

HOLD

TP: Rs 4,073 | ▲ 12%

ECLERX SERVICES

| IT Services

| 28 July 2025

Good execution. Small cap worth keeping on radar

- 1QFY26 CC QoQ growth was robust at 3.3% (broadly in line with our estimate). EBIT margin was much better than estimate (by ~200bps)
- TTM ACV is up 43% YoY. While Macro impacted some part of its business, we believe it can deliver industry leading growth in FY26
- Raise estimates a tad and its Target PE multiple to 23.4x from 21.3x to account for its strong growth and return ratios. Maintain HOLD rating

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1QFY26 CC QoQ revenue growth of 3.3% was broadly in line with our estimate. Did not feel the negative impact that many of its larger and smaller peers felt from macro except in a small part of its business. The EBIT margin was better than our estimate by ~200bps due to operating leverage, higher offshore and pyramid despite taking a salary hike for the entire company in 1Q (among the few). 1Q order inflow ACV of US\$32mn was the down 34% QoQ but up 21%. Historically 1Q has tended to be the weakest quarter from an ACV standpoint. TTM ACV at US\$143mn was up 43%.

Kapil Jain, the CEO, who has been with the company for 2 years now, and an Infosys veteran of 20 years in the BPM space, has been focusing on disciplined sales execution and cross-selling and upselling of services. Results have been visible in FY25 from both revenue growth and ACV accretion standpoint.

Productized services remain a key differentiator for Eclerx along with domain expertise. 'Compliance manager' is a productized client and vendor onboarding tool that it uses that reduces risks for customers. 'Market intelligence' is another solution that it uses to help customers get competitor insights and market trends.

It has high EBIT margins in the 20% plus range, not matched by most of its Tier-2 peers. We believe this has to do with high offshore delivery and productized nature of its business. Its high client concentration – top 10 clients were at 63% in 1QFY26 - remains a key risk in a market that has been witnessing significant amount of vendor consolidation. We therefore do not want to take the Target PE multiple much higher as any large client loss could impact revenue growth.

Raise USD revenue estimates to account for the strong TTM order inflow growth. Raise our target PE multiple due to better growth prospects medium term. We put it at 10% premium to that of TCS. We had it at par with TCS earlier. It is one of our top picks in the Tier-2 space under our IT/ITES coverage. And it is among the few small caps that we cover. And it is worth keeping on the radar for a better entry point.

Key changes

Target	Rating
▲	◀ ▶

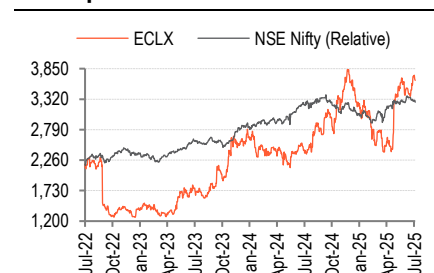
Ticker/Price	ECLX IN/Rs 3,647
Market cap	US\$ 2.0bn
Free float	45%
3M ADV	US\$ 3.5mn
52wk high/low	Rs 3,921/Rs 2,168
Promoter/FPI/DII	54%/10%/26%

Source: NSE | Price as of 25 Jul 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	33,659	39,358	46,627
EBITDA (Rs mn)	8,209	9,577	11,854
Adj. net profit (Rs mn)	5,411	6,141	7,861
Adj. EPS (Rs)	113.1	128.4	164.3
Adj. ROAE (%)	23.7	23.5	23.8
Adj. P/E (x)	32.2	28.4	22.2
EV/EBITDA (x)	20.2	17.1	13.6
Adj. EPS growth (%)	8.7	13.5	28.0

Source: Company, Bloomberg, BOBCAPS Research

Stock performance

Source: NSE



Key Points from the quarter and the earnings call

- Revenue stood at US\$109.2mn, growing 3.3% QoQ (in line with our estimates of 3.5%) and 16.4% YoY in CC terms
- EBIT margin stood at 20% (against our estimate of 18.1%), declining 126 bps QoQ and increasing 284 bps YoY due to annual wage hikes and new delivery centers
 - Margin impact was lower than usual due to strong top-line growth in BFSI and CMT offshore and bottom-of-the-pyramid hiring (lower wage cost)
 - There was a 250-bps impact from wage hikes and 20 bps from new delivery centers
- Net operating cash flow at US\$223 mn and EBITDA-to-cash conversion at 9.5% in 1Q, both significantly lower than usual
 - DSO increased from 80 days to 86 days due to system and process changes in large clients causing invoice holds. No collection risk associated with DSO increase. Management expects it to revert to average range of 80–82 days
 - Large contribution made to gratuity fund on auditor advice; contribution is tax deductible and returns are tax free; expected to reduce future liabilities
- Deal wins for 1Q at US\$32 mn
 - The pipeline for FY26 remains strong, with larger deal sizes contributing to longer conversion cycles
 - Full-year ACV expected to exceed previous year's US\$140 mn
- Emerging client growth outpaced top 10 client growth
- Broad-based growth across all verticals except Fashion & Luxury segment
- BFSI clients reported strong results. Opportunities identified across large and small BFSI clients, both new and existing. Active KYC client onboarding opportunities with new and existing BFSI clients across tech, data, and operations
- Fashion & Luxury segment outlook unchanged from prior quarter; remains weak due to US market underperformance, weakness in China, and Euro appreciation
- Hi-tech, M&D, and emerging businesses grew strongly in 1Q; outlook remains broadly positive
- Good traction observed in CMT segment in both new logo wins and cross-sell of CX and omni-channel services
- Clients remain focused on cost control and operational efficiencies
- Productized services around compliance, market intelligence, low-code/no-code solutions seeing good interest
- FY26 started on a positive note with plans to sustain momentum
- Management is confident of sequential revenue growth in 2Q over 1Q

- Current demand scenario viewed with cautious optimism; overall strategy performing well, especially in cross-sell and financial services. Macro environment remains volatile, contributing to cautious outlook despite positive internal momentum
- Margin guidance remains steady at 24% to 28% at the EBITDA level, factoring in costs from new delivery centers in Cairo and Peru
- Roll-offs continue at 15%–20% of top line
- Annual bonuses paid in 1Q
- D&A as % of revenue declined in 1Q due to recalculation of WDV in new FY
- Total Headcount: 20,385; Delivery Headcount: 17,520
- Staff Utilization (delivery) stood at 72.8%; Offshore voluntary attrition stood at 17.6%
- Hiring (added net of ~1000 QoQ) is aligned with strong ACV growth and expected sequential revenue growth in 2Q. The company is also expanding into new geographies, which is contributing to headcount growth
- The analytics division has lower percentage gross margin than company average but delivers higher gross margin in absolute dollar terms
- The change in Europe's quarterly revenue in USD terms is mainly due to currency fluctuations, the weakening of the US dollar against the Euro, rather than an actual change in business volume. The core European business, especially in the CLX segment, remains largely flat on a CC basis. The company plans to invest more in sales and business development capabilities in the UK and continental Europe
- The strong growth in BFSI is mainly driven by the B2B side of banking. While the company has made some progress in the B2C banking segment, it remains a small part of the overall business but is an area of ongoing focus
- Emerging client revenue growth is driven by larger average deal sizes and increased cross-sell/up-sell to existing clients
- Sales and distribution costs expected to be in line with the previous year on a full-year basis
- Dedicated team in place to focus on GCCs; strategy involves expanding on existing long-standing relationships
- Strong growth in analytics and automation driven by enhanced cross-sell and up-sell capabilities across a wider client base. Structural change to integrate analytics and technology under one umbrella enabled a more synergistic approach. Growth broad-based across capital markets, financial services, high tech, and customer operations sectors
- The company is benefiting from vendor consolidation that is happening due to strong delivery backed by productized services and technology

