

**SELL**  
 TP: Rs 1,739 | ▼ 13%

**HCL TECHNOLOGIES**

| IT Services

| 14 January 2025

**Organic guidance maintained. Discretionary spend broadening**

- 4.25% CC YoY organic revenue growth maintained. Sectors beyond BFSI and Hi-Tech called out for pickup in discretionary spend
- TCV underwhelms but ACV pickup indicates smaller deals are making a comeback. 4QFY25 to see softness as some mega deals wind down
- Maintain sell on valuations. The PE discount to TCS (30% average in the last 5 years) has vanished completely in the last 9 months

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**Revenue fell short but margin in line:** HCLT’s overall CC QoQ revenue growth at 3.8% fell short of our expectation of 5%. The underperformance has been driven by HCL Software where some renewals did not happen, and some new deals did not close. Software grew 18.7% CC QoQ and declined by 2.1%. EBIT margin came in line at 19.5%.

**Organic revenue growth guidance maintained:** Revenue growth guidance for FY25 at the mid-point (CC YoY) has been raised to 4.75% versus 4.25% given post 2QFY25. However, if we strip the inorganic element due to the CTG acquisition (which merged from the month of December 2024), the organic growth is the same at 4.25%

**The TCV (entirely net new) was underwhelming at US\$2bn:** HCLT itself had indicated at a recent analyst meet that it desires to grow this number to US\$2.5bn at least. However, it maintained that the tenure of newly signed deals has gone down. ACV was up 9% QoQ and 23% YoY. There are more small deals. Something similar was indicated by TCS too post is 3QFY25.

**Commentary better than the delivery:** HCLT indicated that the tenure of newly signed deals has gone down. It stated that the pipeline is the second best in its history consisting of large deals but does not have any mega deals at this point. In 2025 it is seeing a pickup in discretionary spending in more verticals beyond BFSI and Hi-tech. It says that it budgets will see an uptick. HCLT says it has not seen any Gen AI related revenue compression yet. Contract renewals are business as usual and there is no specific competitive pressure to call out

**HCLT celebrated 25 years since listing:** It has delivered US\$ revenue/US\$ PAT and TSR CAGR of 18% /19.4%/20.6% respectively.

**EPS estimates do not change much:** We trimmed our US\$ growth estimate, raised our INR/USD estimate in future years, kept margins broadly constant resulting in minor changes in EPS estimates.

**Key changes**

Target	Rating
▲	◀ ▶

Ticker/Price	HCLT IN/Rs 1,995
Market cap	US\$ 62.4bn
Free float	39%
3M ADV	US\$ 54.5mn
52wk high/low	Rs 2,002/Rs 1,235
Promoter/FPI/DII	61%/19%/16%

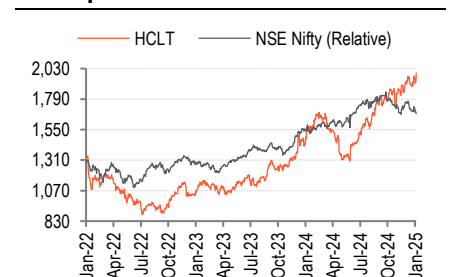
Source: NSE | Price as of 10 Jan 2025

**Key financials**

Y/E 31 Mar	FY24A	FY25E	FY26E
Total revenue (Rs mn)	10,99,130	11,70,248	12,85,652
EBITDA (Rs mn)	2,42,000	2,56,271	2,85,786
Adj. net profit (Rs mn)	1,57,020	1,74,606	1,86,538
Adj. EPS (Rs)	57.9	64.4	68.8
Consensus EPS (Rs)	57.9	63.9	70.2
Adj. ROAE (%)	23.5	25.4	26.6
Adj. P/E (x)	34.5	31.0	29.0
EV/EBITDA (x)	22.1	20.8	18.7
Adj. EPS growth (%)	5.5	11.3	6.9

Source: Company, Bloomberg, BOBCAPS Research

**Stock performance**



Source: NSE



### Key Financial highlights of 3QFY25

- Revenue was US\$3533mn reflecting a 3.8% QoQ growth and 4.1% YoY growth in CC terms. We were expecting 5% QoQ CC growth.
- The services business grew by 2.2% qoq in CC terms and 4.9% YoY (both inclusive of the CTG acquisition). Margin declined for services business by 22bps QoQ (+100bps from project ascent – internal cost cutting program, +18bps from Forex, -80 bps salary increase impact, -40bps from furloughs, -15bps bps from the CTG acquisition related cost)
- EBIT margin was at 19.5% (in line), marking the highest EBIT for any quarter (93 bps QoQ improvement). The software business contributed a 114bps improvement to company-level margins. The services margin dropped by 22 bps QoQ.

### Guidance

- The revised full-year revenue growth guidance for FY25 is 4.5% to 5% YoY in CC terms (against 3.5-5% previously), including a 50-bps contribution from the HPE CTG acquisition.
- Revenue growth guidance for FY25 at the mid-point (CC YoY) has been raised to 4.75% versus 4.25% given post 2QFY25. However, if we strip the inorganic element due to the CTG acquisition (which merged from the month of December 2024), the organic growth is the same at 4.25%
- Services revenue growth for FY25 is expected to be between 4.5% to 5% YoY in constant currency. Software business is expected to grow in low single digits
- EBIT margin guidance remains unchanged at 18% to 19%

### Other Points on the quarter

- The company expanded its top customers, adding 2 in the US\$100mn category, 4 in the US\$50mn category, and 4 in the US\$20mn category YoY
- The company won 12 deals in total during the quarter, including 7 from services and 5 from software, with TCV for new bookings amounting to US\$2.1 bn which was a bit underwhelming.
- Small deals are growing stronger than large deals, as large deals are being broken down into smaller chunks. This trend aligns with client spending patterns. Small deals are being converted into revenue quicker, while larger deals are taking more time to convert
- There has been an improvement in the discretionary spending environment over the last two quarters, with clients investing to drive innovation and efficiency, particularly through GenAI and data. And it was indicated that the discretionary spending is broadening out beyond just BFSI and Hitech.
- HCLT stated that the global business landscape may experience significant changes that could impact client spending priorities in the coming year. Despite this uncertainty, there is confidence in the pace of medium-term recovery

- Softer 4Q outlook: The completion of a large transformation program in 3Q and planned reduction in a megadeal are factors that contribute to a softer outlook for 4Q.
- Ramp-up of discretionary deals will take time, as conversions happen towards the end of the year, with revenue realization occurring only partially in 4Q

### Segmental Colour

- HCLT said that the weak software business performance is primarily a timing issue. Client behavior has remained consistent, with good acceptance and higher renewal rates. However, some expected renewals and new closures that were anticipated to happen in December 2024 did not materialize. This shortfall is not expected to be fully recovered in 4QFY25, as the outcomes of these transactions are uncertain. Nevertheless, the management has maintained the expectation of low single-digit growth for the software business for FY25
- Manufacturing vertical - The outlook is positive, with discretionary spending and projects showing growth. Demand in manufacturing is stronger compared to the previous quarter. However, the automotive sector remains challenged, and the management expects a one or two more quarters of decline before recovery
- Retail vertical - The strong performance in the retail sector is mainly driven by the US Retail CPG client base. While one big transformation project contributed to significant growth, the management noted that there has been good momentum with several large clients. HCLT indicated that the strong performance in the retail CPG sector in this quarter was partly due to seasonal factors, such as holidays and momentum. However, it also noted that the growth is correlated with recent wins. While there may be a dip in the next quarter due to the completion of a large project, the overall pipeline in the segment remains strong. The management expects that although bookings are higher, they won't fully compensate for the dip in retail CPG in the upcoming quarter.
- Mega Telecom Deal (we believe Verizon): The planned ramp-down for the telecom mega deal will primarily occur in 4Q, with only a small part extending into 1Q of the following year. Mentioned that no other significant mega deals or changes are anticipated in the next year.
- Software Business Margins: Despite a YoY revenue decline, the software business saw strong margins due to two major factors: Reduced costs and lower amortization

### Discretionary spend commentary

- HCLT mentioned that the discretionary spend revival is being observed across most verticals, except for Life Sciences & Healthcare and Public Services. For all other verticals, there has been an increase in demand from September to December, indicating an improving trend
- Over the last 18 months, there has been a moderation in spending, influenced by two main factors:
  - Post-COVID spending surge: There was a significant spending increase during COVID, and a decline followed as companies adjusted.

