

SELL

TP: Rs 339 | ▼ 11%

BIRLASOFT

| IT Services

| 08 August 2025

Likely the only Tier-2 player to show FY26 revenue decline

- **Weak 1Q QoQ CC revenue growth. EBIT margin contracted 80 bps QoQ. We estimate 5.6% FY26 USD revenue decline vs flat numbers earlier**
- **Weak order inflow problem is company specific. Its Tier-2 peers will likely show positive revenue growth in FY26 despite weak macro**
- **Cut EPS for FY26-FY28 and Maintain our target PE multiple and SELL rating. Weak execution we believe is a company specific issue**

Girish Pai | Lopa Notaria
 research@bobcaps.in

Revenue and margin under pressure; Structural weakness evident:

Revenue declined 1.8% QoQ in CC terms to US\$150.7mn, in line with estimates but reflecting weaknesses from project ramp-downs, completions, and client insourcing. The manufacturing vertical, a significant revenue contributor (~38% of revenue) saw a 4% QoQ drop. EBIT margin contracted 80bps QoQ to 10.7% (vs. our 11.5% estimate), as prior-quarter one-offs (~200bps) rolled off. Operational levers partially softened the impact, but pricing headwinds persist.

Demand commentary stays weak; No near-term catalysts:

Management highlighted continued delays in decision-making, discretionary cuts, and pricing pressure. Clients remain focused on cost optimization and insourcing, while deal conversion from the pipeline remains sluggish.

Soft TCV and order book decline underscore growth challenges: Deal wins (Total TCV) stood at US\$ 141 mn while Net New TCV stood at US\$ 76mn. This reflects ~40% decline QoQ (due to seasonality and the delay of a large deal now expected in 2Q) and a 12% decline YoY. While management is focused on rebuilding through top-account mining and ERP turnaround efforts, limited large deal closures and shrinking backlog raise concerns on execution and near-term growth visibility. We are not very clear whether this is sales or a capabilities issue or both.

Cut Estimates and Maintain Sell: We have now reduced our revenue and EBIT margin estimates for FY26, FY27 and FY28, leading to EPS reductions of 23.3%, 11.2% and 15.6% respectively. We are skeptical of internal issues being fixed in FY26. We are now building in -5.6% USD revenue growth in FY26 and 5% growth in FY27 and FY28. Target PE remains unchanged at 16.0x (25% discount to the target PE multiple of TCS- our sector benchmark) and the stock rating continues to be SELL. It will stand out for showing a negative revenue growth in FY26 amongst its peer set.

Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	BSOFT IN/Rs 382
Market cap	US\$ 1.2bn
Free float	59%
3M ADV	US\$ 9.5mn
52wk high/low	Rs 689/Rs 331
Promoter/FPI/DII	41%/12%/22%

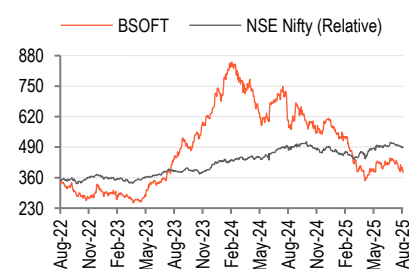
Source: NSE | Price as of 7 Aug 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	53,752	51,913	56,194
EBITDA (Rs mn)	6,974	6,529	7,910
Adj. net profit (Rs mn)	5,168	4,400	5,858
Adj. EPS (Rs)	18.3	15.6	20.8
Consensus EPS (Rs)	18.3	19.9	23.6
Adj. ROAE (%)	15.8	12.1	14.8
Adj. P/E (x)	20.8	24.4	18.4
EV/EBITDA (x)	14.3	15.7	12.7
Adj. EPS growth (%)	(19.0)	(14.8)	33.1

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Key Points from the quarter and the earnings call

- Revenue stood at US\$150.7 mn, declining 1.8% QoQ (in line with our estimate of 2% CC QoQ decline) and 6.0% YoY in CC terms due to project closures and ramp-downs
 - QoQ USD revenue growth by Verticals: Manufacturing vertical declined 4.2%, BFSI vertical registered marginal QoQ growth of 0.7%, Life Sciences and Services vertical grew with 1% QoQ, Energy & Utilities vertical grew 1.9% QoQ
 - QoQ USD revenue growth by Service Offerings: Digital and Data business grew 2.6% QoQ driven by new engagements and incremental revenue from existing accounts, ERP service line saw sequential decline (-5.4%), correlating with weakness in Manufacturing vertical, Infra service line declined sequentially (-6.9%) due to project completion
 - Manufacturing vertical showed soft performance due to project completions, ramp-downs, and insourcing
- EBIT Margin stood at 10.7% (against our estimate of 11.5%), declining 80bps QoQ and 240 bps YoY
 - 4QFY25 margin performance included one-time benefits from currency, leave encashments, and variable pay, totaling 200 bps. Operational efficiencies offset approximately half of the expected margin headwind in 1QFY26
- Effective tax rate rose to 35.9% in 1Q due to provision for higher tax
 - The company is working with tax experts and realigning client contract terms
 - This elevated ETR is expected to persist through FY26, but is anticipated to return to historical levels from FY27
 - There was no clarity given as to why the ETR has jumped by 10 ppt in FY26
- Signed deals of TCV US\$141 mn with new deal wins TCV of US\$ 76 mn and renewals of US\$65 mn
 - 1Q TCV lower than 4Q due to seasonality, with 2H (3Q and 4Q) typically renewal-heavy
 - One large deal was delayed to 2Q, contributing to softness in 1Q deal signings
- DSO stood at 58 days versus 54 days in 4QFY25
- Headcount stood at 11,834 (down xxx QoQ) and attrition was 13.3%
- Demand environment remains challenging with prolonged delays in transformational project uptake, decision-making, and discretionary spending cuts; Deal conversion from strong pipeline remains tepid
- Pricing is under significant pressure, especially for new discretionary and even new non-discretionary deals

- Sequential growth expected in 2Q FY26. But unsure about QoQ growth in 3Q and 4Q. Visibility for 3Q growth remains limited due to prevailing uncertainty
- Challenging market conditions expected to impact performance throughout FY26
- Customers continue to focus on cost optimization, reduced discretionary spending, and hold-and-wait stance on large transformational programs
- Flat margins expected in FY26; margin expansion likely from FY27 as growth returns

Other Points

- 1Q and 2Q are seasonally weaker in terms of order book; 3Q and 4Q are renewal-heavy
 - Renewals are expected to come in at current margin levels or slightly higher in some cases
 - New deals, including large deals in the US\$30mn–US\$50mn range, are expected to come at lower margins
 - Focus is on winning and delivering new deals while optimizing costs to sustain margins at current levels
- No decision has been made yet regarding salary hikes for the current financial year. It was spread out over 3Q and 4Q last year.
- Manufacturing weakness continues due to macroeconomic and tariff-related uncertainties, especially among mid-sized manufacturers in the US and Europe
 - Birlasoft's manufacturing business spans discrete manufacturing and med-tech (medical devices)
 - Med-tech is showing positive momentum and is recovering; Discrete manufacturing remains under pressure, leading to softness in ERP, as ERP demand correlates closely with manufacturing
 - Near-term manufacturing outlook is uncertain
- Life Sciences Segment:
 - About 80% of their life sciences business is in medical devices. Momentum is improving in medical devices despite recent challenges. No wins yet in 2Q, but couple of deals are in progress expected to close between 2Q and 3Q
 - The company currently does not work with providers. However, they have started working with some payers and will provide updates as they sign up new clients
- Birlasoft doesn't work with banks but works with asset managers, payment providers, and limited insurance clients
 - Insurance: Small part of business, but winning some deals and showing growth
 - Payments: Expected to grow in Q2, soften in Q3 due to furloughs, but has good long-term potential

