RESULT REVIEW

SELL
TP: Rs 325 | ∨ 13%

BIRLASOFT | IT Services | 07 May 2026

A new leadership and sales line up to push growth

- **4Q revenue was weaker than estimate though margins were better. FY26 revenue declined 6.5% in CC, the weakest in our coverage**
- **FY27 could also be a challenging year. Predict flat growth but odds of decline are high. EBIT margins could come off by 150bps**
- **Revenue cut but EPS raised on lower Tax rate. Retain Target PE multiple at 13.4x FY28EPS (20% discount to that of TCS). Retain SELL**

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4Q revenue growth much weaker than expected due to client specific issues. Margins better on one offs and Forex: The 3.7% QOQ CC decline was much weaker than the 1% decline expected whereas EBIT margin at 17% was 180bps better than our estimate on one offs and forex (see inside for more details). Sustainable EBITDA margin guided closer to 15% (with EBIT margin likely ~13.5%). Client specific issue in med tech and lower discretionary spending were given as reasons for the steep revenue decline.

Fresh leadership and beefing up of sales to hopefully improve TCV. Sales growth is likely to improve in FY28: There has been considerable leadership churn in BSOFT in the last few quarters. BSOFT onboarded Vikram Puranik as COO. He comes with a background in engineering and delivery operations. BSOFT has brought in leaders for Data and AI practice, ERP practice (a 25-year-old veteran from SAP), global partnerships and alliances and life sciences vertical. It also inducted Komal Jain to lead Americas business in 3Q. Many of these leaders have come in from Tier 1 companies (Komal Jain, a veteran from Infosys, handles a geography that contributes ~85% of revenue) and are expected to drive growth The sales team is going to be beefed up by 30-40% by mid-FY27. We think the impact of these actions on overall TCV and net new is likely to be visible from 2HFY27 and could drive growth in FY28.

Higher exposure to impacted verticals, services lines has impacted growth: BSOFT has a larger exposure to manufacturing (~40%) and ERP (~30%) which have been impacted by Tariffs and lately by supply chain issues. We believe its exposure to annuity type spending by customers is low though it has tried to pivot to that area.

Cut revenue estimates and Maintain Sell: We have trimmed our USD revenue estimates for FY27-FY29 BY ~3% on the back of lackluster order inflow and net new. We have lower tax rate from 29% to 25.5% leading to EPS increase of 7-9% across those years. Maintain Target PE at 13.4x (20% discount to the target PE multiple of TCS- our sector benchmark) and the stock rating continues to be SELL.

Key changes

Target	Rating
▲	◄ ►

Ticker/Price	BSOFT IN/Rs 373
Market cap	US$ 1.1bn
Free float	59%
3M ADV	US$ 6.3mn
52wk high/low	Rs 474/Rs 325
Promoter/FPI/DII	40%/14%/23%

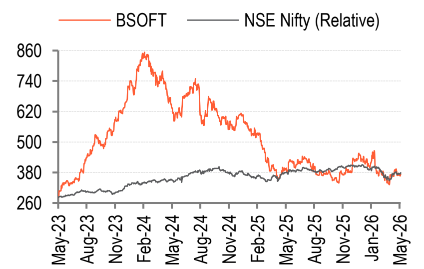
Source: NSE | Price as of 6 May 2026

Key financials

Y/E 31 Mar	FY26A	FY27E	FY28E
Total revenue (Rs mn)	53,099	56,361	58,734
EBITDA (Rs mn)	8,661	8,312	8,705
Adj. net profit (Rs mn)	5,183	6,421	6,822
Adj. EPS (Rs)	18.4	22.8	24.2
Consensus EPS (Rs)	18.4	22.3	25.0
Adj. ROAE (%)	13.7	14.9	14.4
Adj. P/E (x)	20.2	16.4	15.4
EV/EBITDA (x)	12.6	13.4	13.3
Adj. EPS growth (%)	0.4	23.7	6.2

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Key Points from the quarter and the earnings call

4QFY26

- Revenue stood at US$145.3mn, down 3.7% (against our estimate of 1% decline) QoQ in CC terms
    - Operational issue at one customer impacted volume growth and soft demand conditions persisted with clients holding back discretionary spending and seeking productivity benefits affected the revenue growth
    - Client-specific operational issue impacting revenue was within the life sciences vertical (MedTech - medical devices segment). Degrowth seen in life sciences business which is manufacturing oriented
- EBITDA Margin stood at 18.5%, expanding ~30 bps QoQ and ~530 bps YoY
- EBIT Margin stood at 17% (beating our estimate of 15.2%), expanding ~37 bps QoQ and ~550 bps YoY
    - Margin improvement reflected decisive actions undertaken to enhance revenue quality and optimize cost structure; Incremental one-offs in 4Q versus 3Q supported margin expansion; Continued benefit from currency tailwinds aided profitability
    - Total one-off benefit to 4Q margins was approximately 340 bps: Forex tailwinds contributed ~170 bps to 4Q margins and other one-off items including compensation reversals, leave provision changes and lower ESOP expense contributed an additional 170 bps benefit. Management indicated non-forex one-off benefits are not expected to repeat in 1QFY27 or beyond
- TCV stood at US$208 mn , up 3% QoQ and down 12% YoY
    - Net New TCV stood at US$41mn, down 56% QoQ and 63% YoY
    - Weak net new TCV was attributed to delayed client decision-making amid macro uncertainty
    - Management clarified no meaningful deal losses occurred, with deal closures instead getting pushed into 1QFY27. Near-term focus remains on converting delayed deals during current quarter
- 4Q had fewer working days versus 3Q

FY26

- Revenue stood at US$597.5mn, decline of 6.5% YoY in CC terms
    - Revenue performance reflected challenging demand conditions, account-specific issues, productivity pass-through obligations linked to AI deals and deliberate exit from non-profitable revenue streams
    - Decision to exit non-profitable business impacted revenue growth but contributed positively to margin expansion.

