

Tata Consultancy Services

In-line results; AI revenues scaling fast

In-line result on both Revenue & EBIT; Several one-offs mar net profit

Broad based revenue growth – Promise of FY26 international business growing faster than FY25 on CC basis still intact: TCS saw 0.8% CC QoQ growth in 3QFY26 led by Europe (2.1% CC QoQ) while North America remained flat mostly due to seasonality. BFSI continues to ramp-up on YoY basis (1.6% CC YoY), sequential growth in CBG (1.3% CC QoQ) was led by Retail, travel and hospitality. Manufacturing vertical remains resilient apart from Automotive while broader Technology vertical is facing pressure apart from large few tech giants who continue to spend on AI infrastructure. Management repeated its target of achieving faster international business growth in FY26 over FY25 (9MFY26 USD rev up 1.7% YoY). It is supported by shortening decision making cycles & continued momentum of Q2 into Q3.

AI revenue scaling rapidly – Annualized AI revenue hits \$1.8bn in 3QFY26, 17.3% QoQ on CC bases: AI revenues include business transformation and modernization programs (excludes internal use of AI in testing/engineering). 2025 marked transition from pilots to ROI-led, scaled deployments across vertical value chains. This was also seen in 3x increase in rapid builds QoQ, accelerating client experimentation-to-production cycles and short-duration deal closures especially in data, cloud, and AI transformation.

Several one-offs cause net margin to dip ~200bps QoQ – Charges include Impact of labour codes (Rs 2,128cr), provision for one-off legal claim (Rs 1,010cr), and restructuring expenses (Rs 253cr): Excluding one-off expenses, TCS saw flat EBIT Margins QoQ at 25.2% with +80bps coming from productivity, 20bps from currency despite 50bps heading each from wage hikes and continuing investments. Investment intensity is expected to continue in coming quarters and Q4 will see some incremental benefit of restructuring. We remain ~50/40bps below consensus on EBIT Margin estimates (24.5%/24.7%) for FY26/27E due to continued investments, 10-20bps impact of labour codes, highly competitive environment and ramp-up of several cost-takeout and vendor consolidation deals.

Subdued TCV growth despite one mega deal – TTM Book-to-bill & orderbook rises despite YoY decrease in quarterly TCV in 3Q: Total deal TCV came out at \$9.3Bn (-9% YoY) including one mega deal in BFSI in North America. However, TTM Book-to-bill has improved from 1.3 to 1.4 QoQ providing decent revenue visibility into FY27. Better revenue conversion and decision making by clients will be decision variables going ahead.

Reiterate BUY – Continued sequential momentum in international business: We expect North America to slowly recover in FY27 with ramp-up of mega deal and strong BFSI. BNSL's PO is also expected to add to regional markets. Combined with much faster than overall growth of AI and AI driven services, increase in scope countering topline deflation due to AI, and absent margin headwinds apart from annual wage hike cycles. TCS offers a solid value play trading at 21.1x NTM EPS (YSEC estimates) despite having last five-year average of ~25.6x. We reiterate our BUY rating with TP of Rs 4,095 at 25x 4QFY27-3QFY28 EPS of Rs. 163.8.

Result at a glance

| Rsm | 3Q25 | 2Q26 | 3Q26 | QoQ | YoY | Consensus | Diff. |
|----------------------|---------|---------|---------|-------|--------|-----------|--------|
| Revenue growth in CC | | | | | -2.6% | -2.2% | |
| Revenues | 639,730 | 657,990 | 670,870 | 2.0% | 4.9% | 668,493 | 0.4% |
| EBIT | 156,570 | 165,650 | 168,890 | 2.0% | 7.9% | 167,323 | 0.9% |
| Ebit margin | 24.5% | 25.2% | 25.2% | 0bps | 70bps | 25.0% | 14bps |
| Other Income | 10,090 | 6,380 | 5,800 | -9.1% | -42.5% | | |
| Net profit | 123,800 | 117,690 | 106,570 | -9.4% | -13.9% | 130,055 | -18.1% |
| EPS (Rs) | 34.2 | 32.5 | 29.5 | -9.4% | -13.9% | 35.7 | -17.4% |

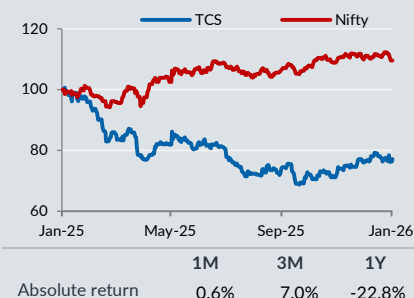
Source: Bloomberg, YES Sec

| | |
|------------------|------------|
| Recommendation | : BUY |
| Current Price | : Rs 3,240 |
| Target Price | : Rs 4,095 |
| Potential Return | : +26.4% |

Stock data (as on January 12, 2026)

| | |
|-------------------------|-------------------|
| Nifty | 25,790 |
| 52 Week h/l (Rs) | 4255 / 2867 |
| Market cap (Rs/USD mn) | 11606100 / 128724 |
| Outstanding Shares (mn) | 3,618 |
| 6m Avg t/o (Rs mn): | 8,762 |
| Div yield (%): | 4.1 |
| Bloomberg code: | TCS IN |
| NSE code: | TCS |

Stock performance



Shareholding pattern (As of Sep'25 end)

| | |
|----------|-------|
| Promoter | 71.8% |
| FII+DII | 23.0% |
| Others | 5.2% |

Δ in stance

| (1-Yr) | New | Old |
|--------------|-------|-------|
| Rating | BUY | BUY |
| Target Price | 4,095 | 4,068 |

Financial Summary

| (Rs mn) | FY25 | FY26E | FY27E |
|-------------|-----------|-----------|-----------|
| Net Revenue | 2,553,240 | 2,654,609 | 2,908,341 |
| YoY Growth | 6.0 | 4.0 | 9.6 |
| EBITDA | 674,070 | 716,586 | 772,049 |
| EBITDA (%) | 26.4 | 27.0 | 26.5 |
| EBIT | 621,650 | 660,753 | 711,924 |
| EBIT (%) | 24.3 | 24.9 | 24.5 |
| PAT | 485,530 | 486,105 | 560,911 |
| YoY Growth | 5.8 | 0.1 | 15.4 |
| ROE | 51.5 | 50.5 | 44.4 |
| EPS | 134.2 | 134.4 | 155.0 |
| P/E | 24.1 | 22.1 | 20.9 |

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ANALYST VIEW & INVESTMENT THESIS

We remain positive on TCS over the next 12 months, driven by broad-based recovery in revenue growth, accelerating deal conversions, and resilient margins despite wage and investment headwinds. The company's disciplined execution, strong order book, and full-service offerings will help it sail through tough demand environment. We expect momentum in BFSI & reversal in North America/UK due to mega deal ramp-up/JLR revival to drive international revenue in FY27 along with BSNL PO supporting India revenues.

