

Tata Consultancy Services | BUY

Flexing muscle, finally

TCS' 2Q operational performance exceeded expectations. Revenues grew 0.8% cc QoQ, ahead of JMFe (0.2%). EBIT margin expanded 70bps (JMFe: +20bps). Deal wins improved 16% YoY to USD 10bn, with an LTM book-to-bill of 1.4x. Its unchanged outlook – FY26 International revenue growth to be better than FY25 (0.7% cc) – and BSNL's remaining orderbook (USD 340mn) suggest growth should accelerate in 2H. 3% sequential reduction in headcount (including 1% through involuntary attrition), with another c.1% involuntary reduction ahead indicate a durable reset in cost base. This should either help TCS improve margins or allow it to invest for growth, improving earnings visibility in either scenario. While these drive 2% upgrades to our FY26-28E EPS, the key highlight of the quarter was TCS' deterministic AI-pivot. TCS announced 1GW of co-lo AI Data Center capacity in India over the next 5-7 years, with a total investment of c.USD 7bn. It also indicated its renewed emphasis on inorganic growth, in areas such as AI, Cloud, Cybersecurity etc. As we noted in [Data Centre 101: India's Cloud Moment](#), DC demand in India is unequivocally rising. We therefore find its co-lo foray value accretive, though see limited synergies with its Services business at this stage. Importantly however, TCS' willingness to put its balance sheet to use, a significant deviation from its earlier conservative approach, is a welcome change in the current dynamic environment. Investors should encourage this. **BUY**.

- **2QFY26- beat on all fronts:** Constant currency revenues grew 0.8% QoQ vs JMFe/Cons est. of 0.2%/0.4%. India revenues grew 4% QoQ in cc. International revenues grew 0.6%. All geographies grew except UK (-1.4% QoQ cc). Growth was broad based across verticals as well. EBIT margins expanded 70bps QoQ to 25.2%, ahead of estimates (JMFe: 24.7%). Currency (80bps), Pyramid (40bps) and efficiency (20bps) aided margins offset by one month impact of wage hikes (-70bps). PAT (excl. restructuring expenses of INR 11.35bn) stood at INR 129bn (3% beat on JMFe). Headcount declined by c.20k, a decline of 3% (1% involuntary). TCS announced acquisition of ListEngage LLC (FY24 rev: USD 24.3mn; 100 employees) for a consideration of c.USD 73mn. ListEngage helps in marketing transformation and is a Salesforce summit partner. TCS also announced the incorporation of a WOS to establish AI Data centres. This entity will setup 1GW (colocation) of AI DC capacity with projected capex of USD 6.7bn.
- **Outlook- better than FY25:** Deal wins grew 16% YoY to USD 10bn, at a book-to-bill of 1.34x. with a healthy pipeline led by cost takeouts and services and platform deals. Discretionary demand remains muted. However, project deferrals have reduced. Management expect FY26 international business growth to surpass FY25 (+70bps YoY cc) and expect furloughs to be similar to FY25. BSNL contribution is expected to remain flat in Q3 while new projects stalled due to cyberattack at a key client are expected to ramp. TCS outlined its aspiration to become the world's largest AI tech services company. Internal transformation, AI led solutions, Skilling, expanding partnerships were some of the initiatives highlighted. The AI DC WOS will scale capacity in a uniform manner over 5-7 years and financial partners will co-invest. This entity will not be margin dilutive and return ratios will sustain. TCS reiterated their margin target of 26-28% driven by productivity, efficiency and outcome based models offset by AI investments. Q3 will see full impact of wage hikes and restructuring costs are expected through out the year.
- **EPS raised 2%; Maintain BUY:** 3% reduction in headcount with 1% ahead signals a durable reset in cost base, resulting in 43-74bps increase to our margin estimates. This drives EPS upgrades of 2% over FY26-28E. We have not built any contribution from DC yet and continue to value the stock at 21x to arrive at our TP of INR 3,520 (from INR 3,410). Maintain BUY.



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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	3,520
Upside/(Downside)	15.0%
Previous Price Target	3,410
Change	3.2%

Key Data – TCS IN

Current Market Price	INR3,062
Market cap (bn)	INR11,077.5/US\$124.8
Free Float	23%
Shares in issue (mn)	3,618.1
Diluted share (mn)	3,618.1
3-mon avg daily val (mn)	INR9,505.5/US\$107.1
52-week range	4,424/2,867
Sensex/Nifty	82,172/25,182
INR/US\$	88.8

Price Performance

%	1M	6M	12M
Absolute	0.4	-5.7	-26.9
Relative*	-0.5	-15.2	-27.4

* To the BSE Sensex

Financial Summary

(INR mn)

