



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. 14,384 cr
52-week high/low:	Rs. 1,255/555
NSE volume: (No of shares)	6.8 lakh
BSE code:	538835
NSE code:	INTELLECT
Free float: (No of shares)	9.7 cr

Shareholding (%)

Promoters	29.9
FII	27.8
DII	7.2
Others	35.2

Price chart



Source: NSE India, Mirae Asset Sharekhan Research

Price performance

(%)	1m	3m	6m	12m
Absolute	-7.3	35.3	16.1	3.8
Relative to Sensex	-5.7	32.4	9.2	2.0

Source: Mirae Asset Sharekhan Research, Bloomberg

Intellect Design Arena Ltd

Tepid Q1, AI push; order flows to drive growth

IT & ITes

Sharekhan code: INTELLECT

Reco/View: Hold



CMP: Rs. 1,035

Price Target: Rs. 1,100



Upgrade



Maintain



Downgrade

Summary

- Reported revenues stood at Rs. 701 crore, up 15.9% y-o-y, missing our Rs.729 crore estimate.
- EBITDA margins expanded ~ 35 bps y-o-y to 20.3%, missing our estimates of 21.9%. Deal pipeline stood at Rs. 11,300 crore, up 32.5% y-o-y.
- The company aims for a three-year revenue target of Rs. 4,000 crore and EBITDA margins of 22-25%, depending on specific license deals and market conditions.
- We maintain a Hold rating with a revised PT of Rs. 1,100 (valued at 25x FY27E EPS). At CMP, the stock trades at 31.1/23.6x its FY26/27E EPS.

Reported revenues stood at Rs. 701 crore down 3.7 q-o-q/up 15.9% y-o-y, missing our estimates of Rs.729 crore. Growth was led by platform revenues up 91% y-o-y, respectively. EBITDA margins rose ~35 bps y-o-y to 20.3%, but missed our estimates of 21.9%. Deal pipeline stood at Rs. 11,300 crore, 32.5% y-o-y. Adjusted PAT stood at Rs. 94 crore, down 30% q-o-q/up 27% y-o-y missing our estimates of Rs 111 crore. The company achieved 17 deal wins and executed fifteen Go Lives across geographies. Destiny deals improved to 93 from 91 in Q4FY25. The average deal size improved to Rs.62 crore from Rs. 60 crore in Q4FY25. The company aims to keep EBITDA margins at 22-25%, depending on specific license deals and market conditions. The strong 11,300 crore deal pipeline underscore its growth potential, while the Central 1 acquisition and eMACH.ai's market traction enhance its competitive positioning. We maintain hold with a revised PT of Rs. 1,100 (valued at 25x FY27E EPS). At CMP, the stock trades at 31.1/23.6x its FY26/27E EPS.

Key positives

- Deal pipelines stood at Rs. 11,300 crore, up 32.5% y-o-y
- Platform revenue stood at Rs. 126 crore, up 91% y-o-y.

Key negatives

- Licenses revenue stood at Rs 129 crore, down 26% q-o-q.

Management Commentary

- Three strategic wins in the US., with two global banks, marking the entry of eMACH.ai into the US Market.
- The company aims to maintain EBITDA margins between 22-25%, depending on specific license deals and market conditions.
- Company aims for a three-year target of reaching Rs. 4,000 crore revenue and Rs. 1,000 crore margins.
- The company is planning to invest Rs. 100-130 crore in AI, with expected AI revenue of around Rs. 200 crore by year-end.
- Annual recurring revenue stood at Rs. 1,041 crore.

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

Our Call

Valuation – Maintain Hold with revised PT of Rs 1100: Intellect reported a tepid quarter on a sequential basis after a seasonally strong Q4. Strong traction of eMACH.ai and strategic deal wins contributed to growth while Central 1 acquisition has opened cross-sell opportunities in core banking, lending, and payments, contributing to Q1 deal wins. The launch of Purple Fabric, an open business impact AI platform, is expected to be key growth catalyst. The management is aiming for three-year target of Rs 4,000 crore revenue while targeting EBITDA margin of 22-25% EBITDA margins. The strong 11,300 crore deal pipeline underscore its growth potential, while the acquisition of Central 1 and eMACH.ai's market traction enhance its competitive positioning. We maintain hold with a revised PT of Rs. 1,100 (valued at 25x FY27E EPS). At CMP, the stock trades at 31.1/23.6x its FY26/27E EPS.

