RESULT REVIEW

HOLD

TP: Rs 1,985 | ∀ 3%

TATA CONSULTANCY SERVICES

| IT Services | 10 July 2026

Inline soft quarter

- **1Q broadly met low expectations. USD international revenue was marginally down QoQ. Consumer vertical at -4% QoQ was a drag**
- **TCS sounded positive on 2Q based on revival in some verticals and pent-up demand. We stay cautious and expect flat QoQ revenue**
- **Accord Target PE of 12.7x on June 2028 EPS. Current stock price implies mid-single digit terminal growth in our DCF. Retain HOLD**

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1Q growth driven by India and select verticals: Revenue growth was up 0.4% QoQ in CC terms and with India (~6% of revenue) growing by 7.6%. North America and Continental Europe were down QoQ modestly. In USD terms international revenue was modestly down 0.2%. BFSI, Technology and services and Regional market drove growth. Consumer vertical was sharply lower by 4%, impacted by end of some large projects, inflationary and macro pressures.

TCS sounds positive on 2Q: Driven by continued growth in BFSI, expectations of revival in Manufacturing and Life Sciences on the back of deal wins and improving client conversations. TCS believes there is pent up technology demand. We are cautious and are currently building a flat quarter QoQ.

Expect FY27 to be a growth year but very modestly: After clocking a 2.4% YoY revenue decline in CC terms in FY26 we think FY27 will be a growth year – just about – due to constrained spending on services, productivity pass back and AI deflation on its large legacy book of business and loss of share.

Value it at 12.7x June 2028 EPS and maintain HOLD rating: Post 1QFY27, EPS estimates for FY27-FY29 raised by 2-3% largely driven by higher other income. We value TCS at a Target PE multiple of 12.7x which is at 10% discount to the benchmark (We changed our valuation methodology, see recent sector (**'Show me the growth' phase will keep valuations compressed**). The low multiple is a function of what we believe is low single digit organic CC growth that we expect from Indian Tier-1 companies in the foreseeable future as large legacy services books get deflated due to AI and new AI reinvention services are not sizable enough to counter. This is particularly the case with TCS which has the largest revenue book at ~US$30bn, While stock may appear cheap based on past 5-year or 10-year PE history a reverse DCF analysis indicates that it is pricing in mid-single digit FCF growth for the next 10 years and a slightly higher terminal growth rate both of which are not a given in the current AI disruption environment. Against ~7.4% CAGR seen during FY15-FY20 in USD organic revenue growth we will see ~1-3% CAGR over FY26-FY30. Our target PE multiple also partly captures relevance risk in the era of advanced AI models.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	TCS IN/Rs 2,050
Market cap	US$ 78.1bn
Free float	28%
3M ADV	US$ 118.1mn
52wk high/low	Rs 3,399/Rs 1,977
Promoter/FPI/DII	72%/10%/13%

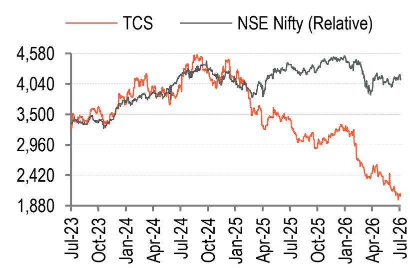
Source: NSE | Price as of 9 Jul 2026

Key financials

Y/E 31 Mar	FY26A	FY27E	FY28E
Total revenue (Rs mn)	2,670,210	2,885,629	2,951,704
EBITDA (Rs mn)	723,980	750,725	772,182
Adj. net profit (Rs mn)	526,491	547,985	561,427
Adj. EPS (Rs)	136.0	151.5	155.2
Consensus EPS (Rs)	136.0		155.6
Adj. ROAE (%)	51.6	49.4	46.8
Adj. P/E (x)	15.1	13.5	13.2
EV/EBITDA (x)	10.4	10.2	10.0
Adj. EPS growth (%)	1.4	11.4	2.5

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Key Points from the quarter and the earnings call

- Revenue stood at US$7,624mn, growing 0.4% QoQ (broadly in line with our 'flat revenue growth' estimate) and 3.2% YoY, in CC terms
    - Growth was led by BFSI, Technology, Software and Services, Regional Markets, and Products and Platforms
- AI services annualized revenue stood at US$2.6 bn at the end of 1QFY27, up 13.6%
- Vertical Growth (QoQ CC terms): BFSI: 1.6%, Consumer Business: -4%, Life Sciences & Healthcare: -1%, Manufacturing: -0.5%, Technology & Services: 1.7%, Communication & Media: 0.3%, Energy, Resources and Utilities: -0.7%, Regional Markets & Others: 4%
- EBIT Margin stood at 24% (slightly below our estimate of 24.3%), declining 130 bps QoQ and 50 bps YoY
    - Quarter Headwind and Tailwinds: Annual salary increments for the workforce impacted margins by 170 bps. Investments in strengthening the partner ecosystem were partly offset by 40 bps of currency benefit and operational efficiencies
    - Investments continue across AI capabilities, talent transformation, partner ecosystems, platforms, domain solutions and go-to-market capacity
    - Operational focus continues on pyramid optimization, productivity improvement, better resource fulfillment, automation and disciplined cost management
- **Order inflow TCV stood at US$9.5 bn (down 21% QoQ and up 1% YoY); North America TCV at US$4.7 bn; BFSI TCV at US$2.5 bn, Consumer Business TCV at US$1.4 bn**
- Closing headcount: 593,798, increasing 1.6% sequentially; Voluntary LTM attrition at 13.6% in IT Services. **An net addition of ~10,000 people for the very first time in many quarters.**
- Ongoing geopolitical conflicts continued to weigh on the demand environment during the quarter. Clients deferred certain projects during the quarter due to the prevailing macroeconomic and geopolitical uncertainties
- **Despite near-term uncertainties, demand is expected to resume sometime during 2Q. Expectation of demand improvement in 2Q is supported by a significant pent-up technology backlog across clients (according to TCS). Overall outlook for 2Q demand remains optimistic**

Segmental Commentary:

- BFSI delivered good growth across geographies
    - BFSI outlook remains positive with optimism on sustained growth in the segment

