



3R MATRIX

	+	=	-
Right Sector (RS)	✓	✗	✗
Right Quality (RQ)	✓	✗	✗
Right Valuation (RV)	✗	✓	✗

+ Positive = Neutral - Negative

What has changed in 3R MATRIX

	Old		New
RS	✗	↔	✓
RQ	✗	↔	✓
RV	✗	↔	✗

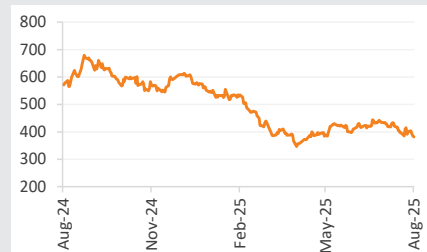
Company details

Market cap:	Rs. 10,607 cr
52-week high/low:	Rs. 687/330
NSE volume: (No of shares)	19.5 lakh
BSE code:	532400
NSE code:	BSOFT
Free float: (No of shares)	16.5 cr

Shareholding (%)

Promoters	41
FII	12
DII	22
Others	25

Price chart



Source: NSE India, Mirae Asset Sharekhan Research

Price performance

(%)	1m	3m	6m	12m
Absolute	-11.8	-2.0	-28.5	-33.2
Relative to Sensex	-8.4	-1.8	-32.1	-35.4

Source: Mirae Asset Sharekhan Research, Bloomberg

Birlasoft Ltd

Weak Quarter

IT & ITes	Sharekhan code: BSOFT		
Reco/View: Buy	↔	CMP: Rs. 382 (as on Aug 07, 2025)	Price Target: Rs. 450 ↓

Summary

- Reported revenue stood at \$150.7 million, down 1.8 % q-o-q in CC terms, in line with our estimates.
- EBITDA margin fell ~80 bps q-o-q to 12.4%, missing our estimates of 13.3%. Total contract value (TCV) of new deal win stood at \$76 million, down 32% q-o-q/19% y-o-y.
- Management expects sequential growth in Q2FY26 and is focusing first on delivering sequential growth and building orderbook.
- We maintain Buy rating with a revised PT of Rs. 450 (20x FY27E EPS). At CMP, the stock trades at 23.8x/16.9x FY26/27E EPS.

Reported revenue stood at \$150.7 million down 1.8% q-o-q/6% y-o-y in constant currency (CC), in-line with our estimates due to macroeconomic headwinds, project completions, and some insourcing by clients. EBITDA margin fell ~80 bps q-o-q to 12.4%, missing our estimates of 13.3%. Total contract value (TCV) of new deals won stood at \$76 million, down 32% q-o-q/19% y-o-y. Renewal deal wins stood at \$65 million, down 48% q-o-q/2% y-o-y. Net headcount declined by 96, taking headcount to 11,834. LTM attrition jumped 50bps q-o-q 13.3% while Utilisation improved 20bps q-o-q to 81.2%. Net profit stood at Rs. 106.4 crore, down 12.8% q-o-q/ 29.1% y-o-y. The effective tax rate rose to 35.9% on account of a provision made for higher tax. With near-term revenue headwinds due to manufacturing vertical softness persisting, FY26 growth may be modest and uneven. However, the company aims to return to steady growth with margin improvement as operational leverage returns. We maintain a Buy rating with a revised PT of Rs. 450(20x FY27E EPS). At CMP, the stock trades at 23.8x/16.9x FY26/FY27E EPS.

Key positives

- Energy & utilities vertical grew 1.9% q-o-q/4.3% y-o-y.
- Utilisation improved 20 bps q-o-q to 81.2%.

Key negatives

- EBITDA margin fell ~80 bps q-o-q to 12.4%.
- Manufacturing vertical declined 4.2% q-o-q/7.7% y-o-y.
- LTM attrition jumped 50bps q-o-q 13.3%.

