DALALBYTES RESEARCH

Saksoft

The Quiet Compounder Meets Its Hardest Promise

A 27-year-old digital engineering firm at 12.6x earnings, net cash, and a USD 500 million promise to prove

NSE: SAKSOFT · BSE: 590051

October 26, 2026

Reference: Rs 131.28, NSE close of October 26, 2026.
Market cap about Rs 1,759 cr; 52-week range Rs 107.59 to Rs 222.99.
Business, financials, competition, management, valuation vs peers, risks, and FY2029 scenarios.

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VERDICT

66 / 100 : Selective Positive

Saksoft is a 27-year-old Chennai digital engineering firm that just crossed Rs 1,000 cr of revenue the hard way: five straight years of double-digit growth, an EBITDA margin that widened to 18.6% in FY26, profit after tax up 22.5% to Rs 133.3 cr, and free cash flow of Rs 166.8 cr, more than the year's profit. The balance sheet carries about Rs 250 cr of net cash on management's count, promoters hold 66.72% with zero pledging, and the stock at Rs 131.28 trades at 12.6x FY26 earnings and 7.5x EV/EBITDA. On the numbers alone, this is the cheapest quality profile in this queue so far.

The selective part is the gap between the promise and the present run rate. Management still targets USD 500 million of revenue by FY30. From FY26 revenue of about USD 120 million, that needs roughly 33% compound growth for four years. The latest quarter, Q1 FY27, printed revenue of Rs 249 cr, down 0.2% year on year, on delayed client decisions and softness at top clients. The broker that covers the stock models 6.4% growth in FY27 and 11.3% in FY28. Both cannot be right, and the burden of proof sits with the promise.

Two things could close the gap. First, the deal pipeline has genuinely improved, from about USD 5 million six months before the FY26 call to USD 25 million at the call and USD 28 million in Q1 FY27, as the firm chases vendor-consolidation deals and wallet share in its top 20 accounts. Second, on October 12, 2026 the company appointed Gurmeet Chahal as its first non-promoter CEO, a 25-year operator who took Digitide public in 2025, while founder Aditya Krishna moved to Chairman. That is either the scaling hire the USD 500 million goal always needed, or a transition that distracts a steady ship. At 12.6x earnings, the market is paying for neither outcome, which is why the verdict is positive but selective.

Reference price: Rs 131.28 (NSE close, October 26, 2026). Market cap about Rs 1,759 cr. 52-week range Rs 107.59 to Rs 222.99.

FY2029 targets: Bear Rs 95 / Base Rs 185 / Bull Rs 260. See Section 12 for assumptions.

1. SNAPSHOT

Item	Detail
Company	Saksoft Ltd, Chennai, India
Founded	1999 by Autar Krishna and Aditya Krishna
Listed	NSE/BSE; public since 2005; face value Rs 1 after splits and bonus
Business	AI-first digital engineering and enterprise modernisation for mid-market clients

Item	Detail
Verticals FY26	Emerging 47%, Banking and Financial Services 31%, Logistics 14%, Commerce 8%
Geography FY26	Americas about 50%, Europe 29%, Asia Pacific and others 21%
FY26 revenue	Rs 1,007.2 cr (+14.1%); Q1 FY27 Rs 249 cr (-0.2% YoY)
FY26 PAT	Rs 133.3 cr (+22.5%); EPS Rs 10.42
Balance sheet	Net cash about Rs 250 cr (management, FY26 call); net worth Rs 779 cr
Promoters	66.72% (September 2026); pledging 0.00%
People	2,494 employees at FY26 end; 2,277 technical; utilisation 83%

2. FOUNDING STORY: INCH WIDE, MILE DEEP

A family firm with a niche doctrine. Saksoft was established in 1999 by Autar Krishna and his son Aditya Krishna, headquartered in Chennai. The founding insight, repeated in company material for two decades, is captured in its own tagline: inch wide, mile deep. Rather than chase Fortune 100 logos against TCS and Infosys, Saksoft targeted mid-tier companies, first in banking and financial services in the US and UK, where a Rs 1,000 cr vendor can be a top-three supplier instead of vendor number forty.

Early global footprint. The international build came fast: a Singapore subsidiary in 2000, the Synertech acquisition in the US in 2001, a London branch the same year, a German subsidiary in 2003, and a Noida development centre in 2004. The company listed in 2005. The model since then has not changed in outline: India delivery, onsite presence near the client, and depth in a handful of verticals.

