

INITIATING COVERAGE

SEPTEMBER 2024

ANALYSTS

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We initiate coverage on Saksoft with a “BUY” rating and a TP of Rs 435. With a robust history spanning over two decades in IT solutions, *Saksoft has distinguished itself as a top player in digital engineering, with its deep expertise in product engineering, testing, digital commerce, cloud services, and DevOps.* The co. caters to marquee names in the niche sectors of Fintech, Hi-tech, transport & logistics, and retail. We regard Saksoft as a compelling investment opportunity, benefitting from sustained IT expenditure in the niche sectors its services and improving discretionary spends driven by interest rate cuts. *We are confident of Saksoft’s ability to deliver growth in excess of 20% CAGR observed in the previous decade following logo-additions and enhanced capabilities.*

- **Growing capabilities with a focus on superior service lines:** Saksoft has expanded its capabilities over the past two years to include RPA, machine learning, Generative AI, Customer experience transformation, and digital commerce. Digital Engineering (55% of revenues) remains the key revenue engine. Data and cloud business (25% of revenues) is projected to grow at a 20% CAGR. Testing (18% of revenue) continues to be a highly profitable segment. *Strong partnerships with Microsoft Azure, AWS, HCL Commerce, Salesforce, and Databricks enhance Saksoft’s service offerings.*
- **Niche sectors an advantage:** Saksoft’s specialization in Fintech, Hi-tech, Transport & Logistics, and Retail gives it a strategic edge. Drawing on more than 15 years of industry experience, Saksoft uses its deep expertise to offer innovative solutions that address key sector challenges. *The company maintains long-term relationships with its top clients, with 80% of its top 20 clients having partnered for over a decade.* The company holds a wallet share of 15-20% with these top clients, presenting many opportunities for cross-selling and upselling.
- **Acquisition led strategy has borne fruit:** Saksoft’s “String of Pearls” strategy has effectively driven growth, contributing 7-8% growth through acquisitions over the past five years. The strategy is to look for companies which add to their capabilities and service clients in the US/APAC region. The company has been prudent with valuations, with all acquisitions made at <2x Sales valuation, margin accretive and have added premium clientele. *Recent acquisitions, including Solveda and Augmento, have enhanced Saksoft’s capabilities in cloud, product engineering, DevOps, Digital commerce, and added two US\$1mn + clients.*
- **Valuations reasonable, re-rating likely on scale:** *This thinly owned, grossly under-researched (no institutional coverage) and under-valued business, we believe can trade at higher valuations given the sustained IT spending in digital engineering, cloud, data and digital commerce – the key segments of business for Saksoft.* We are factoring in 21.0%/22.3%/24.4% CAGR in Revenue/EBITDA/PAT over FY25- FY27E. We value the business at 25x FY27E EPS (in-line with micro/small cap IT cos and a discount to mid-cap IT cos), to arrive at a TP of Rs 435. Our bull case TP is Rs 475 / bear case TP is Rs 290. Key risks: Delayed interest rate cuts, lower IT spends, reduced wallet share from top 20 clients.

Target price (Rs)	435	Key Data	
		Bloomberg Code	SAK:IN
CMP (Rs)	373	Curr Shares O/S (mn)	101.0
		Diluted Shares O/S (mn)	101.0
Upside	16.5%	Mkt Cap (INRbn/USDmn)	39.5/472.9
Price Performance (%)		52 Wk H / L (Rs)	402/210
	1M 6M 1Yr	3M Average Vol. (thd)	554.0
Saksoft	31.0 47.4 11.4		
Nifty	3.3 15.0 26.0		

Source: Bloomberg, NSE, Company, as on 16th Sept 2024

Shareholding pattern (%)

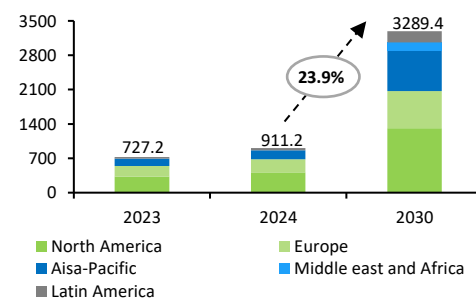
	Sep-23	Dec-23	Mar-24	Jun-24
Promoters	66.6	66.6	66.6	66.6
Sak Industries Pvt Ltd	45.7	45.7	45.7	45.7
Aditya Krishna	20.9	20.9	20.9	20.9
DII's	0.00	0.00	0.00	0.00
FPIs	3.9	3.9	4.0	3.5
Public	24.3	24.3	24.3	25.2

Source: BSE

Why you should read this report

- Understand Saksoft’s widening capabilities
- Saksoft’s successful acquisition strategy
- Understand through use cases the service lines provided by Saksoft

Digital engineering to grow at 23.9% CAGR till 2030



Source: Company, MNCL Research

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Y/E (Rs mn)	Revenue	YoY (%)	EBITDA	EBITDA (%)	PAT	PAT (%)	EPS	ROE(%)	ROCE(%)	P/E (x)	EV/EBITDA (x)
FY22	4,804	24.5%	790	16.4%	633	13.2%	6.3	19.9%	24.0%	58.9	45.8
FY23	6,656	38.6%	1,082	16.2%	820	12.3%	8.1	20.3%	27.0%	45.6	33.2
FY24	7,616	14.4%	1,366	17.9%	962	12.6%	9.5	19.0%	27.2%	39.0	26.0
FY25E	8,987	18.0%	1,609	17.9%	1,139	12.7%	11.2	18.6%	25.7%	33.1	22.1
FY26E	10,784	20.0%	1,963	18.2%	1,403	13.0%	13.8	18.9%	26.0%	26.8	17.4
FY27E	13,157	22.0%	2,408	18.3%	1,763	13.4%	17.4	19.3%	26.2%	21.4	13.3

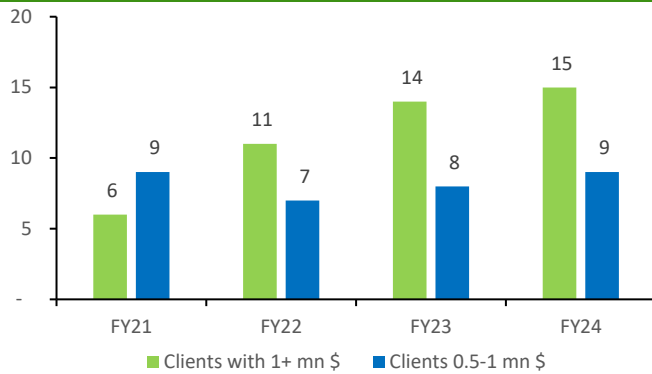
Source: Company, MNCL Research estimates, Consolidated Financials.

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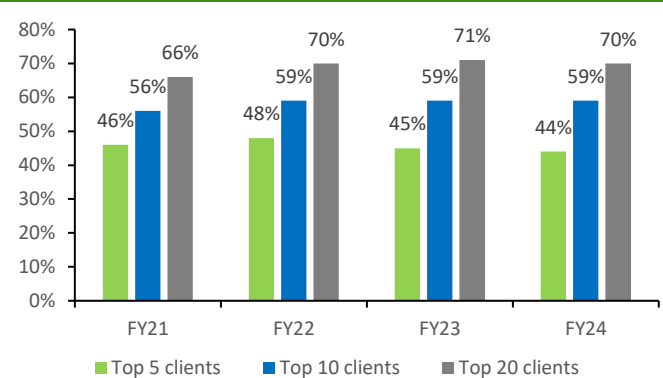
Investment Thesis in Charts

Exhibit 1: Number of clients contributing over \$1million+ has grown at 25.7% over the last 5 years



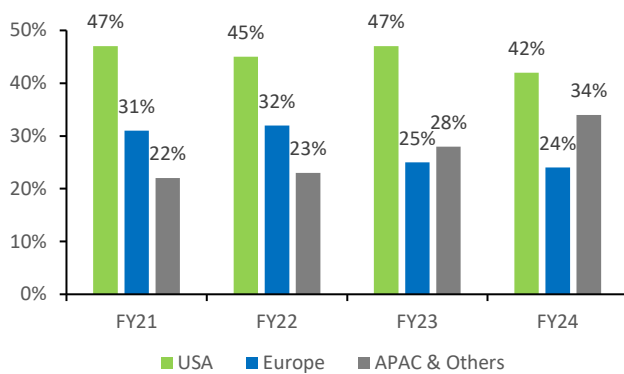
Source: Company, MNCL Research

Exhibit 2: Client concentration is higher, but 80% of top 20 clients have been with the company for >10 years



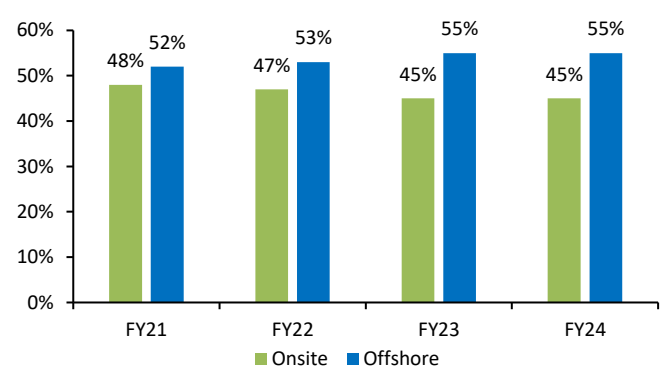
Source: Company, MNCL Research

Exhibit 3: Revenue contribution from APAC region has grown significantly



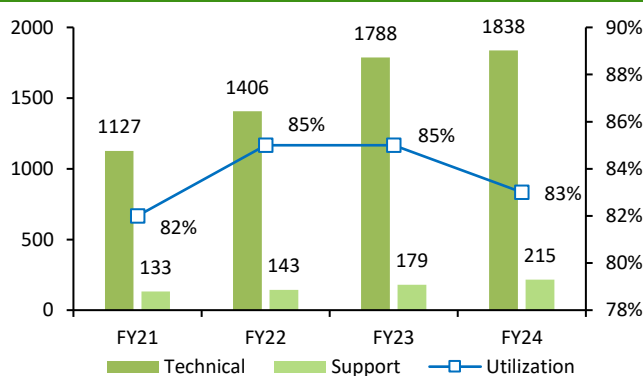
Source: Company, MNCL Research

Exhibit 4: Onshore-Offshore mix favorable, helps company maintain 17%+ OPM



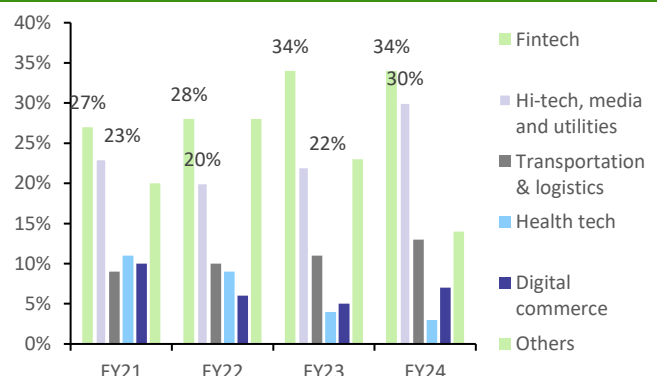
Source: Company, MNCL Research

Exhibit 5: Employee headcount grew at a 10% CAGR over the last 5 years, with utilization levels remaining above 82%



Source: Company, MNCL Research

Exhibit 6: Hi-tech, Fin-tech to be the major contributors going ahead



Source: Company, MNCL Research

Frequently Asked Questions

How is Saksoft valued compared to its IT peers?

