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SELL
TP: Rs 247 | ∀ 18%

BIRLASOFT | IT Services | 29 July 2026

Margins normalize, growth remains the bigger challenge

- **1QFY27 revenue grew 0.3% QoQ CC (vs our estimate of flat), Growth was led by BFSI and Lifesciences**
- **Management reiterated its 15%+ EBITDA margin aspiration despite the full impact of wage hikes in 2Q**
- **Pricing pressure persists, while demand trends remain largely unchanged. Least liked in our coverage universe. Maintain SELL**

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Marginal sequential growth, but sustainability remains to be proven: BSOFT reported 0.3% QoQ CC revenue growth, slightly ahead of our expectation of flat growth. Growth continued to be driven by BFSI (+5.1% QoQ) and Lifesciences & Services (+2.3% QoQ), while Manufacturing (-3.7% QoQ) and Energy & Utilities (-1.2% QoQ) remained weak. Management expects Manufacturing softness to persist for the next few quarters despite ongoing turnaround initiatives, while E&U is likely to recover from 3QFY27. Although management remains confident of sustaining the recent momentum, we believe a few more quarters of consistent execution will be required before concluding that growth has meaningfully improved

Margins normalize; maintaining 15%+ EBITDA amid wage hikes will be the key monitor: EBITDA margin normalized to 16.1% following the reversal of nearly 170bps of one-off benefits recorded in 4QFY26. EBIT margin of 14.7% was in line with our estimates. While management reiterated its commitment to maintaining EBITDA margins above 15%, wage hikes effective 1 July are expected to create a near-term headwind, with the full 170-200bps impact expected in 2QFY27. Productivity initiatives are expected to offset a significant portion of the increase, although the ability to defend margins amid persistent pricing pressure remains an important monitor.

AI momentum is improving, but conversion into sustainable growth remains to be demonstrated: Management highlighted improving momentum in AI-led engagements, with a growing share of recent deal wins incorporating AI components and increasing participation in output- and outcome-based contracts. Management expects revenue conversion from recent deal wins to improve over the next three to four quarters. 1HFY27 deal signings are expected to exceed 1HFY26, but we believe sustained execution and consistent revenue conversion will be critical

Cut revenue estimates and Maintain Sell: We have trimmed our USD revenue estimates for FY27-FY29 as sustainable growth remains to be proven. We maintain the Target PE at 10.6x (25% discount to benchmark) and the stock rating continues to be SELL

Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	BSOFT IN/Rs 300
Market cap	US$ 889.0mn
Free float	59%
3M ADV	US$ 6.1mn
52wk high/low	Rs 474/Rs 270
Promoter/FPI/DII	40%/14%/23%

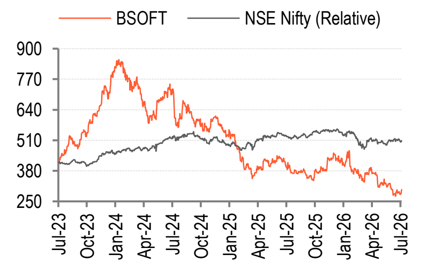
Source: NSE | Price as of 28 Jul 2026

Key financials

Y/E 31 Mar	FY26A	FY27E	FY28E
Total revenue (Rs mn)	53,099	55,816	56,824
EBITDA (Rs mn)	8,661	8,248	8,247
Adj. net profit (Rs mn)	5,183	6,261	6,460
Adj. EPS (Rs)	18.4	22.2	22.9
Consensus EPS (Rs)	18.4	22.4	24.4
Adj. ROAE (%)	13.7	14.5	13.7
Adj. P/E (x)	16.3	13.5	13.1
EV/EBITDA (x)	10.3	11.0	11.4
Adj. EPS growth (%)	0.4	20.4	3.2

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Key Points from the quarter and the earnings call

- Revenue stood at US$145.2 mn, up 0.3% QoQ (our estimate: flat revenue growth) in CC terms
  - Growth was led by BFSI and Lifesciences & Services among verticals and by ERP and Infra among service lines
  - BFSI up 5.1%, and Lifesciences & Services up 2.3% QoQ in dollar terms, while Manufacturing declined 3.7% QoQ and E&U declined 1.2% QoQ
- EBITDA margin normalized to 16.1% without one-off items seen in the previous quarter and is closer to the sustainable range
  - 4QFY26 benefited from one-off tailwinds of around 170 bps, which were absent in 1QFY27
- EBIT Margin stood at 14.7% (in line with our estimate)
- ETR declined to 29.4% in 1QFY27, in line with expectations that it would normalize closer to historical levels after the transitionary increase in US federal tax provisions during the previous FY. Sequential increase in ETR was due to tax concessions in certain global operations benefiting 4Q, with no such tailwind in 1Q
- DSO improved QoQ to 55 days from 62 days in 4QFY26
- Workforce strength stood at 11,057 and attrition stood at 11.7%
- TCV signings stood at US$168.7 mn, declining 19% QoQ and up 20% YoY
  - Net New TCV stood at US$57mn, growing 39% QoQ and declining 25% YoY
- Management continues to target EBITDA margin at or above 15%, despite delivering 16.1% in 1Q
  - Wage hikes effective July 1 could slightly dilute margins in 2Q. Productivity improvements are expected to offset the wage hike impact, though a small near-term margin dilution is expected
  - Full impact of wage hikes is estimated at 170–200 bps, with around half expected to impact 2Q margins after productivity offsets
  - Entire wage hike impact will be reflected in 2Q, with no phased implementation
- Vertical demand trends remain largely unchanged
  - Financial Services is expected to remain strong. LSS is expected to remain strong. Manufacturing weakness is expected to continue for some more time, with investments underway to turn around the business
  - E&U is expected to remain soft for one more quarter, with recovery expected from 3Q onwards
- AI investments focused across four strategic dimensions: delivering customer solutions using agentic AI tools, enhancing the Cogito AI platform for faster and

higher-quality delivery, accelerating trial and transformation, and building a forward-deployed engineering model

