Tech Mahindra — Reduce

IT Services | Q2FY26 Result Update

CMP: Rs.1,468 | TP: Rs 1,550 | Downside 6%

DOLAT CAPITAL
IN-DEPTH-PRECISE-ACTIONABLE

OPM gains continues; but growth visibility remains muted

- **TechM's Q2 Rev. grew 1.6% in CC terms (DE: 0.8%), led by healthy execution in Manufacturing (+5.2% QoQ), Retail/Transport (+7%) BFSI (+6%). OPM saw significant uptick, expanding by 108bps QoQ to 12.1% (DE:11.6%), led by SG&A savings and productivity gains.**
- **Vertical commentary improved for Manufacturing (ex-Auto) & Transport (Logistics), with stability in BFSI. CME faced near-term pressure but remained stable. Mgmt. reiterated trust on the 15% OPM path, but growth visibility remains clouded by macro headwinds.**
- **TechM's Q2FY26 perf. saw healthy growth and margin improvement, but sustained improvement needs to be monitored. We raise earnings estm by 1.9%/2.8% noting a margin uptick and introduce FY28E estm with EPS of Rs. 77.6. With the stock correcting ~9% since Q1 results, we revise our rating to 'Reduce' with a TP of Rs.1,550, valuing the stock at 20x FY28E earnings.**

Mixed Vertical commentary; Manufacturing revival in pockets

Q2FY26 saw mixed momentum - **CME segmen**t declined 1.9% QoQ due to temporary delivery issues in Europe, while execution in APAC, India, and M.E was healthy, and U.S. (inc. top client) was stable. Management is positive on resolution, and projects better growth for Comviva in FY26. **Manufacturing** led growth with a 5.2% QoQ rise, led by sustained spending in Industrials and Aerospace, and recent client acquisitions. Recovery seen in Auto (incl. Pininfarina) led by P.V, while C.V. demand stays weak. **BFSI** grew 6.1% QoQ, led by deal ramp-ups, but is subject to volatility. **Retail, Transport & Logistics** rose 7.1% QoQ, supported by e-comm and automation tailwinds. The overall outlook was cautiously optimistic.

Deal wins remain robust; conversion to be key

TechM reported $816mn in new deal wins, up 0.9% QoQ and 57% YoY on a TTM basis, maintaining ~$3bn annual run rate and marking 4th consecutive quarter near upper end of its $600–800 mn guided range. $20 mn+ client segment, about 60–65 clients, contributed ~$1bn (63% of Rev), though sustained conversion of these large deals into revenue remains a key monitorable in the near term.

OPM sees healthy expansion, but muted growth remains a risk

TechM's OPM rose to **12.1% (+108bps QoQ)**, aided by productivity gains, SG&A savings, and currency benefits. Management remains focused on achieving its FY27 margin goal, though **muted revenue growth and ongoing portfolio integrations** pose potential risks to sustained margin expansion ahead – Thus we have estimated a lower OPM for FY27E at 13.2%.

Key Data

Nifty	25,146
Equity / FV	Rs 4,436mn / Rs 5
Market Cap	Rs 1,301bn
	USD 14.7bn
52-Week High/Low	Rs 1,808/ 1,264
Avg. Volume (no)	1,875,590
Bloom Code	TECHM IN

	Current	Previous
Rating	Reduce	SELL
Target Price	1,550	1,460

Change in Estimates

(Rs.bn)	Current		Chg (%)/bps	
	FY26E	FY27E	FY26E	FY27E
Revenue	558	592	1.9	1.0
EBITDA	86	97	5.3	3.7
EBITDA (%)	15.4	16.4	51	42
APAT	51	61	1.9	2.9
EPS (Rs)	57.4	68.4	1.9	2.8

Valuation (x)

	FY26E	FY27E	FY28E
P/E	25.6	21.5	18.9
EV/EBITDA	14.7	12.9	11.5
ROE (%)	18.3	20.9	22.4
RoACE (%)	19.9	22.7	24.2

Q2FY26 Result (Rs Mn)

Particulars	Q2FY26	YoY (%)	QoQ (%)
Revenue	139,949	5.1	4.8
Total Expense	118,269	2.3	3.6
EBITDA	21,680	23.9	12.0
Depreciation	4,687	(0.2)	2.3
EBIT	16,993	32.7	15.0
Other Income	372	(92.9)	(83.0)
Interest	772	(13.3)	(0.8)
EBT	16,593	(3.2)	2.5
Tax	4,576	0.4	(6.5)
RPAT	11,945	(4.4)	4.7
APAT	11,945	29.9	4.7
		(bps)	(bps)
Gross Margin	29.1	122	48
EBITDA (%)	15.5	235	100
NPM (%)	8.5	(85)	(1)
Tax Rate (%)	27.6	97	(266)
EBIT (%)	12.1	252	108

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Exhibit 1: Quarterly performance versus estimates

Particulars (Rs mn)	Actual	Estimates Dolat	Estimates Consensus	% Variation Dolat	% Variation Consensus	Comment
USD Revenue	1,586	1,579	1,584	0.4	0.1	Rev. beat from better. execution & conversion
INR Revenue	139,949	139,264	138,502	0.5	1.0	
EBIT	16,993	16,155	16,343	5.2	4.0	Better savings in SG&A led OPM beat
EBIT, margin	12.1	11.6	11.8	50 bps	30 bps	
PAT	11,945	12,670	12,881	(5.7)	(7.3)	PAT miss from F/X loss in OI

