

Estimate change	↔
TP change	↔
Rating change	↔

CMP: INR2,050 TP: INR2,350 (+15%) Buy

Halting the slide

Short-term commentary better than expected, long term still uncertain

Bloomberg	TCS IN
Equity Shares (m)	3618
M.Cap.(INRb)/(USDb)	7415.3 / 77.7
52-Week Range (INR)	166 / 88
1, 6, 12 Rel. Per (%)	-8/-29/-33
12M Avg Val (INR M)	10645
Free float (%)	28.2

Financials & Valuations (INR b)

Y/E Mar	FY26	FY27E	FY28E
Sales	2,670	2,898	3,001
EBIT Margin (%)	25.0	24.7	25.0
Adj. PAT	528	565	589
EPS (INR)	146.0	156.2	162.8
EPS Gr. (%)	8.8	7.0	4.3
BV/Sh. (INR)	296	335	375

Ratios

RoE (%)	52.3	49.5	45.9
RoCE (%)	44.2	41.7	39.2
Payout (%)	75.3	75.3	75.3

Valuations

P/E (x)	14.0	13.1	12.6
P/BV (x)	6.9	6.1	5.5
EV/EBITDA (x)	10.2	9.4	8.6
Div Yield (%)	5.4	5.7	6.0

Shareholding pattern (%)

As On	Mar-26	Dec-25	Mar-25
Promoter	71.8	71.8	71.8
DII	13.4	12.9	11.6
FII	9.7	10.4	12.0
Others	5.2	5.0	4.6

FII Includes depository receipts

- TCS reported 1QFY27 USD revenue of USD7.6b, up 0.4% QoQ in CC and above our estimate of flat QoQ CC growth. 1Q growth was led by Hi-tech/BFSI/regional markets, up 1.7%/1.6%/4.0% QoQ cc, while consumer/healthcare fell 4.0%/1.0% QoQ cc. EBIT margin was 24% (down 130bp QoQ), in line with our estimate of 23.9%. Adj PAT was up 1% QoQ/8.6% YoY at INR139b, above our est. of INR136b.
- In INR terms, 1QFY27 revenue/EBIT/adj. PAT grew 13.9%/11.6%/8.5% YoY. Cash flow from operations stood at 93% of net profit for 1QFY27. In 2QFY27, we expect revenue/EBIT/adj. PAT to grow 10%/8.4%/9.3% YoY. TCS reported a deal TCV of USD9.5b, down 20.8% QoQ and up 1.1% YoY. The book-to-bill ratio stood to 1.2x. We reiterate our BUY rating on TCS with a TP of INR2,350, implying a 15% potential upside.

Our view: 2Q to see improvement; AI deflation questions remain

- **TCS expects demand to improve in 2Q, supported by a pent-up technology backlog** and stronger client conversations. While we also expect 2Q to be better, we believe evidence around demand improvement is scant. The pent-up demand narrative has been around for some time, while geopolitics, tariff uncertainty and cautious discretionary spending continue to weigh on decision-making. We continue to expect FY27 demand to remain muted. Commentary, however, is better than we expected.
- **BFSI continues to hold up well, while management expects Manufacturing and Life Sciences to recover in 2Q** on the back of improving conversations and recent deal wins. Technology & Services vertical also remains healthy. However, Consumer continues to face pressure, particularly in airlines and discretionary retail in North America, with geopolitical uncertainty delaying spending recovery.
- **1Q EBIT margin declined 130bp QoQ to 24.0%, impacted by a 170bp wage hike**, along with continued investments in AI partnerships, talent and sales, partly offset by ~40bp of currency benefits and operational efficiencies. While the wage hike impact will reverse, we expect investments in sales, AI capabilities and partnerships to remain elevated. Accordingly, we cut our FY27E EBIT margin estimate by 30bp.
- **Management acknowledged 10-15% AI-led productivity pass-throughs** as projects come up for renewal, although it argued that incremental client work has so far offset most of the revenue impact. **We believe the full impact of AI deflation is still unfolding, and productivity gains are likely to continue getting passed on to clients over the coming quarters**, keeping pressure on the existing book of business.

- **The market is pricing in anemic growth over the next 12-18 months:** We continue to model ~2.5%/3.2% organic CC growth for FY27E/FY28E, assuming the current pace of AI-led deflation persists. On these assumptions, we see a limited downside to the stock, for now.

