)	(6.9)
Relative (%)	(1.4)	(12.8)	(16.9)

Major shareholders	% held
FPI	12.7
LIC	4.8
Mutual Funds	4.3

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Tata Consultancy Services

FY25 annual report analysis

- Related party revenue was up 22.4% at Rs68.2bn (2.7% of overall revenue) led by 26.2% yoy growth in JLR (Rs36.6bn).
- Median remuneration was up 6.3% yoy in FY25 vs. 10.8% in FY24. Average annual increase in India was 5.5-7.5% vs. 7-9% in FY24.
- Across operating segments, CMT witnessed a material cut in operating margin.

Annual report summary

Tata Consultancy Services or TCS' (TCS IN) FY25 annual report talks about the paradigm shift in technology and the power of Generative AI (GenAI). The company has launched an enterprise grade GenAI platform WisdomNext™, which compares models and tools across cloud services in a unified interface to help accelerate AI adoption at scale. From an outlook perspective, the company expects the current uncertainty to lead to longer decision cycles and increased scrutiny on discretionary spending.

Customer stories

AI customer success stories include 1) GenAI-based drug discovery solution & shortlisting 12 molecules undergoing in-vitro testing, 2) modernizing 50m lines of legacy code into a modern AI-powered architecture, 3) transforming airline operations with an AI-equipped Unified Data Platform, 4) media content analysis using a GenAI-based solution, etc.

Organization changes

Effective 1 May 2025, Ms. Aarshi Subramanian has been appointed as Executive Director –President and Chief Operating Officer (COO) and Mr. Mangesh Sathe as Chief Strategy Officer. Prior to her appointment Ms. Aarshi was the Group Chief Digital Officer at Tata Sons Private Limited (Tata Sons) where she led the digital, technology and innovation agenda across a diverse portfolio while Mr. Sathe was the Chief Executive Officer of Tata Strategic Management Group (TSMG) supporting Group Chairman's Office and CEOs of Group companies in the strategy and transformation initiatives.

Balance sheet and related party transaction summary

Cash conversion metric (OCF/EBITDA 72.6%) and payout metric (99.6% of FCF) remain consistent and strong. However, related party transactions were up 22.4% yoy driven by ~26% yoy increase in JLR. JLR receivables were up 14.5% (ending basis DSO of 102 vs. 113 in FY24) while overall payables were up 2.3x.

Maintain ADD rating with an unchanged target price of Rs3,589

We maintain our FY25-27F US\$ revenue CAGR of 3% and PAT (Rs) CAGR of 7.5% estimate, and also our ADD rating. We value TCS at 23x FY27F EPS to arrive at our target price of Rs3,589. Better operating cash flow, dividend payout ratio certainty, and healthy return ratios support valuation while a slower recovery in North America & the FSI vertical, weak bookings, and higher project cancellations are downside risks.

Financial Summary

	Mar-23A	Mar-24A	Mar-25A	Mar-26F	Mar-27F
Revenue (Rsm)	2,254,580	2,408,930	2,553,240	2,636,581	2,818,240
Operating EBITDA (Rsm)	592,600	642,950	674,070	709,240	769,380
Net Profit (Rsm)	421,470	468,660	485,521	513,637	560,760
Core EPS (Rs)	115.2	128.5	134.2	142.0	155.0
Core EPS Growth	11.2%	11.6%	4.4%	5.8%	9.2%
FD Core P/E (x)	29.56	26.50	25.37	23.99	21.97
DPS (Rs)	115.0	73.0	128.0	127.8	139.5
Dividend Yield	3.38%	2.14%	3.87%	3.75%	4.10%
EV/EBITDA (x)	20.33	18.73	17.72	16.75	15.35
P/FCFE (x)	31.80	29.24	27.30	24.80	23.25
Net Gearing	(45.7%)	(41.9%)	(40.0%)	(44.8%)	(48.5%)
P/BV (x)	13.78	13.72	13.00	12.33	11.68
ROE	46.9%	51.8%	52.4%	52.8%	54.6%

% Change In Core EPS Estimates
InCred Research/Consensus EPS (x)

