

### Result a miss; FY26 guidance remains sector-leading

- HCLT reported revenue of \$3,498mn, down 0.8% in CC (DE: +0.2%) due to weak Software biz & base effect of deal completion in Retail CPG vertical. The IT/ER&D/Software biz. saw sequential movement of -0.3%/5.5%/-12.9% QoQ. OPM lowered by 148bps to 18%, due to software biz. seasonality (124bps), wage hike in Services (38bps), S&M investments (266bps) and forex benefit (46bps).
- The company expects CC growth of 2% to 5% for FY26 and OPM to remain stable at 18% to 19% (same as FY25), factoring in deteriorating demand at lower end and status quo at upper end, supported by deal wins (\$3bn), pipeline, and stable conversions.
- HCLT has acknowledged a weakened macro environment but is yet to take any hit and thus guides better. Factoring the outlook, we have lowered our FY26E/FY27E earnings by 3%/3.6%. Noting easing valuations, we revise our rating to 'Accumulate' with a TP of Rs. 1,760, at 24x of FY27E earnings.

### All-factoring in Guidance provides assurance

HCLT's FY26 guidance of 2-5% CC growth incorporates expectations of deterioration in the macro environment due to tariff-related disruption and de-globalization, including budget cuts and possible contract re-negotiation. At the upper end of guidance, HCLT assumes status quo in the present environment. Overall commentary suggests that HCLT will continue to deliver leading growth among Tier I for FY26E as well.

### Healthy Deal wins, Capability building continues

HCLT reported net new wins of \$2.9Bn, (up 41% QoQ, but down 5.4% YoY on TTM), including a mega deal in ER&D in Hi-Tech (SDV) space. While the pipeline remains at a near all-time high, discretionary spends are unlikely to revive in the near future. However, HCLT expects a possible pick-up in pockets of cost optimization/supply chain-related deals. Also, formation of new subsidiary for Public Services in US (targeting local, state and federal agencies), led by Chief Growth Officer indicates a strategic move to enhance capabilities and capitalize on growth opportunities from cost-efficiency drive in this vertical.

### ER&D and Software Business shine well

ER&D biz. saw 75% YoY growth in bookings in Q4 (no. not shared) reflecting strong success in joint ER&D and Services GTM strategy (e.g, Western Union deal will leverage services transformation as well as utilize HCLT's digital engineering capability). The guidance includes similar growth for Software biz., suggesting improved growth rate Vs 1.8% in FY25, with confidence led by improved analyst ratings and opportunity in EM.

#### Key Data

Nifty	24,167
Equity / FV	Rs 5,430mn / Rs 2
Market Cap	Rs 4,016bn
	USD 47.1bn
52-Week High/Low	Rs 2,012/ 1,235
Avg. Volume (no)	3,060,340
Bloom Code	HCLT IN

	Current	Previous
Rating	Accumulate	Reduce
Target Price	1,760	2,050

#### Change in Estimates

(Rs.bn)	Current FY26E	Current FY27E	Chg (%) /bps FY26E	Chg (%) /bps FY27E
Revenue	1,244	1,335	(2.8)	(3.4)
EBITDA	275	294	(3.1)	(3.9)
EBITDA (%)	22.1	22.0	(7)	(11)
APAT	183	199	(3.0)	(3.5)
EPS (Rs)	67.6	73.2	(3.0)	(3.6)

#### Valuation (x)

	FY25A	FY26E	FY27E
P/E	23.1	21.9	20.2
EV/EBITDA	15.5	14.4	13.4
ROE (%)	25.2	26.2	27.9
RoACE (%)	24.4	25.1	26.8

#### Q4FY25 Result (Rs Mn)

Particulars	Q4FY25	YoY (%)	QoQ (%)
Revenue	302,460	6.1	1.2
Total Expense	237,640	6.1	3.2
EBITDA	64,820	6.1	(5.5)
Depreciation	10,400	(4.8)	0.1
EBIT	54,420	8.4	(6.5)
Other Income	2,930	16.7	(5.8)
Interest	0		
EBT	57,350	8.8	(6.5)
Tax	14,260	11.9	(7.3)
RPAT	43,070	8.1	(6.2)
APAT	43,070	8.1	(6.2)
		(bps)	(bps)
Gross Margin	33.2	(25)	(100)
EBITDA (%)	21.4	(1)	(152)
NPM (%)	14.2	25	(112)
Tax Rate (%)	24.9	69	(22)
EBIT (%)	18.0	38	(148)

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**Exhibit 1: Quarterly performance versus estimates**

Particulars (Rs mn)	Actual	Estimates		% Variation		Comment
		Dolat	Consensus	Dolat	Consensus	
USD Revenue	3,498	3,534	3,505	(1.0)	(0.2)	Weaker than exp. Software biz. seasonality led miss
INR Revenue	302,460	302,162	303,310	0.1	(0.3)	
EBIT	54,420	56,202	54,899	(3.2)	(0.9)	Software seasonality & wage hike in Svcs led OPM miss
EBIT, margin	18.0	18.6	18.1	(60 bps)	(10 bps)	
PAT	43,070	44,351	42,767	(2.9)	0.7	Lower op. perf. led PAT miss

Source: Company, Dolat Capital

**Change in Estimates**

**For FY26E/FY27E-** Noting deterioration in the macro environment due to tariff related disruption and accounting for FY26 guidance, we lower our revenue estimates by 3.6%/4.8%. Margin levers to be limited due to modest top-line growth, and we lower OPM estimates by 13bps/12bps. Overall, earnings have been lowered by 3%/3.6%.

