

# HCL Technologies

Estimate change	↔
TP change	↔
Rating change	↔

Bloomberg	HCLT IN
Equity Shares (m)	2714
M.Cap.(INRb)/(USDb)	4056.1 / 45.7
52-Week Range (INR)	2005 / 1303
1, 6, 12 Rel. Per (%)	1/-3/-20
12M Avg Val (INR M)	4996

## Financials & Valuations (INR b)

Y/E Mar	FY26E	FY27E	FY28E
Sales	1,286	1,362	1,447
EBIT Margin (%)	17.3	17.8	17.8
PAT	179	200	209
EPS (INR)	65.9	73.6	77.0
EPS Gr. (%)	3.2	11.6	4.6
BV/Sh. (INR)	254	250	246

## Ratios

RoE (%)	25.8	29.3	31.1
RoCE (%)	24.0	26.6	28.7
Payout (%)	90.0	90.0	90.0

## Valuations

P/E (x)	22.7	20.3	19.4
P/BV (x)	5.9	6.0	6.1
EV/EBITDA (x)	14.8	13.5	12.7
Div Yield (%)	4.0	4.4	4.6

## Shareholding pattern (%)

As On	Jun-25	Mar-25	Jun-24
Promoter	60.8	60.8	60.8
DII	16.2	15.5	15.8
FII	18.7	19.3	18.7
Others	4.3	4.4	4.7

FII Includes depository receipts

**CMP: INR1,494 TP: INR1,800 (+20%) Buy**

## A standout quarter

### All-round beat on revenue and deal TCV drives guidance upgrade

- HCL Technologies (HCLT) reported 2QFY26 revenue of USD3.6b, up 2.4% QoQ CC vs. our estimate of 1.7% QoQ CC growth. EBIT margin came in at 17.4% vs. our estimate of 16.8%. New deal TCV stood at USD2.6b (up 15.8% YoY) in 2QFY26. For FY26, revenue growth guidance was maintained at 3-5% YoY in CC (while for Services, guidance was upgraded to 4-5% from 3-5%). EBIT margin guidance was maintained at 17.0-18.0%.
- For 1HFY25, revenue/EBIT grew 9.4%/3.3% and PAT declined 4.9% YoY in INR terms. We expect revenue/EBIT/PAT to grow 10.2%/4.5%/10.2% YoY in 2HFY26. HCLT is the fastest-growing large-cap IT services company, and its all-weather portfolio remains the best large-cap bet in an uncertain macro environment (refer to our report dated 22th July'25, [HCLT: Becoming Future Ready](#), following our two-day NDR with the management). We reiterate our **BUY rating** on HCLT with a TP of INR1,800, implying a 20% potential upside.

### Our view: Well-placed for 2HFY26; first to break out AI revenue

- **Strong results; continues to be the fastest growing large-cap:** HCLT delivered a strong quarter, with Services revenue up **4.5% in organic YoY cc terms (2.5% QoQ)**, making it the fastest-growing large-cap IT services company. Deal TCV at USD2.6b rose 40% QoQ, positioning the company well for H2FY26E (the ask rate to achieve the midpoint of the updated Services business guidance now stands at 1% CQGR, which we believe is easily achievable). We now expect HCLT's Services business to grow at 4.5% cc (3.5% organic YoY cc).
- **Advanced AI revenues called out:** Advanced AI solutions now comprise 3% of HCLT's total revenue. Its **AI Force platform** is now live across 47 clients (target: 100 clients by the end of the year). The AI business has expanded to include new pillars, such as the **AI Factory** (with partners like NVIDIA) and **AI Advisory** (enterprise AI strategy and deployment), with early wins seen across technology, manufacturing, and BFSI. These services are being delivered under both T&M and fixed-price models. HCLT is the first Indian vendor to break out AI-led revenues, and as enterprise GenAI scales, HCLT looks to be in relatively good stead.
- **On legacy business disruptions:** HCLT has been forthcoming in calling out deflation in the traditional IT services business model (40-50% deflation in BPO, 25-30% in SDLC, and 10-15% in IT Ops and IMS). However, the company has started selling its own IP, built on the intelligence layers of cutting-edge OEMs such as OpenAI and Nvidia. This is a sweet spot- we believe competing with rich world OEMs on R&D is futile (see our note dated 19<sup>th</sup> Sept'25: [GenAI and IT Services: The waiting game](#)). Instead, Indian IT vendors should continue to feed off cutting-edge innovation and be willing to disrupt their traditional T&M-led model.
- **Good beat on margins, but expect short-term pressure:** 2Q saw a healthy beat on operating margins at 17.4%. However, looking ahead, wage hikes, furloughs, as well as elevated restructuring charges may weigh on margins in FY26E, which we expect to be nearer to the lower end of guidance.