- Technology, Software and Services continued its growth momentum
  - Won several large and mid-sized deals in the Technology, Software and Services segment, including a multimillion-dollar deal with ServiceNow
  - Technology Services is expected to continue growing
- **Consumer Business Group performance during the quarter was driven by a combination of inflationary pressures and ongoing geopolitical uncertainties impacting discretionary spend**
  - Client priorities are focused on managing increasing costs
  - Growth initiatives remain selective, centered on targeted areas that can deliver scalable impact without increasing risk exposure
  - Retail has been more significantly impacted by geopolitical developments, particularly in non-essential retail
  - **Large deal wins in Consumer during the previous year were offset by the completion of a few large projects. Revenue contribution from newly signed large consumer deals is still ramping up and has not yet fully offset the impact of completed large projects. Growth is expected to improve over the coming quarters as recently signed large deals continue to ramp up**
  - Consumer Business Group recovery is expected as market sentiment around geopolitical developments improves
- Life Sciences and Healthcare declined during the quarter
  - Core demand for AI transformation, automation and compliance initiatives remains intact with recovery expected soon
  - Life Sciences is one vertical where a stronger uptick is becoming visible. It is expected to turn around in 2Q
- Manufacturing continued to show softness in certain segments, including auto
  - Decision-making was influenced by tariff pressure, macro uncertainty, EV recalibration, supply chain resilience and cost discipline
  - **Manufacturing exposure is concentrated in Europe, particularly in automotive and auto components, where multiple factors have affected demand.**
  - Outlook remains positive based on multiple net new deal wins signed during the quarter. Manufacturing is expected to turn around in 2Q
- In CM, industry headwinds continued and the segment delivered modest growth
- ER&U declined slightly during the quarter
  - Growth prospects remain positive, supported by AI infrastructure buildout, electrification, renewables, energy security and mining critical materials

- Regional Markets growth was driven by India and Public Services
- Current demand environment provides management the confidence that TCS is well positioned to convert demand into stronger growth as client spending normalizes and AI adoption scales across enterprises

Other Points:

- Client priorities increasingly aligned with company's focus areas - AI-led transformation, modernization, cybersecurity, sovereign platforms, rationalization and vendor consolidation
- AI demand continued across IT operations, software engineering modernization, business process transformation and enterprise platform implementation
- Agentic AI has rapidly become central to customer discussions
- Growing AI adoption is making AI governance a top enterprise priority.
- Enterprises are combining agentic capabilities from existing tool investments with contextual agents to improve productivity, resilience and time to market
- **Business process transformation using Agentic AI represents a significant opportunity across industries**
- Enterprises are redesigning workflows with AI while driving process optimization through AI
- Domain-specific workflow blueprints and agentic vertical platforms with pre-built agents across industry domains are being developed to accelerate business transformation
- AI model capabilities continue to evolve rapidly and the latest advances are being integrated into services, platforms and solutions in collaboration with partners
- Talent strategy continues to combine fresher hiring, experienced professionals and sustained talent development. Campus hiring remains focused on digital and AI-native talent
- Investments continue in training pipeline and deployment readiness through experiential project-based learning while gradually moving towards a more skill-centric employee pyramid
- Lateral hiring remains focused on domain-specific and AI-native talent
- Increase in SG&A investments is primarily driven by employee-related investments, spending on partnerships and targeted investments and some charges related to M&A activities
- **Productivity gains passed on to clients are typically in the range of 10% to 15%**
- **Incremental AI revenue can vary across quarters as AI revenue is different from traditional ADM revenue and has a lesser annuity component. AI**

revenue is expected to remain lumpy across quarters because of the non-recurring nature of the work

- The concept of rapid build engineers is similar to Forward Deployed Engineers, difference being Forward Deployed Engineers possess multiple skills with deep expertise in one technical or domain area and use a toolkit to solve client problems
    - FDE deployments typically begin with solving a client problem before deploying squads and engineers
    - **Target is for at least 1% of the employee base to meet the Forward Deployed Engineer capability during FY27**
- Management does not believe AI will result in a drastic reduction in the workforce
- AI is expected to create multiple new opportunities rather than reduce overall white-collar employment
- Recent mega deals share common characteristics, including AI-led optimization of existing operations and partnership with clients on business transformation
- **Order book mix has seen only a very marginal shift towards more transformative deals. There has not been a significant change in the orderbook mix between renewals and net new deals**
- Objective remains to make necessary investments while moving margins closer to FY25 levels over the medium term

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 ~2-3% CAGR over FY25-FY30 in constant currency (CC) terms.

We believe the 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

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 12-24 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. In AI reinvention services we see a new set of competitors come in the forms of AI deployment companies from Anthropic, Open AI, Microsoft, Google etc. While professional services companies of software players did not make much of an impact in the past, we believe the situation could be different this time. With the requirement of a large army of offshore bodies being taken away by AI models we believe players with high technical skills and deep domain and workflow expertise will become competitors. We will have a number of players from other industries as well senior management personnel from current incumbents to step out and startup companies and compete with the incumbents.

How we are valuing companies: We are using PE methodology. However, we are moving away from the earlier stance that we had taken of using TCS as our industry benchmark and using 16.8x (average PE multiple of TCS over the last 10 years less 1.5SD) as the Target PE multiple. We have been giving subjective premium/discount to this benchmark target PE to arrive at target PE multiples for the rest of our coverage

Considering the underperformance of TCS in terms of growth in FY26 and the likelihood of that repeating in the foreseeable future we have decided to shift from using TCS as the benchmark and move to Tier-1 PE multiple based valuation. That too using the valuation used in the FY15-FY20 timeframe when the Tier-1 USD revenue CAGR was ~7% in organic terms. Our analysis indicates that Tier-1 (consisting of TCS, Infosys, HCLT, Wipro and Tech Mahindra) were collectively trading at mean multiple of 17.6x forward EPS with an SD of 1.7. We are using 14.1x as the benchmark multiple for the basis of valuation which is mean multiple of Tier-1 companies during this period less 2SD. We have been giving subjective premium/discount to this 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.

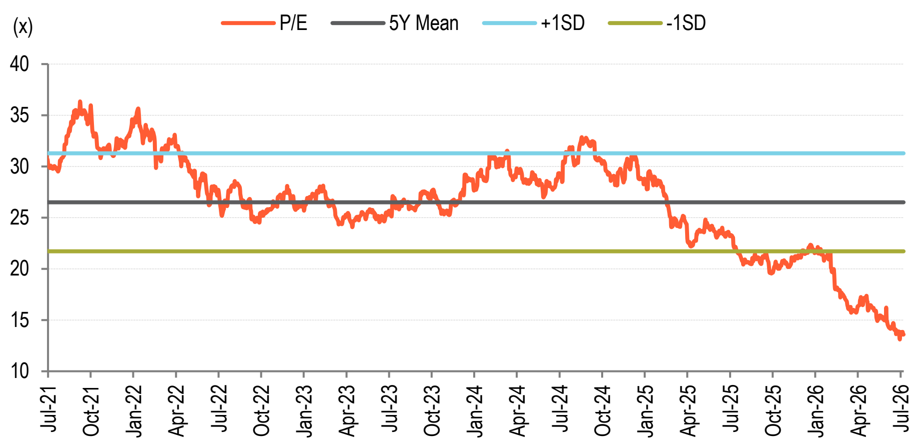
Also, some of the Tier-2s have been underperforming on the growth front, being discretionary project-oriented businesses struggling to pivot to a cost-take-out-driven demand environment.

