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IPO Report

08th Feb '25

Snapshot

Company is a global digital and technology services company with artificial intelligence (“AI”) at its core. Company manage its business through six operating segments based on the industries company serve: Financial Services, Healthcare and Insurance, Manufacturing and Consumer, Hi-Tech and Professional Services, Banking, and Travel and Transportation. Company’s offerings encompass five broad services: Design & Build, Secure & Run, Data & AI, Optimize, and Cloud Services, which form the foundation for company’s offerings. Company deliver its services through its AI-enabled digital platforms such as RapidX™ for digital transformation, Tensai® for AI-powered automation and Amaze® for cloud adoption. Company serve customers across the Americas, Europe and Asia-Pacific (including India and Middle East) (“APAC”).

VALUATION

Company is bringing the issue at price band of Rs 674-708 per share at p/e multiple of 38x on FY25 PAT basis. Company provide comprehensive services and solutions to customers across six industries has leveraged its domain expertise to create three AI-enabled digital platforms that create value for its customers. As company serve a diverse range of customers, including 31 of the Fortune 500 organizations have a global delivery presence along with experienced and long-tenured management team leads company’s global network of 32,536 employees. Also, company has track record of robust revenue growth, improving margins, and strong cash generation positions Hence looking after all above , we recommend “Subscribe” on issue.

Price Band (Rs./Share)	674-708
Opening date of the issue	12th Feb '2025
Closing Date of the issue	14th Feb '2025
No of shares pre issue	607,694,668 Eq Shares
Issue Size	Rs 8750 Cr
Offer For Sale	Rs 8750 Cr
Face Value (Rs/ share)	Rs 1/share
Bid Lot	21
Employee Discount	Rs 67/Share

BIDDING DETAILS	
QIBs (Including Anchor)	50% of the offer (Approx 6,11,58,192 Eq Shares)
Non-Institutional	15% of the offer (Approx 1,83,47,458 Eq Shares)
Retail	35% of the offer (Approx 4,28,10,735 Eq Shares)
Employee Reservation	Up to Rs 90 Cr
Lead managers	Kotak Mahindra Capital, Citigroup Global Markets India, J.P. Morgan India, HSBC Securities and Capital Markets (India), IIFL Securities
Registrar to the issue	KFin Technologies

WHAT WE LIKE

Deep domain expertise delivered through comprehensive solutions across industries

Company provide comprehensive services and solutions to customers across six industries (each of which is an operating segment): Financial Services, Healthcare and Insurance, Manufacturing and Consumer, Hi-Tech and Professional Services, Banking, and Travel and Transportation. Company leverage its deep expertise across its comprehensive portfolio of services, in-depth domain knowledge, and understanding of customer requirements to contextualize the use of different technologies and to help its customers develop and deploy their digital transformation strategies.

Track record of growth and cash generation

For the Financial Year 2023, its revenue from operations was ₹103,803 million (US\$1,256.4 million), representing a compound annual growth rate, or CAGR, in USD terms of 13.7%, from ₹71,777 million (US\$971.2 million) in Financial Year 2021, while according to the Everest Report, the global outsourced IT-BP services industry grew at a CAGR of 7.3% during the same period. Company’s adjusted cash conversion percentage stood 89.9% for the Financial Year 2023, up from 56.0% for the Financial Year 2022, demonstrating its strong cash generation capabilities and efficient working capital management.

Long-term and embedded relationships with diversified blue-chip customer base

Company serve a diverse range of customers, including 31 of the Fortune 500 organizations. In the Financial Year 2023, company derived approximately 62% and nearly 83% of its revenue from operations from customers with over US\$5,000 million revenues and over US\$1,000 million revenues, respectively. Company have a diversified presence across geographies: the Americas, Europe and APAC regions which also include the Middle East, Africa and Latin America, and across operating segments: Financial Services, Healthcare and Insurance, Manufacturing and Consumer, Hi-Tech and Professional Services, Banking and Travel and Transportation.



