

Retail Equity Research

eClerx Services Ltd

IT- Software

CMP Rs. ₹ 3119

Rating: Overweight

NSE CODE: ECLERX BSE CODE: 532927

The company's Q3 FY25 performance indicates steady revenue growth of 3% QoQ and 13.4% YoY, reaching ₹853.82 crore. However, operating profit declined by 4% sequentially due to rising expenses, which grew by 4.9% QoQ. The EBITDA margin contracted slightly, reflecting higher cost pressures. Despite a dip in operating profit, other income rebounded to ₹20.58 crore, partially offsetting the impact. The net profit stood at ₹137.07 crore, down 2% QoQ but up 1% YoY, signaling stable profitability despite margin pressures. The PBT at ₹184 crore suggests resilience, though increasing depreciation and interest costs remain concerns. A strong recovery in Q2 had boosted operating profits by 30%, but subsequent contraction indicates volatility. The company must focus on cost optimization and efficiency improvements to sustain profitability. With consistent sales growth and strategic cost management, the outlook remains cautiously optimistic despite near-term margin headwinds.

Company Data			
Market Cap (cr)	Rs.	15,280.22	
Enterprise Value (cr)	Rs.	11,173.42	
Outstanding Shares (cr)		4.90	
52 week high	Rs.	3,877.00	
52 week low	Rs.	2,214.00	
1m average volume (lacs)		0.75	
Face value	Rs.	10.00	
	FY22	FY23	FY24
Sales	2160.35	2647.9	2925.54
Growth(%)	38%	23%	10%
EBITDA	686.44	789.19	839.56
EBITDA Margin(%)	31.8%	29.8%	28.7%
PAT	417.40	488.82	511.46
Growth(%)	48%	17%	5%
EPS	82.3	99.8	104.4
P/E	19.2	12.9	22.7
P/B	5.1	3.7	5.2
EV/EBITDA	11.2	7.7	13.3
ROE(%)	27%	28.5%	23%
ROCE(%)	34%	35.4%	28.4%
ROIC(%)	28%	31.0%	25.2%
D/E	0.10	0.11	0.12

1. Strong Financial Performance: eClerx's Q3 FY25 revenue rose to \$100.7 million, up 1.8% sequentially and 11.7% YoY. INR revenue stood at ₹8,538 million, up 2.6% QoQ and 14% over nine months. EBITDA margin was 26.1%, and PAT margin stood at 15.7%. The Analytics & Automation business grew 9% sequentially, while Financial Markets and Customer Operations segments saw steady growth.

2. Expansion & Operational Updates: The company expanded globally with a new subsidiary in Peru, set to launch in Q4. New facilities in Mohali, Pune, and Mumbai added 1,800 seats, increasing operational costs. Margins were impacted by lower utilization, while DSO rose to 83 days, with efforts underway to improve invoicing.

3. Outlook & Challenges: Management remains optimistic with a strong sales pipeline and ongoing investments in technology and automation. Margins are expected to stay between 24-28%. The company achieved ISO 42001 certification and advanced its AI capabilities with Roboworx CogniFlows. However, telecom industry pressures and macroeconomic uncertainties pose challenges.

Key Highlights

Company Overview

EClerx Services Ltd, incorporated in 2000, is a leading provider of business process management, automation, and analytics services. It serves Fortune 2000 enterprises across financial services, communications, retail, fashion, media & entertainment, manufacturing, travel & leisure, and technology sectors.

Business Segments

The company operates in three key business segments: Customer Operations, Digital, and Financial Markets. The Customer Operations segment offers advanced analytics, automation, technical operations support, and digital care services to improve client sales, retention, and cost efficiency. The Digital segment focuses on creative production, eCommerce/web operations, and analytics & insights. The Financial Markets segment provides consulting, technological innovation, and process management solutions across trade lifecycle, settlements, asset servicing, data analytics, and change management.

Global Presence & Expansion

EClerx has a strong international presence, with offices in the US, UK, India, Europe, Singapore, Australia, France, Thailand, and the Philippines. In FY24, it expanded operations by opening a new office in Switzerland and increasing office space in Mumbai, Pune, and Chandigarh. The company employs approximately 17,750 professionals across various locations, reinforcing its global workforce.

Geographical Revenue Distribution

The company's revenue is predominantly from North America, contributing 75% in Q1 FY25, up from 69% in FY22. Europe accounted for 17% in Q1 FY25 compared to 23% in FY22, while the rest of the world contributed 8%, highlighting EClerx's growing focus on the North American market.

