DALALBYTES RESEARCH

Expleo Solutions

The Cheap Tester With a Parent Problem

A debt-free, cash-rich BFSI testing firm at about 10x earnings, whose discount is a governance discount

NSE: EXPLEOSOL · BSE: 533121

October 12, 2026

Reference: Rs 866, NSE close of October 12, 2026
(prior close Rs 861.90 on October 9, 2026).
Founding story, segments, financials, competition, management, valuation vs peers, risks, and FY2029 scenarios.

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VERDICT

68 / 100 : Selective Positive

Expleo Solutions is the Indian listed arm of the Expleo Group: a Chennai-based software testing, quality engineering and digital services company, about 4,000 people strong, earning Rs 1,108 cr of revenue in FY26 at about 15% operating margins, with no debt, about Rs 353 cr of net cash at June 2026, and returns that most small-cap IT firms would envy (ROE about 19%, ROCE about 24%). On the numbers alone this is a fortress. At Rs 866 the stock trades at about 9.8x trailing earnings and about 1.7x book value, roughly half the multiple of the broader Indian IT industry, and it has just paid a Rs 110 per share final dividend for FY26, a 12.7% yield at the reference price.

The selective part is not the price. It is control. The promoter, Expleo Technology Germany GmbH, holds 71.05% with zero pledging, which sounds reassuring until you read what the cash has historically done: large loans to group companies in France, a management fee that appeared at Rs 24 cr in FY26, a dividend decision that was first cancelled in July 2026 and then reversed three weeks later, and, live right now, a postal ballot seeking approval to lend up to Rs 2,800 cr per financial year to five European group entities. That limit is about 2.5 times annual revenue and about twice the market cap. Minority shareholders own a profitable, cash-rich tester whose biggest capital allocation decisions are made for the benefit of a French group they do not own. The discount is the market pricing exactly that.

Reference price: Rs 866 (NSE close, October 12, 2026; prior close Rs 861.90 on October 9, 2026). Market cap about Rs 1,345 cr. 52-week range Rs 640 to Rs 1,179.

FY2029 targets: Bear Rs 740 / Base Rs 1,310 / Bull Rs 2,060. See Section 12 for assumptions. FY means the March year-end; FY2029 is the year ending March 2029.

1. SNAPSHOT

Item	Detail
Company	Expleo Solutions Ltd, Chennai, India
Founded	1998, as Thinksoft Global Services; listed October 26, 2009
Listed	NSE: EXPLEOSOL, BSE: 533121; ISIN INE201K01015
Promoter	Expleo Technology Germany GmbH, 71.05%, zero pledging
Business	Software validation, verification, quality engineering, development and consultancy, single reported segment
FY26 revenue	Rs 1,108 cr (+8.1%); PAT Rs 124 cr (+20.1%); EPS Rs 79.89

Item	Detail
Latest quarter	Q1 FY27 revenue Rs 292 cr (+12.3% YoY); PAT Rs 34.2 cr (+67.3% YoY); EPS Rs 22.02
Balance sheet	Borrowings Rs 8 cr at March 2026; net cash about Rs 353 cr at June 2026
Dividend	Rs 110 per share final for FY26 (payout about 138% of FY26 PAT); Rs 50 interim paid for FY25
Leadership	Phani Tangirala, Managing Director; Ralph Franz Gillessen, Chairperson

A note on comparability: a composite scheme merged four Expleo group companies in India into the listed company with effect from April 1, 2023, and 52,67,254 shares were allotted to the promoter in 2024, taking the promoter holding from 56.17% to 71.05% and the share count to about 1.55 cr. Revenue before FY24 and EPS before FY24 are therefore not like-for-like with the current perimeter, and this report flags that wherever the history matters.

2. FOUNDING STORY: THINKSOFT, SQS, THEN EXPLEO

The company began in Chennai in 1998 as Thinksoft Global Services, an independent software testing firm built by Indian promoters at a time when testing was the unglamorous end of IT services. Thinksoft specialised where failure is expensive: banking, financial services and insurance. It listed on October 26, 2009.

The ownership then travelled through two European consolidations. Germany's SQS Software Quality Systems, the world's best-known pure-play testing group, acquired Thinksoft, and the Indian company became SQS India BFSI. In 2017 to 2018 Assystem Technologies acquired SQS globally and combined it with its own engineering services to form the Expleo Group, backed by French private equity firm Ardian. The Indian listed company was renamed Expleo Solutions in 2019.

