

LTIMindtree: Steady Q1, strong order-book, poised for AI-driven future; retaining a Buy

Rating: **Buy**

Target price (12-mth): Rs.6,094

Share price: Rs.5,122

- With broad-based sequential constant currency (“CC”) revenue growth ahead of large cap peers, expanded margins q/q, and strong deals anchored in AI and cloud transformation themes, LTIMindtree had a steady Q1 FY26
- BFSI (37% of revenue) and Retail (15%) led recovery, as the order book continued to be strong (16.4% YoY)
- Transformative efforts through Fit4Future (drove ~100bps margin expansion) are beginning to have tangible results, supporting medium-term confidence despite near-term macro challenges
- Management confident of sustaining growth momentum and achieving close to double-digit revenue growth in H2FY26, driven by large deal wins as reiterated by CEO in an interview post management call.
- Valuation.** No material change in our estimates. We retain our Buy recommendation on the stock, with FY27e/FY28e P/E 25.4x/ 22.7x (vs. the last five-year avg. of the one-yr-fwd. of ~33x) and FY26e-28e EPS CAGR of 15.7% . Our target price is Rs.6,094, implying ~19% potential upside to CMP

Financials

Key financials (YE Mar)	FY24	FY25	FY26	FY27e	FY28e
Sales (Rsm)	3,55,170	3,80,081	4,02,296	4,45,511	4,87,282
Net profit (Rsm)	45,821	45,987	49,930	59,687	66,870
EPS (Rs)	155	155	169	202	226
PE (x)	33.6	33.5	30.4	25.4	22.7
EVEBITDA (x)	22.0	21.6	19.6	16.2	14.6
PBV (x)	7.7	6.8	5.9	5.2	4.6
RoE (%)	25.0	21.5	20.7	21.8	21.4
RoCE (%)	20.8	17.3	16.9	18.5	18.2
Dividend yield (%)	1.3	1.3	1.4	1.5	1.7
Net debt/equity (x)	-0.6	-0.6	-0.6	-0.7	-0.7

Key data	LTIM IN / LRTI.BO
52-week high / low	Rs6768 / 3802
Sensex / Nifty	81758 / 24968
Market cap	Rs1539bn
Shares outstanding	296m

Shareholding (%)	Mar'25	Dec'24	Sep'24
Promoters	68.6	68.6	68.6
- of which, Pledged			
Free float	31.4	31.4	31.4
- Foreign institutions	7.0	7.5	7.4
- Domestic institution	15.5	15.0	14.9
- Public	8.9	9.0	9.1

Sushovon Nayak
Research Analyst

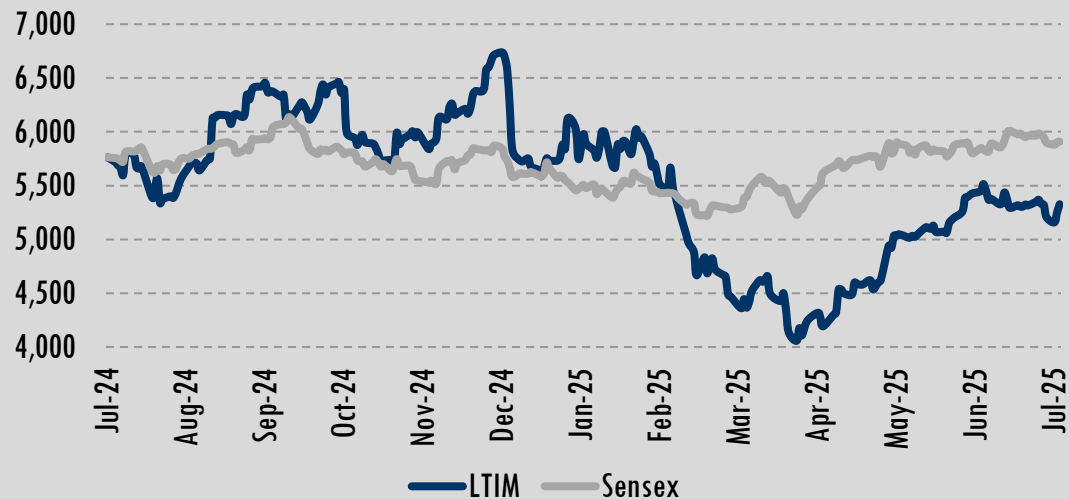
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Research Associate

Steady execution, margin expansion, strong deal momentum amid macro uncertainty

- LTIM reported a steady quarter with USD growth of 2%/5.2% QoQ/YoY, a currency impact of 120bps q/q/80bps y/y leading to CC revenue growth 0.8% q/q, 4.4% y/y, with broad-based sequential growth across verticals; BFSI and Consumer Retail led the momentum while Technology, Media & Communications were stable sequentially
- Orders were a strong \$1.63bn (up 16.4% y/y) with a ~1.4x book-to-bill, supported by large AI- and cloud-led deals and deepening strategic partnerships.
- Sequential improvement in Q1 EBIT margin (14.3% ;+50bps q/q), benefited from Fit4Future cost initiatives, operational efficiency & greater utilization despite visa costs
- **BFSI & Retail impressive.** The largest vertical, BFSI (37% of revenue), grew 1.6% q/q, 10.6% y/y, benefiting from strong execution, core banking and AI-led deals; Retail (15% of revenue) rose 6.2% q/q, 5.7% y/y, driven by strong execution focus and broad based growth across sub-verticals such as travel & transport
- **“Fit4Future” Program.** Enterprise-wide structural re-set leveraging AI to improve agility, enhance execution efficiency and protect margins. Initial benefits already reflected in Q1 margin uptick.
- **Management confident of sustaining** momentum through proactive execution, strong large deal traction and AI-led transformation, despite macro uncertainties.

Maintaining a Buy. No material change in estimates. We retain our Buy recommendation on the stock, with FY27e/FY28e P/E of 25.4x/22.7x (vs. the last five-year avg. of the one-year fwd. being ~33x) and FY26e-28e 15.7% EPS CAGR. Our target price is Rs.6,094, implying ~19% upside potential.