Client Revenue Mix

EClerx's revenue is well-distributed among its clients, with the top 10 strategic clients contributing 62% in Q1 FY25, an increase from 60% in Q4 FY22. The emerging client segment (\$0.5 million+) accounted for 30%, slightly lower than 32% in Q4 FY22, while smaller emerging clients (others) remained steady at 8%. The company continues to maintain strong relationships with multiple Fortune 2000 enterprises.

Deal Wins & Momentum

In Q1 FY25, EClerx secured new deals worth \$25.7 million, a decline compared to \$92.5 million in FY24 and \$102 million in FY22. Although deal wins have slowed, the company remains focused on expanding its client base and targeting high-value contracts.

Strategic Partnerships

EClerx has formed multiple strategic partnerships with industry leaders such as Alveo for financial services analytics, Content Square, Dentons for legal expertise, and FP Complete. These collaborations help enhance the company's technological capabilities and market positioning.

Future Strategic Focus

EClerx has outlined its key focus areas for FY25-FY28, including strengthening sales operations by optimizing headcount, improving governance, investing in sales and marketing, and prioritizing sustainable growth. The company also aims to expand its client base by onboarding a Chief Revenue Officer (CRO), building adjacent capabilities, targeting large deals over \$2 million, and enhancing lead generation channels. Additionally, it plans to improve market positioning by hiring a Chief Marketing Officer (CMO), building tech partnerships, improving analyst rankings, and focusing on leadership development. The company has provided a margin guidance of 24-28% for FY25, indicating confidence in its profitability and operational efficiency.

Quarterly Financial Consolidated

Profit and loss account

(Rs Cr)

	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24
Sales	752.76	766.53	781.92	831.84	853.82
Growth(%)	4%	2%	2%	6%	3%
Expenses	545.53	571.00	615.55	616.18	646.34
Operating Profit	207.23	195.53	166.37	215.66	207.48
Growth(%)	1%	-6%	-15%	30%	-4%
Other Income	18.95	23.05	20.91	13.12	20.58
Depreciation	33.53	33.53	31.65	32.80	35.78
Interest	5.86	5.58	7.72	8.12	8.28
Profit before tax	186.79	179.47	147.91	187.86	184.00
Tax	47.73	49.58	35.87	48.36	46.80
Net profit	138.63	130.53	111.61	140.25	137.07
Growth(%)	2%	-6%	-17%	20%	-2%

Financial Consolidated

Profit & Loss

(Rs Cr)

	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
Sales	1,437.57	1,564.49	2,160.35	2,647.90	2,925.54
Growth(%)	0%	9%	38%	23%	10%
Expenses	1,111.42	1,114.96	1,498.30	1,924.62	2,149.78
Operating Profit	326.15	449.53	662.05	723.28	775.76
Growth(%)	6%	38%	47%	9%	7%
Other Income	45.42	34.10	24.39	65.91	63.80
Depreciation	70.90	81.59	103.19	114.01	125.77
Interest	20.16	21.42	22.76	22.19	24.45
Profit before tax	280.51	380.62	560.49	652.99	689.34
Tax	71.55	97.80	142.73	163.80	177.61
Net profit	208.98	282.56	417.40	488.82	511.46
Growth(%)	-8%	35%	48%	17%	5%

Balance Sheet

(Rs Cr)

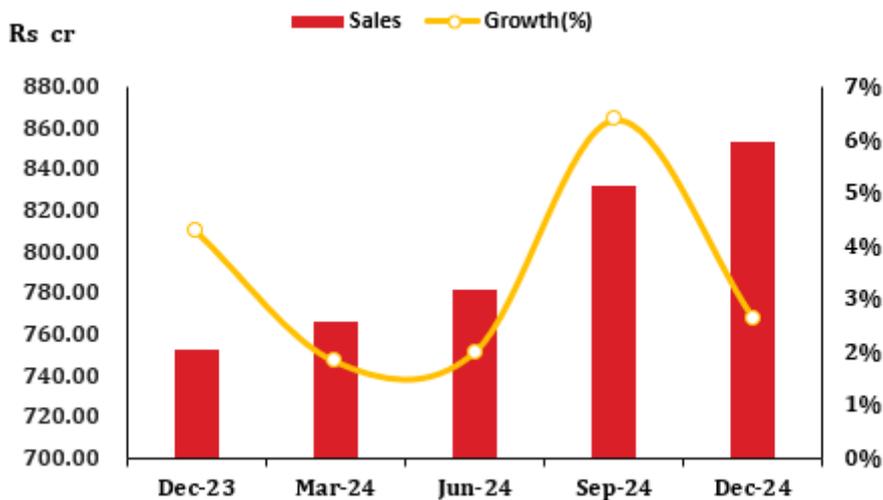
Report Date	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
Equity Share Capital	36.10	34.01	33.10	48.03	48.23
Reserves	1,270.12	1,466.81	1,534.49	1,666.84	2,199.27
Borrowings	156.60	174.73	163.12	193.56	265.74
Other Liabilities	260.20	315.00	324.48	365.47	406.15
Total	1,723.02	1,990.55	2,055.19	2,273.90	2,919.39
Net Block	479.74	728.03	712.56	772.51	842.95
Capital Work in Progress	0.80	0.48	2.17	20.82	0.77
Investments	436.79	228.62	195.88	274.51	406.50
Other Assets	805.69	1,033.42	1,144.58	1,206.06	1,669.17
Total	1,723.02	1,990.55	2,055.19	2,273.90	2,919.39