**Exhibit 2: Change in Estimates**

Particulars (Rs. mn)	FY24A	FY25A	FY26E			FY27E		
	Actual	Actual	Old	New	Chg.(%)	Old	New	Chg.(%)
USD Revenue	13,329	13,883	15,006	14,462	(3.6)	16,163	15,386	(4.8)
YoY growth,	5.8	4.2	7.6	4.2	(340 bps)	7.7	6.4	(132 bps)
INR Revenue	10,99,130	1,170,550	1,279,261	1,243,702	(2.8)	1,381,925	1,334,732	(3.4)
YoY growth,	8.3	6.5	9.1	6.2	(289 bps)	8.0	7.3	(71 bps)
EBIT	2,00,270	214,210	239,873	231,633	(3.4)	259,930	249,473	(4.0)
EBIT Margin,	18.2	18.3	18.8	18.6	(13 bps)	18.8	18.7	(12 bps)
Net Profit	1,57,020	173,910	189,096	183,493	(3.0)	206,012	198,753	(3.5)
EPS (Rs)	57.9	64.1	69.7	67.6	(3.0)	76.0	73.2	(3.6)

Source: Dolat Capital, Company

**What to expect next quarter**

While Q1 is witnessing a seasonal dip from productivity pass-through, we expect a lower impact compared to last year (and the absence of State Street JV impact). Noting management commentary of largely unaffected present deal timelines, we expect BAU execution and report 1.5% growth. Absence of wage hikes and efficiency measures to drive OPM improvement of 44bps QoQ.

**Exhibit 3: What to Expect Next Quarter**

Particulars	Q1FY26E	Q4FY25	Q1FY25	QoQ (%)	YoY (%)
USD Revenue	3,550	3,498	3,364	1.5	5.5
INR Revenue	305,330	302,460	280,570	0.9	8.8
EBIT	56,275	54,420	47,960	3.4	17.3
PAT	44,376	43,070	42,580	3.0	4.2
EPS (Rs. Abs)	16.4	15.9	15.7	3.0	4.2
EBIT Margin (%)	18.4	18.0	17.1	44 bps	134 bps

Source: Company, Dolat Capital

**Exhibit 4: Key Assumptions in our estimates**

Assumptions Table	FY23A	FY24A	FY25A	FY26E	FY27E
CC revenue growth (%)	13.7	5.0	4.7	4.3	6.2
USD revenue growth (%)	9.8	5.8	4.2	4.2	6.4
INR revenue growth (%)	18.5	8.3	6.5	6.2	7.3
EBIT margins (% of sales)	18.2	18.2	18.3	18.6	18.7
EPS growth (%)	10.1	5.6	10.8	5.5	8.3
USD/INR	80.5	82.5	84.3	86.0	86.8

Source: Company, Dolat Capital

**Exhibit 5: Key Revenue Matrix (YoY basis)**

YoY Growth	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25
CC Growth	10.5	6.3	3.4	4.3	6.0	5.6	6.2	4.1	2.9
USD Growth	8.1	5.3	4.6	5.3	6.0	5.1	6.8	3.5	2.0
INR Growth	17.7	12.1	8.0	6.5	7.1	6.7	8.2	5.1	6.1

Source: Company, Dolat Capital

**Exhibit 6: Quarterly and YTD Trend**

Particulars (mn)	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	YoY (%)	QoQ (%)	FY24	FY25	YoY (%)
USD Revenue	3,430	3,364	3,445	3,533	3,498	2.0	(1.0)	13,270	13,840	4.3
INR Revenue	2,84,990	2,80,570	2,88,620	298,900	302,460	6.1	1.2	1,099,130	1,170,550	6.5
Operating Exp.	2,23,880	2,22,630	2,24,930	230,300	237,640	6.1	3.2	857,130	915,500	6.8
Cost of revenues	1,89,620	1,87,710	1,91,840	196,610	201,990	6.5	2.7	721,250	778,150	7.9
as % of sales	66.5	66.9	66.5	65.8	66.8	25 bps	100 bps	65.6	66.5	86 bps
SG&A expenses	34,260	34,920	33,090	33,690	35,650	4.1	5.8	135,880	137,350	1.1
as % of sales	12.0	12.4	11.5	11.3	11.8	(23 bps)	52 bps	12.4	11.7	(63 bps)
EBITDA	61,110	57,940	63,690	68,600	64,820	6.1	(5.5)	242,000	255,050	5.4
Depreciation	10,930	9,980	10,070	10,390	10,400	(4.8)	0.1	41,730	40,840	(2.1)
EBIT	50,180	47,960	53,620	58,210	54,420	8.4	(6.5)	200,270	214,210	7.0
Other Income	2,510	9,120	3,250	3,110	2,930	16.7	(5.8)	9,400	18,410	95.9
PBT	52,690	57,080	56,870	61,320	57,350	8.8	(6.5)	209,670	232,620	10.9
Total Tax	12,740	14,480	14,500	15,380	14,260	11.9	(7.3)	52,570	58,620	11.5
PAT before MI	39,950	42,600	42,370	45,940	43,090	7.9	(6.2)	157,100	174,000	10.8
Minority Interest	90	20	20	30	20	NM	NM	80	90	12.5
PAT after MI	39,860	42,580	42,350	45,910	43,070	8.1	(6.2)	157,020	173,910	10.8
Reported EPS	14.7	15.7	15.6	16.9	15.9	8.0	(6.2)	57.9	64.1	10.8
<b>Margins (%)</b>						<b>(bps)</b>	<b>(bps)</b>			
EBIDTA	21.4	20.7	22.1	23.0	21.4	(1 bps)	(152 bps)	22.0	21.8	(23 bps)
EBIT	17.6	17.1	18.6	19.5	18.0	38 bps	(148 bps)	18.2	18.3	8 bps
EBT	18.5	20.3	19.7	20.5	19.0	47 bps	(155 bps)	19.1	19.9	80 bps
PAT	14.0	15.2	14.7	15.4	14.2	25 bps	(112 bps)	14.3	14.9	57 bps
ETR %	24.2	25.4	25.5	25.1	24.9	69 bps	(22 bps)	25.1	25.2	13 bps

