



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	✗	↔	✗

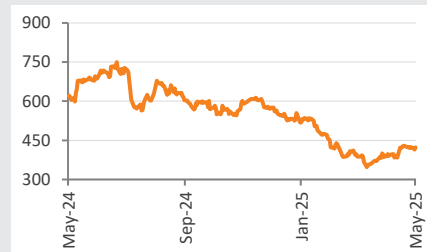
Company details

Market cap:	Rs. 11,686 cr
52-week high/low:	Rs. 760 / 330
NSE volume: (No of shares)	16.8 lakh
BSE code:	532400
NSE code:	BSOFT
Free float: (No of shares)	16.5 cr

Shareholding (%)

Promoters	41
FII	12
DII	25
Others	23

Price chart



Source: NSE India, Mirae Asset Sharekhan Research

Price performance

(%)	1m	3m	6m	12m
Absolute	6.5	-0.1	-28.3	-31.8
Relative to Sensex	5.2	-11.2	-30.2	-40.9

Source: Mirae Asset Sharekhan Research, Bloomberg

Birlasoft Ltd

Subdued Quarter

IT & ITes

Sharekhan code: BSOFT

Reco/View: Buy



CMP: Rs. 421

Price Target: Rs. 480



Upgrade



Maintain



Downgrade

Summary

- Reported revenue stood at \$152.2 million, down 5.3% q-o-q/6.9% y-o-y, in CC terms, missing our estimate of \$160.1 million.
- EBITDA margin expanded ~119 bps q-o-q to 13.2%, beating our estimates of 12.6%. New deal wins TCV stood at \$112 million, up 75% q-o-q/ 5% y-o-y.
- The management expects FY26 to be better than FY25 and aims to maintain ~13% margins while prioritizing growth over margin expansion in FY26
- We maintain BUY with a revised PT of Rs. 480 (valued at 20x FY27E EPS). At CMP, the stock trades at 21.1/17.4x FY26/27E EPS.

Birlasoft reported revenue at \$152.2 million down 5.3% q-o-q/6.9% y-o-y in constant currency (CC) terms, missing our estimates of \$160.1 million. EBITDA margin expanded ~119 bps q-o-q to 13.2%, beating our estimates of 12.6%. The company signed TCV deals of \$236 million, up 4% q-o-q /down 2% y-o-y, out of which new deal wins TCV stood at \$112 million, up 75% q-o-q/ 5% y-o-y. Renewal deal wins stood at \$124 million, down 23% q-o-q/7% y-o-y. Net headcount fell by 195 during the quarter, taking the total headcount to 11930. LTM attrition inched up 10 bps q-o-q 12.8% while utilisation fell 80 bps q-o-q to 81%. Net profit stood at Rs. 122.1 crore, up 4.4% q-o-q/ down 32.2% y-o-y. Management expects FY26 to better than FY25, however they expect Q1FY26 to remain muted or slightly negative, with growth anticipated from Q2FY26. The management aims to maintain ~13% margins while prioritizing growth over margin expansion in FY26. We maintain BUY with a revised price target (PT) of Rs. 480 (valued at 20x FY27E EPS). At CMP, the stock trades at 21.1/17.4x FY25/27E EPS.

Key positives

- New deal wins TCV stood at \$112 million, up 75% q-o-q/ 5% y-o-y.
- EBITDA margin expanded ~119 bps q-o-q to 13.2%

Key negatives

- Net headcount declined by 195, taking the total headcount to 11930.
- Utilisation declined by 80 bps q-o-q to 81%.

Management Commentary

- Revenue growth in Q1FY26 is expected to be muted or slightly negative, with growth anticipated from Q2FY26.
- Q1FY26 TCV may be lower due to fewer renewals.
- The management aims to maintain ~13% margins while prioritizing growth over margin expansion in FY26.
- BFSI growth slowed due to its niche focus (cards/payments, asset management), but recovery is expected in a few quarters
- MedTech (manufacturing-driven) faces tariff-related caution but has not lost accounts.

Revision in earnings estimates – We have revised our earnings estimates to factor in Q4FY25 performance.