Saksoft is a top player in the digital engineering space with deep expertise in product engineering, testing, digital commerce, cloud services, and DevOps. Saksoft has delivered an impressive EPS CAGR of 20.9% over the last decade. It has achieved this growth through smart acquisitions, strong hiring policy and adding 12-15 new logos every year. It has simultaneously added capabilities, improved margins, delivered solid return ratios and grown its geographical presence.

Exhibit 7: Peer comparison

Particulars	Market cap(Rs mn)	Revenue 5-Year CAGR	EBITDA 5-Year CAGR	EBITDA Margin	PAT-5 Year CAGR	FY27 PE(x)	PEG(x)
Saksoft	39,500	21%	22%	18%	26%	18.4	1.7
Datamatics Global Services	38,390	7%	19%	16%	31%	12.5	1.0
Cigniti Technologies	37,740	20%	15%	12%	7%	13.7	0.9
Expleo solutions	20,680	37%	29%	15%	23%	11.7	1.6
Sasken technologies	22,550	-5%	-25%	7%	-17%	28.9	3.1
Kellton Tech Solutions	14,230	6%	-2%	11%	-2%	12.5	1.4








Source: Company, MNCL Research, Bloomberg

How has the company grown through its acquisition strategy?

The company started as an information management specialist and acquired companies like Acuma and EDP to strengthen its position. Over the years, they built their expertise in testing, automation, product engineering and legacy modernization. Since FY19, they have added RPA, IoT, Cloud services, CX, DevOps, DevSecOps and AI/ML to their existing capabilities. The company's comprehensive range of services, supported by subject matter experts, enables it to effectively serve niche industries.

Saksoft has an impressive EPS CAGR of 20.9% over the last decade; It has added 7-8% growth through inorganic acquisitions. The acquisitions have been margin accretive, capability driven and have grown multifold post the acquisition.

Exhibit 8: Saksoft's acquisition led strategy has borne fruit

Rs mn	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	3-year CAGR	5-year CAGR	10-year CAGR
Revenue	2,314	2,437	2,595	2,859	3,580	3,588	3,858	4,804	6,656	7,616	25.9%	20.7%	14.2%
EBIDTA	261	362	329	396	591	611	644	790	1082	1366	31.5%	22.3%	20.2%
PAT	174	218	201	244	382	387	455	633	820	962	23.2%	25.7%	20.9%
Acquisitions		 Dreamobrit (60%) 360 Logica (76%)	 Faichi 360 Logica (24%)	 Dreamobrit (20%)	 Dreamobrit (20%)	 Mc consulting Terafast	 Solveda	 Augmento					

Source: Company, MNCL Research

What are the company's plans to scale up their business?

The "String of Pearls" approach the company has deployed has borne fruit over the years. The company has added 7-8% growth through inorganic acquisitions. The acquisitions have added capabilities, large clients and new geographies.

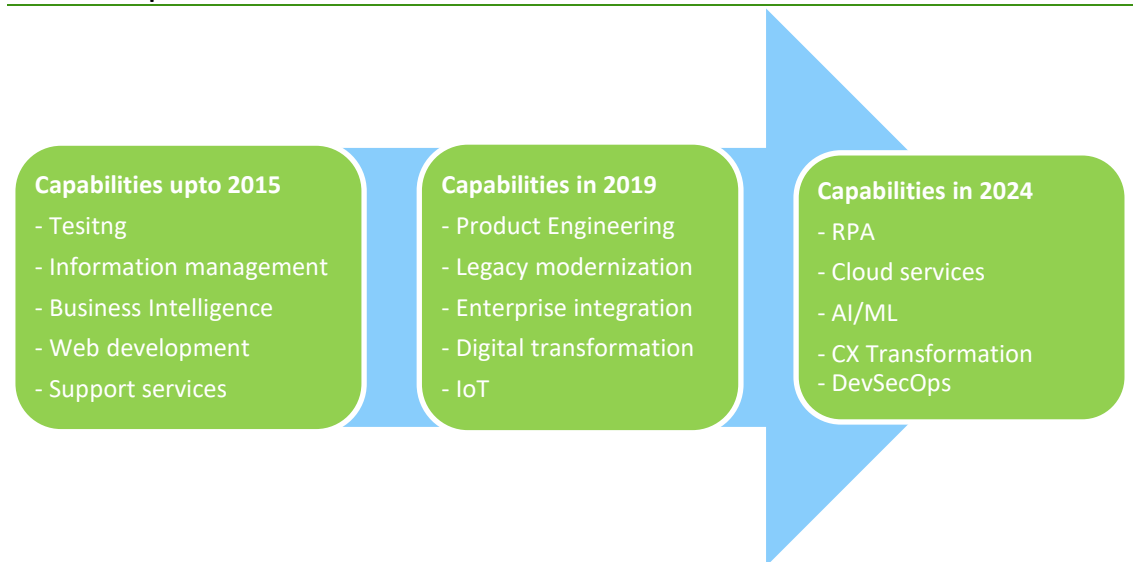
Going ahead, we expect the company to make at least one acquisition every year, since it generates Rs 1,000- 1,250 mn FCF. The management has an ambition of becoming a 500 Mn \$ company by 2030 and it is open for large acquisitions to reach that target. In 2020, the management had guided for 100 mn \$ revenues by 2025 and they were able to meet that target in 2024, this solidifies the credibility of the management.

Growing capabilities with a focus on superior service lines

Saksoft has rich experience of more than 2 decades in the IT solutions industry. It was earlier known as an information management specialist, but over the years the company has added capabilities through acquisitions, strong hiring policy and optimum use of freelancers/outsourced personnel. The company has enhanced its capabilities over the years by adding **testing, IoT, cloud services, Enterprise security, Enterprise integration, product engineering and DevSecOps**.

The global digital transformation market is expected to grow to \$1,009.8 billion by 2025 from \$469.8 billion in 2020, at a CAGR of 16.5 percent during this period.

Exhibit 9: Capabilities added over FY15-24

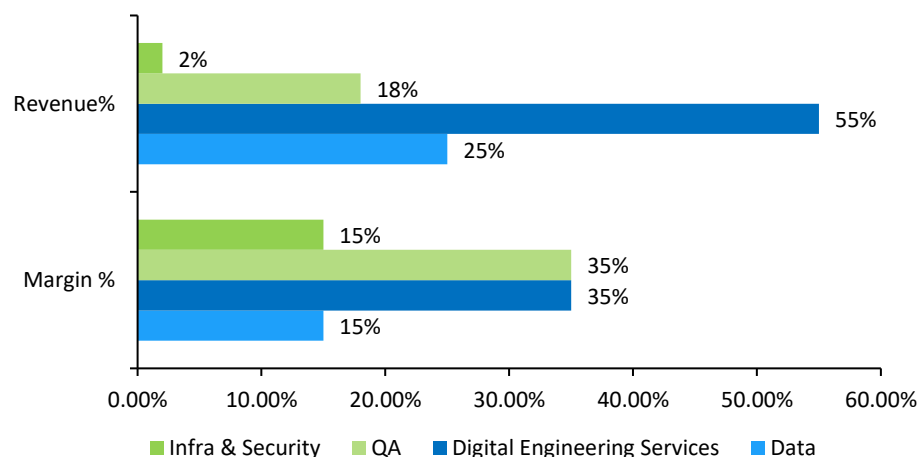


Source: Company, MNCL Research

Saksoft's capabilities

Saksoft generates 55% of its revenue from digital engineering, 25% from data and cloud, 18% from testing, and 2% from infrastructure and security. The company's high-margin areas include digital engineering and testing, while margins in data and cloud have the potential to improve as AI-related deals are expected to increase over the next two years.

Exhibit 10: Revenue contribution of Saksoft's offerings for FY24



Source- Company, MNCL Research

Digital Engineering

Digital engineering refers to integrating digital technology into all aspects of a business or organization, fundamentally changing how it operates and delivers value to its customers. It's about rethinking and designing a new business model. The digital engineering/digital transformation market is expected to be worth US\$ 3,289.4 Bn by 2030, growing at a CAGR of 23.9%.

Digital engineering has been the focus of the company from 2019. Currently about 50-55% of the total business comes from digital engineering. Digital engineering services fetch higher billing rates and are margin accretive for the company. Digital Engineering generates a gross margin of 30-35%.

Digital engineering consists of the following service lines-

1- Application Development & Management (App and platform development, App modernization)

The company looks at optimizing application portfolio, lower costs, and reallocating IT resources to more strategic initiatives. They focus on streamlining vendor management, establishing a standardized support model for enhanced efficiency and accountability, and facilitating smooth, risk-free transitions.

Saksoft looks at maximizing the long-term value of applications, ensuring a consistent and accountable support framework, enabling a seamless transition, and fostering ongoing improvement with a highly skilled team. The goal is to reduce overall ADM spend by 25 to 30%.

Use case

Client- Australian Mobile app development company

Industry: Technology / ISV

Challenge- Messages using a phone while driving greatly increases the risk of road accidents. ETAs are a common message sent by people driving.

Solution- Saksoft proposed a solution to automate messages for more user friendly using native mobile app on Android platform

Benefits- Free application that allows you to automatically share travel times with friends, family, colleagues and clients

2- Digital commerce (Digital accelerators, marketplaces & platforms)

Saksoft can help clients with B2B & B2C platform implementation, help with marketplace implementation, ERP/OMS integration, Commerce analytics and chatbot development. They have worked on more than 100 B2B commerce projects globally and have 10+ years of experience.

Saksoft, through its subsidiary Solveda provides Helsinki and Oslo which are digital accelerators for Salesforce and HCL commerce. Solveda has a rich customer base which includes **Yamaha, Carrefour, Godrej Interio, Mahindra among other notable names.**

Use case

Client- Bajaj Electricals (Solveda)

Industry: Consumer Durables

Challenge- Ability to launch a highly responsive and customizable eCommerce website

Solution- Pure headless was implemented to launch a highly responsive and customizable eCommerce website. HCL Commerce was implemented as a commerce engine at the back end for an effective catalogue & promotional tool, and for insights on customer data. IBM Sterling Order Management System was integrated into HCL Commerce to manage online orders seamlessly and provide a good overall shopping experience to its customers

Benefits- Lightning-fast website and enhanced customer experience.

The global retail digital transformation market is expected to grow at 18.2% CAGR by 2026. The Asia Pacific Region (APAC) has the highest growth rate in digital transformation for retail. (Mordor Intelligence)

3- DevOps & DevSecOps (CI/CD pipeline design)

DevSecOps is a framework that integrates security into every phase of the software development lifecycle. It's an approach that aims to reduce the risk of releasing code with security vulnerabilities.

DevSecOps and DevOps have become a requirement for hi-tech ISV's. Through the CI (Continuous integration/ CD (Continuous development) design they help to accelerate the software development lifecycle.

Use case

Challenge- Client faced challenges with distributed applications spread across on premises and Azure environments, limiting scalability and growth potential

Solution- Saksoft implemented a hub and spoke approach to Azure architecture, designing ARM templates and establishing a CI/CD pipeline. It integrated on premises and Azure applications using middleware, optimized the cloud infrastructure and enhanced security with WAF and Azure Firewall.