  - Lower working days in 4Q versus 3Q and exit from low-margin and non-strategic business and impacted FY26 growth by ~200 bps

- EBITDA Margin stood at 16.3%, growing ~334 bps YoY
- EBIT Margin stood at 14.8%, growing ~342 bps YoY
  - Margin expansion delivered through operational efficiency measures and improvement in revenue quality; Margin improvement initiatives included rationalization of scale accounts that were either unprofitable or lacked scaling potential

Other Points:

- Management highlighted continued uncertainty in demand conditions along with increased volatility from trade developments, tariffs and geopolitics
- FY26 described as unprecedented with revenue performance falling short of internal expectations despite significant margin expansion
- Management expects FY27 performance to improve and indicated belief that worst of the revenue weakness is likely behind
  - Additional sales hiring completed across US and Europe geographies spanning multiple verticals and service lines. Further sales team expansion planned over the next few quarters.
  - Sales team headcount expected to increase 30%-40% YoY by middle of FY27
  - Significant investments made into AI platforms
  - Company has secured marquee deals linked to AI offerings
  - Near-term focus areas include sales pipeline generation and order booking with emphasis on outcome-based and managed services engagements
- Order booking seasonality expected to remain similar with 1H softer and 2H stronger
- Manufacturing vertical weakness was attributed primarily to macroeconomic headwinds rather than company-specific execution issues
- BFSI vertical: 4Q performance was impacted by lower working days despite furlough-related normalization from 3Q
  - BFSI business remains predominantly time-and-material based, resulting in direct sensitivity to working day variations
  - Management remains confident on BFSI as long-term growth vertical
- FY27 strategy centered around becoming a growth-oriented and sales-focused organization with higher investments toward sales and pipeline generation
  - Incremental investments in sales and growth initiatives expected to have some impact on margins

- AI-led productivity benefits being offered upfront to clients are expected to create initial margin pressure in both existing and new engagements
- Management expects steady-state EBITDA margin to be ~15%. This incorporates investment intensity, growth ramp-up costs and upfront productivity commitments to clients
- ERP business has remained structurally challenged over the last several quarters independent of recent AI or Palantir-related developments
  - New ERP leader has been appointed. Management expects ERP business performance to improve going forward under new leadership
  - Client discussions continue to reflect healthy interest across ERP ecosystems
  - Management intends to remain invested in ERP business given perceived long-term potential
- Management believes weakness in manufacturing and medical devices segments is now largely behind
- Management indicated operational issues were highly client specific and therefore not viewed as a broader structural issue
- Post strong margin delivery, management indicated strategic priority has shifted decisively toward growth orientation. Current investments are being directed specifically toward driving higher growth going forward
- Management acknowledged disappointment with company performance and highlighted absence of growth over the last six quarters. Management admitted earlier leadership hires and restructuring efforts did not deliver desired outcomes, necessitating changes across multiple levels
- Top five customer portfolio continues to remain strong according to management. Flat performance in top five clients during the quarter was attributed to seasonality
- Revenue deflation occurs in the immediate and medium term due to upfront underwriting of productivity benefits within AI engagements. Management expects revenue contribution from AI-led engagements to improve over subsequent quarters as deals mature
- Competitive intensity has increased with larger IT vendors bidding for smaller and mid-sized deals. Management attributed heightened competition to AI-led transformation of the services landscape

We have an Underweight stance on Indian IT Services

We reinitiated coverage on the Indian IT Services with an Underweight stance through a report on 1 January 2025 (**Slow is the (new/old) normal**) and reiterated our view with updates on 12th March 2025 (**FY26 unlikely to be better than FY25**), 10th July 2025 (**Uncertainty stays and 'eating the tariff' may impact even FY27**) and 12 January 2026 (**A fourth slow year?**).

While both earnings and PE multiples have corrected since 1 Jan 2025, the industry's structural organic revenue growth from here on will be much lower vs ~7% CAGR seen during FY15-FY20; possibly ~3-5% CAGR over FY25-FY30 in constant currency (CC) terms. We also believe that release of advanced AI models will cause significant disruption to the industry rendering the sector to be a 'value trap'. We wrote about this in our 17 February 2026 report (**Existential threat, value trap or Temporary blip**) and through our 6 April 2026 report (**Narrative of FY27 being modestly better, set for its first test**).

Multiple speed breakers drive our Underweight stance

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

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

Gen AI and GCCs are going to disrupt growth: We believe that AI/Gen AI will lead to compression of revenue for the industry in the next 24-36 months, as companies self-cannibalize to hold on to their existing clients. Rapid growth of the GCCs is a threat to outsourcing. While there seems to be collaboration between outsourcers and their clients in setting up these GCCs, there will be growth discontinuity when the business is insourced at some point.

Massive hyper scaler AI capex should accentuate re-alignment in IT spend: Software players, including hyper scalers, are increasing capex on AI-related data centres. This will drive higher pricing, forcing enterprises to allocate more IT spend to Cloud/SaaS and move it away from the ones with lower bargaining power – global IT Services players.

Higher competition: Indian Tier-1 companies now face higher competition from Accenture, Tier-2 players and Cognizant, likely slowing their growth vs FY15-FY20. This is besides the fact that by FY25, Tier-1 revenue has reached US$ 85bn, double that in FY15. Due to the higher base now, growth may not be as rapid.

How we are valuing companies: We are using PE methodology, as also TCS, as our industry benchmark. Target PE for TCS is 16.8x, which is the average PE multiple of TCS over the last 10 years less 1.5SD. We have been giving subjective premium/discount to the benchmark target PE to arrive at target PE multiples for the rest of our coverage.

Our target PE multiples are lower than those used by consensus/competitors. Through our choice of the benchmark target PE multiple, we seek to capture the mortality and relevance risk that players face in this era of advanced AI models.

Tier- 2 valuation reflects growth gap with Tier-1

Tier-2 set has been taking away market share from the Tier-1 set, due to better execution as well as their smaller size. And, unlike previous cycles, they have performed better than the Tier-1 set, largely on better management teams.