Over a 3-year horizon, we remain constructive on TCS as it leverages its proven strengths in large-scale project execution, systems integration, and ecosystem partnerships to expand into adjacencies like data centres and sovereign cloud. The 1GW data-centre foray, built in collaboration with hyperscalers and governments, underscores TCS's intent to capture the infrastructure layer of the AI economy while reinforcing long-term annuity revenues. Coupled with its deep enterprise relationships, AI-first delivery model, and disciplined capital allocation, we see TCS evolving into a more diversified, infrastructure-plus-services technology leader with sustained earnings compounding potential.

CONCALL SUMMARY

1) Overall demand environment & revenue growth

- Management stated that the improvement in demand seen in Q2 continued in Q3, despite seasonality and furloughs. CC revenue grew +0.8% QoQ; international services +0.4% QoQ.
- Client spend continues to be tightly controlled, with faster decision-making primarily on short-cycle, ROI-backed programs rather than large discretionary initiatives.
- Management highlighted a steady increase in short-cycle AI and data projects across verticals, reflected in the sharp QoQ rise in AI revenues.
- Based on deal momentum, rising AI-led work and improving decision velocity, management reiterated confidence of a "good CY26" and reiterated aspiration for FY26 international growth to be better than FY25.

2) Sectoral & geographical performance:

Geographies:

- Europe continued to show resilience, while North America was flat QoQ, largely attributed to seasonality rather than structural demand weakness. India, APAC and MEA saw healthy momentum, led by enterprise and public services digital programs.

Sectoral:

- BFSI:
 - BFSI demand remained seasonally soft but underlying momentum intact; TCV increased to \$3.8bn (+\$600mn QoQ), including one mega deal in North America.
 - Clients continue cost discipline while prioritizing resilience, compliance, cloud modernization, payments, fraud prevention and AI-led operations.
 - AI adoption is scaling, though agentic AI deployments remain cautious due to governance and regulatory considerations.

- Management reiterated BFSI weakness as seasonal and expects the vertical to return to growth.
- Consumer Business Group (CBG):
 - Sequential growth led by retail, travel and hospitality.
 - International travel strong; domestic airlines weak; essentials doing well, while fashion and specialty retail remain soft.
 - UK continues to face challenges; US and Europe showed improvement.
- Life Sciences & Healthcare:
 - Strong momentum driven by AI-led drug discovery, automation, digital health, diagnostics, RCM, cloud and cybersecurity.
 - GenAI adoption moving from pilots to scaled deployments across providers, payers and pharma.
- Manufacturing:
 - Marginal growth; auto remains weak, while non-auto segments (industrial, electronics, smart manufacturing) showed resilience.
 - Continued investments in robotics, vision AI, agentic systems and semiconductor manufacturing.
- Technology, Software & Services:
 - Degrew sequentially due to typical Q3 seasonality and macro uncertainty, despite strong AI infrastructure investments by hyperscalers and chip companies.
- CMI & ERU:
 - CMI delivered positive sequential growth driven by AI-led monetization, automation, ad-tech optimization and outcome-based transformation.
 - ERU posted strong growth on the back of energy transition, renewables, grid modernization and AI-led asset optimization.

4) Margins & cashflow

- Operating margins stable at 25.2% QoQ:
 - +80 bps from productivity, pyramid, efficiencies
 - +20 bps from currency
 - -50 bps wage hike impact
 - -50 bps investments in facilities, partnerships
 - Net: Flat QoQ margins.
- One-offs elevated SG&A: Legal (largely M&A-related), marketing and CSR expenses impacted SG&A; management indicated ~10–20 bps as non-recurring.
- Labour code provision clarified: One-time provision of ₹2,128cr (₹1,800cr gratuity; ~₹300cr leave liability). Ongoing impact expected to be limited to ~10–15 bps from Q4 onward; no further exceptional items expected.
- Margin trajectory: Management reiterated intent to move toward 26%+ over time, balancing productivity levers against wage cycles and continued strategic investments

5) Deal wins & sales momentum

- Q3 TCV stood at \$9.3bn, including one mega deal in North America; BFSI and CBG were key contributors.

- FY26 YTD order intake of ~\$28–29bn; management indicated full-year order book could reach ~\$38–39bn, supporting FY27 growth visibility.
- Mix: Cost optimization and transformation remain dominant, with a rising share of short-cycle “rapid-build” AI, data and cloud engagements with faster conversion cycles.

6) AI strategy & transformation (core strategic narrative)

- AI monetization scaling rapidly: Annualized AI services revenue reached ~\$1.8bn, growing ~17.3% QoQ CC; driven by business transformation and modernization programs (excluding internal AI productivity use).
- Clear shift from POCs to production: Management highlighted CY25 as the inflection year where AI adoption moved decisively from experimentation to ROI-led, scaled implementations across industry value chains.
- Rapid-build acceleration: Over 3x QoQ increase in AI rapid builds, enabling faster experimentation-to-production cycles and shorter deal closures.
- Five-pillar AI execution reiterated:
 - Internal transformation (TCS^AI): Democratization of AI tools, AI Friday hackathons, 15+ patentable solutions in Q3, AI-first hiring and learning platforms.
 - Reimagined service delivery: Human + AI autonomy model (levels 1–5) rolled out across service lines; early client examples showed 2x deployment frequency, 30% faster time-to-market and ~40% operational efficiency gains.
 - Client AI labs: Set up for a US insurer and a regional US bank to scale agentic AI in underwriting, KYC and AML.
 - Ecosystem & infrastructure: Continued hyperscaler partnerships; progress on AI data-centre initiative with first revenues expected ~18 months post build-out.

7) Talent & Organizational Readiness

- AI talent scale-up: 217k employees with advanced AI skills (3x YoY); strong hiring of AI-native freshers and advisory talent in cyber, cloud, data, and enterprise apps.
- Restructuring ongoing but controlled: ~1,800 exits in Q3 as part of role realignment towards future skills; process-driven, not target-driven.
- Industry recognition: Ranked #1 by Everest for next-gen AI/data talent readiness; Forbes Best Employer for Engineers; Newsweek’s most reliable tech services firm.