**Abhishek Pathak - Research analyst** (Abhishek.Pathak@MotilalOswal.com)

**Research analysts - Keval Bhagat** (Keval.Bhagat@MotilalOswal.com) | **Tushar Dhonde** (Tushar.Dhonde@MotilalOswal.com)

**Investors are advised to refer through important disclosures made at the last page of the Research Report.**

Motilal Oswal research is available on [www.motilaloswal.com/Institutional-Equities](http://www.motilaloswal.com/Institutional-Equities), Bloomberg, Thomson Reuters, Factset and S&P Capital.

### Beat on revenue and margins; IT services guidance upgraded to 4-5% YoY cc (vs. 3-5% earlier)

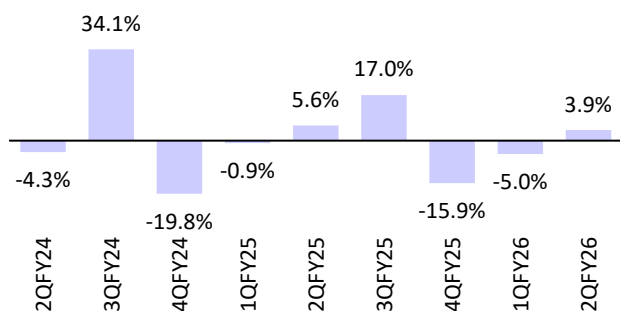
- Revenue rose 2.4% QoQ in CC vs. our estimate of 1.7% growth.
- New deal TCV stood at USD2.6b (up 41.8%/15.8% QoQ/YoY) in 2QFY26.
- IT business grew 2.6% QoQ CC, while ER&D/P&P rose 2.2%/0.5% QoQ cc.
- For 2QFY26, EBIT margin stood at 17.4%, above our estimate of 16.8%. This included a 55bp impact from restructuring costs; adjusted for that, the margin stood at 17.9%.
- For FY26, revenue growth guidance was maintained at 3-5% YoY in CC (while for Services, the guidance was upgraded to 4-5% from 3-5%). EBIT margin guidance was maintained at 17.0-18.0%.
- In 2QFY26, PAT rose 10.2% QoQ and remained flat YoY at INR42b vs. our est. of INR43b.
- LTM attrition declined 20bp QoQ to 12.6%. The net employee headcount increased 1.6% in 2QFY26, reaching 226,640 by the end of 2QFY26. HCLT added 5,196 freshers during this quarter.
- LTM FCF-to-net income stood at 125%.
- Management declared an interim dividend of INR12/share for 2QFY26.

### Key highlights from the management commentary

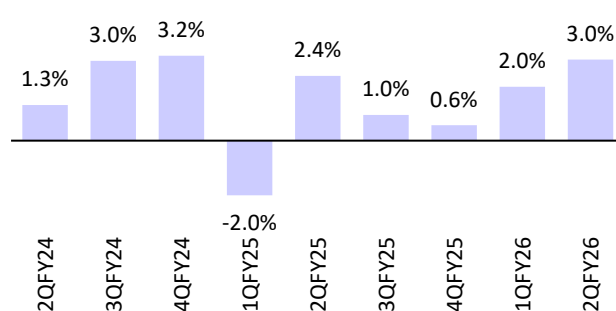
- Demand environment remains largely unchanged QoQ; BFSI and Technology are seeing healthy momentum, while auto continues to lag.
- Discretionary spending in some areas has become mandatory, driven by M&A and carve-outs at the clients' end, mostly linked to transformation programs.
- Legacy modernization, led by AI platforms, continues to be the biggest demand driver, with several USD100m+ program opportunities. The company won a large deal from a Europe-based retailer in this space.
- Revenue grew 2.4% QoQ in CC, led by robust growth in IT services and ER&D. The software business remained soft due to lower perpetual licensing revenue, partly offset by higher subscription revenue.
- Wage hikes effective from 1<sup>st</sup> Oct (3Q) are expected to impact margins by 70-80bp, with ~40bp incremental impact in 4Q.
- Advanced AI revenue crossed USD100m, contributing ~3% to total revenue, with a balanced mix across services and software. This includes Agentic AI, Physical AI, AI Engineering, and AI Factory, but excludes Classical AI, Data Analytics, and GenAI-enabled delivery.
- Non-linearity is evident as revenue grew faster than headcount (2.4% vs. 1.6%), reflecting productivity gains driven by AI.