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Annual report analysis

Chairman's message

- The single most transformative force in 2024 was GenAI. It is not just another tech cycle—it is a civilizational shift.
- TCS is proactively leading the change in GenAI and systematically infusing AI across its offerings and building intelligent agent solutions throughout the value chain.
- IT and business services are moving toward autonomous operations. Software development is being redefined by artificial intelligence or AI-led modernization as legacy code is being transformed rapidly. Finally, agentic AI is being embedded deeply into enterprise systems.
- The company has developed an AI-powered clever energy platform to help clients optimize energy consumption, reduce emission and also energy costs.
- Worked with a client to develop a GenAI-based drug discovery solution that created over 1,300 molecules for a concept target, then assessed synthesizability and shortlisted 12 molecules undergoing in-vitro testing.
- Implemented a direct-to-consumer digital solution for the automotive industry, allowing a seamless omnichannel presence and customized vehicle ownership experience.
- Modernized 50m lines of legacy code into a modern AI-powered architecture.
- In 2025, TCS will have the largest AI-trained workforce in the industry and have launched the enterprise-grade GenAI platform: TCS WisdomNext™.
- Recognized as a global top employer for the 10th successive year.

MD & CEO's message

- Growth markets experienced strong demand across key industries, fuelled by accelerated digital adoption and new client acquisitions.
- Governments invested significantly in digital public services, creating opportunities for TCS to drive large-scale transformation.
- TCV improved across markets as clients prioritized initiatives around technology modernization, cost optimization, vendor consolidation, operating model transformation, and risk and compliance.
- Significant innovation is happening in the AI ecosystem across infrastructure, data platforms, models and AI native business applications. These innovations are forcing companies to invest in technology modernization and rapidly adopt AI to meet evolving customer expectations
- Across industries, clients are increasingly shifting their focus from an use case-based approach to RoI-led scaling of AI.
- Focus on innovation and growth drives TCS to continuously explore new technologies and business models, ensuring to stay ahead in an ever-evolving landscape.
- Key wins: Primark, Xerox,

Key takeaways from management discussion & analysis (MD&A)

- In 2025, enterprises will be accelerating adoption of AI into their digital core in order to address technical debt and modernize legacy systems.
- Anticipating the rise of quantum sensing, TCS has entered into a partnership with IIT Bombay (Mumbai) to develop India's first Quantum Diamond Microchip Imager, set to revolutionize semiconductor manufacturing.
- Investing extensively in AI to redefine knowledge work domains, such as software engineering, technology modernization, marketing, energy management, drug discovery, accelerated diagnosis and personalized cure, etc.

- As AI crosses the enterprise adoption, TCS expects data, models, and agents to become increasingly industry or function-specific. To support the same, TCS is making focused investments in 1) AI-first Software Development, Maintenance and Operations; 2) AI-native Application Modernization, 3) AI Reimagined Value Chains powered by Data, Models and Agents, 4) Partner-led AI Co-innovation, and 5) Strategic Advisory.
- To capitalize on growth potential in the overall Cloud space, TCS has formed full-stack teams in offerings, engineering, sales, solutions, and platform-based operations.
- **TCS ignio** introduced Code Accelerator, an advanced GenAI-powered tool designed to automate code generation, significantly reducing time-to-value for customers. It has been deployed across 80% of SaaS customers, boosting productivity by 150%.
- TCS Quartz launched four new solutions in FY25, including Intelligent Insights (GenAI-based reporting), and solutions for emerging trends like Digital Identity, ESG Compliance, and Land Registration.
- During FY25, clients prioritized initiatives around technology modernization, cost optimization, vendor consolidation, operating model transformation, risk and compliance. Ongoing delays and deferrals led to muted revenue growth in FY25.
- FY25 EBIT margin was 24.3%, down 30bp yoy, led by headwinds from merit-based interventions, including annual hikes, promotions, and investments in infrastructure and capability building while improved utilization, productivity, and realization, and favourable currency movement were key tailwinds.
- The current uncertainty could lead to longer decision cycles and increased scrutiny on discretionary spending.

Other takeaways

- TCS inaugurated new TCS Pace Port in Paris, with an AI Centre of Excellence (CoE), to leverage the company's global ecosystem of startups, academia, and research organizations in order to bring the best of global capabilities to French companies.
- Launched a new delivery centre in Warsaw, Poland, to showcase TCS' capabilities across industries and technologies. Expects to double the workforce to 1,200+ in a year.
- Launched TCS AI WisdomNext™, a GenAI aggregation platform that provides unique capabilities to compare GenAI models and tools across cloud services in a single unified interface, allowing clients real-time experimentation across vendor, internal, & open-source LLM models and to accelerate AI adoption at scale.
- TCS has become the second global IT services brand to surpass US\$20bn in revenue, an increase of 826% since 2010.

