RESULT REVIEW

BOBCAPS
TRUST | INNOVATION | EXCELLENCE

BUY

TP: Rs 1,824 | ⮝ 20%

ECLERX SERVICES | IT Services | 15 May 2026

Guides for top quartile growth in FY27 with similar margins

- **4QFY26 softer expected. This was after 4 consecutive quarters of strong QoQ growth. 17% CC revenue growth for FY26 is top quartile**
- **Guides for top quartile growth in FY27 too with similar margins. No color on absolute growth. Quarterly ACV plateaus after upturn**
- **Cut EPS for FY27-FY29 on lower visibility, high competitive intensity. Maintain Buy. Maintain target PE multiple (10% premium to that of TCS)**

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4Q revenue apparently met internal expectations but lower than our estimate: After four successive quarters of ~5% QoQ growth in USD terms, the 0.6% growth was a significant deceleration. While we were building in softness through 2.9% QoQ CC growth estimate, the deceleration was a lot more material. While the CMT Vertical (~27% of revenue in 4Q) grew 7% QoQ in USD terms, BFSI (~39%), Hitech and M&D (~20%) declined 3% and 4% respectively.

ACV has to move up few notches higher at regular intervals to deliver mid-high teen sustained growth: The average quarterly ACV addition in the last 5 quarters has been ~US45mn compared to ~US$27mn in the previous 5. That led the revenue growth to pick up from low teen number in FY25 to the high teen one in FY26. For that growth to sustain we believe the ACV number has to move up a few notches every year from here on. The PE compression that the stock has undergone YTD 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 also on the slower growth in TTM ACV (down to 24% YoY in 4QFY26 vs 51%, 12 months back). This would require greater investment by eClerx in capability building as well as sales and marketing.

Tier-2 top quartile player: We cut estimates to account for the weaker than estimated 4QFY26 performance. We have moderated our FY27- FY29 USD revenue and margin estimates as we feel that they would be under pressure due to high competitive intensity. Maintain our target PE multiple of 18.5x on FY28EPS (10% 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. We maintain our 'Buy' rating. While it massively outperformed Nifty IT in CY2025 (by ~47ppts, NIFTY IT down ~13%), it has underperformed YTD2026 (by ~7ppt, NIFTY IT down ~28%) largely due to concerns around Advanced AI on its business and the slowing ACV growth. This has prompted us to pare our revenue and margin estimates as well as our Target PE multiple (done earlier).

Key changes

Target	Rating
▼	◀▶

Ticker/Price	ECLX IN/Rs 1,519
Market cap	US$ 1.5bn
Free float	44%
3M ADV	US$ 4.5mn
52wk high/low	Rs 2,498/Rs 1,375
Promoter/FPI/DII	55%/12%/24%

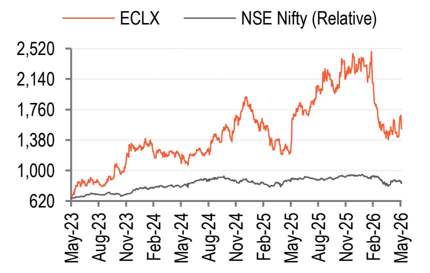
Source: NSE | Price as of 14 May 2026

Key financials

Y/E 31 Mar	FY26A	FY27E	FY28E
Total revenue (Rs mn)	41,170	50,373	56,519
EBITDA (Rs mn)	10,523	12,922	14,469
Adj. net profit (Rs mn)	7,062	8,145	9,329
Adj. EPS (Rs)	74.7	86.2	98.7
Consensus EPS (Rs)	74.7	82.1	95.2
Adj. ROAE (%)	29.0	27.5	24.4
Adj. P/E (x)	20.3	17.6	15.4
EV/EBITDA (x)	14.1	11.8	11.1
Adj. EPS growth (%)	32.2	15.3	14.5

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Key Points from the quarter and the earnings call

4QFY26

- Revenue stood at US$122.4mn, growing 0.5% QoQ (against our estimate of 2.9%) in CC terms
  - The growth was driven by the CMT and the emerging vertical
- 4Q performance was in line with management expectations
- Operating EBITDA stood at 25.7%, declining 15 bps QoQ due to higher headcount additions and increased travel costs. This was partially offset by lower G&A expenses and marginal reduction in S&D costs
- EBIT Margin stood at 21.2% (broadly in line with our estimate of 21%), declining ~30 bps QoQ and ~13bps YoY
- Total Headcount stood at 22,639, headcount addition of 672 in the quarter. Delivery headcount stood at 19,327, headcount addition of 528 in the quarter
- Staff utilization (delivery) was 74.2%, down 229bps QoQ
- Offshore attrition stood at 21.7%, up from 19.3% in the previous quarter
- ACV of new deals (excluding CLX), stood at US$46.1mn, growing 1.2% QoQ and declining 5.2% YoY. TTM ACV stood at US$169.9mn, growing 24% YoY
- First large-scale agentic AI deal was secured in 4QFY26 with deployments planned from 1QFY27 onward
  - Management attributed the agentic AI deal win primarily to strong delivery capabilities, domain expertise and client relationships

Commentary on growth across verticals

- CMT vertical delivered strong performance with sequential growth exceeding 7%
  - Investments underway in inbound sales capabilities and geographic diversification
- BFSI witnessed a softer quarter due to completion of certain consulting engagements
  - Pipeline remains encouraging despite softer quarter
  - Financial crime and compliance (FCC) within BFSI continues to remain a strong area with differentiated positioning. FCC demand continues to be influenced by the regulatory environment
  - Traction is building in securities lifecycle-related engagements within BFSI
- High-tech client spending remained focused on transformation, automation and customer satisfaction initiatives
- Manufacturing and distribution (M&D) and retail verticals reported softer 4Q performance but the pipeline across new and existing accounts remained strong

- Emerging Business segment led by finance and accounting delivered strong growth across three consecutive quarters
- Fashion & Luxury segment experienced a sluggish FY26
- CLX business expected to return to growth in 1HFY27 supported by new GenAI wins at key clients. CLX (acquired in 2015) helps create, manage, and deliver high-quality media content and product data for today's global, multi-channel marketplace.
- Management also highlighted positive green shoots emerging within the Fashion & Luxury industry segment
- Compliance Manager in financial crime and compliance space and Market360 in digital commerce have been AI-enabled and are witnessing strong client traction because it's outcome-based from a pricing perspective

