

HOLD

TP: Rs 312 | ▲ 11%

WIPRO

| IT Services

| 18 January 2025

Big margin surprise induces rating upgrade

- Both revenue and margins were better than our estimates. The EBIT margin beat of 130bps versus our estimate was a big +ve surprise
- Wipro is more hopeful for 2025 vis-à-vis 2024. For 4QFY25 it is -1%-+1% CC revenue growth. Raise EPS in FY26/FY27 by ~10% on margins
- We reduce target PE multiple discount to 15% from 25% vis-à-vis benchmark TCS and raise Wipro to a HOLD from SELL

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Extent of margin improvement a big surprise: 130bps margin surprise to our estimate seems to have come from improved execution rigor both in core and in consulting business. Utilization, offshoring, and fixed-price productivity has played out. There was also a very conscious reduction in terms of G&A costs. We suspect higher utilization in Capco and Rizing and possibly usage of higher offshore resources in them also were key drivers. The move to 17.5% was supposed to be a medium-term one but has been brought forward. This is despite facing headwinds of salary increase, furloughs, cross currency, etc.

Mixed QoQ growth: Americas 1 grew 3.9% QoQ in CC terms. Growth was primarily led by Health care, Technology and communication sectors. Americas 2 grew 0.6%. Europe/APMEA declined by 2.7%/2.1%. Health care grew 6.7% while BFSI declined 1.9%.

Discretionary spend improvement: Capco saw order inflow growth of 9% YoY and revenue growth of 11%. Wipro said discretionary spend was improving cautiously. We thought its commentary was bit muted on discretionary spending compared to that of Infosys and TCS. It also stated that the overall pipeline has remained at the same level over the last year.

Changed capital allocation policy: Probably due to the new taxation policy on buybacks announced in the 2024 budget, Wipro has announced that it would pay out 70% of its net income as dividends in a block of 3 years. This is effective FY'26. Previously it was 50%.

Raise rating to HOLD from SELL: The margin surprise and the likely sustainability at a higher level going forward with a potential further improvement makes us raise our EPS estimate for FY26/FY27 by ~10% each. We are also valuing Dec '26 EPS at 20.9x, which is a 15% discount to the 24.6x Target PE multiple for our sector benchmark TCS. We have reduced the PE multiple discount from 25%. Srinu Pallia, the new CEO, must deliver on growth for the discount to narrow further.

Key changes

	Target	Rating
	▲	▲

Ticker/Price	WPRO IN/Rs 282
Market cap	US\$ 34.0bn
Free float	27%
3M ADV	US\$ 43.6mn
52wk high/low	Rs 596/Rs 281
Promoter/FPI/DII	73%/8%/8%

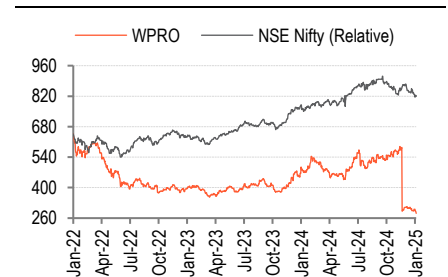
Source: NSE | Price as of 17 Jan 2025

Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
Total revenue (Rs mn)	8,97,603	8,95,033	9,70,186
EBITDA (Rs mn)	1,76,379	1,87,446	2,16,553
Adj. net profit (Rs mn)	1,10,452	1,30,547	1,44,526
Adj. EPS (Rs)	10.4	12.5	13.8
Adj. ROAE (%)	14.4	16.8	17.6
Adj. P/E (x)	27.2	22.6	20.5
EV/EBITDA (x)	16.5	15.6	13.5
Adj. EPS growth (%)	0.2	20.1	10.7

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Other key points

- 3QFY25 revenue growth at 0.1% QoQ in constant currency was delivered at the top end of the revenue guidance range of -2% to 0% and better than the -1% that we estimated.
- In strategic market unit performance, steady demand growth was seen in Americas, while Europe and APMEA remained soft
- Americas 1 grew 3.9% sequentially and 3.7% YoY, driven by healthcare, technology, and communication sectors
- Americas 2 declined 0.6% sequentially and grew 1.2% YoY, primarily led by the BFSI sector
- Europe declined 2.7% sequentially and 4.6% YoY. APMEA declined 2.1% sequentially and 8% YoY
- The top 5 and top 10 accounts grew 3.7% and 1.8% QoQ respectively.
- Guidance for 4Q is for sequential growth of -1% to +1%, in constant currency terms
- Operating margins reached a 12-quarter high of 17.5% (2Q – 16.8%). We were anticipating 16.2% as we thought Wipro would be impacted by 2 months of salary increase for junior staff, cross currency and furlough headwinds.
- Improved execution rigor in core and consulting businesses led to this. Key levers for margin expansion included: Utilization, Offshoring, Fixed-price productivity, conscious reduction in overheads, including G&A. We suspect higher utilization in Capco and Rizing and possibly usage of higher offshore resources in them also were key drivers. For 4Q, Wipro stated that it was confident on maintaining margins within a narrow band around 17.5%
- The strongest traction in large deals is in the BFSI and EMR (energy, manufacturing and resources) segments. BFSI is strong in America, Europe, and India
- Manufacturing is strong in Europe compared to the US
- ENU is robust in America, including the US and Canada, followed by ANZ and Europe
- For healthcare, consumer, and technology industries, traction is mainly in medium to large-size deals, valued between \$50mn and \$100mn
- Discretionary spend is showing positive signs in certain areas, particularly in the BFS segment in America
- In Europe, economic challenges in regions like Germany, the UK, and France are pressuring clients to trim costs and focus on efficiency
- Overall pipeline remains healthy and has stayed at the same level over the past year

- BFSI sector was impacted by furloughs in 3Q, but it still grew 3.4% YoY, driven by a mix of discretionary spending, mainly from Capco's consulting work, and non-discretionary work from vendor consolidation and cost take-out themes.
- The sense we get from Wipro is that the furlough situation was a bit better than expected
- BFSI budgets are expected to increase going forward.
- Healthcare budgets are anticipated to continue growing, but at a slower pace compared to previous years
- Geographically, there is strong momentum in the Americas, but Europe and Latin America remain soft.
- The decline in revenue from non-top 10 clients is partly due to weaker revenue environment, furloughs, and cross-currency impact, which are reflected in the TTM active client portfolio
- The growth in top clients demonstrates the strength in mining top accounts, and efforts will continue to focus on expanding these relationships
- Large deal bookings at US\$960mn were down sequentially 35%, but the total TCV of bookings was flat QoQ. Total TCV for 9MFY25 was ~8% down YoY. However, the large deal TCV number was up 6% YoY for the same period.
- There was an increase in small and medium-sized deals during the quarter, contributing to good ACV growth, although Wipro said it is too early to confirm if this trend will continue
- The company plans to take in 2500 to 3,000 campus recruits every quarter in the next fiscal year, in addition to lateral hires.
- Attrition is expected to decrease in the upcoming quarter
- The reduction in depreciation is largely due to the natural phase-off of intangible amortization. Additionally, 3Q of the previous fiscal year had one-off items that caused a higher depreciation, so the current figures reflect normalization

View on the Indian IT services sector: We reinitiated coverage on the Indian IT Services with UW stance through a report on 1 January, 2025 (**Slow is the (new/old) normal**).

