

SELL

TP: Rs 3,611 | ▼ 32%

PERSISTENT SYSTEMS

| IT Services

| 22 April 2026

Will hit US\$2bn in FY27 but in 4Q on run rate basis

- 4QFY26 tad weaker than estimate on both revenue and margins. US\$2bn revenue run rate is likely in 4QFY27. Still be a growth leader
- Margin upsides may be difficult to come by from here on due to nature of deals, investment in SGA and AI capabilities and likely firmer INR
- Broadly maintain revenue estimates but cut EPS due to lower other income. Maintain Target PE and continue to have a SELL Rating

4QFY26 tad weaker than expected: Against an estimated 4% QoQ growth in CC terms, it was 3.4% and against estimated EBIT margin of 16.8% it was 16.3%. We think there is some Gen AI deflation in the services provided to Hi-tech customers.

US\$2bn will be a 4QFY27 revenue run rate event: Persistent systems indicated that the aspirational number of US\$2bn in revenue will be achieved most likely on a revenue run rate basis in 4QFY27 and not for the full fiscal year FY27. Effectively for the full year the revenue will be short of US\$2bn by ~US\$100mn.

PSYS has struggled to maintain/push up margins: With market largely driven by cost take out and vendor consolidation deals and clients wanting to work with vendors who can provide multi-tower services at the lowest cost, PSYS has been forced to bid aggressively and work to protect/improve margins. This is visible in the form of delayed salary hike in FY26, keeping utilization (including trainees) high at ~88-89%, reversing some earn out provisions (FY25), changing depreciation policy (FY25), etc. The currency has also come to the rescue in 2QFY26 (60bps QoQ), 3QFY26 (30bps) and 4QFY26 (60bps). We also believe the booking of (1) license revenue of platforms and tools and (2) capitalization of expenses connected with development of platforms has also helped elevate margins. We are unable to make out the precise revenue coming from platform and tools sales in FY26. Software license sales was 5.1% of revenue in FY26 (against 3.3% in FY25) and expenses capitalized were ~110bps in FY26 versus 7bps in FY25.

At ~37x FY27, valuation is not appealing: We broadly maintain our revenue and margin estimates but cut EPS for FY27-FY29 due to lower other income. We attach a Target PE of 21x (25% premium to that given to TCS) on FY28EPS to arrive at TP of Rs3611. At 37x 12 forward multiple believe the current valuation is excessive and the street is being over optimistic about its earnings prospects in the medium to long term. PSYS has been executing well and is a very good company. But current valuations, in a highly competitive industry with modest growth prospects (industry's), could entail mediocre returns. One also must account for AI disruption.

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Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	PSYS IN/Rs 5,330
Market cap	US\$ 8.9bn
Free float	69%
3M ADV	US\$ 45.1mn
52wk high/low	Rs 6,599/Rs 4,449
Promoter/FPI/DII	30%/22%/30%

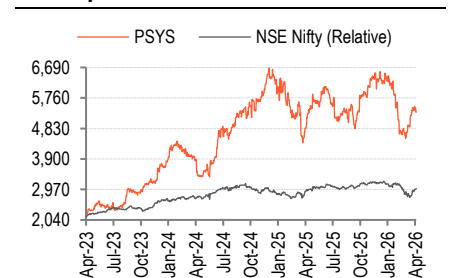
Source: NSE | Price as of 21 Apr 2026

Key financials

Y/E 31 Mar	FY26A	FY27E	FY28E
Total revenue (Rs mn)	147,485	177,105	204,405
EBITDA (Rs mn)	27,955	33,767	39,517
Adj. net profit (Rs mn)	19,542	23,024	27,129
Adj. EPS (Rs)	118.9	145.9	172.0
Consensus EPS (Rs)	118.9	147.0	176.3
Adj. ROAE (%)	27.6	27.2	27.5
Adj. P/E (x)	44.8	36.5	31.0
EV/EBITDA (x)	30.2	25.2	21.7
Adj. EPS growth (%)	31.8	22.8	17.8

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Key Points from the quarter and the earnings call

4QFY26

- 4Q FY26 revenue stood at US\$436 mn, growing 3.4% (against our estimate of 4%) QoQ in CC terms. It grew by 3.3% in USD terms QoQ and 16.2% YoY
- Reported geographical revenue growth (YoY USD): North America revenue grew 17.4%; Europe revenue grew 12.3%; India revenue grew 4.2%; Rest of world revenue grew 41.4% on a smaller base
- EBIT margin came in at 16.3% (against our estimate of 16.8%), up 17 bps YoY
- Net impact of all headwinds and tailwinds resulted in ~40 bps QoQ EBIT margin decline
 - Headwinds: Consulting and advisory expenses related to corporate development initiatives led to 60 bps margin headwind; Higher subcontracting costs, software license purchases and travel related to annual planning cumulatively impacted margin by 70 bps
 - Tailwinds: Operational efficiencies contributed 40 bps margin improvement; Favorable currency movement contributed 60 bps
- Total headcount stood at 27,502 at end 4QFY26, increasing by 791 QoQ; Utilisation stood at 88%
- TTM attrition came in at 13% versus 13.5% in previous quarter
- TCV stood at US\$600.8 mn, growing 16% YoY; TCV from new bookings stood at US\$408.9 mn, growing 24% YoY
- ACV of bookings stood at US\$445.1 mn, growing 27% YoY; ACV from new bookings contributed US\$272.7 mn, growing 38% YoY
- TCV and ACV metrics include all bookings, including small renewals, large renewals and new bookings across existing as well as new customers
- Management indicated 80% of revenue is derived from the US market, resulting in peak renewals and bookings typically occurring in 3Q, aligned with customer fiscal year-end seasonality. Sequential moderation in bookings during 4Q was described as consistent with historical seasonal trends
- OCF to PAT stood at 77% versus 91% in previous quarter. Lower OCF to PAT was driven by higher share of unbilled revenue during 4Q, expected to normalise in next quarter

