10 July 2025

1QFY26 Results Update | Sector: Technology

TCS

Estimate change	↔
TP change	↓
Rating change	↔

Bloomberg	TCS IN
Equity Shares (m)	3618
M.Cap.(INRb)/(USDb)	12236.4 / 142.9
52-Week Range (INR)	4520 / 3056
1, 6, 12 Rel. Per (%)	-3/-29/-18
12M Avg Val (INR m)	10065
Free float (%)	28.2

Financials & Valuations (INR b)

Y/E Mar	FY25	FY26E	FY27E
Sales	2,553	2,628	2,756
EBIT Margin (%)	24.3	24.6	25.4
PAT	488	519	555
EPS (INR)	134.2	142.7	152.6
EPS Gr. (%)	6.3	6.3	6.9
BV/Sh. (INR)	262	273	284
Ratios			
RoE (%)	52.4	53.4	54.9
RoCE (%)	44.9	44.3	45.6
Payout (%)	93.9	93.9	93.9
Valuations			
P/E (x)	25.2	23.7	22.2
P/BV (x)	12.9	12.4	11.9
EV/EBITDA (x)	18.0	17.0	15.6
Div Yield (%)	3.7	4.0	4.2

Shareholding pattern (%)

As On	Mar-25	Dec-24	Mar-24
Promoter	71.8	71.8	71.8
DII	11.6	10.9	10.7
FII	12.0	12.7	12.7
Others	4.6	4.6	4.9

FII Includes depository receipts

CMP: INR3,382 TP: INR3,850 (+14%) Buy

A disappointing quarter

No growth kicker yet, but margin scope intact

- TCS reported revenue of USD7.4b in 1QFY26, down 0.6% QoQ in USD terms vs. our estimate of 1.2% growth. Growth was led by Hi-Tech/Manufacturing (up 3.1%/3.0% QoQ). BFSI/Energy & Utilities grew ~2.0%/2.9% QoQ in USD terms. India was down 31% QoQ (in USD terms). Ex-India business was also down 0.5% QoQ in CC terms, missing estimates. EBIT margin was 24.5% (up 30bp QoQ), above our estimate of 24.2%. PAT was up 4% QoQ/6% YoY at INR128b (in-line with our est. of INR125b).
- For 1QFY26, revenue/EBIT/PAT grew 1.3%/0.5%/6.0% YoY in INR terms. We expect revenue/EBIT/PAT to grow by 1.4%/4.1%/7.0% YoY in 2QFY26. TCS reported a deal TCV of USD9.4b, up 13.3% YoY. The book-to-bill ratio was stable at 1.3x.
- Growth for TCS remains elusive. That said, sequentially the headwind from the BSNL ramp-down is now manageable, and there is enough slack in the pyramid to drive margin gains through the year. Valuations are undemanding, and we **reiterate our BUY** rating on TCS with a TP of INR3,850, implying a 14% potential upside.

Our view: Growth remains elusive

- **While a majority of the revenue decline was due to the BSNL** ramp-down (2.8% of out of the 3.3% QoQ CC decline was BSNL led); International business also declined by 0.5%, underscoring an uncertain quarter marred by tariffs and other geopolitical uncertainties. The management retained its outlook of international doing better in FY26 (vs. 0% growth in FY25), though we bake in a modest 0.5-1% cc growth in international business in FY26. While bookings remain healthy, revenue conversion remains a challenge.
- **Regarding BSNL**, there is currently no clarity on when the incremental order worth INR29b will be executed. We model the majority of that revenue coming in 3Q.
- **Productivity gains now becoming pervasive**, **but no signs of offsetting revenue growth:** It is now clear that productivity benefits are being promised as a part of most deals, potentially dragging future revenues for the industry. In most tech cycles, however, a declining legacy business is offset by a growing new-age business (see Exhibit 5). This kicker is missing in this cycle, putting further pressure on growth.
- **Margins beat estimates, but scope to go higher:** EBIT margins improved 30bp QoQ, despite a 340bp QoQ drop in third-party revenue, high employee costs (up 230bp), and limited margin upside. Management indicated that this was largely due to poor utilization: we believe there is significant slack in the TCS pyramid (see exhibit 3), and this could lead to margin gains, but this is dependent on a recovery in the international business.

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Valuations and changes to our estimates

- Over FY25-27, we expect a CAGR of ~3.0% in USD revenue and ~6.6% in INR EPS.
- Growth for TCS remains elusive. That said, sequentially, the headwind from the BSNL ramp-down is now manageable, and there is enough slack in the pyramid to drive margin gains through the year.
- We have maintained our estimates for FY26/FY27, as slightly lower growth is offset by one-off interest income due to income tax refunds. Valuations are undemanding, and our TP of INR3,850 implies 25x FY27 EPS (unchanged), with a 14% upside potential. We reiterate our **BUY** rating.

