

Technology

Result Preview



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Coforge

Cyient

HCL Tech.

Infosys

LTIMindtree

L&T Technology

Mphasis

Persistent Systems

TCS

Tech Mahindra

Wipro

Zensar Tech.

Deteriorating macro and wage hikes to impact earnings

Revenue growth to remain muted; margin to remain under pressure

- Our IT Services coverage universe is expected to deliver a weak median revenue growth of 0.4% QoQ and 5.3% YoY in 1QFY24. Major currencies have appreciated against USD (EUR +1.5% and GBP +3.0%), providing favorable tailwinds. However, we expect EBIT/PAT to decline 1.8% each QoQ, due to weak topline growth and the impact of wage hikes. For our IT Services coverage universe, we estimate USD Revenue/ INR EBIT/ INR PAT to grow at 5.3%/15.2%/16.0% YoY in 1QFY24.
- Overall the weakness in demand should continue in Q1FY24 with a significant hit on discretionary spends. Clients continue to focus on cost and efficiency-driven projects, while keeping the non-critical projects on hold. Though the deal pipeline remains healthy, weak macro will continue to impact revenue conversions, thereby creating near-term pressure on revenues.
- BFSI, Retail, Hi-Tech, and Manufacturing continue to exhibit sluggish performance. The demand in the US has deteriorated due to increasing inflation and declining consumer spending. On the other hand, demand in Europe remains relatively stable, similar to the levels in 4QFY23, and deal closures are progressing at a faster pace than in the US.
- Though the demand remains intact for selective verticals and service lines, there is a near-term weakness due to approval delays and heightened deal scrutiny. These factors may result in project deferrals and temporary pauses in project execution. Given the further deterioration in demand environment in 1QFY24, we do not anticipate a recovery in 2HFY24. The recovery is expected to be more gradual in nature and should occur only in FY25. Additionally, we see a risk of guidance moderation for INFO for FY24.
- We expect revenue growth of Tier-I companies to be in the range of -2.5% to +0.9% QoQ CC. Revenue of Tier-II players (Ex-LTTS) are expected to fall within a wider range of -1.2% to +3.3% QoQ in CC terms. LTTS is expected to grow 12.2% QoQ in CC terms, primarily attributable to the SWC acquisition.

INFO/LTTS to lead topline growth among Tier I/Tier II firms

- Revenue of Tier-I companies is expected to remain muted on account of weak macro, cuts in discretionary spends, and project delays. TECHM and WPRO should see a QoQ CC decline in revenues to the tune of (2.5%)/(1.8%), respectively. HCLT should remain flat, while INFO/LTIM/TCS should grow 0.9%/0.5%/0.3% sequentially on a CC basis. Overall, Tier-I companies are expected to exhibit flattish median revenues (+0.1% QoQ CC).
- Among Tier-II companies, we expect LTTS to grow by 12.2% QoQ CC, on account of the SWC acquisition. PSYS and COFOGRE should see good growth at 3.3%/3.2% QoQ CC, followed by ZENT and CYL at 1.3%/0.1% QoQ CC, while MPHL is expected to decline 1.2% QoQ CC.

Margin to remain under pressure on account of wage hikes

- The 1QFY24 margins will see impact from growth moderation and wage hikes. However, easing supply pressure, cooling off attrition, and improvements in utilization should help partially offset the impact.

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- Tier-I companies should post margins in the range of -140bp to +30bp. TCS should see a 140bp margin decline QoQ on wage hikes, while LTIM is expected to expand its margin by 30bp, sequentially. The Tier-II pack should be in the range of -130bp to +30bp QoQ, with LTTS taking 130bp margin hit in 1QFY24, largely on account of the SWC acquisition.
- Considering the near-term softness in demand and elevated hiring last year, we expect muted hiring in 1QFY24.

PAT to decline sequentially on muted revenue growth and wage hikes

- We expect our Tier-I IT coverage universe to post a PAT decline of 2.3% QoQ, while it should grow 15.3% YoY. The sequential decline would be led by TECHM at -14.6% QoQ, while LTIM should see a 9.5% QoQ growth, on account of margin improvement.
- Tier-II players should register a PAT growth of 6.8% QoQ/29.9% YoY, stronger than Tier-I firms, aided by revenue growth. COFORGE/ PSYS should see robust PAT growth of 14.5%/11.5% QoQ.

Prefer Tier I over Tier II companies; TCS remains our top pick

- With valuations correcting meaningfully over the last one year (IT services sector P/E at 21.1x, down 24% from the peak), we maintain our positive stance on the IT Services sector, supported by a favorable medium- to long-term demand outlook, despite some near-term pain.
- We continue to prefer Tier-I players over their Tier-II counterparts, given the former's attractive valuations, increased traction in vendor consolidation, and diversified client portfolios. Among Tier-I players, we prefer TCS, HCLT, and INFO. TCS remains best positioned to benefit from long-term structural tailwinds in Tech Services and should see a relative pick-up in growth, aided by clients' focus on cost optimization and efficiencies. HCLT is one of the key beneficiaries of Cloud adoption at scale, given its expertise in IMS. We expect INFO to be a key beneficiary of the acceleration in IT spending in the medium term.
- Among Tier-II players, we prefer CYL, as it is expected to register strong performance, aided by the revival in the aerospace vertical and the subsiding challenges in verticals such as railway.