Current valuations are disconnected with fundamentals. Since 1 June 2024, Nifty IT has outperformed Nifty significantly. However, consensus earnings for FY25 and FY26 have not moved much during this period. It has been an entirely PE expansion story. Tier-1 and Tier-2 Indian IT services stocks are trading at +1 SD and +2 SD above their five-year means respectively. The PE premium of Tier-2 to Tier-1 is at its historic peak.

Current high PE multiples imply sharp growth pickup in FY25-FY27E. We think it will be slower. We do not believe structurally Indian IT services industry will see the pandemic's 'compressed transformation' type of demand in the foreseeable future. We believe the industry's structural USD organic revenue growth from here on will be lower than the ~7% CAGR – seen during FY15-FY20.

10-year study of valuations and earnings growth indicates that Indian IT stocks are currently trading at +2.1 SD to +18.3 SD higher valuations compared to the mean multiples during the FY15-FY20 period. Yes, we would admit that certain companies have undergone a structural change for the better, but not to the extent that the bulls assume and not all of them.

Multiple speed breakers post FY25 drives 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.
- Higher for longer interest rate environment: One of reasons for optimism around the Indian IT service sector in recent quarters has been the view that 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 recent 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'. However, recent inflation prints, stronger GDP growth, and a higher fiscal deficit have raised concerns. With US 10-year yields rising to 4.7% from a September 2024 low of 3.6%, there are fears that sustained high interest rates could reduce IT outsourcing demand, particularly in sectors like BFSI and Telecom, and dampen US consumption in areas like housing, autos and retail.
- 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 centers, and hyper scalers, but IT services have seen limited benefits. ROI remains a top concern arise due to heavy investment in surrounding services

- Massive hyper scaler AI capex should accentuate re-alignment in IT spend: Software players, including hyperscalers, are increasing capex on AI-related data centers. This will drive higher pricing, forcing enterprises to allocate more IT spend to cloud/SaaS
- Indian Tier-1 companies now face higher competition from Accenture, 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 \$85bn, double that in FY15. Due to the higher base now, growth may not be as rapid as it was when the base was lower
- The weak TCV for certain players in 1HFY25 and lack of any mega deal announcements in recent quarters points to a brewing growth problem for FY26

How we are valuing companies: We are using PE methodology and using TCS as our industry benchmark. The target PE multiple used for TCS is 24.6x (which is the average PE multiple of TCS over the last 5 years less 1SD). This is by no means pessimistic. 24.6x is higher than the 23.6x multiple which was the mean multiple of the FY15-FY20 time frame when revenue growth was ~150bps faster. During the Global Financial Crisis (GFC) downturn, the stock traded in the single digit PE multiple territory. We are using a 1SD discount to the five-year PE as we believe that industry and TCS will see a 'slower for longer' growth situation.

Why use a PE multiple that is 1SD lower than 5-year mean of TCS:

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.

While the strong consensus estimates seem to imply a soft-landing macro scenario in the US, the higher probability event is a 'no landing, higher-for-longer interest rate' scenario which we believe has a 50-60% probability. The probability of a recession is also not insignificant (20% based on Bloomberg estimates).

Some of the speed breakers are industry/technology related, and some are related to the macro and policy environment especially in the US which is the key market for Indian IT services firms. Besides the US, we believe the European market macro looks quite bad (Europe – including UK – forms about 30-40% of revenue for Indian IT services firms) and corporate IT spending would be muted

Tier- 2 valuation reflects growth gap between it and 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 the 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 1 – Quarterly results: Comparison of actuals with estimates

Y/E March (Rs mn)	3QFY24	2QFY25	3QFY25	YoY (%)	QoQ (%)	3QFY25E	Dev(%)
IT Services Revenue (USD mn)	2,656	2,660	2,629	(1.0)	(1.2)	2,607	0.8
Net Sales	2,22,051	2,23,016	2,23,188	0.5	0.1	2,20,895	1.0
Employee Costs	1,53,826	1,55,049	1,53,922	0.1	(0.7)	1,56,108	(1.4)
% of Sales	69.3	69.5	69.0			70.7	
Gross Margin	68,225	67,967	69,266	0.4	0.8	64,787	6.9
% of Sales	30.7%	30.5%	31.0%			29.3%	
Other Expenditure	35,622	30,422	30,710	(13.8)	0.9	28,985	6.0
% of Sales	16.0	13.6	13.8			13.1	
Forex Gain / (Loss)	262	(396)	410			0	
Other Operating Income	0	0	0			0	
EBIT	32,865	37,149	38,966	18.6	4.9	35,802	8.8
EBIT Margin (%)	14.8	16.7	17.5			16.2	
Other Income	2,656	5,629	5,567	109.6	(1.1)	4,179	33.2
PBT	35,521	42,778	44,533	25.4	4.1	39,980	11.4
Provision for Tax	8,515	10,512	10,866	27.6	3.4	9,995	8.7
Effective Tax Rate (%)	24.0	24.6	24.4			25.0	
Minority share in Profit / Loss	(64)	(178)	(129)			(200)	
PAT (Reported)	26,942	32,088	33,538	24.5	4.5	29,785	12.6
NPM (%)	12.1	14.4	15.0			13.5	

