

New CEO lays ambitious plans to achieve higher growth & 15% OPM

- TechM's CC rev. declined by 0.8% in CC vs (DE: -1% CC) as Enterprise/Comms segment remained muted and declined 1%/2.8% QoQ. OPM stood at 7.4%, (DE: 7%), up 200bps QoQ due to absence of rationalization impact.
- Management laid very ambitious plan to achieve growth rate higher to peer-set (implies 7%+) and EBIT margins of 15%. While we appreciate the deep-dive on its 3-year roadmap, we would have rather preferred their near-term outlook given uncertainty in the environment and daunting task at hand.
- We tweak our FY25/FY26E EPS est. (-5%/-7%) given weak deal wins and slowing revenue conversion. FY27E guidance is expected to be a tall task, yet overstretched. Maintain 'SELL' rating with TP of Rs. 1,190 valuing at 20x FY26E.

TechM revealed its FY27 goals & elaborated three key strategies

Mgmt revealed its turnaround efforts to maximize long-term revenue growth & margins by outlining 3 pronged strategies: 1) Growth strategy: To emphasize on achieving superior peer growth by prioritizing key clients & markets via strategic investments; 2) Operations Strategy: To achieve target OPM of 15% by FY27E through Project Fortius using operating levers, prioritizing high margin services, maximizing synergy benefits, etc, and 3) Organization Strategy: To upskill, to adopt gender diversity & embrace cultural transformation. The company also committed to return >85% FCF to shareholders in its capital allocation policy.

Deal wins remains weak; nevertheless, will drive growth starting Q1

TCV in Q4FY24 stood at \$500mn (down 15% YoY & 35% on TTM basis), as mgmt. remains selective on deal participation which can lead to lumpy TCV in the near term. TechM expects a turnaround in Q1 and achieve YoY growth by FY25 end.

Mgmt set ambitious target of bringing ~400bps efficiency gain annually

Adj. OPM stood at 7.4% up 40bps QoQ. TechM, pointed Project Fortius will help achieve annual cost savings of \$250mn+ (4% of rev.) for next 3 years, which will be partially offset by investments (1.5% of rev.) in key geos & clients. Though, mgmt. pointed OPM recovery to be mainly led by Pyramid optimization, workload automation and pricing, we believe margin recovery will transpire gradually (typically within 8 to 12 months) and need for upfront investments to enact necessary structural changes will propel growth.

Q4FY24 Result (Rs Mn)

Particulars	Q4FY24	Q4FY23	YoY (%)	Q3FY24	QoQ (%)
Revenue	1,28,713	1,37,182	(6.2)	1,31,013	(1.8)
Total Expense	1,14,635	1,16,977	(2.0)	1,19,548	(4.1)
EBITDA	14,078	20,205	(30.3)	11,465	22.8
Depreciation	4,614	4,902	(5.9)	4,434	4.1
EBIT	9,464	15,303	(38.2)	7,031	34.6
Other Income	3,799	3,005	26.4	923	311.6
Interest	585	934	(37.4)	1,165	(49.8)
EBT	9,591	15,248	(37.1)	6,789	41.3
Tax	2,949	3,999	(26.3)	1,551	90.1
RPAT	6,610	11,176	(40.9)	5,105	29.5
APAT	9,697	9,050	7.1	5,105	90.0
			(bps)		(bps)
Gross Margin (%)	27.0	28.9	(192)	23.9	307
EBITDA Margin (%)	10.9	14.7	(379)	8.8	219
NPM (%)	5.1	8.1	(301)	3.9	124
Tax Rate (%)	30.7	26.2	452	22.8	790
EBIT Margin (%)	7.4	11.2	(380)	5.4	199

CMP	Rs 1,190
Target / Downside	Rs 1,190 / 0%
NIFTY	22,570

Scrip Details

Equity / FV	Rs 4,436mn / Rs 5
Market Cap	Rs 1,053bn
	USD 12.7bn
52-week High/Low	Rs 1,416/ 981
Avg. Volume (no)	18,44,860
Bloom Code	TECHM IN

Price Performance	1M	3M	12M
Absolute (%)	(5)	(10)	19
Rel to NIFTY (%)		(13)	(1)

Shareholding Pattern

	Sep'23	Dec'23	Mar'24
Promoters	35.1	35.1	35.1
MF/Banks/FIs	27.1	29.0	29.5
FIs	26.2	24.6	24.2
Public / Others	11.5	11.3	11.2

Valuation (x)

	FY24A	FY25E	FY26E
P/E	37.3	27.5	19.9
EV/EBITDA	20.6	15.9	12.3
ROE (%)	8.6	14.3	19.5
RoACE (%)	11.5	14.7	19.6

Estimates (Rs bn)

	FY24A	FY25E	FY26E
Revenue	520.0	535.6	576.1
EBITDA	49.6	64.0	82.9
PAT	28.2	38.4	52.9
EPS (Rs.)	31.9	43.3	59.7

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Exhibit 1: Quarterly performance versus estimates

Particulars (Rs mn)	Actual	Estimates		% Variation		Comment
		Dolat	Consensus	Dolat	Consensus	
USD Revenue	1,548	1,549	1,556	(0.1)	(0.5)	Rev in-line
INR Revenue	1,28,713	1,28,756	1,29,262	(0.0)	(0.4)	
EBIT	9,464	9,013	9,565	5.0	(1.1)	OPM beat on efficiency gains.
EBIT, margin	7.4	7.0	7.4	40 bps	0 bps	
PAT	6,674	7,031	7,239	(5.1)	(7.8)	PAT miss due to higher tax & impairment charges.

Source: Company, DART

Change in Estimates

For FY25E/FY26E - (1) We lower our USD revenue growth by 3.4%/5%, post factoring in muted commentary and delayed revenue recovery for FY25E. (2) We tone down our margin estimates by 28bps/46bps, given the long gestation pathway for growth and upfront investments required. (3) Overall, we revise down our earnings estimates by 4.7%/7.7%.

