

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

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- **Senior management induction:** BSOF 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. BSOF'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 CQGR 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 BSOF with TP at INR 800, based on 26x FY26E EPS (INR 31). At CMP, BSOF 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

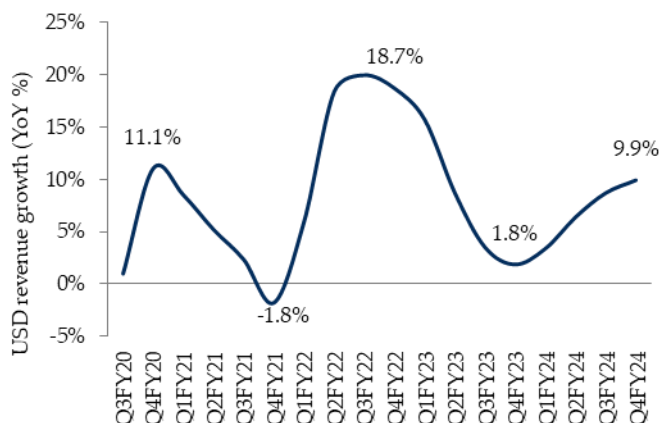
Particulars (INR bn)	Q4FY24	Q4FY23	YoY (%)	Q3FY24	QoQ (%)	FY24	FY23	YoY (%)
Net Revenues (USD mn)	164	149	9.9	161	1.6	637	595	7.1
Net Revenues	13.63	12.26	11.1	13.43	1.5	52.78	47.95	10.1
Employee Costs	7.68	7.29	5.3	7.93	(3.2)	30.48	28.13	8.4
Other Expenses	3.73	3.30	13.0	3.35	11.3	13.94	14.61	(4.6)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

Source: Company, HSIE Research

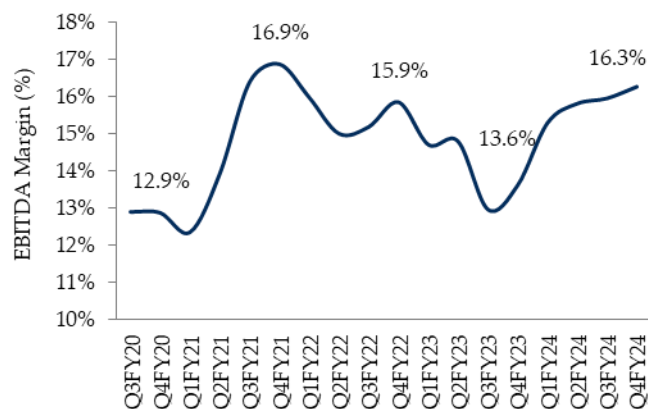
Margin Analysis

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)
EBITDA Margin (%)	16.3	13.6	265	16.0	31	15.8	10.9	499
EBIT Margin (%)	14.7	11.9	282	14.4	33	14.2	9.1	509
Tax Rate (%)	25.7	19.7	593	25.2	41	25.3	25.1	22
APAT Margin (%)	13.2	9.1	407	12.0	122	11.8	6.9	490