FY26

- FY26 revenue stood at US\$1,654.4mn, up 17.4% YoY
- EBIT margin came in at 16.2% (excl one-time impact of new labour code), improving 150 bps YoY
 - Including one-time impact due to new labour code, EBIT margin stood at 15.6%

- FY26 TCV stood at US\$2.4 bn (up 14% YoY); FY26 ACV stood at US\$1.8 bn (up 22% YoY)

Other Points:

- Management highlighted significant AI roadmap announcements across ecosystem players including Anthropic, OpenAI, NVIDIA, Microsoft, Google, Snowflake and Databricks
- Management expects pace of AI adoption to accelerate materially over coming quarters, led initially by technology companies
- Management indicated platform investments are aimed at helping clients realize measurable AI value through internal IP combined with partner technologies
- SASVA remains the central platform for engineering hyper-productivity use cases
- SASVA adoption has progressed from individual productivity to team intelligence and enterprise-scale execution over recent quarters, making AI adoption repeatable across verticals
- Management stated AI strategy has moved from foundational framework to platform-led execution capable of scaled client adoption
- BFSI growth strategy is anchored on three execution pillars: specialized sub-vertical focus, deeper investment in product engineering/data modernization/cloud transformation, and sharper focus on top 30 clients alongside strategic new wins
- Management indicated increasing positioning as a challenger against tier-one outsourcing firms in BFSI deals. BFSI clients are prioritizing margin improvement, stronger operations and capital efficiency through platform modernisation
- Management indicated spending is shifting from business-as-usual programmes toward transformation programmes that prepare clients for enterprise AI adoption
- Four BFSI focus areas were outlined: AI-led software engineering, payments and digital assets, data infrastructure and non-linear cost transformation
- Middle East geopolitical developments were described as having negligible direct business impact due to near-zero revenue exposure to that region
 - Management indicated prolonged conflict could indirectly affect the sector through sustained higher oil prices and resulting inflationary pressure
 - Potential macro impact from oil and inflation was described as sector-wide rather than company-specific
- Management stated confidence in continued market share gains supported by AI investments despite macro uncertainty
- Demand outlook was characterized as cautiously optimistic under current conditions

- US\$2bn FY27 target was reiterated as a run-rate objective rather than full-year revenue target. Management indicated progress toward US\$2 bn run rate remains on track
 - Current confidence remains that the run-rate target can be achieved within planned timeline, with possible deviation of plus or minus one quarter in adverse macro conditions
- FY27 growth pecking order currently places healthcare and life sciences and BFSI at the top
- Technology vertical may face some compression due to faster AI adoption, given technology clients are earliest production adopters
 - Even if SDLC cannibalisation occurs in technology, management expects sufficient new outsourcing opportunity and market share rotation to offset pressure
- Margin aspiration remains in the 16% to 17% range
- Margin expansion remains secondary to growth and capability investment priorities
- Primary priority remains reinvestment into business and capability development, with margin maintenance or gradual improvement pursued alongside growth
- AI adoption in healthcare and life sciences and BFSI is progressing, but remains slower due to regulations
- Top five client mix includes two BFSI accounts, one technology account and one healthcare and life sciences account
 - Softness in top five accounts was not attributed to any structural vertical-specific weakness
 - Part of quarterly softness was linked to delivery optimisation (cost saving benefit offered to clients) and offshoring within large accounts
 - Relationships with top five customers were described as strong and continuing to scale well
- Healthcare vertical growth remained strong despite industry headwinds seen by larger peers in payer accounts. Management indicated overlap exists with larger peers in several common healthcare customer accounts. Within shared healthcare accounts, growth has continued despite broader sector pressure. Management attributed healthcare resilience to strength of offerings and account relationships
- India revenue growth in the quarter was described as non-recurring and classification-led rather than reflecting underlying domestic demand
 - A renewal from one IP customer within accelerite business (IP business) was billed in rupee terms through a GCC and therefore classified under India revenue. Management indicated this classification inflated India revenue for the quarter. Absent this classification effect, North America growth would have been higher and India revenue lower. Management expects this revenue classification distortion to reverse in the next quarter

