

Tata Consultancy Services (TCS)

Information Technology | 2QFY27 Result Update

SELL

CMP: Rs2,076 | Target Price (TP): Rs1,578 | Downside: 24.0%

October 09, 2026

Disappointing Margins and Subdued Growth

Key Points

- **TCS delivered a weak Q2FY27 performance in terms of underlying growth and order-book momentum, while margins remained under pressure.** Revenue at **US\$7,642mn** was **0.6% above consensus** and **0.1% below NBIE estimates**. Revenue grew **0.2% QoQ** and **2.4% YoY in USD terms**, while CC growth was **0.5% QoQ** and **2.8% YoY**. In INR terms, revenue at **Rs731.88bn** was **broadly in line with consensus** and **0.9% above NBIE estimates**. Management stated that the demand environment remained selective and uneven, with discretionary programmes lacking near-term value still under scrutiny.
- **EBIT margin was flat QoQ at 24% and remained under pressure**, with higher subcontracting costs; a higher bench; and investments in strategic partnerships, M&A, niche talent, and growth areas offsetting operating leverage. EBIT margin was **35bps below consensus** and **52bps below NBIE estimates**. Management indicated that further investment-related headwinds could continue in H2, including **~50bps dilution from MHP**, subject to closure timing, along with furlough seasonality and ecosystem investments.
- **TCV at US\$9.6bn remained soft and did not yet signal a meaningful acceleration in demand.** TCV grew only **1.1% QoQ** and **declined 4% YoY**, while excluding the Porsche and Best Buy deals. Although the management highlighted improving win rates and the quality of large transformation wins, the sequential improvement in TCV remains modest.

Gen AI update: Annualized AI revenue for Q2FY27 stood at **US\$3.1bn, up 19% QoQ**. Management indicated that AI demand is increasingly moving beyond experimentation towards **AI-led technology modernization, enterprise transformation, and agentic AI**, with strong traction in **agent control planes**. Clients are also evaluating **LLMs, SLMs, and open-weight models** based on their requirements, while TCS sees an opportunity in managing the associated **governance and token costs**.

Outlook and valuation: TCS's revenue and order book momentum continue to remain a concern, with **Q2FY27 CC growth at just 0.5% QoQ** and **TCV at US\$9.6bn (-4% YoY)**. Management indicated that the demand environment remains selective, with discretionary programmes without near-term value still under scrutiny, while margins remain at 24% despite continued investments and higher subcontracting costs. We remain **underweight on the sector** as highlighted in our [1QFY27 Review](#), as AI-led productivity gains and deflation could increasingly offset incremental AI-led spend, with large cap players potentially facing greater impact given their large legacy services base. We reiterate our **'SELL' rating on TCS**; valuation **based on unchanged 11x blended EPS of 143.5**, translating into a **TP of Rs1,578**.

Est Change	Maintain
TP Change	Downwards
Rating Change	Maintain

Company Data and Valuation Summary

Reuters	TCS.BO
Bloomberg	TCS IN Equity
Market Cap (Rsbn / US\$bn)	7,511.1 / 78.2
52 Wk H / L (Rs)	3,350 / 1,977
ADTV-3M (mn) (Rs / US\$)	8,104.9 / 84.7
Stock performance (%) 1M/6M/1yr	(8.0) / (18.9) / (31.4)
Nifty 50 performance (%) 1M/6M/1yr	(6.9) / (8.2) / (11.7)

Shareholding	3QFY25	4QFY25	1QFY26
Promoters	71.8	71.8	71.8
DII's	10.9	11.6	12.0
FII's	12.7	12.0	11.5
Others	4.6	4.6	4.8
Pro pledge	0.0	0.0	0.0

Financial and Valuation Summary

Particulars (Rsbn)	FY26	FY27E	FY28E	FY29E
Revenue (Rsbn)	2,670	2,899	2,884	2,873
YoY Growth (%)	4.6	8.6	-0.5	-0.4
Gross Margin (%)	41.7	41.2	41.0	40.9
EBIT (Rsbn)	668	699	678	672
% of sales	25.0	24.1	23.5	23.4
PAT (Rsbn)	492	541	519	519
PAT Margin (%)	18.4	18.6	18.0	18.1
YoY Growth (%)	1.4	9.8	-4.0	0.1
FDEPS (Rs)	136.0	150.8	143.4	143.5
ROE (%)	47.7	47.6	41.4	36.8
ROCE (%)	48.9	46.1	40.5	35.7
ROIC (%)	88.4	82.4	81.2	80.5
P/E (x)	15.1	13.6	14.3	14.3
EV/EBITDA	9.7	9.1	9.2	9.1
P/BV (x)	6.8	6.3	5.6	5.0

Source: Company, Bloomberg, Nirmal Bang Institutional Equities Research

Key Links-

Last results note: [1QFY27-Result-Update](#)

Sector Review Note: [Q1FY27 Result Review](#)

Please refer to the disclaimer towards the end of the document.