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	24,08,930	25,53,240	26,71,323	28,28,981	30,41,407
Sales Growth (%)	6.8	6.0	4.6	5.9	7.5
EBITDA	6,42,950	6,74,070	7,31,207	7,84,588	8,50,073
EBITDA Margin (%)	26.7	26.4	27.4	27.7	28.0
Adjusted Net Profit	4,68,660	4,85,530	5,35,156	5,71,687	6,26,060
Diluted EPS (INR)	128.5	134.2	147.9	158.0	173.0
Diluted EPS Growth (%)	11.6	4.4	10.2	6.8	9.5
ROIC (%)	97.3	95.5	95.7	97.1	102.4
ROE (%)	50.6	51.2	50.3	44.4	40.1
P/E (x)	23.8	22.8	20.7	19.4	17.7
P/B (x)	12.1	11.4	9.6	7.8	6.5
EV/EBITDA (x)	16.5	15.8	14.3	13.0	11.7
Dividend Yield (%)	2.4	4.1	2.5	2.8	3.1

Source: Company data, JM Financial. Note: Valuations as of 09/Oct/2025

JM Financial Research is also available on: Bloomberg - JMFR <GO>, FactSet, LSEG and S&P Capital IQ.

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

Key highlights from the call

- **Demand:** TCS highlighted that the macro environment has not changed much compared to the last quarter. Management commentary indicated that clients continued to keep tight control over discretionary budgets, focusing on vendor consolidation to achieve transformation objectives. They added that while smaller deals did not see any significant improvement, they witnessed an increase in the number of rapid build and modernization projects. Leadership highlighted that BFSI demand stayed steady with strong traction in insurance, while manufacturing and life sciences also saw good activity. They noted that consumer business de-grew sequentially. Geographically, they mentioned that India and emerging markets reported strong growth, while the UK remained soft.
- **Outlook:** Management maintained a positive outlook and expect FY26 international business growth to be better than FY25 (0.7% cc) based on client conversations, Q2 TCV growth, and pipeline. They highlighted limited impact of H-1B proclamation, citing significantly localized workforce in the US with just ~500 associates on H-1B. Management also addressed the recent cybersecurity incidents, clarifying that TCS systems were not impacted and that client projects affected by the event are expected to pick up in the coming weeks. They expect furlough levels to be similar to last year and BSNL contribution to remain flat in Q3 subject to seasonality. Moreover, on the back of existing client relationships and AI strategy, they are confident on becoming the largest AI-led technology services company.
- **Bookings:** TCS reported a TCV of USD 10bn in Q2 FY26, up 16% YoY and 6.5% sequentially. They highlighted a significant mega deal with the insurance company Tryg. Management mentioned that their performance reflected balanced deal wins across verticals and geographies. They noted that BFSI contributed USD 3.2bn of TCV, while consumer business contributed USD 1.8bn. Management attributed the strong TCV to demand for AI-led modernization, vendor consolidation, and cost-efficiency programs.
- **Margin:** Operating margin for Q2 FY26 stood at 25.2% (excluding INR 11.3bn severance costs), marking a sequential improvement of 70bps despite one month impact of wage hikes. Management highlighted that margins were impacted by – headwind: 70bps due to wage hikes rolled out for 80% of employees, which were largely offset by tailwinds: 80bps due to currency, 40bps due to pyramid rebalancing, and 20bps from operating efficiency. They added that wage hikes will impact margins for the full Q3. Management reiterated its focus on disciplined execution and expect margins to gradually move towards the aspired 26–28% band over the medium term.
- **Data Centre focus:** TCS announced the formation of a new subsidiary that will focus on building a sovereign AI data centre, with a targeted capacity of up to 1 GW to be developed over five to seven years. Management said that they will follow a co-location model, where they will provide the passive infrastructure and clients will bring in compute and storage. They expect the capital intensity to be ~USD 1bn per 150 MW, with funding to be structured through a mix of equity and debt, supported by financial partners. They expect the first phase to become operational in 18–24 months, with initial anchor clients from hyperscalers, deep-tech AI firms, Indian enterprises, and sovereign projects. TCS said that India's current installed data-centre capacity stands ~1.2 GW. They highlighted that while demand could expand nearly 10x in the next five to six years, the committed capacity is only ~5-6 GW – creating a significant revenue opportunity.
- **AI strategy:** As a part of their AI strategy, management laid out five pillars: (i) make TCS AI-first – enable employees to learn, experiment, and embed AI in daily work; (ii) redefine every service line under a “human + AI” delivery blueprint; (iii) build a future-ready talent model by investing in future-ready skills, embracing new ways of working, and recruiting top talent locally; (iv) make AI real for clients by rapid builds, AI labs/offices, and value-chain solutions across industries; and (v) strengthening ecosystem partnerships and stepping up efforts in M&A, while investing in infrastructure like data centres and scaling AI platforms – this includes the recent acquisition of ListEngage.

- **Supply Side:** Management reiterated its focus on optimizing the delivery pyramid through a shift towards an AI-augmented delivery model. They highlighted that ~1% of the workforce has been released so far, and while they are not chasing a target, they expect a total of ~2% rationalization over the next few quarters. The company continues to build a deep AI talent pool through targeted reskilling programs and selective hiring. They highlighted that the severance costs linked to release of employees are expected to persist for the next two quarters before normalizing.

