Choice
Institutional Equities

DATAMATICS: Early AI Investments Gaining Momentum

BUY

Sector View: Neutral

Management Meet Note

November 27, 2025 | CMP: INR 839 | Target Price: INR 1130

Expected Share Price Return: 34.7% I Dividend Yield: 0.8% I Expected Total Return: 35.5%

Company Info	
BB Code	DATA IN EQUITY
Face Value (INR)	5.0
52-week High/Low (INR)	1120/523
Mkt Cap (Bn)	INR 49.6/ $0.6
Shares o/s (Mn)	59.1
3M Avg. Daily Volume	2,35,400

Key Financials

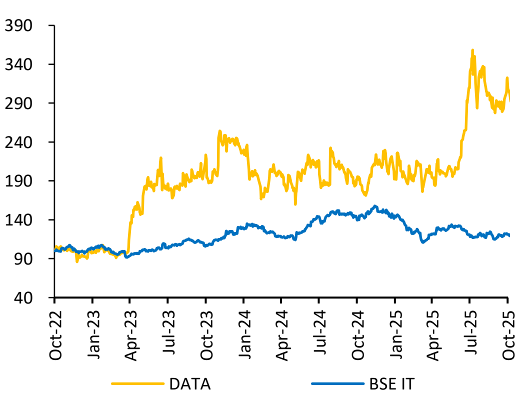
INR Bn	FY24	FY25	FY26E	FY27E	FY28E
Revenue	15.5	17.2	20.0	21.9	24.1
YoY (%)	6.2	11.2	16.2	9.2	10.0
EBITDA	2.4	2.3	3.5	3.9	4.3
EBITDAM %	15.7	13.3	17.6	17.8	18.0
Adj PAT	2.0	2.1	2.5	2.9	3.2
EPS	33.6	34.7	42.2	48.2	54.8
ROE %	16.1	15.2	15.8	15.6	15.4
ROCE %	13.4	10.0	12.7	12.7	12.7
PE(x)	17.1	17.5	20.0	19.4	15.4

Shareholding Pattern (%)

	Sept-25	Jun-25	Mar-25
Promoters	66.33	66.33	66.33
FIIs	0.78	1.02	1.14
DIIs	0.25	0.12	0.20
Public	32.63	32.54	32.33

Relative Performance (%)

YTD	3Y	2Y	1Y
BSE IT	21.0	14.3	(15.6)
DATA	208.5	43.6	60.9



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Recent Report:

Q2FY26 Result Update

Key takeaways from management meet

We interacted with the management team of **Datamatics Global Services Ltd (DATA) comprising Mr. Rahul Kanodia, Vice Chairman & CEO, Mr. Ankush Akar, SVP & CFO, and Mr. Mitul Mehta, CMO.** Key takeaways from the meet are; (1) Digital Operations business has scaled up meaningfully following the TNQTech acquisition, (2) The early-mover investments in AI, GenAI and Agentic AI are now translating into better traction within Digital Technology business (3) DATA's strategy remains focussed on mid-sized client organizations with niche vertical leadership and enterprises undergoing business transformation. (4) The company serves over 300 active clients and sees significant growth opportunities in the US and Europe — with top client presence across BFSI, Publishing & Proctoring (Customer Experience), Retail and Logistics verticals. (5) DATA is actively scaling net-new client additions to lower concentration risk and strengthening its enterprise platform play through Microsoft, AWS, and newly added Salesforce capabilities via Dextara. (6) It plans to invest INR 400–500Mn annually in innovation to stay ahead of evolving technology landscape, while driving cost optimization to sustain profitable growth. ***We believe DATA's niche vertical strengths, AI-driven execution and disciplined focus on profitable growth position it well for sustained performance. We maintain BUY rating with an unchanged TP of INR 1,130.***

Niche vertical expertise scaled up by AI adoption in Digital Operations

RPA-led automation has evolved as enterprise data volumes surged, driving demand for complex document and workflow processing across ERP, CRM and SCM platforms. DATA now leverages Agentic AI within Digital Operations to automate processes which require reasoning, system-to-system interactions and swift decision-making. Key use cases span across content creation and publishing, human migration workflows, end-to-end insurance and underwriting, banking operations, travel and helpdesk services, and manufacturing processes.