- The company is leveraging AI, especially GenAI and Agentic AI, across multiple service lines
 - Rather than seeing AI as a threat, eClerx views it as an opportunity because its strong domain expertise, proprietary technology, and integrated service model allows it to add value and stay ahead
 - It is also passing back some AI-driven productivity benefits to clients through their platforms, like Robobox
- Over the past five years, the nature of work with GCCs has evolved to higher-value and more complex tasks, as repetitive work has largely been automated or eliminated
- Instances of insourcing by GCCs have been minimal, with only one client exploring insourcing recently
- The company had applied in 2019 to transfer its gratuity fund from LIC to HDFC, but due to COVID disruptions, the process got delayed and lost track of. When auditors flagged this, they completed the transfer and made a significant lump sum payment this quarter. Until now, it had been paying gratuity expenses on a “pay-as-you-go” basis. Going forward, the cash conversion cycle is expected to return to normal levels
- The company said that it operates as a growth-oriented business and will continue making investments to support top-line expansion
- The company is actively exploring M&A opportunities. However, it is not pursuing deals just to boost revenue. Instead, the focus is on adjacent service areas and synergistic value, such as enhancing capabilities or expanding client access. They will act only when the opportunity truly aligns with their long-term goals

We have an underweight stance on Indian IT services.

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

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

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

Multiple speed breakers post FY25 drive our Underweight stance

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

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

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

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

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

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

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

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

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

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

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

Tier- 2 valuation reflects growth gap with Tier-1

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

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

Fig 1 – Quarterly results: Comparison of actuals with estimates

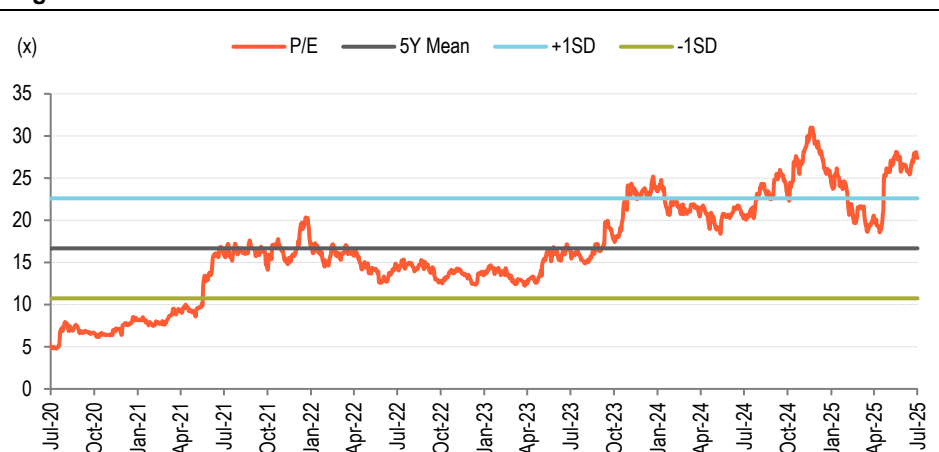
Y/E Mar (Rs mn)	1QFY25	4QFY25	1QFY26	YoY(%)	QoQ (%)	1QFY26E	Deviation (%)
Net Sales (USD mn)	93	105	109	17.1	4.2	110	(0.6)
Net Sales	7,819	8,983	9,346	19.5	4.0	9,507	(1.7)
Cost of Sales	6,159	6,660	7,104	15.4	6.7	7,300	(2.7)
% of Sales	78.8	74.1	76.0			76.8	
EBITDA	1,661	2,323	2,241	35.0	(3.5)	2,207	1.5
% of Sales	21.2	25.9	24.0			23.2	
Depreciation	317	410	369	16.6	(9.9)	489	(24.6)
EBIT	1,344	1,913	1,872	39.3	(2.1)	1,718	9.0
EBIT Margin (%)	17.2	21.3	20.0	284	(126)	18.1	
Interest Expenses	77	108	97	25.7	(10.1)	87	11.4
Other Income	212	182	105	(50.3)	(42.3)	186	(43.4)
PBT	1,479	1,988	1,881	27.1	(5.4)	1,817	3.5
Provision for Tax	359	462	465	29.7	0.6	456	2.0
Effective Tax Rate	24.2	23.3	24.7			25.1	
Minorities	4.3	3.5	(1.3)			1.0	
PAT (Reported)	1,116	1,522	1,417	26.9	(6.9)	1,360	4.2
NPM (%)	14.3	16.9	15.2			14.3	6.0

Source: Company, BOBCAPS Research

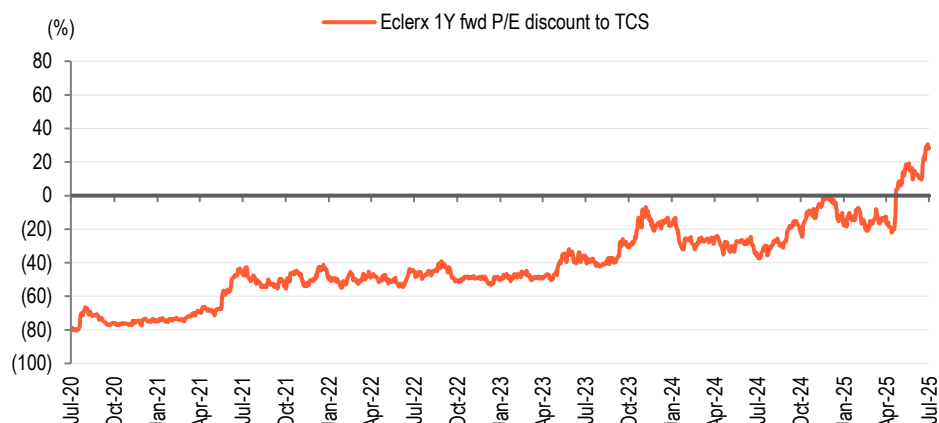
Fig 2 – Revised Estimates

	New			Old			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
INR/USD	86.6	89.3	91.1	87.3	89.3	91.1	(0.7)	-	-
USD Revenue (USD mn)	454	522	597	449	511	583	1.1	2.2	2.5
USD Revenue Growth (%)	14.2	15.0	14.3	13.0	13.8	14.0			
Revenue (Rsmn)	39,358	46,627	54,367	39,191	45,634	53,066	0.4	2.2	2.5
EBIT (Rsmn)	7,885	9,826	11,813	7,831	9,632	11,498	0.7	2.0	2.7
EBIT Margin (%)	20.0	21.1	21.7	20.0	21.1	21.7			
PAT (Rsmn)	6,143	7,865	9,687	6,162	7,725	9,458	(0.3)	1.8	2.4
FDEPS (Rs)	128.4	164.3	202.4	128.7	161.4	197.6	(0.3)	1.8	2.4

