

Inline Q2; Growth guide intact; margin recovery holds key

- HCLT reported rev of \$3,644mn, up 2.4% QoQ in CC (in-line) driven by modest recovery in select verticals. The IT/ER&D/Software biz. saw positive sequential movement of 2.6%/2.2%/0.5% QoQ. Mgmt. indicated no material change in overall demand environment.
- The company raised its IT services growth guidance to 4–5% CC, while maintaining overall revenue growth guidance at 3–5% in CC (positive for Services, but implies decline in Software biz for FY26). OPM improved by 110bps to 17.5%; EBIT margin guidance retained at 17–18% (DE at 16.9%).
- Revenue commentary shows no signs of concern but lacks any revenue thrust either, while OPM recovery is likely to be slow, given wage hike pressure in Q3. Factoring this, we lower our FY26E/FY27E earnings by 3.7%/2.6% (FY28E introduced). However, given recent sharp correction, we have now revised our rating to 'Accumulate' with an unchanged TP of Rs. 1,700, valued at 23x of FY28E earnings.

Four Pillars for Overall AI Vision Ahead

HCL's AI strategy rests on four pillars: 1) proactively transforming existing services even if it disrupts current revenue; 2) building differentiated IP to make hyper-scaler intelligence enterprise-ready and scalable (like AI force platform); 3) expanding into new AI-led services including AI factory, AI engineering, and AI advisory; and 4) strengthening partnerships across the entire AI stack from GPU providers to model platforms to deliver end-to-end solutions driving real business outcomes.

Strong TCV Growth and AI-Driven Wins

Achieved TCV of \$2.6bn in Q2 (up ~9% TTM), surpassing the \$2.5bn mark for the first time without any mega deals. Growth was well-balanced across services, geographies, and verticals, aided by ramp-up of two large deals deferred from Q1. Nearly all wins featured advanced AI capabilities, with AI revenue now exceeding \$100mn (~3% of revenue) and continuing to scale, supported by strong client adoption and expanding use cases, further reinforcing its leadership in enterprise AI and digital transformation.

IT serv. Rev Guidance raised, Margins up despite headwinds

Raised its full-year services rev guidance to 4%–5%, retaining overall revenue guidance at 3%–5% as some softness in software biz is visible. Q2 OPM improved ~110 bps QoQ, supported by Software segment OPM (+35bps), absence of 1x cost (+30bps), utilization (+50bps), forex (+56bps) offset by restructuring cost (-55bps). Wage hikes in Q3 and Q4 are expected to act as margins headwind by about (70-80bps in Q3 & 40-50bps in Q4) but are factored into the margin outlook (we expect HCLT to miss its OPM outlook for FY26 marginally).

Key Data

Nifty	25,227
Equity / FV	Rs 5,430mn / Rs 2
Market Cap	Rs 4,056bn
	USD 45.7bn
52-Week High/Low	Rs 2,012/ 1,357
Avg. Volume (no)	32,48,350
Bloom Code	HCLT IN

	Current	Previous
Rating	Accumulate	Reduce
Target Price	1,700	1,700

Change in Estimates

(Rs.bn)	Current FY26E	Current FY27E	Chg (%) /bps FY26E	Chg (%) /bps FY27E
Revenue	1,271	1,354	2.5	1.8
EBITDA	257	282	(3.9)	(2.5)
EBITDA (%)	20.2	20.8	(134)	(91)
APAT	169	187	(3.7)	(2.6)
EPS (Rs)	62.2	69.0	(3.7)	(2.6)

Valuation (x)

	FY26E	FY27E	FY28E
P/E	24.0	21.7	20.2
EV/EBITDA	15.6	14.1	13.2
ROE (%)	24.1	26.4	27.7
RoACE (%)	23.2	25.3	26.5

Q2FY26 Result (Rs Mn)

Particulars	Q2FY26	YoY (%)	QoQ (%)
Revenue	3,19,420	10.7	5.2
Total Expense	2,53,490	12.7	4.3
EBITDA	65,930	3.5	9.2
Depreciation	10,430	3.6	(4.6)
EBIT	55,500	3.5	12.3
Other Income	1,520	(53.2)	(38.5)
Interest	0		
EBT	57,020	0.3	9.9
Tax	14,660	1.1	9.0
RPAT	42,350	0.0	10.2
APAT	42,350	0.0	10.2
		(bps)	(bps)
Gross Margin	32.6	(96)	39
EBITDA (%)	20.6	(143)	76
NPM (%)	13.3	(141)	60
Tax Rate (%)	25.7	21	(21)
EBIT (%)	17.4	(120)	109

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Exhibit 1: Quarterly performance versus estimates

Particulars (Rs mn)	Actual	Estimates		% Variation		Comment
		Dolat	Consensus	Dolat	Consensus	
USD Revenue	3,644	3,625	3,613	0.5	0.9	Inline as verticals broadly recover growth
INR Revenue	3,19,420	3,19,342	3,16,209	0.0	1.0	
EBIT	55,500	54,288	54,072	2.2	2.6	Beat led by Fx and better growth efficiencies
EBIT, margin	17.4	17.0	17.1	40 bps	30 bps	
PAT	42,350	42,500	42,688	(0.4)	(0.8)	Inline

Source: Company, Dolat Capital

Change in Estimates

For FY26E/FY27E: Noting narrowed FY26 guidance on the lower end and largely unchanged macro environment, we slightly tweak our revenue estimates by +0.6% / -0.5% respectively. OPM estimates have been lowered by 112bps/65bps, noting the ongoing restructuring program and wage hike rollouts. Overall, earnings have been lowered by 3.7/2.6%. We also introduce FY28 estimates (with Rev growth of 6% and 20bps OPM improvement).

