

**Price:** 2,749

**Recommendation:** Buy

**Industry:** Business Process

**Sector:** Services

**Report Date:** 22-Mar-2025

eClerx Services Limited is strategically expanding its global presence with new facilities in Mohali, Pune, and Mumbai, adding 1,800 seats. The company is also entering Peru and enhancing its Manila operations. Focused on technology and analytics, eClerx aims to drive growth through large deals and cross-selling. Despite challenges like increased Days Sales Outstanding, its strategic initiatives and investments position it for future success.

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	38.9	Sales Growth	15.5 %	Sales Growth	-0.49 %
PEG Ratio	3.60	PAT Growth	-5.68 %	Sales Growth QYoY	14.91 %
EV/EBITDA	24.0	EPS Growth	-3.02 %	PAT Growth	-14.75 %
P/B	11.2	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	13479 Cr
RoIC	41.5 %	Public	10.4 %	Enterprise value	13582 Cr
		No of Shares	4.90 Cr	Cash Equivalents	125 Cr

source : Company filings

## Company's Overview Based on Recent Concall and Performance:

eClerx Services Limited's recent conference call highlighted several strategic initiatives and business strategies aimed at driving growth and diversification. The company has made significant investments in expanding its geographical footprint, with new facilities in Mohali, Pune, and Mumbai, increasing seating capacity by 1,800 seats. This expansion is part of a broader strategy to enhance service delivery and client engagement. Additionally, eClerx is focusing on geo-diversification, with plans to launch operations in Peru and provide Care support from its Manila delivery center. These initiatives are expected to bolster the company's ability to cross-sell and upsell services to existing clients while attracting new ones.

The company's business strategy is centered around leveraging technology and analytics to drive growth across its service lines. The Analytics and Automation (A&A;) business saw a 9% sequential increase, driven by change and transformation work. eClerx is also focusing on strengthening its pipeline by targeting large deals and enhancing cross-sell efforts. The company is cautiously optimistic about future growth, with a healthy pipeline and strategic investments in technology and sales leadership. The focus on technology, particularly GenAI, is expected to enhance service delivery and client satisfaction, although the monetization of these investments is still in the early stages.

Looking ahead, eClerx is poised for growth, with plans to continue investing in new centers and sales capabilities. The company aims to maintain its EBITDA margin within the 24% to 28% range, despite the volatility in its business environment. The leadership team is committed to driving accelerated growth by expanding into new geographies and enhancing service offerings. The company's strategic focus on technology and analytics, combined with its efforts to diversify its client base, positions it well for future growth and scaling opportunities.

While the company's growth prospects are promising, there are areas for improvement. The increase in Days Sales Outstanding (DSO) to 83 days indicates a need for improved invoicing processes and governance. Additionally, the company faces challenges in the cable and telecom industry, where subscriber retention is a key focus. Despite these challenges, eClerx's strategic initiatives and investments in technology and analytics provide a solid foundation for future growth. The company's ability to adapt to changing market conditions and leverage its strengths in technology and client engagement will be critical to its success.

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
<b>PB Fintech.</b>	73618.94	354.62	1.13%	10.66%	48.31%	41.19%	92.16%
<b>Oracle Fin.Serv.</b>	66389.98	28.92	28.98%	2.47%	-5.94%	-6.30%	-26.93%
<b>Coforge</b>	51809.71	67.65	24.09%	8.36%	42.82%	6.58%	-9.45%
<b>Hexaware Tech.</b>	44276.63	37.71	23.50%	0.60%	20.58%	6.41%	65.40%
<b>KPIT Technologi.</b>	36280.19	47.82	31.19%	0.45%	17.58%	-8.24%	21.17%