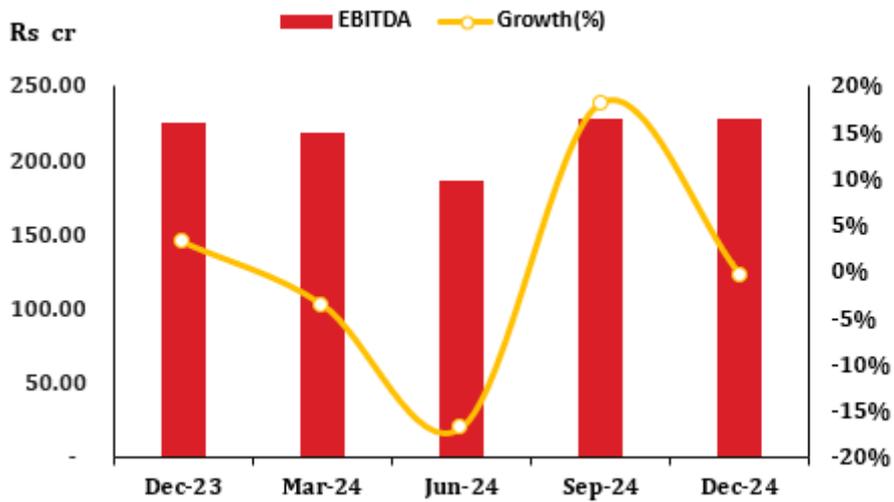
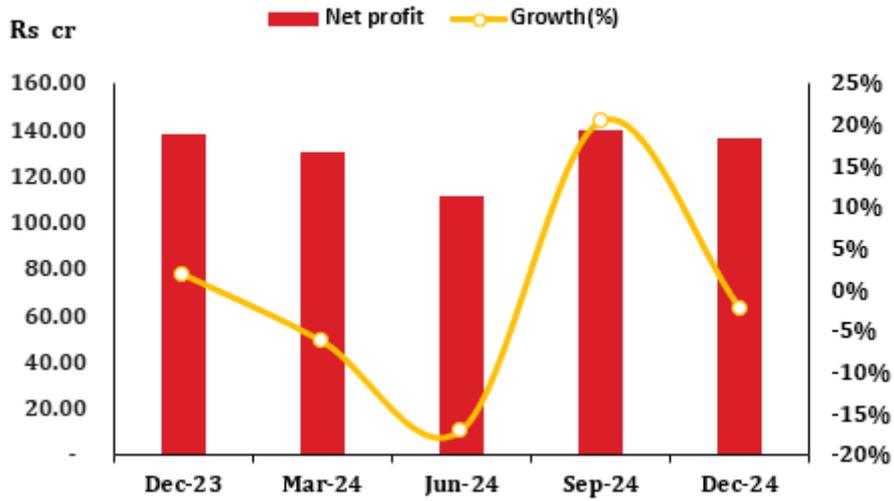
Cash Flow

(Rs Cr)

