

October 20, 2024

## Q2FY25 Result Update

Change in Estimates |  Target |  Reco

### Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
<b>Rating</b>	ACCUMULATE		ACCUMULATE	
<b>Target Price</b>	1,790		1,720	
Sales (Rs. bn)	566	620	563	617
% Chng.	0.5	0.5		
EBITDA (Rs. bn)	86	109	85	108
% Chng.	1.2	1.0		
EPS (Rs.)	61.9	81.2	60.8	79.9
% Chng.	1.9	1.6		

### Key Financials - Consolidated

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales (Rs. bn)	520	532	566	620
EBITDA (Rs. bn)	58	68	86	109
Margin (%)	11.1	12.7	15.3	17.6
PAT (Rs. bn)	36	41	55	72
EPS (Rs.)	40.9	46.4	61.9	81.2
Gr. (%)	(28.6)	13.6	33.3	31.2
DPS (Rs.)	39.8	48.7	55.7	73.0
Yield (%)	2.4	2.9	3.3	4.3
RoE (%)	12.7	14.8	19.6	25.1
RoCE (%)	10.7	12.3	16.6	21.7
EV/Sales (x)	2.8	2.7	2.5	2.3
EV/EBITDA (x)	24.9	21.0	16.3	12.8
PE (x)	41.3	36.3	27.3	20.8
P/BV (x)	5.4	5.4	5.3	5.1

### Key Data

	TEML.BO   TECHM IN
52-W High / Low	Rs.1,710 / Rs.1,089
Sensex / Nifty	81,225 / 24,854
Market Cap	Rs.1,651bn / \$ 19,642m
Shares Outstanding	978m
3M Avg. Daily Value	Rs.3662.8m

### Shareholding Pattern (%)

Promoter's	35.03
Foreign	23.66
Domestic Institution	31.00
Public & Others	10.31
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	5.1	43.1	42.2
Relative	7.4	27.7	15.3

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## Steady growth & another strong quarter of margin expansion...

### Quick Pointers:

- Communications segment reported sequential growth after 5 quarters.
- Strong EBIT margin expansion, sustaining the positive momentum established in Q1

**TechM reported steady revenue growth & strong margin expansion in Q2FY25. Revenue came at US\$1.59 bn, up 0.7% QoQ in CC vs our expectation of flat growth & cons. est. of 0.4% QoQ CC growth. Growth in qtr. was aided by verticals of Hitech, CME & BFSI offset by the weakness in Manufacturing. EBIT margin improved by 110 bps QoQ to 9.6% vs our est. & cons. est. of 60 bps & 70 bps improvement respectively due to currency tailwinds & savings from Project Fortius. New deal win was steady at US\$ 603 mn vs deal win of US\$ 534 mn in Q1. PAT came INR 12.6 bn vs our est. of INR 10.1 bn due to higher other income.**

**The recovery in Communication business (+2.8% QoQ, 33% of rev) was notable after having delivered weak performance over the last several quarters. Although the growth within Communications was dominated around Europe and APAC regions, while US Telco OEMs haven't seen meaningful uptick in capex owing to elevated interest rate. Enterprise business growth was diluted on account of Manufacturing (Automotive), otherwise the performance of other verticals was healthy. The management is focused on driving growth within few sub-verticals of BFSI despite having cognizant of crowded space and stiff competition. It believes the certain set of offerings are unique and would be doubling-down to land & expand the top accounts. At the same time, the management is prudent enough to stay selective (on client profile) and chase behind quality large deals to justify on margin threshold. The investments in top strategic accounts through senior hiring and mining the existing accounts are in progress, which is evident through elevated deal TCV, confident of keeping a TCV band of \$600-800m. The progress on cost rationalization was yet again remarkable despite having growth challenges.**

**We believe, the constructive recovery in growth and margin profile is a function of strategic initiatives laid out by the company coupled with improving economic indicators. However, as we transition through growth-led initiatives, the company might face stiff competition to win strategic large deals having high-cost component attached at the front-end owing to margin targets. We are passing on Q2 growth and margin beat and baking in 1.0%/5.1%/8.2% CC in FY25E/FY26E/FY27E. With continued progress in margin execution (led by Project Fortius), we are revising our margin upward by 40 bps in FY25E, while keeping FY26/FY27E broadly unchanged.**

**Valuations and outlook:** We believe the company's laid out strategy to drive balanced portfolio mix with reduced dependency on communications is a positive. Although the company has integrated portfolio business into its core operations, the growth engines are yet to get fueled. The stock has witnessed strong run-up over the last few sessions, we believe all positives are factored into the CMP. The stock is currently trading at 21x FY27E, we are assigning P/E of 22x to FY27E with a target price of INR 1,790. We maintain "ACCUMULATE" rating.

