

January 17, 2025

## Q3FY25 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

### Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
<b>Rating</b>	BUY		BUY	
<b>Target Price</b>	2,250		2,270	
Sales (Rs. bn)	1,774	1,984	1,787	2,001
% Chng.	(0.7)	(0.8)		
EBITDA (Rs. bn)	436	499	437	503
% Chng.	(0.4)	(0.8)		
EPS (Rs.)	71.7	82.2	72.0	82.9
% Chng.	(0.3)	(0.8)		

### Key Financials - Consolidated

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales (Rs. bn)	1,537	1,635	1,774	1,984
EBITDA (Rs. bn)	364	393	436	499
Margin (%)	23.7	24.0	24.6	25.2
PAT (Rs. bn)	243	263	297	341
EPS (Rs.)	58.6	63.6	71.7	82.2
Gr. (%)	1.7	8.4	12.8	14.7
DPS (Rs.)	46.0	54.0	60.8	69.8
Yield (%)	2.4	2.8	3.2	3.6
RoE (%)	29.7	29.8	33.6	38.4
RoCE (%)	27.7	27.6	31.2	35.7
EV/Sales (x)	5.0	4.7	4.3	3.9
EV/EBITDA (x)	21.2	19.5	17.6	15.4
PE (x)	32.9	30.3	26.9	23.4
P/BV (x)	9.1	9.0	9.0	9.0

### Key Data

INFY.BO | INFO IN

52-W High / Low	Rs.2,007 / Rs.1,358
Sensex / Nifty	77,043 / 23,312
Market Cap	Rs.8,007bn / \$ 92,518m
Shares Outstanding	4,152m
3M Avg. Daily Value	Rs.10608.92m

### Shareholding Pattern (%)

Promoter's	14.70
Foreign	33.28
Domestic Institution	38.10
Public & Others	13.92
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	(2.6)	11.7	18.9
Relative	3.3	17.1	12.8

### Pritesh Thakkar

priteshthakkar@plindia.com | 91-22-66322269

### Sujay Chavan

sujaychavan@plindia.com |

## Mixed performance, but greenshoots in multiple pockets

### Quick Pointers:

- Revenue growth aided by higher pass-through leads Revenue guidance increase for FY25
- Partial wage hike implementation in Q4FY25

**Although the reported growth exceeded our estimates, there was a meaningful pass-through component built into the revenue in 3Q that is unsustainable in 4Q. Additionally, the company anticipates mild furloughs in 4Q that will lead to weaker topline performance, despite the revision in revenue guidance. Barring the anticipated quarterly volatility, the underlying demand is picking up pace. The BFS spending which until now was restricted to the US region, has extrapolated to Europe that is evident through sustainable growth in BFS and improving deal pipeline. Even Retail/CPG vertical is shaping up well with improved consumer sentiment in the US regions. The small size deals (< \$50m) reported another quarter of double-digit growth, while the large deal funnel is showing strength. Although the NN component within the deal TCv has improved materially to ~60%, the cost optimization theme is still being prioritized over transformation initiatives. We believe the improved demand scenario beyond BFS and elevated deal TCv with higher NN component would help drive growth in FY26/FY27. Considering the meaningful pass-through component and extended furloughs, we are expecting a revenue de-growth in 4Q, which will translate to FY25 growth of 4.8% YoY CC. We are baking in revenue growth of 7.7%/11.8% YoY CC in FY26E/FY27E. EBIT Margins in 3Q was fairly in line with our estimates. Weak anticipated topline growth along with partial wage revision (for junior) scheduled in Q4, will have an incremental impact on margins. Having said that, the comprehensive margin expansion program (Project Maximus), pyramid rationalization, offshoring and automation would negate some of the margin impact. Hence, we are keeping our margin estimates broadly unchanged at 21.0%/21.6%/22.2% in FY25E/FY26E/FY27E.**

**Revenue:** INFO reported strong revenue growth of 1.7% QoQ CC (0.9% QoQ in USD) in a seasonally weak quarter, driven by higher pass-through income. Revenue growth was led by sustained growth in FS (3.1% QoQ) & revival in Retail segment (4.7% QoQ). The robust revenue growth in Q3 has prompted the company to raise its FY25 revenue guidance from 3.75-4.5% YoY CC to 4.5-5% YoY CC growth. The revised revenue guidance implies a QoQ revenue decline in the range of 0.8% to 2.7% in Q4, primarily attributed to the absence of pass-through income and the continued impact of partial furloughs.

**Margins:** EBIT Margin during the quarter improved by 20 bps QoQ to 21.3% despite headwinds from furloughs and higher third-party expenses. The margin walk included tailwinds of +40 bps from currency benefits, +30 bps from Project Maximus, and +20 bps from lower provisions for post-sales support. These were partially offset by headwinds of -70 bps due to furloughs and fewer working days.

**Deal Wins:** Large deal TCV wins remained steady at USD 2.5 billion compared to USD 2.4 billion in Q2, with the net new component of 63% (the highest since Q3FY24). INFO won 17 large deals, including 5 in the FS, 3 in Manufacturing, 2 each in EURS and Retail, and 1 in High-Tech. Geographically, 11 deals were secured in North America and 6 in Europe.

**Valuations and outlook:** INFY has a robust play on the front-end offering and execute on the large-size transformation deals. With improving discretionary spends, we expect the global enterprises to resume their long-deferred discretionary programs, where INFY would be winning disproportionately among its peers on quality execution and full-stake offerings. We estimate USD revenues/earnings CAGR of 7.5%/12% over FY24-FY27E. The stock is currently trading at 23x FY27E, we are assigning P/E of 27x to FY27E with a target price of INR 2,250. We maintain BUY.