Exhibit 2: Change in Estimates

Particulars (Rs. mn)	FY23A	FY24A	FY25E			FY26E		
	Actual	Actual	Old	New	Chg.(%)	Old	New	Chg.(%)
USD Revenue	6,607	6,277	6,632	6,404	(3.4)	7,174	6,817	(5.0)
YoY growth,	10.1	(5.0)	4.9	2.0	(291 bps)	8.2	6.4	(172 bps)
INR Revenue	5,32,902	5,19,955	5,54,643	5,35,574	(3.4)	6,06,236	5,76,059	(5.0)
YoY growth,	19.4	(2.4)	4.9	2.0	(291 bps)	9.3	7.6	(174 bps)
EBIT	60,721	31,475	48,927	45,754	(6.5)	70,454	64,303	(8.7)
EBIT Margin,	11.4	6.1	8.8	8.5	(28 bps)	11.6	11.2	(46 bps)
Net Profit	48,313	23,643	39,859	38,377	(3.7)	56,774	52,947	(6.7)
EPS (Rs)	54.5	26.4	45.0	42.8	(4.7)	64.1	59.1	(7.7)

Source: DART, Company

What to expect next Quarter

We expect revenue growth of about 1.3% QoQ in Q1FY25, led by ramp-up of new deal-wins in Enterprise segment (majorly BFSI) and expect OPM to inch up by 115bps QoQ, due to operating efficiencies.

Exhibit 3: What to expect next Quarter

Particulars (Rs. Mn)	Q1FY25E	Q4FY24	Q1FY24	QoQ (%)	YoY (%)
USD Revenue	1,568	1,548	1,601	1.3	(2.1)
INR Revenue	1,30,910	1,28,713	1,31,590	1.7	(0.5)
EBIT	11,127	9,464	8,914	17.6	24.8
PAT	9,150	6,674	6,925	37.1	32.1
EPS (Rs Abs.)	10.2	7.5	7.8	37.1	30.6
EBIT Margin (%)	8.5	7.4	6.8	115bps	173bps

Source: DART, Company

Valuations

TECHM's new strategy and structure is expected to yield benefits for long term. However, we believe that growth and profitability will continue to remain impacted in FY25E due to 1) weakening global macros, 2) discretionary spends cut in telecom, 3) insourcing by key telecom clients and 4) muted deal wins. We currently value the stock at 20x on FY26E earnings of Rs. 59. Maintain 'SELL' Rating with TP of Rs. 1,190 per share.

Exhibit 4: Quarterly and YTD Trend

Particulars (Rs mn)	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	YoY (%)	QoQ (%)	FY23	FY24	YoY (%)
USD Revenue	1,668	1,601	1,555	1,573	1,548	(7.2)	(1.6)	6,607	6,277	(5.0)
INR Revenue	1,37,182	1,31,590	1,28,639	1,31,013	1,28,713	(6.2)	(1.8)	5,32,902	5,19,955	(2.4)
Operating Expenses	1,16,977	1,18,210	1,17,916	1,19,548	1,14,635	(2.0)	(4.1)	4,52,614	4,70,309	3.9
Cost of revenue	97,484	97,805	99,752	99,648	93,941	(3.6)	(5.7)	3,81,197	3,91,146	2.6
as % of sales	71.1	74.3	77.5	76.1	73.0	192 bps	(307 bps)	71.5	75.2	369 bps
SG&A expense	19,493	20,405	18,164	19,900	20,694	6.2	4.0	71,417	79,163	10.8
as % of sales	14.2	15.5	14.1	15.2	16.1	187 bps	89 bps	13.4	15.2	182 bps
EBITDA	20,205	13,380	10,723	11,465	14,078	(30.3)	22.8	80,288	49,646	(38.2)
Depreciation	4,902	4,466	4,657	4,434	4,614	(5.9)	4.1	19,567	18,171	(7.1)
EBIT	15,303	8,914	6,066	7,031	9,464	(38.2)	34.6	60,721	31,475	(48.2)
Finance Cost	934	1,197	975	1,165	585	(37.4)	(49.8)	3,256	3,922	20.5
Other Income	3,005	1,995	2,557	923	3,799	26.4	311.6	9,116	9,274	1.7
PBT	15,248	9,712	6,153	6,789	9,591	(37.1)	41.3	64,455	32,245	(50.0)
Total Tax	3,999	2,676	1,100	1,551	2,949	(26.3)	90.1	15,885	8,276	(47.9)
PAT Before MI	11,249	7,036	5,053	5,238	6,642	(41.0)	26.8	48,570	23,969	(50.7)
Minority Interest	(73)	(111)	(114)	(133)	(32)	(56.2)	(75.9)	(257)	(390)	51.8
Reported PAT	11,176	6,925	4,939	5,105	6,610	(40.9)	29.5	48,313	23,579	(51.2)
Reported EPS	12.6	7.8	5.6	5.8	7.5	(41.0)	29.3	54.6	26.6	(51.2)
Margins (%)						(bps)	(bps)			(bps)
EBIDTA	14.7	10.2	8.3	8.8	10.9	(379 bps)	219 bps	15.1	9.5	(552 bps)
EBIT	11.2	6.8	4.7	5.4	7.4	(380 bps)	199 bps	11.4	6.1	(534 bps)
EBT	11.1	7.4	4.8	5.2	7.5	(366 bps)	227 bps	12.1	6.2	(589 bps)
PAT	8.1	5.3	3.8	3.9	5.1	(301 bps)	124 bps	9.1	4.5	(453 bps)
Effective Tax rate	26.2	27.6	17.9	22.8	30.7	452 bps	790 bps	24.6	25.7	102 bps

Source: Company

Exhibit 5: Key Assumptions in our estimates

Particulars (Rs mn)	FY22A	FY23A	FY24A	FY25E	FY26E
CC revenue growth (%)	17.3	13.7	(4.7)	2.2	6.1
USD revenue growth (%)	17.3	10.1	(5.0)	2.0	6.4
USD/INR	74.4	80.7	82.8	83.6	84.5
INR revenue growth (%)	17.9	19.4	(2.4)	3.0	7.6
EBIT margins (%)	14.6	11.4	6.1	8.5	11.2
EPS growth (%)	24.7	(12.9)	(51.6)	62.3	38.0