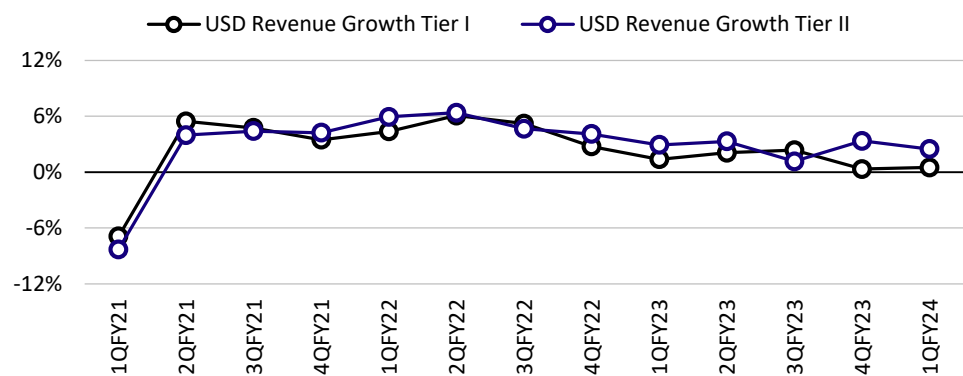
Exhibit 1: Expect Tier-I companies' revenue (USD) to grow 0.2% QoQ

Company	Revenue (USD m)					Revenue (INR b)				
	1QFY24E	4QFY23	QoQ (%)	1QFY23	YoY (%)	1QFY24E	4QFY23	QoQ (%)	1QFY23	YoY (%)
TCS	7,246	7,195	0.7	6,780	6.9	596	592	0.7	528	12.9
INFO	4,606	4,554	1.1	4,444	3.6	379	374	1.1	345	9.8
HCLT	3,245	3,235	0.3	3,025	7.3	267	266	0.3	235	13.7
WPRO	2,781	2,823	-1.5	2,736	1.6	230	232	-0.8	215	6.9
TECHM	1,635	1,668	-1.9	1,633	0.2	134	137	-2.0	127	5.8
LTIM	1,069	1,058	1.1	980	9.2	88	87	1.1	76	15.0
Tier I aggregate	20,582	20,532	0.2%	19,596	5.0	1,693	1,688	0.3%	1,526	11.0
Company	EBIT margin (%)					Adjusted PAT (INR b)				
	1QFY24E	4QFY23	QoQ (Bps)	1QFY23	YoY	1QFY24E	4QFY23	QoQ (%)	1QFY23	YoY (%)
TCS	23.1	24.5	-140.0	23.1	-	109.2	114.4	-4.6	95.2	14.7
INFO	21.1	21.0	10.0	20.1	110.0	63.3	61.3	3.1	53.6	18.0
HCLT	18.4	18.2	20.0	17.0	130.0	39.2	39.8	-1.4	32.8	19.6
WPRO	16.0	16.2	-20.0	14.8	120.0	29.5	30.9	-4.5	25.6	15.4
TECHM	10.6	11.2	-60.0	11.0	-40.0	11.5	13.4	-14.6	11.5	-0.1
LTIM	16.7	16.4	30.0	17.3	-60.0	12.2	11.1	9.5	11.1	10.3
Tier I aggregate	19.6	20.1	-50.0	19.0	60.0	265	271	-2.3	230	15.3

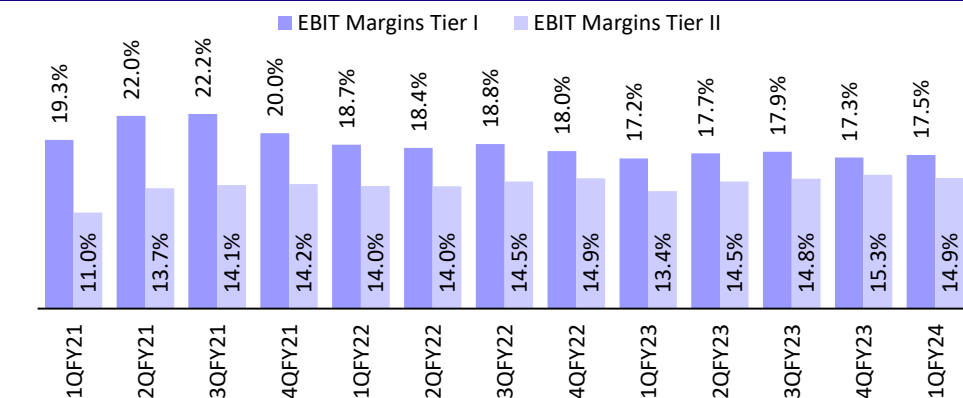
Exhibit 2: Expect Tier-II firms' revenue (USD) to grow 2.8% QoQ

Company	Revenue (USD m)					Revenue (INR b)				
	1QFY24E	4QFY23	QoQ (%)	1QFY23	YoY (%)	1QFY24E	4QFY23	QoQ (%)	1QFY23	YoY (%)
LTTS	287	255	12.4	240	19.7	23.6	21.0	12.4	18.7	25.8
MPHL	408	412	-0.9	436	-6.3	33.6	33.9	-1.0	33.9	-1.0
COFORGE	275	264	4.0	239	15.2	22.6	21.7	4.1	18.3	23.5
PSYS	284	275	3.6	242	17.8	23.4	22.5	3.7	18.8	24.5
ZENT	150	148	1.4	156	-4.1	12.3	12.1	1.4	12.0	2.1
CYL	207	213	-3.0	162	27.9	17.0	17.5	-3.0	12.5	35.9
Tier II aggregate	1,610	1,567	2.8	1,473	9.3	132.4	128.7	2.8	114.3	15.9
Company	EBIT margin (%)					Adjusted PAT (INR b)				
	1QFY24E	4QFY23	QoQ (Bps)	1QFY23	YoY	1QFY24E	4QFY23	QoQ (%)	1QFY23	YoY (%)
LTTS	17.4	18.7	-130.0	18.3	-90.0	3.4	3.1	8.6	2.7	22.7
MPHL	15.3	15.2	10.0	15.3	-	4.1	4.1	0.1	4.0	0.9
COFORGE	14.5	15.5	-90.0	12.5	200.0	2.7	2.3	14.5	1.5	77.6
PSYS	15.3	15.4	-10.0	14.3	100.0	2.8	2.5	11.5	2.1	32.5
ZENT	11.9	11.6	30.0	7.2	470.0	1.2	1.2	-0.9	0.8	57.4
CYL	14.4	14.3	10.0	11.5	290.0	1.9	1.8	7.7	1.2	63.5
Tier II aggregate	15.1	15.4	-30.0	13.9	120.0	16.0	14.9	6.8	12.3	29.9

