

# Birlasoft

## Steady progression

Birlasoft (BSOFT) posted in-line results with revenue increasing by 1.6% QoQ and margin expanding, a positive in the current context. BSOFT's growth potential is supported by its highly scalable and resilient service line and senior management induction over the past year. Strong large client mining, BFSI growth opportunity, and consistent operational improvement (incl. cash flows) are clear positives. Deal wins have been muted and can accelerate on the expanded pipeline. Medium-term margin levers remain as the company gets closer to the USD 1bn revenue threshold. We factor 11.2% and 15.1% revenue growth for FY25/26E and EBITDAM at 16.2/17.0%, translating into 17% EPS CAGR over FY24-26E; maintain ADD on BSOFT with TP of INR 800, 26x FY26E EPS.

- In-line revenue driven by ERP and infra services:** BSOFT's revenue print at USD 164mn, 1.6% QoQ, was in line (HSIE at USD 164mn) and led by the company's ERP services and infra services which grew 7.3% QoQ and 5.2% QoQ respectively. Growth in Q4 was on a Q3 revenue rate which was supported by short-term projects which had offset furloughs. For FY24, BSOFT posted a strong growth premium over the industry growth rate (9.5% revenue growth ex-Invacare). We continue to believe that BSOFT has a scalable and resilient services portfolio, especially in the current demand environment. ERP and infra services comprise >42% of the company's revenue and the relative strength in SAP Cloud/Oracle Cloud as well as BSOFT's competitive advantage in those segments will drive growth outperformance.
- Need for speed in deals:** New deal wins have been soft barring the exception of Q2, which included the large deal component. BSOFT's new deal win is at USD 448mn in FY24, down 3.9% as compared to 2.5% CAGR over FY20-23. This is partly due to better quality of incremental deal flow reflected in margin accretion as well as tail account rationalisation (down from 288 active accounts to 259 active accounts over the past year). Importantly, the pipeline is strong (USD 1.8bn and improving) and large client mining seems to be on track—T10 at 3.9% CQGR as compared to aggregate revenue at 2.2% CQGR over the past three quarters. Our enterprise checks suggest strong prospects for the company's BFSI vertical; deal flow in the vertical was also strong (*exhibit: 4*).
- Strong operational performance:** Margin came in a tad better than anticipated at 16.3% EBITDAM, +31bps QoQ and 265bps YoY, supported by reversals. Margin drivers include (1) recovery in life-sciences segmental margin (expected to recover in H2FY25E) and (2) continued improvement in business mix reflected in tail client rationalisation, client mining progress, recovery in EN deals and improving annuity. In the medium term, key drivers include subcontracting and enhanced delivery resulting from investments in capabilities and internal process automation (Project Optimus). We expect a steady improvement in EBITDAM, with estimates of 16.2% in FY25E and 17.0% in FY26E, compared to 15.8% in FY24 (16.3% in Q4FY24).

### Financial Summary

YE March (INR bn)	Q4FY24	Q4FY23	YoY (%)	Q3FY24	QoQ (%)	FY23	FY24	FY25E	FY26E
Revenue (USD mn)	164	149	9.9	161	1.6	595	637	708	815
Net Sales	13.63	12.26	11.1	13.43	1.5	47.95	52.78	59.15	69.27
EBIT	2.01	1.46	37.4	1.93	3.8	4.38	7.51	8.68	10.75
APAT	1.68	1.12	49.5	1.61	4.1	4.50	6.11	6.78	8.46
Diluted EPS (INR)	6.1	4.1	49.5	5.9	4.1	16.3	22.2	24.6	30.8
P/E (x)						41.3	30.4	27.4	21.9
EV / EBITDA (x)						33.5	20.1	17.2	13.5
RoE (%)						17.9	22.3	20.7	22.2

Source: Company, HSIE Research

**ADD**

CMP (as on 29 Apr 2024)	INR 675
Target Price	INR 800
NIFTY	22,643

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 815	INR 800
EPS %	FY25E -3.6	FY26E -2.0

### KEY STOCK DATA

Bloomberg code	BSOFT IN
No. of Shares (mn)	276
MCap (INR bn) / (\$ mn)	186/2,231
6m avg traded value (INR mn)	1,531
52 Week high / low	INR 862/272

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(19.0)	24.4	147.2
Relative (%)	(22.8)	7.3	125.0

### SHAREHOLDING PATTERN (%)

	Dec-23	Mar-24
Promoters	40.95	40.92
FIs & Local MFs	20.16	18.61
FPIs	21.25	23.48
Public & Others	17.64	16.99
Pledged Shares	0.00	0.00

Source : BSE

### Apurva Prasad

apurva.prasad@hdfcsec.com  
+91-22-6171-7327

### Amit Chandra

amit.chandra@hdfcsec.com  
+91-22-6171-7345

### Vinesh Vala

vinesh.vala@hdfcsec.com  
+91-22-6171-7332

- **Senior management induction:** BSOFT has strengthened its leadership pool with several inductees to the senior management. The senior-level hires which include mostly from tier-1s are likely to support the scalability of the business and improve the delivery organisation. Some of the senior-level hires over the past year include the Head of RoW/Europe, COO, Head of Cloud & Infra, Head of ERP, and Head of Data & Analytics ([exhibit: 12](#)). Senior-level attrition in the life sciences vertical can also be correlated with the slump in the life sciences vertical.
- **Portfolio advantage:** SAP Cloud and Oracle Cloud continue to register strong growth. BSOFT's credentials in SAP and Oracle are ahead of peers including prominent larger peers. We reckon that Birlasoft's service portfolio is uniquely positioned to benefit from both - an extended period of discretionary weakness and focus on cost optimisation as well as benefit from recovery in discretionary as currently that portfolio is sub-scale. Birlasoft launched its GenAI platform 'Cogito' – Birlasoft's strong partnership credentials with Microsoft (GenAI CoE setup with Microsoft in July '23) can also support its growth in the segment.
- **Outlook:** Cash flow generation was strong for the company in FY24 with OCF/EBITDA at 86% and FCF/APAT at 113%. We expect Birlasoft's revenue to grow at 11.2% and 15.1% for FY25E and FY26E implying CAGR of 3.1% and 3.1% respectively. BFSI is likely to outpace growth within verticals and ERP/Infra within services – Q1 growth is expected to be supported by the ramp-up of the USD 100mn deal won in Q2FY24. EBITDAM factored at 16.2% and 17.0% for FY25E and FY26E implying an EPS CAGR of >17% over FY24-26E. Maintain ADD on BSOFT with TP at INR 800, based on 26x FY26E EPS (INR 31). At CMP, BSOFT trades at 27x and 22x FY25/26E – 3Y average at 21x.

