RESULT REVIEW

BOBCAPS
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SELL
TP: Rs 342 | ∨ 19%

BIRLASOFT | IT Services | 30 May 2025

Weakest 4Q performer in our Tier-2 set

- **Revenue down 5.3% QoQ CC, lower than our estimate on furloughs, project ramp downs, insourcing, etc. Had 3 QoQ drops in FY25**
- **Poor exit and weak start to FY26 and weak TCV would mean a possibly flattish FY26 USD revenue. At 70%, discretionary exposure is high**
- **Cut EPS for FY26/FY27 by 13-15%. Lower rating to SELL from HOLD. Target multiple (retained) is 25% lower than that of TCS - benchmark**

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Revenue impacted by broad-based weakness: Revenue declined 5.3% QoQ CC terms (0% our estimate). Performance was impacted by broad based weakness across verticals and service lines. Extended furloughs, ramp downs and insourcing were indicated to be driving this. A larger chunk – 60%- (including Health care and life sciences where the business is largely from Med Tech) was manufacturing related which got impacted by tariff uncertainty

FY26 revenue will likely be flat unless material deal wins happen: FY25 TCV totaled US$758mn (down 13%). Net new TCV for the year was US$359mn, down 24%. The start to the year was indicated to be soft with growth likely picking up from 2QFY26. It was indicated that discretionary work (negatively impacted) constituted 70% of revenue with the effort to bring it down to 50%.

EBIT margin was flat as some variable pay was cut/postponed. 4QFY25 EBIT margin was broadly in line with 50bps benefit from currency and 150 bps from cut in variable pay to senior employees. Half of the variable pay cut will reverse in 1QFY26. It was also indicated some of the order wins in recent days have been at tight pricing which could lead to lower than corporate level margins on these orders in the initial few quarters.

Cut estimates: We have reduced both revenue and EBIT margin estimates for FY26 and FY27 leading to EPS reductions of 13-15%. We are now building in flat USD revenue in FY26 and a 5% growth in FY27. Even achieving this in our view will take some effort from the company's side.

Downgrade back to SELL rating: We had upgraded the stock to HOLD in our 12 March 2025 sector note. However, the EPS cuts while keeping Target PE multiple the same prompts us to downgrade back to a SELL. Target PE remains unchanged at a 25% discount to the target PE multiple of TCS- our sector benchmark. In our coverage universe in Tier-2 Birlasoft will likely be among the weakest performers both from a revenue and margin perspective.

Key changes

Target	Rating
▼	▼

Ticker/Price	BSOFT IN/Rs 421
Market cap	US$ 1.4bn
Free float	59%
3M ADV	US$ 9.5mn
52wk high/low	Rs 760/Rs 331
Promoter/FPI/DII	41%/12%/25%

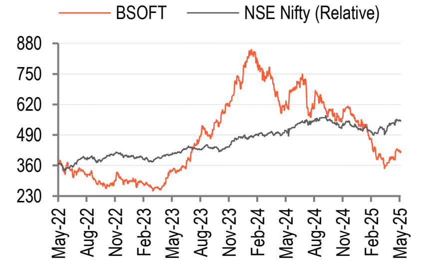
Source: NSE | Price as of 29 May 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	53,752	55,972	60,120
EBITDA (Rs mn)	6,974	7,344	8,482
Adj. net profit (Rs mn)	5,168	5,161	6,028
Adj. EPS (Rs)	18.3	18.3	21.4
Adj. ROAE (%)	15.8	14.2	15.2
Adj. P/E (x)	23.0	22.9	19.6
EV/EBITDA (x)	15.8	15.4	13.2
Adj. EPS growth (%)	(19.0)	0.1	16.8

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Key Points from the quarter and the earnings call

FY25

- FY25 Revenue stood at US$635.4mn, down 0.1% YoY in CC terms. In USD terms, revenue was down 0.3% YoY. EBIT margin for the year was 11.4% (down 285bps)
  - Structural pressure on project-based business observed due to significantly muted discretionary spend.
  - Significant furloughs occurred in 3Q and continued into 4Q
  - Revenue declined in three out of four quarters in FY25 on a QoQ basis.
  - In 4Q project closures and ramp downs were experienced in a few customer accounts, but no customer losses were reported. Some ramp downs and insourcing seen among large customers, though engagement with them continues
- FY25 TCV deal wins: US$758mn (down 13%). Net new TCV for the year was US$359mn which was down 24%

4QFY25

- Revenue stood at US$152.2mn, down 5.3% QoQ in CC terms (much below our estimate of 0%). In USD terms, revenue was down 5.4% QoQ and down 7.2% YoY
  - 4Q performance impacted by higher-than-usual furloughs extending into January and project closures/ramp downs in certain customer accounts
  - Challenging to mitigate headwinds due to continued soft demand and pullback in discretionary spending
  - The decline was broad-based across verticals and services lines
  - In QoQ, USD terms, while Manufacturing, BFSI and Lifesciences & Services registered a decline of 6.8%,5.7% and 7.2% respectively, E&U was up 1.8%. The first three verticals constituted 83% of 4QFY25 revenue
  - Among service offerings, while Infrastructure was up 4.1% QoQ, Digital & Data, and ERP showed sequential decline of 5.8% and 7% respectively. The latter two offerings constituted 90% of revenue
- EBIT margin stood at 11.5% (against our estimate of 11%), an increase of 111 bps QoQ and decrease of 318 bps YoY. However, the mix between direct cost and SGA was quite different from what we expected
  - Margin performance improved due to operational efficiency measures and one-off tailwinds
- Reported EBITDA margin tailwinds driven by lower variable pay and leave encashment for senior executives, combined with currency benefits, totaling approximately 200bps