Exhibit 1: Quarterly performance

Particulars (Rsmn)	1QFY26	2QFY26	3QFY26	4QFY26	1QFY27	2QFY27	3QFY27	4QFY27	FY26	FY27E	2QFY27E	Var (%)
Net Sales (US\$mn)	7,421	7,466	7,509	7,621	7,624	7,642	7,543	7,537	30,017	30,346	7,650	(0.1)
QoQ Change (%)	-0.6	0.6	0.6	1.5	0.0	0.2	-1.3	-0.1	-0.5	1.1	0.3	
Net Sales	6,34,370	6,57,990	6,70,870	7,06,980	7,22,750	7,31,880	7,22,389	7,21,787	26,70,210	28,98,806	7,25,176	0.9
YoY Change (%)	1.3	2.4	4.9	9.6	13.9	11.2	7.7	2.1	4.6	8.6	10.2	
Software Expenses	3,75,450	3,86,650	3,86,230	4,08,080	4,24,120	4,32,430	4,22,598	4,18,636	15,56,410	16,97,784	4,24,228	1.9
% of Sales	59.2	58.8	57.6	57.7	58.7	59.1	58.5	58.0	58.3	58.6	58.5	
Gross Profit	2,58,920	2,71,340	2,84,640	2,98,900	2,98,630	2,99,450	2,99,792	3,03,150	11,13,800	12,01,022	3,00,948	(0.5)
Margin (%)	40.8	41.2	42.4	42.3	41.3	40.9	41.5	42.0	41.7	41.4	41.5	
Operating Expenses	90,170	91,560	1,01,950	1,06,140	1,13,070	1,11,650	1,08,358	1,08,268	3,89,820	4,41,346	1,08,776	2.6
% of Sales	14.2	13.9	15.2	15.0	15.6	15.3	15.0	15.0	14.6	15.2	15.0	
EBIT	1,55,140	1,65,650	1,68,890	1,78,700	1,73,170	1,75,530	1,77,045	1,80,510	6,68,380	7,06,255	1,77,713	(1.2)
YoY Change (%)	0.5	7.1	7.9	14.5	11.6	6.0	4.8	1.0	7.5	5.7	7.3	
Margin (%)	24.5	25.2	25.2	25.3	24.0	24.0	24.5	25.0	25.0	24.4	24.5	
Interest	1,950	2,290	5,380	2,650	2,730	2,520	2,520	2,520	12,270	10,290	2,730	(7.7)
Other Income	16,600	8,670	11,180	7,570	15,680	13,370	6,958	6,745	44,020	42,753	7,199	85.7
PBT	1,69,790	1,60,680	1,40,780	1,83,620	1,79,440	1,86,380	1,81,483	1,84,735	6,54,870	7,32,037	1,82,182	2.3
Tax	41,600	39,370	33,580	45,780	45,240	47,040	45,371	46,184	1,60,330	1,83,834	45,545	3.3
ETR (%)	24.5	24.5	23.9	24.9	25.2	25.2	25.0	25.0	24.5	25.1	25.0	
Reported PAT	1,27,600	1,20,750	1,06,640	1,37,180	1,33,490	1,38,840	1,35,612	1,38,051	4,94,540	5,48,203	1,35,926	2.1
Adj. PAT	1,28,190	1,21,310	1,07,200	1,37,840	1,34,200	1,39,340	1,36,112	1,38,551	4,94,540	5,48,203	1,36,636	2.0
YoY Change (%)	6.0	1.4	-13.9	12.2	4.6	15.0	27.2	0.6	1.4	10.9	12.6	
Adj. EPS (Rs)	35.3	33.4	29.5	37.9	38.3	38.4	37.5	38.2	136.0	152.3	37.6	2.1

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 2: Change in our estimates

Change in estimates	Revised			Old			Change (%)		
	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
Revenues (Rsbn)	2,899	2,884	2,873	2,878	2,883	2,872	0.74	0.03	0.06
EBIT (Rsmn)	699	678	672	705	681	671	(0.83)	(0.50)	0.06
EBIT margin (%)	24.1	23.5	23.4	24.5	23.6	23.4	-40bps	-10bps	0bps
EPS (Rs/share)	151	143	144	151	144	143	0.09	(0.31)	0.24
Revenues (US\$mn)	30,346	30,037	29,621	30,357	30,029	29,603	(0.04)	0.03	0.06
Revenue growth (US\$, %)	1.1	(1.0)	(1.4)	1.1	(1.1)	(1.4)	0bps	10bps	0bps

Source: Bloomberg, Nirmal Bang Institutional Equities Research

Exhibit 3: NBIE vs consensus estimates

	Consensus			NBIE			NBIE/Consensus		
	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
Revenues (US\$mn)	30,281	31,454	33,029	30,346	30,037	29,621	100.2%	95.5%	89.7%
Revenues (Rsbn)	2,917	3,030	3,182	2,899	2,884	2,873	99.4%	95.2%	90.3%
EBIT (Rsbn)	716	747	784	699	678	672	97.6%	90.8%	85.7%
PAT Adj (Rsbn)	557	581	612	541	519	519	97.1%	89.3%	84.9%
FDEPS Adj (Rs)	154.3	160.8	169.1	150.8	143.4	143.5	97.7%	89.2%	84.9%
EBIT Margin (%)	24.5	24.6	24.6	24.1	23.5	23.4	-40bps	-110bps	-120bps

Source: Company, Nirmal Bang Institutional Equities Research; Note: We have taken the USD/INR rate at Rs96, Rs96, and Rs97 for FY27E, FY28E, and FY29E, respectively

Highlights from the 2QFY27 analyst call

Revenue growth remained modest

- Revenue grew **0.5% QoQ and 2.8% YoY in CC**, while international revenue grew **1.2% QoQ in CC**. All international markets grew sequentially, led by the UK (+3.5%) and followed by North America and Continental Europe (+0.4% each).
- The demand environment remained selective and uneven, with discretionary programs without near-term value remaining under scrutiny. However, clients are increasingly willing to invest where AI can deliver measurable business outcomes, and TCS expects medium-term growth momentum to improve based on TCV, pipeline, and client conversations.

Verticals and geographies

- Among verticals on a YoY CC basis, BFSI grew **3.9%**, manufacturing grew **4.2%**, and technology & services grew **4.8%**. BFSI was the strongest large vertical, led by banking, capital markets, and insurance, with strong demand for AI, risk and regulatory modernization, cyber resilience, and data platforms.
- Manufacturing growth was driven by factory automation, engineering productivity, product lifecycle modernization, supply chain resilience, predictive maintenance, and industrial AI. Technology & services growth was led by enterprise software, technology products, engineering, cloud modernization, and digital transformation.
- Consumer business declined **1% YoY**, impacted by inflation, energy costs, and selective consumer spending. Life sciences and healthcare grew **0.3% QoQ**, while energy resources & utilities declined **0.5% QoQ**.
- India revenue declined due to project deferrals, but the management termed this a timing issue rather than a structural concern and expects the deferred revenue to return over the medium term. Regional markets remain volatile and lumpy, although the BSNL deal could provide a cushion over the next few quarters.

Commentary on Generative AI

- Annualized AI services revenue crossed **US\$3.1bn**, exceeding 10% of overall revenue, with AI revenue growing across every vertical. Management indicated that AI revenue is coming at a **higher margin than the company average**, supporting the longer-term margin opportunity.
- TCS is seeing three broad AI demand patterns: **AI-native solutions with business outcomes, AI-led transformation of enterprise systems, and autonomous business processes**. Enterprises are also investing in AI-ready data foundations and secure AI platforms.
- Agentic AI is creating a new spend layer around **agentic control planes**, with enterprises looking for governance, security, cost management, performance monitoring, and lifecycle management. TCS also sees customers evaluating LLMs, SLMs, and open-weight models depending on the use case.
- AI is increasingly becoming pervasive across enterprise transformation, business operations, software engineering, ERP, cybersecurity, and data modernization. While productivity-led deflation remains, the management believes new AI-led opportunities, vendor consolidation, and modernization can offset part of the impact.

