

Tech Mahindra

| | |
|-----------------|---|
| Estimate change | ↔ |
| TP change | ↔ |
| Rating change | ↔ |

| | |
|-----------------------|---------------|
| Bloomberg | TECHM IN |
| Equity Shares (m) | 979 |
| M.Cap.(INRb)/(USDb) | 1574.5 / 18.3 |
| 52-Week Range (INR) | 1808 / 1209 |
| 1, 6, 12 Rel. Per (%) | -6/-13/4 |
| 12M Avg Val (INR M) | 3400 |

Financials & Valuations (INR b)

| Y/E Mar | FY25 | FY26E | FY27E |
|-------------------|-------|-------|-------|
| Sales | 530 | 556 | 594 |
| EBIT Margin (%) | 9.7 | 12.3 | 14.4 |
| Adj. PAT | 42.5 | 54.4 | 69.5 |
| Adj. EPS (INR) | 47.9 | 61.3 | 78.3 |
| PAT | 42.5 | 54.4 | 69.5 |
| EPS (INR) | 47.9 | 61.3 | 78.3 |
| EPS Gr. (%) | 79.8 | 27.9 | 27.7 |
| BV/Sh. (INR) | 309.0 | 317.6 | 329.2 |
| Ratios | | | |
| RoE (%) | 15.7 | 19.6 | 24.2 |
| RoCE (%) | 16.4 | 21.1 | 25.8 |
| Payout (%) | 93.9 | 85.0 | 85.0 |
| Valuations | | | |
| P/E (x) | 33.5 | 26.2 | 20.5 |
| P/BV (x) | 5.2 | 5.1 | 4.9 |
| EV/EBITDA (x) | 19.8 | 16.2 | 13.2 |
| Div Yield (%) | 2.8 | 3.2 | 4.1 |

Shareholding pattern (%)

| As On | Mar-25 | Dec-24 | Mar-24 |
|----------|--------|--------|--------|
| Promoter | 35.0 | 35.0 | 35.1 |
| DII | 32.3 | 30.9 | 29.7 |
| FII | 23.0 | 24.2 | 24.2 |
| Others | 9.8 | 9.9 | 11.1 |

FII Includes depository receipts

CMP: INR1,608 **TP: INR2,000 (+24%)** **Buy**

A step in the right direction

Telecom stabilizes, margin performance on track

■ Tech Mahindra (TECHM) reported 1QFY26 revenue of USD1.6b, down 1.4% QoQ in constant currency (CC) vs. our estimate of 1.0% cc decline. Communications/Manufacturing grew 2.8%/4.0% QoQ. BFS/Retail were down 0.6%/1.0% QoQ. EBIT margin was up 60bp QoQ at 11.1%, beating our estimate of 10.7%. PAT stood at INR11.4b (down 2.2% QoQ/up 33% YoY), below our estimate of INR12b. In INR terms, revenue/EBIT/PAT grew 2.7%/34.0%/34.0% YoY. In 2QFY26, we expect revenue/EBIT/PAT to grow by 3.9%/31.0%/9.1% YoY. We reiterate BUY on TECHM with a TP of INR2,000 (implying 24% upside), based on 25x FY27E EPS.

Our view: On track despite few headwinds

- **Revenue miss; communications now net positive** - TechM's 1QFY26 revenue missed estimates due to continued weakness in manufacturing and client-specific issue in Hi-tech. However, the Communications segment, which was a key overhang, is now net positive and should support revenue momentum going forward. Management highlighted BFSI and Communications as the key growth drivers, while Manufacturing is likely to remain under pressure. Our estimates factor in 1.0%/6.5% organic CC growth for FY26/FY27.
- **Continuous margin expansion; guidance reiterated:** Margins improved sequentially to 11.1% in 1QFY26, aided by better operational leverage and cost actions, which helped to offset the impact of visa costs and Comviva seasonality. The company reiterated its FY27 EBIT margin aspiration of 15%. Management has a clear plan in place, but we believe that if growth does not return in FY27, there could be some downside risk to margin estimates. That said, we retain our margin assumptions at 14.4%, allowing for some miss to management plans.
- **Deal TCV growth best among peers:** TechM continued to deliver decent deal TCV performance with deal TCV at USD809m, up 51% YoY. The growth was supported by better pricing, not taking a hit on margins. Large deals will complete the transition in 2Q and start contributing to revenue.
- **Transformation on track:** Healthy deal TCV, stability in the Communications vertical, continuous margin expansion, and the reiteration of guidance point to management's execution in the right direction. While the FY26 margin expansion plan appears achievable even without a major industry recovery, hitting the 15% target in FY27 will likely require growth to return. That said, management has laid out a clear and credible plan—and our base case assumes it will deliver closer to its intended margin plan.

