

Tata Consultancy Services

Execution engine

Tata Consultancy Services (TCS) remains our preferred pick in tier-1 IT, as highlighted in our recent updates (*IT sector – Europe playbook & Tech hiring to recover in CY24*). While TCS' revenue growth was along expected lines in Q4, it pushed the envelope on deals and operating performance. Market share gains in vendor consolidation/cost optimisation programs and outperformance in margins substantiate superior execution, even as discretionary spending remains challenged. While we have only marginally increased our earnings estimates, Q4 performance has raised the probability of growth acceleration based on record deal wins, bottoming out of core verticals/geo and scope to further progress on margins. We expect TCS' growth to accelerate from 3.4% CC in FY24 to 6.3% and 8.2% in FY25E & FY26E with EBITM at 25.5% and 26.0% respectively, translating into an 11.5% EPS CAGR over FY24-26E. Maintain ADD on TCS with TP of INR 4,500 based on 28x FY26E EPS, in line with its 5Y average PEG.

- In-line revenue growth driven by BSNL:** TCS' growth print at USD 7,363mn, +1.1% QoQ CC, was in line (HSIE est. USD 7,375mn) and largely led by the growth in the Regional Market & Others segment (BSNL deal). Regional Market is expected to continue to drive growth in FY25E with visibility from the BSNL deal (USD 1bn TCV won in Q2FY24 for the rollout of 4G/5G network for 100k sites, of which 20k is completed). TCS is gaining in several vendor consolidation programs that are directed at cost optimisation and are driven by IT infrastructure services—evidently, TCS has gained deal market share from Accenture managed services (*exhibit: 6*). The contrast is also apparent in the commentary with Accenture cautioning of shorter cycle deals (impacting its consulting portfolio), while TCS' deal bookings include a larger share of new and shorter deals that'll accelerate growth.
- 'Deal'icious:** Deal bookings were the highlight of the quarter as deals surged to USD 13.2bn, which is the highest-ever bookings (both in absolute and in book-to-bill terms). Deals have been driven by strong demand for enterprise solutions across SAP S/4 HANA, Salesforce, ServiceNow, and Oracle Cloud platforms. FY24 deal bookings at USD 42.7bn have picked up following the prior two years trending at USD ~34bn. The large delta in FY24 bookings can be attributed to Aviva (USD 2bn+ est.), BSNL (USD 1bn+ TCV booked in Q2) and JLR (USD 1bn+ TCV booked in Q2). A clear positive is deal wins in NorthAm which came in at USD 5.7bn – the second-highest ever (the strongest NorthAm bookings were in Q4FY22). Europe continued to contribute to many deals such as Aviva, Ramboll, Euroclear, Nuuday, Enento Group and Akzo Nobel (*exhibit: 16*).

Financial Summary

YE March (INR bn)	Q4FY24	Q4FY23	YoY (%)	Q3FY24	QoQ (%)	FY23	FY24	FY25E	FY26E
Revenue (USD mn)	7,363	7,195	2.3	7,281	1.1	27,927	29,080	30,930	33,466
Net Sales	612.37	591.62	3.5	605.83	1.1	2,254.58	2,408.93	2,582.92	2,844.60
EBIT	159.19	144.88	9.9	151.54	5.0	542.37	593.11	657.65	740.46
APAT	124.34	113.92	9.1	117.85	5.5	421.47	466.35	517.36	580.93
Diluted EPS (INR)	34.4	31.5	9.1	32.6	5.5	116.5	128.9	143.0	160.6
P/E (x)						34.3	31.0	28.0	24.9
EV / EBITDA (x)						23.6	21.8	19.8	17.5
RoE (%)						46.9	51.6	55.7	58.7

Source: Company, HSIE Research

ADD

CMP (as on 12 Apr 2024)	INR 4,001
Target Price	INR 4,500
NIFTY	22,519

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 4,450	INR 4,500
EPS %	FY25E +1.8	FY26E +1.1

KEY STOCK DATA

Bloomberg code	TCS IN
No. of Shares (mn)	3,618
MCap (INR bn) / (\$ mn)	14,477/177,026
6m avg traded value (INR mn)	9,760
52 Week high / low	INR 4,255/3,056

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	3.5	13.5	24.0
Relative (%)	0.0	1.8	0.6

SHAREHOLDING PATTERN (%)

	Sep-23	Dec-23
Promoters	72.30	72.41
FIs & Local MFs	10.06	10.08
FPIs	12.47	12.46
Public & Others	5.17	5.05
Pledged Shares	0.35	0.35