- Asset Management: Also expected to grow over the long term. Birlasoft is securing vendor consolidation deals and some deals involving agentic AI solutions. However, its focus remains on winning new AI-driven transformation engagements
- Clients are insourcing certain work primarily to establish their own GCCs or to keep regulatory tasks in-house, rather than for cost reasons
- Management focus is on rebuilding and strengthening the order book
 - The order inflow has weakened over the past year, declining from ~\$875 mn in FY24 to around US\$758 mn in FY25, impacting revenue growth. Priority remains on fixing the order inflow to drive subsequent revenue growth
 - Renewals expected in 3Q and 4Q will contribute further to the order book. Securing at least 1 of 2 large deals in progress could significantly strengthen the full-year order book
- Shift toward more domain-oriented hiring rather than generalist hiring to enhance expertise
- Emphasis on leveraging agentic AI platforms to improve delivery and win new deals
- Company-wide transformation underway across customers, capabilities, and operational parameters. Cost optimization efforts are ongoing with focus on right-sizing in appropriate geographies without employee layoffs. Continued investment in growth areas such as digital and data business
- Current focus is on driving internal improvements and achieving sustained quarterly growth. Acquisitions are not a priority at this stage, as they may distract from near-term objectives. Company remains open to exploring inorganic opportunities if a valuable asset arises, but no immediate acquisition plans are in place
- Management highlighted key reasons for ongoing challenges in the turnaround effort
 - Client-Specific Slowdown: Around 93% of Birlasoft's revenue comes from its top 40 clients. Over the last four quarters, these clients have significantly reduced spending compared to six quarters ago. Contributing factors: reduced IT budgets; insourcing of work by clients; completion of projects with no immediate replacement
 - ERP & Manufacturing Weakness: The ERP business, closely tied to manufacturing, has underperformed
 - Macro Environment Not in Control: While economic and industry-wide macro trends are acknowledged, management emphasizes that internal issues, not macro alone, are the main focus areas for course correction
- Plan for the next 4 quarters: Deepen Mining of Top 40 Accounts, New Logo Acquisition and ERP Turnaround Strategy. Working closely with strategic partners (SAP, Oracle) and invest in more leadership to turn around our ERP business

We have an underweight stance on Indian IT services.

We reinitiated coverage on the Indian IT Services with an Underweight stance through a report on 1 January 2025 (**Slow is the (new/old) normal**), and reiterated that view with an update on 12th March 2025 (**FY26 unlikely to be better than FY25**). We also put out a recent update (**Uncertainty stays and 'eating the tariff' may impact even FY27**) where we indicate we believe the tariff decisions of 7 July 2025 on 14 countries, post the 90-day pause, prolongs the current phase of uncertainty.

Consequently, we see Tier-1 growth to remain at low single digit level for FY26 and 'eating the tariff' may lead to adverse impact on FY27

While both earnings and PE multiples have corrected since 1 Jan 2025, we believe the industry's structural organic revenue growth from here on will be lower than the ~7% CAGR seen during FY15-FY20, possibly ~5% CAGR over FY25-FY30 in constant currency (CC) terms.

Multiple speed breakers post FY25 drive our Underweight stance

Trump policies raise uncertainty: The tariffs, the higher fiscal deficit from the 'one big, beautiful bill' (OBBA), the crackdown on illegal immigration, DOGE, etc all point to uncertainty in the coming days which may delay decision making

Higher for longer interest rate environment: One of the reasons for optimism around the Indian IT Services sector in late 2024 had been the view that the US would achieve a soft landing in 2025 and that Fed Funds rate would be gradually lowered from the peak of 5.25-5.5%, driven by lower inflation. This, the market felt, was the apt environment for a broader pick up in discretionary spending beyond that of North American BFSI sector, especially after two muted years when the constant refrain from vendors for the weak growth was of 'macro uncertainty'.

Lately, based on inflation prints and fears of a higher fiscal deficit, US 10-year yields have remained firm. There are fears that sustained high interest rates could reduce IT outsourcing demand, particularly in sectors like BFSI and Telecom, and dampen US demand in areas like housing, autos and retail.

Covid-induced pull forward of demand requires a multi-year unwind. We think there were excesses during the compressed transformation phase which are yet to be fully unwound.

Gen AI and GCCs are going to disrupt growth: We also believe that AI/Gen AI will lead to compression of revenue for the industry in the next 24-36 months as companies self-cannibalize to hold on to their existing clients. We also believe that the rapid growth of the GCCs is a threat to outsourcing. While there seems to be collaboration between the outsourcers and their clients in setting up these GCCs, there will be growth discontinuity when the business is insourced at some point.

Massive hyper scaler AI capex should accentuate re-alignment in IT spend:

Software players, including hyper scalers, are increasing capex on AI-related data centres. This will drive higher pricing, forcing enterprises to allocate more IT spend to

cloud/SaaS and move it away from the those who have lower bargaining power – the global IT services players.

Higher competition: Indian Tier-1 companies now face higher competition from Accenture (especially as it loses business due to DOGE), Tier-2 players, and Cognizant, likely slowing their growth compared to FY15-FY20. This is besides the fact that by FY25, Tier-1 revenue will reach US\$ 85bn, double that in FY15. Due to the higher base now, growth may not be as rapid.

Weak TCV: The weaker TCV for most players in FY25 (YoY) and lack of any mega deal announcements in recent quarters points to a brewing growth problem for FY26. Many of the large companies like TCS, INFO and HCLT will also grapple with large contributions to incremental revenue by a set of large clients in FY25 or the need to set off large pass-through items.

How we are valuing companies: We are using PE methodology and using TCS as our industry benchmark. The target PE used for TCS now is 21.3x, which is the average PE multiple of TCS over the last 10 years less 0.5SD. Through our choice of the benchmark Target PE multiple, we seek to capture the probability of downside risks to consensus growth expectations for FY26/FY27, especially due to Trump 2.0 proposals.

Tier- 2 valuation reflects growth gap with Tier-1

The Tier-2 set have been taking away market share from the Tier-1 set due to better execution and due to their smaller size. And unlike in the past cycles, they have performed better than the Tier-1 largely due to better management teams.

However, the current PE premium to Tier-1s is excessive as we believe that to deliver on the high consensus revenue growth expectations, they may be taking on more cost take-out projects which are likely to impact their margins adversely.

Fig 1 – Quarterly results: Comparison of actuals with estimates

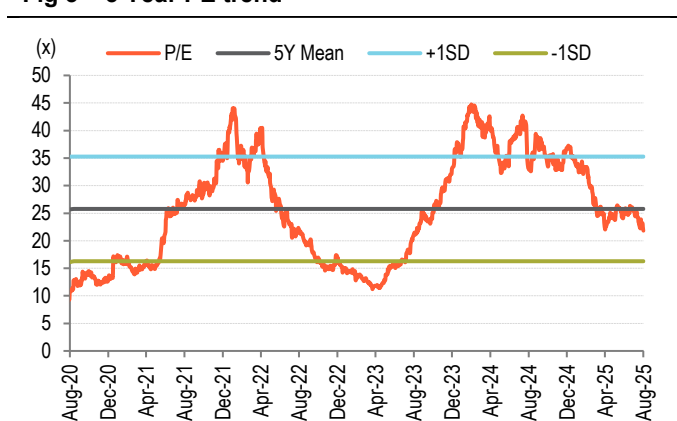
Y/E Mar (Rsmn)	1QFY25	4QFY25	1QFY26E	YoY(%)	QoQ (%)	1QFY26E	Deviation (%)
Net Sales (USD mn)	159	152	151	(5.3)	(1.0)	150	0.3
Net Sales	13,274	13,169	12,849	(3.2)	(2.4)	12,992	(1.1)
Employee Cost	7,602	7,781	7,787	2.4	0.1	7,626	2.1
% of Sales	57.3	59.1	60.6			58.7	
Gross Margin	5,673	5,388	5,062	(10.8)	(6.0)	5,367	(5.7)
% of Sales	42.7	40.9	39.4			41.3	
Operating Expenses	3,722	3,652	3,474	(6.6)	(4.9)	3,652	(4.9)
% of Sales	28.0	27.7	27.0			28.1	
EBIT	1,745	1,519	1,380	(20.9)	(9.2)	1,495	(7.7)
EBIT Margin (%)	13.1	11.5	10.7			11.5	
Other Income	345	199	331	(4.2)	66.6	210	57.3
PBT	2,049	1,663	1,662	(18.9)	(0.1)	1,641	1.3
Provision for Tax	547	442	597	9.3	35.2	436	37.0
Effective Tax Rate	26.7	26.6	35.9			26.6	
Minority share in Profit / Loss	0	0	0			0	
PAT (Reported)	1,502	1,221	1,064	(29.1)	(12.8)	1,205	(11.7)
NPM (%)	11.3	9.3	8.3			9.3	

