

# HCL Technologies

Estimate change 

TP change 

Rating change 

**CMP: INR1,865**

**TP: INR2,300 (+23%)**

**Buy**

## Leading the bounce-back

### Broad-based growth and outlook reinforce HCLT as our top pick

Bloomberg	HCLT IN
Equity Shares (m)	2714
M.Cap.(INRb)/(USDb)	5036.3 / 59.9
52-Week Range (INR)	1866 / 1212
1, 6, 12 Rel. Per (%)	3/10/21
12M Avg Val (INR M)	4807

#### Financials & Valuations (INR b)

Y/E Mar	FY25E	FY26E	FY27E
Sales	1,173	1,291	1,419
EBIT Margin (%)	18.2	18.9	18.9
PAT	174	196	218
EPS (INR)	63.7	71.9	80.3
EPS Gr. (%)	10.1	12.9	11.6
BV/Sh. (INR)	247	245	241

#### Ratios

RoE (%)	25.6	29.3	33.1
RoCE (%)	22.7	26.3	29.3
Payout (%)	90.0	90.0	90.0

#### Valuations

P/E (x)	29.3	25.9	23.2
P/BV (x)	7.5	7.6	7.7
EV/EBITDA (x)	19.6	17.2	15.6
Div Yield (%)	3.1	3.5	3.9

#### Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	60.8	60.8	60.8
DII	15.8	15.0	15.4
FII	18.7	19.9	19.2
Others	4.7	4.3	4.6

FII Includes depository receipts

- HCL Technologies (HCLT) reported a muscular 2QFY25, with revenue of USD3.4b, up 1.6% QoQ (~2.5% organic) and 6.2% YoY in constant currency (CC), above our estimate of flat revenue growth. EBIT margins came in at 18.6%, beating our estimate of 17.4%. New deal TCV stood at USD 2.2b (up 13% QoQ) in 2QFY25. For FY25, HCLT revised the lower end of its growth guidance to 3.5%-5% YoY in CC from 3%-5% earlier. For 1HFY25, revenue/EBIT/PAT grew 7.5%/8.1%/15.3% compared to 1HFY24.
- **Our view:** Growth was broad-based, supported by robust deal wins, underscoring our thesis that the tide around client behavior is turning. The CQGR ask rate for 2HFY25 to achieve the top end of the guidance is now fairly benign at 0-2% cc; we believe a difficult geopolitical backdrop, coupled with client-specific troubles in automotive ER&D, could be informing some of this caution. As highlighted in our Sept'24 thematic report ([Technology: Bounce-back! Charting the path to revival for IT services](#)), we anticipate key sectors such as healthcare, manufacturing, and BFSI to drive growth recovery. Additionally, within service lines, we expect data engineering and ERP modernization (especially SAP S4HANA) to lead the way; areas where HCL has a strong advantage over peers.
- **Guidance:** HCLT revised the lower end of its guidance; it now expects overall revenues and services revenues to grow by 3.5%-5% in constant currency terms (3-5% earlier). It kept the EBIT margin guidance unchanged at 18-19%.
- **Margins:** Better-than-expected growth in its high-margin product business and a recovery in its ER&D business lifted margins to 18.6% in 2Q. We expect 2H to witness some headwinds, such as furloughs and wage hikes; however, a seasonally strong quarter for the product business (3Q) and a more measured wage hike cycle should keep EBIT margins comfortably within the guided range.
- **HCLT tops our Impact Framework for large-caps:** HCLT remains our top pick among large-cap IT companies, based on our IMPACT framework. We see HCLT is best positioned to play the short-term slow, medium-term fast GenAI revolution. HCLT's capabilities are comparable to the best in the industry, especially when it comes to new-age projects.
- **Valuations and changes in estimates:** We expect HCLT to deliver 18.2% EBIT margin in FY25. This should recover to 18.9% in FY26 as growth improves. We expect HCLT to deliver a CAGR of 8.4%/11.5% in USD revenue/INR PAT over FY25-27E. We raise our EPS estimates by 2.4%/2.7%/3.4% for FY25/FY26/FY27 as we factor in the 2Q performance and a recovery in discretionary spending in 2HFY25/FY26E. Reiterate **BUY** with a TP of INR2,300 (based on 30x Sep'26E EPS).

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**Investors are advised to refer through important disclosures made at the last page of the Research Report.**

Motilal Oswal research is available on [www.motilaloswal.com/Institutional-Equities](http://www.motilaloswal.com/Institutional-Equities), Bloomberg, Thomson Reuters, Factset and S&P Capital.