Source : BSE

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- **Strong execution engine:** TCS' Q4 performance was stronger operationally as it expanded margins by 100bps QoQ to 26%; APAT at INR 124.34bn was up 5.5% QoQ and 9.1% YoY, led by margin expansion. This margin feat was achieved as the headwind of higher hardware/software cost (linked to the BSNL deal) of -60bps was offset by sub-contracting reduction of 160bps QoQ. In FY24, TCS' margin improved by 50bps to 24.6% despite revenue growth slowing down from 13.7% in FY23 to 3.4% in FY24. While sub-con expense is near its bottom, it'll still be a tailwind for FY25E margin expansion and we've factored EBITM at 25.5/26.0 for FY25/26E respectively. TCS has outperformed on margins in recent quarters and margin levers remain in the form of pyramid, productivity, utilisation, and pricing.
- **Supply-side metrics favourable:** TCS has commenced its fresher hiring program for FY25E. It plans to hire 40k freshers for the year, which is indicative of a demand recovery. Training intensity has increased, reflected in higher learning hours, despite a headcount dip and lower fresher intake in FY24. Attrition (LTM) dipped further to 12.5% in IT services as the replenishment was lower than the gross intake with the net headcount drop of 1,759 (-0.3%) to 601k—attrition is likely to bottom out at 12%. TCS announced the annual wage hike effective April'24 and the increase averaging between 4.5% to 7%.
- **Outlook and valuation:** The G&T segment or TCS Interactive service line has been soft due to weakness in discretionary and it can improve, led by better certainty on macros. TCS' full-stack service portfolio addressing a cost optimisation agenda of enterprise clients is leading to better visibility as compared to providers that have a higher discretionary component in their services mix. We expect TCS' growth to accelerate from 3.4% CC in FY24 to 6.3% and 8.2% in FY25E & FY26E respectively, implying 2% CQGR in both years. Growth recovery to 6.4% in FY25E will be supported by the BSNL deal's ~2% impact and strong deal bookings in Q4FY24, which include a good mix of new and lower-duration deals. We have factored EBITM at 25.5% and 26.0% for FY25E and FY26E, translating into an EPS CAGR of 11.5% over FY24-26E. TCS trades at 28x FY25E and 25x FY26E and our TP is based on 28x FY26E EPS of INR 160 – which is in line with its 5Y average multiples of 27x (10Y average at 23x). FCF yield is at 4%, and increased revenue visibility supported by strong deals and superior execution will support its valuation premium within Tier-1 IT.
- **Key highlights from Earnings Call & Press conference:** (1) Growth expectation was 50-100bps higher at the start of the quarter and the company expects FY25 revenue growth to be better than FY24 growth. (2) NorthAm geography and BFSI vertical are expected to start seeing growth soon – in Q4 NorthAm (50% of revenue) declined 2.3% YoY and was flat in FY24. BFSI vertical (31.3% of revenue) declined 3.2% YoY in Q4 and declined by 1% in FY24 – there's pent-up demand in BFS, which can support medium-term growth. (3) Platform has seen strong growth supported by recent wins. (4) Manufacturing vertical and E&U remain strong verticals; Insurance, Airlines, and Manufacturing grew well in the quarter. (5) At the start of the quarter, the expectation was to deliver 50-100bps ahead of the actual results. (6) The Consumer Business vertical has bottomed out and spending is expected to accelerate supported by CX, hyper-personalisation, security services, ERP modernisation and GenAI. (7) TCS has won >200 engagements in AI in FY24 and the number of engagements getting into production is steadily increasing; the AI/GenAI pipeline of TCS has doubled and stands at USD 900mn currently. (8) There remains pressure on customer's discretionary spending but transformation remains a key ask and is funded from cost savings in programs such as operating model transformation.

Exhibit 1: Quarterly consolidated Financial Snapshot

Particulars	Q4FY24	Q4FY23	YoY (%)	Q3FY24	QoQ (%)
Net Revenues (USD mn)	7,363	7,195	2.3	7,281	1.1
Net Revenues	612.37	591.62	3.5	605.83	1.1
Employee Expenses	351.38	336.87	4.3	347.22	1.2
SG&A and Other Operating Expenses	89.34	97.01	(7.9)	94.74	(5.7)
EBITDA	171.65	157.74	8.8	163.87	4.7
Depreciation	12.46	12.86	(3.1)	12.33	1.1
EBIT	159.19	144.88	9.9	151.54	5.0
Interest Cost	2.26	2.72	(16.9)	2.30	(1.7)
Other Income	11.57	11.75	(1.5)	8.62	34.2
PBT	168.49	153.91	9.5	157.86	6.7
Minority Interest	0.68	0.44	54.5	0.39	74.4
Tax	43.47	39.55	9.9	37.32	16.5
RPAT	124.34	113.92	9.1	110.57	12.5
E/o (adj for tax)	-	-		(7.28)	
APAT	124.34	113.92	9.1	117.85	5.5

Source: Company, HSIE Research. Note: Q3FY24 RPAT lower due to one-time impact from settlement in Epic Systems legal case

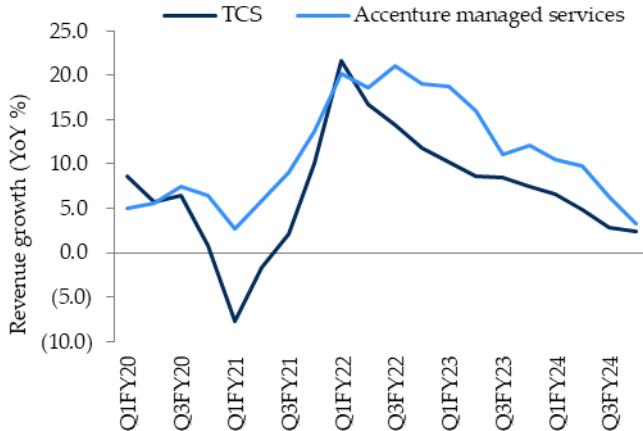
Margin Analysis

MARGIN ANALYSIS	Q4FY24	Q4FY23	YoY (bps)	Q3FY24	QoQ (bps)
Employee Expenses % Net Revenues	57.4	56.9	44	57.3	7
SG&A and Other Expenses % Net Revenues	14.6	16.4	(181)	15.6	(105)
EBITDA Margin (%)	28.0	26.7	137	27.0	98
EBIT Margin (%)	26.0	24.5	151	25.0	98
Tax Rate (%)	25.8	25.7	10	23.6	216
APAT Margin (%)	20.3	19.3	105	18.3	205