COMPANY BACKGROUND

Company serve a diverse range of customers, including 31 of the Fortune 500 organizations. Company serve prominent enterprises across the industries in which it operate. According to the Everest Report, these include:

- 11 of the top 50 global asset management firms by assets under management (“AUM”);
- 3 of the top 10 global life sciences firms by market capitalization;
- 5 of the top 20 global insurers by market capitalization;
- 3 of the top 5 global manufacturing organizations by market capitalization;
- 4 of the top 50 global retail and CPG organizations by revenue;
- 6 of the top 20 global hi-tech companies by market capitalization;
- 3 out of the top 6 global audit and advisory firms;
- 2 out of the top 5 global legal firms;
- 11 of the top 60 banks in the United States ranked by assets; and
- 3 of the top 5 airlines in North America by revenue.

The strength of company’s service delivery and customer-first focus is visible in its Net Promoter Score (“NPS”), which measures the loyalty of company’s customers to Company as well as its products and services by calculating the difference between the percentage of promoters (namely, customers who respond with a score of 9 or 10 to the survey question how likely is it that they would recommend company) and the percentage of detractors (namely, customers who respond with a score of 0 to 6). Company’s NPS in 2024 was 72, as 76% of company’s customers are promoters and 4% are detractors. Company’s NPS increased from 54 in 2023 to 72 in 2024, 30 points higher than the industry median of 42 . This increase of 18 points in company’s NPS from 2023 to 2024 is a testament to its continued focus on building strong relationships with various customer stakeholders, understanding company’s clients’ business contexts and providing excellence and agility in execution.

Company have a global delivery presence comprising 39 delivery centers supported by 16 offices spread across the Americas, Europe and APAC as of September 30, 2024. As of September 30, 2024, company had a team of 32,536 employees in 28 countries. Company’s presence is spread across major countries, nationalities, languages, time zones and regulatory zones. Company’s commitment to its customers and delivery excellence has propelled company to become one of the fastest-growing technology services companies headquartered in India, with over US\$1,000 million in revenue from operations in each of the Financial Years 2023 and 2022, according to the Everest Report. Company’s revenue from operations grew at a CAGR of 13.7% (in USD terms) from the Financial Year 2021 to the Financial Year 2023, while according to the Everest Report, the global outsourced IT-BP services industry grew at a CAGR of 7.3% during the same period. The Brand Finance 100 2024 report recognized company as the ‘Fastest Growing Brand’ among the Top 10 IT Services Companies. Company’s ranking improved from ninth to seventh from 2021 to 2024 in Brand Finance’s ranking of Indian IT services companies, and from 75th to 50th from 2021 to 2024 in Brand Finance’s ranking of the top 100 brands in India .

Company’s business has evolved over the last decade, with a growing set of offerings, larger and diversified customer base, wider global delivery footprint and increased focus on innovation and technology. This evolution has been guided by company’s business strategy, which has adapted to service its customers’ needs, from ‘shrink IT, grow digital’ strategy prior to 2018, to ‘automate, cloudify and transform customer experience’ strategy between 2018 and 2021, to ‘AI-first cloud-powered’ approach between 2022 and 2023.