#### Key highlights from the earnings call

- **Demand and growth drivers:** Discretionary demand is the same as the last few quarters and unlikely to change in the near term and clients continue to realign budgets away from discretionary spending. The ramp-up of the USD 100mn deal won in Q2FY24 continues on track and includes ~70% renewal. Geo expansion outside the US is focused in the UK, Switzerland and Germany in Europe supported by new leadership. The current deal pipeline is at USD 1.8bn and the company is targeting to increase that to USD 2.5bn.
- **Portfolio and services:** Birlasoft launched its GenAI offering Cogito which can be deployed over the Analytics & AI layer of the company. ERP business benefitted from opportunities in the system of records shift to cloud while the infra business continues to see traction in network takeouts, AI ops, and cloud infrastructure services.
- **Vertical comments and growth outlook:** The life sciences vertical was muted due to softness in discretionary and on account of Q4 seasonality for the vertical. BFSI vertical growth was supported by the existing logo as well as the opening of several new logos during the quarter; the reversal in furlough from Q3 to Q4 also supported growth in the vertical. The company's growth outlook for FY25E is industry-leading.
- **Margin:** The company has managed to expand the margin despite the investments it's made. It is driving significant operational efficiencies including lean and automation as part of the tech transformation initiatives. The company plans to keep the margin in the current narrow band in the long term; as the business scales, we believe the margin will continue to improve.
- Other income in Q4 was aided by a USD 2mn insurance claim related to Invacare engagement. Cash and bank balance stand at USD 209mn. ETR is expected to remain between 25% to 26%.

**Exhibit 1: Quarterly consolidated Financial Snapshot**

Particulars (INR bn)	Q4FY24	Q4FY23	YoY (%)	Q3FY24	QoQ (%)	FY24	FY23	YoY (%)
Net Revenues (USD mn)	164	149	9.9	161	1.6	637	595	7.1
<b>Net Revenues</b>	<b>13.63</b>	<b>12.26</b>	<b>11.1</b>	<b>13.43</b>	<b>1.5</b>	<b>52.78</b>	<b>47.95</b>	<b>10.1</b>
Employee Costs	7.68	7.29	5.3	7.93	(3.2)	30.48	28.13	8.4
Other Expenses	3.73	3.30	13.0	3.35	11.3	13.94	14.61	(4.6)
<b>EBITDA</b>	<b>2.22</b>	<b>1.67</b>	<b>32.8</b>	<b>2.14</b>	<b>3.4</b>	<b>8.36</b>	<b>5.20</b>	<b>60.7</b>
Depreciation	0.21	0.21	0.6	0.21	0.2	0.85	0.82	3.4
<b>EBIT</b>	<b>2.01</b>	<b>1.46</b>	<b>37.4</b>	<b>1.93</b>	<b>3.8</b>	<b>7.51</b>	<b>4.38</b>	<b>71.4</b>
Interest expense	0.04	0.04	2.8	0.06	(31.4)	0.20	0.19	7.3
Other Income	0.46	(0.02)	NA	0.28	62.3	1.04	0.23	353.8
<b>PBT</b>	<b>2.42</b>	<b>1.40</b>	<b>73.4</b>	<b>2.15</b>	<b>12.4</b>	<b>8.35</b>	<b>4.42</b>	<b>88.7</b>
Tax	0.62	0.28	125.5	0.54	14.2	2.11	1.11	90.4
<b>RPAT</b>	<b>1.80</b>	<b>1.12</b>	<b>60.5</b>	<b>1.61</b>	<b>11.8</b>	<b>6.24</b>	<b>3.32</b>	<b>88.1</b>
E/o (adj for tax)	0.12	-	-	-	-	0.12	(1.18)	-
<b>APAT</b>	<b>1.68</b>	<b>1.12</b>	<b>49.5</b>	<b>1.61</b>	<b>4.1</b>	<b>6.11</b>	<b>4.50</b>	<b>36.0</b>

