IT Sector

Soft Q2, status quo remains

The big news is that not much has changed in the past few months. Most of the demand indicators are trailing 10-15% below levels at the beginning of the year and only slightly better than the July lows; the supply-side factors remain favourable, supporting operational resilience despite soft growth. In Q2FY24, the IT sector is expected to deliver a soft quarter, although Q2 has historically been a seasonally strong quarter. Growth divergence is expected between companies, with tier-1 IT sequential growth ranging from -1.4% to +2.2% and mid-tier IT sequential growth ranging from +0.9% to 3.8%.

Q2FY24E expectations: Within tier-1 IT, we expect HCLT to lead growth (2.2% QoQ including 0.4% inorganic); TCS/INFO/WPRO/TECHM/LTIM are expected to deliver sequential growth of +1.6%, +1%, -1.4%, -1% and +1.5%. In terms of margin performance, TCS and HCLT are likely to outperform, while the margins of LTIM and TECHM are expected to decline by 120bps and 75bps respectively. Within mid-tier IT, Sonata Software and Persistent Systems are expected to lead growth while Zensar is expected to lag. We expect Infosys to retain its FY24E revenue growth guidance of 1-3.5% CC and HCLT to retain its revenue growth guidance of 6-8%; Wipro can guide -1 to +1% QoQ CC for Q3FY24E. We expect LTTS to retain its double-digit organic growth outlook. The commentary on the deal pipeline by companies remains strong and the pricing environment is stable, although pressure on discretionary/project scrutiny and longer conversion cycle continue. We expect the vertical divergence in performance to persist with communication & hi-tech and BFSI trailing while manufacturing is expected to lead.

Strong deal velocity to support H2 normalisation: While Accenture recently reported a soft quarter in its managed services deal bookings, indicative of extended weakness, booking velocity has been stronger in Indian IT. Deal bookings in the sector have been robust, with several mega deals centring around cost optimization and consolidation. Key large deals included (1) JLR, Georgia DOL deals by TCS; (2) Liberty Global, Danske deals by Infosys; and (3) Verizon, Siemens, and ANZ deals by HCL Tech. AI spending and adoption are expected to accelerate and supplement growth, even as cloud migration and application modernization will be large medium-term spend imperatives. We see greater competition in deals (sub-par margins in mega deals), following several senior-level leadership changes in the sector.

Outlook: The IT sector's recent outperformance has been driven by valuation multiples rising by 10% in the last three months and the valuation gap to Accenture narrowing (highly correlated), despite earnings estimates being cut by ~5%. We expect the sector's revenue growth to recover to ~9% in FY25E, following ~4% in FY24E; the margin is expected to improve in FY25E, following a flat trajectory in FY24E. We increase estimates for HCLT and INFO to factor better near–term visibility, supported by the ramp-up of the recent large deals, and roll forward target valuation to Sep-25E EPS. Maintain our selective stance on the sector; downgrade SSOF, ZENT and CYL to ADD (BUY earlier), given that the recent stock outperformance and limits the near-term upside potential. Prefer LTIM among large caps and PSYS and BSOFT in the mid-tier IT space.

Company	CMP* (INR)	RECO	TP (INR)
TCS	3,484	ADD	3,850
INFO	1,393	ADD	1,515
HCLT	1,151	ADD	1,300
WPRO	411	ADD	430
LTIM	5,210	BUY	5,950
TECHM	1,184	REDUCE	1,095
TELX	7,227	SELL	6,500
LTTS	4,576	REDUCE	4,045
PSYS	5,797	BUY	6,660
MPHL	2,377	ADD	2,460
CYL	1,694	ADD	1,730
SSOF	1,058	ADD	1,165
BSOFT	483	BUY	555
ZENT	517	ADD	530
MAST	2,400	ADD	2,500

*CMP as on 29th Sep 2023

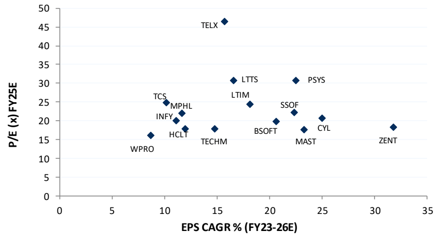

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Exhibit 1: IT Services: Q2FY24E Quarterly Financial Summary

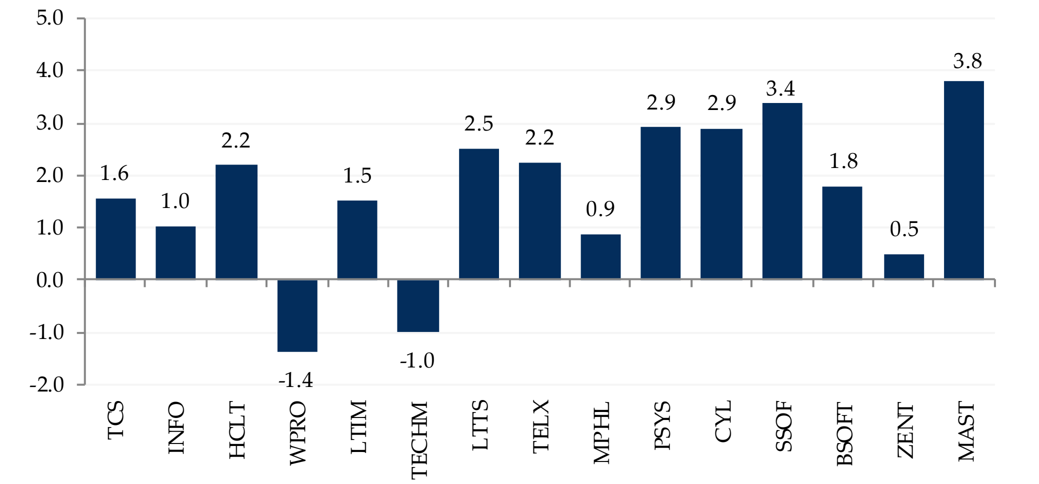
Company	NET SALES (USD mn)			NET SALES (INR bn)			EBIT (INR bn)			EBIT Margin (%)			APAT (INR bn)			Adj. EPS (INR)		
	Q2 FY24E	QoQ (%)	YoY (%)	Q2 FY24E	QoQ (%)	YoY (%)	Q2 FY24E	QoQ (%)	YoY (%)	Q2 FY24E	QoQ (bps)	YoY (bps)	Q2 FY24E	QoQ (%)	YoY (%)	Q2 FY24E	Q1 FY24	Q2 FY23
TCS	7,332	1.5	6.6	605.65	2.0	9.5	145.97	6.1	9.9	24.1	94	9	115.30	4.1	10.5	31.5	30.3	28.5
INFO	4,660	0.9	2.3	384.93	1.5	5.4	80.77	2.4	2.6	21.0	18	(56)	61.86	4.1	2.7	14.9	14.4	14.5
HCLT	3,270	2.2	6.1	270.10	2.7	9.4	46.94	5.3	6.0	17.4	42	(56)	36.67	3.8	5.1	13.5	13.0	12.9
WPRO	2,735	(1.6)	(2.3)	228.15	(0.1)	1.2	34.80	0.6	10.7	15.3	11	130	28.68	(0.1)	7.9	5.2	5.2	4.8
LTIM	1,075	1.5	5.2	88.78	2.0	7.9	13.75	(5.2)	(4.5)	15.5	(118)	(200)	11.02	(4.3)	(7.3)	37.3	33.9	40.2
TECHM	1,585	(1.0)	(3.3)	130.90	(0.5)	(0.3)	7.89	(11.4)	(47.1)	6.0	(74)	(534)	6.24	(9.9)	(51.5)	7.1	7.9	14.6
LTTS	287	2.5	16.2	23.71	3.0	18.8	3.86	(2.3)	7.3	16.3	(88)	(176)	3.07	(1.2)	8.8	29.1	29.4	26.7
TELX	106	2.0	10.9	8.72	2.5	14.2	2.28	(0.8)	11.5	26.2	(87)	(64)	1.89	0.2	8.6	30.4	30.3	28.0
MPHL	402	0.9	(8.8)	33.17	2.0	(5.8)	5.17	3.5	(3.9)	15.6	22	31	4.04	2.1	(3.4)	21.6	21.1	22.4
PSYS	291	2.8	13.8	24.03	3.5	17.3	3.34	(3.7)	11.8	13.9	(104)	(68)	2.63	(0.6)	19.7	34.5	34.7	28.8
CYL	210	2.3	20.1	17.35	2.9	24.3	2.38	(4.0)	43.5	13.7	(98)	184	1.71	(3.0)	55.5	15.5	16.0	10.0
SSOF	80	3.5	38.4	6.61	4.3	43.6	1.39	3.9	28.3	21.0	(9)	(250)	1.21	0.9	7.5	8.6	8.6	8.0
BSOFT	156	1.8	5.1	12.92	2.3	8.3	1.74	1.2	11.7	13.5	(14)	40	1.32	(4.0)	14.8	4.8	5.0	4.2
ZENT	150	0.6	(3.1)	12.39	1.0	0.4	1.66	(11.4)	195.9	13.4	(188)	887	1.37	(12.6)	140.4	6.0	6.8	2.5
MAST	92	4.3	17.7	7.60	4.7	21.5	1.08	0.4	19.2	14.2	(62)	(26)	0.78	11.3	45.1	25.2	22.7	17.5
Aggregrate	**22,430**	**1.0**	**3.7**	**1,854.98**	**1.6**	**6.8**	**353.03**	**3.1**	**5.0**	**19.0**	**28**	**(34)**	**277.80**	**2.5**	**4.4**			

Source: HSIE Research, WPRO USD Rev is IT services and SSOF is IITS USD rev & IITS EBITDA margin; HCLT organic QoQ CC is 1.8%, MAST organic QoQ CC is 2%

HCLT 1M contribution of from ASAP acquisition (0.4% QoQ impact on growth)