Valuation and change in estimates

- We keep our estimates unchanged, reflecting steady directional progress. We estimate FY26/FY27 EBIT margins at 12.3%/14.4%, which will result in a 28% CAGR in INR PAT over FY25-27. The ongoing restructuring under the new leadership is tracking well, and this quarter was another step in the right direction. We continue to like TECHM's bottom-up turnaround story. We value TECHM at 25x FY27E EPS with a TP of INR2,000 (24% upside). We reiterate our Buy rating on the stock.

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

Miss on revenue, beat on margins; healthy deal TCV growth

- Revenue stood at USD1.6b, down 1.4% CC (up 1.0 QoQ % in USD terms) vs. our estimate of 1.0% QoQ CC decline.
- IT service/BPO were up 0.7%/2.9% QoQ. Americas and Europe grew 2.6%/3.6% QoQ.
- Communications/Manufacturing grew 2.8%/4.0% QoQ. BFS/Retail were down 0.6%/1.0% QoQ.
- EBIT margin was up 60bp QoQ at 11.1%, beating our estimates of 10.7%.
- Net employee addition was flat QoQ/YoY. Utilization (ex. trainees) was down 130bp QoQ at 85.0%. LTM attrition was up by 80bp at 12.6%.
- Net new deal TCV was USD809m, up 1.3% QoQ/51% YoY.
- Adj. PAT stood at INR11.4b (down 2.2% QoQ/up 33% YoY), below our estimate of INR12b.
- FCF conversion to PAT stood at 65% vs. 111% in 4QFY25.

Key highlights from the management commentary

- The environment remains dynamic and uncertain.
- TECHM has seen slowdown in Manufacturing, with cutbacks in discretionary spending. Telecom has stabilized.
- Management expects FY27 growth to exceed peer-group average. Management maintains that FY26 will be better than FY25.
- Large deals from 2Q are expected to complete transition and begin contributing to revenue, assuming stable conditions.
- Deal win momentum remains strong, supporting growth visibility for the next quarter.
- Management remains confident about achieving FY27 EBIT margin guidance.
- **BFSI:** Differentiation in asset management and payments. Strong capabilities in Guidewire and Temenos.
- **Telcos:** In the Americas region, spending has stabilized, and growth is expected to return.

Valuation and view

We remain positive about the restructuring at TECHM under the new leadership. But we expect the impact from these steps to be visible gradually. With the Communications vertical turning net positive, continued strength in BFSI, and improving operational efficiency, we see room for continued margin improvement ahead. **We value TECHM at 25x FY27E EPS with a TP of INR2,000 (24% upside). We reiterate our BUY rating on the stock.**

Quarterly performance

(INR b)

| Y/E March | FY25 | | | | FY26E | | | | FY25 | FY26E | Est. 1QFY26 | Var. (% / bp) |
|--------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------------|---------------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2QE | 3QE | 4QE | | | | |
| Revenue (USD m) | 1,559 | 1,589 | 1,567 | 1,549 | 1,564 | 1,595 | 1,619 | 1,652 | 6,264 | 6,430 | 1,557 | 0.4 |
| QoQ (%) | 0.7 | 1.9 | -1.4 | -1.1 | 1.0 | 2.0 | 1.5 | 2.0 | -0.2 | 2.7 | 0.5 | 45bp |
| Revenue (INR b) | 130 | 133 | 133 | 134 | 134 | 138 | 140 | 143 | 530 | 556 | 133 | 0.2 |
| YoY (%) | -1.2 | 3.5 | 1.4 | 4.0 | 2.7 | 3.9 | 5.7 | 7.0 | 1.9 | 4.8 | 2.4 | 23bp |
| GPM (%) | 26.5 | 27.9 | 28.8 | 29.2 | 28.7 | 29.5 | 30.0 | 28.5 | 28.1 | 29.2 | 28.8 | -13bp |
| SGA (%) | 14.5 | 14.8 | 15.2 | 15.2 | 14.2 | 14.0 | 13.8 | 13.0 | 14.9 | 13.7 | 14.6 | -43bp |
| EBITDA | 16 | 18 | 18 | 19 | 19 | 21 | 23 | 22 | 70 | 86 | 19 | 2.3 |
| EBITDA Margin (%) | 12.0 | 13.1 | 13.6 | 14.0 | 14.5 | 15.5 | 16.2 | 15.5 | 13.2 | 15.4 | 14.2 | 29bp |
| EBIT | 11 | 13 | 14 | 14 | 15 | 17 | 19 | 18 | 51 | 68 | 14 | 3.6 |
| EBIT Margin (%) | 8.5 | 9.6 | 10.2 | 10.5 | 11.1 | 12.2 | 13.2 | 12.5 | 9.7 | 12.3 | 10.7 | 36bp |
| Other income | 1 | 4 | -1 | 1 | 1 | 1 | 1 | 1 | 5 | 5 | 1 | 31.8 |
| ETR (%) | 26.7 | 26.6 | 23.9 | 22.0 | 30.2 | 24.5 | 24.5 | 24.5 | 24.8 | 25.8 | 24.5 | 575bp |
| Adj. PAT | 9 | 13 | 10 | 12 | 11 | 14 | 15 | 14 | 43 | 54 | 12 | -1.9 |
| QoQ (%) | -12.2 | 46.8 | -21.4 | 18.7 | -2.2 | 19.6 | 9.3 | -3.1 | | | -0.3 | -189bp |
| YoY (%) | -10.9 | 27.8 | 36.8 | 20.3 | 34.0 | 9.1 | 51.6 | 23.8 | 17.4 | 27.9 | 36.5 | -260bp |
| Extraordinary Item | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | |
| Reported PAT | 9 | 13 | 10 | 12 | 11 | 14 | 15 | 14 | 43 | 54 | 12 | -1.9 |
| EPS (INR) | 9.6 | 14.1 | 11.1 | 13.2 | 12.9 | 15.4 | 16.8 | 16.3 | 47.9 | 61.3 | 13.1 | -1.9 |

