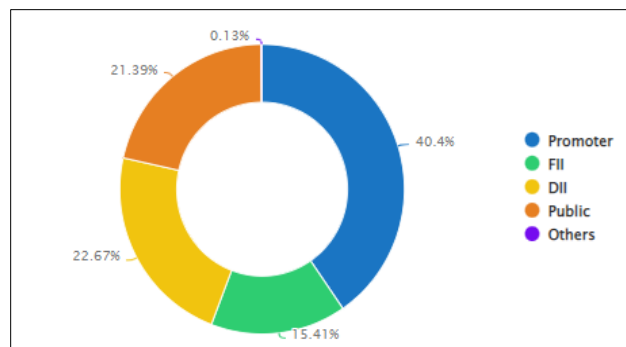


June 2022

**VALUE PARAMETERS**

Face Value (Rs.)	2.00
Mrk.Cap (Rs. in Cr)	10,385
52-Week High/Low	586/336
EPS (TTM)	16.6
P/E Ratio (TTM)	22.4
Book Value per share (Rs)	92.3
Industry P/E	26.1
P/B Ratio (calc at CMP)	4.0
Dividend Yield (%)	0.95
Enterprise value (Rs in Cr)	10,125

**SHAREHOLDING PATTERN**



**FINANCIAL PERFORMANCE**

Consolidated	FY22	FY23E	FY24E
Sales (Rs. Cr)	4130.35	4829	5390
Growth	8%	16%	11.6%
EBITDA	640	758	862
EBITDA margin	15%	15.7%	16%
Net Profit (Rs. Cr)	463.64	503	570
EPS (Rs)	16.6	17.7	20
RoE	19.50	20.9	23
RoCE	25.10	27	30
P/E (x)	22.5	19.1	16.8
EV/EBITDA	14.4	12.1	11

**Our Recommendation:** The company has been reporting robust deal pipeline, client mining, demand, and better execution of contracts. Company aims to surpass FY22 revenue growth in FY23 and better margin than FY22. Revenue growth to be achieved via client mining, cross sell, robust deals in pipeline, expansion in Europe & APAC. We expect revenue from dollar denomination will improve at 14% CAGR. Thus, we recommend BUY in price range Rs. 330-350 with target price Rs 415 (upside 22%).

**Investment Rationale:**

**About Company:** Incorporated in 1995, Birla Soft is a part of multibillion-dollar diversified CK Birla Group. It is an information technology firm which provides services in the fields of Manufacturing, Banking & Financial Services, Insurance, Media & Healthcare industry. The company has good global presence with its delivery centres located in India and China. The company has strength in non-ERP digital businesses like CRM & data analytics, app development & enterprise solution.

**Q4FY22 Results:** Birlasoft reported strong numbers on the margin front.

- Consolidated revenue for the Birla Soft ltd. showed a significant growth of 22% YoY basis to Rs 1101 crore compared to Rs 903 crore in the year ago quarter.
- On a sequential basis, revenue was up by 2.75% from Rs 1072 crore recorded in the previous quarter.
- EBITDA margins were up 66 bps QoQ to 15.8%.
- PAT increased significantly by 34.28% to 132.9 Cr as compared to Rs 99 Cr registered in the corresponding quarter of the previous fiscal year, increasing EPS to Rs 4.75 from 3.57 in previous quarter.

**Key Highlights**

- The company has announced a buyback of 7.8 mn shares at the price of 500 per share.
- Geography wise, America (82.2% mix) increased by 1.2% QoQ. Europe (11.2% mix) increased by 6.9% QoQ while RoW increased by 5.3% QoQ.
- Vertical wise revenue from manufacturing increased by 4.1% QoQ while energy & utilities increased by 4.2% QoQ. BFSI vertical reported de-growth of -0.8% QoQ. Life sciences reported de-growth of 1.1% QoQ.
- EBITDA margins for Q4 at 15.9% improved from 15.2% in previous quarter on account of revenue growth, lower sub-contracting cost and better pricing.
- Margins to improve as the company is looking for revenue expansion, primary rationalization and lower sub con cost.
- FY23 revenue growth and margins will be better than that of FY22 on the basis of pyramid optimization, client mining, automation, strong demand and better pricing.
- The company can expect good growth as it works on hi-tech, digital space, where there is significant opportunities in platform business.
- The company is aiming to achieve a target of US\$1 billion in revenues in the next four years which is 20% growth CAGR.
- Attrition in Q4 was at elevated levels of 34.3% versus 31.4% in Q3. Management hopes attrition to lower in coming quarters.

**Key Risks:**

- Rapid transformation in technology and difficulty in adapting them can impact the business model.
- High attrition rate.
- The long-term cost of projects for the company is increasing YoY.