### Beat on revenue growth and margins

- Revenue grew 1.6% QoQ in CC vs. our estimate of flat revenue growth. New deal TCV stood at USD2.2b (up 13.2% QoQ, down 44.1% YoY) in 2QFY25.
- IT business/ER&D business/P&P grew by 1.8%/1.1%/1.4% QoQ CC.
- EBIT margin was 18.6% vs. our estimate of 17.4%.
- For FY25, revenue growth guidance was upgraded to 3.5-5% YoY in CC (similar for Services) from 3%-5% earlier. EBIT margin guidance was maintained at 18.0-19.0% in FY25.
- PAT inched down 0.5% to INR42b (up 10.5% YoY) vs. our est. of INR39b.
- LTM attrition was up 10bp QoQ to 12.9%. Net employee headcount declined 0.4% QoQ in 2QFY25. HCLT added 2,932 freshers in this quarter.
- LTM FCF to Net Income stood at 119%.
- The management declared a dividend of INR12/share.

### Key highlights from the management commentary

- 2Q growth was broad-based across segments, barring the financial services vertical, which was impacted by the State Street divestment.
- Incremental demand improved in 2Q across multiple verticals. Growth was driven by the ramp-up of deals signed in the last few quarters, as well as data and SAP application modernization program.
- Two key factors driving 2Q growth: (1) ramp-up of deals signed in the last 2-3 quarters, and (2) increased demand for data/SAP and the initial ramp-up of large application modernization opportunities.
- Furloughs in 3Q are expected to be similar to last year.
- **Financial Services:** Revenue declined 4.5% YoY in CC, primarily due to the USD30m impact of the State Street divestment. BFSI is looking better from the discretionary spending perspective.
- **Manufacturing:** There is pressure on the automotive business in Europe, with a couple of large clients undergoing cost reductions.
- **Guidance:** The lower end of revenue growth guidance was increased; 2% growth is needed in 3Q/4QFY25 to achieve the upper end guidance of 5%. This growth assumes similar furloughs and the execution of deals signed in recent quarters. EBIT margin guidance was maintained at 18-19%.

### Valuation and view

- We believe HCLT is best positioned to play the short-term slow, medium-term fast GenAI revolution. Its investments in next-gen platforms also position it well for a recovery in client spends. We value HCLT at 30x Sep'26E EPS. Reiterate BUY with a TP of INR2,300 (implying 23% upside potential). HCLT remains our top pick among large-cap IT companies.

## Quarterly performance

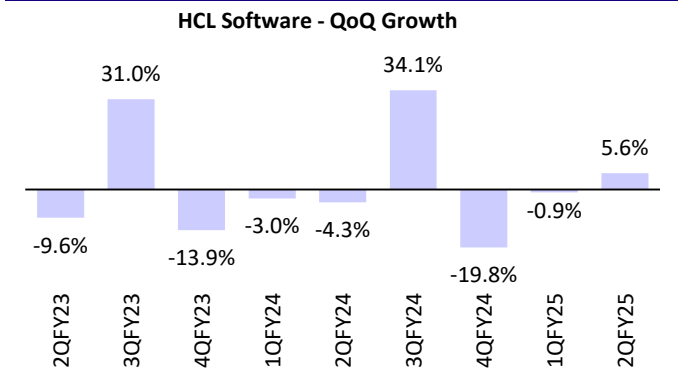
(INR b)

Y/E March	FY24				FY25E				FY24	FY25E	Est. 2QFY25	Var. (%/bp)
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE				
Revenue (USD m)	3,200	3,225	3,415	3,430	3,364	3,445	3,577	3,608	13,270	13,994	3,379	1.9
QoQ (%)	-1.1	0.8	5.9	0.4	-1.9	2.4	3.8	0.9	5.4	5.5	0.5	196bp
Revenue (INR b)	263	267	284	285	281	289	300	303	1,099	1,173	283	1.9
YoY (%)	12.1	8.0	6.5	7.1	6.7	8.2	5.6	6.4	8.3	6.7	6.2	205bp
GPM (%)	35.6	36.2	36.7	35.0	34.5	34.9	34.0	35.5	35.9	34.7	35.0	-10bp
SGA (%)	13.6	12.4	11.5	12.0	12.4	11.5	11.0	11.5	12.4	11.6	12.5	-104bp
EBITDA	55	59	67	61	58	64	65	68	242	255	59	7.4
EBITDA margin (%)	20.8	22.3	23.5	21.4	20.7	22.1	21.6	22.6	22.0	21.8	21.0	113bp
EBIT	45	49	56	50	48	54	54	58	200	213	49	8.7
EBIT margin (%)	17.0	18.5	19.7	17.6	17.1	18.6	18.0	19.0	18.2	18.2	17.4	116bp
Other income	2	2	3	3	9	3	4	4	9	20	3	-4.3
ETR (%)	24.8	25.3	25.9	24.2	25.4	25.5	25.5	25.5	25.1	25.5	26.0	-50bp
Adjusted PAT	35	38	44	40	43	42	43	46	157	174	39	8.6
QoQ (%)	-11.2	8.4	13.5	-8.4	6.8	-0.5	1.5	6.2			-8.4	787bp
YoY (%)	7.6	9.8	6.2	0.1	20.5	10.5	-1.2	14.5	5.7	10.5	1.8	875bp
EPS	13.0	14.1	16.0	14.7	15.7	15.6	15.8	16.8	57.9	63.7	14.2	10.3