Exhibit 2: Change in Estimates

Particulars (Rs. mn)	FY25A	FY26E			FY27E			FY28E
	Actual	Old	New	Chg.(%)	Old	New	Chg.(%)	Introduced
USD Revenue	13,882	14,486	14,579	0.6	15,380	15,303	(0.5)	16,226
YoY growth,	4.2	4.4	5.0	67 bps	6.2	5.0	(121 bps)	6.0
INR Revenue	11,70,550	12,40,728	12,71,341	2.5	13,30,375	13,54,309	1.8	14,44,107
YoY growth,	6.5	6.0	8.6	262 bps	7.2	6.5	(70 bps)	6.6
EBIT	2,14,210	2,23,144	2,14,439	(3.9)	2,44,636	2,40,179	(1.8)	2,58,789
EBIT Margin,	18.3	18.0	16.9	(112 bps)	18.4	17.7	(65 bps)	17.9
Net Profit	1,73,910	1,75,301	1,68,865	(3.7)	1,92,227	1,87,241	(2.6)	2,00,546
EPS (Rs)	64.1	64.6	62.2	(3.7)	70.9	69.0	(2.6)	73.9

Source: Dolat Capital, Company

What to expect next quarter

We expect Q3 to see modest but continued revenue growth of 1.4% (2%+ in CC terms) amid a healthy deal pipeline and favourable seasonality in the Software biz. We expect margins to moderate by 33bps QoQ, given the announcement of wage hikes, further restructuring costs that would negate operational efficiencies and a superior revenue mix.

Exhibit 3: What to Expect Next Quarter

Particulars	Q3FY26E	Q2FY26	Q3FY25	QoQ (%)	YoY (%)
USD Revenue	3,695	3,644	3,533	1.4	4.6
INR Revenue	3,25,136	3,19,420	2,98,900	1.8	8.8
EBIT	55,420	55,500	58,210	(0.1)	(4.8)
PAT	44,314	42,350	45,910	4.6	(3.5)
EPS (Rs. Abs)	16.3	15.6	16.9	4.6	(3.5)
EBIT Margin (%)	17.0	17.4	19.5	(33 bps)	(243 bps)

Source: Company, Dolat Capital

Exhibit 4: Key Assumptions in our estimates

Assumptions Table	FY24A	FY25A	FY26E	FY27E	FY28E
CC revenue growth (%)	5.0	4.7	4.0	5.0	6.0
USD revenue growth (%)	5.8	4.2	5.0	5.0	6.0
INR revenue growth (%)	8.3	6.5	8.6	6.5	6.6
EBIT margins (% of sales)	18.2	18.3	16.9	17.7	17.9
EPS growth (%)	5.6	10.8	(2.9)	10.9	7.1
USD/INR	82.5	84.3	87.2	88.5	89.0

Source: Company, Dolat Capital

Exhibit 5: Key Revenue Matrix (YoY basis)

YoY Growth	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
CC Growth	3.4	4.3	6.0	5.6	6.2	4.1	2.9	3.7	4.6
USD Growth	4.6	5.3	6.0	5.1	6.8	3.5	2.0	5.4	5.8
INR Growth	8.0	6.5	7.1	6.7	8.2	5.1	6.1	8.2	10.7