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

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

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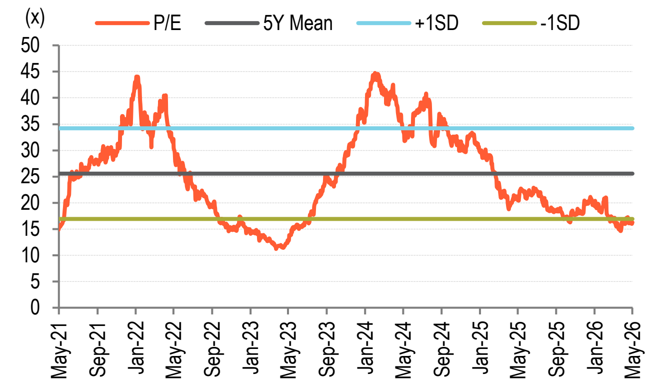
Fig 1 – Quarterly results: Comparison of actuals with estimates

Y/E Mar (Rsmn)	4QFY25	3QFY26	4QFY26	YoY(%)	QoQ (%)	4QFY26E	Deviation (%)
Net Sales (USD mn)	**152**	**151**	**145**	**(4.5)**	**(3.6)**	**150**	**(3.0)**
Net Sales	**13,169**	**13,475**	**13,486**	**2.4**	**0.1**	**13,701**	**(1.6)**
Employee Cost	7,781	8,095	7,863	1.1	(2.9)	8,175	(3.8)
% of Sales	59.1	60.1	58.3			59.7	
Gross Margin	5,388	5,381	5,623	4.4	4.5	5,526	1.8
% of Sales	40.9	39.9	41.7			40.3	
Operating Expenses	3,652	2,933	3,131	(14.3)	6.8	3,233	(3.2)
% of Sales	27.7	21.8	23.2			23.6	
EBIT	**1,519**	**2,247**	**2,299**	**51.3**	**2.3**	**2,088**	**10.1**
EBIT Margin (%)	**11.5**	**16.7**	**17.0**			**15.2**	
Other Income	199	134	(37)	(118.6)	(127.6)	145	(125.6)
Interest	(55)	(57)	(39)			(68)	
PBT	1,663	2,324	2,223	33.7	(4.4)	2,165	2.7
Provision for Tax	442	871	464	5.0	(46.7)	811	(42.8)
Effective Tax Rate	26.6	37.5	20.9			37.5	
Adjusted PAT	1,221	1,453	1,759	44.1	21.0	1,353	30.0
Margin (%)	9.3	10.8	13.0			9.9	
Exceptional Item (adjusted for taxes)	0	254	0			0	
PAT (Reported)	**1,221**	**1,199**	**1,759**	**44.1**	**46.7**	**1,353**	**30.0**
Margin (%)	**9.3**	**8.9**	**13.0**			**9.9**	

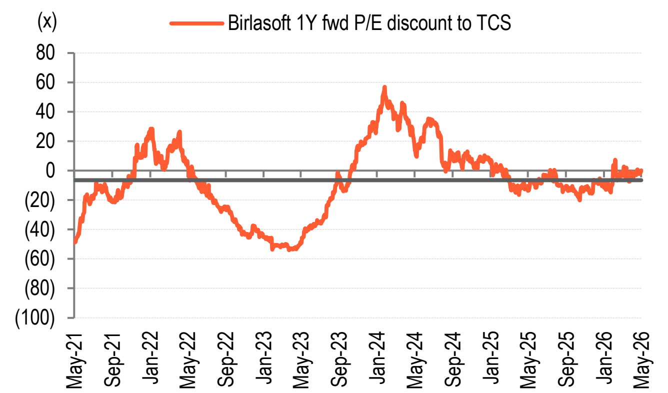
Source: Company, BOBCAPS Research

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		
	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
INR/USD	93.9	94.9	95.9	93.9	94.9	95.9	-	-	-
USD Revenue (USD mn)	600.4	619.1	638.0	616.8	636.1	655.5	(2.7)	(2.7)	(2.7)
Growth (%)	0.5	3.1	3.1	2.5	3.1	3.1			
Revenue (Rsmn)	56,360.9	58,733.6	61,169.3	57,909.3	60,347.2	62,849.9	(2.7)	(2.7)	(2.7)
EBIT (Rsmn)	7,516.4	7,872.4	8,147.7	7,543.1	7,859.4	8,028.9	(0.4)	0.2	1.5
EBIT Margin (%)	13.3	13.4	13.3	13.0	13.0	12.8			
PAT (Rsmn)	6,421.0	6,822.0	7,173.8	5,992.3	6,331.7	6,585.6	7.2	7.7	8.9
FDEPS (Rs)	22.8	24.2	25.4	21.3	22.5	23.4	7.0	7.6	8.8