   - 50 bps of the 200-bps margin improvement came from currency benefit, part of which may continue into 1Q. Remaining improvement was due to lower variable pay to senior executives, along with one-off benefits from leave encashment. ~50% of the total margin benefit is expected to sustain in 1QFY26, while the rest is one-off
- PAT margin stood at 9.3%
- Total headcount stood at 11,930 at quarter end and attrition was 12.8% during the quarter. There has been a net head count decline QoQ in each of the last three quarters totaling up to 935
- 4QFY25 TCV deal wins: US$236mn, up 4% QoQ, with new deal wins TCV of US$112mn and renewals of US$124mn
   - Sequential increase in total TCV recorded in 4Q, following a significant spike in 3Q
   - Approximately 50% of total TCV in 4Q came from new deals, supporting future growth outlook

Demand Environment and Future Growth Expectation

- Macroeconomic uncertainty and recent developments around trade and tariffs continue to impact demand environment
- Project closures, ramp downs, and insourcing could affect growth performance in 1QFY26.
- Growth expected to recover starting 2Q
- New deal wins are expected to start contributing to revenue from 2Q FY26
- FY26 is expected to be slightly better than FY25, but even achieving flat revenue for FY26 will require strong QoQ growth starting from 2Q
- Margins to remain flat for next 3–4 quarters with focus on winning deals and market share. Margin expansion expected from FY27 as growth returns
- Focus over the next 4–8 quarters is on strengthening deal pipeline and closing deals
- Closed a large high-tech deal in the US valued at US$30–40mn in 1QFY26 and close to finalizing a financial services deal in Europe worth US$25–30mn
   - 1QFY26 TCV expected to be muted and below 4Q's US$236mn due to lack of renewals
   - Typical 1Q TCV ranges between US$140–150mn, but this year may be slightly higher due to these deals
   - Confident that FY26 TCV will exceed last year's US$735mn (FY24 was US$837mn)

Other Points

- GCC opportunity recognized as a significant growth area
- Discretionary demand remains concentrated in onsite, contributing to the current quarter's onsite increase
- Work redistribution towards offshore is taking longer than expected, delaying the anticipated increase in offshore contribution. Shift back to offshore is expected to begin towards the end of 2Q and may continue for one more quarter
- Reduction in employee benefit expenses in 4QFY25 due to lower headcount and one-time reduction in variable pay. Some structural cost benefits will continue as long as employee base remains stable. Variable pay is expected to normalize in 1QFY26, which may act as a margin headwind
- Investments will be mainly organic. Inorganic acquisitions will be considered only after organic growth is restored
- BFSI business mainly serves cards, payments, and asset management, with limited exposure to banks and insurance companies
    - Growth deceleration in BFSI due to banks increasing spend, benefiting competitors; Birlasoft's BFSI growth was strong for nine quarters prior. Expect a couple of quarters of muted BFSI growth before growth resumes
- Life sciences vertical primarily focuses on Medtech, not payers or providers
    - Medtech customers have been cautious in spending due to trade and tariff issues
    - No loss of accounts in life sciences; growth in healthcare and life sciences expected over the next two quarters
    - New senior leadership hired in MedTech expected to take a couple of quarters to settle before driving growth
- Macroeconomic challenges and client project ramp-downs in manufacturing and healthcare impacted revenue in FY25
- ~70% of overall revenue is from discretionary, project-based business
- Recent and upcoming deal wins are mostly multi-year, annuity-based contracts. Goal is to reduce project-based revenue to about 50% and increase annuity-based business to 50%. Transition to a more balanced revenue mix is expected to take a few quarters
- Consolidation deals were taken with some pricing flexibility, leading to lower margins for the next few quarters compared to corporate averages. Margin improvement is expected gradually as offshore transition progresses and agentic AI is leveraged to improve delivery efficiency
- The company currently serves around 200 to 250 accounts. The plan is to focus on reactivating certain existing accounts and targeting some large new logos, but overall, the total number of accounts will continue to decrease by dropping

unprofitable ones. Regarding margins, any dilution from investing in sales will be temporary and managed within the current margin profile by reducing costs elsewhere, so a significant impact is not expected. While there may be some short-term margin pressure as new deals are executed, the long-term goal is to improve margins

- The decline in ERP revenue is due to both portfolio and client mix factors. The company mainly works with Tier 2 and some smaller manufacturing clients, unlike larger peers who benefit from demand driven by Tier 1 companies upgrading to cloud ERP solutions like SAP S4 HANA and Oracle Fusion. This cloud upgrade trend is expected to start benefiting smaller clients like theirs gradually over the next year.

View on the Indian IT Services sector: We reinitiated coverage on the Indian IT Services with an Underweight stance through a report on 1 January 2025 (**Slow is the (new/old) normal**).and reiterated that view with an update on 12th March 2025 (**FY26 unlikely to be better than FY25**)

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

We believe the industry's structural USD organic revenue growth from here on will be lower than the ~7% CAGR seen during FY15-FY20, possibly ~5% CAGR over FY25-FY30 in constant currency (CC) terms.

Multiple speed breakers post FY25 drive our Underweight stance

Trump policies raise uncertainty. The tariffs, the conditional tax breaks, the immigration push back, DOGE, etc, all point to uncertainty in the coming days which may delay decision making by customers and lead to lower spending.

Higher for longer interest rate environment: One of the reasons for optimism around the Indian IT Services sector in late 2024 has been the view that the US would achieve a soft landing in 2025 (which we define as 0.5-1.5% real GDP growth) and that Fed Funds rate would be gradually lowered from the peak of 5.25-5.5%, driven by lower inflation. This, the market felt, was the apt environment for a broader pick up in discretionary spending beyond that of North American BFSI sector, especially after two muted years when the constant refrain from vendors for the weak growth was of 'macro uncertainty'.

Lately, based on inflation prints and fears of a higher fiscal deficit (due to economic slowdown concerns, not enough gains from DOGE, etc) US 10-year yields rose. There are fears that sustained high interest rates could reduce IT outsourcing demand, particularly in sectors like BFSI and Telecom, and dampen US demand in areas like housing, autos and retail.

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

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

Gen AI – value compressive in the near term: Gen AI has significantly boosted revenue in semiconductors, data centres, and hyper scalers, but IT services have seen limited benefits. ROI remains a top concern arising from heavy investments in surrounding services.

