

**SELL**

TP: Rs 376 | ▼ 7%

**BIRLASOFT**

| IT Services

| 29 January 2026

## Odds of third successive year of revenue decline in FY27 rising

- Second successive quarter of margin beat on forex and one-offs. Sustainable EBITDA margin indicated 300bps lower than 3Q levels
- Building 1% CC QoQ revenue decline in 4Q. Strong TCV pick up in 1HFY27 is required to prevent revenue decline in FY27
- Trim revenue estimate for FY27/FY28. Maintain Target multiple at 17.4x (20% discount to TCS) on Dec '27 EPS and retain our Sell rating

**Revenue shows seasonal weakness but supported by one off growth in manufacturing. EBITA margin surprises for second quarter running on one-offs and Forex:** The 0.3% QOQ CC growth was in line with our 0.7% estimate whereas the EBIT margin at 16.1% was 360bps better than our estimate of which 190bps has come from one offs and forex and the rest from offshore volume shift. Sustainable EBITDA margin guided closer to 15% (with EBIT margin likely ~13%).

**US\$200mn TCV up from a very weak 2Q:** This applies to both total TCV and net new for the quarter. This has largely happened because two largish deals (relative to BSOFT's size) got pushed back from 2Q to 3Q. It is highly unlikely that BSOFT will hit the aspirational TCV number of US\$850mn for FY26. Based on current guidance of an even better 4Q on the TCV front (QoQ) it will likely hit US\$650-675mn for the full year. Unless there is a significant pick up in order inflow in 1HFY27, revenue growth in FY27 may be in jeopardy. We have decided to take a generous view on this and built a ~3% USD revenue growth. Expectation is that the new CEO Americas of BSOFT, Komal Jain, a veteran from Infosys, will help drive growth in TCV and revenue from a geography that contributes ~85% of revenue.

**Pricing pressure in renewals creates a leaky bucket situation:** BSOFT maintains that there is considerable pricing pressure on renewal contracts as customers are pushing for productivity pass backs. We suspect this to be a very critical element of revenue growth in FY27 especially as competitive intensity increases and many of BSOFT's peers are armed with AI platforms. From the looks of it BSOFT seems behind on this front within the Tier-2 universe.

**Cut revenue estimates and Maintain Sell:** We have trimmed our USD revenue estimate for FY27 and FY28 on the back of lackluster order inflow and the risks around renewal related compression. We are now building in 3-4.5% USD revenue growth in FY27/FY28 with potential downside risks. Target PE remains unchanged at 17.4x (20% discount to the target PE multiple of TCS- our sector benchmark) and the stock rating continues to be SELL.

**Girish Pai**

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## Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	BSOFT IN/Rs 403
Market cap	US\$ 1.2bn
Free float	59%
3M ADV	US\$ 6.7mn
52wk high/low	Rs 542/Rs 331
Promoter/FPI/DII	41%/11%/24%

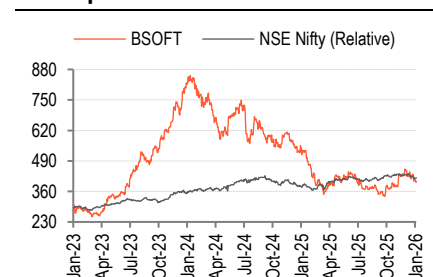
Source: NSE | Price as of 28 Jan 2026

## Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	53,752	53,050	55,791
EBITDA (Rs mn)	6,974	8,196	8,243
Adj. net profit (Rs mn)	5,168	4,613	5,888
Adj. EPS (Rs)	18.3	16.4	20.9
Consensus EPS (Rs)	18.3	15.8	21.2
Adj. ROAE (%)	15.8	12.6	14.6
Adj. P/E (x)	22.0	24.6	19.2
EV/EBITDA (x)	16.7	14.3	14.5
Adj. EPS growth (%)	(19.0)	(10.6)	27.6

Source: Company, Bloomberg, BOBCAPS Research

## Stock performance



Source: NSE



## Key Points from the quarter and the earnings call

- Revenue stood at US\$150.8mn, up 0.3% QoQ (against our estimate of 0.7%) in CC terms
  - Revenue performance was led by manufacturing, among verticals (Manufacturing up 3.4% QoQ in dollar terms, while the other verticals registered a sequential decline) and by Infra and ERP among service lines (Infra up 9.9% QoQ and ERP up 1.9% QoQ)
  - Revenue performance in 3Q was in line with management expectations given furlough assumptions
- EBIT Margin stood at 16.7% (beating our estimate of 13.1%), growing ~215 bps on a QoQ basis and ~624 bps on a YoY basis
  - Margin expansion driven by improvement in quality of revenues, ongoing efforts to optimize cost structures, and some one-offs
  - Favorable shift in revenue mix with higher fixed-price business and offshore work contributed to margin expansion
  - Better operational efficiencies, exchange rate tailwind of ~70-80 bps, and one-offs (write-backs of prior provisions that are no longer required) of ~110 bps in 3Q supported margin
- TCV: US\$202mn (growing 89% QoQ and declining 11% YoY); New deal wins TCV: US\$94mn (growing 135% QoQ and 47% YoY)
  - Deal momentum improved in 3Q, with deals that were committed but not signed in 2Q closing during the quarter (Two deals delayed from 2Q to 3Q were signed in 3Q, both classified as net new deals)
  - Several deals won on the back of domain expertise and AI-led capabilities
- Management confident that 4Q signings will exceed 3Q signings
- Manufacturing vertical growth expected to continue facing demand headwinds in 4Q
  - Recent growth in manufacturing and ERP attributed to ramp-up of previously won deals, with revenue realization considered largely one-time
  - Manufacturing vertical expected to remain soft for at least one more quarter
  - Manufacturing business expected to turn around in 1Q or 2Q of FY27
- E&U and Financial Services verticals expected to continue growth momentum
  - Financial Services showed optical degrowth due to furloughs in the quarter, but expected to be steady in 4Q and grow in FY27
  - E&U vertical expected to remain steady with continued growth
- Life Sciences business characterized as largely medical devices led (80% med devices and 20% pharma) and therefore closely linked to manufacturing

