



# Better to be selective in bottom fishing

September 15, 2025

**INITIATING COVERAGE** | Sector: Information Technology

# Information Technology

## Valuations tempting; Execution will be the key

We initiate coverage on the Indian IT sector with a differentiated deep-dive into the US client base of large-cap players, offering sharper visibility into sectoral drivers beyond management commentary. Our analysis highlights downside risks to consensus BFSI growth assumptions, a more constructive stance on Retail, and steady outlook for Telecom and Hi-Tech. While deal momentum remains healthy across Tier-1s, our revenue conversion metric shows momentum for Wipro & LTIM, is steady for INFY, and weak for HCLT & TechM. We don't see Indian IT breaking away from structurally declining margins since FY14. Therefore, players with pricing power like INFY and significant margin headroom like TechM are our top picks. Against this backdrop, NIFTY-IT's ~31% correction from its Dec-24 peak offers good entry points. We prefer Infosys for its GenAI leadership and solid execution, and TechM for margin recovery and recent deal wins, while we are NEUTRAL on HCLT & LTIM due to valuation & margin decline; ADD rated Wipro offers near term revenue momentum.

**Diving deep into company's US clients; Reassessing street's estimates:** We present a first-of-its-kind analysis of the top clients of our covered companies in US geography, revealing sharper insights into sectoral trends & distribution beyond broad-based sectoral commentary by the management. We have deep dived into client's fundamentals to further understand the variable driving revenues for those sectors.

- **BFSI:** We see NI of the BFSI clients to be the driving variable and are generally cautious compared to the street on BFSI revenue estimates for FY26 & 27 (Exhibits 15 – 20).
- **Telecom & Retail:** Capex of the clients is the driving variable for both. Interestingly, Retail revenues of IT companies flow before clients make significant capex while telecom revenues move in tandem. We are broadly in-line with consensus for Telecom and a bit above on retail, basis consensus capex estimates (Exhibits 23-28 & Exhibits 31-36).
- **Hi-Tech:** Revenues of the Hi-Tech clients are driving this vertical for Indian IT. We are broadly in-line with consensus on FY26 & 27 estimates (Exhibits 39 – 42).

**Orderbook strong for most; Revenue conversion diverge:** Several Tier-1 players—Infosys, Wipro, Tech Mahindra, and LTIM—reported strong orderbook growth in 1QFY26, supported by two mega deals at Wipro and one at Infosys. Yet, revenue conversion has lagged across Indian IT in FY25 despite robust deal wins in FY24. Our delayed correlation analysis (Exhibit 45–50) of book-to-bill and revenue growth indicates solid conversion momentum for Wipro and LTIM, steady for Infosys, and weak for TechM & HCLT. Therefore, execution will be key monitorable for TechM.

**Structural decline in margins giving some players an opportunity:** We note a structural decline in EBIT margins across large-cap IT players over FY14–25, led by intensifying competition and slowing growth (Exhibit 8). Near-term triggers for margin expansion remain absent, as cost-takeout and vendor consolidation dominate deal activity, and traditional levers—utilization, subcontracting, and offshoring being largely exhausted. Flattening pyramids offer an opportunity for TechM & TCS, albeit in the medium to long term. We remain confident on TechM due several low hanging fruits such as sub-con reduction, pruning low margin business and better deal screening.

**Valuations bottomed; INFY & TechM Top picks:** NIFTY-IT has corrected ~31% from its Dec-24 peak, creating entry points across large-caps. Our top picks are INFY, backed by superior pricing power, consistent execution, and a healthy orderbook, and TechM, with visible margin tailwinds and strong deal wins. We retain NEUTRAL on HCLT & LTIM given continued margin pressure and stretched valuations, while Wipro offers short-term potential from large deal ramp-up and a stabilizing leadership team.

### Stock view

Stock	Rating	TP (Rs)	Potential Return (%)
TCS IN	BUY	3,900	25.3
INFY IN	BUY	1,841	22.0
HCLT IN	NEUTRAL	1,592	8.6
WIPRO IN	ADD	290	15.4
TECHM IN	BUY	1,905	25.3
LTIM IN	NEUTRAL	5,531	3.5

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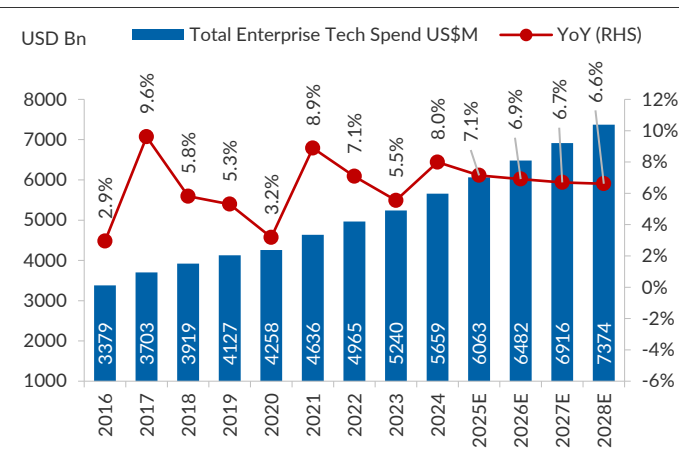
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## INDUSTRY TRENDS

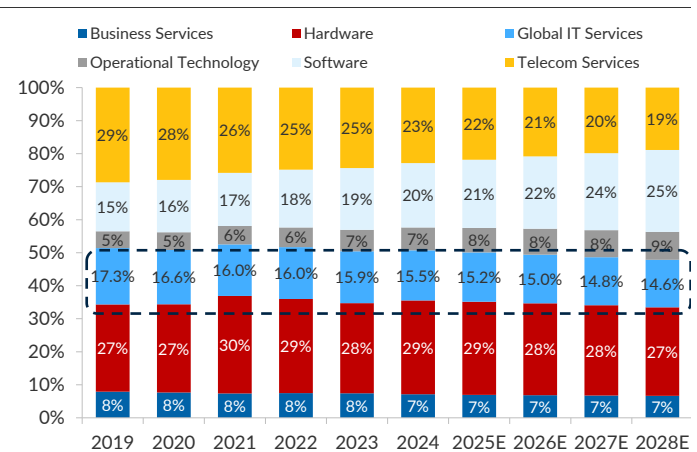
The global enterprise tech spend has grown by mid-high single digit in the past decade and is expected to grow by ~6.8% CAGR between 2025 and 2028 as per Bloomberg. IT Services have continuously lost their market share in this pie, starting from 17.3% in 2019 to 15.5% in 2025E as are slated to lose further to 14.6%. Therefore, the global IT services industry has grown at a mid-single-digit CAGR over the past decade, with domestic IT services steadily gaining market share. This shift has been driven in part by the rapid scale-up of global IT services players such as Accenture and Cognizant in India. At the same time, large-cap Indian IT firms have been ceding ground in the domestic market to faster-growing mid-cap companies from ~55% in FY19 to 46% in FY25.

**Exhibit 1: Global enterprise tech spend is projected to grow by 7% CAGR between 2024 and 2028E...**



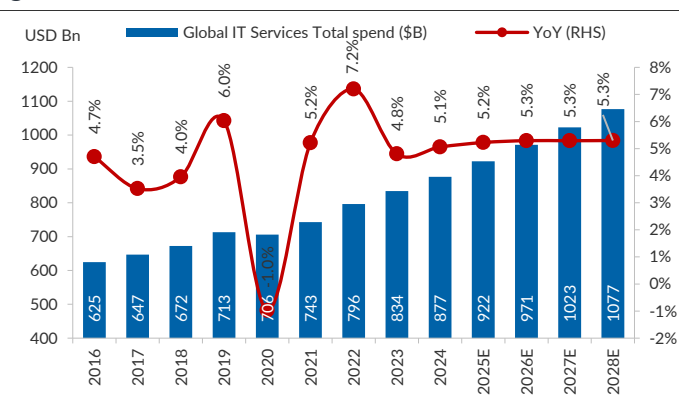
Source: Bloomberg, YES Sec

**Exhibit 2: ...with the share of global IT Services falling marginally...**



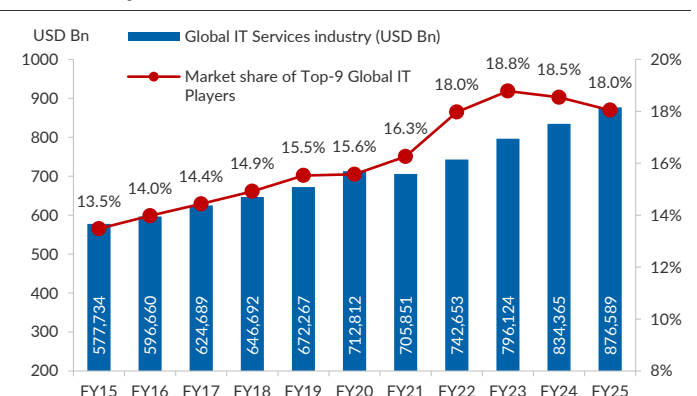
Source: Bloomberg, YES Sec

**Exhibit 3: ...therefore, Global IT Services industry will grow a bit slower at CAGR of 5.2%**



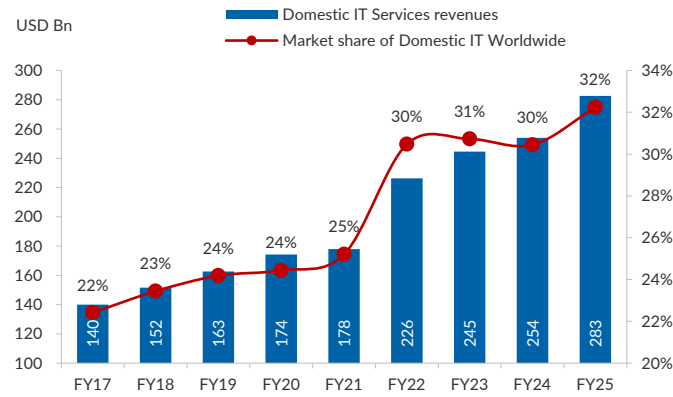
Source: Bloomberg, YES Sec

**Exhibit 4: Top-9 global IT players have lost market share in recent years**



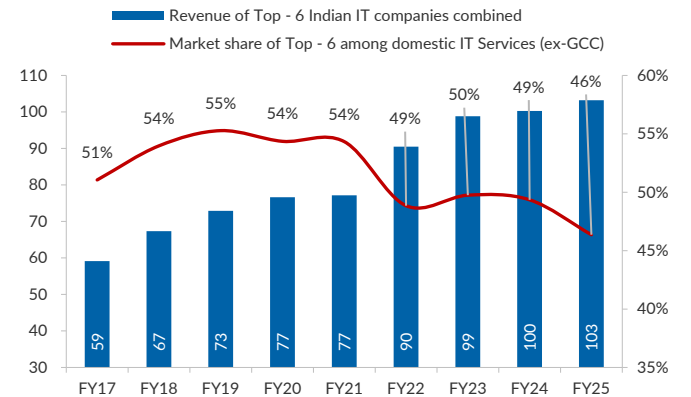
Source: Company, YES Sec, NASSCOM

**Exhibit 5: Domestic IT has ~30% market share globally**



Source: Company, YES Sec., NASSCOM

**Exhibit 6: Top-6 Indian IT firms comprise ~46% of Domestic IT revenues ex-GCC**



Source: Company, YES Sec., NASSCOM

We see the concurrent rise and loss of EBIT margins of global IT services players and Indian IT players as the former shift rapidly to India between FY21-25.

**Exhibit 7: Market share of Top-9 IT firms**

Clients	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
TCS	19.0%	19.8%	19.8%	19.5%	19.8%	20.0%	19.8%	19.3%	19.3%	18.7%	18.8%	19.1%
INFY	11.7%	11.2%	11.4%	11.3%	11.3%	11.3%	11.5%	11.8%	12.2%	12.2%	12.0%	12.2%
HCLTECH	7.6%	7.6%	5.6%	7.7%	8.1%	8.3%	8.9%	8.9%	8.6%	8.4%	8.6%	8.8%
WIPRO	10.1%	9.7%	9.4%	9.2%	8.7%	8.0%	7.7%	7.3%	7.9%	7.4%	7.0%	6.7%
TECHM	4.4%	4.7%	4.8%	4.8%	4.9%	4.8%	4.7%	4.5%	4.5%	4.4%	4.1%	4.0%
LTIM	1.9%	1.8%	1.9%	1.9%	2.1%	2.3%	2.4%	2.4%	2.6%	2.7%	2.8%	2.8%
ACN	18.6%	18.3%	17.8%	16.7%	16.7%	17.3%	17.1%	17.5%	17.4%	18.4%	19.7%	20.0%
CAP	14.3%	13.6%	14.3%	13.9%	13.0%	12.6%	12.7%	13.8%	13.6%	14.7%	14.6%	14.0%
CTSH	12.5%	13.2%	14.9%	15.0%	15.4%	15.4%	15.1%	14.5%	13.9%	13.0%	12.5%	12.5%

Source: Company, YES Sec

**Exhibit 8: Operating Margin of Top-9 IT firms**

	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
TCS	29.1%	26.9%	26.5%	25.7%	24.8%	25.6%	24.6%	25.1%	25.3%	24.1%	24.6%	24.3%
INFY	24.0%	25.9%	25.0%	24.7%	24.3%	22.8%	21.3%	24.5%	23.0%	21.1%	20.7%	21.1%
HCL	24.1%	22.3%	20.5%	20.3%	19.8%	19.6%	19.6%	21.3%	18.9%	18.2%	18.2%	18.3%
Wipro (Consol)	19.8%	19.1%	18.2%	16.4%	15.3%	16.5%	16.8%	19.4%	17.2%	14.9%	15.1%	16.9%
TechM	19.4%	15.6%	13.3%	11.0%	11.8%	15.0%	11.6%	14.2%	14.6%	11.4%	6.1%	9.7%
LTIM								18.6%	17.8%	16.2%	15.7%	14.5%
ACN	14.2%	14.3%	14.5%	14.6%	13.3%	14.5%	14.6%	14.7%	15.1%	15.2%	13.7%	14.8%
CAP	8.5%	9.2%	10.6%	11.5%	11.9%	12.1%	12.3%	11.9%	12.9%	13.0%	13.3%	13.3%
CTSH	19.0%	18.4%	17.3%	17.0%	16.8%	17.4%	14.6%	12.7%	15.3%	15.3%	13.9%	14.7%

Source: Company, YES Sec

## OUTLOOK FOR FY26 & FY27

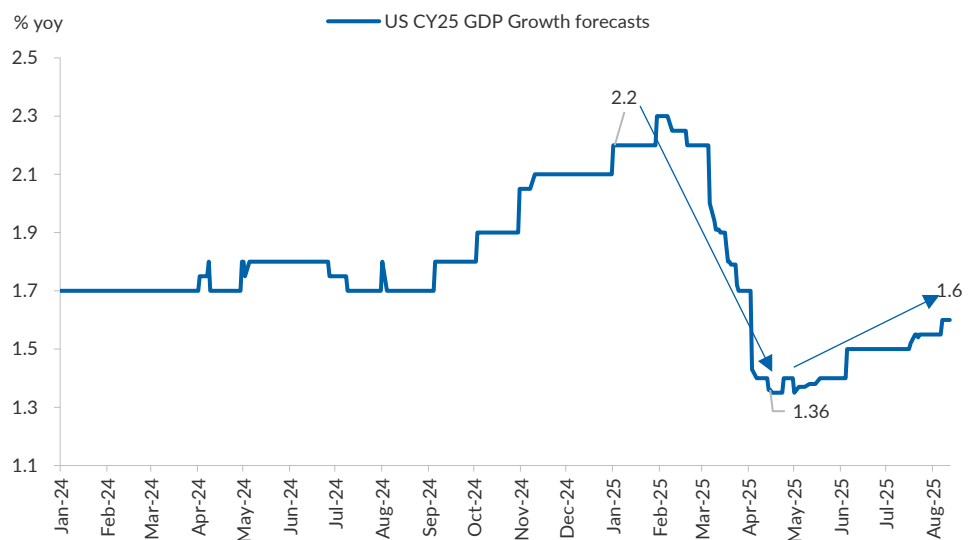
### Global Macro Easing Signals Bottoming for Indian IT

The global economic outlook for IT services seems to be reaching a bottom, with growth forecasts across major regions stabilizing after several rounds of downgrades. In the U.S., which accounts for 60–65% of Indian IT revenues, GDP growth is now expected at 1.6% in CY25, down from 2.2% earlier, but most of the cuts have already been made and forward indicators point to steady, if modest, recovery. Europe's growth has been revised to around 1%, reflecting earlier trade-related weakness, while Asia Pacific continues to expand faster than developed markets despite ongoing challenges in China. With forecasts now set at low levels, expectations look more realistic, and the scope for further sharp downgrades appears limited, suggesting that growth could gradually revive into FY27.

This bottoming trend is also visible in IT spending estimates. Gartner has successively lowered its IT services growth outlook for CY25—from 9% at the beginning of the year to 5% in April and 4.4% in July—capturing the caution in enterprise budgets amid tariff concerns and slower decision-making. However, the pace of cuts has eased, and global IT spending overall is still expected to grow 7.9% in CY25 to \$5.43 trillion, supported by ongoing investments in cloud, AI, and digital transformation. This shows that while discretionary project-based services have been delayed, the structural drivers of technology adoption remain firmly in place.

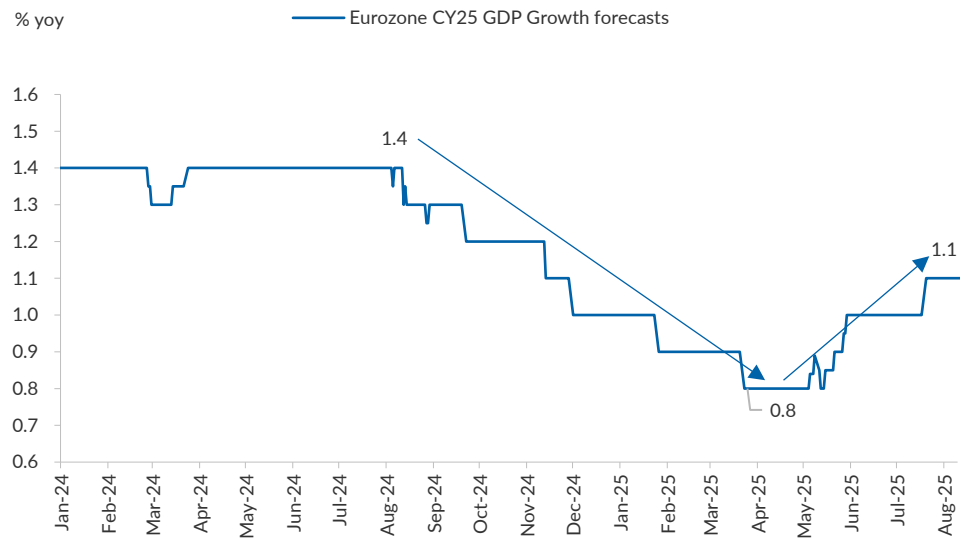
For Indian IT companies, the slowdown in client spending has already been felt, with longer deal cycles and softer discretionary demand leading to a correction in sector valuations. With growth expectations reset and IT budgets showing early signs of stability, the sector appears positioned for a gradual recovery. Long-term demand drivers remain intact, and valuations at multi-year lows already reflect much of the near-term caution, creating room for upside as spending normalizes.

**Exhibit 9: US CY25 GDP Growth forecast**



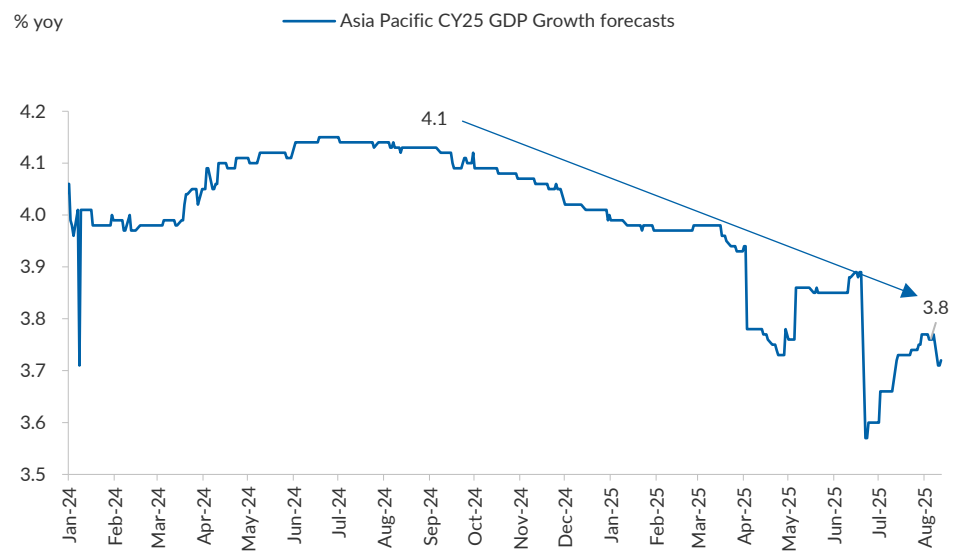
Source: Bloomberg, YES Sec

**Exhibit 10: Eurozone CY25 GDP Growth forecast**



Source: Bloomberg, YES Sec

**Exhibit 11: Asia Pacific CY25 GDP Growth forecast**

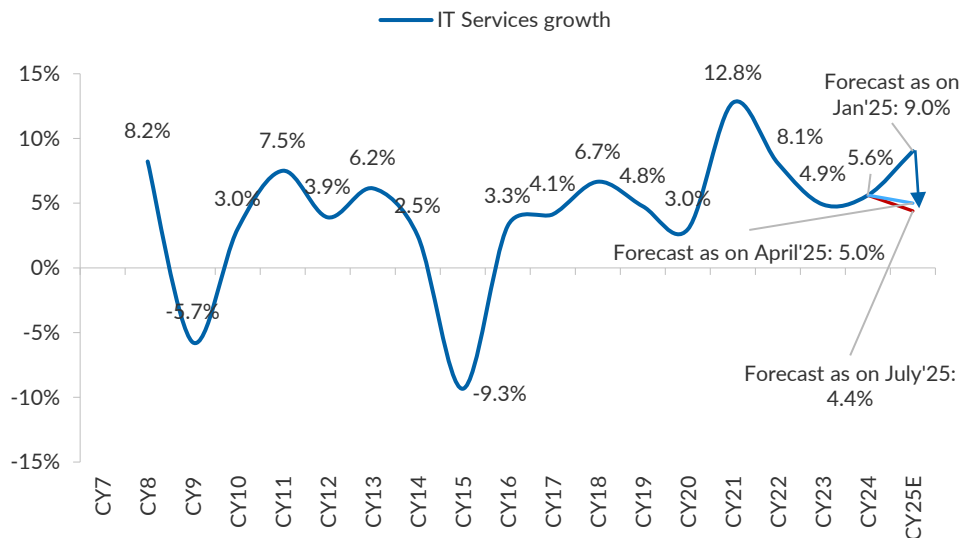


Source: Bloomberg, YES Sec



## IT Services spend slowdown

**Exhibit 12: Gartner IT Services CY25 Growth forecast**



Source: Company, YES Sec, Bloomberg

## A CLOSER LOOK AT US GEOGRAPHY

The US continues to be the largest geography for Indian IT services firms, typically contributing more than 60% of their total revenues for players including TCS, Infosys, HCLT, Tech Mahindra, LTIMindtree, and Wipro. To identify key clients in this geography, we analyzed regulatory filings known as Labor Condition Applications (LCAs), which are mandated for employers sponsoring H-1B and other work visas in the US.

### Labour Condition Application based analysis

The delivery model of Indian IT firms requires a certain degree of on-site presence to ensure alignment with clients. To assess the relative size and importance of US-based clients, we analyzed LCA filings submitted to the US Department of Labor. These filings include details of the sponsoring employer, work location, job role, and in many cases, the end-client or secondary employer.

By filtering LCA records where the Indian IT firms were listed as the primary employer and then pivoting the disclosed secondary employers, we inferred the most frequently mentioned — and therefore likely largest — US clients based on on-site deployment intensity. While not a direct measure of revenue contribution, this analysis serves as a proxy for identifying clients with substantial engagement and local delivery needs. Then we further divided the clients according to industry groups to discover the underlying variable running their outsourcing/tech-spending decisions.

### BFSI Sector

We analyzed the top BFSI clients across major Indian IT services firms to assess the outlook for this critical vertical. By testing various indicators of client financial health, we found **net income growth** to be the most closely correlated with BFSI revenue performance across the sector.

Net income serves as a more reliable proxy for discretionary spending capacity and management confidence—two critical drivers of technology outsourcing decisions. In BFSI, strong profitability typically unlocks IT budgets, accelerating investments in digital transformation, cloud



modernization, and vendor offshoring. Conversely, margin pressures often trigger tighter spending controls, project delays, and contract renegotiations.

Our analysis suggests a **40–90% correlation** between BFSI revenue growth of Indian IT firms and net income growth of their top BFSI clients (Exhibit 14). Notably, Infosys and Wipro displayed the highest degree of correlation, while Tech Mahindra and LTIMindtree showed relatively lower alignment. We are broadly below consensus for FY26 & FY27 USD revenue growth estimates as we don't see the NI in clients growing with the same vigour in the mentioned years.

**Exhibit 13: Top BFSI clients of IT Companies**

TCS	Infosys	Wipro	HCLT	TechM	LTIM
Citi Bank	Bank of America	Citi Bank	United Services Automobile Association	Morgan Stanley Services Group Inc.	Citi Bank
Bank of America	American Express Travel Related Services	Bank of America	Western Union	Selective Insurance Company of America	Travelers
United Services Automobile Association	SunTrust Banks, Inc	TD Bank	UBS AG	International Bank For Reconstruction and Development	Northwestern Mutual
American Express Travel Related Services	The Capital Group Companies, Inc.	US Bank National Association	Wells Fargo	Factory Mutual Insurance Company	Lincoln National Corporation
Humana Inc	Citi Bank	Charles Schwab & Co. Inc	PenFed	Credit One Bank	Hartford Fire Insurance Company
MetLife Services and Solutions LLC	Charles Schwab & Co. Inc	First Horizon Bank	Deutsche Bank AG	Citi Bank	Bank of America
PNC Bank, National Association	Citizens Bank	UBS AG	Northwestern Mutual		Equifax Inc.
State Farm Mutual Automobile Insurance Company	Wells Fargo & Company	State Street Bank & Trust Company			Truist Insurance Holdings
Morgan Stanley Services Group Inc.	UBS AG	Nationstar Mortgage LLC			First-Citizens Bank & Trust Company
Toyota Motor Credit Corporation	The Goldman Sachs Group Inc	S&P GLOBAL			BNY Mellon
Nationwide Mutual Insurance Company	Morgan Stanley Smith Barney LLC	Mastercard Technologies, LLC			
Liberty Mutual Insurance Company	The Depository Trust and Clearing Corporation				
New York Life Insurance	PricewaterhouseCoopers LLP				
KeyBank National Association	First Data Corporation				
	Northwestern Mutual				

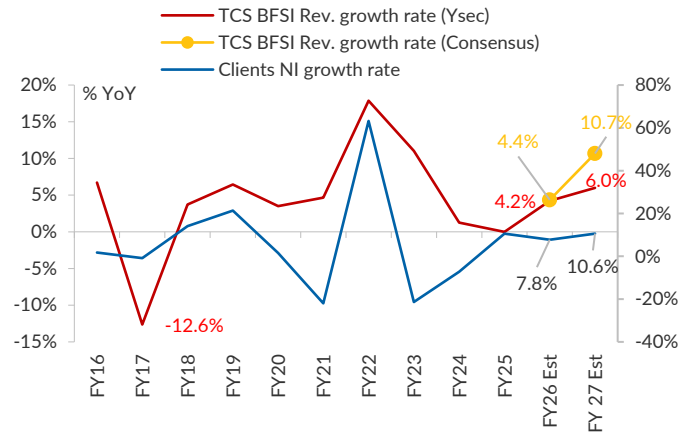
Source: Company, YES Sec, U.S. Department of Labor

**Exhibit 14: Correlation of client's net income and BFSI vertical revenues**

TCS	IT comp's revenue leads by 0-yr	IT comp's revenue leads by 1-yr
TCS	58%	-
Infosys	68%	-
Wipro	87%	-
HCLT	57%	-
TechM	40%	-
LTIM	50%	-

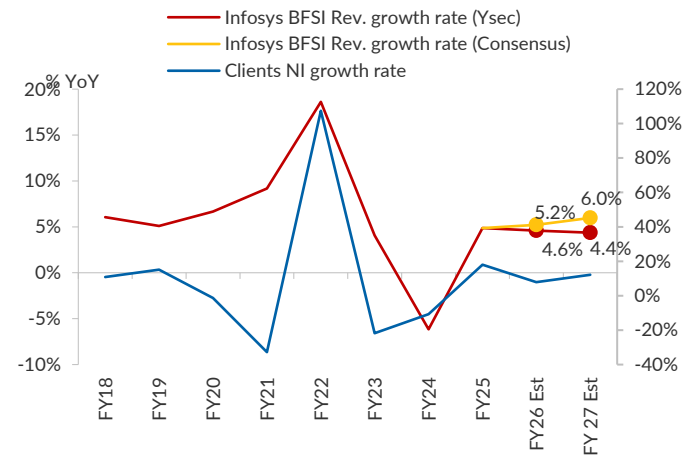
Source: Company, YES Sec

**Exhibit 15: TCS BFSI rev growth vs NI growth of its Top clients**



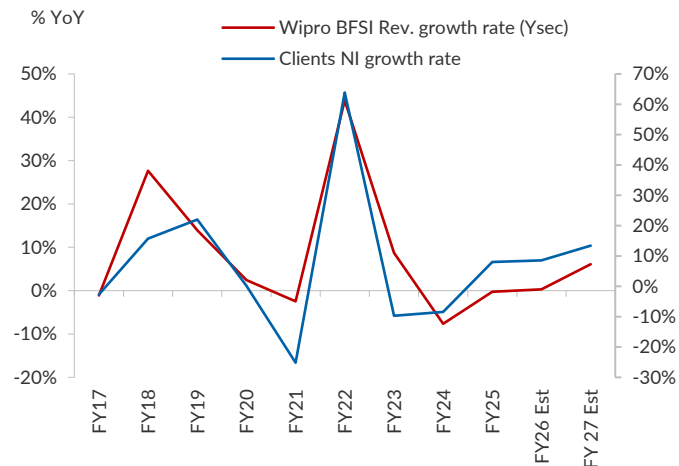
Source: Company, YES Sec

**Exhibit 16: Infosys BFSI rev growth vs NI growth of its Top clients**



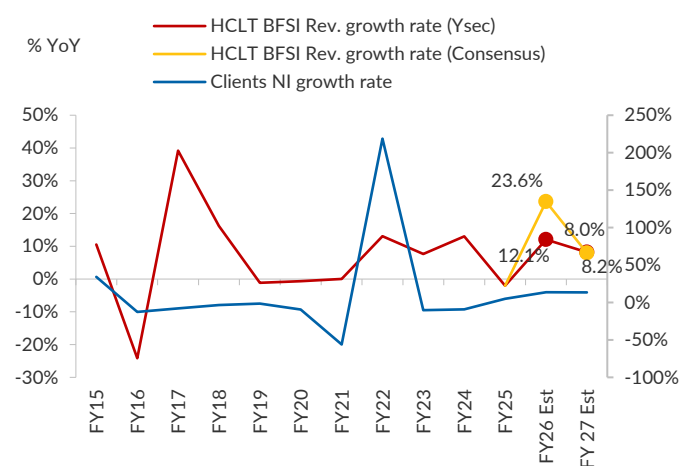
Source: Company, YES Sec

**Exhibit 17: Wipro BFSI rev growth vs NI growth of its Top clients**



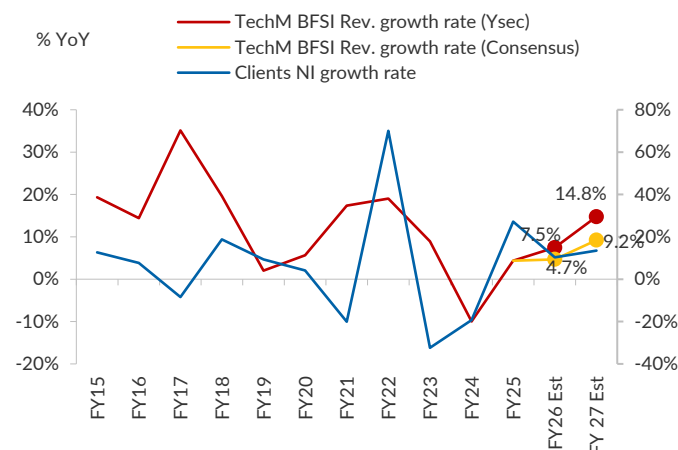
Source: Company, YES Sec

**Exhibit 18: HCLT BFSI rev growth vs NI growth of its Top clients**



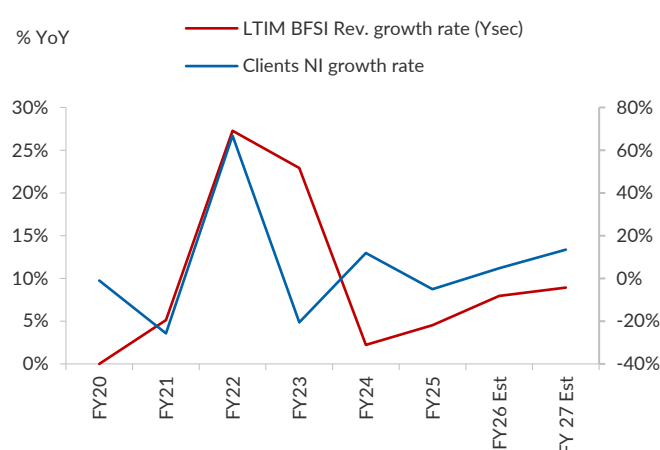
Source: Company, YES Sec

**Exhibit 19: TechM BFSI rev growth vs NI growth of its Top clients**



Source: Company, YES Sec

**Exhibit 20: LTIM BFSI rev growth vs NI growth of its Top clients**



Source: Company, YES Sec

## Telecom Sector

Telecom operators' technology outsourcing is closely tied to long-cycle capital expenditure programs such as 5G rollouts, network modernization, OSS/BSS transformation, and cloud-native infrastructure adoption. Unlike discretionary verticals like BFSI or retail, where IT spending fluctuates with profitability cycles, telecom outsourcing is largely aligned with budgeted CAPEX cycles. This makes CAPEX growth of telecom clients a strong forward indicator of IT services demand in the sector.

Our correlation analysis between the CAPEX growth of top U.S. telecom clients and the Telecom vertical revenues of major Indian IT players indicates meaningful linkages, though with some dispersion across companies. Correlations range from ~50% to as high as 90% (Exhibit 22), with TCS and Wipro showing the strongest alignment at ~90%, while Infosys, LTIM, and TechM show moderate correlations of ~52%, ~54%, and ~73% respectively. HCLT's exposure is relatively limited, with no meaningful correlation observed in our dataset.

Looking ahead, CAPEX growth for top telecom operators is expected to remain muted in FY26–27E, though still supportive of a bottoming-out in telecom revenues for Indian IT firms. Estimates suggest low- to mid-single digit growth across key clients, with HCLT showing the highest projected client CAPEX growth at 6% in FY26 and 2% in FY27, while TCS, Infosys, and TechM hover around 2–3% in FY26 before tapering off close to 0–1% in FY27 (Exhibits 23–28).

Therefore, we remain broadly in-line with consensus for FY26 & FY27 revenues (USD Mn) in Telecom industry vertical as muted CAPEX growth is already baked into consensus numbers.