## Another quarter of strong execution, healthy recovery across verticals

- Rev: USD 1.59bn, up 0.7% QoQ CC (up 1.9% QoQ in USD), above our and consensus est. of flat growth/+0.4% CC
- **IT service (INR) grew by 2.3% QoQ while BPO business grew by 2.9% QoQ**
- Hi-Tech reported strong growth of 5.8% QoQ after four consecutive quarters of softness, while CME & BFS grew by 2.8% & 2.6% QoQ respectively. Manufacturing declined by 4.2% QoQ
- Europe & RoW led the growth with 4.5% & 4.9% QoQ, respectively, while Americas declined by 0.6% QoQ
- **EBIT margin improved by 110 bps QoQ to 9.6% above our estimate of 60 bps & consensus estimate of 70 bps improvement. Margin expansion was aided by gross margin and controlled SG&A**
- Net employees increased by 6.7k QoQ led by additions of BPO professionals, software employees increased by ~200 while Sales & support employees declined by ~300
- Utilization (ex. trainees) flat at 86.1%, LTM attrition increased by 50 bps QoQ 10.6%
- **NN Deal TCV of \$603m, up 12.9% QoQ/down 5.8% YoY**
- PAT at INR 12.6bn (up 45.4% QoQ) due to higher other income of INR 5.2 bn (other income incl. gain on sale of property of INR 4.5bn)
- Declared interim dividend of INR 15 per share

**Exhibit 1: 2QFY25 Results: Steady revenue growth in Q2, EBIT strong margin expansion of 110bps QoQ**

Consolidated (INR b)	2QFY25	1QFY25	QoQ gr. (%)	2QFY24	YoY gr. (%)	H1FY25	H1FY24	YoY gr. (%)
IT Services Revenue (USD m)	1,589	1,559	1.9	1,555	2.2	3,148	3,156	-0.3
<b>Overall Revenue (INR b)</b>	133	130	2.4	129	3.5	263	260	1.1
Gross Profit	37	35	7.7	29	28.7	72	63	14.4
Gross Margin (%)	27.9	26.5	140bps	22.5	550bps	27.2	24.1	320bps
SG&A and Other Costs	19.7	18.9	4.2	14.8	32.8	38.6	33	18.3
% of Rev	14.8	14.5	30bps	11.5	330bps	14.6	12.5	210bps
<b>EBITDA</b>	18	16	11.9	14	24.4	33	30	10.2
EBIT Margin (%)	13.1	12.0	110bps	10.9	220bps	12.6	11.6	100bps
Depreciation	5	5	2	5	0.9	9	9	2.2
% of Rev	3.5	3.6	0bps	3.6	-10bps	3.5	3.5	0bps
<b>EBIT</b>	13	11	16.2	9	36.1	24	21	13.7
EBIT Margin (%)	9.6	8.5	110bps	7.3	230bps	9.1	8.1	100bps
Other Income (net)	4	1	471.4	2	159.8	5	2	113.2
<b>PBT</b>	17	12	45.4	11	54.7	29	23.3	23.9
Tax	5	3	45.5	1	314.5	8	4	103.7
Effective tax rate (%)	26.6	26.6	0bps	9.9	1670bps	26.6	16.2	1040bps
<b>Adjusted PAT</b>	13	9	45.4	10	26.0	21	20	8.5
Exceptional items	0.0	0.0	NA	-4.8	NA	0	-7.5	NA
<b>Reported PAT</b>	13	9	45.4	5	144.4	21	12	75.4
<b>Reported EPS (INR)</b>	14.1	9.6	46.7	5.6	152.8	24	13	77.0

Source: Company, PL

**Exhibit 3: Vertical Growth (%)**

Geographies	Contribution to revenue (%)	QoQ gr. (%)
Americas	51.1	-0.6
Europe	24.0	4.5
Rest of World	24.9	4.9

Source: Company, PL

Verticals	Contribution to revenue (%)	QoQ gr. (%)
Comm., Media & Ent.	33.4	2.8
Manufacturing	17.2	-4.2
Technology	14.3	5.8
BFSI	15.8	2.6
Retail, Transport & Logistics	7.9	4.6
Healthcare	7.4	-2.1
Others	4.0	9.6

