

Muted Q1; Rev. guidance narrowed; margin outlook lowered

- HCLT reported revenue of \$3,548mn, down 0.8% in CC (Cons. estim: -1%) due to seasonal weakness in IT services and weaker than exp. Software biz. The IT/ER&D/Software biz. saw sequential movement of flat % / -0.5% / -7.1% QoQ. OPM lowered by 171bps to 16.3%, due to S&M (30bps), supply-demand mismatch (80bps), 1x impact of client bankruptcy (30bps) and lower share of Software biz (20bps).
- HCLT narrowed its Rev. band to 3-5% growth (for overall Co. as well as IT Svcs, from 2-5% prev.), noting confidence in driving execution, while OPM band was lowered to 17-18% (from 18-19% prev.), largely due to growth investments, restructuring program and Q1 base.
- While raising Revenue guidance adds comfort despite Q1 miss, the downward revision in OPM will lead to near-term earnings pressure. Factoring this, we lower our FY26E/FY27E earnings by 4.4%/3.2% and revise our rating to 'Reduce' with a TP of Rs. 1,700, at 24x of FY27E earnings.

Growth Guidance narrowed; Confident on execution

HCLT narrowed its overall (along with IT Services) FY26 Revenue guidance to 3-5% CC growth, from 2-5% CC growth earlier. Growth confidence is supported by existing order book visibility and healthy conversions (tariff related disruption less than anticipated), strategic partnerships, and new deal wins. HCLT's few large deal signings got delayed to Q2, including a large deal in the BFSI space, won through vendor consolidation.

Q1 OPM hit by unknowns; Lower end guidance revised down

Q1 OPM dipped by ~171bps, comprising S&M (30bps), utilisation (80bps), 1x impact of client bankruptcy (30bps) and lower share of Software biz (20bps). HCLT lowered OPM guidance to 17-18% (from 18%-19% earlier) due to: a) Full-year impact of Q1 dip (S&M, supply-demand mismatch, client bankruptcy) of 20bps, b) S&M investments of 30bps, c) Lower utilization follow-on impact of ~10-20bps, and d) restructuring cost for people & non-people calibration of ~30-40bps. For FY2027, the company expects OPM to revive towards an 18-19% margin aspiration.

Hi-Tech & BFSI grew; Vertical outlook short of broad recovery

Vertical wise, only Hi-Tech and BFSI verticals reported growth, increasing by 1.4%/6.5% QoQ in CC terms, with management expressing optimism on continuing to show promise. Telco led Q1 Rev. decline with dip of 5.4% QoQ in CC terms. Public services (down 0.8% QoQ in CC) have seen stability, but pressure continues in Manufacturing (-1.1% in CC), Healthcare (-0.9% in CC) and Retail CPG (-0.5% in CC), suggesting lack of broad-based recovery.

Key Data

Nifty	25,082
Equity / FV	Rs 5,430mn / Rs 2
Market Cap	Rs 4,395bn
	USD 51.1bn
52-Week High/Low	Rs 2,012 / 1,357
Avg. Volume (no)	2,518,250
Bloom Code	HCLT IN

	Current	Previous
Rating	Reduce	Accumulate
Target Price	1,700	1,760

Change in Estimates

(Rs.bn)	Current		Chg (%) /bps	
	FY26E	FY27E	FY26E	FY27E
Revenue	1,241	1,330	(0.2)	(0.3)
EBITDA	267	289	(2.8)	(1.5)
EBITDA (%)	21.5	21.7	(56)	(27)
APAT	175	192	(4.5)	(3.3)
EPS (Rs)	64.6	70.9	(4.4)	(3.2)

Valuation (x)

	FY25A	FY26E	FY27E
P/E	25.3	25.1	22.9
EV/EBITDA	17.0	16.2	14.9
ROE (%)	25.2	25.0	27.0
RoACE (%)	24.4	24.1	26.0

Q1FY26 Result (Rs Mn)

Particulars	Q1FY26	YoY (%)	QoQ (%)
Revenue	303,490	8.2	0.3
Total Expense	243,140	9.2	2.3
EBITDA	60,350	4.2	(6.9)
Depreciation	10,930	9.5	5.1
EBIT	49,420	3.0	(9.2)
Other Income	2,470	(72.9)	(15.7)
Interest	0		
EBT	51,890	(9.1)	(9.5)
Tax	13,450	(7.1)	(5.7)
RPAT	38,430	(9.7)	(10.8)
APAT	38,430	(9.7)	(10.8)
		(bps)	(bps)
Gross Margin	32.2	(92)	(104)
EBITDA (%)	19.9	(77)	(155)
NPM (%)	12.7	(251)	(158)
Tax Rate (%)	25.9	55	106
EBIT (%)	16.3	(81)	(171)

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Exhibit 1: Quarterly performance versus estimates

Particulars (Rs mn)	Actual	Estimates		% Variation		Comment
		Dolat	Consensus	Dolat	Consensus	
USD Revenue	3,545	3,599	3,537	(1.5)	0.2	Weaker than exp. Services biz. seasonality & weak software biz. led to miss
INR Revenue	303,490	306,643	302,495	(1.0)	0.3	
EBIT	49,420	56,422	52,332	(12.4)	(5.6)	Lower utilization & higher investments led to miss
EBIT, margin	16.3	18.4	17.3	(210 bps)	(100 bps)	
PAT	38,430	44,486	42,047	(13.6)	(8.6)	PAT miss from weak op. perf

Source: Company, Dolat Capital

Change in Estimates

For FY26E/FY27E- Noting narrowed FY26 guidance on the lower end and largely unaffected client behavior (no further significant disruption as expected due to tariffs), we largely retain our revenue estimates. OPM estimates have been lowered by 64bps/30bps, noting the ongoing restructuring program and planned S&M investments. Overall, earnings have been lowered by 4.4/3.2%.