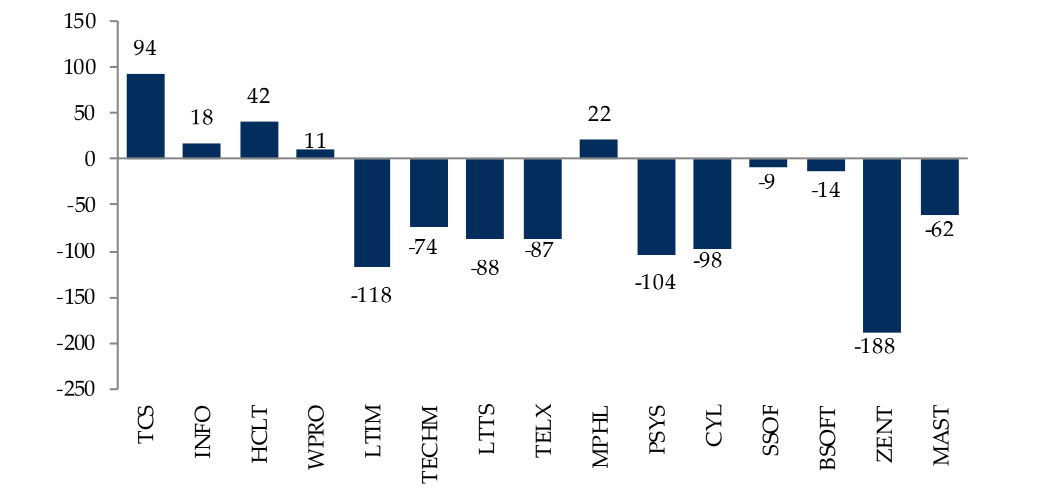
Mastek half quarter revenue contribution of USD 2mn from BizAnalytica acquisition (1.8% QoQ CC)

Exhibit 2: Q2FY24E revenue growth expectation (QoQ CC)



Source: HSIE Research; Inorganic growth for HCLT is 0.4% QoQ CC & MAST is 1.8% QoQ CC

Exhibit 3: Q2FY24E EBITM QoQ expectation



Source: HSIE Research; Sonata is IITS EBITDA margin

Exhibit 4: IT Services: valuation metrics

Company	MCap (INR bn)	CMP (INR)	TP INR)	RECO	EPS (INR)				P/E (x)				RoE (%)				USD Rev CAGR% FY23-26E	EPS CAGR% FY23-26E
					FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E		
TCS	12,911	3,529	3,850	ADD	115.2	129.4	142.6	154.2	30.6	27.3	24.7	22.9	46.9	51.9	55.2	56.5	7.1	10.2
Infosys	5,956	1,435	1,515	ADD	58.2	60.9	71.5	79.8	24.7	23.6	20.1	18.0	32.0	31.7	33.9	34.8	7.3	11.1
HCL Tech	3,351	1,235	1,300	ADD	54.7	58.9	69.3	76.9	22.6	21.0	17.8	16.1	23.3	24.0	27.1	28.5	8.9	12.0
Wipro	2,119	406	430	ADD	21.7	22.4	25.3	27.9	18.7	18.1	16.0	14.5	15.8	15.3	17.2	18.0	4.7	8.7
LTIMindtree	1,540	5,210	5,950	BUY	149.1	167.5	214.2	245.9	34.9	31.1	24.3	21.2	28.6	27.6	29.9	28.9	11.6	18.1
TechM	1,079	1,223	1,095	REDUCE	57.5	41.0	68.5	86.9	21.3	29.8	17.9	14.1	18.5	12.8	20.6	25.0	5.1	14.8
L&T Tech	484	4,576	4,045	REDUCE	110.8	124.8	148.9	175.8	41.3	36.7	30.7	26.0	25.7	24.5	25.1	25.6	16.5	16.6
Tata Elxsi	450	7,227	6,500	SELL	121.3	127.9	155.6	187.7	59.6	56.5	46.5	38.5	41.0	34.9	35.5	35.9	15.7	15.7
Mphasis	445	2,377	2,460	ADD	87.6	92.1	108.5	121.8	27.1	25.8	21.9	19.5	22.0	20.8	22.5	23.0	7.0	11.6
Persistent	443	5,797	6,660	BUY	123.4	148.5	189.1	226.7	47.0	39.0	30.7	25.6	25.1	26.8	28.4	28.5	15.3	22.5
Cyient	187	1,694	1,730	ADD	51.2	68.1	81.8	99.9	33.1	24.9	20.7	17.0	17.2	20.6	22.2	24.1	14.5	25.0
Sonata	147	1,058	1,165	ADD	32.2	36.6	47.8	59.0	32.8	28.9	22.1	17.9	37.7	35.9	38.9	39.4	23.2	22.4
Birlasoft	133	483	555	BUY	16.3	19.9	24.5	28.7	29.6	24.3	19.7	16.9	17.9	20.7	21.8	21.8	10.5	20.6
Zensar	118	517	530	ADD	14.3	25.7	28.5	32.8	36.1	20.2	18.2	15.8	11.3	17.9	18.0	18.7	7.4	31.8
Mastek	74	2,400	2,500	ADD	86.6	104.9	137.0	162.3	27.7	22.9	17.5	14.8	19.4	18.2	20.2	20.2	15.4	23.3
IT AVG									**31.8**	**28.1**	**22.7**	**19.5**	**25.5**	**25.6**	**28.0**	**28.8**	**11.0**	**17.7**
IT Median									**30.1**	**25.3**	**20.4**	**17.4**	**22.7**	**22.4**	**24.8**	**26.8**	**9.7**	**16.9**

Source: HSIE Research, CMP as on 29th Sep 2023

Exhibit 5: Global IT Peers: valuation metrics

Company	MCap (USD bn)	CMP USD	TP	RECO	EPS				P/E (x)				RoE (%)				USD Rev CAGR% FY23-26E	EPS CAGR% FY23-26E
					FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E		
Accenture	199.8	301	NA	NR	10.7	11.5	12.2	12.4	28.1	26.1	24.7	24.4	33.0	30.4	28.6	28.6	4.8	4.9
Cognizant	34.3	68	NA	NR	4.4	4.4	4.7	5.2	15.4	15.5	14.6	13.1	18.9	17.3	17.1	17.2	3.6	5.5
Capgemini^	28.8	166	NA	NR	11.1	11.4	12.5	13.7	15.0	14.6	13.3	12.1	17.0	18.6	18.4	18.2	5.4	7.4
EPAM	15.1	260	NA	NR	10.9	10.0	11.0	13.1	23.8	25.9	23.6	19.9	15.3	18.3	17.1	17.6	6.8	6.3
Globant	8.4	199	NA	NR	5.1	5.7	6.8	8.5	39.1	34.6	29.0	23.3	10.6	16.0	15.9	16.8	20.6	18.8
TietoEVRY^	2.5	21	NA	NR	2.4	2.2	2.4	2.5	9.0	9.6	8.9	8.4	10.7	12.4	14.4	15.5	2.2	2.5
Global IT AVG									**21.7**	**21.0**	**19.0**	**16.9**	**17.6**	**18.8**	**18.6**	**19.0**	**7.2**	**7.5**
Global IT Median									**19.6**	**20.7**	**19.1**	**16.5**	**16.1**	**17.8**	**17.1**	**17.4**	**5.1**	**5.9**

Source: Bloomberg Consensus, HSIE Research, CMP as on 29th Sep 2023, ^ in EUR

Exhibit 6: Change in estimates

Company	Revenue USD Mn (NEW)			Change (%)			EBIT % (NEW)			Change (bps)			EPS (INR) NEW			Change (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
TCS	29,594	31,867	34,305	0.1%	0.6%	0.4%	24.4	25.0	25.0	-4	5	2	129.4	142.6	154.2	0.6%	1.6%	0.9%
INFO	18,883	20,736	22,511	0.2%	0.2%	0.2%	21.0	21.5	22.0	15	27	47	60.9	71.5	79.8	0.9%	1.4%	2.3%
HCLT	13,480	15,002	16,240	1.0%	1.9%	2.0%	18.4	19.3	19.5	14	48	54	58.9	69.3	76.9	1.8%	4.3%	4.8%
WPRO*	11,112	11,862	12,807	-1.1%	-2.2%	-2.3%	15.3	16.3	16.6	-2	21	42	22.4	25.3	27.9	4.2%	1.3%	1.8%
LTIM	4,407	5,011	5,702	-0.9%	-1.3%	-1.3%	16.8	18.5	18.5	-45	-2	-4	167.5	214.2	245.9	-3.4%	-0.7%	-0.8%
TECHM	6,417	6,951	7,670	-0.9%	-2.8%	-2.9%	8.3	13.1	15.0	-102	49	115	41.0	68.5	86.9	-10.7%	-1.2%	3.0%
LTTS	1,183	1,373	1,566	0.0%	0.0%	0.0%	17.1	17.5	17.8	2	0	0	124.8	148.9	175.8	0.1%	0.0%	0.0%
TELX	435	516	605	-1.8%	-2.4%	-2.0%	26.9	27.0	27.4	-32	-41	-27	127.9	155.6	187.7	-2.7%	-3.5%	-2.8%
MPHL	1,661	1,907	2,106	0.0%	0.0%	0.0%	16.1	16.1	16.0	2	0	0	92.1	108.5	121.8	0.1%	0.0%	0.0%
PSYS	1,187	1,376	1,590	-0.3%	-0.5%	-0.5%	14.8	16.0	16.5	-30	-11	-1	148.5	189.1	226.7	-2.1%	-1.2%	-0.6%
CYL	857	977	1,119	-1.3%	-0.6%	-0.2%	14.7	15.3	15.9	-4	28	37	68.1	81.8	99.9	-1.6%	1.2%	2.3%
SSOF*	326	384	450	-1.3%	-0.3%	0.6%	21.8	22.7	22.9	12	12	0	36.6	47.8	59.0	-3.4%	-0.6%	-0.2%
BSOFT	634	714	802	-0.4%	-0.6%	-0.5%	13.6	14.6	14.9	-26	21	34	19.9	24.5	28.7	-2.2%	0.8%	1.7%
ZENT	610	668	749	-1.2%	-1.6%	-1.6%	14.2	14.4	14.9	28	67	81	25.7	28.5	32.8	0.7%	2.9%	3.7%
MAST	374	428	489	-0.1%	0.1%	0.3%	15.0	16.2	16.7	0	6	18	104.9	137.0	162.3	-0.4%	-0.4%	0.6%