- Europe declined 1.8% QoQ
 - Europe softness was attributed to customer-level puts and takes
 - Management indicated Europe remains a geography where they would want to double down
- Private equity remains an important channel, with exposure spanning both direct PE relationships and PE-owned portfolio companies
 - US market now has more PE-owned companies than listed public companies, particularly across enterprise software. Several enterprise software companies have shifted from public to private ownership over the last four to five years under private equity ownership
 - Current SaaS disruption was described as an opportunity rather than a risk for the company
 - Management expects opportunity to expand by helping PE-owned software businesses improve margins through AI-led productivity platforms
 - Recent senior leadership investment in PE vertical was intended to deepen enterprise software engagement at scale
- Annual intangible investment toward platform development remains in the range of US\$8 mn to US\$9 mn
- Use of third-party AI platforms such as Anthropic, OpenAI, Gemini and Copilot is expected to remain integrated into service delivery rather than alter quarterly seasonality
 - Management does not expect revenue seasonality to materially increase due to changing mix between internal IP and third-party AI platforms
- Third-party platform selection depends on customer technology preference
- Token cost may either be borne by the company or customer depending on contract structure
- Use of third-party AI platforms is expected to be margin neutral or margin accretive. Management indicated AI-led delivery should improve productivity through lower people intensity and higher technology leverage, preventing margin dilution
- Board recommended final dividend of Rs.18 per share on face value of Rs.5 per share
- Total dividend for FY26 including interim dividend stood at Rs.40 per share versus Rs.35 in FY25

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.

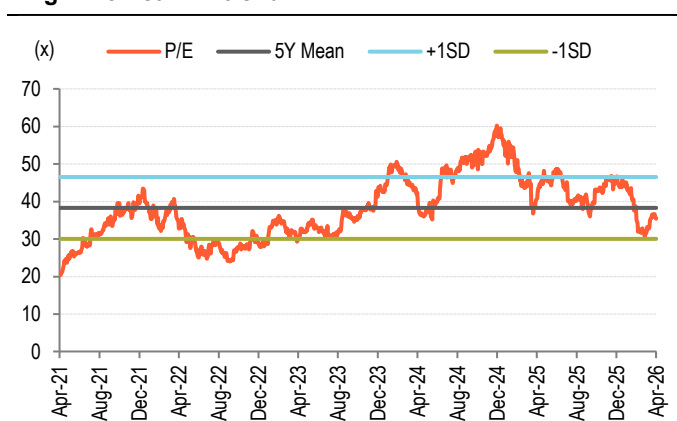
Also, some of the Tier-2s have been underperforming on the growth front, being discretionary project-oriented businesses struggling to pivot to a cost-take-out-driven demand environment.

Fig 1 – Quarterly results: Comparison of actuals with estimates

Y/E March (Rs mn)	4QFY25	3QFY26	4QFY26	YoY (%)	QoQ (%)	4QFY26E	Dev (%)
Net Sales (USD mn)	375.2	422.6	436.1	16.2	3.2	439.3	(0.7)
Net Sales	32,421	37,782	40,559	25.1	7.4	40,196	0.9
Direct Cost	21,117	24,128	26,247	24.3	8.8	25,639	2.4
% of Sales	65.1	63.9	64.7			63.8	
Gross Margin	11,304	13,655	14,312	26.6	4.8	14,557	(1.7)
% of Sales	34.9	36.1	35.3			36.2	
SG&A	5,460	6,331	6,635	21.5	4.8	6,782	(2.2)
% of Sales	16.8	16.8	16.4			16.9	
EBITDA	5,844	7,324	7,677	31.4	4.8	7,775	(1.3)
EBITDA Margin (%)	18.0	19.4	18.9			19.3	
Depreciation and Amortisation	791	1,006	1,085			1,026	5.8
EBIT	5,053	6,318	6,592	30.5	4.3	6,749	(2.3)
EBIT Margin (%)	15.6	16.7	16.3			16.8	
Other Income, Net	154	301	136	(11.2)	(54.7)	236	(42.2)
Forex Gain/(Losses)	(154)	(78)	12	(107.7)	(115.2)	50	
PBT	5,052	6,540	6,740	33.4	3.1	7,035	(4.2)
Provision for Tax	1,095	1,453	1,447	32.2	(0.4)	1,653	(12.5)
Effective Tax Rate	21.7	22.2	21.5			23.5	
Adjusted PAT	3,958	5,087	5,293	33.7	4.0	5,382	
Margin (%)	12.2	13.5	13.0			13.4	
Less: Exceptional Item	-	693	-			-	
PAT	3,958	4,395	5,293	33.7	20.4	5,382	(1.7)
NPM (%)	12.2	11.6	13.0			13.4	

