

Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
IT Consulting & Software	Rs 714.70	Buy in Rs 705-725 band and add on dips in Rs 645-658 band	Rs 785	Rs 845	2-3 quarters

HDFC Scrip Code	BIRSOF
BSE Code	532400
NSE Code	BSOFT
Bloomberg	BSOFT IN
CMP July 05, 2024	714.70
Equity Capital (Rs Cr)	55.2
Face Value (Rs)	2.0
Equity Share O/S (Cr)	27.6
Market Cap (Rs Cr)	19,728.4
Book Value (Rs)	110.3
Avg. 52 Wk Volumes	2,609,179
52 Week High	861.6
52 Week Low	343.7

Share holding Pattern % (March, 2024)	
Promoters	40.9
Institutions	42.1
Non Institutions	17.0
Total	100



HDFCsec Retail research
stock rating meter

for details about the ratings, refer at the end of the report
* Refer at the end for explanation on Risk Ratings

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Our Take:

Birlasoft Ltd is a leading midcap IT company, providing IT services and products. The company is engaged in providing enterprise and digital technologies and focusing on four verticals—Manufacturing, E&U (Energy & Utilities), BFSI and Healthcare—with services spanning from ERP to data & analytics. The IT services business of KPIT Technologies merged with Birlasoft and the engineering business was demerged in Jan 2019. The company has focused on strengthening its leadership, rationalising the tail accounts, and increasing cross-sell & deal tenure of existing engagements.

Birlasoft's deal momentum was strong in Q4FY24, signed deals worth of US\$ 240 mn (up 14% QoQ and down 6% YoY) with TCV new deal wins of US\$ 132 mn and renewals of US\$ 133 mn vs. deal wins at US\$ 218 mn (down 20%/6% QoQ/YoY) in Q3FY24 with TCV new deal wins of US\$ 94 mn and renewals of US\$ 124 mn. The company is focused on adding service lines to its top 40 focused accounts, which contribute to ~75% of the revenue. The company expects to report US\$ 200 mn of signings every quarter going forward.

The company has strong traction in virtual engagement, cloud adoption, and digital transformation work. The company's focus on deepening relationship with existing large accounts and partners, vertical sales structure, leveraging of core and peripheral services, ramp-up of deal wins, and defined incentives of cross selling/ up-selling could drive revenue growth. The new appointed CEO and COO is focused on select verticals and Geographies for which the company has hired vertical & Geography focused leaders. We expect that the company could report revenue growth at 12.1% and 17.1% for FY25E and FY26E, respectively.

On Oct 09, 2023, we had issued Stock Update report ([Link](#)) on Birlasoft Ltd and recommended to buy in the Rs 502-520 band and add further on dips to Rs 446-456 band for base case target of Rs 560 and bull case target of Rs 597. The stock achieved its both targets before expiry of the call. Given healthy growth outlook, and expectation of strong set of numbers in H1FY25, we have now revised earnings and increased target price for the stock.

Valuation & Recommendation:

Birlasoft is a CK Birla Group company, with long track record in providing IT services, diversified service portfolio, strong relationship with clients and alliances. The company is planning significant investment in the next two years to expand in geographies like the UK, Europe and APAC and has aspiration is to become a billion-dollar plus company in next two to three years. The company's growth prospects in digital and cloud infrastructure services, sharpened focus to build key business verticals through a micro-vertical strategy and a focused effort to scale up contribution from top-tier clients, provides revenue visibility for Birlasoft over the medium term.