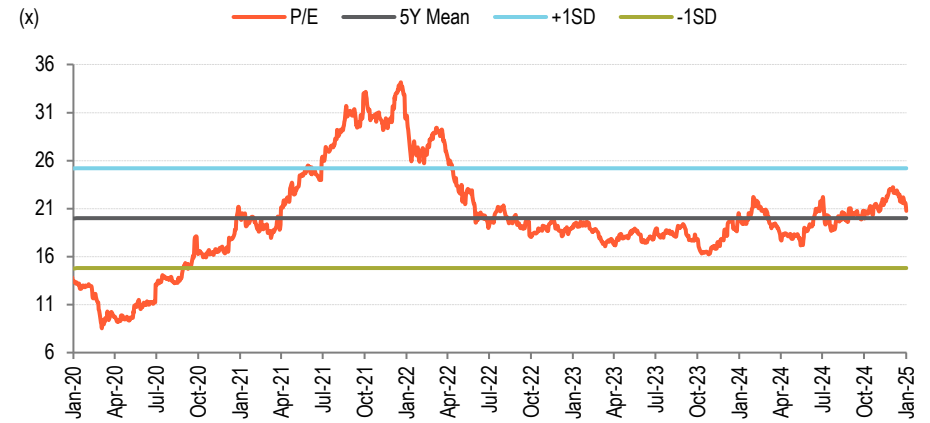
Source: Company, BOBCAPS Research

Fig 2 – Revised Estimates

	New			Old			Deviation		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
INR/USD	84.4	87.3	89.3	84.1	85.4	86.6	0.3	2.1	3.1
IT Services USD Revenue (USD mn)	10,570	11,080	11,728	10,579	11,098	11,746	(0.1)	(0.2)	(0.2)
USD Revenue Growth (%)	(2.2)	4.8	5.8	(2.1)	4.9	5.8			
Revenue (Rsbn)	895	970	1,050	892	951	1,021	0.3	2.0	2.9
EBIT (Rsbn)	152	167	183	147	155	168	3.2	7.8	9.0
EBIT Margin (%)	17.0	17.2	17.4	16.5	16.3	16.4			
PAT (Rsbn)	131	145	160	124	132	146	5.2	9.5	9.9
FDEPS (Rs)	12.5	13.8	15.3	11.8	12.6	13.9	5.2	9.5	9.8

