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BUY
TP: Rs 407 | ⮝ 22%

FIRSTSOURCE SOLUTIONS | IT Services | 31 July 2025

Top decile growth in FY26 likely. FY25-FY28 EPS growth leader

- **Retains its industry leading revenue growth outlook for FY26. Ups the lower end of the band. Strong order inflow and new logo addition helps**
- **Strong top line growth combined with headroom for significant margin expansion leads to 31% EPS CAGR over FY25-FY28**
- **Tweak up revenue and EPS estimate. Maintain target PE multiple. Recent stock correction helps raise rating to Buy. Only Buy. Top pick**

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FirstSource strong performance is because it is taking a different approach with its UnBPO model — using AI, automation, and outcome-based pricing to rethink how services are delivered. The company believes its smaller size gives it an edge in agility and customization, making it more relevant in today's demand environment.

The 13 to 15% constant currency revenue growth guidance for FY26 (increased by 100bps at the lower end since the last 3 months) is quite robust in the context of recent cautious commentary from most of its peers in the Indian IT/ITES industry. This guidance includes 300bps from M&A. The last part will see an uptick as an acquisition has been announced but yet to be closed.

Ritesh Idnani – CEO for 2 years in FSOL now – has ensured better execution and led FSOL to deliver on its US$1bn revenue run rate goal 4 quarters in advance. FirstSource CEO has beefed up sales, tech and delivery capabilities both organically and inorganically over the last seven quarters for him to deliver these numbers.

BPM is not a discretionary service which gets typically cut during macro stress points and infusion of Technology and AI strengthens its business case.

Annual wage hike for FY26 will be implemented in two phases: junior employees effective July 1, 2025; middle and senior management effective October 1, 2025. The spreading-out of wage hikes (unlike in FY25) appears to be a more cautious strategy under the current demand conditions.

Considering the strong order inflow we have raised our estimates for both USD revenue and EPS estimate. We maintain our Target PE multiple at 25.6x on June '27 EPS. This Target PE multiple is at a 20% premium to the target PE multiple we have accorded to our benchmark TCS. The PE premium of 20% accounts for the likely stronger revenue performance in a weaker macro set up that we are witnessing today. The correction of 40% from the 52-week high leads us to raise the rating to 'BUY' from 'HOLD'. It is our only BUY under our coverage universe and our top pick in the Tier-2 space.

Key changes

Target	Rating
▲	▲

Ticker/Price	FSOL IN/Rs 334
Market cap	US$ 2.6bn
Free float	45%
3M ADV	US$ 6.6mn
52wk high/low	Rs 422/Rs 269
Promoter/FPI/DII	54%/10%/24%

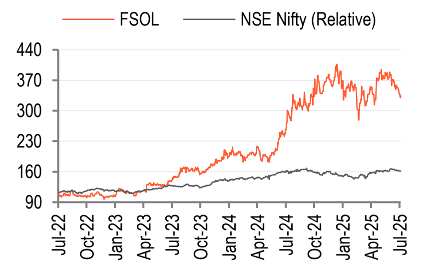
Source: NSE | Price as of 30 Jul 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	79,803	94,095	112,166
EBITDA (Rs mn)	12,077	15,544	18,493
Adj. net profit (Rs mn)	5,857	8,176	10,530
Adj. EPS (Rs)	8.4	11.6	14.9
Consensus EPS (Rs)	8.4	11.3	14.1
Adj. ROAE (%)	15.0	19.2	22.6
Adj. P/E (x)	39.6	28.8	22.4
EV/EBITDA (x)	19.0	14.8	12.5
Adj. EPS growth (%)	14.9	37.5	28.8

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Key Points from the quarter and the earnings call

- Revenue stood at US$259 mn, reflecting YoY CC growth of 19.2% and QoQ CC growth of 1.6% (broadly in line with our estimate of 1.8% QoQ CC growth)
- EBIT margin was 11.3% (in line with our estimate), up 10 bps QoQ and 30 bps YoY (within guided range of 11.25%–12%)
  - Other operating costs increased 15% QoQ due to higher partner costs, reflecting shift of execution cost from people cost to other operating cost

Vertical performance

- BFS vertical was flat QoQ and grew 7% YoY in CC
  - Softness in banking was primarily due to Europe, where macroeconomic uncertainty led to a rebalancing from onshore to nearshore/offshore, creating a temporary revenue deflation. The Europe pipeline is strong, with healthy demand from banks, building societies, and fintechs.
  - North America remained resilient, with continued wins in both front and back office, and strong cross-sell/upsell performance in collections-only accounts.
  - Invested in strengthening sales and solutions team in BFS vertical, especially in North America, to broaden client base and reduce macro dependency
  - Partnering more closely with mid-sized banks and fintechs investing in platform modernization and customer experience
- Healthcare vertical grew 2.3% QoQ and 13.5% YoY in CC
  - All large deals in 1Q were in this vertical
  - Healthcare remains a strong strategic growth vertical
  - Client decision making in healthcare remains steady; deal ramp-ups on track
- CMT vertical grew 6% QoQ and 18% YoY in CC
  - Remains one of the fastest-growing segments, driven by strong engagement with a lot of the technology companies in Silicon Valley
  - Well-balanced pipeline there spanning both traditional media companies as well as digital-first and new-age technology companies
- Diverse Portfolio: Retail and utilities vertical declined 3% QoQ in CC due to seasonal softness in utilities
  - Retail and utilities deal pipeline remains healthy, expected to drive growth in coming quarters

Geographical performance

- North America grew 5% QoQ and 22% YoY in CC; growth expected to remain healthy and broad-based across core verticals

- Europe declined 7% QoQ due to seasonal softness in UK-centric utilities business. Macroeconomic softness and regulatory changes in the UK have led to many clients accelerating their shifts towards offshore and nearshore delivery locations over the last few quarters. Management believes that a large part of this transition is now behind, and growth is expected to normalize from 2Q onwards. Transformation program pitches and nearshore delivery capabilities resonating well with European clients and prospects
- Australia continued strong performance driven by ramp-up of FY25 deal wins
- DSO declined to 65 days in 1Q from 70 days in 4QFY25
- Headcount was 34,495, a decline of 156 QoQ; TTM attrition rate was 28.9%
- Signed 4 large deals (deals with ACV over US$5 mn). Total ACV intake among highest in last 5 quarters
- Added 17 new logos in the quarter, highest addition in a quarter over last three years. Average deal size from new logos increased by 16% over the last 4 quarters
- Majority of large deals are transformative programs with staggered ramp-up curves, resulting in nonlinear revenue recognition (over an extended period)