## Key performance indicators

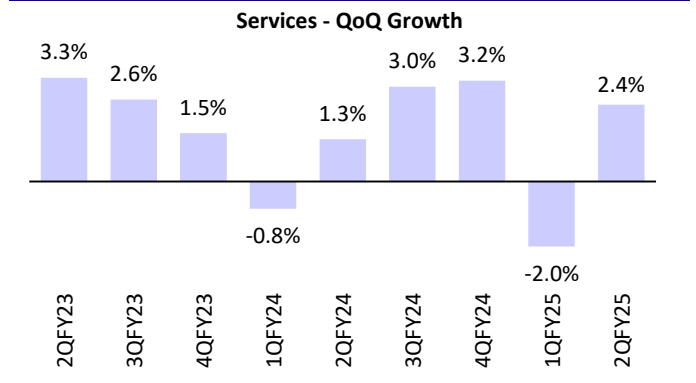
Y/E March	FY24				FY25E		FY24
	1Q	2Q	3Q	4Q	1Q	2Q	
Revenue (QoQ CC %)	-1.3	1.0	6.0	0.3	-1.6	1.6	
<b>Costs (% of revenue)</b>							
COGS	64.4	63.8	63.3	65.0	65.5	65.1	64.1
SGA	13.6	12.4	11.5	12.0	12.4	11.5	12.4
<b>Margins</b>							
Gross Margin	35.6	36.2	36.7	35.0	34.5	34.9	35.9
EBIT Margin	17.0	18.5	19.7	17.6	17.1	18.6	18.2
Net Margin	13.4	14.4	15.3	14.0	15.2	14.7	14.3
<b>Operating metrics</b>							
Headcount (k)	223	221	225	227	219	219	227
Attrition (%)	16.3	14.2	12.8	12.4	12.8	12.9	12.4
<b>Key Verticals (YoY CC %)</b>							
BFSI	14.4	12.5	12.9	12.1	-1.3	-4.5	12.1
Manufacturing	16.5	3.3	5.8	9.8	3.5	7.1	9.8
<b>Key Geographies (YoY CC %)</b>							
North America	7.3	3.9	6.7	6.8	8.0	7.5	6.8
Europe	10.5	3.9	1.7	5.5	3.0	4.2	5.5

Exhibit 1: QoQ growth trend in HCL Software



Source: MOFSL, Company

Exhibit 2: QoQ growth trend in HCL Services



Source: MOFSL, Company

Exhibit 3: HCLT and LTIM lead in the IMPACT ranking among Tier-1 companies

IMPACT framework- large caps	Industry exposure (5- best)	Margin expansion (5- best)	Partnerships (5- best)	Automation threat (5: minimum)	Client strategies (5-best)	NextGen readiness (5-best)	Total Score
HCL	●●●●●	●●●	●●●●●	●●●●●	●●●	●●●	24
LTIM	●●●●●	●	●●●●●	●●●●●	●●●	●●●●●	24
Infosys	●●●	●●●	●●●●●	●●●	●●●	●●●●●	22
TCS	●●●	●●●	●●●●●	●●●	●●●	●●●●●	22
Wipro	●●●	●●●	●●●●●	●●●	●●●	●●●	20
TechM	●	●●●	●●●●●	●●●	●●●	●●●	18

Source: MOFSL

Exhibit 4: PSYS leads in the IMPACT ranking among Tier-2 companies

IMPACT framework- mid tier	Industry exposure (5- best)	Margin expansion (5- best)	Partnerships (5- best)	Automation threat (5: minimum)	Client strategies (5-best)	NextGen readiness (5-best)	Total Score
Persistent	●●●●●	●●●	●●●●●	●●●●●	●●●●●	●●●●●	28
Coforge	●●●●●	●●●	●●●●●	●●●	●●●●●	●●●	24
Zensar	●●●	●●●	●●●	●●●●●	●●●●●	●●●	22
LTTS	●●●	●●●	●●●	●●●●●	●●●●●	●●●	22
Mphasis	●●●	●●●	●●●●●	●●●	●●●	●●●	20
Cyient	●●●	●●●	●	●●●●●	●●●●●	●●●	20