Source: Company, BOBCAPS Research

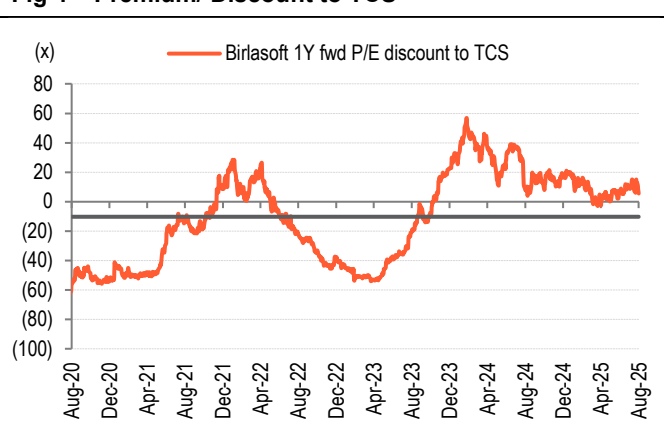
Fig 2 – Revised Estimates

Change in estimates	New			Old			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
INR/USD	86.6	89.3	91.1	87.3	89.3	91.1	(0.8)	-	-
USD Revenue (USD mn)	600	630	661	641	686	722	(6.4)	(8.2)	(8.5)
Growth (%)	(5.6)	5.0	5.0	0.8	7.1	5.3			
Revenue (Rsmn)	51,913	56,194	60,173	55,912	61,230	65,760	(7.2)	(8.2)	(8.5)
EBIT (Rsmn)	5,676	7,000	7,508	7,209	8,275	9,430	(21.3)	(15.4)	(20.4)
EBIT Margin (%)	10.9	12.5	12.5	12.9	13.5	14.3			
PAT (Rsmn)	4,400	5,858	6,340	5,729	6,594	7,508	(23.2)	(11.2)	(15.6)
FDEPS (Rs)	15.6	20.8	22.5	20.4	23.4	26.7	(23.3)	(11.2)	(15.6)