TCS 1QFY27 results: Beat on revenue (led by India business); margins in line with our estimates

- USD revenue came in at USD7.6b, up 0.4% QoQ in CC terms and above our estimates of flat QoQ CC.
- In terms of geographies, North America/Europe declined 0.4%/0.2% QoQ in cc, while India/Latin America/UK were up 7.6%/0.6%/0.3% QoQ cc.
- Annualized AI services revenue stood at USD2.6b in 1QFY27, up 13.6% QoQ. Core revenue (ex. AI) declined 1% QoQ in USD.
- 1Q growth was led by Hi-tech/BFSI/regional markets, up 1.7%/1.6%/4.0% QoQ cc, while Consumer/Healthcare declined 4.0%/1.0% QoQ cc.
- EBIT margin was 24% (down 130bp QoQ), in line with our estimate of 23.9%.
- TCS reported a deal TCV of USD9.5b in 1QFY27, down 20.8% QoQ but up 1.1% YoY.
- Adj. PAT was up 1.0% QoQ/8.6% YoY at INR139b (above our est. of INR136b).
- The net headcount rose by 9,279 employees to 5,93,798 (up 1.6% QoQ) in 1QFY27. Attrition (LTM) decreased by 10bp QoQ to 13.6%.
- FCF conversion to PAT stood at 93% in 1QFY27. The board declared an interim dividend of INR12/share in 1QFY27.

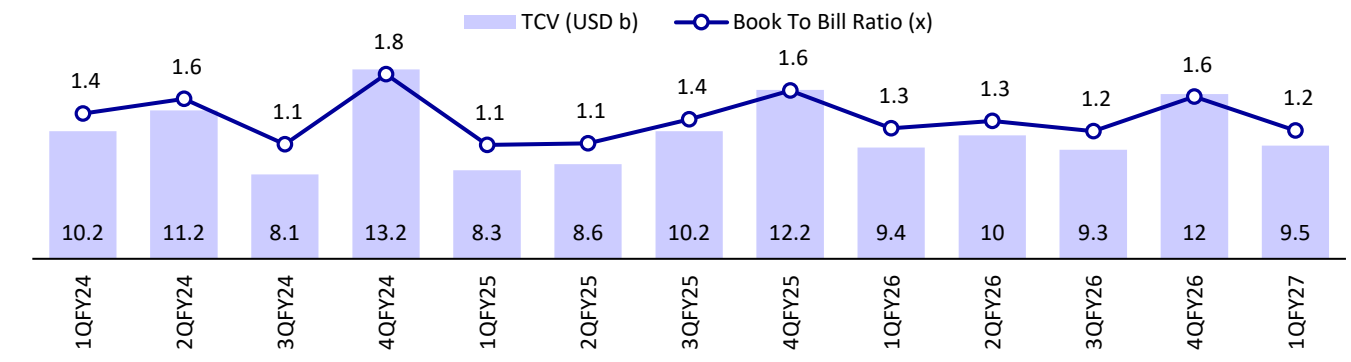
Key highlights from the management commentary

- Demand momentum showed early signs of recovery, with management citing a pent-up technology backlog and indicating an optimistic outlook for 2Q.
- SG&A/investment spending rose ~16% YoY in USD terms, driven mainly by employee costs, partnership investments, and targeted M&A-related charges (following a reclassification that removed the earlier PAR/SG&A split).
- A cost category refinement was undertaken this quarter to clarify previously elevated other expenses, with no impact on total expenses or margins; prior periods restated for comparability.
- Deal mix reflects only a marginal, not a significant, shift toward transformative net new deals vs. renewals. Mega deal cadence has moderated to one in the current quarter vs. three in the prior quarter, though six mega deals have been signed over the last five quarters cutting across industries.
- Management guided to a progressive margin recovery through the year, with the wage hike headwind front-loaded in 1Q, targeting an exit rate above 25%, achieved sooner rather than later.
- Announced a global premier partnership with Anthropic, providing yearly access to the Claude model family, 50,000 licenses, a joint GTM campaign, co-created industry solutions, and TCS iON as a training/certification partner.
- On the "forward-deployed engineer" (FDE) trend, management drew a distinction from a product manager analogy, describing FDEs as deep, multi-skilled specialist engineers, building on TCS's existing rapid build engineer concept under its Innovate-Build-Scale with AI playbook.