Source: MOFSL



## Key highlights from the management commentary

### Demand and industry outlook

- 2Q growth was broad-based across segments, barring the financial services vertical, which was impacted by the State Street divestment.
- Incremental demand improved in 2QFY25 across multiple verticals. Growth was driven by the ramp-up of deals signed in the last few quarters, as well as data and SAP application modernization program.
- Two key factors driving 2Q growth: (1) ramp-up of deals signed in the last 2-3 quarters, and (2) increased demand for data/SAP and the initial ramp-up of large application modernization opportunities.
- The pipeline continues to grow, with S4HANA migration driving demand for SAP. Total TCV was USD2.2b, with a total of 20 deals signed: 8 in the software business and 12 in the services business (IT and ER&D).
- The pipeline for ER&D continues to expand. Further, the management expects good bookings for the rest of the year.
- The pipeline shows significant opportunities in SAP (due to S/4HANA) as well as in data and AI; the total overall pipeline is near an all-time high.
- For FY25, the lower end of revenue growth guidance was upgraded to 3.5%-5% YoY in CC (similar for Services), compared to the previous range of 3%-5%.
- 2% growth is needed in 3Q and 4Q to achieve the upper-end guidance of 5%. This growth assumes similar furloughs and the execution of deals signed in recent quarters.
- EBIT margin guidance remains at 18.0%-19.0% for FY25.
- In the Financials vertical, revenue declined 4.5% YoY CC, primarily due to the USD30m impact of the State Street divestment. Growth was strong across all markets (Americas, Europe) and segments (insurance, fintech). BFSI is looking better from the discretionary spending perspective.
- In Manufacturing, there is pressure on the automotive business in Europe, with a couple of large clients undergoing cost reductions. The ramp-up of the SAP business in manufacturing is offsetting some of the impacts from aerospace clients.
- In ER&D, the automotive sector is facing pressure in Europe and is expected to experience more pressure in 3Q.
- There is good traction in: (1) the AI Force platform (25 clients so far, with a target of 50), (2) HCLT Tech AI Foundry (helping with data-led modernization), and (3) continued experience in AI labs.
- Recent GenAI-based acquisitions in Europe are noteworthy. Zeenea, based out of Paris, will help HCL Software grow in the areas of GenAI and data modernization.
- There have been significant achievements in GenAI, with AI Force gaining widespread adoption.
- Growth drivers for HCLSoftware include: (1) customer renewals, (2) sharper product growth in platforms, data, and AI, (3) significant focus on emerging markets like the Middle East, India, and South Asia, and (4) a 360-degree ecosystem.
- A 23-25% margin range is considered comfortable for P&P. HCLT Software's annual recurring revenue (ARR) stood at USD1.05b. Robustness in the portfolio

is coming from innovation and product features—HCL Unica, integrated with customer data platforms, is leading to renewals and increased fees.

- In the medium term, HCLT expects mid-single-digit growth in P&P business, which will improve margins.

### Margin performance

- EBIT margin stood at 18.6%. FCF conversion on an LTM basis was 119%.
- In 3Q, there will be a 65-80bp impact from wage hikes and the remaining 50-60bp impact in 4Q.
- EBIT margin declined by 50bp QoQ to 17.1% in 1QFY25.
- Margin walk: The margin improvement of 149bp QoQ in 2Q included 54bp from software (driven by operational leverage), 110bp from services due to operational efficiency and reduced marketing spending, and 22bp from favorable exchange movements.
- Net profit was marginally down due to one-offs, including exchange gains in the last quarter related to the State Street divestment.
- 3Q is expected to be the strongest quarter for the software business due to seasonality. The management maintained its FY25 margin guidance at 18-19%.

### Other highlights

- Wage has increased as the workforce shifts to a more specialized skill set.
- The total employee count was 218,621. LTM attrition was 12.9%, up 10bp QoQ but down 14.2% YoY.
- There has been a drop in headcount due to efficiency levers and increased demand for specialized skills.
- Wage hikes will be similar to last year, effective from Oct'24, with a higher proportion of lateral hiring. The average hike is 7%, while top performers (top executives) can expect wage increases in the range of 12-15%.
- Cash generation increased due to improved DSO days.
- HCLT declared a dividend of INR12 per share.

