

IT Sector

Divergent growth, yet aggregate momentum holds

Growth divergence is expected to persist in Q3FY25, with tier-1 IT revenue growth ranging from +5% to -1% YoY, mid-tier IT seeing an even wider range of +20% to -1% YoY. Furloughs and cross-currency headwinds will adversely impact Q3 numbers, but on an aggregate basis, the rate of change is positive, supported by improved decision cycles and discretionary spending, despite the absence of mega deals. Tech job postings are recovering, tech layoffs are easing, and bank tech spend has improved over the past few quarters, driving growth in BFSI revenue. On the flipside, recent quarters have seen deal market share losses to global peers, owing to increased competitive intensity in cost optimization deals as well as GenAI-driven growth. Current estimates build in profit pools expanding by >35% over FY25-27E, similar to the expansion over FY21-24. The base case of growth acceleration in FY26E remains intact. However, the sharp valuation rerating implies absolute returns will align more closely with earnings growth. Risk reward is favourable for TCS, with Persistent remaining the preferred mid-tier pick.

HCLT and Persistent to outperform in Q3: Within the tier-1 IT, HCLT is expected to lead growth (and margin improvement), supported by software business seasonality in Q3. TCS, Infosys, Wipro, HCLT and TECHM are expected to post 0/+0.7/-0.8/+4.1/+0.7% QoQ CC respectively. TCS' growth will continue to be led by the regional markets segment, evident in recent large deal wins. Several deal wins in SAP S/4HANA by Infosys and Wipro reflect continued growth momentum in the horizontal. Overall, in Q3, the coverage universe is expected to post 4% YoY growth in USD terms and PAT growth of 7% YoY. Within mid-tier IT, Persistent Systems and L&T Tech are expected to lead the sequential growth in Q3. Profit growth average in mid-tier IT is weak with positive outliers such as Persistent Systems and Mastek. Some of the acquisitions in the quarter included LTTS' USD 110mn software product development acquisition of Intelliswift and Wipro's USD 40mn consulting services acquisition of Applied Value Tech.

Guidance revisions likely: Infosys and HCLT are likely to revise their growth guidance upwards, while LTTS and Happiest Minds may lower its guidance and outlook. Wipro is expected to guide -1 to +1% QoQ CC for Q4FY25E; while margin guidance should remain unchanged for Infosys and HCLT. Key monitorables: (1) commentary and tonality of discretionary demand environment and budget indicators for CY25; (2) deal activity and pipeline, particularly post-election; (3) Q3 furlough impact and GCC dynamics in deals vs. competition; (4) outlook on industry verticals of manufacturing and retail; (5) progress on GenAI investments; and (6) supply side metrics. We marginally raise EPS estimates for HCLT, Wipro and Persistent while lowering TCS' estimates due to the absence of mega deal.

Company	CMP* (INR)	RECO	TP (INR)
TCS	4,176	ADD	4,545
INFO	1,958	ADD	2,000
HCLT	1,972	ADD	1,960
WPRO	304	REDUCE	262
LTIM	5,753	ADD	6,365
TECHM	1,727	REDUCE	1,465
PSYS	6,481	ADD	6,825
LTTS	4,796	REDUCE	4,730
MPHL	2,899	REDUCE	2,880
TELX	6,705	REDUCE	6,865
CYL	1,798	ADD	2,040
SSOF	628	ADD	710
BSOFT	564	ADD	620
ZENT	793	ADD	870
HAPPSTMN	725	ADD	805
MAST	3,085	ADD	3,950

*CMP as on 2nd Jan 2025

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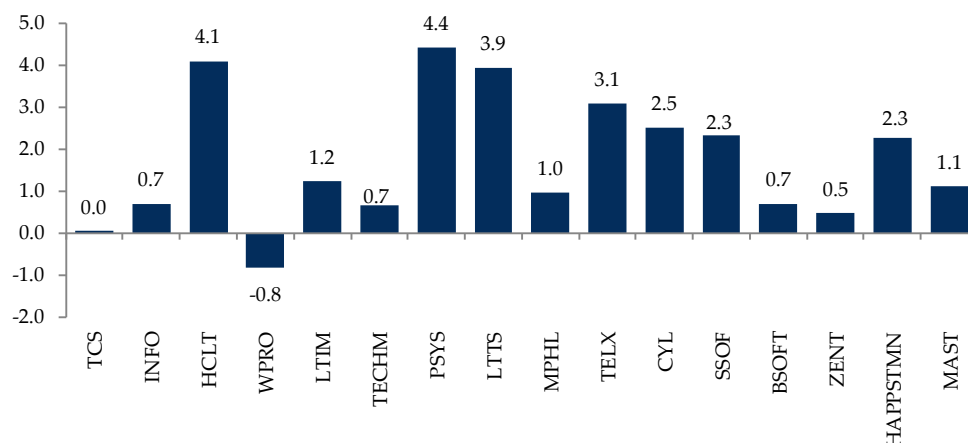
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Exhibit 1: IT Services: Q3FY25E Quarterly Financial Summary

Company	NET SALES (USD mn)			NET SALES (INR bn)			EBIT (INR bn)			EBIT Margin (%)			APAT (INR bn)			Adj. EPS (INR)		
	Q3 FY25E	QoQ (%)	YoY (%)	Q3 FY25E	QoQ (%)	YoY (%)	Q3 FY25E	QoQ (%)	YoY (%)	Q3 FY25E	QoQ (bps)	YoY (bps)	Q3 FY25E	QoQ (%)	YoY (%)	Q3 FY25E	Q2 FY25	Q3 FY24
TCS	7,618	(0.7)	4.6	643.69	0.2	6.2	155.87	0.8	2.9	24.2	15	-80	120.29	1.0	2.1	33.2	32.9	32.6
INFO	4,894	0.0	5.0	413.57	0.9	6.5	88.21	2.0	10.8	21.3	23	82	67.87	4.3	11.0	16.4	15.7	14.7
HCLT	3,561	3.4	4.3	300.91	4.3	5.8	58.52	9.1	4.2	19.4	87	-29	45.80	8.2	5.3	16.9	15.6	16.0
WPRO	2,624	(1.4)	(1.2)	223.08	0.0	0.5	34.82	(7.3)	6.8	15.6	-123	93	30.50	(4.9)	13.2	2.9	3.1	2.6
LTIM	1,138	1.0	5.0	96.18	2.0	6.7	13.75	(5.7)	(0.8)	14.3	-116	-107	11.52	(7.9)	(1.5)	39.0	42.3	39.6
TECHM	1,590	0.1	1.1	134.36	0.9	2.6	13.33	4.1	89.7	9.9	31	456	9.76	6.1	91.2	11.0	10.4	5.8
PSYS	360	4.3	19.9	30.44	5.1	21.9	4.45	9.6	22.6	14.6	60	9	3.55	9.1	23.9	23.0	21.1	18.6
LTTS	318	3.6	9.3	26.85	4.4	10.9	4.15	7.1	(0.2)	15.5	40	-172	3.34	4.5	(0.7)	31.6	30.2	31.8
MPHL	424	0.8	5.5	35.85	1.4	7.4	5.46	0.3	9.9	15.2	-16	34	4.18	(1.2)	12.0	22.4	22.6	19.9
TELX	116	2.0	5.9	9.82	2.9	7.5	2.51	4.8	2.4	25.5	46	-125	2.02	(11.8)	(2.0)	32.5	36.8	33.1
CYL	176	2.0	(1.5)	14.89	2.7	(0.2)	2.04	(0.8)	(14.4)	13.7	-49	-228	1.52	(14.2)	13.1	13.7	16.0	12.1
BSOFT	164	0.5	1.7	13.87	1.4	3.3	1.41	(1.4)	(26.9)	10.2	-28	-421	1.23	(3.6)	(23.7)	4.5	4.6	5.9
SSOF	86	2.0	3.1	7.29	3.0	4.6	1.31	1.9	(16.6)	18.0	-20	-458	1.13	6.1	(12.0)	4.4	3.8	4.6
ZENT	156	0.1	8.1	13.20	0.9	9.6	1.73	1.2	(1.7)	13.1	4	-151	1.62	4.0	0.2	7.1	6.8	7.1
HAPPSTMN	64	2.0	28.9	5.38	3.1	31.2	0.76	10.2	14.5	14.1	91	-204	0.54	9.7	(7.7)	3.6	3.3	4.0
MAST	104	0.3	10.6	8.78	1.2	12.0	1.22	(1.4)	8.8	13.8	-37	-40	0.88	(24.8)	16.7	27.8	37.0	23.8
Aggregate	23,394	0.3	4.0	1,978.16	1.3	5.6	389.55	1.5	6.6	19.7	4	18	305.75	1.7	7.1			

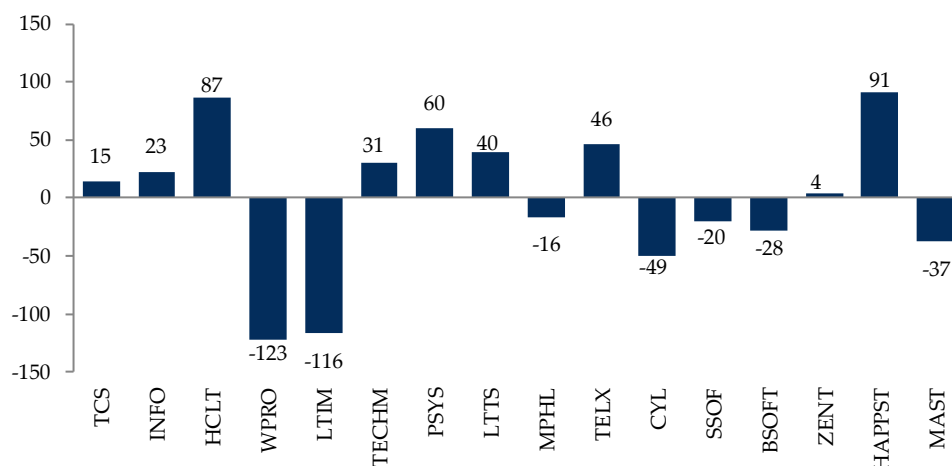
Source: HSIE Research, WPRO USD Rev is IT services, CYL is DET business and SSOF is IITS USD rev & IITS EBITDA margin

