HOLD
TP: Rs 1,718 | ⮝ 10%

ECLERX SERVICES

| IT Services | 01 November 2026

Hitting a sharp revenue deceleration

- **2Q revenue (more so) and EBIT margin were lower than expected. Prospect of a sharp pick up in FY27 is remote in our view**
- **ACV was at an 8-quarter low and was indicated to be the result of longer decision making and signing marginally lower deal sizes**
- **Cut USD revenue by 3-4% and pare margin estimates. Cut target PE multiple. Retain HOLD as we still hope for a revenue recovery**

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Weak revenue and ACV performance: Against estimate of 3.6% QoQ CC growth, it delivered 1.6%. EBIT margin was 19.2% versus our estimate of 20.6%. ACV declined 24.5% QoQ and 33% YoY and was at an 8-quarter low as deals shifted to the future due to slower client decisions. The weak revenue performance was broad based with only BFS to some extent and emerging verticals delivering growth. BFS (38% of revenue) could not deliver strong growth at it was impacted by change in regulations in the financial crime and compliance area.

ACV must move up for growth to be in the teens: The quarterly ACV fell to its lowest in the last 8 quarters. That in our view is leading to slowing down in revenue growth, both QoQ and YoY. For growth to sustain teen levels we believe ACV number must move up. The PE compression that the stock has undergone (see chart inside) has been both a view that the market has taken on the sector regarding AI related disruption (and within that on the BPS segment) and on the slower growth in ACV/revenue..

Growth has to come from expanding TAM: Growth strategy remains focused on existing capability areas, expansion into new geographies, adjacent opportunities including mortgages and wealth. Eclerx is also investing in sales, delivery, technology and AI capabilities. Its productized approach it says will help it hold on to its high margins (24-28% EBITDA margin) over the longer term. However we think some of this has to be sacrificed for growth to pick up.

Unlikely to be a Tier-2 top quartile growth player in FY27: Post the 2Q performance and the commentary, we have pared our USD revenue estimates for FY26-FY29 by 300-400bps and EBIT margin estimates by 230bps for FY27 and 50bps for FY28 while retaining FY29 estimates. We have lowered Target PE multiple from 17.6x to 16.9x by lowering premium on benchmark from 25% to 20%. We are giving the company the benefit of doubt regarding its performance going forward and we think its revenue growth would bounce back to low teen territory beyond FY27 and hence maintain a HOLD rating. It is also driven by the sharp correction that the stock has seen since publication of 2Q results.

Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	ECLX IN/Rs 1,557
Market cap	US$ 1.5bn
Free float	43%
3M ADV	US$ 4.6mn
52wk high/low	Rs 2,498/Rs 1,320
Promoter/FPI/DII	55%/10%/25%

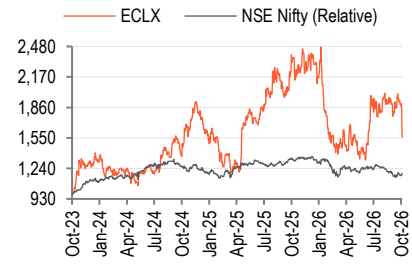
Source: NSE | Price as of 30 Oct 2026

Key financials

Y/E 31 Mar	FY26A	FY27E	FY28E
Total revenue (Rs mn)	41,170	48,520	55,251
EBITDA (Rs mn)	10,523	11,802	14,864
Adj. net profit (Rs mn)	7,062	7,058	8,852
Adj. EPS (Rs)	74.7	75.4	94.6
Consensus EPS (Rs)	74.7	83.6	98.1
Adj. ROAE (%)	29.0	24.2	23.9
Adj. P/E (x)	20.8	20.6	16.5
EV/EBITDA (x)	14.3	13.1	11.0
Adj. EPS growth (%)	32.2	0.9	25.4

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Key Points from the quarter and the earnings call

- Revenue stood at US$127.7mn, growing 1.6% QoQ (below our estimate of 3.6%) and 12.9% YoY in CC terms
- EBITDA margin stood at 23.9%, growing 87bps QoQ and declining 278 bps YoY
    - The QoQ margin improvement is almost entirely because of FX, with small improvements from delivery cost and G&A
- EBIT Margin stood at 19.2% (below our estimate of 20.6%), growing 47 bps QoQ and declining 325 bps YoY
- ACV of new deals (excl CLX) stood at USD30.8mn, declining 24.5% QoQ and 33% YoY
    - Reaching the same ACV as FY26 remains the goal but will be difficult given the 1H number and the delayed decision timelines
- First half deal wins totaled USD 72 million compared with USD 78 million in the same period last year
- No surprises were seen in the quarter apart from the right shift of deals
- Total Headcount stood at 23,269, addition of 770 QoQ
    - Headcount was added a little in advance, expecting work that has not yet materialized, leading to stronger headcount growth and lower utilization
- Attrition stood at 23.4% (vs 18.1% in 1QFY27); 2Q attrition is generally higher following the wage increments in 1Q
- Staff utilization stood at 74.9% (vs 75.5% in 1QFY27)
- Clients remain selective, with tighter budgets and longer decision cycles as spending shifts towards AI related investments
- Analytics and automation grew 5% QoQ and 27% YoY with an annual revenue run rate of about US$109mn
- Continued investments in tech services and process automation
- Communication, media and telecom revenue was broadly flat QoQ, with Cairo and Manila continuing to grow, and the pipeline remains healthy
- BFSI revenue grew about 3% QoQ, supported by short-term engagements
    - Easing financial crime compliance regulation in the US has reduced refresh volumes at existing clients.
    - Traction continues with new clients. Interest in document digitization and related services continues
- HiTech and M&D: Traction is seen in HiTech, driven by agentic AI and transformation services

- Fashion, luxury and retail revenue was flat YoY, with 2Q seasonally lower because of the August holiday period in Italy, and the luxury market continues to face headwinds from weak demand in China and Europe. Seasonal bounce back is expected in the luxury vertical in 3Q
- Emerging business accounts for 12.6% of revenue, up from 11.7%
- AI team is being expanded, with a near term focus on placing engineers closer to clients
- Momentum is seen in emerging business and HiTech, new voice programs ramping up in communication, media and telecom, and a seasonal recovery in fashion and luxury, offset by volume pressure in a few BFSI accounts
- First half EBITDA margin remained about 190 basis points below last year, reflecting continued investments in new locations, technology, and AI
- Focus remains on disciplined cost management and cash conversion
- Other income was higher this quarter because of higher revaluation income
- The government revised the statutory PF wage ceiling from Rs 15,000 per month to Rs 25,000 per month effective 17 September 2026, which will have a 20-bps impact on margin in 2H
- Depreciation including rent was 4.7% of operating revenue against 4.3% last quarter, reflecting new facilities. Additional seats are expected in Mumbai and Pune in 2H, so depreciation will remain elevated and is expected to rise by about 20 bps in 2H
- Management remains confident of staying in the 24% to 28% EBITDA margin range for the full year
- Management is cautiously optimistic for the medium to long term, with short term volatility
- Delivery cost improved primarily because of INR depreciation, partly offset by an increase of ~14 bps in G&A, largely on legal and professional fees, and ~10 bps in S&D
- Contracts being signed are not materially different from before and short-term volatility may exist. Clients are taking longer to make decisions as a lot of money is being invested in AI, and large clients are starting with smaller deal values to test the technology before going for larger programs
- Deals expected in 2Q have shifted right, as clients are taking longer in decision making and signing marginally lower deal sizes
- AI led deals start with pilots and POCs, which is why deal sizes are smaller, and AI is not shrinking the deal
- Adoption of AI takes time, with different maturity levels across clients, data still a big challenge

