

**HOLD**

TP: Rs 3,326 | ▲ 5%

**ECLERX SERVICES**

| IT Services

| 16 May 2025

### Top quartile revenue growth likely in FY26

- 4QFY25 was strong (in line with our estimate) without impact from volatile macro. Among the few which got off unscathed
- TTM ACV of US\$140mn (up 53% YoY) and guidance of better FY26 ACV hints at least a similar revenue growth as in FY25 and very likely better
- Raise estimates. Raise Target PE multiple (now in line with that of TCS) due to better growth. Maintain HOLD. High client concentration key risk

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4QFY25 CC QoQ revenue growth of 4.4% was in line with our estimate. Did not feel the negative impact that many of its larger and smaller peers felt from volatile macro. The EBIT margin was better than our estimate by ~200bps due to operating leverage and lower G&A costs. 4Q order inflow ACV of US\$51mn was the highest in recent history and sets up the company for a good FY26

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.

Its focus on expanding its delivery footprint beyond India into Latin America (Lima) and Africa (Cairo) in our opinion will help attract customers who are wary of putting all eggs in the India delivery basket and will help it gain wallet share.

Raise USD revenue estimates to account for the strong order inflow in 4QFY25 and the prospects held out for a better FY26. Raise our target PE multiple due to better growth prospects medium term. We put it at par with that of TCS (21.3x). Its high client concentration continues to remain a key risk though execution under the new CEO Kapil Jain has been steady. It is our second-best pick in the Tier-2 space under our coverage. Our top pick remains Firstsource.

For its size (~US\$400mn annualized revenue run rate) we expect faster growth for it to command higher PE multiples. Larger Tier-2 peers (3x-4x its size) have been growing faster and have therefore been commanding higher multiples.

### Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	ECLX IN/Rs 3,156
Market cap	US\$ 1.7bn
Free float	45%
3M ADV	US\$ 3.0mn
52wk high/low	Rs 3,877/Rs 2,114
Promoter/FPI/DII	54%/10%/25%

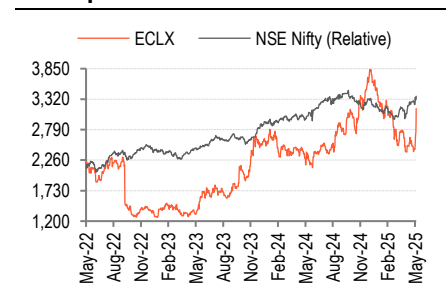
Source: NSE | Price as of 15 May 2025

### Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	33,659	39,028	45,019
EBITDA (Rs mn)	8,209	9,836	11,452
Adj. net profit (Rs mn)	5,411	6,194	7,471
Adj. EPS (Rs)	113.1	129.5	156.2
Consensus EPS (Rs)	110.9	131.8	153.6
Adj. ROAE (%)	23.7	23.7	22.7
Adj. P/E (x)	27.9	24.4	20.2
EV/EBITDA (x)	17.4	14.4	12.0
Adj. EPS growth (%)	8.7	14.5	20.6

Source: Company, Bloomberg, BOBCAPS Research

### Stock performance



Source: NSE



## Key Points from the quarter and the earnings call

- FY25 revenue stood at \$397.6mn, growing 12.3% YoY.
- 4QFY25 operating revenue stood at \$104.87mn. It grew 4.2% QoQ and 14.1% YoY. In CC terms, the revenue grew by 4.4% QoQ, in line with our estimate of 4.3%.
- Revenue by industries: BFSI: 44%; CMT: 26%; Hi-tech and M&D: 16%; Fashion & Luxury and Retail: 9%; Emerging: 6%
- FY25 operating margin stood at 20.2%
- 4QFY25 operating margin stood at 21.3% (our estimate: 20.6%). It grew 128 bps QoQ and 16 bps YoY
- On a QoQ basis, there was margin expansion in both EBITDA and PAT
  - Margin expansion was driven by strong revenue uptake and reduction in G&A costs due to lower rental and technology expenses
- FY25 PAT margin stood at 16.1%
- 4QFY25 net profit grew 11% QoQ and 14.6% YoY. PAT Margin stood at 16.9%
- 4Q deal wins totaled US\$51mn; Full year deal wins totaled US\$140mn
  - Deal wins centered around key focus areas: regulatory compliance and customer operations. Growth strategy of cross-sell, up-sell, and mining existing accounts continued to deliver results
  - Deal wins are from both existing clients and new clients. Yearly trends show broader client distribution rather than deal concentration
- Expectation for FY26 is to exceed FY25 deal wins (ACV) on a YoY basis
- The FY26 pipeline is stronger compared to the beginning of FY25
- Total Headcount was 19,389; Staff utilization (delivery) was 73.2%
- 4QFY25 Billing mix: Onshore Revenue - 21%, Offshore Revenue – 79%
- New delivery centers opened in Lima, Peru and Cairo, Egypt. New centers aimed at expanding share of wallet with existing clients
  - Seating capacity has increased with the new client facilities in Lima and Cairo
  - Operations in Lima have commenced; Cairo to commence shortly
  - Opening of new delivery centers in Lima and Cairo expected to create short-term margin headwinds
  - At a mature stage, margins from delivery centers in Lima and Cairo may be lower than those from India, but the overall portfolio mix is expected to balance this impact

- Strong deal intake this quarter was driven primarily by the financial BFSI and CMT sectors, with growth also seen in Hi-Tech and M&D sectors
- The weakness in Europe, particularly in the fashion and luxury segment, is due to clients struggling with top-line growth, impacted by the macroeconomic environment in the US and China
- Other income for the quarter was INR183mn, primarily due to apprentice benefits from government development initiatives
- Analytics and automation grew 17% YoY
- In BFSI, opportunities are seen in large and small new clients, especially in regulatory, compliance, and change
- Market volatility impacting transaction volumes in trading-related operations
- Fashion and luxury vertical under pressure due to underperformance in US and weakness in China
- Manufacturing and distribution verticals remain positive, with budgets focused on digital transformation and customer experience. Tariff changes affecting decision-making pace in manufacturing and distribution due to increased client management focus
- Strong 4Q finish provides momentum for FY26; outlook is cautiously optimistic
- Margin guidance for FY26 remains within the 24% to 28% band at the EBITDA level. In FY25 it was at 26%.
- 1QFY26 may experience some headwinds due to the macroeconomic environment and seasonal factors, despite a strong pipeline. Wage hikes and other margin-related pressures are expected to impact performance in 1Q
- Salary increases in FY26 are expected to be similar in quantum to FY25, though they will apply to a larger number of employees
- Company aims to remain in the top quartile of industry growth for FY26
- There are expected tailwinds, including potential operating leverage, which could improve margins in FY26
  - However, headwinds from newly opened centers (e.g., Lima and Cairo) may slow margin growth, as new centers take time to deliver profitable growth
  - Despite these challenges, the company plans to maintain the same margin guidance band for FY26 as in FY25
- The top five and top 10 clients were identified as Fortune 100 companies, with productized services noted to be relevant for them. Organizational alignment around industry, services, and capabilities was stated to have resonated well with these clients. A focus on growing accounts outside of the Top 10 has been indicated