Key performance indicators

| Y/E March | FY25 | | | | FY26 | FY25 |
|-------------------------------|------|------|------|------|------|-------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | |
| Revenue (QoQ CC %) | 0.7 | 0.7 | 1.2 | -1.5 | -1.4 | |
| Margins (%) | | | | | | |
| Gross Margin | 26.5 | 27.9 | 28.8 | 29.2 | 28.7 | 28.1 |
| EBITDA margin | 12.0 | 13.1 | 13.6 | 14.0 | 14.5 | 13.2 |
| EBIT Margin | 8.5 | 9.6 | 10.2 | 10.5 | 11.1 | 9.7 |
| Net Margin | 6.5 | 9.4 | 7.4 | 8.7 | 8.5 | 8.0 |
| Operating Metrics | | | | | | |
| Headcount (k) | 148 | 154 | 150 | 149 | 149 | 149 |
| Util excl. trainees (%) | 86.0 | 86.0 | 86.0 | 86.0 | 85.0 | 86.0 |
| Attrition (%) | 10.0 | 10.6 | 11.2 | 11.8 | 12.6 | 11.8 |
| Deal TCV (USD m) | 534 | 603 | 745 | 798 | 809 | 2,680 |
| Key Verticals (QoQ %) | | | | | | |
| Communication | -2.0 | 2.8 | -4.0 | 1.0 | 2.8 | -6.5 |
| Enterprise | 2.1 | 1.4 | 0.0 | -2.2 | 0.1 | 3.2 |
| Key Geographies (QoQ%) | | | | | | |
| North America | 3.9 | -0.6 | -1.9 | -5.8 | 2.6 | -2.5 |
| Europe | -2.6 | 4.5 | -3.0 | 6.4 | 3.4 | 0.0 |



Highlights from the management commentary

Demand and industry outlook

- The environment remains dynamic and uncertain.
- A mixed outlook: Seen slowdown in manufacturing, with cutbacks in discretionary spending. Weakness in Hi-Tech due to client-specific issues, particularly among semiconductor clients. Telecom has stabilized.
- Management expects FY27 growth to exceed peer-group average. BFSI, Telecom, and Retail verticals are key watch areas.
- Revenue stood at USD1.6b, down 1.4% in CC, though up 1.0% QoQ in USD terms. Headwinds included rightsizing of the Field Services business and spending reductions in Automotive.