## Financials and Valuations

### Q4FY22 Financial Summary, consolidated (Rs. Cr)

Y/E March	Q4FY22	Q4FY21	YoY (%)	Q3FY22	QoQ (%)
<b>Net Revenues</b>	1,101	903	21.99%	1,072	2.75%
<b>EBITDA</b>	175	152	14.54%	163	7.24%
<b>PAT</b>	132.9	99.0	34.28%	114.0	16.60%
<b>Adjusted EPS(INR)</b>	4.75	3.57	33.05%	4.09	16.14%

### Income Statement, consolidated (Rs. Cr)

Y/E March	FY18	FY19	FY20	FY21	FY22
<b>Net Revenues</b>	<b>2,249.80</b>	<b>2,550.67</b>	<b>3,290.97</b>	<b>3,555.72</b>	<b>4,130.35</b>
Expenditure	1,966.50	2,244.27	2,899.05	3,026.49	3,490.23
<b>EBIDTA</b>	<b>283</b>	<b>306</b>	<b>392</b>	<b>529</b>	<b>640</b>
<i>EBITDA Margin (%)</i>	<i>13%</i>	<i>12%</i>	<i>12%</i>	<i>14.87%</i>	<i>15.5%</i>
Depreciation	40	50	83	80	77
<b>EBIT</b>	<b>243</b>	<b>257</b>	<b>309</b>	<b>449</b>	<b>564</b>
Other Income	23.86	26.06	42.99	18.98	66.2
Interest	8.13	10.84	16.13	13.04	13.02
Exceptional items	0.00	17.59	0.00	0.00	-0.14
<b>PBT</b>	<b>258.85</b>	<b>289.34</b>	<b>336.20</b>	<b>454.80</b>	<b>616.65</b>
Tax	67.65	53.94	111.86	133.97	153.02
<b>PAT</b>	<b>191.20</b>	<b>235.40</b>	<b>224.34</b>	<b>320.83</b>	<b>463.63</b>
<b>Net Profit</b>	<b>254.37</b>	<b>292.16</b>	<b>224.35</b>	<b>320.83</b>	<b>463.64</b>
Min Int.	-1.51	-2.69	0.00	0.00	0.00
Shares associates	0.00	0.00	0.00	0.00	0.00
<b>Consolidated Net Profit</b>	<b>252.86</b>	<b>289.47</b>	<b>224.35</b>	<b>320.83</b>	<b>463.64</b>
<b>EPS</b>	<b>13.34</b>	<b>10.56</b>	<b>8.11</b>	<b>11.57</b>	<b>16.59</b>

### Cash Flow Statement, consolidated (Rs. Cr)

Y/E March	FY17	FY18	FY19	FY20	FY21
PBT	299	331	387	336	455
Adj. For Exp.	36	147	116	145	85
Other Adj.	-105	-13	-537	-91	85
<b>CF After WC</b>	<b>230</b>	<b>465</b>	<b>-34</b>	<b>390</b>	<b>625</b>
Tax	-67	-59	-38	-80	-67
<b>CF from Op. Activity</b>	<b>163</b>	<b>406</b>	<b>-72</b>	<b>310</b>	<b>558</b>
<b>CF from Inv. Activity</b>	<b>-150</b>	<b>-193</b>	<b>125</b>	<b>-44</b>	<b>-444</b>
<b>CF from Fin. Activity</b>	<b>80</b>	<b>-128</b>	<b>-116</b>	<b>-180</b>	<b>-97</b>
Net Change	93	86	-63	86	17
Cash & Cash Eqvt	379	465	362	450	466

## Balance Sheet, consolidated (Rs. Cr)

Y/E March	FY18	FY19	FY20	FY21	FY22
Equity Share Capital	38	55	55	55	56
Share Warrants	20	36		0	
Reserves & Surplus	1,759	1,623	1,837	2,124	2,527
<b>Total Shareholder's Fund</b>	<b>1,817</b>	<b>1,714</b>	<b>1,892</b>	<b>2,179</b>	<b>2,583</b>
L.T. Borrowings	66	0	0	0	0
Deffered tax liability	-94	-143	-120	-88	-92
L.T. Trade pay	0	0	0	0	0
Other long term LIAB.	16	6	114	100	91
L.T. Provisions	69	64	70	80	49
<b>Non-Current Liabilities</b>	<b>57</b>	<b>-73</b>	<b>64</b>	<b>92</b>	<b>48</b>
S.T. Borrowings	211	38	0	0	0
S.T Trade pay	159	215	190	132	210
Other S.T. Liab.	327	404	343	423	411
S.T. Provisions	65	57	78	79	40
<b>Current Liabilities</b>	<b>762</b>	<b>714</b>	<b>611</b>	<b>634</b>	<b>661</b>
Minority Interest	4				
<b>Total Equity &amp; Liability</b>	<b>2,638</b>	<b>2,354</b>	<b>2,567</b>	<b>2,906</b>	<b>3,291</b>
Fixed assets	861	588	753	705	616
L.T. Investments	11	0	0	0	54
L.T. Loans & Adv.	103	82	111	57	16
Other L.T. Assets	6	11	15	39	172
<b>Non-Current Assets</b>	<b>981</b>	<b>681</b>	<b>879</b>	<b>801</b>	<b>858</b>
S.T. Investments	118	191	33	55	786
Inventories	24	0	0	0	0
Sundry Debtors	806	711	740	518	849
Cash & Bank	505	377	630	1,043	383
Others	204	395	285	489	416
<b>Current Assets</b>	<b>1,657</b>	<b>1,674</b>	<b>1,688</b>	<b>2,105</b>	<b>2,434</b>
<b>Total Assets</b>	<b>2,638</b>	<b>2,354</b>	<b>2,567</b>	<b>2,906</b>	<b>3,291</b>