Client wins

- Expanded strategic relationship with Northern Trust to enhance its global securities settlements platform across 99 markets by leveraging the TCS BaNCS Global Securities Platform for improved trade processing, settlement standardization, and enhanced AI capabilities.
- Partnered with DNB to support its strategic transformation by enhancing their IT operations' stability and efficiency, helping them adapt to technological changes and meet regulatory requirements in the financial services sector.
- Collaborated with MassRobotics, the world's largest independent robotics hub, to promote robotics innovation across various sectors including retail and transportation.
- Signed a five-year partnership with Air New Zealand to modernize the airline's digital infrastructure and position it at the forefront of AI-driven innovation. The collaboration aims to enhance Air New Zealand's digital capabilities, improve customer experience, and drive operational efficiencies across various aspects

- of its business, including fleet management, crew scheduling, and ground services.
- Partnered with Vantage Towers, Europe's second-largest telecom tower operator, to launch a digital service platform. The platform aims to improve the experience of property owners leasing land for telecom towers, streamline service processes, and enhance retention.
 - Extended partnership with Coop Danmark to support the core business system of Denmark's leading consumer goods retailer. By managing Coop's enterprise resource planning (ERP) platform on SAP S/4HANA, TCS will enable efficient operations for the retailer and consistent shopping experiences for customers across 900-plus stores.
 - Extended the contract with SPARSH to continue streamlining and enhancing pension services for over 3m defence pensioners in India.
 - Secured a 15-year contract with Ireland's Department of Social Protection (DSP) to implement and support the country's new Auto Enrolment Retirement Savings Scheme, known as 'My Future Fund.'
 - Signed a multi-year deal to help Air France-KLM to become the most data-centric airline group in the world. TCS will modernize the airline group's data by moving it to cloud and promoting the next generation of data-driven aviation.
 - Collaborated with NVIDIA to launch industry-specific solutions and offerings that will help customers adopt AI faster and at scale.
 - Signed strategic deal to digitally transform Mansfield Building Society's Services in the UK. This transformation will see TCS migrating the Building Society's digital banking solutions to the cloud and integrating with best-in-class ecosystem partners to enhance accessibility and efficiency across digital and intermediary channels.
 - Partnered with Google Cloud to launch AI-powered cybersecurity solutions to deal with advanced threats by leveraging capabilities from Google Cloud's security solutions to strengthen cloud security posture and governance across single, multi, and hybrid cloud environments by embedding security and compliance guardrails throughout the DevSecOps lifecycle.
 - Expanded partnership with Rolls-Royce to advance hydrogen fuel system technology for aviation, with an aim to establish hydrogen as a viable zero-carbon fuel and support them in overcoming challenges in fuel combustion, delivery, and engine integration.
 - Expanded partnership with Xerox to develop a new agile, cloud-first operating model in an end-to-end transformation program designed to fast-track the evolution of the company to a simplified, services-led, software-enabled organization.
 - Collaborated with IIT-Bombay to develop India's first Quantum Diamond Microchip Imager. This advanced sensing tool will hold the potential to unlock new levels of precision in the examination of semiconductor chips, reduce chip failure and improve the energy efficiency of electronic devices.

Employees

- Employees clocked 56m learning hours in FY25 (vs. 51m in FY24) and acquired nearly 5.2m competencies (vs. nearly 5m in FY24). The average learning hours per employee stood at 96.4.
- TCS launched several initiatives to revolutionize learning. Further, it embraced AI/GenAI-first methodologies and fostered competency building in disruptive technologies.
- Strategic Leadership Program has led to focused hiring from top B-schools
- Increased fulfilment through internal talent pools by re-skilling and ready-to-deploy trainee availability.
- Women employees (2,14,039+) constitute 35.2% of the overall workforce (vs. 35.6% in FY23).
- Substantial investments were made to empower associates to experiment with AI to drive unparalleled value for customers.

- 100,000+ employees acquired higher order skills in AI/ML and GenAI
- TCS has 6,000+ researchers & innovators and 40+ research and innovation labs.
- The company now has seven Pace ports (co-innovation hubs) at New York, Amsterdam, Toronto, Tokyo, Pittsburgh, Tokyo and London.
- TCS has been selected as a top employer for the 10th consecutive year in six continents.
- TCS has been ranked top in **AI and data certification** across major hyperscalers and GitHub.