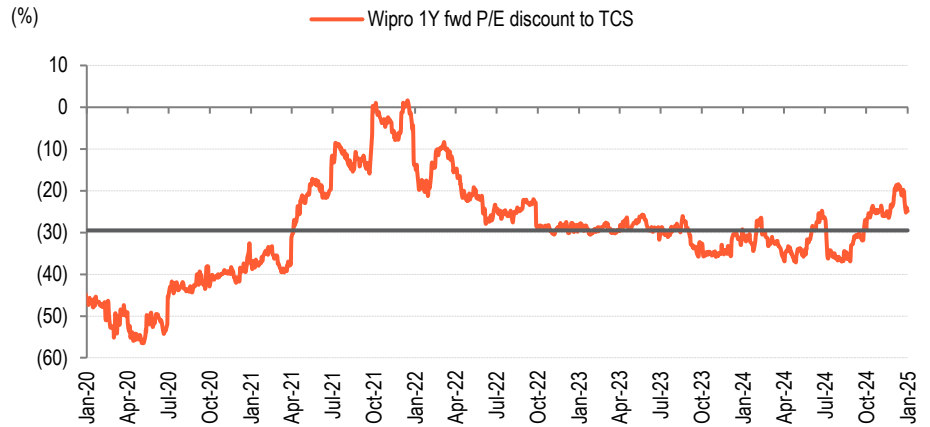
Source: Company, BOBCAPS Research

Fig 3 – 5 Year PE trend



Source: Company, BOBCAPS Research

Fig 4 – Premium/ Discount to TCS



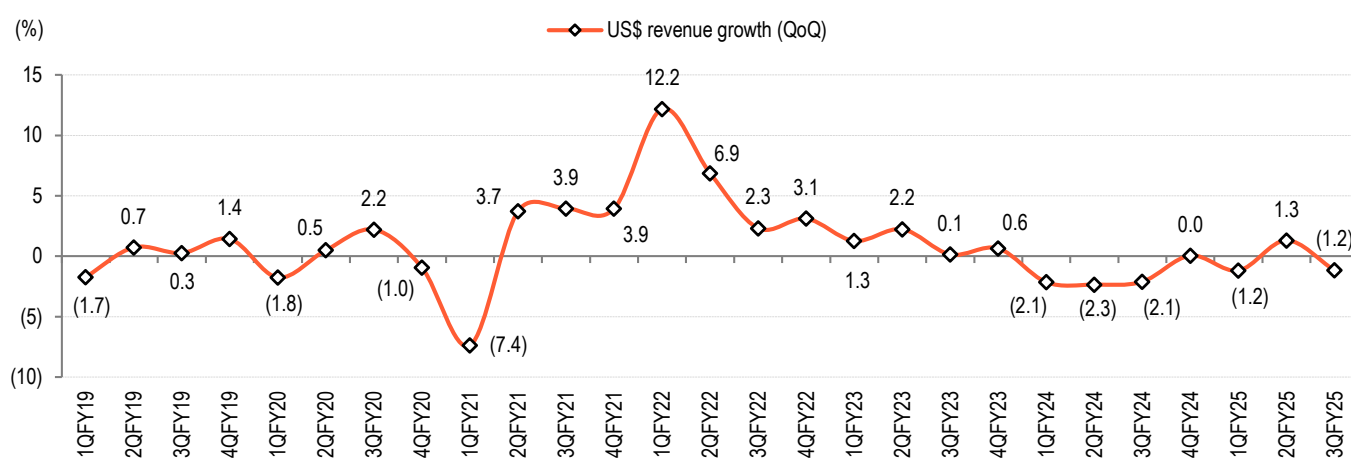
Source: Company, BOBCAPS Research

Fig 5 – P&L at a glance

Y/E Mar (Rs bn)	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Average INR/USD	54.4	60.3	61.8	66.1	68.6	65.6	70.0	72.5	74.0	75.2	80.4	82.8	84.4	87.3	89.3
Net Sales - IT Services (USD mn)	6,218	6,618	7,082	7,346	7,704	8,060	8,190	8,256	8,137	10,356	11,234	10,805	10,570	11,080	11,728
-Growth (%)	5.0	6.4	7.0	3.7	4.9	4.6	1.6	0.8	(1.4)	27.3	8.5	(3.8)	(2.2)	4.8	5.8
Net Sales - Overall	434	438	473	514	550	545	586	610	619	791	905	898	895	970	1050
-Growth (%)	9.9	0.9	8.1	8.7	7.0	(1.0)	7.5	4.2	1.5	27.7	14.4	(0.8)	(0.3)	8.4	8.2
Cost of Sales & Services	302	296	321	357	392	386	413	436	423	556	645	631	622	679	736
% of sales	69.7	67.5	67.9	69.3	71.1	70.8	70.5	71.5	68.3	70.3	71.3	70.4	69.5	70.0	70.1
Gross profit	131	142	152	158	159	159	173	174	196	235	259	266	273	291	314
% of sales	30.3	32.5	32.1	30.7	28.9	29.2	29.5	28.5	31.7	29.7	28.7	29.6	30.5	30.0	29.9
SG& A	61	53	56	63	73	76	80	73	76	101	124	130	121	124	131
% of sales	14.0	12.1	11.9	12.2	13.2	14.0	13.7	11.9	12.3	12.8	13.7	14.5	13.5	12.8	12.5
EBIT	75	89	95	97	94	84	100	106	123	140	140	136	152	167	183
% of sales	17.3	20.4	20.2	18.8	17.1	15.5	17.1	17.3	19.9	17.7	15.4	15.2	17.0	17.2	17.4
Interest expenses	3	3	4	6	5	6	7	7	5	5	10	13	15	17	17
Other income (net)	13	15	20	23	22	24	23	24	21	16	18	24	37	42	47
PBT	93	101	112	115	110	102	115	123	139	151	148	147	174	192	213
-PBT margin (%)	21.4	23.1	23.6	22.3	20.1	18.8	19.7	20.1	22.4	19.1	16.3	16.4	19.4	19.8	20.3
Provision for tax	18	23	25	25	25	22	25	25	30	29	34	36	43	47	52
Effective tax rate (%)	19.8	22.4	22.0	22.1	22.8	21.9	21.9	20.2	21.8	19.1	23.0	24.5	24.5	24.4	24.4
Minority Interest	0.3	0.4	0.5	0.5	0.2	0.0	0.1	0.5	0.3	0.1	0.2	0.7	0.9	0.9	0.9
Net profit	74	78	87	89	85	80	90	97	108	122	114	110	131	145	160
-Growth (%)	23.3	5.3	11.0	2.9	(4.6)	(5.7)	12.4	8.0	11.4	12.8	(7.1)	(2.7)	18.2	10.7	11.0
-Net profit margin (%)	17.1	17.8	18.3	17.3	15.4	14.7	15.4	15.9	17.5	15.4	12.5	12.3	14.6	14.9	15.3
Number of Shares (Fully Diluted) in Mn	12,032	12,032	12,032	12,032	12,032	12,032	12,032	11,407	11,049	10,974	10,980	10,470	10,483	10,483	10,483

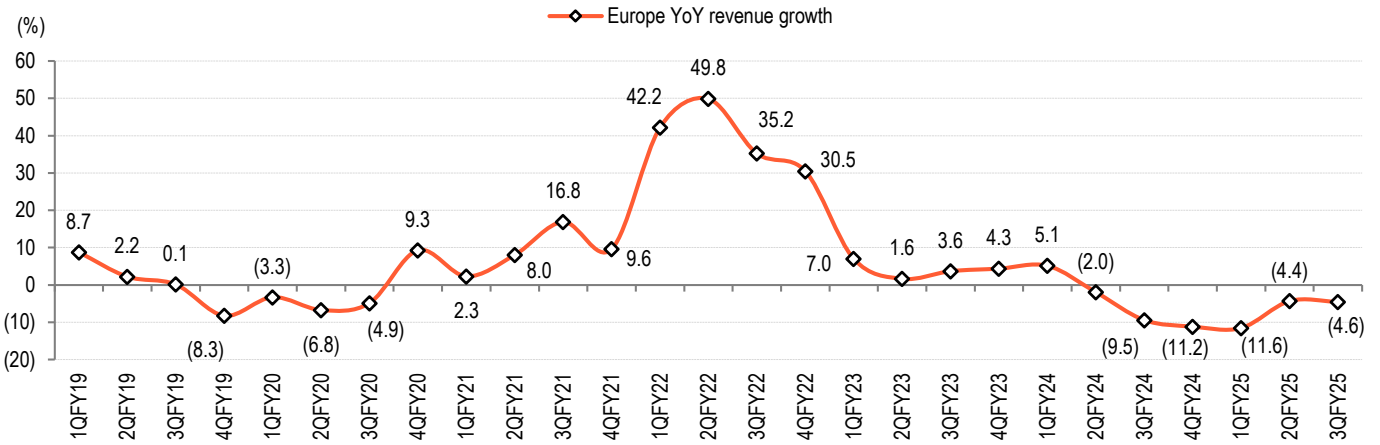
Source: Company, BOBCAPS Research

Fig 6 – USD revenue growth (QoQ)



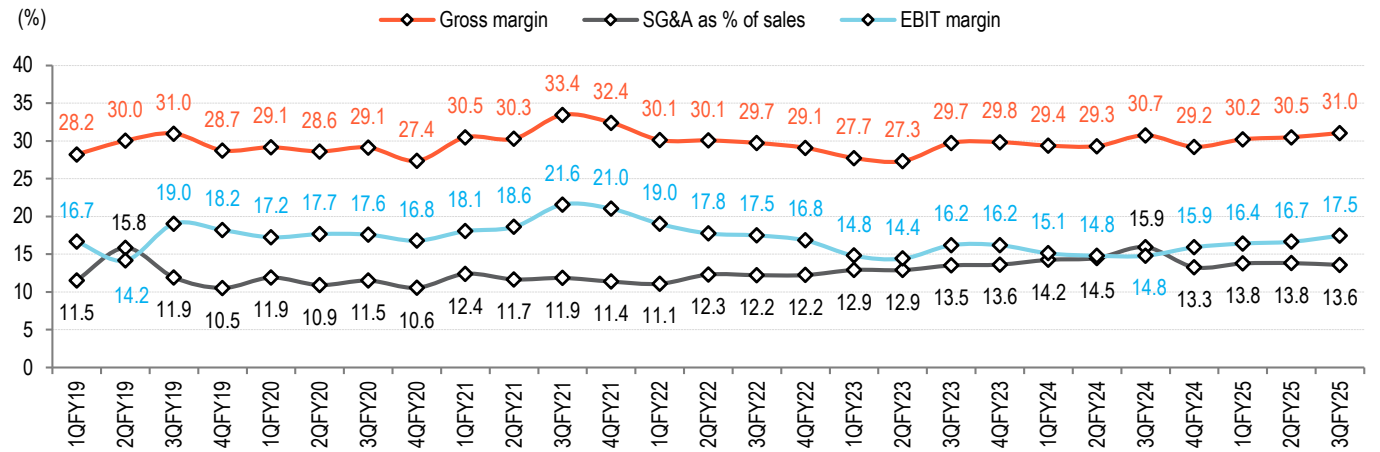
Source: Company, BOBCAPS Research

Fig 7 – Europe revenue growth – US\$ terms (YoY)