Guidance

- Raised FY26 CC revenue guidance to 13%–15%, excluding any contribution from Pastdue Credit Solutions
- Guidance increase at lower end from 12% to 13% driven by clear line of sight to business performance for FY26; Guidance excludes potential macroeconomic changes. Assumes a pickup of pace in the rest of the 9 months.
- Maintained FY26 EBIT margin guidance at 11.25%–12%
- US$1 bn revenue run rate achieved 4 quarters ahead of public guidance in 4QFY25. Has not publicly articulated any new revenue targets
- The healthcare business margin is currently impacted by a shift toward more payer-side business (which has lower margins) compared to provider-side (higher margins). Also, the costs related to ramping up new deals temporarily suppress margins. Over time, as deals mature and normalize, margins are expected to improve

Demand Conditions:

- Macroeconomic and geopolitical uncertainty remains unchanged from prior quarters
- Demand environment is not materially different overall compared to three months back, but company's differentiated market proposition is resonating more strongly. UnBPO playbook is driving demand by reshaping how corporations reimagine processes and workflows
- 1Q FY26 saw strong outcomes with 17 new logos. Exited 1Q with the highest pipeline in company history, providing strong visibility into future quarters. Current

conditions provide confidence in differentiation and growth despite macroeconomic uncertainty

Other Points:

- Annual wage hike for FY26 will be implemented in two phases: junior employees effective July 1, 2025; middle and senior management effective October 1, 2025. Company typically absorbs wage hike impact; expects sequential margin expansion to continue despite phased salary increases
- In FY25 the wage hike was implemented on 1 July for the entire company at one shot. So, the spread-out wage hikes appear to be a more cautious strategy under the current demand conditions
- Wage hikes do not impact confidence in meeting margin guidance; 37 margin drivers in place are progressing well
- FY26 EBIT margin guidance of 11.25% to 12% retained
- Targeted annual margin improvement of 50–75 bps starting FY26 remains intact
    - Margin Levers: Onsite to offshore shift remains an ongoing opportunity; not fully realized yet
    - FY25 was an "investment year" with costs going up for growth and capability building, the margin improvements haven't fully shown up yet. Going forward FSOL margins to grow steadily.
    - Additional margin levers include sourcing and staffing optimization, employee pyramid alignment, and lifecycle-wide use of AI and automation.
    - Centralization, offshoring, and agentic AI workflow deployment also identified as efficiency drivers. Focus on "doing more with less" by improving productivity without adding headcount contributes to margin confidence
- FirstSource sees traditional boundaries between IT and BPO, and front and back office, fading. But unlike large players combining IT and BPO, FirstSource is taking a different approach with its UnBPO model — using AI, automation, and outcome-based models to rethink how services are delivered. The company believes its smaller size gives it an edge in agility and customization, making it more relevant in today's changing environment
- Revenue is no longer tightly linked to employee count. With more automation, gig-based work, and outcome-based pricing models, the company can grow without adding permanent staff
- Since headcount isn't a reliable way to predict growth anymore, the best way to estimate the company's performance is to watch their official guidance. Besides that, you can also track things like: Number of new clients won (new logos), Growth in existing client relationships (cross-sell/upsell), Increasing size of client accounts (like $1M, $5M, $10M deals), size of deal wins

M&A moves

- No defined frequency or target count for acquisitions; each acquisition must offer clear value such as capability enhancement or distribution access. Preference remains for EBIT and EPS accretive acquisitions
- Signed Share Purchase Agreement to acquire Pastdue Credit Solutions in UK; acquisition subject to regulatory approval and expected to close in current quarter
  - Total consideration is GBP22 mn, including upfront payment post-approval and earnout linked to defined targets over next 12 months
  - PDC acquisition to expand digital collections footprint in UK; strong client relationships in utilities, telecom, financial services, and public sector; minimal client overlap
  - PDC to help leverage offshore/nearshore delivery and expand service portfolio; expected to be both margin and EPS accretive

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' (OBBB), 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	1QFY26	YoY(%)	QoQ (%)	1QFY26	Deviation (%)
Net Sales (USD mn)	**215**	**250**	**259**	**20.5**	**3.6**	**256**	**1.2**
Net Sales	**17,911**	**21,615**	**22,177**	**23.8**	**2.6**	**22,134**	**0.2**
Cost of Sales	15,212	18,286	18,706	23.0	2.3	18,499	1.1
% of Sales	84.9	84.6	84.3			83.6	
EBITDA Margin	2,699	3,328	3,471	28.6	4.3	3,635	(4.5)
% of Sales	15.1	15.4	15.7			16.4	
Depreciation	729	906	972	33.4	7.3	1,140	(14.7)
EBIT	**1,970**	**2,422**	**2,498**	**26.8**	**3.1**	**2,496**	**0.1**
EBIT Margin (%)	**11.0**	**11.2**	**11.3**			**11.3**	
Interest Expenses	287	391	434	51.2	11.0	423	2.5
Other Income	-11	-14	68	(718.2)	(585.7)	75	(9.0)
Exceptional Items							
PBT	1,672	2,017	2,132	27.5	5.7	2,147	(0.7)
Provision for Tax	320	410	439	37.2	7.0	437	0.6
Effective Tax Rate	19.1	20.3	20.6			20.3	
PAT (Reported)	**1,352**	**1,607**	**1,693**	**25.2**	**5.4**	**1,710**	**(1.0)**
NPM (%)	**7.5**	**7.4**	**7.6**			**7.7**	**(1.2)**