Relative price performance



Price movement



Q1 FY26 results snapshot

LTIM	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q/Q	Y/Y%
Revenue (\$ m)	1,076	1,084	1,069	1,096	1,127	1,139	1,131	1,153	2.0%	5.2%
Growth Y/Y %	5%	4%	1%	4%	5%	5%	6%	5%		
Revenue (Rs m)	89,054	90,166	88,929	91,426	94,329	96,609	97,717	98,406	0.7%	7.6%
Effec. exchange rate	82.8	83.2	83.2	83.4	83.7	84.8	86.4	85.3	-1.2%	2.3%
TCV (\$ m)	1,300	1,500	1,430	1,400	1,300	1,680	1,600	1,630	1.9%	16.4%
TCV (LTM)	-	-	-	5,630	5,630	5,810	5,980	6,210	3.8%	10.3%
TCV:Rev.	1.2	1.4	1.3	1.3	1.2	1.5	1.4	1.4	-0.1%	10.7%
Employees (EoP)	83,532	82,471	81,650	81,934	84,438	86,800	84,307	83,889	-0.5%	2.4%
Rev. prod. (\$ '000/employee)	12.9	13.1	13.0	13.4	13.5	13.3	13.2	13.7	3.7%	2.3%
Utilisation % (IT Services)	86.6%	87.4%	86.9%	88.3%	87.7%	85.4%	85.8%	88.1%	230 bps	-20 bps
CoR (excl. D&A)	(65,978)	(66,838)	(66,554)	(67,830)	(69,313)	(71,845)	(73,142)	(72,457)	-0.9%	6.8%
As % of revenue	-74%	-74%	-75%	-74%	-73%	-74%	-75%	-74%	122 bps	56 bps
SG&A	(6,763)	(7,479)	(7,018)	(7,535)	(8,023)	(8,831)	(8,613)	(9,455)	9.8%	25.5%
As % of revenue.	8%	8%	8%	8%	9%	9%	9%	10%	79 bps	137 bps
EBITDA	16,313	15,849	15,357	16,061	16,993	15,933	15,962	16,494	3.3%	2.7%
EBITDA margins %	18.3%	17.6%	17.3%	17.6%	18.0%	16.5%	16.3%	16.8%	43 bps	-81 bps
EBIT	14,231	13,859	13,087	13,709	14,582	13,289	13,454	14,065	4.5%	2.6%
EBIT margins %	16.0%	15.4%	14.7%	15.0%	15.5%	13.8%	13.8%	14.3%	52 bps	-70 bps
Other income (excl. forex)	1,453	1,769	2,240	2,137	2,238	1,993	2,280	2,630	15.4%	23.1%
Non-recurring / Forex	(21)	426	(164)	134	751	132	232	1,291	456.5%	863.4%
Interest expenses	(470)	(607)	(680)	(724)	(703)	(689)	(673)	(724)	7.6%	0.0%
PBT	15,193	15,447	14,483	15,256	16,868	14,725	15,293	17,262	12.9%	13.1%
PBT margins %	17.1%	17.1%	16.3%	16.7%	17.9%	15.2%	15.7%	17.5%	189 bps	85 bps
Taxes	(3,570)	(3,754)	(3,476)	(3,905)	(4,352)	(3,858)	(4,007)	(4,716)	17.7%	20.8%
ETR %	-23%	-24%	-24%	-26%	-26%	-26%	-26%	-27%	-112 bps	-172 bps
Minority interest/Income from associates	(5)	(4)	(8)	(13)	(6)	(13)	(1)	(5)	400.0%	-61.5%
Net income	11,618	11,689	10,999	11,338	12,510	10,854	11,285	12,541	11.1%	10.6%
Net margins %	13.0%	13.0%	12.4%	12.4%	13.3%	11.2%	11.5%	12.7%	120 bps	34 bps
EPS (Rs)	39.2	39.4	37.1	38.2	42.2	36.6	38.0	42.3	11.1%	10.6%

Management commentary

- Despite the challenging macro-economic context, management expressed confidence in its ability to continue driving performance through disciplined execution and unwavering client focus
- Broad-based growth led by BFSI and Manufacturing, with Consumer recovering sequentially, while TMC was muted and Healthcare/Public sector showed early signs of stabilisation
- Deals were a healthy \$1.63bn with a strong book-to-bill. While AI positioning and new platforms such as BlueVerse are encouraging, they are still at an early stage regarding revenue contribution
- Despite the broader macro caution, management highlighted no material deals cancelled or ramped down. Conversations around vendor consolidation are opening up added opportunities for wallet-share
- Management expects sequential revenue growth to continue in Q2 and improve in H2, driven by deal conversions, AI traction and continued benefits from operational discipline

Note: Utilization is a derived number to ensure it is like for like across IT companies

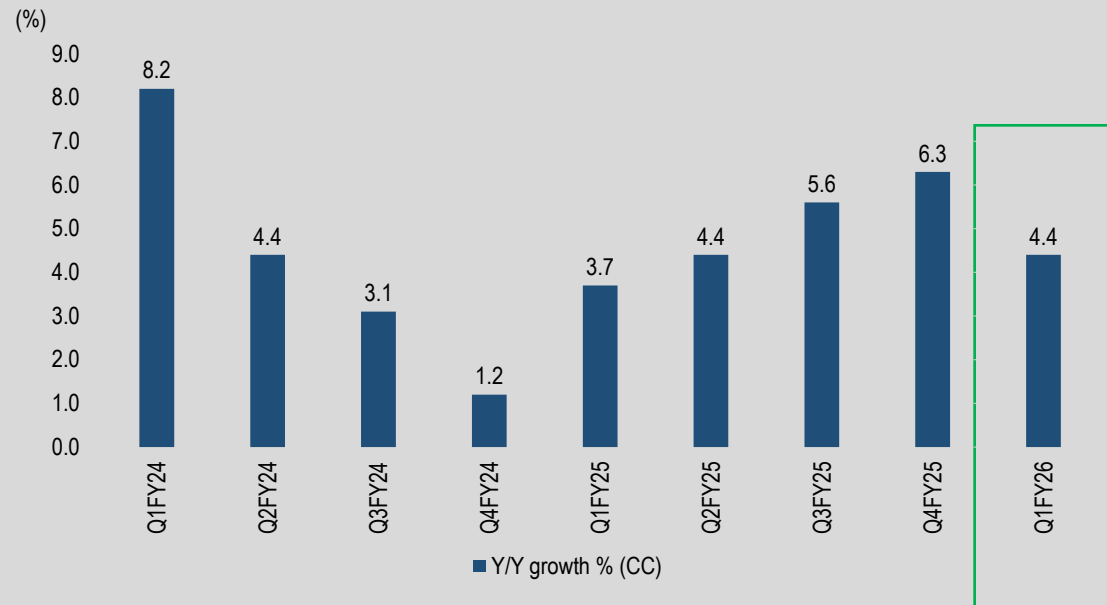
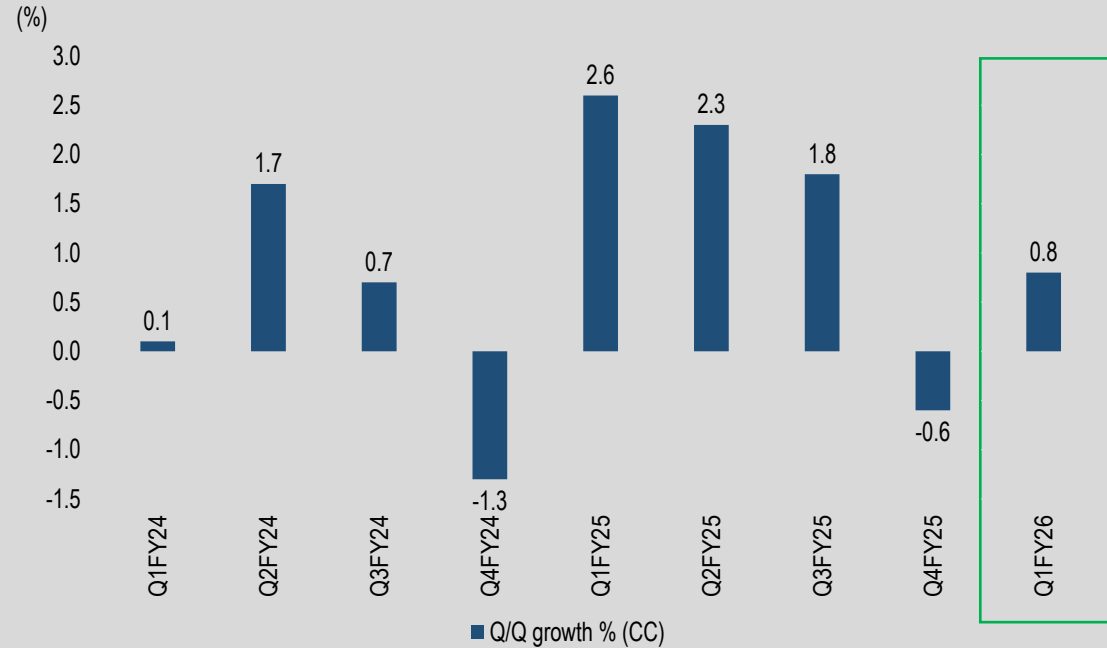
Q1 peer comparison, relative performance: Only large cap IT name which has shown positive sequential growth so far...