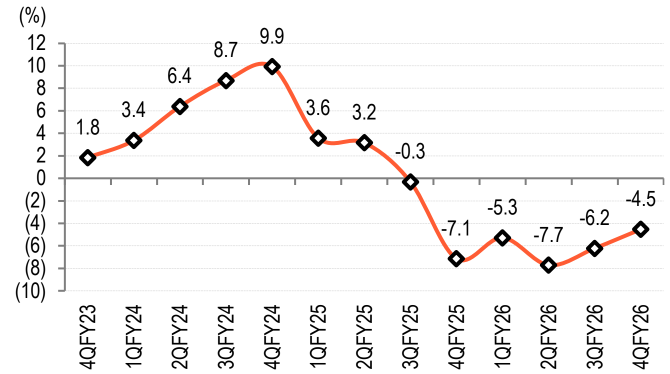
Source: BOBCAPS Research

Fig 5 – P&L at a glance

(YE March) Rs mn	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Average INR/USD	64.5	70.0	70.9	74.1	74.4	80.6	82.8	84.6	88.9	93.9	94.9	95.9
Net Sales (USD mn)	**452**	**364**	**464**	**480**	**555**	**595**	**637**	**635**	**598**	**600**	**619**	**638**
YoY Growth (%)		**(19.4)**	**27.4**	**3.4**	**15.7**	**7.2**	**7.1**	**(0.3)**	**(6.0)**	**0.5**	**3.1**	**3.1**
Revenues	29,142	25,507	32,910	35,557	41,303	47,948	52,781	53,752	53,099	56,361	58,734	61,169
YoY Growth	(12.3)	(12.5)	29.0	8.0	16.2	16.1	10.1	1.8	(1.2)	6.1	4.2	4.1
Employee Cost	17,874	15,352	19,975	21,158	23,688	28,131	30,483	32,008	31,708	33,723	34,997	36,505
Gross Profit	11,268	10,155	12,934	14,399	17,615	19,817	22,298	21,744	21,392	22,638	23,736	24,664
% of sales	38.7	39.8	39.3	40.5	42.6	41.3	42.2	40.5	40.3	40.2	40.4	40.3
Operating Expenses	7,533	7,091	9,065	9,107	11,213	14,612	13,936	14,770	12,731	14,326	15,031	15,646
% of sales	25.8	27.8	27.5	25.6	27.1	30.5	26.4	27.5	24.0	25.4	25.6	25.6
EBITDA	3,735	3,064	3,869	5,292	6,402	5,205	8,362	6,974	8,661	8,312	8,705	9,018
EBITDA Margin	12.8	12.0	11.8	14.9	15.5	10.9	15.8	13.0	16.3	14.7	14.8	14.7
Depreciation	589	499	826	804	766	823	850	857	803	795	833	871
% of sales	2.0	2.0	2.5	2.3	1.9	1.7	1.6	1.6	1.5	1.4	1.4	1.4
EBIT	**3,147**	**2,565**	**3,043**	**4,489**	**5,636**	**4,382**	**7,512**	**6,117**	**7,857**	**7,516**	**7,872**	**8,148**
EBIT Margin	**10.8**	**10.1**	**9.2**	**12.6**	**13.6**	**9.1**	**14.2**	**11.4**	**14.8**	**13.3**	**13.4**	**13.3**
Other Income	357	261	480	190	662	228	1,035	1,085	648	1,288	1,478	1,683
Interest	91	108	161	130	131	186	200	234	196	185	193	201
Exceptional Item	-	-	-	-	-	-	-	-	407	-	-	-
Profit Before Tax	3,412	2,717	3,362	4,548	6,167	4,424	8,348	6,968	7,903	8,619	9,157	9,629
PBT Margin	11.7	10.7	10.2	12.8	14.9	9.2	15.8	13.0	14.9	15.3	15.6	15.7
Tax	704	539	1,119	1,340	1,531	1,108	2,110	1,801	2,719	2,198	2,335	2,455
ETR (%)	20.6	19.8	33.3	29.5	24.8	25.1	25.3	25.8	34.4	25.5	25.5	25.5
Profit After Tax	**2,412**	**2,354**	**2,243**	**3,208**	**4,637**	**3,316**	**6,238**	**5,168**	**5,183**	**6,421**	**6,822**	**7,174**
YoY Growth (%)		**(2.4)**	**(4.7)**	**43.0**	**44.5**	**(28.5)**	**88.1**	**(17.2)**	**0.3**	**23.9**	**6.2**	**5.2**
Margin (%)	**8.3**	**9.2**	**6.8**	**9.0**	**11.2**	**6.9**	**11.8**	**9.6**	**9.8**	**11.4**	**11.6**	**11.7**
Adjusted PAT	2411.6	2353.9	2243.5	3208.3	4636.7	3316.0	6238.3	5167.6	5437.6	6421.0	6822.0	7173.8
Margin (%)	8.3	9.2	6.8	9.0	11.2	6.9	11.8	9.6	10.2	11.4	11.6	11.7

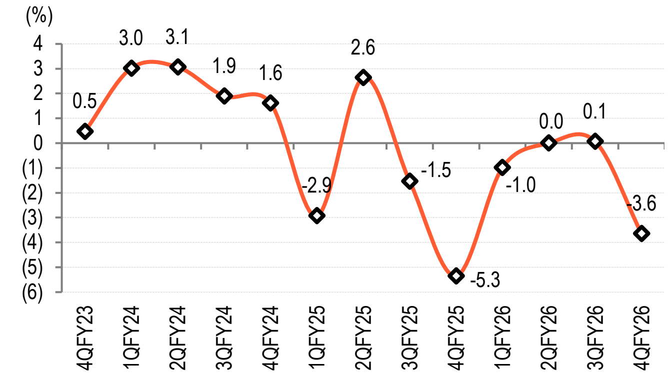
Source: Company, BOBCAPS Research

Fig 6 – USD Revenue Growth (YoY)



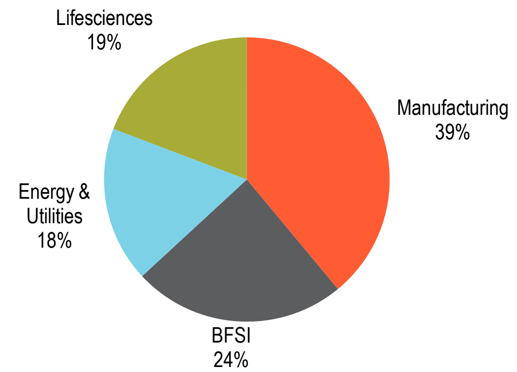
Source: Company, BOBCAPS Research

Fig 7 – USD Revenue Growth (QoQ)



