

BUY

TP: Rs 1,664 | ▲ 15%

TECH MAHINDRA

| IT Services

| 26 April 2025

Reiterates FY27 goals despite weak macro; Top Pick

- Tech Mahindra (TML) Reiterates higher than peer average revenue growth, 15% EBIT margin and >30% ROCE goals for FY27
- After laying foundations in FY25, FY26 will be the year when TML accelerates towards FY27 goal. A US recession may shift goals
- Maintain FY26/FY27 revenue/EBIT margin estimates. Raise EPS on lower interest expense. Retain Target PE. Raise rating to Buy

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4QFY25 revenue declined 1.5% QoQ, in CC terms, against our flat growth estimate driven by renewal deal delay with a large client in Hi-Tech sector (BPS segment) and weak macro-related delay in start of projects. The EBIT margin was a tad better than expected despite a wage hike given.

Net new deal TCV for 4QFY25 was US\$798m, up 7.1% QoQ/60% YoY (up 42% for FY25 at US\$2.7bn). This has been trending up on QoQ basis for many quarters now. Not only is this at the higher end of the guided band of US\$600-800mn, but we also believe these are better quality orders (better margins, lower risks) compared to those that were won a few years back. The company also won two US\$100mn plus large deals during the year – both of which were in the Telco space.

Tech M also gave an update on its 3-year (FY25-FY27) strategic road map. Indicated that FY25 was a year of building a strong foundation. FY26 will be the year of acceleration to its objectives given for FY27. Unless the current weak macro deteriorates very significantly (a US recession being a key element), we think TML is on its way to achieving its FY27 targets and go beyond in future years. Between revenue growth and margins, we believe the focus will still be on margins, bear term.

One of the key elements of the strategic plan has been to lower exposure to the communication vertical (which currently is at 33% of 4QFY25 revenue). This has been through thrust on other verticals like BFSI (where TML is under indexed but a core area of strength for Mohit Joshi, the CEO).

Project Fortius has helped deliver significant margin expansion from extremely low levels of FY24 (up 360bps on a reported basis). This is despite taking a wage hike in 4QFY25 and FY25 CC revenue that was flat. One of the key levers that TML is working on is to get the right price for the skills as its workforce is more experienced than that of its larger peers, which have focused on the employee pyramid. For TML the employee structure is more diamond shaped than pyramid shaped.

Key changes

Target	Rating
▲	▲

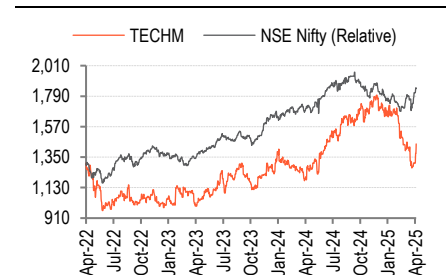
Ticker/Price	TECHM IN/Rs 1,445
Market cap	US\$ 15.0bn
Free float	65%
3M ADV	US\$ 34.5mn
52wk high/low	Rs 1,808/Rs 1,173
Promoter/FPI/DII	35%/24%/31%

Source: NSE | Price as of 24 Apr 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	529,883	567,584	624,119
EBITDA (Rs mn)	69,911	91,538	114,564
Adj. net profit (Rs mn)	42,818	58,018	75,061
Adj. EPS (Rs)	47.8	67.6	86.8
Adj. ROAE (%)	15.8	20.8	25.9
Adj. P/E (x)	30.2	21.4	16.7
EV/EBITDA (x)	17.4	13.2	10.5
Adj. EPS growth (%)	80.6	41.3	28.4

Source: Company, Bloomberg, BOBCAPS Research

Stock performance

Source: NSE



- The communication sector is still stressed. While it has not been impacted by Tariff, it has been impacted by other macro factors like high interest rates, which have not come down as was earlier expected. So, capex has got impacted. Customers are of Telcos are also downtrading. There is consolidation that is happening in Europe and APAC which is helping.
- Impressive client metrics:
 - It has 162 F500 clients (10% addition during FY25) and 420 Global 2000 clients
 - It works with one third of global BFSI clients
 - Within manufacturing it works with 50% of the client consideration set.
 - It added 45 must have clients in FY25. Many of them are US2bn plus revenue base where there is significant head room for growth.
- Post 4QFY25 we have kept our USD and EBIT margin estimates for FY26/FY27 broadly constant. PAT and EPS go up as debt has reduced quite a bit QoQ and we are assuming lower interest expense going forward.
- We keep Target PE multiple the same – 10% discount to that accorded to TCS – and based on FY27EPS we get a 15% upside to the Target Price and hence upgrade to a BUY from a HOLD that we had earlier.

Key Points from the quarter and the earnings call

4QFY25

- Revenue stood at US\$1,549 mn. Reported revenue declined 1.2% QoQ and remained flat YoY. In constant currency terms, revenue declined 1.5% QoQ and grew 0.3% YoY Revenue decline driven by renewal deal closure delays in Hi-Tech (BPS segment); expected to normalize in coming months
- Vertical-wise performance:
 - Communications grew 1% QoQ, aided by Comviva seasonality
 - BFSI grew 2.4% QoQ, driven by deal wins and project ramp-ups
 - Manufacturing declined 0.2% QoQ due to auto sector weakness
 - Hi-Tech declined 8.2% QoQ due to renewal delays
 - Retail, Transport & Logistics declined 0.4% QoQ
 - Healthcare & Life Sciences declined 5.6% QoQ
- Deal wins totaled US\$798mn, marking a 60% YoY increase. Deal wins remained broad-based across industries and geographies
- EBIT stood at US\$163mn, up 2.8% QoQ and 43.6% YoY Margin stood at 10.5%, up 40 bps QoQ
- Margin walk for the quarter:

- Wage hikes across the employee base had a negative impact of 100 bps
- Offset by savings from Project Fortius, Comviva seasonality, and favorable FX movements

FY25

- Revenue stood at US\$6,264mn. Constant currency growth of 0.3% YoY
 - Revenue performance remained stable despite more than 1% top-line reduction due to strategic scale-down of non-core and loss-making businesses
 - In FY25 revenue declined by 5% in CC terms.
- Full year vertical performance (CC basis):
 - Communications declined 5%, reflecting ongoing cost optimization and reduced discretionary spending
 - BFSI grew 4.3%, driven by new logo wins and steady performance
 - Manufacturing declined 1.6%, mainly due to auto sector softness, especially in 2H
 - Hi-Tech remained flat, with 2H seeing increased pressure
 - Retail grew 4.4%, reflecting sustained client demand
 - Healthcare and Life Sciences grew 3.7%
- New deal wins TCV stood at US\$2.7 bn UP 42.5% YoY.
- Full-year EBIT stood at US\$607mn, up 60% YoY. EBIT margin stood at 9.7%, a 360-bps expansion on reported basis
- Final dividend recommended at INR30 per share. Total dividend for FY25 at INR45 per share

Other Points:

- The ForEx tailwind in Q4 contributed about 30 to 40 bps to margin improvement
- The company continues to believe that the \$600mn to \$800mn range for deal flow is a good target for them to be in
- The revenue trajectory improved from negative in the previous year to flat, with a goal to surpass peer average by FY27
- Macroeconomic headwinds acknowledged but long-term FY27 revenue growth target (of growing ahead of peer average) remains unchanged
- EBIT margin improved sequentially from 7.4% to 8.5%, 9.6%, 10.2%, and 10.5% over the year, despite recent wage hikes
- Margin improvement driven by multiple initiatives under Project Fortius and cost optimizations

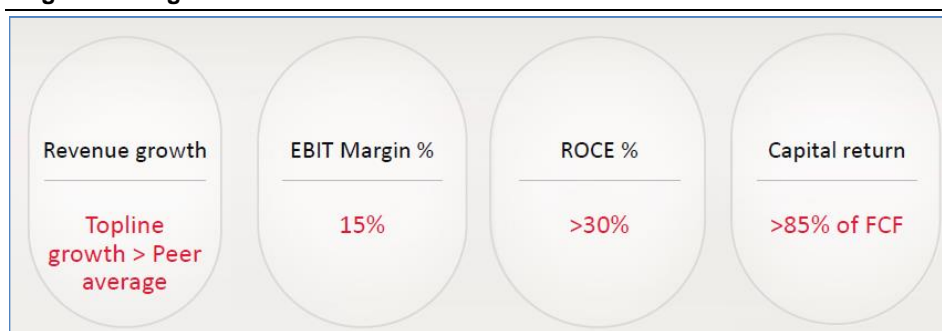
- ROCE reached 22% in the latest quarter, with a long-term goal to exceed 30%
- While there has been strong growth in deal wins, the macroeconomic environment remains challenging. Sectors like manufacturing, auto, and hi-tech have softened, and while the telecom sector hasn't been impacted by tariffs yet, there are ongoing pressures such as slower interest rate declines and reduced consumer spending. Consolidation in the telco sector may provide growth opportunities. The focus will be on leveraging Comviva and consolidation within the telecom industry, rather than relying on increased spending
- The business did experience some impact from macroeconomic uncertainty, especially towards the end of 4Q. There were cuts in discretionary spending, particularly in sectors like auto. The hi-tech sector posed challenges, specifically affecting the BPS business. Expected ramp-ups in BPS were delayed rather than canceled. This push-out is noticeable but not a major loss
- There was a recovery in BPS in March, which is seen as a positive sign for the future. However, the near-term outlook remains uncertain, making it challenging to predict the future with confidence.
- The company has a globally diversified portfolio. This diversification across geographies and verticals (such as strong growth in Europe, APAC, India, Middle East, and Africa) provides resilience against the challenges seen in the US market
- Despite being cautious on margins, the company continues to win deals by leveraging its engineering strength, deep telecom software expertise, and strong relationships via the Mahindra Group
- In response to macro uncertainty, the company is emphasizing consolidation and cost takeout services, which resonate well with clients seeking to reduce costs without taking risks. A key focus is on building out solutions for GCCs, leveraging the company's deep experience in this area. Recent wins in the GCC space highlight this approach. Additionally, the company continues to see opportunities across various sectors, including life sciences, manufacturing, and financial services
- FY26 is being positioned as a stabilization year to realize benefits in FY27, with specific initiatives to enhance margin resilience
- Improvement in fixed price engagement productivity driven through lean practices, AI, automation, GenAI, and agentic technologies
- Optimization in FP engagements includes evaluating deal bids, aligning commitments, and reducing headcount via tech-driven efficiencies for redeployment elsewhere
- Pricing strategy focusses on aligning the right rate to the right role based on industry benchmarks and internal expertise
- Operational margin improvement also driven by strict discipline in hygiene parameters including resource rotation, utilization, and onsite-offshore mix optimization through Project Fortius

- Next-gen Services (data, AI, cybersecurity) playing a critical role in large deal wins and continue to be a major growth driver
- Cloud services integral to large deal wins with strong analyst recognition
- Started 'Tech M consulting' and that gels with the talent strategy that TML has got which consists of more experienced employees than its peer set.