Margins under pressure

- EBIT margin remained at **24%**, stable sequentially, despite continued investments in strategic partnerships, M&A initiatives, niche talent, higher bench, and subcontractors. These headwinds were partly offset by currency gains and operating leverage.

- Management reiterated its long-term **26-28% EBIT margin aspiration**, but near-term priority remains growth and investments. Key margin levers include subcontractor optimization, utilization, productivity, and operating leverage. Pricing remains broadly stable, with better pricing on AI revenues.
- In 2HFY27, MHP-related dilution could impact margins by around **50bps**, depending on the timing of closure and integration, while furlough seasonality and ecosystem investments are expected to remain as headwinds.

Order book is disappointing

- TCV for the quarter stood at **US\$9.6bn (-4% YoY)**, excluding the Porsche and Best Buy deals. Management highlighted improved win rates and healthy deal quality, with continued traction in large, complex, and strategically important transformation programs.
- The Porsche engagement will establish an **AI centre of excellence for mobility**, transforming product engineering, design, maintenance engineering, and supply chain. The Best Buy GCC engagement similarly focuses on accelerating the client's transition towards an AI-first organisation.

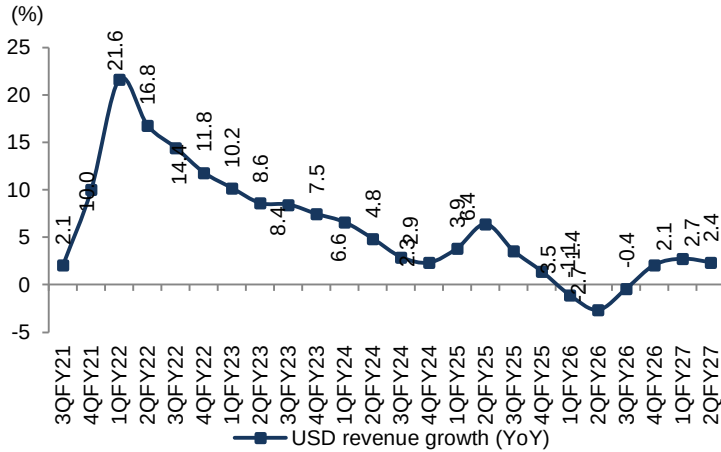
Net employee addition

- Headcount at the end of 2Q stood at **598,256**, implying a net addition of ~4,500 employees QoQ. TCS continues to hire for next-generation skills, with demand-led hiring expected to continue where niche technology requirements remain strong.
- LTM attrition in IT services declined by **30bps QoQ to 13.3%**. Learning hours increased 17% QoQ to **17.1mn hours**, highlighting the continued focus on AI and technology reskilling.
- TCS onboarded **10,000 graduates** globally during the quarter and remains in the final stages of campus hiring for the next financial year.

Miscellaneous

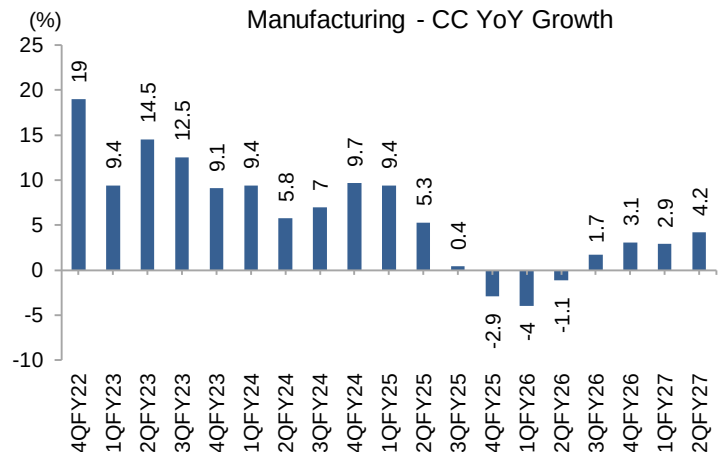
- The board has recommended a **dividend of Rs12 per share** for 2Q, which has a **record date of 14-Oct-26**.
- DSO stood at **74 days**, stable sequentially, while cash conversion remained strong at **102.2% of net income**. Invested funds at the end of the quarter stood at **US\$5.98bn**.

Exhibit 4: CC YoY revenue growth declines



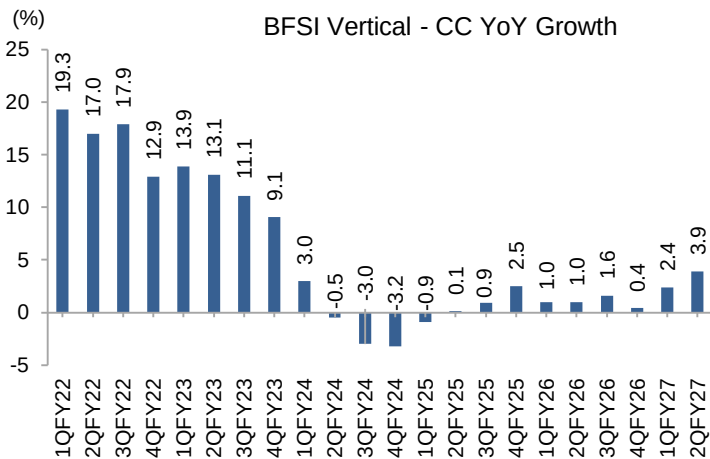
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 5: Manufacturing vertical rebounds sharply



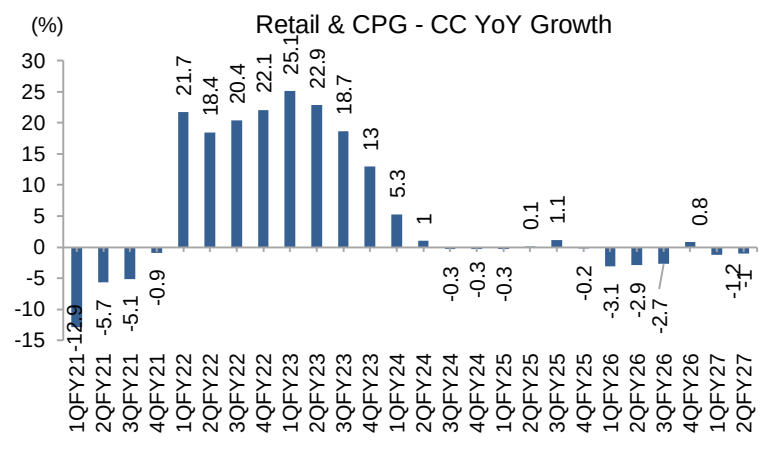
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 6: The BFSI vertical is up on YoY CC basis