Source: DART, Company

Exhibit 6: Key Revenue Growth Matrix

Particulars (%)	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24
CC Growth YoY	22.6	21.2	16.8	12.7	7.0	(0.9)	(5.9)	(5.4)	(6.4)
USD Growth YoY	20.9	18.0	11.2	8.8	3.7	(1.9)	(5.1)	(5.7)	(7.2)
INR Growth YoY	24.5	24.6	20.7	19.9	13.2	3.5	(2.0)	(4.6)	(6.2)

Source: DART, Company

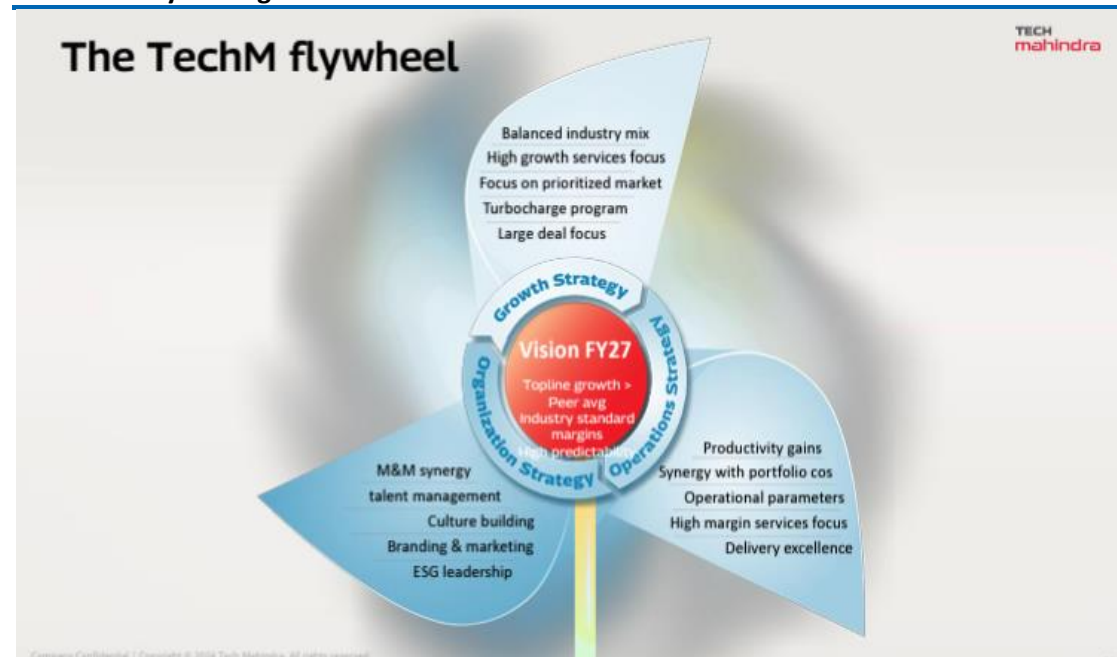
Key Focus areas and strategies

TechM elaborated its key focus strategies to achieve FY27 vision along with accelerated revenue growth and margin expansion over FY25-FY27E.

Vision FY27: 1) Top line growth greater than peers with high degree of predictability in revenue and profitability, 2) Achieving OPM of 15% by FY27 (FY24: 6.1%), 3) Focusing on target of 30%+ ROCE and 4) Plans to return 85% of FCF to investors.

3-year Roadmap: FY25 is positioned as a turnaround year, and outlines a phased approach to **growth, stabilization, and returns over FY25-27**. The Company is restructuring its organization, revamping sales team incentives, and establishing specialized teams for large deals and private equity investments in portfolio companies. They've also launched internal collaboration platforms and are working on culture improvement with external consultancies. **FY25:** This is positioned as a turnaround year, with expectations of positive growth starting from Q1. The company anticipates higher margins in FY25 compared to FY24. Key focus areas for FY25 include: 1) Anchoring new org, 2) Investment in accounts, key markets, service lines, 3) Front end integration of portfolio companies, 4) Turbocharge program for key account growth and 5) Project Fortius for cost optimization. **FY26:** This is positioned as stabilization phase. Key focus areas: 1) Continue with above normal investments, 2) Full integration of portfolio companies and 3) Project Fortius – further progress on cost savings. **FY27:** This is labeled as Reaping returns phase, Key focus areas: 1) Improved long term structural mix and 2) Continuous improvement in pyramid.

Exhibit 7: Key strategies to achieve Vision FY27



Source: Company, DART

Growth Strategy

TechM's growth strategy involves targeting specific geographical areas to accelerate expansion. The company recognizes its potential for faster growth in Americas, where it currently has a lower market presence compared to competitors. TechM will maintain its focus on Europe, leveraging its strong position and established relationships with long-term clients and influential executives. Additionally, the company will prioritize certain countries in other markets such as ANZ, Japan, Singapore, and Indonesia.

In terms of verticals,

1) Telcom: This sector holds significant importance and has consistently demonstrated its strong position. With over three decades of global experience, it boasts a highly skilled leadership team. The company continuously invests in enhancing client services to increase its market share. It possesses a distinctive blend of service, network, and software

capabilities. Notably, its portfolio includes companies like Comviva, which continue to expand its offerings with innovative products and simplified telecommunications and customer experiences. The company's strengths lie in telecommunications, manufacturing, and automotive sectors, with a notable presence in aerospace and defense industries. It contributes more than 18% to the overall business.

2) BFSI: It is over \$1bn business and serves multiple Tier 1 clients, positioning itself to take advantage of being a late mover in the industry. Despite facing short-term obstacles, there are promising prospects for digital services such as cloud and infrastructure, as well as cloud and payments infrastructure. The company aims to expand its presence in core banking, wealth management, asset management, and payments, leveraging its expertise from portfolio companies like CITCO.

3) AI: TechM is actively investing in this field and witnessing transition of GenAI into production. The organization is allocating resources towards AI for software acquisitions and enhancing its capabilities, proudly highlighting a workforce of more than 50,000 employees trained in AI.