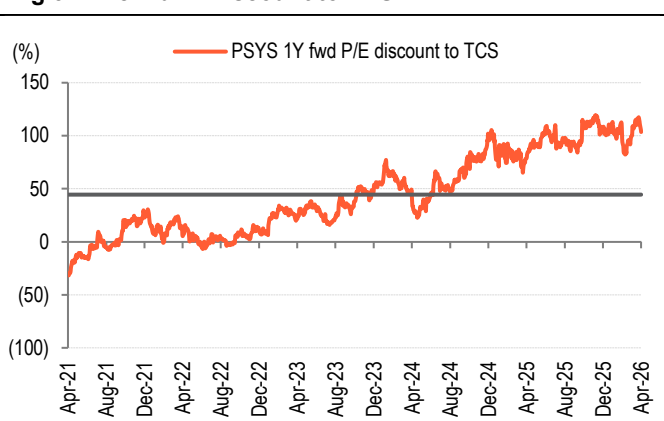
Source: Company, BOBCAPS Research

Fig 2 – 5 Year PE trend



Source: Bloomberg, BOBCAPS Research

Fig 3 – Premium/ Discount to TCS



Source: Bloomberg, BOBCAPS Research

Fig 4 – Revised Estimates

Change in 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)	1,886	2,154	2,460	1,901	2,171	2,479	(0.8)	(0.8)	(0.8)
USD Revenue Growth (%)	14.0	14.2	14.2	14.7	14.2	14.2			
Revenue (Rsmn)	177,105	204,405	235,886	178,486	205,999	237,726	(0.8)	(0.8)	(0.8)
EBIT (Rsmn)	29,049	34,197	39,146	29,724	34,471	39,872	(2.3)	(0.8)	(1.8)
EBIT Margin (%)	16.4	16.7	16.6	16.7	16.7	16.8			
PAT (Rsmn)	23,024	27,129	31,120	24,056	28,034	32,591	(4.3)	(3.2)	(4.5)
FDEPS (Rs)	145.9	172.0	197.3	152.9	178.2	207.2	(4.6)	(3.5)	(4.8)
Adjusted PAT	23,024	27,129	31,120	24,056	28,034	32,591	(4.3)	(3.2)	(4.5)
Adjusted EPS	145.9	172.0	197.3	152.9	178.2	207	(4.6)	(3.5)	(4.8)

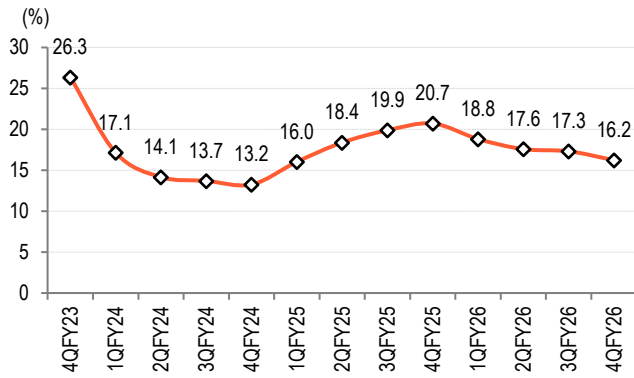
Source: BOBCAPS Research

Fig 5 – P&L at a glance

YE March (Rs mn)	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Average INR/USD	61.3	65.6	67.1	64.5	70.0	71.1	74.0	74.5	80.5	82.8	84.7	89.0	93.9	94.9	95.9
Net Sales (USD mn)	308	352	429	471	481	502	566	766	1,036	1,186	1,409	1,655	1,886	2,154	2,460
YoY Growth (%)	12.4	14.2	22.0	9.7	2.2	4.3	12.9	35.2	35.3	14.5	18.8	17.4	14.0	14.2	14.2
Net Sales	18,913	23,123	28,784	30,337	33,659	35,658	41,879	57,107	83,506	98,217	119,387	147,485	177,105	204,405	235,886
YoY Growth (%)	13.3	22.3	24.5	5.4	11.0	5.9	17.4	36.4	46.2	17.6	21.6	23.5	20.1	15.4	15.4
Cost of Sales & Services	11,317	14,305	18,518	19,704	21,378	23,494	27,650	37,895	55,315	65,231	78,740	94,874	115,086	133,296	152,357
% of sales	59.8	61.9	64.3	65.0	63.5	65.9	66.0	66.4	66.2	66.4	66.0	64.3	65.0	65.2	64.6
Gross Margin	7,596	8,819	10,266	10,633	12,281	12,164	14,229	19,213	28,191	32,986	40,647	52,610	62,020	71,108	83,529
% of sales	40.2	38.1	35.7	35.0	36.5	34.1	34.0	33.6	33.8	33.6	34.0	35.7	35.0	34.8	35.4
SG&A	3,690	4,647	5,727	5,946	6,476	7,234	7,398	9,631	12,999	15,729	20,066	24,656	28,253	31,591	38,460
% of sales	19.5	20.1	19.9	19.6	19.2	20.3	17.7	16.9	15.6	16.0	16.8	16.7	16.0	15.5	16.3
EBITDA	3,906	4,171	4,539	4,687	5,805	4,930	6,830	9,582	15,191	17,257	20,581	27,955	33,767	39,517	45,069
% of sales	20.7	18.0	15.8	15.4	17.2	13.8	16.3	16.8	18.2	17.6	17.2	19.0	19.1	19.3	19.1
Depreciation and Amortization	939	965	1,490	1,585	1,573	1,660	1,756	1,660	2,719	3,094	3,069	4,030	4,718	5,321	5,923
EBIT	2,967	3,206	3,049	3,102	4,233	3,270	5,075	7,922	12,472	14,163	17,512	23,925	29,049	34,197	39,146
% of sales	15.7	13.9	10.6	10.2	12.6	9.2	12.1	13.9	14.9	14.4	14.7	16.2	16.4	16.7	16.6
Other income (net)	932	750	958	1,190	631	1,254	1,020	1,321	(64)	327	710	1,078	853	1,036	1,269
PBT	3,900	3,956	4,007	4,292	4,863	4,524	6,094	9,243	12,409	14,490	18,223	25,002	29,902	35,233	40,416
-PBT margin (%)	20.6	17.1	13.9	14.1	14.4	12.7	14.6	16.2	14.9	14.8	15.3	17.0	16.9	17.2	17.1
Provision for tax	993	983	992	1,062	1,347	1,121	1,588	2,339	3,198	3,541	4,222	5,461	6,877	8,104	9,296
Effective tax rate (%)	25.5	24.8	24.8	24.7	27.7	24.8	26.1	25.3	25.8	24.4	23.2	21.8	23.0	23.0	23.0
Net profit	2,906	2,974	3,015	3,231	3,517	3,403	4,507	6,904	9,211	10,949	14,001	19,542	23,024	27,129	31,120
-Growth (%)	16.6	2.3	1.4	7.2	8.9	-3.2	32.4	53.2	33.4	18.9	27.9	33.2	23.4	17.8	14.7
-Net profit margin (%)	15.4	12.9	10.5	10.6	10.4	9.5	10.8	12.1	11.0	11.1	11.7	13.2	13.0	13.3	13.2
Adjusted Net Profit	2,906.3	2,973.6	3,014.7	3,230.6	3,516.8	3,403.1	4,506.8	6,903.9	9,210.9	10,948.9	14,001.0	19,343.9	23,024.2	27,129.4	31,119.9
Adjusted Net Profit (%)	15.4	12.9	10.5	10.6	10.4	9.5	10.8	12.1	11.0	11.1	11.7	13.1	13.0	13.3	13.2