Fig 1 – Quarterly results: Comparison of actuals with estimates

Y/E Mar (Rsmn)	1QFY26	4QFY26	1QFY27	YoY(%)	QoQ (%)	1QFY27E	Deviation (%)
Net Sales (USD mn)	**7,421**	**7,621**	**7,624**	**2.7**	**0.0**	**7,606**	**0.2**
Net Sales	634,370	706,980	722,750	13.9	2.2	720,265	0.3
Software Expenses	386,120	419,150	436,510	13.1	4.1	435,916	0.1
% of Sales	60.9	59.3	60.4			60.5	
Gross Margin	248,250	287,830	286,240	15.3	(0.6)	284,349	0.7
% of Sales	39.1	40.7	39.6			39.5	
Operating Expenses	93,110	109,130	113,070	21.4	3.6	109,130	3.6
% of Sales	14.7	15.4	15.6			15.2	
EBIT	**155,140**	**178,700**	**173,170**	**11.6**	**(3.1)**	**175,219**	**(1.2)**
EBIT Margin (%)	**24.5**	**25.3**	**24.0**			**24.3**	
Other Income	14,650	4,920	12,950	(11.6)	163.2	1,709	657.9
PBT	169,790	183,620	186,120	9.6	1.4	176,928	5.2
Provision for Tax	41,600	45,780	46,920	12.8	2.5	44,112	6.4
Effective Tax Rate	24.5	24.9	25.2			24.9	
Minority share in Profit / Loss	590	660	710	20.3	7.6	660	7.6
PAT Adjusted	**127,600**	**137,180**	**133,490**	**4.6**	**(2.7)**	**132,156**	**1.0**
Margin (%)	**20.1**	**19.4**	**18.5**			**18.3**	
Less: One-off Items (post tax)			5,000.0				
Reported PAT	127,600	137,180	138,490	8.5	1.0	132,156	4.8
Margin (%)	20.1	19.4	19.2			18.3	

Source: Company, BOBCAPS Research

Fig 2 – 5 Year PE trend



Source: Bloomberg, BOBCAPS Research

Fig 4 – Revised Estimates

TCS	New			Old			Change (%)		
Change in estimates	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
INR/USD	95.1	96.1	97.1	95.1	96.1	97.1	-	-	-
USD Revenue (USD mn)	30,344	30,722	31,341	30,279	30,557	31,173	0.2	0.5	0.5
USD Revenue Growth (%)	1.1	1.2	2.0	0.9	0.9	2.0			
Revenue (Rsbn)	2,886	2,952	3,043	2,879	2,936	3,026	0.2	0.5	0.5
EBIT (Rsbn)	701	719	737	699	721	739	0.4	(0.3)	(0.3)
EBIT Margin (%)	24.3	24.3	24.2	24.3	24.5	24.4			
PAT (Rsbn)	548	561	580	529	549	563	3.5	2.3	3.0
FDEPS (Rs)	150.1	155.2	160.3	146.3	151.6	155.6	2.6	2.3	3.0

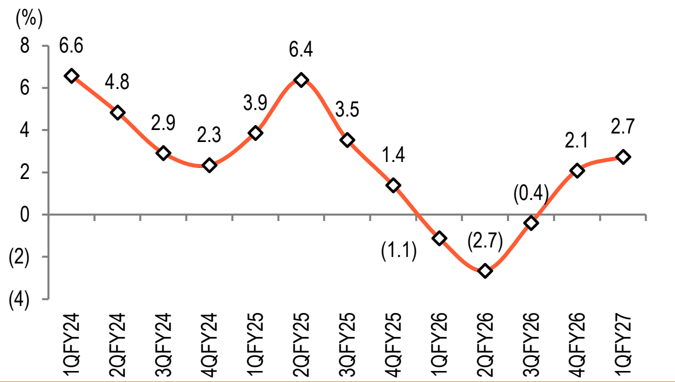
Source: BOBCAPS Research

Fig 5 – P&L at a glance

(YE March) Rs bn	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Average INR/USD	54.5	60.8	61.2	65.6	67.1	64.5	70.1	71.0	74.1	74.6	80.7	82.8	84.6	88.9	95.1	96.1	97.1
Net Sales (USD mn)	**11,569**	**13,443**	**15,454**	**16,544**	**17,575**	**19,089**	**20,913**	**22,032**	**22,174**	**25,707**	**27,927**	**29,080**	**30,179**	**30,017**	**30,344**	**30,722**	**31,341**
-Growth (%)	15.7	16.2	15.0	7.1	6.2	8.6	9.6	5.4	0.6	15.9	8.6	4.1	3.8	(0.5)	1.1	1.2	2.0
Net Sales	**630**	**818**	**946**	**1,086**	**1,180**	**1,231**	**1,465**	**1,569**	**1,642**	**1,918**	**2,255**	**2,409**	**2,553**	**2,670**	**2,886**	**2,952**	**3,043**
-Growth (%)	28.8	29.9		14.8	8.6	4.4	19.0	7.2	4.6	16.8	17.6	6.8	6.0	4.6	8.1	2.3	3.1
Cost of Sales & Services	339	431	525	609	669	713	852	923	971	1,146	1,363	1,436	1,560	1,600	1,735	1,781	1,846
Gross Margin	291	387	421	477	511	518	613	646	670	771	892	973	993	1,070	1,150	1,171	1,196
% of sales	46.2	47.4	44.5	43.9	43.3	42.1	41.9	41.2	40.8	40.2	39.6	40.4	38.9	40.1	39.9	39.7	39.3
SG& A	121	149	167	190	208	213	239	260	246	287	350	380	372	402	449	452	460
% of sales	19.2	18.3	17.6	17.4	17.6	17.3	16.3	16.6	15.0	15.0	15.5	15.8	14.6	15.1	15.6	15.3	15.1
EBIT	**170**	**238**	**254**	**288**	**303**	**305**	**375**	**386**	**425**	**485**	**542**	**593**	**622**	**668**	**701**	**719**	**737**
EBIT Margin (%)	**27.0**	**29.1**	**26.9**	**26.5**	**25.7**	**24.8**	**25.6**	**24.6**	**25.9**	**25.3**	**24.1**	**24.6**	**24.3**	**25.0**	**24.3**	**24.3**	**24.2**
Other income (net)	10	15	31	31	42	36	41	37	25	32	27	37	32	(14)	35	36	42
PBT	180	254	286	318	345	341	416	422	450	517	569	630	653	655	736	754	779
-PBT margin (%)	28.6	31.0	30.2	29.3	29.3	27.7	28.4	26.9	27.4	27.0	25.2	26.2	25.6	24.5	25.5	25.6	25.6
Provision for tax	40	61	67	75	82	82	100	98	115	132	146	163	165	160	186	190	196
Effective tax rate (%)	22.4	23.9	23.3	23.6	23.6	24.1	24.1	23.2	25.5	25.6	25.7	25.8	25.3	24.5	25.2	25.2	25.2
Minority Interest	2	2	2	1	1	1	1	1	1	1	2	2	2	2	3	3	3
Adj Net profit	**138**	**191**	**217**	**242**	**263**	**258**	**315**	**323**	**334**	**383**	**421**	**466**	**486**	**526**	**548**	**561**	**580**
-Growth (%)	**29.9**	**38.2**	**13.5**	**11.6**	**8.6**	**(1.8)**	**21.9**	**2.8**	**3.2**	**14.8**	**10.0**	**10.5**	**4.2**	**1.4**	**11.4**	**2.5**	**3.3**
-Net profit margin (%)	**22.0**	**23.4**	**22.9**	**22.3**	**22.3**	**21.0**	**21.5**	**20.6**	**20.3**	**20.0**	**18.7**	**19.3**	**19.0**	**19.7**	**19.0**	**19.0**	**19.1**