CEO Mohit Joshi's 3-year strategic plan

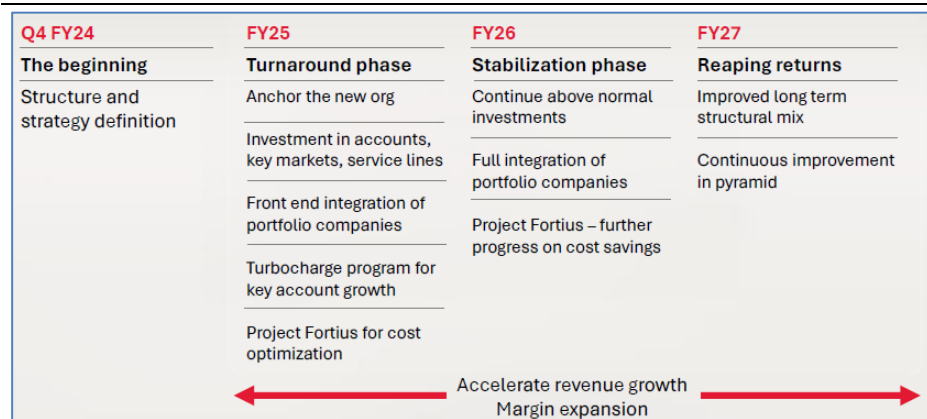
Key points presented 12 months back

Fig 1 – FY27 goals

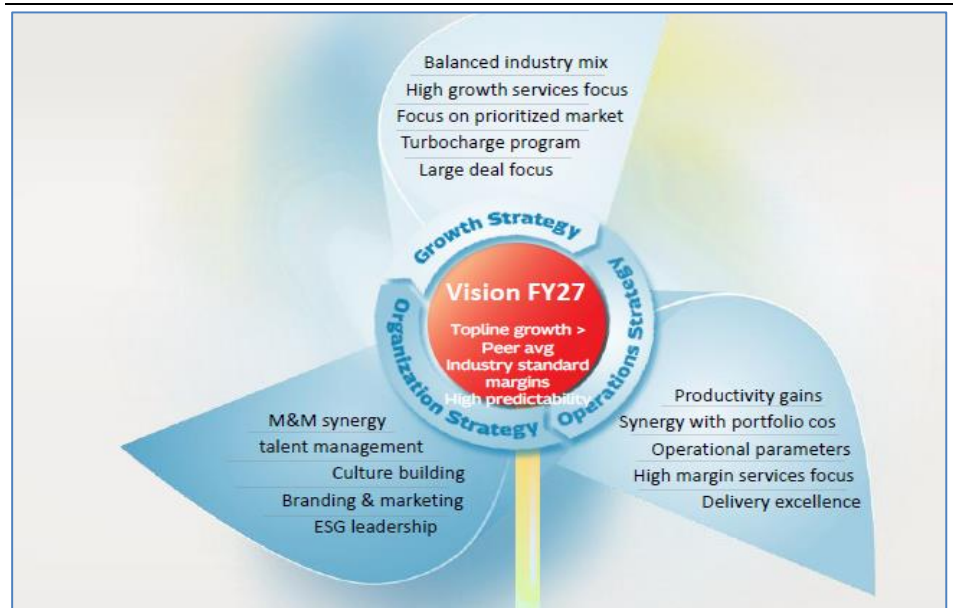


Source: Company, BOBCAPS Research

Fig 2 – 3-year road map for Tech Mahindra's transformation



Source: Company, BOBCAPS Research

Fig 3 – Tech Mahindra Flywheel

Source: Company, BOBCAPS Research

Fig 4 – Portfolio Prioritization

	Focus geos / markets	Focus verticals	Focus service lines
Priority segments	<ul style="list-style-type: none"> Americas Europe Prioritized countries in ROW 	<ul style="list-style-type: none"> Telco Manufacturing BFSI Hi-Tech Healthcare and Lifesciences 	<ul style="list-style-type: none"> Next Gen Services Cloud & Infrastructure Services Engineering Services Digital Enterprise Applications
Action plan	<ul style="list-style-type: none"> Prioritizing sales investments toward focus markets Enhancing client service Phase out long tail accounts 	<ul style="list-style-type: none"> Investing in specialized sales teams and leadership Scaling domain solutions Strengthening domain specific partnerships, alliances, and GTM 	<ul style="list-style-type: none"> Service Line benchmarking and growth strategy completed Investments directed towards scaling solutions in high growth segments Co-innovating with hyperscalers and other ecosystem partners to take an industry solution led GTM approach

Source: Company, BOBCAPS Research

Fig 5 – Vertical strategy - Telecom

Differentiation	Strategy to grow
Strong presence in major tier 1 telcos & new age telcos	Be the dominant service provider for fiber, 5G services in horizon 1/2
30+ years of domain expertise. Largest domain agnostic IOP system integrator	Early investment in DOCSIS 4, non-terrestrial networks, 6G
2500+ mobile and IoT devices launched. Messages processed annually >1Tn+	AI ecosystem leadership across predictive and generative AI telco ecosystems
Building the future of BSS with clients	Strengthening hyperscaler & SaaS partnerships
Portfolio companies offerings integration	

Source: Company, BOBCAPS Research

Fig 6 – Vertical strategy - Manufacturing

Differentiation	Strategy to grow
Strong presence across auto OEMs, T1, industrial, process manufacturing and A&D	Integrated Service offerings IT + BORN + Engg Services + BPS for innovation & efficiency
3000+ domain experts with years of rich industry experience	Supersizing key offerings like Factory of Future
1000+ core manufacturing transformation projects executed successfully	Next Gen offerings like GenAI, micro factories, localization, customization and cybersecurity
Deep expertise on “Factory of Future”, manufacturing sustainability, manufacturing supply chain management	Enhancing core domain capabilities and building strengthening partner ecosystem
Design strength of Pininfarina	

Source: Company, BOBCAPS Research

Fig 7 – Vertical strategy – BFSI

Differentiation	Strategy to grow
\$1Bn+ business with multiple tier1 BFSI clients	Target high potential sub-verticals wealth mgt, asset mgt, core banking, payments
Differentiated offerings for BFS Core (Composable Banking), Lending (Mortgage Origination Hub), Payments (Trade & Supply Chain Finance), Wealth (IT + BPS model)	Focused client acquisition universal banks, tier 1 must haves, select tier 2, utilities
Comprehensive Insurance Offerings Dynamic core (Core system modernization), Future ready foundation (Cloud orchestration and governance), Experience & Insights (Customer journey and touchpoints)	Capability building Portfolio companies CTCo, Target, Citisoft, Sofgen, Tenzing
	New offerings Market DaaS, Lending PaaS, Payments utility, ESG Offering, IaaS, Digital Engg for FS

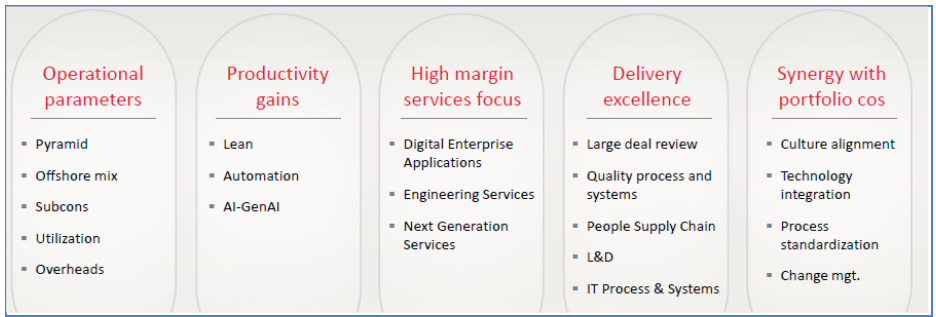
Source: Company, BOBCAPS Research

Fig 8 – Strategy around AI

Differentiation	Strategy to grow
50+ prebuilt use cases and AmplifAI suite of offerings	Focusing on reskilling the talent base
100+ Qualified opportunities	Dedicated team to drive efficiencies in HR, Finance, and CIO teams
7 AI and advanced analytics Labs	Infusion of AI and Automation in all deals
9 Makers Lab as research units for co-innovation and research on AI	Strengthening relationship with hyper scalers, OEMs, and academia
2 LLMs – only company to have built 2 foundational LLMs	Building the startup partner ecosystem