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

Higher competition: Indian Tier-1 companies now face higher competition from Accenture (especially as it loses business due to DOGE), Tier-2 players, and Cognizant, likely slowing their growth compared to FY15-FY20. This is besides the fact that by FY25, Tier-1 revenue will reach US$ 85bn, double that in FY15. Due to the higher base now, growth may not be as rapid.

Weak TCV: The weaker TCV for most players in 9MFY25 (YoY) and lack of any mega deal announcements in recent quarters points to a brewing growth problem for FY26. Many of the large companies like TCS, INFO and HCLT will also grapple with large contributions to incremental revenue by a limited set of large clients in FY25 or the need to set off large pass-through items.

How we are valuing companies: We are using PE methodology and using TCS as our industry benchmark. The target PE used for TCS now is 21.3x, which is the average PE multiple of TCS over the last 10 years less 0.5SD. We have changed this from 24.6x (which is the average PE multiple of TCS over the last five years less 1SD). The changed methodology reflects the changed outlook on growth in FY26. Through our choice of the benchmark Target PE multiple, we seek to capture the probability of downside risks to consensus growth expectations for FY26/FY27, especially due to Trump 2.0 proposals.

Tier- 2 valuation reflects growth gap with Tier-1

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

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

Fig 1 – Quarterly results: Comparison of actuals with estimates

Y/E Mar (Rsmn)	4QFY24	3QFY25	4QFY25	YoY (%)	QoQ (%)	4QFY25E	Deviation (%)
Net Sales (USD mn)	**164**	**161**	**152**	**(7.1)**	**(5.3)**	**160**	**(5.1)**
Net Sales	**13,625**	**13,627**	**13,169**	**(3.4)**	**(3.4)**	**13,874**	**(5.1)**
Employee Cost	7,679	8,329	7,781	1.3	(6.6)	7,998	(2.7)
% of Sales	56.4	61.1	59.1			57.6	
Gross Margin	5,946	5,298	5,388	(9.4)	1.7	5,876	(8.3)
% of Sales	43.6	38.9	40.9			42.4	
Operating Expenses	3,729	3,664	3,652	(2.1)	(0.3)	4,130	(11.6)
% of Sales	27.4	26.9	27.7			29.8	
EBIT	**2,006**	**1,422**	**1,519**	**(24.2)**	**6.9**	**1,530**	**(0.7)**
EBIT Margin (%)	**14.7**	**10.4**	**11.5**			**11.0**	
Other Income	457	208	199	(56.5)	(4.4)	239	(16.9)
PBT	2,422	1,560	1,663	(31.3)	6.6	1,687	(1.4)
Provision for Tax	621	390	442	(28.9)	13.2	422	4.7
Effective Tax Rate	25.7	25.0	26.6			25.0	
Minority share in Profit / Loss	0	0	0			0	
PAT (Reported)	**1,801**	**1,169**	**1,221**	**(32.2)**	**4.4**	**1,265**	**(3.5)**
NPM (%)	**13.2**	**8.6**	**9.3**			**9.1**	

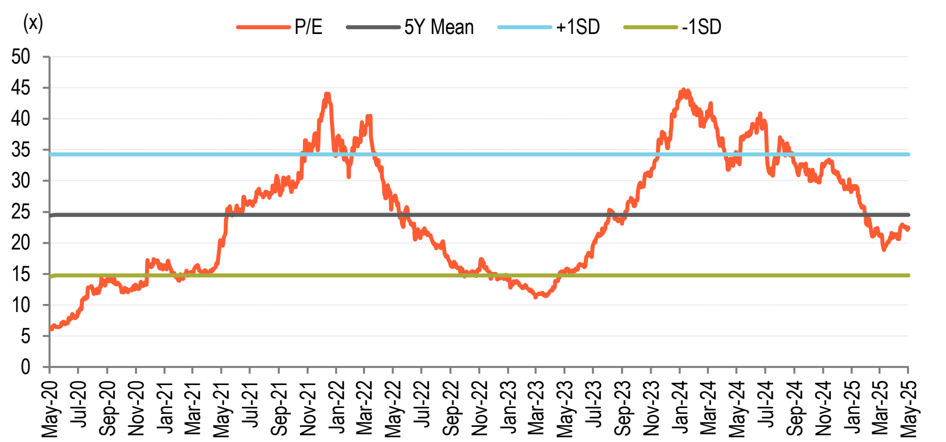
Source: Company, BOBCAPS Research

Fig 2 – Revised Estimates

Birlasoft	New		Old		Change (%)	
Change in estimates	**FY26E**	**FY27E**	**FY26E**	**FY27E**	**FY26E**	**FY27E**
INR/USD	87.3	89.3	87.3	89.3	-	-
USD Revenue (USD mn)	642	673	650	717	(1.3)	(6.1)
Growth (%)	1.0	5.0	1.0	10.3		
Revenue (Rs mn)	55,972	60,120	56,713	63,995	(1.3)	(6.1)
EBIT (Rs mn)	6,444	7,527	7,223	8,656	(10.8)	(13.0)
EBIT Margin (%)	11.5	12.5	12.7	13.5		
PAT (Rs mn)	5,161	6,028	5,926	7,097	(12.9)	(15.1)
FDEPS (Rs)	18.3	21.4	21.0	25.2	(12.8)	(14.9)