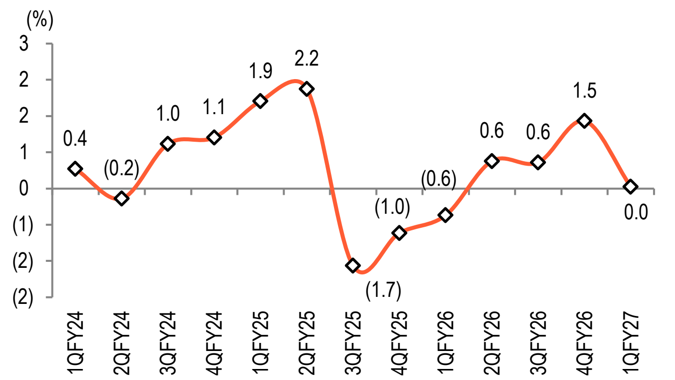
Source: Company, BOBCAPS Research

Fig 6 – US$ revenue growth rate (YoY)



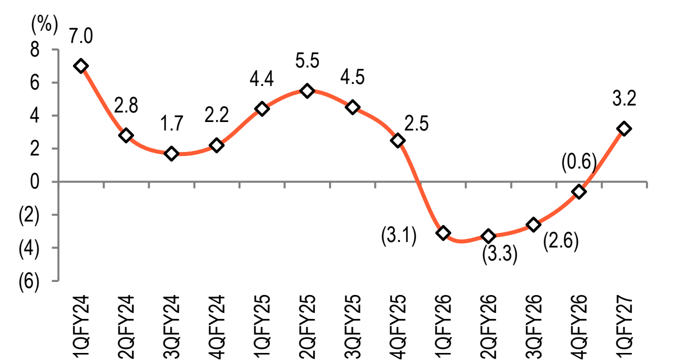
Source: Company, BOBCAPS Research

Fig 7 – US$ revenue growth rate (QoQ)



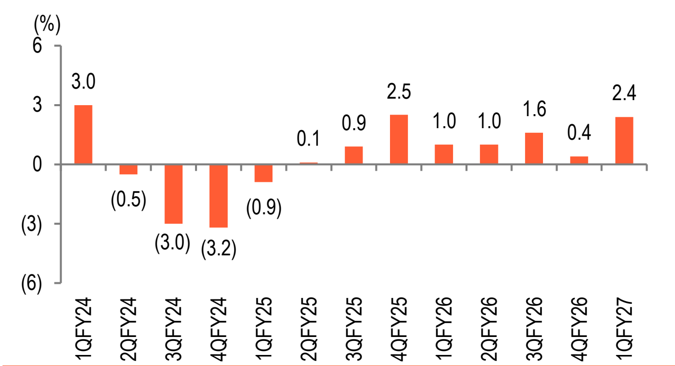
Source: Company, BOBCAPS Research

Fig 8 – CC Revenue Growth (YoY)



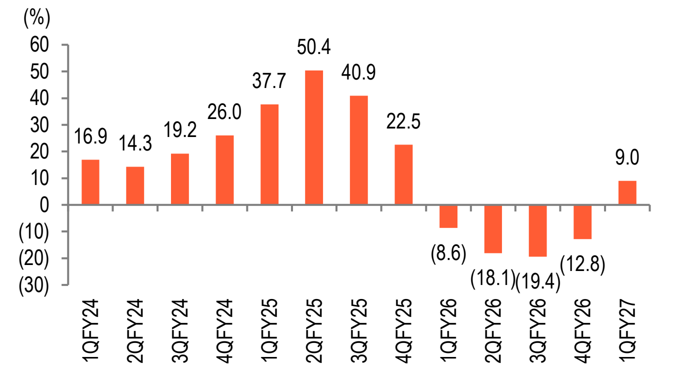
Source: Company, BOBCAPS Research

Fig 9 – CC BFSI Vertical Growth (YoY)



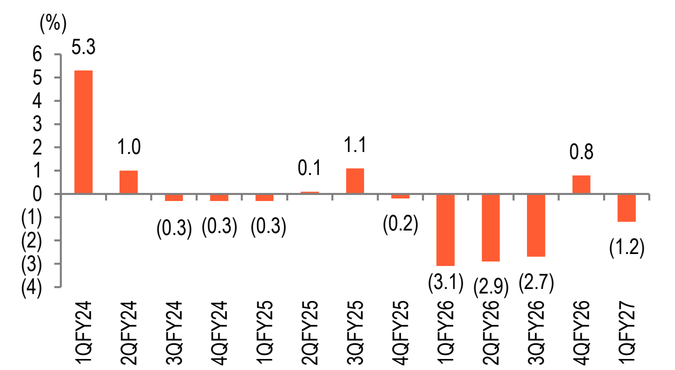
Source: Company, BOBCAPS Research

Fig 10 – CC Regional Market and Others Vertical Growth (YoY)



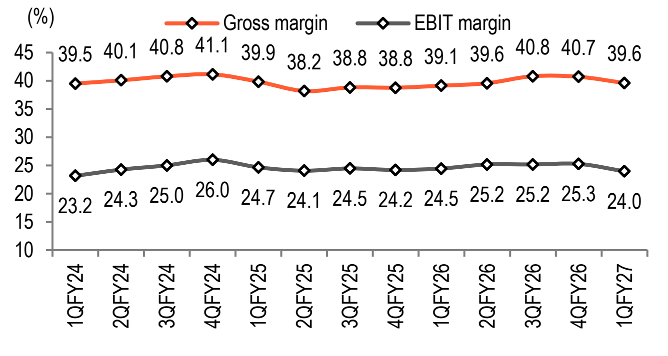
Source: Company, BOBCAPS Research

Fig 11 – CC Consumer Business Vertical Growth (YoY)