Source: Company, Dolat Capital

Exhibit 6: Quarterly and YTD Trend

Particulars (mn)	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	YoY (%)	QoQ (%)	H1FY25	H1FY26	YoY (%)
USD Revenue	3,445	3,533	3,498	3,545	3,644	5.8	2.8	6,809	7,189	5.6
INR Revenue	2,88,620	298,900	302,460	303,490	3,19,420	10.7	5.2	5,69,190	6,22,910	9.4
Operating Exp.	2,24,930	230,300	237,640	243,140	2,53,490	12.7	4.3	4,47,560	4,96,630	11.0
Cost of revenues	1,91,840	196,610	201,990	205,830	2,15,380	12.3	4.6	3,79,550	4,21,210	11.0
as % of sales	66.5	65.8	66.8	67.8	67.4	96 bps	(39 bps)	66.7	67.6	94 bps
SG&A expenses	33,090	33,690	35,650	37,310	38,110	15.2	2.1	68,010	75,420	10.9
as % of sales	11.5	11.3	11.8	12.3	11.9	47 bps	(36 bps)	11.9	12.1	16 bps
EBITDA	63,690	68,600	64,820	60,350	65,930	3.5	9.2	1,21,630	1,26,280	3.8
Depreciation	10,070	10,390	10,400	10,930	10,430	3.6	(4.6)	20,050	21,360	6.5
EBIT	53,620	58,210	54,420	49,420	55,500	3.5	12.3	1,01,580	1,04,920	3.3
Other Income	3,250	3,110	2,930	2,470	1,520	(53.2)	(38.5)	12,370	3,990	(67.7)
PBT	56,870	61,320	57,350	51,890	57,020	0.3	9.9	1,13,950	1,08,910	(4.4)
Total Tax	14,500	15,380	14,260	13,450	14,660	1.1	9.0	28,980	28,110	(3.0)
PAT before MI	42,370	45,940	43,090	38,440	42,360	(0.0)	10.2	84,970	80,800	(4.9)
Minority Interest	20	30	20	10	10	(50.0)	0.0	40	20	(50.0)
PAT after MI	42,350	45,910	43,070	38,430	42,350	0.0	10.2	84,930	80,780	(4.9)
Reported EPS	15.6	16.9	15.9	14.2	15.6	(0.1)	10.2	31	30	(4.9)
Margins (%)						(bps)	(bps)			
EBIDTA	22.1	23.0	21.4	19.9	20.6	(143 bps)	76 bps	21.4	20.3	(110 bps)
EBIT	18.6	19.5	18.0	16.3	17.4	(120 bps)	109 bps	17.8	16.8	(100 bps)
EBT	19.7	20.5	19.0	17.1	17.9	(185 bps)	75 bps	20.0	17.5	(254 bps)
PAT	14.7	15.4	14.2	12.7	13.3	(141 bps)	60 bps	14.9	13.0	(195 bps)
ETR %	25.5	25.1	24.9	25.9	25.7	21 bps	(21 bps)	25.4	25.8	38 bps

Source: Company

Earnings Call KTAs

- **Revenue:** Reported revenue of \$3,644mn growing 2.4% QoQ and 4.6% YoY in CC, while 2.8% QoQ / 5.8% YoY is in USD terms.
- **Vertical-wise:** Financial services and Hi-Tech maintained decent growth at 3.3% and 2.7% in USD terms respectively. Retail & CPG gained traction in M&A integration and AI-enabled SDLC transformation, growing 1.7%. Healthcare and public services showed strong momentum at 4.4% and 8.1% USD growth respectively. Manufacturing continues facing headwinds due to auto sector slowdown, remaining the primary weak spot.
- **Segment-wise commentary: IT & Services Business (74% of Rev)** grew 2.6% QoQ & 3.8% YoY (CC) & EBIT margin improved by 114bps QoQ. **ER&D Services (17% of Rev)** grew 2.2% QoQ & 13.4% YoY (CC) while EBIT margin declined by 26bps QoQ. **HCL Software (9% of Rev)** grew modestly by 0.5% QoQ & de-grew 3.7% YoY (CC) & EBIT margin significantly improved by 408bps QoQ.
- **Margin Commentary:** Operating margin expanded to 17.5%, up 109 bps QoQ, driven by software improvement (+35 bps), absence of Q1 one-time charges (+30 bps), Project Ascend utilization gains (+50 bps), and favorable forex (+56 bps), offset by restructuring expenses (-55 bps). Upcoming wage hikes (effective October) are expected to drag OPM by 70-80 bps in Q3 and 40-50 bps in Q4, already factored into the company's 17-18% full-year OPM guidance.
- **Employees & wage structure:** Added 3.5k employees in Q2 (total headcount: 2,26,640), with headcount growth of 1.6% versus revenue growth of 2.4%, demonstrating improved productivity. Fresher hiring doubled to 5,196 in Q2; H1 total of 7,180 represents 92% of last year's full-year intake, with ~80% from elite cadre program. Announced October wage hikes and converted quarterly variable pay to fixed monthly compensation for junior employees. Minimal H1-B visa impact due to low dependence, though some up-skilling and training costs expected.
- **Deal Wins:** Achieved landmark booking of \$2.6 bn (up 12% on a TTM basis). This is the first time crossing \$2.5 bn without any mega deals, demonstrating broad-based sales engine strength. Bookings were well-balanced across service lines, geographies, and verticals. Successfully closed two large deals delayed from Q1, thereby also slightly inflating Q2 numbers. Nearly all deals now include AI components, proving instrumental in winning strategic accounts.
- **Restructuring:** Continued restructuring with 55bps margin impact in Q2 from people and non-people costs, addressing skill/location mismatches and facility optimization from past acquisitions. This is a rebalancing exercise, not capacity reduction. Expected to continue through Q3 and possibly Q4, with full-year impact of ~40 bps (might be higher than this). Despite restructuring, HCL maintained its net positive on headcount additions.
- **Guidance & Outlook:** Raised full-year IT services rev guidance to 4-5% CC (from 3-5%) but maintained company-level guidance at 3-5% CC due to software segment softness (due to decline in perpetual licenses revenue). EBIT margin guidance of 17-18% remains on track despite restructuring cost impacts. Demand environment unchanged from last quarter.
- **AI Strategy:** Advanced AI revenue exceeded \$100 million (~3% of revenue), excluding classical AI and analytics. Expanding AI-led services (AI factory, engineering, advisory) and strengthening partnerships. Working with a top-10 tech company on AI factory projects with strong traction in AI-enabled transformations.