The third act is the one that defines today's numbers. The Expleo Group ran several Indian entities in parallel: the listed BFSI tester, plus unlisted engineering, technology and infosystems companies. After Rajesh Krishnamurthy, an ex-Infosys leader, took over as group CEO, the group consolidated all of them into the listed company. The composite scheme, first approved by the board on July 9, 2021, merged Expleo India Infosystems, Expleo Technologies India, Expleo Engineering India and Silver Software Development Centre into Expleo Solutions with effect from April 1, 2023. The listed company that had been a roughly Rs 300 cr BFSI tester before the pandemic became a roughly Rs 1,000 cr diversified quality and engineering services firm, and the promoter was paid in shares, not cash.

The parent today is large: Expleo Group revenue of about EUR 1.4 bn, with an EBITDA margin close to 10% on management commentary. The listed Indian company is one of its most profitable delivery engines, which is both its opportunity and its governance problem.

3. WHAT EXPLEO SELLS

Expleo reports a single segment: software validation, verification, development, and engineering and consultancy services. In plain terms, it tests and assures other companies' software, and increasingly builds and modernises it.

The historic core is BFSI quality assurance: functional and non-functional testing, test automation, performance and security testing, and managed testing services for banks, insurers, payments and capital markets firms. The 2023 merger added engineering services for aerospace, automotive, transportation and energy clients, plus broader digital and data work inherited from the merged entities, including the Lucid Technologies data assets acquired in April 2022.

The most recent detailed mix published by the company (Q2 FY25 investor presentation) put BFSI at roughly three-quarters of revenue, with aerospace, automotive and transportation making up most of the rest. By region, Europe was roughly half of revenue, Asia roughly a third, and North America roughly a sixth. The top 5 clients were about 31% of revenue and the top 10 about 47%, across roughly 210 active clients. Treat those splits as dated direction, not current disclosure: the company has published less mix detail since the merger, which is itself a disclosure deduction.

Two newer threads matter. First, management says about 15% of revenue is already influenced by AI and about 70% of employees are AI-qualified, with its expleo.ai offer being pushed into top accounts; those are management's figures from earnings discussions, not audited disclosures. Second, the footprint keeps widening at the edges: a Dubai subsidiary in 2023 to 2024, a Saudi Arabia subsidiary registered in early 2025, and a GIFT City IFSC subsidiary incorporated on June 14, 2026, which received its IFSCA certificate in October 2026 with an initial investment of Rs 2.1 cr.

About 30% of revenue comes through the Expleo Group itself, where the Indian company acts as a delivery centre for group clients, on earnings-call commentary. That captive channel is stable, and it is also the channel through which group priorities reach directly into this P&L.

4. STRATEGY AND FLYWHEEL

There is no consumer flywheel here. The engine, when it works, is a delivery flywheel: scarce testing and domain talent in Chennai, Bengaluru and other Indian centres, hired and trained at Indian cost, sold at European and global rates, inside regulated BFSI programmes where switching a testing partner mid-programme is risky and slow. Repeat work funds deeper automation: test frameworks, accelerators and now AI-assisted testing that let the same team cover more code with fewer hours.

Management's stated FY27 priorities, from earnings discussions, are consistent with that engine: new logo wins, partner-led growth, payments, aerospace and defence, an Egypt delivery option, employee AI training, and acquisitions. The M&A pipeline was described as about nine identified targets with three in due diligence and an expectation of closing a deal in the following quarter. That commentary also explains the strangest capital decision of the year, covered in Section 6: conserving cash for acquisitions was the stated reason the

board first decided against a dividend in July 2026.

The honest test of the strategy is whether AI raises Expleo's value per tester faster than it reduces the billable testing hours clients need. Testing is one of the most automatable parts of software services. A firm that sells AI-led assurance wins; a firm that sells manual testing hours gets competed away by its clients' own tools. The 15% AI-influenced revenue claim says management understands the exam. It has not yet published the marks.

5. FINANCIALS: A STEP-CHANGE, THEN SINGLE-DIGIT GROWTH

Consolidated figures from Screener, March year-ends, Rs cr except margins and EPS. See the comparability note in Section 1: the April 2023 merger breaks the series, and FY23 EPS of Rs 130.59 was earned on the pre-allotment share count.