Source: Company, BOBCAPS Research

Fig 3 – 5 Year PE trend

Source: Bloomberg, BOBCAPS Research

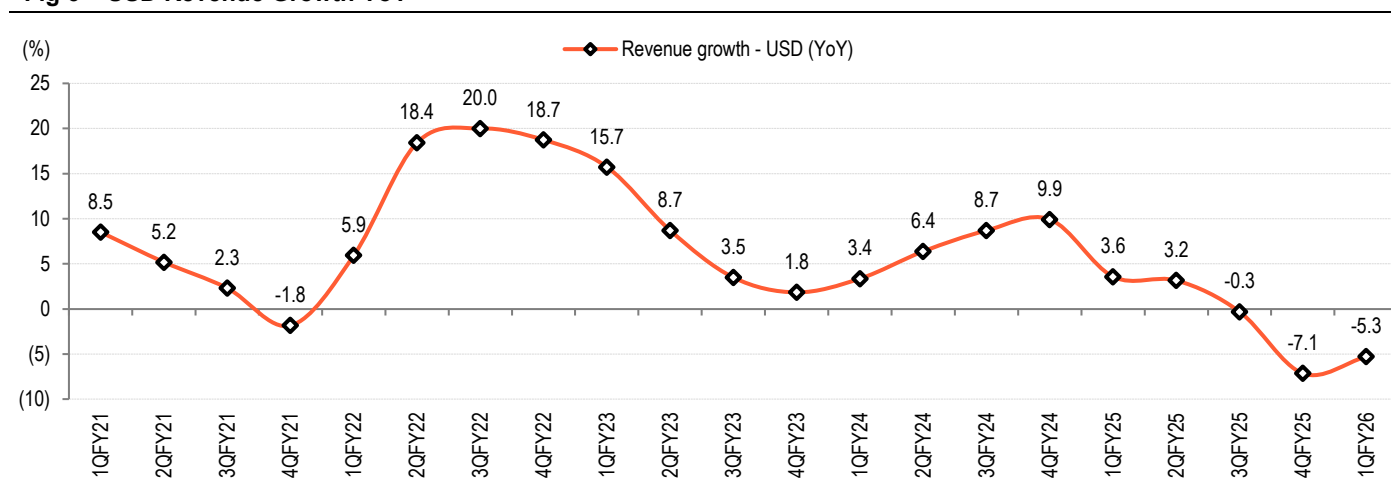
Fig 4 – Premium/ Discount to TCS

Source: Bloomberg, BOBCAPS Research

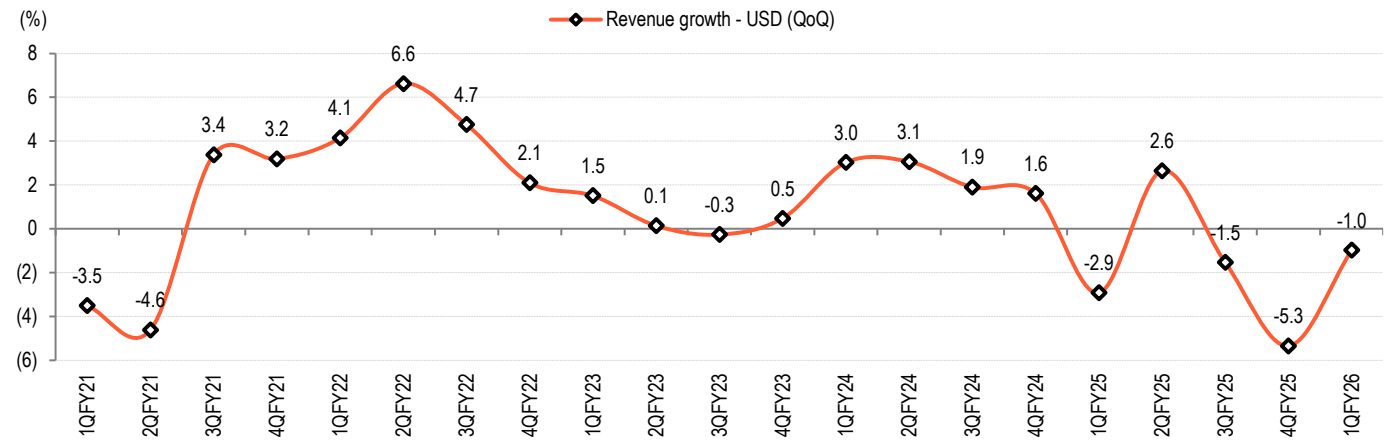
Fig 5 – P&L at a glance

(YE March)	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Average INR/USD	64.5	70.0	70.9	74.1	74.4	80.6	82.8	84.6	86.6	89.3	91.1
Net Sales (USD mn)	452	364	464	480	555	595	637	635	600	630	661
YoY Growth (%)		(19.4)	27.4	3.4	15.7	7.2	7.1	(0.3)	(5.6)	5.0	5.0
Revenues	29,142	25,507	32,910	35,557	41,303	47,948	52,781	53,752	51,913	56,194	60,173
YoY Growth	(12.3)	(12.5)	29.0	8.0	16.2	16.1	10.1	1.8	(3.4)	8.2	7.1
Employee Cost	17,874	15,352	19,975	21,158	23,688	28,131	30,483	32,008	30,988	33,357	35,800
Gross Profit	11,268	10,155	12,934	14,399	17,615	19,817	22,298	21,744	20,925	22,837	24,373
% of sales	38.7	39.8	39.3	40.5	42.6	41.3	42.2	40.5	40.3	40.6	40.5
Operating Expenses	7,533	7,091	9,065	9,107	11,213	14,612	13,936	14,770	14,396	14,927	15,897
% of sales	25.8	27.8	27.5	25.6	27.1	30.5	26.4	27.5	27.7	26.6	26.4
EBITDA	3,735	3,064	3,869	5,292	6,402	5,205	8,362	6,974	6,529	7,910	8,476
EBITDA Margin	12.8	12.0	11.8	14.9	15.5	10.9	15.8	13.0	12.6	14.1	14.1
Depreciation	589	499	826	804	766	823	850	857	852	910	967
% of sales	2.0	2.0	2.5	2.3	1.9	1.7	1.6	1.6	1.6	1.6	1.6
EBIT	3,147	2,565	3,043	4,489	5,636	4,382	7,512	6,117	5,676	7,000	7,508
EBIT Margin	10.8	10.1	9.2	12.6	13.6	9.1	14.2	11.4	10.9	12.5	12.5
Other Income	357	261	480	190	662	228	1,035	1,085	1,419	1,116	1,273
Interest	91	108	161	130	131	186	200	234	226	254	272
Profit Before Tax	3,412	2,717	3,362	4,548	6,167	4,424	8,348	6,968	6,869	7,863	8,510
PBT Margin	11.7	10.7	10.2	12.8	14.9	9.2	15.8	13.0	13.2	14.0	14.1
Tax	704	539	1,119	1,340	1,531	1,108	2,110	1,801	2,470	2,005	2,170
ETR (%)	20.6	19.8	33.3	29.5	24.8	25.1	25.3	25.8	35.9	25.5	25.5
Profit After Tax	2,412	2,354	2,243	3,208	4,637	3,316	6,238	5,168	4,400	5,858	6,340
YoY Growth (%)		(2.4)	(4.7)	43.0	44.5	(28.5)	88.1	(17.2)	(14.9)	33.1	8.2
-Net profit margin (%)	8.3	9.2	6.8	9.0	11.2	6.9	11.8	9.6	8.5	10.4	10.5