ESG

- Board composition: Eight board members, of which five are independent non-executive directors (~62.5%), two are non-independent executive directors and one is a non-independent non-executive director. The company’s board comprises two women directors.
- TCS is fully committed to Tata Aalingana program and to achieve Zero Waste to Landfill (ZWL) for all TCS campuses by 2030F.
- TCS had set a target to reduce its absolute Scope 1 and Scope 2 greenhouse gas emissions by 90% by 2030F vs. 2016. It also commits to reduce scope 3 emissions 35% by 2034F vs. 2020.
- TCS has brought down absolute carbon footprint across Scope 1 and Scope 2 emissions by 84% vs. 2016 and 32% reduction in Scope 3 vs. 2020.
- Renewable energy sources make up 79% of the total energy consumption vs. 7.25% in 2016.

Figure 1: Five out of eight directors are independent directors

Name	Designation
N Chandrasekaran	Chairman, Non-Independent, Non-Executive
Aarthi Subramanian	President & COO, Non-Independent, Executive
K Kirthivasan	MD & CEO, Non-Independent, Executive
Sanjay V Bhandarkar	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: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Management team

Name	Designation
K Kirthivasan	MD & CEO
Aarthi Subramanian	President and COO
Samir Seksaria	CFO
Milind Lakkad	Chief of Human Resources
Sudeep Kunnumal	Chief Human Resources Officer Designate
Mangesh Sathe	Chief Strategy Officer
Dr Harrick Vin	Chief Technology Officer
Abhinav Kumar	Chief Marketing Officer
Madhav Anchan	General Counsel - Legal
Yashaswin Sheth	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
Amit Bajaj	Head - North America
Amit Kapur	Head - UK & Ireland
Sapthagiri Chapalapalli	Head - Europe
Girish Ramachandran	Head - Growth Markets
Krishna Mohan	Head - Hybrid Cloud Unit
Siva Ganesan	Head - AI & Data
Vikram Karakoti	Head - Enterprise Solutions
Ganesa Subramanian Vaikuntam	Head - Cybersecurity
Ashok Pai	Head - Cognitive Business Operations
Regu Ayyaswamy	Head - IoT and Digital Engineering
Kamal Bhadada	Head - TCS Interactive

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Key related-party transactions

Particulars (Rs m)	FY21	FY22	FY23	FY24	FY25
Revenue					
Tata Sons Pvt Ltd	350	400	380	500	690
Subsidiaries of Tata Sons Pvt Ltd	6,090	7,890	11,740	10,250	12,010
Associates /JV of Tata Sons	22,050	27,850	30,500	44,950	55,490
Total	28,490	36,140	42,620	55,700	68,190
yoy growth	7.3%	26.9%	17.9%	30.7%	22.4%
% of total revenue	1.7%	1.9%	1.9%	2.3%	2.7%
JLR	10,930	15,000	17,070	29,020	36,610
yoy growth		37.2%	13.8%	70.0%	26.2%
% of related party	38.4%	41.5%	40.1%	52.1%	53.7%
% of total revenue	0.7%	0.8%	0.8%	1.2%	1.4%
Tata Steel Jmuiden BV	4,520	5,580	5,330	5,990	4,290
yoy growth		23.5%	-4.5%	12.4%	-28.4%
% of related party	15.9%	15.4%	12.5%	10.8%	6.3%
Tata Digital Pvt Ltd		2,690	5,020	2,860	
yoy growth			86.6%	-43.0%	-100.0%
% of related party	0.0%	7.4%	11.8%	5.1%	0.0%
Purchase of services					
Tata Sons Pvt Ltd	10	0	10	20	10
Subsidiaries of Tata Sons Pvt Ltd	4750	5710	6100	13900	81780
Associates /JV of Tata Sons	3,610	1,590	2,250	2,500	2,120
Total	8,370	7,300	8,360	16,420	83,910
yoy growth	-17.5%	-12.8%	14.5%	96.4%	411.0%
Trade receivables & contract assets	9,820	11,810	14,400	19,250	19,770
yoy growth		20.3%	21.9%	33.7%	2.7%
Ending basis DSO	126	119	123	126	106
JLR	2,900	3,790	4,820	8,980	10,280
yoy growth		30.7%	27.2%	86.3%	14.5%
Ending basis DSO	97	92	103	113	102
Balances payables to related parties	8,680	8,340	11,900	17,860	59,070
yoy growth		-3.9%	42.7%	50.1%	230.7%
Dividend paid	78,170	96,160	2,99,030	1,81,870	3,22,000
Buy-back of shares	99,980	1,11,740	NA	1,05,550	NA