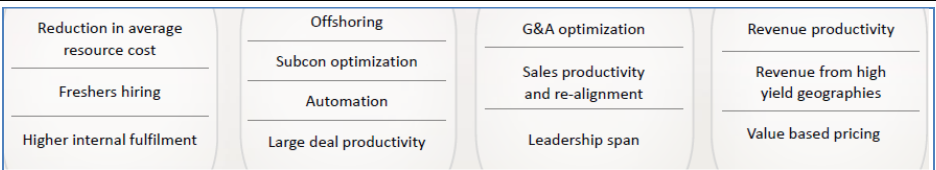
Source: Company, BOBCAPS Research

Fig 9 – Operations Strategy



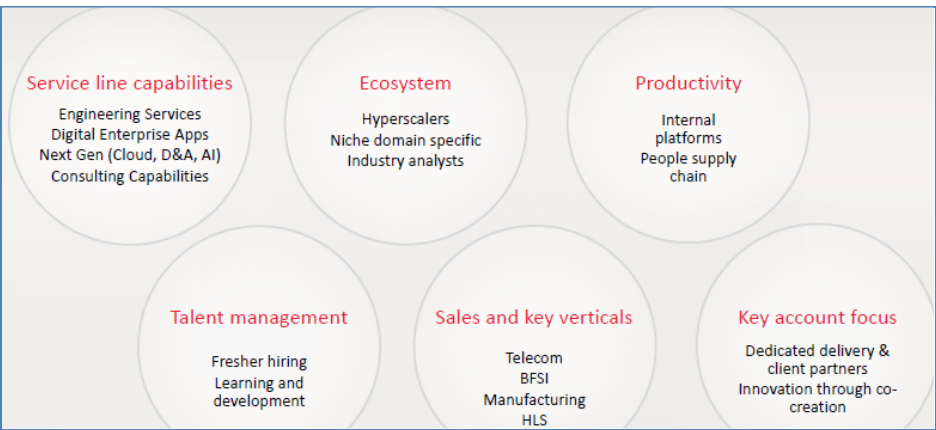
Source: Company, BOBCAPS Research

Fig 10 – Project Fortius – about US\$250mn gains every year



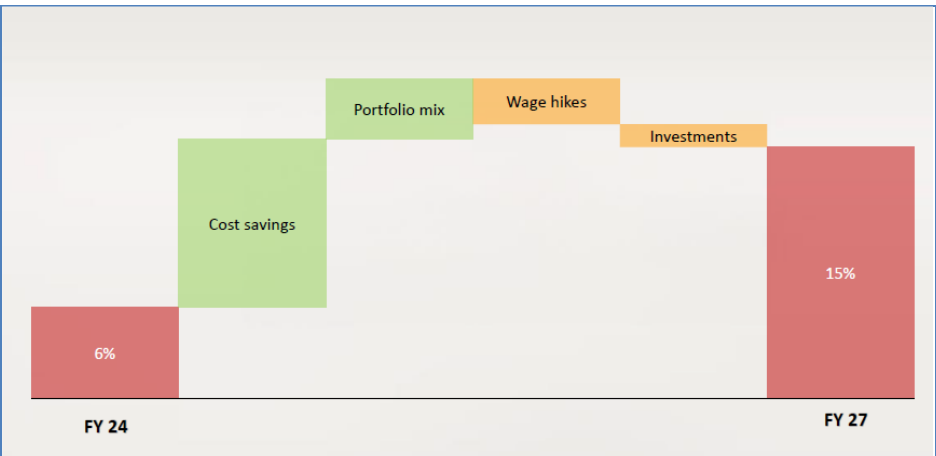
Source: Company, BOBCAPS Research

Fig 11 – Above Normal Investments- 150bps in Year 1 and 75bps in Year 2



Source: Company, BOBCAPS Research

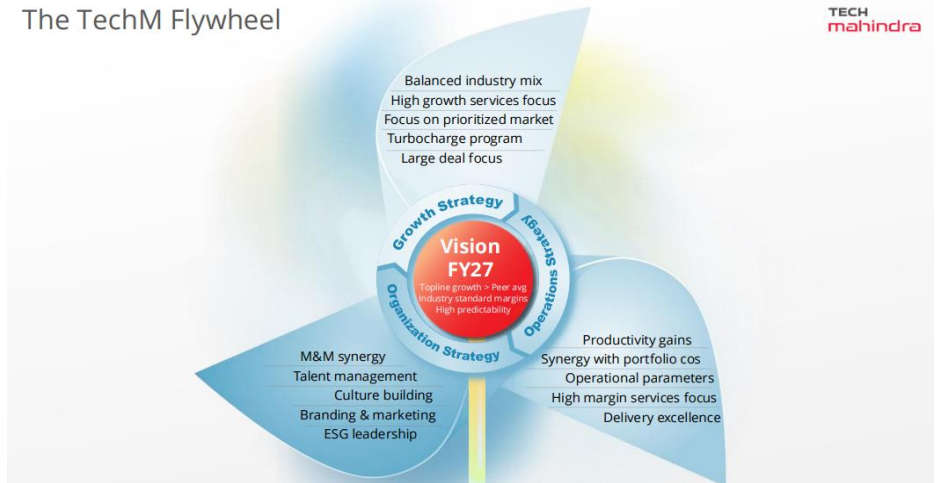
Fig 12 – EBIT Expansion Roadmap



Source: Company, BOBCAPS Research

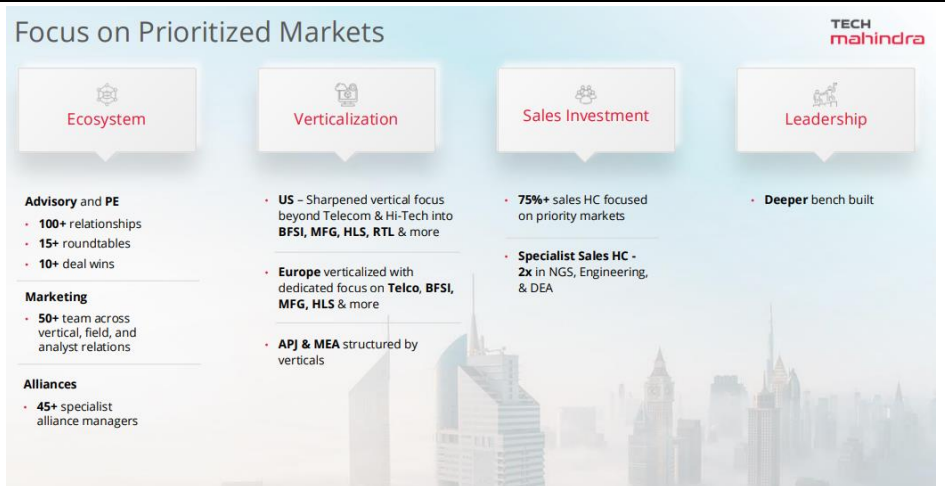
What the company presented post 4QFY25- an update of the strategic plan

Fig 13 – The TechM flywheel



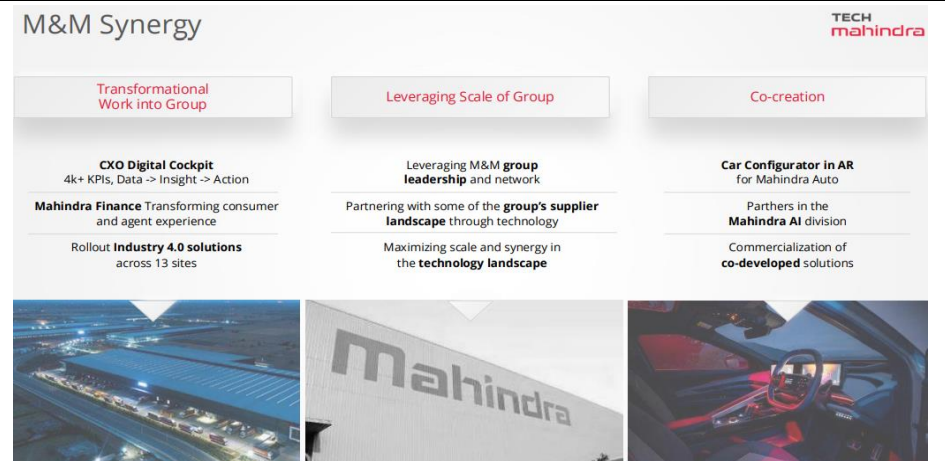
Source: Company, BOBCAPS Research

Fig 14 – Focus on key markets



Source: Company, BOBCAPS Research

Fig 15 – Leveraging the Group synergy



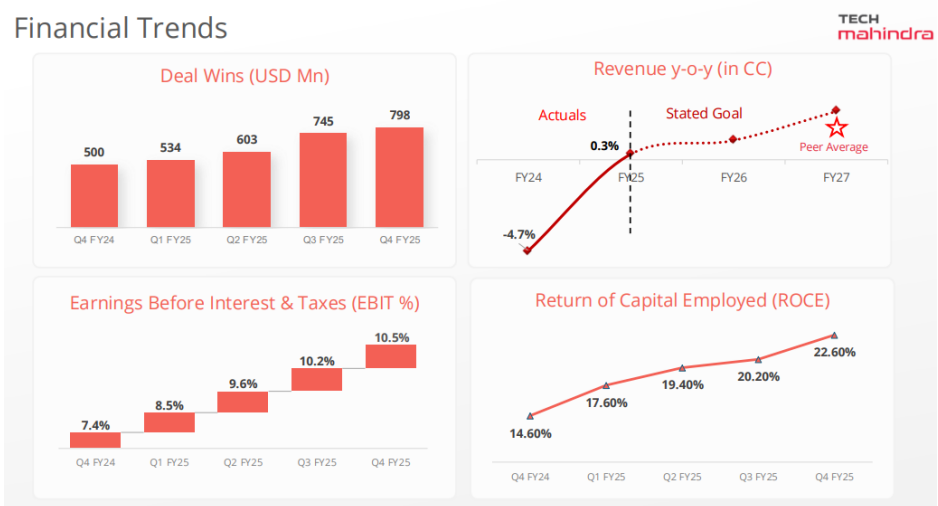
Source: Company, BOBCAPS Research

Fig 16 – Project Fortius in FY26



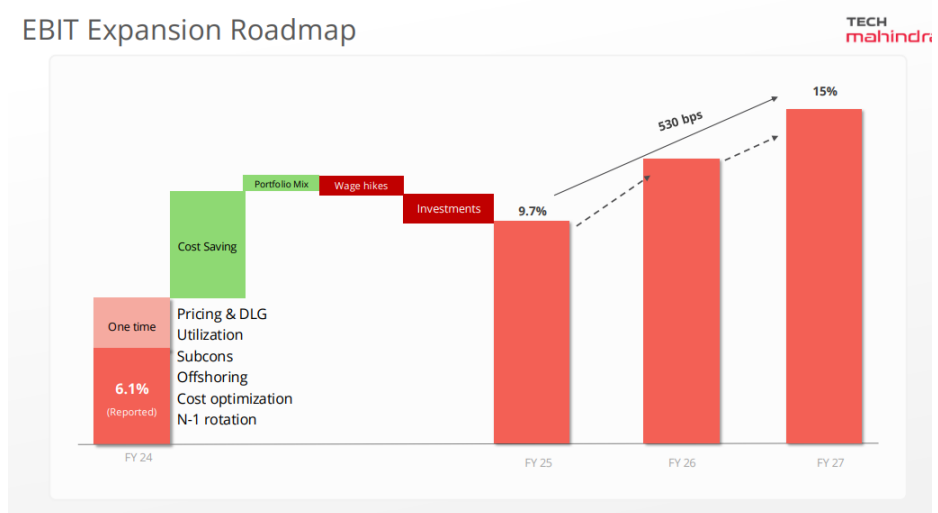
Source: Company, BOBCAPS Research

Fig 17 – Key Financial Trends



Source: Company, BOBCAPS Research

Fig 18 – EBIT margin roadmap from here



Source: Company, BOBCAPS Research

View on the Indian IT Services sector: 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 that view with an update on 12th March 2025 (**FY26 unlikely to be better than FY25**)

While both earnings (less so) and PE multiple (more so) have corrected since 1 Jan 2025, we suspect that there are further cuts possible for both FY26 and FY27 earnings under the current macro conditions which we believe could last longer than companies' sanguine commentary.

We believe the industry's structural USD organic revenue growth from here on will be lower than the ~7% CAGR seen during FY15-FY20, possibly ~5% CAGR over FY25-FY30 in constant currency (CC) terms.

Multiple speed breakers post FY25 drive our Underweight stance

Trump policies raise uncertainty. The tariffs, the conditional tax breaks, the immigration push back, DOGE, etc, all point to uncertainty in the coming days which may delay decision making by customers and lead to lower spending.

Higher for longer interest rate environment: One of the reasons for optimism around the Indian IT Services sector in late 2024 has been the view that the US would achieve a soft landing in 2025 (which we define as 0.5-1.5% real GDP growth) and that Fed Funds rate would be gradually lowered from the peak of 5.25-5.5%, driven by lower inflation. This, the market felt, was the apt environment for a broader pick up in discretionary spending beyond that of North American BFSI sector, especially after two muted years when the constant refrain from vendors for the weak growth was of 'macro uncertainty'.

Lately, based on inflation prints and fears of a higher fiscal deficit (due to economic slowdown concerns, not enough gains from DOGE,etc) US 10-year yields rose. There are fears that sustained high interest rates could reduce IT outsourcing demand, particularly in sectors like BFSI and Telecom, and dampen US demand in areas like housing, autos and retail.

Since Trump 2.0 took office and the fact that it is putting into effect a lot of structural repair, the market seems to believe that while growth would slow there would not be a commensurate decline in Inflation. This stagflationary set up and the uncertainty induced by the back and forth on tariff pronouncements, we believe, will lead to slower decision making and spending by US/global corporations on IT. The tariff spat with China is particularly concerning. Discretionary spending which was beginning to look up may go back into a shell again.

Covid-induced pull forward of demand requires a multi-year unwind. We think there were excesses during the compressed transformation phase which are yet to be fully unwound.

Gen AI – value compressive in the near term: Gen AI has significantly boosted revenue in semiconductors, data centres, and hyper scalers, but IT services have seen

limited benefits. ROI remains a top concern arising from heavy investments in surrounding services.

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.

Higher competition: Indian Tier-1 companies now face higher competition from Accenture (especially as it loses business due to DOGE), Tier-2 players, and Cognizant, likely slowing their growth compared to FY15-FY20. This is besides the fact that by FY25, Tier-1 revenue will reach US\$ 85bn, double that in FY15. Due to the higher base now, growth may not be as rapid.

Weak TCV: The weaker TCV for most players in 9MFY25 (YoY) and lack of any mega deal announcements in recent quarters points to a brewing growth problem for FY26. Many of the large companies like TCS, INFO and HCLT will also grapple with large contributions to incremental revenue by a limited set of large clients in FY25 or the need to set off large pass-through items.

How we are valuing companies: We are using PE methodology and using TCS as our industry benchmark. The target PE used for TCS now is 21.3x, which is the average PE multiple of TCS over the last 10 years less 0.5SD. We have changed this from 24.6x (which is the average PE multiple of TCS over the last five years less 1SD). The changed methodology reflects the changed outlook on growth in FY26. Through our choice of the benchmark Target PE multiple, we seek to capture the probability of downside risks to consensus growth expectations for FY26/FY27, especially due to Trump 2.0 proposals.

