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| IT Services

| 04 February 2026

Delivering on 2H driven growth

- FY26 organic revenue growth guidance at top end reduced by 100bps on account rationalization. Strong 4QFY26 exit likely
- UnBPO is now 50% of revenue. Top decile growth despite offshore/near shore shift and reduction in client concentration
- Cut estimates on paring EBIT margin. Target price cut as we reduce Target PE premium to TCS from 25% to 20%. Yet it remains top pick

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3Q fell short a bit but strong 4Q exit likely: Organic revenue growth at 2.6% QoQ in CC terms fell short of estimate of 3.2%. EBIT margin at 11.9% fell short of estimate of 12.3%. The revenue shortfall was attributed to accelerated tail account rationalization in the provider segment. This will continue in 4Q too leading to reduction in full year organic growth guidance from 10-12% to 10-11%. As indicated at the beginning of the year, growth in FY26 is 2H driven with likely 4% QoQ growth in organic terms in 4Q and potential addition of 150bps from Telemedik acquisition. This 5.5% strong exit sets up for good growth in FY27.

CEO has been a key driver of the UnBPO model: Ritesh Idnani – CEO for 2 plus years in FSOL now, with senior management background in Tech Mahindra and Infosys – has ensured better execution and led FSOL to deliver on its US\$1bn revenue run rate goal 4 quarters in advance. He beefed up sales, tech and delivery capabilities both organically and inorganically over the last eight quarters. Some of the recent acquisitions have helped build new growth engines –around retail and Utilities sectors in the US.

Focus on better account management: Over last eight quarters, revenue share of top five and top ten clients has come down by 800bps and 1100bps respectively. This has happened even as top five clients continue to grow at industry rates despite significant shift to near-shore delivery in some of them. Focused account management has driven faster growth in the top 6-10 accounts. It won 13 large deals in 9MFY26 versus 14 in entire of FY25 and double that in FY24.

Trimming estimates largely on lower margins: While we have increased revenue estimates in FY26/FY27/FY28 on the back of M&A, we have lowered margins a tad as we believe we may have been a bit aggressive in the past. This has led to EPS reduction of 5-6% in FY27/FY28. This drives our cut in premium to TCS Target PE multiple from 25% to 20% and reduction in target PE to 26x (versus 27.1x earlier). We have reduced Target price to Rs429 (on Dec '27 EPS). It is our top pick in Tier-2 space and we believe recent PE multiple contraction presents a good entry point. Expect 33% EPS CAGR between FY26-FY28.

Key changes

	Target	Rating
▼	◀ ▶	

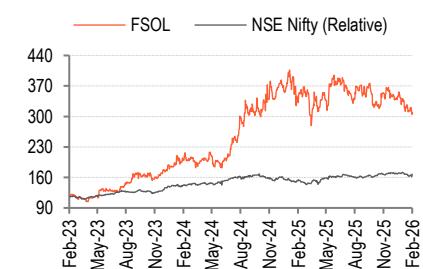
Ticker/Price	FSOL IN/Rs 310
Market cap	US\$ 2.4bn
Free float	45%
3M ADV	US\$ 2.5mn
52wk high/low	Rs 404/Rs 270
Promoter/FPI/DII	54%/9%/25%

Source: NSE | Price as of 3 Feb 2026

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	79,803	95,745	112,936
EBITDA (Rs mn)	12,077	15,652	18,630
Adj. net profit (Rs mn)	5,857	7,899	9,630
Adj. EPS (Rs)	8.4	9.8	13.7
Consensus EPS (Rs)	8.4	10.9	13.6
Adj. ROAE (%)	15.0	17.9	19.4
Adj. P/E (x)	36.7	31.6	22.6
EV/EBITDA (x)	17.7	13.7	11.7
Adj. EPS growth (%)	14.9	16.4	39.5

Source: Company, Bloomberg, BOBCAPS Research

Stock performance


Source: NSE



Key Points from the quarter and the earnings call

- Revenue stood at US\$274 mn, growing 4.6% QoQ and 10.6% YoY in CC terms
 - Includes contribution from Pastdue Credit acquisition, which added ~2% to YoY CC growth. This was added for the full quarter. The organic growth of 2.6% fell short of our estimate of 3.2%.
 - 3Q performance was broadly in line with expectations, except for the accelerated trimming of tail accounts in the provider segment
- EBIT Margin stood at 11.9% (against our estimate of 12.3%), growing 40 bps QoQ and 80 bps YoY
 - Cumulative margin improvement of 80 bps over the last four quarters, exceeded the stated annual margin expansion objective of 50–75 bps
- Total Headcount stood at 36,689, increase of 692 QoQ
 - PDC acquisition added roughly 300+ employees
 - Offshore and nearshore hires accounted for close to 80% of gross additions during the quarter
- FY26 guidance:
 - CC Revenue growth: 14.5-15.5% (Includes 1.5% contribution from acquisitions of Pastdue Credit Solutions and TeleMedik). The total M&A component for the year is 450bps. Thus the organic growth is 10-11% which is 100bps lower at the upper end that was indicated 3 months back. The trimming of the upper end of the revenue growth guidance was indicated to be due to the trimming of the tail accounts in the provider segment.
 - EBIT Margin: 11.5-12.0%. This remains constant.
- The company remains committed to its margin expansion plan of 50–75 bps per year, targeting a long-term 14–15% EBIT margin band. Incremental gains may be partly reinvested where strategically needed, but overall margin guidance remains intact
- One-time charge of Rs914 mn towards increase in liability in respect of gratuity and compensated absences in line with the new labor code announced by the Government of India
- Rs2.2 bn paid during the quarter towards acquisition of Pastdue Credit
 - Acquisition of 100% stake in Pastdue Credit at a purchase consideration of GBP22 mn (including GBP4.4 mn linked to achievement of predefined milestones)
- 5 large deals were signed (Large deal is defined as having ACV over US\$5 mn). 9 new logos added, including 5 strategic logos. 2 of the 5 large deals were from new logos. A strategic logo is one where it sees potential of at least a US\$5 mn revenue run rate annually, and it runs a structured program to handhold and monitor such relationships to grow them at an accelerated pace. It has been able to hit its aspirational target of \$5mn size in 10 of the 20 strategic logos it added over the

past four quarters, including 3Q. This conversion is ~60% if it considers the 33 strategic logos added over the past eight quarters.