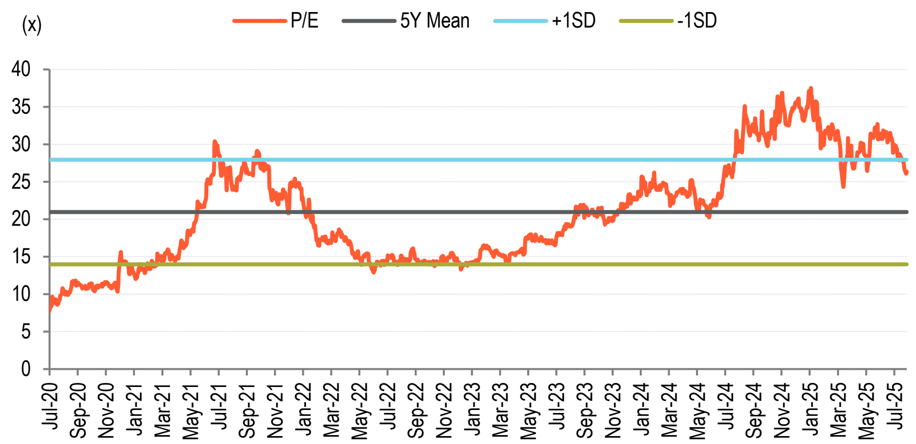
Source: Company, BOBCAPS Research

Fig 2 – Revised Estimates

	New			Old			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
INR/USD	86.9	89.3	91.1	87.3	89.3	91.1	(0.4)	-	-
USD Revenue (USD mn)	1,085	1,256	1,464	1,057	1,224	1,426	2.7	2.6	2.7
USD Revenue Growth (%)	15.0	15.8	16.5	12.0	15.8	16.5			
Revenue (Rsmn)	94,095	112,166	133,337	92,232	109,296	129,856	2.0	2.6	2.7
EBIT (Rsmn)	11,579	14,325	17,694	11,314	14,005	17,264	2.3	2.3	2.5
EBIT Margin (%)	12.3	12.8	13.3	12.3	12.8	13.3			
PAT (Rsmn)	8,176	10,530	13,351	7,985	10,228	13,021	2.4	3.0	2.5
FDEPS (Rs)	11.6	14.9	18.9	11.6	14.8	18.9	0.1	0.6	0.2