Benefits- Improved resource availability, enhanced network management, cost-effective automation and streamlined operations under one framework

4- Customer Experience (CX) Transformation (Omnichannel experience, Salesforce cloud implementation, Customer Analytics)

With over 19 years of experience as a Salesforce Partner, Saksoft has capabilities in designing, implementing, and driving CX transformation initiatives. They leverage their global delivery model to provide best-in-class solutions with measurable benefits, helping clients deliver exceptional customer experiences that drive loyalty, increase customer lifetime value, and unlock new revenue streams.

Use case

Client- A leading Telecommunications company

Challenge- Client had a manual process of registering customer process for service requests including raising tickets, billing, Place/Track order, Test services etc.

Solution- Saksoft created an online portal based on Java to simplify the often-overwhelming process. The portal will enable automatic registering of users

With push notification now the users have quick near real-time status and other updates on the fingertips

Benefits - Provides seamless customer experience and focus. Improves customer engagement.

5- Cloud services (Migration, management, cloud app development, SOC/NOC)

Saksoft helps companies with lift and shift services, which help the company to take their business to the cloud and to a serverless platform. They also help in developing apps on the cloud, which require no physical infrastructure. Saksoft also specializes in NOC (Network Operations Center) which ensures the network can meet the needs of the business and SOC (Security operations center) which ensures that the network is ready to handle cyber threats.

Use case

Client- A leader in operating a global network of multipurpose liner and dry bulk services and providing bulk logistics solutions

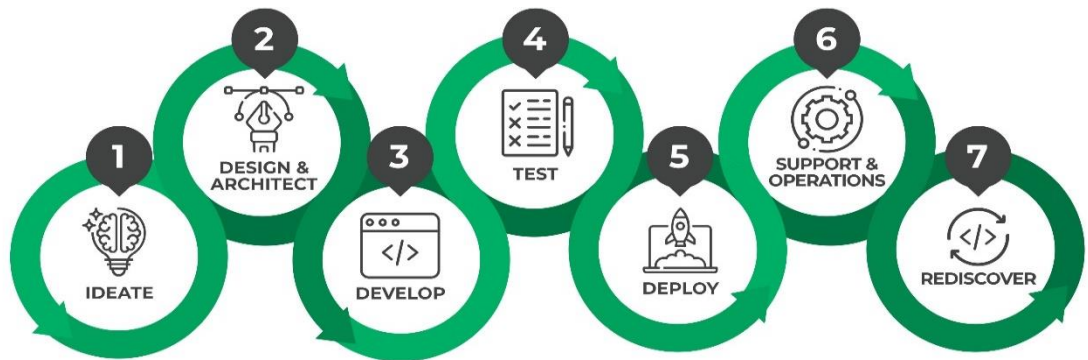
Challenge- Enable real-time data migration from on-premise data center to AWS (cloud environment data lake)

Solution- Set up AWS Services (DMS, RDS, Glue Lambda) and verify data load. Facilitated creation of target tables & views. Leveraged transformation logic using Glue.

Benefits - Achieved real-time data migration from on-premise to cloud environment (data lake) Instant end user access to data

Companies can reduce Total Cost of Ownership (TCO) by as much as 40% by migrating your business to the public cloud (Accenture)

Exhibit 11: Software engineering process



Source: Company, MNCL Research

Automation

1- Data and Analytics (Data architecture, AI-powered data, predictive and prescriptive BI, Big data)

Saksoft has been a specialist in data & analytics for more than 2 decades. It has a team of more than **150+ experts which includes a dedicated Snowflake COE**. It has also developed its own platforms which help logistics companies with faster data integration. Saksoft has premium partnerships with Azure, Databricks and Mercurygate. Saksoft also helps its clients in building Virtual Assistants, Develop AI-powered chatbots to provide 24/7 customer support, automate lead generation and Intelligent Document Processing (IDP)

2- Generative AI (Custom GenAi model, GenAi for CX)

GenAI is the talk of the town, and we are seeing businesses increase their IT spend towards GenAI. Saksoft helps companies create SLM for their businesses, intelligent chatbots and AI-generated AR/VR content. It is currently only providing these services to existing clients, but it has plans to offer it to new clients soon.

Use case

Client: A pioneer in providing digital solutions to powersports, recreational vehicle, and commercial truck and equipment segments

Industry: Media

Products/Services: Advanced analytics

Challenge: Provide intelligence encompassing consumer interests, visitor trends, dealer churn, dealer buyouts, product line additions, product line seasonality and demographic information

Solution: Data exploration covering Salesforce, Omniture, google ad manager, Facebook ad manager and other application database

Benefits: Comprehensive dashboard intelligence covering marketplace report, dealer network performance and visitor profile report

Product enhancements fueled by AI and automation are projected to be the key driver behind 45% of total economic gains by 2030. (PwC)

Exhibit 12: Data automation process



Source: Company, MNCL Research

Testing

1- Digital Quality Assurance (Test automation, Performance testing, API & security testing)

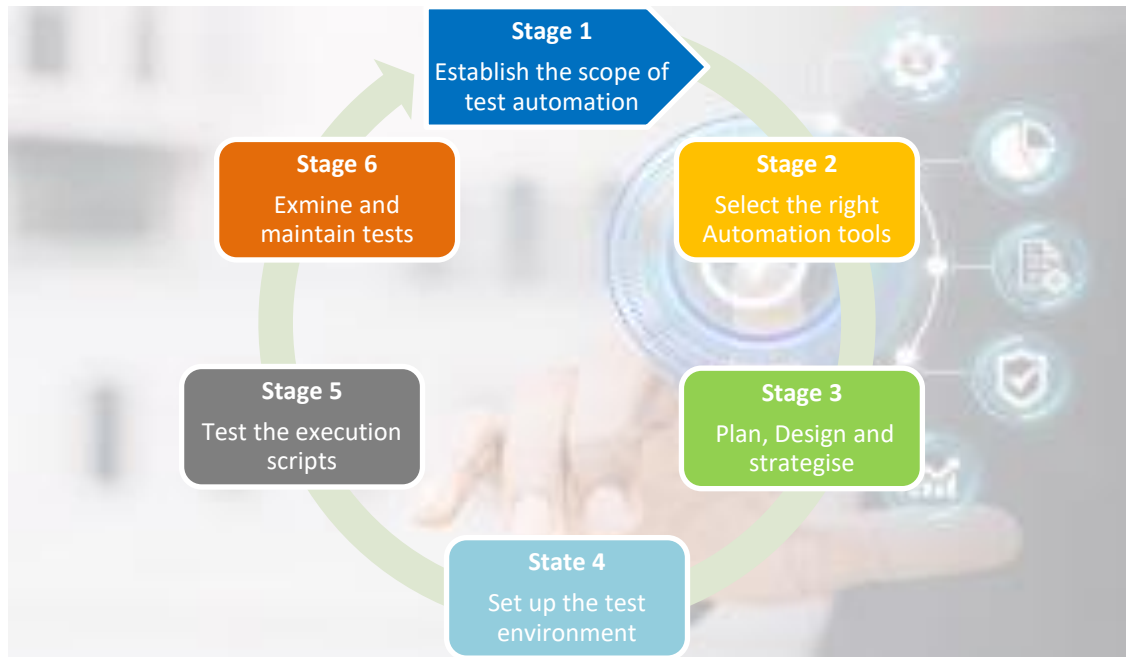
Saksoft has been in the testing space for more than 2 decades. It provides services like Shift-left testing, test automation, performance testing, IoT testing and security testing. Testing as a service contributes about 20% of the total revenue. Even though testing derives lower billing rates, it is a highly profitable business as it requires lower resource strength.

Saksoft's bouquet of testing services-

1. Shift-Left Testing- To identify and resolve defects early in the development lifecycle.
2. Test Automation- Implement automated testing frameworks to optimize test execution speed and coverage
3. Performance Testing- Conduct rigorous testing to ensure applications handle peak loads and deliver a responsive user experience.
4. API and Security Testing- Secure applications through rigorous API testing and comprehensive security practices.
5. Usability Testing- Incorporate user testing to ensure products are intuitive, user-friendly, and meet user expectations.
6. Accessibility Testing- Adhere to accessibility guidelines to ensure inclusivity and usability for everyone, regardless of abilities.
7. New Age Testing- Expertise in emerging technologies such as OTT Testing (Over-the-Top), IoT Testing (Internet of Things), Data Migration Testing, and Cloud Resiliency Testing.
8. Cybersecurity Testing- A dedicated Cybersecurity Testing Lab, a state-of-the-art facility that allows security experts to conduct comprehensive manual and automated testing using industry-leading commercial and open-source tools like NMAP, OWASP and ZAP.

54% of developers are switching to DevOps to speed up development cycles

Exhibit 13: Automated testing lifecycle



Source: Company, MNCL Research

Use Case

Client: Specializes in highly secured networks for some of America's largest brands, utilities & Government agencies

Industry: Technology / ISV

Products/Services: Testing services

Challenge: Testing of business process & integration with other modules that migrate from SAP-PM to SAP-PS. Challenges in using automated test cases due to change events

Solution: A team of test architect and engineers built a common test framework and execution suite for SAP & other third-party application

Benefits: One-stop shop for testing requirements across the globe. 20% Automation of test scenarios ensures quality testing with reduced efforts & costs. Improved test coverage by 20%

Quality Assurance (QA) is taking center stage in development budgets, with an expected allocation of approximately 40% of the overall cost.

Infrastructure & Security

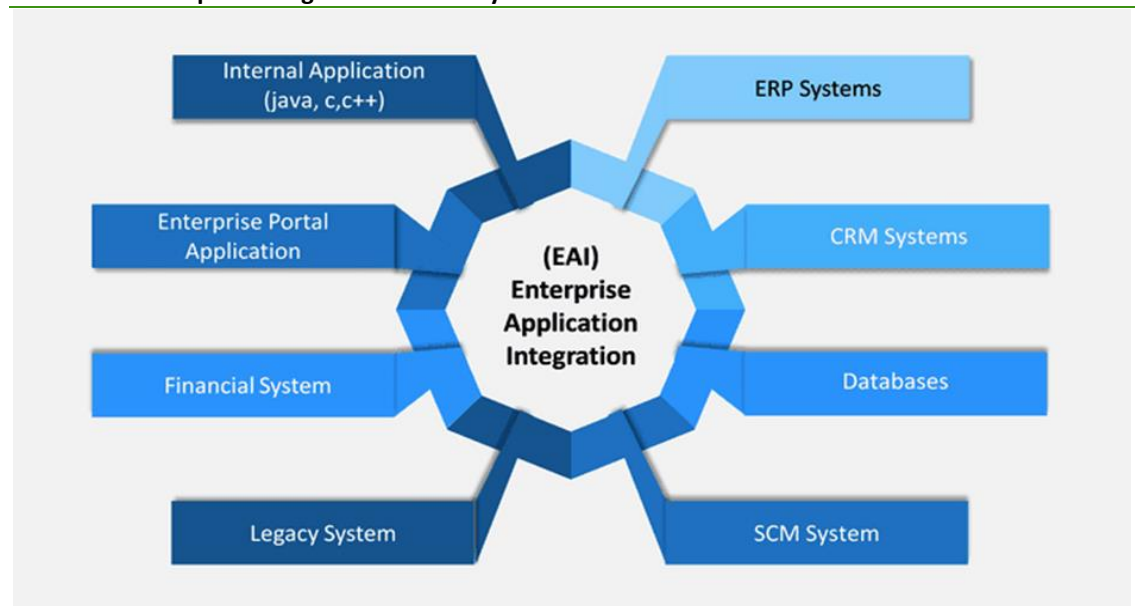
1- Enterprise Integration (App integration, API development, data integration, cloud integration)

Saksoft focuses on enterprise work as it derives most of its business from companies which are looking to upgrade/modernize their IT operations. It can develop APIs to integrate existing applications for the company.