- Cogito serves as the core enterprise agentic AI platform, orchestrating and governing workflows across the AI stack with embedded security
- Launched LynX, an AI-powered test engineering platform, and is leveraging Sigma, the agentic AI Ops platform
- More than one-fourth of code generation is now through agentic AI tools
- Demand environment remains unchanged, while technology capabilities and leadership teams have strengthened
- Further expansion of the sales team expected over the next few months
- Momentum improved with 0.3% QoQ CC growth after several quarters, and focus remains on sustaining the growth momentum. Execution remains important as two months of the quarter are still pending, but confidence remains that the growth momentum will sustain
- Capital allocation strategy remains unchanged, balancing shareholder returns with organic and inorganic growth investments while maintaining a strong balance sheet
- No material change in deal tenure
  - Most deal tenures remain between 18 and 24 months, with no short-term project wins. A significant proportion of recent deal wins include an AI component
- AI-related deals are highly competitive and fiercely contested. Competitive intensity remains high
- Momentum is reflected in deal signings and a healthy pipeline
  - Healthy pipeline is improving, with participation and wins in more output- and outcome-based deals that have a significant AI component
  - AI-led deal mix provides confidence that revenue momentum will strengthen
- 1Q is traditionally a weaker quarter for deal signings. 2Q is also typically not a large quarter for deal signings. 1HFY27 deal signings are expected to be materially better than 1HFY26
- Significant investments are being made to strengthen the global sales team. Sales team expansion remains on track, with substantial additions expected over the next quarter
  - Within sales and support headcount, sales and service line capability headcount has increased significantly. Support headcount is being rationalized, shifting the mix towards customer-facing sales and domain teams despite lower overall sales and support headcount
- Active client count stands at around 213, with the decline driven partly by deliberate rationalization of non-strategic accounts. Client rationalization is complete now

- Unbilled revenue as of March 2026 was higher than expected
  - Higher unbilled revenue was partly due to delayed documentation at two clients, resulting in delayed billing. Billing issues have been regularized, with collections completed in 1QFY27, contributing to higher collections and improved DSO
- Pricing pressure remains high as AI-led delivery drives client expectations for productivity gains to be reflected in pricing for both new deals and renewals. Conversion of TCV into revenue is expected to improve over the next three to four quarters
- Manufacturing remains a cyclical business with structural challenges
  - Manufacturing performance is expected to remain uneven across quarters, but the business remains resilient. Expected to return to a better trajectory over the next couple of quarters as turnaround initiatives progress
- Acquisitions will continue to be evaluated for capability building and not for revenue aggregation. Near-term priority remains delivering three to four quarters of sequential organic growth before pursuing acquisitions
- Revenue decline was limited to accounts beyond the top 36, reflecting ongoing client rationalization. Client rationalization is largely complete, though non-strategic clients may still be exited if required. Focus remains on driving growth within the top 30-40 strategic accounts

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 our view with updates on 12th March 2025 (**FY26 unlikely to be better than FY25**), 10th July 2025 (**Uncertainty stays and 'eating the tariff' may impact even FY27**) and 12 January 2026 (**A fourth slow year?**).

While both earnings and PE multiples have corrected since 1 Jan 2025, the industry's structural organic revenue growth from here on will be much lower vs ~7% CAGR seen during FY15-FY20; possibly ~2-3% CAGR over FY25-FY30 in constant currency (CC) terms.

We believe the release of advanced AI models will cause significant disruption to the industry rendering the sector to be a 'value trap'. We wrote about this in our 17 February 2026 report (**Existential threat, value trap or Temporary blip**) and through our 6 April 2026 report (**Narrative of FY27 being modestly better, set for its first test**).and the 9 July 2026 one (**'Show me the growth' phase will keep valuations compressed**)

Multiple speed breakers drive our Underweight stance

Gen AI and GCCs are going to disrupt growth: We believe that AI/Gen AI will lead to compression of revenue for the industry in the next 12-24 months, as companies self-cannibalize to hold on to their existing clients. Rapid growth of the GCCs is a threat to outsourcing. While there seems to be collaboration between 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 ones with lower bargaining power – global IT Services players.

Higher competition: Indian Tier-1 companies now face higher competition from Accenture, Tier-2 players and Cognizant, likely slowing their growth vs FY15-FY20. This is besides the fact that by FY26, Tier-1 revenue has reached US$ 85bn, double that in FY15 (6.5% CAGR). Due to the higher base now, growth may not be as rapid. In AI reinvention services we see a new set of competitors come in the forms of AI deployment companies from Anthropic, Open AI, Microsoft, Google etc. While professional services companies of software players did not make much of an impact in the past, we believe the situation could be different this time. With the requirement of a large army of offshore bodies being taken away by AI models, we believe players with high technical skills and deep domain and workflow expertise will become competitors. We will have several players from other industries as well senior management personnel from current incumbents to step out and startup companies and compete with the incumbents.

How we are valuing companies: We are using PE methodology. However, we are moving away from the earlier stance that we had taken of using TCS as our industry benchmark and using 16.8x (average PE multiple of TCS over the last 10 years less 1.5SD) as the Target PE multiple. We have been giving subjective premium/discount to this benchmark target PE to arrive at target PE multiples for the rest of our coverage

Considering the underperformance of TCS in terms of growth in FY26 and the likelihood of that repeating in the foreseeable future we have decided to shift from using TCS as the benchmark and move to Tier-1 PE multiple based valuation. That too using the valuation seen in the FY15-FY20 timeframe when the Tier-1 USD revenue CAGR was ~7% in organic terms. Our analysis indicates that Tier-1 (consisting of TCS, Infosys, HCLT, Wipro and Tech Mahindra) were collectively trading at mean multiple of 17.6x forward EPS with an SD of 1.7. We are using 14.1x as the benchmark multiple for the basis of valuation which is mean multiple of Tier-1 companies during this period less 2SD. We have been giving subjective premium/discount to this benchmark target PE to arrive at target PE multiples for the rest of our coverage

Our target PE multiples are lower than those used by consensus/competitors**.** Through our choice of the benchmark target PE multiple, we seek to capture the mortality and relevance risk that players face in this era of advanced AI models.

Tier- 2 valuation reflects growth gap with Tier-1

Tier-2 set has been taking away market share from the Tier-1 set, due to better execution as well as their smaller size. And, unlike previous cycles, they have performed better than the Tier-1 set, largely on better management teams.

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

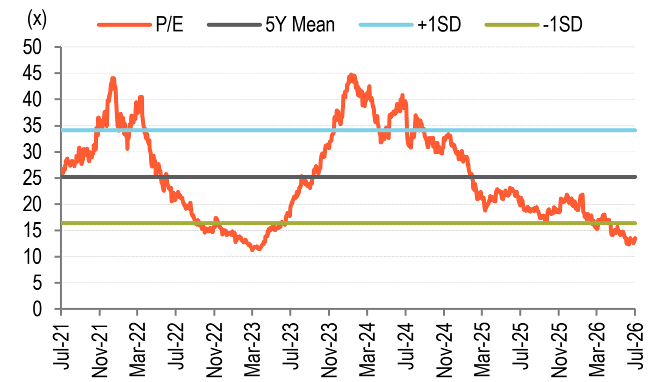
Also, some of the Tier-2s have been underperforming on the growth front, being discretionary project-oriented businesses struggling to pivot to a cost-take-out-driven demand environment.