Exhibit 2: Q3FY25E revenue growth expectation (QoQ CC)



Source: HSIE Research; Inorganic growth for PSYS is 0.8% QoQ (SoHo, Starfish) and for HCLT is 0.4% QoQ (CTG)

Exhibit 3: Q3FY25E EBITM QoQ bps expectation



Source: HSIE Research; Sonata is IITS EBITDA margin and Cyient is DET EBIT margin

Exhibit 4: IT Services: valuations

Company	MCAp (INR bn)	CMP (INR)	TP INR)	RECO	EPS (INR)				P/E (x)				RoE (%)				USD Rev CAGR% FY24-27E	EPS CAGR% FY24-27E
					FY24	FY25E	FY26E	FY27E	FY24	FY25E	FY26E	FY27E	FY24	FY25E	FY26E	FY27E		
TCS	15,279	4,176	4,545	ADD	128.9	135.7	151.8	166.1	32.4	30.8	27.5	25.1	51.6	53.9	58.5	60.7	6.0	8.8
Infosys	8,124	1,958	2,000	ADD	59.6	64.2	73.7	81.6	32.8	30.5	26.6	24.0	30.3	30.0	33.1	34.4	6.9	11.0
HCL Tech	5,352	1,972	1,960	ADD	57.9	63.2	74.8	84.2	34.1	31.2	26.4	23.4	23.5	24.4	27.3	29.1	7.5	13.3
Wipro	3,181	304	262	REDUCE	10.5	11.9	12.9	14.1	28.8	25.5	23.6	21.6	14.4	16.1	16.4	16.9	2.4	10.1
LTIMindtree	1,701	5,753	6,365	ADD	155.0	164.2	203.6	246.7	37.1	35.0	28.3	23.3	25.0	22.8	24.7	26.0	10.9	16.8
TechM	1,523	1,727	1,465	REDUCE	30.6	48.5	66.8	81.6	56.5	35.6	25.8	21.2	9.9	15.8	20.9	24.4	5.8	38.7
Persistent	997	6,481	6,825	ADD	73.4	89.4	118.0	149.2	88.3	72.5	54.9	43.4	24.5	25.6	28.6	30.0	18.9	26.7
L&T Tech	507	4,796	4,730	REDUCE	123.5	127.0	147.5	175.6	38.8	37.8	32.5	27.3	25.4	23.4	23.7	24.5	10.5	12.4
Mphasis	543	2,899	2,880	REDUCE	83.1	90.4	105.1	121.7	34.9	32.1	27.6	23.8	18.6	18.5	19.9	21.1	8.9	13.6
Tata Elxsi	418	6,705	6,865	REDUCE	127.2	134.8	158.4	188.3	52.7	49.7	42.3	35.6	34.5	31.2	31.8	32.7	12.5	14.0
Cyient	198	1,798	2,040	ADD	67.1	62.3	76.1	92.0	26.8	28.9	23.6	19.5	19.2	15.5	17.5	19.3	9.1	11.1
Sonata	176	628	710	ADD	17.2	16.6	21.8	26.8	36.5	37.8	28.8	23.5	35.7	30.6	34.1	35.2	11.5	15.8
Birlasoft	155	564	620	ADD	22.2	19.5	23.1	26.6	25.4	28.9	24.5	21.2	22.3	16.7	17.8	18.4	5.9	6.2
Zensar	181	793	870	ADD	29.1	28.4	32.4	37.9	27.3	27.9	24.5	21.0	20.0	16.7	17.0	17.7	9.6	9.2
Happiest Minds	110	725	805	ADD	15.6	15.1	20.0	24.9	46.4	48.0	36.3	29.1	20.5	14.9	17.9	20.1	22.4	16.8
Mastek	95	3,085	3,950	ADD	96.2	116.2	133.1	164.4	32.1	26.6	23.2	18.8	16.1	16.3	16.3	17.5	13.2	19.6
IT AVG									39.4	36.2	29.8	25.1	24.5	23.3	25.3	26.7	10.1	15.3
IT Median									34.5	31.7	27.0	23.4	22.9	20.6	22.3	24.4	9.3	13.4

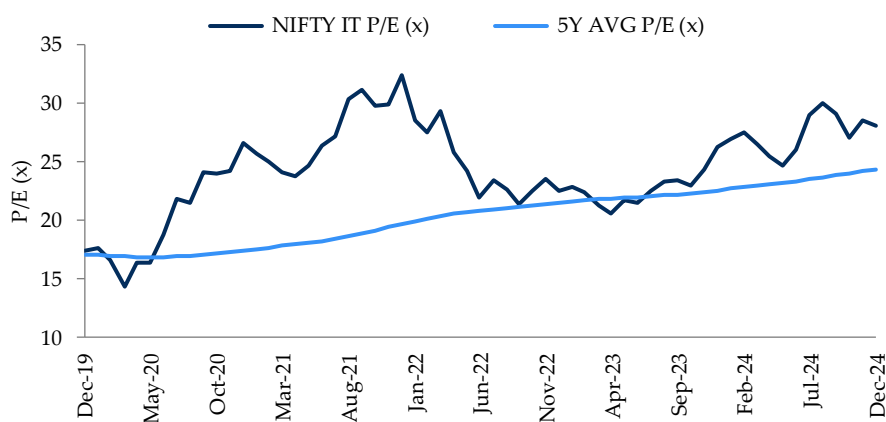
Source: HSIE Research, CMP as on 2nd Jan 2025

Exhibit 5: Global IT Peers: valuations

Company	MCAp (USD bn)	CMP USD	TP	RECO	EPS				P/E (x)				RoE (%)				USD Rev CAGR% FY24-27E	EPS CAGR% FY24-27E
					FY24	FY25E	FY26E	FY27E	FY24	FY25E	FY26E	FY27E	FY24	FY25E	FY26E	FY27E		
Accenture	237.4	352	NA	NR	12.0	12.7	14.0	15.4	29.4	27.6	25.2	22.9	26.9	26.6	24.9	23.5	7.8	8.8
Cognizant	38.1	77	NA	NR	4.6	4.6	4.9	5.4	16.9	16.6	15.6	14.4	16.7	16.4	16.2	15.8	4.5	5.5
Capgemini^	27.1	158	NA	NR	12.4	11.8	12.6	13.7	12.7	13.4	12.6	11.6	16.5	17.5	17.0	16.6	3.0	3.2
EPAM	13.3	234	NA	NR	7.2	10.3	11.1	12.5	32.4	22.7	21.2	18.7	12.9	16.3	15.1	15.0	4.6	20.2
Globant	9.2	214	NA	NR	5.7	6.4	7.4	9.0	37.4	33.5	28.8	23.9	9.8	14.0	13.5	14.0	16.2	16.0
TietoEVRY^	2.0	17	NA	NR	2.1	2.0	2.2	2.4	8.0	8.5	7.7	7.2	10.3	11.8	13.8	14.5	2.5	3.2
Global IT AVG									22.8	20.4	18.5	16.4	15.5	17.1	16.7	16.6	6.4	9.5
Global IT Median									23.2	19.7	18.4	16.5	14.7	16.4	15.7	15.4	4.5	7.2

Source: Bloomberg consensus, HSIE Research, CMP as on 2nd Jan 2025, ^ in EUR

Exhibit 6: NIFTY IT Index re-rated from June'24



Source: Bloomberg, HSIE Research

Exhibit 7: Change in estimates

Company	Revenue USD Mn (NEW)			Change (%)			EBIT % (NEW)			Change (bps)			EPS (INR) NEW			Change (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
TCS	30,546	32,219	34,679	-0.8%	-1.8%	-2.0%	24.7	25.8	26.0	-10	-15	-2	135.7	151.8	166.1	-1.4%	-2.3%	-2.1%
INFO	19,441	20,995	22,676	-0.4%	-0.7%	-0.7%	21.2	21.9	22.2	16	7	7	64.2	73.7	81.6	0.7%	-0.3%	-0.4%
HCLT	13,954	15,197	16,476	-0.3%	-1.3%	-1.3%	18.5	19.5	20.0	-3	15	46	63.2	74.8	84.2	1.2%	1.5%	3.1%
WPRO*	10,560	10,958	11,610	-0.8%	-1.8%	-1.8%	16.3	16.5	16.8	16	4	31	11.9	12.9	14.1	1.4%	1.9%	3.8%
LTIM	4,537	5,135	5,852	-0.8%	-1.6%	-1.6%	15.1	16.5	17.5	-24	-42	7	164.2	203.6	246.7	-2.0%	-3.6%	-1.1%
TECHM	6,359	6,841	7,433	-0.5%	-1.0%	-1.0%	9.7	12.7	13.9	33	4	2	48.5	66.8	81.6	3.1%	-0.7%	-0.8%
PSYS	1,410	1,692	1,993	0.3%	1.2%	1.7%	14.5	15.6	16.5	3	-15	-4	89.4	118.0	149.2	0.1%	0.3%	1.5%
LTTS	1,253	1,394	1,568	-0.4%	-2.0%	-2.5%	15.7	16.3	17.0	-27	-40	-53	127.0	147.5	175.6	-1.5%	-3.9%	-4.9%
MPHL	1,690	1,867	2,079	-0.3%	-0.7%	-0.7%	15.4	15.8	16.2	-18	1	16	90.4	105.1	121.7	-0.9%	-0.1%	0.7%
TELX	462	529	610	-0.9%	-1.9%	-1.9%	25.6	26.9	27.6	-62	-22	36	134.8	158.4	188.3	-2.4%	-2.5%	-0.6%
CYL	886	996	1,120	-0.5%	-1.0%	-0.9%	12.7	13.8	14.6	-21	-19	-12	62.3	76.1	92.0	-1.9%	-2.4%	-1.8%
SSOF*	342	388	449	-0.5%	-1.2%	-1.2%	18.4	20.0	20.7	-10	-13	-22	16.6	21.8	26.8	-0.6%	-1.4%	-1.7%
BSOFT	653	686	756	0.0%	-3.4%	-4.4%	11.2	12.9	13.5	12	7	29	19.5	23.1	26.6	1.4%	-3.1%	-2.6%
ZENT	628	693	779	-0.8%	-1.7%	-1.7%	13.3	13.6	14.2	-20	-34	-40	28.4	32.4	37.9	-1.5%	-3.4%	-3.7%
HAPPSTMN	248	298	359	-0.7%	-1.3%	-1.3%	14.6	16.5	16.5	-9	47	6	15.1	20.0	24.9	-0.8%	1.6%	-1.0%
MAST	412	468	535	-0.1%	-0.5%	-1.1%	13.7	14.5	15.5	14	-16	-6	116.2	133.1	164.4	1.1%	-1.6%	-1.6%