Source: Company, MOFSL

Exhibit 3: Growth will continue to remain muted on weak macro environment

Source: MOFSL, Company

Exhibit 4: Tier I should perform better on margin

Source: MOFSL, Company

Exhibit 5: Cross-currency growth and impact on our estimates for 1QFY24

	CC USD growth QoQ (%)	USD growth QoQ (%)	Cross-currency impact (bp)
TCS	0.3	0.7	40
INFO	0.9	1.1	20
WPRO	-0.1%	0.3	40
HCLT	-1.8	-1.5	30
TECHM	-2.5	-1.9	60
LTIM	0.5	1.1	60
LTTS	12.2	12.4	20
MPHL	-1.2	-0.9	30
COFORGE	3.2	4.0	80
PSYS	3.3	3.6	30
ZENT	1.3	1.4	10
CYL (Services)	0.3	0.6	30

Source: Company, MOFSL

Exhibit 6: Currency highlights (INR) in 1QFY24

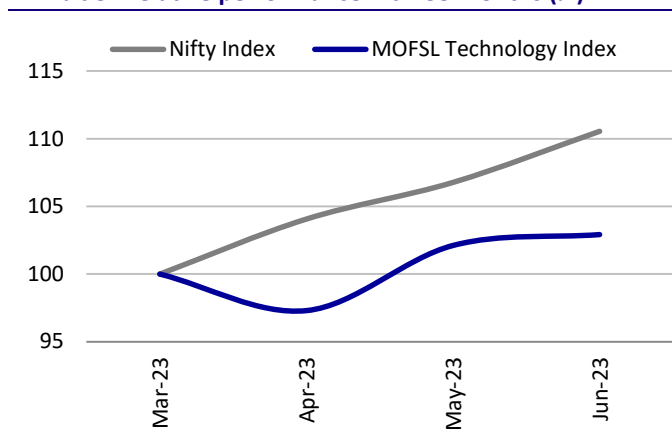
	Rates (INR)				Change (QoQ)			
	USD	EUR	GBP	AUD	USD	EUR	GBP	AUD
Average	82.20	89.47	102.81	54.94	-0.03%	1.43%	2.95%	-2.38%
Closing	81.95	89.39	104.36	54.74	-0.51%	0.79%	3.39%	0.02%

Source: Bloomberg, MOFSL

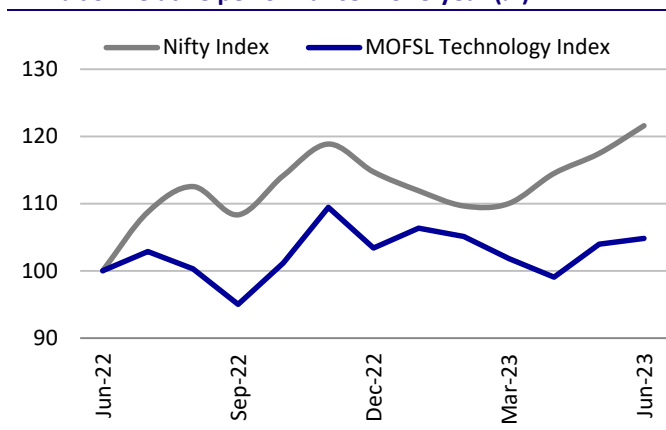
Exhibit 7: Currency highlights (USD) in 1QFY24

	Rates (USD)			Change (QoQ)		
	EUR	GBP	AUD	EUR	GBP	AUD
Average	1.09	1.25	0.67	1.46%	2.99%	-2.35%
Closing	1.09	1.27	0.67	1.31%	3.92%	0.53%

Source: Bloomberg, MOFSL

Exhibit 8: Relative performance – three-months (%)

Source: Bloomberg, MOFSL

Exhibit 9: Relative performance – one-year (%)

Source: Bloomberg, MOFSL

Exhibit 10: Changes to our estimates

	Revised EPS (INR)		Earlier EPS (INR)		Change (%)	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
TCS	130	152	132	154	-2.0	-1.5
INFO	62	71	63	72	-2.2	-1.9
HCLT	59	68	61	69	-2.5	-1.8
WPRO	22	25	22	26	-1.9	-1.8
TECHM	57	69	60	72	-5.5	-3.7
LTIM	170	212	178	216	-4.3	-1.6
LTTS	131	154	132	155	-0.9	-1.1
MPHL	89	110	91	111	-2.0	-1.6
COFORGE	183	200	178	195	3.2	2.8
PSYS	158	186	162	187	-2.2	-0.7
ZENT	21	24	21	24	1.0	0.5
CYL	70	82	74	85	-5.4	-4.1

Source: Company, MOFSL

Exhibit 11: Expected quarterly performance summary

Companies	CMP		Sales (INR b)			EBIT (INR b)			Adjusted net profit (INR b)		
	(INR)	Rating	Jun'23E	Variance YoY (%)	Variance QoQ (%)	Jun'23E	Variance YoY (%)	Variance QoQ (%)	Jun'23E	Variance YoY (%)	Variance QoQ (%)
TCS	3,301	Buy	595.6	12.9	0.7	137.6	12.9	-5.0	109.2	14.7	-4.6
INFO	1,335	Buy	378.6	9.8	1.1	80.0	15.7	1.6	63.3	18.0	3.1
HCLT	1,188	Buy	266.7	13.7	0.3	49.0	22.7	1.3	39.2	19.6	-1.4
WPRO	389	Neutral	230.0	6.9	-0.8	36.9	15.6	-1.9	29.5	15.4	-4.5
TECHM	1,131	Neutral	134.4	5.8	-2.0	14.2	1.5	-6.9	11.5	-0.1	-14.6
LTIM	5,198	Neutral	87.9	15.0	1.1	14.7	11.0	3.3	12.2	10.3	9.5
MPHL	1,893	Neutral	33.6	-1.0	-1.0	5.1	-1.3	-0.2	4.1	0.9	0.1
LTTS	3,932	Buy	23.6	25.8	12.4	4.1	19.4	4.4	3.4	22.7	8.6
PSYS	5,010	Neutral	23.4	24.5	3.7	3.6	33.1	3.2	2.8	32.5	11.5
COFORGE	4,711	Neutral	22.6	23.5	4.1	3.3	43.3	-2.2	2.7	77.6	14.5
CYL	1,501	Buy	17.0	35.9	-3.0	2.4	70.4	-2.0	1.9	63.5	7.7
ZENT	387	Neutral	12.3	2.1	1.4	1.5	67.9	3.9	1.2	57.4	-0.9
Sector aggregate (INR b)			1,825.7	11.3	0.5	352.4	15.2	-1.8	280.8	16.0	-1.8

