

SELL

TP: Rs 1,268 | ▼ 12%

HCL TECHNOLOGIES

| IT Services

| 22 April 2026

FY27 growth indicated to be weaker than in FY26

- HCLT explicitly states FY27 is weaker than FY26. Due to (1) geopolitics and (2) Gen AI deflation. FY27 acceleration narrative fails first test
- Hints at back-ended revenue acceleration in the next 5 years through AI amplified and AI native services. But that is too far out
- Cut FY27-FY29 estimates. Retain Target PE multiple and SELL rating. Believe some recent PE premium to TCS will be given back

Failure at the first test: As highlighted in our recent sector note ([first test](#)), the narrative of FY27 being a slightly better year saw its first test and going by guidance of HCLT the industry has failed, as of now. HCLT had seen fastest organic growth in FY23-FY26 within the >US\$10bn revenue Indian peer set

Weaker than expected 4QFY26 and FY27 revenue guidance: 4Q revenue was down 3.3% QoQ (our estimate of flat growth) driven by slower discretionary spending by US telecom clients and discontinuation of SAP projects by two other clients. HCLT guided FY27 revenue growth of 1-4% in CC terms (2.5% at the midpoint), lower than FY26 number of 3.9% (organic ~2.9%). This is lower than our expectation of 2-5%. It guided for EBIT margin range of 17.5-18.5% which is 50bps higher than last year's guidance but lower than the 18-19% of the years before FY26

Deal Inflow weak: TCV (net new deal wins) at US\$1936mn, was down 36% QoQ and 35% YoY. Partly driven by Gen AI deflation in traditional services and partly driven by HCLT walking away from deals that seemed unremunerative.

Holds out prospects of a back-ended revenue acceleration over 5 years: On the back of growth by AI amplified services (55% of revenue growing at 10% CAGR) and AI native services (5% of revenue growing at ~30% CAGR) with AI disrupted part (40%) shrinking at 3-5%. Our calculations indicate that this translates to ~7% CAGR over the next 5 years which we think is highly optimistic for an industry which has grown at low single digits during FY23-FY26 when Gen AI deflation was a lot more gentle. We think the rapid improvement in AI models and its likely applicability over a larger set of services will mean that the math will not hold up.

Cut estimates, retain Target PE multiple and SELL rating: Consequent to the weaker than expected guidance for FY27 and the commentary around increased deflation in revenue due to AI we cut our USD revenue estimates a second time in one month. While we broadly maintain EBIT margin estimates. We maintain our Target PE multiple of 16.8x (similar to that of our sector benchmark, TCS) on FY28 EPS resulting in a Target price of 1268 and a SELL rating.

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Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	HCLT IN/Rs 1,441
Market cap	US\$ 41.7bn
Free float	39%
3M ADV	US\$ 54.0mn
52wk high/low	Rs 1,780/Rs 1,298
Promoter/FPI/DII	61%/16%/18%

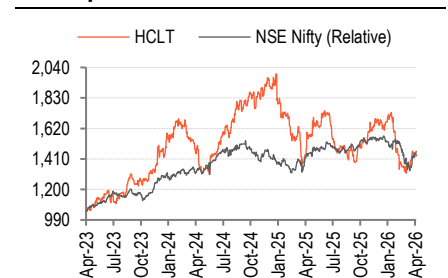
Source: NSE | Price as of 21 Apr 2026

Key financials

Y/E 31 Mar	FY26A	FY27E	FY28E
Total revenue (Rs mn)	1,301,440	1,403,322	1,468,319
EBITDA (Rs mn)	267,520	291,393	304,840
Adj. net profit (Rs mn)	166,420	194,541	204,535
Adj. EPS (Rs)	61.4	71.8	75.5
Consensus EPS (Rs)	61.4	73.4	79.9
Adj. ROAE (%)	23.0	25.5	26.1
Adj. P/E (x)	23.5	20.1	19.1
EV/EBITDA (x)	14.8	13.7	13.2
Adj. EPS growth (%)	(4.2)	16.9	5.1

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Key Points from the quarter and the earnings call

4QFY26:

- Revenue stood at US\$3,682mn, down 3.3% QoQ (against our estimate of flat growth) & up 2.4% YoY in CC terms
 - Services revenue stood at US\$3,386mn, down 0.1% QoQ & up 4.2% YoY in CC terms
 - Software revenue stood at US\$307mn down 28.1% QoQ and 14.1% YoY
 - Advanced AI revenue at US\$155mn, up 6.1% QoQ in CC terms. The QoQ growth here is a lot slower on a smaller base than that seen in TCS where it was US\$575mn (28% up QoQ). However it may not be an exact apple-to-apple comparison.
- In CC terms: IT and Business Services grew 0.1% QoQ and 4.3% YoY; ER&D Services segment declined 1.3% QoQ and grew 3.8% YoY
- Sequential revenue decline was driven by software seasonality and delay in procurement decisions during March, resulting in revenue below expectations
 - Services performance came at the lower end of HCLT's own expectations. This was driven by reduced discretionary spending in telecom vertical and discontinuation of two SAP programs. Impact from telecom spending cuts and SAP discontinuation became visible only toward end of quarter, largely in early March. Within telecom, annuity programs performed in line with expectations
 - Discretionary spending cuts affected both digital and engineering services within telecom
 - Two large US telecom clients drove the telecom discretionary weakness
 - Management expects telecom-related impact to continue through the rest of calendar year and has factored this into guidance for FY27
- Growth across verticals remained broad-based with 6 out of 7 verticals delivering YoY growth
 - YoY CC growth: Financial Services: 4.3%, Manufacturing: 3.3%, Lifesciences & Healthcare: 1.6%, Public Services: 10.7%, Retail & CPG: 3.5%, Telecommunications, Media: -8.6%, Technology & Services: 17.8%
- YoY CC terms: USA grew 4.9%, Europe declined 2.9%, RoW grew 16.6% and India grew 5.3%
- EBIT Margin stood at 16.5% (against our estimate of 17.6%), down 202 bps QoQ & down 145 bps YoY, driven by software business softness due to seasonality and delayed client decision-making
 - Adjusted for restructuring expense of 120 bps, 4QFY26 EBIT margin stood at 17.7%, down ~20 bps YoY and broadly in line with our estimate.
 - Services margin declined 27 bps QoQ

- Headwinds: Second cycle of wage increments during the quarter had a 45bps negative impact on services margin; Restructuring expense had an incremental negative impact of 41 bps; Higher bad debt provision impacted margin by 19 bps
- Tailwinds: Project Ascend contributed 13 bps positive margin benefit; Forex movement provided 65 bps positive impact on margin
- TCV (net new deal wins) at US\$1,936mn was down 36% QoQ and 35% YoY.
- 4QFY26 bookings were balanced across service lines, geographies and verticals
- Pipeline remains robust and broad-based across segments, verticals and geographies
- Nearly all deals now include an AI or GenAI component
- Traditional demand continues through cost takeout, vendor consolidation and modernization-led buying motions