### **Strong execution beat on all fronts, deal TCV stayed elevated**

- USD rev of \$4.94bn, +1.7% QoQ in CC, above our and consensus estimate of +0.5%/+0.8% QoQ CC. Reported USD growth was +0.9% QoQ
- The growth was led by Fin Service (+3.1% QoQ) and Retail (+4.7% QoQ), followed by Life Science (+5.4% QoQ) and ENU (+1% QoQ), while Comm was weak (-5.1% QoQ).
- **The company has further revised its FY25 revenue guidance to 4.5%-5.0% YoY CC (vs 3.75-4.5% earlier), mid-range of the guidance increased by ~60bps. Margin guidance intact to the tune of 20-22%**
- **EBIT margin of 21.3%, improved by 20bps QoQ, tad above our and consensus estimates**
- Net headcount improved by 5.6k QoQ in 3Q vs 2.5k net addition in 2Q, Utilization up 10bp QoQ (ex-trainees), Attrition (LTM) up 80bps QoQ to 13.7%
- **Large deal TCV stayed elevated at \$2.5bn compared to US\$ 2.4 bn in Q2 with book to bill of 0.5x**
- Net profit of INR 68.1b, up 4.7% QoQ, in line with our estimates of INR 68.0 bn

## Conference Call Highlights

### Demand Outlook

- Management mentioned that the demand environment has improved post the US election & start of interest rate cut cycle. They further indicated that although current demand is still driven by cost optimization increased traction is observed in the areas of AI, cloud adoption, cyber-security and data & analytics.
- Segment wise demand: In FS, growth continued in North America with traction in discretionary spending observed across sub-segments such as capital markets, mortgages, cards, and payments. Additionally, a revival in the FS segment was witnessed in the Europe region. In the Retail segment, early signs of a revival in discretionary spending were observed, driven by a strong holiday season in the US. The Manufacturing segment continued to exhibit weaknesses, particularly in the European automotive sector. Demand remained weak in the Communications, Energy & Resources (EURS), and High-Tech sectors due to macroeconomic challenges
- Management mentioned that wage hike will be implemented for its employees in 2 phases in Q4FY25 & Q1FY26. The company will roll out 6-8% wage hike for its employees in India & single digit wage hike for offshore employees with top performers receiving higher hikes. The headwind of wage hike will be partially offset by tailwinds from lower 3<sup>rd</sup> party expenses & currency benefits.
- The management mentioned that pricing increased by 3.6% in 9MFY25 and aided in margin expansion in 9MFY25
- INFO in Q3 added 5.6k net new employees (2<sup>nd</sup> successive quarter of strong hiring). Utilization excl. trainees was stable 86% in Q3 above company's comfort level of 83-85%. INFO plans to add 15k freshers in FY25 and 20k freshers in FY26
- The management mentioned that its overall deal pipeline remains strong with strong momentum in large deals pipeline during the quarter. They also indicated that the pipeline of deals lower than US\$50 mn remains has grown by 20%.
- The management mentioned that it doesn't expect higher 3<sup>rd</sup> party expenses/revenue in Q4 which are generally incurred in Q3.
- The management mentioned that they are expanding their AI capabilities & offerings. They also mentioned that they have built 4 LLM's and 100 new Gen AI agents are being developed for deployment within clients.
- The management mentioned that one of the large deals includes a BOT deal for setting up a GCC for its client in India.

**Exhibit 1: 3QFY25 Results: Revenues increased by 1.7% QoQ in CC, EBIT margin improved by 20bps QoQ**

Consolidated (INR b)	3QFY25	3QFY25E	% Var.	2QFY25	QoQ gr. (%)	3QFY24	YoY gr. (%)	9MFY25	9MFY24	YoY gr. (%)
<b>IT Services Revenue (USD m)</b>	<b>4,939</b>	<b>4,880</b>	<b>1.2</b>	<b>4,894</b>	<b>0.9</b>	<b>4,663</b>	<b>5.9</b>	<b>14,547</b>	<b>13,998</b>	<b>3.9</b>
Overall Revenue (INR b)	418	412	1.4	410	1.9	388	7.6	1,221	1,157	5.5
<b>Gross Profit</b>	<b>126</b>	<b>124</b>	<b>1.7</b>	<b>125</b>	<b>1.1</b>	<b>116</b>	<b>9.3</b>	<b>373</b>	<b>351</b>	<b>6.3</b>
Gross Margin (%)	30.3	30.2	10bps	30.5	-30bps	29.8	50bps	30.6	30.3	20bps
SG&A and Other Costs	25.3	24.6	3.0	27.0	-6.4	24.3	3.9	79.3	74.4	6.6
% of Rev	6.1	6.0	10bps	6.6	-50bps	6.3	-20bps	6.5	6.4	10bps
<b>EBITDA</b>	<b>101</b>	<b>100</b>	<b>1.4</b>	<b>98</b>	<b>3.1</b>	<b>91</b>	<b>10.7</b>	<b>294</b>	<b>276</b>	<b>6.2</b>
EBITDA Margin (%)	24.2	24.2	0bps	23.9	30bps	23.5	70bps	24.1	23.9	20bps
Depreciation	12	12	-1.8	12	4	12	2.5	35	35	-0.1
% of Rev	2.9	3.0	-10bps	2.8	10bps	3.0	-10bps	2.9	3.0	-20bps
<b>EBIT</b>	<b>89</b>	<b>87</b>	<b>1.9</b>	<b>86</b>	<b>3.0</b>	<b>80</b>	<b>11.9</b>	<b>258</b>	<b>241</b>	<b>7.1</b>
EBIT Margin (%)	21.3	21.2	10bps	21.1	20bps	20.5	80bps	21.2	20.8	30bps
Other Income (net)	8	7	8.2	6	25.5	7	15.2	21	16	29.1
<b>PBT</b>	<b>97</b>	<b>94</b>	<b>2.3</b>	<b>93</b>	<b>4.5</b>	<b>86</b>	<b>12.2</b>	<b>279</b>	<b>257</b>	<b>8.5</b>
Tax	28	26	7.6	27	4.1	25	13.6	82	75	10.1
Effective tax rate (%)	29.5	28.0	150bps	29.6	-10bps	29.1	40bps	29.5	29.0	40bps
<b>Adjusted PAT</b>	<b>68</b>	<b>68</b>	<b>0.3</b>	<b>65</b>	<b>4.7</b>	<b>61</b>	<b>11.6</b>	<b>197</b>	<b>183</b>	<b>7.9</b>
Exceptional items	0	0	NA	0	NA	0.0	NA	0.0	0.0	NA
<b>Reported PAT</b>	<b>68</b>	<b>68</b>	<b>0.3</b>	<b>65</b>	<b>4.7</b>	<b>61</b>	<b>11.6</b>	<b>197</b>	<b>183</b>	<b>7.9</b>
<b>Reported EPS (INR)</b>	<b>16</b>	<b>16</b>	<b>0.3</b>	<b>16</b>	<b>4.7</b>	<b>15</b>	<b>11.5</b>	<b>48</b>	<b>44</b>	<b>7.8</b>