Source: Company, BOBCAPS Research

Fig 3 – 5 Year PE trend

Source: Bloomberg, BOBCAPS Research

Fig 4 – Premium/ Discount to TCS

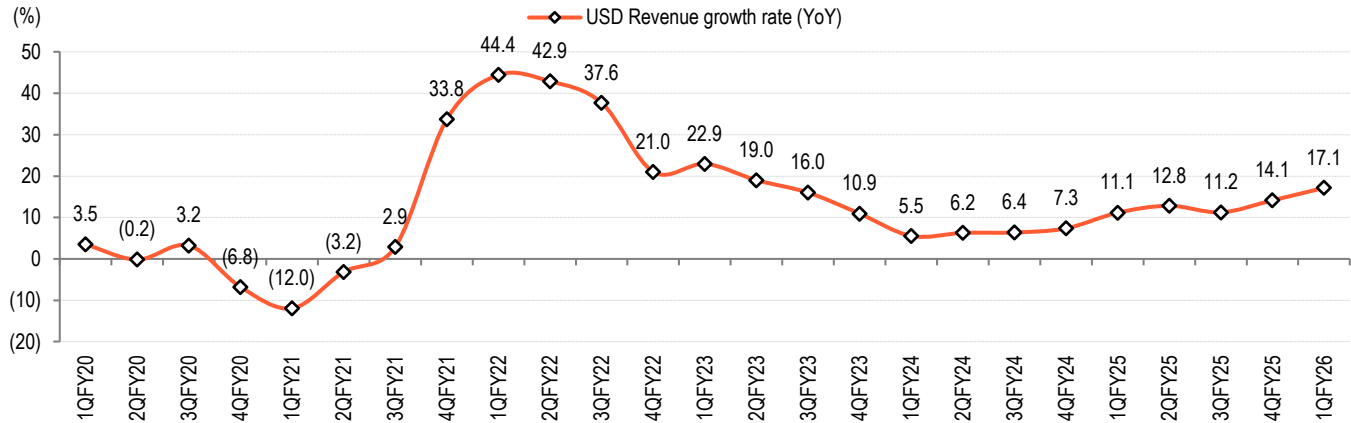
Source: Bloomberg, BOBCAPS Research

Fig 5 – P&L at a glance

(YE March)	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Average INR/USD	68.5	68.7	71.2	71.7	74.4	75.9	79.6	82.7	84.6	86.6	89.3	91.1
Net sales (US\$mn)	194.2	198.6	200.8	200.5	210.4	284.6	332.7	353.9	397.6	454.1	522.3	597.0
-Growth (%)		2.3	1.1	(0.1)	4.9	35.2	16.9	6.4	12.3	14.2	15.0	14.3
Net Sales	13,300	13,651	14,305	14,376	15,644	21,605	26,479	29,255	33,659	39,358	46,627	54,367
-Growth (%)		2.6	4.8	0.5	8.8	38.1	22.6	10.5	15.1	16.9	18.5	16.6
Direct cost	5,246	6,180	7,059	7,613	7,813	10,789	13,848	15,029	17,897	21,355	24,408	28,227
Gross Profit	8,054	7,470	7,246	6,763	7,831	10,816	12,631	14,226	15,762	18,002	22,219	26,140
Gross Margin (%)	60.6	54.7	50.7	47.0	50.1	50.1	47.7	48.6	46.8	45.7	47.7	48.1
SGA Expenses	3,366	3,803	4,154	3,514	3,189	4,085	5,192	6,477	7,552	8,425	10,365	11,987
% of sales	25.3	27.9	29.0	24.4	20.4	18.9	19.6	22.1	22.4	21.4	22.2	22.0
Other operating income	-	-	-	-	-	-	-	-	-	-	-	-
EBITDA	4,688	3,668	3,092	3,249	4,642	6,731	7,439	7,750	8,209	9,577	11,854	14,152
% of sales	35.2	26.9	21.6	22.6	29.7	31.2	28.1	26.5	24.4	24.3	25.4	26.0
Depreciation & Amortisation	518	483	447	710	816	1,032	1,140	1,258	1,412	1,692	2,028	2,339
% of sales	3.9	3.5	3.1	4.9	5.2	4.8	4.3	4.3	4.2	4.3	4.4	4.3
EBIT	4,170	3,185	2,645	2,539	3,826	5,699	6,299	6,492	6,797	7,885	9,826	11,813
% of sales	31.4	23.3	18.5	17.7	24.5	26.4	23.8	22.2	20.2	20.0	21.1	21.7
Finance costs	-	-	-	188	203	201	212	235	349	388	388	388
Other income (net)	188	390	469	452	182	170	443	614	737	663	1,011	1,445
Exceptional Item	-	213	-	-	-	(57)	-	-	-	-	-	-
PBT	4,358	3,787	3,114	2,803	3,806	5,611	6,530	6,871	7,185	8,161	10,449	12,870
-PBT margin (%)	32.8	27.7	21.8	19.5	24.3	26.0	24.7	23.5	21.3	20.7	22.4	23.7
Provision for tax	819	896	832	715	978	1,427	1,638	1,753	1,773	2,018	2,584	3,183
Effective tax rate (%)	18.8	23.7	26.7	25.5	25.7	25.4	25.1	25.5	24.7	24.7	24.7	24.7
Net profit	3,539	2,891	2,282	2,087	2,828	4,184	4,892	5,117	5,413	6,143	7,865	9,687
Minority Interest	(1)	4	0	0	0	4	4	3	2	2	4	4
Net reported profit	3,541	2,887	2,283	2,087	2,828	4,180	4,888	5,115	5,411	6,141	7,861	9,683
-Growth (%)		(18.5)	(20.9)	(8.6)	35.5	47.8	16.9	4.6	5.8	13.5	28.0	23.2
-Net profit margin (%)	26.6	21.1	16.0	14.5	18.1	19.3	18.5	17.5	16.1	15.6	16.9	17.8

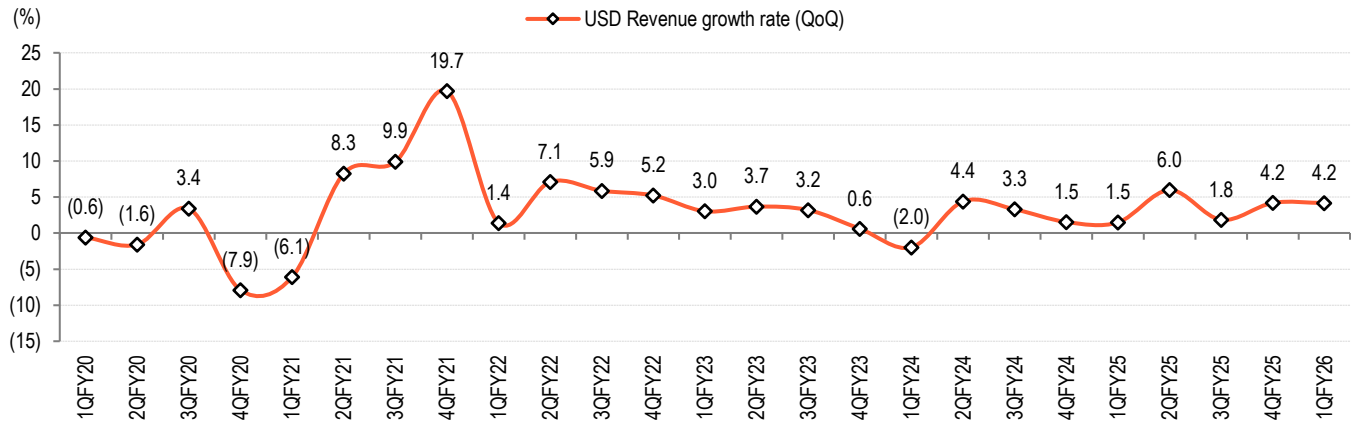
Source: Company, BOBCAPS Research

Fig 6 – US\$ Revenue Growth (YoY)