FY26:

- Revenue stood at US\$14,664mn, up 3.9% in CC terms (100bps has come from inorganic elements is our estimate)
 - Services revenue stood at US\$13,315mn, up 4.8% YoY. Software revenue stood at US\$1,395mn, down 4.1% YoY
- Annualized Advanced AI Revenue at \$620mn in 4QFY26
- Reported EBIT Margin stood at 17.2%, down 107 bps YoY
 - Adjusted for restructuring costs, FY26 EBIT margin stood at 17.9%, down 42 bps YoY
 - Project Ascend helped stabilize margins during FY26 amid a tough demand environment and uncertainty
- TCV (New Deal wins) stood at \$9,323M, 0.6% growth YoY

FY27 guidance

- Company Revenue growth expected to be between 1.0% - 4.0% YoY in CC
- Services Revenue growth expected to be between 1.5% - 4.5% YoY in CC
- EBIT margin to be between 17.5% – 18.5%
- 1QFY27 is going to see normal seasonal weakness revolving around giving productivity benefits to clients involved in long term projects. We are building in a 1% deceline QoQ in CC terms.
- Lower end of guidance assumes continued weak discretionary spending and deeper than planned ramp down from the two impacted clients; Midpoint assumes two impacted clients decline as planned and discretionary spending remains stable; Upper end assumes moderate pickup in discretionary spending and closure of a few large deals in 1HFY27

- Guidance excludes acquisition impact from Telecom Solutions Group carve-out from Hewlett Packard Enterprise and Jaspersoft. Both pending acquisitions remain delayed due to US government approval delays linked to department shutdowns
- Two client-specific reductions in Americas create around 50 bps growth headwind in FY27. Two telecom clients and the two SAP project clients contributing to FY27 guidance headwind are separate events. The two additional impacted clients are one large manufacturing client and one retail client. Each of these two clients has annual revenue exposure above US\$75mn

Other Points

- FY26 operated in an uncertain environment marked by tariff volatility, contraction in discretionary spending in traditional areas and emergence of new discretionary pockets
- Client behavior remained centered around cost takeout initiatives alongside accelerated AI-led productivity adoption
- Management highlighted AI related deflation impact within TCV despite stable annual bookings
- Management linked client mining gains to AI relevance and wallet share expansion in top accounts
- Management continues investing in AI go-to-market, advanced AI offerings and AI-led service transformation ahead of spending acceleration
- Management categorised industry into three buckets under AI impact
 - About 40% of industry is considered AI-disrupted, expected to shrink 3% to 5% CAGR over the next few years and eventually reduce to 25% of enterprise spend. AI-disrupted areas include application development support, traditional infrastructure operations and customer support
 - About 55% of industry is classified as AI-amplified or AI-augmented, expected to grow above 10% and marginally gain enterprise spend share. AI-amplified areas include data, cybersecurity and cloud
 - AI-native market currently forms 5% of industry, growing at 30%, and could exceed 20% of market in five years. AI-native areas include AI Factory, AI Engineering, custom silicon engineering and advanced AI services
- Management expects AI-disrupted portfolio impact to translate into 2% to 3% deflation for current service mix
- Geopolitical escalation and rapidly evolving macro conditions limit visibility over next 12 months
 - Europe growth outlook is already being affected by these macro developments
 - North America has no broad macro weakness, but two client-specific issues in Americas create nearly 50 bps growth headwind in FY27. The two impacted clients are reducing IT budgets materially due to business-specific issues unrelated to macro environment

- Software business continues to pivot toward subscription-led and steady revenue streams away from perpetual license sales
- Underlying profitability remains resilient based on margins adjusted for restructuring
- Currency depreciation benefit will be reinvested into sales expansion and GenAI capability build-out during FY27
- 3% to 5% industry deflation estimate is based on current service mix
 - Higher deflation risk is mainly in SDLC where model improvements are driving greater velocity and efficiency
 - Outside SDLC, most service areas still require human-in-the-loop execution
 - For HCLTech portfolio, deflation assumption remains at 2% to 3%
- Among new AI offerings, strongest traction is in AI Factory and semiconductor engineering
 - AI Factory is seeing highest momentum, including a US\$100mn+ next-generation AI data center deal for a large technology client
 - AI Factory engagements are active with two major clients, with target to add three to four more during FY27
- Given 2% to 3% structural AI-led deflation, management views 1.5% to 4.5% services growth as reasonable in the current environment
- Telecom weakness seen in 4QFY26 represents close to 1% growth drag. Impact is larger than only one month despite decision being formally communicated in March. Spending slowdown had already been building before formal client communication in March
- Management assumes telecom weakness continues through April to end of calendar 2026. Full telecom impact is already built into FY27 guidance
- Cancelled SAP programs were driven by client budget decisions. Clients deprioritised modernization spending under SAP programs. Extended SAP migration timelines are also influencing client decisions to defer or cancel programs
- 4QFY26 HCL software revenue decline was not linked to AI or recent technology shifts. Software sales closures were caused by delayed decision-making in the last fortnight of the quarter, which is critical for quarter-end software revenue. West Asia-related developments led to deal deferrals during quarter-end. US government-related delays also pushed expected software closures beyond March. Some software deals faced additional scrutiny due to client stakeholder changes and extended review cycles. Management described quarter weakness as deal-specific rather than structural
- Long-term software business trajectory remains unchanged. Management expects software business to remain low single-digit growth, flat, or marginally declining in FY27

- Improvement in recurring revenue mix is expected to support software stability over time
- 1QFY27 is expected to follow usual seasonal patterns. Headwinds seen in 4QFY26 will continue into 1QFY27. Ramp-up of mega deals remains on track and is expected to offset impact from the two client-specific challenges
- AI-led deflation is reducing deal TCV even when delivery effort remains comparable or higher
- Some deals were deliberately not pursued because economics were unattractive. Several traditional deals were dropped over the last six months where economics did not justify participation
- Headcount stood at 227,18; LTM Attrition at 12.5%. It added ~12,000 freshers ~50% more than in FY25. HCLT said it will continue its differentiated approach to campus recruitment, with its entry-level elite cadre commanding premium salaries 3x-4x higher than normal fresher band. While fresher hiring outlook for FY27 is directionally same as FY26 it did not want to give out an annual number considering the fluid demand environment. It is going to be managed on a quarterly basis. It was also indicated that there is competition to hire specialized talent.
- Board declared interim dividend of Rs24 per share for the quarter. The last 12 months payout of Rs60 per share is effectively distributing 97.6% of net income. Over the last five years, since introducing the new capital allocation policy in FY22, HCLT has paid out 89.9% of its net income to shareholders. This translates into a record US\$8.5 billion in cash back to shareholders

We have an Underweight stance on Indian IT Services

We reinitiated coverage on the Indian IT Services with an Underweight stance through a report on 1 January 2025 (**Slow is the (new/old) normal**) and reiterated our view with updates on 12th March 2025 (**FY26 unlikely to be better than FY25**), 10th July 2025 (**Uncertainty stays and 'eating the tariff' may impact even FY27**) and 12 January 2026 (**A fourth slow year?**).