### Valuation and view

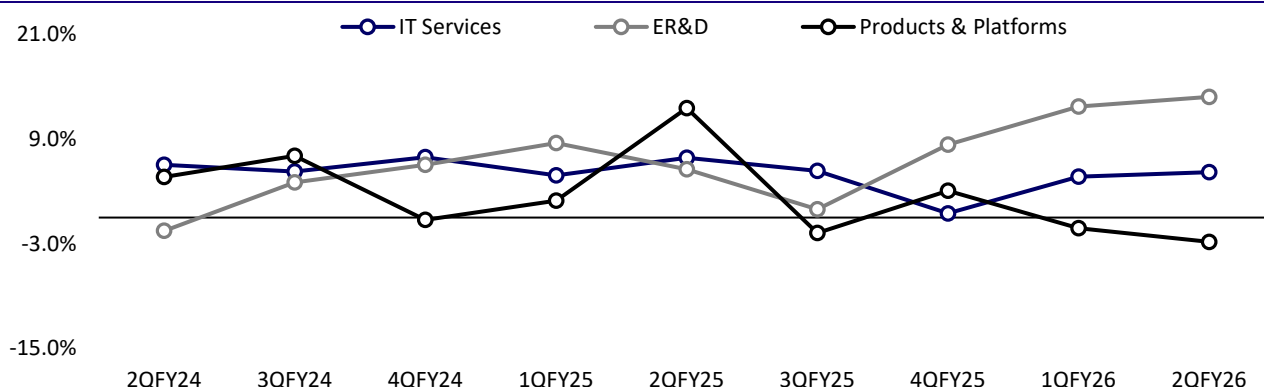
- We expect HCLT to deliver a CAGR of 5.3%/7.2% in USD revenue/INR PAT over FY25-27. The company remains the fastest-growing large-cap IT services firm, and we like its all-weather portfolio. We have largely kept our estimates unchanged. Reiterate **BUY** with a TP of INR1,800 (based on 24x Jun'27E EPS).

**Exhibit 1: P&P business returned to growth**
**HCL Software - QoQ Growth**


Source: MOFSL, Company

**Exhibit 2: FY26 IT services growth guidance at 4-5% YoY CC**
**Services - QoQ Growth**


Source: MOFSL, Company

**Exhibit 3: P&P business saw a YoY decline in USD terms, while IT Services and ER&D delivered healthy growth**


Source: Company, MOFSL

**Exhibit 4: RoW led growth; Europe also grew, while Americas saw modest growth**

Geographies (YoY CC Growth, %)	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
Americas	18.2	12.3	10.0	7.3	3.9	6.7	6.8	8.0	7.5	6.2	0.1	0.5	2.4
Europe	21.8	23.3	14.6	10.5	3.9	1.7	5.5	3.0	4.2	2.6	4.3	9.6	7.6
ROW	13.7	11.6	1.4	-6.0	-3.6	-7.5	-7.1	-3.6	-2.6	2.9	23.2	15.0	17.9
India												1.3	0.6

Source: Company, MOFSL

**Exhibit 5: BFSI and Technology led growth, while Retail and CPG are likely to see good momentum going forward**

Verticals (YoY CC Growth, %)	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
Financial Services	15.4	8.8	9.6	14.4	12.5	12.9	12.1	-1.3	-4.5	-1.4	0.7	6.8	11.4
Manufacturing	21.8	21.2	11.8	16.5	3.3	5.8	9.8	3.5	7.1	0.0	-6.1	-1.0	-1.8
Technology & Services	26.6	19.3	17.9	-7.0	-9.5	-9.2	-8.6	2.7	5.6	7.6	10.8	13.7	13.9
Retail & CPG	11.9	-3.8	11.8	3.2	8.1	11.7	8.2	9.7	6.2	17.2	9.5	8.2	5.5
Telecommunications, Media, Publishing & Entertainment	27.1	27.9	8.9	-11.7	-10.4	8.3	6.5	69.2	61.2	33.1	24.3	13.0	11.7
Lifesciences & Healthcare	14.4	19.5	1.6	13.4	9.8	0.5	5.4	-4.1	-2.8	-1.1	-7.4	-4.0	-3.0
Public Services	17.6	16.7	7.6	6.8	1.7	-0.6	0.1	-3.7	-2.0	-4.6	-0.5	-2.4	2.2

Source: Company, MOFSL

### Quarterly Performance

(INR b)

Y/E March	FY25				FY26E				FY25	FY26E	Est.	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QFY26	(% / bp)
Revenue (USD m)	3,364	3,445	3,533	3,498	3,545	3,644	3,716	3,755	13,840	14,660	3,625	0.5
QoQ (%)	-1.9	2.4	2.5	-1.0	1.3	2.8	2.0	1.0	4.3	5.9	2.3	52bp
Revenue (INR b)	281	289	299	302	303	319	330	333	1,171	1,286	316	0.9
YoY (%)	6.7	8.2	5.1	6.1	8.2	10.7	10.3	10.1	6.5	9.8	9.6	104bp
GPM (%)	34.5	34.9	35.6	34.7	33.7	34.1	35.0	34.8	34.9	34.4	34.3	-18bp
SGA (%)	12.4	11.5	11.3	11.8	12.3	11.9	12.0	12.5	11.7	12.2	12.5	-57bp
EBITDA	58	64	69	65	60	67	71	70	255	268	65	3.2
EBITDA Margin (%)	20.6	22.1	23.0	21.5	19.8	20.9	21.6	20.9	21.8	20.8	20.4	45bp
EBIT	48	54	58	54	49	56	60	58	214	223	53	4.2
EBIT Margin (%)	17.1	18.6	19.5	18.0	16.3	17.4	18.1	17.4	18.3	17.3	16.8	53bp
Other income	9	3	3	3	2	2	7	7	18	17	5	-68.0
ETR (%)	25.4	25.5	25.1	24.9	25.9	25.7	25.0	25.0	25.2	25.4	25.0	70bp
Adjusted PAT	43	42	46	43	38	42	50	48	174	179	43	-2.6
QoQ (%)	6.8	-0.5	8.4	-6.2	-10.8	10.2	17.2	-2.4			13.1	-295bp
YoY (%)	20.5	10.5	5.5	8.1	-9.7	0.0	8.1	12.5	10.8	2.9	2.7	-268bp
EPS	15.7	15.6	16.9	15.9	14.2	15.6	18.3	17.9	63.9	65.9	16.0	-2.6