Exhibit 1. 2QFY26 result summary

	2Q26 A	1Q26 A	Change (QoQ)	Estimate (JMFe)	Variance (vs. JMFe)	Estimate (Consensus)	Variance (vs. consensus)	QoQ estimate	
								JMFe	Consensus
USD-INR	88.13	85.48	3.1%	87.37	0.9%	87.48	0.7%	2.2%	2.3%
CC Revenue Growth (QoQ)	0.8%	-3.3%	0.8%	0.2%	62bp	0.4%	40bp	0.2%	0.4%
Revenue (USD mn)	7,466	7,421	0.6%	7,474	-0.1%	7,473	-0.1%	0.7%	0.7%
Revenue (INR mn)	657,990	634,370	3.7%	652,973	0.8%	653,729	0.7%	2.9%	3.1%
EBIT (INR mn)	165,650	155,140	6.8%	161,172	2.8%	161,471	2.6%	3.9%	4.1%
EBIT margin	25.2%	24.5%	72bp	24.7%	49bp	24.7%	48bp	23bp	24bp
PAT (INR mn)	129,040	128,190	0.7%	125,432	2.9%	125,516	2.8%	-2.2%	-2.1%
EPS (INR)	35.7	35.4	0.7%	34.7	2.9%	34.7	2.8%	-2.2%	-2.1%

Note: PAT and EPS excludes severance related restructuring expenses of INR 11.35bn. Source: Company, JM Financial estimates

2QFY26 result review

Exhibit 2. Key Financials

(INR mn)	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
Cons. revenues (USD mn)	7,363	7,505	7,670	7,539	7,465	7,421	7,466
Change (YoY/QoQ)	1.1%	1.9%	2.2%	-1.7%	-1.0%	-0.6%	0.6%
Cons. Revenues	6,12,370	6,26,130	642,590	639,730	644,790	634,370	657,990
Change (YoY/QoQ)	1.1%	2.2%	2.6%	-0.4%	0.8%	-1.6%	3.7%
Cost of revenues	3,50,840	3,67,210	387,340	380,610	383,890	375,450	386,650
Gross profit	2,61,530	2,58,920	255,250	259,120	260,900	258,920	271,340
Gross margin	42.7%	41.4%	39.7%	40.5%	40.5%	40.8%	41.2%
Total operating expenses	89,890	92,300	87,930	88,790	91,100	90,170	91,560
EBITDA	1,71,640	1,66,620	167,320	170,330	169,800	168,750	179,780
EBITDA margin	28.0%	26.6%	26.0%	26.6%	26.3%	26.6%	27.3%
Depreciation	12,460	12,200	12,670	13,760	13,790	13,610	14,130
EBIT	1,59,180	1,54,420	154,650	156,570	156,010	155,140	165,650
EBIT margin	26.0%	24.7%	24.1%	24.5%	24.2%	24.5%	25.2%
Non-operating income	9,310	7,890	5,670	10,090	8,010	14,650	6,380
Profit before tax	1,68,490	1,62,310	160,320	166,660	164,020	169,790	172,030
Income tax expense	43,470	41,260	40,770	42,220	41,090	41,600	42,430
PAT from operations	1,25,020	1,21,050	119,550	124,440	122,930	128,190	129,600
Minority interest	680	650	460	640	690	590	560
Net Profit (reported)	1,24,340	1,20,400	119,090	123,800	122,240	127,600	129,040
Adjusted EPS (INR)	34.4	33.28	32.92	34.22	33.79	35.27	35.67
Change (QoQ/YoY)	4.4%	-3.2%	-1.1%	4.0%	-1.3%	4.4%	8.4%

Note: PAT and EPS exclude severance related restructuring expenses of INR 11.35bn. Source: Company, JM Financial

Exhibit 3. Verticals portfolio

	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
Distribution					
BFSI	30.8%	30.5%	31.2%	32.0%	32.2%
Consumer Business	15.1%	15.3%	15.3%	15.6%	15.3%
Communication & Media	5.9%	5.8%	5.8%	5.8%	5.9%
Life Science & Healthcare	10.4%	10.1%	10.1%	10.2%	10.5%
Manufacturing	8.6%	8.4%	8.4%	8.7%	8.8%
Energy & Utilities	5.7%	5.6%	5.7%	5.9%	5.9%
Technology & Services	8.0%	8.0%	8.1%	8.4%	8.5%
Regional Markets & Others	15.5%	16.3%	15.4%	13.4%	12.9%
USD revenue (mn) and QoQ growth					
BFSI	2,362	2,299	2,329	2,402	2,404
Change (QoQ)	1.9%	-2.7%	1.3%	3.1%	1.2%
Consumer Business	1,158	1,153	1,142	1,171	1,142
Change (QoQ)	0.2%	-0.4%	-1.0%	2.5%	-1.3%
Communication & Media	453	437	433	435	440
Change (QoQ)	-2.7%	-3.4%	-1.0%	0.5%	2.3%
Life Science & Healthcare	798	761	754	766	784
Change (QoQ)	-3.4%	-4.5%	-1.0%	1.5%	3.6%
Energy & Utilities	437	422	426	443	440
Change (QoQ)	4.0%	-3.4%	0.8%	4.1%	0.6%
Manufacturing	660	633	627	653	657
Change (QoQ)	-0.1%	-4.0%	-1.0%	4.1%	1.8%
Technology & Services	614	603	605	630	635
Change (QoQ)	0.9%	-1.7%	0.3%	4.3%	1.8%
Regional Markets & Others	1,189	1,229	1,150	1,006	963
Change (QoQ)	13.1%	3.4%	-6.4%	-12.5%	-3.1%