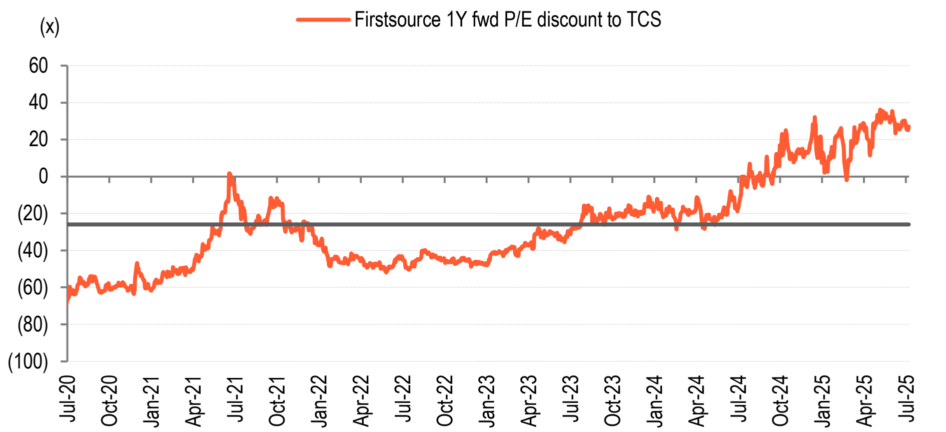
Source: Company, BOBCAPS Research

Fig 3 – 5 Year PE trend



Source: Bloomberg, BOBCAPS Research

Fig 4 – Premium/ Discount to TCS



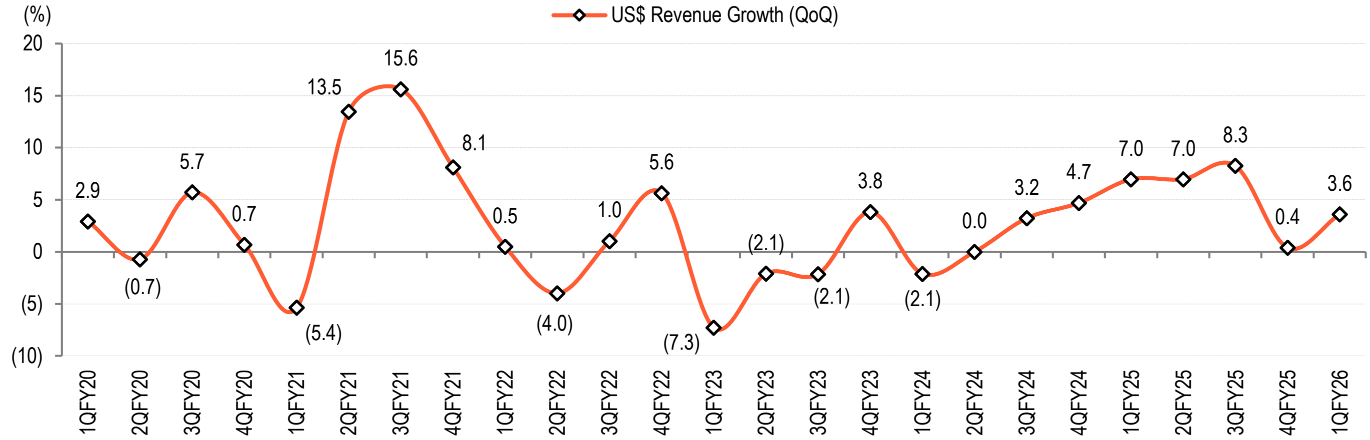
Source: Bloomberg, BOBCAPS Research

Fig 5 – P&L at a glance

(YE March)	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Average INR/USD			69.2	70.0	73.5	73.8	79.7	82.8	84.5	86.9	89.3	91.1
Net Sales (USD mn)			**547**	**578**	**686**	**795**	**751**	**765**	**944**	**1,085**	**1,256**	**1,464**
-Growth (%)				**5.7**	**18.7**	**15.9**	**(5.5)**	**1.9**	**23.4**	**15.0**	**15.8**	**16.5**
Net Sales	35,556	35,353	38,262	40,987	50,779	59,212	60,222	63,363	79,803	94,095	112,166	133,337
-Growth (%)		(0.6)	8.2	7.1	23.9	16.6	1.7	5.2	25.9	17.9	19.2	18.9
Cost of Sales & Services	31,176	30,763	32,908	34,698	42,790	49,614	51,958	53,797	67,727	78,551	93,673	111,162
EBITDA Margin	4,380	4,590	5,354	6,289	7,989	9,598	8,264	9,566	12,077	15,544	18,493	22,175
% of sales	12.3	13.0	14.0	15.3	15.7	16.2	13.7	15.1	15.1	16.5	16.5	16.6
Depreciation	590	659	745	1,852	2,064	2,495	2,631	2,603	3,271	3,966	4,169	4,481
EBIT	**3,790**	**3,931**	**4,609**	**4,437**	**5,925**	**7,103**	**5,633**	**6,963**	**8,806**	**11,579**	**14,325**	**17,694**
EBIT Margin (%)	**10.7**	**11.1**	**12.0**	**10.8**	**11.7**	**12.0**	**9.4**	**11.0**	**11.0**	**12.3**	**12.8**	**13.3**
Interest Expense	421	338	225	513	496	604	732	1,034	1,383	1,622	1,584	1,584
Other income (net)	(1)	(11)	(26)	17	(13)	(30)	1,251	368	(104)	339	520	703
PBT	3,369	3,581	4,358	3,941	5,416	6,469	6,152	6,297	7,319	10,296	13,260	16,813
-PBT margin (%)	9.5	10.1	11.4	9.6	10.7	10.9	10.2	9.9	9.2	10.9	11.8	12.6
Provision for tax	577	314	581	544	701	1,097	1,015	1,150	1,462	2,120	2,731	3,462
Effective tax rate (%)	17.1	8.8	13.3	13.8	16.2	17.0	16.5	18.3	19.7	20.6	20.6	20.6
Net profit	**2,792**	**3,267**	**3,777**	**3,397**	**4,715**	**5,372**	**5,137**	**5,147**	**5,857**	**8,176**	**10,530**	**13,351**
-Growth (%)		**17.0**	**15.6**	**(10.1)**	**38.8**	**13.9**	**(4.4)**	**0.2**	**13.8**	**39.6**	**28.8**	**26.8**
-Net profit margin (%)	**7.9**	**9.2**	**9.9**	**8.3**	**9.3**	**9.1**	**8.5**	**8.1**	**7.3**	**8.7**	**9.4**	**10.0**

