RESULT REVIEW

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HOLD

TP: Rs 1,807 | ∨ 3%

ECLERX SERVICES | IT Services | 07 August 2026

1Q revenue falls short. Expect top quartile growth in FY27

- **1Q revenue and margin fell short. ACV accretion was soft. Disappointing growth in BFS is expected to reverse by 2H**
- **US$500mn revenue run rate achieved. The goal towards US$1bn will involve more Tech intensity and moving to adjacencies**
- **Broadly maintain estimates. Raise target PE multiple and continue to have a HOLD Rating**

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1QFY27 performance disappointed us: Revenue, EBIT margin and ACV were below our estimates. That has led us to pare our FY27 revenue and EPS estimate though we retain our FY28-FY20 estimates. The weak performance has been due to second successive quarter of soft BFS (~40% of revenue) performance. This is concerning as most peers both large and small are displaying decent growth in this vertical.

Achieves US$500mn revenue run rate at better than peer EBIT margins: Growth strategy remains focused on existing capability areas, expansion into new geographies, adjacent opportunities including mortgages and wealth. Eclerx is also investing in sales, delivery, technology and AI capabilities. Its productized approach it says will help it hold on to its high margins over the longer term.

ACV has to move up few notches higher to deliver mid-high teen sustained growth: The quarterly ACV in the last 5 quarters has been stagnant. That in our view is leading to slowing down in revenue both QoQ and YoY. For growth to sustain high teen levels we believe the ACV number must move up. The PE compression that the stock has undergone (see chart inside) has been both a view that the market has taken on the sector regarding AI related disruption (and within that on the BPS segment) and on the slower growth in ACV. This would require greater investment in capability building as well as sales and marketing.

Tier-2 top quartile growth player: We have broadly retained estimates for FY28 and FY29 despite weaker than estimated 1QFY27 performance. In our 9 July 2026 sector note (**'Show me the growth'**) we changed our valuation methodology for the sector. We raise Target PE multiple from 16.2x to 17.6x by increasing the premium on the benchmark from 15% to 25%. We are giving the company the benefit of doubt regarding its performance going forward.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	ECLX IN/Rs 1,872
Market cap	US$ 1.8bn
Free float	44%
3M ADV	US$ 7.2mn
52wk high/low	Rs 2,498/Rs 1,320
Promoter/FPI/DII	55%/11%/24%

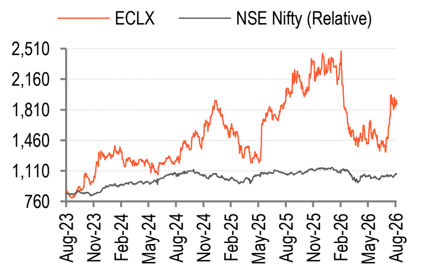
Source: NSE | Price as of 6 Aug 2026

Key financials

Y/E 31 Mar	FY26A	FY27E	FY28E
Total revenue (Rs mn)	41,170	50,207	57,367
EBITDA (Rs mn)	10,523	13,448	15,613
Adj. net profit (Rs mn)	7,062	8,042	9,404
Adj. EPS (Rs)	74.7	85.1	99.5
Consensus EPS (Rs)	74.7	85.2	98.5
Adj. ROAE (%)	29.0	27.2	24.6
Adj. P/E (x)	25.1	22.0	18.8
EV/EBITDA (x)	17.1	13.7	12.4
Adj. EPS growth (%)	32.2	13.9	16.9

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Key Points from the quarter and the earnings call

- 1QFY27 revenue stood at US$125.9mn, growing 2.9% QoQ (against our estimate of 4.7%) and 15.1% YoY in CC terms
- EBITDA declined ~260 bps QoQ, primarily due to wage increments impacting 210 bps and spend on computers and network infrastructure impacting 40 bps, partially offset by a 60-bps reduction in S&M costs. FX movement provided a margin benefit of ~50 bps QoQ. EBITDA declined ~96 bps YoY
- EBIT Margin stood at 18.7% (against our estimate of 19.5%), declining ~246bps QoQ and ~132 bps YoY
- ACV of new deals (excluding CLX) stood at US$40.8mn, declining 11.4% QoQ and growing 26.3% YoY
- Total headcount stood at 22,499, decline of 140 QoQ
    - Delivery Headcount stood at 19,307, decline of 290 QoQ
- Staff Utilization (delivery) stood at 75.5% compared to 74.2% in 4QFY26
- Seat count fell slightly during the quarter as some production seats were refitted. Additional capacity is being added across delivery centers in Mumbai, Pune, Chandigarh, Mohali, and Coimbatore. New facilities will become operational in a staggered manner over the next three to four months, increasing aggregate seat capacity by about 1,600 seats
- Expansion of delivery capacity led to higher depreciation and interest costs in India
- Tech and analytics business has grown faster than the company average for the past few quarters
- Operations established in Cairo and Lima 12-15 months ago are showing strong growth. Cairo, Lima, and Manila operate at lower gross margins than India, and the changing revenue mix will have some downside impact on margins
- G&A costs are increasing, particularly for computers, servers, and networking infrastructure
- OCF to EBITDA ratio was 38%; 1Q is lower as annual variable payouts for FY26 are paid during the quarter
- Client conversations remain healthy across the business and service lines, supporting confidence in the outlook
- Strategy remains focused on steadily increasing the share of technology-led services in the business
- High-tech outlook remains positive, with continued client investments in transformation programs and strong demand for AI and technology capabilities
- Emerging business, led by Finance & Accounting, delivered strong growth for the fourth consecutive quarter.

- Domain expertise and technology capabilities continue to resonate with SMB clients seeking finance process automation
- Management expects strong momentum in the Emerging business driven by Finance & Accounting capabilities

- Communication, Media and Telecom growth was driven by international centers in Cairo, Manila, and Fayetteville, supported by strong delivery and execution. New inbound sales capabilities are being added, with growing client interest in diversifying delivery across Cairo, Manila, and Fayetteville
- Compliance Manager in the FCC space continues to receive positive response in BFSI
  - BFSI revenue was flat QoQ in 1Q versus a 3.5% QoQ decline in 4Q, indicating the trend is moving in a positive direction. Pipeline and ongoing client discussions provide confidence of returning BFSI growth to positive territory. Management expects BFSI growth momentum to build and start contributing from 2H
- M&D and Retail verticals remain relatively soft
  - Clients in M&D and Retail continue to face supply chain challenges from the prolonged Middle East conflict, resulting in cautious spending, longer decision cycles, and delays in discretionary projects
  - Client engagement remains active despite softness in M&D and Retail
- Fashion and Luxury revenue was flat QoQ and up 2% YoY
  - Early signs of recovery are visible in Fashion and Luxury, with gradual improvement expected in 2QFY27
- AI demand continues to grow, particularly in High-tech and BFSI
- Emerging business is expected to remain one of the fastest-growing segments
- BFSI remains a large business, with management focused on returning it to growth
- CMT and Hi-tech are expected to continue delivering strong growth
- Fashion and Luxury remains a relatively small segment
  - 2Q is seasonally soft for Fashion and Luxury due to the European holiday season
  - Management is seeing early signs of recovery in Fashion and Luxury but remains cautiously optimistic
  - After a flat 1Q, Fashion and Luxury is expected to deliver only modest growth
- Macroeconomic environment remains mixed, with clients continuing to be selective in spending
- Another quarter of sequential growth is expected in 2Q.
- CapEx for the year is estimated at around Rs1.3-1.5bn