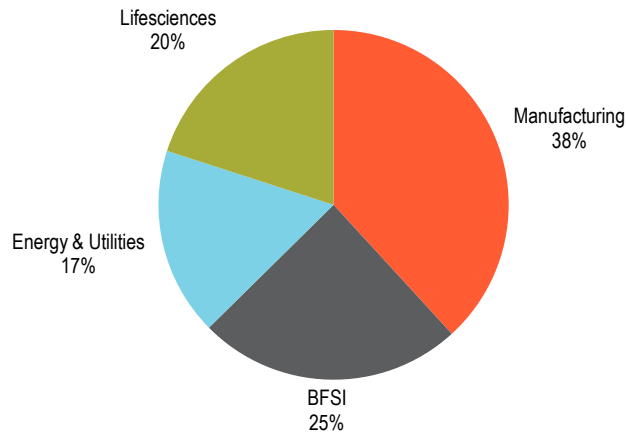
Source: Company, BOBCAPS Research

Fig 6 – USD Revenue Growth YoY

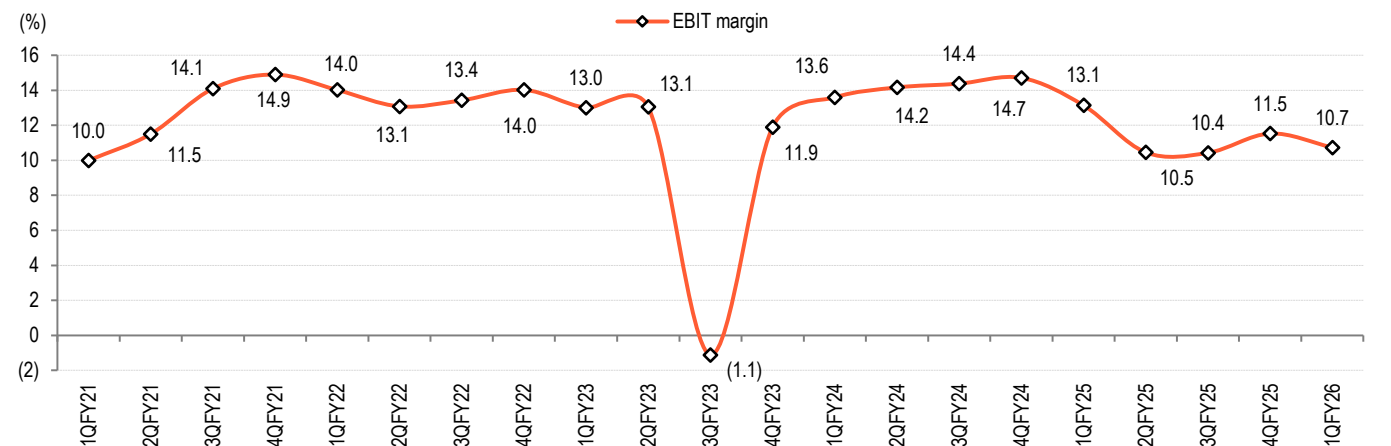
Source: Company, BOBCAPS Research

Fig 7 – USD Revenue Growth QoQ

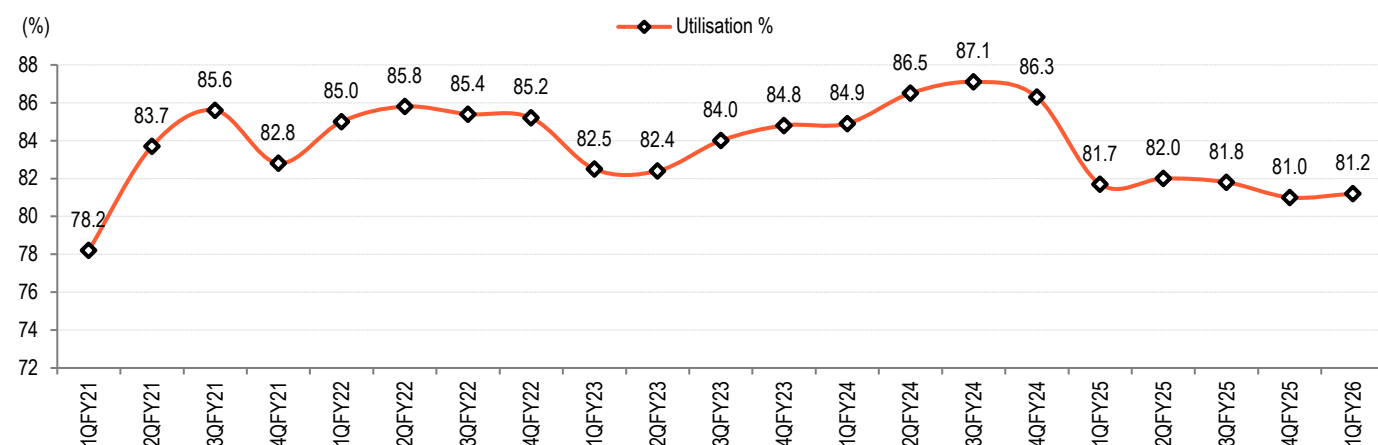
Source: Company, BOBCAPS Research

Fig 8 – Vertical Mix – 1QFY26

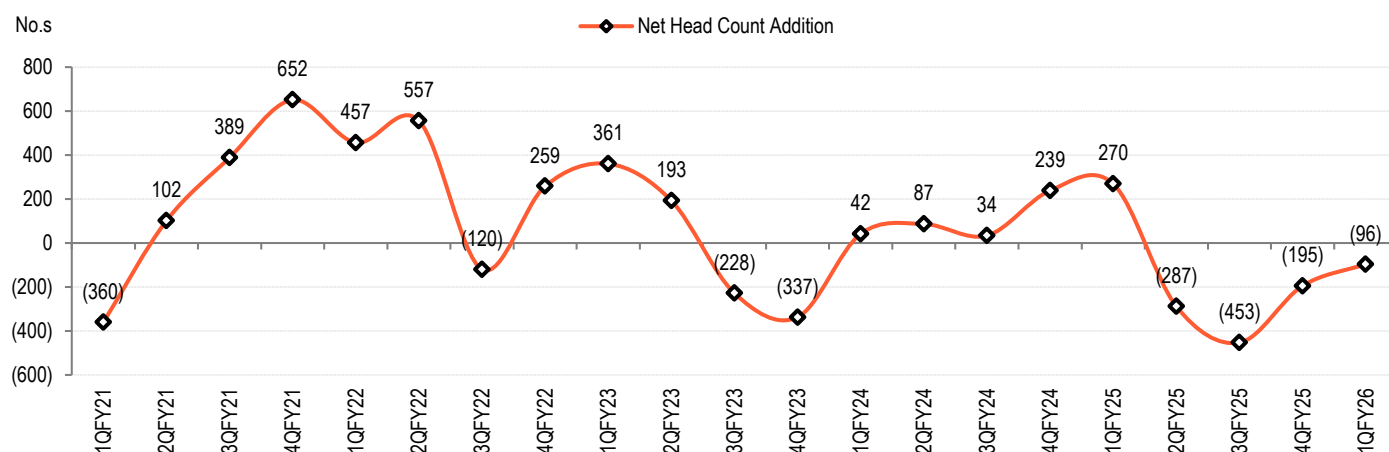
Source: Company, BOBCAPS Research

Fig 9 – EBIT Margin trend

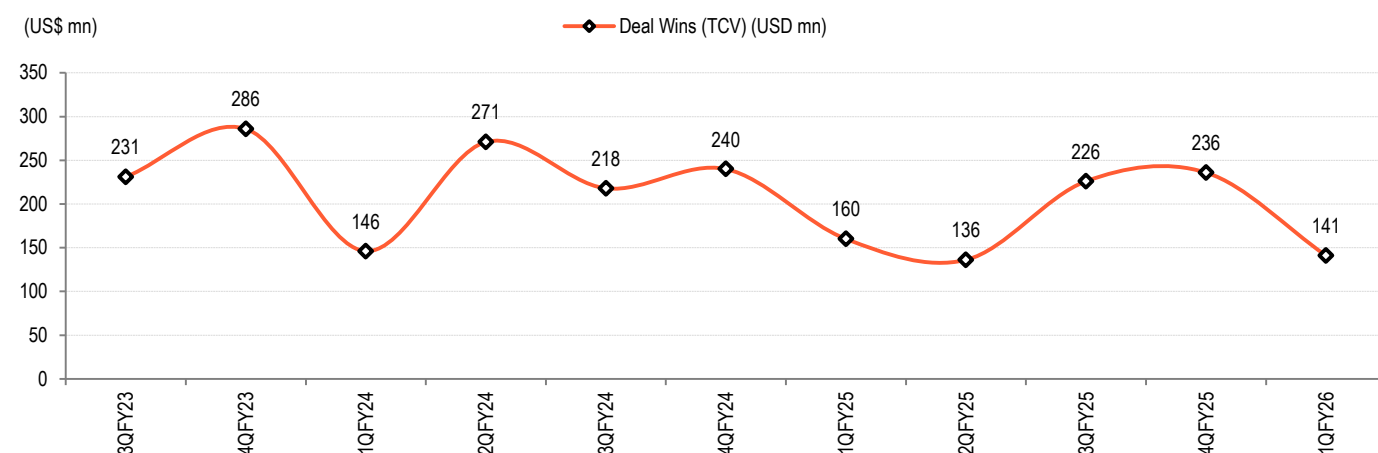
Source: Company, BOBCAPS Research

Fig 10 – Utilization trend

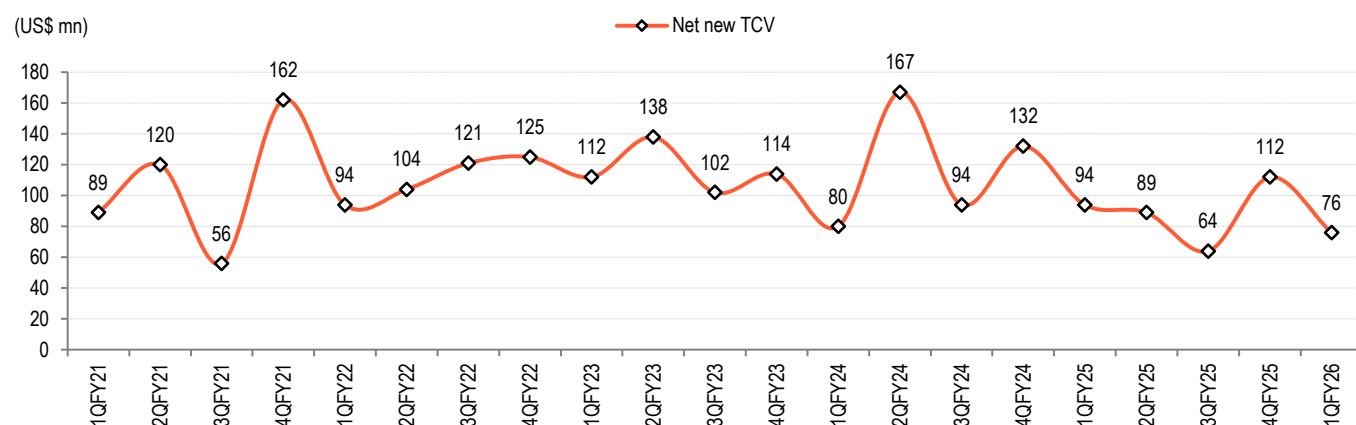
Source: Company, BOBCAPS Research

Fig 11 – Net Headcount Addition

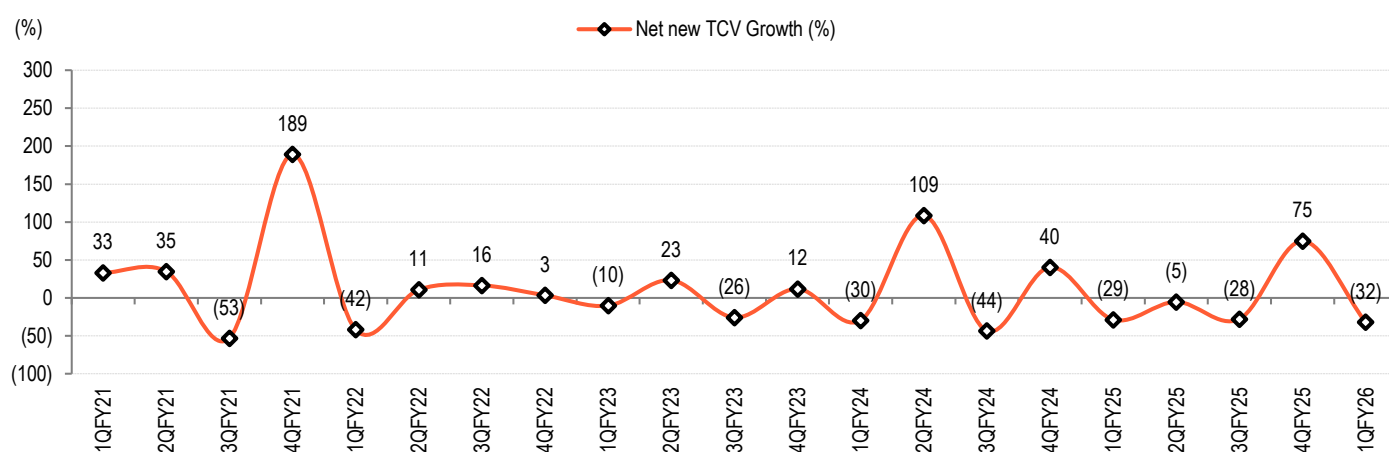
Source: Company, BOBCAPS Research

Fig 12 – Deal Wins - Total TCV (USD mn)

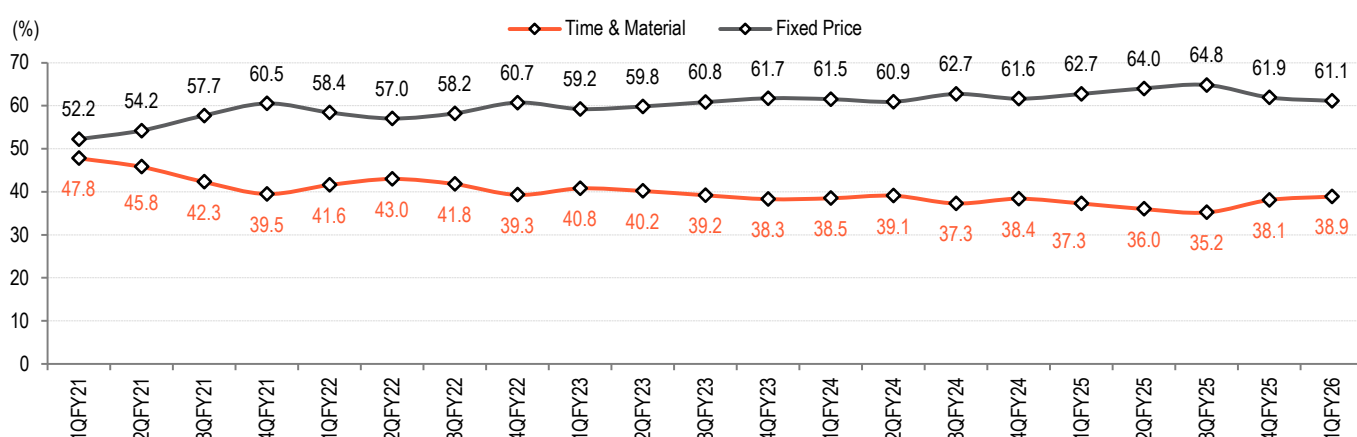
Source: Company, BOBCAPS Research

Fig 13 – Net New TCV (USD mn)

Source: Company, BOBCAPS Research

Fig 14 – Net New TCV Growth QoQ (%)

Source: Company, BOBCAPS Research

Fig 15 – Time and Material vs Fixed Price mix

Source: Company, BOBCAPS Research

Fig 16 – Quarterly Snapshot

Year to 31 March	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
INR/USD	77.7	80.1	82.3	82.3	82.2	82.7	83.3	83.1	83.4	83.8	84.7	86.5	85.3
Revenue (in USDmn)	149	149	148	149	154	158	161	164	159	163	161	152	151
(Rs mn)													
Revenue	11,544	11,921	12,219	12,264	12,628	13,099	13,430	13,625	13,274	13,682	13,627	13,169	12,849
Gross margin	4,966	4,983	4,899	4,970	5,200	5,657	5,495	5,946	5,673	5,386	5,298	5,388	5,062
SGA	3,268	3,219	4,826	3,300	3,268	3,586	3,352	3,729	3,722	3,732	3,664	3,652	3,474
EBITDA	1,698	1,764	74	1,670	1,931	2,071	2,143	2,217	1,951	1,653	1,634	1,736	1,588