**Exhibit 21: Top Telecom clients of IT Companies**

TCS	Infosys	Wipro	HCLT	TechM	LTIM
Verizon Sourcing LLC	Verizon Sourcing LLC	T-Mobile USA, Inc.	Verizon Sourcing LLC	AT&T Services Inc	ViacomCBS Inc
Comcast	Charter Communications Inc.		T-Mobile USA, Inc.	Verizon Sourcing LLC	Disney Worldwide Services, Inc.
	AT&T Services Inc			Dish Purchasing Corporation	
	Comcast			Lumen	
	Lumen Technologies Service Group, LLC				

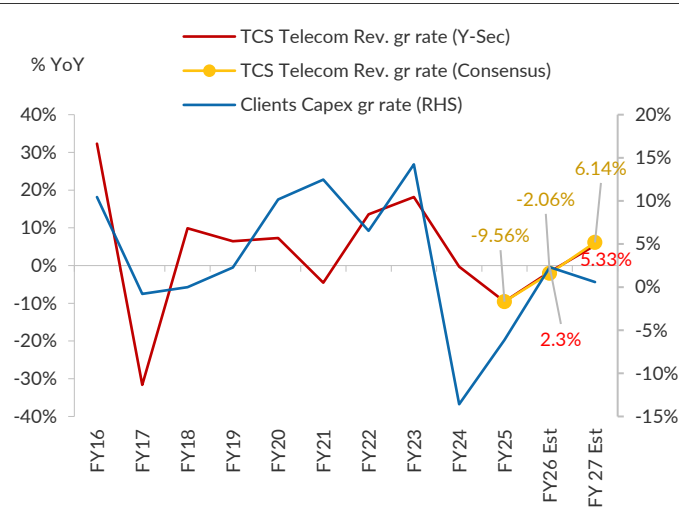
Source: Company, YES Sec, US Dept of Labor

**Exhibit 22: Correlation of client's CAPEX and Telecom vertical revenues**

TCS	IT comp's revenue lags by 1-yr	IT comp's revenue leads by 0-yr
TCS	-	91%
Infosys	-	41%
Wipro	-	82%
HCLT	-	-
TechM		73%
LTIM		54%

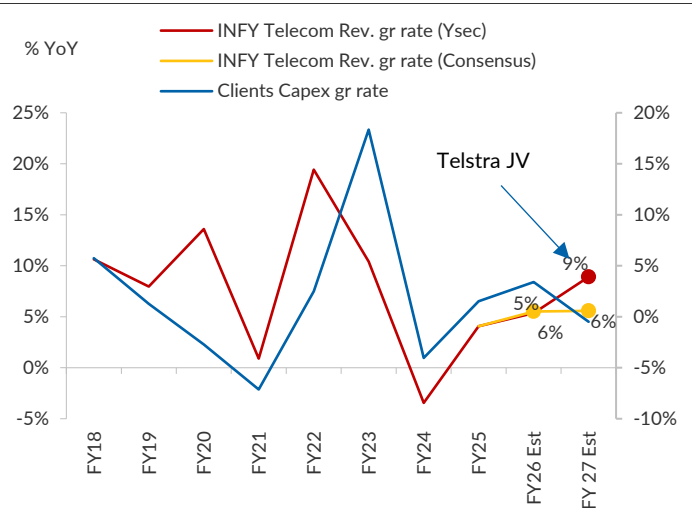
Source: Company, YES Sec

**Exhibit 23: TCS TELECOM rev growth vs CAPEX growth of its Top clients**



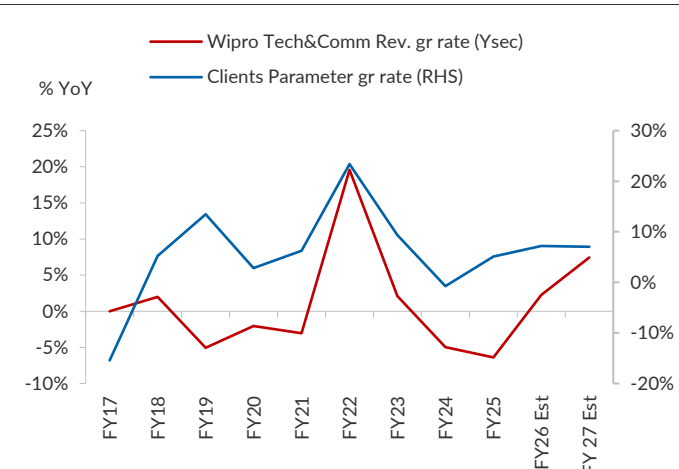
Source: Company, YES Sec

**Exhibit 24: Infosys TELECOM rev growth vs CAPEX growth of its Top clients**



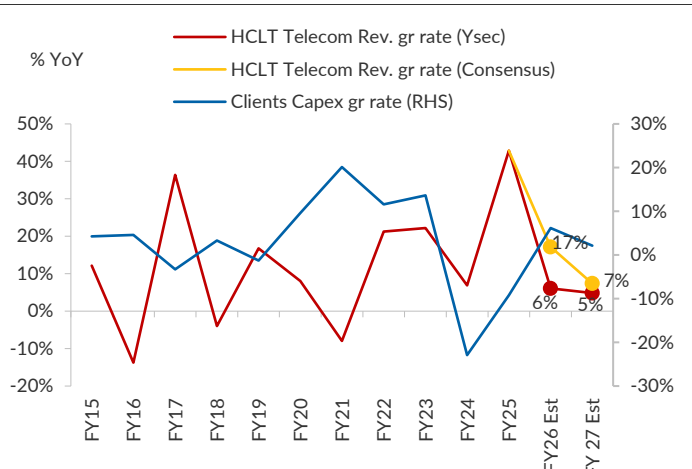
Source: Company, YES Sec

**Exhibit 25: Wipro TELECOM rev growth vs CAPEX growth of its Top clients**



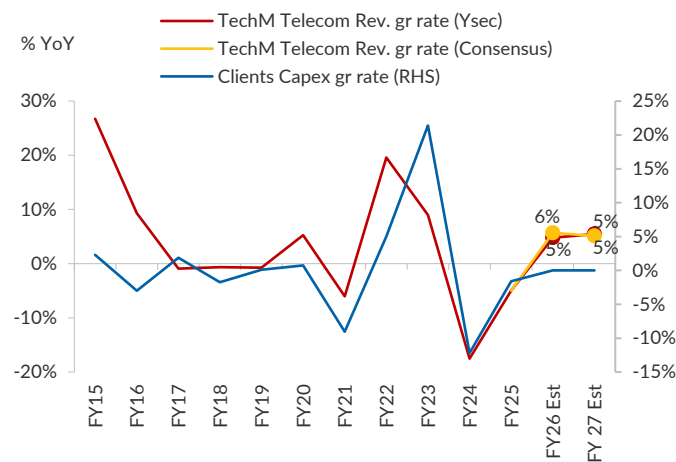
Source: Company, YES Sec

**Exhibit 26: HCLT TELECOM rev growth vs CAPEX growth of its Top clients**



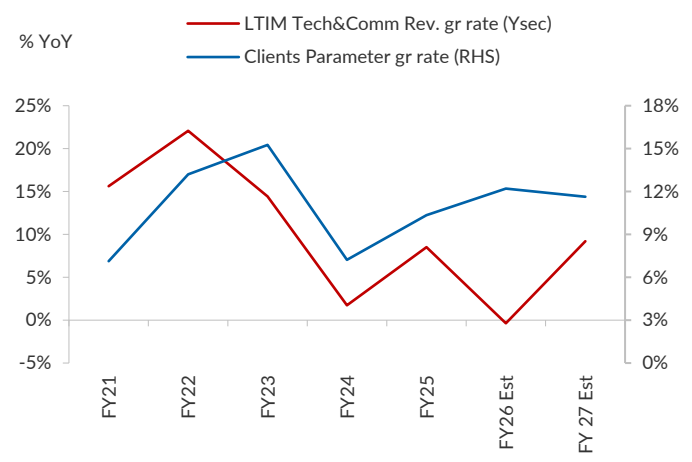
Source: Company, YES Sec

**Exhibit 27: TechM TELECOM rev growth vs CAPEX growth of its Top clients**



Source: Company, YES Sec

**Exhibit 28: LTIM TELECOM rev growth vs CAPEX growth of its Top clients**



Source: Company, YES Sec

## Retail Sector: The empirical argument

Our analysis indicates that retail client CAPEX growth shows a strong correlation with the retail vertical revenues of Indian IT firms, though with an interesting twist. Unlike conventional assumptions that IT spending follows physical CAPEX deployment, our data suggests that IT services revenues often lead client CAPEX by a year. In other words, Indian IT vendors tend to recognize revenues from consulting, digital architecture, and early pilot programs *before* clients' downstream capital investments are formally reflected in financial statements. This is evident in the correlation patterns, where retail vertical revenues of firms like TCS, Infosys, Wipro, LTIM, and TechM show higher alignment with lagged CAPEX growth (Exhibit 30).

This dynamic reflects the evolving role of Indian IT providers in retail clients' transformation journeys. Early-stage engagements – such as omnichannel blueprinting, AI-driven personalization pilots, and supply chain digitization consulting – are typically funded through opex and precede larger infra-heavy CAPEX cycles. As these upstream initiatives inform or enable broader modernization programs (store digitization, AI-led demand forecasting, robotics in logistics), IT services revenues materialize earlier than physical CAPEX.

Correlation analysis reinforces this view, with retail revenue growth across peers showing linkages of **60–70%** with client CAPEX growth (lagged by a year in most cases).

Looking ahead, Bloomberg estimates point to mixed CAPEX trajectories for top retail clients over FY26–27E (Exhibits 31–36). TCS (-2.3% in FY26; +5.1% in FY27) and Wipro (-4% in FY26; +4% in FY27) face near-term softness, while Infosys (+4% in FY26; +14% in FY27) and TechM (-10% in FY26; +14% in FY27) reflect volatility but with stronger growth in FY27. HCLT stands out with the highest projected client CAPEX growth at +24% in FY26, though moderating to +4% in FY27.

Therefore, we assume better than consensus revenue growth in Retail vertical in FY26 & FY27 for INFY, and broadly in-line for other players.

**Exhibit 29: Top Retail clients of IT Companies**

TCS	Infosys	Wipro	HCLT	TechM	LTIM
Walgreen	CVS Pharmacy Inc.	The TJX Companies Inc.	Adidas Group North America	United Parcel Service Oasis Supply	Procter & Gamble Company
	Nike Inc.	Fruit of the Loom	Keurig Dr Pepper		Southwest Airlines Co.
		ELC Beauty LLC			The ACT 1 Group Inc.
					Marriott International, Inc.
					Avis Budget Car Rental, LLC

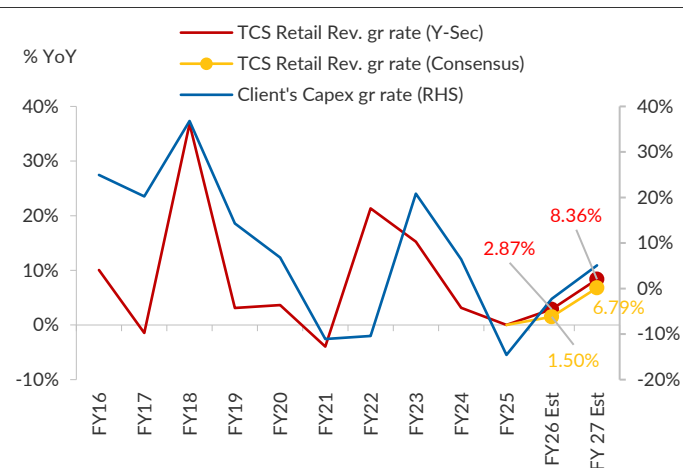
Source: Company, YES Sec, US Dept of Labor

**Exhibit 30: Correlation of client's CAPEX growth and Retail vertical revenues**

TCS	IT comp's revenue leads by 0-yr	IT comp's revenue leads by 1-yr
TCS	-	71%
Infosys	-	70%
Wipro	70%	-
HCLT	59%	-
TechM		59%
LTIM	71%	

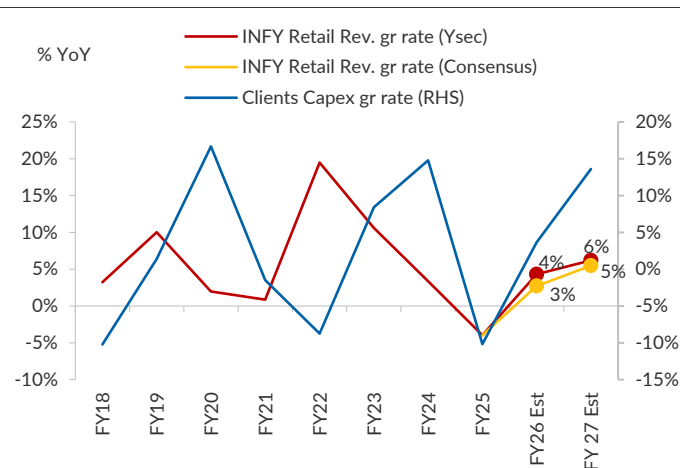
Source: Company, YES Sec

**Exhibit 31: TCS RETAIL rev growth vs CAPEX Growth of its Top clients**



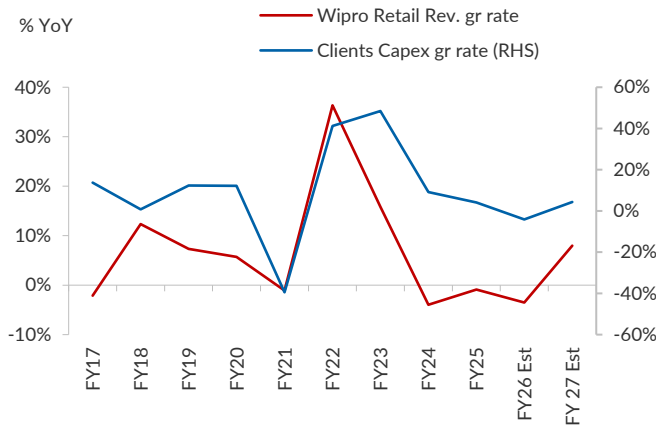
Source: Company, YES Sec

**Exhibit 32: Infosys RETAIL rev growth vs CAPEX Growth of its Top clients**



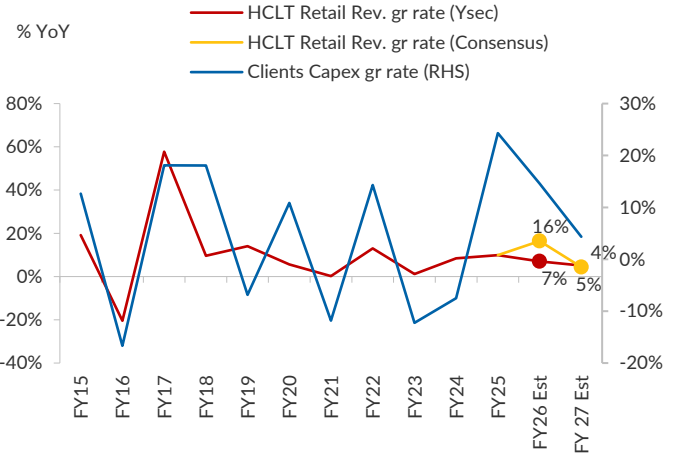
Source: Company, YES Sec

**Exhibit 33: Wipro RETAIL rev growth vs CAPEX Growth of its Top clients**



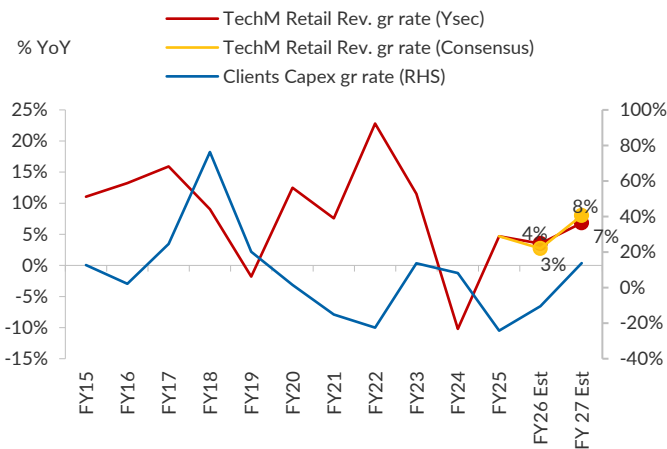
Source: Company, YES Sec

**Exhibit 34: HCLT RETAIL rev growth vs CAPEX Growth of its Top clients**



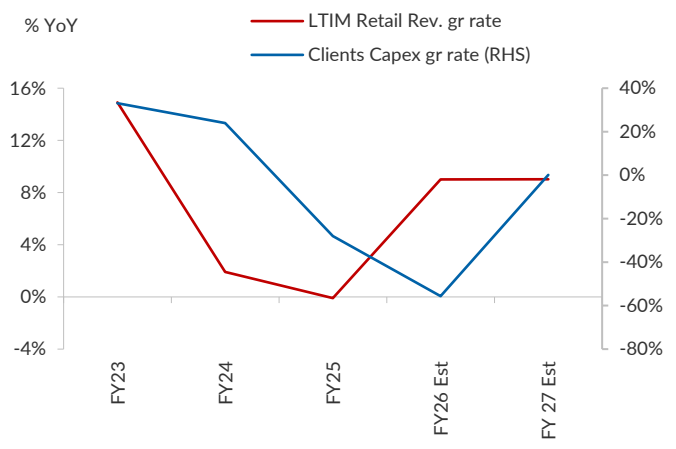
Source: Company, YES Sec

**Exhibit 35: TechM RETAIL rev growth vs CAPEX Growth of its Top clients**



Source: Company, YES Sec

**Exhibit 36: LTIM RETAIL rev growth vs CAPEX Growth of its Top clients**



Source: Company, YES Sec

## Hi-Tech Sector:

Revenue growth of key Hi-Tech clients shows a strong correlation with the Hi-Tech vertical revenues of Indian IT firms, as these companies are among the most significant consumers of outsourced IT and product engineering services. When client topline expands, spending on digital platforms, product engineering, and cloud adoption typically scales up, driving incremental demand for vendors like TCS, Infosys, HCLT, and TechM. Conversely, periods of muted client revenue growth usually translate into tighter discretionary budgets, delayed product rollouts, and reduced vendor engagement, directly impacting IT services revenues.

Correlation analysis underscores this relationship. Hi-Tech vertical revenue growth across Indian IT peers shows linkages of **41-87%** with client revenue growth (Exhibit 38). Infosys (94%) and TCS (83%) demonstrate the highest correlations, reflecting strong alignment with client performance. HCLT (48%) and TechM (39%) show lower but still meaningful correlations.



Looking ahead, Bloomberg estimates project steady revenue growth for top Hi-Tech clients over FY26-27E (Exhibits 39-42). TCS's key clients are expected to grow +4.1% in FY26 and +4.3% in FY27, while Infosys's align at +4% each year. HCLT's client base stands out with stronger growth projections of +11% and +12%, suggesting potential upside momentum for its Hi-Tech vertical. TechM also sees solid growth estimates of +7% annually, reflecting exposure to faster-growing client segments.

We observe the similar pattern into consensus estimates, and are therefore in-line with consensus on Hi-Tech revenue growth estimates for FY26 & 27.

**Exhibit 37: Top Technology clients of IT Companies**

TCS	Infosys	Wipro	HCLT	TechM	LTIM
Cisco Systems Inc.	Apple Inc.	Apple Inc.	Google Inc	Google Inc	Microsoft Corporation
Apple Inc.	Cisco Systems Inc.	Microsoft Corporation	Meta Platforms Inc.	Applied Material Inc	Cisco Systems Inc.
		Cisco Systems Inc.	Western Digital Technologies Inc	Cisco Systems Inc.	Ingram Micro Inc.
		HP Inc	LinkedIn	Apple Inc.	ON Semiconductor
		Harman International Industries, Incorporated	Xerox Corporation		
			IGT Global Solutions Corporation		
			Palo Alto Networks Inc		

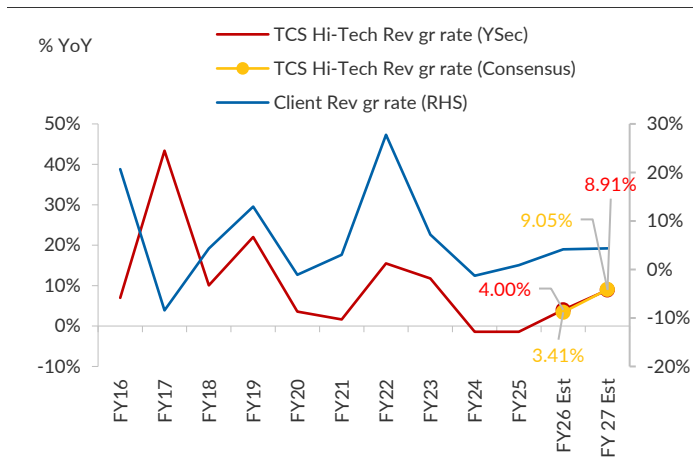
Source: Company, YES Sec, US Dept of Labour

**Exhibit 38: Correlation of client's revenue growth and HiTech vertical rev growth**

TCS	IT comp's revenue leads by 0-yr	IT comp's revenue leads by 1-yr
TCS	87%	-
Infosys	59%	-
HCLT	-	41%
TechM	-	45%

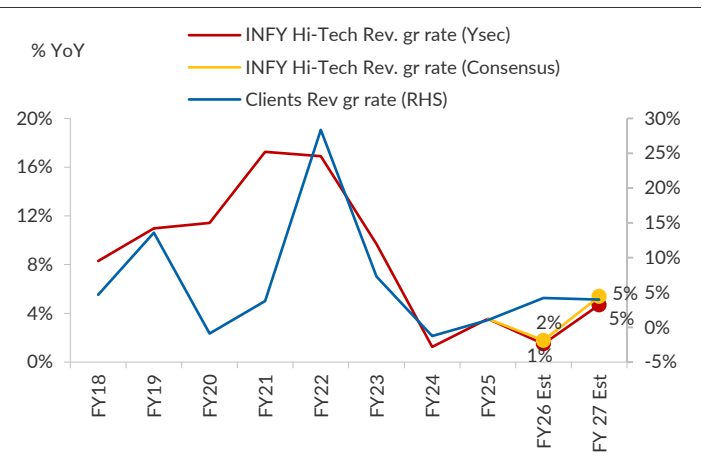
Source: Company, YES Sec

**Exhibit 39: TCS HITECH rev growth vs REVENUE Growth of its Top clients**



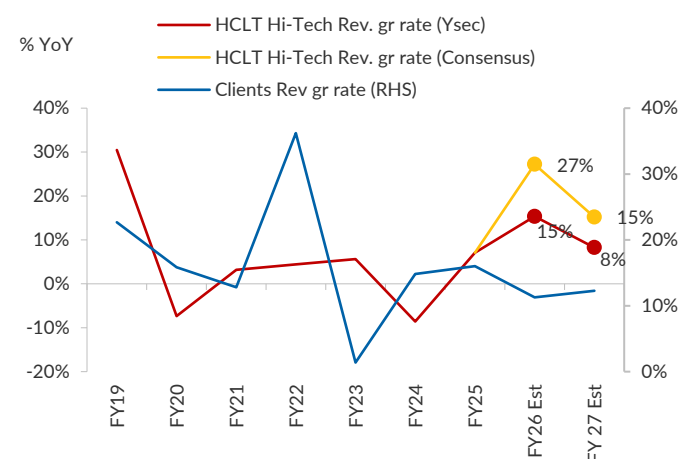
Source: Company, YES Sec

**Exhibit 40: Infosys HITECH rev growth vs REVENUE Growth of its Top clients**



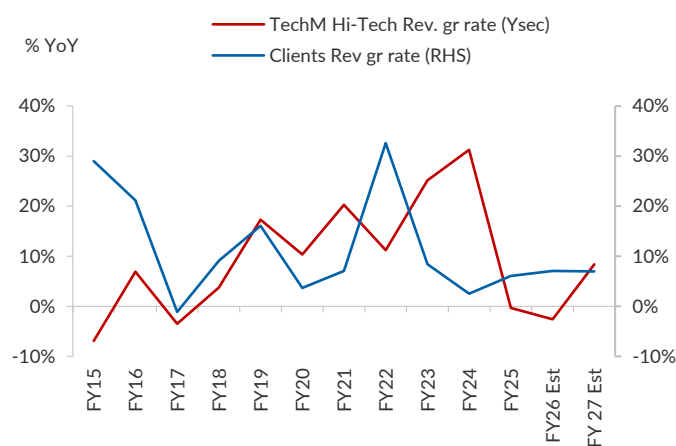
Source: Company, YES Sec

**Exhibit 41: HCLT HITECH rev growth vs REVENUE Growth of its Top clients**



Source: Company, YES Sec

**Exhibit 42: TECHM HITECH rev growth vs REVENUE Growth of its Top clients**



Source: Company, YES Sec

## Commentary from Top Clients Reflects Cautious Optimism on Tech Spend

The commentaries reveal a mixed outlook on technology spending, shaped by persistent macroeconomic uncertainty and evolving vendor strategies. While investments in AI, automation, and digital infrastructure remain strong thematic priorities across sectors such as banking, healthcare, and telecom, clients are exhibiting caution in execution timelines and deal ramp-ups.

Notably, several clients including Citibank, Cigna, and Eli Lilly indicated a shift toward in-house platforms and reduced reliance on external vendors, pointing to a trend of vendor consolidation and internal capability building. This could weigh on incremental outsourcing demand in the near term. On the other hand, large enterprises like Cisco, McKesson, and Johnson & Johnson continue to invest meaningfully in AI-led efficiency initiatives, cloud infrastructure, and enterprise tech upgrades, signalling confidence in long-term digital transformation.

While discretionary consumer demand and tariff-related risks were flagged by clients such as Walgreens and PNC Bank, the broader trend underscores a focus on cost discipline, operational resilience, and internal capability building.

**Exhibit 43: Macro and Tech Spend Signals from TCS's Key Clients**

Client	Latest Concall Commentary
Citibank	Investing in AI and tech transformation amid a cautious macro environment, with clients pausing spending and vendor reliance shifting toward in-house capabilities.
Bank of America	Management emphasized steady digital and AI investments while clients delay decisions amid tariff and policy uncertainty, with tech spend focused on automating banker outreach and expanding platform capabilities
American Express	Management highlighted resilient premium customer spend and accelerated SME purchases amid macro uncertainty, while reaffirming tech and product investments to drive long-term growth
Humana	Management emphasized disciplined cost control, growing AI-enabled efficiencies, and stable macro expectations while investing in clinical tech and CenterWell expansion to unlock long-term value
Metlife	Management expects macro volatility but sees resilience in recurring revenues, while focusing on operational efficiency, risk transfer deals, and scaling third-party investment mandates over vendor outsourcing

Client	Latest Concall Commentary
Cigna Group	Management flagged healthcare inflation and geopolitical uncertainty while investing in pharmacy tech solutions like EncircleRx and relying on in-house platforms over external vendors
PNC Bank	Management flagged tariff-driven recession risk while continuing tech investments funded through internal cost-cutting
Eli Lilly	Management downplayed near-term tariff risk but warned on future trade barriers, while accelerating U.S. manufacturing and R&D spend with minimal reliance on third-party vendors
Verizon	Management is navigating macro uncertainty with strong in-house tech investments in AI, 5G, fixed wireless, and private networks
McKesson Corporation	Management highlighted ongoing investments in automation, AI, cloud, and infrastructure to modernize operations and improve efficiency; macro uncertainty acknowledged but not expected to impact FY26 guidance
Walgreen	Management emphasized cost discipline and automation (MFCs), but highlighted continued consumer weakness and discretionary spending pressure as key headwinds
Cisco Systems	Strong AI-driven tech spend led by webscale and enterprise demand, with continued execution despite macro uncertainty
Johnson & Johnson	Management remains optimistic on healthcare demand across pharmaceuticals and MedTech, committed over \$55B in U.S. investments including tech and R&D
United Airlines	Management sees structural tailwinds from international demand and rational domestic capacity, while continuing tech investments like Starlink Wi-Fi and app enhancements to improve operations and customer experience
Comcast Corporation	Management continues to invest heavily in tech upgrades like multi-gig WiFi and wireless convergence to address intense competition, while remaining cautious about macro uncertainty but seeing no major impact yet
Delta Airlines	Management flagged macroeconomic uncertainty and domestic demand softness, especially in the main cabin, but continued investing in premium experience and efficiency initiatives while adjusting vendor and supplier base to align with flat capacity growth
CVS Health	CVS is investing in AI-powered digital health tools and streamlining prior authorizations, while cautiously monitoring tariffs and consumer sentiment shifts

Source: Company, YES Sec

## Potential risks to our analysis:

- Client churn during the period we take correlations even though top clients of large cap IT firms are usually sticky. New clients acquired in future may also limit the usefulness of this analysis.
- Diversion from the trend due to large deal ramp-up or client specific problems. Therefore, we only take the prediction capability as indicative and not descriptive of future.
- Meaningful EU/Other geographical exposure limits our ability to completely judge the revenue flows for any vertical.

## ORDERBOOK ANALYSIS

The pace of revenue growth in coming quarters is dependent upon the TTM book-to-bill and conversion of orderbook to revenues. Exhibit (45-50) show trailing twelve months book-to-bill, revenue growth, and correlation between the two with revenue growth lagged by 0-4 quarters.

The delayed correlations helps us decode the pace and intensity of revenue conversion for these IT firms. For instance, improving correlation at 0 or 1 quarter lag points towards immediate conversion of orderbook to revenues. While increasing correlations at 3-4 with simultaneous worsening of correlations at 0/1 qtrs. can tell us delayed conversion of deals. Adding all these correlations can give us an overall indicator of revenue conversion.

We see immediate green shoots for Wipro and LTIM as both book-to-bill and conversion factor are showing signs of improvement in the quarter gone by.

TechM shows good book-to-bill growth due to increasing deal wins in recent quarters, however the conversion remains elusive as our indicator plunge to a 10-quarter low. Key monitorable for TechM going forward will be the ability to execute the deals won.

Both HCLT and INFY are suffering though a decline in their book-to-bill ratio. While conversion seems to be improving for INFY across the lags, HCLT's conversion metrics have worsened, primarily due to sustenance of revenue growth despite weak growth in orderbook in recent quarters.

### Exhibit 44: Overall orderbook Improves

USD Bn (except for CAP in Bn EUR)	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26
TCS	10.0	10.2	11.2	8.1	13.2	8.3	8.6	10.2	12.0	9.4
INFY	2.1	2.3	7.7	3.2	4.5	4.1	2.4	2.5	2.6	3.8
HCL	2.1	1.6	4.0	1.9	2.3	2.0	2.2	2.1	3.0	1.8
Wipro	4.2	3.7	3.8	3.8	3.6	3.3	3.6	3.5	4.0	5.0
TechM	0.6	0.4	0.6	0.4	0.5	0.5	0.6	0.7	0.8	0.8
LTIM	1.4	1.4	1.3	1.5	1.4	1.4	1.3	1.7	1.6	1.6
Accenture managed services	11.4	8.3	8.2	9.8	11.1	11.8	11.6	9.5	10.4	10.6
YoY Growth	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26	
TCS	24.4%	38.3%	3.8%	32.0%	-18.6%	-23.2%	25.9%	-9.1%	13.3%	
INFY	35.1%	180.0%	-1.8%	116.8%	79.4%	-68.8%	-23.0%	-42.2%	-7.3%	
HCL	-23.8%	66.5%	-17.9%	10.4%	25.2%	-44.1%	8.7%	30.8%	-7.6%	
Wipro			-12.5%	-13.5%	-11.8%	-5.9%	-7.3%	10.8%	51.4%	
TechM	-55.2%	-10.6%	-52.1%	-15.5%	48.7%	-5.8%	95.5%	59.6%	51.5%	
LTIM			20.0%	3.0%	-0.7%	0.0%	12.0%	16.5%	16.4%	
Accenture managed services	6.1%	-17.6%	20.8%	-3.2%	41.8%	41.5%	-3.3%	-5.6%	-10.0%	

Source: Company, YES Sec. Note: Numbers denote Overall orderbook for TCS, Deals >\$50mn for INFY, net new delas for HCLT, Total bookings for Wipro, Net new deals for TechM and overall orderbook for LTIM.