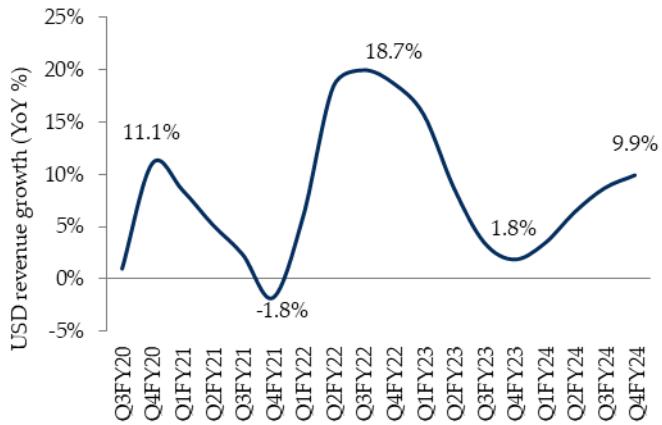
Source: Company, HSIE Research

**Margin Analysis**

MARGIN ANALYSIS	Q4FY24	Q4FY23	YoY (bps)	Q3FY24	QoQ (bps)	FY24	FY23	YoY (bps)
Employee Cost % of Revenue	56.4	59.5	(312)	59.1	(272)	57.8	58.7	(92)
Other Expenses % of Revenue	27.4	26.9	46	25.0	241	26.4	30.5	(407)
<b>EBITDA Margin (%)</b>	<b>16.3</b>	<b>13.6</b>	<b>265</b>	<b>16.0</b>	<b>31</b>	<b>15.8</b>	<b>10.9</b>	<b>499</b>
<b>EBIT Margin (%)</b>	<b>14.7</b>	<b>11.9</b>	<b>282</b>	<b>14.4</b>	<b>33</b>	<b>14.2</b>	<b>9.1</b>	<b>509</b>
Tax Rate (%)	25.7	19.7	593	25.2	41	25.3	25.1	22
<b>APAT Margin (%)</b>	<b>13.2</b>	<b>9.1</b>	<b>407</b>	<b>12.0</b>	<b>122</b>	<b>11.8</b>	<b>6.9</b>	<b>490</b>

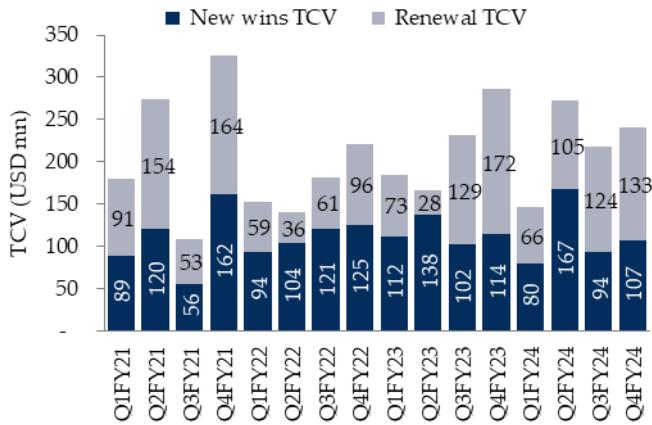
Source: Company, HSIE Research

## Exhibit 2: Revenue growth trend



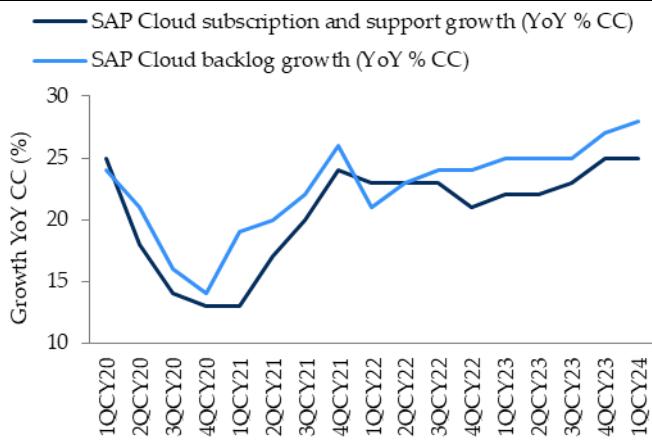
Source: Company, HSIE Research

## Exhibit 4: New deal TCV has been muted



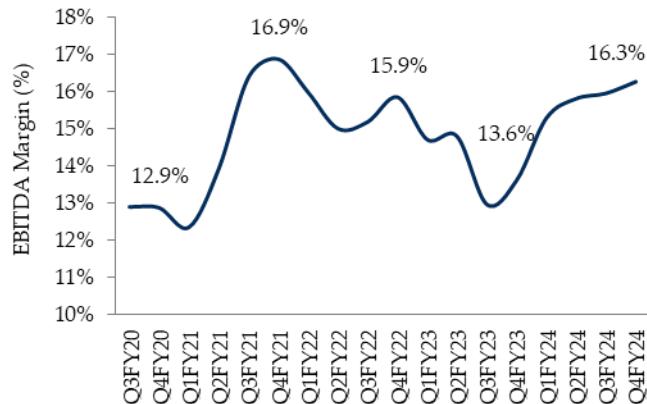
Source: Company, HSIE Research

## Exhibit 6: Strong drivers for growth in ERP services



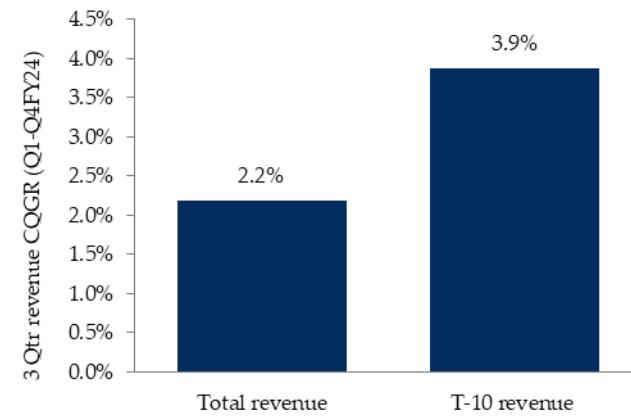
Source: Company, HSIE Research

## Exhibit 3: Margin trend



Source: Company, HSIE Research, Note: Q3FY23 margin is excluding impact of INR 1510.14mn due to Invacare