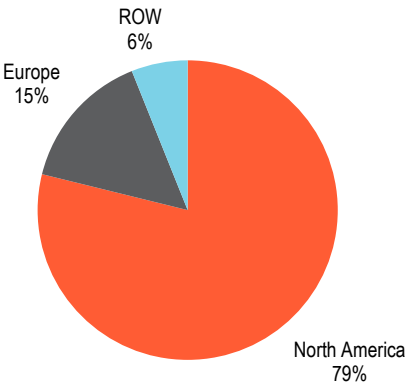
Source: Company, BOBCAPS Research

Fig 7 – US\$ Revenue Growth (QoQ)

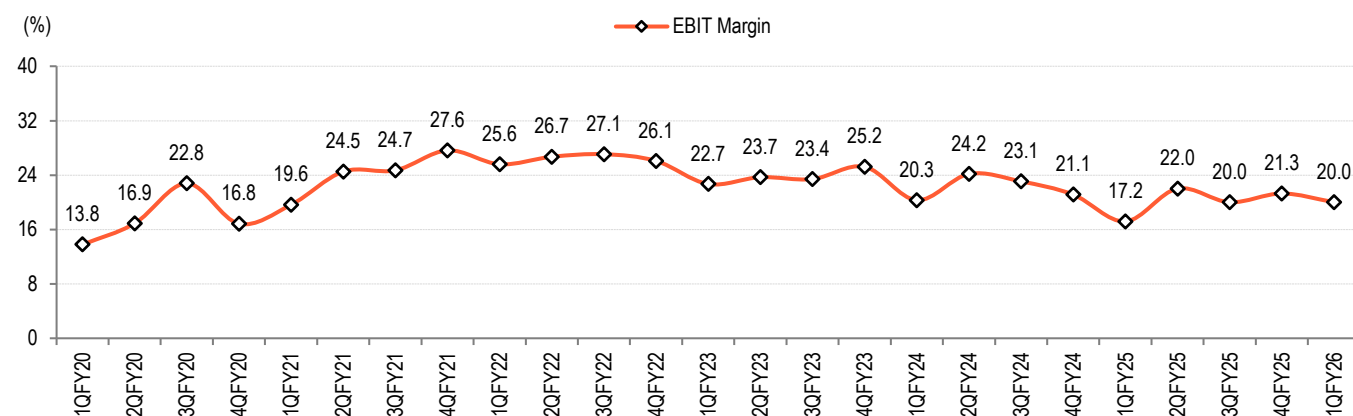


Source: Company, BOBCAPS Research

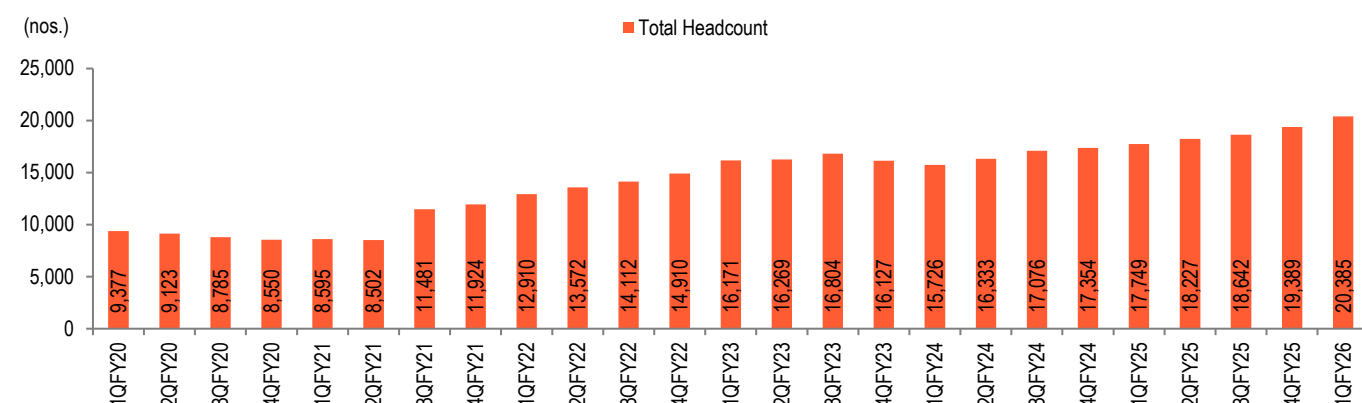
Fig 8 – 1QFY26 Geographical Revenue Mix



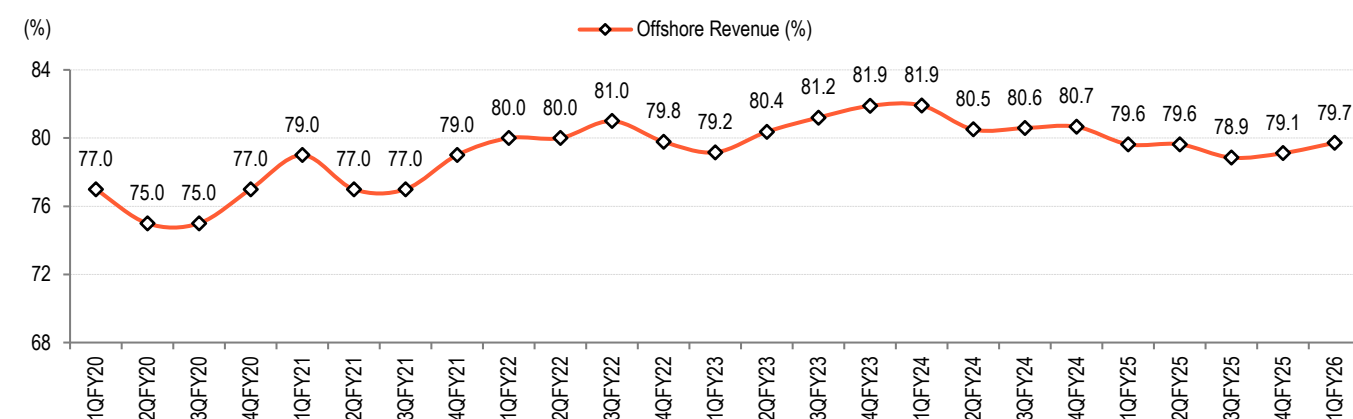
Source: Company, BOBCAPS Research

Fig 9 – EBIT Margin trend

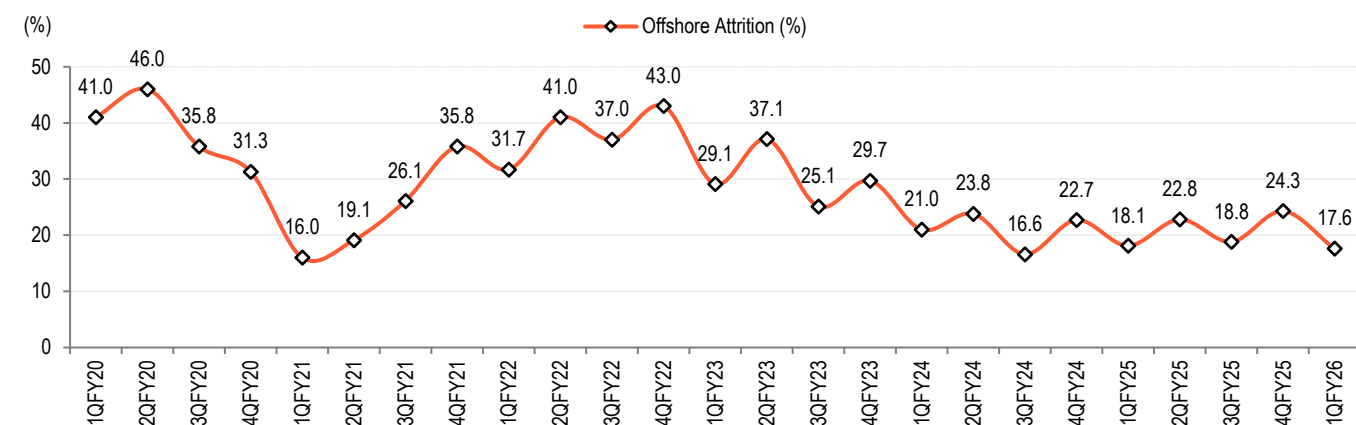
Source: Company, BOBCAPS Research

Fig 10 – Total Headcount trend

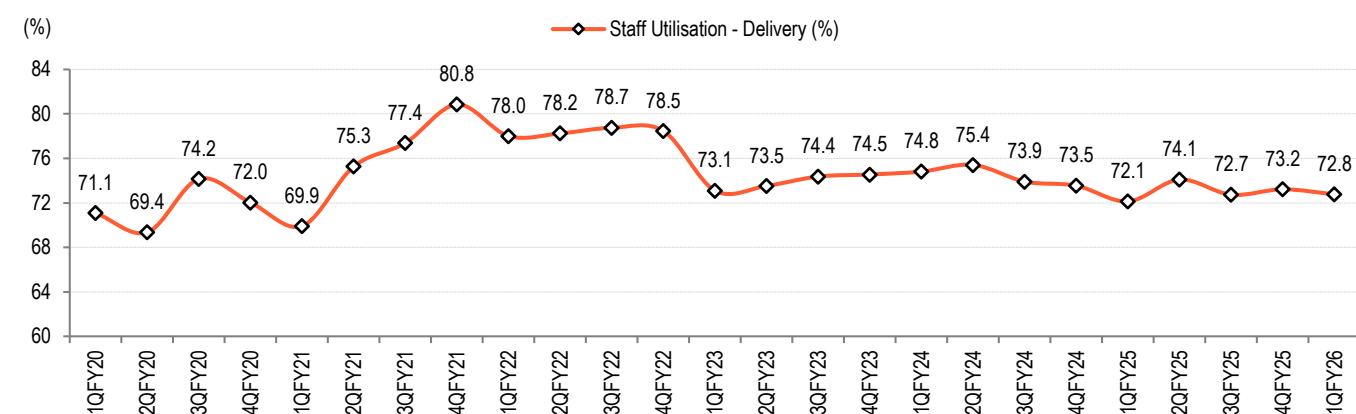
Source: Company, BOBCAPS Research

Fig 11 – Billing Mix (Offshore)

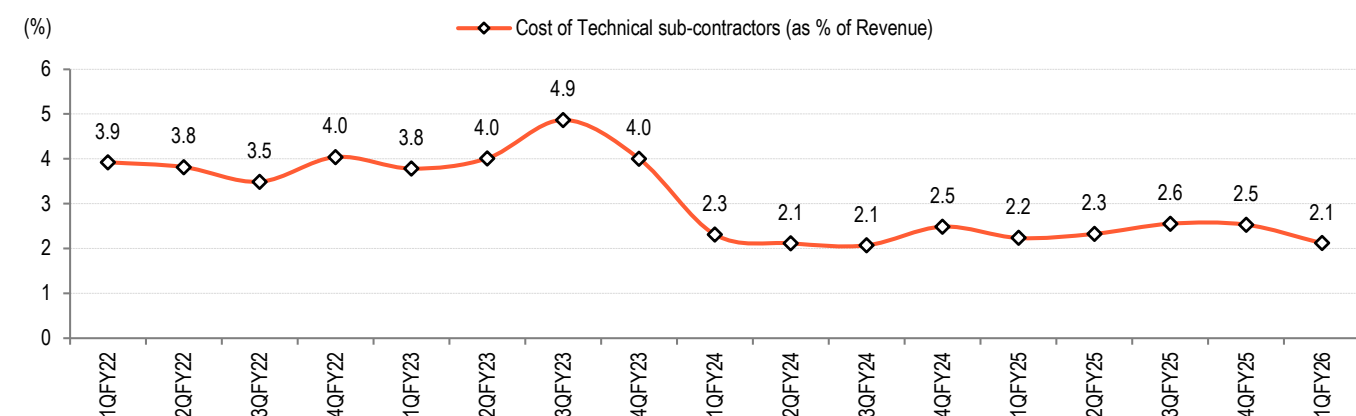
Source: Company, BOBCAPS Research

Fig 12 – Offshore Attrition Rate

Source: Company, BOBCAPS Research

Fig 13 – Staff Utilization – Delivery (%)

Source: Company, BOBCAPS Research

Fig 14 – Technical sub-contractor cost (as % of Revenue)

Source: Company, BOBCAPS Research

Fig 15 – Quarterly Snapshot

	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
INR/ USD	77.2	79.8	82.1	82.2	82.2	82.7	83.2	83.0	83.4	83.8	84.5	86.6	85.6
Revenue (USD mn)	80	82	85	86	84	88	91	92	93	98.8	100.7	105	109
(Rs mn)													
Revenue	6,178	6,503	6,867	6,931	6,845	7,218	7,528	7,665	7,819	8,318	8,538	8,983	9,346
Gross margin	2,855	3,040	3,265	3,471	3,180	3,541	3,782	3,723	3,497	3,918	3,969	4,378	4,235
EBITDA	1,651	1,815	1,906	2,067	1,675	2,047	2,072	1,955	1,661	2,159	2,066	2,323	2,241
EBIT	1,402	1,541	1,607	1,748	1,390	1,744	1,737	1,620	1,344	1,832	1,709	1,913	1,872
Other income	-47	157	125	-3	16	80	131	152	135	47	131	75	8
