

SELL

TP: Rs 466 | ▼ 8%

BIRLASOFT

| IT Services

| 12 February 2025

Misses expectations: Company struggles within Tier 2 set

- 3QFY25 performance impacted by higher-than-expected furloughs and decline in ERP Biz. Revenue declined by 1.1% QoQ in CC terms
- Extended furloughs and project ramp downs set to impact 4QFY25 performance too. Margin recovery likely gradual
- Predictable execution has been a challenge. Unlike many peers, it faces challenging demand outlook. Target Price cut by 8%

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Revenue and EBIT Margin below expectation: Revenue declined 1.5% QoQ in USD terms (our estimate +0.6%) and declined 0.3% YoY. In CC terms, revenue showed degrowth of 1.1% QoQ (our estimate 1% growth) . Performance was impacted by higher-than-usual furloughs, especially in the Life Sciences and Manufacturing verticals. These furloughs arrived later in the quarter and impacted even verticals that had not previously experienced them. The company estimates that furloughs reduced QoQ growth by ~150 bps. EBIT was 10.4% (our estimate 10.8%). Company-wide wage increase was implemented in October, which negatively impacted margins, but this was partially offset by exchange rate benefits from a strong dollar and operational savings.

Weak 4QFY25 Outlook: Softness in 4Q revenue expected. Two key headwinds identified: 1. The continuation of furloughs, particularly in the healthcare vertical, which spilled into January 2. Project ramp downs in both healthcare and manufacturing, although these are not expected to be large in scale.

Demand environment remains challenging for it, unlike for many of its peers
The company stated that the demand environment has remained largely unchanged compared to previous quarters. Although there are early signs of improvement in certain sectors, such as BFSI, these areas contribute modestly to the overall business. Clients are still taking a cautious approach, especially in verticals like Life Sciences, which may face additional challenges due to potential policy shifts under the new US administration. The company also had project ramp-downs in the quarter, which could have short-term revenue impacts. Conversations with clients suggest that demand is expected to gradually improve as the calendar year progresses, but it will take a couple of quarters for this to translate into meaningful deal inflows and revenue growth.

Main SELL, Target Price cut by 8% to 466: Negative quarter, weak demand outlook has led us to reduce the revenue estimate. Target PE remains unchanged at a 25% discount to the target PE multiple of TCS- our sector benchmark.

Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	BSOFT IN/Rs 504
Market cap	US\$ 1.6bn
Free float	59%
3M ADV	US\$ 9.2mn
52wk high/low	Rs 856/Rs 503
Promoter/FPI/DII	41%/11%/25%

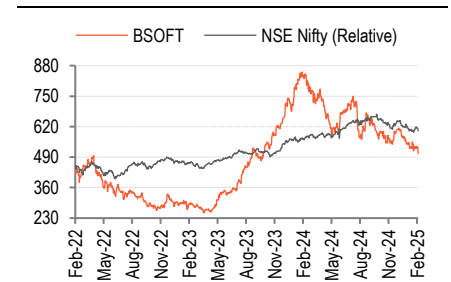
Source: NSE | Price as of 11 Feb 2025

Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
Total revenue (Rs mn)	52,781	54,412	59,729
EBITDA (Rs mn)	8,362	6,958	8,662
Adj. net profit (Rs mn)	6,238	5,191	6,314
Adj. EPS (Rs)	22.6	18.4	22.4
Adj. ROAE (%)	22.7	16.3	17.8
Adj. P/E (x)	22.3	27.4	22.5
EV/EBITDA (x)	15.6	19.2	15.7
Adj. EPS growth (%)	88.3	(18.7)	21.7

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Key Points from the quarter and the earnings call

- The digital and data service line, contributing 57% of total revenues, grew by 2.4% QoQ. The ERP business saw a sequential decline of 5.7% due to seasonal weakness
- The ERP service line experienced a 6% decline. While the service line has struggled over the past two quarters, the company is taking steps to address this, including bringing in additional leadership. The SAP S4 HANA upgrade cycle is expected to initially benefit larger players, with smaller players, like the company, gaining traction later. The company remains confident in the long-term growth of the ERP business, though it may take two to three more quarters for it to fully recover. Immediate recovery in 4QFY25 or 1QFY26 is unlikely, but the company is focused on turning the business around over the medium term
- The sequential decline in revenue from the top six to ten accounts is partly attributed to the impact of furloughs. The company expects some of these revenues to recover, and a more normalized situation should be seen over the next two to three quarters
- Deal wins: TCV signings totaled US\$226mn, highest in the current fiscal year. While a large portion of the signings came from renewals, there were also net new deals. There are positive expectations for TCV performance in 4Q. The deal pipeline remains healthy, and continued investments are being made in capabilities that will drive the next phase of growth
- The decrease in new business TCV for the first 9 months, down 28% YoY, is primarily due to the absence of a large deal like the US\$100mn deal closed in 2Q of FY24
- Growth Outlook:
 - **Financial Services:** This sector continues to show growth and is expected to remain strong. However, occasional slowdowns or flat quarters are possible, but the overall direction is positive
 - **Healthcare:** The healthcare business has struggled due to client-specific issues. Despite this, the company is optimistic about a recovery. They have strengthened their leadership by hiring senior leader for its med devices business (70% of overall revenue) to help turn this sector around. It is also in the process of hiring another leader to run the pharma business
 - **EMU:** Expected to pick up, with a couple of deals underway that may close in 1QFY26
 - **Manufacturing:** The sector is expected to remain soft for another couple of quarters.
 - Financial services and EMU are expected to lead growth over the next year. Manufacturing and Healthcare are expected to recover after a couple of quarters