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

HCL Software Revenue	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Perpetual License & upfront	30.6	47.60	31.60	36.4	58.2	49.4	34.4	29.0	24.0
Subscription & Support	264.8	346.6	286.1	281.7	267.2	329.4	295.0	282.0	290.0
Professional Services	16.0	17.00	16.70	16.4	16.5	21.3	18.5	19.0	19.0
Total Revenue	318.2	419.0	341.5	341.7	341.9	400.1	347.9	330.0	333.0

Source: Company

Exhibit 8: HCL Software ARR

HCL Software ARR	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
ARR	1,032	1,062	1,024	1014	1,048	1,021	1,032	1,057	1,062
ARR growth YoY CC (%)	3.9	2.9	0.7	(0.3)	0.6	(0.6)	1.8	1.3	0.6

Source: Company

Exhibit 9: Vertical-wise Revenue Quarterly Trend

Vertical	Amount (\$ mn)	Mix (%)	QoQ (%) (CC)	YoY (%) (CC)	Incremental Revenue (\$ mn)	% Contribution of Incremental Revenue
Financial Services	791	22	2.6	11.4	25	26
Manufacturing	667	18	1.1	(1.8)	7	8
Technology and services	510	14	2.6	13.9	14	14
Retail & CPG	350	10	4.7	5.5	6	6
Telecom, Media, Publishing & Ent.	463	13	0.0	11.7	(2)	(2)
Lifesciences & Healthcare	536	15	4.0	(3.0)	22	23
Public Services	326	9	7.5	2.2	24	25
Total	3,644	100	2.4	4.6	98	100

Source: Company, Dolat Capital

Exhibit 10: Geography Wise Revenue Quarterly Trend

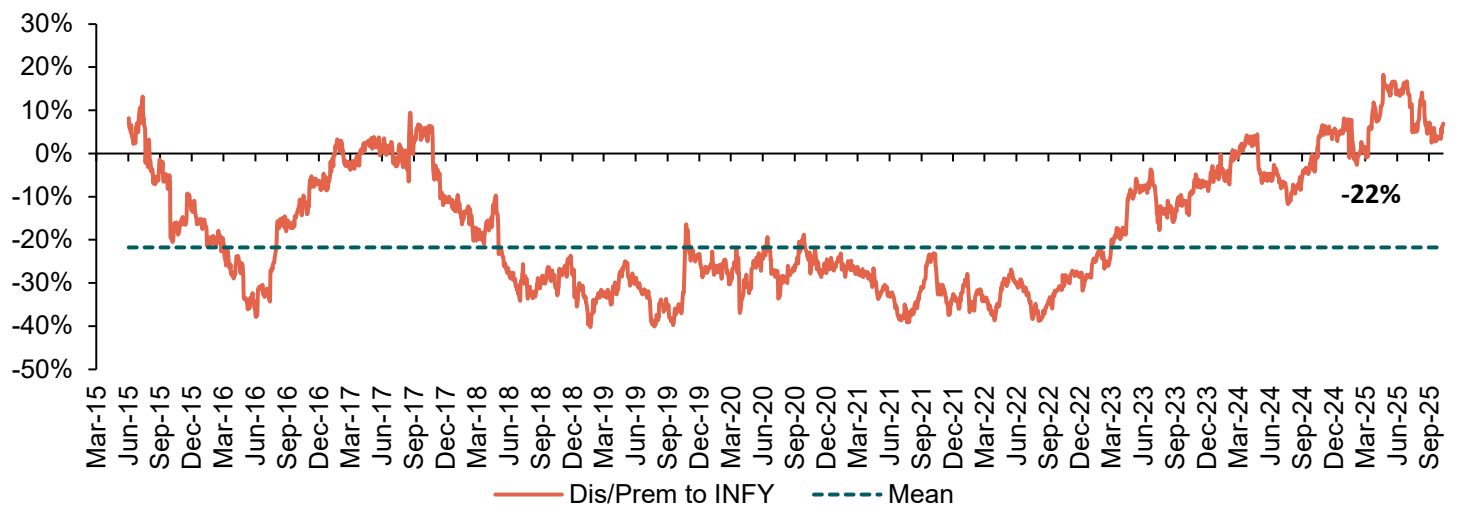
Geography	Amount (\$ mn)	Mix (%)	QoQ (%) (U.S\$)	YoY (%) (CC)	Incremental Revenue (\$ mn)	% Contribution of Incremental Revenue
USA	2,046	56	2.1	2.4	43	44
Europe	1,030	28	2.7	7.6	27	27
India	116	3	(1.2)	0.6	(1)	(1)
RoW	452	12	7.1	17.9	30	30
Total	3,644	100	2.8	4.6	98	100

Source: Dolat Capital, Company

Valuation

We believe that while HCLT guidance remains industry-leading, the slip in profitability has resulted in muted earnings growth for the year. We value the stock at 23x on FY28E earnings of Rs. 74 with an unchanged TP of Rs.1,700 per share, but given recent price corrections, we revise our rating now to **'Accumulate'**.