Source: Company, Dolat Capital

*^Aided by Cross-currency gains of 240bps; *In Q4FY25, ETR was 22%, which included certain 1x gains on refunds. Q1FY26 saw normalization of tax expenses, which were higher than expected, leading to PAT miss*

Change in Estimates

For FY26E/FY27E: Q2FY26 results showcased strong execution vs past trends, with strong deal wins. Commentary is mixed; with net headwinds from macro challenges and slowing tech spends to moderate growth targets, along with a lack of broad-based recovery. Hence, Rev. estm. lowered by 0.3%/1.3%. OPM estimates are raised by 54bps and 46bps due to healthy gains on SG&A and further commentary on driving better gross margins. Overall, earnings have been raised by 1.9%/2.8%.

We introduce FY28E estimates factoring in 5.3% YoY growth and a 100bps margin improvement to 14.2%, and EPS of Rs. 77.6, up 13.6% YoY.

Exhibit 2: Change in Estimates

Particulars (Rs. mn)	FY25A Actual	FY26E Old	FY26E New	FY26E Chg.(%)	FY27E Old	FY27E New	FY27E Chg.(%)	FY28E Introduced
USD Revenue	6,264	6,393	6,371	(0.3)	6,779	6,692	(1.3)	7,047
YoY growth,	(0.2)	2.1	1.7	(34 bps)	6.0	5.0	(102 bps)	5.3
INR Revenue	529,883	547,567	557,714	1.9	586,424	592,212	1.0	627,145
YoY growth,	(0.2)	3.3	5.3	191 bps	7.1	6.2	(91 bps)	5.9
EBIT	51,382	62,840	67,012	6.6	74,767	78,212	4.6	89,098
EBIT Margin,	9.7	11.5	12.0	54 bps	12.7	13.2	46 bps	14.2
Net Profit	42,515	49,879	50,852	1.9	58,935	60,624	2.9	68,885
EPS (Rs)	47.9	56.2	57.3	1.9	66.4	68.3	2.8	77.6

Source: Dolat Capital, Company

What to expect next Quarter

Post a strong Q2 performance, we expect Q3 to witness moderation due to seasonal furloughs, resulting in 1% QoQ growth. OPM is expected to see a mild gain of 21bps QoQ, as operational leverage will be limited due to muted growth.

Exhibit 3: What to expect next Quarter

Particulars (Rs. Mn)	Q3FY26E	Q2FY25	Q3FY25	QoQ (%)	YoY (%)
USD Revenue	1,602	1,586	1,568	1.0	2.2
INR Revenue	141,362	139,949	132,856	1.0	6.4
EBIT	17,458	16,993	13,502	2.7	29.3
PAT	13,622	11,945	9,832	14.0	38.5
EPS (Rs Abs.)	15.4	13.5	11.1	14.0	38.6
EBIT Margin (%)	12.4	12.1	10.2	21bps	219bps

Source: Company, Dolat Capital

Exhibit 4: Quarterly and YTD Trend

Particulars (Rs mn)	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	YoY (%)	QoQ (%)	H1FY25	H1FY26	YoY (%)
USD Revenue	**1,589**	**1,568**	**1,549**	**1,564**	**1,586**	**(0.2)**	**1.4**	**3,148**	**3,150**	**0.1**
INR Revenue	**1,33,132**	**1,32,856**	**133,840**	**133,512**	**139,949**	**5.1**	**4.8**	**263,187**	**273,461**	**3.9**
Operating Ex.	1,15,630	1,14,766	115,166	114,160	118,269	2.3	3.6	230,040	232,429	1.0
Cost of revenue	95,957	94,559	94,800	95,236	99,159	3.3	4.1	191,489	194,395	1.5
as % of sales	72.1	71.2	70.8	71.3	*70.9*	(122 bps)	(48 bps)	*72.8*	*71.1*	(167 bps)
SG&A expense	19,673	20,207	20,366	18,924	19,110	(2.9)	1.0	38,551	38,034	(1.3)
as % of sales	14.8	15.2	15.2	14.2	*13.7*	(112 bps)	(52 bps)	*14.6*	*13.9*	(74 bps)
EBITDA	17,502	18,090	18,674	19,352	**21,680**	**23.9**	**12.0**	**33,147**	**41,032**	**23.8**
Depreciation	4,698	4,588	4,621	4,581	4,687	(0.2)	2.3	9,320	9,268	(0.6)
EBIT	**12,804**	**13,502**	**14,053**	**14,771**	**16,993**	**32.7**	**15.0**	**23,827**	**31,764**	**33.3**
Finance Cost	890	759	853	778	772	(13.3)	(0.8)	1,605	1,550	(3.4)
Other Income	5,221	231	1,715	2,188	372	(92.9)	(83.0)	6,694	2,560	(61.8)
PBT	17,135	12,974	14,642	16,181	16,593	(3.2)	2.5	28,916	32,774	13.3
Total Tax	4,560	3,086	3,223	4,893	4,576	0.4	(6.5)	7,693	9,469	23.1
PAT Before MI	12,575	9,888	11,419	11,288	12,017	(4.4)	6.5	21,223	23,305	9.8
Minority Interest	(74)	(56)	248	118	(72)	(2.7)	(161.0)	(207)	46	(122.2)
Reported PAT	**12,501**	**9,832**	**11,667**	**11,406**	**11,945**	**(4.4)**	**4.7**	**21,016**	**23,351**	**11.1**
Reported EPS	**14.1**	**11.1**	**13.2**	**12.9**	**13.5**	**(4.5)**	**4.7**	**23.7**	**26.3**	**11.1**
Margins (%)						**(bps)**	**(bps)**			**(bps)**
EBIDTA	13.1	13.6	14.0	14.5	15.5	235	100	12.6	15.0	241
EBIT	9.6	10.2	10.5	11.1	12.1	252	108	9.1	11.6	256
EBT	12.9	9.8	10.9	12.1	11.9	(101)	(26)	11.0	12.0	100
PAT	9.4	7.4	8.7	8.5	8.5	(85	(1)	8.0	8.5	55
Effective Tax rate	26.6	23.8	22.0	30.2	27.6	97	(266)	26.6	28.9	229