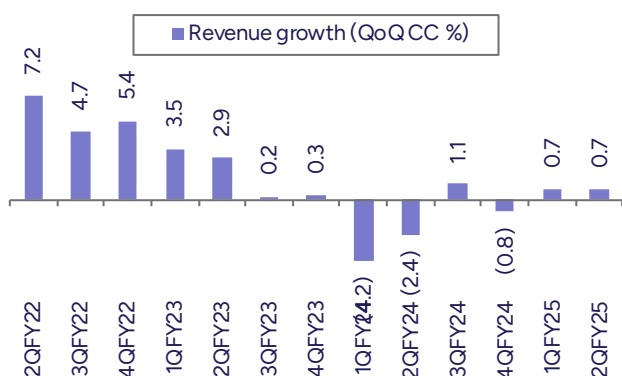
Source: Company, PL

**Exhibit 4: Key Performance Indicator**

	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	FY24	FY25E
<b>Revenue (QoQ CC %)</b>	0.2	0.3	-4.2	-2.4	1.1	-0.8	0.7	0.7	-4.7	0.7
<b>Margins (%)</b>										
Gross Margin	28.7	28.9	25.7	22.5	23.9	27.0	26.5	27.9	24.8	26.9
EBITDA margin	15.6	14.7	12.2	10.9	10.3	10.9	12.0	13.1	11.1	12.6
EBIT Margin	12.0	11.2	8.8	7.3	7.0	7.4	8.5	9.6	7.6	9.0
Net Margin	9.4	9.7	7.3	7.6	5.5	7.5	6.5	9.4	7.0	7.7
<b>Operating Metrics</b>										
Headcount (k)	157	152	148	151	146	145	148	154	145	-
Util excl. trainees (%)	86.4	86.5	87.2	86.0	88.0	86.0	86.1	86.1	86.0	-
Attrition (%)	17.3	14.8	12.8	11.4	10.0	10.0	10.1	10.6	10.0	-
Deal TCV (USD m)	795	592	359	640	381	500	534	603	1880	-