While both earnings and PE multiples have corrected since 1 Jan 2025, the industry's structural organic revenue growth from here on will be much lower vs ~7% CAGR seen during FY15-FY20; possibly ~3-5% CAGR over FY25-FY30 in constant currency (CC) terms. We also believe that release of advanced AI models will cause significant disruption to the industry rendering the sector to be a 'value trap'. We wrote about this in our 17 February 2026 report (**Existential threat, value trap or Temporary blip**) and through our 6 April 2026 report (**Narrative of FY27 being modestly better, set for its first test**).

Multiple speed breakers drive our Underweight stance

Trump policies raise uncertainty: While tariffs drove uncertainty in 2025, Trump's multiple proposals to address affordability crisis in the US ahead of the mid-terms in Nov'26 will be the key monitorable in 2026 (eg: freezing credit card interest rate at 10%, controlling prices of products and services, cash payments to citizens, buying of US\$200bn MBSs, etc.). There will be winners/ losers due to this in USA Inc and that could reflect in the IT spending outcomes.

Higher for longer interest rate environment: Lately, based on inflation prints and fears of a higher fiscal deficit, US 10Y yields have remained firm. There are fears of sustained high interest rates potentially reducing IT outsourcing demand; particularly in BFSI and Telecom, and dampen US demand in areas like housing, autos and retail.

Gen AI and GCCs are going to disrupt growth: We believe that AI/Gen AI will lead to compression of revenue for the industry in the next 24-36 months, as companies self-cannibalize to hold on to their existing clients. Rapid growth of the GCCs is a threat to outsourcing. While there seems to be collaboration between outsourcers and their clients in setting up these GCCs, there will be growth discontinuity when the business is insourced at some point.

Massive hyper scaler AI capex should accentuate re-alignment in IT spend:

Software players, including hyper scalers, are increasing capex on AI-related data centres. This will drive higher pricing, forcing enterprises to allocate more IT spend to Cloud/SaaS and move it away from the ones with lower bargaining power – global IT Services players.

Higher competition: Indian Tier-1 companies now face higher competition from Accenture, Tier-2 players and Cognizant, likely slowing their growth vs FY15-FY20. This is besides the fact that by FY25, Tier-1 revenue has reached US\$ 85bn, double that in FY15. Due to the higher base now, growth may not be as rapid.

How we are valuing companies: We are using PE methodology, as also TCS, as our industry benchmark. Target PE for TCS is 16.8x, which is the average PE multiple of TCS over the last 10 years less 1.5SD. We have been giving subjective premium/discount to the benchmark target PE to arrive at target PE multiples for the rest of our coverage.

Our target PE multiples are lower than those used by consensus/competitors. Through our choice of the benchmark target PE multiple, we seek to capture the mortality and relevance risk that players face in this era of advanced AI models.

Tier- 2 valuation reflects growth gap with Tier-1

Tier-2 set has been taking away market share from the Tier-1 set, due to better execution as well as their smaller size. And, unlike previous cycles, they have performed better than the Tier-1 set, largely on better management teams.

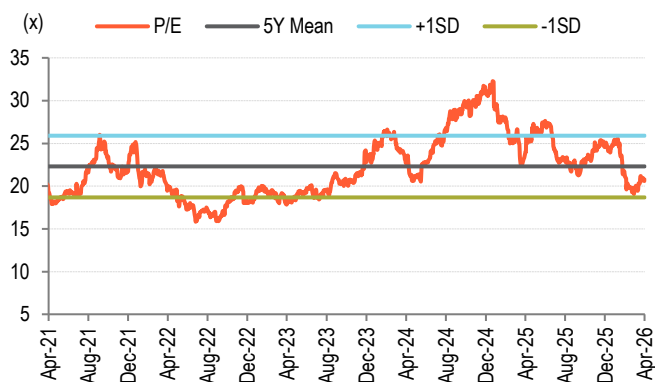
However, current PE premium to Tier-1s is excessive for certain stocks, because to deliver on the high consensus revenue growth expectations, they may be taking on more cost take-out projects that are likely to impact margins adversely.

Also, some of the Tier-2s have been underperforming on the growth front, being discretionary project-oriented businesses struggling to pivot to a cost-take-out-driven demand environment.

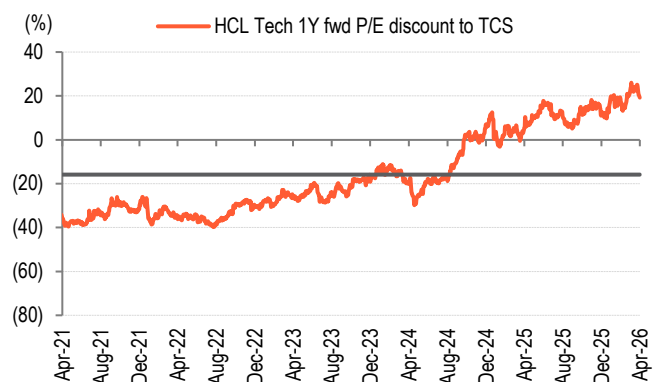
Fig 1 – Quarterly results: Comparison of actuals with estimates

Y/E March (Rsbn)	4QFY25	3QFY26	4QFY26	YoY (%)	QoQ (%)	4QFY26E	Dev(%)
Net Sales (USD mn)	3,545	3,793	3,682	3.9	(2.9)	3,806	(3.3)
Net Sales	302	339	340	12.3	0.3	348	(2.4)
Employee Costs	197	221	225	14.2	2.0	232	(2.9)
Gross margin % of Sales	34.7	34.7	33.7			33.3	
SG&A	40	44	47	17.7	8.6	44	8.6
% of Sales	13.3	12.9	13.9			12.5	
Depreciation and Amortisation	10	11	11	5.0	(3.1)	11	(3.1)
% of Sales	3.4	3.3	3.2			3.2	
EBIT	54.4	62.9	56.2	3.3	(10.6)	61.3	(8.3)
EBIT Margin (%)	18.0	18.6	16.5			17.6	
Other Income, Net	3	-7	2	(29.5)	(129.5)	5	(55.1)
Forex Gain/(Loss)	(0)	(1)	(1)			0	
PBT	57	55	57	(0.6)	3.5	66	(13.6)
Provision for Tax	14	14	12	(15.0)	(15.1)	17	(29.1)
Effective Tax Rate	24.9	25.9	21.3			25.9	
PAT (Reported)	43.1	40.8	44.9	4.2	10.1	48.8	(8.1)
NPM (%)	14.2	12.0	13.2			14.0	
Adjusted PAT	43.1	47.8	44.9	4.2	(6.2)	48.8	(8.1)
NPM (%)	14.2	14.1	13.2			14.0	