Source: Company

### Earnings call KTAs

- **Revenue:** Revenue stood at \$3,498mn, down 0.8% QoQ in CC terms and down 1% in USD terms (F/X headwind of 0.2%).
- **Vertical-wise:** Decline was seen in 5 of 7 verticals, where BFSI grew 2.9% QoQ and Telco Media grew 11.9% QoQ (with latter growth led by HPE assets addition). Manufacturing, Hi-Tech, Retail CPG, Healthcare and Public Services declined by 3.6%/0.2%/9.4%/6.1%/4.3% QoQ, respectively. Among the key notable declines in Retail, CPG was due to the base effect post completion of a large deal.
- **IT & Services Business (73% of Rev):** Q4'FY25 IT Services Revenue declined 0.3% in CC terms, led by Retail, Life-Sciences and Manufacturing verticals. The segment's profitability was lowered by 27bps with OPM of 17%, primarily due to a wage hike for mid and senior management.
- **ER&D Services (17% of Rev):** ER&D Services grew by 5.5% QoQ in CC terms. Growth was led by the addition of HPE assets. While the number of bookings was not shared, management stated that bookings were up 75% YoY. Management is expecting improved client conversations around semiconductor, manufacturing PLM and platform modernization areas. Segment OPM declined by 95 bps QoQ to 17.9%.
- **HCL Software (10% of Rev):** Software Biz declined 12.9% QoQ in CC terms. ARR stood at \$1,032.8mn, up 1.8% YoY in CC terms. Noting HCLT's overall guidance is at 2-5% CC growth across business lines, the Software division too is expected to deliver better growth in FY26. Improved outlook is on the back of extensive focus on modernizing offerings, improving analyst/industry ratings, and better scope in emerging markets like India and Middle East. Products in marketing automation have been positioned as an industry-leading solution. Segment OPM lowered to 24.3% in Q4 from 34.5% in Q3. However, on a YoY basis, there was 34bps improvement, suggesting cost efficiency measures playing out.
- **Margin Commentary:** Overall OPM stood at 18%, down 148bps QoQ. Key margin movers were a) Seasonality impact of Software biz of 124bps, b) 38bps impact from 2<sup>nd</sup> cycle of wage hikes in Services biz., c) Forex tailwind of 46bps, and balance d) Investment in S&M of ~26bps.
- **Employees:** Headcount stood at 223k, an addition of ~2.6K employees. LTM attrition lowered to 13.0% (down 20bps QoQ). Management shared that for FY25, Revenue grew 4.7% QoQ, but headcount saw a decline of 4K employees (net of divestiture, which was positive), which reflected growing non-linearity due to the advent of AI based productivity and efficiency tools. Management aspires a 50:50 ratio of people and agentic AI-led resolution. Aiming for about 8000-12000 fresher additions for FY26.
- **Deal Wins:** HCL reported TCV of \$2,995mn (up 41% QoQ) while TTM basis stood at \$9.2bn (down 4.2% YoY). The pipeline continues to remain at a near all-time high with healthy conversions as of Q4.
- **Guidance:** For FY'26, HCLT guided revenue growth between 2-5% CC growth, noting for both, deteriorating environment due to trade war disruption for the lower band, as well as status quo at the higher end. Revenue guidance of 2-5% was also shared for IT Services. OPM guidance is 18-19%, which is the same as last year.
- **Dividend:** Announced dividend of Rs.18 in Q4FY25.

### Exhibit 7: HCL Software Revenue Breakup (\$ mn)

HCL Software Revenue	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25
Perpetual License & upfront	49.8	36.0	30.6	47.60	31.60	36.4	58.2	49.4	34.4
Subscription & Support	270.4	274.6	264.8	346.60	286.10	281.7	267.2	329.4	295.0
Professional Services	22	14.8	16.0	17.00	16.70	16.4	16.5	21.3	18.5
<b>Total Revenue</b>	<b>342.2</b>	<b>332.5</b>	<b>318.2</b>	<b>419.0</b>	<b>341.5</b>	<b>341.7</b>	<b>341.9</b>	<b>400.1</b>	<b>347.9</b>

Source: Company

### Exhibit 8: HCL Software ARR

HCL Software ARR	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25
ARR	1028.2	1038.3	1,032.5	1,062.8	1,024.3	1014.4	1,048.9	1,021.9	1,032.8
ARR growth YoY CC (%)	5.2	4.7	3.9	2.9	0.7	(0.3)	0.6	(0.6)	1.8%