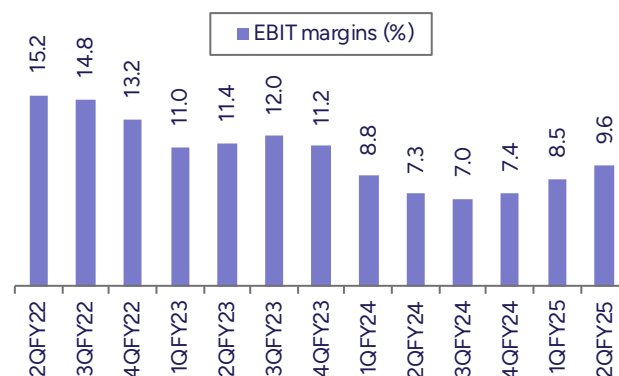
Source: Company, PL

**Exhibit 5: Revenue grew by 0.7% QoQ CC**



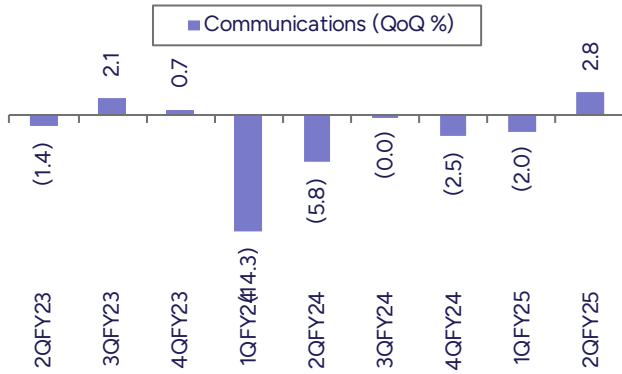
Source: Company, PL

**Exhibit 6: EBIT margin (%) improved by 110bps**



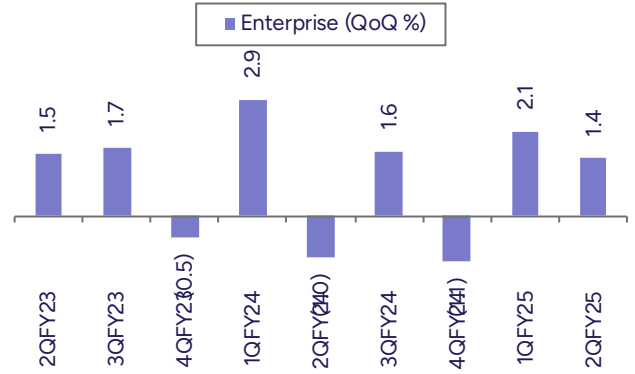
Source: Company, PL

**Exhibit 7: Communications growth declined (QoQ %)**



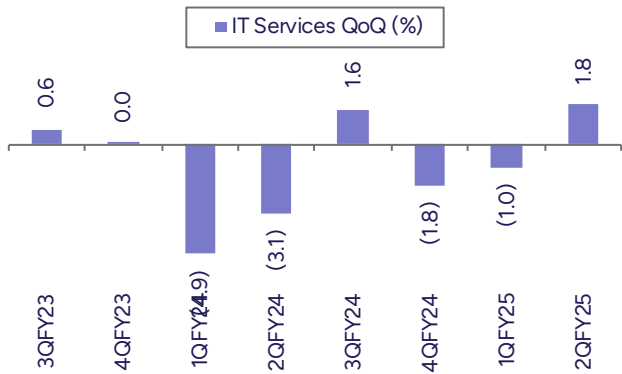
Source: Company, PL

**Exhibit 8: Enterprise grew QoQ**



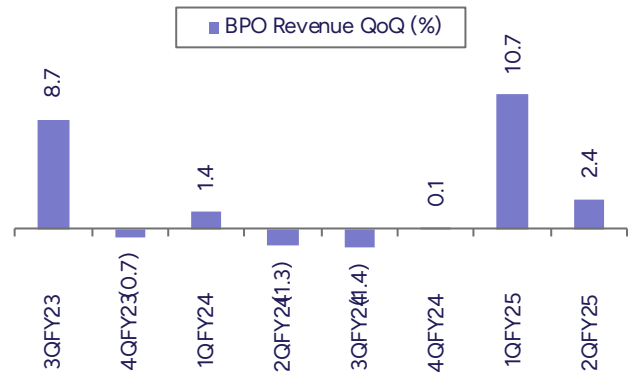
Source: Company, PL

**Exhibit 9: IT Service Performance**



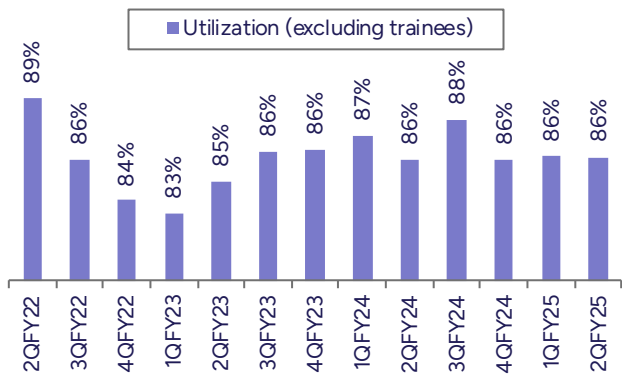
Source: PL, Company

**Exhibit 10: BPO Performance**



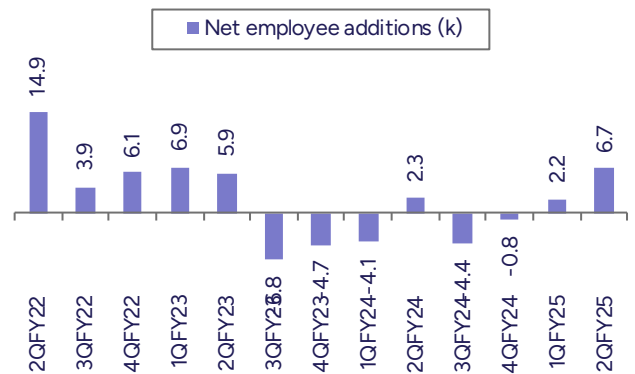
Source: PL, Company

**Exhibit 11: Utilization (Ex. Trainees %)**

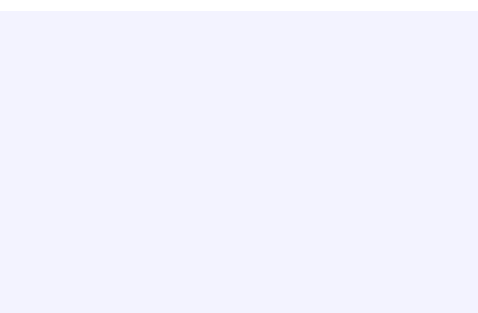


Source: Company, PL

**Exhibit 12: Net Employee Addition (k)**



Source: Company, PL

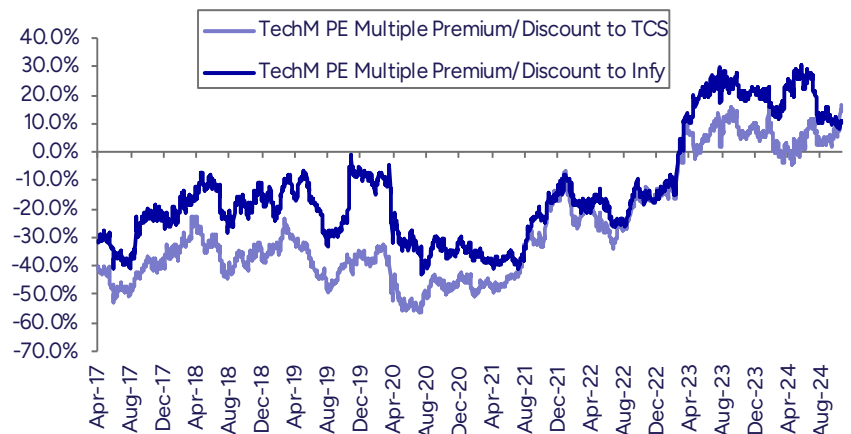


**Exhibit 13: Operating Metrics**

	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25
<b>Revenue by Geography (%)</b>												
Americas	48.9	48.3	49.6	50.8	49.7	49.6	51.4	53.3	51.9	50.8	52.4	51.1
Europe	25.5	26.4	25.5	24.5	24.4	25.3	24.6	23.6	23.8	24.2	23.4	24.0
Rest of World	25.6	25.3	24.9	24.7	25.9	25.1	24.0	23.2	24.3	25.0	24.2	24.9
<b>Vertical Split (%)</b>												
Telecom	40.9	40.6	40.4	39.7	39.8	40.1	35.8	34.7	34.3	34.0	33.1	33.4
Manufacturing	15.8	14.9	15.3	16.0	15.7	15.9	16.7	17.5	18.0	18.0	18.3	17.2
Tech   Media   Entertainment	8.4	9.3	9.7	10.1	10.3	10.3	13.9	14.3	13.7	13.8	13.8	14.3
BFSI	15.4	17.4	16.7	16.3	15.9	15.9	15.5	15.4	14.8	15.7	15.7	15.8
Retail   Transport   Logistics	8.5	7.6	7.9	8.1	8.5	7.6	7.1	7.7	8.1	7.3	7.7	7.9