Source: Company, BOBCAPS Research

Fig 2 – 5 Year PE trend

Source: Bloomberg, BOBCAPS Research

Fig 3 – Premium/ Discount to TCS

Source: Bloomberg, BOBCAPS Research

Fig 4 – Revised Estimates

	New			Old			% Change		
	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
INR/USD	93.9	94.9	95.9	93.9	94.9	95.9	-	-	-
USD Revenue (USD mn)	14,948	15,476	16,025	15,516	16,307	17,090	(3.7)	(5.1)	(6.2)
USD Revenue Growth (%)	1.9	3.5	3.5	4.9	5.1	4.8			
Revenue (Rsbn)	1,403	1,468	1,536	1,457	1,547	1,639	(3.7)	(5.1)	(6.2)
EBIT (Rsbn)	247	260	274	257	273	291	(3.8)	(4.7)	(5.8)
EBIT Margin (%)	17.6	17.7	17.8	17.6	17.6	17.8			
PAT (Rsbn)	195	205	215	200	212	226	(2.5)	(3.4)	(4.6)
FDEPS (Rs)	71.8	75.5	79.5	73.7	78.2	83.4	(2.6)	(3.4)	(4.7)

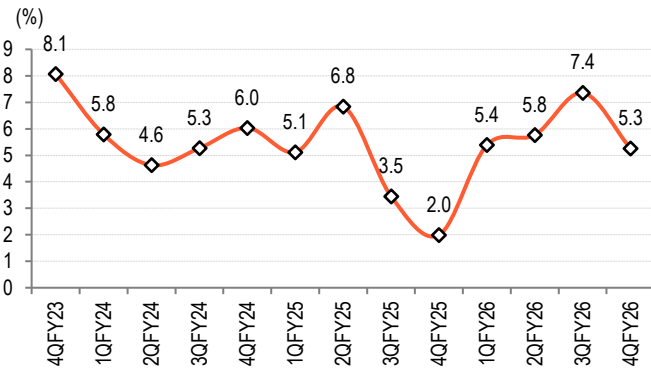
Source: BOBCAPS Research

Fig 5 – P&L at a glance

YE March - Rs bn	FY15	FY16*	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Average INR/USD	62.4	66.3	67.0	64.5	69.9	72.2	74.2	74.6	80.6	82.8	84.6	88.7	93.9	94.9	95.9
Net Sales (USD mn)	5,952	4,698	6,975	7,838	8,633	9,936	10,175	11,481	12,586	13,270	13,840	14,664	14,948	15,476	16,025
YoY Growth (%)	11.1	(21.1)	48.5	12.4	10.1	15.1	2.4	12.8	9.6	5.4	4.3	6.0	1.9	3.5	3.5
INR Net Sales (Rs bn)	371	311	467	506	604	707	754	857	1,015	1,099	1,171	1,301	1,403	1,468	1,536
YoY Growth (%)	12.6	(16.0)	50.1	8.2	19.5	17.0	6.6	13.6	18.5	8.3	6.5	11.2	7.8	4.6	4.6
Cost of Sales & Services	238	204	309	332	393	443	440	528	645	705	762	858	915	955	1,008
Gross Margin	133	108	158	173	212	264	314	329	369	394	409	443	488	514	528
% of sales	35.8	34.6	33.9	34.3	35.0	37.3	41.7	38.4	36.4	35.9	34.9	34.1	34.8	35.0	34.4
SG&A	46	40	55	59	72	97	106	124	143	152	154	176	197	209	209
% of sales	12.3	12.7	11.8	11.7	11.9	13.7	14.1	14.4	14.1	13.9	13.2	13.5	14.0	14.2	13.6
EBITDA	87	68	103	114	140	167	208	205	226	242	255	268	291	305	319
% of sales	23.5	21.9	22.1	22.6	23.1	23.6	27.6	24.0	22.3	22.0	21.8	20.6	20.8	20.8	20.8
Depreciation and Amortization	5	4	8	15	21	28	46	43	41	42	41	44	44	45	45
% of sales	1.2	1.4	1.8	2.9	3.6	4.0	6.1	5.1	4.1	3.8	3.5	3.3	3.2	3.1	3.0
EBIT	83	64	95	100	118	139	162	162	185	200	214	224	247	260	274
% of sales	22.3	20.5	20.3	19.8	19.6	19.6	21.4	18.9	18.2	18.2	18.3	17.2	17.6	17.7	17.8
Other income (net) (incl forex gain/loss)	9	8	9	11	8	2	4	7	10	9	18	(3)	12	13	13
PBT	92	72	104	111	126	140	166	170	195	210	233	221	259	273	287
Provision for tax	19	15	20	23	25	29	36	34	46	53	59	55	65	68	72
Effective tax rate (%)	20.8	20.9	18.8	20.9	19.8	21.0	21.8	20.2	23.8	25.1	25.2	24.7	25.0	25.0	25.0
Minority Interest	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net profit	73	57	84	88	101	111	129	135	149	157	174	166	195	205	215
-Growth (%)	13.9	(21.9)	49.0	4.0	15.3	9.3	17.0	4.3	10.0	5.7	10.8	(4.3)	16.9	5.1	5.3
-Net profit margin (%)	19.6	18.2	18.1	17.4	16.8	15.7	17.2	15.8	14.6	14.3	14.9	12.8	13.9	13.9	14.0