Source: Company, PL

**Exhibit 2: Regional growth (%)**

Geographies	Contribution to revenue (%)	QoQ gr. (%)
North America	58.4	2.7
Europe	29.8	0.9
India	3.1	0.9
ROW	8.7	-9.5

Source: Company, PL

**Exhibit 3: Vertical Growth (%)**

Verticals	Contribution to revenue (%)	QoQ gr. (%)
Financial Services	27.8	3.1
Retail	13.8	4.7
Communications	11.2	-5.0
Energy, Utilities, Resources	13.5	0.9
Manufacturing	15.5	-0.4
Hi Tech	7.9	-0.3
Life Sciences	7.6	5.1

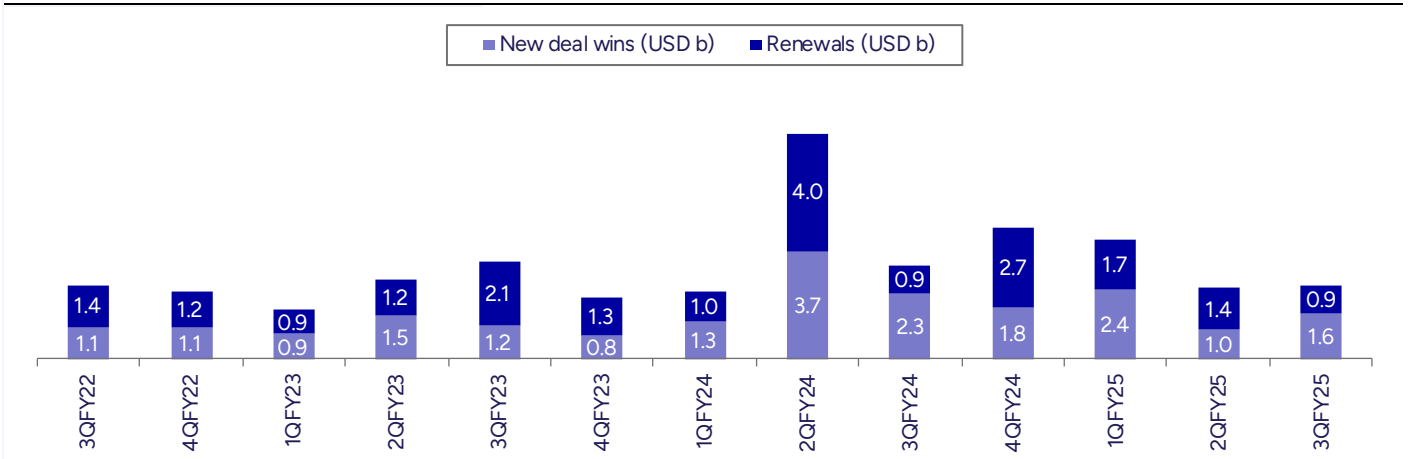
Source: Company, PL

**Exhibit 4: Key Performance Indicator**

	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	FY24	FY25E
Revenue (QoQ CC %)	-3.2	1.0	2.3	-1.0	-2.2	3.6	3.1	1.7	1.4	4.8
<b>Margins</b>										
Gross Margin	30.5	30.5	30.7	29.8	29.5	30.9	30.5	30.3	30.1	30.3
EBIT Margin	21.0	20.8	21.2	20.5	20.1	21.1	21.1	21.3	20.7	21.0
Net Margin	16.4	15.7	15.9	15.7	15.8	16.2	15.9	16.3	15.8	16.1
<b>Operating metrics</b>										
Headcount	343	336	329	323	317	315	318	323	317	-
Voluntary Attrition (%)	20.9	17.3	14.6	12.9	12.6	12.7	12.9	13.7	12.6	-
Deal Win TCV (USD b)	2.1	2.3	7.7	3.2	4.5	4.1	2.4	2.5	17.7	-