- Smaller deal sizes are not due to competition from large IT peers, but due to the newness and risk of adoption
- Domain strength is expected to be a big differentiator in AI adoption, with forward deployed engineers closer to clients as a growth engine over two to three years
- EBITDA margin will be a function of revenue growth, with margin expected to keep moving up as the bottom of the pyramid is replaced, and sharper revenue growth will lead to more significant improvement
- Margin has been held within the band despite investing in tech and AI
- Next year, seat additions will not be as strong, with about 1,400 added and another 800 to 1,000 expected over the next couple of quarters, and capex is not expected to continue at this pace
- Roll off in 1Q and 2Q is in line with the usual 15% to 20% of revenue, with no significant pressure on margins
- Near shore locations have lower margins than India (India BPO the highest), which puts pressure on margins through revenue mix, though this can be mitigated if India growth sustains
- Short term volatility is expected as ROI on AI is still to be seen by clients
- Increase in subcontracting expense is largely on technology. Also, since the business is growing fast and sometimes subcontractors are onboarded first to assess performance before becoming employees
- Ramp up of AI deals is faster
- BFSI recovery was earlier expected in 3Q and is now expected in 4Q, with volatility being high in the financial services segment
- Pipeline is strong across HiTech, communication and media, emerging and BFSI, with clients taking longer on decision making
- Market share is not being lost in BFSI. A turnaround is expected in Q4 and into next year
- Sequential growth and margins are expected to improve from here assuming deals close as expected
- Clients are spending on AI tokens, experimentation and deployment
- Emerging comprises industries outside the four verticals, such as advertising, logistics and shipping, with finance and accounting the primary growing service
- Organic growth is not constrained by capital allocation, with acquisitions needing to be proportionate in size and aligned on culture and price
- AI is seen as an opportunity and not a threat
- Decision delays are partly tied to insourcing, though GCC expansion remains a key growth opportunity

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 ~2-3% CAGR over FY25-FY30 in constant currency (CC) terms.

We believe the 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**) and the 9 July 2026 one (**'Show me the growth' phase will keep valuations compressed**)

Lately we have been worried about global macro which we believe will impact growth. See our 16 September 2026 note (**Macro will weigh down as much as AI near term**)

Multiple speed breakers drive our Underweight stance

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 12-24 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 FY26, Tier-1 revenue has reached US$ 85bn, double that in FY15 (6.5% CAGR). Due to the higher base now, growth may not be as rapid. In AI reinvention services we see a new set of competitors come in the forms of AI deployment companies from Anthropic, Open AI, Microsoft, Google etc. While professional services companies of software players did not make much of an impact in the past, we believe the situation could be different this time. With the requirement of a large army of offshore bodies being taken away by AI models, we believe players with high technical skills and deep domain and workflow expertise will become competitors. We will have several players from other industries as well senior management

personnel from current incumbents to step out and startup companies and compete with the incumbents.

How we are valuing companies: We are using PE methodology. However, we are moving away from the earlier stance that we had taken of using TCS as our industry benchmark.

Considering the underperformance of TCS in terms of growth in FY26 and the likelihood of that repeating in the foreseeable future we have decided to shift from using TCS as the benchmark and move to Tier-1 PE multiple based valuation. That too using the valuation seen in the FY15-FY20 timeframe when the Tier-1 USD revenue CAGR was ~7% in organic terms. Our analysis indicates that Tier-1 (consisting of TCS, Infosys, HCLT, Wipro and Tech Mahindra) were collectively trading at mean multiple of 17.6x forward EPS with an SD of 1.7. We are using 14.1x as the benchmark multiple for the basis of valuation which is mean multiple of Tier-1 companies during this period less 2SD. We have been giving subjective premium/discount to this 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.

We believe the recent large acquisitions done by the prominent Tier-2 companies liker Persistent Systems and Coforge are return dilutive and may pose execution challenges. They also seem to be funded partly or fully through stock dilution.

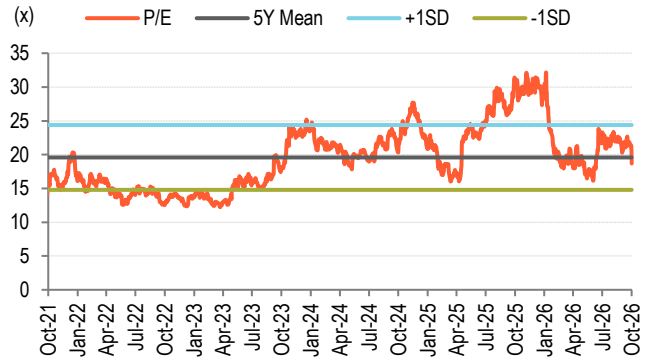
Also, some of the Tier-2s have been underperforming on the growth front, being discretionary project-oriented businesses struggling to pivot to a cost-take-out-driven demand environment.

Fig 1 – Quarterly results: Comparison of actuals with estimates

Y/E Mar (Rsmn)	2QFY26	1QFY27	2QFY27	YoY(%)	QoQ (%)	2QFY27E	Deviation (%)
Net Sales (USD mn)	**116**	**126**	**128**	**10.6**	**1.5**	**130**	**(1.9)**
Net Sales	**10,049**	**11,524**	**11,887**	**18.3**	**3.2**	**12,357**	**(3.8)**
Cost of Sales	7,369	8,871	9,048	22.8	2.0	9,074	(0.3)
% of Sales	73.3	77.0	76.1			73.4	
EBITDA	2,679	2,652	2,839	6.0	7.0	3,283	(13.5)
% of Sales	26.7	23.0	23.9	(2.78)		26.6	
Depreciation	425	496	558	31.3	12.5	740	(24.6)
EBIT	**2,254**	**2,156**	**2,281**	**1.2**	**5.8**	**2,543**	**(10.3)**
EBIT Margin (%)	**22.4**	**18.7**	**19.2**	**0**	**47**	**20.6**	
Interest Expenses	108	149	152	40.6	2.0	149	2.0
Other Income	304	179	240	(21.1)	34.3	131	83.5
PBT	2,450	2,186	2,369	(3.3)	8.4	2,525	(6.2)
Provision for Tax	615	544	563	(8.6)	3.5	628	(10.4)
Effective Tax Rate	25.1	24.9	23.8			24.9	
Minorities	2.7	(1.0)	2.1			1.0	
PAT (Reported)	**1,832**	**1,643**	**1,804**	**(1.5)**	**9.8**	**1,896**	**(4.9)**
NPM (%)	**18.2**	**14.3**	**15.2**			**15.3**	**(1.1)**