Source: Company, JM Financial

Revenue grew 0.8% QoQ in CC terms, with a cross currency headwind of 20 bps. International business saw growth of 0.6% cc QoQ

EBIT margin improved 72 bps sequentially
Margin walk:

Tailwinds were currency (+80bps), pyramid (+40bps) and Operational efficiency (+20bps). Headwind was wage hike (-70bps).

Revenues growth was resilient amidst macro uncertainty. Growth was broad based across verticals and geographies. Among geographies only UK saw sequential decline (cc), Consumer and regional markets saw decline among verticals.

Exhibit 4. Deal momentum

	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
Booking (USD bn)					
BFSI	2.9	3.2	4.0	2.5	3.2
Consumer Business	1.2	1.3	1.7	1.6	1.8
Other verticals	4.5	5.7	6.5	5.3	5
Total	8.6	10.2	12.2	9.4	10
North America	4.2	5.9	6.8	4.4	4.3
Other Geographies	4.4	4.3	5.4	5	5.7
Billing (USD bn)					
BFSI	2.36	2.30	2.3	2.4	2.4
Consumer Business	1.16	1.15	1.1	1.2	1.1
Other verticals	4.15	4.09	4.0	3.9	3.9
Total	7.67	7.54	7.5	7.5	7.5
North America	3.65	3.60	3.6	3.6	3.6
Other Geographies	4.02	3.94	3.9	3.9	3.8
Book-to-Bill					
BFSI	1.23	1.39	1.72	1.04	1.33
Consumer Business	1.04	1.13	1.49	1.37	1.58
Other verticals	1.08	1.39	1.63	1.36	1.28
Total	1.12	1.35	1.63	1.26	1.34
North America	1.15	1.64	1.89	1.22	1.18
Other Geographies	1.09	1.09	1.40	1.29	1.49

Source: Company, JM Financial

Exhibit 5. Expense analysis

Cost of revenue	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
Employee cost	45.1%	46.0%	45.5%	44.4%	45.3%	47.6%	46.9%
Fees to external consultants	4.6%	4.0%	4.4%	4.4%	4.5%	4.8%	5.0%
Equipment & Software	2.5%	3.4%	5.0%	5.5%	4.3%	1.1%	1.5%
Depreciation	1.6%	1.5%	1.5%	1.7%	1.7%	1.7%	1.7%
Travel	0.9%	1.0%	1.0%	0.9%	0.9%	1.0%	0.9%
Communication	0.6%	0.6%	0.6%	0.6%	0.7%	0.7%	0.7%
Facility expenses	0.8%	0.8%	0.8%	0.9%	0.9%	0.9%	0.8%
Other expenses	2.7%	2.8%	2.9%	2.9%	3.1%	3.0%	2.9%
Total cost of revenues	58.9%	60.1%	61.8%	61.2%	61.2%	60.9%	60.4%

Source: Company, JM Financial

Exhibit 6. Client Metrics

	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
Bucket movement					
USD 1-5mn	597	587	609	622	653
Change	-16	-10	22	13	31
USD 5-10mn	219	225	230	219	209
Change	8	6	5	-11	-10
USD 10-20mn	193	203	195	195	196
Change	7	10	-8	0	1
USD 20-50mn	162	160	168	169	166
Change	2	-2	8	1	-3
USD 50-100mn	70	70	66	69	76
Change	-7	0	-4	3	7

Source: Company, JM Financial

Exhibit 7. Key Manpower metrics

	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
Total headcount	612,724	607,354	607,979	613,069	593,314
Net addition	5,736	-5,370	625	5,090	-19,755
Attrition (%) - LTM	12.3%	13.0%	13.3%	13.8%	13.3%

Source: Company, JM Financial

There was a INR 2bn increase in equipment and software expenses with regard to BSNL in 2Q. BSNL contribution is expected to remain flat in Q3 subject to seasonality.