- Growth is primarily driven by increased wallet share from existing clients rather than a broad-based increase in outsourcing demand
- Higher order book in FY25 can translate into stronger growth in FY26 if deal conversion timing remains consistent; however, timing differences in deal closures between 1Q and 4Q may impact YoY growth
- The company doesn't hesitate to pass on productivity gains to clients, even if it means cannibalizing its own revenue, because technology is a key differentiator
- BPaaS revenue as % of total is ~20%
- 4Q performance was in line with management expectations. The only unexpected factor was the volatility in the dollar-rupee exchange rate, which moved from ~88 to ~85, impacting financials slightly
- GCCs are viewed as partners rather than competitors; the company coexists with them and is seen as a strong collaborator. Plans are in place to grow the GCC footprint and invest further by onboarding dedicated resources in India to focus on GCCs
- Business predictability has improved compared to previous periods
- Pricing remains competitive and is determined by deal specifics, market conditions, and solution relevance; there is no consistent strategy of offering lower rates to improve win rates
- Operating leverage is driven by integration of technology across all processes and service offerings, enabling efficiency and scalability
- There is occasional overlap with pure-play analytics firms, particularly in pitches related to analytics services, especially within technology and marketing domains. ~20% of the business is reported under analytics and automation, which broadly overlaps with such firms. This segment experienced growth in the current year after a contraction in the prior year, attributed to its discretionary nature. Significant front-end and back-end investments have been made in data analytics, with continued growth expected if discretionary spending remains intact.
- Gen-AI and agentic AI are viewed as opportunities due to potential in productized services and product maturity enhancement. Gen-AI is being integrated across all products, with a willingness to cannibalize existing revenue streams to deliver client benefits.
- Voice-centric business accounts for ~6% - 7% of total revenue and is included within the CMT vertical
- 70% of the business is non-discretionary, while 30% is discretionary.
- The shift towards onsite services has increased from 10% to 20% over the past 7-8 years. It is expected to stay around 20%

**View on the Indian IT Services sector:** 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 12<sup>th</sup> March 2025 (**FY26 unlikely to be better than FY25**)

While both earnings (less so) and PE multiple (more so) have corrected since 1 Jan 2025, we suspect that there are further cuts possible for both FY26 and FY27 earnings under the current macro conditions which we believe could last longer than companies' sanguine commentary.

We believe the industry's structural USD 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 conditional tax breaks, the immigration push back, DOGE, etc, all point to uncertainty in the coming days which may delay decision making by customers and lead to lower spending.

**Higher for longer interest rate environment:** One of the reasons for optimism around the Indian IT Services sector in late 2024 has been the view that the US would achieve a soft landing in 2025 (which we define as 0.5-1.5% real GDP growth) 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 (due to economic slowdown concerns, not enough gains from DOGE, etc) US 10-year yields rose. 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.

Since Trump 2.0 took office and the fact that it is putting into effect a lot of structural repair, the market seems to believe that while growth would slow there would not be a commensurate decline in Inflation. This stagflationary set up and the uncertainty induced by the back and forth on tariff pronouncements, we believe, will lead to slower decision making and spending by US/global corporations on IT. The tariff spat with China is particularly concerning. Discretionary spending which was beginning to look up may go back into a shell again.

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 – value compressive in the near term:** Gen AI has significantly boosted revenue in semiconductors, data centres, and hyper scalers, but IT services have seen

limited benefits. ROI remains a top concern arising from heavy investments in surrounding services.

**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.

**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 9MFY25 (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 limited 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. We have changed this from 24.6x (which is the average PE multiple of TCS over the last five years less 1SD). The changed methodology reflects the changed outlook on growth in FY26. Through our choice of the benchmark Target PE multiple, we seek to capture the probability of downside risks to consensus growth expectations for FY26/FY27, especially due to Trump 2.0 proposals.