Year	Rev (cr)	YoY	Op profit	OPM	PBT	PAT	EPS (Rs)
FY22	743	n.v.	124	17%	110	68	66.01
FY23	903	21.5%	200	22%	186	134	130.59
FY24	965	6.9%	149	15%	120	90	58.27
FY25	1,025	6.2%	166	16%	139	103	66.52
FY26	1,108	8.1%	170	15%	163	124	79.89
Q1 FY27	292	12.3%	42	15%	44	34	22.02

Read the arc in two parts. First, the merger step-change: revenue roughly tripled from Rs 301 cr in FY21 to Rs 903 cr in FY23 as the group entities were folded in, on the Screener series. Second, the merged company's own record since: revenue compounded at only about 7% over the last three years (Screener three-year sales growth), operating margin compressed from 22% in FY23 to about 15% in FY26 as the lower-margin engineering mix and wage costs replaced the old pure-BFSI economics, and profit growth over three years is roughly flat on Screener's series despite the FY26 rebound.

FY26 itself was a recovery year, not a breakout: revenue up 8.1%, operating profit up only about 2.6% to Rs 170 cr, but PAT up 20.1% to Rs 124 cr, helped by Rs 23 cr of other income and a lower effective drag below the operating line. Q1 FY27 then improved the optics: revenue of Rs 292 cr was a six-quarter high, up 12.3% year on year, and PAT rose 67.3% to Rs 34.2 cr as operating margin recovered to about 15% from a soft 11% in Q1 FY26 and the tax rate eased. Sequentially, though, PAT fell from Rs 41.7 cr in Q4 FY26, which had carried a Rs 2.06 cr exceptional gain linked to the new Labour Codes; the clean read is low-double-digit revenue growth with mid-teens margins, not a profit surge.

Return ratios remain the strongest page in the book: ROE about 19% and ROCE about 24% in FY26, with debtor days improved to 76 from 79 in FY25 and 94 in FY24. This is a genuinely good operating business growing slowly.

6. BALANCE SHEET, CASH FLOW AND CAPITAL ALLOCATION

The balance sheet is a fortress with a revolving door to France. Reserves rose from Rs 596 cr at March 2024 to Rs 761 cr at March 2026 against equity capital of about Rs 16 cr, and borrowings were just Rs 8 cr at March 2026. Net cash was about Rs 353 cr at June 2026, up from about Rs 238 cr a year earlier. Operating cash flow was Rs 119 cr in FY26 after a strong Rs 179 cr in FY25, and Screener free cash flow was Rs 117 cr in FY26 and Rs 172 cr in FY25. The weak year in the series is FY23, when operating cash flow was only Rs 23 cr against PAT of Rs 134 cr; cash conversion since the merger has been much better.

Capital allocation is where the report must be blunt, in three parts.

First, the dividend. The history is erratic: payout ratios above 69% in the late 2010s, then effectively no dividend from FY20 to FY24 (6% in FY23), then a Rs 50 per share interim for FY25 (75% payout), then the FY26 final of Rs 110 per share, about Rs 171 cr in total, or about 138% of FY26 PAT. Worse than the amount was the process: the board resolved on July 9, 2026 not to declare a dividend, then, after an adjourned review meeting on July 28, 2026, recommended Rs 110, which shareholders approved at the August 26, 2026 AGM for payment by September 25, 2026. A 12.7% yield that arrives by reversal is not a dividend policy; it is an event.

Second, group loans. The annual report disclosures show a loan to Expleo Services SASU, France, an entity under common control, with an outstanding balance of Rs 115 cr at March 2025, down sharply from about Rs 472 cr at March 2024. Loans were repaid in tranches (about Rs 49 cr in FY25 and about Rs 30 cr, including an exchange gain, in FY26), and earnings commentary puts the interest earned at about 9.5% to 10%. The direction, repayment, is welcome. The history, nearly half the balance sheet once lent to the parent group, is the reason the discount exists.