TechM pointed portfolio prioritization to be the key growth lever. Growth strategy encompasses of key factors such as: 1) Laser-sharp focus on Top-80 accounts, 2) Developing account-centric strategy to drive healthy growth along with improvement in profitability 3) Achieving high growth and infusing pipeline by rigorous account planning, 360-degree account health-check, people capability development, and marketing led growth 4) Run by a dedicated internal strategy team, supported by M&M group, and specialist external advisors and 5) Program enabled by rigorous governance structure and C-level attention.

Exhibit 8: Growth strategy key action plan

Portfolio prioritization			
	Focus geos / markets	Focus verticals	Focus service lines
Priority segments	<ul style="list-style-type: none"> Americas Europe Prioritized countries in ROW 	<ul style="list-style-type: none"> Telco Manufacturing BFSI Hi-Tech Healthcare and Lifesciences 	<ul style="list-style-type: none"> Next Gen Services Cloud & Infrastructure Services Engineering Services Digital Enterprise Applications
Action plan	<ul style="list-style-type: none"> Prioritizing sales investments toward focus markets Enhancing client service Phase out long tail accounts 	<ul style="list-style-type: none"> Investing in specialized sales teams and leadership Scaling domain solutions Strengthening domain specific partnerships, alliances, and GTM 	<ul style="list-style-type: none"> Service Line benchmarking and growth strategy completed Investments directed towards scaling solutions in high growth segments Co-innovating with hyperscalers and other ecosystem partners to take an industry solution led GTM approach

Source: Company, DART

Operations Strategy

TechM laid out 5-pronged approach and this strategy will help achieve Margins of 15% by FY27. The focus is on moving to higher services biz, pouring excellence to stop the bleed from problem programs and finally driving synergy with portfolio companies both in terms of margins and growth opportunities. It talked about its higher margin services i.e. Digital Enterprise applications. It is the package implementation business, which is a leader in established verticals such as SAP, SFDC, Oracle, Pega and some other platforms including IFS. It has 360-degree partnerships with key clients, a very strong alliance driven pipeline and a number of recent wins.

Exhibit 9: Operations Strategy



Source: Company, DART

Organization Strategy

This holds the highest significance as a focus area. It encompasses various elements such as:

1) Cultural transformation: The aim is to enhance and duplicate this strength across different markets. A new internal collaboration platform has been introduced to serve as a foundation, uniting employees worldwide and enhancing internal communication practices.

2) Efforts to enhance diversity and inclusion: Great emphasis is placed on learning and development. The management discussed Mahindra University and the new organization being built by its chief learning officer. This continues to be the primary focus.

Exhibit 10: Organization Strategy



Source: Company, DART

Our Take: While we believe the strategic plans are quite elaborate and sharp covering most of the relevant facet, however, we are varying of the ambitious timelines that it has set specially in current environment wherein even best of execution businesses are struggling to hold on to the momentum. Thus, do not subscribe to recovery timelines and expect it to take much longer to achieve the mentioned goals.

Earning call KTAs

- **Revenue:** Revenue stood at \$1,548mn, down by 0.8% QoQ in CC terms and down 6.4% YoY. Growth in INR terms was down 1.8% QoQ mainly due to absence of one-time revenue in Q3. Weak revenues are attributed to headwinds in the communication vertical, while Enterprises vertical largely declined sequentially by 1%. The company emphasizes organic growth over large acquisitions, aiming to leverage ecosystem players like Hyperscalers and enhance service line capabilities.
- **Vertical-wise:** Communication, Media and Entertainment (CME) verticals continued to decline, down 2.7% QoQ in \$ terms and Enterprise Vertical de-grew by 1% QoQ. Within Enterprise, de-growth was led by Retail, Transport and Logistics vertical at -9.6% QoQ, followed by Manufacturing at -1% QoQ & Others at -1.6% QoQ. Technology was almost flat +0.3% & BFSI at +3.5% QoQ led by ramp-up of new wins. The IT business de-grew -1.9% QoQ, while BPO business was flat at +0.1% QoQ in \$ terms. Tech Mahindra prioritizes the Americas and Europe, targeting key verticals including Telco, Manufacturing, BFSI, and Hi-tech. They anticipate recovery in the BFSI vertical in FY25 and aims to become a compelling challenger as it is seeing a unique pocket of strength in core banking transformation & Asset management. It aspires to become market leader in BFSI by FY27.
- **Top-5 Client Outlook (16% of Rev):** Top-5 clients' revenues declined 1.6% QoQ led by lower spend trend in one of the large customers from comm. space. Tech Mahindra maintains a laser-sharp focus on its top 80 accounts, while actively pursuing new clients. They aim to capitalize on opportunities in sectors like Telco, Manufacturing, and BFSI, leveraging deep relationships and expertise in core banking transformation, wealth management, and insurance.
- **EBIT Margins:** EBIT Margin expanded by 200bps QoQ to 7.4% led by absence of portfolio rationalization impact in Q3. Sub-con costs saw uptick of 210bps (13.6% to Sales) on QoQ basis while Employee costs reduction led to gains of 30bps (56.3% to sales). Project Fortius is expected to deliver \$250mn+ in annual cost benefits over the next three years. The company plans to achieve margin expansion through measures like hiring more freshers, reducing subcontracting costs, implementing automation & value-based pricing.
- **Deals:** In Q4FY24, Tech Mahindra added TCV of \$500mn down 16% YoY in Net New Deal Wins (TTM basis down 35.3% YoY).
- **Talent & Attrition:** LTM attrition remained stable at 10%. Headcount stood at 145.5k employees, a net reduction of 795 over Q3. Utilization also declined from 88% to 86% in Q4. The company is investing in AI for software purchases and building capabilities, boasting over 50,000 AI-trained employees. They also plan to move Gen AI into production this year, showcasing a commitment to technological innovation.
- **Dividend:** TechM declared final dividend of Rs. 28 per share.