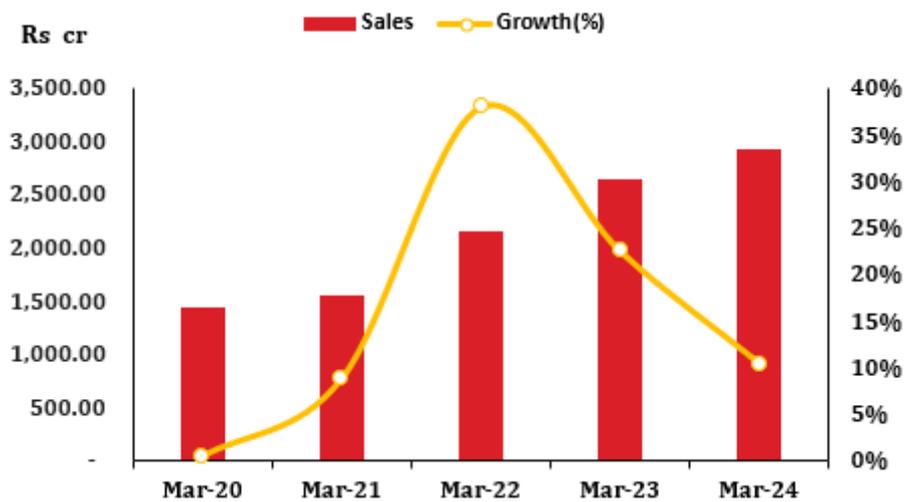
	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
Cash from Operating Activity	332.8	364.57	443.96	492.57	525.89
Cash from Investing Activity	24.38	-1.8	43.66	-54.78	-483.44
Cash from Financing Activity	-308.24	-188.31	-416.34	-440.09	-106.51
Net Cash Flow	48.94	174.46	71.28	-2.3	-64.05

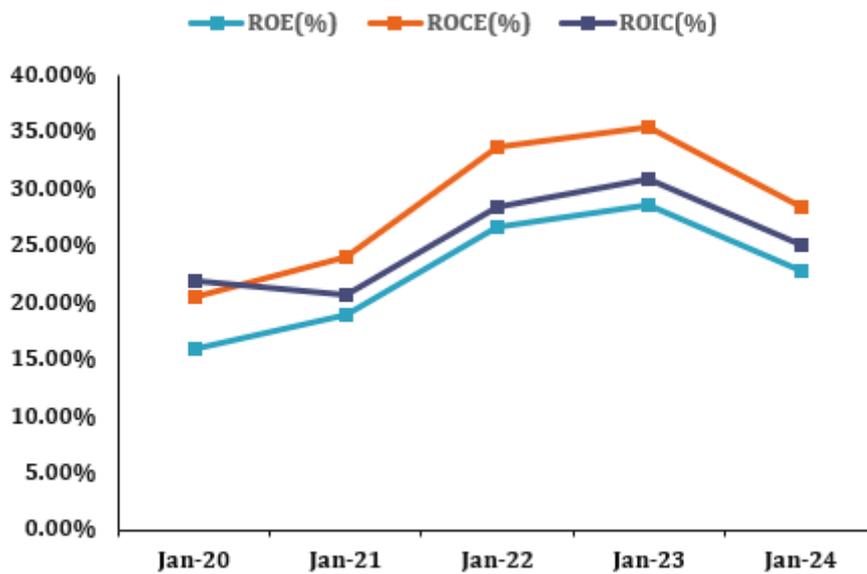
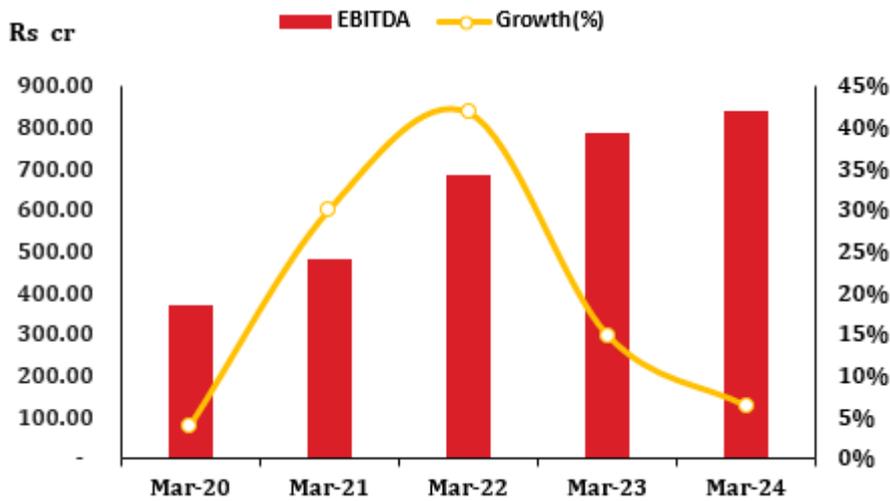
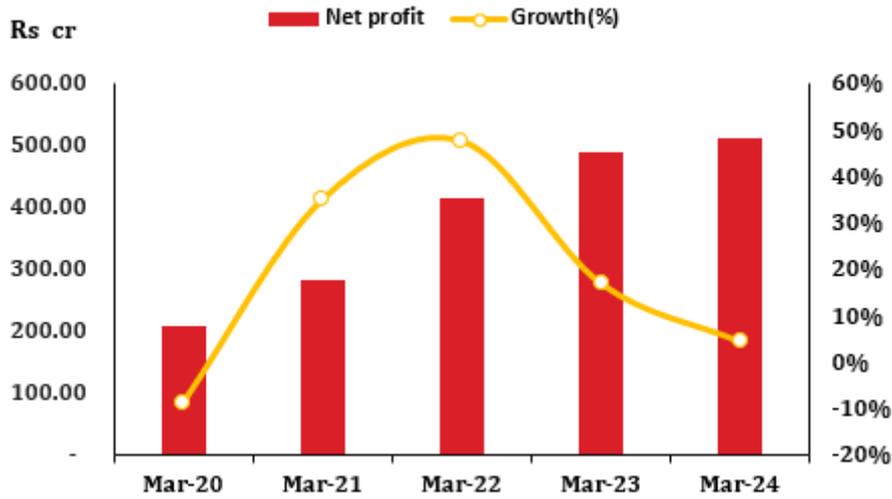
Key Metrics: Quarterly