- Macroeconomic factors: Tightened budgets and a focus on reprioritization led to reduced spending in some areas
- However, modernization projects such as data migration, cloud adoption, and app modernization are progressing well. As customer spending normalizes and the reprioritization phase moderates, the management expects improved spending in the coming quarters, with green shoots already visible in certain sectors

### **Visa Dependency**

- HCLT has significantly reduced its visa dependency and now has about 80% of its U.S. workforce as local hires, which is one of the highest ratios in the industry. This means that changes to H1B visas (if they happen) are unlikely to impact the company

### **Other details**

- The ROIC for the last 12 months is 36.6%, an improvement of 385 bps YoY
- A quarterly dividend of Rs12 per share has been declared, with an additional special dividend of Rs6 per share in celebration of the 25th anniversary of the company's listing

**Fig 1 – Quarterly Results: comparison of actuals with estimates**

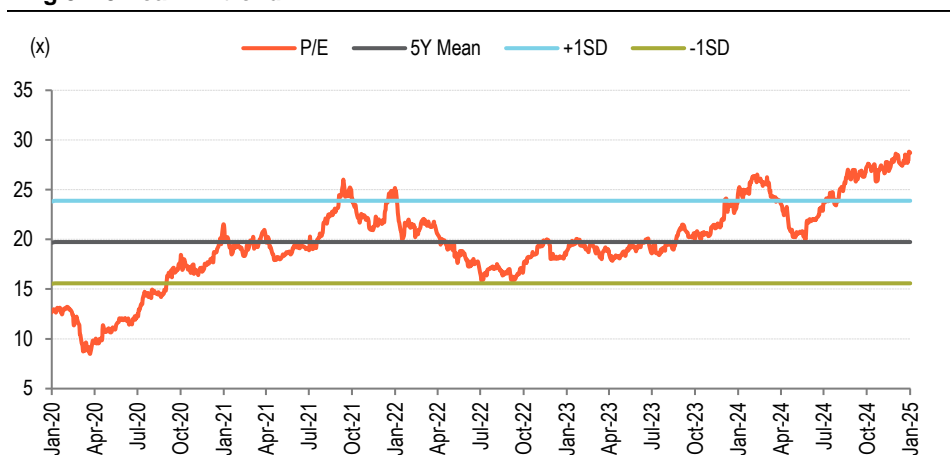
Y/E March (Rsbn)	3QFY24	2QFY25	3QFY25	YoY (%)	QoQ (%)	3QFY25E	Dev(%)
Net Sales (USD mn)	3,415	3,445	3,533	3.5	2.5	3,594	(1.7)
Net Sales	284	289	299	5.1	3.6	303	(1.5)
Employee Costs	180	188	193	7.0	2.5	195	(1.4)
Gross margin % of Sales	36.7	34.9	35.6			35.6	
SG&A	37	37	38	2.1	1.7	39	(2.2)
% of Sales	13.0	12.8	12.6			12.7	
Depreciation and Amortisation	11	10	10	(9.1)	3.2	10	1.8
% of Sales	4.0	3.5	3.5			3.4	
EBIT	56.2	53.6	58.2	3.7	8.6	59.2	(1.6)
EBIT Margin (%)	19.7	18.6	19.5			19.5	
Other Income	2	3	3	32.2	(5.6)	3	(5.6)
Forex Gain/(Loss)	0	0	0			0	
PBT	59	57	61	4.4	7.8	62	(1.8)
Provision for Tax	15	15	15	1.0	6.1	16	(3.4)
Effective Tax Rate	25.9	25.5	25.1			25.5	
Minority share in Profit / Loss	0	0	0			0	
One time Bonus and DTL for Goodwill	0	0	0			0	
PAT (Reported)	43.5	42.4	45.9	5.5	8.4	46.5	(1.3)
NPM (%)	15.3	14.7	15.4			15.3	

Source: Company, BOBCAPS Research

**Fig 2 – Revised Estimates**

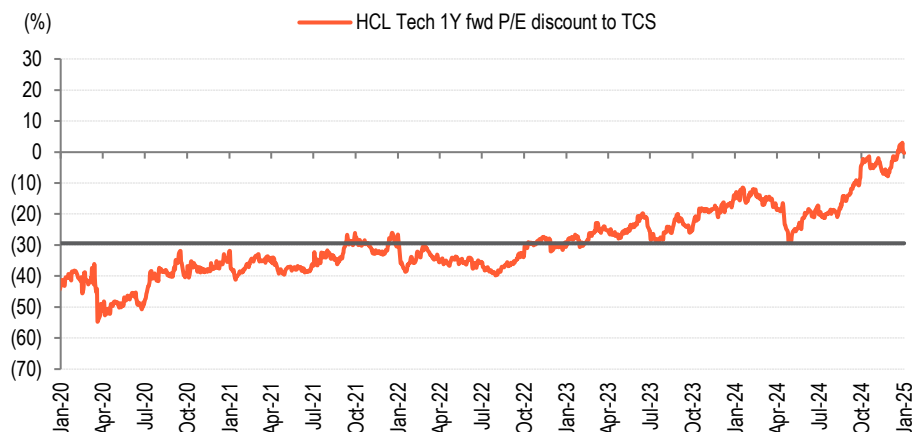
	New			Old			Change (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
INR/USD	84.5	87.3	89.3	84.1	85.4	86.6	0.4	2.1	3.1
USD Revenue (USD mn)	13,855	14,733	15,788	14,001	14,936	16,006	(1.0)	(1.4)	(1.4)
USD Revenue Growth (%)	4.4	6.3	7.2	5.5	6.7	7.2			
Revenue (Rsbn)	1,170	1,286	1,409	1,178	1,276	1,386	(0.6)	0.8	1.7
EBIT (Rsbn)	215	237	264	216	238	262	(0.3)	(0.4)	0.8
EBIT Margin (%)	18.4	18.4	18.7	18.3	18.7	18.9			
PAT (Rsbn)	175	187	207	175	187	205	(0.1)	(0.3)	0.8
FDEPS (Rs)	64.4	68.8	76.3	64.4	69.0	75.6	(0.1)	(0.3)	0.9

Source: BOBCAPS Research

**Fig 3 – 5 Year PE trend**

Source: Company, Bloomberg, BOBCAPS Research

Fig 4 – Premium/ Discount to TCS



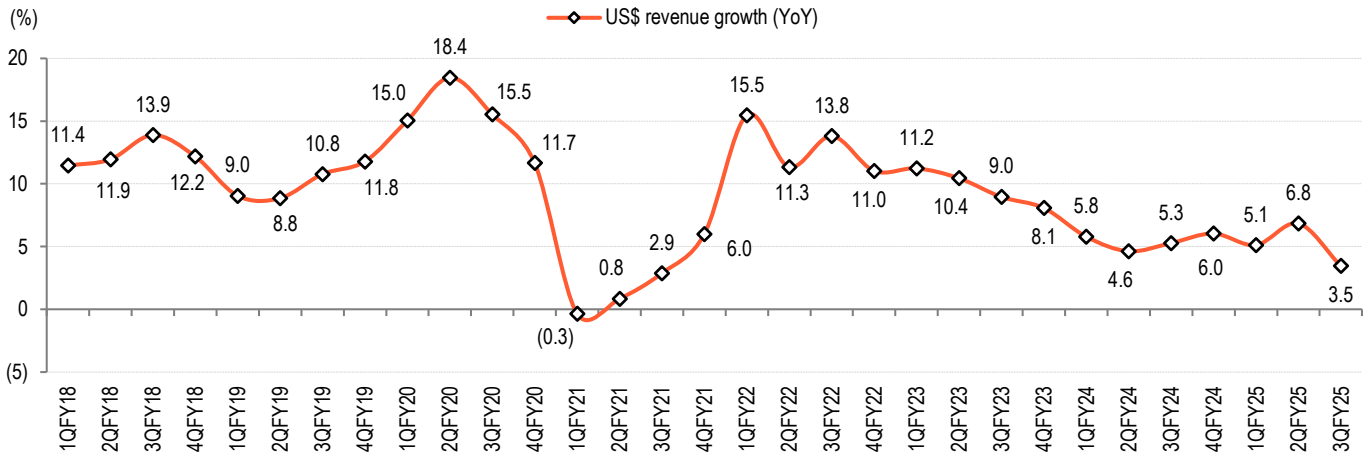
Source: Company, Bloomberg, BOBCAPS Research

