Tata Consultancy Services   Accumulate

IT Services | Q2FY26 Result Update

CMP: Rs.3,062 | TP: Rs 3,380 | Upside 10%

DOLAT CAPITAL
IN-DEPTH-PRECISE-ACTIONABLE

Macros unchanged; Forays into asset-heavy Datacenter

- **TCS posted subdued CC revenue growth of 0.8% QoQ (below 1.2% estimate) amid persistent macro weakness and continued cautious client spending. OPM improved to 25.2%, up 72 bps QoQ (DE 24.7%), as Fx gains, operational efficiencies, and pyramid rebalancing (headcount down 3.2% QoQ) offset 1-month wage hike impacts.**
- **Management remains confident about delivering better H2 growth; TCV improves to $10Bn ($42bn on a TTM basis up 9% YoY) as large and mega deals provide visibility for future growth, though the pace of conversion into revenues will be crucial to monitor.**
- **Commentary highlighted entry into asset-heavy Data center biz, which raises some concerns regarding near-term growth recovery prospects. We lower our FY26E/FY27E EPS estimates by 1.7%/2.5% (FY28 introduced), but in view of recent price corrections, revise our rating to 'Accumulate' with TP of Rs.3,380 valued at 22x on FY28E.**

Doubles Down on AI with Data Center and Capability Acq.

Pursuing a bold AI strategy, the board approved creation of a wholly owned subsidiary to build a sovereign AI data center in India (up to 1 GW capacity requiring ~$6.5bn investment over 7 years to be deployed in phases), targeting demand from hyper-scalers, enterprises, and government for long-term annuity revenues. The company also acquired List Engage (FY24 Rev $24mn for a cash consideration of $73mn; P/S ~ 3x), a Salesforce marketing technology partner, to strengthen digital capabilities. The capital allocation is non-related and RoE dilutive, and at the proposed scale, may at best add 0.5% to growth CAGR run rate.

Deal Momentum Cushions Temporary Project Halts

TCS reported a strong TCV of $10bn, 16% YoY (up ~9.5% on TTM basis), led by a mega-deal with TRIB Insurance that highlights successful vendor consolidation opportunities. Despite ongoing macro challenges and cautious client spending, the robust deal pipeline reflects a healthy mix of cost optimization and transformation projects. A client-side cybersecurity incident temporarily paused certain projects, but with recovery complete, management expects normal activity to resume shortly, indicating the impact is transitory.

H2 to be better despite Q3 Furloughs and Macro Caution

Management expects improved H2 performance with FY26 international revenue growth surpassing FY25 (retained), backed by a strong deal pipeline and stabilizing client spending across most geographies. However, the macro environment remains cautious, with Q3 growth likely impacted by seasonal furloughs at levels like last year. Despite certain headwinds, TCS aims to achieve an aspirational OPM band of 26-28%, indicating profitability remains well-defended amid gradual recovery.

Key Data

Nifty	25,182
Equity / FV	Rs 3,619mn / Rs 1
Market Cap	Rs 11,076bn
	USD 124.7bn
52-Week High/Low	Rs 4,495/ 2,867
Avg. Volume (no)	30,07,340
Bloom Code	TCS IN

	Current	Previous
Rating	Accumulate	Reduce
Target Price	3,380	3,600

Change in Estimates

(Rs.bn)	Current		Chg (%)/bps	
	FY26E	FY27E	FY26E	FY27E
Revenue	2,633	2,789	0.8	(0.3)
EBITDA	700	738	0.4	(0.9)
EBITDA (%)	26.6	26.5	(9)	(16)
APAT	512	529	0.6	(2.5)
EPS (Rs)	141.4	146.3	0.6	(2.5)

Valuation (x)

	FY26E	FY27E	FY28E
P/E	21.7	20.9	20.0
EV/EBITDA	15.3	14.5	13.7
ROE (%)	52.4	54.3	55.6
RoACE (%)	55.6	56.3	57.5

Q2FY26 Result (Rs Mn)

Particulars	Q2FY26	YoY (%)	QoQ (%)
Revenue	6,57,990	2.4	3.7
Total Expense	4,78,210	0.6	2.7
EBITDA	1,79,780	7.4	6.5
Depreciation	14,130	11.5	3.8
EBIT	1,65,650	7.1	6.8
Other Income	8,670	18.9	(47.8)
Interest	2,290	41.4	17.4
EBT	1,60,680	0.2	(5.4)
Tax	39,370	(3.4)	(5.4)
RPAT	1,20,750	1.4	(5.4)
APAT	1,32,100	10.9	3.5
		(bps)	(bps)
Gross Margin	41.2	152	42
EBITDA (%)	27.3	128	72
NPM (%)	18.4	(18)	(176)
Tax Rate (%)	24.5	(93)	0
EBIT (%)	25.2	111	72

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Exhibit 1: Quarterly performance versus estimates

Particulars (Rs mn)	Actual	Estimates		% Variation		Comment
		Dolat	Consensus	Dolat	Consensus	
USD Revenue	7,466	7,502	7,474	(0.5)	(0.1)	Revenue miss as macros & discretionary spends remain weak
INR Revenue	6,57,990	6,61,667	6,52,973	(0.6)	0.8	
EBIT	1,65,650	1,63,432	1,61,284	1.4	2.7	Operational efficiencies & F/x help beat estimate
EBIT Margin (%)	25.2	24.7	24.7	50 bps	50 bps	
PAT	1,20,750	1,27,344	1,23,412	-5.2	-2.2	Lower OI & 1x restructuring cost

Source: Dolat Capital, Company

Change in estimates

For FY26E/FY27E: We have moderately lowered our FY26E/FY27E EPS estimates by 1.7%/2.5% to reflect continued discretionary spending softness and near-term project deferrals. USD revenue growth estimates are trimmed by 1.2%/2.5% for FY26E/FY27E, while OPMs are adjusted down 19bps/41bps due to ongoing talent and capability investments while some operational efficiencies might help to offset impact and also introduce FY28 estimates (Rev growth of 5.5% and 20bps OPM moderation).

