

CMP: INR 880

Rating: Buy

Target Price: 1,236

Stock Info

BSE	532633
NSE	ALLDIGI
Bloomberg	ALLDIGI IN
Reuters	ALLS.NS
Sector	BPO/ITeS
Face Value (INR)	10
Equity Capital (INR Mn)	152
Mkt Cap (INR Mn)	13,350
52w H/L (INR)	1,114 / 822
Avg Yearly Vol (in 000')	16.423

Shareholding Pattern %

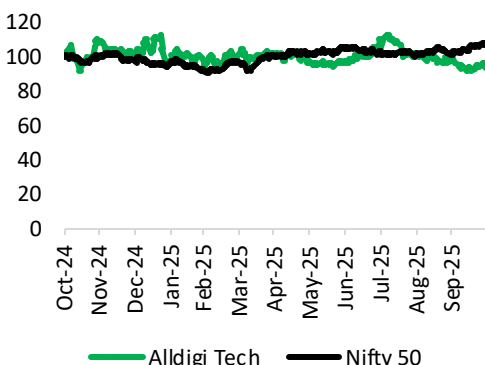
(As on Sep, 2025)

Promoters	73.4
Public & Others	26.6

Stock Performance (%)

	1m	6m	12m
Alldigi Tech	-6.24	-7.77	-7.32
Nifty 50	5.15	6.34	6.91

ALLDIGI Vs Nifty



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Revenue for the quarter was INR 1,474 Mn below our estimate of INR 1,521 Mn, up 12.2% YoY/ 2.4% QoQ. EBITDA for Q2FY26 was INR 360 Mn, up by 16.9% YoY and down by 1.4% QoQ, inline with our estimate of INR 363 Mn. EBITDA margin up by 99.06 bps YoY and down by 95.74 bps QoQ to 24.44% in Q2FY26, above our estimate of 23.85%. PAT stood at INR 176 Mn above our estimates of INR 170 Mn, up by 18.3% QoQ / 45.1% YoY. PAT margin expanded by 161 bps QoQ/272 bps YoY to 11.95% above our estimate of 11.16%. BPM revenue stood at INR 1,105 Mn, up by 11.1% YoY and 2.7% QoQ. Q2 ACV ~ INR 112 Mn / H1 ACV ~INR 220 Mn; One new logo added. Significant increase in Sales funnel over June'25. Tech and digital revenue stood at INR 369 Mn is up by 15.3% YoY and 1.7% QoQ. Q2 ACV ~ INR 87 Mn - 15 New logos (vs 2 in Q2'25). Net employee records added ~ 0.43 Mn, up by 10% H1 YoY & 5% Q2 YoY. 15 New logos added (vs 2 in Q2'25).

Investment Rationale

Margin Expansion Driven by Operational Efficiency and High-Margin International Mix:

The company continues to deliver healthy profitability despite growth investments. EBITDA for Q2FY26 was INR 360 Mn, up 17% YoY, with margins improving by ~170 bps YoY. The T&D segment margin reached 40%, up from 34.9% YoY, driven by volume expansion and improved cost absorption. EBITDA margin is expected to expand 100-150 bps annually, supported by 3 levers 1) higher international business mix (currently 76% of BPM revenue vs. 71.5% YoY), 2) continuous productivity gains i.e. payroll records processed per FTE up 3% QoQ / 5% YoY, and 3) tighter control on indirect costs. These structural improvements provide visibility of sustained margin accretion over FY26–27.

Expanding International Footprint and Client Mining to Drive Growth: AllDigi added INR 220 Mn new ACV in H1FY26, primarily from client mining and one new logo addition in healthcare. The company is also ramping up its Philippines-based RCM billing operations, which will start contributing from Q3FY26. With capacity utilization over 90% and proactive expansion planning, we expect that the company can capitalize the offshore outsourcing demand.

Scalable Business with Visibility for High-Teen Growth: The management tone showed confidence in sustaining mid- to high-teen annual revenue growth (15–18%), supported by a healthy order pipeline and consistent sales ACV conversion. The company aims to double its EXM/HR business in 4–5 years, driven by global expansion, increased automation, and deeper client mining. The upgraded infrastructure in Bangalore and Manila, coupled with new Chennai and Noida facilities, will provide the backbone for scaling operations efficiently.