Management Commentary

- Management expects sequential growth in Q2FY26.
- New large deals are expected to come at lower margins, but renewals are expected to maintain current margin levels.
- The company is facing significant pricing pressure on new deals, both discretionary and non-Discretionary.
- For large deals in the \$30-50 million range, management expects they will need to accept lower margins as compared to the current business.
- ETR to be at ~35.9% for FY26 before returning to historical levels of 25-26%.

Revision in earnings estimates - We have revised our earnings estimates to factor in Q1FY26 performance

Our Call

Valuation: Maintain Buy with revised PT of Rs. 450: The company reported weak quarter on revenue, margin and deal front. Management expects sequential growth in Q2FY26 and is focusing first on delivering sequential growth and building order book. With near-term revenue headwinds due to the manufacturing vertical softness persisting, FY26 growth may be modest and uneven. However, the company aims to return to steady growth with margin improvement as operational leverage returns. We maintain BUY with a revised PT of Rs. 450. At CMP, the stock trades at 23.8x/16.9x FY26/FY27E EPS.

Key Risks

Rupee appreciation and/or adverse cross-currency movements. Macro headwinds, and recession can moderate the pace of technology spending.

Valuation (Consolidated)

	Rs cr			
Particulars	FY24	FY25	FY26E	FY27E
Revenue	5,278.1	5,375.2	5,347.8	5,679.3
OPM (%)	15.8	13.0	12.7	13.4
Adjusted PAT	623.8	516.8	452.7	635.0
YoY growth (%)	29.3	(17.1)	(12.4)	40.3
Adjusted EPS (Rs.)	22.3	18.3	16.1	22.6
P/E (x)	17.2	20.8	23.8	16.9
P/B (x)	4.0	3.5	3.2	2.8
EV/EBIDTA (x)	12.8	14.7	14.9	12.8
RoNW (%)	22.7	15.8	12.4	15.8
RoCE (%)	26.1	17.9	14.5	15.5

Source: Company; Mirae Asset Sharekhan estimates

Key result highlights

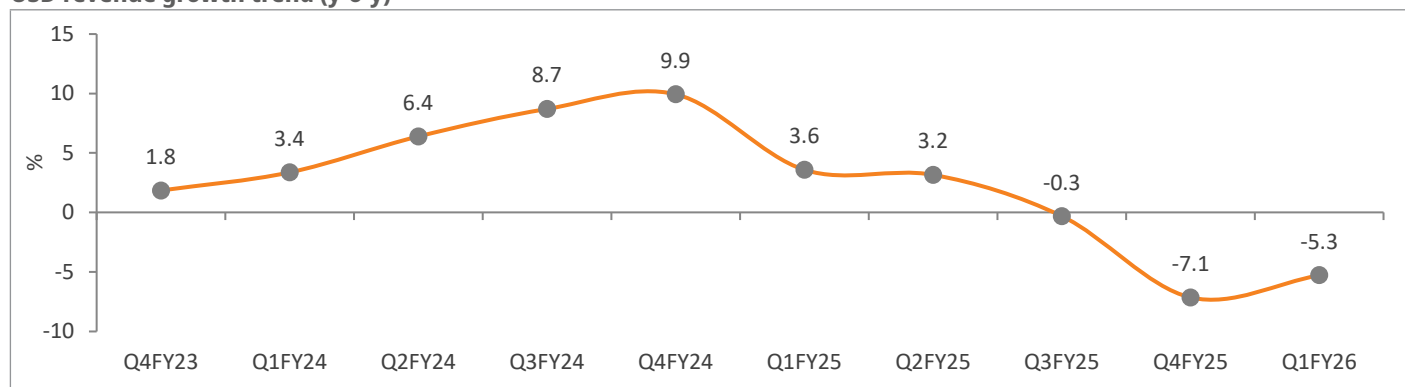
- ♦ **Revenue growth:** Birlasoft reported revenue of \$150.7 million, down 1.8% q-o-q/6% y-o-y, in CC terms, in line with our estimate of \$150.7million. Revenue in rupee terms stood at Rs. 1,285 crore, down 2.4% q-o-q/3.2% y-o-y. Revenue was hit by macroeconomic headwinds, project completions, and some insourcing by clients.
- ♦ **EBITDA margin:** EBITDA margin fell ~80 bps q-o-q to 12.4%, missing our estimates of 13.3%. The management managed to minimize the margin contraction sequentially considering in Q4 there was a significant amount of margin tailwind due to some one-offs that were absent in Q1.
- ♦ **Vertical-wise performance:** Manufacturing declined 4.2% q-o-q, respectively, while BFSI, Energy & Utilities and Lifesciences was up 0.7%/1.9%/1% q-o-q. Manufacturing vertical registered a very soft performance due to project completion, ramp downs, as well as insourcing.
- ♦ **Deal signings:** TCV of new deals win stood at \$76 million, down 32% q-o-q/19% y-o-y. Renewal deal wins stood at \$65 million, down 48% q-o-q/2% y-o-y.
- ♦ **Top accounts:** Revenue from Top 5 clients grew by 0.9% q-o-q while revenue from Top 20 clients declined by 0.7% q-o-q, respectively. Revenue from Top 10 clients was flat.
- ♦ **Attrition and utilisation:** Net headcount declined by 96, taking the total to 11,834. LTM attrition jumped 50bps q-o-q 13.3% while Utilisation improved 20bps q-o-q to 81.2%.
- ♦ **Cash balance:** Cash and cash equivalents increased to Rs. 2,286.4 crore, up 19.4% y-o-y. Days Sales Outstanding (DSO) stood 58 days in Q1FY26 compared to 52 days in Q1FY25.