- Management maintains that FY26 will be better than FY25.
- Three key drivers working in the company's favor: **1) Focus on largest clients:** The Turbocharge program is yielding growth faster than the company average and still has headroom for expansion. **2) Expansion into must-have accounts:** 15 new Fortune 500 clients were added this quarter. **3) Focus on profitable large deals:** Emphasis on margin-accretive engagements.
- Net new deal TCV was USD809mn, up 1.3% QoQ and 51% YoY. Large deal win rates have improved.
- Large deals from 2Q are expected to complete transition and begin contributing to revenue, assuming stable conditions.
- Management continues to be prudent on pricing in large deals.
- **BFSI:** Continues to be the fastest-growing vertical. Confident in long-term potential across geographies. Differentiation in asset management and payments. Strong capabilities in Guidewire and Temenos.
- **Hi-Tech:** Ongoing restructuring in the semiconductor industry led to steep budget cuts and workforce rationalization at a key client. Gradual recovery anticipated by 2HFY26.
- **Manufacturing:** Discretionary spending in the automotive segment remains soft. US auto exposure is higher than Europe exposure, while European exposure is primarily via Pininfarina, partially shielding the company from tariffs. Aerospace has seen some ramp-up, helping to offset the auto downturn. The company is more exposed to OEMs than to Tier-1 vendors.
- **Retail:** Management is encouraged by progress in the Americas, including a deal win with a major US retailer.
- **Telco:** Spending has stabilized among the top clients. Volatility in India and MEA has settled, with a new leadership in place. In Europe, the deal pipeline is strong, driven by consolidation opportunities. Comviva has had a breakthrough in Europe in both software and services. The company is leveraging its integrated capabilities across IT, network, and Comviva suite.
- Aims to win with digital platforms, API monetization, and vertical-specific services to generate adjacent revenues.
- **BPO:** There was some seasonality and it expects ramp-ups, hence headcount increased. 2Q will see a BPS deal bringing in revenue, the renewal of which was delayed last quarter.
- **Americas:** Growth was driven by Telecom and Communications. Manufacturing softness affected overall performance.

Margin performance

- EBIT margin came in at 11.1%, up 60bp QoQ.
- Margin headwinds included seasonality in Comviva, higher visa costs, and lower utilization. These were offset by benefits from Project Fortius and operational leverage.
- Tax rate for FY26 is expected to remain around 27%.
- Margin levers ahead include: reducing sub-contracting costs, increasing offshoring in fixed-price contracts, and improving execution and governance.
- Lower utilization is partly due to training of talent for deployment. Some increase in subcontractor costs may occur, but should be lower YoY.
- Support costs have been rationalized with centralized structures.

- Other expenses include partial seasonality. Some normalization is expected going forward.
- FCF was lower due to seasonality and an increase in DSO (due to timing delays); normalization is expected in subsequent quarters.
- Management remains confident about achieving FY27 EBIT margin guidance.

Exhibit 1: Communication grew QoQ and on path to recovery

| Verticals | Contribution to revenue (%) | Growth (QoQ %) |
|----------------------------------|-----------------------------|----------------|
| Comm., Media, and Ent. | 33.8 | 2.8 |
| Manufacturing | 17.5 | 3.9 |
| Technology | 13.3 | 1.7 |
| BFSI | 16.4 | -0.8 |
| Retail, Transport, and Logistics | 7.9 | -1.5 |
| Others | 11.1 | -5.0 |

Exhibit 2: Americas and Europe both showed growth

| Geographies | Contribution to revenue (%) | Growth (QoQ %) |
|-------------------|-----------------------------|----------------|
| Americas | 49.2 | 2.6 |
| Europe | 26.0 | 3.4 |
| Rest of the World | 24.8 | -4.4 |

Valuation and view

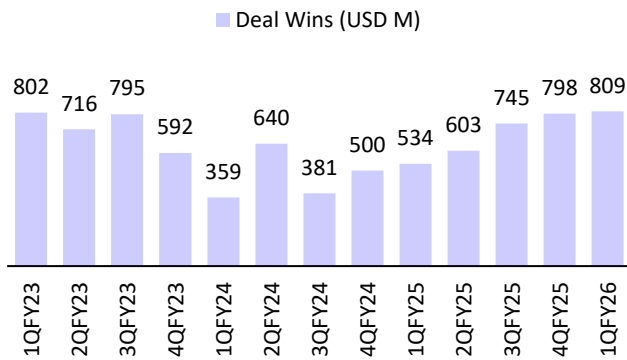
We remain positive about the restructuring at TECHM under the new leadership. But we expect the impact from these steps to be visible gradually. With the Communications segment turning net positive, continued strength in BFSI, and improving operational efficiency, we see room for continued margin improvement ahead. **We value TECHM at 25x FY27E EPS with a TP of INR2,000 (24% upside). We reiterate our BUY rating on the stock.**