**Exhibit 45: TCS: Worsening conversion with some signs of discretionary comeback**

Headers	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26
TTM Book-to-bill [A] – Avg: 1.33	1.22	1.27	1.37	1.37	1.47	1.39	1.28	1.34	1.30	1.34
Revenue growth (YoY) [B]	7.45%	6.58%	4.84%	2.91%	2.33%	3.86%	6.38%	3.54%	1.39%	-1.12%
Correlation between [A] and [B] with [B] lagging by:										
0 quarters	0.76	0.51	0.07	-0.21	-0.71	-0.83	-0.88	-0.92	-0.53	-0.16
1 quarter	0.84	0.75	0.54	-0.01	-0.25	-0.53	-0.49	-0.41	-0.30	0.25
2 quarters	0.89	0.86	0.82	0.63	0.11	0.00	0.04	0.00	0.23	0.28
3 quarters	0.79	0.91	0.87	0.87	0.77	0.48	0.58	0.13	-0.01	0.24
4 quarters	0.12	0.81	0.87	0.80	0.79	0.72	0.70	0.64	-0.11	-0.28

Source: Company, YES Sec

**Exhibit 46: Infosys: Steady improvement in conversion**

Headers	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26
TTM Book-to-bill [A] – Avg: 0.72	0.54	0.57	0.83	0.82	0.95	1.05	0.76	0.71	0.60	0.58
Revenue growth (YoY) [B]	6.40%	3.89%	3.58%	0.09%	0.22%	2.10%	3.73%	5.92%	3.64%	4.82%
Correlation between [A] and [B] with [B] lagging by:										
0 quarters	0.58	0.45	-0.41	-0.68	-0.79	-0.76	-0.76	-0.72	-0.60	-0.65
1 quarter	0.75	0.68	0.59	-0.43	-0.65	-0.73	-0.59	-0.43	-0.28	-0.33
2 quarters	0.87	0.82	0.77	0.61	-0.29	-0.48	-0.45	0.07	0.37	0.42
3 quarters	0.75	0.93	0.91	0.84	0.74	-0.08	-0.13	0.26	0.54	0.65
4 quarters	0.42	0.74	0.97	0.94	0.90	0.81	0.16	0.43	0.53	0.70

Source: Company, YES Sec

**Exhibit 47: Wipro: Significant positive turnaround in revenue conversion**

Headers	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26
TTM Book-to-bill [A]	0.35	0.36	0.41	0.41	0.42	0.43	0.45	0.45	0.51	0.66
Revenue growth (YoY) [B]	3.72%	1.55%	-3.02%	-5.26%	-5.87%	-5.49%	-1.96%	-1.02%	-2.29%	-1.47%
Correlation between [A] and [B] with [B] lagging by:										
0 quarters	0.37	0.08	-0.61	-0.92	-0.97	-0.98	-0.89	-0.63	-0.15	0.56
1 quarter		0.67	0.29	-0.44	-0.98	-0.98	-0.92	-0.69	-0.26	0.49
2 quarters			0.73	0.33	-0.64	-0.97	-0.88	-0.71	-0.36	0.50
3 quarters				0.67	0.12	-0.64	-0.83	-0.59	-0.30	0.47
4 quarters					0.60	0.16	-0.35	-0.46	-0.08	0.58

Source: Company, YES Sec

**Exhibit 48: HCLT: Conversion slows down as book to bill worsens and revenue growth peaks**

Headers	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26
TTM Book-to-bill [A]	0.70	0.66	0.86	0.81	0.73	0.76	0.68	0.69	0.67	0.65
Revenue growth (YoY) [B]	17.74%	12.07%	8.05%	6.54%	7.11%	6.70%	8.21%	5.08%	6.13%	8.17%
Correlation between [A] and [B] with [B] lagging by:										
0 quarters	-0.14	0.03	-0.01	-0.18	-0.07	0.01	-0.07	-0.33	-0.21	0.12
1 quarter		0.19	0.43	0.13	0.00	0.13	0.26	0.22	-0.13	-0.08

Headers	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26
2 quarters			0.12	0.43	0.23	-0.02	0.15	0.38	0.34	-0.10
3 quarters				0.29	0.48	0.25	-0.18	0.05	0.42	0.13
4 quarters					0.38	0.58	0.37	-0.26	-0.04	0.18

Source: Company, YES Sec

## Exhibit 49: TECHM: Needs improvement in conversion

Headers	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26
TTM Book-to-bill [A]	0.44	0.37	0.37	0.31	0.30	0.33	0.32	0.38	0.43	0.47
Revenue growth (YoY) [B]	3.70%	-1.92%	-5.05%	-5.70%	-7.17%	-2.61%	2.17%	-0.38%	0.05%	0.35%

Correlation between [A] and [B] with [B] lagging by:

0 quarters	0.85	0.93	0.95	0.95	0.96	0.97	0.84	0.66	0.48	0.54
1 quarter	0.45	0.92	0.95	0.95	0.92	0.87	0.71	0.46	0.06	0.22
2 quarters	0.07	0.23	0.84	0.87	0.90	0.77	0.46	0.12	-0.39	-0.59
3 quarters	-0.31	-0.24	0.01	0.66	0.81	0.78	0.36	-0.06	-0.56	-0.75
4 quarters	-0.46	-0.56	-0.46	-0.24	0.61	0.66	0.36	-0.13	-0.65	-0.81

Source: Company, YES Sec

## Exhibit 50: LTIM: Conversion improving

Headers	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26
TTM Book-to-bill [A]	1.32	1.35	1.23	1.40	1.30	1.29	1.19	1.52	1.44	1.43
Revenue growth (YoY) [B]	11.94%	8.09%	5.25%	3.53%	1.13%	3.54%	4.75%	5.08%	5.76%	5.21%

Correlation between [A] and [B] with [B] lagging by:

0 quarters						-0.23	-0.09	0.03	0.17	0.26
1 quarter						-0.47	-0.46	-0.34	0.00	0.12
2 quarters						-0.07	-0.07	-0.08	-0.20	0.15
3 quarters						-0.73	-0.17	-0.18	-0.20	-0.30
4 quarters						-0.18	-0.56	0.07	0.02	-0.01

Source: Company, YES Sec

## Exhibit 51: Prevalence of cost takeout deals to delay conversion

	Pipeline & Deal Highlights	Deal Types & Demand Dynamics	Revenue, Margins & Operational Highlights
TCS	Healthy, well distributed pipeline; replenishment strong despite demand contraction; noted pressures in consumer sectors	Cost takeout/vendor consolidation clear priorities; discretionary under pressure with project pauses; AI/GenAI key RFP requirement	Revenue conversion slower due to project deferrals and decision delays; pipeline conversion expected to improve as clarity grows
INFY	Very strong, esp. large/mega deals (Americas, Europe); cost takeout, vendor consolidation, AI majors; all verticals pursuing efficiency	Cost takeout/vendor consolidation dominant; discretionary weak/paused, except AI (often self-funded)	Cost takeout/consolidation deals ramp with transition costs; elongated/slow cycles on discretionary. H1>H2.
HCL	Healthy pipeline; AI/GenAI featured prominently; balanced geography/sectoral spread	Cost takeout/vendor consolidation continue; discretionary muted, pockets of AI-driven wins	Slower revenue conversion due to delays/utilization mismatch; AI ramp underway; ongoing restructuring
Wipro	Large deal bookings \$2.7B, 16 deals incl 2 mega; AI projects scale accelerating; BFSI steady, manufacturing cautious	Cost takeout/vendor consolidation core; discretionary spend returning in pockets with AI support; 200+ AI agents deployed	Revenue down 2% CC; margin 17.3%; upfront investment impact; operational focus; cautious near-term guidance
TechM	TCV \$809M (+44% YoY LTM); larger multi-tower deals; pipeline stronger	Telco/hi-tech consolidation; retail/digital/AI/GCC discretionary; BFSI strong; auto weak; hi-tech soft	Growth from Q2 FY26; larger deals ramp in H2 FY26
LTIM	High-quality pipeline with AI-driven and vendor consolidation deals; BFSI wins; geographical expansions ongoing	Cost takeout/vendor consolidation dominate; selective discretionary AI spend returns	Approx. \$1.1B revenue; margin steady mid-teens; expected growth and margin recovery

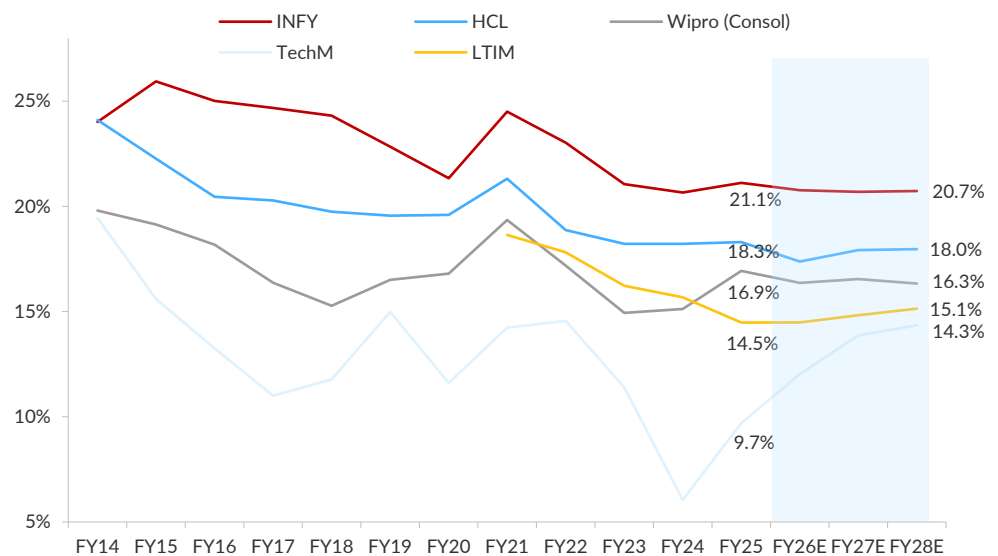
Source: Company, YES Sec

## BLEAK MARGIN OUTLOOK

### Probing the structural Margin Decline

We observe a structural margin decline in large-cap IT in last 10 years (see Exhibit 52) due to several factors:

**Exhibit 52: EBIT Margin Trend:**



Source: Company, YES Sec

### 1. Competitive Intensity & Pricing Pressure

- Global peers & hyperscalers encroaching: Accenture, IBM, Capgemini, Cognizant, and hyperscalers (AWS, Azure, GCP) increasingly bundle consulting + cloud services, compressing traditional ADM + IMS pricing. Adding to that, global IT firms have rapidly expanded their presence in India. For instance, Accenture's India employee strength have gone from ~1.5lakhs (~30% of overall) to over 3 lakhs (~40% of overall) between 2018 to 2024.
- Price-based competition in commoditized services: Traditional outsourcing (infra mgmt, application maintenance) faces *vendor consolidation*, where clients squeeze vendors for multi-year pricing benefits. Typically, vendors pass ~5% productivity each year to the clients.

### 2. Revenue Growth Slowdown lowering Operating Leverage

- Muted discretionary spending: BFSI, retail, telecom clients have moderated IT services budgets relative to FY10–FY15 boom years.
- Slower large-deal ramp-ups (mostly cost-takeouts): Mega-deals are margin-dilutive in initial years due to transition costs, which has weighed.

### 3. Stagnant Offshoring & Talent Pyramid Challenges

- Offshore mix plateaued: Offshoring to India peaked and hasn't structurally improved, limiting further cost leverage.
- Flattening pyramid: High attrition and lateral hiring have pushed up average employee cost; freshers hiring slowed post-FY20, weakening the pyramid advantage.
- Visa costs (H1-B/L1): Rising US visa scrutiny since 2017 has forced higher local hiring, structurally inflating onsite costs.



## 4. Limited Productivity Gains

- Revenue per employee stagnation: No material increase in productivity despite automation, Agile, DevOps adoption; digital revenues cannibalized traditional higher-margin services.
- AI/automation benefits not visible yet: Companies talk about productivity gains from GenAI/automation, but in practice clients expect to *share benefits* via lower pricing.

## 5. Rising Cost Structure

- Employee cost inflation: Wage hikes (8–10% offshore, 2–3% onsite annually) consistently outpaced pricing power.
- Subcontractor dependence: Share of subcontracting costs rose meaningfully in FY18–FY22 due to demand spikes, compressing margins. Although, sub-contracting has come down to a certain extent post that, there is limited scope for further reduction.
- Investments in sales & digital capabilities: Higher SG&A as firms built consulting front-end, cloud studios, and nearshore centers.

## 6. COVID-19 & Post-COVID Distortions

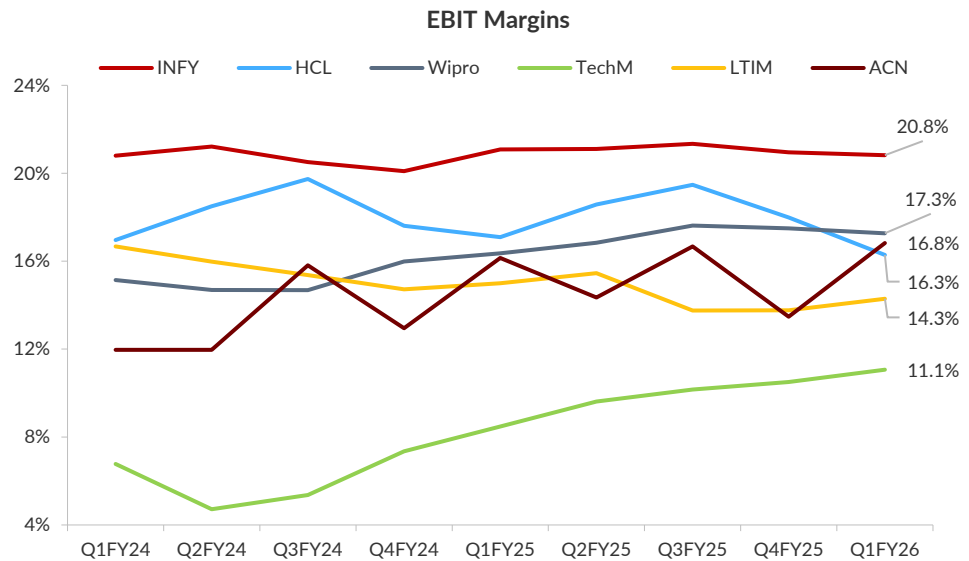
- FY21 margins flattered by travel bans & WFH savings: Temporary improvement not sustainable.
- Post-COVID reversal: Travel, facility, and hiring costs normalized, pulling back margins FY22 onwards.

## Traditional margins levers largely utilized for all the players

We don't see broad based improvement in margins for large-cap IT in the near term as traditional margin levers are largely utilized.

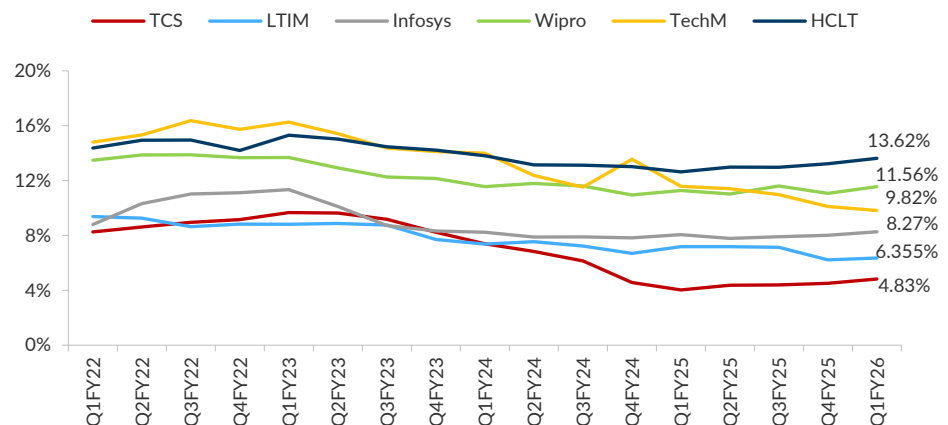
- Utilization is near 4-yr high, crossing comfortable range of 80-85% for Wipro, LTIM, and TechM in 1QFY26 (Exhibit 55).
- Sub-contracting as a % of revenues bottomed out in 2HFY25 and remains stable for HCLT, Wipro, Infosys, and LTIM. TechM has managed to reduce its sub-con from ~12% in 2HFY24 to 9.8% in 1QFY26 and is expected to take it down to 8-10% levels in medium term (Exhibit 54).
- Off-shoring mix is largely stable for LTIM, INFY, and Wipro. Although, TechM has managed to offshore its fixed tariff engagement (Exhibit 57). We don't see much incremental gains from this lever as large deal wins start to ramp-up requiring an onsite presence.

**Exhibit 53: Quarterly EBIT Margin Trend**



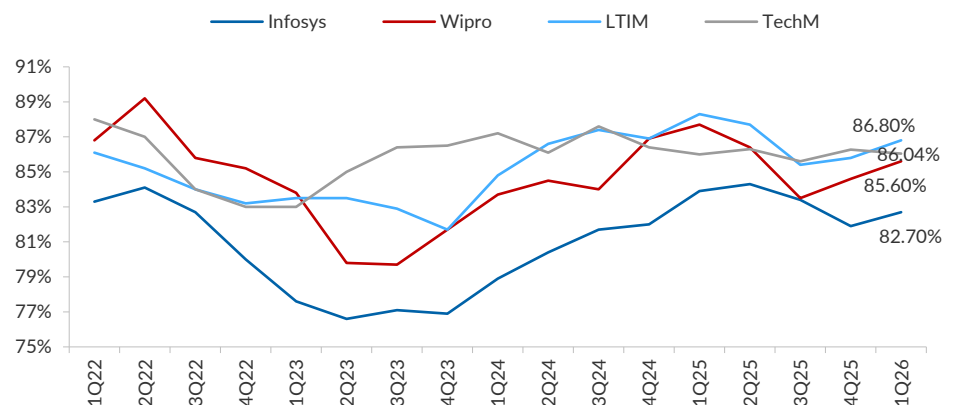
Source: Company, YES Sec

**Exhibit 54: Subcontracting Costs as % of Revenue**



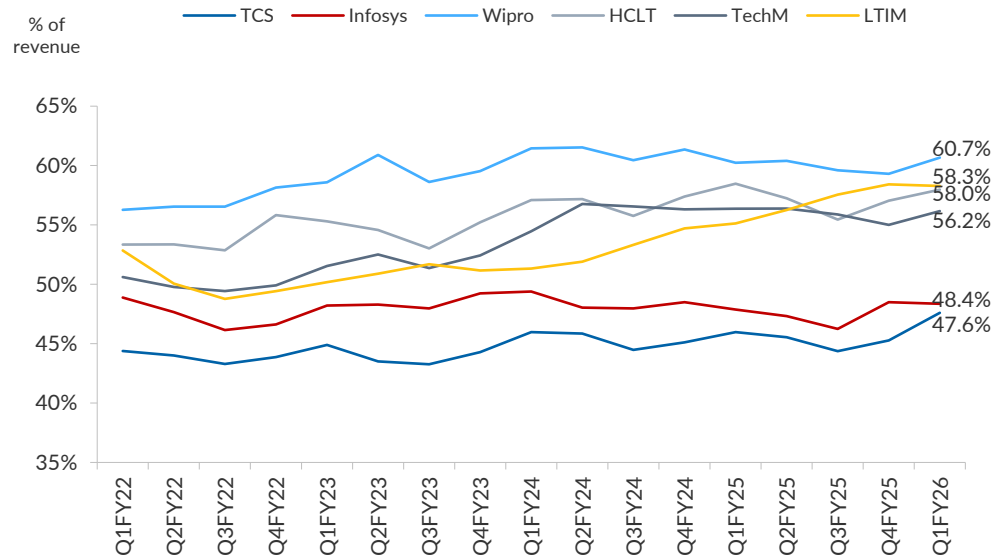
Source: Company, YES Sec

**Exhibit 55: Utilization**



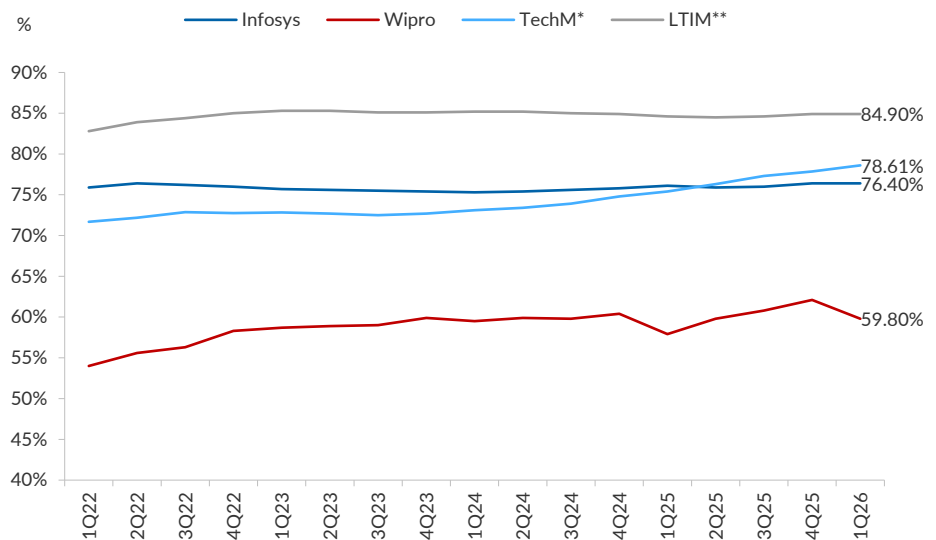
Source: Company, YES Sec

**Exhibit 56: Employee Cost as a % of revenue**



Source: Company, YES Sec

**Exhibit 57: Offshore Mix (%) Trend Across IT Companies**



Source: Company, YES Sec

Note: Offshore % is not strictly comparable across companies.

\* For Tech Mahindra, offshore % refers to offshore headcount distribution

\*\* For LTIMindtree, offshore % refers to offshore billed effort distribution

(For Infosys and Wipro, offshore % represents revenue contribution from offshore delivery)

## Pyramid correction presents opportunity for TechM and TCS

Employee pyramids have worsened for most of the large cap IT firms with fresher hiring taking a backseat in FY23/24. Median salaries have grown at faster pace for Infosys, Wipro, and LTIM between FY22 and FY25 than average salaries by ~3-5% (see Exhibits 63 & 64). For TCS, its even worse. Only TechM has bucked this trend with average and median salaries growing largely in tandem. Although a very high median salary of Rs.17.3LPA presents headroom for correction. TechM's management hopes to reduce it to somewhere in between of Rs.17.3LPA and ~Rs10LPA (Wipro and Infosys) in the long term.

We think that incremental effort in pyramid correction for established players will be difficult, given requirements of specialized skills such as AI/ML, data, cloud computing, cybersecurity and platform engineering picks the pace. Huge demand for these skills, competition from GCCs and enterprises directly beefing up their IT teams (see commentaries from Naukri Job speak index, Quesscorp and Teamlease in Exhibit 66), will keep incremental hiring expensive for IT firms.

### Exhibit 58: TCS – Employee Pyramid by Age Bracket (India, %)

Age Bracket	2021	2022	2023	2024	2025
<30 yrs	59.00%	59.00%	53.00%	50.30%	47.70%
30–40 yrs	33.00%	33.00%	37.30%	35.80%	38.90%
40–50 yrs	7.00%	16.00%	8.70%	12.60%	11.90%
>50 yrs	1.10%	1.10%	1.10%	1.30%	1.50%

Source: Company, YES Sec

### Exhibit 59: Infosys – Employee Pyramid by Experience Level (%)

	FY22	FY23	FY24	FY25
Junior	46.31%	46.01%	41.07%	43.37%
Middle	42.02%	41.71%	45.30%	43.94%
Senior	11.67%	12.29%	13.63%	12.68%

Source: Company, YES Sec

### Exhibit 60: Infosys – Employee Pyramid by Age Bracket (%)

	FY22	FY23	FY24	FY25
<=30 years	59.64%	59.62%	54.73%	54.73%
31-50 years	37.96%	37.86%	42.41%	42.41%
>=50 years	2.40%	2.52%	2.86%	2.86%

Source: Company, YES Sec

### Exhibit 61: TechM – Employee Pyramid by Experience Level (%)

	FY22	FY23	FY24	FY25
Junior	88.27%	88.12%	88.64%	89.47%
Middle	10.92%	10.95%	10.38%	9.63%
Senior	0.81%	0.93%	0.98%	0.89%

Source: Company, YES Sec ; Note: (fixed-term, third-party, and sales employees are exempted from this calculation)

## Exhibit 62: TechM – Employee Pyramid by Age Bracket (%)

	FY22	FY23	FY24	FY25
<=30 Years	51.36%	48.26%	47.69%	47.38%
31–50 Years	45.31%	48.14%	48.67%	48.63%
>=51 Years	3.33%	3.60%	3.64%	3.99%

Source: Company, YES Sec

## Exhibit 63: Employee Compensation Analysis: Median Employee Salaries

Median Salary (lakh per annum)	FY21	FY22	FY23	FY24	FY25	CAGR (%)
TCS	-	8.45	9.07	13.23	14.55	20%
Infosys	7.2	8.1	8.91	11.1	11.1	11%
HCLT	-	-	-	13.07	15.7	20%*
Wipro	7.17	7.93	8.99	9.84	9.78	7%
TechM	-	-	15.42	16.17	17.3	6%*
LTIM	9.44	11.69	12.49	14	17.42	14%

Source: Company, YES Sec

## Exhibit 64: Employee Compensation Analysis: Average Employee Salaries

Average salary	FY21	FY22	FY23	FY24	FY25	CAGR (%)
TCS	19.6	19.9	21.1	23.0	24.1	7%
Infosys	21.5	21.8	23.6	24.7	26.5	7%
HCLT	24.3	24.4	24.5	25.9	27.2	4%
Wipro	17.4	20.2	21.6	22.5	22.9	4%
TechM	15.7	16.4	18.3	19.6	20.1	7%
LTIM	22.2	23.0	25.4	27.4	29.7	9%

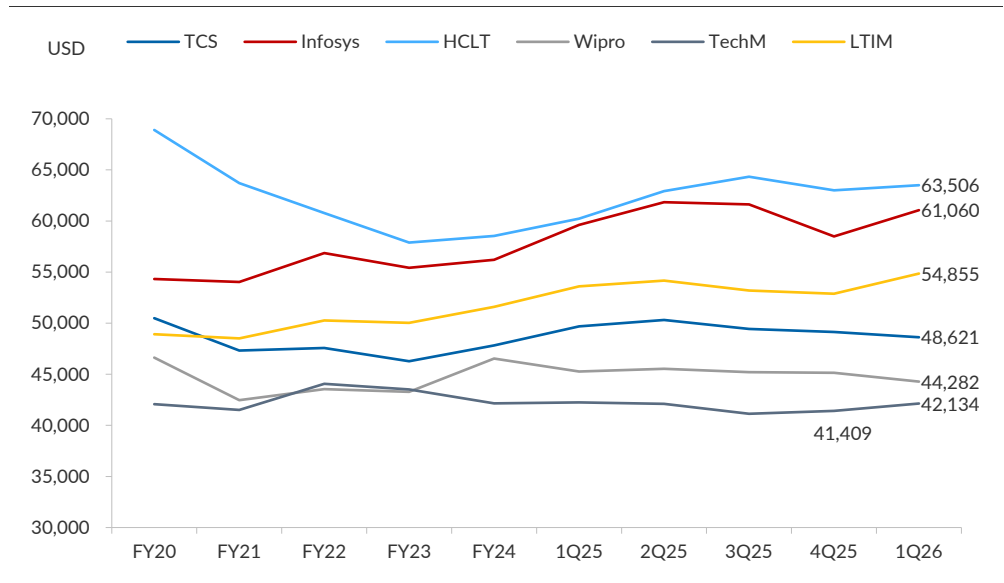
Source: Company, YES Sec

We believe TCS's recent layoff concerning ~2% of its workforce is large due to its median salary growing way faster than average salary and reaching an peer high of Rs14.55 LPA in FY25. Therefore, we don't believe its an industry wide phenomenon or directly related to AI/GenAI as also confirmed by its upper management.

## Pricing metric: Only INFY able to sustainably grow revenue per employee b/w FY20-25

Infosys has been the only large-cap IT player to grow its revenue per employee between FY20-25 representing better pricing power than its peers (See Exhibit 65). With the intense pressure to pass on productivity gains to clients, we don't see any step increase in this metric in the near term. Although changes in pricing models due to GenAI may lead to non-linearity in the revenue growth in the long term.

**Exhibit 65: Revenue per Employee Across IT Peers (USD, Annualized)**



Source: Company, YES Sec

**Exhibit 66: IT Hiring & Staffing Trends**

Source	Hiring Momentum	Roles / Skills in Demand	GCC / Tier-2 City Impact	Salary / Margins
Naukri JobSpeak (Jun'25)	IT hiring turned positive (+5% YoY) after 8/12 months of weakness; rebound led by Tier-2 cities (Baroda +14%, Coimbatore +10%, Kochi +9%, Ahmedabad +8%).	AI/ML roles +42% YoY; demand skewed to experienced professionals (16+ yrs, +16% YoY).	Tier-2 cities emerging as hubs; demand skewed towards experienced professionals	-
Quess Corp (Q1FY26)	Professional Staffing revenue ₹244cr (+31% YoY); best quarter in 15 yrs; growth led by niche/super-niche IT roles. GCCs form ~73% of revenue.	AI/ML, data, cloud, cybersecurity, platform engineering.	GCCs contributed ~68% of new mandates (1,200+ open positions); demand across BFSI, telecom, hi-tech, media.	Avg. niche IT comp ~₹1.25L/month; realizations ₹23k-25k/associate/month; Professional Staffing EBITDA margin 10.2% (+48% YoY).
TeamLease (Q1FY26)	IT hiring muted in large IT services; resilience in Tier-2 players, product cos, and digital-first firms.	AI, ML, cloud, cybersecurity, product engineering; more project-based "just-in-time" hiring.	GCC hiring stable (~46% of headcount, 64% of revenue); expansion in BFSI, healthcare, hi-tech, engineering GCCs; Tier-2 GCC hubs growing.	Specialized staffing margins softer (6% vs. 7-7.5% historically) due to headcount/appraisals; expected recovery by FY26-end.

Source: Company, YES Sec

## IMPACT OF AI/GENAI: YET TO MATERIALIZE

We believe near-term revenue headwinds may emerge as clients look to capture productivity gains from GenAI adoption. While such gains are often passed on to clients, resulting savings are being typically redeployed into scope expansions and new offerings, as reflected in HCL Tech's (NR) 1QFY26 results. Importantly, client budgets continue to be driven primarily by macroeconomic conditions and demand outlooks, rather than short-term efficiency gains, limiting any material top-line impact for IT services providers.

[Our channel checks indicate](#), it may take more time for agentic solutions to mature and therefore new system integration opportunities for IT firms will be slow to grow despite billions spent on AI by large enterprises worldwide. The only silver-line for IT firms is data-readiness & core transformation work arising due to GenAI (~7.6% of Accenture's 2Q25 orderbook is GenAI related work). This work is largely non-discretionary and expected to continue in the coming future.

## Exhibit 67: Training Intensity (including GenAI)

Company	Annual average training hours per employee
TCS	96.4
Infosys	71.3
Wipro	65.3
TechM	50.3
LTIM	79.3

Source: Company, YES Sec

## Exhibit 68: AI/GenAI Initiatives, Training & Hiring changes

Company	AI/GenAI Investments & Initiatives	Training & Hiring Employees
TCS	- Focused on scaling AI and GenAI (114,000 employees with "higher order" AI skills).	- 15 million hours of employee training in emerging tech this quarter.
	- Investments in WisdomNext platform (Agentic AI)	Lateral hiring based on demand, No specific mention of skills focused
	- New AI-infused service lines (products like ignio, MasterCraft with GenAI, etc).	
	- Proactive infusion of AI in client contracts.	
Infosys	- 300+ AI agents built for clients.	- Wage hikes delivered in two phases (lower and higher levels in Jan & Apr).
	- Enterprise AI, GenAI major driver of Q1 growth.	
	Only Indian firm in Gartner GenAI (consulting & implementation services) quadrant leader.	
HCLTech	- Investments in GenAI accelerated/pulled forward in Q1; new "full stack AI" platform suite (AI Force, Foundry, Labs, etc).	- 50 highly specialized staff dedicated to GenAI (in OpenAI collab).
	- AI is now "central to IT Services strategy";	Entry-level hiring based on skills & specializations
	- Strategic partnerships (OpenAI, UiPath, Google, NVIDIA).	Freshers paid more for specialist roles (Entry-level: General Rs 4.25 lakh/yr; specialists 3x, software side 4x normal)
Wipro	- AI-specific platforms (contact center, clinical, commerce).	- Company-wide upskilling in AI.
	- 200+ AI agents in production.	- Talent training to meet AI "mindset".
	- Integration of AI across sectors (banking, semicon, etc).	
LTIMindtree	- Strategic pivot to "AI-centric organization".	1,600+ freshers on-boarded Q1; focus on fresher induction and people with AI skills
	Agent Marketplace, agentic AI ecosystem launched (300+ AI agents)	- Internal AI transformation: HR, on-boarding, recognition, assistants like RAlma.
	- AI-based GCC-as-a-Service.	- Upgrading employee skills via "AI Studios", "AI companion" for HR support.
	- Heavy internal adoption (62 initiatives across 7 products, 9 business lines).	- Utilization rose to 88% (efficiency drive).
Tech Mahindra	- "AI Delivered Right" strategy; 200+ AI agents live with clients.	- 250 freshers in Q1 (marginal, vs 6,000 in FY25).
	- Large-scale AI+GenAI training—77,000+ employees trained in AI (some advanced certification).	- Focus on leadership development (TechM Zenith with INSEAD, etc).
	- Partnerships (NUIX—AI analytics, ServiceNow, Cisco, etc).	- Company-wide AI+GenAI training programs.
	- Dedicated AI consulting practice for clients; agentic/human hybrid workforces.	- Hiring for selected high-skill roles; overall headcount flat.

Source: Company, YES Sec



## Exhibit 69: Analyst Recognitions (Qualitative Placement)

Company	Everest Group Talent Readiness	Avasant AI Leaders	Everest IPA Solutions	HFS Horizon (Intelligent Retail & Consumer Goods Ecosystem)	IDC AWS App Modernization	Application Management Services PEAK Matrix® Assessment	ISG Mainframes/App Modernization	Total "Leader" Placement (7 Max)
TCS	Leader	Leader	Leader	Leader	Leader	Leader	Leader	7
HCLTech	Leader	Leader	Star Performer	Leader	Leader	Leader	Leader	6
Infosys	Leader	Leader	not listed	Leader	Not listed	Leader	Leader	5
Wipro	Leader	Leader	Major Contender	Leader	Not listed	Leader	Leader	5
Tech Mahindra	Major Contender	Leader	not listed	Leader	Not listed	Star Performer	Product Challenger	2
LTIMindtree	Leader	Innovator	Major Contender	Enterprise Innovator	Major Player	Major Contender	Leader	2

Source: Company, YES Sec

## Exhibit 70: Weighted Scoring of Analyst Rankings

Company	Everest Group Talent Readiness	Avasant AI Leaders	Everest IPA Solutions	HFS Horizon (Intelligent Retail & Consumer Goods Ecosystem)	IDC AWS App Modernization	Application Management Services PEAK Matrix® Assessment	ISG Mainframes/App Modernization	Total Score
TCS	3	4	3	3	4	3	4	24
HCLTech	3	4	2	3	4	3	4	23
Infosys	3	4	0	3	0	3	4	17
Wipro	3	4	2	3	0	3	4	19
Tech Mahindra	2	4	0	3	0	2	3	14
LTIMindtree	3	3	2	2	3	2	4	19

Source: Company, YES Sec

## Exhibit 71: Analyst Recognitions in FY25

Company	No.of recognitions
HCLT	395
TCS	179
Infosys	103
TechM	67
Wipro	49
LTIM	49

Source: Company, YES Sec

## Ranking Methodology

To quantify analyst recognitions across multiple frameworks, we assigned weightages to each ranking category as follows:

- Everest Group: Leader (3), Star Performer/Major Contender (2), Aspirant (1)
- Avasant: Leader (4), Innovator (3), Disruptor (2), Challenger (1)
- HFS Horizons: Horizon 3 – Market Leaders (3), Horizon 2 – Enterprise Innovators (2), Horizon 1 – Disruptors (1)
- ISG: Leader (4), Product Challenger (3), Contender (2), Market Challenger (1)

- IDC: Leader (4), Major Player (3), Contender (2), Participant (1)

Scoring Approach: Each recognition was mapped to its respective weightage. Scores across different analyst assessments were summed to arrive at a cumulative score.

## Exhibit 72: Partnerships WITH Hyperscalers, SaaS, and hardware companies

Company	AWS	Azure	Google Cloud	Salesforce	SAP	Snowflake	ServiceNow	NVIDIA / OpenAI/Others
TCS	Strategic partnership for cloud migration and analytics	Multi-year AI-led transformation (Copilot, Azure AI Foundry, Fabric); 25k associates training	GenAI offerings, persona-based AI agents, dedicated delivery center	Global platinum partner; TCS Crystallus™	Expanded Apr'25, Innovation Council, RISE with SAP, Pace Ports™	First Elite Partner, multiple competencies, Partner of the Year	Elite Partner, 1,800 FTEs, 600+ certs, Crystallus™	Dedicated NVIDIA unit; AI-native solutions for telecom, BFSI, auto; Omniverse integration
Infosys	AWS Service Delivery, migration focus	Strategic collaboration with NVIDIA integration + Azure stack	2025 Partner of the Year (Databases), database modernization	Alliance with ISVs, migration expertise	Longstanding partner; RISE with SAP, BPI collaboration	Black Diamond sponsor, Retail & Consumer Goods Partner of the Year	500+ engagements, Global Elite status, AI with Now Platform	NVIDIA CoE, Infosys Topaz + SLMs, 50k staff training
Wipro	Decade-long partnership; 250+ clients	Multi-cloud, Azure-focused industry solutions	GSI & Premier partner; AI + security	Summit Partner, top 5 in Salesforce AI, 9 Innovation Studios	Strategic collab with Microsoft+SAP, RISE validated	500+ consultants; 2x Partner of the Year	\$1B biz target by 2026; multiple awards	WeGA Studio on NVIDIA AI; sovereign AI, agentic AI; healthcare focus
HCLTech	Amazon Connect for B2B customers	GenAI Foundry on Azure; Azure OpenAI and Dynamics 365	Strategic GenAI partnership, 20k trained employees, CoE	Partner Network member; infusion solutions with GenAI	RISE with SAP, AppHaus recognition, AI/Cloud labs	Elite status, trusted collaborator	12-year history; GenAI labs in Noida & London	Multi-year OpenAI + NVIDIA collab, ChatGPT Enterprise rollout
LTIMindtree	AWS MSP status, 1,600+ certified	Azure Expert MSP, migration focus	2024 Partner of the Year (Industry), Premier Partner with AI focus	Industry-specific Salesforce solutions	25+ yrs, 9,000+ experts, innovations & RISE with SAP	288 core certs, specializations; FS & Manufacturing focus	Strategic Elite Partner, AI-Smart Underwriter	AI biz unit with NVIDIA; digital twins, medtech
Tech Mahindra	Premier MSP + Select GSI, 4,000 pros, multi-modal AI with NVIDIA	Operator Nexus SI for 5G/telecom; Copilot for 1,200+ customers	Premier Partner with Gemini model integration	CRM modernization, industry apps	Diamond Sponsor; 1,800 SAP programs; Global Strategic Partner	Data modernization, analytics acceleration	Elite Partner, top CSAT, telecom-focused assets	AI CoE; sovereign LLM models; Project Indus 2.0; industrial AI

Source: Company, YES Sec

# COMPANY SECTION

# Infosys

## Profitable growth ahead, Valuations palatable

We initiate coverage on Infosys with a BUY rating supported by a deep dive into its top U.S. clients, backed by strong correlations between client fundamentals (e.g. NI for BFSI, CAPEX for telecom, and revenue for Hi-Tech) and Infosys's sectoral performance. A high share of Financial Services (~50% of top clients) and ENU (~7%) adds resilience from tariff related uncertainty and opportunity to capture pockets of discretionary spend. Although 1QFY26 deal wins stood at \$3.8bn (book-to-bill 0.58x vs 10-qtr. avg. 0.72x) with ~\$1bn from cost take-outs, limiting near-term revenue visibility; it is already reflected in its conservative guidance of 0-3% CC rev. growth for FY26. We expect Infosys's digital strength and capabilities with fast growing hyperscalers & SaaS players to position it well for capturing GenAI-driven spending. Margins may remain under pressure (Y-Sec FY27: 20.7% vs Consensus: 21.4%) on cost-takeout mix and subdued discretionary spend. We value Infosys at 25x (Similar to TCS's 25.6x) June-26 to Mar-27 EPS of Rs 73, arriving at a TP of Rs 1,824.

**Deep dive into INFY's US clients; Market share gain:** We present an analysis of Infosys's top U.S. clients, correlating client fundamentals (e.g., net income in BFSI, capex in Telecom, and revenues in High-Tech) and Infosys's sectoral performance; giving us confidence in our revenue estimates which are 1.1-1.7% above consensus in FY26-28E. A high concentration in relatively tariff-insulated verticals such as Financial Services (~50% of top clients) and ENU (~7%) provides resilience & discretionary exposure. Adding to this, Infosys has steadily gained market share among Top-9 global IT services players over the past decade, underscoring its competitive moat.

