

Q2 FY26 Mid Cap IT Review: Amid The AI Gold Rush

BFSI, HLS outperform; BPO plays continue to defy AI disruption; Long IT services, as EnterpriseAI monetization set to scale....

Sensex: 85,720

Nifty: 26,216



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Executive Summary: Resilient growth amid tough macro

1

State of Mid-Cap IT Services

- Mid-cap IT delivered steady, broad-based growth in Q2FY26 on the back of cost take out deals amid continued weakness in discretionary spending.
- BFSI (median +4.2% q/q), HLS (+5.1%) and AI-led modernization remained the core drivers, with most peers posting 1-5% q/q cc growth led by resilient annuity work.
- Stable, improving EBIT margins (14.2%; +44bps q/q), primarily benefited from rupee depreciation (~3%) & operational improvements, partially offset by wage hikes.
- Persistent (+4.4% q/q cc) and Latent View ("LVA") (+7.2% q/q in USD) delivered the highest growth amongst mid-caps (vs. median mid-cap IT growth of 2.0% q/q cc).
- Mphasis, Happiest Minds ("HM") and Firstsource ("FSOL") remain our top picks in Mid-Cap IT, followed by Mastek & Birlasoft ("BSOFT").
 - Mastek & BSOFT are potential turn-around plays, providing valuation comfort (key monitorable: US & Manufacturing exposures, respectively).
- Mid-cap IT services peers trade at FY27e/ FY28e P/E of 34.0x/29.1x (vs. past 5 yr. /10yr. average 1-yr-forward P/E of 34.8 /25.1x), with a FY26-28e EPS CAGR of 18.1%.

2

ER&D: Waiting for Broader Recovery as Auto continues to drag

- LTTS's Q2 was in-line (+1.3% q/q cc vs. -4.2% in Q1) with a record large-deal TCV of \$292mn, amid a resurgence of US reindustrialization opportunities.
- KPIT delivered a resilient Q2 (+0.3% q/q cc vs. -3.2% in Q1; -2.3% organic), amid a US\$65mm revenue headwind from client de-prioritization and self-cannibalization. The company is scaling production-grade AI with OEMs, shifting from traditional services to a solutions-led model (~18% of rev, 2x. y/y).
- KPIT is our top ER&D pick given its positioning in the SDV. ERD peers trade at FY27e/28e market cap weighted P/E of 33.5x/29.3x with a FY26-28e EPS CAGR of 16.6%.

3

BPO's Reinvention: Platforms, Data & Agentic AI...

- FSOL and eClerx saw 2.0% & 5.4% q/q cc respectively, driven by structurally stronger demand for analytics, automation and AI-led transformation.
- Both, FSOL with EBIT margin of 11.5% (~+20bps q/q) & eClerx with 22.7% (~+310bps), benefitted from better utilization and offshore mix.
- Across global BPO peers, Genpact (+6% y/y cc) seeing Advanced Technology Solutions & AI/data deals growing ahead of the core book; EXL (+12.3% y/y cc) tilting mix toward higher-margin Data & AI outpacing traditional Digital Ops work; Cognizant & Capgemini's (ex-WNS) BPO practices, both growing at ~+10% y/y.
- FSOL trades at FY27e/ FY28e P/E of 25.9x/22.4x with a FY26-28e EPS CAGR of 21.2%.

4

Key themes : BFSI & HLS remain core growth engines

- Intellect ("IDA") & Mphasis benefitted from platform-led BFSI modernization as Persistent, BSOFT, LVA & FSOL saw strong US BFSI demand.
- HM, Persistent & Mastek benefit from HLS & UK NHS ("Mastek") deals with steady annuity base, even as some US payer accounts stay cautious.
- Across verticals, common themes driving growth are AI & platform-led offerings, rising fixed-price/managed-services and BPaaS constructs, & deeper client mining.

5

GenAI Pilots Now Scaling

- Flagship, multi-domain agentic AI platforms are being sold as front-door offerings, with even smaller players monetizing concrete use cases rather than slideware.
- Order books are increasingly AI-skewed:
 - Sonata's Cloud/Data is now at ~55% of pipeline
 - KPIT's solutions has doubled its share in revenue y/y
 - LVA is targeting \$19mn (+73% y/y) of Databricks revenue in FY26, on the way to a \$50mn three-year goal.
 - Mphasis disclosed ~69% AI led pipeline, and Mastek's DAAI ("Data, Analytics and AI") horizontal now contributes 12.5% of revenue with 36% y/y growth.

Global IT Peers: EPAM delivers, Globant in line, as Endava disappoints yet again...

EPAM & Globant are both seeing scaled AI monetization. EPAM through AI-native engineering that is now structurally expanding data/cloud modernization demand & Globant through subscription-led AI Pods embedded across top clients. Endava, however saw weak pipeline conversion, client-specific issues, and a T&M-heavy model magnify the near-term deflationary effects of AI, exposing operational fragility instead of AI into tailwinds. Globant and EPAM see strengthening, AI-led demand with rising conversion and share gains, while Endava faces a weak, inconsistent environment marked by poor deal conversion and T&M deflation.

----- *Our pecking order stands at EPAM – Globant – Endava*

EPAM

- EPAM saw solid Q3 growth (+7.1% y/y organic cc) & has emerged as one of the clearest AI winners in global IT services, with AI-native engineering and data/cloud modernization driving structural growth.
- EPAM raised FY25 revenue guidance (+4.6% y/y organic cc vs prior guided 4.0%).
- Clients are redirecting AI programs from peers to EPAM & are prioritizing AI buildouts & using it to modernize data platforms and cloud foundations.
- Currently trades at FY25e/26e/27e P/Es of 15.7x/14.4x/12.9x basis consensus estimates.

Globant

- Q3 revenue up 0.5% q/q vs. 0.5% in Q2, beating the street estimates with adj. op. margin 15.5% (+50 bps q/q). Pipeline hit a record \$3.7bn (+30% y/y). Management sees H2>H1 as stabilization and faster conversion versus 1H.
- Raised its CY25 Revenues estimates from 0.95% to 1.0% y/y cc
- AI Pods (subscription, agentic delivery) nearly doubled their pipeline share in ~10 weeks, and top-5 clients grew 2.1% q/q, signalling deeper mining. 17/top 20 clients (~40% of rev) already embedding Enterprise AI subscriptions showing definitive early proof of AI scaling rather than PoC traction.
- Currently trades at FY25e/26e/27e P/Es of 9.8x/9.4x/8.7x basis consensus estimates.

Endava

- Q1 (June FYE) revenue fell (-7.3% in cc vs -0.7% in Q4), missing guidance, driven mainly by an unexpected client credit and lower-than-planned conversion in non-large deals, leading to sharp reaction from investors with the stock (-26%) and now trading near 52-wk lows.
- For FY26, it projects revenue growth range of -2.5% to -4.5% in cc vs prior guided -1.5% to +0.5%
- Adj. PBT margin fell to 5.5% (vs 8.8% in Q4 & 9.9% in Q1 FY25) due to client credit, AI/bonus investments, and transition friction (upskilling AI talent).
- Currently trades at FY26e/27e/28e P/Es of 5.9x/4.8x/4.1x. basis consensus estimates.

BPO Defying the AI Disruption...

1

AI-led Segments Leading Growth

- Global BPO peers are growing steadily but with AI-led segments clearly outpacing the core with:
 - Genpact's Advanced Technology Solutions (data/AI, agentic; 24% of rev) up 20% y/y,
 - EXL's data & AI-led revenue is up 18% y/y and already 56% of the mix with digital operations still growing 6% y/y, and Teleperformance's core BPO business is back to like-for-like growth with double-digit expansion in back-office and AI-enabled services.
- There is a clear divergence between old and new engines with data/AI and advanced technology businesses compounding at ~15-20%+ and now drive more than half of incremental growth at players like Genpact & EXLS, while traditional digital operations & decision-support work is slowing, making mix shift away from classic BPS.

2

Pivoting to AI-driven "Intelligent Ops" vs. Labor-arbitrage BPO

- AI is moving from pilots to full-scale agentic operations & dragging business models with it, as Capgemini (post-WNS) translates from traditional BPO into intelligent, outcome-based operations, while Genpact, EXLS and Cognizant roll out their own agents and AI suites (AI Maestro, Gigafactory, multi-agent workflows, ADLC/Vector 3), reporting higher-margin economics such as Genpact's ~300 bps gross-margin uplift when clients transition from FTE-led to agentic delivery.
 - Genpact is commercialising AI Maestro, AI Gigafactory and 300+ GenAI/agentic solutions for agentic operations
 - EXL is shifting revenue from traditional operations into embedded-AI workflow platforms like EXLdata.ai
 - Capgemini is using the WNS acquisition to lead outcome-priced, IP-led intelligent operations
 - Cognizant is repositioning as an AI builder with a rising mix of fixed/transaction/outcome contracts & clear non-linearity (revenue per employee +8% y/y).

3

Demand commentary "cautiously constructive"

- Clients remain selective and efficiency-focused, but pipelines in AI, data and operations transformation are expanding
 - EXL sees healthy AI-led pipeline and >75% annuity revenue
 - Genpact has tripling agentic contract volumes; Teleperformance is growing double digit in technology, consulting, back-office and AI data services;
 - Capgemini has raised its 2025 growth outlook to 2-2.5% CC (helped by WNS), implying that AI-first, outcome-linked BPO models should support sustained mid-single to low double-digit growth and margin resilience for scaled players; a clear roadmap and competitive benchmark for Indian BPS names.

4

Indian BPO players too leveraging GenAI

- FSL's Q2 FY26 revenue rose +2% q/q cc (vs. 1.6% in Q1) to \$265mn with EBIT margin at 11.5% (+20 bps q/q). Signed four large deals, added 10 logos (four strategic), crossed \$1bn in qualified pipeline (up 5-10% q/q) with FSL sole-sourcing or shaping deals into transformation programs than competing in open RFPs.
- Delivered a margin uptick, despite wage hikes for 90%+ of employees, driven by delivery optimisation, right-sourcing and AI-led execution
- Its "UnBPO" model, centred on technology arbitrage rather than labour arbitrage, is steadily lifting efficiency and value realisation.
 - UnBPO pivot (technology-over-labor arbitrage) advanced with minority investments in Applied AI and Lyzr and growing Data-as-a-Service work (now with 4 of the top 5 consumer tech companies) is larger TCV deal wins with \$5mn+ account count at 39 now (from 26 in Q2FY25).

Evolution of the BPO model

BPO industry has evolved from **Traditional BPO** (focused on labour-arbitrage, standardised workflows and FTE-based pricing) to → **Digital BPS** (RPA automation and digital platforms deliver efficiency and shift pricing away from FTEs); and now → **Intelligent Operations** (agentic AI, GenAI, and hyper-automation) which enable full business-process redesign and outcome-based, transaction-linked commercial models that drive materially higher value for enterprises.

Traditional BPO

- Labor-cost arbitrage
- Standardized processing
- FTE-based pricing

Example — Insurance Claims Processing

- A large U.S. health insurer outsources its back-office claims processing to an offshore BPO in India.
- Human agents manually validate claim forms, check documents, match policy details, and adjudicate straightforward cases.
- Work is highly standardized, rule-based, and repetitive.
- Pricing is per FTE per month.

Digital BPS

- Automation & platforms
- Efficiency-led gains
- Non-FTE pricing

Example — Customer Support

- A telecom company wants to handle higher call volumes without hiring more people.
- The BPO provider used RPA and a basic chatbot. Simple queries like "What is my data balance?" are handled by a rule-based chatbot.
- Only for complex calls, human intervention is needed.

Intelligent Ops

- AI-enabled operations
- Outcome-led models
- Agentic AI workflows

Example — GenAI-led Contact Centre

- An AI-native “intelligent ops” model using agentic AI for customer service.
- AI agents handle majority of customer interactions autonomously (cards blocking, loan status, KYC checks, transaction disputes).
- Humans handle escalations, guided by real-time AI copilots. AI predicts churn, suggests retention actions, & executes workflow tasks end-to-end.

AI Bubble Fears a Precursor to Software/Services Re-rating....

1

AI Capex: From Euphoria to Scrutiny

- AI has shifted from a momentum trade to a cash-flow trade, with investors now questioning whether the speed of infrastructure build-outs can be justified by the pace of monetisation. Nvidia's blowout quarter being met with an almost reflexive sell-off is a signal that expectations may be peaking, not fundamentals.
- The broader setup is fragile because US equities are highly concentrated in AI-linked winners; any crack in the MAG-7 narrative spills into a systemic derisking.

2

Shorts and Rotations Signal a Tech Shift

- High-profile investors (e.g. Michael Burry's Nvidia shorts, SoftBank's warnings on unsustainable AI infra burn, & Peter Thiel dumping his fund's \$100mn stake in Nvidia) are leaning against AI leaders through shorts & skepticism around "infinite TAM" claims have amplified bubble fears pushing markets to reassess where real earning sits.
- After the tentative Meta deal, Alphabet's TPU architecture is now being positioned as a credible alternative to NVIDIA's GPU platform for specific AI workloads
- As AI valuations look crowded, capex-heavy, global tech investment is rotating towards businesses with near-term visibility & defensible profit vs. promise-heavy growth.

3

Oracle as the Canary in AI Infra mine...

- Oracle's widening 5-yr CDS spread and debt-funded AI build-out plans (\$38Bn incremental borrowing; net debt potentially tripling by FY28) underscore the market's anxiety about front-loaded capex meeting back-ended revenue.
- CoreWeave takes that fragility to the extreme with \$11Bn debt against \$5.3Bn FY25 guided revenue makes it emblematic of second-tier AI infra risk, where financing and GPU collateral cycles can turn quickly.
- The read-through is that AI infra may be real, but the financing stack is getting stress-tested and CDS is the earliest warning system.

4

Re-rating Case: Software/Services Capture AI's ROI

- As AI-infra economics get questioned, capital is naturally shifting towards the layer that monetises AI without owning capex towards enterprise software & IT services.
- The market is rediscovering that even if AI spend moderates, enterprises still must modernise, migrate, secure, and run operations- workstreams where services and software sit at the center. In effect, bubble fears at the infra/chip layer are becoming a precursor to a valuation floor and potential rerating for Services
- For hyperscalers and cloud providers using NVIDIA hardware, the emergence of TPU alternatives may put downward pressure on hardware cost inflation, potentially improving unit economics for AI infra spend, thereby accelerating Enterprise AI adoption

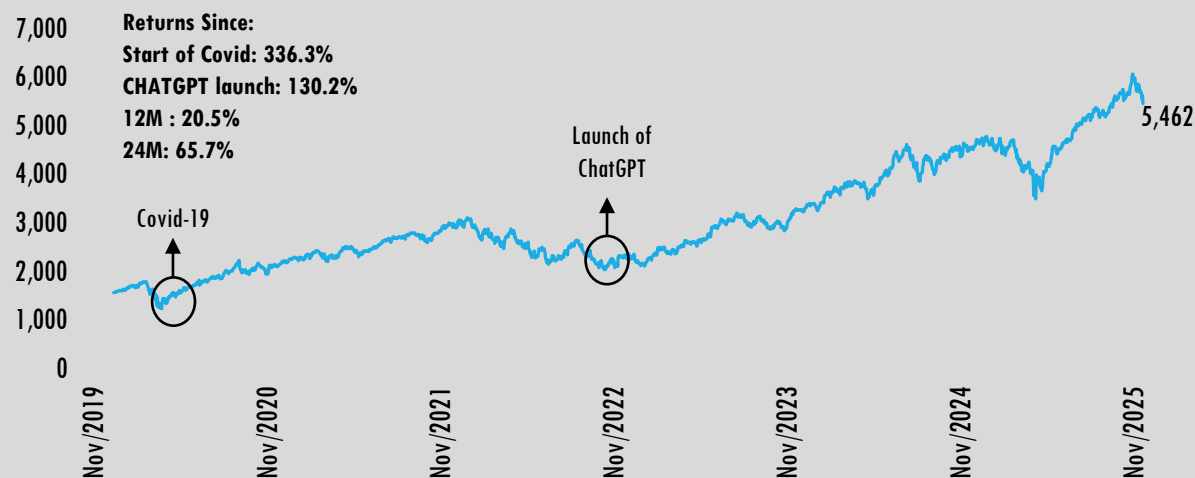
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Indian IT at the Heart of the Anti-AI Trade

- Indian IT services have become a global "anti-AI hedge" because India lacks listed AI pure-plays and has not participated in the AI rally; our tech index is dominated by people+process businesses with strong cash flows and modest AI expectations. When AI leaders wobble, Nifty IT outperforms as global investors seek a safer way to stay in tech exposure, anchored in cost-takeout and GenAI-infused use case solutions.
- The medium-term re-rating case, however, hinges on execution as Indian IT firms must absorb productivity-led pricing deflation by shifting mix to AI-infused fixed-price, platform-assisted and outcome-based contracts, so they emerge not just as a hedge to AI hype, but as the integrators who scale AI in the real economy.

The IT Services Re-rating Story in Charts: S&P 500 IT vs. Nifty IT (1/2...)

S&P 500 IT



The US IT sector (S&P 500 IT) has outperformed Nifty IT consistently since 2019. It is winning the marathon (Post-Covid: 336% vs. 198%) and the sprint (Post-ChatGPT: 130% vs. 21%).

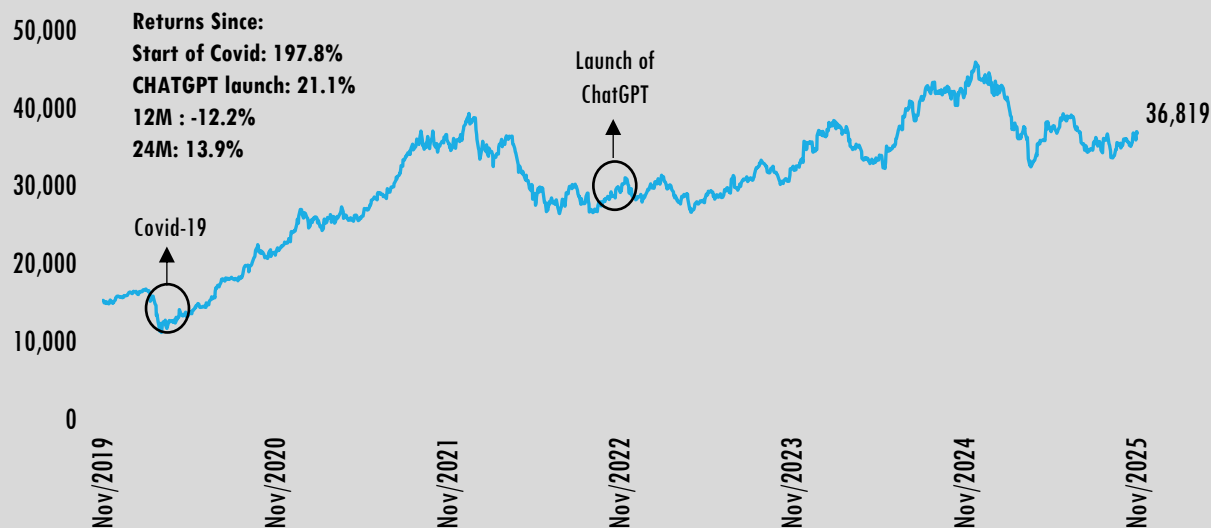
Contrary to the perception of Indian IT's post-pandemic leadership due to rapid digitization and move to cloud brought on by remote work, the S&P 500 IT companies have delivered vastly superior structural returns

The "AI Premium" Gap:

Nifty IT's returns since Covid remains strong in absolute terms (~198%), but the index has flattered post-GenAI. The launch of ChatGPT acted as a massive inflection point and accelerated the divergence for US technology stocks, driving a ~130% surge in the S&P 500 IT index as capital flocked to pure-play AI companies; in contrast, Nifty IT saw a much more muted ~21% growth in the same period.

We see that the market has not yet fully rewarded IT service providers for the GenAI wave, compared to the sharp upward re-rating in the US, underscoring the bifurcation where GenAI-driven capex is flowing disproportionately to hyperscalers and US SaaS, while Indian IT awaits broader H2 enterprise adoption to meaningfully participate in the cycle.

Nifty IT



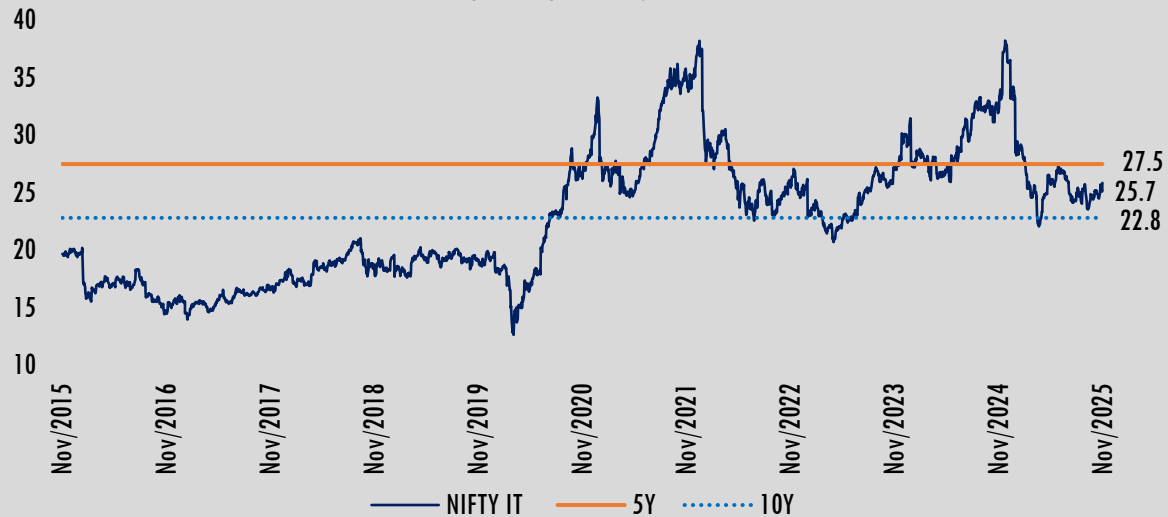
The S&P 500 ("IT") Information Technology Index tracks all S&P 500 companies classified under the GICS Information Technology sector, serving as the benchmark gauge for the performance of large-cap U.S. tech stocks. Constituents include Microsoft, Nvidia, Palantir, Apple, Broadcom, Intel, Salesforce, Servicenow, Adobe, CrowdStrike,, Accenture, Cognizant, IBM among other tech players

The IT Services Re-rating Story in Charts: Value Emerging on the Homefront (1/2...)

S&P 500 IT: 1-yr fwd P/E ratio



Nifty IT: 1-yr fwd P/E ratio



- S&P 500 IT continues to command a structural valuation premium, trading at ~38x 1-yr fwd P/E versus long-term averages of ~26-31x, underscoring US tech's direct participation in the GenAI monetisation cycle has driven a sustained re-rating well above pre-Covid norms.
- In contrast, Nifty IT at ~25.7x sits only between its 5 and 10-year 1-yr fwd P/E averages of 27.5x and 22.8x respectively, indicating that despite earnings resilience in Q2FY26 and improving H2 visibility, Indian IT has yet to see a meaningful GenAI-led re-rating, suggesting value emerging on the homefront as global valuation froth remains concentrated in US tech leaders.
- Indian IT offers a compelling margin of safety, with current valuations providing an attractive entry point as we expect the inevitable demand recovery to kick in sooner than later.

Q2FY26 GenAI Commentary (1/2)

1	Mphasis	- Proprietary platforms like NeoIP, NeoZeta, NeoCrux, and NeoSaBa are driving differentiation, with 42% of deal wins in Q2, AI-led. The recently launched NeoIP platform enables continuous transformation through dynamic knowledge graphs and AI agent integration. NeoCrux saw 20-30% SDLC productivity & ~60% tech-debt reduction for a BFSI client. - AI remains the growth catalyst where the pipeline has expanded 2.4x since AI infusion, with ~69% AI-led opportunities. Large-deal pipeline is up 180% y/y
2	Persistent	- AI-led execution is now a differentiator in both selling & delivery with SASVA (digital engineering GenAI platform) winning competitive tech deals with better realizations and lower people intensity, translating to improved margins for the Hi-tech vertical (+1,260 bps q/q; from 24% to 36.6% margins) - The “Services as software” model which includes bundling platforms, proprietary IP, and outcome-based pricing is gaining acceptance among top-tier clients.
3	Sonata	Sonata is scaling an agentic AI platform (AgentBridge) and aligning GTM with hyperscaler AI consumption models including co-sell. It is pursuing AI opportunities across 100+ clients and has deployed production agents internally (HR/Finance). ~95% of employees and 80% of managers are AI-trained now.
4	Birlasoft	- Birlasoft highlighted tangible AI delivery with the example of an agentic-AI solution taken live for a US P&C carrier with measurable efficiency/accuracy gains. - They have also invested in developing their own Agentic AI platform called Cogito, which has helped win new deals this quarter.
5	Mastek	Strong AI traction continues, with Oracle AI for Supply Chain recognition, a \$5mn+ multi-year healthcare AI transformation deal, and differentiated innovation backed by proprietary AI IP and patents, and the DAAI service line growing 36% y/y to contribute 12.5% of revenue in Q2FY26.
6	Intellect	- AI-led platforms eMACH.ai and Purple Fabric are now central growth drivers, with Purple Fabric embedded in 70% of the Rs120bn deal funnel and materially boosting both revenue and margins. - A new 7.25 lakh sq. ft. Siruseri AI innovation campus will house Purple Fabric AI labs and eMACH.ai academies, reinforcing long-term AI-led innovation.

Q2FY26 GenAI Commentary (2/2)

7	Happiest Minds	GenAI-driven Business Services saw strong traction with ~18% q/q growth, 20-25% pricing premiums, and a \$15m pipeline built on 22 reusable AI use cases, as early PoCs increasingly scale into full production.
8	Latent View	- Latent View's House of AI unifies data engineering, ML, GenAI, and agentic AI to solve client problems, focusing on high-value propositions like synthetic data generation, agentic churn analytics, and LLM-integrated CRM workflows. - AI revenue is scaling rapidly, with \$5.5mn YTD vs \$7mn last year and another \$7mn in active opportunities, showing strong momentum for the House of AI.
9	LTTS	- LTTS is shifting to an AI-first delivery model across engineering, industrial, and Physical AI, with growing traction for its AI platforms and a goal to lift licensed AI revenue from ~1% to 5% of TTM revenue. - AI and automation are being infused across PDLC and internal functions (delivery, HR, finance, marketing, IT) to drive efficiency and margin improvement in H2.
10	KPIT	KPIT is scaling production-grade AI programs with OEMs, driving a shift from services to AI-led solutions (now ~18% of revenue) and enabling higher realizations, stronger margins, and more fixed-price, end-to-end AI-infused programs (~65%; +800bps y/y).
11	FSOL	The UnBPO shift is being driven by AI, with investments in Applied AI and Lyzr and growing Data-as-a-Service work (now with 4 of the top 5 consumer tech companies) is leading to wallet share is broadening with the top-5/10 client concentration down (despite them growing) and \$5mn+ account count at 39 now (from 26 in Q2FY25). Many large deals are from non-top 5 clients.