Key Metrics: Yearly





Key Ratio:

Leverage Ratios	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
D/E	0.12	0.12	0.10	0.11	0.12
Debt/Assets	0.09	0.09	0.08	0.09	0.09
Debt/Ebitda	0.42	0.36	0.24	0.25	0.32
Debt/Capital Ratio	11%	10%	9%	10%	11%
Cash flow/Debt	2.13	2.09	2.72	2.54	1.98
Interest coverage ratio	14.91	18.77	25.63	30.43	29.19
Sales Change	0%	9%	38%	23%	10%
Ebit Change	-4%	34%	45%	16%	6%
Operating Leverage	11.48	4.28	1.24	0.41	0.69
Financial Leverage	1.32	1.33	1.31	1.33	1.30

Efficiency ratios

Receivable days	60	68	56	61	62
Receivable turnover	6.05	5.34	6.56	6.01	5.90
Inventory days	0.00	0.00	0.00	0.00	0.00
Inventory turnover	3,705	3,484	2,881	4,277	3,307
Net Fixed assets turnover	3.00	2.15	3.03	3.43	3.47
Sales/capital employed	0.98	0.93	1.25	1.39	1.16
Total Asset Turnover	0.83	0.79	1.05	1.16	1.00

Profitability ratios

Ebitda	371.57	483.63	686.44	789.19	839.56
Ebitda margin	26%	31%	32%	30%	29%
Gross Profit	1361.14	1471.05	2028.51	2487.23	2797
Gross Profit Margin	95%	94%	94%	94%	96%
EBIT	300.67	402.04	583.25	675.18	713.79
EBIT Margin	21%	26%	27%	25%	24%
ROE	16%	19%	27%	29%	23%
Net profit margin	15%	18%	19%	18%	17%
EPS	37.65	54.03	82.33	99.76	104.38
DU Pont ROE	16%	19%	27%	29%	23%
Net Profit Margin	15%	18%	19%	18%	17%
Sales/Total assets	0.83	0.79	1.05	1.16	1.00
Financial Leverage	1.32	1.33	1.31	1.33	1.30
DU PONT ROA	12%	14%	20%	21%	18%
Net Profit Margin	15%	18%	19%	18%	17%
Sales/Total assets	0.83	0.79	1.05	1.16	1.00

Capital Allocation Ratios	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
ROCE	18%	19%	27%	28%	22%
EBIT Margin	21%	26%	27%	25%	24%
Sales/cap employed	0.98	0.93	1.25	1.39	1.16
NOPAT	223.98	298.74	434.72	505.81	529.88
Capital employed	1462.82	1675.55	1730.71	1908.43	2513.24
ROIC	15%	18%	25%	27%	21%

Valuation Ratios					
Price/Earnings	6.47	13.61	19.20	12.94	22.68
Price/Book	1.04	2.56	5.11	3.69	5.16
Marketcap	1,351.98	3,845.78	8,014.66	6,322.96	11,599.77
Enterprise Value	1,174.08	3,529.65	7,684.14	6,088.59	11,173.42
EV/EBITDA	3.16	7.30	11.19	7.71	13.31

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