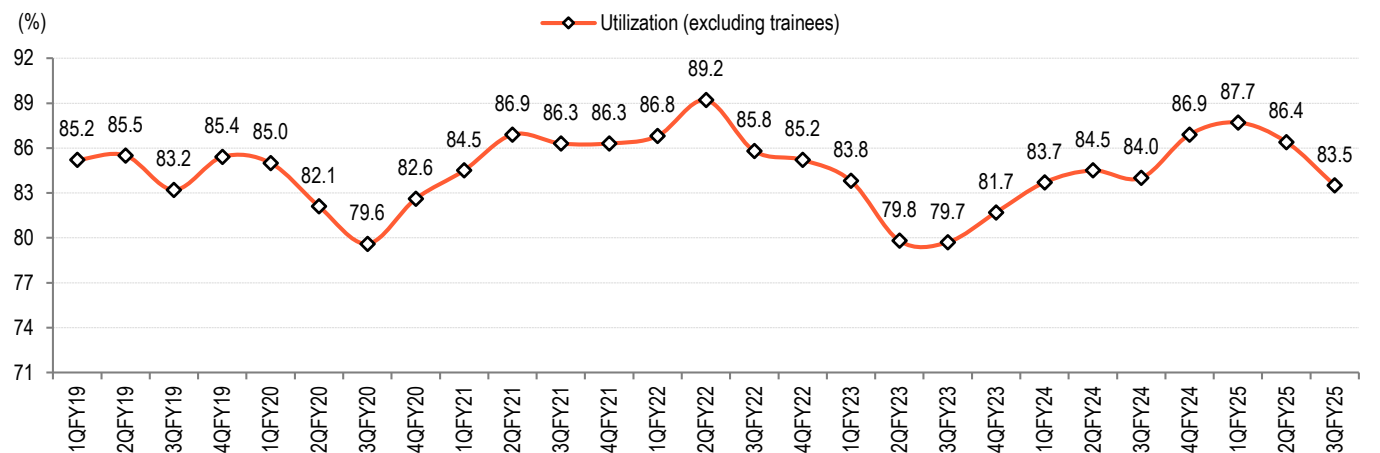
Source: Company, BOBCAPS Research

Fig 8 – Gross margin, SG&A as % of sales and EBIT margin



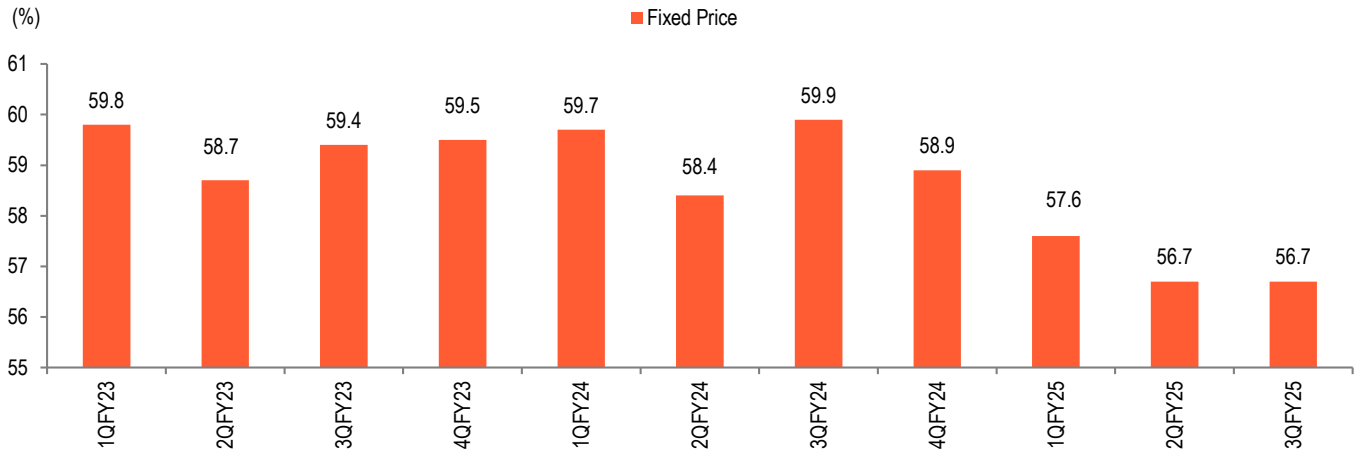
Source: Company, BOBCAPS Research

Fig 9 – Staff utilisation trend



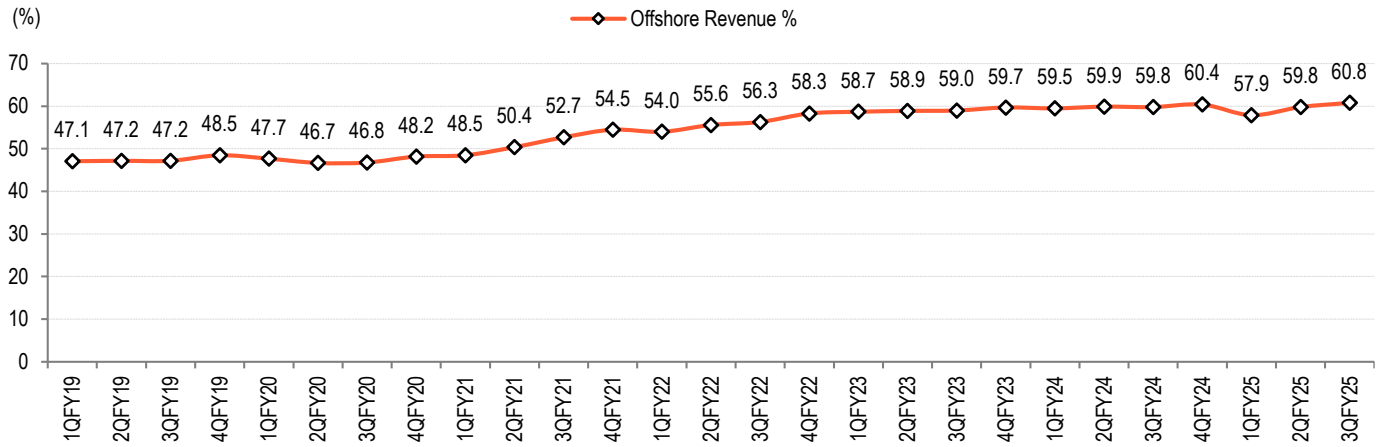
Source: Company, BOBCAPS Research

Fig 10 – Fixed price engagement in terms of revenue share



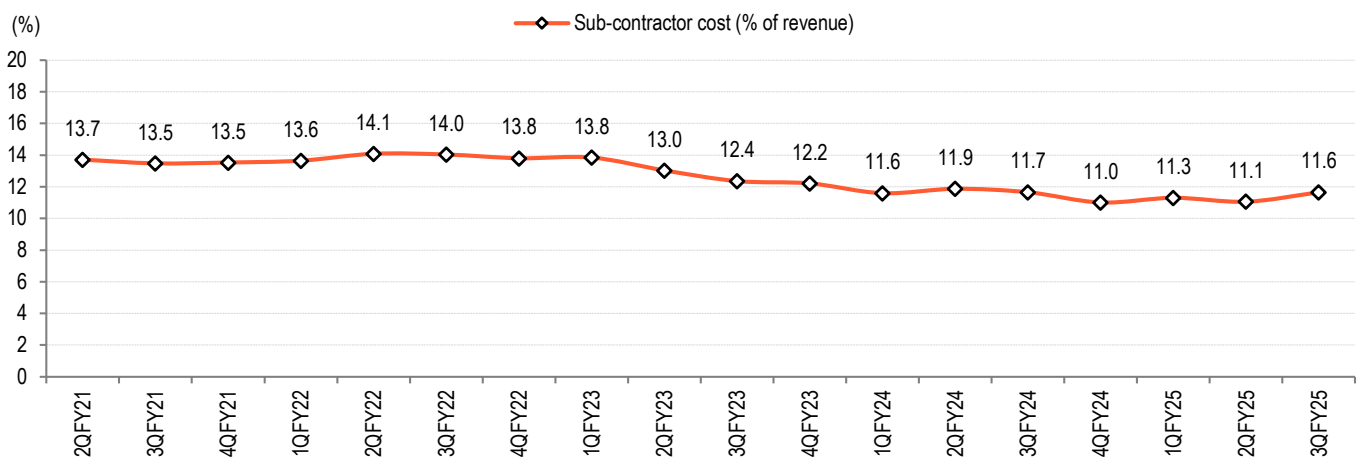
Source: Company, BOBCAPS Research

Fig 11 – Offshore revenue QoQ (%)



Source: Company, BOBCAPS Research

Fig 12 – Sub-contractor cost (% of revenue) trend



Source: Company, BOBCAPS Research

Fig 13 – Quarterly Snapshot

Year to 31 March	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25
Rs mn											
INR/USD	77.8	79.9	82.2	81.6	81.9	82.5	83.4	83.3	83.4	83.8	84.3
USD Revenue IT Services (USD mn)	2756	2817	2821	2840	2779	2713	2656	2657	2626	2660	2629
INR Revenue- IT Services	212848	223629	230557	230772	227616	223690	221246	220924	219169	222353	222441
INR Revenue- IT Products	1946	1249	1721	1131	694	1469	805	1159	469	663	747
Forex gain/(loss)	(1034)	(1057)	(1391)	(990)	62	(268)	(262)	128	206	396	(410)
Total Revenue- (Services+Products)	2,15,286	2,25,397	2,32,290	2,31,903	2,28,310	2,25,159	2,22,051	2,22,083	2,19,638	2,23,016	2,23,188
Direct costs	1,55,600	1,63,835	1,63,273	1,62,738	1,61,261	1,59,191	1,53,826	1,57,219	1,53,306	1,55,049	1,53,922
Gross Margin	59,686	61,562	69,017	69,165	67,049	65,968	68,225	64,864	66,332	67,967	69,266
SGA	28,830	30,116	32,772	32,578	32,471	32,891	35,622	29,363	30,057	30,422	30,710
EBIT- IT Services	31,832	33,801	37,504	37,646	36,517	36,058	35,426	36,195	36,057	37,332	38,937
EBIT- IT Products	(55)	(103)	41	(59)	(161)	(467)	114	143	(161)	(183)	29