Exhibit 2: Change in Estimates

Particulars (Rs. mn)	FY24A	FY25A	FY26E			FY27E		
	Actual	Actual	Old	New	Chg.(%)	Old	New	Chg.(%)
USD Revenue	13,329	13,883	14,462	14,486	0.2	15,386	15,380	(0.0)
YoY growth,	5.8	4.2	4.2	4.4	18 bps	6.4	6.2	(22 bps)
INR Revenue	10,99,130	1,170,550	1,243,702	1,240,728	(0.2)	1,334,732	1,330,375	(0.3)
YoY growth,	8.3	6.5	6.2	6.0	(25 bps)	7.3	7.2	(9 bps)
EBIT	2,00,270	214,210	231,633	223,144	(3.7)	249,473	244,636	(1.9)
EBIT Margin,	18.2	18.3	18.6	18.0	(64 bps)	18.7	18.4	(30 bps)
Net Profit	1,57,020	173,910	183,493	175,301	(4.5)	198,753	192,227	(3.3)
EPS (Rs)	57.9	64.1	67.6	64.6	(4.4)	73.2	70.9	(3.2)

Source: Dolat Capital, Company

What to expect next quarter

Coming off a seasonally muted Q1 base, we expect Q2 to see better growth on deal win ramp-up and better execution. Absence of 1x costs such as client bankruptcy and moderated S&M costs, we expect margins to expand by 137bps QoQ.

Exhibit 3: What to Expect Next Quarter

Particulars	Q2FY26E	Q1FY26	Q2FY25	QoQ (%)	YoY (%)
USD Revenue	3,605	3,545	3,445	1.7	4.6
INR Revenue	309,127	303,490	288,620	1.9	7.1
EBIT	54,563	49,420	53,620	10.4	1.8
PAT	43,037	38,430	42,350	12.0	1.6
EPS (Rs. Abs)	15.9	14.2	15.6	12.0	1.6
EBIT Margin (%)	17.7	16.3	18.6	137 bps	(93 bps)

Source: Company, Dolat Capital

Exhibit 4: Key Assumptions in our estimates

Assumptions Table	FY23A	FY24A	FY25A	FY26E	FY27E
CC revenue growth (%)	13.7	5.0	4.7	3.5	6.2
USD revenue growth (%)	9.8	5.8	4.2	4.4	6.2
INR revenue growth (%)	18.5	8.3	6.5	6.0	7.2
EBIT margins (% of sales)	18.2	18.2	18.3	18.0	18.4
EPS growth (%)	10.1	5.6	10.8	0.9	9.7
USD/INR	80.5	82.5	84.3	85.7	86.5

Source: Company, Dolat Capital

Exhibit 5: Key Revenue Matrix (YoY basis)

YoY Growth	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26
CC Growth	6.3	3.4	4.3	6.0	5.6	6.2	4.1	2.9	3.7
USD Growth	5.3	4.6	5.3	6.0	5.1	6.8	3.5	2.0	5.4
INR Growth	12.1	8.0	6.5	7.1	6.7	8.2	5.1	6.1	8.2