Results

	Rs cr				
Particulars	Q1FY26	Q1FY25	Q4FY25	% YoY	% QoQ
Revenues (\$ mn)	150.7	159.1	152.2	-5.3	-1.0
Net sales	1,284.9	1,327.4	1,316.9	-3.2	-2.4
Employee benefit expenses	778.7	760.2	778.1	2.4	0.1
Gross Profit	506.2	567.3	538.8	-10.8	-6.0
Operating expenses	326.8	314.9	335.1	3.8	-2.5
S&M and other expenses	20.7	57.3	30.1		
EBITDA	158.8	252.4	173.6	-37.1	-8.5
Depreciation	20.8	20.6	21.6	0.9	-4.0
EBIT	138.0	231.8	151.9	-40.4	-9.2
Other income	33.1	34.5	19.9	-4.2	66.6
Finance cost	5.0	4.2	5.5	18.3	-9.9
PBT	166.2	262.1	166.3	-36.6	-0.1
Tax provision	59.7	54.7	44.2	9.3	35.2
Net profit	106.4	207.5	122.1	-48.7	-12.8
EPS (Rs)	3.8	5.3	4.3	-28.9	-12.9
Margin (%)					
EBITDA	12.4	19.0	13.2	-665	-82
EBIT	10.7	17.5	11.5	-672	-80
NPM	8.3	15.6	9.3	-734	-99