EBIT - Reconciling Items	(60)	(1,341)	(11)	(30)	(1,840)	(2,246)	(2,675)	(965)	(1,840)	10	(53)
Total EBIT	31890	32503	37636	37577	34516	33345	32865	35373	34056	37555	38503
Other income (net)	1,630	1,698	2,116	2,607	3,459	1,747	2,656	3,249	4,147	5,629	5,567
PBT	33520	34201	39,752	40,184	37,975	35,092	35,521	38,622	38,203	43,184	44,070
Tax	7,931	7,710	9,102	9,249	9,115	8,419	8,515	10,040	9,850	10,512	10,866
Minority Interest	47	99	(121)	(190)	(159)	(210)	(64)	(236)	(334)	(178)	(129)
PAT	25,636	26,590	30,529	30,745	28,701	26,463	26,942	28,346	28,019	32,494	33,075
YoY Growth (%)											
USD Revenue IT Services	14.1	9.2	6.9	4.3	0.8	(3.7)	(5.9)	(6.4)	(5.5)	(2.0)	(1.0)
INR Revenue	17.9	14.6	14.4	11.2	6.0	(0.1)	(4.4)	(4.2)	(3.8)	(1.0)	0.5
Gross Profit	8.6	4.1	14.3	14.1	12.3	7.2	(1.1)	(6.2)	(1.1)	3.0	1.5
EBIT	(8.2)	(6.9)	5.9	7.0	8.2	2.6	(12.7)	(5.9)	(1.3)	12.6	17.2
Net Profit	(20.7)	(9.3)	2.8	(0.4)	12.0	(0.5)	(11.7)	(7.8)	(2.4)	22.8	22.8
QoQ Growth (%)											
USD Revenue - IT Services	1.26	2.23	0.1	0.6	(2.1)	(2.3)	(2.1)	0.0	(1.2)	1.3	(1.17)
INR Revenue	3.2	4.7	3.1	(0.2)	(1.5)	(1.4)	(1.4)	0.0	(1.1)	1.5	0.1
EBIT	(9.2)	1.9	15.8	(0.2)	(8.1)	(3.4)	(1.4)	7.6	(3.7)	10.3	2.5
Net Profit	(17.0)	3.7	14.8	0.7	(6.6)	(7.8)	1.8	5.2	(1.2)	16.0	1.8
Margins (%)											
Gross Margin	27.7	27.3	29.7	29.8	29.4	29.3	30.7	29.2	30.2	30.5	31.0
SGA	13.4	13.4	14.1	14.0	14.2	14.6	16.0	13.2	13.7	13.6	13.8
EBIT Margin- IT Services	15.0	15.1	16.3	16.3	16.0	16.1	16.0	16.4	16.5	16.8	17.5
EBIT Margin- IT Products	(2.8)	(8.2)	2.4	(5.2)	(23.2)	(31.8)	14.2	12.3	(34.3)	(27.6)	3.9
Total EBIT Margin	14.8	14.4	16.2	16.2	15.1	14.8	14.8	15.9	15.5	16.8	17.3
PAT	11.9	11.8	13.1	13.3	12.6	11.8	12.1	12.8	12.8	14.6	14.8