	TCS	HCLT	WIPRO	TechM	LTIM
Sales (\$ m)	7,421	3,545	2,587	1,564	1,153
% chg. Q/Q CC	(3.3)	-	(2.0)	(1.4)	0.8
% chg. Y/Y CC	(3.1)	3.0	(2.3)	(1.0)	4.4
% chg. Q/Q	(0.6)	1.3	(0.4)	1.0	2.0
% chg. Y/Y	(1.1)	5.4	(1.5)	0.3	5.2
Sales (Rsm)	6,34,370	3,03,490	2,21,346	1,33,512	98,406
% chg. Q/Q	(1.6)	0.3	(1.6)	(0.2)	0.7
% chg. Y/Y	1.3	8.2	0.8	2.7	7.6
EBITDA (Rsm)	1,68,750	60,350	42,397	19,352	16,494
% chg. Q/Q	(0.6)	(6.9)	(8.0)	3.6	3.3
% chg. Y/Y	1.3	4.2	(2.7)	23.7	2.7
EBITDA margin (%)	26.6	19.9	19.2	14.5	16.8
chg. Q/Q	27 bps	-155 bps	-132 bps	54 bps	43 bps
chg. Y/Y	-1 bps	-76 bps	-68 bps	247 bps	-81 bps
EBIT (Rsm)	1,55,140	49,420	35,542	14,771	14,065
% chg. Q/Q	(0.6)	(9.2)	(8.5)	5.1	4.5
% chg. Y/Y	0.5	3.1	(2.0)	34.0	2.6
EBIT margin (%)	24.5	16.3	16.1	11.1	14.3
chg. Q/Q	26 bps	-171 bps	-121 bps	56 bps	52 bps
chg. Y/Y	-21 bps	-81 bps	-46 bps	259 bps	-70 bps
PBT (Rsm)	1,69,790	51,890	42,533	16,176	17,262
% chg. Q/Q	3.5	(9.5)	(9.8)	8.4	12.9
% chg. Y/Y	4.6	(9.1)	5.6	37.6	13.1
Tax rate (%)	(24.5)	(25.9)	(21.7)	(30.2)	(27.3)
chg. Q/Q	55 bps	-106 bps	283 bps	-866 bps	-112 bps
chg. Y/Y	92 bps	-55 bps	279 bps	-360 bps	-172 bps
Net income (Rsm)	1,27,600	38,430	33,304	11,396	12,541
Net Margin %	20.1%	12.7%	15.0%	8.5%	12.7%

LTIM						
Quarterly results						
Year-end: Mar (Rs m)	Q1FY26	% chg. Q/Q	% chg. Y/Y	FY25	FY26	FY26 % chg. Y/Y
Sales (\$ m)	1,153	2.0	5.2	4,493	4,709	4.8
Sales	98,406	0.7	7.6	3,80,081	4,02,348	5.9
EBITDA	16,494	3.3	2.7	64,949	70,588	8.7
EBITDA margin (%)	16.8	43 bps	-81 bps	17.1	17.5	46 bps
EBIT	14,065	4.5	2.6	55,034	60,726	10.3
EBIT margin (%)	14.3	52 bps	-70 bps	14.5	15.1	61 bps
PBT	17,262	12.9	13.1	62,142	67,809	9.1
Tax	(4,716)	17.7	20.8	(16,122)	(17,833)	10.6
Tax rate (%)	(27.3)	-112 bps	-172 bps	(25.9)	(26.3)	-35 bps
Net income	12,541	11.1	10.6	45,987	49,956	8.6

