

**Deal wins to ensure better FY25, commentary remains cautious.**

- TCS reported CC revenue growth of 1.2% QoQ, (below DE of 1.4%), driven by ramp-up of BSNL deal. Adj. OPM up 100bps QoQ at 26% (DE: 25.5%), driven by i) sub-con optimization & productivity benefit (+190bps) partially offset by third-party & travel cost (-90bps).
- TTM TCV stood at \$42.7bn (up 25% YoY) led by mega deal of Aviva. TCS expects FY25E growth to be better than FY24 led by strong execution while continues to exercise caution due to paused discretionary spends and muted overall spends expectation.
- We tweak our FY25/FY26E EPS estimates by +1.8%/+0.5% assuming weak growth impact would get offset by improved cost optimization measures and maintain 'REDUCE' rating with TP of Rs 3,920 valuing at 26x on FY26E EPS (implies ~3x on PEG basis).

**Record TCV wins; witnessing some pent-up buildup in BFS**

TCV for Q3 stood at \$13.2Bn up 32% YoY, with book-to-bill ratio expanding to 1.47x. TCV for N.America/BFSI/Retail stood at \$5.7bn (14% YoY), \$4.1bn (32% YoY) and \$1.6bn (23% YoY) respectively. TCS remains hopeful of potential gains from pent-up demand in BFS that may fructify as client confidence improves. However, discretionary spends remained muted as customers prioritize cost optimization deals & maintain stagnant budgets for CY24. Also, uncertainty surrounding the direction in emerging AI field is delaying momentum.

**Caution prevails in North America; UK maintains strong momentum.**

UK continues to drive growth traction (up 6.2% YoY CC) along with emerging markets such as India (+37.9%), MEA (+10.7%), LATAM (9.8%) and APAC (+5.2%). While Continental Europe (-2%) & NA (-2.3%) dragged overall growth due to continued macro uncertainty (both markets accounts 2/3<sup>rd</sup> of total revenues).

**Cost Optimization drive continues as growth moderates.**

Management continues to optimize cost & witnessed another quarter of headcount reduction (down 2.2% YoY) & sub-con reduction (down 170bps QoQ). This sustained effort to streamline costs has led to OPM gains in last three quarters (Q2 +110bps, Q3 +70bps & Q4 +100bps). It expects pricing & pyramid restructuring will help operate in the 26-28% EBITDA margin aspirational band.

**Q4FY24 Result (Rs Mn)**

Particulars	Q4FY24	Q4FY23	YoY (%)	Q3FY24	QoQ (%)
Revenue	612,370	591,620	3.5	605,830	1.1
Total Expense	440,730	433,890	1.6	451,530	(2.4)
EBITDA	171,640	157,730	8.8	154,300	11.2
Depreciation	12,460	12,850	(3.0)	12,330	1.1
EBIT	159,180	144,880	9.9	141,970	12.1
Other Income	11,570	11,750	(1.5)	8,620	34.2
Interest	2,260	2,720	(16.9)	2,300	(1.7)
EBT	168,490	153,910	9.5	148,290	13.6
Tax	43,470	39,550	9.9	37,320	16.5
RPAT	124,340	113,920	9.1	110,580	12.4
APAT	124,340	113,920	9.1	110,580	12.4
			(bps)		(bps)
Gross Margin (%)	42.7	41.8	90	42.4	35
EBITDA Margin (%)	28.0	26.7	137	25.5	256
NPM (%)	20.3	19.3	105	18.3	205
Tax Rate (%)	25.8	25.7	10	25.2	63
EBIT Margin (%)	26.0	24.5	151	23.4	256

CMP	Rs 4,001
Target / Downside	Rs 3,920 / 2%
NIFTY	22,519

**Scrip Details**

Equity / FV	Rs 3,620mn / Rs 1
Market Cap	Rs 14,476bn
	USD 174.7bn
52-week High/Low	Rs 4,255/ 3,070
Avg. Volume (no)	2,469,980
Bloom Code	TCS IN

Price Performance	1M	3M	12M
Absolute (%)	(5)	3	23
Rel to NIFTY (%)	(7)	3	3

**Shareholding Pattern**

	Sep'23	Dec'23	Mar'24
Promoters	72.3	72.4	72.4
MF/Banks/FIs	10.1	10.1	10.1
FIIIs	12.5	12.5	12.5
Public / Others	5.2	5.0	5.0

**Valuation (x)**

	FY24A	FY25E	FY26E
P/E	31.8	28.7	26.5
EV/EBITDA	22.2	20.1	18.7
ROE (%)	50.8	54.8	56.9
RoACE (%)	52.8	56.9	58.9

**Estimates (Rs bn)**

	FY24A	FY25E	FY26E
Revenue	2,408.9	2,562.4	2,767.0
EBITDA	633.4	696.7	750.9
PAT	459.1	505.2	546.1
EPS (Rs.)	125.9	139.6	150.9

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### Exhibit 1: Quarterly performance versus estimates

Particulars (Rs mn)	Estimates		% Variation		Comment
	Actual	Dolat Consensus	Dolat Consensus		
USD Revenue	7,363	7,390 7,405	(0.4) (0.6)		Revenue miss due to muted deal conversion
INR Revenue	6,12,370	6,14,127 6,15,027	(0.3) (0.4)		
EBIT	1,59,180	1,56,602 1,54,987	1.6 2.7		Adj. OPM beat led by headcount reduction and sub con optimization
EBIT Margin (%)	26.0	25.5 25.2	50 bps 80 bps		
PAT	1,24,340	1,22,593 1,19,930	1.4 3.7		PAT beat expanded on higher OI

Source: Company, DART

### Change in estimates

Accounting for Q4 performance and uncertainty in major markets for discretionary spend, we have curtailed our growth estimates by 1.9%/1.9% for FY25E/FY26E respectively. Factoring improved productivity gains led by strong cost management focus, we have changed our OPM estimates by +56bps/+34bps for FY25E/FY26E. Overall, earnings estimates have changed by +1.8%/+0.5% for FY25E/FY26E.

