

SELL

TP: Rs 318 | ▼ 15%

BIRLASOFT

| IT Services

| 07 November 2025

Weak 1HFY26 TCV hints at growth issues even in FY27

- The weakest order inflow in 12 quarters hints at growth problems even in FY27 after two successive years of negative growth
- While most of its peers talk of stable or improving business pipeline, BSOFT has issues here itself. Leadership infusion expected to help.
- Broadly maintain revenue and EBIT margin estimates. ETR seems to have structurally moved higher, hence cut EPS. Maintain 'SELL'.

Revenue weak but in line while EBITA margin surprises on one offs and Forex:

The flat QOQ CC growth was in line with our estimate whereas the EBIT margin at 14.5% was 320bps better than our estimate of which 250bps has come from one offs and forex. Significantly higher ETR in FY26 for both the quarter and rest of FY26 will hurt earnings. The ETR has been moved up for FY27 too.

TCV at the weakest in 12 quarters: This applies to both total TCV and net new for the quarter. It is highly unlikely that it will hit the aspirational TCV number of US\$850mn for FY26 when in 1H it has done only ~US\$250mn.

There are issues with the pipeline of business too that could impact growth in FY27:

While most peers, both big and small, have maintained that pipeline of business is either improving or stable, BSOFT indicated that there is a weakness here. That we think is because it did not have a North America CEO for about 6 months after the previous one (Roopinder Singh) quit in early 2025 and company CEO took up that role. It has recently hired Komal Jain as CEO Americas. He is a 23-year veteran of Infosys where he was last heading the high tech, telecommunications OEM, and media vertical. Also new leadership in the ERP business, a key area for BSOFT, may help replenish both the pipeline and order backlog. That is our hope in assuming 4-5% USD revenue growth in FY27. But risks are to the downside. We believe part of the problem also has to do with its large exposure to the manufacturing vertical which is seeing pain globally due to Trump Tariffs.

Cut EPS estimates and Maintain Sell:

While we have broadly maintained our USD revenue and EBIT margin estimates for FY26, FY27 and FY28, the higher than expected Tax rate leads to EPS reductions. We are now building in 4.5-5% USD revenue growth in FY27/FY28 with potential downside risks due to weak TCV. Target PE remains unchanged at 15.2x (20% 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 for a second consecutive year in FY26 amongst its peer set with risks to FY27 too.

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Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	BSOFT IN/Rs 373
Market cap	US\$ 1.2bn
Free float	59%
3M ADV	US\$ 6.0mn
52wk high/low	Rs 624/Rs 331
Promoter/FPI/DII	41%/11%/22%

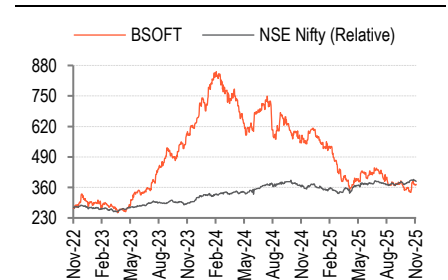
Source: NSE | Price as of 6 Nov 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	53,752	52,864	56,638
EBITDA (Rs mn)	6,974	7,410	8,104
Adj. net profit (Rs mn)	5,168	4,224	5,742
Adj. EPS (Rs)	18.3	15.0	20.4
Consensus EPS (Rs)	18.3	17.2	21.8
Adj. ROAE (%)	15.8	11.6	14.4
Adj. P/E (x)	20.3	24.8	18.3
EV/EBITDA (x)	15.6	14.8	13.8
Adj. EPS growth (%)	(19.0)	(18.1)	36.0

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Key Points from the quarter and the earnings call

- Revenue stood at US\$150.7mn, showing no QoQ growth (in line with our estimates) and declining 8% YoY in CC terms
 - Sequential growth in BFSI and Life Sciences verticals offset weakness in Manufacturing vertical
- EBIT Margin stood at 14.5% (beating our estimate of 11.3%), growing ~380 bps on a QoQ basis and ~407 bps on a YoY basis
 - Margin expansion driven by improved operational efficiencies, rationalization of low-profitability tail accounts resulting in better average margin, exchange rate tailwinds, and certain one-offs.
 - One-offs (~150 bps) and exchange rate tailwinds (~100 bps) contributed ~250 bps to margin. One-off benefits arose from reversals of excess provisioning and adjustments to prior quarter provisions
 - Pruning low-margin accounts and focusing on larger, higher-margin accounts improved margins by ~100 bps. Operational efficiency also improved due to freed up bandwidth
- Deal wins: TCV - US\$107mn (declining 24% on a QoQ basis and 21% on a YoY basis)
 - New deal wins TCV: US\$ 40mn (declining 47% on a QoQ basis and 55% on a YoY basis)
 - Renewals: US\$67mn
 - Reported 2QTCV appeared lower due to 2 committed deals (~US\$60mn in aggregate) spilling over to 3Q due to signing delays, which will reflect in 3Q TCV numbers
- Headcount stood at 11,892 (Technical: 10,861 and Sales & Support: 1,031)..
- Attrition stood at 13.3% and Utilization stood at 80.6%
- ETR increased due to provisions for higher US Federal tax related to legacy contracts. Contracting model being realigned and select contracts renewed to limit tax impact to FY26
 - ETR for 2Q FY26 includes incremental US Federal and higher state tax provisions due to increased taxable income in certain US states. Without additional US Federal tax impact, ETR for 2QFY26 would have been 29.7%
 - ETR for 2HFY26 expected around 44%–45%, full-year FY26 at 42%–43%
 - ETR expected to normalize to 28%–30% in FY27
- Investments to continue in technology and domain capabilities through 3Q and 4QFY26