Valuation and view

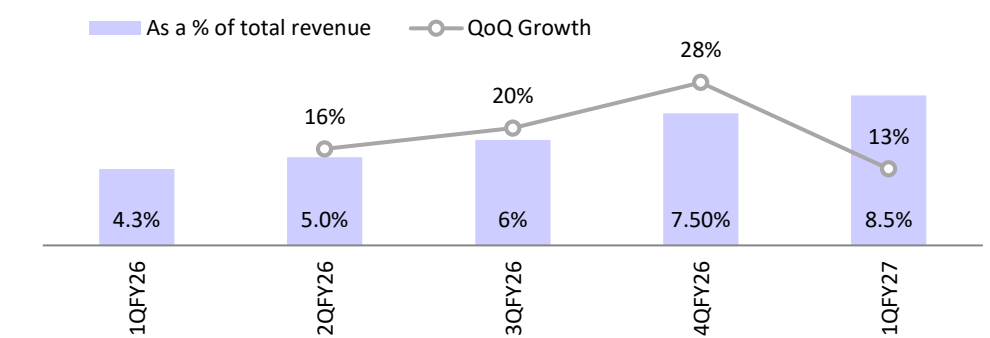
■ We expect USD revenue/EPS to compound at ~3%/~6% over FY26-28E. While management expects demand to improve in 2Q, we believe growth will continue to come from select pockets rather than a broad-based pickup. 1QFY27 commentary, however, is better than we expected. We have lowered our FY27 margin estimate by 30bp to reflect continued investments in AI capabilities, partnerships and sales. We keep our estimates unchanged and reiterate BUY with a TP of INR2,350, based on 15x FY28E EPS, implying ~15% upside.

Exhibit 1: Deal TCV stood at USD9.5b with a book-to-bill ratio of 1.2x



Source: Company, MOFSL

Exhibit 2: Annualized AI services revenue stood at USD2.6b, up 13.6% QoQ



Source: Company, MOFSL

Exhibit 3: Realizations remain healthy despite moderating YoY growth

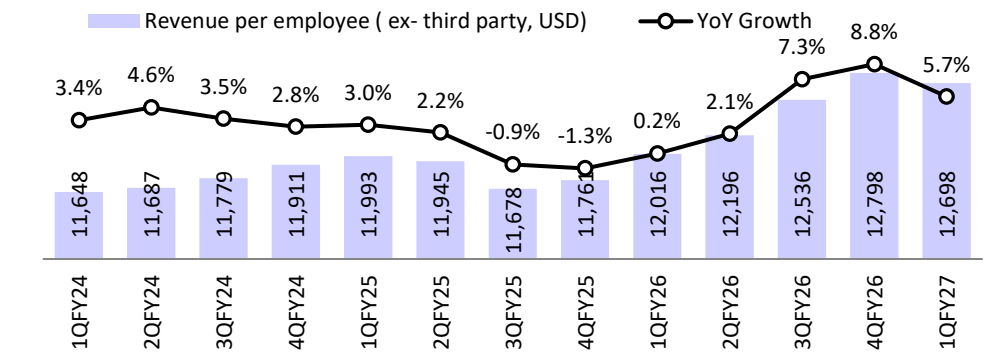


Exhibit 4: Vertical-wise performance (QoQ, %)

	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	4QFY26	1QFY27
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
Retail & CPG	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
Communication & 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
Manufacturing	1.7	2.2	2.2	3.5	1.9	-0.1	-4.0	-1.0	3.0	1.8	0.6	1.5	-1.1
Life Sciences & 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
Technology & 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 and Utilities	2.3	1.6	2.8	-0.6	1.9	4.0	-1.7	-1.0	2.9	0.6	2.3	6.6	0.0
Regional markets & Others	3.3	0.7	12.9	6.1	10.6	13.1	2.7	-5.9	-13.5	-3.1	2.1	0.7	2.3

Source: Company, MOFSL

Exhibit 5: Region-wise performance (QoQ, %)

	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	4QFY26	1QFY27
North America	-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
Latin 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
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
Continental 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
Asia Pacific	-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
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

Source: Company, MOFSL

Quarterly Performance (IFRS)

Y/E March	FY26				FY27E				FY26	FY27E	Est.	Variance
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE				
IT Services Revenue (USD m)	7,421	7,466	7,509	7,621	7,624	7,667	7,667	7,706	30,017	30,665	7,579	0.6
QoQ (%)	-0.6	0.6	0.6	1.5	0.0	0.6	0.0	0.5	-0.5	2.2	-0.6	59bp
Overall Revenue (INR b)	634	658	671	707	723	724	724	728	2,670	2,898	718	0.7
QoQ (%)	-1.6	3.7	2.0	5.4	2.2	0.2	0.0	0.5			1.5	74bp
YoY (%)	1.3	2.4	4.9	9.6	13.9	10.0	7.9	2.9	4.6	8.5	13.1	83bp
GPM (%)	39.1	39.6	40.8	40.7	39.6	40.0	40.0	40.0	40.1	39.9	39.0	60bp
EBITDA	168	179	183	193	188	195	196	198	724	777	186	1.0
EBITDA Margin (%)	26.5	27.3	27.3	27.4	26.0	26.9	27.1	27.2	27.1	26.8	26.0	6bp
EBIT	155	166	169	179	173	180	181	183	668	716	171	1.0
EBIT Margin (%)	24.5	25.2	25.2	25.3	24.0	24.8	25.0	25.1	25.0	24.7	23.9	6bp
Other income	15	6	9	5	13	10	10	10	35	43	10	28.9
PBT	170	172	178	184	186	190	191	193	704	760	182	2.5
ETR (%)	24.5	24.7	24.2	24.9	25.2	25.3	25.3	25.3	24.6	25.3	25.3	-9bp
Adj. PAT	128	130	135	138	139	142	143	144	528	565	136	2.7
Exceptional items	0	-8	-28	0	-5	0	0	0	-36	-5	0	
Reported PAT	128	121	107	138	134	142	143	144	495	563	136	-1.0
QoQ (%)	4.3	-5.4	-11.6	28.6	-2.6	5.6	0.8	0.9			-1.6	-102bp
YoY (%)	5.9	1.5	-13.9	12.1	4.7	16.8	33.2	4.5	1.3	13.8	5.8	-109bp
EPS (INR)	35.3	35.7	37.2	37.9	38.3	39.0	39.3	39.6	146.0	156.2	37.3	2.6