Source: Company

### Exhibit 9: Vertical-wise Revenue Trend for Q4FY25

Vertical	Amount (\$ mn)	Mix (%)	QoQ (%)	YoY (%) (CC)	Incremental Revenue (\$ mn)	% Contribution of Incremental Revenue
Financial Services	738	21	2.9	(0.4)	21	(60)
Manufacturing	651	19	(3.6)	(7.0)	(24)	69
Technology and services	469	13	(0.2)	11.1	(1)	3
Retail & CPG	339	10	(9.4)	8.7	(35)	101
Telecom, Media, Publishing & Ent.	486	14	11.9	23.3	52	(148)
Lifesciences & Healthcare	514	15	(6.1)	(8.6)	(33)	95
Public Services	301	9	(4.3)	(0.3)	(14)	39
<b>Total</b>	<b>3,498</b>	<b>100</b>	<b>(1.0)</b>	<b>1.9</b>	<b>(35)</b>	<b>100</b>

Source: Company, Dolat Capital

### Exhibit 10: Geography Wise Revenue Trend for Q4FY25

Geography	Amount (\$ mn)	Mix (%)	QoQ (%)	YoY (%)	Incremental Revenue (\$ mn)	% Contribution of Incremental Revenue
Americas	2,235	64	(3.4)	0.1	(79)	225
Europe	1,021	29	2.5	4.3	25	(72)
ROW	241	7	8.4	23.2	19	(54)
<b>Total</b>	<b>3,498</b>	<b>100</b>	<b>(1.0)</b>	<b>2.9</b>	<b>(35)</b>	<b>100</b>

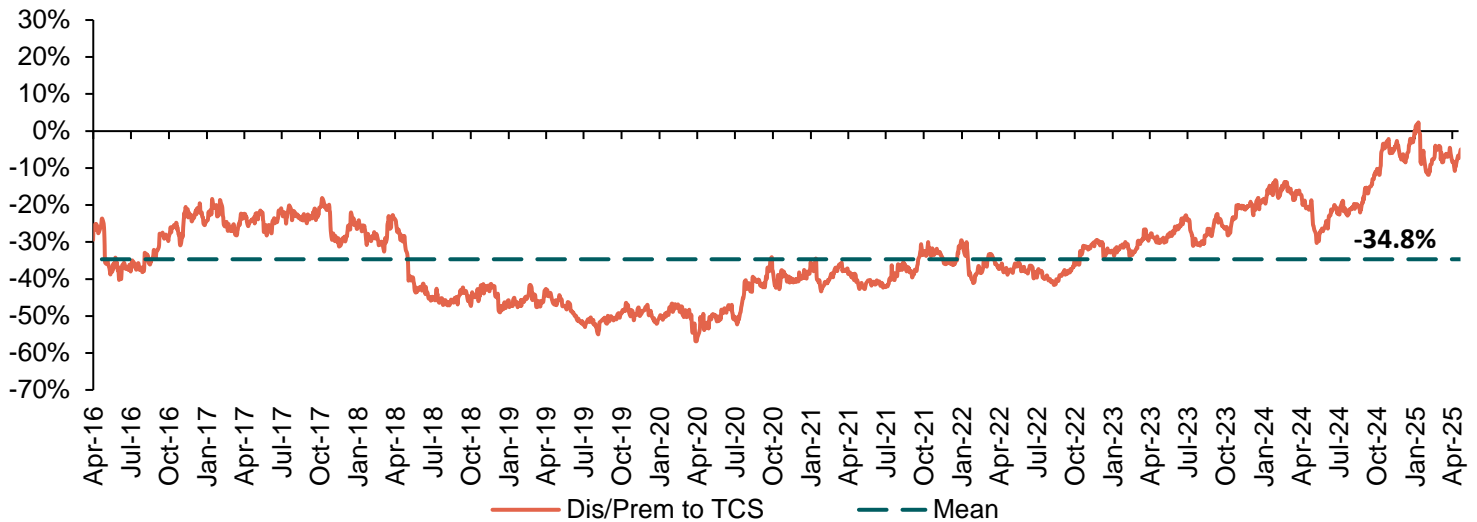
Source: Dolat Capital, Company

## Valuation

We believe that the macro landscape remains highly volatile (due to disruption across sectors & economies), leading to potential pauses in client spending and lack of revival in discretionary spends. HCLT guidance remains industry-leading, and management commentary suggests continued strong execution. Over the past 3 years, TCS/INFY/HCLT reported Revenue CAGR of 10%/10.2%/11% and Earnings CAGR of 8.2%/6.5%/8.8% respectively. Over the past 5 years, TCS/INFY/HCLT reported Revenue CAGR of 10.2%/12.4%/10.6% and Earnings CAGR of 8.5%/10%/9.5% respectively.

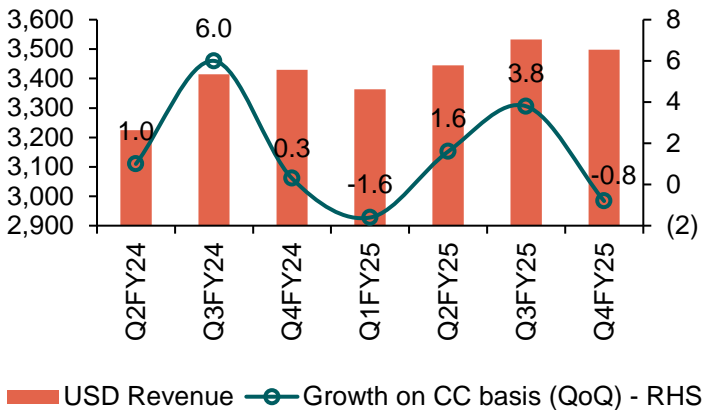
HCLT is well-positioned to be a leader in Tier-1 growth and thus should command a similar multiple as TCS/HCLT. We value the stock at 24x (at par with TCS Target multiple) on FY27E earnings of Rs. 73.3 with TP of Rs. 1,760 per share and consequently revise our rating to '**Accumulate**' (which implies ~3x on a PEG basis).