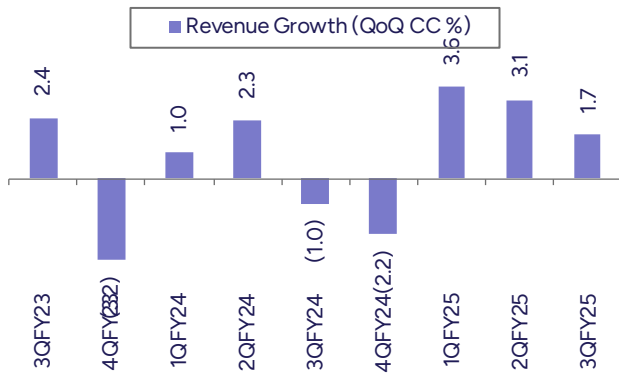
Source: Company, PL

**Exhibit 5: Net new wins of 63% in Q3**



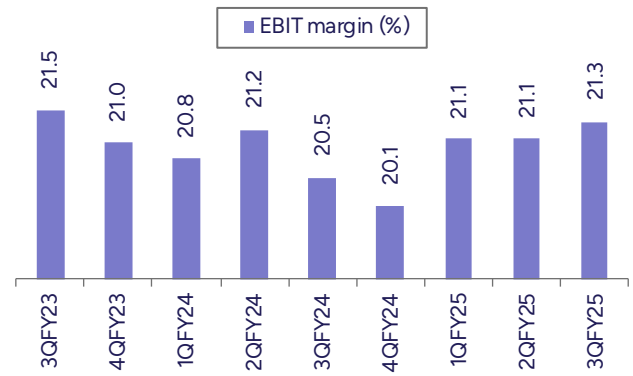
Source: Company, PL

**Exhibit 6: Revenue growth trend**



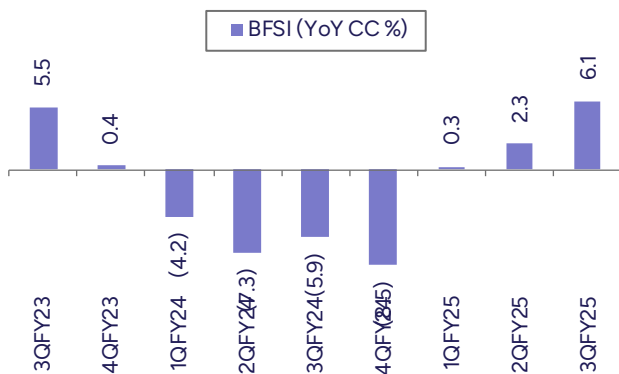
Source: Company, PL

**Exhibit 7: EBIT margin trend**



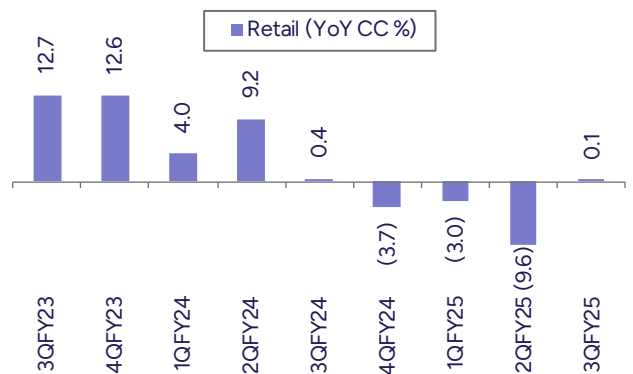
Source: Company, PL

**Exhibit 8: BFSI growth trend**



Source: Company, PL

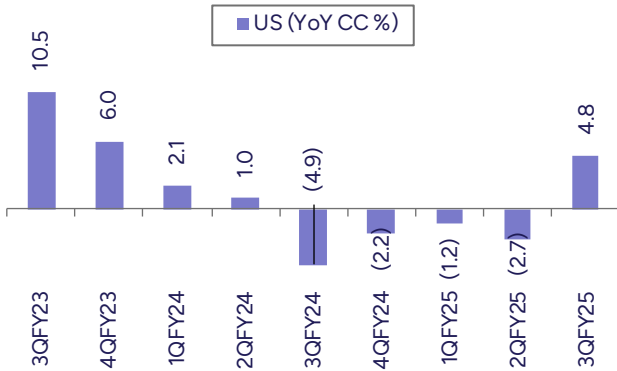
**Exhibit 9: Retail growth trend**



Source: Company, PL

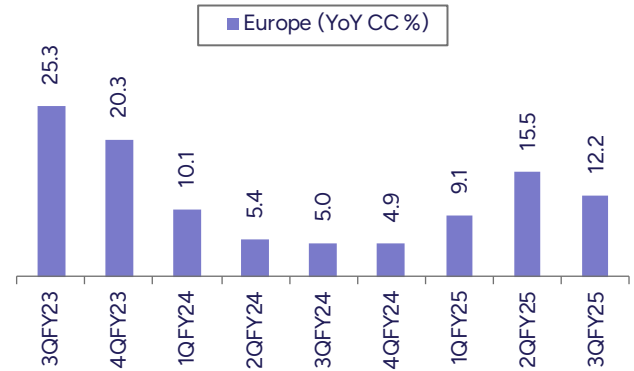


**Exhibit 10: US growth trend**



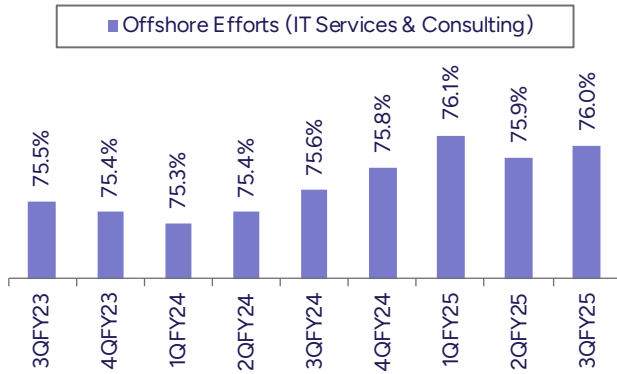
Source: Company, PL

**Exhibit 11: Europe growth trend**



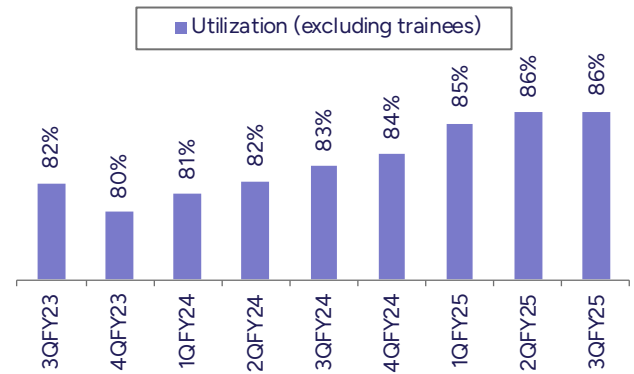
Source: Company, PL

**Exhibit 12: Offshore efforts growth trend**



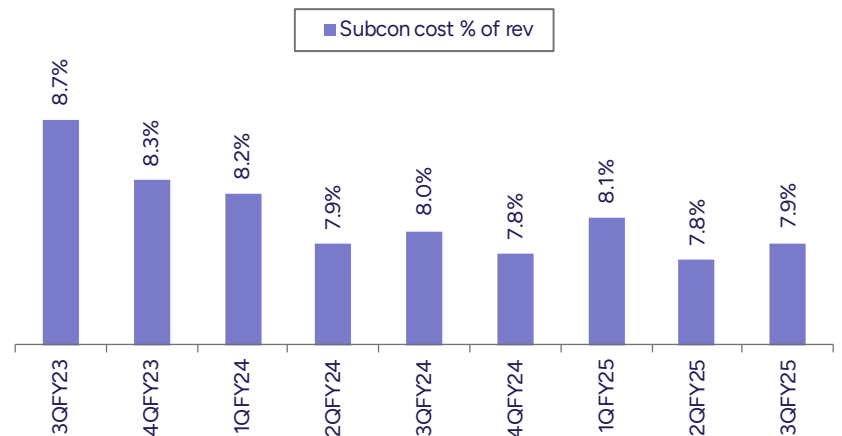
Source: PL, Company

**Exhibit 13: Utilization growth trend**



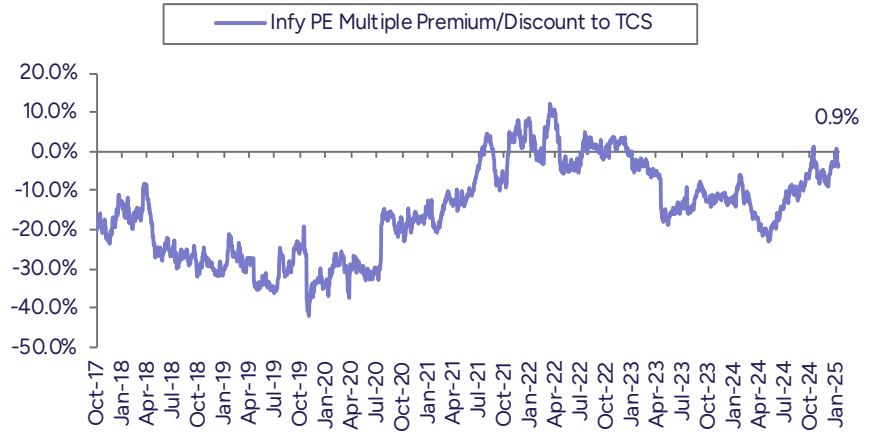
Source: PL, Company

**Exhibit 14: Subcon % of Rev**



Source: Company, PL

**Exhibit 15: 2 year fwd PE multiple Premium/Discount to TCS**



Source: Company, PL

**Exhibit 16: Operating Metrics**

	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25
<b>Effort (IT Services and Consulting)</b>												
Onsite	24%	24%	24%	25%	25%	25%	25%	24%	24%	24%	24%	24%
Offshore	76%	76%	76%	76%	75%	75%	75%	76%	76%	76%	76%	76%
<b>Utilization (IT Services and Consulting)</b>												
Including trainees	80%	78%	77%	77%	77%	79%	80%	82%	82%	84%	84%	83%
Excluding trainees	87%	85%	84%	82%	80%	81%	82%	83%	84%	85%	86%	86%
<b>Employee Metrics</b>												
<b>Total Employees (Consolidated, in k)</b>	<b>314</b>	<b>335</b>	<b>345</b>	<b>347</b>	<b>343</b>	<b>336</b>	<b>329</b>	<b>323</b>	<b>317</b>	<b>315</b>	<b>318</b>	<b>323</b>
S/W professional (k)	298	318	328	329	325	318	310	305	300	298	301	307
Support and sales (k)	16	17	17	18	18	19	18	18	17	17	17	18