Source: Company, Dolat Capital

Exhibit 6: Quarterly and YTD Trend

Particulars (mn)	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	YoY (%)	QoQ (%)	FY24	FY25	YoY (%)
USD Revenue	3,364	3,445	3,533	3,498	3,545	5.4	1.3	13,270	13,840	4.3
INR Revenue	2,80,570	2,88,620	298,900	302,460	303,490	8.2	0.3	1,099,130	1,170,550	6.5
Operating Exp.	2,22,630	2,24,930	230,300	237,640	243,140	9.2	2.3	857,130	915,500	6.8
Cost of revenues	1,87,710	1,91,840	196,610	201,990	205,830	9.7	1.9	721,250	778,150	7.9
as % of sales	66.9	66.5	65.8	66.8	67.8	92 bps	104 bps	65.6	66.5	86 bps
SG&A expenses	34,920	33,090	33,690	35,650	37,310	6.8	4.7	135,880	137,350	1.1
as % of sales	12.4	11.5	11.3	11.8	12.3	-15 bps	51 bps	12.4	11.7	(63 bps)
EBITDA	57,940	63,690	68,600	64,820	60,350	4.2	(6.9)	242,000	255,050	5.4
Depreciation	9,980	10,070	10,390	10,400	10,930	9.5	5.1	41,730	40,840	(2.1)
EBIT	47,960	53,620	58,210	54,420	49,420	3.0	(9.2)	200,270	214,210	7.0
Other Income	9,120	3,250	3,110	2,930	2,470	(72.9)	(15.7)	9,400	18,410	95.9
PBT	57,080	56,870	61,320	57,350	51,890	(9.1)	(9.5)	209,670	232,620	10.9
Total Tax	14,480	14,500	15,380	14,260	13,450	(7.1)	(5.7)	52,570	58,620	11.5
PAT before MI	42,600	42,370	45,940	43,090	38,440	(9.8)	(10.8)	157,100	174,000	10.8
Minority Interest	20	20	30	20	10	NM	NM	80	90	12.5
PAT after MI	42,580	42,350	45,910	43,070	38,430	(9.7)	(10.8)	157,020	173,910	10.8
Reported EPS	15.7	15.6	16.9	15.9	14.2	(9.7)	(10.8)	57.9	64.1	10.8
Margins (%)						(bps)	(bps)			
EBIDTA	20.7	22.1	23.0	21.4	19.9	(77 bps)	(155 bps)	22.0	21.8	(23 bps)
EBIT	17.1	18.6	19.5	18.0	16.3	(81 bps)	(171 bps)	18.2	18.3	8 bps
EBT	20.3	19.7	20.5	19.0	17.1	(325 bps)	(186 bps)	19.1	19.9	80 bps
PAT	15.2	14.7	15.4	14.2	12.7	(251 bps)	(158 bps)	14.3	14.9	57 bps
ETR %	25.4	25.5	25.1	24.9	25.9	55 bps	106 bps	25.1	25.2	13 bps

Source: Company

Earnings call KTAs

- **Revenue:** Revenue stood at \$3,545mn, down 0.8% QoQ in CC terms and up 1.3% in USD terms. On a reported basis, cross-currency movement was favorable, lending a gain of 210bps during the quarter.
- **Vertical-wise:** Revenue decline was seen in 5 of 7 verticals, Telco & Media led revenue decline by 5.4% QoQ in CC terms, while Manufacturing, Retail, CPG, Healthcare and Public Services declined by 1.1%/0.5%/0.9%/0.8% QoQ, respectively, in CC terms. Hi-Tech services grew 6.5% QoQ in CC terms, and BFSI grew 1.4% QoQ in CC, led by sustained deal ramp-up. Overall, market demand for BFSI and Hi-Tech remained healthy, although stress remained in manufacturing (Auto particularly), life sciences, retail segments and recovery is expected to be a slowed process.
- **IT & Services Business (74% of Rev):** Q4FY25 IT Services Revenue was flat QoQ in CC terms. The segment's profitability was lowered by 183bps with OPM of 15.1%, primarily due to lower utilizations and a mismatch in geographical supply/demand of talent leading to an unutilised bench. The segment is experiencing decent demand for efficiency-led deals across the board, with AI and GenAI becoming central to nearly every client engagement.
- **ER&D Services (17% of Rev):** ER&D Services de-grew by 0.5% QoQ in CC terms. Segment OPM declined by 19 bps QoQ to 17.7%. There remains a strategic focus on winning more business in digital and engineering services as part of the company's medium-term roadmap.
- **HCL Software (9% of Rev):** Software Biz showed weakness & declined 7.1% QoQ in CC terms. ARR stood at \$1,057mn, up 1.3% YoY in CC terms. Segment OPM declined by 190 bps QoQ to 22.4%. HCLT shared that it is working to improve subscription and SaaS revenues as part of its strategic transformation and believes it to be the growth driver for upcoming periods. On the innovation front, the company is deploying applications like the UNO Agentic Builder and Max AI integration for smarter decision-making and hyper-personalized campaigns.
- **Margin Commentary:** OPM stood at 16.3%, declining by ~171 bps QoQ. Margin walk is as follows: There was an 80 bps impact from lower utilization due to delayed ramp-up in a specific deal, 30 bps from increased investments in Gen AI and sales & marketing, 20 impact bps due to an unfavourable revenue mix, and another 30 bps from a one-time impact linked to a client bankruptcy. Q1FY26 saw no benefits from F/X movement.
- **Employees:** Headcount stood at 223k, a reduction of 269 employees. LTM attrition lowered to 12.8% (down 20bps QoQ). A total of 1,984 freshers were onboarded this quarter, with a plan to scale up hiring further in FY26 compared to FY25. Notably, ~15-20% of fresher intake will be of a specialized 'elite' category, receiving 3–4x the compensation of standard fresher packages.
- **Deal Wins:** HCL reported TCV of \$1,812mn (down 39% QoQ) while TTM basis stood at \$9.1bn (down 10.5% YoY). The company won a large consolidation deal in the FS segment during Q1, which is yet to reflect in the total contract value (TCV). Additionally, two large deals that were expected to close in Q1 have shifted to Q2 due to internal procedural delays. Once concluded, these are expected to drive a step-up in TCV in the coming quarter.

- **Guidance:** For FY'26, HCLT revised its lower band of revenue growth guidance to 3-5% CC growth (previously 2-5%) for the overall company as well as IT Services. OPM guidance was lowered to 17-18% (previously 18-19%).
- **Restructuring:** The company has initiated a restructuring program focused on optimizing underutilized locations and aligning the organization to better address AI-driven demand. This includes selective talent ramp-downs in geographies outside India. The restructuring is largely planned throughout Q2 and Q3, with a minor part extending into Q4. The initiative is aimed at restoring margins to the 18–19% range over time.
- **Dividend:** Announced dividend of Rs 12 in Q1FY26.