### Exhibit 1: Change in Estimates

Particulars (Rs. mn)	FY23A	FY24A	FY25E			FY26E		
	Actual	Actual	Old	New	Chg.(%)	Old	New	Chg.(%)
USD Revenue	27,927	29,080	31,175	30,596	(1.9)	33,369	32,745	(1.9)
YoY growth,	8.6	4.1	6.9	5.2	(171 bps)	7.0	7.0	(1 bps)
INR Revenue	22,54,580	24,08,930	26,03,124	25,62,375	(1.6)	28,19,650	27,66,970	(1.9)
YoY growth,	17.6	6.8	7.8	6.4	(139 bps)	8.3	8.0	(33 bps)
EBIT	5,42,370	5,83,530	6,39,882	6,44,183	0.7	7,01,892	6,98,324	(0.5)
EBIT Margin,	24.1	24.2	24.6	25.1	56 bps	24.9	25.2	34 bps
Net Profit	4,21,470	4,59,080	4,96,275	5,05,178	1.8	5,43,504	5,46,078	0.5
EPS (Rs)	115.2	125.9	137.1	139.6	1.8	150.2	150.9	0.5

Source: DART, Company

### What to expect next Quarter

We expect revenue growth of 1.6% QoQ in CC terms, led by ramp-up of strong deal wins in last few quarters. OPM is expected to contract by 130bps QoQ on a reported basis, as it may witness certain headwinds from 1) wage hike, 2) travel costs and 3) high onsite costs.

### Exhibit 2: What to expect next quarter

Particulars (Rs Mn)	Q1FY25E	Q4FY24	Q1FY24	QoQ (%)	YoY (%)
USD Revenue	7,481	7,363	7,226	1.6	3.5
INR Revenue	6,26,518	6,12,370	5,93,810	2.3	5.5
EBIT	1,54,692	1,59,180	1,37,550	(2.8)	12.5
PAT	1,21,527	1,24,340	1,10,740	(2.3)	9.7
EPS (Rs.)	33.6	34.4	30.3	(2.3)	11.0
EBIT Margin (%)	24.7	26.0	23.2	(130 bps)	153 bps

Source: DART, Company

### Valuation

We believe TCS and other Tier-I IT companies are likely to experience a few more quarters of subdued growth before any noticeable acceleration in growth occurs and thus, we do not see significant room for upside and currently value TCS at 26x on FY26E earnings of Rs. 151 with TP of Rs. 3,920 and maintain **REDUCE** rating on the stock.

**Exhibit 3: Key Assumptions in our estimates**

Metrics	FY22A	FY23A	FY24A	FY25E	FY26E
USD Revenue growth (%)	15.9	8.6	4.1	5.2	7.0
CC Revenue growth (%)	15.4	13.7	3.4	5.3	7.0
USD/INR	74.6	80.7	82.8	83.8	84.5
INR growth	16.8	17.6	6.8	6.4	8.0
EBIT Margins	25.3	24.1	24.2	25.1	25.2
EPS growth (%)	18.3	11.2	9.3	10.9	8.1

Source: Company, DART

**Exhibit 4: Key Revenue Growth Matrix**

YoY Growth	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24
CC Growth	14.3	15.5	15.4	13.5	10.7	7.0	2.8	1.7	2.2
USD Growth	11.8	10.2	8.6	8.4	7.5	6.6	4.8	2.9	2.3
INR Growth	15.8	16.2	18.0	19.1	16.9	12.6	7.9	4.0	3.5