<b>Revenues by client geography</b>												
North America	61%	62%	63%	62%	61%	61%	61%	59%	60%	59%	57%	58%
Europe	25%	25%	25%	26%	27%	27%	27%	28%	29%	28%	30%	30%
India	3%	3%	3%	2%	3%	3%	3%	2%	2%	3%	3%	3%
ROW	10%	11%	10%	10%	9%	10%	10%	10%	10%	10%	10%	9%
<b>Revenues by Business segments</b>												
Financial Services	31%	31%	31%	29%	29%	28%	28%	28%	26%	28%	27%	28%
Retail	14%	15%	14%	14%	15%	15%	15%	15%	14%	14%	13%	14%
Communications	13%	13%	12%	12%	12%	12%	11%	11%	12%	12%	12%	11%
Energy, Utilities, Resources and Services	12%	12%	12%	13%	13%	13%	13%	13%	13%	13%	14%	14%
Manufacturing	12%	12%	13%	13%	14%	14%	14%	15%	15%	15%	16%	16%
Hi Tech	8%	8%	8%	8%	8%	8%	8%	8%	9%	8%	8%	8%
Life Sciences	7%	7%	7%	7%	7%	7%	8%	8%	7%	7%	7%	8%
Others	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%
<b>Geography YoY % CC</b>												
North America	19%	18%	16%	11%	6%	2%	1%	-5%	-2%	-1%	-3%	5%
Europe	28%	33%	29%	25%	20%	10%	5%	5%	5%	9%	16%	12%
India	30%	6%	36%	-5%	-7%	14%	3%	-1%	-15%	20%	16%	40%
ROW	14%	18%	12%	12%	3%	-1%	4%	8%	5%	2%	4%	-11%
<b>Business Segments YoY % CC</b>												
Financial Services	14%	12%	12%	6%	0%	-4%	-7%	-6%	-9%	0%	2%	6%
Retail	17%	18%	15%	13%	13%	4%	9%	0%	-4%	-3%	-10%	0%
Communications	29%	30%	18%	13%	0%	-6%	-4%	-8%	5%	5%	7%	4%
Energy, Utilities, Resources and Services	18%	25%	24%	26%	17%	9%	5%	0%	3%	6%	11%	9%
Manufacturing	51%	55%	45%	37%	27%	21%	13%	11%	9%	6%	12%	11%
Hi Tech	21%	16%	10%	10%	4%	2%	-1%	-5%	10%	2%	6%	8%
Life Sciences	16%	16%	10%	5%	16%	14%	18%	6%	1%	3%	-4%	6%
Others	7%	15%	57%	8%	13%	33%	15%	7%	1%	5%	-1%	3%
DSO	67	63	65	68	62	63	67	72	71	72	73	74
<b>Large deal TCV (USD m)</b>	<b>2,300</b>	<b>1,691</b>	<b>2,744</b>	<b>3,300</b>	<b>2,076</b>	<b>2,285</b>	<b>7,684</b>	<b>3,241</b>	<b>4,454</b>	<b>4,085</b>	<b>2,430</b>	<b>2,495</b>
<b>Client (% of revenues)</b>												