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

HCL Software Revenue	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26
Perpetual License & upfront	36.0	30.6	47.60	31.60	36.4	58.2	49.4	34.4	29.0
Subscription & Support	274.6	264.8	346.6	286.1	281.7	267.2	329.4	295.0	282.0
Professional Services	14.8	16.0	17.00	16.70	16.4	16.5	21.3	18.5	19.0
Total Revenue	332.5	318.2	419.0	341.5	341.7	341.9	400.1	347.9	330.0

Source: Company

Exhibit 8: HCL Software ARR

HCL Software ARR	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26
ARR	1038.3	1,032.5	1,062.8	1,024.3	1014.4	1,048.9	1,021.9	1,032.8	1,057.0
ARR growth YoY CC (%)	4.7	3.9	2.9	0.7	(0.3)	0.6	(0.6)	1.8	1.3

Source: Company

Exhibit 9: Vertical-wise Revenue Trend for Q1FY26

Vertical	Amount (\$ mn)	Mix (%)	QoQ (%) (CC)	YoY (%) (CC)	Incremental Revenue (\$ mn)	% Contribution of Incremental Revenue
Financial Services	766	22	1.4	6.8	28	59
Manufacturing	659	19	(1.1)	(1.0)	9	19
Technology and services	496	14	6.5	13.7	28	59
Retail & CPG	344	10	(0.5)	8.2	5	10
Telecom, Media, Publishing & Ent.	464	13	(5.4)	13.0	(22)	(46)
Lifesciences & Healthcare	514	15	(0.9)	(4.0)	(0)	0
Public Services	301	9	(0.8)	(2.4)	0	1
Total	3,545	100	(0.8)	3.7	47	100

Source: Company, Dolat Capital

Exhibit 10: Geography Wise Revenue Trend for Q1FY26

Geography	Amount (\$ mn)	Mix (%)	QoQ (%) (U.S\$)	YoY (%) (CC)	Incremental Revenue (\$ mn)	% Contribution of Incremental Revenue
USA	2,003	57	(0.2)	0.5	(5)	(10)
Europe	1,003	28	4.3	9.6	41	88
India	117	3	7.9	1.3	9	18
RoW	422	12	0.5	15.0	2	4
Total	3,545	100	1.3	3.7	47	100

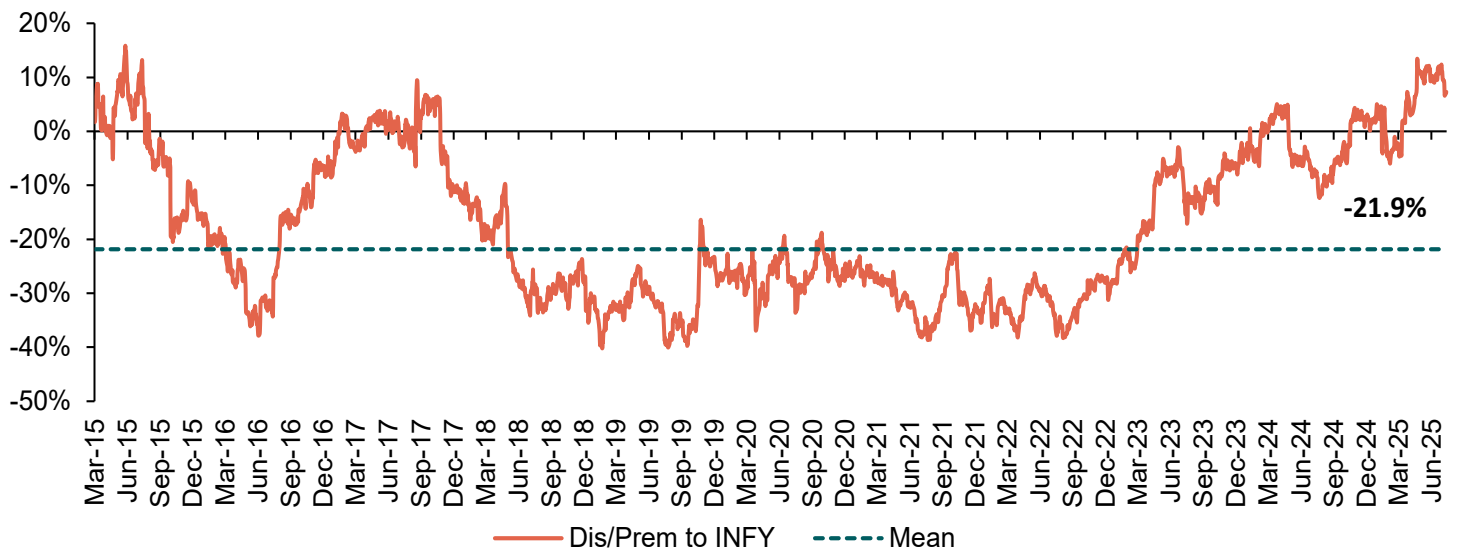
Source: Dolat Capital, Company

Valuation

We believe that while HCLT guidance remains industry-leading, management commentary remains confident towards a few verticals such as BFSI and Hi-Tech, while suggesting slow recovery in others.