- The impact of furloughs in 4QFY25 is expected to be about half of what was seen in 3Q
- In 4Q, while wage hikes won't impact margins, furloughs could still play a role in limiting margin growth, though the goal remains to either maintain or improve margins. Key risks include:
 - **Business Mix:** If infrastructure services continue to outperform application services, it may impact margins in the medium term.
 - **Pricing Pressure:** While there haven't been any client requests for discounts yet, future pricing pressures
 - **Increased Competition in New Deals:** As the company pursues medium-sized deals, increased competition may limit pricing power, impacting margins
- On the cash front, there are currently no plans to return funds to shareholders. Instead, the management is focusing on conserving cash for potential future opportunities. Currently, the company wants to deliver consistent revenue growth organically over the next couple of quarters before exploring acquisitions
- The company acknowledged that predictability has been a challenge in recent quarters, particularly due to factors outside their control, such as unexpected furloughs. In 3Q, some verticals communicated furloughs as late as December 10, which had not been anticipated. This impacted the company's ability to provide certainty in its outlook.
- To improve predictability going forward, the company is focusing on two key actions: expanding its customer base by securing new logo wins and investing in its existing top 20 to 25 clients to drive growth. Additionally, the capabilities developed over the past quarters have yet to yield expected revenues but are expected to contribute to growth soon
- The current order inflow is not sufficient to drive double-digit growth, but it should enable sequential growth
- The PAT was US\$13.8mn, showing a 9.3% decrease QoQ, mainly due to lower other income, caused by the depreciation of non-dollar currencies such as GBP and Euro against the US dollar and rupee
- The company's DSO was 53 days

View on the Indian IT services sector: We reinitiated coverage on the Indian IT Services with UW stance through a report on 1 January, 2025 (**Slow is the (new/old) normal**).

Current valuations are disconnected with fundamentals. Since 1 June 2024, Nifty IT has outperformed Nifty significantly. However, consensus earnings for FY25 and FY26 have not moved much during this period. It has been an entirely PE expansion story. Tier-1 and Tier-2 Indian IT services stocks are trading at +1 SD and +2 SD above their five-year means respectively. The PE premium of Tier-2 to Tier-1 is at its historic peak.

Current high PE multiples imply sharp growth pickup in FY25-FY27E. We think it will be slower. We do not believe structurally Indian IT services industry will see the pandemic's 'compressed transformation' type of demand in the foreseeable future. We believe the industry's structural USD organic revenue growth from here on will be lower than the ~7% CAGR – seen during FY15-FY20.

10-year study of valuations and earnings growth indicates that Indian IT stocks are currently trading at +2.1 SD to +18.3 SD higher valuations compared to the mean multiples during the FY15-FY20 period. Yes, we would admit that certain companies have undergone a structural change for the better, but not to the extent that the bulls assume and not all of them.

Multiple speed breakers post FY25 drives 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.

Higher for longer interest rate environment: One of reasons for optimism around the Indian IT service sector in recent quarters has been the view that 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 recent 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'. However, recent inflation prints, stronger GDP growth, and a higher fiscal deficit have raised concerns. With US 10-year yields rising to 4.7% from a September 2024 low of 3.6%, there are fears that sustained high interest rates could reduce IT outsourcing demand, particularly in sectors like BFSI and Telecom, and dampen US consumption 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 – value compressive in the near term: Gen AI has significantly boosted revenue in semiconductors, data centers, and hyper scalers, but IT services have seen limited benefits. ROI remains a top concern arise due to heavy investment in surrounding services

Massive hyper scaler AI capex should accentuate re-alignment in IT spend: Software players, including hyperscalers, are increasing capex on AI-related data centers. This will drive higher pricing, forcing enterprises to allocate more IT spend to cloud/SaaS

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 will reach \$85bn, double that in FY15. Due to the higher base now, growth may not be as rapid as it was when the base was lower

The weak TCV for certain players in 1HFY25 and lack of any mega deal announcements in recent quarters points to a brewing growth problem for FY26

How we are valuing companies: We are using PE methodology and using TCS as our industry benchmark. The target PE multiple used for TCS is 24.6x (which is the average PE multiple of TCS over the last 5 years less 1SD). This is by no means pessimistic. 24.6x is higher than the 23.6x multiple which was the mean multiple of the FY15-FY20 time frame when revenue growth was ~150bps faster. During the Global Financial Crisis (GFC) downturn, the stock traded in the single digit PE multiple territory. We are using a 1SD discount to the five-year PE as we believe that industry and TCS will see a 'slower for longer' growth situation.

Why use a PE multiple that is 1SD lower than 5-year mean of TCS:

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.

While the strong consensus estimates seem to imply a soft-landing macro scenario in the US, the higher probability event is a 'no landing, higher-for-longer interest rate' scenario which we believe has a 50-60% probability. The probability of a recession is also not insignificant (20% based on Bloomberg estimates).

Some of the speed breakers are industry/technology related, and some are related to the macro and policy environment especially in the US which is the key market for Indian IT services firms. Besides the US, we believe the European market macro looks quite bad (Europe – including UK – forms about 30-40% of revenue for Indian IT services firms) and corporate IT spending would be muted

Tier- 2 valuation reflects growth gap between it and 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 the 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