Source: Company, Q2FY25 Includes one time gain of 4.5bn.

Exhibit 5: Key Assumptions in our estimates

Particulars (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
CC revenue growth (%)	(4.7)	0.4	0.7	5.4	5.2
USD revenue growth (%)	(5.0)	(0.2)	1.7	5.0	5.3
USD/INR	82.8	84.6	87.5	88.5	89.0
INR revenue growth (%)	(2.4)	1.9	5.3	6.2	5.9
EBIT margins (%)	6.1	9.7	12.0	13.2	14.2
EPS growth (%)	(51.3)	80.3	19.6	19.2	13.6

Source: Company, Dolat Capital, Q2FY25 Includes one time gain of 4.5bn.

Exhibit 6: Key Revenue Growth Matrix

Particulars (%)	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
CC Growth YoY	(5.9)	(5.4)	(6.4)	(1.2)	1.2	1.3	0.3	1.0	(0.3)
USD Growth YoY	(5.1)	(5.7)	(7.2)	(2.6)	2.2	(0.3)	0.0	0.3	(0.2)
INR Growth YoY	(2.0)	(4.6)	(6.2)	(1.2)	3.5	1.4	4.0	2.7	5.1

Source: Company, Dolat Capital

Earning call KTAs

- **Revenue:** TechM's revenue stood at $1,568mn, reflecting a 1.6% QoQ growth in constant currency terms, while USD Rev. growth was at 1.4%, reflecting currency gains of 17. CME vertical declined 1.9% QoQ, while the Enterprise segment (led by Manufacturing and BFSI and Retail Transport & Logistics) grew 3.1% QoQ.
- **Verticals: Communication & Media** was down 1.9% QoQ in US$ terms, which management attributed to temporary issues w.r.t to localization/delivery issues in Europe, while execution was healthy in APAC, India and the Middle East region, and U.S region (including top client) remained steady. Management expects this issue to be resolved soon. Outlook for Comviva was healthy, with expectations of better growth in FY26 over FY25. **Manufacturing** vertical was the leading driver for Q2FY26 growth, growing 5.2% QoQ, led by continued spends in the sub-segment of Industrials & Aerospace, a result of client acquisition efforts in the past 1 year. Outlook suggested better execution visibility vs. Q1, with Aerospace & Industrials continuing to do well, and some green shoots in the Auto segment (including Pininfarina) with stability in the passenger vehicle segment but continued weakness in Commercial vehicles. **BFSI** grew 6.1% QoQ in US$ terms, led by existing deal ramp-up. Management is optimistic on this vertical, driving healthy YoY growth, although sustained traction in client acquisition and wins would remain a medium-term target, including a few periods of volatility. **Retail, Transport and Logistics** grew 7.1% QoQ. Management is bullish on the logistics sector, supported by tailwinds of e-commerce expansion, automation and warehousing, last-mile delivery optimization, etc.
- **Deal Wins:** TechM secured $816mn in new deals, up 0.9% QoQ and up 57% YoY on TTM basis (run rate continued to remain at ~$3bn, with deal win at the upper end of $600-800mn quarterly guidance, now 4th quarter in a row). Management shared that it has expanded its relationships with a no. of large clients, and a strong addition of new clients. TechM shared that clients with $20mn+ average annual revenue bucket continued to deliver growth above the company's average, with contributions from this segment surpassing $1 billion this quarter (i.e., $20mn+ clients contributed nearly 63% of $1.59bn Revenue in Q2). These clients are about 60-65 of the total client base. Deal wins were broad-based across comms, high-tech, BFSI, and other verticals. TechM reiterated confidence in winning quarterly deal wins in the $600-$800mn range.
- **Margins and Profitability:** TechM reported OPM of 12.1%, an increase of 108 QoQ (DE: 11.6%). While margin walk was not specified, management shared key contributing factors were a) Improvement in fixed-price project productivity, volume growth, b) Savings from SG&A optimization and c) Currency benefit of 40. Management is confident of continuing its margin expansion trajectory, adjusting for seasonality, towards its FY27 goal of 15%, with key optimization in Gross margins (at 29.1%, up 48 QoQ and 122 YoY), while SG&A savings would be range-bound. Management stated further that a lot of integration efforts in key portfolio companies remained ongoing, and these key portfolio companies are 50-60% of the total portfolio.
- **Client Portfolio and Attrition:** TechM added 16 clients under its 'must-have' accounts strategy, leading to 21 clients in H1, over and above the FY25 client count stood at 57. Attrition rose to 12.8% (12.6% in Q1). Headcount was higher by 4.2K, and the employee base stood at 152.7K.