Miss on revenue (mainly due to BSNL) and beat on margins; TCV deal wins decent at USD9.4b

- USD revenue came in at USD7.4b, down 0.6% QoQ in USD terms vs. our estimate of 1.2% growth. On a YoY CC basis, revenue was down 3.1%.
- This was driven by a decline in India, down 31% QoQ (in USD terms). Ex-India business was also down 0.5% QoQ in CC terms (2.2% QoQ growth in USD terms), missing estimates.
- 1Q growth was led by Hi-Tech/Manufacturing (up 3.1%/3.0% QoQ). BFSI/Energy & Utilities grew ~2.0%/2.9% QoQ in USD terms, while Regional markets declined 13.5% QoQ (BSNL).
- EBIT margin was 24.5% (up 30bp QoQ), above our estimate of 24.2%.
- Deal TCV stood at USD9.4b in 1QFY26, down 23% QoQ but up 13.3% YoY.
- PAT was up 4% QoQ/6% YoY at INR128b (in-line with our est. of INR125b).
- The net headcount rose by 5,090 employees to 613,069 (up 1% QoQ) in 1QFY26. Attrition (LTM) increased by 50bp QoQ to 13.8%.
- The board declared a dividend of INR11/share in 1QFY26.

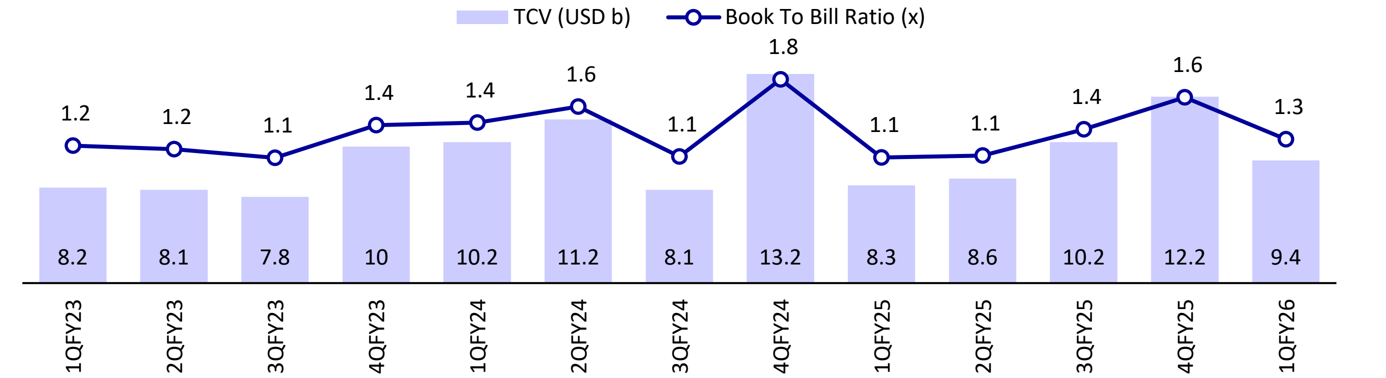
Key highlights from the management commentary

- Global macroeconomic and geopolitical uncertainty continued to hurt demand.
- Decision-making delays persisted and even intensified during the quarter.
- Confident that international revenue in FY26 will surpass FY25 levels, backed by strong client conversations in AI & data modernization and cost optimization.
- High single-digit growth for FY26 looks challenging.
- Sequential CC decline was 3.3%, driven by a 2.8% impact from BSNL ramp-down and 0.5% from international business.
- Deal pipeline remains healthy and geographically diversified. Key win themes: operating model transformation, vendor consolidation, AI-powered intelligent automation, and SAP S4/HANA transformation.
- New BSNL deal is not included in TCV yet; execution will begin post PO and will be similar to the previous deal.
- No decision yet on wage hikes.

Valuation and view

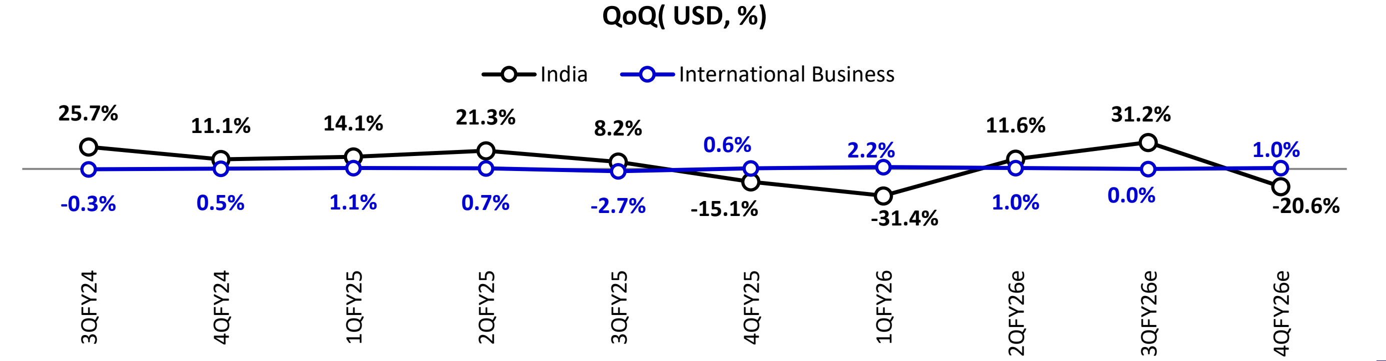
- Given its size, order book, and exposure to long-duration orders and portfolio, TCS is well positioned to grow over the medium term.
- Owing to its steadfast market leadership position and best-in-class execution, the company has been able to sustain its industry-leading margin and demonstrate superior return ratios.
- Our TP of INR3,850 implies 25x FY27 EPS (unchanged), with a 14% upside potential. We reiterate our **BUY rating**.