Our Call

Valuation – Maintain Buy with revised PT of Rs. 480: Birlasoft reported a subdued quarter impacted by furloughs, project closures, and ramp-downs. Management expects FY26 to better than FY25, however they expect Q1FY26 to remain muted or slightly negative, with growth anticipated from Q2FY26. The company is navigating a tough demand environment especially in Manufacturing and Lifesciences. The company expects growth to resume from Q2FY26, driven by a strong deal pipeline, including multi-year annuity-based contracts and new logo wins. Investments in GenAI, ERP, and sales capabilities, along with leadership changes, aim to bolster organic growth and diversify revenue streams. We maintain BUY with a revised PT of Rs. 480 (valued at 20x FY27E EPS). At CMP, the stock trades at 21.1x/17.4x its 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)

Particulars	FY24	FY25	FY26E	FY27E
Revenue	5,278.1	5,375.2	5,481.9	6,030.9
OPM (%)	15.8	13.0	13.0	13.7
Adjusted PAT	623.8	516.8	560.4	680.4
YoY growth (%)	29.3	(17.1)	8.4	21.4
Adjusted EPS (Rs.)	22.3	18.3	19.9	24.2
P/E (x)	18.9	22.9	21.1	17.4
P/B (x)	6.1	5.4	4.8	4.3
EV/EBIDTA (x)	20.7	24.2	23.3	19.7
RoNW (%)	22.7	15.8	15.2	16.5
RoCE (%)	26.1	17.9	15.4	16.8

Source: Company; Mirae Asset Sharekhan estimates

Key result highlights

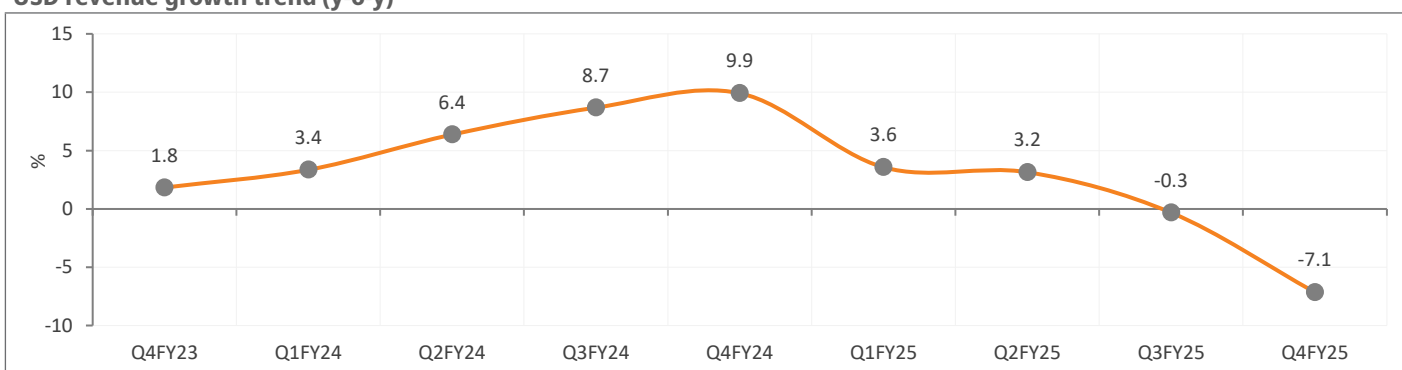
- ♦ **Revenue growth:** Reported revenue stood at \$152.2 million, down 5.3% q-o-q/7.1% y-o-y, in CC terms, missing our estimate of \$160.1million. Revenue in rupee terms stood at Rs. 1,317 crore, down 3.4% q-o-q/3.4% y-o-y. Revenue was impacted by furloughs, project closures, and ramp-downs. Consolidated revenue for FY25 grew 1.8% y-o-y to Rs 5,375 crore (\$635 million).
- ♦ **EBITDA margin:** EBITDA margin rose ~119 bps q-o-q to 13.2%, beating our estimates of 12.6%. driven by operational efficiencies, lower variable pay, and currency tailwinds. FY25 EBITDA margin stood at 13% down 287 bps y-o-y.
- ♦ **Vertical-wise performance:** Manufacturing, life sciences & services and BSI declined 6.8%/7.2%/and 6.1% q-o-q, respectively, while Energy & Utilities was up 1.9% q-o-q.
- ♦ **Deal signings:** The company has signed TCV deals of \$236million, up 4%q-o-q /down 2% y-o-y, out of which new deal wins TCV stood at \$112 million, up 75% q-o-q/ 5% y-o-y. Renewal deal wins stood at \$124 million, down 23% q-o-q/7% y-o-y.
- ♦ **Top accounts:** Revenue from Top 5, Top 10, and Top 20 clients fell by 5.1%, 5.7%, and 5.1% y-o-y, respectively. The number of active clients declined by 11 q-o-q to 254 clients.
- ♦ **Attrition and utilisation:** Net headcount declined by 195 during the quarter, taking the total headcount to 1193 LTM attrition inched up 10 bps q-o-q 12.8% while Utilisation declined 80bps q-o-q to 81%.
- ♦ **Cash balance:** Cash and cash equivalents rose to Rs. 2,218 crore, up 27.1% y-o-y. Days Sales Outstanding (DSO) stood 54 days in Q4FY25 as compared to 53 days in Q3FY25.