Tier- 2 valuation reflects growth gap with Tier-1

The Tier-2 set have been taking away market share from the Tier-1 set due to better execution and due to their smaller size. And unlike in the past cycles, they have performed better than the Tier-1 largely due to better management teams.

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

Fig 19 – Quarterly results: Comparison of actuals with estimates

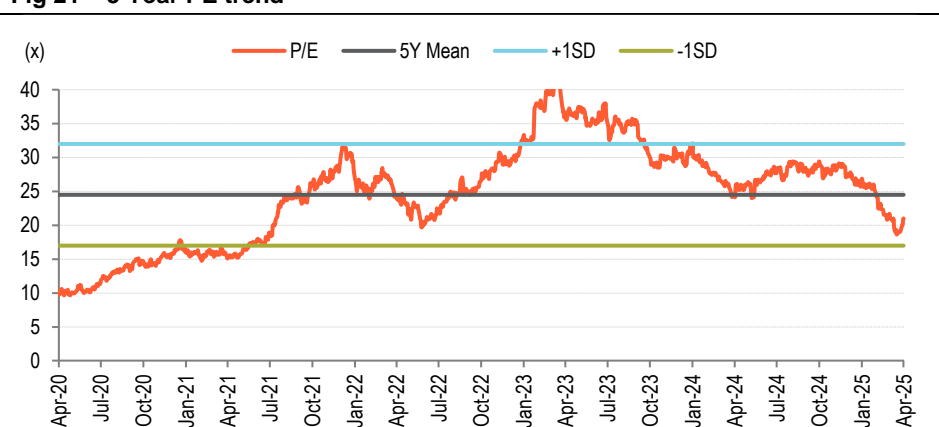
Y/E March (Rsmn)	4QFY24	3QFY25	4QFY25	YoY(%)	QoQ (%)	4QFY25E	Dev(%)
Net Sales (USD mn)	1,548	1,567	1,549	0.0	(1.2)	1,556	(0.5)
Net Sales	128,713	132,856	133,840	4.0	0.7	134,637	(0.6)
Direct Cost	93,941	94,559	94,800	0.9	0.3	95,245	(0.5)
Gross Margin	34,772	38,297	39,040	12.3	1.9	39,392	(0.9)
% of Sales	27.0	28.8	29.2			29.3	
SG&A	20,694	20,207	20,366	(1.6)	0.8	20,813	(2.1)
% of Sales	16.1	15.2	15.2			15.5	
EBITDA	14,078	18,090	18,674	32.6	3.2	18,579	0.5
EBITDA Margin (%)	10.9	13.6	14.0			13.8	
Depreciation & Amortisation	4,614	4,588	4,621	0.2	0.7	4,779	(3.3)
EBIT	9464	13,502	14,053	48.5	4.1	13,800	1.8
EBIT Margin (%)	7.4	10.2	10.5			10.2	
Interest	585	759	853	45.8	12.4	759	12.4
Other Income	3,735	165	1,727	(53.8)	946.7	1,073	61.0
Amortisation of goodwill	3,087	0	273			0	
PBT	9,527	12,908	14,654	53.8	13.5	14,114	3.8
Exceptional Item (as Reported)	64	66	(12)			0	
Provision for Tax	2,949	3,086	3,223	9.3	4.4	3,357	(4.0)
Effective Tax Rate	31.0	23.9	22.0			23.8	
Minority share in Profit / Loss	(32)	(56)	248	(875.0)	(542.9)	(75)	(430.7)
PAT (Reported)	6,610	9,832	11,667	76.5	18.7	10,682	9.2
NPM (%)	5.1	7.4	8.7			7.9	

Source: Company, BOBCAPS Research

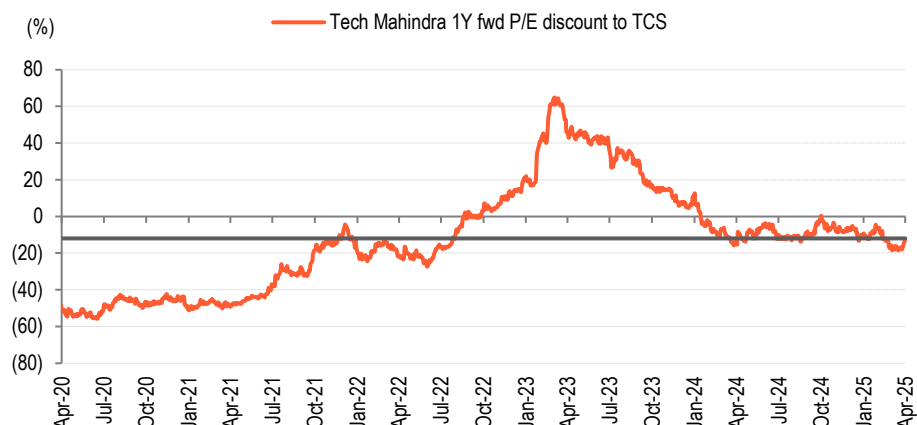
Fig 20 – Revised Estimates

Change in estimates	New		Old		Change (%)	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
INR/USD	87.3	89.3	87.3	89.3	-	-
USD Revenue (USD mn)	6,504	6,992	6,503	6,990	0.0	0.0
USD Revenue Growth (%)	3.8	7.5	3.3	7.5		
Revenue (Rsmn)	567.6	624.1	567.4	623.9	0.0	0.0
EBIT (Rsmn)	72.4	94.3	72.4	94.3	0.0	0.0
EBIT Margin (%)	12.8	15.1	12.8	15.1		
PAT (Rsmn)	60.0	77.0	56.5	73.7	6.3	4.5
EPS (Rs)	67.6	86.8	63.6	83.0	6.3	4.5