Exhibit 1: Deal wins decent at USD9.4b with a book-to-bill ratio of 1.3x



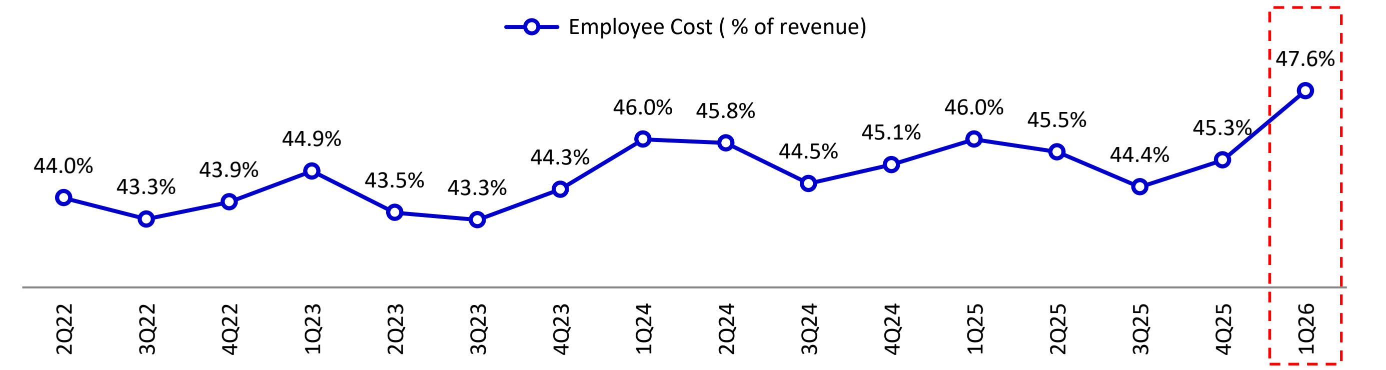
Source: Company, MOFSL

Exhibit 2: Management remains confident of international markets doing better in FY26 vs. flat growth in FY25



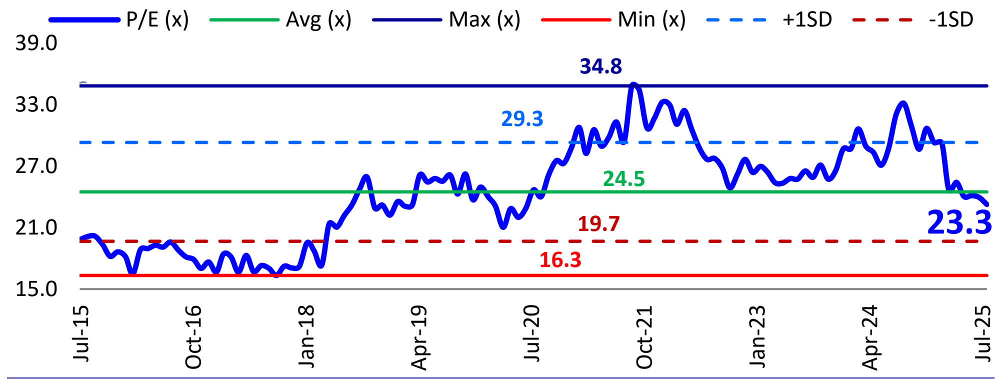
Source: Company, MOFSL

Exhibit 3: Employee cost as % of revenue rose to 47.6%; we believe this can act as a margin lever provided international business performs better



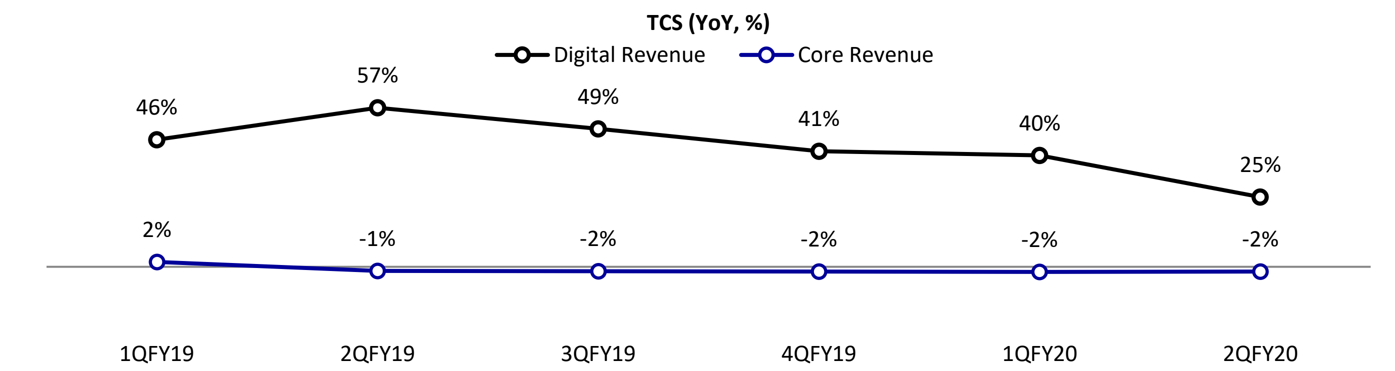
Source: Company, MOFSL

Exhibit 4: TCS is trading below its 10-year average



Source: Bloomberg, MOFSL

Exhibit 5: Digital revenue accelerated in pre-Covid years as enterprises prioritized transformation



Source: MOFSL, Company

Exhibit 6: Vertical-wise performance (QoQ, %)