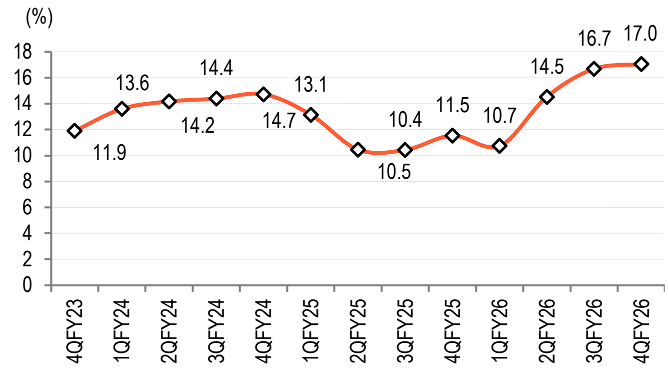
Source: Company, BOBCAPS Research

Fig 8 – Vertical Mix – 4QFY26



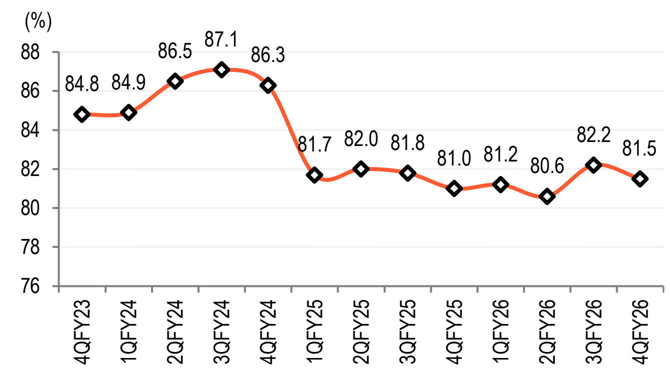
Source: Company, BOBCAPS Research

Fig 9 – EBIT Margin trend



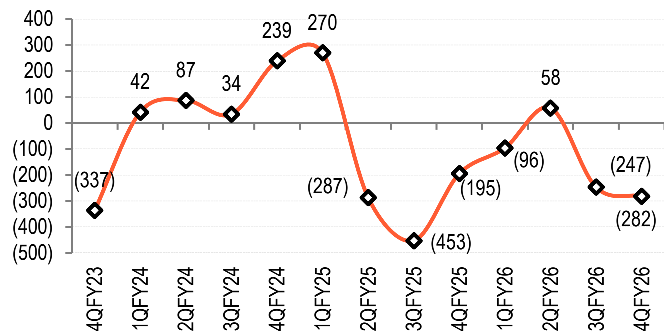
Source: Company, BOBCAPS Research

Fig 10 – Utilization trend



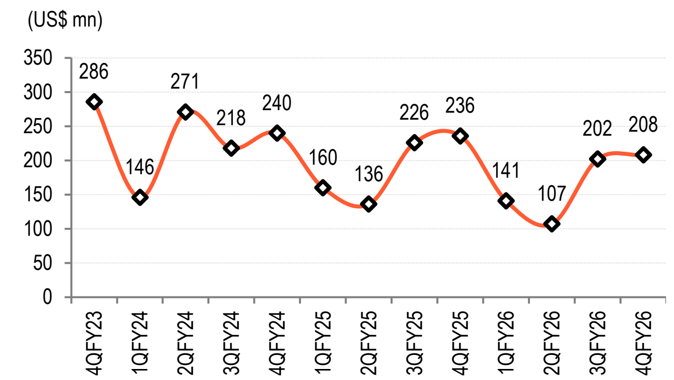
Source: Company, BOBCAPS Research

Fig 11 – Net Headcount Addition



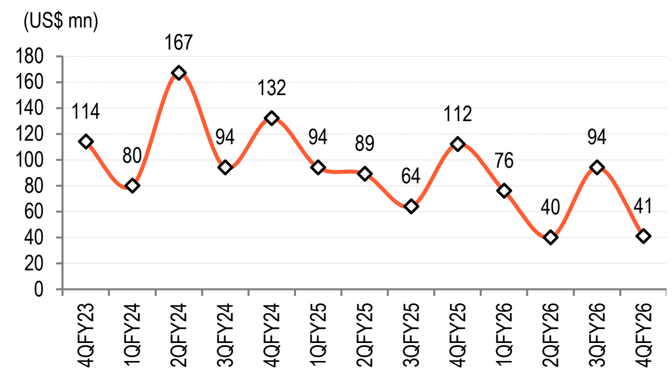
Source: Company, BOBCAPS Research

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



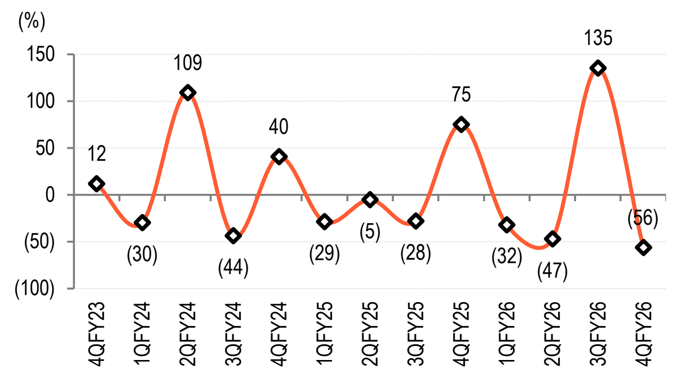
Source: Company, BOBCAPS Research

Fig 13 – Net New TCV (USD mn)