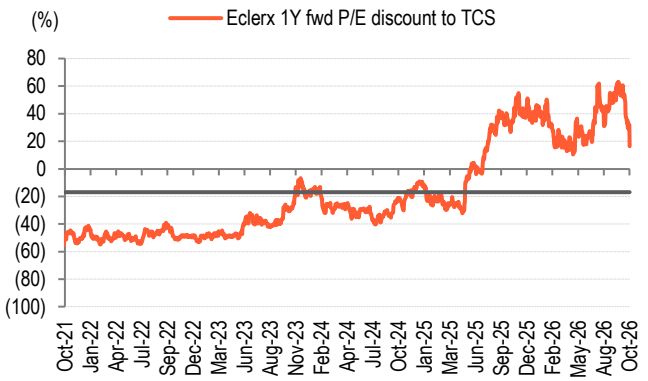
Source: Company, BOBCAPS Research

Fig 2 – 5 Year PE trend



Source: Bloomberg, BOBCAPS Research

Fig 3 – Premium/ Discount to TCS



Source: Bloomberg, BOBCAPS Research

Fig 4 – Revised Estimates

	New			Old			Change (%)		
Change in Estimates	**FY27E**	**FY28E**	**FY29E**	**FY27E**	**FY28E**	**FY29E**	**FY27E**	**FY28E**	**FY29E**
INR/USD	95.9	97.4	97.6	95.0	96.1	96.3	0.9	1.4	1.3
USD Revenue (USD mn)	520	581	642	531	596	658	(2.1)	(2.4)	(2.4)
USD Revenue Growth (%)	10.9	11.8	10.4	13.3	12.1	10.4			
Revenue (Rsmn)	49,159	56,617	63,160	50,130	57,252	63,880	(1.9)	(1.1)	(1.1)
EBIT (Rsmn)	9,505	11,779	13,522	10,709	12,134	13,632	(11.2)	(2.9)	(0.8)
EBIT Margin (%)	19.3	20.8	21.4	21.4	21.2	21.3			
PAT (Rsmn)	7,243	9,126	10,442	8,028	9,386	10,511	(9.8)	(2.8)	(0.7)
FDEPS (Rs)	77.3	97.4	111.5	84.9	99.3	111.2	(8.9)	(1.9)	0.3

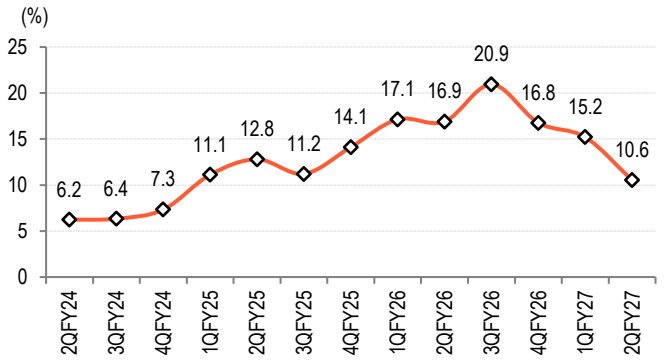
Source: BOBCAPS Research

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	68.7	71.2	71.7	74.4	75.9	79.6	82.7	84.6	88.4	95.9	97.4	97.6
Net sales (US$mn)	**198.6**	**200.8**	**200.5**	**210.4**	**284.6**	**332.7**	**353.9**	**397.6**	**468.9**	**520.0**	**581.4**	**642.0**
-Growth (%)	**2.3**	**1.1**	**(0.1)**	**4.9**	**35.2**	**16.9**	**6.4**	**12.3**	**17.9**	**10.9**	**11.8**	**10.4**
Net Sales	13,651	14,305	14,376	15,644	21,605	26,479	29,255	33,659	41,170	49,159	56,617	63,160
-Growth (%)	2.6%	4.8%	0.5%	8.8%	38.1%	22.6%	10.5%	15.1%	22.3%	19.4%	15.2%	11.6%
Direct cost	6,180	7,059	7,613	7,813	10,789	13,848	15,029	17,897	21,840	26,864	30,282	33,957
Gross Profit	7,470	7,246	6,763	7,831	10,816	12,631	14,226	15,762	19,330	22,296	26,335	29,202
Gross Margin (%)	54.7	50.7	47.0	50.1	50.1	47.7	48.6	46.8	47.0	45.4	46.5	46.2
SGA Expenses	3,803	4,154	3,514	3,189	4,085	5,192	6,477	7,552	8,808	10,251	11,104	12,228
% of sales	27.9	29.0	24.4	20.4	18.9	19.6	22.1	22.4	21.4	20.9	19.6	19.4
Other operating income	-	-	-	-	-	-	-	-	-	-	-	-
EBITDA	3,668	3,092	3,249	4,642	6,731	7,439	7,750	8,209	10,523	12,045	15,231	16,974
% of sales	26.9	21.6	22.6	29.7	31.2	28.1	26.5	24.4	25.6	24.5	26.9	26.9
Depreciation & Amortisation	483	447	710	816	1,032	1,140	1,258	1,412	1,754	2,540	3,452	3,452
% of sales	3.5	3.1	4.9	5.2	4.8	4.3	4.3	4.2	4.3	5.2	6.1	5.5
EBIT	**3,185**	**2,645**	**2,539**	**3,826**	**5,699**	**6,299**	**6,492**	**6,797**	**8,769**	**9,505**	**11,779**	**13,522**
% of sales	**23.3**	**18.5**	**17.7**	**24.5**	**26.4**	**23.8**	**22.2**	**20.2**	**21.3**	**19.3**	**20.8**	**21.4**
Finance costs	-	-	188	203	201	212	235	349	421	604	607	607
Other income (net)	390	469	452	182	170	443	614	737	1,003	680	915	915
Exceptional Item	213	-	-	-	(57)	-	-	-	-	-	-	-
PBT	3,787	3,114	2,803	3,806	5,611	6,530	6,871	7,185	9,351	9,581	12,087	13,830
-PBT margin (%)	27.7	21.8	19.5	24.3	26.0	24.7	23.5	21.3	22.7	19.5	21.3	21.9
Provision for tax	896	832	715	978	1,427	1,638	1,753	1,773	2,287	2,338	2,961	3,388
Effective tax rate (%)	23.7	26.7	25.5	25.7	25.4	25.1	25.5	24.7	24.5	24.4	24.5	24.5
Net profit	2,891	2,282	2,087	2,828	4,184	4,892	5,117	5,413	7,065	7,243	9,126	10,442
Minority Interest	4	0	0	0	4	4	3	2	3	3	4	4
Net reported profit	**2,887**	**2,283**	**2,087**	**2,828**	**4,180**	**4,888**	**5,115**	**5,411**	**7,062**	**7,240**	**9,122**	**10,438**
-Growth (%)	**(18.5)**	**(20.9)**	**(8.6)**	**35.5**	**47.8**	**16.9**	**4.6**	**5.8**	**30.5**	**2.5**	**26.0**	**14.4**
-Net profit margin (%)	**21.1**	**16.0**	**14.5**	**18.1**	**19.3**	**18.5**	**17.5**	**16.1**	**17.2**	**14.7**	**16.1**	**16.5**