Source: Company, BOBCAPS Research

Fig 14 – Key Metrics

Key Metrics	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25
Revenue (USD mn)	2,756	2,817	2,821	2,840	2,779	2,713	2,656	2,657	2,626	2,660	2,629
P and L (Rsmn)											
Revenue	2,15,286	2,25,397	2,32,290	2,31,903	2,28,310	2,25,159	2,22,051	2,22,083	2,19,638	2,23,016	2,23,188
EBITDA	36,145	40,999	50,358	54,503	38,563	41,370	44,889	51,557	40,116	45,050	50,576
PAT	25,636	26,590	30,529	30,745	28,701	26,463	26,942	28,346	30,032	32,088	33,538
Vertical Mix (%)											
BFSI	35.4	35.2	34.9	34.2	33.8	33.6	32.7	33.5	34.0	34.8	34.1
HLS	11.5	11.4	12.0	12.2	12.2	12.7	13.9	14.1	13.9	13.6	14.7
RCTG	18.5	18.8	18.9	18.8	18.7	18.7	18.8	18.7	19.2	19.2	19.0
ENU*	11.1	11.2	11.4	12.3	12.2	11.6	11.8	11.9	11.2	10.8	-
MFG AND TECH*	18.5	18.5	18.2	18.0	18.5	19.1	18.8	18.0	17.9	-	-
GMT	5.0	4.9	4.6	4.5	4.6	4.3	4.0	3.8	3.8	-	-
Tech and Comm										15.4	15.3
Manufacturing*										6.2	-
Energy, Manufacturing and Resources*											16.9
Geographic Mix (%)											
Americas 1	29.1	29.2	29.4	28.8	28.8	29.8	31.0	30.4	30.9	30.8	32.3
Americas 2	31.3	31.3	30.8	30.7	30.0	29.9	30.0	30.7	30.8	30.6	30.6
Europe	28.3	28.1	28.8	29.3	29.5	28.6	27.7	27.8	27.6	27.9	26.7
APAC and Other Emerging Markets	11.3	11.4	11.0	11.2	11.7	11.7	11.3	11.1	10.7	10.7	10.4
Project Type											
T&M	40.2	41.3	40.6	40.5	40.3	41.6	40.1	41.1	42.4	43.3	43.3
Fixed Price	59.8	58.7	59.4	59.5	59.7	58.4	59.9	58.9	57.6	56.7	56.7
Clients Concentration (%)											
Top client	3.2	3.2	3.2	3.3	3.1	3.0	3.0	3.8	4.0	4.1	4.5
Top 5 clients	13.0	13.1	13.3	12.6	12.5	12.3	12.1	13.4	13.6	14.0	14.3
Top 10 clients	20.9	21.0	21.3	20.3	20.5	20.6	20.5	22.0	22.5	22.9	23.7
Number of Clients											
> USD 100 mn+	20	19	19	19	21	22	22	22	22	21	18
> USD 75 mn+	30	29	29	29	28	28	31	32	29	30	30
> USD 50 mn+	50	52	52	53	51	51	46	45	43	42	42
> USD 20 mn+	120	122	119	117	123	122	121	116	117	117	114
> USD 10 mn+	195	198	202	208	207	207	203	205	192	186	187
> USD 5 mn+	306	308	307	311	319	313	305	301	301	297	290
> USD 3 mn+	417	425	431	427	444	437	430	409	407	411	403
> USD 1 mn+	703	729	739	750	769	774	750	741	735	733	722
Employees	2,62,049	2,62,626	2,62,109	2,58,570	2,49,758	2,44,707	2,39,655	2,32,614	2,32,911	2,33,889	2,32,732
Net Addition	18,921	577	(517)	(3539)	(8812)	(5051)	(5052)	(7041)	297	978	(1157)
TTM Attrition (%)	23.3	23	21.2	19.2	17.3	15.5	14.2	14.2	14.1	14.5	15.3
P&L											
(USD mn)											
Revenue	2,756	2,817	2,821	2,840	2,779	2,713	2,656	2,657	2,626	2,660	2,629
EBIT	410	407	458	460	421	404	394	424	433	444	462
PAT	329	333	371	377	350	321	323	340	360	383	398
Per Capita (Annualised) - USD mn											
Revenue	42,068	42,911	43,057	43,926	44,499	44,352	44,332	45,696	45,097	45,493	45,187
EBIT	6,256	6,193	6,984	7,121	6,750	6,604	6,577	7,299	7,431	7,585	7,945
PAT	5,029	5,067	5,665	5,826	5,612	5,241	5,392	5,849	6,187	6,552	6,839
Total Direct+Opex cost per capita	35,812	36,718	36,073	36,805	37,749	37,748	37,755	38,398	37,666	37,908	37,241

Source: Company, BOBCAPS Research, *Classification change from 3QFY25

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Total revenue	9,04,876	8,97,603	8,95,033	9,70,186	10,50,118
EBITDA	1,82,005	1,76,379	1,87,446	2,16,553	2,37,733
Depreciation	42,399	40,280	35,263	49,599	54,780
EBIT	1,39,606	1,36,099	1,52,183	1,66,954	1,82,953
Net interest inc./(exp.)	(10,077)	(12,552)	(15,139)	(16,542)	(16,542)
Other inc./(exp.)	18,128	23,663	36,924	41,925	47,025
Exceptional items	0	0	0	0	0
EBT	1,47,657	1,47,210	1,73,968	1,92,336	2,13,436
Income taxes	33,992	36,089	42,559	46,930	52,078
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	165	669	861	880	880
Reported net profit	1,13,500	1,10,452	1,30,547	1,44,526	1,60,478
Adjustments	0	0	0	0	0
Adjusted net profit	1,13,500	1,10,452	1,30,547	1,44,526	1,60,478