### Tier- 2 valuation reflects growth gap with Tier-1

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

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

**Fig 1 – Quarterly results: Comparison of actuals with estimates**

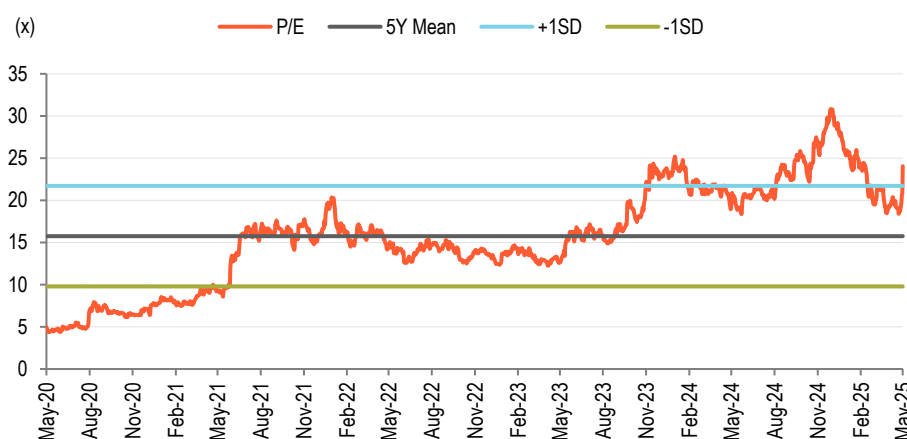
Y/E Mar (Rsmn)	4QFY24	3QFY25	4QFY25	YoY(%)	QoQ (%)	4QFY25E	Deviation (%)
<b>Net Sales (USD mn)</b>	<b>92</b>	<b>101</b>	<b>105</b>	<b>14.1</b>	<b>4.2</b>	<b>104</b>	<b>0.4</b>
Net Sales	7,665	8,538	8,983	17.2	5.2	9,033	(0.5)
Cost of Sales	5,710	6,472	6,660	16.6	2.9	6,815	(2.3)
% of Sales	74.5	75.8	74.1			75.4	
EBITDA	1,955	2,066	2,323	18.8	12.4	2,218	4.7
% of Sales	25.5	24.2	25.9			24.6	
Depreciation	335	358	410	22.2	14.5	358	14.5
<b>EBIT</b>	<b>1,620</b>	<b>1,709</b>	<b>1,913</b>	<b>18.1</b>	<b>12.0</b>	<b>1,860</b>	<b>2.8</b>
<b>EBIT Margin (%)</b>	<b>21.1</b>	<b>20.0</b>	<b>21.3</b>	<b>16</b>	<b>128</b>	<b>20.6</b>	
Interest Expenses	56	83	108	93.2	30.3	83	30.3
Other Income	230	214	182	(20.8)	(14.7)	137	32.9
PBT	1,795	1,840	1,988	10.8	8.0	1,915	3.8
Provision for Tax	473	468	462	(2.2)	(1.2)	490	(5.7)
Effective Tax Rate	26.4	25.4	23.3			25.6	
Minorities	-6.4	1.3	3.5			1.0	
<b>PAT (Reported)</b>	<b>1,328</b>	<b>1,371</b>	<b>1,522</b>	<b>14.6</b>	<b>11.0</b>	<b>1,424</b>	<b>6.9</b>
<b>NPM (%)</b>	<b>17.3</b>	<b>16.1</b>	<b>16.9</b>			<b>15.8</b>	

Source: Company, BOBCAPS Research

**Fig 2 – Revised Estimates**

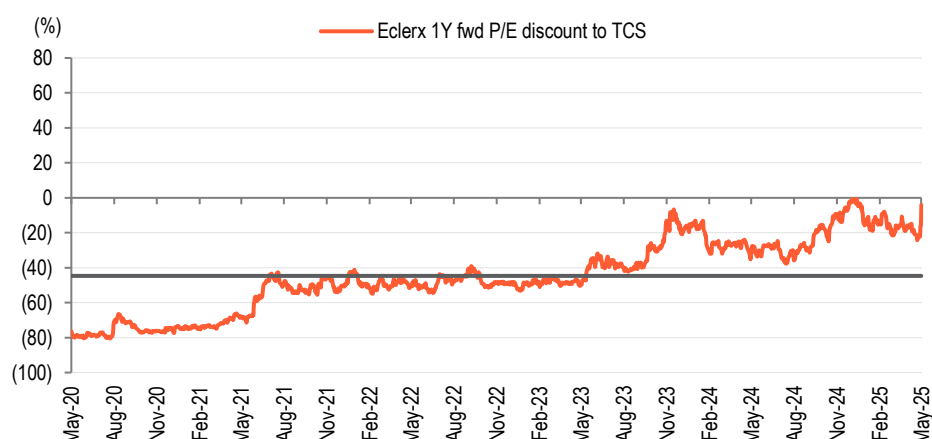
	New		Old		Change (%)	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
INR/USD	87.3	89.3	87.3	89.3	-	-
USD Revenue (USD mn)	447	504	428	479	4.4	5.2
USD Revenue Growth (%)	12.5	12.7	7.9	11.9		
Revenue (Rsmn)	39,028	45,019	37,381	42,803	4.4	5.2
EBIT (Rsmn)	7,879	9,208	7,519	8,590	4.8	7.2
EBIT Margin (%)	20.2	20.5	20.1	20.1		
PAT (Rsmn)	6,198	7,475	5,964	6,977	3.9	7.1
FDEPS (Rs)	129.5	156.2	124.2	145.3	4.3	7.5

