# Pick of the Week

## Tech Mahindra Ltd.

Dec 07, 2025

# Tech Mahindra Ltd.

| Industry | LTP | Recommendation | Base Case Fair Value | Bull Case Fair Value | Time Horizon |
|---|---|---|---|---|---|
| IT Consulting & Software | Rs 1570.80 | Buy in Rs 1555-1590band and add on dips in Rs 1420-1450 band | Rs 1710 | Rs 1815 | 2-3 quarters |

| | |
|---|---|
| HDFC Scrip Code | TECMAH |
| BSE Code | 532755 |
| NSE Code | TECHM |
| Bloomberg | TECHM IN |
| CMP Dec 05, 2025 | 1570.80 |
| Equity Capital (Rs Cr) | 442.4 |
| Face Value (Rs) | 5.0 |
| Adj. Equity Share O/S (Cr) | 88.6 |
| Adj. Market Cap (Rs Cr) | 139,192.9 |
| Adj. Book Value (Rs) | 310.4 |
| Avg. 52 Wk Volumes | 2,022,764 |
| 52 Week High | 1807.8 |
| 52 Week Low | 1209.4 |

| Share holding Pattern % (Sept, 2025) | |
|---|---|
| Promoters | 35.0 |
| Institutions | 55.4 |
| Non Institutions | 9.6 |
| Total | 100 |


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## Our Take:

Tech Mahindra is a Mahindra & Mahindra group company, providing IT services to more than 1000 global clients across the US, Europe, and the Asia Pacific countries. The company provides comprehensive range of IT services, including IT enabled service, application development and maintenance, consulting and enterprise business solutions, etc. to a diversified base of corporate customers in a wide range of industries. It is focused on leveraging next-generation technologies, including 5G, Metaverse, Blockchain, Quantum Computing, Cybersecurity, Artificial Intelligence, and more, to enable end-to-end digital transformation for global customers.

Despite macro headwinds, Tech Mahindra's deal TCV reached US$ 815mn, up 35% YoY and the company expects to see this number closer to US$1bn to meet growth targets. The company added 57 key accounts in FY25 and 21 in H1FY26, 17 of these have generated USD 1mn+ revenue (annual run-rate). The deal pipeline remains healthy and well-diversified across verticals. If the current environment remains steady, TCV could rise further, and if the environment improves, the existing run rate will remain strong.

The company's profitability performance has been remarkable over the past six consecutive quarters, delivering improvement in EBIT margins from 8.5% in Q1FY25 to 12.1% in Q2FY26. This was driven by initiatives such as Project Fortius, aimed at cost savings, productivity gains, and a focus on high-margin service lines. The target is to achieve an exit EBIT margin of 15% by FY27E. Key margin drivers ahead include fixed price project productivity, portfolio integration, SG&A optimisation, and value-based pricing.

## Valuation & Recommendation:

Tech Mahindra's leadership in the communication vertical could make it a key beneficiary of vendor consolidation in the segment. It could also benefit from 5G, AI, digital, Cloud and Network Operation opportunities. Efficient operations, cost optimisation and delivery automation will be the key focus areas in the future. The company expects the leadership transition in the near term as it is a planned succession. Tech Mahindra is benefiting from the higher and faster adoption of AI, cloud, and digital.

Tech Mahindra is focusing on driving organic growth through account mining, large deals, more revenue from alliance partnerships and realising better synergies from earlier acquired entities. Given strong Q2FY26 performance across verticals, geographies, and services, strong deal wins, a healthy deal pipeline, and broad-based growth across verticals, management believes there is upside potential to its earlier double-digit revenue growth guidance. Recent weakness in the Rupee could also act as a tailwind, unless it is reversed quickly. The company's focus on large deals, client mining, strong relationship with clients, healthy order book and timely acquisitions to support its product solutions profile to a healthy revenue trajectory in the coming quarters.

