RESULT REVIEW

BOBCAPS
TRUST | INNOVATION | EXCELLENCE

HOLD
TP: Rs 4,604 | ∀ 4%

ECLERX SERVICES | IT Services | 28 October 2025

Strong execution continues

- **Better than estimated revenue growth and margin in 2Q. 2HFY26 should also be solid. Mid-High teen USD revenue growth likely in FY27/FY28**
- **200bps contribution of FX to margin QoQ is the only area where there could be a reversal in 3Q. Buy back price may be upped**
- **Raise estimates. Retain Target PE multiple (20% premium to TCS) and retain 'Hold' on strong stock performance. Await better entry point**

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Strong 2QFY26: CC QoQ revenue growth of 5.4% was higher than our estimate of 3%. 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 (luxury retail). The EBIT margin was better than our estimate by ~300bps due to significant forex impact (200bps) higher utilization (up 230 QoQ) and higher offshore. 2Q order inflow ACV stood at US$46mn, growing 43% QoQ and 59% YoY. TTM ACV stands at US$160.2mn (up 62% YoY and 12% QoQ).

One eClerx proposition is coming through under the new CEO: Kapil Jain, the CEO, who has been with the company for 2 years plus 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 and in 1HFY26 from both revenue growth and ACV accretion standpoint.

Significant infusion of Tech into its BPM services offsets AI/Gen AI risks: 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.

Wait for a better entry point: Raise USD revenue estimates to account for the strong TTM order inflow growth and strong execution. We also raise our margin estimates a tad. Maintain our target PE multiple 22.8x on Sept 2007 EPS (20% premium to that of TCS, our industry benchmark, due to best-in-class outlook in terms of both revenue growth and EBIT margin in the foreseeable future). 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. We maintain our 'Hold' rating and it is worth keeping on the radar for a better entry point as the stock has had a strong run in the last 12 months (up ~75%). Its client concentration remains a key risk (top 10 at 63% in 2QFY26) and any slip ups there could provide that opportunity.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	ECLX IN/Rs 4,787
Market cap	US$ 2.5bn
Free float	45%
3M ADV	US$ 8.5mn
52wk high/low	Rs 4,830/Rs 2,168
Promoter/FPI/DII	54%/11%/26%

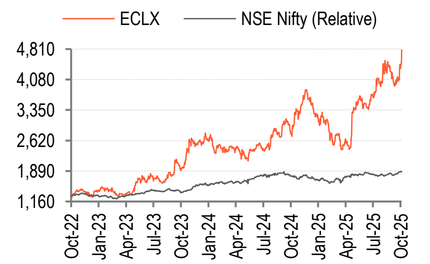
Source: NSE | Price as of 27 Oct 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	33,659	40,702	48,972
EBITDA (Rs mn)	8,209	10,491	13,489
Adj. net profit (Rs mn)	5,411	6,773	8,759
Adj. EPS (Rs)	113.1	140.8	182.2
Adj. ROAE (%)	23.7	25.6	25.6
Adj. P/E (x)	42.3	34.0	26.3
EV/EBITDA (x)	28.3	22.4	18.0
Adj. EPS growth (%)	8.7	24.5	29.3

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Key Points from the quarter and the earnings call

- Revenue stood at US$115.5mn, growing 5.4% QoQ (beating our estimate of 3% QoQ CC growth) and 16.3% YoY in CC terms
- EBITDA Margin stood at 26.7%, growing ~270 bps QoQ and ~70 bps YoY
  - Margin expansion of 270 bps: 200bps from FX, 60bps from delivery improvements due to utilization, onshore-offshore mix shift and 10bps from G&A
- EBIT Margin stood at 22.4% (against our estimate of 19.5%), growing ~240 bps QoQ and ~41bps YoY
- Total Headcount stood at 21,415. Headcount addition of 1,030 in the quarter.
  - Delivery Headcount stood at 18,405, addition of 885 in the quarter
- Staff utilization (delivery) was 75.1%, up 240bps from 72.8% in 1QFY26
  - Utilization increased as 1Q hires became billable in 2Q
- Offshore voluntary attrition stood at 20.3%, up from 17.6% in 1QFY26
- ACV of new deal (excluding CLX) stood at US$46mn, growing 43% QoQ and 59% YoY. TTM ACV stands at US$160.2mn (up 62% YoY and 12% QoQ)
- DSO reduced to 76 days from 86 days in 1QFY26
- The Board approved the buyback of equity shares through tender offer route for an amount not exceeding ~US$34mn (Rs3bn) (Buy Back Size) at a minimum price of Rs4,500 per share. The buyback price will most likely go up. Promoters and promoter group will not participate in the buyback. The buyback constitutes ~1.4% of the equity of the company.
- 3Q margins expected to be softer than 2Q due to FX impact (INR appreciation), potential investments in analytics, technology, and sales.
- FY26 EBITDA margin outlook remains 24-28%.
- Management remains cautiously optimistic for 3Q and 4Q growth, aiming to be in top quartile of segment growth
- Non-top 10 client growth was stronger than top 10 client growth
- The emerging business saw strong growth as operations went live for a few clients in the Finance and operations sub-segment. CMT and high-tech segments showed strong growth; BFSI grew modestly
- Non-top 10 client growth was stronger than top 10 client growth
- Industry Outlook:
  - BFSI: Broad opportunities across core, intermediate, and small new clients. The company continues to have conversations, in onshore consulting, tech delivery and low code no code services

  - Fashion and luxury: Continues to remain under pressure. 2Q revenues of major fashion houses declined or stayed flat, though stabilization is expected ahead as analysts believe industry is near the bottom of downturn
  - High-tech and emerging businesses: Outlook remains positive. High-tech client spending focused on transformation and customer experience programs aimed at cost reduction and improved CSAT
  - Emerging business: Growth driven by wins in finance & accounting and order management