Outlook and Valuation: We expect growth to sustain driven by strong execution, a rising share of high-margin international business, and expanding digital platforms. Our outlook is based on the following growth levers (1) platform upgrades like SmartPay4 and SmartHR that enhance scalability and client stickiness, (2) steady expansion in international markets contributing 76% of BPM revenue, (3) continuous operational efficiency gains supporting 1–1.5% annual EBITDA margin expansion, (4) healthy order inflows with INR 180 Mn new ACV in H1FY26, (5) a cash-rich balance sheet of INR 1,370 Mn enabling growth investments and M&A, and (6) ongoing facility upgrades to support future scale. With consistent mid-to-high teen revenue growth visibility and strong cash conversion, the company offers a solid combination of earnings stability and upside potential. **We expect Alldigi Tech's revenue, EBITDA, and PAT to grow at a CAGR of 15.8%, 18.3%, and 21.7%, respectively, over FY26-FY28E. We used DCF model to arrive at a target price of INR 1,236 per share. Accordingly, we have maintained our "BUY" rating on the stock**

Exhibit 1: Financial Overview

Year-end March							
(INR Mn)	Net Sales	EBITDA	PAT	EPS (INR)	EBITDA Margin (%)	EV/EBITDA	P/E (x)
FY24	4,694	1,156	640	42.0	24.62%	10.41	19.4
FY25	5,463	1,295	833	54.7	23.70%	9.44	14.9
FY26E	6,230	1,523	798	52.3	24.45%	8.14	15.6
FY27E	7,174	1,797	977	64.1	25.05%	6.99	12.7
FY28E	8,350	2,133	1,182	77.5	25.55%	5.88	10.5

Source: Company reports, Arihant Capital Research

Exhibit 2: Financial Overview

	Q2FY26	Q1FY26	Q2FY25	QoQ (%)	YoY(%)
Revenue from operations	1,474.2	1,439.1	1,314.3	2.4%	12.2%
Employees benefits expense	830.7	841.9	757.5	-1.3%	9.7%
Other expenses	283.2	231.7	248.6	22.2%	13.9%
EBITDA	360.3	365.5	308.2	-1.4%	16.9%
EBITDA Margin (%)	24.4%	25.4%	23.4%	-95.74	99.06
Depreciation and amortisation expense	148.4	134.2	101.2	10.6%	46.6%
EBIT	211.9	231.3	207.0	-8.4%	2.4%
EBIT Margin (%)	14.4%	16.1%	15.7%	-169.86	-137.59
Other income	19.0	29.3	-2.5	-35.2%	-860%
Finance costs	21.0	19.1	10.4	9.9%	102%
Exceptional Item	0.0	0.0	6.1	NA	NA
PBT	209.9	241.5	200.2	-13.1%	4.8%
Total tax expense	33.7	92.6	78.8	-63.6%	-57.2%
PAT	176.2	148.9	121.4	18.3%	45.1%
Segment Revenue (In Mn)	Q2FY26	Q1FY26	Q2FY25	QoQ (%)	YoY(%)
Business Process Management (BPM)	1,104.80	1,076.40	994.70	2.64%	11.07%
Technology and Digital (T&D)	369.40	362.70	319.60	1.85%	15.58%

Q2FY26 Concall highlights

Steady tone on growth and profitability, reiterating mid-to-high teens revenue growth with 100–150 bps annual EBITDA margin improvement. Near-term margins are expected to recover to 41–42% in the Tech & Digital business as earlier investments in leadership and infrastructure normalize. Focus remains on driving operational efficiencies through AI adoption, expanding international business, and scaling platforms like SmartPay 4 and SmartHR. Aims to 2x its EXM business over the next 4–5 years, supported by strong deal wins, healthy cash flows, and measured participation in the MSME SaaS opportunity.

BPM - Revenue stood at INR 110.5 crore, up 11.1% YoY and 2.7% QoQ. H1FY26 revenue was INR 218.1 crore, up 10% YoY. International BPM share increased to 76% of total BPM revenue vs 71.5% in Q2FY25. Margin was flat YoY at INR 12.8 crore. Added INR 22 crore of new ACV in H1FY26, with one new client addition and deeper penetration in healthcare vertical.