Fig 1 – Quarterly results: Comparison of actuals with estimates

Y/E Mar (Rsmn)	1QFY26	4QFY26	1QFY27	YoY(%)	QoQ (%)	1QFY27E	Deviation (%)
Net Sales (USD mn)	**151**	**145**	**145**	**(3.6)**	**(0.1)**	**146**	**(0.3)**
Net Sales	12,849	13,486	13,794	7.4	2.3	13,794	(0.0)
Employee Cost	7,787	7,863	8,379	7.6	6.6	8,179	2.4
% of Sales	60.6	58.3	60.7			59.3	
Gross Margin	5,062	5,623	5,415	7.0	(3.7)	5,615	(3.6)
% of Sales	39.4	41.7	39.3			40.7	
Operating Expenses	3,474	3,131	3,188	(8.2)	1.8	3,393	(6.0)
% of Sales	27.0	23.2	23.1			24.6	
EBIT	**1,380**	**2,299**	**2,034**	**47.4**	**(11.5)**	**2,027**	**0.3**
EBIT Margin (%)	**10.7**	**17.0**	**14.7**			**14.7**	
Other Income	331	-37	291	(12.1)	(886.5)	295	(1.3)
Interest	(50)	(39)	(43)			(45)	
PBT	1,662	2,223	2,282	37.3	2.7	2,276	0.2
Provision for Tax	597	464	672	12.5	44.8	581	15.8
Effective Tax Rate	35.9	20.9	29.4			25.5	
Adjusted PAT	1,064	1,759	1,610	51.3	(8.5)	1,696	(5.1)
Margin (%)	8.3	13.0	11.7			12.3	
Exceptional Item (adjusted for taxes)	0	0	0			0	
PAT (Reported)	**1,064**	**1,759**	**1,610**	**51.3**	**(8.5)**	**1,696**	**(5.1)**
Margin (%)	**8.3**	**13.0**	**11.7**			**12.3**	

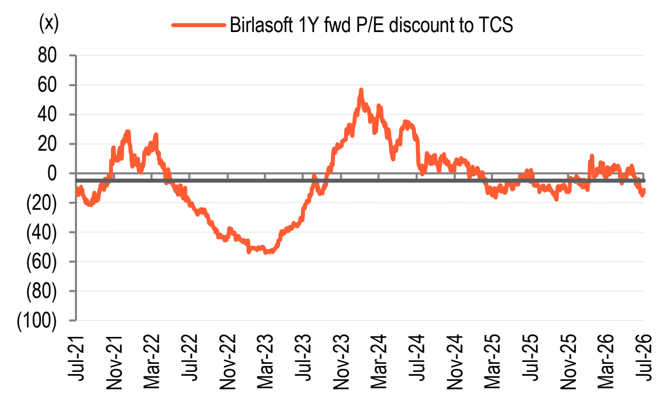
Source: Company, BOBCAPS Research

Fig 2 – 5 Year PE trend



Source: Bloomberg, BOBCAPS Research

Fig 3 – Premium/ Discount to TCS



Source: Bloomberg, BOBCAPS Research

Fig 4 – Revised Estimates

	New			Old			Change (%)		
Change in estimates	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
INR/USD	95.4	96.4	97.4	95.1	96.1	97.1	0.3	0.3	0.3
USD Revenue (USD mn)	585.2	589.6	603.1	590.3	598.8	612.5	(0.9)	(1.5)	(1.5)
Growth (%)	(2.1)	0.7	2.3	(1.2)	1.4	2.3			
Revenue (Rsmn)	55,816.0	56,824.3	58,732.6	56,128.2	57,530.8	59,464.7	(0.6)	(1.2)	(1.2)
EBIT (Rsmn)	7,462.8	7,426.2	7,992.8	7,442.3	7,661.9	8,141.0	0.3	(3.1)	(1.8)
EBIT Margin (%)	13.4	13.1	13.6	13.3	13.3	13.7			
PAT (Rsmn)	6,261.1	6,460.0	7,014.0	6,366.2	6,670.5	7,171.2	(1.7)	(3.2)	(2.2)
FDEPS (Rs)	22.2	22.9	24.8	22.6	23.7	25.4	(1.8)	(3.3)	(2.4)