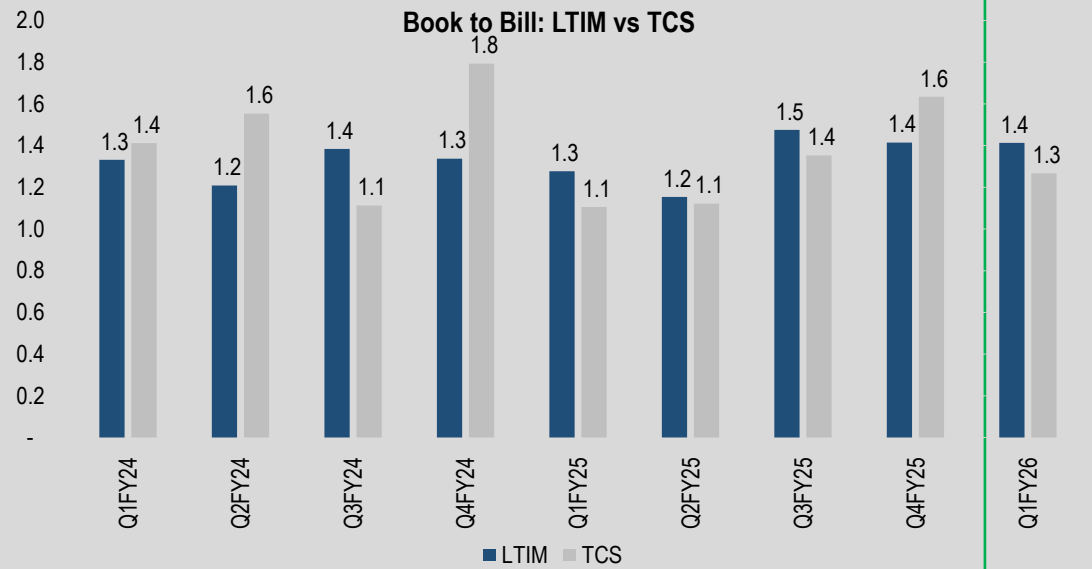
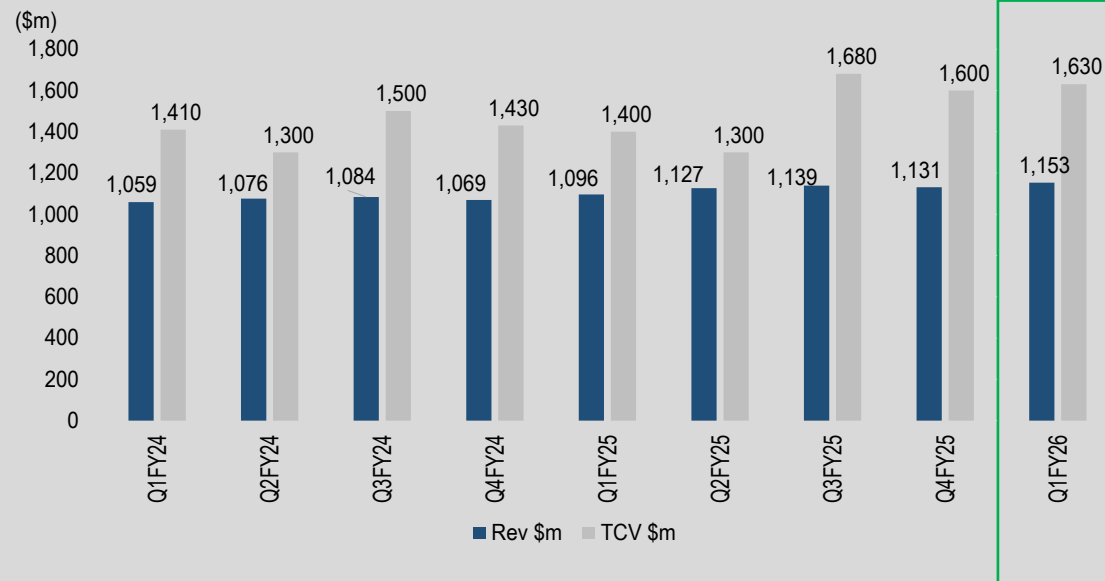
- The only tier-1 IT company this quarter to report CC growth (0.8% q/q, 4.4% y/y), highlighting its resilience in a weak demand environment
- The 50bp sequential margin expansion (14.3% EBIT margin) further reinforces LTIM's operational discipline, driven by early benefits from its Fit4Future program and greater utilisation
- HCLTech and Wipro's sales (in \$ Mn.) pertain to the IT business only. Q/q and y/y CC growth also correspond to IT business.

Steady Q1 performance amid macro uncertainties



- Driven by ramp-ups in the BFSI and Consumer verticals, Q1 was a decent quarter for LTIM with 2% q/q revenue growth (in dollar terms) and 0.8% q/q in CC
 - The company retained its strong deal momentum with stable TCV of \$1.6bn, supporting expectations of a sequential upturn
 - The broad-based growth was led by BFSI and Retail, with Manufacturing resilient amidst macro uncertainty, while TMC saw modest growth, and Healthcare and the Public Sector showed early signs of stabilizing
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- Management expects sequential revenue growth to continue in Q2 and improve in H2, driven by deal conversion, AI traction and continuing benefits from operational discipline

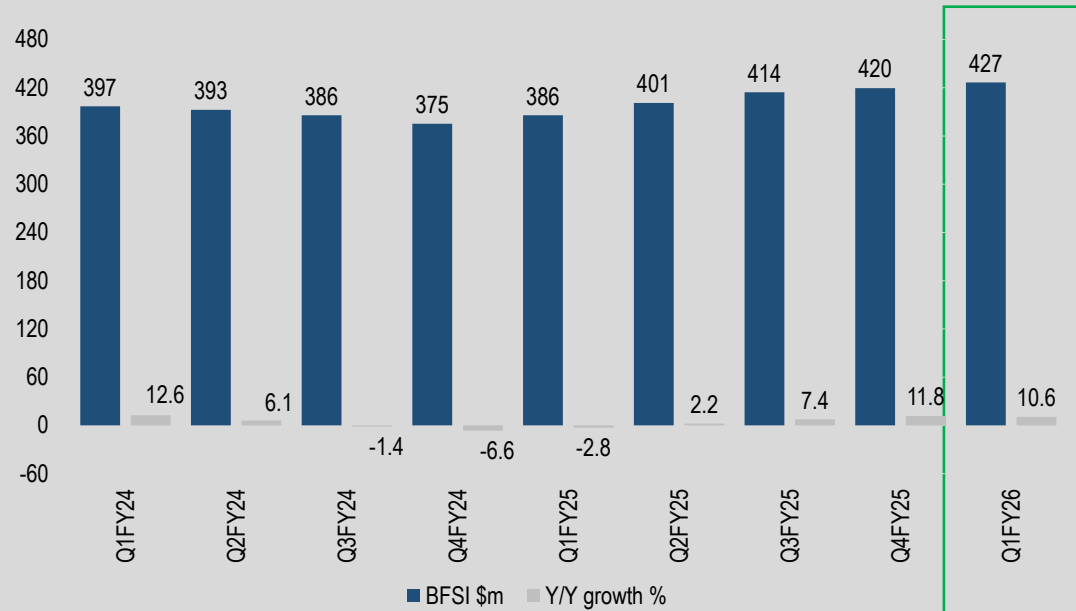
Deal momentum positive, book-to-bill flat



- Q1 orders of \$1.63bn were up 1.9% q/q, 16.4% y/y, reflecting pipeline assurance
- The company's AI strategy has driven significant deals, including a \$450m large one and many manufacturing sector deals
- Deals are not just about TCV anymore. Management noted that the quality and profitability of large orders are improving, with the focus on long-term, multi-service, AI-integrated transformative ones

- The Q1 book-to-bill was higher than that of TCS as the latter more slowly ramped up or re-prioritised **due to client budget re-allocation**
- Continued momentum in vendor consolidation and strategic partnerships (AWS, Google, Microsoft, Databricks) are helping LTIM expand its deal pipeline and growth assurance

BFSI continues its growth momentum; TMC muted...



