Birlasoft Limited (KPITEC)

CMP: 312 | Target ₹ 300 (-4%) | Target Period: 12 months | **HOLD**

July 29, 2026

Growth visibility continues to remain weak...

About the stock: Birlasoft Limited (Birlasoft), is the global technology services division of the 'CKA Birla Group'. It merged with KPIT's IT Services business in 2019. It caters to four verticals - Manufacturing, BFSI, Energy & Utilities (E&U) and Lifesciences.

Q1FY27 performance: Revenue stood at US$145.2 mn (₹1,379.4 crore), up 0.3% QoQ/down 3% YoY in CC terms. Reported EBITDA margin came at 16.1%, down ~233 bps QoQ/up ~379 bps YoY. Reported PAT stood at ₹161 crore, down 8.5% QoQ/up 51.3% YoY. TCV stood at US$169 mn, down 18.8% QoQ/up 19.9% YoY, with net-new TCV of US$57 mn.

Investment Rationale:

- **Growth recovery remains gradual:** Birlasoft returned to marginal sequential growth of 0.3% CC in Q1FY27 after several weak quarters; however, revenue remains down 3% YoY, implying that meaningful growth recovery is yet to materialise. **While management expects momentum to sustain and H1FY27 deal signings to improve YoY, Manufacturing remains weak and is expected to see lumpy demand due to client specific issues while E&U is expected to stay soft for another quarter before demand recovering in Q3FY27.** Management expects FY27 to be better than FY26, supported by rebuilding sales capacity and leadership additions, but a meaningful recovery is yet to be demonstrated. **We expect US$ revenue to grow at CAGR of 2.5% over FY26-28E.**

- **Margins resilient, though near-term wage hikes & growth investments limit upside**: Q1FY27 EBITDA margin of 16.1% remained above management's sustainable 15%+ aspiration despite ongoing investments. However, wage hikes effective July entail a ~170–200 bps gross impact, with management expecting roughly half of this to impact Q2 after productivity offsets. **Management reiterated its sustainable EBITDA margin aspiration of 15%+. While profitability provides some downside support, subdued growth visibility and execution risks around turnaround keep risk-reward balanced. Accordingly, we bake in EBITDA margins of 16% and 16.1% in FY27E and FY28E.**

- **Deal wins improve, but conversion into growth remains key**: TCV declined 18.8% QoQ to US$169 mn, although it grew ~20% YoY, while new-deal TCV improved to US$57 mn (~34% of total TCV). Management remains focused on strengthening the sales engine and expects sales capacity to expand 30–40% by mid-FY27. However, **given the weak revenue trajectory, sustained improvement in net-new bookings and faster conversion into revenues remain critical for a durable growth recovery**.

Rating and Target Price: Given weak near-term growth visibility but resilient margins and improving net-new deal wins, **we maintain our HOLD rating, with a target price of ₹300; valuing it at 12x P/E on FY28E EPS (vs. 17x, earlier), ascribing a lower earnings multiple in line with overall sector derating led impact.**

birlasoft | CKA Birla Group

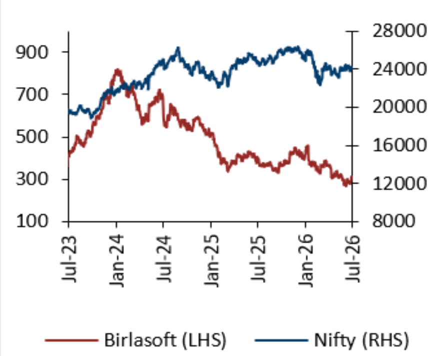
Particulars

Particular	Amount
Market Cap (₹ Crore)	8,698
Total Debt	-
Cash & Inv (₹ Crore)	2,456
EV (₹ Crore)	6,242
52 week H/L	474/ 270
Equity capital	55.9
Face value	2.0

Shareholding pattern

	Sep-25	Dec-25	Mar-26	Jun-26
Promoter	40.5	40.5	40.4	40.4
FII	11.3	10.9	13.6	12.8
DII	21.9	24.1	23.3	22.0
Public	26.3	24.5	22.6	24.8

Price Chart



Key risks

- Delayed revenue and margin recovery;
- Faster than expected pipeline growth and deal conversion.

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Result Update

ICICI Securities – Retail Equity Research

Key Financial Summary

₹ Crore	FY24	FY25	FY26	5YearCAGR(FY21-26)	FY27E	FY28E	2YearCAGR(FY26-28E)
Net Sales	5,278	5,375	5,310	8%	5,534	5,864	5%
EBITDA	836	697	866	10%	888	944	4%
EBITDA Margins (%)	15.8	13.0	16.3		16.0	16.1	
Net Profit	624	517	518	10%	660	707	17%
EPS (₹)	22.3	18.5	18.4		23.5	25.1	
P/E	13.9	16.8	16.8		13.2	12.3	
RoNW (%)	20.5	14.9	12.6		14.2	13.5	
RoCE (%)	26.9	19.6	19.5		18.8	17.7	

Source: Company, ICICI Direct Research

Performance highlights and outlook

- **Revenue Performance:** Birlasoft reported revenue of US$145.2 mn (₹1,379.4 crore), up 0.3% QoQ/down 3% YoY in CC terms. In US$ terms, revenue was largely flat QoQ, while INR revenue grew 2.3% QoQ. Management indicated that after several quarters of weakness, it expects to sustain the sequential growth momentum, although execution remains important given the prevailing uncertain demand environment.