	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
BFSI	1.9	6.2	1.3	1.1	-0.8	0.1	-1.8	-0.1	0.6	1.9	-2.7	1.3	2.0
Retail & CPG	4.5	2.7	2.2	1.7	1.1	-1.5	-0.3	1.1	0.0	0.2	-0.4	-1.0	1.4
Communication & Media	2.8	8.9	1.5	0.3	-1.0	-1.6	-1.9	-0.4	-4.2	-2.7	-3.4	-1.0	-0.6
Manufacturing	0.2	-16.0	2.9	1.7	1.7	2.2	2.2	3.5	1.9	-0.1	-4.0	-1.0	3.0
Life Sciences & Healthcare	2.3	7.5	3.8	2.6	1.4	-1.1	1.0	1.1	2.9	-3.4	-4.5	-1.0	0.4
Technology & Services	2.4	4.9	1.7	0.6	-1.8	-1.4	-1.4	-1.3	0.7	0.9	-1.7	0.3	3.1
Energy and Utilities	0.0	0.0	7.0	5.6	2.3	1.6	2.8	-0.6	1.9	4.0	-1.7	-1.0	2.9
Regional markets & Others	-4.0	-38.2	8.0	2.7	3.3	0.7	12.9	6.1	10.6	13.1	2.7	-5.9	-13.5

Source: Company, MOFSL

Exhibit 7: Region-wise performance (QoQ, %)

	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
North America	4.4	3.5	1.7	-0.8	-0.3	-0.8	-1.2	-0.1	0.9	-1.7	-1.5	0.1	0.4
Latin America	7.2	-4.2	8.9	1.7	11.6	-0.2	6.0	-3.7	-3.2	-3.2	3.8	-6.2	4.9
UK	-3.3	-1.3	5.7	7.2	4.9	0.4	0.4	3.6	2.5	2.8	-4.0	0.2	6.5
Continental Europe	-0.7	-3.2	5.0	3.8	-0.9	-0.2	1.7	-1.6	0.5	3.6	-6.4	1.9	4.3
India	-4.7	7.8	2.9	-0.3	-1.6	-0.2	25.7	11.1	14.1	21.3	8.2	-15.1	-31.4
Asia Pacific	-1.1	-2.2	1.6	3.0	-2.1	-0.2	1.0	1.1	1.9	4.8	-4.2	2.8	3.1
MEA	-8.9	7.1	-2.5	13.0	0.4	9.8	-8.2	6.2	-2.9	7.3	7.7	3.3	-8.9

Source: Company, MOFSL

Quarterly Performance (IFRS) (INR b)

Y/E March	FY25				FY26E				FY25	FY26E	Est.	Variance
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QFY26E	(% / bp)
IT Services Revenue (USD m)	**7,505**	**7,670**	**7,539**	**7,465**	**7,421**	**7,514**	**7,739**	**7,739**	**30,179**	**30,412**	**7,555**	**-1.8**
QoQ (%)	1.9	2.2	-1.7	-1.0	-0.6	1.2	3.0	0.0	3.8	0.8	1.2	-179bp
Overall Revenue (INR b)	**626**	**643**	**640**	**645**	**634**	**652**	**671**	**671**	**2,553**	**2,628**	**646**	**-1.9**
QoQ (%)	2.2	2.6	-0.4	0.8	-1.6	2.7	3.0	0.0			0.2	-186bp
YoY (%)	5.4	7.7	5.6	5.3	1.3	1.4	4.9	4.1	6.0	2.9	3.2	-192bp
GPM (%)	**42.6**	**38.2**	**38.8**	**38.8**	**39.1**	**39.2**	**38.5**	**39.5**	**39.6**	**39.1**	**39.0**	**13bp**
SGA (%)	18.0	14.1	14.3	14.6	14.7	14.5	14.5	14.3	15.2	14.5	14.8	-12bp
EBITDA	**167**	**168**	**170**	**169**	**169**	**175**	**176**	**184**	**674**	**704**	**170**	**-0.9**
EBITDA Margin (%)	26.7	26.1	26.5	26.2	26.6	26.9	26.2	27.4	26.4	26.8	26.4	26bp
EBIT	**154**	**155**	**157**	**156**	**155**	**161**	**161**	**169**	**622**	**646**	**156**	**-0.8**
EBIT Margin (%)	24.7	24.1	24.5	24.2	24.5	24.7	24.0	25.2	24.3	24.6	24.2	26bp
Other income	8	6	10	8	15	10	11	11	32	47	10	41.7
PBT	**162**	**160**	**167**	**164**	**170**	**171**	**172**	**180**	**653**	**693**	**167**	**1.8**
ETR (%)	25.4	25.4	25.3	25.1	24.5	25.3	25.3	25.3	25.3	25.1	25.3	-80bp
Adj. PAT	**121**	**120**	**124**	**123**	**128**	**128**	**128**	**134**	**488**	**519**	**125**	**2.9**
Exceptional items	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	
Reported PAT	**121**	**120**	**124**	**123**	**128**	**128**	**128**	**134**	**488**	**519**	**125**	**2.9**
QoQ (%)	-3.2	-1.2	4.1	-1.2	4.3	-0.1	0.3	4.7			1.3	294bp
YoY (%)	8.9	5.1	12.1	-1.7	5.9	7.1	3.1	9.3	5.5	6.3	2.9	299bp
EPS (INR)	33.3	32.9	34.2	33.8	35.3	35.2	35.3	37.0	134.2	142.7	34.2	3.0