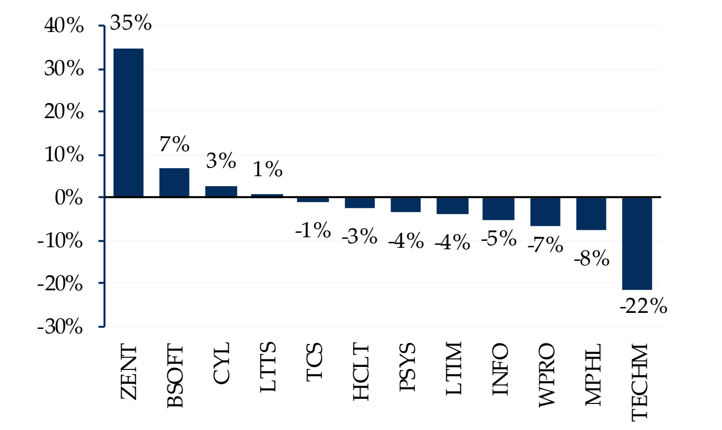
Source : Company, HSIE Research; * Wipro is IT Services USD revenue and Sonata is IITS revenue & IITS EBITDA margin

Exhibit 7: Change in TP & Rating

Companies	M-cap (INR bn)	CMP (INR)	TP Old (INR)	New TP (INR)	Old Rating	New Rating	Old multiple (x)	New multiple (x)	5Y Avg (x)	10Y Avg (x)
TCS	12,911	3,529	3,710	3,850	ADD	ADD	26	26	26	23
INFY	5,956	1,435	1,450	1,515	ADD	ADD	20	20	22	19
HCLT	3,351	1,235	1,230	1,300	ADD	ADD	18	18	17	16
WPRO	2,119	406	410	430	ADD	ADD	16	16	18	17
LTIM	1,540	5,210	5,820	5,950	BUY	BUY	26	26	26	23
TECHM	1,079	1,223	1,020	1,095	REDUCE	REDUCE	15	15	16	15
LTTS	484	4,576	3,890	4,045	REDUCE	REDUCE	25	25	28	26
TELX	450	7,227	6,420	6,500	SELL	SELL	38	38	38	29
MPHL	445	2,377	2,460	2,460	ADD	ADD	22	22	21	17
PSYS	443	5,797	6,430	6,660	BUY	BUY	32	32	24	20
CYL*	187	1,694	1,700	1,730	BUY	ADD	20	20	15	14
SSOF*	147	1,058	1,170	1,165	BUY	ADD	23	23	16	13
BSOFT	133	483	530	555	BUY	BUY	21	21	15	11
ZENT*	118	517	520	530	BUY	ADD	18	18	15	13
MAST	74	2,400	2,300	2,500	ADD	ADD	16	16	15	12

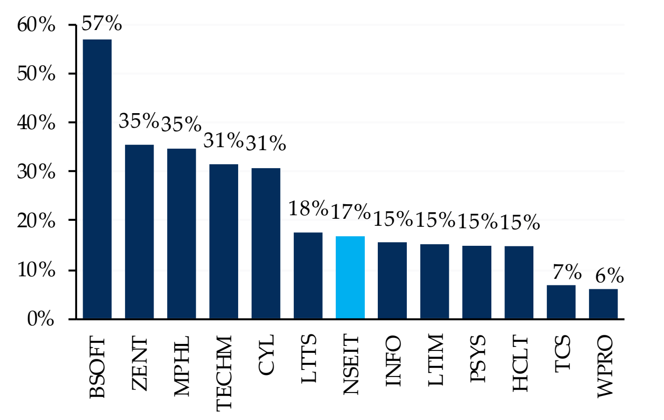
Source : Company, HSIE Research, CMP as on 29th Sep 2023, * indicates change in rating

Exhibit 8: Consensus Earnings upgrade/downgrade YTD



Source: Bloomberg, HSIE Research

Exhibit 9: Consensus Multiple re-rating/de-rating YTD



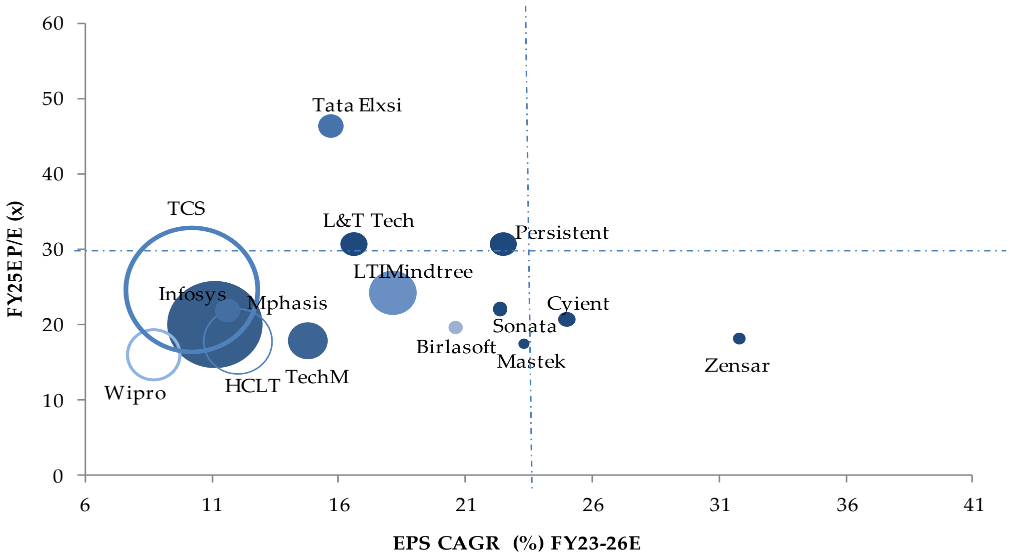
Source: Bloomberg, HSIE Research

Exhibit 10: IT Services stock performance (%) – BSOFT, ZENT, MAST, MPHL led the outperformance in last 3M

Company	M-cap (USD bn)	CMP (INR)	1W (%)	1M (%)	3M (%)	6M (%)	1Y (%)	3Y (%)	5Y (%)	YTD (%)
TCS	155.5	3,529	-2.1	4.5	9.7	12.4	20.1	44.7	68.1	10.5
INFO	71.7	1,435	-4.1	1.3	11.0	3.8	2.6	42.3	97.7	-4.8
HCLT	40.4	1,235	-3.1	6.7	5.5	15.7	33.8	53.6	129.5	18.8
WPRO	25.5	406	-3.0	-0.5	6.4	13.1	3.4	30.4	67.1	3.4
LTIM	18.6	5,210	-4.0	1.4	2.4	12.8	17.3	108.7	172.4	19.3
TECHM	14.4	1,223	-6.3	2.1	10.4	13.1	23.5	71.4	76.6	20.3
LTTS	5.8	4,576	-1.6	5.2	19.0	36.3	30.0	181.4	164.1	24.2
TELX	5.4	7,227	-0.4	-2.1	-4.7	21.3	-14.3	467.8	529.2	15.0
MPHL	5.4	2,377	-4.4	2.8	28.5	38.3	14.5	82.0	104.4	20.5
PSYS	5.4	5,797	-0.9	13.5	19.1	27.9	80.2	335.7	636.8	50.1
CYL	2.3	1,694	3.7	5.7	14.7	71.9	116.3	329.7	127.4	108.9
SSOF	1.8	1,058	1.4	3.8	4.3	40.7	112.9	346.4	281.7	87.7
BSOFT	1.6	483	-1.0	-2.1	37.4	89.2	72.1	142.3	263.5	61.8
ZENT	1.4	517	0.1	2.5	35.5	94.0	146.4	172.4	83.1	142.9
MAST	0.9	2,400	-1.5	6.6	25.5	58.1	40.0	180.0	412.1	40.4
NSE IT Index			**-3.4**	**3.0**	**10.2**	**13.5**	**18.5**	**60.3**	**100.7**	**11.1**
NIFTY			**-0.2**	**1.5**	**3.5**	**15.0**	**16.8**	**75.0**	**79.7**	**8.5**
Nasdaq			**-0.1**	**-5.3**	**-2.9**	**10.7**	**22.9**	**19.1**	**64.1**	**26.1**

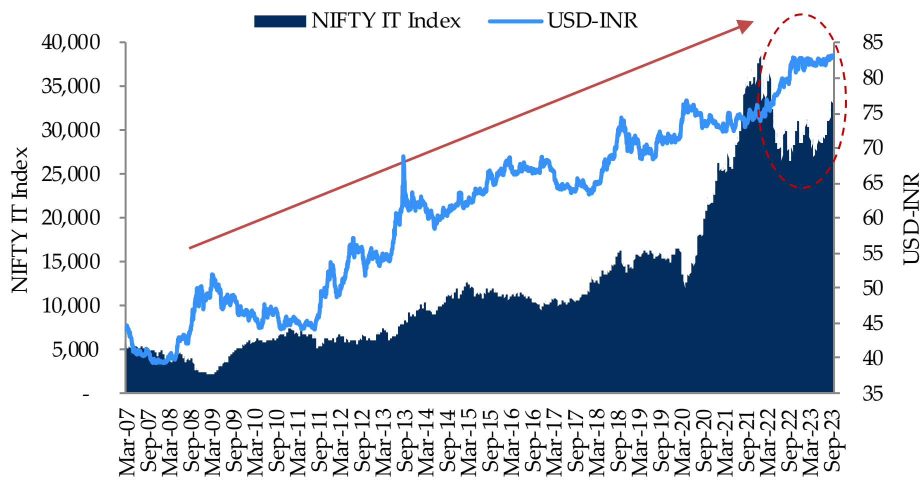
Source: Bloomberg, HSIE Research, CMP as on 29th Sep 2023