Exhibit 7: Vertical Trend for Q2FY26 – US $ basis

Vertical	Amount ($ mn)	Mix (%)	QoQ (%)	YoY (%)	Incremental Revenue ($ mn)	% Contribution of Incremental Revenue
CME	518	33	(2.0)	(2.2)	(11)	(50)
Manufacturing	288	18	5.2	5.2	14	69
Tech	207	13	(0.4)	(8.8)	(1)	(4)
BFSI	266	17	3.8	6.1	10	47
Retail, Transport & Logistics	135	9	9.0	7.1	11	53
Health & Lifesciences	116	7	2.2	(1.3)	3	12
Others	55	3	(9.1)	(13.6)	(5)	(26)
Total	**1,586**	**100**	**1.4**	**(0.2)**	**21**	**100**

Source: Company, Dolat Capital

Exhibit 8: Geography Trend for Q2FY26 – US $ basis

Geography	Amount ($ mn)	Mix (%)	QoQ (%)	YoY (%)	Incremental Revenue ($ mn)	% Contribution of Incremental Revenue
Americas	790	50	2.6	(2.7)	20	95
Europe	403	25	(1.2)	5.6	(5)	(22)
Rest of world	393	25	1.5	(0.6)	6	27
Total	**1,586**	**100**	**1.4**	**(0.2)**	**21**	**100**

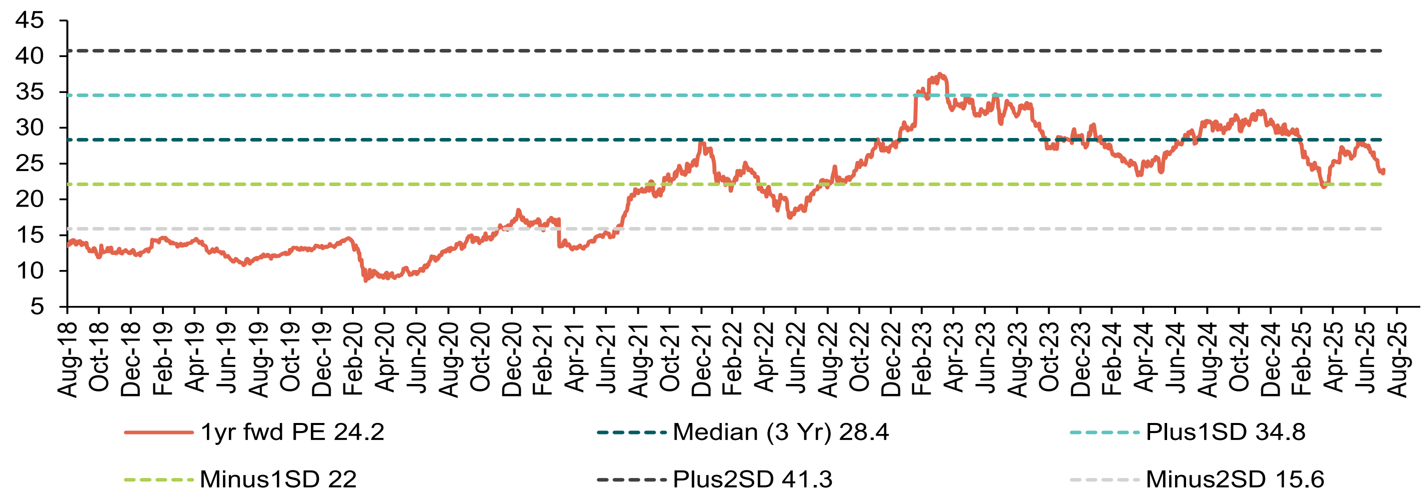
Source: Company, Dolat Capital

***Please note**: Vertical and geographical growth in US$ has currency gains of 2% on average.*

Valuations

While TechM's FY27E roadmap to achieve better than industry growth and raise margins to 15% remains intact, execution is likely to stay under pressure due to persistent macroeconomic headwinds affecting tech spends, coupled with vertical-specific headwinds such as capex rationalization (Telco/Comms), tariff uncertainty in the Auto sector and selective spends in other verticals. Although the stock has seen some correction over last 3 months, most positives are well-captured and sustained operational outperformance will be key to re-rating. **We currently value the stock at 20x on FY28E earnings of Rs. 77.6, and revise our rating to 'Reduce' with TP of Rs. 1,550 per share.**