Source: Company, HSIE Research

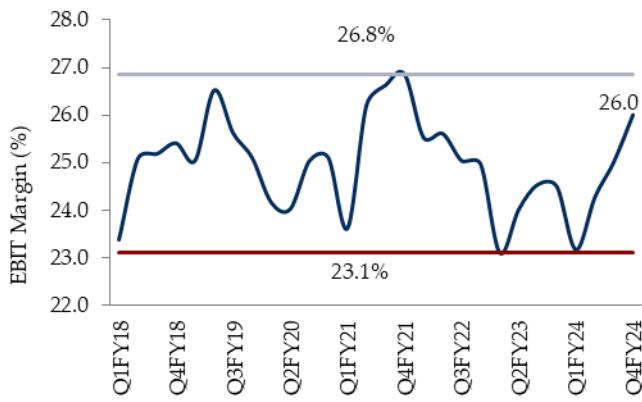
Tata Consultancy Services: Results Review Q4FY24

Exhibit 2: Revenue growth trend has converged with Accenture



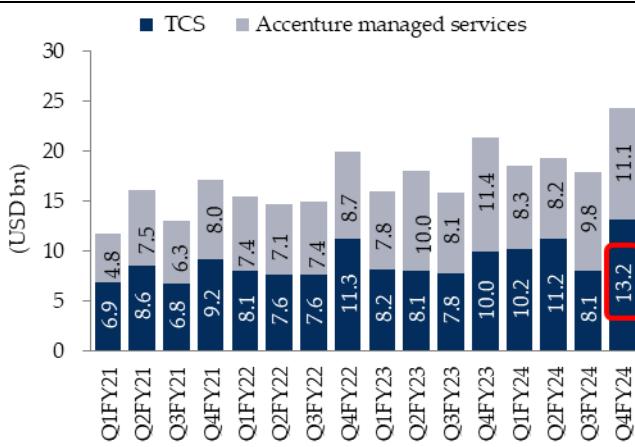
Source: Company, HSIE Research

Exhibit 4: Margin have recovered from the lower-end



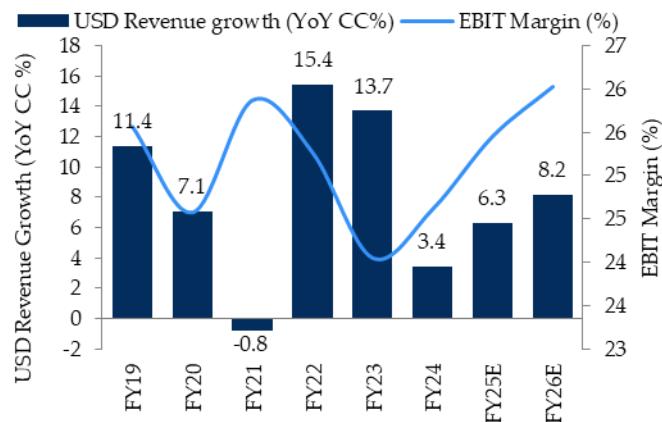
Source: Company, HSIE Research

Exhibit 6: Gaining deal market share vs. Accenture



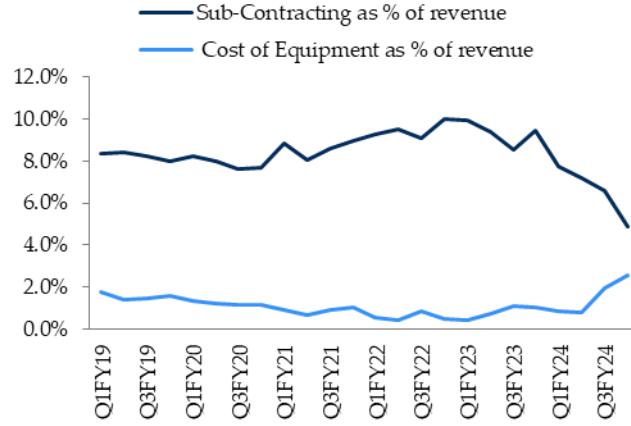
Source: Company, HSIE Research

Exhibit 3: Growth recovery expected along with margin improvement in FY25E



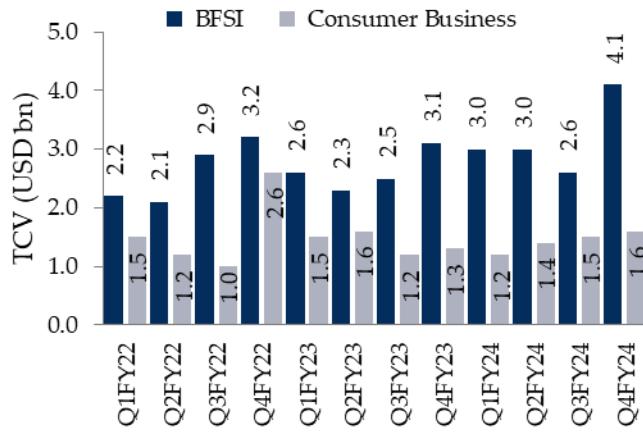
Source: Company, HSIE Research

Exhibit 5: Sub contracting trending down while cost of equipment inches up due to BSNL deal