Source: Company, BOBCAPS Research

**Fig 3 – 5 Year PE trend**

Source: Company, BOBCAPS Research

Fig 4 – Premium/ Discount to TCS



Source: Company, BOBCAPS Research

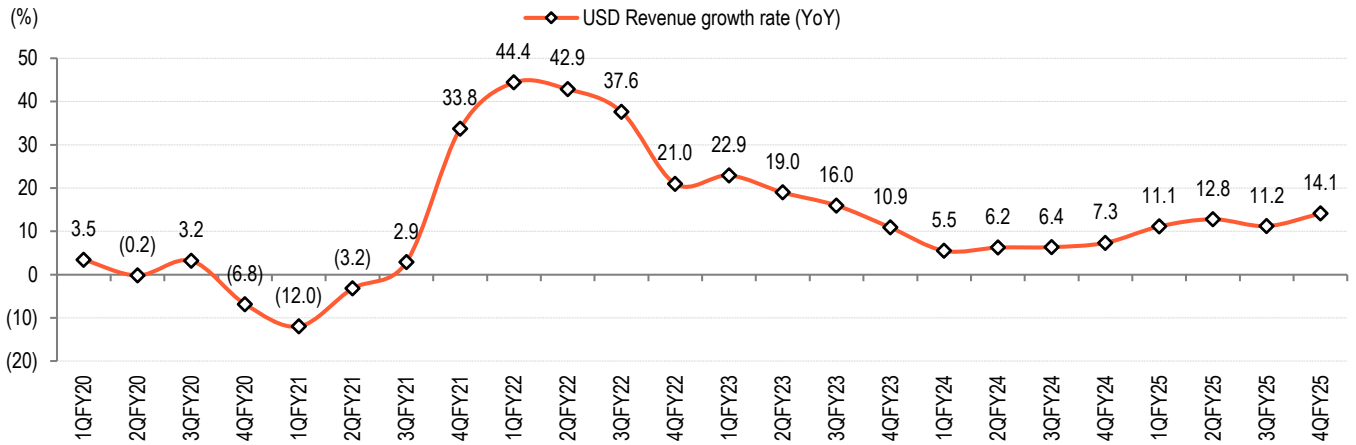
Fig 5 – P&amp;L at a glance

Rs mn (YE March)	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Average INR/USD	68.5	68.7	71.2	71.7	74.4	75.9	79.6	82.7	84.6	87.3	89.3
<b>Net sales (US\$m)</b>	<b>194.2</b>	<b>198.6</b>	<b>200.8</b>	<b>200.5</b>	<b>210.4</b>	<b>284.6</b>	<b>332.7</b>	<b>353.9</b>	<b>397.6</b>	<b>447.3</b>	<b>504.3</b>
<b>-Growth (%)</b>		<b>2.3</b>	<b>1.1</b>	<b>(0.1)</b>	<b>4.9</b>	<b>35.2</b>	<b>16.9</b>	<b>6.4</b>	<b>12.3</b>	<b>12.5</b>	<b>12.7</b>
Net Sales	13,300	13,651	14,305	14,376	15,644	21,605	26,479	29,255	33,659	39,028	45,019
-Growth (%)		2.6	4.8	0.5	8.8	38.1	22.6	10.5	15.1	16.0	15.3
Direct cost	5,246	6,180	7,059	7,613	7,813	10,789	13,848	15,029	17,897	20,410	23,121
Gross Profit	8,054	7,470	7,246	6,763	7,831	10,816	12,631	14,226	15,762	18,617	21,897
Gross Margin (%)	60.6	54.7	50.7	47.0	50.1	50.1	47.7	48.6	46.8	47.7	48.6
SGA Expenses	3,366	3,803	4,154	3,514	3,189	4,085	5,192	6,477	7,552	8,782	10,445
% of sales	25.3	27.9	29.0	24.4	20.4	18.9	19.6	22.1	22.4	22.5	23.2
Other operating income	-	-	-	-	-	-	-	-	-	-	-
EBITDA	4,688	3,668	3,092	3,249	4,642	6,731	7,439	7,750	8,209	9,836	11,452
% of sales	35.2	26.9	21.6	22.6	29.7	31.2	28.1	26.5	24.4	25.2	25.4
Depreciation & Amortisation	518	483	447	710	816	1,032	1,140	1,258	1,412	1,957	2,244
% of sales	3.9	3.5	3.1	4.9	5.2	4.8	4.3	4.3	4.2	5.0	5.0
<b>EBIT</b>	<b>4,170</b>	<b>3,185</b>	<b>2,645</b>	<b>2,539</b>	<b>3,826</b>	<b>5,699</b>	<b>6,299</b>	<b>6,492</b>	<b>6,797</b>	<b>7,879</b>	<b>9,208</b>
<b>% of sales</b>	<b>31.4</b>	<b>23.3</b>	<b>18.5</b>	<b>17.7</b>	<b>24.5</b>	<b>26.4</b>	<b>23.8</b>	<b>22.2</b>	<b>20.2</b>	<b>20.2</b>	<b>20.5</b>
Finance costs	-	-	-	188	203	201	212	235	349	348	348
Other income (net)	188	390	469	452	182	170	443	614	737	744	1,120
Exceptional Item	-	213	-	-	-	(57)	-	-	-	-	-
PBT	4,358	3,787	3,114	2,803	3,806	5,611	6,530	6,871	7,185	8,275	9,980
-PBT margin (%)	32.8	27.7	21.8	19.5	24.3	26.0	24.7	23.5	21.3	21.2	22.2
Provision for tax	819	896	832	715	978	1,427	1,638	1,753	1,773	2,077	2,505
Effective tax rate (%)	18.8	23.7	26.7	25.5	25.7	25.4	25.1	25.5	24.7	25.1	25.1
Net profit	3,539	2,891	2,282	2,087	2,828	4,184	4,892	5,117	5,413	6,198	7,475
Minority Interest	(1)	4	0	0	0	4	4	3	2	4	4
<b>Net reported profit</b>	<b>3,541</b>	<b>2,887</b>	<b>2,283</b>	<b>2,087</b>	<b>2,828</b>	<b>4,180</b>	<b>4,888</b>	<b>5,115</b>	<b>5,411</b>	<b>6,194</b>	<b>7,471</b>
<b>-Growth (%)</b>		<b>(18.5)</b>	<b>(20.9)</b>	<b>(8.6)</b>	<b>35.5</b>	<b>47.8</b>	<b>16.9</b>	<b>4.6</b>	<b>5.8</b>	<b>14.5</b>	<b>20.6</b>
<b>-Net profit margin (%)</b>	<b>26.6</b>	<b>21.1</b>	<b>16.0</b>	<b>14.5</b>	<b>18.1</b>	<b>19.3</b>	<b>18.5</b>	<b>17.5</b>	<b>16.1</b>	<b>15.9</b>	<b>16.6</b>