Exhibit 11: IT Sector P/E and EPS Growth



Source : Company, HSIE Research, Size of the bubble denotes market cap

Exhibit 12: USD-INR vs IT index trend

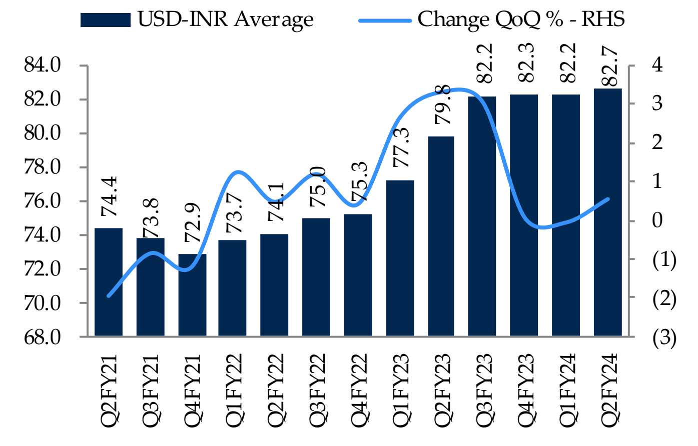


Source: Bloomberg

Exhibit 13: Currency trends

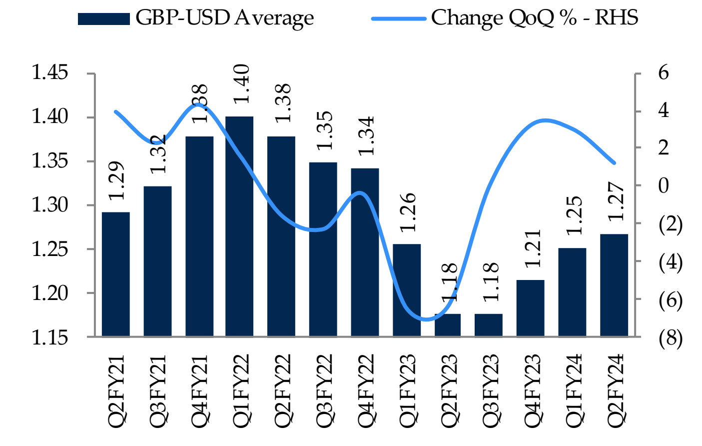
Favourable movement of GBP and EUR, offset by decline in AUD and Yen.

USD-INR trend



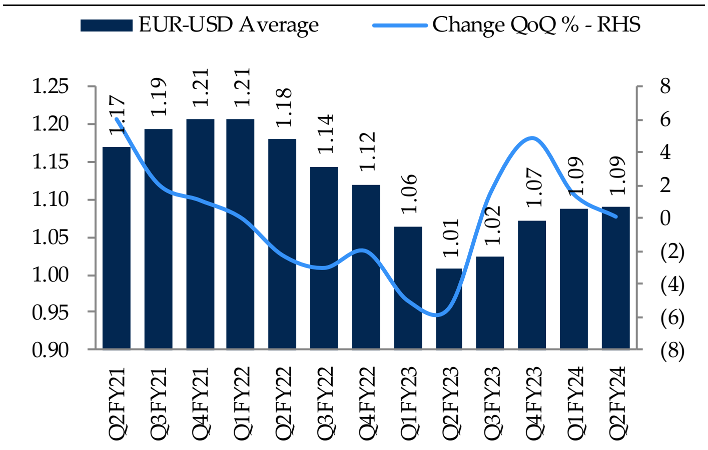
Source: NSE, Bloomberg, HSIE Research

GBP-USD trend



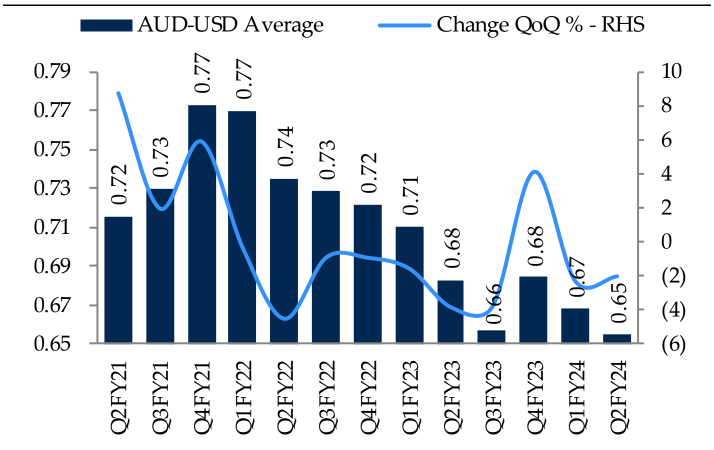
Source: NSE, Bloomberg, HSIE Research

EUR-USD trend



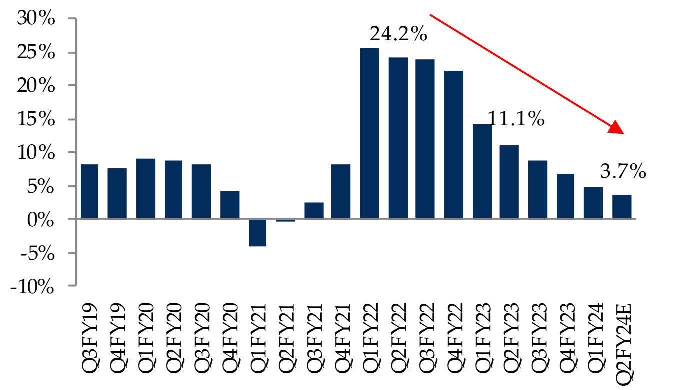
Source: NSE, Bloomberg, HSIE Research

AUD-USD trend



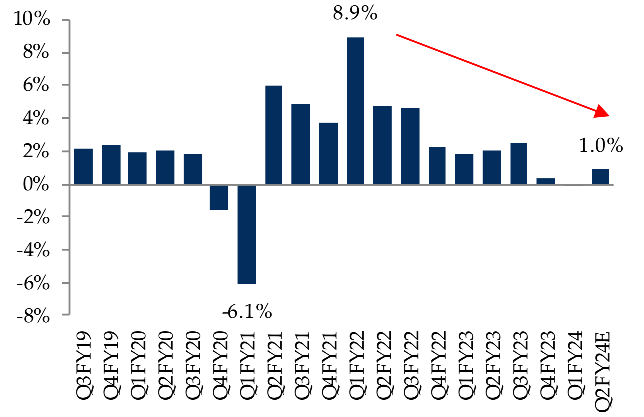
Source: NSE, Bloomberg, HSIE Research

Exhibit 14: IT Sector YoY revenue growth to bottom-out in 2Q/3QFY24E



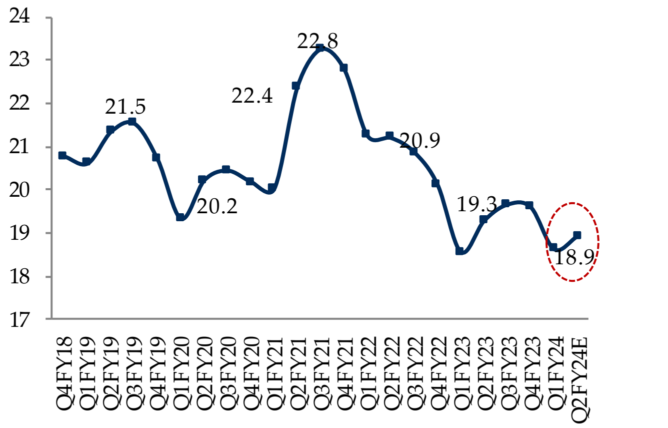
Source: Company, HSIE Research

Exhibit 15: IT Sector QoQ revenue growth impacted over last three quarters on adverse macro



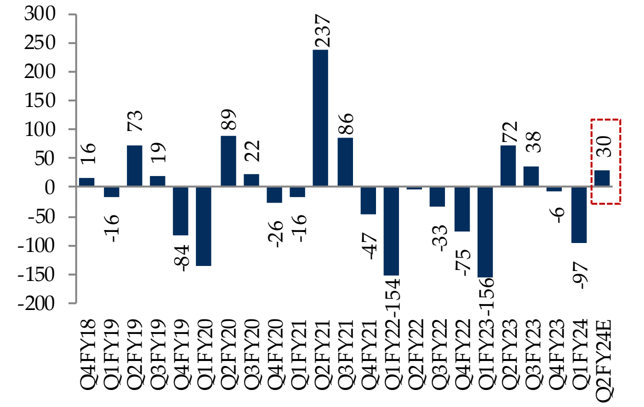
Source: Company, HSIE Research

Exhibit 16: Margin at bottom and to recover ahead – IT sector EBITM trend



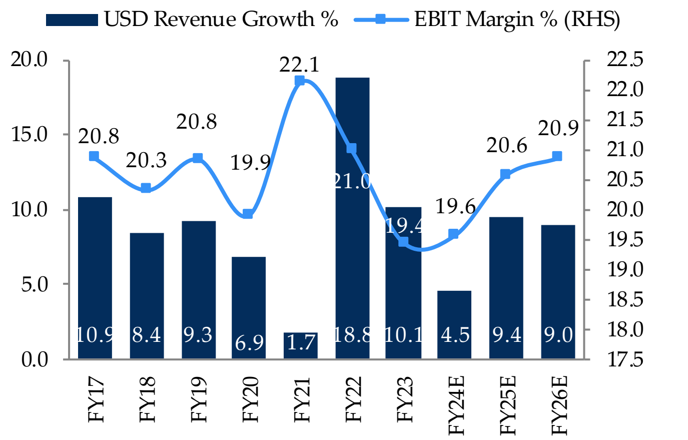
Source: Company, HSIE Research

Exhibit 17: Marginal improvement in aggregate EBITM with delay in wage hike roll-out



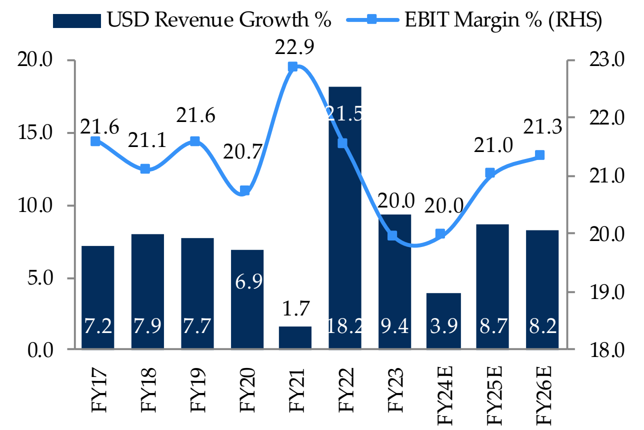
Source: Company, HSIE Research

Exhibit 18: Growth moderation in FY24E - IT Sector aggregate revenue growth and EBITM trend