**We believe investors can buy the stock in Rs 1555-1590 band and add on dips in Rs 1420-1450 (17x Sept'27E EPS) band for a base case fair value of Rs 1710 (20.25x Sept'27E EPS) and bull case fair value of Rs 1815 (21.5x Sept'27E EPS) over the next 2-3 quarters. At the current price, the stock is trading at (18.6x Sept'27E EPS).**

**Financial Summary:**

| Particulars (Rs Cr) | Q2FY26 | Q2FY25 | YoY (%) | Q1FY26 | QoQ (%) | FY24 | FY25 | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Operating Income | 13995 | 13313 | 5.1 | 13351 | 4.8 | 51996 | 52988 | 56219 | 61185 | 66738 |
| EBITDA | 2168 | 1750 | 23.9 | 1935 | 12.0 | 4965 | 6991 | 8932 | 10970 | 12473 |
| Depreciation | 469 | 470 | -0.2 | 458 | 2.3 | 1817 | 1853 | 1889 | 2053 | 2231 |
| Other Income | 40 | 522 | -92.3 | 218 | -81.7 | 459 | 1278 | 617 | 857 | 879 |
| Interest Cost | 77 | 89 | -13.3 | 78 | -0.8 | 392 | 322 | 311 | 332 | 362 |
| Tax | 458 | 456 | 0.4 | 489 | -6.5 | 828 | 1400 | 2005 | 2455 | 2798 |
| APAT | 1202 | 1258 | -4.4 | 1129 | 6.5 | 2698 | 4376 | 5346 | 6987 | 7962 |
| Diluted EPS (Rs) | 13.6 | 14.2 | -4.4 | 12.7 | 6.7 | 30.4 | 49.4 | 60.3 | 78.9 | 89.9 |
| RoE-% | | | | | | 9.9 | 16.2 | 19.2 | 23.7 | 25.1 |
| P/E (x) | | | | | | 51.6 | 31.8 | 26.0 | 19.9 | 17.5 |
| EV/EBITDA (x) | | | | | | 26.7 | 18.9 | 14.8 | 12.0 | 10.4 |

**Q2FY26 Result Update:**

- Tech Mahindra revenue was almost inline with estimates, and net profit was below expectations in Q2FY26, delivering seven consecutive quarters of margin expansion.
- Consolidated revenue grew 4.8% QoQ and 5.1% YoY to Rs 13,995 crore, USD Revenue of 1,586 Mn up 1.4% QoQ and down 0.2% YoY and revenue (in cc) up 1.6% QoQ and down 0.3% YoY.
- EBIT increased by 15% QoQ and 32.7% YoY to Rs 1699 crore in Q2FY26, supported by lower subcontracting costs and EBIT margin ramped up to 12.1% in Q2FY26 vs. 11.6% in Q1FY26 and 9.6% in Q2FY25. Net Profit rose 6.5% QoQ and fell 4.4% YoY to Rs 1202 crore, and PAT margin stood at 8.6% in Q2FY26 vs. 8.5% in Q1FY26 and 9.4% in Q2FY25.
- Top 5 clients grew 1.4% QoQ, 2.9% YoY, Top 6-10 clients were down 8.1% QoQ, and down 10.7% YoY and Top 10-20 client category was also down 6% QoQ and 7% YoY on US$ terms. In terms of markets, growth was led by the US, which grew by 2.6% QoQ and RoW by 1.4% QoQ, and Europe was soft at -0.9% QoQ in US$ terms.
- Its total headcount stood at 152,714, down 1,559 YoY and added 4,197 QoQ. IT attrition rate increased to 12.8% in Q2FY26 vs. 10.6% in Q2FY25 and 12.6% in Q1FY26.