We value the stock at 24x (at par with TCS Target multiple) on FY27E earnings of Rs. 70 with TP of Rs. 1,700 per share and consequently revise our rating to **'Reduce'**.

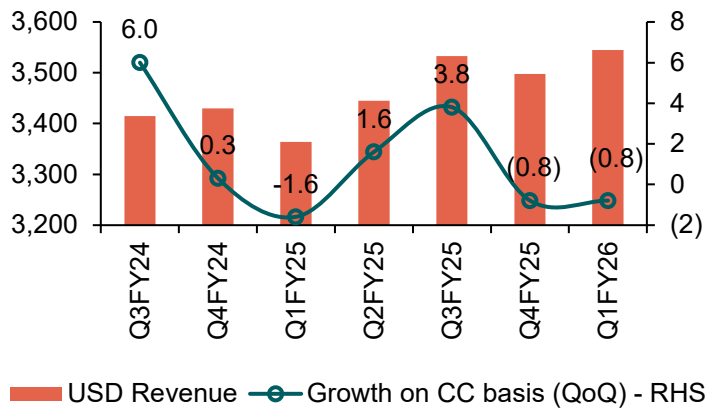
Exhibit 11: HCLT trades at ~7% premium to INFY vs Historical Mean Discount of ~22%



Source: Dolat Capital

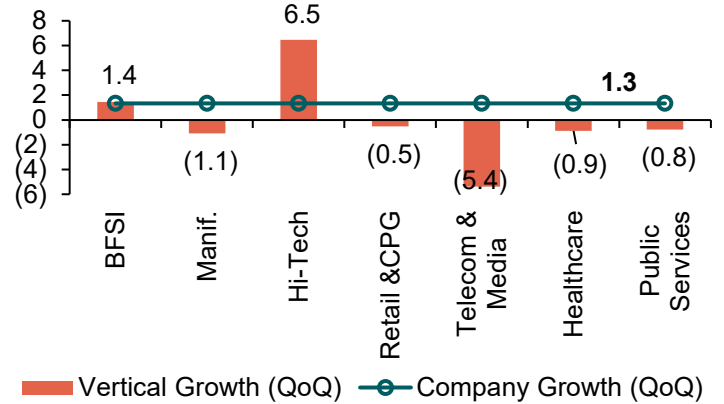
Key Trends in Charts

Exhibit 12: Seasonality & weak Software biz led decline of 0.8% CC



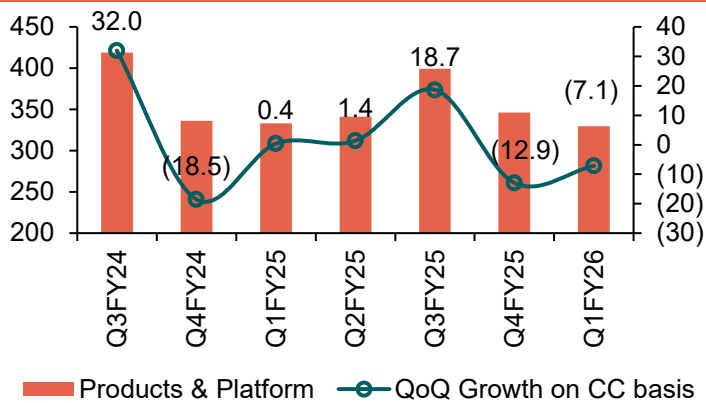
Source: Company, Dolat Capital

Exhibit 13: Most seg. Declined in CC terms , except Hi-Tech and BFSI



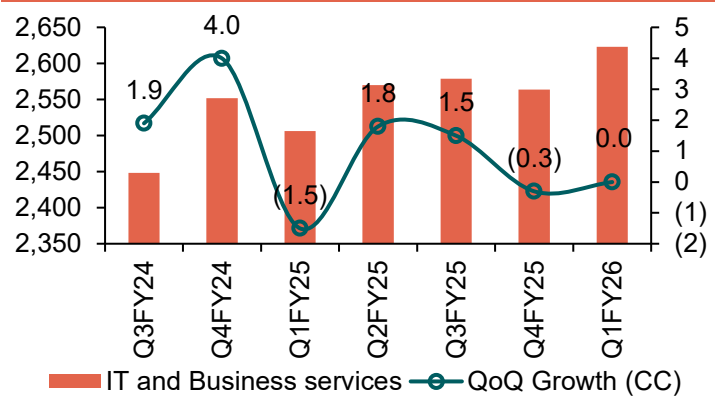
Source: Company, Dolat Capital

Exhibit 14: HCL Soft Rev declined by 7.1% QoQ



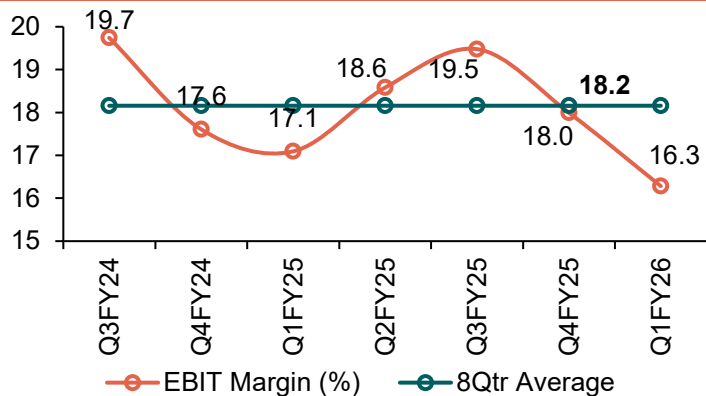
Source: Company, Dolat Capital

Exhibit 15: IT Services was flat QoQ in CC



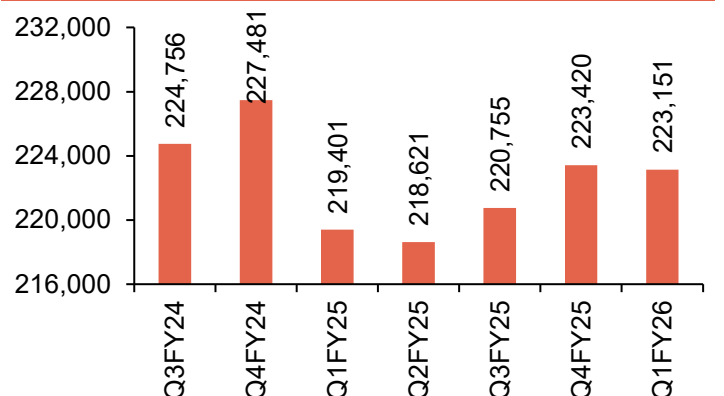
Source: Company, Dolat Capital

Exhibit 16: EBIT Margin declined 171bps QoQ



Source: Company, Dolat Capital

Exhibit 17: Headcount lowered by 269 in Q1FY26



Source: Company, Dolat Capital

Exhibit 18: Operating Metrics 1

Operating Metrics	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26
Segment Amount (\$ mn)									
IT and Business services	2,385	2,409	2,449	2,552	2,506	2,570	2,579	2,564	2,623
Engineering & R&D services	494	518	560	552	535	544	565	598	603
Products & Platforms	333	319	420	342	342	341	399	348	330
Segment Growth CC YoY (%)									
IT and Business services	9.1	4.6	4.3	6.7	5.3	6.2	5.8	1.4	0.0
Engineering & R&D services	(1.8)	(2.0)	3.6	6.4	8.4	4.3	1.1	8.5	4.7
Products & Platforms	(0.1)	3.6	5.0	6.7	3.5	9.4	(2.1)	9.9	18.3
Segment Growth CC QoQ (%)									