2- Enterprise IT Security (Cloud security, Cyber security)

In the world of the cloud, security is at the top of the priority list for companies. Approximately 29% of the total IT expenditure for companies goes into cyber and cloud security. Saksoft can help monitor activity across the cloud.

Exhibit 14: Enterprise Integration & Security



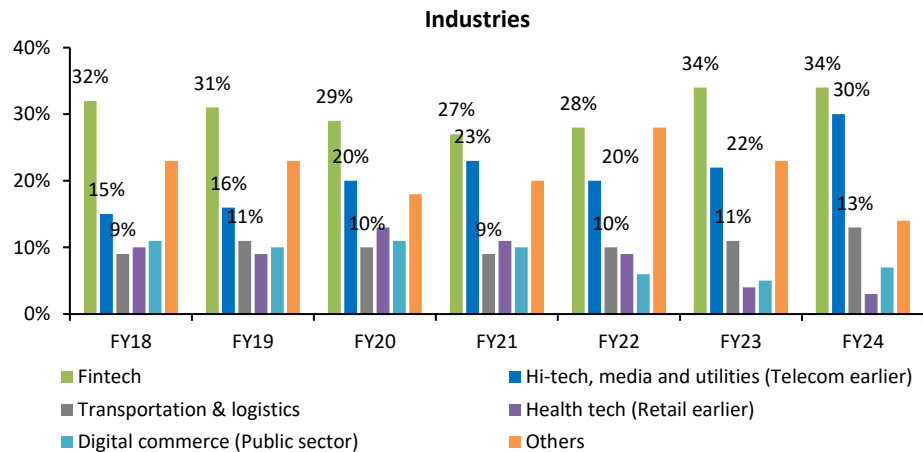
Source: Company, MNCL Research

Capitalizing on Niche Industry advantages

Saksoft excels in serving niche industries, leveraging over a decade of specialized expertise and experience. Their strategic focus has been refined over the years to concentrate on four pivotal sectors: Hi-tech, Fintech, Transport & Logistics, and Retail.

With a dedicated **team of over 2,000 professionals** who are experts in these domains, they provide tailored solutions that address the unique challenges and opportunities within each industry. Their extensive experience and deep domain knowledge empower them to deliver exceptional value, drive innovation, and support the growth of businesses in these critical sectors.

Exhibit 15: Hi-tech and Fintech are the focus going forward



The fintech industry is worth approximately \$226.76 billion (EMR). The fast-growing space is projected to reach \$917.17 billion by 2032, growing at a CAGR of 16.8%.

Source: Company, MNCL Research

Hi-Tech, Media, Telecom and Utilities

Saksoft has been increasing its focus on this segment over the last few years. Hi-tech ISV's include tech companies mainly based out of US & Europe, Media includes media houses, broadcasting companies and OTT platforms. In Telecom, the company services B2B players and utilities include government companies in the UK & Singapore.

Service lines offered-

High Tech – Saksoft specializes in Software Product Engineering, Product Modernization, Cloud Migration and Management, B2B Commerce, Cybersecurity, and Application Integration

Telecom, Media, and Entertainment- Digital Customer Experience, Portals/Apps, Content Supply Chain, Customer and Content Analytics, and Customer Service Automation.

Utilities- a Next-Gen Customer Experience Platform, IoT Analytics, Customer Relationship Management (CRM), Cloud and Database Managed Services, SAP Solutions, and Legacy Application Modernization.

40% of the top 20 clients are from the Hi-tech, Media and Utilities segment

Exhibit 16: Services and Expertise

Services	Expertise
<ul style="list-style-type: none"> Software Product Engineering Cloud Migration and Management Omnichannel Customer Experience Consumer, Content, and Marketing Analytics Mobile Application Development Cybersecurity 	<ul style="list-style-type: none"> 17+ years of experience serving the TMT industry 300+ TMT domain experts 20+ Clients Strategic Partnerships with AWS and Microsoft to offer best-in class solutions

Source: Company, MNCL Research

Fintech

With over 20 years of experience delivering impactful Fintech solutions, their expertise spans diverse subsectors such as cards, payments, and alternative investments. They have a team of **25+ Fintech domain experts and 650+ professionals** supporting Fintech organizations, with a deep understanding of evolving regulations like KYC, AML, and RegTech requirements.

Their digital accelerators include a library of 10+ pre-built connectors for popular FinTech platforms to simplify integration, compliance management tools for critical regulatory areas, microservices, robust Two-Factor Authentication (2FA) framework along with secure API tools for enhanced security.

Categories under Fintech

Cards and Payments- card issuing, cardless payments, loyalty programs, cross-border transactions, and secure infrastructure

Regtech - Client and counterparty ID, employee compliance training, security monitoring, merchant onboarding, and KYC/AML compliance

Credit Bureaus- Dispute management, micro-financing platforms, credit score management, and open banking solutions; in Alternative Investments, they develop digital wealth management platforms and mobile portfolio management applications

Alternative Financing- Investor management platforms, SMB lending solutions, and AI-powered loan approval systems; and for Banks and Insurance, they deliver enterprise data management, business intelligence tools, digital transformation strategies, and risk management analytics.

30% of the top 20 clients are from the Fintech segment.

Exhibit 17: Digital Accelerators

I Pre-built Connectors for faster time to market 10+ pre-built connectors for popular FinTech platforms like ethos, Coinbase, Apryse, Camunda, FINRA, ComplyAdvantage and more to simplify integration and streamline data exchange.	I Compliance Management Accelerator Pre-built compliance program management tools address critical areas for financial services firms, including employee training, market abuse surveillance, marketing review, AML/KYC verification, and Broker Dealer compliance solutions.
I Microservices & Micro Frontends Jumpstart project development with microservices and micro frontend boilerplates. These pre-defined templates accelerate project setup and enable rapid application development.	I Two-Factor Authentication (2FA) & Secure API Framework Implement robust security measures effortlessly with their ready-to-use 2FA Strategic Partnerships with AWS and Microsoft to offer best-in class solutions

Source: Company, MNCL Research

Transport & Logistics

In logistics and transportation, Saksoft harnesses cutting-edge technologies like AI, ML, IoT, and cloud computing to deliver transformative solutions. Their services include Software Product Engineering, Cloud Migration and Management, Data Engineering and BI, Mobile Application Development, IoT Solutions, Artificial Intelligence, and Cybersecurity. With over **15 years of experience and a team of 650+ logistics domain experts, they support more than 15 clients, including 5+ Global 1000 logistics customers.**

Digital accelerators include LEAP (Logistics Enterprise Analytics Service), an API Ingestion Framework, and a Single Data Extract for efficient logistics analytics and reporting. They offer solutions across various logistics sectors including Third Party Logistics (3PL), Freight Carriers, Shippers, Container Terminals, Retail and Commerce, and Independent Software Vendors (ISVs).

10 of the top 20 fintech companies by market cap are American

Exhibit 18: LEAP Accelerator for Logistics



Source: Company, MNCL Research

25% of the top 20 clients are from Transport & Logistics.

Retail & E-Commerce

With over 10 years of experience, 200+ domain experts, and partnerships with leading platforms such as HCL Commerce, Salesforce, Adobe, and Microsoft, they assist retailers and manufacturers in enhancing omnichannel commerce, CRM, AI-powered personalization, IoT integration, business intelligence, loyalty programs, and more.

Saksoft increased their exposure to the retail segment post the acquisition of Solveda. Solveda is a retail & e-commerce specialist with dedicated solutions & accelerators which help clients scale/improve/modernize their platforms/applications.

Only 1 client from the top clients is from Retail. We expect this number to increase as the company improves its wallet share from clients acquired from Solveda.



Partners

1- Microsoft

With a team of over 400+ highly skilled and certified Microsoft professionals, Saksoft possesses in-depth knowledge across the entire Microsoft product portfolio, from Azure cloud services to on-premises solutions like Dynamics 365 and Microsoft 365. This expertise, combined with a proven track record of successful project implementations, positions Saksoft as an ideal partner for maximizing your return on Microsoft investments.

Services offered-

- Cloud Migration & Modernization:
- Modern Workplace Solutions
- Business Application Solutions
- Custom Application Development
- Managed Services

2- AWS

With a team of over **75+ highly skilled and certified AWS** cloud architects, engineers, and solutions specialists possess in-depth knowledge of the entire AWS service portfolio. This expertise, combined with 15+ years of experience delivering successful cloud migration and modernization projects, ensures Saksoft can design and implement the optimal AWS solutions to meet specific business needs and goals.

Services offered-

- Cloud Migration & Modernization
- Cloud-Native Application Development
- Managed AWS Services
- AWS Cost Optimization
- Data & Analytics on AWS

3- Salesforce

Saksoft's strategic partnership with Salesforce combines their vision with the company's deep expertise to design, implement, and optimize Salesforce solutions that unlock a 360-degree view for the client, streamline operations, and drive significant business value.

Services offered-

- Sales Cloud Implementation & Optimization
- Service Cloud Implementation & Support
- Marketing Cloud Automation
- Community Cloud Engagement
- Custom Salesforce Development
- Managed Services

4- HCL Commerce

Saksoft's team of certified HCL Commerce architects, developers, and support specialists possess a comprehensive understanding of the platform's full potential. Leveraging this expertise, they help in delivering personalized and engaging shopping experiences, optimize HCL Commerce Platform, and streamline operations.

Services offered-

- Implementation & Integration
- Customization & Development
- Migration & Upgrade Services
- Marketing & Analytics Integration
- Ongoing Support & Maintenance

Exhibit 19: Premium partnerships



Source: Company, MNCL Research

High client concentration is offset by the positive factor of long-standing relationships

Saksoft is a distinguished player in the technology and consulting space, catering to a diverse range of premium clients across several key industries, including Fintech, Hi-Tech, Transport & Logistics, and Retail. Among its notable clientele are prestigious organizations such as a leading private sector bank in the APAC region, a major multinational telecommunications company based in the UK, a prominent Fintech firm in the US, a top-tier Transport & Logistics technology provider in the US, and a leading insurance technology provider in Europe, to name a few.

The company's business model demonstrates a high degree of client concentration, with 70% of its revenue being generated from just 20 clients. This concentrated revenue base underscores the strength of Saksoft's long-term relationships with its key clients. Notably, more than 15 of these top 20 clients have maintained their partnership with Saksoft for over 10 years.

Saksoft Limited was chosen as the 'digital transformation partner' by Aegon Life Insurance in 2020.

Exhibit 20: Region-wise client mix

Saksoft	Vertical	%
Customer 1	HMU	16%
Customer 2	Fintech	11%
Customer 3	Fintech	7%
Customer 4	HMU	5%
Customer 5	HMU	4%
APAC	Vertical	
Customer 1	Fintech	7%
Customer 2	HMU	6%
Customer 3	Fintech	6%
Customer 4	Fintech	4%
Customer 5	T&L	2%
US	Vertical	
Customer 1	HMU	5%
Customer 2	Fintech	6%
Customer 3	Fintech	4%
Customer 4	T&L	2%
Customer 5	HMU	2%
Europe	Vertical	
Customer 1	HMU	10%
Customer 2	HMU	4%

Source: Company, MNCL Research

In terms of the client distribution, Hi-tech media and Utilities are the top contributors followed by Fintech, Transport & logistics and retail.