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

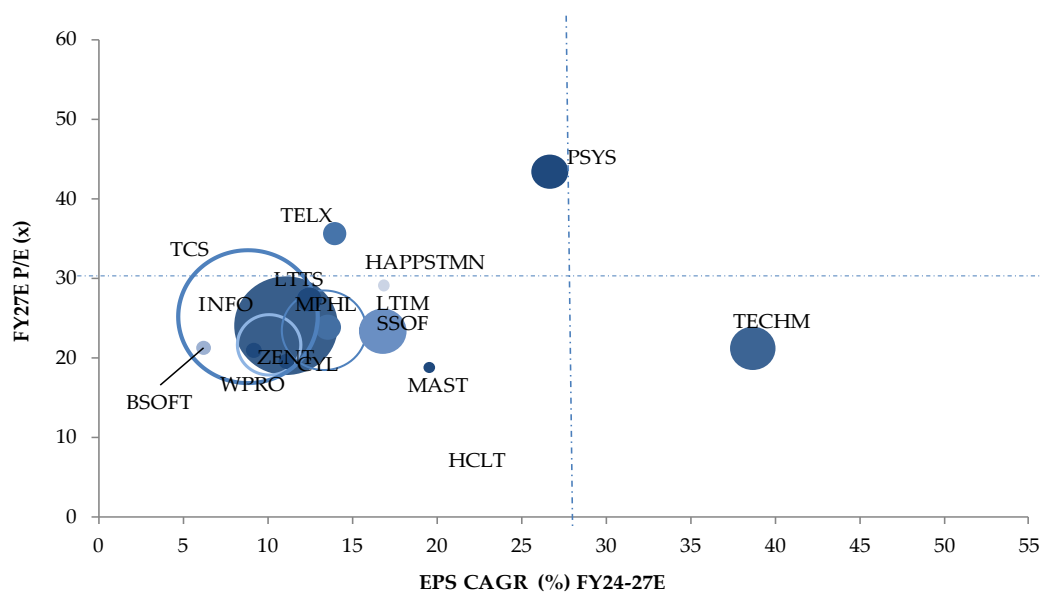
Exhibit 8: Change in TP & Rating

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	15,279	4,176	4,650	4,545	ADD	ADD	28	28	27	24
INFY	8,124	1,958	2,010	2,000	ADD	ADD	25	25	24	21
HCLT	5,352	1,972	1,900	1,960	ADD	ADD	24	24	20	17
WPRO	3,181	304	250	262	REDUCE	REDUCE	19	19	20	17
LTIM	1,701	5,753	6,435	6,365	ADD	ADD	27	27	30	24
TECHM	1,523	1,727	1,480	1,465	REDUCE	REDUCE	18	18	19	17
PSYS^	997	6,481	5,610	6,825	ADD	ADD	40	48	33	24
LTTS	507	4,796	4,975	4,730	REDUCE	REDUCE	28	28	33	27
MPHL	543	2,899	2,865	2,880	REDUCE	REDUCE	24	24	24	19
TELX	418	6,705	6,925	6,865	REDUCE	REDUCE	38	38	47	35
CYL	198	1,798	1,975	2,040	ADD	ADD	22	22	18	16
SSOF	176	628	700	710	ADD	ADD	27	27	20	16
BSOFT	155	564	635	620	ADD	ADD	24	24	20	13
ZENT	181	793	870	870	ADD	ADD	23	23	17	15
HAPPSTMN	110	725	795	805	ADD	ADD	34	34	51	NA
MAST	95	3,085	4,000	3,950	ADD	ADD	24	24	18	15

Source : Company, HSIE Research, CMP as on 2nd Jan 2025, ^ indicates multiple upgrade/downgrade

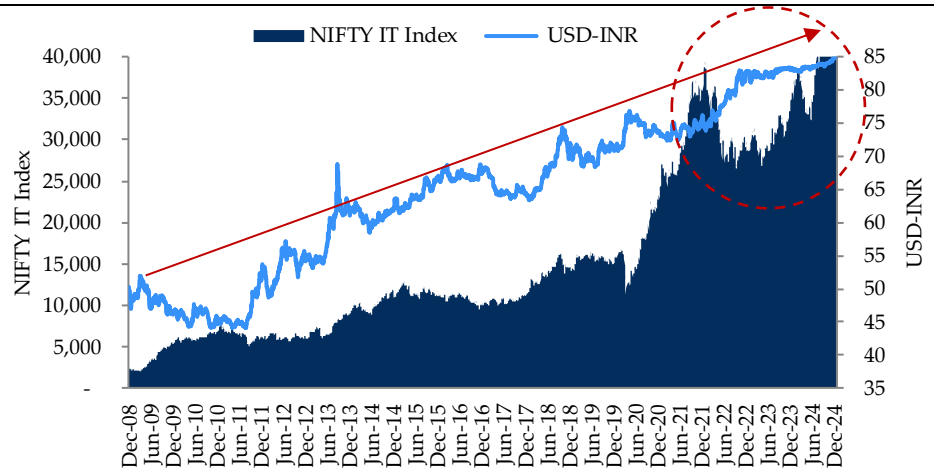
Exhibit 9: IT Sector stock performance (%) – PSYS, ZENT, MAST, WPRO and HCLT led the outperformance in last 3M

Company	M-cap (USD bn)	CMP (INR)	1W (%)	1M (%)	3M (%)	6M (%)	1Y (%)	3Y (%)	5Y (%)	YTD (%)
TCS	176.2	4,176	0	-2	-3	4	10	12	94	2
INFO	94.8	1,958	3	4	3	21	28	4	166	4
HCLT	62.4	1,972	4	5	9	33	34	50	244	3
WPRO	37.1	304	0	4	11	13	29	-15	145	1
LTIM	19.9	5,753	0	-7	-8	5	-6	-22	216	3
TECHM	19.7	1,727	2	-1	6	17	35	-4	125	1
PSYS	11.8	6,481	1	9	18	44	77	164	1717	0
LTTS	5.9	4,796	3	-9	-10	-5	-7	-14	217	1
MPHL	6.4	2,899	0	-5	-4	16	8	-15	224	2
TELX	4.9	6,705	-3	0	-14	-5	-23	14	710	-1
CYL	2.3	1,798	-7	-4	-6	-3	-22	76	306	-2
SSOF	2.1	628	2	-2	-1	0	-11	91	434	5
BSOFT	1.8	564	-1	-6	-5	-20	-18	4	669	1
ZENT	2.1	793	9	3	17	6	34	52	340	6
HAPPSTMN	1.3	725	3	-6	-10	-13	-20	-44	337	-1
MAST	1.1	3,085	7	-4	17	12	14	2	624	4
NSE IT Index			2	2	5	19	26	15	182	2
NIFTY			2	0	-6	0	12	39	97	2
Nasdaq			-4	0	8	7	31	23	112	0

Source: Bloomberg, HSIE Research, CMP as on 2nd Jan 2025
Exhibit 10: IT Sector P/E and EPS Growth


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

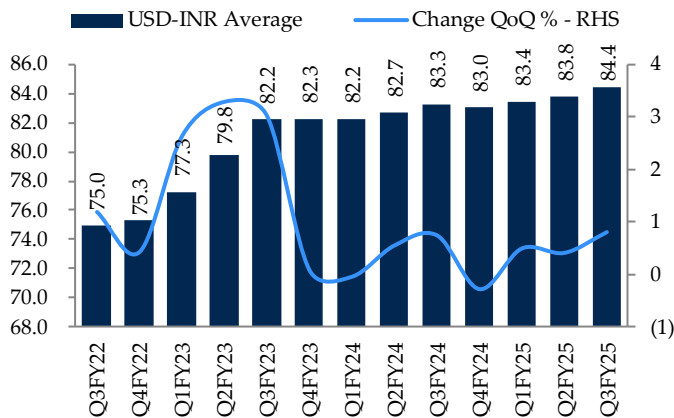
Exhibit 11: USD-INR vs IT index trend



Source: Bloomberg

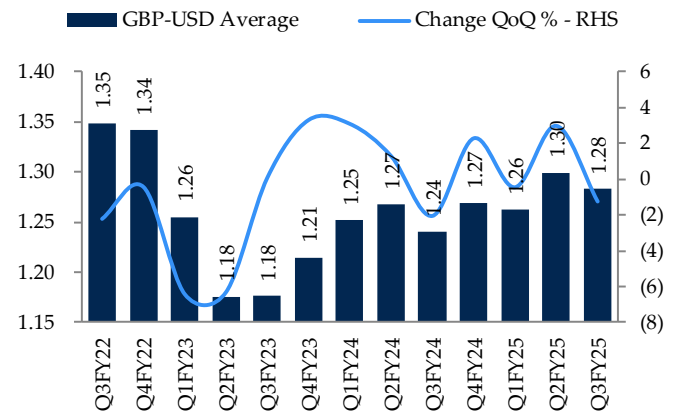
Exhibit 12: Currency trends - GBP, EUR and JPY weakness led negative cross currency impact in Q3