FY26

- Revenue stood at US$ 468.9mn, growing 17% in CC terms
- EBIT Margin stood at 21.3%, growing ~111 bps YoY. Margin expansion was driven primarily by lower G&A and S&D expenses
    - G&A was ~80 bps lower; Selling and distribution costs contributed to another ~20 bps
- FY26 OCF to EBITDA ratio stood at 75%

Demand Environment

- Management acknowledged continued geopolitical uncertainty and macroeconomic pressure in the operating environment
- Long-term demand environment remained intact with strong pipeline supported by deep client engagement and expanding opportunities across verticals

FY27 guidance:

- FY27 growth is expected to remain within the industry's top quartile with EBITDA margin guidance maintained at 24% to 28%. Sequential EBITDA growth expected in FY27
- Management remains cautiously optimistic across all four verticals for FY27 based on ongoing client conversations. High-end fashion and retail continues to be an area of caution. Hi-tech vertical outlook remains positive with expectations of stronger growth relative to other verticals

AI related developments

- ECLERX secured its first large-scale agentic AI win in 4Q with deployments planned for Q1, FY27, and thereafter.
- It launched an agentic data sourcing platform attracting strong interest from large banks. Our AI native orchestrator for KYC case management is live across multiple client systems.

- Internally, a substantial number of employees are now using Roboworks CogniFlow, our Agentic AI platform across HR administration and helpdesk functions.
- It has trained more than 3,000 employees on Agentic AI and wibe coding.

Other points

- FY24 and FY25 were described as years of deliberate prioritization and focused investment allocation. FY26 reflected measurable outcomes from earlier investment decisions
- Analytics and automation business reached a US$90 mn book
- Top 10 client concentration reduced to 59% versus 63-64% earlier, reflecting portfolio diversification and lower concentration risk
- Agentic AI deployments are focused on improving efficiency and effectiveness of client operations. Contractual structure for the Agentic AI deal is broadly similar to existing contracts
- AI-led revenue contribution currently remains small despite rising traction. Client engagements have evolved from POCs and pilot programs to more meaningful projects
- AI-led productivity gains are not expected to materially change the revenue roll-off profile. Annual revenue roll-offs typically remain in the 15% to 20% range
  - AI is being used primarily as a differentiator to win business rather than being treated as a separate inflationary or deflationary revenue stream.
- Headcount additions during the quarter reflect expectations of better sequential growth in 1Q versus 4Q. Healthy pipeline and strong ACV conversions in 4Q supported continued hiring. QoQ growth in 1QFY27 is expected to improve from 4QFY26
- The sequential increase in subcontracting expenses was driven by reclassification of certain costs from business promotion expenses into subcontracting expenses during the quarter. Excluding the reclassification impact, subcontracting expenses remained broadly in line with revenue
- Management indicated it is difficult to isolate the impact of agentic AI separately on ACV, TCV or margins given the integrated nature of delivery models
- Agentic AI revenue contribution remains at an early stage to disclose separately
- Expected recovery in the CLX business is largely driven by existing client accounts
- Early green shoots are emerging within the high-end fashion and retail segment, though management remains cautious on the sector outlook
- Customer operations is expected to see the highest AI impact, with call and chat volumes already declining. Despite lower volumes in customer operations, market share gains have been achieved through strong execution

- Creative services are also vulnerable to AI-led disruption
- Management views AI as an opportunity rather than a threat. Company is willing to cannibalize existing revenue streams for long-term positioning
- Buybacks will continue to remain the preferred capital allocation approach over dividends
- 4Q capex increased primarily due to investments in computers and networking equipment
- Board proposed dividend of INR1/ share
- Wage increments effective from April 1st, 2026
    - Wage hike impact in 1QFY27 expected to be similar to prior year levels at ~300-350 bps QoQ

eClerx becomes an Adobe Gold Partner

- eClerx in February 2026 was recognized as a Gold Partner in the Adobe Solution Partner Program for the Americas. The promotion elevates the company into an elite tier of Adobe partners, a move that signals a deeper strategic alliance and highlights the firm's significant investment in advanced digital transformation capabilities.
- Achieving Gold status (Community, Bronze, and Silver being the lower levels) requires meeting stringent criteria, including significantly higher revenue influence and a greater number of successful, complex customer deployments compared to lower tiers.
- In 2022, the company held a Bronze partner status, with a team of just over 50 Adobe-certified experts. Today, that number has skyrocketed to over 1500. This thirty-fold increase in specialized talent underscores a deliberate and substantial investment in building a world-class Adobe practice.
- This expansion has enabled the company to support over 150 enterprise clients, helping them navigate and operationalize Adobe's powerful platforms.

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 ~3-5% CAGR over FY25-FY30 in constant currency (CC) terms. We also believe that 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**).

Multiple speed breakers drive our Underweight stance

Trump policies raise uncertainty: While tariffs drove uncertainty in 2025, Trump's multiple proposals to address affordability crisis in the US ahead of the mid-terms in Nov'26 will be the key monitorable in 2026 (eg: freezing credit card interest rate at 10%, controlling prices of products and services, cash payments to citizens, buying of US$200bn MBSs, etc.). There will be winners/ losers due to this in USA Inc and that could reflect in the IT spending outcomes.

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

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 24-36 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 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, as also TCS, as our industry benchmark. Target PE for TCS is 16.8x, which is the average PE multiple of TCS over the last 10 years less 1.5SD. We have been giving subjective premium/discount to the 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.

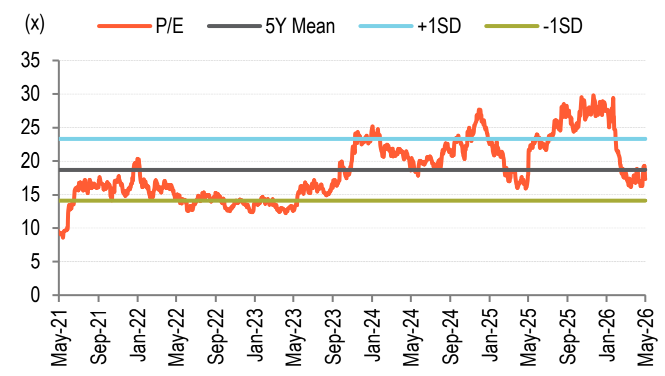
Also, some of the Tier-2s have been underperforming on the growth front, being discretionary project-oriented businesses struggling to pivot to a cost-take-out-driven demand environment.