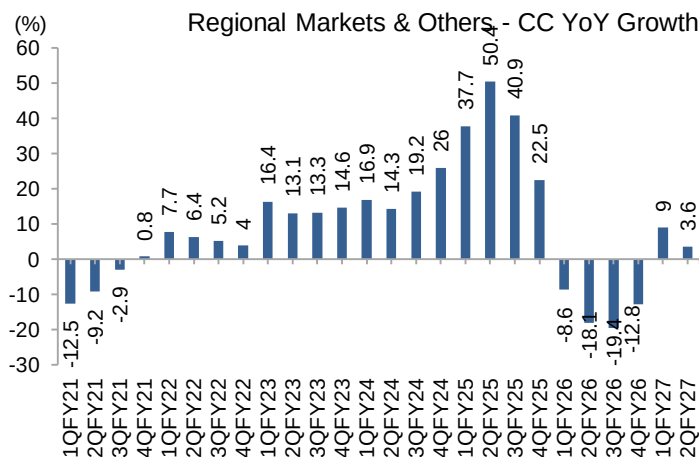
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 7: Retail & CPG vertical is down YoY in CC terms



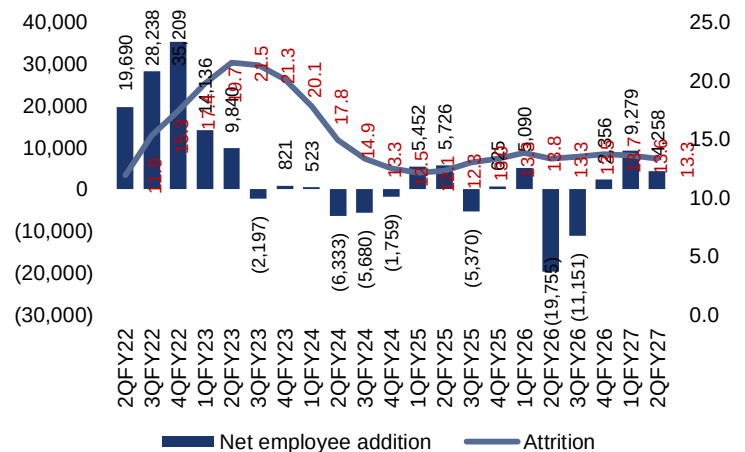
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 8: Regional markets showing decent growth on YoY CC basis

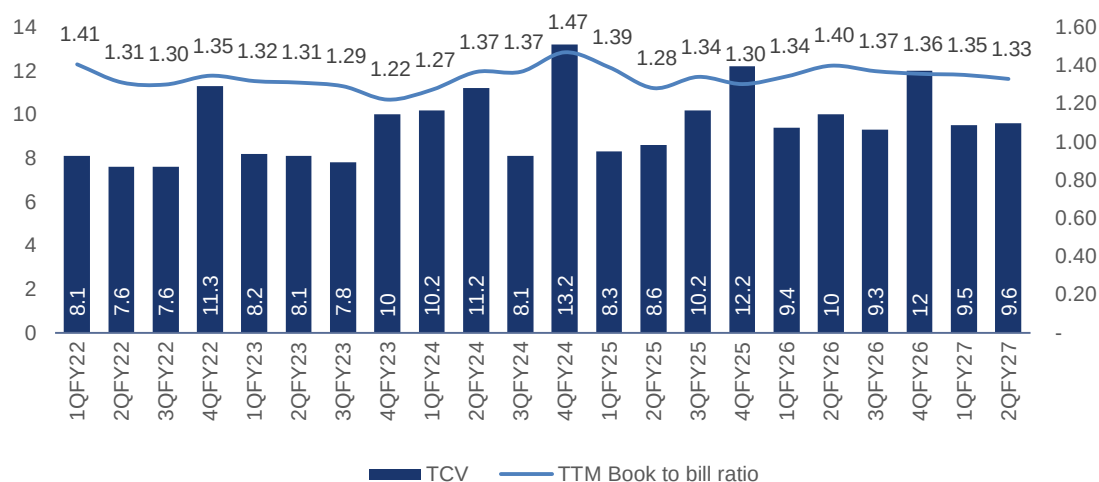


Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 9: Net addition for a third consecutive quarter



Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 10: TCV and TTM book-to-bill ratio


Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 11: Key metrics

	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	4QFY26	1QFY27	2QFY27
P&L (Rsmn)										
Revenue	6,26,130	6,42,590	6,39,730	6,44,790	6,34,370	6,57,990	6,70,870	7,06,980	7,22,750	7,31,880
EBITDA	1,66,620	1,67,320	1,70,330	1,69,800	1,68,750	1,79,780	1,82,690	1,92,760	1,85,560	1,87,800
PAT	1,20,400	1,19,100	1,23,790	1,22,240	1,27,600	1,20,750	1,06,640	1,37,180	1,33,490	1,38,840
Vertical Mix (%)										
BFSI	30.9	30.8	30.5	31.2	32.0	32.2	31.9	31.6	32.1	32.8
Manufacturing	8.8	8.6	8.4	8.4	8.7	8.8	8.8	8.8	8.7	9.0
Communication and Media	6.2	5.9	5.8	5.8	5.8	5.9	5.9	5.8	5.8	5.8
Life Sciences	11.0	10.4	10.1	10.1	10.2	10.5	10.5	10.4	10.3	10.3
Retail & Distribution	15.4	15.1	15.3	15.3	15.6	15.3	15.4	15.7	15.0	14.9
Hi-Tech	8.1	8.0	8.0	8.1	8.4	8.5	8.4	8.4	8.5	8.6
Energy & Utilities	5.6	5.7	5.6	5.7	5.9	5.9	6.0	6.3	6.3	6.2
Others	14.0	15.5	16.3	15.4	13.4	12.9	13.1	13.0	13.3	12.4
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Geographic Mix (%)										
North America	49.5	47.6	47.7	48.2	48.7	48.8	48.5	48.5	48.3	48.3
UK	16.9	17.0	16.6	16.8	18.0	17.5	16.9	17.2	17.2	17.8
Europe	14.4	14.6	13.9	14.3	15.0	15.3	15.6	15.6	15.4	15.2
India	7.5	8.9	9.8	8.4	5.8	5.8	6.1	6.0	6.2	5.5
APAC	7.8	8.0	7.8	8.1	8.4	8.3	8.3	8.3	8.4	8.6
Ibero America	1.9	1.8	1.9	1.8	1.9	1.9	2.0	1.9	2.0	2.1
MEA	2.0	2.1	2.3	2.4	2.2	2.4	2.6	2.5	2.5	2.5
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Number of Clients										
US\$100mn+	63	66	64	64	62	60	62	66	66	65
US\$50mn+	140	136	134	130	131	136	136	139	139	137
Employee Number	6,06,998	6,12,724	6,07,354	6,07,979	6,13,069	5,93,314	5,82,163	5,84,519	5,93,798	5,98,056
Net Addition	5,452	5,726	(5,370)	625	5,090	(19,755)	(11,151)	2,356	9,279	4,258
Attrition (%)	12.1	12.3	13.0	13.3	13.8	13.3	13.5	13.7	13.6	13.3
Net Employee Growth (YoY)	-1%	1%	1%	1%	1%	-3%	-4%	-4%	-3%	1%