E: MOFSL Estimates

### Key Performance Indicators

Y/E March	FY25				FY26		FY25
	1Q	2Q	3Q	4Q	1Q	2Q	
Revenue (QoQ CC %)	-1.6	1.6	3.8	-0.8	-0.8	2.4	
<b>Costs (% of revenue)</b>							
COGS	65.5	65.1	64.4	65.3	66.3	65.9	65.1
SGA	12.4	11.5	11.3	11.8	12.3	11.9	11.7
<b>Margins</b>							
Gross Margin	34.5	34.9	35.6	34.7	33.7	34.1	34.9
EBIT Margin	17.1	18.6	19.5	18.0	16.3	17.4	18.3
Net Margin	15.2	14.7	15.4	14.2	12.7	13.3	14.9
<b>Operating metrics</b>							
Headcount (k)	219	219	221	223	223	227	223
Attrition (%)	12.8	12.9	13.2	13.0	12.8	12.6	13.0
<b>Key Verticals (YoY CC %)</b>							
BFSI	-1.3	-4.5	-1.4	0.7	6.8	11.4	-1.6
Manufacturing	3.5	7.1	0.0	-6.1	-1.0	-1.8	0.9
<b>Key Geographies (YoY CC %)</b>							
North America	8.0	7.5	6.2	0.1	0.5	2.4	5.3
Europe	3.0	4.2	2.6	4.3	9.6	7.6	3.5



## Key highlights from the management commentary

### Demand and industry outlook

- Demand environment remains largely unchanged QoQ; BFSI and Technology are seeing healthy momentum, while auto continues to lag.
- Discretionary spending in some areas has become mandatory, driven by M&A and carve-outs at the clients' end, mostly linked to transformation programs.
- Legacy modernization, led by AI platforms, continues to be the biggest demand driver with several USD100m+ program opportunities. The company won a large deal from a Europe-based retailer in this space.
- Broad-based growth continues on the back of strong execution.
- The company remains committed to an asset-light model, focusing on monetized IPs. Its "AI Factory" will service large DC programs — a scalable opportunity with minimal capex.
- Focused on two AI priorities: The company is building IPs around the intelligence layer developed by Tech OEMs, OpenAI, and hyperscalers to make it enterprise-ready. It is proactively transforming existing services to make them future-ready, even if it disrupts the current models.
- Revenue grew 2.4% QoQ in CC, led by robust growth in IT Services and ER&D. The software business remained soft due to lower perpetual licensing revenue, partly offset by higher subscription revenue.
- Pricing models are evolving from licensing-based approaches for proprietary IP to outcome/value-sharing models for productivity-linked engagements (e.g., SDLC productivity improvements).
- The company is actively investing in creating IPs to drive stickiness and differentiation, leveraging intelligence from partners like OpenAI and Llama while developing proprietary offerings such as AI Force.
- AI infra investments by hyperscalers present major opportunities in AI Factory design, implementation, and long-term operation revenue. HCLTech is already engaged with a top-10 global player on one such project.
- The company recorded USD2.5b TCV during this quarter, which was achieved without any mega deals, reflecting its robust sales engine.
- Bookings exclude renewals but include scope expansions; new billing metrics typically translate to revenue with a 1-2 quarter lag.
- AI is embedded in most deals, serving as a productivity enabler.
- Two large deals signed during the quarter were delayed from 1Q.
- 5 of 10 renewal deals saw higher ACV, driven by AI integration; others saw pricing deflation due to productivity pass-backs.
- Pilots are rapidly converting to large-scale programs, supporting advanced AI revenue growth.
- The company is targeting to lift quarterly TCV run-rate from USD2b to USD2.5b, supported by a strong pipeline and win ratios.
- It has continued investments in the sales engine; Public Services GTM added a new client this quarter.
- The company has raised full-year IT Services growth guidance to 4–5% (from 3–5%), driven by sustained revenue momentum.
- Overall revenue growth guidance is maintained at 3–5%, factoring in softness in the Products business (perpetual license decline).