Depreciation	196	207	210	210	214	215	211	211	206	222	213	216	208
EBIT	1,502	1,557	(136)	1,460	1,717	1,856	1,932	2,006	1,745	1,431	1,422	1,519	1,380
Other income	155	(27)	124	(23)	141	156	282	457	345	334	208	199	331
PBT	1,624	1,472	(68)	1,397	1,816	1,955	2,154	2,422	2,049	1,697	1,560	1,663	1,662
Tax	417	321	95	276	440	504	544	621	547	422	390	442	597
PAT	1,207	1,151	(164)	1,122	1,375	1,451	1,611	1,801	1,502	1,275	1,169	1,221	1,064
EPS	4.3	4.2	(0.6)	4.1	5.0	5.3	5.8	6.5	5.4	4.6	4.2	4.4	3.8
YoY Growth (%)													
USD Revenue	15.7	8.7	3.5	1.8	3.4	6.4	8.7	9.9	3.6	3.2	(0.3)	(7.1)	(5.3)
INR Revenues	22.1	17.8	14.0	11.3	9.4	9.9	9.9	11.1	5.1	4.5	1.5	(3.4)	(3.2)
Gross profit	27.6	14.5	5.3	5.3	4.7	13.5	12.2	19.6	9.1	(4.8)	(3.6)	(9.4)	(10.8)
EBIT	13.2	17.6	(109.5)	(5.5)	14.4	19.2	(1517.1)	37.4	1.6	(22.9)	(26.4)	(24.2)	(20.9)
Net profit	6.2	11.6	(114.4)	(15.6)	13.9	26.2	(1084.4)	60.5	9.2	(12.2)	(27.4)	(32.2)	(29.1)
QoQ Growth (%)													
USD Revenues	1.5	0.1	(0.3)	0.47	3.02	3.06	1.9	1.6	(2.9)	2.6	(1.53)	(5.3)	(1.0)
INR Revenues	4.8	3.3	2.5	0.4	3.0	3.7	2.5	1.5	(2.6)	3.1	(0.4)	(3.4)	(2.4)
EBIT	(2.9)	3.7	(108.8)	(1,170.8)	17.6	8.1	4.1	3.8	(13.0)	(18.0)	(0.7)	6.9	(9.2)
Net profit	(9.2)	(4.7)	(114.2)	(785.7)	22.6	5.5	11.0	11.8	(16.6)	(15.1)	(8.3)	4.4	(12.8)
Margins (%)													
Gross margin	43.0	41.8	40.1	40.5	41.2	43.2	40.9	43.6	42.7	39.4	38.9	40.9	39.4
EBITDA margin	14.7	14.8	0.6	13.6	15.3	15.8	16.0	16.3	14.7	12.1	12.0	13.2	12.4
EBIT	13.0	13.1	(1.1)	11.9	13.6	14.2	14.4	14.7	13.1	10.5	10.4	11.5	10.7
PAT	10.5	9.7	(1.3)	9.1	10.9	11.1	12.0	13.2	11.3	9.3	8.6	9.3	8.3
SGA	28.3	27.0	39.5	26.9	25.9	27.4	25.0	27.4	28.0	27.3	26.9	27.7	27.0