Source: Company, BOBCAPS Research

Fig 3 – 5 Year PE trend



Source: Company, BOBCAPS Research

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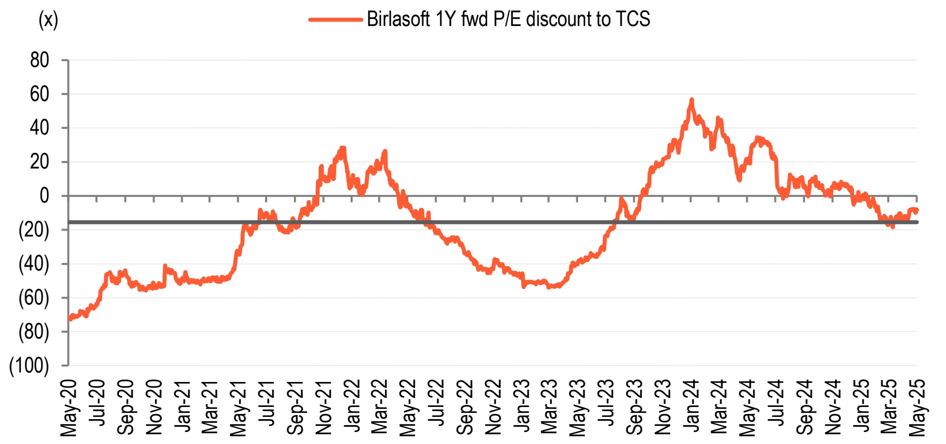
Fig 4 – Premium/ Discount to TCS



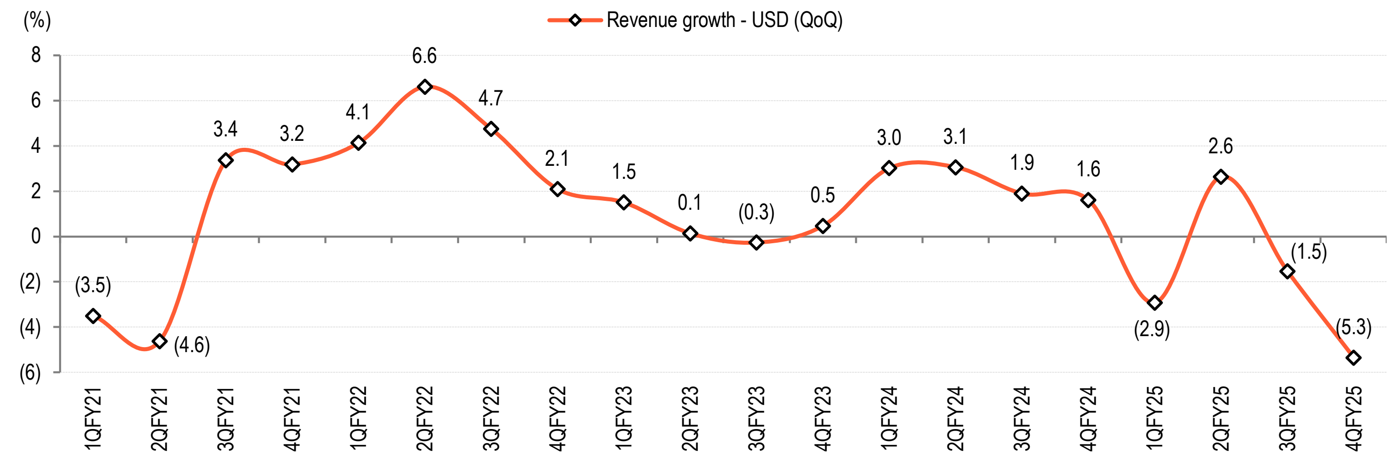
Source: Company, BOBCAPS Research

Fig 5 – P&L at a glance

(YE March) Rs mn	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Average INR/USD	64.5	70.0	70.9	74.1	74.4	80.6	82.8	84.6	87.3	89.3
Net Sales (USD mn)	**452**	**364**	**464**	**480**	**555**	**595**	**637**	**635**	**642**	**673**
YoY Growth (%)		**(19.4)**	**27.4**	**3.4**	**15.7**	**7.2**	**7.1**	**(0.3)**	**1.0**	**5.0**
Revenues	29,142	25,507	32,910	35,557	41,303	47,948	52,781	53,752	55,972	60,120
YoY Growth	(12.3)	(12.5)	29.0	8.0	16.2	16.1	10.1	1.8	4.1	7.4
Employee Cost	17,874	15,352	19,975	21,158	23,688	28,131	30,483	32,008	33,371	35,405
Gross Profit	11,268	10,155	12,934	14,399	17,615	19,817	22,298	21,744	22,602	24,715
% of sales	38.7	39.8	39.3	40.5	42.6	41.3	42.2	40.5	40.4	41.1
Operating Expenses	7,533	7,091	9,065	9,107	11,213	14,612	13,936	14,770	15,257	16,233
% of sales	25.8	27.8	27.5	25.6	27.1	30.5	26.4	27.5	27.3	27.0
EBITDA	3,735	3,064	3,869	5,292	6,402	5,205	8,362	6,974	7,344	8,482
EBITDA Margin	12.8	12.0	11.8	14.9	15.5	10.9	15.8	13.0	13.1	14.1
Depreciation	589	499	826	804	766	823	850	857	900	956
% of sales	2.0	2.0	2.5	2.3	1.9	1.7	1.6	1.6	1.6	1.6
EBIT	**3,147**	**2,565**	**3,043**	**4,489**	**5,636**	**4,382**	**7,512**	**6,117**	**6,444**	**7,527**
EBIT Margin	**10.8**	**10.1**	**9.2**	**12.6**	**13.6**	**9.1**	**14.2**	**11.4**	**11.5**	**12.5**
Other Income	357	261	480	190	662	228	1,035	1,085	863	981
Interest	91	108	161	130	131	186	200	234	278	298
Profit Before Tax	3,412	2,717	3,362	4,548	6,167	4,424	8,348	6,968	7,029	8,210
PBT Margin	11.7	10.7	10.2	12.8	14.9	9.2	15.8	13.0	12.6	13.7
Tax	704	539	1,119	1,340	1,531	1,108	2,110	1,801	1,868	2,182
Profit After Tax	**2,412**	**2,354**	**2,243**	**3,208**	**4,637**	**3,316**	**6,238**	**5,168**	**5,161**	**6,028**
YoY Growth (%)		**(2.4)**	**(4.7)**	**43.0**	**44.5**	**(28.5)**	**88.1**	**(17.2)**	**(0.1)**	**16.8**
-Net profit margin (%)	**8.3**	**9.2**	**6.8**	**9.0**	**11.2**	**6.9**	**11.8**	**9.6**	**9.2**	**10.0**