8) Pricing, Renewals & Contracting

- Renewals bake in productivity (10–15%) but scope expands: Realizations largely protected as volume of work and AI-led transformation scope increases.
- AI productivity pre-priced into new deals: Most contracts assume aggressive AI-led efficiency upfront rather than gain-share models, limiting downside risk to margins while increasing delivery scale.

Geography Performance

| US\$m | 3Q25 | 2Q26 | 3Q26 | As a % of revenue | QoQ | YoY | CC YoY | CC QoQ |
|--------------------|-------|-------|-------|-------------------|-------|--------|--------|--------|
| North America | 3,596 | 3,643 | 3,642 | 48.5% | 0.0% | 1.3% | 1.3% | 0.1% |
| Latin America | 143 | 142 | 150 | 2.0% | 5.9% | 4.8% | 1.4% | 4.6% |
| UK | 1,251 | 1,307 | 1,269 | 16.9% | -2.9% | 1.4% | -3.2% | -1.9% |
| Continental Europe | 1,048 | 1,142 | 1,171 | 15.6% | 2.5% | 11.8% | 1.4% | 2.1% |
| India | 739 | 433 | 458 | 6.1% | 5.8% | -38.0% | -34.3% | 8.0% |
| Asia Pacific | 588 | 620 | 623 | 8.3% | 0.6% | 6.0% | 3.5% | 1.1% |

| | | | | | | | | |
|--------------|--------------|--------------|--------------|---------------|-------------|--------------|--------------|-------------|
| MEA | 173 | 179 | 195 | 2.6% | 9.0% | 12.6% | 8.3% | 3.2% |
| TOTAL | 7,539 | 7,466 | 7,509 | 100.0% | 0.6% | -0.4% | -2.6% | 0.8% |

Source: Company, YES Sec

Vertical Performance

| US\$m | 3Q25 | 2Q26 | 3Q26 | As a % of revenue | QoQ | YoY | CC YoY | CC QoQ |
|---------------------------------|--------------|--------------|--------------|-------------------|-------------|--------------|--------------|-------------|
| BFSI | 2,299 | 2,404 | 2,395 | 31.9% | -0.4% | 4.2% | 1.6% | -0.4% |
| Consumer Business | 1,153 | 1,142 | 1,156 | 15.4% | 1.2% | 0.3% | -2.7% | 1.3% |
| Life Sciences & Healthcare | 761 | 784 | 788 | 10.5% | 0.6% | 3.5% | 2.2% | 0.9% |
| Technology & Services | 603 | 635 | 631 | 8.4% | -0.6% | 4.6% | 1.7% | -1.3% |
| Manufacturing | 633 | 657 | 661 | 8.8% | 0.6% | 4.3% | 1.7% | 0.2% |
| Communication & Media | 437 | 440 | 443 | 5.9% | 0.6% | 1.3% | -1.6% | 0.6% |
| Energy, Resources and Utilities | 422 | 440 | 451 | 6.0% | 2.3% | 6.7% | 2.2% | 1.0% |
| Regional Markets & Others | 1,229 | 963 | 984 | 13.1% | 2.1% | -20.0% | -19.4% | 4.6% |
| TOTAL | 7,539 | 7,466 | 7,509 | 100.0% | 0.6% | -0.4% | -2.6% | 0.8% |

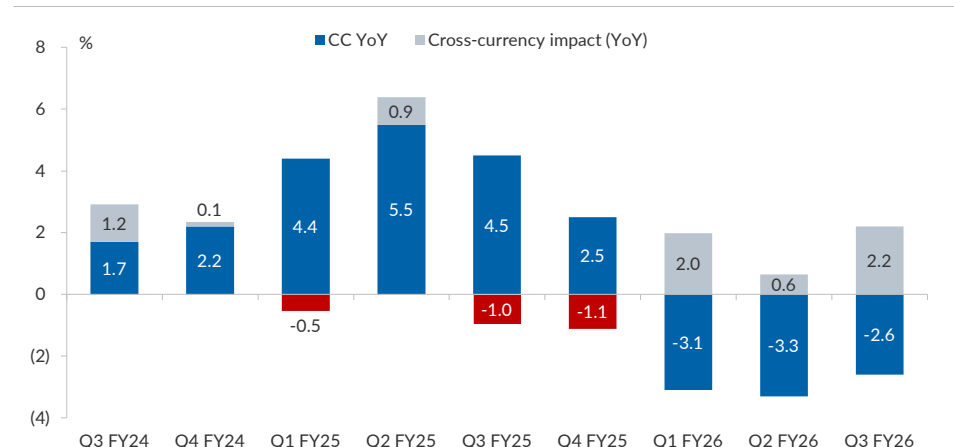
Source: Company, YES Sec

Valuation Summary

| Valuation Metric | |
|------------------------|-------|
| 4QFY27-3QFY28 EPS (Rs) | 163.8 |
| Target Multiple | 25x |
| Target price (Rs) | 4,095 |
| Rating | BUY |

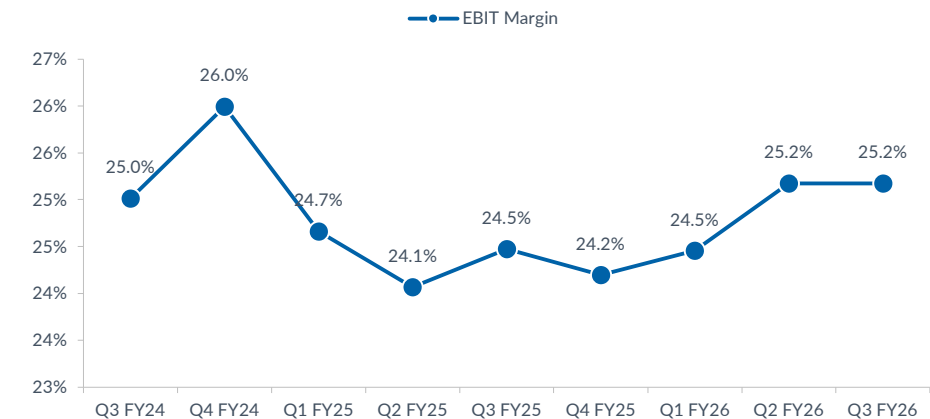
Charts of the Quarter

Exhibit 1: CC Growth Trend and Currency Impact (YoY)