Results (Consolidated)

Particulars	Q4FY25	Q4FY24	Q3FY25	Y-o-Y (%)	Q-o-Q (%)
Revenues (\$ mn)	152.2	163.9	160.8	-7.1	-5.3
Net sales	1,316.9	1,362.5	1,362.7	-3.4	-3.4
Employee benefit expenses	778.1	767.9	832.9	1.3	-6.6
Gross Profit	538.8	594.6	529.8	-9.4	1.7
Operating expenses	335.1	372.9	343.8	-10.2	-2.5
S&M and other expenses	30.1	-	22.6		
EBITDA	173.6	221.7	163.4	-21.7	6.2
Depreciation	21.6	21.1	21.3	2.6	1.8
EBIT	151.9	200.6	142.2	-24.2	6.9
Other income	19.9	45.7	20.8	-56.5	-4.4
Finance cost	5.5	4.1	6.9	35.0	-20.7
PBT	166.3	242.2	156.0	-31.3	6.6
Tax provision	44.2	62.1	39.0	-28.9	13.2
Net profit	122.1	180.1	116.9	-32.2	4.4
EPS (Rs)	4.3	6.5	4.2	-33.6	4.6
Margin (%)					
EBITDA	13.2	16.3	12.0	-309	119
EBIT	11.5	14.7	10.4	-318	111
NPM	9.3	13.2	8.6	-394	69

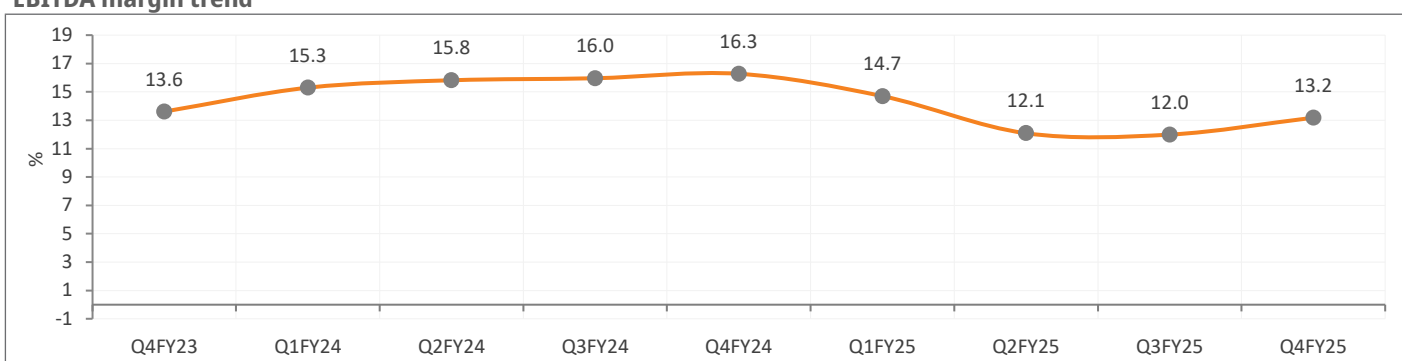
Source: Company; Mirae Asset Sharekhan Research

USD revenue growth trend (y-o-y)