Mid-cap IT: Key financial and operating parameters, a side-by-side (“SbS”) analysis...

		Mid-Cap IT								ER&D		BPO
Key Metrics	Unit	Mphasis	Persistent	Sonata	Birlasoft	Mastek	Intellect	Happiest Minds	Latent View	LTTS	KPIT	FSOL
Revenue	\$ Mn.	445	406	241	151	108	86	65	30	337	181	265
Growth % QoQ	%	1.8	4.2	(30.6)	0.0	0.7	4.8	1.2	7.2	0.5	1.8	2.3
Growth % YoY	%	5.7	17.6	(6.9)	(7.7)	4.4	29.1	4.4	18.7	9.9	4.6	15.2
	Rs. Mn.	39,316	35,807	21,193	13,289	9,404	7,581	5,736	2,575	29,795	15,877	23,147
QoQ cc growth	%	2.0	4.4	NA	0.0	0.2	NA	2.3	NA	1.3	0.3	2.0
YoY cc growth	%	6.0	NA	NA	(8.0)	2.3	NA	6.7	NA	10.4	0.4	13.8
EBITDA	Rs. Mn.	7,533	6,838	1,727	2,133	1,455	1,535	986	561	4,908	3,351	3,785
Margin	%	19.2%	19.1%	8.1%	16.0%	15.5%	20.2%	17.2%	21.8%	16.5%	21.1%	16.4%
EBIT	Rs. Mn.	5,959	5,837	1,464	1,931	1,276	1,047	765	458	3,982	2,603	2,690
Margin	%	15.2%	16.3%	6.9%	14.5%	13.6%	13.8%	13.3%	17.8%	13.4%	16.4%	11.6%
PAT	Rs. Mn.	4,691	4,715	1,202	1,161	975	1,023	540	444	3,287	1,690	1,795
Margin	%	11.9%	13.2%	5.7%	8.7%	10.4%	13.5%	9.4%	17.2%	11.0%	10.6%	7.8%
Operating Metrics	Unit	Mphasis	Persistent	Sonata	Birlasoft	Mastek	Intellect	Happiest Minds	Latent View	LTTS	KPIT	FSOL
		Net new deals	Incl. renewals	Net new deals	Incl. renewals	12m Order Backlog				Net new deals	Incl. renewals	
TCV	\$ Mn.	528	609	105	107	280	NA	NA	NA	292	232	NA
LTM TCV	\$ Mn.	2,029	2,242	424	710	NA	NA	NA	NA	832	989	NA
Book: Bill (TCV)	x.	1.2x.	1.5x.	1.3x.	0.7x.	NA	NA	NA	NA	0.9x.	1.3x.	NA
Headcount	#	30,809	26,224	6,629	11,892	4,767	NA	6,554	1,729	23,678	12,879	35,997
Revenue / employee	Rs. Mn. p.a	5.1	5.5	12.8	4.5	7.9	NA	3.5	6.0	5.0	4.9	2.6
EBIT/ employee	Rs. Mn. p.a	0.8	0.9	0.9	0.6	1.1	NA	0.5	1.1	0.7	0.8	0.3
H1FY26 Metrics	Unit	Mphasis	Persistent	Sonata	Birlasoft	Mastek	Intellect	Happiest Minds	Latent View	LTTS	KPIT	FSOL
Capex	Rs. Mn.	451	1,034	582	188	213	955	13	153	643	723	503
% of sales	%	0.6%	1.5%	1.1%	0.7%	1.1%	6.5%	0.1%	3.1%	1.1%	2.3%	1.1%
OCF	Rs. Mn.	6,697	9,582	366	1,898	1,394	803	1,232	574	4,808	3,896	5,927
OCF / EBITDA	%	45.9%	74.0%	11.0%	51.0%	49.3%	27.0%	64.0%	53.9%	50.4%	59.1%	81.3%
FCF	Rs. Mn.	6,246	8,549	(216)	1,709	1,181	(153)	1,220	422	4,165	3,173	5,424
FCF Yield	%	1.2%	0.9%	-0.2%	2.0%	1.7%	-0.1%	1.7%	0.5%	1.0%	1.0%	2.1%
DSO Days	#	87.0	80.9	65.2	78.9	80.2	232.7	51.6	80.3	98.4	65.6	73.7
RoE (FY25)	%	18.5%	24.8%	27.3%	15.8%	16.5%	12.7%	12.1%	12.1%	22.2%	33.2%	15.2%
RoIC (post tax) (FY25)	%	21.4%	32.5%	29.3%	30.1%	15.9%	15.3%	16.9%	33.5%	32.4%	40.4%	11.8%

Note: For IDA, ~Rs 800 mn R&D expense is capitalized and reflects in the capex (~7% of rev). Adjusted for the same, the capex as a % of rev is ~1.1%

- **KPIT, Latent View (“LVA”) and Persistent are the gold standard in terms of return metrics amongst midcap IT peers**
- **LVA and KPIT lead in terms of margin profile, with Firstsource (“FSOL”) and Persistent being undisputed leaders in cash conversion.**
- **Latent View (+7.2%) (~90% US exposure so are assuming q/q USD growth to be same as the cc growth) leads the pack in sequential cc growth followed by Intellect (+4.8%), Persistent (+4.2%) and FSOL (+2.3%).**
 - In terms of return metrics, LVA and Persistent are the leader in IT, with RoICs of ~33% and ~32% respectively, while both ER&D peers (KPIT, LTTS) continue to exhibit robust return metrics with RoICs of ~40% and ~32% respectively, reinforcing efficient capital allocation amidst weak macro
 - LVA leads midcaps across margins despite higher opex towards visa cost and recruitment expenses for senior GTM and Adobe talent. However, Mphasis (EBITDA/EBIT/PAT: 19.2%/15.2%/11.9%) and Persistent (EBITDA/EBIT/PAT: 19.1%/16.3%/13.2%) justify their position as midcap leaders with solid margin profiles (Median EBITDA/EBIT/PAT: 17.2%/13.8%/10.6%)
 - Persistent, with LTM TCV of \$2.24 bn (highest among top midcaps) (+14.3% y/y) boasts of a healthy 1.5x book-to-bill.
 - FSOL (2.1%/81.3%), Persistent (0.9%%/74.0%), Happiest Minds (1.6%/64.0%), have the better cash conversion profiles among mid caps with the best FCF Yields/ OCF/EBITDA ratios.

Top picks and some Notable mentions...

Mphasis

BFSI recovery play with strong TCV growth, coupled with AI-driven pipeline (~70%) and strategic investments in GenAI driven platforms and products

Happiest Minds

Acquisitions driving improved business mix towards BFSI and Healthcare; Verticalized organization structure with leadership clarity; Focused AI segment coupled with strategic pivot for value creation an optionality

Firstsource

Large deal traction, improved growth guidance, focused capital allocation with high margin PDC acquisition diversifying away from the US, identified levers for margin expansion, to serve as value creation levers for FSOL

Key Monitorables

- US (~23% of revenues) revival
- Data & AI (~12%) horizontal back to double digit q/q growth
- q/q cc revenue growth of 2-3%
- EBIT margins trending to 15%
- Weakening UK fiscal situation resulting in reduced NHS spend

Mastek

Undemanding valuations, with high growth UK government (NHS, BoE) exposure, a benign hedge against US driven tariff tantrums Data & AI horizontal, Oracle Cerner implementation growth drivers for US and AMEA

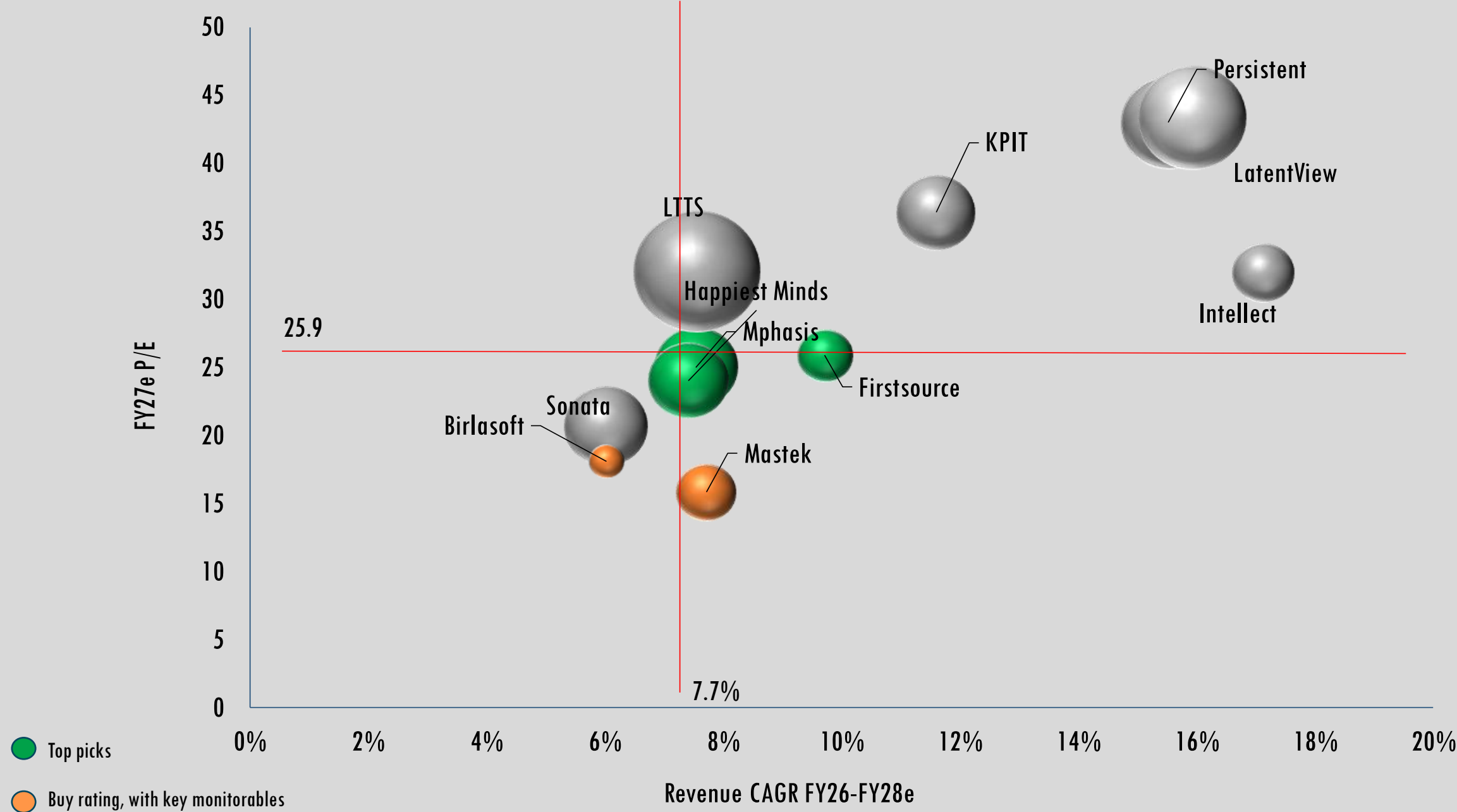
Birlasoft

Down but not out... Well positioned to capture revival in discretionary spend, with ~40% manufacturing exposure Valuations comforting

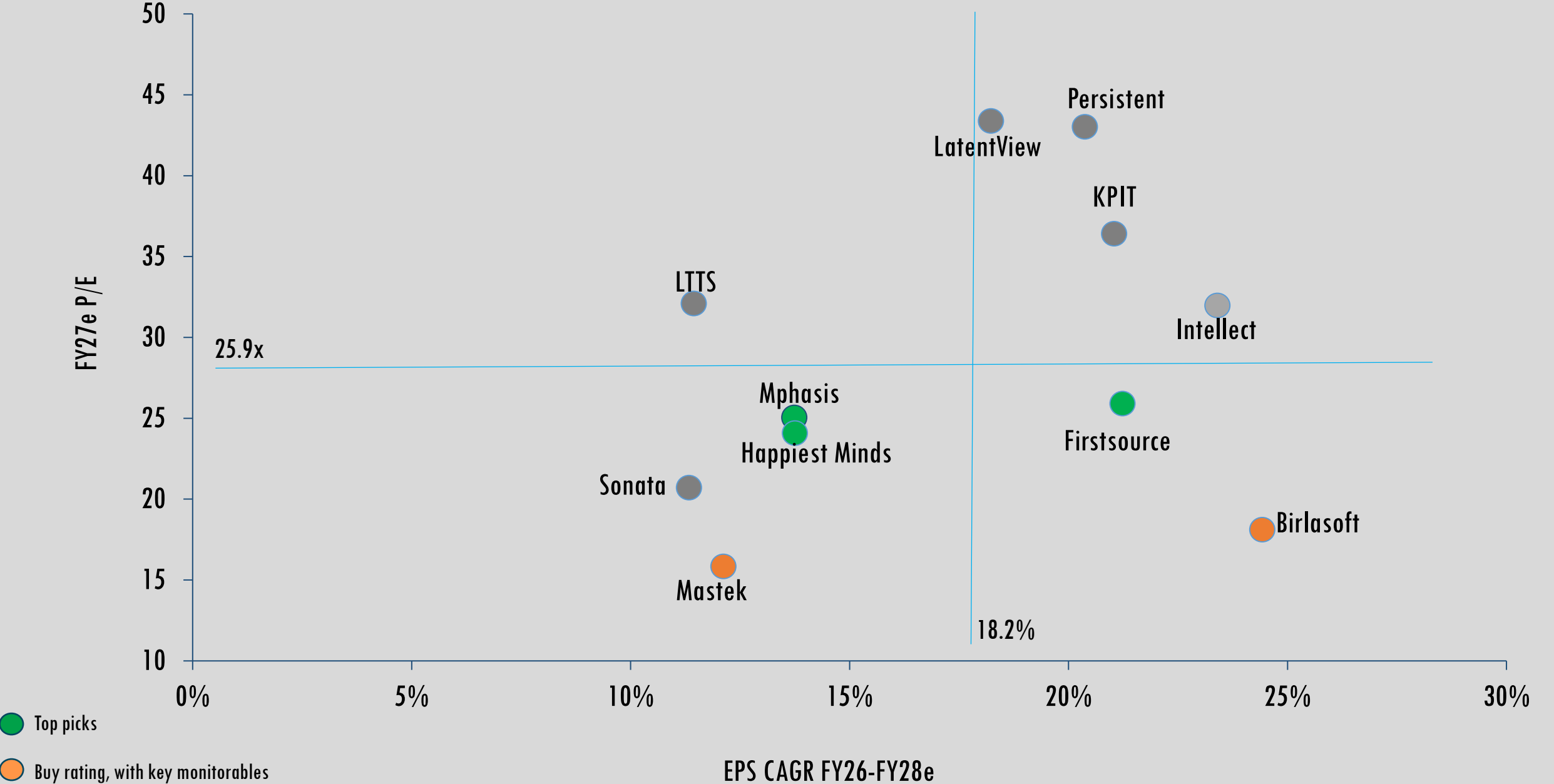
Key Monitorables

- TCV & LTM TCV y/y growth
- Net new (% of TCV) trending towards 45-50% of TCV
- Discretionary demand revival to drive mfg. & med tech growth (together ~60% of revenues)
- Normalization of tax rates (legacy issues resolution)

Mid-cap IT: Top picks clustering towards value amid uncertain macro... (1 / 2)



Mid-cap IT: Top picks clustering towards value amid uncertain macro...(2/2)



Midcap IT Valuations tad below 5yr. Avg. of the 1 yr. fwd P/E.

Potential Divergence in fortunes makes us selective..

								ROE (%)	ROCE (%) (Post-Tax)	ROIC (%) (Post-Tax)	Historical One Yr. Fwd. P/E (x.)			P/E (x.)				FY27e
S.No.	Company	CMP (Rs.)	Market Cap. (\$ Bn.)	Rating	Earlier Rating	Target	Upside / (Downside)	FY25	FY25	FY25	L3Y	L5Y	L10Y	FY26e	FY27e	FY28e	FY26e-FY28e EPS CAGR (%)	PEG (x.)
1.	Persistent	6,436	11.8	Hold	Hold	6,460	0.4%	24.8%	22.2%	32.5%	46.2x	41.7x	28.0x	53.1x	43.1x	36.6x	20.4%	2.1x
2.	Mphasis	2,798	6.3	Buy	Buy	3,406	21.7%	18.5%	14.2%	21.4%	26.4x	27.0x	20.1x	29.2x	25.0x	22.5x	13.7%	1.8x
3.	Intellect Design Arena	1,093	1.8	Hold	Hold	1,250	14.4%	12.7%	10.3%	15.3%	29.7x	27.8x	38.7x	37.5x	32.0x	24.6x	23.4%	1.4x
4.	Birlasoft	383	1.3	Buy	Hold	487	27.1%	15.8%	13.0%	30.1%	23.6x	23.0x	15.8x	25.6x	18.4x	16.5x	24.4%	0.8x
5.	Sonata Software	358	1.2	Hold	Hold	419	17.0%	27.3%	18.0%	29.3%	27.2x	24.0x	17.0x	22.8x	20.7x	18.4x	11.3%	1.8x
6.	Happiest Minds	497	0.9	Buy	Buy	658	32.3%	12.1%	7.7%	16.9%	44.9x	54.8x	NA	27.5x	24.1x	21.3x	13.8%	1.7x
7.	Latent View Analytics	487	1.2	Hold	Hold	522	7.2%	12.3%	7.7%	33.5%	51.9x	NA	NA	49.8x	43.4x	35.6x	18.2%	2.4x
8.	Mastek	2,219	0.8	Buy	Buy	2,903	30.8%	16.5%	12.9%	15.9%	21.3x	21.8x	16.7x	18.1x	16.0x	14.4x	12.1%	1.3x
IT Services (mcap weighted)			25.2								37.5x	34.8x	25.1x	41.0x	34.0x	29.1x	18.1%	1.9x
9.	FSL	350	2.9	Buy	Buy	435	24.4%	15.2%	11.4%	11.8%	25.6x	22.0x	14.8x	33.0x	25.9x	22.4x	21.2%	1.2x
BPO (mcap weighted)			2.9								25.6x	22.0x	14.8x	33.0x	25.9x	22.4x	21.2%	1.2x
10.	LTTS	4,380	5.4	Hold	Hold	4,542	3.7%	22.2%	17.9%	32.4%	35.9x	37.2x	29.9x	35.8x	31.3x	27.9x	13.3%	2.4x
11.	KPIT	1,219	3.9	Hold	Hold	1,222	0.3%	33.2%	24.2%	40.4%	53.5x	47.2x	NA	45.9x	36.4x	31.3x	21.0%	1.7x
ER&D (mcap weighted)			9.3								43.2x	41.4x	29.9x	40.0x	33.5x	29.3x	16.6%	2.1x
Overall Mid Cap IT (mcap weighted)											38.0x	35.4x	25.0x	40.1x	33.2x	28.6x	18.0%	

Mphasis & Happiest Minds remain our top pick in Mid-Cap IT, followed by Firstsource.

- Mphasis is an AI driven BFSI (65% of Q2FY26 revenues) play, with TCV of \$528 Mn (+155% y/y) and 69% of the pipeline being AI led
- Happiest Minds is an M&A driven transformation play, post acquisition of Pure & Aureus, with BFSI and Healthcare to drive growth with Edu-tech bottoming out
- FSOL is disrupting the traditional BPO by focusing on platform-led, outcome/output-based models with a focus on digital and AI-led transformation

Mid-Cap IT (IT services + BPO + ERD) is trading at FY27e P/E of 33.2x vs. 5yr. Avg. 1-yr fwd P/E of 35.4x, with FY26-28e EPS CAGR of 18.0%.

Note: All the prices considered are as of 27th November 2025

Target Price and EPS revision summary

Persistent and Intellect witness material TP upgrades on the back of strong Q2 performance and H2 visibility. Birlasoft performs on the margin front

				EPS (New)				EPS (Old)			
Company	Target Price (New)	Target Price (Old)	% Change	FY26e	FY27e	FY28e	FY26e-FY28e EPS CAGR (%)	FY26e	FY27e	FY28e	FY26e-FY28e EPS CAGR (%)
IT Services											
Persistent	6,460	5,815	11.1%	121.5	149.6	176.0	20.4%	117.4	139.7	163.1	17.9%
Mphasis	3,406	3,462	(1.6)%	97.3	113.3	125.8	13.7%	97.8	115.9	128.9	14.8%
Intellect Design Arena	1,250	1,034	20.9%	29.2	34.2	44.4	23.4%	24.4	32.7	38.8	26.2%
Birlasoft	487	418	16.4%	15.0	20.8	23.1	24.4%	15.5	18.8	20.7	15.6%
Sonata Software	419	385	8.8%	15.7	17.3	19.5	11.3%	14.6	16.7	18.7	13.2%
Happiest Minds	658	666	(1.2)%	18.1	20.7	23.4	13.8%	17.4	21.1	23.4	15.8%
Latent View Analytics	522	491	6.3%	8.9	10.5	13.0	20.9%	8.8	10.8	13.2	22.7%
Mastek	2,903	2,735	6.1%	123.7	140.2	155.5	12.1%	124.1	145.4	161.1	13.9%
BPO											
FSOL	435	414	5.2%	10.7	13.7	15.8	21.2%	10.9	13.0	14.8	16.7%
ER&D											
LTTS	4,542	4,311	5.4%	119.4	139.7	157.2	14.8%	119.3	132.8	150.9	12.5%
KPIT	1,222	1,240	(1.4)%	26.5	33.5	38.9	21.0%	29.0	36.6	40.6	18.3%

Note:

- For Happiest Minds & Latenet View- Acquisition amortization is added back to arrive at the adjusted EPS
- Intellect Design Arena: post expensing capitalized R&D expenses upfront (vs. capitalizing and amortizing the same)

Persistent (“PSYS”): Silencing critics with execution; FS and US drive growth; Healthcare makes a comeback; maintain Hold

Rating: **Hold**

Target price (12-mth): Rs.6,460

Share price: Rs. 6,436

PSYS delivered a strong quarter with +4.4% QoQ cc top-line growth (vs. +3.3% QoQ cc in Q1) and margin expanding to 16.3% (vs. 15.5% in Q1FY26; +80 bps QoQ), both beating the street estimates. Revenue momentum was underpinned by broad-based client expansion with the top-5/10/20 clients growing ~22-23% YoY and robust TCV growth (+15.2% YoY) and ACV (+28.6% YoY vs. 14.2% YoY in Q1) supplemented by strong revenue conversion coming from improved book-to-bill of 1.5x (vs. 1.3x in Q1). Macro maintains status quo yet customers are adapting and opening up, with expectations of deal wins across the industry. BFSI (~35% of rev, +7% QoQ) leads near-term growth, Hi-Tech (40%, +2.2%) saw encouraging wins, and Healthcare (25%, +3.8%) is rebounding after optimization phases. Among geos, Europe accelerated (~9% of rev, +7.7% QoQ) alongside solid North America performance (~80%, +4.2%). Management reiterated confidence in its \$2 bn FY27 revenue aspiration, supported by the broad-based deal wins and healthy pipeline. Overall, we see Q2FY26 as a transitional quarter, with continuing fundamental strength & meaningful margin expansion. The AI-led platform strategy (SASVA, iAURA, GenAI Hub) continues to strengthen differentiation.

- **AI & Platform-Led Strategy.** AI execution is a differentiator in both selling and delivery with SASVA (digital engineering GenAI platform) winning competitive tech deals with better realizations and lower people intensity. This is translating to improved segmental margins for the Hi-tech vertical (+1,260 bps vs. Q1 FY25; 24% to 36.6% margin). The “Services as software” model which includes bundling platforms, proprietary IP, and outcome-based pricing is gaining acceptance among top-tier clients.
- **Verticals.** BFSI (+7.0% q/q) & Hi-tech (+2.2%) led growth, driven by digital banking and AI-led modernization deals. HLS grew 3.8% q/q. Management expects moderate growth in Healthcare through FY26, below previous run-rates.
- **Valuation.** We expect 15.9/20.4% revenue/ Adj. PAT CAGRs over FY26-28e, & a 17.3% EBIT margin by FY28e. The stock trades at 43.1x/ 36.6x FY27e/28e P/Es. We maintain our Hold rating with a target price of Rs. 6,460 (vs. Rs. 5,815 earlier). We believe that the stock is fairly valued currently, having run-up ~20% (since 14th Oct) post Q2FY26 results.
- **Key Risks.** Impact of wage hikes on margins (80-100bps net impact guided in Q3) further weighed down by longer-than-expected furloughs. Given ~80% US exposure, potential US recession will have an outsized negative impact.

Key data	PSYS IN / PERS.BO
52-week high / low	Rs6789 / 4149
Sensex / Nifty	85,720 / 26,216
Market cap	Rs987bn
Shares outstanding	156m

Shareholding (%)	Sep'25	Jun'25	Mar'25
Promoters	30.6	30.6	30.7
- of which Pledged	-	-	-
Free float	69.4	69.4	69.3
- Foreign Institutions	21.2	24.2	24.4
- Domestic Institutions	30.6	27.8	26.9
- Public	17.6	17.5	18.1

Estimate revision: Higher growth coupled with improved margin trajectory driving upward revision of estimates

Persistent (Rs m)	FY26			FY27			FY28		
	New	Old	% Change	New	Old	% Change	New	Old	% Change
Revenue (\$ m)	1,647	1,647	(0.0)	1,911	1,902	0.5	2,197	2,162	1.6
Revenues	1,44,119	1,42,986	0.8	1,68,422	1,65,832	1.6	1,93,667	1,88,558	2.7
EBITDA	26,888	26,349	2.0	32,575	30,923	5.3	37,732	35,418	6.5
EBITDA margins %	18.7%	18.4%	23 bps	19.3%	18.6%	69 bps	19.5%	18.8%	70 bps
EBIT	23,123	22,583	2.4	28,534	26,883	6.1	33,481	31,168	7.4
EBIT margins %	16.0%	15.8%	25 bps	16.9%	16.2%	73 bps	17.3%	16.5%	76 bps
PBT	24,852	23,999	3.6	30,657	28,604	7.2	36,067	33,380	8.0
Net profit	19,000	18,361	3.5	23,402	21,856	7.1	27,531	25,506	7.9

Key estimates and changes

- We increase our FY26e/27e/28e revenue by 0.8/1.6/ 2.7%, with EPS estimates increased by 3.5/7.1/7.9%, respectively, benefiting from operating margins increasing by 130bps from FY26-28e (vs. 70 bps earlier; 16% to 17.3%)
- We expect the company to deliver FY26-28e USD revenue CAGR of 15.5% (vs. 14.6% earlier), and an EPS CAGR of 20.4% (vs. 17.9% earlier)

Valuation considerations: Strong Q2FY26 performance drives higher target price...