- Digital shelf and market intelligence products: The company is seeing an increase in deal sizes and improved win rates, driven by stronger value propositions and client ROI narratives
- Revenue quality improving and the company is focusing on longer-term deals
- CMT growth supported by Cairo center going live and offshore expansion; Egypt operations performing in top quartile within four months of production
- Technology and analytics portfolio showing continued traction in Compliance Manager and Market360 products, with new discussions emerging around agentic AI
- Growth potential and prospects exist across all industry segments including BFSI, CMT, High Tech, Manufacturing, and Industrials. High-end fashion is the only segment facing headwinds due to macroeconomic conditions, tariffs, and client pressures, though some analysts believe it may be near the bottom
- Improvement in ACV is driven by a combination of: Strong pipeline, improved deal win ratio and increasing overall deal sizes. Management confident of delivering higher ACV this year compared to last year
- Macro-level risks to growth for the company include trade issues, tariffs, and industry-wide economic challenges
- Key emerging subsegments for investment include: Finance and operations, order management, customer service, marketing tech and other offerings that can scale across multiple industries. High-tech remains a core focus within emerging industries
- M&A Strategy: Target acquisitions either to strengthen core capabilities across industries or to enter new industry segments where the company can leverage its existing strengths for a quick scale-up
- eClerx's higher EBITDA margins (24–28%) are driven by its tech-enabled operations and domain expertise
- Only ~3% of total headcount is onshore, reflecting lower onshore requirements for an operations service provider
- No impact from furloughs expected in 3QFY26
- Management said that the 24–28% EBITDA margin band is maintained to preserve flexibility for strategic investments, including sales and marketing, hiring ahead of

demand, and opening and investing in new centers, which support medium- to long-term growth

- Buyback is a part of the company's capital allocation policy where the company aims to return ~50% of excess cash to shareholders over a 12–18-month period if not needed for operations. The buyback sets a floor price, which can be adjusted by the committee. Buyback can be slightly more advantageous than dividends, as shareholders can choose to participate and may offset capital losses. Reduces shares outstanding, improving earnings per share
- We have not accounted for the buyback in our estimates yet as the final buyback price has not been announced.
- While not providing any numbers, eClerx stated that it has added a fair number of clients in the last 24 months. Its strategy is different across different industry verticals. In some industry verticals the focus is to add new clients. In some industry verticals where it has a tail, the focus is to grow and expand and cross sell services that are relevant for those client segments.
- On Gen AI related compression of business, the CEO stated that among some of the large high-tech clients he had spoken to, think of eClerx as a transformation partner and not an outsourcing partner.

We have an underweight stance on Indian IT services.

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

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

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

Multiple speed breakers post FY25 drive our Underweight stance

Trump policies raise uncertainty: The tariffs, the higher fiscal deficit from the 'one big, beautiful bill' (OBBB), the crackdown on illegal and legal immigration (the latter through the major new hurdles put in for H1-B visas), etc all point to uncertainty in the coming days which may delay decision making

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

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

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

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

Higher competition: Indian Tier-1 companies now face higher competition from Accenture,Tier-2 players, and Cognizant, likely slowing their growth compared to FY15-

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

How we are valuing companies: We are using PE methodology and using TCS as our industry benchmark. The target PE used for TCS now is 19x, which is the average PE multiple of TCS over the last 10 years less 1SD. Through our choice of the benchmark Target PE multiple, we seek to capture the probability of downside risks to consensus EPS expectations for FY27.

Tier- 2 valuation reflects growth gap with Tier-1

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

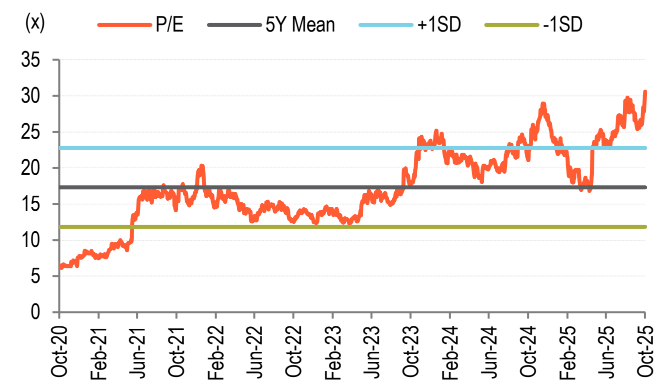
However, the current PE premium to Tier-1s is excessive as we believe that to deliver on the high consensus revenue growth expectations, they may be taking on more cost take-out projects which are likely to impact their margins adversely.

Fig 1 – Quarterly results: Comparison of actuals with estimates

Y/E Mar (Rs mn)	2QFY25	1QFY26	2QFY26	YoY (%)	QoQ (%)	2QFY26E	Deviation (%)
Net Sales (USD mn)	**99**	**109**	**116**	**16.9**	**5.7**	**113**	**2.1**
Net Sales	8,318	9,346	10,049	20.8	7.5	9,828	2.2
Cost of Sales	6,159	7,104	7,369	19.7	3.7	7,474	(1.4)
% of Sales	74.0	76.0	73.3			76.0	
EBITDA	2,159	2,241	2,679	24.1	19.5	2,354	13.8
% of Sales	26.0	24.0	26.7			24.0	
Depreciation	328	369	425	29.6	15.2	441	(3.7)
EBIT	**1,832**	**1,872**	**2,254**	**23.1**	**20.4**	**1,913**	**17.9**
EBIT Margin (%)	**22.0**	**20.0**	**22.4**			**19.5**	
Interest Expenses	81	97	108	33.0	11.4	97	11.4
Other Income	128	105	304	136.9	188.5	186	63.4
PBT	1,879	1,881	2,450	30.4	30.3	2,002	22.4
Provision for Tax	484	465	615	27.2	32.3	495	24.3
Effective Tax Rate	25.7	24.7	25.1			24.7	
Minorities	(7.5)	(1.3)	2.7			1.0	
PAT (Reported)	**1,402**	**1,417**	**1,832**	**30.6**	**29.3**	**1,506**	**21.7**
NPM (%)	**16.9**	**15.2**	**18.2**			**15.3**	**19.0**