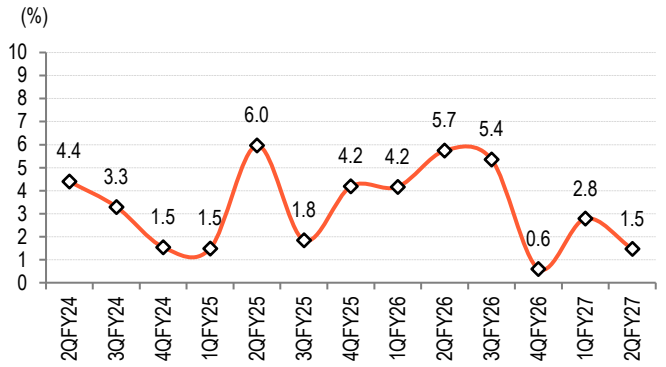
Source: Company, BOBCAPS Research

Fig 1 – USD Revenue growth rate (YoY)



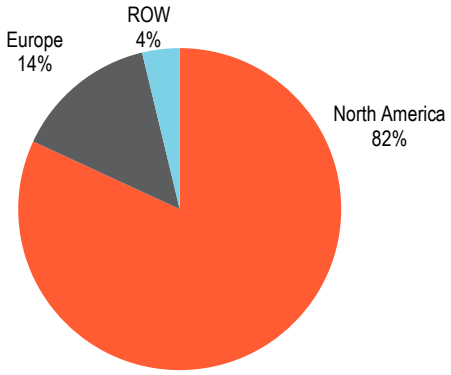
Source: Company, BOBCAPS Research

Fig 2 – USD Revenue growth rate (QoQ)



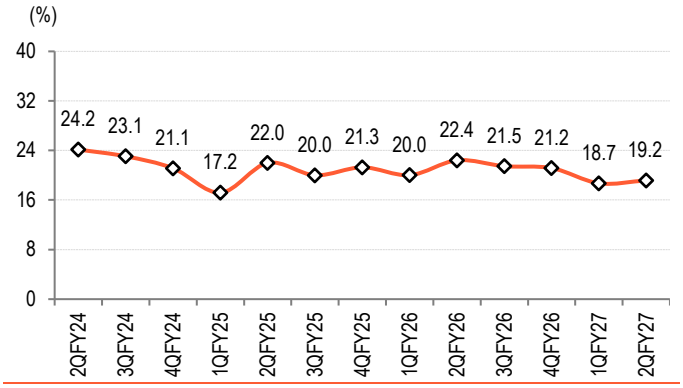
Source: Company, BOBCAPS Research

Fig 3 – 2QFY27 Geographical Revenue Mix



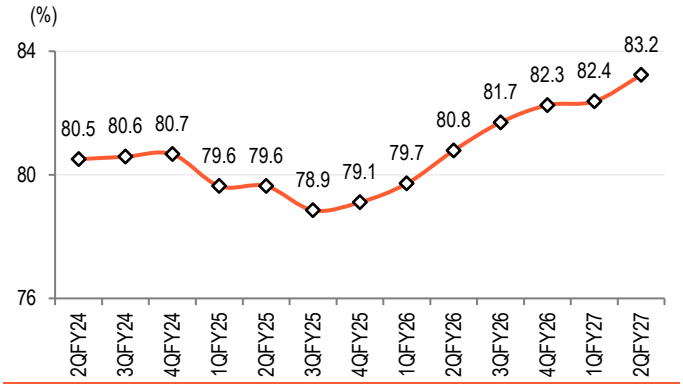
Source: Company, BOBCAPS Research

Fig 4 – EBIT Margin trend



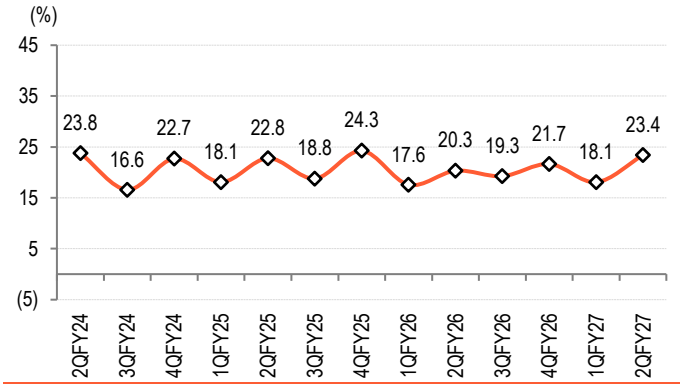
Source: Company, BOBCAPS Research

Fig 5 – Offshore Revenue (%)



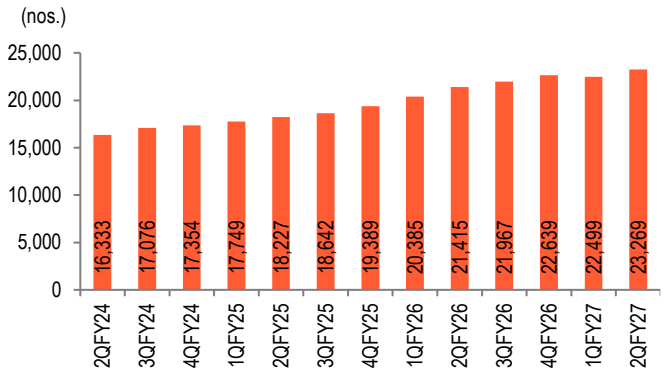
Source: Company, BOBCAPS Research

Fig 6 – Offshore Attrition (%)



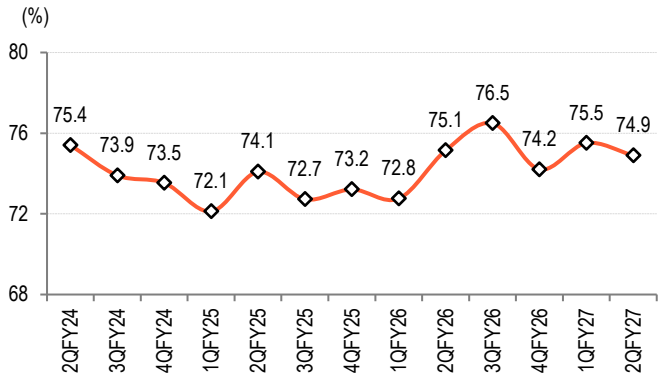
Source: Company, BOBCAPS Research

Fig 7 – Total Headcount



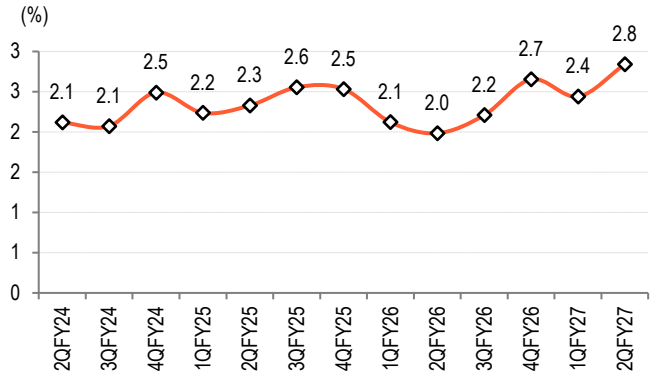
Source: Company, BOBCAPS Research

Fig 8 – Staff Utilization - Delivery (%)



