

HSENID BUSINESS SOLUTIONS PLC (HBS)

Recommendation: Buy

Target Price : 29.50

Sector: Application Software

Incorporated in 1997, is a multinational Human Resource Information System (HRIS) based business solutions provider, operating in the Software-as-a-Service (SaaS) space, fulfilling the entire gamut of HCM needs of SME and large enterprise customers. HsenidBiz is a leading provider of Human Capital Management (HCM) software, serving in Sri Lanka (~60% of revenue), APAC (23% of revenue) and MEA (17% of revenue). HBS flagship products include, PeoplesHR, which helps digitalize the entire hire-to-retain employee journey, serves over 1,700 organizations across 40 countries in more than 20 industries. Peoples HR cloud meanwhile contributes to 59% of revenue, On premise 20% , Tracking 10% Outsourcing 6% while other sources of revenue contributing to 5% of HBS revenue.

The exceptional restructuring and investment phase at hSenid is now largely complete, positioning the company for a materially improved cost base and operating leverage going forward: Over the past 2–3 years, the company invested heavily in market development and customer acquisition across its key geographies, with a front-loaded cost profile that also included a significant one-off restructuring expense. Under its “Simplifying to Scale” initiative, hSenid has, over recent quarters, removed internal complexities, streamlined operational processes, and built a more agile organisational backbone to support long-term expansion. These restructuring-related costs are not expected to recur, and the benefits of these investments are now becoming increasingly visible in the company’s SaaS performance metrics. hSenid now demonstrates strong unit economics, including a high Go-to-Market (GTM) spend efficiency of 154%, Net Revenue Retention (NRR) of 102%, and a low revenue churn rate of 5.5%—all broadly in line with or ahead of global SaaS benchmarks.

Furthermore, ARR (Annualized Recurring Revenue) is scaling steadily toward the USD 5.0 mn level, while recurring revenue now exceeds 70% of total revenue, comfortably covering the fixed cost base and significantly enhancing earnings visibility. We expect ARR to reach USD 8–10 mn by FY28–30, with recurring revenue rising toward 80%, which—combined with a normalized cost base—supports our view that hSenid is on track to return to profitability by 3Q FY26.

Strategic Market Expansion in SA, SEA & MEA : Following the momentum of FY24, hSenid continued to ramp up market development across South Asia, Southeast Asia, and the Middle East & Africa—regions with strong demand for cloud-based HCM solutions. The company expanded its partner-led GTM networks in markets such as Bangladesh, the Philippines, the UAE, Kenya, and East Africa, improving market reach and accelerating customer onboarding. These efforts strengthened brand visibility, enhanced acquisition efficiency, and diversified the revenue base. With SEA and MEA delivering higher deal sizes and faster ARR growth, hSenid’s focus on these regions positions it for stronger recurring revenue traction and margin improvement over the medium term.

Key Statistics

Market Cap (LKR Bn)	4.76
Market Cap (USD Mn)	15.88
Issued Quantity (Mn)	285.25
Current Trading Range	16.20/17.40
52 week High/Low	17.90/10.60
YTD High/Low	17.90/10.60
Valuation	
Market PE (x)	10.46
Market PBV (x)	1.56
HBS PE (x)	N/A
HBS PBV (x)	4.70
Bloomberg Ticker	HBSN SL
GICS Industry Group	Application Software

Prices as at 13.11.2025

Top shareholders as at 30.09.2025

Hsenid Ventures (Private) Limited	25.2%
Mr. K.P.R.B. De Silva	11.0%
Mr. Dinesh Saparamadu	10.3%
Mr. R.S.Captain	8.9%
Argent Capital (Private) Ltd	4.7%

Share price performance



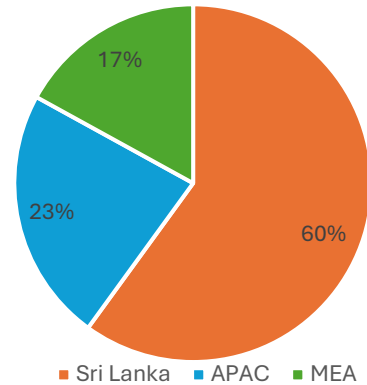
Source: HBS & ACS Research

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Enhancing customer interaction with PeoplesHR by leveraging AI to enhance the user interface and experience hSenid is rolling out a new AI-powered interface for PeoplesHR, aligned with the latest developments in HR technology. This modernized platform in our view, simplifies workflows, accelerates task completion, and delivers personalized interactions, improving customer satisfaction and retention. It also reduces support costs and encourages adoption of additional modules, strengthening recurring revenue and supporting margin expansion and long-term profitability.

hSenid Positioned for Scalable Growth and Profitability: We expect hSenid to return to profitability from 3Q FY26, driven by the completion of its restructuring and front-loaded investment phase, which has stabilized costs and established a scalable growth foundation. The company is poised to expand across South Asia, Southeast Asia, and MEA, supported by partner-led GTM networks and localized solutions. We estimate PeoplesHR Cloud, contributing >60% of revenue, together with AI-enhanced platform improvements, continues to strengthen recurring revenue, now over 70% of total revenue. Key SaaS metrics—including ARR near USD 5 mn, NRR of 102%, churn at 5.5%, and GTM efficiency of 154%—underscore robust unit economics. We forecast profits of LKR 26 Mn in FY26E, increasing to LKR 125 Mn in FY27E and LKR 165 Mn in FY28E. Based on a DCF valuation with an 18% WACC and a conservative 2% terminal growth rate, we derive a target price of LKR 29.50, representing 74% upside from the current market price of LKR 16.90. We thus recommend BUY.

Sri Lanka contributes to major part of Hsenid Revenue

**Mini Model**

YE Mar	2022	2023	2024	2025	2026E	2027E	2028E
Income Statement (LKR Mns)							
Revenue	1,091	1,464	1,645	1,818	2,198	2,625	3,243
Gross Profit	617	644	665	825	989	1,313	1,621
PAT	454	188	293	286	27	125	165
YoY Growth	117%	-59%	-256%	-2%	109%	371%	32%
Normalized PAT	167	117	(222)	(272)	27	125	165
EPS on current number of shares	1.59	0.66	(1.03)	(1.00)	0.09	0.44	0.58
GP Margin	57%	44%	40%	45%	45%	50%	50%
NAVPS on current number of shares	6.5	7.0	5.6	3.8	5.1	5.4	5.9
PE (x)	10.3	24.8	na	na	176.2	37.4	28.4
PBV (x)	2.6	2.4	3.0	4.5	3.3	3.1	2.9
Dividend payout	18%	51%	-118%	0%	10%	15%	15%
Dividend yield	1.8%	2.1%	7.4%	0%	0.1%	0.4%	0.5%

Source: HBS & ACS Research

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