As Saksoft aims to scale its operations towards a \$200 million revenue mark, it anticipates that the reliance on a limited number of clients will decrease. This expected diversification is part of the company's strategic growth plan, aimed at broadening its client base and mitigating risks associated with high client concentration.

Acquisition led strategy has borne fruit

Saksoft has a “String of pearls” strategy which has helped the company grow faster than its peers over the last 2 decades. The company has acquired more than 7 companies and has been successful in growing these companies 3-5x their size over the years.

The company is looking for capability driven acquisitions as it wants to expand its service lines and increase its wallet share from its existing clients. It has added capabilities like product engineering, RPA, E-commerce solutions, IoT and cloud services from its acquisitions.

Exhibit 21: Saksoft’s acquisitions

Particulars	Acuma	EDP	Dreamobrit	Three Sixty Logica	Faichi	Terafast	MC Consulting PTE	Solveda	Augmento
Year of Acquisition	2006	2013	2016	2015	2018	2022	2023	2023	2024
Location	UK	US	Bengaluru	Noida	US	India	Singapore	US	India
Industries	Public Sector	Financial services	Transportation and logistics	ISV	Healthcare	All	Insurance, Shipping	E-commerce	Hi-tech
Service line	Information Management	Staffing solutions and technology training	IoT and Blockchain	Testing	Product development, BI	Cloud services DevOps Virtualization services	Enterprise Web App .Net Mobile app	Commerce tech Commerce solutions AI & ML ERP & OMS	Cloud apps & solutions Mobile apps Product development
Geographies addressed	Europe	US	USA and APAC	All	USA	US	SEA	US, Europe, India	India, US

Source: Company, MNCL Research

360 Logica

Capabilities

As a leader in software testing services and quality assurance, they offer comprehensive, high-end software testing programs designed to ensure the highest standards of quality and performance. Their end-to-end web application testing services cover a wide range of critical areas, including:

- **Component and Unit Testing:** Verifying individual components and units for functionality and reliability.
- **Core Testing Services:** Essential testing for the core functionalities of applications.
- **Database and Platform Testing:** Ensuring the integrity and performance of databases and underlying platforms.
- **Functional Testing:** Validating that the software functions as intended against the specified requirements.
- **Performance Testing:** Assessing the software's performance under various conditions to ensure scalability and efficiency.
- **Localization Testing:** Ensuring software functionality and accuracy across different languages and regions.
- **Network Security Testing:** Identifying vulnerabilities and ensuring robust security measures within networked applications.
- **SOA and Web Services Testing:** Evaluating the performance and reliability of service-oriented architectures and web services.
- **System Testing:** Comprehensive testing of the entire system to ensure all components work together seamlessly.
- **Usability and Content Testing:** Assessing the software’s ease of use and the accuracy and relevance of its content.

The automation testing market is predicted to be worth \$68 billion by 2025.

Industries

- Test solutions to independent software vendors (ISVs), software product companies, and SMEs. Independent testing services for all verticals, including retail, BFSI, e-commerce, e-learning, gaming, healthcare, mobile, telecom, IT, social media, finance, Web 2.0, manufacturing and engineering and many more.

Use case

Client- Financial technology solutions company providing mobile, cloud and integrated payment applications and payment gateway solutions

Challenge: Functional requirement is not documented and when documented not many details were there to get the feature understanding. Change in requirement more often and lack of QA processes.

Solution: Prepared end-to-end process test cases for each modules by including each critical use case which helped for 100% functional coverage. Categorize each release with their respective feature & prepared checklist to cover all impacted functional scenarios

Benefits: Increased productivity by removing dependencies which resulted in delivering more work with quality. Built nearest to bug free product and helped them in making the product user friendly.

RPA—Robotic Process Automation—typically gives a 250%

Financials

360 Logica has been growing its revenue at a 5-year CAGR of 25.9% and its PAT at 28.9%. It has also maintained a 20%+ PAT margin over the last 5 years and an ROE of more than 25%.

Exhibit 22: 360 Logica

Particulars (Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	330	295	425	719	829
PBT	88	74	156	236	247
Tax	22	18	39	54	63
Net profit	66	56	117	182	184
Dividend	42	-	25	-	-
Net Profit Margin (%)	20.1%	18.9%	27.5%	25.3%	22.1%
ROE (%)	39.9%	25.5%	37.5%	34.8%	25.7%

Source: Company, MNCL Research

Dreamobrit

The company specializes in software product engineering and offers a range of capabilities to meet diverse needs. Provides solutions in CRM, business intelligence, and business analytics, and is well-versed on the Internet of Things (IoT) and cloud solutions. Their expertise includes working with Microsoft Dynamics to enhance various business processes. They serve multiple industries, including logistics and supply chain management, trucking companies, warehouses, and last-mile delivery firms. Geographic reach includes the US and India, allowing them to address a broad spectrum of client needs across these regions.

Case studies

“Dream Orbit’s IoT-based technology helps a US pizza chain to deliver pizzas at the right temperature to consumers. The company inserts temperature sensors with attached SIM card in the boxes. These sensors send signals indicating the temperature of the pizza to the store manager’s computer. If the temperature drops below a threshold, the manager recalls the pizza and sends a fresh one,” he explains.

In retail, the platform helps enterprises decide what inventory to keep in which warehouse and how to move this inventory around warehouses at different times of the year so that delivery to the consumer could be from the nearest location, thus reducing cost and shipping faster.

Financials

Dream Orbit has been growing its revenue at a 5-year CAGR of 20.3% and its PAT at 23.7%. It has also maintained a 15%+ PAT margin over the last 5 years and an ROE of more than 30%. It has been one of the company's standout acquisitions.

By 2035, AI will increase logistics productivity by more than 40%.

Exhibit 23: Dream Orbit

Particulars (Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	540	556	718	1,059	1,133
PBT	115	122	155	231	224
Tax	43	38	39	58	56
Net profit	72	83	116	173	169
Dividend	79	-	33	69	79
Net Profit Margin (%)	13.3%	15.0%	16.1%	16.4%	14.9%
ROE (%)	34.2%	28.2%	30.7%	36.1%	28.8%

Source: Company, MNCL Research

Solveda

The company excels in providing advanced commerce technology solutions, encompassing a wide range of services such as commerce solutions, AI and cognitive technologies, ERP, and OMS. They cater to industries including e-commerce and retail, addressing the needs of clients across various sectors. Geographic reach extends to both the US and India. They serve a distinguished clientele, including Yamaha, Godrej Interio, Bajaj, Carrefour, Mahindra, BNP Paribas, and Fortis, delivering tailored solutions that meet their specific business requirements.

Use case

Challenge: Godrej Interio upgraded from a static website to a dynamic eCommerce platform to better showcase its furniture offerings and compete effectively.

Solution: The new site, built using Node.js and React, addresses previous issues with customer engagement and usability by providing a flexible, seamless shopping experience. It features improved UI/UX, enhanced product categorization, and refined search capabilities. Key additions include inventory checks, pin code availability, multiple payment options, and social login.

The site also offers enriched content, dedicated landing pages for projects, SEO-friendly URLs, and a store locator. Solveda revamped the website using HCL Commerce V9 and integrated IBM Sterling Order Management System to enhance functionality.

Benefit: The results were impressive, featuring a lightning-fast website that significantly enhanced the customer experience. This improvement in performance not only boosted user satisfaction but also led to a noticeable increase in revenue

Financials

Solveda has been growing its revenue at a 5-year CAGR of 28% and its PAT at 64%. It has also maintained a 15%+ PAT margin over the last 5 years and an ROE of more than 25%.































Exhibit 24: Solveda

Particulars (Rs mn)	FY19	FY20	FY21	FY22	FY23
Revenue	144	126	153	223	382
EBITDA	19	7	28	51	111
EBITDA Margin (%)	12.8%	5.7%	18.1%	22.9%	29.1%
Net profit	10.4	2.8	16.2	32	76
Net Profit Margin (%)	7.2%	2.2%	10.6%	14.4%	19.8%
ROE (%)	19.0%	4.5%	22.7%	31.3%	46.4%

Source: Company, MNCL Research

Global retail spending on technology will reach \$262.6 Billion in 2027 according to Gartner.

Exhibit 25: Client list

Source: Company, MNCL Research

Augmento

Deal

Saksoft purchased Augmento at a valuation of 2x Sales, with 35% of the consideration being paid upfront. The rest of the amount will be paid out over the next 2 years. Augmento is a product engineering specialist with the US as its target market. It has worked with some marquee names across the US & Indian market. The acquisition helps Saksoft improve its product engineering business and is margin accretive.

Capabilities

Cloud apps & solutions, Mobile apps, Product development, IT consulting, Automation using RPA, AI led analytics

Use case

Challenge: Client had a pay-for-performance agreement with an efficiency solution provider. For this system to work, it was very important to predict the energy usage of buildings without retrofits given the ambient conditions. As part of this engagement, they developed the solution by building GBM Light models for energy usage prediction.

Solution: The company implemented predictive models which learned from the building's energy usage history to predict energy consumptions (without energy efficiency solutions). They used 1000 buildings' energy usage data for 3 years, daily weather data for each building location, and building metadata to develop the solution

Benefit: This resulted in providing an improved and scalable solution to forecast energy demand (without retrofits) that resulted in better management of performance-linked payout for energy usage solutions. It also provided a means to measure the savings coming from the optimized energy efficiency of the building.

Financials

Augmento has been growing its revenue at a 3-year CAGR of 1.59x and its PAT at 1.58x. It has also maintained a 15%+ PAT margin over the last 5 years and an ROE of more than 100%.

Exhibit 26: Augmento

Particulars (mn)	FY21	FY22	FY23
Revenue	68	300	455
EBITDA	15	68	100
EBITDA Margin (%)	21.8%	22.7%	22.0%
Net profit	11	49	72
Net Profit Margin (%)	15.9%	16.4%	15.8%
ROE (%)	181.4%	137.0%	88.4%

Source: Company, MNCL Research

Valuations & Peers

Best amongst its peers on all parameters

Over the years, Saksoft has achieved consistent, solid growth, despite challenges faced by the global IT sector. Saksoft has delivered 20+%+ eps growth over the last decade.

Saksoft's strategic acquisitions have played a significant role in its growth, expanding its capabilities and geographic footprint. These acquisitions have also contributed to the company's ability to consistently maintain strong profitability and high teen EBITDA margins. The combination of diverse service offerings, strategic acquisitions, and strong financial management has enabled Saksoft to navigate industry challenges while expanding its presence across multiple regions.

