

Price: 2,794

Recommendation: Buy

Industry: Business Process

Sector: Services

Report Date: 03-Apr-2025

eClerx Services Limited is advancing growth through strategic initiatives, focusing on digital and financial markets. Q3 revenue reached \$100.7 million, with a 1.8% increase. The company is expanding globally, setting up a subsidiary in Peru and enhancing operations in Manila. Investments in technology and analytics target banking, hi-tech, and retail sectors. Despite challenges, eClerx is committed to innovation and maintaining strong client relationships.

Sales		Profit & Loss		Profitability Matrix	
Current Year	2350 Cr	Operating Profit(Year)	515 Cr	Operating Profit Margin	21.9 %
Previous Year	1888 Cr	Operating Profit(Quarter)	127 Cr	EBITDA Margin	23.45 %
Current Quarter	609 Cr	PAT (Year)	349 Cr	Net Profit Margin	16.6 %
Previous Quarter	612 Cr	PAT (Quarter)	83.2 Cr	EPS	70.6
Revenue (QYoY)	530 Cr				
Valuation Matrix		Growth(YoY)		Growth(QoQ)	
Trailing P/E	39.6	Sales Growth	15.5 %	Sales Growth	-0.49 %
PEG Ratio	3.66	PAT Growth	-5.68 %	Sales Growth QYoY	14.91 %
EV/EBITDA	24.4	EPS Growth	-3.02 %	PAT Growth	-14.75 %
P/B	11.4	Dividend Yield	0.04	PAT Growth QYoY	-13.15 %
Capital Allocation		Holdings		Leverage	
RoE	26.1 %	Promoter	53.8 %	Debt/Equity	0.19
RoA	19.1 %	FII	10.3 %	Debt	229 Cr
RoCE	32.6 %	DII	24.2 %	Market Cap	13697 Cr
RoIC	41.5 %	Public	10.4 %	Enterprise value	13801 Cr
		No of Shares	4.90 Cr	Cash Equivalents	125 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

In the recent earnings call, eClerx Services Limited highlighted several new initiatives and business strategies aimed at driving growth and diversification. The company has been focusing on expanding its digital and financial markets business, with operating revenue for Q3 reaching \$100.7 million, up 1.8% sequentially. A significant initiative is the geo-diversification strategy, which includes setting up a subsidiary in Peru and launching operations in late Q4. Additionally, eClerx plans to start providing Care support from its Manila delivery center. The company is also investing in technology and analytics, with a focus on banking, hi-tech, and retail clients, and has been recognized as a Major Contender in the "Experience-Driven Integrated BFS Operations PEAK Matrix® Assessment 2024".

The company is optimistic about future growth, driven by a healthy pipeline and strategic investments in new capabilities and offerings. eClerx's Analytics and Automation (A&A;) business saw a 9% sequential increase, driven by change and transformation work. The company is also seeing momentum in customer operations, with new logo acquisition and cross-sell success in its Care business. Despite challenges in the cable and telecom industry, eClerx is focusing on subscriber retention for its clients. The company is cautiously optimistic about the future, with a focus on cross-selling opportunities and leveraging its strong client relationships.

From a financial perspective, eClerx reported an EBITDA of INR 2,281 million with a 26.1% margin, and a PAT of INR 1,371 million at a 15.7% margin. The company has been investing in new facilities, which has increased costs but is expected to normalize in line with revenue growth. The company is committed to maintaining its margin band of 24% to 28% and is focused on medium to long-term growth. The company is also exploring new centers to enhance its ability to cross-sell and upsell with existing clients, and to bring in new clients.

While the company is making significant strides, there are areas for improvement. The company acknowledges the need to strengthen its invoicing processes to reduce DSO, which increased to 83 days. Additionally, while investments in GenAI and technology are ongoing, the company has not yet seen significant monetization from these efforts. However, eClerx remains committed to staying relevant for its clients by continuously investing in new capabilities and offerings. The company is also focused on maintaining a healthy pipeline and is cautiously optimistic about the future, despite the challenges posed by macroeconomic factors.