Fig 5 – P&amp;L at a glance

YE March (Rs bn)	FY13	FY14	FY15	FY16*	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Average INR/USD	54.9	61.5	62.4	66.3	67.0	64.5	69.9	72.2	74.2	74.6	80.6	82.8	84.5	87.3	89.3
Net Sales (USD mn)	4,686	5,360	5,952	4,698	6,975	7,838	8,633	9,936	10,175	11,481	12,586	13,270	13,855	14,733	15,788
YoY Growth (%)		14.4	11.1	(21.1)	48.5	12.4	10.1	15.1	2.4	12.8	9.6	5.4	4.4	6.3	7.2
INR Net Sales (Rs bn)	258	329	371	311	467	506	604	707	754	857	1,015	1,099	1,170	1,286	1,409
YoY Growth (%)	22.5	27.7	12.6	(16.0)	50.1	8.2	19.5	17.0	6.6	13.6	18.5	8.3	6.5	9.9	9.6
Cost of Sales & Services	165	202	238	204	309	332	393	443	440	528	645	705	763	838	933
Gross Margin	93	127	133	108	158	173	212	264	314	329	369	394	408	447	477
% of sales	35.9	38.6	35.8	34.6	33.9	34.3	35.0	37.3	41.7	38.4	36.4	35.9	34.8	34.8	33.8
SG&A	35	40	46	40	55	59	72	97	106	124	143	152	151	162	163
% of sales	13.4	12.3	12.3	12.7	11.8	11.7	11.9	13.7	14.1	14.4	14.1	13.9	12.9	12.6	11.6
EBITDA	58	87	87	68	103	114	140	167	208	205	226	242	256	286	313
% of sales	22.5	26.3	23.5	21.9	22.1	22.6	23.1	23.6	27.6	24.0	22.3	22.0	21.9	22.2	22.2
Depreciation and Amortization	7	7	5	4	8	15	21	28	46	43	41	42	41	49	49
% of sales	2.6	2.2	1.2	1.4	1.8	2.9	3.6	4.0	6.1	5.1	4.1	3.8	3.5	3.8	3.5
EBIT	51	79	83	64	95	100	118	139	162	162	185	200	215	237	264
% of sales	19.9	24.1	22.3	20.5	20.3	19.8	19.6	19.6	21.4	18.9	18.2	18.2	18.4	18.4	18.7
Other income (net) (incl forex gain/loss)	2	(0)	9	8	9	11	8	2	4	7	10	9	19	12	12
PBT	53	79	92	72	104	111	126	140	166	170	195	210	234	249	276
Provision for tax	12	15	19	15	20	23	25	29	36	34	46	53	59	62	69
Effective tax rate (%)	23.1	19.5	20.8	20.9	18.8	20.9	19.8	21.0	21.8	20.2	23.8	25.1	25.3	25.1	25.1
Minority Interest	(2)	3	1	0	0	0	0	0	0	0	0	0	0	0	0
Net profit	41	64	73	57	84	88	101	111	129	135	149	157	175	187	207
-Growth (%)	60.7	56.9	13.9	(21.9)	49.0	4.0	15.3	9.3	17.0	4.3	10.0	5.7	11.2	6.8	10.9
-Net profit margin (%)	15.8	19.4	19.6	18.2	18.1	17.4	16.8	15.7	17.2	15.8	14.6	14.3	14.9	14.5	14.7

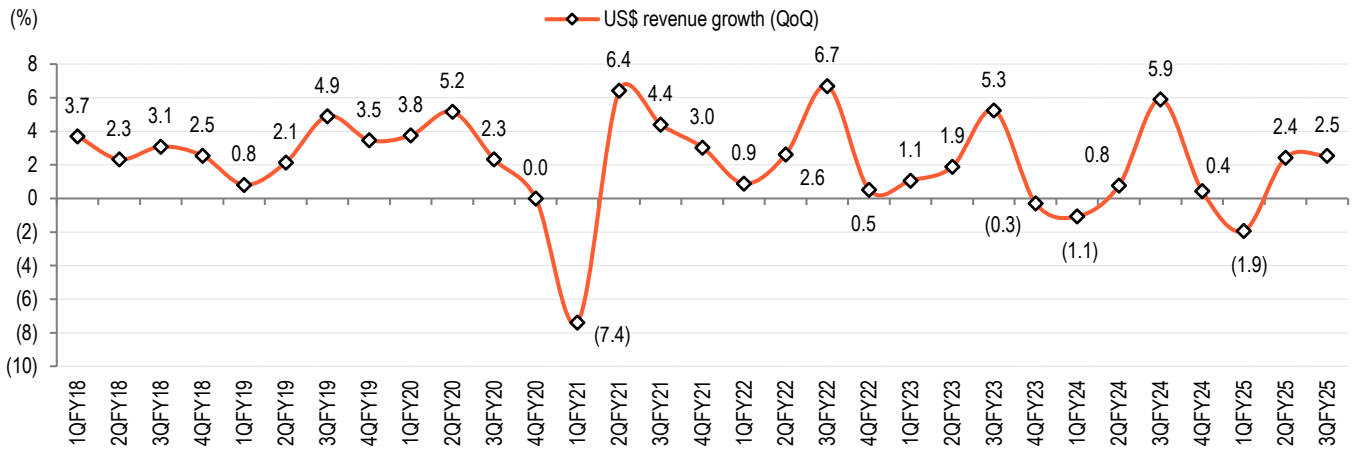
Source: Company, BOBCAPS Research, Note: Till FY15, the YE is June and March from FY16 onwards; For FY16 the numbers are for a 9th month period till 31 March