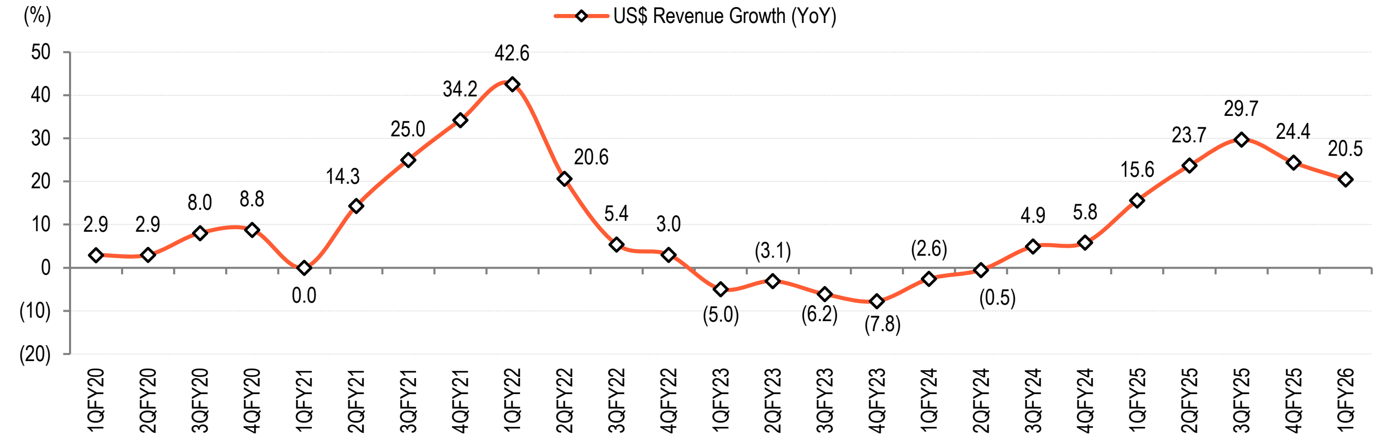
Source: Company, BOBCAPS Research

Fig 6 – QoQ US$ Revenue Growth



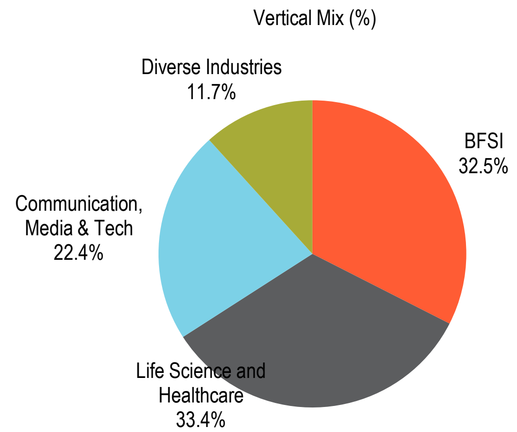
Source: Company, BOBCAPS Research

Fig 7 – YoY US$ Revenue Growth



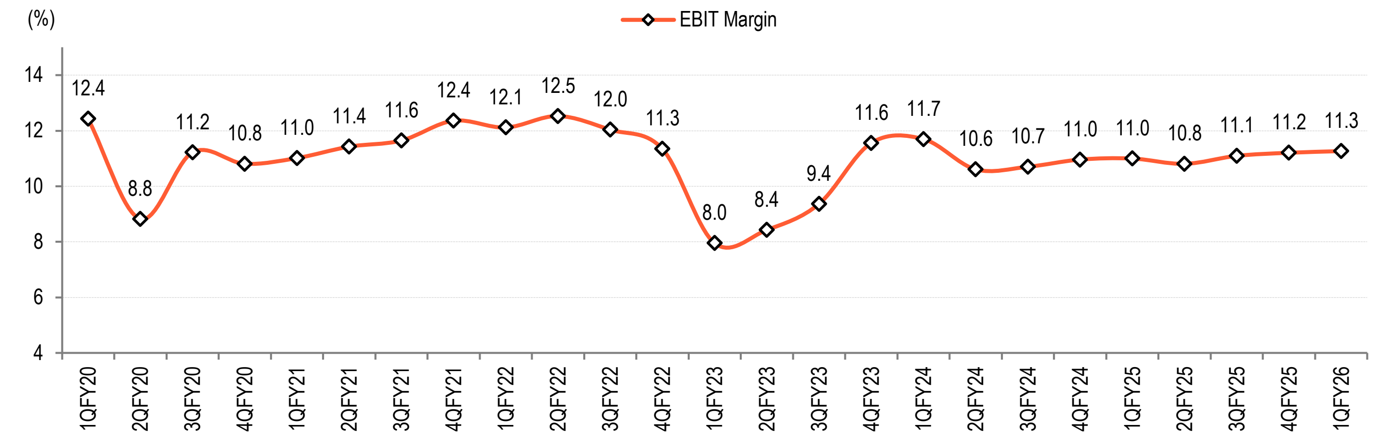
Source: Company, BOBCAPS Research

Fig 8 – 1QFY26 Vertical Revenue Mix



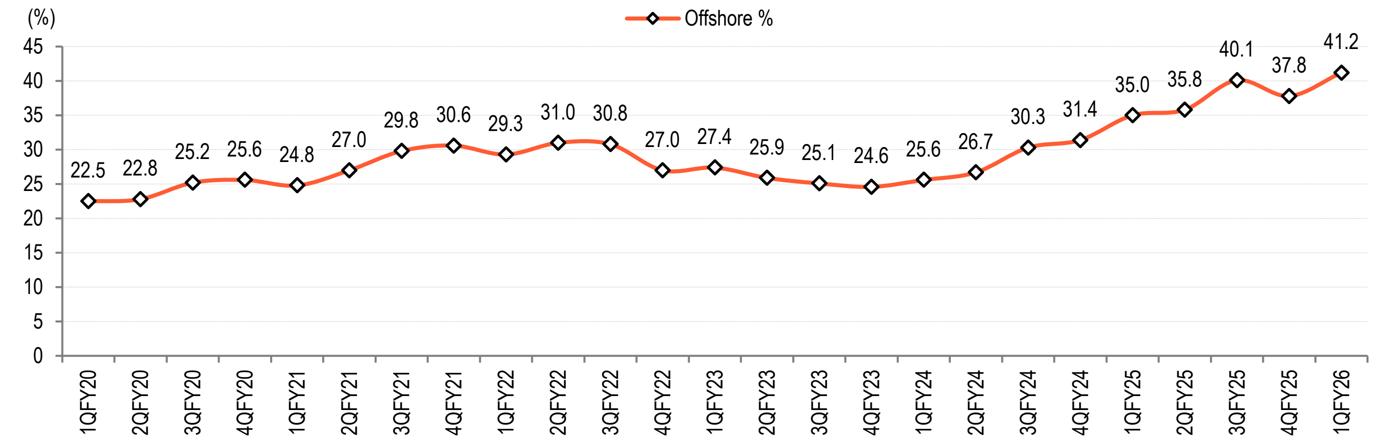
Source: Company, BOBCAPS Research

Fig 9 – EBIT Margin trend



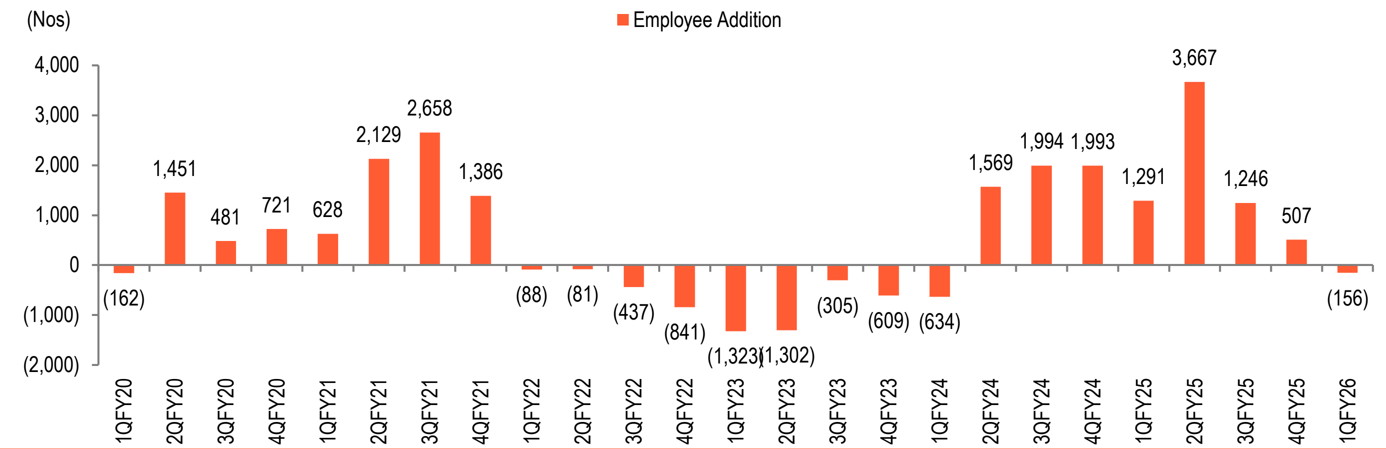
Source: Company, BOBCAPS Research

Fig 10 – Revenue by Delivery – Offshore trend (%)



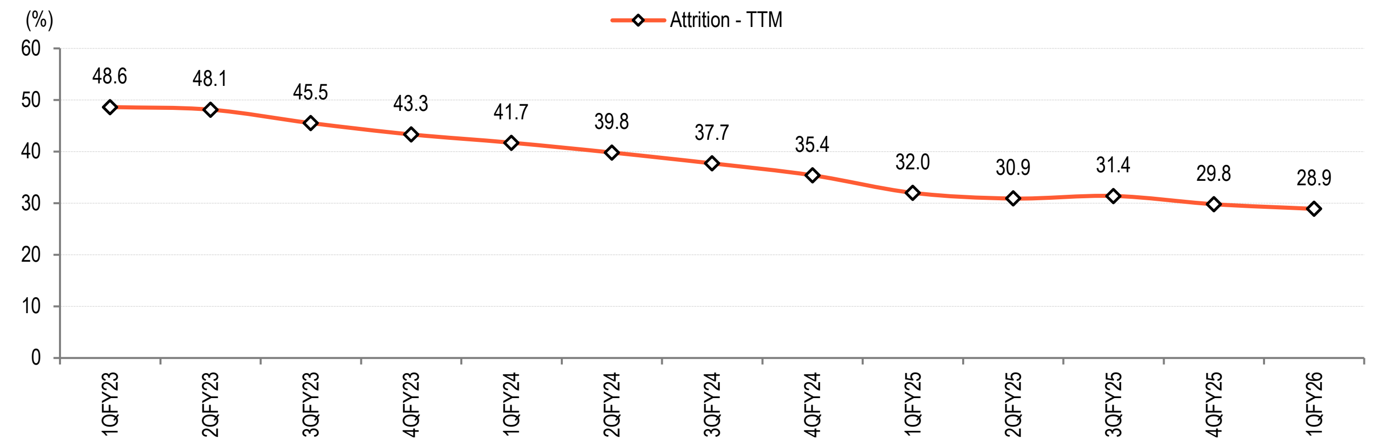
Source: Company, BOBCAPS Research

Fig 11 – Net Employee Addition (QoQ)