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Products and platforms trend

Products & Platforms	FY19	FY20	FY21	FY22	FY23	FY24	FY25
TCS BanCS (BFSI platform)							
New wins	18	23	19	22	10	29	16
Go live	29	24	25	16	15	38	26
TCS iGNIO (Automation & AI)							
New wins		54	50	27			118
Go live		34			27	20	34
TCS iON (Assessment platform)							
Learners		3m+	12m+	10.4m			
Assessed till date			273m+	268m+	62m	65m	115.8m
Courses available		47,000	71,000	79,801			
Communities		18,000	4,90,000				
SMB clients		500+	700+	909			
TCS ADD (Drug trial)							
New wins	7	9		3	2	2	6
Go live	2			1	4	4	10
TCS HOBS (SaaS solution for subscription businesses)							
New wins	6	5	13	2	5	3	5
Go-lives	8	4	13		6	5	5
Serving clients		27	33				
Subscribers		21m+	22m+				
Devices		125,000+	145,000+				
Processed events		1bn+	1.2bn+				
TCS TWINX							
New wins		2	7	20	10	13	10
Go-lives		2	3	9	7	8	6
TCS Optumera (Retail Suite)							
New wins	5	4	1	1	2	1	1
Go-lives	4	1	2	3	4		2
TCS Omnistore (Commerce)							
New wins	2	4	1	3		2	3
Go-lives		2	4	5	8	1	8
TCS Mastercraft							
New wins			25	27	111	110	94
Go-lives							
Records processed for data privacy			96bn+	46bn	325bn	325bn	2.2bn
Records processed for data quality			5bn+	8.2bn+	15bn+	15bn+	2.98bn
TCS Quartz (Block-chain)							
New wins			10	7	5	6	6
Go-lives			2		6	3	3

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: MD & CEO compensation trend

MD & CEO compensation (Rs m)	FY23	FY24	FY25
Salary	17.3	12.8	14.0
Commissions	250	210	230
Others	24.3	30.8	21.3
Total	291.6	253.6	265.2
% of PAT	0.07%	0.06%	0.05%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 6: Contingent liabilities are down by ~23% yoy

Contingent liabilities (Rs m)	FY23	FY24	FY25
Direct	15,420	18,710	10,730
Indirect	5,680	11,610	11,900
Other claims	2,770	2,260	2,480
Total	23,870	32,580	25,110
Rs per share	6.5	8.9	6.9

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 7: Innovation-led R&D spending continues

Particular (Rs m)	FY23	FY24	FY25
R&D including innovation expenses	25,000	27,510	26,300
% of revenue	1.1%	1.1%	1.0%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 8: Employee break-up trend

Employee break-up - FY25	< 30 years		30-40 years		40-50 years		>50 years	
	Male	Female	Male	Female	Male	Female	Male	Female
India	27.8%	19.9%	25.8%	13.1%	9.6%	2.3%	1.3%	0.2%
North America	7.8%	3.3%	22.9%	12.6%	24.9%	8.0%	16.6%	3.9%
UK	9.3%	11.1%	14.9%	11.0%	17.6%	9.6%	15.0%	11.5%
Europe	8.8%	5.0%	21.5%	13.3%	17.7%	7.0%	20.9%	5.8%
Emerging Markets	19.0%	9.6%	29.0%	13.2%	14.2%	5.7%	7.0%	2.3%
APAC	12.5%	12.0%	23.3%	18.8%	15.8%	8.8%	6.8%	2.0%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 9: Revenue growth moderates in FY25