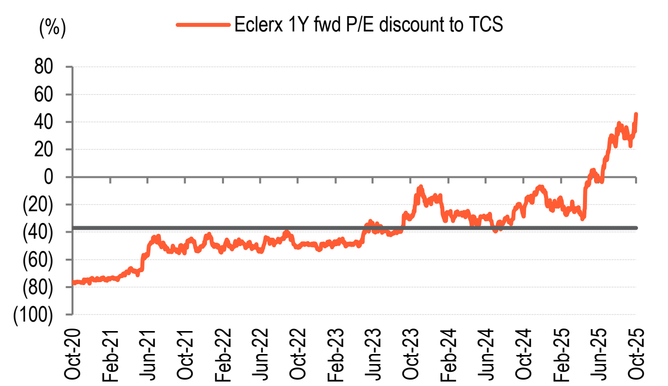
Source: Company, BOBCAPS Research

Fig 2 – 5 Year PE trend



Source: Bloomberg, BOBCAPS Research

Fig 3 – Premium/ Discount to TCS



Source: Bloomberg, BOBCAPS Research

Fig 4 – Revised Estimates

	New			Old			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
INR/USD	87.1	89.3	91.1	87.0	89.3	91.1	0.1	-	-
USD Revenue (USD mn)	468	549	626	456	525	600	2.5	4.5	4.3
USD Revenue Growth (%)	17.6	17.3	14.1	14.7	15.2	14.3			
Revenue (Rsmn)	40,702	48,972	57,005	39,681	46,884	54,666	2.6	4.5	4.3
EBIT (Rsmn)	8,679	11,134	13,186	7,978	9,877	11,878	8.8	12.7	11.0
EBIT Margin (%)	21.3	22.7	23.1	20.1	21.1	21.7			
PAT (Rsmn)	6,776	8,763	10,663	6,213	7,904	9,738	9.1	10.9	9.5
FDEPS (Rs)	140.8	182.2	221.7	129.8	165.1	203.5	8.5	10.3	8.9

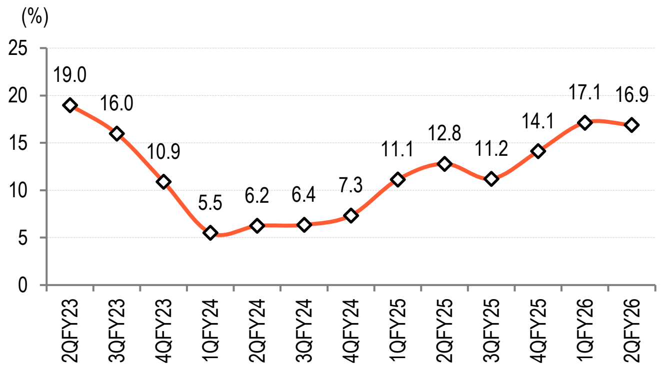
Source: Company, BOBCAPS Research

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	87.1	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**	**467.6**	**548.6**	**626.0**
-Growth (%)		**2.3**	**1.1**	**(0.1)**	**4.9**	**35.2**	**16.9**	**6.4**	**12.3**	**17.6**	**17.3**	**14.1**
Net Sales	13,300	13,651	14,305	14,376	15,644	21,605	26,479	29,255	33,659	40,702	48,972	57,005
-Growth (%)		2.6	4.8	0.5	8.8	38.1	22.6	10.5	15.1	20.9	20.3	16.4
Direct cost	5,246	6,180	7,059	7,613	7,813	10,789	13,848	15,029	17,897	21,430	24,557	28,352
Gross Profit	8,054	7,470	7,246	6,763	7,831	10,816	12,631	14,226	15,762	19,272	24,414	28,653
Gross Margin (%)	60.6	54.7	50.7	47.0	50.1	50.1	47.7	48.6	46.8	47.3	49.9	50.3
SGA Expenses	3,366	3,803	4,154	3,514	3,189	4,085	5,192	6,477	7,552	8,781	10,926	12,736
% of sales	25.3	27.9	29.0	24.4	20.4	18.9	19.6	22.1	22.4	21.6	22.3	22.3
Other operating income	-	-	-	-	-	-	-	-	-	-	-	-
EBITDA	4,688	3,668	3,092	3,249	4,642	6,731	7,439	7,750	8,209	10,491	13,489	15,916
% of sales	35.2	26.9	21.6	22.6	29.7	31.2	28.1	26.5	24.4	25.8	27.5	27.9
Depreciation & Amortisation	518	483	447	710	816	1,032	1,140	1,258	1,412	1,812	2,354	2,730
% of sales	3.9	3.5	3.1	4.9	5.2	4.8	4.3	4.3	4.2	4.5	4.8	4.8
EBIT	**4,170**	**3,185**	**2,645**	**2,539**	**3,826**	**5,699**	**6,299**	**6,492**	**6,797**	**8,679**	**11,134**	**13,186**
% of sales	**31.4**	**23.3**	**18.5**	**17.7**	**24.5**	**26.4**	**23.8**	**22.2**	**20.2**	**21.3**	**22.7**	**23.1**
Finance costs	-	-	-	188	203	201	212	235	349	421	432	432
Other income (net)	188	390	469	452	182	170	443	614	737	781	1,001	1,486
Exceptional Item	-	213	-	-	-	-57	-	-	-	-	-	-
PBT	4,358	3,787	3,114	2,803	3,806	5,611	6,530	6,871	7,185	9,039	11,703	14,240
-PBT margin (%)	32.8	27.7	21.8	19.5	24.3	26.0	24.7	23.5	21.3	22.2	23.9	25.0
Provision for tax	819	896	832	715	978	1,427	1,638	1,753	1,773	2,263	2,940	3,577
Effective tax rate (%)	18.8	23.7	26.7	25.5	25.7	25.4	25.1	25.5	24.7	25.0	25.1	25.1
Net profit	3,539	2,891	2,282	2,087	2,828	4,184	4,892	5,117	5,413	6,776	8,763	10,663
Minority Interest	(1)	4	0	0	0	4	4	3	2	3	4	4
Net reported profit	**3,541**	**2,887**	**2,283**	**2,087**	**2,828**	**4,180**	**4,888**	**5,115**	**5,411**	**6,773**	**8,759**	**10,659**
-Growth (%)		**(18.5)**	**(20.9)**	**(8.6)**	**35.5**	**47.8**	**16.9**	**4.6**	**5.8**	**25.2**	**29.3**	**21.7**
-Net profit margin (%)	**26.6**	**21.1**	**16.0**	**14.5**	**18.1**	**19.3**	**18.5**	**17.5**	**16.1**	**16.6**	**17.9**	**18.7**

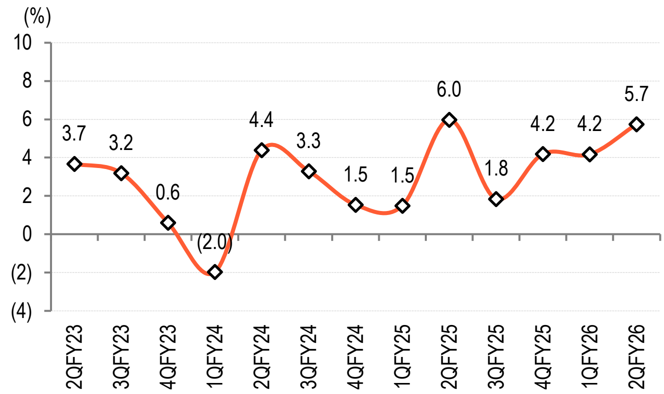
Source: Company, BOBCAPS Research

Fig 6 – USD Revenue growth rate (YoY)