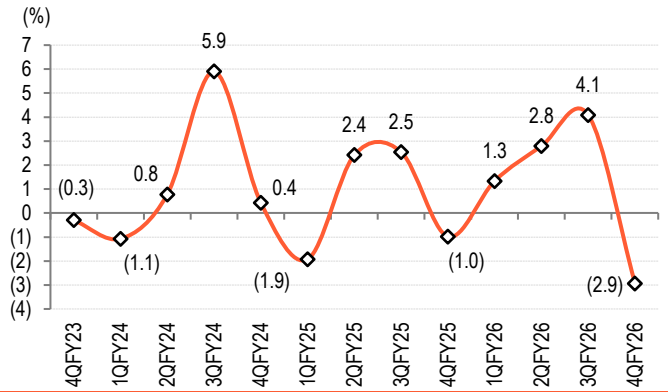
Source: Company, BOBCAPS Research

Fig 6 – YoY US\$ revenue growth



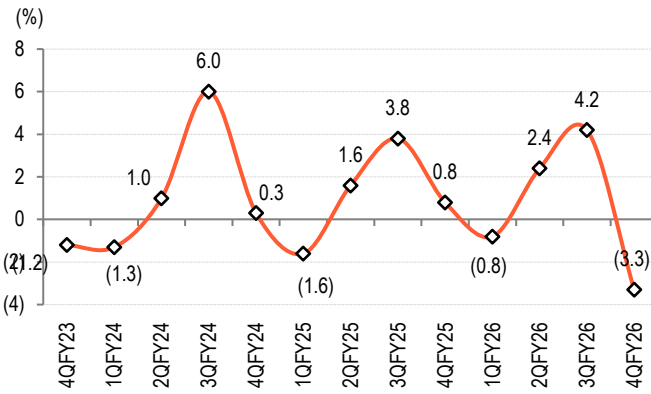
Source: Company, BOBCAPS Research

Fig 7 – QoQ US\$ revenue growth



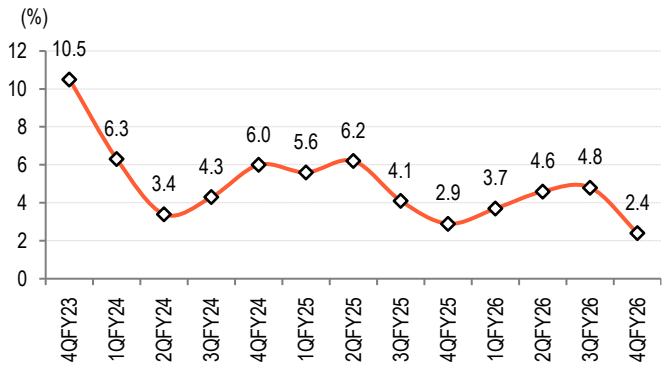
Source: Company, BOBCAPS Research

Fig 8 – QoQ CC revenue growth



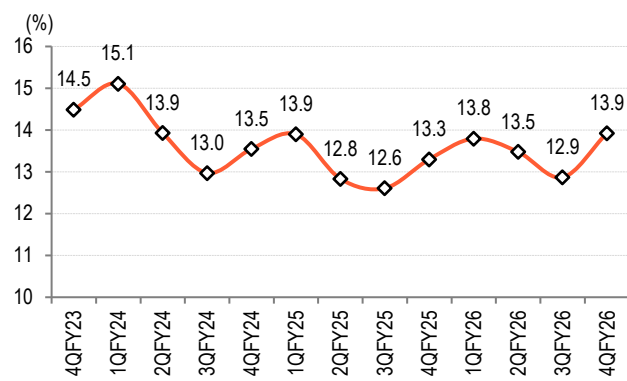
Source: Company, BOBCAPS Research

Fig 9 – YoY CC Revenue growth



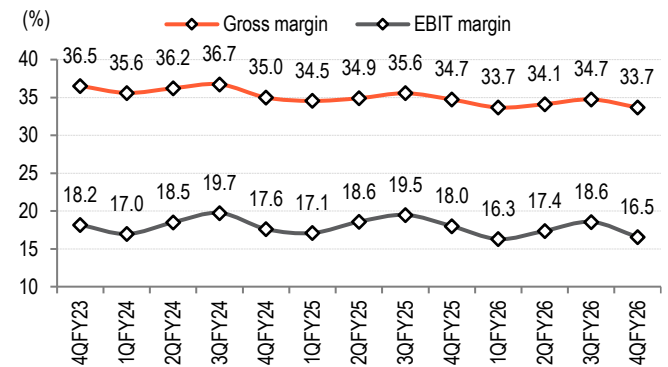
Source: Company, BOBCAPS Research

Fig 10 – SG&A as % of sales



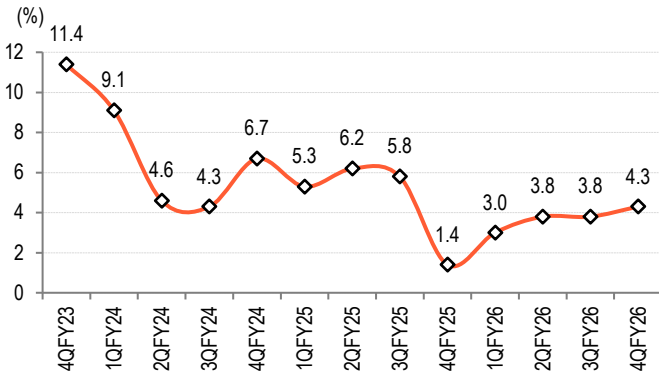
Source: Company, BOBCAPS Research

Fig 11 – Gross margin and EBIT margin



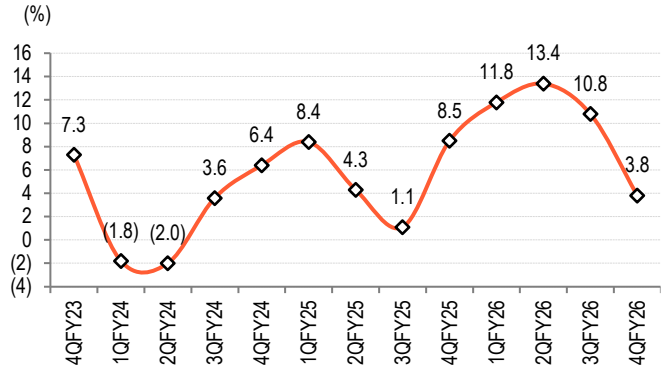
Source: Company, BOBCAPS Research

Fig 12 – IT and Business Services growth YoY CC



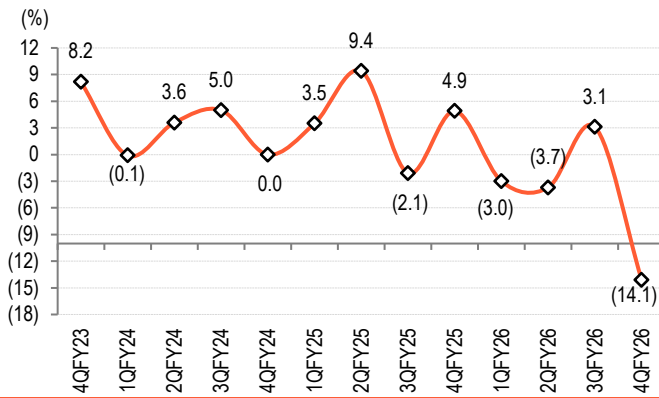