Top 10 client	19.4%	20.8%	20.2%	20.5%	20.1%	20.4%	19.9%	20.0%	20.4%	20.9%	20.9%	19.9%
Top 25 client	35.4%	36.3%	35.3%	35.3%	34.7%	34.6%	34.1%	33.7%	34.3%	34.9%	34.7%	34.2%
Number of active clients	1,741	1,778	1,779	1,850	1,872	1,883	1,884	1,872	1,882	1,867	1,870	1,876
<b>New clients added in the period</b>	<b>110</b>	<b>106</b>	<b>103</b>	<b>134</b>	<b>115</b>	<b>99</b>	<b>100</b>	<b>88</b>	<b>98</b>	<b>87</b>	<b>86</b>	<b>101</b>

Source: PL, Company



## Financials

### Income Statement (Rs bn)

Y/e Mar	FY24	FY25E	FY26E	FY27E
<b>Net Revenues</b>	<b>1,537</b>	<b>1,635</b>	<b>1,774</b>	<b>1,984</b>
YoY gr. (%)	4.7	6.4	8.5	11.8
Employee Cost	1,074	1,139	1,233	1,369
Gross Profit	463	496	540	614
Margin (%)	30.1	30.3	30.5	31.0
Employee Cost	-	-	-	-
Other Expenses	-	-	-	-
<b>EBITDA</b>	<b>364</b>	<b>393</b>	<b>436</b>	<b>499</b>
YoY gr. (%)	3.7	7.9	10.9	14.5
Margin (%)	23.7	24.0	24.6	25.2
Depreciation and Amortization	47	49	53	60
<b>EBIT</b>	<b>317</b>	<b>344</b>	<b>382</b>	<b>440</b>
Margin (%)	20.7	21.0	21.6	22.2
Net Interest	-	-	-	-
Other Income	23	28	30	34
<b>Profit Before Tax</b>	<b>340</b>	<b>372</b>	<b>413</b>	<b>473</b>
Margin (%)	22.1	22.8	23.3	23.9
Total Tax	97	108	116	133
Effective tax rate (%)	28.6	29.1	28.0	28.0
<b>Profit after tax</b>	<b>243</b>	<b>264</b>	<b>297</b>	<b>341</b>
Minority interest	0	0	0	0
Share Profit from Associate	-	-	-	-
<b>Adjusted PAT</b>	<b>243</b>	<b>263</b>	<b>297</b>	<b>341</b>
YoY gr. (%)	0.7	8.5	12.8	14.7
Margin (%)	15.8	16.1	16.7	17.2
Extra Ord. Income / (Exp)	20	-	-	-
<b>Reported PAT</b>	<b>262</b>	<b>263</b>	<b>297</b>	<b>341</b>
YoY gr. (%)	8.9	0.4	12.8	14.7
Margin (%)	17.1	16.1	16.7	17.2
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	262	263	297	341
<b>Equity Shares O/s (bn)</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>
<b>EPS (Rs)</b>	<b>58.6</b>	<b>63.6</b>	<b>71.7</b>	<b>82.2</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs bn)