### Exhibit 5: Americas and Europe regions performed well in 1QFY25

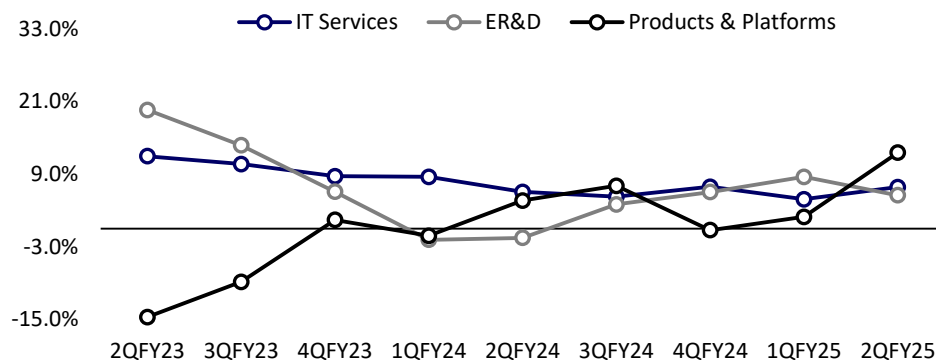
Geographies (YoY CC Growth, %)	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25
Americas	10.7	15.0	13.0	17.5	18.2	12.3	10.0	7.3	3.9	6.7	6.8	8.0	7.5
Europe	9.0	12.0	13.6	22.5	21.8	23.3	14.6	10.5	3.9	1.7	5.5	3.0	4.2
ROW	14.9	25.8	15.0	18.2	13.7	11.6	1.4	-6.0	-3.6	-7.5	-7.1	-3.6	-2.6

Source: Company, MOFSL

### Exhibit 6: The growth was dragged down by Telecom and Technology in 1QFY24

Verticals (YoY CC Growth, %)	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25
Financial Services	6.3	13.5	10.2	16.4	15.4	8.8	9.6	14.4	12.5	12.9	12.1	-1.3	-4.5
Manufacturing	11.9	12.2	16.6	19.1	21.8	21.2	11.8	16.5	3.3	5.8	9.8	3.5	7.1
Technology & Services	10.8	18.1	14.3	34.2	26.6	19.3	17.9	-7.0	-9.5	-9.2	-8.6	2.7	5.6
Retail & CPG	3.6	11.5	6.0	5.8	11.9	-3.8	11.8	3.2	8.1	11.7	8.2	9.7	6.2
Telecommunications, Media, Publishing & Entertainment	13.4	12.4	20.2	29.2	27.1	27.9	8.9	-11.7	-10.4	8.3	6.5	69.2	61.2
Lifesciences & Healthcare	20.1	21.3	18.5	15.7	14.4	19.5	1.6	13.4	9.8	0.5	5.4	-4.1	-2.8
Public Services#	8.8	14.8	7.8	15.2	17.6	16.7	7.6	6.8	1.7	-0.6	0.1	-3.7	-2.0

Source: Company, MOFSL

**Exhibit 7: IT Services witnessed YoY growth of 6.8 % in USD terms in 2QFY25**

Source: Company, MOFSL

**Valuation and view**

- We believe HCLT is best positioned to play the short-term slow, medium-term fast GenAI revolution. Its investments in next-gen platforms also position it well for a recovery in client spends. We value HCLT at 30x Sep'26E EPS. Reiterate BUY with a TP of INR2,300 (implying 23% upside potential). HCLT remains our top pick among large-cap IT companies.

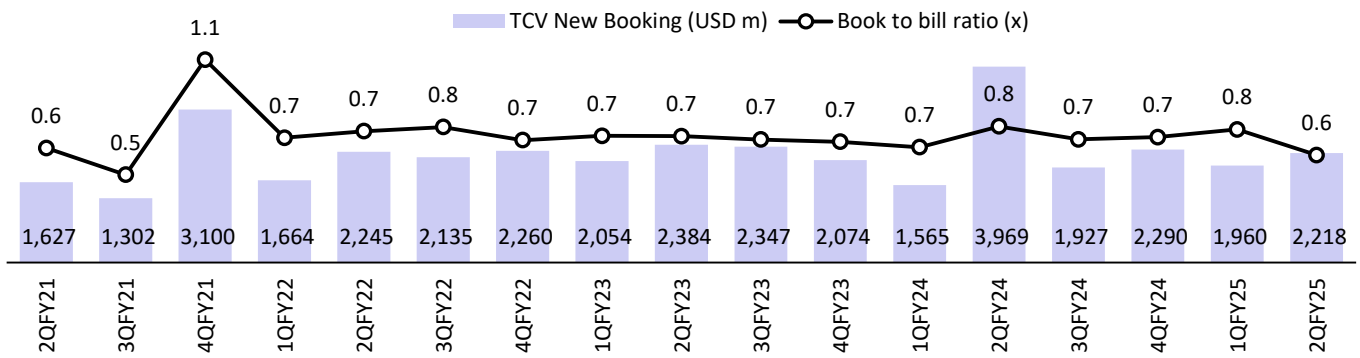
**Exhibit 8: Revised estimates**

	Revised			Earlier			Change		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
USD:INR	83.7	84.0	84.0	83.6	83.6	83.6	0.1%	0.5%	0.5%
Revenue (USD m)	13,994	15,364	16,892	13,916	15,282	16,754	0.6%	0.5%	0.8%
Growth (%)	5.5	9.8	9.9	4.9	9.8	9.6	60bps	0bps	30bps
EBIT margin (%)	18.2	18.9	18.9	18.2	18.9	18.9	0bps	0bps	0bps
PAT (INR b)	174	196	218	171	193	214	1.3%	1.5%	1.8%
EPS	63.7	71.9	80.3	62.2	70.0	77.6	2.4%	2.7%	3.4%