Source: Company, BOBCAPS Research

Fig 21 – 5 Year PE trend

Source: Company, BOBCAPS Research

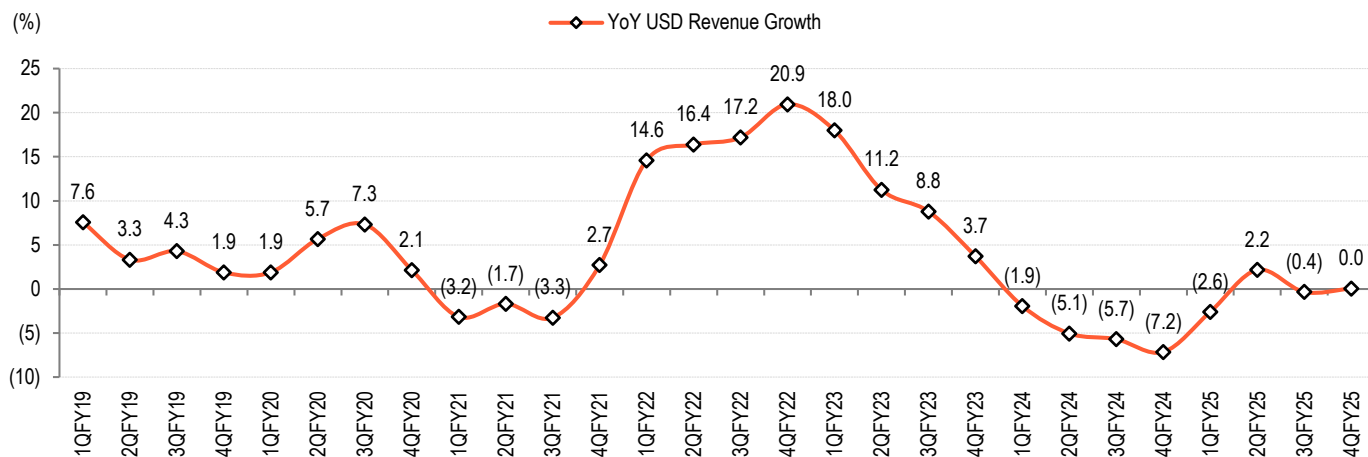
Fig 22 – Premium/ Discount to TCS

Source: Company, BOBCAPS Research

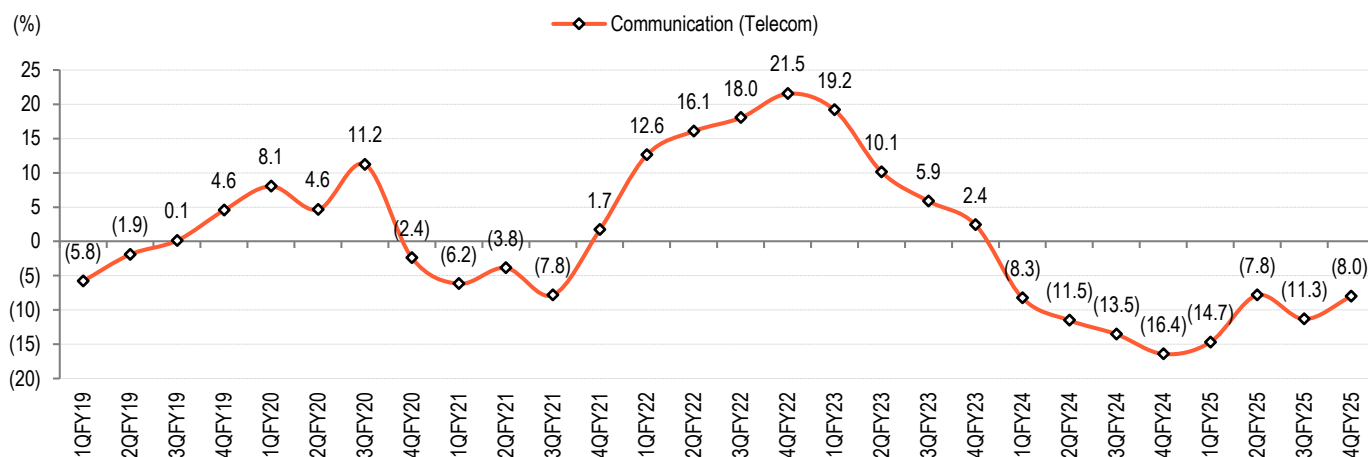
Fig 23 – P&L at a glance

(YE Mar) Rs mn	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Average INR/USD	54.4	60.7	61.3	65.6	67.0	64.5	69.9	71.0	74.1	74.4	80.6	82.8	84.6	87.3	89.3
Net Sales (US\$m)	2,633	3,098	3,664	4,037	4,351	4,771	4,971	5,182	5,111	5,998	6,607	6,277	6,264	6,504	6,992
-Growth (%)		17.7	18.3	10.2	7.8	9.6	4.2	4.3	(1.4)	17.3	10.1	(5.0)	(0.2)	3.8	7.5
Net Sales	143,320	188,313	224,779	264,941	291,408	307,730	347,421	368,677	378,551	446,460	532,902	519,955	529,883	567,584	624,119
-Growth (%)		31.4	19.4	17.9	10.0	5.6	12.9	6.1	2.7	17.9	19.4	(2.4)	1.9	7.1	10.0
Cost of Sales & Services	90,007	117,001	150,734	183,316	205,661	215,299	233,590	259,743	258,555	309,719	381,197	391,146	380,848	400,169	430,193
Gross Profit	53,313	71,312	74,045	81,625	85,747	92,431	113,831	108,934	119,996	136,741	151,705	128,809	149,035	167,415	193,927
% of sales	37.2	37.9	32.9	30.8	29.4	30.0	32.8	29.5	31.7	30.6	28.5	24.8	28.1	29.5	31.1
SG&A	22,682	29,476	32,901	38,289	43,904	45,261	50,463	51,673	51,525	56,540	71,418	79,163	79,124	75,877	79,363
% of sales	15.8	15.7	14.6	14.5	15.1	14.7	14.5	14.0	13.6	12.7	13.4	15.2	14.9	13.4	12.7
EBITDA	30,631	41,836	41,144	43,336	41,843	47,170	63,368	57,261	68,471	80,201	80,287	49,646	69,911	91,538	114,564
% of sales	21.4	22.2	18.3	16.4	14.4	15.3	18.2	15.5	18.1	18.0	15.1	9.5	13.2	16.1	18.4
Depreciation	3896	5,221	6,079	7,620	9,781	10,849	11,292	14,458	14,577	15,204	19,567	18,171	18,529	19,152	20,221
% of sales	2.7	2.8	2.7	2.9	3.4	3.5	3.3	3.9	3.9	3.4	3.7	3.5	3.5	3.4	3.2
EBIT	26735	36,615	35,065	35,716	32,062	36,321	52,076	42,803	53,894	64,997	60,720	31,475	51,382	72,387	94,343
% of sales	18.7%	19.4%	15.6%	13.5%	11.0%	11.8%	15.0%	11.6%	14.2%	14.6%	11.4%	6.1%	9.7%	12.8%	15.1%
Amortisation of goodwill	0	0	0	0	0	0	0	2,175	0	0	2,370	4,582	0	0	0
Interest expenses	922	797	297	871	1,286	1,624	1,332	1,919	1,740	1,626	3,256	3,922	3,217	224	224
Other income (net)	2,121	1,130	1,006	5,322	7,776	14,093	5,342	11,924	7,871	11,123	9,650	9,169	8,554	7,580	8,655
Share of profit from associate							(655)	(55)							
PBT	27,934	36,948	35,774	40,167	38,552	48,790	55,431	50,578	60,025	74,494	64,744	32,140	56,719	79,743	102,774
-PBT margin (%)	19.5	19.6	15.9	15.2	13.2	15.9	16.0	13.7	15.9	16.7	12.1	6.2	10.7	14.0	16.5
Provision for tax	6,479	7,524	9,472	8,600	10,021	10,925	12,544	11,604	15,999	18,220	15,885	8,276	14,002	20,733	26,721
Effective tax rate (%)	23.2	20.4	26.5	21.4	26.0	22.4	22.6	22.9	26.7	24.5	24.5	25.7	24.7	26.0	26.0
Minority Interest	301	336	310	412	389	(136)	88	1,356	750	(640)	(257)	(390)	(15)	992	992
Net profit	20,756	29,122	26,062	31,160	28,136	38,001	43,194	40,166	44,272	55,637	48,531	23,511	42,451	60,002	77,045
-Growth (%)	263.3	54.9	(13.2)	18.7	(9.8)	35.1	13.1	(6.2)	7.3	31.5	(15.2)	(51.2)	81.6	35.5	29.4
-Net profit margin (%)	14.5	15.5	11.6	11.8	9.7	12.3	12.4	10.9	11.7	12.5	9.1	4.5	8.0	10.6	12.3

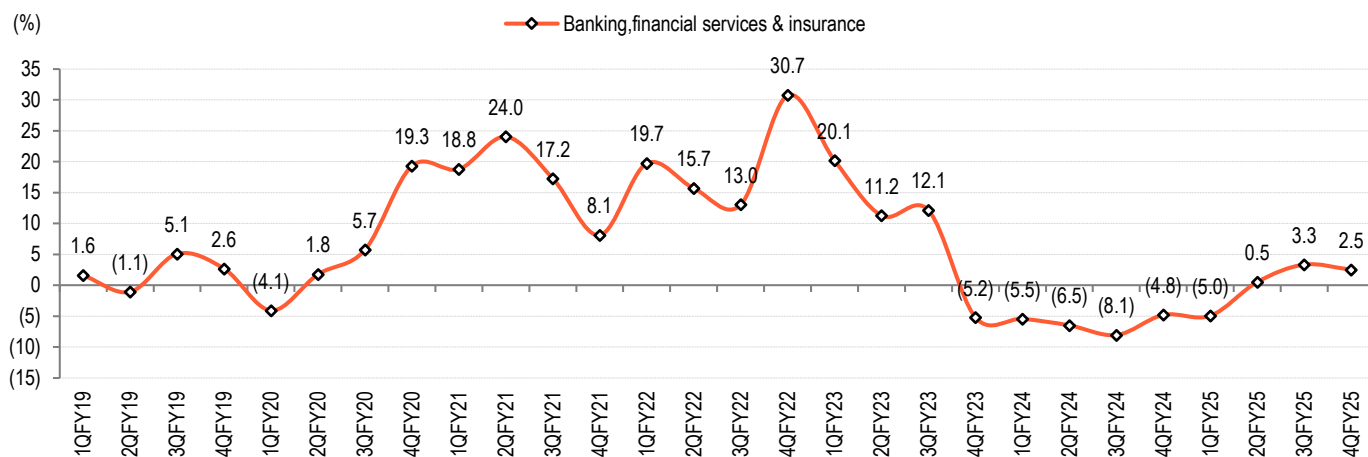
Source: Company, BOBCAPS Research

Fig 24 – YoY USD Revenue growth

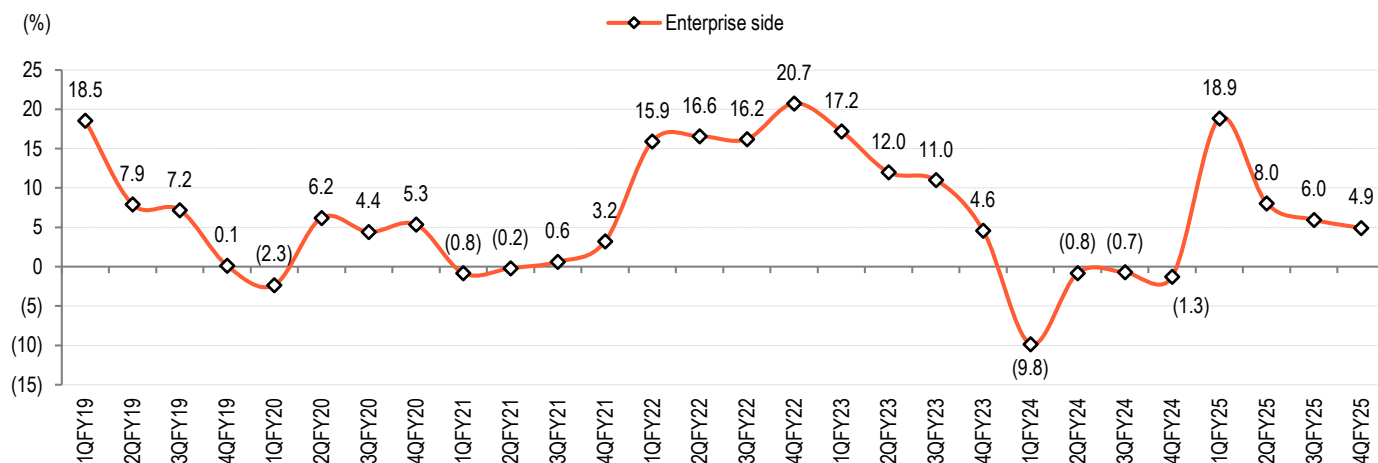
Source: Company, BOBCAPS Research

Fig 25 – Communication Growth (YoY)

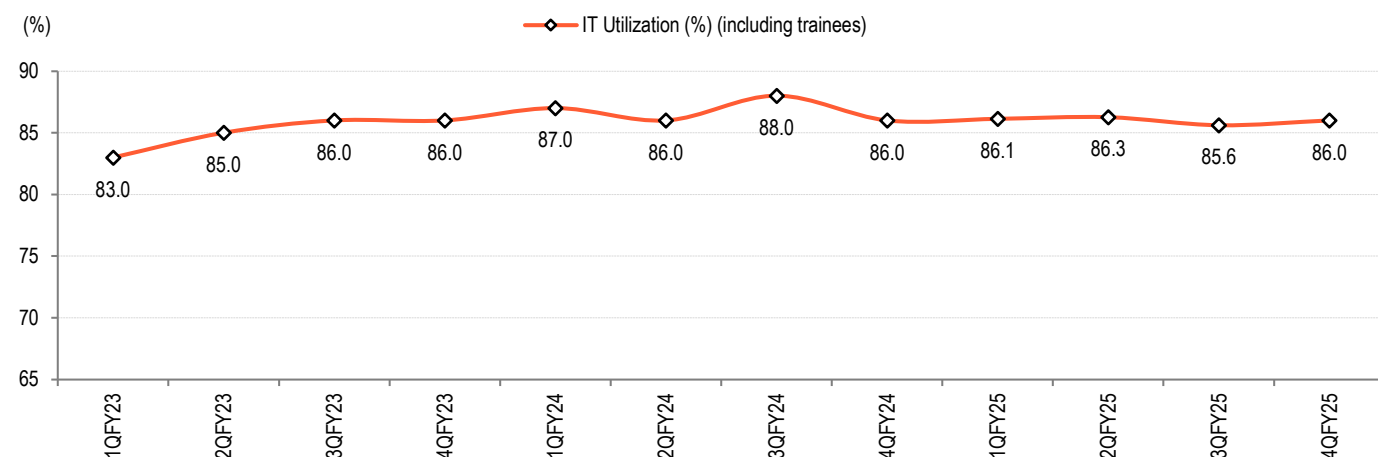
Source: Company, BOBCAPS Research

Fig 26 – BFSI Growth (YoY)

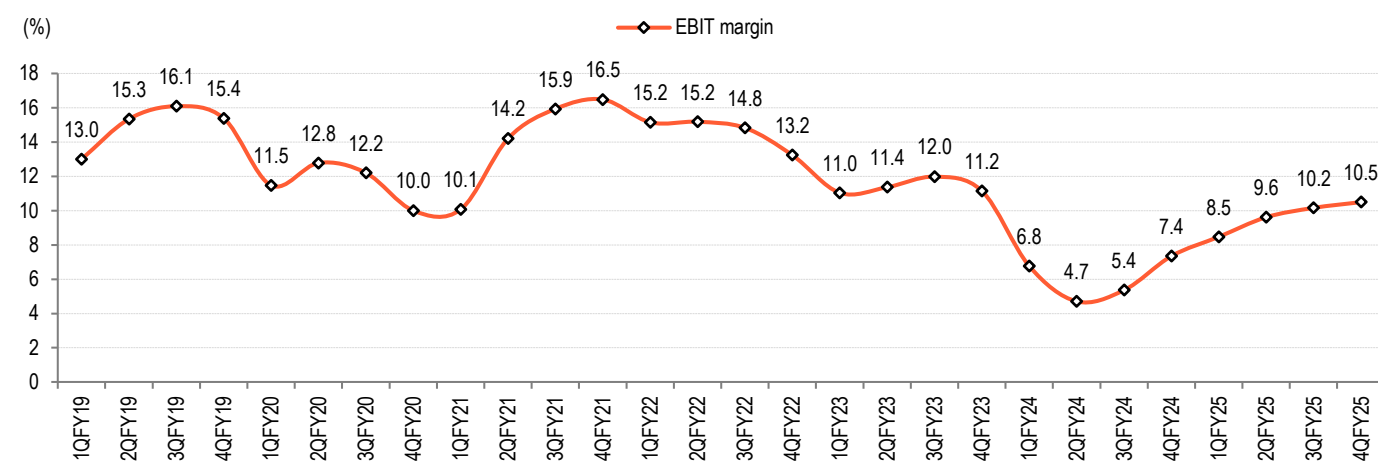
Source: Company, BOBCAPS Research

Fig 27 – Enterprise side Growth (YoY)