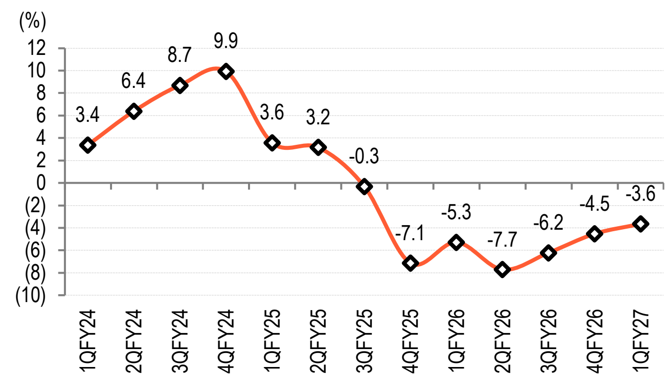
Source: BOBCAPS Research

Fig 5 – P&L at a glance

(YE March) Rs mn	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Average INR/USD	64.5	70.0	70.9	74.1	74.4	80.6	82.8	84.6	88.9	95.4	96.4	97.4
Net Sales (USD mn)	**452**	**364**	**464**	**480**	**555**	**595**	**637**	**635**	**598**	**585**	**590**	**603**
YoY Growth (%)		**(19.4)**	**27.4**	**3.4**	**15.7**	**7.2**	**7.1**	**(0.3)**	**(6.0)**	**(2.1)**	**0.7**	**2.3**
Revenues	29,142	25,507	32,910	35,557	41,303	47,948	52,781	53,752	53,099	55,816	56,824	58,733
YoY Growth	(12.3)	(12.5)	29.0	8.0	16.2	16.1	10.1	1.8	(1.2)	5.1	1.8	3.4
Employee Cost	17,874	15,352	19,975	21,158	23,688	28,131	30,483	32,008	31,708	33,854	34,185	34,941
Gross Profit	11,268	10,155	12,934	14,399	17,615	19,817	22,298	21,744	21,392	21,962	22,640	23,792
% of sales	38.7	39.8	39.3	40.5	42.6	41.3	42.2	40.5	40.3	39.3	39.8	40.5
Operating Expenses	7,533	7,091	9,065	9,107	11,213	14,612	13,936	14,770	12,731	13,714	14,392	14,942
% of sales	25.8	27.8	27.5	25.6	27.1	30.5	26.4	27.5	24.0	24.6	25.3	25.4
EBITDA	3,735	3,064	3,869	5,292	6,402	5,205	8,362	6,974	8,661	8,248	8,247	8,850
EBITDA Margin	12.8	12.0	11.8	14.9	15.5	10.9	15.8	13.0	16.3	14.8	14.5	15.1
Depreciation	589	499	826	804	766	823	850	857	803	785	821	857
% of sales	2.0	2.0	2.5	2.3	1.9	1.7	1.6	1.6	1.5	1.4	1.4	1.5
EBIT	**3,147**	**2,565**	**3,043**	**4,489**	**5,636**	**4,382**	**7,512**	**6,117**	**7,857**	**7,463**	**7,426**	**7,993**
EBIT Margin	**10.8**	**10.1**	**9.2**	**12.6**	**13.6**	**9.1**	**14.2**	**11.4**	**14.8**	**13.4**	**13.1**	**13.6**
Other Income	357	261	480	190	662	228	1,035	1,085	648	1,299	1,509	1,698
Interest	91	108	161	130	131	186	200	234	196	195	205	212
Exceptional Item	-	-	-	-	-	-	-	-	407	-	-	-
Profit Before Tax	3,412	2,717	3,362	4,548	6,167	4,424	8,348	6,968	7,903	8,567	8,730	9,478
PBT Margin	11.7	10.7	10.2	12.8	14.9	9.2	15.8	13.0	14.9	15.3	15.4	16.1
Tax	704	539	1,119	1,340	1,531	1,108	2,110	1,801	2,719	2,306	2,270	2,464
ETR (%)	20.6	19.8	33.3	29.5	24.8	25.1	25.3	25.8	34.4	26.9	26.0	26.0
Profit After Tax	**2,412**	**2,354**	**2,243**	**3,208**	**4,637**	**3,316**	**6,238**	**5,168**	**5,183**	**6,261**	**6,460**	**7,014**
YoY Growth (%)		**(2.4)**	**(4.7)**	**43.0**	**44.5**	**(28.5)**	**88.1**	**(17.2)**	**0.3**	**20.8**	**3.2**	**8.6**
Margin (%)	**8.3**	**9.2**	**6.8**	**9.0**	**11.2**	**6.9**	**11.8**	**9.6**	**9.8**	**11.2**	**11.4**	**11.9**

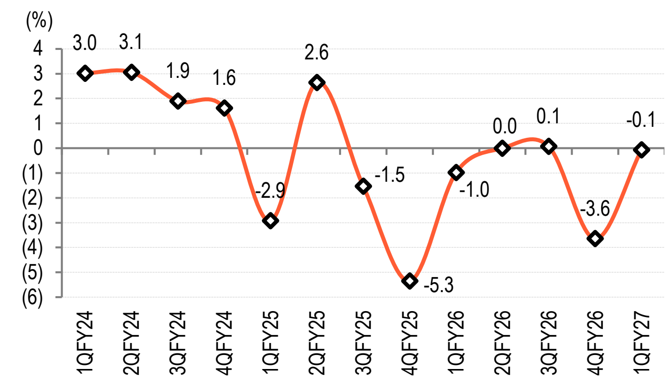
Source: Company, BOBCAPS Research

Fig 6 – USD Revenue Growth (YoY)



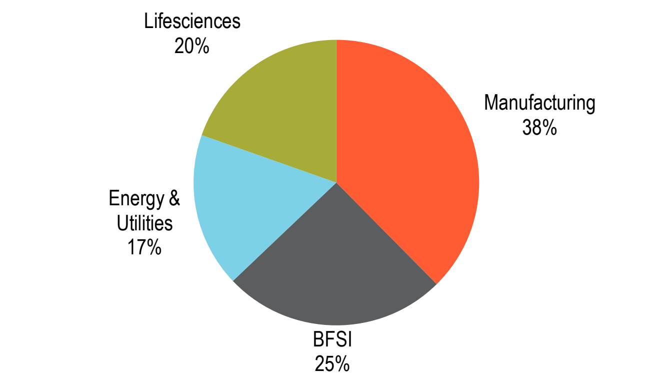
Source: Company, BOBCAPS Research

Fig 7 – USD Revenue Growth (QoQ)