Source: Company, BOBCAPS Research

Fig 17 – Key Metrics

	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
P and L (Rs mn)													
Revenue	11,544	11,921	12,219	12,264	12,628	13,099	13,430	13,625	13,274	13,682	13,627	13,169	12,849
EBIT	1,502	1,557	(136)	1,460	1,717	1,856	1,932	2,006	1,745	1,431	1,422	1,519	1,380
PAT	1,207	1,151	(164)	1,122	1,375	1,451	1,611	1,801	1,502	1,275	1,169	1,221	1,064
Vertical Mix (%)													
Manufacturing	47	47	46	47	41	41	41	42	39	40	40	40	38
BFSI	18	19	20	21	21	21	21	21	24	23	24	24	24
Energy & Utilities	14	14	14	15	14	14	15	15	16	16	16	17	17
Lifesciences	21	20	20	18	24	24	24	22	21	21	20	20	20
Services - Reclassified (%)													
Digital and Data					54	56	55	54	53	55	57	57	59
ERP					37	36	36	38	35	36	34	33	32
Infra					9	8	9	9	12	10	9	10	10
Geographic Mix (%)													
USA	85	84	84	85	84	86	86	87	84	87	88	87	86
Rest of the world	6	6	6	6	6	6	14	14	16	13	12	13	14
Europe	9	10	10	9	10	8	0	0	0	0	0	0	0
Revenue Mix (%)													
Onsite	51	48	49	49	49	49	46	48	44	51	49	50	49
Offshore	49	52	51	51	51	51	54	52	57	50	51	50	51
Revenue Contract Type (%)													
Time & Material	41	40	39	38	39	39	37	38	37	36	35	38	39
Fixed Price	59	60	61	62	62	61	63	62	63	64	65	62	61
Utilization (%)	83	82	84	85	85	87	87	86	82	82	82	81	81
Clients Concentration (%)													
Top 5 clients	31	31	32	33	33	34	35	35	36	37	37	37	38
Top 10 Clients	47	47	48	49	50	51	52	52	53	53	52	52	53
Top 20 Clients	63	64	64	64	64	64	65	65	65	65	65	65	65
No of millions \$ clients													
US\$1mn clients+	82	76	83	83	86	85	83	87	88	89	85	80	77
US\$5mn clients+	25	27	24	26	27	27	26	26	23	24	27	27	26
US\$10mn clients+	13	14	13	13	13	11	11	12	12	12	12	12	12
Total Headcount	12,565	12,758	12,530	12,193	12,235	12,322	12,356	12,595	12,865	12,578	12,125	11,930	11,834
Net Addition	361	193	(228)	(337)	42	87	34	239	270	(287)	(453)	(195)	(96)
Attrition (%)	27.9	27.4	25.5	22.1	18.8	15.0	12.6	12.4	11.6	11.8	12.7	12.8	13.3
INR/USD	77.7	80.1	82.3	82.3	82.2	82.7	83.3	83.1	83.4	83.8	84.7	86.5	85.3
Financials (in US\$mn)													
Revenue	148.6	148.8	148.4	149.1	153.6	158.3	161.3	163.9	159.1	163.3	160.8	152.2	150.7
EBIT	19.3	19.4	-1.7	17.8	20.9	22.4	23.2	24.1	20.9	17.1	16.8	17.6	16.2
PAT	15.5	14.4	-2.0	13.6	16.7	17.5	19.3	21.7	18.0	15.2	13.8	14.1	12.5
Productivity Metrics													
Per Capita (Annualised)													
Revenue	47,306	46,653	47,374	48,913	50,217	51,388	52,218	52,052	49,468	51,932	53,057	51,021	50,921
EBIT	6,153	6,093	(529)	5,823	6,830	7,283	7,513	7,663	6,504	5,432	5,535	5,887	5,470
PAT	4,947	4,503	(634)	4,474	5,470	5,694	6,262	6,880	5,598	4,840	4,553	4,731	4,218
Direct and Opex cost per capita	41,153	40,560	47,903	43,090	43,387	44,105	44,704	44,390	42,964	46,500	47,522	45,135	45,451

Source: Company, BOBCAPS Research

Fig 18 – QoQ and YoY growth across various parameters

(in US\$)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
QoQ Growth (%)													
Revenue													
Company	1.5	0.1	(0.3)	0.5	3.0	3.1	1.9	1.6	(2.9)	2.6	(1.5)	(5.3)	(1.0)
Geographical Data													
USA	4.8	(0.8)	(0.7)	2.4	1.4	5.3	1.8	2.6	(5.7)	6.7	(1.0)	(6.3)	(1.7)
Europe	(16.6)	4.5	7.0	(12.2)	14.5	(15.5)	-	-	-	-	-	-	-
Rest of the world	(9.3)	6.9	(5.0)	(4.6)	8.4	3.1	142.9	(4.1)	15.0	(18.5)	(5.4)	1.6	3.5
Verticals													
Manufacturing	2.8	1.2	(2.6)	2.7	(11.1)	4.2	1.9	3.6	(9.2)	4.7	(1.3)	(6.8)	(4.2)
BFSI	5.0	7.4	5.0	2.5	3.8	5.3	(0.5)	4.6	8.1	1.3	1.8	(5.7)	0.7
Energy & Utilities	(3.9)	(1.3)	(1.7)	7.7	(1.1)	(1.3)	7.8	3.7	3.6	4.6	(4.0)	1.9	1.9
Lifesciences	(0.4)	(7.4)	1.3	(11.1)	42.8	1.4	1.5	(6.0)	(6.0)	(1.2)	(4.4)	(7.2)	1.0
Services													
Business & Technology Transformation	7.3	3.4	5.5	1.5	(15.1)	(1.6)	3.1	(1.4)					
Enterprise Solutions	(0.2)	(6.2)	(7.0)	2.5	(3.9)	(0.3)	0.6	7.3					
Cloud & Base Services	(4.8)	6.3	0.8	(4.6)	50.2	11.9	1.9	(0.8)					
Services - Reclassified													
Digital and Data						5.5	1.7	(1.9)	(4.4)	6.5	2.4	(5.8)	2.7
ERP						0.8	1.9	6.1	(10.1)	4.4	(6.0)	(7.0)	(5.4)
Infra						(2.7)	3.1	5.2	36.8	(18.9)	(7.8)	4.1	(6.9)
YoY Growth (%)													
Revenue													
Company	15.7	8.7	3.5	1.8	3.4	6.4	8.7	9.9	3.6	3.2	(0.3)	(7.1)	(5.3)
Geographical Data													
USA	21.8	11.2	4.5	5.7	2.3	8.5	11.3	11.5	3.6	5.0	2.1	(6.7)	(2.7)
Europe	(9.8)	(0.6)	(0.4)	(18.2)	12.4	(9.1)	-	-	-	-	-	-	-
Rest of the world	(9.0)	(6.2)	(3.0)	(12.0)	5.1	1.3	159.1	160.4	176.2	118.4	(14.9)	(9.9)	(18.9)
Verticals													
Manufacturing	22.3	18.2	5.5	4.1	(10.0)	(7.4)	(3.1)	(2.2)	(0.1)	0.4	(2.7)	(12.5)	(7.7)
BFSI	17.7	14.7	17.5	21.4	19.9	17.5	11.4	13.7	18.4	13.9	16.6	5.1	(2.1)
Energy & Utilities	11.1	7.2	(2.8)	0.5	3.4	3.4	13.4	9.2	14.4	21.2	7.9	6.0	4.3
Lifesciences	4.9	(12.0)	(7.7)	(17.0)	19.0	30.3	30.5	38.0	(9.2)	(11.5)	(16.6)	(17.6)	(11.5)
Services													
Business & Technology Transformation	20.4	17.4	18.9	18.9	(6.0)	(10.6)	(12.6)	(15.1)					
Enterprise Solutions	7.9	(0.2)	(12.7)	(10.9)	(14.1)	(8.7)	(1.2)	3.5					
Cloud & Base Services	23.9	10.7	8.5	(2.7)	53.6	61.7	63.4	70.0					
Services - Reclassified													
Digital and Data									0.7	1.7	2.4	(1.8)	5.5
ERP									(2.0)	1.4	(6.4)	(18.0)	(13.7)
Infra									44.3	20.4	7.7	6.6	(27.4)