Key Risks

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

Valuation (Consolidated)

Particulars	FY24	FY25	FY26E	FY27E
Revenue	2,509.9	2,495.5	2,963.2	3,609.6
OPM (%)	21.7	21.1	22.2	23.3
Adjusted PAT	337.2	332.8	472.5	623.8
% YoY growth	26.2	(1.3)	42.0	32.0
Adjusted EPS (Rs.)	22.9	23.5	33.2	43.9
P/E (x)	45.3	44.0	31.1	23.6
P/B (x)	6.0	5.2	4.5	3.8
EV/EBITDA (x)	26.3	27.1	20.8	16.0
RoNW (%)	15.0	12.7	15.7	17.7
RoCE (%)	17.6	13.5	15.8	18.4

Source: Company; Mirae Asset Sharekhan estimates

Key Results Highlights

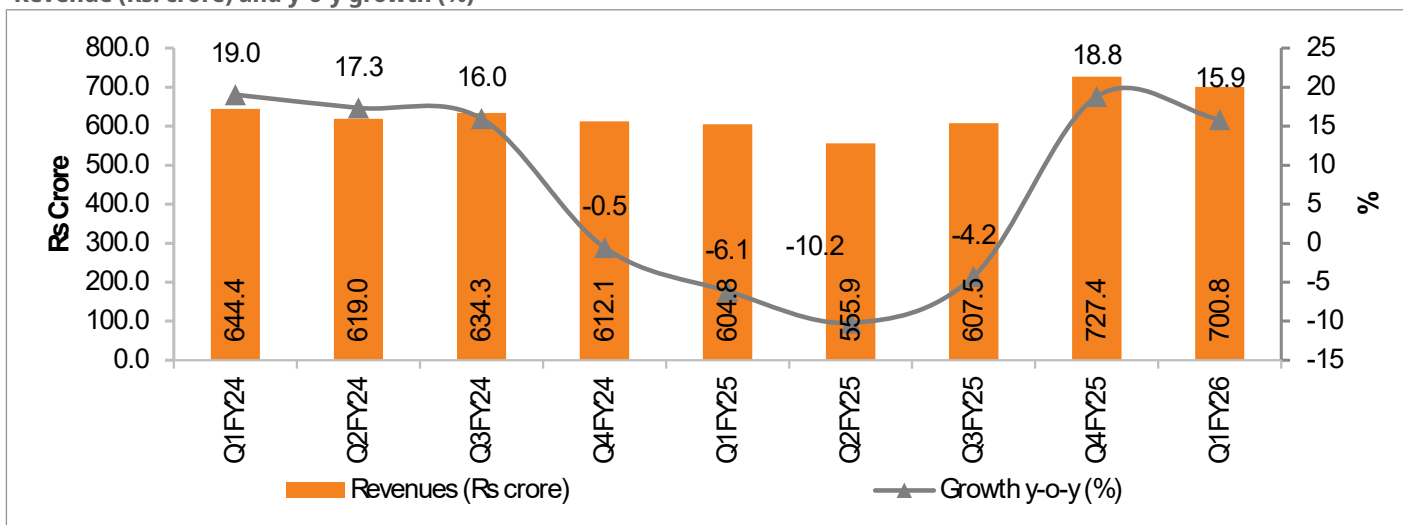
- ♦ **Revenues:** Reported revenue stood at Rs. 701 crore down 2.5% q-o-q/ up 12.9% y-o-y, missing our estimates of Rs. 729 crore. Growth was led by Platform and AMC revenues, up 91% and 11% y-o-y, respectively.
- ♦ **Margin:** EBITDA margins expanded ~ 30 bps y-o-y to 20.3% but missed our estimates of 21.9%.
- ♦ **Strong deal pipeline:** Destiny deals improved to 95 in Q1FY26 from 93 in Q4FY25. Deal pipeline is strong at Rs. 11,300 crores, up 10.4% q-o-q/ 32.5% y-o-y. The average deal size improved to Rs. 62 crore from Rs. 60 crore in Q4FY25. In Q1 the company achieved 17 deal wins and executed fifteen Go Lives across geographies.
- ♦ **Cash position:** Cash & equivalents stood at Rs. 976 crore, up 20% y-o-y with collections up at Rs 586 crore, up 5.4% y-o-y.