Exhibit 2: Change in Estimates

Particulars (Rs. mn)	FY25A	FY26E			FY27E			FY28E
	Actual	Old	New	Chg.(%)	Old	New	Chg.(%)	Introduced
USD Revenue	30,179	30,495	30,119	(1.2)	32,328	31,510	(2.5)	33,229
YoY growth,	3.8	1.0	(0.2)	(124 bps)	6.0	4.6	(139 bps)	5.5
INR Revenue	2,553,240	26,12,941	26,32,788	0.8	27,96,350	27,88,620	(0.3)	29,57,356
YoY growth,	6.0	2.3	3.1	78 bps	7.0	5.9	(110 bps)	6.1
EBIT	621,650	6,43,063	6,42,934	(0.0)	6,88,146	6,74,883	(1.9)	7,09,588
EBIT Margin,	24.3	24.6	24.4	(19 bps)	24.6	24.2	(41 bps)	24.0
Net Profit	485,530	5,08,761	5,00,337	(1.7)	5,42,553	5,29,232	(2.5)	5,55,141
EPS (Rs)	134.2	140.6	138.3	(1.7)	150.0	146.3	(2.5)	153.4

Source: Dolat Capital, Company

What to expect next Quarter

For the next quarter, we expect 1% CC revenue growth, anticipating continued recovery as management hinted at a better H2. Accounting for seasonal furloughs & impact of additional 2 months of wage hike impact, expect OPM to moderate by 117bps QoQ.

Exhibit 3: What to expect next quarter

Particulars (Rs Mn)	Q3FY26E	Q2FY26	Q3FY25	QoQ (%)	YoY (%)
USD Revenue	7,541	7,466	7,539	1.0	0.0
INR Revenue	6,63,578	6,57,990	6,39,730	0.8	3.7
EBIT	1,59,321	1,65,650	1,56,570	(3.8)	1.8
PAT	1,24,581	1,20,750	1,23,800	3.2	0.6
EPS (Rs.)	34.4	33.4	34.2	3.2	0.6
EBIT Margin (%)	24.0	25.2	24.5	(117 bps)	(46 bps)

Source: Dolat Capital, Company

Exhibit 4: Key Assumptions in our estimates

Metrics	FY24A	FY25A	FY26E	FY27E	FY28E
USD Revenue growth (%)	4.1	3.8	(0.2)	4.6	5.5
CC Revenue growth (%)	3.4	4.2	(2.2)	4.7	5.5
USD/INR	82.8	84.6	87.4	88.5	89.0
INR growth	6.8	6.0	3.1	5.9	6.1
EBIT Margins	24.2	24.3	24.4	24.2	24.0
EPS growth (%)	9.3	6.6	3.0	5.8	4.9

Source: Dolat Capital, Company

Exhibit 5: Key Revenue Growth Matrix

YoY Growth	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
CC Growth	2.8	1.7	2.2	4.4	5.5	4.5	2.5	(3.1)	(3.3)
USD Growth	4.8	2.9	2.3	3.9	6.4	3.5	1.4	(1.1)	(2.7)
INR Growth	7.9	4.0	3.5	5.4	7.7	5.6	5.3	1.3	2.4