Fig 1 – Quarterly results: Comparison of actuals with estimates

Y/E Mar (Rsmn)	4QFY25	3QFY26	4QFY26	YoY(%)	QoQ (%)	4QFY26E	Deviation (%)
Net Sales (USD mn)	**105**	**122**	**122**	**16.8**	**0.6**	**126**	**(2.6)**
Net Sales	**8,983**	**10,703**	**11,073**	**23.3**	**3.5**	**11,506**	**(3.8)**
Cost of Sales	6,660	7,941	8,232	23.6	3.7	8,531	(3.5)
% of Sales	74.1	74.2	74.3			74.1	
EBITDA	2,323	2,762	2,841	22.3	2.8	2,976	(4.5)
% of Sales	25.9	25.8	25.7			25.9	
Depreciation	410	463	497	21.2	7.2	556	(10.6)
EBIT	**1,913**	**2,299**	**2,344**	**22.5**	**2.0**	**2,420**	**(3.1)**
EBIT Margin (%)	**21.3**	**21.5**	**21.2**			**21.0**	
Interest Expenses	108	99	117	8.9	18.5	99	18.5
Other Income	182	301	293	60.4	(2.8)	131	123.5
PBT	1,988	2,501	2,519	26.8	0.7	2,452	2.8
Provision for Tax	462	583	623	34.7	6.8	601	3.7
Effective Tax Rate	23.3	23.3	24.7			24.5	
Minorities	3.5	(1.7)	2.9			1.0	
PAT (Reported)	**1,522**	**1,920**	**1,894**	**24.4**	**(1.4)**	**1,850**	**2.3**
NPM (%)	**16.9**	**17.9**	**17.1**			**16.1**	

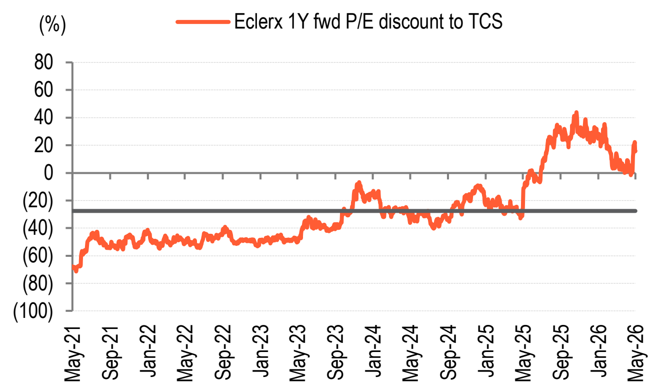
Source: Company, BOBCAPS Research

Fig 2 – 5 Year PE trend



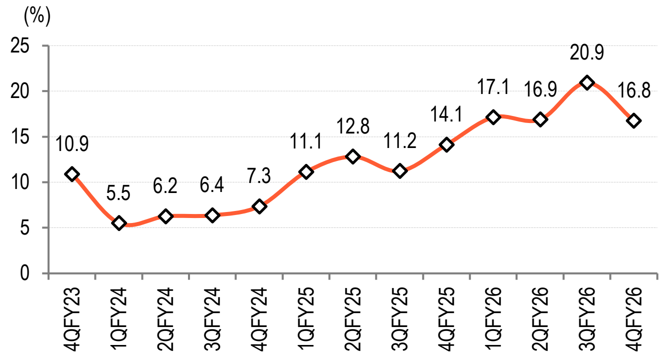
Source: Bloomberg, BOBCAPS Research

Fig 3 – Premium/ Discount to TCS



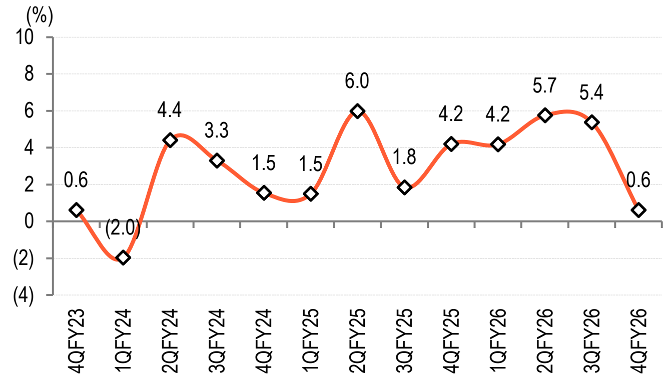
Source: Bloomberg, BOBCAPS Research

Fig 4 – USD Revenue growth rate (YoY)



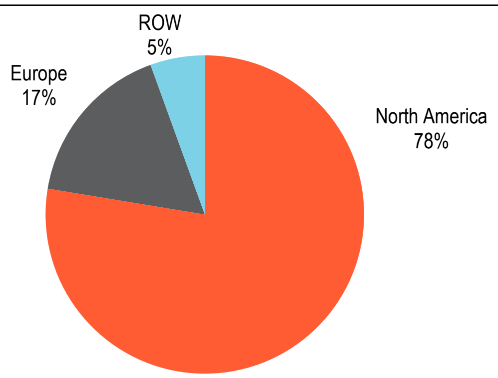
Source: Company, BOBCAPS Research

Fig 5 – USD Revenue growth rate (QoQ)