## Exhibit 5: Large client mining tracking well



Source: Company, HSIE Research

## Exhibit 7: Oracle Cloud growth trend



Source: Company, HSIE Research

**Exhibit 8: BSOFT's tech credentials**

	Salesforce certifications (Nos)	AWS certifications	AWS Competencies	AWS Customer launches	ServiceNow certified resource	Adobe certifications (Nos)	Google Cloud premier partner	SAP Competencies (Nos)	Oracle Expertise
EPAM	5,808	2000+	6	500+	37	217	Sell + Service	3	
Globant	5,159	500+	5	50+	151	35	Sell + Service	4	Y
Mphasis	2,411	500+	6	50+	7	1			
Hexaware	987	500+	5	50+	78	15		1	
Persistent	7,444	1000+	6	50+	17	13	Sell + Service		
Coforge	1,263	100+	3	50+	48	25	Sell		Y
<b>Birlasoft</b>	<b>708</b>	<b>100+</b>	<b>1</b>	<b>20+</b>	<b>9</b>	<b>2</b>		<b>4</b>	<b>Y</b>
Zensar	896	100+	NA	50+	9	22			Y
Sonata	NA	50+	1	50+	NA		Sell + Service		Y
Mastek	1,074	50+	NA	20+	3				Y

Source: Company, HSIE Research

**Exhibit 9: SAP & Oracle competencies vs peers**

SAP Competencies	Birlasoft	EPAM	Globant	Mphasis	Hexaware	Persistent	Coforge	Zensar	Sonata	Mastek
SAP S4 HANA Cloud - Private	Y	Y	Y							
HCM	Y				Y					
SAP Business Technology Platform	Y	Y	Y							
CRM	Y	Y	Y							
SCM										
Financial Management										
Spend Management			Y							
Oracle Expertise	Birlasoft	EPAM	Globant	Mphasis	Hexaware	Persistent	Coforge	Zensar	Sonata	Mastek
Cloud Build								1		1
Cloud Service	3		7					5		18
Cloud Sell	10		27				1	12	6	22
License & Hardware	8						4	8	11	2
Expertise - Total (Nos)	21		34				5	26	17	43

Source: Company, HSIE Research

**Exhibit 10: Strong Microsoft Competencies**

Microsoft Solution Partner areas	Birlasoft	EPAM	Globant	Mphasis	Hexaware	Persistent	Coforge	Zensar	Sonata	Mastek
Business applications		Y			Y	Y				
Data & AI (Azure)	Y	Y	Y	Y	Y	Y	Y			Y
Digital & App Innovation (Azure)	Y	Y	Y	Y	Y	Y	Y		Azure Expert	Y
Infrastructure (Azure)	Y	Y	Y	Y	Y	Y	Y		MSP	
Modern Work	Y	Y		Y		Y		Y		
Security	Y	Y	Y	Y	Y	Y		Y		

Source: Company, HSIE Research

Microsoft Specialization Areas	Birlasoft	EPAM	Globant	Mphasis	Hexaware	Persistent	Coforge	Zensar	Sonata	Mastek
<u>Azure</u>										
AI and Machine Learning in Microsoft Azure	Y	Y					Y	Y		
Analytics on Microsoft Azure		Y				Y				Y
Build and Modernize AI on Microsoft Azure		Y								
DevOps with GitHub on Microsoft Azure	Y	Y	Y							
Infra and Database migration to Microsoft Azure		Y		Y	Y	Y				Y
Kubernetes on Microsoft Azure		Y	Y							
Microsoft Azure Virtual Desktop				Y	Y					Y
Migrate Enterprise Applications to Microsoft Azure		Y								Y
<u>Modern Work</u>										
Adoption and Change Management									Y	
Meetings and Meeting Rooms for Microsoft Teams									Y	
Modernize Endpoints									Y	
<u>Security</u>										
Cloud security	Y	Y			Y				Y	
Id & Access Management					Y				Y	
Information Protection & Governance					Y				Y	
Threat protection	Y	Y			Y				Y	
<u>Business applications</u>										
Finance									Y	
Intelligent automation		Y								
Low code application development						Y				
Supply chain									Y	

Source: Company, HSIE Research

**Exhibit 11: Recent deal wins**

Vertical	Geography	Service
BFSI	NA	Application Managed Services
Lifesciences & Services	US	ERP services
BFSI	US	Process integration
Communications	US	Platform integration and support
BFSI	US	Large renewal deal
Manufacturing	NA	ERP Application Maintenance & Support Services
Lifesciences & Services	US	Modernisation
Lifesciences & Services	NA	BI/Analytics Centre of Excellence
Energy & Utilities	US	Network modernization
Lifesciences & Services	US	Data & Analytics services
Energy & Utilities	US	Large business application deal

Source: Company, HSIE Research

**Exhibit 12: Recent leadership addition**

Srikanth T	Global Head - Digital & Data Business	Joined in Apr 2024 (Former Cognizant)
Manjunath Kyonahally	CEO for Rest of the World (RoW)	Joined in Jan 2024 (Former Cognizant)
Selvakumaran Mannappan	Chief Operating Officer	Joined in Oct 2023 (Former Cognizant)
Mridul Murari	Head of Strategic Sales, BFSI	Joined in July 2023 (Former Wipro)
Michael Raj	Global Head - Cloud & Infra & Security	Joined in June 2023 (Former Wipro)
Ravi Purohit	SVP & Global Head, ERP Business	Joined in May 2023 (Former Wipro)
Vikas Kumar	SVP & Global Practice Head - Cloud & Infra	Joined in May 2023 (Former Coforge)

Source: Company, HSIE Research

**Exhibit 13: BSOFT performance by geography**

	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24
<b><u>Revenue-mix (%)</u></b>						
Americas	83.7	85.3	83.95	85.8	85.7	86.5
RoW	16.3	14.7	16.05	14.2	14.3	13.5
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b><u>Growth (% QoQ)</u></b>						
Americas	-0.7	2.4	1.4	5.3	1.8	2.6
RoW	2.2	-9.4	12.5	-8.8	2.6	-4.1
<b>Total</b>	<b>-0.3</b>	<b>0.5</b>	<b>3.0</b>	<b>3.1</b>	<b>1.9</b>	<b>1.6</b>
<b><u>Growth (% YoY)</u></b>						
Americas	4.5	5.7	2.2	8.5	11.3	11.5
RoW	-1.4	-15.9	9.9	-5.0	-4.6	1.0
<b>Total</b>	<b>3.5</b>	<b>1.8</b>	<b>3.4</b>	<b>6.4</b>	<b>8.7</b>	<b>9.9</b>