- **BFSI:** Strong share gains seen in financial services.
- **Manufacturing:** Auto sector weakness continues to drag, though other manufacturing segments show recovery.
- **Retail & CPG:** Solid momentum has been observed in large-scale SDLC transformation and integration work related to M&A and carve-outs.
- **Life Sciences & Healthcare:** The segment is expected to mirror growth in Retail & CPG.
- **Products & Platforms (P&P):** Business continues to grow steadily, supported by recurring subscription revenue.
- Net headcount rose 1.6% QoQ to 226,640, with 5,196 freshers added in 2QFY26.
- Non-linearity is visible as revenue grew faster than headcount (2.4% vs. 1.6%), reflecting productivity gains from AI.
- The company plans to onboard more freshers YoY while optimizing existing workforce.
- **On Gen AI:** Advanced AI revenue crossed USD100m, contributing ~3% of total revenue, with a balanced mix across services and software. This includes Agentic AI, Physical AI, AI Engineering, and AI Factory but excludes Classical AI, data analytics, and delivery using GenAI.
- **AI Force platform:** The platform has already been deployed across 47 accounts with a target of 100 clients.
- **AI Factory** has formed partnerships with NVIDIA, DELL, and HP, with demand scaling rapidly and delivery capability expanding.
- AI deflation potential estimated as: BPO: 40–50%, SDLC: 25–30%, IT Ops: 10–20%, IMS: incremental 10–15% (if automation through ML).
- The company continues its localization efforts with reduced visa reliance and higher local hiring.
- It has declared an interim dividend of INR 12/share for 2QFY26.
- Client pyramid expansion: Growth in USD 10–20m buckets driven by cross-sell and upsell; mega deals (>USD 100mn) feed into these cohorts over time.
- Integrated GTM organization now enables joint selling of IT and engineering services.
- No large acquisitions are planned; focus remains on capability-led, AI-centric acquisitions.
- Benefits are expected to materialize over multiple years, with an improvement in productivity and delivery velocity.

### Margin performance

- EBIT margin expanded ~120bp QoQ to 17.4%, aided by recovery plans.
- 55bp impact from restructuring (skills mismatch and redundant facilities from past acquisitions) will continue through 3Q and possibly spill into 4Q (~40bp FY impact).
- **Margin walk:** Software business profitability +35bp, Services +81bp (one-off absence +30bp, Project Ascent +50bp, Forex +56bp, Restructuring -55bp).
- Wage hikes, effective from Oct 1st (3Q), are expected to impact margins by 70–80bp, with ~40bp incremental impact in 4Q.
- Quarterly variable pay for junior employees has been converted into fixed pay; annual performance bonuses remain unchanged.
- The company will prioritize investments in AI despite near-term margin headwinds.

### Valuation and view

- We expect HCLT to deliver a CAGR of 5.3%/7.2% in USD revenue/INR PAT over FY25-27E. The company remains the fastest-growing large-cap IT services firm, and we like its all-weather portfolio. We have largely kept our estimates unchanged. Reiterate **BUY** with a TP of INR1,800 (based on 24x Jun'27E EPS).

### Exhibit 6: Revised estimates

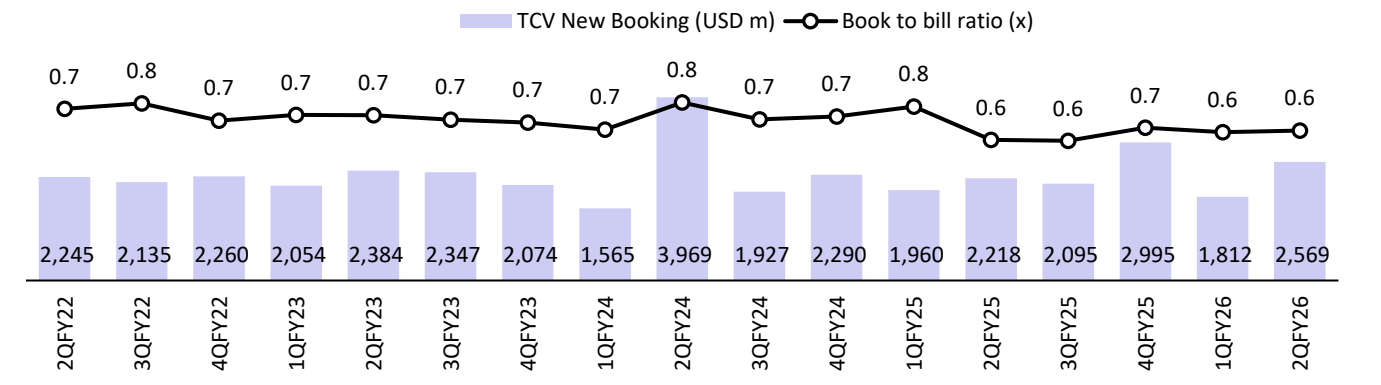
	Revised			Earlier			Change		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
INR/USD	87.7	88.7	88.7	87.6	88.7	88.7	0.1%	0.0%	0.0%
USD Revenue - m	14,660	15,356	16,312	14,617	15,225	16,147	0.3%	0.9%	1.0%
Growth (cc %)	4.0	4.7	5.5	3.6	4.1	5.0	40bps	60bps	60bps
EBIT margin - Overall (%)	17.3	17.8	17.8	17.3	17.8	17.7	0bps	10bps	10bps
PAT (INR B)	179	200	209	179	197	206	0.1%	1.2%	1.4%
EPS	65.9	73.6	77.0	65.9	72.8	76.0	0.1%	1.1%	1.3%