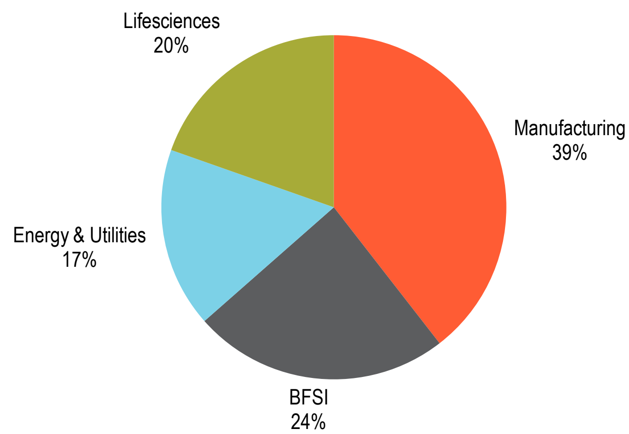
Source: Company, BOBCAPS Research

Fig 6 – USD Revenue Growth QoQ



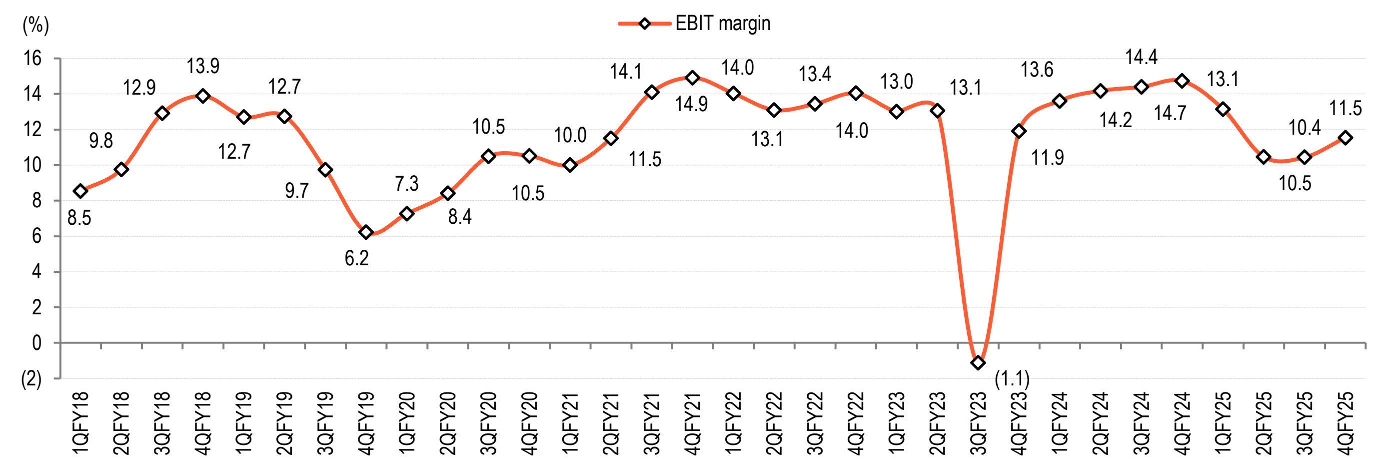
Source: Company, BOBCAPS Research

Fig 7 – Vertical Mix – 4QFY25



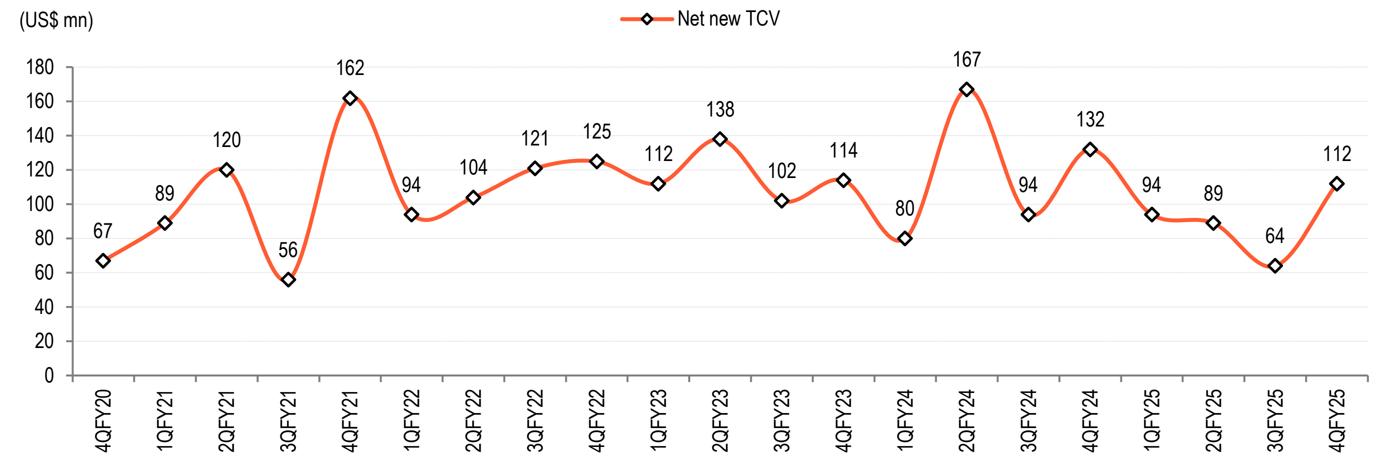
Source: Company, BOBCAPS Research

Fig 8 – EBIT Margin trend



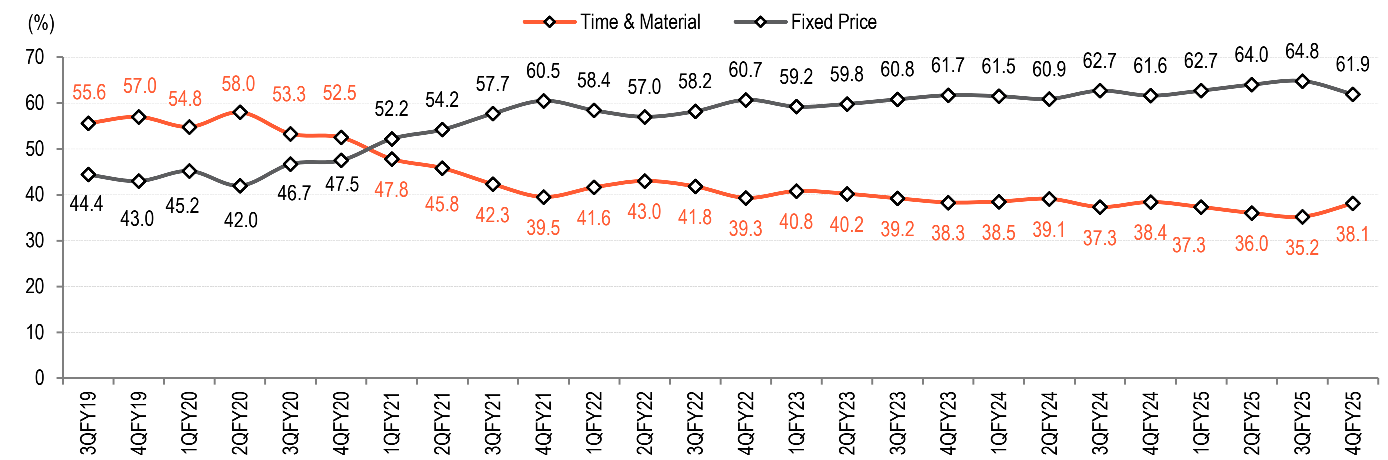
Source: Company, BOBCAPS Research

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	4QFY25
INR/USD	77.7	80.1	82.3	82.3	82.2	82.7	83.3	83.1	83.4	83.8	84.7	86.5
Revenue (in USDmn)	149	149	148	149	154	158	161	164	159	163	161	152
(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	13,169
Gross margin	4,966	4,983	4,899	4,970	5,200	5,657	5,495	5,946	5,673	5,386	5,298	5,388
SGA	3,268	3,219	4,826	3,300	3,268	3,586	3,352	3,729	3,722	3,732	3,664	3,652
EBITDA	1,698	1,764	74	1,670	1,931	2,071	2,143	2,217	1,951	1,653	1,634	1,736
Depreciation	196	207	210	210	214	215	211	211	206	222	213	216
EBIT	1,502	1,557	(136)	1,460	1,717	1,856	1,932	2,006	1,745	1,431	1,422	1,519
Other income	155	(27)	124	(23)	141	156	282	457	345	334	208	199
PBT	1,624	1,472	(68)	1,397	1,816	1,955	2,154	2,422	2,049	1,697	1,560	1,663