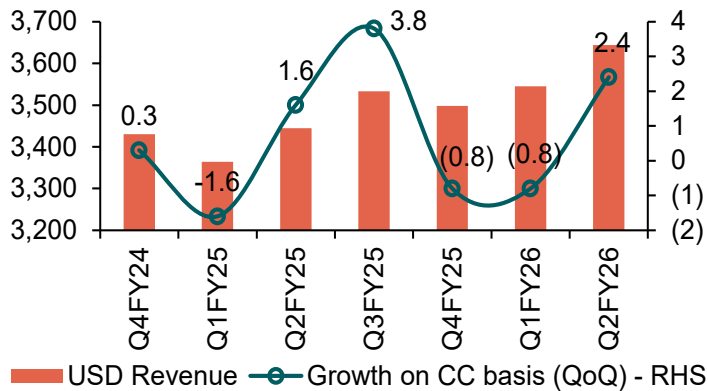
Exhibit 11: HCLT trading at ~7% premium to INFY vs Historical Mean Discount of ~22%



Source: Dolat Capital

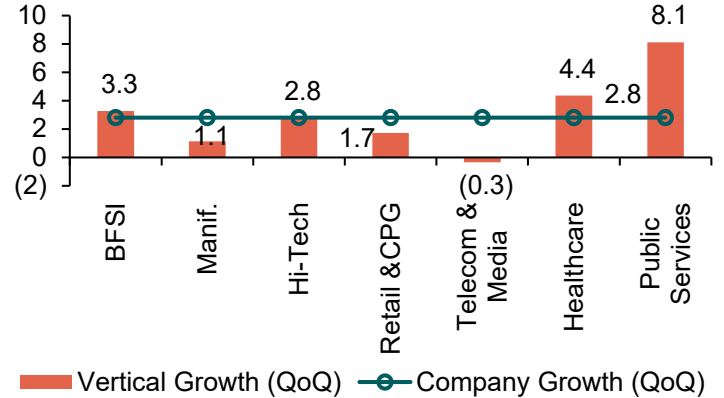
Key Trends in Charts

Exhibit 12: IT Serv supported a 2.4% CC growth



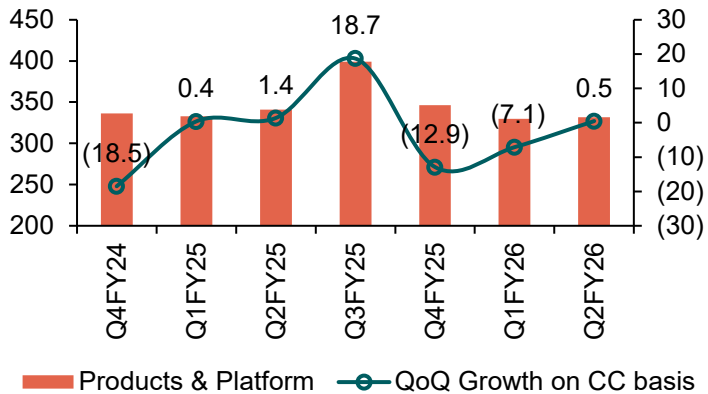
Source: Company, Dolat Capital

Exhibit 13: Growth pretty broad based



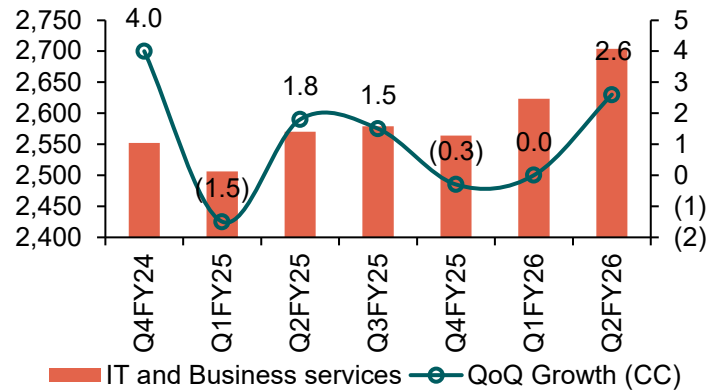
Source: Company, Dolat Capital

Exhibit 14: Soft Rev mildly recovered 0.5% QoQ



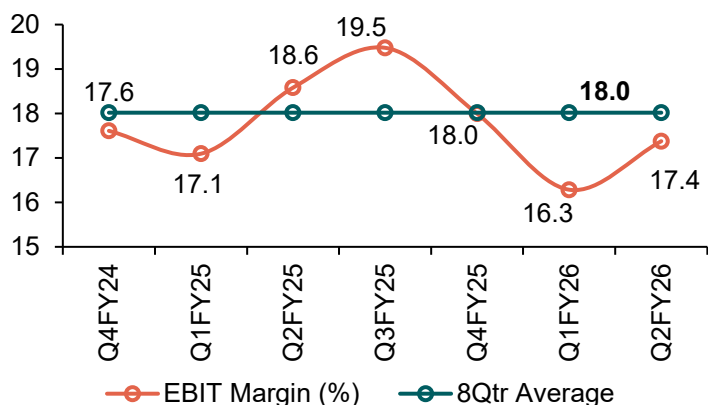
Source: Company, Dolat Capital

Exhibit 15: IT Services grew 2.6% QoQ in CC



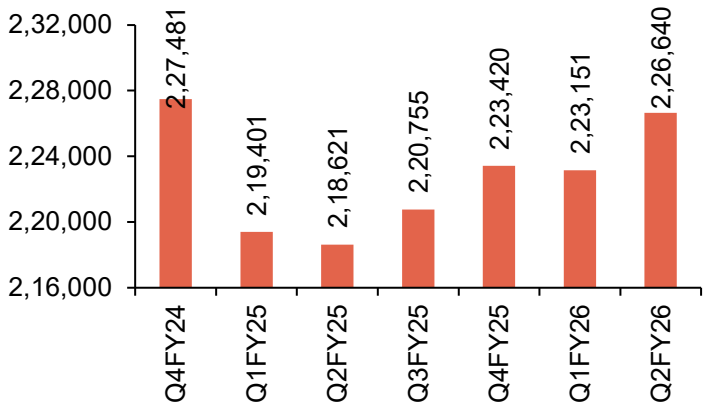
Source: Company, Dolat Capital

Exhibit 16: EBIT Margin improved by 110bps QoQ



Source: Company, Dolat Capital

Exhibit 17: Headcount increased by ~3.5k



Source: Company, Dolat Capital

Exhibit 18: Operating Metrics 1

Operating Metrics	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Segment Amount (\$ mn)									
IT and Business services	2,409	2,449	2,552	2,506	2,570	2,579	2,564	2,623	2,704
Engineering & R&D services	518	560	552	535	544	565	598	603	619
Products & Platforms	319	420	342	342	341	399	348	330	332
Segment Growth CC YoY (%)									
IT and Business services	4.6	4.3	6.7	5.3	6.2	5.8	1.4	0.0	3.8
Engineering & R&D services	(2.0)	3.6	6.4	8.4	4.3	1.1	8.5	4.7	13.4
Products & Platforms	3.6	5.0	6.7	3.5	9.4	(2.1)	9.9	18.3	(3.7)
Segment Growth CC QoQ (%)									
IT and Business services	0.9	1.9	4.0	(1.5)	1.8	1.5	(0.3)	0.0	2.6
Engineering & R&D services	5.0	8.7	(1.6)	(3.5)	1.1	5.4	5.5	(0.5)	2.2