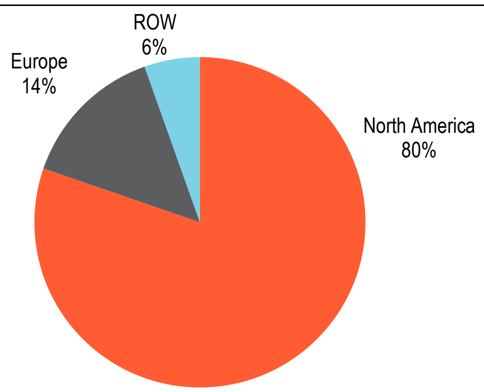
Source: Company, BOBCAPS Research

Fig 7 – USD Revenue growth rate (QoQ)



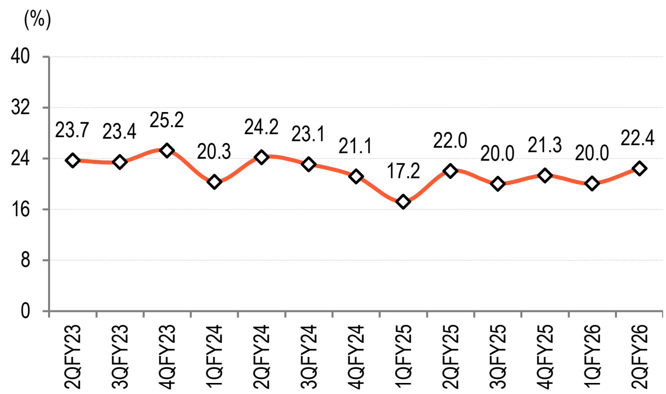
Source: Company, BOBCAPS Research

Fig 8 – 2QFY26 Geographical Revenue Mix



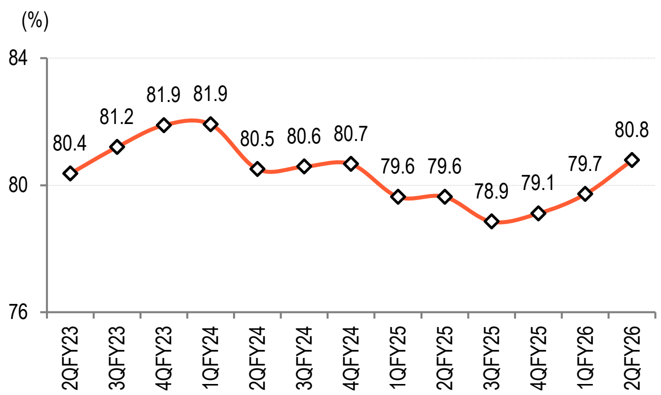
Source: Company, BOBCAPS Research

Fig 9 – EBIT Margin trend



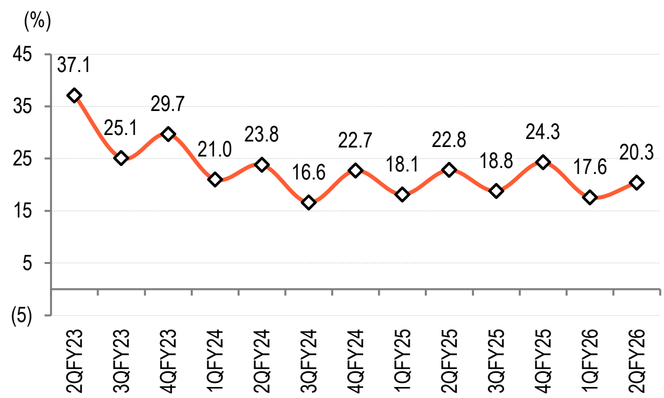
Source: Company, BOBCAPS Research

Fig 10 – Offshore Revenue (%)



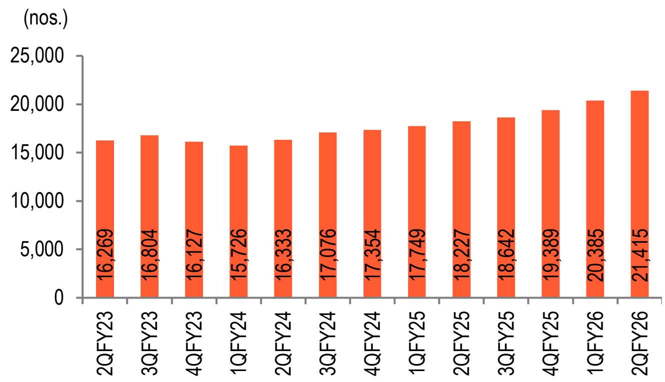
Source: Company, BOBCAPS Research

Fig 11 – Offshore Attrition (%)



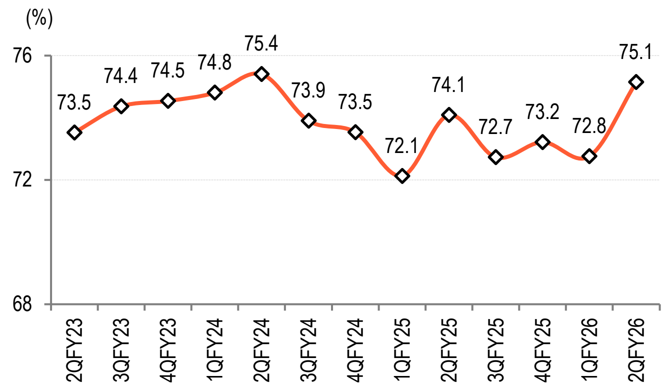
Source: Company, BOBCAPS Research

Fig 12 – Total Headcount



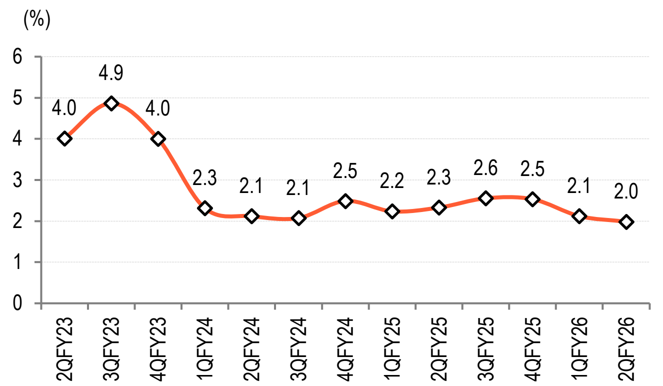
Source: Company, BOBCAPS Research

Fig 13 – Staff Utilisation - Delivery (%)