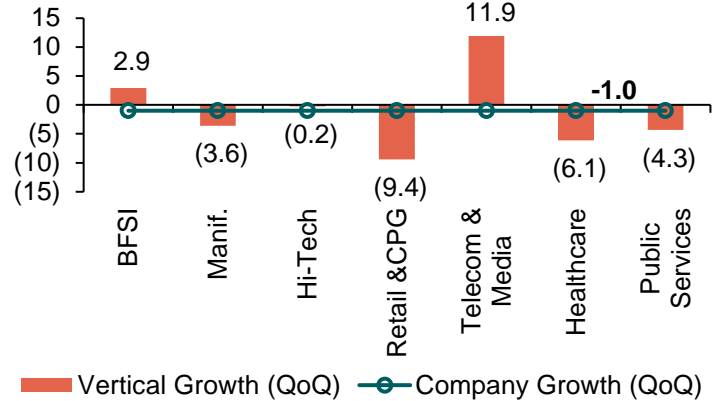
**Exhibit 11: HCLT trades at near 10% discount to TCS vs Historical Mean Discount of 35%**


Source: Dolat Capital

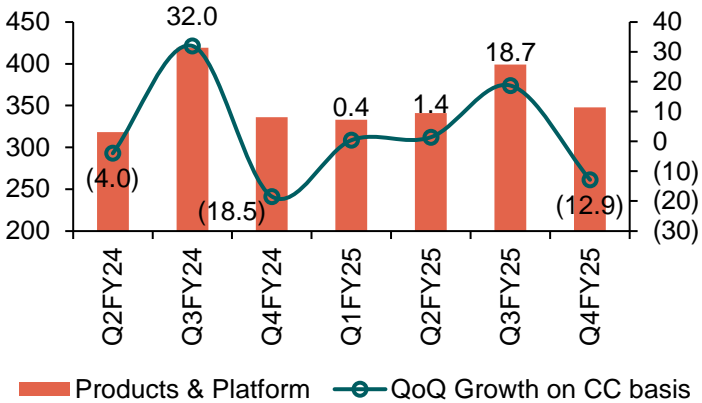
## Key Trends in Charts

**Exhibit 12: Weak biz rampup led decline of 0.8% CC**


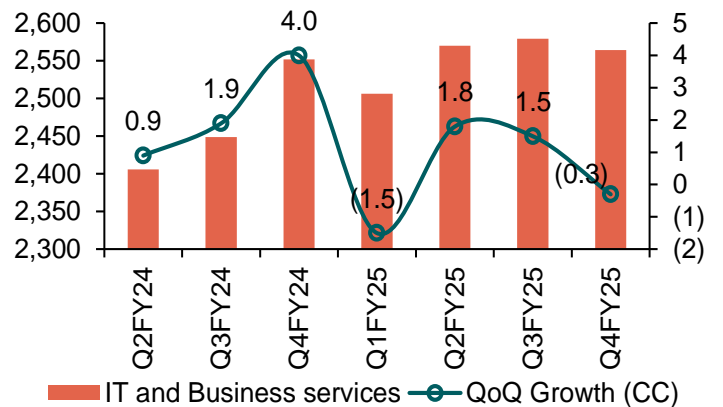
Source: Company, Dolat Capital

**Exhibit 13: Most seg. declined, except Telco Media**


Source: Company, Dolat Capital

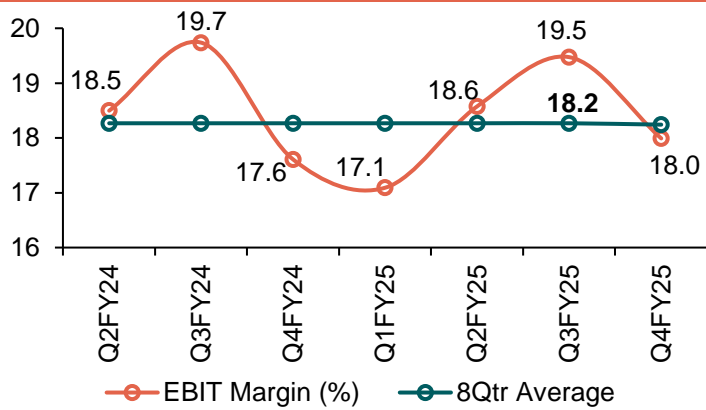
**Exhibit 14: HCL Soft Rev declined by 12.9% QoQ**