Source: DART, Company

**Exhibit 5: Quarterly and YTD Trend**

Rs mn	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	YoY (%)	QoQ (%)	FY23	FY24	YoY (%)
USD Revenue	7,195	7,226	7,210	7,281	7,363	2.3	1.1	27,927	29,080	4.1
INR Revenue	5,91,620	5,93,810	5,96,920	6,05,830	6,12,370	3.5	1.1	22,54,580	24,08,930	6.8
Operating Expense	4,33,890	4,43,830	4,39,470	4,51,530	4,40,730	1.6	(2.4)	16,61,980	17,75,560	6.8
Cost of revenues	3,44,270	3,49,730	3,47,980	3,49,200	3,50,840	1.9	0.5	13,24,480	13,97,750	5.5
as % of sales	58.2	58.9	58.3	57.6	57.3	(90 bps)	(35 bps)	58.7	58.0	(72 bps)
SG&A expenses	89,620	94,100	91,490	1,02,330	89,890	0.3	(12.2)	3,37,500	3,77,810	11.9
as % of sales	15.1	15.8	15.3	16.9	14.7	(47 bps)	(221 bps)	15.0	15.7	71 bps
EBITDA	1,57,730	1,49,980	1,57,450	1,54,300	1,71,640	8.8	11.2	5,92,600	6,33,370	6.9
Depreciation	12,850	12,430	12,620	12,330	12,460	(3.0)	1.1	50,230	49,840	(0.8)
EBIT	1,44,880	1,37,550	1,44,830	1,41,970	1,59,180	9.9	12.1	5,42,370	5,83,530	7.6
Other Income	11,750	13,970	10,136	8,620	11,570	(1.5)	34.2	34,490	44,220	28.2
Finance Cost	(2,720)	(1,630)	(1,666)	(2,300)	(2,260)	(16.9)	(1.7)	(7,790)	(7,780)	(0.1)
PBT	1,53,910	1,49,890	1,53,300	1,48,290	1,68,490	9.5	13.6	5,69,070	6,19,970	8.9
Tax	39,550	38,690	39,500	37,320	43,470	9.9	16.5	1,46,040	1,58,980	8.9
PAT	1,14,360	1,11,200	1,13,800	1,10,970	1,25,020	9.3	12.7	4,23,030	4,60,990	9.0
MI	440	460	380	390	680	54.5	74.4	1,560	1,910	22.4
PAT after MI	1,13,920	1,10,740	1,13,420	1,10,580	1,24,340	9.1	12.4	4,21,470	4,59,080	8.9
Reported EPS	31.1	30.3	31.0	30.3	34.4	10.4	13.5	115.2	125.9	9.3
<b>Margins (%)</b>						(bps)	(bps)			(bps)
EBIDTA	26.7	25.3	26.4	25.5	28.0	137 bps	256 bps	26.3	26.3	1 bps
EBIT	24.5	23.2	24.3	23.4	26.0	151 bps	256 bps	24.1	24.2	17 bps
EBT	26.0	25.2	25.7	24.5	27.5	150 bps	304 bps	25.2	25.7	50 bps
PAT	19.3	18.6	19.0	18.3	20.3	105 bps	205 bps	18.7	19.1	36 bps
Effective Tax rate	25.7	25.8	25.8	25.2	25.8	10 bps	63 bps	25.7	25.6	(2 bps)

Source: DART, Company

## Earning Call KTAs

- **Revenue:** Revenue grew 1.2% QoQ in CC terms (2.2% YoY) and 1.1% QoQ in USD terms, led by ramp-up of earlier deal wins including network-equipment heavy BSNL deal.
- **Deal Wins:** TCS reported highest evert TCV in Q4FY24 which stood at \$13.2Bn (up 32% YoY), while TTM TCV stood \$42.7Bn, up 25% YoY which includes one mega deal win. The TCV in BFSI, Retail and N. America stood at \$4.1Bn, \$1.6Bn and \$5.7Bn which were up by 32%/23%/14% YoY indicating broad based growth. The BSNL deal scope work primarily involves installation of 100,000 towers, with 10,000 towers already completed. The next phase will focus on upgrading these towers to 5G capabilities, in addition to regular maintenance. TCS expects huge follow up opportunities from the deal.
- **Geography:** Among major markets, UK experienced growth rate of 6.2% YoY in CC. In contrast, North America saw a decline of 2.3%. Continental Europe declined in this quarter by 2% YoY due to macro-economic factors. Turning to emerging markets, India showcased robust growth at 38% YoY, followed by Middle East & Africa and Latin America, which grew by at 10.7% and 9.8% YoY. Additionally, Asia Pacific too displayed growth at 5.2% YoY.
- **Vertical:** Manufacturing vertical played a significant role in driving growth with a substantial 9.7% YoY growth and this momentum is expected to continue, as the company is witnessing strong demand. Energy and utilities followed suit with a solid 7.3% YoY growth, while Life Sciences and Healthcare demonstrated growth at 1.7%. In contrast, BFSI continued to decline, down 3.2% YoY. Consumer Business Group (CBG)/CMT/Hitech saw a decline of 0.3%/5.5%/5.6% respectively. TCS witnessed positive indicators in Consumer business, with growth observed in hyper-personalization, customer experience enhancement, and ERP modernization and also highlighted that margin preservation is prioritized across all geographies, with expected rise in subcontractor expenses.
- **Operating Margin:** Adj. OPM stood at 26% (highest since 3 years), up 100bps on QoQ basis attributed to improved productivity, reducing sub con costs and better utilization (+190bps tailwind) partially offset by headwind of 90bps due to higher third party cost. Subcontractor expenses are currently minimized and will be addressed through business associates to align with demand. Margin optimization entails pyramid restructuring, productivity enhancement, utilization improvement, and pricing adjustments. Preservation of margin is prioritized across all geographical regions despite expected increases in subcontractor expenses. TCS will provide increments of 7-8% for its offsite employees and 2-4% for its onsite employees (effective Q1FY25).
- **Attrition and Talent:** Reported attrition (LTM) normalized to 12.5%, down sequentially, from Q3'FY24 level of 13.3%. Q4FY24 saw net headcount reduction of 1.8k QoQ, totaling to 601K employees (down 2.2% on YoY basis). TCS expects freshers' addition through campus hiring in Q1 and retained fresher hiring outlook of 40K for FY25. Attrition is expected to decline further by 30-50bps in the near term. Company does not share utilization data per se, however, 2% headcount cut with 3.4% growth in revenue and significant decline in sub-con expenses indicates that it has already stretched on people level.
- **Gen AI:** GenAI pipeline doubled in this quarter to \$900mn. TCS has an extensive workforce trained in AI, with ongoing advancements evident in AI projects, including various GenAI initiatives, transitioning into production. Concurrently, businesses are undergoing own transformations to incorporate AI into their operations.
- **Outlook:** Customer spending priorities have shifted towards cost reduction initiatives, with ongoing emphasis on securing deals that facilitate savings, while discretionary spending continues to remain muted. Overall, management remains optimistic for medium to long-term growth. TCS maintains 26-28% EBITDA margin aspiration band, going forward.
- **Dividend:** The company declared its final dividend at Rs. 28 per share maintaining its legacy of paying out 80-100% of FCFF.