Y/e Mar	FY24	FY25E	FY26E	FY27E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>419</b>	<b>476</b>	<b>538</b>	<b>608</b>
Tangibles	371	429	491	560
Intangibles	48	48	48	48
<b>Acc: Dep / Amortization</b>	<b>(216)</b>	<b>(265)</b>	<b>(318)</b>	<b>(377)</b>
Tangibles	(182)	(231)	(284)	(344)
Intangibles	(34)	(34)	(34)	(34)
<b>Net fixed assets</b>	<b>320</b>	<b>328</b>	<b>337</b>	<b>347</b>
Tangibles	306	314	323	333
Intangibles	14	14	14	14
Capital Work In Progress	-	-	-	-
Goodwill	73	73	73	73
Non-Current Investments	-	-	-	-
Net Deferred tax assets	(13)	(15)	(17)	(20)
Other Non-Current Assets	86	88	92	99
<b>Current Assets</b>				
Investments	129	129	129	129
Inventories	-	-	-	-
Trade receivables	302	321	348	390
Cash & Bank Balance	148	197	207	177
Other Current Assets	315	262	248	278
<b>Total Assets</b>	<b>1,378</b>	<b>1,402</b>	<b>1,439</b>	<b>1,496</b>
<b>Equity</b>				
Equity Share Capital	21	21	21	21
Other Equity	860	862	864	867
<b>Total Network</b>	<b>881</b>	<b>883</b>	<b>885</b>	<b>888</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	-	-	-	-
Provisions	-	-	-	-
Other non current liabilities	88	93	101	113
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	40	42	46	51
Other current liabilities	348	362	383	417
<b>Total Equity &amp; Liabilities</b>	<b>1,378</b>	<b>1,402</b>	<b>1,439</b>	<b>1,496</b>

Source: Company Data, PL Research

**Cash Flow (Rs bn)**

Y/e Mar	FY24	FY25E	FY26E	FY27E
PBT	262	263	297	341
Add. Depreciation	47	49	53	60
Add. Interest	-	-	-	-
Less Financial Other Income	23	28	30	34
Add. Other	95	-	-	-
Op. profit before WC changes	405	312	350	400
Net Changes-WC	(144)	55	17	(23)
Direct tax	-	-	-	-
<b>Net cash from Op. activities</b>	<b>261</b>	<b>368</b>	<b>367</b>	<b>377</b>
Capital expenditures	(22)	(57)	(62)	(69)
Interest / Dividend Income	-	-	-	-
Others	(37)	-	-	-
<b>Net Cash from Invt. activities</b>	<b>(59)</b>	<b>(57)</b>	<b>(62)</b>	<b>(69)</b>
Issue of share cap. / premium	-	-	-	-
Debt changes	(20)	-	-	-
Dividend paid	(147)	(261)	(295)	(338)
Interest paid	-	-	-	-
Others	(7)	-	-	-
<b>Net cash from Fin. activities</b>	<b>(175)</b>	<b>(261)</b>	<b>(295)</b>	<b>(338)</b>
<b>Net change in cash</b>	<b>27</b>	<b>49</b>	<b>10</b>	<b>(30)</b>
Free Cash Flow	239	310	305	308

Source: Company Data, PL Research

**Key Financial Metrics**

Y/e Mar	FY24	FY25E	FY26E	FY27E
<b>Per Share(Rs)</b>				
EPS	58.6	63.6	71.7	82.2
CEPS	69.9	75.4	84.6	96.6
BVPS	212.9	213.2	213.7	214.3
FCF	57.7	75.0	73.6	74.4
DPS	46.0	54.0	60.8	69.8
<b>Return Ratio(%)</b>				
RoCE	27.7	27.6	31.2	35.7
ROIC	19.6	20.7	22.7	25.1
RoE	29.7	29.8	33.6	38.4
<b>Balance Sheet</b>				
Net Debt : Equity (x)	(0.3)	(0.4)	(0.4)	(0.3)
Net Working Capital (Days)	62	62	62	62
<b>Valuation(x)</b>				
PER	32.9	30.3	26.9	23.4
P/B	9.1	9.0	9.0	9.0
P/CEPS	27.6	25.6	22.8	20.0
EV/EBITDA	21.2	19.5	17.6	15.4
EV/Sales	5.0	4.7	4.3	3.9
Dividend Yield (%)	2.4	2.8	3.2	3.6

Source: Company Data, PL Research

**Quarterly Financials (Rs bn)**

Y/e Mar	Q4FY24	Q1FY25	Q2FY25	Q3FY25
<b>Net Revenue</b>	<b>379</b>	<b>393</b>	<b>410</b>	<b>418</b>
YoY gr. (%)	1.3	3.6	5.1	7.6
Raw Material Expenses	267	272	285	291
Gross Profit	112	121	125	126
Margin (%)	29.5	30.9	30.5	30.3
<b>EBITDA</b>	<b>88</b>	<b>94</b>	<b>98</b>	<b>101</b>
YoY gr. (%)	(2.3)	4.1	3.9	10.7
Margin (%)	23.2	24.0	23.9	24.2
Depreciation / Depletion	12	11	12	12
<b>EBIT</b>	<b>76</b>	<b>83</b>	<b>86</b>	<b>89</b>
Margin (%)	20.1	21.1	21.1	21.3
Net Interest	-	-	-	-
Other Income	6	7	6	8
<b>Profit before Tax</b>	<b>83</b>	<b>90</b>	<b>93</b>	<b>97</b>
Margin (%)	21.8	22.9	22.6	23.2
Total Tax	23	26	27	28
Effective tax rate (%)	27.4	29.3	29.6	29.5
<b>Profit after Tax</b>	<b>60</b>	<b>64</b>	<b>65</b>	<b>68</b>
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
<b>Adjusted PAT</b>	<b>60</b>	<b>64</b>	<b>65</b>	<b>68</b>
YoY gr. (%)	(2.1)	7.3	5.0	11.7
Margin (%)	15.8	16.2	15.9	16.4
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>80</b>	<b>64</b>	<b>65</b>	<b>68</b>
YoY gr. (%)	30.0	7.3	5.0	11.7
Margin (%)	21.0	16.2	15.9	16.4
Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income</b>	<b>80</b>	<b>64</b>	<b>65</b>	<b>68</b>
Avg. Shares O/s (bn)	4	4	4	4
<b>EPS (Rs)</b>	<b>14.5</b>	<b>15.4</b>	<b>15.8</b>	<b>16.5</b>