USD-INR trend



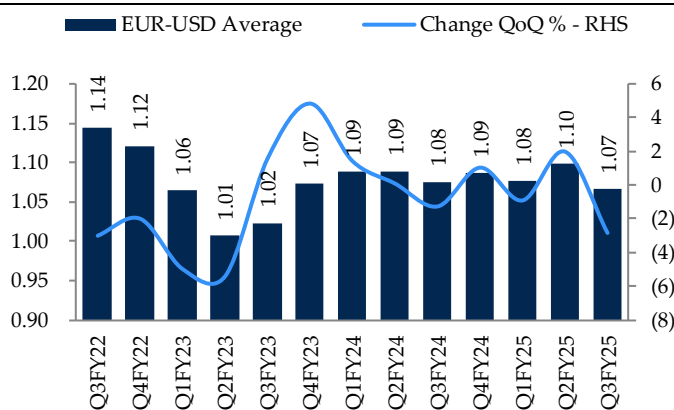
Source: NSE, Bloomberg, HSIE Research

GBP-USD trend



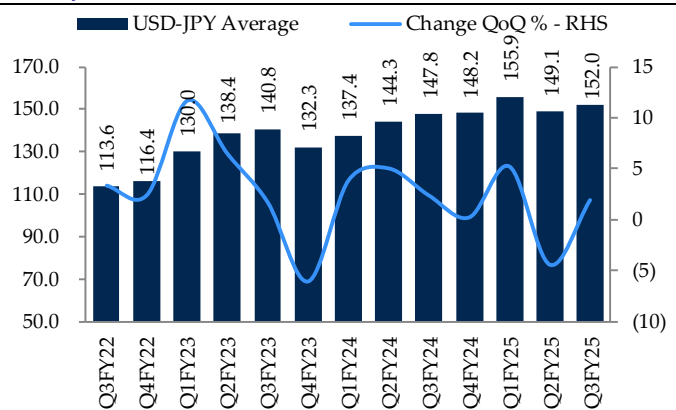
Source: NSE, Bloomberg, HSIE Research

EUR-USD trend

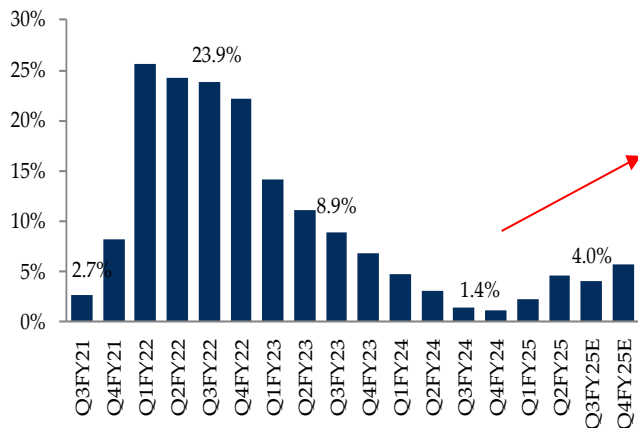


Source: NSE, Bloomberg, HSIE Research

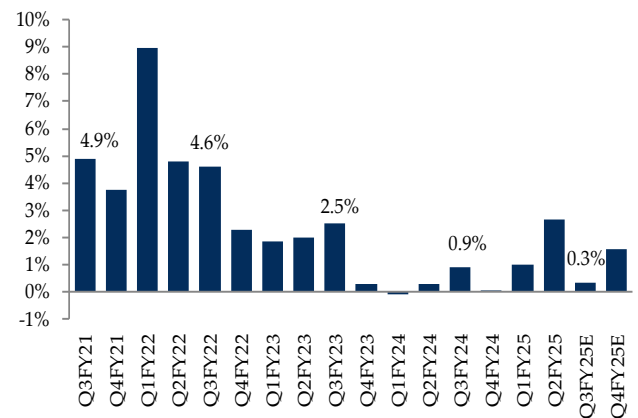
USD-JPY trend



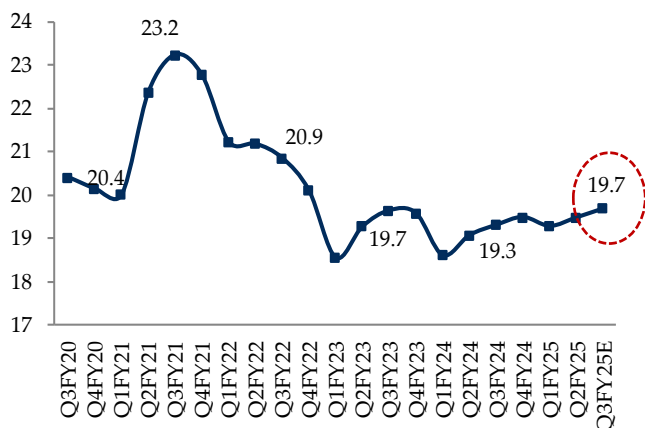
Source: NSE, Bloomberg, HSIE Research

Exhibit 13: IT Sector YoY revenue growth recovery underway

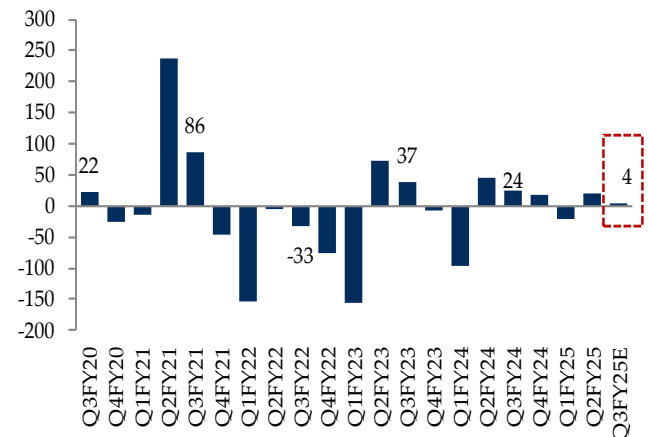
Source: Company, HSIE Research

Exhibit 14: IT Sector QoQ revenue growth

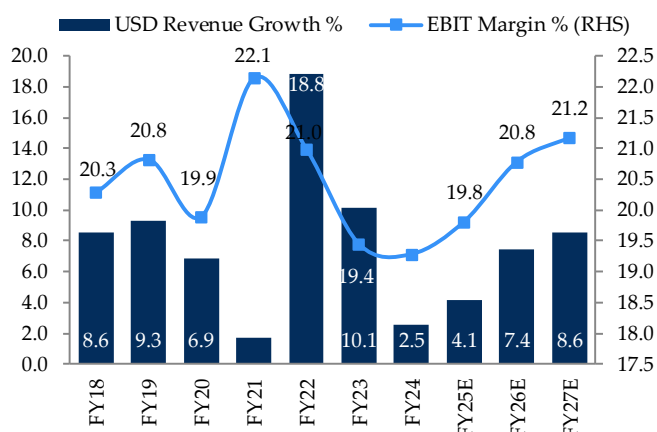
Source: Company, HSIE Research

Exhibit 15: Large scope for margin improvement

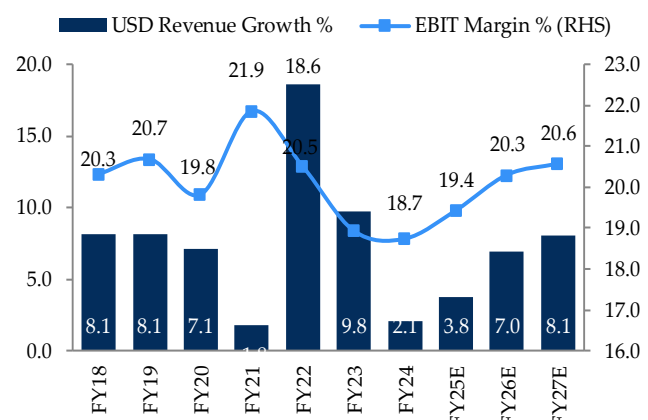
Source: Company, HSIE Research

Exhibit 16: Flat sequential margin

Source: Company, HSIE Research

Exhibit 17: H2FY25E YoY recovery expected - IT Sector aggregate revenue growth and EBITM trend

Source: Company, HSIE Research

Exhibit 18: Tier -1 IT revenue growth and margin trend

Source: Company, HSIE Research; Tier 1 includes TCS, INFO, HCLT, WPRO, LTIM & TECHM