Source: MOFSL



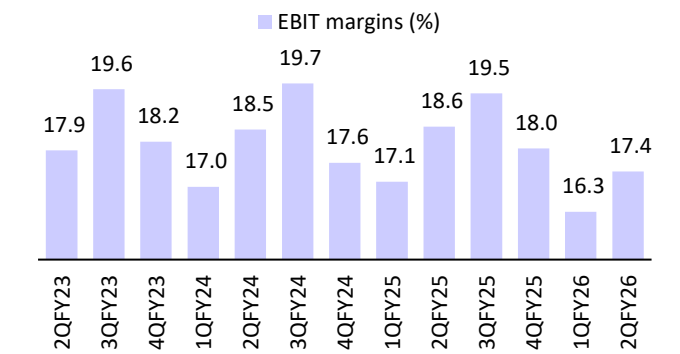
## Story in charts

**Exhibit 1: TCV (new deal wins) at USD2,569m; record TCV without any mega deal**



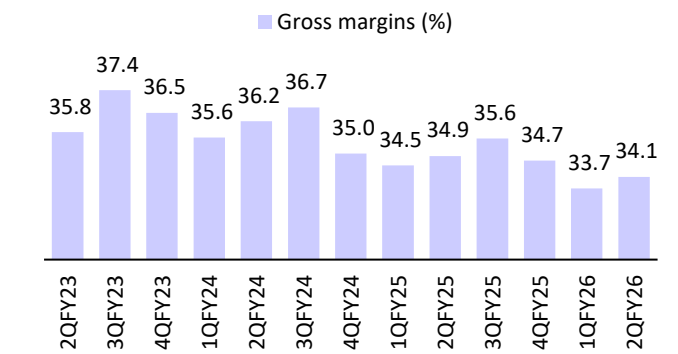
Source: Company, MOFSL

**Exhibit 2: EBIT margins expanded despite restructuring costs**



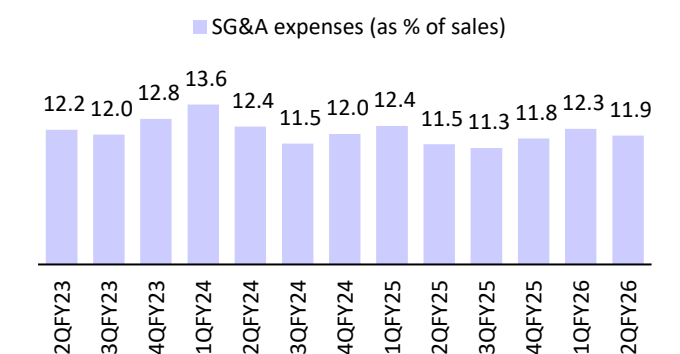
Source: Company, MOFSL

**Exhibit 3: Gross margins expanded 50bp QoQ**



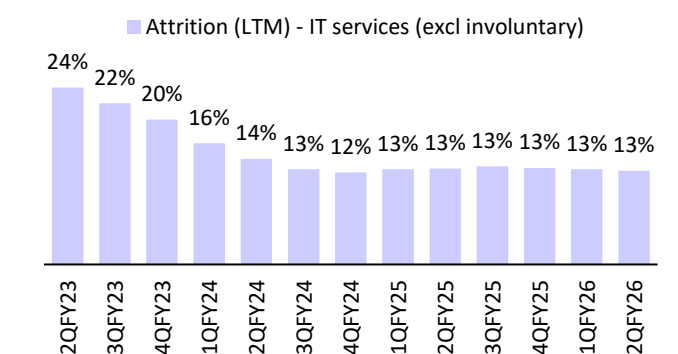
Source: Company, MOFSL

**Exhibit 4: SG&A expenses declined 40bp QoQ**



Source: Company, MOFSL

**Exhibit 5: LTM attrition remains stable**



Source: Company, MOFSL



## Operating metrics

### Exhibit 6: Operating metrics

	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
<b>Service-wise (%)</b>									
IT and Business Services	74.6	71.7	74.4	74.5	74.6	73.0	73.3	74.0	74.2
Engineering and R&D Services	16.0	16.4	16.1	15.9	15.8	16.0	17.1	17.0	17.0
Products and Platform	9.4	11.9	9.5	9.6	9.9	11.3	9.6	9.0	9.1
<b>Vertical-wise (Services) (%)</b>									
BFSI	22.6	21.7	21.6	21.0	20.5	20.3	21.1	21.6	21.7
Manufacturing	19.0	20.1	20.4	19.4	19.5	19.1	18.6	18.6	18.3
Technology and Services	14.4	12.8	12.3	13.0	13.1	13.3	13.4	14.0	14.0
Retail and CPG	9.6	9.6	9.1	9.4	9.6	10.6	9.7	9.7	9.6
Telecom MP&E	8.0	9.7	11.5	12.2	12.1	12.3	13.9	13.1	12.7
Life Sciences	17.5	16.4	16.3	15.9	16.0	15.5	14.7	14.5	14.7
Public Services	9.9	9.7	8.8	9.1	9.2	8.9	8.6	8.5	8.9
<b>Geography-wise (Services) (%)</b>									
US	64.5	64.5	65.2	59.6	65.1	65.5	57.4	56.5	56.2
Europe	28.5	29.0	28.9	25.9	28.4	28.2	27.5	28.3	28.3