Aspect	Commentary
<b>Revenue</b>	The company shows a robust revenue increase, with a year-over-year growth of 15.5%, indicating strong sales performance. However, quarter-over-quarter sales slightly declined by 0.49%, suggesting potential seasonal or market fluctuations. The revenue growth is a positive indicator of the company's market position and demand for its services.
<b>Profit &amp; Loss</b>	Operating profit margins are healthy at 21.9%, with a net profit margin of 16.6%, reflecting efficient cost management. However, the year-over-year PAT growth is negative at -5.68%, indicating challenges in maintaining profitability. The quarterly PAT also decreased by 14.75%, suggesting recent operational or market challenges.
<b>Profitability Matrix</b>	The company maintains strong profitability metrics with an EBITDA margin of 23.45% and a net profit margin of 16.6%. The EPS stands at 70.6, reflecting solid earnings performance. These figures suggest effective cost control and a strong ability to convert revenue into profit, despite recent PAT declines.
<b>Valuation Matrix</b>	The valuation metrics indicate a high trailing P/E of 38.9, suggesting the market expects future growth. The PEG ratio of 3.60 implies the stock may be overvalued relative to its growth rate. The EV/EBITDA of 24.0 and P/B of 11.2 further suggest a premium valuation, reflecting investor confidence in future prospects.
<b>Growth (YoY)</b>	Year-over-year growth shows a mixed picture with sales increasing by 15.5%, but PAT and EPS declining by 5.68% and 3.02% respectively. This indicates strong top-line growth but challenges in translating it into bottom-line profitability. The dividend yield is low at 0.04, suggesting limited income return for investors.
<b>Growth (QoQ)</b>	Quarter-over-quarter growth is challenging, with sales slightly down by 0.49% and PAT declining by 14.75%. The QYoY sales growth of 14.91% is strong, but the PAT QYoY decline of 13.15% highlights ongoing profitability issues. This suggests the need for strategic adjustments to improve quarterly performance.
<b>Capital Allocation</b>	The company demonstrates strong capital efficiency with RoE at 26.1%, RoA at 19.1%, and RoCE at 32.6%. The RoIC of 41.5% indicates effective use of invested capital. These metrics reflect a strong ability to generate returns on investments, supporting long-term financial health and shareholder value.
<b>Holdings</b>	The ownership structure shows a strong promoter holding at 53.8%, indicating confidence in the company's prospects. Institutional investors hold significant stakes, with FIIs at 10.3% and DIIs at 24.2%, reflecting institutional confidence. Public holding is relatively low at 10.4%, suggesting limited retail investor participation.
<b>Leverage</b>	The company maintains a conservative leverage position with a debt/equity ratio of 0.19, indicating low financial risk. Total debt is 229 Cr, with cash equivalents of 125 Cr, providing liquidity to meet obligations. The market cap of 13479 Cr and enterprise value of 13582 Cr reflect a strong market position and investor confidence.

**Analyst viewpoint:** eClerx Services Limited is positioned favorably for short to mid-term growth, driven by strategic expansions and robust growth metrics. The company's significant year-over-year sales growth of 15.5% and a sales growth QYoY of 14.91% indicate strong demand for services despite a slight quarter-over-quarter decline. Operating profit margins remain healthy at 21.9%, underscoring efficient cost management and robust operational performance. The recent expansion in Mohali, Pune, and Mumbai, alongside planned operations in Peru, exemplifies the firm's commitment to broadening its global footprint, enriching service delivery, and boosting client engagement. These strategic initiatives coupled with a strong emphasis on technology and analytics, particularly in the Analytics and Automation business, are expected to underpin considerable growth, enhancing cross-selling potentials across its diverse client base.

In terms of valuation, eClerx's high trailing P/E of 38.9 and a PEG ratio of 3.60 reflect market confidence in its growth potential, though they hint at a stock that might be overvalued relative to growth. Capital allocation remains impressive, marked by high ROE and RoCE, indicative of effective capital utilization and long-term shareholder value generation. However, a mild increase in Days Sales Outstanding to 83 days suggests areas for improvement in cash conversion cycles. Despite this, the leadership's strategic focus on sales pipeline enhancement and geographical diversification, along with low debt levels, align well with the company's bullish outlook, presenting a solid investment opportunity.

Please read detailed disclosure on next page.

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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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