Source: Company, BOBCAPS Research

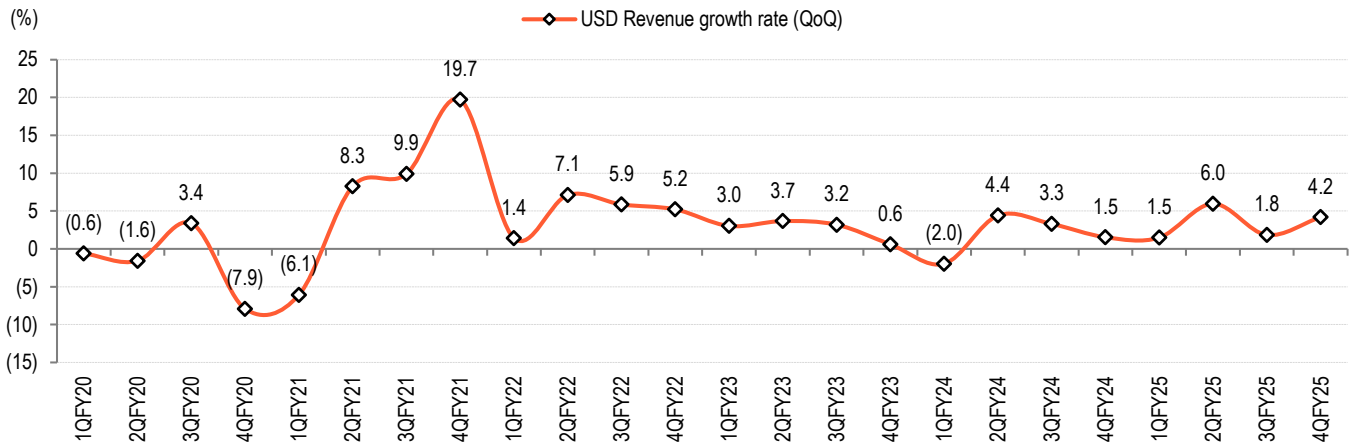


**Fig 6 – US\$ Revenue Growth (YoY)**



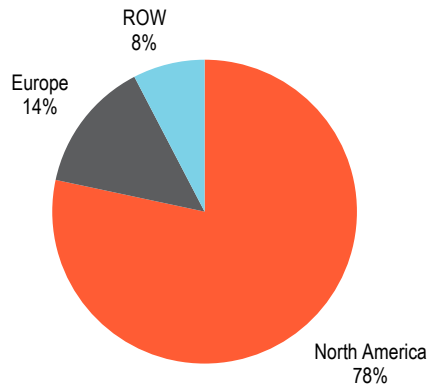
Source: Company, BOBCAPS Research

**Fig 7 – US\$ Revenue Growth (QoQ)**



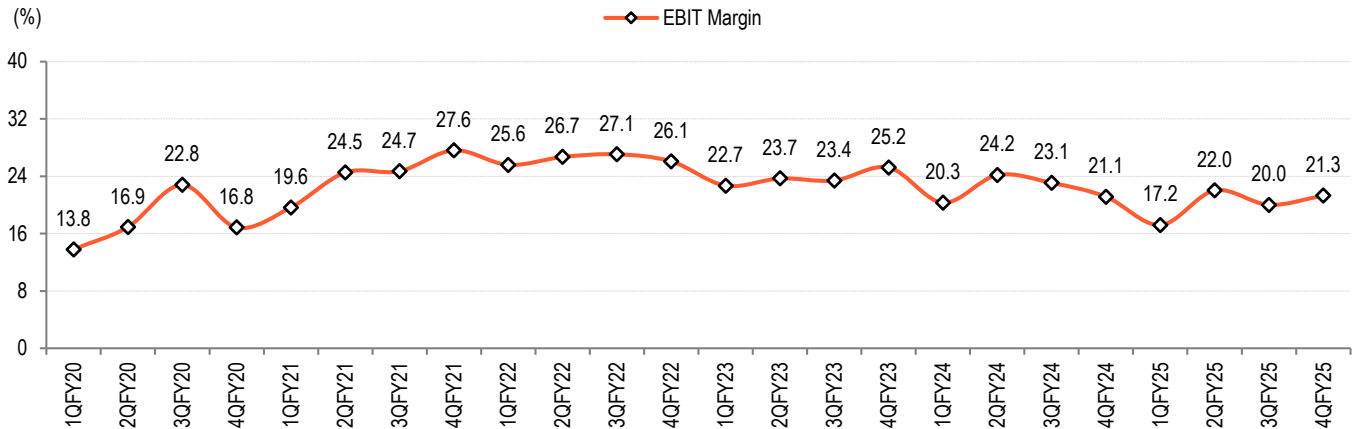
Source: Company, BOBCAPS Research

**Fig 8 – 4QFY25 Geographical Revenue Mix**



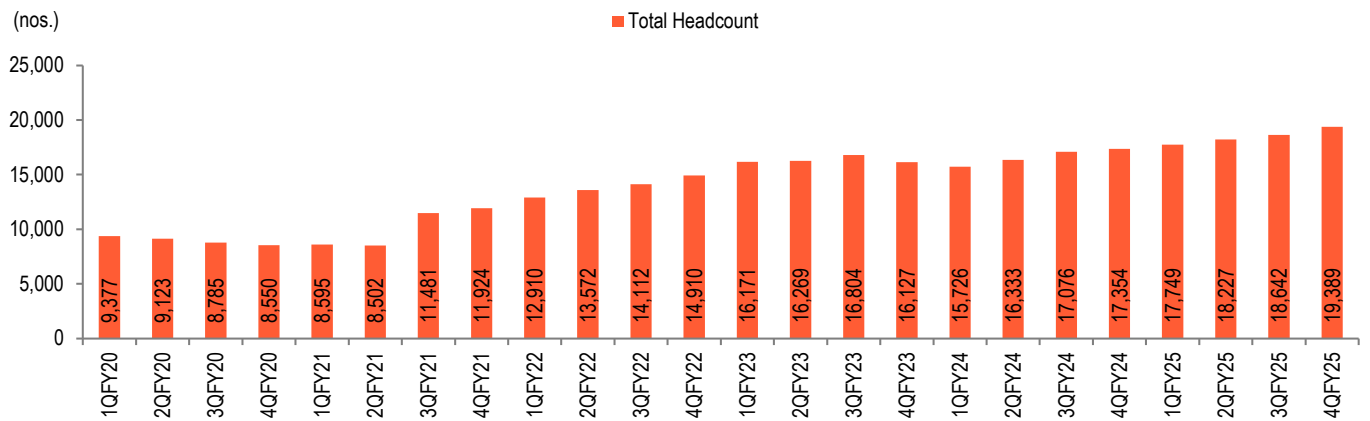
Source: Company, BOBCAPS Research

**Fig 9 – EBIT Margin trend**



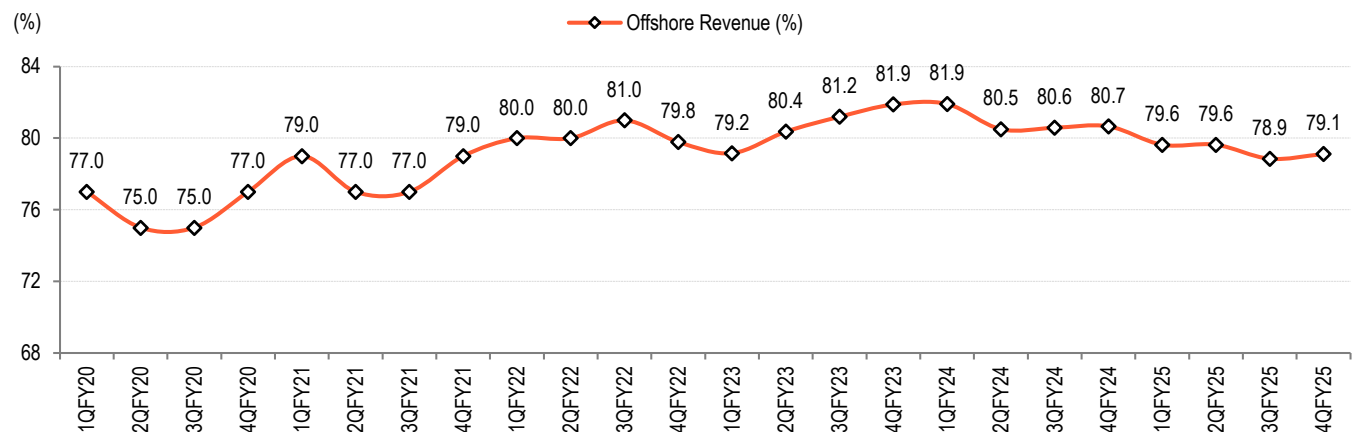
Source: Company, BOBCAPS Research

**Fig 10 – Total Headcount trend**



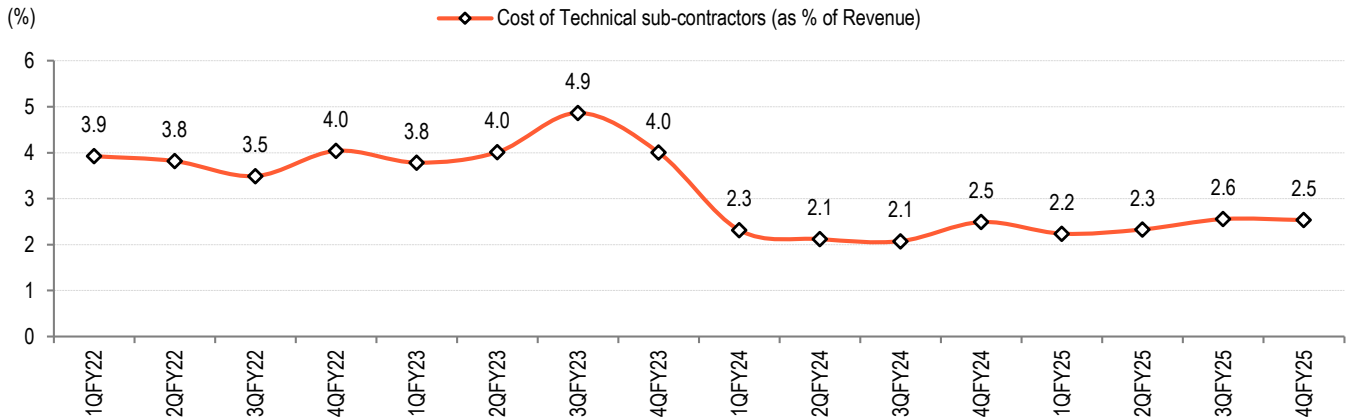
Source: Company, BOBCAPS Research

**Fig 11 – Billing Mix (Offshore)**



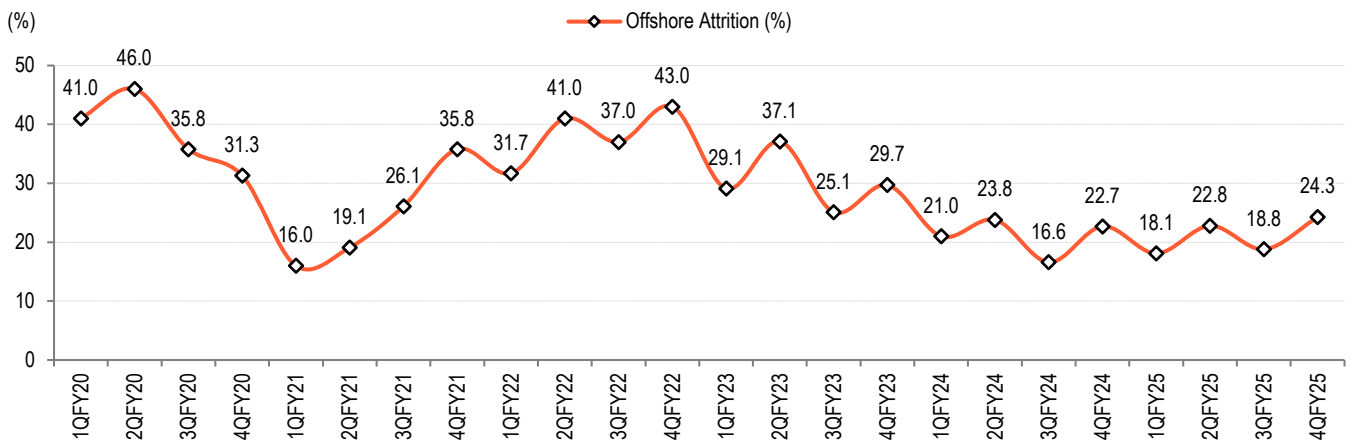
Source: Company, BOBCAPS Research

**Fig 12 – Technical sub-contractor cost (as % of Revenue)**



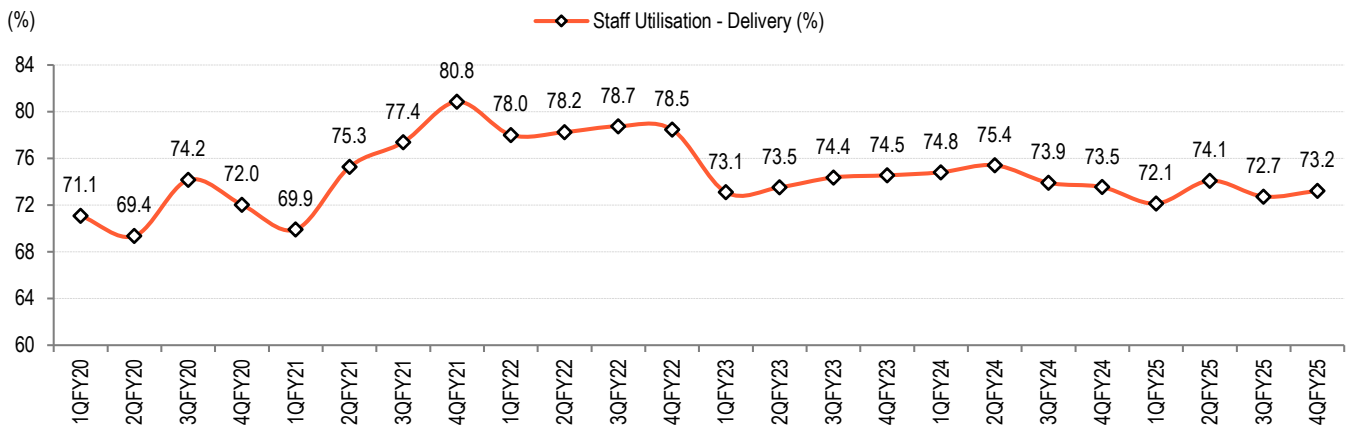
Source: Company, BOBCAPS Research

**Fig 13 – Offshore Attrition Rate**



Source: Company, BOBCAPS Research

**Fig 14 – Staff Utilization – Delivery (%)**



Source: Company, BOBCAPS Research

Fig 15 – Quarterly Snapshot

	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
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
Revenue (USD mn)	80	82	85	86	84	88	91	92	93	98.8	100.7	105
<b>INR mn</b>												
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
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
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
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
Other income	-47	157	125	-3	16	80	131	152	135	47	131	75
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
Tax	360	438	419	421	340	463	477	473	359	484	468	462
PAT	992	1,259	1,312	1,325	1,063	1,360	1,386	1,305	1,116	1,402	1,371	1,522
Number of shares	50	50	50	49	48	48	48	48	48	47	47	47
EPS	20	25	26	27	22	28	29	27	23	30	29	32
<b>YoY Growth</b>												
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
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
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
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
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
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
<b>QoQ Growth</b>												
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
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
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
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
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
<b>Margins (%)</b>												
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
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
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
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
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

Source: Company, BOBCAPS Research

Fig 16 – Key Metrics

	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
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
<b>Delivery and Support Staff</b>												
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
Onshore Delivery	681	645	607	599	535	585	611	630	683	637	627	656
Support Services	951	861	863	948	870	862	848	862	898	907	923	941
Tech Services	915	1,050	956	1,135	1,058	977	1,002	1,049	1,122	1,699	1,704	1,745
<b>Selling and Distribution Staff (BD)</b>	<b>104</b>	<b>105</b>	<b>107</b>	<b>115</b>	<b>120</b>	<b>118</b>	<b>124</b>	<b>123</b>	<b>125</b>	<b>123</b>	<b>128</b>	<b>122</b>
<b>Revenue by Geography (%)</b>												
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