Key Performance Indicators

Y/E March	FY25				FY26	FY25
	1Q	2Q	3Q	4Q	1Q	
Costs (% of revenue)						
COGS	57.4	61.8	61.2	61.2	60.9	60.4
SGA	18.0	14.1	14.3	14.6	14.7	15.2
Margins						
Gross Margin	42.6	38.2	38.8	38.8	39.1	39.6
EBIT Margin	24.7	24.1	24.5	24.2	24.5	24.3
Net Margin	19.3	18.6	19.5	19.1	20.2	19.1
Operating metrics						
Headcount (k)	607.0	612.7	607.4	608.0	613.1	608
Attrition (%)	12.1	12.3	13.0	13.3	13.8	13.3
Deal Win TCV (USD b)	8.3	8.6	10.2	12.2	9.4	39.3
Key Verticals (YoY CC %)						
BFSI	-0.9	0.1	0.9	2.5	1.0	0.7
Retail	-0.3	0.1	1.1	-0.2	-3.1	0.3
Key Geographies (YoY CC%)						
North America	-1.1	-2.1	-2.3	-1.9	-2.7	-1.8
UK	6.0	4.6	4.1	1.2	-1.3	4.0
Continental Europe	0.9	1.8	-1.5	1.4	-3.1	0.7

CONFERENCE CALL

Highlights from the management commentary

1QFY26 performance and demand outlook

- Global macroeconomic and geopolitical uncertainties continued to impact demand.
- Decision-making delays persisted and even intensified during the quarter.
- Confident that international revenue in FY26 will surpass FY25 levels, backed by strong client conversations in AI & data modernization and cost optimization.
- 2Q is expected to be better than 1Q if there are no further delays. High single-digit growth for FY26 looks challenging.
- On the positive side, new service lines—AI, Data, and TCS Interactive—grew well.
- Expects better clarity by Jul/Aug'25, depending on the outcomes of the new US presidential bill.
- USD revenue stood at USD7.4b, down 0.6% QoQ in USD terms. YoY CC decline was 3.1%. Sequential CC decline was 3.3%, driven by a 2.8% impact from BSNL ramp-down and 0.5% from international business. AI for modernization is emerging as a strong theme, with AI being used to understand legacy code and modernize architecture.
- Management remains comfortable with the USD7-9b quarterly TCV range.
- Deal pipeline remains healthy and geographically diversified. Key win themes: operating model transformation, vendor consolidation, AI-powered intelligent automation, and SAP S4/HANA transformation.
- Most deals are centered around cost optimization; pricing remains stable.
- New BSNL deal is not included in TCV yet; execution will begin post PO and will be similar to the previous deal.
- Leadership is being established in new and emerging technologies.
- **BFSI:** TCS BaNCS and product platforms continued their growth momentum. US clients are cautious about tech investments; focus is on regulation and data governance in capital markets and asset management. Seen contraction in Europe.
- Insurance remained soft during the quarter, though demand is expected to rebound.
- **Healthcare:** Life science clients are cautious. Pharma is facing pricing and supply chain issues. The new US presidential bill may impact medical expenses and affect hospital operators. Payers are focusing on cost optimization.
- **Communication & Media:** Enterprises are reassessing priorities, focusing on AI, cost optimization, and vendor consolidation.
- **Regional markets:** MEA and ASEAN are showing strong potential. Particularly strong traction in Singapore; increased focus on Malaysia, Philippines, and Indonesia.
- **India:** Revenue declined by 32%, largely due to BSNL ramp-down.
- Attrition (LTM) rose by 50bp QoQ to 13.8%, above the company's comfort band (11-13%).
- **On Gen AI:** Offerings like TCS SovereignSecure Cloud and TCS DigiBolt are gaining traction.
- The company is expanding AI and data service offerings and collaborating with hyperscalers and AI companies.

- AI demand is segmented into: 1) domain-specific solutions.2) legacy modernization, 3) scaling enterprises via AI CoEs.
- AI productivity gains are factored into deal pricing; revenue conversion remains unaffected.
- **Agentic AI**: Gaining traction in BFS and Manufacturing verticals; building value chain agents and BPS applications.
- TCS is open to cannibalizing its own revenue if it delivers superior outcomes to clients.

Margin performance and outlook

- **EBIT Margin:** 24.5% (up 30bp QoQ), despite investments in capacity.
- Tailwinds included lower third-party expenses and currency gains.
- Capacity investments will help tighten operating leverage when demand resumes.
- Aspirational margin band remains 26-28%. Levers would be better utilization, productivity, and pyramid optimization.
- Headwinds: ramp-up of new BSNL deal.
- Other income included a one-time interest on a tax refund and higher investible surplus.
- No decision yet on wage hikes for FY26.
- Employee costs are at 47%; the company aims to optimize and reduce the costs.
- Accounts receivable days rose to 75, up 5 days YoY**.**

Valuation and view

- Given its size, order book, and exposure to long-duration orders and portfolio, TCS is well positioned to grow over the medium term.
- Owing to its steadfast market leadership position and best-in-class execution, the company has been able to sustain its industry-leading margin and demonstrate superior return ratios.
- Our TP of INR3,850 implies 25x FY27 EPS (unchanged), with a 14% upside potential. We reiterate our **BUY** rating.