Source: Company, HSIE Research

Exhibit 7: Uptick in BFSI bookings supported by Aviva mega deal



Source: Company, HSIE Research

Exhibit 8: Strong technology partnerships

	Salesforce certified experts (Nos)	AWS certifications	AWS Competencies	AWS Customer launches	ServiceNow certified resources	Adobe certified employees	Google Cloud premier partner	SAP Global Service Partners	Oracle Global SI Partners
Accenture	23,762	2000+	30	2000+	1,861	1,249	Y	Y	Y
Cognizant	11,009	2000+	12	500+	962	1,116	Y	Y	Y
Capgemini	8,491	2000+	13	500+	446	392		Y	
TCS	7,726	2000+	18	500+	462	872	Y	Y	Y
Infosys	6,731	2000+	15	400+	877	448	Y	Y	Y
Wipro	4,731	2000+	12	200+	281	96	Y	Y	Y
HCLT	1,862	2000+	12	200+	322	329	Y	Y	
TECHM	1,822	2000+	10	300+	124	164	Y	Y	
LТИMindtree	1,755	1000+	9	200+	183	132			Y
Mphasis	623	500+	6	50+	5	1			
Persistent	2,471	1000+	6	50+	3	7	Y		
EPAM	1,380	2000+	6	500+	33	209	Y		

Source: Company, HSIE Research

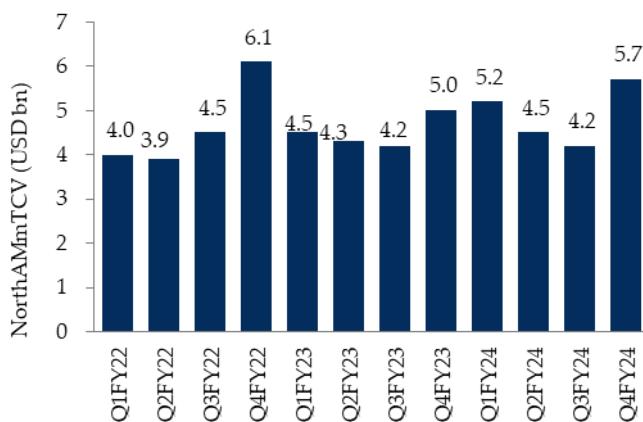
Exhibit 9: High credentials in Microsoft ecosystem

	Accenture	Cognizant	Capgemini	DXC Tech	TCS	Infosys	Wipro	HCL Tech	TECHM	LTIM
Azure	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Developer Tools	Y	Y			Y		Y			Y
Dynamics 365		Y	Y	Y	Y	Y	Y			Y
Dynamics 365 Enterprise	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Dynamics AX, GP, NAV, SL	Y				Y	Y	Y			Y
Enterprise Mobility & Security		Y	Y	Y	Y	Y	Y	Y	Y	Y
Exchange		Y			Y	Y	Y			Y
Microsoft 365	Y	Y	Y	Y	Y	Y		Y	Y	Y
Office 365	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Power BI		Y	Y	Y	Y	Y	Y	Y	Y	Y
Project		Y			Y	Y	Y			
SQL	Y	Y			Y	Y	Y			Y
SharePoint	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Skype for Business		Y			Y	Y	Y		Y	
Surface1		Y								
Teams	Y	Y			Y	Y		Y	Y	Y
Visio		Y			Y		Y			
Windows	Y	Y			Y	Y	Y			Y
Yammer		Y					Y			

Source: Company, HSIE Research

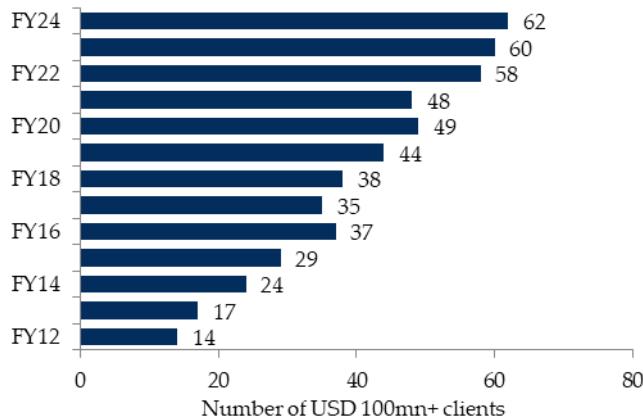
Tata Consultancy Services: Results Review Q4FY24