Source: Company, HSIE Research

**Exhibit 14: BSOFT performance by vertical**

Performance by Verticals	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24
<b><u>Revenue-mix (%)</u></b>						
Manufacturing	46.1	40.1	40.7	41.2	41.1	41.9
BFSI	20.1	20.5	20.7	21.2	20.6	21.2
Energy & Utilities	13.9	14.9	14.3	13.7	14.5	14.8
Life sciences	19.9	24.5	24.4	24.0	23.9	22.1
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b><u>Growth (% QoQ)</u></b>						
Manufacturing	(2.6)	(12.6)	4.4	4.3	1.6	3.7
BFSI	5.0	2.5	4.0	5.3	(0.8)	4.6
Energy & Utilities	(1.7)	7.7	(1.1)	(1.3)	7.8	3.7
Life sciences	1.3	23.7	2.4	1.6	1.3	(5.8)
<b>Total</b>	<b>(0.3)</b>	<b>0.5</b>	<b>3.0</b>	<b>3.1</b>	<b>1.9</b>	<b>1.6</b>
<b><u>Growth (% YoY)</u></b>						
Manufacturing	5.5	(11.4)	1.5	(7.3)	(3.2)	14.9
BFSI	17.5	21.4	20.2	17.8	11.4	13.7
Energy & Utilities	(2.8)	0.5	3.4	3.4	13.4	9.2
Life sciences	(7.7)	15.5	(5.0)	30.3	30.3	(0.8)
<b>Total</b>	<b>3.5</b>	<b>1.8</b>	<b>3.4</b>	<b>6.4</b>	<b>8.7</b>	<b>9.9</b>

Source: Company, HSIE Research

**Exhibit 15: BSOF performance by services**

Performance by Services	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24
<u>Revenue-mix (%)</u>						
Data & Analytics	28.2	27.9	26.7	25.6	25.4	24.1
Digital & Cloud	30.7	31.7	31.5	34.2	34.2	33.4
ERP	31.8	32.8	33.4	32.3	31.9	33.7
Infrastructure	9.3	7.6	8.4	7.9	8.5	8.8
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<u>Growth (% QoQ)</u>						
Data & Analytics	-1.8	-0.6	-1.4	-1.2	1.1	-3.6
Digital & Cloud	8.6	3.7	2.4	11.9	1.9	-0.8
ERP	-9.3	3.6	4.9	-0.3	0.6	7.3
Infrastructure	13.1	-17.9	13.9	-3.1	9.6	5.2
<b>Total</b>	<b>-0.3</b>	<b>0.5</b>	<b>3.0</b>	<b>3.1</b>	<b>1.9</b>	<b>1.6</b>
<u>Growth (% YoY)</u>						
Data & Analytics	NA	NA	7.0	-4.9	-2.1	-5.0
Digital & Cloud	NA	NA	16.5	29.0	21.1	15.8
ERP	NA	NA	-8.8	-1.7	9.0	12.9
Infrastructure	NA	NA	3.4	2.5	-0.7	27.3
<b>Total</b>	<b>NA</b>	<b>NA</b>	<b>3.4</b>	<b>6.4</b>	<b>8.7</b>	<b>9.9</b>

Source: Company, HSIE Research

**Exhibit 16: BSOF client & employee metrics**

Client Metrics	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24
Top 5 % of revenue	31.7	32.8	33.3	33.6	34.5	35.4
<b>Top 10 % of revenue</b>	<b>47.9</b>	<b>48.7</b>	<b>49.6</b>	<b>51.0</b>	<b>52.0</b>	<b>52.1</b>
Top 20 % of revenue	64.1	63.9	63.9	63.9	64.7	64.8
<b>USD 10mn+ Clients (Nos)</b>	<b>13</b>	<b>13</b>	<b>13</b>	<b>11</b>	<b>11</b>	<b>12</b>
USD 5mn+ Clients (Nos)	24	26	27	27	26	26
USD 1mn+ Clients (Nos)	83	83	86	85	83	87
Total active clients (Nos)	299	288	285	278	272	259
Employee Metrics (Nos)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24
Development headcount	11,386	11,043	11,061	11,130	11,169	11,433
S&M and Other headcount	1,144	1,150	1,174	1,192	1,187	1,162
<b>Total Headcount</b>	<b>12,530</b>	<b>12,193</b>	<b>12,235</b>	<b>12,322</b>	<b>12,356</b>	<b>12,595</b>
Net addition	(228)	(337)	42	87	34	239
<b>Attrition (%)</b>	<b>25.5</b>	<b>22.1</b>	<b>18.8</b>	<b>15.0</b>	<b>12.6</b>	<b>12.5</b>
Utilisation (%)	84.0	84.8	84.9	86.5	87.1	86.3

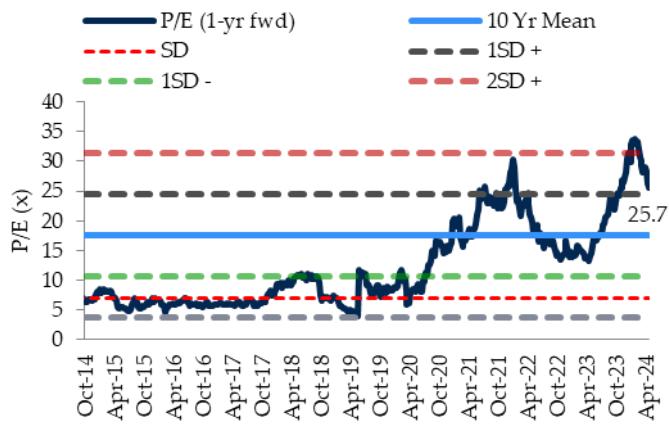
Source: Company, HSIE Research

**Exhibit 17: Change in estimates**

YE March (INR bn)	FY25E Old	FY25E Revised	Change %	FY26E Old	FY26E Revised	Change %
Revenue (USD mn)	716	708	(1.1)	827	815	(1.5)
Revenue	59.82	59.15	(1.1)	70.30	69.27	(1.5)
EBIT	9.05	8.68	(4.1)	11.05	10.75	(2.7)
EBIT margin (%)	15.1	14.7	-45bps	15.7	15.5	-20bps
APAT	7.03	6.78	(3.6)	8.64	8.46	(2.0)
EPS (INR)	25.6	24.6	(3.6)	31.4	30.8	(2.0)