Third, the live vote. By postal ballot running from October 1 to October 30, 2026 (result due by November 3, 2026), the company is seeking approval for its wholly owned subsidiary to lend to five European group entities, Expleo Technology Germany, Expleo Group Austria, Expleo Iberia, Expleo Romania and Expleo Technology Switzerland, up to an aggregate of Rs 2,800 cr in any financial year, for FY27 and every subsequent year, at rates described as arm's length and not below the government security yield for the closest tenor plus a credit premium. Shareholders are being asked to pre-approve, permanently, group lending at a scale of about 2.5 times revenue. Whatever the rate, that converts a listed operating company into, in part, the group's treasury. A Rs 24 cr management fee paid to Expleo Services SASU in FY26, where the prior year showed none on the same disclosure line, adds to the sense that value moves between this company and its group on terms minorities must take on trust.

Verdict on allocation: the operating cash is real, the recent repayments and the FY26 dividend returned real money, and the next decision in front of shareholders could commit far more than both combined.

7. COMPETITION

Expleo competes in three overlapping arenas. In BFSI testing and quality engineering, it faces global pure-play testers such as Qualitest (unlisted), the testing practices of every large Indian IT firm, and, increasingly, clients' own AI tooling. In broader IT and engineering services, the merged company's rivals are the listed Indian mid-tiers: firms like Coforge, Persistent, Mphasis, Birlasoft, Happiest Minds and Tata Elxsi, all far larger, faster growing in recent years, and rated by the market at multiples well above Expleo's.

The peer valuation gap is the story of this section. Market summaries around October 2026 put the Indian IT industry P/E at about 20x, large caps mostly in the high teens to thirties depending on growth, and Expleo at about 9.6 to 9.8x trailing earnings with an EV/EBITDA of about 4.5x on one data provider's series. Some of that gap is earned by peers: they grow faster, disclose more, and have institutional sponsorship Expleo almost entirely lacks (FII holding about 0.13% and DII about 0.12% at June 2026). Some of it is the parent discount described in Section 6. Disentangling the two is the investment question: if the governance overhang were removed, a mid-teens multiple on current earnings would be unremarkable for a debt-free, 19% ROE services firm.

Expleo's defensible ground is narrow but real: 28 years of BFSI testing credentials, regulated-industry references, NelsonHall-recognised testing pedigree from the SQS era, and a group channel that supplies about 30% of revenue without a sales cost. Its exposed ground is everything else: no product, no platform the client cannot replace, and a service line, manual and staff-augmented testing, that AI compresses first.

8. STRENGTHS

What to watch

The October 30, 2026 postal ballot result, group loan balances, and Q2 FY27 growth decide whether the discount narrows or widens.

- 1. Fortress finances: borrowings of Rs 8 cr, net cash of about Rs 353 cr (about 26% of the market cap), ROE about 19% and ROCE about 24%.
- 2. A real niche with tenure: independent testing and quality assurance for BFSI since 1998, through Thinksoft, SQS and Expleo, with roughly 210 active clients and moderate concentration (top 5 about 31% on the last detailed mix).
- 3. Improving recent execution: debtor days down to 76, Q1 FY27 revenue at a six-quarter high with 12.3% growth, and PAT up 20.1% in FY26.
- 4. Cash is actually being returned, for now: group loans repaid from about Rs 472 cr to Rs 115 cr by March 2025 with further repayment in FY26, plus about Rs 171 cr of FY26 dividend paid in September 2026.
- 5. Valuation with a margin of safety: about 9.8x trailing earnings, about 1.7x book and about 1.2x sales, against an industry near 20x earnings.

- 6. Promoter stability on the surface: 71.05% held by the German promoter, unchanged since the 2024 merger allotment, with zero pledging at every quarter shown.