RoW	7.0	6.4	5.9	11.0	6.5	6.3	12.0	11.9	12.4
India*							3.1	3.3	3.2
<b>Client-wise (%)</b>									
Top five clients	9.8	9.8	10.4	11.4	12.1	12.6	12.7	12.6	12.4
Top 10 clients	17.2	17.7	18.8	19.6	20.1	20.3	20.2	20.2	19.9
Top 20 clients	27.3	28.0	29.0	30.1	30.8	30.9	30.4	29.9	29.5

Source: Company, MOFSL

## Financials and valuations

Income Statement								(INR b)
Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
<b>Sales</b>	<b>754</b>	<b>857</b>	<b>1,015</b>	<b>1,099</b>	<b>1,171</b>	<b>1,286</b>	<b>1,362</b>	<b>1,447</b>
Change (%)	6.7	13.6	18.5	8.3	6.5	9.8	6.0	6.2
Cost of Goods Sold	467	546	662	721	778	861	900	957
<b>Gross Profit</b>	<b>287</b>	<b>311</b>	<b>353</b>	<b>378</b>	<b>392</b>	<b>424</b>	<b>462</b>	<b>490</b>
Selling & Admin Exp.	93	109	127	136	137	157	170	181
<b>EBITDA</b>	<b>193</b>	<b>202</b>	<b>226</b>	<b>242</b>	<b>255</b>	<b>268</b>	<b>292</b>	<b>309</b>
% of Net Sales	25.6	23.6	22.3	22.0	21.8	20.8	21.4	21.4
Depreciation	40	40	41	42	41	45	49	52
<b>EBIT</b>	<b>153</b>	<b>162</b>	<b>185</b>	<b>200</b>	<b>214</b>	<b>223</b>	<b>243</b>	<b>257</b>
% of Net Sales	20.4	18.9	18.2	18.2	18.3	17.3	17.8	17.8
Other Income	7	8	10	9	18	17	24	22
<b>PBT</b>	<b>160</b>	<b>170</b>	<b>195</b>	<b>210</b>	<b>233</b>	<b>240</b>	<b>267</b>	<b>279</b>
Tax	41	34	46	53	59	61	67	70
Rate (%)	25.4	20.3	23.8	25.1	25.2	25.4	25.0	25.0
EO Item (net)	0	0	0	0	0	0	0	0
Minority interest	1	0	0	0	0	0	0	0
<b>Adjusted PAT</b>	<b>119</b>	<b>135</b>	<b>148</b>	<b>157</b>	<b>174</b>	<b>179</b>	<b>200</b>	<b>209</b>
Change (%)	7.4	13.7	9.9	5.7	10.8	2.9	11.6	4.6