Exhibit 10: Second highest booking ever in North America geography



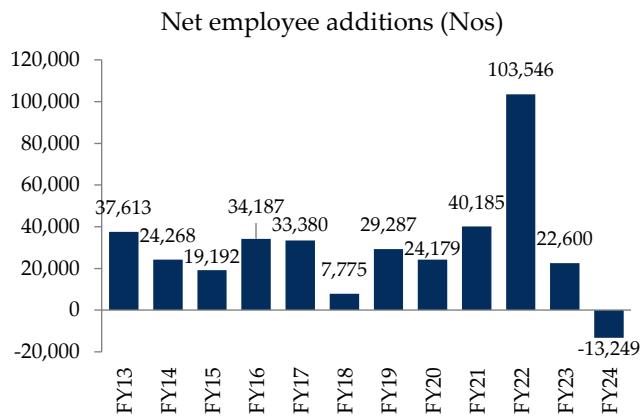
Source: Company, HSIE Research

Exhibit 11: Growth in large client mining - USD 100mn+ Client trend



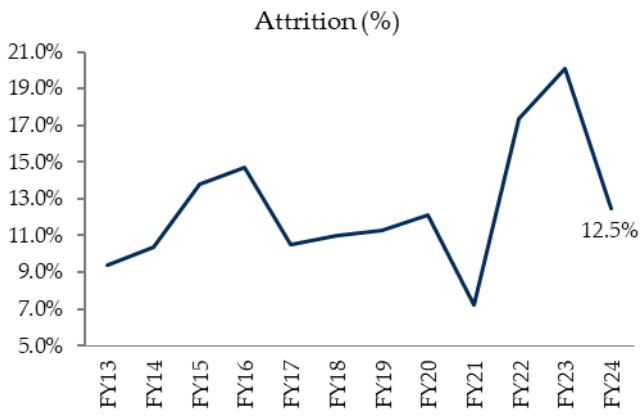
Source: Company, HSIE Research

Exhibit 12: Net headcount reduction in FY24



Source: Company, HSIE Research

Exhibit 13: Attrition likely to bottom out at 12%



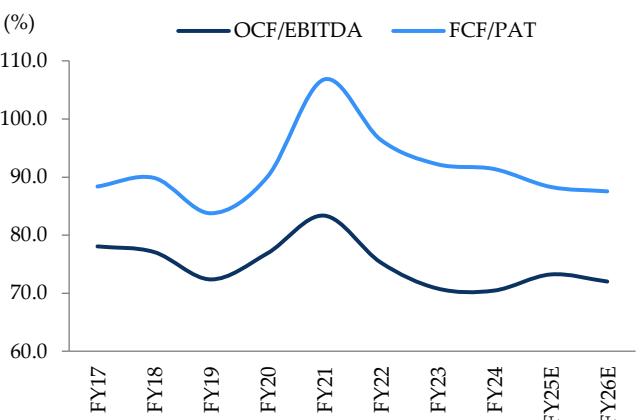
Source: Company, HSIE Research

Exhibit 14: Steady DSO



Source: Company, HSIE Research

Exhibit 15: Stable OCF/FCF generation



Source: Company, HSIE Research

Exhibit 16: Recent deal wins

Enterprise Client	Vertical	Geography	Service
easyJet	Retail & CPG	Europe	IT operations transformation
AkzoNobel	Retail & CPG	Netherlands	GenAI and automation
Ontario Teachers' Pension	BFSI	US	Service transformation
Toyota Motor North America	Manufacturing	US	IT infrastructure, supplier consolidation
Euroclear	BFSI	Finland	Platform integration
Central Bank in US	BFSI	US	Core modernisation
Ramboll	Regional Markets & Others	Denmark	IT Infra transformation
Nuuday	Communication & Media	Denmark	Migration to hybrid cloud
The Co-operative Group Limited	Retail & CPG	UK	Enterprise Cloud transformation
Enento Group	Technology & Services	Finland	IT applications, cloud, digital workplace, and IT security transformation
Europ Assistance	BFSI	France	TCS Ignio AIOps (end-to-end enterprise IT apps) (USD 2bn+ TCV est.) End-to-end policy administration and servicing of 5.5mn policies
Aviva	BFSI	UK	
Virgin Media O2	Communication & Media	UK	Workplace modernisation services and automation
TPG Telecom	Communication & Media	Australia	Technology transformation
SIX Partners	BFSI	Swiss	Modernisation of postal trade platform
Munch Museum	Regional Markets & Others	Norway	AI & Machine learning solutions
Australia's securities exchange (ASX)	BFSI	Australia	Providing Next Gen learning and settlement platform
VIAVI Solutions	Communication & Media	US	Transformation of 5G O-RAN (Open Radio Access Network) test solutions
ASDA	Retail & CPG	UK	New organisation wide IT operations following divestiture from Walmart

Source: Company, HSIE Research

Exhibit 17: TCS - Performance by Verticals

Vertical Revenue Mix (%)	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24
BFSI	33.6	33.1	32.9	32.5	32.6	31.7	31.3
Regional Markets & Others	10.0	10.5	10.6	10.9	11.0	12.3	12.9
Consumer Business	16.1	16.0	16.0	16.1	15.9	15.7	15.7
Manufacturing	8.2	8.2	8.2	8.3	8.5	8.6	8.8
Technology & Services	9.1	9.0	8.9	8.7	8.6	8.4	8.2
Life Sciences & Healthcare	10.7	10.8	10.9	11.0	10.9	10.9	10.9
Communication & Media	7.3	7.2	7.1	7.0	6.9	6.7	6.6
Energy & Utilities	5.0	5.2	5.4	5.5	5.6	5.7	5.6
Total	100.0						

(QoQ Growth, %)	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24
BFSI	6.2	1.3	1.1	(0.8)	0.1	(1.8)	(0.1)
Regional Markets & Others	(38.2)	8.0	2.7	3.3	0.7	12.9	6.1
Consumer Business	2.7	2.2	1.7	1.1	(1.5)	(0.3)	1.1
Manufacturing	(16.0)	2.9	1.7	1.7	2.2	2.2	3.5
Technology & Services	4.9	1.7	0.6	(1.8)	(1.4)	(1.4)	(1.3)
Life Sciences & Healthcare	7.5	3.8	2.6	1.4	(1.1)	1.0	1.1
Communication & Media	8.9	1.5	0.3	(1.0)	(1.6)	(1.9)	(0.4)
Energy & Utilities	NA	7.0	5.6	2.3	1.6	2.8	(0.6)
Total	1.4	2.9	1.7	0.4	(0.2)	1.0	1.1