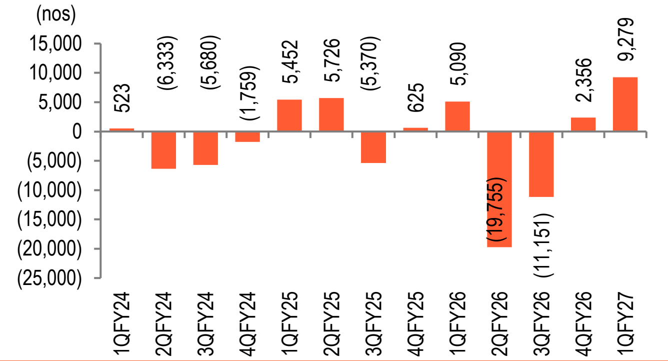
Source: Company, BOBCAPS Research

Fig 12 – Gross and EBIT margin trend



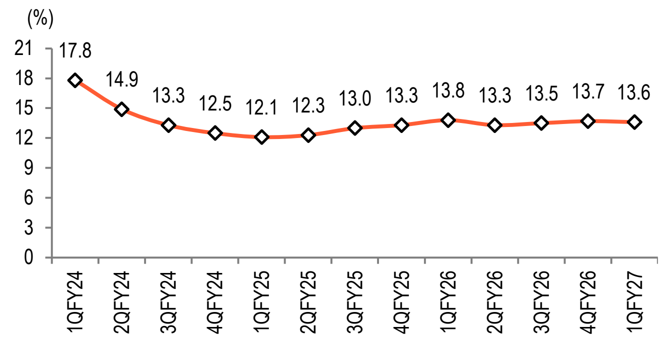
Source: Company, BOBCAPS Research.

Fig 13 – Net employee addition (QoQ)



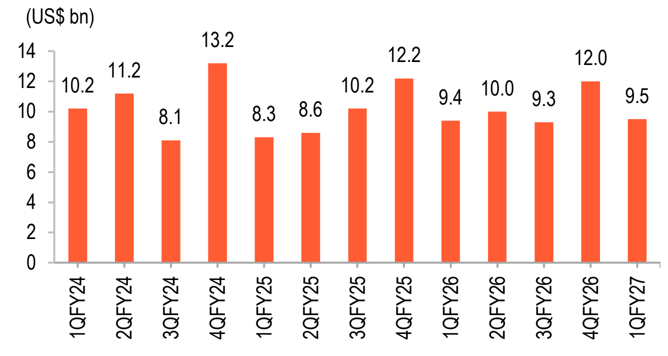
Source: Company, BOBCAPS Research

Fig 14 – LTM Attrition rate



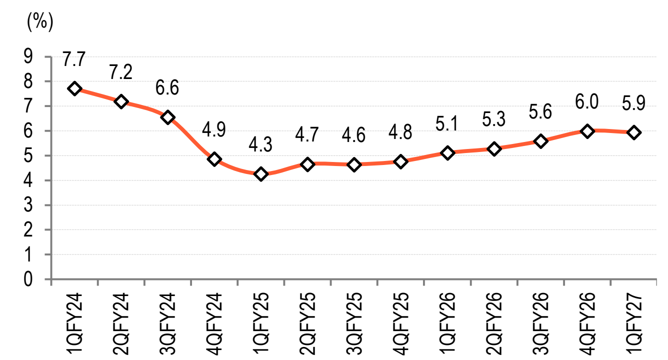
Source: Company, BOBCAPS Research

Fig 15 – Order book TCV picture



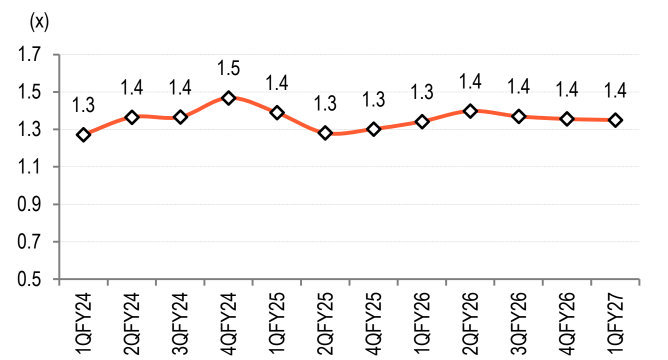
Source: Company, BOBCAPS Research

Fig 16 – Subcontractor charges (% of revenue)



Source: Company, BOBCAPS Research

Fig 17 – TTM Book/ Bill Ratio



Source: Company, BOBCAPS Research

Fig 18 – Quarterly Snapshot

Year to 31 March	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	4QFY26	1QFY27
INR/USD	82.2	82.8	83.2	83.2	83.4	83.8	84.9	86.4	85.5	88.1	89.3	92.8	94.7
Revenue (in USDbn)	7.2	7.2	7.3	7.4	7.5	7.7	7.5	7.5	7.4	7.5	7.5	7.6	7.6
(Rsbn)													
Revenue	593.8	596.9	605.8	612.4	626.1	642.6	639.7	644.8	634.4	658.0	670.9	707.0	722.8
Gross margin	234.7	239.3	247.1	251.9	249.5	245.4	248.3	250.1	248.3	260.4	273.8	287.8	286.2
EBIT	137.6	144.8	151.6	159.2	154.4	154.7	156.6	156.0	155.1	165.7	168.9	178.7	173.2
Other income	12.3	8.5	7.2	9.3	7.9	5.7	10.1	8.0	14.7	(5.0)	(28.1)	4.9	13.0
PBT	149.9	153.3	158.7	168.5	162.3	160.3	166.7	164.0	169.8	160.7	140.8	183.6	186.1
Tax	38.7	39.5	41.0	43.5	41.3	40.8	42.2	41.1	41.6	39.4	33.6	45.8	46.9
PAT	110.7	113.4	117.4	124.3	120.4	119.1	123.8	122.2	127.6	120.8	106.6	137.2	138.5
EPS	30.3	31.0	32.5	34.4	33.3	32.9	34.2	33.8	35.3	33.4	29.5	37.9	38.3
YoY Growth													
USD Revenue	6.6	4.8	2.9	2.3	3.9	6.4	3.5	1.4	(1.1)	(2.7)	(0.4)	2.1	2.7
INR Revenues	12.6	7.9	4.0	3.5	5.4	7.7	5.6	5.3	1.3	2.4	4.9	9.6	13.9
Gross profit	15.8	9.5	6.0	6.1	6.3	2.5	0.5	(0.7)	(0.5)	6.1	10.3	15.1	15.3
EBIT	12.9	9.1	6.1	9.9	12.3	6.8	3.3	(2.0)	0.5	7.1	7.9	14.5	11.6
Net profit	16.8	8.7	8.2	9.1	8.7	5.0	5.5	(1.7)	6.0	1.4	(13.9)	12.2	8.5
QoQ Growth													
USD Revenues	0.43	(0.22)	1.0	1.1	1.93	2.20	(1.71)	(0.98)	(0.59)	0.61	0.58	1.49	0.0
INR Revenues	0.4	0.5	1.5	1.1	2.2	2.6	(0.4)	0.8	(1.6)	3.7	2.0	5.4	2.2
EBIT	(5.1)	5.3	4.6	5.0	(3.0)	0.1	1.2	(0.4)	(0.6)	6.8	2.0	5.8	(3.1)
Net profit	(2.8)	2.4	3.5	6.0	(3.2)	(1.1)	4.0	(1.3)	4.4	(5.4)	(11.7)	28.7	1.0
Margins (%)													
Gross margin	39.5	40.1	40.8	41.1	39.9	38.2	38.8	38.8	39.1	39.6	40.8	40.7	39.6
EBIT	23.2	24.3	25.0	26.0	24.7	24.1	24.5	24.2	24.5	25.2	25.2	25.3	24.0
PAT	18.6	19.0	19.4	20.3	19.2	18.5	19.4	19.0	20.1	18.4	15.9	19.4	19.2
SGA	16.4	15.8	15.8	15.1	15.2	14.1	14.3	14.6	14.7	14.4	15.6	15.4	15.6