9. WEAKNESSES AND RISKS

- 1. The Rs 2,800 cr related-party lending proposal is the first risk. If approved on October 30, 2026, the subsidiary may lend up to about 2.5 times annual revenue to group entities every year, indefinitely. The stated arm's-length pricing mitigates the rate risk; it does not mitigate the concentration, the opportunity cost, or the question of whose company this is.
- 2. Parent control is structural, not incidental: a 71.05% promoter, a group CEO who drove the consolidation, about 30% of revenue via the group, a Rs 24 cr management fee in FY26, and transfer-pricing dependence. Minorities cannot change any of it.
- 3. Growth is slow and margins have thinned: three-year revenue CAGR about 7%, operating margin down from 22% in FY23 to about 15%, and three-year profit growth roughly flat. Double-digit growth is a management aim for FY27, not a track record.
- 4. AI cuts both ways in testing: the most automatable service line in IT services is the core offer. Management's 15% AI-influenced revenue claim is unaudited commentary; client insourcing with AI tools is the bear case in one line.
- 5. Concentration: BFSI at roughly three-quarters of revenue and Europe at roughly half, on the last detailed mix, with less mix disclosure since the merger. A European BFSI spending downturn hits both axes at once.
- 6. Liquidity and neglect: a Rs 1,345 cr market cap, FII and DII holdings near zero, about 29,700 shareholders, and a stock down 13% in a year and about 14% a year over three years on Screener's series, despite rising earnings. Cheap can stay cheap for years in an unloved, controlled microcap.
- 7. Dividend unpredictability: a board that cancels a dividend on July 9 and recommends Rs 110 on July 28 has told you the payout is discretionary in the fullest sense. Do not capitalise the 12.7% yield as recurring.
- 8. Labour and wage risk: the new Labour Codes already produced an exceptional item in FY26 results, wage inflation for AI-skilled testers is a permanent margin tax, and attrition was cited at about 15% in earnings commentary.

10. MANAGEMENT AND GOVERNANCE

Phani Tangirala, Managing Director, runs the listed company day to day and was reappointed as a director at the August 2026 AGM with 99.99% support. The board is chaired by Ralph Franz Gillessen. The strategic centre of gravity, however, sits above the listed company: the Expleo Group, its CEO Rajesh Krishnamurthy (who is also a non-executive director here and, per the governance report, CEO of a related party that has borrowed from this group), and ultimately Ardian, the French private equity owner of the group. That structure explains both the company's stability (a committed, unpledged 71.05% holder that has never sold) and its

ceiling (every material decision, from the merger to the management fee to the lending mandate, is a group decision first).

On the delivery test, did they do what they said, the record is mixed but net positive: the merger was executed, growth and margins were defended through a soft FY24, receivables discipline improved, and the FY26 profit recovery was delivered. On the minority test, would they do this with their own listed money, the record is poor: no stable dividend policy, cash lent to the group at scale, and a lending mandate now sought in perpetuity. No specific fraud, audit qualification or regulatory action against the company was found in the sources reviewed; the FY26 statements were adopted without qualification at the AGM. The governance deduction here is structural and disclosed, which is precisely why it is priced rather than disqualifying.

11. VALUATION VS PEERS

At Rs 866 (October 12, 2026): trailing EPS of Rs 88.75 (TTM to June 2026, Screener) gives a P/E of about 9.8x; on FY26 EPS of Rs 79.89 the P/E is about 10.8x; book value per share of Rs 500 gives a P/B of about 1.7x; market cap of about Rs 1,345 cr on FY26 revenue of Rs 1,108 cr gives a price-to-sales of about 1.2x; EV/EBITDA is about 4.5x on one provider's series, flattered by the net cash of about Rs 353 cr. The dividend yield on the FY26 final of Rs 110 is 12.7%, and it should not be treated as a run rate, for the reasons in Section 6.

Against the field, the discount is stark: an industry P/E near 20x, listed mid-tier IT firms mostly in the twenties and thirties on market summaries, and Expleo below 10x despite a 19% ROE that many of those peers would accept. The market is not doubting the earnings; it is doubting whose earnings they are, and how fast they can grow. Both doubts are documented in this report. The fair statement is that Expleo deserves a discount, and the current discount prices in a bad outcome on the lending vote plus several more years of single-digit growth. That asymmetry, a fortress balance sheet below you and a re-rating above you if governance merely stops getting worse, is why this is Selective Positive at 68 and not Neutral: the business quality and the price argue up, the control structure argues down, and the vote on October 30, 2026 moves the weight between them.

12. FY2029 SCENARIOS (INR)

Base year is FY26 actuals: revenue Rs 1,108 cr, PAT Rs 124 cr, EPS Rs 79.89, shares about 1.55 cr. FY2029 is the year ending March 2029, three years forward. All scenario figures are DalalBytes estimates, not company guidance.