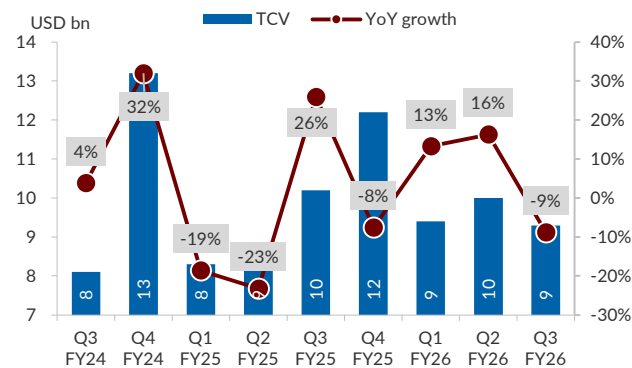
Source: Company, YES Sec

Exhibit 2: EBIT Margin trend



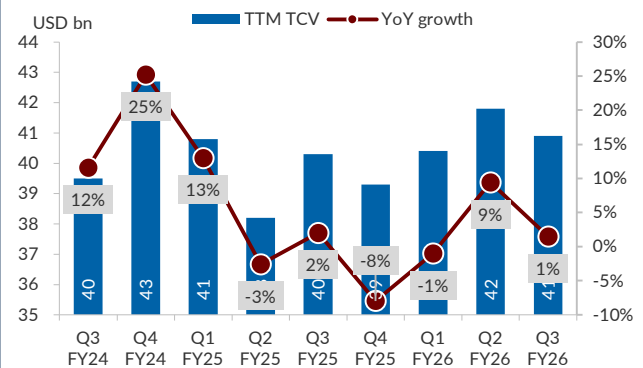
Source: Company, YES Sec

Exhibit 3: TCV growth over quarters



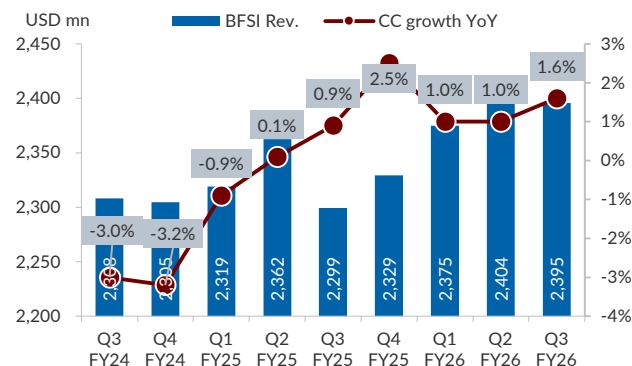
Source: Company, YES Sec

Exhibit 4: TTM TCV growth over quarters



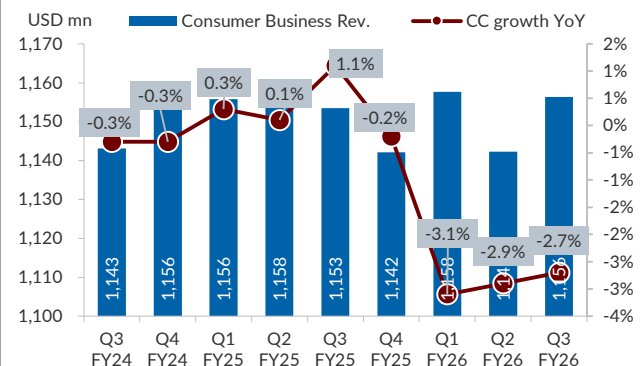
Source: Company, YES Sec

Exhibit 5: Vertical Performance- BFSI



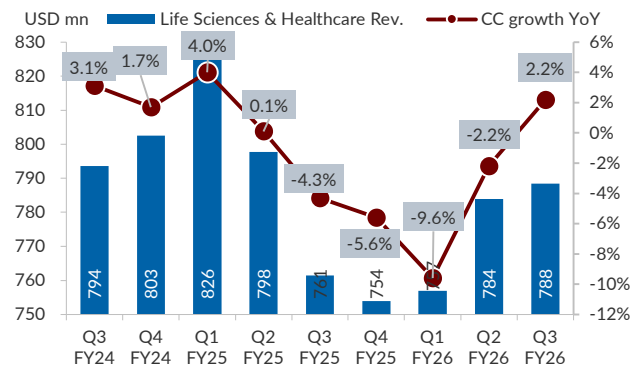
Source: Company, YES Sec

Exhibit 6: Vertical Performance- Consumer Business



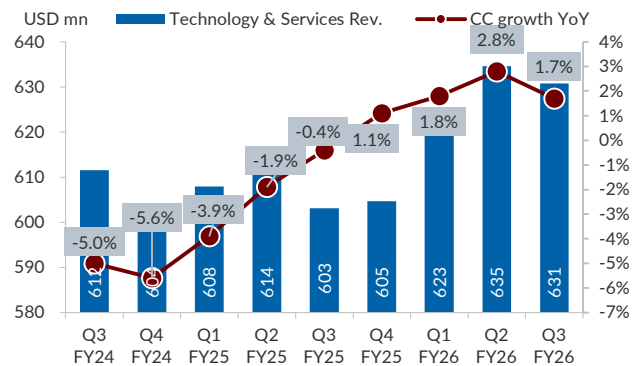
Source: Company, YES Sec

Exhibit 7: Vertical Performance- LS & Healthcare



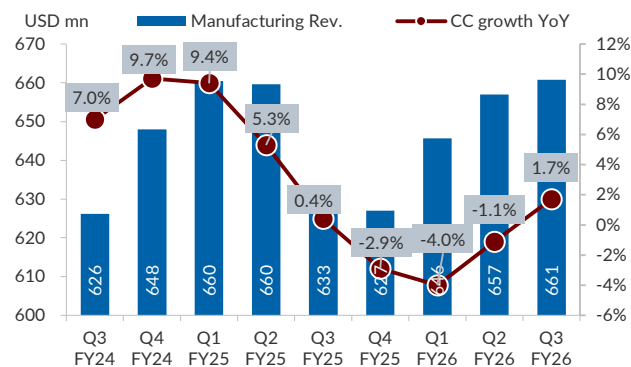
Source: Company, YES Sec

Exhibit 8: Vertical Performance- Technology



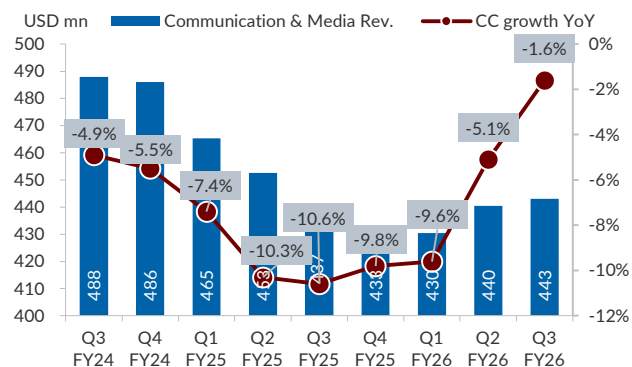
Source: Company, YES Sec

Exhibit 9: Vertical Performance- Manufacturing



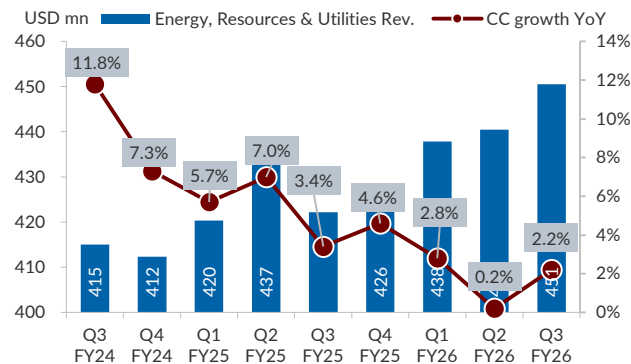
Source: Company, YES Sec

Exhibit 10: Vertical Performance- Communication



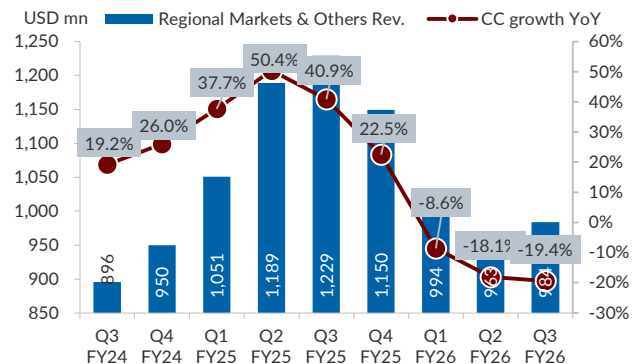
Source: Company, YES Sec

Exhibit 11: Vertical Performance- Energy & Utilities



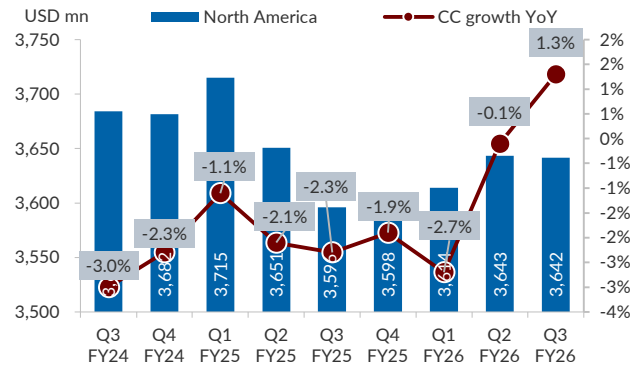