Vertical Overview

- Banking and financial services: Revenue grew 9% YoY and was flat sequentially in CC terms
 - Clients are increasingly prioritizing regulatory adherence, customer experience, and cost efficiency
 - Strong client interest observed in tech-enabled offerings anchored around AI automation and data-driven transformation
 - Increased partnerships with mid-sized banks and fintechs as they accelerate platform modernization, AI adoption across customer journeys, and enhancement of digital experience in onboarding, servicing, and collections workflows
 - 3QFY26 exit deal pipeline in financial services among the strongest in recent quarters
- Healthcare: Revenue grew 6% YoY and was flat sequentially in CC terms
 - Core growth pillar and a key area of strategic differentiation for the company
 - Payers and providers facing similar macro pressures including rising costs, higher regulatory complexity, and need to deliver better
 - Ramp-ups in previously won large deals progressing well, supported by a healthy deal pipeline
 - Decision to bring forward planned rationalization of low-margin, low-growth accounts, particularly in the provider segment. Rationalization expected to impact reported growth in the healthcare vertical in the short term but support medium-term margin expansion aspirations
 - Provider account rationalization in 3Q had a minor impact of a few million dollars, with 4Q expected to be slightly higher, around 50 bps on FY26 revenue growth. The impact is modest due to the smaller base and will be gradually visible over the next two to three quarters
 - It has created dedicated leadership roles for both the payer and the provider segments
- CMT: Revenue grew 14% YoY and 2% QoQ
 - 3Q seasonally softer due to holidays impacting timing and flow of work, especially among consumer technology clients
 - CMT remains one of the fastest-growing verticals, driven by deeper engagements with leading consumer technology companies
- Diverse portfolio: Revenue grew 21% YoY and 37% QoQ in CC terms
 - Diverse portfolio includes utilities and retail clients, primarily in the UK
 - Healthy deal pipeline across both retail and utilities verticals

- Post Pastdue Credit acquisition, increased focus planned on utilities segment, where acquisition adds several large and new logos
- Optimism around growth in retail portfolio driven by footprint expansion and incremental wins during client renewals
- Management sees demand across all verticals as broad-based, with pipeline distribution relatively even across segments. UnBPO is creating a significant amount of traction in the marketplace. Their tech-first, non-linear solutions are driving strong traction, generating both reactive and proactive business opportunities

Geographic Overview:

- North America: Revenue grew 1% QoQ and 13% YoY in CC terms
 - Broad-based momentum observed across three core verticals in North America
 - Incubation of new growth opportunities in North America through establishment of sales presence in Canada and by replicating capabilities where the company has demonstrated strength in other markets
- Europe: Revenue grew 14% QoQ and 2% YoY in CC terms
- Announcement of TeleMedik acquisition, a Puerto Rico-based company with nearly three decades of operations
 - Acquisition strengthens end-to-end clinical and utilization management capabilities and expands on-ground presence in the payer market in Puerto Rico
- With respect to recent Trump Administration proposal to keep Medicare rates largely unchanged: Based on conversation with clients, it is adding incremental margin pressure on healthcare payers already impacted by rising medical and utilization costs.
 - Management's view is that this should lead to not just more outsourcing, but also more offshoring and adoption of transformational programs that provide structural cost improvements. So, company thinks it's a net positive.
 - TeleMedik acquisition highlighted as a strategic advantage, given Medicaid work restrictions requiring delivery within US territory. Puerto Rico identified as a US territory with structural cost advantages versus the US mainland
 - Healthcare business performance described as stable
- US 30-year mortgage rates remain around 6.1%–6.25%, limiting meaningful refinance activity until rates approach ~5%. ~80% of existing US mortgages have rates below 5%. Stable growth in mortgage-related BFSI portfolio achieved by broadening client base and expanding offerings across origination and servicing
- Management stated that currently, over 50% of the company's business comes from non-linear or outcome-based commercial models
- The management highlighted the trend of moving work offshore or nearshore continues, driven by high labor costs and slower economic growth in markets like the UK. Overall, 80% of gross hiring is in offshore/nearshore locations

We have an Underweight stance on Indian IT Services

We reinitiated coverage on the Indian IT Services with an Underweight stance through a report on 1 January 2025 ([Slow is the \(new/old\) normal](#)) and reiterated our view with an update on 12th March 2025 ([FY26 unlikely to be better than FY25](#)). Another report ([Uncertainty stays and 'eating the tariff' may impact even FY27](#)) and ([A fourth slow year?](#)) talks about our continued cautious stance on the sector.

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

Multiple speed breakers drive our Underweight stance

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

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

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

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

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

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

Higher competition: Indian Tier-1 companies now face higher competition from Accenture, Tier-2 players and Cognizant, likely slowing their growth vs FY15-FY20. This

is besides the fact that by FY25, Tier-1 revenue has reached US\$ 85bn, double that in FY15. Due to the higher base now, growth may not be as rapid.

How we are valuing companies: We are using PE methodology, as also TCS, as our industry benchmark. Target PE for TCS is 21.7x, which is the average PE multiple of TCS over the last 10 years less 0.5SD. This has been raised from 19x (average PE multiple of TCS over the last 10 years less 1SD). We have been giving subjective premium/discount to the benchmark target PE to arrive at target PE multiples for the rest of our coverage.

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

Our target PE multiples are lower than those used by consensus/competitors. Through our choice of the benchmark target PE multiple, we seek to capture the probability of downside risks to consensus EPS expectations for FY27.