- Outlook:
 - Macroeconomic environment remains uncertain amid trade barriers and protectionism
 - Clients optimizing spends and decision cycles amid macroeconomic uncertainty
 - Sequential revenue growth expected in both 3Q and 4QFY26 despite seasonal weakness and furlough impact in 3Q. 3Q expected to show QoQ revenue growth, assuming furloughs remain similar to last year; 4Q too early to give precise guidance, but structurally, the trend is positive
 - 2HFY26 expected to outperform first half in both revenue and order book terms.
 - Confidence in growth over the next couple of quarters supported by revenue inflows from deals won in 4QFY25 whose transitions are now complete
 - BFSI (mainly insurance, asset management, and payments) continues as growth leader. 3Q may be flattish quarter (due to furloughs), but 4Q onwards the company sees growth; Energy & utilities and life sciences verticals expected to continue growth in 2H; Manufacturing vertical under pressure, with measures in place to restore growth over the next couple of quarters. Softness expected in 3Q and 4Q. Recovery expected next financial year
- 1HFY26 deal signings totaled ~US\$248mn, with management targeting US\$850mn for FY26; deal funnel improving with 3Q signings expected to be higher than 2Q
- Current deal pipeline requires further expansion to fully support FY27 as the growth year, though significant work is ongoing across all verticals
- ERP vertical underperformance is linked to both a pipeline issue and the performance of the manufacturing business, as ERP is closely tied to manufacturing
 - The manufacturing business is being refreshed to achieve growth, and a major part of this refresh involves ERP, including leadership changes, with all aspects being considered
 - ERP cycle is a long-term process; benefits currently realized mainly by larger companies; the benefit will slowly come to the smaller companies as the mid-tier customers are expected to adopt over the next few quarters
- Wage hike not expected in 3Q
- Sequential revenue growth in 2Q was lower than initially expected because the company chose to exit low-quality and pass-through businesses, which would have added modest growth but negatively impacted margins. The focus remains on securing high-quality order bookings
- Management said the slower growth is because of a weaker sales pipeline and slow deal conversions, not because of a lack of capability
- Management is focusing on quality of revenue, prioritizing outcome-based and annuity deals over one-off projects. Currently, about 65–70% of revenue comes from annuity/long-term deals and 30–35% from project-based deals. The shift

toward annuity and outcome-based deals is intended to make the portfolio stickier and more defensive

- 14% reported EBITDA margin is considered sustainable. Improving beyond 14% is an aspiration, but 14% is the baseline expectation

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 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 and legal immigration (the latter through the major new hurdles put in for H1-B visas), etc all point to uncertainty in the coming days which may delay decision making

Higher for longer interest rate environment: 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, Tier-2 players, and Cognizant, likely slowing their growth compared to FY15-

FY20. This is besides the fact that by FY25, Tier-1 revenue has reached US\$ 85bn, double that in FY15. Due to the higher base now, growth may not be as rapid.

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 19x, which is the average PE multiple of TCS over the last 10 years less 1SD. Through our choice of the benchmark Target PE multiple, we seek to capture the probability of downside risks to consensus EPS expectations for FY27.

Tier- 2 valuation reflects growth gap with Tier-1

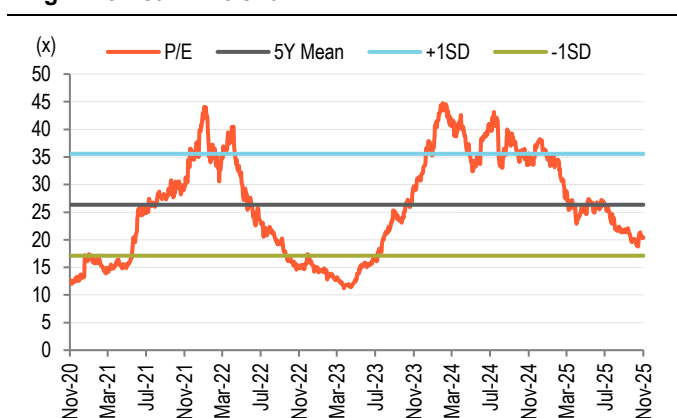
The Tier-2 set have been taking away market share from the Tier-1 set due to better execution and due to their smaller size. And unlike in the past cycles, they have performed better than the Tier-1 largely due to better management teams.

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.

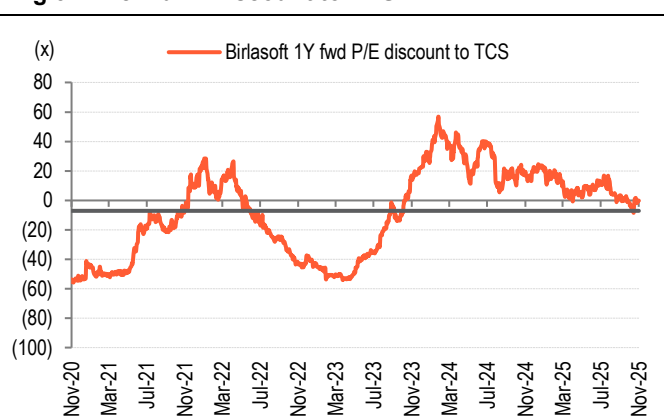
Fig 1 – Quarterly results: Comparison of actuals with estimates