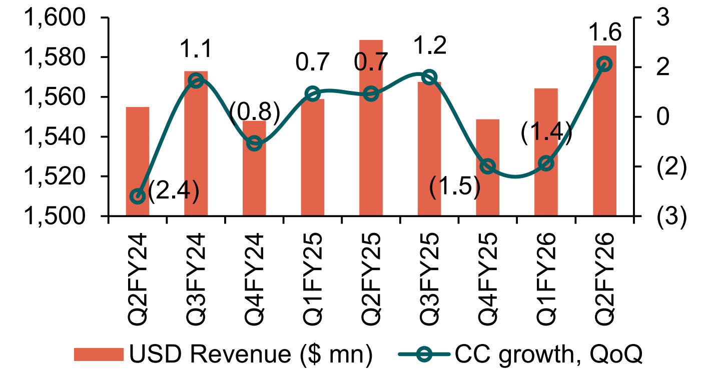
Exhibit 9: TechM currently trades at 24.2 on 1-yr fwd PE, below its 3-year median PE of 28.4x



Source: Company, Dolat Capital

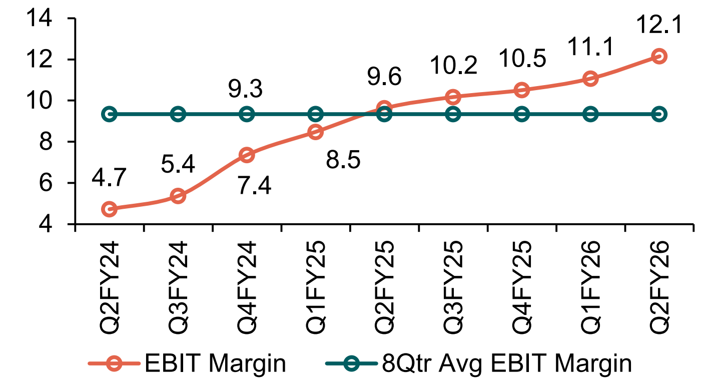
Story in Charts

Exhibit 10: Rev grew 1.6% CC QoQ (INR 4.8%)



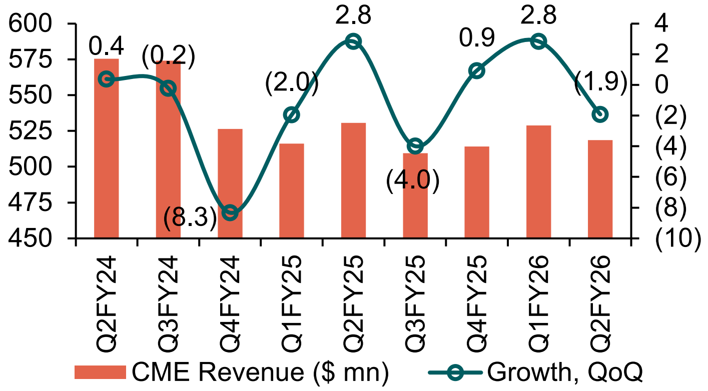
Source: Company, Dolat Capital

Exhibit 11: OPM improved by 108 QoQ



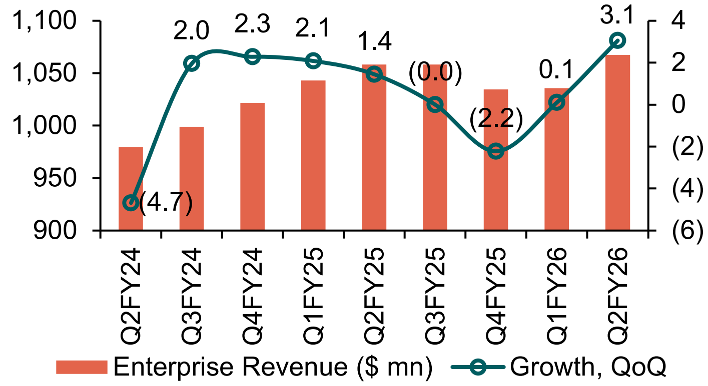
Source: Company, Dolat Capital

Exhibit 12: CME dipper by 1.9% QoQ in $ terms



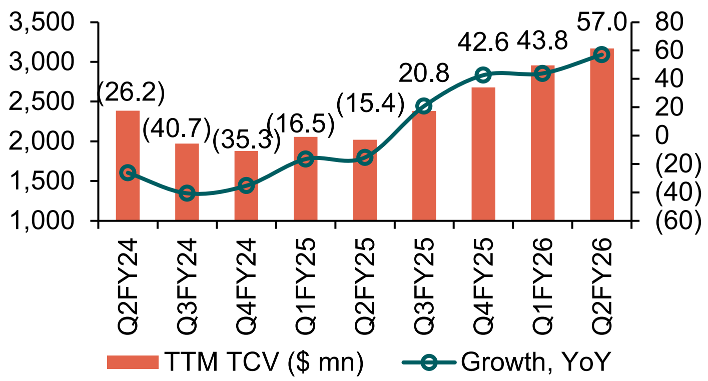
Source: Company, Dolat Capital

Exhibit 13: Enterprise Revenue grew 3.1% QoQ



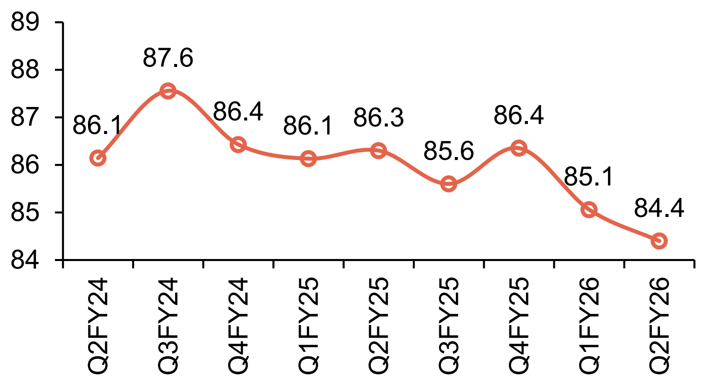
Source: Company, Dolat Capital

Exhibit 14: TTM TCV stood at $3.1bn (up 57% YoY)