### Exhibit 6: Vertical Trend for Q4FY24

Vertical	Amount (\$ mn)	US \$ QoQ (%)	YoY (%) (CC)	Incremental Revenue (\$ mn)	% Contribution of Incremental Revenue
BFSI	2,305	(0.1)	(3.2)	(3)	(4)
Communication & Media	486	(0.4)	(5.5)	(2)	(2)
Retail & CPG	1,156	1.1	(0.3)	13	16
Manufacturing	648	3.5	9.7	22	27
Technology & Services	604	(1.3)	(5.6)	(8)	(10)
Life Sciences and Healthcare	803	1.1	1.7	9	11
Energy and Utilities	412	(0.6)	7.3	(3)	(3)
Regional Markets & Others	950	6.1	26.0	54	66
<b>Total</b>	<b>7,363</b>	<b>1.1</b>	<b>2.2</b>	<b>82</b>	<b>100</b>

Source: DART, Company

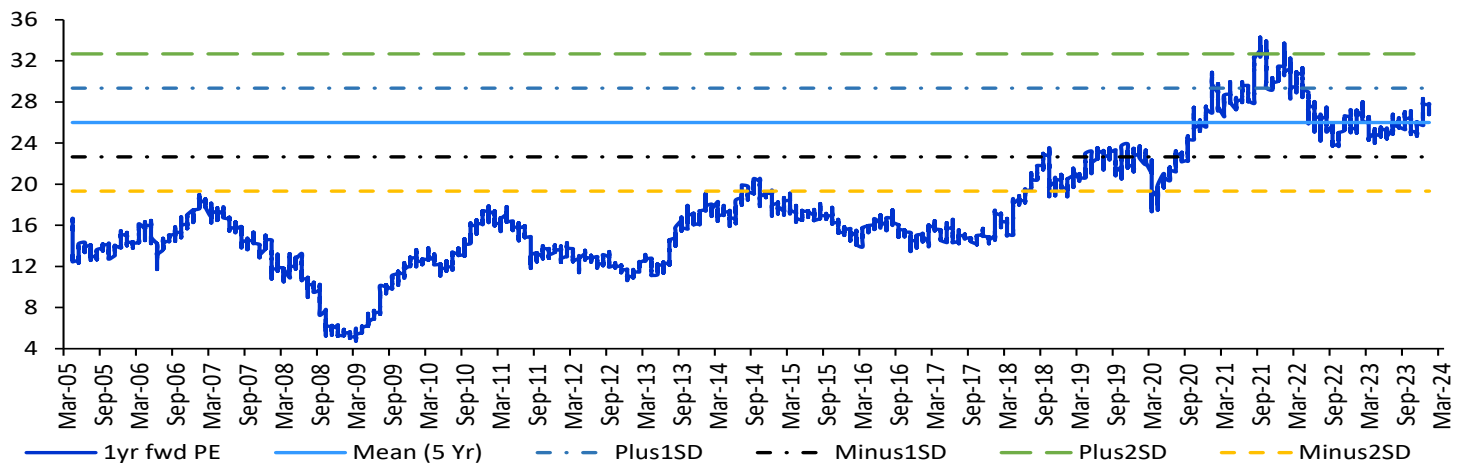
### Exhibit 7: Geography Trend for Q4FY24

Geography	Revenue (\$ mn)	US \$ QoQ (%)	YoY (%) (CC)	Incremental Revenue (\$ mn)	% Contribution of Incremental Revenue
North America	3,682	(0.1)	(2.3)	(3)	(3)
Latin America	147	(3.7)	9.8	(6)	(7)
UK	1,237	3.6	6.2	43	52
Continental Europe	1,075	(1.6)	(2.0)	(17)	(21)
India	493	11.1	37.9	49	60
Asia Pacific	574	1.1	5.2	6	8
MEA	155	6.2	10.7	9	11
<b>Total</b>	<b>7,363</b>	<b>1.1</b>	<b>2.2</b>	<b>82</b>	<b>100</b>