(YoY Growth, % CC)	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24
BFSI	13.1	11.1	9.1	3.0	(0.5)	(3.0)	(3.2)
Regional Markets & Others	13.1	13.3	14.6	16.7	14.3	19.2	26.0
Consumer Business	22.9	18.7	13.0	5.3	1.0	(0.3)	(0.3)
Manufacturing	14.5	12.5	9.1	9.4	5.8	7.0	9.7
Technology & Services	15.9	13.6	9.2	4.4	(2.2)	(5.0)	(5.6)
Life Sciences & Healthcare	14.5	14.4	12.3	10.1	5.0	3.1	1.7
Communication & Media	18.7	13.5	5.3	0.5	(2.1)	(4.9)	(5.5)
Energy & Utilities	NA	NA	NA	NA	14.8	11.8	7.3
Total	15.4	13.5	10.7	7.0	2.8	1.7	2.2

Source: Company, HSIE Research

Exhibit 18: TCS - Performance by Geographies

Geography Revenue Mix (%)	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24
North America	54.3	53.7	52.4	52.0	51.7	50.6	50.0
Latin America	1.7	1.8	1.8	2.0	2.0	2.1	2.0
UK	14.5	14.9	15.7	16.4	16.5	16.4	16.8
Continental Europe	14.5	14.8	15.1	14.9	14.9	15.0	14.6
Asia-Pacific	8.0	7.9	8.0	7.8	7.8	7.8	7.8
India	5.1	5.1	5.0	4.9	4.9	6.1	6.7
Middle East and Africa	1.9	1.8	2.0	2.0	2.2	2.0	2.1
Total	100.0						

Tata Consultancy Services: Results Review Q4FY24

(QoQ Growth, %)	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24
North America	3.5	1.7	(0.8)	(0.3)	(0.8)	(1.2)	(0.1)
Latin America	(4.2)	8.9	1.7	11.6	(0.2)	6.0	(3.7)
UK	(1.3)	5.7	7.2	4.9	0.4	0.4	3.6
Continental Europe	(3.2)	5.0	3.8	(0.9)	(0.2)	1.7	(1.6)
Asia-Pacific	(2.2)	1.6	3.0	(2.1)	(0.2)	1.0	1.1
India	7.8	2.9	(0.3)	(1.6)	(0.2)	25.7	11.1
Middle East and Africa	7.1	(2.5)	13.0	0.4	9.8	(8.2)	6.2
Total	1.4	2.9	1.7	0.4	(0.2)	1.0	1.1

(YoY Growth, % CC)	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24
North America	17.6	15.4	9.6	4.6	0.1	(3.0)	(2.3)
Latin America	19.0	14.6	15.1	13.5	13.1	13.2	9.8
UK	14.8	15.4	17.0	16.1	10.7	8.1	6.2
Continental Europe	14.1	9.7	8.4	3.4	1.3	0.5	(2.0)
Asia-Pacific	7.0	9.5	7.5	4.7	4.1	3.9	5.2
India	16.7	9.1	13.4	14.0	3.9	23.4	37.9
Middle East and Africa	8.2	8.6	11.3	15.2	15.9	16.0	10.7
Total	15.4	13.5	10.7	7.0	2.8	1.7	2.2

Source: Company, HSIE Research

Exhibit 19: TCS - Client Metrics

(Nos)	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24
>USD 1mn clients	1,210	1,217	1,241	1,268	1,272	1,288	1,294
>USD 5mn clients	650	658	665	677	688	693	693
>USD 10mn clients	455	456	461	468	483	480	487
>USD 20mn clients	283	290	291	296	292	299	301
>USD 50mn clients	124	130	133	137	137	137	139
>USD 100mn clients	59	59	60	60	61	61	62

Source: Company, HSIE Research

Exhibit 20: TCS - Employee Metrics

(Nos.)	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24
Total headcount	616,171	613,974	614,795	615,318	608,985	603,305	601,546
Net additions	9,840	(2,197)	821	523	(6,333)	(5,680)	(1,759)
IT services LTM attrition (%)	21.5	21.3	20.1	17.8	14.9	13.3	12.5

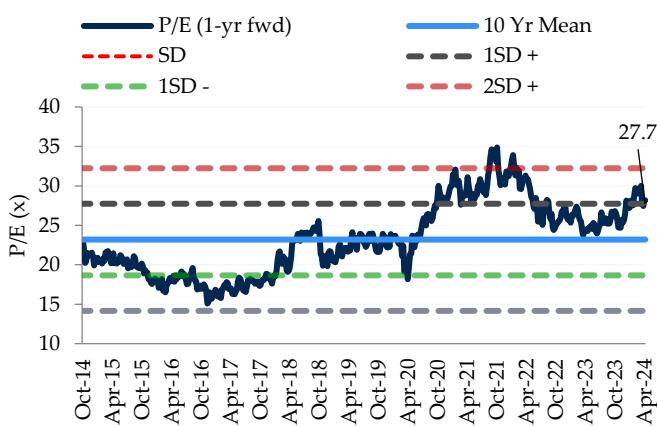
Source: Company, HSIE Research

Exhibit 21: Change in estimates

YE March (INR bn)	FY25E Old	FY25E Revised	Change %	FY26E Old	FY26E Revised	Change %
Revenue (USD mn)	30,916	30,930	0.0	33,484	33,466	(0.1)
Revenue	2,581.80	2,582.92	0.0	2,846.10	2,844.60	(0.1)
EBIT	652.48	657.65	0.8	739.71	740.46	0.1
EBIT margin (%)	25.3	25.5	19bps	26.0	26.0	4bps
APAT	508.10	517.36	1.8	574.77	580.93	1.1
EPS (INR)	140.4	143.0	1.8	158.9	160.6	1.1