Revenue (Rs mn)

Company name	2019	2020	2021	2022	2023	2024	CAGR (5Y)	CAGR(3Y)
Saksoft Ltd	3,580	3,588	3,858	4,804	6,656	7,616	20.7%	25.9%
Datamatics Global Services	11,335	12,033	11,491	12,011	14,592	15,499	6.5%	13.6%
Cigniti Technologies	8,160	8,720	8,965	12,418	16,476	18,150	20.1%	20.9%
Expleo solutions	2,828	2,702	3,009	7,425	9,033	9,649	37.5%	14.0%
Sasken technologies	5,043	4,922	4,448	4,339	4,470	4,064	-4.7%	-3.2%
Kellton Tech Solutions	8,141	7,707	7,756	8,427	9,173	9,829	6.3%	8.0%

Source: Bloomberg, MNCL Research

EBITDA (Rs mn)

Company name	2019	2020	2021	2022	2023	2024	CAGR (5Y)	CAGR(3Y)
Saksoft Ltd	592	610	644	790	1,082	1,366	22.3%	31.5%
Datamatics Global Services	1,339	1,236	1,217	1,933	2,426	2,440	18.5%	12.3%
Cigniti Technologies	1,327	1,287	1,455	1,293	2,377	2,218	14.6%	31.0%
Expleo solutions	555	532	699	1,241	2,001	1,485	29.2%	9.4%
Sasken technologies	711	881	1,114	1,050	840	273	-25.4%	-49.0%
Kellton Tech Solutions	1,201	1,124	1,078	1,047	949	1,044	-1.8%	-0.1%

Source: Bloomberg, MNCL Research

EBITDA margin (%)

Company name	2019	2020	2021	2022	2023	2024
Saksoft Ltd	16.5%	17.0%	16.7%	16.4%	16.2%	17.9%
Datamatics Global Services	11.8%	10.3%	10.6%	16.1%	16.6%	15.7%
Cigniti Technologies	16.3%	14.8%	16.2%	10.4%	14.4%	12.2%
Expleo solutions	19.6%	19.7%	23.2%	16.7%	22.2%	15.4%
Sasken technologies	14.1%	17.9%	25.0%	24.2%	18.8%	6.7%
Kellton Tech Solutions	14.8%	14.6%	13.9%	12.4%	10.3%	10.6%

Source: Bloomberg, MNCL Research

PAT (Rs mn)

Company name	2019	2020	2021	2022	2023	2024	CAGR (5Y)	CAGR(3Y)
Saksoft Ltd	365	385	454	633	820	961	25.7%	23.2%
Datamatics Global Services	845	618	721	1,478	1,816	1,807	30.7%	10.6%
Cigniti Technologies	1,474	1,216	1,054	917	1,683	1,593	7.0%	31.8%
Expleo solutions	363	399	504	677	1,333	906	22.8%	15.7%
Sasken technologies	900	775	982	1,106	855	372	-16.8%	-42.0%
Kellton Tech Solutions	767	705	711	705	-1,268	640	-2.4%	-4.7%

Source: Bloomberg, MNCL Research

- What makes Saksoft stand out amongst its peers?
 - 1- Wides range of capabilities, with more than a decade of experience in testing, data & automation, product engineering and DevOps.
 - 2- Well balanced geographical presence
 - 3- Premium clients with revenue in the range of \$ 200 mn to \$ 3 Bn in revenues
 - 4- Focusing on niche sectors, where they have expertise and experience of more than a decade.
 - 5- Highest ROCE, EBITDA margin, PAT margin and EPS growth amongst its peers.
 - 6- Strong partnerships with Microsoft and AWS.

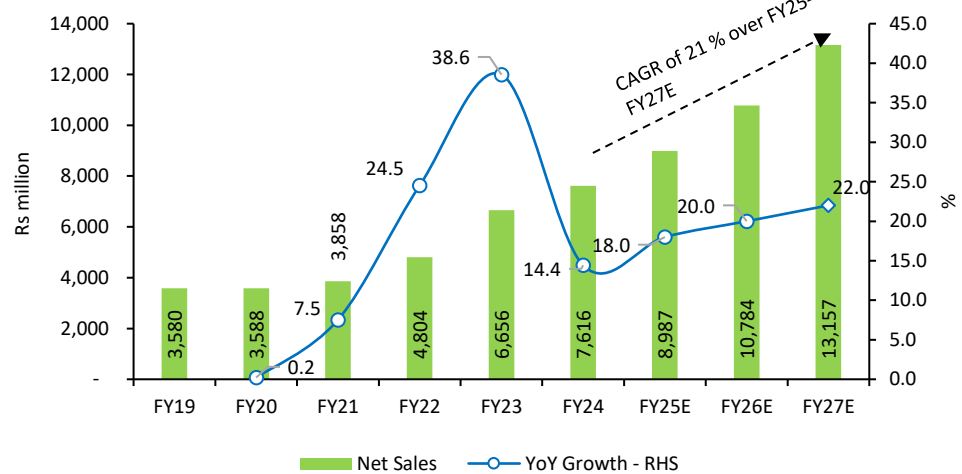
Exhibit 27: Capabilities of Saksoft & its peers

SAKSOFT	DATAMATICS	CIGNITI	EXPLEO	SASKEN	KELLTON
Digital commerce	Cloud & DevOps	Digital assurance	Transformation consultancy	Mobility	AI&ML
Software product engineering	Application Modernisation	Quality engineering	AI & Digital transformation	Internet Of Things	Digital Experience
Cloud & Infrastructure	CRM	Enterprise application assurance	Data, Analytics and AI	Data Analytics	Product engineering
DevSecOps	AI & Cognitive Sciences	Test management services	Hyperautomation	Information management	Data Science & Engineering
Digital quality assurance	Product Engineering	Advisory and transformation services	Product engineering	Big data services	Cloud engineering
Enterprise integration	Data & Analytics	Engagement models	Manufacturing and supply chain	Big data platform development	NextGen Services
Enterprise IT security	Digital Assurance	Advisory	Quality and testing	AI&ML	SAP SERVICES
Data and Analytics	Digital Content Management	Software products& platform engineering	Customer support and maintenance	Consulting	
Generative AI	BPM services	Data engineering		Testing	
CX Transformation	Intelligent Automation	Intellect automation		Mobile and web application testing	
Intelligent Automation	Super CX	Cloud engineering		DevOps	
Application development & management	Customer Management & Experiences			Cybersecurity	
Training Testing	Consumer Research & Analytics				

Source: Company, MNCL Research

Financial Analysis

Exhibit 28: Revenue from Operations (INR mn)



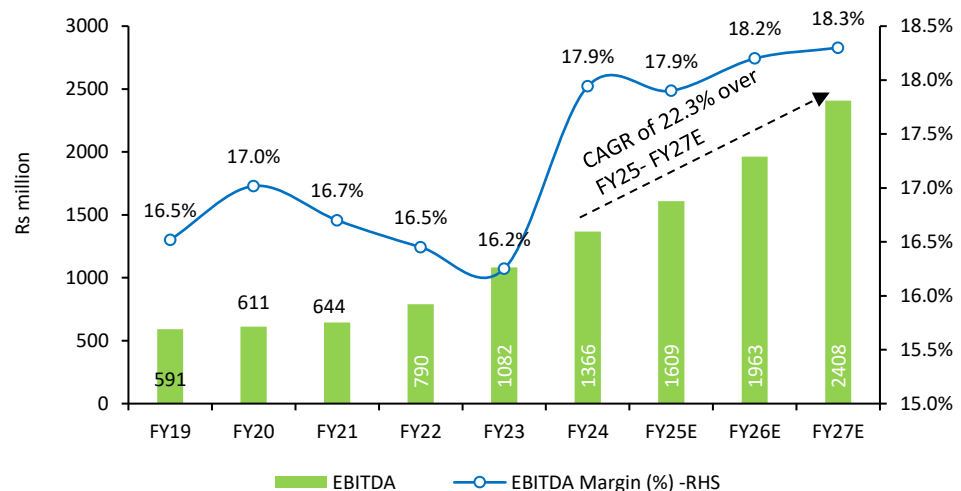
Source: Company, MNCL Research Estimates

We are expecting a 21%/22.3%/24.4% Revenue/EBITDA/PAT CAGR over FY25-FY27E.

We value the company at 25x FY27E earnings, which gives us a TP of 435 and an upside of 16.5%. We expect the stock to re-rate on the back of continued IT spends in the sectors it serves and improved discretionary spends in US & Europe.

We expect 18% revenue growth in FY25 which includes Rs450 mn revenue from Augmento. Augmento will contribute Rs 550 mn in FY27E as it is currently at 82% utilization, and we expect utilization to touch 85% by FY27.

Exhibit 29: EBITDA growth and EBITDA margin (INR mn)

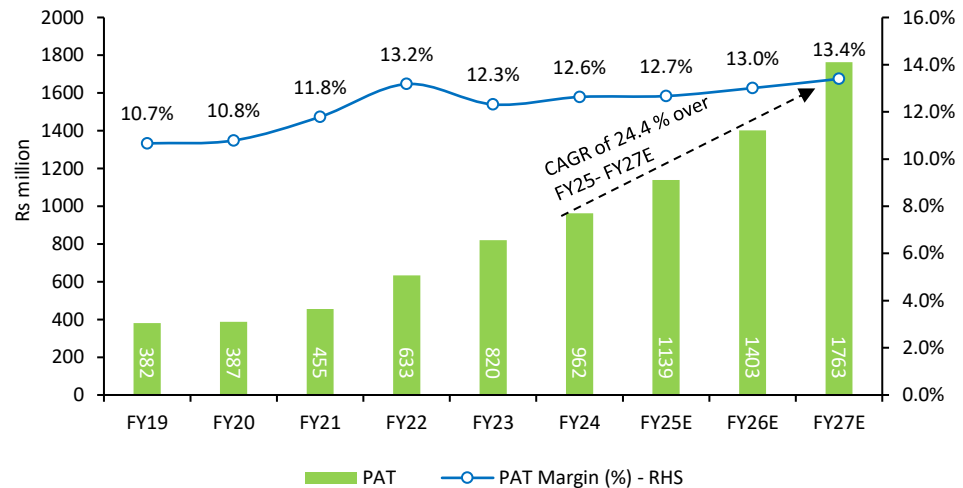


EBITDA margins jumped by 250 bps in 2019 as the company changed its onshore-offshore mix and improved its capabilities through acquisitions

Source: Company, MNCL Research Estimates

EBITDA margins will remain stable over FY25-27E, with a modest 20-30 bps improvement. We expect the company to improve its billing rate by 3-5% over the next 2 years. We also expect SG&A costs to remain at the upper end of 13-15% of sales as the company looks to aggressively add logos over the next 2 years.

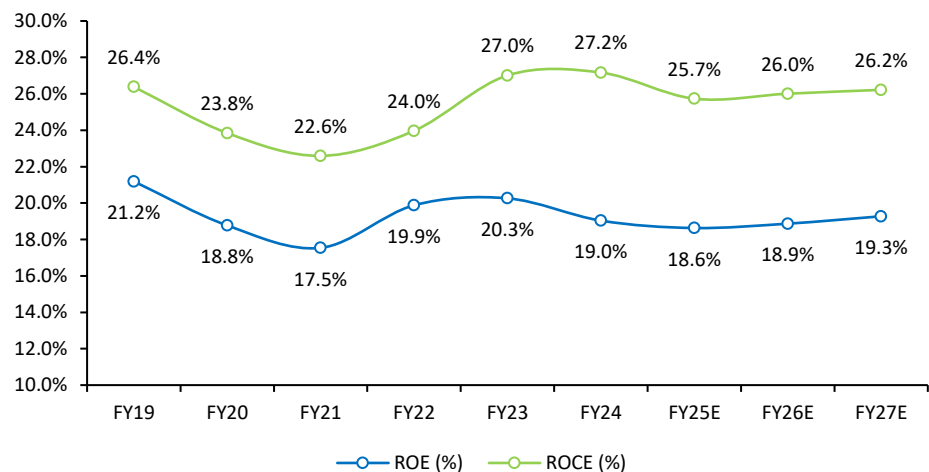
The company ramped up SG&A costs in FY21-22 to meet the increased demand due to the Covid Pandemic. That is the reason we saw SG&A costs go above 18% of sales for those two years.

Exhibit 30: PAT and PAT margin (Rs mn)


Source: Company, MNCL Research Estimates

We expect PAT to grow at 24.4% CAGR over FY25-FY27E. The acquisition of Augmento will be PAT margin accretive as Augmento does PAT margins of 15%+. PAT growth will be driven by strong earnings growth and higher other income (Higher FCF generation).