Y/E Mar (Rsmn)	2QFY25	1QFY26	2QFY26	YoY(%)	QoQ (%)	2QFY26E	Deviation (%)
Net Sales (USD mn)	163	151	151	(7.7)	0.0	151	(0.1)
Net Sales	13,682	12,849	13,289	(2.9)	3.4	13,115	1.3
Employee Cost	8,296	7,787	7,964	(4.0)	2.3	7,787	2.3
% of Sales	60.6	60.6	59.9			59.4	
Gross Margin	5,386	5,062	5,325	(1.1)	5.2	5,329	(0.1)
% of Sales	39.4	39.4	40.1			40.6	
Operating Expenses	3,732	3,474	3,193	(14.5)	(8.1)	3,636	(12.2)
% of Sales	27.3	27.0	24.0			27.7	
EBIT	1,431	1,380	1,931	34.9	39.9	1,482	30.3
EBIT Margin (%)	10.5	10.7	14.5			11.3	
Other Income	334	331	220	(33.9)	(33.4)	347	(36.4)
PBT	1,697	1,662	2,100	23.8	26.4	1,769	18.7
Provision for Tax	422	597	939	122.7	57.2	636	47.7
Effective Tax Rate	24.9	35.9	44.7			35.9	
Minority share in Profit / Loss	0	0	0			0	
PAT (Reported)	1,275	1,064	1,161	(8.9)	9.1	1,133	2.5
NPM (%)	9.3	8.3	8.7			8.6	

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 (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
INR/USD	87.2	89.3	91.1	86.9	89.3	91.1	0.4	-	-
USD Revenue (USD mn)	606	635	663	600	630	661	1.0	0.8	0.4
Growth (%)	(4.6)	4.7	4.5	(5.6)	4.9	5.0			
Revenue (Rsmn)	52,864	56,638	60,386	52,143	56,194	60,173	1.4	0.8	0.4
EBIT (Rsmn)	6,586	7,231	7,479	5,738	7,032	7,492	14.8	2.8	(0.2)
EBIT Margin (%)	12.5	12.8	12.4	11.0	12.5	12.5			
PAT (Rsmn)	4,224	5,742	6,011	4,464	5,929	6,380	(5.4)	(3.2)	(5.8)
FDEPS (Rs)	15.0	20.4	21.4	15.9	21.1	22.7	(5.3)	(3.0)	(5.6)

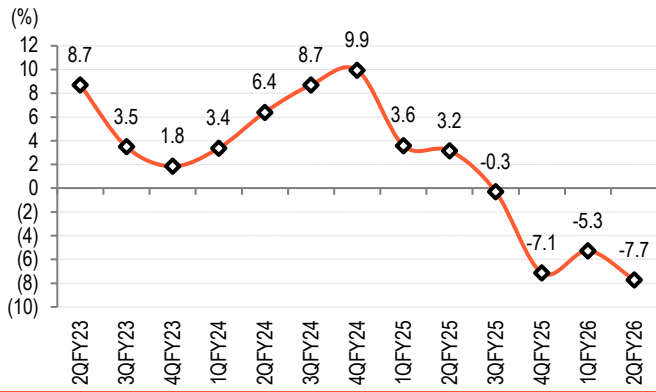
Source: Company, BOBCAPS Research

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	87.2	89.3	91.1
Net Sales (USD mn)	452	364	464	480	555	595	637	635	606	635	663
YoY Growth (%)		(19.4)	27.4	3.4	15.7	7.2	7.1	(0.3)	(4.6)	4.7	4.5
Revenues	29,142	25,507	32,910	35,557	41,303	47,948	52,781	53,752	52,864	56,638	60,386
YoY Growth	-12.3	-12.5	29.0	8.0	16.2	16.1	10.1	1.8	-1.7	7.1	6.6
Employee Cost	17,874	15,352	19,975	21,158	23,688	28,131	30,483	32,008	32,241	35,455	38,000
Gross Profit	11,268	10,155	12,934	14,399	17,615	19,817	22,298	21,744	20,624	21,184	22,385
% of sales	38.7	39.8	39.3	40.5	42.6	41.3	42.2	40.5	39.0	37.4	37.1
Operating Expenses	7,533	7,091	9,065	9,107	11,213	14,612	13,936	14,770	13,214	13,080	13,973
% of sales	25.8	27.8	27.5	25.6	27.1	30.5	26.4	27.5	25.0	23.1	23.1
EBITDA	3,735	3,064	3,869	5,292	6,402	5,205	8,362	6,974	7,410	8,104	8,412
EBITDA Margin	12.8	12.0	11.8	14.9	15.5	10.9	15.8	13.0	14.0	14.3	13.9
Depreciation	589	499	826	804	766	823	850	857	824	874	933
% of sales	2.0	2.0	2.5	2.3	1.9	1.7	1.6	1.6	1.6	1.5	1.5
EBIT	3,147	2,565	3,043	4,489	5,636	4,382	7,512	6,117	6,586	7,231	7,479
EBIT Margin	10.8	10.1	9.2	12.6	13.6	9.1	14.2	11.4	12.5	12.8	12.4
Other Income	357	261	480	190	662	228	1,035	1,085	1,020	1,128	1,278
Interest	91	108	161	130	131	186	200	234	229	272	290
Profit Before Tax	3,412	2,717	3,362	4,548	6,167	4,424	8,348	6,968	7,378	8,087	8,467
PBT Margin	11.7	10.7	10.2	12.8	14.9	9.2	15.8	13.0	14.0	14.3	14.0
Tax	704	539	1,119	1,340	1,531	1,108	2,110	1,801	3,154	2,345	2,455
ETR (%)	20.6	19.8	33.3	29.5	24.8	25.1	25.3	25.8	42.7	29.0	29.0
Profit After Tax	2,412	2,354	2,243	3,208	4,637	3,316	6,238	5,168	4,224	5,742	6,011
YoY Growth (%)		(2.4)	(4.7)	43.0	44.5	(28.5)	88.1	(17.2)	(18.3)	35.9	4.7
-Net profit margin (%)	8.3	9.2	6.8	9.0	11.2	6.9	11.8	9.6	8.0	10.1	10.0