- Fashion and Luxury business is seasonally weaker in 2Q, but 1H YoY performance is still expected to be positive
- Roll-off trends remain inherently volatile, particularly when short-term engagements conclude. Over a four-quarter period, roll-offs typically account for 15%-20% of annual revenue. Management expects the 15%-20% annual roll-off range to broadly hold this year as well
- Growth outside the top 10 clients may see normal QoQ volatility given the size of the business. Growing revenue outside the top 10 clients remains a key strategic focus to reduce client concentration
- Increase in other operating expenses was driven by higher communications, network infrastructure, facility build out - G&A related spending
- Some clients are not inclined to adopt outcome-based pricing or share the benefits of AI-led transformation. Other clients are beginning discussions on moving away from the traditional FTE-based model towards outcome-based and non-FTE engagement models. Management is confident of operating under both traditional FTE-based and outcome-based commercial models, supported by delivery capabilities and ability to achieve client outcomes
- All client discussions now include an AI overlay, with AI integrated into technology offerings and productized services
- Growth strategy remains focused on existing capability areas, where business momentum remains healthy. Expansion into new geographies is generating good traction. Adjacent opportunities are showing early momentum, including mortgages and wealth
- Key priorities remain investing in sales, maintaining strong delivery execution, and continuing investments in technology and AI capabilities
- Improving ACV remains focused on winning larger deals. Management expects quarterly ACV volatility to continue
- Management continues to target ACV above the US$170 mn achieved last year to provide tailwinds entering FY27 and FY28
- Margins are expected to improve sequentially from 2Q onwards following the annual wage hike in 1Q, supported by revenue growth
- Increase in Tech Services headcount reflects investments in AI, setting up AI CoEs, executing AI pilots, and enhancing product functionality
- Total headcount declined QoQ but billed headcount increased along with higher utilization. Headcount reduction was driven by higher utilization rather than weaker demand
- Focus remains on cross-selling and up-selling existing offerings into the BFSI segment

- Mortgage business currently comprises two client engagements, with initial momentum building in the area. Mortgage engagements are with US clients focused on the servicing side rather than origination
- Slower growth in the top five clients is not due to client-specific weakness. Technology and AI implementation by clients is affecting the nature of work. FCC business is influenced by the timing of client refreshes, which depends on the regulatory environment. Financial services regulation in the US has become less onerous than two to three years ago, reducing demand for certain FCC-related work
- Partnerships and alliances with hyperscalers continue to be strengthened
- QA360 remains the proprietary platform for quality monitoring and audit, with continued investment underway
- Margin trajectory remains highly dependent on the pace of revenue growth. If revenue growth follows a trajectory similar to last year, with quarterly growth of around 5% or higher, margin improvement is expected to be stronger. Management advises using the midpoint of the EBITDA margin guidance range for FY27, as achieving margins above the midpoint is expected to be more difficult
- Gap between AI investments and realized ROI is creating outsourcing opportunities
- Technology transformation is driving consolidation, with scale becoming increasingly important
- Despite strong interest in agentic AI, tangible ROI is still evolving
- Competitive pricing pressure continues but remains within normal industry levels
- Clients continue to focus on total cost of ownership, making delivered value more important than pricing alone
- Management does not see any reason for EBITDA margins to move outside the 24%-28% range over the longer term
    - Transition towards higher Tech, Analytics, and AI revenues is expected to support margin sustainability
    - If Tech, Analytics, and AI contribute 30%-40% of total revenue over time, management believes margins can be sustained within the 24%-28% range despite competitive pressures
    - Technology capabilities, domain expertise, and deep understanding of client businesses are viewed as the key differentiators supporting higher margins in a competitive environment
- Management sees significant cross-selling potential as existing service offerings are applicable across multiple industry segments
- Growth strategy is balanced across winning new clients, expanding outside the top 10 clients, increasing wallet share within existing clients, and cross-selling additional services

- Industry-leading growth expectations are based on organic growth. Acquisitions remain part of the strategy, but execution depends on identifying suitable opportunities with the right capabilities, synergies, culture, and valuation

We have an Underweight stance on Indian IT Services

We reinitiated coverage on the Indian IT Services with an Underweight stance through a report on 1 January 2025 (**Slow is the (new/old) normal**) and reiterated our view with updates on 12th March 2025 (**FY26 unlikely to be better than FY25**), 10th July 2025 (**Uncertainty stays and 'eating the tariff' may impact even FY27**) and 12 January 2026 (**A fourth slow year?**).

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

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

Multiple speed breakers drive our Underweight stance

Gen AI and GCCs are going to disrupt growth: We believe that AI/Gen AI will lead to compression of revenue for the industry in the next 12-24 months, as companies self-cannibalize to hold on to their existing clients. Rapid growth of the GCCs is a threat to outsourcing. While there seems to be collaboration between outsourcers and their clients in setting up these GCCs, there will be growth discontinuity when the business is insourced at some point.

Massive hyper scaler AI capex should accentuate re-alignment in IT spend: Software players, including hyper scalers, are increasing capex on AI-related data centres. This will drive higher pricing, forcing enterprises to allocate more IT spend to Cloud/SaaS and move it away from the ones with lower bargaining power – global IT Services players.

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

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

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

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

Tier- 2 valuation reflects growth gap with Tier-1

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

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

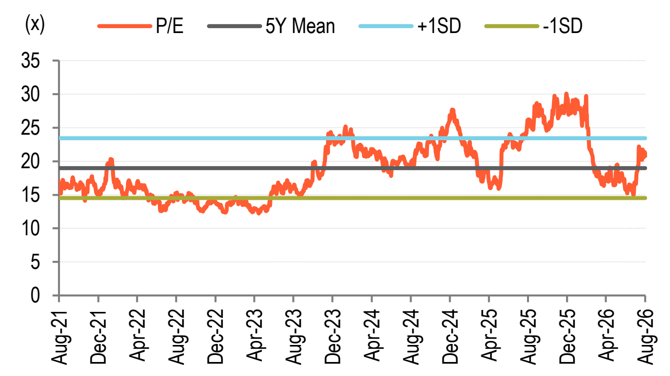
Also, some of the Tier-2s have been underperforming on the growth front, being discretionary project-oriented businesses struggling to pivot to a cost-take-out-driven demand environment.