Particulars (Rs m)	FY20	FY21	FY22	FY23	FY24	FY25
Revenue	15,69,490	16,41,770	19,17,540	22,54,580	24,08,930	25,53,240
yoy growth	7.2%	4.6%	16.8%	17.6%	6.8%	6.0%
Cost of services	8,87,930	9,30,730	11,00,170	13,12,460	13,97,750	15,19,050
% of revenue	56.6%	56.7%	57.4%	58.2%	58.0%	59.5%
Other expenses	2,60,470	2,45,580	2,86,800	3,49,530	3,68,230	3,60,120
% of revenue	16.6%	15.0%	15.0%	15.5%	15.3%	14.1%
EBITDA	4,21,090	4,65,460	5,30,570	5,92,590	6,42,950	6,74,070
% of revenue	26.8%	28.4%	27.7%	26.3%	26.7%	26.4%
Depreciation	35,290	40,650	46,040	50,220	49,840	52,420
% of revenue	2.2%	2.5%	2.4%	2.2%	2.1%	2.1%
EBIT	3,85,800	4,24,810	4,84,530	5,42,370	5,93,110	6,21,650
% of revenue	24.6%	25.9%	25.3%	24.1%	24.6%	24.3%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 10: Reduction in sub-contractor cost was a key margin tailwind in FY25

Particulars (Rs m)	FY20	FY21	FY22	FY23	FY24	FY25
Revenue	15,69,490	16,41,770	19,17,540	22,54,580	24,08,930	25,53,240
yoy growth	7.2%	4.6%	16.8%	17.6%	6.8%	6.0%
Employee cost	8,59,520	9,18,140	10,75,540	12,75,220	14,01,310	14,57,880
as % of revenue	54.8%	55.9%	56.1%	56.6%	58.2%	57.1%
Fees to external consultants	1,29,370	1,32,140	1,74,090	2,13,370	1,58,200	1,16,950
as % of revenue	8.2%	8.0%	9.1%	9.5%	6.6%	4.6%
Cost of equipment & software licenses	19,050	14,620	11,630	18,810	37,020	1,16,480
as % of revenue	1.2%	0.9%	0.6%	0.8%	1.5%	4.6%
Facility expenses	27,020	21,310	21,390	26,550	31,000	34,560
as % of revenue	1.7%	1.3%	1.1%	1.2%	1.3%	1.4%
Travel expenses	32,950	10,810	15,890	26,750	29,700	32,130
as % of revenue	2.1%	0.7%	0.8%	1.2%	1.2%	1.3%
Communication expenses	15,920	18,960	20,500	22,460	22,610	23,650
as % of revenue	1.0%	1.2%	1.1%	1.0%	0.9%	0.9%
Others	64,570	60,330	67,930	78,830	86,130	97,520
as % of revenue	4.1%	3.7%	3.5%	3.5%	3.6%	3.8%
Total cost	11,48,400	11,76,310	13,86,970	16,61,990	17,65,970	18,79,170
as % of revenue	73.2%	71.6%	72.3%	73.7%	73.3%	73.6%
EBITDA	4,21,090	4,65,460	5,30,570	5,92,590	6,42,960	6,74,070
as % of revenue	26.8%	28.4%	27.7%	26.3%	26.7%	26.4%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 11: Segmental performance

Segmental (Rs m)	BFSI	MFG	RCB	CMT	L&H	Others	Total
Revenue (Rs m)							
FY25	9,45,970	2,51,700	4,01,970	4,58,930	2,64,560	2,30,110	25,53,240
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	4.0%	7.1%	2.1%	16.5%	-1.1%	9.7%	6.0%
Operating income (Rsm)							
FY25	2,51,350	82,250	1,12,220	95,820	74,480	57,950	6,74,070
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	6.6%	13.2%	9.5%	-12.2%	-2.1%	24.0%	4.8%
Operating margin (%)							
FY25	26.6%	32.7%	27.9%	20.9%	28.2%	25.2%	26.4%
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

Figure 12: Cash and investments form ~29% of the balance sheet

Particulars (Rs m)	FY20	FY21	FY22	FY23	FY24	FY25
Cash & Cash Equivalents	3,58,060	3,84,890	4,84,830	4,79,290	4,47,670	4,61,520
Account Receivables	3,62,640	3,66,620	4,18,100	4,99,540	5,35,770	5,90,460
Other Current Assets	1,81,670	2,41,290	1,80,170	1,23,870	1,46,400	1,78,130
Total Current Assets	9,02,370	9,92,800	10,83,100	11,02,700	11,29,840	12,30,110
Net Fixed Assets	2,18,340	2,19,470	2,25,030	2,17,490	2,06,580	2,36,590
Other Long-term assets	88,280	95,320	1,07,010	1,16,320	1,28,070	1,29,590
Total Long-term Assets	3,06,620	3,14,790	3,32,040	3,33,810	3,34,650	3,66,180
Total Assets	12,08,990	13,07,590	14,15,140	14,36,510	14,64,490	15,96,290
Short term debt						
Accounts Payable	67,400	78,600	80,450	1,05,150	99,810	1,39,090
Other Current Liabilities	2,03,200	2,62,950	3,43,060	3,30,430	3,61,230	3,90,920
Total Current Liabilities	2,70,600	3,41,550	4,23,510	4,35,580	4,61,040	5,30,010
Long term Debt						
Other Long-term Liabilities	90,900	94,960	93,170	88,870	90,260	1,08,570
Total Long-term Liabilities	90,900	94,960	93,170	88,870	90,260	1,08,570
Total Debt	0	0	0	0	0	0
Total Equity	8,47,490	8,71,080	8,98,460	9,12,060	9,13,190	9,57,710
Total Equity & Liabilities	12,08,990	13,07,590	14,15,140	14,36,510	14,64,490	15,96,290