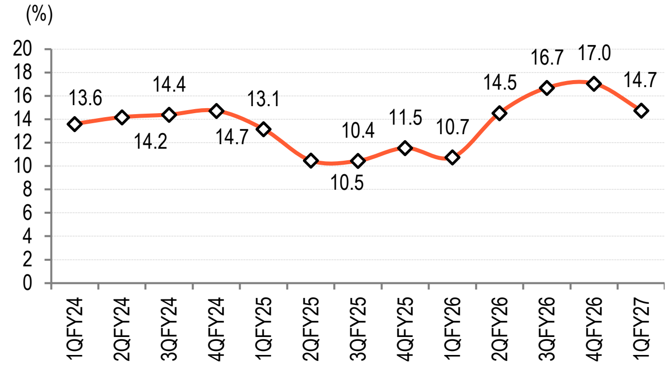
Source: Company, BOBCAPS Research

Fig 8 – Vertical Mix – 1QFY27



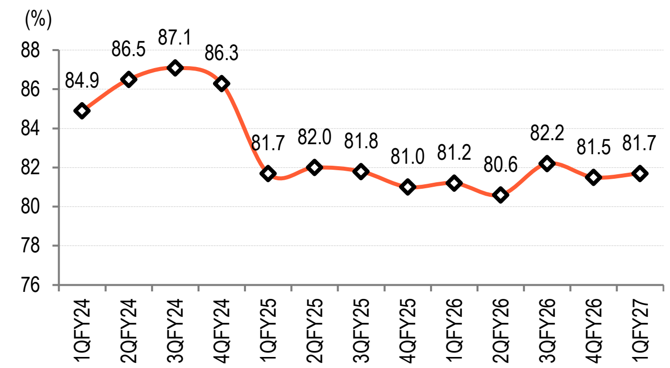
Source: Company, BOBCAPS Research

Fig 9 – EBIT Margin trend



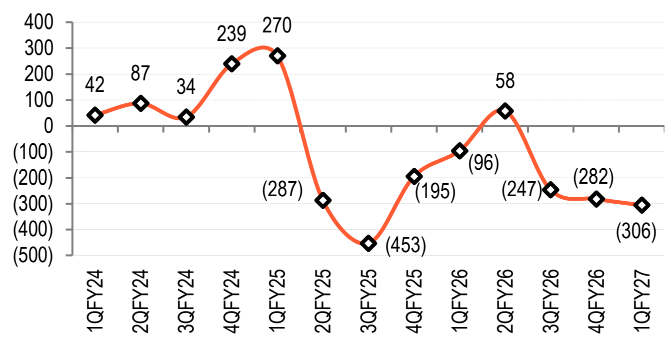
Source: Company, BOBCAPS Research

Fig 10 – Utilization trend



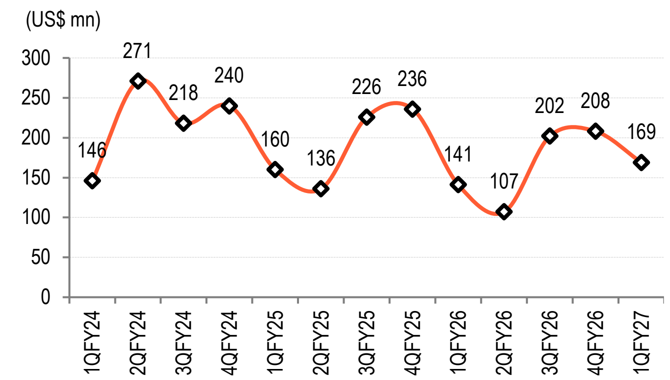
Source: Company, BOBCAPS Research

Fig 11 – Net Headcount Addition



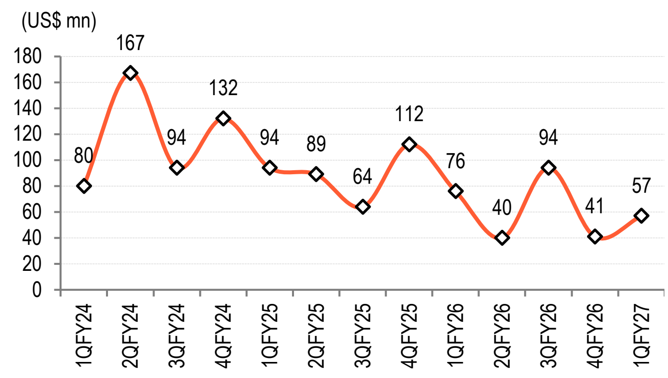
Source: Company, BOBCAPS Research

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



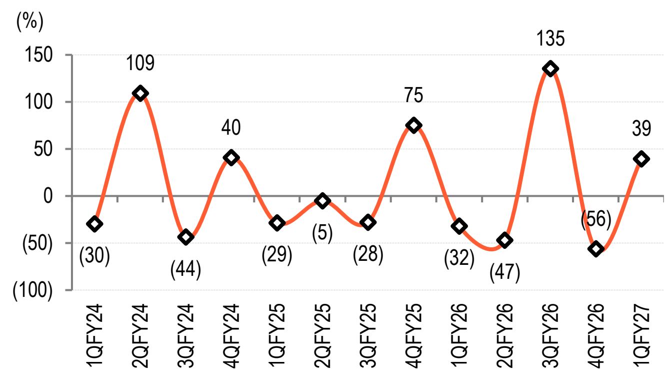
Source: Company, BOBCAPS Research

Fig 13 – Net New TCV (USD mn)



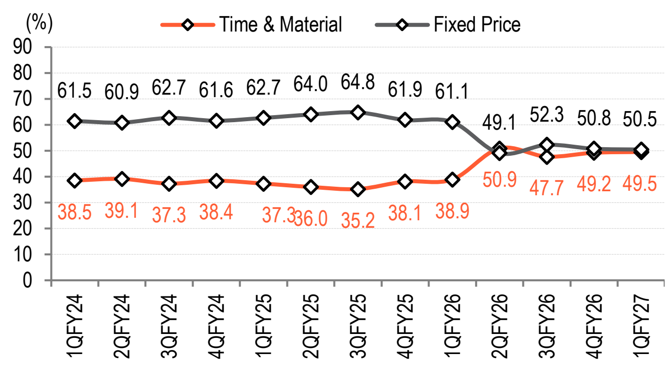
Source: Company, BOBCAPS Research

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	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	4QFY26	1QFY27
INR/USD	82.2	82.7	83.3	83.1	83.4	83.8	84.7	86.5	85.3	88.2	89.4	92.8	95.0
Revenue (in USDmn)	154	158	161	164	159	163	161	152	151	151	151	145	145
(Rsmn)													
Revenue	12,628	13,099	13,430	13,625	13,274	13,682	13,627	13,169	12,849	13,289	13,475	13,486	13,794
Gross margin	5,200	5,657	5,495	5,946	5,673	5,386	5,298	5,388	5,062	5,325	5,381	5,623	5,415
SGA	3,268	3,586	3,352	3,729	3,722	3,732	3,664	3,652	3,474	3,193	2,933	3,131	3,188
EBITDA	1,931	2,071	2,143	2,217	1,951	1,653	1,634	1,736	1,588	2,133	2,448	2,492	2,227
Depreciation	214	215	211	211	206	222	213	216	208	202	201	193	193
EBIT	1,717	1,856	1,932	2,006	1,745	1,431	1,422	1,519	1,380	1,931	2,247	2,299	2,034
Other income	141	156	282	457	345	334	208	199	331	220	134	(37)	291
PBT	1,816	1,955	2,154	2,422	2,049	1,697	1,560	1,663	1,662	2,100	1,918	2,223	2,282
Tax	440	504	544	621	547	422	390	442	597	939	719	464	672
PAT	1,375	1,451	1,611	1,801	1,502	1,275	1,169	1,221	1,064	1,161	1,199	1,759	1,610
Number of shares	275	276	276	276	278	278	278	279	279	279	280	281	281
EPS	5.0	5.3	5.8	6.5	5.4	4.6	4.2	4.4	3.8	4.2	4.3	6.3	5.7
YoY Growth													
USD Revenue	3.4	6.4	8.7	9.9	3.6	3.2	-0.3	-7.1	-5.3	-7.7	-6.2	-4.5	-3.6
INR Revenues	9.4	9.9	9.9	11.1	5.1	4.5	1.5	-3.4	-3.2	-2.9	-1.1	2.4	7.4
Gross profit	4.7	13.5	12.2	19.6	9.1	-4.8	-3.6	-9.4	-10.8	-1.1	1.6	4.4	7.0
EBIT	14.4	19.2	-1517.1	37.4	1.6	-22.9	-26.4	-24.2	-20.9	34.9	58.1	51.3	47.4
Net profit	13.9	26.2	-1084.4	60.5	9.2	-12.2	-27.4	-32.2	-29.1	-8.9	2.5	44.1	51.3
QoQ Growth													
USD Revenues	3.02	3.06	1.9	1.6	(2.9)	2.6	(1.53)	(5.3)	(1.0)	-	0.1	(3.6)	(0.1)
INR Revenues	3.0	3.7	2.5	1.5	(2.6)	3.1	(0.4)	(3.4)	(2.4)	3.4	1.4	0.1	2.3
EBIT	17.6	8.1	4.1	3.8	(13.0)	(18.0)	(0.7)	6.9	(9.2)	39.9	16.4	2.3	(11.5)
Net profit	22.6	5.5	11.0	11.8	(16.6)	(15.1)	(8.3)	4.4	(12.8)	9.1	3.3	46.7	(8.5)
Margins (%)													
Gross margin	41.2	43.2	40.9	43.6	42.7	39.4	38.9	40.9	39.4	40.1	39.9	41.7	39.3
EBITDA margin	15.3	15.8	16.0	16.3	14.7	12.1	12.0	13.2	12.4	16.0	18.2	18.5	16.1
EBIT	13.6	14.2	14.4	14.7	13.1	10.5	10.4	11.5	10.7	14.5	16.7	17.0	14.7
PAT	10.9	11.1	12.0	13.2	11.3	9.3	8.6	9.3	8.3	8.7	8.9	13.0	11.7
SGA	25.9	27.4	25.0	27.4	28.0	27.3	26.9	27.7	27.0	24.0	21.8	23.2	23.1