Source: Company, Dolat Capital

Exhibit 15: Utilization lowered by 70 QoQ



Source: Company, Dolat Capital

Exhibit 16: Operating Metrics 1

Particulars	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Growth CC									
Revenue (QoQ)	(2.4)	1.1	(0.8)	0.7	0.7	1.2	(1.5)	(1.4)	1.6
Revenue (YoY)	(5.9)	(5.4)	(6.4)	(1.2)	1.2	1.3	0.3	1.0	0.3
Order Book ($mn)									
TCV	640	381	500	534	603	745	798	809	816
Growth QoQ	78.3	(40.5)	31.2	6.8	12.9	23.5	7.1	1.4	0.9
Growth YoY	(10.6)	(52.1)	(15.5)	48.7	(5.8)	95.5	59.6	51.5	35.3
TTM TCV ($mn)	2,386	1,972	1,880	2,055	2,018	2,382	2,680	2,955	3,168
TTM TCV Growth YoY	(26.2)	(40.7)	(35.3)	(16.5)	(15.4)	20.8	42.6	43.8	57.0
Book-to-bill (TTM basis)	0.37	0.31	0.30	0.33	0.32	0.92	0.43	0.47	0.51
Vertical Amount ($mn)									
CMT	540	540	526	541	530	509	514	529	518
Manufacturing	272	284	278	274	274	263	263	273	288
Tech	222	216	214	217	227	224	205	208	207
BFSI	240	233	243	239	251	252	258	256	266
Retail, Transp. & Logistics	120	128	113	118	126	127	125	124	135
Health & Lifesciences	112	118	111	113	117	121	113	113	116
Others	49	56	62	57	64	71	70	61	55
Vertical Amount (YoY)									
CMT	(11.7)	(13.5)	(16.4)	(10.0)	(1.7)	(5.6)	(2.2)	2.5	(2.2)
Manufacturing	5.6	8.8	6.3	6.7	0.6	(7.2)	(5.5)	(4.1)	5.2
Tech	3.3	(3.7)	(3.6)	(3.3)	2.4	3.8	(4.1)	(3.3)	(8.8)
BFSI	(6.2)	(8.1)	(4.8)	(1.4)	4.6	8.5	6.0	4.7	6.1
Retail, Transp. & Logistics	(4.2)	(4.4)	(3.5)	5.6	4.7	(0.6)	10.2	3.8	7.1
Health & Lifesciences	NA	NA	NA	7.1	4.4	2.5	2.2	(5.1)	(1.3)
Others	NA	NA	NA	(9.9)	29.6	26.8	12.2	2.4	(13.6)
Geography Amount ($mn)									
North America	828	816	786	817	812	796	750	769	790
Europe	367	374	375	365	381	370	394	408	403
Rest of the World	360	382	387	377	396	401	406	388	393
Geography Amount (YoY)									
North America	(0.5)	(1.5)	(4.9)	(0.7)	(2.0)	(2.5)	(4.7)	(5.8)	(2.7)
Europe	(8.7)	(8.0)	(11.2)	(7.4)	4.0	(1.2)	5.1	11.7	5.6
Rest of the World	(11.0)	(11.5)	(7.5)	(1.8)	9.8	5.0	4.8	2.7	(0.6)
New/Old Revenue									
New Business ($mn)	62	79	93	NA	NA	NA	NA	NA	NA
Repeat Business ($mn)	1,493	1,494	1,455	NA	NA	NA	NA	NA	NA

Source: Company, Dolat Capital, Company has restated verticals after review of customer and added health & life sciences from Q1FY24