The acquisition ladder. Growth was bought as much as built. The disclosed ladder includes Electronic Data Professionals in the US (2012), ThreeSixty Logica for testing (2014), DreamOrbit for IoT and logistics (2016), Faichi Solutions, Acuma in the UK, MC Consulting in Singapore, CEPTES for Salesforce, Terafast Networks (October 2022), Solveda in New York for digital commerce (August 2023), Augmento Labs for digital engineering (June 2024, Rs 97.5 cr including earn-out), and Zetechno, a Premier ServiceNow partner (December 2024). Each deal bought a capability or a vertical, not scale for its own sake.

The modern claim. By FY24 the firm described itself as a vertical-based digital transformation partner. In FY26 it added an AI Experience Center, folded AI into nearly all engagements, and crossed Rs 1,000 cr of revenue. In October 2026 it made the governance move family firms usually avoid: a professional CEO from outside, with the founder stepping up to Chairman.

3. WHAT THE BUSINESS ACTUALLY DOES

Digital engineering. Product engineering, application development and modernisation, including the SakMod legacy modernisation framework and AI-assisted code transformation. This is the core craft: rebuilding old systems for mid-market banks, logistics firms and retailers that cannot hire platform teams of their own.

Data and AI. Data platform modernisation, managed analytics, data science, and agentic and generative AI integration. Named assets include SakPilot, an AI accelerator, and Sakcelerate, a unified AIOps and FinOps automation platform. Management said on the FY26 call that AI is now embedded across nearly all engagements, so it no longer discloses a separate AI revenue line. That claim is plausible and also conveniently unverifiable; the test is whether outcome-based pricing replaces headcount pricing, which management says is the direction of travel.

Quality engineering. AI-assisted quality engineering and automated testing, built on the 360 Logica heritage and the Quality360 framework. Testing is unglamorous, sticky work: once a vendor owns a client's regression suite, replacing it is painful.

Platform practices. Salesforce customer transformation (via CEPTES), ServiceNow modernisation (via Zetechno, acquired December 2024), cloud and platform engineering, cybersecurity and DevSecOps, and managed infrastructure. The logic, stated by management in FY25, is that most enterprises above USD 500 million of revenue have already bought Salesforce, ServiceNow or Snowflake, and the services wallet sits in making those platforms work.

Delivery model. FY26 revenue was 56% offshore and 44% onsite. Utilisation was 83% excluding trainees, on 2,494 employees. Revenue per employee is about Rs 40 lakh, typical for a mid-tier offshore firm and well below product-led peers, which is both the cost advantage and the ceiling.

4. VERTICALS AND CLIENTS: DIVERSIFIED MIX, CONCENTRATED TOP

Vertical	FY26 revenue share	What it contains
Emerging verticals	47%	Hi-tech, telecom, media, utilities, healthcare and public sector
Banking and Financial Services	31%	Payments, fintech, regulatory technology, core modernisation
Logistics	14%	Third-party logistics, freight, port and warehouse systems
Commerce	8%	Digital commerce platforms via Solveda, retail and e-commerce

Concentration is the quiet risk. The top 10 clients contributed 58% of revenue in H1 FY26, and the top 20 about 70% historically. Sixteen clients bill over USD 1 million a year. Management's stated growth engine is wallet share inside the top 20, not new logos. That is efficient when clients spend, and it is exactly why Q1 FY27 went flat: when a few top clients delay decisions, there is no long tail to carry the quarter.

The pipeline counterweight. Against that, the qualified pipeline rose from about USD 5 million to USD 25 million in the six months to the FY26 call, and to USD 28 million in Q1 FY27, helped by new sales leadership and larger vendor-consolidation opportunities. Pipeline is not revenue. But a fivefold rise in six months is a fact pattern, not a slogan, and it is the single best evidence for an H2 FY27 recovery, which management guides to and the covering broker models only partly.

5. FINANCIALS: FIVE CLEAN YEARS, ONE FLAT QUARTER

Year	Revenue (Rs cr)	YoY	EBITDA (Rs cr)	EBITDA margin	PAT (Rs cr)	EPS (Rs)
FY22	480.4	23.5%	79.0	16.5%	63.3	5.0
FY23	665.6	38.6%	108.2	16.3%	82.0	6.4
FY24	761.6	14.4%	136.7	17.9%	96.2	7.6
FY25	883.0	15.9%	146.3	16.6%	108.8	8.6
FY26	1,007.2	14.1%	187.1	18.6%	133.3	10.42
Q1 FY27	249.0	-0.2%	45.6	18.3%	29.3	2.29

EBITDA as reported by the company and MNCL research; FY22 and FY23 EPS are on the pre-bonus share count in some sources and are shown as reported by MNCL. Q1 FY27 PAT of Rs 29.3 cr is from exchange-compiled data.