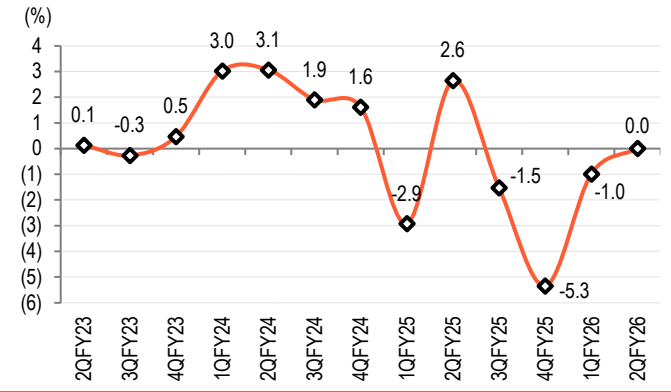
Source: Company, BOBCAPS Research

Fig 6 – USD Revenue Growth (YoY)



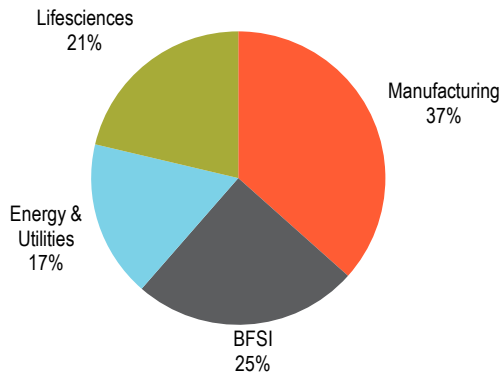
Source: Company, BOBCAPS Research

Fig 7 – USD Revenue Growth (QoQ)