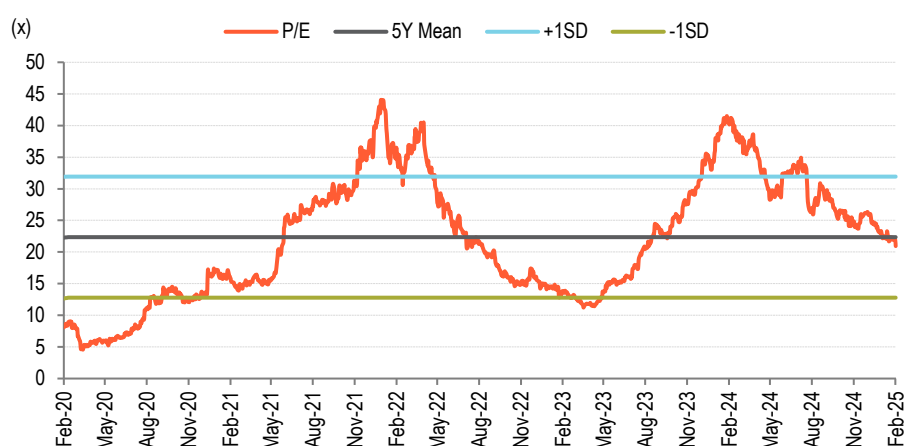
Y/E Mar (Rs mn)	3QFY24	2QFY25	3QFY25	YoY(%)	QoQ (%)	3QFY25E	Deviation (%)
Net Sales (USD mn)	161	163	161	(0.3)	(1.5)	164	(2.2)
Net Sales	13,430	13,682	13,627	1.5	(0.4)	13,872	(1.8)
Employee Cost	7,934	8,296	8,329	5.0	0.4	8,379	(0.6)
% of Sales	59.1	60.6	61.1			60.4	
Gross Margin	5,495	5,386	5,298	(3.6)	(1.6)	5,492	(3.5)
% of Sales	40.9	39.4	38.9			39.6	
Operating Expenses	3,352	3,732	3,664	9.3	(1.8)	3,807	(3.8)
% of Sales	25.0	27.3	26.9			27.4	
EBIT	1,932	1,431	1,422	(26.4)	(0.7)	1,492	(4.7)
EBIT Margin (%)	14.4	10.5	10.4			10.8	
Other Income	282	334	208	(26.2)	(37.7)	326	(36.3)
PBT	2,154	1,697	1,560	(27.6)	(8.1)	1,755	(11.1)
Provision for Tax	544	422	390	(28.2)	(7.4)	436	(10.5)
Effective Tax Rate	25.2	24.9	25.0			24.9	
Minority share in Profit / Loss	0	0	0			0	
PAT (Reported)	1,611	1,275	1,169	(27.4)	(8.3)	1,319	(11.3)
NPM (%)	12.0	9.3	8.6			9.5	

Source: Company, BOBCAPS Research

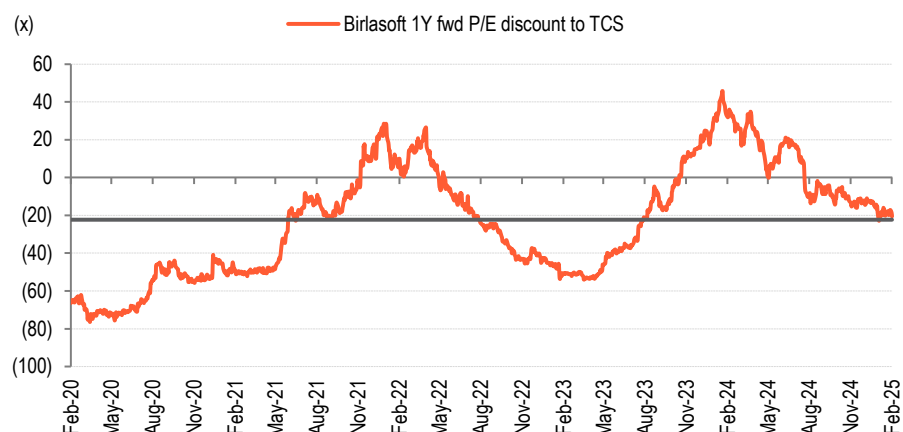
Fig 2 – Revised Estimates

	New			Old			Change (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
INR/USD	84.4	87.3	89.3	84.1	85.4	86.6	0.4	2.1	3.1
USD Revenue (USD mn)	644	684	746	653	709	773	(1.4)	(3.5)	(3.5)
Growth (%)	1.1	6.3	9.0	2.5	8.5	9.0			
Revenue (Rsmn)	54,412	59,729	66,603	54,954	60,575	66,951	(1.0)	(1.4)	(0.5)
EBIT (Rsmn)	6,101	7,761	9,067	6,502	8,017	9,182	(6.2)	(3.2)	(1.3)
EBIT Margin (%)	11.2	13.0	13.6	11.8	13.2	13.7			
PAT (Rsmn)	5,191	6,314	7,392	5,698	6,958	8,045	(8.9)	(9.3)	(8.1)
FDEPS (Rs)	18.4	22.4	26.2	20.2	24.7	28.5	(8.9)	(9.2)	(8.0)