Source: Company, BOBCAPS Research

Fig 13 – Engineering and R&D Services YoY CC Growth



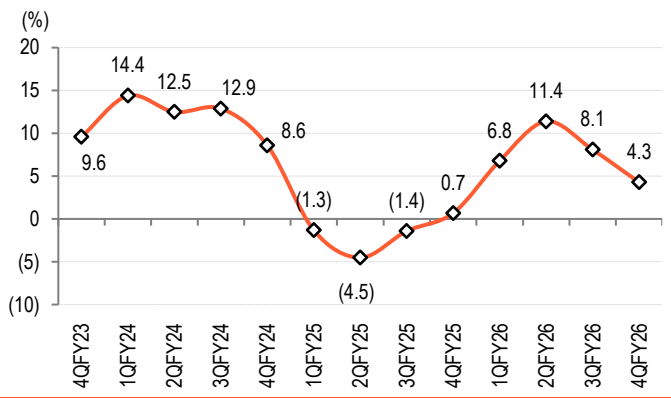
Source: Company, BOBCAPS Research

Fig 14 – Products and Platforms growth YoY CC



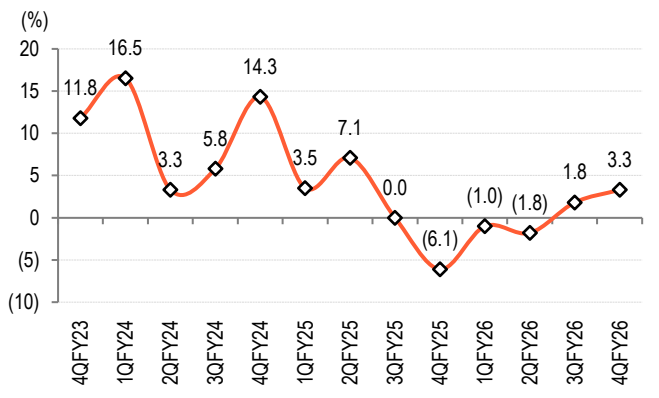
Source: Company, BOBCAPS Research

Fig 15 – Financial Services growth YoY CC



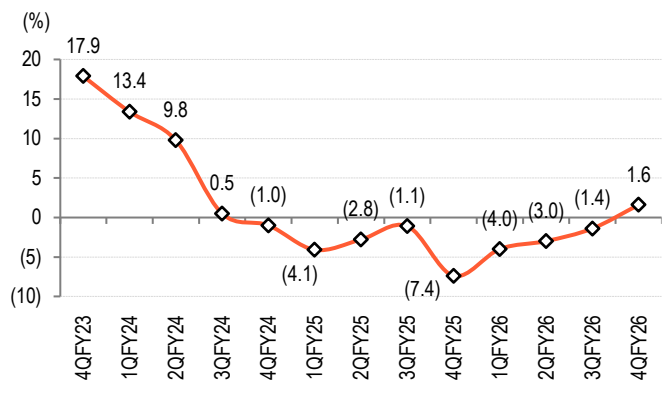
Source: Company, BOBCAPS Research

Fig 16 – Manufacturing YoY CC growth



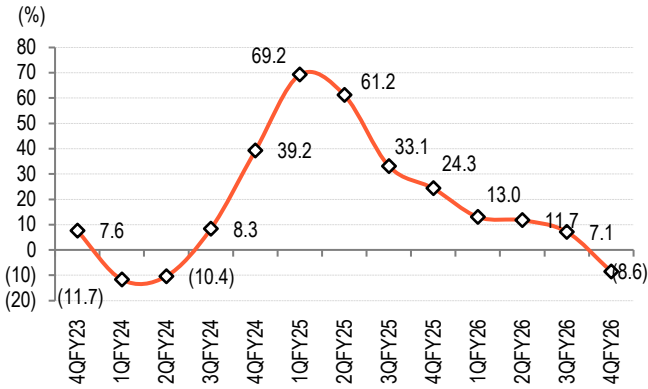
Source: Company, BOBCAPS Research

Fig 17 – Lifesciences and Healthcare YoY CC growth



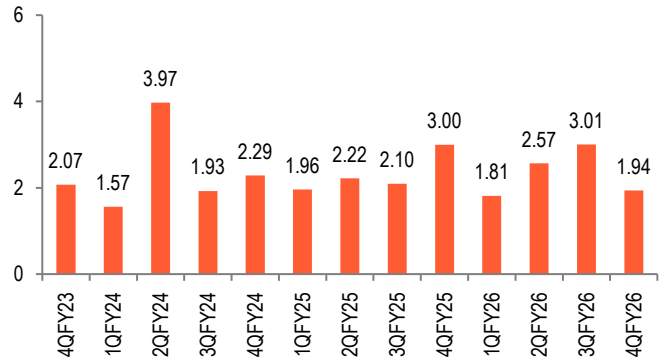
Source: Company, BOBCAPS Research

Fig 18 – Telecommunications, Media YoY CC growth



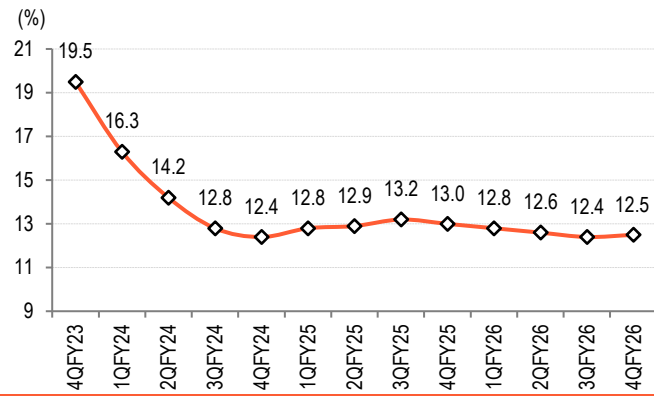
Source: Company, BOBCAPS Research

Fig 19 – Quarterly net new TCV wins (US\$ bn)