Source: Company, BOBCAPS Research

Fig 19 – Key Metrics

	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	4QFY26	1QFY27
P and L (Rs mn)													
Revenue	593,810	596,920	605,830	612,370	626,130	642,590	639,730	644,790	634,370	657,990	670,870	706,980	722,750
EBITDA	137,550	144,830	151,550	159,180	154,420	154,650	156,570	156,010	155,140	165,650	168,890	178,700	173,170
PAT	110,740	113,420	117,350	124,340	120,400	119,090	123,800	122,240	127,600	120,750	106,570	137,180	138,490
Vertical Mix (%)													
BFSI	32.5	32.6	31.7	31.3	30.9	30.8	30.5	31.2	32.0	32.2	31.9	31.6	32.1
Manufacturing	8.3	8.6	8.7	8.8	8.8	8.6	8.4	8.4	8.7	8.8	8.8	8.8	8.7
Communication and Media	7.0	6.9	6.7	6.6	6.2	5.9	5.8	5.8	5.8	5.9	5.9	5.8	5.8
Life Sciences	11.0	10.9	10.9	10.9	11.0	10.4	10.1	10.1	10.2	10.5	10.5	10.4	10.3
Consumer Business	16.1	15.9	15.7	15.7	15.4	15.1	15.3	15.3	15.6	15.3	15.4	15.7	15.0
Technology and Services	8.7	8.6	8.4	8.2	8.1	8.0	8.0	8.1	8.4	8.5	8.4	8.4	8.5
Energy, Resources and Utilities	5.5	5.6	5.7	5.6	5.6	5.7	5.6	5.7	5.9	5.9	6.0	6.3	6.3
Others	10.9	10.9	12.2	12.9	14.0	15.5	16.3	15.4	13.4	12.9	13.1	13.0	13.3
Geographic Mix (%)													
North America	52.0	51.7	50.6	50.0	49.5	47.6	47.7	48.2	48.7	48.8	48.5	48.5	48.3
UK	16.4	16.5	16.4	16.8	16.9	17.0	16.6	16.8	18.0	17.5	16.9	17.2	17.2
Europe	14.9	14.9	15.0	14.6	14.4	14.6	13.9	14.3	15.0	15.3	15.6	15.6	15.4
India	4.9	4.9	6.1	6.7	7.5	8.9	9.8	8.4	5.8	5.8	6.1	6.0	6.2
APAC	7.8	7.8	7.8	7.8	7.8	8.0	7.8	8.1	8.4	8.3	8.3	8.3	8.4
Ibero America	2.0	2.0	2.1	2.0	1.9	1.8	1.9	1.8	1.9	1.9	2.0	1.9	2.0
MEA	2.0	2.2	2.0	2.1	2.0	2.1	2.3	2.4	2.2	2.4	2.6	2.5	2.5
Number of Client													
$100mn +	60	61	61	62	63	66	64	64	62	60	62	66	66
$50mn +	137	137	137	139	140	136	134	130	131	136	136	139	139
Employee Number	615,318	608,985	603,305	601,546	606,998	612,724	607,354	607,979	613,069	593,314	582,163	584,519	593,798
Net Addition	523	(6,333)	(5,680)	(1,759)	5,452	5,726	(5,370)	625	5,090	(19,755)	(11,151)	2,356	9,279
Attrition (%)	17.8	14.9	13.3	12.5	12.1	12.3	13.0	13.3	13.8	13.3	13.5	13.7	13.6
Net Employee Growth (YoY%)	1.5	(1.2)	(1.7)	(2.2)	(1.4)	0.6	0.7	1.1	1.0	(3.2)	(4.1)	(3.9)	(3.1)
P&L (USD mn)													
Revenue	7,226	7,210	7,281	7,363	7,505	7,670	7,539	7,465	7,421	7,466	7,509	7,621	7,624
EBIT	1,674	1,749	1,821	1,915	1,850	1,846	1,845	1,807	1,815	1,750	1,511	1,927	1,826
PAT	1,347	1,370	1,410	1,497	1,441	1,421	1,459	1,418	1,493	1,370	1,194	1,479	1,460
Per Capita (Annualised) (USD)													
Revenue	46,974	47,357	48,274	48,961	49,457	50,071	49,651	49,114	48,419	50,334	51,594	52,152	51,358
EBIT	10,880	11,488	12,072	12,732	12,190	12,051	12,148	11,891	11,842	11,798	10,382	13,187	12,300
PAT	8,755	8,999	9,347	9,953	9,495	9,276	9,606	9,332	9,741	9,236	8,204	10,121	9,835
Direct and Opex cost per capita	36,094	35,869	36,202	36,228	37,266	38,021	37,503	37,222	36,577	38,536	41,212	38,965	39,057