Stock fairly valued at current price

- Assumed a ~130bps EBIT margin expansion over FY26-28e (~16% to 17.3%), with FY26-28 adj. EPS CAGR of 20.4%.
- With a 50% weight each to DCF and forward multiple method, we arrive at a Target Price (“TP”) of Rs. 6,460 (vs. 5,815 earlier). The higher TP is primarily attributable to the change in growth and margin assumptions post Q2FY26, with FY26-28e revenue CAGR of 15.5% (vs. 14.6% earlier) and FY26-28e EPS CAGR of 20.4% (vs. 17.9% earlier)

S.No	Valuation methodology	Assumptions	Intrinsic Value (Rs)	Target Price (Rs)
(1)	Forward multiple method	We apply a 41x P/E multiple (in line with the last 5-year average of the one-year fwd.) to LTM Sep’27 EPS of Rs 162.8	Rs 6,676	
(2)	DCF (base case)	15-year DCF, with terminal growth rate of 5.5% - FY25e-30e revenue CAGR (base case): 17.1% - WACC: 11.0%	Rs 6,244	
	Overall	50% weight to (1) & (2) each, to arrive at a target of		Rs 6,460

Implied share-price sensitivity (base case)						
		Terminal growth rate (%)				
		5.0%	5.3%	5.5%	5.8%	6.0%
WACC (%)	6,244.5	5.0%	5.3%	5.5%	5.8%	6.0%
	10.5%	6,569	6,773	6,997	7,244	7,519
	10.7%	6,224	6,404	6,602	6,819	7,059
	11.0%	5,910	6,070	6,244	6,436	6,646
	11.2%	5,622	5,765	5,920	6,089	6,275
	11.5%	5,357	5,485	5,624	5,774	5,939

Factsheet

Revenue-split, by industry

	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
BFSI	31	31	31	32	32	32	34	35
Healthcare	22	24	27	28	28	27	25	25
Infrastructure & Systems	47	45	43	41	41	41	41	40

Revenue-split, by region

	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
North America	79.7	80.1	80.7	81.3	80.5	80.5	79.8	79.8
Europe	8.9	7.8	7.8	7.9	8.2	8.4	9.0	9.3
Asia-Pacific	11.4	12.1	11.5	10.8	11.3	11.1	11.2	10.9

Client profiles (LTM)

	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Client concentration %								
Top 5	28.0	29.2	30.7	31.4	30.8	32.7	31.8	32.9
Top 10	39.3	40.0	41.5	41.5	40.0	42.2	42.0	43.2
Client buckets								
\$1m+	176	178	178	184	189	191	191	191
\$5m+	38	40	41	43	142	136	135	135
\$10m+	16	17	19	21	47	55	56	52
\$20m+	11	10	10	10	10	10	12	12
\$30m+	5	6	4	4	4	4	4	4
Active Clients (effort based)	375	382	374	379	383	371	0	0

Employee Movement

	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Employee Movement								
Technical(EOP)	21,738	22,224	21,866	21,675	22,407	23,072	23,787	24,608
Net Adds (Qtr)	475	486	-358	-191	732	665	715	821
Net Adds (LTM)	705	929	355	412	669	848	1,921	2,933
Utilization %	81.5	80.0	82.1	84.8	87.4	88.1	88.7	88.2
Attrition %	11.9	11.5	11.9	12.0	12.6	12.9	13.9	13.8
Sales(EOP)	465	484	510	492	489	485	496	510
Net Adds (Qtr)	22	19	26	(18)	(3)	(4)	11	14
Net Adds (LTM)	60	70	82	49	24	1	(14)	18

TCV Data

	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Net New TCV \$ m	277	302	311	390	334	329	337	351
Total TCV	521	448	463	529	594	518	521	609

Key geographies and horizontal growth (%)

	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Key Area-wise Growth (Y/Y)								
North America	17.5	16.4	18.2	21.6	21.0	21.3	17.4	15.4
Europe	12.4	(14.2)	(6.7)	(1.5)	10.4	30.0	37.0	38.4
Asia-Pacific	(6.8)	16.1	20.2	13.2	18.8	10.7	15.6	18.7

Growth, by vertical (Y/Y)

BFSI	8.8	7.6	7.3	15.5	21.8	27.0	30.7	29.9
Healthcare	26.5	39.1	66.5	70.6	52.8	33.7	12.5	6.6
Infrastructure & Systems	11.8	6.4	2.5	(0.4)	3.3	9.4	14.0	15.5

Quick glance - Financials and valuations Persistent

Fig 1 – Income statement (Rs m)

Year-end: Mar	FY24	FY25	FY26e	FY27e	FY28e
Revenues (US\$m)	1,186	1,409	1,647	1,911	2,197
Growth (%)	14.5	18.8	16.9	16.1	15.0
Net revenues (Rs m)	98,216	1,19,387	1,44,119	1,68,422	1,93,667
Employee & Direct Costs	65,231	78,740	92,665	1,07,542	1,23,883
Gross Profit	32,985	40,647	51,454	60,879	69,785
Gross Margin %	33.6	34.0	35.7	36.1	36.0
SG&A	15,742	20,066	24,566	28,305	32,052
EBITDA	17,243	20,581	26,888	32,575	37,732
EBITDA margins (%)	17.6	17.2	18.7	19.3	19.5
- Depreciation	3,094	3,069	3,766	4,041	4,251
Other income	327	710	1,729	2,123	2,586
Interest Exp					
PBT	14,476	18,223	24,852	30,657	36,067
Effective tax rate (%)	24	23	24	24	24
+ Associates/(Minorities)					
Net Income	10,935	14,001	19,000	23,402	27,531
WANS	154	154	156	156	156
FDEPS (Rs/share)	71.0	90.9	121.5	149.6	176.0

Fig 3 – Cash Flow statement (Rs m)

Year-end: Mar	FY24	FY25	FY26e	FY27e	FY28e
PBT	14,476	18,223	24,852	30,657	36,067
+ Non-cash items	3,202	4,694	2,714	2,534	2,265
Operating profit before WC changes	17,678	22,917	27,567	33,191	38,332
- Incr./ (decr.) in WC	2,052	6,233	4,208	2,900	2,740
Others including taxes	-3,414	-5,114	-5,852	-7,255	-8,535
Operating cash-flow	12,213	11,569	17,506	23,036	27,057
- Capex (tangible + Intangible)	2,791	1,931	2,130	2,130	2,130
Free cash-flow	9,423	9,638	15,376	20,906	24,926
Acquisitions	2,074	490	464	467	467
- Dividend (including buyback & taxes)	4,084	4,600	8,968	12,286	15,913
+ Equity raised	1,608	1,846	-	-	-
+ Debt raised	-2,234	-2,061	-	-	-
- Fin Investments	428	350	1,694	2,541	3,812
- Misc. Items (CFI + CFF)	1,365	3,957	-1,051	-1,507	-1,986
Net cash-flow	846	26	5,301	7,119	6,720

Fig 2 – Balance sheet (Rs m)

Year-end: Mar	FY24	FY25	FY26e	FY27e	FY28e
Share capital	770	779	779	779	779
Net worth	49,577	63,191	73,223	84,338	95,957
Total debt (including Pref)	2,073	-	-	-	-
Minority interest					
DTL/(Asset)	-1,360	-2,024	-2,024	-2,024	-2,024
Capital employed	50,291	61,166	71,199	82,314	93,933
Net tangible assets	6,727	8,150	8,358	8,245	7,973
Net Intangible assets	4,575	4,923	3,931	2,794	1,508
Goodwill	10,913	12,338	12,338	12,338	12,338
CWIP (tangible and intangible)	335	774	387	193	97
Investments (Strategic)	5,539	6,415	6,415	6,415	6,415
Investments (Financial)	2,727	3,388	5,082	7,623	11,435
Current Assets (ex Cash) Incl LT assets	31,332	39,099	45,170	51,063	57,100
Cash	10,229	10,255	15,556	22,674	29,394
Current Liabilities (ex ST Loan/Current Portion) i	22,086	24,175	26,038	29,031	32,327
Working capital	9,246	14,924	19,133	22,032	24,773
Capital deployed	50,291	61,166	71,199	82,314	93,933
Contingent Liabilities	1,284	2,308	-	-	-

Fig 4 – Ratio analysis

Year end Mar	FY24	FY25	FY26e	FY27e	FY28e
P/E (x)	92.1	71.9	53.0	43.0	36.6
EV/EBITDA (x)	57.2	47.9	36.7	30.3	26.1
EV/sales (x)	10.1	8.3	6.8	5.8	5.0
P/B (x)	20.3	15.9	13.7	11.9	10.5
RoE (%)	24.5	24.8	27.9	29.7	30.5
RoCE (%) - After tax	20.5	22.2	24.6	26.4	27.3
RoIC (%) - After tax	30.5	32.5	36.6	43.1	49.4
DPS (Rs per share)	26.0	38.1	57.3	78.6	101.7
Dividend yield (%)	0.4	0.6	0.9	1.2	1.6
Dividend payout (%) - Inc. DDT	36.6	41.9	47.2	52.5	57.8
Net debt/equity (x)	-0.3	-0.3	-0.4	-0.4	-0.5
Receivables (days)	89	87	86	85	85
Inventory (days)					
Payables (days)	37	33	30	30	31
CFO:PAT%	112	83	92	98	98
FCF:PAT% - includ M&A payout	67	62	78	87	89

Mphasis: Record pipeline, AI-led TCV, and steady margins; deal ramp-ups remain key; retain **BUY**

Revenue came in at \$445.2mn, growing +2% q/q in CC (vs. +1% q/q in Q1) with EBIT margin steady at 15.3% (vs. 15.3% in Q1). EBIT margin guidance of 14.75-15.75% remains intact. TCV stayed elevated to \$528mn (+155% y/y) for 2nd straight Q (H1 TCV now ~\$1.29bn > FY25 of \$1.27bn), including 6 large deals (incl. one >\$100mn, two >\$50mn), while the qualified pipeline hit a record, +9% q/q; +97% y/y with 69% being AI-led. BFS pipeline up 45% y/y and Non-BFS up ~140% y/y. Management expects decent H2 growth as large deals convert, with ramp-ups ranging from quick takeovers to 3-6m transitions for consolidation/tech-infused programs. Further, Logistics client headwinds (6% of rev. vs. 14% 1 yr. back), with gradual reduction in the Fedex account have been factored in & we believe BFSI will lend support in current uncertainty, with steady ramp-ups. Management reiterated intent to grow >2x industry on the back of H1 momentum & steady execution of the recently won large deals.

We are constructively cautious as clients demand savings-led transformation & a higher fixed-price mix (~43% of rev; +60% y/y) helps cushion some of Q3 furlough impact. DSO rose to 89 days (+5 days q/q) due to FP/unbilled mix but is expected to normalize over next 3-4Qs. New head onboarded for the Healthcare GTM strategy. Macro volatility is now expected as the “new normal” and H1-B noise is not seen as operationally material.

- **BFSI to lead growth.** With BFSI being a green shoot across all Indian and Int IT cos, high BFSI exposure of ~65% of rev is a positive. The Fed resorting to reduction in Quantitative tightening coupled with potential rate cuts, would aid Mphasis’ BFSI business.
- **AI strategy & traction.** Mphasis’s NeoCrux saw 20-30% SDLC productivity & ~60% tech-debt reduction for a BFSI client. AI-led deals formed 42% of Q2 TCV, & ~69% of the record pipeline is AI-led across AI-Ops, data/modernization, and savings-led transformation deals.
- **Valuation.** The stock trades at ~25.0x/22.5x FY27e/28e P/E (vs. the last 5yr average of the 1yr-forward P/E of 27.0x.), with a 13.7% FY26e-FY28e EPS CAGR.
- **Key Monitorable/ Risk:** TCV to revenue conversion from the Q1/Q2 large deals wins; Logistics growth normalization; BFS momentum (including mortgage volumes); maintaining the ~15% EBIT margin band.

Rating: **Buy**

Target price (12-mth): Rs.3,406

Share price: Rs.2,798

Key data	MPHL IN / MBFL.BO
52-week high / low	Rs3238 / 2045
Sensex / Nifty	85,720 / 26,216
Market cap	Rs524bn
Shares outstanding	190m

Shareholding (%)	Sep'25	Jun'25	Mar'25
Promoters	40.1	40.1	40.1
- of which Pledged			
Free float	59.9	59.9	59.9
- Foreign Institutions	18.5	19.0	20.6
- Domestic Institutions	37.1	36.5	34.9
- Public	4.3	4.4	4.3

Estimate revision: No material change in revenues, with margin decline and reduced other income weighing on PAT margins...

Mphasis (Rs m)	FY26			FY27			FY28		
	New	Old	% Change	New	Old	% Change	New	Old	% Change
Revenue (\$ m)	1,784	1,785	(0.1)	1,930	1,930	0.0	2,063	2,063	0.0
Revenues	1,56,137	1,54,907	0.8	1,70,102	1,68,274	1.1	1,81,842	1,79,891	1.1
EBITDA	29,705	29,731	(0.1)	32,816	32,863	(0.1)	35,163	35,230	(0.2)
EBITDA margins %	19.0%	19.2%	-17 bps	19.3%	19.5%	-24 bps	19.3%	19.6%	-25 bps
EBIT	23,879	24,359	(2.0)	27,049	27,678	(2.3)	29,454	30,097	(2.1)
EBIT margins %	15.3%	15.7%	-43 bps	15.9%	16.4%	-55 bps	16.2%	16.7%	-53 bps
PBT	24,845	25,320	(1.9)	28,694	29,653	(3.2)	31,860	32,991	(3.4)
Net profit	18,490	18,860	(2.0)	21,544	22,332	(3.5)	23,920	24,845	(3.7)

Key estimates and changes

- We increase / (decrease) our FY26e/27e/28e revenue and EPS estimates by 0.8/1.1/ 1.1% and (0.5)/(2.2)/(2.4%, respectively, with operating margins increasing by 90bps from FY26-28e (vs. 100 bps earlier; 16% to 17.3%)
- We expect the company to deliver FY26-28e USD revenue CAGR of 7.5% (no change vs. earlier), and an EPS CAGR of 13.7% (vs. 14.8% earlier)

Valuation considerations: Marginally reduced target price on the back of reduced margin assumptions....

- Assumed a ~90bps EBIT margin expansion over FY26-28e (~15.3% to 16.2%), with FY26-28 adj. EPS CAGR of 13.7%.
- With a 50% weight each to DCF and forward multiple method, we arrive at a Target Price (“TP”) of Rs. 3,406 (vs. 3,462 earlier). The lower TP is primarily attributable to the change margin assumptions post Q2FY26, with margins reduced by 50bps from FY26-28e (EBIT margins from 15.3% in FY26e to 16.2% in FY28e vs. 15.7% to 16.7% earlier)

S.No	Valuation methodology	Assumptions	Intrinsic Value (Rs)	Target Price (Rs)
(1)	Forward multiple method	We apply a 27x P/E multiple (in line with the last 5-year average of the one-year fwd.) to LTM Sep’27 EPS of Rs 117.9	Rs 3,184	
(2)	DCF (base case)	15-year DCF, with terminal growth rate of 5.5% - FY25e-30e revenue CAGR (base case): 8.8% - WACC: 10.6%	Rs 3,628	
	Overall	50% weight to (1) & (2) each, to arrive at a target of		Rs 3,406

Implied share-price sensitivity (base case)						
		Terminal growth rate (%)				
		5.0%	5.3%	5.5%	5.8%	6.0%
WACC (%)	3.628.3	5.0%	5.3%	5.5%	5.8%	6.0%
	10.1%	3,805	3,917	4,042	4,181	4,337
	10.3%	3,617	3,715	3,824	3,945	4,080
	10.6%	3,446	3,533	3,628	3,734	3,851
	10.8%	3,289	3,367	3,451	3,544	3,646
	11.1%	3,147	3,215	3,290	3,372	3,462

Factsheet

Rev-split, by industry (%)

	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Banking and Capital Market	47	47	48	48	49	50	53	51
Insurance	11	11	11	11	12	11	14	14
IT, Comm & Entertainment	16	16	16	16	17	18	18	19
Logistics & Transportation	14	14	14	13	12	11	6	6
Others (Life, Mfg, & Retail)	13	12	11	11	11	10	10	10
Total	100	100	100	100	100	100	100	100

Rev-split by Service Line (%)

	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Application Services	71	71	71	71	72	72	74	73
Business Process Services	17	17	16	16	16	15	15	15
Infrastructure Services	13	12	12	12	12	13	11	12
Total	100	100	100	100	100	100	100	100

Rev-split, by Region (%)

	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
North America	80	81	81	81	82	82	83	84
Continental Europe	12	11	11	11	10	10	9	9
India	6	5	5	6	6	5	5	5
RoW	3	3	3	3	2	3	3	2
Total	100	100	100	100	100	100	100	100

Rev-split, by delivery and billing (%)

	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
On-site	53.2	56.0	57.1	57.3	59.0	59.9	59.6	57.5
Offshore	46.8	44.0	42.9	42.7	41.0	40.1	40.4	42.5
Total	100	100	100	100	100	100	100	100
T&M %	58.3	58.5	59.6	60.0	57.6	55.4	48.6	49.1
FP %	31.6	31.4	30.0	29.7	31.8	36.0	43.1	42.7
Transaction Based%	10.1	10.1	10.4	10.3	10.6	8.6	8.3	8.2
Total	100	100	100	100	100	100	100	100

Client profiles (LTM)

	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Client concentration %								
Top 1	15.0	14.0	14.0	15.0	15.0	14.0	13.0	12.0
Top 5	46.0	44.0	44.0	43.0	43.0	42.0	40.0	39.0
Top 10	55.0	54.0	53.0	53.0	53.0	54.0	54.0	55.0

Client profiles (TTM, ">")

\$1m+	134	135	135	140	140	139	137	136
\$5m+	46	47	48	51	47	50	50	50
\$10m+	29	29	30	27	29	29	31	30
\$20m+	10	10	9	9	11	11	10	11
\$50m+	5	5	5	5	5	5	7	7
\$75m+	4	4	4	4	5	5	6	6
\$100m+	3	3	3	3	2	2	1	1
Total	100	100	100	100	100	100	100	100

Rev-split-Market Segment (%)

	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
DXC	3%	3%	3%	3%	3%	3%	2%	2%
Non DXC	97%	97%	97%	97%	97%	97%	98%	98%

Employee Data

	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Number of employees	33,992	32,664	31,645	31,601	31,194	31,442	31,063	30,809
Utilisation % (cum trainees)	72.2	74.3	77.5	77.0	76.9	80.6	84.6	87.5

Quick glance- Financials and valuations Mphasis

Fig 1 – Income statement (Rs m)

Year-end: Mar	FY24	FY25	FY26e	FY27e	FY28e
Revenues (US\$m)	1,610	1,680	1,784	1,930	2,063
Growth (%)	-6.3	4.4	6.2	8.2	6.9
Net revenues (Rs m)	1,33,340	1,42,234	1,56,137	1,70,102	1,81,842
Employee & Direct Costs	97,984	1,03,617	1,13,392	1,23,430	1,31,948
Gross Profit	35,356	38,617	42,745	46,672	49,894
Gross Margin %	26.52	27.15	27.38	27.44	27.44
SG&A	10,581	12,212	13,040	13,855	14,731
EBITDA	24,775	26,405	29,705	32,816	35,163
EBITDA margins (%)	18.6	18.6	19.0	19.3	19.3
- Depreciation	4,106	4,762	5,826	5,767	5,709
Other income	1,623	2,615	2,697	2,942	3,542
Interest Exp	1,608	1,656	1,732	1,296	1,135
PBT	20,684	22,602	24,845	28,694	31,860
Effective tax rate (%)	25	25	26	25	25
+ Associates/(Minorities)	-	-	-	-	-
Net Income	15,549	17,022	18,490	21,544	23,920
WANS	190	190	193	193	193
FDEPS (Rs/share)	81.7	89.6	95.9	111.8	124.1

Fig 3 – Cash Flow statement (Rs m)

Year-end: Mar	FY24	FY25	FY26e	FY27e	FY28e
PBT	20,684	22,602	24,845	28,694	31,860
+ Non-cash items	2,987	5,902	5,028	4,262	3,439
Operating profit before WC	23,671	28,504	29,873	32,957	35,299
- Incr./((decr.) in WC	4,028	-2,341	-1,232	-1,538	-789
Others including taxes	-5,902	-7,111	-6,355	-7,151	-7,939
Operating cash-flow	13,742	23,734	24,750	27,344	28,148
- Capex (tangible + Intangible)	937	618	1,561	1,701	1,818
Free cash-flow	12,805	23,116	23,188	25,643	26,330
Acquisitions	-12,333	-2,800	-2,625	-	-
- Dividend (including buyback & taxes)	9,427	10,401	12,086	13,295	13,295
+ Equity raised	301	575	-	-	-
+ Debt raised	12,965	-4,455	-1,116	-1,004	-904
- Fin Investments	-11,572	3,839	-	-	-
- Misc. Items (CFI + CFF)	3,208	3,378	-960	-1,684	-2,466
Net cash-flow	12,674	-1,181	8,322	13,028	14,598

Source: Company, Anand Rath Research

Fig 2 – Balance sheet (Rs m)

Year-end: Mar	FY24	FY25	FY26e	FY27e	FY28e
Share capital	1,890	1,901	1,901	1,901	1,901
Net worth	87,946	96,284	1,02,688	1,10,937	1,21,563
Total debt (incl. Pref)	15,436	11,159	10,043	9,039	8,135
Minority interest	-	-	-	-	-
DTL/(Asset)	-7,977	-9,590	-9,428	-9,249	-9,053
Capital employed	95,405	97,853	1,03,304	1,10,727	1,20,645
Net tangible assets	9,216	8,218	6,866	5,683	4,647
Net Intangible assets	4,795	49,599	49,311	46,428	43,573
Goodwill	41,793	-	-	-	-
CWIP (tang. & intang.)	137	-	-	-	-
Long-term Assets (Liabilities)	-7,739	-5,970	-5,970	-5,970	-5,970
Investments (Financial)	30,899	22,082	22,082	22,082	22,082
Current Assets (ex Cash)	36,332	40,077	54,717	59,145	62,729
Cash	8,144	16,126	21,983	31,935	44,956
Current Liabilities	28,172	32,277	45,686	48,575	51,371
Working capital	8,160	7,799	9,031	10,570	11,358
Capital deployed	95,405	97,853	1,03,304	1,10,727	1,20,645
	-	-	-	-	-

Fig 4 – Ratio analysis

Year end Mar	FY24	FY25	FY26e	FY27e	FY28e
P/E (x)	34.3	31.2	29.2	25.0	22.5
EV/EBITDA (x)	20.4	19.1	17.0	15.4	14.4
EV/sales (x)	3.8	3.5	3.1	2.8	2.6
P/B (x)	6.1	5.6	5.3	4.9	4.4
RoE (%)	18.6	18.5	18.6	20.2	20.6
RoCE (%) - After tax	15.2	14.2	14.9	16.1	16.4
RoIC (%) - After tax	22.7	21.4	22.7	26.4	29.8
DPS (Rs per share)	55.0	57.0	62.7	69.0	69.0
Dividend yield (%)	2.0	2.0	2.2	2.5	2.5
Dividend payout (%) - Inc. DDT	67.4	63.6	65.4	61.7	55.6
Net debt/equity (x)	-0.3	-0.3	-0.3	-0.4	-0.5
Receivables (days)	74	81	87	86	85
Inventory (days)					
Payables (days)	27	31	34	34	34
CFO:PAT%	140	112	121	113	111
FCF:PAT% - includ M&A payout	3	119	111	119	110

Source: Company, Anand Rath Research

Intellect Design Arena (“IDA”): Soft Quarter, Investing for Enterprise AI led Growth; retain Hold

Rating: **Hold**

Target price (12-mth): Rs.1,250

Share price: Rs. 1,039

Intellect Design Arena (“IDA”) rebounded strongly in Q2 FY26 with revenue at \$86m (up 4.8% q/q; 29.1% y/y), aided by strong traction across the Americas and Canada. Profitability improved, with margin rising by 624bps y/y to 13.8%, reflecting operating leverage from platform-led business model and disciplined cost management. Deal funnel topped Rs120bn (up 59.6% y/y). It bagged 18 new deal and executed 22 digital transformations. Management confirmed that Central 1 (“C 1”) integration is progressing well, with 37 credit unions (out of 170) signed in Q2 to migrate to new eMACH DEP platform. C1 TAM spans 170 credit unions, presenting cross-sell opportunities in lending and core banking, with margin expected to improve from current low single digit for the C1 business.

- **Deal Wins:** Secured 18 new deals and 22 digital transformations from leading global banks and insurers, powered by eMACH.ai’s composability and Purple Fabric AI.
- **Platform-Led Momentum:** License-linked revenue jumped 60.6% y/y to \$48.1mn, while ARR crossed Rs10.8bn (from Rs6.62bn in Q2 FY25, up 63% y/y), highlighting growing revenue strength.
- **Outlook:** Management remains confident of sustaining double-digit growth in H2, maintaining EBITDA margins at ~25% adjusting for incremental investments into Purple Fabric (“PF”) 3.0 platform. Strategic priorities include: Expanding Americas footprint, growing consulting-led sales, strengthening partner ecosystem & accelerating PF3.0 monetization. Moreover, new leadership appointments reinforce the same.
- **Valuation:** We retain a Hold on IDA with TP of Rs 1,250 (~14.4% upside from CMP), with FY27e/FY28e P/E of 32.0x/24.6x & FY26-28e Adj. EPS CAGR of 23.4%.
- **Key risks.** Revenue conversion of PF3.0 investments; Higher DSO (including unbilled) days, potential delay in receivables collections putting pressure on working capital coupled with potential execution risk of Purple Fabric & Enterprise AI in US.

Key data	INDA IN / INEE.BO
52-week high / low	Rs1252 / 576
Sensex / Nifty	85,720 / 26,216
Market cap	Rs152bn
Shares outstanding	139m

Shareholding (%)	Sep'25	Jun'25	Mar'25
Promoters	29.8	29.9	29.9
- of which, Pledged			
Free float	70.2	70.1	70.1
- Foreign institutions	27.5	27.8	24.9
- Domestic institution	7.2	7.2	8.2
- Public	35.4	35.2	37.0

Estimate revision: Front ended Enterprise AI investments, driving Margin expansion and EPS growth in outer years...