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
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
<b>Revenue by Industry (%)</b>												
BFSI									41.8	43.8	43.7	43.7
CMT									26.4	26.1	25.2	25.7
HiTech and M&D									16.8	16.7	16.2	16.1
Fashion & Luxury and Retail									10.3	8.7	9.3	8.8
Emerging									4.7	4.8	5.5	5.7
<b>Billing Mix (%)</b>												
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
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
<b>Currency Concentration (%)</b>												
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
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
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
<b>Client Concentration</b>												
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
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
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
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
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
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
<b>Client Contribution</b>												
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
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	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
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
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
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
<b>Profit and Loss Statement (in mn USD)</b>												
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
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
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
<b>Productivity Metrics</b>												
<b>Per Capita (Annualised)</b>												
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
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
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

Source: Company, BOBCAPS Research

Fig 17 – QoQ and YoY growth across various parameters

(%)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
<b>QoQ Growth (%)</b>												
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
<b>Delivery and Support Staff</b>												
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
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
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
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
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)
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
<b>Revenue by Geography</b>												
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
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)
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
<b>Billing Mix</b>												
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
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
<b>Currency Concentration</b>												
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
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)
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)
<b>Client Concentration</b>												
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
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
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)
<b>Client Contribution</b>												
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
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)	4.3
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)
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
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