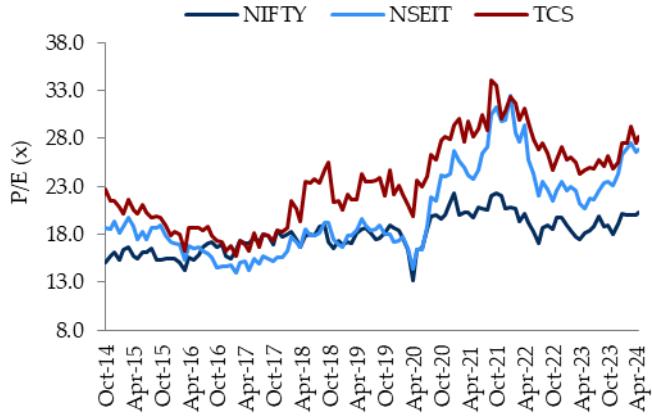
Source: Company, HSIE Research

Exhibit 22: TCS P/E (1-yr fwd) Trend



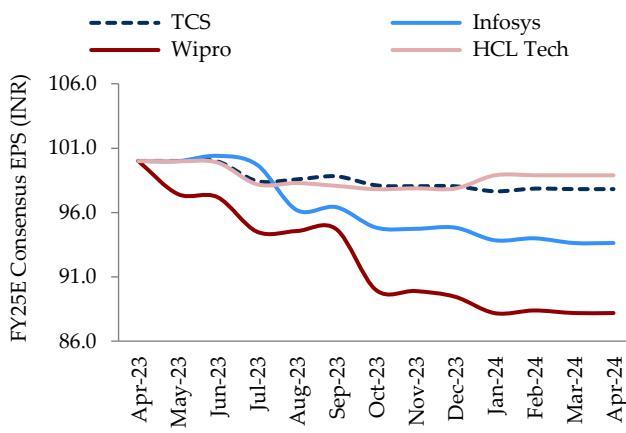
Source: Bloomberg, HSIE Research

Exhibit 23: TCS valuation premium (5%) to NIFTY IT below historical premium (~15%)



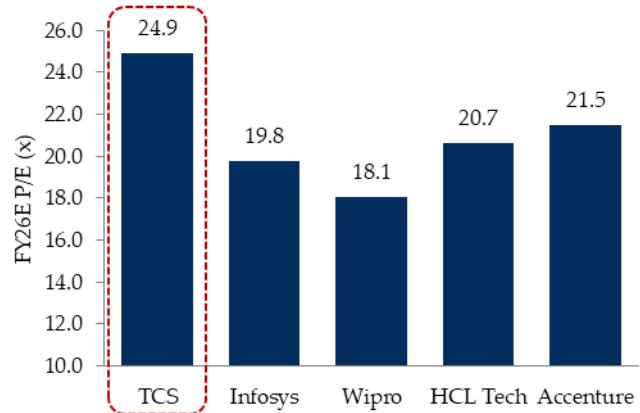
Source: Bloomberg, HSIE Research

Exhibit 24: Stability in estimates relative to peers



Source: Bloomberg, HSIE Research

Exhibit 25: Superior execution will support premium valuations



Source: HSIE Research, Note: Accenture is Bloomberg consensus P/E

Financials

Consolidated Income Statement

YE March (INR bn)	FY22	FY23	FY24	FY25E	FY26E
Net Sales (USD mn)	25,707	27,927	29,080	30,930	33,466
<i>Growth (%)</i>	15.9	8.6	4.1	6.4	8.2
Net Sales	1,917.54	2,254.58	2,408.93	2,582.92	2,844.60
<i>Growth (%)</i>	16.8	17.6	6.8	7.2	10.1
Employee Expenses	1,075.54	1,275.22	1,401.31	1,503.74	1,646.22
SG&A and Other Expenses	311.43	386.77	364.66	369.87	401.02
EBIDTA	530.57	592.59	642.96	709.31	797.35
Depreciation	46.04	50.22	49.85	51.66	56.89
EBIT	484.53	542.37	593.11	657.65	740.46
<i>EBIT (%)</i>	25.3	24.1	24.6	25.5	26.0
<i>EBIT Growth (%)</i>	14.1	11.9	9.4	10.9	12.6
Other Income	40.18	34.49	44.22	48.38	51.37
Interest	7.84	7.79	7.78	7.80	7.80
PBT	516.87	569.07	629.55	698.24	784.04
Tax (incl deferred)	132.38	146.04	158.98	178.05	199.93
Minority Interest and associate profit	1.22	1.56	1.91	2.83	3.18
RPAT	383.27	421.47	459.08	517.36	580.93
APAT	383.27	421.47	466.35	517.36	580.93
<i>APAT Growth (%)</i>	14.9	10.0	10.6	10.9	12.3
EPS (INR)	105.9	116.5	128.9	143.0	160.6
<i>EPS Growth (%)</i>	14.9	10.0	10.6	10.9	12.3