Source: Company, BOBCAPS Research

Fig 3 – 5 Year PE trend

Source: Company, BOBCAPS Research

Fig 4 – Premium/ Discount to TCS

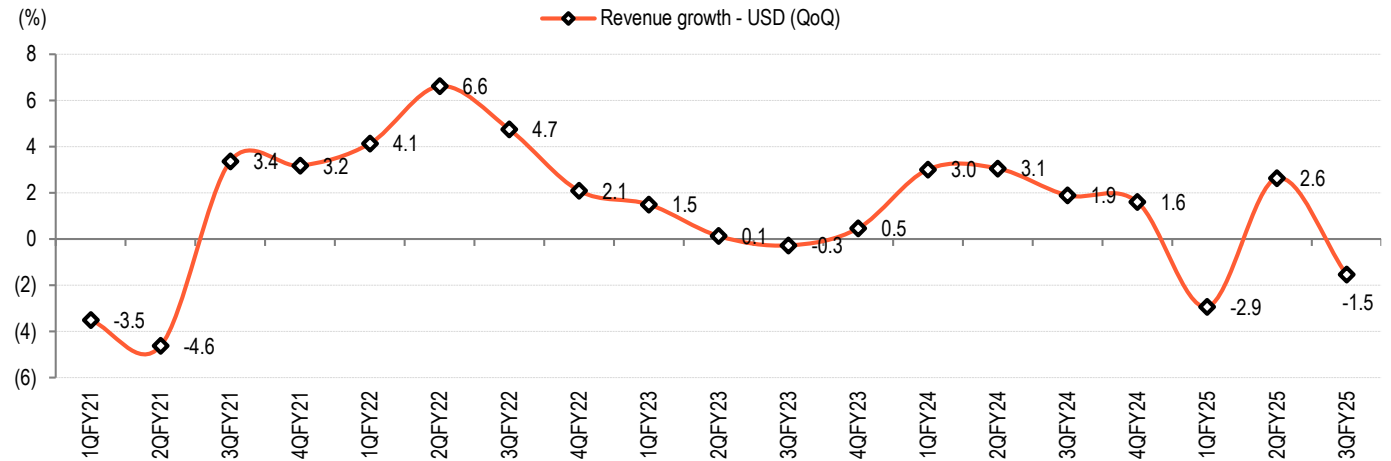
Source: Company, BOBCAPS Research

Fig 5 – P&L at a glance

(YE March)	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Average INR/USD	64.5	70.0	70.9	74.1	74.4	80.6	82.8	84.4	87.3	89.3
Net Sales (USD mn)	452	364	464	480	555	595	637	644	684	746
YoY Growth (%)		(19.4)	27.4	3.4	15.7	7.2	7.1	1.1	6.3	9.0
Revenues	29,142	25,507	32,910	35,557	41,303	47,948	52,781	54,412	59,729	66,603
YoY Growth	(12.3)	(12.5)	29.0	8.0	16.2	16.1	10.1	3.1	9.8	11.5
Employee Cost	17,874	15,352	19,975	21,158	23,688	28,131	30,483	32,225	34,311	37,671
Gross Profit	11,268	10,155	12,934	14,399	17,615	19,817	22,298	22,187	25,418	28,933
% of sales	38.7	39.8	39.3	40.5	42.6	41.3	42.2	40.8	42.6	43.4
Operating Expenses	7,533	7,091	9,065	9,107	11,213	14,612	13,936	15,229	16,756	18,907
% of sales	25.8	27.8	27.5	25.6	27.1	30.5	26.4	28.0	28.1	28.4
EBITDA	3,735	3,064	3,869	5,292	6,402	5,205	8,362	6,958	8,662	10,026
EBITDA Margin	12.8	12.0	11.8	14.9	15.5	10.9	15.8	12.8	14.5	15.1
Depreciation	589	499	826	804	766	823	850	857	901	959
% of sales	2.0	2.0	2.5	2.3	1.9	1.7	1.6	1.6	1.5	1.4
EBIT	3,147	2,565	3,043	4,489	5,636	4,382	7,512	6,101	7,761	9,067
EBIT Margin	10.8	10.1	9.2	12.6	13.6	9.1	14.2	11.2	13.0	13.6
Other Income	357	261	480	190	662	228	1,035	1,126	1,010	1,182
Interest	91	108	161	130	131	186	200	261	349	389
Profit Before Tax	3,412	2,717	3,362	4,548	6,167	4,424	8,348	6,966	8,422	9,860
PBT Margin	11.7	10.7	10.2	12.8	14.9	9.2	15.8	12.8	14.1	14.8
Tax	704	539	1,119	1,340	1,531	1,108	2,110	1,774	2,108	2,468
Profit After Tax	2,412	2,354	2,243	3,208	4,637	3,316	6,238	5,191	6,314	7,392
YoY Growth (%)		(2.4)	(4.7)	43.0	44.5	(28.5)	88.1	(16.8)	21.6	17.1
-Net profit margin (%)	8.3	9.2	6.8	9.0	11.2	6.9	11.8	9.5	10.6	11.1