Source: Company, MOFSL

Exhibit 12: Comparative valuations

Company	CMP (INR)	M-cap (INR b)	Target Price	Upside/Downside	EPS (INR)		EPS CAGR (%)	Dividend yield (%)	P/E (x)	
					FY24E	FY25E			FY24E	FY25E
TCS	3,301	12,077	3,800	15%	129.7	151.9	14.8	3.5	25.5	21.7
INFO	1,335	5,541	1,500	12%	61.9	71.0	11.3	2.5	21.6	18.8
HCLT	1,188	3,212	1,365	15%	59.0	68.1	11.5	4.0	20.1	17.4
WPRO	389	2,135	380	-2%	21.5	25.1	10.0	0.3	18.1	15.5
TECHM	1,131	1,102	1,110	-2%	56.5	69.4	10.1	4.4	20.0	16.3
LTIM	5,198	1,538	4,880	-6%	170.1	212.1	18.2	1.2	30.6	24.5
MPHL	1,893	358	1,860	-2%	89.4	109.5	12.2	2.8	21.2	17.3
LTTS	3,932	415	4,610	17%	130.8	153.7	17.9	1.1	30.1	25.6
PSYS	5,010	385	4,840	-3%	158.5	186.1	22.3	0.9	31.6	26.9
COFORGE	4,711	288	4,610	-2%	183.4	200.4	23.9	1.4	25.7	23.5
CYL	1,501	166	1,720	15%	69.9	81.8	25.0	1.7	21.5	18.4
ZENT	387	88	390	1%	20.9	24.3	30.1	1.3	18.5	15.9

Source: Company, MOFSL

The tables below provide a snapshot of actual and estimated numbers for IT companies under the MOFSL coverage universe. Highlighted columns indicate the quarter/financial year under review.

Coforge

Neutral
CMP INR4711 | TP: INR4610 (-2%)
EPS CHANGE (%): FY24|25: 3.2|2.8

- Growth momentum should stay intact in 1QFY24 with 3.2% QoQ CC growth, translating to ~80bp cross-currency tailwind.
- EBITDA margin (Pre-RSU) is expected to moderate by 100bp, on account of wage hikes.
- Commentary on demand environment should be the key monitorable.

Quarterly performance (Ind-AS)

Y/E March	FY23				FY24E				FY23	FY24E
(Consolidated)	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Rev. (USD m)	239	247	252	264	275	284	293	305	1,002	1,157
QoQ (%)	2.7	3.4	1.9	5.0	4.0	3.3	3.2	4.0	15.6	15.5
Revenue (INR m)	18,294	19,594	20,558	21,700	22,596	23,285	24,041	24,999	80,146	94,921
YoY (%)	25.2	24.9	24.0	24.5	23.5	18.8	16.9	15.2	24.6	18.4
GPM (%)	30.4	32.0	33.4	34.1	32.8	34.0	34.0	34.0	32.5	33.7
SGA (%)	13.9	13.7	14.9	14.5	14.2	15.0	15.0	15.0	14.3	14.8
EBITDA (INR m)	2,922	3,449	3,615	4,076	4,029	4,245	4,382	4,557	14,062	17,212
EBITDA margin (%)	16.0	17.6	17.6	18.8	17.8	18.2	18.2	18.2	17.5	18.1
EBIT (INR m)	2,292	2,835	2,991	3,359	3,284	3,478	3,591	3,734	11,477	14,086
EBIT margin (%)	12.5	14.5	14.5	15.5	14.5	14.9	14.9	14.9	14.3	14.8
Other income	-76	-150	83	-487	113	116	120	125	-630	475
ETR (%)	22.2	17.7	23.3	18.3	23.0	23.0	23.0	23.0	20.4	23.0
Minority Interest	-222.0	-195.0	-77.0	-19.0	49.3	49.2	49.2	49.2	-513.0	196.9
Adj. PAT	1,501	2,016	2,282	2,327	2,665	2,817	2,907	3,020	8,126	11,409
QoQ (%)	-29.3	34.3	13.2	2.0	14.5	5.7	3.2	3.9		
YoY (%)	10.3	32.7	21.1	9.6	77.6	39.7	27.4	29.8	18.0	40.4
Adj. EPS (INR)	24.2	32.5	36.7	37.4	42.8	45.3	46.7	48.5	130.6	183.4

Cyient

Buy
CMP INR1501 | TP: INR1720 (+15%)
EPS CHANGE (%): FY24|25: -5.4|-4.1

- Expect 0.3% QoQ CC growth for services in 1QFY24 on a high base of strong growth over the last few quarters.
- The aerospace and railway sectors are expected to continue performing well, while the semi-conductor and medical devices sectors should remain a drag.
- While services margins should see good sequential expansion, expect overall margin to remain largely flat sequentially.
- The commentary on demand and margins to be the key monitorable.

Quarterly performance

Y/E March	FY23				FY24E				FY23	FY24E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Revenue (USD m)	162	175	197	213	207	212	218	230	746	866
QoQ (%)	3.1	8.2	12.7	8.1	-3.0	2.4	3.2	5.2	22.7	16.1
Revenue (INR m)	12,501	13,962	16,182	17,514	16,984	17,346	17,907	18,833	60,159	71,070
YoY (%)	18.1	25.6	36.7	48.3	35.9	24.2	10.7	7.5	32.7	18.1
GPM (%)	36.8	38.4	37.8	38.0	38.8	37.5	37.8	38.4	37.8	38.1
SGA (%)	21.2	22.0	20.6	19.6	20.0	19.8	19.6	19.7	20.8	19.8
EBITDA	1,946	2,290	2,785	3,222	3,193	3,070	3,259	3,522	10,243	13,044
EBITDA margin (%)	15.6	16.4	17.2	18.4	18.8	17.7	18.2	18.7	17.0	18.4
EBIT	1,435	1,660	2,086	2,496	2,446	2,307	2,471	2,693	7,677	9,917
EBIT margin (%)	11.5	11.9	12.9	14.3	14.4	13.3	13.8	14.3	12.8	14.0
Other income	160	-148	60	-257	68	69	72	75	-185	284
ETR (%)	27.2	19.4	24.1	21.3	24.5	24.5	24.5	24.5	23.0	24.5
Adj. PAT	1,161	1,218	1,628	1,762	1,898	1,794	1,920	2,090	5,769	7,702
QoQ (%)	-24.7	4.9	33.7	8.2	7.7	-5.5	7.0	8.9		
YoY (%)	0.9	0.5	23.7	14.3	63.4	47.3	17.9	18.6	10.5	33.5
EPS (INR)	10.6	11.1	14.8	16.0	17.2	16.3	17.4	19.0	52.4	69.9