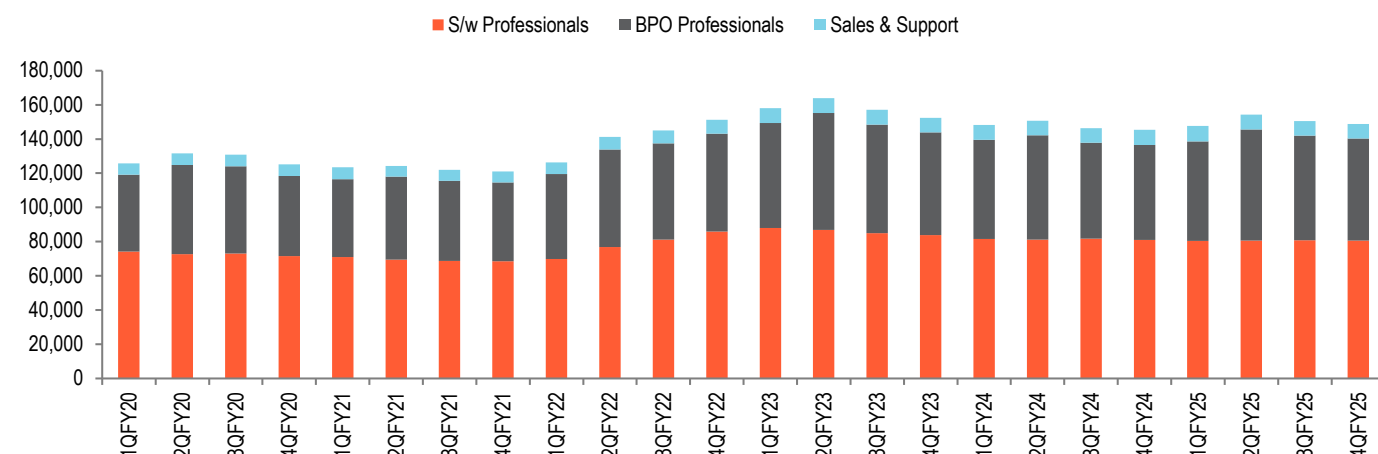
Source: Company, BOBCAPS Research

Fig 28 – Utilization trend

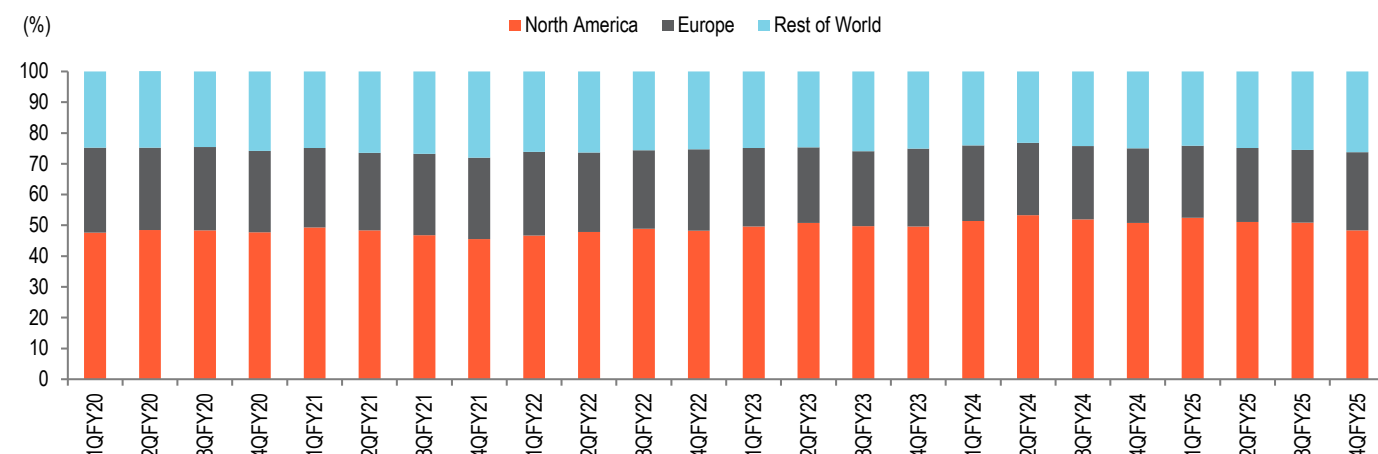
Source: Company, BOBCAPS Research

Fig 29 – EBIT Margin trend

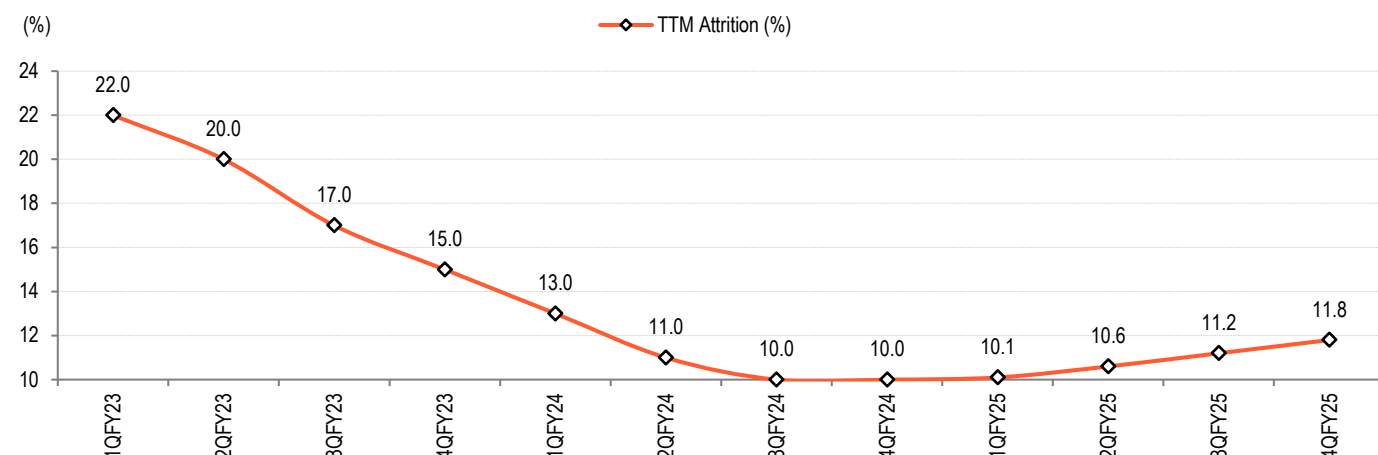
Source: Company, BOBCAPS Research

Fig 30 – Total Headcount trend QoQ

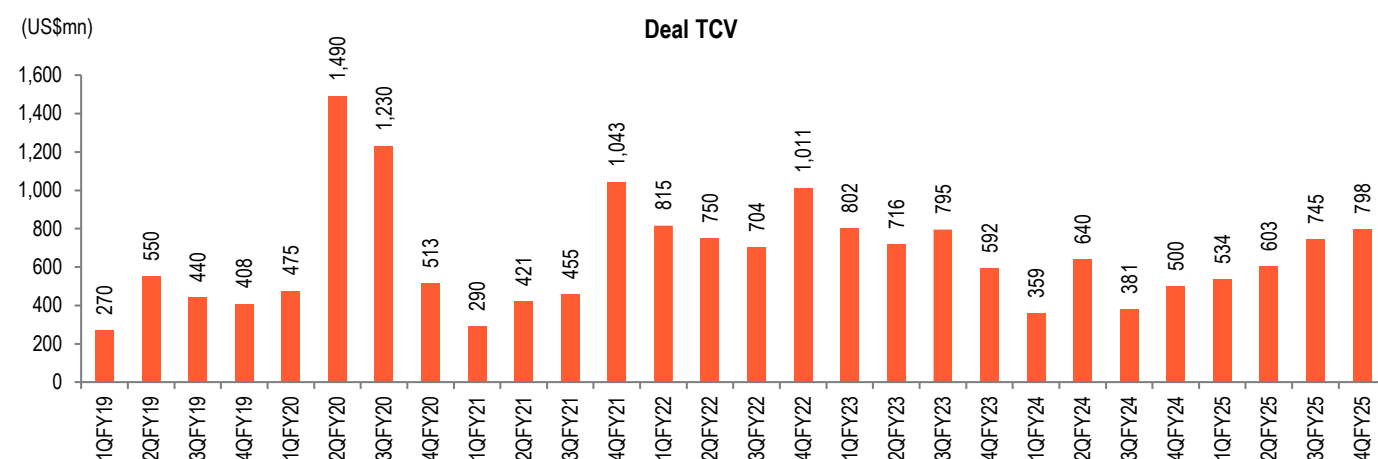
Source: Company, BOBCAPS Research

Fig 31 – Revenue contribution in terms of Geographies

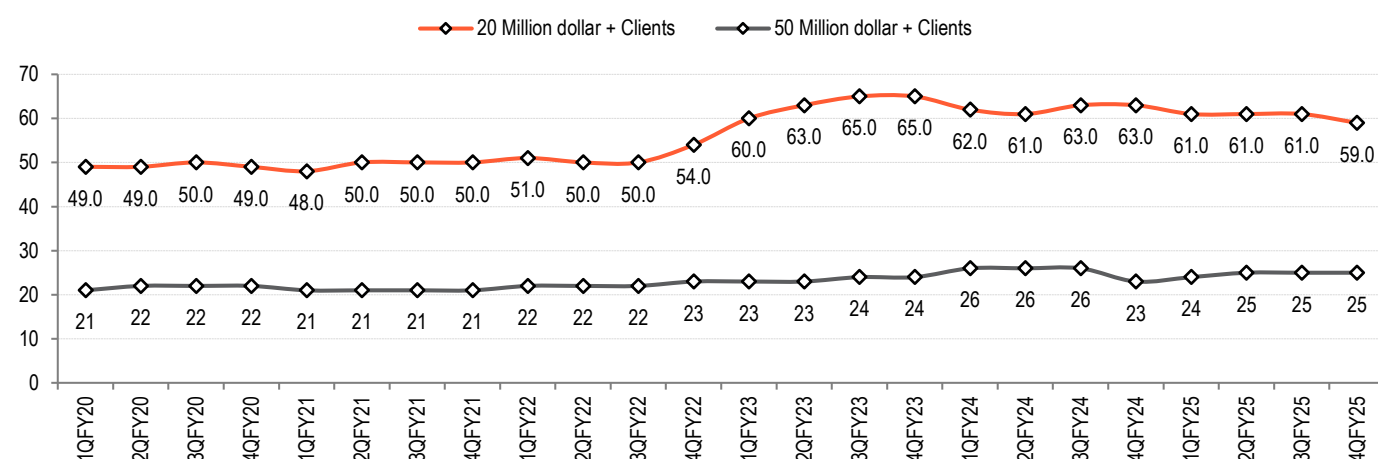
Source: Company, BOBCAPS Research

Fig 32 – Attrition Rate trend QoQ

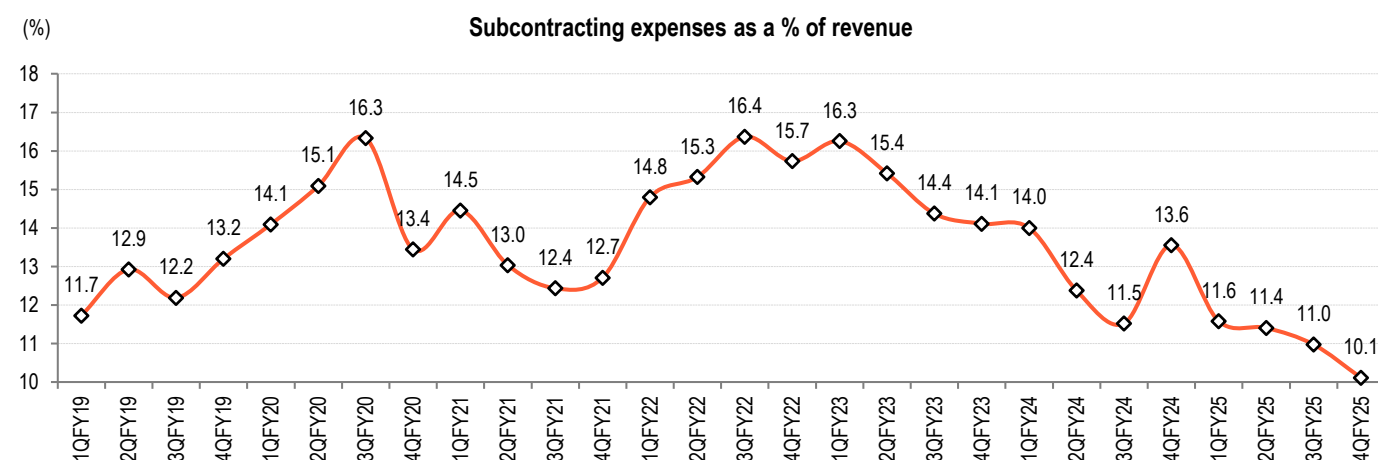
Source: Company, BOBCAPS Research

Fig 33 – Net new deal wins (TCV) trend QoQ

Source: Company, BOBCAPS Research

Fig 34 – Number of clients: >US\$20mn and >US\$50mn bucket

Source: Company, BOBCAPS Research

Fig 35 – Subcontracting costs as % of revenue

Source: Company, BOBCAPS Research

Fig 36 – Quarterly Snapshot

YE 31 Mar (Rs mn)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
INR/USD	77.7	80.0	82.3	82.3	82.2	82.7	83.3	83.1	83.4	83.8	84.7	86.5
USD Revenue (USD mn)	1633	1638	1668	1668	1601	1555	1573	1548	1559	1589	1567	1549
INR Revenue	127,079	131,295	137,346	137,182	131,590	128,639	131,013	128,713	130,055	133,132	132,856	133,840
Gross Margin	35,917	36,681	39,409	39,698	33,785	28,887	31,365	34,772	34,523	37,175	38,297	39,040
SGA	17,116	16,840	17,969	19,493	20,405	18,164	19,900	20,694	18,878	19,673	20,207	20,366
EBITDA	18,801	19,841	21,440	20,205	13,380	10,723	11,465	14,078	15,645	17,502	18,090	18,674
Depreciation	4,767	4,917	4,981	4,902	4,466	4,657	4,434	4,614	4,622	4,698	4,588	4,621
EBIT	14,034	14,924	16,459	15,303	8,914	6,066	7,031	9,464	11,023	12,804	13,502	14,053
Other income (net)	1,221	2,902	2,472	3,055	1,917	2,642	875	3,735	1,447	5,215	165	1,727
PBT	14,855	16,639	17,712	15,248	9,712	6,153	6,789	9,591	11,781	17,135	12,974	14,642
Tax	3,380	3,647	4,859	3,999	2,676	1,100	1,551	2,949	3,133	4,560	3,086	3,223
Minority Share in profit/Loss	(159)	(138)	113	(73)	(111)	(114)	(133)	(32)	(133)	(74)	(56)	248
Exceptional Item	3	(153)	(90)	(50)	78	(85)	48	64	26	6	66	(12)
PAT	11,316	12,854	12,966	11,176	6,925	4,939	5,105	6,610	8,515	12,501	9,832	11,667
YoY Growth (%)												
USD Revenue	18.0	11.2	8.8	3.7	(1.9)	(5.1)	(5.7)	(7.2)	(2.6)	2.2	(0.4)	0.0
INR Revenue	24.6	20.7	19.9	13.2	3.5	(2.0)	(4.6)	(6.2)	(1.2)	3.5	1.4	4.0
Gross Profit	11.2	6.4	14.5	11.6	(5.9)	(21.2)	(20.4)	(12.4)	2.2	28.7	22.1	12.3
EBITDA	0.2	(0.6)	4.1	(3.3)	(28.8)	(46.0)	(46.5)	(30.3)	16.9	63.2	57.8	32.6
EBIT	(9.2)	(9.7)	(3.1)	(4.6)	(36.5)	(59.4)	(57.3)	(38.2)	23.7	111.1	92.0	48.5
Net Profit	(16.4)	(4.0)	(5.3)	(25.8)	(38.8)	(61.6)	(60.6)	(40.9)	23.0	153.1	92.6	76.5
QoQ Growth (%)												
USD Revenue	1.5	0.3	1.8	0.0	(4.0)	(2.8)	1.1	(1.6)	0.7	1.9	(1.3)	(1.2)
INR Revenue	4.9	3.3	4.6	(0.1)	(4.1)	(2.2)	1.8	(1.8)	1.0	2.4	(0.2)	0.7
EBITDA	(10.0)	5.5	8.1	(5.8)	(33.8)	(19.9)	6.9	22.8	11.1	11.9	3.4	3.2
EBIT	(12.5)	6.3	10.3	(7.0)	(41.7)	(31.9)	15.9	34.6	16.5	16.2	5.4	4.1
Net Profit	(24.8)	13.6	0.9	(13.8)	(38.0)	(28.7)	3.4	29.5	28.8	46.8	(21.4)	18.7
Margins (%)												
Gross Margin	28.3	27.9	28.7	28.9	25.7	22.5	23.9	27.0	26.5	27.9	28.8	29.2
EBITDA	14.8	15.1	15.6	14.7	10.2	8.3	8.8	10.9	12.0	13.1	13.6	14.0