Intellect (Rs m)	FY26			FY27			FY28		
	New	Old	% Change	New	Old	% Change	New	Old	% Change
Revenue (\$ m)	355	332	7.0	405	369	9.6	456	406	12.3
Revenues	31,067	28,776	8.0	35,684	32,216	10.8	40,197	35,418	13.5
EBITDA	6,570	5,869	11.9	8,154	7,687	6.1	10,245	8,863	15.6
EBITDA margins %	21.1%	20.4%	75 bps	22.9%	23.9%	(101) bps	25.5%	25.0%	46 bps
EBIT	4,528	3,773	20.0	6,079	5,612	8.3	8,245	6,863	20.1
EBIT margins %	14.6%	13.1%	146 bps	17.0%	17.4%	(38) bps	20.5%	19.4%	113 bps
PBT	5,664	4,456	27.1	6,908	6,247	10.6	9,096	7,528	20.8
Adj. PAT	4,248	3,392	25.2	4,978	4,542	9.6	6,469	5,401	19.8
Adj. EPS	29.2	24.4	19.6	34.2	32.7	4.6	44.4	38.8	14.3

Key Estimates and changes

- Management's confidence in driving double digit revenue growth in H2FY26 coupled with margins benefiting from operating leverage despite increase in investments, have contributed to significant uplift in our FY26e estimates (vs. our initial view of margins being under pressure due to PF3.0 related investments)
- We increase / (reduce) FY27e/28e revenue and EPS estimate to 9.6/4.6% and 12.3/14.3%, respectively.
- We expect EBIT margin to expand by ~600bps to 20.5% in FY28e (from 14.6% in FY26e) with the company benefiting from absence of growth investment and a better revenue-mix with more license-linked revenue.
- We expect revenue to clock 13.7% CAGR over FY26-FY28e (from 10.9% earlier) and 23.4% adj. PAT CAGR, taking the FY28e adj. EPS to Rs44.4.

Valuation Considerations: Strong Q2FY26 performance drives upgrade in Target price...

Front ended investments to drive growth and margin expansion...

- We have assumed ~430bps EBITDA margin expansion over FY26-28e (~21.1% to 25.5%) with FY26-28 adj. EPS CAGR of 23.4%.
- Adj. EPS CAGR benefits from base effect on account of low FY26e EPS, with Purple Fabric / Enterprise AI-related investment of ~Rs1.3bn (~4.2% of revenue) in FY26.
- At CMP, the stock trades at FY27e/28e P/E of 32.0x/ 24.6x.
- Our TP Rs1,250, implies ~14% upside from the current level

S.No	Valuation methodology	Assumptions	Intrinsic Value (Rs)	Target Price (Rs)
(1)	Forward multiple method	We apply a 35x P/E multiple to LTM Sep'27 EPS of Rs39.3	Rs1,376	
(2)	DCF (base case)	15-year DCF, with terminal growth rate of 6.0% - FY25e-30e revenue CAGR (base case): 16.4% - WACC: 12.2%	Rs1,125	
	Overall	50% weight to (1) & (2) each, to arrive at a target of		Rs1,250

DCF assumptions	Unit	
Valuation date		30-Sep-25
WACC	%	12.2%
TGR (terminal growth)	%	6.0%
Risk-free rate	%	6.5%
ERP (eq. risk premium)	%	5.7%
Beta		1.0
Capital structure	Unit	
Eq. (% of capital)	%	100.0%
Debt (% of capital)	%	0.0%
Cost of equity	%	12.2%
Cost of debt	%	8.0%

Implied share-price sensitivity (base case)						
		Terminal growth rate (%)				
	1,060.0	5.50%	5.75%	6.00%	6.25%	6.50%
WACC (%)	12.5%	1,033	1,053	1,074	1,097	1,122
	12.7%	992	1,010	1,029	1,050	1,072
	12.2%	1,079	1,101	1,125	1,151	1,179
	11.9%	1,129	1,154	1,181	1,210	1,243
	11.7%	1,182	1,209	1,240	1,273	1,309

¹ Adjusted EPS expenses the capitalized R&D expense of Rs. 1,600 Mn. to Rs. 1,800 Mn. p.a. (~5% of revenues)
Source: Company, Anand Rathi Research

Quick Glance — Financials and Valuations IDA

Fig 1 – Income statement (Rs m)

Year-end: Mar	FY24	FY25	FY26e	FY27e	FY28e
Revenues (US\$m)	303	295	355	405	456
Growth (%)	9.0	-2.5	20.3	14.1	12.6
Net revenues (Rs m)	25,064	25,000	31,067	35,684	40,197
Employee & Direct Costs	15,666	15,636	19,495	22,030	24,244
Gross Profit	9,399	9,364	11,572	13,653	15,953
Gross Margin %	37.50	37.45	37.25	38.26	39.69
SG&A	3,980	4,058	5,002	5,499	5,708
EBITDA	5,418	5,306	6,570	8,154	10,245
EBITDA margins (%)	21.6	21.2	21.1	22.9	25.5
- Depreciation	1,372	1,564	2,042	2,075	2,000
Other income	440	747	1,190	883	905
Interest Exp	26	42	54	54	54
PBT	4,460	4,447	5,664	6,908	9,096
Effective tax rate (%)	28	25	25	25	25
+ Associates/(Minorities)	12	-26	-1	-12	-39
Net Income	3,212	3,328	4,248	5,174	6,790
WANS	141	141	146	146	146
Adj. EPS (Rs/share)	22.1	22.0	29.2	34.2	44.4

Fig 3 – Cash Flow statement (Rs m)

Year-end: Mar	FY24	FY25	FY26e	FY27e	FY28e
PBT	4,460	4,447	5,664	6,908	9,096
+ Non-cash items	1,959	1,790	906	1,246	1,149
Operating profit before WC	6,419	6,237	6,570	8,154	10,245
- Incr./ (decr.) in WC	1,304	935	2,203	1,247	1,115
Others including taxes	-1,013	-988	-1,415	-1,722	-2,267
Operating cash-flow	4,101	4,314	2,951	5,186	6,863
- Capex (tangible + Intangible)	1,730	1,718	2,184	3,162	3,089
Free cash-flow	2,372	2,595	768	2,024	3,775
Acquisitions	-	-	-	-	-
- Dividend (including buyback & taxes)	337	482	1,019	1,019	1,019
+ Equity raised	6	10	-	-	-
+ Debt raised	0	-0	-	-	-
- Fin Investments	1,140	1,119	-	-	-
- Misc. Items (CFI + CFF)	-159	-237	-1,141	-833	-856
Net cash-flow	1,059	1,241	889	1,838	3,611

Source: Company, Anand Rathii Research

Fig 2 – Balance sheet (Rs m)

Year-end: Mar	FY24	FY25	FY26e	FY27e	FY28e
Share capital	684	694	694	694	694
Net worth	24,389	27,858	31,087	35,242	41,013
Total debt (incl. Pref)	0	-	-	-	-
Minority interest	123	310	316	332	375
DTL/(Asset)	-480	-427	-427	-427	-427
Capital employed	24,032	27,741	30,976	35,147	40,961
Net tangible assets	2,060	2,407	2,583	3,529	4,418
Net Intangible assets					
Goodwill	7,216	7,890	7,857	7,997	8,197
CWIP (tang. & intang.)	10	19	19	19	19
Investments (Strategic)	-0	-0	-0	-0	-0
Investments (Financial)	5,758	6,970	6,970	6,970	6,970
Current Assets (ex Cash)	16,077	17,315	20,927	23,723	26,402
Cash	1,998	3,239	4,128	5,966	9,577
Current Liabilities	9,088	10,099	11,507	13,057	14,621
Working capital	6,990	7,216	9,420	10,666	11,781
Capital deployed	24,032	27,741	30,976	35,147	40,961

Fig 4 – Ratio analysis

Year end Mar	FY24	FY25	FY26e	FY27e	FY28e
P/E (x)	49.5	47.8	37.5	32.0	24.6
EV/EBITDA (x)	27.5	28.1	22.7	18.3	14.5
EV/sales (x)	5.94	5.96	4.79	4.17	3.70
P/B (x)	6.5	5.7	5.1	4.5	3.9
RoE (%)	14.3	12.7	14.4	15.6	17.8
RoCE (%) - After tax	12.5	10.3	10.9	13.1	15.5
RoIC (%) - After tax	17.5	15.3	16.6	20.0	24.7
DPS (Rs per share)	3.5	7.0	7.0	7.0	7.0
Dividend yield (%)	0.3	0.6	0.6	0.6	0.6
Dividend payout (%) - Inc. DDT	15.8	31.9	24.0	20.5	15.8
Net debt/equity (x)	-0.3	-0.4	-0.4	-0.4	-0.4
Receivables (days)	201	221	220	218	216
Inventory (days)					
Payables (days)	39	31	31	31	31
CFO:PAT%	128	129	69	100	101
FCF:PAT% - includ M&A payout	74	78	18	39	56

Source: Company, Anand Rathii Research

Birlasoft: Margin discipline & leadership refresh lay the groundwork for turnaround; Upgrade to Buy

Rating: **Buy**

Target price (12-mth): Rs.487

Share price: Rs.383

BSOFT's Q2 revenue came in at \$150.7mn (flat q/q in cc, vs. -1.8% in Q1) with EBITDA margin coming int at 16.0% (+370bps q/q; includes +150bps impact of one-off & +100bps forex tailwind), adjusted for the one-offs, margin came in at ~13.5% (+115bps q/q). Expansion was driven by better mix (more offshore/managed services, tail-account rationalization with focus on larger, more profitable accounts, and operational efficiencies). BSOFT sees ~14% as a sustainable margin base near-term, with scope to inch higher as portfolio improvement actions flow through. Wage-hike decision deferred to Q3FY26. Management clarified that the ETR (~36% in Q1 & ~33% in Q2) is elevated in FY26 due to U.S. Federal and State tax provisions, with full-year FY26 ETR guided at ~42-43% (~44-45% in H2) but emphasized that this is timing/jurisdiction-mix driven and not structural. From FY27 onward, ETR is expected to normalize back to the sustainable 28-30% range

- **Vertical Highlights.** Lifesciences (21.3% of rev, +6.5% q/q) led followed by BFSI (24.8%, +1.6%), while Energy & Utilities (17.3%, -0.6%) showed stability with improving pipeline visibility. Digital and Data-led (58.3%, -0.7%) engagements are scaling, especially where AI and automation are embedded into modernization programs. The major drag remains Manufacturing (36.6%, -4.2%)/ERP (31.1%, -2.2%), where pipeline conversion has been slower and leadership along with go-to-market refresh is underway. ERP remains project-led but a high-margin opportunity & company expects recovery over next Qs as the refresh actions take hold.
- **Deal Wins & TCV.** LTM TCV at ~\$710mn (-5.8% YoY). A couple of committed deals will spill-over to Q3 TCV, while previously signed Q4 deals that finished transition are the primary driver of Q3 revenue growth, with management also guiding sequential growth into Q4. Co emphasized raising the annuity deal share (~65-70%; 30-35% project-based) & pivoting new wins toward managed-services/outcome contracts over staff-augmentation work. Won a strategic configuration management deal with a large payments client, replacing a Tier-1 incumbent
- **Valuation.** Cut in revenue estimates partially offset by improved margins, with FY26-28e revenue / EPS CAGR of 6.4% / 24.4% (vs. 6.7%/ 15.6% respectively), with FY27e/FY28e P/E of 18.4x/16.5x respectively and FY26-28e EPS CAGR of 24.4%. Our target price is Rs. 487, implying ~27% potential upside from CMP
- **Key Risks.** Continued weakness in the manufacturing and allied segments (~57% of revenues)

Key data	BSOFT IN / BIRS.BO
52-week high / low	Rs624 / 330
Sensex / Nifty	85,720 / 26,216
Market cap	Rs106bn
Shares outstanding	279m

Shareholding (%)	Sep'25	Jun'25	Mar'25
Promoters	40.5	40.6	40.6
<i>- of which, Pledged</i>			
Free float	59.5	59.4	59.4
- Foreign institutions	11.3	12.4	11.7
- Domestic institution	21.9	22.4	24.5
- Public	26.3	24.6	23.2

Estimate revision: Significantly improved margins, partially offset by higher tax rate, driving upward estimates revision in outer years...

Birlasoft (Rs m)	FY26			FY27			FY28		
	New	Old	% Change	New	Old	% Change	New	Old	% Change
Revenue (\$ m)	607	601	1.0	645	637	1.3	682	680	0.3
Revenues	53,054	52,080	1.9	56,855	55,528	2.4	60,107	59,310	1.3
EBITDA	7,427	6,248	18.9	8,353	7,005	19.2	9,005	7,723	16.6
EBITDA margins %	14.0%	12.0%	200 bps	14.7%	12.6%	208 bps	15.0%	13.0%	196 bps
EBIT	6,614	5,417	22.1	7,521	6,149	22.3	8,157	6,850	19.1
EBIT margins %	12.5%	10.4%	206 bps	13.2%	11.1%	216 bps	13.6%	11.5%	202 bps
PBT	7,403	6,243	18.6	8,402	7,046	19.2	9,219	7,767	18.7
Net profit	4,228	4,309	(1.9)	5,882	5,229	12.5	6,546	5,764	13.6

Key estimates and changes

- We increase our FY27e/FY28e revenues estimates by 2.4%/1.3%. We have assumed ~110bps EBIT margin expansion over FY26-28e (~12.5% to 13.6%) with FY26-28 EPS CAGR of 24.4%. Given extraordinary tax rates of ~42% in FY26, normalizing the same, FY26-28e EPS CAGR amounts to 11.6%.
- We now expect a FY26e-28e \$ revenue CAGR of 6.0% (vs. 6.4% earlier) with FY26-28e EPS CAGR of 24.4% (vs. 15.6% earlier).

Valuation Considerations: Significantly improved margin expectation, partially offset by higher tax rate...

Comfort on higher margins, as legacy issues weigh on tax...

- We have assumed ~110bps EBIT margin expansion over FY26-28e (~12.5% to 13.6%) with FY26-28 EPS CAGR of 24.4%. Given extraordinary tax rates of ~42% in FY26, normalizing the same, FY26-28e EPS CAGR amounts to 24.4%
- At CMP, the stock trades at FY27e/28e P/E of 18.4x/ 16.5x.
- Our TP Rs 487, implies ~27% upside from the current level

S.No	Valuation methodology	Assumptions	Intrinsic Value (Rs)	Target Price (Rs)
(1)	Forward multiple method	We apply a 21x P/E multiple to LTM Sep'27 EPS of Rs22.2	Rs 465	
(2)	DCF (base case)	15-year DCF, with terminal growth rate of 6.0% - FY25e-30e revenue CAGR (base case): 5.2% - WACC: 12.1%	Rs 512	
	Overall	50% weight to (1) & (2) each, to arrive at a target of		Rs 487

DCF assumptions	Unit	
Valuation date		30-Sep-25
WACC	%	12.1%
TGR (terminal growth)	%	6.0%
Risk-free rate	%	6.5%
ERP (eq. risk premium)	%	5.5%
Beta		0.89
Capital structure	Unit	
Eq. (% of capital)	%	99.7%
Debt (% of capital)	%	0.3%
Cost of equity	%	12.1%
Cost of debt	%	10.0%

Implied share-price sensitivity (base case)						
		Terminal growth rate (%)				
		5.5%	5.8%	6.0%	6.3%	6.5%
WACC (%)	11.6%	531	541	551	562	574
	11.8%	513	521	531	541	551
	12.1%	496	504	512	521	531
	12.3%	481	488	495	503	511
	12.6%	466	473	479	486	494

¹ Adjusted EPS expenses the capitalized R&D expense of Rs. 1,600 Mn. to Rs. 1,800 Mn. p.a. (~5% of revenues)
Source: Company, Anand Rath Research

Factsheet

Revenue mix %								
	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
On-site	45.8	47.8	43.5	50.5	49	49.7	48.8	46.1
Offshore	54.2	52.2	56.5	49.5	51	50.3	51.2	53.9
T&M	37.3	38.4	37.3	36	35.2	38.1	38.9	50.9
FP	62.7	61.6	62.7	64	64.8	61.9	61.1	49.1

Client profiles (LTM)								
	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Client profiling								
\$1m+	83	87	88	89	85	80	77	78
\$5m+	26	26	23	24	27	27	26	23
\$10m+	11	12	12	12	12	12	12	11
Active Clients	272	259	258	261	265	254	247	239
Client additions	(6)	(13)	(1)	3	4	(11)	(7)	(8)

Client concentration % (LTM)								
	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Top 5	35	35	36	37	37	37	38	39
Top 10	52	52	53	53	52	52	53	53
Top 20	65	65	65	65	65	65	65	66

Employee Movement								
	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Employees (EoP)	12,356	12,595	12,865	12,578	12,125	11,930	11,834	11,892
Gross additions	484	626	639	88	(61)	190	299	452
Net additions	34	239	270	-287	-453	-195	-96	58
Attrition % - LTM	12.6%	12.4%	11.6%	11.8%	12.7%	12.8%	13.3%	13.3%
Utilisation % (cum trainees)	87.1%	86.3%	81.7%	82.0%	81.8%	81.0%	81.2%	80.6%

Revenue-split, by industry								
(%)	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
BFSI	20.6	21.2	23.6	23.3	24.1	24.0	24.4	24.8
Manufacturing	41.1	41.9	39.2	40.0	40.1	39.5	38.2	36.6
Healthcare / Life Sciences	23.9	22.1	21.4	20.6	20.0	19.6	20.0	21.3
E&U	14.5	14.8	15.8	16.1	15.7	16.9	17.4	17.3

Revenue-split, by region								
(%)	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
North America	85.7	86.5	84.0	87.3	87.8	86.9	86.3	88.3
RoW	14.3	13.5	16.0	12.7	12.2	13.1	13.7	11.7

Quick Glance — Financials and Valuations

Fig 1 – Income statement (Rs m)

Year-end: Mar	FY24	FY25	FY26e	FY27e	FY28e
Revenues (US\$m)	635	635	607	645	682
Growth (%)	6.8	0.0	-4.5	6.3	5.7
Net revenues (Rs m)	52,781	53,752	53,054	56,855	60,107
Employee & Direct Costs	39,403	41,636	40,463	43,057	45,383
Gross Profit	13,379	12,116	12,591	13,798	14,724
Gross Margin %	25.35	22.54	23.73	24.27	24.50
SG&A	5,017	5,142	5,164	5,445	5,719
EBITDA	8,362	6,974	7,427	8,353	9,005
EBITDA margins (%)	15.8	13.0	14.0	14.7	15.0
- Depreciation	850	857	813	831	848
Other income	1,035	1,085	992	1,085	1,266
Interest Exp	199	234	203	204	204
PBT	8,348	6,968	7,403	8,402	9,219
Effective tax rate (%)	25	26	43	30	29
+ Associates/(Minorities)	-	-	-	-	-
Net Income	6,238	5,168	4,228	5,882	6,546
WANS	281	278	283	283	283
FDEPS (Rs/share)	22.2	18.6	15.0	20.8	23.1

Fig 3 – Cash Flow statement (Rs m)

Year-end: Mar	FY24	FY25	FY26e	FY27e	FY28e
PBT	8,348	6,968	7,403	8,402	9,219
+ Non-cash items	1,372	641	24	-49	-118
Operating profit before WC	9,720	7,609	7,427	8,353	9,101
- Incr./(decr.) in WC	730	-144	-579	176	-99
Others including taxes	-1,807	-1,878	-3,175	-2,521	-2,708
Operating cash-flow	7,182	5,875	4,830	5,656	6,492
- Capex (tangible + Intangible)	262	486	480	514	543
Free cash-flow	6,920	5,389	4,351	5,142	5,949
Acquisitions	-	-	-	-	-
- Dividend (including buyback & taxes)	1,240	1,796	1,951	2,146	2,361
+ Equity raised	99	106	-	-	-
+ Debt raised	-	111	-	-	-
- Fin Investments	6,467	4,376	-	-	378
- Misc. Items (CFI + CFF)	55	89	-1,164	-1,153	-1,266
Net cash-flow	-743	-655	3,564	4,149	4,476

Source: Company, Anand Rathi Research

Fig 2 – Balance sheet (Rs m)

Year-end: Mar	FY24	FY25	FY26e	FY27e	FY28e
Share capital	552	556	556	556	548
Net worth	30,441	34,782	37,059	40,795	44,980
Total debt (incl. Pref)	-	114	114	114	114
Minority interest	-	-	-	-	-
DTL/(Asset)	-1,042	-1,142	-1,122	-1,101	-1,077
Capital employed	29,399	33,755	36,051	39,808	44,017
Net tangible assets	1,919	2,306	1,972	1,655	1,350
Net Intangible assets	5,052	5,310	5,310	5,310	5,310
Goodwill	4,568	4,568	4,568	4,568	4,568
CWIP (tang. & intang.)	116	49	49	49	49
Investments (Strategic)					
Investments (Financial)	13,519	18,902	18,902	18,902	19,280
Current Assets (ex Cash)	13,441	13,449	13,208	13,964	14,604
Cash	3,926	3,271	6,834	10,984	15,460
Current Liabilities	8,574	9,532	10,225	11,056	12,037
Working capital	4,867	3,917	2,983	2,908	2,567
Capital deployed	29,399	33,754	36,052	39,809	44,016
Contingent Liabilities	1,497	1,200	-	-	-

Fig 4 – Ratio analysis

Year end Mar	FY24	FY25	FY26e	FY27e	FY28e
P/E (x)	17.4	21.0	25.6	18.4	16.5
EV/EBITDA (x)	10.3	12.4	11.6	10.3	9.6
EV/sales (x)	1.6	1.6	1.6	1.5	1.4
P/B (x)	3.6	3.1	2.9	2.7	2.4
RoE (%)	22.7	15.8	11.8	15.1	15.3
RoCE (%) - After tax	19.1	13.0	9.8	12.5	12.5
RoIC (%) - After tax	37.3	30.1	25.7	37.1	41.5
DPS (Rs per share)	6.5	6.5	6.9	7.6	8.3
Dividend yield (%)	1.7	1.7	1.8	2.0	2.2
Dividend payout (%) - Inc. DDT	29.3	35.0	46.1	36.5	36.1
Net debt/equity (x)	-0.6	-0.6	-0.7	-0.7	-0.8
Receivables (days)	72	67	66	65	64
Inventory (days)					
Payables (days)	23	18	18	18	18
CFO:PAT%	115	114	114	96	99
FCF:PAT% - includ M&A payout	111	104	103	87	91

Source: Company, Anand Rathi Research

Sonata Software: Revenue, Margin beat estimates, amid weakness in top client; retain Hold

Rating: **Hold**

Target price (12-mth): Rs.419

Share price: Rs.358

International Services (34% of overall) revenue came in at \$82mn (+1% q/q cc vs. -0.9% in Q1). Operating EBITDA rose to 17.3% (+70 bps q/q) as utilization lifted to 87.3% and offshoring improved to 57% (from 53% in Q1), offsetting ~90 bps wage-impact. Q2 order book was \$105mn with book-to-bill of 1.28x. Sonata won one large deal, added 6 new customers, and now has 8 clients >\$10mn ARR.

Consolidated revenue was down (2.3)% y/y, driven by the domestic business (~66% of revenues) decline of ~(5.0)% y/y. India biz declined primarily due to some MS re-seller accounts GTM shifting to direct. Sonata doesn't expect more customers to go direct over the next six months.

- **Verticals & geos:** Management is deliberately tilting toward BFSI and Healthcare/Life Sciences, which now form ~33% of revenue (vs ~13% three years ago), while North America is >70% of revenue (vs ~54%). Headwinds were from the largest BFSI client ramp-down (budget issues) and decision delays at the largest TMT client.
- **Demand environment & outlook:** Pipeline remains constructive with Cloud & Data now ~55% of total pipeline; AI order book rose to 10% (vs 8% in Q1); & no material furlough impact is expected. Reiterated a high-teens EBITDA aspiration and PAT to accrete in H2 vs H1, with guidance that the residual BFSI headwind should be fully absorbed by end of Q3, with TMT budget dissemination expected by January (a potential Q4/Q1 uptick).
- **AI strategy & execution.** Sonata is scaling an agentic AI platform (AgentBridge) and aligning GTM with hyperscaler AI consumption models including co-sell. It is pursuing AI opportunities across 100+ clients and has deployed production agents internally (HR/Finance). ~95% of employees and 80% of managers are AI-trained now.
- **Valuation.** We project 8.1%/11.3% FY26-28 revenue/EPS CAGRs, with the EBIT margin expanding to 6.2% by FY28 (from 5.5% in FY26e. We expect FY27e/FY28e P/E of 20.7x/18.4x respectively and FY26-28e EPS CAGR of 11.3%. Our target price is Rs. 419, implying 17% potential upside from CMP
- **Key Risks.** Conversion from the \$105mn Q2 order book and large-deal pipeline into revenue amid the BFSI/TMT softness, Domestic (re-seller) business getting further impacted as Microsoft pursues limited direct billing with select India enterprises while the management has assuaged investor concerns mentioning no customer attrition in the next 2 Qs.

Key data	SSOF IN / SOFT.BO
52-week high / low	Rs687 / 286
Sensex / Nifty	85,720 / 26,216
Market cap	Rs100bn
Shares outstanding	280m

Shareholding (%)	Sep'25	Jun'25	Mar'25
Promoters	28.2	28.2	28.2
- of which, Pledged	-	-	-
Free float	71.8	71.8	71.8
- Foreign institutions	8.9	9.7	10.8
- Domestic institution	26.3	25.6	25.8
- Public	36.6	36.5	35.2

Estimate revision: No material change in estimates

Sonata (Rs m)	FY26			FY27			FY28		
	New	Old	% Change	New	Old	% Change	New	Old	% Change
Revenue (\$ m)	1,197	1,225	(2.3)	1,259	1,261	(0.2)	1,379	1,381	(0.2)
Revenues - IT (\$ m)	332	330	0.5	360	359	0.4	390	388	0.4
Revenues	1,04,967	1,04,641	0.3	1,12,117	1,07,781	4.0	1,22,771	1,18,023	4.0
EBITDA	6,817	6,354	7.3	7,692	7,342	4.8	8,679	8,358	3.8
EBITDA margins %	6.5%	6.1%	42 bps	6.9%	6.8%	5 bps	7.1%	7.1%	-1 bps
EBIT	5,818	5,433	7.1	6,705	6,393	4.9	7,598	7,320	3.8
EBIT margins %	5.5%	5.2%	35 bps	6.0%	5.9%	5 bps	6.2%	6.2%	-1 bps
PBT	5,977	5,592	6.9	6,538	6,500	0.6	7,360	7,356	0.1
Net profit	4,362	4,105	6.3	4,803	4,816	(0.3)	5,408	5,450	(0.8)

Key estimates and changes

- We have assumed ~70bps EBIT margin expansion over FY26-28e (~5.5% to 6.2%) with FY26-28 EPS CAGR of 11.3% (vs. 15.2% earlier).
- We now expect a 7.3% (vs. 6.2% earlier) revenue CAGR over FY26e-28e, and a 11.3% (vs. 15.2% earlier) EPS CAGR.

Valuation Considerations: As management assuages near term concerns, reseller business evolution a key monitorable...

No material change in estimates, albeit FY26 margins raised on near term certainty...