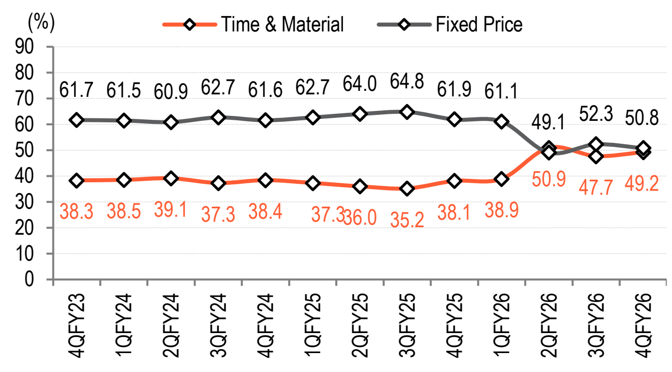
Source: Company, BOBCAPS Research

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	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	4QFY26
INR/USD	82.3	82.2	82.7	83.3	83.1	83.4	83.8	84.7	86.5	85.3	88.2	89.4	92.8
Revenue (in USDmn)	149	154	158	161	164	159	163	161	152	151	151	151	145
(Rsmn)													
Revenue	12,264	12,628	13,099	13,430	13,625	13,274	13,682	13,627	13,169	12,849	13,289	13,475	13,486
Gross margin	4,970	5,200	5,657	5,495	5,946	5,673	5,386	5,298	5,388	5,062	5,325	5,381	5,623
SGA	3,300	3,268	3,586	3,352	3,729	3,722	3,732	3,664	3,652	3,474	3,193	2,933	3,131
EBITDA	1,670	1,931	2,071	2,143	2,217	1,951	1,653	1,634	1,736	1,588	2,133	2,448	2,492
Depreciation	210	214	215	211	211	206	222	213	216	208	202	201	193
EBIT	1,460	1,717	1,856	1,932	2,006	1,745	1,431	1,422	1,519	1,380	1,931	2,247	2,299
Other income	(23)	141	156	282	457	345	334	208	199	331	220	134	(37)
PBT	1,397	1,816	1,955	2,154	2,422	2,049	1,697	1,560	1,663	1,662	2,100	1,918	2,223
Tax	276	440	504	544	621	547	422	390	442	597	939	719	464
PAT	1,122	1,375	1,451	1,611	1,801	1,502	1,275	1,169	1,221	1,064	1,161	1,199	1,759
Number of shares	275	275	276	276	276	278	278	278	279	279	279	280	281
EPS	4.1	5.0	5.3	5.8	6.5	5.4	4.6	4.2	4.4	3.8	4.2	4.3	6.3
YoY Growth													
USD Revenue	1.8	3.4	6.4	8.7	9.9	3.6	3.2	(0.3)	(7.1)	(5.3)	(7.7)	(6.2)	(4.5)
INR Revenues	11.3	9.4	9.9	9.9	11.1	5.1	4.5	1.5	(3.4)	(3.2)	(2.9)	(1.1)	2.4
Gross profit	5.3	4.7	13.5	12.2	19.6	9.1	(4.8)	(3.6)	(9.4)	(10.8)	(1.1)	1.6	4.4
EBIT	(5.5)	14.4	19.2	(1517.1)	37.4	1.6	(22.9)	(26.4)	(24.2)	(20.9)	34.9	58.1	51.3
Net profit	(15.6)	13.9	26.2	(1084.4)	60.5	9.2	(12.2)	(27.4)	(32.2)	(29.1)	(8.9)	2.5	44.1
QoQ Growth													
USD Revenues	0.47	3.02	3.06	1.9	1.6	(2.9)	2.6	(1.53)	(5.3)	(1.0)	-	0.1	(3.6)
INR Revenues	0.4	3.0	3.7	2.5	1.5	(2.6)	3.1	(0.4)	(3.4)	(2.4)	3.4	1.4	0.1
EBIT	(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	2.3
Net profit	(785.7)	22.6	5.5	11.0	11.8	(16.6)	(15.1)	(8.3)	4.4	(12.8)	9.1	3.3	46.7
Margins (%)													
Gross margin	40.5	41.2	43.2	40.9	43.6	42.7	39.4	38.9	40.9	39.4	40.1	39.9	41.7
EBITDA margin	13.6	15.3	15.8	16.0	16.3	14.7	12.1	12.0	13.2	12.4	16.0	18.2	18.5
EBIT	11.9	13.6	14.2	14.4	14.7	13.1	10.5	10.4	11.5	10.7	14.5	16.7	17.0
PAT	9.1	10.9	11.1	12.0	13.2	11.3	9.3	8.6	9.3	8.3	8.7	8.9	13.0
SGA	26.9	25.9	27.4	25.0	27.4	28.0	27.3	26.9	27.7	27.0	24.0	21.8	23.2

Source: Company, BOBCAPS Research

Fig 17 – Quarterly Snapshot

INR mn	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	4QFY26
Segment Revenue									
Banking, Financial Services and Insurance	2,883.6	3,134.5	3,196.2	3,284.8	3,170.9	3,129.4	3,297.7	3,281.1	3,250.9
Manufacturing	5,710.2	5,195.2	5,457.6	5,471.8	5,190.2	4,900.9	4,856.4	5,086.4	5,267.9
Energy and Utilities	2,016.7	2,099.1	2,204.7	2,143.6	2,224.2	2,245.3	2,294.4	2,252.2	2,384.0
Life Sciences & Services	3,015.0	2,845.6	2,823.7	2,726.9	2,583.7	2,573.4	2,840.6	2,855.8	2,583.5
Total	13,625.5	13,274.3	13,682.2	13,627.0	13,168.9	12,849.0	13,289.0	13,475.3	13,486.3
QoQ Revenue Growth %									
Banking, Financial Services and Insurance	4.1	8.7	2.0	2.8	(3.5)	(1.3)	5.4	(0.5)	(0.9)
Manufacturing	3.7	(9.0)	5.1	0.3	(5.1)	(5.6)	(0.9)	4.7	3.6
Energy and Utilities	3.8	4.1	5.0	(2.8)	3.8	0.9	2.2	(1.8)	5.9
Life Sciences & Services	(6.2)	(5.6)	(0.8)	(3.4)	(5.3)	(0.4)	10.4	0.5	(9.5)
Total	1.5	(2.6)	3.1	(0.4)	(3.4)	(2.4)	3.4	1.4	0.1
YoY Revenue Growth %									
Banking, Financial Services and Insurance	15.0	20.1	15.5	18.6	10.0	(0.2)	3.2	(0.1)	2.5
Manufacturing	16.2	1.1	1.2	(0.6)	(9.1)	(5.7)	(11.0)	(7.0)	1.5
Energy and Utilities	10.6	16.7	23.3	10.4	10.3	7.0	4.1	5.1	7.2
Life Sciences & Services	(0.2)	(7.7)	(10.4)	(15.1)	(14.3)	(9.6)	0.6	4.7	(0.0)
Total	11.1	5.1	4.5	1.5	(3.4)	(3.2)	(2.9)	(1.1)	2.4
Segment results									
Banking, Financial Services and Insurance	851.4	934.4	811.8	824.1	839.0	860.2	954.6	1,010.7	1,027.9
Manufacturing	1,817.3	734.6	1,179.3	1,244.2	1,086.7	1,037.2	1,257.3	1,541.9	1,480.7
Energy and Utilities	616.7	713.0	597.1	596.8	745.8	787.3	893.0	896.8	939.8
Life Sciences & Services	426.8	534.5	451.8	424.4	320.1	428.2	521.7	563.5	301.9
Total	3,712.3	2,916.5	3,040.1	3,089.5	2,991.7	3,112.8	3,626.7	4,012.9	3,750.3
Margin %									
Banking, Financial Services and Insurance	29.5	29.8	25.4	25.1	26.5	27.5	28.9	30.8	31.6
Manufacturing	31.8	14.1	21.6	22.7	20.9	21.2	25.9	30.3	28.1
Energy and Utilities	30.6	34.0	27.1	27.8	33.5	35.1	38.9	39.8	39.4
Life Sciences & Services	14.2	18.8	16.0	15.6	12.4	16.6	18.4	19.7	11.7
Total	27.2	22.0	22.2	22.7	22.7	24.2	27.3	29.8	27.8