Source: Company, YES Sec

Exhibit 12: Vertical Performance- Regional Markets



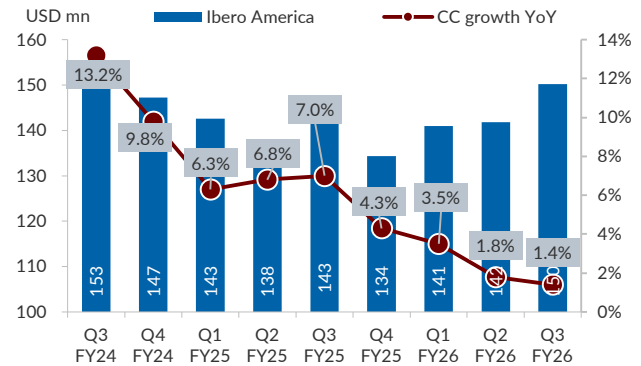
Source: Company, YES Sec

Exhibit 13: Geography Performance- North America



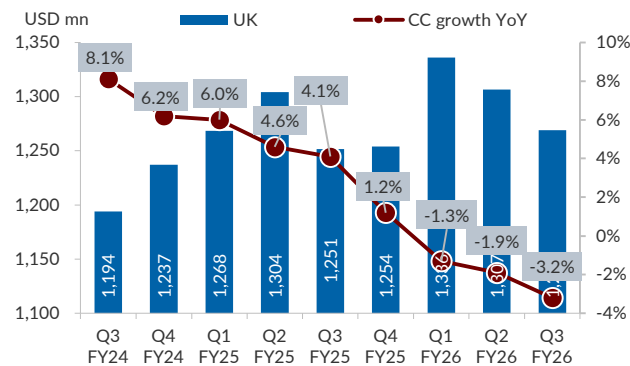
Source: Company, YES Sec

Exhibit 14: Geography Performance- Latin America



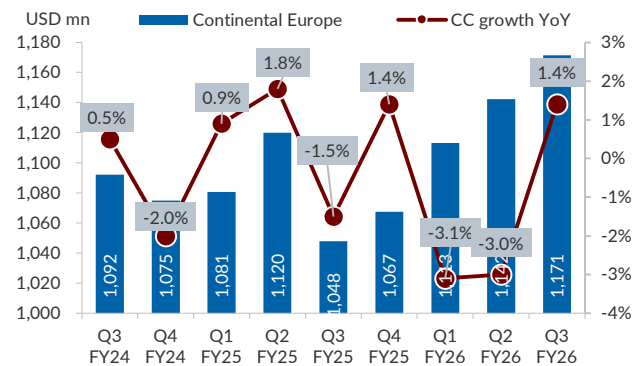
Source: Company, YES Sec

Exhibit 15: Geography Performance- UK



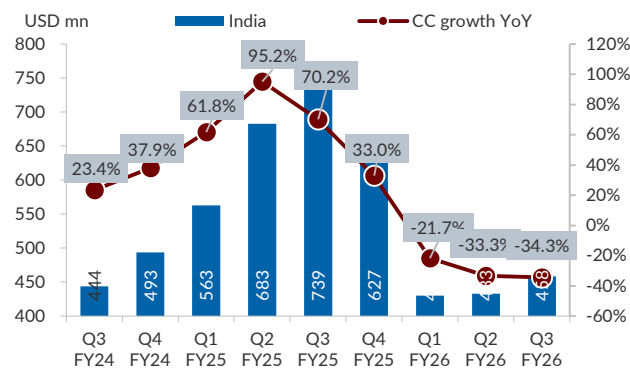
Source: Company, YES Sec

Exhibit 16: Geography Performance- Europe



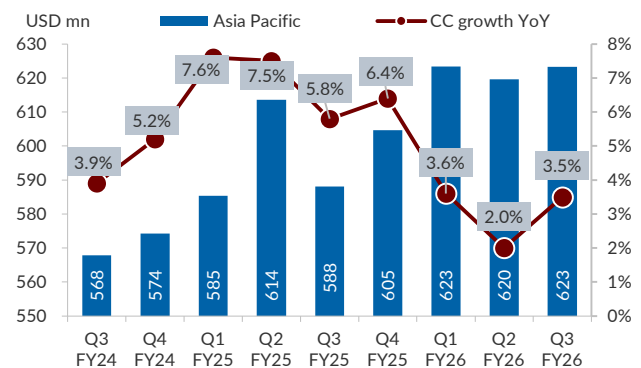
Source: Company, YES Sec

Exhibit 17: Geography Performance- India



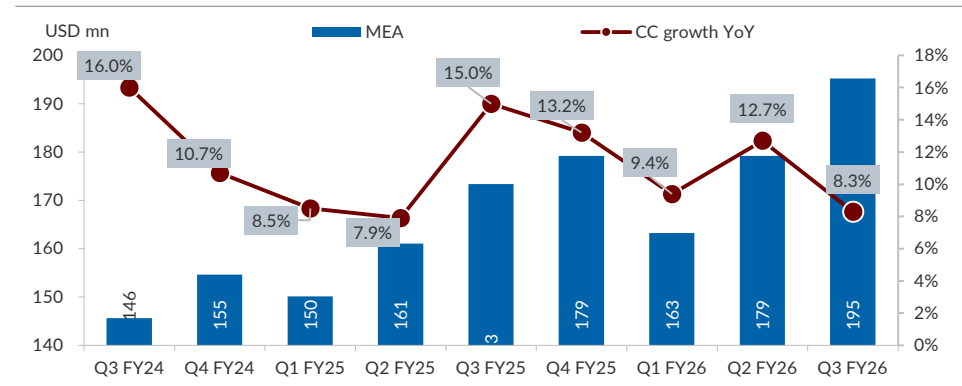
Source: Company, YES Sec

Exhibit 18: Geography Performance- Asia Pacific



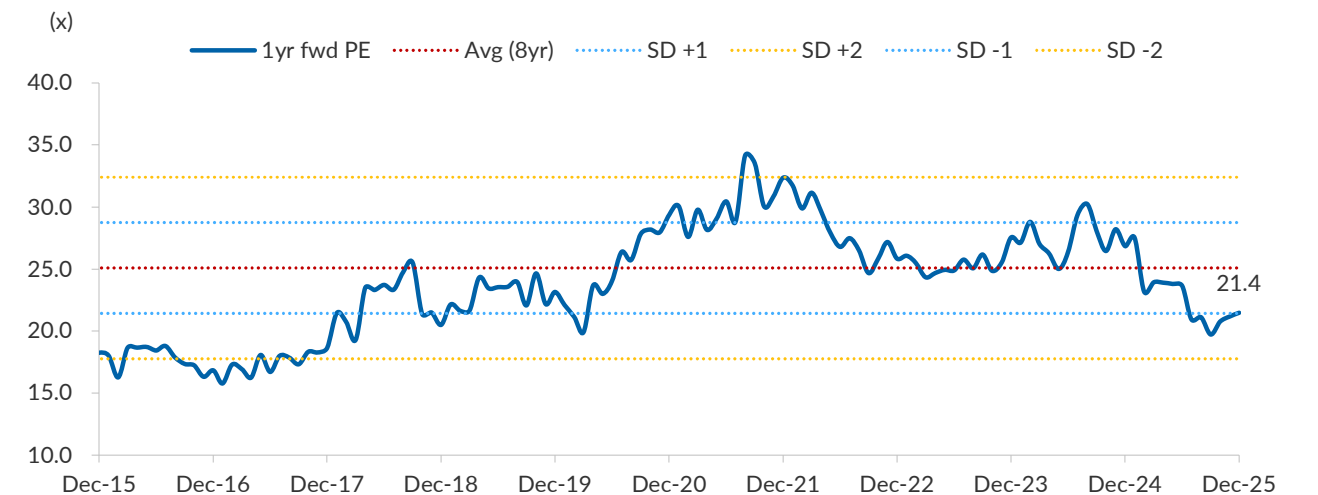
Source: Company, YES Sec

Exhibit 19: Geography Performance- MEA



Source: Company, YES Sec

Exhibit 20: 1-year forward P/E (x) chart



Source: Company, YES Sec

FINANCIALS

Exhibit 21: Quarterly Snapshot

| Particulars (Rs. Mn) | 3QFY25 | 2QFY26 | 3QFY26 | YoY (%) | QoQ (%) |
|-------------------------|---------|---------|---------|----------|----------|