Results (Consolidated)

Particulars						Rs cr
	Q1FY26	Q1FY25	Q4FY25	% YoY	% QoQ	
Net sales	700.8	604.8	727.4	15.9	-3.7	
Software development expenses	319.8	261.9	286.9	22.1	11.4	
Gross Profit	381.0	342.9	440.4	11.1	-13.5	
Selling & marketing and General & Administrative expenses	184.4	170.8	181.3	7.9	1.7	
Research & Engineering expenses	54.2	51.2	53.5	5.8	1.3	
EBITDA	142.5	120.8	205.7	17.9	-30.7	
Depreciation & amortisation	48.1	36.5	41.4	31.8	16.2	
EBIT	94.3	84.3	164.2	11.9	-42.6	
Other income	31.4	14.9	20.4	110.7	54.4	
Finance cost	1.4	1.0	1.0	37.4	41.2	
PBT	124.3	98.2	183.6	26.6	-32.3	
Tax provision	31.5	23.3	45.7	35.2	-31.0	
Net profit	94.5	74.5	135.3	26.9	-30.2	
EPS (Rs)	6.7	5.3	9.6	26.7	-30.4	
Margin (%)						
EBITDA	20.3	20.0	28.3	35	-795	
EBIT	13.5	13.9	22.6	-48	-912	
NPM	13.5	12.3	18.6	117	-512	

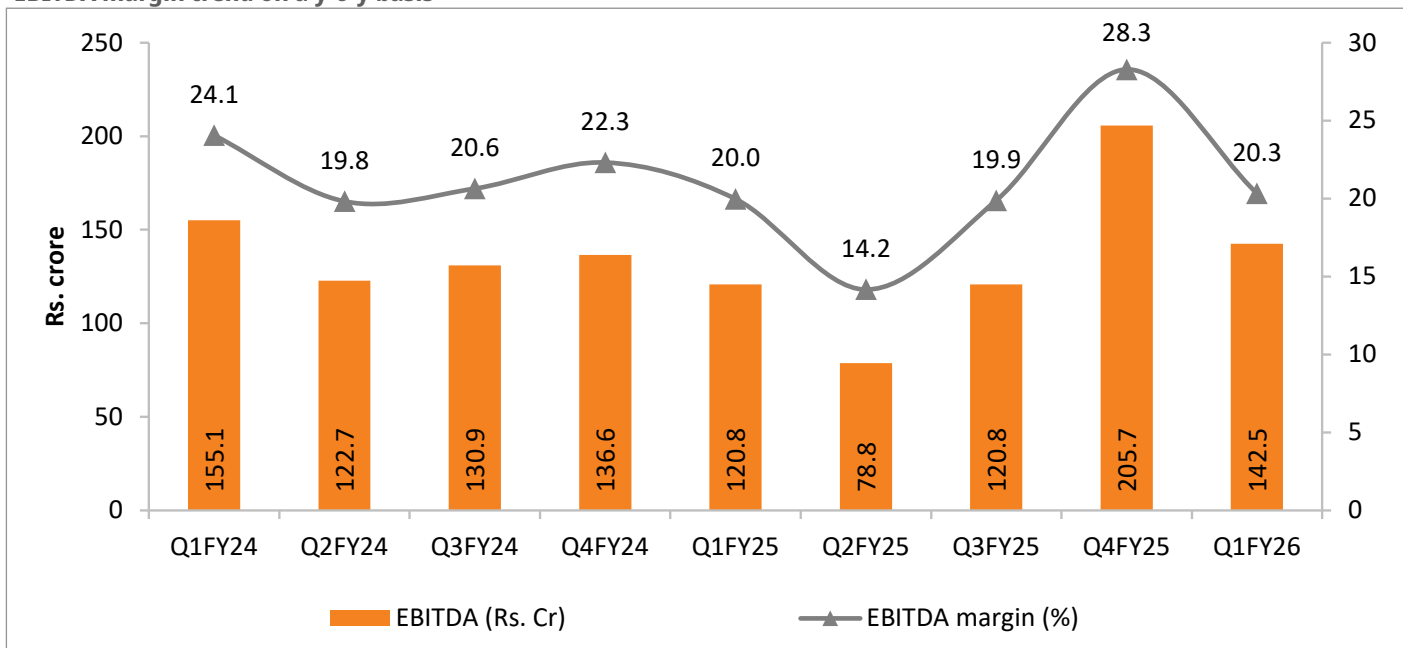
Source: Company; Mirae Asset Sharekhan Research