Source: Company, BOBCAPS Research

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



Source: Company, BOBCAPS Research

Fig 15 – Quarterly Snapshot

	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
INR/ USD	79.8	82.1	82.2	82.2	82.7	83.2	83.0	83.4	83.8	84.5	86.6	85.6	87.3
Revenue (USD mn)	82	85	86	84	88	91	92	93	98.8	100.7	105	109	116
INR mn													
Revenue	6,503	6,867	6,931	6,845	7,218	7,528	7,665	7,819	8,318	8,538	8,983	9,346	10,049
Gross margin	3,040	3,265	3,471	3,180	3,541	3,782	3,723	3,497	3,918	3,969	4,378	4,235	4,769
EBITDA	1,815	1,906	2,067	1,675	2,047	2,072	1,955	1,661	2,159	2,066	2,323	2,241	2,679
EBIT	1,541	1,607	1,748	1,390	1,744	1,737	1,620	1,344	1,832	1,709	1,913	1,872	2,254
Other income	157	125	-3	16	80	131	152	135	47	131	75	8	196
PBT	1,698	1,732	1,745	1,406	1,825	1,868	1,772	1,479	1,879	1,840	1,988	1,881	2,450
Tax	438	419	421	340	463	477	473	359	484	468	462	465	615
PAT	1,259	1,312	1,325	1,063	1,360	1,386	1,305	1,116	1,402	1,371	1,522	1,417	1,832
Number of shares	50	50	49	48	48	48	48	48	47	47	47	47	47
EPS	25	26	27	22	28	29	27	23	30	29	32	30	39
YoY Growth													
USD revenue	19.0	16.0	10.9	5.5	6.2	6.4	7.3	11.1	12.8	11.2	14.1	17.1	16.9
Revenue	24.3	22.8	17.1	10.8	11.0	9.6	10.6	14.2	15.2	13.4	17.2	19.5	20.8
Gross profit	15.5	14.4	18.8	11.4	16.5	15.8	7.3	9.9	10.6	5.0	17.6	21.1	21.7
EBITDA	10.0	7.2	13.4	1.5	12.8	8.7	(5.4)	(0.8)	5.5	(0.3)	18.8	35.0	24.1
EBIT	10.3	6.2	13.3	(0.8)	13.2	8.1	(7.3)	(3.3)	5.0	(1.6)	18.1	39.3	23.1
Net profit	24.3	23.0	11.6	7.2	8.0	5.7	(1.5)	5.0	3.1	(1.1)	16.6	26.9	30.6
QoQ Growth													
USD revenue	3.7	3.2	0.6	(2.0)	4.4	3.3	1.5	1.5	6.0	1.8	4.2	4.2	5.7
Revenue	5.3	5.6	0.9	(1.2)	5.4	4.3	1.8	2.0	6.4	2.6	5.2	4.0	7.5
EBITDA	6.5	7.4	6.3	(8.4)	11.3	6.8	(1.6)	(6.1)	12.0	1.3	10.3	(3.3)	12.6
EBIT	9.9	4.3	8.8	(20.5)	25.5	(0.4)	(6.7)	(17.0)	36.3	(6.7)	12.0	(2.1)	20.4
Net profit	26.9	4.2	1.1	(19.8)	27.9	2.0	(5.8)	(14.5)	25.7	(2.3)	11.0	(6.9)	29.3
Margins (%)													
Gross margin	46.8	47.5	50.1	46.5	49.1	50.2	48.6	44.7	47.1	46.5	48.7	45.3	47.5
EBITDA	27.9	27.8	29.8	24.5	28.4	27.5	25.5	21.2	26.0	24.2	25.9	24.0	26.7
EBIT	23.7	23.4	25.2	20.3	24.2	23.1	21.1	17.2	22.0	20.0	21.3	20.0	22.4
PAT	19.4	19.1	19.1	15.5	18.8	18.4	17.0	14.3	16.9	16.1	16.9	15.2	18.2
SGA	23.1	24.1	24.9	26.2	24.9	27.2	27.4	27.5	25.1	26.5	27.4	25.3	25.0