Exhibit 3: Changes to our estimates

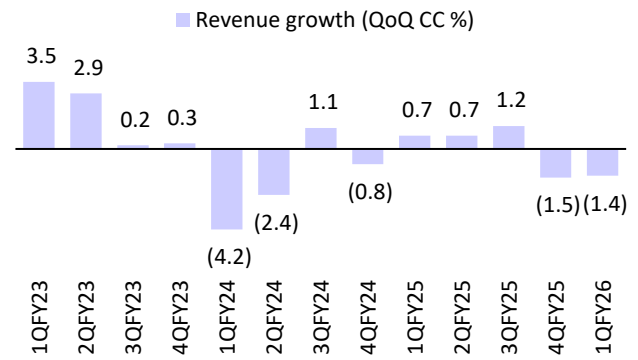
| | Revised | | Earlier | | Change | |
|-----------------|---------|-------|---------|-------|--------|--------|
| | FY26E | FY27E | FY26E | FY27E | FY26E | FY27E |
| INR/USD | 86.4 | 86.7 | 86.4 | 86.7 | -0.1% | 0.0% |
| USD Revenue (m) | 6,430 | 6,850 | 6,413 | 6,835 | 0.3% | 0.2% |
| Growth (%) | 2.7 | 6.5 | 2.4 | 6.6 | 30bps | -10bps |
| EBIT margin (%) | 12.3 | 14.4 | 12.2 | 14.4 | 10bps | 0bps |
| PAT (INR b) | 54 | 69 | 55 | 69 | -0.2% | 0.2% |
| EPS | 61.3 | 78.3 | 61.4 | 78.1 | -0.2% | 0.2% |

Source: MOFSL, Company

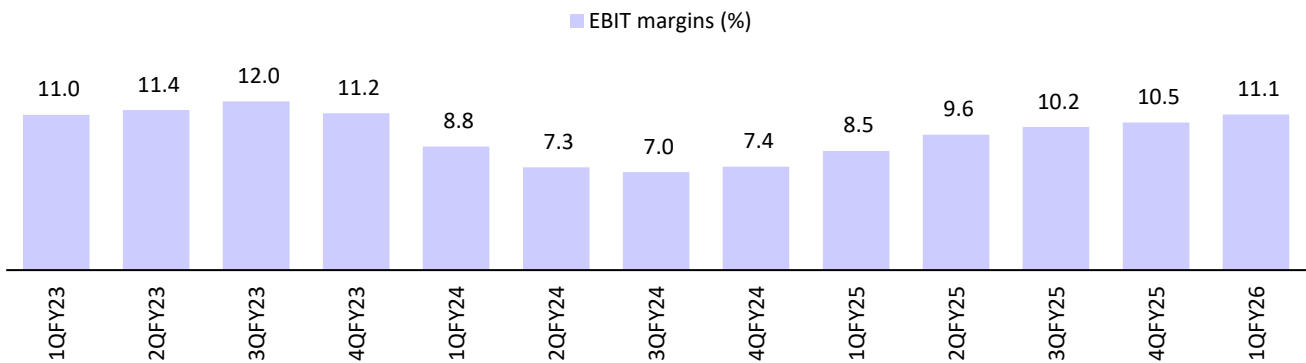
Story in charts

Exhibit 4: Net new deals continue to grow, up 51% YoY


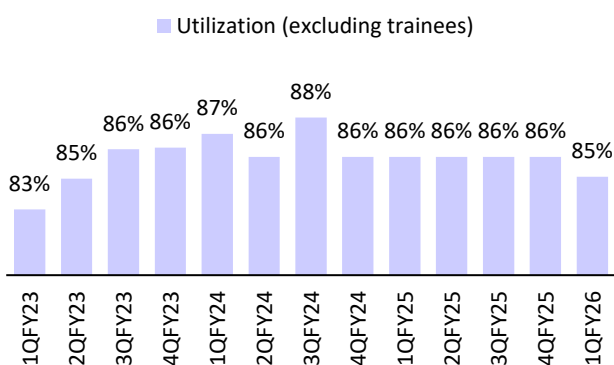
Source: Company, MOFSL

Exhibit 5: Automotive dragged 1Q performance


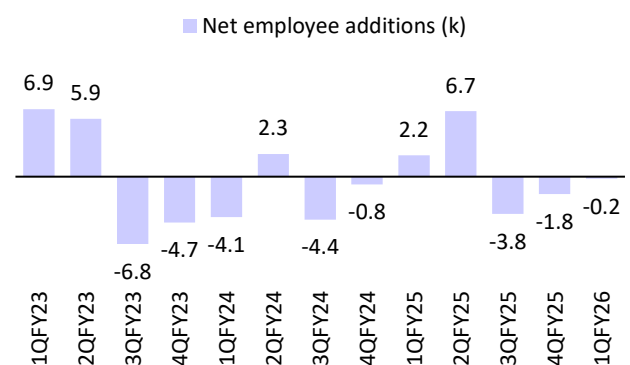
Source: Company, MOFSL

Exhibit 6: TECHM remains on track for margin guidance, delivers yet another quarter of margin expansion