HCL Technologies**Buy****CMP INR1188 | TP: INR1365 (+15%)****EPS CHANGE (%): FY24|25: -2.5|-1.8**

- Revenue growth is expected to remain muted, on account of the impact of productivity gains, slowdown in small deals, and the impact of cancellations in ER&D.
- Expect HCL Software (P&P) to perform in line with seasonal trends.
- HCLT should see a 20bp margin improvement despite a slower revenue growth.
- Commentary on the near-term demand environment and ER&D to be the key monitorables.

Quarterly performance

Y/E March	FY23				FY24E				FY23	FY24E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Revenue (USD m)	3,025	3,082	3,244	3,235	3,245	3,286	3,438	3,468	12,586	13,437
QoQ (%)	1.1	1.9	5.3	-0.3	0.3	1.3	4.6	0.9	9.6	6.8
Revenue (INR b)	235	247	267	266	267	269	282	284	1,015	1,102
YoY (%)	16.9	19.5	19.6	17.7	13.7	9.2	5.6	6.9	18.5	8.7
GPM (%)	35.8	35.8	37.4	36.5	36.7	35.4	35.9	36.4	36.4	36.1
SGA (%)	12.9	12.2	12.0	12.8	12.8	12.5	12.0	12.8	12.5	12.5
EBITDA	50	54	63	59	60	58	63	63	226	244
EBITDA margin (%)	21.1	22.0	23.7	22.3	22.4	21.4	22.4	22.1	22.3	22.1
EBIT	40	44	52	48	49	47	52	52	185	199
EBIT margin (%)	17.0	17.9	19.6	18.2	18.4	17.4	18.4	18.1	18.2	18.1
Other income	3	2	1	4	3	3	3	3	10	11
ETR (%)	24.3	23.9	23.8	23.4	24.0	24.0	24.0	24.0	23.8	24.0
Adjusted PAT	33	35	41	40	39	38	42	41	148	160
QoQ (%)	-8.7	6.3	17.4	-2.8	-1.4	-4.1	10.7	-0.6		
YoY (%)	2.1	6.9	19.0	10.8	19.6	7.9	1.8	4.0	9.9	7.8
EPS	12.1	12.9	15.1	14.7	14.5	13.9	15.4	15.3	54.8	59.0

Infosys**Buy****CMP INR1335 | TP: INR1500 (+12%)****EPS CHANGE (%): FY24|25: -2.0|-1.7**

- Expect muted revenue growth, on account of project cancellations. We see the risk of guidance moderation for FY24.
- Operating margin to decline by 100bp, due to muted revenue performance and wage hike.
- Deal wins to remain resilient. INFO has few mega deals in pipeline.
- Outlook on discretionary spends, deals, margins, and FY24 guidance are key things to be watched out for.

Quarterly performance (IFRS)

Y/E March	FY23				FY24E				FY23	FY24E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Revenue (USD m)	4,444	4,555	4,659	4,554	4,606	4,690	4,782	4,924	18,212	19,002
QoQ (%)	3.8	2.5	2.3	-2.3	1.1	1.8	1.9	3.0	11.7	4.3
Revenue (INR b)	345	365	383	374	379	385	392	404	1,468	1,559
YoY (%)	23.6	23.4	20.2	16.0	9.8	5.3	2.3	7.8	20.7	6.2
GPM (%)	29.3	30.5	30.7	30.5	30.6	29.6	30.0	31.0	30.3	30.3
SGA (%)	9.2	8.9	9.2	9.5	9.4	9.4	9.4	9.4	9.2	9.4
EBITDA	79	89	93	90	90	88	91	98	351	474
EBITDA margin (%)	22.9	24.4	24.4	23.9	23.8	22.8	23.2	24.2	23.9	30.4
EBIT	69	79	82	79	80	77	80	87	309	325
EBIT margin (%)	20.1	21.5	21.5	21.0	21.1	20.1	20.5	21.5	21.1	20.8
Other income	6	5	7	6	6	7	7	7	24	27
ETR (%)	28.8	28.2	26.3	27.5	26.5	26.5	26.5	26.5	27.7	26.5
PAT	54	60	66	61	63	62	64	69	241	258
QoQ (%)	-5.7	12.3	9.4	-7.0	3.0	-2.4	4.3	7.6		
YoY (%)	3.2	11.1	13.4	7.8	17.8	2.3	-2.5	12.8	9.0	7.1
EPS (INR)	12.8	14.3	15.7	14.8	15.2	14.8	15.5	16.7	57.3	61.9

LTIMindtree

Neutral
CMP INR5198 | TP: INR4880 (-6%)
EPS CHANGE (%): FY24|25: -4.3|-1.6

- LTIM should see muted growth in 1QFY24. We expect LTIM to grow 0.5% QoQ CC in 1QFY24.
- We expect margins to see a 30bp improvement in 1QFY24.
- Hi-Tech is expected to do well in 1QFY24, while BFSI is likely to experience some impact.
- Commentary about the demand environment and the deal pipeline remains the key monitorable.