Exhibit 11: Vertical Trend for Q4FY24

Vertical	Amount (\$ mn)	Mix (%)	QoQ (%)	YoY (%)	Incremental Revenue (\$ mn)	% Contribution of Incremental Revenue
CME	559	36	(2.7)	(16.4)	(15)	61
Manufacturing	282	18	(1.0)	6.3	(3)	12
Tech	166	11	0.3	(3.6)	0	(2)
BFSI	252	16	3.5	(4.8)	9	(34)
Retail, Transport & Logistics	122	8	(9.6)	(3.5)	(13)	52
Others	167	11	(1.6)	(1.7)	(3)	11
Total	1,548	100	(1.6)	(7.2)	(25)	100

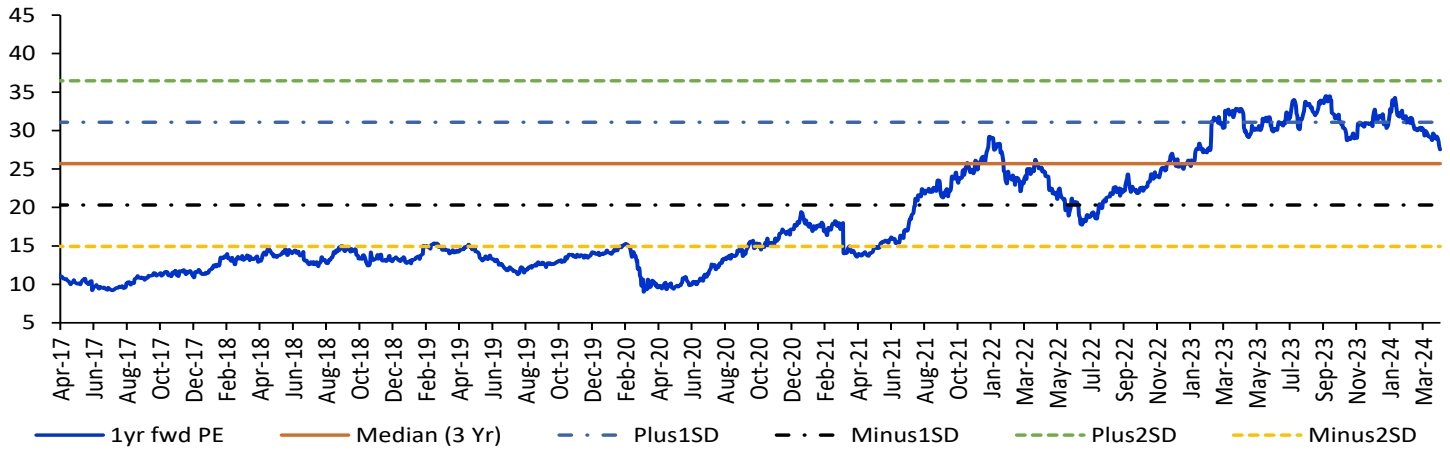
Source: DART, Company

Exhibit 12: Geography Trend for Q4FY24

Geography	Amount (\$ mn)	Mix (%)	QoQ (%)	YoY (%)	Incremental Revenue (\$ mn)	% Contribution of Incremental Revenue
Americas	786	51	(3.7)	(4.9)	(30)	120
Europe	375	24	0.1	(11.2)	0	(1)
Rest of world	387	25	1.2	(7.5)	5	(19)
Total	1,548	100	(1.6)	(7.2)	(25)	100

Source: DART, Company

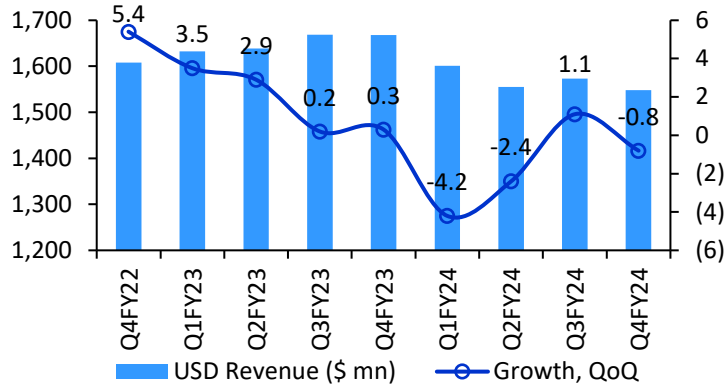
Exhibit 13: TechM currently trades at 27x on 1-yr fwd PE, above 3-yr median 26x