Source: Company, MOFSL

Exhibit 7: Utilization dropped ~100bp


Source: Company, MOFSL

Exhibit 8: Net headcount addition remains flat


Source: Company, MOFSL

Exhibit 9: Operating metrics

| | 1QFY24 | 2QFY24 | 3QFY24 | 4QFY24 | 1QFY25 | 2QFY25 | 3QFY25 | 4QFY25 | 1QFY26 |
|----------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Revenue by Geography (%) | | | | | | | | | |
| Americas | 51.4 | 53.3 | 51.9 | 50.8 | 52.4 | 51.1 | 50.8 | 48.4 | 49.2 |
| Europe | 24.6 | 23.6 | 23.8 | 24.2 | 23.4 | 24.0 | 23.6 | 25.4 | 26.0 |
| Rest of World | 24.0 | 23.2 | 24.3 | 25.0 | 24.2 | 24.9 | 25.6 | 26.2 | 24.8 |
| Vertical Split (%) | | | | | | | | | |
| Telecom | 35.8 | 34.7 | 36.5 | 34.0 | 33.1 | 33.4 | 32.5 | 33.2 | 33.8 |
| Manufacturing | 16.7 | 17.5 | 18.1 | 18.0 | 18.3 | 17.2 | 16.8 | 17.0 | 17.5 |
| Tech Media Entertainment | 13.9 | 14.3 | 10.5 | 13.8 | 13.8 | 14.3 | 14.3 | 13.2 | 13.3 |
| BFSI | 15.5 | 15.4 | 15.5 | 15.7 | 15.7 | 15.8 | 16.1 | 16.7 | 16.4 |
| Retail Transport Logistics | 7.1 | 7.7 | 8.6 | 7.3 | 7.7 | 7.9 | 8.1 | 8.1 | 7.9 |
| Others | 11.0 | 10.4 | 10.8 | 11.2 | 11.4 | 11.4 | 12.2 | 11.8 | 11.1 |
| Client Metrics | | | | | | | | | |
| No. of active clients | 1,255 | 1252 | 1228 | 1172 | 1165 | 1178 | 1175 | 1162 | NA* |
| % of repeat business | 98.0 | 96 | 95 | 94 | 94 | 94 | 95 | 95 | NA* |
| No. of Million \$ clients | | | | | | | | | |
| USD1m+ | 580 | 568 | 558 | 553 | 545 | 545 | 540 | 540 | 529 |
| USD5m+ | 190 | 186 | 185 | 190 | 191 | 195 | 191 | 195 | 193 |
| USD10m+ | 115 | 114 | 118 | 114 | 113 | 109 | 104 | 106 | 108 |
| USD20m+ | 62 | 61 | 63 | 63 | 61 | 61 | 61 | 59 | 60 |
| USD50m+ | 26 | 26 | 26 | 23 | 24 | 25 | 25 | 25 | 26 |
| Client concentration (%) | | | | | | | | | |
| Top 5 Clients | 17.0 | 17 | 16 | 16 | 15 | 15 | 15 | 16 | 16 |
| Top 6-10 | 9.9 | 10.5 | 10.2 | 10.0 | 10.0 | 10.0 | 9.0 | 9.0 | 9.2 |
| Top 11-20 | 12.0 | 12.4 | 12.4 | 13.0 | 13.0 | 14.0 | 14.0 | 13.7 | 13.8 |
| Headcount | | | | | | | | | |
| Software professionals | 81,521 | 81,200 | 81,705 | 80,925 | 80,417 | 80,618 | 80,865 | 80,609 | 79,987 |
| BPO | 58,079 | 60,985 | 56,206 | 55,492 | 58,177 | 64,940 | 61,053 | 59,636 | 60,278 |
| Sales and support | 8,697 | 8,419 | 8,339 | 9,038 | 9,026 | 8,715 | 8,570 | 8,486 | 8,252 |
| Total | 1,48,297 | 1,50,604 | 1,46,250 | 1,45,455 | 1,47,620 | 1,54,273 | 1,50,488 | 1,48,731 | 1,48,517 |
| IT Attrition (LTM %) | 13 | 11 | 10 | 10 | 10 | 11 | 11 | 12 | 13 |
| IT Utilization (%) | 87 | 86 | 88 | 86 | 86 | 86 | 86 | 86 | 85 |
| IT Utilization (excl. trainees) | 87 | 86 | 88 | 86 | 86 | 86 | 86 | 86 | 85 |
| DSO - incl. unbilled | 98 | 97 | 91 | 92 | 93 | 94 | 88 | 88 | 95 |
| Borrowings (USD m) | 185.0 | 187 | 181 | 184 | 127 | 116 | 109 | 55 | 29 |
| Cash and Cash Equivalent (USD m) | 939.0 | 784 | 843 | 949 | 966 | 784 | 799 | 896 | 941 |
| Capital Expenditure (USD m) | 25.0 | 26 | 21 | 24 | 13 | 16 | 20 | 20 | NA* |