Tier- 2 valuation reflects growth gap with Tier-1

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

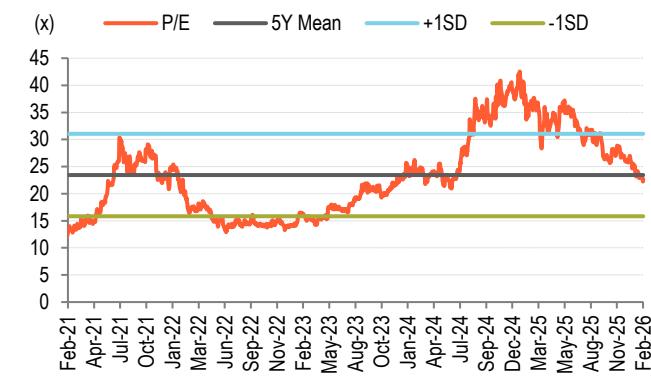
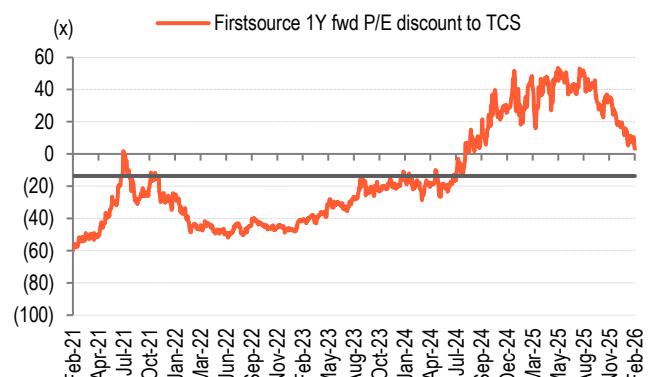
However, current PE premium to Tier-1s is excessive for certain stocks, because to deliver on the high consensus revenue growth expectations, they may be taking on more cost take-out projects that are likely to impact margins adversely.

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

Fig 1 – Quarterly results: Comparison of actuals with estimates

Y/E Mar (Rsmn)	3QFY25	2QFY26	3QFY26	YoY(%)	QoQ (%)	3QFY26	Deviation (%)
Net Sales (USD mn)	249	265	274	10.0	3.4	271	1.0
Net Sales	21,024	23,122	24,430	16.2	5.7	24,176	1.1
Cost of Sales	17,847	19,362	20,404	14.3	5.4	19,978	2.1
% of Sales	84.9	83.7	83.5			82.6	
EBITDA Margin	3,177	3,760	4,026	26.7	7.1	4,198	(4.1)
% of Sales	15.1	16.3	16.5			17.4	
Depreciation	844	1,096	1,112	31.8	1.5	1,230	(9.6)
EBIT	2,333	2,665	2,914	24.9	9.4	2,968	(1.8)
EBIT Margin (%)	11.1	11.5	11.9			12.3	
Interest Expenses	375	428	433	15.3	1.1	412	5.1
Other Income	(39)	(13)	36	(192.8)	(381.5)	33	8.4
Exceptional Items						0	
PBT	1,919	2,224	2,518	31.2	13.2	2,590	(2.8)
Provision for Tax	404	444	521	28.8	17.1	518	0.5
Effective Tax Rate	21.1	20.0	20.7			20.0	
Adjusted PAT	1,515	1,780	1,997	31.9	12.2	2,072	(3.6)
Margin (%)	7.2	7.7	8.2			8.6	(4.6)
Exceptional Items	(70)	(15)	794			-	
PAT (Reported)	1,585	1,795	1,203			2,072	(41.9)
Margin (%)	7.5	7.8	4.9			8.6	

Source: Company, BOBCAPS Research

Fig 2 – 5 Year PE trend**Fig 3 – Premium/ Discount to TCS****Fig 4 – Revised Estimates**

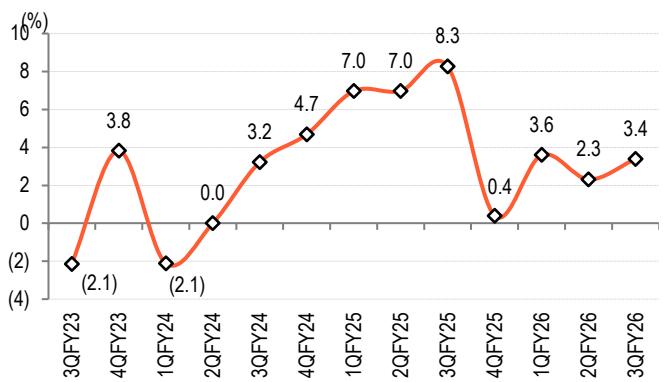
Change in estimates	New			Old			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
INR/USD	88.5	90.0	91.1	88.0	89.4	91.1	0.6	0.7	-
USD Revenue (USD mn)	1,087	1,255	1,440	1,078	1,241	1,424	0.8	1.1	1.1
USD Revenue Growth (%)	15.2	15.4	14.7	14.2	15.0	14.7			
Revenue (Rsmn)	95,745	112,936	131,132	94,666	110,896	129,643	1.1	1.8	1.1
EBIT (Rsmn)	11,337	13,859	17,053	11,506	14,339	17,639	(1.5)	(3.3)	(3.3)
EBIT Margin (%)	11.8	12.3	13.0	12.2	12.9	13.6			
Adjusted PAT (Rsmn)	7,696	9,630	12,244	7,918	10,246	12,944	(2.8)	(6.0)	(5.4)
Adjusted FDEPS	10.9	13.7	17.4	11.2	14.5	18.3	(2.8)	(5.6)	(5.0)
PAT (Rsmn)	7,899	9,630	12,244	7,918	10,246	12,944	(0.2)	(6.0)	(5.4)
FDEPS (Rs)	9.8	13.7	17.4	11.2	14.5	18.3	(12.6)	(5.6)	(5.0)