Decline in headcount involved voluntary and involuntary attrition. 1% of the workforce was relieved at the senior and mid-level who could not be reskilled. Additional 1% headcount restructuring is expected

Maintain BUY, Revised TP of 3,520

We have largely maintained our topline assumptions over FY26-28E. However, we have raised our EBIT Margin assumptions by 43-74bps. This is primarily due to reduction in employee benefit expenses. 3% headcount reduction in 2Q and an additional 1% ahead indicates a durable reduction to the cost base driving margin expansion. The target range for margins was noted to be 26%-28%. We build EBIT margin of 25.2% for FY26 and build 40bps and 20 bps expansion each year till FY28. Increase to our margin estimates drives 1.7%-1.9% upgrades to our EPS estimate for FY26-FY28E.

We have not built any contribution from the Data centre subsidiary yet and maintain our target multiple for TCS at 21x. Our TP is raised to INR 3,520 from INR 3,410 earlier. Maintain BUY.

Exhibit 8. What has changed

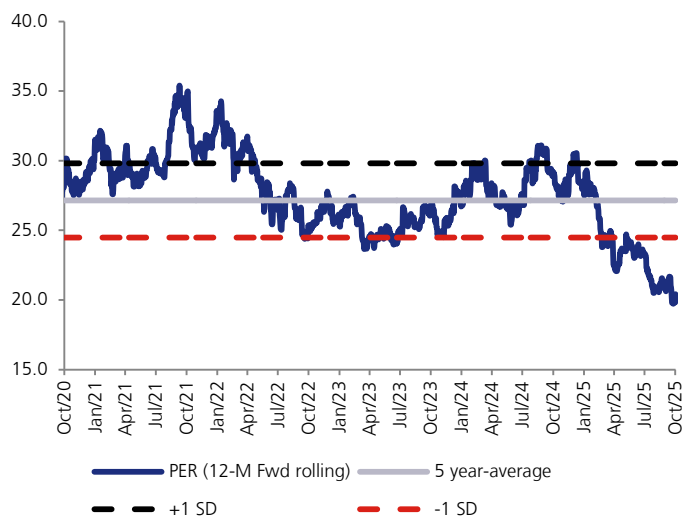
	Old			New			Change		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Exchange rate (INR/USD)	87.49	88.50	88.50	87.67	88.50	88.50	0.2%	0.0%	0.0%
Constant currency growth – YoY	-1.1%	4.8%	7.5%	-1.0%	4.7%	7.5%	13bp	-10bp	-1bp
Consolidated revenue (USD mn)	30,472	32,001	34,406	30,469	31,966	34,366	0.0%	-0.1%	-0.1%
Growth in USD revenues (YoY)	1.0%	5.0%	7.5%	1.0%	4.9%	7.5%	-1bp	-10bp	-1bp
Consolidated revenue (INR mn)	2,665,957	2,832,075	3,044,913	2,671,323	2,828,981	3,041,407	0.2%	-0.1%	-0.1%
EBITDA margin	26.6%	27.2%	27.5%	27.4%	27.7%	28.0%	79bp	50bp	50bp
EBIT margin	24.5%	25.2%	25.3%	25.2%	25.6%	25.8%	74bp	43bp	46bp
PAT (INR mn)	515,066	561,849	614,576	546,506	571,687	626,060	6.1%	1.8%	1.9%
EPS	142.4	155.3	169.9	144.8	158.0	173.0	1.7%	1.8%	1.9%

Source: JM Financial estimates

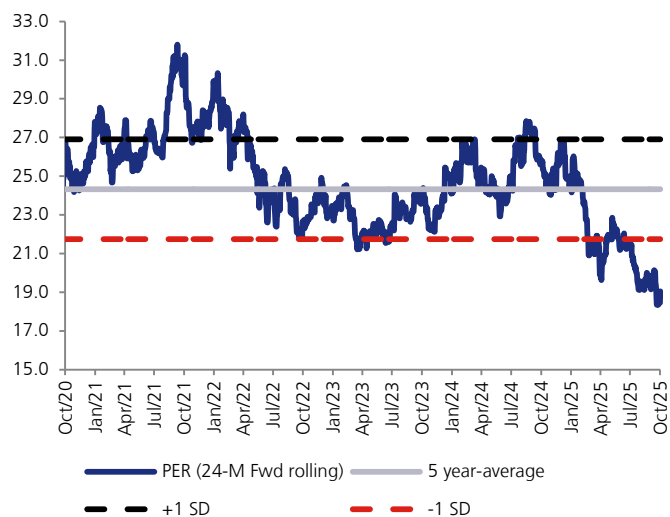
Exhibit 9. JMFe vs Consensus

	Consensus estimates			JMFe			Difference		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Sales (USD mn)	29,694	31,793	34,121	30,469	31,966	34,366	2.6%	0.5%	0.7%
Sales (INR mn)	2,615,404	2,800,290	3,005,342	2,671,323	2,828,981	3,041,407	2.1%	1.0%	1.2%
EBITDA (INR mn)	698,098	753,371	810,037	731,207	784,588	850,073	4.7%	4.1%	4.9%
EBITDA margin	26.7%	26.9%	27.0%	27.4%	27.7%	28.0%	68bp	83bp	100bp
EBIT (INR mn)	642,835	695,656	746,674	673,868	723,851	784,187	4.8%	4.1%	5.0%
EBIT margin	24.6%	24.8%	24.8%	25.2%	25.6%	25.8%	65bp	74bp	94bp
EPS (INR)	142.1	155.6	167.0	144.8	158.0	173.0	1.9%	1.5%	3.6%