Source: Company, BOBCAPS Research

Fig 20 – QoQ and YoY growth of various parameters

(US$)	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	4QFY26	1QFY27
QoQ Growth (%)													
Revenue	0.4	(0.2)	1.0	1.1	1.9	2.2	(1.7)	(1.0)	(0.6)	0.6	0.6	1.5	0.0
Geographical Data													
Americas	(0.3)	(0.8)	(1.2)	(0.1)	0.9	(1.7)	(1.5)	0.1	0.4	0.8	(0.0)	1.5	(0.4)
UK	4.9	0.4	0.4	3.6	2.5	2.8	(4.0)	0.2	6.5	(2.2)	(2.9)	3.3	0.0
Europe	(0.9)	(0.2)	1.7	(1.6)	0.5	3.6	(6.4)	1.9	4.3	2.6	2.5	1.5	(1.2)
India	(1.6)	(0.2)	25.7	11.1	14.1	21.3	8.2	(15.1)	(31.4)	0.6	5.8	(0.2)	3.4
APAC	(2.1)	(0.2)	1.0	1.1	1.9	4.8	(4.2)	2.8	3.1	(0.6)	0.6	1.5	1.2
Ibero America	11.6	(0.2)	6.0	(3.7)	(3.2)	(3.2)	3.8	(6.2)	4.9	0.6	5.9	(3.6)	5.3
MEA	0.4	9.8	(8.2)	6.2	(2.9)	7.3	7.7	3.3	(8.9)	9.8	9.0	(2.4)	0.0
Verticals													
BFSI	(0.8)	0.1	(1.8)	(0.1)	0.6	1.9	(2.7)	1.3	2.0	1.2	(0.4)	0.5	1.6
Manufacturing	1.7	3.4	2.2	2.3	1.9	(0.1)	(4.0)	(1.0)	3.0	1.8	0.6	1.5	(1.1)
Communication and Media	(1.0)	(1.6)	(1.9)	(0.4)	(4.2)	(2.7)	(3.4)	(1.0)	(0.6)	2.3	0.6	(0.2)	0.0
Life Science & Healthcare	1.4	(1.1)	1.0	1.1	2.9	(3.4)	(4.5)	(1.0)	0.4	3.6	0.6	0.5	(0.9)
Consumer Business	1.1	(1.5)	(0.3)	1.1	(0.0)	0.2	(0.4)	(1.0)	1.4	(1.3)	1.2	3.5	(4.4)
Technology and Services	(1.8)	(1.4)	(1.4)	(1.3)	0.7	0.9	(1.7)	0.3	3.1	1.8	(0.6)	1.5	1.2
Energy, Resources and Utilities	2.3	1.6	2.8	(0.6)	1.9	4.0	(3.4)	0.8	2.9	0.6	2.3	6.6	0.0
Regional Market & Others	3.3	(0.2)	13.0	6.9	10.6	13.1	3.4	(6.4)	(13.5)	(3.1)	2.1	0.7	2.3
YoY Growth (%)													
Revenue	6.6	4.8	2.9	2.3	3.9	6.4	3.5	1.4	(1.1)	(2.7)	(0.4)	2.1	2.7
Geographical Data													
Americas	4.2	(0.2)	(3.0)	(2.4)	(1.1)	(2.1)	(2.4)	(2.3)	(2.7)	(0.2)	1.3	2.7	1.9
UK	17.3	19.3	13.3	9.5	7.0	9.6	4.8	1.4	5.3	0.2	1.4	4.5	(1.8)
Europe	4.5	7.7	4.3	(1.1)	0.4	4.2	(4.0)	(0.7)	3.0	2.0	11.8	11.4	5.5
India	8.8	0.7	23.1	37.1	59.0	93.2	66.3	27.1	(23.5)	(36.6)	(38.0)	(27.1)	9.8
APAC	0.2	2.2	1.6	(0.2)	3.9	9.1	3.5	5.3	6.5	1.0	6.0	4.6	2.7
Ibero America	18.4	23.3	20.1	13.7	(1.3)	(4.3)	(6.3)	(8.8)	(1.1)	2.7	4.8	7.8	8.1
MEA	18.4	21.4	14.3	7.5	3.9	1.5	19.1	15.9	8.8	11.2	12.6	6.3	16.7
Verticals													
BFSI	7.9	1.7	(1.4)	(2.6)	(1.3)	0.5	(0.4)	1.1	2.4	1.8	4.2	3.4	3.1
Manufacturing	(10.6)	10.0	9.2	9.8	10.1	6.4	(0.0)	(3.2)	(2.2)	(0.4)	4.3	7.0	2.7
Communication and Media	9.7	(0.9)	(4.2)	(4.9)	(8.0)	(9.0)	(10.4)	(10.9)	(7.5)	(2.7)	1.3	2.1	2.7
Life Science & Healthcare	16.1	6.8	3.9	2.3	3.9	1.5	(4.1)	(6.1)	(8.3)	(1.7)	3.5	5.1	3.7
Consumer Business	7.9	3.5	1.0	0.4	(0.7)	1.0	0.9	(1.2)	0.2	(1.4)	0.3	4.8	(1.2)
Technology and Services	5.4	(0.9)	(3.9)	(5.7)	(3.3)	(1.0)	(1.4)	0.1	2.5	3.4	4.6	5.9	4.0
Energy, Resources and Utilities	0.0	17.4	12.8	6.1	5.7	8.3	1.7	3.2	4.2	0.8	6.7	12.8	9.7
Regional Market & Others	(29.2)	14.3	19.6	24.5	33.4	51.3	38.3	21.0	(5.4)	(19.0)	(20.0)	(13.8)	2.0

Source: Company, BOBCAPS Research

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Total revenue	**2,553,240**	**2,670,210**	**2,885,629**	**2,951,704**	**3,042,523**
EBITDA	674,070	723,980	750,725	772,182	794,103
Depreciation	52,420	55,600	49,704	53,552	57,392
EBIT	621,650	668,380	701,021	718,630	736,711
Net interest inc./(exp.)	(7,960)	(12,270)	(12,330)	(12,800)	(12,800)
Other inc./(exp.)	39,620	(1,240)	47,799	48,634	55,256
Exceptional items	0	0	0	0	0
EBT	653,310	654,870	736,491	754,463	779,167
Income taxes	165,340	160,330	185,666	190,197	196,424
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	2,440	2,440	2,840	2,840	2,840
Reported net profit	**485,530**	**526,491**	**547,985**	**561,427**	**579,903**
Adjustments	0	0	0	0	0
Adjusted net profit	**485,530**	**526,491**	**547,985**	**561,427**	**579,903**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Accounts payables	139,090	148,080	153,327	158,842	163,723
Other current liabilities	373,580	428,980	445,355	455,566	464,604
Provisions	1,800	13,780	4,380	4,380	4,380
Debt funds	0	0	0	0	0
Other liabilities	124,110	147,890	147,671	148,915	150,015
Equity capital	3,620	3,620	3,620	3,620	3,620
Reserves & surplus	954,090	1,081,160	1,132,256	1,259,512	1,405,244
Shareholders' fund	957,710	1,084,780	1,135,876	1,263,132	1,408,864
Total liab. and equities	**1,596,290**	**1,823,510**	**1,886,608**	**2,030,834**	**2,191,586**
Cash and cash eq.	154,630	129,080	265,239	365,612	486,281
Accounts receivables	591,750	679,270	684,160	708,767	730,546
Inventories	280	290	270	270	270
Other current assets	180,670	215,020	212,191	218,223	223,563
Investments	306,890	337,700	270,560	270,560	270,560
Net fixed assets	125,240	136,970	148,562	159,602	170,642
CWIP	0	0	0	0	0
Intangible assets	28,000	92,630	91,890	91,890	91,890
Deferred tax assets, net	35,780	44,650	43,660	45,230	46,620
Other assets	173,120	187,900	170,076	170,680	171,214
Total assets	**1,596,360**	**1,823,510**	**1,886,608**	**2,030,834**	**2,191,586**