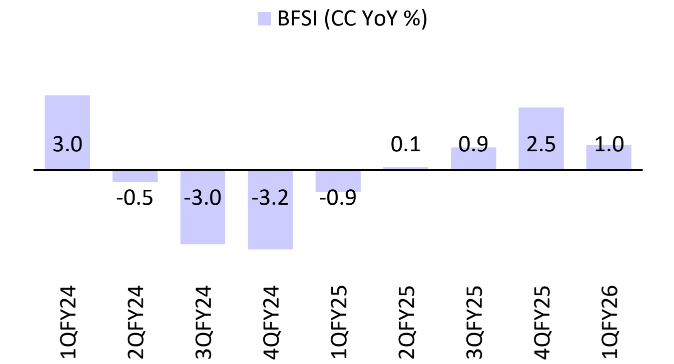
Exhibit 8: Revisions to our estimates

	Revised		Earlier		Change	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
INR/USD	86.4	86.7	86.4	86.7	0.0%	0.0%
USD Revenue (m)	30,412	31,778	30,447	31,813	-0.1%	-0.1%
Growth (%)	0.8	4.5	0.9	4.5	-10bps	0bps
EBIT margin (%)	24.6	25.4	24.6	25.4	0bps	0bps
PAT (INR b)	516	552	512.9	552.8	0.7%	-0.1%
EPS	142.7	152.6	141.8	152.8	0.7%	-0.1%