Exhibit 17: Operating Metrics 2

Particulars	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Employee Data									
S/W professionals	81,200	81,705	80,925	80,417	80,618	80,865	80,609	79,987	78,528
Support and sales	8,419	8,339	9,038	9,026	8,715	8,570	8,486	8,252	8,091
BPO	60,985	56,206	55,492	58,177	64,940	61,053	59,636	60,278	66,095
Total Employees	**1,50,604**	**1,46,250**	**1,45,455**	**1,47,620**	**1,54,273**	**1,50,488**	**148,731**	**148,517**	**152,714**
Net Addition	2,307	(4,354)	(795)	2,165	6,653	(3,785)	(1,757)	(214)	4,197
Utilization (%) incl. Trainee	86.1	87.6	86.4	86.1	86.3	85.6	86.4	85.1	84.4
Attrition (IT Services)	11.4	10.3	10.0	10.1	10.6	11.2	11.8	12.6	12.8
Client Metrics ($mn)									
Top 5 client	259	254	244	241	240	235	240	244	247
Top 6-10 client	163	158	156	150	156	141	139	150	138
Top 11-19 client	193	195	200	207	218	219	212	216	203
Non Top 20 client	941	966	947	960	975	972	957	954	998
Client Metrics (YoY)									
Top 5 client	(16.5)	(14.1)	(12.8)	(13.3)	(7.2)	(7.3)	(1.7)	1.1	3.1
Top 6-10 client	9.1	0.7	(3.3)	(5.8)	(4.2)	(10.7)	(10.9)	0.2	(11.4)
Top 11-19 client	(1.1)	(7.8)	(11.2)	7.6	12.9	12.4	6.1	4.1	(6.7)
Non Top 20 client	(4.4)	(3.8)	(5.3)	(1.1)	3.7	0.6	1.0	-0.6	2.3
Revenue by Type									
IT	1,322	1,343	1,318	1,304	1,328	1,315	1,311	1,320	1,333
BPO	234	230	230	255	261	252	238	245	252
Revenue by Type (YoY)									
IT	(7.1)	(6.3)	(8.1)	(4.4)	0.5	(2.1)	(0.5)	1.2	0.4
BPO	8.1	(2.0)	(1.3)	7.7	11.8	9.6	3.2	(4.1)	(3.3)
EBITDA Margin									
IT	6.6	7.4	10.5	16.4	18.6	19.2	20.1	18.4	19.8
BPO	18.2	16.6	13.4	14.8	13.0	14.6	13.7	16.1	16.5
Client Data									
>US$1 million	568	558	553	545	545	540	540	529	520
>US$5 million	186	185	190	191	195	191	195	193	194
>US$10 million	114	118	114	113	109	104	106	108	106
>US$20 million	61	63	63	61	61	61	59	60	63
>US$50 million	26	26	23	24	25	25	25	26	26
Number of active clients	1252	1228	1172	1165	1178	1175	1162	N.A*	N.A
DSO	97	91	92	93	94	88	88	95	94

*Source: Company, Dolat Capital *Data discontinued from Q1FY26 onwards.*

Financial Performance

Profit and Loss Account

(Rs Mn)	FY25A	FY26E	FY27E	FY28E
Revenue	**529,883**	**557,714**	**592,212**	**627,145**
Total Expense	**459,972**	**472,054**	**495,276**	**519,396**
COGS	380,848	395,788	415,409	435,369
Employees Cost	0	0	0	0
Other expenses	79,124	76,265	79,867	84,027
EBIDTA	**69,911**	**85,661**	**96,936**	**107,749**
Depreciation	18,529	18,648	18,724	18,651
EBIT	**51,382**	**67,012**	**78,212**	**89,098**
Interest	3,217	3,122	3,228	3,280
Other Income	8,640	5,605	6,360	6,678
Exc. / E.O. items	0	0	0	0
EBT	**56,805**	**69,495**	**81,344**	**92,496**
Tax	14,002	18,649	20,580	23,586
Minority Interest	**15**	**(6)**	**140**	**25**
Profit/Loss share of associates	0	0	0	0
RPAT	42,788	50,852	60,624	68,885
Adjustments	(3,303)	0	0	0
APAT	**39,485**	**50,852**	**60,624**	**68,885**

Balance Sheet

(Rs Mn)	FY25A	FY26E	FY27E	FY28E
Sources of Funds				
Equity Capital	4,424	4,436	4,436	4,436
Minority Interest	4,302	4,296	4,436	4,461
Reserves & Surplus	269,191	278,382	292,914	312,113
Net Worth	**273,615**	**282,819**	**297,350**	**316,549**
Total Debt	4,714	4,478	4,254	4,042
Net Deferred Tax Liability	(16,294)	(15,794)	(17,144)	(17,494)
Total Capital Employed	**266,337**	**275,799**	**288,896**	**307,557**
Applications of Funds				
Net Block	**139,475**	**141,326**	**144,852**	**150,402**
CWIP	206	206	206	206
Investments	32,161	29,661	27,061	26,261
Current Assets, Loans & Advances	**254,530**	**268,380**	**285,285**	**303,788**
Current Investments	0	0	0	0
Inventories	394	379	398	417
Receivables	115,470	122,239	128,989	135,738
Cash and Bank Balances	45,422	50,188	59,373	69,093
Loans and Advances	108	110	116	121
Other Current Assets	93,136	95,464	96,409	98,418
Less: Current Liabilities & Provisions	**160,035**	**163,775**	**168,507**	**173,099**
Payables	44,108	43,972	45,457	46,959
Other Current Liabilities	115,927	119,803	123,051	126,140
sub total				
Net Current Assets	94,495	104,605	116,777	130,689
Total Assets	**266,337**	**275,799**	**288,896**	**307,558**