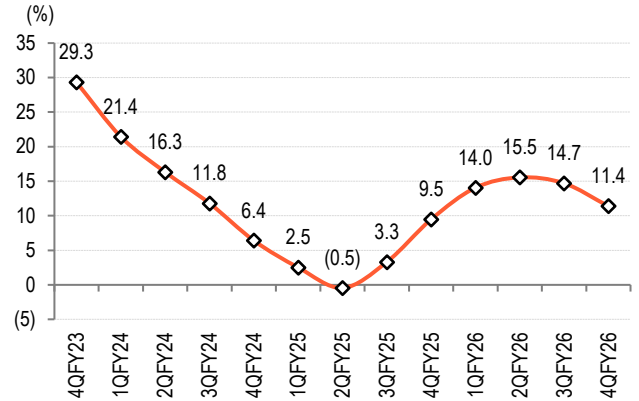
Source: Company, BOBCAPS Research

Fig 6 – USD Revenue growth (YoY)



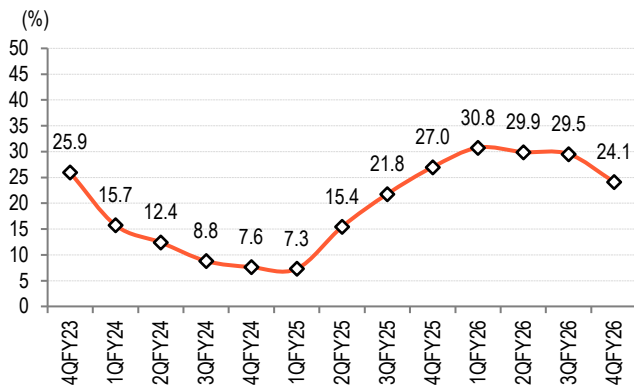
Source: Company, BOBCAPS Research

Fig 7 – USD Revenue growth of Hi-Tech vertical (YoY)



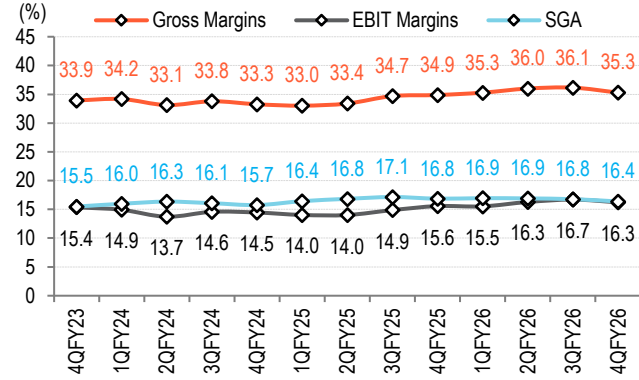
Source: Company, BOBCAPS Research

Fig 8 – USD Revenue growth of BFSI vertical (YoY)