Source: DART, Company

## PER Band Chart

### Exhibit 8: TCS is trading at PER of ~28.6x on 12m forward basis, nearly 8% premium to its 5-year mean

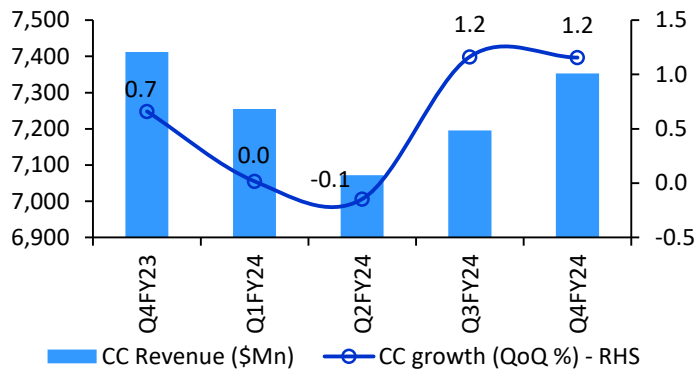


Source: DART



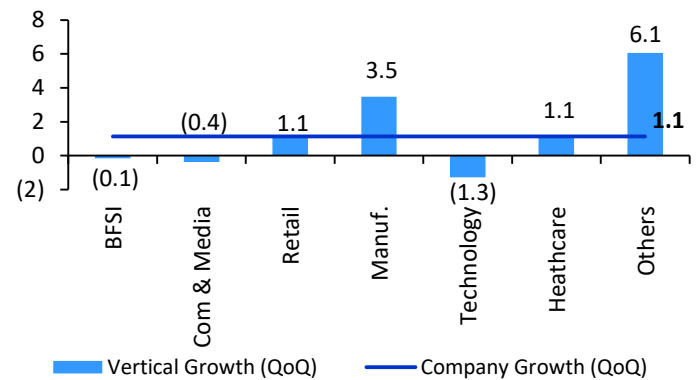
## Story in charts

**Exhibit 9: CC Revenue growth stood at 1.2% QoQ**



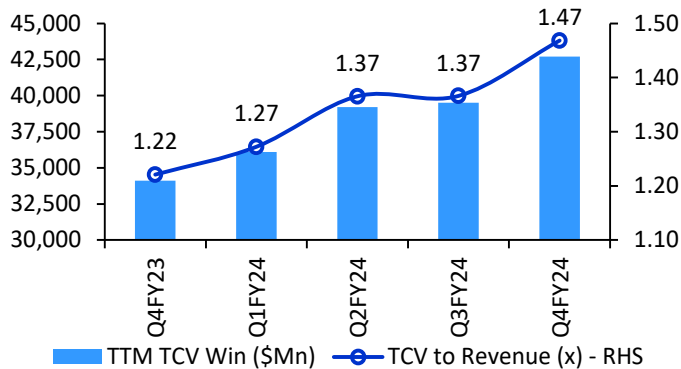
Source: Company, DART

**Exhibit 10: Manufacturing & Regional led growth**



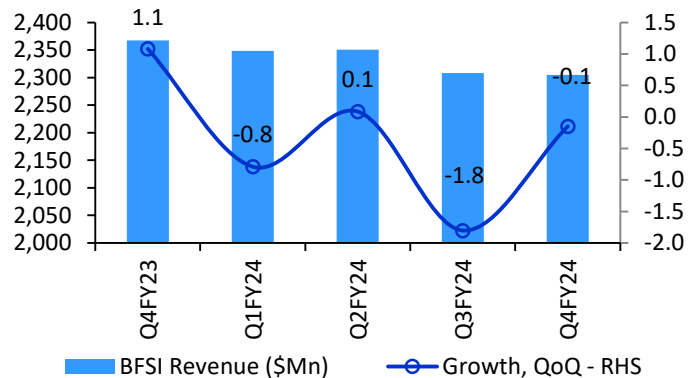
Source: Company, DART

**Exhibit 11: TTM TCV of \$42.7Bn (\$13.2Bn Add in Q4)**



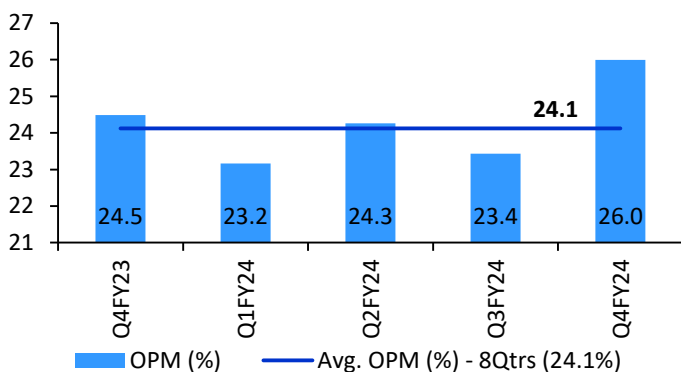
Source: Company, DART

**Exhibit 12: BFSI Rev remained flat in USD Terms**



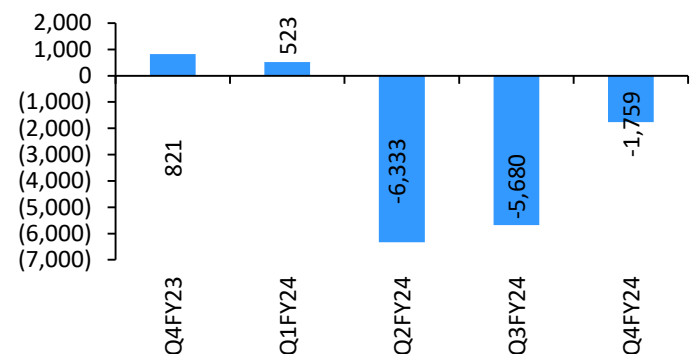
Source: Company, DART

**Exhibit 13: Adj. OPM up 100bps QoQ.**



Source: Company, DART

**Exhibit 14: Headcount declined by 1.8k employees in Q4.**



Source: Company, DART

**Exhibit 15: Operating Metrics 1**

Operating Metrics	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24
CC growth (%) (QoQ)	3.2	3.5	3.9	2.3	0.7	0.0	(0.2)	1.2	1.2
CC growth (%) (YoY)	14.3	15.5	15.4	13.5	10.7	7.0	2.8	1.7	2.2
<b>Vertical Amount (\$ mn)</b>									
BFSI	2,136	2,176	2,311	2,342	2,367	2,348	2,350	2,308	2,305
Communication & Media	449	461	502	509	511	506	497	488	486
Retail & CPG	1,031	1,078	1,107	1,132	1,151	1,163	1,146	1,143	1,156
Manufacturing	670	671	564	580	590	600	613	626	648
Technology & Services	583	597	626	637	640	629	620	612	604
Life Sciences and Healthcare	670	685	736	764	784	795	786	794	803
Energy and Utilities	NA	NA	344	368	389	397	404	415	412
Regional Markets & Others	1,158	1,112	688	743	763	788	793	896	950
<b>Vertical Growth (YoY) (CC)</b>									
BFSI	12.9	13.9	13.1	11.1	9.1	3.0	(0.5)	(3.0)	(3.2)
Communication & Media	18.7	19.6	18.7	13.5	5.3	0.5	(2.1)	(4.9)	(5.5)
Retail & CPG	22.1	25.1	22.9	18.7	13.0	5.3	1.0	(0.3)	(0.3)