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 12: QoQ and YoY growth on various parameters for TCS

(US\$)	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	4QFY26	1QFY27	2QFY27
QoQ Growth (%)										
Revenue	1.9	2.2	-1.7	-1.0	-0.6	0.6	0.6	1.5	0.0	0.2
Geographical Data										
Americas	0.9	(1.7)	(1.5)	0.1	0.4	0.8	(0.0)	1.5	(0.4)	0.2
UK	2.5	2.8	(4.0)	0.2	6.5	(2.2)	(2.9)	3.3	0.0	3.7
Europe	1.6	3.2	(5.1)	1.0	5.5	(0.0)	(0.3)	2.4	(0.6)	1.5
India	14.1	21.3	8.2	(15.1)	(31.4)	0.6	5.8	(0.2)	3.4	(11.1)
APAC	1.9	4.8	(4.2)	2.8	3.1	(0.6)	0.6	1.5	1.2	2.6
Ibero America	(3.2)	(3.2)	3.8	(6.2)	4.9	0.6	5.9	(3.6)	5.3	5.2
MEA	(2.9)	7.3	7.7	3.3	(8.9)	9.8	9.0	(2.4)	0.0	0.2
Verticals										
BFSI	0.6	1.9	(2.7)	1.3	2.0	1.2	(0.4)	0.5	1.6	2.4
Manufacturing	1.9	(0.1)	(4.0)	(1.0)	3.0	1.8	0.6	1.5	(1.1)	3.7
Communication and Media	(4.2)	(2.7)	(3.4)	(1.0)	(0.6)	2.3	0.6	(0.2)	0.0	0.2
Life Science & Healthcare	2.9	(3.4)	(4.5)	(1.0)	0.4	3.6	0.6	0.5	(0.9)	0.2
Retail and distribution	(0.0)	0.2	(0.4)	(1.0)	1.4	(1.3)	1.2	3.5	(4.4)	(0.4)
Hi-Tech (Now Technology Services)	0.7	0.9	(1.7)	0.3	3.1	1.8	(0.6)	1.5	1.2	1.4
Energy and Utilities	1.9	4.0	(3.4)	0.8	2.9	0.6	2.3	6.6	0.0	(1.4)
Regional Market & Others	10.6	13.1	3.4	(6.4)	(13.5)	(3.1)	2.1	0.7	2.3	(6.5)
YoY Growth (%)										
Revenue	3.9	6.4	3.5	1.4	(1.1)	(2.7)	(0.4)	2.1	2.7	2.4
Geographical Data										
Americas	(1.1)	(2.1)	(2.4)	(2.3)	(2.7)	(0.2)	1.3	2.7	1.9	1.3
UK	7.0	9.6	4.8	1.4	5.3	0.2	1.4	4.5	(1.8)	4.1
Europe	3.9	7.1	0.6	0.4	4.3	1.0	6.1	7.7	1.5	3.0
India	59.0	93.2	66.3	27.1	(23.5)	(36.6)	(38.0)	(27.1)	9.8	(2.9)
APAC	3.9	9.1	3.5	5.3	6.5	1.0	6.0	4.6	2.7	6.1
Ibero America	(1.3)	(4.3)	(6.3)	(8.8)	(1.1)	2.7	4.8	7.8	8.1	13.1
MEA	3.9	1.5	19.1	15.9	8.8	11.2	12.6	6.3	16.7	6.6
Verticals										
BFSI	(1.3)	0.5	(0.4)	1.1	2.4	1.8	4.2	3.4	3.1	4.3
Manufacturing	10.1	7.6	1.1	(3.2)	(2.2)	(0.4)	4.3	7.0	2.7	4.7
Communication and Media	(8.0)	(9.0)	(10.4)	(10.9)	(7.5)	(2.7)	1.3	2.1	2.7	0.6
Life Science & Healthcare	3.9	1.5	(4.1)	(6.1)	(8.3)	(1.7)	3.5	5.1	3.7	0.4
Retail and distribution	(0.7)	1.0	0.9	(1.2)	0.2	(1.4)	0.3	4.8	(1.2)	(0.3)
Hi-Tech	(3.3)	(1.0)	(1.4)	0.1	2.5	3.4	4.6	5.9	4.0	3.6
Energy and Utilities	5.7	8.3	1.7	3.2	4.2	0.8	6.7	12.8	9.7	7.6
Regional Market & Others	33.4	49.9	37.2	21.0	(5.4)	(19.0)	(20.0)	(13.8)	2.0	(1.6)
YoY CC Growth (%)										
Revenue	4.4	5.5	4.5	2.5	(3.1)	(3.3)	(2.6)	(0.6)	3.2	2.8
Geographical Data										
Americas	(1.1)	(2.1)	(2.3)	(1.9)	(2.7)	(0.1)	1.3	2.5	2.0	1.5
UK	6.0	4.6	4.1	1.2	(1.3)	(1.9)	(3.2)	(1.2)	(0.6)	4.5
Europe	0.9	1.8	(1.5)	1.4	(3.1)	(3.0)	1.4	1.0	4.3	3.3
India	61.8	95.2	70.2	33.0	(21.7)	(33.3)	(34.3)	(23.0)	22.9	6.0
APAC	7.6	7.5	5.8	6.4	3.6	2.0	3.5	0.4	2.5	4.1
Ibero America	6.3	6.8	7.0	4.3	3.5	1.8	1.4	2.9	(2.1)	1.7
MEA	8.5	7.9	15.0	13.2	9.4	12.7	8.3	7.8	7.6	2.0
Verticals										
BFSI	(0.9)	0.1	0.9	2.5	1.0	1.0	1.6	0.4	2.4	3.9
Manufacturing	9.4	5.3	0.4	(2.9)	(4.0)	(1.1)	1.7	3.1	2.9	4.2
Communication and Media	(7.4)	(10.3)	(10.6)	(9.8)	(9.6)	(5.1)	(1.6)	(2.1)	1.4	0.5
Life Science & Healthcare	4.0	0.1	(4.3)	(5.6)	(9.6)	(2.2)	2.2	3.3	3.5	0.5
Retail and distribution	(0.3)	0.1	1.1	(0.2)	(3.1)	(2.9)	(2.7)	0.8	(1.2)	(1.0)
Hi-Tech	(3.9)	(1.9)	(0.4)	1.1	1.8	2.8	(1.3)	2.5	3.5	4.8
Energy and Utilities	5.7	7.0	3.4	4.6	2.8	0.2	2.2	7.3	6.9	5.7
Regional Market & Others	37.7	50.4	40.9	22.5	(8.6)	(18.1)	(19.4)	(12.8)	9.0	3.6