Source: BOBCAPS Research

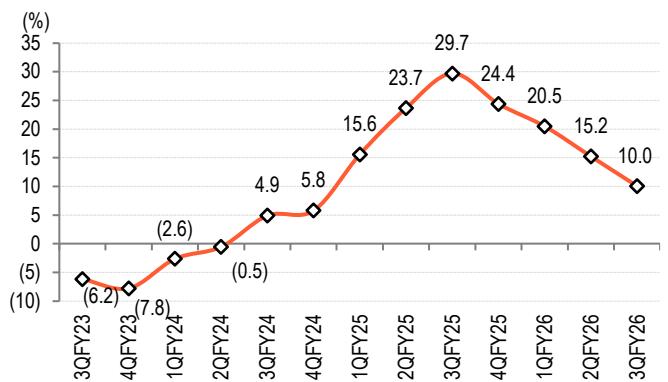
Fig 5 – P&L at a glance

(YE March) (Rs mn)	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Average INR/USD			69.2	70.0	73.5	73.8	79.7	82.8	84.5	88.5	90.0	91.1
Net Sales (USD mn)	547	578	686	795	751	765	944	1,087	1,255	1,440		
-Growth (%)			5.7	18.7	15.9	(5.5)	1.9	23.4	15.2	15.4	14.7	
Net Sales	35,556	35,353	38,262	40,987	50,779	59,212	60,222	63,363	79,803	95,745	112,936	131,132
-Growth (%)	(0.6)	8.2	7.1	23.9	16.6	1.7	5.2	25.9	20.0	18.0	16.1	
Employee Expenses	23,834	23,955	25,572	27,736	34,673	39,468	38,675	39,088	49,957	56,391	67,176	77,547
Gross Margin	11,722	11,398	12,690	13,251	16,106	19,744	21,547	24,275	29,846	39,354	45,760	53,584
% of sales	33.0	32.2	33.2	32.3	31.7	33.3	35.8	38.3	37.4	41.1	40.5	40.9
Employee expense (% of sales)	67.0	67.8	66.8	67.7	68.3	66.7	64.2	61.7	62.6	58.9	59.5	59.1
Operating expenses	7,342	6,809	7,336	6,962	8,117	10,146	13,283	14,709	17,769	23,702	27,130	31,366
Operating expense (% of sales)	20.6	19.3	19.2	17.0	16.0	17.1	22.1	23.2	22.3	24.8	24.0	23.9
EBITDA Margin	4,380	4,590	5,354	6,289	7,989	9,598	8,264	9,566	12,077	15,652	18,630	22,219
% of sales	12.3	13.0	14.0	15.3	15.7	16.2	13.7	15.1	15.1	16.3	16.5	16.9
Depreciation	590	659	745	1,852	2,064	2,495	2,631	2,603	3,271	4,315	4,771	5,165
EBIT	3,790	3,931	4,609	44,37	5,925	7,103	5,633	6,963	8,806	11,337	13,859	17,053
EBIT Margin (%)	10.7	11.1	12.0	10.8	11.7	12.0	9.4	11.0	11.0	11.8	12.3	13.0
Interest Expense	421	338	225	513	496	604	732	1,034	1,383	1,802	2,030	2,030
Other income (net)	(1)	(11)	(26)	17	(13)	(30)	1,251	368	(104)	139	285	378
PBT	3,369	3,581	4,358	3,941	5,416	6,469	6,152	6,297	7,319	9,674	12,113	15,401
-PBT margin (%)	9.5	10.1	11.4	9.6	10.7	10.9	10.2	9.9	9.2	10.1	10.7	11.7
Provision for tax	577	314	581	544	701	1,097	1,015	1,150	1,462	1,775	2,483	3,157
Effective tax rate (%)	17.1	8.8	13.3	13.8	16.2	17.0	16.5	18.3	19.7	20.4	20.5	20.5
Net profit	2,792	3,267	3,777	3,397	4,715	5,372	5,137	5,147	5,857	7,899	9,630	12,244
-Growth (%)	17.0	15.6	(10.1)	38.8	13.9	(4.4)	0.2	13.8	34.9	21.9	27.1	
-Net profit margin (%)	7.9	9.2	9.9	8.3	9.3	9.1	8.5	8.1	7.3	8.3	8.5	9.3
Adjusted PAT	2,792	3,267	3,777	3,397	4,542	5,372	5,137	5,147	5,875	7,696	9,630	12,244
Adjusted PAT Margin (%)	7.9	9.2	9.9	8.3	8.9	9.1	8.5	8.1	7.4	8.0	8.5	9.3

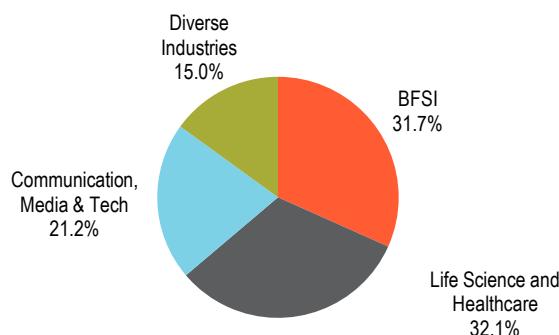
Source: Company, BOBCAPS Research

Fig 6 – US\$ Revenue Growth (QoQ)

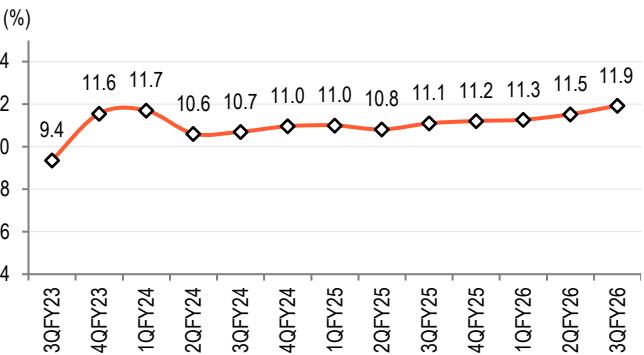
Source: Company, BOBCAPS Research

Fig 7 – US\$ Revenue Growth (YoY)