- **Geography performance:** Geography wise on a QoQ basis in US$ terms, RoW (17.1% of the mix) grew 6.8%, while Americas (82.9% of the mix) declined 1.4%.

- **Vertical performance:** Vertical wise on a QoQ basis in US$ terms, growth was led by BFSI (25.3% of the mix) and Lifesciences & Services (19.6% of the mix), which grew 5% and 2%, respectively, while Manufacturing (37.6% of the mix) and Energy & Utilities (17.5% of the mix) declined 3.7% and 1.2%.
  - **BFSI:** Management expects Financial Services to remain strong, supported by improving deal activity and AI-led engagements. During the quarter, Birlasoft was selected as a strategic AI partner for a leading US financial services player and also won a multi-year AI-led transformation program with a European banking group.
  - **Lifesciences and Services:** Management expects momentum to remain strong. During the quarter, Birlasoft secured a strategic engagement with a leading pharma and MedTech company to deploy GenAI-powered solutions across pharmacovigilance operations.
  - **Manufacturing & E&U:** Manufacturing weakness is expected to persist for some more time, with management investing to turn around the vertical. E&U is expected to remain soft for another quarter, with management anticipating improvement from Q3FY27 onwards.

- **Margin performance:** Reported EBITDA margin stood at 16.1%, down ~233 bps QoQ/up ~379 bps YoY. The sequential decline was largely due to the absence of ~170 bps of one-off benefits recorded in Q4FY26, along with continued investments in sales and demand capabilities. **Management reiterated its sustainable EBITDA margin aspiration of 15%+.** Wage hikes effective July are expected to have a gross impact of ~170–200 bps, although management expects productivity improvements to offset a significant portion, with roughly half of the gross impact expected to flow through to Q2 margins.

- **Outlook:** Management expects the sequential growth momentum to sustain, supported by a healthy pipeline, improving deal activity and continued investments in sales and AI capabilities. BFSI and Lifesciences are expected to remain strong, while Manufacturing weakness could persist and E&U is expected to recover from Q3FY27. Management expects H1FY27 deal signings to be meaningfully better YoY and indicated that FY27 signings should also improve over FY26.

- **Deal Pipeline:** TCV for the quarter stood at US$169 mn, down 18.8% QoQ/up 19.9% YoY, with new TCV wins of US$57 mn, accounting for ~34% of TCV. Management indicated that deal tenures remain healthy at around 18–24 months, with no material shift towards short-duration projects. A growing proportion of deals now include an AI component.

- **AI strategy:** Birlasoft continues to invest across agentic AI, its Cogito AI platform and AI-led engineering workflows. Cogito's MVP has been demonstrated to 15+ clients, while over 25% of the company's code is currently generated through various agentic AI tools. The company has also launched Lynx, its AI-powered test engineering platform, and is leveraging Sigma for agentic AIOps and AMS.

- **Attrition and employee addition:** Total headcount declined by 306 employees QoQ to 11,057, while LTM attrition improved by ~130 bps QoQ to 11.7%. Management continues to invest in sales and domain capabilities and expects a substantial increase in sales capacity over the next few months.

Exhibit 1: Quarter Performance

	Q1FY27	Q1FY26	YoY(%)	Q4FY26	QoQ(%)	Comments
Revenue	1,379	1,285	7.4	1,349	2.3	Revenue was up 0.3% QoQ/ down 3% YoY in CC terms.
Employee expense	838	779	7.6	786	6.6	
Gross Margin	542	506	7.0	562	-3.7	
Gross margin (%)	39.3	39.4	-14bps	41.7	-244bps	
Other expense	319	347	-8.2	313	1.8	
EBITDA	222.8	158.8	40.3	249.2	-10.6	
EBITDA Margin (%)	16.1	12.4	379bps	18.5	-233bps	- Reported EBITDA margin stood at 16.1%, down 233 bps QoQ/up 379 bps YoY; the sequential decline was largely due to the absence of ~170 bps of one-off benefits recorded in Q4FY26, along with continued investments in sales and demand capabilities, partly offset by operational efficiencies. - Management reiterated its sustainable EBITDA margin aspiration of 15%+.
Depreciation & amortisation	19	21	-7.0	19	0.1	
EBIT	203	138	47.4	230	-11.5	
EBIT Margin (%)	14.7	10.7	401bps	17.0	-230bps	
Other income (less interest)	25	28	-12.1	-8	-425.7	
PBT	228	166	37.3	222	2.6	
Tax paid	67	60	12.5	46	44.9	
PAT	161	106	51.3	176	-8.5	