Source: Dolat Capital, Company

Exhibit 6: Quarterly and YTD Trend

Rs mn	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	YoY (%)	QoQ (%)	H1FY25	H1FY26	YoY (%)
USD Revenue	**7,670**	**7,539**	**7,465**	**7,421**	**7,466**	**(2.7)**	**0.6**	**15,175**	**14,887**	**(1.9)**
INR Revenue	**6,42,590**	**639,730**	**644,790**	**634,370**	**6,57,990**	**2.4**	**3.7**	**12,68,720**	**12,92,360**	**1.9**
Operating Exp.	4,75,270	469,400	474,990	465,620	4,78,210	0.6	2.7	9,34,780	9,43,830	1.0
Cost of revenues	3,87,340	380,610	383,890	375,450	3,86,650	(0.2)	3.0	7,54,550	7,62,100	1.0
as % of sales	60.3	59.5	59.5	59.2	58.8	(152 bps)	(42 bps)	59.5	59.0	(50 bps)
SG&A expenses	87,930	88,790	91,100	90,170	91,560	4.1	1.5	1,80,230	1,81,730	0.8
as % of sales	13.7	13.9	14.1	14.2	13.9	23 bps	(30 bps)	14.2	14.1	(14 bps)
EBITDA	1,67,320	170,330	169,800	168,750	1,79,780	7.4	6.5	3,33,940	3,48,530	4.4
Depreciation	12,670	13,760	13,790	13,610	14,130	11.5	3.8	24,870	27,740	11.5
EBIT	**1,54,650**	**156,570**	**156,010**	**155,140**	**1,65,650**	**7.1**	**6.8**	**3,09,070**	**3,20,790**	**3.8**
Other Income	7,290	12,430	10,280	16,600	8,670	18.9	(47.8)	16,910	25,270	49.4
Finance Cost	(1,620)	(2,340)	(2,270)	(1,950)	(2,290)	41.4	17.4	(3,350)	(4,240)	26.6
Exceptional Item	0	0	0	0	(11,350)	NM	NM	0	11,350	NM
PBT	1,60,320	166,660	164,020	169,790	1,60,680	0.2	(5.4)	3,22,630	3,30,470	**2.4**
Tax	40,770	42,220	41,090	41,600	39,370	(3.4)	(5.4)	82,030	80,970	(1.3)
PAT	1,19,550	124,440	122,930	128,190	1,21,310	1.5	(5.4)	2,40,600	2,49,500	**3.7**
MI	460	640	690	590	560	21.7	(5.1)	1,110	1,150	3.6
PAT after MI	**1,19,090**	**123,800**	**122,240**	**127,600**	**1,20,750**	**1.4**	**(5.4)**	**2,39,490**	**2,48,350**	**3.7**
Reported EPS	**32.9**	**34.2**	**33.8**	**35.3**	**33.4**	**1.4**	**(5.4)**	**66.2**	**68.6**	**3.7**
Margins (%)						**(bps)**	**(bps)**			**(bps)**
EBIDTA	26.0	26.6	26.3	26.6	27.3	128 bps	72 bps	26.3	27.0	65 bps
EBIT	24.1	24.5	24.2	24.5	25.2	111 bps	72 bps	24.4	24.8	46 bps
EBT	24.9	26.1	25.4	26.8	24.4	(53 bps)	(235 bps)	25.4	25.6	14 bps
PAT	18.5	19.4	19.0	20.1	18.4	(18 bps)	(176 bps)	18.9	19.2	34 bps
Effective Tax rate	25.4	25.3	25.1	24.5	24.5	(93 bps)	0 bps	25.4	24.5	(92 bps)

Source: Dolat Capital, Company

Earning Call KTAs

- **Revenue**: Rev at 0.8%/-3.3% QoQ/YoY in CC terms and 0.6%/-2.7% QoQ/YoY in USD terms. Growth was got slightly broadened across more verticals, signaling a modest recovery, though discretionary spending remains under pressure. A temporary project halt due to a client-side cybersecurity issue has created a minor headwind, but management expects a swift resumption.
- **Deal Wins**: TCV was robust at $10bn, up 6.4%/16.3% QoQ/YoY, reflecting a healthy pipeline of cost optimization and transformation deals. Q2 was highlighted by a mega-deal win with TRIB Insurance, a large European insurer, for a multi-year, complex transformation engagement.
- **Geography Performance**: Most major markets returned to sequential growth. North America grew 0.8% QoQ (-0.1% YoY), and Continental Europe was at +1.4%/-3.0% QoQ/YoY in CC terms. The UK biz, however, saw a decline of 1.4%/1.9% QoQ/YoY in CC terms. India/ME continued its strong performance, sequentially growing 4.0%/5.9% QoQ in CC terms (India down -33.3% YoY though on BSNL ramp down while new PO is yet to fructify).
- **Vertical Performance**: BFSI grew 1.1%/1.8% QoQ/YoY, and Manufacturing was up 1.6%/-0.4% QoQ/YoY in CC terms. Life Sciences & Healthcare delivered strong growth of 3.4%/-1.7% QoQ/YOY in CC terms. The Consumer Biz. segment remained soft, showing a decline of 1.0%/1.4% QoQ/YoY in CC terms.
- **Operating Margin**: Reported OPM stood at 25.2% (excluding a one-time restructuring cost of Rs. 11.35bn), an expansion of 70bps QoQ. The expansion was driven by a currency benefit of +80bps, pyramid optimization of +40bps, and operating efficiencies of +20bps, which were partially offset by the impact of wage hikes and variable allowances of -70bps. Factoring in the restructuring cost, the margins ideally should have declined on QoQ basis.
- **Attrition and Talent**: Attrition (LTM) continued to decline, reaching 13.3%. The company reported a net reduction of ~19.6k employees, bringing the total headcount to 593k. This includes the impact of a one-time restructuring where approximately 1% of the workforce was released (another 1% more might happen) with severance packages. Wage hikes (effective Sep'25) were rolled out for 80% of the workforce. Management also highlighted its reduced dependency on the H1B program, with significant US localization resulting in only ~500 associates travelling on H1B visas and noted the business model is resilient to potential immigration policy changes.
- **Strategic Initiatives**: The Company announced two key strategic moves: 1) The formation of a wholly owned subsidiary to build a sovereign AI data center in India with up to 1 GW capacity to be developed in phases (might get equity partners or debt to fund the project). 2) The acquisition of List-Engage, a US-based Salesforce partner, for up to $72.8mn to enhance its marketing cloud and digital experience capabilities. The acquired business has seen a rapid growth of 26% CAGR over FY22-FY24 to reach $24.3mn in Revenues.
- **Outlook**: Management expects FY26 international revenue growth to be better than in FY25 (which was 0.7% in CC terms). The macro environment remains uncertain, but the strong deal pipeline provides confidence. Q3 is expected to face seasonal furloughs similar in scale to last year.

