Datamatics Global Services Limited

ISIN :INE365B01017 | NSE :DATAMATICS

Price: 642
Recommendation: Buy
Industry: IT Enabled Services
Sector: Information Technology
Report Date: 03-Apr-2025

Datamatics Global Services Limited reported strong Q3 FY '25 results, with revenues of INR 425.5 crores, a 15.2% year-on-year growth. The company focuses on AI, integrating Agentic AI into platforms like FINATO and TruBot. Strategic acquisitions, such as TNQTech, aim to enhance its European market presence. Despite challenges, Datamatics is optimistic about growth, driven by technology investments and market expansion, particularly in the U.S. and Europe.

Sales		Profit & Loss		Profitability Matrix	
Current Year	719 Cr	Operating Profit(Year)	42.0 Cr	Operating Profit Margin	5.84 %
Previous Year	733 Cr	Operating Profit(Quarter)	5.05 Cr	EBITDA Margin	15.99 %
Current Quarter	177 Cr	PAT (Year)	81.0 Cr	Net Profit Margin	11.0 %
Previous Quarter	177 Cr	PAT (Quarter)	3.76 Cr	EPS	10.0
Revenue (QYoY)	177 Cr				
Valuation Matrix		**Growth(YoY)**		**Growth(QoQ)**	
Trailing P/E	62.1	Sales Growth	-4.70 %	Sales Growth	0.0 %
PEG Ratio	2.69	PAT Growth	-18.76 %	Sales Growth QYoY	0.0 %
EV/EBITDA	45.1	EPS Growth	-31.51 %	PAT Growth	-88.94 %
P/B	4.52	Dividend Yield	0.78	PAT Growth QYoY	-77.49 %
Capital Allocation		**Holdings**		**Leverage**	
RoE	10.1 %	Promoter	66.3 %	Debt/Equity	0.00
RoA	8.64 %	FII	1.15 %	Debt	0.82 Cr
RoCE	13.0 %	DII	0.19 %	Market Cap	3801 Cr
RoIC	28.7 %	Public	32.3 %	Enterprise value	3777 Cr
		No of Shares	5.92 Cr	Cash Equivalents	24.7 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

In the recent meeting, Datamatics Global Services Limited reported a robust financial performance for Q3 FY '25, with total revenues reaching INR 425.5 crores, marking a 15.2% year-on-year growth and a 4.6% increase quarter-on-quarter. The company emphasized its strategic focus on artificial intelligence, particularly through its Agentic AI solutions, which are being integrated into platforms like FINATO and TruBot. This initiative is part of their broader strategy to leverage AI for impactful outcomes, as highlighted during their participation at the World Economic Forum in Davos. The company also expanded its client base by adding 12 new customers and inaugurated a new delivery center in Cebu City, Philippines, enhancing its operational footprint.

Datamatics is actively pursuing diversification and growth through strategic acquisitions. The integration of Dextara has been smooth, allowing the company to cross-sell Salesforce services to five customers. The acquisition of TNQTech, which specializes in digital content for scientific journals, is expected to bolster Datamatics' presence in the European market and solidify its leadership in the digital content space. TNQTech's modern technology platform and patents in content enrichment are anticipated to enhance Datamatics' service offerings. The company plans to fully integrate TNQTech by July 2026, with the acquisition expected to significantly impact consolidated revenue and margins from the next quarter.

Looking ahead, Datamatics is optimistic about its growth prospects, driven by investments in cutting-edge technologies and strategic market expansions. The company is focusing on account penetration and engagements with hyperscalers to drive future growth. The U.S. remains a key market, contributing 53% of the business, with Europe expected to see increased revenue share post-TNQTech acquisition. The company anticipates a positive impact on margins and is hopeful of achieving a 20% top-line growth in the coming quarters, contingent on the maturation of new technologies, particularly AI.

While the company's financial health and strategic initiatives are commendable, there are areas for improvement. The integration of acquisitions like Dextara has not yet achieved the anticipated growth rates, and the company acknowledges the need for further time to realize full potential. Additionally, while AI investments are promising, the return on investment is still forthcoming, with expectations set for the next 12 months. The company is also navigating economic challenges in Europe, which may impact market dynamics. Overall, Datamatics is well-positioned for growth, but continued focus on execution and market adaptation will be crucial for sustaining momentum.