Balance Sheet								(INR b)
Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Reserves	615	620	654	683	697	687	677	666
<b>Net Worth</b>	<b>615</b>	<b>620</b>	<b>654</b>	<b>683</b>	<b>697</b>	<b>687</b>	<b>677</b>	<b>666</b>
Loans	39	39	21	22	1	1	1	1
Other liabilities	55	43	45	66	78	83	85	87
<b>Capital Employed</b>	<b>709</b>	<b>703</b>	<b>720</b>	<b>771</b>	<b>775</b>	<b>771</b>	<b>763</b>	<b>754</b>
Gross Block	546	560	596	643	694	720	747	776
Less : Depreciation	168	208	249	291	332	377	426	478
<b>Net Block</b>	<b>378</b>	<b>352</b>	<b>347</b>	<b>352</b>	<b>362</b>	<b>343</b>	<b>321</b>	<b>298</b>
Other assets	69	57	51	52	71	74	75	75
Investments	140	85	112	178	206	206	206	206
<b>Curr. Assets</b>	<b>291</b>	<b>397</b>	<b>425</b>	<b>416</b>	<b>416</b>	<b>456</b>	<b>487</b>	<b>522</b>
Debtors	175	207	255	255	258	281	295	311
Cash & Bank Balance	65	105	91	95	82	92	105	119
Other Current Assets	50	85	80	66	75	82	87	93
<b>Current Liab. &amp; Prov</b>	<b>168</b>	<b>188</b>	<b>214</b>	<b>227</b>	<b>280</b>	<b>308</b>	<b>326</b>	<b>347</b>
<b>Net Current Assets</b>	<b>123</b>	<b>209</b>	<b>211</b>	<b>189</b>	<b>136</b>	<b>148</b>	<b>161</b>	<b>175</b>
<b>Application of Funds</b>	<b>709</b>	<b>703</b>	<b>720</b>	<b>771</b>	<b>775</b>	<b>771</b>	<b>763</b>	<b>754</b>

## Financials and valuations

Ratios								
Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
<b>Diluted (INR)</b>								
<b>EPS</b>	<b>43.8</b>	<b>49.8</b>	<b>54.8</b>	<b>57.9</b>	<b>63.9</b>	<b>65.9</b>	<b>73.6</b>	<b>77.0</b>
Cash EPS	58.5	64.6	70.1	73.3	78.9	82.6	91.7	96.2
Book Value	226.7	228.6	241.6	252.1	256.0	253.7	249.9	245.9
DPS	26.0	44.0	48.0	48.0	60.0	59.3	66.3	69.3
Payout (%)	59.4	88.3	87.6	82.9	93.9	90.0	90.0	90.0
<b>Valuation (x)</b>								
P/E	34.1	30.0	27.3	25.8	23.4	22.7	20.3	19.4
Cash P/E	25.6	23.1	21.3	20.4	19.0	18.1	16.3	15.5
EV/EBITDA	20.9	19.7	17.6	16.4	15.6	14.8	13.5	12.7
EV/Sales	5.3	4.7	3.9	3.6	3.4	3.1	2.9	2.7
Price/Book Value	6.6	6.5	6.2	5.9	5.8	5.9	6.0	6.1
Dividend Yield (%)	1.7	2.9	3.2	3.2	4.0	4.0	4.4	4.6
<b>Profitability Ratios (%)</b>								
RoE	21.0	21.9	23.3	23.5	25.2	25.8	29.3	31.1
RoCE	18.7	19.6	21.1	21.7	22.9	24.0	26.6	28.7
<b>Turnover Ratios</b>								
Debtors (Days)	85	88	92	85	81	80	79	78
Asset Turnover (x)	2.0	2.4	2.9	3.1	3.2	3.8	4.2	4.9

Cash Flow Statement						(INR b)		
Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
CF from Operations	166	174	193	201	213	224	249	261
Chg. in Working Capital	30	-5	-13	23	10	-1	1	1
<b>Net Operating CF</b>	<b>196</b>	<b>169</b>	<b>180</b>	<b>224</b>	<b>223</b>	<b>223</b>	<b>250</b>	<b>263</b>
Net Purchase of FA	-18	-16	-14	-10	-11	-26	-27	-29
Net Purchase of Invest.	-40	30	-25	-57	-38	0	0	0
<b>Net Cash from Inv.</b>	<b>-57</b>	<b>15</b>	<b>-39</b>	<b>-67</b>	<b>-49</b>	<b>-26</b>	<b>-27</b>	<b>-29</b>
Issue of shares/other adj.	0	0	0	0	0	0	0	0
Proceeds from LTB/STB	-79	-31	-29	-14	-23	0	0	0
Dividend Payments	-33	-114	-130	-141	-163	-188	-210	-220
<b>Net CF from Finan.</b>	<b>-112</b>	<b>-145</b>	<b>-159</b>	<b>-154</b>	<b>-186</b>	<b>-188</b>	<b>-210</b>	<b>-220</b>
Free Cash Flow	179	153	166	214	212	198	223	234
<b>Net Cash Flow</b>	<b>27</b>	<b>39</b>	<b>-18</b>	<b>3</b>	<b>-12</b>	<b>10</b>	<b>13</b>	<b>14</b>
Forex difference	1	1	4	1	0	0	0	0
<b>Opening Cash Balance</b>	<b>38</b>	<b>66</b>	<b>106</b>	<b>91</b>	<b>95</b>	<b>83</b>	<b>93</b>	<b>106</b>
<b>Closing Cash Balance</b>	<b>66</b>	<b>106</b>	<b>91</b>	<b>95</b>	<b>83</b>	<b>93</b>	<b>106</b>	<b>119</b>

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Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	> - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com

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