Source: Company, BOBCAPS Research

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Fig 16 – Key Metrics

	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
Total Headcount	**16,269**	**16,804**	**16,127**	**15,726**	**16,333**	**17,076**	**17,354**	**17,749**	**18,227**	**18,642**	**19,389**	**20,385**	**21,415**
Delivery and Support Staff													
Offshore Delivery	13,608	14,271	13,330	13,143	13,791	14,491	14,690	14,921	14,861	15,260	15,925	16,865	17,754
Onshore Delivery	645	607	599	535	585	611	630	683	637	627	656	655	651
Support Services	861	863	948	870	862	848	862	898	907	923	941	995	1,021
Tech Services	1,050	956	1,135	1,058	977	1,002	1,049	1,122	1,699	1,704	1,745	1,746	1,867
Selling and Distribution Staff (BD)	105	107	115	120	118	124	123	125	123	128	122	124	122
Revenue by Geography (%)													
North America	71.8	71.1	70.8	71.6	72.6	73.6	74.4	75.0	75.9	76.2	78.4	78.9	80.3
Europe	20.0	20.4	19.6	20.0	18.8	17.8	17.5	17.5	16.4	16.2	14.0	15.1	14.3
ROW	8.2	8.5	9.5	8.4	8.5	8.6	8.0	7.6	7.6	7.6	7.6	6.1	5.4
Revenue by Industry (%)													
BFSI								41.8	43.8	43.7	43.7	43.2	41.4
CMT								26.4	26.1	25.2	25.7	25.4	25.9
HiTech and M&D								16.8	16.7	16.2	16.1	16.5	16.7
Fashion & Luxury and Retail								10.3	8.7	9.3	8.8	9.0	8.4
Emerging								4.7	4.8	5.5	5.7	5.9	7.7
Billing Mix (%)													
Onshore Revenue	19.6	18.8	18.1	18.1	19.5	19.4	19.3	20.4	20.4	21.1	20.9	20.3	19.2
Offshore Revenue	80.4	81.2	81.9	81.9	80.5	80.6	80.7	79.6	79.6	78.9	79.1	79.7	80.8
Currency Concentration (%)													
USD	82.8	81.8	82.6	82.4	82.8	83.5	85.5	85.8	86.7	86.3	86.2	86.3	86.4
EURO	9.5	10.2	10.1	10.1	9.6	9.4	9.5	9.4	8.3	8.4	8.0	8.0	7.7
GBP	3.2	3.1	3.0	3.3	3.2	3.4	3.4	3.0	3.0	3.2	3.0	3.4	3.3
Client Concentration													
Top 5 contribution	42.5	40.0	39.9	39.5	40.8	42.3	45.5	45.5	46.9	44.9	46.7	46.5	45.9
Top 10 contribution	61.0	58.7	58.9	58.6	59.2	59.3	62.6	62.0	63.5	62.3	64.1	63.2	62.7
Non-Top 10 contribution	39.0	41.3	41.1	41.4	40.8	40.7	37.4	38.0	36.5	37.7	35.9	36.8	37.3
Offshore Attrition (%)	37.1	25.1	29.7	21.0	23.8	16.6	22.7	18.1	22.8	18.8	24.3	17.6	20.3
Overall Staff utilization (%)	68.4	68.5	68.3	69.1	70.0	68.8	68.4	66.6	68.4	67.2	67.9	67.4	69.5
Staff utilization (Delivery) (%)	73.5	74.4	74.5	74.8	75.4	73.9	73.5	72.1	74.1	72.7	73.2	72.8	75.1
Client Contribution													
US$ 500k-1mm Clients	27.0	31.0	32.0	39.0	39.0	38.0	41.0	37.0	36.0	36.0	37.0	42.0	44.0
US$ 1mm-3mm Clients	26.0	24.0	27.0	24.0	22.0	21.0	23.0	22.0	24.0	23.0	25.0	24.0	26.0
US$ 3mm-5mm Clients	2.0	3.0	4.0	4.0	4.0	7.0	4.0	6.0	5.0	5.0	4.0	5.0	5.0
US$ 5mm-10mm Clients	7.0	6.0	6.0	5.0	5.0	3.0	4.0	4.0	4.0	4.0	5.0	5.0	6.0
US$ 10mm++ Clients	7.0	8.0	8.0	9.0	9.0	10.0	10.0	9.0	9.0	9.0	9.0	9.0	9.0
Seat Count	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	15,140.0
Profit and Loss Statement (in mn USD)													
Revenue	82.5	85.1	85.6	83.9	87.6	90.5	91.9	93.3	98.8	100.7	104.9	109.2	115.5
EBIT	19.5	19.9	21.6	17.0	21.2	20.9	19.4	16.0	21.8	20.1	22.3	21.9	25.9
PAT	16.0	16.3	16.4	13.0	16.5	16.7	15.6	13.3	16.7	16.2	17.8	16.6	21.1
Productivity Metrics													
Per Capita (Annualised)													
Revenue	20,274	20,256	21,233	21,346	21,457	21,200	21,181	21,018	21,689	21,597	21,635	21,436	21,577
EBIT	4,804	4,742	5,356	4,336	5,186	4,892	4,477	3,613	4,775	4,322	4,607	4,294	4,840
PAT	3,926	3,869	4,061	3,316	4,042	3,904	3,607	3,000	3,657	3,467	3,665	3,250	3,934