Source: Company, HSIE Research

Consolidated Balance Sheet

YE March (INR bn)	FY22	FY23	FY24	FY25E	FY26E
SOURCES OF FUNDS					
Share Capital - Equity	3.66	3.66	3.62	3.62	3.62
Reserves	887.73	900.58	901.27	948.28	1,022.68
Total Shareholders' Funds	891.39	904.24	904.89	951.90	1,026.30
Minority Interest	7.07	7.82	8.30	11.13	14.31
Total Debt					
Net Deferred Taxes	(31.18)	(25.15)	(24.26)	(24.26)	(24.26)
Long Term Provisions & Others	87.27	80.95	80.49	80.49	80.49
TOTAL SOURCES OF FUNDS	954.55	967.86	969.42	1,019.26	1,096.83
APPLICATION OF FUNDS					
Net Block	184.10	177.90	172.62	179.42	188.04
CWIP	12.05	12.34	15.64	15.64	15.64
Goodwill & Other Intangible Assets	28.88	27.25	23.42	27.57	27.70
Investments	2.23	2.66	2.81	2.81	2.81
Other non current assets	66.25	79.10	84.86	84.87	84.89
Total Non Current Assets	293.51	299.25	299.35	310.30	319.08
Cash & Equivalents	545.57	487.75	449.37	464.11	496.59
Debtors	342.19	411.98	445.61	477.70	525.97
Other Current Assets	196.79	204.46	236.13	242.73	252.67
Total Current Assets	1,084.55	1,104.19	1,131.11	1,184.55	1,275.23
Creditors	80.45	105.15	99.81	107.02	117.86
Other Current Liabilities & Provs	343.06	330.43	361.23	368.57	379.61
Total Current Liabilities	423.51	435.58	461.04	475.59	497.47
Net Current Assets	661.04	668.61	670.07	708.96	777.76
TOTAL APPLICATION OF FUNDS	954.55	967.86	969.42	1,019.26	1,096.83

Source: Company, HSIE Research

Consolidated Cash Flow

YE March (INR bn)	FY22	FY23	FY24P	FY25E	FY26E
Reported PBT	516.87	569.07	629.55	698.24	784.04
Non-operating & EO items	(28.71)	(35.60)	(40.51)	(36.06)	(38.29)
Interest expenses	7.84	7.79	7.78	7.80	7.80
Depreciation	46.04	50.22	49.85	51.66	56.89
Working Capital Change	(27.69)	(42.17)	(68.82)	(24.15)	(36.32)
Tax paid	(114.86)	(129.66)	(124.89)	(178.05)	(199.93)
OPERATING CASH FLOW	399.49	419.65	452.96	519.44	574.19
Capex	(29.95)	(31.00)	(26.74)	(62.60)	(65.65)
<i>Free cash flow (FCF)</i>	369.54	388.65	426.22	456.84	508.54
Non-operating income	28.71	35.60	40.51	36.05	38.27
INVESTING CASH FLOW	(1.22)	4.60	13.81	(26.55)	(27.38)
Interest expenses	(7.84)	(7.79)	(7.78)	(7.80)	(7.80)
<i>FCFE</i>	361.70	380.86	418.44	449.04	500.75
Dividend/buyback	(314.42)	(455.84)	(462.23)	(470.35)	(506.53)
FINANCING CASH FLOW	(322.26)	(463.63)	(470.01)	(478.15)	(514.33)
NET CASH FLOW	76.01	(39.38)	(3.24)	14.74	32.48
Closing Cash & Equivalents	545.57	487.75	449.37	464.11	496.59

Source: Company, HSIE Research

Key Ratios

	FY22	FY23	FY24	FY25E	FY26E
PROFITABILITY (%)					
EBITDA Margin	27.7	26.3	26.7	27.5	28.0
APAT Margin	20.0	18.7	19.4	20.0	20.4
RoE	43.7	46.9	51.6	55.7	58.7
RoIC or Core RoCE	86.0	90.7	88.7	91.1	95.5
RoCE	41.4	44.5	48.7	52.6	55.5
EFFICIENCY					
Tax Rate (%)	25.6	25.7	25.3	25.5	25.5
Fixed Asset Turnover (x)	6.3	7.0	7.1	7.5	8.0
<i>Debtors (days)</i>	65	67	68	68	67
<i>Other Current Asset (days)</i>	37	33	36	34	32
<i>Payables (days)</i>	15	17	15	15	15
<i>Other Current Liab & Prov (days)</i>	65	53	55	52	49
Cash Conversion Cycle (days)	22	29	33	35	36
Net Debt/EBITDA (x)	(1.0)	(0.8)	(0.7)	(0.7)	(0.6)
Net Debt/Equity (x)	(0.6)	(0.5)	(0.5)	(0.5)	(0.5)
Interest Coverage (x)	62	70	76	84	95
PER SHARE DATA					
EPS (INR/sh)	105.9	116.5	128.9	143.0	160.6
CEPS (INR/sh)	117.3	128.9	142.7	157.3	176.3
DPS (INR/sh)	43.0	115.0	73.0	130.0	140.0
BV (INR/sh)	238	241	241	254	274
VALUATION					
P/E	37.8	34.3	31.0	28.0	24.9
P/BV	16.8	16.6	16.6	15.8	14.6
EV/EBITDA	26.3	23.6	21.8	19.8	17.5
OCF/EV (%)	3.6	3.2	3.4	3.9	4.4
FCF/EV (%)	3.2	2.9	3.1	3.9	4.4
FCFE/mkt cap (%)	3.0	2.8	2.9	3.7	4.2
Dividend Yield (%)	1.1	2.9	1.8	3.2	3.5

Source: Company, HSIE Research

1 Yr Price Movement**Rating Criteria**

BUY: >+15% return potential
ADD: +5% to +15% return potential
REDUCE: -10% to +5% return potential
SELL: > 10% Downside return potential

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