Source: Company, Dolat Capital

**Exhibit 15: IT Services declined by 0.3% QoQ in CC**


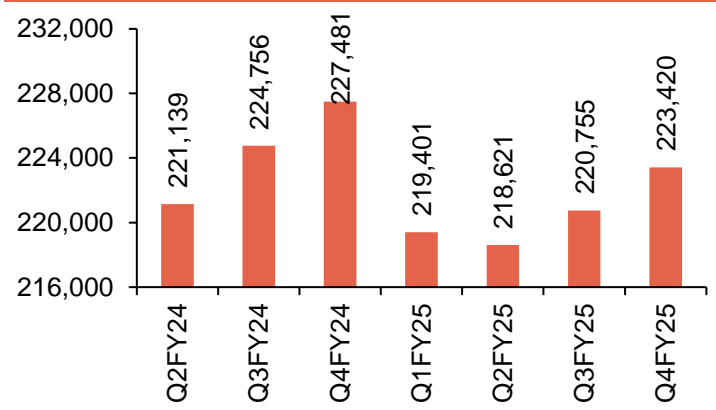
Source: Company, Dolat Capital

**Exhibit 16: EBIT Margin declined 148bps QoQ**



Source: Company, Dolat Capital

**Exhibit 17: HCLT added 2.6K employees in Q4**



Source: Company, Dolat Capital

## Exhibit 18: Operating Metrics 1

Operating Metrics	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25
<b>Segment Amount (\$ mn)</b>									
IT and Business services	2,387	2,385	2,409	2,449	2,552	2,506	2,570	2,579	2,564
Engineering & R&D services	521	494	518	560	552	535	544	565	598
Products & Platforms	330	333	319	420	342	342	341	399	348
<b>Segment Growth CC YoY (%)</b>									
IT and Business services	11.4	9.1	4.6	4.3	6.7	5.3	6.2	5.8	1.4
Engineering & R&D services	7.3	(1.8)	(2.0)	3.6	6.4	8.4	4.3	1.1	8.5
Products & Platforms	8.2	(0.1)	3.6	5.0	6.7	3.5	9.4	(2.1)	9.9
<b>Segment Growth CC QoQ (%)</b>									
IT and Business services	1.6	(0.1)	0.9	1.9	4.0	(1.5)	1.8	1.5	(0.3)
Engineering & R&D services	(3.8)	(5.2)	5.0	8.7	(1.6)	(3.5)	1.1	5.4	5.5
Products & Platforms	(14.6)	(3.1)	(4.0)	32.0	(18.5)	0.4	1.4	18.7	(12.9)
<b>Segmental OPM (%)</b>									
IT and Business services	17.1	16.1	18.1	17.1	16.6	16.6	16.9	17.2	17.0
Engineering & R&D services	18.8	16.8	19.2	21.1	19.5	19.5	19.3	18.9	17.9
Products & Platforms	23.0	22.9	19.4	32.9	20.9	20.5	25.6	34.5	24.3
<b>Vertical Amount (\$mn)</b>									
BFSI	686	723	729	741	741	706	706	717	738
Manufacturing	615	637	622	686	700	653	672	675	651
Technology	466	429	422	437	422	437	451	470	469
Retail & CPG	291	291	310	328	312	316	331	374	339
Teleco., Media & Entert.	285	243	258	331	394	410	417	435	486
Healthcare	566	560	564	560	563	535	551	548	514
Public Services	330	317	319	331	302	306	317	314	301
<b>Vertical Growth %YoY (CC)</b>									
BFSI	9.6	14.4	12.5	12.9	8.6	(1.3)	(4.5)	(1.4)	0.7
Manufacturing	11.8	16.5	3.3	5.8	14.3	3.5	7.1	N.M	(6.1)
Technology	11.8	13.4	(9.5)	(9.2)	(8.7)	2.7	5.6	7.6	10.8
Retail & CPG	1.6	(7.0)	8.1	11.7	9.4	9.7	9.6	17.2	9.5
Telco., Media & Ent.	7.6	6.8	(10.4)	8.3	39.2	69.2	61.2	33.1	24.3
Healthcare	17.9	3.2	9.8	0.5	(1.0)	(4.1)	(2.8)	(1.1)	(7.4)
Public Services	8.9	(11.7)	1.7	(0.6)	(7.0)	(3.7)	(2.0)	(4.6)	(0.5)
<b>Geography Amount (\$ mn)</b>									
Americas	2,064	2,064	2,080	2,203	2,236	2,220	2,243	2,314	2,235
Europe	935	918	919	990	991	939	978	996	1,021
ROW	236	218	226	222	202	205	224	223	241
<b>Geography Growth YoY (%) (CC)</b>									
Americas	10.0	7.3	3.9	6.7	9.2	8.0	7.5	6.2	0.1
Europe	14.6	10.5	3.9	1.7	5.7	3.0	4.2	2.6	4.3
RoW	1.4	(6.0)	(3.6)	(7.5)	(11.3)	(3.6)	(2.6)	2.9	23.2

Source: Company, Dolat Capital



## Exhibit 19: Operating Metrics 2

Operating Metrics	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25
<b>Client Amount (\$ mn)</b>									
Top 5 Clients	327	314	316	335	357	383	417	445	444
Top 6-10 Clients	246	237	239	270	288	276	276	272	262
Top 11-20 Clients	327	320	326	352	350	353	369	374	357
Non-Top 20 Clients	2,336	2,330	2,344	2,459	2,435	2,351	2,384	2,441	2,435
<b>Client Growth YoY(%)</b>									
Top 5 Clients	(5.9)	(7.8)	(4.2)	0.2	9.2	22.3	31.9	33.0	24.5
Top 6-10 Clients	0.2	(4.9)	(4.4)	5.3	17.2	16.5	15.5	0.8	(8.9)
Top 11-20 Clients	17.4	10.9	7.8	8.4	7.1	10.4	13.2	6.5	2.0
Non-Top 20 Clients	10.1	7.9	6.5	5.6	4.3	0.9	1.7	(0.7)	0.0
<b>Client Data</b>									
1mn \$ +	939	947	971	958	951	951	952	952	948
5mn \$ +	375	390	402	401	395	404	402	398	399
10mn \$ +	229	237	243	250	254	256	251	248	251
20mn \$ +	131	127	132	132	137	133	137	136	138
50mn \$ +	46	48	49	49	46	48	52	53	52
100mn \$ +	19	20	20	20	22	22	22	22	22
<b>Employee Data</b>									
Total Employees	225,944	223,438	221,139	224,756	227,481	219,401	218,621	220,755	223,420
Net Additions	3,674	(2,506)	(2,299)	3,617	2,725	(8,080)	(780)	2,134	2,665
Attrition (LTM) %	19.5	16.3	14.2	12.8	12.4	12.8	12.9	13.2	13.0
DSO	66	64	61	67	61	60	57	57	59

