

BIRLASOFT LTD

ISIN: INE836A01035

BSE: 532400

NSE:BSOFT

CMP: Rs. 417.30

Wed, 24th NOV '21

OVERVIEW

- Birlasoft Ltd is engaged in providing software and IT-enabled services globally. It provides software development, IT consulting and Product Engineering solutions to its clients in Automotive and Transportation, Manufacturing, and Energy and utility verticals.
- The company derives most of its revenue from the United States of America followed by the United Kingdom and Europe, and the Rest of the world. Its segment comprises Banking, Financial Services, and Insurance; Manufacturing; Energy and Utilities; and Life Sciences.

COMPANY ALLIANCE

- In August 2020, the company announced a Global Strategic Cloud Alliance with Microsoft to help its clients accelerate their digital journey. With this collaboration, Birlasoft has strategically positioned itself to support its enterprise client with their cloud transformation needs, from infrastructure to business applications. Birlasoft has planned to scale its current Microsoft channel business to US \$100M.
- Together with Microsoft, Birlasoft will create innovative industry solutions and enable customers in focus industries to adopt Microsoft cloud technologies and services. The company is also in talks with other major platform players such as Amazon Web Services (AWS) and Google for similar partnerships.

OPPORTUNITIES

- Pandemic has given digital transformation an impetus that would have taken many years to achieve.
- As per International Data Corporation, a large percentage of future enterprises' revenue would depend upon the responsiveness, scalability, and resiliency of their infrastructure, application, and data resources.
- In its top IT predictions, IDC expects that by the end of 2021, 80% of enterprise will put a mechanism in place to shifts to cloud-centric infrastructure and applications two times faster than before the pandemic

PERFORMANCE HIGHLIGHTS

- The company's balance sheet size increased by 11.4% from Rs. 26,873 M as on march 31,2020, to Rs 29,944 M as on march 31, 2021, owing to better profitability as compared with FY2019-20.
- The company's net worth increased by 15.2% from Rs. 18,924 M as on March 31, 2020, to Rs.21,799 M as on March 31, 2021, owing to increase in the reserves. The company's equity share capital comprising 277.3 M equity shares of Rs 2 each, increased from Rs 553M in FY 2019-20 to Rs 555 M in FY 2020-21. The nominal increase is on account of a few employees exercising their employee stock options.
- The company had no borrowings and is debt-free as of March 31,2021.
- Other current liabilities went up by 55.7% from Rs. 1,190M in FY 2019-20 to Rs 1,853 in FY 2020-21 on account of advances from customers and increase in statutory liabilities such as tax deduction at source (TDS), provident fund (PF), payroll taxes, etc.

DEALS HIGHLIGHTS

- Won IT managed services and support deal from a global Communication and Media Software major.
- Selected by a leading US Telecom major for financial accuracy and testing services.
- Selected by a Global Consumer Financial Services major for migration of Source-to-Pay and integrating upstream and downstream systems.
- Selected by a leading US medical device manufacturer for upgrade, migration, and roll out to the JD Edwards enterprise ERP stack.
- Won a deal from a global Ecological Transformation major for development, and support of the application services.

Disclaimer: The analysis is only for information purposes only. Please consult your financial advisor, agent, broker before acting on any information. We may or may not have positions in the stock. We would not be responsible for the profit/loss resulting from this analysis.

Growth Rates (Compound Annual)	1 Yr	3 Yr	5 Yr	10yr
Revenue %	15.2	8.6	16.3	10.1
Operating Income %	62.2	20.3	24.7	14.1
Earnings/Share %	109.2	33.7	34.6	17.9
Dividends %	-78.3	-20.6	19.2	2.6
Book Value/Share %	40.2	18.7	-	19.7
Stock Total Return	64.6	33.5	21.5	29.2
Market +/-	30.3	18.9	10.9	20.1

Valuation Analysis	Current	5Yr Avg	Ind	Mkt.
Price/Earnings	26.7	39.0	34.9	15.2
Forward P/E	35.1	-	-	-
Price/Sales	4.5	3.0	4.2	-
Price/Cash Flow	23.7	26.1	-	9.9
Price/Free Cash Flow	29.0	52.5	-	-
Dividend Yield %	1.0	1.0	0.5	2.8
Price/Book	9.3	7.8	7.2	2.1

Profitability Analysis	Current	5Yr Avg	Ind.	Mkt.
Return on Equity %	-	25.4	20.9	15.4
Return on Asset %	-	16.3	13.0	5.6
Gross Margin %	36.4	33.3	42.0	-
Operating Margin %	17.8	13.2	16.0	-
Net Margin %	16.8	9.8	12.0	21.4
Inventory Turns	-	4.7*	3.4	-
Fixed Asset Turns	-	3.6	2.9	-

Financial Position (INR)	03-20(Mil.)	03-21 (Mil.)
Cash	2199	7615
Inventories	8906	7608
Receivables	-	-
Current Assets	16077	20659
Fixed Assets	16846	17541
Intangibles	160	112
Total Assets	36185	42823
Payables	6785	8663
Short-Term Debt	4104	4
Current Liabilities	11716	9682
Long-Term Debt	9	6
Total Liabilities	13574	11131
Total Equity	22612	31692

Source: Company filings & Analyst research