- Soft performance in the segment driven by tariffs impacting manufacturing and med device companies, contributed to the softer quarters in 1QFY26 and 3QFY26. Expected to face headwinds in 4Q, stabilize in 1QFY27 and grow from 2QFY27 onwards
- Healthcare is expected to face pricing pressure due to client uncertainties (tariffs), but no volume decline is anticipated
- No material change observed in the overall demand environment compared with prior periods
  - Customers continue to focus on spend optimization, with discretionary spending remaining constrained
  - Some verticals such as BFSI and E&U described as steadier than others
  - Exposure remains higher to manufacturing-led customers across Manufacturing and Life Sciences and Services verticals
  - Management to focus, going forward, on strengthening deal pipeline, driving order book, and building domain and technology capabilities
- On a steady-state basis and considering accelerated investments going forward, EBITDA margin expected to be ~15%
- ETR increased due to provision for higher US federal taxes, with this transitional trend expected to sustain through FY26 and settle closer to historical ETR levels in the next financial year
- Management is cautiously optimistic for 4Q growth. The caution comes from two main headwinds:
  - Manufacturing and ERP segments will likely be soft in 4Q because the strong growth in 3Q was from deal ramps that are one-off in nature
  - 4Q has three fewer working days compared to 3Q, which will slightly impact some businesses, though the effect is cushioned by the shift toward fixed-price, outcome-based work
- Renewals expected to be at lower margins due to pricing pressures, supporting steady-state EBITDA margin of ~15%
- Client rationalization exercise is ongoing and has not fully bottomed out. Rationalization intended to concentrate on clients with growth potential
- Standalone business growth driven by increase in ROW revenues
  - Revenue uptick in 3Q specifically from couple of customers (ERP service line) achieving milestones
  - Forex benefits contributed to the improvement in standalone financials
- 1QFY27 signings expected to be softer due to seasonal industry trends, but investments in sales and capability building underway to strengthen pipeline and future deal wins

- The company's employee numbers include subcontractors, who currently make up about 8% of the total workforce
- The company's pass-through revenue is now nil and going forward too, there will be zero pass-through revenues (barring one-off infrastructure deal). Strategy is to move fully toward outcomes-based work
- Workforce strength stood at 11,645 (down ~250 employees QoQ); Attrition stood at 13.1%
- BSOF has decided to hike wages only in FY27. Promotions are likely in 4QFY26, wage hike will be between 1QFY27 and 2QFY27

## 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 an update on 12<sup>th</sup> March 2025 (**FY26 unlikely to be better than FY25**). Another report (**Uncertainty stays and 'eating the tariff' may impact even FY27**) and (**A fourth slow year?**) talks about our continued cautious stance on the sector.

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

### Multiple speed breakers drive our Underweight stance

**Trump policies raise uncertainty:** Tariffs, a wider fiscal deficit from the 'one big, beautiful bill' (OBBB), and tighter immigration rules (including the new hurdles in H1-B visas), etc., may lead to delay in decision making in the near term.

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.

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

**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 21.7x, which is the average PE multiple of TCS over the last 10 years less 0.5SD. This has been raised from 19x (average PE multiple of TCS over the last 10 years less 1SD). We have been giving subjective premium/discount to the benchmark target PE to arrive at target PE multiples for the rest of our coverage.

**Reason for raising Target PE multiple:** With Nifty IT underperforming by ~23ppt vs the Nifty in 2025, we believe much of the downside is factored in. With a modest uptick in growth rates in FY27, we believe the stocks will trade a bit higher.

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 probability of downside risks to consensus EPS expectations for FY27.

### **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.

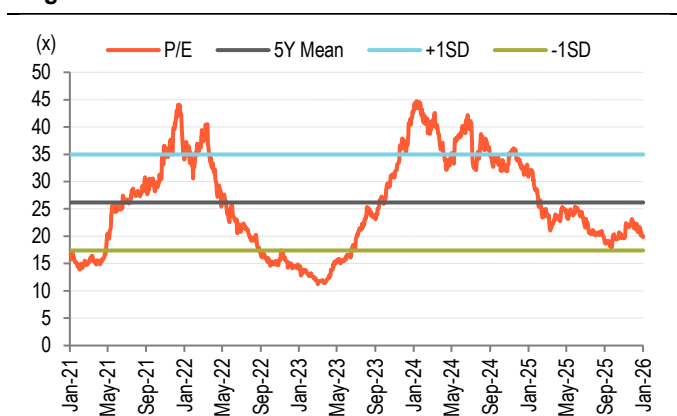
However, current PE premium to Tier-1s is excessive for certain stocks, because to deliver on the high consensus revenue growth expectations, they may be taking on more cost take-out projects that are likely to impact margins adversely.

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.

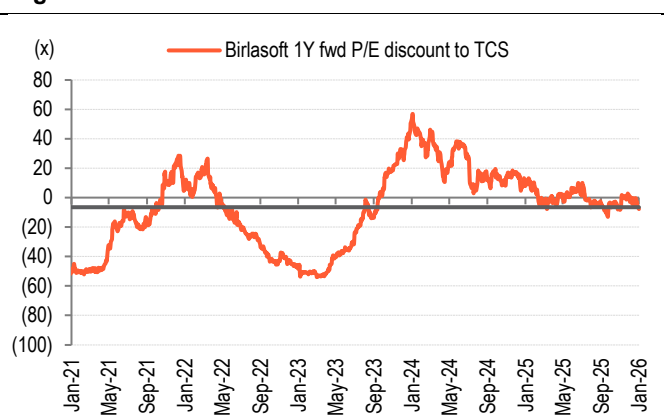
**Fig 1 – Quarterly results: Comparison of actuals with estimates**

Y/E Mar (Rs mn)	3QFY25	2QFY26	3QFY26	YoY (%)	QoQ (%)	3QFY26E	Deviation (%)
<b>Net Sales (USD mn)</b>	<b>161</b>	<b>151</b>	<b>151</b>	<b>(6.2)</b>	<b>0.1</b>	<b>152</b>	<b>(0.5)</b>
<b>Net Sales</b>	<b>13,627</b>	<b>13,289</b>	<b>13,475</b>	<b>(1.1)</b>	<b>1.4</b>	<b>13,501</b>	<b>(0.2)</b>
Employee Cost	8,329	7,964	8,095	(2.8)	1.6	8,123	(0.3)
% of Sales	61.1	59.9	60.1			60.2	
Gross Margin	5,298	5,325	5,381	1.6	1.0	5,378	0.0
% of Sales	38.9	40.1	39.9			39.8	
Operating Expenses	3,664	3,193	2,933	(20.0)	(8.1)	3,400	(13.8)
% of Sales	26.9	24.0	21.8			25.2	
<b>EBIT</b>	<b>1,422</b>	<b>1,931</b>	<b>2,247</b>	<b>58.1</b>	<b>16.4</b>	<b>1,772</b>	<b>26.8</b>
<b>EBIT Margin (%)</b>	<b>10.4</b>	<b>14.5</b>	<b>16.7</b>			<b>13.1</b>	
Other Income	208	220	134	(35.5)	(39.1)	224	(40.2)
Interest	(69)	(51)	(57)			(65)	
PBT	1,560	2,100	2,324	49.0	10.7	1,932	20.3
Provision for Tax	390	939	871	123.1	(7.2)	864	0.8
Effective Tax Rate	25.0	44.7	37.5			44.7	
<b>Adjusted PAT</b>	<b>1,169</b>	<b>1,161</b>	<b>1,453</b>	<b>24.3</b>	<b>25.2</b>	<b>1,068</b>	<b>36.1</b>
<b>Margin (%)</b>	<b>8.6</b>	<b>8.7</b>	<b>10.8</b>			<b>7.9</b>	
Exceptional Item (adjusted for taxes)	0	0	254			0	
PAT (Reported)	1,169	1,161	1,199	2.5	3.3	1,068	12.3
Margin (%)	8.6	8.7	8.9			7.9	