Source: Dolat Capital, Company

## Financial Performance

### Profit and Loss Account

(Rs Mn)	FY24A	FY25A	FY26E	FY27E
<b>Revenue</b>	<b>1,099,130</b>	<b>1,170,550</b>	<b>1,243,702</b>	<b>1,334,732</b>
<b>Total Expense</b>	<b>857,130</b>	<b>915,500</b>	<b>968,997</b>	<b>1,040,928</b>
COGS	721,250	778,150	823,821	884,134
Employees Cost	0	0	0	0
Other expenses	135,880	137,350	145,176	156,794
<b>EBIDTA</b>	<b>242,000</b>	<b>255,050</b>	<b>274,705</b>	<b>293,805</b>
Depreciation	41,730	40,840	43,073	44,332
<b>EBIT</b>	<b>200,270</b>	<b>214,210</b>	<b>231,633</b>	<b>249,473</b>
Interest	0	0	0	0
Other Income	9,400	18,410	14,007	16,596
Exc. / E.O. items	0	0	0	0
<b>EBT</b>	<b>209,670</b>	<b>232,620</b>	<b>245,639</b>	<b>266,068</b>
Tax	52,570	58,620	62,147	67,315
<b>Minority Interest</b>	<b>80</b>	<b>90</b>	<b>0</b>	<b>0</b>
Profit/Loss share of associates	0	0	0	0
RPAT	157,020	173,910	183,493	198,753
Adjustments	0	0	0	0
<b>APAT</b>	<b>157,020</b>	<b>173,910</b>	<b>183,493</b>	<b>198,753</b>

### Balance Sheet

(Rs Mn)	FY24A	FY25A	FY26E	FY27E
<b>Sources of Funds</b>				
Equity Capital	5,430	5,430	5,430	5,430
Minority Interest	80	180	180	180
Reserves & Surplus	677,200	691,120	700,947	715,180
<b>Net Worth</b>	<b>682,630</b>	<b>696,550</b>	<b>706,377</b>	<b>720,610</b>
Total Debt	23,270	22,910	22,885	22,860
Net Deferred Tax Liability	(2,600)	5,510	5,733	5,962
<b>Total Capital Employed</b>	<b>703,380</b>	<b>725,150</b>	<b>735,175</b>	<b>749,613</b>

### Applications of Funds

Net Block	<b>350,630</b>	<b>361,720</b>	<b>343,967</b>	<b>326,036</b>
CWIP	1,080	590	595	695
Investments	178,310	206,080	207,780	209,180
<b>Current Assets, Loans &amp; Advances</b>	<b>457,440</b>	<b>476,410</b>	<b>515,890</b>	<b>562,062</b>
Current Investments	0	0	0	0
Inventories	1,850	1,330	1,408	1,512
Receivables	194,830	195,230	221,481	241,349
Cash and Bank Balances	94,560	82,450	83,388	102,299
Loans and Advances	10,810	15,620	15,718	15,816
Other Current Assets	155,390	181,780	193,896	201,085
<b>Less: Current Liabilities &amp; Provisions</b>	<b>284,080</b>	<b>319,650</b>	<b>333,058</b>	<b>348,360</b>
Payables	25,700	30,160	31,922	34,292
Other Current Liabilities	258,380	289,490	301,136	314,068
<i>sub total</i>				
Net Current Assets	173,360	156,760	182,832	213,702
<b>Total Assets</b>	<b>703,380</b>	<b>725,150</b>	<b>735,175</b>	<b>749,613</b>

E – Estimates

### Important Ratios

Particulars	FY24A	FY25A	FY26E	FY27E
<b>(A) Margins (%)</b>				
Gross Profit Margin	34.4	33.5	33.8	33.8
EBIDTA Margin	22.0	21.8	22.1	22.0
EBIT Margin	18.2	18.3	18.6	18.7
Tax rate	25.1	25.2	25.3	25.3
Net Profit Margin	14.3	14.9	14.8	14.9
<b>(B) As Percentage of Net Sales (%)</b>				
COGS	65.6	66.5	66.2	66.2
Employee	0.0	0.0	0.0	0.0
Other	12.4	11.7	11.7	11.7
<b>(C) Measure of Financial Status</b>				
Gross Debt / Equity	0.0	0.0	0.0	0.0
Interest Coverage				
Inventory days	1	0	0	0
Debtors days	65	61	65	66
Average Cost of Debt	0.0	0.0	0.0	0.0
Payable days	9	9	9	9
Working Capital days	58	49	54	58
FA T/O	3.1	3.2	3.6	4.1
<b>(D) Measures of Investment</b>				
AEPS (Rs)	57.9	64.1	67.6	73.2
CEPS (Rs)	73.2	79.1	83.5	89.6
DPS (Rs)	46.0	60.0	64.0	68.0
Dividend Payout (%)	79.5	93.6	94.6	92.8
BVPS (Rs)	251.6	256.7	260.3	265.6
RoANW (%)	23.5	25.2	26.2	27.9
RoACE (%)	23.0	24.4	25.1	26.8
RoAIC (%)	33.8	34.2	35.8	38.4
<b>(E) Valuation Ratios</b>				
CMP (Rs)	1480	1480	1480	1480
Mcap (Rs Mn)	4,015,576	4,015,576	4,015,576	4,015,576
EV	3,944,286	3,956,036	3,955,073	3,936,137
MCap/ Sales	3.7	3.4	3.2	3.0
EV/Sales	3.6	3.4	3.2	2.9
P/E	25.6	23.1	21.9	20.2
EV/EBITDA	16.3	15.5	14.4	13.4
P/BV	5.9	5.8	5.7	5.6
Dividend Yield (%)	3.1	4.1	4.3	4.6
<b>(F) Growth Rate (%)</b>				
Revenue	8.3	6.5	6.2	7.3
EBITDA	6.9	5.4	7.7	7.0
EBIT	8.3	7.0	8.1	7.7
PBT	7.6	10.9	5.6	8.3
APAT	5.7	10.8	5.5	8.3
EPS	5.6	10.8	5.5	8.3