Key Performance Indicators

Y/E March	FY26				FY27	FY26
	1Q	2Q	3Q	4Q	1Q	
Revenue (QoQ CC %)	-3.3	0.8	0.8	1.2	0.4	
Costs (% of revenue)						
COGS	60.9	60.4	59.2	59.3	60.4	59.9
Margins						
Gross Margin	39.1	39.6	40.8	40.7	39.6	40.1
EBIT Margin	24.5	25.2	25.2	25.3	24.0	25.0
Net Margin	20.2	19.7	20.1	19.5	19.3	19.9
Operating metrics						
Headcount (k)	613.1	593.3	582.2	584.5	593.8	613
Attrition (%)	13.8	13.3	13.5	13.7	13.6	13.8
Deal Win TCV (USD b)	9.4	10.0	9.3	12.0	9.5	40.4
Key Verticals (YoY CC %)						
BFSI	1.0	1.0	1.6	0.4	2.4	0.7
Retail	-3.1	-2.9	-2.7	0.8	-1.2	0.3
Key Geographies (YoY CC%)						
North America	-2.7	-0.1	1.3	2.5	2.0	-1.8
UK	-1.3	-1.9	-3.2	-1.2	-0.6	4.0
Continental Europe	-3.1	-3.0	1.4	1.0	4.3	0.7



Highlights from the management commentary

1QFY27 performance and demand outlook

- Demand momentum showed early signs of recovery, with management citing a pent-up technology backlog and indicating an optimistic outlook for 2Q.
- SG&A/investment spending rose ~16% YoY in USD terms, driven mainly by employee costs, partnership investments, and targeted M&A-related charges (following a reclassification that removed the earlier PAR/SG&A split).
- A cost-category refinement was undertaken this quarter to clarify previously elevated other expenses, with no impact on total expenses or margins; prior periods restated for comparability.
- Deal mix reflects only a marginal, not a significant, shift toward transformative net-new deals vs. renewals. Mega deal cadence has moderated to one in the current quarter vs. three in the prior quarter, though six mega deals have been signed over the last five quarters cutting across industries.
- Management guided to a progressive margin recovery through the year, with the wage hike headwind front-loaded in 1Q, targeting an exit rate above 25%, achieved sooner rather than later.
- Announced a global premier partnership with Anthropic, providing yearly access to the Claude model family, 50,000 licenses, a joint GTM campaign, co-created industry solutions, and TCS iON as a training/certification partner.
- On the "forward-deployed engineer" (FDE) trend, management drew a distinction from a product manager analogy, describing FDEs as deep, multi-skilled specialist engineers, building on TCS's existing rapid build engineer concept under its Innovate-Build-Scale with AI playbook.
- On AI-led productivity pass-through, management indicated gains of ~10-15%, achieved from day one of AI-led engagements but noted this is largely offset by additional client opportunities, so revenue impact remains limited. It explicitly pushed back on external estimates of a USD1t IT spend pool being reduced by ~USD300b, stating no such contraction is visible in TCS's own book of work.
- AI services revenue reached an annualized run rate of USD2.6b, up 13.6% YoY; however, incremental AI revenue addition moderated to ~USD75m in 1Q from ~USD125m in the Mar'26 quarter – management attributed this to the non-annuity, project-based (one-to-two quarter) nature of AI engagements rather than any structural slowdown, calling the trend inherently lumpy but consistently growing in client conversations.
- USD800m net-new mega deal with SKF – the sixth mega deal in the last five quarters, spanning infrastructure, applications, enterprise systems, and S/4HANA-led AI-native transformation (explicitly not an upgrade, but a full AI-driven process mining and redesign), plus industry value-chain transformation, with global scope across SKF's operations.
- Multi-year strategic partnership with ServiceNow and a multi-million-dollar deal with a Europe-based Fortune Global 50 company.
- Client engagement models are evolving **across** outcome-based/output-commitment models, fixed-price/fixed-capacity ('AI lab') models, and traditional T&M, with a notable shift toward outcome-based commitments this quarter, particularly within autonomous GBS.
- **North America:** Airlines were called out specifically as under strain and stress.