Exhibit 19: Key deals announced in Q3FY25

Company	Client	Vertical	Region	Services
TCS	Department of Social Protection	Regional Markets & Others (Govt)	Ireland	15 year end-to-end digital solution deal
	Insper	Regional Markets & Others (Education)	Brazil	10 year AI, GenAI, IoT, and spatial computing.
	Air France-KLM	Retail & CPG	Europe	AI-ready, cloud-native data landscape (Multi year)
	SPARSH (System for Pension Administration – Raksha)	Regional Markets & Others (Govt)	India	3 year hardware and software deal
	Bank of Bhutan	BFSI	APAC	Modernize Digital Core
	Telenor	Communication & Media	Denmark	5 year renewal deal for ITIS managed services
Infosys	Old National Bank	Financial Services	US	4 year transformation and process digitization powered by automation and GenAI
	Zooplus	Retail	Germany	Setting up GCC in Hyderabad and leveraging Infosys Topaz
	Kardex	Others	Switzerland	SAP S/4HANA
	StarHub	Communication	Singapore	AI and cloud technologies, cybersecurity, and digital transformation
HCL Tech	Transport for NSW	Public Services (Govt Transport)	Australia	Managed services
	Tasman District Council	Public Services (Govt)	New Zealand	Digital transformation using Microsoft Dynamics 365
Wipro	Wealthtime	Banking, Financial Services and Insurance	UK	end to end platform services
	Ericsson	Communication	Sweden	Cloud native migration
	FORVIA	Mfg	France	Engineering Edge's Cloud Car Solution
	Sahara International Petrochemical Company (Sipchem)	Mfg	Middle East	implementation of SAP S/4HANA
	Marelli	Mfg	Japan	4 year cloud transformation deal
LTIM	Nexi Group	Banking, Financial Services and Insurance	Europe	Core platforms and infrastructure deal
LTTS	Colorado Smart Cities Alliance	Hi-tech	US	Engineering, digital and R&D services
	NA	Communication	NA	Product Integration Services (USD 50mn multi year deal)
	Siemens	Hi-tech	Germany	Digital transformation

Source: Company, HSIE Research

Exhibit 20: Quarterly USD revenue growth trend (QoQ CC %)

USD Rev (QoQ CC %)	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25E
TCS	2.6	3.5	4.0	2.3	0.6	0.0	0.1	1.0	1.1	2.2	1.1	0.0
INFO	1.2	5.5	4.0	2.4	-3.2	0.4	2.3	-1.0	-2.2	3.6	3.1	0.7
HCLT	1.1	2.7	3.8	5.0	-1.2	-1.3	1.0	6.0	0.3	-1.6	1.6	4.1
WPRO	3.1	2.1	4.1	0.6	-0.6	-2.8	-2.0	-1.7	-0.3	-1.0	0.6	-0.8
LTIM	3.2	5.0	5.5	1.9	0.7	0.1	1.7	0.7	-1.3	2.6	2.3	1.2
TECHM	5.4	3.5	2.9	0.2	0.3	-4.2	-2.4	1.1	-0.8	0.7	0.7	0.7
PSYS	9.3	12.0	6.6	3.5	3.5	2.9	3.2	3.1	3.4	5.6	5.1	4.4
LTTS	3.6	4.7	4.5	0.0	2.2	-2.9	3.2	0.9	5.1	-3.1	3.4	3.9
MPHL	4.8	2.0	1.8	-2.5	-4.5	-3.5	0.0	1.0	2.1	-0.1	2.4	1.0
TELX	7.4	6.5	4.7	3.5	1.6	1.2	3.4	3.0	-0.6	2.4	0.2	3.1
CYL	1.6	6.5	12.3	11.9	3.2	0.3	1.0	1.1	-0.5	-0.5	-0.5	2.5
SSOF	4.7	3.9	3.3	3.9	8.0	17.4	5.2	3.0	-2.2	1.4	1.5	2.3
BSOFT	2.1	2.3	1.1	0.0	3.1	1.7	3.0	1.8	1.6	-2.7	2.2	0.7
ZENT	4.2	3.1	1.6	-5.3	0.4	1.3	0.2	-3.2	2.0	4.3	0.3	0.5
HAPPSTMN	5.5	5.9	5.0	2.1	1.4	3.6	3.3	0.8	1.4	11.4	12.7	2.3
MAST	5.3	-0.1	10.7	3.1	5.3	0.4	4.4	2.7	-1.4	4.1	4.7	1.1

Source: Company, HSIE Research, Wipro is IT services rev and Sonata is IITS Rev, SSOF is USD rev growth Q4FY22, HAPPSTMN is USD rev growth from Q4FY22 to Q2FY23; Inorganic growth for PSYS is 0.4% QoQ and HAPPSTMN is 15.5% QoQ

Exhibit 21: Quarterly EBIT Margin trend (%)

EBIT Margin (%)	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25E
TCS	25.0	23.1	24.0	24.5	24.5	23.2	24.3	25.0	26.0	24.7	24.1	24.2
INFO	21.6	20.1	21.5	21.5	21.0	20.8	21.2	20.5	20.1	21.1	21.1	21.3
HCLT	18.0	17.0	17.9	19.6	18.2	17.0	18.5	19.7	17.6	17.1	18.6	19.4
WPRO	17.0	15.0	15.1	16.3	16.3	16.0	16.1	16.0	16.4	16.5	16.8	15.8
LTIM	18.1	17.4	17.5	13.9	16.4	16.7	16.0	15.4	14.7	15.0	15.5	14.3
TECHM	13.2	11.0	11.4	12.0	11.2	6.8	4.7	5.4	7.4	8.5	9.6	9.9
PSYS	14.0	14.3	14.6	15.4	15.4	14.9	13.7	14.5	14.5	14.0	14.0	14.6
LTTS	18.6	18.3	18.1	18.7	18.7	17.2	17.1	17.2	16.9	15.6	15.1	15.5
MPHL	15.2	15.3	15.3	15.3	15.3	15.4	15.5	14.9	14.9	15.0	15.4	15.2
TELX	30.1	30.5	26.8	27.6	27.3	27.1	27.1	26.8	25.8	24.3	25.1	25.5
CYL	14.5	11.5	11.9	12.9	14.2	14.7	14.6	14.3	14.4	11.9	12.5	12.6
SSOF	23.0	24.5	23.5	21.8	20.7	21.1	23.1	22.6	17.3	18.7	18.2	18.0
BSOFT	14.0	13.0	13.1	-1.1	11.9	13.6	14.2	14.4	14.7	13.1	10.5	10.2
ZENT	10.1	7.2	4.6	7.1	11.6	15.3	15.7	14.6	14.6	13.3	13.1	13.1
HAPPSTMN	20.9	23.5	22.7	21.7	21.0	19.2	16.7	16.1	16.4	13.5	13.2	14.1
MAST	18.7	17.2	14.4	14.3	14.9	14.8	13.3	14.2	12.5	12.8	14.2	13.8

Source: Company, HSIE Research, WPRO is IT services margin and SSOF is IITS EBITDA Margin

Exhibit 22: Financial Snapshot**TCS**

INR bn	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Revenue (USD mn)	22,174	25,707	27,927	29,080	30,546	32,219	34,679
Revenue	1,641.77	1,917.54	2,254.58	2,408.93	2,571.45	2,738.59	2,982.41
EBIT	424.81	484.53	542.37	593.11	635.63	707.03	775.60
APAT	333.56	383.27	421.47	466.35	491.07	549.34	601.06
AEPS (INR)	92.2	105.9	116.5	128.9	135.7	151.8	166.1
EBIT margin (%)	25.9	25.3	24.1	24.6	24.7	25.8	26.0
USD Revenue growth (%)	0.6	15.9	8.6	4.1	5.0	5.5	7.6
EPS growth (%)	3.1	14.9	10.0	10.6	5.3	11.9	9.4
P/E (x)	45.3	39.4	35.8	32.4	30.8	27.5	25.1
EV/EBITDA (x)	31.4	27.4	24.7	22.8	21.4	19.3	17.5
RoE (%)	39.1	43.7	46.9	51.6	53.9	58.5	60.7

Infosys

INR bn	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Revenue (USD mn)	13,562	16,310	18,212	18,562	19,441	20,995	22,676
Revenue	1,004.73	1,216.41	1,467.67	1,536.71	1,636.35	1,784.58	1,950.15
EBIT	246.22	280.15	309.06	317.47	347.49	390.79	432.00
APAT	193.51	221.11	240.95	247.50	266.65	305.89	338.89
AEPS (INR)	46.6	53.3	58.1	59.6	64.2	73.7	81.6
EBIT margin (%)	24.5	23.0	21.1	20.7	21.2	21.9	22.2
USD Revenue growth (%)	6.1	20.3	11.7	1.9	4.7	8.0	8.0
EPS growth (%)	18.0	14.3	9.0	2.7	7.7	14.7	10.8
P/E (x)	42.0	36.8	33.7	32.8	30.5	26.6	24.0
EV/EBITDA (x)	27.7	24.6	22.2	21.2	19.5	17.4	15.7
RoE (%)	27.3	29.2	32.0	30.3	30.0	33.1	34.4

HCL Tech

INR bn	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Revenue (USD mn)	10,176	11,537	12,586	13,270	13,954	15,197	16,476
Revenue	753.79	856.51	1,014.56	1,099.13	1,174.73	1,291.77	1,416.94
EBIT	160.71	162.04	184.84	200.27	217.53	251.56	282.73
APAT	124.62	134.99	148.52	157.02	171.41	202.94	228.38
AEPS (INR)	45.9	49.7	54.7	57.9	63.2	74.8	84.2
EBIT margin (%)	21.3	18.9	18.2	18.2	18.5	19.5	20.0
USD Revenue growth (%)	2.4	13.4	9.1	5.4	5.2	8.9	8.4
EPS growth (%)	12.7	8.3	10.0	5.7	9.2	18.4	12.5
P/E (x)	42.9	39.6	36.0	34.1	31.2	26.4	23.4
EV/EBITDA (x)	26.1	25.3	22.9	21.1	19.6	17.3	15.5
RoE (%)	22.4	22.1	23.3	23.5	24.4	27.3	29.1