Exhibit 7: Quarterly Vertical Trend

Vertical	Amount ($ mn)	US $ QoQ (%)	YoY (%)	Incremental Revenue ($ mn)	% Contribution of Incremental Revenue
BFSI	2,404	1.2	1.0	29	65
Communication & Media	440	2.3	(5.1)	10	22
Retail & CPG	1,142	(1.3)	(2.9)	(15)	(34)
Manufacturing	657	1.8	(1.1)	11	25
Technology & Services	635	1.8	2.8	11	25
Life Sciences and Healthcare	784	3.6	(2.2)	27	60
Energy and Utilities	440	0.6	0.2	3	6
Regional Markets & Others	963	(3.1)	(18.1)	(31)	(70)
Total	**7,466**	**0.6**	**(3.3)**	**45**	**100**

Source: Dolat Capital, Company

Exhibit 8: Quarterly Geographical Trend

Geography	Revenue ($ mn)	US $ QoQ (%)	YoY (%)	Incremental Revenue ($ mn)	% Contribution of Incremental Revenue
North America	3,643	0.8	(0.1)	29	65
Latin America	142	0.6	1.8	1	2
UK	1,307	(2.2)	(1.9)	(29)	(65)
Continental Europe	1,142	2.6	(3.0)	29	65
India	433	0.6	(33.3)	3	6
Asia Pacific	620	(0.6)	2.0	(4)	(8)
MEA	179	9.8	12.7	16	35
Total	**7,466**	**0.6**	**(3.3)**	**45**	**100**

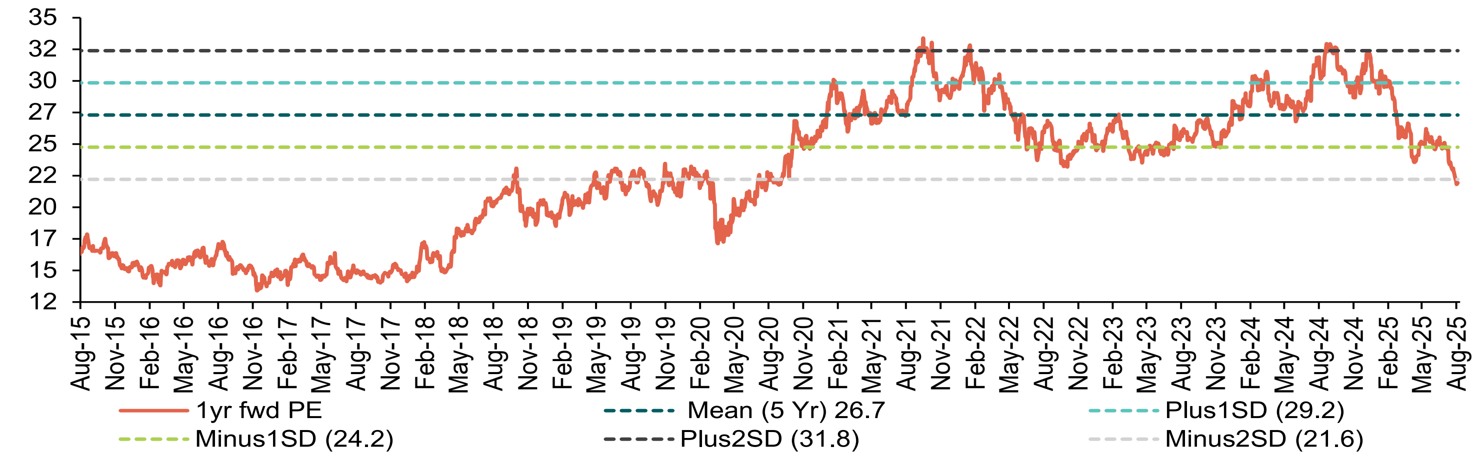
Source: Dolat Capital, Company

Valuation

Noting commentary on a sustained weak macro environment, growth visibility remains low. Despite robust deal wins & TCV pipeline, its conversion into growth remains to be seen while margins remain healthy. We **value TCS at 22x on FY28E earnings of Rs. 153.4 with TP of Rs 3,380 and revise our rating to 'Accumulate'.**

PER Band Chart

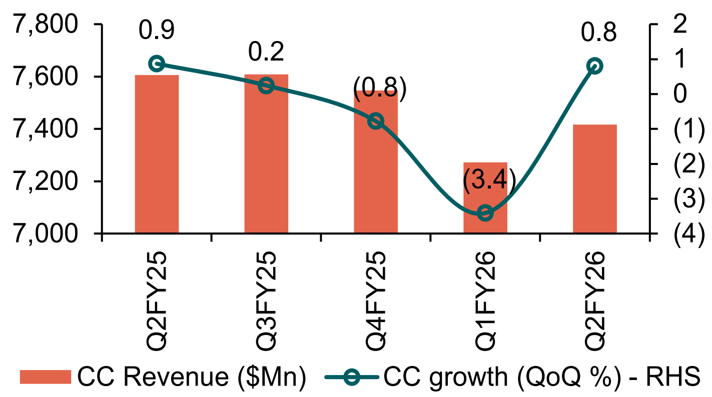
Exhibit 9: TCS is trading at PER of ~22x on 12m forward basis, near to -2SD of the 5-year mean