**Fig 6 – US\$ revenue growth (YoY)**



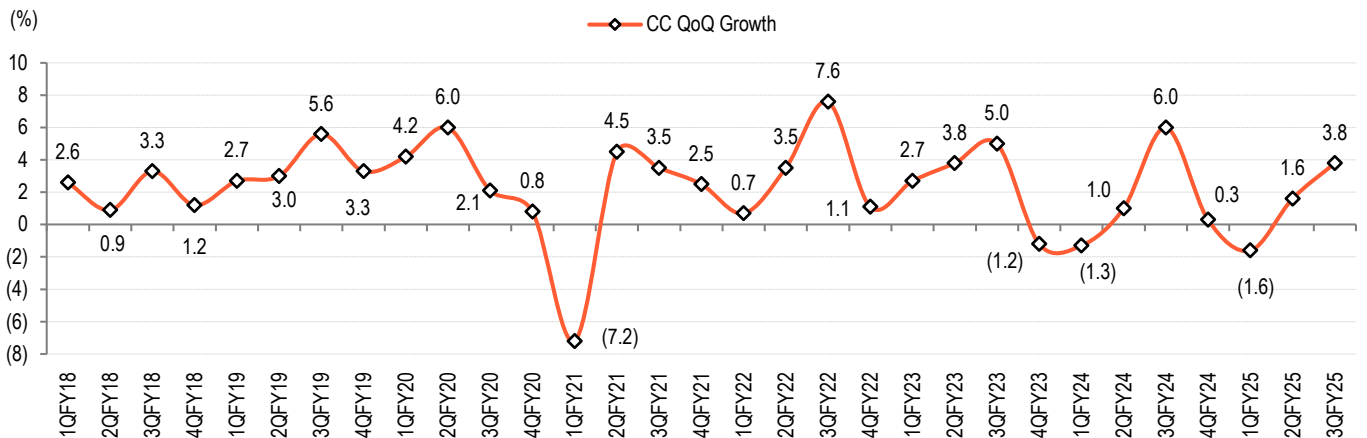
Source: Company, BOBCAPS Research

**Fig 7 – US\$ revenue growth (QoQ)**



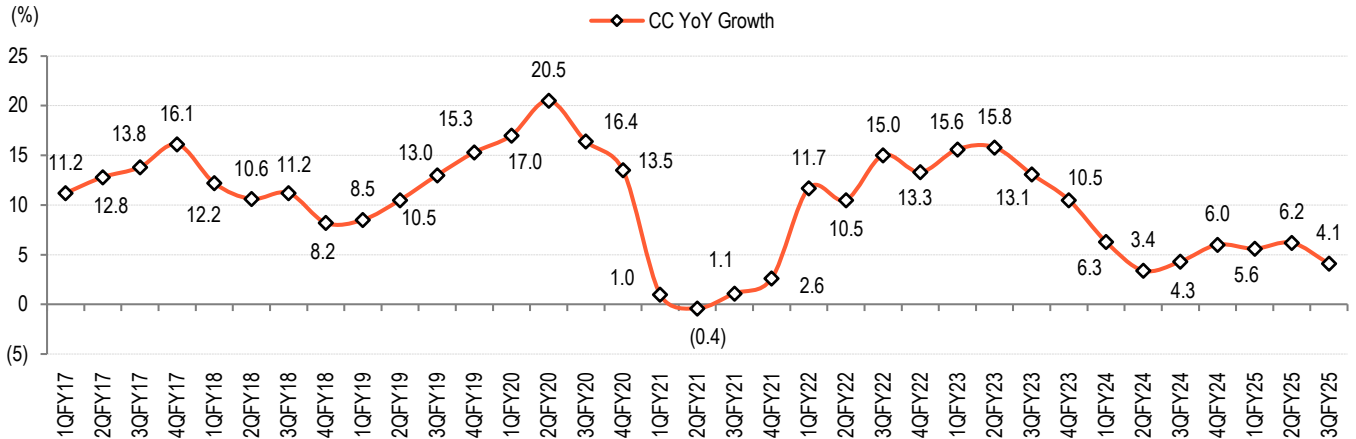
Source: Company, BOBCAPS Research

**Fig 8 – QoQ CC revenue growth**



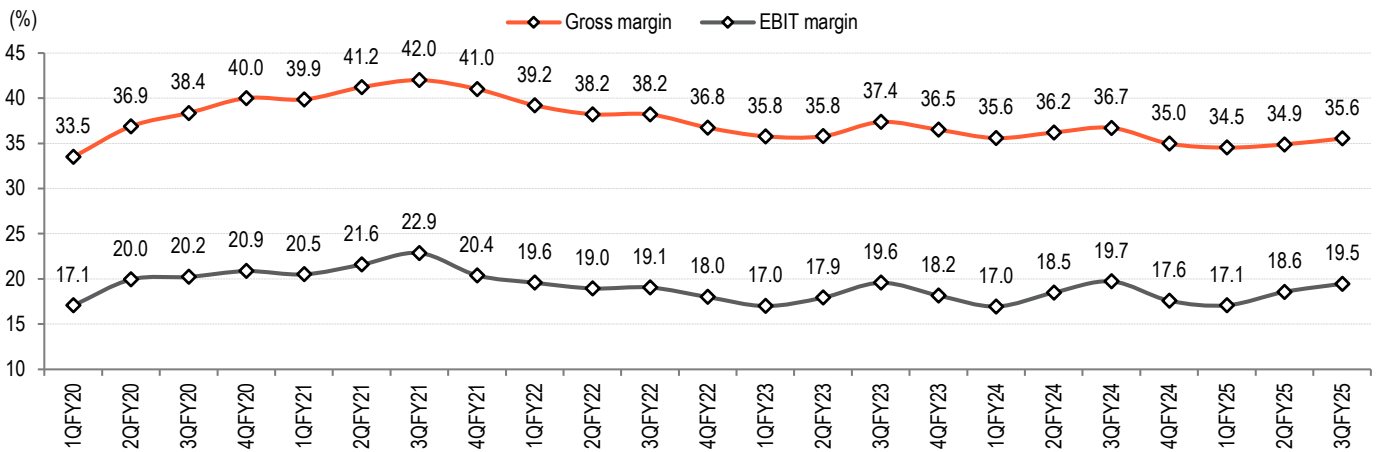
Source: Company, BOBCAPS Research

**Fig 9 – Overall revenue growth YoY CC**



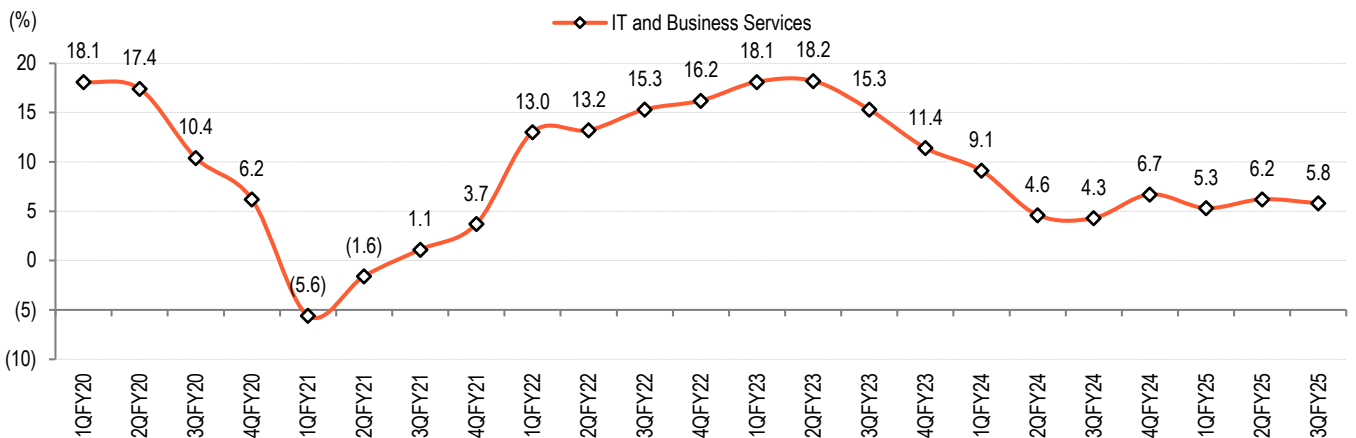
Source: Company, BOBCAPS Research

**Fig 10 – Gross margin and EBIT margin**



Source: Company, BOBCAPS Research

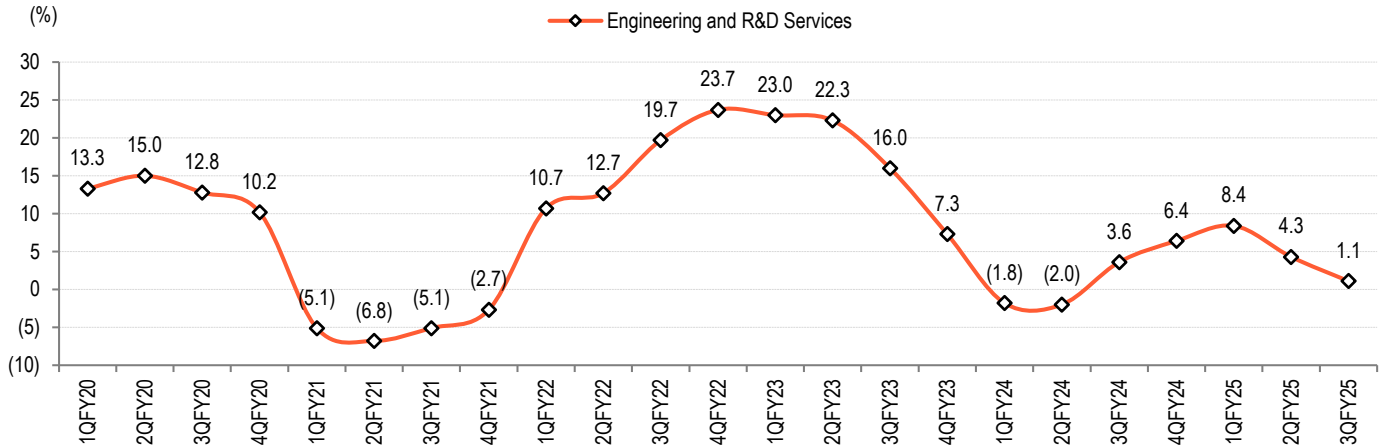
**Fig 11 – ITBS growth YoY CC**



Source: Company, BOBCAPS Research

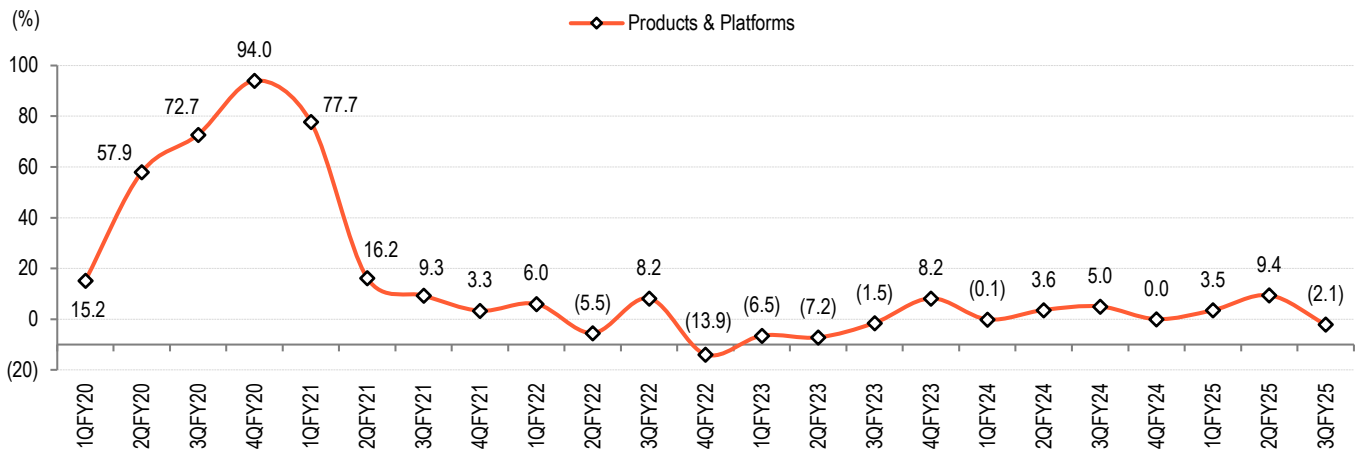


**Fig 12 – ERDS growth YoY CC**



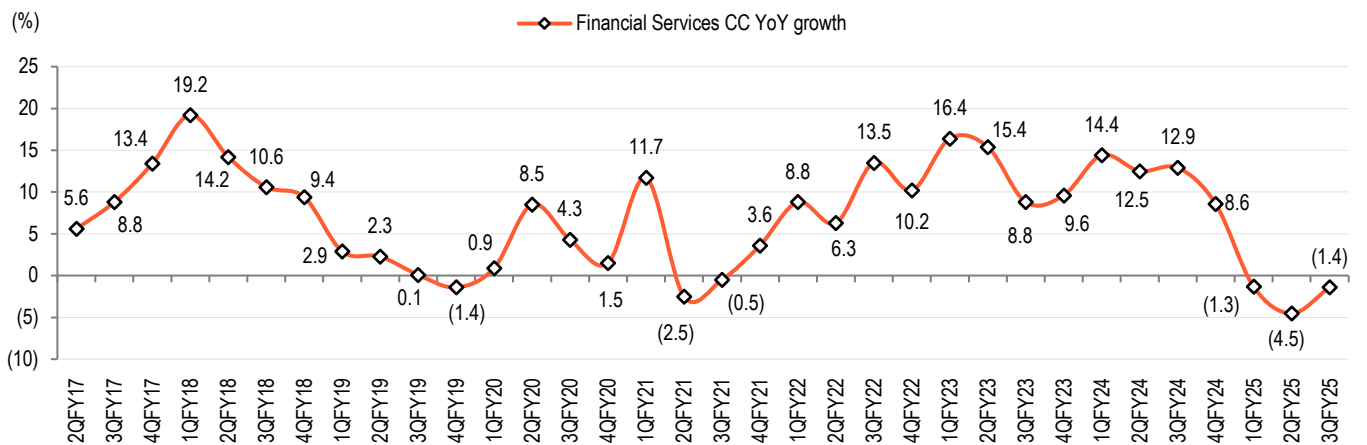
Source: Company, BOBCAPS Research

**Fig 13 – Products and Platforms growth YoY CC**



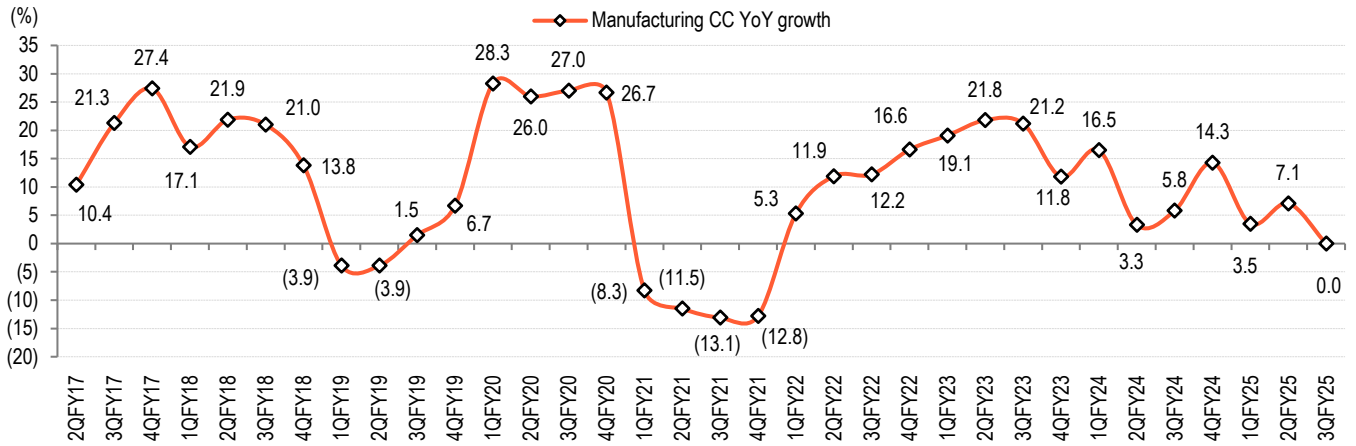
Source: Company, BOBCAPS Research

**Fig 14 – BFSI growth YoY CC**



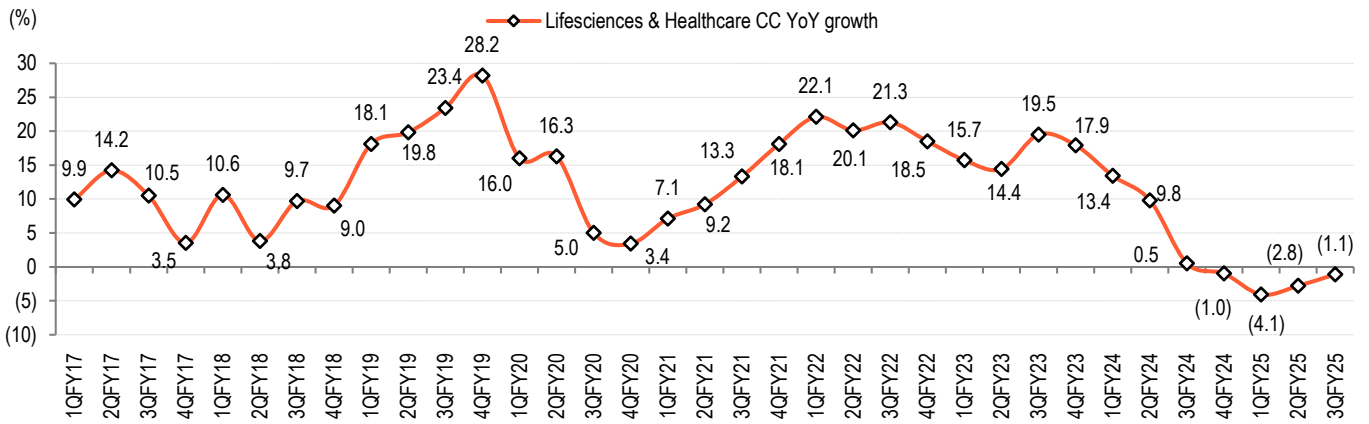
Source: Company, BOBCAPS Research

**Fig 15 – Manufacturing growth YoY CC**



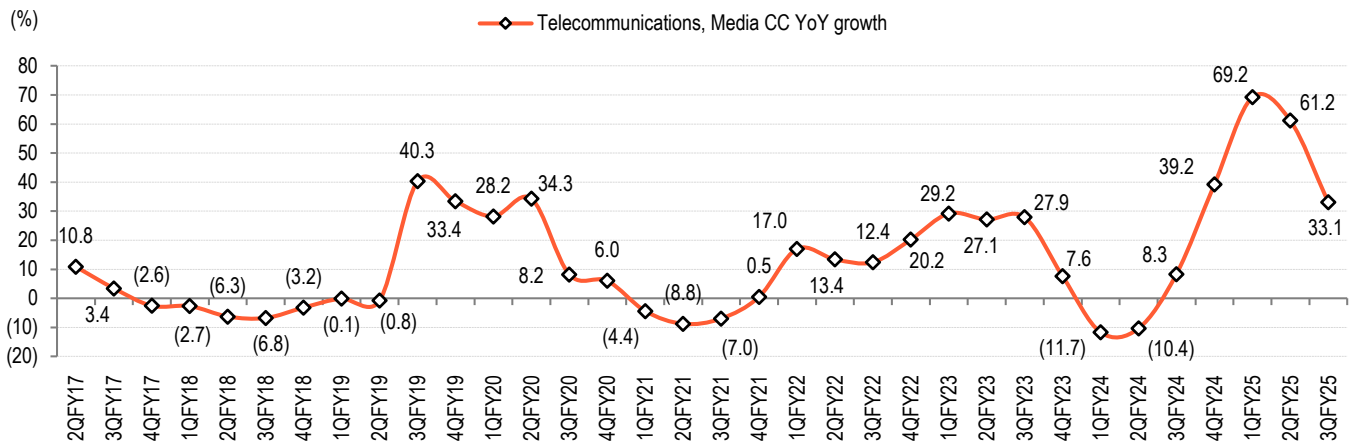
Source: Company, BOBCAPS Research

**Fig 16 – Lifesciences and Healthcare growth YoY CC**



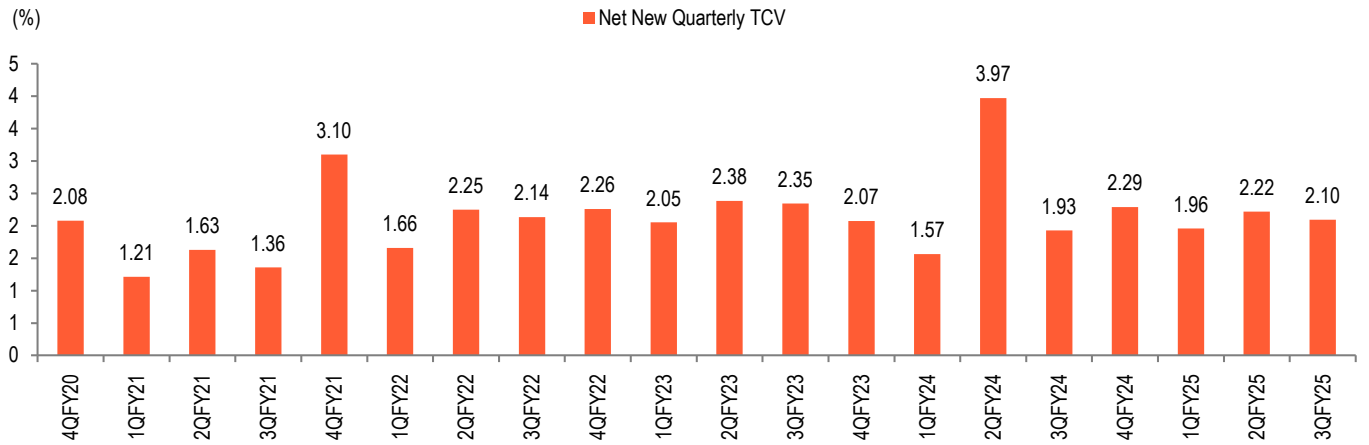
Source: Company, BOBCAPS Research