Source: Company, BOBCAPS Research

Fig 17 – Segmental Information

INR mn	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	4QFY26	1QFY27
Segment Revenue									
Banking, Financial Services and Insurance	3,134.5	3,196.2	3,284.8	3,170.9	3,129.4	3,297.7	3,281.1	3,250.9	3,509.7
Manufacturing	5,195.2	5,457.6	5,471.8	5,190.2	4,900.9	4,856.4	5,086.4	5,267.9	5,182.4
Energy and Utilities	2,099.1	2,204.7	2,143.6	2,224.2	2,245.3	2,294.4	2,252.2	2,384.0	2,396.0
Life Sciences & Services	2,845.6	2,823.7	2,726.9	2,583.7	2,573.4	2,840.6	2,855.8	2,583.5	2,705.9
Total	13,274.3	13,682.2	13,627.0	13,168.9	12,849.0	13,289.0	13,475.3	13,486.3	13,794.0
QoQ Revenue Growth %									
Banking, Financial Services and Insurance	8.7	2.0	2.8	(3.5)	(1.3)	5.4	(0.5)	(0.9)	8.0
Manufacturing	(9.0)	5.1	0.3	(5.1)	(5.6)	(0.9)	4.7	3.6	(1.6)
Energy and Utilities	4.1	5.0	(2.8)	3.8	0.9	2.2	(1.8)	5.9	0.5
Life Sciences & Services	(5.6)	(0.8)	(3.4)	(5.3)	(0.4)	10.4	0.5	(9.5)	4.7
Total	(2.6)	3.1	(0.4)	(3.4)	(2.4)	3.4	1.4	0.1	2.3
YoY Revenue Growth %									
Banking, Financial Services and Insurance	20.1	15.5	18.6	10.0	(0.2)	3.2	(0.1)	2.5	12.2
Manufacturing	1.1	1.2	(0.6)	(9.1)	(5.7)	(11.0)	(7.0)	1.5	5.7
Energy and Utilities	16.7	23.3	10.4	10.3	7.0	4.1	5.1	7.2	6.7
Life Sciences & Services	(7.7)	(10.4)	(15.1)	(14.3)	(9.6)	0.6	4.7	(0.0)	5.1
Total	5.1	4.5	1.5	(3.4)	(3.2)	(2.9)	(1.1)	2.4	7.4
Segment results									
Banking, Financial Services and Insurance	934.4	811.8	824.1	839.0	860.2	954.6	1,010.7	1,027.9	1,128.8
Manufacturing	734.6	1,179.3	1,244.2	1,086.7	1,037.2	1,257.3	1,541.9	1,480.7	1,293.2
Energy and Utilities	713.0	597.1	596.8	745.8	787.3	893.0	896.8	939.8	964.8
Life Sciences & Services	534.5	451.8	424.4	320.1	428.2	521.7	563.5	301.9	517.1
Total	2,916.5	3,040.1	3,089.5	2,991.7	3,112.8	3,626.7	4,012.9	3,750.3	3,903.8
Margin %									
Banking, Financial Services and Insurance	29.8	25.4	25.1	26.5	27.5	28.9	30.8	31.6	32.2
Manufacturing	14.1	21.6	22.7	20.9	21.2	25.9	30.3	28.1	25.0
Energy and Utilities	34.0	27.1	27.8	33.5	35.1	38.9	39.8	39.4	40.3
Life Sciences & Services	18.8	16.0	15.6	12.4	16.6	18.4	19.7	11.7	19.1
Total	22.0	22.2	22.7	22.7	24.2	27.3	29.8	27.8	28.3

Source: Company, BOBCAPS Research

Fig 18 – Key Metrics

	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	4QFY26	1QFY27
P and L (Rs mn)													
Revenue	12,628	13,099	13,430	13,625	13,274	13,682	13,627	13,169	12,849	13,289	13,475	13,486	13,794
EBIT	1,717	1,856	1,932	2,006	1,745	1,431	1,422	1,519	1,380	1,931	2,247	2,299	2,034
PAT	1,375	1,451	1,611	1,801	1,502	1,275	1,169	1,221	1,064	1,161	1,199	1,759	1,610
Vertical Mix (%)													
Manufacturing	41	41	41	42	39	40	40	40	38	37	38	39	38
BFSI	21	21	21	21	24	23	24	24	24	25	24	24	25
Energy & Utilities	14	14	15	15	16	16	16	17	17	17	17	18	18
Lifesciences	24	24	24	22	21	21	20	20	20	21	21	19	20
Services - Reclassified (%)													
Digital and Data	54	56	55	54	53	55	57	57	59	58	57	57	57
ERP	37	36	36	38	35	36	34	33	32	31	32	31	32
Infra	9	8	9	9	12	10	9	10	10	11	12	12	12
Geographic Mix (%)													
USA	84	86	86	87	84	87	88	87	86	88	85	84	83
Rest of the world	6	6	14	14	16	13	12	13	14	12	15	16	17
Europe	10	8	0	0	0	0	0	0	0	0	0	0	0
Revenue Mix (%)													
Onsite	49	49	46	48	44	51	49	50	49	46	43	43	40
Offshore	51	51	54	52	57	50	51	50	51	54	57	58	60
Revenue Contract Type (%)													
Time & Material	39	39	37	38	37	36	35	38	39	51	48	49	50
Fixed Price	62	61	63	62	63	64	65	62	61	49	52	51	51
Utilization (%)	85	87	87	86	82	82	82	81	81	81	82	82	82
Clients Concentration (%)													
Top 5 clients	33	34	35	35	36	37	37	37	38	39	41	42	43
Top 10 Clients	50	51	52	52	53	53	52	52	53	53	54	55	56
Top 20 Clients	64	64	65	65	65	65	65	65	65	66	66	67	69
No of millions $ clients													
US$1mn clients+	86	85	83	87	88	89	85	80	77	78	85	78	72
US$5mn clients+	27	27	26	26	23	24	27	27	26	23	23	22	23
US$10mn clients+	13	11	11	12	12	12	12	12	12	11	10	11	10
Total Headcount	12,235	12,322	12,356	12,595	12,865	12,578	12,125	11,930	11,834	11,892	11,645	11,363	11,057
Net Addition	42	87	34	239	270	(287)	(453)	(195)	(96)	58	(247)	(282)	(306)
Attrition (%)	18.8	15.0	12.6	12.4	11.6	11.8	12.7	12.8	13.3	13.3	13.1	13.0	11.7
INR/USD	82.2	82.7	83.3	83.1	83.4	83.8	84.7	86.5	85.3	88.2	89.4	92.8	95.0
Financials (in US$mn)													
Revenue	153.6	158.3	161.3	163.9	159.1	163.3	160.8	152.2	150.7	150.7	150.8	145.3	145.2
EBIT	20.9	22.4	23.2	24.1	20.9	17.1	16.8	17.6	16.2	21.9	25.2	24.8	21.4
PAT	16.7	17.5	19.3	21.7	18.0	15.2	13.8	14.1	12.5	13.2	13.4	19.0	16.9
Productivity Metrics													
Per Capita (Annualised)													
Revenue	50,217	51,388	52,218	52,052	49,468	51,932	53,057	51,021	50,921	50,702	51,804	51,146	52,522
EBIT	6,830	7,283	7,513	7,663	6,504	5,432	5,535	5,887	5,470	7,367	8,639	8,719	7,745
PAT	5,470	5,694	6,262	6,880	5,598	4,840	4,553	4,731	4,218	4,430	4,609	6,671	6,130
Direct and Opex cost per capita	43,387	44,105	44,704	44,390	42,964	46,500	47,522	45,135	45,451	43,335	43,165	42,427	44,778