EBIT	11.0	11.4	12.0	11.2	6.8	4.7	5.4	7.4	8.5	9.6	10.2	10.5
PAT	8.9	9.8	9.4	8.1	5.3	3.8	3.9	5.1	6.5	9.4	7.4	8.7
SGA	13.5	12.8	13.1	14.2	15.5	14.1	15.2	16.1	14.5	14.8	15.2	15.2

Source: Company, BOBCAPS Research

Fig 37 – Key Metrics

	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
P and L (Rs mn)												
Revenue	127,079	131,295	137,346	137,182	131,590	128,639	131,013	128,713	130,055	133,132	132,856	133,840
EBITDA	18,801	19,841	21,440	20,205	13,380	10,723	11,465	14,078	15,645	17,502	18,090	18,674
PAT	11,316	12,854	12,966	11,176	6,925	4,939	5,105	6,610	8,515	12,501	9,832	11,667
Vertical Mix (%)												
Communication (Telecom)	40.4	39.7	39.8	40.1	37.8	37.0	36.5	36.1	33.1	33.4	32.5	33.2
Manufacturing	15.3	16.0	15.7	15.9	16.9	17.8	18.1	18.2	18.3	17.2	16.8	17.0
Technology, media & entertainment	9.7	10.1	10.3	10.3	10.7	11.0	10.5	10.7	13.8	14.3	14.3	13.2
Banking, financial services & insurance	16.7	16.3	15.9	15.9	16.1	16.1	15.5	16.3	15.7	15.8	16.1	16.7
Retail, transport & logistics	7.9	8.1	8.5	7.6	7.1	8.2	8.6	7.3	7.7	7.9	8.1	8.1
Healthcare and Life sciences								7.2	7.7	7.4	7.7	7.3
Others	10.0	9.8	9.9	10.2	4.0	10.0	10.8	4.0	3.8	4.0	4.6	4.5
Geographical Mix (%)												
North America	49.6	50.8	49.7	49.6	51.4	53.3	51.9	50.8	52.4	51.1	50.8	48.4
Europe	25.5	24.5	24.4	25.3	24.6	23.6	23.8	24.2	23.4	24.0	23.6	25.4
Rest of World	24.9	24.7	25.9	25.1	24.0	23.2	24.3	25.0	24.2	24.9	25.6	26.2
IT Headcount Mix (%)												
Onsite	27.2	27.3	27.5	27.3	26.9	26.6	26.1	25.2	24.6	23.7	22.7	22.1
Offshore	72.8	72.7	72.5	72.7	73.1	73.4	73.9	74.8	75.4	76.3	77.3	77.9
IT Utilization (%) (including trainees)	83.0	85.0	86.0	86.0	87.0	86.0	88.0	86.0	86.1	86.3	85.6	86.0
Clients Concentration (%)												
Top 5 Clients	21.0	19.0	18.0	17.0	17.0	17.0	16.0	16.0	15.5	15.1	14.8	16.0
Top 10 Clients	30.0	28.0	27.0	26.0	27.0	27.0	26.0	26.0	25.1	24.9	24.2	25.0
Top 20 Clients	41.0	40.0	40.0	40.0	39.0	39.0	39.0	39.0	38.4	38.6	38.0	38.0
Number of Client												
1 USD mn +	549	562	574	582	580	568	558	553	545	545	540	540
5 USD mn +	176	184	185	186	190	186	185	190	191	195	191	195
10 USD mn +	104	108	109	112	115	114	118	114	113	109	104	106
20 USD mn +	60	63	65	65	62	61	63	63	61	61	61	59
50 USD mn +	23	23	24	24	26	26	26	23	24	25	25	25
Employees	158,035	163,912	157,068	152,400	148,297	150,604	146,250	145,455	147,620	154,273	150,488	148,731
Net employee added	6,862	5,877	(6,844)	(4,668)	(4,103)	2,307	(4,354)	(795)	2,165	6,653	(3,785)	(1,757)
TTM Attrition (%)	22	20	17	15	13	11	10	10	10	11	11	12
Financial Metrics (USD mn)												
Revenue	1,633	1,638	1,668	1,668	1,601	1,555	1,573	1,548	1,559	1,589	1,567	1,549
EBITDA	239	246	260	245	163	129	138	169	188	209	213	217
EBIT	177	184	200	186	108	73	84	114	132	153	159	163
PAT	145	162	157	137	85	62	62	79	103	150	115	133
Per Capita (Annualised) - USD												
Revenue	41,320	39,975	42,486	43,769	43,176	41,306	43,022	42,575	42,241	41,192	41,664	41,654
EBITDA	6,042	5,991	6,626	6,441	4,388	3,437	3,766	4,653	5,082	5,414	5,661	5,831
EBIT	4,488	4,493	5,086	4,877	2,924	1,942	2,311	3,127	3,581	3,961	4,221	4,395
PAT	3,665	3,963	3,998	3,601	2,279	1,644	1,707	2,172	2,800	3,888	3,070	3,572
Per capita operating cost	36,832	35,482	37,400	38,892	40,252	39,364	40,711	39,449	38,661	37,232	37,442	37,259