AI-enabled KAI tools accelerating clients' POC time-to-market in Digital Tech

DATA's Digital Technology services span application development, modernization and maintenance, supported by in-house testing with 1–2-day POC turnaround. This enhances conversion of pilots into full-scale engagements. DATA is an early mover in AI, GenAI & Agentic AI through its Intelligent Automation suite—TruBot, TruCap and TruAgent—powered by proprietary KAI tools & accelerators built on the Kaizen philosophy of continuous improvement. ***KAI accelerators automate legacy logic extraction into modern architectures and enable real-time, data-driven decision-making across client enterprises, which we believe would drive faster scale-ups and superior delivery versus peers.***

Digital Experience segment to grow with a lag as clients move to captives

Clients' captive shifts to weigh on Digital Experience in the near term, but DATA's proven GCC build-and-run capabilities position it well as CIO-led decision centres migrate to India and Philippines for back-office operations.

Net-new logos to enhance scale over existing marquee clients

Large deal sizes are scaling up steadily from ~US$0.2Mn-$3Mn, with a visibility to expand into US$5Mn–$10Mn range. DATA is also focusing to grow net new clients in range of US$1Mn–$10Mn to gradually reduce dependence on its Top-20 clients.

Valuation – Maintain BUY rating with a TP of 1130

We maintain our financial estimates, supported by consistent execution discipline and expect Revenue/EBIT/PAT to expand at 11.8%/ 24.4%/ 16.4% CAGR, over FY25–28E. Thus, we maintain a 'BUY' rating on DATA with Target Price of INR 1130, based on FY27E and FY28E average EPS of INR 51.5, with a 22x PE multiple.

Key Risks

- High concentration risk, led by Top 10–20 clients at ~39–52% of topline
- Digital Experience recovery could modestly weigh on near-term growth

Optionality

DATA remains selective on M&A, targeting sustainable businesses aligned with its GTM strategy at reasonable valuations and with clear ROI visibility. Acquisitions remain focussed on enhancing technology capabilities and scaling up operations and client access — as demonstrated by Dextara (deal value scaled up from ~US$0.07Mn-US$3Mn post acquisition) and TNQTech, through which DATA now ranks 9th globally among publishing service-providers, strengthening content creation and publishing capabilities across both, offline and digital, channels.

Income Statement (Consolidated in INR Mn)

Particular	FY24	FY25	FY26E	FY27E	FY28E
Revenue	15,499	17,234	20,021	21,867	24,053
Gross Profit	5,586	6,017	7,508	8,269	9,167
EBITDA	2,440	2,293	3,517	3,891	4,332
Depreciation	363	480	796	819	839
EBIT	2,077	1,812	2,721	3,072	3,493
Other Income	450	464	599	639	702
Interest Expense	20	99	157	103	96
PAT	1,982	2,050	2,493	2,850	3,238
EPS	33.6	34.7	42.2	48.2	54.8

Ratio Analysis	FY24	FY25	FY26E	FY27E	FY28E
Growth Ratios (%)					
Revenues	6.2	11.2	16.2	9.2	10.0
EBITDA	0.6	(6.0)	53.4	10.6	11.3
EBIT	0.1	(12.8)	50.1	12.9	13.7
Margin Ratios (%)					
Gross Profit Margin	36.0	34.9	37.5	37.8	38.1
EBITDA Margin	15.7	13.3	17.6	17.8	18.0
EBIT Margin	13.4	10.5	13.6	14.0	14.5
Profitability (%)					
ROE	16.1	15.2	15.8	15.6	15.4
ROIC	19.4	12.3	15.8	16.0	16.2
ROCE	13.4	10.0	12.7	12.7	12.7
Valuation					
OCF / Net Profit (%)	92.8	109.1	38.8	52.8	52.5
OCF/ IC (x)	21.9	18.5	7.1	9.9	10.0
BVPS (x)	207.0	229.8	266.7	308.9	356.7
Free Cash Flow Yield(%)	5.2	5.6	0.6	1.3	1.6