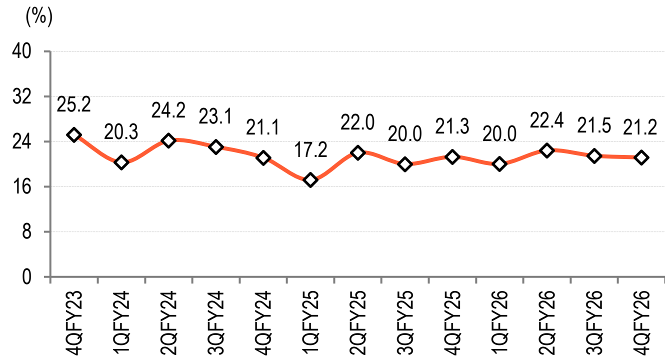
Source: Company, BOBCAPS Research

Fig 6 – 4QFY26 Geographical Revenue Mix



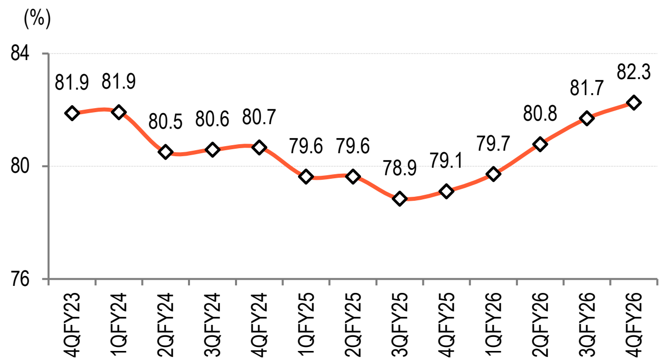
Source: Company, BOBCAPS Research

Fig 7 – EBIT Margin trend



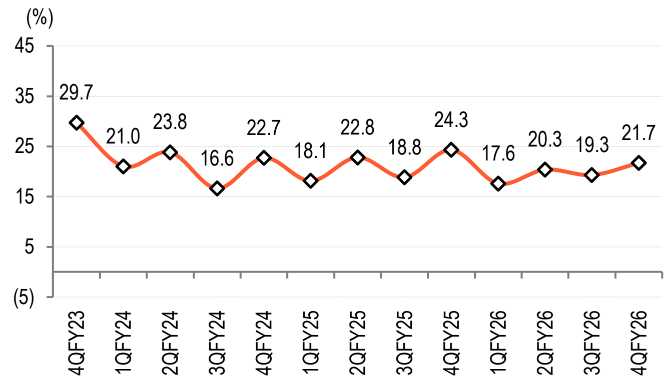
Source: Company, BOBCAPS Research

Fig 8 – Offshore Revenue (%)



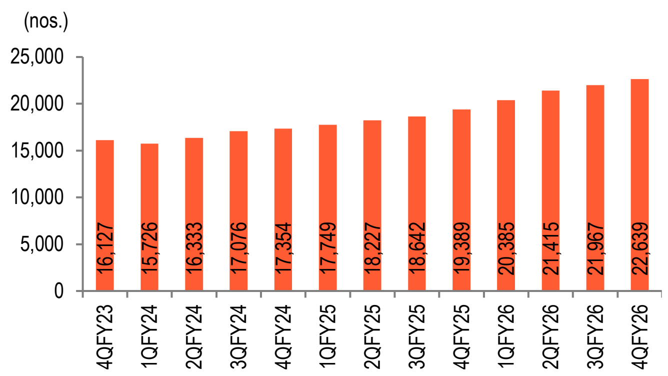
Source: Company, BOBCAPS Research

Fig 9 – Offshore Attrition (%)



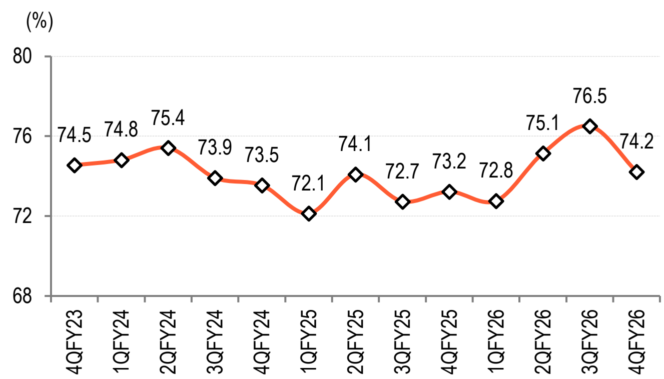
Source: Company, BOBCAPS Research

Fig 10 – Total Headcount



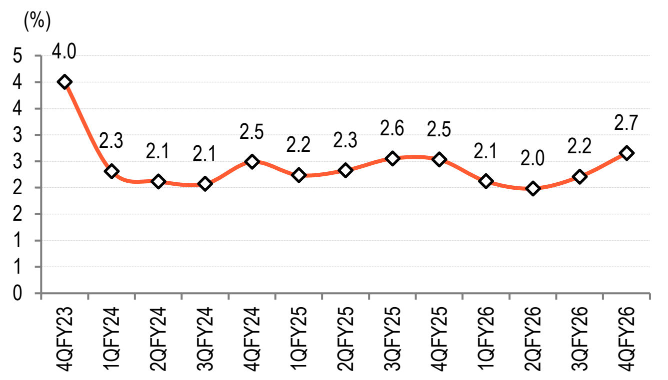
Source: Company, BOBCAPS Research

Fig 11 – Staff Utilisation - Delivery (%)



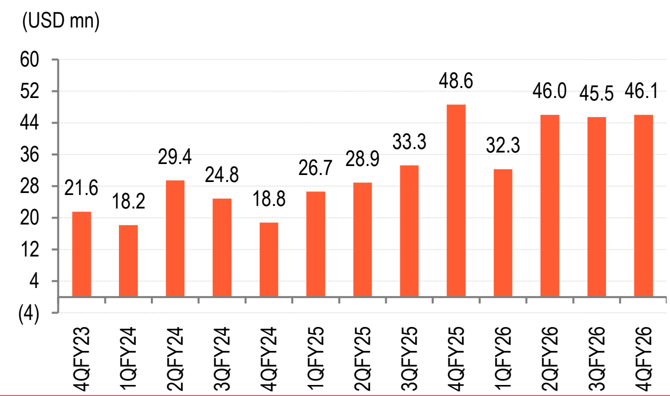
Source: Company, BOBCAPS Research

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



Source: Company, BOBCAPS Research

Fig 13 – ACV (USD mn)