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
<b>YoY Growth (%)</b>												
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
<b>Delivery and Support Staff</b>												
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
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
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
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
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)
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
<b>Revenue by Geography</b>												
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
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)
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

(%)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
<b>Billing Mix</b>												
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
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
<b>Currency Concentration</b>												
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
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)
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
<b>Client Concentration</b>												
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
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
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
<b>Client Contribution</b>												
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)
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	4.3
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
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
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)
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

Source: Company, BOBCAPS Research

## Financials

### Income Statement

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25A	FY26E	FY27E
<b>Total revenue</b>	<b>26,479</b>	<b>29,255</b>	<b>33,659</b>	<b>39,028</b>	<b>45,019</b>
EBITDA	7,439	7,750	8,209	9,836	11,452
Depreciation	1,140	1,258	1,412	1,957	2,244
EBIT	6,299	6,492	6,797	7,879	9,208
Net interest inc./(exp.)	(212)	(235)	(349)	(348)	(348)
Other inc./(exp.)	443	614	737	744	1,120
Exceptional items	0	0	0	0	0
EBT	6,530	6,871	7,185	8,275	9,980
Income taxes	1,638	1,753	1,773	2,077	2,505
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	4	3	2	4	4
<b>Reported net profit</b>	<b>4,888</b>	<b>5,115</b>	<b>5,411</b>	<b>6,194</b>	<b>7,471</b>
Adjustments	0	0	0	0	0
<b>Adjusted net profit</b>	<b>4,888</b>	<b>5,115</b>	<b>5,411</b>	<b>6,194</b>	<b>7,471</b>

### Balance Sheet

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25A	FY26E	FY27E
Accounts payables	0	0	0	0	0
Other current liabilities	3,525	3,914	4,459	5,881	6,784
Provisions	99	124	258	214	247
Debt funds	10	0	0	0	0
Other liabilities	2,078	2,756	3,660	4,107	4,620
Equity capital	480	482	470	470	470
Reserves & surplus	16,685	22,012	22,610	28,761	36,189
Shareholders' fund	17,166	22,495	23,080	29,231	36,659
<b>Total liab. and equities</b>	<b>22,877</b>	<b>29,290</b>	<b>31,457</b>	<b>39,432</b>	<b>48,309</b>
Cash and cash eq.	4,279	6,921	7,391	14,140	21,445
Accounts receivables	4,405	4,960	4,954	6,416	7,400
Inventories	5	6	2	2	2
Other current assets	2,677	3,993	5,370	5,346	6,167
Investments	2,745	4,065	3,090	3,090	3,090
Net fixed assets	2,444	2,097	2,409	1,701	898
CWIP	208	8	2	2	2
Intangible assets	3,960	3,993	4,079	4,079	4,079
Deferred tax assets, net	541	591	727	818	922
Other assets	1,822	2,663	3,434	3,840	4,306
<b>Total assets</b>	<b>22,877</b>	<b>29,290</b>	<b>31,457</b>	<b>39,432</b>	<b>48,309</b>