Wipro

INR bn	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
ITS Revenue (USD mn)	8,137	10,356	11,147	10,805	10,560	10,958	11,610
Revenue	619.43	790.93	904.88	897.60	892.56	935.54	1,002.42
EBIT	120.14	133.75	135.13	135.76	145.50	154.34	168.37
APAT	107.95	122.19	113.50	110.45	124.67	135.00	147.49
AEPS (INR)	10.3	11.7	10.8	10.5	11.9	12.9	14.1
IT Services EBIT margin (%)	20.2	17.8	15.7	16.1	16.3	16.5	16.5
USD Revenue growth (%)	(1.4)	27.3	7.6	(3.1)	(2.3)	3.8	6.0
EPS growth (%)	11.0	13.2	(7.1)	(2.7)	12.7	8.3	9.3
P/E (x)	29.5	26.0	28.0	28.8	25.5	23.6	21.6
EV/EBITDA (x)	19.9	18.3	17.5	17.3	16.4	15.4	13.9
RoE (%)	19.4	20.2	15.8	14.4	16.1	16.4	16.9

LTIMindtree

INR bn	FY23	FY24	FY25E	FY26E	FY27E
Revenue (USD mn)	4,106	4,287	4,537	5,135	5,852
Revenue	331.83	355.17	381.88	436.50	503.29
EBIT	53.85	55.69	57.72	72.22	88.22
APAT	44.10	45.85	48.57	60.22	72.98
AEPS (INR)	149.1	155.0	164.2	203.6	246.7
EBIT margin (%)	16.2	15.7	15.1	16.5	17.5
USD Revenue growth (%)	17.2	4.4	5.8	13.2	14.0
EPS growth (%)	11.6	4.0	5.9	24.0	21.2
P/E (x)	38.6	37.1	35.0	28.3	23.3
EV/EBITDA (x)	26.6	25.2	23.6	19.0	15.5
RoE (%)	28.6	25.0	22.8	24.7	26.0

Tech Mahindra

INR bn	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Revenue (USD mn)	5,111	5,998	6,606	6,277	6,359	6,841	7,433
Revenue	378.55	446.46	532.90	519.96	535.40	581.47	639.24
EBIT	53.89	65.00	60.72	31.47	52.11	73.77	89.11
APAT	44.65	55.66	50.10	26.98	42.81	58.95	71.96
AEPS (INR)	50.6	63.1	56.8	30.6	48.5	66.8	81.6
EBIT margin (%)	14.2	14.6	11.4	6.1	9.7	12.7	13.9
USD Revenue growth (%)	(1.4)	17.3	10.1	(5.0)	1.3	7.6	8.7
EPS growth (%)	6.3	24.7	(10.0)	(46.1)	58.7	37.7	22.1
P/E (x)	34.0	27.4	30.1	54.1	36.5	25.8	21.2
EV/EBITDA (x)	20.7	18.1	18.3	29.5	20.3	15.4	13.0
RoE (%)	19.1	21.5	18.3	9.9	15.8	20.9	24.4

Persistent Systems

INR bn	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Revenue (USD mn)	566	766	1,036	1,186	1,410	1,692	1,993
Revenue	41.88	57.11	83.51	98.22	118.79	143.81	171.43
EBIT	5.07	7.92	12.47	14.15	17.19	22.37	28.32
APAT	4.51	6.90	9.43	11.30	13.75	18.15	22.96
AEPS (INR)	29.3	44.9	61.3	73.4	89.4	118.0	149.2
EBIT margin (%)	12.1	13.9	14.9	14.4	14.5	15.6	16.5
USD Revenue growth (%)	12.9	35.2	35.3	14.5	18.9	20.0	17.8
EPS growth (%)	25.6	53.2	36.6	19.8	21.8	31.9	26.5
P/E (x)	221.3	144.4	105.7	88.3	72.5	54.9	43.4
EV/EBITDA (x)	143.1	101.9	64.5	56.8	48.0	37.3	29.3
RoE (%)	17.4	22.4	25.1	24.5	25.6	28.6	30.0

L&T Technologies

INR bn	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Revenue (USD mn)	737	880	990	1,164	1,253	1,394	1,568
Revenue	54.50	65.70	80.14	96.47	105.51	118.46	134.87
EBIT	7.89	12.01	14.79	16.47	16.56	19.36	22.95
APAT	6.27	9.57	11.70	13.04	13.40	15.57	18.53
AEPS (INR)	59.4	90.7	110.8	123.5	127.0	147.5	175.6
EBIT margin (%)	14.5	18.3	18.5	17.1	15.7	16.3	17.0
USD Revenue growth (%)	(6.3)	19.5	12.4	17.6	7.6	11.2	12.5
EPS growth (%)	(16.5)	52.7	22.2	11.4	2.8	16.1	19.1
P/E (x)	80.8	52.9	43.3	38.8	37.8	32.5	27.3
EV/EBITDA (x)	48.6	34.4	28.0	25.0	23.9	20.3	17.0
RoE (%)	20.1	25.1	25.7	25.4	23.4	23.7	24.5

Mphasis

INR bn	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Revenue (USD mn)	1,309	1,593	1,718	1,609	1,690	1,867	2,079
Revenue	97.22	119.62	137.99	132.79	142.37	158.66	178.83
EBIT	15.61	18.27	21.09	20.11	21.88	25.11	29.02
APAT	12.17	14.46	16.38	15.55	16.90	19.65	22.76
AEPS (INR)	65.0	77.3	87.6	83.1	90.4	105.1	121.7
EBIT margin (%)	16.1	15.3	15.3	15.1	15.4	15.8	16.2
USD Revenue growth (%)	5.6	21.7	7.8	(6.3)	5.0	10.5	11.4
EPS growth (%)	6.5	18.9	13.2	(5.1)	8.7	16.3	15.8
P/E (x)	44.6	37.5	33.1	34.9	32.1	27.6	23.8
EV/EBITDA (x)	28.9	24.7	21.3	21.5	19.9	17.4	15.1
RoE (%)	19.7	21.5	22.0	18.6	18.5	19.9	21.1

Tata Elxsi

INR bn	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Revenue (USD mn)	247	331	390	429	462	529	610
Revenue	18.26	24.71	31.45	35.52	38.92	45.00	52.44
EBIT	4.78	7.10	8.80	9.47	9.95	12.10	14.50
APAT	3.68	5.50	7.55	7.92	8.40	9.86	11.73
AEPS (INR)	59.1	88.3	121.3	127.2	134.8	158.4	188.3
EBIT margin (%)	26.2	28.8	28.0	26.7	25.6	26.9	27.6
USD Revenue growth (%)	8.8	34.3	17.7	9.9	7.8	14.5	15.2
EPS growth (%)	35.6	49.3	37.4	4.9	6.0	17.5	18.9
P/E (x)	113.4	76.0	55.3	52.7	49.7	42.3	35.6
EV/EBITDA (x)	78.1	53.1	42.2	38.5	36.2	29.7	24.7
RoE (%)	30.1	37.2	41.0	34.5	31.2	31.8	32.7

Cyient

INR bn	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Revenue (USD mn)	461	504	632	714	702	769	842
Revenue	41.32	45.34	60.16	71.47	74.44	84.63	96.30
EBIT	4.16	6.30	7.67	10.36	9.46	11.70	14.03
APAT	3.72	5.22	5.65	7.41	6.88	8.40	10.16
AEPS (INR)	33.7	47.3	51.2	67.1	62.3	76.1	92.0
EBIT margin (%)	10.1	13.9	12.8	14.5	12.7	13.8	14.6
USD Revenue growth (%)	(16.3)	9.2	25.6	12.9	(1.7)	9.6	9.5
EPS growth (%)	(0.2)	40.5	8.2	31.1	(7.2)	22.2	20.9
P/E (x)	53.4	38.0	35.1	26.8	28.9	23.6	19.5
EV/EBITDA (x)	30.9	23.1	19.6	14.9	15.8	13.0	10.9
RoE (%)	13.5	17.2	17.2	19.2	15.5	17.5	19.3

Sonata Software

INR bn	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Revenue (USD mn)	160	203	241	324	342	388	449
Revenue	42.28	55.53	74.49	86.13	99.14	113.91	131.70
EBIT	3.40	4.16	5.45	5.96	6.21	8.01	9.71
APAT	2.44	3.76	4.52	4.83	4.66	6.12	7.51
AEPS (INR)	8.7	13.4	16.1	17.2	16.6	21.8	26.8
IITS EBITDA margin (%)	24.1	23.0	20.9	21.0	18.4	20.0	20.0
EBIT margin (%)	8.0	7.5	7.3	6.9	6.3	7.0	7.4
USD Revenue growth (%)	(11.3)	26.6	18.7	34.3	5.8	13.2	15.7
EPS growth (%)	(11.9)	54.3	20.0	6.9	(3.6)	31.3	22.7
P/E (x)	72.2	46.8	39.0	36.5	37.8	28.8	23.5
EV/EBITDA (x)	45.2	36.8	30.3	25.5	24.3	19.2	15.8
RoE (%)	31.0	37.6	37.7	35.7	30.6	34.1	35.2

Birlasoft

INR bn	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Revenue (USD mn)	480	555	595	637	653	686	756
Revenue	35.56	41.30	47.95	52.78	55.00	58.32	65.00
EBIT	4.49	5.64	4.38	7.51	6.18	7.51	8.80
APAT	3.21	4.64	4.50	6.11	5.37	6.35	7.32
AEPS (INR)	11.7	16.8	16.3	22.2	19.5	23.1	26.6
EBIT margin (%)	12.6	13.6	9.1	14.2	11.2	12.9	13.5
USD Revenue growth (%)	3.4	15.7	7.2	7.1	2.5	5.0	10.1
EPS growth (%)	43.1	44.5	(3.0)	36.0	(12.2)	18.3	15.4
P/E (x)	48.4	33.5	34.5	25.4	28.9	24.5	21.2
EV/EBITDA (x)	27.2	22.3	27.7	16.5	19.2	15.8	13.1
RoE (%)	15.8	19.5	17.9	22.3	16.7	17.8	18.4