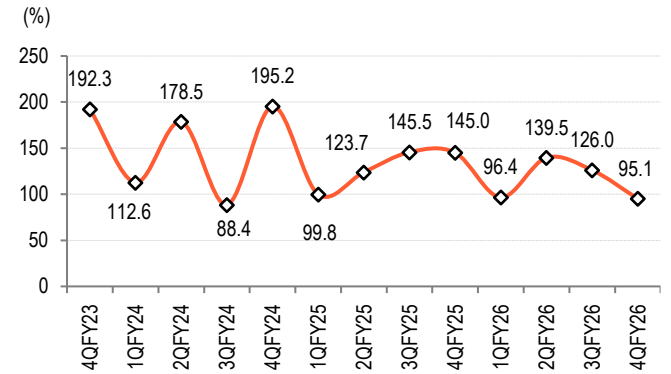
Source: Company, BOBCAPS Research

Fig 20 – Attrition trend



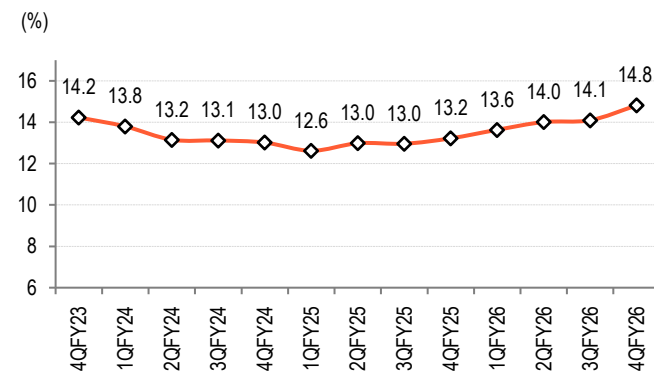
Source: Company, BOBCAPS Research

Fig 21 – OCF/Net income (%)



Source: Company, BOBCAPS Research

Fig 22 – Outsourcing cost as % of sales



Source: Company, BOBCAPS Research

Fig 23 – Quarterly Snapshot

Year to 31 March	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	4QFY26
Rs mn													
INR/USD	82.30	82.17	82.72	83.28	83.10	83.40	83.79	84.66	86.45	85.62	87.63	89.34	92.28
USD Revenue (USD mn)	3,235	3,200	3,225	3,415	3,430	3,364	3,445	3,533	3,498	3,545	3,644	3,793	3,682
INR Revenue	266,060	262,960	266,720	284,460	284,990	280,570	288,620	298,900	302,460	303,490	319,420	338,720	339,810
Gross margin	97,170	93,600	96,590	104,480	99,720	96,930	100,730	106,280	105,040	102,210	108,980	117,700	114,440
EBITDA	58,630	53,870	59,440	67,580	61,110	57,940	63,690	68,600	64,820	60,350	65,930	74,120	67,120
EBIT	48,360	44,600	49,340	56,150	50,180	47,960	53,620	58,210	54,420	49,420	55,500	62,850	56,200
Other income	3,570	2,360	1,940	2,590	2,510	9,120	3,250	3,110	2,930	2,470	1,520	(7,760)	820
PBT	51,930	46,960	51,280	58,740	52,690	57,080	56,870	61,320	57,350	51,890	57,020	55,090	57,020
Tax	12,120	11,650	12,950	15,230	12,740	14,480	14,500	15,380	14,260	13,450	14,660	14,270	12,120
PAT	39,830	35,340	38,320	43,500	39,860	42,580	42,350	45,910	43,070	38,430	42,350	40,760	44,880
EPS	14.7	13.0	14.1	16.0	14.7	15.7	15.6	16.9	15.9	14.2	15.6	15.1	16.6
YoY growth (%)													
USD Revenue	8.1	5.8	4.6	5.3	6.0	5.1	6.8	3.5	2.0	5.4	5.8	7.4	5.3
INR Revenue	17.7	12.1	8.0	6.5	7.1	6.7	8.2	5.1	6.1	8.2	10.7	13.3	12.3
Gross Profit	17.0	11.5	9.3	4.7	2.6	3.6	4.3	1.7	5.3	5.4	8.2	10.7	8.9
EBITDA	16.0	8.3	9.5	6.2	4.2	7.6	7.2	1.5	6.1	4.2	3.5	8.0	3.5
EBIT	18.8	11.7	11.4	7.4	3.8	7.5	8.7	3.7	8.4	3.0	3.5	8.0	3.3
Net Profit	10.9	7.6	9.8	6.2	0.1	20.5	10.5	5.5	8.1	(9.7)	0.0	(11.2)	4.2
QoQ growth (%)													
USD Revenue	(0.3)	(1.1)	0.8	5.9	0.4	(1.9)	2.4	2.5	(1.0)	1.3	2.8	4.09	(2.93)
INR Revenue	(0.4)	(1.2)	1.4	6.7	0.2	(1.6)	2.9	3.6	1.2	0.3	5.2	6.0	0.3
EBITDA	(7.9)	(8.1)	10.3	13.7	(9.6)	(5.2)	9.9	7.7	(5.5)	(6.9)	9.2	12.4	(9.4)
EBIT	(7.5)	(7.8)	10.6	13.8	(10.6)	(4.4)	11.8	8.6	(6.5)	(9.2)	12.3	13.2	(10.6)
Net Profit	(2.8)	(11.3)	8.4	13.5	(8.4)	6.8	(0.5)	8.4	(6.2)	(10.8)	10.2	(3.8)	10.1
Margins (%)													
Gross Margin	36.5	35.6	36.2	36.7	35.0	34.5	34.9	35.6	34.7	33.7	34.1	34.7	33.7
EBITDA	22.0	20.5	22.3	23.8	21.4	20.7	22.1	23.0	21.4	19.9	20.6	21.9	19.8
EBIT	18.2	17.0	18.5	19.7	17.6	17.1	18.6	19.5	18.0	16.3	17.4	18.6	16.5
PAT	15.0	13.4	14.4	15.3	14.0	15.2	14.7	15.4	14.2	12.7	13.3	12.0	13.2
SGA	14.5	15.1	13.9	13.0	13.5	13.9	12.8	12.6	13.3	13.8	13.5	12.9	13.9

Source: Company, BOBCAPS Research

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Total revenue	1,170,550	1,301,440	1,403,322	1,468,319	1,536,399
EBITDA	255,050	267,520	291,393	304,840	319,310
Depreciation	40,840	43,550	44,373	44,877	45,382
EBIT	214,210	223,970	247,020	259,962	273,929
Net interest inc./(exp.)	0	0	0	0	0
Other inc./(exp.)	18,410	(2,950)	12,475	12,858	13,464
Exceptional items	0	0	0	0	0
EBT	232,620	221,020	259,495	272,820	287,393
Income taxes	58,620	54,500	64,874	68,205	71,848
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	90	100	80	80	80
Reported net profit	173,910	166,420	194,541	204,535	215,464
Adjustments	0	0	0	0	0
Adjusted net profit	173,910	166,420	194,541	204,535	215,464