- We have assumed ~70bps EBIT margin expansion over FY26-28e (~5.5% to 6.2%) with FY26-28 EPS CAGR of 11.3% (vs. 15.2% earlier).
- At CMP, the stock trades at FY27e/28e P/E of 20.7x/ 18.4x.
- Our TP Rs 419, implies ~17% upside from the current level.

S.No	Valuation methodology	Assumptions	Intrinsic Value (Rs)	Target Price (Rs)
(1)	Forward multiple method	We apply a 20x P/E multiple to LTM Sep'27 International IT EPS of Rs12.0 & 18x P/E multiple to LTM Sep'27 Reseller business EPS of Rs 7.44	Rs 375	
(2)	DCF (base case)	15-year DCF, with terminal growth rate of 6.0% - FY25e-30e revenue CAGR (base case): 7.9% - WACC: 13.0%	Rs 463	
	Overall	50% weight to (1) & (2) each, to arrive at a target of		Rs 419

DCF assumptions	Unit	
Valuation date		30-Sep-25
WACC	%	13.0%
TGR (terminal growth)	%	5.5%
Risk-free rate	%	6.5%
ERP (eq. risk premium)	%	7.5%
Beta		1.3
Capital structure	Unit	
Eq. (% of capital)	%	74.7%
Debt (% of capital)	%	25.3%
Cost of equity	%	15.9%
Cost of debt	%	6.0%

Implied share-price sensitivity (base case)						
		Terminal growth rate (%)				
	447.9	5.0%	5.3%	5.5%	5.8%	6.0%
WACC (%)	12.5%	481	488	496	504	513
	12.8%	466	472	479	486	494
	13.0%	451	457	463	469	476
	13.3%	437	442	448	454	460
	13.5%	424	429	434	439	445

Factsheet

Revenue-split (IT Services Only)

	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Dynamics	23.3	24.0	25.0	23.0	24.0	24.0	23.0	26.0
Data	24.3	22.0	16.0	23.0	26.0	23.0	24.0	20.0
Cloud	36.0	36.0	39.0	41.0	37.0	39.0	39.0	42.0
Emerging	10.2	12.0	11.0	9.0	12.0	9.0	10.0	11.0
Others	6.2	6.0	9.0	4.0	1.0	5.0	4.0	1.0

Revenue-Split, by Domain (IT Services Only)

	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Hi-Tech / TMT	30.7	35.6	36.0	32.0	29.0	28.0	32.0	31.0
Retail CPG / Manufacturing	33.7	34.8	34.0	31.0	25.0	31.0	30.0	33.0
BFSI	16.8	13.8	16.0	22.0	30.0	23.0	20.0	19.0
Others	8.0	4.0	4.0	5.0	5.0	6.0	4.0	3.0
Healthcare	10.8	11.8	10.0	10.0	11.0	12.0	14.0	14.0

Revenue-split, by region (IT Services Only)

	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
North America	71.0	70.0	72.0	72.0	78.0	74.0	74.0	69.0
Europe	13.0	14.0	13.0	14.0	11.0	17.0	16.0	18.0
RoW	15.0	16.0	15.0	14.0	11.0	9.0	10.0	13.0

Revenue-split, by Service line

	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
IT services	28	31	27	33	26	27	24	34
Domestic Business	72	69	73	67	75	73	76	66

Client profiles (LTM) (IT Services Only)

	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Client profiling								
Top 10	56.0	52.0	50.0	63.0	66.0	61.0	56.0	53.0
Top 20	69.0	61.0	60.0	77.0	78.0	73.0	71.0	70.0
\$1m+ Clients	66	59	62	63	58	62	58	55
\$5m+ Clients	12	11	12	11	11	11	13	13

Employee Movement

	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Employee Movement								
Employees (EoP) - IT Services	6,134	6,016	6,201	6,485	6,643	6,369	6,393	6,136
Employees (EoP)- Domestic	398	400	418	423	447	441	466	493
Net Adds (Qtr)	38	-116	203	289	182	-280	49	-230
Utilisation (%)	85.8%	87.4%	87.0%	87.0%	87.0%	87.0%	86.6%	87.3%

Key segments' growth Y/Y (%)

	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Region								
North America	85%	67%	20%	9%	14%	5%	2%	-7%
Europe	-10%	-13%	-13%	-2%	-12%	21%	22%	25%
RoW	-23%	-29%	-20%	-14%	-24%	-44%	-34%	-10%

Quick Glance — Financials and Valuations

Fig 1 – Income statement (Rs m)

Year-end: Mar	FY24	FY25	FY26e	FY27e	FY28e
Revenues (US\$m)	1,042	1,203	1,197	1,259	1,379
Growth (%)	11.3	15.5	-0.6	5.2	9.5
Net revenues (Rs m)	86,131	1,01,573	1,04,967	1,12,117	1,22,771
Employee & Direct Costs	71,543	86,795	91,627	97,531	1,07,351
Gross Profit	14,588	14,778	13,340	14,586	15,420
Gross Margin %	16.94	14.55	12.71	13.01	12.56
SG&A	7,314	7,881	6,523	6,895	6,741
EBITDA	7,274	6,896	6,817	7,692	8,679
EBITDA margins (%)	8.4	6.8	6.5	6.9	7.1
- Depreciation	1,319	1,215	1,000	987	1,080
Other income	-491	708	636	259	188
Interest Exp	850	653	477	426	426
PBT	4,614	5,737	5,977	6,538	7,360
Effective tax rate (%)	33	26	27	27	27
+ Associates/(Minorities)	-	-	-	-	-
Net Income	3,085	4,247	4,362	4,803	5,408
WANS	278	278	278	278	278
FDEPS (Rs/share)	11.1	15.3	15.7	17.3	19.5

Fig 3 – Cash Flow statement (Rs m)

Year-end: Mar	FY24	FY25	FY26e	FY27e	FY28e
PBT	4,614	5,737	5,977	6,538	7,360
+ Non-cash items	2,909	1,312	841	1,154	1,319
Operating profit before WC	7,522	7,049	6,817	7,692	8,679
- Incr./(decr.) in WC	2,094	-1,030	590	-512	-528
Others including taxes	-2,623	-1,636	-1,496	-1,604	-1,809
Operating cash-flow	2,805	6,443	4,732	6,600	7,398
- Capex (tangible + Intangible)	254	685	705	776	840
Free cash-flow	2,552	5,758	4,028	5,824	6,558
Acquisitions	-726	-5,919	-3,926	-	-
- Dividend (including buyback & taxes)	2,189	1,226	2,039	2,278	2,547
+ Equity raised	-	-	-0	0	-0
+ Debt raised	6,404	-488	-1,104	-828	-621
- Fin Investments	150	-1,595	-3,492	-349	-35
- Misc. Items (CFI + CFF)	4,704	1,980	-159	168	238
Net cash-flow	1,186	-2,260	609	2,900	3,187

Source: Company, Anand Rathi Research

Fig 2 – Balance sheet (Rs m)

Year-end: Mar	FY24	FY25	FY26e	FY27e	FY28e
Share capital	278	278	278	278	278
Net worth	14,063	17,059	19,383	21,908	24,769
Total debt (incl. Pref)	6,743	4,416	3,312	2,484	1,863
Minority interest	-0	-0	-0	-0	-0
DTL/(Asset)	-2,239	-2,360	-2,261	-2,152	-2,032
Capital employed	18,567	19,115	20,434	22,240	24,600
Net tangible assets	1,327	1,036	1,241	1,523	1,823
Net Intangible assets	13,176	13,052	16,478	15,985	15,445
Goodwill	2,207	2,207	2,207	2,207	2,207
CWIP (tang. & intang.)	-	-	-	-	-
Long-term Assets (Liabilities)	-770	-511	-530	-552	-575
Investments (Financial)	5,740	3,880	388	39	4
Current Assets (ex Cash)	19,785	20,372	20,240	20,751	21,773
Cash	5,360	3,100	3,709	6,609	9,796
Current Liabilities	28,258	24,021	23,300	24,322	25,872
Working capital	-8,473	-3,649	-3,059	-3,571	-4,099
Capital deployed	18,567	19,115	20,433	22,240	24,600
Contingent Liabilities	7,804	7,470	-	-	-
	-0.0	0.1	-0.1	0.0	-0.3

Fig 4 – Ratio analysis

Year end Mar	FY24	FY25	FY26e	FY27e	FY28e
P/E (x)	32.2	23.4	22.8	20.7	18.4
EV/EBITDA (x)	13.3	14.0	14.2	12.6	11.2
EV/sales (x)	1.1	1.0	0.9	0.9	0.8
P/B (x)	7.1	5.8	5.1	4.5	4.0
RoE (%)	22.8	27.3	23.9	23.3	23.2
RoCE (%) - After tax	16.8	18.0	17.5	19.0	19.9
RoIC (%) - After tax	29.8	29.3	22.7	24.0	28.2
DPS (Rs per share)	7.9	4.4	7.3	8.2	9.2
Dividend yield (%)	2.2	1.2	2.1	2.3	2.6
Dividend payout (%) - Inc. DDT	71.1	28.8	46.7	47.4	47.1
Net debt/equity (x)	-0.3	-0.2	-0.0	-0.2	-0.3
Receivables (days)	73	66	65	64	63
Inventory (days)					
Payables (days)	66	60	55	55	55
CFO:PAT%	91	152	108	137	137
FCF:PAT% - includ M&A payout	59	-4	2	121	121

Source: Company, Anand Rathi Research

Happiest Minds: Steady quarter with stable margin, execution remains intact; retaining a Buy

Rating: **Buy**

Target price (12-mth): Rs. 658

Share price: Rs. 497

Happiest Minds delivered a steady performance in Q2 FY26, sustaining consistent execution and operational discipline amid cautious macro. Revenue growth was broadly stable (up 2.3% q/q in CC terms), led by Hi-Tech (13.4% of revenue; up 5.9% q/q), Retail (up 9.8%; 8.9% q/q) and Healthcare (16.3%; 6.4% q/q), partly offset by softness in EdTech (15.3%; down 3.9% q/q), owing to ongoing GenAI-led automation and data modernisation programmes. GenAI horizontal (~3%; up 18% q/q) continued to scale rapidly with 22 reusable use cases representing a potential revenue opportunity of ~\$15m over the next few years. Net New Sales unit (operating at an ARR of ~\$20m) along with 30 new clients addition in H1 (collective pipeline of \$50-60m over the next 3-4 years), reflects tangible traction in its new business model. Management expects stronger performance in H2, as several deals in IMSS and BFSI (deferred from Q2) are scheduled to ramp up.

- **Customer Metrics.** GenAI Business Services (GBS) up ~18% q/q (2.7% of revenue), with multiple proof-of-concept pilots scaling-up to full production. It added 30 clients in H1, contributing \$9m revenue and opening a \$50-60m pipeline over 3-4 years.
- **Verticals.** Growth led by Hi-Tech (up 5.9% q/q), Retail (up 8.9% q/q), and Healthcare (up 6.4% q/q); offset by EdTech (down 3.9% q/q). Management expects BFSI to rebound in H2, as the deferred banking platform deals and APAC deals ramp-up.
- **Regions.** The US (60% of revenue) grew 2% q/q, led by GenAI and new-client additions. Europe (8.1%, +10.7% q/q) and India (18.3%, +5.2% q/q) showed sequential improvement, while Middle East & Africa are emerging as high-potential AI markets.
- **Valuation.** We expect 7.8/13.8% revenue/ adj EPS CAGRs over FY26-28e, & 17.7% EBITDA margin by FY28e. It trades at 24.1x/ 21.3x FY27e/28e adjusted P/Es. We maintain our Buy rating, with a Target price of Rs. 658, implying ~32% upside from CMP.
- **Key Risks.** Continuing decline in the Edu-tech business growth (~18% decline over the last 2 year); Q2 deferred deals struggling to translate into revenue.

Key data	HAPPSTMN IN / HAPP.BO
52-week high / low	Rs788 / 487
Sensex / Nifty	85,720 / 26,216
Market cap	Rs76bn
Shares outstanding	150m

Shareholding (%)	Sep'25	Jun'25	Mar'25
Promoters	44.2	44.2	44.2
- of which, Pledged			
Free float	55.8	55.8	55.8
- Foreign institutions	5.4	5.3	5.0
- Domestic institution	10.2	10.6	10.6
- Public	40.2	39.9	40.2

Estimate revision: Consistent execution provides comfort on FY26 estimates; No material change in outer year estimates

Happiest Minds (Rs.m)	FY26			FY27			FY28		
	New	Old	% Change	New	Old	% Change	New	Old	% Change
Revenue (\$m)	262	264	(0.6)	281	285	(1.4)	303	307	(1.4)
Revenue (Rs.m)	22,944	22,894	0.2	24,772	24,886	(0.5)	26,667	26,803	(0.5)
EBITDA	3,986	3,853	3.5	4,353	4,389	(0.8)	4,720	4,796	(1.6)
EBITDA Margin %	17.4%	16.8%	54 bps	17.6%	17.6%	(7) bps	17.7%	17.9%	(19) bps
EBIT	3,094	2,959	4.5	3,460	3,497	(1.0)	3,872	3,949	(1.9)
EBIT Margin %	13.5%	12.9%	56 bps	14.0%	14.1%	(8) bps	14.5%	14.7%	(21) bps
PBT	3,032	2,872	5.6	3,564	3,660	(2.6)	4,169	4,173	(0.1)
Net PAT	2,132	2,013	5.9	2,528	2,599	(2.7)	3,100	3,101	(0.0)

Key estimates and changes:

- FY27e/FY28e revenue/EPS estimates increased / (decreased) by (0.5)/(2.7)% and (0.5)/0.0%.
- A 100bps expansion in EBIT margin from FY26-28e from 180bps earlier.

Valuation Considerations: No material change in estimates

DCF valuation benefits from leveraged capital structure.

- We expect EBIT margin to expand by 100bps to 14.5% over FY26-28, with 13.8% CAGR in adj. EPS. Adjusted EPS reflects the add-back of acquisition amortisation to reported EPS.
- At CMP, the stock trades adj. P/E of 24.1x/21.3x FY27e/28e.
- Our TP Rs658, implies ~32% upside potential from the CMP of Rs497.

S.No	Valuation methodology	Assumptions	Intrinsic Value (Rs)	Target Price (Rs)
(1)	Forward-multiple method	We apply a 30x P/E multiple to LTM Sep'27e EPS of Rs 22.2	660	
(2)	DCF (Base Case)	15-year DCF, with a terminal growth rate of 5.5% - FY25-30e revenue CAGR (base case): 9.5% - WACC: 10.7%	655	
	Overall	A 50% weight to (1) and (2) each, to arrive at the TP of		658

DCF assumptions	Unit	
Valuation date		30-Sep-25
WACC	%	10.7
TGR (terminal growth)	%	5.5
Risk-free rate	%	6.5
ERP (eq. risk premium)	%	6.5
Beta		0.89
Capital structure	Unit	
Eq. (% of total capital)	%	67.8
Debt (% of total capital)	%	32.2
Cost of equity	%	12.3
Cost of debt	%	7.7

Implied share-price sensitivity (base case)						
		Terminal growth rate (%)				
	365.9	4.75%	5.0%	5.5%	5.75%	6.00%
WACC (%)	10.2%	688	708	730	755	783
	10.4%	654	671	691	712	736
	10.7%	622	638	655	674	695
	10.9%	594	608	623	640	658
	11.2%	568	580	594	609	625

Factsheet

Revenue-split, by industry

(%)	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Edu Tech	24.0	22.3	21.5	19.3	17.4	17.0	16.1	15.3
Hitech	14.3	14.7	14.8	14.3	15.4	13.5	12.8	13.4
Retail / CPG	7.6	7.8	7.8	8.1	8.4	8.7	9.1	9.8
TME	11.7	12.2	10.7	8.6	8.4	8.5	9.8	9.6
BFSI	10.9	11.4	16.8	22.5	23.6	26.5	26.2	25.3
Industrial	6.8	7.4	7.3	7.2	6.7	6.8	6.7	6.6
MFG	7.4	6.3	4.0	3.0	3.2	2.6	3.1	3.3
Others	2.5	1.6	0.9	0.6	0.5	0.6	0.7	0.4
Healthcare	14.8	16.1	16.4	16.4	16.4	15.6	15.5	16.3

Revenue-split, by services

(%)	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
PDES	52.4	51.7	81.2	83.3	83.2	81.6	80.4	81.1
GBS	29.8	30.1	1.6	1.6	1.6	2.1	2.4	2.7
IMSS	17.8	18.1	17.2	15.1	15.1	16.4	17.2	16.2

Operational performance

	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Growth, by vertical (Y/Y)								
Edu Tech	13%	10%	4%	-2%	-8%	-4%	-13%	-17%
Hi-Tech	27%	5%	17%	28%	37%	15%	0%	-2%
Retail & CPG	-20%	11%	28%	43%	40%	40%	35%	26%
TME	-3%	1%	4%	-6%	-9%	-13%	6%	16%
BFSI	15%	15%	78%	177%	175%	192%	81%	17%
Industrial	-19%	-3%	4%	20%	25%	15%	6%	-4%
Manufacturing	36%	15%	-13%	-40%	-45%	-48%	-10%	15%
Others	-26%	-33%	-76%	-81%	-75%	-53%	-10%	-30%
Healthcare	8%	10%	48%	51%	41%	22%	10%	4%

Pure and Aureus which were consolidated in Q1FY25 together amounting to revenue of \$50mn (~25% of pre-acquisition revenue)

Client profiles (LTM)

	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Client profiling								
\$1m+	32	37	44	42	38	37	38	37
\$3m+	4	2	2	6	7	7	9	9
\$5m+	7	6	9	8	7	10	9	8
\$10m+	1	2	2	2	3	2	3	4
Client additions (LTM)								
\$1m+	5	7	13	11	6	-	(6)	(5)
\$3m+	(3)	(4)	(3)	2	3	5	7	3
\$5m+	-	3	1	-	-	4	-	-
\$10m+	(1)	1	1	1	2	-	1	2
Active Clients	245	250	279	281	278	281	285	290
Client additions	15	13	36	37	33	31	6	9

Client concentration % (LTM)

	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Top	11	11	10	9	9	8	ND	ND
Top 5	29	29	27	26	26	24	24	24
Top 10	43	45	41	39	39	39	38	38
Top 20	56	58	54	54	54	54	54	54

Quick Glance — Financials and Valuations Happiest Minds

Fig 1 – Income statement (Rs m)

Year-end: Mar	FY24	FY25	FY26e	FY27e	FY28e
Revenues (US\$m)	196	244	262	281	303
Growth (%)	10.3	24.2	7.7	7.1	7.7
Net revenues (Rs m)	16,247	20,608	22,944	24,772	26,667
Employee & Direct Costs	9,920	13,115	14,308	15,405	16,755
Gross Profit	6,326	7,494	8,637	9,366	9,912
Gross Margin %	38.94	36.36	37.64	37.81	37.17
SG&A	2,968	3,949	4,650	5,014	5,192
EBITDA	3,359	3,545	3,986	4,353	4,720
EBITDA margins (%)	20.7	17.2	17.4	17.6	17.7
- Depreciation	583	887	893	892	847
Other income	854	1,014	949	886	899
Interest Exp	423	995	1,011	783	603
PBT	3,207	2,677	3,032	3,564	4,169
Effective tax rate (%)	27	26	26	26	26
+ Associates/(Minorities) / Exceptional Items	140	-122	-122	-122	-
Net Income	2,484	1,847	2,132	2,528	3,100
WANS	148	152	152	152	152
Adj. FDEPS (Rs/share)	17.6	17.3	18.1	20.7	23.4

Fig 3 – Cash Flow statement (Rs m)

Year-end: Mar	FY24	FY25	FY26e	FY27e	FY28e
PBT	3,207	2,677	3,032	3,564	4,169
+ Non-cash items	249	1,007	955	788	551
Operating profit before WC	3,456	3,683	3,986	4,353	4,720
- Incr./(decr.) in WC	306	373	513	169	167
Others including taxes	-1,024	-946	-778	-914	-1,070
Operating cash-flow	2,126	2,364	2,695	3,269	3,483
- Capex (tangible + Intangible)	82	77	85	92	99
Free cash-flow	2,043	2,288	2,610	3,177	3,384
Acquisitions	-	-7,312	-1,924	-2,071	-
- Dividend (including buyback & taxes)	-860	-859	-1,005	-1,106	-1,216
+ Equity raised	4,856	-	-	-	-
+ Debt raised	395	7,372	-580	-159	-2,174
+ Fin Investments	-1,653	-3,463	-	-	-
+ Misc. Items (CFI + CFF)	-5,334	1,714	-62	104	297
Net cash-flow	-553	-261	-962	-55	291

Source: Company, Anand Rafi Research

Fig 2 – Balance sheet (Rs m)

Year-end: Mar	FY24	FY25	FY26e	FY27e	FY28e
Share capital	299	300	300	300	300
Net worth	14,802	15,746	16,873	18,296	20,179
Total debt (including Pref)	4,424	11,609	11,029	10,869	8,695
Minority interest	-	-	-	-	-
DTL/(Asset)	-33	-231	-231	-231	-231
Capital employed	19,193	27,123	27,669	28,933	28,642
Net tangible assets	1,948	2,105	1,792	1,488	1,197
Net Intangible assets (incl. Goodwill)	2,182	10,008	11,437	13,012	12,554
Goodwill	-	-	-	-	-
CWIP (tangible and intangible)	1	-	-	-	-
Investments (Strategic)	-	-	-	-	-
Investments (Financial)	12,218	12,895	12,895	12,895	12,895
Current Assets (ex Cash) Incl LT assets	4,819	6,676	7,285	7,737	8,198
Cash	1,147	1,191	230	174	465
Current Liabilities (ex ST Loan/Current Portion) i	3,122	5,753	5,970	6,375	6,669
Working capital	1,697	923	1,315	1,362	1,529
Capital deployed	19,193	27,123	27,669	28,933	28,642
Contingent Liabilities	-	-	-	-	-

Fig 4 – Ratio analysis

Year end Mar	FY24	FY25	FY26e	FY27e	FY28e
Adj. P/E (x)	28.2	28.8	27.5	24.1	21.3
EV/EBITDA (x)	21.8	20.7	18.4	16.8	15.5
EV/sales (x)	4.1	3.6	3.2	3.0	2.7
P/B (x)	5.1	4.8	4.5	4.1	3.8
RoE (%)	21.4	12.1	13.1	14.4	16.1
RoCE (%) - After tax	11.7	7.7	7.6	8.2	9.0
RoIC (%) - After tax	28.2	16.9	13.7	14.0	15.3
DPS (Rs per share)	5.8	6.0	6.6	7.3	8.0
Dividend yield (%)	1.2	1.2	1.3	1.5	1.6
Dividend payout (%) - Inc. DDT	34.4	49.5	47.1	43.7	39.2
Net debt/equity (x)	-0.6	-0.2	-0.1	-0.1	-0.2
Receivables (days)	83	90	89	88	87
Inventory (days)	-	-	-	-	-
Payables (days)	22	22	22	22	22
CFO:PAT%	86	128	126	129	112
FCF:PAT% - includ M&A payout	82	-272	32	44	109

Source: Company, Anand Rafi Research

Latent View Analytics: Strong Growth, Investments Drag Margin; retaining a Hold

Rating: **Hold**

Target price (12-mth): Rs.522

Share price: Rs.487

LVA posted a decent investment-led quarter with breadth in growth drivers and a clear tilt towards AI & Databricks partnership. With 7.2% q/q growth in USD revenue, FY26 growth guidance has been upwardly revised to 19-20% (from 18-19% earlier), while EBITDA guidance is calibrated to 22-23% (from 23-24% earlier). Financial Services grew by 25% q/q with 2 wins ramping towards ~\$5-6mn and ~\$1mn within 12m. CPGR vertical rose by ~29% q/q. Europe and LatAm are expected to drive Consumer segment.

Bookings, pipeline and conversion are robust, as 3 new logos came in with \$0.25-0.5m pilots that LVA expects to mine to \$2-3mn annual run-rate in the next 12-15m. Whilst Q3 to have renewal seasonality, the management does not expect furlough impact and sees budget tailwinds in some accounts. GenAI/agentic revenue stands at \$5.5m YTD. It expects to close FY26 with \$19m in Databricks revenue (vs. \$11m in FY25; ~11% of revenue) on the back of >350 certifications, 'partner champion' status, funded PoCs and new SAP-on-Databricks competency. It has set 3-year goal for DB related revenue at \$50mn.

- **Vertical & Geography Highlights.** Growth mainly led by 29% q/q growth in Consumer Retail (18% of revenue) owing to DPA integration synergy. BFSI grew by a strong ~25% q/q (14% of revenue), largely driven by client additions over the last 12 months and exceptional execution. While Hi-Tech has been muted with 0.8% q/q decline (62% of revenue), the management expects recovery led by deal renewal, going forward.
- **Visa Cost:** Q2 Higher operating expenses can be attributed to ~\$220k (0.7% of revenue) towards higher visa cost and \$150-180k (0.6% of revenue at midpoint) towards recruitment fees for senior go-to-market and Adobe talent, with steady-state quarterly opex seen at Rs300-330mn. Net headcount increased by 59 to 1,729.
- **Valuation.** We retain a Hold with TP of Rs 522 (~7% upside from CMP), with FY27e/FY28e Adj. P/E of 43.4x/35.6x & FY26-28e Adj. EPS CAGR of 18.2%.
- **Key Risks.** Q3 renewals (esp. Tech) and ongoing pricing pressure; Diagnostic work (57% of revenue) is facing deflation from GenAI with LVA responding by productizing AI-infused dashboard creation (e.g., Viz AI)

Key data	LATENTVI IN / LATN.BO
52-week high / low	Rs520 / 340
Sensex / Nifty	85,720 / 26,216
Market cap	Rs100bn
Shares outstanding	207m

Shareholding (%)	Sep'25	Jun'25	Mar'25
Promoters	65.2	65.2	65.2
- of which, Pledged			
Free float	34.8	34.8	34.8
- Foreign institutions	2.2	2.1	3.0
- Domestic institution	3.4	3.3	3.3
- Public	29.2	29.5	28.5

Estimate revision: No material change in Estimates...

LatentView (Rs m)	FY26			FY27			FY28		
	New	Old	% Change	New	Old	% Change	New	Old	% Change
Revenue (\$ m)	120	120	(0.0)	140	139	0.5	162	160	1.2
Revenues	10,494	10,444	0.5	12,321	12,132	1.6	14,244	13,925	2.3
EBITDA	2,292	2,317	(1.1)	2,830	2,789	1.5	3,331	3,343	(0.3)
EBITDA margins %	21.8%	22.2%	-34 bps	23.0%	23.0%	-2 bps	23.4%	24.0%	-62 bps
EBIT	1,885	1,933	(2.5)	2,415	2,405	0.4	2,937	2,959	(0.7)
EBIT margins %	18.0%	18.5%	-55 bps	19.6%	19.8%	-22 bps	20.6%	21.2%	-63 bps
PBT	2,453	2,433	0.8	2,948	3,036	(2.9)	3,638	3,727	(2.4)
Net profit	1,843	1,827	0.9	2,184	2,240	(2.5)	2,696	2,751	(2.0)

Key estimates and changes

- We have increased / (decreased) our FY26e / FY27e / FY28e revenue and EPS estimates by 0.5/1.1%, 1.6/(2.5)% and 2.3%/(2.0)% respectively, with FY26-28e EPS CAGR of 20.9% (vs. 22.7% earlier)
- EBIT margin expansion from FY26-28e by 260bps from 18.0% to 20.6% (vs. 270bps earlier, from 18.5% to 21.2%)

Valuation considerations: Re-rating driven by competitor's potential IPO. Fundamentals unchanged.