Products & Platforms	(4.0)	32.0	(18.5)	0.4	1.4	18.7	(12.9)	(7.1)	0.5
Segmental OPM (%)									
IT and Business services	18.1	17.1	16.6	16.6	16.9	17.2	17.0	17.2	17.0
Engineering & R&D services	19.2	21.1	19.5	19.5	19.3	18.9	17.9	18.9	17.9
Products & Platforms	19.4	32.9	20.9	20.5	25.6	34.5	24.3	22.4	26.5
Vertical Amount (\$mn)									
BFSI	729	741	741	706	706	717	738	766	791
Manufacturing	622	686	700	653	672	675	651	659	667
Technology	422	437	422	437	451	470	469	496	510
Retail & CPG	310	328	312	316	331	374	339	344	350
Teleco., Media & Entert.	258	331	394	410	417	435	486	464	463
Healthcare	564	560	563	535	551	548	514	514	536
Public Services	319	331	302	306	317	314	301	301	326
Vertical Growth %YoY (CC)									
BFSI	12.5	12.9	8.6	(1.3)	(4.5)	(1.4)	0.7	6.8	11.4
Manufacturing	3.3	5.8	14.3	3.5	7.1	N.M	(6.1)	(1.0)	(1.8)
Technology	(9.5)	(9.2)	(8.7)	2.7	5.6	7.6	10.8	13.7	13.9
Retail & CPG	8.1	11.7	9.4	9.7	9.6	17.2	9.5	8.2	5.5
Telco., Media & Ent.	(10.4)	8.3	39.2	69.2	61.2	33.1	24.3	13.0	11.7
Healthcare	9.8	0.5	(1.0)	(4.1)	(2.8)	(1.1)	(7.4)	(4.0)	(3.0)
Public Services	1.7	(0.6)	(7.0)	(3.7)	(2.0)	(4.6)	(0.5)	(2.4)	2.2
Geography Amount (\$ mn)									
USA	NA	NA	NA	2,005	NA	NA	2,008	2,003	2,046
Europe	NA	NA	NA	871	NA	NA	962	1,003	1,030
India	NA	NA	NA	118	NA	NA	108	117	116
RoW	NA	NA	NA	370	NA	NA	420	422	451
Geography Growth YoY (%) (CC)									
USA	NA	NA	NA	NA	NA	NA	NA	0.5	2.4
Europe	NA	NA	NA	NA	NA	NA	NA	9.6	7.6
India	NA	NA	NA	NA	NA	NA	NA	1.3	0.6
RoW	NA	NA	NA	NA	NA	NA	NA	15.0	17.9

Source: Company, Dolat Capital *Geographical classifications have been re-stated, hence some comparable data is N/A.