Source: Company, BOBCAPS Research

Fig 14 – Quarterly Snapshot

	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	4QFY26
INR/ USD	82.2	82.2	82.7	83.2	83.0	83.4	83.8	84.5	86.6	85.6	87.3	89.1	91.5
Revenue (USD mn)	86	84	88	91	92	93	98.8	100.7	105	109	116	122	122
INR mn													
Revenue	6,931	6,845	7,218	7,528	7,665	7,819	8,318	8,538	8,983	9,346	10,049	10,703	11,073
Gross margin	3,471	3,180	3,541	3,782	3,723	3,497	3,918	3,969	4,378	4,235	4,769	5,105	5,221
EBITDA	2,067	1,675	2,047	2,072	1,955	1,661	2,159	2,066	2,323	2,241	2,679	2,762	2,841
EBIT	1,748	1,390	1,744	1,737	1,620	1,344	1,832	1,709	1,913	1,872	2,254	2,299	2,344
Other income	(3)	16	80	131	152	135	47	131	75	8	196	202	175
PBT	1,745	1,406	1,825	1,868	1,772	1,479	1,879	1,840	1,988	1,881	2,450	2,501	2,519
Tax	421	340	463	477	473	359	484	468	462	465	615	583	623
PAT	1,325	1,063	1,360	1,386	1,305	1,116	1,402	1,371	1,522	1,417	1,832	1,920	1,894
Number of shares	98	96	96	96	96	97	95	94	94	94	94	94	93
EPS	14	11	14	14	14	12	15	15	16	15	20	20	20
YoY Growth													
USD revenue	10.9	5.5	6.2	6.4	7.3	11.1	12.8	11.2	14.1	17.1	16.9	20.9	16.8
Revenue	17.1	10.8	11.0	9.6	10.6	14.2	15.2	13.4	17.2	19.5	20.8	25.4	23.3
Gross profit	18.8	11.4	16.5	15.8	7.3	9.9	10.6	5.0	17.6	21.1	21.7	28.6	19.3
EBITDA	13.4	1.5	12.8	8.7	(5.4)	(0.8)	5.5	(0.3)	18.8	35.0	24.1	33.7	22.3
EBIT	13.3	(0.8)	13.2	8.1	(7.3)	(3.3)	5.0	(1.6)	18.1	39.3	23.1	34.5	22.5
Net profit	11.6	7.2	8.0	5.7	(1.5)	5.0	3.1	(1.1)	16.6	26.9	30.6	40.1	24.4
QoQ Growth													
USD revenue	0.6	(2.0)	4.4	3.3	1.5	1.5	6.0	1.8	4.2	4.2	5.7	5.4	0.6
Revenue	0.9	(1.2)	5.4	4.3	1.8	2.0	6.4	2.6	5.2	4.0	7.5	6.5	3.5
EBITDA	6.3	(8.4)	11.3	6.8	(1.6)	(6.1)	12.0	1.3	10.3	(3.3)	12.6	7.1	2.3
EBIT	8.8	(20.5)	25.5	(0.4)	(6.7)	(17.0)	36.3	(6.7)	12.0	(2.1)	20.4	2.0	2.0
Net profit	1.1	(19.8)	27.9	2.0	(5.8)	(14.5)	25.7	(2.3)	11.0	(6.9)	29.3	4.8	(1.4)
Margins (%)													
Gross margin	50.1	46.5	49.1	50.2	48.6	44.7	47.1	46.5	48.7	45.3	47.5	47.7	47.2
EBITDA	29.8	24.5	28.4	27.5	25.5	21.2	26.0	24.2	25.9	24.0	26.7	25.8	25.7
EBIT	25.2	20.3	24.2	23.1	21.1	17.2	22.0	20.0	21.3	20.0	22.4	21.5	21.2
PAT	19.1	15.5	18.8	18.4	17.0	14.3	16.9	16.1	16.9	15.2	18.2	17.9	17.1
SGA	24.9	26.2	24.9	27.2	27.4	27.5	25.1	26.5	27.4	25.3	25.0	26.2	26.0

Source: Company, BOBCAPS Research

Fig 15 – Key Metrics

	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	4QFY26
Total Headcount	16,127	15,726	16,333	17,076	17,354	17,749	18,227	18,642	19,389	20,385	21,415	21,967	22,639
Delivery and Support Staff													
Offshore Delivery	13,330	13,143	13,791	14,491	14,690	14,921	14,861	15,260	15,925	16,865	17,754	18,147	18,586
Onshore Delivery	599	535	585	611	630	683	637	627	656	655	651	652	741
Support Services	948	870	862	848	862	898	907	923	941	995	1,021	1,060	1,082
Tech Services	1,135	1,058	977	1,002	1,049	1,122	1,699	1,704	1,745	1,746	1,867	1,988	2,109
Selling and Distribution Staff (BD)	115	120	118	124	123	125	123	128	122	124	122	120	121
Revenue by Geography (%)													
North America	70.8	71.6	72.6	73.6	74.4	75.0	75.9	76.2	78.4	78.9	80.3	80.1	77.6
Europe	19.6	20.0	18.8	17.8	17.5	17.5	16.4	16.2	14.0	15.1	14.3	13.6	16.9
ROW	9.5	8.4	8.5	8.6	8.0	7.6	7.6	7.6	7.6	6.1	5.4	6.3	5.5
Revenue by Industry (%)													
BFSI						41.8	43.8	43.7	43.7	43.2	41.4	40.1	38.7
CMT						26.4	26.1	25.2	25.7	25.4	25.9	25.0	26.6
HiTech and M&D						16.8	16.7	16.2	16.1	16.5	16.7	16.8	16.0
Fashion & Luxury and Retail						10.3	8.7	9.3	8.8	9.0	8.4	8.7	8.4
Emerging						4.7	4.8	5.5	5.7	5.9	7.7	9.5	10.2
Billing Mix (%)													
Onshore Revenue	18.1	18.1	19.5	19.4	19.3	20.4	20.4	21.1	20.9	20.3	19.2	18.3	17.7
Offshore Revenue	81.9	81.9	80.5	80.6	80.7	79.6	79.6	78.9	79.1	79.7	80.8	81.7	82.3
Currency Concentration (%)													
USD	82.6	82.4	82.8	83.5	85.5	85.8	86.7	86.3	86.2	86.3	86.4	86.1	85.9
EURO	10.1	10.1	9.6	9.4	9.5	9.4	8.3	8.4	8.0	8.0	7.7	7.9	7.9
GBP	3.0	3.3	3.2	3.4	3.4	3.0	3.0	3.2	3.0	3.4	3.3	3.2	3.3
Client Concentration													
Top 5 contribution	39.9	39.5	40.8	42.3	45.5	45.5	46.9	44.9	46.7	46.5	45.9	43.6	42.9
Top 10 contribution	58.9	58.6	59.2	59.3	62.6	62.0	63.5	62.3	64.1	63.2	62.7	60.4	59.3
Non-Top 10 contribution	41.1	41.4	40.8	40.7	37.4	38.0	36.5	37.7	35.9	36.8	37.3	39.6	40.7
Offshore Attrition (%)	29.7	21.0	23.8	16.6	22.7	18.1	22.8	18.8	24.3	17.6	20.3	19.3	21.7
Overall Staff utilization (%)	68.3	69.1	70.0	68.8	68.4	66.6	68.4	67.2	67.9	67.4	69.5	70.8	68.7
Staff utilization (Delivery) (%)	74.5	74.8	75.4	73.9	73.5	72.1	74.1	72.7	73.2	72.8	75.1	76.5	74.2
Client Contribution													
US$ 500k-1mm Clients	32.0	39.0	39.0	38.0	41.0	37.0	36.0	36.0	37.0	42.0	44.0	44.0	44.0
US$ 1mm-3mm Clients	27.0	24.0	22.0	21.0	23.0	22.0	24.0	23.0	25.0	24.0	26.0	27.0	27.0
US$ 3mm-5mm Clients	4.0	4.0	4.0	7.0	4.0	6.0	5.0	5.0	4.0	5.0	5.0	6.0	8.0
US$ 5mm-10mm Clients	6.0	5.0	5.0	3.0	4.0	4.0	4.0	4.0	5.0	5.0	6.0	7.0	6.0
US$ 10mm++ Clients	8.0	9.0	9.0	10.0	10.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	10.0
Seat Count	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	15,519.0	15,507.0
Profit and Loss Statement (in mn USD)													
Revenue	85.6	83.9	87.6	90.5	91.9	93.3	98.8	100.7	104.9	109.2	115.5	121.7	122.4
EBIT	21.6	17.0	21.2	20.9	19.4	16.0	21.8	20.1	22.3	21.9	25.9	26.1	25.9
PAT	16.4	13.0	16.5	16.7	15.6	13.3	16.7	16.2	17.8	16.6	21.1	21.8	20.9
Productivity Metrics													
Per Capita (Annualised)													
Revenue	21,233	21,346	21,457	21,200	21,181	21,018	21,689	21,597	21,635	21,436	21,577	22,163	21,634
EBIT	5,356	4,336	5,186	4,892	4,477	3,613	4,775	4,322	4,607	4,294	4,840	4,760	4,580
PAT	4,061	3,316	4,042	3,904	3,607	3,000	3,657	3,467	3,665	3,250	3,934	3,975	3,700