PBT	1,355	1,698	1,732	1,745	1,406	1,825	1,868	1,772	1,479	1,879	1,840	1,988	1,881
Tax	360	438	419	421	340	463	477	473	359	484	468	462	465
PAT	992	1,259	1,312	1,325	1,063	1,360	1,386	1,305	1,116	1,402	1,371	1,522	1,417
Number of shares	50	50	50	49	48	48	48	48	48	47	47	47	47
EPS	20	25	26	27	22	28	29	27	23	30	29	32	30
YoY Growth (%)													
USD revenue	22.9	19.0	16.0	10.9	5.5	6.2	6.4	7.3	11.1	12.8	11.2	14.1	17.1
Revenue	27.0	24.3	22.8	17.1	10.8	11.0	9.6	10.6	14.2	15.2	13.4	17.2	19.5
Gross profit	18.5	15.5	14.4	18.8	11.4	16.5	15.8	7.3	9.9	10.6	5.0	17.6	21.1
EBITDA	11.4	10.0	7.2	13.4	1.5	12.8	8.7	(5.4)	(0.8)	5.5	(0.3)	18.8	35.0
EBIT	12.6	10.3	6.2	13.3	(0.8)	13.2	8.1	(7.3)	(3.3)	5.0	(1.6)	18.1	39.3
Net profit	8.6	24.3	23.0	11.6	7.2	8.0	5.7	(1.5)	5.0	3.1	(1.1)	16.6	26.9
QoQ Growth (%)													
USD revenue	3.0	3.7	3.2	0.6	(2.0)	4.4	3.3	1.5	1.5	6.0	1.8	4.2	4.2
Revenue	4.4	5.3	5.6	0.9	(1.2)	5.4	4.3	1.8	2.0	6.4	2.6	5.2	4.0
EBITDA	(2.3)	6.5	7.4	6.3	(8.4)	11.3	6.8	(1.6)	(6.1)	12.0	1.3	10.3	(3.3)
EBIT	(9.1)	9.9	4.3	8.8	(20.5)	25.5	(0.4)	(6.7)	(17.0)	36.3	(6.7)	12.0	(2.1)
Net profit	(16.5)	26.9	4.2	1.1	(19.8)	27.9	2.0	(5.8)	(14.5)	25.7	(2.3)	11.0	(6.9)
Margins (%)													
Gross margin	46.2	46.8	47.5	50.1	46.5	49.1	50.2	48.6	44.7	47.1	46.5	48.7	45.3
EBITDA	26.7	27.9	27.8	29.8	24.5	28.4	27.5	25.5	21.2	26.0	24.2	25.9	24.0
EBIT	22.7	23.7	23.4	25.2	20.3	24.2	23.1	21.1	17.2	22.0	20.0	21.3	20.0
PAT	16.1	19.4	19.1	19.1	15.5	18.8	18.4	17.0	14.3	16.9	16.1	16.9	15.2
SGA	23.5	23.1	24.1	24.9	26.2	24.9	27.2	27.4	27.5	25.1	26.5	27.4	25.3