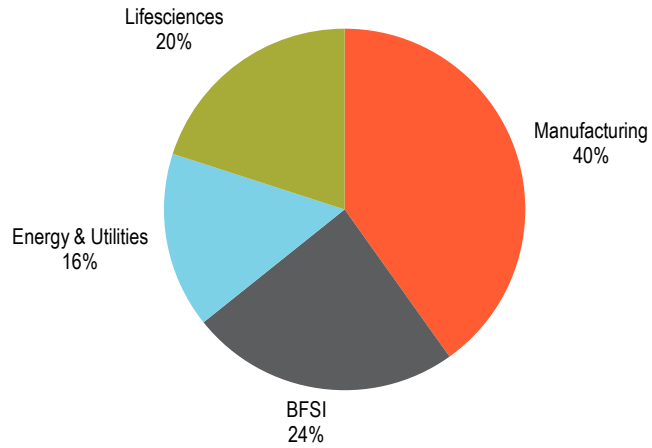
Source: Company, BOBCAPS Research

Fig 6 – USD Revenue Growth QoQ



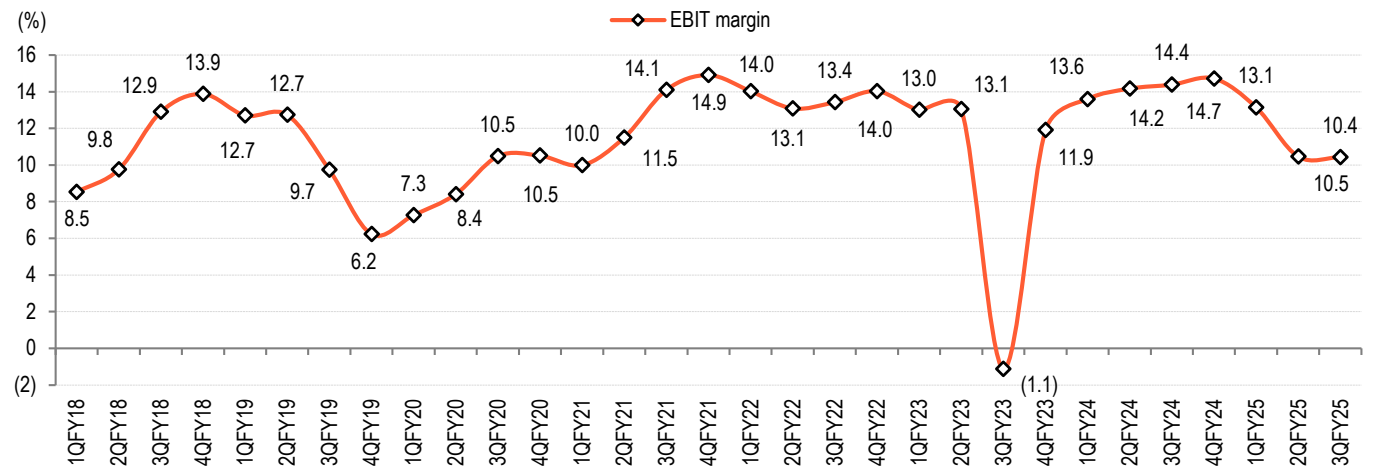
Source: Company, BOBCAPS Research

Fig 7 – Vertical Mix – 3QFY25



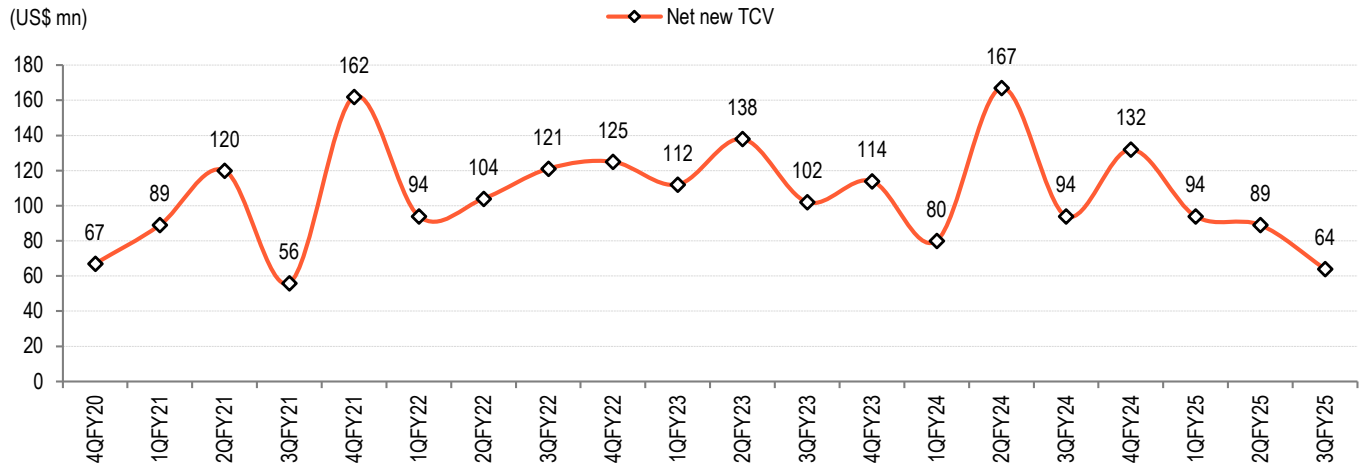
Source: Company, BOBCAPS Research

Fig 8 – EBIT Margin trend



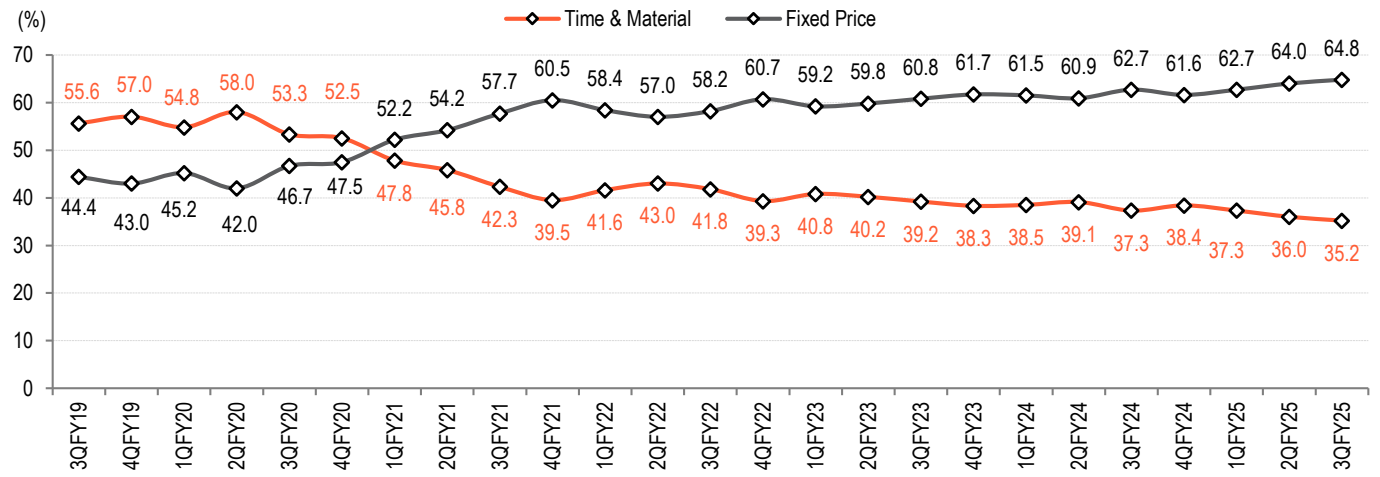
Source: Company, BOBCAPS Research

Fig 9 – Net New TCV



Source: Company, BOBCAPS Research

Fig 10 – Time and Material vs Fixed Price mix



Source: Company, BOBCAPS Research

Fig 11 – Quarterly Snapshot

Year to 31 March	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25
INR/USD	77.7	80.1	82.3	82.3	82.2	82.7	83.3	83.1	83.4	83.8	84.4
Revenue (in USDmn)	149	149	148	149	154	158	161	164	159	163	161
(Rsmn)											
Revenue	11,544	11,921	12,219	12,264	12,628	13,099	13,430	13,625	13,274	13,682	13,627
Gross margin	4,966	4,983	4,899	4,970	5,200	5,657	5,495	5,946	5,673	5,386	5,298
SGA	3,268	3,219	4,826	3,300	3,268	3,586	3,352	3,729	3,722	3,732	3,664
EBITDA	1,698	1,764	74	1,670	1,931	2,071	2,143	2,217	1,951	1,653	1,634
Depreciation	196	207	210	210	214	215	211	211	206	222	213
EBIT	1,502	1,557	(136)	1,460	1,717	1,856	1,932	2,006	1,745	1,431	1,422
Other income	155	(27)	124	(23)	141	156	282	457	345	334	208
PBT	1,624	1,472	(68)	1,397	1,816	1,955	2,154	2,422	2,049	1,697	1,560
Tax	417	321	95	276	440	504	544	621	547	422	390
PAT	1,207	1,151	(164)	1,122	1,375	1,451	1,611	1,801	1,502	1,275	1,169
Number of shares	280	272	273	275	275	276	276	276	278	278	278
EPS	4.3	4.2	-0.6	4.1	5.0	5.3	5.8	6.5	5.4	4.6	4.2
YoY Growth											
USD Revenue	15.7	8.7	3.5	1.8	3.4	6.4	8.7	9.9	3.6	3.2	(0.3)
INR Revenues	22.1	17.8	14.0	11.3	9.4	9.9	9.9	11.1	5.1	4.5	1.5
Gross profit	27.6	14.5	5.3	5.3	4.7	13.5	12.2	19.6	9.1	(4.8)	(3.6)
EBIT	13.2	17.6	(109.5)	(5.5)	14.4	19.2	(1,517.1)	37.4	1.6	(22.9)	(26.4)
Net profit	6.2	11.6	(114.4)	(15.6)	13.9	26.2	(1,084.4)	60.5	9.2	(12.2)	(27.4)
QoQ Growth											
USD Revenues	1.5	0.1	(0.3)	0.47	3.02	3.06	1.9	1.6	(2.9)	2.6	(1.53)
INR Revenues	4.8	3.3	2.5	0.4	3.0	3.7	2.5	1.5	(2.6)	3.1	(0.4)
EBIT	(2.9)	3.7	(108.8)	(1,170.8)	17.6	8.1	4.1	3.8	(13.0)	(18.0)	(0.7)
Net profit	(9.2)	(4.7)	(114.2)	(785.7)	22.6	5.5	11.0	11.8	(16.6)	(15.1)	(8.3)
Margins (%)											
Gross margin	43.0	41.8	40.1	40.5	41.2	43.2	40.9	43.6	42.7	39.4	38.9
EBITDA margin	14.7	14.8	0.6	13.6	15.3	15.8	16.0	16.3	14.7	12.1	12.0
EBIT	13.0	13.1	(1.1)	11.9	13.6	14.2	14.4	14.7	13.1	10.5	10.4
PAT	10.5	9.7	(1.3)	9.1	10.9	11.1	12.0	13.2	11.3	9.3	8.6