Source: Company, BOBCAPS Research

Fig 16 – QoQ and YoY growth of various parameters

	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	4QFY26
QoQ Growth (%)													
Total Headcount	(4.0)	(2.5)	3.9	4.5	1.6	2.3	2.7	2.3	4.0	5.1	5.1	2.6	3.1
Delivery and Support Staff													
Offshore Delivery	(6.6)	(1.4)	4.9	5.1	1.4	1.6	(0.4)	2.7	4.4	5.9	5.3	2.2	2.4
Onshore Delivery	(1.3)	(10.7)	9.3	4.4	3.1	8.4	(6.7)	(1.6)	4.6	(0.2)	(0.6)	0.2	13.7
Support Services	9.8	(8.2)	(0.9)	(1.6)	1.7	4.2	1.0	1.8	2.0	5.7	2.6	3.8	2.1
Tech Services	18.7	(6.8)	(7.7)	2.6	4.7	7.0	51.4	0.3	2.4	0.1	6.9	6.5	6.1
Selling and Distribution Staff (BD)	7.5	4.3	(1.7)	5.1	(0.8)	1.6	(1.6)	4.1	(4.7)	1.6	(1.6)	(1.6)	0.8
US$ Revenue	0.6	(2.0)	4.4	3.3	1.5	1.5	6.0	1.8	4.2	4.2	5.7	5.4	0.6
Revenue by Geography													
North America	0.2	(0.9)	5.9	4.7	2.7	2.2	7.4	2.1	7.2	4.8	7.7	5.1	(2.5)
Europe	(3.1)	(0.2)	(1.8)	(2.5)	0.2	1.1	(0.4)	0.6	(9.9)	12.0	0.2	0.2	24.8
ROW	12.9	(13.4)	5.9	4.2	(5.2)	(4.4)	7.0	1.6	4.2	(17.1)	(5.4)	22.4	(11.6)
Revenue by Industries													
BFSI							11.0	1.6	4.2	3.0	1.3	2.0	(2.8)
CMT							4.8	(1.5)	6.1	3.1	7.6	1.9	7.1
HiTech and M&D							5.1	(1.1)	3.4	6.8	7.2	6.1	(4.0)
Fashion & Luxury and Retail							(10.6)	9.4	(1.4)	5.6	(0.9)	8.7	(2.0)
Emerging							7.4	18.7	7.5	8.2	36.3	30.2	8.7
Billing Mix													
Onshore Revenue	(3.1)	(2.1)	12.5	2.9	1.1	6.9	6.0	5.8	2.9	1.1	0.2	0.4	(2.5)
Offshore Revenue	1.5	(1.9)	2.6	3.4	1.6	0.2	6.0	0.8	4.5	5.0	7.2	6.6	1.3
Currency Concentration													
USD	1.5	(2.2)	5.0	4.2	3.9	1.8	7.2	1.3	4.1	4.3	5.9	5.0	0.4
EURO	(0.4)	(2.0)	(1.6)	1.5	2.2	1.2	(7.3)	3.9	(0.5)	4.2	1.4	7.9	0.6
GBP	(2.0)	5.1	3.7	7.0	2.1	(10.1)	8.1	7.9	(3.6)	18.6	1.7	2.6	5.3
Client Concentration													
Top 5 contribution	0.4	(3.1)	8.0	7.0	9.2	1.6	9.3	(2.5)	8.3	3.8	4.3	0.2	(1.2)
Top 10 contribution	0.9	(2.5)	5.4	3.5	7.3	0.5	8.4	(0.1)	7.3	2.7	4.9	1.5	(1.3)
Non-Top 10 contribution	0.1	(1.2)	3.0	3.0	(6.8)	3.1	1.9	5.3	(0.9)	6.9	7.1	11.9	3.5
Client Contribution													
US$ 500k-1mm Clients	3.2	21.9	0.0	(2.6)	7.9	(9.8)	(2.7)	0.0	2.8	13.5	4.8	0.0	0.0
US$ 1mm-3mm Clients	12.5	(11.1)	(8.3)	(4.5)	9.5	(4.3)	9.1	(4.2)	8.7	(4.0)	8.3	3.8	0.0
US$ 3mm-5mm Clients	33.3	0.0	0.0	75.0	(42.9)	50.0	(16.7)	0.0	(20.0)	25.0	0.0	20.0	33.3
US$ 5mm-10mm Clients	0.0	(16.7)	0.0	(40.0)	33.3	0.0	0.0	0.0	25.0	0.0	20.0	16.7	(14.3)
US$ 10mm++ Clients	0.0	12.5	0.0	11.1	0.0	(10.0)	0.0	0.0	0.0	0.0	0.0	0.0	11.1
Seat Count	0.0	4.7	0.0	1.9	(3.3)	3.1	0.1	15.0	1.2	5.4	2.8	2.5	(0.1)
YoY Growth (%)													
Total Headcount	8.2	(2.8)	0.4	1.6	7.6	12.9	11.6	9.2	11.7	14.9	17.5	17.8	16.8
Delivery and Support Staff													
Offshore Delivery	6.0	(2.8)	1.3	1.5	10.2	13.5	7.8	5.3	8.4	13.0	19.5	18.9	16.7
Onshore Delivery	(11.3)	(21.4)	(9.3)	0.7	5.2	27.7	8.9	2.6	4.1	(4.1)	2.2	4.0	13.0
Support Services	17.5	(8.5)	0.1	(1.7)	(9.1)	3.2	5.2	8.8	9.2	10.8	12.6	14.8	15.0
Tech Services	51.5	15.6	(7.0)	4.8	(7.6)	6.0	73.9	70.1	66.3	55.6	9.9	16.7	20.9
Selling and Distribution Staff (BD)	6.5	15.4	12.4	15.9	7.0	4.2	4.2	3.2	(0.8)	(0.8)	(0.8)	(6.3)	(0.8)
US$ Revenue	10.9	5.5	6.2	6.4	7.3	11.1	12.8	11.2	14.1	17.1	16.9	20.9	16.8