Manufacturing	19.0	16.4	14.5	12.5	9.1	9.4	5.8	7.0	9.7
Technology & Services	18.0	16.4	15.9	13.6	9.2	4.4	(2.2)	(5.0)	(5.6)
Life Sciences and Healthcare	16.4	11.9	14.5	14.4	12.3	10.1	5.0	3.1	1.7
Energy and Utilities	NA	NA	NA	NA	NA	NA	14.8	11.8	7.3
Regional Markets & Others	4.0	9.8	13.1	13.3	14.6	16.9	14.3	19.2	26.0
<b>Vertical EBIT Margin (%)</b>									
BFSI	26.8	25.5	25.9	26.4	25.9	24.1	25.7	26.3	27.7
Comms & Media & Technology	29.5	26.8	27.9	28.7	29.8	27.9	28.6	28.5	25.9
Retail & CPG	27.0	25.1	25.1	26.1	26.3	25.0	25.4	26.3	27.5
Manufacturing	30.1	27.6	27.8	27.3	27.4	28.7	29.0	31.5	34.2
Life Sciences and Healthcare	29.6	28.3	28.2	27.8	27.8	26.8	27.7	28.6	30.6
Regional Markets & Others	19.8	15.9	22.5	23.3	22.1	20.0	22.5	22.3	24.1
<b>Geography Amount (\$ mn)</b>									
North America	3,455	3,607	3,734	3,799	3,770	3,758	3,728	3,684	3,682
Latin America	114	122	117	127	130	145	144	153	147
UK	1,045	1,010	997	1,054	1,130	1,185	1,190	1,194	1,237
Continental Europe	1,038	1,031	997	1,047	1,086	1,077	1,074	1,092	1,075
India	341	325	351	361	360	354	353	444	493
Asia Pacific	569	563	550	559	576	564	562	568	574
MEA	134	122	131	127	144	145	159	146	155
<b>Geography Growth (YoY) (CC)</b>									
North America	18.7	19.1	17.6	15.4	9.6	4.6	0.1	(3.0)	(2.3)
Latin America	20.6	21.6	19.0	14.6	15.1	13.5	13.1	13.2	9.8
UK	13.0	12.6	14.8	15.4	17.0	16.1	10.7	8.1	6.2
Continental Europe	10.1	12.1	14.1	9.7	8.4	3.4	1.3	0.5	(2.0)
India	7.0	6.2	16.7	9.1	13.4	14.0	3.9	23.4	37.9
Asia Pacific	5.5	6.2	7.0	9.5	7.5	4.7	4.1	3.9	5.2
MEA	7.3	3.2	8.2	8.6	11.3	15.2	15.9	16.0	10.7
<b>Client Data \$mn</b>									
>US\$1 million	1,182	1,196	1,210	1,217	1,241	1,268	1,272	1,288	1,294
>US\$5 million	638	650	650	658	665	677	688	693	693
>US\$10 million	439	446	455	456	461	468	483	480	487
>US\$20 million	268	272	283	290	291	296	292	299	301
>US\$50 million	120	124	124	130	133	137	137	137	139
>US\$100 million	58	59	59	59	60	60	61	61	62