Source: Company, BOBCAPS Research

Fig 12 – TTM Attrition



Source: Company, BOBCAPS Research

Fig 13 – Quarterly Snapshot

Year to 31 March	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
INR/USD	76.0	78.8	82.1	81.9	82.1	82.9	83.1	83.0	83.4	83.8	84.4	86.5	86.5
Revenue (in USDmn)	191	187	183	190	186	186	192	201	215	230	249	250	259
(Rs mn)													
Revenue	14,723	14,882	15,049	15,568	15,292	15,400	15,966	16,705	17,911	19,254	21,024	21,615	22,177
EBITDA	1,810	1,917	2,096	2,441	2,402	2,288	2,372	2,504	2,699	2,873	3,177	3,328	3,471
EBIT	1,171	1,254	1,409	1,799	1,789	1,634	1,709	1,831	1,970	2,081	2,333	2,422	2,498
Other income	54	482	610	105	6	153	134	75	(11)	(40)	(39)	(14)	68
PBT	1,048	1,549	1,836	1,719	1,552	1,543	1,608	1,594	1,673	1,711	2,007	2,017	2,132
Tax	197	255	257	306	293	278	321	258	320	328	404	410	439
PAT	851	1,294	1,579	1,413	1,259	1,265	1,287	1,336	1,353	1,383	1,603	1,607	1,693
Number of shares	703.3	703.3	701.8	699.5	699.4	702.8	699.2	703.2	704.7	705.6	706.0	704.8	705.5
EPS	1.2	1.8	2.3	2.0	1.8	1.8	1.8	1.9	1.9	2.0	2.3	2.3	2.4
YoY Growth													
USD Revenue	-5.0	-3.1	-6.2	-7.8	-2.6	-0.5	4.9	5.8	15.6	23.7	29.7	24.4	20.5
INR Revenues	-0.8	4.2	2.8	0.8	3.9	3.5	6.1	7.3	17.1	25.0	31.7	29.4	23.8
EBITDA	-24.0	-19.7	-11.9	-0.3	32.7	19.4	13.1	2.6	12.4	25.6	33.9	32.9	28.6
EBIT	-34.9	-29.9	-20.0	2.7	52.8	30.3	21.3	1.8	10.1	27.4	36.5	32.3	26.8
Net profit	-36.7	-4.1	16.5	6.7	47.9	-2.2	-18.5	-5.4	7.5	9.3	24.6	20.3	25.2
QoQ Growth													
USD Revenues	(7.28)	(2.1)	(2.1)	3.83	(2.11)	-	3.23	4.69	6.97	6.98	8.26	0.40	3.60
INR Revenues	(4.6)	1.1	1.1	3.4	(1.8)	0.7	3.7	4.6	7.2	7.5	9.2	2.8	2.6
EBITDA	(26.1)	5.9	9.3	16.5	(1.6)	(4.7)	3.7	5.6	7.8	6.4	10.6	4.8	4.3
EBIT	(33.2)	7.1	12.4	27.7	(0.6)	(8.7)	4.6	7.2	7.6	5.6	12.1	3.8	3.1
Net profit	(35.7)	52.1	22.0	(10.5)	(10.9)	0.5	1.7	3.8	1.3	2.2	15.9	0.3	5.4
Margins (%)													
EBITDA	12.3	12.9	13.9	15.7	15.7	14.9	14.9	15.0	15.1	14.9	15.1	15.4	15.7
EBIT	8.0	8.4	9.4	11.6	11.7	10.6	10.7	11.0	11.0	10.8	11.1	11.2	11.3
PAT	5.8	8.7	10.5	9.1	8.2	8.2	8.1	8.0	7.6	7.2	7.6	7.4	7.6
SGA	4.3	4.5	4.6	4.1	4.0	4.2	4.2	4.0	4.1	4.1	4.0	4.2	4.4