Cash Flows

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Cash flow from operations	**551,930**	**533,910**	**642,355**	**614,775**	**638,912**
Capital expenditures	(68,260)	(67,330)	(61,296)	(64,592)	(68,432)
Change in investments	7,980	(30,240)	66,890	0	0
Other investing cash flows	0	0	0	0	0
Cash flow from investing	**(60,280)**	**(97,570)**	**5,594**	**(64,592)**	**(68,432)**
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	0	0	0	0	0
Interest expenses	(7,960)	(12,270)	(12,330)	(12,800)	(12,800)
Dividends paid	(549,334)	(479,578)	(510,096)	(523,175)	(523,175)
Other financing cash flows	0	0	0	0	0
Cash flow from financing	**(557,294)**	**(491,848)**	**(522,426)**	**(535,975)**	**(535,975)**
Chg in cash & cash eq.	**21,770**	**(25,760)**	**154,702**	**111,498**	**135,504**
Closing cash & cash eq.	**154,630**	**128,870**	**283,782**	**376,737**	**501,115**

Per Share

Y/E 31 Mar (Rs)	FY25A	FY26A	FY27E	FY28E	FY29E
Reported EPS	134.2	136.0	151.5	155.2	160.3
Adjusted EPS	134.2	136.0	151.5	155.2	160.3
Dividend per share	126.0	110.0	117.0	120.0	120.0
Book value per share	264.7	299.8	313.9	349.1	389.4

Valuations Ratios

Y/E 31 Mar (x)	FY25A	FY26A	FY27E	FY28E	FY29E
EV/Sales	3.0	2.8	2.6	2.6	2.6
EV/EBITDA	11.2	10.4	10.2	10.0	9.9
Adjusted P/E	15.3	15.1	13.5	13.2	12.8
P/BV	7.7	6.8	6.5	5.9	5.3

DuPont Analysis

Y/E 31 Mar (%)	FY25A	FY26A	FY27E	FY28E	FY29E
Tax burden (Net profit/PBT)	74.3	75.1	74.4	74.4	0.0
Interest burden (PBT/EBIT)	105.1	98.0	105.1	105.0	0.0
EBIT margin (EBIT/Revenue)	24.3	25.0	24.3	24.3	0.0
Asset turnover (Rev./Avg TA)	166.8	156.2	155.6	150.7	0.0
Leverage (Avg TA/Avg Equity)	1.6	1.6	1.6	1.6	0.0
Adjusted ROAE	50.7	45.4	48.2	44.4	0.0

Ratio Analysis

Y/E 31 Mar	FY25A	FY26A	FY27E	FY28E	FY29E
YoY growth (%)					
Revenue	6.0	4.6	8.1	2.3	3.1
EBITDA	4.8	7.4	3.7	2.9	2.8
Adjusted EPS	4.2	1.4	11.4	2.5	3.3
Profitability & Return ratios (%)					
EBITDA margin	26.4	27.1	26.0	26.2	26.1
EBIT margin	24.3	25.0	24.3	24.3	24.2
Adjusted profit margin	19.0	19.7	19.0	19.0	19.1
Adjusted ROAE	51.9	51.6	49.4	46.8	43.4
ROCE	33.8	33.1	31.6	30.6	29.0
Working capital days (days)					
Receivables	85	93	87	88	88
Inventory	NA	NA	NA	NA	NA
Payables	20	20	19	19	19
Ratios (x)					
Gross asset turnover	20.4	19.5	19.4	18.5	17.8
Current ratio	1.8	1.7	1.9	2.1	2.3
Net interest coverage ratio	NA	NA	NA	NA	NA
Adjusted debt/equity	(0.2)	(0.1)	(0.2)	(0.3)	(0.3)

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

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

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Note: Recommendation structure changed with effect from 21 June 2021

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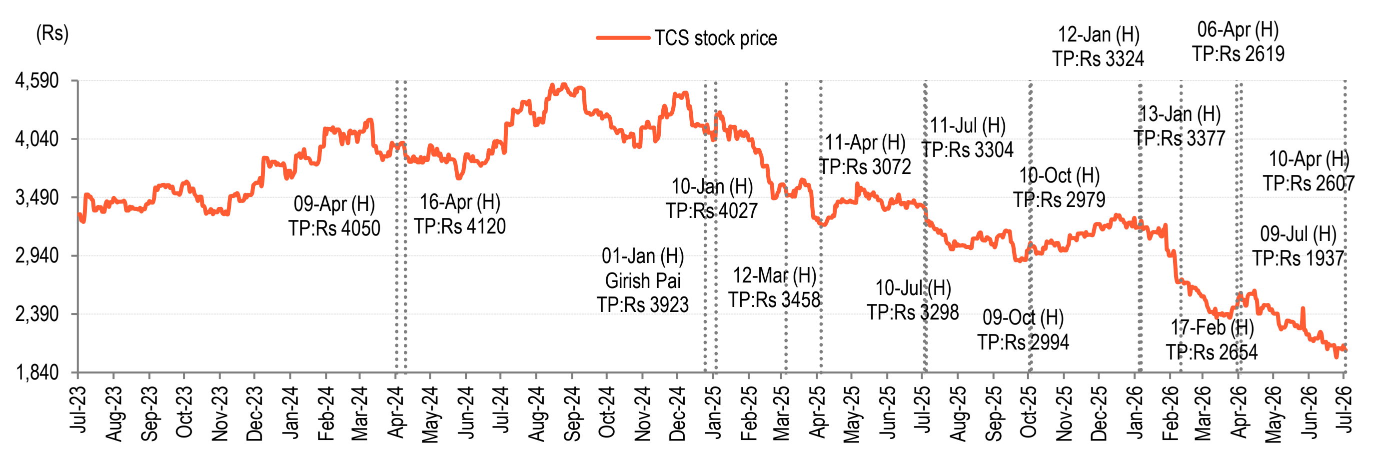

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