Source: MOFSL

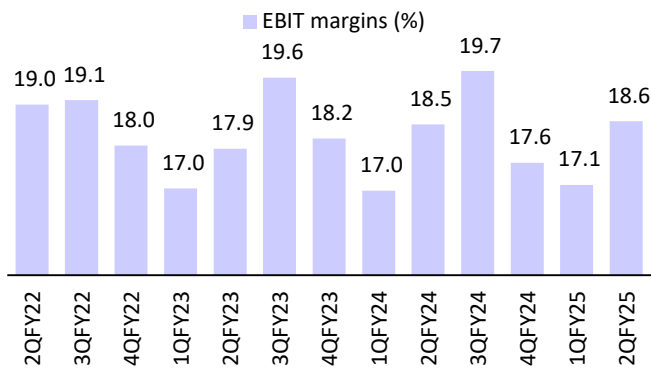
Story in charts

Exhibit 9: TCV (new deal wins) at USD2,218m, up by 13% QoQ; book-to-bill at 0.6x



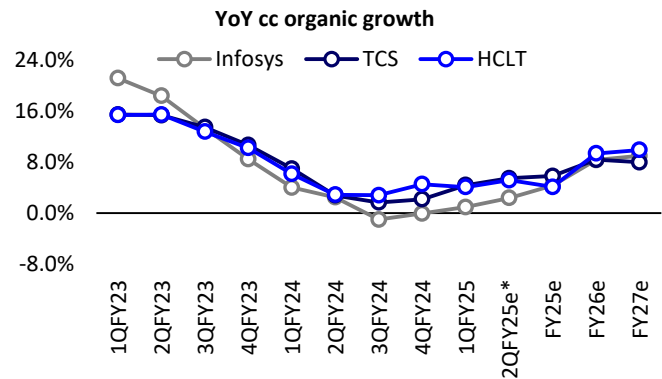
Source: Company, MOFSL

Exhibit 10: Margin jumps due strong performance by services in 2QFY25



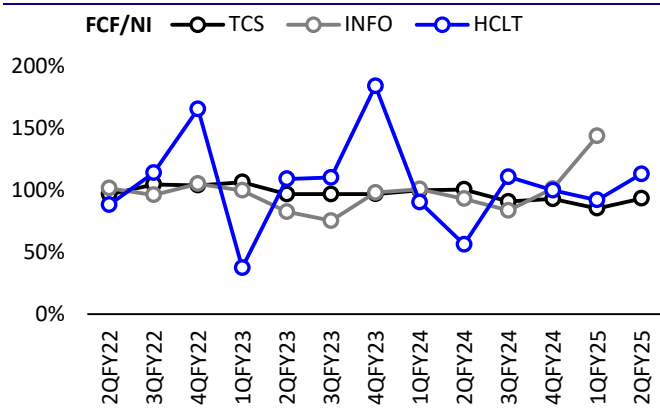
Source: Company, MOFSL

Exhibit 11: HCLT continues to report industry-leading growth



\*Infosys yet to report

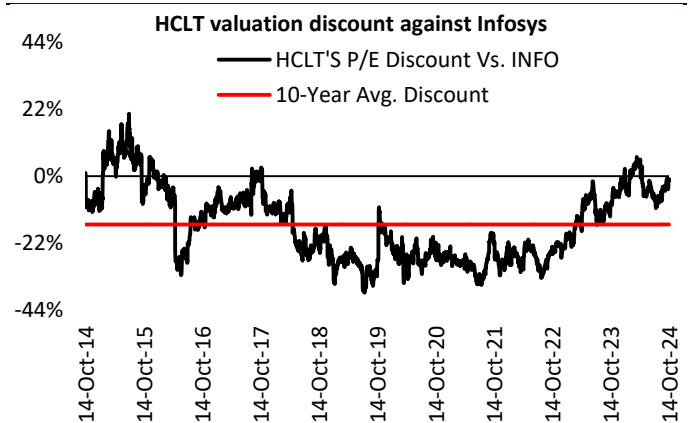
Exhibit 12: HCLT's FCF conversion is at par with peers\*