Source: Company, DART

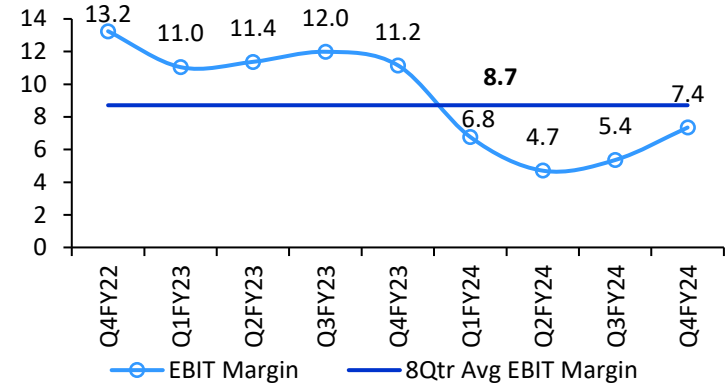
Story in Charts

Exhibit 14: Rev declined by 0.8% CC QoQ



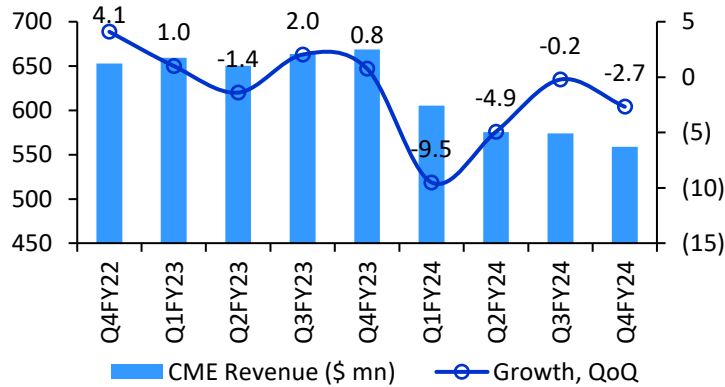
Source: Company, DART

Exhibit 15: Adj. OPM improved by 40bps QoQ



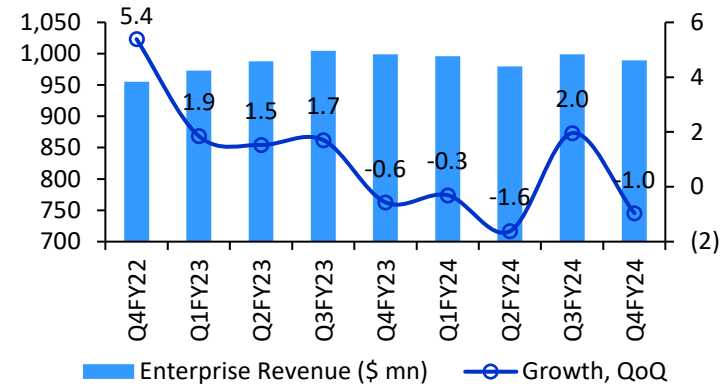
Source: Company, DART

Exhibit 16: CME declined by 2.7% QoQ in USD terms



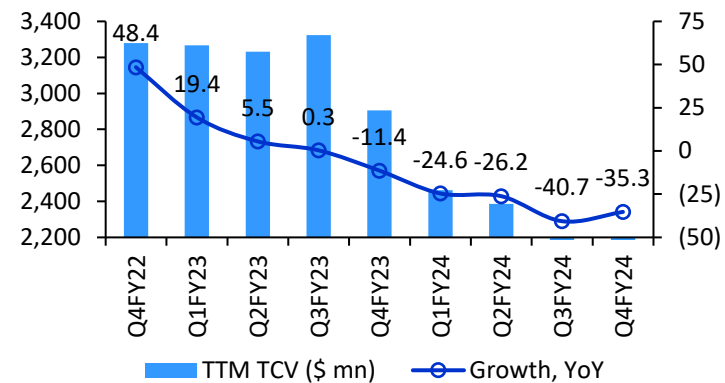
Source: Company, DART

Exhibit 17: Enterprise Revenue declined by 1% QoQ



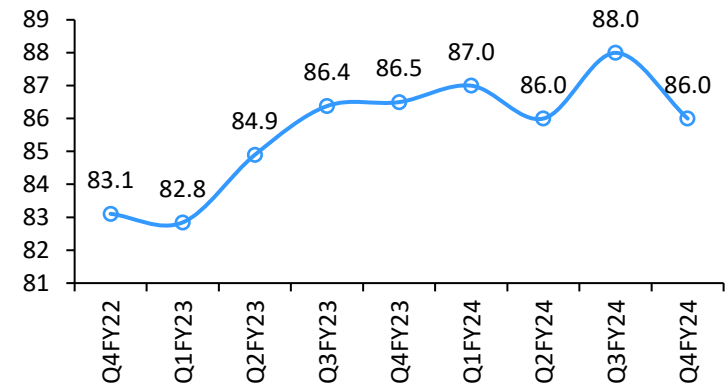
Source: Company, DART

Exhibit 18: TTM TCV Slipped below \$1.9bn (down 35% YoY)



Source: Company, DART

Exhibit 19: Utilization contracted by 200bps QoQ



Source: Company, DART

Exhibit 20: Operating Metrics 1

Particulars	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24
Growth CC									
Revenue (QoQ)	5.4	3.5	2.9	0.2	0.3	(4.2)	(2.4)	1.1	(0.8)
Revenue (YoY)	22.6	21.2	16.8	12.7	7.0	(0.9)	(5.9)	(5.4)	(6.4)
CMT / Telecom (QoQ)	4.8	3.9	(1.3)	N.A	N.A	N.A	N.A	N.A	N.A
CMT / Telecom (YoY)	23.7	N.A	14.9	N.A	N.A	N.A	N.A	N.A	N.A
Enterprise (QoQ)	5.8	3.2	2.8	N.A	N.A	N.A	N.A	N.A	N.A
Enterprise (YoY)	21.9	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A
Order Book (\$mn)									
TCV	1,011	802	716	795	592	359	640	381	500
Growth QoQ	43.5	(20.6)	(10.7)	11.0	(25.5)	(39.4)	78.3	(40.5)	31.2
Growth YoY	(3.2)	(1.6)	(4.5)	12.9	(41.4)	(55.2)	(10.6)	(52.1)	(15.5)
TTM TCV (\$mn)	3,279	3,266	3,232	3,323	2,905	2,462	2,386	1,972	1,880
TTM TCV Growth YoY	48.4	19.4	5.5	0.3	(11.4)	(24.6)	(26.2)	(40.7)	(35.3)
Book-to-bill (TTM basis)	0.55	0.52	0.50	0.51	0.44	0.37	0.37	0.31	0.30
Vertical Amount (\$mn)									
CMT	653	660	651	664	669	605	575	574	559
Manufacturing	240	249	262	262	265	271	276	285	282
Tech	150	159	166	172	172	171	171	165	166
BFSI	280	272	267	265	265	258	250	244	252
Retail, Transp. & Logistics	122	129	133	141	127	126	128	135	122
Others	164	163	160	165	170	170	155	170	167
Vertical Amount (YoY)									
CMT	21.7	19.1	10.2	5.8	2.4	(8.2)	(11.7)	(13.5)	(16.4)
Manufacturing	9.6	8.9	11.1	7.8	10.7	8.7	5.6	8.8	6.3
Tech	32.9	30.3	25.0	32.5	14.9	8.0	3.3	(3.7)	(3.6)
BFSI	28.0	20.0	11.0	12.1	(5.2)	(5.2)	(6.2)	(8.1)	(4.8)
Retail, Transp. & Logistics	18.8	21.2	15.9	8.3	3.7	(1.8)	(4.2)	(4.4)	(3.5)
Others	16.5	11.0	0.7	(1.1)	3.7	4.2	(3.1)	2.9	(1.7)
Geography Amount (\$mn)									
North America	777	809	832	829	827	823	828	816	786
Europe	425	416	401	407	422	394	367	374	375
Rest of the World	407	406	405	432	419	384	360	382	387
Geography Amount (YoY)									
North America	28.4	25.3	18.2	10.6	6.5	1.7	(0.5)	(1.5)	(4.9)
Europe	20.5	10.7	5.2	3.9	(0.6)	(5.3)	(8.7)	(8.0)	(11.2)
Rest of the World	9.2	12.4	4.5	10.1	2.9	(5.3)	(11.0)	(11.5)	(7.5)
New/Old Revenue									
New Business (\$mn)	203	33	85	115	133	32	62	79	93
Repeat Business (\$mn)	1,405	1,599	1,553	1,553	1,534	1,569	1,493	1,494	1,455