## Concall Takeaways:

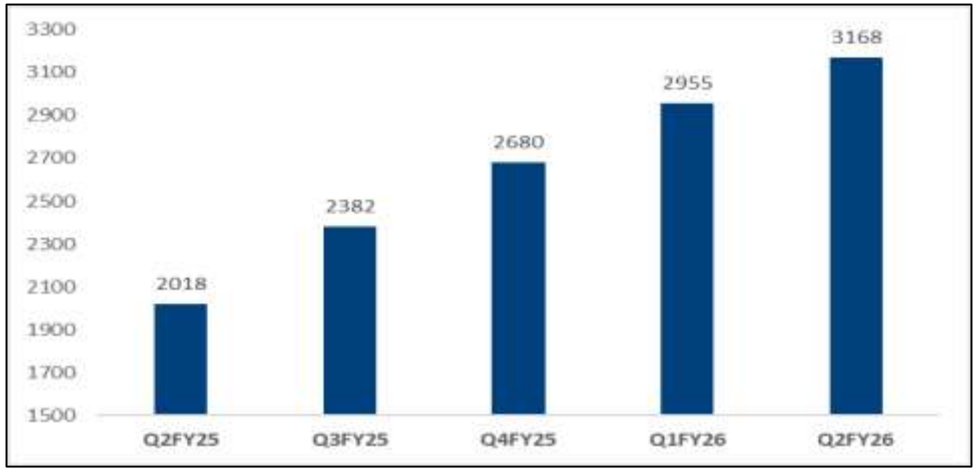
- Tech Mahindra is committed to increasing margins every quarter and expects a larger share of improvement from gross margin versus SG&A.
- Tech Mahindra is optimistic and expects that the second half of the year will be better than the first half, subject to seasonality (Q3 furloughs) and macro. The company also expects FY27E for the industry and for Tech Mahindra to be better than FY26.
- Europe faced a localized challenge; expected to revert to stability and growth in H2 (with Q3 furloughs caveat). Comviva “continues to do very well” and expects to deliver a second record growth year.
- The company collaborated with a US-based telecom operator to enhance its network testing and certification through automation and optimisation, and leveraging the expertise to increase efficiency, scalability and innovation.

## Key Updates

**Strong deal momentum and adoption of 5G network services to drive growth**

- Tech Mahindra’s deal TCV reached US$815mn, up 35% YoY, and the company expects to see this number closer to US$1bn to meet growth targets. The company added 57 key accounts in FY25 and 21 in H1FY26, 17 of these have generated USD 1mn+ revenue (annual run-rate). US$20mn+ strategic accounts are growing above the company average.
- The deal pipeline remains healthy and well-diversified across verticals. However, the current deal win run rate may suffice if discretionary demand improves. As discretionary spending improves, revenue conversion from deals is expected to accelerate. If the current environment remains steady, TCV could rise further, and if the environment improves, the existing run rate will remain strong.

**Deal Wins (USD Mn)**



- Tech Mahindra is best placed among Indian IT companies to gain from the rising adoption of 5G standard by consumers and companies. 5G networks will be key in facilitating digital transformations across all sectors. Its ultrafast connectivity, low-latency and ultra-reliability offer businesses the ability to improve performance, transform their operations and reduce carbon emissions.
- Tech Mahindra is well-positioned to expand a fair share of 5G network services and the deal win trajectory has accelerated. The company is experiencing a large-deal strategy and a customer-led approach. The pipeline deal wins are still coming from predominantly the US and Europe, but there are certain client-specific top accounts restructuring that has been happening due to pressure in those geographies.

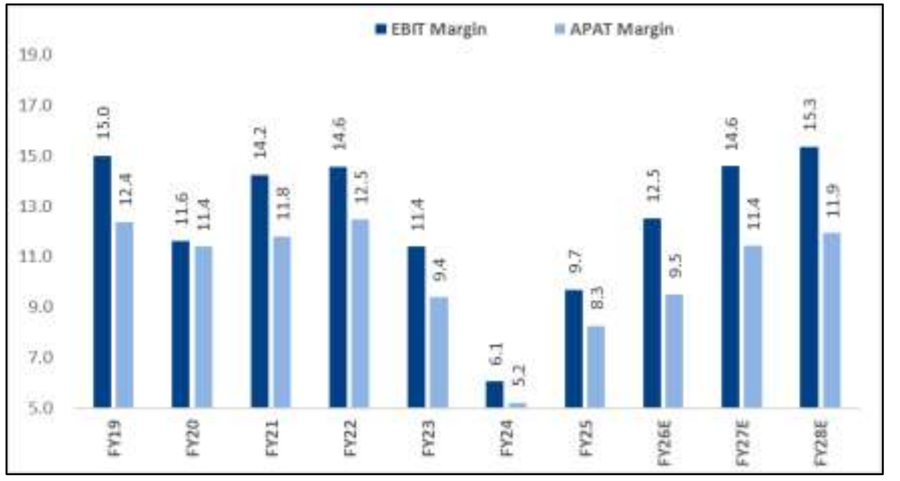
**CTME vertical is likely to recover and generate revenue**