	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	4QFY26
Revenue by Geography													
North America	13.5	8.0	7.5	10.1	12.8	16.4	17.9	15.0	20.1	23.2	23.6	27.2	15.6
Europe	(4.6)	(4.0)	(0.1)	(7.4)	(4.3)	(3.0)	(1.7)	1.5	(8.7)	1.1	1.7	1.3	40.4
ROW	32.6	9.6	11.2	7.9	(9.4)	0.1	1.1	(1.5)	8.3	(6.2)	(17.0)	0.0	(15.2)
Revenue by Industries													
BFSI										21.0	10.4	10.8	3.4
CMT										12.9	16.0	19.9	21.0
HiTech and M&D										14.9	17.1	25.6	16.6
Fashion & Luxury and Retail										1.8	12.8	12.1	11.5
Emerging										48.3	88.2	106.5	108.7
Billing Mix													
Onshore Revenue	(0.6)	(8.4)	5.5	9.8	14.6	25.1	17.8	21.1	23.3	16.7	10.3	4.7	(0.8)
Offshore Revenue	13.8	9.2	6.4	5.5	5.7	8.0	11.6	8.8	11.9	17.3	18.6	25.3	21.4
Currency Concentration													
USD	13.5	6.6	6.3	8.6	11.1	15.7	18.1	14.9	15.1	17.9	16.5	20.7	16.3
EURO	(1.3)	2.1	7.2	(2.4)	0.1	3.3	(2.7)	(0.4)	(3.0)	(0.2)	9.2	13.4	14.7
GBP	(0.4)	4.8	7.6	14.2	19.0	1.9	6.2	7.0	1.0	33.3	25.4	19.3	30.4
Client Concentration													
Top 5 contribution	2.7	(1.4)	2.1	12.5	22.3	28.2	29.7	18.1	17.1	19.8	14.3	17.5	7.2
Top 10 contribution	8.6	2.6	3.1	7.4	14.1	17.7	21.1	16.8	16.8	19.3	15.4	17.3	7.9
Non-Top 10 contribution	14.3	10.0	11.1	4.9	(2.4)	1.9	0.8	3.1	9.6	13.6	19.4	26.9	32.5
Client Contribution													
US$ 500k-1mm Clients	28.0	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	12.5	14.3	(15.4)	(12.5)	(14.8)	(8.3)	9.1	9.5	8.7	9.1	8.3	17.4	8.0
US$ 3mm-5mm Clients	33.3	100.0	100.0	133.3	0.0	50.0	25.0	(28.6)	0.0	(16.7)	0.0	20.0	100.0
US$ 5mm-10mm Clients	(14.3)	(28.6)	(28.6)	(50.0)	(33.3)	(20.0)	(20.0)	33.3	25.0	25.0	50.0	75.0	20.0
US$ 10mm++ Clients	33.3	28.6	28.6	25.0	25.0	0.0	0.0	(10.0)	(10.0)	0.0	0.0	0.0	11.1
Seat Count	2.2	11.6	4.7	6.7	3.2	1.6	1.7	14.8	20.1	22.8	26.1	12.4	11.0

Source: Company, BOBCAPS Research

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Total revenue	**33,659**	**41,170**	**50,373**	**56,519**	**62,987**
EBITDA	8,209	10,523	12,922	14,469	15,865
Depreciation	1,412	1,754	2,175	2,530	2,530
EBIT	6,797	8,769	10,747	11,938	13,335
Net interest inc./(exp.)	(349)	(421)	(470)	(470)	(470)
Other inc./(exp.)	737	1,003	549	930	930
Exceptional items	0	0	0	0	0
EBT	7,185	9,351	10,826	12,398	13,795
Income taxes	1,773	2,287	2,677	3,066	3,411
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	2	3	4	4	4
Reported net profit	**5,411**	**7,062**	**8,145**	**9,329**	**10,380**
Adjustments	0	0	0	0	0
Adjusted net profit	**5,411**	**7,062**	**8,145**	**9,329**	**10,380**