Source: Company, BOBCAPS Research

Fig 17 – QoQ and YoY growth of various parameters

(%)	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
QoQ Growth (%)													
Total Headcount	0.6	3.3	(4.0)	(2.5)	3.9	4.5	1.6	2.3	2.7	2.3	4.0	5.1	5.1
Delivery and Support Staff													
Offshore Delivery	0.7	4.9	(6.6)	(1.4)	4.9	5.1	1.4	1.6	(0.4)	2.7	4.4	5.9	5.3
Onshore Delivery	(5.3)	(5.9)	(1.3)	(10.7)	9.3	4.4	3.1	8.4	(6.7)	(1.6)	4.6	(0.2)	(0.6)
Support Services	(9.5)	0.2	9.8	(8.2)	(0.9)	(1.6)	1.7	4.2	1.0	1.8	2.0	5.7	2.6
Tech Services	14.8	(9.0)	18.7	(6.8)	(7.7)	2.6	4.7	7.0	51.4	0.3	2.4	0.1	6.9
Selling and Distribution Staff (BD)	1.0	1.9	7.5	4.3	(1.7)	5.1	(0.8)	1.6	(1.6)	4.1	(4.7)	1.6	(1.6)
US$ Revenue	3.7	3.2	0.6	(2.0)	4.4	3.3	1.5	1.5	6.0	1.8	4.2	4.2	5.7
Revenue by Geography													
North America	6.5	2.2	0.2	(0.9)	5.9	4.7	2.7	2.2	7.4	2.1	7.2	4.8	7.7
Europe	(5.6)	5.1	(3.1)	(0.2)	(1.8)	(2.5)	0.2	1.1	(0.4)	0.6	(9.9)	12.0	0.2
ROW	4.4	7.4	12.9	(13.4)	5.9	4.2	(5.2)	(4.4)	7.0	1.6	4.2	(17.1)	(5.4)
Revenue by Industries													
BFSI									11.0	1.6	4.2	3.0	1.3
CMT									4.8	(1.5)	6.1	3.1	7.6
HiTech and M&D									5.1	(1.1)	3.4	6.8	7.2
Fashion & Luxury and Retail									(10.6)	9.4	(1.4)	5.6	(0.9)
Emerging									7.4	18.7	7.5	8.2	36.3
Billing Mix													
Onshore Revenue	(2.3)	(1.2)	(3.1)	(2.1)	12.5	2.9	1.1	6.9	6.0	5.8	2.9	1.1	0.2
Offshore Revenue	5.2	4.3	1.5	(1.9)	2.6	3.4	1.6	0.2	6.0	0.8	4.5	5.0	7.2
Currency Concentration													
USD	5.2	2.0	1.5	(2.2)	5.0	4.2	3.9	1.8	7.2	1.3	4.1	4.3	5.9
EURO	(6.3)	11.5	(0.4)	(2.0)	(1.6)	1.5	2.2	1.2	(7.3)	3.9	(0.5)	4.2	1.4
GBP	1.0	0.8	(2.0)	5.1	3.7	7.0	2.1	(10.1)	8.1	7.9	(3.6)	18.6	1.7
Client Concentration													
Top 5 contribution	4.3	(2.9)	0.4	(3.1)	8.0	7.0	9.2	1.6	9.3	(2.5)	8.3	3.8	4.3
Top 10 contribution	4.8	(0.6)	0.9	(2.5)	5.4	3.5	7.3	0.5	8.4	(0.1)	7.3	2.7	4.9
Non-Top 10 contribution	1.9	9.1	0.1	(1.2)	3.0	3.0	(6.8)	3.1	1.9	5.3	(0.9)	6.9	7.1
Client Contribution													
US$ 500k-1mm Clients	(15.6)	14.8	3.2	21.9	0.0	(2.6)	7.9	(9.8)	(2.7)	0.0	2.8	13.5	4.8
US$ 1mm-3mm Clients	23.8	(7.7)	12.5	(11.1)	(8.3)	(4.5)	9.5	(4.3)	9.1	(4.2)	8.7	(4.0)	8.3
US$ 3mm-5mm Clients	0.0	50.0	33.3	0.0	0.0	75.0	(42.9)	50.0	(16.7)	0.0	(20.0)	25.0	0.0
US$ 5mm-10mm Clients	0.0	(14.3)	0.0	(16.7)	0.0	(40.0)	33.3	0.0	0.0	0.0	25.0	0.0	20.0
US$ 10mm++ Clients	0.0	14.3	0.0	12.5	0.0	11.1	0.0	(10.0)	0.0	0.0	0.0	0.0	0.0
Seat Count	6.6	0.0	0.0	4.7	0.0	1.9	(3.3)	3.1	0.1	15.0	1.2	5.4	2.8
YoY Growth (%)													
Total Headcount	19.9	19.1	8.2	(2.8)	0.4	1.6	7.6	12.9	11.6	9.2	11.7	14.9	17.5
Delivery and Support Staff													
Offshore Delivery	20.4	21.3	6.0	(2.8)	1.3	1.5	10.2	13.5	7.8	5.3	8.4	13.0	19.5
Onshore Delivery	(4.2)	(8.7)	(11.3)	(21.4)	(9.3)	0.7	5.2	27.7	8.9	2.6	4.1	(4.1)	2.2
Support Services	9.1	9.0	17.5	(8.5)	0.1	(1.7)	(9.1)	3.2	5.2	8.8	9.2	10.8	12.6
Tech Services	48.9	21.5	51.5	15.6	(7.0)	4.8	(7.6)	6.0	73.9	70.1	66.3	55.6	9.9
Selling and Distribution Staff (BD)	1.9	3.9	6.5	15.4	12.4	15.9	7.0	4.2	4.2	3.2	(0.8)	(0.8)	(0.8)
US$ Revenue	19.0	16.0	10.9	5.5	6.2	6.4	7.3	11.1	12.8	11.2	14.1	17.1	16.9

(%)	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
Revenue by Geography													
North America	23.9	17.8	13.5	8.0	7.5	10.1	12.8	16.4	17.9	15.0	20.1	23.2	23.6
Europe	(0.7)	2.9	(4.6)	(4.0)	(0.1)	(7.4)	(4.3)	(3.0)	(1.7)	1.5	(8.7)	1.1	1.7
ROW	38.6	40.6	32.6	9.6	11.2	7.9	(9.4)	0.1	1.1	(1.5)	8.3	(6.2)	(17.0)
Revenue by Industries													
BFSI												21.0	10.4
CMT												12.9	16.0
HiTech and M&D												14.9	17.1
Fashion & Luxury and Retail												1.8	12.8
Emerging												48.3	88.2
Billing Mix													
Onshore Revenue	16.8	14.8	(0.6)	(8.4)	5.5	9.8	14.6	25.1	17.8	21.1	23.3	16.7	10.3
Offshore Revenue	19.5	16.3	13.8	9.2	6.4	5.5	5.7	8.0	11.6	8.8	11.9	17.3	18.6
Currency Concentration													
USD	23.1	18.6	13.5	6.6	6.3	8.6	11.1	15.7	18.1	14.9	15.1	17.9	16.5
EURO	12.8	10.5	(1.3)	2.1	7.2	(2.4)	0.1	3.3	(2.7)	(0.4)	(3.0)	(0.2)	9.2
GBP	(24.0)	(19.1)	(0.4)	4.8	7.6	14.2	19.0	1.9	6.2	7.0	1.0	33.3	25.4
Client Concentration													
Top 5 contribution	11.9	2.6	2.7	(1.4)	2.1	12.5	22.3	28.2	29.7	18.1	17.1	19.8	14.3
Top 10 contribution	20.3	12.5	8.6	2.6	3.1	7.4	14.1	17.7	21.1	16.8	16.8	19.3	15.4
Non-Top 10 contribution	17.1	21.3	14.3	10.0	11.1	4.9	(2.4)	1.9	0.8	3.1	9.6	13.6	19.4
Client Contribution													
US$ 500k-1mm Clients	17.4	72.2	28.0	21.9	44.4	22.6	28.1	(5.1)	(7.7)	(5.3)	(9.8)	13.5	22.2
US$ 1mm-3mm Clients	30.0	(4.0)	12.5	14.3	(15.4)	(12.5)	(14.8)	(8.3)	9.1	9.5	8.7	9.1	8.3
US$ 3mm-5mm Clients	(60.0)	0.0	33.3	100.0	100.0	133.3	0.0	50.0	25.0	(28.6)	0.0	(16.7)	0.0
US$ 5mm-10mm Clients	40.0	(14.3)	(14.3)	(28.6)	(28.6)	(50.0)	(33.3)	(20.0)	(20.0)	33.3	25.0	25.0	50.0
US$ 10mm++ Clients	16.7	33.3	33.3	28.6	28.6	25.0	25.0	0.0	0.0	(10.0)	(10.0)	0.0	0.0
Seat Count	2.2	2.2	2.2	11.6	4.7	6.7	3.2	1.6	1.7	14.8	20.1	22.8	26.1