Source: Company, BOBCAPS Research

Fig 38 – QoQ and YoY growth of various parameters

(USD terms)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
QoQ Growth												
Total Company	1.5	0.3	1.9	(0.1)	(11.1)	4.9	1.1	(1.8)	0.9	1.9	(1.3)	(1.2)
By Geography(%)												
North America	4.2	2.8	(0.4)	(0.2)	(0.5)	0.7	(1.4)	(3.7)	3.9	(0.7)	(1.9)	(5.9)
Europe	(1.9)	(3.6)	1.4	3.6	(6.7)	(7.0)	2.2	0.1	(2.6)	4.5	(3.0)	6.3
Rest of World	(0.1)	(0.5)	6.8	(3.1)	(8.2)	(6.1)	5.9	1.3	(2.7)	5.0	1.4	1.2
By Industry (%)												
Communications, Media and Entertainment	1.0	(1.4)	2.1	0.7	(9.5)	(4.9)	(0.2)	(2.7)	(7.6)	2.7	(4.0)	1.0
Manufacturing	4.2	4.9	(0.1)	1.2	2.0	2.0	3.1	(1.0)	1.1	(4.0)	(3.7)	(0.0)
Technology	5.9	4.5	3.9	(0.0)	(0.3)	(0.1)	(3.5)	0.3	29.7	5.7	(1.6)	(8.5)
Banking, financial services & insurance	(2.6)	(2.1)	(0.7)	(0.0)	(2.8)	(3.1)	(2.3)	3.5	(3.0)	2.4	0.4	2.7
Retail, transport & logistics	5.5	2.9	6.9	(10.6)	(10.3)	12.2	6.1	(16.5)	5.5	5.6	0.9	(1.3)
Healthcare and Life sciences									7.3	(1.8)	2.1	(5.7)
Others	(0.5)	(1.7)	2.9	3.0	(62.4)	142.9	9.2	(63.5)	(4.6)	7.8	14.2	(4.2)
By Client classification (%)												
Top 5 Clients	(3.1)	(9.2)	(3.5)	(5.6)	(4.0)	(2.8)	(4.8)	(1.6)	(2.5)	(0.4)	(3.9)	7.2
Top 10 Clients	(1.8)	(6.3)	(1.8)	(3.7)	(0.3)	(2.8)	(2.6)	(1.6)	(2.8)	1.0	(4.1)	2.2
Top 20 Clients	(3.2)	(2.1)	1.8	(0.0)	(6.4)	(2.8)	1.1	(1.6)	(0.9)	2.5	(2.9)	(1.2)
YoY Growth												
Total Company	18.0	11.2	8.8	3.7	(1.9)	(5.1)	(5.7)	(7.2)	(2.6)	2.2	(0.3)	0.0
By Geography(%)												
North America	25.3	18.2	10.6	6.5	1.6	(0.5)	(1.5)	(4.9)	(0.7)	(2.0)	(2.4)	(4.7)
Europe	10.6	5.2	4.1	(0.6)	(5.4)	(8.7)	(8.0)	(11.2)	(7.3)	4.2	(1.1)	5.0
Rest of World	12.6	4.5	10.1	2.9	(5.5)	(10.8)	(11.5)	(7.5)	(2.0)	9.6	4.9	4.8
By Industry (%)												
Communications, Media and Entertainment	19.2	10.1	5.9	2.4	(8.3)	(11.5)	(13.5)	(16.4)	(14.7)	(7.8)	(11.3)	(8.0)
Manufacturing	9.4	11.2	8.0	10.7	8.3	5.3	8.7	6.3	5.3	(0.9)	(7.5)	(6.6)
Technology	30.1	24.8	32.8	14.9	8.2	3.4	(3.9)	(3.6)	25.4	32.7	35.2	23.4
Banking, financial services & insurance	20.1	11.2	12.1	(5.2)	(5.5)	(6.5)	(8.1)	(4.8)	(5.0)	0.5	3.3	2.5
Retail, transport & logistics	21.1	15.5	8.5	3.7	(11.9)	(3.9)	(4.6)	(10.8)	4.9	(1.2)	(6.0)	11.0
Healthcare and Life sciences									NA	NA	NA	1.4
Others	11.3	0.9	(1.1)	3.7	(60.8)	(3.1)	2.9	(63.6)	(7.7)	(59.0)	(57.2)	12.5
By Client Classification (%)												
Top 5 Clients	12.1	(3.9)	(13.6)	(19.9)	(20.6)	(15.1)	(16.2)	(12.6)	(11.3)	(9.0)	(8.1)	0.0
Top 10 Clients	14.2	0.5	(6.5)	(13.0)	(11.8)	(8.5)	(9.2)	(7.2)	(9.5)	(5.9)	(7.3)	(3.8)
Top 20 Clients	12.0	3.5	2.7	(3.5)	(6.7)	(7.4)	(8.1)	(9.5)	(4.1)	1.2	(2.9)	(2.5)

Source: Company, BOBCAPS Research

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25A	FY26E	FY27E
Total revenue	532,902	519,955	529,883	567,584	624,119
EBITDA	80,287	49,646	69,911	91,538	114,564
Depreciation	19,567	18,171	18,529	19,152	20,221
EBIT	60,720	31,475	51,382	72,387	94,343
Net interest inc./(exp.)	(3,256)	(3,922)	(3,217)	(224)	(224)
Other inc./(exp.)	9,650	9,169	8,554	7,580	8,655
Exceptional items	(2,370)	(4,582)	0	0	0
EBT	64,744	32,140	56,719	79,743	102,774
Income taxes	15,885	8,276	14,002	20,733	26,721
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	(547)	(285)	(101)	992	992
Reported net profit	48,312	23,579	42,818	58,018	75,061
Adjustments	0	0	0	0	0
Adjusted net profit	48,312	23,579	42,818	58,018	75,061

Balance Sheet

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25A	FY26E	FY27E
Accounts payables	0	0	0	0	0
Other current liabilities	133,210	126,166	126,740	138,881	155,003
Provisions	0	0	0	0	0
Debt funds	11,371	1,570	160	160	160
Other liabilities	37,707	39,806	44,430	44,430	44,430
Equity capital	4,400	4,413	4,424	4,424	4,424
Reserves & surplus	274,845	262,281	269,191	280,470	291,074
Shareholders' fund	279,245	266,694	273,615	284,894	295,498
Total liab. and equities	461,533	434,236	444,945	468,365	495,091
Cash and cash eq.	70,379	75,149	74,350	85,264	94,360
Accounts receivables	128,816	114,011	115,470	126,532	141,220
Inventories	236	375	394	394	394
Other current assets	46,625	45,179	47,117	51,631	57,624
Investments	7,698	7,092	7,836	7,836	7,836
Net fixed assets	62,047	54,640	47,636	40,621	32,331
CWIP	836	1,011	206	206	206
Intangible assets	76,657	75,106	76,993	76,993	76,993
Deferred tax assets, net	12,965	14,396	18,573	18,573	18,573
Other assets	55,274	47,277	56,370	60,315	65,554
Total assets	461,533	434,236	444,945	468,365	495,091

Cash Flows

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25A	FY26E	FY27E
Cash flow from operations	68,959	59,607	61,621	74,952	91,938
Capital expenditures	(13,254)	(7,600)	(10,899)	(12,137)	(11,931)
Change in investments	(12,271)	5,805	(8,433)	(3,945)	(5,239)
Other investing cash flows	0	0	0	0	0
Cash flow from investing	(25,525)	(1,795)	(19,332)	(16,082)	(17,169)
Equities issued/Others	12	13	11	0	0
Debt raised/repaid	(5,472)	(7,774)	3,686	0	0
Interest expenses	(3,256)	(3,922)	(3,217)	(224)	(224)
Dividends paid	(44,336)	(35,264)	(39,857)	(48,723)	(66,441)
Other financing cash flows	0	0	0	0	0
Cash flow from financing	(53,052)	(46,947)	(39,377)	(48,947)	(66,665)
Chg in cash & cash eq.	(13,725)	4,770	(799)	10,914	9,096
Closing cash & cash eq.	70,379	75,149	74,350	85,264	94,360

Per Share

Y/E 31 Mar (Rs)	FY23A	FY24A	FY25A	FY26E	FY27E
Reported EPS	54.8	26.9	47.9	67.7	87.0
Adjusted EPS	54.7	26.5	47.8	67.6	86.8
Dividend per share	50.1	40.3	45.0	55.0	75.0
Book value per share	315.5	304.6	308.9	321.6	333.6

Valuations Ratios

Y/E 31 Mar (x)	FY23A	FY24A	FY25A	FY26E	FY27E
EV/Sales	2.2	2.3	2.3	2.1	1.9
EV/EBITDA	14.8	24.5	17.4	13.2	10.5
Adjusted P/E	26.4	54.6	30.2	21.4	16.7
P/BV	4.6	4.7	4.7	4.5	4.3

DuPont Analysis

Y/E 31 Mar (%)	FY23A	FY24A	FY25A	FY26E	FY27E
Tax burden (Net profit/PBT)	74.6	73.4	75.5	72.8	73.0
Interest burden (PBT/EBIT)	106.6	102.1	110.4	110.2	108.9
EBIT margin (EBIT/Revenue)	11.4	6.1	9.7	12.8	15.1
Asset turnover (Rev./Avg TA)	163.5	163.4	169.2	175.3	186.4
Leverage (Avg TA/Avg Equity)	1.2	1.2	1.2	1.2	1.2
Adjusted ROAE	17.6	8.6	15.8	20.8	25.9

Ratio Analysis

Y/E 31 Mar	FY23A	FY24A	FY25A	FY26E	FY27E
YoY growth (%)					
Revenue	19.4	(2.4)	1.9	7.1	10.0
EBITDA	0.1	(38.2)	40.8	30.9	25.2
Adjusted EPS	(12.8)	(51.6)	80.6	41.3	28.4

Profitability & Return ratios (%)

EBITDA margin	15.1	9.5	13.2	16.1	18.4
EBIT margin	11.4	6.1	9.7	12.8	15.1
Adjusted profit margin	9.1	4.5	8.1	10.2	12.0
Adjusted ROAE	17.6	8.6	15.8	20.8	25.9
ROCE	14.1	7.3	12.4	16.5	20.9

Working capital days (days)

Receivables	88	80	80	81	83
Inventory	NA	NA	NA	NA	NA
Payables	NA	NA	NA	NA	NA

Ratios (x)

Gross asset turnover	8.6	9.5	11.1	14.0	19.3
Current ratio	1.8	1.9	1.9	1.9	1.9
Net interest coverage ratio	NA	NA	NA	NA	NA
Adjusted debt/equity	(0.2)	(0.3)	(0.3)	(0.3)	(0.3)

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

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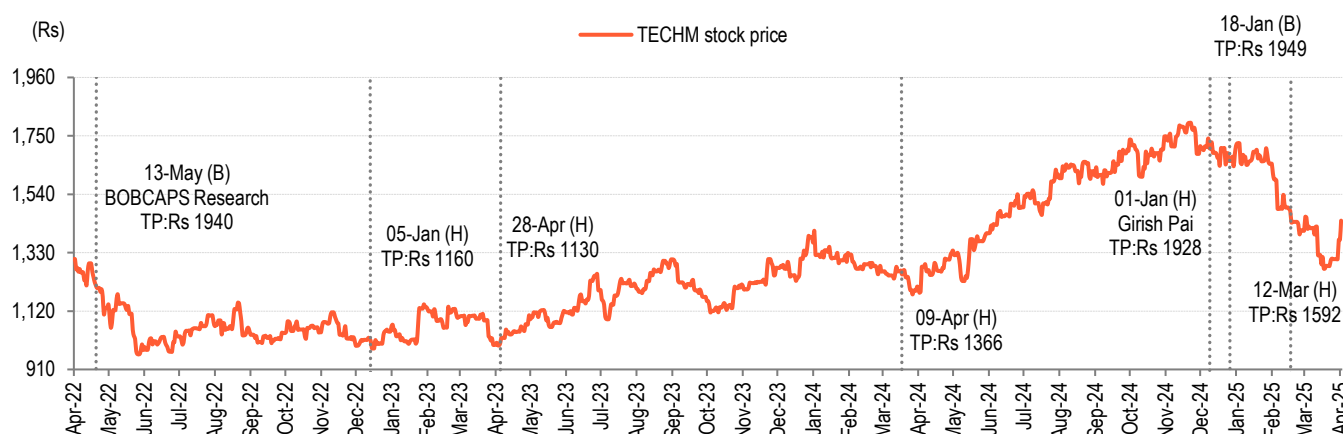
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Note: Recommendation structure changed with effect from 21 June 2021

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