Company has maintained a PAT margin above 12% over the last 3 years.

Exhibit 31: Return Ratios


Source: Company, MNCL Research Estimates

We expect Saksoft to continue to deliver 26-27% ROCE and 18-19% ROE over FY25-FY27E. ROE's have come down a bit on the back of Goodwill addition on account of acquisitions. Despite that, the company is delivering industry leading return ratios.

Exhibit 32: DuPont Analysis

Particulars	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Profit to sales	11.7%	13.2%	12.3%	12.6%	12.7%	13.0%	13.4%
sales to asset	105.6%	104.1%	117.2%	96.8%	93.8%	91.9%	89.7%
Asset to equity	1.4	1.4	1.4	1.6	1.6	1.6	1.6
ROE	17.5%	19.9%	20.3%	19.0%	18.6%	18.9%	19.3%

Source: Company, MNCL Research Estimates

Assessing Base Case, Upside, and Downside Possibilities

Base case

(a) PEG: We believe Saksoft will deliver an EPS growth of 24.4% over FY25-27E. Currently the stock is trading at PE of 40.9x. It is currently trading at a PEG of 1.7X. We believe the company should trade at a PEG of 1.8x based on strong earnings potential. This gives us a TP of Rs 405 and an upside of 8.5%

(b) Multiples Method: We have attributed a P/E multiple of 25x, which is the average PE for microcap & small cap IT companies with similar capabilities and growth potential. This yields a TP of INR 435 (potential upside of 16.5%). We believe there is a strong case for PE re-rating as the company delivers 20%+ growth numbers, solid return ratios and strong FCF generation.

Upside scenario

(a) PEG: We believe Saksoft will deliver an EPS growth of 25.7% over FY25-27E on the back 2 acquisitions which add Rs 1000 mn revenue and improve margins by 20-30 bps. Currently the stock is trading at PE of 40.9x. It is currently trading at a PEG of 1.5X on our bull case assumptions. We believe the company should trade at a PEG of 1.8x based on strong earnings potential. This gives us a TP of Rs 425 and an upside of 14.0%

(b) Multiples Method: We have attributed a P/E multiple of 25x even in our bull case scenario as well but have factored in the acquisitions. This yields a TP of INR 475 (potential upside of 27.4%).

Downside scenario

(a) PEG: In a scenario where discretionary spends don't improve in the US, rate cuts get delayed, and the US economy goes through a mild recession; we expect Saksoft to deliver 15.1% EPS growth over FY25-FY27E. Currently the stock is trading at PE of 40.9x. It is currently trading at a PEG of 2.7x. We believe the company should trade at a PEG of 1.8x. This gives us a TP of Rs 250 and a downside of 33.0%

(b) Multiples Method: We have attributed a P/E multiple of 20x, which is the lower end of the historical PE range for the last 5 years. This yields a TP of INR 290 (potential downside of 22.3%).

Exhibit 33: Risk-reward scenario

Particulars	Base	Upside	Downside
PEG Method (50% weights) (A)			
Trailing PE	40.9	40.9	40.9
EPS growth rate	24.4%	25.7%	15.1%
Implied PEG	1.7	1.5	2.7
Target PEG	1.8	1.8	1.8
Estimated share price	405	425	250
Upside	8.5%	14.0%	-33.0%
PE Method (50% weights) (B)			
Implied P/E	25	25	20
Target Price	435	475	290
Upside	16.5%	27.4%	-22.3%
Multiples Method (50% weights)			
PEG	405	425	250
P/E	435	475	290
Estimated share price (Average A+B)	420	450	270
Upside	12.5%	20.7%	-27.6%

Source: MNCL Research Estimates

Key risks to target price:

- Delay in tech spends across North America and Europe.
- Lower billing rates due to excess competition.
- Loss of any major client among the top 20
- Rupee appreciation will have a negative impact on earnings

Exhibit 34: PEG for Microcap, Smallcap & Midcap IT companies

NAME	CMP (Rs mn)	M-CAP (Rs mn)	EPS (₹)				P/E (x)				EPS growth (%)	PEG(x)
			FY24	FY25E	FY26E	FY27E	FY24	FY25E	FY26E	FY27E	FY25E-27E	FY24
Saksoft	373	39,500	9.6	11.3	13.9	17.5	40.9	33.1	26.8	21.4	24.4	1.7
Sasken technologies	1,495	22,550	24.4	36.7	42.3	52.6	61.2	40.7	35.4	28.4	19.7	3.1
Datamatics Global Services	650	38,390	34.0	36.0	44.0	51.0	19.1	18.1	14.8	12.8	19.0	1.0
R system International	520	62,620	12.0	12.0	13.0	17.0	43.4	43.4	40.0	30.6	19.0	2.3
Mastek	2,708	83,680	98.0	116.0	147.0	163.0	27.6	23.3	18.4	16.6	18.5	1.5
Happiest Minds	808	1,25,030	17.0	21.0	26.0	32.0	47.5	38.5	31.1	25.3	23.0	2.1
Intellect design	994	1,36,900	24.0	33.0	40.0	44.0	45.3	38.0	32.0	27.0	15.0	3.0
Newgen Software tech	1,171	1,64,400	17.4	20.7	26.0	32.5	65.1	56.6	45.0	36.0	25.0	2.6
Cyient	2,151	2,38,800	58.0	60.0	72.0	80.0	34.2	30.0	25.0	22.0	15.0	2.3
Affle India	1,578	2,21,880	22.0	27.0	34.0	44.0	69.8	58.4	46.4	35.9	28.0	2.5
Average							45.4	38.0	31.5	25.6	20.7	2.2
Midcap												
Coforge	6,989	4,66,230	132.0	166.0	205.0	240.0	60.8	48.0	38.0	30.0	20.2	3.0
Tata technology	1,095	4,44,190	17.0	20.0	23.0	27.0	68.5	54.7	47.6	40.5	16.0	4.2
KPIT technology	1,758	4,82,390	22.0	28.0	36.0	42.0	72.8	60.0	48.8	38.0	22.0	3.3
Tata Elxsi	7,689	4,78,960	127.0	138.0	164.0	186.0	60.8	55.7	46.9	41.3	16.0	3.8
Average							65.7	54.6	45.3	37.5	18.5	3.6

Source: Bloomberg, MNCL Research

Scenario Analysis factoring in Acquisitions

We expect the company to undertake at least 2 acquisitions over FY25-FY27E. We have assumed that it would add a total revenue of Rs 1,000 mn from these acquisitions. The acquisitions will help the company increase its areas of expertise, target new regions and improve margins. These acquisitions will take a period of 3-6 months to create synergies, and we have baked that in our numbers. The bull case scenario with acquisitions using the P/E method gives us a TP of 475 Rs/share.

Exhibit 35: Bull Case with Acquisitions

Particulars	FY24	FY25E	FY26E	FY27E
Revenue (Rs mn)	7,616	9,487	11,574	14,467
EBITDA (Rs mn)	1,366	1,701	2,121	2,689
EBITDA Margin (%)	17.9%	17.9%	18.3%	18.6%
PAT (Rs mn)	962	1,201	1,496	1,909
EPS (₹)	9.6	11.9	14.8	18.9
PE (x)				25.0
TP (₹)				475

Source: MNCL Research estimates

In the bear case scenario, we assume that the company only acquires one company with a revenue of Rs 500 mn. We also assume that it would take time for the synergies to play out and it does not have a significant impact on margins. With these assumption and giving it a lower P/E of 20x we reach a TP of 290 Rs/share.

Exhibit 36: Bear Case with Acquisitions

Particulars	FY24	FY25E	FY26E	FY27E
Revenue (Rs mn)	7,616	8,835	10,160	11,684
EBITDA (Rs mn)	1,366	1,585	1,827	2,117
EBITDA Margin (%)	17.9%	17.9%	18.0%	18.1%
PAT (Rs mn)	962	1,110	1,267	1,457
EPS (₹)	9.6	11.0	12.5	14.4
PE (x)				20.0
TP (₹)				290

Source: MNCL Research estimates

Company Overview

Saksoft serves as a forward-thinking partner in digital transformation, collaborating with mid-sized global enterprises. Company specializes in business transformation solutions and operates in diverse sectors including Fintech, Digital Commerce, Transportation & Logistics and Hi-tech Media and Utilities. Saksoft helps clients with Application engineering, Quality Assurance & testing, Data Analytics, Cloud Infrastructure and Cyber security services.

Over the years company has evolved from a typical digital transformation company to product engineering. Saksoft helps businesses navigate the digital world by transforming and upgrading their IT systems. They offer a wide range of services tailored to specific industries, including technology solutions, expert consulting, and analytics. Whether it's enhancing business operations through IoT and mobility, automating processes with robotics, or developing custom applications, Saksoft is there to guide the way. They also provide training, cloud support, and digital commerce solutions, all backed by strong infrastructure and a commitment to staying ahead in the digital age.

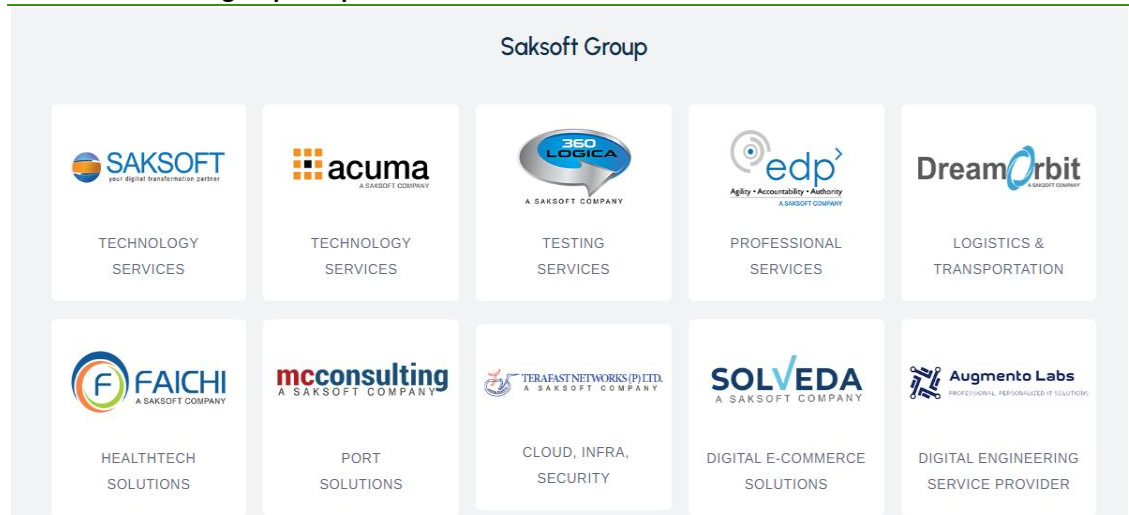
The Company's headquarters are in Chennai (India) and has 16 offices across India, Europe, Asia and USA.