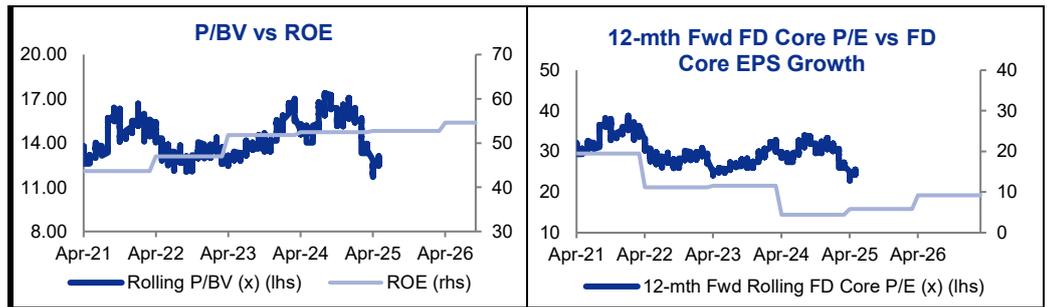
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 13: Average free cash flow payout was ~100.5% over FY20-25

Particulars (Rs m)	FY20	FY21	FY22	FY23	FY24	FY25
OCF Before WC Changes	4,28,820	4,70,310	5,42,040	5,91,480	6,37,090	6,78,530
Changes in Working Capital	-46,670	8,630	-27,690	-42,170	-68,820	-33,590
Taxes Paid	58,460	90,920	1,14,860	1,29,660	1,24,890	1,55,860
Operating Cash Flow	3,23,690	3,88,020	3,99,490	4,19,650	4,43,380	4,89,080
Capex	-25,690	-30,750	-29,800	-28,870	-26,440	-38,610
Investing Cash Flow	85,650	-81,290	-8,970	390	60,260	-23,180
Payout	3,76,340	3,05,760	3,13,170	4,13,470	4,21,370	4,48,640
Financing Cash Flow	-3,99,150	-3,26,340	-3,35,630	-4,78,780	-4,85,360	-4,74,380
OCF/revenue	20.6%	23.6%	20.8%	18.6%	18.4%	19.2%
OCF/EBITDA	76.9%	83.4%	75.3%	70.8%	69.0%	72.6%
Payout % Free Cash Flow	126.3%	85.6%	84.7%	105.8%	101.1%	99.6%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-23A	Mar-24A	Mar-25A	Mar-26F	Mar-27F
Total Net Revenues	2,254,580	2,408,930	2,553,240	2,636,581	2,818,240
Gross Profit	942,130	1,022,820	1,045,720	1,094,181	1,169,570
Operating EBITDA	592,600	642,950	674,070	709,240	769,380
Depreciation And Amortisation	(50,230)	(49,840)	(52,420)	(52,732)	(54,956)
Operating EBIT	542,370	593,110	621,650	656,509	714,424
Financial Income/(Expense)	26,700	36,440	31,660	34,445	39,621
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)					
Profit Before Tax (pre-EI)	569,070	629,550	653,310	690,954	754,045
Exceptional Items					
Pre-tax Profit	569,070	629,550	653,310	690,954	754,045
Taxation	(146,040)	(158,980)	(165,349)	(174,876)	(190,844)
Exceptional Income - post-tax					
Profit After Tax	423,030	470,570	487,961	516,077	563,200
Minority Interests	(1,560)	(1,910)	(2,440)	(2,440)	(2,440)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	421,470	468,660	485,521	513,637	560,760
Recurring Net Profit	421,470	468,660	485,521	513,637	560,760
Fully Diluted Recurring Net Profit	421,470	468,660	485,521	513,637	560,760