## Key Ratios

Y/E March	FY2018	FY2019	FY2020	FY2021	FY2022
<b>Per Share Data (Rs)</b>					
EPS	13.34	10.56	8.11	11.57	16.60
BV/Share	94.81	61.19	68.39	78.62	92.3
DPS	2.4	2	2	3.5	4
Dividend Payout (%)	17.99	18.94	24.67	30.25	24
<b>Valuation Ratios (x)</b>					
P/E	16.25	9.3	7.59	21.86	22.5
P/BV	2.29	1.61	0.9	3.22	4.02
EV/EBITDA	9.18	4.6	2.46	10.89	14.4
<b>Return Ratios (%)</b>					
ROE	15.56%	17.38%	12.57%	15.76%	19.50%
ROCE	16.69%	20.94%	19.34%	22.98%	25.10%
<b>Leverage Ratio (x)</b>					
Current Ratio	2.18	2.34	2.76	3.32	3.69
Interest Cover Ratio	32.76	21.45	21.85	35.87	48.4
Net Debt/Equity	0.17	0.02	0	0	0.05
Quick Ratio	2.14	2.34	2.76	3.32	3.69

**Large clients trend**

Year-end March	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22
US\$1 mn+	85	81	81	76	77	76	77	80
US\$5 mn+	17	20	21	22	22	20	21	25
US\$10 mn+	8	9	9	9	10	12	12	13

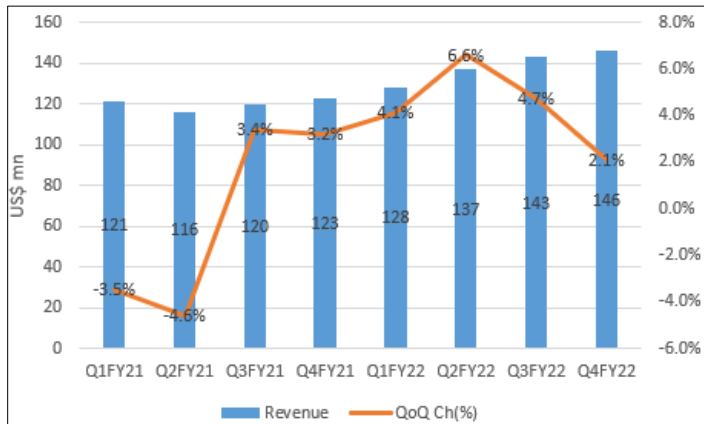
**Revenue growth across various segments (%)**

Geography	% of revenue	QoQ growth	YoY growth
US	82.2%	1.2%	23.5%
Europe	11.2%	6.9%	6.4%
RoW	6.6%	5.3%	-7.8%

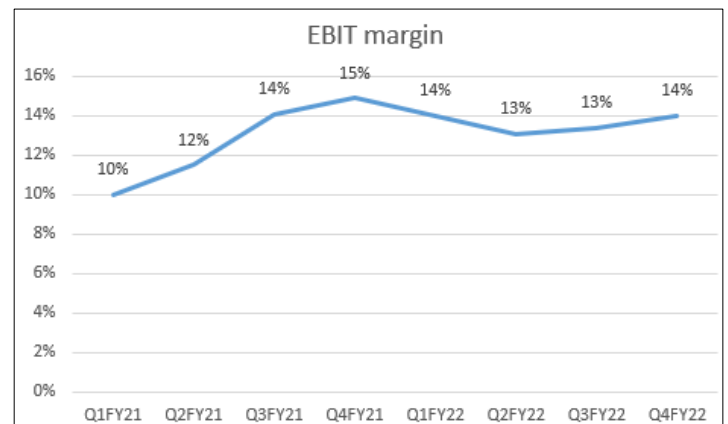
  

Verticals	% of revenue	QoQ growth	YoY growth
Manufacturing	46.1%	4.1%	29.4%
BFSI	17.2%	-0.8%	11.7%
Europe	15.1%	4.2%	21.1%
Lifesciences	21.6%	-1.1%	4.3%

**Revenue growth (QoQ)**



**EBIT margin (QoQ)**



VP – Head Research - Dr. Ravi Singh  
Mob: +919810313561  
Email ID: ravi.singh@shareindia.com

**Disclosure:**

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