Revenue (Rs. crore) and y-o-y growth (%)



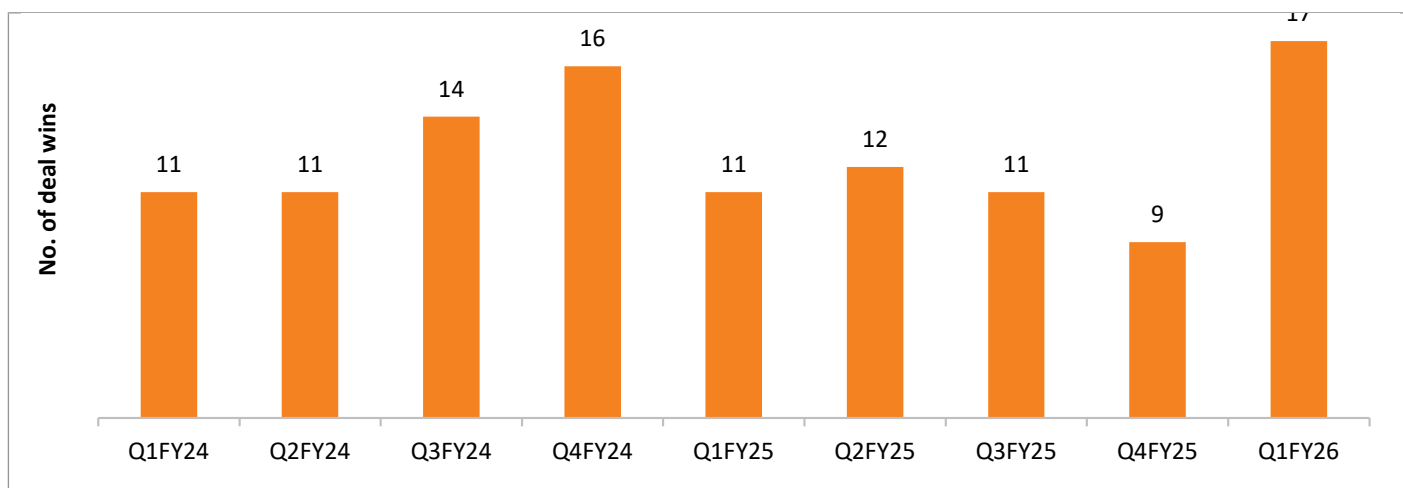
Source: Company; Mirae Asset Sharekhan Research