E – Estimates

## Cash Flow

Particulars	FY24A	FY25A	FY26E	FY27E
<b>Profit before tax</b>	<b>209,670</b>	<b>232,610</b>	<b>245,639</b>	<b>266,068</b>
Depreciation & w.o.	41,730	40,840	43,073	44,332
Net Interest Exp	(11,690)	(14,260)	(14,007)	(16,596)
Direct taxes paid	(42,120)	(42,430)	(62,147)	(67,315)
Change in Working Capital	23,050	10,100	(24,912)	(11,729)
Non Cash	3,970	(4,250)	0	0
<b>(A) CF from Operating Activities</b>	<b>224,480</b>	<b>222,610</b>	<b>187,647</b>	<b>214,761</b>
Capex {(Inc.)/ Dec. in Fixed Assets n WIP}	(30,590)	(23,740)	(25,325)	(26,500)
<b>Free Cash Flow</b>	<b>193,890</b>	<b>198,870</b>	<b>162,322</b>	<b>188,261</b>
(Inc.)/ Dec. in Investments	(44,360)	(34,560)	(1,700)	(1,400)
Other	7,720	9,160	0	0
<b>(B) CF from Investing Activities</b>	<b>(67,230)</b>	<b>(49,140)</b>	<b>(27,025)</b>	<b>(27,900)</b>
Issue of Equity/ Preference	0	0	0	0
Inc./(Dec.) in Debt	(1,810)	(810)	(25)	(25)
Interest exp net	(640)	(510)	14,007	16,596
Dividend Paid (Incl. Tax)	(140,730)	(162,500)	(173,666)	(184,520)
Other	(11,460)	(21,790)	0	0
<b>(C) CF from Financing</b>	<b>(154,640)</b>	<b>(185,610)</b>	<b>(159,684)</b>	<b>(167,949)</b>
Net Change in Cash	2,610	(12,140)	938	18,911
<b>Opening Cash balances</b>	<b>87,150</b>	<b>94,410</b>	<b>82,450</b>	<b>83,388</b>
<b>Closing Cash balances</b>	<b>94,410</b>	<b>82,450</b>	<b>83,388</b>	<b>102,299</b>

E – Estimates

## Notes

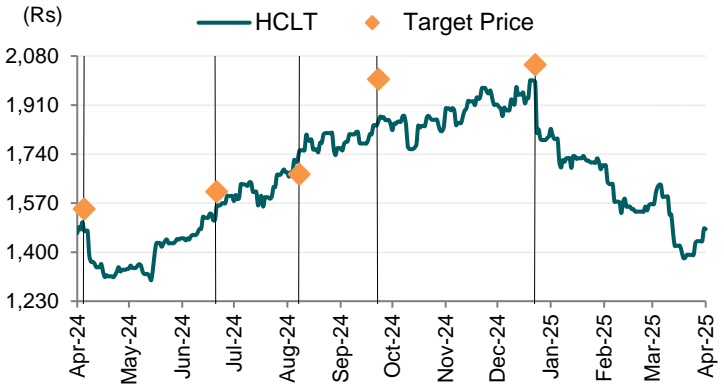
Stock Info and Rating History

Price Performance

Particulars	1M	3M	12M
Absolute (%)	(6)	(19)	1
Rel to NIFTY (%)	(9)	(23)	(7)

Shareholding Pattern

Particulars	Sep'24	Dec'24	Mar'25
Promoters	60.8	60.8	60.8
MF/Banks/FIs	15.0	15.2	15.4
FIIIs	19.7	19.4	19.2
Public / Others	4.6	4.6	4.6



Month	Rating	TP (Rs.)	Price (Rs.)
Apr-24	Accumulate	1,550	1,474
Jul-24	Accumulate	1,610	1,560
Aug-24	Reduce	1,670	1,752
Oct-24	Accumulate	2,000	1,856
Jan-25	Reduce	2,050	1,989

*\*Price as on recommendation date*

Notes

### Dolat Rating Matrix

Total Return Expectation (12 Months)

<b>Buy</b>	<b>&gt; 20%</b>
<b>Accumulate</b>	<b>10 to 20%</b>
<b>Reduce</b>	<b>0 to 10%</b>
<b>Sell</b>	<b>&lt; 0%</b>

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