Fig 1 – Quarterly results: Comparison of actuals with estimates

Y/E Mar (Rsmn)	1QFY26	4QFY26	1QFY27	YoY(%)	QoQ (%)	1QFY27E	Deviation (%)
Net Sales (USD mn)	**109**	**122**	**126**	**15.2**	**2.8**	**128**	**(1.9)**
Net Sales	9,346	11,073	11,524	23.3	4.1	12,144	(5.1)
Cost of Sales	7,104	8,232	8,871	24.9	7.8	9,233	(3.9)
% of Sales	76.0	74.3	77.0			76.0	
EBITDA	2,241	2,841	2,652	18.4	(6.6)	2,911	(8.9)
% of Sales	24.0	25.7	23.0			24.0	
Depreciation	369	497	496	34.4	(0.1)	544	(8.9)
EBIT	**1,872**	**2,344**	**2,156**	**15.2**	**(8.0)**	**2,367**	**(8.9)**
EBIT Margin (%)	**20.0**	**21.2**	**18.7**	**(2)**	**(246)**	**19.5**	
Interest Expenses	97	117	149	53.5	26.7	117	26.7
Other Income	105	293	179	69.5	(39.0)	157	13.8
PBT	1,881	2,519	2,186	16.2	(13.2)	2,406	(9.1)
Provision for Tax	465	623	544	16.9	(12.7)	595	(8.6)
Effective Tax Rate	24.7	24.7	24.9			24.7	
Minorities	(1.3)	2.9	(1.0)			1.0	
PAT (Reported)	**1,417**	**1,894**	**1,643**	**16.0**	**(13.2)**	**1,810**	**(9.2)**
NPM (%)	**15.2**	**17.1**	**14.3**			**14.9**	**(4.3)**

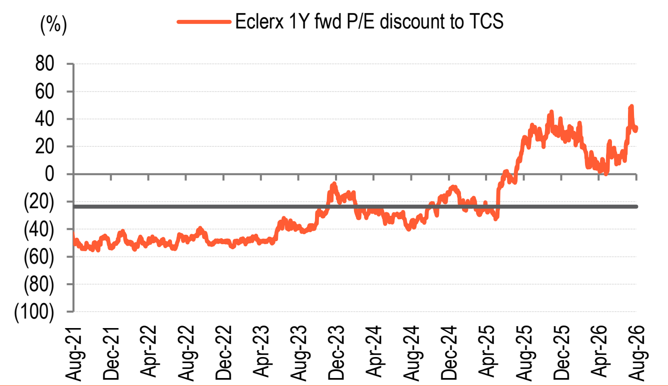
Source: Company, BOBCAPS Research

Fig 2 – 5 Year PE trend



Source: Bloomberg, BOBCAPS Research

Fig 3 – Premium/ Discount to TCS



Source: Bloomberg, BOBCAPS Research

Fig 4 – Revised Estimates

	New			Old			Change (%)		
	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
INR/USD	95.0	96.1	96.3	95.1	96.1	96.3	(0.0)	-	-
USD Revenue (USD mn)	532	597	659	538	597	659	(1.1)	(0.1)	0.1
USD Revenue Growth (%)	13.5	12.2	10.4	14.8	11.0	10.3			
Revenue (Rsmn)	50,207	57,367	64,009	51,169	57,406	63,966	(1.9)	(0.1)	0.1
EBIT (Rsmn)	10,731	12,164	13,665	10,898	12,125	13,534	(1.5)	0.3	1.0
EBIT Margin (%)	21.4	21.2	21.3	21.3	21.1	21.2			
PAT (Rsmn)	8,044	9,408	10,536	8,263	9,472	10,532	(2.7)	(0.7)	0.0
FDEPS (Rs)	85.1	99.5	111.5	87.4	100.2	111.4	(2.6)	(0.7)	0.0

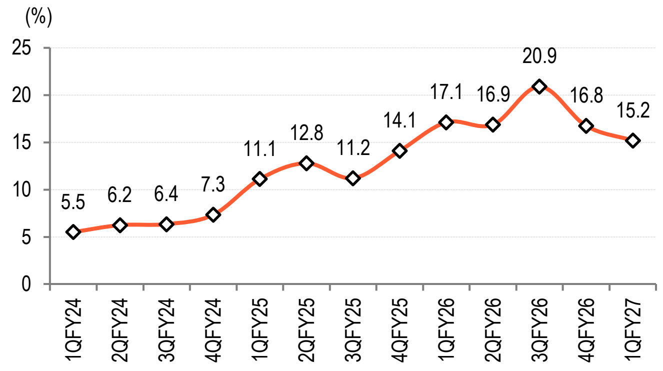
Source: BOBCAPS Research

Fig 5 – P&L at a glance

(YE March) Rs mn	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Average INR/USD	68.5	68.7	71.2	71.7	74.4	75.9	79.6	82.7	84.6	88.4	95.0	96.1	96.3
Net sales (US$mn)	**194.2**	**198.6**	**200.8**	**200.5**	**210.4**	**284.6**	**332.7**	**353.9**	**397.6**	**468.9**	**532.2**	**597.1**	**659.3**
-Growth (%)		**2.3**	**1.1**	**(0.1)**	**4.9**	**35.2**	**16.9**	**6.4**	**12.3**	**17.9**	**13.5**	**12.2**	**10.4**
Net Sales	13,300	13,651	14,305	14,376	15,644	21,605	26,479	29,255	33,659	41,170	50,207	57,367	64,009
-Growth (%)		2.6	4.8	0.5	8.8	38.1	22.6	10.5	15.1	22.3	22.0	14.3	11.6
Direct cost	5,246	6,180	7,059	7,613	7,813	10,789	13,848	15,029	17,897	21,840	25,929	29,066	32,707
Gross Profit	8,054	7,470	7,246	6,763	7,831	10,816	12,631	14,226	15,762	19,330	24,278	28,301	31,302
Gross Margin (%)	60.6	54.7	50.7	47.0	50.1	50.1	47.7	48.6	46.8	47.0	48.4	49.3	48.9
SGA Expenses	3,366	3,803	4,154	3,514	3,189	4,085	5,192	6,477	7,552	8,808	10,831	12,688	14,188
% of sales	25.3	27.9	29.0	24.4	20.4	18.9	19.6	22.1	22.4	21.4	21.6	22.1	22.2
Other operating income	-	-	-	-	-	-	-	-	-	-	-	-	-
EBITDA	4,688	3,668	3,092	3,249	4,642	6,731	7,439	7,750	8,209	10,523	13,448	15,613	17,114
% of sales	35.2	26.9	21.6	22.6	29.7	31.2	28.1	26.5	24.4	25.6	26.8	27.2	26.7
Depreciation & Amortisation	518	483	447	710	816	1,032	1,140	1,258	1,412	1,754	2,717	3,449	3,449
% of sales	3.9	3.5	3.1	4.9	5.2	4.8	4.3	4.3	4.2	4.3	5.4	6.0	5.4
EBIT	**4,170**	**3,185**	**2,645**	**2,539**	**3,826**	**5,699**	**6,299**	**6,492**	**6,797**	**8,769**	**10,731**	**12,164**	**13,665**
% of sales	**31.4**	**23.3**	**18.5**	**17.7**	**24.5**	**26.4**	**23.8**	**22.2**	**20.2**	**21.3**	**21.4**	**21.2**	**21.3**
Finance costs	-	-	-	188	203	201	212	235	349	421	595	595	595
Other income (net)	188	390	469	452	182	170	443	614	737	1,003	571	953	953
Exceptional Item	-	213	-	-	-	(57)	-	-	-	-	-	-	-
PBT	4,358	3,787	3,114	2,803	3,806	5,611	6,530	6,871	7,185	9,351	10,706	12,522	14,023
-PBT margin (%)	32.8	27.7	21.8	19.5	24.3	26.0	24.7	23.5	21.3	22.7	21.3	21.8	21.9
Provision for tax	819	896	832	715	978	1,427	1,638	1,753	1,773	2,287	2,663	3,114	3,488
Effective tax rate (%)	18.8	23.7	26.7	25.5	25.7	25.4	25.1	25.5	24.7	24.5	24.9	24.9	24.9
Net profit	3,539	2,891	2,282	2,087	2,828	4,184	4,892	5,117	5,413	7,065	8,044	9,408	10,536
Minority Interest	(1)	4	0	0	0	4	4	3	2	3	2	4	4
Net reported profit	**3,541**	**2,887**	**2,283**	**2,087**	**2,828**	**4,180**	**4,888**	**5,115**	**5,411**	**7,062**	**8,042**	**9,404**	**10,532**
-Growth (%)		**(18.5)**	**(20.9)**	**(8.6)**	**35.5**	**47.8**	**16.9**	**4.6**	**5.8**	**30.5**	**13.9**	**16.9**	**12.0**
-Net profit margin (%)	**26.6**	**21.1**	**16.0**	**14.5**	**18.1**	**19.3**	**18.5**	**17.5**	**16.1**	**17.2**	**16.0**	**16.4**	**16.5**