| Con. Revenues (USD mn) | 7,539 | 7,466 | 7,509 | -0.4 | 0.6 |
| % CC growth | | | | -2.6 | 0.8 |
| Exchange rate (INR/USD) | 85 | 88 | 89 | 5.3 | 1.4 |
| Con. Revenues (Rs mn) | 639,730 | 657,990 | 670,870 | 4.9 | 2.0 |
| Costs of revenues | 380,610 | 386,650 | 386,230 | 1.5 | -0.1 |
| Gross Profit | 259,120 | 271,340 | 284,640 | 9.8 | 4.9 |
| Gross margin | 40.5 | 41.2 | 42.4 | 192.4bps | 119.1bps |
| SG&A costs | 88,790 | 91,560 | 101,950 | 14.8 | 11.3 |
| EBITDA | 170,330 | 179,780 | 182,690 | 7.3 | 1.6 |
| EBITDA margin | 26.6 | 27.3 | 27.2 | 60.7bps | -9.1bps |
| D&A Expense | 13,760 | 14,130 | 13,800 | 0.3 | -2.3 |
| EBIT | 156,570 | 165,650 | 168,890 | 7.9 | 2.0 |
| EBIT margin | 24.5 | 25.2 | 25.2 | 70.0bps | 0.0bps |
| Other Income | 10,090 | 6,380 | 5,800 | -42.5 | -9.1 |
| Profit before tax | 166,660 | 172,030 | 174,690 | 4.8 | 1.5 |
| Tax | 42,220 | 42,430 | 33,580 | -20.5 | -20.9 |
| Minority Interest | 640 | 560 | 630 | -1.6 | 12.5 |
| Net PAT | 123,800 | 129,040 | 140,480 | 13.5 | 8.9 |
| PAT margin | 19.4 | 19.6 | 20.9 | 158.8bps | 132.9bps |
| EPS (Rs) | 34.2 | 32.5 | 29.5 | -13.9 | -9.4 |