IT and Business services	(0.1)	0.9	1.9	4.0	(1.5)	1.8	1.5	(0.3)	0.0
Engineering & R&D services	(5.2)	5.0	8.7	(1.6)	(3.5)	1.1	5.4	5.5	(0.5)
Products & Platforms	(3.1)	(4.0)	32.0	(18.5)	0.4	1.4	18.7	(12.9)	(7.1)
Segmental OPM (%)									
IT and Business services	16.1	18.1	17.1	16.6	16.6	16.9	17.2	17.0	17.2
Engineering & R&D services	16.8	19.2	21.1	19.5	19.5	19.3	18.9	17.9	18.9
Products & Platforms	22.9	19.4	32.9	20.9	20.5	25.6	34.5	24.3	26.6
Vertical Amount (\$mn)									
BFSI	723	729	741	741	706	706	717	738	766
Manufacturing	637	622	686	700	653	672	675	651	659
Technology	429	422	437	422	437	451	470	469	496
Retail & CPG	291	310	328	312	316	331	374	339	344
Teleco., Media & Entert.	243	258	331	394	410	417	435	486	464
Healthcare	560	564	560	563	535	551	548	514	514
Public Services	317	319	331	302	306	317	314	301	301
Vertical Growth %YoY (CC)									
BFSI	14.4	12.5	12.9	8.6	(1.3)	(4.5)	(1.4)	0.7	6.8
Manufacturing	16.5	3.3	5.8	14.3	3.5	7.1	N.M	(6.1)	(1.0)
Technology	13.4	(9.5)	(9.2)	(8.7)	2.7	5.6	7.6	10.8	13.7
Retail & CPG	(7.0)	8.1	11.7	9.4	9.7	9.6	17.2	9.5	8.2
Telco., Media & Ent.	6.8	(10.4)	8.3	39.2	69.2	61.2	33.1	24.3	13.0
Healthcare	3.2	9.8	0.5	(1.0)	(4.1)	(2.8)	(1.1)	(7.4)	(4.0)
Public Services	(11.7)	1.7	(0.6)	(7.0)	(3.7)	(2.0)	(4.6)	(0.5)	(2.4)
Geography Amount (\$ mn)									
Americas	2,064	2,080	2,203	2,236	2,220	2,243	2,314	2,235	N.A*
Europe	918	919	990	991	939	978	996	1,021	
ROW	218	226	222	202	205	224	223	241	
Geography Growth YoY (%) (CC)									
Americas	7.3	3.9	6.7	9.2	8.0	7.5	6.2	0.1	N.A*
Europe	10.5	3.9	1.7	5.7	3.0	4.2	2.6	4.3	
RoW	(6.0)	(3.6)	(7.5)	(11.3)	(3.6)	(2.6)	2.9	23.2	

Source: Company, Dolat Capital *Geographical classifications have been re-stated, hence not comparable.