- Tech Mahindra's Communications, Technology, Media, and Entertainment (CTME) vertical continued to be an essential vertical as well as a growth driver. Overall, CTME vertical contributed ~46% of revenue in Q2FY24, telecom stayed weak, down 2.2% YoY and 2% QoQ, and Technology, Media, and Entertainment was down 8.8% YoY and 0.4% QoQ.
- APAC and US regions performed well for Communication and Media, while Europe faced client's related temporary challenges expected to recover in H2FY26. Top client (belonging to the US region) spends in this vertical have stabilised and are growing above the company average.
- Comviva's business is growing at a healthy pace, and the company also expects telecom to turn up in H2 as vendor consolidation deals start contributing, supported by strategic actions, seasonality, and an improving demand environment.

**Expects sustainable margins going forward**

- The company's margin expansion has been remarkable, supported by operational leverage and cost savings delivered through Project Fortius.
- Tech Mahindra's EBIT margin ramped up to 12.1% in Q2FY26, led by increased productivity in fixed price contracts, support from volume growth, SG&A optimisation and currency benefit vs. 11.1% in Q1FY26 and 9.6% in Q2FY25 and PAT margin stood at 8.6% in Q2FY26 vs. 8.5% in Q1FY26 and 9.4% in Q2FY25. However, margin was impacted by higher subcontracting costs by 50bps QoQ to 10.3%, lower utilisation by 60bps QoQ to 84.4% and offshore employees by 30bps QoQ.
- Starting at an exit margin of ~7.5% in FY24, the company has expanded margins in the past six quarters and the company is well-positioned to achieve the 15% EBIT margin target by FY27E. The margin expansion has been achieved through disciplined pricing, focus on higher-margin service lines, and productivity gains.
- The company remains confident in mitigating this through operational levers and is supported by strategic investments in AI and growth capabilities. We expect EBIT margin at 14.4% and 15.1% for FY27E and FY28E, respectively. We expect that certain levers available, such as the likely decline in stock compensation costs and lower professional fees, could help to increase margin. However, a challenging demand environment could pressurise margins further.

Margins-%




**Leveraging on a strong AI foundation**

- Tech Mahindra is one of the leading IT services companies building large language models as part of a key player in India's AI mission, and the company is building specific capabilities, such as industrial AI at scale for manufacturing clients. It has also launched an AI model supporting 38 Indian languages and dialects.
- Tech Mahindra has built a solid AI foundation by developing its own LLM and launching a comprehensive GenAI studio. The company has been rated an emerging leader in the Gartner GenAI Services Magic Quadrant, where it earned the top global rating for future vision in AI services and partnered with NVIDIA to deliver Agentic AI Innovation to customers, managing autonomous AI solutions for business workflows. It has deployed 300+ AI agents.
- The company is ready to introduce its new pricing model, which is based on tokens and is expected to be beneficial in the long run. It also plans to invest in AI-led improvements in delivery efficiency to sustain margin expansion.
- Tech Mahindra launched its next-generation Tech Mahindra Orion platform in July'2025. It is an agentic AI platform built on the NVIDIA platform designed to help enterprises deploy.

**Strong fundamentals led by healthy debt protection metrics and liquidity**

- Tech Mahindra's financial profile remains healthy, marked by stable earnings, sizeable networth, and strong liquidity with large cash reserves, healthy capital structure and coverage metrics. The company has achieved substantial and sustained growth in revenue and profit.

- The company reported revenue growth at ~9%, and net profit growth at 5.2% CAGR over the past decade on a consolidated basis. Its consolidated revenue grew by 2% YoY to Rs 5,299 crore, and net profit was up by 62.2% YoY in Rupee terms in FY25.
- Expecting an acceleration in demand, we expect that the revenue could grow by 8% CAGR over the FY25 to FY28E. Its margins could sustain at 12.5%-15.5% over FY26E- FY28E, supported by cost rationalisation efforts, and operational efficiencies.
- Healthy cash flow generation has helped to reduce its debt levels and reliance on external borrowings to fund its working capital as well as capital expenditure programs. As of Sept 30, 2025, overall gearing stood at 0.1x. Interest coverage stood at 18.7x as on Sept 30, 2025 vs. 16x in FY25. We expect the company to maintain its robust debt servicing ability in the medium term, backed by a strong liquidity position, consistent cash accruals, and limited debt requirements.
- The company has substantial financial flexibility on account of its strong liquidity position with free cash and cash equivalents. Cash and Cash Equivalent at US$ 821 mn as of Sept 30, 2025. Free cash flow at US$ 237 mn, conversion to PAT at 176%.
- DSO days stood at 94 days in Q2FY26 vs. 95 days in Q1FY26 and 94 days in Q2FY25.
- Rise in net profit margin could help to increase its return ratios, we expect RoE at ~19-25% over the FY26E to FY28E.
- The company recommended a final dividend of Rs 45/ per share to shareholders in FY25, and the dividend yield stood at 2.9%. We expect Rs 48.25/55.2/Rs 62.9 for FY26E/FY27E/FY28E, respectively.