Source: Company, HSIE Research

**Exhibit 18: BSOFT P/E (1-yr fwd) Trend**



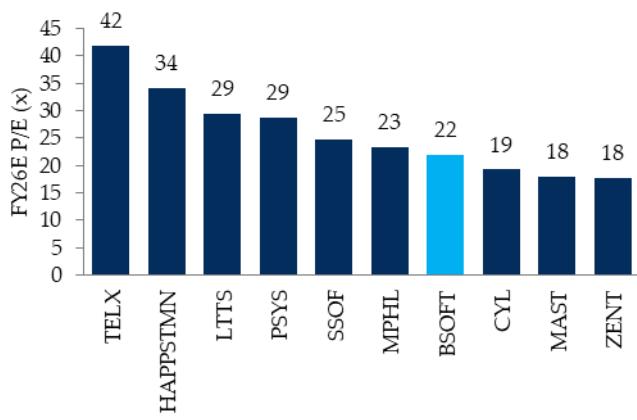
Source: Bloomberg, HSIE Research

**Exhibit 19: Consensus earnings trend**



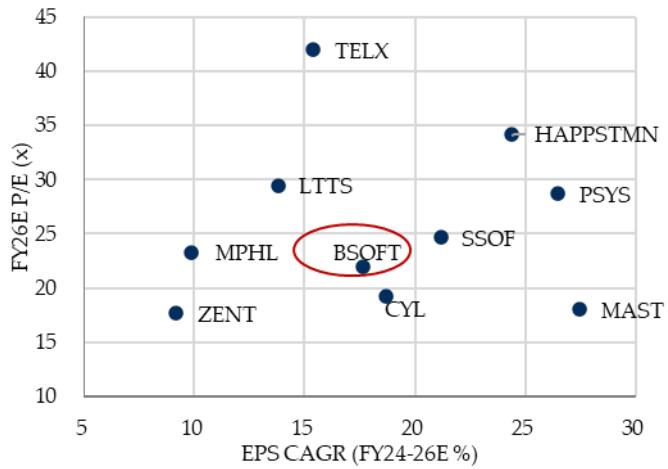
Source: Bloomberg, HSIE Research

**Exhibit 20: Attractive valuation vs. peers**



Source: HSIE Research

**Exhibit 21: Valuation and EPS growth grid**



Source: HSIE Research

## Financials

### Income Statement

Year ending March (INR bn)	FY22	FY23	FY24	FY25E	FY26E
Net Revenues (USD mn)	555	595	637	708	815
Growth (%)	15.7%	7.2%	7.1%	11.2%	15.1%
<b>Net Revenues</b>	<b>41.30</b>	<b>47.95</b>	<b>52.78</b>	<b>59.15</b>	<b>69.27</b>
Growth (%)	16.2%	16.1%	10.1%	12.1%	17.1%
Employee Expenses	23.69	28.13	30.48	33.92	39.65
Other Expenses	11.21	14.61	13.94	15.66	17.83
<b>EBITDA</b>	<b>6.40</b>	<b>5.20</b>	<b>8.36</b>	<b>9.57</b>	<b>11.79</b>
<b>EBITDA Margin (%)</b>	<b>15.5%</b>	<b>10.9%</b>	<b>15.8%</b>	<b>16.2%</b>	<b>17.0%</b>
EBITDA Growth (%)	21.0%	-18.7%	60.7%	14.4%	23.2%
Depreciation	0.77	0.82	0.85	0.89	1.04
<b>EBIT</b>	<b>5.64</b>	<b>4.38</b>	<b>7.51</b>	<b>8.68</b>	<b>10.75</b>
<b>EBIT Margin (%)</b>	<b>13.6%</b>	<b>9.1%</b>	<b>14.2%</b>	<b>14.7%</b>	<b>15.5%</b>
Other Income (Incl. EO Items)	0.66	0.23	1.04	0.58	0.77
Interest	0.13	0.19	0.20	0.16	0.16
<b>PBT</b>	<b>6.17</b>	<b>4.42</b>	<b>8.35</b>	<b>9.10</b>	<b>11.36</b>
Tax (Incl Deferred)	1.53	1.11	2.11	2.32	2.90
RPAT	4.64	3.32	6.24	6.78	8.46
<b>APAT</b>	<b>4.64</b>	<b>4.50</b>	<b>6.11</b>	<b>6.78</b>	<b>8.46</b>
APAT Growth (%)	44.5%	-3.0%	36.0%	10.9%	24.8%
<b>Adjusted EPS (INR)</b>	<b>16.8</b>	<b>16.3</b>	<b>22.2</b>	<b>24.6</b>	<b>30.8</b>
EPS Growth (%)	44.5%	-3.0%	36.0%	10.9%	24.8%