E – Estimates, ***Q2FY25 Includes one time gain of 4.5bn.***

Important Ratios

Particulars	FY25A	FY26E	FY27E	FY28E
(A) Margins (%)				
Gross Profit Margin	28.1	29.0	29.9	30.6
EBIDTA Margin	13.2	15.4	16.4	17.2
EBIT Margin	9.7	12.0	13.2	14.2
Tax rate	24.6	26.8	25.3	25.5
Net Profit Margin	8.1	9.1	10.2	11.0
(B) As Percentage of Net Sales (%)				
COGS	71.9	71.0	70.1	69.4
Employee	0.0	0.0	0.0	0.0
Other	14.9	13.7	13.5	13.4
(C) Measure of Financial Status				
Gross Debt / Equity	0.0	0.0	0.0	0.0
Interest Coverage	16.0	21.5	24.2	27.2
Inventory days	0	0	0	0
Debtors days	80	80	80	79
Average Cost of Debt	32.1	67.9	73.9	79.1
Payable days	30	29	28	27
Working Capital days	34	36	35	36
FA T/O	3.8	3.9	4.1	4.2
(D) Measures of Investment				
AEPS (Rs)	44.6	57.4	68.4	77.6
CEPS (Rs)	65.5	78.4	89.5	98.7
DPS (Rs)	45.0	47.0	52.0	56.0
Dividend Payout (%)	101.0	81.9	76.0	72.1
BVPS (Rs)	308.9	319.1	335.5	356.8
RoANW (%)	15.8	18.3	20.9	22.4
RoACE (%)	17.0	19.9	22.7	24.2
RoAIC (%)	22.9	30.0	34.4	38.1
(E) Valuation Ratios				
CMP (Rs)	1468	1468	1468	1468
Mcap (Rs Mn)	1,301,221	1,301,221	1,301,221	1,301,221
EV	1,260,513	1,255,512	1,246,103	1,236,170
MCap/ Sales	2.5	2.3	2.2	2.1
EV/Sales	2.4	2.3	2.1	2.0
P/E	32.9	25.6	21.5	18.9
EV/EBITDA	18.0	14.7	12.9	11.5
P/BV	4.8	4.6	4.4	4.1
Dividend Yield (%)	3.1	3.2	3.5	3.8
(F) Growth Rate (%)				
Revenue	1.9	5.3	6.2	5.9
EBITDA	40.8	22.5	13.2	11.2
EBIT	63.2	30.4	16.7	13.9
PBT	76.2	22.3	17.0	13.7
APAT	40.2	28.8	19.2	13.6
EPS	39.8	28.7	19.2	13.5

E – Estimates, *Q2FY25 Includes one time gain of 4.5bn.*

Cash Flow

Particulars	FY25A	FY26E	FY27E	FY28E
Profit before tax	**56,532**	**69,495**	**81,344**	**92,496**
Depreciation & w.o.	18,529	18,648	18,724	18,651
Net Interest Exp	1,251	(3,294)	(3,104)	(3,358)
Direct taxes paid	(14,744)	(18,649)	(20,580)	(23,586)
Change in Working Capital	(2,662)	(4,345)	(3,736)	(4,242)
Non Cash	(1,049)	0	0	0
(A) CF from Operating Activities	**57,857**	**61,856**	**72,648**	**79,960**
Capex {(Inc.)/ Dec. in Fixed Assets n WIP}	(6,449)	(20,500)	(22,250)	(24,200)
Free Cash Flow	**53,028**	**41,356**	**50,398**	**55,760**
(Inc)./ Dec. in Investments	3,768	2,000	2,000	500
Other	2,449	6,416	6,332	6,638
(B) CF from Investing Activities	**(232)**	**(12,084)**	**(13,918)**	**(17,062)**
Issue of Equity/ Preference	90	12	0	0
Inc./(Dec.) in Debt	(10,751)	(236)	(224)	(213)
Interest exp net	(2,636)	(3,122)	(3,228)	(3,280)
Dividend Paid (Incl. Tax)	(38,418)	(41,660)	(46,092)	(49,686)
Other	(6,277)	0	0	0
(C) CF from Financing	**(57,992)**	**(45,006)**	**(49,545)**	**(53,179)**
Net Change in Cash	(288)	4,766	9,185	9,719
Opening Cash balances	**43,471**	**43,183**	**47,949**	**57,134**
Closing Cash balances	**43,183**	**47,949**	**57,134**	**66,854**

E – Estimates

Notes

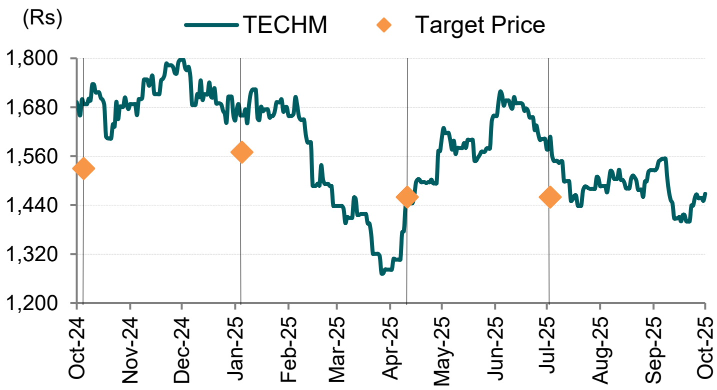
Stock Info and Rating History

Price Performance

Particulars	1M	3M	12M
Absolute (%)	(4)	(7)	(13)
Rel to NIFTY (%)	(4)	(7)	(13)

Shareholding Pattern

Particulars	Mar'25	Jun'25	Sep'25
Promoters	35.0	35.0	35.0
MF/Banks/FIs	32.1	32.1	32.1
FIIs	23.0	23.0	23.0
Public / Others	9.9	9.9	9.9



Month	Rating	TP (Rs.)	Price (Rs.)
Oct-24	SELL	1,530	1,688
Jan-25	SELL	1,570	1,660
Apr-25	Reduce	1,460	1,445
Jul-25	SELL	1,460	1,608

**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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