Source: DATAMATICS, Choice Institutional Equities

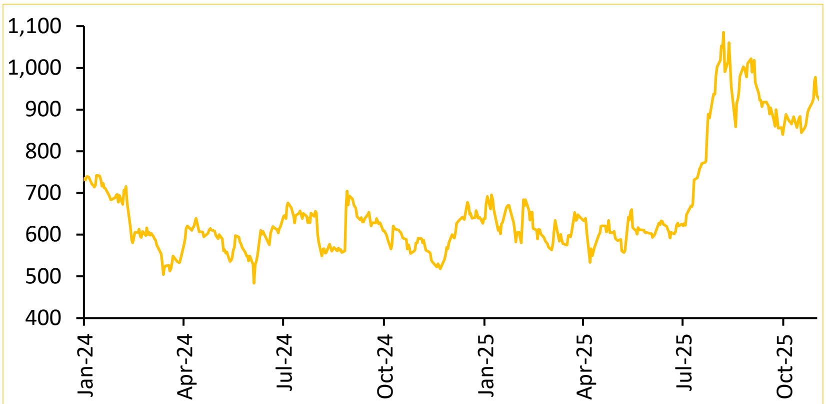
Balance Sheet (Consolidated in INR Mn)

Particular	FY24	FY25	FY26E	FY27E	FY28E
Tangible Fixed Assets	2,189	8,390	8,220	8,220	8,240
Goodwill & Intangible Assets	-	-	-	-	-
Investments	2,192	2,178	2,328	2,428	2,528
Cash & Cash Equivalents	5,895	5,933	7,370	9,009	11,869
Other non-current Assets	800	1,093	1,213	1,313	1,413
Other current Assets	4,869	5,249	5,373	5,906	6,435
Total Assets	**14,633**	**20,564**	**22,381**	**24,634**	**27,513**
Shareholder's Funds	12,290	13,646	15,844	18,339	21,163
Borrowings	-	1,578	1,564	1,346	1,121
Other non-current Liabilities	496	2,743	2,393	2,043	2,143
Other current Liabilities	1,929	2,680	2,663	2,988	3,168
Total Equity & Liabilities	**14,633**	**20,564**	**22,381**	**24,634**	**27,513**

Cash Flows (INR Mn)	FY24	FY25	FY26E	FY27E	FY28E
Cash Flows From Operations	1,839	2,237	968	1,505	1,700
Cash Flows From Investing	(1,794)	(2,492)	(28)	(155)	(131)
Cash Flows From Financing	(385)	1,189	(606)	(388)	(96)

DuPont Analysis	FY24	FY25	FY26E	FY27E	FY28E
ROE	16.1%	15.2%	15.8%	15.6%	15.4%
Net Profit Margin	12.8%	11.9%	12.5%	13.0%	13.5%
Asset Turnover	1.1	0.8	0.9	0.9	0.9
Financial Leverage	1.2	1.5	1.4	1.3	1.3

Historical share price chart: Datamatics Global Services (DATA)



Date	Rating	Target Price
March 18, 2024	BUY	654
May 10, 2024	REDUCE	571
August 02, 2024	SELL	590
November 06, 2024	SELL	543
April 02, 2025	HOLD	610
May 19, 2025	REDUCE	585
August 07, 2025	REDUCE	940
November 3, 2025	BUY	1,130

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Large Cap*	
BUY	The security is expected to generate upside of 15% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 15% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -5% over the next 12 months
SELL	The security is expected to show downside of 5% or more over the next 12 months
Mid & Small Cap*	
BUY	The security is expected to generate upside of 20% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 20% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -10% over the next 12 months
SELL	The security is expected to show downside of 10% or more over the next 12 months
Other Ratings	
NOT RATED (NR)	The stock has no recommendation from the Analyst
UNDER REVIEW (UR)	The stock is under review by the Analyst and rating may change
Sector View	
POSITIVE (P)	Fundamentals of the sector look attractive over the next 12 months
NEUTRAL (N)	Fundamentals of the sector are expected to be in stasis over the next 12 months
CAUTIOUS (C)	Fundamentals of the sector are expected to be challenging over the next 12 months

***Large Cap: More Than INR 20,000Cr Market Cap**
***Mid & Small Cap: Less Than INR 20,000Cr Market Cap**

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