Source: Company, BOBCAPS Research

Fig 14 – Key Metrics

	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
P and L (Rs mn)													
Revenue	14,723	14,882	15,049	15,568	15,292	15,400	15,966	16,705	17,911	19,254	21,024	21,615	22,177
EBITDA	1,810	1,917	2,096	2,441	2,402	2,288	2,372	2,504	2,699	2,873	3,177	3,328	3,471
EBIT	1,171	1,254	1,409	1,799	1,789	1,634	1,709	1,831	1,970	2,081	2,333	2,422	2,498
PAT	851	1,294	1,579	1,413	1,259	1,265	1,287	1,336	1,353	1,383	1,603	1,607	1,693
Vertical Mix (%)													
BFSI	46.3	43.4	41.8	40.3	40.8	40.8	38.3	37.3	36.4	34.4	32.4	33.4	32.5
Life Science and Healthcare	32.1	34.5	34.2	33.2	32.6	32.7	33.5	32.9	35.7	36.3	34.0	33.8	33.4
Communication, Media & Tech	20.2	20.2	21.6	22.3	21.8	21.2	22.5	23.6	22.3	21.3	20.3	21.0	22.4
Diverse Industries	1.4	1.9	2.4	4.2	4.8	5.3	5.7	6.2	5.6	8.0	13.3	11.8	11.7
Geographic Mix (%)													
North America	68.4	67.2	64.9	63.3	63.5	65.1	65.4	65.0	68.2	68.5	66.3	67.7	68.7
Europe, Middle East and Africa	30.1	31.3	34.1	36.3	36.4	34.8	34.5	34.9	31.8	31.4	33.6	31.5	30.1
ROW	1.5	1.5	1.0	0.4	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.8	1.2
Delivery (%)													
Offshore	27.4	25.9	25.1	24.6	25.6	26.7	30.3	31.4	35	35.8	40.1	37.8	41.2
Onsite	72.6	74.1	74.9	75.4	74.4	73.3	69.7	68.6	65	64.2	59.9	62.2	58.8
Clients Concentration (%)													
Top 10 Client									51.5	48.6	43.5	43.7	42.6
Top 5 Client	36.4	36.6	38.5	37.4	37.2	35	35.8	36.7	34.6	32.5	29.2	29.3	29.6
Employee Number	25,234	23,932	23,627	23,018	22,384	23,953	25,947	27,940	29,231	32,898	34,144	34,651	34,495
Net Addition	(1,323)	(1,302)	(305)	(609)	(634)	1,569	1,994	1,993	1,291	3,667	1,246	507	(156)
(US$ mn)													
Revenue	191	187	183	190	186	186	192	201	215	230	249	250	259
EBIT	15	16	17	22	22	20	21	22	24	25	28	28	29
PAT	11	16	19	17	15	15	15	16	16	17	19	19	20
Productivity Metrics													
Per Capita (Annualised)													
Revenue	30,277	31,255	30,982	33,018	33,238	31,061	29,599	28,776	29,421	27,965	29,171	28,859	30,033
EBIT	2,441	2,660	2,904	3,816	3,895	3,292	3,171	3,156	3,231	3,020	3,238	3,232	3,349
PAT	1,774	2,745	3,254	2,997	2,741	2,549	2,388	2,303	2,219	2,007	2,224	2,144	2,270

Source: Company, BOBCAPS Research

Fig 15 – QoQ and YoY growth of various parameters

(in US$)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
QoQ Growth (%)													
Revenue	(7.3)	(2.1)	(2.1)	3.8	(2.1)	0.0	3.2	4.7	7.0	7.0	8.3	0.4	3.6
Geographical Data													
North America	(10.3)	(3.8)	(5.5)	1.3	(1.8)	2.5	3.7	4.0	12.2	7.4	4.8	2.5	5.1
Europe, Middle East and Africa	1.5	1.8	6.6	10.5	(1.8)	(4.4)	2.3	5.9	(2.5)	5.6	15.8	(5.9)	(1.0)
ROW	(22.7)	(2.1)	(34.8)	(58.5)	(75.5)	0.0	3.2	4.7	(100.0)	NA	8.3	703.2	55.4
Verticals													
BFSI	(12.4)	(8.2)	(5.7)	0.1	(0.9)	0.0	(3.1)	2.0	4.4	1.1	2.0	3.5	0.8
Life Science and Healthcare	(1.8)	5.2	(3.0)	0.8	(3.9)	0.3	5.8	2.8	16.1	8.8	1.4	(0.2)	2.4
Communication, Media & Tech	(1.4)	(2.1)	4.6	7.2	(4.3)	(2.8)	9.6	9.8	1.1	2.2	3.2	3.9	10.5
Diverse Industries	(23.6)	32.9	23.6	81.7	11.9	10.4	11.0	13.9	(3.4)	52.8	80.0	(10.9)	2.7
Delivery													
Offshore	(5.9)	(7.5)	(5.2)	1.8	1.9	4.3	17.1	8.5	19.2	9.4	21.3	(5.4)	12.9
Onshore	(7.8)	(0.1)	(1.1)	4.5	(3.4)	(1.5)	(1.8)	3.0	1.4	5.7	1.0	4.3	(2.1)
YoY Growth (%)													
Revenue	(5.0)	(3.1)	(6.2)	(7.8)	(2.6)	(0.5)	4.9	5.8	15.6	23.7	29.7	24.4	20.5
Geographical Data													
North America	(3.9)	(4.8)	(12.7)	(17.4)	(9.6)	(3.6)	5.7	8.6	24.1	30.1	31.5	29.5	21.3
Europe, Middle East and Africa	(8.0)	0.8	12.3	21.7	17.8	10.6	6.1	1.7	1.0	11.6	26.3	12.3	14.0
ROW	9.6	(3.1)	(44.8)	(79.5)	(93.5)	(93.4)	(89.5)	(73.6)	(100.0)	23.7	29.7	895.0	NA
Verticals													
BFSI	(14.9)	(14.0)	(18.8)	(24.1)	(14.2)	(6.5)	(3.9)	(2.1)	3.1	4.3	9.7	11.4	7.6
Life Science and Healthcare	14.2	12.9	5.9	1.1	(1.1)	(5.7)	2.8	4.8	26.6	37.3	31.6	27.8	12.7
Communication, Media & Tech	(2.1)	0.4	3.4	8.3	5.1	4.4	9.3	12.0	18.2	24.2	17.0	10.7	21.0
Diverse Industries	(33.5)	(8.0)	25.1	127.9	233.9	177.5	149.2	56.2	34.9	86.7	202.6	136.7	151.7
Delivery													
Offshore	(11.1)	(19.0)	(23.5)	(16.0)	(9.0)	2.5	26.7	35.0	58.0	65.8	71.6	49.7	41.8
Onshore	(2)	4	2	(5)	(0)	(2)	(2)	(4)	1	8	11	13	9