*Note: Company has discontinued reporting Source: Company, MOFSL

Financials and valuations

Income Statement

(InR b)

| Y/E March | FY20 | FY21 | FY22 | FY23 | FY24 | FY25 | FY26E | FY27E |
|--------------------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Sales | 369 | 379 | 446 | 533 | 520 | 530 | 556 | 594 |
| Change (%) | 6.1 | 2.7 | 17.9 | 19.4 | -2.4 | 1.9 | 4.8 | 6.9 |
| COGS | 260 | 259 | 310 | 381 | 391 | 381 | 393 | 413 |
| Gross Profit | 109 | 120 | 137 | 152 | 129 | 149 | 162 | 181 |
| SGA expenses | 52 | 52 | 57 | 71 | 71 | 79 | 76 | 76 |
| EBITDA | 57 | 68 | 80 | 80 | 58 | 70 | 86 | 105 |
| % of Net Sales | 15.5 | 18.1 | 18.0 | 15.1 | 11.1 | 13.2 | 15.4 | 17.7 |
| Depreciation | 14 | 15 | 15 | 20 | 18 | 19 | 18 | 20 |
| EBIT | 43 | 54 | 65 | 61 | 40 | 51 | 68 | 86 |
| % of Net Sales | 11.6 | 14.2 | 14.6 | 11.4 | 7.6 | 9.7 | 12.3 | 14.4 |
| Other Income | 10 | 6 | 10 | 6 | 5 | 5 | 5 | 6 |
| PBT | 53 | 60 | 75 | 67 | 45 | 56 | 73 | 92 |
| Tax | 12 | 15 | 18 | 16 | 8 | 14 | 19 | 22 |
| Rate (%) | 22.0 | 25.3 | 24.4 | 23.7 | 18.5 | 24.8 | 25.8 | 24.5 |
| Minority interest | -1 | -1 | 1 | 1 | 0 | 0 | 0 | 0 |
| Share from associates | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Extraordinary Items (EO) | -2 | -1 | 0 | -2 | -13 | 0 | 0 | 0 |
| Adjusted PAT | 43 | 46 | 56 | 51 | 36 | 43 | 54 | 69 |
| Change (%) | -1.1 | 7.2 | 22.1 | -8.9 | -28.5 | 17.4 | 27.9 | 27.7 |

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 | 214 | 244 | 264 | 275 | 262 | 268 | 277 | 287 |
| Net Worth | 218 | 249 | 269 | 279 | 267 | 273 | 282 | 292 |
| Minority Interest | 4 | 4 | 5 | 5 | 5 | 5 | 4 | 4 |
| Loans | 24 | 17 | 16 | 16 | 15 | 15 | 5 | 5 |
| Other LT liabilities | 28 | 28 | 36 | 31 | 23 | 23 | 29 | 30 |
| Amount pending invest. | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 |
| Capital Employed | 287 | 309 | 338 | 343 | 322 | 329 | 332 | 343 |
| Assets | 89 | 91 | 149 | 149 | 139 | 140 | 140 | 139 |
| Investments | 2 | 6 | 4 | 6 | 5 | 3 | 3 | 3 |
| Other non-current assets | 50 | 47 | 50 | 62 | 56 | 66 | 69 | 74 |
| Curr. Assets | 232 | 253 | 245 | 244 | 234 | 237 | 246 | 260 |
| Debtors | 76 | 65 | 75 | 81 | 71 | 65 | 69 | 75 |
| Cash & Bank Balance | 30 | 27 | 38 | 41 | 43 | 43 | 40 | 40 |
| Investments | 57 | 98 | 46 | 30 | 32 | 31 | 46 | 61 |
| Other Current Assets | 68 | 63 | 86 | 93 | 88 | 97 | 91 | 85 |
| Current Liab. & Prov | 87 | 88 | 111 | 119 | 112 | 122 | 126 | 133 |
| Net Current Assets | 145 | 165 | 134 | 126 | 122 | 115 | 120 | 128 |
| Application of Funds | 287 | 309 | 338 | 343 | 322 | 323 | 332 | 343 |