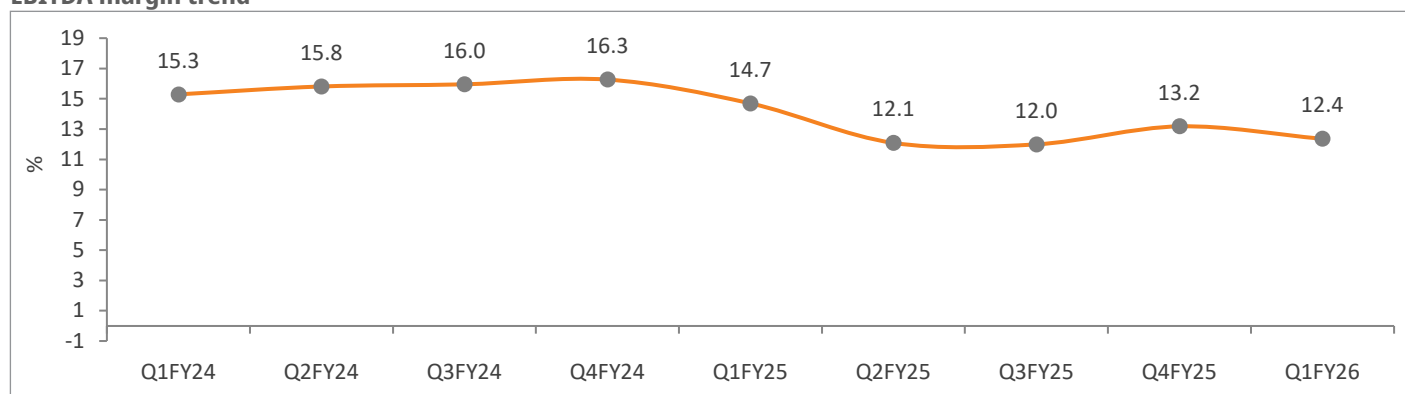
Source: Company; Mirae Asset Sharekhan Research

USD revenue growth trend (y-o-y)



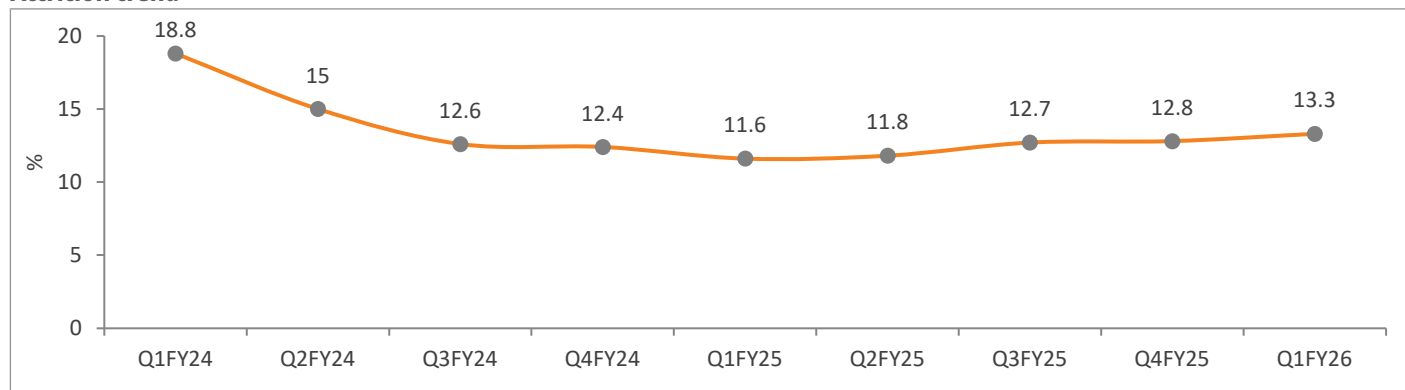
Source: Company; Mirae Asset Sharekhan Research