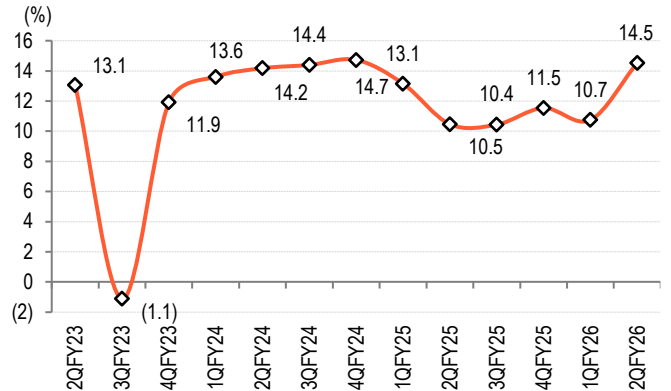
Source: Company, BOBCAPS Research

Fig 8 – Vertical Mix – 2QFY26



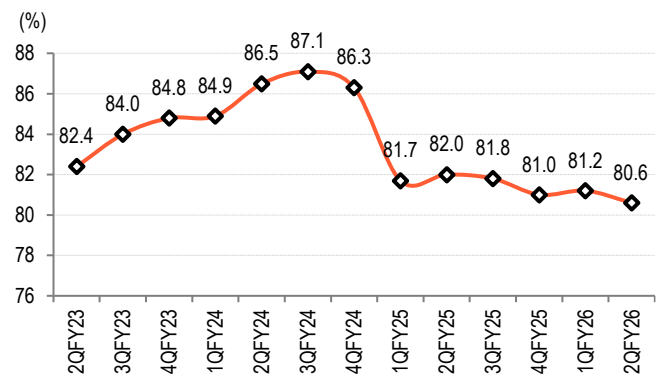
Source: Company, BOBCAPS Research

Fig 9 – EBIT Margin trend



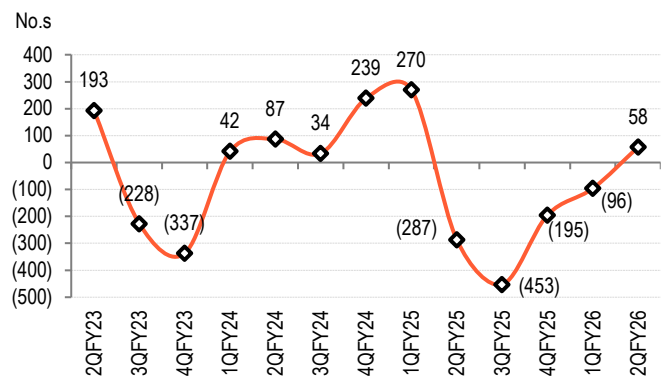
Source: Company, BOBCAPS Research

Fig 10 – Utilization trend



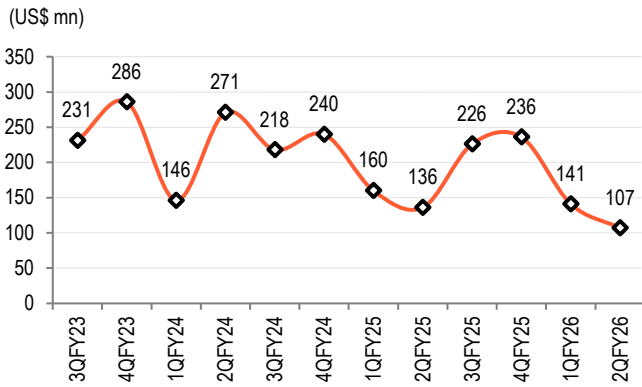
Source: Company, BOBCAPS Research

Fig 11 – Net Headcount Addition



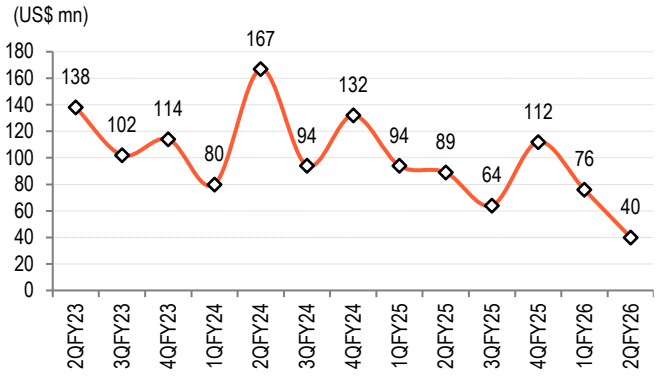
Source: Company, BOBCAPS Research

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



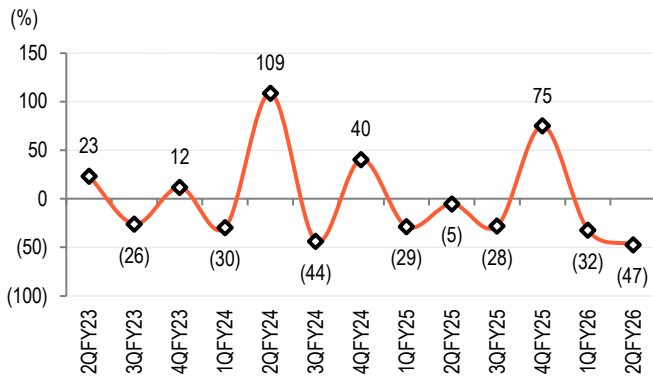
Source: Company, BOBCAPS Research

Fig 13 – Net New TCV (USD mn)



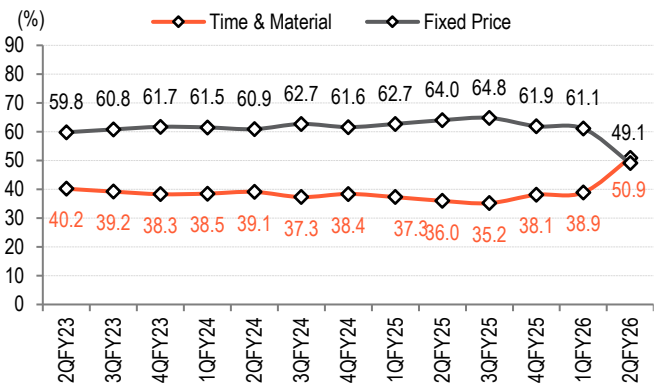
Source: Company, BOBCAPS Research

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	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
INR/USD	80.1	82.3	82.3	82.2	82.7	83.3	83.1	83.4	83.8	84.7	86.5	85.3	88.2
Revenue (in USDmn)	149	148	149	154	158	161	164	159	163	161	152	151	151
(Rsmn)													
Revenue	11,921	12,219	12,264	12,628	13,099	13,430	13,625	13,274	13,682	13,627	13,169	12,849	13,289
Gross margin	4,983	4,899	4,970	5,200	5,657	5,495	5,946	5,673	5,386	5,298	5,388	5,062	5,325
SGA	3,219	4,826	3,300	3,268	3,586	3,352	3,729	3,722	3,732	3,664	3,652	3,474	3,193
EBITDA	1,764	74	1,670	1,931	2,071	2,143	2,217	1,951	1,653	1,634	1,736	1,588	2,133
Depreciation	207	210	210	214	215	211	211	206	222	213	216	208	202
EBIT	1,557	(136)	1,460	1,717	1,856	1,932	2,006	1,745	1,431	1,422	1,519	1,380	1,931
Other income	(27)	124	(23)	141	156	282	457	345	334	208	199	331	220
PBT	1,472	(68)	1,397	1,816	1,955	2,154	2,422	2,049	1,697	1,560	1,663	1,662	2,100
Tax	321	95	276	440	504	544	621	547	422	390	442	597	939
PAT	1,151	(164)	1,122	1,375	1,451	1,611	1,801	1,502	1,275	1,169	1,221	1,064	1,161
Number of shares	272	273	275	275	276	276	276	278	278	278	279	279	279
EPS	4.2	-0.6	4.1	5.0	5.3	5.8	6.5	5.4	4.6	4.2	4.4	3.8	4.2
YoY Growth													
USD Revenue	8.7	3.5	1.8	3.4	6.4	8.7	9.9	3.6	3.2	(0.3)	(7.1)	(5.3)	(7.7)
INR Revenues	17.8	14.0	11.3	9.4	9.9	9.9	11.1	5.1	4.5	1.5	(3.4)	(3.2)	(2.9)
Gross profit	14.5	5.3	5.3	4.7	13.5	12.2	19.6	9.1	(4.8)	(3.6)	(9.4)	(10.8)	(1.1)
EBIT	17.6	(109.5)	(5.5)	14.4	19.2	(1517.1)	37.4	1.6	(22.9)	(26.4)	(24.2)	(20.9)	34.9
Net profit	11.6	(114.4)	(15.6)	13.9	26.2	(1084.4)	60.5	9.2	(12.2)	(27.4)	(32.2)	(29.1)	(8.9)
QoQ Growth													
USD Revenues	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	3.3	2.5	0.4	3.0	3.7	2.5	1.5	(2.6)	3.1	(0.4)	(3.4)	(2.4)	3.4
EBIT	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)	39.9
Net profit	(4.7)	(114.2)	(785.7)	22.6	5.5	11.0	11.8	(16.6)	(15.1)	(8.3)	4.4	(12.8)	9.1
Margins (%)													
Gross margin	41.8	40.1	40.5	41.2	43.2	40.9	43.6	42.7	39.4	38.9	40.9	39.4	40.1
EBITDA margin	14.8	0.6	13.6	15.3	15.8	16.0	16.3	14.7	12.1	12.0	13.2	12.4	16.0
EBIT	13.1	(1.1)	11.9	13.6	14.2	14.4	14.7	13.1	10.5	10.4	11.5	10.7	14.5
PAT	9.7	(1.3)	9.1	10.9	11.1	12.0	13.2	11.3	9.3	8.6	9.3	8.3	8.7
SGA	27.0	39.5	26.9	25.9	27.4	25.0	27.4	28.0	27.3	26.9	27.7	27.0	24.0