Balance Sheet

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Accounts payables	0	0	0	0	0
Other current liabilities	244,710	298,280	313,754	328,324	343,533
Provisions	0	0	0	0	0
Debt funds	22,910	1,590	1,590	1,590	1,590
Other liabilities	91,270	111,060	114,182	117,122	120,190
Equity capital	5,430	5,430	5,430	5,430	5,430
Reserves & surplus	691,120	746,220	767,626	788,204	819,712
Shareholders' fund	696,550	751,650	773,056	793,634	825,142
Total liab. and equities	1,055,440	1,162,580	1,202,581	1,240,670	1,290,455
Cash and cash eq.	82,450	82,650	131,402	143,517	166,360
Accounts receivables	195,230	235,850	248,085	259,606	271,632
Inventories	0	0	0	0	0
Other current assets	343,410	386,920	358,990	366,589	374,520
Investments	12,970	21,760	21,760	21,760	21,760
Net fixed assets	332,150	338,470	342,249	346,123	349,997
CWIP	0	0	0	0	0
Intangible assets	0	0	0	0	0
Deferred tax assets, net	0	0	0	0	0
Other assets	89,230	96,930	100,095	103,075	106,186
Total assets	1,055,440	1,162,580	1,202,581	1,240,670	1,290,455

Cash Flows

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Cash flow from operations	233,950	195,940	234,163	244,943	256,178
Capital expenditures	(50,380)	(49,870)	(48,152)	(48,751)	(49,256)
Change in investments	(38,770)	(25,220)	36,000	0	0
Other investing cash flows	0	0	0	0	0
Cash flow from investing	(89,150)	(75,090)	(12,152)	(48,751)	(49,256)
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	5,200	(10,610)	0	0	0
Interest expenses	0	0	0	0	0
Dividends paid	(162,528)	(129,852)	(173,136)	(183,957)	(183,957)
Other financing cash flows	0	0	0	0	0
Cash flow from financing	(157,328)	(140,462)	(173,136)	(183,957)	(183,957)
Chg in cash & cash eq.	(12,021)	388	48,875	12,236	22,965
Closing cash & cash eq.	82,539	82,838	131,525	143,637	166,482

Per Share

Y/E 31 Mar (Rs)	FY25A	FY26A	FY27E	FY28E	FY29E
Reported EPS	64.2	61.5	71.9	75.6	79.6
Adjusted EPS	64.1	61.4	71.8	75.5	79.5
Dividend per share	60.0	48.0	64.0	68.0	68.0
Book value per share	256.5	277.3	285.2	292.8	304.5

Valuations Ratios

Y/E 31 Mar (x)	FY25A	FY26A	FY27E	FY28E	FY29E
EV/Sales	3.4	3.0	2.9	2.7	2.6
EV/EBITDA	15.5	14.8	13.7	13.2	12.7
Adjusted P/E	22.5	23.5	20.1	19.1	18.1
P/BV	5.6	5.2	5.1	4.9	4.7

DuPont Analysis

Y/E 31 Mar (%)	FY25A	FY26A	FY27E	FY28E	FY29E
Tax burden (Net profit/PBT)	74.8	75.3	75.0	75.0	75.0
Interest burden (PBT/EBIT)	108.6	98.7	105.1	104.9	104.9
EBIT margin (EBIT/Revenue)	18.3	17.2	17.6	17.7	17.8
Asset turnover (Rev./Avg TA)	114.0	117.4	118.7	120.2	121.4
Leverage (Avg TA/Avg Equity)	1.5	1.5	1.6	1.6	1.6
Adjusted ROAE	25.2	23.0	25.5	26.1	26.6

Ratio Analysis

Y/E 31 Mar	FY25A	FY26A	FY27E	FY28E	FY29E
YoY growth (%)					
Revenue	6.5	11.2	7.8	4.6	4.6
EBITDA	5.4	4.9	8.9	4.6	4.7
Adjusted EPS	10.8	(4.2)	16.9	5.1	5.3
Profitability & Return ratios (%)					
EBITDA margin	21.8	20.6	20.8	20.8	20.8
EBIT margin	18.3	17.2	17.6	17.7	17.8
Adjusted profit margin	14.9	12.8	13.9	13.9	14.0
Adjusted ROAE	25.2	23.0	25.5	26.1	26.6
ROCE	20.1	20.1	21.1	21.6	22.1
Working capital days (days)					
Receivables	61	66	65	65	65
Inventory	NA	NA	NA	NA	NA
Payables	NA	NA	NA	NA	NA
Ratios (x)					
Gross asset turnover	3.5	3.8	4.1	4.2	4.4
Current ratio	2.7	2.5	2.5	2.5	2.5
Net interest coverage ratio	NA	NA	NA	NA	NA
Adjusted debt/equity	(0.1)	(0.1)	(0.2)	(0.2)	(0.2)

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

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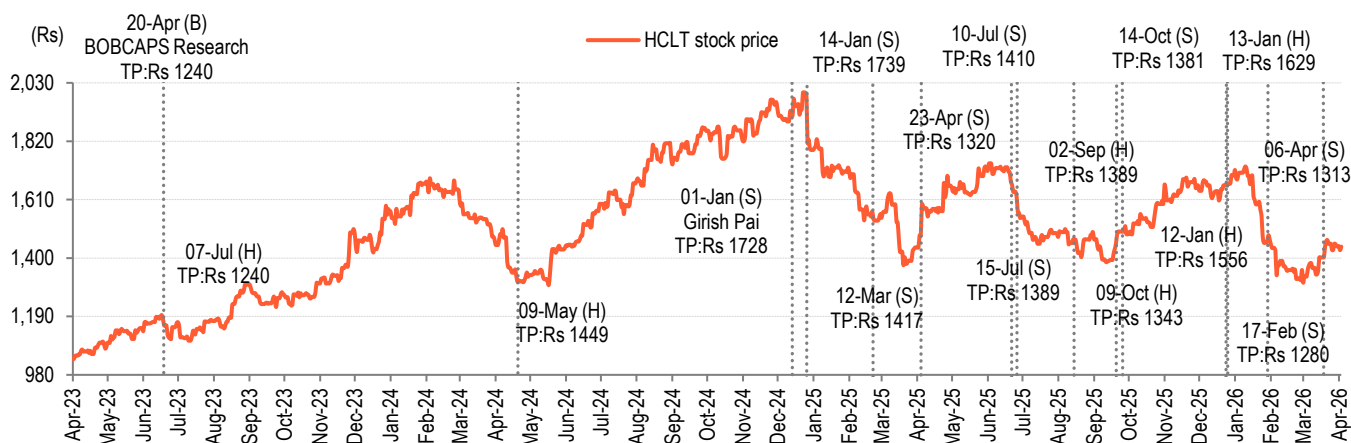
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SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

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