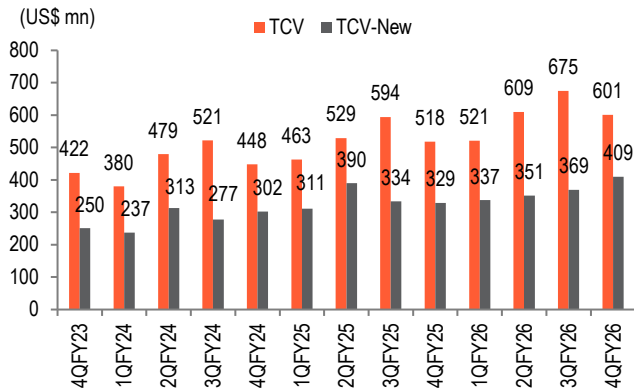
Source: Company, BOBCAPS Research

Fig 9 – Gross Margin, SG&A and EBIT Margin



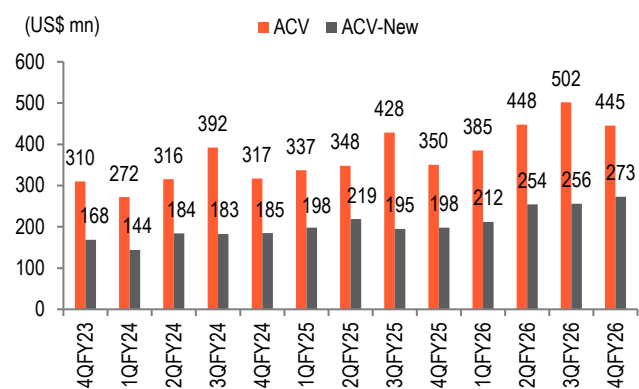
Source: Company, BOBCAPS Research

Fig 10 – The TCV trend



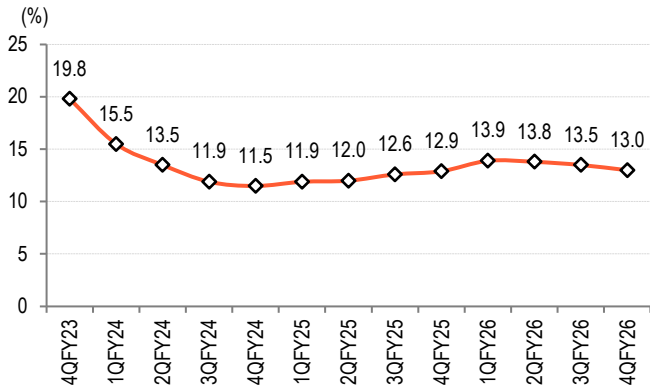
Source: Company, BOBCAPS Research

Fig 11 – The ACV trend



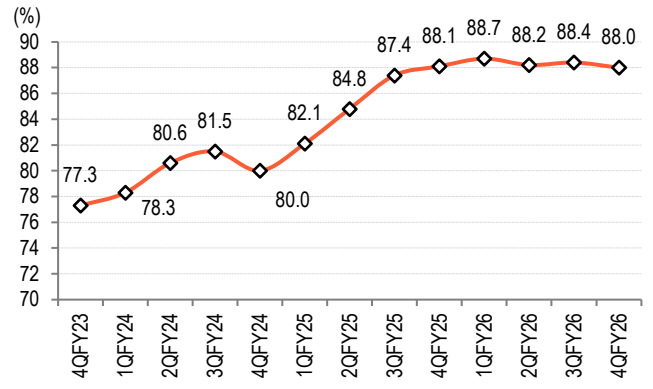
Source: Company, BOBCAPS Research

Fig 12 – TTM Attrition Rate (%)



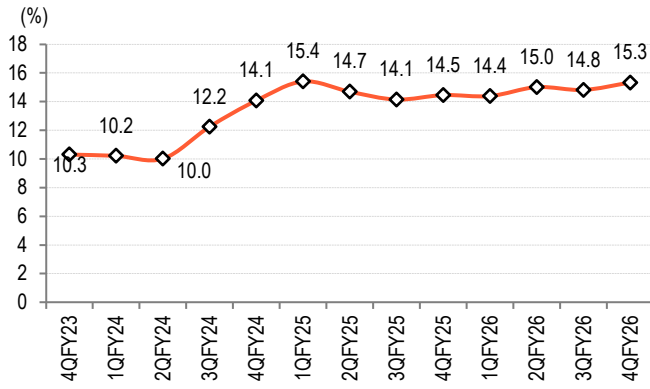
Source: Company, BOBCAPS Research

Fig 13 – Employee Utilization (including trainees)