**What could go wrong?**

- Indian rupee appreciation against the USD, pricing pressure, retention of the skilled headcounts, strict immigration norms and rise in visa costs are key concerns.
- The company has high exposure to the Communications vertical, which offers a potential opportunity; however, any headwinds in the Communications vertical could impact its revenue generation.
- Tech Mahindra has to constantly compete with Indian IT majors such as TCS, Infosys, HCL Tech, Cognizant, and Wipro; and also global players such as IBM, Accenture, and Computer Sciences Corporation.
- Tech Mahindra’s presence in a highly competitive industry leads to pricing pressure, deal re-negotiations and deferrals and hence can impact the company’s growth and profitability.
- Unsustainable high utilisation rates are reasons for worry.
- Any change in the contract nitty-gritty from large clients, like non-renewal of contracts or higher discounts due to aggressive competition intensity, can impact the sustainability and scalability of such clients.
- Delays in decision-making due to higher uncertainty could create a challenge for TCV/ACV growth.
- Higher than expected debt-funded capex or acquisition leading to deterioration in profitability and could impact cash generation.

## Operating Metrics

**Geographical split**

| (% of revenue) | Q2FY24 | Q3FY24 | Q4FY24 | Q1FY25 | Q2FY25 | Q3FY25 | Q4FY25 | Q1FY26 | Q2FY26 |
|---|---|---|---|---|---|---|---|---|---|
| Americas | 53.3 | 51.9 | 50.8 | 52.4 | 51.1 | 50.8 | 48.4 | 49.2 | 49.8 |
| Europe | 23.6 | 23.8 | 24.2 | 23.4 | 24.0 | 23.6 | 25.4 | 26.0 | 25.4 |
| Rest of the World | 23.2 | 24.4 | 25.0 | 24.2 | 24.9 | 25.6 | 26.2 | 24.8 | 24.8 |
| **Total** | **100.0** | **100.0** | **100.0** | **100.0** | **100.0** | **100.0** | **100.0** | **100.0** | **100.0** |

**Restated Vertical**

| (% of revenue) | Q2FY24 | Q3FY24 | Q4FY24 | Q1FY25 | Q2FY25 | Q3FY25 | Q4FY25 | Q1FY26 | Q2FY26 |
|---|---|---|---|---|---|---|---|---|---|
| Communications | 34.7 | 34.3 | 34.0 | 33.1 | 33.4 | 32.5 | 33.2 | 33.8 | 32.7 |
| Manufacturing | 17.5 | 18.0 | 18.0 | 18.3 | 17.2 | 16.8 | 17.0 | 17.5 | 18.1 |
| Hi-Tech and Media | 14.3 | 13.7 | 13.8 | 13.8 | 14.3 | 14.3 | 13.2 | 13.3 | 13.1 |
| Banking, Financial services & Insurance | 15.4 | 14.8 | 15.7 | 15.7 | 15.8 | 16.1 | 16.7 | 16.4 | 16.8 |
| Retail, Transport & Logistics | 7.7 | 8.1 | 7.3 | 7.7 | 7.9 | 8.1 | 8.1 | 7.9 | 8.5 |
| Healthcare & Life Sciences | 7.2 | 7.5 | 7.2 | 7.7 | 7.4 | 7.7 | 7.3 | 7.3 | 7.3 |
| Others | 3.2 | 3.5 | 4.0 | 3.8 | 4.0 | 4.6 | 4.5 | 3.8 | 3.5 |
| **Total** | **100** | **100** | **100** | **100** | **100** | **100** | **100** | **100** | **100** |