Source: Dolat Capital

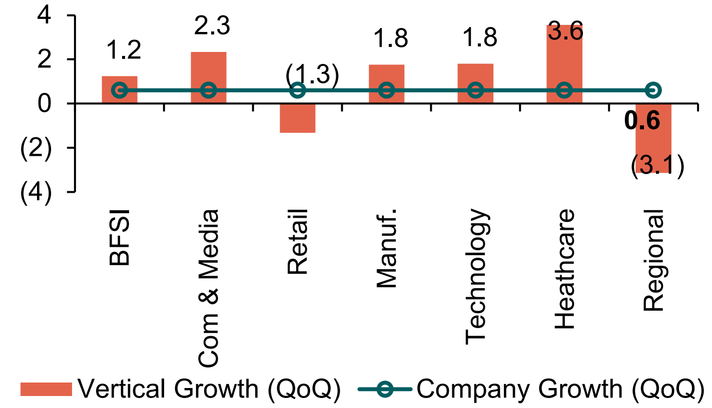
Story in charts

Exhibit 10: CC Rev recovers at 0.8% QoQ



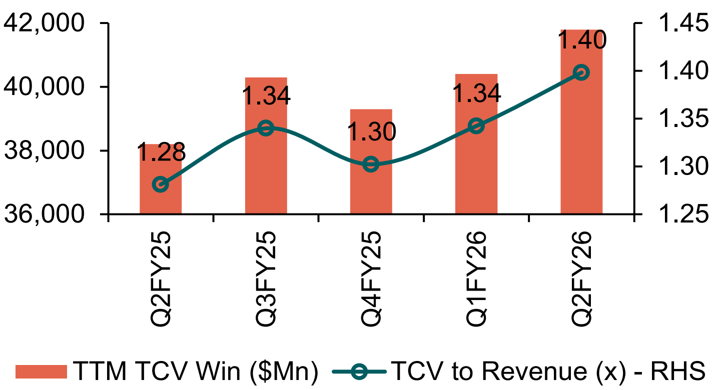
Source: Dolat Capital, Company

Exhibit 11: Healthcare grew 3% CC QoQ



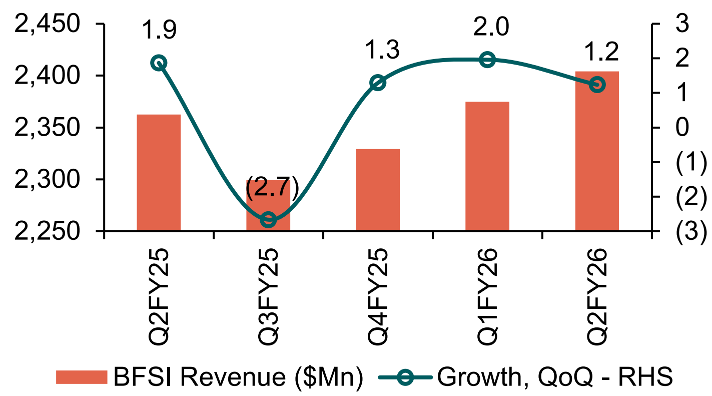
Source: Dolat Capital, Company

Exhibit 12: TTM TCV of $41.8Bn ($10 Bn in Q2)