**Mega deals make a comeback; execution indicators stable:** INFY announced a mega deal in 1QFY26. Cost-takeout accounted for ~\$1bn of the \$3.8bn TCV during the quarter, while book-to-bill (0.58x) trailed its 10-qtr. average of 0.72x, limiting near-term revenue visibility—already reflected in FY26 guidance. In response to the weak flow of mega deals and changing pricing dynamics, Infosys has reorganized its delivery model, enabling talent to be redeployed seamlessly across verticals and allowing teams to be more agile and structured around outcomes rather than hours [\[link\]](#).

**INFY to capture GenAI spend with its digital strength:** We believe companies with higher digital exposure may benefit from maturing GenAI solutions, with GenAI being natural extension to their existing capabilities of cloud, data, analytics and CX. Services are increasingly being bundled (cloud, IMS, AI) by INFY to accelerate deployment with minimal customization. It is the AI partner of choice for 10 of its top-20 BFSI clients, only large-cap to consistently grow USD revenue per employee over FY20-25 (Margin section), and only Indian IT firm in leader quadrant of Gartner's GenAI consulting and implementation services. Our analysis further highlights its leadership in high-growth digital areas such as Azure Cloud, ServiceNow, and SAP (Exhibit 6).

**Margins may remain under pressure:** There has been a structural decline in EBIT margins of all the large-cap IT players in last 10-years. Although INFY gained margins despite subdued growth in FY25, concentration of cost-take out deals, rising productivity expectation of clients, and aggressive pricing by competition make us below consensus on EBIT margin by 40-90 bps for FY26-28E. Consensus estimates have faced 3.8%-11.6% cuts in 2 years leading to the actuals for FY23-25 (Exhibit 14).

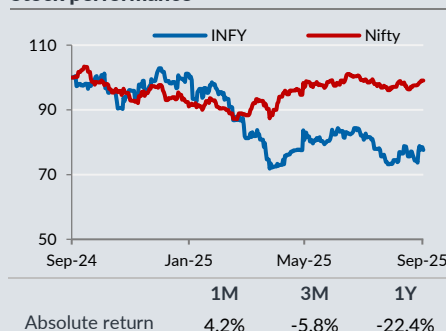
**Valuations comfortable, initiate with BUY:** We believe INFY is poised to take leadership amongst large caps with its consistent execution, margin discipline, market share gains, and superior digital capabilities. Therefore, we value INFY at 25x June-26 to Mar'27 EPS of Rs. 73 to arrive at TP of Rs. 1841; with buybacks and probable fed rate-cuts being rerating catalysts. Furthermore, our FCF yield based analysis (Exhibit 15) suggests near bottoming out of 1-yr fwd. PE at ~22x limiting further downside.

Reco	: <b>BUY</b>
CMP	: Rs 1,508
Target Price	: Rs 1,841
Potential Return	: +22%

### Stock data (as on Sep 15, 2025)

Nifty	25,069
52 Week h/l (Rs)	2006 / 1307
Market cap (Rs/USD mn)	6324060 / 71733
Outstanding Shares (mn)	4,145
6m Avg t/o (Rs mn):	12,130
Div yield (%):	2.9
Bloomberg code:	INFO IN
NSE code:	INFY

### Stock performance



### Shareholding pattern (As of Jun'25 end)

Promoter	13.1%
FII+DII	63.9%
Others	12.3%

### Financial Summary

(Rs mn)	FY25	FY26E	FY27E
Net Revenue	1,629,900	1,753,969	1,869,809
YoY growth	6.1	7.6	6.6
EBITDA	392,350	412,283	440,768
EBITDA (%)	24.1	23.5	23.6
EBIT	344,240	365,137	391,605
EBIT (%)	21.1	20.8	20.9
PAT	267,130	278,770	298,212
YoY Growth	1.83	4.36	6.97
ROE	29.0	32.3	36.5
EPS	64.5	68.4	73.7
P/E	23.4	22.1	20.5

### SHUBHAM AGRAWAL

Lead Analyst

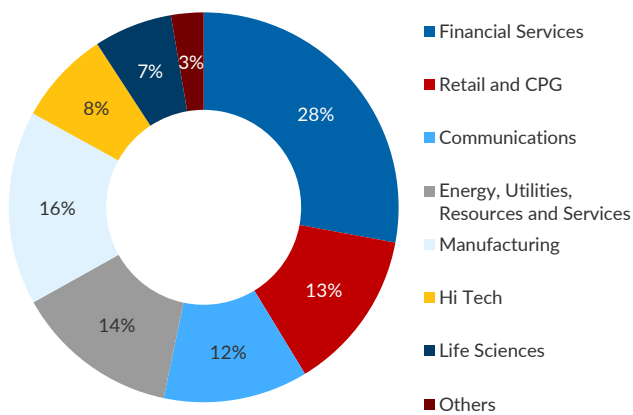
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AARSHA BIJU, Associate

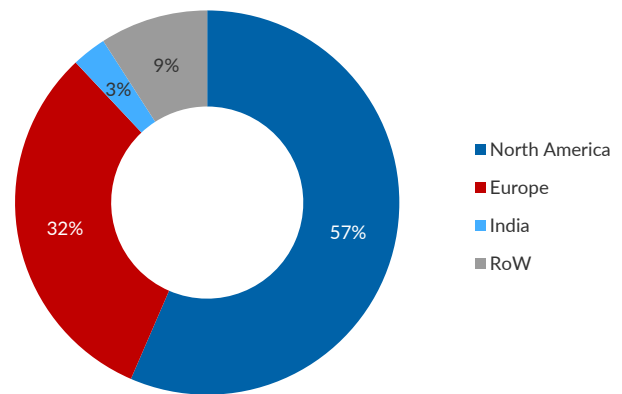
## STORY IN CHARTS

**Exhibit 1: Revenue Mix by Vertical (Q1FY26)**



Source: Company, YES Sec

**Exhibit 2: Revenue Mix by Geography (Q1FY26)**



Source: Company, YES Sec

**Exhibit 3: Service Line Revenue Mix (% of Total Revenue)**

Service Line	TCS	Infosys	Wipro	HCLT	TechM	LTIM
Application development and maintenance	52	47	47	33	37	48
Infrastructure management services	11	8	25	46	13	4
Business Process Outsourcing	8	4	8	5	5	0
Cloud migration and SaaS implementation	18	32	12	12	29	46
Consulting	11	9	8	5	17	2

High digital mix compared to others

Source: Bloomberg, YES Sec. Note: Cloud migration & SaaS implementation tends to be very digital heavy work while some part of development of applications also involves digital work.

**Exhibit 4: Very stable upper management leading to consistent execution**

Company	Avg Tenure (Years)	Median Tenure (Years)
TCS	26.4	31.6
Infosys	23.7	25.5
HCL Tech	18.4	17.4
Wipro	17.5	16.3
Tech Mahindra	6.5	5.3
LTIMindtree	8.4	6.7

Source: Company, YES Sec

**Exhibit 5: Infosys – Senior Management Tenure Profile**

Name	Designation	Joined Infosys	Tenure (Years)
Salil Parekh	CEO & Managing Director	2018	7.5
Anand Swaminathan	EVP & Global Head – Communications, Media & Technology	1999	26.5
Arun Hoskere	EVP & Global Head – Business Strategy, Planning & Operations	1994	31.5
Ashiss Kumar Dash	EVP & Global Head – Services; Utilities, Resources, Energy & Sustainability	1995	30.5
Dennis Gada	EVP & Global Head – Banking & Financial Services	2005	20.5

Name	Designation	Joined Infosys	Tenure (Years)
Dinesh Rao	EVP & Chief Delivery Officer (Europe, ANZ, APAC)	1990	35.5
Inderpreet Sawhney	Chief Legal & Compliance Officer	2017	8.5
Jasmeet Singh	EVP & Global Head – Manufacturing	2000	25.5
Jayesh Sanghrajka	Chief Financial Officer	2012	13.5
Karmesh Vaswani	EVP & Global Head – Consumer Tech, Retail & Logistics	2003	22.5
Satish H.C.	EVP & Chief Delivery Officer	1994	31.5
Shaji Mathew	Chief Human Resources Officer	1992	33.5
Sumit Virmani	EVP & Chief Marketing Officer	2004	21.5
Average			23.7
Median			25.5

Source: Company, YES Sec

## Exhibit 6: Digital Capabilities Summary

Partner	TCS	Infosys	HCLT	Wipro	TechM	LTIMindtree
<b>Microsoft Azure</b>						
Specializations	19	19	19	14	8	11
Solutions partner designation	6	3	6	3	5	6
<b>Total Azure Capabilities</b>	<b>25</b>	<b>22</b>	<b>25</b>	<b>17</b>	<b>13</b>	<b>17</b>
<b>ServiceNow</b>						
ServiceNow Certifications	7355	10197	5482	4903	2685	3354
<b>SAP</b>						
SAP Competencies and specializations	6	8	3	6	4	3
SAP Solutions	14	12	10	12	5	9
<b>Total SAP Capabilities</b>	<b>20</b>	<b>20</b>	<b>13</b>	<b>18</b>	<b>9</b>	<b>12</b>

Source: Company, YES Sec

## Exhibit 7: Consensus revenue estimates for partners

	CY25 E	CY26 E	CY27 E	2-yr Cagr
<b>Azure</b>	301,974	344,867	396,246	14.6%
<b>ServiceNow</b>	13,181	15,624	18,549	18.6%
<b>SAP</b>	43,521	48,503	54,825	12.2%

Source: Company, YES Sec, Bloomberg

## Exhibit 8: Infosys EBIT margins: One of the most consistent to achieve what they guide

Quarter	Actual Operating Margin (%)	Aspirational Margin Band	How they aim to achieve it	Other Margin-Related Commentary
Q2 FY21 (Jul-Sep 2020)		23%-24% (Revised up from 21%-23%)	Three-pronged: cost deferrals (promotions, hikes, hiring), cutting discrete spends (travel, branding), strategic levers (onsite/offshore, automation, subcontractors).	Margins up +2.7% QoQ (100 bps pricing, 80 bps utilization, 80 bps onsite-offshore). Part of benefit to reverse in H2. Digital pricing higher; core under pressure. Low attrition.
Q3 FY21 (Oct-Dec 2020)	24.5%	24%-24.5% (Revised up from 23%-24%)	Continuation of three-pronged strategy; comp hikes in Q4. Levers: automation, pyramid, onsite-offshore, subcontractor costs.	+350 bps YoY margin expansion. Confident of higher guidance despite Q4 hikes. Double-digit FY22 growth expected.
Q4 FY21 (Jan-Mar 2021)		22%-24% (FY22)	Second wage hike from Jul factored. Headwinds from travel & overheads. Strategic levers (pyramid, automation, onsite-offshore) to continue.	FY21 margin +3.2% to 24.5% on cost deferrals + cuts + structural levers. Wages impacted Q4. Attrition likely elevated 1-2 quarters.

Quarter	Actual Operating Margin (%)	Aspirational Margin Band	How they aim to achieve it	Other Margin-Related Commentary
Q1 FY22 (Apr-Jun 2021)		22%-24% (Unchanged)	Levers: talent retention/hiring, subcontractors, pyramid role ratios, digital value.	Margins fell 80 bps QoQ (currency -10 bps, utilization -40 bps, offset by subcon -50 bps, employee costs -80 bps). FY21 benefits were one-offs. Pricing stable.
Q2 FY22 (Jul-Sep 2021)		22%-24% (Unchanged)	Active cost program: onsite-offshore, automation, pyramid, bot factory. Hired 3k-3.5k grads overseas for onsite pyramid.	Margins resilient at 23.6% (-10 bps QoQ). Headwinds: comp hikes (-110 bps), subcon (-50 bps). Offsets: optimization (+80 bps), SG&A leverage (+50 bps), currency (+30 bps). Attrition 20%+, long haul. Pricing discussions ongoing.
Q3 FY22 (Oct-Dec 2021)	23%	22%-24% (Unchanged)	Cost optimization (onsite-offshore, pyramid, automation, subcon). More freshers in pyramid.	Margins stable at 23.5% (-10 bps QoQ). Employee investments (-80 bps), lower utilization (-40 bps). Gains from currency (+20 bps), SG&A (+40 bps), optimization (+50 bps). Attrition 25.5%, expected to ease. Pricing stable.
Q4 FY22 (Jan-Mar 2022)		21%-23% (FY23)	Talent investments, travel + facility costs returning. Levers: pricing (COLA, change requests), pyramid normalization, subcon reduction.	Margins fell -200 bps QoQ. FY22 closed at 23%. Attrition LTM 27.7%, but trending lower. Subcon costs plateauing. Pricing discussions with clients due to inflation.
Q1 FY23 (Apr-Jun 2022)		21%-23% (Low end)	Cost control, utilization improvement, subcon optimization, automation, fresher pyramid scaling (50k+ freshers target). Pricing discussions ongoing.	Margins fell due to comp hikes (-160 bps), utilization (-40 bps, freshers), subcon (-30 bps). Investments for growth. Attrition moderating.
Q2 FY23 (Jul-Sep 2022)		21%-22% (Tightened from 21%-23%)	Better utilization (freshers deployed), lower attrition costs, digital pricing adjustments.	Margins +150 bps QoQ. Drivers: utilization (+90 bps), subcon (-40 bps). Headwinds: comp hikes (-40 bps). Attrition down for 3 qtrs. Some sector softness (mortgages, retail, hi-tech, telecom).
Q3 FY23 (Oct-Dec 2022)	21.1%	21%-22% (Unchanged)	Subcon reduction, utilization, pricing, pyramid, automation/AI/ML.	Margins flat at 21.5%. FX benefit (+40 bps). Attrition lowest in 5 qtrs. Large deals dilutive initially. Discretionary spend subdued.
Q4 FY23 (Jan-Mar 2023)		20%-22% (FY24)	Efficiency focus: utilization, automation, pyramid, subcon costs, travel, pricing.	Margins steady at 21%. FY23 ended at 21%. Headwinds: wage + travel. Attrition down to 20.9% LTM. Discretionary projects weak.
Q1 FY24 (Apr-Jun 2023)		20%-22% (Unchanged)	Margin expansion: pyramid, automation, critical portfolios, indirect cost cuts.	Margins 20.8% (mid-range). Client slowdown in discretionary + transformation. Delayed large deals. Attrition ~17%. Wage hikes deferred.
Q2 FY24 (Jul-Sep 2023)		20%-22% (Unchanged); aspire higher	Project Maximus: value-based selling, lean automation, portfolio efficiency, pyramid, indirect costs.	Margins up +40 bps QoQ to 21.2%. Wage hikes effective Nov. Headcount -7,500. Utilization ~85%. Clients pushing cost-saving deals.
Q3 FY24 (Oct-Dec 2023)	20.7%	20%-22% (Unchanged)	Project Maximus continues; wage hike Nov 2023.	Margins down -70 bps QoQ from wage hikes & \$30M McCamish cyber incident. Discretionary projects slow. Lost \$1.5B mega deal MoU.
Q4 FY24 (Jan-Mar 2024)		20%-22% (FY25)	Project Maximus, Europe growth to reduce US dependence.	FY24 margin 20.7%. Q4 at 20.1%. +50 bps YoY despite headwinds (wages, variable pay, large deals, M&A amortization). Cyber incident impact \$7-8M. Headcount down 5th straight qtr.
Q1 FY25 (Apr-Jun 2024)		20%-22% (Unchanged); medium-term expansion aim	Project Maximus gains: offshoring, near-shoring, pricing.	Margins +100 bps QoQ despite wage hikes (-80 bps). Net headcount -2,000. Hiring target 15k-20k freshers. Utilization ~85% (peak). Gen AI expected to lift margins.
Q2 FY25 (Jul-Sep 2024)		20%-22% (Unchanged); above midpoint H1	Project Maximus + offshoring/near-shoring.	Margins stable QoQ at 21.1%. Drivers: Maximus (+80 bps), currency (+10 bps). Headwinds: comp hikes (-30 bps), higher variable pay. H1 margin ~21.5%.
Q3 FY25 (Oct-Dec 2024)	21.1%	20%-22% (Unchanged); aspire long-term growth	Project Maximus + automation, pyramid, AI/GenAI internal use.	Margins +20 bps QoQ despite furloughs & higher costs. YoY +80 bps. Fresh hiring resumed (15k+ FY25). Pricing +3.6% over 9 months.



Quarter	Actual Operating Margin (%)	Aspirational Margin Band	How they aim to achieve it	Other Margin-Related Commentary
Q4 FY25 (Jan–Mar 2025)		20%–22% (FY26)	Project Maximus (pricing, automation, pyramid, utilization, subcon reduction, Gen AI).	FY25 closed at 21.1% (+50 bps YoY). Q4 margin 21%. Headwinds: comp hikes (-100 bps), amortization (-40 bps). Tailwinds: lower post-sale (-80 bps), FX (+20 bps), Maximus (+30 bps).
Q1 FY26 (Apr–Jun 2025)		20%–22% (Unchanged); aspire higher	Compensation full impact, deal ramp-ups (transition costs). Levers: cost optimization, automation, pyramid, pricing, indirect cost reduction.	Margins -20 bps QoQ, -30 bps YoY. Headwinds: comp hikes (-100 bps), FX (-30 bps). Offsets: pricing (+70 bps). Utilization 85.2% (peak). AI programs yielding 5–15% productivity.

Source: Company, YES Sec

## Exhibit 9: Top 30 US Clients of Infosys (based on 3-year sum)

Client Name	Sector	Client Description
Apple Inc.	Hi-Tech	A global technology leader known for its consumer electronics, software platforms, and digital services.
Bank of America, N.A.	Financial Services	One of the largest US banks, offering retail, commercial, and investment banking solutions.
CVS Pharmacy, Inc.	Retail and CPG	A leading healthcare and retail pharmacy chain providing prescription and wellness services.
American Express Travel Related Services Company, Inc.	Financial Services	A diversified financial services provider specializing in payments, cards, and travel-related offerings.
SunTrust Banks, Inc. (now Truist Financial)	Financial Services	A regional banking institution providing retail, commercial, and wealth management services.
The Capital Group Companies, Inc.	Financial Services	A global investment manager overseeing mutual funds and institutional assets.
Citicorp North America, Inc.	Financial Services	A Citigroup subsidiary offering corporate banking, lending, and treasury services.
BP Corporation North America, Inc.	Energy, Utilities, Resources and Services	The North American arm of BP, engaged in oil, gas, and energy solutions.
Charles Schwab & Co., Inc.	Financial Services	A leading brokerage and wealth management firm serving retail and institutional investors.
Cisco Systems, Inc.	Hi-Tech	A global networking and IT infrastructure company providing hardware, software, and cybersecurity solutions.
Citizens Bank	Financial Services	A full-service bank offering retail, business, and commercial banking products.
Wells Fargo & Company	Financial Services	A diversified financial services provider with banking, investment, and mortgage offerings.
Verizon Sourcing, LLC	Communications	A Verizon entity managing procurement; Verizon is a major telecom and digital services provider.
Southern California Edison Company	Energy, Utilities, Resources and Services	A regulated electric utility serving millions of customers in Southern California.
Charter Communications, Inc.	Communications	A broadband and cable services provider operating under the Spectrum brand.
UBS AG	Financial Services	A global wealth manager and investment banking firm headquartered in Switzerland.
AT&T Services, Inc.	Communications	A leading US telecom provider offering wireless, broadband, and enterprise solutions.
The Goldman Sachs Group Inc.	Financial Services	A leading global investment bank and asset management firm.
Pfizer Inc.	Life Sciences	A multinational pharmaceutical company engaged in research, development, and manufacturing of medicines and vaccines.
Toyota Motor Sales, U.S.A., Inc.	Manufacturing	The US sales and distribution arm of Toyota, focused on vehicles and mobility solutions.
BNSF Railway Company	Manufacturing	One of North America's largest freight rail networks, providing logistics and transport solutions.
Comcast Corporation	Communications	A leading telecom and media conglomerate with broadband, cable, and content businesses.
Lumen Technologies Service Group, LLC	Communications	A digital infrastructure provider delivering network, cloud, and security services.
Morgan Stanley Smith Barney LLC	Financial Services	A wealth management subsidiary of Morgan Stanley serving individual and institutional clients.

Client Name	Sector	Client Description
Nike, Inc.	Retail and CPG	A global leader in athletic footwear, apparel, and sports equipment.
The Depository Trust & Clearing Corporation (DTCC)	Financial Services	A critical market utility providing clearing, settlement, and data services for global markets.
PricewaterhouseCoopers LLP (PwC)	Financial Services	A leading professional services firm offering audit, tax, consulting, and advisory solutions.
Health Care Service Corporation (HCSC)	Insurance	The largest customer-owned health insurer in the US, operating several Blue Cross and Blue Shield plans.
First Data Corporation (now part of Fiserv)	Financial Services	A payment technology provider offering processing, merchant, and digital commerce solutions.
Northwestern Mutual	Financial Services	A leading life insurance and wealth management company serving individuals and families.

Source: Company, YES Sec, U.S. Department of Labor

## VALUATION

Exhibit 10: Y-Sec vs consensus

Rs m	Our estimates			Consensus estimates			Difference		
	FY26F	FY27F	FY28F	FY26F	FY27F	FY28F	FY26F	FY27F	FY28F
Revenues	1,753,969	1,869,809	2,015,406	1,725,287	1,850,140	1,993,768	1.7%	1.1%	1.1%
EBIT	364,254	386,861	417,873	365,471	396,443	431,304	-0.3%	-2.4%	-3.1%
EBIT margin	20.8%	20.7%	20.7%	21.2%	21.4%	21.6%	-42 bps	-74 bps	-90 bps
Net profit	278,882	302,742	325,900	284,328	308,765	335,619	-1.9%	-2.0%	-2.9%
EPS (Rs)	67	73	79	69	75	81	-2.0%	-2.1%	-2.9%

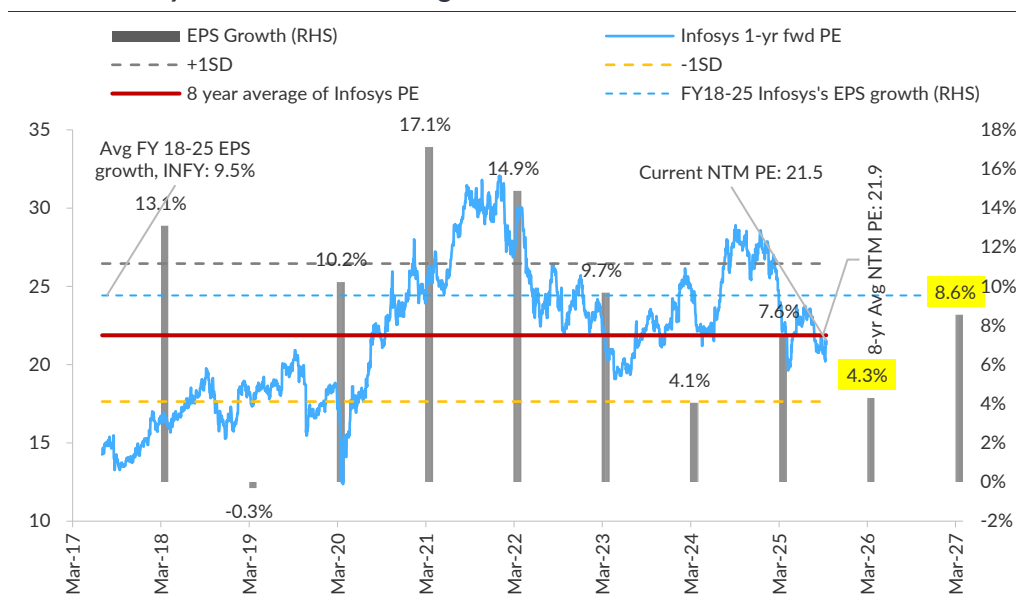
Source: Company, YES Sec, Bloomberg

Exhibit 11: Valuation table

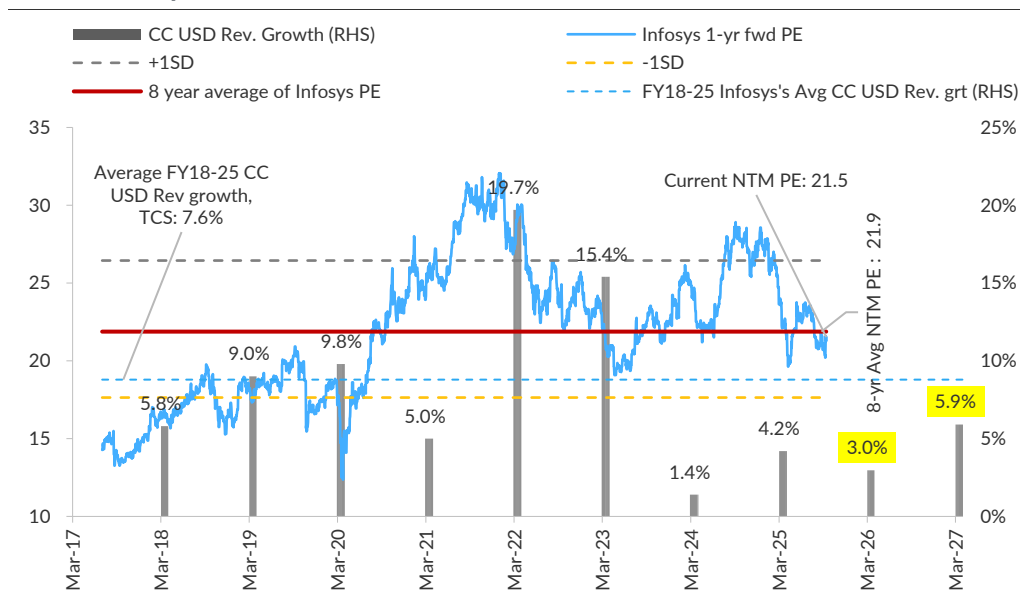
Header	Value	Rationale	Value	Rationale
		Base Case	Worst Case	
Q5-Q8 EPS (Rs)	73.0		73	
Target Multiple	25x	Similar to TCS's target multiple	20x	FCF Yield analysis (Exhibit 15)
Target price (Rs)	1,824		1,460	
Rating	BUY		-	

Source: Company, YES Sec

**Exhibit 12: 1-yr forward PE v/s EPS growth**



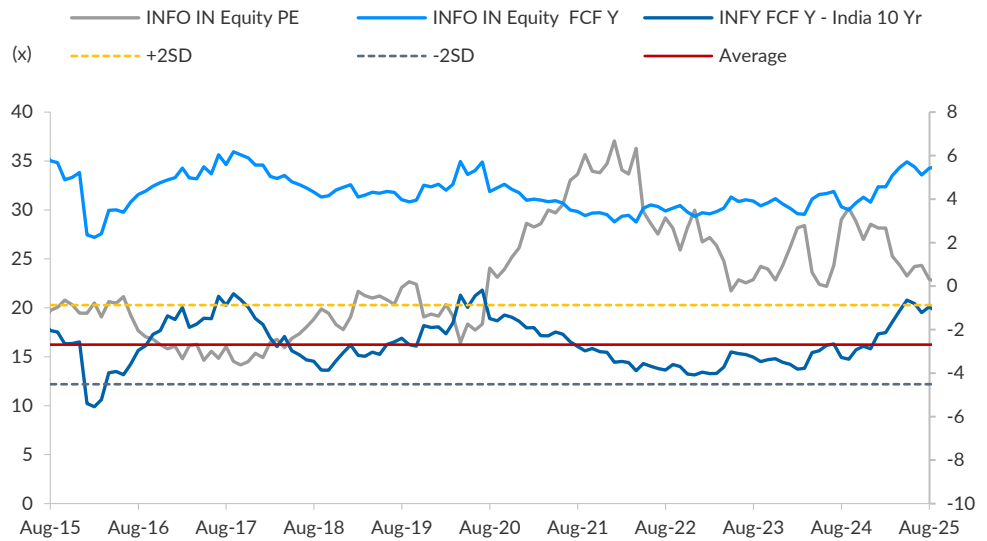
**Exhibit 13: 1-yr forward PE v/s CC Revenue Growth**



**Exhibit 14: Consensus EBIT Margin revision table**

	FY23	FY24	FY25	AVG
TCS IN Equity	-9.0%	-2.9%	-3.5%	-5.1%
INFO IN Equity	-11.6%	-9.3%	-3.8%	-8.2%
HCLT IN Equity	-12.0%	-4.9%	-3.7%	-6.9%
WPRO IN Equity	-17.4%	-13.5%	3.7%	-9.1%

**Exhibit 15: P/E vs FCF Yield Spread**



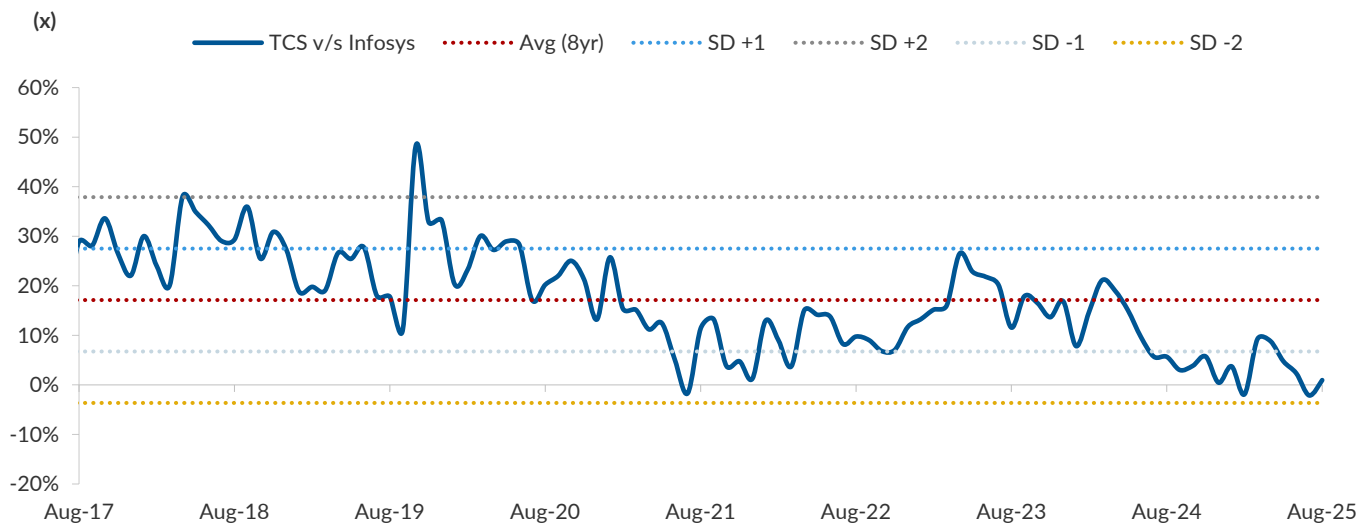
Source: Company, YES Sec

Infosys currently trades at ~22x 1-year forward P/E, broadly in line with its 8-year historical average of 21.9x. The recent uptick in forward P/E multiple can be attributed to the impact of the ongoing buyback.

From a free cash flow yield perspective, the spread between FCF Yield and India 10-yr bond yield has already touched the +2SD threshold, implying limited downside from current levels and signaling scope for a rerating in multiples. Valuations have mostly recovered from 20x levels whenever the difference has hit +2SD threshold.

Considering the expected rebound in growth, earnings momentum, and improving positioning among large-cap peers, we assign Infosys a valuation multiple of 25x, similar to TCS's 25x.