Exhibit 19: Operating Metrics 2

Operating Metrics	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Client Amount (\$ mn)									
Top 5 Clients	316	335	357	383	417	445	444	447	452
Top 6-10 Clients	239	270	288	276	276	272	262	269	273
Top 11-20 Clients	326	352	350	353	369	374	357	344	350
Non-Top 20 Clients	2,344	2,459	2,435	2,351	2,384	2,441	2,435	2,485	2,569
Client Growth YoY(%)									
Top 5 Clients	(4.2)	0.2	9.2	22.3	31.9	33.0	24.5	16.5	8.4
Top 6-10 Clients	(4.4)	5.3	17.2	16.5	15.5	0.8	(8.9)	(2.3)	(0.8)
Top 11-20 Clients	7.8	8.4	7.1	10.4	13.2	6.5	2.0	(2.6)	(5.1)
Non-Top 20 Clients	6.5	5.6	4.3	0.9	1.7	(0.7)	0.0	5.7	7.8
Client Data									
1mn \$ +	971	958	951	951	952	952	948	956	954
5mn \$ +	402	401	395	404	402	398	399	402	406
10mn \$ +	243	250	254	256	251	248	251	255	258
20mn \$ +	132	132	137	133	137	136	138	144	151
50mn \$ +	49	49	46	48	52	53	52	54	54
100mn \$ +	20	20	22	22	22	22	22	22	22
Employee Data									
Total Employees	221,139	224,756	227,481	219,401	218,621	220,755	223,420	223,151	2,26,640
Net Additions	(2,299)	3,617	2,725	(8,080)	(780)	2,134	2,665	(269)	3,489
Attrition (LTM) %	14.2	12.8	12.4	12.8	12.9	13.2	13.0	12.8	12.6
DSO	61	67	61	60	57	57	59	59	56

Source: Dolat Capital, Company

Financial Performance

Profit and Loss Account

(Rs Mn)	FY25A	FY26E	FY27E	FY28E
Revenue	11,70,550	12,71,341	13,54,309	14,44,107
Total Expense	9,15,500	10,14,723	10,72,159	11,42,682
COGS	7,78,150	8,64,409	9,12,696	9,71,213
Employees Cost	0	0	0	0
Other expenses	1,37,350	1,50,315	1,59,463	1,71,469
EBIDTA	2,55,050	2,56,617	2,82,150	3,01,424
Depreciation	40,840	42,178	41,971	42,635
EBIT	2,14,210	2,14,439	2,40,179	2,58,789
Interest	0	0	0	0
Other Income	18,410	11,450	10,310	10,400
Exc. / E.O. items	0	0	0	0
EBT	2,32,620	2,25,889	2,50,489	2,69,189
Tax	58,620	57,004	63,249	68,643
Minority Interest	90	20	0	0
Profit/Loss share of associates	0	0	0	0
RPAT	1,73,910	1,68,865	1,87,241	2,00,546
Adjustments	0	0	0	0
APAT	1,73,910	1,68,865	1,87,241	2,00,546

Balance Sheet

(Rs Mn)	FY25A	FY26E	FY27E	FY28E
Sources of Funds				
Equity Capital	5,430	5,430	5,430	5,430
Minority Interest	180	160	160	160
Reserves & Surplus	6,91,120	6,97,205	7,10,813	7,26,875
Net Worth	6,96,550	7,02,635	7,16,243	7,32,305
Total Debt	22,910	23,685	25,160	25,135
Net Deferred Tax Liability	5,510	5,733	5,962	6,199
Total Capital Employed	7,25,150	7,32,213	7,47,526	7,63,798

Applications of Funds

Net Block	3,61,720	3,59,902	3,56,831	3,56,895
CWIP	590	1,390	2,190	2,790
Investments	2,06,080	2,06,780	2,08,180	2,09,680
Current Assets, Loans & Advances	4,76,410	5,06,540	5,35,405	5,66,365
Current Investments	0	0	0	0
Inventories	1,330	1,474	1,558	1,660
Receivables	1,95,230	2,12,471	2,26,337	2,41,344
Cash and Bank Balances	82,450	87,596	1,01,174	1,11,244
Loans and Advances	15,620	15,218	13,816	12,916
Other Current Assets	1,81,780	1,89,782	1,92,521	1,99,201
Less: Current Liabilities & Provisions	3,19,650	3,42,399	3,55,080	3,71,932
Payables	30,160	33,429	35,321	37,644
Other Current Liabilities	2,89,490	3,08,970	3,19,759	3,34,288
<i>sub total</i>				
Net Current Assets	1,56,760	1,64,141	1,80,325	1,94,433
Total Assets	7,25,150	7,32,213	7,47,526	7,63,798