INVESTMENT RATIONALE	
<i>Long-term and embedded relationships with diversified blue-chip customer base</i>	<p>Company serve a diverse range of customers, including 31 of the Fortune 500 organizations. According to the Everest Report, in the Financial Year 2023, company derived approximately 62% and nearly 83% of its revenue from operations from customers with over US\$5,000 million revenues and over US\$1,000 million revenues, respectively. Company have a diversified presence across geographies: the Americas, Europe and APAC regions which also include the Middle East, Africa and Latin America, and across operating segments: Financial Services, Healthcare and Insurance, Manufacturing and Consumer, Hi-Tech and Professional Services, Banking and Travel and Transportation.</p>
<i>AI-led digital capabilities and platforms built in-house with innovation as a strategic pillar</i>	<p>Company leveraged its domain expertise to develop three AI-enabled digital platforms that create value for its customers across its service offerings: (1) RapidX™, for digital transformation, (2) Tensai®, for AI-powered automation and (3) Amaze®, for cloud adoption.</p> <p>RapidX™: RapidX™ is a Gen AI-based platform for modern software engineering. According to the Everest Report, most of the IT service providers offering Gen AI services typically focus on code generation, which only accounts for 20-25% of the entire software development lifecycle (“SDLC”) by effort (Source: Everest Report).</p> <p>Tensai®: Tensai® is an automation platform designed to transform enterprise IT processes and enable secure, rapid and automated release of code; efficient and AI-driven operations, and through this deliver enhanced experience for customers’ developers and employees.</p> <p>Amaze®: Amaze® is a cloud migration, cloud transformation, data and application modernization platform that can enable portfolio transformation to business-aligned IT. Amaze® empowers company’s customers with intelligent automation across their cloud journey by automating cloud-readiness assessments, migration journeys, data and application modernization</p>
<i>Go-to-market strategy focused on customer acquisition and expansion</i>	<p>Company is focused on developing relationships with new customers across the Americas, Europe and APAC through collaborative engagement. Company achieve this through its go-to-market strategy, which combines the efforts of company’s New Customer Acquisition, Account Management, Hybrid Sales and Overlay Sales teams.</p> <ul style="list-style-type: none"> • New Customer Acquisition and Account Management: In the Americas and Europe, company develop relationships with potential new customers through its New Customer Acquisition team. Once a customer is acquired, company’s Account Management team further develops the relationship by overseeing its service delivery and identifying additional or adjacent customer needs. • Hybrid Sales: In APAC, company’s Hybrid Sales team focuses on both new customer acquisition and growing existing customer relationships. • Overlay Sales: Company’s Overlay Sales team supports its New Customer Acquisition, Account Management and Hybrid Sales teams across regions. Company’s Overlay Sales team brings specialized knowledge of their service lines to build deeper and stickier relationships with customers. Company’s Overlay Sales team also identifies opportunities for cross-selling and up-selling, thereby enhancing overall revenue potential from existing customers.
<i>Experienced and tenured leadership driving a people-first and thriving organizational culture</i>	<p>Company’s experienced and long-tenured management team leads company’s global network of 32,536 employees as of September 30, 2024 and is committed to growing the business. Company benefit from a seasoned senior management team with significant industry experience. Company’s Chief Executive Officer since 2014, Srikrishna Ramakarthikeyan, has over 30 years of experience in the global technology services industry. Its Chief Financial Officer since 2018, Vikash Jain, has 20 years of experience in the global technology services industry.</p>



OBJECTS OF OFFER

The objects of the Offer are to achieve the benefits of listing the Equity Shares on the Stock Exchanges and for the Offer for Sale aggregating up to ₹ 87,500 million.

RISKS

Company derived 73.4% and 71.5% of its revenue from operations from the Americas and 20.5% and 22.1% of its revenue from operations from Europe for the nine months ended September 30, 2024 and the Financial Year 2023, respectively. Any adverse changes in economic conditions that negatively affect the economic health of the geographies and markets in which company have a presence could affect company's business, financial condition and results of operations.

Source:RHP

INDUSTRY OVERVIEW

Gen AI-focused value proposition of prominent players across the service provider landscape

Prominent players across the various categories in the service provider landscape are increasingly integrating gen AI into their narratives to highlight its potential and secure a competitive edge in the market. There are various factors that determine the success of the provider in the gen AI space:

- **Client proximity:** Fostering strong and close relationships with clients is crucial. This enables service providers to deeply understand client needs, tailor solutions effectively, and respond swiftly to changing demands.
- **Agility:** Being agile and flexible allows service providers to quickly adapt to new technologies and market trends. This agility is essential for staying competitive and meeting the evolving demands of the GenAI landscape.
- **Niche expertise:** Developing and maintaining specialized expertise in AI technologies and related domains is key. This ensures that service providers can offer cutting-edge solutions and stay ahead of the curve.
- **Innovation culture:** Cultivating a culture of innovation within the organization encourages continuous improvement and the development of novel solutions. This culture helps in leveraging gen AI effectively to create value. Mid-size players often maintain close relationships with their clients, allowing them to understand and quickly respond to specific needs and preferences. This also enables them to customize solutions to address the unique client challenges with precision and flexibility. These firms are typically more agile than larger counterparts, enabling them to swiftly adopt and integrate new technologies such as gen AI. Mid-size players can also offer competitive pricing and cost-effective solutions by leveraging AI-driven efficiencies, making them attractive to clients seeking value. By showcasing their capabilities in gen AI, these mid-size providers can position themselves as disruptors in innovation, capable of delivering advanced, AI-driven solutions that drive significant business value. This strategic focus on gen AI, while still in its early revenue stages, is expected to lead to increased deals and opportunities in the near future, driven by the following key themes:

Platform-driven approach for accelerated AI outcomes: Providers are developing integrated platforms focusing on several key areas such as contact center transformation, engineering productivity, experience transformation, business operations transformation, and ITOps transformation alongside industry- and use case-specific accelerators to minimize the trial-and-error phase and achieve faster outcomes.