Source: Company, HSIE Research

Exhibit 19: Top 5 IT revenue growth and margin trend



Source: Company, HSIE Research; Top 5 includes TCS, INFO, WPRO, HCLT & TECHM

Exhibit 20: Key deals announced in Q2FY24

Company	Client	Vertical	Region	Services
TCS	Standard Life International DAC	BFSI	Europe	Digital Platform (BaNCS)
	AIB Life	BFSI	Europe	Digital Platform (BaNCS)
	The British Broadcasting Corporation (BBC)	Teleco, Media & Ent.	UK	Cognix
	GE HealthCare Technologies	Healthcare	US	Digital transformation
	Government of India	Public Services	India	GeM transformation
	Lexmark	Hi-Tech	US	SAP S4/HANA Platform
	Athora	BFSI	Netherlands	Enterprise Cloud
	JLR	Manufacturing	UK	IT Modernisation (GBP 800mn deal for 5 years)
	Lantmannen	Manufacturing	Sweden	IT Infra transformation
	Banner Solutions	Retail & CPG	US	Experiential Digital Commerce platform
	BankID BankAxept AS	BFSI	Norway	Command Center of Operations
	Kingfisher Inc	Retail & CPG	Europe	OmniStore
	The Georgia Department of Labor	Public Services	US	Modernisation
Infosys	Liberty Global	Teleco, M&E	UK	AI Powered Digital services (Initial for EUR 1.5bn for 5 years & at EUR 2.3bn if the contract is extended to 8 years.
	Guaranty Trust Bank	BFSI	Nigeria	Digital Transformation (Finacle)
	NA	NA	NA	AI and automation led development, modernization and maintenance services. (USD 2bn for 5 year)
HCL Tech	Verizon	Telecom	US	Managed Network Services (USD 2.1bn deal for 6 years)
	Cricket Australia	Telecom, M&E	Australia	Digital transformation
	Siemens	Hi-Tech	Germany	Cloud led digital transformation
	Elders	Manufacturing	Australia	Digital transformation
	ANZ	BFSI	Australia	Advance workplace experience
Tata Elxsi	Tata Chemicals	Manufacturing	India	Experience Centre
LTTS	NA	Hi-Tech	NA	Digital Media platform (USD 50mn deal for 5 years)
LTIMindtree	Aflac	BFSI	US	Cloud-native services (AWS)

Source: Company, HSIE Research

Exhibit 21: Quarterly USD revenue growth trend (QoQ CC %)

USD Rev (QoQ CC %)	3QFY21	4QFY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24E
TCS	4.1	4.2	2.4	4.0	3.0	2.6	3.5	4.0	2.3	0.6	0.0	1.6
INFO	5.3	2.0	4.2	6.3	7.0	1.2	5.5	4.0	2.4	-3.2	0.4	1.0
HCLT	3.5	2.5	0.7	3.5	7.6	1.1	2.7	3.8	5.0	-1.2	-1.3	2.2
WPRO	3.4	3.0	12.0	8.1	3.0	3.1	2.1	4.1	0.6	-0.6	-2.8	-1.4
LTIM	5.5	4.8	5.9	10.6	7.5	3.2	5.0	5.5	1.9	0.7	0.1	1.5
TECHM	2.8	0.7	3.9	7.2	4.7	5.4	3.5	2.9	0.2	0.3	-4.2	-1.0
LTTS	6.6	3.8	4.3	6.0	4.2	3.6	4.7	4.5	0.0	2.2	-2.9	2.5
TELX	10.0	9.1	6.4	7.4	6.5	7.4	6.5	4.7	3.5	1.6	1.2	2.2
MPHL	1.6	2.0	5.9	6.6	7.8	4.8	2.0	1.8	-2.5	-4.5	-3.5	0.9
PSYS	7.4	4.6	9.2	9.5	9.6	9.3	12.0	6.6	3.5	3.5	2.9	2.9
CYL	NA	2.2	-0.4	5.5	4.4	1.6	6.5	12.3	11.9	3.2	0.3	2.9
SSOF	5.1	6.8	1.6	11.0	8.6	4.7	3.9	3.3	3.9	8.0	17.4	3.4
BSOFT	3.4	3.2	4.1	6.6	4.7	2.1	2.3	1.1	0.0	3.1	1.7	1.8
ZENT	-3.7	-3.4	4.8	12.3	4.7	4.2	3.1	1.6	-5.3	0.4	1.3	0.5
MAST	7.3	7.5	4.3	3.9	3.7	5.3	-0.1	10.7	3.1	5.3	0.4	3.8

Source: Company, HSIE Research, Wipro is IT services rev and Sonata is IITS Rev, LTIM is combined USD rev growth from Q1FY21 to Q4FY21, PSYS is USD rev growth from Q1FY21 to Q1FY22, SSOF is USD rev growth from Q1FY21 to Q4FY22

Exhibit 22: Quarterly EBIT Margin trend (%)

EBIT Margin (%)	3QFY21	4QFY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24E
TCS	26.6	26.8	25.5	25.6	25.0	25.0	23.1	24.0	24.5	24.5	23.2	24.1
INFO	25.4	24.5	23.7	23.6	23.5	21.6	20.1	21.5	21.5	21.0	20.8	21.0
HCLT	22.9	20.3	19.6	19.0	19.1	18.0	17.0	17.9	19.6	18.2	17.0	17.4
WPRO	21.7	21.0	19.0	17.8	17.6	17.0	15.0	15.1	16.3	16.3	16.0	16.2
LTIM	20.2	19.0	16.9	17.5	18.5	18.1	17.4	17.5	13.9	16.4	16.7	15.5
TECHM	15.9	16.5	15.2	15.2	14.8	13.2	11.0	11.4	12.0	11.2	6.8	6.0
LTTS	15.2	16.6	17.3	18.4	18.6	18.6	18.3	18.1	18.7	18.7	17.2	16.3
TELX	27.8	30.2	24.7	28.6	31.0	30.1	30.5	26.8	27.6	27.3	27.1	26.2
MPHL	16.4	16.1	15.9	15.1	15.1	15.2	15.3	15.3	15.3	15.3	15.4	15.6
PSYS	12.7	13.2	13.5	13.9	14.0	14.0	14.3	14.6	15.4	15.4	14.9	13.9
CYL	11.1	12.7	13.1	14.0	13.9	14.5	11.5	11.9	12.9	14.2	14.7	13.7
SSOF	27.9	22.4	21.3	24.9	24.1	23.0	24.5	23.5	21.8	20.7	21.1	21.0
BSOFT	14.1	14.9	14.0	13.1	13.4	14.0	13.0	13.1	-1.1	11.9	13.6	13.5
ZENT	15.9	14.8	13.9	10.9	10.1	10.1	7.2	4.6	7.1	11.6	15.3	13.4
MAST	20.8	19.8	20.0	19.2	19.1	18.7	17.2	14.4	14.3	14.9	14.8	14.2

Source: Company, HSIE Research, WPRO is IT services margin and SSOF is IITS EBITDA Margin, LTIM is combined margin from Q1FY21 to Q4FY21

Exhibit 23: Financial Snapshot

TCS (M-cap INR 12,911bn, CMP 3529, TP 3850, ADD)

INR bn	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Revenue (USD mn)	22,032	22,174	25,707	27,927	29,594	31,867	34,305
Revenue	1,569.49	1,641.77	1,917.54	2,254.58	2,447.44	2,676.86	2,915.92
EBIT	385.80	424.81	484.53	542.37	596.78	669.88	728.22
APAT	323.40	333.56	383.27	421.47	473.40	521.96	564.12
AEPS (INR)	88.4	91.2	104.7	115.2	129.4	142.6	154.2
EBIT margin (%)	24.6	25.9	25.3	24.1	24.4	25.0	25.0
USD Revenue growth (%)	5.4	0.6	15.9	8.6	6.0	7.7	7.6
EPS growth (%)	2.8	3.1	14.9	10.0	12.3	10.3	8.1
P/E (x)	39.9	38.7	33.7	30.6	27.3	24.7	22.9
EV/EBITDA (x)	29.6	26.7	23.3	21.0	19.2	17.1	15.7
RoE (%)	37.3	39.1	43.7	46.9	51.9	55.2	56.5

INFO (M-cap INR 5,956bn, CMP 1435, TP 1515, ADD)

INR bn	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Revenue (USD mn)	12,781	13,562	16,310	18,212	18,883	20,736	22,511
Revenue	907.91	1,004.73	1,216.41	1,467.67	1,561.51	1,741.79	1,913.44
EBIT	193.74	246.22	280.15	309.06	327.77	373.96	420.06
APAT	164.04	193.51	221.11	240.95	252.40	296.24	330.55
AEPS (INR)	39.6	46.7	53.4	58.2	60.9	71.5	79.8
EBIT margin (%)	21.3	24.5	23.0	21.1	21.0	21.5	22.0
USD Revenue growth (%)	8.3	6.1	20.3	11.7	3.7	9.8	8.6
EPS growth (%)	4.0	18.0	14.3	9.0	4.8	17.4	11.6
P/E (x)	36.2	30.7	26.9	24.7	23.6	20.1	18.0
EV/EBITDA (x)	25.5	20.0	17.7	16.1	15.0	13.2	11.6
RoE (%)	25.2	27.3	29.2	32.0	31.7	33.9	34.8

HCLT (M-cap INR 3,351bn, CMP 1235, TP 1300, ADD)

INR bn	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Revenue (USD mn)	9,936	10,176	11,537	12,586	13,480	15,002	16,240
Revenue	706.78	753.79	856.51	1,014.56	1,114.91	1,260.20	1,380.43
EBIT	138.53	160.71	162.04	184.96	205.07	243.15	269.16
APAT	110.62	124.62	134.99	148.52	159.88	188.14	208.66
AEPS (INR)	40.8	45.9	49.7	54.7	58.9	69.3	76.9
EBIT margin (%)	19.6	21.3	18.9	18.2	18.4	19.3	19.5
USD Revenue growth (%)	15.1	2.4	13.4	9.1	7.1	11.3	8.3
EPS growth (%)	9.3	12.7	8.3	10.0	7.6	17.7	10.9
P/E (x)	30.3	26.9	24.8	22.6	21.0	17.8	16.1
EV/EBITDA (x)	19.6	16.1	15.6	14.0	12.8	11.0	9.9
RoE (%)	23.8	22.4	22.1	23.3	24.0	27.1	28.5