Tech & Digital (T&D) revenue for Q2FY26 stood at INR 36.9 crore, up 15.3% YoY and 1.7% QoQ. H1FY26 revenue was up 16.9% YoY. EBITDA was INR 14.7 crore, up 34.9% YoY, with a margin of ~40%. Employee records processed increased 10.7% YoY to 93 lakh in H1FY26. Employee productivity improved 3% QoQ and 5% YoY.

H1FY26 sales ACV stood at INR 18 crore, 2x of H1FY25. International business mix rose from 62% to 64%; continued traction in offshore markets.

Cash collections during H1FY26 were INR 304 crore, up 11% YoY.

Key service delivery metrics including payroll accuracy, delivery timelines, and query turnaround time continued to improve.

Gender diversity improved from 46% to 48% YoY.

Completed migration of all India-based clients to the SmartPay 4 platform. SmartHR (Buzzily) achieved INR 9 crore of ACV wins to date, including INR 2.4 crore from the SME segment.

Upgraded HRMS V2 and PulseHR ai platform with improved UI/UX, enhanced mobile experience, and added modules for performance management and learning & development.

AI integration efforts are underway across customer engagements, particularly in the BPM business.

Capex- H1FY26 saw elevated Capex due to infra upgrade for a large client and consolidation of Bangalore operations at Assess Plaza.

Further facility upgrades are planned in Chennai and Noida in the coming quarters.

Depreciation rose 50% YoY to INR 14.8 crore due to new infrastructure and right-of-use assets; will remain at similar levels in the near term.

The MSME-focused SmartHR SaaS offering recorded 18 deal wins with an ACV of ~INR 2-2.5 crore since inception; continues to adopt a measured growth approach in the MSME segment given high competition.

Operates a hybrid go-to-market model combining direct and partner-led sales channels.

Currently has 14 active sales partners, mainly in international markets.

A new UK-based partnership was signed during Q2 to target multi-country HR outsourcing opportunities.

Aldigi Tech Ltd.- Q2FY26 Result Update

Exhibit 3: DCF Valuation

Valuation Assumptions		Valuation Data	
g (World Economic Growth)	3%	Total Debt (long term borrowings) (2025)	632
Rf	7%	Cash & Cash Equivalents (2025)	823
Rm	13%	Number of Diluted Shares (2025)	15
Beta	0.8	Tax Rate (2025)	24%
CMP (INR)	880	Interest Expense Rate (2025)	8%
WACC		MV of Equity	13,411
We	95.5%	Total Debt	632
Wd	4.5%	Total Capital	14,043
Ke	11.6%		
Kd	6.3%		
WACC	11.378%		

FCFF & Target Price												
FCFF & Target Price	Explicit Forecast Period						Linear Decline Phase					Terminal Yr
	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35	FY36	FY37
Year												
EBIT * (1-Tax Rate)	747	902	1,092	1,298	1,514	1,731	1,940	2,130	2,290	2,411	2,483	2,558
Dep	537	607	691	903	1,041	1,199	1,342	1,472	1,585	1,667	1,717	1,769
Purchase of Assets	611	717	860	1,047	1,215	1,394	1,561	1,713	1,843	1,940	1,998	2,058
Changes in Working Capital	-208	-124	-143	-188	-192	-240	-265	-285	-312	-327	-336	-347
FCFF	881	914	1,066	1,342	1,532	1,776	1,986	2,174	2,344	2,465	2,538	2,616
% Growth in Post Tax EBIT		20.7%	21.1%	18.9%	16.6%	14.3%	12.1%	9.8%	7.5%	5.3%	3.0%	3.0%
As % of Post Tax EBIT												
Dep	71.8%	67.3%	69.5%	69.5%	68.8%	69.3%	69.2%	69.1%	69.2%	69.2%	69.1%	69.2%
Purchase of Assets	81.7%	79.6%	80.6%	80.6%	80.3%	80.5%	80.5%	80.4%	80.5%	80.5%	80.5%	80.5%
Changes in Working Capital	-27.8%	-13.7%	-20.8%	-20.8%	-18.4%	-20.0%	-19.7%	-19.4%	-19.7%	-19.6%	-19.6%	-19.6%
FCFF	881	914	1,066	1,342	1,532	1,776	1,986	2,174	2,344	2,465	2,538	2,616
Terminal Value												31,224
Total Cash Flow	881	914	1,066	1,342	1,532	1,776	1,986	2,174	2,344	2,465	2,538	33,840