DATAMATICS Daily Closing One Year Price Chart

Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
PB Fintech.	71843.74	346.07	1.13%	10.66%	48.31%	41.19%	92.16%
Oracle Fin.Serv.	65871.54	28.69	28.98%	2.47%	-5.94%	-6.30%	-26.93%
Coforge	47874.28	62.52	24.09%	8.36%	42.82%	6.58%	-9.45%
Hexaware Tech.	41580.48	35.42	23.50%	0.60%	20.58%	6.41%	65.40%
Datamatics Glob.	3800.96	62.08	10.13%	0.10%	0.02%	-88.92%	-77.54%

Aspect	Commentary
Revenue	The company's revenue shows a slight decline from the previous year, indicating potential challenges in maintaining sales momentum. However, the stable quarter-on-quarter performance suggests a consistent demand in the short term, which could be leveraged for future growth opportunities.
Profit & Loss	The operating profit margin reflects efficient cost management, yet the significant drop in PAT indicates potential issues in non-operational areas. This discrepancy suggests a need for strategic adjustments to enhance overall profitability and shareholder value.
Profitability Matrix	The company's profitability metrics reveal a strong EBITDA margin, indicating effective operational efficiency. However, the net profit margin suggests room for improvement in managing non-operational expenses to enhance overall financial health.
Valuation Matrix	The high P/E ratio suggests market optimism about future growth, but the elevated PEG ratio indicates potential overvaluation. Investors should consider these metrics alongside the company's growth prospects and strategic initiatives for a balanced view.
Growth (YoY)	The negative growth rates in sales and PAT highlight challenges in sustaining year-on-year growth. This trend underscores the need for strategic initiatives to drive revenue and profit expansion, ensuring long-term financial stability.
Growth (QoQ)	The flat sales growth quarter-on-quarter suggests stable demand, but the sharp decline in PAT indicates potential operational inefficiencies or external pressures. Addressing these issues is crucial for improving quarterly financial performance.
Capital Allocation	The company's capital allocation metrics, such as RoE and RoCE, reflect effective use of resources to generate returns. However, optimizing RoIC could further enhance value creation and support strategic growth initiatives.
Holdings	The high promoter holding indicates strong confidence in the company's prospects, while the low institutional holding suggests limited external interest. Increasing institutional engagement could enhance market perception and liquidity.
Leverage	The company's low debt levels and strong market capitalization reflect a solid financial position, providing flexibility for strategic investments. Maintaining this leverage profile will be crucial for sustaining growth and managing potential risks.

Analyst viewpoint: Datamatics Global Services Limited has demonstrated a strong quarter-on-quarter performance in Q3 FY '25, with revenue growth of 4.6%, underpinning our bullish outlook. The company's strategic focus on integrating cutting-edge technologies like Agentic AI into its solutions, as well as the successful acquisition of TNQTech, indicates a forward-looking growth strategy. These efforts are expected to significantly bolster its market presence, particularly in Europe and the U.S., thereby enhancing Datamatics' competitive positioning within the IT-enabled services sector. With a strong cash position, effective capital allocation metrics such as RoE at 10.1%, and zero debt, the company is well-equipped to capitalize on emerging opportunities and sustain its growth trajectory.

Moreover, the recent concall emphasized the expansion of its customer base with the addition of 12 new customers and the establishment of a new delivery center, demonstrating strong operational momentum. Although Datamatics maintains a high valuation with a P/E ratio of 62.1, reflecting market confidence, investors should note the slight decline in year-on-year sales growth which calls for careful monitoring. Nevertheless, the company's robust performance metrics and strategic initiatives set a solid foundation for near-term growth, affirming our positive recommendation. However, the integration of acquisitions may require more time to contribute fully to growth, ensuring the market adapts smoothly to these changes.

Please read detailed disclosure on next page.

	Explanation of Investment Rating*
Investment Rating	Expected Return (over 12-month)
BUY	>=15%
SELL	<-10%
NEUTRAL	>-10% to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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