Quarterly performance

Y/E March	FY23				FY24E				FY23	FY24E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Revenue (USD m)	980	1,022	1,047	1,058	1,069	1,095	1,137	1,180	4,106	4,482
QoQ (%)	3.7	4.3	2.4	1.0	1.1	2.4	3.8	3.7	17.2	9.2
Revenue (INR m)	76,439	82,278	86,200	86,910	87,891	89,819	93,255	96,742	3,31,827	3,67,707
YoY (%)	32.8	29.5	25.3	20.7	15.0	9.2	8.2	11.3	33.6	10.8
GPM (%)	29.9	30.8	28.6	29.9	30.2	29.0	29.5	30.7	29.8	29.9
SGA (%)	10.4	11.0	11.7	11.4	11.4	11.3	11.3	11.3	11.2	11.3
EBITDA	14,889	16,356	14,548	16,037	16,524	15,898	16,972	18,751	61,830	68,144
EBITDA margin (%)	19.5	19.9	16.9	18.5	18.8	17.7	18.2	19.4	18.6	18.5
EBIT	13,225	14,397	12,767	14,214	14,678	14,012	15,014	16,719	54,603	60,423
EBIT margin (%)	17.3	17.5	14.8	16.4	16.7	15.6	16.1	17.3	16.5	16.4
Other income	1,540	1,233	1,139	228	1,582	1,617	1,679	1,741	4,140	6,619
ETR (%)	25.1	23.9	22.3	22.9	25.0	25.0	25.0	25.0	23.6	25.0
Adj. PAT	11,060	11,890	10,807	11,141	12,195	11,721	12,520	13,845	44,898	50,281
QoQ (%)	-0.4	7.5	-9.1	3.1	9.5	-3.9	6.8	10.6		
YoY (%)	31.6	25.1	2.9	0.3	10.3	-1.4	15.8	24.3	14.8	12.0
EPS (INR)	36.1	40.1	35.4	37.6	41.3	39.7	42.4	46.9	151.8	170.1

LTTS

Buy
CMP INR3932 | TP: INR4610 (+17%)
EPS CHANGE (%): FY24|25: -0.9|-1.1

- We expect ~12.2% QoQ CC growth, on account of the SWC acquisition.
- LTTS should see a 130bp margin contraction, largely on account of lower margin SWC.
- The deal pipeline, new deal wins, and client budgets are key monitorables.

Quarterly performance

Y/E March	FY23				FY24E				FY23	FY24E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Revenue (USD m)	240	247	248	255	287	293	301	311	990	1,191
QoQ (%)	3.2	3.2	0.4	2.9	12.4	2.2	2.7	3.3	12.4	20.4
Revenue (INR m)	18,737	19,951	20,486	20,962	23,567	24,026	24,666	25,492	80,136	97,750
YoY (%)	23.4	24.1	21.4	19.4	25.8	20.4	20.4	21.6	22.0	22.0
GPM (%)	33.0	32.1	33.0	32.5	32.2	31.2	32.2	32.7	32.6	32.1
SGA (%)	11.6	11.0	11.5	11.0	12.0	12.0	12.0	12.0	11.3	12.0
EBITDA	4,010	4,218	4,412	4,492	4,760	4,613	4,982	5,268	17,132	19,623
EBITDA margin (%)	21.4	21.1	21.5	21.4	20.2	19.2	20.2	20.7	21.4	20.1
EBIT	3,434	3,628	3,829	3,927	4,101	3,940	4,292	4,554	14,818	16,886
EBIT margin (%)	18.3	18.2	18.7	18.7	17.4	16.4	17.4	17.9	18.5	17.3
Other income	340	261	627	392	448	456	469	484	1,620	1,857
ETR (%)	27.1	27.2	31.6	28.0	26.0	26.0	26.0	26.0	28.6	26.0
PAT	2,742	2,824	3,036	3,096	3,364	3,252	3,521	3,726	11,698	13,862
QoQ (%)	4.7	3.0	7.5	2.0	8.6	-3.3	8.3	5.8		
YoY (%)	26.8	22.8	22.0	18.2	22.7	15.1	16.0	20.4	22.2	18.5
EPS (INR)	26.0	26.7	28.7	29.2	31.7	30.7	33.2	35.2	110.5	130.8

Mphasis**Neutral****CMP INR1893 | TP: INR1860 (-2%)****EPS CHANGE (%): FY24|25: -2.0|-1.6**

- The softness is expected to continue in 1QFY24 with a 1.2% decline in CC revenue due to the weakness in DR.
- We expect the DXC business to continue to decline, although the pace of decline should moderate.
- We expect margins to remain flat QoQ in 1QFY24.
- The outlook on BFSI and FY24 remains the key monitorable.

Quarterly performance

Y/E March	FY23				FY24E				FY232	FY24E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Revenue (USD m)	436	440	429	412	408	416	425	439	1,718	1,688
QoQ (%)	1.2	1.0	-2.5	-4.1	-0.9	1.9	2.1	3.4	7.8	-1.7
Revenue (INR m)	34,113	35,198	35,062	33,612	33,559	34,106	34,820	35,998	1,37,985	1,38,483
YoY (%)	26.8	22.7	12.2	2.5	-1.6	-3.1	-0.7	7.1	15.4	0.4
GPM (%)	29.8	28.1	28.5	29.2	29.4	29.5	29.7	29.7	28.9	29.6
SGA (%)	12.2	10.5	10.8	11.4	11.6	11.7	11.7	11.7	11.2	11.7
EBITDA	6,001	6,177	6,175	5,987	5,973	6,071	6,268	6,472	24,340	24,784
EBITDA margin (%)	17.6	17.5	17.6	17.8	17.8	17.8	18.0	18.0	17.6	17.9
EBIT	5,205	5,376	5,354	5,152	5,140	5,224	5,403	5,578	21,087	21,344
EBIT margin (%)	15.3	15.3	15.3	15.3	15.3	15.3	15.5	15.5	15.3	15.4
Other income	125	174	156	189	268	273	279	288	644	1,108
ETR (%)	24.6	24.6	25.2	24.1	25.0	25.0	25.0	25.0	24.6	25.0
PAT	4,020	4,184	4,123	4,053	4,056	4,122	4,261	4,399	16,380	16,839
QoQ (%)	2.5	4.1	-1.5	-1.7	0.1	1.6	3.4	3.2		
YoY (%)	18.3	17.1	15.3	3.4	0.9	-1.5	3.3	8.5	13.2	2.8
EPS (INR)	21.2	22.1	21.8	21.5	21.5	21.9	22.6	23.4	86.9	89.4

Persistent Systems**Neutral****CMP INR5010 | TP: INR4840 (-3%)****EPS CHANGE (%): FY24|25: -2.2|-0.7**

- Expect a growth rate of 3.3% QoQ CC, amid weakness in BFSI and healthcare. Hi-tech continues to remain resilient.
- Margin should largely remain flat QoQ on an adjusted basis. Expect a 150-200bp one-time impact of gifts given to the employees.
- Deal wins should remain softer than 4QFY23, on account of deal push-outs.
- Medium-term growth and margin outlook should be the key monitorables.