WPRO (M-cap INR 2,119bn, CMP 406, TP 430, ADD)

INR bn	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
ITS Revenue (USD mn)	8,256	8,137	10,356	11,147	11,112	11,862	12,807
Revenue	610.23	619.43	790.93	904.88	926.30	1,005.03	1,097.92
EBIT	101.42	120.14	133.75	135.13	141.60	163.77	182.68
APAT	97.22	107.95	122.19	113.50	116.99	132.28	145.71
AEPS (INR)	18.6	20.7	23.4	21.7	22.4	25.3	27.9
IT Services EBIT margin (%)	18.1	20.2	17.8	15.7	16.2	17.2	17.7
USD Revenue growth (%)	1.7	(1.4)	27.3	7.6	(0.3)	6.7	8.0
EPS growth (%)	7.0	11.0	13.2	(7.1)	3.1	13.1	10.1
P/E (x)	21.8	19.6	17.3	18.7	18.1	16.0	14.5
EV/EBITDA (x)	16.3	13.4	12.5	11.9	11.8	10.2	9.1
RoE (%)	17.3	19.4	20.2	15.8	15.3	17.2	18.0

LTIM (M-cap INR 1,540bn, CMP 5210, TP 5950, BUY)

INR bn	FY22	FY23	FY24E	FY25E	FY26E
Revenue (USD mn)	3,502	4,106	4,407	5,011	5,702
Revenue	261.09	331.83	364.53	420.89	484.67
EBIT	46.52	53.85	61.18	77.77	89.47
APAT	39.50	44.10	49.54	63.35	72.73
AEPS (INR)	133.5	149.1	167.5	214.2	245.9
EBIT margin (%)	17.8	16.2	16.8	18.5	18.5
USD Revenue growth (%)	27.5	17.2	7.3	13.7	13.8
EPS growth (%)	29.5	11.6	12.3	27.9	14.8
P/E (x)	39.0	34.9	31.1	24.3	21.2
EV/EBITDA (x)	28.0	24.0	21.1	16.6	14.1
RoE (%)	30.5	28.6	27.6	29.9	28.9

TECHM (M-cap INR 1,079bn, CMP 1223, TP 1095, REDUCE)

INR bn	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Revenue (USD mn)	5,182	5,111	5,998	6,606	6,417	6,951	7,670
Revenue	368.68	378.55	446.46	532.90	530.73	583.89	651.97
EBIT	42.80	53.89	65.00	60.72	43.95	76.77	98.08
APAT	42.51	44.79	55.66	50.68	36.16	60.40	76.63
AEPS (INR)	48.2	50.8	63.1	57.5	41.0	68.5	86.9
EBIT margin (%)	11.6	14.2	14.6	11.4	8.3	13.1	15.0
USD Revenue growth (%)	4.3	(1.4)	17.3	10.1	(2.9)	8.3	10.3
EPS growth (%)	(1.1)	5.4	24.3	(8.9)	(28.7)	67.0	26.9
P/E (x)	25.4	24.1	19.4	21.3	29.8	17.9	14.1
EV/EBITDA (x)	17.7	14.2	12.6	12.8	16.6	10.7	8.7
RoE (%)	20.2	19.2	21.5	18.5	12.8	20.6	25.0

LTTS (M-cap INR 484bn, CMP 4576, TP 4045, REDUCE)

INR bn	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Revenue (USD mn)	786	737	880	990	1,183	1,373	1,566
Revenue	56.19	54.50	65.70	80.14	97.82	115.36	133.09
EBIT	9.28	7.89	12.01	14.79	16.71	20.23	23.67
APAT	7.51	6.27	9.57	11.70	13.17	15.72	18.55
AEPS (INR)	71.1	59.4	90.7	110.8	124.8	148.9	175.8
EBIT margin (%)	16.5	14.5	18.3	18.5	17.1	17.5	17.8
USD Revenue growth (%)	8.7	(6.3)	19.5	12.4	19.5	16.1	14.0
EPS growth (%)	9.3	(16.5)	52.7	22.2	12.6	19.3	18.0
P/E (x)	64.3	77.1	50.5	41.3	36.7	30.7	26.0
EV/EBITDA (x)	42.8	46.3	32.7	26.6	22.8	18.7	15.6
RoE (%)	28.6	20.1	25.1	25.7	24.5	25.1	25.6

TELX (M-cap INR 450bn, CMP 7227, TP 6500, SELL)

INR bn	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Revenue (USD mn)	227	247	331	390	435	516	605
Revenue	16.10	18.26	24.71	31.45	35.95	43.30	51.42
EBIT	3.00	4.78	7.10	8.80	9.67	11.69	14.10
APAT	2.71	3.68	5.50	7.55	7.96	9.69	11.69
AEPS (INR)	43.6	59.1	88.3	121.3	127.9	155.6	187.7
EBIT margin (%)	18.6	26.2	28.8	28.0	26.9	27.0	27.4
USD Revenue growth (%)	(0.9)	8.8	34.3	17.7	11.4	18.6	17.4
EPS growth (%)	(6.4)	35.6	49.3	37.4	5.5	21.6	20.7
P/E (x)	165.8	122.3	81.9	59.6	56.5	46.5	38.5
EV/EBITDA (x)	129.3	84.3	57.3	45.5	41.0	33.7	27.7
RoE (%)	26.7	30.1	37.2	41.0	34.9	35.5	35.9

MPHL (M-cap INR 445bn, CMP 2377, TP 2460, ADD)

INR bn	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Revenue (USD mn)	1,240	1,309	1,593	1,718	1,661	1,907	2,106
Revenue	88.44	97.22	119.62	137.99	137.21	160.19	179.04
EBIT	14.19	15.61	18.27	21.09	22.06	25.75	28.73
APAT	11.42	12.17	14.46	16.38	17.22	20.29	22.78
AEPS (INR)	61.1	65.0	77.3	87.6	92.1	108.5	121.8
EBIT margin (%)	16.0	16.1	15.3	15.3	16.1	16.1	16.0
USD Revenue growth (%)	10.8	5.6	21.7	7.8	(3.3)	14.8	10.4
EPS growth (%)	6.4	6.5	18.9	13.2	5.1	17.8	12.3
P/E (x)	38.9	36.5	30.7	27.1	25.8	21.9	19.5
EV/EBITDA (x)	25.9	23.5	20.0	17.3	16.4	14.0	12.4
RoE (%)	20.6	19.7	21.5	22.0	20.8	22.5	23.0

PSYS (M-cap INR 443bn, CMP 5797, TP 6660, BUY)

INR bn	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Revenue (USD mn)	502	566	766	1,036	1,187	1,376	1,590
Revenue	35.66	41.88	57.11	83.51	98.13	115.58	135.14
EBIT	3.27	5.07	7.92	12.47	14.55	18.52	22.25
APAT	3.59	4.51	6.90	9.43	11.35	14.45	17.33
AEPS (INR)	47.0	59.0	90.3	123.4	148.5	189.1	226.7
EBIT margin (%)	9.2	12.1	13.9	14.9	14.8	16.0	16.5
USD Revenue growth (%)	4.3	12.9	35.2	35.3	14.6	15.9	15.5
EPS growth (%)	(1.8)	25.6	53.2	36.6	20.3	27.3	19.9
P/E (x)	123.4	98.3	64.2	47.0	39.0	30.7	25.6
EV/EBITDA (x)	87.0	62.0	44.0	28.0	23.5	18.7	15.4
RoE (%)	14.4	17.4	22.4	25.1	26.8	28.4	28.5

CYL (M-cap INR 187bn, CMP 1694, TP 1730, ADD)

INR bn	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Revenue (USD mn)	625	557	608	746	857	977	1,119
Revenue	44.27	41.32	45.34	60.16	70.91	82.03	95.70
EBIT	4.08	4.16	6.30	7.67	10.45	12.56	15.22
APAT	3.73	3.72	5.22	5.65	7.52	9.04	11.03
AEPS (INR)	33.8	33.7	47.3	51.2	68.1	81.8	99.9
EBIT margin (%)	9.2	10.1	13.9	12.8	14.7	15.3	15.9
USD Revenue growth (%)	(5.3)	(10.9)	9.2	22.7	14.9	13.9	14.6
EPS growth (%)	(24.0)	(0.2)	40.5	8.2	33.0	20.2	22.1
P/E (x)	50.2	50.3	35.8	33.1	24.9	20.7	17.0
EV/EBITDA (x)	30.7	29.0	21.7	18.5	14.2	11.8	9.7
RoE (%)	14.5	13.5	17.2	17.2	20.6	22.2	24.1

SSOF (M-cap INR 147bn, CMP 1058, TP 1165, ADD)

INR bn	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Revenue (USD mn)	181	160	203	241	326	384	450
Revenue	37.43	42.28	55.53	74.49	91.79	110.12	131.24
EBIT	3.36	3.40	4.16	5.45	6.71	8.69	10.55
APAT	2.77	2.44	3.76	4.52	5.13	6.70	8.28
AEPS (INR)	19.8	17.4	26.8	32.2	36.6	47.8	59.0
IITS EBITDA margin (%)	22.3	24.1	23.0	20.9	21.8	22.7	22.9
EBIT margin (%)	9.0	8.0	7.5	7.3	7.3	7.9	8.0
USD Revenue growth (%)	12.2	(11.3)	26.6	18.7	35.3	18.0	17.2
EPS growth (%)	12.3	(11.9)	54.3	20.0	13.6	30.6	23.5
P/E (x)	53.6	60.8	39.4	32.8	28.9	22.1	17.9
EV/EBITDA (x)	39.4	37.9	30.8	25.7	19.1	14.7	11.9
RoE (%)	38.5	31.0	37.6	37.7	35.9	38.9	39.4

BSOFT (M-cap INR 133bn, CMP 483, TP 555, BUY)