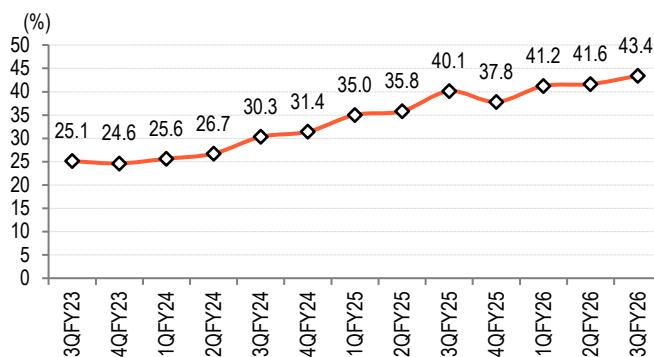
Source: Company, BOBCAPS Research

Fig 8 – 3QFY26 Vertical Revenue Mix

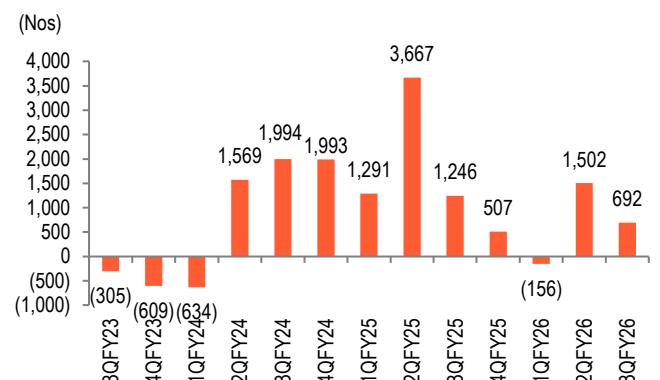
Source: Company, BOBCAPS Research

Fig 9 – EBIT Margin trend

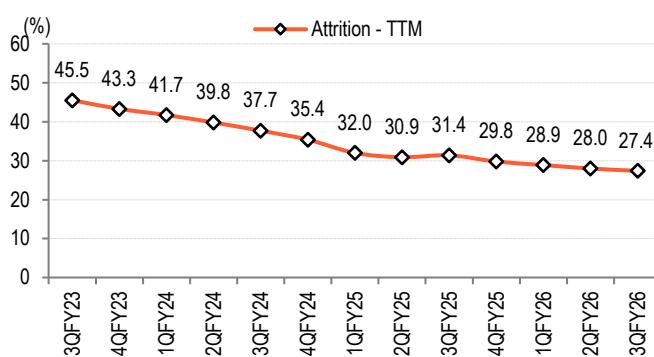
Source: Company, BOBCAPS Research

Fig 10 – Revenue by Delivery – Offshore trend (%)

Source: Company, BOBCAPS Research

Fig 11 – Net Employee Addition (QoQ)

Source: Company, BOBCAPS Research

Fig 12 – TTM Attrition

Source: Company, BOBCAPS Research

Fig 13 – Quarterly Snapshot

Year to 31 March	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26
INR/USD	82.1	81.9	82.1	82.9	83.1	83.0	83.4	83.8	84.4	86.5	86.5	87.3	90.1
Revenue (in USDmn)	183	190	186	186	192	201	215	230	249	250	259	265	274
(Rsmn)													
Revenue	15,049	15,568	15,292	15,400	15,966	16,705	17,911	19,254	21,024	21,615	22,177	23,122	24,430
Gross Margin	5,188	5,878	6,055	6,000	6,073	6,147	6,643	7,150	7,953	8,100	8,970	9,504	10,119
EBITDA	2,096	2,441	2,402	2,288	2,372	2,504	2,699	2,873	3,177	3,328	3,471	3,760	4,026
EBIT	1,409	1,799	1,789	1,634	1,709	1,831	1,970	2,081	2,333	2,422	2,498	2,665	2,914
Other income	610	105	6	153	134	75	(11)	(40)	(39)	(14)	68	(13)	36
PBT	1,836	1,719	1,552	1,543	1,608	1,594	1,673	1,711	2,007	2,017	2,132	2,243	1,516
Tax	257	306	293	278	321	258	320	328	404	410	439	448	313
PAT	1,579	1,413	1,259	1,265	1,287	1,336	1,353	1,383	1,603	1,607	1,693	1,795	1,203
Number of shares	701.8	699.5	699.4	702.8	699.2	703.2	704.7	705.6	706.0	704.8	705.5	706.7	703.4
EPS	2.3	2.0	1.8	1.8	1.8	1.9	1.9	2.0	2.3	2.3	2.4	2.5	1.7
YoY Growth (%)													
USD Revenue	(6.2)	(7.8)	(2.6)	(0.5)	4.9	5.8	15.6	23.7	29.7	24.4	20.5	15.2	10.0
INR Revenues	2.8	0.8	3.9	3.5	6.1	7.3	17.1	25.0	31.7	29.4	23.8	20.1	16.2
EBITDA	(11.9)	(0.3)	32.7	19.4	13.1	2.6	12.4	25.6	33.9	32.9	28.6	30.9	26.7
EBIT	(20.0)	2.7	52.8	30.3	21.3	1.8	10.1	27.4	36.5	32.3	26.8	28.0	24.9
Net profit	16.5	6.7	47.9	(2.2)	(18.5)	(5.4)	7.5	9.3	24.6	20.3	25.2	29.8	(24.9)
QoQ Growth (%)													
USD Revenues	(2.1)	3.83	(2.11)	-	3.23	4.69	6.97	6.98	8.26	0.40	3.60	2.32	3.40
INR Revenues	1.1	3.4	(1.8)	0.7	3.7	4.6	7.2	7.5	9.2	2.8	2.6	4.3	5.7
EBITDA	9.3	16.5	(1.6)	(4.7)	3.7	5.6	7.8	6.4	10.6	4.8	4.3	8.3	7.1
EBIT	12.4	27.7	(0.6)	(8.7)	4.6	7.2	7.6	5.6	12.1	3.8	3.1	6.7	9.4
Net profit	22.0	(10.5)	(10.9)	0.5	1.7	3.8	1.3	2.2	15.9	0.3	5.4	6.0	(33.0)
Margins (%)													
Gross Margin	34.5	37.8	39.6	39.0	38.0	36.8	37.1	37.1	37.8	37.5	40.4	41.1	41.4
EBITDA	13.9	15.7	15.7	14.9	14.9	15.0	15.1	14.9	15.1	15.4	15.7	16.3	16.5
EBIT	9.4	11.6	11.7	10.6	10.7	11.0	11.0	10.8	11.1	11.2	11.3	11.5	11.9
PAT	10.5	9.1	8.2	8.2	8.1	8.0	7.6	7.2	7.6	7.4	7.6	7.8	4.9
SGA	20.5	22.1	23.9	24.1	23.2	21.8	22.0	22.2	22.7	22.1	24.8	24.8	24.9