**Headcount, utilisation data**

| (Nos.) | Q2FY24 | Q3FY24 | Q4FY24 | Q1FY25 | Q2FY25 | Q3FY25 | Q4FY25 | Q1FY26 | Q2FY26 |
|---|---|---|---|---|---|---|---|---|---|
| Total headcount | 150604 | 146250 | 145455 | 147620 | 154273 | 150488 | 148731 | 148517 | 152714 |
| Software employees | 81200 | 81705 | 80925 | 80417 | 80618 | 80865 | 80609 | 79987 | 78528 |
| Net additions | 2307 | -4354 | -795 | 2165 | 6653 | -3785 | -1757 | -214 | 4197 |
| IT attrition (%) | 11.4 | 10.3 | 10.0 | 10.1 | 10.6 | 11.2 | 11.8 | 12.6 | 12.8 |
| Utilisation excluding trainees (%) | 86.1 | 87.6 | 86.4 | 86.1 | 86.3 | 85.6 | 86.4 | 85.1 | 84.4 |

**Client Concentration**

| (% of revenue) | Q2FY24 | Q3FY24 | Q4FY24 | Q1FY25 | Q2FY25 | Q3FY25 | Q4FY25 | Q1FY26 | Q2FY26 |
|---|---|---|---|---|---|---|---|---|---|
| Top 5 | 16.6 | 16.1 | 15.8 | 15.5 | 15.1 | 14.8 | 15.5 | 15.6 | 15.6 |
| Top 10 | 27.1 | 26.2 | 25.9 | 25.1 | 24.9 | 24.2 | 24.5 | 25.2 | 24.3 |
| Top 20 | 39.5 | 38.6 | 38.8 | 38.4 | 38.6 | 38.0 | 38.2 | 39.0 | 37.1 |

## Financials

### Income Statement

| (Rs Cr) | FY24 | FY25 | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| **Net Revenues** | **51996** | **52988** | **56219** | **61185** | **66738** |
| Growth (%) | -2.4 | 1.9 | 6.1 | 8.8 | 9.1 |
| Operating Expenses | 47031 | 45997 | 47287 | 50215 | 54265 |
| **EBITDA** | **4965** | **6991** | **8932** | **10970** | **12473** |
| **Growth (%)** | **-38.2** | **40.8** | **27.8** | **22.8** | **13.7** |
| **EBITDA Margin (%)** | **9.5** | **13.2** | **15.9** | **17.9** | **18.7** |
| Depreciation | 1817 | 1853 | 1889 | 2053 | 2231 |
| **EBIT** | **3147** | **5138** | **7042** | **8917** | **10243** |
| Other Income | 459 | 1278 | 617 | 857 | 879 |
| Interest expenses | 392 | 322 | 311 | 332 | 362 |
| **PBT** | **3214** | **6095** | **7349** | **9442** | **10760** |
| Tax | 828 | 1400 | 2005 | 2455 | 2798 |
| **RPAT** | **2386** | **4695** | **5344** | **6987** | **7962** |
| **APAT** | **2698** | **4376** | **5346** | **6987** | **7962** |
| Growth (%) | -46.1 | 62.2 | 22.2 | 30.7 | 14.0 |
| EPS | 30.4 | 49.4 | 60.3 | 78.9 | 89.9 |