Zensar Technologies

INR bn	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Revenue (USD mn)	494	569	604	592	628	693	779
Revenue	36.68	42.44	48.48	49.02	52.86	58.89	67.04
EBIT	5.11	4.72	3.69	7.38	7.05	8.03	9.52
APAT	2.52	4.16	3.28	6.65	6.49	7.39	8.65
AEPS (INR)	15.3	18.2	14.3	29.1	28.4	32.4	37.9
EBIT margin (%)	13.9	11.1	7.6	15.0	13.3	13.6	14.2
USD Revenue growth (%)	(12.7)	15.3	6.1	(2.0)	6.0	10.3	12.5
EPS growth (%)	33.0	19.0	(21.3)	103.0	(2.3)	13.9	17.0
P/E (x)	51.8	43.6	55.3	27.3	27.9	24.5	21.0
EV/EBITDA (x)	24.4	25.5	29.4	18.0	18.6	16.1	13.2
RoE (%)	15.7	16.3	11.3	20.0	16.7	17.0	17.7

Happiest Minds Technologies

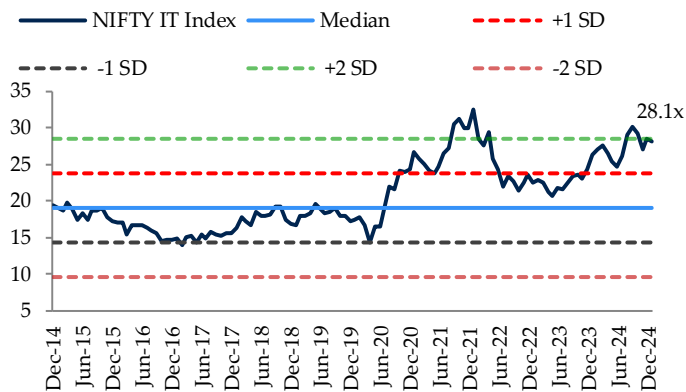
INR bn	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Revenue (USD mn)	104	147	178	196	248	298	359
Revenue	7.73	10.94	14.29	16.25	20.88	25.31	30.90
EBIT	1.69	2.25	3.17	2.78	3.05	4.18	5.11
APAT	1.62	1.86	2.36	2.38	2.30	3.04	3.80
AEPS (INR)	10.7	12.2	15.5	15.6	15.1	20.0	24.9
EBIT margin (%)	21.8	20.6	22.2	17.1	14.6	16.5	16.5
USD Revenue growth (%)	12.2	41.0	21.3	10.3	26.5	20.1	20.6
EPS growth (%)	96.5	14.3	26.9	1.0	(3.4)	32.3	24.9
P/E (x)	68.0	59.5	46.8	46.4	48.0	36.3	29.1
EV/EBITDA (x)	55.6	41.1	30.1	30.2	27.4	20.9	17.1
RoE (%)	40.0	30.6	31.3	20.5	14.9	17.9	20.1

Mastek

INR bn	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Revenue (USD mn)	232	293	318	368	412	468	535
Revenue	17.22	21.84	25.63	30.55	34.68	39.80	45.45
EBIT	3.20	4.20	3.88	4.19	4.75	5.76	7.03
APAT	2.09	2.95	2.68	3.06	3.67	4.21	5.20
AEPS (INR)	73.5	96.6	86.6	96.2	116.2	133.1	164.4
EBIT margin (%)	18.6	19.2	15.2	13.7	13.7	14.5	15.5
USD Revenue growth (%)	53.6	26.3	8.6	15.8	12.0	13.5	14.2
EPS growth (%)	57.5	31.5	(10.4)	11.2	20.7	14.6	23.5
P/E (x)	42.0	31.9	35.6	32.1	26.6	23.2	18.8
EV/EBITDA (x)	22.4	19.1	21.2	19.2	16.9	13.7	11.0
RoE (%)	25.4	30.6	19.4	16.1	16.3	16.3	17.5

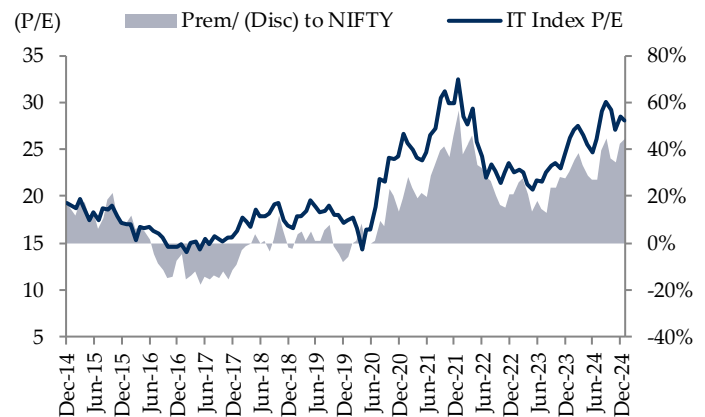
Exhibit 23: Valuation charts

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



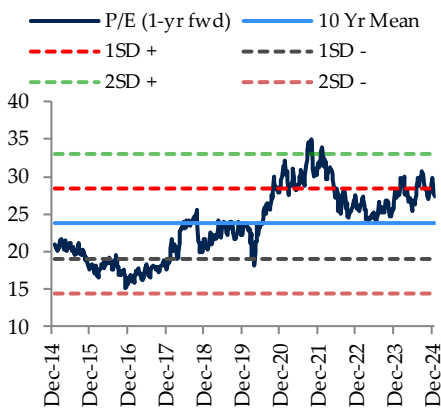
Source: Bloomberg, HSIE Research

IT Index Valuation Trend vs NIFTY



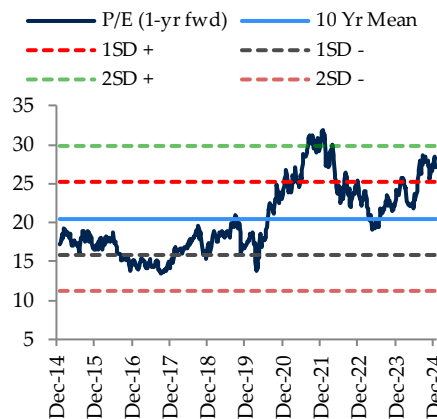
Source: Bloomberg, HSIE Research

TCS P/E (1-yr fwd) Trend

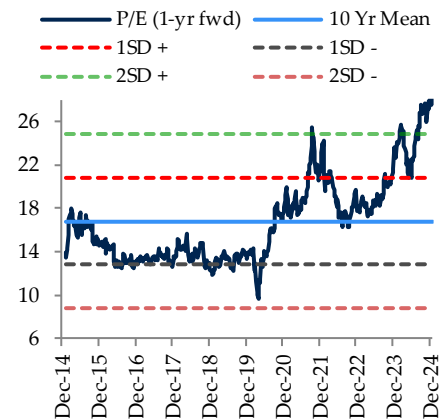


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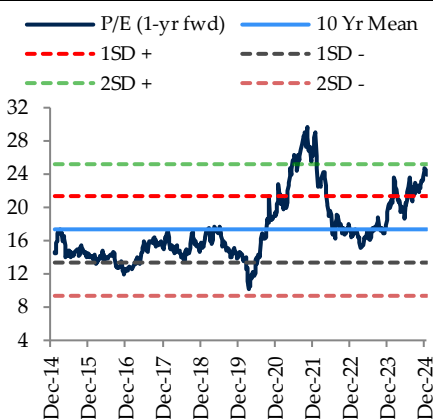
INFO P/E (1-yr fwd) Trend