Source: Company, BOBCAPS Research

Fig 14 – Segmental Analysis

	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26
Segment Revenue									
Banking and Financial Services	6,101.9	6,230.2	6,485.4	6,641.6	6,757.8	7,234.5	7,224.9	7,678.9	7,811.4
Healthcare	5,352.8	5,498.3	6,372.5	7,025.2	7,096.0	7,330.2	7,418.4	7,766.2	7,925.1
Communication, Media and Technology	3,585.3	3,931.1	3,975.3	4,117.1	4,245.3	4,560.0	4,970.0	5,017.9	5,237.2
Diverse Industries	908.3	1,033.2	1,005.5	1,542.3	2,779.4	2,553.0	2,596.0	2,684.0	3,700.8
Total	15,948.4	16,692.9	17,838.7	19,326.1	20,878.5	21,677.7	22,209.3	23,147.0	24,674.5
QoQ Revenue Growth %									
Banking and Financial Services	(3.0)	2.1	4.1	2.4	1.7	7.1	(0.1)	6.3	1.7
Healthcare	6.1	2.7	15.9	10.2	1.0	3.3	1.2	4.7	2.0
Communication, Media and Technology	9.5	9.6	1.1	3.6	3.1	7.4	9.0	1.0	4.4
Diverse Industries	12.6	13.8	(2.7)	53.4	80.2	(8.1)	1.7	3.4	37.9
Total	3.4	4.7	6.9	8.3	8.0	3.8	2.5	4.2	6.6
YoY Revenue Growth %									
Banking and Financial Services	(2.5)	(0.7)	4.0	5.6	10.7	16.1	11.4	15.6	15.6
Healthcare	4.2	6.3	28.0	39.2	32.6	33.3	16.4	10.5	11.7
Communication, Media and Technology	9.1	13.3	19.6	25.8	18.4	16.0	25.0	21.9	23.4
Diverse Industries	160.2	59.9	37.2	91.1	206.0	147.1	158.2	74.0	33.1
Total	6.1	7.2	16.8	25.4	30.9	29.9	24.5	19.8	18.2
Segment results before tax and finance costs									
Banking and Financial Services	805.3	946.7	962.1	1,013.0	1,170.4	1,336.8	1,499.0	1,469.6	1,409.1
Healthcare	620.7	535.4	733.5	863.9	1,089.4	1,014.6	905.7	1,037.2	1,076.0
Communication, Media and Technology	775.2	806.1	700.5	726.8	700.3	712.0	801.5	897.1	1,063.6
Diverse Industries	161.1	226.7	214.6	175.2	277.3	251.0	232.3	282.5	472.5
Total	2,362.3	2,514.9	2,610.6	2,779.0	3,237.5	3,314.3	3,438.5	3,686.4	4,021.2
Margin %									
Banking and Financial Services	13.2	15.2	14.8	15.3	17.3	18.5	20.7	19.1	18.0
Healthcare	11.6	9.7	11.5	12.3	15.4	13.8	12.2	13.4	13.6
Communication, Media and Technology	21.6	20.5	17.6	17.7	16.5	15.6	16.1	17.9	20.3
Diverse Industries	17.7	21.9	21.3	11.4	10.0	9.8	8.9	10.5	12.8
Total	14.8	15.1	14.6	14.4	15.5	15.3	15.5	15.9	16.3

Source: Company, BOBCAPS Research

Fig 15 – Key Metrics

	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26
P and L (Rs mn)													
Revenue	15,049	15,568	15,292	15,400	15,966	16,705	17,911	19,254	21,024	21,615	22,177	23,122	24,430
EBITDA	2,096	2,441	2,402	2,288	2,372	2,504	2,699	2,873	3,177	3,328	3,471	3,760	4,026
EBIT	1,409	1,799	1,789	1,634	1,709	1,831	1,970	2,081	2,333	2,422	2,498	2,665	2,914
PAT	1,579	1,413	1,259	1,265	1,287	1,336	1,353	1,383	1,603	1,607	1,693	1,795	1,203
Vertical Mix (%)													
BFSI	41.8	40.3	40.8	40.8	38.3	37.3	36.4	34.4	32.4	33.4	32.5	33.2	31.7
Life Science and Healthcare	34.2	33.2	32.6	32.7	33.5	32.9	35.7	36.3	34.0	33.8	33.4	33.5	32.1
Communication, Media & Tech	21.6	22.3	21.8	21.2	22.5	23.6	22.3	21.3	20.3	21.0	22.4	21.7	21.2
Diverse Industries	2.4	4.2	4.8	5.3	5.7	6.2	5.6	8.0	13.3	11.8	11.7	11.6	15.0
Geographic Mix (%)													
North America	64.9	63.3	63.5	65.1	65.4	65.0	68.2	68.5	66.3	67.7	68.7	69.4	67.2
Europe, Middle East and Africa	34.1	36.3	36.4	34.8	34.5	34.9	31.8	31.4	33.6	31.5	30.1	29.4	31.7
ROW	1.0	0.4	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.8	1.2	1.2	1.1
Delivery (%)													
Offshore	25.1	24.6	25.6	26.7	30.3	31.4	35	35.8	40.1	37.8	41.2	41.6	43.4
Onsite	74.9	75.4	74.4	73.3	69.7	68.6	65	64.2	59.9	62.2	58.8	58.4	56.6
Clients Concentration (%)													
Top 10 Client							51.5	48.6	43.5	43.7	42.6	42.3	40.7
Top 5 Client	38.5	37.4	37.2	35	35.8	36.7	34.6	32.5	29.2	29.3	29.6	28.9	28.1
Employee Number	23,627	23,018	22,384	23,953	25,947	27,940	29,231	32,898	34,144	34,651	34,495	35,997	36,689
Net Addition	(305)	(609)	(634)	1,569	1,994	1,993	1,291	3,667	1,246	507	(156)	1,502	692
(US\$ mn)													
Revenue	183	190	186	186	192	201	215	230	249	250	259	265	274
EBIT	17	22	22	20	21	22	24	25	28	28	29	31	32
PAT	19	17	15	15	15	16	16	17	19	19	20	21	13
Productivity Metrics													
Per Capita (Annualised)													
Revenue	30,982	33,018	33,238	31,061	29,599	28,776	29,421	27,965	29,171	28,859	30,033	29,447	29,873
EBIT	2,904	3,816	3,895	3,292	3,171	3,156	3,231	3,020	3,238	3,232	3,349	3,390	3,528
PAT	3,254	2,997	2,741	2,549	2,388	2,303	2,219	2,007	2,224	2,144	2,270	2,284	1,456