Enterprise Value (EV)	18,638
Less: Debt	632
Add: Cash	823
Equity Value	18,829
Equity Value per share (INR)	1,236
% Returns	40.4%
Rating	BUY

WACC (%)	1235.5	Terminal Growth (%)								
		2.25%	2.50%	2.75%	3.00%	3.25%	3.50%	3.75%	4.00%	
10.63%	1,282	1,311	1,341	1,373	1,407	1,444	1,483	1,525		
10.88%	1,240	1,266	1,294	1,324	1,356	1,390	1,426	1,465		
11.13%	1,200	1,225	1,251	1,279	1,308	1,339	1,373	1,408		
11.38%	1,162	1,186	1,210	1,236	1,263	1,292	1,323	1,356		
11.63%	1,127	1,149	1,171	1,195	1,221	1,248	1,276	1,306		
11.88%	1,093	1,114	1,135	1,157	1,181	1,206	1,232	1,261		
12.13%	1,062	1,081	1,100	1,121	1,143	1,167	1,191	1,218		
12.38%	1,031	1,049	1,068	1,088	1,108	1,130	1,153	1,177		

Source: Company reports, Arihant Capital Research, Figures are in INR Mn. except share price and percentage data

Exhibit 10:Key Financials
Income statement (INR mn)

Year End-March	FY24	FY25	FY26E	FY27E	FY28E
Gross Sales	4,694	5,463	6,230	7,174	8,350
Net Sales	4,694	5,463	6,230	7,174	8,350
YoY (%)	20.21%	16.39%	14.04%	15.15%	16.38%
Personnel/ Employee benefit expenses	2,642	3,129	3,546	4,062	4,703
YoY (%)	19.18%	18.42%	13.35%	14.55%	15.76%
<i>Manufacturing & Other Expenses</i>	<i>896</i>	<i>1,040</i>	<i>1,160</i>	<i>1,315</i>	<i>1,514</i>
YoY (%)	8.98%	16.09%	11.61%	13.31%	15.12%
Total Expenditure	3,538	4,169	4,707	5,377	6,216
YoY (%)	33.53%	12.00%	17.68%	17.98%	18.70%
EBITDA	1,156	1,295	1,523	1,797	2,133
YoY (%)	33.53%	12.00%	17.68%	17.98%	18.70%
EBITDA Margin (%)	24.62%	23.70%	24.45%	25.05%	25.55%
Depreciation	336	427	537	607	691
EBIT	820	868	987	1,191	1,442
EBIT Margin (%)	17.47%	15.88%	15.84%	16.60%	17.27%
Interest Expenses	38	44	49	54	59
Non-operating/ Other income	69	108	143	165	192
PBT	851	1,100	1,082	1,302	1,576
Tax-Total	211	267	284	326	394
Net Profit	640	833	798	977	1,182
PAT Margin	13.64%	15.25%	12.80%	13.61%	14.15%
Shares o/s/ paid up equity sh capital	15	15	15	15	15
Adj EPS	42	55	52	64	78
Dividend payment	457	488	518	564	579
Dividend payout (%)	71.41%	58.55%	64.96%	57.73%	49.00%
Retained earnings	183	345	280	413	603

Balance sheet

Year-end March	FY24	FY25	FY26E	FY27E	FY28E
Sources of Funds					
Equity Share Capital	152	152	152	152	152
Reserves & Surplus/ Other Equity	2,302	2,443	2,722	3,135	3,737
Networth	2,455	2,595	2,874	3,287	3,890
Unsecured Loans/ Borrowings/ Lease Liabilities	447	632	685	743	809
Other Liabilities	93	80	84	89	93
Total Liabilities	3,676	4,193	4,648	5,285	6,156
Total Funds Employed	6,996	7,872	8,736	9,956	11,641
Application of Funds					
Net Fixed Assets	782	1,058	1,210	1,520	1,789
Capital WIP	0	0	0	0	0
Investments/ Notes/ Fair value measurement	563	827	943	1,086	1,264
Current assets	2,430	2,919	3,181	3,439	3,954
Inventory	0	0	0	0	0
Days	0	0	0	0	0
Debtors	657	719	930	1,077	1,256
Days	55	56	54	55	55
Other Current Assets	93	74	89	106	128
Cash and Cash equivalent	817	814	687	586	665
Current Liabilities/Provisions	865	1,084	1,213	1,384	1,595
Creditors / Trade Payables	419	444	492	567	660
Days	31	29	29	29	29
Liabilities	173	341	392	454	531
Net Current Assets	1,565	1,835	1,968	2,055	2,359
Total Asset	3,676	4,193	4,648	5,285	6,156
Total Capital Employed	2,111	2,358	2,681	3,230	3,797