**Exhibit 16: TCS/Infosys: 1-year forward P/E (x) chart**



Source: Company, YES Sec

## FINANCIALS

**Exhibit 17: Income Statement**

Income statement (Rs mn)	FY22	FY23	FY24	FY25	FY26E	FY27E
Con. Revenues (USD mn)	16,310	18,212	18,562	19,277	20,126	21,330
% growth	20.3	11.7	1.9	3.9	4.4	6.0
% CC growth	19.7	15.4	1.4	4.2	3.0	5.9
Exchange rate (INR/USD)	75	81	83	85	87	88
Con. Revenues (Rs mn)	1,216,410	1,467,670	1,536,710	1,629,900	1,753,969	1,869,809
% growth	21.1	20.7	4.7	6.1	7.6	6.6
Costs of revenues	785,230	981,280	1,026,420	1,085,350	1,172,166	1,257,733
Gross Profit	431,180	486,390	510,290	544,550	581,803	612,076
Gross margin	35.4	33.1	33.2	33.4	33.2	32.7
SG&A costs	116,270	135,080	145,100	152,200	169,519	171,308
EBITDA	314,910	351,310	365,190	392,350	412,283	440,768
EBITDA margin	25.9	23.9	23.8	24.1	23.5	23.6
% growth (bps)	-187.0	-195.2	-17.2	30.8	-56.6	6.7
D&A Expense	34,760	42,250	47,720	48,110	47,147	49,164
EBIT	280,150	309,060	317,470	344,240	365,137	391,605
EBIT margin	23.0	21.1	20.7	21.1	20.8	20.9
% growth (bps)	-147.5	-197.3	-39.9	46.1	-30.3	12.6
Other Income	20,950	24,160	28,340	31,830	27,003	25,452
Profit before tax	301,100	333,220	345,810	376,070	392,140	417,057
Tax	79,640	92,140	97,410	108,570	113,250	118,725
Minority Interest	350	130	160	370	120	120
One off item	-	-	14,080	-	-	-
Net PAT	221,110	240,950	234,160	267,130	278,770	298,212
PAT margin	18.2	16.4	17.1	16.4	15.9	15.9
EPS (Rs)	52.5	57.6	59.9	64.5	68.4	73.7

Source: Company, YES Sec

**Exhibit 18: Balance Sheet**

Balance sheet (Rs mn)	FY22	FY23	FY24	FY25	FY26E	FY27E
Share Capital	20,980	20,690	20,710	20,730	20,740	20,740
Reserves and Surplus	732,520	733,380	860,450	937,450	748,469	844,483
Minority Interest	3,860	3,880	3,450	3,850	4,090	4,210
Total Equity	757,360	757,950	884,610	962,030	773,299	869,433
Current Liabilities						

Balance sheet (Rs mn)	FY22	FY23	FY24	FY25	FY26E	FY27E
Trade payables	41,340	38,650	39,560	41,640	38,443	40,742
Derivative financial instruments	610	780	310	630	2,920	2,920
Current income tax liabilities	26,070	33,840	35,850	48,530	106,181	111,210
Unearned revenues	63,240	71,630	73,410	84,920	90,122	96,074
Employee benefit obligations	21,820	23,990	26,220	29,080	32,990	32,990
Provisions	9,750	13,070	17,960	14,750	14,340	14,340
Lease liabilities	8,720	12,420	19,590	24,550	25,420	25,420
Other current liabilities	164,480	197,480	175,040	184,400	194,776	207,640
<b>Total current liabilities</b>	<b>336,030</b>	<b>391,860</b>	<b>387,940</b>	<b>428,500</b>	<b>505,192</b>	<b>531,336</b>
<b>Liabilities</b>						
Deferred tax liability	11,560	12,200	17,940	17,220	17,500	17,500
Employee benefit obligations	920	830	890	990	1,060	1,060
Lease liabilities	46,020	70,570	64,000	57,720	59,430	59,430
Other non-current liabilities	26,960	24,750	22,760	22,570	22,620	22,620
<b>Total Long-Term Liabilities</b>	<b>85,460</b>	<b>108,350</b>	<b>105,590</b>	<b>98,500</b>	<b>100,610</b>	<b>100,610</b>
<b>Total liabilities &amp; Equity</b>	<b>1,178,850</b>	<b>1,258,160</b>	<b>1,378,140</b>	<b>1,489,030</b>	<b>1,379,101</b>	<b>1,501,378</b>
<b>Assets</b>						
Cash and Cash Equivalents	241,450	190,820	277,010	369,370	200,332	269,722
Sundry Debtors	226,980	254,240	301,930	311,580	341,901	362,344
Unbilled revenues	115,680	152,890	127,680	128,510	144,162	153,683
Derivative financial instruments	1,430	1,010	840	1,920	690	690
Other current assets	86,310	109,850	186,860	159,610	161,209	171,856
<b>Total Current Assets</b>	<b>671,850</b>	<b>708,810</b>	<b>894,320</b>	<b>970,990</b>	<b>848,293</b>	<b>958,295</b>
Deferred Tax Assets	12,120	12,450	4,540	11,080	12,690	12,690
Net Fixed Assets	152,860	155,420	142,150	155,660	157,798	170,073
Lease assets	48,230	68,820	65,520	63,110	63,410	63,410
Goodwill	61,950	72,480	73,030	101,060	111,190	111,190
Income tax assets	60,980	64,530	30,450	16,220	16,710	16,710
Other Long-Term Assets	34,350	49,960	51,050	60,320	62,580	62,580
Investments and Associates	136,510	125,690	117,080	110,590	106,430	106,430
<b>Total Long-Term Assets</b>	<b>507,000</b>	<b>549,350</b>	<b>483,820</b>	<b>518,040</b>	<b>530,808</b>	<b>543,083</b>
<b>Total Assets</b>	<b>1,178,850</b>	<b>1,258,160</b>	<b>1,378,140</b>	<b>1,489,030</b>	<b>1,379,101</b>	<b>1,501,378</b>

Source: Company, YES Sec

## Exhibit 19: Cash Flow

Cash flow statement (Rs mn)	FY22	FY23	FY24	FY25	FY26E	FY27E
PBT	221,460	241,080	262,480	267,500	267,500	278,770
Depreciation and amortisation expense	34,760	42,250	46,780	48,120	48,120	47,147
Others	81,370	99,860	95,330	114,310	114,310	110,051
<b>Operating profit before WC changes</b>	<b>337,590</b>	<b>383,190</b>	<b>404,590</b>	<b>429,930</b>	<b>429,930</b>	<b>435,968</b>
Changes in WC	(11,830)	(65,030)	(51,620)	(6,050)	(6,050)	-
Cash generated from operations	325,760	318,160	352,970	423,880	423,880	435,968
Net Income taxes paid	(76,120)	(87,940)	(92,310)	(56,020)	(56,020)	(119,419)
<b>Cash flow from operations</b>	<b>249,640</b>	<b>230,220</b>	<b>260,660</b>	<b>367,860</b>	<b>367,860</b>	<b>316,548</b>
Capex (Net)	(21,610)	(25,790)	(22,010)	(22,370)	(22,370)	(58,303)
Amount paid for acquisitions	(530)	(9,700)	(1,010)	(31,550)	(31,550)	-
Other investing activities	(52,810)	17,850	(35,630)	23,540	23,540	-
<b>Cash flow from investing activities</b>	<b>(74,950)</b>	<b>(17,640)</b>	<b>(58,650)</b>	<b>(30,380)</b>	<b>(30,380)</b>	<b>(58,303)</b>
Buyback/ issuance of shares	(111,040)	(114,640)	50	60	60	-
Dividend paid	(126,520)	(136,310)	(146,920)	(202,890)	(202,890)	(202,199)
Other financing activities	(8,860)	(16,000)	(28,170)	(38,780)	(38,780)	-
<b>Cash from financing activities</b>	<b>(246,420)</b>	<b>(266,950)</b>	<b>(175,040)</b>	<b>(241,610)</b>	<b>(241,610)</b>	<b>(202,199)</b>
Change in cash balance	(71,730)	(54,370)	26,970	95,870	95,870	56,047
Opening cash balance	247,140	174,720	121,730	147,860	147,860	244,550
Exchange difference on translation of foreign currency C&CE	(690)	1,380	(840)	820	820	-
<b>Closing cash balance</b>	<b>174,720</b>	<b>121,730</b>	<b>147,860</b>	<b>244,550</b>	<b>244,550</b>	<b>300,597</b>

Source: Company, YES Sec

## Exhibit 20: Ratios

(%)	FY22	FY23	FY24	FY25	FY26E	FY27E
<b>Per share numbers (Rs)</b>						
Reported earnings	52.4	57.6	63.3	64.4	68.4	73.6
Dividend	31.0	34.0	30.0	43.0	43.0	50.0
Book Value	178.7	180.1	212.6	230.9	188.7	213.6
<b>Valuations (x)</b>						
P/E	28.8	26.2	23.8	23.4	22.1	20.5
EV / EBITDA	18.9	17.1	16.2	14.9	14.6	13.5
EV/Sales	4.9	4.1	3.9	3.6	3.4	3.2
<b>Profitability Ratios</b>						
Gross margin	35.4	33.1	33.2	33.4	33.2	32.7
EBITDA margin	25.9	23.9	23.8	24.1	23.5	23.6

(%)	FY22	FY23	FY24	FY25	FY26E	FY27E
PAT margin	18.2	16.4	17.1	16.4	15.9	15.9
<b>Return Ratios</b>						
ROCE (pre-tax)	29.2	32.8	33.3	31.0	35.6	39.6
RONW	19.6	19.8	18.8	18.7	19.4	20.7
ROE	29.2	32.0	30.4	29.0	32.3	36.5
<b>Turnover ratios</b>						
Debtors days	102.8	101.3	102.0	98.6	101.1	100.7
<b>Cash Conversion Ratios</b>						
OCF/EBITDA	79.3	65.5	71.4	93.8	89.2	71.8
FCF/PAT	103.1	84.8	91.0	129.3	123.9	86.6

Source: Company, YES Sec



# Tech Mahindra

## Turnaround in progress; Valuations comfortable

We initiate coverage on Tech Mahindra with a BUY rating, underpinned by its strategic turnaround under the new CEO, Mohit Joshi. EBIT margin recovery has been notable (6.1% in FY25 to 11.1% in 1QFY26) aided by offshoring, sub-con reduction, and exit from low-margin businesses. We believe better pricing, consolidation of low margin business, pyramid correction (in long term) and sub-con reduction may drive margins to 13.9%/14.3% by FY27/28E (Y-Sec FY27E: 13.9% vs Consensus: 14%). Apart from their traditional strength of Telecom, they are increasing focus around BFSI, Manufacturing, Hi-tech, and Healthcare with vertically specialized teams and sales concentration. Therefore, deal wins remain strong with ~\$809mn TCV (+51% YoY) and book-to-bill at a 10-quarter high of 0.47x, though revenue conversion is still weak and hopeful to improve in 2HFY26 with demand revival. The "Turbocharged" client program has shown initial success with \$50mn+ clients increasing by 2 YoY in 1QFY26 and top accounts outpacing company growth. We forecast ~20% EPS CAGR over FY25–28, the highest among large-cap IT, with valuations comfortable at 23x 1-yr fwd (PEG: 1.2x). We value TechM at 25x 2QFY27–1QFY28 EPS of Rs 76.2 to arrive at a TP of Rs 1,905, implying an upside of 25.3%.

**Scale at speed: new verticals, geographies & must have accounts:** Tech Mahindra is amid a strategic turnaround under new CEO Mohit Joshi, with three goals by 2027: achieving 15% EBIT margins, delivering faster revenue growth than peers, and returning 85% of free cash flow to shareholders. To this end, the company is sharpening its focus on Telco, Manufacturing, BFSI, Hi-Tech, Healthcare and Lifesciences and RTL, also leveraging its parent organization—while scaling underweight geographies such as the Americas. We observe this trend with several new logo additions in Automotive sector in Top-100 US accounts (as per LCA filings) in last 2 quarters. Focused effort in scaling top clients with 'Turbocharged program' has led to \$50mn+ accounts growing by 2 YoY in 1QFY26 and Top-5/10/20 accounts growing faster than company average (see Exhibits 3-6).

**Orderbook strong; conversion to start 2QFY26 onwards:** Efforts in building a targeted marketing team organized by vertical, geographies and redirection of 75% of sales headcount to priority areas has led to TCV growth of ~51% YoY in 1QFY26, with TTM book-to-bill ratios at 10-qtr high of 0.47x, offering a strong growth platform. Execution, however, remains a key challenge. Our conversion metrics remain weak (Exhibit 7), reflecting slower translation of deals into revenues, which management also acknowledged while guiding for improvement only in 2HFY26. Demand uncertainty has been compounded by management churn, with multiple new appointees and role rejigs in the recent few quarters (Exhibit 10).

**Several levers for margin expansion:** TechM has managed to improve its EBIT margins from 6.1% in FY25 to 11.1% in 1QFY26 by improving offshore mix (72.7% to 78.6%), rationalization of low-margin businesses (e.g., African tower operations), consolidation of subsidiaries (186-141 from FY22-25), greater discipline in outcome-based pricing, sub-contractor cost reduction (15% to 9.8%). Upcoming margin levers include outcome-based pricing, sub-con cost in 8-10% range, avoiding low margin deals, and continuation in pyramid correction (Median salary of Rs 17.3 LPA vs Rs 11.1 LPA for Infosys). While we remain 10–30 bps below consensus EBIT margins in FY26–28 given limited scope from traditional levers like utilization and offshoring, we do expect structural initiatives to move margins to 13.9%/14.3% by FY27/28E.

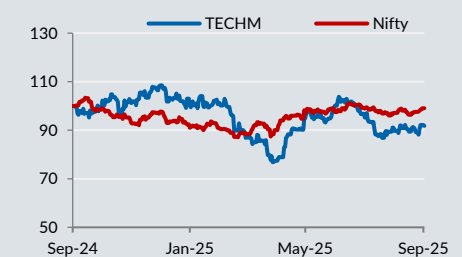
**Valuations comfortable, initiate with BUY:** We believe TechM is the only large-cap providing an FY25–28 EPS growth of ~20%, trading at 23x 1-yr forward, which takes the PEG to 1.2x, lower than any other large-cap IT player. Our 2x2 matrix analysis (Exhibit 15) comparing EPS growth differential between FY25–28 & FY20–25 and deviation of 1-yr forward PE from its 5-yr mean shows TechM being fairly valued. Therefore, we value TechM at 25x 2QFY27 to 1QFY28 EPS of Rs. 76.2 to arrive at our TP of Rs. 1905 which makes for an upside of 25.3%.

Reco	:	<b>BUY</b>
CMP	:	Rs 1,520
Target Price	:	Rs 1,905
Potential Return	:	+25.3%

### Stock data (as on Sep 15, 2025)

Nifty	25,069
52 Week h/l (Rs)	1808 / 1209
Market cap (Rs/USD mn)	1494322 / 16950
Outstanding Shares (mn)	980
6m Avg t/o (Rs mn):	3,088
Div yield (%):	3.0
Bloomberg code:	TECHM IN
NSE code:	TECHM

### Stock performance



	1M	3M	1Y
Absolute return	2.2%	-8.4%	-8.2%

### Shareholding pattern (As of Jun'25 end)

Promoter	35%
FII+DII	55.6%
Others	9.4%

### Financial Summary

(Rs mn)	FY25	FY26E	FY27E
Net Revenue	529,883	551,186	596,015
YoY Growth	1.9	4.0	8.1
EBITDA	69,911	84,705	102,072
EBITDA (%)	13.2	15.4	17.1
EBIT	51,382	66,289	82,655
EBIT (%)	9.7	12.0	13.9
PAT	39,637	52,550	65,161
YoY Growth	68.1	32.6	24.0
ROE	14.7	19.0	23.5
EPS	47.4	59.2	73.5
P/E	32.1	25.7	20.7

### SHUBHAM AGRAWAL

Lead Analyst

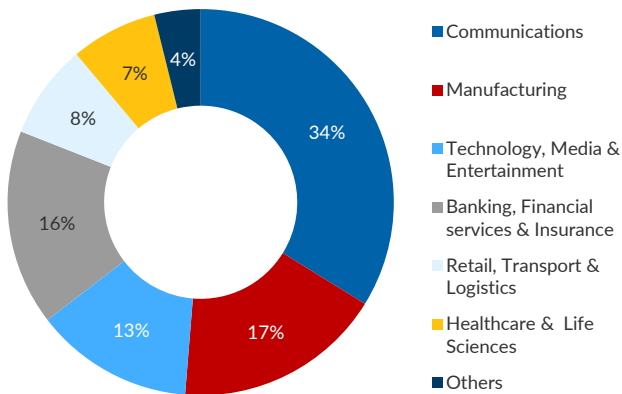
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AARSHA BIJU, Associate

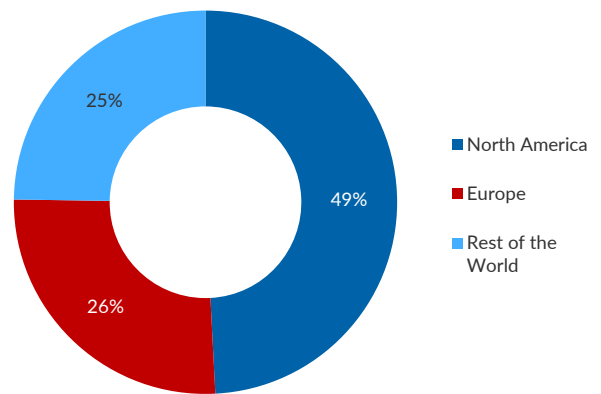
## STORY IN CHARTS

**Exhibit 1: Revenue Mix by Vertical (Q1FY26)**



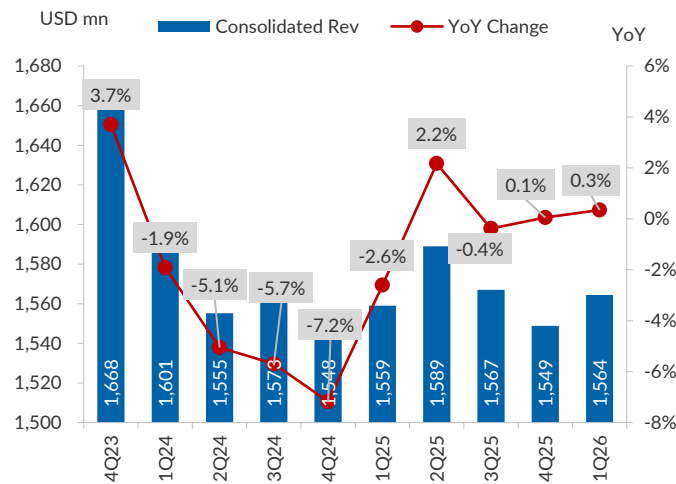
Source: Company, YES Sec

**Exhibit 2: Revenue Mix by Geography (Q1FY26)**



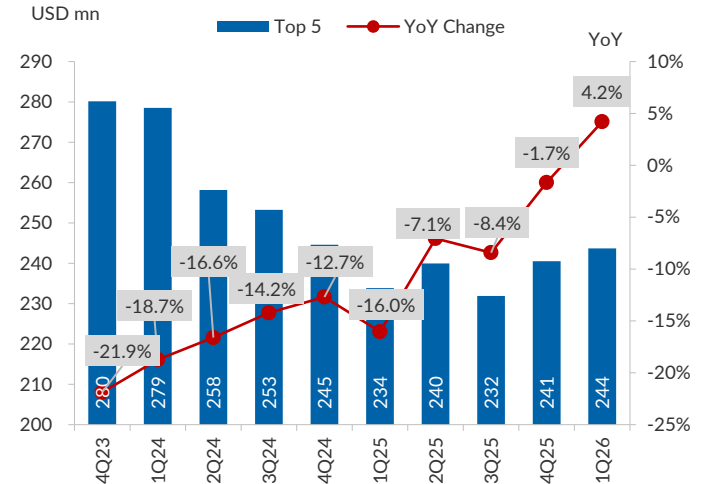
Source: Company, YES Sec

**Exhibit 3: Overall Revenue Performance**



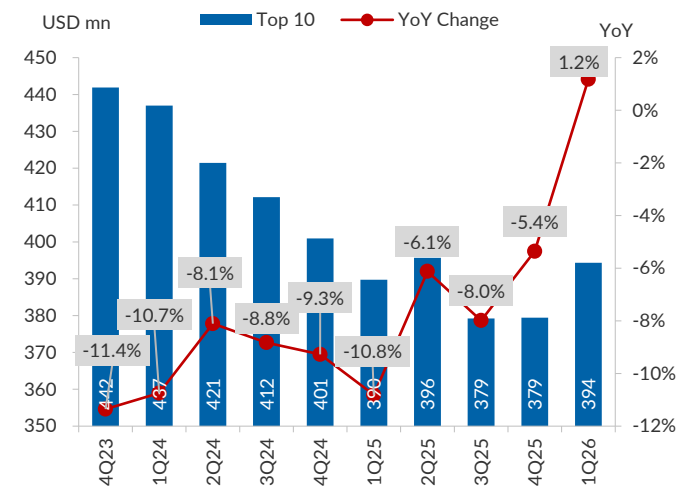
Source: Company, YES Sec

**Exhibit 4: Top 5 Clients growing faster than overall**



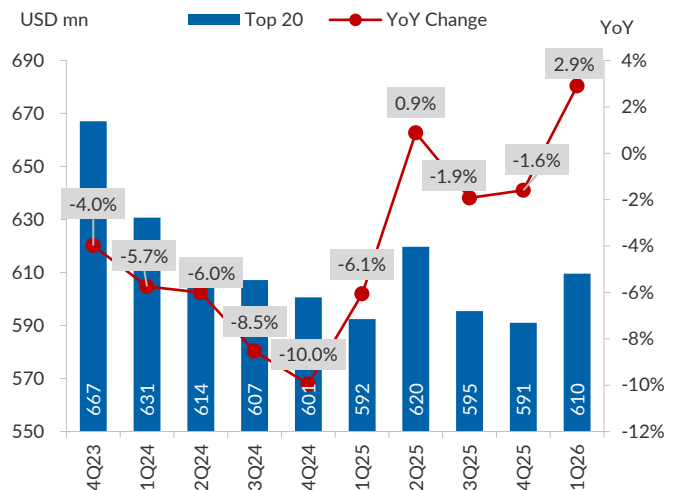
Source: Company, YES Sec

**Exhibit 5: Top 10 Clients growing faster than overall**



Source: Company, YES Sec

**Exhibit 6: Top 20 Clients growing faster than overall**



Source: Company, YES Sec

**Exhibit 7: TECHM – Conversion remains weak**

Headers	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26
TTM Book-to-bill [A]	0.44	0.37	0.37	0.31	0.30	0.33	0.32	0.38	0.43	0.47
Revenue growth (YoY) [B]	3.70%	-1.92%	-5.05%	-5.70%	-7.17%	-2.61%	2.17%	-0.38%	0.05%	0.35%
Correlation between [A] and [B] with [B] lagging by:										
0 quarters	0.85	0.93	0.95	0.95	0.96	0.97	0.84	0.66	0.48	0.54
1 quarter	0.45	0.92	0.95	0.95	0.92	0.87	0.71	0.46	0.06	0.22
2 quarters	0.07	0.23	0.84	0.87	0.90	0.77	0.46	0.12	-0.39	-0.59
3 quarters	-0.31	-0.24	0.01	0.66	0.81	0.78	0.36	-0.06	-0.56	-0.75
4 quarters	-0.46	-0.56	-0.46	-0.24	0.61	0.66	0.36	-0.13	-0.65	-0.81

Source: Company, YES Sec

The figure shows correlation of TTM Book-to-bill with Revenue growth lagged by various quarterly delays. A high correlation at lower delays shows immediate conversion of revenues pointing towards good discretionary demand. While high correlation at higher delays points to cost-takeout/vendor consolidation delays taking the centre stage having slow and delayed conversion of TCV to revenues. We observe low correlation across the delays in 1QFY26 pointing towards runaway growth of orderbook not translating into revenue growth.

**Exhibit 8: Consolidation of Subsidiaries (FY23–FY25)**

Financial Year	No. of Subsidiaries
FY23	186
FY24	169
FY25	141

Source: Company, YES Sec

## Exhibit 9: TechM – Senior Management Tenure Profile

Name	Designation	Date of Joining	Tenure (Years)
Mohit Joshi	CEO & MD	2023	1.1
Atul Soneja	Chief Operating Officer	2023	1.0
Rohit Anand	Chief Financial Officer	2020	5.0
Richard Lobo	Chief People Officer	2024	0.6
Manish Mangal	Head - Americas Comms	2018	6.9
Sahil Dhawan	Head – IMEA Business	2020	5.3
Harshul Asnani	President & Head, Europe Business	2014	11.1
Harshvendra Soin	President – Asia Pacific & Japan	2016	9.2
Rajesh Chandiramani	CEO, Comviva (ex BU Head, CME EMEA/APJI)	2005	19.8
Sumit Kumar Popli	President - Technology, Media & Entertainment (TME)	2024	0.9
Kunal Purohit	President – Next Gen Services	2021	3.9
Narasimham R V	President – Engineering Services	2018	7.2
Birendra Sen	President – Business Process Services	2012	12.9
Average			6.53
Median			5.30

Source: Company, YES Sec

## Exhibit 10: Key Management Movements Under CEO Mohit Joshi

Name	Previous Role	New Role / Status	Timing
Abid Mirza	Chief Transformation Officer (Jan 2024)	Moved to sales role in India, Middle East & Africa (IMEA) region	Jun-25
Amol Phadke	EVP & Group CTO- Telenor	Appointed Chief Transformation Officer	Jun-25
Ram Ramachandran	Head of IMEA region; also given India responsibility	Moved to Head of Specialist Sales	May-25
Seshan Ramachandran	Head of Life Sciences Division	Resigned; joined Saama (California-based firm) as COO	Jun-25
Sahil Dhawan	Head of Enterprise Applications	Replaced Ram Ramachandran as Head of IMEA region	Apr-25
Manish Mangal	CTO - Telecom Business & Global Business Head - Network Services	Appointed Head of Communications Business (Americas), replacing Abhishek Shankar	May-25
Abhishek Shankar	Head of Communications Business (Americas)	Left; became CEO of Emids (Tennessee-based firm)	Mar-25
Lakshmanan Chidambaram	President, Americas Business	Retired; joined Bristlecone as CEO	Jun-25
Arjun Saxena	Partner, Head of Wealth Management & FS, PwC	Joined as Head of TechM Consulting	Apr-25
Scott Sorokin	Accenture Google Business Group	Joined to Head Digital Transformation & Experience Design Initiatives	Apr-25

Source: Company, YES Sec

## Exhibit 11: TECHM Operating Margin Performance v/s Management Commentary

Quarter	Actual EBIT Margin	Aspirational Band	Margin Levers / Initiatives	Commentary
Q2 FY21		14%-15% (FY22)	Discipline, delivery model changes, automation, synergies	Confident of meeting FY22 target
Q3 FY21	14.2%	14%-15% (FY22); LT 18%-20% (aspire)	Synergies, offshoring, automation, cost normalization	EBIT at 15.9%; Q1 seasonality (Comviva) a drag
Q4 FY21		15% (FY22)	Efficiency, portfolio optimization, salary hikes, intern hiring	Headwinds from wage increases & deal ramp-ups
Q1 FY22		15%	Growth leverage, productivity, G&A centralization	Seasonally weakest qtr; supply-side pressures
Q2 FY22		15%	Pyramid, fresher hiring, utilization, tier-2 talent, nearshore, offshoring	Margins dipped; attrition remains a challenge
Q3 FY22	14.6%	15%	Same as Q2: pyramid, utilization, cost controls	Margins -40 bps; BFSI/Tech verticals weak
Q4 FY22		~15% (FY23)	Pricing, fresher hiring, utilization, efficiency, M&A synergies	Wage/retention pressures; SG&A up; hikes from June

Quarter	Actual EBIT Margin	Aspirational Band	Margin Levers / Initiatives	Commentary
Q1 FY23		14% exit rate FY23	Utilization, pricing, offshoring, M&A integration	Margins -220 bps QoQ; salary/subcon costs weigh
Q2 FY23		14% exit rate FY23	Subcon cost control, offshoring, divestitures	Margins +150 bps QoQ; furloughs ahead
Q3 FY23	11.4%	14% exit rate FY23	Subcon cost reduction, cost take-out deals, consolidation	Slower deal closures; pruning to continue
Q4 FY23		Expand	Automation, AI, pyramid rationalization, price hikes	Margins -120 bps; higher SG&A/restructuring
Q1 FY24		Medium/long-term improvement	Subcon reduction, offshoring, divestitures, large deal productivity	Sharp drop (440 bps); demand soft; telco budgets tight
Q2 FY24		FY25 to see improvement	Service optimization, business rationalization, new structure	One-time costs; normalized EBIT ~8.7%
Q3 FY24	6.1%	Bottomed out; LT strategy in Apr	Sales focus, centralized delivery, AI/tech IP, fresher hiring	One-time contract exits; Europe bounced back
Q4 FY24		15% by FY27; peer top-3 LT	FY25 turnaround, cost optimization, AI/Turbocharge, ESG	Margins ahead of normalized; volatility expected in FY25
Q1 FY25		15% by FY27	Project Fortius (cost-out), utilization, pyramid, automation	Margins +110 bps QoQ; visa costs headwind
Q2 FY25		15% by FY27	Subcon reduction, pyramid, AI partnerships, automation	+110 bps QoQ; wage hikes likely; telcos still weak
Q3 FY25	9.7%	15% by FY27	Efficient delivery, pricing, GenAI (agentX), fixed price	+60 bps despite FX headwinds; wage hikes ahead
Q4 FY25		15% by FY27	Project Fortius, portfolio integration, AI consulting, efficiencies	+40 bps QoQ; retail & auto soft; telcos stabilizing
Q1 FY26		Hold FY27 target	Cost efficiency, quality revenue, AI consulting, offshoring	7th straight quarter of expansion; auto & FS weak

Source: Company, YES Sec

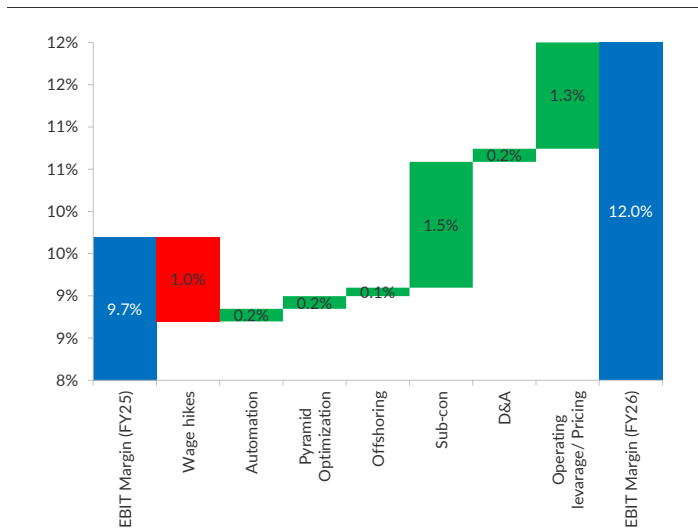
## Exhibit 12: Top 30 US Clients of TECHM (based on 3-year sum)

Client Name	Sector	Client Description
AT&T Services Inc.	Telecom	A leading US telecom provider offering wireless, broadband, and enterprise communication solutions.
Nissan North America Inc.	Manufacturing (Auto)	The US subsidiary of Nissan, responsible for sales, marketing, and distribution of vehicles and parts.
Navistar Inc.	Manufacturing (Auto)	A manufacturer of commercial trucks, buses, and diesel engines.
Google LLC	Hi-Tech	A global technology leader in search, digital advertising, cloud, and enterprise solutions.
Verizon Sourcing LLC	Telecom	A Verizon entity managing procurement; Verizon is a leading US telecom and digital services provider.
General Electric Company	Manufacturing (Industrials)	A diversified industrial conglomerate with businesses spanning aviation, healthcare, power, and energy.
Applied Materials Inc.	Hi-Tech	A leading provider of semiconductor manufacturing equipment, services, and software.
Cisco Systems Inc.	Hi-Tech	A global provider of networking, cybersecurity, and IT infrastructure solutions.
Haier US Appliance Solutions Inc. (GE Appliances)	Manufacturing (Industrials)	Manufacturer and distributor of household appliances under the GE Appliances brand.
Ford Motor Company	Manufacturing (Auto)	A leading US automaker producing cars, trucks, and mobility solutions worldwide.
Chevron Global Services Corporation	Manufacturing (Industrials)	A Chevron subsidiary providing support and shared services to global energy operations.
Genentech Inc.	Healthcare & Lifesciences	A biotechnology company focused on developing medicines for serious diseases.
Parker Hannifin Corporation	Manufacturing (Industrials)	A manufacturer of motion and control technologies serving diversified industries.
United Parcel Service (UPS) Oasis Supply	Retail (Logistics)	A global logistics and package delivery company providing supply chain solutions.
Morgan Stanley Services Group Inc.	BFSI	A Morgan Stanley subsidiary providing technology and operations support.
Apple Computer Inc.	Hi-Tech	A global leader in consumer electronics, software platforms, and digital services.
Selective Insurance Company of America	BFSI	A property and casualty insurance company serving individuals and businesses.
BNSF Railway Company	Manufacturing (Industrials)	One of North America's largest freight rail operators providing logistics and transport solutions.

Client Name	Sector	Client Description
Baker Hughes Oilfield Operations LLC	Manufacturing (Industrials)	A leading provider of oilfield services, equipment, and digital solutions for the energy sector.
International Bank for Reconstruction and Development (World Bank)	BFSI	A global financial institution providing loans and assistance for development projects.
Factory Mutual Insurance Company (FM Global)	BFSI	A mutual insurance company specializing in commercial property insurance and risk management.
Dish Purchasing Corporation	Telecom	A DISH Network entity managing procurement; DISH provides satellite TV and wireless services.
Lumen	Telecom	A digital infrastructure provider delivering network, cloud, and security solutions.
International Motors LLC	Manufacturing (Auto)	Distributor and dealer of motor vehicles and automotive parts.
Solenis LLC	Manufacturing (Industrials)	A specialty chemicals company serving water-intensive industries.
Enbridge Inc.	Manufacturing (Industrials)	A leading North American energy infrastructure company focused on pipelines and renewable energy.
GlaxoSmithKline (GSK)	Healthcare & Lifesciences	A global biopharmaceutical company engaged in medicines, vaccines, and consumer healthcare.
Credit One Bank N.A.	BFSI	A US-based bank specializing in credit card and lending solutions.
Cleveland Clinic Foundation	Healthcare & Lifesciences	A nonprofit academic medical center providing healthcare, research, and education.
Citi Bank	BFSI	A leading global bank offering retail, commercial, and investment banking services.

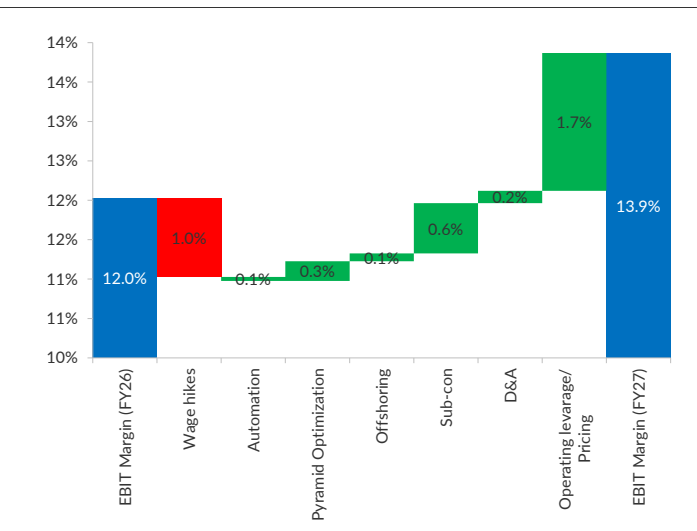
Source: Company, YES Sec, U.S. Department of Labor

**Exhibit 13: EBIT Margin Walk from FY25-26**



Source: Company, YES Sec

**Exhibit 14: EBIT Margin Walk from FY26-27**



Source: Company, YES Sec

## VALUATION

Exhibit 15: Y-Sec vs consensus

Rs m	Y-Sec Estimates			Consensus Estimates			Difference		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenues	551,186	596,015	645,465	550,515	591,172	633,500	0.1%	0.8%	1.9%
EBIT	66,289	82,655	92,615	66,600	82,950	92,640	-0.5%	-0.4%	0.0%
EBIT margin	12.0%	13.9%	14.3%	12.1%	14.0%	14.6%	-7 bps	-16 bps	-27 bps
Net profit	52,550	65,161	72,500	52,709	65,542	73,485	-0.3%	-0.6%	-1.3%
EPS (Rs)	59.2	73.5	81.7	60.3	75.2	85.7	-1.7%	-2.3%	-4.6%

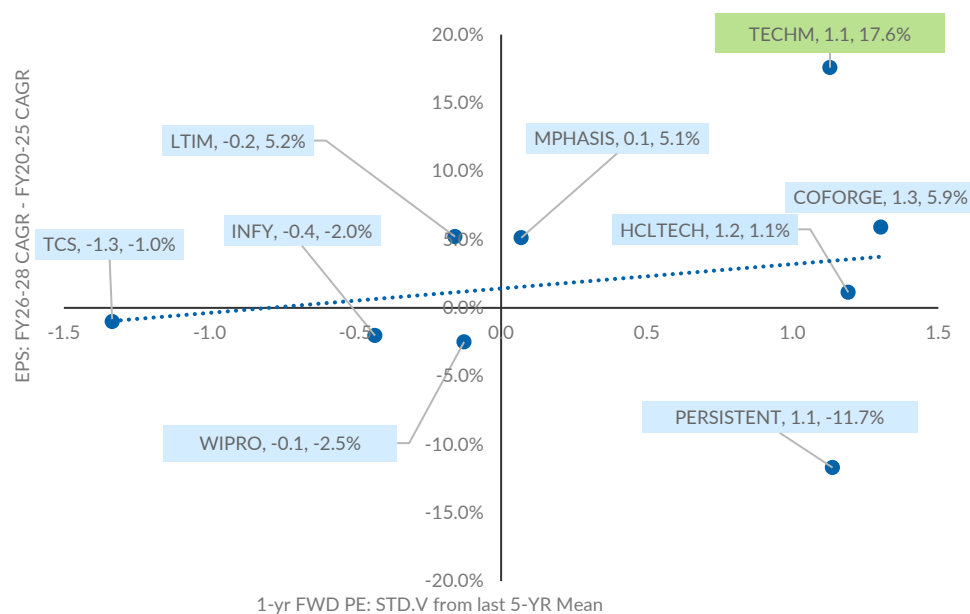
Source: Company, YES Sec, Bloomberg

Exhibit 16: Valuation table

Header	Value	Rationale
Q5-Q8 EPS (Rs)	76.2	
Target Multiple	25x	Similar to TCS, 10% premium to current value of 22.9x
Target price (Rs)	1,905	
Rating	BUY	