Source: Company, BOBCAPS Research

**Fig 2 – 5 Year PE trend**

Source: Bloomberg, BOBCAPS Research

**Fig 3 – Premium/ Discount to TCS**

Source: Bloomberg, BOBCAPS Research

**Fig 4 – Revised Estimates**

	New			Old			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
INR/USD	88.2	90.0	91.1	87.9	89.4	91.1	0.4	0.7	-
USD Revenue (USD mn)	601.5	619.9	647.9	605.7	634.5	663.2	(0.7)	(2.3)	(2.3)
Growth (%)	(5.3)	3.1	4.5	(4.7)	4.8	4.5			
Revenue (Rs mn)	53,049.6	55,791.0	58,992.5	53,239.8	56,716.0	60,385.5	(0.4)	(1.6)	(2.3)
EBIT (Rs mn)	7,381.6	7,391.0	7,632.7	6,857.1	7,313.1	7,859.2	7.6	1.1	(2.9)
EBIT Margin (%)	13.9	13.2	12.9	12.9	12.9	13.0			
PAT (Rs mn)	4,612.8	5,887.8	6,172.4	4,372.7	5,805.8	6,292.1	5.5	1.4	(1.9)
FDEPS (Rs)	16.4	20.9	21.9	15.5	20.7	22.4	5.4	1.3	(2.0)
Adjusted PAT (Rs mn)	4,867.2	5,887.8	6,172.4	4,372.7	5,805.8	6,292.1	11.3	1.4	(1.9)
Adjusted FDEPS (Rs)	17.3	20.9	21.9	15.5	20.7	22.4	11.2	1.3	(2.0)

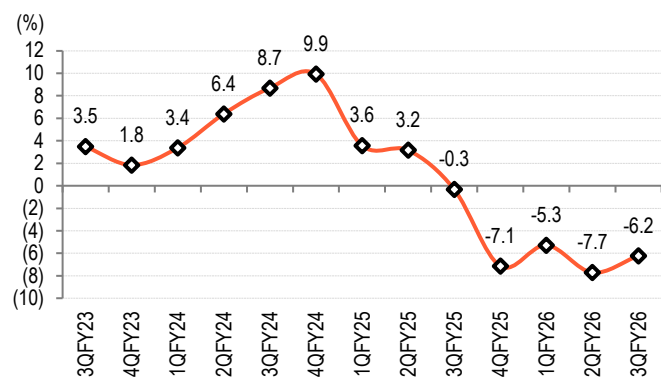
Source: Company, BOBCAPS Research

**Fig 5 – P&L at a glance**

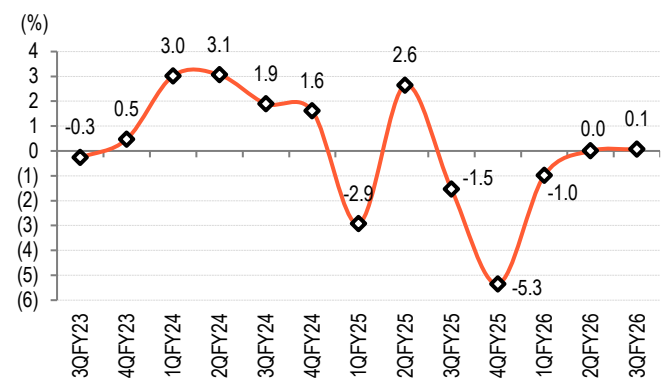
(YE March) (Rs mn)	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Average INR/USD	64.5	70.0	70.9	74.1	74.4	80.6	82.8	84.6	88.2	90.0	91.1
<b>Net Sales (USD mn)</b>	<b>452</b>	<b>364</b>	<b>464</b>	<b>480</b>	<b>555</b>	<b>595</b>	<b>637</b>	<b>635</b>	<b>601</b>	<b>620</b>	<b>648</b>
<b>YoY Growth (%)</b>		<b>-19.4</b>	<b>27.4</b>	<b>3.4</b>	<b>15.7</b>	<b>7.2</b>	<b>7.1</b>	<b>-0.3</b>	<b>-5.3</b>	<b>3.1</b>	<b>4.5</b>
Revenues	29,142	25,507	32,910	35,557	41,303	47,948	52,781	53,752	53,050	55,791	58,993
YoY Growth	-12.3	-12.5	29.0	8.0	16.2	16.1	10.1	1.8	-1.3	5.2	5.7
Employee Cost	17,874	15,352	19,975	21,158	23,688	28,131	30,483	32,008	32,020	33,951	35,728
Gross Profit	11,268	10,155	12,934	14,399	17,615	19,817	22,298	21,744	21,029	21,840	23,265
% of sales	38.7	39.8	39.3	40.5	42.6	41.3	42.2	40.5	39.6	39.1	39.4
Operating Expenses	7,533	7,091	9,065	9,107	11,213	14,612	13,936	14,770	12,833	13,597	14,723
% of sales	25.8	27.8	27.5	25.6	27.1	30.5	26.4	27.5	24.2	24.4	25.0
EBITDA	3,735	3,064	3,869	5,292	6,402	5,205	8,362	6,974	8,196	8,243	8,541
EBITDA Margin	12.8	12.0	11.8	14.9	15.5	10.9	15.8	13.0	15.4	14.8	14.5
Depreciation	589	499	826	804	766	823	850	857	815	852	909
% of sales	2.0	2.0	2.5	2.3	1.9	1.7	1.6	1.6	1.5	1.5	1.5
<b>EBIT</b>	<b>3,147</b>	<b>2,565</b>	<b>3,043</b>	<b>4,489</b>	<b>5,636</b>	<b>4,382</b>	<b>7,512</b>	<b>6,117</b>	<b>7,382</b>	<b>7,391</b>	<b>7,633</b>
<b>EBIT Margin</b>	<b>10.8</b>	<b>10.1</b>	<b>9.2</b>	<b>12.6</b>	<b>13.6</b>	<b>9.1</b>	<b>14.2</b>	<b>11.4</b>	<b>13.9</b>	<b>13.2</b>	<b>12.9</b>
Other Income	357	261	480	190	662	228	1,035	1,085	830	1,178	1,353
Interest	91	108	161	130	131	186	200	234	224	276	292
Exceptional Item	-	-	-	-	-	-	-	-	407	-	-
Profit Before Tax	3,412	2,717	3,362	4,548	6,167	4,424	8,348	6,968	7,581	8,293	8,694
PBT Margin	11.7	10.7	10.2	12.8	14.9	9.2	15.8	13.0	14.3	14.9	14.7
Tax	704	539	1,119	1,340	1,531	1,108	2,110	1,801	2,968	2,405	2,521
ETR (%)	20.6	19.8	33.3	29.5	24.8	25.1	25.3	25.8	39.1	29.0	29.0
<b>Profit After Tax</b>	<b>2,412</b>	<b>2,354</b>	<b>2,243</b>	<b>3,208</b>	<b>4,637</b>	<b>3,316</b>	<b>6,238</b>	<b>5,168</b>	<b>4,613</b>	<b>5,888</b>	<b>6,172</b>
<b>YoY Growth (%)</b>		<b>-2.4</b>	<b>-4.7</b>	<b>43.0</b>	<b>44.5</b>	<b>-28.5</b>	<b>88.1</b>	<b>-17.2</b>	<b>-10.7</b>	<b>27.6</b>	<b>4.8</b>
Margin (%)	8.3	9.2	6.8	9.0	11.2	6.9	11.8	9.6	8.7	10.6	10.5
<b>Adjusted PAT</b>	<b>2411.6</b>	<b>2353.9</b>	<b>2243.5</b>	<b>3208.3</b>	<b>4636.7</b>	<b>3316.0</b>	<b>6238.3</b>	<b>5167.6</b>	<b>4867.2</b>	<b>5887.8</b>	<b>6172.4</b>
<b>Margin (%)</b>	<b>8.3</b>	<b>9.2</b>	<b>6.8</b>	<b>9.0</b>	<b>11.2</b>	<b>6.9</b>	<b>11.8</b>	<b>9.6</b>	<b>9.2</b>	<b>10.6</b>	<b>10.5</b>