Source: Company, BOBCAPS Research

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Total revenue	52,781	53,752	51,913	56,194	60,173
EBITDA	8,362	6,974	6,529	7,910	8,476
Depreciation	850	857	852	910	967
EBIT	7,512	6,117	5,676	7,000	7,508
Net interest inc./(exp.)	200	234	226	254	272
Other inc./(exp.)	1,035	1,085	1,419	1,116	1,273
Exceptional items	0	0	0	0	0
EBT	8,348	6,968	6,869	7,863	8,510
Income taxes	2,110	1,801	2,470	2,005	2,170
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	6,238	5,168	4,400	5,858	6,340
Adjustments	0	0	0	0	0
Adjusted net profit	6,238	5,168	4,400	5,858	6,340

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	2,805	2,353	2,975	3,265	3,445
Other current liabilities	4,653	5,469	6,104	6,596	6,901
Provisions	712	757	800	800	800
Debt funds	0	114	0	0	0
Other liabilities	645	1,148	1,217	1,217	1,217
Equity capital	552	556	556	556	556
Reserves & surplus	29,889	34,227	37,324	40,947	44,773
Shareholders' fund	30,441	34,782	37,880	41,503	45,329
Total liab. and equities	39,256	44,624	48,977	53,381	57,691
Cash and cash eq.	4,249	4,449	7,563	10,536	13,933
Accounts receivables	10,365	9,802	10,993	12,062	12,727
Inventories	0	104	65	65	65
Other current assets	13,060	17,278	17,441	17,736	17,919
Investments	2,860	2,972	2,950	2,950	2,950
Net fixed assets	1,142	1,031	999	1,065	1,131
CWIP	116	49	34	34	34
Intangible assets	4,957	5,072	5,179	5,179	5,179
Deferred tax assets, net	1,044	1,002	1,014	1,014	1,014
Other assets	1,463	2,866	2,739	2,739	2,739
Total assets	39,256	44,624	48,977	53,381	57,691

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operations	8,775	5,388	5,728	7,605	7,941
Capital expenditures	(431)	(746)	(820)	(975)	(1,033)
Change in investments	(8,581)	(4,234)	161	0	0
Other investing cash flows	0	0	0	0	0
Cash flow from investing	(9,012)	(4,981)	(660)	(975)	(1,033)
Equities issued/Others	2	4	0	0	0
Debt raised/repaid	0	114	(114)	0	0
Interest expenses	(200)	(234)	(226)	(254)	(272)
Dividends paid	(1,792)	(1,808)	(1,676)	(2,235)	(2,514)
Other financing cash flows	0	0	0	0	0
Cash flow from financing	(1,989)	(1,924)	(2,016)	(2,488)	(2,786)
Chg in cash & cash eq.	(5,309)	199	3,114	2,973	3,397
Closing cash & cash eq.	4,249	4,449	7,563	10,536	13,933

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	22.6	18.6	15.7	21.0	22.7
Adjusted EPS	22.6	18.3	15.6	20.8	22.5
Dividend per share	6.5	6.5	6.0	8.0	9.0
Book value per share	110.4	125.1	135.6	148.6	162.3

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	1.8	1.9	2.0	1.8	1.6
EV/EBITDA	11.5	14.3	15.7	12.7	11.5
Adjusted P/E	16.9	20.8	24.4	18.4	17.0
P/BV	3.5	3.1	2.8	2.6	2.4

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	74.9	74.7	74.2	64.1	74.5
Interest burden (PBT/EBIT)	101.0	111.1	113.9	121.0	112.3
EBIT margin (EBIT/Revenue)	9.1	14.2	11.4	10.9	12.5
Asset turnover (Rev./Avg TA)	145.9	148.4	128.2	110.9	109.8
Leverage (Avg TA/Avg Equity)	1.3	1.3	1.3	1.3	1.3
Adjusted ROAE	13.2	22.7	15.8	12.1	14.8

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	10.1	1.8	(3.4)	8.2	7.1
EBITDA	60.7	(16.6)	(6.4)	21.2	7.2
Adjusted EPS	88.3	(19.0)	(14.8)	33.1	8.2

Profitability & Return ratios (%)

EBITDA margin	15.8	13.0	12.6	14.1	14.1
EBIT margin	14.2	11.4	10.9	12.5	12.5
Adjusted profit margin	11.8	9.6	8.5	10.4	10.5
Adjusted ROAE	22.7	15.8	12.1	14.8	14.6
ROCE	20.4	13.9	10.0	13.1	12.9

Working capital days (days)

Receivables	72	67	77	78	77
Inventory	NA	NA	NA	NA	NA
Payables	19	16	21	21	21

Ratios (x)

Gross asset turnover	46.2	52.1	52.0	52.8	53.2
Current ratio	3.7	4.0	4.0	4.1	4.3
Net interest coverage ratio	NA	NA	NA	NA	NA
Adjusted debt/equity	(0.1)	(0.1)	(0.2)	(0.3)	(0.3)

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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Name of the Research Entity: **BOB Capital Markets Limited**

Registered office Address: **1704, B Wing, Parinee Crescenzo, G Block, BKC, Bandra East, Mumbai 400051**

SEBI Research Analyst Registration No: **INH0000000040 valid till 03 February 2025**

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Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

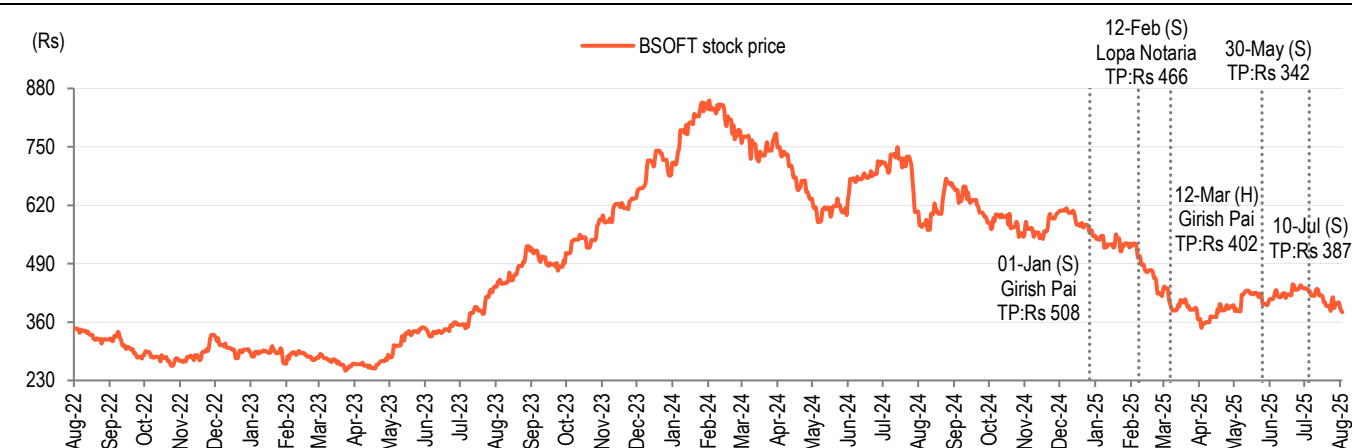
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

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