Source: Company, BOBCAPS Research

Fig 18 – Key Metrics

	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	4QFY26
P and L (Rs mn)													
Revenue	12,264	12,628	13,099	13,430	13,625	13,274	13,682	13,627	13,169	12,849	13,289	13,475	13,486
EBIT	1,460	1,717	1,856	1,932	2,006	1,745	1,431	1,422	1,519	1,380	1,931	2,247	2,299
PAT	1,122	1,375	1,451	1,611	1,801	1,502	1,275	1,169	1,221	1,064	1,161	1,199	1,759
Vertical Mix (%)													
Manufacturing	47	41	41	41	42	39	40	40	40	38	37	38	39
BFSI	21	21	21	21	21	24	23	24	24	24	25	24	24
Energy & Utilities	15	14	14	15	15	16	16	16	17	17	17	17	18
Lifesciences	18	24	24	24	22	21	21	20	20	20	21	21	19
Services - Reclassified (%)													
Digital and Data		54	56	55	54	53	55	57	57	59	58	57	57
ERP		37	36	36	38	35	36	34	33	32	31	32	31
Infra		9	8	9	9	12	10	9	10	10	11	12	12
Geographic Mix (%)													
USA	85	84	86	86	87	84	87	88	87	86	88	85	84
Rest of the world	6	6	6	14	14	16	13	12	13	14	12	15	16
Europe	9	10	8	0	0	0	0	0	0	0	0	0	0
Revenue Mix													
Onsite	49	49	49	46	48	44	51	49	50	49	46	43	43
Offshore	51	51	51	54	52	57	50	51	50	51	54	57	58
Revenue Contract Type													
Time & Material	38	39	39	37	38	37	36	35	38	39	51	48	49
Fixed Price	62	62	61	63	62	63	64	65	62	61	49	52	51
Utilization (%)	85	85	87	87	86	82	82	82	81	81	81	82	82
Clients Concentration (%)													
Top 5 clients	33	33	34	35	35	36	37	37	37	38	39	41	42
Top 10 Clients	49	50	51	52	52	53	53	52	52	53	53	54	55
Top 20 Clients	64	64	64	65	65	65	65	65	65	65	66	66	67
No of millions $ clients													
US$1mn clients+	83	86	85	83	87	88	89	85	80	77	78	85	78
US$5mn clients+	26	27	27	26	26	23	24	27	27	26	23	23	22
US$10mn clients+	13	13	11	11	12	12	12	12	12	12	11	10	11
Total Headcount	12,193	12,235	12,322	12,356	12,595	12,865	12,578	12,125	11,930	11,834	11,892	11,645	11,363
Net Addition	(337)	42	87	34	239	270	(287)	(453)	(195)	(96)	58	(247)	(282)
Attrition (%)	22.1	18.8	15.0	12.6	12.4	11.6	11.8	12.7	12.8	13.3	13.3	13.1	13.0
INR/USD	82.3	82.2	82.7	83.3	83.1	83.4	83.8	84.7	86.5	85.3	88.2	89.4	92.8
Financials (in US$mn)													
Revenue	149.1	153.6	158.3	161.3	163.9	159.1	163.3	160.8	152.2	150.7	150.7	150.8	145.3
EBIT	17.8	20.9	22.4	23.2	24.1	20.9	17.1	16.8	17.6	16.2	21.9	25.2	24.8
PAT	13.6	16.7	17.5	19.3	21.7	18.0	15.2	13.8	14.1	12.5	13.2	13.4	19.0
Productivity Metrics													
Per Capita (Annualised)													
Revenue	48,913	50,217	51,388	52,218	52,052	49,468	51,932	53,057	51,021	50,921	50,702	51,804	51,146
EBIT	5,823	6,830	7,283	7,513	7,663	6,504	5,432	5,535	5,887	5,470	7,367	8,639	8,719
PAT	4,474	5,470	5,694	6,262	6,880	5,598	4,840	4,553	4,731	4,218	4,430	4,609	6,671
Direct and Opex cost per capita	43,090	43,387	44,105	44,704	44,390	42,964	46,500	47,522	45,135	45,451	43,335	43,165	42,427

Source: Company, BOBCAPS Research

Fig 19 – QoQ and YoY growth of various parameters

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

Source: Company, BOBCAPS Research

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Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Total revenue	**53,752**	**53,099**	**56,361**	**58,734**	**61,169**
EBITDA	6,974	8,661	8,312	8,705	9,018
Depreciation	857	803	795	833	871
EBIT	6,117	7,857	7,516	7,872	8,148
Net interest inc./(exp.)	234	196	185	193	201
Other inc./(exp.)	1,085	648	1,288	1,478	1,683
Exceptional items	0	0	0	0	0
EBT	6,968	7,903	8,619	9,157	9,629
Income taxes	1,801	2,719	2,198	2,335	2,455
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	**5,168**	**5,183**	**6,421**	**6,822**	**7,174**
Adjustments	0	0	0	0	0
Adjusted net profit	**5,168**	**5,183**	**6,421**	**6,822**	**7,174**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Accounts payables	2,353	2,551	2,770	2,844	2,973
Other current liabilities	5,469	6,539	7,747	7,927	8,240
Provisions	757	1,279	1,279	1,279	1,279
Debt funds	114	51	0	0	0
Other liabilities	1,148	1,079	1,079	1,079	1,079
Equity capital	556	559	559	559	559
Reserves & surplus	34,227	40,572	44,748	49,186	53,694
Shareholders' fund	34,782	41,131	45,307	49,745	54,253
Total liab. and equities	**44,624**	**52,631**	**58,183**	**62,875**	**67,825**
Cash and cash eq.	4,449	4,659	9,054	13,256	17,410
Accounts receivables	9,802	12,125	13,004	13,353	13,958
Inventories	104	46	46	46	46
Other current assets	17,278	22,340	22,517	22,587	22,708
Investments	2,972	1,810	1,810	1,810	1,810
Net fixed assets	1,031	1,452	1,523	1,593	1,664
CWIP	49	18	18	18	18
Intangible assets	5,072	5,648	5,648	5,648	5,648
Deferred tax assets, net	1,002	1,138	1,138	1,138	1,138
Other assets	2,866	3,425	3,425	3,425	3,425
Total assets	**44,624**	**52,663**	**58,183**	**62,875**	**67,825**