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 13: 10-year P/E multiple



Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 14: 5-year P/E multiple



Source: Company, Nirmal Bang Institutional Equities Research

Financials

Exhibit 15: Income statement

Y/E March (Rsbn)	FY25	FY26	FY27E	FY28E	FY29E
Average INR/USD	84.6	89.0	95.5	96.0	97.0
Net Sales (US\$mn)	30,179	30,017	30,346	30,037	29,621
-Growth (%)	3.8	-0.5	1.1	-1.0	-1.4
Net Sales	2,553	2,670	2,899	2,884	2,873
-Growth (%)	6.0	4.6	8.6	-0.5	-0.4
Cost of Sales & Services	1,519	1,556	1,705	1,701	1,699
Gross Margin	1,034	1,114	1,194	1,182	1,174
% of sales	40.5	41.7	41.2	41.0	40.9
SG& A	360	390	441	447	445
% of sales	14.1	14.6	15.2	15.5	15.5
EBITDA	674	724	752	735	729
EBITDA Margin (%)	26.4	27.1	26.0	25.5	25.4
Depreciation	52	56	53	57	57
EBIT	622	668	699	678	672
EBIT Margin (%)	24.3	25.0	24.1	23.5	23.4
Other income (net)	40	44	43	27	33
PBT	653	655	725	695	695
-PBT margin (%)	25.6	24.5	25.0	24.1	24.2
Provision for tax	165	160	182	174	174
Effective tax rate (%)	25.3	24.5	25.1	25.0	25.0
Minority Interest	-2	-2	-2	-2	-2
Net profit	486	492	541	519	519
-Growth (%)	5.8	1.4	9.8	-4.0	0.1
-Net profit margin (%)	19.0	18.4	18.6	18.0	18.1

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 17: Balance sheet

Y/E March (Rsbn)	FY25	FY26	FY27E	FY28E	FY29E
Share capital	3.6	3.6	3.6	3.6	3.6
Reserves	965	1,090	1,172	1,329	1,487
Net worth	969	1,094	1,176	1,333	1,490
Long term debt	-	-	-	-	-
Short term debt	-	-	-	-	-
Total debt	-	-	-	-	-
Net debt	(452)	(461)	(553)	(713)	(872)
Other non-current liabilities	109	130	129	129	129
Total Equity & Liabilities	1,618	1,845	1,916	2,076	2,236
Net Block	129	142	145	149	153
Right to use assets	93	110	117	117	117
Intangible and others	50	114	93	93	93
Other non-current assets	116	121	120	120	120
Investments	307	338	406	406	406
Trade receivables	590	677	691	689	686
Cash & Cash Equivalents	146	123	147	307	466
Other current assets	187	219	196	196	195
Total current assets	1,230	1,357	1,441	1,597	1,754
Trade payables	139	148	150	149	149
Other current liabilities	391	461	450	451	453
Total current liabilities	530	609	600	601	602
Total Assets	1,618	1,845	1,916	2,076	2,236

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 16: Cash flow

Y/E March (Rsbn)	FY25	FY26	FY27E	FY28E	FY29E
PBT	653	655	725	695	695
Depreciation	52	56	53	57	57
Interest	(8)	(9)	-	-	-
Other adjustments	(42)	(46)	(45)	(29)	(35)
Change in Working capital	(21)	(2)	0	5	5
Tax paid	(156)	(144)	(182)	(174)	(174)
Operating cash flow	489	521	551	554	548
Capex	(39)	(42)	(42)	(61)	(61)
Free cash flow	222	278	283	295	282
Other investing activities	16	(87)	(52)	27	33
Investing cash flow	(23)	(128)	(93)	(34)	(28)
Issuance of share capital	-	-	(94)	2	2
Movement of Debt	(17)	(19)	(5)	(0)	(0)
Dividend paid (incl DDT)	(449)	(394)	(366)	(362)	(362)
Other financing activities	(1)	1	-	-	-
Financing cash flow	(474)	(421)	(465)	(360)	(360)
Net change in cash flow	(8)	(29)	(6)	159	160
Opening C&CE	90	83	64	58	217
Closing C&CE	83	64	58	217	377

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 18: Key ratios

Y/E March	FY25	FY26	FY27E	FY28E	FY29E
Per Share (Rs)					
FDEPS	134.2	136.0	150.8	143.4	143.5
Book value	267.8	302.3	327.9	368.3	411.8
DPS	126.0	110.0	102.0	100.0	100.0
Valuation (x)					
P/Sales	2.9	2.8	2.5	2.6	2.6
EV/EBITDA	10.4	9.7	9.1	9.2	9.1
P/E	15.3	15.1	13.6	14.3	14.3
P/BV	7.7	6.8	6.3	5.6	5.0
Return ratios (%)					
RoCE	49.0	48.9	46.1	40.5	35.7
RoCE (pre-tax)	65.6	64.8	61.6	54.0	47.6
RoE	51.2	47.7	47.6	41.4	36.8
RoIC	91.3	88.4	82.4	81.2	80.5
Profitability ratios (%)					
Gross margin	40.5	41.7	41.2	41.0	40.9
EBITDA margin	26.4	27.1	26.0	25.5	25.4
PAT margin	24.3	25.0	24.1	23.5	23.4
Liquidity ratios (%)					
Current ratio	2.3	2.2	2.4	2.7	2.9
Quick ratio	2.3	2.2	2.4	2.7	2.9
Solvency ratio (%)					
Net Debt to Equity ratio	-0.5	-0.4	-0.5	-0.5	-0.6
Turnover ratios					
Debtor days	86.9	94.6	90.6	86.9	87.0
Creditor days	20.5	20.7	19.7	18.9	18.9
Net Working capital days	66.4	73.9	71.0	68.1	68.1