Source: Company, BOBCAPS Research

Fig 16 – Key Metrics

	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
Total Headcount	16,171	16,269	16,804	16,127	15,726	16,333	17,076	17,354	17,749	18,227	18,642	19,389	20,385
Delivery and Support Staff													
Offshore Delivery	13,520	13,608	14,271	13,330	13,143	13,791	14,491	14,690	14,921	14,861	15,260	15,925	16,865
Onshore Delivery	681	645	607	599	535	585	611	630	683	637	627	656	655
Support Services	951	861	863	948	870	862	848	862	898	907	923	941	995
Tech Services	915	1,050	956	1,135	1,058	977	1,002	1,049	1,122	1,699	1,704	1,745	1,746
Selling and Distribution Staff (BD)	104	105	107	115	120	118	124	123	125	123	128	122	124
Revenue by Geography (%)													
North America	69.9	71.8	71.1	70.8	71.6	72.6	73.6	74.4	75.0	75.9	76.2	78.4	78.9
Europe	22.0	20.0	20.4	19.6	20.0	18.8	17.8	17.5	17.5	16.4	16.2	14.0	15.1
ROW	8.1	8.2	8.5	9.5	8.4	8.5	8.6	8.0	7.6	7.6	7.6	7.6	6.1
Revenue by Industry (%)													
BFSI									41.8	43.8	43.7	43.7	43.2
CMT									26.4	26.1	25.2	25.7	25.4
HiTech and M&D									16.8	16.7	16.2	16.1	16.5
Fashion & Luxury and Retail									10.3	8.7	9.3	8.8	9.0
Emerging									4.7	4.8	5.5	5.7	5.9
Billing Mix (%)													
Onshore Revenue	20.8	19.6	18.8	18.1	18.1	19.5	19.4	19.3	20.4	20.4	21.1	20.9	20.3
Offshore Revenue	79.2	80.4	81.2	81.9	81.9	80.5	80.6	80.7	79.6	79.6	78.9	79.1	79.7
Currency Concentration (%)													
USD	81.6	82.8	81.8	82.6	82.4	82.8	83.5	85.5	85.8	86.7	86.3	86.2	86.3
EURO	10.5	9.5	10.2	10.1	10.1	9.6	9.4	9.5	9.4	8.3	8.4	8.0	8.0
GBP	3.3	3.2	3.1	3.0	3.3	3.2	3.4	3.4	3.0	3.0	3.2	3.0	3.4
Client Concentration													
Top 5 contribution	42.2	42.5	40.0	39.9	39.5	40.8	42.3	45.5	45.5	46.9	44.9	46.7	46.5
Top 10 contribution	60.3	61.0	58.7	58.9	58.6	59.2	59.3	62.6	62.0	63.5	62.3	64.1	63.2
Non-Top 10 contribution	39.7	39.0	41.3	41.1	41.4	40.8	40.7	37.4	38.0	36.5	37.7	35.9	36.8
Offshore Attrition (%)	29.1	37.1	25.1	29.7	21.0	23.8	16.6	22.7	18.1	22.8	18.8	24.3	17.6
Overall Staff utilization (%)	68.4	68.4	68.5	68.3	69.1	70.0	68.8	68.4	66.6	68.4	67.2	67.9	67.4
Staff utilization (Delivery) (%)	73.1	73.5	74.4	74.5	74.8	75.4	73.9	73.5	72.1	74.1	72.7	73.2	72.8
Client Contribution													
US\$ 500k-1mm Clients	32.0	27.0	31.0	32.0	39.0	39.0	38.0	41.0	37.0	36.0	36.0	37.0	42.0
US\$ 1mm-3mm Clients	21.0	26.0	24.0	27.0	24.0	22.0	21.0	23.0	22.0	24.0	23.0	25.0	24.0
US\$ 3mm-5mm Clients	2.0	2.0	3.0	4.0	4.0	4.0	7.0	4.0	6.0	5.0	5.0	4.0	5.0
US\$ 5mm-10mm Clients	7.0	7.0	6.0	6.0	5.0	5.0	3.0	4.0	4.0	4.0	4.0	5.0	5.0
US\$ 10mm++ Clients	7.0	7.0	8.0	8.0	9.0	9.0	10.0	10.0	9.0	9.0	9.0	9.0	9.0
Seat Count	10,582.0	11,278.0	11,278.0	11,278.0	11,808.0	11,805.0	12,029.0	11,635.0	11,999.0	12,009.0	13,810.0	13,976.0	14,731.0
Profit and Loss Statement (in mn USD)													
Revenue	79.5	82.5	85.1	85.6	83.9	87.6	90.5	91.9	93.3	98.8	100.7	104.9	109.2
EBIT	18.0	19.5	19.9	21.6	17.0	21.2	20.9	19.4	16.0	21.8	20.1	22.3	21.9
PAT	12.8	16.0	16.3	16.4	13.0	16.5	16.7	15.6	13.3	16.7	16.2	17.8	16.6
Productivity Metrics													
Per Capita (Annualised)													
Revenue	19,674	20,274	20,256	21,233	21,346	21,457	21,200	21,181	21,018	21,689	21,597	21,635	21,436
EBIT	4,465	4,804	4,742	5,356	4,336	5,186	4,892	4,477	3,613	4,775	4,322	4,607	4,294
PAT	3,159	3,926	3,869	4,061	3,316	4,042	3,904	3,607	3,000	3,657	3,467	3,665	3,250