INR bn	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Revenue (USD mn)	464	480	555	595	634	714	802
Revenue	32.91	35.56	41.30	47.95	52.40	59.96	68.14
EBIT	3.09	4.49	5.64	4.38	7.10	8.77	10.14
APAT	2.24	3.21	4.64	4.50	5.47	6.75	7.89
AEPS (INR)	8.1	11.7	16.8	16.3	19.9	24.5	28.7
EBIT margin (%)	9.4	12.6	13.6	9.1	13.6	14.6	14.9
USD Revenue growth (%)	(2.2)	3.4	15.7	7.2	6.5	12.7	12.3
EPS growth (%)	(5.3)	43.1	44.5	(3.0)	21.6	23.5	16.8
P/E (x)	59.3	41.5	28.7	29.6	24.3	19.7	16.9
EV/EBITDA (x)	32.2	23.0	18.9	23.4	14.9	11.8	9.8
RoE (%)	12.4	15.8	19.5	17.9	20.7	21.8	21.8

ZENT (M-cap INR 118bn, CMP 517, TP 530, ADD)

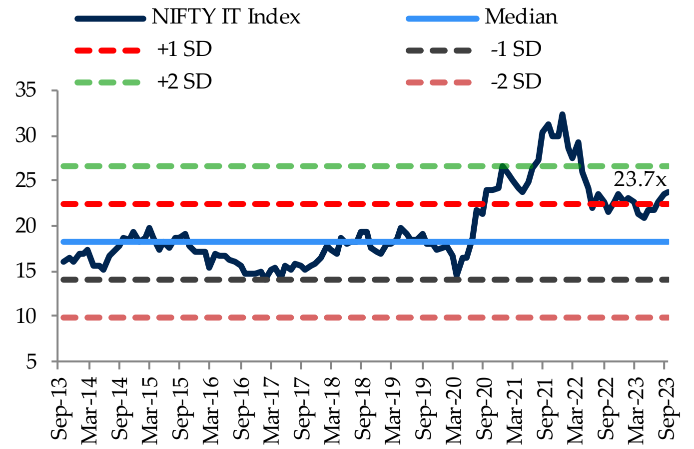
INR bn	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Revenue (USD mn)	566	494	569	604	610	668	749
Revenue	40.10	36.68	42.44	48.48	50.43	56.15	62.90
EBIT	3.47	5.11	4.72	3.69	7.15	8.06	9.34
APAT	2.63	2.52	4.16	3.28	5.86	6.51	7.50
AEPS (INR)	11.5	15.3	18.2	14.3	25.7	28.5	32.8
EBIT margin (%)	8.7	13.9	11.1	7.6	14.2	14.4	14.9
USD Revenue growth (%)	1.6	(12.7)	15.3	6.1	0.9	9.6	12.0
EPS growth (%)	(22.4)	33.0	19.0	(21.3)	79.0	11.1	15.1
P/E (x)	45.0	33.8	28.4	36.1	20.2	18.2	15.8
EV/EBITDA (x)	22.1	15.3	16.0	18.1	10.8	9.2	7.6
RoE (%)	12.7	15.7	16.3	11.3	17.9	18.0	18.7

MAST (M-cap INR 74bn, CMP 2400, TP 2500, ADD)

INR bn	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Revenue (USD mn)	151	232	293	318	374	428	489
Revenue	10.71	17.22	21.84	25.63	30.91	35.99	41.08
EBIT	1.32	3.20	4.20	3.88	4.63	5.84	6.85
APAT	1.33	2.09	2.95	2.68	3.32	4.33	5.13
AEPS (INR)	46.7	73.5	96.6	86.6	104.9	137.0	162.3
EBIT margin (%)	12.3	18.6	19.2	15.2	15.0	16.2	16.7
USD Revenue growth (%)	2.2	53.6	26.3	8.6	17.4	14.7	14.2
EPS growth (%)	31.7	57.5	31.5	(10.4)	21.2	30.5	18.5
P/E (x)	51.4	32.7	24.8	27.7	22.9	17.5	14.8
EV/EBITDA (x)	43.3	17.1	14.6	16.5	13.8	10.7	8.7
RoE (%)	17.6	25.4	30.6	19.4	18.2	20.2	20.2

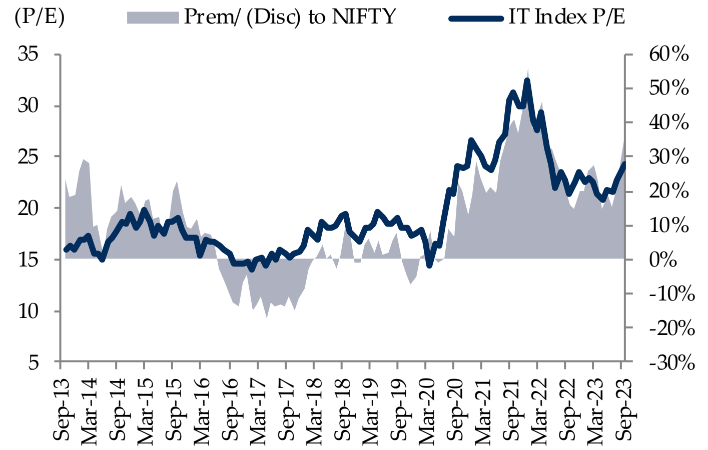
Exhibit 24: Valuation charts

NIFTY IT Index Valuation Trend (P/E 1-yr fwd)