Exhibit 37: Service lines

Technology practices	Offerings	Private equity
<ul style="list-style-type: none"> Digital Commerce Software Product Engineering Cloud & Infrastructure DevSecOps Digital Quality Assurance Enterprise Integration Enterprise IT Security 	<ul style="list-style-type: none"> Generative AI CX Transformation Intelligent Automation Application Development & Management Training 	Private equity services

Source: Company, MNCL Research

Exhibit 38: Saksoft group companies



Source: Company, MNCL Research

Senior management & Key Directors

Aditya Krishna (Chairman & Managing Director): is at present Chairman and Managing Director at Saksoft Limited. Mr. Aditya started his career with Chase Manhattan Bank N.A, New York, USA. Mr. Aditya Krishna was with Citibank N.A, New York, USA from 1987 to 1990 as a member of the business analysis department of the Credit Card Business and from 1990 to 1995 was Vice President – Credit Director & Financial Controller, Citibank N.A, India responsible for managing Citibank India's credit card portfolio.

Mr. Aditya Krishna was the founder promoter of Nation-Wide Finance Ltd. and was the Managing Director of the company from 1995 to 2001. In year 2000, Mr. Aditya Krishna sold 74% of the company to Citigroup, Inc and managed a transition to a Citigroup management team for 12 months and sold the balance 26% to Citigroup in 2003.

Kanika Krishna (Non-Executive Director): Kanika Krishna is the Chief Operating Officer of the Abrasives Division at Sak Industries, a global leader in industrial abrasives with operations in Chennai, India, and Buffalo, New York. She has deep industry knowledge, has spearheaded a cross-border acquisition in the U.S., and is skilled in working with international markets. Kanika holds an MBA in Financial Management from Pace University and a master's in international business from Manchester Business School, along with a Bachelor of Commerce degree from Stella Maris College, Chennai. She previously worked with Deutsche Bank in India and Merrill Lynch in New York.

Mr. Neeraj Kumar Ganeriwal (Chief Financial Officer & Chief Operating Officer): Mr. Niraj Ganeriwal is Chief Financial Officer and Chief Executive Officer at Saksoft Ltd. He is a commerce graduate from D G Vaishnav College, Chennai, and a Chartered Accountant with 20 years of experience. Initially he began his career at EY (India & US). He later served as a Finance Controller at a pharmaceutical company before joining Saksoft. He has served as the company's CFO for the past 12 years and has also taken on the role of COO for the last 3 years.

Ms. Avantika Krishna (Chief Sales Officer): Ms. Avantika Krishna currently serves as Chief Sales Officer at Saksoft. She has completed her Master of Science from King's College London and Master of Business Administration in Marketing and Management from Fordham Gabelli School of Business.

Mrs. Kavitha Vijay (Independent Non-Executive Director): Mrs. Kavitha Vijay is the Senior Partner at IC Universal Legal, a prominent law firm with offices across India. With over 15 years of experience, she has been leading the Chennai office since 2010. Her expertise includes mergers, acquisitions, private equity investments, and joint ventures.

Mr. Suresh Subramanian (Independent Non-Executive Director): Mr. Suresh Subramanian, with over 40 years of experience in auditing and accounting, has worked with several Big Four accounting firms in India. He currently serves as an Independent Director on the boards of Delphi-TVS Technologies Limited and Veritas Finance Private Limited. He retired as a Senior Partner in the Assurance practice at Ernst & Young India in Chennai.

VVR Babu (Independent Non-Executive Director): Mr. Babu holds advanced degrees in Applied Mathematics, Operations Research, and Computer Science from NIT Warangal and the Central University of Hyderabad, along with executive training from Harvard Business School. With over 36 years at the ITC Group, he played a key role as a founding member of ITC Infotech India Limited.

Succession plan for the company

Mr. Aditya Krishna, the Promoter of the company, has been the CEO for more than 25+ years at Saksoft. The company has a succession plan in place for the future. As and when Mr. Aditya Krishna decides to step down, there is a committee of 6 senior people amongst whom the next CEO will be chosen. This committee includes 4 Business unit heads, the current CFO & COO and the Chief Sales Officer. If the committee cannot decide unanimously on one candidate, the company will look for an outside hire.

Appendix 1: Saksoft Ltd

Exhibit 39: Consolidated Income Statement

Y/E March (Rs mn)	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net Revenues	3,858	4,804	6,656	7,616	8,987	10,784	13,157
Employee cost	1,829	2,095	2,979	3,472	4,089	4,907	6,013
% of revenues	47%	44%	45%	46%	46%	46%	46%
Support / Third party charges	1,124	1,639	2,243	2,339	2,750	3,289	4,013
% of revenues	29%	34%	34%	31%	31%	31%	31%
Others	261	279	353	438	539	625	724
% of revenues	7%	6%	5%	6%	6%	6%	6%
EBITDA	644	790	1,082	1,366	1,609	1,963	2,408
EBITDA margin (%)	16.7%	16.5%	16.2%	17.9%	17.9%	18.2%	18.3%
Depreciation & Amortization	67	69	100	119	150	175	200
Other income	41	111	94	70	100	125	160
EBIT	618	832	1,076	1,317	1,559	1,913	2,368
Net interest cost	34	28	22	35	40	35	30
PBT	584	804	1,054	1,282	1,519	1,878	2,338
Taxes	129	171	235	320	380	475	575
Effective tax rate (%)	22%	21%	22%	25%	25%	25%	25%
Reported PAT	455	633	820	962	1,139	1,403	1,763

Source: Company, MNCL Research Estimates

Exhibit 40: Consolidated Balance Sheet

Y/E March (Rs mn)	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
SOURCES OF FUNDS							
Equity Share Capital	100	100	100	101	101	101	101
Reserves & surplus	2,493	3,085	3,945	4,954	6,011	7,333	9,046
Shareholders' fund	2,593	3,185	4,045	5,054	6,112	7,434	9,146
Total Debt	200	40	-	84	87	115	145
Def tax liabilities. (net)	-	-	-	-	-	-	-
Non-current liabilities	305	269	224	650	704	639	783
Trade payables	271	295	257	359	492	650	901
Other Current Liabilities	484	866	1,155	1,801	2,268	3,006	3,837
Total Liabilities	3,652	4,615	5,681	7,864	9,576	11,730	14,669
Gross Block	438	663	751	838	950	1,150	1,200
Less: Acc. Depreciation	331	375	476	543	618	690	744
Net Block	107	287	274	295	333	460	456
Goodwill	1,483	1,665	1,903	3,270	4,050	4,100	4,300
Other financial assets	103	24	170	31	135	162	197
Deferred tax assets (net)	45	47	73	86	99	129	158
Total Non-current assets	1,742	2,097	2,426	3,685	4,618	4,856	5,121
Sundry debtors (current)	644	1,062	1,164	1,620	1,847	2,216	2,523
Cash	900	949	1,436	1,925	2,153	3,492	5,570
Loans & Advances	17	1	2	17	20	25	30
Other assets	245	402	563	472	849	1,021	1,224
Total Current Asset	1,910	2,518	3,255	4,178	4,959	6,874	9,547
Total Assets	3,652	4,615	5,681	7,864	9,576	11,730	14,669

Source: Company, MNCL Research Estimates

Exhibit 41: Cash Flow Statement

Y/E March (Rs mn)	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Operating profit bef working capital changes	686	834	1,177	1,410	1,609	1,963	2,408
Trade and other receivables	32	-418	-102	-455	-227	-369	-307
Inventories	0	0	0	0	0	0	0
Trade payables	41	25	-38	102	132	271	195
Current/ non-current financial and other assets	-32	-134	-153	84	-380	-167	-219
Changes in working capital	840	873	1,127	1,493	1,600	2,433	2,903
Direct taxes	-143	-171	-286	-326	-380	-475	-575
Cash flow from operations	698	701	841	1,167	1,220	1,958	2,328
Net Capex	-70	-194	-74	-17	-112	-200	-50
Others	-45	-433	-520	-620	-250	-275	-90
Cash flow from investments	-115	-627	-594	-638	-362	-475	-140
FCF	628	508	767	1,150	1,109	1,758	2,278
Increase/(decrease) in debt	-55	-160	-40	84	-4	-28	-30
dividend	-25	-55	-65	-75	-81	-81	-51
Others	-32	-21	-2	2	-40	-35	-30
Cash flow from financing	-112	-236	-107	11	-124	-144	-111
Net change in cash	471	-161	140	540	735	1,339	2,078

Source: Company, MNCL Research Estimates

Exhibit 42: Key Ratios

Y/E March	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Growth Ratio (%)							
Revenue	7.5%	24.5%	38.6%	14.4%	18.0%	20.0%	22.0%
EBITDA	5.5%	22.7%	36.9%	26.3%	17.7%	22.0%	22.7%
Adjusted PAT	17.5%	39.2%	29.5%	17.4%	18.4%	23.2%	25.7%
Margin Ratios (%)							
EBITDA	16.7%	16.5%	16.2%	17.9%	17.9%	18.2%	18.3%
PBT from operations	15.1%	16.7%	15.8%	16.8%	16.9%	17.4%	17.8%
Adjusted PAT	11.8%	13.2%	12.3%	12.6%	12.7%	13.0%	13.4%
Return Ratios (%)							
ROE	17.5%	19.9%	20.3%	19.0%	18.6%	18.9%	19.3%
ROCE	22.6%	24.0%	27.0%	27.2%	25.7%	26.0%	26.2%
Turnover Ratios (days)							
Debtors	61	81	64	78	75	75	70
Creditors	26	22	14	17	20	22	25
Cash conversion cycle	35	58	50	60	55	53	45
Solvency Ratio (x)							
Debt-equity	0.08	0.01	0.00	0.02	0.01	0.02	0.02
Interest coverage ratio	18.2	29.7	48.9	37.6	39.0	54.6	78.9
Gross debt/EBITDA	0.3	0.1	0.0	0.1	0.1	0.1	0.1
Current Ratio	2.5	2.2	2.3	1.9	1.8	1.9	2.0
Per share Ratios (Rs)							
Adjusted EPS	4.5	6.3	8.1	9.5	11.2	13.8	17.4
BVPS	26	32	40	50	61	74	91
Valuation (x)*							
P/E	81.9	58.9	45.6	39.0	33.1	26.8	21.4
P/BV	14.4	11.7	9.2	7.4	6.2	5.1	4.1
EV/EBITDA	56.6	45.8	33.2	26.0	22.1	17.4	13.3

Source: Company, MNCL Research Estimates

Exhibit 43: Consolidated Quarterly Income Statement

Particulars (Rs mn)	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25
Total income	1,638	1,717	1,821	1,835	1,904	1,928	1,949	2,010
Employees Cost	732	775	800	842	878	886	866	901
Gross Profit	906	942	1,021	993	1,026	1,042	1,083	1,109
Other expenses	649	668	696	647	668	712	750	759
EBITDA	257	274	325	345	358	330	333	350
Depreciation and amortization expense	25	26	27	27	29	29	34	30
EBIT	233	248	298	318	329	301	300	320
Interest expenses	6	5	6	5	8	11	11	12
Other income	31	25	7	16	18	12	25	28
Profit before tax	259	267	299	329	339	302	313	336
Taxes	65	69	49	77	86	76	81	80
PAT	193	199	250	252	253	225	232	256
EPS (in INR)	1.83	1.98	2.49	2.51	2.51	2.24	2.30	2.54

Source: Company, MNCL Research Estimates

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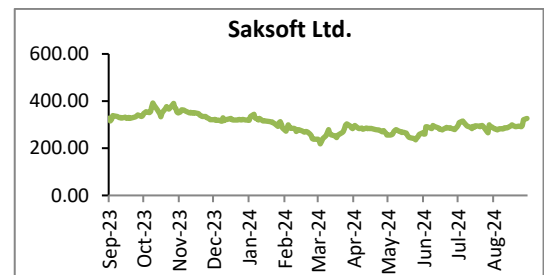
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