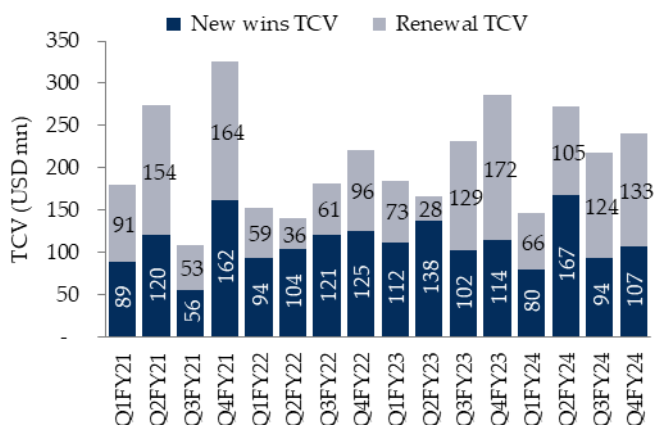
Source: Company, HSIE Research

Exhibit 2: Revenue growth trend

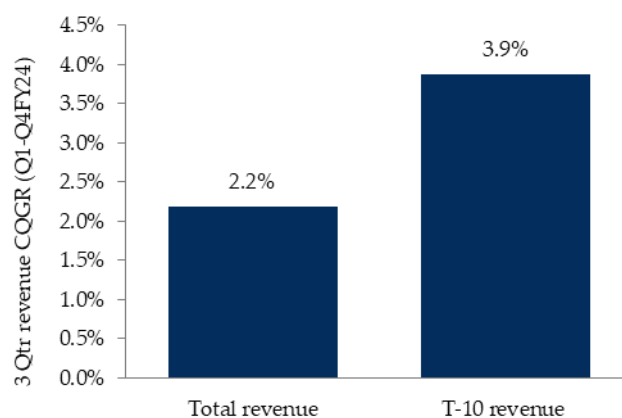
Source: Company, HSIE Research

Exhibit 3: Margin trend

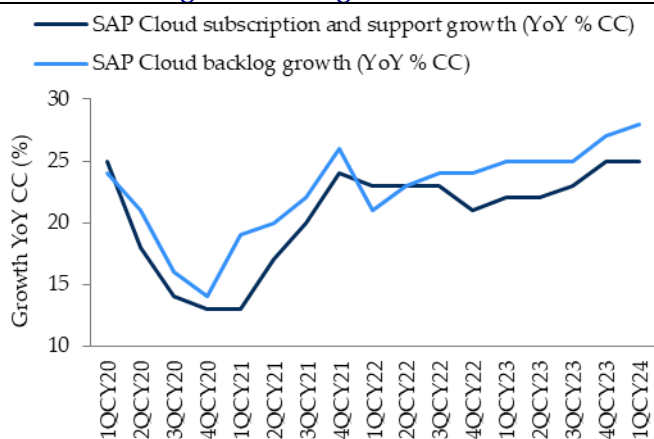
Source: Company, HSIE Research, Note: Q3FY23 margin is excluding impact of INR 1510.14mn due to Invacare

Exhibit 4: New deal TCV has been muted

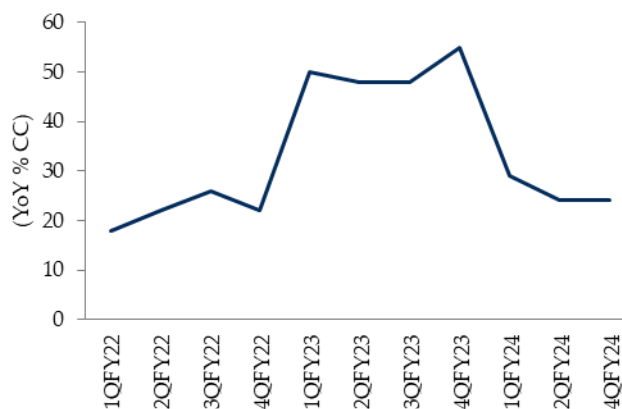
Source: Company, HSIE Research

Exhibit 5: Large client mining tracking well

Source: Company, HSIE Research

Exhibit 6: Strong drivers for growth in ERP services

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
Birlasoft	708	100+	1	20+	9	2		4	Y
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 MSP	Y
Infrastructure (Azure)	Y	Y	Y	Y	Y	Y	Y			
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	
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	
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 Kygonahally	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
Revenue-mix (%)						
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
Total	100.0	100.0	100.0	100.0	100.0	100.0
Growth (% QoQ)						
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
Total	-0.3	0.5	3.0	3.1	1.9	1.6
Growth (% YoY)						
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
Total	3.5	1.8	3.4	6.4	8.7	9.9

Source: Company, HSIE Research

Exhibit 14: BSOFT performance by vertical

Performance by Verticals	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24
Revenue-mix (%)						
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
Total	100.0	100.0	100.0	100.0	100.0	100.0
Growth (% QoQ)						
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)
Total	(0.3)	0.5	3.0	3.1	1.9	1.6
Growth (% YoY)						
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)
Total	3.5	1.8	3.4	6.4	8.7	9.9

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
Total	100.0	100.0	100.0	100.0	100.0	100.0
<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
Total	-0.3	0.5	3.0	3.1	1.9	1.6
<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
Total	NA	NA	3.4	6.4	8.7	9.9

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
Top 10 % of revenue	47.9	48.7	49.6	51.0	52.0	52.1
Top 20 % of revenue	64.1	63.9	63.9	63.9	64.7	64.8
USD 10mn+ Clients (Nos)	13	13	13	11	11	12
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