Source: MOFSL

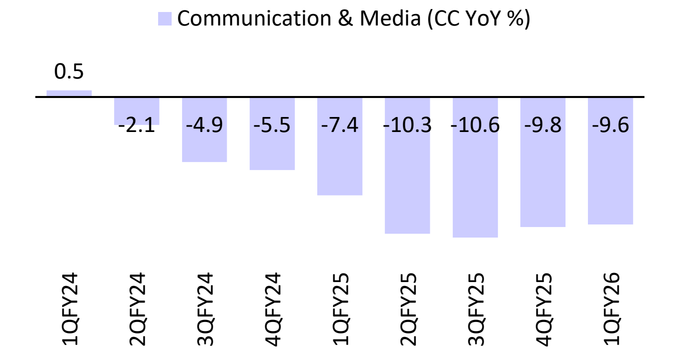
Story in charts

Exhibit 9: BFSI sustained positive momentum on YoY cc basis



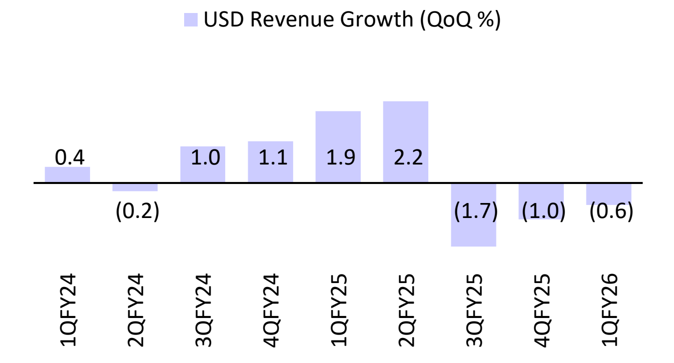
Source: Company, MOFSL

Exhibit 10: Communication and media continued to struggle



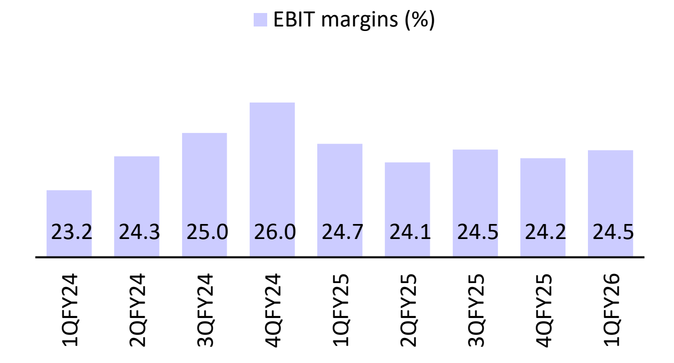
Source: Company, MOFSL

Exhibit 11: Revenue was down 0.6% QoQ



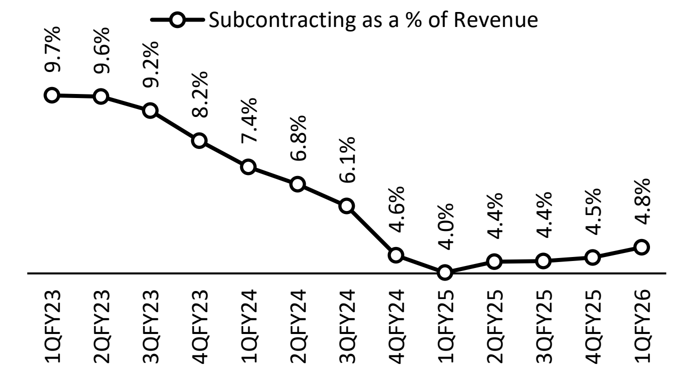
Source: Company, MOFSL

Exhibit 12: Margin improved 30bp due to investments



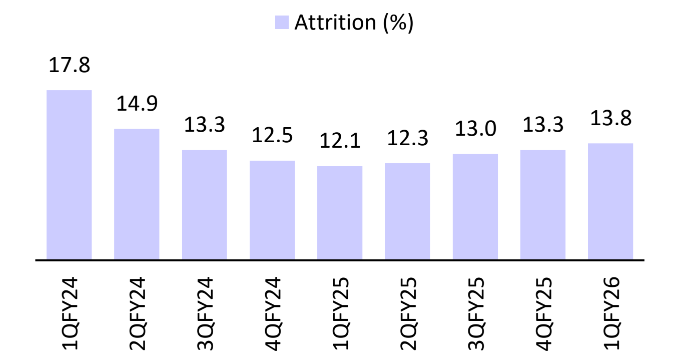
Source: Company, MOFSL

Exhibit 13: Sub-contracting cost inched up by 30bp



Source: Company, MOFSL

Exhibit 14: LTM Attrition slightly above its comfortable range of 12-13%



Source: Company, MOFSL

Operating metrics

Exhibit 15: Operating metrics

	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
Verticals (%)									
BFSI	32.5	32.6	31.7	31.3	30.9	30.8	30.5	31.2	32.0
Retail & CPG	16.1	15.9	15.7	15.7	15.4	15.1	15.3	15.3	15.6
Communication & Media	7	6.9	6.7	6.6	6.2	5.9	5.8	5.8	5.8
Manufacturing	8.3	8.5	8.6	8.8	8.8	8.6	8.4	8.4	8.7
Life Sciences & Healthcare	11.0	10.9	10.9	10.9	11.0	10.4	10.1	10.1	10.2
Technology & Services	8.7	8.6	8.4	8.2	8.1	8.0	8	8.1	8.4
Energy & Utilities	5.5	5.6	5.7	5.6	5.6	5.7	5.7	5.7	5.9
Regional markets & Others	10.9	11.0	12.3	12.9	14.0	15.5	16.2	15.4	13.4
Geographies (%)									
North America	52	51.7	50.6	50.0	49.5	47.6	47.7	48.2	48.7
Latin America	2	2.0	2.1	2.0	1.9	1.8	1.9	1.8	1.9
UK	16.4	16.5	16.4	16.8	16.9	17.0	16.6	16.8	18.0
Continental Europe	14.9	14.9	15	14.6	14.4	14.6	13.9	14.3	15.0
India	4.9	4.9	6.1	6.7	7.5	8.9	9.8	8.4	5.8
Asia Pacific	7.8	7.8	7.8	7.8	7.8	8.0	7.8	8.1	8.4
MEA	2.0	2.2	2.0	2.1	2.0	2.1	2.3	2.4	2.2
QoQ growth (%)									
BFSI	(0.8)	0.1	(1.8)	-0.1	0.6	1.9	(2.7)	1.3	2.0
Retail & CPG	1.1	-1.5	(0.3)	1.1	(0.0)	0.2	(0.4)	(1.0)	1.4
Communication & Media	(1.0)	-1.6	(1.9)	-0.4	(4.2)	-2.7	(3.4)	(1.0)	(0.6)
Manufacturing	1.7	2.2	2.2	3.5	1.9	-0.1	(4.0)	(1.0)	3.0
Life Sciences & Healthcare	1.4	-1.1	1.0	1.1	2.9	-3.4	(4.5)	(1.0)	0.4
Technology & Services	(1.8)	-1.4	(1.4)	-1.3	0.7	0.9	(1.7)	0.3	3.1
Energy and Utilities	2.3	1.6	2.8	-0.6	1.9	4.0	-1.7	-1.0	2.9
Regional markets & Others	3.3	0.7	12.9	6.1	10.6	13.1	2.7	(5.9)	(13.5)
North America	(0.3)	-0.8	(1.2)	-0.1	0.9	-1.7	(1.5)	0.1	0.4
Latin America	11.6	-0.2	6.0	-3.7	(3.2)	-3.2	3.8	(6.2)	4.9
UK	4.9	0.4	0.4	3.6	2.5	2.8	(4.0)	0.2	6.5
Continental Europe	(0.9)	-0.2	1.7	-1.6	0.5	3.6	(6.4)	1.9	4.3
India	(1.6)	-0.2	25.7	11.1	14.1	21.3	8.2	(15.1)	(31.4)
Asia Pacific	(2.1)	-0.2	1.0	1.1	1.9	4.8	(4.2)	2.8	3.1
MEA	0.4	9.8	(8.2)	6.2	(2.9)	7.3	7.7	3.3	(8.9)
Total Employees (k)	**615**	**609.0**	**603**	**601.5**	**607**	**612.7**	**607**	**608**	**613**
Net Additions (k)	**0.5**	**-6.3**	**-5.7**	**-1.8**	**5.5**	**5.7**	**-5.4**	**0.6**	**5.1**
Attrition (LTM %)	**17.8**	**14.9**	**13.3**	**12.5**	**12.1**	**12.3**	**13**	**13.3**	**13.8**

Source: Company, MOFSL

Financials and valuations

Income statement								(INR b)
Y/E March	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26E**	**FY27E**
Sales	**1,569**	**1,642**	**1,918**	**2,255**	**2,409**	**2,553**	**2,628**	**2,756**
Change (%)	7.2	4.6	16.8	17.6	6.8	6.0	2.9	4.9
Cost of Services	923	971	1,146	1,363	1,436	1,542	1,601	1,664
Gross Profit	**646**	**670**	**771**	**892**	**973**	**1,011**	**1,027**	**1,092**
SG&A Expenses	260	246	287	350	379	389	381	393
EBITDA	**421**	**465**	**530**	**592**	**644**	**674**	**712**	**768**
% of Net Sales	26.8	28.4	27.7	26.3	26.7	26.4	27.1	27.9
Depreciation	35	41	46	50	50	52	66	69
EBIT	**386**	**425**	**485**	**542**	**594**	**622**	**646**	**699**
% of Net Sales	24.6	25.9	25.3	24.1	24.7	24.3	24.6	25.4
Other Income	37	25	32	27	37	32	47	44
PBT	**422**	**450**	**517**	**569**	**632**	**653**	**693**	**743**
Tax	98	115	132	146	163	165	174	188
Rate (%)	23.2	25.5	25.6	25.7	25.7	25.3	25.1	25.3
Extraordinary gains/loss	0	-10	0	0	-7	0	0	0
Minority Interest	1	1	1	2	2	2	3	3
Adjusted PAT	**324**	**326**	**384**	**423**	**462**	**488**	**519**	**555**
Change (%)	2.8	0.4	18.1	10.0	9.3	5.5	6.3	6.9