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

		FY27E			FY28E	
(₹ Crore)	Old	New	% Change	Old	New	% Change
Revenue (USD mn)	590	590	-0.1	628	627	-0.1
Revenue	5,280	5,534	4.8	5,649	5,864	3.8
EBITDA	818	888	8.4	881	944	7.1
EBITDA Margin (%)	15.5	16.0	54bps	15.6	16.1	50bps
PAT	607	660	8.7	668	707	5.9
Diluted EPS (₹)	21.6	23.5	8.7	23.7	25.1	5.9

Source: Company, ICICI Direct Research

Financial summary

Exhibit 3: Profit and loss statement (₹ crore)

(Year-end March)	FY26	FY27E	FY28E
Total operating Income	**5,310**	**5,534**	**5,864**
Growth (%)	(1.2)	4.2	6.0
COGS (employee expenses)	3,171	3,331	3,513
Other expenses	1,273	1,316	1,407
Total Operating Expenditure	4,444	4,647	4,920
EBITDA	**866**	**888**	**944**
Growth (%)	24.2	2.5	6.4
Depreciation	80	82	89
Other income (net)	45	96	99
PBT	790	902	954
Total Tax	272	242	247
PAT	**518**	**660**	**707**
Growth (%)	0.3	27.3	7.2
Diluted EPS (₹)	**18.4**	**23.5**	**25.1**
Growth (%)	(0.3)	27.3	7.2

Source: Company, ICICI Direct Research

Exhibit 4: Cash flow statement (₹ crore)

(Year-end March)	FY26	FY27E	FY28E
Profit before Tax	790	902	954
Add: Depreciation	80	82	89
Others	(1)	(96)	(99)
Inc/(dec) in working capital	(96)	(9)	(46)
Taxes paid	(293)	(242)	(247)
CF from operating activities	**481**	**637**	**650**
(Inc)/dec in Fixed Assets	(44)	(46)	(49)
Others	(99)	116	121
CF from investing activities	**(143)**	**70**	**72**
Dividend paid & dividend tax	(181)	(113)	(113)
Others	(52)	(20)	(22)
CF from financing activities	**(233)**	**(132)**	**(135)**
Net Cash flow	105	574	588
Exchange difference	(6)	-	-
Opening Cash	367	466	1,040
Closing cash & Bank	**466**	**1,040**	**1,628**

Source: Company, ICICI Direct Research

Exhibit 5: Balance sheet (₹ crore)

(Year-end March)	FY26	FY27E	FY28E
Equity Capital	56	56	56
Reserve and Surplus	4,057	4,605	5,199
Total Shareholders funds	4,113	4,660	5,255
Total Debt	-	-	-
Lease liability	111	111	111
Provisions	128	133	141
Other non current liabilities	3	3	3
Total Liabilities	**4,354**	**4,907**	**5,509**
Assets			
Property, plant and equipment	109	97	84
Goodwill	565	565	565
Intangibles	36	36	36
Right-of-use assets	124	100	73
Other non-current assets	515	505	523
Cash & bank balance	466	1,040	1,628
Current Investments	1,990	1,990	1,990
Trade receivables	1,213	1,264	1,339
Unbilled revenue	-	-	-
Other financial assets	27	29	30
Other current assets	221	230	244
Total Current Assets	3,917	4,553	5,232
Trade payables	255	266	282
Lease liability	30	30	30
OCL & provisions	627	653	692
Total Current Liabilities	912	949	1,004
Net Current Assets	3,005	3,604	4,228
Application of Funds	**4,354**	**4,907**	**5,509**

Source: Company, ICICI Direct Research

Exhibit 6: Key ratios

(Year-end March)	FY26	FY27E	FY28E
Per share data (₹)			
Diluted EPS	18.4	23.5	25.1
Cash EPS	21.5	26.6	28.6
BV	148	167	189
DPS	6.5	4.0	4.0
Cash Per Share	17	37	58
Operating Ratios (%)			
EBITDA margin	16.3	16.0	16.1
PBT Margin	14.9	16.3	16.3
PAT Margin	9.8	11.9	12.1
Debtor days	83	83	83
Unbilled days	-	-	-
Creditor days	18	18	18
Return Ratios (%)			
RoE	12.6	14.2	13.5
RoCE	19.5	18.8	17.7
RoIC	41.4	43.0	45.3
Valuation Ratios (x)			
P/E	16.8	13.2	12.3
EV / EBITDA	7.2	6.4	5.4
EV / Net Sales	1.2	1.0	0.9
Market Cap / Sales	1.6	1.6	1.5
Price to Book Value	2.1	1.9	1.7
Solvency Ratios			
Debt/EBITDA	-	-	-
Debt / Equity	-	-	-
Current Ratio	1.6	1.6	1.6
Quick Ratio	1.6	1.6	1.6

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

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