Source: Company, BOBCAPS Research

Fig 17 – Segmental Analysis

INR mn	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
Segment Revenue									
Banking, Financial Services and Insurance	2,766.2	2,770.1	2,883.6	3,134.5	3,196.2	3,284.8	3,170.9	3,129.4	3,297.7
Manufacturing	5,392.6	5,504.1	5,710.2	5,195.2	5,457.6	5,471.8	5,190.2	4,900.9	4,856.4
Energy and Utilities	1,787.9	1,942.2	2,016.7	2,099.1	2,204.7	2,143.6	2,224.2	2,245.3	2,294.4
Life Sciences & Services	3,152.1	3,213.1	3,015.0	2,845.6	2,823.7	2,726.9	2,583.7	2,573.4	2,840.6
Total	13,098.8	13,429.5	13,625.5	13,274.3	13,682.2	13,627.0	13,168.9	12,849.0	13,289.0
QoQ Revenue Growth %									
Banking, Financial Services and Insurance	6.0	0.1	4.1	8.7	2.0	2.8	(3.5)	(1.3)	5.4
Manufacturing	5.0	2.1	3.7	(9.0)	5.1	0.3	(5.1)	(5.6)	(0.9)
Energy and Utilities	(0.6)	8.6	3.8	4.1	5.0	(2.8)	3.8	0.9	2.2
Life Sciences & Services	2.3	1.9	(6.2)	(5.6)	(0.8)	(3.4)	(5.3)	(0.4)	10.4
Total	3.7	2.5	1.5	(2.6)	3.1	(0.4)	(3.4)	(2.4)	3.4
YoY Revenue Growth %									
Banking, Financial Services and Insurance	21.7	13.0	15.0	20.1	15.5	18.6	10.0	(0.2)	3.2
Manufacturing	8.8	12.8	16.2	1.1	1.2	(0.6)	(9.1)	(5.7)	(11.0)
Energy and Utilities	7.4	14.7	10.6	16.7	23.3	10.4	10.3	7.0	4.1
Life Sciences & Services	4.2	0.5	(0.2)	(7.7)	(10.4)	(15.1)	(14.3)	(9.6)	0.6
Total	9.9	9.9	11.1	5.1	4.5	1.5	(3.4)	(3.2)	(2.9)
Segment results									
Banking, Financial Services and Insurance	828.6	792.4	851.4	934.4	811.8	824.1	839.0	860.2	954.6
Manufacturing	1,422.9	1,496.0	1,817.3	734.6	1,179.3	1,244.2	1,086.7	1,037.2	1,257.3
Energy and Utilities	627.5	617.1	616.7	713.0	597.1	596.8	745.8	787.3	893.0
Life Sciences & Services	655.1	717.4	426.8	534.5	451.8	424.4	320.1	428.2	521.7
Total	3,534.0	3,622.9	3,712.3	2,916.5	3,040.1	3,089.5	2,991.7	3,112.8	3,626.7
Margin %									
Banking, Financial Services and Insurance	30.0	28.6	29.5	29.8	25.4	25.1	26.5	27.5	28.9
Manufacturing	26.4	27.2	31.8	14.1	21.6	22.7	20.9	21.2	25.9
Energy and Utilities	35.1	31.8	30.6	34.0	27.1	27.8	33.5	35.1	38.9
Life Sciences & Services	20.8	22.3	14.2	18.8	16.0	15.6	12.4	16.6	18.4
Total	27.0	27.0	27.2	22.0	22.2	22.7	22.7	24.2	27.3