\*Infosys yet to report

Source: Company, MOFSL

Exhibit 13: HCLT now has reached valuation parity with INFO



Source: Bloomberg, MOFSL



## Operating metrics

Exhibit 14: Operating metrics

	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25
<b>Service-wise (%)</b>									
IT and Business Services	73.6	71.7	73.8	74.7	74.6	71.7	74.4	74.5	74.6
Engineering and R&D Services	17.0	16.6	16.1	15.4	16.0	16.4	16.1	15.9	15.8
Products and Platform	9.4	11.7	10.1	9.9	9.4	11.9	9.5	9.6	9.9
<b>Vertical-wise (Services) (%)</b>									
BFSI	20.6	19.9	21.2	22.6	22.6	21.7	21.6	21.0	20.5
Manufacturing	18.3	18.3	19.0	19.0	19.0	20.1	20.4	19.0	19.0
Technology and Services	15.4	15.4	14.4	14.4	14.4	12.8	12.3	14.4	14.4
Retail and CPG	9.2	8.9	9.0	9.1	9.6	9.6	9.1	9.4	9.6
Telecom MP&E	9.2	9.4	8.8	7.6	8.0	9.7	11.5	12.2	12.1
Life Sciences	16.5	17.1	17.5	17.5	17.5	16.4	16.3	15.9	16.0
Public Services	10.2	10.2	10.2	10.0	9.9	9.7	8.8	9.1	9.2
<b>Geography-wise (Services) (%)</b>									
US	64.8	63.5	63.8	64.5	64.5	64.5	65.2	66.0	65.1
Europe	27.5	29.1	28.9	28.7	28.5	29.0	28.9	27.9	28.4
RoW	7.7	7.4	7.3	6.8	7.0	6.4	5.9	6.1	6.5
<b>Client-wise (%)</b>									
Top five clients	10.7	10.3	10.1	9.8	9.8	9.8	10.4	11.4	12.1
Top 10 clients	18.8	18.2	17.7	17.2	17.2	17.7	18.8	19.6	20.1
Top 20 clients	28.6	28.2	27.8	27.2	27.3	28.0	29.0	30.1	30.8

Source: Company, MOFSL:

## Financials and valuations

Income Statement								(INR b)
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
<b>Sales</b>	<b>707</b>	<b>754</b>	<b>857</b>	<b>1,015</b>	<b>1,099</b>	<b>1,173</b>	<b>1,291</b>	<b>1,419</b>
Change (%)	17.0	6.7	13.6	18.5	8.3	6.7	10.0	9.9
Cost of Goods Sold	453	467	546	662	721	782	842	928
<b>Gross Profit</b>	<b>254</b>	<b>287</b>	<b>311</b>	<b>353</b>	<b>378</b>	<b>391</b>	<b>448</b>	<b>491</b>
Selling & Admin Exp.	87	93	109	127	136	136	158	172
<b>EBITDA</b>	<b>167</b>	<b>193</b>	<b>202</b>	<b>226</b>	<b>242</b>	<b>255</b>	<b>290</b>	<b>319</b>
% of Net Sales	23.6	25.6	23.6	22.3	22.0	21.8	22.5	22.5
Depreciation	28	40	40	41	42	42	46	51
<b>EBIT</b>	<b>139</b>	<b>153</b>	<b>162</b>	<b>185</b>	<b>200</b>	<b>213</b>	<b>244</b>	<b>268</b>
% of Net Sales	19.6	20.4	18.9	18.2	18.2	18.2	18.9	18.9
Other Income	2	7	8	10	9	20	19	25
<b>PBT</b>	<b>140</b>	<b>160</b>	<b>170</b>	<b>195</b>	<b>210</b>	<b>233</b>	<b>263</b>	<b>292</b>
Tax	29	41	34	46	53	59	67	75
Rate (%)	20.9	25.4	20.3	23.8	25.1	25.5	25.5	25.5
EO Item (net)	0	0	0	0	0	0	0	0
Minority interest	0	1	0	0	0	0	0	0
<b>Adjusted PAT</b>	<b>111</b>	<b>119</b>	<b>135</b>	<b>148</b>	<b>157</b>	<b>174</b>	<b>196</b>	<b>218</b>
Change (%)	9.3	7.4	13.7	9.9	5.7	10.5	12.9	11.2

Balance Sheet								(INR b)
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Reserves	517	615	620	654	683	674	664	653
<b>Net Worth</b>	<b>517</b>	<b>615</b>	<b>620</b>	<b>654</b>	<b>683</b>	<b>674</b>	<b>664</b>	<b>653</b>
Loans	51	39	39	21	22	22	22	22
Other liabilities	55	55	43	45	66	68	72	76
<b>Capital Employed</b>	<b>623</b>	<b>709</b>	<b>703</b>	<b>720</b>	<b>771</b>	<b>763</b>	<b>758</b>	<b>751</b>
Gross Block	511	546	560	596	643	672	698	726
Less : Depreciation	128	168	208	249	291	333	379	431
<b>Net Block</b>	<b>383</b>	<b>378</b>	<b>352</b>	<b>347</b>	<b>352</b>	<b>339</b>	<b>319</b>	<b>296</b>
Other assets	65	69	57	51	52	52	53	54
Investments	105	140	85	112	178	178	178	178
<b>Curr. Assets</b>	<b>279</b>	<b>291</b>	<b>397</b>	<b>425</b>	<b>416</b>	<b>437</b>	<b>475</b>	<b>516</b>
Debtors	178	175	207	255	255	270	295	321
Cash & Bank Balance	38	65	105	91	95	96	103	110
Other Current Assets	64	50	85	80	66	71	78	85
<b>Current Liab. &amp; Prov</b>	<b>209</b>	<b>168</b>	<b>188</b>	<b>214</b>	<b>227</b>	<b>242</b>	<b>267</b>	<b>293</b>
<b>Net Current Assets</b>	<b>70</b>	<b>123</b>	<b>209</b>	<b>211</b>	<b>189</b>	<b>194</b>	<b>208</b>	<b>223</b>
<b>Application of Funds</b>	<b>623</b>	<b>709</b>	<b>703</b>	<b>720</b>	<b>771</b>	<b>763</b>	<b>758</b>	<b>751</b>