Source: DART, Company

Exhibit 21: Operating Metrics 2

Particulars	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24
Employee Data									
S/W professionals	85,830	88,030	86,776	84,874	83,789	81,521	81,200	81,705	80,925
Support and sales	8,028	8,613	8,748	8,626	8,509	8,697	8,419	8,339	9,038
BPO	57,315	61,392	68,388	63,568	60,102	58,079	60,985	56,206	55,492
Total Employees	1,51,173	1,58,035	1,63,912	1,57,068	1,52,400	1,48,297	1,50,604	1,46,250	1,45,455
Net Addition	6,106	6,862	5,877	(6,844)	(4,668)	(4,103)	2,307	(4,354)	(795)
Utilization (%) incl. Trainee	83.1	82.8	84.9	86.4	86.5	87.0	86.0	88.0	86.0
Attrition (IT Services)	23.5	22.2	19.6	17.3	14.8	13.0	11.0	10.0	10.0
Client Metrics (\$mn)									
Top 5 client	355	335	310	295	280	272	264	252	248
Top 6-10 client	146	153	149	157	162	160	156	157	155
Top 11-19 client	185	186	195	212	225	192	187	204	201
Non Top 20 client	921	958	985	1004	1001	977	949	960	944
Client Metrics (YoY)									
Top 5 client	20.1	9.2	(4.4)	(15.0)	(21.2)	(18.7)	(14.6)	(14.8)	(11.6)
Top 6-10 client	25.7	25.1	12.5	16.8	10.5	4.3	4.3	0.3	(4.3)
Top 11-19 client	13.7	10.0	10.3	26.2	21.7	3.2	(4.3)	(3.5)	(10.6)
Non Top 20 client	22.1	22.0	17.3	13.6	8.6	1.9	(3.7)	(4.5)	(5.6)
Revenue by Type									
IT	1,406	1,426	1,422	1,433	1,434	1,364	1,322	1,343	1,318
BPO	202	206	216	235	233	237	234	230	230
Revenue by Type (YoY)									
IT	18.6	16.6	9.7	7.0	2.0	(4.3)	(7.1)	(6.3)	(8.1)
BPO	40.0	28.7	22.2	21.0	15.5	14.7	8.1	(2.0)	(1.3)
EBITDA Margin									
IT	16.9	14.5	15.0	15.0	14.2	9.1	6.6	7.4	10.5
BPO	19.3	17.1	15.5	19.3	18.0	16.3	18.2	16.6	13.4
Client Data									
>US\$1 million	524	549	562	574	582	580	568	558	553
>US\$5 million	174	176	184	185	186	190	186	185	190
>US\$10 million	97	104	108	109	112	115	114	118	114
>US\$20 million	54	60	63	65	65	62	61	63	63
>US\$50 million	23	23	23	24	24	26	26	26	23
Number of active clients	1224	1262	1279	1290	1297	1255	1252	1228	1172
DSO	97	100	98	98	96	98	97	91	92

Source: DART, Company

Financial Performance

Profit and Loss Account

(Rs Mn)	FY23A	FY24A	FY25E	FY26E
Revenue	5,32,902	5,19,955	5,35,574	5,76,059
Total Expense	4,52,614	4,70,309	4,71,560	4,93,181
COGS	3,81,197	3,91,146	3,92,310	4,10,528
Employees Cost	0	0	0	0
Other expenses	71,417	79,163	79,251	82,652
EBIDTA	80,288	49,646	64,013	82,878
Depreciation	19,567	18,171	18,259	18,574
EBIT	60,721	31,475	45,754	64,303
Interest	3,256	3,922	1,997	1,827
Other Income	9,360	9,274	7,391	7,890
Exc. / E.O. items	0	0	0	0
EBT	64,455	32,245	51,148	70,367
Tax	15,885	8,276	12,531	17,240
RPAT	48,313	23,579	38,377	52,947
Minority Interest	257	390	240	180
Profit/Loss share of associates	0	0	0	0
APAT	50,683	28,161	38,377	52,947

Balance Sheet

(Rs Mn)	FY23A	FY24A	FY25E	FY26E
Sources of Funds				
Equity Capital	4,400	4,413	4,436	4,436
Minority Interest	4,702	4,774	5,014	5,194
Reserves & Surplus	2,74,845	2,62,281	2,65,168	2,68,429
Net Worth	2,79,245	2,66,694	2,69,604	2,72,865
Total Debt	15,782	15,310	14,596	13,917
Net Deferred Tax Liability	(9,704)	(11,651)	(10,751)	(9,956)
Total Capital Employed	2,90,025	2,75,127	2,78,463	2,82,020

Applications of Funds

Net Block	1,48,928	1,38,638	1,37,229	1,41,055
CWIP	836	1,011	1,011	1,011
Investments	34,629	33,090	32,590	30,590
Current Assets, Loans & Advances	2,64,175	2,47,101	2,54,312	2,63,450
Inventories	236	375	376	394
Receivables	1,28,827	1,14,017	1,17,392	1,26,265
Cash and Bank Balances	42,547	47,355	49,765	48,395
Loans and Advances	49	105	108	108
Other Current Assets	92,516	85,249	86,670	88,288
Less: Current Liabilities & Provisions	1,58,543	1,44,713	1,46,679	1,54,086
Payables	43,846	37,853	38,758	43,238
Other Current Liabilities	1,14,697	1,06,860	1,07,921	1,10,848
<i>sub total</i>				
Net Current Assets	1,05,632	1,02,388	1,07,633	1,09,364
Total Assets	2,90,025	2,75,127	2,78,463	2,82,020