Tax	417	321	95	276	440	504	544	621	547	422	390	442
PAT	1,207	1,151	(164)	1,122	1,375	1,451	1,611	1,801	1,502	1,275	1,169	1,221
Number of shares	280	272	273	275	275	276	276	276	278	278	278	279
EPS	4.3	4.2	(0.6)	4.1	5.0	5.3	5.8	6.5	5.4	4.6	4.2	4.4
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)	(7.1)
INR Revenues	22.1	17.8	14.0	11.3	9.4	9.9	9.9	11.1	5.1	4.5	1.5	(3.4)
Gross profit	27.6	14.5	5.3	5.3	4.7	13.5	12.2	19.6	9.1	(4.8)	(3.6)	(9.4)
EBIT	13.2	17.6	(109.5)	(5.5)	14.4	19.2	(1517.1)	37.4	1.6	(22.9)	(26.4)	(24.2)
Net profit	6.2	11.6	(114.4)	(15.6)	13.9	26.2	(1084.4)	60.5	9.2	(12.2)	(27.4)	(32.2)
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)	(5.3)
INR Revenues	4.8	3.3	2.5	0.4	3.0	3.7	2.5	1.5	(2.6)	3.1	(0.4)	(3.4)
EBIT	(2.9)	3.7	(108.8)	(1,170.8)	17.6	8.1	4.1	3.8	(13.0)	(18.0)	(0.7)	6.9
Net profit	(9.2)	(4.7)	(114.2)	(785.7)	22.6	5.5	11.0	11.8	(16.6)	(15.1)	(8.3)	4.4
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	40.9
EBITDA margin	14.7	14.8	0.6	13.6	15.3	15.8	16.0	16.3	14.7	12.1	12.0	13.2
EBIT	13.0	13.1	(1.1)	11.9	13.6	14.2	14.4	14.7	13.1	10.5	10.4	11.5
PAT	10.5	9.7	(1.3)	9.1	10.9	11.1	12.0	13.2	11.3	9.3	8.6	9.3
SGA	28.3	27.0	39.5	26.9	25.9	27.4	25.0	27.4	28.0	27.3	26.9	27.7