EBITDA margin trend



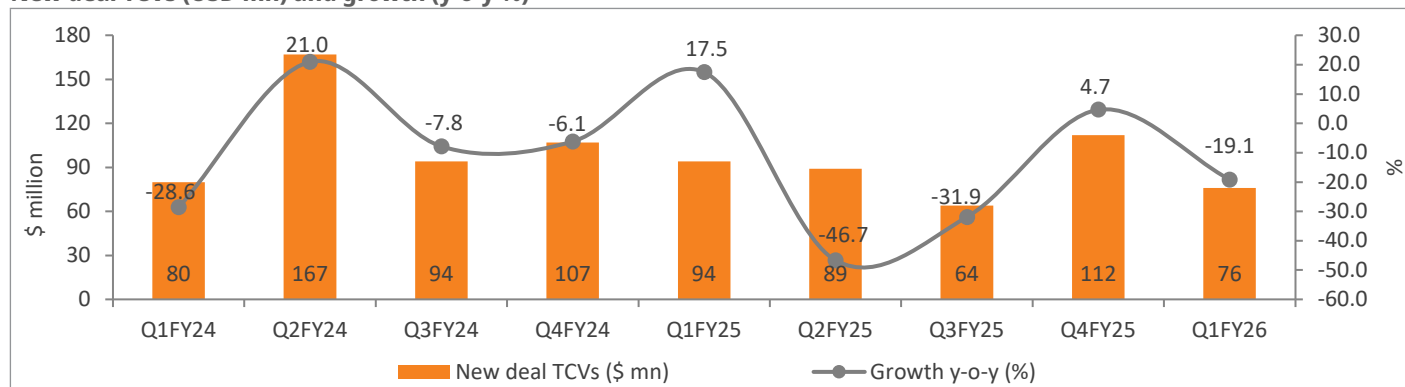
Source: Company; Mirae Asset Sharekhan Research

Attrition trend



Source: Company; Mirae Asset Sharekhan Research

New deal TCVs (USD mn) and growth (y-o-y %)



Source: Company; Mirae Asset Sharekhan Research

Outlook and Valuation

■ Sector Outlook – Robust deal pipeline, cost optimisation, and technology modernisation opportunities to aid growth

The Indian IT sector is poised for modest growth in FY2026, driven by stabilisation in key markets like the US and Europe, alongside increasing demand for AI, cloud, and digital transformation services. Despite near-term challenges such as macroeconomic uncertainty, discretionary spending delays, and geopolitical volatility, the sector is expected to benefit from a robust deal pipeline and a shift toward cost optimisation and technology modernisation initiatives.

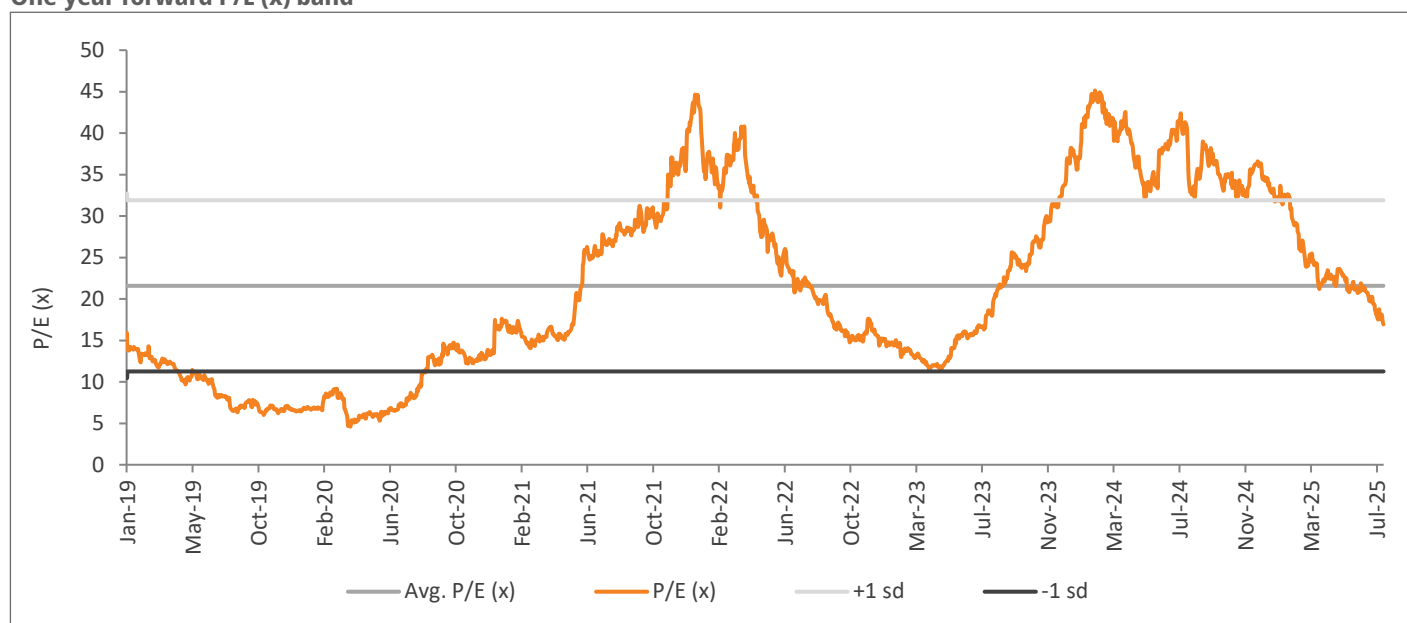
■ Company Outlook – Navigating tough environment