Others	11.0	10.2	10.0	9.8	9.8	10.2	4.0	10.4	11.0	4.0	3.7	4.0
<b>Client Metrics</b>												
No. of active clients	1,191	1,224	1,262	1,262	1,290	1,297	1,255	1252	1228	1172	1165	1178
<b>No. of Million \$ clients</b>												
USD1m+	502	524	549	549	574	582	580	568	558	553	545	545
USD5m+	173	174	176	176	185	186	190	186	185	190	191	195
USD10m+	96	97	104	104	109	112	115	114	118	114	113	109
USD20m+	50	54	60	60	65	65	62	61	63	63	61	61
USD50m+	22	23	23	23	24	24	26	26	26	23	24	25
<b>Client concentration (%)</b>												
Top 5 Clients	23.0	22.0	21.0	19.0	18.0	18.0	17.4	16.6	16.1	15.8	15.5	15.1
Top 6-10	8.0	9.0	9.0	9.0	9.0	9.0	27.3	27.1	26.2	25.9	25.1	24.9
Top 11-20	11.0	12.0	11.0	12.0	13.0	13.0	39.4	39.5	38.6	38.8	38.4	38.6
<b>Headcount</b>												
Software professionals	81,115	85,830	88,030	86,776	84,874	83,789	81,521	81,200	81,705	80,925	80,417	80,618
BPO	56,297	57,315	61,392	68,388	63,568	60,102	58,079	60,985	56,206	55,492	58,177	64,940
Sales and support	7,655	8,028	8,613	8,748	8,626	8,509	8,697	8,419	8,339	9,038	9,026	8,715
Total	1,45,067	1,51,173	1,58,035	1,63,912	1,57,068	1,52,400	1,48,297	1,50,604	1,46,250	1,45,455	1,47,620	1,54,273
IT Attrition (LTM %)	24	24	22	20	17	15	13	11	10	10	10	11
IT Utilization (%)	84	83	83	85	86	86	87	86	88	86	86	86
IT Utilization (excl. trainees)	86	84	83	85	86	86	87	86	88	86	86	86
DSO - incl. unbilled	101	97	100	98	98	96	98	97	91	92	93	94
Borrowings (USD m)	210.0	209.0	220.0	207.0	212.0	192.0	185.0	116	181	184	127	187
Cash and Cash Equivalent (USD m)	1,346.0	1,140.7	1,114.0	947.0	780.0	905.0	939.0	784	843	949	966	784
Capital Expenditure (USD m)	26	46	20	19	31	32	25	26	21	24	13	26