- **India:** Salary structures for India-based associates were realigned with the new India Labour Code requirements, alongside the global annual increment cycle.
- **BFSI:** Delivered good growth across geographies; management remains quite optimistic on sustaining growth in the segment, including in the **US**.
- **Manufacturing:** Continued softness in select segments, notably auto, driven by tariff pressure, macro uncertainty, EV recalibration, and supply chain concerns. Outlook remains positive, anchored by the USD800m SKF deal; management expects manufacturing to turn around in 2Q.
- **Consumer:** Identified as the primary area of continued stress, with airlines (particularly North America) and non-essential retail most impacted by geopolitical uncertainty. Prior-year strong deal wins in retail/consumer have not yet fully converted to revenue, partly due to large legacy project run-off; recovery is contingent on better market sentiment on geopolitics.
- **Life Sciences & Healthcare:** Declined this quarter, though demand for core AI transformation, automation, and compliance remains intact; management flagged a stronger uptick in client conversations and expects a turnaround in 2Q.
- **On Gen AI:** Agentic AI deployment examples: 70 AI agents orchestrating IT operations for a large retailer across 60+ workflows, driving ~30% faster remediation and ~80% fewer incidents; seven AI agents (including medical and fraud-review specialists) deployed alongside human examiners for a global insurer, cutting claim settlement time by ~40%.
- Became the first Global System Integrator (GSI) partner for Mistral AI, targeting sovereign and custom enterprise AI models and a dedicated CoE across BFSI, healthcare, manufacturing, and public sector.
- On model architecture, management expects enterprises to adopt a hybrid multi-LLM/SLM approach (including potential use of open-source models), increasing the strategic role of system integrators in technology selection, integration, and AI FinOps.
- Launched a dedicated Global Value and Innovation Center business unit to support enterprises in building, operating, transforming, or divesting global capability centers; described as part of the broader 'HyperVault' initiative deepening 360-degree ecosystem partnerships, enabling two large net-new IT services deals this quarter.

Margin performance and outlook

- Operating margin at 24%, down ~130bp QoQ, driven primarily by a 170bp impact from annual wage hikes, partly offset by ~40bp of currency benefit and operational efficiencies.
- On the medium-term margin aspiration band, management indicated a balanced approach between growth investment and operating discipline, with intent to avoid inching back up toward FY25 levels even as reinvestment continues.
- Segmental margin contractions of ~250-300bp across manufacturing, communications, life sciences, and other segments were largely explained by the common 170bp wage hike impact, with incremental segment-specific investment drag.
- ~14,000 campus graduates onboarded last quarter, with continued focus on AI-native and digital talent and active hiring across top universities.

- Management explicitly rejected the narrative of AI-driven white-collar job contraction, arguing that roles are shifting (toward prompt engineering, model training/testing, lifecycle management) rather than disappearing, and pointed to headcount growth this quarter as evidence; hiring strategy also reflects proactive top-talent acquisition ahead of demand.
- Associates logged 14.6 million learning hours and gained over 1.3 million competencies in the quarter.

Valuation and view

- We expect USD revenue/EPS to compound at ~3%/~6% over FY26-28E. While management expects demand to improve in 2Q, we believe growth will continue to come from select pockets rather than a broad-based pickup. 1QFY27 commentary, however, is better than we expected. We have lowered our FY27 margin estimate by 30bp to reflect continued investments in AI capabilities, partnerships and sales. We keep our estimates unchanged and reiterate BUY with a TP of INR2,350, based on 15x FY28E EPS, implying ~15% upside.

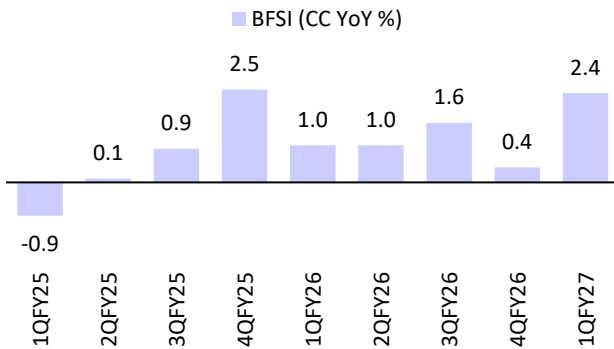
Exhibit 6: Revisions to our estimates

	Revised		Earlier		Change	
	FY27E	FY28E	FY27E	FY28E	FY27E	FY28E
INR/USD	94.5	95.0	94.5	95.0	0.0%	0.0%
USD Revenue (m)	30,665	31,589	30,419	31,405	0.8%	0.6%
CC Growth (%)	3.1	3.2	2.4	3.4	70bps	-20bps
EBIT margin (%)	24.7	25.0	25.0	25.0	-30bps	0bps
Adj. PAT (INR b)	565	589	563.6	585.6	0.2%	0.6%
EPS (INR)	156.2	162.8	155.8	161.9	0.2%	0.6%