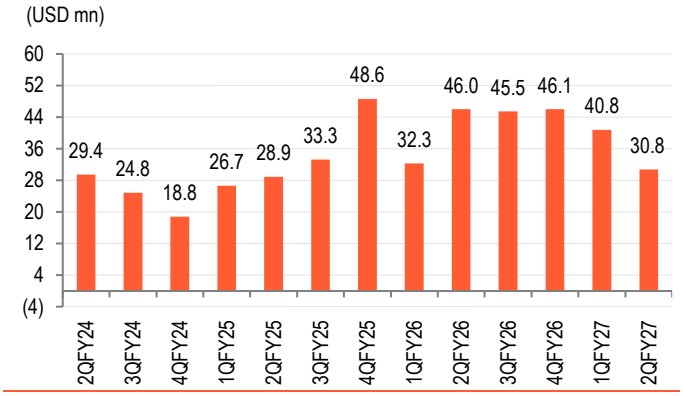
Source: Company, BOBCAPS Research

Fig 9 – Technical sub-contractor cost (as % of Revenue)



Source: Company, BOBCAPS Research

Fig 10 – ACV (USD mn)



Source: Company, BOBCAPS Research

Fig 11 – Quarterly Snapshot

	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	4QFY26	1QFY27	2QFY27
INR/ USD	82.7	83.2	83.0	83.4	83.8	84.5	86.6	85.6	87.3	89.1	91.5	94.5	95.9
Revenue (USD mn)	88	91	92	93	98.8	100.7	105	109	116	122	122	126	128
INR mn													
Revenue	7,218	7,528	7,665	7,819	8,318	8,538	8,983	9,346	10,049	10,703	11,073	11,524	11,887
Gross margin	3,541	3,782	3,723	3,497	3,918	3,969	4,378	4,235	4,769	5,105	5,221	5,122	5,417
EBITDA	2,047	2,072	1,955	1,661	2,159	2,066	2,323	2,241	2,679	2,762	2,841	2,652	2,839
EBIT	1,744	1,737	1,620	1,344	1,832	1,709	1,913	1,872	2,254	2,299	2,344	2,156	2,281
Other income	80	131	152	135	47	131	75	8	196	202	175	30	88
PBT	1,825	1,868	1,772	1,479	1,879	1,840	1,988	1,881	2,450	2,501	2,519	2,186	2,369
Tax	463	477	473	359	484	468	462	465	615	583	623	544	563
PAT	1,360	1,386	1,305	1,116	1,402	1,371	1,522	1,417	1,832	1,920	1,894	1,643	1,804
Number of shares	96	96	96	97	95	94	94	94	94	94	93	92	92
EPS	14	14	14	12	15	15	16	15	20	20	20	18	20
YoY Growth													
USD revenue	6.2	6.4	7.3	11.1	12.8	11.2	14.1	17.1	16.9	20.9	16.8	15.2	10.6
Revenue	11.0	9.6	10.6	14.2	15.2	13.4	17.2	19.5	20.8	25.4	23.3	23.3	18.3
Gross profit	16.5	15.8	7.3	9.9	10.6	5.0	17.6	21.1	21.7	28.6	19.3	21.0	13.6
EBITDA	12.8	8.7	(5.4)	(0.8)	5.5	(0.3)	18.8	35.0	24.1	33.7	22.3	18.4	6.0
EBIT	13.2	8.1	(7.3)	(3.3)	5.0	(1.6)	18.1	39.3	23.1	34.5	22.5	15.2	1.2
Net profit	8.0	5.7	(1.5)	5.0	3.1	(1.1)	16.6	26.9	30.6	40.1	24.4	16.0	(1.5)
QoQ Growth													
USD revenue	4.4	3.3	1.5	1.5	6.0	1.8	4.2	4.2	5.7	5.4	0.6	2.8	1.5
Revenue	5.4	4.3	1.8	2.0	6.4	2.6	5.2	4.0	7.5	6.5	3.5	4.1	3.2
EBITDA	11.3	6.8	(1.6)	(6.1)	12.0	1.3	10.3	(3.3)	12.6	7.1	2.3	(1.9)	5.8
EBIT	25.5	(0.4)	(6.7)	(17.0)	36.3	(6.7)	12.0	(2.1)	20.4	2.0	2.0	(8.0)	5.8
Net profit	27.9	2.0	(5.8)	(14.5)	25.7	(2.3)	11.0	(6.9)	29.3	4.8	(1.4)	(13.2)	9.8
Margins (%)													
Gross margin	49.1	50.2	48.6	44.7	47.1	46.5	48.7	45.3	47.5	47.7	47.2	44.4	45.6
EBITDA	28.4	27.5	25.5	21.2	26.0	24.2	25.9	24.0	26.7	25.8	25.7	23.0	23.9
EBIT	24.2	23.1	21.1	17.2	22.0	20.0	21.3	20.0	22.4	21.5	21.2	18.7	19.2
PAT	18.8	18.4	17.0	14.3	16.9	16.1	16.9	15.2	18.2	17.9	17.1	14.3	15.2
SGA	24.9	27.2	27.4	27.5	25.1	26.5	27.4	25.3	25.0	26.2	26.0	25.7	26.4