Source: Company Data, PL Research

**Key Operating Metrics**

Y/e Mar	FY24	FY25E	FY26E	FY27E
Revenue (USD mn)	18,562	19,388	20,736	23,054

Source: Company Data, PL Research

**Price Chart**



**Recommendation History**

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Jan-25	BUY	2,270	1,939
2	18-Oct-24	BUY	2,260	1,968
3	03-Oct-24	BUY	2,180	1,904
4	19-Jul-24	Hold	1,680	1,758
5	02-Jul-24	Hold	1,510	1,591
6	19-Apr-24	Hold	1,375	1,419

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Cyient	BUY	2,120	1,780
2	HCL Technologies	Accumulate	2,080	1,989
3	Infosys	BUY	2,270	1,939
4	LTIMindtree	BUY	7,130	5,733
5	Mphasis	Hold	3,020	2,869
6	Persistent Systems	Hold	6,060	6,395
7	Tata Consultancy Services	BUY	4,810	4,039
8	Tech Mahindra	Accumulate	1,790	1,689
9	Wipro	Accumulate	310	294

**PL's Recommendation Nomenclature (Absolute Performance)**

<b>Buy</b>	: > 15%
<b>Accumulate</b>	: 5% to 15%
<b>Hold</b>	: +5% to -5%
<b>Reduce</b>	: -5% to -15%
<b>Sell</b>	: < -15%
<b>Not Rated (NR)</b>	: No specific call on the stock
<b>Under Review (UR)</b>	: Rating likely to change shortly

## **ANALYST CERTIFICATION**

### **(Indian Clients)**

We/I, Mr. Pritesh Thakkar- MBA Finance, Mr. Sujay Chavan- MMS-Finance Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

### **(US Clients)**

The research analysts, with respect to each issuer and its securities covered by them in this research report, certify that: All of the views expressed in this research report accurately reflect his or her or their personal views about all of the issuers and their securities; and No part of his or her or their compensation was, is or will be directly related to the specific recommendation or views expressed in this research report.

## **DISCLAIMER**

### **Indian Clients**

Prabhudas Lilladher Pvt. Ltd, Mumbai, India (hereinafter referred to as "PL") is engaged in the business of Stock Broking, Portfolio Manager, Depository Participant and distribution for third party financial products. PL is a subsidiary of Prabhudas Lilladher Advisory Services Pvt Ltd. which has its various subsidiaries engaged in business of commodity broking, investment banking, financial services (margin funding) and distribution of third party financial/other products, details in respect of which are available at [www.plindia.com](http://www.plindia.com).

This document has been prepared by the Research Division of PL and is meant for use by the recipient only as information and is not for circulation. This document is not to be reported or copied or made available to others without prior permission of PL. It should not be considered or taken as an offer to sell or a solicitation to buy or sell any security.

The information contained in this report has been obtained from sources that are considered to be reliable. However, PL has not independently verified the accuracy or completeness of the same. Neither PL nor any of its affiliates, its directors or its employees accepts any responsibility of whatsoever nature for the information, statements and opinion given, made available or expressed herein or for any omission therein.

Recipients of this report should be aware that past performance is not necessarily a guide to future performance and value of investments can go down as well. The suitability or otherwise of any investments will depend upon the recipient's particular circumstances and, in case of doubt, advice should be sought from an independent expert/advisor.

Either PL or its affiliates or its directors or its employees or its representatives or its clients or their relatives may have position(s), make market, act as principal or engage in transactions of securities of companies referred to in this report and they may have used the research material prior to publication.

PL may from time to time solicit or perform investment banking or other services for any company mentioned in this document.

PL is a registered with SEBI under the SEBI (Research Analysts) Regulation, 2014 and having registration number INH000000271.

PL submits that no material disciplinary action has been taken on us by any Regulatory Authority impacting Equity Research Analysis activities.

PL or its research analysts or its associates or his relatives do not have any financial interest in the subject company.

PL or its research analysts or its associates or his relatives do not have actual/beneficial ownership of one per cent or more securities of the subject company at the end of the month immediately preceding the date of publication of the research report.

PL or its research analysts or its associates or his relatives do not have any material conflict of interest at the time of publication of the research report.

PL or its associates might have received compensation from the subject company in the past twelve months.

PL or its associates might have managed or co-managed public offering of securities for the subject company in the past twelve months or mandated by the subject company for any other assignment in the past twelve months.

PL or its associates might have received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months.

PL or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months

PL or its associates might have received any compensation or other benefits from the subject company or third party in connection with the research report.

PL encourages independence in research report preparation and strives to minimize conflict in preparation of research report. PL or its analysts did not receive any compensation or other benefits from the subject Company or third party in connection with the preparation of the research report. PL or its Research Analysts do not have any material conflict of interest at the time of publication of this report.

It is confirmed that Mr. Pritesh Thakkar- MBA Finance, Mr. Sujay Chavan- MMS-Finance Research Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

The Research analysts for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

The research analysts for this report has not served as an officer, director or employee of the subject company PL or its research analysts have not engaged in market making activity for the subject company

Our sales people, traders, and other professionals or affiliates may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest.

PL and its associates, their directors and employees may (a) from time to time, have a long or short position in, and buy or sell the securities of the subject company or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company or act as an advisor or lender/borrower to the subject company or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.

### **US Clients**

This research report is a product of Prabhudas Lilladher Pvt. Ltd., which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is intended for distribution by Prabhudas Lilladher Pvt. Ltd. only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor.

In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, Prabhudas Lilladher Pvt. Ltd. has entered into an agreement with a U.S. registered broker-dealer, Marco Polo Securities Inc. ("Marco Polo").

Transactions in securities discussed in this research report should be effected through Marco Polo or another U.S. registered broker dealer.

**Prabhudas Lilladher Pvt. Ltd.**

3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

[www.plindia.com](http://www.plindia.com)