**Fig 17 – Telecom, Media Growth YoY CC**



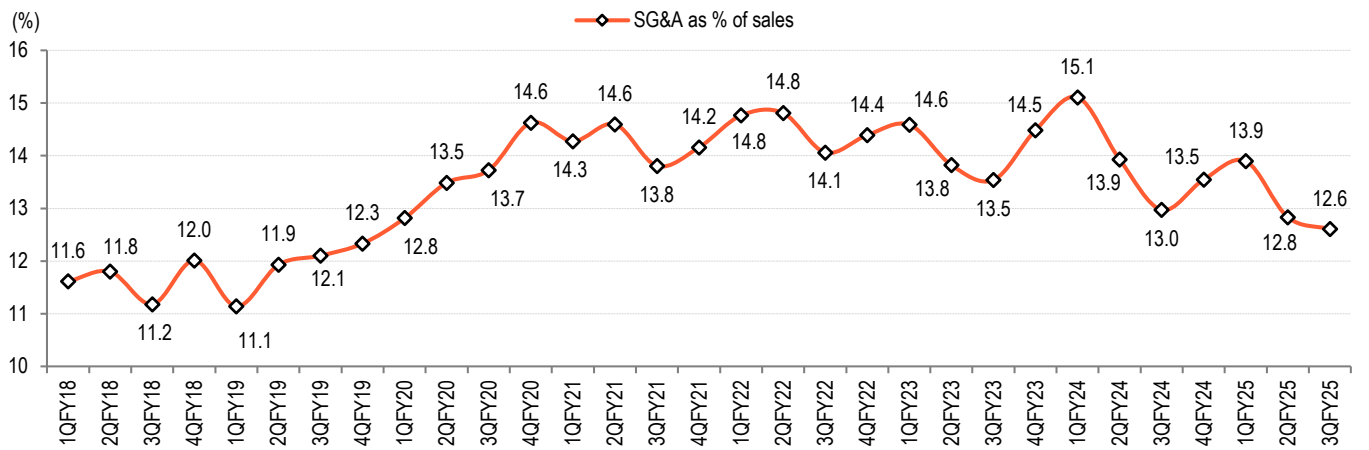
Source: Company, BOBCAPS Research

**Fig 18 – Quarterly net new TCV wins (US\$ bn)**



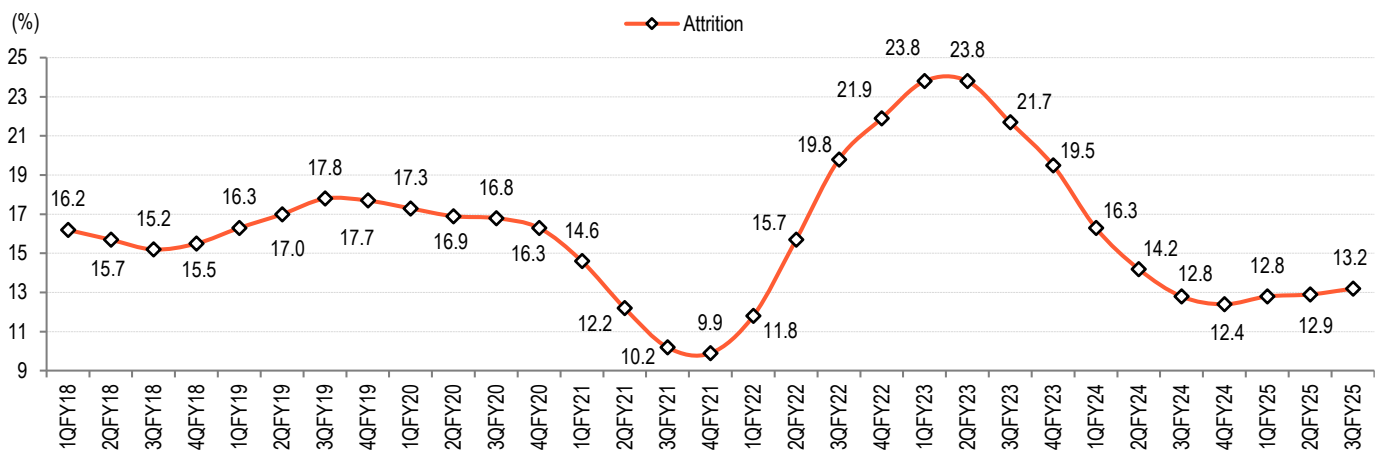
Source: Company, BOBCAPS Research

**Fig 19 – SG&A spending**



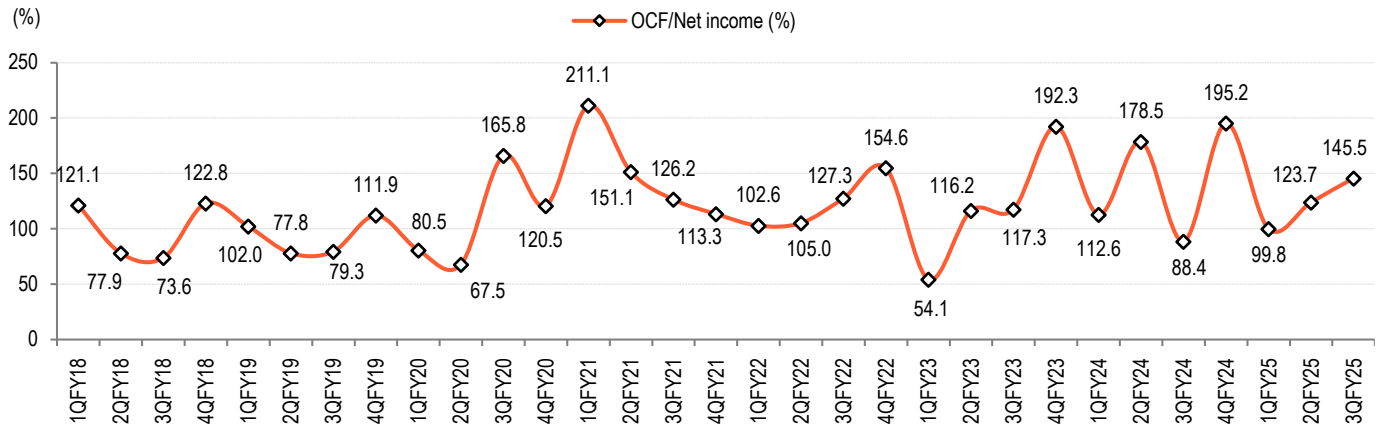
Source: Company, BOBCAPS Research

**Fig 20 – Attrition trend**



Source: Company, BOBCAPS Research

**Fig 21 – OCF/ net income trend**



Source: Company, BOBCAPS Research

**Fig 22 – Quarterly Snapshot**

Year to 31 March	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25
<b>(Rs mn)</b>											
INR/USD	77.62	79.98	82.34	82.30	82.17	82.72	83.28	83.10	83.40	83.79	84.66
USD Revenue (USD mn)	3,025	3,082	3,244	3,235	3,200	3,225	3,415	3,430	3,364	3,445	3,533
INR Revenue	2,34,640	2,46,860	2,67,000	2,66,060	2,62,960	2,66,720	2,84,460	2,84,990	2,80,570	2,88,620	2,98,900
Gross margin	83,980	88,380	99,800	97,170	93,600	96,590	1,04,480	99,720	96,930	1,00,730	1,06,280
EBITDA	49,750	54,260	63,650	58,630	53,870	59,440	67,580	61,110	57,940	63,690	68,600
EBIT	39,920	44,280	52,290	48,360	44,600	49,340	56,150	50,180	47,960	53,620	58,210
Other income	3,450	1,570	1,440	3,570	2,360	1,940	2,590	2,510	9,120	3,250	3,110
PBT	43,370	45,850	53,730	51,930	46,960	51,280	58,740	52,690	57,080	56,870	61,320