Birlasoft is navigating a tough demand environment by focusing on client wins, annuity-based deals, and capability investments, with a commitment to restore growth in FY26 despite near-term headwinds, supported by a strong balance sheet and cash flow generation. Management expects sequential growth in Q2FY26 and is focusing first on delivering sequential growth and building order book.

■ Valuation – Maintain Buy with a revised PT of Rs. 450

The company reported weak quarter on revenue, margin and deal front. Management expects sequential growth in Q2FY26 and is focusing first on delivering sequential growth and building order book. With near-term revenue headwinds due to the manufacturing vertical softness persisting, FY26 growth may be modest and uneven. However, the company aims to return to steady growth with margin improvement as operational leverage returns. We maintain BUY with a revised PT of Rs. 450. At CMP, the stock trades at 23.8x/16.9x FY26/ FY27E EPS.

One-year forward P/E (x) band



Source: Company; Mirae Asset Sharekhan Research

About company

Birlasoft (an unlisted company) merged and amalgamated with KPIT Technologies Limited (merger) and the engineering business of KPIT Technologies Limited, which was on a going concern basis, demerged and transferred to an independent entity. Post restructuring, Birlasoft became a USD450 million-475 million organisation with a mix of digital and ERP revenue. Birlasoft had strengths primarily on non-ERP digital businesses, while KPIT IT services possessed core strengths on the enterprise software solutions and capabilities in digital transformation services.

Investment theme

Post the merger in January 2019, the new combined entity had very complementary skill sets from both the businesses. Focus on deepening relationship with existing large accounts, verticalised sales structure, leveraging core and peripheral services, and defined incentives of cross-sell/up-sell are expected to drive the company's revenue growth going ahead. Further, Birlasoft has been signing a steady mix of net-new deals and renewal of deals, which indicate the company's position in the enterprise digital space. Management expects gradual improvement in operating profitability to continue, given its cost-optimisation initiatives and reduction in discretionary spends.

Key Risks

- ♦ Rupee appreciation and/or adverse cross-currency movements.
- ♦ Macro headwinds, and recession, which can moderate the pace of technology spending.

Additional Data

Key management personnel

Name	Designation
Amita Birla	Chairman and Non-Executive Director
Angan Guha	CEO and MD
Chandrasekar Thyagarajan	Chief Financial Officer

Source: Bloomberg

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Kotak Mahindra Asset	7.24
2	Blackrock Inc	4.98
3	HDFC Life Insurance	3.87
4	ICICI Prudential Ass	2.9
5	HDFC Asset Managemen	2.47
6	Vanguard Group Inc/T	2.3
7	FundRock Management	2.22
8	Central India Indust	1.86
9	Tata Asset Managemen	1.79
10	ICICI Prudential Lif	1.59

Source: Bloomberg

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Understanding the Mirae Asset Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/ weak realisation environment resulting in margin pressure and deteriorating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Mirae Asset Sharekhan Research

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