Exhibit 19: Operating Metrics 2

Operating Metrics	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26
Client Amount (\$ mn)									
Top 5 Clients	314	316	335	357	383	417	445	444	447
Top 6-10 Clients	237	239	270	288	276	276	272	262	269
Top 11-20 Clients	320	326	352	350	353	369	374	357	344
Non-Top 20 Clients	2,330	2,344	2,459	2,435	2,351	2,384	2,441	2,435	2,485
Client Growth YoY(%)									
Top 5 Clients	(7.8)	(4.2)	0.2	9.2	22.3	31.9	33.0	24.5	16.5
Top 6-10 Clients	(4.9)	(4.4)	5.3	17.2	16.5	15.5	0.8	(8.9)	(2.3)
Top 11-20 Clients	10.9	7.8	8.4	7.1	10.4	13.2	6.5	2.0	(2.6)
Non-Top 20 Clients	7.9	6.5	5.6	4.3	0.9	1.7	(0.7)	0.0	5.7
Client Data									
1mn \$ +	947	971	958	951	951	952	952	948	956
5mn \$ +	390	402	401	395	404	402	398	399	402
10mn \$ +	237	243	250	254	256	251	248	251	255
20mn \$ +	127	132	132	137	133	137	136	138	144
50mn \$ +	48	49	49	46	48	52	53	52	54
100mn \$ +	20	20	20	22	22	22	22	22	22
Employee Data									
Total Employees	223,438	221,139	224,756	227,481	219,401	218,621	220,755	223,420	223,151
Net Additions	(2,506)	(2,299)	3,617	2,725	(8,080)	(780)	2,134	2,665	(269)
Attrition (LTM) %	16.3	14.2	12.8	12.4	12.8	12.9	13.2	13.0	12.8
DSO	64	61	67	61	60	57	57	59	59

Source: Dolat Capital, Company

Financial Performance

Profit and Loss Account

(Rs Mn)	FY24A	FY25A	FY26E	FY27E
Revenue	1,099,130	1,170,550	1,240,728	1,330,375
Total Expense	857,130	915,500	973,672	1,041,122
COGS	721,250	778,150	826,250	884,984
Employees Cost	0	0	0	0
Other expenses	135,880	137,350	147,423	156,138
EBIDTA	242,000	255,050	267,056	289,253
Depreciation	41,730	40,840	43,912	44,617
EBIT	200,270	214,210	223,144	244,636
Interest	0	0	0	0
Other Income	9,400	18,410	11,240	12,524
Exc. / E.O. items	0	0	0	0
EBT	209,670	232,620	234,384	257,160
Tax	52,570	58,620	59,074	64,933
Minority Interest	80	90	10	0
Profit/Loss share of associates	0	0	0	0
RPAT	157,020	173,910	175,301	192,227
Adjustments	0	0	0	0
APAT	157,020	173,910	175,301	192,227

Balance Sheet

(Rs Mn)	FY24A	FY25A	FY26E	FY27E
Sources of Funds				
Equity Capital	5,430	5,430	5,430	5,430
Minority Interest	80	180	170	170
Reserves & Surplus	677,200	691,120	698,273	714,215
Net Worth	682,630	696,550	703,703	719,645
Total Debt	23,270	22,910	22,885	22,860
Net Deferred Tax Liability	(2,600)	5,510	5,733	5,962
Total Capital Employed	703,380	725,150	732,491	748,638

Applications of Funds

Net Block	350,630	361,720	347,008	332,192
CWIP	1,080	590	595	695
Investments	178,310	206,080	207,780	209,180
Current Assets, Loans & Advances	457,440	476,410	510,934	555,244
Current Investments	0	0	0	0
Inventories	1,850	1,330	1,415	1,512
Receivables	194,830	195,230	214,153	229,626
Cash and Bank Balances	94,560	82,450	89,864	113,097
Loans and Advances	10,810	15,620	15,218	13,816
Other Current Assets	155,390	181,780	190,285	197,192
Less: Current Liabilities & Provisions	284,080	319,650	333,827	348,673
Payables	25,700	30,160	32,076	34,298
Other Current Liabilities	258,380	289,490	301,750	314,374
<i>sub total</i>				
Net Current Assets	173,360	156,760	177,107	206,571
Total Assets	703,380	725,150	732,491	748,638