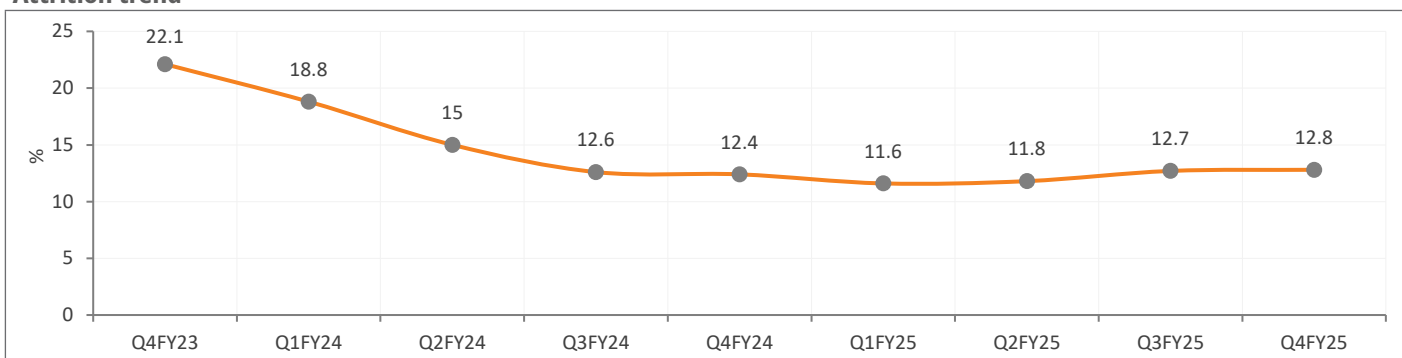
Source: Company; Mirae Asset Sharekhan Research

EBITDA margin trend



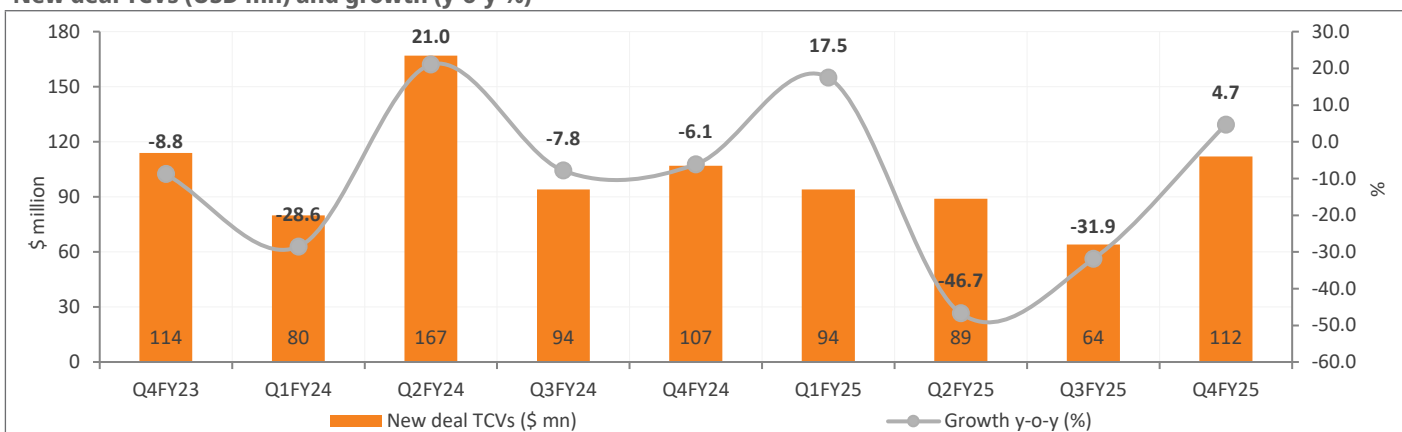
Source: Company; Mirae Asset Sharekhan Research

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 View – 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.