Key Financials

Cash Flow Statement					
Year End-March	FY24	FY25	FY26E	FY27E	FY28E
Retained Earning	640	833	798	977	1,182
Adjustments: Add					
Depreciation and amortisation	336	427	537	607	691
Interest adjustment	-31	-64	-95	-112	-133
Trade receivables	-65	-62	-211	-147	-179
Trade payables	38	25	48	75	93
Other Liabilities and provisions	85	168	51	62	78
Other Assets	-18	-152	-77	-87	-100
Taxes	-33	154	0	0	0
Net cash from operating activities	491	637	513	784	1,018
Net Sale/(Purchase) of tangible and intangible assets, Capital work in progress	-400	-703	-688	-916	-960
Net Sale/(Purchase) of investments	-26	-157	27	22	14
Others	-70	7	-28	-51	-66
Net cash (used) in investing activities	-496	-853	-689	-945	-1,012
Interest expense	-4	165	29	33	39
Dividend paid	-305	-457	-488	-518	-564
Other financing activities	-482	-693	-518	-564	-579
Net cash (used) in financing activities	-30	-40	29	33	39
Closing Balance	820	823	695	593	672
FCF	60	168	-116	-32	171
Capex (% of sales)	431	546	611	717	860

Key Ratios					
Year-end March	FY24	FY25	FY26E	FY27E	FY28E
Solvency Ratios					
Debt / Equity	-	-	-	-	-
Net Debt / Equity	-0.20	-0.15	-0.07	0.00	0.05
Debt / EBITDA	0.00	0.00	0.00	0.00	0.00
Current Ratio	-0.54	-0.32	-0.15	-0.01	0.08
DuPont Analysis					
Sales/Assets	1.17	1.28	1.30	1.34	1.36
Assets/Equity	1.45	1.50	1.62	1.62	1.61
RoE	21.27%	26.07%	32.10%	27.75%	29.71%
Per share ratios					
Reported EPS	32.1	42.0	54.7	52.3	64.1
Dividend per share	20.0	30.0	32.0	34.0	37.0
BV per share	150.7	161.1	170.3	188.6	215.7
Cash per Share	59.1	53.6	53.4	45.1	38.5
Revenue per Share	256.2	308.0	358.5	408.8	470.8
Profitability ratios					
Net Profit Margin (PAT/Net sales)	11.24%	12.51%	13.64%	15.25%	12.80%
EBITDA / Net Sales	22.17%	24.62%	23.70%	24.45%	25.05%
EBIT / Net Sales	14.93%	17.47%	15.88%	15.84%	16.60%
ROCE (%)	22.22%	29.17%	27.91%	28.73%	30.53%
Activity ratios					
Inventory Days	0.0	0.0	0.0	0.0	0.0
Debtor Days	54.4	54.5	55.8	54.5	54.8
Creditor Days	29.5	31.1	28.8	28.8	28.8
Leverage ratios					
Interest coverage	15.9	21.6	19.6	20.3	22.2
Debt / Asset	0.0	0.0	0.0	0.0	0.0
Valuation ratios					
EV / EBITDA	13.79	10.41	9.44	8.14	6.99
PE (x)	25.39	19.38	14.89	15.55	12.70

Source: Company reports, Arianth Capital Research

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Stock Rating Scale

BUY
ACCUMULATE
HOLD
NEUTRAL
REDUCE
SELL

Absolute Return

>20%
12% to 20%
5% to 12%
-5% to 5%
-5% to -12%
<-12%

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