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	8,418	9,446	10,527
Provisions	258	217	414	465	518
Debt funds	0	0	0	0	0
Other liabilities	3,660	4,197	4,752	5,238	5,741
Equity capital	470	920	920	920	920
Reserves & surplus	22,610	24,722	32,771	41,999	52,273
Shareholders' fund	23,080	25,642	33,692	42,919	53,193
Total liab. and equities	**31,457**	**36,970**	**47,276**	**58,067**	**69,978**
Cash and cash eq.	7,391	7,380	15,517	24,269	33,788
Accounts receivables	4,954	6,665	8,280	9,291	10,354
Inventories	2	6	6	6	6
Other current assets	5,370	7,969	8,280	9,291	10,354
Investments	3,090	3,079	3,079	3,079	3,079
Net fixed assets	2,409	2,735	2,323	1,771	1,445
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	1,335	1,482	1,634
Other assets	3,434	3,478	3,962	4,386	4,825
Total assets	**31,457**	**36,970**	**47,276**	**58,067**	**69,978**

Cash Flows

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Cash flow from operations	**6,668**	**9,175**	**9,921**	**10,374**	**11,373**
Capital expenditures	(1,151)	(1,179)	(1,763)	(1,978)	(2,205)
Change in investments	1,291	132	0	0	0
Other investing cash flows	1,165	(361)	79	460	460
Cash flow from investing	**1,305**	**(1,408)**	**(1,684)**	**(1,518)**	**(1,744)**
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**	**8,137**	**8,751**	**9,519**
Closing cash & cash eq.	**7,391**	**7,380**	**15,517**	**24,269**	**33,788**

Per Share

Y/E 31 Mar (Rs)	FY25A	FY26A	FY27E	FY28E	FY29E
Reported EPS	57.6	76.3	88.0	100.8	112.2
Adjusted EPS	56.5	74.7	86.2	98.7	109.8
Dividend per share	1.0	1.0	1.1	1.2	1.3
Book value per share	245.5	277.2	364.2	464.0	575.0

Valuations Ratios

Y/E 31 Mar (x)	FY25A	FY26A	FY27E	FY28E	FY29E
EV/Sales	4.4	3.6	3.0	2.8	2.7
EV/EBITDA	18.0	14.1	11.8	11.1	10.7
Adjusted P/E	26.9	20.3	17.6	15.4	13.8
P/BV	6.2	5.5	4.2	3.3	2.6

DuPont Analysis

Y/E 31 Mar (%)	FY25A	FY26A	FY27E	FY28E	FY29E
Tax burden (Net profit/PBT)	75.3	75.5	75.2	75.2	
Interest burden (PBT/EBIT)	105.7	106.6	100.7	103.9	0.0
EBIT margin (EBIT/Revenue)	20.2	21.3	21.3	21.1	117.4
Asset turnover (Rev./Avg TA)	110.8	120.3	119.6	107.3	0.0
Leverage (Avg TA/Avg Equity)	1.3	1.4	1.4	1.4	1.3
Adjusted ROAE	23.7	29.0	27.5	24.4	

Ratio Analysis

Y/E 31 Mar	FY25A	FY26A	FY27E	FY28E	FY29E
YoY growth (%)					
Revenue	15.1	22.3	22.4	12.2	11.4
EBITDA	5.9	28.2	22.8	12.0	9.7
Adjusted EPS	8.7	32.2	15.3	14.5	11.3
Profitability & Return ratios (%)					
EBITDA margin	24.4	25.6	25.7	25.6	25.2
EBIT margin	20.2	21.3	21.3	21.1	21.2
Adjusted profit margin	16.1	17.2	16.2	16.5	16.5
Adjusted ROAE	23.7	29.0	27.5	24.4	21.6
ROCE	22.5	27.0	27.0	23.3	20.8
Working capital days (days)					
Receivables	54	52	54	57	57
Inventory	NA	NA	NA	NA	NA
Payables	NA	NA	NA	NA	NA
Ratios (x)					
Gross asset turnover	14.9	16.0	19.9	27.6	39.2
Current ratio	4.4	3.5	4.0	4.6	5.2
Net interest coverage ratio	NA	NA	NA	NA	NA
Adjusted debt/equity	(0.3)	(0.3)	(0.5)	(0.6)	(0.6)

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

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BUY – Expected return >+15%

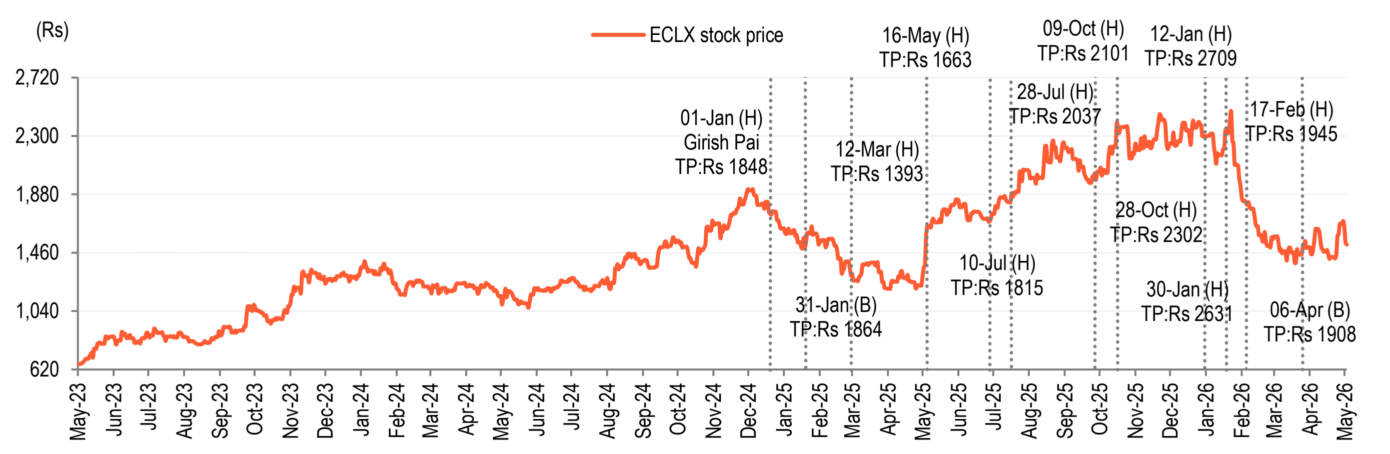
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Ratings and Target Price (3-year history): ECLERX SERVICES (ECLX IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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