Source: Company, YES Sec

Exhibit 22: Income Statement

| Income statement (Rs mn) | FY23 | FY24 | FY25 | FY26E | FY27E | FY28E |
|--------------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Con. Revenues(USD mn) | 27,927 | 29,080 | 30,179 | 30,069 | 31,898 | 33,061 |
| % growth | 8.6 | 4.1 | 3.8 | -0.4 | 6.1 | 3.6 |
| % CC growth | 13.7 | 3.4 | 4.2 | -2.3 | 6.1 | 3.6 |
| Exchange rate (INR/USD) | 81 | 83 | 85 | 88 | 91 | 93 |
| Con. Revenues (Rs mn) | 2,254,580 | 2,408,930 | 2,553,240 | 2,654,609 | 2,908,341 | 3,067,159 |
| % growth | 17.6 | 6.8 | 6.0 | 4.0 | 9.6 | 5.5 |
| Costs of revenues | 1,324,480 | 1,397,750 | 1,519,050 | 1,551,192 | 1,700,394 | 1,787,218 |
| Gross Profit | 930,100 | 1,011,180 | 1,034,190 | 1,103,417 | 1,207,947 | 1,279,942 |
| Gross margin | 41.3 | 42.0 | 40.5 | 41.6 | 41.5 | 41.7 |
| SG&A costs | 337,500 | 368,230 | 360,120 | 386,831 | 435,898 | 459,675 |
| EBITDA | 592,600 | 642,950 | 674,070 | 716,586 | 772,049 | 820,266 |
| EBITDA margin | 26.3 | 26.7 | 26.4 | 27.0 | 26.5 | 26.7 |
| % growth (bps) | -138.5 | 40.6 | -29.0 | 59.3 | -44.8 | 19.8 |
| D&A Expense | 50,230 | 49,840 | 52,420 | 55,833 | 60,124 | 63,407 |
| EBIT | 542,370 | 593,110 | 621,650 | 660,753 | 711,924 | 756,859 |
| EBIT margin | 24.1 | 24.6 | 24.3 | 24.9 | 24.5 | 24.7 |

| Income statement (Rs mn) | FY23 | FY24 | FY25 | FY26E | FY27E | FY28E |
|--------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| % growth (bps) | -121.2 | 56.5 | -27.4 | 54.3 | -41.2 | 19.8 |
| Other Income | 26,700 | 36,440 | 31,660 | 34,789 | 42,416 | 57,189 |
| Profit before tax | 569,070 | 629,550 | 653,310 | 695,542 | 754,340 | 814,048 |
| Tax | 146,040 | 161,790 | 165,340 | 161,767 | 190,909 | 206,020 |
| Minority Interest | 1,560 | 1,910 | 2,440 | 2,410 | 2,520 | 2,520 |
| One off items | - | 6,770 | - | 45,260 | - | - |
| Net PAT | 421,470 | 459,080 | 485,530 | 486,105 | 560,911 | 605,508 |
| PAT margin | 18.7 | 19.1 | 19.0 | 18.3 | 19.3 | 19.7 |
| EPS (Rs) | 115.2 | 125.9 | 134.2 | 134.4 | 155.0 | 167.4 |
| % growth | 10.0 | 9.3 | 6.6 | 0.1 | 15.4 | 8.0 |

Source: Company, YES Sec

Exhibit 23: Balance Sheet

| Balance sheet (Rs mn) | FY23 | FY24 | FY25 | FY26E | FY27E | FY28E |
|--|------------------|------------------|------------------|------------------|------------------|------------------|
| Equity Capital | 3,660 | 3,620 | 3,620 | 3,620 | 3,620 | 3,620 |
| Reserves & surplus | 775,940 | 729,260 | 916,830 | 1,086,491 | 1,332,629 | 1,624,204 |
| Accumulated other income/loss | 145,820 | 193,240 | 48,370 | 55,690 | 55,690 | 55,690 |
| Minority interests | 7,820 | 8,300 | 10,150 | 11,360 | 13,880 | 16,400 |
| Total equity | 933,240 | 934,420 | 978,970 | 1,145,801 | 1,391,939 | 1,683,514 |
| Current liabilities | | | | | | |
| Accounts payable | 105,150 | 99,810 | 139,090 | 148,913 | 163,147 | 172,056 |
| Unearned and deferred revenues | 38,430 | 36,400 | 40,280 | 42,801 | 46,892 | 49,453 |
| Other current liabilities | 292,000 | 324,830 | 350,640 | 390,778 | 428,129 | 451,509 |
| Accrued expenses and other current liabilities | - | - | - | - | - | - |
| Lease liabilities | - | - | - | - | - | - |
| Short-term borrowings | - | - | - | - | - | - |
| Income tax payable | - | - | - | - | - | - |
| Total current liabilities | 435,580 | 461,040 | 530,010 | 582,493 | 638,169 | 673,018 |
| Long-term debt | - | - | - | - | - | - |
| Preference shares with Tata Sons Ltd. | - | - | - | - | - | - |
| Lease liabilities | 62,030 | 65,160 | 78,380 | 90,810 | 90,810 | 90,810 |
| Other non-current liabilities | 26,840 | 25,100 | 30,190 | 33,780 | 33,780 | 33,780 |
| Total liabilities | 524,450 | 551,300 | 638,580 | 718,443 | 776,639 | 814,008 |
| Total equity and liabilities | 1,457,690 | 1,485,720 | 1,617,550 | 1,864,244 | 2,168,578 | 2,497,521 |
| Current assets | | | | | | |
| Cash & equivalents | 472,440 | 442,960 | 452,460 | 593,449 | 809,203 | 1,074,349 |
| Accounts receivable -Billed | 410,490 | 444,340 | 501,420 | 570,533 | 625,065 | 659,199 |
| Unbilled revenues | 147,360 | 91,430 | 89,040 | 91,903 | 100,687 | 106,185 |
| Other current assets | 74,560 | 151,110 | 187,190 | 185,119 | 202,813 | 213,888 |