Source: Company, HSIE Research

### Balance Sheet

Year ending March (INR bn)	FY22	FY23	FY24P	FY25E	FY26E
<b>SOURCES OF FUNDS</b>					
Share Capital - Equity	0.56	0.55	0.55	0.55	0.55
Reserves	25.27	23.93	29.89	34.61	40.59
<b>Total Shareholders Funds</b>	<b>25.83</b>	<b>24.48</b>	<b>30.44</b>	<b>35.16</b>	<b>41.15</b>
Net Deferred Taxes	(0.92)	(1.17)	(1.04)	(1.04)	(1.04)
Other non-current liabilities	1.40	1.15	1.29	1.29	1.29
<b>TOTAL SOURCES OF FUNDS</b>	<b>26.31</b>	<b>24.46</b>	<b>30.75</b>	<b>35.47</b>	<b>41.46</b>
<b>APPLICATION OF FUNDS</b>					
Net Block	2.69	2.46	2.01	2.27	2.29
CWIP	0.02	0.06	0.12	0.12	0.12
Goodwill	4.57	4.90	4.96	4.96	4.96
Other non current assets	0.73	0.84	0.59	0.59	0.59
<b>Total Non-current Assets</b>	<b>8.01</b>	<b>8.26</b>	<b>7.68</b>	<b>7.93</b>	<b>7.96</b>
Debtors (incl. unbilled)	8.49	9.07	10.37	11.62	13.60
Other Current Assets	4.16	2.20	2.72	2.39	2.59
Cash & Equivalents	12.26	11.17	17.45	21.45	26.37
<b>Total Current Assets</b>	<b>24.91</b>	<b>22.44</b>	<b>30.53</b>	<b>35.46</b>	<b>42.56</b>
Creditors	2.10	2.31	2.81	2.85	3.34
Other Current Liabilities & Prov.	4.50	3.93	4.65	5.07	5.72
<b>Total Current Liabilities</b>	<b>6.60</b>	<b>6.24</b>	<b>7.46</b>	<b>7.92</b>	<b>9.06</b>
Net Current Assets	18.31	16.20	23.08	27.54	33.50
<b>TOTAL APPLICATION OF FUNDS</b>	<b>26.31</b>	<b>24.46</b>	<b>30.75</b>	<b>35.47</b>	<b>41.46</b>

Source: Company, HSIE Research

**Cash Flow**

Year ending March (INR bn)	FY22	FY23	FY24P	FY25E	FY26E
<b>Reported PBT</b>	<b>6.17</b>	<b>4.42</b>	<b>8.35</b>	<b>9.10</b>	<b>11.36</b>
Non-operating & EO items	0.09	2.29	0.32	(0.44)	(0.58)
Interest expenses	0.13	0.19	0.20	0.16	0.16
Depreciation	0.77	0.82	0.85	0.89	1.04
Working Capital Change	(2.56)	(0.80)	(0.73)	(0.46)	(1.05)
Tax Paid	(1.78)	(1.31)	(1.81)	(2.32)	(2.90)
<b>OPERATING CASH FLOW</b>	<b>2.81</b>	<b>5.61</b>	<b>7.18</b>	<b>6.94</b>	<b>8.04</b>
Capex	(0.64)	(0.58)	(0.26)	(1.14)	(1.06)
<b>Free cash flow (FCF)</b>	<b>2.17</b>	<b>5.03</b>	<b>6.92</b>	<b>5.79</b>	<b>6.98</b>
Non-operating Income	(2.43)	3.09	(0.32)	0.44	0.58
<b>INVESTING CASH FLOW</b>	<b>(3.07)</b>	<b>2.52</b>	<b>(0.58)</b>	<b>(0.71)</b>	<b>(0.48)</b>
Interest Expenses	(0.03)	(0.09)	(0.13)	(0.16)	(0.16)
<i>FCFE</i>	1.73	4.53	6.86	5.63	6.82
Share Capital Issuance	0.08	0.13	0.10	-	-
Dividend + Buyback	(1.11)	(5.99)	(1.24)	(2.06)	(2.48)
<b>FINANCING CASH FLOW</b>	<b>(1.47)</b>	<b>(6.36)</b>	<b>(1.20)</b>	<b>(2.23)</b>	<b>(2.64)</b>
<b>NET CASH FLOW</b>	<b>(1.73)</b>	<b>1.76</b>	<b>5.40</b>	<b>4.00</b>	<b>4.92</b>
EO Items, Others	2.80	(2.86)	0.88	-	-
<b>Closing Cash &amp; Equivalents</b>	<b>12.26</b>	<b>11.17</b>	<b>17.45</b>	<b>21.45</b>	<b>26.37</b>

Source: Company, HSIE Research

**Key Ratios**

	FY22	FY23	FY24	FY25E	FY26E
<b>PROFITABILITY (%)</b>					
GPM	42.6	41.3	42.2	42.6	42.8
EBITDA Margin	15.5	10.9	15.8	16.2	17.0
APAT Margin	11.2	9.4	11.6	11.5	12.2
RoE	19.5	17.9	22.3	20.7	22.2
RoIC (or Core RoCE)	33.1	24.0	42.2	47.3	55.0
RoCE	19.3	18.3	22.7	20.8	22.3
<b>EFFICIENCY</b>					
Tax Rate (%)	24.8%	25.1%	25.3%	25.5%	25.5%
Fixed Asset Turnover (x)	5.6	6.8	6.8	6.9	7.4
Debtors (days) incl. unbilled ex-contract assets	75	69	72	72	72
Other Current Assets (days)	37	17	19	15	14
Payables (days)	19	18	19	18	18
Other Current Liab & Provns (days)	40	30	32	31	30
Cash Conversion Cycle (days)	53	38	39	38	38
Net D/E (x)	(0.5)	(0.5)	(0.6)	(0.6)	(0.6)
Interest Coverage (x)	43	24	38	53	66
<b>PER SHARE DATA (INR)</b>					
EPS	16.8	16.3	22.2	24.6	30.8
CEPS	19.4	19.5	25.3	27.9	34.5
Dividend	4.5	3.5	6.5	7.5	9.0
Book Value	93	90	111	128	150
<b>VALUATION</b>					
P/E (x)	40.0	41.3	30.4	27.4	21.9
P/BV (x)	7.3	7.5	6.1	5.3	4.5
EV/EBITDA (x)	27.1	33.5	20.1	17.2	13.5
EV/Revenues (x)	4.2	3.6	3.2	2.8	2.3
OCF/EV (%)	1.6%	3.2%	4.3%	4.2%	5.0%
FCF/EV (%)	1.3%	2.9%	4.1%	3.5%	4.4%
FCFE/Mkt Cap (%)	0.9%	2.4%	3.7%	3.0%	3.7%
Dividend Yield (%)	0.7%	0.5%	1.0%	1.1%	1.3%