Valuation: Fairly valued at CMP, with re-rating driven by Fractal IPO close on the heels...

- We assume a 260bp EBIT margin expansion over FY26-28e (18% to 20.6%), with FY26-28e EPS CAGR of 20.9% (FY26-28e Adj.¹ EPS CAGR of 18.2%)
- The stock currently trades at FY27e/28e Adj. P/E of 43.4x/35.6x, respectively.
- Our TP is Rs522 (vs. Rs. 491 earlier); implied upside of ~7% to the CMP of Rs487.

S.No	Valuation methodology	Assumptions	Intrinsic Value (Rs)	Target Price (Rs)
(1)	Forward Multiple Method	We apply a 45x (vs. 40x. earlier) P/E multiple to LTM Sep-27e Adj. EPS of Rs12.4	560	
(2)	DCF (Base Case)	15-year DCF, with a terminal growth rate of 6% - FY25-30e revenue CAGR (base case): 18.6% - WACC: 12.0%	484	
	Overall	50% weight to (1) & (2) each, to arrive at TP		522

DCF assumptions	Unit	
Valuation Date		30-Sep-25
WACC	%	12.0%
TGR (Terminal Growth)	%	6.0%
Risk free rate	%	6.5%
ERP (Eq. Risk Premium)	%	4.5%
Beta		1.2
Capital structure	Unit	
Eq. (% of total capital)	%	100.0%
Debt (% of total capital)	%	0.0%
Cost of equity	%	12.0%
Cost of debt	%	8.0%

Implied share price sensitivity (base case)						
		Terminal growth rate (%)				
	365.9	5.5%	5.8%	6.0%	6.3%	6.5%
WACC (%)	11.0%	555	570	586	604	624
	11.5%	506	517	530	544	559
	12.0%	464	474	484	495	507
	12.5%	429	437	445	454	463
	13.0%	399	405	412	419	427

Source: Company, Anand Rathi Research

¹Adjustments correspond to the acquired amortization, which is added back to the reported EPS, to arrive at the adj. EPS

Factsheet

Revenue-split, by industry

(%)	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Technology	71.3	72.4	70.9	64.0	65.0	68.0	67.0	62.0
Retail & CPG	8.6	8.1	7.2	18.0	19.0	15.0	15.0	18.0
BFSI	7.6	8.7	10.4	9.0	9.0	10.0	12.0	14.0
Others	12.5	10.8	11.5	9.0	7.0	7.0	6.0	6.0

Revenue-split, by region

(%)	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
North America	94.5	95.1	93.7	89.0	90.0	90.0	89.0	86.0
Continental Europe	2.2	1.4	1.3	1.0	1.0	1.0	2.0	3.0
RoW	3.3	3.5	5.0	10.0	9.0	9.0	9.0	11.0

Client concentration %

	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Top 5	63	65	64	59	60	62	62	60
Top 10	76	77	76	71	71	72	75	74
Top 20	90	91	88	85	84	84	86	85

Operational performance

	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Growth, by vertical (Q/Q)								
Technology	6.0	5.2	1.7	5.0	9.3	4.7	1.3	(0.8)
Retail & CPG	8.4	(2.4)	(7.6)	190.8	13.6	(21.0)	2.8	28.6
BFSI	20.1	18.6	24.2	0.7	7.6	11.2	23.3	25.1

Client profiles

	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Client profiling								
< Rs 50m	38	39	45	46	49	56	74	75
Rs50m+	23	22	21	21	21	21	11	8
Rs100m+	14	14	15	14	15	14	12	12
Rs500m+	3	3	3	3	3	3	3	4
Client additions (LTM)								
< Rs 50m	(3)	1	1	1	11	17	29	29
Rs50m+	3	-	-	(2)	(2)	(1)	(10)	(13)
Rs100m+	4	4	2	-	1	-	(3)	(2)
Rs500m+	1	1	-	-	-	-	-	1
Active Clients	61	61	66	67	70	77	100	99
Client additions	(7)	-	5	1	3	7	23	(1)

Quick Glance — Financials and Valuations

Fig 1 – Income statement (Rs m)					
Year-end: Mar	FY24	FY25	FY26e	FY27e	FY28e
Revenues (US\$m)	77	100	120	140	162
Growth (%)	15.9	29.4	20.2	16.2	15.6
Net revenues (Rs m)	6,407	8,478	10,494	12,321	14,244
Employee & Direct Costs	4,339	5,609	6,914	8,079	9,405
Gross Profit	2,068	2,870	3,580	4,242	4,839
Gross Margin %	32.28	33.85	34.12	34.43	33.97
SG&A	708	982	1,288	1,412	1,507
EBITDA	1,360	1,888	2,292	2,830	3,331
EBITDA margins (%)	21.2	22.3	21.8	23.0	23.4
- Depreciation	97	293	407	415	394
Other income	737	758	670	599	767
Interest Exp	30	66	102	66	66
PBT	1,970	2,287	2,453	2,948	3,638
Effective tax rate (%)	19	24	24	26	26
+ Associates/(Minorities)	-	7	-21	-	-
Net Income	1,586	1,742	1,843	2,184	2,696
WANS	207	207	208	208	208
FDEPS (Rs/share)	7.6	8.4	8.9	10.5	13.0

Fig 3 – Cash Flow statement (Rs m)					
Year-end: Mar	FY24	FY25	FY26e	FY27e	FY28e
PBT	1,970	2,287	2,453	2,948	3,638
+ Non-cash items	-560	-263	407	415	394
Operating profit before WC	1,410	2,025	2,860	3,363	4,033
- Incr./((decr.) in WC	-46	191	378	353	360
Others including taxes	-302	-528	-1,157	-1,297	-1,644
Operating cash-flow	1,154	1,305	1,325	1,713	2,029
- Capex (tangible + Intangible)	46	162	157	99	100
Free cash-flow	1,108	1,143	1,168	1,614	1,929
Acquisitions	-	-3,312	-640	-	-
- Dividend (including buyback & taxes)	-	311	415	415	415
+ Equity raised	-	-	-	-	-
+ Debt raised	-	-	-0	-0	-0
- Fin Investments	2,107	1,474	-	-	-
- Misc. Items (CFI + CFF)	-1,605	-2,797	-568	-533	-701
Net cash-flow	605	-1,158	680	1,732	2,215

Source: Company, Anand Rafti Research

Adj PAT- Reported PAT adjusted for Amortization and non-cash items related to acquisitions.

Fig 2 – Balance sheet (Rs m)					
Year-end: Mar	FY24	FY25	FY26e	FY27e	FY28e
Share capital	206	206	206	206	206
Net worth	13,744	15,000	16,428	18,197	20,477
Total debt (including Pref)	2	1	1	1	1
Minority interest	-	370	391	391	391
DTL/(Asset)	-169	273	273	273	273
Capital employed	13,578	15,323	16,772	18,541	20,821
Net tangible assets	275	395	331	158	6
Net Intangible assets					
Goodwill	-	3,615	4,068	3,926	3,783
CWIP (tangible and intangible)	-	87	87	87	87
Investments (Strategic)					
Investments (Financial)	10,919	10,250	10,250	10,250	10,250
Current Assets (ex Cash) Incl LT assets	1,547	2,797	3,234	3,653	4,084
Cash	1,649	694	1,375	3,106	5,321
Current Liabilities (ex ST Loan/Current Portion) incl LT liabilities	812	2,515	2,573	2,638	2,710
Working capital	735	282	661	1,014	1,374
Capital deployed	13,578	15,323	16,772	18,541	20,821

Fig 4 – Ratio analysis					
Year end Mar	FY24	FY25	FY26e	FY27e	FY28e
P/E (x)	63.6	58.0	49.7	43.4	35.6
EV/EBITDA (x)	66.2	47.7	39.3	31.8	27.0
EV/sales (x)	14.0	10.6	8.6	7.3	6.3
P/B (x)	7.3	6.7	6.1	5.5	4.9
RoE (%)	12.3	12.1	11.7	12.6	13.9
RoCE (%) - After tax	7.7	7.9	8.2	9.4	10.4
RoIC (%) - After tax	59.1	33.5	23.5	27.5	33.2
DPS (Rs per share)	-	1.5	2.0	2.0	2.0
Dividend yield (%)	-	0.3	0.4	0.4	0.4
Dividend payout (%) - Inc. DDT	-	17.9	22.5	19.0	15.4
Net debt/equity (x)	-0.9	-0.7	-0.7	-0.7	-0.7
Receivables (days)	72	83	80	79	78
Inventory (days)					
Payables (days)	7	11	10	10	10
CFO:PAT%	73	75	71	78	75
FCF:PAT% - incl M&A payout	70	-125	29	74	72

Source: Company, Anand Rafti Research

Mastek: Yet another Muted Quarter, amid Leadership transition & weak demand; retaining a Buy

Rating: **Buy**

Target price (12-mth): Rs. 2,903

Share price: Rs.2,219

Q2 was underwhelming on top-line (+0.2% q/q cc) due to a tougher macro and slower decision cycles, especially in North America “NA” (23% of rev, -1.4% q/q cc) but resilient on the margin front (13.6%, +60bps q/q) on disciplined cost control. TTM order backlog rose (~7% y/y). UK (65%, +1.9% q/q) remains the growth anchor across Healthcare (strong UK govt policies & spending) & SGS¹ (steady renewals with headroom). NA is being rebuilt under a head with HLS focus, but clients are signing shorter tenure deals amid macro led demand right-shifts; AMEA’s (13%;0.8%) healthcare is a bright spot (new \$5mn+ AI deal) though Q2 saw a one-off revenue deferral. Headcount (-57 q/q net adds) managed via selective backfill (no forced cuts) so rev/emp trends north while NA margins should lift as qtrly rev run-rate improves. What to watch out for: (1) NA growth, especially HLS, (2) APMEA topline, margin recovery, (3) UK momentum in both Private & Government & (4) Revenue conversion from latest wins.

- **Vertical:** The UK (~64.5% of revenue) remains the growth and margin anchor, posting +1.9% q/q; +20.5% y/y revenue growth with stable margins at 19.4% (19.3% in Q1). North America (~22.6% of revenue) saw a slight revenue decline of -1.4% q/q but margins improved to 7.4% (vs. 2.9% in Q1) as growth investments start to scale.
- **Order book Near-Term Softness Offset by Strategic AI and Cloud Wins.** Order backlog growth remains modest in the near term due to shorter deal cycles, primarily in the US, but the quarter’s strategic wins provide comfort. Notable deals include a \$50mn+ BFS AI-led transformation, a \$15mn+ AI modernization win with a large financial services client, \$7mn+ healthcare deals across UK, US, and AMEA.
- **Steady focus on AI and order-book strength.** Despite current challenges, the company reported wins across government, higher education, BFSI, and healthcare, including Oracle AI for Supply Chain recognition, a \$5mn+ multi-year healthcare AI transformation in APAC & Middle East, and differentiated innovation backed by proprietary AI IP and patents. Data, Automation and AI (DAAI) service line contributed 12.5% of total revenue in Q2FY26, registering a robust 36% y/y growth.
- **Valuation:** No material change in estimates, with FY27e/FY28e P/E of 16.0x/14.4x and 12.1% EPS CAGR over FY26e-28e. Our target price is Rs.2,903, implying ~31% potential upside to the CMP.
- **Key risks.** US execution struggles; Weakening UK fiscal situation resulting in reduced NHS & Public Sector spend.

Key data	MAST IN / MAST.BO
52-week high / low	Rs3375 / 1887
Sensex / Nifty	85,720 / 26,216
Market cap	Rs69bn
Shares outstanding	31m

Shareholding (%)	Sep'25	Jun'25	Mar'25
Promoters	35.8	36.0	36.0
<i>- of which, Pledged</i>			
Free float	64.2	64.1	64.0
- Foreign institutions	11.2	11.0	10.0
- Domestic institution	11.5	10.5	9.8
- Public	41.5	42.5	44.2

Estimates revision: Downward EPS revision on account of higher estimated tax rate

Mastek (Rs m)	FY26e			FY27e			FY28e		
	New	Old	% Change	New	Old	% Change	New	Old	% Change
Revenue (\$ m)	435	438	(0.7)	471	475	(1.0)	505	514	(1.8)
Revenues	37,905	38,007	(0.3)	41,470	41,429	0.1	44,492	44,844	(0.8)
EBITDA	5,868	5,847	0.4	6,633	6,654	(0.3)	7,221	7,243	(0.3)
EBITDA margins %	15.5%	15.4%	10 bps	16.0%	16.1%	-7 bps	16.2%	16.2%	8 bps
EBIT	5,142	5,099	0.8	5,886	5,876	0.2	6,443	6,433	0.1
EBIT margins %	13.6%	13.4%	15 bps	14.2%	14.2%	1 bps	14.5%	14.3%	14 bps
Other Income	64	(14)	(543)	84	80	4	177	173	2
PBT	5,206	5,085	2.4	5,970	5,956	0.2	6,619	6,607	0.2
Net profit	3,826	3,878	(1.3)	4,338	4,543	(4.5)	4,810	5,039	(4.5)

Key estimate changes

- We have increased / (decreased) our FY26e / FY27e / FY28e revenue and EPS estimates by (0.3)/(1.3)%, 0.1/(4.5)% and (0.8)%/(4.5)% respectively, with FY26-28e EPS CAGR of 12.1% (vs. ~14.0% earlier)
- We arrive at a target price of Rs. 2,903 (vs. Rs. 2,735 earlier), implying a ~31% upside from CMP. At CMP, the stock trades at FY27e / FY28e P/E of 16.0x / 14.4x. respectively

Valuation considerations: Undemanding valuations drive upside, albeit cut in estimates and Target Price / Target Multiples...

- We assume a 90bp EBIT margin expansion over FY26-28 (13.6% to 14.5%), with an FY26-28 EPS CAGR of ~12.1%
- **1-year fwd. multiple.** Basis multiple method, with an LTM of Sep'27 EPS estimate of Rs146.4, we arrive at an intrinsic value of Rs 2,783 (~25% premium to CMP), with the target multiple of 19x (10-yr. avg. of the 1-yr-fwd. multiple)
- Basis **DCF**, the intrinsic value is Rs3,024 (a ~36% premium to the CMP)
- We retain a Buy recommendation on the stock, with a TP of Rs2,903 (~31% potential upside), with a 50% weight each to the 1-year-fwd multiple and DCF

S.No	Valuation methodology	Assumptions	Intrinsic Value (Rs)	Target Price (Rs)
(1)	Fwd. multiple	We apply a 19x P/E (Average of the last 5 and 10-year avg. of the 1-yr-fwd vs. 10 yr. average of 16.7x. earlier) to LTM Sep'27 EPS of Rs146.4	2,783	
(2)	DCF (base case)	15-year DCF, with 5.5% terminal growth rate - FY25-30 revenue CAGR (base case): 8.7% - WACC: 12.3%	3,024	
	Overall	50% weight to (1) & (2) each, to arrive at target of...		2,903

DCF assumptions	Unit	
Valuation date		30-Sep-25
WACC	%	12.3
TGR (terminal growth)	%	5.5
Risk-free rate	%	6.5
ERP (Eq. risk premium)	%	5.9
Beta		1.1
Capital structure	Unit	
Eq. (% of capital)	%	83.7
Debt (% of capital)	%	16.3
Cost of equity	%	13.0
Cost of debt	%	7.7

Implied share-price sensitivity (base case)						
WACC (%)		Terminal growth rate (%)				
		5.0%	5.25%	5.5%	5.75%	6.0%
	11.8%	3,198	3,257	3,320	3,389	3,463
	12.0%	3,076	3,129	3,186	3,247	3,313
	12.3%	2,928	2,974	3,024	3,077	3,135
	12.5%	2,856	2,899	2,946	2,995	3,049
	12.8%	2,757	2,797	2,838	2,883	2,932

Factsheet

Year-end: Mar

	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Revenue (\$ m)	94	94	97	104	103	105	107	108

Revenue, by region (%)

	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
North America	30	25	26	28	28	26	23	23
UK	55	58	57	56	57	60	64	65
ME	11	17	18	16	15	14	13	13

Revenue, by vertical (%)

	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
BFSI	12	13	12	13	12	12	12	13
Government	61	61	61	59	61	63	64	64
Healthcare	18	16	18	18	22	24	25	25
Manufacturing and Hi-Tech	15	13	14	14	14	13	12	12
Retail Services	12	14	13	14	13	13	12	11

Client Concentration (%)

	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Top 5 Clients	30	31	30	29	32	35	35	35
Top 10 Clients	40	42	41	40	43	45	45	47
Active Clients	436	430	391	380	351	348	323	314
\$1m+ clients	73	76	76	78	79	77	75	74

Workforce

	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Technical	4,762	4,818	4,808	4,766	4,545	4,337	4,135	4,101
Technical Support	126	115	112	125	115	116	105	102
Marketing	268	265	289	280	273	274	282	271
Support	362	341	337	334	327	331	302	293
Utilization % (gross)	76	78	80	78	74	76	82	82
12 m Order Backlog (\$ m)	248.5	260	260.1	261.9	249.8	264.5	273.8	279.8
Active clients	436	430	391	380	351	348	323	314
Revenue per active client (\$ m)	0.2	0.2	0.2	0.3	0.3	0.3	0.3	0.3

Effort Mix

	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
On-site	36.8	36.4	36.2	37.1	39.4	39.4	37.7	37.8
Offshore	63.2	63.6	63.8	62.9	60.6	60.6	62.3	62.2

Note: The effort mix assumes 95% utilization for onsite employees

Quick glance — Financials and valuations Mastek

Fig 1 – Income statement (Rs m)

Year-end: Mar	FY24	FY25	FY26e	FY27e	FY28e
Revenues (US\$m)	368	408	435	471	505
Growth (%)	15.8	10.9	6.6	8.1	7.3
Net revenues (Rs m)	30,548	34,552	37,905	41,470	44,492
Employee & Direct Costs	22,508	25,109	26,879	29,310	31,816
Gross Profit	8,040	9,444	11,026	12,160	12,676
Gross Margin %	26.32	27.33	29.09	29.32	28.49
SG&A	2,954	3,979	5,158	5,526	5,455
EBITDA	5,087	5,465	5,868	6,633	7,221
EBITDA margins (%)	16.7	15.8	15.5	16.0	16.2
- Depreciation	899	751	726	748	778
Other income	119	299	410	315	408
Interest Exp	445	421	347	231	231
PBT	3,862	4,592	5,206	5,970	6,619
Effective tax rate (%)	19	18	26	27	27
+ Associates/(Minorities)	-107	-	-	-	-
Net Income	3,003	3,759	3,826	4,338	4,810
WANS	31	31	31	31	31
FDEPS (Rs/share)	97.4	121.5	122.5	138.9	154.0

Fig 3 – Cash Flow statement (Rs m)

Year-end: Mar	FY24	FY25	FY26e	FY27e	FY28e
PBT	3,862	4,592	5,206	5,970	6,619
+ Non-cash items	1,644	1,214	396	521	467
Operating profit before WC	5,506	5,806	5,601	6,490	7,086
- Incr./((decr.) in WC	237	634	642	199	-60
Others including taxes	-1,069	-1,221	-1,379	-1,632	-1,809
Operating cash-flow	4,199	3,951	3,580	4,659	5,337
- Capex (tangible + Intangible)	315	201	359	393	421
Free cash-flow	3,885	3,750	3,221	4,267	4,916
Acquisitions	-2,050	-2,055	-863	-	-
- Dividend (including buyback & taxes)	581	587	650	737	818
+ Equity raised	4	3	-0	-0	0
+ Debt raised	911	436	-1,638	-1,047	-705
- Fin Investments	291	692	22	24	27
- Misc. Items (CFI + CFF)	133	60	-410	-315	-408
Net cash-flow	1,745	796	458	2,773	3,774

Fig 2 – Balance sheet (Rs m)

Year-end: Mar	FY24	FY25	FY26e	FY27e	FY28e
Share capital	154	155	155	155	155
Net worth	21,004	24,623	27,799	31,400	35,392
Total debt (incl. Pref)	4,866	5,552	3,914	2,867	2,162
Minority interest	-	-	-	-	-
DTL/(Asset)	-732	-1,229	-1,229	-1,229	-1,229
Capital employed	25,138	28,946	30,483	33,037	36,325
Net tangible assets	881	822	644	438	237
Net Intangible assets	2,546	-769	-957	-1,106	-1,262
Goodwill	16,072	18,127	18,990	18,990	18,990
CWIP (tang. & intang.)	9	18	18	18	18
Other Long term Assets/(Liabilities)	-1,342	-580	-638	-701	-771
Investments (Financial)	938	1,780	1,780	1,780	1,780
Current Assets (ex Cash)	10,841	12,037	13,203	14,030	14,608
Cash	3,826	4,615	5,073	7,846	11,620
Current Liabilities	8,635	7,106	7,630	8,258	8,896
Working capital	2,206	4,932	5,573	5,772	5,712
Capital deployed	25,138	28,946	30,483	33,037	36,325

Fig 4 – Ratio analysis

Year end Mar	FY24	FY25	FY26e	FY27e	FY28e
P/E (x)	22.9	18.3	17.9	15.8	14.3
EV/EBITDA (x)	13.3	12.4	11.6	10.2	9.4
EV/sales (x)	2.2	2.0	1.8	1.6	1.5
P/B (x)	3.3	2.8	2.5	2.2	1.9
RoE (%)	15.9	16.5	14.6	14.7	14.4
RoCE (%) - After tax	12.5	12.9	11.7	12.4	12.5
RoIC (%) - After tax	14.6	15.9	14.7	16.3	18.0
DPS (Rs per share)	19.5	23.0	20.8	23.6	26.2
Dividend yield (%)	0.9	1.0	0.9	1.1	1.2
Dividend payout (%) - Inc. DDT	20.0	17.0	17.0	17.0	17.0
Net debt/equity (x)	0.0	-0.0	-0.1	-0.2	-0.3
Receivables (days)	109	102	106	106	106
Inventory (days)					
Payables (days)	32	32	31	31	31
CFO: PAT%	135	105	94	107	111
FCF: PAT% - includ M&A payout	61	45	62	98	102

FirstSource: Consistent growth with rising deal wins; Retain a Buy

Rating: **Buy**

Target price (12-mth): Rs.435

Share price: Rs.350

Q2 FY26 revenue rose +2% q/q cc (vs. 1.6% in Q1) to \$265mn with EBIT margin at 11.6% (+20 bps q/q). FSL signed four large deals, added 10 logos (four strategic), crossed \$1bn in qualified pipeline (rising 5-10% q/q) with FSL sole-sourcing or shaping deals into transformation programs rather than competing in open RFPs. BFSI (~33% of rev, +4.0% q/q cc; continued traction in North America) led, followed by HLS (~34%, 3.0%; strong traction in the payer segment) and Others (~12%, flat; UK-skewed utilities/retail, expected to remain muted due to sluggish UK demand environment) while CMT (~22%, -1.0%; temporary project transitions, however, added 4 new logos in Q2 + balanced pipeline) declined. FSL is partnering in the US with regional bank and fintech on modernization and AI integration engagements. HLS pipeline is 2.5x larger y/y, ramp-ups from prior large deals are on track, and growth is expected to accelerate in 2H FY26. North America (~69%, 3.0%; main growth driver across BFS, Healthcare, & CMT with momentum to continue) led while Europe/UK (~29%, ~flat) remains soft with clients shifting to offshore/nearshore due to muted economic growth and higher labor costs. FSL is expanding in Australia, setting-up Dubai for Middle East, and is leveraging South Africa for nearshore delivery.

FSL expects an accelerating H2 as more sole-sourced/non-linear transformation programs ramp (including the Q4FY25 signed Healthcare BPaaS deal starting to contribute from Q3), though some wins have regulatory gating (FCA approval on a UK retail bank collections deal). For FY26, FSL revised the lower band of guidance range upwards to 13-15% cc growth (vs. 12-15%) with EBIT margin at 11.25-12% (tracking toward the higher end).

- **Headcount**, rose by ~1,500 q/q to 35,997 (80% gross hires at offshore/nearshore locations); annual wage hikes covered 90% of employees while TTM attrition fell to 28%, will margins still improving due right-sourcing talent, delivery optimization, and AI-led execution.
- **AI progress & wallet share growth**. The UnBPO pivot (technology-over-labor arbitrage) advanced with minority investments in Applied AI and Lyzr and growing Data-as-a-Service work (now with 4 of the top 5 consumer tech companies) is leading to wallet share is broadening with the top-5/10 client concentration down (despite them growing) and \$5mn+ account count at 39 now (from 26 in Q2FY25).
- **Valuation**: We retain a Buy with TP of Rs 435 (~24% upside from CMP), with FY27e/FY28e P/E of 25.9x/22.4x & FY26-28e Adj. EPS CAGR of 21.2%.
- **Key Risks**. Continued weakness in the UK demand environment, PDC acquisition closure timeline impacted by delay in regulatory clearances. Delay in ramp-up of the large HLS win (\$50+mn steady-state ACV; won in Q4FY25).