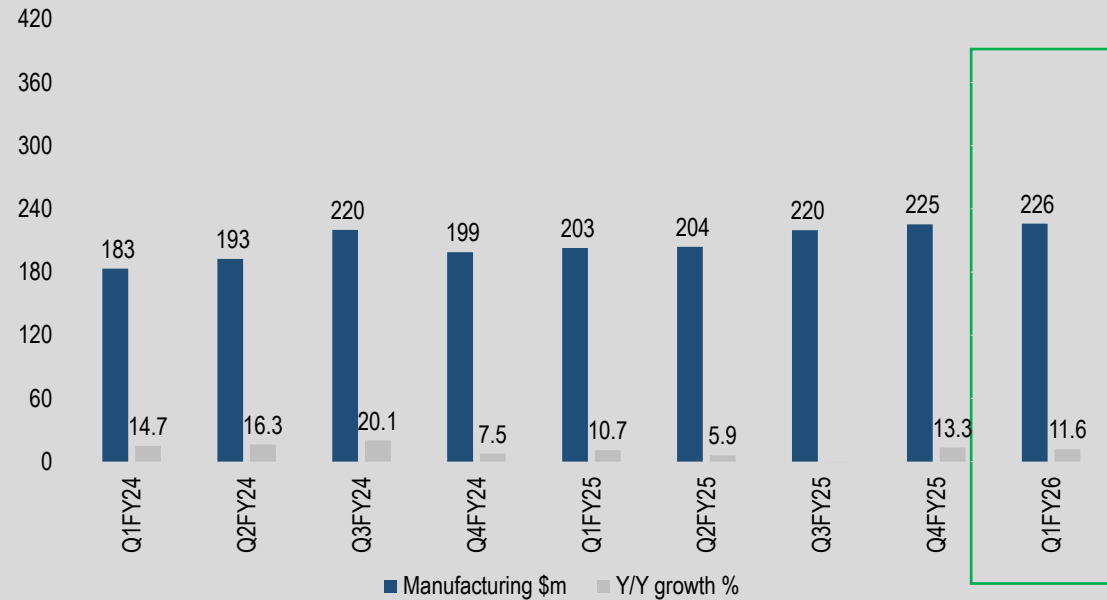
- **BFSI strong.** LTIM generated 37% of its Q1 revenue from BFSI, its largest vertical, with significant exposure to US banks, reinforced by North America's 4.2% y/y growth in Q1 FY26
- BFSI delivered 10.6% y/y, 1.6% q/q revenue growth in Q1. Further, management expects the momentum to persist, underpinned by a strong pipeline of multi-year, AI-driven BFSI deals



- **Tech, Media & Communications** (23% of revenue) grew 0.8% q/q but slid 4.7% y/y
- The performance was muted as discretionary spends were soft; the slight q/q uptick was supported by cloud, security and AI-led projects

Note: The growth numbers here refer to USD growth

Manufacturing and Retail resilient amid macro headwinds, positioning LTIM as an outlier among large cap IT names..



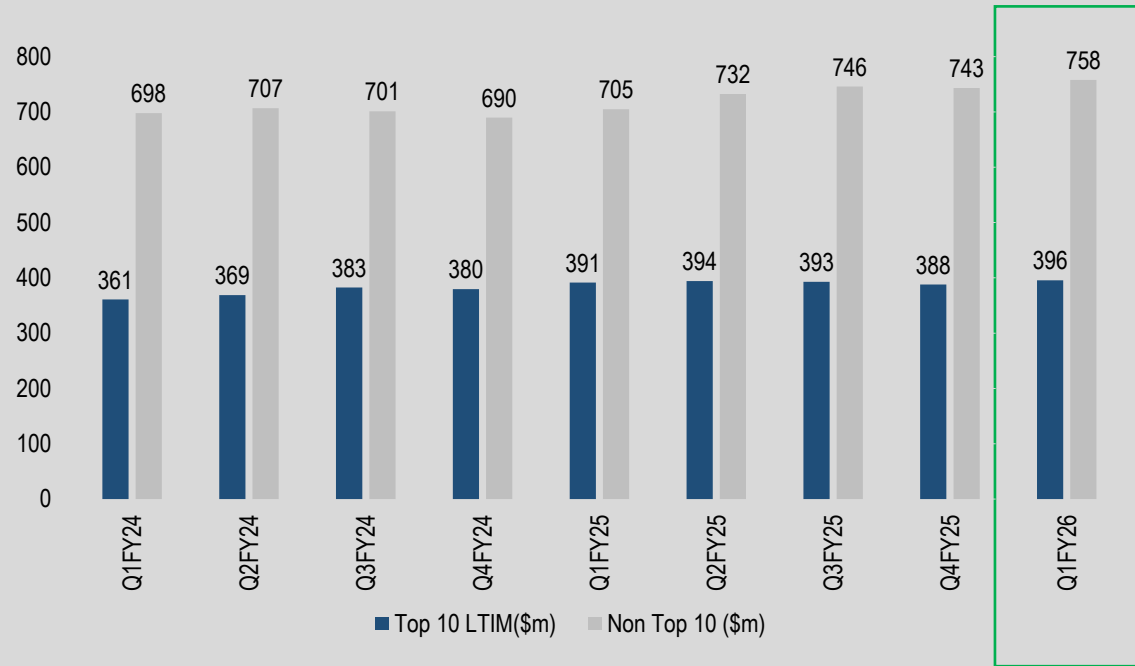
- **Manufacturing (20% of revenue)** is now LTIM's third growth engine after BFSI, driving double-digit y/y growth (11.6%), though flat q/q (0.3% q/q)
- Key orders were of the global agri-business and manufacturing majors in AI-driven supply chains and ERP transformation, expanding client relationships through cloud and sustainability tech



- **Retail (15% of revenue) resilient.** Stabilising with signs of steady growth, driven by operational tech and AI opportunities
- Strong q/q (6.2%) and y/y (5.7%) rebound aided by seasonality and catch-up in discretionary spending
- Key wins in retail supply-chain transformation, CRM and cloud migration