Source: MOFSL

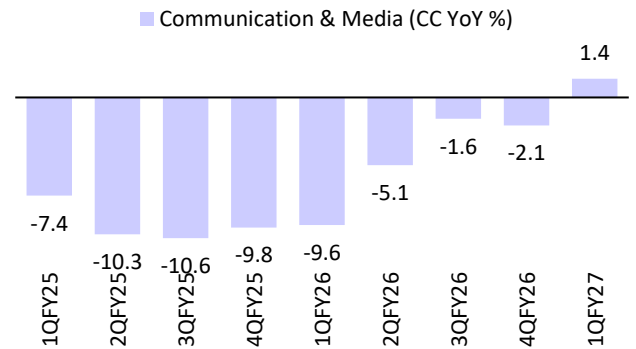
Story in charts

Exhibit 1: BFSI growth increased to 2.4% YoY CC in 1QFY27



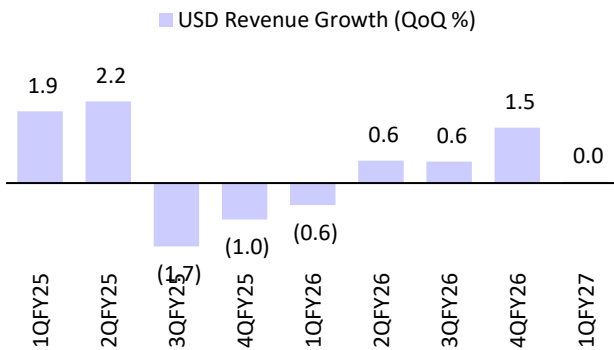
Source: Company, MOFSL

Exhibit 2: Communication and media showed positive growth at 1.4% YoY CC in 1QFY27