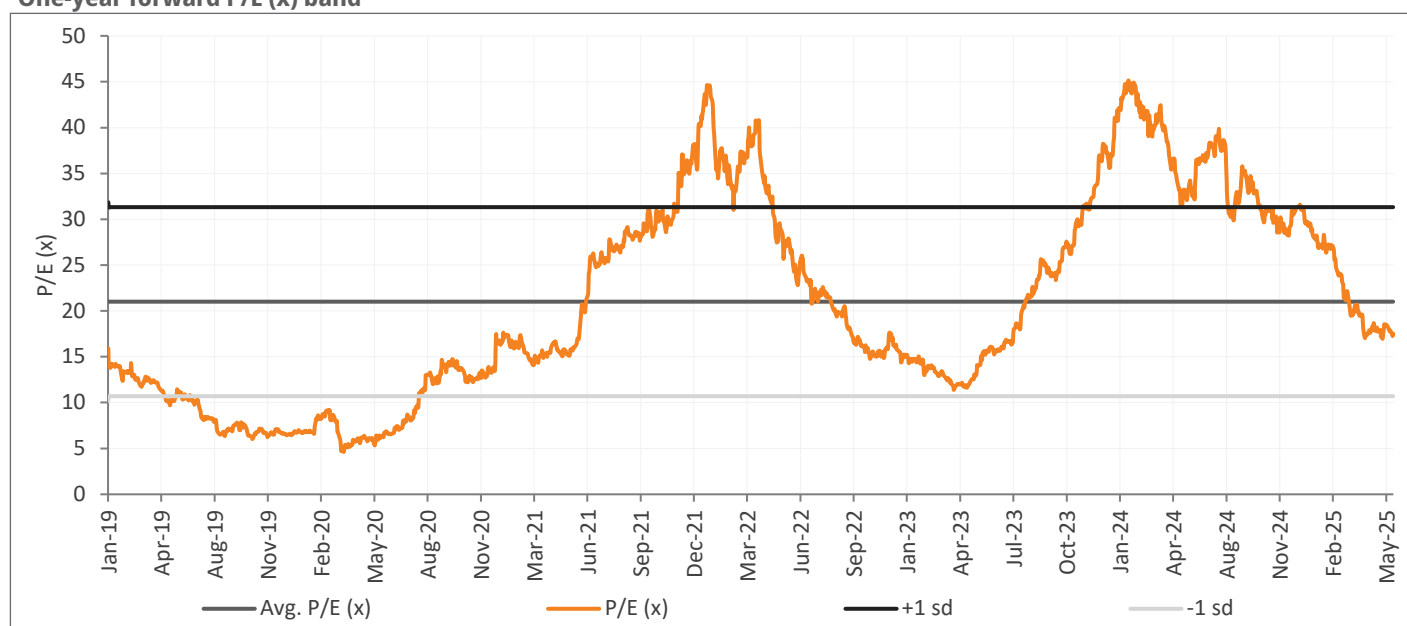
■ Company Outlook – Navigating tough environment

Despite near-term headwinds, the company expects a better FY26 than FY25, with long-term growth targeted for FY27 and beyond. Birlasoft is navigating a tough demand environment by focusing on new 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 Q1FY26 to remain muted or slightly negative, with growth anticipated from Q2FY26. Management aims to maintain ~13% margins while prioritizing growth over margin expansion in FY26.

■ Valuation – Maintain Buy with a revised PT of Rs. 480:

Birlasoft reported a subdued quarter impacted by furloughs, project closures, and ramp-downs. Management expects FY26 to be better than FY25, however they expect Q1FY26 to remain muted or slightly negative, with growth anticipated from Q2FY26. The company is navigating a tough demand environment especially in Manufacturing and Lifesciences. The company expects growth to resume from Q2FY26, driven by a strong deal pipeline, including multi-year annuity-based contracts and new logo wins. Investments in GenAI, ERP, and sales capabilities, along with leadership changes, aim to bolster organic growth and diversify revenue streams. We maintain BUY with a revised PT of Rs. 480 (valued at 20x FY27E EPS). At CMP, the stock trades at 21.1x/17.4x its 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 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
Kamini Shah	Chief Financial Officer
Arun Dinakar Rao	Chief People Officer

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Kotak Mahindra Asset Management Co	7.51
2	Blackrock Inc	4.98
3	FundRock Management Co SA	4.41
4	HDFC Asset Management Co Ltd	3.74
5	ICICI Prudential Asset Management	2.36
6	Vanguard Group Inc/The	2.28
7	Central India Industries Ltd	1.86
8	Tata Asset Management Pvt Ltd	1.78
9	Dimensional Fund Advisors LP	1.40
10	IDFC Mutual Fund/India	1.36

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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