Source: Company, BOBCAPS Research

Fig 12 – Key Metrics

	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	4QFY26	1QFY27	2QFY27
Total Headcount	16,333	17,076	17,354	17,749	18,227	18,642	19,389	20,385	21,415	21,967	22,639	22,499	23,269
Delivery and Support Staff													
Offshore Delivery	13,791	14,491	14,690	14,921	14,861	15,260	15,925	16,865	17,754	18,147	18,586	18,305	19,029
Onshore Delivery	585	611	630	683	637	627	656	655	651	652	741	732	717
Support Services	862	848	862	898	907	923	941	995	1,021	1,060	1,082	1,078	1,087
Tech Services	977	1,002	1,049	1,122	1,699	1,704	1,745	1,746	1,867	1,988	2,109	2,261	2,318
Selling and Distribution Staff (BD)	118	124	123	125	123	128	122	124	122	120	121	123	118
Revenue by Geography (%)													
North America	72.6	73.6	74.4	75.0	75.9	76.2	78.4	78.9	80.3	80.1	77.6	77.7	81.9
Europe	18.8	17.8	17.5	17.5	16.4	16.2	14.0	15.1	14.3	13.6	16.9	15.8	14.4
ROW	8.5	8.6	8.0	7.6	7.6	7.6	7.6	6.1	5.4	6.3	5.5	6.5	3.7
Revenue by Industry (%)													
BFSI				41.8	43.8	43.7	43.7	43.2	41.4	40.1	38.7	37.6	38.1
CMT				26.4	26.1	25.2	25.7	25.4	25.9	25.0	26.6	26.2	25.8
HiTech and M&D				16.8	16.7	16.2	16.1	16.5	16.7	16.8	16.0	16.3	16.0
Fashion & Luxury and Retail				10.3	8.7	9.3	8.8	9.0	8.4	8.7	8.4	8.2	7.5
Emerging				4.7	4.8	5.5	5.7	5.9	7.7	9.5	10.2	11.7	12.6
Billing Mix (%)													
Onshore Revenue	19.5	19.4	19.3	20.4	20.4	21.1	20.9	20.3	19.2	18.3	17.7	17.6	16.8
Offshore Revenue	80.5	80.6	80.7	79.6	79.6	78.9	79.1	79.7	80.8	81.7	82.3	82.4	83.2
Currency Concentration (%)													
USD	82.8	83.5	85.5	85.8	86.7	86.3	86.2	86.3	86.4	86.1	85.9	86.9	88.2
EURO	9.6	9.4	9.5	9.4	8.3	8.4	8.0	8.0	7.7	7.9	7.9	7.5	6.9
GBP	3.2	3.4	3.4	3.0	3.0	3.2	3.0	3.4	3.3	3.2	3.3	3.0	2.9
Client Concentration													
Top 5 contribution	40.8	42.3	45.5	45.5	46.9	44.9	46.7	46.5	45.9	43.6	42.9	41.8	42.1
Top 10 contribution	59.2	59.3	62.6	62.0	63.5	62.3	64.1	63.2	62.7	60.4	59.3	59.9	60.1
Non-Top 10 contribution	40.8	40.7	37.4	38.0	36.5	37.7	35.9	36.8	37.3	39.6	40.7	40.1	39.9
Offshore Attrition (%)	23.8	16.6	22.7	18.1	22.8	18.8	24.3	17.6	20.3	19.3	21.7	18.1	23.4
Overall Staff utilization (%)	70.0	68.8	68.4	66.6	68.4	67.2	67.9	67.4	69.5	70.8	68.7	69.7	69.2
Staff utilization (Delivery) (%)	75.4	73.9	73.5	72.1	74.1	72.7	73.2	72.8	75.1	76.5	74.2	75.5	74.9

Client Contribution													
US$ 500k-1mm Clients	39.0	38.0	41.0	37.0	36.0	36.0	37.0	42.0	44.0	44.0	44.0	42.0	41.0
US$ 1mm-3mm Clients	22.0	21.0	23.0	22.0	24.0	23.0	25.0	24.0	26.0	27.0	27.0	28.0	32.0
US$ 3mm-5mm Clients	4.0	7.0	4.0	6.0	5.0	5.0	4.0	5.0	5.0	6.0	8.0	7.0	6.0
US$ 5mm-10mm Clients	5.0	3.0	4.0	4.0	4.0	4.0	5.0	5.0	6.0	7.0	6.0	8.0	8.0
US$ 10mm++ Clients	9.0	10.0	10.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	10.0	10.0	11.0
Seat Count	11,805	12,029	11,635	11,999	12,009	13,810	13,976	14,731	15,140	15,519	15,507	15,420	16,824.
Profit and Loss Statement (in mn USD)													
Revenue	87.6	90.5	91.9	93.3	98.8	100.7	104.9	109.2	115.5	121.7	122.4	125.9	127.7
EBIT	21.2	20.9	19.4	16.0	21.8	20.1	22.3	21.9	25.9	26.1	25.9	23.6	24.5
PAT	16.5	16.7	15.6	13.3	16.7	16.2	17.8	16.6	21.1	21.8	20.9	17.9	19.4
Productivity Metrics													
Per Capita (Annualised)													
Revenue	21,457	21,200	21,181	21,018	21,689	21,597	21,635	21,436	21,577	22,163	21,634	22,375	21,953
EBIT	5,186	4,892	4,477	3,613	4,775	4,322	4,607	4,294	4,840	4,760	4,580	4,187	4,212
PAT	4,042	3,904	3,607	3,000	3,657	3,467	3,665	3,250	3,934	3,975	3,700	3,191	3,332

Source: Company, BOBCAPS Research

Fig 13 – QoQ and YoY growth of various parameters

	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	4QFY26	1QFY27	2QFY27
QoQ Growth (%)													
Total Headcount	3.9	4.5	1.6	2.3	2.7	2.3	4.0	5.1	5.1	2.6	3.1	(0.6)	3.4
Delivery and Support Staff													
Offshore Delivery	4.9	5.1	1.4	1.6	(0.4)	2.7	4.4	5.9	5.3	2.2	2.4	(1.5)	4.0
Onshore Delivery	9.3	4.4	3.1	8.4	(6.7)	(1.6)	4.6	(0.2)	(0.6)	0.2	13.7	(1.2)	(2.0)
Support Services	(0.9)	(1.6)	1.7	4.2	1.0	1.8	2.0	5.7	2.6	3.8	2.1	(0.4)	0.8
Tech Services	(7.7)	2.6	4.7	7.0	51.4	0.3	2.4	0.1	6.9	6.5	6.1	7.2	2.5
Selling and Distribution Staff (BD)	(1.7)	5.1	(0.8)	1.6	(1.6)	4.1	(4.7)	1.6	(1.6)	(1.6)	0.8	1.7	(4.1)
US$ Revenue	4.4	3.3	1.5	1.5	6.0	1.8	4.2	4.2	5.7	5.4	0.6	2.8	1.5
Revenue by Geography													
North America	5.9	4.7	2.7	2.2	7.4	2.1	7.2	4.8	7.7	5.1	(2.5)	2.9	7.0
Europe	(1.8)	(2.5)	0.2	1.1	(0.4)	0.6	(9.9)	12.0	0.2	0.2	24.8	(3.4)	(8.1)
ROW	5.9	4.2	(5.2)	(4.4)	7.0	1.6	4.2	(17.1)	(5.4)	22.4	(11.6)	20.6	(41.5)
Revenue by Industries													
BFSI					11.0	1.6	4.2	3.0	1.3	2.0	(2.8)	(0.1)	2.8
CMT					4.8	(1.5)	6.1	3.1	7.6	1.9	7.1	1.3	(0.1)
HiTech and M&D					5.1	(1.1)	3.4	6.8	7.2	6.1	(4.0)	4.2	0.0
Fashion & Luxury and Retail					(10.6)	9.4	(1.4)	5.6	(0.9)	8.7	(2.0)	0.0	(7.3)
Emerging					7.4	18.7	7.5	8.2	36.3	30.2	8.7	17.6	8.9
Billing Mix													
Onshore Revenue	12.5	2.9	1.1	6.9	6.0	5.8	2.9	1.1	0.2	0.4	(2.5)	2.1	(3.4)
Offshore Revenue	2.6	3.4	1.6	0.2	6.0	0.8	4.5	5.0	7.2	6.6	1.3	2.9	2.5
Currency Concentration													
USD	5.0	4.2	3.9	1.8	7.2	1.3	4.1	4.3	5.9	5.0	0.4	4.0	3.0
EURO	(1.6)	1.5	2.2	1.2	(7.3)	3.9	(0.5)	4.2	1.4	7.9	0.6	(1.9)	(7.6)
GBP	3.7	7.0	2.1	(10.1)	8.1	7.9	(3.6)	18.6	1.7	2.6	5.3	(7.7)	(1.2)
Client Concentration													
Top 5 contribution	8.0	7.0	9.2	1.6	9.3	(2.5)	8.3	3.8	4.3	0.2	(1.2)	0.3	2.1
Top 10 contribution	5.4	3.5	7.3	0.5	8.4	(0.1)	7.3	2.7	4.9	1.5	(1.3)	3.9	1.7
Non-Top 10 contribution	3.0	3.0	(6.8)	3.1	1.9	5.3	(0.9)	6.9	7.1	11.9	3.5	1.1	1.1
Client Contribution													
US$ 500k-1mm Clients	0.0	(2.6)	7.9	(9.8)	(2.7)	0.0	2.8	13.5	4.8	0.0	0.0	(4.5)	(2.4)
US$ 1mm-3mm Clients	(8.3)	(4.5)	9.5	(4.3)	9.1	(4.2)	8.7	(4.0)	8.3	3.8	0.0	3.7	14.3
US$ 3mm-5mm Clients	0.0	75.0	(42.9)	50.0	(16.7)	0.0	(20.0)	25.0	0.0	20.0	33.3	(12.5)	(14.3)
US$ 5mm-10mm Clients	0.0	(40.0)	33.3	0.0	0.0	0.0	25.0	0.0	20.0	16.7	(14.3)	33.3	0.0
US$ 10mm++ Clients	0.0	11.1	0.0	(10.0)	0.0	0.0	0.0	0.0	0.0	0.0	11.1	0.0	10.0