| Balance sheet (Rs mn) | FY23 | FY24 | FY25 | FY26E | FY27E | FY28E |
|----------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Total current assets | 1,104,850 | 1,129,840 | 1,230,110 | 1,441,004 | 1,737,768 | 2,053,621 |
| Accounts receivable -Billed | 1,490 | 1,270 | 910 | 967 | 1,059 | 1,117 |
| Unbilled revenues | 1,990 | 160 | 380 | 1,802 | 1,974 | 2,082 |
| Investments | 2,660 | 2,810 | 2,750 | 2,490 | 2,490 | 2,490 |
| Intangibles | 8,670 | 5,100 | 9,400 | 2,860 | 2,860 | 2,860 |
| Goodwill | 40,060 | 39,890 | 40,240 | 48,170 | 48,170 | 48,170 |
| Property & equipment, Net | 115,950 | 112,240 | 129,320 | 142,332 | 149,636 | 162,561 |
| Lease assets | 75,600 | 78,860 | 92,750 | 105,480 | 105,480 | 105,480 |
| Other non-current assets | 106,420 | 115,550 | 111,690 | 119,140 | 119,140 | 119,140 |
| Total non- current assets | 352,840 | 355,880 | 387,440 | 423,241 | 430,810 | 443,900 |
| Total assets | 1,457,690 | 1,485,720 | 1,617,550 | 1,864,244 | 2,168,578 | 2,497,521 |

Source: Company, YES Sec

Exhibit 24: Cash Flow

| Cash flow statement (Rs mn) | FY23 | FY24 | FY25 | FY26E | FY27E | FY28E |
|---|------------------|------------------|------------------|------------------|------------------|------------------|
| PBT | 423,030 | 460,990 | 487,970 | 533,775 | 563,431 | 608,028 |
| Depreciation and amortisation expense | 50,220 | 49,850 | 52,420 | 55,833 | 60,124 | 63,407 |
| Others | 145,310 | 159,310 | 166,190 | 161,767 | 190,909 | 206,020 |
| Operating profit before WC changes | 618,560 | 670,150 | 706,580 | 751,375 | 814,465 | 877,455 |
| Changes in WC | (43,870) | (75,940) | (36,460) | (36,460) | (36,460) | (36,460) |
| Cash generated from operations | 574,690 | 594,210 | 670,120 | 714,915 | 778,005 | 840,995 |
| Net taxes paid | (129,660) | (124,890) | (155,860) | (152,492) | (179,963) | (194,207) |
| Cash flow from operations | 445,030 | 469,320 | 514,260 | 562,423 | 598,042 | 646,788 |
| Capex (Net) | (28,500) | (26,200) | (76,775) | (76,775) | (67,428) | (76,332) |
| Other investing activities | (4,280) | 53,540 | 30,645 | - | - | - |
| Cash flow from investing activities | (32,780) | 27,340 | (46,130) | (76,775) | (67,428) | (76,332) |
| Buyback/ issuance of shares | (41,740) | (170,000) | - | - | - | - |
| Dividend paid | (414,100) | (252,180) | (430,552) | (430,552) | (604,221) | (604,221) |
| other financing activities | (15,150) | (16,600) | - | - | - | - |
| Cash from financing activities | (470,990) | (438,780) | (430,552) | (430,552) | (604,221) | (604,221) |
| Change in cash balance | (58,740) | 57,880 | 37,578 | 55,096 | (73,607) | (33,765) |
| Opening cash balance | 124,880 | 71,230 | 90,160 | 83,420 | 138,516 | 64,908 |
| Exchange difference on translation of foreign currency C&CE | 5,090 | 640 | 1,740 | - | - | - |
| Closing cash balance | 71,230 | 129,750 | 129,478 | 138,516 | 64,908 | 31,143 |

Source: Company, YES Sec

Exhibit 25: Ratios

| Ratios (%) | FY23 | FY24 | FY25 | FY26E | FY27E | FY28E |
|-------------------------------|-------|-------|-------|-------|-------|-------|
| Per share numbers (Rs) | | | | | | |
| Reported earnings | 115.2 | 127.7 | 134.2 | 146.9 | 155.0 | 167.4 |
| Dividend | 48.0 | 55.0 | 60.0 | 73.0 | 87.0 | 87.0 |
| Book Value | 252.9 | 254.0 | 267.8 | 316.7 | 384.7 | 465.3 |
| Valuations (x) | | | | | | |
| P/E | 28.1 | 25.4 | 24.1 | 22.1 | 20.9 | 19.4 |
| EV / EBITDA | 19.0 | 17.5 | 16.7 | 15.5 | 14.1 | 13.0 |
| EV/Sales | 5.0 | 4.7 | 4.4 | 4.2 | 3.8 | 3.5 |
| Profitability Ratios | | | | | | |
| Gross margin | 41.3 | 42.0 | 40.5 | 41.6 | 41.5 | 41.7 |
| EBITDA margin | 26.3 | 26.7 | 26.4 | 27.0 | 26.5 | 26.7 |
| PAT margin | 18.7 | 19.1 | 19.0 | 18.3 | 19.3 | 19.7 |
| Return Ratios | | | | | | |
| ROCE (pre-tax) | 69.6 | 69.2 | 78.5 | 76.0 | 80.7 | 102.4 |
| RONW | 29.2 | 31.8 | 31.4 | 30.7 | 27.9 | 26.1 |
| ROE | 46.0 | 50.5 | 51.5 | 50.5 | 44.4 | 39.5 |
| Turnover ratios | | | | | | |
| Debtors days | 60.9 | 64.8 | 67.6 | 73.7 | 75.0 | 76.4 |
| Cash Conversion Ratios | | | | | | |
| OCF/EBITDA | 75.1 | 73.0 | 76.3 | 78.5 | 77.5 | 78.9 |
| FCF/PAT | 98.8 | 96.5 | 90.1 | 98.1 | 92.5 | 91.8 |

Source: Company, YES Sec

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