Tax	10,560	10,960	12,760	12,120	11,650	12,950	15,230	12,740	14,480	14,500	15,380
<b>One time bonus</b>											
PAT	32,830	34,900	40,970	39,830	35,340	38,320	43,500	39,860	42,580	42,350	45,910
EPS	12.1	12.9	15.1	14.7	13.0	14.1	16.0	14.7	15.7	15.6	16.9
<b>YoY growth (%)</b>											
USD Revenue	11.2	10.4	9.0	8.1	5.8	4.6	5.3	6.0	5.1	6.8	3.5
INR Revenue	16.9	19.5	19.6	17.7	12.1	8.0	6.5	7.1	6.7	8.2	5.1
Gross Profit	6.7	11.9	17.0	17.0	11.5	9.3	4.7	2.6	3.6	4.3	1.7
EBITDA	1.4	12.2	18.0	16.0	8.3	9.5	6.2	4.2	7.6	7.2	1.5
EBIT	1.6	13.1	22.8	18.8	11.7	11.4	7.4	3.8	7.5	8.7	3.7
Net Profit	2.1	6.9	19.0	10.9	7.6	9.8	6.2	0.1	20.5	10.5	5.5
<b>QoQ growth (%)</b>											
USD Revenue	1.1	1.9	5.3	(0.3)	(1.1)	0.8	5.9	0.4	(1.9)	2.4	2.55
INR Revenue	3.8	5.2	8.2	(0.4)	(1.2)	1.4	6.7	0.2	(1.6)	2.9	3.6
EBITDA	(1.5)	9.1	17.3	(7.9)	(8.1)	10.3	13.7	(9.6)	(5.2)	9.9	7.7
EBIT	(1.9)	10.9	18.1	(7.5)	(7.8)	10.6	13.8	(10.6)	(4.4)	11.8	8.6
Net Profit	(8.6)	6.3	17.4	(2.8)	(11.3)	8.4	13.5	(8.4)	6.8	(0.5)	8.4
<b>Margins (%)</b>											
Gross Margin	35.8	35.8	37.4	36.5	35.6	36.2	36.7	35.0	34.5	34.9	35.6
EBITDA	21.2	22.0	23.8	22.0	20.5	22.3	23.8	21.4	20.7	22.1	23.0
EBIT	17.0	17.9	19.6	18.2	17.0	18.5	19.7	17.6	17.1	18.6	19.5
PAT	14.0	14.1	15.3	15.0	13.4	14.4	15.3	14.0	15.2	14.7	15.4
SGA	14.6	13.8	13.5	14.5	15.1	13.9	13.0	13.5	13.9	12.8	12.6