Source: Company, BOBCAPS Research

Fig 17 – QoQ and YoY growth data

(%)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
QoQ Growth (%)													
Total Headcount	8.5	0.6	3.3	(4.0)	(2.5)	3.9	4.5	1.6	2.3	2.7	2.3	4.0	5.1
Delivery and Support Staff													
Offshore Delivery	7.5	0.7	4.9	(6.6)	(1.4)	4.9	5.1	1.4	1.6	(0.4)	2.7	4.4	5.9
Onshore Delivery	0.9	(5.3)	(5.9)	(1.3)	(10.7)	9.3	4.4	3.1	8.4	(6.7)	(1.6)	4.6	(0.2)
Support Services	17.8	(9.5)	0.2	9.8	(8.2)	(0.9)	(1.6)	1.7	4.2	1.0	1.8	2.0	5.7
Tech Services	22.2	14.8	(9.0)	18.7	(6.8)	(7.7)	2.6	4.7	7.0	51.4	0.3	2.4	0.1
Selling and Distribution Staff (BD)	(3.7)	1.0	1.9	7.5	4.3	(1.7)	5.1	(0.8)	1.6	(1.6)	4.1	(4.7)	1.6
US\$ Revenue	3.0	3.7	3.2	0.6	(2.0)	4.4	3.3	1.5	1.5	6.0	1.8	4.2	4.2
Revenue by Geography													
North America	4.1	6.5	2.2	0.2	(0.9)	5.9	4.7	2.7	2.2	7.4	2.1	7.2	4.8
Europe	(0.9)	(5.6)	5.1	(3.1)	(0.2)	(1.8)	(2.5)	0.2	1.1	(0.4)	0.6	(9.9)	12.0
ROW	4.7	4.4	7.4	12.9	(13.4)	5.9	4.2	(5.2)	(4.4)	7.0	1.6	4.2	(17.1)
Billing Mix													
Onshore Revenue	6.2	(2.3)	(1.2)	(3.1)	(2.1)	12.5	2.9	1.1	6.9	6.0	5.8	2.9	1.1
Offshore Revenue	2.2	5.2	4.3	1.5	(1.9)	2.6	3.4	1.6	0.2	6.0	0.8	4.5	5.0
Currency Concentration													
USD	4.2	5.2	2.0	1.5	(2.2)	5.0	4.2	3.9	1.8	7.2	1.3	4.1	4.3
EURO	(5.2)	(6.3)	11.5	(0.4)	(2.0)	(1.6)	1.5	2.2	1.2	(7.3)	3.9	(0.5)	4.2
GBP	(0.2)	1.0	0.8	(2.0)	5.1	3.7	7.0	2.1	(10.1)	8.1	7.9	(3.6)	18.6
Client Concentration													
Top 5 contribution	0.9	4.3	(2.9)	0.4	(3.1)	8.0	7.0	9.2	1.6	9.3	(2.5)	8.3	3.8
Top 10 contribution	3.3	4.8	(0.6)	0.9	(2.5)	5.4	3.5	7.3	0.5	8.4	(0.1)	7.3	2.7
Non-Top 10 contribution	2.7	1.9	9.1	0.1	(1.2)	3.0	3.0	(6.8)	3.1	1.9	5.3	(0.9)	6.9
Client Contribution													
US\$ 500k-1mm Clients	28.0	(15.6)	14.8	3.2	21.9	0.0	(2.6)	7.9	(9.8)	(2.7)	0.0	2.8	13.5
US\$ 1mm-3mm Clients	(12.5)	23.8	(7.7)	12.5	(11.1)	(8.3)	(4.5)	9.5	(4.3)	9.1	(4.2)	8.7	(4.0)
US\$ 3mm-5mm Clients	(33.3)	0.0	50.0	33.3	0.0	0.0	75.0	(42.9)	50.0	(16.7)	0.0	(20.0)	25.0
US\$ 5mm-10mm Clients	0.0	0.0	(14.3)	0.0	(16.7)	0.0	(40.0)	33.3	0.0	0.0	0.0	25.0	0.0
US\$ 10mm++ Clients	16.7	0.0	14.3	0.0	12.5	0.0	11.1	0.0	(10.0)	0.0	0.0	0.0	0.0
Seat Count	(4.1)	6.6	0.0	0.0	4.7	0.0	1.9	(3.3)	3.1	0.1	15.0	1.2	5.4
YoY Growth (%)													
Total Headcount	25.3	19.9	19.1	8.2	(2.8)	0.4	1.6	7.6	12.9	11.6	9.2	11.7	14.9
Delivery and Support Staff													
Offshore Delivery	25.8	20.4	21.3	6.0	(2.8)	1.3	1.5	10.2	13.5	7.8	5.3	8.4	13.0
Onshore Delivery	3.5	(4.2)	(8.7)	(11.3)	(21.4)	(9.3)	0.7	5.2	27.7	8.9	2.6	4.1	(4.1)
Support Services	22.2	9.1	9.0	17.5	(8.5)	0.1	(1.7)	(9.1)	3.2	5.2	8.8	9.2	10.8
Tech Services	45.7	48.9	21.5	51.5	15.6	(7.0)	4.8	(7.6)	6.0	73.9	70.1	66.3	55.6
Selling and Distribution Staff (BD)	2.0	1.9	3.9	6.5	15.4	12.4	15.9	7.0	4.2	4.2	3.2	(0.8)	(0.8)
US\$ Revenue	22.9	19.0	16.0	10.9	5.5	6.2	6.4	7.3	11.1	12.8	11.2	14.1	17.1
Revenue by Geography													
North America	22.8	23.9	17.8	13.5	8.0	7.5	10.1	12.8	16.4	17.9	15.0	20.1	23.2
Europe	17.5	(0.7)	2.9	(4.6)	(4.0)	(0.1)	(7.4)	(4.3)	(3.0)	(1.7)	1.5	(8.7)	1.1
ROW	42.2	38.6	40.6	32.6	9.6	11.2	7.9	(9.4)	0.1	1.1	(1.5)	8.3	(6.2)

(%)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
Billing Mix													
Onshore Revenue	28.1	16.8	14.8	(0.6)	(8.4)	5.5	9.8	14.6	25.1	17.8	21.1	23.3	16.7
Offshore Revenue	21.6	19.5	16.3	13.8	9.2	6.4	5.5	5.7	8.0	11.6	8.8	11.9	17.3
Currency Concentration													
USD	25.3	23.1	18.6	13.5	6.6	6.3	8.6	11.1	15.7	18.1	14.9	15.1	17.9
EURO	7.5	12.8	10.5	(1.3)	2.1	7.2	(2.4)	0.1	3.3	(2.7)	(0.4)	(3.0)	(0.2)
GBP	0.8	(24.0)	(19.1)	(0.4)	4.8	7.6	14.2	19.0	1.9	6.2	7.0	1.0	33.3
Client Concentration													
Top 5 contribution	13.9	11.9	2.6	2.7	(1.4)	2.1	12.5	22.3	28.2	29.7	18.1	17.1	19.8
Top 10 contribution	19.7	20.3	12.5	8.6	2.6	3.1	7.4	14.1	17.7	21.1	16.8	16.8	19.3
Non-Top 10 contribution	28.2	17.1	21.3	14.3	10.0	11.1	4.9	(2.4)	1.9	0.8	3.1	9.6	13.6
Client Contribution													
US\$ 500k-1mm Clients	52.4	17.4	72.2	28.0	21.9	44.4	22.6	28.1	(5.1)	(7.7)	(5.3)	(9.8)	13.5
US\$ 1mm-3mm Clients	5.0	30.0	(4.0)	12.5	14.3	(15.4)	(12.5)	(14.8)	(8.3)	9.1	9.5	8.7	9.1
US\$ 3mm-5mm Clients	(66.7)	(60.0)	0.0	33.3	100.0	100.0	133.3	0.0	50.0	25.0	(28.6)	0.0	(16.7)
US\$ 5mm-10mm Clients	75.0	40.0	(14.3)	(14.3)	(28.6)	(28.6)	(50.0)	(33.3)	(20.0)	(20.0)	33.3	25.0	25.0
US\$ 10mm++ Clients	40.0	16.7	33.3	33.3	28.6	28.6	25.0	25.0	0.0	0.0	(10.0)	(10.0)	0.0
Seat Count	(4.1)	2.2	2.2	2.2	11.6	4.7	6.7	3.2	1.6	1.7	14.8	20.1	22.8