Source: Company, BOBCAPS Research

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Total revenue	**63,363**	**79,803**	**94,095**	**112,166**	**133,337**
EBITDA	9,566	12,077	15,544	18,493	22,175
Depreciation	2,603	3,271	3,966	4,169	4,481
EBIT	6,963	8,806	11,579	14,325	17,694
Net interest inc./(exp.)	(1,034)	(1,383)	(1,622)	(1,584)	(1,584)
Other inc./(exp.)	368	(104)	339	520	703
Exceptional items	0	0	0	0	0
EBT	6,297	7,319	10,296	13,260	16,813
Income taxes	1,150	1,462	2,120	2,731	3,462
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	**5,147**	**5,857**	**8,176**	**10,530**	**13,351**
Adjustments	0	0	0	0	0
Adjusted net profit	**5,147**	**5,857**	**8,176**	**10,530**	**13,351**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	3,056	3,976	5,567	6,678	7,874
Other current liabilities	13,353	20,311	18,913	18,913	18,913
Provisions	188	241	269	269	269
Debt funds	42	3,419	2,680	1,680	680
Other liabilities	7,188	10,299	10,645	10,645	10,645
Equity capital	6,970	6,970	6,970	6,970	6,970
Reserves & surplus	30,034	34,006	37,019	42,020	48,460
Shareholders' fund	37,004	40,976	43,989	48,990	55,430
Total liab. and equities	**60,830**	**79,222**	**82,064**	**87,175**	**93,811**
Cash and cash eq.	1,884	1,670	2,157	3,540	6,013
Accounts receivables	11,608	16,860	17,972	21,559	25,421
Inventories	0	0	0	0	0
Other current assets	1,881	3,710	4,676	4,676	4,676
Investments	115	115	116	116	116
Net fixed assets	1,641	2,763	2,851	2,993	3,294
CWIP	171	491	491	491	491
Intangible assets	36,889	47,173	46,753	46,753	46,753
Deferred tax assets, net	3,729	3,449	3,528	3,528	3,528
Other assets	2,911	2,991	3,519	3,519	3,519
Total assets	**60,830**	**79,222**	**82,064**	**87,175**	**93,811**

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operations	**5,886**	**8,805**	**13,850**	**13,807**	**16,751**
Capital expenditures	126	(1,790)	(783)	(344)	(614)
Change in investments	296	(315)	(543)	0	0
Other investing cash flows	0	0	0	0	0
Cash flow from investing	**422**	**(2,105)**	**(1,326)**	**(344)**	**(614)**
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	(147)	7,204	(1,739)	(1,000)	(1,000)
Interest expenses	(1,034)	(1,383)	(1,622)	(1,584)	(1,584)
Dividends paid	(2,393)	(2,751)	(4,147)	(5,529)	(6,911)
Other financing cash flows	0	0	0	0	0
Cash flow from financing	**(3,574)**	**3,070**	**(7,508)**	**(8,113)**	**(9,496)**
Chg in cash & cash eq.	**329**	**(214)**	**487**	**1,383**	**2,473**
Closing cash & cash eq.	**1,884**	**1,670**	**2,157**	**3,540**	**6,013**

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	7.5	8.6	11.8	15.2	19.3
Adjusted EPS	7.3	8.4	11.6	14.9	18.9
Dividend per share	3.5	4.0	6.0	8.0	10.0
Book value per share	53.7	59.7	63.6	70.9	80.2

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	3.7	2.9	2.5	2.1	1.7
EV/EBITDA	24.2	19.0	14.8	12.5	10.4
Adjusted P/E	45.5	39.6	28.8	22.4	17.7
P/BV	6.2	5.6	5.2	4.7	4.2

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	81.7	80.3	79.4	79.4	79.4
Interest burden (PBT/EBIT)	90.4	84.1	88.9	92.6	95.0
EBIT margin (EBIT/Revenue)	11.0	11.0	12.3	12.8	13.3
Asset turnover (Rev./Avg TA)	107.9	114.0	116.7	132.6	147.3
Leverage (Avg TA/Avg Equity)	1.6	1.7	1.8	1.7	1.6
Adjusted ROAE	13.9	14.5	18.6	21.5	24.1

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	5.2	25.9	17.9	19.2	18.9
EBITDA	15.8	26.3	28.7	19.0	19.9
Adjusted EPS	0.3	14.9	37.5	28.8	26.8
Profitability & Return ratios (%)					
EBITDA margin	15.1	15.1	16.5	16.5	16.6
EBIT margin	11.0	11.0	12.3	12.8	13.3
Adjusted profit margin	8.1	7.3	8.7	9.4	10.0
Adjusted ROAE	14.6	15.0	19.2	22.6	25.6
ROCE	10.2	10.6	12.1	14.5	16.9
Working capital days (days)					
Receivables	67	77	70	70	70
Inventory	NA	NA	NA	NA	NA
Payables	17	18	21	21	21
Ratios (x)					
Gross asset turnover	38.6	28.9	33.0	37.5	40.5
Current ratio	0.9	0.9	1.0	1.2	1.3
Net interest coverage ratio	NA	NA	NA	NA	NA
Adjusted debt/equity	0.0	0.0	0.0	0.0	(0.1)

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

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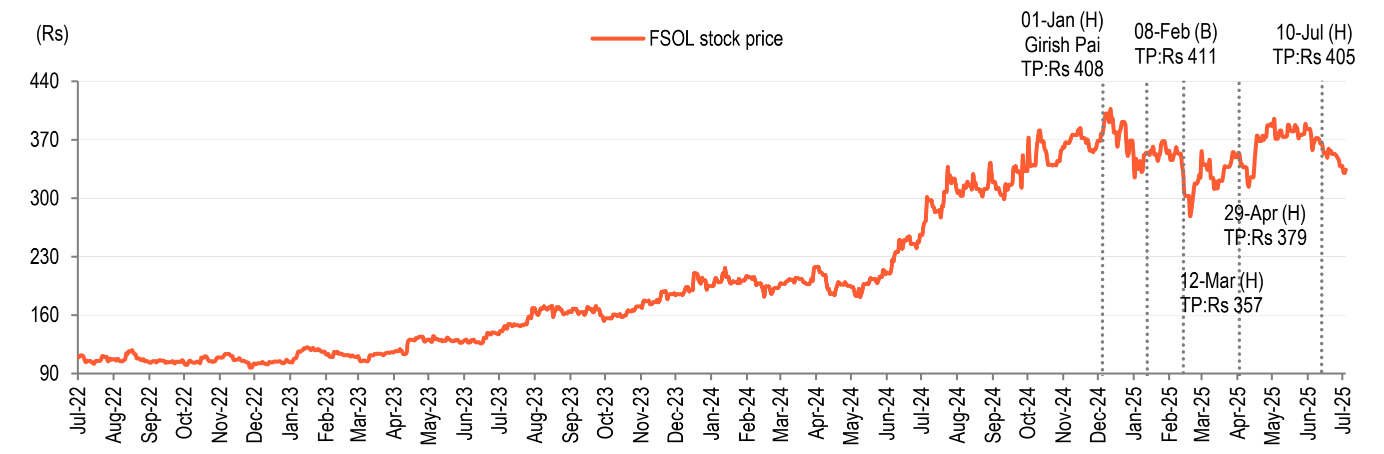

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