Balance Sheet								(INR b)
Y/E March	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26E**	**FY27E**
Share capital	4	4	4	4	4	4	4	4
Reserves	838	861	888	901	901	944	982	1,023
Net Worth	**841**	**864**	**891**	**904**	**905**	**948**	**986**	**1,027**
Minority Interest & Others	97	102	100	97	99	119	135	142
Loans	0	0	0	0	0	0	0	0
Capital Employed	**938**	**966**	**992**	**1,001**	**1,003**	**1,066**	**1,121**	**1,169**
Gross Block	408	449	500	542	586	673	739	805
Depreciation	207	247	293	343	393	445	511	580
Net Block	**201**	**201**	**207**	**199**	**193**	**227**	**228**	**225**
Intangibles	45	57	55	52	52	54	50	52
Other LT assets	60	56	70	83	89	84	101	106
Curr. Assets	**902**	**993**	**1,083**	**1,103**	**1,130**	**1,230**	**1,205**	**1,271**
Debtors	363	367	418	500	536	590	569	597
Cash & Bank Balance	97	69	125	71	90	83	166	243
Investments	261	316	360	401	358	378	333	288
Other Current Assets	182	241	180	131	146	178	137	143
Current Liab. & Prov	**271**	**342**	**424**	**436**	**461**	**530**	**464**	**486**
Net Current Assets	**632**	**651**	**660**	**667**	**669**	**700**	**741**	**785**
Application of Funds	**938**	**966**	**992**	**1,001**	**1,003**	**1,066**	**1,121**	**1,169**

Financials and valuations

Ratios								
Y/E March	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26E**	**FY27E**
Basic (INR)								
EPS	**86.2**	**86.7**	**104.0**	**115.3**	**126.3**	**134.2**	**142.7**	**152.6**
Cash EPS	95.6	97.6	116.4	129.0	139.9	148.7	160.9	171.7
Book Value	224.2	231.1	241.8	247.3	248.1	261.9	272.6	283.8
DPS	71.4	97.2	100.9	115.1	72.9	126.0	134.0	143.3
Payout (%)	82.8	112.1	97.1	99.8	57.7	93.9	93.9	93.9
Valuation (x)								
P/E	39.2	39.0	32.5	29.3	26.8	25.2	23.7	22.2
Cash P/E	35.4	34.7	29.0	26.2	24.2	22.7	21.0	19.7
EV/EBITDA	29.9	27.0	23.3	20.8	19.0	18.0	17.0	15.6
EV/Sales	8.0	7.7	6.4	5.5	5.1	4.8	4.6	4.4
Price/Book Value	15.1	14.6	14.0	13.7	13.6	12.9	12.4	11.9
Dividend Yield (%)	2.1	2.9	3.0	3.4	2.2	3.7	4.0	4.2
Profitability Ratios (%)								
RoE	37.3	38.0	43.7	46.9	50.9	52.4	53.4	54.9
RoCE	31.7	33.2	36.8	40.5	44.0	44.9	44.3	45.6
Turnover Ratios								
Debtors (Days)	84	82	80	81	81	84	79	79
Fixed Asset Turnover (x)	7.8	8.1	9.3	11.3	12.5	11.2	11.5	12.2

Cash Flow Statement								(INR b)
Y/E March	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26E**	**FY27E**
CF from Operations	370	379	427	462	512	523	576	618
Cash for Working Capital	-47	9	-28	-42	-69	-34	-3	-15
Net Operating CF	**324**	**388**	**399**	**420**	**443**	**489**	**573**	**603**
Net Purchase of FA	-32	-32	-30	-31	-27	-39	-51	-53
Free Cash Flow	**291**	**356**	**370**	**389**	**417**	**450**	**523**	**550**
Net Purchase of Invest.	118	-50	21	31	87	16	45	45
Net Cash from Invest.	**86**	**-81**	**-9**	**0**	**60**	**-23**	**-6**	**-8**
Proceeds from Equity Issues	0	0	0	0	0	0	0	0
Proceeds from LTB/STB	-13	-211	-195	-57	-16	-16	0	0
Others	-9	-6	-7	-8	-7	-8	0	0
Dividend Payments	-377	-109	-134	-414	-462	-450	-485	-518
Cash Flow from Fin.	**-399**	**-326**	**-336**	**-479**	**-485**	**-474**	**-485**	**-518**
Net Cash Flow	**14**	**-18**	**56**	**-54**	**19**	**-7**	**83**	**77**
Opening Cash Balance	**77**	**91**	**73**	**130**	**76**	**95**	**88**	**171**
Add: Net Cash	14	-18	56	-54	19	-7	83	77
Closing Cash Balance	**91**	**73**	**130**	**76**	**95**	**88**	**171**	**247**

N O T E S

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BUY	>=15%
SELL	< - 10%
NEUTRAL	> - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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