Source: Company, BOBCAPS Research

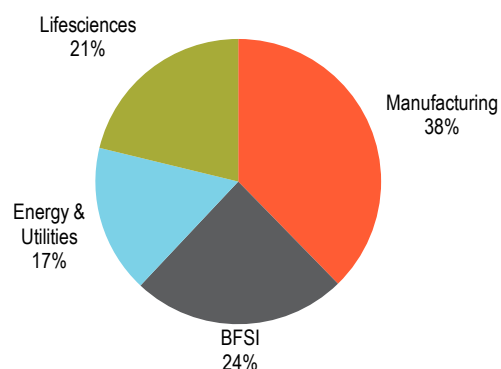


**Fig 6 – USD Revenue Growth (YoY)**

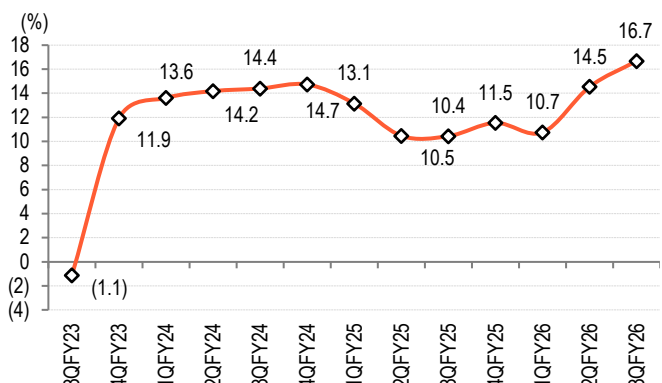
Source: Company, BOBCAPS Research

**Fig 7 – USD Revenue Growth (QoQ)**

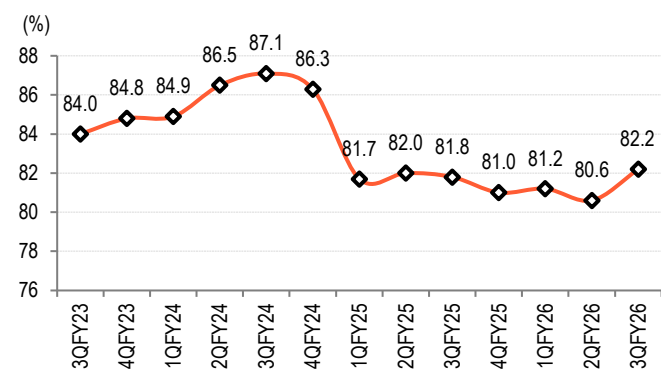
Source: Company, BOBCAPS Research

**Fig 8 – Vertical Mix – 3QFY26**

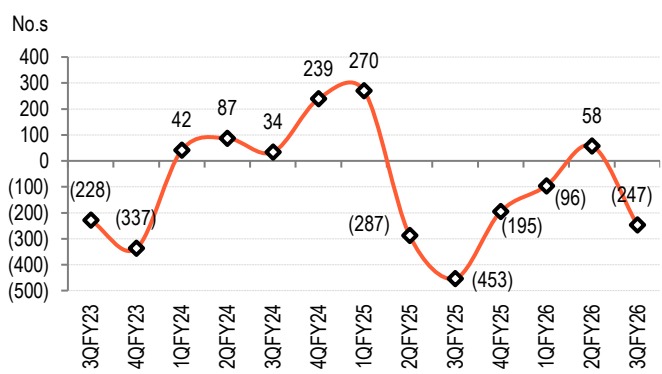
Source: Company, BOBCAPS Research

**Fig 9 – EBIT Margin trend**

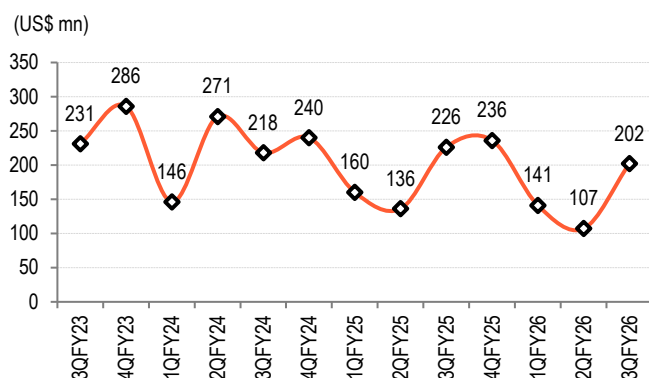
Source: Company, BOBCAPS Research

**Fig 10 – Utilization trend**

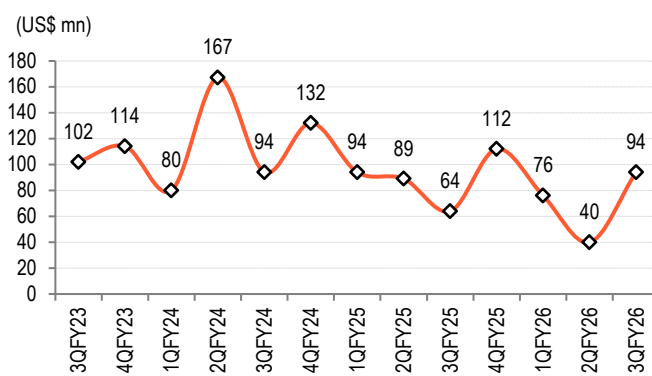
Source: Company, BOBCAPS Research

**Fig 11 – Net Headcount Addition**

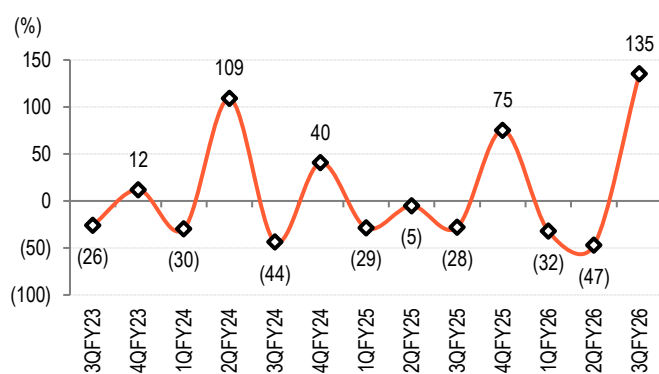
Source: Company, BOBCAPS Research

**Fig 12 – Deal Wins - Total TCV (USD mn)**

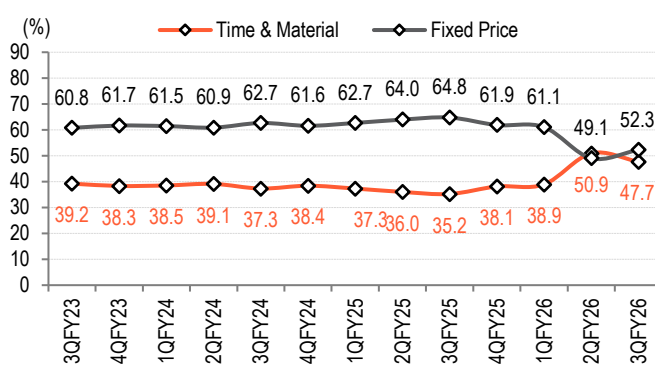
Source: Company, BOBCAPS Research

**Fig 13 – Net New TCV (USD mn)**

Source: Company, BOBCAPS Research

**Fig 14 – Net New TCV Growth QoQ (%)**

Source: Company, BOBCAPS Research

**Fig 15 – Time and Material vs Fixed Price mix**

Source: Company, BOBCAPS Research

**Fig 16 – Quarterly Snapshot**

Year to 31 March	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26
INR/USD	82.3	82.3	82.2	82.7	83.3	83.1	83.4	83.8	84.7	86.5	85.3	88.2	89.4
Revenue (in USDmn)	148	149	154	158	161	164	159	163	161	152	151	151	151
<b>(Rs mn)</b>													
Revenue	12,219	12,264	12,628	13,099	13,430	13,625	13,274	13,682	13,627	13,169	12,849	13,289	13,475
Gross margin	4,899	4,970	5,200	5,657	5,495	5,946	5,673	5,386	5,298	5,388	5,062	5,325	5,381
SGA	4,826	3,300	3,268	3,586	3,352	3,729	3,722	3,732	3,664	3,652	3,474	3,193	2,933
EBITDA	74	1,670	1,931	2,071	2,143	2,217	1,951	1,653	1,634	1,736	1,588	2,133	2,448