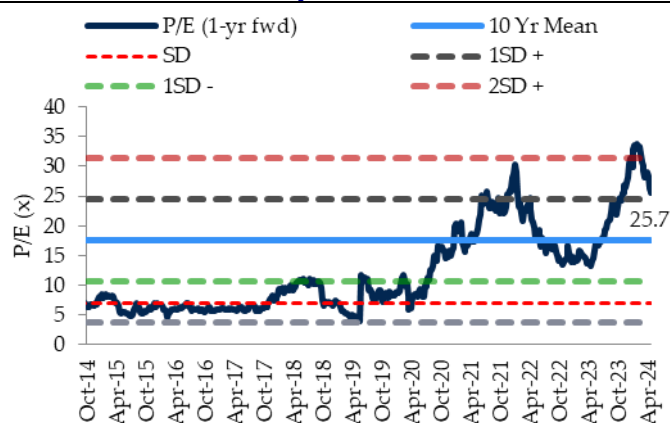
Employee Metrics (Nos)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24
Development headcount	11,386	11,043	11,061	11,130	11,169	11,433
S&M and Other headcount	1,144	1,150	1,174	1,192	1,187	1,162
Total Headcount	12,530	12,193	12,235	12,322	12,356	12,595
Net addition	(228)	(337)	42	87	34	239
Attrition (%)	25.5	22.1	18.8	15.0	12.6	12.5
Utilisation (%)	84.0	84.8	84.9	86.5	87.1	86.3

Source: Company, HSIE Research

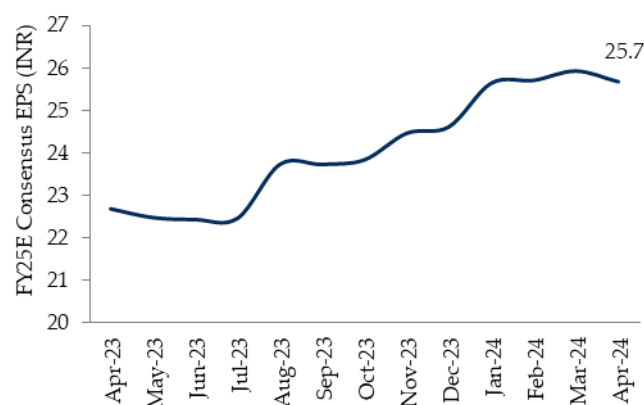
Exhibit 17: Change in estimates

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)