Quarterly performance (IFRS)

Y/E March (Consolidated)	FY23				FY24E				FY23	FY24E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Revenue (USD m)	241.5	255.6	264.4	274.6	284.4	293.8	302.4	312.0	1,036	1,192
QoQ (%)	11.1	5.8	3.4	3.9	3.6	3.3	2.9	3.2	35.3	15.1
Revenue (INR m)	18,781	20,486	21,694	22,545	23,377	24,147	24,855	25,643	83,506	98,021
QoQ (%)	14.7	9.1	5.9	3.9	3.7	3.3	2.9	3.2		
YoY (%)	52.7	51.6	45.4	37.6	24.5	17.9	14.6	13.7	46.2	17.4
GPM (%)	33.8	33.5	33.8	33.9	33.8	34.0	34.3	34.7	33.8	34.2
SGA (%)	16.1	15.5	15.3	15.5	15.4	15.3	15.3	15.3	15.6	15.3
EBITDA	3,333	3,680	4,016	4,163	4,301	4,515	4,722	4,975	15,191	18,514
EBITDA margin (%)	17.7	18.0	18.5	18.5	18.4	18.7	19.0	19.4	18.2	18.9
EBIT	2,688	2,987	3,332	3,466	3,577	3,767	3,952	4,180	12,472	15,475
EBIT margin (%)	14.3	14.6	15.4	15.4	15.3	15.6	15.9	16.3	14.9	15.8
Other income	131	-31	192	-60	187	193	199	205	233	784
ETR (%)	24.9	25.6	24.1	26.2	25.5	25.5	25.5	25.5	25.2	25.5
PAT	2,116	2,200	2,676	2,515	2,804	2,950	3,092	3,267	9,507	12,113
QoQ (%)	5.3	4.0	21.6	-6.0	11.5	5.2	4.8	5.6		
YoY (%)	33.3	36.0	51.7	25.1	32.5	34.1	15.6	29.9	36.2	27.4
EPS (INR)	27.7	28.8	31.1	32.9	36.7	38.6	40.5	42.7	124.4	158.5

TCS**Buy****CMP INR3301 | TP: INR3800 (+15%)****EPS CHANGE (%): FY24|25: -2.0|-1.5**

- Expect muted revenue growth on account of project cancellations and delays. Discretionary spends continue to remain under pressure.
- EBIT margin is expected to decline 140bp, on account of wage hikes and weak revenue growth.
- The deal pipeline should remain resilient.
- Outlook on near-term demand environment, BFSI, and deal wins are the key monitorables.

Quarterly performance (IFRS)

Y/E March	FY23				FY24E				FY23	FY24E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
IT Services Revenue (USD m)	6,780	6,877	7,075	7,195	7,246	7,385	7,552	7,797	27,927	29,980
QoQ (%)	1.3	1.4	2.9	1.7	0.7	1.9	2.3	3.2	8.6	7.4
Overall Revenue (INR b)	528	553	582	592	596	606	619	639	2,255	2,460
QoQ (%)	4.3	4.8	5.3	1.6	0.7	1.7	2.3	3.2		
YoY (%)	16.2	18.0	19.1	16.9	12.9	9.5	6.3	8.1	17.6	9.1
GPM (%)	38.4	39.5	40.1	40.1	38.7	39.7	40.3	40.8	39.6	39.9
SGA (%)	15.3	15.5	15.5	15.7	15.6	15.5	15.4	15.4	15.5	15.5
EBITDA	134	145	156	157	150	159	167	175	591	650
EBITDA margin (%)	25.3	26.2	26.8	26.5	25.1	26.2	26.9	27.4	26.2	26.4
EBIT	122	133	143	145	138	147	154	162	542	600
EBIT margin (%)	23.1	24.0	24.5	24.5	23.1	24.2	24.9	25.4	24.1	24.4
Other income	6	8	4	9	9	10	10	10	27	39
PBT	128	141	146	154	147	156	164	172	569	639
ETR (%)	25.5	25.8	25.7	25.7	25.5	25.5	25.5	25.5	25.7	25.5
Adj. PAT	95	105	109	114	109	116	122	128	423	476
Exceptional items	0	0	0	0	0	0	0	0	0	0
Reported PAT	95	105	109	114	109	116	122	128	423	476
QoQ (%)	-4.4	9.9	4.0	5.1	-4.6	6.6	5.0	5.0		
YoY (%)	5.4	8.4	11.0	14.8	14.7	11.2	12.3	12.3	10.0	12.6
EPS (INR)	26.0	28.5	29.6	31.1	29.7	31.7	33.3	35.0	115.3	129.7

Tech Mahindra**Neutral****CMP INR1131 | TP: INR1110 (-2%)****EPS CHANGE (%): FY24|25: -5.5|-3.7**

- CME is expected to see a sharp dip in 1QFY24. Enterprise will also remain muted on weak BFSI. We expect a revenue decline of 2.5% QoQ CC in 1QFY24.
- We expect deal wins to remain muted in 1QFY24, due to prolonged conversion timelines.
- Hiring to remain muted; expect further decline in headcount. Margin is expected to take further hit in 1QFY24.
- The outlook on margin and growth in the CME vertical will be the key monitorable.