Source: Company, BOBCAPS Research

Fig 14 – Subcontractor Cost (Professional Cost) as % of Revenue



Source: Company, BOBCAPS Research

Fig 15 – Quarterly Snapshot

Year to 31 March	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	4QFY26
Rs mn													
INR/USD	82.1	82.1	82.7	83.1	83.3	83.4	83.9	85.0	86.4	85.5	88.2	89.4	93.0
USD Revenue (USD mn)	275	283	292	301	311	328	345	360	375	390	406	423	436
INR Revenue	22,545	23,212	24,117	24,982	25,906	27,372	28,972	30,623	32,421	33,336	35,807	37,782	40,559
Gross Margin	7,651	7,933	7,990	8,443	8,620	9,043	9,678	10,622	11,304	11,760	12,883	13,655	14,312
SGA	3,488	3,704	3,938	4,012	4,075	4,491	4,870	5,244	5,460	5,644	6,046	6,331	6,635
EBITDA	4,163	4,229	4,052	4,431	4,545	4,552	4,807	5,378	5,844	6,116	6,838	7,324	7,677
Dep & Amortization	697	763	744	787	799	712	745	821	791	938	1,001	1,006	1,085
EBIT	3,466	3,466	3,308	3,644	3,745	3,840	4,062	4,557	5,053	5,178	5,837	6,318	6,592
Other income (net)	(60)	90	250	262	210	165	283	263	(1)	376	331	222	148
PBT	3,406	3,070	3,558	3,906	3,956	4,005	4,345	4,820	5,052	5,554	6,168	5,650	6,740
Tax	891	783	925	1,032	802	941	1,095	1,091	1,095	1,305	1,454	1,255	1,447
PAT	2,515	2,288	2,633	2,874	3,154	3,064	3,250	3,730	3,958	4,249	4,715	4,395	5,293
YoY Growth (%)													
USD Revenue	26.3	17.1	14.1	13.7	13.2	16.0	18.4	19.9	20.7	18.8	17.6	17.3	16.2
INR Revenue	37.6	23.6	17.7	15.2	14.9	17.9	20.1	22.6	25.1	21.8	23.6	23.4	25.1
Gross Profit	38.6	25.0	16.5	15.1	12.7	14.0	21.1	25.8	31.1	30.0	33.1	28.5	26.6
EBIT	50.7	29.0	10.8	9.4	8.1	10.8	22.8	25.1	34.9	34.8	43.7	38.6	30.5
Net Profit	25.1	8.1	19.7	20.8	25.4	33.9	23.4	29.8	25.5	38.7	45.1	17.8	33.7
QoQ Growth (%)													
USD Revenue	3.85	3.0	3.1	3.0	3.4	5.6	5.2	4.3	4.2	3.9	4.1	4.1	3.2
INR Revenue	3.9	3.0	3.9	3.6	3.7	5.7	5.8	5.7	5.9	2.8	7.4	5.5	7.4
EBIT	4.0	0.0	(4.6)	10.2	2.8	2.5	5.8	12.2	10.9	2.5	12.7	8.2	4.3
Net Profit	5.7	(9.0)	15.1	9.2	9.7	(2.9)	6.1	14.8	6.1	7.4	10.9	(6.8)	20.4
Margins (%)													
Gross Margin	33.9	34.2	33.1	33.8	33.3	33.0	33.4	34.7	34.9	35.3	36.0	36.1	35.3
SGA	15.5	16.0	16.3	16.1	15.7	16.4	16.8	17.1	16.8	16.9	16.9	16.8	16.4
EBITDA	18.5	18.2	16.8	17.7	17.5	16.6	16.6	17.6	18.0	18.3	19.1	19.4	18.9
EBIT	15.4	14.9	13.7	14.6	14.5	14.0	14.0	14.9	15.6	15.5	16.3	16.7	16.3
PBT	15.1	13.2	14.8	15.6	15.3	14.6	15.0	15.7	15.6	16.7	17.2	15.0	16.6
PAT	11.2	9.9	10.9	11.5	12.2	11.2	11.2	12.2	12.2	12.7	13.2	11.6	13.0

Source: Company, BOBCAPS Research

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Total revenue	119,387	147,485	177,105	204,405	235,886
EBITDA	20,581	27,955	33,767	39,517	45,069
Depreciation	3,069	4,030	4,718	5,321	5,923
EBIT	17,512	23,925	29,049	34,197	39,146
Net interest inc./(exp.)	0	0	0	0	0
Other inc./(exp.)	710	1,078	853	1,036	1,269
Exceptional items	0	0	0	0	0
EBT	18,223	25,002	29,902	35,233	40,416
Income taxes	4,222	5,461	6,877	8,104	9,296
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	14,001	19,542	23,024	27,129	31,120
Adjustments	0	0	0	0	0
Adjusted net profit	14,001	19,542	23,024	27,129	31,120

Balance Sheet

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Accounts payables	0	0	0	0	0
Other current liabilities	17,299	28,672	33,023	38,112	43,980
Provisions	4,029	570	657	758	875
Debt funds	0	0	0	0	0
Other liabilities	2,848	6,144	6,144	6,144	6,144
Equity capital	779	789	789	789	789
Reserves & surplus	62,411	77,590	90,253	105,174	122,290
Shareholders' fund	63,191	78,379	91,042	105,963	123,079
Total liab. and equities	87,366	113,765	130,866	150,977	174,078
Cash and cash eq.	10,255	12,183	18,847	27,770	38,856
Accounts receivables	19,142	22,231	25,605	29,550	34,100
Inventories	0	0	0	0	0
Other current assets	18,926	30,358	34,965	40,352	46,565
Investments	9,803	16,148	18,148	20,148	22,148
Net fixed assets	13,805	15,232	15,689	15,543	14,795
CWIP	42	107	107	107	107
Intangible assets	12,338	13,597	13,597	13,597	13,597
Deferred tax assets, net	2,024	3,460	3,460	3,460	3,460
Other assets	1,031	450	450	450	450
Total assets	87,366	113,765	130,866	150,977	174,078

Cash Flows

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Cash flow from operations	8,433	17,789	24,200	28,306	32,265
Capital expenditures	(3,787)	(3,849)	(3,330)	(3,330)	(3,330)
Change in investments	(1,367)	(4,903)	(2,000)	(2,000)	(2,000)
Other investing cash flows	0	0	0	0	0
Cash flow from investing	(5,154)	(8,751)	(5,330)	(5,330)	(5,330)
Equities issued/Others	9	10	0	0	0
Debt raised/repaid	51	176	0	0	0
Interest expenses	0	0	0	0	0
Dividends paid	(5,387)	(8,574)	(10,361)	(12,208)	(14,004)
Other financing cash flows	0	0	0	0	0
Cash flow from financing	(5,327)	(8,389)	(10,361)	(12,208)	(14,004)
Chg in cash & cash eq.	26	1,928	6,664	8,923	11,086
Closing cash & cash eq.	10,255	12,183	18,847	27,770	38,856