Source: Company, HSIE Research

**1 Yr Price Movement****Rating Criteria**

BUY:	>+15% return potential
ADD:	+5% to +15% return potential
REDUCE:	-10% to +5% return potential
SELL:	> 10% Downside return potential

**Disclosure:**

We, **Apurva Prasad, MBA, Amit Chandra, MBA & Vinesh Vala, MBA** authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. SEBI conducted the inspection and based on their observations have issued advise/warning. The said observations have been complied with. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

Research Analyst or his/her relative or HDFC Securities Ltd. does not have any financial interest in the subject company. Also Research Analyst or his relative or HDFC Securities Ltd. or its Associate may have beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of the Research Report. Further Research Analyst or his relative or HDFC Securities Ltd. or its associate does have/does not have any material conflict of interest.

**Any holding in stock – NO**

HDFC Securities Limited (HSL) is a SEBI Registered Research Analyst having registration no. INH000002475.

**Disclaimer:**

This report has been prepared by HDFC Securities Ltd and is solely for information of the recipient only. The report must not be used as a singular basis of any investment decision. The views herein are of a general nature and do not consider the risk appetite or the particular circumstances of an individual investor; readers are requested to take professional advice before investing. Nothing in this document should be construed as investment advice. Each recipient of this document should make such investigations as they deem necessary to arrive at an independent evaluation of an investment in securities of the companies referred to in this document (including merits and risks) and should consult their own advisors to determine merits and risks of such investment. The information and opinions contained herein have been compiled or arrived at, based upon information obtained in good faith from sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. Descriptions of any company or companies or their securities mentioned herein are not intended to be complete. HSL is not obliged to update this report for such changes. HSL has the right to make changes and modifications at any time.

This report is not directed to, or intended for display, downloading, printing, reproducing or for distribution to or use by, any person or entity who is a citizen or resident or located in any locality, state, country or other jurisdiction where such distribution, publication, reproduction, availability or use would be contrary to law or regulation or what would subject HSL or its affiliates to any registration or licensing requirement within such jurisdiction.

If this report is inadvertently sent or has reached any person in such country, especially, United States of America, the same should be ignored and brought to the attention of the sender. This document may not be reproduced, distributed or published in whole or in part, directly or indirectly, for any purposes or in any manner.

Foreign currencies denominated securities, wherever mentioned, are subject to exchange rate fluctuations, which could have an adverse effect on their value or price, or the income derived from them. In addition, investors in securities such as ADRs, the values of which are influenced by foreign currencies effectively assume currency risk. It should not be considered to be taken as an offer to sell or a solicitation to buy any security.

This document is not, and should not, be construed as an offer or solicitation of an offer, to buy or sell any securities or other financial instruments. This report should not be construed as an invitation or solicitation to do business with HSL. HSL may from time to time solicit from, or perform broking, or other services for, any company mentioned in this mail and/or its attachments.

HSL and its affiliated company(ies), their directors and employees may; (a) from time to time, have a long or short position in, and buy or sell the securities of the company(ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.

HSL, its directors, analysts or employees do not take any responsibility, financial or otherwise, of the losses or the damages sustained due to the investments made or any action taken on basis of this report, including but not restricted to, fluctuation in the prices of shares and bonds, changes in the currency rates, diminution in the NAVs, reduction in the dividend or income, etc.

HSL and other group companies, its directors, associates, employees may have various positions in any of the stocks, securities and financial instruments dealt in the report, or may make sell or purchase or other deals in these securities from time to time or may deal in other securities of the companies / organizations described in this report. As regards the associates of HSL please refer the website.

HSL or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

HSL or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction in the normal course of business.

HSL or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither HSL nor Research Analysts have any material conflict of interest at the time of publication of this report. Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. HSL may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Research entity has not been engaged in market making activity for the subject company. Research analyst has not served as an officer, director or employee of the subject company. We have not received any compensation/benefits from the subject company or third party in connection with the Research Report.

HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066

Compliance Officer: Murli V Karkera Email: [complianceofficer@hdfcsec.com](mailto:complianceofficer@hdfcsec.com) Phone: (022) 3045 3600

For grievance redressal contact Customer Care Team Email: [customercare@hdfcsec.com](mailto:customercare@hdfcsec.com) Phone: (022) 3901 9400

HDFC Securities Limited, SEBI Reg. No.: NSE, BSE, MSEI, MCX: INZ000186937; AMFI Reg. No. ARN: 13549; PFRDA Reg. No. POP: 11092018; IRDA Corporate Agent License No.: CA0062; SEBI Research Analyst Reg. No.: INH000002475; SEBI Investment Adviser Reg. No.: INA000011538; CIN - U67120MH2000PLC152193

Investment in securities market are subject to market risks. Read all the related documents carefully before investing. Mutual Funds Investments are subject to market risk. Please read the offer and scheme related documents carefully before investing.

Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

---

**HDFC Securities****Institutional Equities**

Unit No. 1602, 16th Floor, Tower A, Peninsula Business Park,

Senapati Bapat Marg, Lower Parel, Mumbai - 400 013

Board: +91-22-6171-7330 [www.hdfcsec.com](http://www.hdfcsec.com)