Financials and valuations

Ratios

| Y/E March | FY20 | FY21 | FY22 | FY23 | FY24 | FY25 | FY26E | FY27E |
|---------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|
| Basic (INR) | | | | | | | | |
| EPS | 48.7 | 52.1 | 63.4 | 57.6 | 41.0 | 48.0 | 61.4 | 78.4 |
| Diluted EPS | 48.3 | 51.7 | 62.9 | 57.3 | 40.9 | 47.9 | 61.3 | 78.3 |
| Cash EPS | 62.3 | 66.7 | 80.0 | 76.7 | 47.2 | 68.8 | 81.2 | 100.4 |
| Book Value | 249.9 | 284.4 | 306.0 | 317.1 | 302.1 | 309.0 | 317.6 | 329.2 |
| DPS | 15.0 | 45.0 | 45.0 | 50.0 | 40.0 | 45.0 | 52.1 | 66.6 |
| Payout (%) | 31.0 | 87.1 | 71.6 | 87.3 | 97.7 | 93.9 | 85.0 | 85.0 |
| Valuation (x) | | | | | | | | |
| P/E ratio | 33.0 | 30.8 | 25.4 | 27.9 | 39.2 | 33.5 | 26.2 | 20.5 |
| Cash P/E ratio | 25.8 | 24.1 | 20.1 | 21.0 | 34.1 | 23.4 | 19.8 | 16.0 |
| EV/EBITDA ratio | 24.4 | 20.4 | 17.3 | 17.3 | 24.1 | 19.8 | 16.2 | 13.2 |
| EV/Sales ratio | 3.8 | 3.7 | 3.1 | 2.6 | 2.7 | 2.6 | 2.5 | 2.3 |
| Price/Book Value | 6.4 | 5.7 | 5.3 | 5.1 | 5.3 | 5.2 | 5.1 | 4.9 |
| Dividend Yield (%) | 0.9 | 2.8 | 2.8 | 3.1 | 2.5 | 2.8 | 3.2 | 4.1 |
| Profitability Ratios (%) | | | | | | | | |
| RoE | 20.2 | 19.5 | 21.5 | 18.5 | 13.3 | 15.7 | 19.6 | 24.2 |
| RoCE | 17.3 | 19.3 | 21.0 | 18.6 | 12.4 | 16.4 | 21.1 | 25.8 |
| Turnover Ratios | | | | | | | | |
| Debtors (Days) | 75 | 62 | 61 | 56 | 50 | 45 | 45 | 46 |
| Fixed Asset Turnover (x) | 4.1 | 4.1 | 3.0 | 3.6 | 3.7 | 3.8 | 4.0 | 4.3 |
| Leverage Ratio | | | | | | | | |
| Debt/Equity Ratio (x) | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 |

Cash Flow Statement

(INR b)

| Y/E March | FY20 | FY21 | FY22 | FY23 | FY24 | FY25 | FY26E | FY27E |
|------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|
| CF from Operations | 49 | 65 | 67 | 74 | 51 | 61 | 72 | 89 |
| Change in Working Capital | -5 | 16 | -14 | -18 | 13 | -3 | 4 | 4 |
| Net Operating CF | 44 | 81 | 53 | 56 | 64 | 58 | 76 | 92 |
| Net Purchase of FA | -8 | -6 | -8 | -10 | -7 | -5 | -18 | -19 |
| Free Cash Flow | 35 | 75 | 45 | 46 | 56 | 53 | 58 | 73 |
| Net Purchase of Invest. | 19 | -49 | 13 | 7 | -6 | 5 | -15 | -15 |
| Net Cash from Invest. | 10 | -55 | 5 | -3 | -13 | 0 | -33 | -34 |
| Inc./ (Dec.) in Equity | 0 | 1 | 1 | 0 | 0 | 0 | 0 | 0 |
| Proceeds from LTB/STB | -20 | -13 | -8 | -9 | -9 | -20 | 0 | 0 |
| Dividend Payments | -25 | -18 | -40 | -43 | -39 | -38 | -46 | -59 |
| Cash Flow from Fin. | -45 | -30 | -47 | -51 | -48 | -58 | -46 | -59 |
| Other adjustments | 1 | 0 | 0 | 1 | 0 | 0 | 0 | 0 |
| Net Cash Flow | 10 | -3 | 11 | 3 | 3 | 0 | -3 | -1 |
| Opening Cash Balance | 20 | 30 | 27 | 38 | 41 | 43 | 43 | 40 |
| Add: Net Cash | 10 | -3 | 11 | 3 | 3 | 0 | -3 | -1 |
| Closing Cash Balance | 30 | 27 | 38 | 41 | 43 | 43 | 40 | 40 |

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NOTES

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|----------------------------------|--|
| Investment Rating | Expected return (over 12-month) |
| 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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