E – Estimates

Important Ratios

Particulars	FY24A	FY25A	FY26E	FY27E
(A) Margins (%)				
Gross Profit Margin	34.4	33.5	33.4	33.5
EBIDTA Margin	22.0	21.8	21.5	21.7
EBIT Margin	18.2	18.3	18.0	18.4
Tax rate	25.1	25.2	25.2	25.3
Net Profit Margin	14.3	14.9	14.1	14.4
(B) As Percentage of Net Sales (%)				
COGS	65.6	66.5	66.6	66.5
Employee	0.0	0.0	0.0	0.0
Other	12.4	11.7	11.9	11.7
(C) Measure of Financial Status				
Gross Debt / Equity	N.A	N.A	N.A	N.A
Interest Coverage				
Inventory days	1	0	0	0
Debtors days	65	61	63	63
Average Cost of Debt	0.0	0.0	0.0	0.0
Payable days	9	9	9	9
Working Capital days	57	52	54	54
FA T/O	3.1	3.2	3.6	4.0
(D) Measures of Investment				
AEPS (Rs)	57.9	64.1	64.6	70.9
CEPS (Rs)	73.2	79.1	80.8	87.3
DPS (Rs)	46.0	60.0	62.0	65.0
Dividend Payout (%)	79.5	93.6	95.9	91.7
BVPS (Rs)	251.6	256.7	259.5	265.3
RoANW (%)	23.5	25.2	25.0	27.0
RoACE (%)	23.0	24.4	24.1	26.0
RoAIC (%)	33.8	34.2	34.7	38.3
(E) Valuation Ratios				
CMP (Rs)	1620	1620	1620	1620
Mcap (Rs Mn)	4,395,182	4,395,182	4,395,182	4,395,182
EV	4,323,892	4,335,642	4,328,204	4,304,945
MCap/ Sales	4.0	3.8	3.5	3.3
EV/Sales	3.9	3.7	3.5	3.2
P/E	28.0	25.3	25.1	22.9
EV/EBITDA	17.9	17.0	16.2	14.9
P/BV	6.4	6.3	6.2	6.1
Dividend Yield (%)	2.8	3.7	3.8	4.0
(F) Growth Rate (%)				
Revenue	8.3	6.5	6.0	7.2
EBITDA	6.9	5.4	4.7	8.3
EBIT	8.3	7.0	4.2	9.6
PBT	7.6	10.9	0.8	9.7
APAT	5.7	10.8	0.8	9.7
EPS	5.6	10.8	0.9	9.7

E – Estimates

Cash Flow

Particulars	FY24A	FY25A	FY26E	FY27E
Profit before tax	209,670	232,610	234,384	257,160
Depreciation & w.o.	41,730	40,840	43,912	44,617
Net Interest Exp	(11,690)	(14,260)	(11,240)	(12,524)
Direct taxes paid	(42,120)	(42,430)	(59,074)	(64,933)
Change in Working Capital	23,050	10,100	(12,711)	(6,001)
Non Cash	3,970	(4,250)	0	0
(A) CF from Operating Activities	224,480	222,610	195,272	218,319
Capex {(Inc.)/ Dec. in Fixed Assets n WIP}	(30,590)	(23,740)	(29,225)	(29,900)
Free Cash Flow	193,890	198,870	166,047	188,419
(Inc.)/ Dec. in Investments	(44,360)	(34,560)	(1,700)	(1,400)
Other	7,720	9,160	0	0
(B) CF from Investing Activities	(67,230)	(49,140)	(30,925)	(31,300)
Issue of Equity/ Preference	0	0	0	0
Inc./(Dec.) in Debt	(1,810)	(810)	(25)	(25)
Interest exp net	(640)	(510)	11,240	12,524
Dividend Paid (Incl. Tax)	(140,730)	(162,500)	(168,148)	(176,284)
Other	(11,460)	(21,790)	0	0
(C) CF from Financing	(154,640)	(185,610)	(156,933)	(163,785)
Net Change in Cash	2,610	(12,140)	7,414	23,233
Opening Cash balances	87,150	94,410	82,450	89,864
Closing Cash balances	94,410	82,450	89,864	113,097

E – Estimates

Notes

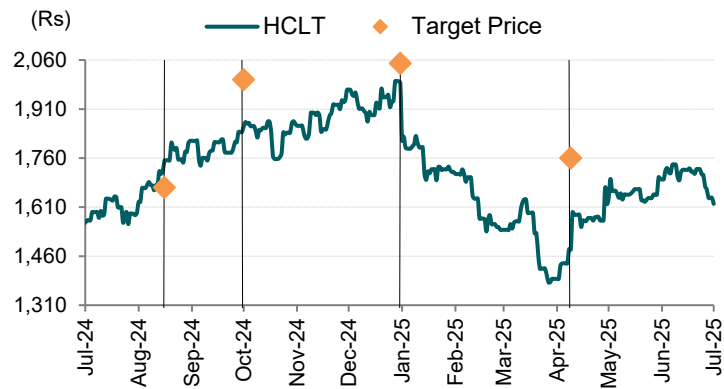
Stock Info and Rating History

Price Performance

Particulars	1M	3M	12M
Absolute (%)	(4)	16	4
Rel to NIFTY (%)	(6)	7	1

Shareholding Pattern

Particulars	Dec'24	Mar'25	Jun'25
Promoters	60.8	60.8	60.8
MF/Banks/FIs	15.2	15.4	15.4
FIIIs	19.4	19.2	19.2
Public / Others	4.6	4.6	4.6



Month	Rating	TP (Rs.)	Price (Rs.)
Aug-24	Reduce	1,670	1,752
Oct-24	Accumulate	2,000	1,856
Jan-25	Reduce	2,050	1,989
Apr-25	Accumulate	1,760	1,480

*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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