Seat Count	0.0	1.9	(3.3)	3.1	0.1	15.0	1.2	5.4	2.8	2.5	(0.1)	(0.6)	9.1
YoY Growth (%)													
Total Headcount	0.4	1.6	7.6	12.9	11.6	9.2	11.7	14.9	17.5	17.8	16.8	10.4	8.7
Delivery and Support Staff													
Offshore Delivery	1.3	1.5	10.2	13.5	7.8	5.3	8.4	13.0	19.5	18.9	16.7	8.5	7.2
Onshore Delivery	(9.3)	0.7	5.2	27.7	8.9	2.6	4.1	(4.1)	2.2	4.0	13.0	11.8	10.1
Support Services	0.1	(1.7)	(9.1)	3.2	5.2	8.8	9.2	10.8	12.6	14.8	15.0	8.3	6.5
Tech Services	(7.0)	4.8	(7.6)	6.0	73.9	70.1	66.3	55.6	9.9	16.7	20.9	29.5	24.2
Selling and Distribution Staff (BD)	12.4	15.9	7.0	4.2	4.2	3.2	(0.8)	(0.8)	(0.8)	(6.3)	(0.8)	(0.8)	(3.3)
US$ Revenue	6.2	6.4	7.3	11.1	12.8	11.2	14.1	17.1	16.9	20.9	16.8	15.2	10.6
Revenue by Geography													
North America	7.5	10.1	12.8	16.4	17.9	15.0	20.1	23.2	23.6	27.2	15.6	13.5	12.8
Europe	(0.1)	(7.4)	(4.3)	(3.0)	(1.7)	1.5	(8.7)	1.1	1.7	1.3	40.4	21.1	11.1
ROW	11.2	7.9	(9.4)	0.1	1.1	(1.5)	8.3	(6.2)	(17.0)	0.0	(15.2)	23.4	(23.7)
Revenue by Industries													
BFSI								21.0	10.4	10.8	3.4	0.2	1.8
CMT								12.9	16.0	19.9	21.0	18.8	10.3
HiTech and M&D								14.9	17.1	25.6	16.6	13.8	6.1
Fashion & Luxury and Retail								1.8	12.8	12.1	11.5	5.6	(1.3)
Emerging								48.3	88.2	106.5	108.7	126.8	81.3
Billing Mix													
Onshore Revenue	5.5	9.8	14.6	25.1	17.8	21.1	23.3	16.7	10.3	4.7	(0.8)	0.1	(3.5)
Offshore Revenue	6.4	5.5	5.7	8.0	11.6	8.8	11.9	17.3	18.6	25.3	21.4	19.0	13.9
Currency Concentration													
USD	6.3	8.6	11.1	15.7	18.1	14.9	15.1	17.9	16.5	20.7	16.3	16.0	12.9
EURO	7.2	(2.4)	0.1	3.3	(2.7)	(0.4)	(3.0)	(0.2)	9.2	13.4	14.7	8.0	(1.6)
GBP	7.6	14.2	19.0	1.9	6.2	7.0	1.0	33.3	25.4	19.3	30.4	1.5	(1.3)
Client Concentration													
Top 5 contribution	2.1	12.5	22.3	28.2	29.7	18.1	17.1	19.8	14.3	17.5	7.2	3.5	1.4
Top 10 contribution	3.1	7.4	14.1	17.7	21.1	16.8	16.8	19.3	15.4	17.3	7.9	9.3	5.9
Non-Top 10 contribution	11.1	4.9	(2.4)	1.9	0.8	3.1	9.6	13.6	19.4	26.9	32.5	25.4	18.3
Client Contribution													
US$ 500k-1mm Clients	44.4	22.6	28.1	(5.1)	(7.7)	(5.3)	(9.8)	13.5	22.2	22.2	18.9	0.0	(6.8)
US$ 1mm-3mm Clients	(15.4)	(12.5)	(14.8)	(8.3)	9.1	9.5	8.7	9.1	8.3	17.4	8.0	16.7	23.1
US$ 3mm-5mm Clients	100.0	133.3	0.0	50.0	25.0	(28.6)	0.0	(16.7)	0.0	20.0	100.0	40.0	20.0
US$ 5mm-10mm Clients	(28.6)	(50.0)	(33.3)	(20.0)	(20.0)	33.3	25.0	25.0	50.0	75.0	20.0	60.0	33.3
US$ 10mm++ Clients	28.6	25.0	25.0	0.0	0.0	(10.0)	(10.0)	0.0	0.0	0.0	11.1	11.1	22.2
Seat Count	4.7	6.7	3.2	1.6	1.7	14.8	20.1	22.8	26.1	12.4	11.0	4.7	11.1