HCLT P/E (1-yr fwd) Trend

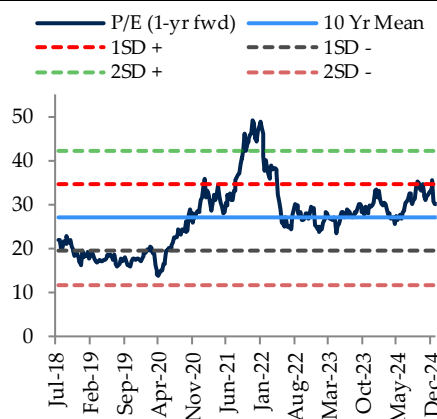


WPRO P/E (1-yr fwd) Trend

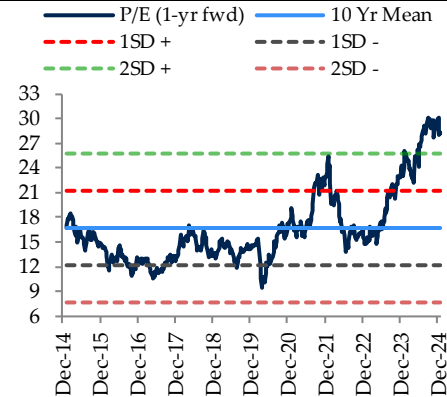


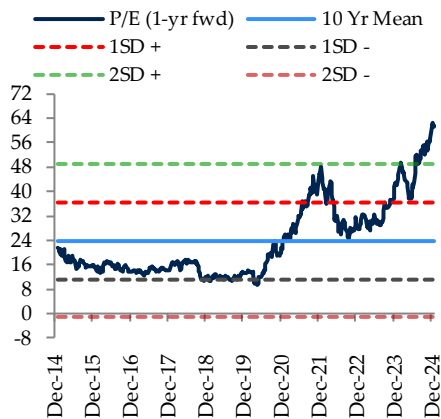
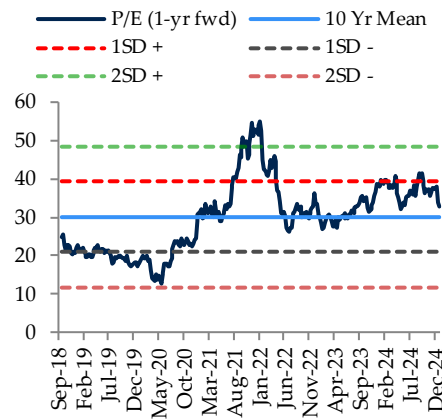
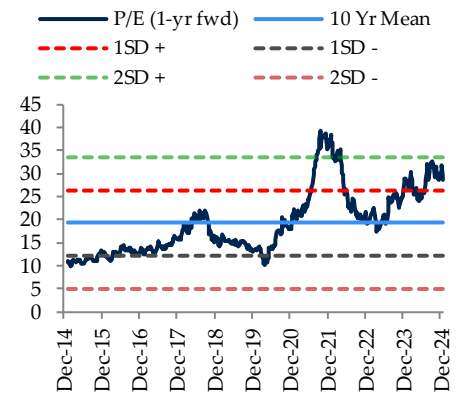
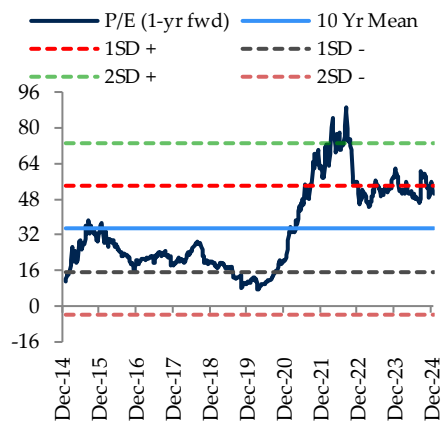
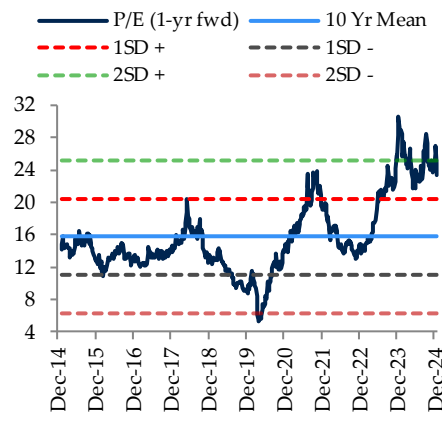
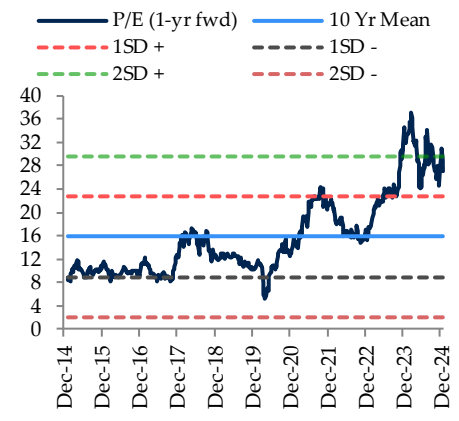
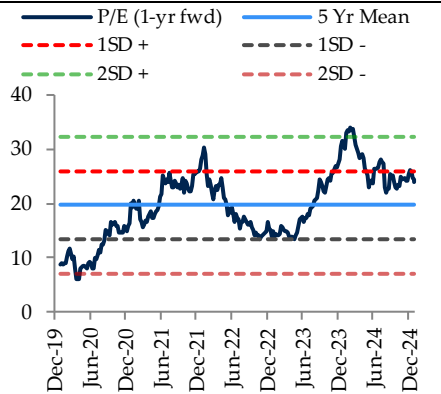
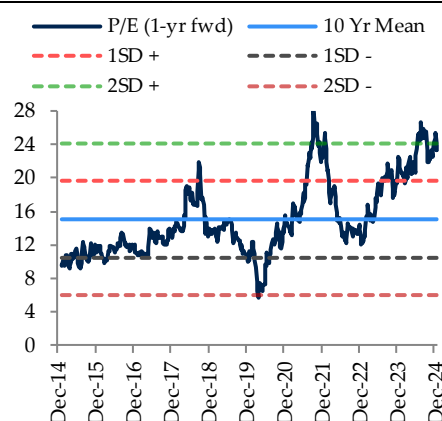
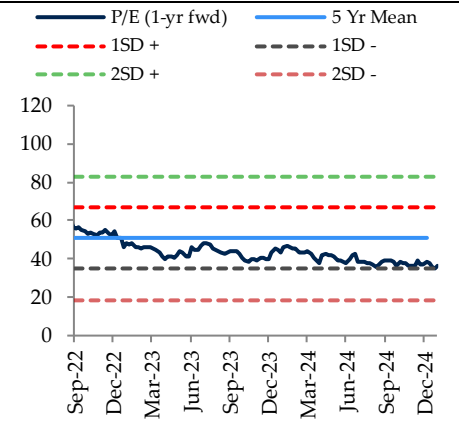
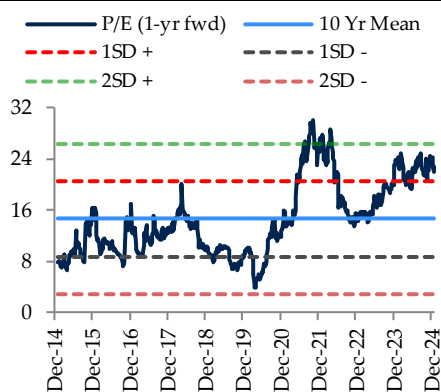
Source: Bloomberg, HSIE Research

LTIM P/E (1-yr fwd) Trend



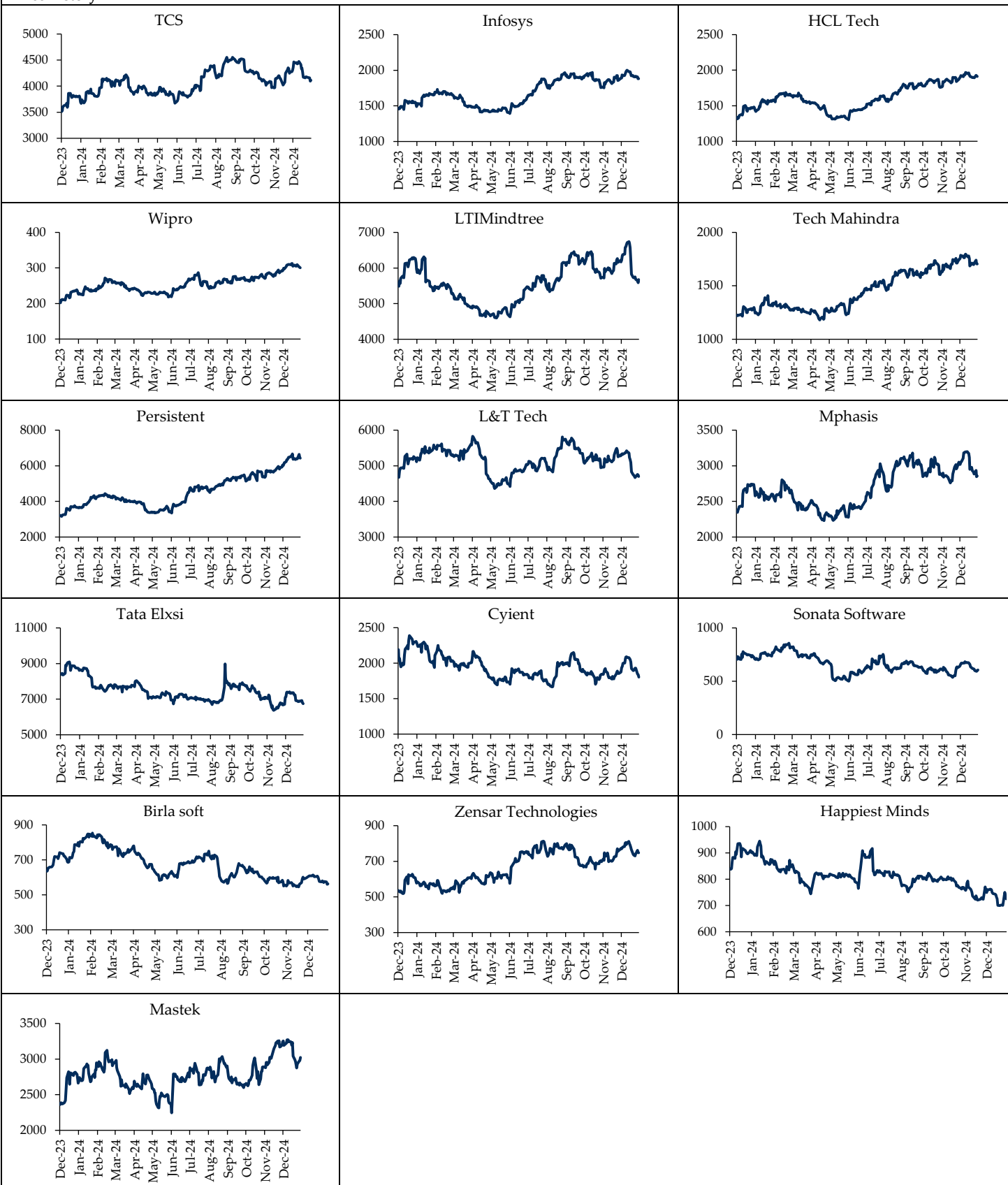
TECHM P/E (1-yr fwd) Trend



PSYS P/E (1-yr fwd) Trend**LTTS P/E (1-yr fwd) Trend****MPHL P/E (1-yr fwd) Trend****TELX P/E (1-yr fwd) Trend****CYL P/E (1-yr fwd) Trend****SSOF P/E (1-yr fwd) Trend****BSOFT P/E (1-yr fwd) Trend****ZENT P/E (1-yr fwd) Trend****HAPPSTMN P/E (1-yr fwd) Trend****MAST P/E (1-yr fwd) Trend**

Source: Bloomberg, HSIE Research

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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