Read the arc, not the quarter. Revenue compounded at about 20% over FY22 to FY26, and PAT at about 20% as well, with margins expanding in FY26 as operating leverage and other income discipline kicked in. Q4 FY26 was the best quarter in company history: revenue Rs 248.8 cr, EBITDA margin 18.2%, PAT Rs 35.9 cr, up about 20% year on year.

Then the stall. Q1 FY27 revenue of Rs 249 cr was flat year on year and slightly down sequentially. Management attributed it to continued demand softness, cautious decision-making and pressure at some top clients, while holding FY27 guidance and pointing to H2 recovery. EBITDA margin held at 18.3%, which matters: the firm protected margin in a zero-growth quarter, evidence of real cost control rather than growth-at-any-price.

One-offs to note. Q3 FY26 carried an exceptional charge of Rs 4.86 cr for the new Labour Codes' employee benefit impact. It did not change the year's story: FY26 PAT still grew 22.5%.

6. BALANCE SHEET AND CASH FLOW: THE STRONGEST PART OF THE CASE

Item (Rs cr)	FY24	FY25	FY26
Net worth	505	619	779

Item (Rs cr)	FY24	FY25	FY26
Operating cash flow	116.7	111.0	171.1
Capex	1.7	4.0	4.3
Free cash flow	115.0	107.1	166.8
Cash and short-term investments	207	197	251
Total debt	26.3	75.5	43.7
Net cash (cash less debt)	about 181	about 122	about 207

Cash flow and debt figures compiled from MNCL research and market data providers; management cited net cash of about Rs 250 cr on the FY26 earnings call, a broader definition that likely includes other liquid assets. DalalBytes uses the narrower Rs 207 cr in valuation.

Cash conversion is elite for this size. Free cash flow exceeded PAT in each of FY24, FY25 and FY26, and cumulative free cash flow over five years is about Rs 516 cr on one provider's count. The business needs almost no capital: FY26 capex was Rs 4.3 cr on Rs 1,007 cr of revenue. Debtor days are the watch item, at about 80 days in FY25, high for IT services and a sign that mid-market clients pay slowly.

Capital allocation. The pattern is small acquisitions funded from internal accruals, a modest dividend (FY26 interim Rs 0.45 a share declared in H1; full-year payout about 10% of PAT; yield about 0.75%), and debt taken briefly for deals then repaid (FY26 financing cash flow was negative Rs 48.7 cr, including about Rs 25 cr of debt repayment). No buyback has been announced. The Augmento Labs amalgamation into the parent, sanctioned by NCLT Chennai in September 2026 with an appointed date of April 1, 2026, simplifies the structure after the Rs 97.5 cr acquisition completed. Clean, if unspectacular.

7. MANAGEMENT AND GOVERNANCE: THE OCTOBER 2026 HANDOVER

The founder record. Aditya Krishna built a sub-scale IT firm into a Rs 1,000 cr, net-cash, zero-pledge company over 27 years without a dilutive blow-up. The share count discipline is part of that record: equity capital rose from Rs 10.07 cr to Rs 12.78 cr across FY24 to FY26 largely on the Augmento consideration and ESOPs, not on rescue raises. Promoter holding has been essentially flat at 66.68% to 66.72% for eight straight quarters, with pledging at 0.00% throughout. For a microcap, that stability is the governance headline.

The handover. Effective October 12, 2026, Gurmeet Chahal became CEO, the first non-promoter CEO in company history, with Aditya Krishna continuing as Chairman. Chahal's record is checkable: founding CEO of Digitide Solutions, which he demerged from Quess Corp and listed in June 2025; before that, global digital transformation roles at Genpact, and digital units built at HCLTech and DXC. His stated agenda is threefold: AI-first engineering and a shift from linear staffing to outcome-driven platforms, wallet share expansion across BFS, logistics, utilities, retail and hi-tech, and programmatic M&A for IP, domain depth and geography.

How to grade it. This is the right hire on paper for the stated goal, made from strength rather than crisis. It is also unproven at Saksoft, and founder-to-professional transitions in Indian IT have a mixed record. The grade improves when two things print: growth re-acceleration under the new CEO, and an acquisition integrated without the margin dip that followed past deal clusters. Until then, leadership is a promise with good references.