Source: Company, BOBCAPS Research

Fig 19 – QoQ and YoY growth of various parameters

(in US$)	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	4QFY26	1QFY27
QoQ Growth (%)													
Revenue													
Company	3.0	3.1	1.9	1.6	(2.9)	2.6	(1.5)	(5.3)	(1.0)	0.0	0.1	(3.6)	(0.1)
Geographical Data													
USA	1.4	5.3	1.8	2.6	(5.7)	6.7	(1.0)	(6.3)	(1.7)	2.3	(4.0)	(4.4)	(1.4)
Europe	14.5	(15.5)	-	-	-	-	-	-	-	-	-	-	-
Rest of the world	8.4	3.1	142.9	(4.1)	15.0	(18.5)	(5.4)	1.6	3.5	(14.6)	30.9	0.8	6.8
Verticals													
Manufacturing	(11.1)	4.2	1.9	3.6	(9.2)	4.7	(1.3)	(6.8)	(4.2)	(4.2)	3.1	(0.3)	(3.7)
BFSI	3.8	5.3	(0.5)	4.6	8.1	1.3	1.8	(5.7)	0.7	1.6	(2.0)	(4.4)	4.9
Energy & Utilities	(1.1)	(1.3)	7.8	3.7	3.6	4.6	(4.0)	1.9	1.9	(0.6)	(2.8)	1.5	(1.2)
Lifesciences	42.8	1.4	1.5	(6.0)	(6.0)	(1.2)	(4.4)	(7.2)	1.0	6.5	(0.4)	(12.7)	2.0
Services													
Business & Technology Transformation	(15.1)	(1.6)	3.1	(1.4)									
Enterprise Solutions	(3.9)	(0.3)	0.6	7.3									
Cloud & Base Services	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	(0.7)	(2.7)	(3.0)	(0.8)
ERP		0.8	1.9	6.1	(10.1)	4.4	(6.0)	(7.0)	(5.4)	(2.2)	2.0	(4.6)	0.9
Infra		(2.7)	3.1	5.2	36.8	(18.9)	(7.8)	4.1	(6.9)	11.6	9.5	(4.5)	0.8
YoY Growth (%)													
Revenue													
Company	3.4	6.4	8.7	9.9	3.6	3.2	(0.3)	(7.1)	(5.3)	(7.7)	(6.2)	(4.5)	(3.6)
Geographical Data													
USA	2.3	8.5	11.3	11.5	3.6	5.0	2.1	(6.7)	(2.7)	(6.7)	(9.5)	(7.7)	(7.4)
Europe	12.4	(9.1)	-	-	-	-	-	-	-	-	-	-	-
Rest of the world	5.1	1.3	159.1	160.4	176.2	118.4	(14.9)	(9.9)	(18.9)	(15.0)	17.6	16.6	20.3
Verticals													
Manufacturing	(10.0)	(7.4)	(3.1)	(2.2)	(0.1)	0.4	(2.7)	(12.5)	(7.7)	(15.6)	(11.8)	(5.7)	(5.2)
BFSI	19.9	17.5	11.4	13.7	18.4	13.9	16.6	5.1	(2.1)	(1.8)	(5.4)	(4.1)	(0.1)
Energy & Utilities	3.4	3.4	13.4	9.2	14.4	21.2	7.9	6.0	4.3	(0.8)	0.4	0.0	(3.1)
Lifesciences	19.0	30.3	30.5	38.0	(9.2)	(11.5)	(16.6)	(17.6)	(11.5)	(4.6)	(0.6)	(6.5)	(5.6)
Services													
Business & Technology Transformation	(6.0)	(10.6)	(12.6)	(15.1)									
Enterprise Solutions	(14.1)	(8.7)	(1.2)	3.5									
Cloud & Base Services	53.6	61.7	63.4	70.0									
Services - Reclassified													
Digital and Data					0.7	1.7	2.4	(1.8)	5.5	(1.6)	(6.5)	(3.7)	(6.9)
ERP					(2.0)	1.4	(6.4)	(18.0)	(13.7)	(19.2)	(12.3)	(10.0)	(4.0)
Infra					44.3	20.4	7.7	6.6	(27.4)	(0.2)	18.5	8.7	17.6

Source: Company, BOBCAPS Research

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Total revenue	**53,752**	**53,099**	**55,816**	**56,824**	**58,733**
EBITDA	6,974	8,661	8,248	8,247	8,850
Depreciation	857	803	785	821	857
EBIT	6,117	7,857	7,463	7,426	7,993
Net interest inc./(exp.)	234	196	195	205	212
Other inc./(exp.)	1,085	648	1,299	1,509	1,698
Exceptional items	0	0	0	0	0
EBT	6,968	7,903	8,567	8,730	9,478
Income taxes	1,801	2,719	2,306	2,270	2,464
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	**5,168**	**5,183**	**6,261**	**6,460**	**7,014**
Adjustments	0	0	0	0	0
Adjusted net profit	**5,168**	**5,183**	**6,261**	**6,460**	**7,014**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Accounts payables	2,353	2,551	2,992	3,023	3,159
Other current liabilities	5,469	6,539	7,694	7,762	8,061
Provisions	757	1,279	1,346	1,346	1,346
Debt funds	114	83	0	0	0
Other liabilities	1,148	1,079	1,000	1,000	1,000
Equity capital	556	559	559	559	559
Reserves & surplus	34,227	40,572	44,618	48,686	53,026
Shareholders' fund	34,782	41,131	45,177	49,245	53,585
Total liab. and equities	**44,624**	**52,663**	**58,209**	**62,376**	**67,152**
Cash and cash eq.	4,449	4,659	7,861	11,800	15,815
Accounts receivables	9,802	12,125	11,481	11,601	12,125
Inventories	104	46	36	36	36
Other current assets	17,278	22,340	25,826	25,864	26,029
Investments	2,972	1,810	1,779	1,779	1,779
Net fixed assets	1,031	1,452	1,588	1,659	1,730
CWIP	49	18	48	48	48
Intangible assets	5,072	5,648	5,635	5,635	5,635
Deferred tax assets, net	1,002	1,138	1,022	1,022	1,022
Other assets	2,866	3,425	2,932	2,932	2,932
Total assets	**44,624**	**52,663**	**58,209**	**62,376**	**67,152**