ECLERX 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.	71827.87	346.00	1.13%	10.66%	48.31%	41.19%	92.16%
Oracle Fin.Serv.	65880.43	28.76	28.98%	2.47%	-5.94%	-6.30%	-26.93%
Coforge	47866.88	62.55	24.09%	8.36%	42.82%	6.58%	-9.45%
Hexaware Tech.	41542.05	35.44	23.50%	0.60%	20.58%	6.41%	65.40%
KPIT Technologi.	33226.27	43.82	31.19%	0.45%	17.58%	-8.24%	21.17%

Aspect	Commentary
Revenue	The company shows a robust revenue increase from the previous year, indicating strong market demand and effective sales strategies. However, a slight decline in quarterly revenue suggests potential seasonal fluctuations or market challenges that need addressing to maintain consistent growth.
Profit & Loss	Operating profit remains strong, reflecting efficient cost management. However, a decline in quarterly PAT suggests potential short-term challenges. The company should focus on optimizing operational efficiencies to sustain profitability amidst fluctuating market conditions.
Profitability Matrix	The company maintains healthy profitability margins, with a strong operating profit margin and EBITDA margin. This indicates effective cost control and pricing strategies. However, the net profit margin suggests room for improvement in managing non-operational expenses.
Valuation Matrix	The company's valuation metrics indicate a high market valuation, with a trailing P/E ratio suggesting investor confidence. However, the PEG ratio indicates potential overvaluation relative to growth prospects, necessitating strategic growth initiatives to justify current valuations.
Growth (YoY)	Year-over-year growth shows positive sales growth, but a decline in PAT and EPS growth indicates challenges in translating revenue growth into bottom-line improvements. The company should focus on enhancing operational efficiencies and cost management to improve profitability.
Growth (QoQ)	Quarter-over-quarter growth shows a slight decline in sales and PAT, indicating potential short-term challenges. The company should investigate underlying factors affecting quarterly performance and implement strategies to stabilize and enhance growth momentum.
Capital Allocation	The company demonstrates strong capital allocation efficiency, with high returns on equity, assets, and capital employed. This reflects effective use of resources to generate shareholder value. Continued focus on strategic investments will be crucial for sustained growth.
Holdings	The company's ownership structure shows a strong promoter holding, indicating confidence in the business. Institutional holdings suggest market trust, while public holding provides liquidity. Maintaining a balanced ownership structure will support long-term stability and growth.
Leverage	The company maintains a low debt-to-equity ratio, indicating prudent financial management and low financial risk. This provides flexibility for future investments and growth opportunities. Maintaining this leverage level will be crucial for financial stability and strategic expansion.

Analyst viewpoint: eClerx Services Limited presents a compelling investment opportunity with promising short to mid-term prospects, buoyed by strategic global expansion and innovative developments in its digital and financial markets vertical. Recent performance underscores a concerted effort to enhance revenue, with quarterly growth, despite slight dips, showcasing effective management. Valuation metrics reflect robust investor confidence, supported by a strong trailing P/E ratio. The company's proactive capital allocation and returns on equity and assets further bolster its position, evidenced by innovative strides in analytics and automation, which have driven significant sequential increases. Peer comparison highlights eClerx's competitive edge in delivering consistent growth, a testament to its strong market standing and operational efficiency.

In the recent earnings call, eClerx conveyed optimism about sustaining growth through strategic initiatives including the expansion into Peru and Manila to tap into emerging markets. This geographic diversification aligns with the company's focus on enlarging its client base through cross-sell and upsell strategies, particularly within the retail and banking sectors. While the company continues to invest in technology and new capabilities, a minor aspect to monitor is the prolonged days sales outstanding period, which could affect short-term liquidity. Nonetheless, eClerx's dedication to innovation and maintaining strong client relationships ensures it remains a formidable player in the industry, making it an attractive proposition for investors seeking growth.

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

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

Disclosures:

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (hereinafter referred to as the Regulations).

1. GOALZEN CAPITAL SERVICES PRIVATE LIMITED is a SEBI-Registered Research Analyst having SEBI registration number INH000013448. GOALZEN CAPITAL SERVICES PRIVATE LTD ("GoalFi" or "We"), the research entity, is engaged in providing research services on securities and information on personal financial products. This Research Report (called Report) is prepared and distributed by GOALZEN CAPITAL SERVICES PRIVATE LIMITED with brand name 'GoalFi' (brand name trademarked to research analyst and company director 'Robin Arya') and used by GOALZEN CAPITAL SERVICES PRIVATE LIMITED with mutual consent.

2. GOALZEN CAPITAL SERVICES PRIVATE LIMITED, its partners, employees, directors or agents, do not have any material adverse disciplinary history as on the date of publication of this report.

3. I, Robin Arya, author/s and the name/s in this report, hereby certify that all of the views expressed in this research report accurately reflect my/our views about the subject issuer(s) or securities. I/We also certify that no part of my/our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. I/we or my/our relative or GOALZEN CAPITAL SERVICES PRIVATE LIMITED do not have any financial interest in the subject company.

4. I/we or my/our relative or GOALZEN CAPITAL SERVICES PRIVATE LIMITED do not have beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of the Research Report. I/we or my/our relative or GOALZEN CAPITAL SERVICES PRIVATE LIMITED do not have any material conflict of interest. I/we have not served as director / officer, etc. in the subject company in the last 12-month period.