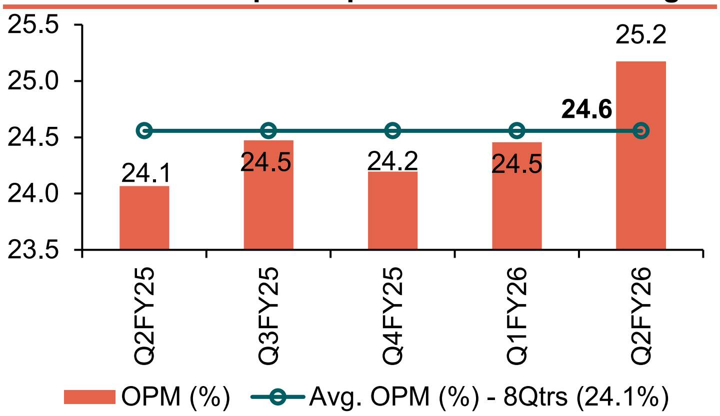
Source: Dolat Capital, Company

Exhibit 13: BFSI up 1.1%/1.2% CC/USD basis



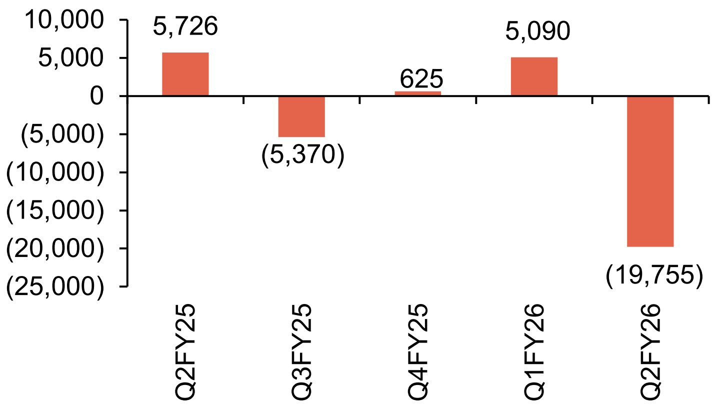
Source: Dolat Capital, Company

Exhibit 14: OPM up ~72bps QoQ above 8 Qtr avg



Source: Dolat Capital, Company

Exhibit 15: Headcount saw reduction of ~20K in Q2



Source: Dolat Capital, Company

Exhibit 16: Operating Metrics 1

Operating Metrics	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
CC growth (%) (QoQ)	(0.2)	1.2	1.2	2.2	0.9	0.2	(0.8)	(3.4)	0.8
CC growth (%) (YoY)	2.8	1.7	2.2	4.4	5.5	4.5	2.5	(3.1)	(3.3)
Vertical Amount ($ mn)									
BFSI	2,350	2,308	2,305	2,319	2,362	2,299	2,329	2,375	2,404
Communication & Media	497	488	486	465	453	437	433	430	440
Retail & CPG	1,146	1,143	1,156	1,156	1,158	1,153	1,142	1,158	1,142
Manufacturing	613	626	648	660	660	633	627	646	657
Technology & Services	620	612	604	608	614	603	605	623	635
Life Sciences and Healthcare	786	794	803	826	798	761	754	757	784
Energy and Utilities	404	415	412	420	437	422	426	438	440
Regional Markets & Others	793	896	950	1,051	1,189	1,229	1,150	994	963
Vertical Growth (YoY) (CC)									
BFSI	(0.5)	(3.0)	(3.2)	(0.9)	0.1	0.9	2.5	1.0	1.0
Communication & Media	(2.1)	(4.9)	(5.5)	(7.4)	(10.3)	(10.6)	(9.8)	(9.6)	(5.1)
Retail & CPG	1.0	(0.3)	(0.3)	(0.3)	0.1	1.1	(0.2)	(3.1)	(2.9)
Manufacturing	5.8	7.0	9.7	9.4	5.3	0.4	(2.9)	(4.0)	(1.1)
Technology & Services	(2.2)	(5.0)	(5.6)	(3.9)	(1.9)	(0.4)	1.1	1.8	2.8
Life Sciences and Healthcare	5.0	3.1	1.7	4.0	0.1	(4.3)	(5.6)	(9.6)	(2.2)
Energy and Utilities	14.8	11.8	7.3	5.7	7.0	3.4	4.6	2.8	0.2
Regional Markets & Others	14.3	19.2	26.0	37.7	50.4	40.9	22.5	(8.6)	(18.1)
Vertical EBIT Margin (%)									
BFSI	25.7	26.3	27.7	26.1	26.7	27.3	26.3	25.1	26.5
Comm & Media & Technology	28.6	28.5	25.9	22.8	19.5	19.9	21.6	28.1	28.9
Retail & CPG	25.4	26.3	27.5	26.3	26.9	29.6	28.9	27.6	27.7
Manufacturing	29.0	31.5	34.2	33.3	32.7	33.0	31.7	31.2	30.5
Life Sciences and Healthcare	27.7	28.6	30.6	30.3	27.9	28.3	26.1	24.5	27.5
Regional Markets & Others	22.5	22.3	24.1	24.8	26.2	24.1	25.6	26.0	24.1
Geography Amount ($ mn)									
North America	3,728	3,684	3,682	3,715	3,651	3,596	3,598	3,614	3,643
Latin America	144	153	147	143	138	143	134	141	142
UK	1,190	1,194	1,237	1,268	1,304	1,251	1,254	1,336	1,307
Continental Europe	1,074	1,092	1,075	1,081	1,120	1,048	1,067	1,113	1,142
India	353	444	493	563	683	739	627	430	433
Asia Pacific	562	568	574	585	614	588	605	623	620
MEA	159	146	155	150	161	173	179	163	179
Geography Growth (YoY) (CC)									
North America	0.1	(3.0)	(2.3)	(1.1)	(2.1)	(2.3)	(1.9)	(2.7)	(0.1)
Latin America	13.1	13.2	9.8	6.3	6.8	7.0	4.3	3.5	1.8
UK	10.7	8.1	6.2	6.0	4.6	4.1	1.2	(1.3)	(1.9)
Continental Europe	1.3	0.5	(2.0)	0.9	1.8	(1.5)	1.4	(3.1)	(3.0)
India	3.9	23.4	37.9	61.8	95.2	70.2	33.0	(21.7)	(33.3)
Asia Pacific	4.1	3.9	5.2	7.6	7.5	5.8	6.4	3.6	2.0
MEA	15.9	16.0	10.7	8.5	7.9	15.0	13.2	9.4	12.7
Client Data $mn									
>US$1 million	1,272	1,288	1,294	1,310	1,307	1,309	1,332	1,336	1,360
>US$5 million	688	693	693	697	710	722	723	714	707
>US$10 million	483	480	487	486	491	497	493	495	498
>US$20 million	292	299	301	300	298	294	298	300	302
>US$50 million	137	137	139	140	136	134	130	131	136
>US$100 million	61	61	62	63	66	64	64	62	60