Depreciation	210	210	214	215	211	211	206	222	213	216	208	202	201
EBIT	(136)	1,460	1,717	1,856	1,932	2,006	1,745	1,431	1,422	1,519	1,380	1,931	2,247
Other income	124	(23)	141	156	282	457	345	334	208	199	331	220	134
PBT	(68)	1,397	1,816	1,955	2,154	2,422	2,049	1,697	1,560	1,663	1,662	2,100	1,918
Tax	95	276	440	504	544	621	547	422	390	442	597	939	719
PAT	(164)	1,122	1,375	1,451	1,611	1,801	1,502	1,275	1,169	1,221	1,064	1,161	1,199
Number of shares	273	275	275	276	276	276	278	278	278	279	279	279	280
EPS	(0.6)	4.1	5.0	5.3	5.8	6.5	5.4	4.6	4.2	4.4	3.8	4.2	4.3
<b>YoY Growth (%)</b>													
USD Revenue	3.5	1.8	3.4	6.4	8.7	9.9	3.6	3.2	(0.3)	(7.1)	(5.3)	(7.7)	(6.2)
INR Revenues	14.0	11.3	9.4	9.9	9.9	11.1	5.1	4.5	1.5	(3.4)	(3.2)	(2.9)	(1.1)
Gross profit	5.3	5.3	4.7	13.5	12.2	19.6	9.1	(4.8)	(3.6)	(9.4)	(10.8)	(1.1)	1.6
EBIT	(109.5)	(5.5)	14.4	19.2	(1517.1)	37.4	1.6	(22.9)	(26.4)	(24.2)	(20.9)	34.9	58.1
Net profit	(114.4)	(15.6)	13.9	26.2	(1084.4)	60.5	9.2	(12.2)	(27.4)	(32.2)	(29.1)	(8.9)	2.5
<b>QoQ Growth (%)</b>													
USD Revenues	(0.3)	0.47	3.02	3.06	1.9	1.6	(2.9)	2.6	(1.53)	(5.3)	(1.0)	-	0.1
INR Revenues	2.5	0.4	3.0	3.7	2.5	1.5	(2.6)	3.1	(0.4)	(3.4)	(2.4)	3.4	1.4
EBIT	(108.8)	(1,170.8)	17.6	8.1	4.1	3.8	(13.0)	(18.0)	(0.7)	6.9	(9.2)	39.9	16.4
Net profit	(114.2)	(785.7)	22.6	5.5	11.0	11.8	(16.6)	(15.1)	(8.3)	4.4	(12.8)	9.1	3.3
<b>Margins (%)</b>													
Gross margin	40.1	40.5	41.2	43.2	40.9	43.6	42.7	39.4	38.9	40.9	39.4	40.1	39.9
EBITDA margin	0.6	13.6	15.3	15.8	16.0	16.3	14.7	12.1	12.0	13.2	12.4	16.0	18.2
EBIT	(1.1)	11.9	13.6	14.2	14.4	14.7	13.1	10.5	10.4	11.5	10.7	14.5	16.7
PAT	(1.3)	9.1	10.9	11.1	12.0	13.2	11.3	9.3	8.6	9.3	8.3	8.7	8.9
SGA	39.5	26.9	25.9	27.4	25.0	27.4	28.0	27.3	26.9	27.7	27.0	24.0	21.8