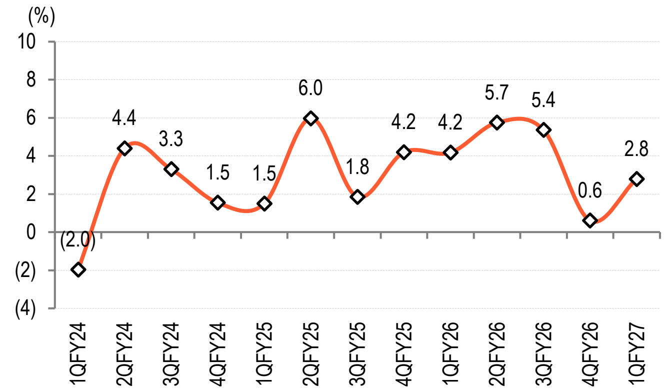
Source: Company, BOBCAPS Research

Fig 6 – USD Revenue growth rate (YoY)



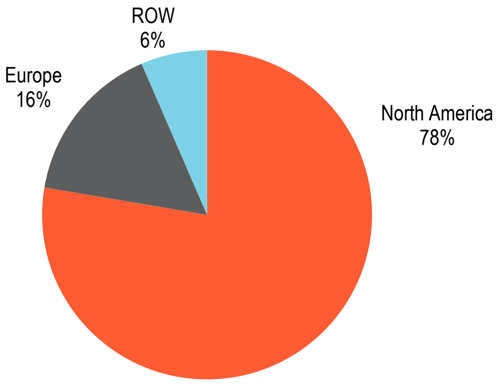
Source: Company, BOBCAPS Research

Fig 7 – USD Revenue growth rate (QoQ)



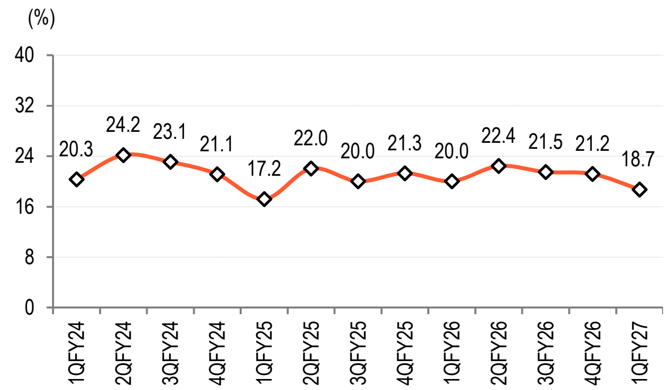
Source: Company, BOBCAPS Research

Fig 8 – 1QFY27 Geographical Revenue Mix



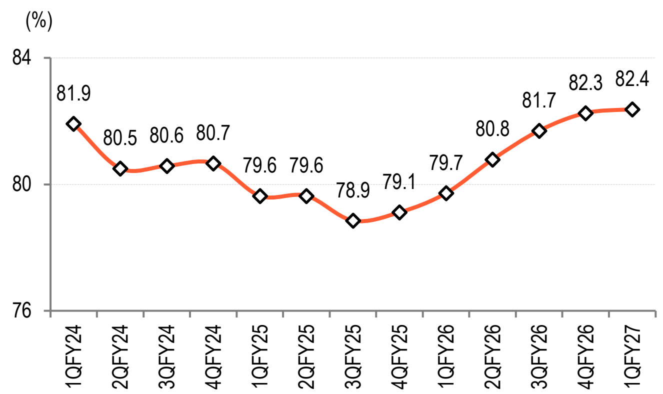
Source: Company, BOBCAPS Research

Fig 9 – EBIT Margin trend



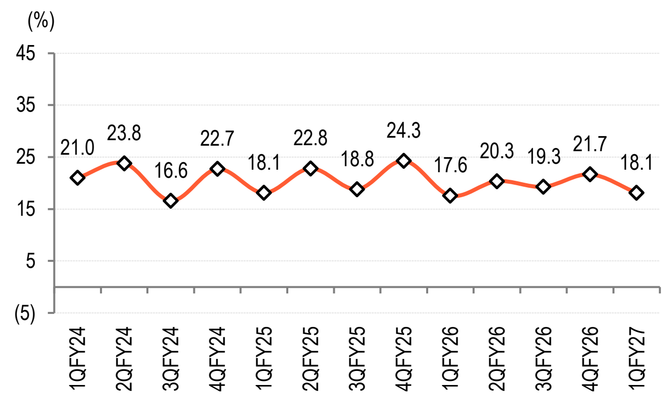
Source: Company, BOBCAPS Research

Fig 10 – Offshore Revenue (%)



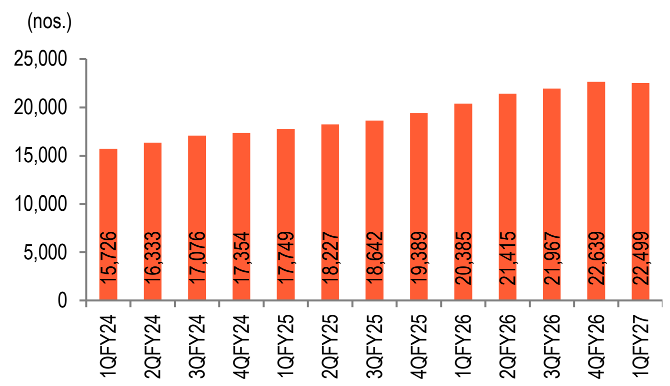
Source: Company, BOBCAPS Research

Fig 11 – Offshore Attrition (%)