## Financials and valuations

### Ratios

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
<b>Diluted (INR)</b>								
<b>EPS</b>	<b>40.7</b>	<b>43.8</b>	<b>49.8</b>	<b>54.8</b>	<b>57.9</b>	<b>63.7</b>	<b>71.9</b>	<b>80.3</b>
Cash EPS	51.2	58.5	64.6	70.1	73.3	79.1	89.0	99.1
Book Value	190.4	226.7	228.6	241.6	252.1	247.5	245.0	240.8
DPS	8.0	26.0	44.0	48.0	48.0	57.4	64.7	72.2
Payout (%)	19.6	59.4	88.3	87.6	82.9	90.0	90.0	90.0
<b>Valuation (x)</b>								
P/E	45.8	42.6	37.4	34.0	32.2	29.3	25.9	23.2
Cash P/E	36.4	31.9	28.9	26.6	25.5	23.6	21.0	18.8
EV/EBITDA	30.4	26.0	24.7	22.0	20.6	19.6	17.2	15.6
EV/Sales	7.2	6.7	5.8	4.9	4.5	4.3	3.9	3.5
Price/Book Value	9.8	8.2	8.2	7.7	7.4	7.5	7.6	7.7
Dividend Yield (%)	0.4	1.4	2.4	2.6	2.6	3.1	3.5	3.9
<b>Profitability Ratios (%)</b>								
RoE	23.6	21.0	21.9	23.3	23.5	25.6	29.3	33.1
RoCE	21.3	18.7	19.6	21.1	21.7	22.7	26.3	29.3
<b>Turnover Ratios</b>								
Debtors (Days)	92	85	88	92	85	84	83	83
Asset Turnover (x)	1.8	2.0	2.4	2.9	3.1	3.5	4.1	4.8

### Cash Flow Statement

(INR b)

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
CF from Operations	149	166	174	193	201	215	242	269
Chg. in Working Capital	-16	30	-5	-13	23	-2	-4	-4
<b>Net Operating CF</b>	<b>134</b>	<b>196</b>	<b>169</b>	<b>180</b>	<b>224</b>	<b>213</b>	<b>238</b>	<b>264</b>
Net Purchase of FA	-18	-18	-16	-14	-10	-29	-26	-28
Net Purchase of Invest.	-105	-40	30	-25	-57	0	0	0
<b>Net Cash from Inv.</b>	<b>-124</b>	<b>-57</b>	<b>15</b>	<b>-39</b>	<b>-67</b>	<b>-29</b>	<b>-26</b>	<b>-28</b>
Issue of shares/other adj.	0	0	0	0	0	0	0	0
Proceeds from LTB/STB	-15	-79	-31	-29	-14	0	0	0
Dividend Payments	-16	-33	-114	-130	-141	-183	-205	-229
<b>Net CF from Finan.</b>	<b>-32</b>	<b>-112</b>	<b>-145</b>	<b>-159</b>	<b>-154</b>	<b>-183</b>	<b>-205</b>	<b>-229</b>
Free Cash Flow	115	179	153	166	214	184	212	236
<b>Net Cash Flow</b>	<b>-22</b>	<b>27</b>	<b>39</b>	<b>-18</b>	<b>3</b>	<b>1</b>	<b>7</b>	<b>7</b>
Forex difference	0	1	1	4	1	0	0	0
<b>Opening Cash Balance</b>	<b>60</b>	<b>38</b>	<b>66</b>	<b>106</b>	<b>91</b>	<b>95</b>	<b>97</b>	<b>103</b>
<b>Closing Cash Balance</b>	<b>38</b>	<b>66</b>	<b>106</b>	<b>91</b>	<b>95</b>	<b>97</b>	<b>103</b>	<b>110</b>

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Investment Rating	Expected return (over 12-month)
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SELL	< - 10%
NEUTRAL	> - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
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