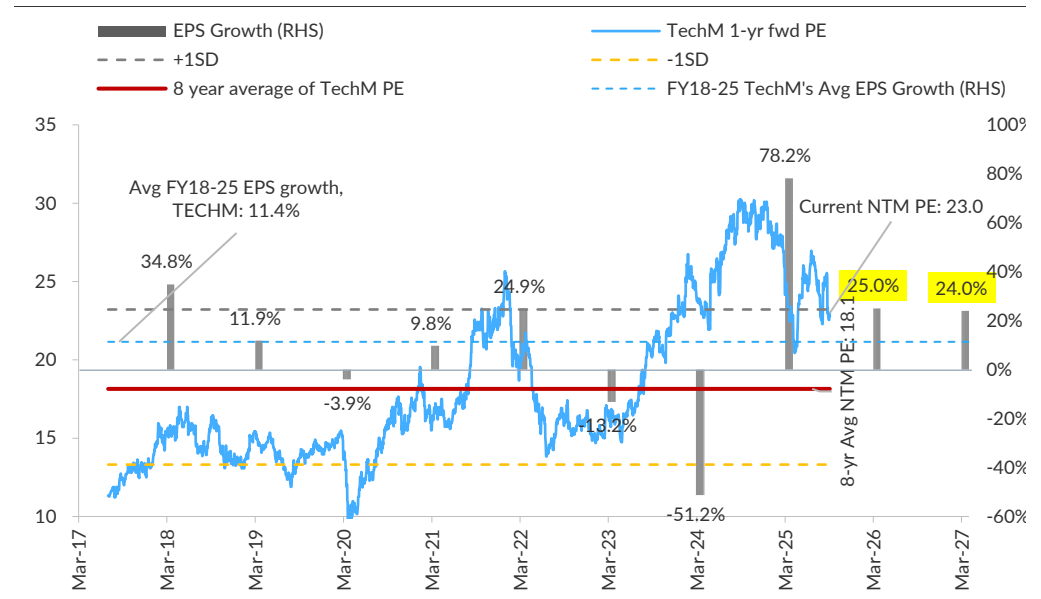
Source: Company, YES Sec

Exhibit 17: Positioned Fairly Among Peers



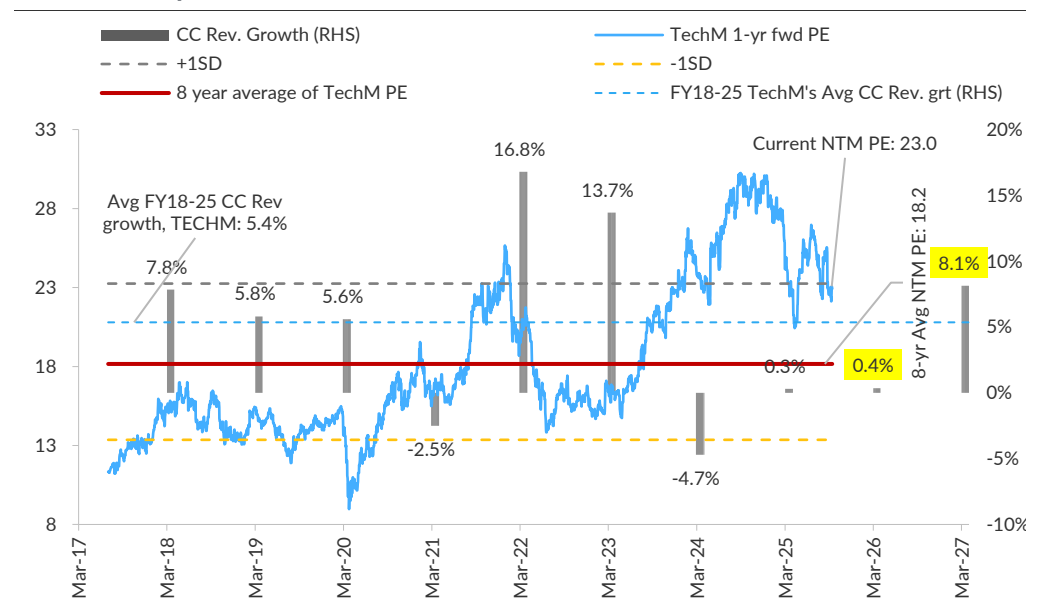
Source: Company, YES Sec

**Exhibit 18: 1-yr forward PE v/s EPS growth**



Source: Company, YES Sec

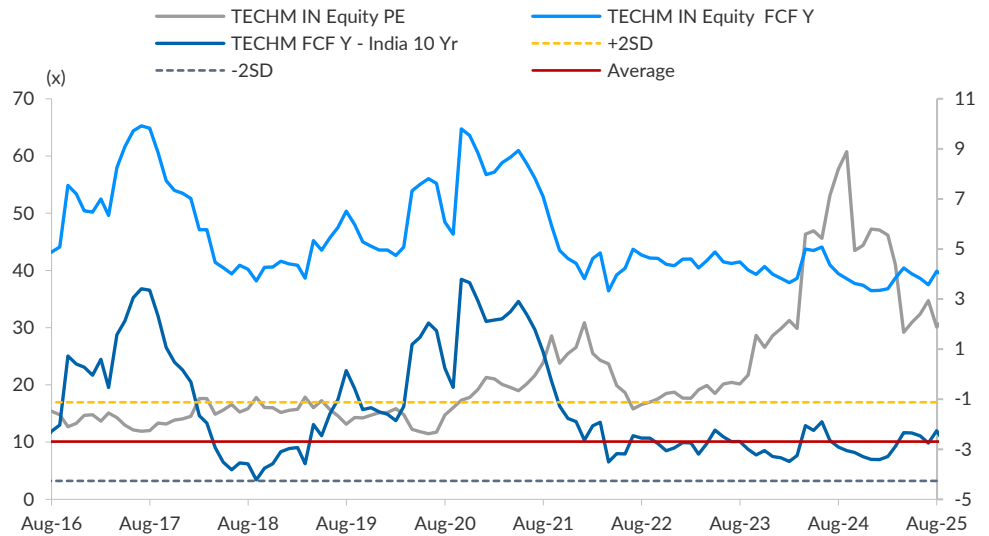
**Exhibit 19: 1-yr forward PE v/s CC Revenue Growth**



Source: Company, YES Sec



**Exhibit 20: P/E vs FCF Yield Spread**



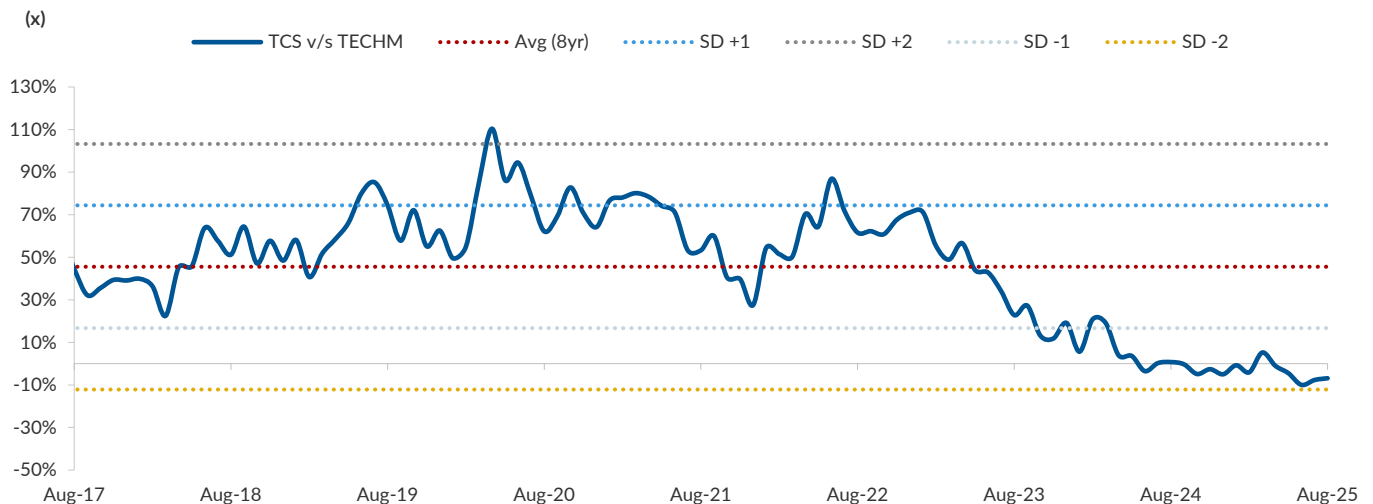
Source: Company, YES Sec

The charts above indicate that Tech Mahindra's one-year forward P/E multiples exhibit strong correlation with subsequent constant currency (CC) revenue growth, with EPS growth also showing a meaningful relationship.

Currently, TechM trades at 23.1x, above its 8-year average of 18.2x. However, we project CC revenue growth to rebound sharply to 8.1% in FY27, following a phase of subdued performance in prior years that was partly impacted by management transition and execution challenges. Adding to this, on the earnings front, TechM is expected to deliver EPS growth of 25% and 24% in FY27-28, materially above its long-term average and ahead of peers. Furthermore, TechM's FCF yield spread continues to hover around its historical average, implying limited downside risk.

Taken together, structural rebound in CC growth, robust EPS momentum, and supportive FCF yield spreads—we assign a 25x multiple to Tech Mahindra, relative premium over its historical trading range.

**Exhibit 21: TCS/TECHM: 1-year forward P/E (x) chart**



Source: Company, YES Sec

## FINANCIALS

Exhibit 22: Income Statement

(Rs mn)	FY22	FY23	FY24	FY25	FY26E	FY27E
Con. Revenues(USD mn)	5,998	6,606	6,277	6,264	6,458	6,984
% growth	17.3	10.1	-5.0	-0.2	3.1	8.1
% CC growth	16.8	13.7	-4.7	0.3	0.4	8.1
Exchange rate (INR/USD)	74	81	83	85	85	85
Con. Revenues (Rs mn)	446,460	532,902	519,955	529,883	551,186	596,015
% growth	17.9	19.4	-2.4	1.9	4.0	8.1
Costs of revenues	309,719	381,197	391,147	380,848	95,236	0
Gross Profit	136,741	151,705	128,808	149,035	455,950	596,015
Gross margin	30.6	28.5	24.8	28.1	82.7	100.0
SG&A costs	56,540	71,418	79,163	79,124	371,245	493,943
EBITDA	80,201	80,287	49,645	69,911	84,705	102,072
EBITDA margin	18.0	15.1	9.5	13.2	15.4	17.1
% growth (bps)	-12.4	-289.8	-551.8	364.6	217.4	175.8
D&A Expense	15,204	19,567	18,171	18,529	18,416	19,417
EBIT	64,997	60,720	31,474	51,382	66,289	82,655
EBIT margin	14.6	11.4	6.1	9.7	12.0	13.9
% growth (bps)	32.1	-316.4	-534.1	364.4	233.0	184.1
Other Income	9,497	6,150	5,247	835	4,540	4,024
Profit before tax	74,494	66,870	36,721	52,217	70,829	86,679
Tax	18220	15885	8276	12651	18770	22009
Minority Interest	-640	-257	-390	-15	472	472
Extraordinary Income	0	-2,126	-4,582	0	0	0
One off items	28	(290)	105	86	20	20
Net PAT	55,662	48,312	23,578	39,637	52,550	65,161
PAT margin	12.5	9.1	4.5	7.5	9.5	10.9
EPS (Rs)	62.9	54.6	26.6	47.4	59.2	73.5

Source: Company, YES Sec

## Exhibit 23: Balance Sheet

(Rs mn)	FY22	FY23	FY24	FY25	FY26E	FY27E
Share capital	4,388	4,400	4,413	4,424	4,425	4,425
Reserves and surplus	264,469	274,845	262,281	269,191	274,649	276,162
Minority Interest	4,954	4,702	4,774	4,302	3,985	3,513
<b>Total Equity</b>	<b>273,811</b>	<b>283,947</b>	<b>271,468</b>	<b>277,917</b>	<b>283,059</b>	<b>284,100</b>
<b>Liabilities</b>						
Short term borrowing	17,564	18,211	17,633	8,780	6,517	6,517
Short-term provisions	6,716	6,313	11,372	12,770	13,197	14,271
Other current liabilities	100,768	108,686	97,161	105,190	110,276	119,245
<b>Total current liabilities</b>	<b>125,048</b>	<b>133,210</b>	<b>126,166</b>	<b>126,740</b>	<b>129,991</b>	<b>140,033</b>
Long-term debt	8,620	9,191	7,734	11,472	11,799	11,799
Long-term provisions	8,811	9,288	13,021	14,027	14,397	15,568
Amounts Pending Investigation Suspense Account (Net)	12,304	12,304	12,304	12,304	12,304	12,304
Other non-current liabilities	20,113	13,593	3,543	2,485	3,486	3,486
<b>Total Liabilities</b>	<b>174,896</b>	<b>177,586</b>	<b>162,768</b>	<b>167,028</b>	<b>171,977</b>	<b>183,190</b>
<b>Total Liabilities &amp; Equity</b>	<b>448,707</b>	<b>461,533</b>	<b>434,236</b>	<b>444,945</b>	<b>455,036</b>	<b>467,290</b>
<b>Assets</b>						
Cash and Equivalent	84,104	70,379	75,149	74,350	64,087	61,963
Sundry debtors	74,676	81,424	71,256	65,486	72,485	78,380
Other current assets	33,964	39,897	40,399	42,455	44,308	47,911
Loans and advances	51,408	52,391	47,074	54,107	59,435	58,309
Inventory	405	236	375	394	636	636
<b>Total current assets</b>	<b>244,557</b>	<b>244,327</b>	<b>234,253</b>	<b>236,792</b>	<b>240,951</b>	<b>247,199</b>
Deferred tax assets	8,191	12,965	14,396	18,573	19,125	19,125
Goodwill	74,258	76,657	75,106	76,993	78,385	78,385
PPE	27,620	29,370	26,290	24,145	24,928	26,966
Capital Work in Progress	1,651	836	1,011	206	126	126
Intangible assets	36,586	32,316	28,029	23,491	24,394	24,394
Lease Asset/ Right of Use Asset	9,372	10,972	9,605	15,186	15,393	15,393
Non-current investments	4,479	6,049	4,583	2,893	2,938	2,938
Other non-current assets	41,993	48,041	40,963	46,666	48,796	52,765
<b>Total assets</b>	<b>448,707</b>	<b>461,533</b>	<b>434,236</b>	<b>444,945</b>	<b>455,036</b>	<b>467,290</b>

Source: Company, YES Sec

## Exhibit 24: Cash Flow

(Rs mn)	FY22	FY23	FY24	FY25	FY26E	FY27E
PBT	74,521	64,455	32,244	56,532	70,829	86,679
Depreciation and amortisation expense	15,204	19,567	18,171	18,529	18,416	19,417
Others	75,129	74,535	45,075	56,734	73,917	89,873
<b>Operating profit before WC changes</b>	<b>90,333</b>	<b>94,102</b>	<b>63,246</b>	<b>75,263</b>	<b>92,332</b>	<b>109,290</b>
Changes in WC	(14,343)	(18,451)	12,987	(2,662)	14,316	16,614
Cash generated from operations	75,990	75,651	76,233	72,601	106,648	125,904
Net Income taxes paid	(23,137)	(19,931)	(12,469)	(14,744)	(21,875)	(25,650)
<b>Cash flow from operations</b>	<b>52,853</b>	<b>55,720</b>	<b>63,764</b>	<b>57,857</b>	<b>84,773</b>	<b>100,255</b>
Capex (Net)	(8,353)	(9,692)	(7,377)	(4,829)	(20,511)	(23,550)
Amount paid for acquisitions	(46,613)	(10,672)	(7,488)	(1,620)	-	-
Other investing activities	59,780	17,579	1,728	6,217	-	-
<b>Cash flow from investing activities</b>	<b>4,814</b>	<b>(2,785)</b>	<b>(13,137)</b>	<b>(232)</b>	<b>(20,511)</b>	<b>(23,550)</b>
Buyback/ issuance of shares	-	-	-	-	-	-
Dividend paid	(39,501)	(42,633)	(39,170)	(38,418)	(51,898)	(63,648)
Other financing activities	(7,165)	(8,148)	(8,502)	(19,574)	-	-
<b>Cash from financing activities</b>	<b>(46,666)</b>	<b>(50,781)</b>	<b>(47,672)</b>	<b>(57,992)</b>	<b>(51,898)</b>	<b>(63,648)</b>
Change in cash balance	11,001	2,154	2,955	(367)	12,365	13,057
Opening cash balance	26,904	37,888	40,562	43,470	43,183	55,548
Exchange difference on translation of foreign currency C&CE	(17)	520	(47)	80	-	-
<b>Closing cash balance</b>	<b>37,888</b>	<b>40,562</b>	<b>43,470</b>	<b>43,183</b>	<b>55,548</b>	<b>68,605</b>

Source: Company, YES Sec

## Exhibit 25: Ratios

(%)	FY22	FY23	FY24	FY25	FY26E	FY27E
<b>Per share numbers (Rs)</b>						
Reported earnings	62.9	54.6	26.6	47.4	59.2	73.5
Dividend	15.0	32.0	28.0	30.0	35.0	45.0
Book Value	303.7	315.4	300.9	327.2	314.6	316.4
<b>Valuations (x)</b>						
P/E	24.2	27.9	57.1	32.1	25.7	20.7
EV / EBITDA	15.2	15.2	24.3	17.3	14.4	12.0
EV/Sales	2.7	2.3	2.3	2.3	2.2	2.1
<b>Profitability Ratios</b>						
Gross margin	30.6	28.5	24.8	28.1	82.7	100.0
EBITDA margin	18.0	15.1	9.5	13.2	15.4	17.1
PAT margin	12.5	9.1	4.5	7.5	9.5	10.9

(%)	FY22	FY23	FY24	FY25	FY26E	FY27E
Return Ratios						
ROCE (pre-tax)	31.8	24.4	12.8	21.6	26.3	32.5
ROA	13.2	10.6	5.3	9.0	11.7	14.3
ROE	21.5	18.4	10.3	14.7	19.0	23.5
Turnover ratios						
Debtors days	82.9	78.8	81.8	75.6	74.4	74.4
Cash Conversion Ratios						
OCF/EBITDA	65.9	69.4	128.4	82.8	100.1	98.2
FCF/PAT	-3.8	73.2	207.4	129.7	122.3	117.7

Source: Company, YES Sec

# Wipro

## Revenue turnaround at cost of margins

We initiate coverage on Wipro with an ADD rating, supported by our deep dive into its Top-30 U.S. clients where we observe strong correlations (70–87%) between client fundamentals and sectoral revenue growth. Despite the recent loss of \$100mn+ and \$75mn+ accounts, we believe these reflect ramp-downs rather than logo losses, with execution challenges tied to leadership churn over the past 5–10 quarters. Under new CEO Srinivas, management stability is improving and reflected in aggressive deal signings (two mega deals each in FY25 and 1QFY26, including the Phoenix renewal from TCS). Book-to-bill remains healthy at 0.66x with TTM large deal TCV up 28% QoQ, supporting a turnaround in revenue growth where we are 1.5–4.9% ahead of consensus in FY26–28E. Margins, however, remain constrained by aggressive bidding, upfront investments, and limited scope for pyramid correction, leaving us 36–75 bps below consensus EBIT forecasts for FY26–28. We forecast revenue growth accelerating to +6.7% in FY27E (from –4.4%/–2.3%/–1.3% in FY24–26E), and value Wipro at 21x 2QFY27–1QFY28 EPS of Rs 13.8, arriving at a TP of Rs 290, implying an upside of 15.4%.

**Very strong correlation with Top-30 US clients:** We observe particularly strong correlations (ranging between 85–92%) between sectoral revenue growth of Wipro and relevant variable's growth of its Top-30 clients (Exhibit 15). One reason might be aggressiveness of Wipro in client retention. We believe the loss of \$100mn+ and \$75mn+ clients in last few quarters might be due to ramp-downs and not due to loss of logos, as there is some presence of Wipro in Top-30 clients in at least last 10-qtrs. Therefore, it must be an execution problem due to significant leadership churn in last 5–10 quarters (Exhibit 13). We also observe consistent pruning of tail accounts as per new strategic priority by the new management (Exhibit 4–11).

**Defending its turf with new management:** We observe a renewed energy in the Wipro's top cadre with several new internal promotions after coming up of the Srinivas at the helm. This is also reflected in aggressive deal signing in last year (2 mega deals in FY25) and an unprecedented 2-mega deals in 1QFY26, although at a cost of margins as reported in some media [articles](#). An example being taking Phoenix renewal deal away from TCS in Europe. With TTM book-to-bill of 0.66x, TTM large deal TCV up 28% QoQ, and our execution metric flashing green (Exhibit 14), we feel Wipro is set to achieve good revenue growth in short and medium term. We are 1.5–4.9% above consensus on FY26–28 revenue growth.

**Margins present a different story:** With the aggressive bidding in recent few quarters, Wipro is setting up for ramp-up of several new mega deals in the coming quarters. Cost takeout and vendor consolidation remains the focus of the deals, which are competed for aggressively, and require upfront investments further diluting margins. Utilization is hitting 86% in 1QFY26, offshoring effort stable, and requirement of upfront investments further increasing sub-contracting, we don't see any margin upside for FY26/27E. There is also a limited scope for pyramid correction as median salary for Wipro, which is lowest amongst large caps, has declined between FY24/25 (Rs 9.84/9.78 LPA), being the only one to do so. Therefore, we are 36bps to 75bps below consensus on FY26–28E EBIT margins.

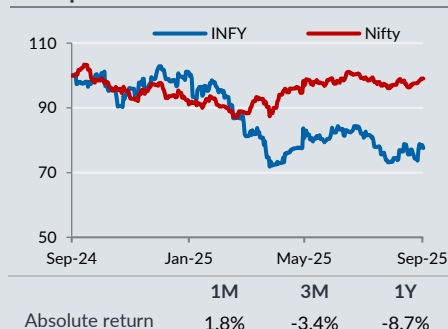
**Limited downside:** We believe Wipro is set to turn its revenue growth around from –4.4%/–2.3%/–1.3% in FY24/25/26E to +6.7% in FY27E based on fantastic deal wins and stabilizing upper management focusing on execution. Therefore, we value Wipro at 21x its 2QFY27 to 1QFY28 EPS of Rs 13.8 to arrive at a TP of Rs 290 offering an upside of 15.4%. Interestingly, 1-yr forward multiples have been more correlated with CC revenue growth forecasts than the EPS ones (exhibits 19 and 20). Therefore, revenue growth turnaround in FY27 might support multiples despite margin compression and ~28–43% downside basis our FCF Yield analysis.

Reco	: ADD
CMP	: Rs 251
Target Price	: Rs 290
Potential Return	: +15.4%

### Stock data (as on Sep 15, 2025)

Nifty	25,069
52 Week h/l (Rs)	325 / 228
Market cap (Rs/USD mn)	2638361 / 29932
Outstanding Shares (mn)	10,472
6m Avg t/o (Rs mn):	2,661
Div yield (%):	2.4
Bloomberg code:	WPRO IN
NSE code:	WIPRO

### Stock performance



### Shareholding pattern (As of Jun'25 end)

Promoter	72.7%
FII+DII	18.7%
Others	8.5%

### Financial Summary

(Rs mn)	FY25	FY26E	FY27E
Net Rev.	890,884	915,181	980,229
YoY gr.	-0.7	2.7	7.1
EBITDA	180,475	178,097	192,717
EBITDA (%)	20.3	19.5	19.7
EBIT	150,896	149,731	162,163
EBIT (%)	16.9	16.4	16.5
PAT	131,201	136,805	143,247
YoY gr.	16.9	4.0	4.7
ROE	18.5	18.1	19.5
EPS	12.5	13.0	13.7
P/E	18.0	17.7	17.1

**SHUBHAM AGRAWAL**  
Lead Analyst

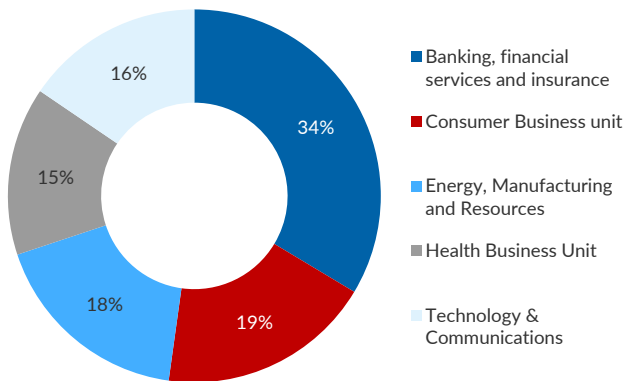
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**AARSHA BIJU**, Associate

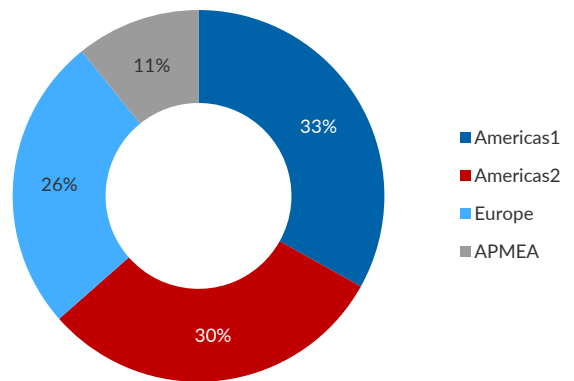
## STORY IN CHARTS

**Exhibit 1: Revenue Mix by Vertical (Q1FY26)**



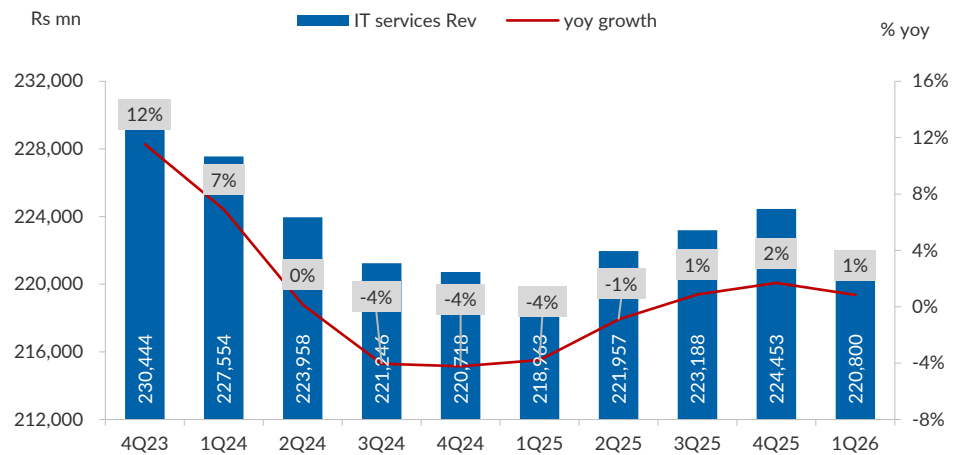
Source: Company, YES Sec

**Exhibit 2: Revenue Mix by Geography (Q1FY26)**



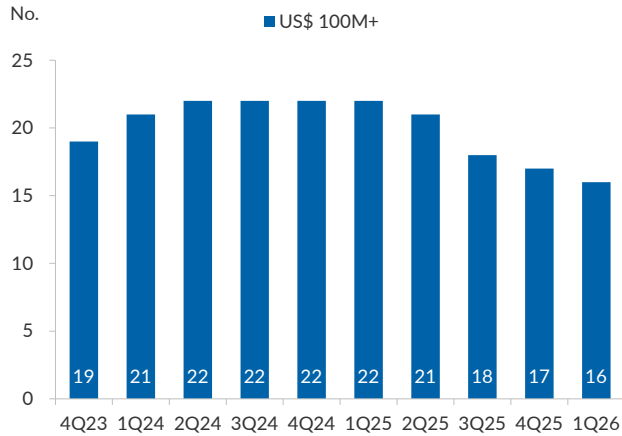
Source: Company, YES Sec

**Exhibit 3: Wipro - IT Services Revenue Growth**



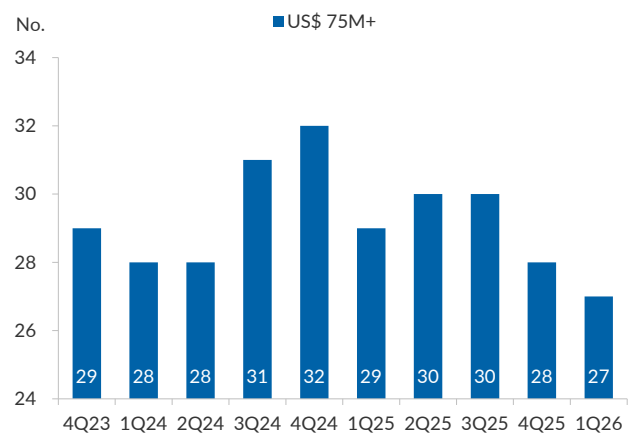
Source: Company, YES Sec

**Exhibit 4: US\$100mn+ Client Relationships**



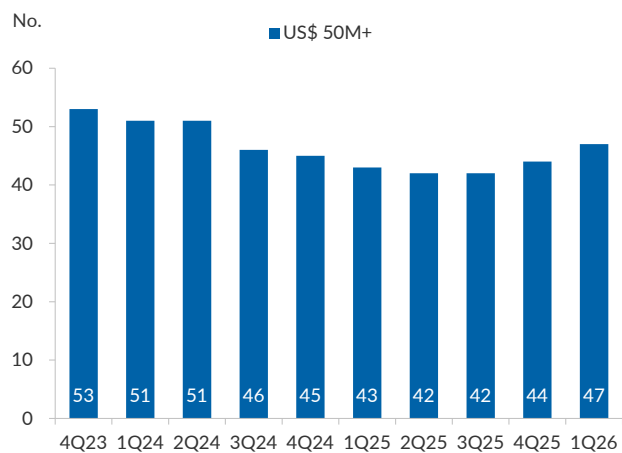
Source: Company, YES Sec

**Exhibit 5: US\$75mn+ Client Relationships**



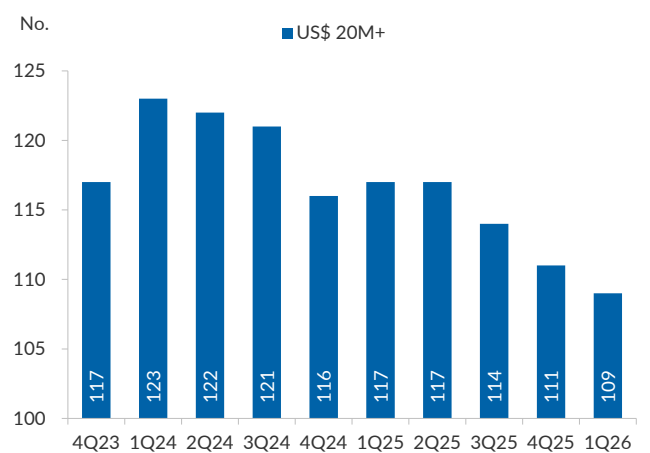
Source: Company, YES Sec

**Exhibit 6: US\$50mn+ Client Relationships**



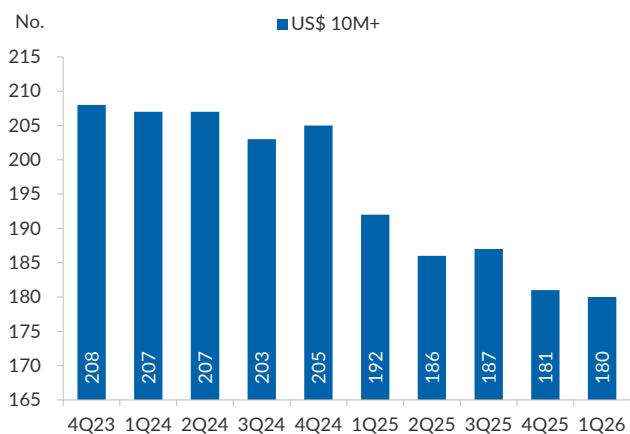
Source: Company, YES Sec

**Exhibit 7: US\$20mn+ Client Relationships**



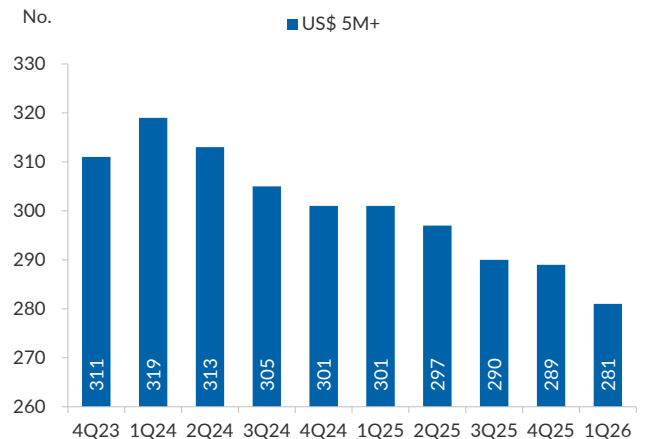
Source: Company, YES Sec

**Exhibit 8: US\$10mn+ Client Relationships**



Source: Company, YES Sec

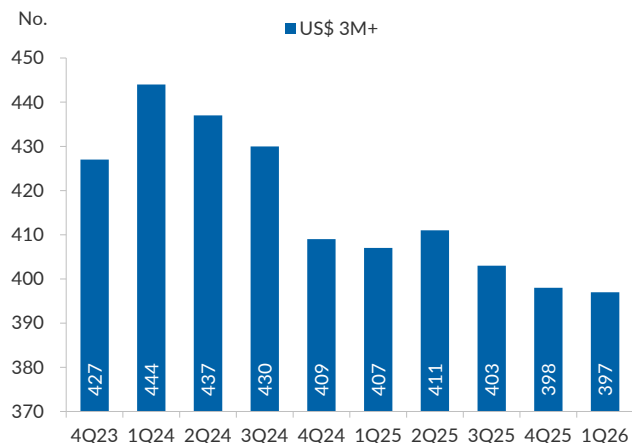
**Exhibit 9: US\$5mn+ Client Relationships**



Source: Company, YES Sec

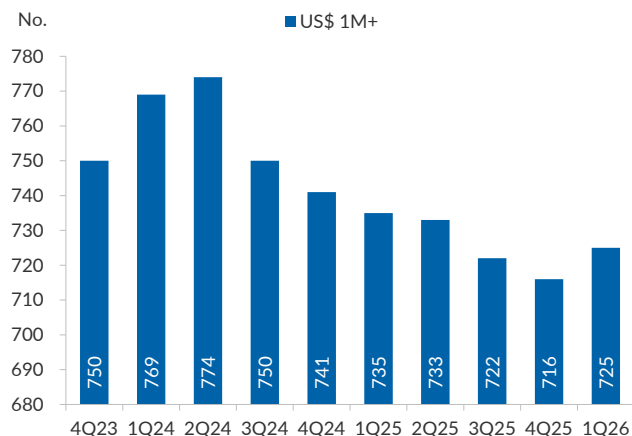


**Exhibit 10: US\$3mn+ Client Relationships**



Source: Company, YES Sec

**Exhibit 11: US\$5mn+ Client Relationships**



Source: Company, YES Sec

**Exhibit 12: Wipro – Senior Management Tenure Profile**

Name	Designation	Date of Joining	Tenure (Years)
Srini Pallia	CEO & MD	1992	33.6
Amit Kumar	Global Head of Consulting	2025	0.5
Suzanne Dann	CEO, Americas 2	2021	4.4
Vinay Firake	CEO, APMEA	1998	27.1
Saurabh Govil	CHRO	2009	16.3
Aparna Iyer	CFO	2003	22.4
Sanjeev Jain	COO	2023	2.6
Malay Joshi	CEO, Americas 1	1996	29.6
Jasjit Singh Kang	Global Head of BPS	2005	7.0
Nagendra Bandaru	Global Head of Technology Services	2014	11.1
Omkar Nisal	CEO, Europe	2012	13.6
Srikumar Rao	Global Head of Engineering	1998	27.2
Hari Shetty	Chief Strategist & Tech Officer	1993	32.5
<b>Average</b>			<b>17.5</b>
<b>Median</b>			<b>16.3</b>

Source: Company, YES Sec

**Exhibit 13: Leadership Churn at Wipro (FY23–FY25)**

Date	Name	Designation	Appointment/Resignation	Remarks/ Reason
Sep-23	Jatin Dalal	CFO	Resignation	Quits Wipro after 21 years of service; served as CFO for 7 years; joined Cognizant in December
Dec-23	Stephanie Trautman	Chief Growth Officer	Resignation	Left after 3 years of joining; worked with Accenture Plc prior to joining Wipro
Apr-23	Thierry Delaporte	CEO	Resignation	Leaves after serving as CEO for 4 years
May-23	Amit Choudhary	COO	Resignation	Left Wipro, following resignation of Delaporte
May-24	Anis Chenchah	Chief Executive of APMEA	Resignation	Left Wipro, following resignation of Delaporte

Date	Name	Designation	Appointment/Resignation	Remarks/ Reason
Aug-24	Ajit Mahale	Chief of delivery and operational excellence	Resignation	Left Wipro, following resignation of Delaporte; replaced by Nanda Kishore, who has 30 years of service with Wipro
Aug-24	Subha Tataavarti	CTO	Resignation	Left Wipro, following resignation of Delaporte
Mar-25	Jo Debecker	Head of Wipro FullStride Cloud	Resignation	Steps down to pursue other opportunities

Source: Company, YES Sec

#### Exhibit 14: Wipro: Significant positive turnaround in revenue conversion

Headers	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26
TTM Book-to-bill [A]	0.35	0.36	0.41	0.41	0.42	0.43	0.45	0.45	0.51	0.66
Revenue growth (YoY) [B]	3.72%	1.55%	-3.02%	-5.26%	-5.87%	-5.49%	-1.96%	-1.02%	-2.29%	-1.47%
Correlation between [A] and [B] with [B] lagging by:										
0 quarters	0.37	0.08	-0.61	-0.92	-0.97	-0.98	-0.89	-0.63	-0.15	0.56
1 quarters		0.67	0.29	-0.44	-0.98	-0.98	-0.92	-0.69	-0.26	0.49
2 quarters			0.73	0.33	-0.64	-0.97	-0.88	-0.71	-0.36	0.50
3 quarters				0.67	0.12	-0.64	-0.83	-0.59	-0.30	0.47
4 quarters					0.60	0.16	-0.35	-0.46	-0.08	0.58

Source: Company, YES Sec

#### Exhibit 15: Top 30 US Clients of Wipro (based on 3-year sum)

Client Name	Sector	Client Description
Citigroup Technology, Inc.	BFSI	A Citigroup subsidiary providing technology services and digital platforms for banking operations.
Bank of America, N.A.	BFSI	One of the largest US banks, offering retail, commercial, and investment banking solutions.
TD Bank	BFSI	A major North American bank providing retail, commercial, and small business banking services.
Apple Inc.	Technology & Communications	A global technology leader known for its consumer devices, software platforms, and services ecosystem.
US Bank National Association	BFSI	A leading US commercial bank offering consumer banking, payments, and wealth management.
Charles Schwab & Co., Inc.	BFSI	A top US brokerage and wealth management firm serving retail and institutional investors.
Microsoft Corporation	Technology & Communications	A leading global technology company providing software, cloud, and enterprise solutions.
Avangrid Management Company LLC	Energy	A US-based energy company engaged in renewable generation and electricity distribution.
Cisco Systems, Inc.	Technology & Communications	A global networking and IT solutions provider specializing in hardware, software, and cybersecurity.
First Horizon Bank	BFSI	A regional bank offering retail, business, and wealth management services in the US.
Humana Inc.	Health Business Unit	A leading health insurer providing medical and wellness plans across the US.
The TJX Companies Inc.	Consumer Business Unit	An off-price retailer of apparel, home fashions, and goods under brands like T.J. Maxx and Marshalls.
UBS Business Solutions US LLC	BFSI	A UBS subsidiary providing operations, technology, and support services to global businesses.
Ford Motor Co.	Manufacturing & Resources	A leading US automaker producing cars, trucks, and mobility solutions worldwide.
State Street Bank & Trust Company	BFSI	A global custodian bank providing investment servicing, management, and advisory solutions.
Nationstar Mortgage LLC (Mr. Cooper Group)	BFSI	A mortgage servicing and origination company offering home loan and refinance solutions.
Quest Diagnostics Incorporated	Health Business Unit	A leading provider of diagnostic testing, laboratory, and health information services.