### Cash Flows

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25A	FY26E	FY27E
<b>Cash flow from operations</b>	<b>4,926</b>	<b>5,259</b>	<b>6,668</b>	<b>7,649</b>	<b>8,020</b>
Capital expenditures	(901)	(643)	(1,151)	(1,249)	(1,441)
Change in investments	(540)	(1,064)	1,291	0	0
Other investing cash flows	597	(3,172)	1,165	396	772
<b>Cash flow from investing</b>	<b>(844)</b>	<b>(4,879)</b>	<b>1,305</b>	<b>(853)</b>	<b>(669)</b>
Equities issued/Others	0	0	(3,839)	0	0
Debt raised/repaid	0	0	0	0	0
Interest expenses	(4,368)	(1,017)	(2,210)	0	0
Dividends paid	(33)	(48)	(47)	(47)	(47)
Other financing cash flows	0	0	0	0	0
<b>Cash flow from financing</b>	<b>(4,401)</b>	<b>(1,065)</b>	<b>(6,096)</b>	<b>(47)</b>	<b>(47)</b>
<b>Chg in cash &amp; cash eq.</b>	<b>(319)</b>	<b>(685)</b>	<b>1,877</b>	<b>6,749</b>	<b>7,305</b>
<b>Closing cash &amp; cash eq.</b>	<b>4,279</b>	<b>6,921</b>	<b>7,391</b>	<b>14,140</b>	<b>21,445</b>

### Per Share

Y/E 31 Mar (Rs)	FY23A	FY24A	FY25A	FY26E	FY27E
Reported EPS	99.7	106.1	115.1	131.8	158.9
Adjusted EPS	98.3	104.0	113.1	129.5	156.2
Dividend per share	1.0	1.0	1.0	1.0	1.0
Book value per share	350.3	466.5	491.0	621.9	779.9

### Valuations Ratios

Y/E 31 Mar (x)	FY23A	FY24A	FY25A	FY26E	FY27E
EV/Sales	5.4	4.9	4.2	3.6	3.1
EV/EBITDA	19.3	18.5	17.4	14.4	12.0
Adjusted P/E	32.1	30.3	27.9	24.4	20.2
P/BV	9.0	6.8	6.4	5.1	4.0

### DuPont Analysis

Y/E 31 Mar (%)	FY23A	FY24A	FY25A	FY26E	FY27E
Tax burden (Net profit/PBT)	74.9	74.4	75.3	74.9	74.9
Interest burden (PBT/EBIT)	103.7	105.8	105.7	105.0	108.4
EBIT margin (EBIT/Revenue)	23.8	22.2	20.2	20.2	20.5
Asset turnover (Rev./Avg TA)	121.5	112.2	110.8	110.1	102.6
Leverage (Avg TA/Avg Equity)	1.3	1.3	1.3	1.4	1.3
<b>Adjusted ROAE</b>	<b>29.8</b>	<b>25.8</b>	<b>23.7</b>	<b>23.7</b>	<b>22.7</b>

### Ratio Analysis

Y/E 31 Mar	FY23A	FY24A	FY25A	FY26E	FY27E
<b>YoY growth (%)</b>					
Revenue	22.6	10.5	15.1	16.0	15.3
EBITDA	10.5	4.2	5.9	19.8	16.4
Adjusted EPS	15.2	5.8	8.7	14.5	20.6
<b>Profitability &amp; Return ratios (%)</b>					
EBITDA margin	28.1	26.5	24.4	25.2	25.4
EBIT margin	23.8	22.2	20.2	20.2	20.5
Adjusted profit margin	18.5	17.5	16.1	15.9	16.6
Adjusted ROAE	29.8	25.8	23.7	23.7	22.7
ROCE	28.7	24.4	22.5	22.6	20.9
<b>Working capital days (days)</b>					
Receivables	53	58	54	53	56
Inventory	NA	NA	NA	NA	NA
Payables	NA	NA	NA	NA	NA
<b>Ratios (x)</b>					
Gross asset turnover	11.4	12.9	14.9	19.0	34.6
Current ratio	3.9	4.9	4.4	4.8	5.4
Net interest coverage ratio	NA	NA	NA	NA	NA
<b>Adjusted debt/equity</b>	<b>(0.2)</b>	<b>(0.3)</b>	<b>(0.3)</b>	<b>(0.5)</b>	<b>(0.6)</b>

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



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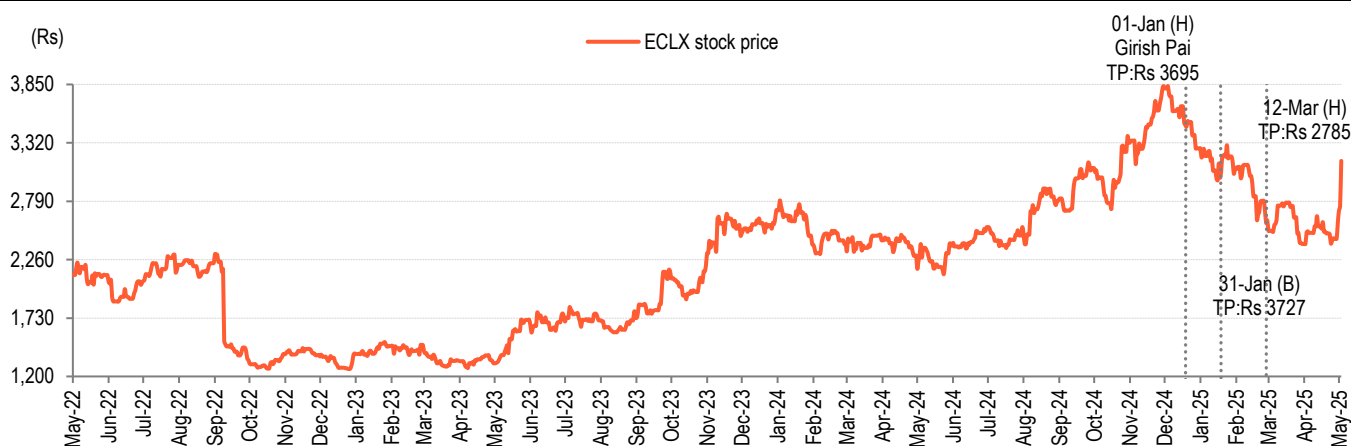
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**Note:** Recommendation structure changed with effect from 21 June 2021

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