Source: Dolat Capital, Company

Exhibit 17: Operating Metrics 2

Operating Metrics	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
TCV Data ($ mn)									
TCV ($ mn)	11,200	8,100	13,200	8,300	8,600	10,200	12,200	9,400	10,000
BFSI TCV ($ mn)	3,000	2,600	4,100	2,700	2,900	3,200	4,000	2,500	3,200
Retail TCV ($ mn)	1,400	1,500	1,600	1,100	1,200	1,300	1,700	1,600	1,800
Non BFSI and Retail TCV ($mn)	6,800	4,000	7,500	4,500	4,500	5,700	6,500	5,300	5,000
North America TCV ($mn)	4,500	4,200	5,700	4,600	4,200	5,900	6,800	4,400	4,300
Non - US TCV ($mn)	6,700	3,900	7,500	3,700	4,400	4,300	5,400	5,000	5,700
TCV TTM basis ($ mn)	39,200	39,500	42,700	40,800	38,200	40,300	39,300	40,400	41,800
Rev coverage (TTM basis)	1.37	1.37	1.47	1.39	1.28	1.34	1.30	1.34	1.40
Employee Metrics									
Total Employees	6,08,985	6,03,305	6,01,546	6,06,998	6,12,724	6,07,354	607,979	613,069	5,93,314
Net Additions	(6,333)	(5,680)	(1,759)	5,452	5,726	(5,370)	625	5,090	(19,755)
Attrition (IT) (LTM)	14.9	13.3	12.5	12.1	12.3	13.0	13.3	13.8	13.3

Source: Dolat Capital, Company

Financial Performance

Profit and Loss Account

(Rs Mn)	FY25A	FY26E	FY27E	FY28E
Revenue	**25,53,240**	**26,32,788**	**27,88,620**	**29,57,356**
Total Expense	**18,79,170**	**19,32,625**	**20,50,993**	**21,76,791**
COGS	15,19,050	15,63,257	16,59,059	17,60,963
Employees Cost	0	0	0	0
Other expenses	3,60,120	3,69,367	3,91,934	4,15,828
EBIDTA	**6,74,070**	**7,00,163**	**7,37,627**	**7,80,565**
Depreciation	52,420	57,229	62,744	70,977
EBIT	**6,21,650**	**6,42,934**	**6,74,883**	**7,09,588**
Interest	7,960	8,843	9,485	9,773
Other Income	39,620	43,046	42,698	42,393
Exc. / E.O. items	0	11,350	0	0
EBT	**6,53,310**	**6,65,787**	**7,08,096**	**7,42,208**
Tax	1,65,340	1,63,130	1,77,024	1,85,552
Minority Interest	**2,440**	**2,320**	**1,840**	**1,515**
Profit/Loss share of associates	0	0	0	0
RPAT	4,85,530	5,00,337	5,29,232	5,55,141
Adjustments	0	11,350	0	0
APAT	**4,85,530**	**5,11,687**	**5,29,232**	**5,55,141**

Balance Sheet

(Rs Mn)	FY25A	FY26E	FY27E	FY28E
Sources of Funds				
Equity Capital	3,620	3,619	3,619	3,619
Minority Interest	10,150	12,470	14,310	15,825
Reserves & Surplus	9,43,940	9,59,396	9,82,035	10,08,872
Net Worth	**9,47,560**	**9,63,015**	**9,85,654**	**10,12,491**
Total Debt	0	0	0	0
Net Deferred Tax Liability	(25,980)	(27,279)	(28,643)	(30,183)
Total Capital Employed	**9,31,730**	**9,48,206**	**9,71,321**	**9,98,133**
Applications of Funds				
Net Block	**2,30,530**	**2,61,301**	**3,04,457**	**3,33,030**
CWIP	15,460	16,960	16,460	15,960
Investments	73,960	73,660	75,160	76,960
Current Assets, Loans & Advances	**12,40,560**	**12,63,561**	**12,85,575**	**13,31,308**
Current Investments	3,06,890	3,06,890	3,06,890	3,06,890
Inventories	210	210	210	210
Receivables	5,91,750	6,08,347	6,40,457	6,77,110
Cash and Bank Balances	83,420	86,456	72,134	73,888
Loans and Advances	340	354	369	385
Other Current Assets	2,57,950	2,61,304	2,65,515	2,72,824
Less: Current Liabilities & Provisions	**6,28,780**	**6,67,276**	**7,10,331**	**7,59,125**
Payables	1,84,550	1,86,346	1,90,817	2,01,306
Other Current Liabilities	4,44,230	4,80,930	5,19,514	5,57,819
sub total				
Net Current Assets	6,11,780	5,96,285	5,75,244	5,72,183
Total Assets	**9,31,730**	**9,48,206**	**9,71,321**	**9,98,133**