Source: Company, Nirmal Bang Institutional Equities Research

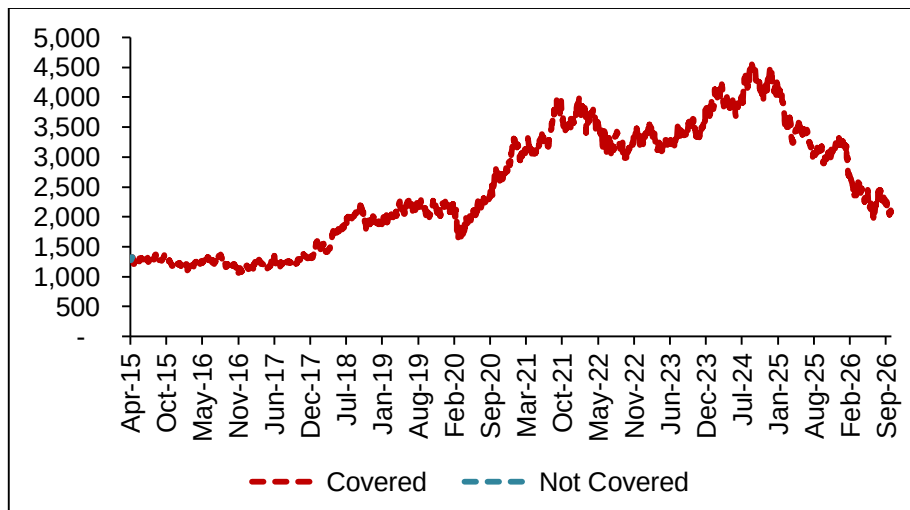
Rating track

Date	Rating	Market price (Rs)	Target price (Rs)
13 April 2015	Sell	2,619	2,314
17 April 2015	Sell	2,574	2,325
10 July 2015	Sell	2,529	2,173
9 September 2015	Sell	2,540	2,173
5 October 2015	Sell	2,641	2,217
14 October 2015	Sell	2,599	2,248
8 January 2016	Under Review	2,398	-
13 January 2016	Under Review	2,327	-
14 March 2016	Sell	2,360	2,055
20 April 2016	Sell	2,520	2,089
15 July 2016	Sell	2,521	2,075
14 September 2016	Sell	2,359	2,041
14 October 2016	Sell	2,329	2,073
10 January 2017	Sell	2,304	1,952
13 January 2017	Sell	2,344	1,956
14 February 2017	Sell	2,414	1,983
21 February 2017	Sell	2,502	1,983
2 March 2017	Sell	2,477	1,983
19 April 2017	Sell	2,309	1,996
21 June 2017	Sell	2,443	1,923
14 July 2017	Sell	2,446	1,930
28 September 2017	Sell	2,475	1,908
13 October 2017	Sell	2,548	1,913
26 December 2017	Under Review	2,647	-
12 January 2018	Under Review	2,792	-
17 March 2018	Hold	2,829	3,155
20 April 2018	Hold	3,191	3,176
26 June 2018*	Hold	1,818	1,812
11 July 2018	Hold	1,876	1,862
05 October 2018	Hold	2,063	2,145
12 October 2018	Hold	1,980	2,120
27 December 2018	Sell	1,892	1,712
7 January 2019	Sell	1,877	1,533
11 January 2019	Sell	1,883	1,545
18 March 2019	Sell	2,040	1,607
19 March 2019	Sell	2,023	1,607
15 April 2019	Sell	2,015	1,614
10 July 2019	Sell	2,120	1,601
23 September 2019	Sell	2,020	1,615
10 October 2019	Sell	2,004	1,593
2 January 2020	Under Review	2,170	-
20 January 2020	Under Review	2,220	-
30 March 2020	Sell	1,850	1,393
17 April 2020	Sell	1,716	1,393
9 July 2020	Under Review	2,218	-
10 July 2020	Under Review	2,204	-
6 September 2020	Hold	2,289	2,381
28 September 2020	Hold	2,422	2,537
8 October 2020	Hold	2,736	2,809
29 December 2020	Hold	2,929	3,001
10 January 2021	Hold	3,121	3,157
13 April 2021	Hold	3,247	3,165
5 July 2021	Hold	3,325	3,664
9 July 2021	Hold	3,259	3,662
22 September 2021	Hold	3,863	3,813
9 October 2021	Hold	3,936	3,772
20 December 2021	Buy	3,584	4,159

13 January 2022	Hold	3,860	4,169
8 April 2022	Sell	3,684	3,245
12 April 2022	Sell	3,696	3,221
19 May 2022	Sell	3,449	2,742
8 July 2022	Sell	3,294	2,489
9 July 2022	Sell	3,265	2,469
7 October 2022	Sell	3,065	2,591
11 October 2022	Sell	3,119	2,608
10 January 2023	Sell	3,320	2,635
20 March 2023	Sell	3,179	2,709
13 April 2023	Sell	3,242	2,638
14 June 2023	Sell	3,247	2,636
13 July 2023	Sell	3,260	2,691
26 September 2023	Sell	3,606	2,860
12 October 2023	Sell	3,610	2,930
15 December 2023	Sell	3,667	3,029
12 January 2024	Sell	3,736	3,011
19 March 2024	Sell	4,153	3,609
13 April 2024	Sell	4,001	3,634
12 July 2024	Buy	3,924	4,592
03 September 2024	Hold	4,554	4,932
11 October 2024	Buy	4,227	4,964
10 January 2025	Buy	4,039	4,763
19 February 2025	Buy	3,908	4,634
07 April 2025	Buy	3,305	3,973
11 April 2025	Buy	3,247	3,938
02 July 2025	Hold	3,462	3,829
11 July 2025	Hold	3,382	3,841
10 October 2025	Buy	3,062	3,861
13 January 2026	Buy	3,240	3,905
07 April 2026	Buy	2,474	3,046
10 April 2026	Buy	2,589	3,046
10 June 2026	Sell	2,151	1,693
10 July 2026	Sell	2,050	1,682
15 September 2026	Sell	2,251	1,724
01 October 2026	Sell	2,051	1,581
09 October 2026	Sell	2,076	1,578

* Post 1:1 Bonus

Rating track graph



DISCLOSURES

This Report is published by Nirmal Bang Equities Private Limited (hereinafter referred to as “NBEPL”) for private circulation. NBEPL is a registered Research Analyst under SEBI (Research Analyst) Regulations, 2014 having Registration no. INH000001436. NBEPL is also a registered Stock Broker with National Stock Exchange of India Limited and BSE Limited in cash and derivatives segments.