Source: Company, BOBCAPS Research

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Total revenue	**29,255**	**33,659**	**40,702**	**48,972**	**57,005**
EBITDA	7,750	8,209	10,491	13,489	15,916
Depreciation	1,258	1,412	1,812	2,354	2,730
EBIT	6,492	6,797	8,679	11,134	13,186
Net interest inc./(exp.)	(235)	(349)	(421)	(432)	(432)
Other inc./(exp.)	614	737	781	1,001	1,486
Exceptional items	0	0	0	0	0
EBT	6,871	7,185	9,039	11,703	14,240
Income taxes	1,753	1,773	2,263	2,940	3,577
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	3	2	3	4	4
Reported net profit	**5,115**	**5,411**	**6,773**	**8,759**	**10,659**
Adjustments	0	0	0	0	0
Adjusted net profit	**5,115**	**5,411**	**6,773**	**8,759**	**10,659**

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	5,353	6,440	7,497
Provisions	124	258	335	403	469
Debt funds	0	0	0	0	0
Other liabilities	2,756	3,660	4,290	5,019	5,716
Equity capital	482	470	470	470	470
Reserves & surplus	22,012	22,610	29,339	38,055	48,671
Shareholders' fund	22,495	23,080	29,809	38,525	49,141
Total liab. and equities	**29,290**	**31,457**	**39,786**	**50,387**	**62,822**
Cash and cash eq.	6,921	7,391	13,588	21,673	31,820
Accounts receivables	4,960	4,954	6,133	7,379	8,590
Inventories	6	2	2	2	2
Other current assets	3,993	5,370	6,133	7,379	8,590
Investments	4,065	3,090	3,090	3,090	3,090
Net fixed assets	2,097	2,409	1,900	1,112	206
CWIP	8	2	2	2	2
Intangible assets	3,993	4,079	4,079	4,079	4,079
Deferred tax assets, net	591	727	855	1,003	1,144
Other assets	2,663	3,434	4,006	4,668	5,302
Total assets	**29,290**	**31,457**	**39,786**	**50,387**	**62,822**

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operations	**5,259**	**6,668**	**7,185**	**9,131**	**10,963**
Capital expenditures	(643)	(1,151)	(1,302)	(1,567)	(1,824)
Change in investments	(1,064)	1,291	0	0	0
Other investing cash flows	(3,172)	1,165	361	569	1,054
Cash flow from investing	**(4,879)**	**1,305**	**(942)**	**(998)**	**(770)**
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**	**6,196**	**8,086**	**10,146**
Closing cash & cash eq.	**6,921**	**7,391**	**13,588**	**21,673**	**31,820**

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	106.1	115.1	144.2	186.5	226.9
Adjusted EPS	104.0	113.1	140.8	182.2	221.7
Dividend per share	1.0	1.0	1.0	1.0	1.0
Book value per share	466.5	491.0	634.6	820.2	1,046.2

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	7.9	6.9	5.8	5.0	4.4
EV/EBITDA	29.7	28.3	22.4	18.0	15.8
Adjusted P/E	46.0	42.3	34.0	26.3	21.6
P/BV	10.3	9.8	7.5	5.8	4.6

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	74.4	75.3	74.9	74.8	74.9
Interest burden (PBT/EBIT)	105.8	105.7	104.2	105.1	108.0
EBIT margin (EBIT/Revenue)	22.2	20.2	21.3	22.7	23.1
Asset turnover (Rev./Avg TA)	112.2	110.8	114.3	108.6	100.7
Leverage (Avg TA/Avg Equity)	1.3	1.3	1.3	1.3	1.3
Adjusted ROAE	25.8	23.7	25.6	25.6	24.3

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	10.5	15.1	20.9	20.3	16.4
EBITDA	4.2	5.9	27.8	28.6	18.0
Adjusted EPS	5.8	8.7	24.5	29.3	21.7
Profitability & Return ratios (%)					
EBITDA margin	26.5	24.4	25.8	27.5	27.9
EBIT margin	22.2	20.2	21.3	22.7	23.1
Adjusted profit margin	17.5	16.1	16.6	17.9	18.7
Adjusted ROAE	25.8	23.7	25.6	25.6	24.3
ROCE	24.4	22.5	24.6	24.4	22.5
Working capital days (days)					
Receivables	58	54	50	50	51
Inventory	NA	NA	NA	NA	NA
Payables	NA	NA	NA	NA	NA
Ratios (x)					
Gross asset turnover	12.9	14.9	18.9	32.5	86.5
Current ratio	4.9	4.4	5.1	5.8	6.5
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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HOLD – Expected return from -6% to +15%
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Note: Recommendation structure changed with effect from 21 June 2021

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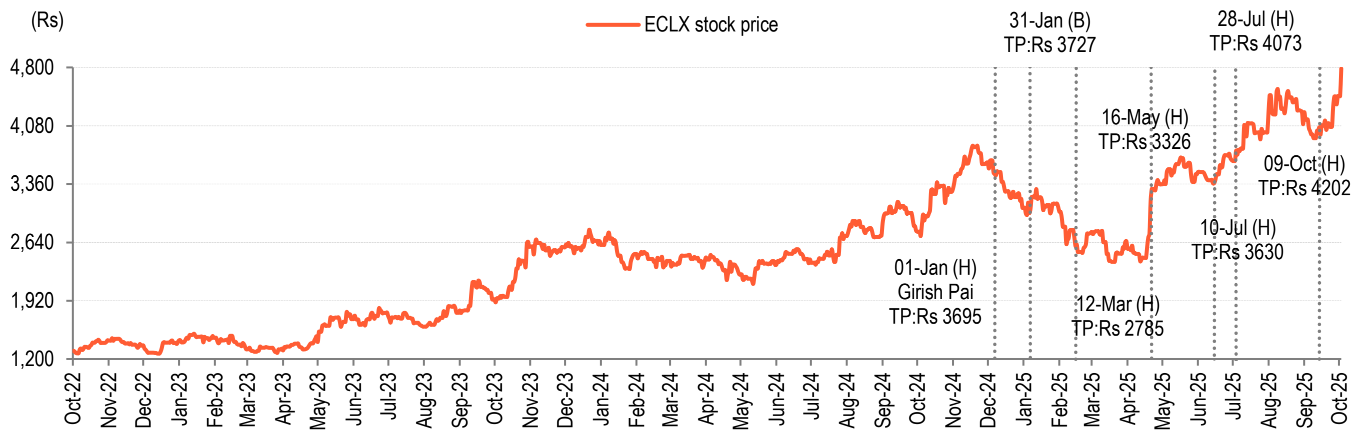

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