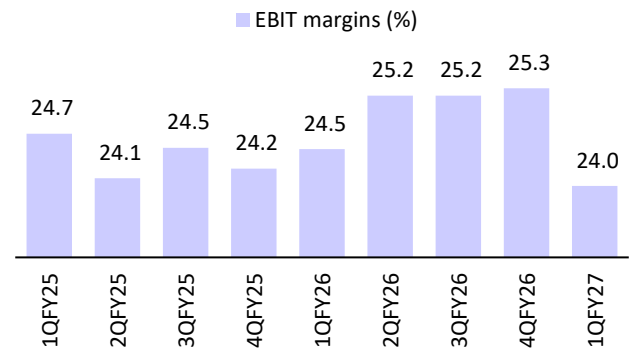
Source: Company, MOFSL

Exhibit 3: Flat USD revenue growth in 1QFY27



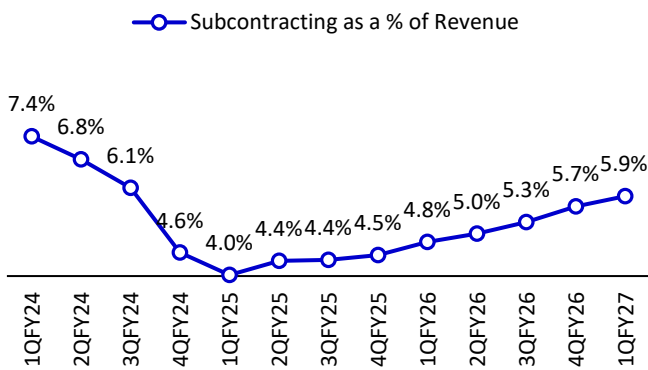
Source: Company, MOFSL

Exhibit 4: EBIT margins decreased 130bp QoQ at 24%



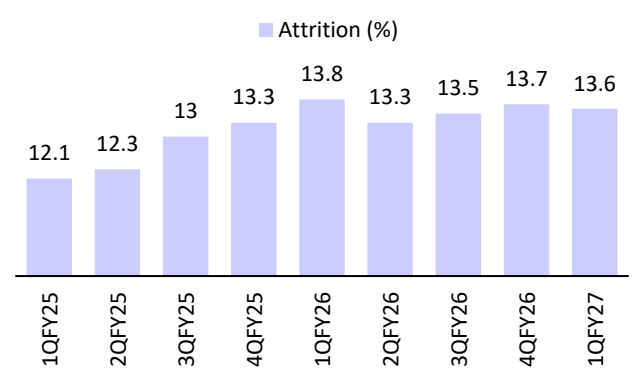
Source: Company, MOFSL

Exhibit 5: Sub-contracting cost inched up 20bp



Source: Company, MOFSL

Exhibit 6: LTM attrition declined by 10bp QoQ



Source: Company, MOFSL

Operating metrics

Exhibit 7: Operating metrics

	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	4QFY26	1QFY27
Verticals (%)									
BFSI	30.9	30.8	30.5	31.2	32.0	32.2	31.9	31.6	32.1
Retail & CPG	15.4	15.1	15.3	15.3	15.6	15.3	15.4	15.7	15.0
Communication & Media	6.2	5.9	5.8	5.8	5.8	5.9	5.9	5.8	5.8
Manufacturing	8.8	8.6	8.4	8.4	8.7	8.8	8.8	8.8	8.7
Life Sciences & Healthcare	11.0	10.4	10.1	10.1	10.2	10.5	10.5	10.4	10.3
Technology & Services	8.1	8	8.0	8.1	8.4	8.5	8.4	8.4	8.5
Energy & Utilities	5.6	5.7	5.7	5.7	5.9	5.9	6.0	6.3	6.3
Regional markets & Others	14.0	15.5	16.2	15.4	13.4	12.9	13.1	13.0	13.3
Geographies (%)									
North America	49.5	47.6	47.7	48.2	48.7	48.8	48.5	48.5	48.3
Latin America	1.9	1.8	1.9	1.8	1.9	1.9	2.0	1.9	2.0
UK	16.9	17.0	16.6	16.8	18.0	17.5	16.9	17.2	17.2
Continental Europe	14.4	14.6	13.9	14.3	15.0	15.3	15.6	15.6	15.4
India	7.5	8.9	9.8	8.4	5.8	5.8	6.1	6.0	6.2
Asia Pacific	7.8	8	7.8	8.1	8.4	8.3	8.3	8.3	8.4
MEA	2.0	2.1	2.3	2.4	2.2	2.4	2.6	2.5	2.5
QoQ growth (%)									
BFSI	0.6	1.9	-2.7	1.3	2.0	1.2	-0.4	0.5	1.6
Retail & CPG	0.0	0.2	-0.4	-1.0	1.4	(1.3)	1.2	3.5	-4.4
Communication & Media	-4.2	(2.7)	-3.4	-1.0	-0.6	2.3	0.6	-0.2	0.0
Manufacturing	1.9	(0.1)	-4.0	-1.0	3.0	1.8	0.6	1.5	-1.1
Life Sciences & Healthcare	2.9	(3.4)	-4.5	-1.0	0.4	3.6	0.6	0.5	-0.9
Technology & Services	0.7	0.9	-1.7	0.3	3.1	1.8	-0.6	1.5	1.2
Energy and Utilities	1.9	4.0	-1.7	-1.0	2.9	0.6	2.3	6.6	0.0
Regional markets & Others	10.6	13.1	2.7	-5.9	-13.5	(3.1)	2.1	0.7	2.3
North America	0.9	(1.7)	-1.5	0.1	0.4	0.8	0.0	1.5	-0.4
Latin America	-3.2	(3.2)	3.8	-6.2	4.9	0.6	5.9	-3.6	5.3
UK	2.5	2.8	-4.0	0.2	6.5	(2.2)	-2.9	3.3	0.0
Continental Europe	0.5	3.6	-6.4	1.9	4.3	2.6	2.5	1.5	-1.2
India	14.1	21.3	8.2	-15.1	-31.4	0.6	5.8	-0.2	3.4
Asia Pacific	1.9	4.8	-4.2	2.8	3.1	(0.6)	0.6	1.5	1.2
MEA	-2.9	7.3	7.7	3.3	-8.9	9.8	9.0	-2.4	0.0
Total Employees (k)	607.0	613	607.4	608.0	613.1	593	582.2	584.5	593.8
Net Additions (k)	5.5	5.7	-5.4	0.6	5.1	-19.8	-11.2	2.4	9.3
Attrition (LTM %)	12.1	12.3	13.0	13.3	13.8	13.3	13.5	13.7	13.6