Key data	FSOL IN / FISO.BO
52-week high / low	Rs422 / 270
Sensex / Nifty	85,720 / 26,216
Market cap	Rs235bn
Shares outstanding	691m

Shareholding (%)	Sep'25	Jun'25	Mar'25
Promoters	53.7	53.7	53.7
- of which, Pledged			
Free float	46.3	46.3	46.3
- Foreign institutions	9.3	9.6	10.1
- Domestic institution	24.6	24.0	22.9
- Public	12.5	12.8	13.4

Estimate revision: Margin expansion on the back of operational efficiency & PDC acquisition drives upward revision in EPS estimates

FSOL (Rs m)	FY26			FY27			FY28		
	New	Old	% Change	New	Old	% Change	New	Old	% Change
Revenue (\$ m)	1,074	1,075	(0.1)	1,200	1,212	(1.0)	1,293	1,306	(1.0)
Revenues	93,822	93,388	0.5	1,05,779	1,05,704	0.1	1,13,923	1,13,897	0.0
EBITDA	15,407	14,952	3.0	18,384	17,113	7.4	20,052	18,582	7.9
EBITDA margins %	16.4%	16.0%	41 bps	17.4%	16.2%	119 bps	17.6%	16.3%	129 bps
EBIT	11,037	10,964	0.7	13,332	12,628	5.6	14,819	13,937	6.3
EBIT margins %	11.8%	11.7%	2 bps	12.6%	11.9%	66 bps	13.0%	12.2%	77 bps
Net profit	7,556	7,665	(1.4)	9,625	9,263	3.9	11,106	10,545	5.3

Key estimates and changes

- FY27 and FY28 EPS estimates increased by 3.9%/5.3%, benefiting from operating margin expansion of ~70-80 bps in outer years
- We assume a 120bps EBIT margin expansion over FY26-28 (11.8% to 13.0%), with an FY26-28 EPS CAGR of ~21.2%

Valuation considerations: Upward revision in estimates, as DCF benefits from leveraged capital structure

- We assume a 120bps EBIT margin expansion over FY26-28 (11.8% to 13.0%), with an FY26-28 EPS CAGR of ~21.2%
- **1-year fwd. multiple.** Basis multiple method, with an LTM of Sep’27 EPS estimate of Rs14.6, we arrive at an intrinsic value of Rs 435 (~24% premium to CMP), with the target multiple of 22.8x.
- Basis **DCF**, the intrinsic value is Rs 463 (a ~32% premium to the CMP)
- We retain a Buy recommendation on the stock, with a TP of Rs 435 (vs. Rs. 414 earlier), with a 50% weight each to the 1-year-fwd multiple and DCF

S.No	Valuation methodology	Assumptions	Intrinsic Value (Rs)	Target Price (Rs)
(1)	Fwd. multiple	We apply a 28x P/E to LTM Sep’27 EPS of Rs14.6	408	
(2)	DCF (base case)	15-year DCF, with 5.5% terminal growth rate - FY25-30 revenue CAGR (base case): 11.3% - WACC: 10.8%	463	
	Overall	50% weight to (1) & (2) each, to arrive at TP of...		435

DCF assumptions	Unit	
Valuation date		30-Sep-25
WACC	%	10.8%
TGR (terminal growth)	%	5.5%
Risk-free rate	%	6.5%
ERP (Eq. risk premium)	%	6.2%
Beta		0.9
Capital structure	Unit	
Eq. (% of capital)	%	76.0%
Debt (% of capital)	%	24.0%
Cost of equity	%	11.9%
Cost of debt	%	9.9%

Implied share-price sensitivity (base case)						
		Terminal growth rate (%)				
	463.4	5.0%	5.3%	5.5%	5.8%	6.0%
WACC (%)	10.3%	487	501	517	534	553
	10.6%	462	475	489	504	520
	10.8%	440	451	463	477	491
	11.1%	419	429	440	452	465
	11.3%	401	409	419	429	441

Factsheet

Fact sheet

	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Revenue (\$ m)	192	201	215	230	249	250	259	265

Revenue, by region (%)

	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
North America	65	65	68	69	66	68	69	69
UK	35	35	32	31	33	32	30	29

Revenue, by vertical (%)

	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
BFS	38	37	36	34	32	33	33	33
CMT	23	24	22	21	20	21	22	22
Healthcare	34	33	36	36	34	34	33	34
Diverse Industries	6	6	6	8	13	12	12	12

Client Concentration (%)

	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Top 5 Clients	36	37	35	33	29	29	30	29

Revenue by delivery location(%)

	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
offshore	30.3	31.4	35.0	35.8	40.1	37.8	41.2	41.6
On-site	69.7	68.6	65.0	64.2	59.9	62.2	58.8	58.4

Workforce Spread (%)

	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Total Headcount	25,947	27,940	29,231	32,898	34,144	34,651	34,495	35,997

Quick Glance: Financials and Valuations FSOL

Fig 1 – Income statement (Rs m)

Year-end: Mar	FY24	FY25	FY26e	FY27e	FY28e
Revenues (US\$m)	765	944	1,074	1,200	1,293
Growth (%)	1.9	23.4	13.8	11.8	7.7
Net revenues (Rs m)	63,325	79,721	93,822	1,05,779	1,13,923
Employee & Direct Costs	39,089	49,958	55,512	63,162	67,300
Gross Profit	24,237	29,763	38,310	42,616	46,623
Gross Margin %	38.3	37.3	40.8	40.3	40.9
SG&A	14,710	17,769	22,903	24,232	26,571
EBITDA	9,527	11,994	15,407	18,384	20,052
EBITDA margins (%)	15.0	15.0	16.4	17.4	17.6
- Depreciation	2,602	3,270	4,370	5,052	5,232
Other income	406	162	58	160	440
Interest Exp	1,034	1,479	1,632	1,308	1,112
PBT	6,297	7,407	9,463	12,184	14,147
Effective tax rate (%)	18	20	20	21	22
+ Associates/(Minorities)	1	0	0	0	0
Net Income	5,148	5,945	7,556	9,625	11,106
WANS	703	705	712	712	712
FDEPS (Rs/share)	7.3	8.4	10.6	13.5	15.6

Fig 3 – Cash Flow statement (Rs m)

Year-end: Mar	FY24	FY25	FY26e	FY27e	FY28e
PBT	6,297	7,407	9,463	12,184	14,147
+ Non-cash items	3,273	5,767	5,941	6,201	5,905
Operating profit before WC	9,570	13,174	15,404	18,384	20,052
- Incr./(decr.) in WC	2,404	4,944	1,558	855	-64
Others including taxes	-718	-1,219	-2,878	-2,716	-3,207
Operating cash-flow	6,448	7,011	10,968	14,814	16,909
- Capex (tangible + Intangible)	851	2,412	2,291	2,406	2,526
Free cash-flow	5,597	4,599	8,676	12,408	14,383
Acquisitions	-583	-5,099	-3,972	-519	-
- Dividend (including buyback & taxes)	2,406	2,759	3,133	3,446	3,791
+ Equity raised	-	-	-	-	-
+ Debt raised	-291	6,787	-1,533	-2,451	-1,992
- Fin Investments	-416	160	-	-	-
- Misc. Items (CFI + CFF)	2,501	3,574	1,571	1,148	672
Net cash-flow	232	-206	-1,532	4,843	7,928

Source: Company, Anand Rathi Research

Fig 2 – Balance sheet (Rs m)

Year-end: Mar	FY24	FY25	FY26e	FY27e	FY28e
Share capital	6,970	6,970	6,970	6,970	6,970
Net worth	37,004	40,976	47,475	54,177	61,491
Total debt (incl. Pref)	8,123	15,327	13,794	11,343	9,351
Minority interest	4	4	4	4	4
DTL/(Asset)	-2,259	-1,803	-1,803	-1,803	-1,803
Capital employed	42,872	54,504	59,470	63,721	69,043
Net tangible assets	7,996	11,889	11,995	11,875	11,785
Net Intangible assets	649	9,162	14,024	13,541	11,924
Goodwill	29,885	28,885	27,885	26,885	25,885
CWIP (tang. & intang.)	171	491	491	491	491
Long-term Assets (Liabilities)	2,911	2,991	3,141	3,298	3,463
Investments (Financial)	552	859	859	859	859
Current Assets (ex Cash)	13,189	19,955	22,758	24,840	25,871
Cash	1,748	1,542	10	4,853	12,781
Current Liabilities	14,229	21,270	21,694	22,921	24,015
Working capital	-1,040	-1,315	1,064	1,919	1,855
Capital deployed	42,872	54,504	59,470	63,721	69,043

Fig 4 – Ratio analysis

Year end Mar	FY24	FY25	FY26e	FY27e	FY28e
P/E (x)	48.4	41.9	33.0	25.9	22.4
EV/EBITDA (x)	27.5	21.9	17.0	14.3	13.1
EV/sales (x)	4.1	3.3	2.8	2.5	2.3
P/B (x)	6.7	6.0	5.2	4.6	4.0
RoE (%)	14.6	15.2	17.1	18.9	19.2
RoCE (%) - After tax	11.0	11.4	12.4	14.0	14.5
RoIC (%) - After tax	11.5	11.8	12.7	14.6	16.5
DPS (Rs per share)	3.5	4.0	4.4	4.8	5.3
Dividend yield (%)	1.0	1.1	1.3	1.4	1.5
Dividend payout (%) - Inc. DDT	48	47	41	36	34
Net debt/equity (x)	0.2	0.3	0.3	0.1	-0.1
Receivables (days)	67	77	76	75	74
Inventory (days)					
Payables (days)	21	21	21	21	21
CFO:PAT%	125	118	145	154	152
FCF:PAT% - includ M&A payout	97	-8	62	124	130

Source: Company, Anand Rathi Research

LTTs: Strong deal wins with Sustainability segment driving growth. Auto headwinds continue; retaining a Hold

Rating: **Hold**

Target price (12-mth): Rs.4,542

Share price: Rs.4,380

LTTs delivered an in-line Q2 with revenue of \$337.1mn (+1.3% q/q cc vs. -4.2% in Q1); 13.4% EBIT margin (vs. 13.3%) and a record large-deal TCV of \$292mn (+224% y/y, 80% add on/ new work rather than renewals) incl. a \$100mn deal in Sustainability and \$60mn in Tech driven by a mix of diversified sales engine, AI readiness and deeper C-suite engagement. Opportunities are arising out of U.S. re-industrialization which is driving factory builds & expansions, and consolidation deals. Ramp-ups are gradual, so backlog is building even as near-term mobility headwinds mask full conversion.

Management reiterated their H2>H1 belief with Q4 as the inflection point from where auto recovers; Sustainability will continue compounding; and engineering and manufacturing sees AI-led growth. Clients have now adjusted to tariffs as the new normal and non-mobility clients are even moving ahead with decision making and deal signings.

- **Vertical Highlights.** Sustainability (Industrial/Plant engineering) (~32% of rev, +3.0% q/q cc) is the main growth lever with back-to-back large wins (\$50mn deal win last Q) and one client now a \$50mn ARR account and strong pipelines; Tech (~39%,+0.1%) benefits from Intelliswift scale (data platforms, agentic AI; hyperscaler work) and Mobility (29%, -1.4%) is mixed (trucks/off-highway did well, aero/rail resilient; autos muted). The U.S. (~55%, +1.7%), Europe (~17%, +1.5%) and India (~22%, +3%) are all growing.
- **Margins:** Offshore mix improved to 56.4% (+30bps q/q), and client-support concessions ended in Q2, setting up H2 margin improvement on the back of pyramid optimization, AI-led delivery automation, SG&A discipline and Intelliswift integration. Wage hikes in Q3/Q4 but co expects to absorb them, maintaining mid-16% EBIT margin aspiration (~+310bps from Q2 FY26 levels) by Q4 FY27-Q1 FY28.
- **AI-first engineering, from platforms to the factory floor.** LTTs is pivoting to an AI-first delivery model spanning engineering, industrial, and Physical AI (multimodal AI, AI reasoning, and Edge AI, with multiple AI platform offerings to drive automation, contextual intelligence and real-life world machine applications). These AI platforms are seeing strong client traction, and their licensed revenue is ~1% of TTM revenue, with a medium-term goal of 5%. Industrial sub-segment is seeing digital and AI-led interventions across the product-development lifecycle (PDLC). LTTs will leverage AI and automation in project delivery to improve margins. Also launched an internal AI platform across delivery, HR, finance, marketing, and IT to drive efficiencies and margin improvement in H2.
- **Valuation:** We retain a Hold with TP of Rs 4,542 (3.7% upside from CMP), with FY27e/FY28e P/E of 31.3x/27.9x & FY26-28e EPS CAGR of 13.3%
- **Key Risks.** Autos continue being a drag

Key data	LTTs IN / LTEH.BO
52-week high / low	Rs5645 / 3951
Sensex / Nifty	85,720 / 26,216
Market cap	Rs456bn
Shares outstanding	106m

Shareholding (%)	Sep'25	Jun'25	Mar'25
Promoters	73.6	73.6	73.7
<i>- of which, Pledged</i>			
Free float	26.4	26.4	26.3
- Foreign institutions	4.7	4.8	5.2
- Domestic institution	14.1	13.9	13.7
- Public	7.6	7.7	7.5

Estimate revision: Upward EPS estimates revision benefits from higher yields & FCF in the absence of acquisition pay-outs...

LTTS (Rs.m)	FY26			FY27			FY28		
	New	Old	% Change	New	Old	% Change	New	Old	% Change
Revenue (\$m)	1,370	1,376	(0.4)	1,478	1,482	(0.2)	1,585	1,591	(0.4)
Revenue (Rs.m)	1,19,972	1,19,422	0.5	1,30,296	1,29,232	0.8	1,39,706	1,38,746	0.7
EBITDA	19,725	19,437	1.5	22,553	21,850	3.2	24,818	24,523	1.2
EBITDA Margin %	16.4%	16.3%	17 bps	17.3%	16.9%	40 bps	17.8%	17.7%	9 bps
EBIT	16,136	16,096	0.3	18,664	18,308	1.9	20,734	20,803	(0.3)
EBIT Margin %	13.5%	13.5%	-3 bps	14.3%	14.2%	16 bps	14.8%	15.0%	-15 bps
PBT	17,846	17,361	2.8	20,471	19,314	6.0	23,046	21,966	4.9
Net PAT	12,998	12,674	2.6	14,837	14,098	5.2	16,696	16,029	4.2

Key estimates and changes

- FY26/27/28e revenue and PAT increased / (decreased) by 0.5/0.8/0.7% and 2.6/5.2/4.2% respectively.
- We revised FY26-28e revenue/EPS CAGRs to 7.6%/13.3%, respectively, vs. 7.5%/12.5% earlier.

Valuation considerations: Target multiple rerating coupled with upward revision in estimates driving higher target price...

- We assume a 120bps EBIT margin expansion over FY26-28 (11.8% to 13.0%), with an FY26-28 EPS CAGR of ~11.4%
- **1-year fwd. multiple.** Basis multiple method, with an LTM Sep'27 EPS estimate of Rs148.5, we arrive at an intrinsic value of Rs 4,974, with the target multiple of 33.5x.
- Basis **DCF**, the intrinsic value is Rs 4,111
- We retain a Hold recommendation on the stock, with a TP of Rs 4,542 (vs. Rs. 4,311 earlier), with a 50% weight each to the 1-year-fwd multiple and DCF

S.No	Valuation methodology	Assumptions	Intrinsic Value (Rs)	Target Price (Rs)
(1)	Fwd. multiple	We apply a 33.5x (vs. 32x. Earlier) P/E to LTM Sep'27 EPS of Rs148.5	4,974	
(2)	DCF (base case)	15-year DCF, with 5.5% terminal growth rate - FY25-30 revenue CAGR (base case): 9.4% - WACC: 11.8%	4,111	
	Overall	50% weight to (1) & (2) each, to arrive at TP of...		4,542

DCF assumptions	Unit	
Valuation date		30-Sep-25
WACC	%	11.8%
TGR (terminal growth)	%	5.5%
Risk-free rate	%	6.5%
ERP (Eq. risk premium)	%	5.2%
Beta		1.0
Capital structure	Unit	
Eq. (% of capital)	%	100.0%
Debt (% of capital)	%	0.0%
Cost of equity	%	11.8%
Cost of debt	%	8.0%

Implied share-price sensitivity (base case)						
		Terminal growth rate (%)				
		5.0%	5.3%	5.5%	5.8%	6.0%
WACC (%)	4,110.5	4,291	4,377	4,470	4,571	4,682
	11.3%	4,123	4,199	4,283	4,373	4,471
	11.5%	3,967	4,036	4,111	4,191	4,279
	11.8%	3,823	3,885	3,952	4,024	4,103
	12.0%	3,689	3,745	3,805	3,870	3,940

Factsheet

Revenue, by region (%)								
	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
North America	54.6	53.7	52.9	52.5	51.5	51.9	54.1	54.7
Europe	16.6	15.8	18.1	18.4	18.2	16.5	17.1	17.3
India	21.5	23.7	22.0	21.9	22.7	24.4	21.0	21.5
RoW	7.3	6.8	7.0	7.2	7.6	7.2	7.8	6.5
Revenue, by vertical (%)								
	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Transportation	33.2	32.0	35.2	35.5	32.4	29.2	29.6	29.0
Industrial Products	17.2	15.8	-	-	-	-	-	-
Telecom & Hi-tech	25.4	29.3	34.8	33.7	36.4	42.1	39.6	39.4
Plant Engineering	14.0	14.2	30.0	30.8	31.2	28.7	30.8	31.6
Medical Devices	10.2	8.8	-	-	-	-	-	-

	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Client contribution (based on LTM)								
\$1m+	175	180	177	176	183	194	200	205
\$5m+	56	58	60	60	64	59	64	63
\$10m+	31	35	31	33	34	32	34	34
\$20m+	14	12	12	13	10	11	10	10
\$30m+	4	5	6	7	7	6	6	7
Client contribution (based on LTM)								
	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Top 5	15.7	15.4	15.0	15.0	15.2	15.1	15.1	15.1
Top 10	26.6	26.4	26.3	26.5	26.8	25.8	25.1	25.0
Top 20	41.7	40.6	41.3	41.5	39.9	39.4	38.2	38.1
On-site	41.3	41.3	41.1	41.7	41.4	44.2	43.9	43.6
Offshore	58.7	58.7	58.9	58.3	58.6	55.8	56.1	56.4
T&M	61.5%	60.5%	63.1%	62.5%	58.8%	60.1%	62.2%	61.9%
FP	38.5%	39.5%	36.9%	37.5%	41.2%	39.9%	37.8%	38.1%
Region y/y (%)								
	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
North America	2.1%	6.7%	-1.3%	1.1%	1.2%	9.3%	16.2%	14.5%
Europe	20.9%	15.2%	23.9%	24.0%	17.6%	18.1%	7.3%	3.3%
India	85.3%	86.5%	12.0%	7.9%	13.3%	16.5%	8.4%	7.9%
RoW	12.6%	-0.8%	-0.3%	5.0%	11.7%	19.8%	26.6%	-0.8%

Quick Glance — Financials and Valuations

Key financials (YE Mar)

Fig 1 – Income statement (Rs m)

Year-end: Mar	FY24	FY25	FY26e	FY27e	FY28e
Revenues (US\$m)	1,164	1,259	1,370	1,478	1,585
Growth (%)	17.6	8.2	8.9	7.9	7.2
Net revenues (Rs m)	96,472	1,06,702	1,19,972	1,30,296	1,39,706
Employee & Direct Costs	68,467	75,984	86,286	93,687	1,00,199
Gross Profit	28,005	30,718	33,685	36,609	39,506
Gross Margin %	29.03	28.79	28.08	28.10	28.28
SG&A	8,816	11,794	13,960	14,056	14,689
EBITDA	19,189	18,924	19,725	22,553	24,818
EBITDA margins (%)	19.9	17.7	16.4	17.3	17.8
- Depreciation	2,716	3,053	3,589	3,889	4,084
Other income	2,073	2,100	2,349	2,344	2,849
Interest Exp	509	564	639	537	537
PBT	18,037	17,407	17,846	20,471	23,046
Effective tax rate (%)	28	27	27	27	27
+ Associates/(Minorities)	-26	31	-18	-23	-34
Net Income	13,036	12,667	12,998	14,837	16,696
WANS	106	106	106	106	106
FDEPS (Rs/share)	123	119	122	140	157

Fig 3 – Cash Flow statement (Rs m)

Year-end: Mar	FY24	FY25	FY26e	FY27e	FY28e
PBT	18,037	17,407	17,846	20,471	23,046
+ Non-cash items	2,704	2,555	1,879	2,082	1,772
Operating profit before WC changes	20,741	19,962	19,725	22,553	24,818
- Incr./(decr.) in WC	-437	1,217	-2,609	-507	-1,005
Others including taxes	-6,250	-3,934	-4,830	-5,611	-6,317
Operating cash-flow	14,928	14,811	17,505	17,450	19,506
- Capex (tangible + Intangible)	2,419	1,018	1,145	1,243	1,333
Free cash-flow	12,509	13,793	16,360	16,207	18,173
Acquisitions	-7,978	-7,364	-	-	-
- Dividend (including buyback & taxes)	4,967	5,292	6,350	6,985	7,684
+ Equity raised	-	-	-	-	-
+ Debt raised	-	-	-	-	-
- Fin Investments	-6,911	-1,908	-	-	-
- Misc. Items (CFI + CFF)	2,832	3,195	-1,710	-1,807	-2,312
Net cash-flow	3,643	-150	11,720	11,028	12,801
Cash classified as other asset/overdraft	-2,232	-2,760	-	-	-

Source: Company, Anand Rathi Research

Fig 2 – Balance sheet (Rs m)

Year-end: Mar	FY24	FY25	FY26e	FY27e	FY28e
Share capital	212	212	212	212	212
Net worth	53,271	60,800	67,448	75,299	84,311
Total debt (including Pref)	-	-	-	-	-
Minority interest	207	175	193	216	250
DTL/(Asset)	691	594	594	594	594
Capital employed	54,169	60,630	67,296	75,170	84,216
Net tangible assets	9,878	7,843	5,399	2,752	2
Net Intangible assets	6,248	13,667	13,667	13,667	13,667
Goodwill	6,248	13,667	13,667	13,667	13,667
CWIP (tangible and intangible)	131	280	280	280	280
Investments (Strategic)	-	-	-	-	-
Investments (Financial)	17,611	14,923	14,923	14,923	14,923
Current Assets (ex Cash) Incl LT assets	39,742	44,788	48,694	51,345	53,512
Cash	11,221	13,831	25,551	36,579	49,380
Current Liabilities (ex ST Loan/Current Portion) i	30,662	34,702	41,218	44,376	47,547
Working capital	9,080	10,086	7,477	6,969	5,964
Capital deployed	54,169	60,630	67,296	75,170	84,216
Contingent Liabilities	-	-	-	-	-

Fig 4 – Ratio analysis

Year end Mar	FY24	FY25	FY26e	FY27e	FY28e
P/E (x)	35.7	36.7	35.8	31.3	27.9
EV/EBITDA (x)	22.7	23.1	22.1	19.3	17.6
EV/sales (x)	4.5	4.1	3.5	3.2	2.9
P/B (x)	8.7	7.7	6.9	6.2	5.5
RoE (%)	25.4	22.2	20.3	20.8	20.9
RoCE (%) - After tax	20.6	17.9	16.5	17.3	17.3
RoIC (%) - After tax	41.7	32.4	32.1	41.7	51.8
DPS (Rs per share)	50.0	55.0	59.8	65.8	72.4
Dividend yield (%)	1.1	1.3	1.4	1.5	1.7
Dividend payout (%) - Inc. DDT	40.7	46.1	48.9	47.1	46.0
Net debt/equity (x)	-0.5	-0.5	-0.6	-0.7	-0.8
Receivables (days)	100	92	89	86	83
Inventory (days)	-	-	-	-	-
Payables (days)	67	67	69	71	73
CFO:PAT%	114	117	134	117	117
FCF:PAT% - incl M&A payout	35	51	126	109	109

Source: Company, Anand Rathi Research

KPIT: H2 visibility improves amidst a resilient Q2FY26; retaining a Hold

Revenue came in at \$181mn (+0.3% q/q cc vs. -3.2% q/q cc in Q1); Adjusted for Caresoft (2.5% q/q; consol. for 2m), organic growth stood at -2.3% q/q cc. EBITDA came in at 21.1% (vs. 20.8% in Q2FY25), supported by the higher contribution of fixed price contracts to revenue (64.8% vs. 56.7% in Q2FY25) & management reiterated confidence in maintaining ~21% for the year even after wage hikes. TCV came in at \$232mn (+12.1% y/y), with a book to bill of 1.3x, while the LTM TCV stood at \$989mn (+15% y/y). In order to justify the disassociation between TCV and revenue growth, KPIT disclosed \$65mn headwind over the past year with \$45mn from client de-prioritization notably in electrical/middleware programs (mainly US/Asia, some Europe) and ~\$20mn cannibalization where KPIT replaced existing solutions with better end-to-end, AI-led solutions with delayed revenue recognition. Management guided flattish to slightly positive organic cc in Q3 and “meaningful growth” in Q4.

- **Geography Highlights.** Europe (49% of rev, +13% q/q) led growth this quarter; while US (27%, -4%) is expected to recover in off-highway/commercial vehicles over the next 1-2 quarters. Product-development timelines at many OEMs have shifted right by ~1-2 years, but this is creating demand for validation/quality and delivery rescue programs where KPIT sees increasing engagement. Net headcount up ~300 q/q. —500 role rationalization (skills realignment for solutioning/AI readiness) and +800 consolidation from CareSoft. Wage increments are slated over the next two quarters
- **Outlook:** Sees client conversations turning more positive as tariff/geopolitical uncertainty eases. Near-term growth is anchored in current production-program stabilization (validation, diagnostics, cybersecurity) & selective innovation spend; medium-term growth is supported by adjacencies (off-highway/commercial, industrial/manufacturing, micro-mobility, defense).
- **AI progress & wallet-share motion.** KPIT emphasized production-grade AI programs with OEMs (not just pilots). The shift from services to solutions has more than doubled its revenue share to ~18%, improving realization and margins. Fixed-price programs now form ~65% (+800bps y/y), reflecting greater end-to-end infusion (validation platforms, diagnostics, cyber) and a clear path to higher wallet share across existing clients
- **Valuation:** We retain a Hold with TP of Rs 1,222 (fairly valued at CMP), with FY27e/FY28e P/E of 36.4x/31.3x & FY26-28e EPS CAGR of 21.0%.
- **Key Risks.** Autos continue being a drag, inability to replace de-prioritized electrical/middleware deals, productivity pass-throughs.

Rating: **Hold**

Target price (12-mth): Rs.1,222

Share price: Rs.1,219

Key data	KPITTECH IN / KPIE.BO
52-week high / low	Rs1563 / 1021
Sensex / Nifty	85,720 / 26,216
Market cap	Rs324bn
Shares outstanding	272m

Shareholding (%)	Sep'25	Jun'25	Mar'25
Promoters	39.4	39.5	39.5
<i>- of which, Pledged</i>			
Free float	60.6	60.6	60.5
- Foreign institutions	14.3	15.5	17.2
- Domestic institution	23.9	22.4	21.3
- Public	22.4	22.7	22.1

Estimate revision: As operating performance continues to be in line, lower EPS estimates weighed by losses from associates (Qorix JV)

KPIT (Rs m)	FY26			FY27			FY28		
	New	Old	% Change	New	Old	% Change	New	Old	% Change
Revenue (\$ m)	739	731	1.0	833	815	2.2	920	885	3.9
Revenues	64,741	63,662	1.7	73,374	71,104	3.2	81,056	77,147	5.1
EBITDA	13,777	13,532	1.8	15,708	15,586	0.8	17,673	17,043	3.7
EBITDA margins %	21.3%	21.3%	2 bps	21.4%	21.9%	-51 bps	21.8%	22.1%	-29 bps
EBIT	10,885	10,979	-0.9	13,078	13,350	-2.0	14,936	14,716	1.5
EBIT margins %	16.8%	17.2%	-43 bps	17.8%	18.8%	-95 bps	18.4%	19.1%	-65 bps
PBT	10,759	11,017	-2.3	13,517	13,803	-2.1	15,430	15,254	1.2
Net profit	7,278	7,943	-8.4	9,182	10,034	-8.5	10,663	11,122	-4.1

Key estimates and changes

- FY27e/28e revenue increased / (decreased) by 3.2%/5.1%, respectively, as auto recovery picks up FY27, coupled with full year FY27 Caresoft consolidation vs. FY26
- FY26-28 EBIT margins expanding by 160bps (vs. 190 bps earlier), with FY27e / FY28e margins lower by 70-100bps vs. earlier estimates
- Revised FY26-28e revenue/EPS CAGRs to 11.6%/21.0%, respectively, from 10.0%/18.3% earlier.