Source: Company, BOBCAPS Research

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Fig 12 – Key Metrics

	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
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	13,169
EBIT	1,502	1,557	(136)	1,460	1,717	1,856	1,932	2,006	1,745	1,431	1,422	1,519
PAT	1,207	1,151	(164)	1,122	1,375	1,451	1,611	1,801	1,502	1,275	1,169	1,221
Vertical Mix (%)												
Manufacturing	47	47	46	47	41	41	41	42	39	40	40	40
BFSI	18	19	20	21	21	21	21	21	24	23	24	24
Energy & Utilities	14	14	14	15	14	14	15	15	16	16	16	17
Lifesciences	21	20	20	18	24	24	24	22	21	21	20	20
Services - Reclassified (%)												
Digital and Data					54	56	55	54	53	55	57	57
ERP					37	36	36	38	35	36	34	33
Infra					9	8	9	9	12	10	9	10
Geographic Mix (%)												
USA	85	84	84	85	84	86	86	87	84	87	88	87
Rest of the world	6	6	6	6	6	6	14	14	16	13	12	13
Europe	9	10	10	9	10	8	0	0	0	0	0	0
Revenue Mix (%)												
Onsite	51	48	49	49	49	49	46	48	44	51	49	50
Offshore	49	52	51	51	51	51	54	52	57	50	51	50
Revenue Contract Type (%)												
Time & Material	41	40	39	38	39	39	37	38	37	36	35	38
Fixed Price	59	60	61	62	62	61	63	62	63	64	65	62
Utilization (%)	83	82	84	85	85	87	87	86	82	82	82	81
Clients Concentration (%)												
Top 5 clients	31	31	32	33	33	34	35	35	36	37	37	37
Top 10 Clients	47	47	48	49	50	51	52	52	53	53	52	52
Top 20 Clients	63	64	64	64	64	64	65	65	65	65	65	65
No of millions $ clients												
US$1mn clients+	82	76	83	83	86	85	83	87	88	89	85	80
US$5mn clients+	25	27	24	26	27	27	26	26	23	24	27	27
US$10mn clients+	13	14	13	13	13	11	11	12	12	12	12	12
Total Headcount	12,565	12,758	12,530	12,193	12,235	12,322	12,356	12,595	12,865	12,578	12,125	11,930
Net Addition	361	193	(228)	(337)	42	87	34	239	270	(287)	(453)	(195)
Attrition (%)	27.9	27.4	25.5	22.1	18.8	15.0	12.6	12.4	11.6	11.8	12.7	12.8
INR/USD	77.7	80.1	82.3	82.3	82.2	82.7	83.3	83.1	83.4	83.8	84.7	86.5
Financials (in US$ mn)												
Revenue	148.6	148.8	148.4	149.1	153.6	158.3	161.3	163.9	159.1	163.3	160.8	152.2
EBIT	19.3	19.4	(1.7)	17.8	20.9	22.4	23.2	24.1	20.9	17.1	16.8	17.6
PAT	15.5	14.4	(2.0)	13.6	16.7	17.5	19.3	21.7	18.0	15.2	13.8	14.1
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	53,057	51,021
EBIT	6,153	6,093	(529)	5,823	6,830	7,283	7,513	7,663	6,504	5,432	5,535	5,887
PAT	4,947	4,503	(634)	4,474	5,470	5,694	6,262	6,880	5,598	4,840	4,553	4,731
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	47,522	45,135

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	4QFY25
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)	(5.3)
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)	(6.3)
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)	1.6
Verticals												
Manufacturing	2.8	1.2	(2.6)	2.7	(11.1)	4.2	1.9	3.6	(9.2)	4.7	(1.3)	(6.8)
BFSI	5.0	7.4	5.0	2.5	3.8	5.3	(0.5)	4.6	8.1	1.3	1.8	(5.7)
Energy & Utilities	(3.9)	(1.3)	(1.7)	7.7	(1.1)	(1.3)	7.8	3.7	3.6	4.6	(4.0)	1.9
Lifesciences	(0.4)	(7.4)	1.3	(11.1)	42.8	1.4	1.5	(6.0)	(6.0)	(1.2)	(4.4)	(7.2)
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	(5.8)
ERP						0.8	1.9	6.1	(10.1)	4.4	(6.0)	(7.0)
Infra						(2.7)	3.1	5.2	36.8	(18.9)	(7.8)	4.1
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)	(7.1)
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	(6.7)
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)	(9.9)
Verticals												
Manufacturing	22.3	18.2	5.5	4.1	(10.0)	(7.4)	(3.1)	(2.2)	(0.1)	0.4	(2.7)	(12.5)
BFSI	17.7	14.7	17.5	21.4	19.9	17.5	11.4	13.7	18.4	13.9	16.6	5.1
Energy & Utilities	11.1	7.2	(2.8)	0.5	3.4	3.4	13.4	9.2	14.4	21.2	7.9	6.0
Lifesciences	4.9	(12.0)	(7.7)	(17.0)	19.0	30.3	30.5	38.0	(9.2)	(11.5)	(16.6)	(17.6)
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	(1.8)
ERP									(2.0)	1.4	(6.4)	(18.0)
Infra									44.3	20.4	7.7	6.6

Source: Company, BOBCAPS Research

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25A	FY26E	FY27E
Total revenue	**47,948**	**52,781**	**53,752**	**55,972**	**60,120**
EBITDA	5,205	8,362	6,974	7,344	8,482
Depreciation	823	850	857	900	956
EBIT	4,382	7,512	6,117	6,444	7,527
Net interest inc./(exp.)	186	200	234	278	298
Other inc./(exp.)	228	1,035	1,085	863	981
Exceptional items	0	0	0	0	0
EBT	4,424	8,348	6,968	7,029	8,210
Income taxes	1,108	2,110	1,801	1,868	2,182
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	**3,316**	**6,238**	**5,168**	**5,161**	**6,028**
Adjustments	0	0	0	0	0
Adjusted net profit	**3,316**	**6,238**	**5,168**	**5,161**	**6,028**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25A	FY26E	FY27E
Accounts payables	2,313	2,805	2,353	3,448	3,958
Other current liabilities	3,927	4,653	5,469	6,598	7,413
Provisions	487	712	757	757	757
Debt funds	0	0	114	0	0
Other liabilities	662	645	1,148	1,298	1,298
Equity capital	550	552	556	556	556
Reserves & surplus	23,933	29,889	34,227	37,297	40,955
Shareholders' fund	24,483	30,441	34,782	37,852	41,511
Total liab. and equities	**31,873**	**39,256**	**44,624**	**49,954**	**54,936**
Cash and cash eq.	9,559	4,249	4,449	6,067	8,754
Accounts receivables	7,316	10,365	9,802	10,267	11,783
Inventories	0	0	104	104	104
Other current assets	4,823	13,060	17,278	19,648	20,362
Investments	741	2,860	2,972	3,172	3,172
Net fixed assets	1,561	1,142	1,031	1,098	1,164
CWIP	65	116	49	59	59
Intangible assets	4,896	4,957	5,072	5,272	5,272
Deferred tax assets, net	1,171	1,044	1,002	1,152	1,152
Other assets	1,741	1,463	2,866	3,116	3,116
Total assets	**31,873**	**39,256**	**44,624**	**49,954**	**54,936**