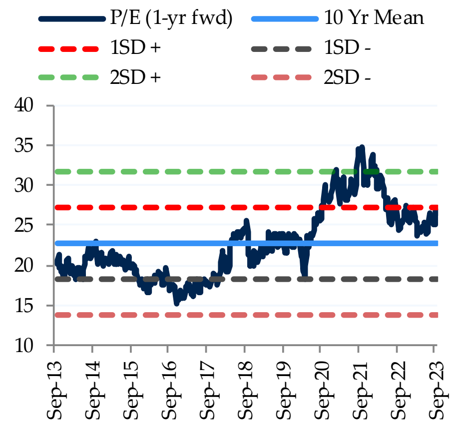
Source: Bloomberg, HSIE Research

IT Index Valuation Trend vs NIFTY

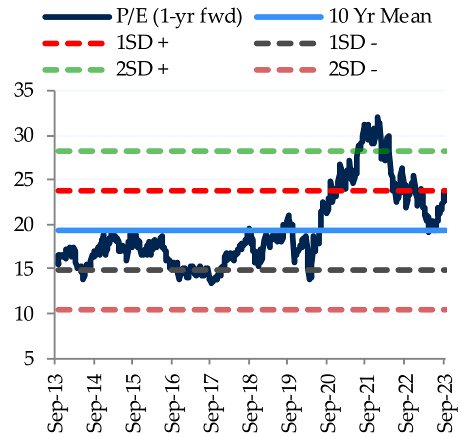


Source: Bloomberg, HSIE Research

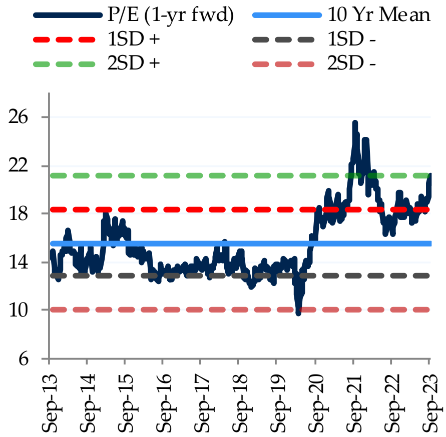
TCS P/E (1-yr fwd) Trend



INFO P/E (1-yr fwd) Trend

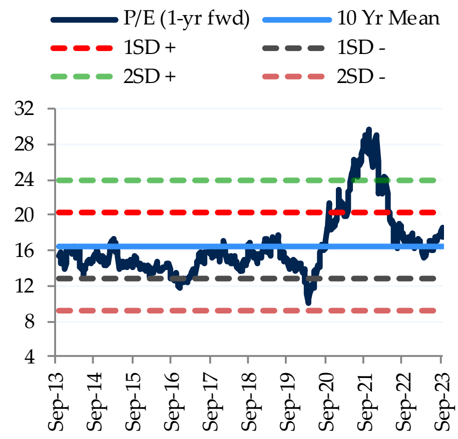


HCLT P/E (1-yr fwd) Trend

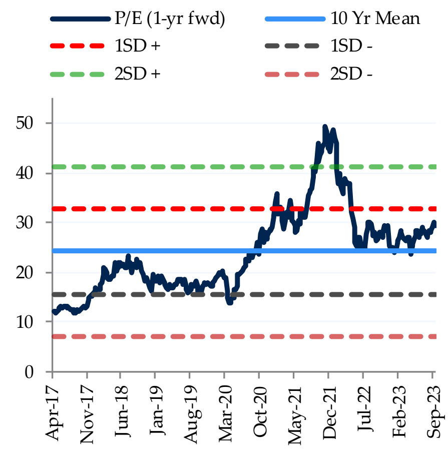


Source: Bloomberg, HSIE Research

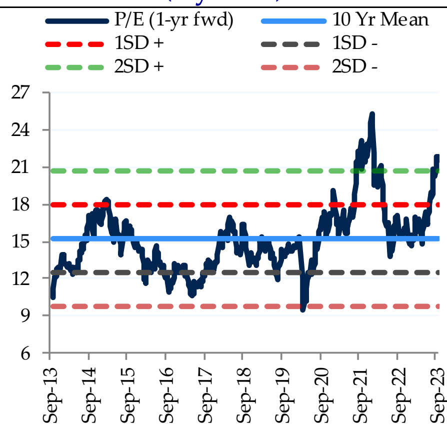
WPRO P/E (1-yr fwd) Trend



LTIM P/E (1-yr fwd) Trend

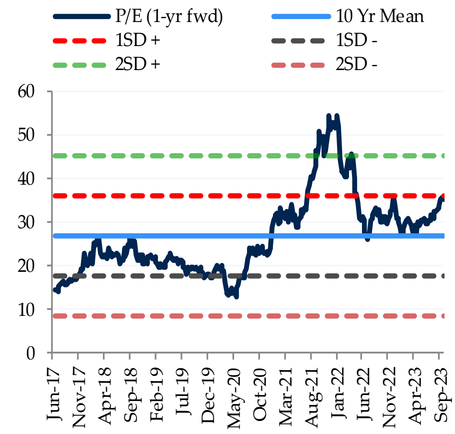


TECHM P/E (1-yr fwd) Trend

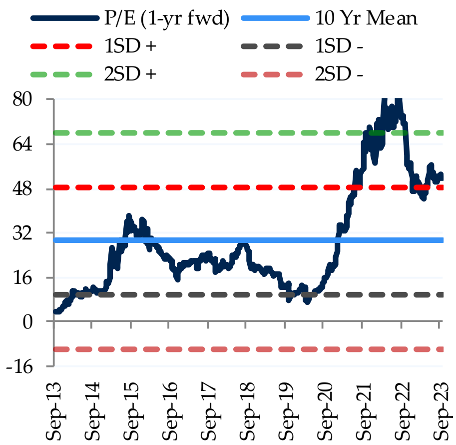


Source: Bloomberg, HSIE Research

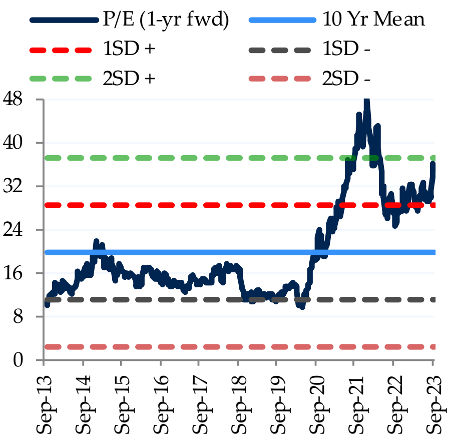
LTTS P/E (1-yr fwd) Trend



TELX P/E (1-yr fwd) Trend

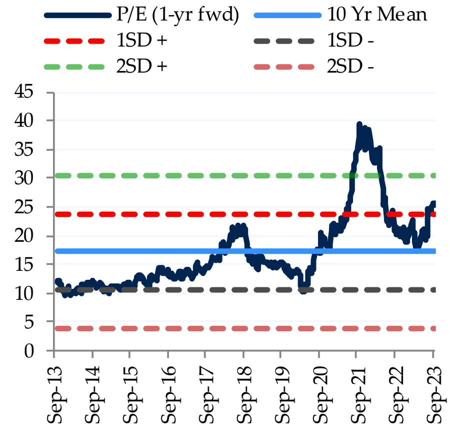


PSYS P/E (1-yr fwd) Trend

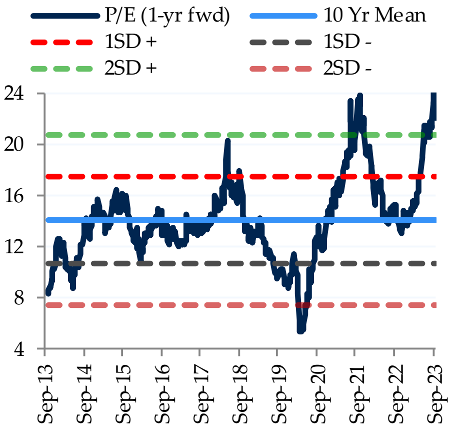


Source: Bloomberg, HSIE Research

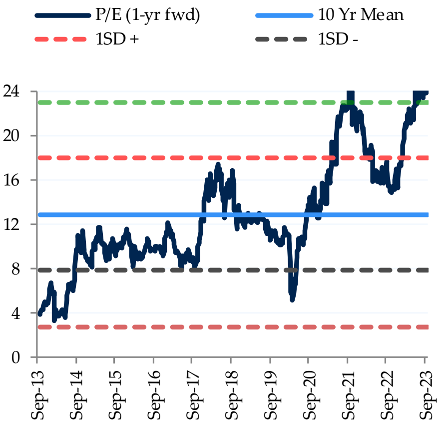
MPHL P/E (1-yr fwd) Trend



CYL P/E (1-yr fwd) Trend

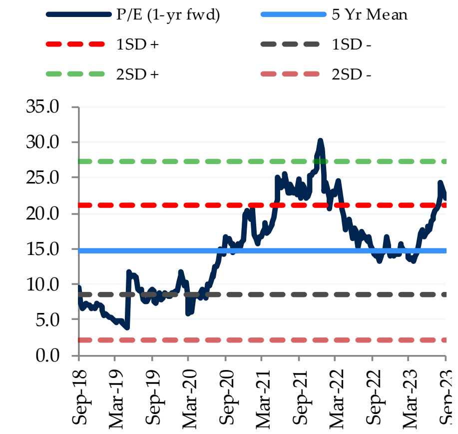


SSOF P/E (1-yr fwd) Trend

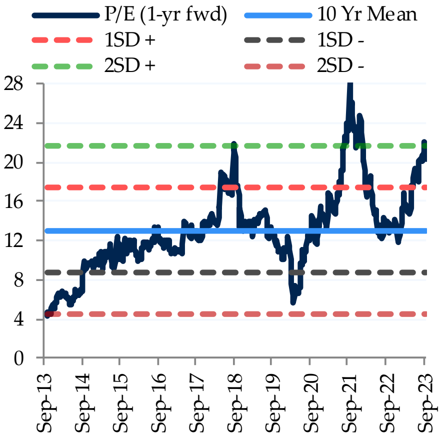


Source: Bloomberg, HSIE Research

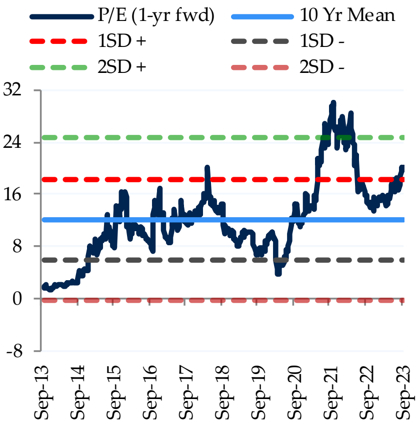
BSOFT P/E (1-yr fwd) Trend



ZENT P/E (1-yr fwd) Trend

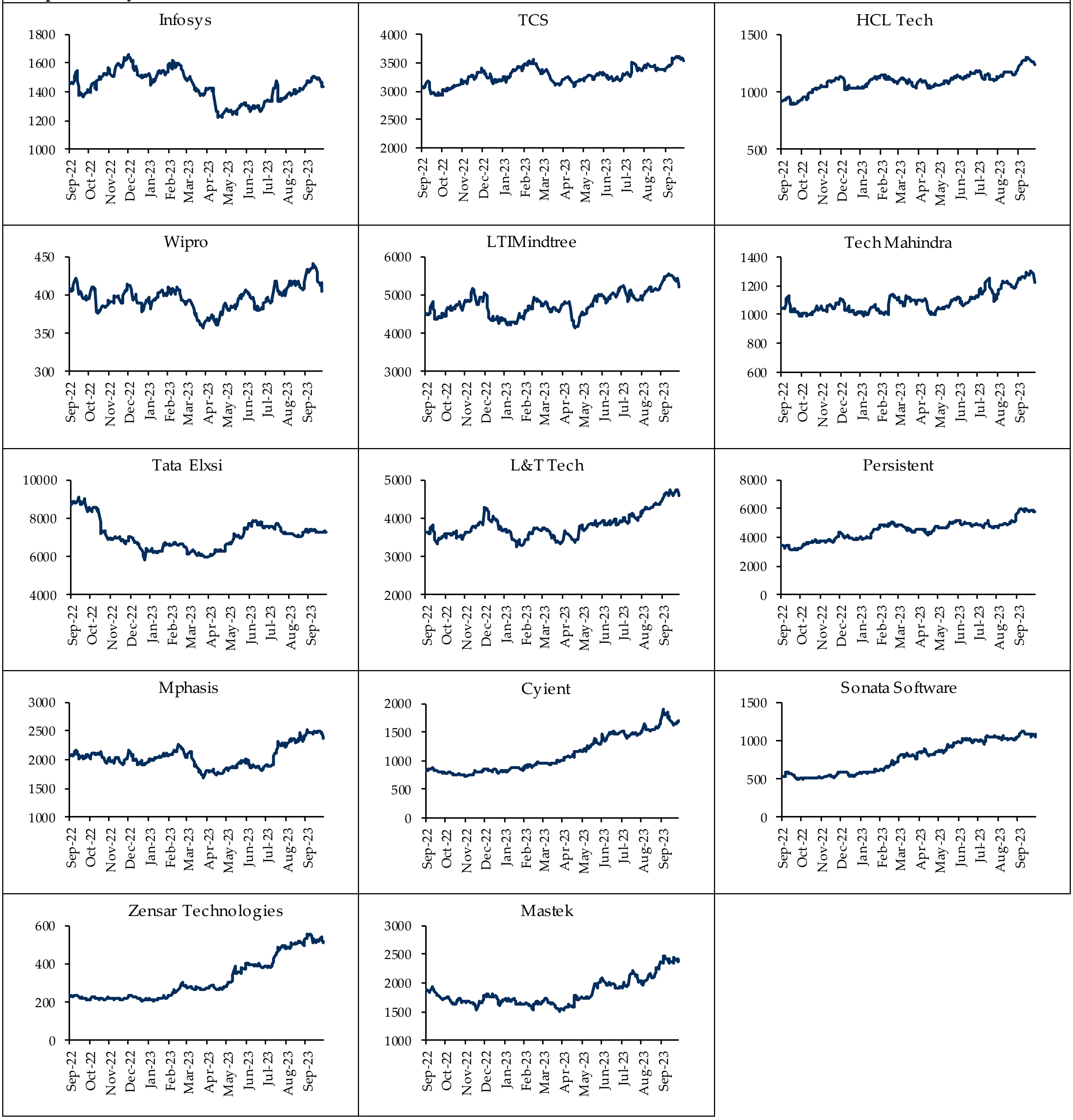


MAST P/E (1-yr fwd) Trend



Source: Bloomberg, HSIE Research

1 Yr price history



Rating Criteria

BUY: >+15% return potential
ADD: +5% to +15% return potential
REDUCE: -10% to +5% return potential
SELL: > 10% Downside return potential

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