E – Estimates

Important Ratios

Particulars	FY23A	FY24A	FY25E	FY26E
(A) Margins (%)				
Gross Profit Margin	28.5	24.8	26.7	28.7
EBIDTA Margin	15.1	9.5	12.0	14.4
EBIT Margin	11.4	6.1	8.5	11.2
Tax rate	24.6	25.7	24.5	24.5
Net Profit Margin	9.1	4.5	7.2	9.2
(B) As Percentage of Net Sales (%)				
COGS	71.5	75.2	73.3	71.3
Employee	0.0	0.0	0.0	0.0
Other	13.4	15.2	14.8	14.3
(C) Measure of Financial Status				
Gross Debt / Equity	0.1	0.1	0.1	0.1
Interest Coverage	18.6	8.0	22.9	35.2
Inventory days	0	0	0	0
Debtors days	88	80	80	80
Average Cost of Debt	20.6	25.2	13.4	12.8
Payable days	30	27	26	27
Working Capital days	72	72	73	69
FA T/O	3.6	3.8	3.9	4.1
(D) Measures of Investment				
AEPS (Rs)	57.4	31.9	43.3	59.7
CEPS (Rs)	79.6	52.5	63.8	80.6
DPS (Rs)	50.0	40.0	40.0	56.0
Dividend Payout (%)	87.0	125.5	92.5	93.8
BVPS (Rs)	316.5	301.9	303.9	307.5
RoANW (%)	17.6	8.6	14.3	19.5
RoACE (%)	18.8	11.5	14.7	19.6
RoAIC (%)	24.6	13.2	20.0	27.8
(E) Valuation Ratios				
CMP (Rs)	1190	1190	1190	1190
P/E	20.7	37.3	27.5	19.9
Mcap (Rs Mn)	10,53,116	10,53,116	10,53,116	10,53,116
MCap/ Sales	2.0	2.0	2.0	1.8
EV	10,26,351	10,21,071	10,17,947	10,18,639
EV/Sales	1.9	2.0	1.9	1.8
EV/EBITDA	12.8	20.6	15.9	12.3
P/BV	3.8	3.9	3.9	3.9
Dividend Yield (%)	4.2	3.4	3.4	4.7
(F) Growth Rate (%)				
Revenue	19.4	(2.4)	3.0	7.6
EBITDA	0.1	(38.2)	28.9	29.5
EBIT	(6.6)	(48.2)	45.4	40.5
PBT	(13.5)	(50.0)	58.6	37.6
APAT	(8.9)	(44.4)	36.3	38.0
EPS	(9.1)	(44.5)	35.7	38.0

E – Estimates

Cash Flow

Particulars	FY23A	FY24A	FY25E	FY26E
Profit before tax	64,455	32,244	51,148	70,367
Depreciation & w.o.	19,567	18,171	18,259	18,574
Net Interest Exp	2,206	2,382	(4,819)	(6,023)
Direct taxes paid	(19,931)	(12,469)	(12,531)	(17,240)
Change in Working Capital	(18,451)	12,987	(1,934)	(2,307)
Non Cash	7,874	10,449	0	0
(A) CF from Operating Activities	55,720	63,764	50,123	63,371
Capex {(Inc.)/ Dec. in Fixed Assets n WIP}	(20,364)	(14,865)	(16,850)	(22,400)
Free Cash Flow	46,028	56,387	33,273	40,971
(Inc.)/ Dec. in Investments	15,896	(290)	500	2,000
Other	1,683	2,018	6,816	7,850
(B) CF from Investing Activities	(2,785)	(13,137)	(9,534)	(12,550)
Issue of Equity/ Preference	442	238	23	0
Inc./(Dec.) in Debt	(1,594)	(688)	(714)	(679)
Interest exp net	(2,570)	(3,507)	(1,997)	(1,827)
Dividend Paid (Incl. Tax)	(42,633)	(39,170)	(35,490)	(49,686)
Other	(4,426)	(4,545)	0	0
(C) CF from Financing	(50,781)	(47,672)	(38,178)	(52,191)
Net Change in Cash	2,674	2,908	2,410	(1,371)
Opening Cash balances	37,889	40,562	43,470	45,881
Closing Cash balances	40,562	43,470	45,881	44,510

E – Estimates

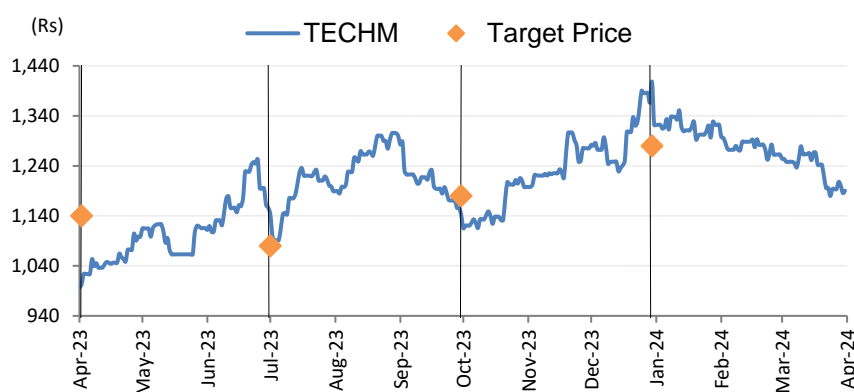
Notes

DART RATING MATRIX

Total Return Expectation (12 Months)

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

Rating and Target Price History



Month	Rating	TP (Rs.)	Price (Rs.)
Apr-23	Accumulate	1,140	1,003
Jul-23	SELL	1,080	1,143
Oct-23	REDUCE	1,180	1,142
Jan-24	SELL	1,280	1,408

*Price as on recommendation date

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