### Balance Sheet

| As at March | FY24 | FY25 | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| **SOURCE OF FUNDS** | | | | | |
| Share Capital | 441 | 442 | 442 | 442 | 442 |
| Reserves | 26228 | 26919 | 27988 | 30084 | 32473 |
| **Shareholders' Funds** | **26669** | **27362** | **28431** | **30527** | **32916** |
| Long Term Debt | 103 | 0 | 0 | 0 | 0 |
| Net Deferred Taxes | -1440 | -1857 | -2006 | -2166 | -2340 |
| Long Term Provisions & Others | 3558 | 4029 | 4309 | 4616 | 4955 |
| **Minority Interest** | **477** | **430** | **430** | **430** | **430** |
| **Total Source of Funds** | **29367** | **29963** | **31164** | **33407** | **35961** |
| **APPLICATION OF FUNDS** | | | | | |
| Net Block & Goodwill | 13903 | 13982 | 14060 | 14148 | 14253 |
| CWIP | 133 | 21 | 21 | 21 | 21 |
| Other Non-Current Assets | 3296 | 3604 | 3949 | 4327 | 4741 |
| **Total Non Current Assets** | **17332** | **17606** | **18029** | **18496** | **19015** |
| Inventories | 38 | 39 | 39 | 39 | 39 |
| Trade Receivables | 11401 | 11547 | 12322 | 13410 | 14628 |
| Cash & Equivalents | 7973 | 7724 | 7734 | 8573 | 9620 |
| Other Current Assets | 4472 | 4658 | 5132 | 5640 | 6199 |
| **Total Current Assets** | **23884** | **23969** | **25227** | **27663** | **30486** |
| Short-Term Borrowings | 1429 | 471 | 471 | 471 | 471 |
| Trade Payables | 3785 | 4411 | 4535 | 4815 | 5204 |
| Other Current Liab & Provisions | 7403 | 7792 | 8245 | 8728 | 9241 |
| **Total Current Liabilities** | **12617** | **12674** | **13251** | **14014** | **14916** |
| Net Current Assets | 11267 | 11295 | 11976 | 13649 | 15569 |
| Misc Expenses & Others | 768 | 1063 | 1158 | 1263 | 1376 |
| **Total Application of Funds** | **29367** | **29963** | **31164** | **33407** | **35961** |

(Source: Company, HDFC sec)

### Cash Flow Statement

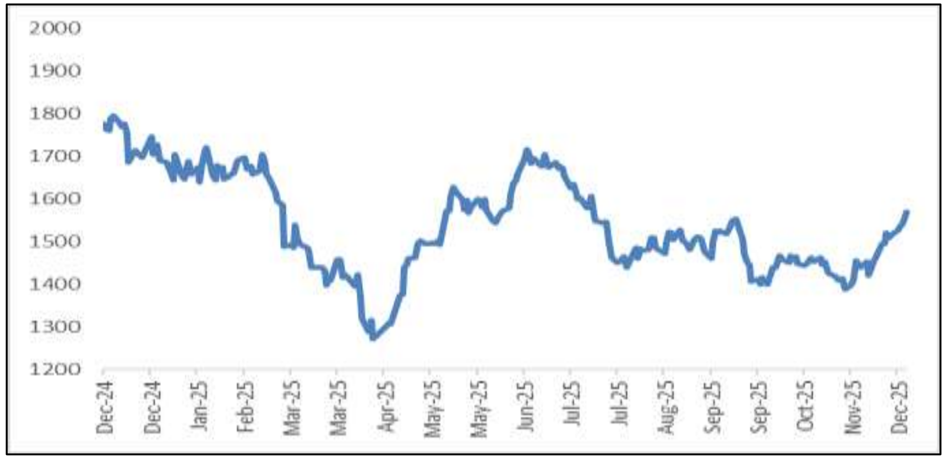
| (Rs Cr) | FY24 | FY25 | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| Reported PBT | 3,672 | 5,672 | 7,349 | 9,442 | 10,760 |
| Non-operating & EO items | 443 | -425 | -614 | -857 | -879 |
| Interest Expenses | 392 | 322 | 311 | 332 | 362 |
| Depreciation | 1,817 | 1,853 | 1,889 | 2,053 | 2,231 |
| Working Capital Change | 1,299 | -270 | -982 | -1,168 | -1,237 |
| Tax Paid | -1,247 | -1,400 | -2,005 | -2,455 | -2,798 |
| **OPERATING CASH FLOW ( a )** | **6,376** | **5,751** | **5,948** | **7,347** | **8,439** |
| Capex | -1,487 | -1,819 | -1,968 | -2,141 | -2,336 |
| Free Cash Flow | 4,890 | 3,932 | 3,980 | 5,205 | 6,103 |
| Investments | 0 | 0 | 0 | 0 | 0 |
| Non-operating income | -443 | 855 | 617 | 857 | 879 |
| **INVESTING CASH FLOW ( b )** | **-1,930** | **-963** | **-1,351** | **-1,284** | **-1,457** |
| Debt Issuance / (Repaid) | -69 | -103 | 0 | 0 | 0 |
| Interest Expenses | -392 | -322 | -311 | -332 | -362 |
| FCFE | 4,429 | 3,508 | 3,669 | 4,874 | 5,741 |
| Share Capital Issuance | 24 | 1 | 0 | 0 | 0 |
| Dividend | -4,136 | -4,664 | -4,277 | -4,891 | -5,574 |
| **FINANCING CASH FLOW ( c )** | **-4,573** | **-5,087** | **-4,587** | **-5,223** | **-5,935** |
| **NET CASH FLOW (a+b+c)** | **-126** | **-300** | **9** | **840** | **1,046** |