Per Share

Y/E 31 Mar (Rs)	FY25A	FY26A	FY27E	FY28E	FY29E
Reported EPS	91.2	119.7	147.2	173.4	198.9
Adjusted EPS	90.2	118.9	145.9	172.0	197.3
Dividend per share	34.9	54.8	66.2	78.0	89.5
Book value per share	405.4	496.8	577.1	671.7	780.2

Valuations Ratios

Y/E 31 Mar (x)	FY25A	FY26A	FY27E	FY28E	FY29E
EV/Sales	7.1	5.7	4.8	4.2	3.7
EV/EBITDA	41.0	30.2	25.2	21.7	19.2
Adjusted P/E	59.1	44.8	36.5	31.0	27.0
P/BV	13.1	10.7	9.2	7.9	6.8

DuPont Analysis

Y/E 31 Mar (%)	FY25A	FY26A	FY27E	FY28E	FY29E
Tax burden (Net profit/PBT)	76.8	77.4	77.0	77.0	77.0
Interest burden (PBT/EBIT)	104.1	100.8	102.9	103.0	103.2
EBIT margin (EBIT/Revenue)	14.7	16.2	16.4	16.7	16.6
Asset turnover (Rev./Avg TA)	211.3	207.7	208.3	206.8	205.4
Leverage (Avg TA/Avg Equity)	1.0	1.0	1.0	1.0	1.0
Adjusted ROAE	24.8	26.3	27.2	27.5	27.2

Ratio Analysis

Y/E 31 Mar	FY25A	FY26A	FY27E	FY28E	FY29E
YoY growth (%)					
Revenue	21.6	23.5	20.1	15.4	15.4
EBITDA	19.3	35.8	20.8	17.0	14.0
Adjusted EPS	26.7	31.8	22.8	17.8	14.7
Profitability & Return ratios (%)					
EBITDA margin	17.2	19.0	19.1	19.3	19.1
EBIT margin	14.7	16.2	16.4	16.7	16.6
Adjusted profit margin	11.7	13.2	13.0	13.3	13.2
Adjusted ROAE	24.8	27.6	27.2	27.5	27.2
ROCE	23.8	26.1	26.3	26.6	26.2
Working capital days (days)					
Receivables	59	55	53	53	53
Inventory	NA	NA	NA	NA	NA
Payables	NA	NA	NA	NA	NA
Ratios (x)					
Gross asset turnover	8.6	9.7	11.3	13.2	15.9
Current ratio	2.3	2.2	2.4	2.5	2.7
Net interest coverage ratio	NA	NA	NA	NA	NA
Adjusted debt/equity	(0.2)	(0.2)	(0.2)	(0.3)	(0.3)

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

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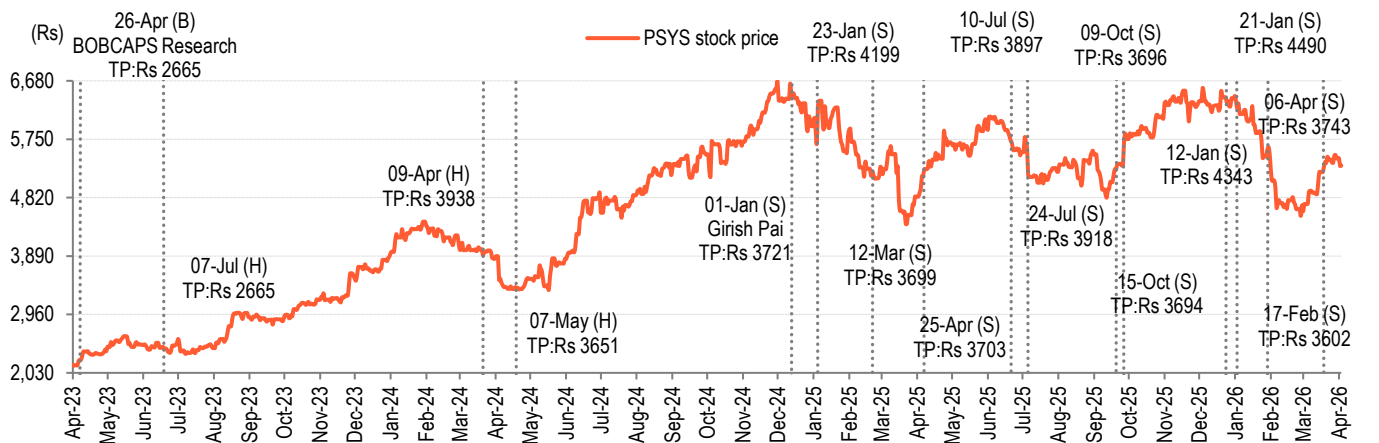
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- HOLD** – Expected return from -6% to +15%
- SELL** – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

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