Source: Company, BOBCAPS Research

Fig 18 – Key Metrics

	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
P and L (Rs mn)													
Revenue	11,921	12,219	12,264	12,628	13,099	13,430	13,625	13,274	13,682	13,627	13,169	12,849	13,289
EBIT	1,557	(136)	1,460	1,717	1,856	1,932	2,006	1,745	1,431	1,422	1,519	1,380	1,931
PAT	1,151	(164)	1,122	1,375	1,451	1,611	1,801	1,502	1,275	1,169	1,221	1,064	1,161
Vertical Mix (%)													
Manufacturing	47	46	47	41	41	41	42	39	40	40	40	38	37
BFSI	19	20	21	21	21	21	21	24	23	24	24	24	25
Energy & Utilities	14	14	15	14	14	15	15	16	16	16	17	17	17
Lifesciences	20	20	18	24	24	24	22	21	21	20	20	20	21
Services - Reclassified (%)													
Digital and Data				54	56	55	54	53	55	57	57	59	58
ERP				37	36	36	38	35	36	34	33	32	31
Infra				9	8	9	9	12	10	9	10	10	11
Geographic Mix (%)													
USA	84	84	85	84	86	86	87	84	87	88	87	86	88
Rest of the world	6	6	6	6	6	14	14	16	13	12	13	14	12
Europe	10	10	9	10	8	0	0	0	0	0	0	0	0
Revenue Mix (%)													
Onsite	48	49	49	49	49	46	48	44	51	49	50	49	46
Offshore	52	51	51	51	51	54	52	57	50	51	50	51	54
Revenue Contract Type													
Time & Material (%)	40	39	38	39	39	37	38	37	36	35	38	39	51
Fixed Price (%)	60	61	62	62	61	63	62	63	64	65	62	61	49
Utilization (%)	82	84	85	85	87	87	86	82	82	82	81	81	81
Clients Concentration (%)													
Top 5 clients	31	32	33	33	34	35	35	36	37	37	37	38	39
Top 10 Clients	47	48	49	50	51	52	52	53	53	52	52	53	53
Top 20 Clients	64	64	64	64	64	65	65	65	65	65	65	65	66
No of millions \$ clients													
US\$1mn clients+	76	83	83	86	85	83	87	88	89	85	80	77	78
US\$5mn clients+	27	24	26	27	27	26	26	23	24	27	27	26	23
US\$10mn clients+	14	13	13	13	11	11	12	12	12	12	12	12	11
Total Headcount	12,758	12,530	12,193	12,235	12,322	12,356	12,595	12,865	12,578	12,125	11,930	11,834	11,892
Net Addition	193	(228)	(337)	42	87	34	239	270	(287)	(453)	(195)	(96)	58
Attrition (%)	27.4	25.5	22.1	18.8	15.0	12.6	12.4	11.6	11.8	12.7	12.8	13.3	13.3
INR/USD	80.1	82.3	82.3	82.2	82.7	83.3	83.1	83.4	83.8	84.7	86.5	85.3	88.2
Financials (in US\$m)													
Revenue	148.8	148.4	149.1	153.6	158.3	161.3	163.9	159.1	163.3	160.8	152.2	150.7	150.7
EBIT	19.4	(1.7)	17.8	20.9	22.4	23.2	24.1	20.9	17.1	16.8	17.6	16.2	21.9
PAT	14.4	-2.0	13.6	16.7	17.5	19.3	21.7	18.0	15.2	13.8	14.1	12.5	13.2
Productivity Metrics													
Per Capita (Annualised)													
Revenue	46,653	47,374	48,913	50,217	51,388	52,218	52,052	49,468	51,932	53,057	51,021	50,921	50,702
EBIT	6,093	(529)	5,823	6,830	7,283	7,513	7,663	6,504	5,432	5,535	5,887	5,470	7,367
PAT	4,503	(634)	4,474	5,470	5,694	6,262	6,880	5,598	4,840	4,553	4,731	4,218	4,430
Direct and Opex cost per capita	40,560	47,903	43,090	43,387	44,105	44,704	44,390	42,964	46,500	47,522	45,135	45,451	43,335

Source: Company, BOBCAPS Research

Fig 19 – QoQ and YoY growth of various parameters

(in US\$)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
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)	0.0
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)	2.3
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	(14.6)
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)	(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	1.6
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	(0.6)
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	6.5
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	(0.7)
ERP						0.8	1.9	6.1	(10.1)	4.4	(6.0)	(7.0)	(5.4)	(2.2)
Infra						(2.7)	3.1	5.2	36.8	(18.9)	(7.8)	4.1	(6.9)	11.6
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)	(7.7)
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)	(6.7)
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)	(15.0)
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)	(15.6)
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)	(1.8)
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	(0.8)
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)	(4.6)
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	(1.6)
ERP									(2.0)	1.4	(6.4)	(18.0)	(13.7)	(19.2)
Infra									44.3	20.4	7.7	6.6	(27.4)	(0.2)

Source: Company, BOBCAPS Research

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Total revenue	52,781	53,752	52,864	56,638	60,386
EBITDA	8,362	6,974	7,410	8,104	8,412
Depreciation	850	857	824	874	933
EBIT	7,512	6,117	6,586	7,231	7,479
Net interest inc./(exp.)	200	234	229	272	290
Other inc./(exp.)	1,035	1,085	1,020	1,128	1,278
Exceptional items	0	0	0	0	0
EBT	8,348	6,968	7,378	8,087	8,467
Income taxes	2,110	1,801	3,154	2,345	2,455
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	6,238	5,168	4,224	5,742	6,011
Adjustments	0	0	0	0	0
Adjusted net profit	6,238	5,168	4,224	5,742	6,011

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	2,805	2,353	2,690	2,920	3,080
Other current liabilities	4,653	5,469	6,505	6,965	7,287
Provisions	712	757	838	838	838
Debt funds	0	114	0	0	0
Other liabilities	645	1,148	1,175	1,175	1,175
Equity capital	552	556	557	557	557
Reserves & surplus	29,889	34,227	37,615	41,124	44,624
Shareholders' fund	30,441	34,782	38,172	41,681	45,181
Total liab. and equities	39,256	44,624	49,381	53,580	57,562
Cash and cash eq.	4,249	4,449	6,328	9,301	12,405
Accounts receivables	10,365	9,802	10,624	11,532	12,168
Inventories	0	104	50	50	50
Other current assets	13,060	17,278	18,814	19,067	19,244
Investments	2,860	2,972	3,156	3,156	3,156
Net fixed assets	1,142	1,031	921	987	1,052
CWIP	116	49	75	75	75
Intangible assets	4,957	5,072	5,344	5,344	5,344
Deferred tax assets, net	1,044	1,002	1,126	1,126	1,126
Other assets	1,463	2,866	2,942	2,942	2,942
Total assets	39,256	44,624	49,381	53,580	57,562