Valuation considerations: Fairly valued, awaiting recovery in the Auto segment...

- We assume a 160bps EBIT margin expansion over FY26-28 (16.8% to 18.4%), with an FY26-28 EPS CAGR of ~21%
- **1-year fwd. multiple.** Basis multiple method, with an LTM of Sep'27 EPS estimate of Rs14.96 coupled with the Qorix JV stake, we arrive at an intrinsic value of Rs 1,318, with the target multiple of 36x.
- Basis **DCF**, the intrinsic value is Rs 1,127
- We retain a Hold recommendation on the stock, with a TP of Rs 1,222 (vs. Rs. 1,240 earlier), with a 50% weight each to the 1-year-fwd multiple and DCF

S.No	Valuation Methodology	Assumptions	Intrinsic Value (Rs)	Target Price (Rs)
(1)	Fwd. multiple	We apply a 36x P/E to LTM Sep'27 EPS of Rs 36.2, with a value of Rs. 14.96 / share (€40 Mn.), attributed to KPIT's Qorix JV stake	1,318	
(2)	DCF (base case)	15-year DCF, with 5.5% terminal growth rate - FY25-30 revenue CAGR (base case): 11.6% - WACC: 11.89%	1,127	
	Overall	50% weight to (1) & (2) each, to arrive at TP of...		1,222

DCF assumptions	Unit	
Valuation date		30-Sep-25
WACC	%	11.89%
TGR (terminal growth)	%	5.5%
Risk-free rate	%	6.5%
ERP (Eq. risk premium)	%	5.4%
Beta		1.00
Capital structure	Unit	
Eq. (% of capital)	%	100.0%
Debt (% of capital)	%	0.0%
Cost of equity	%	11.9%
Cost of debt	%	9.0%

Implied share-price sensitivity (base case)						
		Terminal growth rate (%)				
		5.0%	5.3%	5.5%	5.8%	6.0%
WACC (%)	11.4%	1,179	1,203	1,229	1,258	1,289
	11.6%	1,131	1,152	1,176	1,201	1,229
	11.9%	1,086	1,106	1,127	1,150	1,174
	12.1%	1,045	1,062	1,081	1,102	1,124
	12.4%	1,006	1,022	1,039	1,058	1,078

Factsheet

Revenue-split, by industry

	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Passenger Cars	78	79	80	80	82	79	82	79
Commercial Vehicles	17	17	17	17	15	15	15	17
Others	4	4	3	3	3	5	3	3

Revenue-split, by region

	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
North America	30	30	28	27	26	28	29	27
Europe	53	52	52	49	47	43	44	49
APAC	17	19	20	24	26	29	26	23

Client profiles (LTM)

	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Client Concentration								
Top 25 %	85.0	86.4	86.5	85.5	87.6	87.8	87.4	86.8
Growth Q/Q %	3.8%	8.5%	3.8%	3.8%	4.2%	1.0%	-0.2%	1.1%
Growth Y/Y %	41%	40%	29%	21%	22%	13%	9%	6%
Revenue per active client (\$ m)	2.5	2.7	2.7	2.9	2.8	2.7	2.7	2.8

Employee Movement

	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Employee Movement								
Employees (EoP)	12,727	12,856	13,253	13,087	12,795	12,873	12,545	12,879
Gross additions (est.)	1,188	577	854	295	161	527	117	779
Net additions	756	129	397	-166	-292	78	-328	334
Utilization % (blended, est)	85	86	87	88	88	88	86	88

Revenue-split, by delivery type and billing (%)

	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Billing Type								
T&M	46	49	47	43	41	40	38	35
FP	54	51	54	57	59	60	63	65

Key verticals and horizontals growth (%)

	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Verticals growth (Y/Y)								
Passenger Cars	36	36	31	26	23	12	10	3
Commercial Vehicles	10	(10)	(3)	(1)	4	(2)	(6)	10
Others	519	525	8	(12)	(16)	67	21	12
Region growth (Y/Y)								
North America	26%	6%	3%	8%	4%	4%	12%	4%
Europe	38%	34%	25%	11%	6%	-6%	-7%	5%
APAC	42%	66%	60%	66%	81%	73%	41%	3%

Quick glance: Financials and valuations

Fig 1 – Income statement (Rs m)

Year-end: Mar	FY24	FY25	FY26e	FY27e	FY28e
Revenues (US\$m)	587	691	739	833	920
Growth (%)	40.3	17.7	6.9	12.7	10.5
Net revenues (Rs m)	48,715	58,423	64,741	73,374	81,056
Employee & Direct Costs	33,227	38,791	41,884	47,010	51,612
Gross Profit	15,488	19,632	22,857	26,364	29,445
Gross Margin %	31.79	33.60	35.31	35.93	36.33
SG&A	5,577	7,336	9,080	10,656	11,772
EBITDA	9,911	12,296	13,777	15,708	17,673
EBITDA margins (%)	20.3	21.0	21.3	21.4	21.8
- Depreciation	1,958	2,250	2,892	2,630	2,737
Other income	603	1,673	482	991	1,047
Interest Exp	548	424	608	553	553
PBT	8,008	11,296	10,759	13,517	15,430
Effective tax rate (%)	25	26	26	26	26
+ Associates/(Minorities)	-45	28	-719	-830	-765
Net Income	5,944	8,394	7,278	9,182	10,663
WANS	273	274	274	274	274
FDEPS (Rs/share)	21.8	30.7	26.5	33.5	38.9

Fig 3 – Cash Flow statement (Rs m)

Year-end: Mar	FY24	FY25	FY26e	FY27e	FY28e
PBT	8,008	11,296	10,759	13,517	15,430
+ Non-cash items	2,510	2,482	2,892	2,630	2,737
Operating profit before WC	10,518	13,778	13,652	16,147	18,167
- Incr./(decr.) in WC	-1,625	-1,551	702	764	633
Others including taxes	-2,125	-1,434	-2,388	-3,670	-4,194
Operating cash-flow	10,018	13,895	10,562	11,712	13,340
- Capex (tangible + Intangible)	1,553	1,295	1,112	1,076	987
Free cash-flow	8,464	12,600	9,450	10,636	12,353
Acquisitions	-3,286	-2,066	-4,470	-4,495	-3,525
- Dividend (including buyback & taxes)	1,287	1,928	3,495	5,243	7,865
+ Equity raised	-	-	-	-	-
+ Debt raised	-156	-393	-15	-	-
- Fin Investments	428	1,441	-	-	-
- Misc. Items (CFI + CFF)	342	1,476	126	-439	-494
Net cash-flow	2,965	5,297	1,344	1,337	1,457

Source: Company, Anand Rathi Research

Fig 2 – Balance sheet (Rs m)

Year-end: Mar	FY24	FY25	FY26e	FY27e	FY28e
Share capital	2,712	2,717	2,717	2,717	2,717
Net worth	21,459	29,122	32,904	36,843	39,641
Total debt (incl. Pref)	447	15	-	-	-
Minority interest	171	-	719	1,549	2,314
DTL/(Asset)	-788	-783	-783	-783	-783
Capital employed	21,289	28,354	32,840	37,609	41,173
Net tangible assets	5,434	6,031	5,893	5,917	5,809
Net Intangible assets	2,837	6,330	11,672	16,284	19,269
Goodwill	11,463	7,451	4,843	3,148	2,046
CWIP (tang. & intang.)	5	94	94	94	94
Longterm assets (Liabilities)	-5,302	-2,491	-2,740	-3,014	-3,315
Investments (Financial)	1,561	4,685	4,685	4,685	4,685
Current Assets (ex Cash)	11,596	12,038	13,251	14,917	16,368
Cash	7,705	10,743	12,087	13,424	14,881
Current Liabilities	14,006	16,434	16,945	17,847	18,665
Working capital	-2,410	-4,396	-3,694	-2,930	-2,296
Capital deployed	21,289	28,354	32,840	37,609	41,173
Contingent Liabilities	177	-	-	-	-
	0.0	0.0	0.0	0.0	0.0

Fig 4 – Ratio analysis

Year end Mar	FY24	FY25	FY26e	FY27e	FY28e
P/E (x)	56.2	39.8	45.9	36.4	31.3
EV/EBITDA (x)	32.2	25.9	23.1	20.3	18.0
EV/sales (x)	6.6	5.4	4.9	4.3	3.9
P/B (x)	15.6	11.5	10.2	9.1	8.4
RoE (%)	31.3	33.2	23.5	26.3	27.9
RoCE (%) - After tax	23.3	24.2	22.2	23.3	23.9
RoIC (%) - After tax	33.7	40.4	39.9	40.3	40.4
DPS (Rs per share)	6.7	8.5	12.8	19.1	28.7
Dividend yield (%)	0.5	0.7	1.0	1.6	2.4
Dividend payout (%) - Inc. DDT	30.8	27.7	48.0	57.1	73.8
Net debt/equity (x)	-0.4	-0.5	-0.5	-0.5	-0.5
Receivables (days)	72	56	55	55	54
Inventory (days)					
Payables (days)	23	14	14	14	14
CFO:PAT%	167	166	132	117	117
FCF:PAT% - includ M&A payout	87	125	68	67	83

Source: Company, Anand Rathi Research

Indian & Global IT: Key Drivers

Q2 FY26 review: AI, BFSI & HLS Cushion Patchy Discretionary Demand

State of Mid-Cap IT Services

- Mid-cap IT delivered steady, broad-based growth in Q2FY26 despite continuing weakness in discretionary spending. BFSI (median +4.2% q/q), HLS (+5.1%) and AI-led modernization remained the core drivers, with most peers posting 1-5% q/q CC growth led by resilient annuity work, US demand (+2.1% q/q vs 0.6% in Q1) and rising AI-infused programs. Hi-Tech (median +4.0% q/q) stabilized in pockets, while Manufacturing/ERP (-3.4%) dragged due to autos & selective top accounts stayed soft; however, healthy deal pipelines (+14.3% y/y), expanding AI order books, & improving renewal trends point to strengthening H2 visibility.
- Stable to improving margins (+44bps q/q vs -16bps in Q1), primarily benefited from rupee depreciation and operational improvements led by offshore mix, fixed-price & AI-led delivery, partially offset by wage hikes or front-loaded investments. Peers such as Persistent, Intellect, KPIT have scaled platform-le/AI-infused delivery models, while firms navigating vertical-specific softness (Birlasoft, Sonata) protected profitability through cost optimization and improved utilization.
- Mphasis, Happiest Minds & Firstsource ("FSOL") remain our top pick in Mid-Cap IT, followed by Mastek and Birlasoft. Basis FY27e/ FY28e market cap weighted P/E, midcap IT services companies trade at 34.0x/29.1x, with a 18.1% FY26-28e EPS CAGR vs past 5 yr. /10yr average 1-yr-forward P/E of 34.8 /25.1x respectively.

ERD: Waiting for Broader Recovery

- LTTS's Q2 was in-line (+1.3% q/q cc vs. -4.2% in Q1) with a record large-deal TCV of \$292mn (+224% y/y; 80% net new) incl. a \$100mn deal in Sustainability (~32% of rev) and \$60mn in Tech (~39%). Opportunities are arising out of U.S. re-industrialization driving factory builds & expansions, and consolidation deals.
- KPIT delivered a resilient Q2 (+0.3% q/q cc vs. -3.2% in Q1; -2.3% organic), disclosing a a US\$65mn revenue headwind from client de-prioritization (\$45mn; electrical/middleware programs; mainly US/Asia, some Europe) and self-cannibalization (\$25mn) as AI-led solutions replace legacy work. KPIT is scaling production-grade AI with OEMs, shifting from traditional services to a solutions-led model (~18% of rev, 2x. y/y) creating a competitive moat.
- KPIT is our top ER&D pick given its positioning in the SDV and AI-led mobility transition, while steadily shifting from pure services to higher-value solutions and platforms. Caresoft-enhanced capabilities and solution-led, fixed-price model give it both the right to win and the engine to compound faster than most auto-ER&D peers when the next leg of OEM spend kicks in. ERD peers trade at FY27e/ FY28e market cap weighted P/E of 33.9x/30.0x with a FY26-28e EPS CAGR of 15.5%.

BPO's Reinvention: Platforms, Data, and Agentic AI...

- Firstsource (FSOL) saw 2% q/q cc (vs. 1.6% in Q1) with EBIT margin improving to 11.5% (~+20bps), while eClerx grew 5.4% q/q cc (vs. 3.3%) with 22.7% EBIT margin (~+310bps) on better utilization and offshore mix. Both BPO peers are seeing structurally stronger demand for analytics, automation and AI-led transformation. FSOL's qualified pipeline has crossed \$1bn with rising sole-sourced, UnBPO and data-as-a-service work, while eClerx is scaling its compliance/Market360 platforms and new nearshore hubs like Cairo, supporting mid-teens growth with resilient margin profile.
- Across global BPO peers, Q3CY25 reinforced a steady shift toward data & AI-led operations with:
 - Genpact (+6% y/y cc) seeing Advanced Technology Solutions (~24% of rev; +20% y/y) & AI/data deals growing ahead of the core book
 - EXL (+12.3% y/y cc) continues to tilt mix toward higher-margin Data & AI (~56% of rev; +18% y/y) outpacing traditional Digital Ops (~43%; +6%) work.
 - Cognizant's BPO practice grew 10%+ y/y & is tracking toward ~\$3bn annualised revenue, while Capgemini's BPO (ex-WNS) biz is also growing at a ~10% y/y, with the WNS acquisition positioning it as a scaled intelligent operations leader for agentic AI-powered business processes.
- FSOL trades at FY27e/ FY28e P/E of 25.9x/22.4x with a FY26-28e EPS CAGR of 21.2%.

IT Services: BFSI Resilience & GenAI Scaling Help Navigate Choppy Macros...

Key themes : BFSI & HLS remain the core growth engines

- Intellect (“IDA”) and Mphasis benefitted from platform-led banking and insurance modernization while Persistent, Birlasoft, LatentView and Firstsource see strong BFSI demand in North America, while Happiest Minds, Persistent, LTTS and Mastek benefit from healthcare, life sciences and UK public-sector programs that provide a steady annuity base even as some US payer accounts stay cautious.
- Mastek’s Oracle/healthcare wins complementing Sonata’s pivot toward Cloud & Data and international services. Across verticals, the common themes driving growth are AI- and platform-led offerings (AgentBridge, eMACH.ai/Purple Fabric, Databricks, NeoIP/NeoCrux, UnBPO, DAAI), rising fixed-price/managed-services and BPaaS constructs, & deeper client mining in North America and the UK, which together are helping mid-caps outgrow underlying discretionary spend.

Data/analytics and Industrials gain traction

- Persistent’s SASVA/iAURA stack, Happiest Minds’ Hi-Tech & GenAI Business Services, LatentView’s Databricks franchise, Mphasis’ TMT wins & KPIT’s embedded/SDV work are seeing healthy traction, though Manufacturing/ERP (Birlasoft), CMT (Firstsource) and EdTech (Happiest Minds) remain softer pockets.
- Industrial and sustainability engineering is emerging as a differentiated vector, with LTTS’ plant-engineering and US re-industrialisation deals, KPIT’s off-highway and industrial adjacencies,

GenAI: pilots to scaled across mid-caps.

- Sonata’s AgentBridge, Persistent’s SASVA/iAURA/GenAI Hub, Intellect’s eMACH.ai/Purple Fabric, LTTS’s AI-first engineering stack, and Mphasis’ NeoIP/NeoCrux are being sold as front-door offerings, while LatentView’s Databricks practice, Happiest Minds’ GenAI Business Services, Birlasoft’s agentic-AI deployments and Mastek’s DAAI portfolio show that even smaller names are monetising concrete use cases rather than slideware.
- Order books are increasingly AI-skewed: Sonata’s AI order book is already ~10% (vs 8% in Q1) of total with Cloud/Data at ~55% of pipeline, KPIT’s solutions share has doubled to ~18% of revenue y/y, LatentView (“LVA”) is targeting \$19mn (+73% y/y; vs. \$11mn in FY25) of Databricks revenue in FY26, on the way to a \$50mn three-year goal, Mphasis disclosed ~42% of Q2 TCV and ~69% of record pipeline as AI-led, and Mastek’s DAAI now contributes 12.5% of revenue with 36% y/y growth.

Future visibility

- Most mid-caps are guiding for a stronger H2FY26 vs H1, with Sonata, Birlasoft, Happiest Minds, Firstsource, Mphasis, KPIT and LTTS all banking on ramp-up of already-won deals, easing macro/tariff noise and recovery in pockets like BFSI, Healthcare, Sustainability and tech-modernisation to drive sequential growth, while Persistent reiterates its \$2bn FY27 aspiration and LatentView raises FY26 growth guidance to ~19–20%.
- Platform and data/AI plays such as IDA, LVA, Persistent & LTTS are leaning on expanding SaaS / platform ARR, Databricks & hyperscaler partnerships, growing GenAI use cases to support revenue growth and EPS CAGRs over FY26-28, positioning them as beneficiaries of the next leg of enterprise AI spend.

EPAM Q3CY25: Broad-Based Growth & a Clear AI-Engineering Winner

EPAM Q3CY25 (Dec FYE)	Unit	Q3FY24	Q2FY25	Q3FY25		QoQ	YoY
Revenue	\$ Mn.	1,167.5	1,353.0	1,394.4		3.1%	19.4%
y/y CC Growth	%	(0.3)	5.3	7.1			
Adj Op. Profit	\$ Mn.	222.9	202.9	222.8		9.8%	(0.0)%
Adj Op. profit Margin	%	19.1%	15.0%	16.0%			
Adj PAT	\$ Mn.	179.1	156.8	171.8		9.6%	(4.1)%
Adj PAT Margin	%	15.3%	11.6%	12.3%			
Vertical mix							
Financial Services	%	21.8	24.3	24.2	Growth %	2.9%	32.7%
Consumer Goods, Retail & Travel	%	21.5	19.8	19.8		3.0%	9.9%
Software & Hi-Tech	%	15.3	15.1	15.2		3.7%	19.1%
Business Information & Media	%	14.3	12.6	12.0		(1.6)%	0.1%
Life Sciences & Healthcare	%	12.2	11.6	11.4		1.7%	11.9%
Emerging Verticals	%	14.9	16.7	17.3		7.1%	38.9%
Geo mix							
Americas	%	59.7	59.2	58.0	Growth %	0.9%	16.0%
EMEA	%	38.1	38.8	39.9		5.9%	24.9%
APAC	%	2.2	2.0	2.2		10.3%	17.6%
Headcount	#	53,250	62,050	62,350		0.5%	17.1%
Utilization	%	76.4%	78.1%	76.5%		(160) bps	10 bps

- EPAM with its solid Q3 growth (+7.1% y/y organic cc vs 5.3% in Q2) has emerged as one of the clearest AI winners in global IT services, with AI-native engineering and data/cloud modernization driving structural growth. Q3 was driven by AI-native work, where 60-70% of PoCs now scale into larger programs and AI-native revenues grew double-digit q/q for the third straight quarter.
- EPAM is seeing that clients are prioritizing AI buildouts & using it to modernize data platforms and cloud foundations- prerequisites for deployed AI. As clients rush to automate operations, EPAM sees rapid traction in agentic delivery, opening up new TAM areas like BPO, testing, & verticalized managed services.
- Clients are redirecting AI programs from peers to EPAM, highlighting EPAM's differentiated AI-engineering expertise and framework as a true moat. This is one of the most definitive proofs where AI is incremental, not cannibalistic, and is materially expanding core data, cloud, and platform modernization demand.
- Despite macro & budget headwinds, pipeline replenishment remains strong, setting a solid exit rate into CY26, expecting organic growth to accelerate. While 4Q will see a temporary organic growth decline (-1% to 0% q/q) (budget timing + a large Neoris client issue), the medium to long term picture is strengthening. EPAM raised FY25 revenue guidance (+4.6% y/y organic cc vs prior guided 4.0%) & reiterated a clear trajectory to higher growth & expanding margins into CY26 as AI-native, data, and cloud revenues scale.

Globant Q3CY25: Modest Results with Marginal Upward Guidance Revision

LOBANT Q3CY25 (Dec FYE)	Unit	Q3CY24	Q2CY25	Q3CY25		QoQ	YoY
Revenue	\$ Mn.	614.7	614.2	617.1		0.5%	0.4%
Adj Operating Profit	\$ Mn.	96.1	92.1	95.6		3.8%	(0.5)%
Adj PBT Margin	%	15.6	15.0	15.5			
Adj PAT	\$ Mn.	72.4	69.7	69.7		0.1%	(3.6)%
Adj PAT Margin	%	11.8	11.3	11.3			
Vertical mix							
Media and Entertainment	%	23.0	19.9	20.4		3.3%	(10.9)%
Technology & Telecommunications	%	10.7	9.1	9.3		1.8%	(12.7)%
Travel & Hospitality	%	11.6	13.0	13.3		3.2%	15.6%
Consumer, Retail & Manufacturing	%	18.2	18.0	18.4		2.4%	1.2%
Professional Services	%	10.6	10.3	9.5	Growth %	(7.3)%	(9.5)%
Banks, Financial Services and Insurance	%	17.6	20.6	20.3		(1.0)%	15.6%
Healthcare	%	6.7	7.1	6.6		(6.5)%	(0.6)%
Other Verticals	%	1.6	1.9	2.1		12.1%	33.3%
Geo mix							
North America	%	55.7	54.1	53.8		(0.1)%	(3.0)%
Latin America	%	21.8	19.7	19.9		1.8%	(8.5)%
Europe	%	17.6	19.6	19.4	Growth %	(0.4)%	10.7%
New Markets	%	4.9	6.6	6.9		4.1%	41.7%
Headcount	#	29,998	30,084	29,020		(3.5)%	(3.3)%
Attrition	%	9.0%	11.4%	13.0%		160 bps	400 bps

- Q3 revenue up 0.5% q/q vs. 0.5% in Q2, beating the street estimates with adj. op. margin 15.5% (+50 bps q/q). Pipeline hit a record \$3.7bn (+30% y/y). Management sees H2>H1 as stabilization and faster conversion versus 1H. Pricing is holding as value is anchored in AI outcomes while professional services will see a Q4 furlough dip before stabilizing into Q1CY26.
- Globant has crossed the inflection point where AI is no longer a pipeline theme but a revenue stream delivery model embedded across clients. With ~1,000 active AI/data projects and ~900 “AI-readiness” opportunities in the pipeline. AI Pods (subscription, agentic delivery) nearly doubled their pipeline share in ~10 weeks, and top-5 clients grew 2.1% q/q, outpacing the company signalling deeper mining. 17/top 20 clients (~40% of rev) already embedding Enterprise AI subscriptions signals a more predictable monetization curve ahead showing definitive early proof of AI scaling rather than PoC traction.
- After a business optimization to align headcount with growth and new industry studios, utilization has room to rise (target ~80%), and 2026 scaling will need a mix of slightly higher utilization and new hires.
- Guidance: CY25 Revenues estimated to be at least \$2,447.4 million, implying at least 1.3% y/y revenue growth (incl. FX impact of +30bps) vs. prior guided 1.2% y/y growth (+25bps FX). Reaffirmed CY25 Non-IFRS Adj. Op Margin of at least 15.0%.

Endava Q1FY26: Revenue Decline; Estimates Miss; Guidance Cut...

Endava Q1FY26 (Jun FYE)	Unit	Q1FY25	Q4FY25	Q1FY26		QoQ	YoY
Revenue	£ Mn.	195.1	186.8	178.2		(4.6)%	(8.7)%
y/y CC Growth	%	5.2	(0.7)	(7.3)			
Adj PBT	£ Mn.	19.3	16.4	9.8		(40.4)%	(49.3)%
Adj PBT Margin	%	9.9	8.8	5.5			
YoY growth	%	(0.8)	1.5	1.5			
Adj PAT	£ Mn.	15.0	13.4	7.8		(41.7)%	(47.8)%
Adj PAT Margin	x.	7.7	7.2	4.4			
Vertical mix							
Payments	%	20	17	17		-5.7%	-21.5%
Banking & Capital Markets	%	17	22	22		-2.0%	22.3%
Insurance	%	9	10	9		-10.9%	-4.1%
TMT	%	21	17	17	Growth %	-5.3%	-26.4%
Mobility	%	9	8	9		1.3%	-13.6%
Healthcare	%	12	12	12		-1.8%	-6.5%
Other	%	12	14	14		-7.6%	-1.6%
Geo mix							
North America	%	39	38	42		6.6%	-1.1%
Europe	%	25	23	24		-2.1%	-12.8%
UK	%	31	33	28	Growth %	-19.4%	-18.0%
ROW	%	5	6	6		-2.6%	8.6%
Headcount	#	11,821	11,479	11,636		1.4%	-1.6%
Attrition	%	13.3%	15.2%	14.7%		-50 bps	140 bps

- Q1 (June FYE) revenue fell (-7.3% in cc vs -0.7% in Q4), missing guidance, driven mainly by an unexpected client credit and lower-than-planned conversion in non-large deals, leading to sharp reaction from investors with the stock (-26%) and now trading near 52-wk lows. Avg top 10 client (36% of rev) spend fell ~10% y/y (-2% FX impact).
- Adj. PBT margin fell to 5.5% (vs 8.8% in Q4 & 9.9% in Q1 FY25) due to client credit, AI/bonus investments, and transition friction (upskilling AI talent, pruning legacy skills). Adj PAT margins at 4.4% vs 7.2 in Q4. Endava sees its high operational leverage to help margins recover with revenue ramps, but slow top-line is leading to rapid margin pressure.
- What went wrong in Q1? 1. Endava saw an unexpected U.S. client credit after the prior guidance. Without it, Q1 revenue would have been around the bottom of guidance. 2. Non-large pipeline conversion ran below plan (~50% vs the high end and ~80% vs the low end of what they expected). 3. Europe fell 12.8% y/y on TMT and mobility weakness; the UK was down 18.0% y/y (due to a big payments client being reclassified to North America). 4. With ~76% revenue still T&M, AI-driven productivity will compress T&M volumes until outcome-based work (~24% & rising) scales to monetize value creation.
- Endava expects Q2 FY26 rev to remain weak (-7% to -8% y/y cc) & below the consensus estimate. For FY26, it projects revenue between £735mn and £752mn (-2.5% to -4.5% in cc vs prior guided -1.5% to +0.5%) below the £754.5mn consensus estimates.

Appendix

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