Source: DART, Company

**Exhibit 16: Operating Metrics 2**

Operating Metrics	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24
<b>TCV Data (\$ mn)</b>									
TCV (\$ mn)	11,300	8,200	8,100	7,800	10,000	10,200	11,200	8,100	13,200
BFSI TCV (\$mn)	3,200	2,600	2,300	2,500	3,100	3,000	3,000	2,600	4,100
Retail TCV (\$mn)	2,600	1,200	1,600	1,200	1,300	1,200	1,400	1,500	1,600
Non BFSI and Retail TCV (\$mn)	5,500	4,400	4,200	4,100	5,600	6,000	6,800	4,000	7,500
North America TCV (\$mn)	6,100	4,500	4,300	4,200	5,000	5,200	4,500	4,200	5,700
Non - US TCV (\$mn)	5,200	3,700	3,800	3,600	5,000	5,000	6,700	3,900	7,500
TCV TTM basis (\$ mn)	34,600	34,700	35,200	35,400	34,100	36,100	39,200	39,500	42,700
Rev coverage (TTM basis)	1.35	1.32	1.31	1.29	1.22	1.27	1.37	1.37	1.47
<b>Employee Metrics</b>									
Total Employees	5,92,195	6,06,331	6,16,171	6,13,974	6,14,795	6,15,318	6,08,985	6,03,305	6,01,546
Net Additions	35,209	14,136	9,840	(2,197)	821	523	(6,333)	(5,680)	(1,759)
Attrition (IT Services) (LTM)	17.4	19.7	21.5	21.3	20.1	17.8	14.9	13.3	12.5

Source: DART, Company



## Financial Performance

### Profit and Loss Account

(Rs Mn)	FY23A	FY24A	FY25E	FY26E
<b>Revenue</b>	<b>2,254,580</b>	<b>2,408,930</b>	<b>2,562,375</b>	<b>2,766,970</b>
<b>Total Expense</b>	<b>1,661,980</b>	<b>1,775,560</b>	<b>1,865,681</b>	<b>2,016,074</b>
COGS	1,324,480	1,397,750	1,480,389	1,596,091
Employees Cost	0	0	0	0
Other expenses	337,500	377,810	385,292	419,983
<b>EBIDTA</b>	<b>592,600</b>	<b>633,370</b>	<b>696,694</b>	<b>750,896</b>
Depreciation	50,230	49,840	52,511	52,572
<b>EBIT</b>	<b>542,370</b>	<b>583,530</b>	<b>644,183</b>	<b>698,324</b>
Interest	7,790	7,780	8,793	8,361
Other Income	34,490	44,220	46,141	46,616
Exc. / E.O. items	0	0	0	0
<b>EBT</b>	<b>569,070</b>	<b>619,970</b>	<b>681,531</b>	<b>736,579</b>
Tax	146,040	158,980	175,153	189,301
RPAT	421,470	459,080	505,178	546,078
Minority Interest	1,560	1,910	1,200	1,200
<b>Profit/Loss share of associates</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>APAT</b>	<b>421,470</b>	<b>459,080</b>	<b>505,178</b>	<b>546,078</b>

### Balance Sheet

(Rs Mn)	FY23A	FY24A	FY25E	FY26E
<b>Sources of Funds</b>				
Equity Capital	3,660	3,620	3,620	3,620
Minority Interest	7,820	8,300	9,500	10,700
Reserves & Surplus	900,580	901,270	936,148	975,749
<b>Net Worth</b>	<b>904,240</b>	<b>904,890</b>	<b>939,768</b>	<b>979,369</b>
Total Debt	0	0	0	0
Net Deferred Tax Liability	(25,150)	(24,260)	(25,962)	(27,748)
<b>Total Capital Employed</b>	<b>886,910</b>	<b>888,930</b>	<b>923,306</b>	<b>962,321</b>

### Applications of Funds

Net Block	205,150	196,040	211,229	227,257
CWIP	12,340	15,640	15,140	14,640
Investments	41,750	45,510	46,410	47,610
<b>Current Assets, Loans &amp; Advances</b>	<b>1,144,200</b>	<b>1,173,270</b>	<b>1,235,956</b>	<b>1,307,144</b>
Inventories	280	280	280	280
Receivables	503,020	537,200	562,016	604,893
Cash and Bank Balances	71,230	90,160	123,334	146,756
Loans and Advances	14,980	4,930	5,028	5,128
Other Current Assets	185,720	225,890	230,488	235,276
<b>Less: Current Liabilities &amp; Provisions</b>	<b>516,530</b>	<b>541,530</b>	<b>585,429</b>	<b>634,330</b>
Payables	153,610	141,030	157,099	175,359
Other Current Liabilities	362,920	400,500	428,330	458,971
<i>sub total</i>				
Net Current Assets	627,670	631,740	650,527	672,814
<b>Total Assets</b>	<b>886,910</b>	<b>888,930</b>	<b>923,306</b>	<b>962,321</b>