Source: Company, BOBCAPS Research

**Fig 17 – Segmental Analysis**

(Rs mn)	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26
<b>Segment Revenue</b>									
Banking, Financial Services and Insurance	2,770.1	2,883.6	3,134.5	3,196.2	3,284.8	3,170.9	3,129.4	3,297.7	3,281.1
Manufacturing	5,504.1	5,710.2	5,195.2	5,457.6	5,471.8	5,190.2	4,900.9	4,856.4	5,086.4
Energy and Utilities	1,942.2	2,016.7	2,099.1	2,204.7	2,143.6	2,224.2	2,245.3	2,294.4	2,252.2
Life Sciences & Services	3,213.1	3,015.0	2,845.6	2,823.7	2,726.9	2,583.7	2,573.4	2,840.6	2,855.8
Total	13,429.5	13,625.5	13,274.3	13,682.2	13,627.0	13,168.9	12,849.0	13,289.0	13,475.3
<b>QoQ Revenue Growth (%)</b>									
Banking, Financial Services and Insurance	0.1	4.1	8.7	2.0	2.8	(3.5)	(1.3)	5.4	(0.5)
Manufacturing	2.1	3.7	(9.0)	5.1	0.3	(5.1)	(5.6)	(0.9)	4.7
Energy and Utilities	8.6	3.8	4.1	5.0	(2.8)	3.8	0.9	2.2	(1.8)
Life Sciences & Services	1.9	(6.2)	(5.6)	(0.8)	(3.4)	(5.3)	(0.4)	10.4	0.5
Total	2.5	1.5	(2.6)	3.1	(0.4)	(3.4)	(2.4)	3.4	1.4
<b>YoY Revenue Growth (%)</b>									
Banking, Financial Services and Insurance	13.0	15.0	20.1	15.5	18.6	10.0	(0.2)	3.2	(0.1)
Manufacturing	12.8	16.2	1.1	1.2	(0.6)	(9.1)	(5.7)	(11.0)	(7.0)
Energy and Utilities	14.7	10.6	16.7	23.3	10.4	10.3	7.0	4.1	5.1
Life Sciences & Services	0.5	(0.2)	(7.7)	(10.4)	(15.1)	(14.3)	(9.6)	0.6	4.7
Total	9.9	11.1	5.1	4.5	1.5	(3.4)	(3.2)	(2.9)	(1.1)
<b>Segment results</b>									
Banking, Financial Services and Insurance	792.4	851.4	934.4	811.8	824.1	839.0	860.2	954.6	1,010.7
Manufacturing	1,496.0	1,817.3	734.6	1,179.3	1,244.2	1,086.7	1,037.2	1,257.3	1,541.9
Energy and Utilities	617.1	616.7	713.0	597.1	596.8	745.8	787.3	893.0	896.8
Life Sciences & Services	717.4	426.8	534.5	451.8	424.4	320.1	428.2	521.7	563.5
Total	3,622.9	3,712.3	2,916.5	3,040.1	3,089.5	2,991.7	3,112.8	3,626.7	4,012.9
<b>Margin (%)</b>									
Banking, Financial Services and Insurance	28.6	29.5	29.8	25.4	25.1	26.5	27.5	28.9	30.8
Manufacturing	27.2	31.8	14.1	21.6	22.7	20.9	21.2	25.9	30.3
Energy and Utilities	31.8	30.6	34.0	27.1	27.8	33.5	35.1	38.9	39.8
Life Sciences & Services	22.3	14.2	18.8	16.0	15.6	12.4	16.6	18.4	19.7
Total	27.0	27.2	22.0	22.2	22.7	22.7	24.2	27.3	29.8

Source: Company, BOBCAPS Research

Fig 18 – Key Metrics

	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26
<b>P and L (Rs mn)</b>													
Revenue	12,219	12,264	12,628	13,099	13,430	13,625	13,274	13,682	13,627	13,169	12,849	13,289	13,475
EBIT	(136)	1,460	1,717	1,856	1,932	2,006	1,745	1,431	1,422	1,519	1,380	1,931	2,247
PAT	(164)	1,122	1,375	1,451	1,611	1,801	1,502	1,275	1,169	1,221	1,064	1,161	1,199
<b>Vertical Mix (%)</b>													
Manufacturing	46	47	41	41	41	42	39	40	40	40	38	37	38
BFSI	20	21	21	21	21	21	24	23	24	24	24	25	24
Energy & Utilities	14	15	14	14	15	15	16	16	16	17	17	17	17
Lifesciences	20	18	24	24	24	22	21	21	20	20	20	21	21
<b>Services - Reclassified (%)</b>													
Digital and Data			54	56	55	54	53	55	57	57	59	58	57
ERP			37	36	36	38	35	36	34	33	32	31	32
Infra			9	8	9	9	12	10	9	10	10	11	12
<b>Geographic Mix (%)</b>													
USA	84	85	84	86	86	87	84	87	88	87	86	88	85
Rest of the world	6	6	6	6	14	14	16	13	12	13	14	12	15
Europe	10	9	10	8	0	0	0	0	0	0	0	0	0
<b>Revenue Mix (%)</b>													
Onsite	49	49	49	49	46	48	44	51	49	50	49	46	43
Offshore	51	51	51	51	54	52	57	50	51	50	51	54	57
<b>Revenue Contract Type (%)</b>													
Time & Material	39	38	39	39	37	38	37	36	35	38	39	51	48
Fixed Price	61	62	62	61	63	62	63	64	65	62	61	49	52
Utilization (%)	84	85	85	87	87	86	82	82	82	81	81	81	82
<b>Clients Concentration (%)</b>													
Top 5 clients	32	33	33	34	35	35	36	37	37	37	38	39	41
Top 10 Clients	48	49	50	51	52	52	53	53	52	52	53	53	54
Top 20 Clients	64	64	64	64	65	65	65	65	65	65	65	66	66
<b>No of millions \$ clients</b>													
US\$1mn clients+	83	83	86	85	83	87	88	89	85	80	77	78	85
US\$5mn clients+	24	26	27	27	26	26	23	24	27	27	26	23	23
US\$10mn clients+	13	13	13	11	11	12	12	12	12	12	12	11	10
Total Headcount	12,530	12,193	12,235	12,322	12,356	12,595	12,865	12,578	12,125	11,930	11,834	11,892	11,645
Net Addition	(228)	(337)	42	87	34	239	270	(287)	(453)	(195)	(96)	58	(247)
Attrition (%)	25.5	22.1	18.8	15.0	12.6	12.4	11.6	11.8	12.7	12.8	13.3	13.3	13.1
INR/USD	82.3	82.3	82.2	82.7	83.3	83.1	83.4	83.8	84.7	86.5	85.3	88.2	89.4
<b>Financials (in US\$mn)</b>													
Revenue	148.4	149.1	153.6	158.3	161.3	163.9	159.1	163.3	160.8	152.2	150.7	150.7	150.8
EBIT	(1.7)	17.8	20.9	22.4	23.2	24.1	20.9	17.1	16.8	17.6	16.2	21.9	25.2
PAT	(2.0)	13.6	16.7	17.5	19.3	21.7	18.0	15.2	13.8	14.1	12.5	13.2	13.4
<b>Productivity Metrics</b>													
<b>Per Capita (Annualised)</b>													
Revenue	47,374	48,913	50,217	51,388	52,218	52,052	49,468	51,932	53,057	51,021	50,921	50,702	51,804
EBIT	(529)	5,823	6,830	7,283	7,513	7,663	6,504	5,432	5,535	5,887	5,470	7,367	8,639
PAT	(634)	4,474	5,470	5,694	6,262	6,880	5,598	4,840	4,553	4,731	4,218	4,430	4,609
Direct and Opex cost per capita	47,903	43,090	43,387	44,105	44,704	44,390	42,964	46,500	47,522	45,135	45,451	43,335	43,165