Scenario	Price	Revenue CAGR FY26 to FY29	FY29 revenue	PAT margin	FY29 PAT	EPS (Rs)	Exit P/E
Bear	Rs 740	5%	Rs 1,283 cr	10.0%	Rs 128 cr	83	9x

Scenario	Price	Revenue CAGR FY26 to FY29	FY29 revenue	PAT margin	FY29 PAT	EPS (Rs)	Exit P/E
Base	Rs 1,310	10%	Rs 1,475 cr	11.5%	Rs 170 cr	109	12x
Bull	Rs 2,060	14%	Rs 1,642 cr	13.0%	Rs 213 cr	138	15x

Bear: the lending mandate passes and is used at scale, AI compresses testing pricing, growth slips to mid-single digits, margins give back the FY26 recovery, and the governance discount hardens at 9x. The price still only falls about 15% from here because the starting multiple and the cash pile cushion it; the bear case is stagnation, not collapse, unless group loans sour, which no evidence currently supports. Base: management delivers its double-digit growth aim in most years, margins hold in the mid-teens at the operating line, group lending stays modest relative to the limit, dividends remain irregular but real, and the multiple recovers partway to 12x. Bull: AI-led assurance becomes disclosed, growing revenue, the acquired or organic engineering mix lifts growth to the mid-teens, the lending proposal is rejected or lapses and is not renewed, and the market re-rates a debt-free 19% ROE compounder to 15x.

Base-case value of Rs 1,310 is about 51% above the reference price over about two and a half years to March 2029, roughly 18% a year before any dividends. That expected return is high because the entry multiple is low; it is compensation for governance and liquidity risk, not a free lunch.

13. WHY IT MATTERS

Expleo is the cleanest listed test in India of a question every minority shareholder in a controlled company faces: how much is a good business worth when someone else decides what its cash is for? The operating answer is attractive: a 28-year BFSI testing franchise, a fortress balance sheet, real free cash flow and a single-digit earnings multiple. The governance answer is being written right now, in a postal ballot that asks for permission to lend Rs 2,800 cr a year to the group, every year, forever. At 68/100 Selective Positive, the verdict is: the price pays you to hold the question, the October 30, 2026 result is the next chapter, and position sizing should respect that this is a controlled microcap whose discount can persist long after its earnings have grown.

DISCLOSURES

DalalBytes Research, for educational purposes only. Not investment advice. Figures are drawn from company filings, annual reports and presentations, Screener consolidated data, and market-data summaries cited below; FY27 management commentary is labelled as such wherever it appears, and all FY2029 figures are DalalBytes estimates. No position disclosure is made in this report beyond the house educational-purpose statement.

SOURCES

- Screener.in, Expleo Solutions consolidated: revenue, operating profit, margins, PBT, PAT, EPS, dividend payout, reserves, borrowings, cash flows, debtor days, ROCE and ROE, FY22 to FY26 and TTM to June 2026; shareholding pattern to June 2026 (promoter 71.05%)

- Expleo Solutions filings and annual reports: founding and listing history, composite scheme of arrangement (merger effective April 1, 2023; 52,67,254 shares allotted to the promoter in 2024), related-party disclosures (loan to Expleo Services SASU: about Rs 472 cr outstanding at March 2024, Rs 115 cr at March 2025; repayments in FY25 and FY26; management fee of Rs 24 cr in FY26), FY26 audited results, Q1 FY27 results (revenue Rs 292 cr, PAT Rs 34.2 cr, EPS Rs 22.02)

- Dividend record: board outcome of July 9, 2026 (no dividend), board recommendation of July 28, 2026 (Rs 110 per share final), AGM approval on August 26, 2026, payment by September 25, 2026; Rs 50 interim for FY25

- Postal ballot notice, September 2026: approval sought for related-party lending of up to Rs 2,800 cr per financial year to five European group entities, e-voting October 1 to 30, 2026, results by November 3, 2026

- Investor presentation Q2 FY25 (last detailed mix: BFSI, geography, client concentration, active clients) and earnings-call summaries (group revenue share, AI-influenced revenue, M&A pipeline, FY27 outlook)

- Market data around October 6 to 12, 2026: Screener and Finnhub (close Rs 866 on October 12, 2026; prior close Rs 861.90 on October 9; market cap about Rs 1,345 cr; 52-week range Rs 640 to Rs 1,179); MoneyWorks4Me, ICICI Direct and ET Money summaries (industry P/E about 20x, EV/EBITDA about 4.5x, zero pledging)