E – Estimates

### Important Ratios

Particulars	FY23A	FY24A	FY25E	FY26E
<b>(A) Margins (%)</b>				
Gross Profit Margin	41.3	42.0	42.2	42.3
EBIDTA Margin	26.3	26.3	27.2	27.1
EBIT Margin	24.1	24.2	25.1	25.2
Tax rate	25.7	25.6	25.7	25.7
Net Profit Margin	18.7	19.1	19.7	19.7
<b>(B) As Percentage of Net Sales (%)</b>				
COGS	58.7	58.0	57.8	57.7
Employee	0.0	0.0	0.0	0.0
Other	15.0	15.7	15.0	15.2
<b>(C) Measure of Financial Status</b>				
Gross Debt / Equity	0.0	0.0	0.0	0.0
Interest Coverage	69.6	75.0	73.3	83.5
Inventory days	0	0	0	0
Debtors days	81	81	80	80
Average Cost of Debt				
Payable days	25	21	22	23
Working Capital days	102	96	93	89
FA T/O	11.0	12.3	12.1	12.2
<b>(D) Measures of Investment</b>				
AEPS (Rs)	115.2	125.9	139.6	150.9
CEPS (Rs)	128.9	139.6	154.2	165.5
DPS (Rs)	115.0	73.0	130.0	140.0
Dividend Payout (%)	99.8	58.0	93.1	92.7
BVPS (Rs)	249.9	250.1	259.8	270.7
RoANW (%)	46.9	50.8	54.8	56.9
RoACE (%)	49.1	52.8	56.9	58.9
RoAIC (%)	69.6	72.3	80.6	86.5
<b>(E) Valuation Ratios</b>				
CMP (Rs)	4001	4001	4001	4001
P/E	34.7	31.8	28.7	26.5
Mcap (Rs Mn)	14,475,824	14,475,824	14,475,824	14,475,824
MCap/ Sales	6.4	6.0	5.6	5.2
EV	14,035,624	14,070,854	14,037,681	14,014,258
EV/Sales	6.2	5.8	5.5	5.1
EV/EBITDA	23.7	22.2	20.1	18.7
P/BV	16.0	16.0	15.4	14.8
Dividend Yield (%)	2.9	1.8	3.2	3.5
<b>(F) Growth Rate (%)</b>				
Revenue	17.6	6.8	6.4	8.0
EBITDA	11.7	6.9	10.0	7.8
EBIT	11.9	7.6	10.4	8.4
PBT	10.1	8.9	9.9	8.1
APAT	10.0	8.9	10.0	8.1
EPS	11.2	9.3	10.9	8.1

E – Estimates

## Cash Flow

Particulars	FY23A	FY24A	FY25E	FY26E
<b>Profit before tax</b>	<b>423,030</b>	<b>460,990</b>	<b>505,178</b>	<b>546,078</b>
Depreciation & w.o.	50,220	49,850	52,511	52,572
Net Interest Exp	(27,080)	(33,560)	(37,348)	(38,255)
Direct taxes paid	16,380	34,090	0	0
Change in Working Capital	(42,170)	(68,820)	12,685	(651)
Non Cash	(730)	830	0	0
<b>(A) CF from Operating Activities</b>	<b>419,650</b>	<b>443,380</b>	<b>533,026</b>	<b>559,744</b>
Capex {(Inc.)/ Dec. in Fixed Assets n WIP}	(30,610)	(26,470)	(67,200)	(68,100)
<b>Free Cash Flow</b>	<b>389,040</b>	<b>416,910</b>	<b>465,826</b>	<b>491,644</b>
(Inc.)/ Dec. in Investments	70	56,570	(900)	(1,200)
Other	30,930	30,160	37,348	38,255
<b>(B) CF from Investing Activities</b>	<b>390</b>	<b>60,260</b>	<b>(30,752)</b>	<b>(31,045)</b>
Issue of Equity/ Preference	0	0	0	0
Inc./(Dec.) in Debt	(15,150)	(16,140)	0	0
Interest exp net	0	0	0	0
Dividend Paid (Incl. Tax)	(414,100)	(252,180)	(470,300)	(506,477)
Other	(49,530)	(217,040)	1,200	1,200
<b>(C) CF from Financing</b>	<b>(478,780)</b>	<b>(485,360)</b>	<b>(469,100)</b>	<b>(505,277)</b>
Net Change in Cash	(58,740)	18,280	33,174	23,423
<b>Opening Cash balances</b>	<b>124,880</b>	<b>71,230</b>	<b>90,160</b>	<b>123,334</b>
<b>Closing Cash balances</b>	<b>71,230</b>	<b>90,160</b>	<b>123,334</b>	<b>146,756</b>

E – Estimates

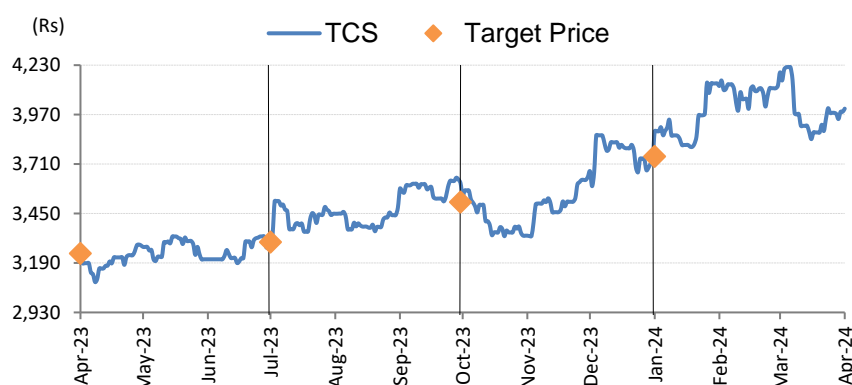
## Notes

## DART RATING MATRIX

Total Return Expectation (12 Months)

Buy	> 20%
Accumulate	10 to 20%
Reduce	0 to 10%
Sell	< 0%

## Rating and Target Price History



Month	Rating	TP (Rs.)	Price (Rs.)
Apr-23	Reduce	3,240	3,242
Jul-23	Reduce	3,300	3,260
Oct-23	Reduce	3,510	3,610
Jan-24	Reduce	3,750	3,883

\*Price as on recommendation date

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