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operations	8,775	5,388	4,956	7,359	7,564
Capital expenditures	(431)	(746)	(714)	(939)	(998)
Change in investments	(8,581)	(4,234)	(1,285)	0	0
Other investing cash flows	0	0	0	0	0
Cash flow from investing	(9,012)	(4,981)	(1,999)	(939)	(998)
Equities issued/Others	2	4	1	0	0
Debt raised/repaid	0	114	(114)	0	0
Interest expenses	(200)	(234)	(229)	(272)	(290)
Dividends paid	(1,792)	(1,808)	(1,535)	(2,233)	(2,512)
Other financing cash flows	0	0	0	0	0
Cash flow from financing	(1,989)	(1,924)	(1,877)	(2,505)	(2,802)
Chg in cash & cash eq.	(5,309)	199	1,879	2,973	3,104
Closing cash & cash eq.	4,249	4,449	6,328	9,301	12,405

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	22.6	18.6	15.1	20.6	21.5
Adjusted EPS	22.6	18.3	15.0	20.4	21.4
Dividend per share	6.5	6.5	5.5	8.0	9.0
Book value per share	110.4	125.1	136.7	149.3	161.9

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	2.1	2.0	2.1	2.0	1.9
EV/EBITDA	13.3	15.6	14.8	13.8	13.7
Adjusted P/E	16.5	20.3	24.8	18.3	17.4
P/BV	3.4	3.0	2.7	2.5	2.3

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	74.9	74.7	74.2	57.3	71.0
Interest burden (PBT/EBIT)	101.0	111.1	113.9	112.0	111.8
EBIT margin (EBIT/Revenue)	9.1	14.2	11.4	12.5	12.8
Asset turnover (Rev./Avg TA)	145.9	148.4	128.2	112.5	110.0
Leverage (Avg TA/Avg Equity)	1.3	1.3	1.3	1.3	1.3
Adjusted ROAE	13.2	22.7	15.8	11.6	14.4

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	10.1	1.8	(1.7)	7.1	6.6
EBITDA	60.7	(16.6)	6.3	9.4	3.8
Adjusted EPS	88.3	(19.0)	(18.1)	36.0	4.7
Profitability & Return ratios (%)					
EBITDA margin	15.8	13.0	14.0	14.3	13.9
EBIT margin	14.2	11.4	12.5	12.8	12.4
Adjusted profit margin	11.8	9.6	8.0	10.1	10.0
Adjusted ROAE	22.7	15.8	11.6	14.4	13.8
ROCE	20.4	13.9	10.3	12.9	12.2
Working capital days (days)					
Receivables	72	67	73	74	74
Inventory	NA	NA	NA	NA	NA
Payables	19	16	18	19	18
Ratios (x)					
Gross asset turnover	46.2	52.1	57.4	57.4	57.4
Current ratio	3.7	4.0	3.9	4.0	4.2
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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CIN: **U65999MH1996GOI098009**



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

BUY – Expected return >+15%

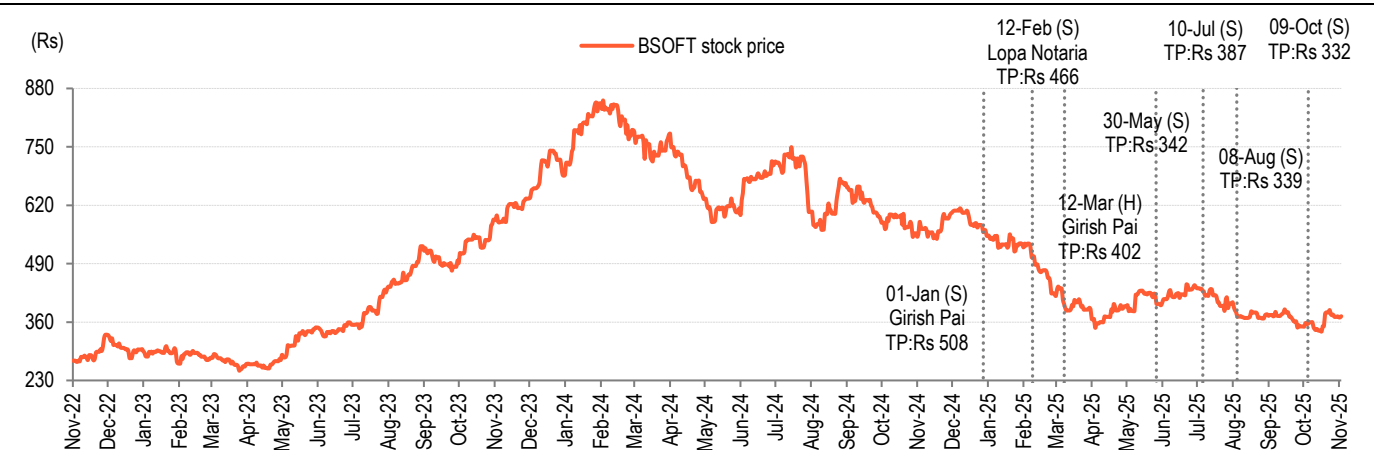
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

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B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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