EBITDA margin trend on a y-o-y basis



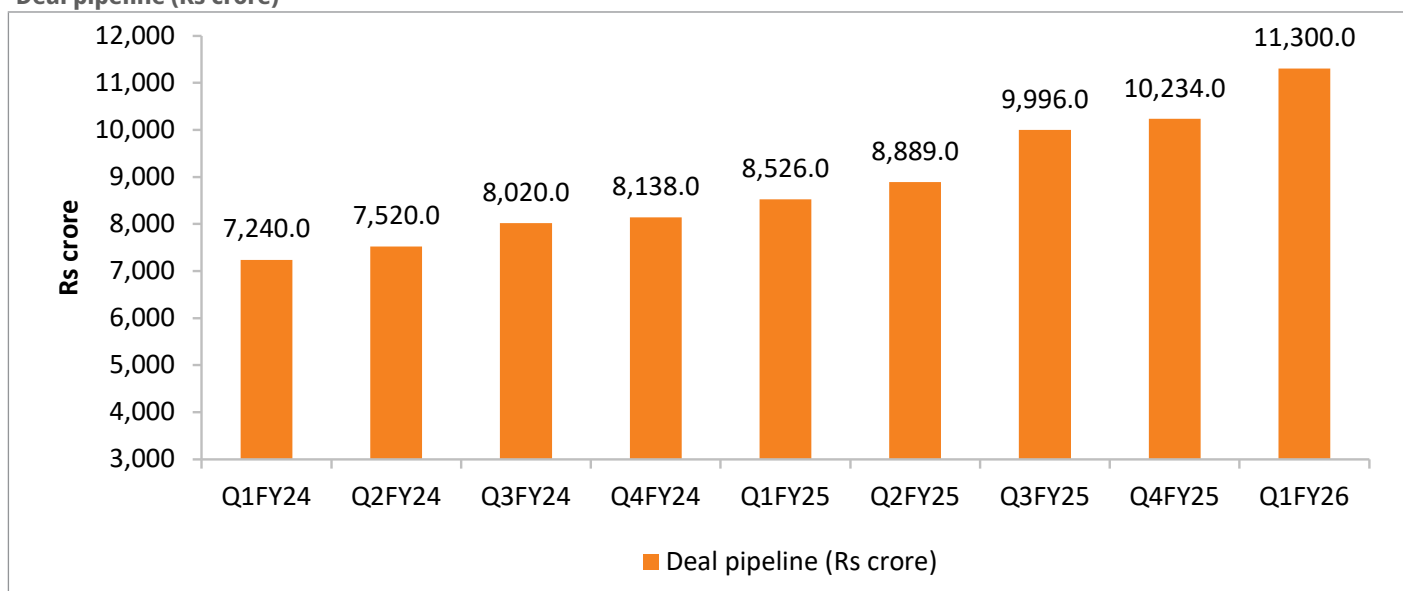
Source: Company; Mirae Asset Sharekhan Research

Digital deal wins (in nos)



Source: Company; Mirae Asset Sharekhan Research

Deal pipeline (Rs crore)



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.

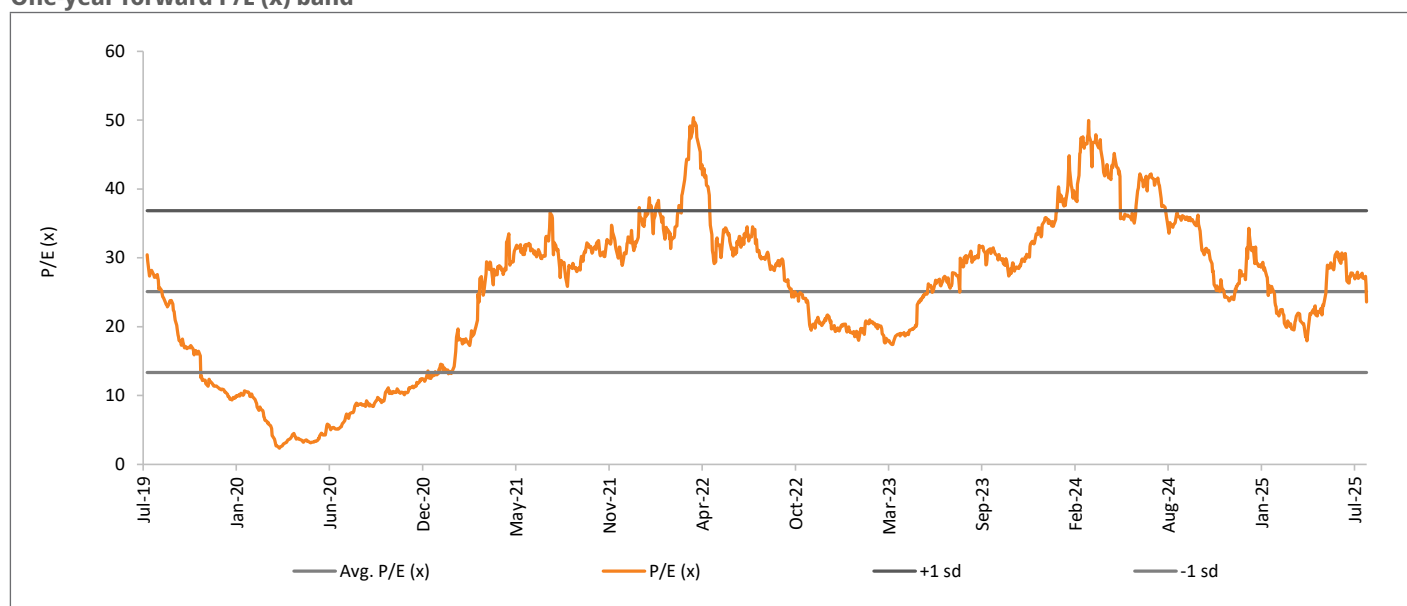
■ Company Outlook – Quality of revenue to drive profitability and cashflow