Source: Company, BOBCAPS Research

Fig 16 – QoQ and YoY growth of various parameters

(in US\$)	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26
QoQ Growth (%)													
Revenue	(2.1)	3.8	(2.1)	0.0	3.2	4.7	7.0	7.0	8.3	0.4	3.6	2.3	3.4
Geographical Data													
North America	(5.5)	1.3	(1.8)	2.5	3.7	4.0	12.2	7.4	4.8	2.5	5.1	3.4	0.1
Europe, Middle East and Africa	6.6	10.5	(1.8)	(4.4)	2.3	5.9	(2.5)	5.6	15.8	(5.9)	(1.0)	(0.1)	11.5
ROW	(34.8)	(58.5)	(75.5)	0.0	3.2	4.7	NA	NA	8.3	703.2	55.4	2.3	(5.2)
Verticals													
BFSI	(5.7)	0.1	(0.9)	0.0	(3.1)	2.0	4.4	1.1	2.0	3.5	0.8	4.5	(1.3)
Life Science and Healthcare	(3.0)	0.8	(3.9)	0.3	5.8	2.8	16.1	8.8	1.4	(0.2)	2.4	2.6	(0.9)
Communication, Media & Tech	4.6	7.2	(4.3)	(2.8)	9.6	9.8	1.1	2.2	3.2	3.9	10.5	(0.9)	1.0
Diverse Industries	23.6	81.7	11.9	10.4	11.0	13.9	(3.4)	52.8	80.0	(10.9)	2.7	1.4	33.7
Delivery													
Offshore	(5.2)	1.8	1.9	4.3	17.1	8.5	19.2	9.4	21.3	(5.4)	12.9	3.3	7.9
Onshore	(1.1)	4.5	(3.4)	(1.5)	(1.8)	3.0	1.4	5.7	1.0	4.3	(2.1)	1.6	0.2
YoY Growth (%)													
Revenue	(6.2)	(7.8)	(2.6)	(0.5)	4.9	5.8	15.6	23.7	29.7	24.4	20.5	15.2	10.0
Geographical Data													
North America	(12.7)	(17.4)	(9.6)	(3.6)	5.7	8.6	24.1	30.1	31.5	29.5	21.3	16.7	11.5
Europe, Middle East and Africa	12.3	21.7	17.8	10.6	6.1	1.7	1.0	11.6	26.3	12.3	14.0	7.9	3.8
ROW	(44.8)	(79.5)	(93.5)	(93.4)	(89.5)	(73.6)	(100.0)	23.7	29.7	895.0	NA	1282.6	1110.4
Verticals													
BFSI	(18.8)	(24.1)	(14.2)	(6.5)	(3.9)	(2.1)	3.1	4.3	9.7	11.4	7.6	11.2	7.7
Life Science and Healthcare	5.9	1.1	(1.1)	(5.7)	2.8	4.8	26.6	37.3	31.6	27.8	12.7	6.3	3.9
Communication, Media & Tech	3.4	8.3	5.1	4.4	9.3	12.0	18.2	24.2	17.0	10.7	21.0	17.4	14.9
Diverse Industries	25.1	127.9	233.9	177.5	149.2	56.2	34.9	86.7	202.6	136.7	151.7	67.1	24.1
Delivery													
Offshore	(23.5)	(16.0)	(9.0)	2.5	26.7	35.0	58.0	65.8	71.6	49.7	41.8	33.9	19.1
Onshore	2	(5)	(0)	(2)	(2)	(4)	1	8	11	13	9	5	4

Source: Company, BOBCAPS Research

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Total revenue	63,363	79,803	95,745	112,936	131,132
EBITDA	9,566	12,077	15,652	18,630	22,219
Depreciation	2,603	3,271	4,315	4,771	5,165
EBIT	6,963	8,806	11,337	13,859	17,053
Net interest inc./exp.)	(1,034)	(1,383)	(1,802)	(2,030)	(2,030)
Other inc./exp.)	368	(104)	139	285	378
Exceptional items	0	0	0	0	0
EBT	6,297	7,319	9,674	12,113	15,401
Income taxes	1,150	1,462	1,775	2,483	3,157
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	5,147	5,857	7,899	9,630	12,244
Adjustments	0	0	0	0	0
Adjusted net profit	5,147	5,857	7,899	9,630	12,244