Source: Company, BOBCAPS Research

**Fig 23 – Key Metrics**

Key Metrics	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25
<b>P and L (Rs mn)</b>											
Revenue	2,34,640	2,46,860	2,67,000	2,66,060	2,62,960	2,66,720	2,84,460	2,84,990	2,80,570	2,88,620	2,98,900
EBITDA	49,750	54,260	63,650	58,630	53,870	59,440	67,580	61,110	57,940	63,690	68,600
PAT	32,830	34,900	40,970	39,830	35,340	38,320	43,500	39,860	42,580	42,350	45,910
<b>Vertical Mix (%)</b>											
Banking, FS & Insurance (BFSI)	21.1	20.6	19.9	21.2	22.6	22.6	21.7	21.6	21.0	20.5	20.3
Hi-tech - Manufacturing	18.3	19.2	19.7	19.0	19.9	19.3	20.1	20.4	19.4	19.5	19.1
Telecom	9.2	9.2	9.4	8.8	7.6	8.0	9.7	11.5	12.2	12.1	12.3
Retail & CPG	9.4	9.2	8.9	9.0	9.1	9.6	9.6	9.1	9.4	9.6	10.6
Life Sciences	16.4	16.5	17.1	17.5	17.5	17.5	16.4	16.3	15.9	16.0	15.5
Energy-Utilities-Public Sector	10.2	10.2	10.2	10.2	10.0	9.9	9.7	8.8	9.1	9.2	8.9
Technology and Services	15.4	15.1	14.8	14.4	13.4	13.1	12.8	12.3	13.0	13.1	13.3
<b>Geographical Mix (%)</b>											
US	64.2	64.8	63.5	63.8	64.5	64.5	64.5	65.2	66.0	65.1	64.5
Europe	27.8	27.5	29.1	28.9	28.7	28.5	29.0	28.9	27.9	28.4	29.0
Asia pacific	8.0	7.7	7.4	7.3	6.8	7.0	6.4	5.9	6.1	6.5	6.4
Employees	2,10,966	2,19,325	2,22,270	2,25,944	2,23,438	2,21,139	2,24,756	2,27,481	2,19,401	2,18,621	2,20,755
Net new addition	2,089	8,359	2,945	3,674	(2,506)	(2,299)	3,617	2,725	(8,080)	(780)	2,134
Attrition (%)	23.8	23.8	21.7	19.5	16.3	14.2	12.8	12.4	12.8	12.9	13.2
<b>Segmental revenue mix</b>											
IT and Business Services	72.8	73.7	71.6	73.7	74.7	74.6	71.7	74.4	74.5	74.6	73
Engineering and R&D Services	16.6	17	16.6	16.1	15.4	16	16.4	16.1	15.9	15.8	16
Products & Platforms	11	9.8	12.3	10.6	10.4	9.9	12.3	10	9.9	9.9	11.3
Inter Segment	(0.4)	(0.5)	(0.5)	(0.4)	(0.5)	(0.5)	(0.4)	(0.5)	(0.3)	(0.3)	(0.3)
<b>Productivity Metrics</b>											
<b>(USD mn)</b>											
Revenue	3,025	3,082	3,244	3,235	3,200	3,225	3,415	3,430	3,364	3,445	3,533
EBIT	515	553	635	584	543	597	675	603	575	640	689
PAT	423	436	496	481	430	463	523	481	496	506	544

Source: Company, BOBCAPS Research

Fig 24 – QoQ and YoY growth

	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25
<b>QoQ Growth (%)</b>											
<b>Geography Wise</b>											
US	3.3	2.8	3.1	0.2	0.0	0.8	5.9	1.5	(0.7)	1.0	1.6
Europe	(0.7)	0.8	11.4	(1.0)	(1.8)	0.1	7.8	0.1	(5.3)	4.3	4.7
Asia pacific	(9.2)	(1.9)	1.2	(1.6)	(7.8)	3.7	(3.2)	(7.4)	1.4	9.1	1.0
Total	1.1	1.9	5.3	(0.3)	(1.1)	0.8	5.8	0.5	(1.9)	2.4	2.4
Non-US	(2.7)	0.2	9.1	(1.1)	(3.0)	0.8	5.6	(1.3)	(4.2)	5.1	4.0
<b>Vertical Wise</b>											
Banking, FS & Insurance (BFSI)	2.0	(0.5)	1.7	6.2	5.5	0.8	1.7	(0.0)	(4.7)	(0.0)	1.5
Hi-tech - Manufacturing	2.7	6.9	8.0	(3.8)	3.6	(2.3)	10.3	1.9	(6.7)	2.9	0.4
Telecom	8.1	1.9	7.5	(6.7)	(14.6)	6.1	28.4	19.1	4.0	1.6	4.2
Retail	1.1	(0.3)	1.8	0.8	0.0	6.3	5.9	(4.8)	1.3	4.6	13.2
Life Sciences	11.2	2.5	9.1	2.0	(1.1)	0.8	(0.8)	(0.2)	(4.3)	3.1	(0.7)
Energy-Utilities-Public Sector	(3.7)	1.9	5.3	(0.3)	(3.0)	(0.2)	3.8	(8.9)	1.4	3.5	(0.8)
Technology & Services	(11.1)	(0.1)	3.2	(3.0)	(7.9)	(1.5)	3.5	(3.5)	3.7	3.2	4.1
<b>Client Concentration</b>											
Top 5 clients	(2.4)	(2.7)	1.3	(2.2)	(4.0)	0.8	5.9	0.4	14.1	8.7	6.8
Top 10 clients	(1.0)	(1.3)	1.9	(3.0)	(3.9)	0.8	9.0	0.4	8.6	5.0	3.6
Top 20 clients	0.4	0.8	3.8	(1.7)	(3.2)	1.1	8.6	0.4	5.4	4.8	2.9
<b>Segment wise</b>											
IT and Business Services	0.2	3.2	2.3	2.6	0.3	0.6	1.8	4.2	(1.8)	2.6	0.3
Engineering and R&D Services	2.5	4.3	2.8	(3.3)	(5.4)	4.7	8.5	(1.4)	(3.1)	1.8	3.8
Products & Platforms	3.3	(9.2)	32.1	(14.1)	(2.9)	(4.1)	31.6	(18.3)	(2.9)	2.4	17.0
<b>YoY Growth (%)</b>											
<b>Geography Wise</b>											
US	13.2	14.0	9.8	9.8	6.3	4.1	6.9	8.4	7.6	7.8	3.5
Europe	10.8	7.3	12.0	10.4	9.2	8.4	4.9	6.0	2.2	6.5	3.5
Asia pacific	(1.1)	(4.4)	(7.3)	(11.4)	(10.1)	(4.9)	(9.0)	(14.3)	(5.7)	(0.8)	3.5
<b>Vertical Wise</b>											
Banking, FS & Insurance (BFSI)	6.2	6.8	2.8	9.6	13.3	14.8	14.8	8.0	(2.3)	(3.1)	(3.2)
Hi-tech - Manufacturing	18.3	18.5	22.6	14.1	15.0	5.2	7.4	13.9	2.5	7.9	(1.7)
Telecom	29.5	28.6	26.4	10.6	(12.6)	(9.0)	8.6	38.6	68.7	61.6	31.2
Retail	4.6	3.7	(4.0)	3.5	2.4	9.2	13.6	7.2	8.6	6.8	14.2
Life Sciences	24.1	19.1	29.4	26.9	12.9	11.0	1.0	(1.2)	(4.5)	(2.3)	(2.2)
Energy-Utilities-Public Sector	5.0	6.3	6.9	3.0	3.7	1.5	0.1	(8.5)	(4.3)	(0.7)	(5.1)
Technology & Services	(1.0)	(3.0)	(12.4)	(11.1)	(8.0)	(9.2)	(9.0)	(9.4)	2.0	6.8	7.5
<b>Client Concentration</b>											
Top 5 clients	(4.2)	(7.0)	(8.0)	(5.9)	(7.4)	(4.2)	0.2	2.9	22.3	31.9	33.0
Top 10 clients	3.7	0.3	(2.3)	(3.4)	(6.2)	(4.3)	2.4	6.0	19.8	24.9	18.6
Top 20 clients	5.7	5.6	4.5	3.2	(0.4)	(0.1)	4.5	6.8	16.3	20.5	14.2
<b>Segment wise</b>											
IT and Business Services	13.2	12.1	10.5	8.5	8.5	5.9	5.4	7.0	4.8	6.8	5.3
Engineering and R&D Services	20.5	19.6	13.8	6.3	(1.9)	(1.5)	4.0	6.0	8.5	5.5	0.9
Products & Platforms	(9.9)	(11.0)	(4.1)	6.4	0.0	5.7	5.3	0.0	0.1	6.8	(5.0)