Source: Company, PL

**Exhibit 14: 1 year fwd PE multiple Premium/Discount to TCS & Infy**



Source: Company, PL

## Conference Call Highlights

- The management mentioned that the weakness in the manufacturing segment was primarily due to challenges in the auto sector. They further stated that the discretionary spending environment remains weak within the manufacturing segment.
- The Communications segment reported sequential growth after five consecutive quarters of decline. The management reiterated that the discretionary spending environment remains weak within the segment, with key clients still focused on cost optimization projects. They further indicated that CME clients in the APAC and Europe regions have stabilized, while clients in the Americas are expected to stabilize in the future as interest rates decline further.
- The management reiterated their focus on expanding the key vertical of BFSI. They mentioned that they have extended partnerships in the BFSI segment and added one account each in the Europe and Americas regions. They also stated that they aim to be a challenger in the BFSI segment, leveraging their expertise in areas such as insurance, wealth and asset management, payments, and core banking.
- TechM secured new deals worth US\$603 million in Q2, including a strategic deal in the CME segment. The management mentioned that they expect deal wins to be in the range of US\$600-800 million for steady growth. They also reiterated their focus on winning large deals for sustained revenue growth. Additionally, they stated that they have invested in their sales team to not only build and increase the large deal pipeline but also to improve the conversion rate.
- The management stated that their strategy to increase wallet share among large clients is yielding results, noting that their US\$20 million+ clients have grown at 1.5 times the company's overall growth rate. They further mentioned that the decline in the top five accounts is due to weakness among CME clients.
- The management mentioned that it expects furloughs similar to historical levels in Q3. They further mentioned that they expect higher furloughs in BFSI & manufacturing.
- After reporting a 110 basis point margin expansion in Q1, TechM achieved another 110 bps increase in margins in Q2 due to the tailwinds of 40 bps improvement from currency benefits & 70 bps improvement from savings from Project Fortius.
- Regarding wage hikes, the management has indicated that they will finalize the quantum and timing of the increases during the Q3.
- The management stated that their focus on improving margins in both the short term and long term remains steady, along with continued investments for sustained growth. They mentioned that they have invested in strengthening their capabilities, hiring senior personnel, extending partnerships, and opening new centers. Additionally, they noted that investment under Project Fortius increased in Q2 compared to Q1; however, they also confirmed that investment in H2 would be similar to the levels seen in H1.

## Financials

### Income Statement (Rs bn)

Y/e Mar	FY24	FY25E	FY26E	FY27E
<b>Net Revenues</b>	<b>520</b>	<b>532</b>	<b>566</b>	<b>620</b>
YoY gr. (%)	(2.4)	2.3	6.4	9.5
Employee Cost	391	388	404	433
Gross Profit	129	144	162	187
Margin (%)	24.8	27.1	28.7	30.2
Employee Cost	-	-	-	-
Other Expenses	-	-	-	-
<b>EBITDA</b>	<b>58</b>	<b>68</b>	<b>86</b>	<b>109</b>
YoY gr. (%)	(28.1)	17.5	27.4	26.2
Margin (%)	11.1	12.7	15.3	17.6
Depreciation and Amortization	18	19	19	19
<b>EBIT</b>	<b>40</b>	<b>49</b>	<b>67</b>	<b>90</b>
Margin (%)	7.6	9.2	11.9	14.5
Net Interest	-	-	-	-
Other Income	5	8	8	9
<b>Profit Before Tax</b>	<b>45</b>	<b>56</b>	<b>76</b>	<b>99</b>
Margin (%)	8.6	10.6	13.4	16.0
Total Tax	8	15	20	27
Effective tax rate (%)	18.5	26.3	27.0	27.0
<b>Profit after tax</b>	<b>37</b>	<b>42</b>	<b>55</b>	<b>72</b>
Minority interest	0	0	0	0
Share Profit from Associate	-	-	-	-
<b>Adjusted PAT</b>	<b>36</b>	<b>41</b>	<b>55</b>	<b>72</b>
YoY gr. (%)	(28.5)	13.6	33.3	31.2
Margin (%)	7.0	7.7	9.7	11.6
Extra Ord. Income / (Exp)	(13)	-	-	-
<b>Reported PAT</b>	<b>24</b>	<b>41</b>	<b>55</b>	<b>72</b>
YoY gr. (%)	(51.2)	74.5	33.3	31.2
Margin (%)	4.5	7.7	9.7	11.6
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	24	41	55	72
<b>Equity Shares O/s (bn)</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>
<b>EPS (Rs)</b>	<b>40.9</b>	<b>46.4</b>	<b>61.9</b>	<b>81.2</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs bn)