Source: Company, BOBCAPS Research

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Total revenue	29,255	33,659	39,358	46,627	54,367
EBITDA	7,750	8,209	9,577	11,854	14,152
Depreciation	1,258	1,412	1,692	2,028	2,339
EBIT	6,492	6,797	7,885	9,826	11,813
Net interest inc./(exp.)	(235)	(349)	(388)	(388)	(388)
Other inc./(exp.)	614	737	663	1,011	1,445
Exceptional items	0	0	0	0	0
EBT	6,871	7,185	8,161	10,449	12,870
Income taxes	1,753	1,773	2,018	2,584	3,183
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	3	2	2	4	4
Reported net profit	5,115	5,411	6,141	7,861	9,683
Adjustments	0	0	0	0	0
Adjusted net profit	5,115	5,411	6,141	7,861	9,683

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	0	0	0	0	0
Other current liabilities	3,914	4,459	5,931	7,026	8,192
Provisions	124	258	216	255	298
Debt funds	0	0	0	0	0
Other liabilities	2,756	3,660	4,169	4,783	5,455
Equity capital	482	470	470	470	470
Reserves & surplus	22,012	22,610	28,706	36,524	46,164
Shareholders' fund	22,495	23,080	29,176	36,993	46,634
Total liab. and equities	29,290	31,457	39,491	49,058	60,579
Cash and cash eq.	6,921	7,391	13,755	20,985	30,027
Accounts receivables	4,960	4,954	6,470	7,665	8,937
Inventories	6	2	2	2	2
Other current assets	3,993	5,370	5,391	6,387	7,447
Investments	4,065	3,090	3,090	3,090	3,090
Net fixed assets	2,097	2,409	1,977	1,441	841
CWIP	8	2	2	2	2
Intangible assets	3,993	4,079	4,079	4,079	4,079
Deferred tax assets, net	591	727	830	955	1,091
Other assets	2,663	3,434	3,896	4,453	5,065
Total assets	29,290	31,457	39,491	49,058	60,579

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operations	5,259	6,668	7,394	8,147	9,771
Capital expenditures	(643)	(1,151)	(1,259)	(1,492)	(1,740)
Change in investments	(1,064)	1,291	0	0	0
Other investing cash flows	(3,172)	1,165	276	623	1,057
Cash flow from investing	(4,879)	1,305	(984)	(869)	(683)
Equities issued/Others	0	(3,839)	0	0	0
Debt raised/repaid	0	0	0	0	0
Interest expenses	(1,017)	(2,210)	0	0	0
Dividends paid	(48)	(47)	(47)	(47)	(47)
Other financing cash flows	0	0	0	0	0
Cash flow from financing	(1,065)	(6,096)	(47)	(47)	(47)
Chg in cash & cash eq.	(685)	1,877	6,364	7,230	9,041
Closing cash & cash eq.	6,921	7,391	13,755	20,985	30,027

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	106.1	115.1	130.6	167.2	206.0
Adjusted EPS	104.0	113.1	128.4	164.3	202.4
Dividend per share	1.0	1.0	1.0	1.0	1.0
Book value per share	466.5	491.0	620.7	787.0	992.1

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	5.7	4.9	4.2	3.4	2.8
EV/EBITDA	21.5	20.2	17.1	13.6	10.9
Adjusted P/E	35.1	32.2	28.4	22.2	18.0
P/BV	7.8	7.4	5.9	4.6	3.7

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	74.4	75.3	75.2	75.2	75.2
Interest burden (PBT/EBIT)	105.8	105.7	103.5	106.3	108.9
EBIT margin (EBIT/Revenue)	22.2	20.2	20.0	21.1	21.7
Asset turnover (Rev./Avg TA)	112.2	110.8	110.9	105.3	99.2
Leverage (Avg TA/Avg Equity)	1.3	1.3	1.4	1.3	1.3
Adjusted ROAE	25.8	23.7	23.5	23.8	23.2

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	10.5	15.1	16.9	18.5	16.6
EBITDA	4.2	5.9	16.7	23.8	19.4
Adjusted EPS	5.8	8.7	13.5	28.0	23.2

Profitability & Return ratios (%)

EBITDA margin	26.5	24.4	24.3	25.4	26.0
EBIT margin	22.2	20.2	20.0	21.1	21.7
Adjusted profit margin	17.5	16.1	15.6	16.9	17.8
Adjusted ROAE	25.8	23.7	23.5	23.8	23.2
ROCE	24.4	22.5	22.7	22.3	21.3

Working capital days (days)

Receivables	58	54	53	55	56
Inventory	NA	NA	NA	NA	NA
Payables	NA	NA	NA	NA	NA

Ratios (x)

Gross asset turnover	12.9	14.9	17.9	27.3	47.7
Current ratio	4.9	4.4	4.7	5.2	5.8
Net interest coverage ratio	NA	NA	NA	NA	NA
Adjusted debt/equity	(0.3)	(0.3)	(0.5)	(0.6)	(0.6)

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

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BUY – Expected return >+15%

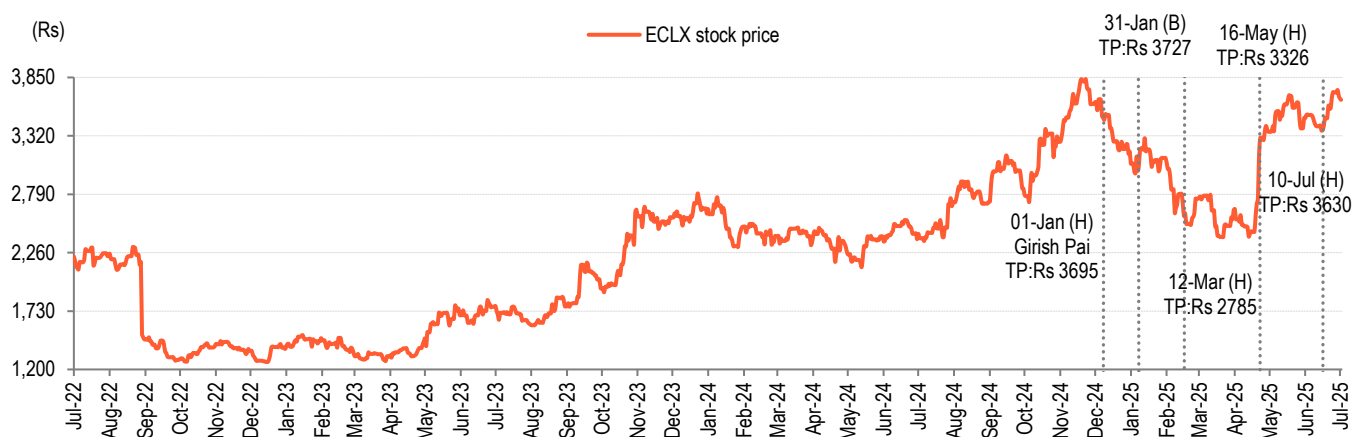
HOLD – Expected return from -6% to +15%

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): ECLERX SERVICES (ECLX IN)



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