Client Name	Sector	Client Description
American Honda Motor Co., Inc.	Manufacturing & Resources	US subsidiary of Honda, engaged in automobile, motorcycle, and power equipment distribution.
Tenneco Inc.	Manufacturing & Resources	A manufacturer of automotive parts and systems, including ride performance and clean air solutions.
HP Inc.	Technology & Communications	A global provider of personal computers, printers, and related technology solutions.
S&P Global	BFSI	A leading provider of financial intelligence, analytics, ratings, and benchmarks.
Mastercard Technologies, LLC	BFSI	A Mastercard subsidiary, managing technology platforms for global payments and digital commerce.
Harman International Industries, Inc.	Technology & Communications	A Samsung subsidiary specializing in connected car, audio, and IoT solutions.
T-Mobile USA, Inc.	Technology & Communications	A leading US wireless network operator providing mobile and broadband services.
Fruit of the Loom	Consumer Business Unit	A global apparel manufacturer producing underwear, casualwear, and sportswear.
ELC Beauty LLC (Estée Lauder Companies)	Consumer Business Unit	A subsidiary of Estée Lauder Companies focusing on cosmetics and skincare products.
Federal-Mogul Powertrain LLC (now part of Tenneco)	Manufacturing & Resources	Manufacturer of powertrain components for light, commercial, and industrial vehicles.
Johnson & Johnson Services Inc.	Health Business Unit	A J&J subsidiary providing management and support for pharmaceuticals, medical devices, and consumer health.
Change Healthcare Operations, LLC	Health Business Unit	A healthcare technology company offering data, analytics, and payment solutions.
National Grid USA Service Company, Inc.	Energy	A utility provider focused on electricity and natural gas transmission and distribution in the US.

Source: Company, YES Sec, U.S. Department of Labor

#### Exhibit 16: Wipro EBIT Margins: Barely hitting aspirational range of 17-17.5% for IT Services

Quarter	Actual Operating Margin (%)	Aspirational Margin Band	How They Aim to Achieve It	Other Commentary
Q2 FY21		Balancing profitability with growth	Focused investments, simplification, promotions (80% eligible; 8-10% offshore; 4-5% onsite), increments for freshers, retaining critical talent	Did not expect margins to drop
Q3 FY21	20.26%	Expected to remain elevated, not sustain 21.7%	Operational excellence, quality revenues, offshore mix, utilization, attrition, subcontracting; investments in sales/consulting/talent	Highest margin in 22 qtrs. Fixed expenses lower due to pandemic; India SRE margins improved but unsustainable long-term
Q4 FY21		Sustainable ~19-19.2% + 2% dilution from Capco	Utilization, offshoring, talent build, retention, frontline sales	+340 bps YoY; FY21 margin 20.3% (+220 bps). Capco dilution from incentives & intangibles
Q1 FY22		Long-term 17-17.5% post Capco	Talent investments (hikes, senior hires), pyramid, offshoring, automation, pricing	Above 17-17.5% despite 2 months Capco & talent costs. +30 bps YoY decline
Q2 FY22		Sustainable 17-17.5%	Efficiency, utilization, offshoring; reinvest gains	Margins sustained despite full Capco impact. Salary hikes absorbed. Industry-wide margin risk
Q3 FY22	17.79%	Ahead of 17-17.5%	Sales transformation, fresher strategy, automation, larger/value deals	Salary increases & RSUs absorbed. Freshers impacted utilization. Depreciation to normalize Q4
Q4 FY22		Medium-term 17-17.5%	Capability building, efficiency reinvestments	Q4 margin 17% (above pre-pandemic). Short-term pressure from talent & Capco amortization
Q1 FY23		17-17.5% medium term, lower near term	Efficiency, utilization, subcontracting, offshoring, pricing	Margin drop from talent investments. Efficiency gains in Q2 to be reinvested
Q2 FY23		Narrow band; higher medium-term	Automation, utilization, offshoring, pricing; salary hikes for top talent	+15 bps QoQ. ₹130 cr severance one-off. Utilization impacted by freshers
Q3 FY23	15.69%	17-17.5% medium term	Utilization, subcontractor optimization, attrition mgmt	+110 bps QoQ. Absorbed salary/RSU hikes. Resilient despite volatility
Q4 FY23		17-17.5% medium term	Utilization, fresher deployment	+60 bps vs FY23 avg 15.7%. Expect similar range in Q1 FY24

Quarter	Actual Operating Margin (%)	Aspirational Margin Band	How They Aim to Achieve It	Other Commentary
Q1 FY24		17–17.5% medium term	Fixed-price productivity, utilization, cost mgmt	Steady margin; +112 bps YoY. Salary hikes in Q3
Q2 FY24		Range-bound; medium-term 17–17.5%	Delivery excellence, cost control, faster bench deployment	Margins sustained despite soft rev. Utilization 84.5% (+80 bps QoQ). Pressure expected in Q3
Q3 FY24	16.14%	Range-bound; slight uptick possible	Efficiency, AI in delivery, restructuring	+1.8% QoQ despite furloughs & wage hikes. YTD +60 bps
Q4 FY24		Range-bound	Capability building, acquisitions, internal fulfillment	+40 bps QoQ; FY24 margin 16.1% (+50 bps YoY). Capco utilization key lever
Q1 FY25		Narrow band with upward bias; target 17–17.5%	Fixed-price productivity, fresher onboarding, overhead optimization, synergies	Margins resilient despite weak rev. Growth investments continued
Q2 FY25		Closer to 17–17.5%; narrow band	Offshoring, G&A optimization, synergies, pyramid	+35 bps QoQ; +71 bps YoY. Absorbed 1 month wage hikes. Q3 headwinds: furloughs + salary hikes
Q3 FY25	17.07%	Within 17–17.5%	Subcon cost cuts, SG&A & overhead reduction	12-qtr high. +70 bps QoQ, +150 bps YoY. Wage hike fully absorbed
Q4 FY25		Maintain narrow band; target 17–17.5%	Bench mgmt, productivity, fixed spend cuts, synergies	Flat QoQ; +110 bps YoY. Growth investments in consulting & AI
Q1 FY26		17–17.5%	Mega deal execution, operational rigor	+80 bps YoY. Restructuring cost ₹246 cr one-off in Europe

Source: Company, YES Sec

## VALUATION

### Exhibit 17: Y-Sec v/s Consensus

	Y-Sec Estimates			Consensus Estimates			Difference		
Rs m	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	915,181	980,229	1,054,160	902,032	953,008	1,005,358	1.5%	2.9%	4.9%
EBIT	149,731	162,163	172,150	150,859	161,802	171,712	-0.7%	0.2%	0.3%
EBIT margin	16.4%	16.5%	16.3%	16.7%	17.0%	17.1%	-36bps	-43bps	-75bps
PAT	136,805	143,247	149,151	133,037	140,349	148,525	2.8%	2.1%	0.4%
EPS (Rs)	13.0	13.7	14.2	13.45	13.49	14.44	-3.1%	1.2%	-1.6%

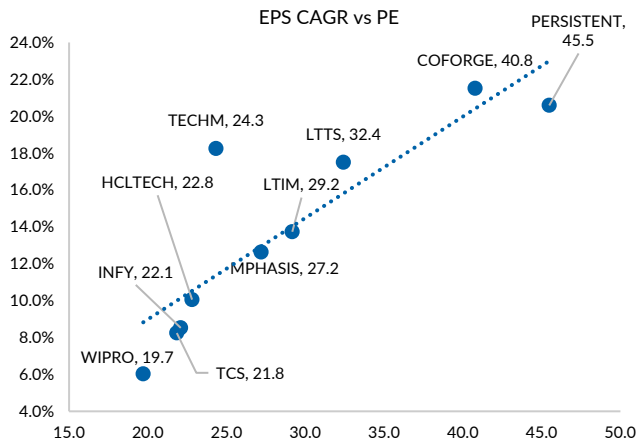
Source: Company, YES Sec, Bloomberg

### Exhibit 18: Valuation table

Header	Value	Rationale	Value	Rationale
	Best case		Worst case	
Q5-Q8 EPS (Rs)	13.79		13.79	
Target Multiple	21x	20% discount to TCS	14x	FCF Yield based analysis (Exhibit 23)
Target price (Rs)	290		193	
Rating	ADD			

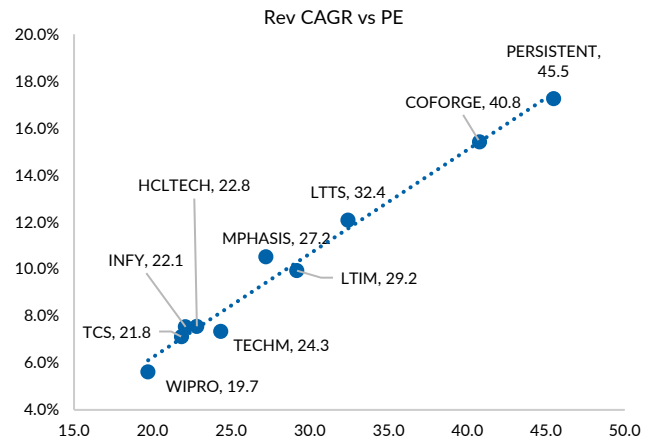
Source: Company, YES Sec

**Exhibit 19: FY26-28 EPS CAGR vs PE**



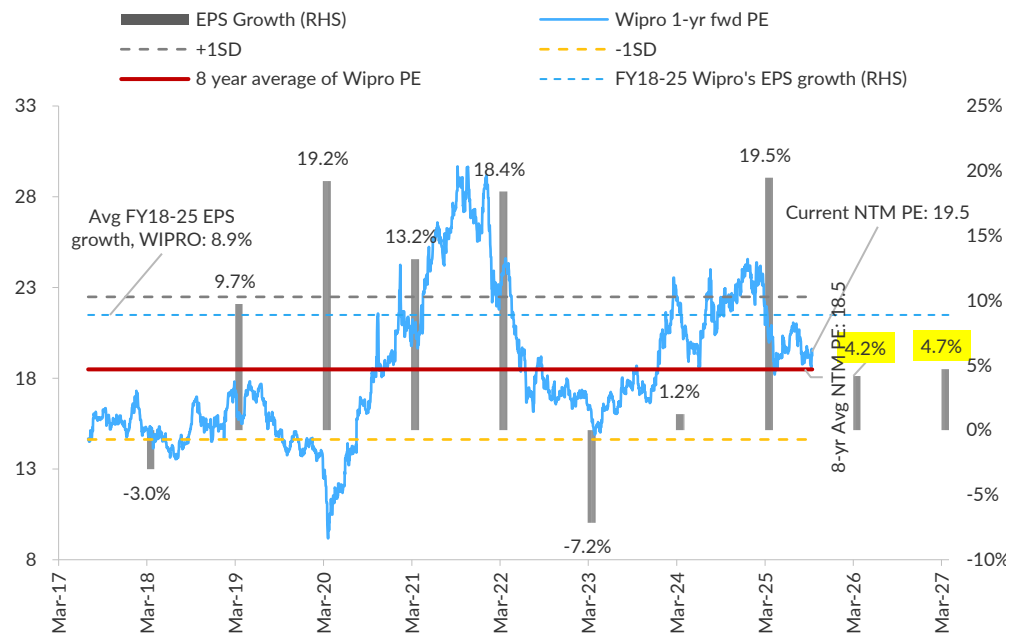
Source: Company, YES Sec

**Exhibit 20: FY26-28 Rev. CAGR vs PE**



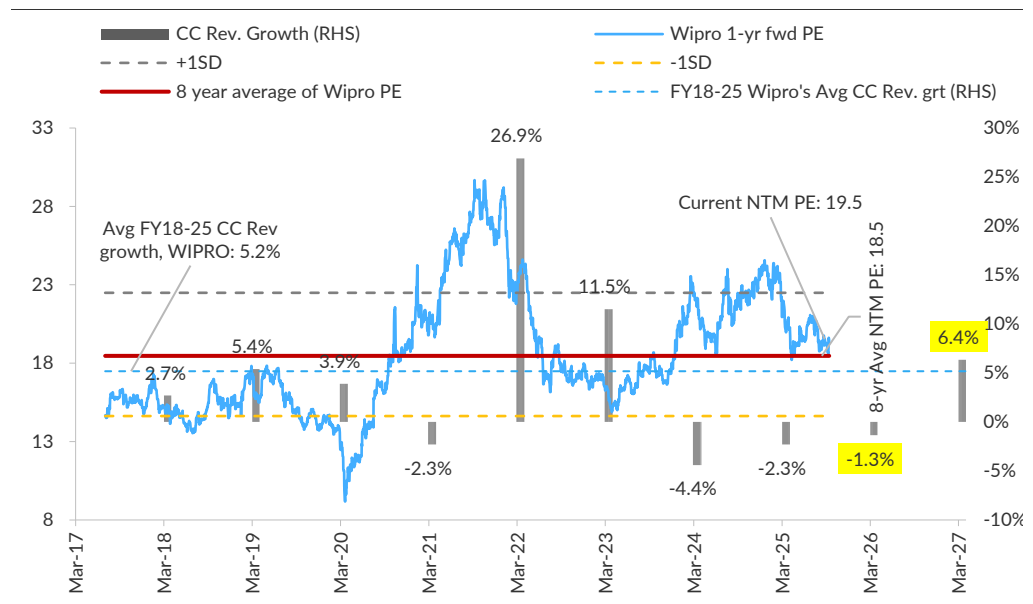
Source: Company, YES Sec

**Exhibit 21: 1-yr forward PE v/s EPS growth**



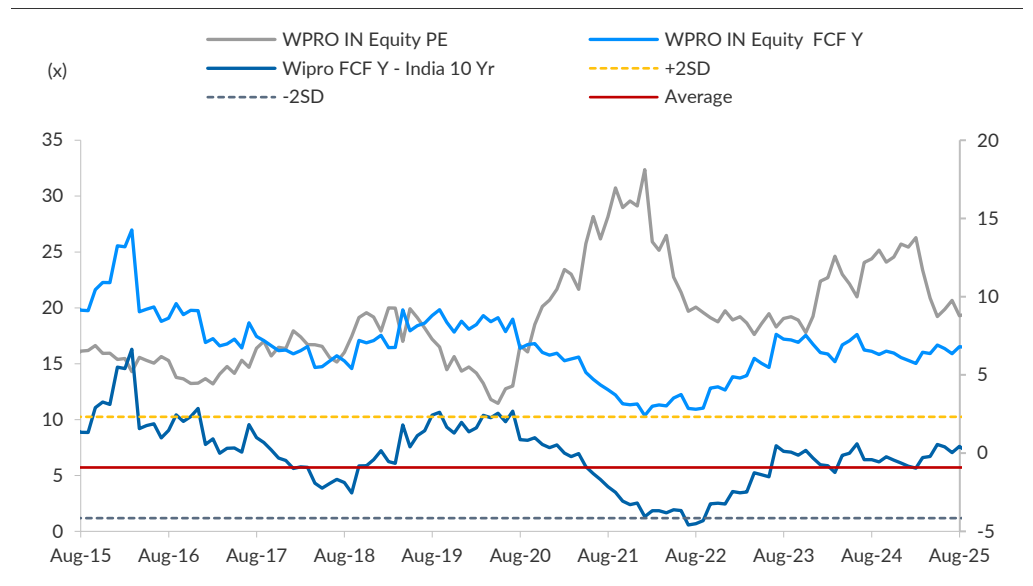
Source: Company, YES Sec

**Exhibit 22: 1-yr forward PE v/s CC Revenue Growth**



Source: Company, YES Sec

**Exhibit 23: P/E vs FCF Yield Spread**



Source: Company, YES Sec

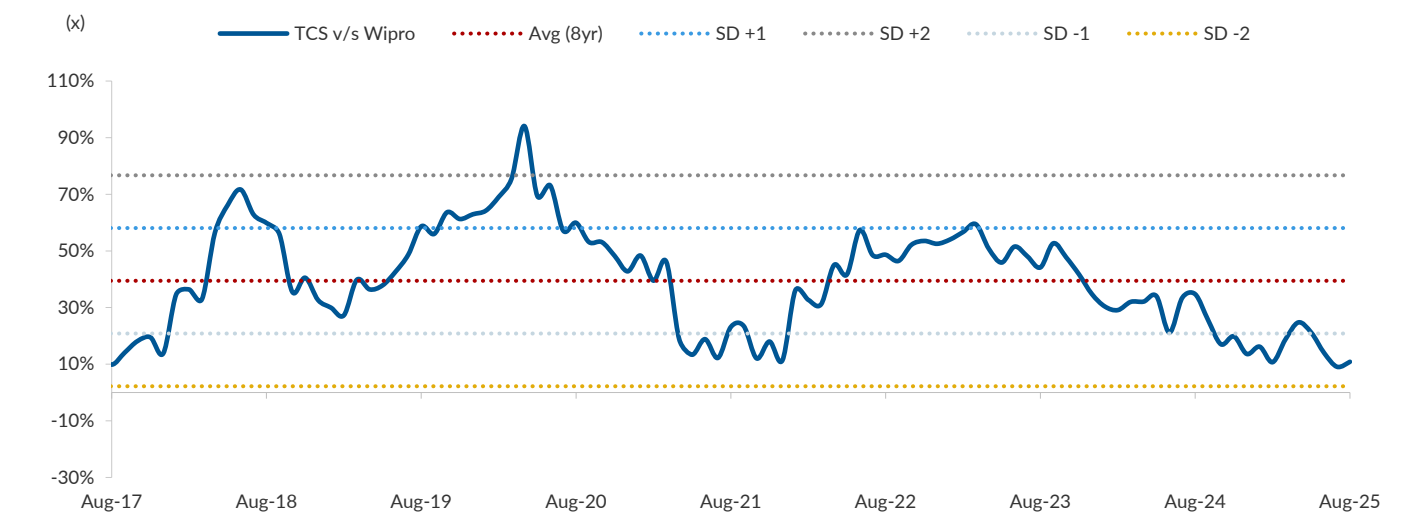
The charts indicate that Wipro's one-year forward P/E multiples have historically shown closer alignment with subsequent constant currency (CC) revenue growth than with earnings growth.

Wipro currently trades at 19.5x 1-year forward P/E, modestly above its 8-year historical average of 18.5x. We expect CC USD revenue growth to rebound to 6.4% in FY27, higher than the long-term average, after a weak -1.3% in FY26. EPS growth is also expected to improve, rising from 4.2% in FY26 to 4.7% in FY27, providing additional support to valuations.

From a free cash flow yield perspective, Wipro's FCF yield stands at 6.7%, with spreads consistently near the long-term average. This suggests limited scope for further downside.

Considering the expected rebound in growth, gradual improvement in earnings, and stable cash flow profile, we assign Wipro a 21x multiple, reflecting confidence in its growth recovery trajectory.

**Exhibit 24: TCS/Wipro: 1-year forward P/E (x) chart**



Source: Company, YES Sec

## FINANCIALS

**Exhibit 25: Income Statement**

(Rs mn)	FY22	FY23	FY24	FY25	FY26E	FY27E
Con. Revenues(USD mn)	10,588	11,121	10,826	10,562	10,497	11,182
% growth	26.1	5.0	-2.6	-2.4	-0.6	6.5
% CC growth	26.9	11.5	-4.4	-2.3	-1.3	6.4
Exchange rate (INR/USD)	75	80	83	85	87	88
Con. Revenues (Rs mn)	790,934	904,876	897,603	890,884	915,181	980,229
% growth	27.7	14.4	-0.8	-0.7	2.7	7.1
Costs of revenues	524,961	611,995	597,425	588,566	619,011	661,047
Gross Profit	265,973	292,881	300,178	302,318	296,170	319,181
Gross margin	33.6	32.4	33.4	33.9	32.4	32.6
SG&A costs	101,317	124,296	130,347	121,843	118,072	126,464
EBITDA	164,656	168,585	169,831	180,475	178,097	192,717
EBITDA margin	20.8	18.6	18.9	20.3	19.5	19.7
% growth (bps)	-301.3	-218.7	29.0	133.7	-79.8	20.0
D&A Expense	30,911	33,402	34,071	29,579	28,367	30,554
EBIT	133,745	135,183	135,760	150,896	149,731	162,163
EBIT margin	17.2	14.9	15.1	16.9	16.4	16.5
% growth (bps)	-216.7	-224.7	18.5	181.3	-57.7	18.3
Other Income	17,473	12,580	11,684	23,464	29,934	27,627
Profit before tax	151,218	147,763	147,444	174,360	179,665	189,790
Tax	28946	33992	34905	42777	42815	46498
Minority Interest	138	165	669	651	244	244
Share in earnings/(losses) of affiliates	57	(57)	(233)	269	200	200
Net PAT	122,191	113,549	111,637	131,201	136,805	143,247
PAT margin	15.4	12.5	12.4	14.7	14.9	14.6
EPS (Rs)	22.3	20.7	21.3	12.5	13.0	13.7

Source: Company, YES Sec

**Exhibit 26: Balance Sheet**

(Rs mn)	FY22	FY23	FY24	FY25	FY26E	FY27E
Share Capital	10,964	10,976	10,450	20,944	20,965	20,965
Reserves and Surplus	647,194	770,188	739,433	807,365	794,358	780,524
Minority Interest	515	589	1,340	2,138	1,871	2,115
<b>Total Equity</b>	<b>658,673</b>	<b>781,753</b>	<b>751,223</b>	<b>830,447</b>	<b>817,194</b>	<b>803,604</b>
<b>Current Liabilities</b>						
Short-term borrowings	95,233	88,821	79,166	97,863	126,766	126,766
Accounts payable	100,980	90,644	90,165	88,252	88,187	94,455



(Rs mn)	FY22	FY23	FY24	FY25	FY26E	FY27E
Unearned revenues	27,915	22,682	17,653	20,063	20,739	20,739
Current tax liabilities	13,231	18,846	21,756	34,481	45,113	45,113
Derivative liabilities	633	3,004	562	968	1,326	1,326
Provisions	825	959	372	1,637	1,751	1,751
Lease liabilities	9,056	8,620	9,221	8,025	7,993	7,993
Other current liabilities	60,504	34,356	33,567	34,964	43,269	46,344
<b>Total current liabilities</b>	<b>308,377</b>	<b>267,932</b>	<b>252,462</b>	<b>286,253</b>	<b>335,144</b>	<b>344,487</b>
<b>Non-current liability</b>						
Long term debt	56,463	61,272	62,300	63,954	-	-
Deferred tax liabilities	12,141	15,153	17,467	16,443	15,551	15,551
Non-current tax liability	17,818	21,777	37,090	42,024	41,567	41,567
Provisions	1	-	-	294	263	263
Lease liabilities	15,177	15,953	13,962	22,193	23,977	23,977
Other liabilities	10,532	11,982	17,955	24,912	23,820	23,820
<b>Total liabilities</b>	<b>420,509</b>	<b>394,069</b>	<b>401,236</b>	<b>456,073</b>	<b>440,322</b>	<b>449,665</b>
<b>Total Liabilities &amp; Equity</b>	<b>1,079,182</b>	<b>1,175,822</b>	<b>1,152,459</b>	<b>1,286,520</b>	<b>1,257,516</b>	<b>1,253,269</b>
<b>Assets</b>						
Cash and Cash Equivalents	345,491	401,112	408,124	533,448	471,225	441,985
Accounts receivables	119,984	127,213	119,522	118,044	121,440	130,072
Unbilled revenues	81,456	83,516	78,199	80,075	85,250	91,309
Inventories	1,334	1,188	907	694	585	627
Derivative asset	3,032	1,844	1,333	1,820	912	912
Current tax asset	2,373	5,091	6,484	6,417	6,760	6,760
Other current assets	71,847	41,995	40,138	37,576	50,753	54,360
<b>Total current assets</b>	<b>625,517</b>	<b>661,959</b>	<b>654,707</b>	<b>778,074</b>	<b>736,925</b>	<b>726,025</b>
Property, plant & equipment, net	90,898	88,659	81,608	80,684	88,379	95,032
Lease assets	18,870	18,702	17,955	25,598	27,121	27,121
Investments in affiliates	774	780	1,044	1,327	1,382	1,382
Investment securities	19,109	20,720	21,629	26,458	27,585	27,585
Derivative asset	6	29	25	-	2	2
Non-current tax assets	10,256	11,922	9,043	7,230	6,441	6,441
Deferred tax assets	2,298	2,100	1,817	2,561	2,515	2,515
Intangible assets, net	43,555	43,045	32,748	27,450	25,916	25,916
Goodwill	246,989	307,970	316,002	325,014	328,439	328,439
Other assets	20,910	19,936	15,881	12,124	12,811	12,811
<b>Total assets</b>	<b>1,079,182</b>	<b>1,175,822</b>	<b>1,152,459</b>	<b>1,286,520</b>	<b>1,257,516</b>	<b>1,253,269</b>

Source: Company, YES Sec

## Exhibit 27: Cash Flow

(Rs mn)	FY22	FY23	FY24	FY25	FY26E	FY27E
PBT	122,329	113,665	111,121	132,180	137,049	143,491
Depreciation and amortisation expense	30,911	33,402	34,071	29,579	28,367	30,554
Others	142,060	141,973	139,454	155,748	179,865	189,990
Operating profit before WC changes	172,971	175,375	173,525	185,327	208,231	220,544
Changes in WC	(36,488)	(14,556)	18,051	10,274	14,100	5,179
Cash generated from operations	136,483	160,819	191,576	195,601	222,331	225,723
Net Income taxes paid	(25,686)	(30,218)	(15,360)	(26,175)	(42,815)	(46,498)
<b>Cash flow from operations</b>	<b>110,797</b>	<b>130,601</b>	<b>176,216</b>	<b>169,426</b>	<b>179,516</b>	<b>179,225</b>
Capex (Net)	(19,417)	(14,288)	(6,188)	(13,215)	(17,975)	(6,653)
Amount paid for acquisitions	(129,846)	(45,555)	(5,291)	(964)	-	-
Other investing activities	(75,232)	(24,222)	23,159	(66,551)	-	-
<b>Cash flow from investing activities</b>	<b>(224,495)</b>	<b>(84,065)</b>	<b>11,680</b>	<b>(80,730)</b>	<b>(17,975)</b>	<b>(6,653)</b>
Buyback/ issuance of shares	-	-	(145,173)	-	-	-
Dividend paid	(6,602)	(32,814)	(5,540)	(62,750)	(209,442)	(157,081)
Other financing activities	53,188	(28,067)	(31,854)	(1,213)	-	-
<b>Cash from financing activities</b>	<b>46,586</b>	<b>(60,881)</b>	<b>(182,567)</b>	<b>(63,963)</b>	<b>(209,442)</b>	<b>(157,081)</b>
Change in cash balance	(67,112)	(14,345)	5,329	24,733	(47,900)	15,490
Opening cash balance	169,663	103,833	91,861	96,951	121,974	74,074
Exchange difference on translation of foreign currency C&CE	1,282	2,373	(239)	290	-	-
<b>Closing cash balance</b>	<b>103,833</b>	<b>91,861</b>	<b>96,951</b>	<b>121,974</b>	<b>74,074</b>	<b>89,564</b>

Source: Company, YES Sec

## Exhibit 28: Ratios

(%)	FY22	FY23	FY24	FY25	FY26E	FY27E
<b>Per share numbers (Rs)</b>						
Reported earnings	11.6	11.3	11.7	13.9	14.2	14.7
Dividend	3.0	1.0	12.3	12.0	20.0	15.0
Book Value	60.0	71.2	70.4	79.0	77.7	76.4
<b>Valuations (x)</b>						
P/E	21.6	22.3	21.6	18.0	17.7	17.1
EV / EBITDA	15.6	14.9	14.7	13.2	13.5	12.7
EV/Sales	3.2	2.8	2.8	2.7	2.6	2.5
<b>Profitability Ratios</b>						
Gross margin	33.6	32.4	33.4	33.9	32.4	32.6
EBITDA margin	20.8	18.6	18.9	20.3	19.5	19.7

(%)	FY22	FY23	FY24	FY25	FY26E	FY27E
PAT margin	15.4	12.5	12.4	14.7	14.9	14.6
<b>Return Ratios</b>						
ROCE (pre-tax)	18.8	15.5	14.9	16.0	15.5	17.3
ROA	13.4	11.0	10.7	12.0	11.7	12.6
ROE	21.1	17.2	16.2	18.5	18.1	19.5
<b>Turnover ratios</b>						
Debtors days	50.4	49.9	50.2	48.7	47.8	46.8
<b>Cash Conversion Ratios</b>						
OCF/EBITDA	67.3	77.5	103.8	93.9	100.8	93.0
FCF/PAT	-31.5	62.3	147.6	118.3	118.1	120.5

Source: Company, YES Sec

# HCL Technologies

## Fastest growing large cap; Margins strained

We initiate coverage on HCL Technologies with a **NEUTRAL** rating, supported by its differentiated strength in IMS (46% of revenues), a portfolio well aligned to structural drivers such as legacy modernization and GenAI-led transformation. While our analysis of book-to-bill ratios and conversion patterns indicates a softer near-term revenue trajectory, this primarily reflects the spillover of two large deal wins into 2QFY26, which depresses 1QFY26 conversion optics. HCLT also enjoys relatively stronger positioning in ER&D services versus peers, providing additional growth resilience. Accordingly, we project FY26 constant currency revenue growth of 4.35% (upper end of management's 3–5% guidance) and expect HCLT to remain the fastest-growing Tier-1 IT services company through FY26–28. On the flip side, its vertical mix poses challenges, with below-average exposure to high-growth BFSI (22.6% of revenues in 1QFY26) and above-average reliance on manufacturing (18.6%), leaving it more exposed to EU Automotive weakness. Margin pressures persist, led by suboptimal utilization, skill mismatch, and elevated GenAI investments; we remain 27–75bps below consensus on EBIT margins for FY26–28. We assign a 22.5x multiple (10% discount to TCS) on 2QFY27–1QFY28 EPS, deriving a target price of ₹1,592, which balances HCLT's superior medium-term growth prospects and digital depth against its weaker near-term visibility.

**Structural Differentiation via IMS: Legacy Modernization Tailwinds:** HCLT remains one of the most differentiated large-cap Indian IT firms, with 46% of revenues from IMS services (vs 11% for TCS, 8% for Infosys, 25% for Wipro). This deep exposure positions it at the center of the structural legacy modernization and data transformation cycle, areas where GenAI is accelerating adoption. Partnerships with Microsoft (Azure OpenAI), SAP (RISE validation), and NVIDIA (AI labs, sovereign/agent AI) have also expanded rapidly (Exhibit 19, GenAI section), with 20k+ employees trained on GenAI tools. We believe this strengthens its competitive moat in modernization-heavy workloads and ensures that GenAI productivity is reinvested into larger scopes of work rather than immediate revenue deflation.

**Orderbook & Growth Outlook: Momentum Slowing but Still Best Among Peers:** Despite its structural strengths, near-term indicators have softened. HCL's 1QFY26 TCv was only \$1.8bn, down 7.6% YoY, while book-to-bill and conversion metrics have weakened (correlation low across quarterly lags, Exhibit 4). BFSI exposure remains relatively low at 22.6% (vs peers ~30–33%), while manufacturing at 18.6%—with high Europe concentration—creates vulnerability due to Automotive weakness. We forecast FY26E CC revenue growth at 4.35%, at the higher end of management's 3–5% guidance. Over FY26–28, we expect HCLT to remain the **fastest-growing large-cap IT firm**, aided by accelerated GenAI adoption, IMS-heavy positioning, and higher exposure to data modernization.

**Margins may remain weak:** Our EBIT margin forecasts of 16.4%/16.5%/16.3% for FY26–28 are 27–75 bps below consensus. This reflects sustained investments in GenAI platforms (AI Force, Foundry, Labs) and wage inflation from specialist AI hiring at 3–4x fresher salaries. There has been fear about renewals facing revenue deflation due to GenAI related productivity bake-in. That said, productivity pass-through in renewals is being balanced by clients giving more scope, as reiterated in 1QFY26 commentary.

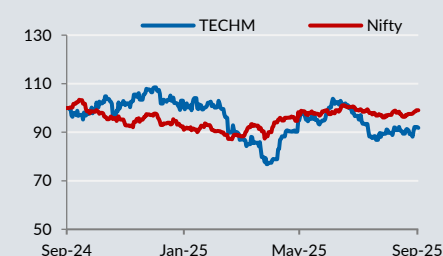
**Valuation: Premium vs Peers, Re-Rating Limited:** HCLT currently trades at a 1-year fwd PE 25% above its 10-year average and at a 1% premium to TCS. It also looks overvalued on our analysis of change in EPS expectations vs change in multiples (Exhibit 10). We assign a 22.5x multiple (~10% discount to TCS's 26.5x) vs a 3-year average discount of ~20%, reflecting superior medium-term growth but lower near-term visibility. This implies a target price of ₹1,592, offering ~8.6% upside. We therefore initiate with **NEUTRAL** rating, balancing **GenAI/IMS-driven medium-term outperformance** with **near-term margin compression and orderbook weakness**.