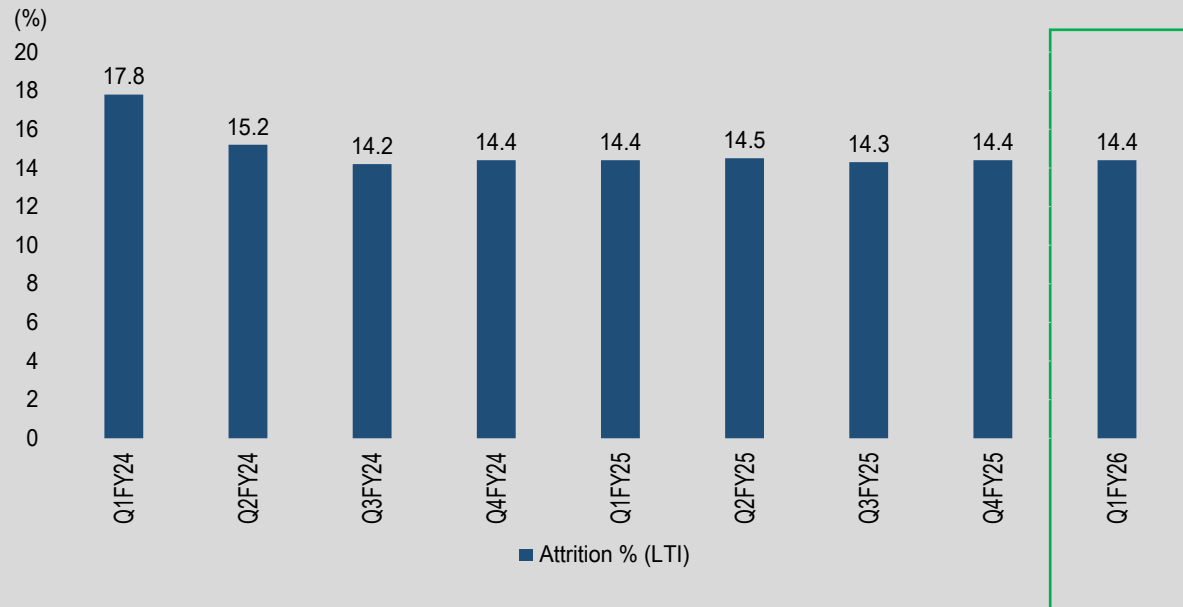
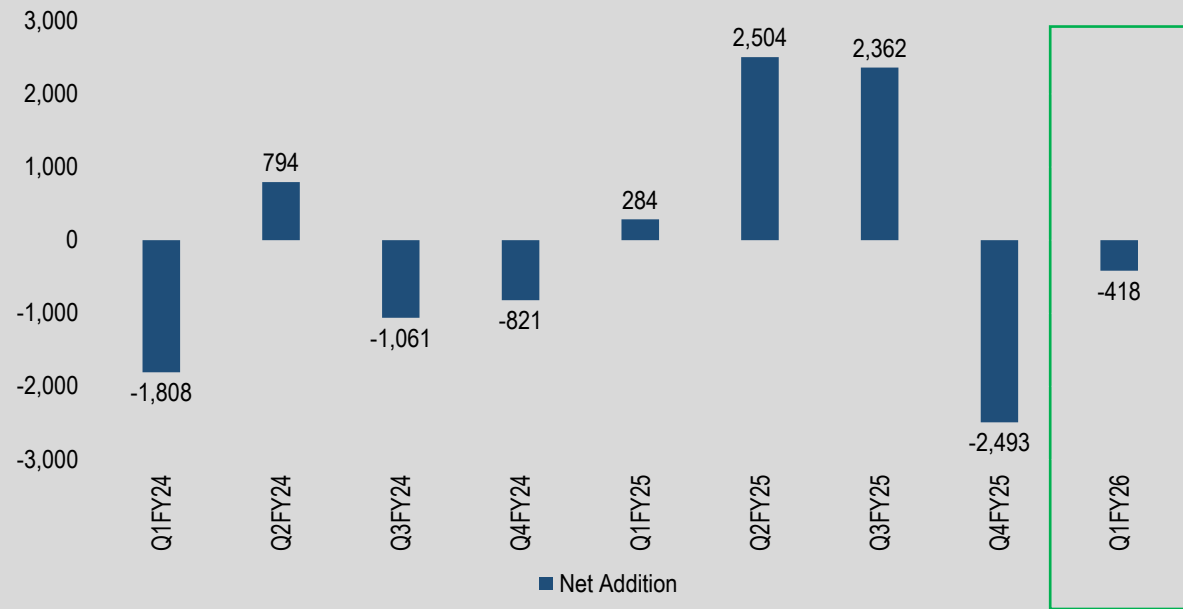
Note: The revenue growth taken for the segments here is USD revenue growth

Non-top-10 clients grew faster



- **The top-10 accounts** did well, up 2% q/q, 1.1% y/y, with their share of Q1 revenue a steady 34.3%, reflecting continued reliance on large strategic accounts
- **Non-top-10 clients were resilient**, with their combined share of revenue rising 2% q/q, 7.5% y/y, to 66%

Employee reduction in Q1; attrition steady q/q



- LTIM saw a net reduction of **418 employees** in Q1, bringing the headcount to **83,889**
- Utilization improved sequentially to 88.1% (from 85.8%), aiding the gross margin recovery. Cost-optimization came through the 'Fit4Future' program
- **Attrition at 14.4%.** Attrition in the past five quarters has broadly been steady

Conference-call highlights – Q1 FY26

- With 0.8% q/q, 4.4% y/y revenue growth in CC, 120bps q/q PAT growth to 12.7% and strong deals, driven by AI-led transformation and operational efficiency, LTIM's Q1 FY26 was decent
- Cost controls and FX gains (~Rs1.3bn; 1.3% of revenues) boosted margins
- Focus on scaling up the AI-led services strategy, enhancing execution through the Fit4Future program & deepening client engagements via vendor-consolidation trends
- The strong \$1.6bn order book (up 16% y/y) underpins confidence in medium-term growth
- AI-led transformation
 - Launch of BlueVerse: An agentic AI ecosystem with over 300 AI agents
 - AI Foundry and GCC-as-a-Service launched to accelerate enterprise AI adoption

Commentary on verticals

- **BFSI (37% of revenue).** Continued to lead growth, underpinned by large deals focused on cost optimisation, risk platforms and technology modernization
- **Manufacturing (20% of revenue).** AI-led supply chain, ERP modernisation driving steady growth
- **Retail (15% of revenue).** Selective recovery evident with strategic engagement in supply-chain and customer experience

Outlook for FY26

- Confident of sustaining the growth momentum into Q2, backed by large orders and execution
- Huge deal pipeline across verticals supports medium-term assurance
- Continued focus on operational rigour, client-mining, AI-led transformation and margin expansion

CEO Commentary, post Q1FY26 Conference Call

Q1FY26 Performance:

- Revenue growth of +2% q/q (USD); margins expanded by ~50bps q/q

Outlook & Growth Drivers:

- Confident of sustaining growth momentum into Q2 and beyond
- H2FY26 expected to achieve near double-digit YoY growth
- Recent large deal announced; further mega-deals nearing closure

Margins & Operational Efficiency:

- 'Fit for Future' program driving cost efficiencies, agility & competitiveness
- Targeting 100bps EBIT margin expansion over the next few quarters

Vertical Commentary (BFSI):

- No structural issues in BFSI; any weakness seen as seasonal/account-specific
- BFSI continues to be a core vertical with strong client relationships

Strategic Initiatives & Medium-Term Confidence:

- Sales transformation underway to strengthen deal-win capabilities
- AI-led pivot (BlueVerse ecosystem) gaining traction; first AI deal closed within 30 days

Factsheet

Revenue-split, by industry (%)

	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26
BFS	37	36	35	35	36	36	37	37
Retail	15	15	15	15	15	14	14	15
Manufacturing	18	20	19	19	18	19	20	20
High-Tech, Media &Entertainment	24	23	24	26	25	24	23	23
Healthcare	7	7	7	6	6	6	6	6

Revenue-split, by region (%)

	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26
North America	73.4	72.7	73.8	75.1	75.0	74.7	74.5	74.4
Continental Europe	15.3	14.5	14.6	14.4	14.4	13.8	13.6	14.7
RoW	11.3	12.8	11.6	10.5	10.6	11.5	11.9	11.0