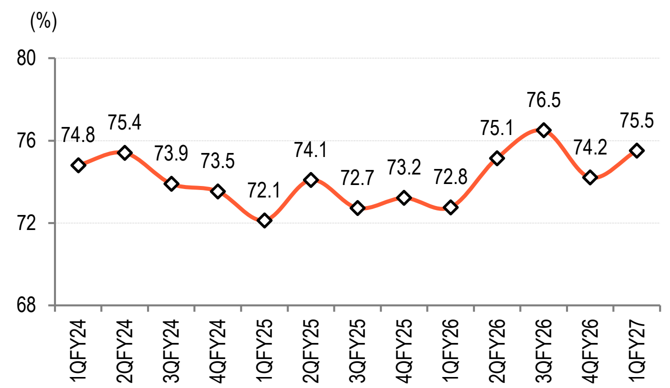
Source: Company, BOBCAPS Research

Fig 12 – Total Headcount



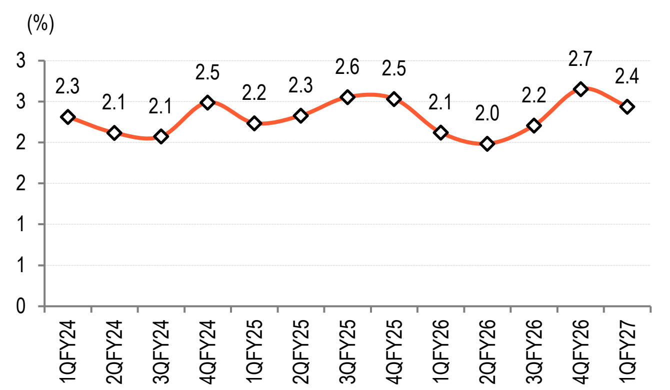
Source: Company, BOBCAPS Research

Fig 13 – Staff Utilization - Delivery (%)



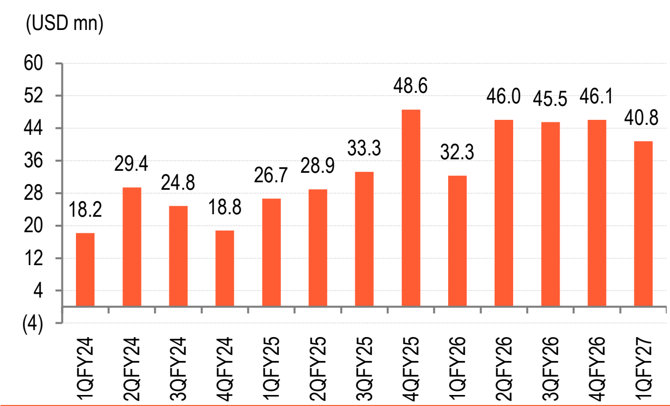
Source: Company, BOBCAPS Research

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



Source: Company, BOBCAPS Research

Fig 15 – ACV (USD mn)



Source: Company, BOBCAPS Research

Fig 16 – Quarterly Snapshot

	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	4QFY26	1QFY27
INR/ USD	82.2	82.7	83.2	83.0	83.4	83.8	84.5	86.6	85.6	87.3	89.1	91.5	94.5
Revenue (USD mn)	84	88	91	92	93	98.8	100.7	105	109	116	122	122	126
INR mn													
Revenue	6,845	7,218	7,528	7,665	7,819	8,318	8,538	8,983	9,346	10,049	10,703	11,073	11,524
Gross margin	3,180	3,541	3,782	3,723	3,497	3,918	3,969	4,378	4,235	4,769	5,105	5,221	5,122
EBITDA	1,675	2,047	2,072	1,955	1,661	2,159	2,066	2,323	2,241	2,679	2,762	2,841	2,652
EBIT	1,390	1,744	1,737	1,620	1,344	1,832	1,709	1,913	1,872	2,254	2,299	2,344	2,156
Other income	16	80	131	152	135	47	131	75	8	196	202	175	30
PBT	1,406	1,825	1,868	1,772	1,479	1,879	1,840	1,988	1,881	2,450	2,501	2,519	2,186
Tax	340	463	477	473	359	484	468	462	465	615	583	623	544
PAT	1,063	1,360	1,386	1,305	1,116	1,402	1,371	1,522	1,417	1,832	1,920	1,894	1,643
Number of shares	96	96	96	96	97	95	94	94	94	94	94	93	92
EPS	11	14	14	14	12	15	15	16	15	20	20	20	18
YoY Growth													
USD revenue	5.5	6.2	6.4	7.3	11.1	12.8	11.2	14.1	17.1	16.9	20.9	16.8	15.2
Revenue	10.8	11.0	9.6	10.6	14.2	15.2	13.4	17.2	19.5	20.8	25.4	23.3	23.3
Gross profit	11.4	16.5	15.8	7.3	9.9	10.6	5.0	17.6	21.1	21.7	28.6	19.3	21.0
EBITDA	1.5	12.8	8.7	(5.4)	(0.8)	5.5	(0.3)	18.8	35.0	24.1	33.7	22.3	18.4
EBIT	(0.8)	13.2	8.1	(7.3)	(3.3)	5.0	(1.6)	18.1	39.3	23.1	34.5	22.5	15.2
Net profit	7.2	8.0	5.7	(1.5)	5.0	3.1	(1.1)	16.6	26.9	30.6	40.1	24.4	16.0
QoQ Growth													
USD revenue	(2.0)	4.4	3.3	1.5	1.5	6.0	1.8	4.2	4.2	5.7	5.4	0.6	2.8
Revenue	(1.2)	5.4	4.3	1.8	2.0	6.4	2.6	5.2	4.0	7.5	6.5	3.5	4.1
EBITDA	(8.4)	11.3	6.8	(1.6)	(6.1)	12.0	1.3	10.3	(3.3)	12.6	7.1	2.3	(1.9)
EBIT	(20.5)	25.5	(0.4)	(6.7)	(17.0)	36.3	(6.7)	12.0	(2.1)	20.4	2.0	2.0	(8.0)
Net profit	(19.8)	27.9	2.0	(5.8)	(14.5)	25.7	(2.3)	11.0	(6.9)	29.3	4.8	(1.4)	(13.2)
Margins (%)													
Gross margin	46.5	49.1	50.2	48.6	44.7	47.1	46.5	48.7	45.3	47.5	47.7	47.2	44.4
EBITDA	24.5	28.4	27.5	25.5	21.2	26.0	24.2	25.9	24.0	26.7	25.8	25.7	23.0
EBIT	20.3	24.2	23.1	21.1	17.2	22.0	20.0	21.3	20.0	22.4	21.5	21.2	18.7
PAT	15.5	18.8	18.4	17.0	14.3	16.9	16.1	16.9	15.2	18.2	17.9	17.1	14.3
SGA	26.2	24.9	27.2	27.4	27.5	25.1	26.5	27.4	25.3	25.0	26.2	26.0	25.7