Cash Flows

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Cash flow from operations	**5,388**	**7,316**	**6,210**	**7,544**	**8,336**
Capital expenditures	(746)	(1,224)	(922)	(892)	(928)
Change in investments	(4,234)	(5,334)	(2,299)	0	0
Other investing cash flows	0	0	0	0	0
Cash flow from investing	**(4,981)**	**(6,558)**	**(3,221)**	**(892)**	**(928)**
Equities issued/Others	4	3	0	0	0
Debt raised/repaid	114	(31)	(83)	0	0
Interest expenses	(234)	(196)	(195)	(205)	(212)
Dividends paid	(1,808)	(1,819)	(2,252)	(2,392)	(2,674)
Other financing cash flows	0	0	0	0	0
Cash flow from financing	**(1,924)**	**(2,043)**	**(2,530)**	**(2,598)**	**(2,886)**
Chg in cash & cash eq.	**199**	**210**	**3,202**	**3,938**	**4,016**
Closing cash & cash eq.	**4,449**	**4,659**	**7,861**	**11,800**	**15,815**

Per Share

Y/E 31 Mar (Rs)	FY25A	FY26A	FY27E	FY28E	FY29E
Reported EPS	18.6	18.5	22.2	23.0	24.9
Adjusted EPS	18.3	18.4	22.2	22.9	24.8
Dividend per share	6.5	6.5	8.0	8.5	9.5
Book value per share	125.1	147.0	160.5	175.0	190.4

Valuations Ratios

Y/E 31 Mar (x)	FY25A	FY26A	FY27E	FY28E	FY29E
EV/Sales	1.7	1.7	1.6	1.7	1.7
EV/EBITDA	12.7	10.3	11.0	11.4	11.1
Adjusted P/E	16.4	16.3	13.5	13.1	12.1
P/BV	2.4	2.0	1.9	1.7	1.6

DuPont Analysis

Y/E 31 Mar (%)	FY25A	FY26A	FY27E	FY28E	FY29E
Tax burden (Net profit/PBT)	74.7	74.2	65.6	73.1	74.0
Interest burden (PBT/EBIT)	111.1	113.9	100.6	114.8	117.6
EBIT margin (EBIT/Revenue)	14.2	11.4	14.8	13.4	13.1
Asset turnover (Rev./Avg TA)	148.4	128.2	109.2	100.7	94.2
Leverage (Avg TA/Avg Equity)	1.3	1.3	1.3	1.3	1.3
Adjusted ROAE	22.7	15.8	13.7	14.5	13.7

Ratio Analysis

Y/E 31 Mar	FY25A	FY26A	FY27E	FY28E	FY29E
YoY growth (%)					
Revenue	1.8	(1.2)	5.1	1.8	3.4
EBITDA	(16.6)	24.2	(4.8)	0.0	7.3
Adjusted EPS	(19.0)	0.4	20.4	3.2	8.6
Profitability & Return ratios (%)					
EBITDA margin	13.0	16.3	14.8	14.5	15.1
EBIT margin	11.4	14.8	13.4	13.1	13.6
Adjusted profit margin	9.6	9.8	11.2	11.4	11.9
Adjusted ROAE	15.8	13.7	14.5	13.7	13.6
ROCE	13.9	13.6	12.6	11.6	11.5
Working capital days (days)					
Receivables	67	83	75	75	75
Inventory	NA	NA	NA	NA	NA
Payables	16	17	19	19	19
Ratios (x)					
Gross asset turnover	52.1	36.6	35.1	34.2	33.9
Current ratio	4.0	4.3	4.2	4.6	4.8
Net interest coverage ratio	NA	NA	NA	NA	NA
Adjusted debt/equity	(0.1)	(0.1)	(0.2)	(0.2)	(0.3)

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

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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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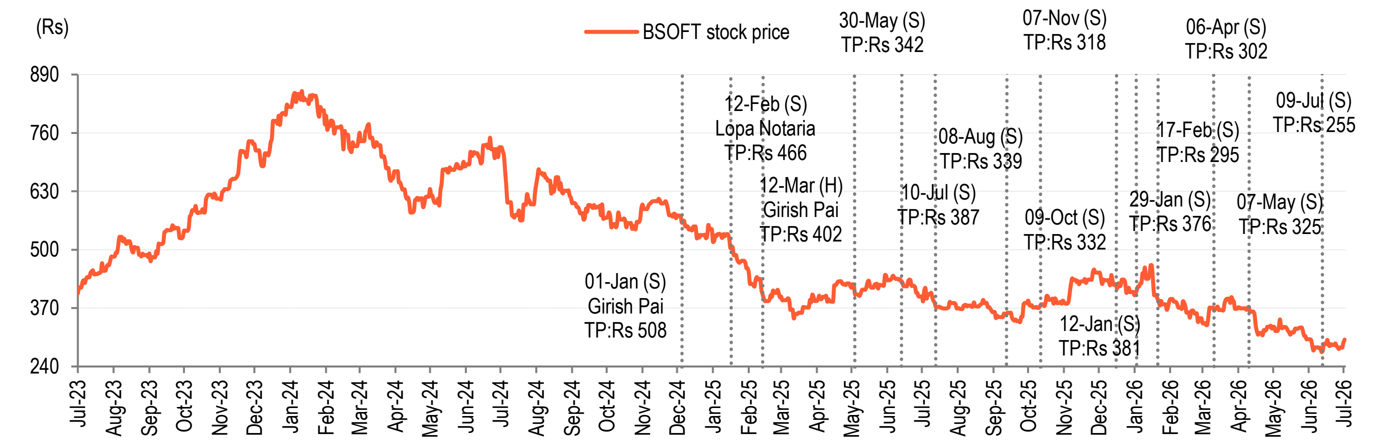
Ratings and Target Price (3-year history): BIRLASOFT (BSOFT IN)



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