Effort Mix

	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26
On-site	14.8	15.0	15.1	15.4	15.5	15.4	15.1	15.1
Offshore	85.2	85.0	84.9	84.6	84.5	84.6	84.9	84.9

Client profiles (LTM)

	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26
Client concentration %								
Top 5	26.8	27.5	28.3	28.8	28.4	27.9	27.7	27.3
Top 10	34.3	35.3	35.5	35.7	35.0	34.5	34.3	34.3
Top 20	45.2	45.9	45.9	46.2	45.8	45.5	44.8	44.5

Client bucket growth rates Q/Q%

Top 5	2.0	3.4	1.6	4.3	1.3	(0.7)	(1.4)	0.5
Top 10	2.2	3.7	(0.8)	3.1	0.8	(0.4)	(1.3)	2.0
Top 20	2.3	2.3	(1.3)	3.2	1.9	0.4	(2.2)	1.3
Active clients	737.0	739.0	738.0	748.0	742.0	742.0	741.0	741.0
New Client Adds	30.0	23.0	30.0	27.0	22.0	23.0	26.0	17.0
Revenue per active client (\$ m)	1.5	1.5	1.4	1.5	1.5	1.5	1.5	1.6

Client profiles (LTM)

	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26
\$1m+	391	388	394	390	392	401	410	404
\$5m+	146	149	153	148	154	152	154	159
\$10m+	90	89	91	87	88	90	89	90
\$20m+	41	40	40	43	42	39	40	41
\$50m+	14	12	13	12	12	13	14	14
\$100m+	2	2	2	2	2	2	2	2

Client additions (LTM)

	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26
\$1m+	30	14	11	2	1	13	16	14
\$5m+	9	5	7	-	8	3	1	11
\$10m+	13	8	10	(1)	(2)	1	(2)	3
\$20m+	3	3	2	3	1	(1)	-	(2)
\$50m+	3	1	-	(1)	(2)	1	1	2
\$100m+	-	-	-	-	-	-	-	-

Employee Movement

	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26
Number of employees	83,532	82,471	81,650	81,934	84,438	86,800	84,307	83,889
Development	78,276	77,203	76,460	76,837	79,374	81,641	79,081	78,729
Sales and Support	5,256	5,268	5,190	5,097	5,064	5,159	5,226	5,160
Net additionss, quarterly	794	(1,061)	(821)	284	2,504	2,362	(2,493)	(418)
Attrition %	15	14	14	14	15	14	14	14

Key Vertical, horizontals and geographies growth (%)

	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26
Top-five verticals growth (Y/Y)								
BFS	6.1%	-1.4%	-6.6%	-2.8%	2.2%	7.4%	11.9%	10.6%
Manufacturing	16.3%	20.1%	7.5%	10.7%	5.9%	-0.1%	13.3%	11.6%
High-Tech, Media &Entertainment	-1.0%	0.5%	6.8%	11.8%	11.8%	8.7%	2.2%	-4.7%
Healthcare	0.6%	6.8%	14.4%	0.3%	3.1%	1.8%	-16.5%	-4.7%

Key regional growth, %, Y/Y

North America	6.0%	4.1%	3.8%	6.4%	7.0%	8.0%	6.8%	4.2%
Continental Europe	10.3%	0.8%	-4.1%	-1.9%	-1.4%	0.0%	-1.5%	7.4%
ROW	-4.9%	3.5%	-7.6%	-7.1%	-1.7%	-5.6%	8.5%	10.2%

Estimates largely retained

LTIM (Rs m)	FY26			FY27			FY28		
	New	Old	% Change	New	Old	% Change	New	Old	% Change
Revenue (\$ m)	4,709	4,765	(1.2)	5,213	5,292	(1.5)	5,701	5,798	(1.7)
Revenues	4,02,296	4,07,225	(1.2)	4,45,511	4,52,305	(1.5)	4,87,282	4,95,556	(1.7)
EBITDA	70,553	71,274	(1.0)	85,151	82,528	3.2	94,615	92,771	2.0
EBITDA margins %	17.5%	17.5%	4 bps	19.1%	18.2%	87 bps	19.4%	18.7%	70 bps
EBIT	60,690	60,989	(0.5)	74,045	70,946	4.4	82,772	80,421	2.9
EBIT margins %	15.1%	15.0%	11 bps	16.6%	15.7%	93 bps	17.0%	16.2%	76 bps
PBT	67,773	67,916	(0.2)	80,630	79,395	1.6	90,330	89,461	1.0
Net profit	49,930	50,288	(0.7)	59,687	58,788	1.5	66,890	66,242	1.0

Key estimates and changes

- No material change in estimates. We retain our Buy recommendation on the stock, with FY27e/FY28e P/E of 25.4x/22.7x (vs. the last five-year avg. of the one-year fwd. being ~33x) and FY26e-28e EPS CAGR of 15.7%
- Our target price is Rs.6,094, implying 19.0% upside potential

Valuation considerations

The multiples method assumes re-rating, driven by higher growth than large cap peers, with improving margins and strong execution focus

- Assumes 190bp EBIT-margin expansion over FY26e-28e (15.1-17%), with a 15.7% FY26-28 EPS CAGR.
- The stock now quotes at 25.4x/22.7x FY27e/28e P/Es
- Our TP is Rs6,094 (19.0% potential from the 18th Jul'25 price of Rs.5,122), applying a 50% weighting each to the multiples method and DCF.

S.No	Valuation methodology	Assumptions	Intrinsic value	Target price
1.	12 months ending Sep-27e fwd.-multiple method	A 30x P/E multiple to 12 months ending Sep'27e EPS of Rs.213.8	Rs.6,413	
2.	DCF (base case)	<ul style="list-style-type: none"> 15-year DCF, with 5% terminal growth rate. FY25-30 revenue CAGR (base case): 9.7%. WACC: 11% 	Rs.5,775	
	Overall	50% weights each to 1 & 2, to arrive at our TP		Rs.6,094

DCF assumptions	Unit	
Valuation date		30 th Jun'25
WACC	%	11.0
TGR (terminal growth)	%	5.0
Risk-free rate	%	6.3
ERP (eq. risk premium)	%	5.3
Beta		0.89
Capital structure	Unit	
Eq. (% of total capital)	%	100
Debt (% of total capital)	%	0
Cost of equity	%	11
Cost of debt	%	8

Implied share-price sensitivity (base case), Rs						
		Terminal growth rate (%)				
		4.5%	4.75%	5.0%	5.25%	5.5%
WACC (%)	10.5%	6,041	6,174	6,320	6,479	6,654
	10.75%	5,787	5,906	6,035	6,176	6,330
	11.0%	5,553	5,660	5,775	5,900	6,037
	11.25%	5,338	5,433	5,536	5,648	5,769
	11.5%	5,138	5,224	5,316	5,416	5,525

Quick Glance - Financials and Valuations

Key financials

Fig 1 – Income statement (Rs m)