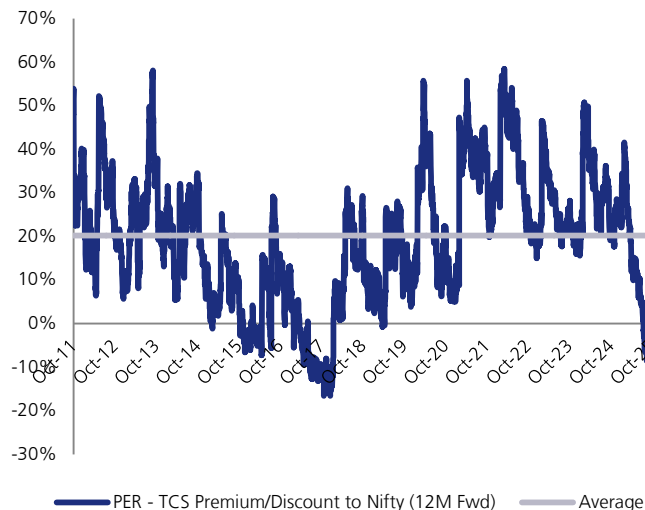
Note: Consensus estimates as of 22nd Sept'25 and may not reflect changes in estimates post result. Source: Visible Alpha, JM Financial estimates

Exhibit 10. TCS: PER 12M Fwd – Lower than 5 year -1SD

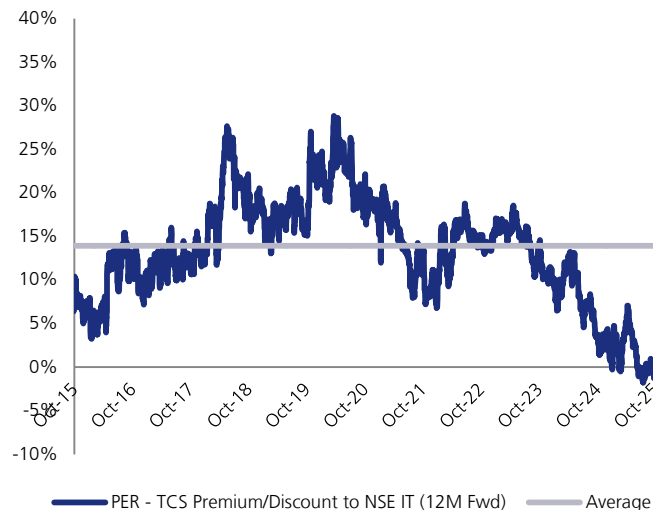
Source: Bloomberg, JM Financial

Exhibit 11. TCS: PER 24M Fwd- Lower than 5 year -1SD

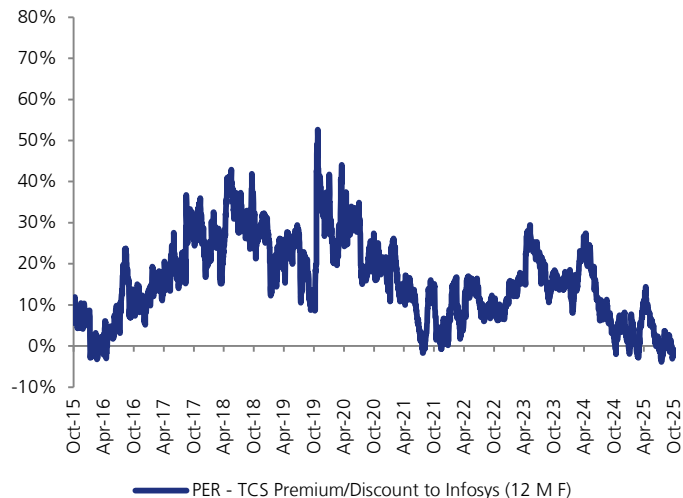
Source: Bloomberg, JM Financial

Exhibit 12. TCS PER – Premium discount to Nifty

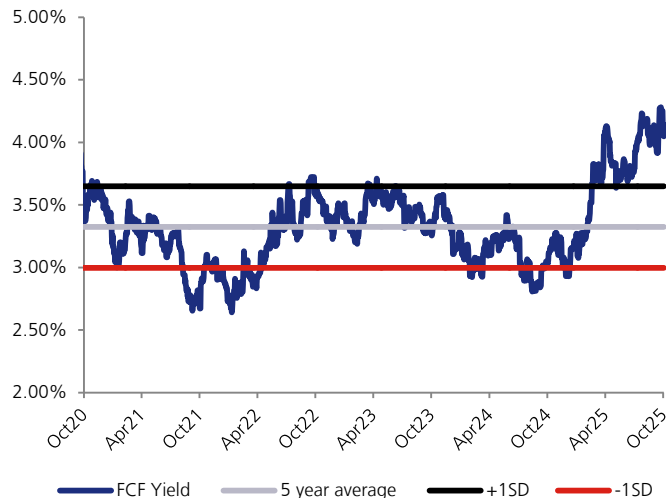
Source: Bloomberg, JM Financial

Exhibit 13. TCS PER – Premium discount to NSE IT

Note: Considered only Top5 LARGE Cap for index calculations. Source: Bloomberg, JM Financial