Cash Flow

(Rs mn)	Mar-23A	Mar-24A	Mar-25A	Mar-26F	Mar-27F
EBITDA	592,600	642,950	674,070	709,240	769,380
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(42,170)	(68,820)	(33,590)	(6,095)	(17,162)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	(1,560)	(1,910)	(2,440)	(2,440)	(2,440)
Other Operating Cashflow					
Net Interest (Paid)/Received					
Tax Paid	(129,660)	(124,890)	(155,860)	(174,876)	(190,844)
Cashflow From Operations	419,210	447,330	482,180	525,829	558,933
Capex	(25,320)	(22,020)	(29,170)	(29,170)	(29,170)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	25,710	82,280	5,990	43,525	48,701
Cash Flow From Investing	390	60,260	(23,180)	14,355	19,531
Debt Raised/(repaid)					
Proceeds From Issue Of Shares					
Shares Repurchased	(41,920)	(210,050)			
Dividends Paid	(413,470)	(251,370)	(448,640)	(462,273)	(504,684)
Preferred Dividends					
Other Financing Cashflow	(23,390)	(23,940)	(25,740)	(9,080)	(9,080)
Cash Flow From Financing	(478,780)	(485,360)	(474,380)	(471,353)	(513,764)
Total Cash Generated	(59,180)	22,230	(15,380)	68,830	64,700
Free Cashflow To Equity	393,890	425,310	453,010	496,659	529,763
Free Cashflow To Firm	419,600	507,590	459,000	540,184	578,464

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet					
(Rs mn)	Mar-23A	Mar-24A	Mar-25A	Mar-26F	Mar-27F
Total Cash And Equivalents	479,290	447,670	461,520	530,350	595,050
Total Debtors	499,540	535,770	590,460	565,086	592,439
Inventories	280	280	210	210	210
Total Other Current Assets	123,590	146,120	177,920	177,920	177,920
Total Current Assets	1,102,700	1,129,840	1,230,110	1,273,567	1,365,619
Fixed Assets	190,240	188,260	217,990	194,428	168,643
Total Investments	29,360	36,980	31,600	31,600	31,600
Intangible Assets	27,250	23,420	28,000	28,000	28,000
Total Other Non-Current Assets	86,960	85,990	88,590	88,590	88,590
Total Non-current Assets	333,810	334,650	366,180	342,618	316,833
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors	105,150	99,810	139,090	108,353	115,818
Other Current Liabilities	330,430	361,230	390,920	390,189	392,914
Total Current Liabilities	435,580	461,040	530,010	498,541	508,732
Total Long-term Debt					
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	88,870	90,260	108,570	108,570	108,570
Total Non-current Liabilities	88,870	90,260	108,570	108,570	108,570
Total Provisions					
Total Liabilities	524,450	551,300	638,580	607,111	617,302
Shareholders Equity	904,240	904,890	947,560	998,924	1,055,000
Minority Interests	7,820	8,300	10,150	10,150	10,150
Total Equity	912,060	913,190	957,710	1,009,074	1,065,150

Key Ratios					
	Mar-23A	Mar-24A	Mar-25A	Mar-26F	Mar-27F
Revenue Growth	17.6%	6.8%	6.0%	3.3%	6.9%
Operating EBITDA Growth	11.7%	8.5%	4.8%	5.2%	8.5%
Operating EBITDA Margin	26.3%	26.7%	26.4%	26.9%	27.3%
Net Cash Per Share (Rs)	114.06	104.89	105.90	124.93	142.81
BVPS (Rs)	247.17	248.14	261.91	276.11	291.61
Gross Interest Cover	69.62	76.24	78.10	72.30	78.68
Effective Tax Rate	25.7%	25.3%	25.3%	25.3%	25.3%
Net Dividend Payout Ratio	99.8%	56.7%	98.2%	90.0%	90.0%
Accounts Receivables Days	74.28	78.43	80.50	79.99	74.96
Inventory Days	0.07	0.07	0.06	0.05	0.05
Accounts Payables Days	25.81	26.99	28.92	29.28	24.81
ROIC (%)	84.5%	90.1%	89.5%	85.6%	96.0%
ROCE (%)	41.6%	45.4%	46.1%	46.2%	47.8%
Return On Average Assets	28.3%	30.6%	30.3%	30.5%	32.4%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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- 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.

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