Source: Company, BOBCAPS Research

**Fig 19 – QoQ and YoY growth of various parameters**

(in US\$)	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26
<b>QoQ Growth (%)</b>													
Revenue													
Company	(0.3)	0.5	3.0	3.1	1.9	1.6	(2.9)	2.6	(1.5)	(5.3)	(1.0)	0.0	0.1
<b>Geographical Data</b>													
USA	(0.7)	2.4	1.4	5.3	1.8	2.6	(5.7)	6.7	(1.0)	(6.3)	(1.7)	2.3	(4.0)
Europe	7.0	(12.2)	14.5	(15.5)	-	-	-	-	-	-	-	-	-
Rest of the world	(5.0)	(4.6)	8.4	3.1	142.9	(4.1)	15.0	(18.5)	(5.4)	1.6	3.5	(14.6)	30.9
<b>Verticals</b>													
Manufacturing	(2.6)	2.7	(11.1)	4.2	1.9	3.6	(9.2)	4.7	(1.3)	(6.8)	(4.2)	(4.2)	3.1
BFSI	5.0	2.5	3.8	5.3	(0.5)	4.6	8.1	1.3	1.8	(5.7)	0.7	1.6	(2.0)
Energy & Utilities	(1.7)	7.7	(1.1)	(1.3)	7.8	3.7	3.6	4.6	(4.0)	1.9	1.9	(0.6)	(2.8)
Lifesciences	1.3	(11.1)	42.8	1.4	1.5	(6.0)	(6.0)	(1.2)	(4.4)	(7.2)	1.0	6.5	(0.4)
<b>Services</b>													
Business & Technology Transformation	5.5	1.5	(15.1)	(1.6)	3.1	(1.4)							
Enterprise Solutions	(7.0)	2.5	(3.9)	(0.3)	0.6	7.3							
Cloud & Base Services	0.8	(4.6)	50.2	11.9	1.9	(0.8)							
<b>Services - Reclassified</b>													
Digital and Data				5.5	1.7	(1.9)	(4.4)	6.5	2.4	(5.8)	2.7	(0.7)	(2.7)
ERP				0.8	1.9	6.1	(10.1)	4.4	(6.0)	(7.0)	(5.4)	(2.2)	2.0
Infra				(2.7)	3.1	5.2	36.8	(18.9)	(7.8)	4.1	(6.9)	11.6	9.5
<b>YoY Growth (%)</b>													
Revenue													
Company	3.5	1.8	3.4	6.4	8.7	9.9	3.6	3.2	(0.3)	(7.1)	(5.3)	(7.7)	(6.2)
<b>Geographical Data</b>													
USA	4.5	5.7	2.3	8.5	11.3	11.5	3.6	5.0	2.1	(6.7)	(2.7)	(6.7)	(9.5)
Europe	(0.4)	(18.2)	12.4	(9.1)	-	-	-	-	-	-	-	-	-
Rest of the world	(3.0)	(12.0)	5.1	1.3	159.1	160.4	176.2	118.4	(14.9)	(9.9)	(18.9)	(15.0)	17.6
<b>Verticals</b>													
Manufacturing	5.5	4.1	(10.0)	(7.4)	(3.1)	(2.2)	(0.1)	0.4	(2.7)	(12.5)	(7.7)	(15.6)	(11.8)
BFSI	17.5	21.4	19.9	17.5	11.4	13.7	18.4	13.9	16.6	5.1	(2.1)	(1.8)	(5.4)
Energy & Utilities	(2.8)	0.5	3.4	3.4	13.4	9.2	14.4	21.2	7.9	6.0	4.3	(0.8)	0.4
Lifesciences	(7.7)	(17.0)	19.0	30.3	30.5	38.0	(9.2)	(11.5)	(16.6)	(17.6)	(11.5)	(4.6)	(0.6)
<b>Services</b>													
Business & Technology Transformation	18.9	18.9	(6.0)	(10.6)	(12.6)	(15.1)							
Enterprise Solutions	(12.7)	(10.9)	(14.1)	(8.7)	(1.2)	3.5							
Cloud & Base Services	8.5	(2.7)	53.6	61.7	63.4	70.0							
<b>Services - Reclassified</b>													
Digital and Data							0.7	1.7	2.4	(1.8)	5.5	(1.6)	(6.5)
ERP							(2.0)	1.4	(6.4)	(18.0)	(13.7)	(19.2)	(12.3)
Infra							44.3	20.4	7.7	6.6	(27.4)	(0.2)	18.5

Source: Company, BOBCAPS Research

## Financials

### Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
<b>Total revenue</b>	<b>52,781</b>	<b>53,752</b>	<b>53,050</b>	<b>55,791</b>	<b>58,993</b>
EBITDA	8,362	6,974	8,196	8,243	8,541
Depreciation	850	857	815	852	909
EBIT	7,512	6,117	7,382	7,391	7,633
Net interest inc./(exp.)	200	234	224	276	292
Other inc./(exp.)	1,035	1,085	830	1,178	1,353
Exceptional items	0	0	0	0	0
EBT	8,348	6,968	7,581	8,293	8,694
Income taxes	2,110	1,801	2,968	2,405	2,521
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
<b>Reported net profit</b>	<b>6,238</b>	<b>5,168</b>	<b>4,613</b>	<b>5,888</b>	<b>6,172</b>
Adjustments	0	0	0	0	0
<b>Adjusted net profit</b>	<b>6,238</b>	<b>5,168</b>	<b>4,613</b>	<b>5,888</b>	<b>6,172</b>

### Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	2,805	2,353	2,486	2,638	2,784
Other current liabilities	4,653	5,469	7,338	7,715	8,074
Provisions	712	757	1,216	1,216	1,216
Debt funds	0	114	0	0	0
Other liabilities	645	1,148	1,088	1,088	1,088
Equity capital	552	556	557	557	557
Reserves & surplus	29,889	34,227	37,795	41,582	45,654
Shareholders' fund	30,441	34,782	38,352	42,139	46,211
<b>Total liab. and equities</b>	<b>39,256</b>	<b>44,624</b>	<b>50,480</b>	<b>54,796</b>	<b>59,372</b>
Cash and cash eq.	4,249	4,449	5,414	8,809	12,504
Accounts receivables	10,365	9,802	11,156	11,840	12,493
Inventories	0	104	46	46	46
Other current assets	13,060	17,278	20,420	20,590	20,753
Investments	2,860	2,972	3,058	3,058	3,058
Net fixed assets	1,142	1,031	957	1,023	1,089
CWIP	116	49	11	11	11
Intangible assets	4,957	5,072	5,403	5,403	5,403
Deferred tax assets, net	1,044	1,002	1,200	1,200	1,200
Other assets	1,463	2,866	2,815	2,815	2,815
<b>Total assets</b>	<b>39,256</b>	<b>44,624</b>	<b>50,480</b>	<b>54,796</b>	<b>59,372</b>

### Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
<b>Cash flow from operations</b>	<b>8,775</b>	<b>5,388</b>	<b>5,454</b>	<b>7,342</b>	<b>7,684</b>
Capital expenditures	(431)	(746)	(741)	(918)	(975)
Change in investments	(8,581)	(4,234)	(3,072)	0	0
Other investing cash flows	0	0	0	0	0
<b>Cash flow from investing</b>	<b>(9,012)</b>	<b>(4,981)</b>	<b>(3,813)</b>	<b>(918)</b>	<b>(975)</b>
Equities issued/Others	2	4	1	0	0
Debt raised/repaid	0	114	(114)	0	0
Interest expenses	(200)	(234)	(224)	(276)	(292)
Dividends paid	(1,792)	(1,808)	(1,538)	(2,101)	(2,101)
Other financing cash flows	0	0	0	0	0
<b>Cash flow from financing</b>	<b>(1,989)</b>	<b>(1,924)</b>	<b>(1,875)</b>	<b>(2,377)</b>	<b>(2,393)</b>
<b>Chg in cash &amp; cash eq.</b>	<b>(5,309)</b>	<b>199</b>	<b>965</b>	<b>3,395</b>	<b>3,695</b>
<b>Closing cash &amp; cash eq.</b>	<b>4,249</b>	<b>4,449</b>	<b>5,414</b>	<b>8,809</b>	<b>12,504</b>

### Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	22.6	18.6	16.5	21.0	22.0
Adjusted EPS	22.6	18.3	16.4	20.9	21.9
Dividend per share	6.5	6.5	5.5	7.5	7.5
Book value per share	110.4	125.1	137.1	150.4	165.0

### Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	2.3	2.2	2.2	2.1	2.1
EV/EBITDA	14.3	16.7	14.3	14.5	14.4
Adjusted P/E	17.8	22.0	24.6	19.2	18.4
P/BV	3.6	3.2	2.9	2.7	2.4

### DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	74.9	74.7	74.2	60.9	71.0
Interest burden (PBT/EBIT)	101.0	111.1	113.9	102.7	112.2
EBIT margin (EBIT/Revenue)	9.1	14.2	11.4	13.9	13.2
Asset turnover (Rev./Avg TA)	145.9	148.4	128.2	111.6	106.0
Leverage (Avg TA/Avg Equity)	1.3	1.3	1.3	1.3	1.3
<b>Adjusted ROAE</b>	<b>13.2</b>	<b>22.7</b>	<b>15.8</b>	<b>12.6</b>	<b>14.6</b>

### Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
<b>YoY growth (%)</b>					
Revenue	10.1	1.8	(1.3)	5.2	5.7
EBITDA	60.7	(16.6)	17.5	0.6	3.6
Adjusted EPS	88.3	(19.0)	(10.6)	27.6	4.8

### Profitability & Return ratios (%)

EBITDA margin	15.8	13.0	15.4	14.8	14.5
EBIT margin	14.2	11.4	13.9	13.2	12.9
Adjusted profit margin	11.8	9.6	8.7	10.6	10.5
Adjusted ROAE	22.7	15.8	12.6	14.6	14.0
ROCE	20.4	13.9	12.3	13.0	12.3

### Working capital days (days)

Receivables	72	67	77	77	77
Inventory	NA	NA	NA	NA	NA
Payables	19	16	17	17	17

### Ratios (x)

Gross asset turnover	46.2	52.1	55.4	54.5	54.2
Current ratio	3.7	4.0	3.8	4.0	4.2
Net interest coverage ratio	NA	NA	NA	NA	NA
<b>Adjusted debt/equity</b>	<b>(0.1)</b>	<b>(0.1)</b>	<b>(0.1)</b>	<b>(0.2)</b>	<b>(0.3)</b>

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

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**BUY** – Expected return >+15%

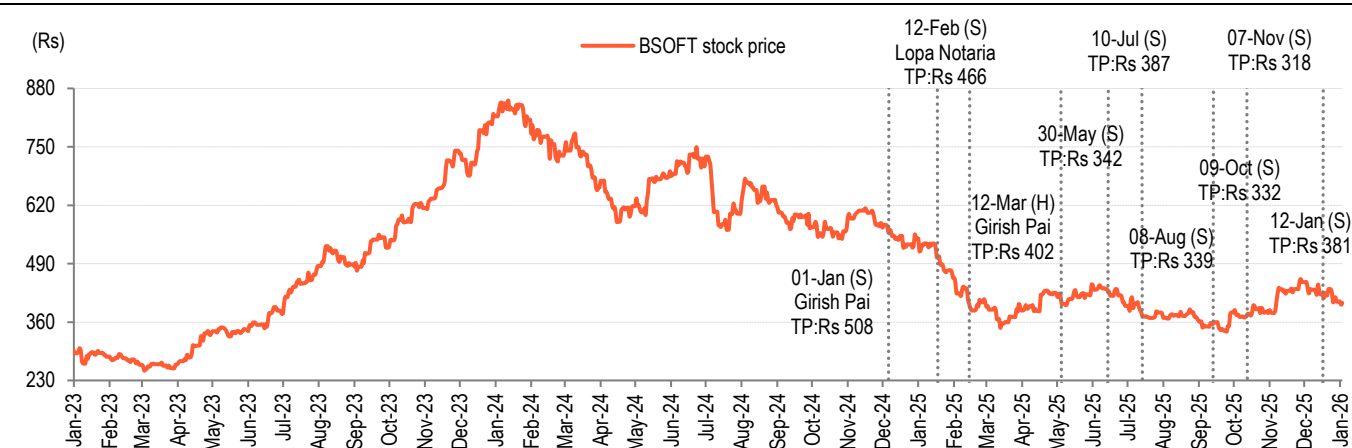
**HOLD** – Expected return from -6% to +15%

**SELL** – Expected return <-6%

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

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