SGA	28.3	27.0	39.5	26.9	25.9	27.4	25.0	27.4	28.0	27.3	26.9

Source: Company, BOBCAPS Research

Fig 12 – Key Metrics

	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25
P and L (Rs mn)											
Revenue	11,544	11,921	12,219	12,264	12,628	13,099	13,430	13,625	13,274	13,682	13,627
EBIT	1,502	1,557	(136)	1,460	1,717	1,856	1,932	2,006	1,745	1,431	1,422
PAT	1,207	1,151	(164)	1,122	1,375	1,451	1,611	1,801	1,502	1,275	1,169
Vertical Mix (%)											
Manufacturing	47	47	46	47	41	41	41	42	39	40	40
BFSI	18	19	20	21	21	21	21	21	24	23	24
Energy & Utilities	14	14	14	15	14	14	15	15	16	16	16
Lifesciences	21	20	20	18	24	24	24	22	21	21	20
Services - Reclassified (%)											
Digital and Data					54	56	55	54	53	55	57
ERP					37	36	36	38	35	36	34
Infra					9	8	9	9	12	10	9
Geographic Mix (%)											
USA	85	84	84	85	84	86	86	87	84	87	88
Rest of the world	6	6	6	6	6	6	14	14	16	13	12
Europe	9	10	10	9	10	8	0	0	0	0	0
Revenue Mix (%)											
Onsite	51	48	49	49	49	49	46	48	44	51	49
Offshore	49	52	51	51	51	51	54	52	57	50	51
Revenue Contract Type (%)											
Time & Material	41	40	39	38	39	39	37	38	37	36	35
Fixed Price	59	60	61	62	62	61	63	62	63	64	65
Utilization (%)	83	82	84	85	85	87	87	86	82	82	82
Clients Concentration (%)											
Top 5 clients	31	31	32	33	33	34	35	35	36	37	37
Top 10 Clients	47	47	48	49	50	51	52	52	53	53	52
Top 20 Clients	63	64	64	64	64	64	65	65	65	65	65
No of millions \$ clients											
US\$1mn clients+	82	76	83	83	86	85	83	87	88	89	85
US\$5mn clients+	25	27	24	26	27	27	26	26	23	24	27
US\$10mn clients+	13	14	13	13	13	11	11	12	12	12	12
Total Headcount	12,565	12,758	12,530	12,193	12,235	12,322	12,356	12,595	12,865	12,578	12,125
Net Addition	361	193	(228)	(337)	42	87	34	239	270	(287)	(453)
Attrition (%)	27.9	27.4	25.5	22.1	18.8	15.0	12.6	12.4	11.6	11.8	12.7
INR/USD	77.7	80.1	82.3	82.3	82.2	82.7	83.3	83.1	83.4	83.8	84.4
Financials (in US\$ mn)											
Revenue	148.6	148.8	148.4	149.1	153.6	158.3	161.3	163.9	159.1	163.3	161.5
EBIT	19.3	19.4	(1.7)	17.8	20.9	22.4	23.2	24.1	20.9	17.1	16.8
PAT	15.5	14.4	(2.0)	13.6	16.7	17.5	19.3	21.7	18.0	15.2	13.9
Productivity Metrics											
Per Capita (Annualised)											
Revenue	47,306	46,653	47,374	48,913	50,217	51,388	52,218	52,052	49,468	51,932	53,264
EBIT	6,153	6,093	(529)	5,823	6,830	7,283	7,513	7,663	6,504	5,432	5,557
PAT	4,947	4,503	(634)	4,474	5,470	5,694	6,262	6,880	5,598	4,840	4,571
Direct and Opex cost per capita	41,153	40,560	47,903	43,090	43,387	44,105	44,704	44,390	42,964	46,500	47,708