Y/e Mar	FY24	FY25E	FY26E	FY27E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>222</b>	<b>228</b>	<b>234</b>	<b>240</b>
Tangibles	153	159	165	171
Intangibles	69	69	69	69
<b>Acc: Dep / Amortization</b>	<b>157</b>	<b>176</b>	<b>196</b>	<b>215</b>
Tangibles	117	136	155	174
Intangibles	41	41	41	41
<b>Net fixed assets</b>	<b>64</b>	<b>52</b>	<b>38</b>	<b>25</b>
Tangibles	36	24	10	(3)
Intangibles	28	28	28	28
Capital Work In Progress	-	-	-	-
Goodwill	75	75	75	75
Non-Current Investments	5	5	5	5
Net Deferred tax assets	14	16	18	19
Other Non-Current Assets	42	41	44	48
<b>Current Assets</b>				
Investments	32	47	62	77
Inventories	0	0	0	0
Trade receivables	71	73	79	87
Cash & Bank Balance	43	41	44	38
Other Current Assets	40	40	41	45
<b>Total Assets</b>	<b>434</b>	<b>433</b>	<b>445</b>	<b>464</b>
<b>Equity</b>				
Equity Share Capital	4	4	4	4
Other Equity	275	273	279	286
<b>Total Network</b>	<b>279</b>	<b>277</b>	<b>283</b>	<b>291</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	1	1	1	1
Provisions	13	13	13	14
Other non current liabilities	10	10	11	12
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	14	14	14	14
Trade payables	24	24	25	27
Other current liabilities	88	89	93	100
<b>Total Equity &amp; Liabilities</b>	<b>434</b>	<b>433</b>	<b>445</b>	<b>464</b>

Source: Company Data, PL Research

**Cash Flow (Rs bn)**

Y/e Mar	FY24	FY25E	FY26E	FY27E
PBT	32	56	76	99
Add. Depreciation	23	19	19	19
Add. Interest	2	-	-	-
Less Financial Other Income	5	8	8	9
Add. Other	6	-	-	-
Op. profit before WC changes	63	75	95	118
Net Changes-WC	13	2	(2)	(11)
Direct tax	(12)	(15)	(20)	(27)
<b>Net cash from Op. activities</b>	<b>64</b>	<b>62</b>	<b>73</b>	<b>80</b>
Capital expenditures	(7)	(6)	(6)	(6)
Interest / Dividend Income	2	-	-	-
Others	(7)	(15)	(15)	(15)
<b>Net Cash from Inv. activities</b>	<b>(13)</b>	<b>(21)</b>	<b>(21)</b>	<b>(21)</b>
Issue of share cap. / premium	0	-	-	-
Debt changes	(1)	-	-	-
Dividend paid	(39)	(43)	(49)	(65)
Interest paid	(4)	-	-	-
Others	(5)	-	-	-
<b>Net cash from Fin. activities</b>	<b>(48)</b>	<b>(43)</b>	<b>(49)</b>	<b>(65)</b>
<b>Net change in cash</b>	<b>3</b>	<b>(2)</b>	<b>3</b>	<b>(5)</b>
Free Cash Flow	56	56	67	74