Intellect Design has been focusing on increasing its license-linked revenues, as a higher license-lined revenue would lead to steady revenue growth. FY25 ARR of Rs. 870 crore underscore its focus on profitable, scalable growth, with License Linked revenue contributing 50% of total revenue. Intellect is optimistic about FY26, driven by deepening Purple Fabric deployments and expanding its US and Canada footprint, bolstered by the Central One acquisition. Strategic investments in AI and new direct-to-corporate products position Intellect to tap a Rs. 1,000 crore opportunity with Purple Fabric, with ambitions to scale to Rs. 5,000 crore, while maintaining a balanced cost structure and strong cash flows.

■ Valuation – Maintain Hold with revised PT of Rs 1,100

Intellect reported a tepid quarter on a sequential basis after a seasonally strong Q4. Strong traction of eMACH.ai and strategic deal wins contributed to growth while Central 1 acquisition has opened cross-sell opportunities in core banking, lending, and payments, contributing to Q1 deal wins. The launch of Purple Fabric, an open business impact AI platform, is expected to be key growth catalyst. The management is aiming for three-year target of Rs 4,000 crore revenue while targeting EBITDA margin of 22–25% EBITDA margins. The strong 11,300 crore deal pipeline underscore its growth potential, while the acquisition of Central 1 and eMACH.ai's market traction enhance its competitive positioning. We maintain hold with a revised PT of Rs. 1100 (valued at 25x FY27E EPS). At CMP, the stock trades at 31.1/23.6x its FY26/27E EPS.

One-year forward P/E (x) band



Source: Company; Mirae Asset Sharekhan Research

About company

Intellect Design de-merged from Polaris Consulting Services in October 2014. Intellect Design is a Digital Financial Technology Products Company addressing the business needs of the banking and financial services domains. The company caters to four main verticals in the banking industry – 1) retail banking, 2) corporate banking, 3) insurance, and 4) treasury and capital markets. The company has four business units that are aligned with verticals such as Global Consumer Banking (iGCB), Global Transaction Banking (iGTB), Risk, Markets and Treasury (iRTM), and Insurance (iSEEC).

Investment theme

Intellect Design offers a wide spectrum of products across banking and insurance, which are built on micro-services-based architecture, powered by AI and ML. With 12 products and four platforms across four business lines, the company is well placed to accelerate digital roadmaps of financial institutions. The company has made substantial investments on talents, R&D, sales, and infrastructure to increase the acceptance of its products across geographies. Management is focusing more on profitability and cash conservation than on growth by improving the contribution of annuity revenue to overall revenue.

Key Risks

- ♦ Rupee appreciation and/or adverse cross-currency movements, 2) Macro headwinds, and recession can moderate the pace of technology spending.

Additional Data

Key management personnel

Name	Designation
Arun Jain	Chairman & Managing Director
Manish Maakan	Chief Executive Officer, iGTB
Rajesh Saxena	Chief Executive Officer, iGCB
BaneshPrabhu	Chief Executive Officer, Intellect SEEC
Vasudha Subramaniam	Chief Financial Officer

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Amansa Holdings Pvt Ltd	7.93
2	Franklin Resources Inc	4.67
3	Vanguard Group Inc/The	2.24
4	Gothic Corp	1.37
5	Blackrock Inc	1.23
6	Atyant Capital India Fund-I	1.22
7	Dimensional Fund Advisors LP	0.88
8	Nippon Life India Asset Management	0.67
9	Norges Bank	0.67
10	WhiteOak Capital Asset Management	0.50

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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