Source: Company, BOBCAPS Research

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Total revenue	**33,659**	**41,170**	**48,520**	**55,251**	**61,750**
EBITDA	8,209	10,523	11,802	14,864	16,595
Depreciation	1,412	1,754	2,538	3,440	3,440
EBIT	6,797	8,769	9,264	11,424	13,155
Net interest inc./(exp.)	(349)	(421)	(604)	(607)	(607)
Other inc./(exp.)	737	1,003	680	913	913
Exceptional items	0	0	0	0	0
EBT	7,185	9,351	9,340	11,729	13,461
Income taxes	1,773	2,287	2,279	2,874	3,298
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	2	3	3	4	4
Reported net profit	**5,411**	**7,062**	**7,058**	**8,852**	**10,159**
Adjustments	0	0	0	0	0
Adjusted net profit	**5,411**	**7,062**	**7,058**	**8,852**	**10,159**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Accounts payables	0	0	0	0	0
Other current liabilities	4,459	6,913	8,109	9,234	10,320
Provisions	258	217	399	454	508
Debt funds	0	0	0	0	0
Other liabilities	3,660	4,197	4,563	5,005	5,500
Equity capital	470	920	920	920	920
Reserves & surplus	22,610	24,722	31,683	40,433	50,486
Shareholders' fund	23,080	25,642	32,603	41,354	51,407
Total liab. and equities	**31,457**	**36,970**	**45,673**	**56,047**	**67,734**
Cash and cash eq.	7,391	7,380	15,175	24,321	34,568
Accounts receivables	4,954	6,665	7,976	9,082	10,151
Inventories	2	6	6	6	6
Other current assets	5,370	7,969	7,976	9,082	10,151
Investments	3,090	3,079	3,079	3,079	3,079
Net fixed assets	2,409	2,735	1,895	389	(890)
CWIP	2	49	49	49	49
Intangible assets	4,079	4,493	4,493	4,493	4,493
Deferred tax assets, net	727	1,167	1,277	1,412	1,562
Other assets	3,434	3,478	3,797	4,183	4,615
Total assets	**31,457**	**36,970**	**45,673**	**56,047**	**67,734**

Cash Flows

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Cash flow from operations	**6,668**	**9,175**	**9,517**	**10,879**	**12,213**
Capital expenditures	(1,151)	(1,179)	(1,698)	(1,934)	(2,161)
Change in investments	1,291	132	0	0	0
Other investing cash flows	1,165	(361)	76	306	306
Cash flow from investing	**1,305**	**(1,408)**	**(1,622)**	**(1,628)**	**(1,856)**
Equities issued/Others	(3,839)	(3,000)	0	0	0
Debt raised/repaid	0	0	0	0	0
Interest expenses	(2,210)	(3,169)	0	0	0
Dividends paid	(47)	(47)	(100)	(105)	(110)
Other financing cash flows	0	0	0	0	0
Cash flow from financing	**(6,096)**	**(6,216)**	**(100)**	**(105)**	**(110)**
Chg in cash & cash eq.	**1,877**	**1,551**	**7,795**	**9,146**	**10,247**
Closing cash & cash eq.	**7,391**	**7,380**	**15,175**	**24,321**	**34,568**

Per Share

Y/E 31 Mar (Rs)	FY25A	FY26A	FY27E	FY28E	FY29E
Reported EPS	57.6	76.3	76.8	96.3	110.5
Adjusted EPS	56.5	74.7	75.4	94.6	108.5
Dividend per share	1.0	1.0	1.1	1.2	1.3
Book value per share	245.5	277.2	354.8	450.0	559.4

Valuations Ratios

Y/E 31 Mar (x)	FY25A	FY26A	FY27E	FY28E	FY29E
EV/Sales	4.5	3.7	3.2	2.9	2.8
EV/EBITDA	18.3	14.3	13.1	11.0	10.4
Adjusted P/E	27.5	20.8	20.6	16.5	14.3
P/BV	6.3	5.6	4.4	3.5	2.8

DuPont Analysis

Y/E 31 Mar (%)	FY25A	FY26A	FY27E	FY28E	FY29E
Tax burden (Net profit/PBT)	75.3	75.5	75.6	75.5	
Interest burden (PBT/EBIT)	105.7	106.6	100.8	102.7	0.0
EBIT margin (EBIT/Revenue)	20.2	21.3	19.1	20.7	117.4
Asset turnover (Rev./Avg TA)	110.8	120.3	117.4	108.6	0.0
Leverage (Avg TA/Avg Equity)	1.3	1.4	1.4	1.4	1.3
Adjusted ROAE	23.7	29.0	24.2	23.9	

Ratio Analysis

Y/E 31 Mar	FY25A	FY26A	FY27E	FY28E	FY29E
YoY growth (%)					
Revenue	15.1	22.3	17.9	13.9	11.8
EBITDA	5.9	28.2	12.2	25.9	11.6
Adjusted EPS	8.7	32.2	0.9	25.4	14.8
Profitability & Return ratios (%)					
EBITDA margin	24.4	25.6	24.3	26.9	26.9
EBIT margin	20.2	21.3	19.1	20.7	21.3
Adjusted profit margin	16.1	17.2	14.5	16.0	16.5
Adjusted ROAE	23.7	29.0	24.2	23.9	21.9
ROCE	22.5	27.0	23.8	23.1	21.3
Working capital days (days)					
Receivables	54	52	55	56	57
Inventory	NA	NA	NA	NA	NA
Payables	NA	NA	NA	NA	NA
Ratios (x)					
Gross asset turnover	14.9	16.0	21.0	48.4	(246.5)
Current ratio	4.4	3.5	4.0	4.7	5.4
Net interest coverage ratio	NA	NA	NA	NA	NA
Adjusted debt/equity	(0.3)	(0.3)	(0.5)	(0.6)	(0.7)

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

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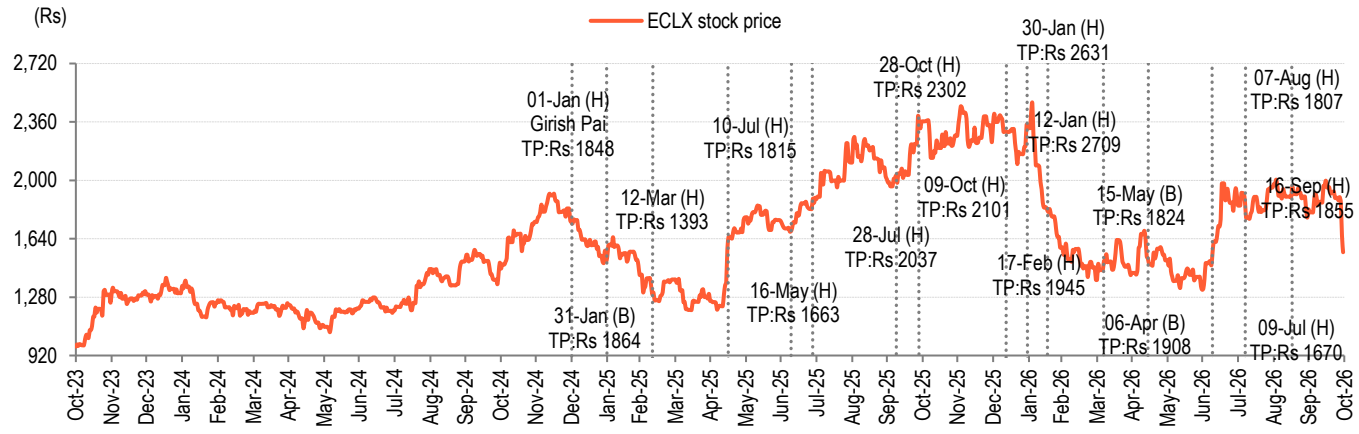
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