Institutional footprint is thin. FII holding fell from 2.40% in March 2026 to 1.46% in September 2026; DII holding is 0.01% and mutual funds hold effectively nil. The stock's story is carried by retail holders and one covering broker. That cuts both ways: no institutional forced selling, and no institutional bid if the story wobbles.

8. COMPETITION: A NICHE DEFENDED BY DEPTH, ATTACKED FROM BOTH SIDES

Rival set	Who	Their edge	Saksoft's counter
Tier-1 Indian IT	TCS, Infosys, HCLTech, Wipro	Scale, brand, USD 19 to 30 bn revenue each	Too large to care about a USD 2 million account; Saksoft is top-three there
Mid-tier IT	Birlasoft, Happiest Minds, Hexaware	4 to 8x revenue, deeper benches	Vertical depth in logistics and mid-market BFS; lower rates
Microcap IT	Ksolves and smaller listed firms	Similar cost base, niche skills	Saksoft is 6x Ksolves' revenue with a broader platform portfolio
Global boutiques and GCCs	Endava-type firms, client captive centres	Onshore trust, insourcing trend	Offshore cost at 56% mix; outcome pricing pitch

The honest position. Saksoft has no scale moat and no product moat. What it has is switching cost inside about 16 million-dollar accounts, vertical vocabulary in logistics and mid-market financial services, and platform certifications (ServiceNow Premier via Zetechno, Salesforce via CEPTES) that take years to replicate. Vendor consolidation, the current client fashion, helps incumbents with broad capability and hurts point vendors. Saksoft is broad enough to be a consolidator at its clients' scale, which is the real competitive claim.

The threat from above and below. From above, tier-1 firms are moving down-market as large-deal growth slows, and they can price a mid-market deal at cost to fill benches. From below, AI coding tools compress the value of exactly the application services Saksoft sells, and clients' own global capability centres keep insourcing. The FY26 margin expansion suggests Saksoft is so far passing AI productivity to its own bottom line rather than giving it all away in price. That is the fight to watch.

9. STRENGTHS

What to watch

Two consecutive quarters of double-digit revenue growth under the new CEO, conversion of the USD 28 million pipeline, and debtor days back below 70. Proof of slope, not the FY26 record, is what an upgrade waits for.

- 1. Five-year compounding with quality: revenue and PAT both up about 20% a year over FY22 to FY26, with FY26 the best margin year in company history.
- 2. Cash machine economics: free cash flow above PAT three years running, capex under 0.5% of revenue, net cash of about Rs 207 to 250 cr.
- 3. Clean promoter record for a microcap: 66.72% holding, flat for eight quarters, zero pledging, no dilutive rescue raises.
- 4. Valuation that pays for little: 12.6x FY26 earnings and 7.5x EV/EBITDA against 19% ROE and 23 to 25% ROCE.
- 5. A pipeline that quintupled in six months, to USD 28 million, on vendor-consolidation deals in the top 20 accounts.
- 6. A professional CEO hired from strength, with a public-listing track record, while the founder stays as Chairman.

10. WEAKNESSES AND RISKS

- 1. Client concentration: top 10 clients are 58% of revenue. Q1 FY27 showed what one soft quarter at the top does to growth.
- 2. The USD 500 million target needs about 33% compound growth. Nothing in the last eight quarters, or in the covering broker's FY27 and FY28 estimates, supports that slope yet.
- 3. Debtor days near 80 are high, and mid-market clients are the first to cut discretionary IT spend in a downturn.
- 4. AI deflation: if clients capture the productivity gains as price cuts, the 18.6% EBITDA margin is the high-water mark, not a base.
- 5. Succession risk: the first non-promoter CEO is two weeks into the job at this report's date. Integration of his agenda with a founder-led culture is untested.
- 6. Liquidity and coverage: one covering broker, near-zero domestic institutional holding, and a stock that fell about 41% from its 52-week high of Rs 222.99 to the reference price. Small-cap IT can stay cheap for a long time.

11. VALUATION VS PEERS

At Rs 131.28 (October 26, 2026): P/E 12.6x on FY26 EPS of Rs 10.42, P/S about 1.75x, P/B about 2.2x on book value of about Rs 60 a share, EV/EBITDA about 7.5x, dividend yield about 0.75%.