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	3,056	3,976	4,983	5,663	6,628
Other current liabilities	13,353	20,311	24,542	24,542	24,542
Provisions	188	241	1,176	1,176	1,176
Debt funds	42	3,419	1,548	548	(452)
Other liabilities	7,188	10,299	10,758	10,758	10,758
Equity capital	6,970	6,970	6,970	6,970	6,970
Reserves & surplus	30,034	34,006	40,214	45,351	52,064
Shareholders' fund	37,004	40,976	47,184	52,321	59,034
Total liab. and equities	60,830	79,222	90,190	95,007	101,686
Cash and cash eq.	1,884	1,670	4,293	6,171	8,751
Accounts receivables	11,608	16,860	19,629	22,307	26,108
Inventories	0	0	0	0	0
Other current assets	1,881	3,710	4,688	4,688	4,688
Investments	115	115	302	302	302
Net fixed assets	1,641	2,763	3,245	3,505	3,802
CWIP	171	491	91	91	91
Intangible assets	36,889	47,173	50,713	50,713	50,713
Deferred tax assets, net	3,729	3,449	4,125	4,125	4,125
Other assets	2,911	2,991	3,105	3,105	3,105
Total assets	60,830	79,222	90,190	95,007	101,686

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operations	5,886	8,805	14,829	14,433	16,603
Capital expenditures	126	(1,790)	(1,526)	(716)	(691)
Change in investments	296	(315)	(382)	0	0
Other investing cash flows	0	0	0	0	0
Cash flow from investing	422	(2,105)	(1,908)	(716)	(691)
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	(147)	7,204	95	(1,000)	(1,000)
Interest expenses	(1,034)	(1,383)	(1,802)	(2,030)	(2,030)
Dividends paid	(2,393)	(2,751)	(3,802)	(4,493)	(5,530)
Other financing cash flows	0	0	0	0	0
Cash flow from financing	(3,574)	3,070	(5,509)	(7,523)	(8,560)
Chg in cash & cash eq.	329	(214)	2,623	1,878	2,580
Closing cash & cash eq.	1,884	1,670	4,293	6,171	8,751

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	7.5	8.6	10.0	13.9	17.7
Adjusted EPS	7.3	8.4	9.8	13.7	17.4
Dividend per share	3.5	4.0	5.5	6.5	8.0
Book value per share	53.7	59.7	68.3	75.7	85.4

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	3.4	2.7	2.2	1.9	1.7
EV/EBITDA	22.5	17.7	13.7	11.7	10.0
Adjusted P/E	42.2	36.7	31.6	22.6	17.8
P/BV	5.8	5.2	4.5	4.1	3.6

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	81.7	80.3	79.6	79.5	79.5
Interest burden (PBT/EBIT)	90.4	84.1	76.7	87.4	90.3
EBIT margin (EBIT/Revenue)	11.0	11.0	11.8	12.3	13.0
Asset turnover (Rev./Avg TA)	107.9	114.0	113.0	122.0	133.3
Leverage (Avg TA/Avg Equity)	1.6	1.7	1.8	1.8	1.7
Adjusted ROAE	13.9	14.5	14.7	18.4	20.7

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	5.2	25.9	20.0	18.0	16.1
EBITDA	15.8	26.3	29.6	19.0	19.3
Adjusted EPS	0.3	14.9	16.4	39.5	27.1
Profitability & Return ratios (%)					
EBITDA margin	15.1	15.1	16.3	16.5	16.9
EBIT margin	11.0	11.0	11.8	12.3	13.0
Adjusted profit margin	8.1	7.3	8.3	8.5	9.3
Adjusted ROAE	14.6	15.0	17.9	19.4	22.0
ROCE	10.2	10.6	11.2	12.6	14.7
Working capital days (days)					
Receivables	67	77	75	72	73
Inventory	NA	NA	NA	NA	NA
Payables	17	18	19	18	18
Ratios (x)					
Gross asset turnover	38.6	28.9	29.5	32.2	34.5
Current ratio	0.9	0.9	1.0	1.1	1.3
Net interest coverage ratio	NA	NA	NA	NA	NA
Adjusted debt/equity	0.0	0.0	(0.1)	(0.1)	(0.2)

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

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Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

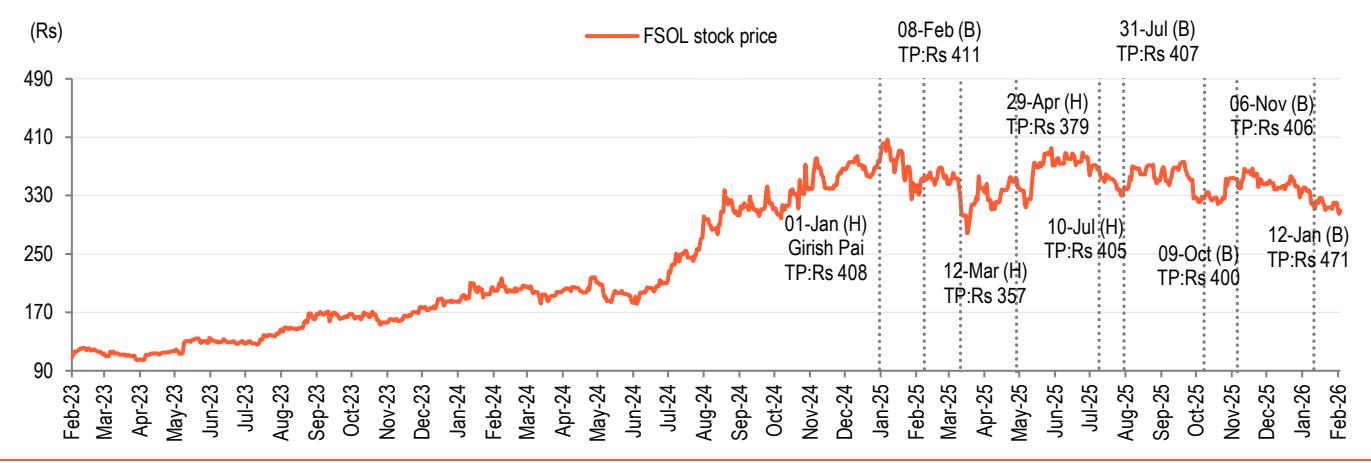
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

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