Source: Company, BOBCAPS Research

Fig 17 – Key Metrics

	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	4QFY26	1QFY27
Total Headcount	15,726	16,333	17,076	17,354	17,749	18,227	18,642	19,389	20,385	21,415	21,967	22,639	22,499
Delivery and Support Staff													
Offshore Delivery	13,143	13,791	14,491	14,690	14,921	14,861	15,260	15,925	16,865	17,754	18,147	18,586	18,305
Onshore Delivery	535	585	611	630	683	637	627	656	655	651	652	741	732
Support Services	870	862	848	862	898	907	923	941	995	1,021	1,060	1,082	1,078
Tech Services	1,058	977	1,002	1,049	1,122	1,699	1,704	1,745	1,746	1,867	1,988	2,109	2,261
Selling and Distribution Staff (BD)	120	118	124	123	125	123	128	122	124	122	120	121	123
Revenue by Geography (%)													
North America	71.6	72.6	73.6	74.4	75.0	75.9	76.2	78.4	78.9	80.3	80.1	77.6	77.7
Europe	20.0	18.8	17.8	17.5	17.5	16.4	16.2	14.0	15.1	14.3	13.6	16.9	15.8
ROW	8.4	8.5	8.6	8.0	7.6	7.6	7.6	7.6	6.1	5.4	6.3	5.5	6.5
Revenue by Industry (%)													
BFSI					41.8	43.8	43.7	43.7	43.2	41.4	40.1	38.7	37.6
CMT					26.4	26.1	25.2	25.7	25.4	25.9	25.0	26.6	26.2
HiTech and M&D					16.8	16.7	16.2	16.1	16.5	16.7	16.8	16.0	16.3
Fashion & Luxury and Retail					10.3	8.7	9.3	8.8	9.0	8.4	8.7	8.4	8.2
Emerging					4.7	4.8	5.5	5.7	5.9	7.7	9.5	10.2	11.7
Billing Mix (%)													
Onshore Revenue	18.1	19.5	19.4	19.3	20.4	20.4	21.1	20.9	20.3	19.2	18.3	17.7	17.6
Offshore Revenue	81.9	80.5	80.6	80.7	79.6	79.6	78.9	79.1	79.7	80.8	81.7	82.3	82.4
Currency Concentration (%)													
USD	82.4	82.8	83.5	85.5	85.8	86.7	86.3	86.2	86.3	86.4	86.1	85.9	86.9
EURO	10.1	9.6	9.4	9.5	9.4	8.3	8.4	8.0	8.0	7.7	7.9	7.9	7.5
GBP	3.3	3.2	3.4	3.4	3.0	3.0	3.2	3.0	3.4	3.3	3.2	3.3	3.0
Client Concentration													
Top 5 contribution	39.5	40.8	42.3	45.5	45.5	46.9	44.9	46.7	46.5	45.9	43.6	42.9	41.8
Top 10 contribution	58.6	59.2	59.3	62.6	62.0	63.5	62.3	64.1	63.2	62.7	60.4	59.3	59.9
Non-Top 10 contribution	41.4	40.8	40.7	37.4	38.0	36.5	37.7	35.9	36.8	37.3	39.6	40.7	40.1
Offshore Attrition (%)	21.0	23.8	16.6	22.7	18.1	22.8	18.8	24.3	17.6	20.3	19.3	21.7	18.1
Overall Staff utilization (%)	69.1	70.0	68.8	68.4	66.6	68.4	67.2	67.9	67.4	69.5	70.8	68.7	69.7
Staff utilization (Delivery) (%)	74.8	75.4	73.9	73.5	72.1	74.1	72.7	73.2	72.8	75.1	76.5	74.2	75.5
Client Contribution													
US$ 500k-1mm Clients	39.0	39.0	38.0	41.0	37.0	36.0	36.0	37.0	42.0	44.0	44.0	44.0	42.0
US$ 1mm-3mm Clients	24.0	22.0	21.0	23.0	22.0	24.0	23.0	25.0	24.0	26.0	27.0	27.0	28.0
US$ 3mm-5mm Clients	4.0	4.0	7.0	4.0	6.0	5.0	5.0	4.0	5.0	5.0	6.0	8.0	7.0
US$ 5mm-10mm Clients	5.0	5.0	3.0	4.0	4.0	4.0	4.0	5.0	5.0	6.0	7.0	6.0	8.0
US$ 10mm++ Clients	9.0	9.0	10.0	10.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	10.0	10.0
Seat Count	11,808	11,805	12,029	11,635	11,999	12,009	13,810	13,976	14,731	15,140	15,519	15,507	15,420
Profit and Loss Statement (in mn USD)													
Revenue	83.9	87.6	90.5	91.9	93.3	98.8	100.7	104.9	109.2	115.5	121.7	122.4	125.9
EBIT	17.0	21.2	20.9	19.4	16.0	21.8	20.1	22.3	21.9	25.9	26.1	25.9	23.6
PAT	13.0	16.5	16.7	15.6	13.3	16.7	16.2	17.8	16.6	21.1	21.8	20.9	17.9
Productivity Metrics													
Per Capita (Annualised)													
Revenue	21,346	21,457	21,200	21,181	21,018	21,689	21,597	21,635	21,436	21,577	22,163	21,634	22,375
EBIT	4,336	5,186	4,892	4,477	3,613	4,775	4,322	4,607	4,294	4,840	4,760	4,580	4,187
PAT	3,316	4,042	3,904	3,607	3,000	3,657	3,467	3,665	3,250	3,934	3,975	3,700	3,191

