


STOCK UPDATE

Result Update - Q3FY2026

SECTOR

IT & ITES

COMPANY DETAILS

Market cap:	Rs. 11,218 cr
52-week high/low:	Rs. 542/331
NSE volume: (No of shares)	15.5 lakh
BSE code:	532400
NSE code:	BSOFT
Free float: (No of shares)	16.6 cr

Source: NSE, BSE, Mirae Asset Sharekhan Research

SHAREHOLDING (%)

Promoters	40.5
FII	10.9
DII	24.1
Others	24.5

Source: NSE, BSE, Mirae Asset Sharekhan Research

PRICE CHART


Source: NSE, BSE, Mirae Asset Sharekhan Research

PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	-7.8	7.3	0.4	-24.3
Relative to Sensex	-5.0	10.4	-1.7	-31.9

Source: Mirae Asset Sharekhan Research, Bloomberg

 Reco/View: **BUY**

 CMP: **Rs. 403**

 Price Target: **Rs. 465**
Quick Snapshot

- Q3 revenue hit \$151 million (up 0.1% q-o-q); margins surprised at 18.2% (15% sustainable). FY26 TCV to exceed \$650 million.
- Growth likely flat for 2-3 quarters due to headwinds in Manufacturing/Life Sciences verticals. Recovery anticipated by Q2FY27 as key verticals bottom out.
- Pivoting from staff augmentation to higher-value fixed-price, outcome-based contracts. Focus remains on wallet-share expansion with existing clients.
- We maintain a Buy and raise PT to Rs. 465 (20x P/E). Company's success depends on converting deal wins into timely revenue.

Result overview

- Vertical Update:** Manufacturing grew 3.1% q-o-q in USD but management cautioned against viewing it as a bottom; headwinds are expected to persist through Q4FY26, with potential recovery only in H1FY27. BFSI declined 2.0% q-o-q due to furloughs, with Q4 likely flat and growth anticipated in FY27. Energy & Utilities should maintain strong momentum. Life Sciences (medical devices ~80.0% /pharma ~ 20.0%) remains exposed to manufacturing headwinds in Q4FY26 and Q1FY27, with stabilization and possible growth from Q2FY27 onward.
- Data & Digital** business is structurally sound with no fundamental issues. Recent degrowth was primarily due to furloughs in Financial Services; growth is expected to resume in Q4. Digital and Data should deliver steady growth going forward.
- Deal Wins:** TCV up 88.8% q-o-q (down 10.6% y-o-y) to \$ 202 million, driven by deal wins that were not closed in Q2 while Net new TCV stood at \$ 94 million, up 135.0% q-o-q (up 46.9% y-o-y). The company is confident of delivering higher order bookings in Q4 than in Q3. While the revenue impact from these signings will take time to materialize, management reiterated its primary emphasis on driving signings first as a prerequisite to sustained revenue growth.

Our Call

Birlasoft demonstrates resilience with strong Q3 margin expansion to 18.2% (well above expectations), a deliberate strategic shift toward higher-margin offshore and fixed-price outcome-based engagements, and robust deal momentum evidenced by 89% q-o-q TCV growth and confidence in even stronger Q4 wins driving FY26 TCV >\$650 mn. While near-term revenue remains stable amid vertical headwinds (Manufacturing & Life Sciences), challenged segments are expected to bottom by Q2FY27, setting up a clear recovery path through deal ramp-ups. With no structural issues in core Data & Digital, improving client quality, and a raised target of Rs 465 (20x Dec'27 P/E), we maintain BUY, viewing current levels as an attractive entry ahead of the anticipated turnaround.

Key Risks

Slowdown in AI adoption, rupee appreciation, and global macroeconomic uncertainties.

Valuation

	Rs cr			
Particulars	FY25	FY26	FY27	FY28
Revenue	5,375	5,326	5,676	5,941
EBITDA Margin	13.0%	15.4%	15.1%	15.5%
EBIT Margin	11.4%	13.9%	13.4%	13.6%
PAT	517	519	627	659
EPS	18.3	17.0	22.3	23.4
P/Ex	40.5	24.0	18.3	17.4
P/Bv	5.9	2.9	2.6	2.4
EV/EBITDA	29.8	13.8	13.2	12.3
RoE	15.8	14.2	15.4	14.5
RoCE (%)	16.7%	18.2%	16.9%	16.2%

Source: Company; Mirae Asset Sharekhan estimates

Note: CMP as on Jan 28, 2026

Concall Highlights:

- **Q3 Results:** Revenue stood at Rs 1,348 crore, up 1.4% q-o-q (down 1.1% y-o-y). EBIT stood at Rs 225 crore, up 16.4% q-o-q (up 58.1% y-o-y), resulting in EBIT margin expansion by 215bps q-o-q (up 624bps y-o-y) to 16.7%. APAT stood at Rs 161 crore, up 38.3% q-o-q (up 37.3% y-o-y). APAT Margin came in at 11.9%.
- **Infra** showed strong growth driven by a recently signed ROW deal currently under execution and is expected to remain a key growth driver.
- **ERP** business, despite some this-quarter improvement aligned with Manufacturing, will likely face softness for at least one more quarter before any turnaround.
- **Margin Story:** EBITDA Margin came in at 18.2%, up 212bps q-o-q (up 617bps y-o-y), largely driven by several contributing factors, including improvement in the quality of our revenues, ongoing efforts to optimize our cost structures, better mix, and some one-offs (+110bps). EBITDA margins going forward will be around 15.0% taking into account some accelerated investments. Management to take wage hike in Q1FY27 and Q2FY27 while promotions are scheduled for Q4FY26.
- **Deal Wins:** TCV up 88.8% q-o-q (down 10.6% y-o-y) to \$ 202 million, driven by deal wins that were not closed in Q2 while Net new TCV stood at \$ 94 million, up 135.0% q-o-q (up 46.9% y-o-y). The company is confident of delivering higher order bookings in Q4 than in Q3. While the revenue impact from these signings will take time to materialize, management reiterated its primary emphasis on driving signings first as a prerequisite to sustained revenue growth.
- **Standalone business:** Strong standalone performance primarily captures increased ROW revenues. Several ERP customers achieved milestones in Q3, enabling additional revenue recognition and driving q-o-q ERP growth. Forex benefits also flowed mainly into standalone financials, contributing significantly to the sharp bottom-line improvement
- **Shift to offshore & outcome-based model:** Material increase in offshore revenue mix this quarter reflects a deliberate strategic pivot away from staff augmentation toward managed services and outcome-based engagements. Clients are increasingly demanding fixed-price, outcome-driven work, which facilitates greater offshore delivery and has enabled the company to secure such deals in recent quarters. This shift, driven by client demand, masks stronger underlying volume growth (higher than headline constant-currency figures) while improving margins through cost efficiencies.
- **Other Details:** Cash and cash equivalents at the end of Q3 increased to INR2,491 crores, up 6% q-o-q and 21% y-o-y. Decline in total client count stems from deliberate rationalization of unprofitable or low-growth accounts, not client losses. The company has focused on a smaller, more meaningful client base and believes it has now reached an optimal number. Ongoing additions or removals (typically 3–4 per quarter) are margin-driven decisions.

Q3FY26 Result Snapshot:

					Rs cr
Particulars	Q3FY26	Q3FY25	Q2FY26	YoY (%)	QoQ (%)
Revenues (USD Mn)	151	161	151	-6.2	0.1
Revenue (INR Mn)	1,348	1,363	1,329	-1.1	1.4
Employee benefit expenses	809	833	796	-2.8	1.6
Gross Profit	538	530	533	1.6	1.0
Operating expenses	292	344	313	-15.0	-6.7
S&M and other expenses	1	23	6	-95.1	-81.9
EBITDA	245	163	213	49.8	14.8
Depreciation	20	21	20	-5.6	-0.5
EBIT	225	142	193	58.1	16.4
Other income	13	21	22	-35.5	-39.1
Finance cost	6	7	5	-18.1	11.6
EO	41	0	0		
PBT	192	156	210	22.9	-8.7
Tax provision	72	39	94	84.1	-23.5
PAT	120	117	116	2.5	3.3
Adjusted PAT	161	117	116	37.3	38.3
EPS (Rs)	4.3	4.2	4.1	2.6	3.3
Margin (%)					
EBITDA Margin	18.2	12.0	16.0	617	212
EBIT Margin	16.7	10.4	14.5	624	215
PBT Margin	14.2	11.4	15.8	278	-157
PAT Margin	11.9	8.6	8.7	333	318

Source: Company; Mirae Asset Sharekhan Research

Particulars	Q3FY25	Q4FY25	Q1FY26	Q2FY26	Q3FY26
Vertical Mix (%)					
Manufacturing	40.1	39.5	38.2	36.6	37.7
BFSI	24.2	24	24.4	24.8	24.3
Energy & Utilities	15.7	16.9	17.4	17.3	16.8
Lifesciences	20	19.6	20	21.3	21.2
Geography Mix (%)					
America	87.8	86.9	86.3	88.3	84.7
ROW	12.2	13.1	13.7	11.7	15.3
Employee Headcount					
Total Headcount	12,125	11,930	11,834	11,892	11,645
Technical	11,000	10,842	10,781	10,861	10,588
Sales & Support	1,125	1,088	1,053	1,031	1,057
Attrition* (LTM)	12.7	12.8	13.3	13.3	13.1

Source: Company; Mirae Asset Sharekhan Research

Additional Data

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Kotak Mahindra AMC Ltd	7.22
2	Blackrock Inc	4.96
3	HDFC Life Insurance Co Ltd	3.27
4	Vanguard Group Inc	2.47
5	Axis AMC Ltd	2.37
6	ICICI Prudential AMC Ltd	2.23
7	Tata Asset Management Pvt Ltd	2.11
8	Fundrock Management Co SA	1.85
9	Motilal Oswal AMC Ltd	1.83
10	Dimensional Fund Advisors LP	1.32

Source: Bloomberg

Key management personnel

Name	Designation
Abhinandan Singh	Head IR
Angan Guha	CEO & MD
Chandrasekar Thyagarajan	CFO

Source: Company Website

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