- **Strategic partnerships bolstering go-to-market strategies:** Strategic partnerships play a crucial role in the gen AI ecosystem, allowing service providers to leverage external expertise and resources. Collaborations with leading technology firms such as Google Cloud, Microsoft Azure, and Amazon Web Services provide access to cutting-edge AI tools and infrastructure. Partnerships with academic institutions and research organizations enable service providers to stay at the forefront of AI advancements. These alliances facilitate joint innovation, accelerate the development of new AI solutions, and enhance the overall value proposition by integrating the latest technological advancements into service offerings. Providers will often partner with niche AI players such as Dataiku or Kore.AI to leverage their capabilities and expertise in the space.
- **Talent as a lever for capability development:** Providers are investing heavily in upskilling their existing workforce. Dedicated gen AI Centers of Excellence (CoEs) are established to foster innovation and deliver customized outcomes in terms of cost efficiency, speed, and service reliability. Additionally, many providers are partnering with academic institutions and leveraging online learning platforms to continually enhance the AI capabilities of their teams.
- **Free proof-of-concepts to drive market adoption and maturity:** To encourage client adoption and demonstrate the value of gen AI, many service providers offer free proof-of-concept (POC) engagements. These POCs allow clients to explore the potential of gen AI in their specific use cases without significant upfront investment. By showcasing real-world applications and tangible benefits, POCs help clients understand the power of gen AI and build confidence in its implementation.
- **Ensuring trust and safety in gen AI solutions to placate enterprise concerns:** Trust and safety are crucial aspects of gen AI that have historically hindered its progress due to concerns over data privacy, bias, and unintended consequences. To address these concerns, service providers are focusing on building responsible AI platforms and solutions. They are implementing comprehensive frameworks that include rigorous testing, transparent algorithms, bias mitigation strategies, and continuous monitoring to ensure AI behaves as intended.



Consolidated Financials

(Rs in Mn)

Financials	FY22	FY23	FY24	9M FY 2025
Total Revenue (A)	71777.00	91996.00	103803.00	88200.00
Total Expenditure (B)	60448	79779.00	87992	74802
EBIDTA	11329.00	12217.00	15811.00	13398.00
EBIDTA Margin	15.78	13.28	15.23	15.19
Other Income	669.00	1792.00	88.00	513.00
Depreciation	2241.00	2444.00	2836.00	2025.00
EBIT	9757.00	11565.00	13063.00	11886.00
Interest	345.00	335.00	378.00	453.00
PBT	9412.00	11230.00	12685.00	11433.00
Share of profit in Asso	0.00	0.00	0.00	0.00
PBIT	9412.00	11230.00	12685.00	11433.00
Exceptional	0.00	0.00	0.00	0.00
PBT	9412.00	11230.00	12685.00	11433.00
Tax	1924.00	2388.00	2709.00	2900.00
PAT	7488.00	8842.00	9976.00	8533.00
NPM	10.43	9.61	9.61	9.67
ROE%	21.4	23.4	23.6	17.6
EPS	12.43	14.65	16.45	14.12
Eq Cap	603.00	604.00	607.00	607.00
Net Worth	37,879.00	41,230.00	46,352.00	52,812.00

(Source: RHP)

Peer Comparison

Company Name	Face Value	EPS	P/E	ROE %	NAV
<i>Hexaware Technologies Limited</i>	<i>1</i>	<i>16.45</i>	<i>--</i>	<i>23.6</i>	<i>69.77</i>
Peers					
Persistent Systems Limited	5	72.44	84	22.1	321.82
Coforge Limited	10	131.56	64	23.0	586.63
LTIMindtree Limited	1	154.85	38	22.9	676.55
Mphasis Limited	10	82.42	34	17.7	465.33

(Source: RHP)



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