NBEPL has other business divisions with independent research teams separated by Chinese walls, and therefore may, at times, have different or contrary views on stocks and markets.

NBEPL or its associates have not been debarred / suspended by SEBI or any other regulatory authority for accessing / dealing in securities Market. NBEPL, its associates or analyst or his relatives do not hold any financial interest in the subject company. NBEPL or its associates or Analyst do not have any conflict or material conflict of interest at the time of publication of the research report with the subject company. NBEPL or its associates or Analyst or his relatives do not hold beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of this research report.

NBEPL or its associates / analyst has not received any compensation / managed or co-managed public offering of securities of the company covered by Analyst during the past twelve months. NBEPL or its associates have not received any compensation or other benefits from the company covered by Analyst or third party in connection with the research report. Analyst has not served as an officer, director or employee of Subject Company and NBEPL / analyst has not been engaged in market making activity of the subject company.

Analyst Certification: I, NBIE Research, the author of this report, hereby certify that the views expressed in this research report accurately reflects my personal views about the subject securities, issuers, products, sectors or industries. It is also certified that no part of the compensation of the analyst was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views in this research. The analyst is principally responsible for the preparation of this research report and has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations.

Disclaimer

Stock Ratings Absolute Returns

BUY > 15%

HOLD -5% to 14%

SELL < -5%

This report is for the personal information of the authorized recipient and does not construe to be any investment, legal or taxation advice to you. NBEPL is not soliciting any action based upon it. Nothing in this research shall be construed as a solicitation to buy or sell any security or product, or to engage in or refrain from engaging in any such transaction. In preparing this research, we did not take into account the investment objectives, financial situation and particular needs of the reader.

This research has been prepared for the general use of the clients of NBEPL and must not be copied, either in whole or in part, or distributed or redistributed to any other person in any form. If you are not the intended recipient you must not use or disclose the information in this research in any way. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. NBEPL will not treat recipients as customers by virtue of their receiving this report. This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject NBEPL & its group companies to registration or licensing requirements within such jurisdictions.

The report is based on the information obtained from sources believed to be reliable, but we do not make any representation or warranty that it is accurate, complete or up-to-date and it should not be relied upon as such. We accept no obligation to correct or update the information or opinions in it. NBEPL or any of its affiliates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. NBEPL or any of its affiliates or employees do not provide, at any time, any express or implied warranty of any kind, regarding any matter pertaining to this report, including without limitation the implied warranties of merchantability, fitness for a particular purpose, and non-infringement. The recipients of this report should rely on their own investigations.

This information is subject to change without any prior notice. NBEPL reserves its absolute discretion and right to make or refrain from making modifications and alterations to this statement from time to time. Nevertheless, NBEPL is committed to providing independent and transparent recommendations to its clients, and would be happy to provide information in response to specific client queries.

Before making an investment decision on the basis of this research, the reader needs to consider, with or without the assistance of an adviser, whether the advice is appropriate in light of their particular investment needs, objectives and financial circumstances. There are risks involved in securities trading. The price of securities can and does fluctuate, and an individual security may even become valueless. International investors are reminded of the additional risks inherent in international investments, such as currency fluctuations and international stock market or economic conditions, which may adversely affect the value of the investment. Opinions expressed are subject to change without any notice. Neither the company nor the director or the employees of NBEPL accept any liability whatsoever for any direct, indirect, consequential or other loss arising from any use of this research and/or further communication in relation to this research. Here it may be noted that neither NBEPL, nor its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profit that may arise from or in connection with the use of the information contained in this report.

Copyright of this document vests exclusively with NBEPL.

*Registration granted by SEBI and certification from NISM in no way guarantee the performance of the intermediary or provide any assurance of returns to investors."

Our reports are also available on our website www.nirmalbang.com

Access all our reports on Bloomberg, Thomson Reuters and Factset.

Team Details:			
Name		Email Id	Direct Line
Anand Gulani	CEO & Head of Equities	anand.gulani@nirmalbang.com	+91 22 6273 8098/99

Research Team Details:				
Research Analyst	Designation	Sector	Email Id	Direct Line
Teresa John	Head of Research & Economist	Economy & Strategy	teresa.john@nirmalbang.com	022 6273 8114
Abhishek Navalgund	Deputy Head of Research & Research Analyst	Chemicals, Hotels & Mid-caps	abhishek.nalgund@nirmalbang.com	022 6273 8089
Akshat Agrawal	Research Analyst	BFSI	akshat.agrawal@nirmalbang.com	022 6273 8210
Vinod Rajamani	Research Analyst	Insurance and NBFC	vinod.rajamani@nirmalbang.com	022 6273 8033
Yash Agrawal	Research Analyst	Auto - OEM, Auto - Ancillary	yash.agrawal@nirmalbang.com	022 6273 8017
Niharika Agarwal	Research Analyst	Pharma	niharika.agarwal@nirmalbang.com	
Rahul Kundnani	Research Analyst	Midcaps, Stationery	rahul.kundnani@nirmalbang.com	022 6273 8174
Girija Shankar Ray	Research Analyst	Cement	girijashankar.ray@nirmalbang.com	022 6273 8171
Rabindra Nath Nayak	Research Analyst	Consumer Durables & Capital Goods	rabindranath.nayak@nirmalbang.com	022 62738092
Yash Nandwani	Research Analyst	Oil & Gas and Mid-caps	Yash.nandwani@nirmalbang.com	022 62738065
Shibangi Choudhury	Research Analyst	Midcaps	shibangi.choudhury@nirmalbang.com	022 6273 8145
Vaibhav Vidwani	Lead Associate	Housing Finance	vaibhav.vidwani@nirmalbang.com	022 6273 8176

Dealing			
Vijay Singh Gussain	Head of Dealing & Sales trading	vijaysingh.gussain@nirmalbang.com	-
Michael Pillai	Dealing Desk	michael.pillai@nirmalbang.com	+91 22 6273 8102/03, +91 22 6636 8830

Nirmal Bang Equities Pvt. Ltd.

Correspondence Address

B-2, 301/302, Marathon Innova, Nr. Peninsula Corporate Park, Lower Parel (W), Mumbai-400013.
Board No. : 91 22 6273 8000/1; Fax. : 022 6273 8010