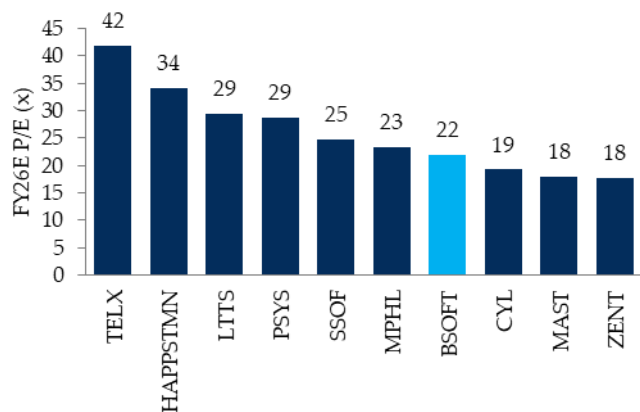
Source: Company, HSIE Research

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

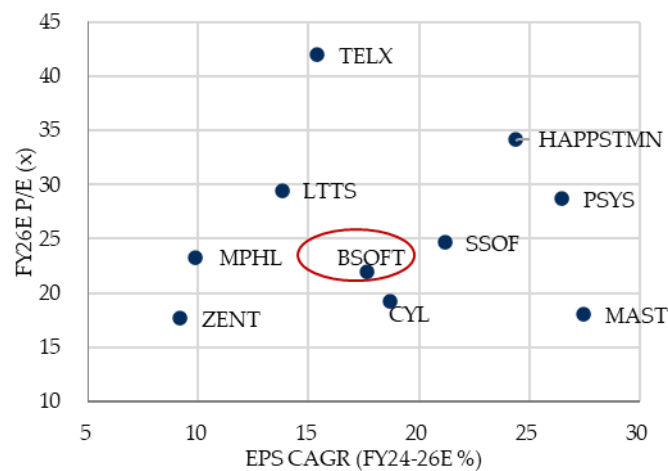
Source: Bloomberg, HSIE Research

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%
Net Revenues	41.30	47.95	52.78	59.15	69.27
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
EBITDA	6.40	5.20	8.36	9.57	11.79
EBITDA Margin (%)	15.5%	10.9%	15.8%	16.2%	17.0%
EBITDA Growth (%)	21.0%	-18.7%	60.7%	14.4%	23.2%
Depreciation	0.77	0.82	0.85	0.89	1.04
EBIT	5.64	4.38	7.51	8.68	10.75
EBIT Margin (%)	13.6%	9.1%	14.2%	14.7%	15.5%
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
PBT	6.17	4.42	8.35	9.10	11.36
Tax (Incl Deferred)	1.53	1.11	2.11	2.32	2.90
RPAT	4.64	3.32	6.24	6.78	8.46
APAT	4.64	4.50	6.11	6.78	8.46
APAT Growth (%)	44.5%	-3.0%	36.0%	10.9%	24.8%
Adjusted EPS (INR)	16.8	16.3	22.2	24.6	30.8
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
SOURCES OF FUNDS					
Share Capital - Equity	0.56	0.55	0.55	0.55	0.55
Reserves	25.27	23.93	29.89	34.61	40.59
Total Shareholders Funds	25.83	24.48	30.44	35.16	41.15
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
TOTAL SOURCES OF FUNDS	26.31	24.46	30.75	35.47	41.46
APPLICATION OF FUNDS					
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
Total Non-current Assets	8.01	8.26	7.68	7.93	7.96
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
Total Current Assets	24.91	22.44	30.53	35.46	42.56
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
Total Current Liabilities	6.60	6.24	7.46	7.92	9.06
Net Current Assets	18.31	16.20	23.08	27.54	33.50
TOTAL APPLICATION OF FUNDS	26.31	24.46	30.75	35.47	41.46

Source: Company, HSIE Research

Cash Flow

Year ending March (INR bn)	FY22	FY23	FY24P	FY25E	FY26E
Reported PBT	6.17	4.42	8.35	9.10	11.36
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)
OPERATING CASH FLOW	2.81	5.61	7.18	6.94	8.04
Capex	(0.64)	(0.58)	(0.26)	(1.14)	(1.06)
Free cash flow (FCF)	2.17	5.03	6.92	5.79	6.98
Non-operating Income	(2.43)	3.09	(0.32)	0.44	0.58
INVESTING CASH FLOW	(3.07)	2.52	(0.58)	(0.71)	(0.48)
Interest Expenses	(0.03)	(0.09)	(0.13)	(0.16)	(0.16)
FCFE	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)
FINANCING CASH FLOW	(1.47)	(6.36)	(1.20)	(2.23)	(2.64)
NET CASH FLOW	(1.73)	1.76	5.40	4.00	4.92
EO Items, Others	2.80	(2.86)	0.88	-	-
Closing Cash & Equivalents	12.26	11.17	17.45	21.45	26.37

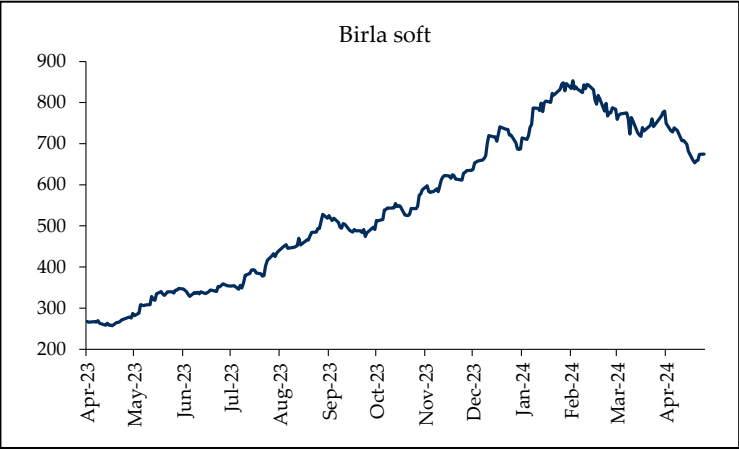
Source: Company, HSIE Research

Key Ratios

	FY22	FY23	FY24	FY25E	FY26E
PROFITABILITY (%)					
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
EFFICIENCY					
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
PER SHARE DATA (INR)					
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
VALUATION					
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

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