E – Estimates

Important Ratios

Particulars	FY25A	FY26E	FY27E	FY28E
(A) Margins (%)				
Gross Profit Margin	40.5	40.6	40.5	40.5
EBIDTA Margin	26.4	26.6	26.5	26.4
EBIT Margin	24.3	24.4	24.2	24.0
Tax rate	25.3	24.5	25.0	25.0
Net Profit Margin	19.0	19.0	19.0	18.8
(B) As Percentage of Net Sales (%)				
COGS	59.5	59.4	59.5	59.5
Employee	0.0	0.0	0.0	0.0
Other	14.1	14.0	14.1	14.1
(C) Measure of Financial Status				
Gross Debt / Equity	0.0	0.0	0.0	0.0
Interest Coverage	78.1	72.7	71.2	72.6
Inventory days	0	0	0	0
Debtors days	85	84	84	84
Average Cost of Debt				
Payable days	26	26	25	25
Working Capital days	87	83	75	71
FA T/O	11.1	10.1	9.2	8.9
(D) Measures of Investment				
AEPS (Rs)	134.2	141.4	146.3	153.4
CEPS (Rs)	148.7	157.2	163.6	173.0
DPS (Rs)	126.0	134.0	140.0	140.0
Dividend Payout (%)	93.9	94.8	95.7	91.3
BVPS (Rs)	261.9	266.2	272.5	279.9
RoANW (%)	52.4	52.4	54.3	55.6
RoACE (%)	54.5	55.6	56.3	57.5
RoAIC (%)	75.5	75.2	76.7	77.8
(E) Valuation Ratios				
CMP (Rs)	3062	3062	3062	3062
Mcap (Rs Mn)	1,10,75,876	1,10,75,876	1,10,75,876	12,234,580
EV	11,829,610	11,844,270	11,794,288	11,764,106
MCap/ Sales	5.1	4.8	4.7	4.4
EV/Sales	4.9	4.6	4.5	4.2
P/E	26.9	25.2	24.0	22.6
EV/EBITDA	18.7	17.6	16.9	15.8
P/BV	13.5	12.9	12.6	12.2
Dividend Yield (%)	2.2	3.7	4.0	4.2
(F) Growth Rate (%)				
Revenue	6.8	6.0	2.3	7.0
EBITDA	6.9	6.4	3.4	6.7
EBIT	7.6	6.5	3.4	7.0
PBT	8.9	5.4	4.2	6.7
APAT	8.9	5.8	4.8	6.6
EPS	9.3	6.6	4.8	6.6

E – Estimates

Cash Flow

Particulars	FY25A	FY26E	FY27E	FY28E
Profit before tax	**4,87,970**	**5,00,337**	**5,29,232**	**5,55,141**
Depreciation & w.o.	52,420	57,229	62,744	70,977
Net Interest Exp	(28,120)	(34,203)	(33,213)	(32,620)
Direct taxes paid	9,480	0	0	0
Change in Working Capital	(33,590)	18,732	5,355	3,276
Non Cash	920	0	0	0
(A) CF from Operating Activities	**4,89,080**	**5,42,095**	**5,64,118**	**5,96,773**
Capex {(Inc.)/ Dec. in Fixed Assets n WIP}	(39,090)	(89,500)	(1,05,400)	(99,050)
Free Cash Flow	**4,49,990**	**4,52,595**	**4,58,718**	**4,97,723**
(Inc)./ Dec. in Investments	(15,050)	(1,200)	(1,500)	(1,800)
Other	30,960	34,203	33,213	32,620
(B) CF from Investing Activities	**(23,180)**	**(56,497)**	**(73,687)**	**(68,230)**
Issue of Equity/ Preference	0	(1)	0	0
Inc./(Dec.) in Debt	(16,640)	0	0	0
Interest exp net	0	0	0	0
Dividend Paid (Incl. Tax)	(4,49,620)	(4,84,882)	(5,06,593)	(5,28,304)
Other	(8,120)	2,320	1,840	1,515
(C) CF from Financing	**(4,74,380)**	**(4,82,563)**	**(5,04,753)**	**(5,26,789)**
Net Change in Cash	(8,480)	3,036	(14,322)	1,754
Opening Cash balances	**90,160**	**83,420**	**86,456**	**72,134**
Closing Cash balances	**83,420**	**86,456**	**72,134**	**73,888**

E – Estimates

Notes

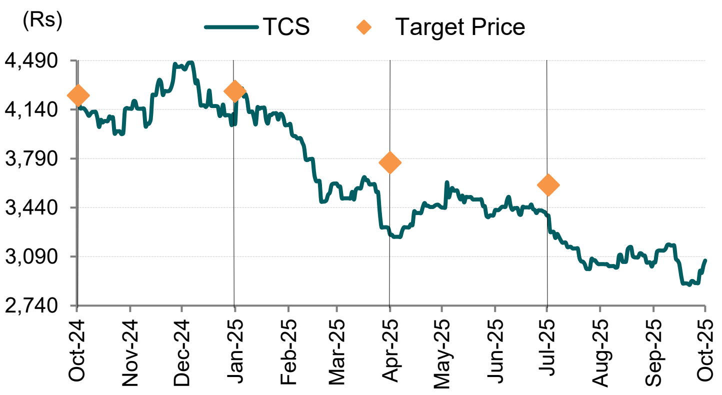
DOLAT CAPITAL

Dolat 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.)
Oct-24	Reduce	4,240	4,227
Jan-25	Reduce	4,270	4,039
Apr-25	Accumulate	3,760	3,247
Jul-25	Reduce	3,600	3,382

*Price as on recommendation date

Price Performance

Particulars	1M	3M	12M
Absolute (%)	0	(10)	(28)
Rel to NIFTY (%)	(1)	(8)	(30)

Shareholding Pattern

Particulars	Mar'25	Jun'25	Sep'25
Promoters	71.8	71.8	71.8
MF/Banks/FIs	11.6	12.0	12.0
FIIs	12.0	11.5	11.5
Public / Others	4.6	4.8	4.8

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