Source: Company, BOBCAPS Research

Fig 13 – QoQ and YoY growth across various parameters

(in US\$)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25
QoQ Growth (%)											
Revenue											
Company	1.5	0.1	(0.3)	0.5	3.0	3.1	1.9	1.6	(2.9)	2.6	(1.5)
Geographical Data (%)											
USA	4.8	(0.8)	(0.7)	2.4	1.4	5.3	1.8	2.6	(5.7)	6.7	(1.0)
Europe	(16.6)	4.5	7.0	(12.2)	14.5	(15.5)	-	-	-	-	-
Rest of the world	(9.3)	6.9	(5.0)	(4.6)	8.4	3.1	142.9	(4.1)	15.0	(18.5)	(5.4)
Verticals (%)											
Manufacturing	2.8	1.2	(2.6)	2.7	(11.1)	4.2	1.9	3.6	(9.2)	4.7	(1.3)
BFSI	5.0	7.4	5.0	2.5	3.8	5.3	(0.5)	4.6	8.1	1.3	1.8
Energy & Utilities	(3.9)	(1.3)	(1.7)	7.7	(1.1)	(1.3)	7.8	3.7	3.6	4.6	(4.0)
Lifesciences	(0.4)	(7.4)	1.3	(11.1)	42.8	1.4	1.5	(6.0)	(6.0)	(1.2)	(4.4)
Services (%)											
Business & Technology Transformation	7.3	3.4	5.5	1.5	(15.1)	(1.6)	3.1	(1.4)			
Enterprise Solutions	(0.2)	(6.2)	(7.0)	2.5	(3.9)	(0.3)	0.6	7.3			
Cloud & Base Services	(4.8)	6.3	0.8	(4.6)	50.2	11.9	1.9	(0.8)			
Services – Reclassified (%)											
Digital and Data						5.5	1.7	(1.9)	(4.4)	6.5	2.4
ERP						0.8	1.9	6.1	(10.1)	4.4	(6.0)
Infra						(2.7)	3.1	5.2	36.8	(18.9)	(8.6)
YoY Growth (%)											
Revenue											
Company	15.7	8.7	3.5	1.8	3.4	6.4	8.7	9.9	3.6	3.2	(0.3)
Geographical Data (%)											
USA	21.8	11.2	4.5	5.7	2.3	8.5	11.3	11.5	3.6	5.0	2.1
Europe	(9.8)	(0.6)	(0.4)	(18.2)	12.4	(9.1)	-	-	-	-	-
Rest of the world	(9.0)	(6.2)	(3.0)	(12.0)	5.1	1.3	159.1	160.4	176.2	118.4	(14.9)
Verticals (%)											
Manufacturing	22.3	18.2	5.5	4.1	(10.0)	(7.4)	(3.1)	(2.2)	(0.1)	0.4	(2.7)
BFSI	17.7	14.7	17.5	21.4	19.9	17.5	11.4	13.7	18.4	13.9	16.6
Energy & Utilities	11.1	7.2	(2.8)	0.5	3.4	3.4	13.4	9.2	14.4	21.2	7.9
Lifesciences	4.9	(12.0)	(7.7)	(17.0)	19.0	30.3	30.5	38.0	(9.2)	(11.5)	(16.6)
Services (%)											
Business & Technology Transformation	20.4	17.4	18.9	18.9	(6.0)	(10.6)	(12.6)	(15.1)			
Enterprise Solutions	7.9	(0.2)	(12.7)	(10.9)	(14.1)	(8.7)	(1.2)	3.5			
Cloud & Base Services	23.9	10.7	8.5	(2.7)	53.6	61.7	63.4	70.0			
Services - Reclassified											
Digital and Data									0.7	1.7	2.4
ERP									(2.0)	1.4	(6.4)
Infra									44.3	20.4	6.7

Source: Company, BOBCAPS Research

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Total revenue	47,948	52,781	54,412	59,729	66,603
EBITDA	5,205	8,362	6,958	8,662	10,026
Depreciation	823	850	857	901	959
EBIT	4,382	7,512	6,101	7,761	9,067
Net interest inc./(exp.)	186	200	261	349	389
Other inc./(exp.)	228	1,035	1,126	1,010	1,182
Exceptional items	0	0	0	0	0
EBT	4,424	8,348	6,966	8,422	9,860
Income taxes	1,108	2,110	1,774	2,108	2,468
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	3,316	6,238	5,191	6,314	7,392
Adjustments	0	0	0	0	0
Adjusted net profit	3,316	6,238	5,191	6,314	7,392

Balance Sheet

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Accounts payables	2,313	2,805	2,684	3,905	4,323
Other current liabilities	3,927	4,653	6,793	7,467	8,136
Provisions	487	712	748	748	748
Debt funds	0	0	0	0	0
Other liabilities	662	645	1,195	1,345	1,345
Equity capital	550	552	553	553	553
Reserves & surplus	23,933	29,889	32,894	37,119	42,145
Shareholders' fund	24,483	30,441	33,447	37,672	42,698
Total liab. and equities	31,873	39,256	44,867	51,138	57,249
Cash and cash eq.	9,559	4,249	5,412	6,678	10,886
Accounts receivables	7,316	10,365	10,371	11,714	12,967
Inventories	0	0	203	203	203
Other current assets	4,823	13,060	16,333	19,119	19,704
Investments	741	2,860	2,437	2,637	2,637
Net fixed assets	1,561	1,142	977	1,043	1,108
CWIP	65	116	164	174	174
Intangible assets	4,896	4,957	5,034	5,234	5,234
Deferred tax assets, net	1,171	1,044	1,138	1,288	1,288
Other assets	1,741	1,463	2,798	3,048	3,048
Total assets	31,873	39,256	44,867	51,138	57,249