Cash Flows

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25A	FY26E	FY27E
Cash flow from operations	**3,177**	**8,775**	**5,388**	**6,732**	**8,187**
Capital expenditures	(811)	(431)	(746)	(966)	(1,022)
Change in investments	(79)	(8,581)	(4,234)	(250)	0
Other investing cash flows	0	0	0	0	0
Cash flow from investing	**(890)**	**(9,012)**	**(4,981)**	**(1,216)**	**(1,022)**
Equities issued/Others	(475)	2	4	0	0
Debt raised/repaid	0	0	114	(114)	0
Interest expenses	(186)	(200)	(234)	(278)	(298)
Dividends paid	(965)	(1,792)	(1,808)	(2,091)	(2,370)
Other financing cash flows	0	0	0	0	0
Cash flow from financing	**(1,626)**	**(1,989)**	**(1,924)**	**(2,483)**	**(2,668)**
Chg in cash & cash eq.	**(1,208)**	**(5,309)**	**199**	**1,618**	**2,687**
Closing cash & cash eq.	**9,559**	**4,249**	**4,449**	**6,067**	**8,754**

Per Share

Y/E 31 Mar (Rs)	FY23A	FY24A	FY25A	FY26E	FY27E
Reported EPS	12.0	22.6	18.6	18.5	21.6
Adjusted EPS	12.0	22.6	18.3	18.3	21.4
Dividend per share	3.5	6.5	6.5	7.5	8.5
Book value per share	88.8	110.4	125.1	135.8	148.9

Valuations Ratios

Y/E 31 Mar (x)	FY23A	FY24A	FY25A	FY26E	FY27E
EV/Sales	2.2	2.0	2.1	2.0	1.9
EV/EBITDA	20.5	12.8	15.8	15.4	13.2
Adjusted P/E	35.0	18.6	23.0	22.9	19.6
P/BV	4.7	3.8	3.4	3.1	2.8

DuPont Analysis

Y/E 31 Mar (%)	FY23A	FY24A	FY25A	FY26E	FY27E
Tax burden (Net profit/PBT)	75.2	74.9	74.7	74.2	73.4
Interest burden (PBT/EBIT)	109.4	101.0	111.1	113.9	109.1
EBIT margin (EBIT/Revenue)	13.6	9.1	14.2	11.4	11.5
Asset turnover (Rev./Avg TA)	129.5	145.9	148.4	128.2	118.4
Leverage (Avg TA/Avg Equity)	1.3	1.3	1.3	1.3	1.3
Adjusted ROAE	19.5	13.2	22.7	15.8	14.2

Ratio Analysis

Y/E 31 Mar	FY23A	FY24A	FY25A	FY26E	FY27E
YoY growth (%)					
Revenue	16.1	10.1	1.8	4.1	7.4
EBITDA	(18.7)	60.7	(16.6)	5.3	15.5
Adjusted EPS	(27.8)	88.3	(19.0)	0.1	16.8
Profitability & Return ratios (%)					
EBITDA margin	10.9	15.8	13.0	13.1	14.1
EBIT margin	9.1	14.2	11.4	11.5	12.5
Adjusted profit margin	6.9	11.8	9.6	9.2	10.0
Adjusted ROAE	13.2	22.7	15.8	14.2	15.2
ROCE	13.1	20.4	13.9	13.0	13.9
Working capital days (days)					
Receivables	56	72	67	67	72
Inventory	NA	NA	NA	NA	NA
Payables	17	19	16	22	24
Ratios (x)					
Gross asset turnover	30.7	46.2	52.1	51.0	51.7
Current ratio	3.5	3.7	4.0	3.6	3.6
Net interest coverage ratio	NA	NA	NA	NA	NA
Adjusted debt/equity	(0.4)	(0.1)	(0.1)	(0.2)	(0.2)

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

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Note: Recommendation structure changed with effect from 21 June 2021

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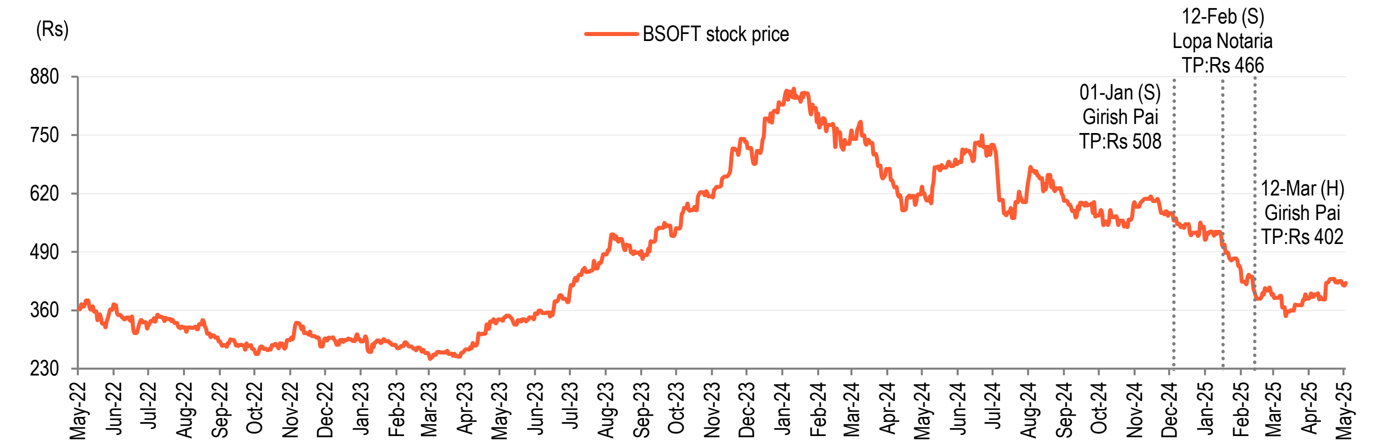

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