Cash Flows

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Cash flow from operations	**5,388**	**7,316**	**7,062**	**8,012**	**8,530**
Capital expenditures	(746)	(1,224)	(866)	(904)	(941)
Change in investments	(4,234)	(5,334)	0	0	0
Other investing cash flows	0	0	0	0	0
Cash flow from investing	**(4,981)**	**(6,558)**	**(866)**	**(904)**	**(941)**
Equities issued/Others	4	3	0	0	0
Debt raised/repaid	114	(63)	(51)	0	0
Interest expenses	(234)	(196)	(185)	(193)	(201)
Dividends paid	(1,808)	(1,819)	(2,244)	(2,385)	(2,665)
Other financing cash flows	0	0	0	0	0
Cash flow from financing	**(1,924)**	**(2,075)**	**(2,481)**	**(2,578)**	**(2,866)**
Chg in cash & cash eq.	**199**	**210**	**4,395**	**4,202**	**4,153**
Closing cash & cash eq.	**4,449**	**4,659**	**9,054**	**13,256**	**17,410**

Per Share

Y/E 31 Mar (Rs)	FY25A	FY26A	FY27E	FY28E	FY29E
Reported EPS	18.6	18.5	22.9	24.3	25.6
Adjusted EPS	18.3	18.4	22.8	24.2	25.4
Dividend per share	6.5	6.5	8.0	8.5	9.5
Book value per share	125.1	147.0	161.5	177.3	193.4

Valuations Ratios

Y/E 31 Mar (x)	FY25A	FY26A	FY27E	FY28E	FY29E
EV/Sales	2.0	2.0	2.0	2.0	2.0
EV/EBITDA	15.6	12.6	13.4	13.3	13.3
Adjusted P/E	20.3	20.2	16.4	15.4	14.6
P/BV	3.0	2.5	2.3	2.1	1.9

DuPont Analysis

Y/E 31 Mar (%)	FY25A	FY26A	FY27E	FY28E	FY29E
Tax burden (Net profit/PBT)	74.7	74.2	65.6	74.5	74.5
Interest burden (PBT/EBIT)	111.1	113.9	100.6	114.7	116.3
EBIT margin (EBIT/Revenue)	14.2	11.4	14.8	13.3	13.4
Asset turnover (Rev./Avg TA)	148.4	128.2	109.2	101.7	97.0
Leverage (Avg TA/Avg Equity)	1.3	1.3	1.3	1.3	1.3
Adjusted ROAE	22.7	15.8	13.7	14.9	14.4

Ratio Analysis

Y/E 31 Mar	FY25A	FY26A	FY27E	FY28E	FY29E
YoY growth (%)					
Revenue	1.8	(1.2)	6.1	4.2	4.1
EBITDA	(16.6)	24.2	(4.0)	4.7	3.6
Adjusted EPS	(19.0)	0.4	23.7	6.2	5.2
Profitability & Return ratios (%)					
EBITDA margin	13.0	16.3	14.7	14.8	14.7
EBIT margin	11.4	14.8	13.3	13.4	13.3
Adjusted profit margin	9.6	9.8	11.4	11.6	11.7
Adjusted ROAE	15.8	13.7	14.9	14.4	13.8
ROCE	13.9	13.6	12.9	12.3	11.7
Working capital days (days)					
Receivables	67	83	84	83	83
Inventory	NA	NA	NA	NA	NA
Payables	16	17	18	17	17
Ratios (x)					
Gross asset turnover	52.1	36.6	37.0	36.9	36.8
Current ratio	4.0	4.3	4.2	4.6	4.8
Net interest coverage ratio	NA	NA	NA	NA	NA
Adjusted debt/equity	(0.1)	(0.1)	(0.2)	(0.3)	(0.3)

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

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BUY – Expected return >+15%

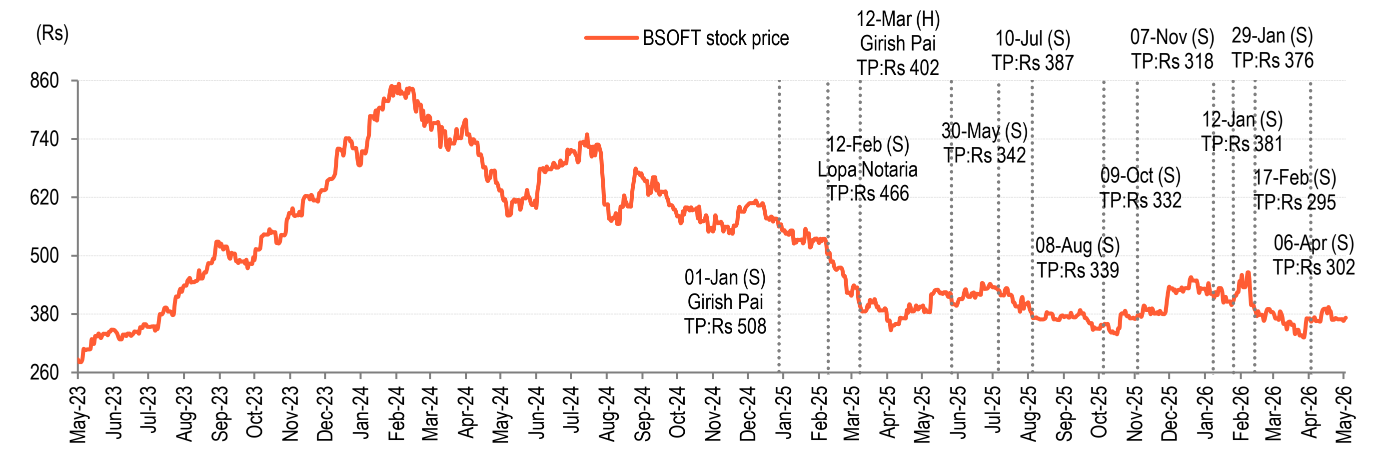
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

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

Ratings and Target Price (3-year history): BIRLASOFT (BSOFT IN)



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