E – Estimates

Important Ratios

Particulars	FY25A	FY26E	FY27E	FY28E
(A) Margins (%)				
Gross Profit Margin	33.5	32.0	32.6	32.7
EBIDTA Margin	21.8	20.2	20.8	20.9
EBIT Margin	18.3	16.9	17.7	17.9
Tax rate	25.2	25.2	25.3	25.5
Net Profit Margin	14.9	13.3	13.8	13.9
(B) As Percentage of Net Sales (%)				
COGS	66.5	68.0	67.4	67.3
Employee	0.0	0.0	0.0	0.0
Other	11.7	11.8	11.8	11.9
(C) Measure of Financial Status				
Gross Debt / Equity	0.0	0.0	0.0	0.0
Interest Coverage				
Inventory days	0	0	0	0
Debtors days	61	61	61	61
Average Cost of Debt	0.0	0.0	0.0	0.0
Payable days	9	10	10	10
Working Capital days	52	52	52	52
FA T/O	3.2	3.5	3.8	4.0
(D) Measures of Investment				
AEPS (Rs)	64.1	62.2	69.0	73.9
CEPS (Rs)	79.1	77.8	84.5	89.6
DPS (Rs)	60.0	60.0	64.0	68.0
Dividend Payout (%)	93.6	96.4	92.7	92.0
BVPS (Rs)	256.7	259.0	264.0	269.9
RoANW (%)	25.2	24.1	26.4	27.7
RoACE (%)	24.4	23.2	25.3	26.5
RoAIC (%)	34.2	33.3	37.2	39.8
(E) Valuation Ratios				
CMP (Rs)	1495	1495	1495	1495
Mcap (Rs Mn)	40,55,735	40,55,735	40,55,735	40,55,735
EV	39,96,195	39,91,824	39,79,721	39,69,626
MCap/ Sales	3.5	3.2	3.0	2.8
EV/Sales	3.4	3.1	2.9	2.7
P/E	23.3	24.0	21.7	20.2
EV/EBITDA	15.7	15.6	14.1	13.2
P/BV	5.8	5.8	5.7	5.5
Dividend Yield (%)	4.0	4.0	4.3	4.5
(F) Growth Rate (%)				
Revenue	6.5	8.6	6.5	6.6
EBITDA	5.4	0.6	9.9	6.8
EBIT	7.0	0.1	12.0	7.7
PBT	10.9	(2.9)	10.9	7.5
APAT	10.8	(2.9)	10.9	7.1
EPS	10.8	(2.9)	10.9	7.1

E – Estimates

Cash Flow

Particulars	FY25A	FY26E	FY27E	FY28E
Profit before tax	2,32,610	2,25,889	2,50,489	2,69,189
Depreciation & w.o.	40,840	42,178	41,971	42,635
Net Interest Exp	(14,260)	(11,450)	(10,310)	(10,400)
Direct taxes paid	(42,430)	(57,004)	(63,249)	(68,643)
Change in Working Capital	10,100	(2,012)	(2,376)	(3,802)
Non Cash	(4,250)	0	0	0
(A) CF from Operating Activities	2,22,610	1,97,601	2,16,525	2,28,980
Capex {(Inc.)/ Dec. in Fixed Assets n WIP}	(23,740)	(41,200)	(39,700)	(43,300)
Free Cash Flow	1,98,870	1,56,401	1,76,825	1,85,680
(Inc.)/ Dec. in Investments	(34,560)	(700)	(1,400)	(1,500)
Other	9,160	0	0	0
(B) CF from Investing Activities	(49,140)	(41,900)	(41,100)	(44,800)
Issue of Equity/ Preference	0	0	0	0
Inc./(Dec.) in Debt	(810)	775	1,475	(25)
Interest exp net	(510)	11,450	10,310	10,400
Dividend Paid (Incl. Tax)	(1,62,500)	(1,62,780)	(1,73,632)	(1,84,484)
Other	(21,790)	0	0	0
(C) CF from Financing	(1,85,610)	(1,50,555)	(1,61,847)	(1,74,109)
Net Change in Cash	(12,140)	5,146	13,578	10,070
Opening Cash balances	94,410	82,450	87,596	1,01,174
Closing Cash balances	82,450	87,596	1,01,174	1,11,244

E – Estimates

Notes

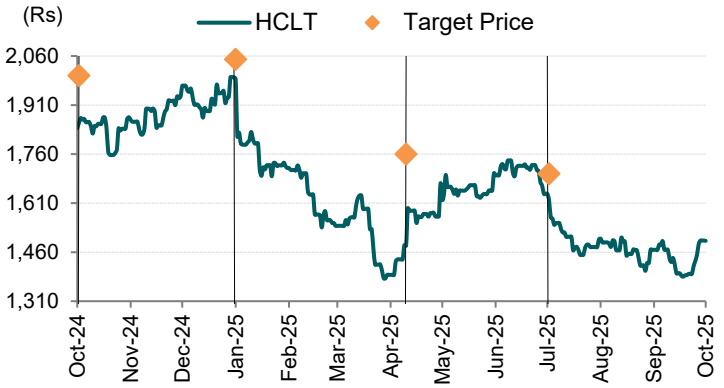
Stock Info and Rating History

Price Performance

Particulars	1M	3M	12M
Absolute (%)	2	(9)	(19)
Rel to NIFTY (%)	1	(9)	(20)

Shareholding Pattern

Particulars	Mar'25	Jun'25	Sep'25
Promoters	60.8	60.8	60.8
MF/Banks/FIs	15.4	15.4	15.4
FIIIs	19.2	18.6	18.6
Public / Others	4.6	5.2	5.2



Month	Rating	TP (Rs.)	Price (Rs.)
Oct-24	Accumulate	2,000	1,856
Jan-25	Reduce	2,050	1,989
Apr-25	Accumulate	1,760	1,480
Jul-25	Reduce	1,700	1,620

*Price as on recommendation date

Notes

Dolat Rating Matrix

Total Return Expectation (12 Months)

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

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