Source: Company, MOFSL

Financials and valuations

Income statement						(INR Bn)	
Y/E March	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Sales	1,918	2,255	2,409	2,553	2,670	2,898	3,001
Change (%)	16.8	17.6	6.8	6.0	4.6	8.5	3.5
Cost of Services	1,146	1,363	1,436	1,542	1,600	1,742	1,825
Gross Profit	771	892	973	1,011	1,070	1,157	1,176
SG&A Expenses	287	350	379	389	402	422	426
EBITDA	530	592	644	674	724	777	825
% of Net Sales	27.7	26.3	26.7	26.4	27.1	27.2	27.5
Depreciation	46	50	50	52	56	72	75
EBIT	485	542	594	622	668	716	750
% of Net Sales	25.3	24.1	24.7	24.3	25.0	24.7	25.0
Other Income	32	27	37	32	35	43	42
PBT	517	569	632	653	704	760	792
Tax	132	146	163	165	173	192	200
Rate (%)	25.6	25.7	25.7	25.3	24.6	25.3	25.3
Extraordinary gains/loss	0	0	-7	0	-36	-5	0
Minority Interest	1	2	2	2	2	3	3
PAT	384	423	462	488	495	563	592
Change (%)	18.1	10.0	9.3	5.5	1.3	13.8	5.2

Balance Sheet						(INR Bn)	
Y/E March	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Share capital	4	4	4	4	4	4	4
Reserves	888	901	901	944	1,069	1,208	1,354
Net Worth	891	904	905	948	1,072	1,212	1,357
Minority Interest & Others	100	97	99	119	142	143	148
Loans	0	0	0	0	0	0	0
Capital Employed	992	1,001	1,003	1,066	1,215	1,355	1,506
Gross Block	500	542	586	673	750	819	897
Depreciation	293	343	393	445	501	562	637
Net Block	207	199	193	227	249	257	260
Intangibles	55	52	52	54	136	143	145
Other LT assets	70	83	89	84	82	97	100
Curr. Assets	1,083	1,103	1,130	1,230	1,357	1,528	1,722
Debtors	418	500	536	590	677	789	817
Cash & Bank Balance	125	71	90	83	64	106	278
Investments	360	401	358	378	403	358	313
Other Current Assets	180	131	146	178	213	275	315
Current Liab. & Prov	424	436	461	530	609	671	722
Net Current Assets	660	667	669	700	748	857	1,001
Application of Funds	992	1,001	1,003	1,066	1,215	1,355	1,506

Financials and valuations

Ratios

Y/E March	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Basic (INR)							
EPS	104.0	115.3	128.1	134.2	146.0	156.2	162.8
Cash EPS	116.4	129.0	139.9	148.7	151.4	173.1	185.1
Book Value	241.8	247.3	248.1	261.9	296.4	335.0	375.2
DPS	100.9	115.1	72.9	126.0	109.9	117.6	122.6
Payout %	97.1	99.8	56.9	93.9	75.3	75.3	75.3
Valuation (x)							
P/E	19.7	17.8	16.0	15.3	14.0	13.1	12.6
Cash P/E	17.6	15.9	14.6	13.8	13.5	11.8	11.1
EV/EBITDA	14.0	12.5	11.5	10.9	10.2	9.4	8.6
EV/Sales	3.9	3.3	3.1	2.9	2.8	2.5	2.4
Price/Book Value	8.5	8.3	8.3	7.8	6.9	6.1	5.5
Dividend Yield (%)	4.9	5.6	3.6	6.1	5.4	5.7	6.0
Profitability Ratios (%)							
RoE	43.7	46.9	51.7	52.4	52.3	49.5	45.9
RoCE	36.8	40.5	44.0	44.9	44.2	41.7	39.2
Turnover Ratios							
Debtors (Days)	80	81	81	84	93	99	99
Fixed Asset Turnover (x)	9.3	11.3	12.5	11.2	10.7	11.3	11.6

Cash Flow Statement

(INR Bn)

Y/E March	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
CF from Operations	427	462	512	523	543	632	664
Cash for Working Capital	-28	-42	-69	-34	-22	-137	-19
Net Operating CF	399	420	443	489	521	495	646
Net Purchase of FA	-30	-31	-27	-39	-42	-72	-75
Free Cash Flow	370	389	417	450	479	422	570
Net Purchase of Invest.	21	31	87	16	-87	45	45
Net Cash from Invest.	-9	0	60	-23	-128	-27	-30
Proc. from equity issues	0	0	0	0	0	0	0
Proceeds from LTB/STB	-195	-57	-16	-16	-17	0	0
Others	-7	-8	-7	-8	-9	0	0
Dividend Payments	-134	-414	-462	-450	-396	-425	-444
Cash Flow from Fin.	-336	-479	-485	-474	-421	-425	-444
Net Cash Flow	56	-54	19	-7	-19	42	172
Opening Cash Bal.	73	130	76	95	88	69	111
Add: Net Cash	56	-54	19	-7	-19	42	172
Closing Cash Bal.	130	76	95	88	69	111	282

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SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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