Balance Sheet

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Accounts payables	89,054	88,566	83,384	91,413	98,208
Other current liabilities	1,70,079	1,54,671	1,92,390	1,97,686	2,02,169
Provisions	0	0	381	381	381
Debt funds	61,272	62,300	64,034	64,034	64,034
Other liabilities	71,564	93,882	1,07,210	1,07,210	1,07,210
Equity capital	10,976	10,450	20,938	20,938	20,938
Reserves & surplus	7,70,777	7,40,773	7,78,380	8,21,738	8,69,881
Shareholders' fund	7,81,753	7,51,223	7,99,318	8,42,676	8,90,819
Total liab. and equities	11,73,722	11,50,642	12,46,717	13,03,401	13,62,822
Cash and cash eq.	91,880	96,953	83,012	1,49,958	2,27,793
Accounts receivables	1,27,213	1,19,522	1,18,314	1,29,706	1,39,348
Inventories	1,188	907	724	724	724
Other current assets	1,48,083	1,40,136	1,34,052	1,41,997	1,48,720
Investments	3,30,732	3,33,844	4,67,242	4,67,242	4,67,242
Net fixed assets	37,338	52,640	36,547	6,981	(27,799)
CWIP	51,321	28,968	30,973	30,940	30,940
Intangible assets	3,51,015	3,48,750	3,53,787	3,53,787	3,53,787
Deferred tax assets, net	2,100	1,817	1,811	1,811	1,811
Other assets	32,852	27,105	20,255	20,255	20,255
Total assets	11,73,722	11,50,642	12,46,717	13,03,401	13,62,822

Cash Flows

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Cash flow from operations	1,52,840	1,70,637	1,84,098	2,05,537	2,27,592
Capital expenditures	(4,425)	16,664	(1,793)	(20,000)	(20,000)
Change in investments	(69,188)	(2,848)	(1,33,409)	0	0
Other investing cash flows	0	0	0	0	0
Cash flow from investing	(73,613)	13,817	(1,35,202)	(20,000)	(20,000)
Equities issued/Others	12	(1,48,000)	10,488	0	0
Debt raised/repaid	(1,603)	(8,627)	25,206	0	0
Interest expenses	(10,077)	(12,552)	(15,139)	(16,542)	(16,542)
Dividends paid	(5,480)	(5,218)	(91,389)	(1,01,169)	(1,12,334)
Other financing cash flows	0	0	0	0	0
Cash flow from financing	(17,148)	(1,74,397)	(70,834)	(1,17,711)	(1,28,876)
Chg in cash & cash eq.	(11,921)	5,073	(13,937)	67,026	77,915
Closing cash & cash eq.	91,915	96,953	83,016	1,50,038	2,27,873

Per Share

Y/E 31 Mar (Rs)	FY23A	FY24A	FY25E	FY26E	FY27E
Reported EPS	10.4	10.4	12.5	13.8	15.3
Adjusted EPS	10.3	10.4	12.5	13.8	15.3
Dividend per share	0.5	0.5	8.7	9.7	10.7
Book value per share	71.3	71.9	76.4	80.6	85.2

Valuations Ratios

Y/E 31 Mar (x)	FY23A	FY24A	FY25E	FY26E	FY27E
EV/Sales	3.1	3.2	3.3	3.0	2.8
EV/EBITDA	15.6	16.5	15.6	13.5	12.2
Adjusted P/E	27.3	27.2	22.6	20.5	18.4
P/BV	4.0	3.9	3.7	3.5	3.3

DuPont Analysis

Y/E 31 Mar (%)	FY23A	FY24A	FY25E	FY26E	FY27E
Tax burden (Net profit/PBT)	76.9	75.0	75.0	75.1	75.2
Interest burden (PBT/EBIT)	105.8	108.2	114.3	115.2	116.7
EBIT margin (EBIT/Revenue)	15.4	15.2	17.0	17.2	17.4
Asset turnover (Rev./Avg TA)	80.3	77.1	74.6	76.0	78.7
Leverage (Avg TA/Avg Equity)	1.6	1.5	1.5	1.6	1.5
Adjusted ROAE	15.8	14.4	16.8	17.6	18.5

Ratio Analysis

Y/E 31 Mar	FY23A	FY24A	FY25E	FY26E	FY27E
YoY growth (%)					
Revenue	14.4	(0.8)	(0.3)	8.4	8.2
EBITDA	1.2	(3.1)	6.3	15.5	9.8
Adjusted EPS	(7.2)	0.2	20.1	10.7	11.0
Profitability & Return ratios (%)					
EBITDA margin	20.1	19.7	20.9	22.3	22.6
EBIT margin	15.4	15.2	17.0	17.2	17.4
Adjusted profit margin	12.5	12.3	14.6	14.9	15.3
Adjusted ROAE	15.8	14.4	16.8	17.6	18.5
ROCE	11.4	10.3	11.1	11.5	12.1
Working capital days (days)					
Receivables	76	72	73	74	73
Inventory	NA	NA	NA	NA	NA
Payables	35	36	34	34	34
Ratios (x)					
Gross asset turnover	24.2	17.1	24.5	139.0	(37.8)
Current ratio	1.4	1.5	1.2	1.5	1.7
Net interest coverage ratio	NA	NA	NA	NA	NA
Adjusted debt/equity	0.0	0.0	0.0	(0.1)	(0.2)

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

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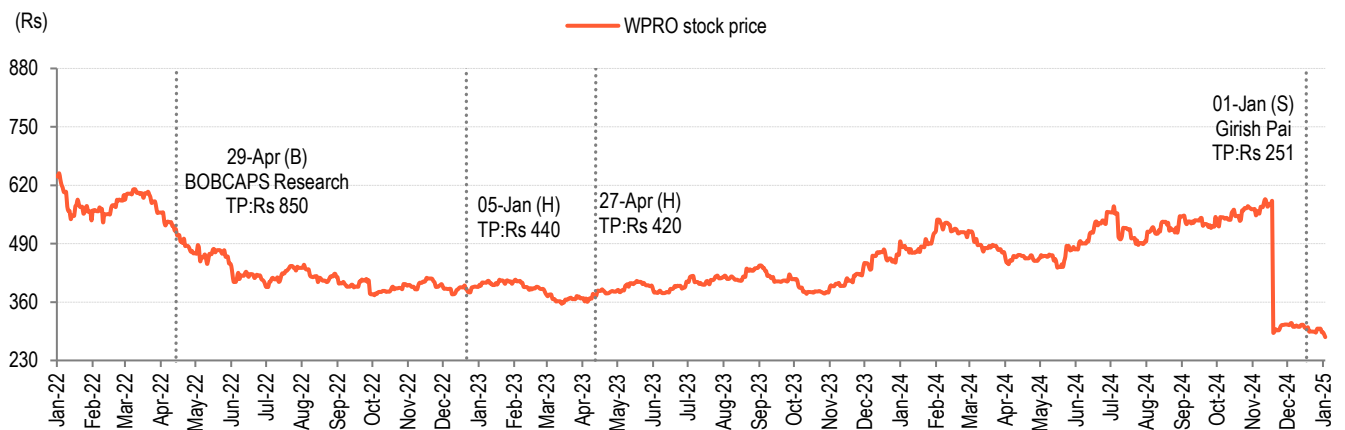
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