Quarterly performance

Y/E March	FY23				FY24E				FY23	FY24E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Revenue (USD m)	1,633	1,638	1,668	1,668	1,635	1,658	1,691	1,739	6,607	6,724
QoQ (%)	1.5	0.3	1.8	0.0	-1.9	1.4	2.0	2.8	10.1	1.8
Revenue (INR b)	127	131	137	137	134	136	139	143	533	552
YoY (%)	24.6	20.7	19.9	13.2	5.8	3.6	1.0	4.0	19.4	3.5
GPM (%)	28.3	27.9	28.7	28.9	28.7	28.7	29.5	29.8	28.5	29.2
SGA (%)	13.5	12.8	13.1	14.2	14.5	14.0	14.0	14.0	13.4	14.1
EBITDA	19	20	21	20	19	20	21	22	80	83
EBITDA margin (%)	14.8	15.1	15.6	14.7	14.2	14.7	15.5	15.8	15.1	15.1
EBIT	14	15	16	15	14	15	17	17	61	63
EBIT margin (%)	11.0	11.4	12.0	11.2	10.6	11.1	11.9	12.2	11.4	11.5
Other income	1	2	1	2	1	1	1	1	6	6
ETR (%)	22.8	21.4	27.3	22.9	26.5	26.5	26.5	26.5	23.7	26.5
Adj. PAT	11	13	13	13	11	12	13	14	51	50
QoQ (%)	-24.9	15.8	-1.0	2.6	-14.8	5.6	8.8	5.1		
YoY (%)	-16.4	-2.2	-5.3	-11.6	0.2	-8.6	0.5	2.9	-8.9	-1.3
Extra-Ordinary Item	0.0	-0.2	0.0	-2.1	0.0	0.0	0.0	0.0	-2.4	0.0
Reported PAT	11	13	13	11	11	12	13	14	48	50
EPS (INR)	12.8	14.8	14.7	15.0	12.8	13.5	14.7	15.5	57.3	56.5

Wipro**Neutral****CMP INR389 | TP: INR380 (-2%)****EPS CHANGE (%): FY24|25: -1.9|-1.8**

- BFSI and Tech remain under pressure, while utility is doing good. Revenue growth is expected to remain muted and within the guidance range provided in 4QFY23.
- Consulting should remain soft. Clients continue to cut discretionary spending.
- Margins should remain under pressure, due to weak revenue performance.
- Commentary about revenue conversion, consulting, and demand environment will be key monitorables.

Quarterly performance (IFRS)

Y/E March	FY23				FY24E				FY23	FY24E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
IT Services Revenue (USD m)	2,736	2,798	2,804	2,823	2,781	2,813	2,867	2,936	11,160	11,396
QoQ (%)	0.5	2.3	0.2	0.7	-1.5	1.2	1.9	2.4	7.8	2.1
Overall Revenue (INR b)	215	225	232	232	230	232	236	242	905	940
QoQ (%)	3.2	4.7	3.1	-0.2	-0.8	0.7	2.0	2.5		
YoY (%)	17.9	14.6	14.4	11.2	6.9	2.8	1.7	4.4	14.4	3.9
GPM (%)	27.7	27.3	29.7	29.8	29.4	28.6	29.1	29.5	28.7	29.2
SGA (%)	13.4	13.4	14.1	14.0	13.8	13.8	13.8	13.8	13.7	13.8
EBITDA	40	41	46	46	45	44	46	48	173	183
EBITDA margin (%)	18.5	18.1	19.9	19.9	19.7	18.9	19.4	19.8	19.1	19.5
IT Services EBIT (%)	15.0	15.1	16.3	16.3	16.2	15.4	15.9	16.3	15.7	16.0
EBIT margin (%)	14.8	14.4	16.2	16.2	16.0	15.2	15.7	16.2	15.4	15.8
Other income	2	2	2	3	1	1	1	1	8	5
ETR (%)	23.6	22.5	22.9	23.0	22.5	22.5	22.5	22.5	23.0	22.5
PAT	26	27	31	31	29	28	30	31	114	118
QoQ (%)	-17.0	3.7	14.8	0.7	-4.5	-4.2	5.1	5.1		
YoY (%)	-20.7	-9.3	2.9	-0.4	14.6	5.8	-3.1	1.1	-7.1	4.1
EPS (INR)	4.7	4.9	5.6	5.6	5.3	5.1	5.4	5.7	20.7	21.5

Zensar Technologies**Neutral****CMP INR387| TP: INR390 (+1%)****EPS CHANGE (%): FY24|25: 1.0|0.5**

- Hi-Tech, Consumer, and Manufacturing will remain under pressure. We expect revenues to grow by 1.3% QoQ CC in 1QFY24.
- Despite pressure on growth, we expect EBITDA margin to expand further by ~50bp QoQ, fueled by cost optimization initiatives.
- The order book should remain soft amid weak demand environment.
- The FY24 outlook, the demand environment, and the deal pipeline are the key monitorables.

Quarterly performance

Y/E March	FY23				FY24E				FY23	FY24E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Revenue (USD m)	156	155	146	148	150	153	157	163	604	622
QoQ (%)	1.8	-0.6	-5.9	1.1	1.4	2.3	2.4	4.0	6.1	2.9
Revenue (INR m)	12,034	12,346	11,976	12,127	12,292	12,571	12,873	13,394	48,483	51,130
YoY (%)	28.5	17.5	8.6	5.1	2.1	1.8	7.5	10.4	14.2	5.5
GPM (%)	26.6	25.3	27.4	31.9	32.0	30.9	31.6	32.1	27.8	31.7
SGA (%)	15.3	16.8	16.1	17.4	17.0	17.0	17.0	16.8	16.4	16.9
EBITDA	1,361	1,054	1,349	1,759	1,844	1,747	1,879	2,054	5,523	7,525
EBITDA margin (%)	11.3	8.5	11.3	14.5	15.0	13.9	14.6	15.3	11.4	14.7
EBIT	871	562	852	1,408	1,463	1,333	1,455	1,612	3,693	5,862
EBIT margin (%)	7.2	4.6	7.1	11.6	11.9	10.6	11.3	12.0	7.6	11.5
Other income	149	209	183	209	135	138	142	147	750	562
ETR (%)	26.4	26.3	26.1	26.2	26.0	26.0	26.0	26.0	26.2	26.0
Adj. PAT	751	568	765	1,193	1,182	1,088	1,181	1,301	3,277	4,753
QoQ (%)	-42.1	-24.4	34.7	55.9	-0.9	-8.0	8.5	10.2		
YoY (%)	-25.6	-39.8	-15.8	-8.0	57.4	91.6	54.4	9.1	-21.2	45.0
EPS (INR)	3.3	2.5	3.4	5.2	5.2	4.8	5.2	5.7	14.4	20.9

NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
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