Source: Company, BOBCAPS Research

## Financials

### Income Statement

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
<b>Total revenue</b>	<b>10,14,560</b>	<b>10,99,130</b>	<b>11,70,248</b>	<b>12,85,652</b>	<b>14,09,339</b>
EBITDA	2,26,290	2,42,000	2,56,271	2,85,786	3,13,477
Depreciation	41,450	41,730	41,133	48,728	49,288
EBIT	1,84,840	2,00,270	2,15,138	2,37,057	2,64,189
Net interest inc./(exp.)	0	0	0	0	0
Other inc./(exp.)	10,050	9,400	18,590	12,090	12,021
Exceptional items	0	0	0	0	0
EBT	1,94,890	2,09,670	2,33,728	2,49,148	2,76,209
Income taxes	46,400	52,570	59,022	62,490	69,278
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	(60)	80	100	120	120
<b>Reported net profit</b>	<b>1,48,520</b>	<b>1,57,020</b>	<b>1,74,606</b>	<b>1,86,538</b>	<b>2,06,812</b>
Adjustments	0	0	0	0	0
<b>Adjusted net profit</b>	<b>1,48,520</b>	<b>1,57,020</b>	<b>1,74,606</b>	<b>1,86,538</b>	<b>2,06,812</b>

### Balance Sheet

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Accounts payables	0	0	0	0	0
Other current liabilities	2,04,200	2,15,320	2,22,459	2,43,910	2,69,939
Provisions	0	0	0	0	0
Debt funds	22,510	23,270	23,030	23,030	23,030
Other liabilities	53,750	76,550	87,941	92,869	98,848
Equity capital	5,430	5,430	5,430	5,430	5,430
Reserves & surplus	6,48,620	6,77,200	6,88,143	7,01,231	7,18,332
Shareholders' fund	6,54,050	6,82,630	6,93,573	7,06,661	7,23,762
<b>Total liab. and equities</b>	<b>9,34,510</b>	<b>9,97,770</b>	<b>10,27,003</b>	<b>10,66,470</b>	<b>11,15,579</b>
Cash and cash eq.	90,650	94,560	70,880	71,977	73,651
Accounts receivables	1,95,720	1,94,830	1,94,518	2,13,274	2,36,034
Inventories	0	0	0	0	0
Other current assets	2,49,400	3,03,920	3,22,563	3,34,127	3,48,159
Investments	4,880	3,810	18,800	18,800	18,800
Net fixed assets	3,23,220	3,22,610	3,34,867	3,37,325	3,41,185
CWIP	0	0	0	0	0
Intangible assets	0	0	0	0	0
Deferred tax assets, net	0	0	0	0	0
Other assets	70,240	78,040	85,375	90,966	97,749
<b>Total assets</b>	<b>9,34,110</b>	<b>9,97,770</b>	<b>10,27,003</b>	<b>10,66,470</b>	<b>11,15,579</b>

### Cash Flows

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
<b>Cash flow from operations</b>	<b>1,66,930</b>	<b>2,05,170</b>	<b>2,21,967</b>	<b>2,26,516</b>	<b>2,45,458</b>
Capital expenditures	(35,660)	(41,120)	(53,390)	(51,187)	(53,148)
Change in investments	(24,500)	(47,780)	(32,310)	0	0
Other investing cash flows	0	0	0	0	0
<b>Cash flow from investing</b>	<b>(60,160)</b>	<b>(88,900)</b>	<b>(85,700)</b>	<b>(51,187)</b>	<b>(53,148)</b>
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	(15,570)	9,700	2,160	0	0
Interest expenses	0	0	0	0	0
Dividends paid	(1,29,953)	(1,40,714)	(1,62,609)	(1,73,450)	(1,89,711)
Other financing cash flows	0	0	0	0	0
<b>Cash flow from financing</b>	<b>(1,45,523)</b>	<b>(1,31,014)</b>	<b>(1,60,449)</b>	<b>(1,73,450)</b>	<b>(1,89,711)</b>
<b>Chg in cash &amp; cash eq.</b>	<b>(14,753)</b>	<b>3,987</b>	<b>(40,813)</b>	<b>1,363</b>	<b>2,115</b>
<b>Closing cash &amp; cash eq.</b>	<b>90,347</b>	<b>94,637</b>	<b>53,747</b>	<b>72,243</b>	<b>74,092</b>

### Per Share

Y/E 31 Mar (Rs)	FY23A	FY24A	FY25E	FY26E	FY27E
Reported EPS	54.9	58.0	64.4	68.8	76.3
Adjusted EPS	54.9	57.9	64.4	68.8	76.3
Dividend per share	48.0	52.0	60.0	64.0	70.0
Book value per share	241.6	251.2	255.8	260.6	266.9

### Valuations Ratios

Y/E 31 Mar (x)	FY23A	FY24A	FY25E	FY26E	FY27E
EV/Sales	5.3	4.9	4.6	4.2	3.8
EV/EBITDA	23.7	22.1	20.8	18.7	17.1
Adjusted P/E	36.4	34.5	31.0	29.0	26.2
P/BV	8.3	7.9	7.8	7.7	7.5

### DuPont Analysis

Y/E 31 Mar (%)	FY23A	FY24A	FY25E	FY26E	FY27E
Tax burden (Net profit/PBT)	76.2	74.9	74.7	74.9	74.9
Interest burden (PBT/EBIT)	105.4	104.7	108.6	105.1	104.6
EBIT margin (EBIT/Revenue)	18.2	18.2	18.4	18.4	18.7
Asset turnover (Rev./Avg TA)	111.2	113.8	115.6	122.8	129.2
Leverage (Avg TA/Avg Equity)	1.4	1.4	1.5	1.5	1.5
Adjusted ROAE	23.3	23.5	25.4	26.6	28.9

### Ratio Analysis

Y/E 31 Mar	FY23A	FY24A	FY25E	FY26E	FY27E
<b>YoY growth (%)</b>					
Revenue	18.5	8.3	6.5	9.9	9.6
EBITDA	10.2	6.9	5.9	11.5	9.7
Adjusted EPS	10.1	5.5	11.3	6.9	10.9
<b>Profitability &amp; Return ratios (%)</b>					
EBITDA margin	22.3	22.0	21.9	22.2	22.2
EBIT margin	18.2	18.2	18.4	18.4	18.7
Adjusted profit margin	14.6	14.3	14.9	14.5	14.7
Adjusted ROAE	23.3	23.5	25.4	26.6	28.9
ROCE	19.6	19.8	20.3	21.8	23.7
<b>Working capital days (days)</b>					
Receivables	70	65	61	61	61
Inventory	NA	NA	NA	NA	NA
Payables	NA	NA	NA	NA	NA
<b>Ratios (x)</b>					
Gross asset turnover	3.1	3.4	3.5	3.8	4.1
Current ratio	2.7	2.9	2.8	2.7	2.5
Net interest coverage ratio	NA	NA	NA	NA	NA
Adjusted debt/equity	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)

Source: Company, BOBCAPS Research | Note: TA = Total Assets



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**Recommendation scale: Recommendations and Absolute returns (%) over 12 months**

**BUY** – Expected return >+15%

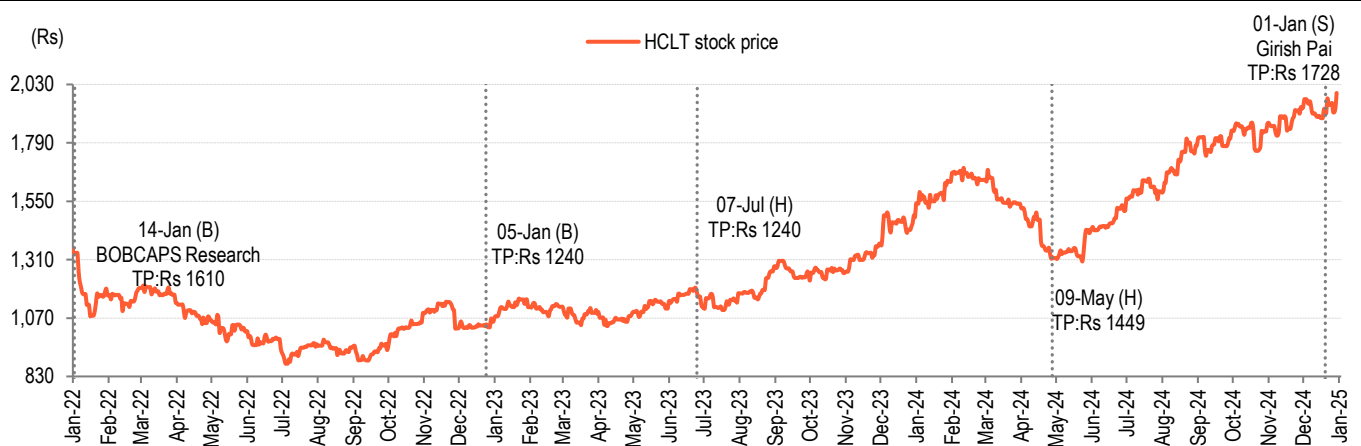
**HOLD** – Expected return from -6% to +15%

**SELL** – Expected return <-6%

**Note:** Recommendation structure changed with effect from 21 June 2021

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