Exhibit 14. PER – TCS Premium to Infosys

Source: Bloomberg, JM Financial

Exhibit 15. TCS: LTM FCF Yield

Source: Bloomberg, JM Financial

Financial Tables (Consolidated)

Income Statement (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	24,08,930	25,53,240	26,71,323	28,28,981	30,41,407
Sales Growth	6.8%	6.0%	4.6%	5.9%	7.5%
Other Operating Income	0	0	0	0	0
Total Revenue	24,08,930	25,53,240	26,71,323	28,28,981	30,41,407
Cost of Goods Sold/Op. Exp	13,97,750	15,19,050	15,64,583	16,40,170	17,59,454
Personnel Cost	0	0	0	0	0
Other Expenses	3,68,230	3,60,120	3,75,534	4,04,223	4,31,880
EBITDA	6,42,950	6,74,070	7,31,207	7,84,588	8,50,073
EBITDA Margin	26.7%	26.4%	27.4%	27.7%	28.0%
EBITDA Growth	8.5%	4.8%	8.5%	7.3%	8.3%
Depn. & Amort.	49,840	52,420	57,339	60,737	65,886
EBIT	5,93,110	6,21,650	6,73,868	7,23,851	7,84,187
Other Income	36,440	31,660	38,979	46,520	59,169
Finance Cost	0	0	0	0	0
PBT before Excep. & Forex	6,29,550	6,53,310	7,12,847	7,70,371	8,43,356
Excep. & Forex Inc/Loss(-)	0	0	0	0	0
PBT	6,29,550	6,53,310	7,12,847	7,70,371	8,43,356
Taxes	1,58,980	1,65,340	1,75,421	1,96,445	2,15,056
Extraordinary Inc./Loss(-)	0	0	11,350	0	0
Assoc. Profit/Min. Int.(-)	1,910	2,440	2,270	2,240	2,240
Reported Net Profit	4,68,660	4,85,530	5,46,506	5,71,687	6,26,060
Adjusted Net Profit	4,68,660	4,85,530	5,35,156	5,71,687	6,26,060
Net Margin	19.5%	19.0%	20.0%	20.2%	20.6%
Diluted Share Cap. (mn)	3,646.9	3,618.1	3,618.1	3,618.1	3,618.1
Diluted EPS (INR)	128.5	134.2	147.9	158.0	173.0
Diluted EPS Growth	11.6%	4.4%	10.2%	6.8%	9.5%
Total Dividend + Tax	3,19,848	5,48,687	3,39,663	3,74,501	4,13,692
Dividend Per Share (INR)	72.9	126.0	78.0	86.0	95.0

Source: Company, JM Financial

Cash Flow Statement (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before Tax	4,60,990	4,87,970	5,37,426	5,73,927	6,28,300
Depn. & Amort.	49,850	52,420	57,339	60,737	65,886
Net Interest Exp. / Inc. (-)	0	0	0	0	0
Inc (-) / Dec in WCap.	-75,940	-36,460	-25,778	3,224	-8,896
Others	1,59,310	1,66,190	1,36,442	1,49,925	1,55,887
Taxes Paid	-1,24,890	-1,55,860	-1,65,363	-1,85,181	0
Operating Cash Flow	4,69,320	5,14,260	5,40,066	6,02,631	8,41,177
Capex	-22,020	-29,170	-1,11,339	-64,200	-87,736
Free Cash Flow	4,47,300	4,85,090	4,28,727	5,38,431	7,53,441
Inc (-) / Dec in Investments	59,170	14,710	38,979	46,520	59,169
Others	-9,810	-42,300	0	0	0
Investing Cash Flow	27,340	-56,760	-72,360	-17,680	-28,567
Inc / Dec (-) in Capital	0	0	4,920	0	0
Dividend + Tax thereon	-2,52,180	-4,49,620	-2,82,211	-3,11,156	-3,43,718
Inc / Dec (-) in Loans	0	0	0	0	0
Others	-2,26,190	-16,360	15,400	0	0
Financing Cash Flow	-4,78,370	-4,65,980	-2,61,891	-3,11,156	-3,43,718
Inc / Dec (-) in Cash	18,290	-8,480	2,05,815	2,73,795	4,68,891
Opening Cash Balance	71,230	90,160	83,420	2,89,235	5,63,031
Closing Cash Balance	90,160	83,420	2,89,235	5,63,031	10,31,922