Source: Company Data, PL Research

**Quarterly Financials (Rs bn)**

Y/e Mar	Q3FY24	Q4FY24	Q1FY25	Q2FY25
<b>Net Revenue</b>	<b>131</b>	<b>129</b>	<b>130</b>	<b>133</b>
YoY gr. (%)	1.8	(1.8)	1.0	2.4
Raw Material Expenses	100	94	96	96
Gross Profit	31	35	35	37
Margin (%)	23.9	27.0	26.5	27.9
<b>EBITDA</b>	<b>14</b>	<b>14</b>	<b>16</b>	<b>18</b>
YoY gr. (%)	-	-	-	-
Margin (%)	10.3	10.9	12.0	13.1
Depreciation / Depletion	4	5	5	5
<b>EBIT</b>	<b>9</b>	<b>9</b>	<b>11</b>	<b>13</b>
Margin (%)	7.0	7.4	8.5	9.6
Net Interest	-	-	-	-
Other Income	-	3	1	4
<b>Profit before Tax</b>	<b>9</b>	<b>13</b>	<b>12</b>	<b>17</b>
Margin (%)	6.7	9.8	9.1	12.9
Total Tax	2	3	3	5
Effective tax rate (%)	17.6	23.4	26.6	26.6
<b>Profit after Tax</b>	<b>7</b>	<b>10</b>	<b>9</b>	<b>13</b>
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
<b>Adjusted PAT</b>	<b>7</b>	<b>10</b>	<b>9</b>	<b>13</b>
YoY gr. (%)	(26.5)	34.9	(12.2)	46.8
Margin (%)	5.5	7.5	6.5	9.4
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>5</b>	<b>7</b>	<b>9</b>	<b>13</b>
YoY gr. (%)	3.2	29.5	28.8	46.8
Margin (%)	3.9	5.1	6.5	9.4
Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income</b>	<b>5</b>	<b>7</b>	<b>9</b>	<b>13</b>
Avg. Shares O/s (bn)	1	1	1	1
<b>EPS (Rs)</b>	<b>8.1</b>	<b>11.0</b>	<b>9.6</b>	<b>14.1</b>

Source: Company Data, PL Research

**Key Financial Metrics**

Y/e Mar	FY24	FY25E	FY26E	FY27E
<b>Per Share(Rs)</b>				
EPS	40.9	46.4	61.9	81.2
CEPS	61.4	67.9	83.6	102.9
BVPS	314.9	313.0	319.6	328.2
FCF	63.0	62.9	75.5	83.8
DPS	39.8	48.7	55.7	73.0
<b>Return Ratio(%)</b>				
RoCE	10.7	12.3	16.6	21.7
ROIC	9.3	10.5	13.9	18.0
RoE	12.7	14.8	19.6	25.1
<b>Balance Sheet</b>				
Net Debt : Equity (x)	(0.2)	(0.3)	(0.3)	(0.3)
Net Working Capital (Days)	33	34	35	36
<b>Valuation(x)</b>				
PER	41.3	36.3	27.3	20.8
P/B	5.4	5.4	5.3	5.1
P/CEPS	27.5	24.9	20.2	16.4
EV/EBITDA	24.9	21.0	16.3	12.8
EV/Sales	2.8	2.7	2.5	2.3
Dividend Yield (%)	2.4	2.9	3.3	4.3

Source: Company Data, PL Research

**Key Operating Metrics**

Y/e Mar	FY24	FY25E	FY26E	FY27E
Revenue (USD mn)	6,277	6,360	6,727	7,323

Source: Company Data, PL Research



Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	03-Oct-24	Accumulate	1,720	1,625
2	26-Jul-24	Reduce	1,340	1,530
3	02-Jul-24	Reduce	1,230	1,472
4	26-Apr-24	Hold	1,135	1,190

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Cyient	Accumulate	2,120	1,914
2	HCL Technologies	BUY	2,130	1,856
3	Infosys	BUY	2,260	1,968
4	LTIMindtree	BUY	7,360	6,394
5	Mphasis	Hold	3,050	3,080
6	Persistent Systems	Accumulate	5,770	5,488
7	Tata Consultancy Services	BUY	4,920	4,227
8	Tech Mahindra	Accumulate	1,720	1,625
9	Wipro	Accumulate	580	529

PL's Recommendation Nomenclature (Absolute Performance)

<b>Buy</b>	: > 15%
<b>Accumulate</b>	: 5% to 15%
<b>Hold</b>	: +5% to -5%
<b>Reduce</b>	: -5% to -15%
<b>Sell</b>	: < -15%
<b>Not Rated (NR)</b>	: No specific call on the stock
<b>Under Review (UR)</b>	: Rating likely to change shortly

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