Company	P/E (x)	Market cap (Rs cr)	Note
Saksoft	12.6	about 1,759	FY26 EPS Rs 10.42; ROE about 19%
Birlasoft	15.3	about 8,780	Larger mid-tier; EPS Rs 18.50 (Finnhub, Oct 26 2026)
Happiest Minds	21.0	about 4,680	Digital premium, compressing; EPS Rs 14.11
Ksolves India	about 17	about 587	Microcap peer; FY26 PAT Rs 34.3 cr, flat three years
Industry median (MoneyWorks4Me)	21.9	n/a	Saksoft trades at a 40% discount to it

The discount is the debate. Saksoft is cheaper than every larger peer while growing faster than Birlasoft and converting cash better than Happiest Minds. The market's reasons are size, concentration and the flat quarter. DalalBytes' view: a 12.6x multiple on a net-cash balance sheet prices the bear case (stalled growth) as the base case. The covering broker, MNCL, holds a Buy with a Rs 225 target at 18x earnings, above even this report's base case, which tells you where street optimism sits relative to the price.

12. FY2029 SCENARIOS (INR)

Built off FY26 revenue of Rs 1,007.2 cr and PAT of Rs 133.3 cr; about 12.8 cr shares; assumptions explicit. DalalBytes estimates, not guidance.

Scenario	Revenue CAGR FY26-29	FY29 revenue (Rs cr)	PAT margin	FY29 PAT (Rs cr)	EPS (Rs)	Exit P/E	Target (Rs)
Bear	5%	1,166	11.0%	128	10.0	9.5x	95
Base	12%	1,414	13.0%	184	14.4	13.0x	185
Bull	18%	1,655	14.0%	232	18.1	14.5x	260

Bear Rs 95: the Q1 FY27 stall becomes the trend. Top clients consolidate away, AI pricing pressure cuts the PAT margin to 11%, and the stock de-rates below 10x. Even here, net cash of about Rs 16 a share and a Rs 779 cr net worth limit the fall.

Base Rs 185: the pipeline converts at historical rates, H2 FY27 recovery arrives, and growth settles at 12%, in line with MNCL's FY28 trajectory extended. Margins hold near FY26 levels. A 13x exit multiple is still a discount to the industry median.

Bull Rs 260: the new CEO's agenda lands: two capability acquisitions at the guided Rs 100 cr scale, outcome-based deals lift both growth to 18% and PAT margin to 14%, and the market re-rates the stock toward mid-tier multiples. Even the bull case reaches only about USD 195 million of FY29 revenue, less than half the FY30 target, which is the honest scale of the promise gap.

13. WHAT WOULD CHANGE THE VERDICT

Upgrade triggers: two consecutive quarters of double-digit revenue growth under the new CEO; a disclosed outcome-based or platform deal above USD 5 million; debtor days back below 70; an acquisition that adds revenue without cutting the group EBITDA margin below 17%.

Downgrade triggers: another flat or negative growth quarter with guidance cut; promoter holding falling or any pledging appearing; free cash flow turning negative on receivables; the FY30 target quietly dropped without a replacement framework.

14. WHY IT MATTERS

Saksoft is the test of a unfashionable idea: that a family-run, mid-market IT firm can compound for a quarter century by being deep instead of big, then hand itself to a professional CEO at the exact moment AI rewrites its industry's pricing. The financial record to FY26 is genuinely good, the balance sheet is genuinely strong, and the price genuinely assumes little. What the price cannot tell you is whether the USD 500 million promise is a plan or a poster. The next four quarters, under a CEO hired specifically to deliver it, will. At 66/100 Selective Positive, the verdict is: own the cash machine's record, rent the promise, and make the new management prove the slope.

SOURCES

- Company filings and calls: FY26 audited consolidated results (board approval May 25, 2026), Q4 FY26 and Q3 FY26 earnings call transcripts, Q3 FY26 investor presentation, NCLT Augmento Labs amalgamation orders (September and October 2026)

- MNCL (Monarch Networth) research: Q4 FY26 company update and Q1 FY27 update (August 10, 2026), Buy, target Rs 225

- PR Newswire and Hindu BusinessLine: Saksoft appoints Gurmeet Chahal as CEO, October 12, 2026

- CARE Ratings rationale on Saksoft (company history, verticals, subsidiaries)

- Market data: Finnhub (price, October 26, 2026 close; Birlasoft and Happiest Minds peers), ET Money, MoneyWorks4Me (pledging 0.00%, industry P/E 21.9), Upstox, Equitymaster (promoters 66.72%, September 2026)