Source: Company, JM Financial

Balance Sheet (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shareholders' Fund	9,26,120	9,68,820	11,57,623	14,18,154	17,00,496
Share Capital	3,620	3,620	3,620	3,620	3,620
Reserves & Surplus	9,22,500	9,65,200	11,54,003	14,14,534	16,96,876
Preference Share Capital	0	0	0	0	0
Minority Interest	8,300	10,150	11,580	13,820	16,060
Total Loans	0	0	0	0	0
Def. Tax Liab. / Assets (-)	0	0	0	0	0
Total - Equity & Liab.	9,34,420	9,78,970	11,69,203	14,31,974	17,16,556
Net Fixed Assets	1,57,230	1,78,960	1,87,477	1,82,048	1,85,716
Gross Fixed Assets	1,12,240	1,29,320	1,40,007	1,34,578	1,38,246
Intangible Assets	44,990	49,640	47,470	47,470	47,470
Less: Depn. & Amort.	0	0	0	0	0
Capital WIP	0	0	0	0	0
Investments	2,810	2,750	2,330	2,330	2,330
Current Assets	13,25,680	14,35,840	16,75,292	19,76,174	22,76,126
Inventories	0	0	0	0	0
Sundry Debtors	5,37,200	5,91,750	6,36,726	6,58,804	7,08,273
Cash & Bank Balances	4,65,440	4,69,550	6,11,715	8,74,247	11,28,082
Loans & Advances	0	0	0	0	0
Other Current Assets	3,23,040	3,74,540	4,26,851	4,43,123	4,39,771
Current Liab. & Prov.	5,51,300	6,38,580	6,95,897	7,28,579	7,47,616
Current Liabilities	90,260	1,08,570	1,24,740	1,24,740	1,24,740
Provisions & Others	4,61,040	5,30,010	5,71,157	6,03,839	6,22,876
Net Current Assets	7,74,380	7,97,260	9,79,396	12,47,596	15,28,510
Total - Assets	9,34,420	9,78,970	11,69,203	14,31,974	17,16,556

Source: Company, JM Financial

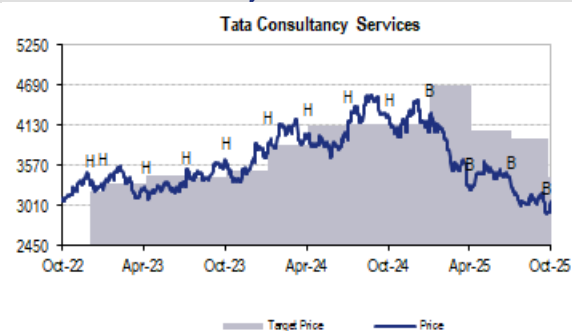
Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin	19.5%	19.0%	20.0%	20.2%	20.6%
Asset Turnover (x)	2.4	2.4	2.2	2.0	1.8
Leverage Factor (x)	1.1	1.1	1.1	1.1	1.1
RoE	50.6%	51.2%	50.3%	44.4%	40.1%
Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	254.0	267.8	320.0	392.0	470.0
ROIC	97.3%	95.5%	95.7%	97.1%	102.4%
ROE	50.6%	51.2%	50.3%	44.4%	40.1%
Net Debt/Equity (x)	-0.5	-0.5	-0.5	-0.6	-0.7
P/E (x)	23.8	22.8	20.7	19.4	17.7
P/B (x)	12.1	11.4	9.6	7.8	6.5
EV/EBITDA (x)	16.5	15.8	14.3	13.0	11.7
EV/Sales (x)	4.4	4.2	3.9	3.6	3.3
Debtor days	81	85	87	85	85
Inventory days	0	0	0	0	0
Creditor days	0	0	0	0	0

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
9-Dec-22	Hold	3,190	
9-Jan-23	Hold	3,320	4.1
13-Apr-23	Hold	3,420	3.0
13-Jul-23	Hold	3,400	-0.6
12-Oct-23	Hold	3,500	2.9
12-Jan-24	Hold	3,850	10.0
13-Apr-24	Hold	4,130	7.3
12-Jul-24	Hold	4,140	0.2
11-Oct-24	Hold	4,140	0.0
10-Jan-25	Buy	4,680	13.0
11-Apr-25	Buy	4,060	-13.2
11-Jul-25	Buy	3,950	-2.7
1-Oct-25	Buy	3,410	-13.7

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

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New Rating System: Definition of ratings	
Rating	Meaning
BUY	Expected return \geq 15% over the next twelve months.
ADD	Expected return \geq 5% and $<$ 15% over the next twelve months.
REDUCE	Expected return \geq -10% and $<$ 5% over the next twelve months.
SELL	Expected return $<$ -10% over the next twelve months.

Previous Rating System: Definition of ratings	
Rating	Meaning
BUY	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
HOLD	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
SELL	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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