Year-end: Mar	FY24	FY25	FY26	FY27e	FY28e
Revenues (US\$m)	4,287	4,493	4,709	5,213	5,701
Growth (%)	4.4	4.8	4.8	10.7	9.4
Net revenues (Rs m)	3,55,170	3,80,081	4,02,296	4,45,511	4,87,282
Employee & Direct Costs	2,64,218	2,82,128	2,95,878	3,23,267	3,52,104
Gross Profit	90,952	97,953	1,06,418	1,22,244	1,35,179
Gross Margin %	25.61	25.77	26.45	27.44	27.74
SG&A	27,078	33,004	35,865	37,093	40,564
EBITDA	63,874	64,949	70,553	85,151	94,615
EBITDA margins (%)	18.0	17.1	17.5	19.1	19.4
- Depreciation	8,189	9,915	9,863	11,106	11,843
Other income	7,019	9,897	9,979	9,192	10,164
Interest Exp	2,217	2,789	2,896	2,606	2,606
PBT	60,487	62,142	67,773	80,630	90,330
Effective tax rate (%)	24	26	26	26	26
+ Associates/(Minorities)	-25	-33	-20	-20	-20
Net Income	45,821	45,987	49,930	59,687	66,870
WANS	296	296	296	296	296
FDEPS (Rs/share)	155	155	169	202	226

Fig 3 – Cash Flow statement (Rs m)

Year-end: Mar	FY24	FY25	FY26	FY27e	FY28e
PBT	60,487	62,142	67,773	80,630	90,330
+ Non-cash items	5,940	4,493	9,863	11,105	11,843
Operating profit before WC changes	66,427	66,635	77,636	91,735	1,02,173
- Incr./(decr.) in WC	-5,975	4,803	808	3,511	2,244
Others including taxes	-17,998	-16,829	-17,823	-20,923	-23,440
Operating cash-flow	54,404	45,003	59,004	67,301	76,488
- Capex (tangible + Intangible)	8,330	9,336	8,876	8,716	8,315
Free cash-flow	46,074	35,667	50,128	58,585	68,174
Acquisitions	-59	-75	-	-	-
- Dividend (including buyback & taxes)	17,753	19,246	21,164	23,280	25,608
+ Equity raised	-	-	-	-	-
+ Debt raised	-866	-399	-	-	-
- Fin Investments	33,305	11,547	22,740	27,288	32,745
- Misc. Items (CFI + CFF)	1,559	2,432	-	-	-
Net cash-flow	-7,468	1,968	6,224	8,017	9,820

Source: Company, Anand Rathi Research

Fig 2 – Balance sheet (Rs m)

Year-end: Mar	FY24	FY25	FY26	FY27e	FY28e
Share capital	296	296	296	296	296
Net worth	2,00,172	2,26,983	2,55,749	2,92,155	3,33,416
Total debt (incl. Pref)	407	23	23	23	23
Minority interest	92	132	152	172	192
DTL/(Asset)	-2,314	-1,978	-1,978	-1,978	-1,978
Capital employed	1,98,357	2,25,160	2,53,946	2,90,372	3,31,653
Net tangible assets	35,568	39,631	39,644	38,254	35,726
Net Intangible assets	15,078	14,212	13,212	12,212	11,212
Goodwill	6,900	6,900	6,900	6,900	6,900
CWIP (tang. & intang.)	4,669	5,818	5,818	5,818	5,818
Investments (Strategic)					
Investments (Financial)	97,396	1,13,699	1,36,439	1,63,727	1,96,472
Current Assets (ex Cash)	1,02,218	1,10,020	1,13,924	1,22,717	1,30,700
Cash	18,200	20,623	26,847	34,864	44,684
Current Liabilities	74,772	78,843	81,939	87,220	92,959
Working capital	27,446	31,177	31,985	35,497	37,741
Capital deployed	1,98,357	2,25,160	2,53,946	2,90,372	3,31,653
	-	-	-	-	-

Fig 4 – Ratio analysis

Year end Mar	FY24	FY25	FY26	FY27e	FY28e
P/E (x)	33.6	33.5	30.4	25.4	22.7
EV/EBITDA (x)	22.0	21.6	19.6	16.2	14.6
EV/sales (x)	-	-	-	-	-
P/B (x)	7.7	6.8	5.9	5.2	4.6
RoE (%)	25.0	21.5	20.7	21.8	21.4
RoCE (%) - After tax	20.8	17.3	16.9	18.5	18.2
RoIC (%) - After tax	41.0	36.8	38.7	47.2	52.8
DPS (Rs per share)	65.0	65.0	71.5	78.7	86.5
Dividend yield (%)	1.3	1.3	1.4	1.5	1.7
Dividend payout (%) - Inc. DDT	42.0	41.9	42.4	39.0	38.3
Net debt/equity (x)	-0.6	-0.6	-0.6	-0.7	-0.7
Receivables (days)	72	74	73	72	71
Inventory (days)					
Payables (days)	19	18	18	18	19
CFO:PAT%	124	99	118	113	114
FCF:PAT% - includ M&A payout	100	77	100	98	102

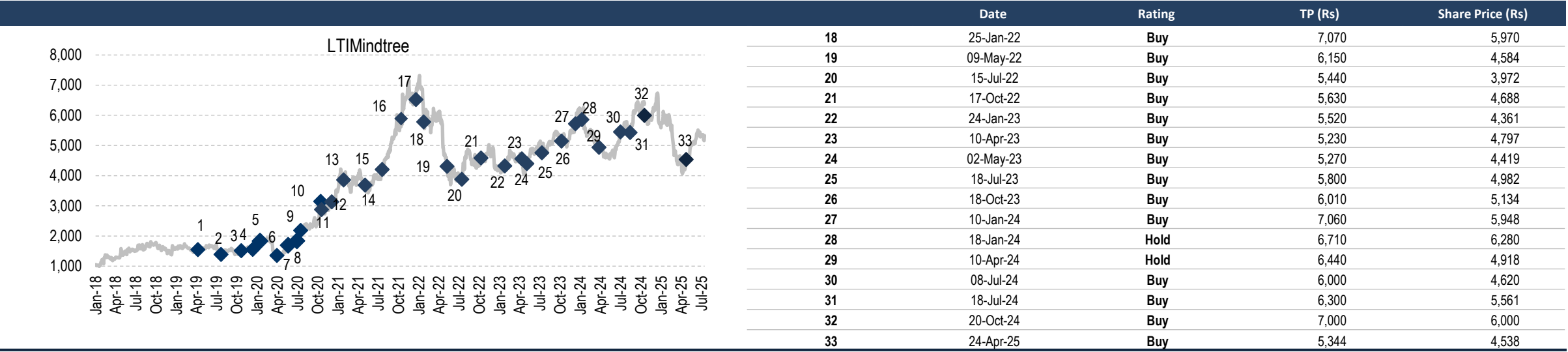
Source: Company, Anand Rathi Research

Appendix

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