Cash Flows

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Cash flow from operations	3,177	8,775	4,707	9,547	9,493
Capital expenditures	(811)	(431)	(692)	(967)	(1,025)
Change in investments	(79)	(8,581)	(3,066)	(250)	0
Other investing cash flows	0	0	0	0	0
Cash flow from investing	(890)	(9,012)	(3,758)	(1,217)	(1,025)
Equities issued/Others	(475)	2	1	0	0
Debt raised/repaid	0	0	0	0	0
Interest expenses	(186)	(200)	(261)	(349)	(389)
Dividends paid	(965)	(1,792)	(1,807)	(2,088)	(2,367)
Other financing cash flows	0	0	0	0	0
Cash flow from financing	(1,626)	(1,989)	(2,068)	(2,437)	(2,756)
Chg in cash & cash eq.	(1,208)	(5,309)	1,163	1,267	4,207
Closing cash & cash eq.	9,559	4,249	5,412	6,678	10,886

Per Share

Y/E 31 Mar (Rs)	FY23A	FY24A	FY25E	FY26E	FY27E
Reported EPS	12.0	22.6	18.7	22.7	26.5
Adjusted EPS	12.0	22.6	18.4	22.4	26.2
Dividend per share	3.5	6.5	6.5	7.5	8.5
Book value per share	88.8	110.4	120.3	135.3	153.3

Valuations Ratios

Y/E 31 Mar (x)	FY23A	FY24A	FY25E	FY26E	FY27E
EV/Sales	2.7	2.5	2.5	2.3	2.0
EV/EBITDA	24.9	15.6	19.2	15.7	13.4
Adjusted P/E	42.0	22.3	27.4	22.5	19.2
P/BV	5.7	4.6	4.2	3.7	3.3

DuPont Analysis

Y/E 31 Mar (%)	FY23A	FY24A	FY25E	FY26E	FY27E
Tax burden (Net profit/PBT)	75.2	74.9	74.7	74.5	75.0
Interest burden (PBT/EBIT)	109.4	101.0	111.1	114.2	108.5
EBIT margin (EBIT/Revenue)	13.6	9.1	14.2	11.2	13.0
Asset turnover (Rev./Avg TA)	129.5	145.9	148.4	129.4	124.4
Leverage (Avg TA/Avg Equity)	1.3	1.3	1.3	1.3	1.3
Adjusted ROAE	19.5	13.2	22.7	16.3	17.8

Ratio Analysis

Y/E 31 Mar	FY23A	FY24A	FY25E	FY26E	FY27E
YoY growth (%)					
Revenue	16.1	10.1	3.1	9.8	11.5
EBITDA	(18.7)	60.7	(16.8)	24.5	15.7
Adjusted EPS	(27.8)	88.3	(18.7)	21.7	17.1
Profitability & Return ratios (%)					
EBITDA margin	10.9	15.8	12.8	14.5	15.1
EBIT margin	9.1	14.2	11.2	13.0	13.6
Adjusted profit margin	6.9	11.8	9.5	10.6	11.1
Adjusted ROAE	13.2	22.7	16.3	17.8	18.4
ROCE	13.1	20.4	14.2	16.4	16.9
Working capital days (days)					
Receivables	56	72	70	72	71
Inventory	NA	NA	NA	NA	NA
Payables	17	19	18	24	23
Ratios (x)					
Gross asset turnover	30.7	46.2	55.7	57.3	60.1
Current ratio	3.5	3.7	3.4	3.3	3.5
Net interest coverage ratio	NA	NA	NA	NA	NA
Adjusted debt/equity	(0.4)	(0.1)	(0.2)	(0.2)	(0.3)

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

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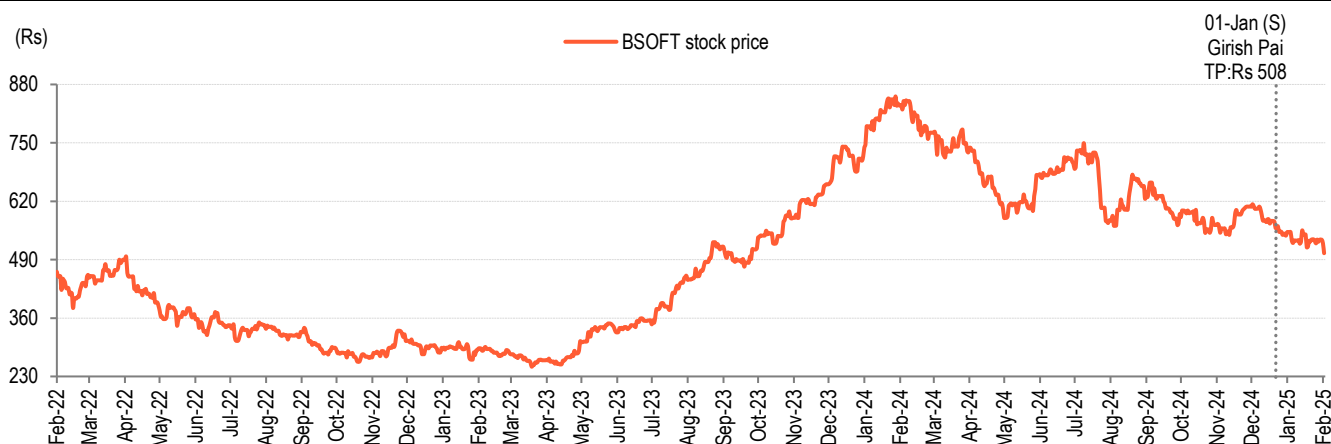
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