Source: Company, BOBCAPS Research

Fig 18 – QoQ and YoY growth of various parameters

	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	4QFY26	1QFY27
QoQ Growth (%)													
Total Headcount	(2.5)	3.9	4.5	1.6	2.3	2.7	2.3	4.0	5.1	5.1	2.6	3.1	(0.6)
Delivery and Support Staff													
Offshore Delivery	(1.4)	4.9	5.1	1.4	1.6	(0.4)	2.7	4.4	5.9	5.3	2.2	2.4	(1.5)
Onshore Delivery	(10.7)	9.3	4.4	3.1	8.4	(6.7)	(1.6)	4.6	(0.2)	(0.6)	0.2	13.7	(1.2)
Support Services	(8.2)	(0.9)	(1.6)	1.7	4.2	1.0	1.8	2.0	5.7	2.6	3.8	2.1	(0.4)
Tech Services	(6.8)	(7.7)	2.6	4.7	7.0	51.4	0.3	2.4	0.1	6.9	6.5	6.1	7.2
Selling and Distribution Staff (BD)	4.3	(1.7)	5.1	(0.8)	1.6	(1.6)	4.1	(4.7)	1.6	(1.6)	(1.6)	0.8	1.7
US$ Revenue	(2.0)	4.4	3.3	1.5	1.5	6.0	1.8	4.2	4.2	5.7	5.4	0.6	2.8
Revenue by Geography													
North America	(0.9)	5.9	4.7	2.7	2.2	7.4	2.1	7.2	4.8	7.7	5.1	(2.5)	2.9
Europe	(0.2)	(1.8)	(2.5)	0.2	1.1	(0.4)	0.6	(9.9)	12.0	0.2	0.2	24.8	(3.4)
ROW	(13.4)	5.9	4.2	(5.2)	(4.4)	7.0	1.6	4.2	(17.1)	(5.4)	22.4	(11.6)	20.6
Revenue by Industries													
BFSI	-	-	-	-	-	11.0	1.6	4.2	3.0	1.3	2.0	(2.8)	(0.1)
CMT	-	-	-	-	-	4.8	(1.5)	6.1	3.1	7.6	1.9	7.1	1.3
HiTech and M&D	-	-	-	-	-	5.1	(1.1)	3.4	6.8	7.2	6.1	(4.0)	4.2
Fashion & Luxury and Retail	-	-	-	-	-	(10.6)	9.4	(1.4)	5.6	(0.9)	8.7	(2.0)	(0.0)
Emerging	-	-	-	-	-	7.4	18.7	7.5	8.2	36.3	30.2	8.7	17.6
Billing Mix													
Onshore Revenue	(2.1)	12.5	2.9	1.1	6.9	6.0	5.8	2.9	1.1	0.2	0.4	(2.5)	2.1
Offshore Revenue	(1.9)	2.6	3.4	1.6	0.2	6.0	0.8	4.5	5.0	7.2	6.6	1.3	2.9
Currency Concentration													
USD	(2.2)	5.0	4.2	3.9	1.8	7.2	1.3	4.1	4.3	5.9	5.0	0.4	4.0
EURO	(2.0)	(1.6)	1.5	2.2	1.2	(7.3)	3.9	(0.5)	4.2	1.4	7.9	0.6	(1.9)
GBP	5.1	3.7	7.0	2.1	(10.1)	8.1	7.9	(3.6)	18.6	1.7	2.6	5.3	(7.7)
Client Concentration													
Top 5 contribution	(3.1)	8.0	7.0	9.2	1.6	9.3	(2.5)	8.3	3.8	4.3	0.2	(1.2)	0.3
Top 10 contribution	(2.5)	5.4	3.5	7.3	0.5	8.4	(0.1)	7.3	2.7	4.9	1.5	(1.3)	3.9
Non-Top 10 contribution	(1.2)	3.0	3.0	(6.8)	3.1	1.9	5.3	(0.9)	6.9	7.1	11.9	3.5	1.1
Client Contribution													
US$ 500k-1mm Clients	21.9	-	(2.6)	7.9	(9.8)	(2.7)	-	2.8	13.5	4.8	-	-	(4.5)
US$ 1mm-3mm Clients	(11.1)	(8.3)	(4.5)	9.5	(4.3)	9.1	(4.2)	8.7	(4.0)	8.3	3.8	-	3.7
US$ 3mm-5mm Clients	-	-	75.0	(42.9)	50.0	(16.7)	-	(20.0)	25.0	-	20.0	33.3	(12.5)
US$ 5mm-10mm Clients	(16.7)	-	(40.0)	33.3	-	-	-	25.0	-	20.0	16.7	(14.3)	33.3
US$ 10mm++ Clients	12.5	-	11.1	-	(10.0)	-	-	-	-	-	-	11.1	-
Seat Count	4.7	(0.0)	1.9	(3.3)	3.1	0.1	15.0	1.2	5.4	2.8	2.5	(0.1)	(0.6)
YoY Growth (%)													
Total Headcount	(2.8)	0.4	1.6	7.6	12.9	11.6	9.2	11.7	14.9	17.5	17.8	16.8	10.4
Delivery and Support Staff													
Offshore Delivery	(2.8)	1.3	1.5	10.2	13.5	7.8	5.3	8.4	13.0	19.5	18.9	16.7	8.5
Onshore Delivery	(21.4)	(9.3)	0.7	5.2	27.7	8.9	2.6	4.1	(4.1)	2.2	4.0	13.0	11.8
Support Services	(8.5)	0.1	(1.7)	(9.1)	3.2	5.2	8.8	9.2	10.8	12.6	14.8	15.0	8.3
Tech Services	15.6	(7.0)	4.8	(7.6)	6.0	73.9	70.1	66.3	55.6	9.9	16.7	20.9	29.5
Selling and Distribution Staff (BD)	15.4	12.4	15.9	7.0	4.2	4.2	3.2	(0.8)	(0.8)	(0.8)	(6.3)	(0.8)	(0.8)

	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	4QFY26	1QFY27
US$ Revenue	5.5	6.2	6.4	7.3	11.1	12.8	11.2	14.1	17.1	16.9	20.9	16.8	15.2
Revenue by Geography													
North America	8.0	7.5	10.1	12.8	16.4	17.9	15.0	20.1	23.2	23.6	27.2	15.6	13.5
Europe	(4.0)	(0.1)	(7.4)	(4.3)	(3.0)	(1.7)	1.5	(8.7)	1.1	1.7	1.3	40.4	21.1
ROW	9.6	11.2	7.9	(9.4)	0.1	1.1	(1.5)	8.3	(6.2)	(17.0)	0.0	(15.2)	23.4
Revenue by Industries													
BFSI	-	-	-	-	-	-	-	-	21.0	10.4	10.8	3.4	0.2
CMT	-	-	-	-	-	-	-	-	12.9	16.0	19.9	21.0	18.8
HiTech and M&D	-	-	-	-	-	-	-	-	14.9	17.1	25.6	16.6	13.8
Fashion & Luxury and Retail	-	-	-	-	-	-	-	-	1.8	12.8	12.1	11.5	5.6
Emerging	-	-	-	-	-	-	-	-	48.3	88.2	106.5	108.7	126.8
Billing Mix													
Onshore Revenue	(8.4)	5.5	9.8	14.6	25.1	17.8	21.1	23.3	16.7	10.3	4.7	(0.8)	0.1
Offshore Revenue	9.2	6.4	5.5	5.7	8.0	11.6	8.8	11.9	17.3	18.6	25.3	21.4	19.0
Currency Concentration													
USD	6.6	6.3	8.6	11.1	15.7	18.1	14.9	15.1	17.9	16.5	20.7	16.3	16.0
EURO	2.1	7.2	(2.4)	0.1	3.3	(2.7)	(0.4)	(3.0)	(0.2)	9.2	13.4	14.7	8.0
GBP	4.8	7.6	14.2	19.0	1.9	6.2	7.0	1.0	33.3	25.4	19.3	30.4	1.5
Client Concentration													
Top 5 contribution	(1.4)	2.1	12.5	22.3	28.2	29.7	18.1	17.1	19.8	14.3	17.5	7.2	3.5
Top 10 contribution	2.6	3.1	7.4	14.1	17.7	21.1	16.8	16.8	19.3	15.4	17.3	7.9	9.3
Non-Top 10 contribution	10.0	11.1	4.9	(2.4)	1.9	0.8	3.1	9.6	13.6	19.4	26.9	32.5	25.4
Client Contribution													
US$ 500k-1mm Clients	21.9	44.4	22.6	28.1	(5.1)	(7.7)	(5.3)	(9.8)	13.5	22.2	22.2	18.9	-
US$ 1mm-3mm Clients	14.3	(15.4)	(12.5)	(14.8)	(8.3)	9.1	9.5	8.7	9.1	8.3	17.4	8.0	16.7
US$ 3mm-5mm Clients	100.0	100.0	133.3	-	50.0	25.0	(28.6)	-	(16.7)	-	20.0	100.0	40.0
US$ 5mm-10mm Clients	(28.6)	(28.6)	(50.0)	(33.3)	(20.0)	(20.0)	33.3	25.0	25.0	50.0	75.0	20.0	60.0
US$ 10mm++ Clients	28.6	28.6	25.0	25.0	-	-	(10.0)	(10.0)	-	-	-	11.1	11.1
Seat Count	11.6	4.7	6.7	3.2	1.6	1.7	14.8	20.1	22.8	26.1	12.4	11.0	4.7