5. I, Robin Arya, do not hold this stock as part of my investment portfolio at the date of recommendation. I/analysts in the Company have not traded in the subject stock thirty days preceding this research report and will not trade within five days of publication of the research report as required by regulations.

6. GOALZEN CAPITAL SERVICES PRIVATE LIMITED has not received any compensation from the subject company in the past twelve months. GOALZEN CAPITAL SERVICES PRIVATE LIMITED has not been engaged in market making activity for the subject company.

7. In the last 12-month period ending on the last day of the month immediately preceding the date of publication of this research report, GOALZEN CAPITAL SERVICES PRIVATE LIMITED has not received compensation or other benefits from the subject company of this research report or any other third-party in connection with this report.

Analyst Certification:

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report.

Disclaimers:

The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent.

This report and information herein is solely for informational purpose and may not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment.

The investment discussed or views expressed may not be suitable for all investors. Certain transactions - including those involving futures, options, another derivative product as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. No representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document.

This information is subject to change without any prior notice. The Company reserves the right to make modifications and alternations to this statement as may be required from time to time without any prior approval. This report has been prepared on the basis of information that is already available in publicly accessible media or developed through analysis of GOALZEN CAPITAL SERVICES PRIVATE LIMITED. The views expressed are those of the analyst, and the Company may or may not subscribe to all the views expressed therein. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject GOALZEN CAPITAL SERVICES PRIVATE LIMITED to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

Neither the Firm, not its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The person accessing this information specifically agrees to exempt GOALZEN CAPITAL SERVICES PRIVATE LIMITED or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold GOALZEN CAPITAL SERVICES PRIVATE LIMITED or any of its affiliates or employees responsible for any such misuse and further agrees to hold GOALZEN CAPITAL SERVICES PRIVATE LIMITED or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

This report is meant for the clients of GOALZEN CAPITAL SERVICES PRIVATE LIMITED only.

GOALZEN CAPITAL SERVICES PRIVATE LIMITED has a contractual arrangement with a vendor - Smallcase Technologies Private Limited (STPL) whereby STPL provides technology solutions and related back-end infrastructure along with support for back-office related operations & processes. STPL does not provide any investment advice or recommendation nor does it make any claim of returns or performance with respect to any advice or recommendation.

Investments in securities market are subject to market risks. Read all the related documents carefully before investing. Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

Terms & Conditions:

These Terms and Conditions govern the use of the research subscription services provided by GOALZEN CAPITAL SERVICES PRIVATE LTD ("GoalFi" or "We"). By subscribing to our services, you agree to these terms, if you disagree with any part of the terms, you must not use our services.

Payment and Renewal:

The subscription fee is non-refundable. No such requests over email or any other channel requesting for refund or for pro-rata refund will be acknowledged if smallcase constituents or research provided is accessed by the user. Please do not subscribe if you disagree with any part of the terms. Subscription renewals will be charged the standard rate unless otherwise notified.

Limitation of Liability:

GoalFi provides research based on data and analysis. The subscriber acknowledges that all investment decisions carry inherent risks, and GoalFi shall not be liable for any losses incurred based on our research.

No Investment Advice:

The content provided under the subscription is purely for informational purposes and should not be construed as investment advice. GoalFi, being a SEBI Registered Research Analyst (RA), provides research insights and not investment advisory services.

Termination:

GoalFi reserves the right to terminate the subscription at any time due to non-compliance with these terms or any other reasons deemed appropriate by us and no refund will be made.

No Guarantee: While we strive to provide accurate and reliable research, there is no guarantee on the returns or performance of the recommendations. Investing in securities involves risks, and there's the potential for losing money.

Review and Update: Our research products are reviewed and updated periodically to reflect the latest market conditions and insights. However, market conditions can change rapidly, and there's no guarantee that the conditions on which recommendations and insights are based will remain the same.

Research Analyst Details:

Name: Robin Arya

Email: smallcase@goalfi.in

Contact: +91-9394306085

GOALZEN CAPITAL SERVICES PRIVATE LIMITED

CIN: U66190TS2023PTC176030

Address: Co ikeva Office 10, Level 3, NSL Centrum, Serene Estate Pvt Ltd, Site No. Phase I and II, Opp KPHB Colony Lane Opp. Forum Mall Kukatpally, HYDERABAD, TELANGANA, 500072

Support Telephone: +91 9063309052, Support Email – support@goalfi.in

Customer having any query/feedback/ clarification/ In case of grievances for any of the services rendered by GOALZEN CAPITAL SERVICES PRIVATE LIMITED, write to hello@goalfi.app

Website: goalfiresearch.smallcase.com