### Key Ratios

| Particulars | FY24 | FY25 | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| **Profitability Ratio (%)** | | | | | |
| EBITDA Margin | 9.5 | 13.2 | 15.9 | 17.9 | 18.7 |
| EBIT Margin | 6.1 | 9.7 | 12.5 | 14.6 | 15.3 |
| APAT Margin | 5.2 | 8.3 | 9.5 | 11.4 | 11.9 |
| RoE | 9.9 | 16.2 | 19.2 | 23.7 | 25.1 |
| RoCE | 9.4 | 15.1 | 18.0 | 22.1 | 23.4 |
| **Solvency Ratio (x)** | | | | | |
| Net Debt/EBITDA | -1.3 | -1.0 | -0.8 | -0.7 | -0.7 |
| Net D/E | -0.2 | -0.3 | -0.3 | -0.3 | -0.3 |
| **Per Share Data (Rs)** | | | | | |
| EPS | 30.4 | 49.4 | 60.3 | 78.9 | 89.9 |
| CEPS | 51.1 | 70.3 | 81.7 | 102.0 | 115.0 |
| BV | 302.4 | 310.2 | 322.3 | 346.1 | 373.2 |
| Dividend | 40.0 | 45.0 | 48.3 | 55.2 | 62.9 |
| **Turnover Ratios (days)** | | | | | |
| Debtor days | 80 | 80 | 80 | 80 | 80 |
| Inventory days | 0 | 0 | 0 | 0 | 0 |
| Creditors days | 27 | 30 | 29 | 29 | 28 |
| **Valuation (x)** | | | | | |
| P/E | 51.6 | 31.8 | 26.0 | 19.9 | 17.5 |
| P/BV | 5.2 | 5.1 | 4.9 | 4.5 | 4.2 |
| EV/EBITDA | 26.7 | 18.9 | 14.8 | 12.0 | 10.4 |
| EV / Revenues | 2.5 | 2.5 | 2.3 | 2.1 | 1.9 |
| Dividend Yield (%) | 2.5 | 2.9 | 3.1 | 3.5 | 4.0 |
| Dividend Payout(%) | 131.4 | 91.1 | 80.0 | 70.0 | 70.0 |

(Source: Company, HDFC sec)

## One Year Price Chart




Source: Company, HDFC sec)

**HDFC Sec Prime Research Rating description**

**Green Rating stocks**

This rating is given to stocks that represent large and established business having track record of decades and good reputation in the industry. They are industry leaders or have significant market share. They have multiple streams of cash flows and/or strong balance sheet to withstand downturn in economic cycle. These stocks offer moderate returns and at the same time are unlikely to suffer severe drawdown in their stock prices. These stocks can be kept as a part of long term portfolio holding, if so desired. This stocks offer low risk and lower reward and are suitable for beginners. They offer stability to the portfolio.

**Yellow Rating stocks**

This rating is given to stocks that have strong balance sheet and are from relatively stable industries which are likely to remain relevant for long time and unlikely to be affected much by economic or technological disruptions.
These stocks have emerged stronger over time but are yet to reach the level of green rating stocks. They offer medium risk, medium return opportunities. Some of these have the potential to attain green rating over time.

**Red Rating stocks**

This rating is given to emerging companies which are riskier than their established peers. Their share price tends to be volatile though they offer high growth potential. They are susceptible to severe downturn in their industry or in overall economy. Management of these companies need to prove their mettle in handling cyclicality of their business. If they are successful in navigating challenges, the market rewards their shareholders with handsome gains; otherwise their stock prices can take a severe beating. Overall these stocks offer high risk high return opportunities.

**Rating Criteria**

Buy - > 15%+ return potential
Add - +5% to +15% return potential
Reduce - -10% to +5% return potential
Sell - >10% downside return potential

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**Any holding in stock – No**

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