Source: Company, BOBCAPS Research

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Total revenue	**33,659**	**41,170**	**50,207**	**57,367**	**64,009**
EBITDA	8,209	10,523	13,448	15,613	17,114
Depreciation	1,412	1,754	2,717	3,449	3,449
EBIT	6,797	8,769	10,731	12,164	13,665
Net interest inc./(exp.)	(349)	(421)	(595)	(595)	(595)
Other inc./(exp.)	737	1,003	571	953	953
Exceptional items	0	0	0	0	0
EBT	7,185	9,351	10,706	12,522	14,023
Income taxes	1,773	2,287	2,663	3,114	3,488
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	2	3	2	4	4
Reported net profit	**5,411**	**7,062**	**8,042**	**9,404**	**10,532**
Adjustments	0	0	0	0	0
Adjusted net profit	**5,411**	**7,062**	**8,042**	**9,404**	**10,532**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Accounts payables	0	0	0	0	0
Other current liabilities	4,459	6,913	8,391	9,587	10,697
Provisions	258	217	413	472	526
Debt funds	0	0	0	0	0
Other liabilities	3,660	4,197	4,717	5,249	5,760
Equity capital	470	920	920	920	920
Reserves & surplus	22,610	24,722	32,666	41,969	52,395
Shareholders' fund	23,080	25,642	33,586	42,889	53,315
Total liab. and equities	**31,457**	**36,970**	**47,106**	**58,197**	**70,299**
Cash and cash eq.	7,391	7,380	15,991	25,543	36,068
Accounts receivables	4,954	6,665	8,253	9,430	10,522
Inventories	2	6	6	6	6
Other current assets	5,370	7,969	8,253	9,430	10,522
Investments	3,090	3,079	3,079	3,079	3,079
Net fixed assets	2,409	2,735	1,775	334	(874)
CWIP	2	49	49	49	49
Intangible assets	4,079	4,493	4,493	4,493	4,493
Deferred tax assets, net	727	1,167	1,324	1,485	1,640
Other assets	3,434	3,478	3,931	4,396	4,842
Total assets	**31,457**	**36,970**	**47,106**	**58,197**	**70,299**

Cash Flows

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Cash flow from operations	**6,668**	**9,175**	**10,493**	**11,306**	**12,517**
Capital expenditures	(1,151)	(1,179)	(1,757)	(2,008)	(2,240)
Change in investments	1,291	132	0	0	0
Other investing cash flows	1,165	(361)	(24)	358	358
Cash flow from investing	**1,305**	**(1,408)**	**(1,782)**	**(1,649)**	**(1,882)**
Equities issued/Others	(3,839)	(3,000)	0	0	0
Debt raised/repaid	0	0	0	0	0
Interest expenses	(2,210)	(3,169)	0	0	0
Dividends paid	(47)	(47)	(100)	(105)	(110)
Other financing cash flows	0	0	0	0	0
Cash flow from financing	**(6,096)**	**(6,216)**	**(100)**	**(105)**	**(110)**
Chg in cash & cash eq.	**1,877**	**1,551**	**8,612**	**9,552**	**10,525**
Closing cash & cash eq.	**7,391**	**7,380**	**15,991**	**25,543**	**36,068**

Per Share

Y/E 31 Mar (Rs)	FY25A	FY26A	FY27E	FY28E	FY29E
Reported EPS	57.6	76.3	86.9	101.7	113.8
Adjusted EPS	56.5	74.7	85.1	99.5	111.5
Dividend per share	1.0	1.0	1.1	1.2	1.3
Book value per share	245.5	277.2	363.1	463.6	576.3

Valuations Ratios

Y/E 31 Mar (x)	FY25A	FY26A	FY27E	FY28E	FY29E
EV/Sales	5.3	4.4	3.7	3.4	3.2
EV/EBITDA	21.9	17.1	13.7	12.4	11.9
Adjusted P/E	33.1	25.1	22.0	18.8	16.8
P/BV	7.6	6.8	5.2	4.0	3.2

DuPont Analysis

Y/E 31 Mar (%)	FY25A	FY26A	FY27E	FY28E	FY29E
Tax burden (Net profit/PBT)	75.3	75.5	75.1	75.1	
Interest burden (PBT/EBIT)	105.7	106.6	99.8	102.9	0.0
EBIT margin (EBIT/Revenue)	20.2	21.3	21.4	21.2	117.4
Asset turnover (Rev./Avg TA)	110.8	120.3	119.4	109.0	0.0
Leverage (Avg TA/Avg Equity)	1.3	1.4	1.4	1.4	1.3
Adjusted ROAE	23.7	29.0	27.2	24.6	

Ratio Analysis

Y/E 31 Mar	FY25A	FY26A	FY27E	FY28E	FY29E
YoY growth (%)					
Revenue	15.1	22.3	22.0	14.3	11.6
EBITDA	5.9	28.2	27.8	16.1	9.6
Adjusted EPS	8.7	32.2	13.9	16.9	12.0
Profitability & Return ratios (%)					
EBITDA margin	24.4	25.6	26.8	27.2	26.7
EBIT margin	20.2	21.3	21.4	21.2	21.3
Adjusted profit margin	16.1	17.2	16.0	16.4	16.5
Adjusted ROAE	23.7	29.0	27.2	24.6	21.9
ROCE	22.5	27.0	27.0	23.7	21.2
Working capital days (days)					
Receivables	54	52	54	56	57
Inventory	NA	NA	NA	NA	NA
Payables	NA	NA	NA	NA	NA
Ratios (x)					
Gross asset turnover	14.9	16.0	22.3	54.4	(237.4)
Current ratio	4.4	3.5	4.0	4.7	5.4
Net interest coverage ratio	NA	NA	NA	NA	NA
Adjusted debt/equity	(0.3)	(0.3)	(0.5)	(0.6)	(0.7)

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

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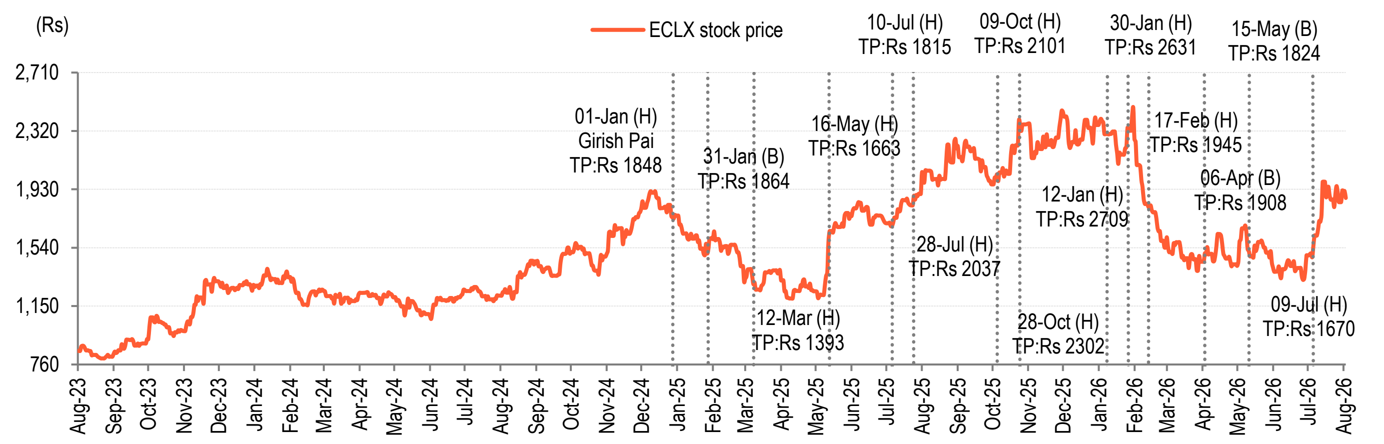

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