Reco	: <b>NEUTRAL</b>
CMP	: Rs 1,467
Target Price	: Rs 1,592
Potential Return	: +8.6%

### Stock data (as on Sep 15, 2025)

Nifty	25,069
52 Week h/l (Rs)	2005 / 1303
Market cap (Rs/USD mn)	3975093 / 45095
Outstanding Shares (mn)	2,709
6m Avg t/o (Rs mn):	4,833
Div yield (%):	4.1
Bloomberg code:	HCLT IN
NSE code:	HCLTECH

### Stock performance



	1M	3M	1Y
Absolute return	-1.6%	-13.5%	-18.8%

### Shareholding pattern (As of Jun'25 end)

Promoter	60.8%
FII+DII	34.8%
Others	4.3%

### Financial Summary

(Rs mn)	FY25	FY26E	FY27E
Net Rev.	1,170,550	1,282,224	1,375,125
YoY Gr.	6.5	9.5	7.2
EBITDA	255,050	257,172	278,831
EBITDA (%)	21.8	20.1	20.3
EBIT	214,210	222,830	246,488
EBIT (%)	18.3	17.4	17.9
PAT	169,588	174,491	193,053
YoY Gr.	10.8	0.3	10.6
ROE	24.6	25.1	27.3
EPS	62.5	64.3	71.2
P/E	23.4	22.8	20.6

### SHUBHAM AGRAWAL

Lead Analyst

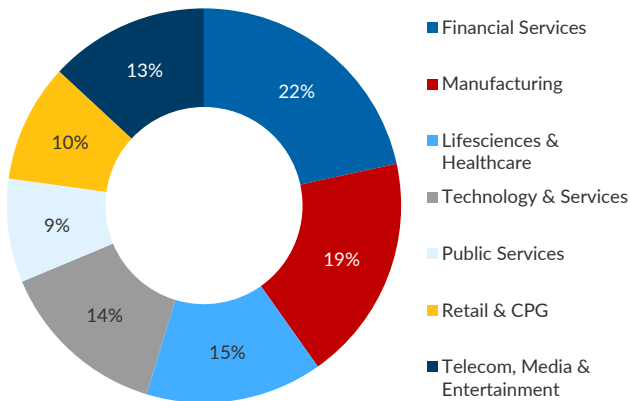
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AARSHA BIJU, Associate

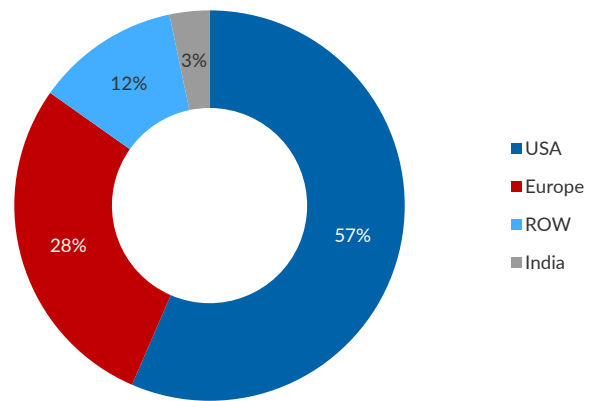
## STORY IN CHARTS

**Exhibit 1: Revenue Mix by Vertical (Q1FY26)**



Source: Company, YES Sec

**Exhibit 2: Revenue Mix by Geography (Q1FY26)**



Source: Company, YES Sec

**Exhibit 3: Service Line Revenue Mix (% of Total Revenue)**

Service Line	TCS	Infosys	Wipro	HCLT	TechM	LTIM
Application development and maintenance	52	47	47	33	37	48
Infrastructure management services	11	8	25	46	13	4
Business Process Outsourcing	8	4	8	5	5	0
Cloud migration and SaaS implementation	18	32	12	12	29	46
Consulting	11	9	8	5	17	2

High IMS exposure compared to peers

Source: Company, YES Sec, Bloomberg

**Exhibit 4: HCLT: Conversion slows down as book to bill worsens and revenue growth peaks**

Headers	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26
TTM Book-to-bill [A]	0.70	0.66	0.86	0.81	0.73	0.76	0.68	0.69	0.67	0.65
Revenue growth (YoY) [B]	17.74%	12.07%	8.05%	6.54%	7.11%	6.70%	8.21%	5.08%	6.13%	8.17%
Correlation between [A] and [B] with [B] lagging by:										
0 quarters	-0.14	0.03	-0.01	-0.18	-0.07	0.01	-0.07	-0.33	-0.21	0.12
1 quarters		0.19	0.43	0.13	0.00	0.13	0.26	0.22	-0.13	-0.08
2 quarters			0.12	0.43	0.23	-0.02	0.15	0.38	0.34	-0.10
3 quarters				0.29	0.48	0.25	-0.18	0.05	0.42	0.13
4 quarters					0.38	0.58	0.37	-0.26	-0.04	0.18

Source: Company, YES Sec

## Exhibit 5: HCLT – Senior Management Tenure Profile

Name	Designation	Joined	Tenure (Years)
C Vijayakumar	Chief Executive Officer & Managing Director	1994	31.4
Shiv Walia	Chief Financial Officer	1993	32.4
Rahul Singh	Chief Operating Officer, Corporate Functions	2010	15.3
Ramachandran Sundararajan	Chief People Officer	2006	19.5
Ajay Bahl	Chief Growth Officer, Americas, Mega Industries	1998	27.3
Ajit Kumar	Chief Information Officer	2013	12.1
Anil Ganjoo	Chief Growth Officer, Americas, TMT and RCPG Industries	1995	30.6
Arjun A. Sethi	Chief Growth Officer, Strategic Segments	2024	0.9
Ashish Kumar Gupta	Chief Growth Officer, Europe & Africa, Diversified Industries	1995	30.3
Hari Sadarahalli	Corp. VP & Global Head, Engineering & R&D Services	2012	13.6
Jagadeshwar Gattu	President, Digital Foundation Services	2007	18.6
Jill Kouri	Chief Marketing Officer	2021	4.1
Kalyan Kumar	Chief Product Officer, HCLSoftware	2012	12.7
Kevin McGee	Corp. VP, Risk & Compliance	2014	10.9
Nidhi Pundhir	VP & Global Head, CSR	2016	9.3
Raghu Kidambi	Corp. VP & Global Head, Digital Process Operations	2021	4.4
Pawan Vadapalli	Corp. VP & Global Head, Digital Business Services	2009	16.2
Rajiv Shesh	Chief Revenue Officer, HCLSoftware	1997	28.5
Shrikanth Shetty	CGO, Americas, Life Sciences & Healthcare Industries	1997	28.5
Srinivasan Seshadri	CGO & Global Head, Financial Services	2003	22.6
Sriram Hariharan	Exec. VP, Strategy, Corp. Dev. & Business Enablement	2017	8.2
Vijay Guntur	Chief Technology Officer & Head of Ecosystems	1997	27.9
<b>Average</b>			<b>18.4</b>
<b>Median</b>			<b>17.4</b>

Source: Company, YES Sec

## Exhibit 6: HCLT EBIT Margins: Always at the lower end of the guidance

Quarter	Actual Operating Margin (%)	Aspirational Margin Band	How they aim to achieve it	Other Margin-Related Commentary
Q2 FY21 (Oct 16, 2020)		20%–21% (FY21)	Automation, right-shoring, supply chain efficiencies, cost management, employee growth (learning, salary increments), sales & marketing investments.	22-quarter high margin. Wage hikes from Oct. P&P sales team investments may lower margins in near term.
Q3 FY21 (Jan 15, 2021)	21.3%	20%–21% steady state	SG&A leverage (+80 bps), offshoring (+50 bps), continued SG&A & sales hiring, cross-selling software + services.	Highest net income (low tax). 40 bps catch-up in Mode-2. Salary increments to hit next quarter (-80–90 bps). P&P weaker in March qtr.
Q4 FY21 (Apr 23, 2021)		19%–21%	Investing 100 bps in geographies, Mode-2, talent, delivery locations. Wage cycle from July.	\$100M milestone bonus hit comps. Margin drop due to wage (-16 bps), P&P seasonality (-73 bps), fresher hiring/investments (-61 bps), FX (-21 bps). One-time tax liability. Investments expected to scale revenues.
Q1 FY22 (Jul 19, 2021)		19%–21%	Expansion into Germany, France, Australia, Canada, Japan, South Korea, Taiwan, Vietnam, Spain, Portugal, Brazil, Mexico. Scaling P&P sales, digital engineering.	Margins hit by pandemic costs (-90 bps), hiring/retention (-35 bps), new markets/R&D (-30 bps). P&P down 1%. Large deals dilutive initially.
Q2 FY22 (Oct 14, 2021)		19%–21%	Margin levers: headcount control, monetizing employee additions, P&P recovery expected.	P&P revenue declined 5.5% YoY (deal deferment). Wage hikes, attrition, training costs offset by other factors. ETR favorable.

Quarter	Actual Operating Margin (%)	Aspirational Margin Band	How they aim to achieve it	Other Margin-Related Commentary
Q3 FY22 (Jan 14, 2022)	18.9%	Guidance; aspire 19%–21% (FY23)	Doubling fresher intake, automation, productivity, higher rates, new geography results. Seasonal leave recovery expected next qtr.	Flat margins; services margin -190 bps due to wage (-80 bps), leave (-65 bps), ramp-up (-30 bps), supply chain (-15 bps), travel (-10 bps). Offsets: leverage (+60 bps), FX (+20 bps). P&P margin 32%.
Q4 FY22 (Apr 21, 2022)		18%–20% (FY23); aspire 19%–20%	Talent model transformation: fresher hiring, nearshore scale-up, training, rate hikes. Pyramid optimization.	Margin dip due to investments. Services margin +85 bps seq. (leave recovery +65 bps, ops efficiency +20 bps). Offset by P&P seasonality (-178 bps).
Q1 FY23 (Jul 12, 2022)		18%–20% (low end)	Revenue/cost levers, innovative pricing, fresher billing, pyramid optimization, wage increases.	Margins pressured by talent cost, transitions. Services margin -180 bps QoQ. Travel/visa costs back. Q1 typically trough.
Q2 FY23 (Oct 12, 2022)		18%–19% (FY23); aspire 19%–20%	Bill rate program, fresher deployment, pyramid optimization, utilization, FX, leverage.	Margin +93 bps QoQ despite hikes. Services margin +134 bps. Wage hike absorbed. Furloughs factored for H2.
Q3 FY23 (Jan 12, 2023)	18.2%	18%–18.5% (FY23)	Pyramid optimization, fresher billing (+40 bps), realization improvements (+30 bps), FX (+70 bps).	HCLSoftware +157 bps EBIT contribution. Higher furloughs. New deals higher-margin. Attrition moderating. Q4 seasonally weaker.
Q4 FY23 (Apr 20, 2023)		18%–19% (FY24); aspire 19%–20%	Fresher adoption, utilization, pyramid efficiency, realization improvement, vendor consolidation, offshoring.	EBIT rose from 17% (Q1) → 18.1% (Q4). Margin drop in Q4 from HCLSoftware seasonality (-125 bps). Services margin -30 bps.
Q1 FY24 (Jul 12, 2023)		18%–19% (FY24); aspire 19%–20% medium term	Cost cuts, deferred wage hikes, skipping senior increments, productivity releases, faster pipeline conversion.	Weak Q1; utilization dipped. EBIT flat YoY. ER&D, ITBS weak. Amortization benefit. Environment tough for margin expansion.
Q2 FY24 (Oct 12, 2023)		18%–19% (FY24)	Productivity/utilization (+100 bps, less contractors), discretionary cost cuts (+50 bps), overhead reduction (+70 bps), fresher hiring.	Margin +154 bps QoQ. Services margin +212 bps. Software weaker YoY. Wage hikes deferred to Q3/Q4.
Q3 FY24 (Jan 12, 2024)	18.2%	18%–19% (FY24); aspire 19%–20%	Margin +126 bps QoQ, mainly from software (+180 bps). Services margin -50 bps (wage -65 bps, FX +15 bps).	Highest-ever EBIT & net income. Software outperformance drove margins. Environment still tough.
Q4 FY24 (Apr 26, 2024)		18%–19% (FY25); aspire 19%–20%	Cost structure shaping, fresher hiring with spend recovery, incremental new country investments.	Q4 margin impacted by travel/marketing (-25 bps) and FX. FY24 margin 18.2%. EBITDA 24%. FY25 growth expected lower.
Q1 FY25 (Jul 12, 2024)		18%–19% (FY25)	Recover ER&D margins, multiple levers for efficiency.	Seasonally soft Q1. FS declined due to offshoring. ER&D decline in Manufacturing/Med-Tech. State Street divestiture to impact Q2. Wage hikes under discussion.
Q2 FY25 (Oct 14, 2024)		18%–19% (FY25)	DSO improvement, GenAI-led productivity, pyramid optimization, software growth (HCL Unica).	EBIT +126 bps QoQ. Services margin +1.6%. Software margins strong (25%). Wage hikes to impact Q3/Q4.
Q3 FY25 (Jan 13, 2025)	18.3%	18%–19% (FY25)	Project Ascend (+100 bps), wage hikes (-80 bps), furloughs (-14 bps), CTG costs (-20 bps), FX (+80 bps).	Software EBIT 34.5% (all-time high). Software -2.1% YoY, but QoQ strong. Seasonal peak in Q3.
Q4 FY25 (Apr 22, 2025)		18%–19% (FY26)	Project Ascend, portfolio diversification, strategic investments.	FY25 margin +7 bps YoY. Q4 margin 17.9% due to software seasonality (-124 bps). Services margin -38 bps (increments -50 bps, FX +46 bps).
Q1 FY26 (Jul 14, 2025)		17%–18% (FY26); aspire 19%–20%	Long-term growth focus, no investment cuts (sales, GenAI, capacity). Restructuring program. Utilization improvement planned. Agentic AI for efficiency.	Q1 margins soft (seasonality + sales/marketing +30 bps, utilization -80 bps, client bankruptcy -30 bps, software mix -20 bps, no FX). Commitment to return to 19–20% normal range.

Source: Company, YES Sec



## Exhibit 7: Top 30 US Clients of HCLT (based on 3 year sum)

Client Name	Sector	Client Description
United Services Automobile Association (USAA)	Financial Services	A member-owned financial services group offering insurance, banking, and investment products primarily to military personnel and their families.
Verizon	Telecom, Media and Entertainment	A leading US telecom provider delivering wireless, broadband, and enterprise digital services.
T-Mobile	Telecom, Media and Entertainment	A major US wireless carrier providing mobile and broadband connectivity services.
Google Inc.	Technology and Services	A global leader in search, digital advertising, cloud, and enterprise technology solutions.
Caterpillar Inc.	Manufacturing	A leading manufacturer of construction and mining equipment, engines, and industrial machinery.
The Boeing Company	Manufacturing	A global aerospace manufacturer producing commercial airplanes, defense systems, and space technology.
Blue Cross & Blue Shield of Rhode Island	Lifesciences and Healthcare	A regional health insurer offering medical and wellness plans under the Blue Cross Blue Shield network.
Collins Aerospace	Manufacturing	A provider of aerospace systems and avionics solutions for commercial and defense markets.
Becton Dickinson	Lifesciences and Healthcare	A global medical technology company specializing in devices, laboratory equipment, and diagnostics.
Merck & Co., Inc.	Lifesciences and Healthcare	A multinational pharmaceutical company engaged in research, development, and production of medicines and vaccines.
Meta Platforms Inc.	Technology and Services	The parent company of Facebook, Instagram, and WhatsApp, focusing on social networking and digital advertising.
Baxter Healthcare Corporation	Lifesciences and Healthcare	A healthcare company providing medical devices, pharmaceuticals, and biotechnology products.
Western Union	Financial Services	A global leader in cross-border, cross-currency money transfer and payment services.
UBS AG	Telecom, Media and Entertainment	A multinational bank providing wealth management, investment banking, and asset management.
Ethicon Endo-Surgery	Lifesciences and Healthcare	A surgical instruments and medical technologies provider specializing in minimally invasive solutions.
Safran Passenger Innovations	Manufacturing	A Safran subsidiary providing in-flight entertainment and connectivity systems for airlines.
Wells Fargo	Financial Services	A diversified US financial services company offering banking, lending, and investment services.
Western Digital Technologies Inc.	Technology and Services	A leading provider of data storage solutions, including hard drives and flash memory.
LinkedIn	Technology and Services	A professional networking platform providing recruitment, advertising, and enterprise solutions.
Adidas Group North America	Retail and CPG	The US arm of Adidas, a global leader in sportswear, footwear, and athletic apparel.
Abbott Laboratories	Lifesciences and Healthcare	A global healthcare company offering diagnostics, nutrition, medical devices, and branded generics.
Xerox Corporation	Technology and Services	A provider of printing, document management, and digital workplace solutions.
Ford Motor Company	Manufacturing	A leading US automaker producing cars, trucks, and mobility solutions worldwide.
PenFed	Financial Services	A federal credit union offering banking, loans, and financial services to members nationwide.
Keurig Dr Pepper	Retail and CPG	A beverage company producing coffee systems, carbonated drinks, and packaged beverages.
HCA Healthcare	Public Services	One of the largest US healthcare providers operating hospitals, surgery centers, and physician networks.
Deutsche Bank AG	Financial Services	A global bank providing investment banking, corporate banking, and asset management services.
IGT Global Solutions Corporation	Technology and Services	A provider of lottery and gaming solutions with operations across the US.
Palo Alto Networks Inc.	Technology and Services	A global cybersecurity company providing network security, cloud security, and threat intelligence.
Northwestern Mutual	Financial Services	A financial services firm providing life insurance, annuities, and wealth management solutions.

Source: Company, YES Sec, U.S. Department of Labor



## VALUATION

Exhibit 8: Y-Sec vs consensus

Rs m	Y- Sec estimates			Consensus estimates			Difference		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenues	1,282,224	1,375,125	1,470,246	1,253,227	1,347,957	1,448,267	2.3%	2.0%	1.5%
EBIT	222,830	246,488	264,196	221,215	247,139	268,371	0.7%	-0.3%	-1.6%
EBIT margin	17.4%	17.9%	18.0%	17.7%	18.3%	18.5%	-27 bps	-41 bps	-56 bps
Net profit	174,491	193,053	207,313	175,407	196,581	212,245	-0.52%	-1.79%	-2.32%
EPS (Rs)	64.3	71.2	76.4	64.6	72.6	78.1	-0.48%	-1.90%	-2.15%

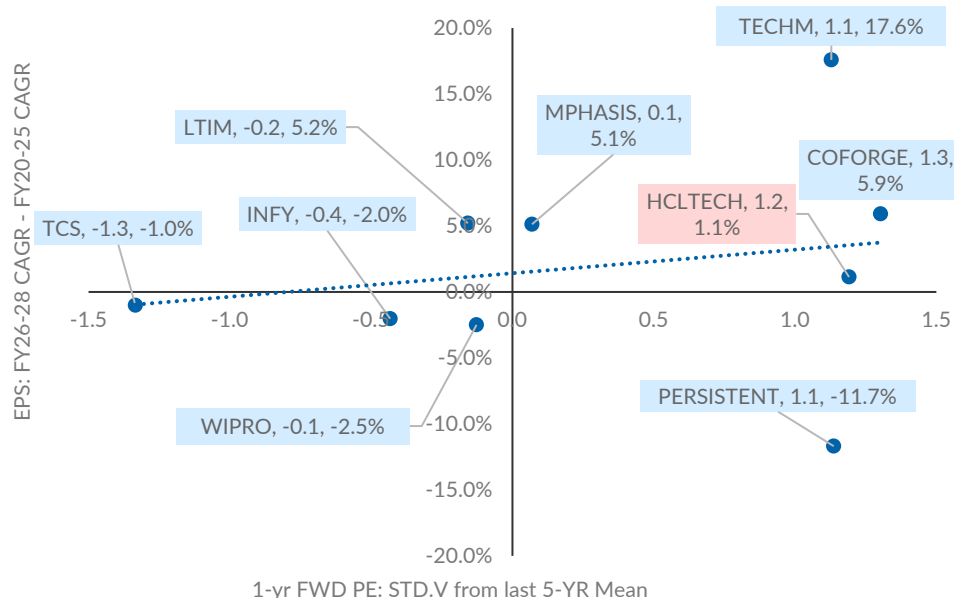
Source: Company, YES Sec, Bloomberg

Exhibit 9: Valuation table

Header	Value	Rationale	Value	Rationale
Base Case			Worst Case	
Q5-Q8 EPS (Rs)	72.4		72.4	
Target Multiple	22.5x	10% discount to TCS	18x	FCF Yield Analysis (Exhibit 13)
Target price (Rs)	1592		1303	
Rating	NEUTRAL			

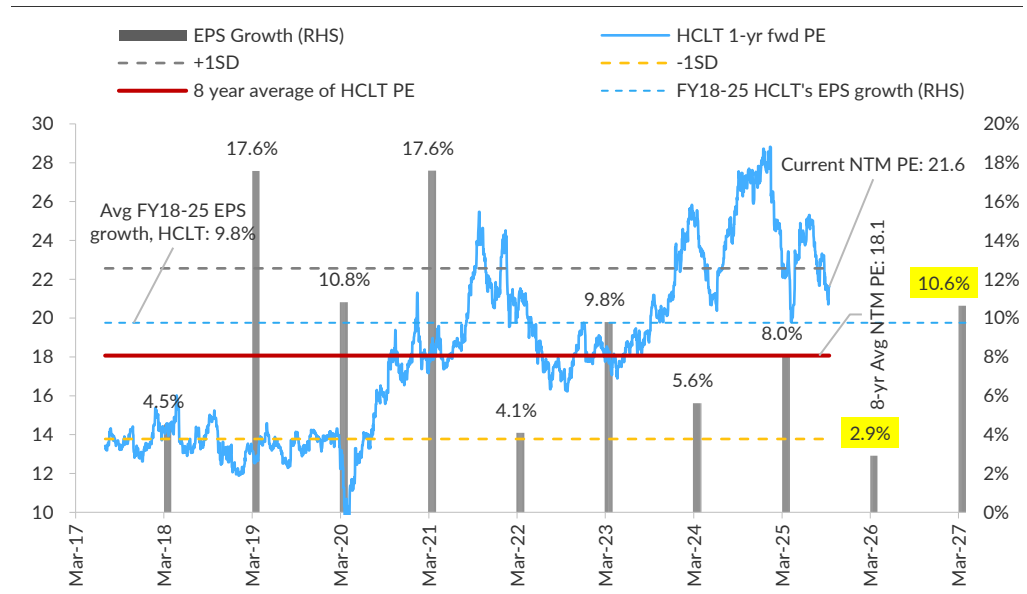
Source: Company, YES Sec

Exhibit 10: Valuations running ahead of earnings expectations



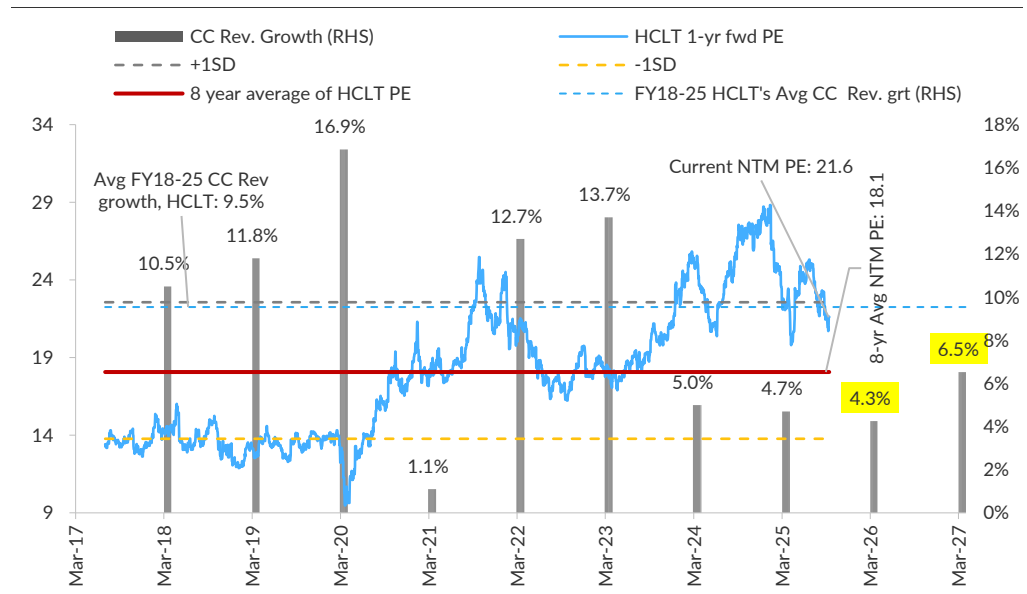
Source: Company, YES Sec

**Exhibit 11: 1-yr forward PE v/s EPS growth**



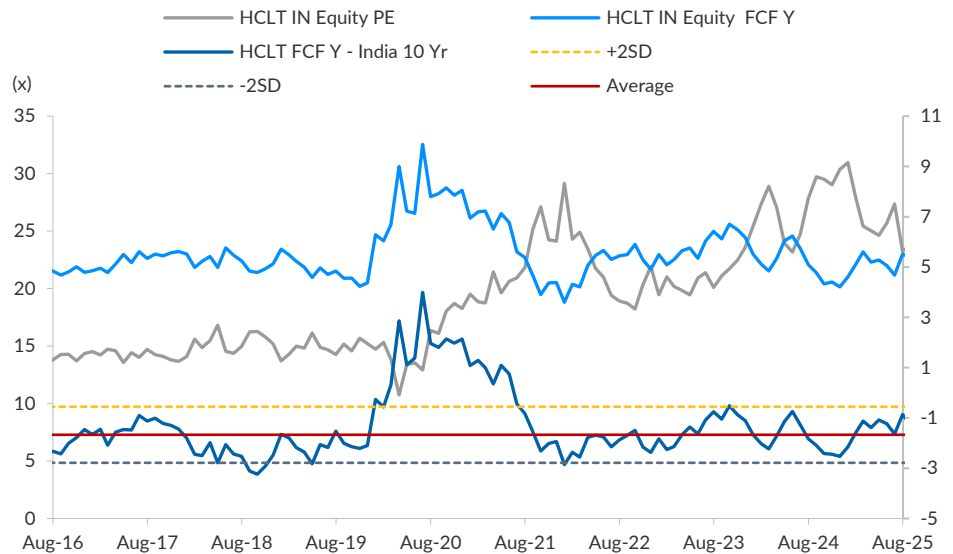
Source: Company, YES Sec

**Exhibit 12: 1-yr forward PE v/s CC Revenue Growth**



Source: Company, YES Sec

**Exhibit 13: P/E vs FCF Yield Spread**



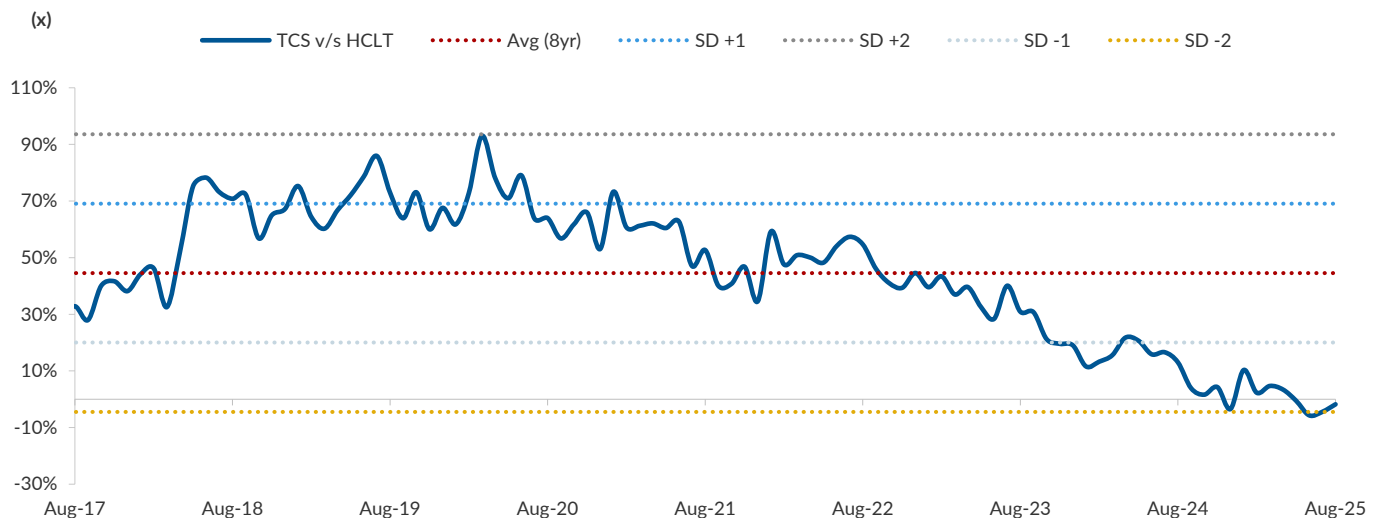
Source: Company, YES Sec

HCLTech currently trades at 21.6x NTM P/E, implying a ~20% premium to its 8-year average and ~25% premium to its 10-year average multiples. While the company's constant currency (CC) revenue growth is projected to improve modestly from 4.3% in FY26 to 6.5% in FY27.

HCLT appears to be overvalued in our 2x2 matrix analysis (See exhibit 10). Specifically, HCLT is trading at 1.2 standard deviations above its 5-year mean 1-year forward P/E, despite only a 1.1% improvement in EPS CAGR expectations (FY26-28 vs FY20-25). This suggests the current re-rating is ahead of fundamental upgrades.

Given the limited scope for further valuation expansion and relative positioning, we assign a 22.5x multiple, implying ~12% downside vs TCS.

**Exhibit 14: TCS/HCLT: 1-year forward P/E (x) chart**



Source: Company, YES Sec

## FINANCIALS

**Exhibit 15: Income Statement**

(Rs mn)	FY22	FY23	FY24	FY25	FY26E	FY27E
Con. Revenues (USD mn)	11,481	12,586	13,270	13,840	14,710	15,687
% growth	12.8	9.6	5.4	4.3	6.3	6.6
% CC growth	12.7	13.7	5.0	4.7	4.3	6.5
Exchange rate (INR/USD)	75	81	83	85	87	88
Con. Revenues (Rs mn)	856,510	1,014,560	1,099,130	1,170,550	1,282,224	1,375,125
% growth	13.6	18.5	8.3	6.5	9.5	7.2
Costs of revenues	547,010	661,550	721,250	778,150	867,708	926,863
Gross Profit	309,500	353,010	377,880	392,400	414,516	448,261
Gross margin	36.1	34.8	34.4	33.5	32.3	32.6
SG&A costs	109,090	126,720	135,880	137,350	157,344	169,430
EBITDA	200,410	226,290	242,000	255,050	257,172	278,831
EBITDA margin	23.4	22.3	22.0	21.8	20.1	20.3
% growth (bps)	-320.8	-109.4	-28.7	-22.9	-173.2	22.0
D&A Expense	38,740	41,450	41,730	40,840	34,342	32,343
EBIT	161,670	184,840	200,270	214,210	222,830	246,488
EBIT margin	18.9	18.2	18.2	18.3	17.4	17.9
% growth (bps)	-244.5	-65.7	0.2	7.9	-92.2	54.6
Other Income	8,560	10,030	9,400	12,649	11,732	12,698
Profit before tax	170,230	194,870	209,670	226,859	234,562	259,186
Tax	34,580	46,420	52,570	57,181	60,031	66,092
Minority Interest	490	-50	80	90	40	40
Net PAT	135,160	148,500	157,020	169,588	174,491	193,053
PAT margin	15.8	14.6	14.3	14.9	13.6	14.0
EPS (Rs)	49.9	54.8	57.9	62.5	64.3	71.2

Source: Company, YES Sec

**Exhibit 16: Balance Sheet**

(Rs mn)	FY22	FY23	FY24	FY25	FY26E	FY27E
Shareholder's Equity	619,140	654,050	682,630	696,550	694,240	719,046
Minority Interest	920	(70)	80	180	230	270
Total Equity	620,060	653,980	682,710	696,730	694,470	719,316
<b>Liabilities</b>						
Total current liabilities	180,140	204,200	215,320	244,710	250,609	264,539
Long term debt	-	-	-	-	-	-

(Rs mn)	FY22	FY23	FY24	FY25	FY26E	FY27E
Total borrowings	39,850	22,510	23,270	22,910	22,930	22,930
Other liabilities	26,700	28,070	42,180	51,240	51,960	51,960
Lease liabilities	23,580	25,350	34,290	39,850	42,620	42,620
<b>Total liabilities</b>	<b>270,270</b>	<b>280,130</b>	<b>315,060</b>	<b>358,710</b>	<b>368,119</b>	<b>382,049</b>
<b>Total liabilities &amp; Equity</b>	<b>890,330</b>	<b>934,110</b>	<b>997,770</b>	<b>1,055,440</b>	<b>1,062,589</b>	<b>1,101,365</b>
<b>Assets</b>						
Cash and cash equivalents	220,830	227,120	279,880	297,380	279,076	299,981
Accounts receivable,s	154,760	195,720	194,830	195,230	211,552	225,600
Unbilled Receivables	56,800	65,586	60,380	63,190	70,755	75,453
Other current assets	50,020	47,344	58,220	65,290	74,403	79,343
<b>Total current assets</b>	<b>482,410</b>	<b>535,770</b>	<b>593,310</b>	<b>621,090</b>	<b>635,785</b>	<b>680,378</b>
Property and equipment, net	57,410	54,110	49,990	45,600	49,641	52,938
Lease assets	23,050	23,370	29,100	30,160	31,630	31,630
Intangible assets, net	271,600	269,110	272,620	286,550	280,863	271,750
Investments	1,120	4,880	3,720	12,970	9,540	9,540
Other assets	54,740	46,870	49,030	59,070	55,130	55,130
<b>Total assets</b>	<b>890,330</b>	<b>934,110</b>	<b>997,770</b>	<b>1,055,440</b>	<b>1,062,589</b>	<b>1,101,365</b>

Source: Company, YES Sec

## Exhibit 17: Cash Flow

(Rs mn)	FY22	FY23	FY24	FY25	FY26E	FY27E
<b>Profit for the year</b>	<b>169,344</b>	<b>194,517</b>	<b>209,638</b>	<b>231,316</b>	<b>174,531</b>	<b>193,093</b>
Depreciation and amortisation expense	43,243	41,423	41,672	40,845	34,342	32,343
Others	838	(967)	2,237	1,048	-	-
<b>Operating profit before WC changes</b>	<b>213,426</b>	<b>234,973</b>	<b>253,547</b>	<b>273,209</b>	<b>208,873</b>	<b>225,437</b>
Changes in WC	(21,555)	(42,164)	(10,257)	(23,725)	37,107	32,919
<b>Cash generated from operations</b>	<b>191,871</b>	<b>192,809</b>	<b>243,290</b>	<b>249,484</b>	<b>245,979</b>	<b>258,356</b>
Net Income taxes paid	-	-	-	-	-	-
<b>Cash flow from operations</b>	<b>191,871</b>	<b>192,809</b>	<b>243,290</b>	<b>249,484</b>	<b>245,979</b>	<b>258,356</b>
Capex (Net)	156	341	258	239	294	303
Amount paid for acquisitions	377	(7,146)	(20,428)	(19,867)	-	-
Other investing activities	9,760	(44,746)	(75,268)	(65,501)	(25,964)	(26,829)
<b>Cash flow from investing activities</b>	<b>9,917</b>	<b>(44,405)</b>	<b>(75,010)</b>	<b>(65,262)</b>	<b>(25,670)</b>	<b>(26,527)</b>
Buyback/ issuance of shares	(8,107)	-	83	(6,767)	-	-
Dividend paid	(113,843)	(129,112)	(140,581)	(162,640)	(173,675)	(168,247)
Other financing activities	(22,503)	(28,514)	(13,423)	(15,814)	-	-
<b>Cash from financing activities</b>	<b>(144,453)</b>	<b>(157,626)</b>	<b>(153,921)</b>	<b>(185,221)</b>	<b>(173,675)</b>	<b>(168,247)</b>

(Rs mn)	FY22	FY23	FY24	FY25	FY26E	FY27E
Change in cash balance	57,335	(9,222)	14,359	(1,000)	46,635	63,582
Opening cash balance	93,575	149,328	136,416	150,618	147,582	194,217
Exchange difference on translation of foreign currency C&CE	(1,582)	(3,690)	(157)	(2,035)	-	-
<b>Closing cash balance</b>	<b>149,328</b>	<b>136,416</b>	<b>150,618</b>	<b>147,582</b>	<b>194,217</b>	<b>257,799</b>

Source: Company, YES Sec

## Exhibit 18: Ratios

(%)	FY22	FY23	FY24	FY25	FY26E	FY27E
<b>Per share numbers (Rs)</b>						
Reported earnings	49.9	54.9	58.0	62.6	64.4	71.3
Dividend	44.0	48.0	52.0	60.0	64.0	62.0
Book Value	228.6	241.3	251.5	256.7	255.9	265.1
<b>Valuations (x)</b>						
P/E	29.4	26.7	25.3	23.4	22.8	20.6
EV / EBITDA	18.9	16.7	15.4	14.5	14.5	13.3
EV/Sales	4.4	3.7	3.4	3.2	2.9	2.7
<b>Profitability Ratios</b>						
Gross margin	36.1	34.8	34.4	33.5	32.3	32.6
EBITDA margin	23.4	22.3	22.0	21.8	20.1	20.3
PAT margin	15.8	14.6	14.3	14.9	13.6	14.0
<b>Return Ratios</b>						
ROCE (pre-tax)	23.5	26.6	27.6	28.2	28.9	31.5
ROA	15.4	16.3	16.3	16.5	16.5	17.8
ROE	21.9	23.3	23.5	24.6	25.1	27.3
<b>Turnover ratios</b>						
Debtors days	83.1	85.1	85.8	80.1	77.0	77.4
<b>Cash Conversion Ratios</b>						
OCF/EBITDA	95.7	85.2	100.5	97.8	95.6	92.7
FCF/PAT	142.4	125.3	142.1	135.5	141.1	134.0

Source: Company, YES Sec

# LTIMindtree

## Revenue to grow; Margin recovery looks tough

We initiate coverage on LTIMindtree (LTIM) with a Neutral rating, anchored on its renewed execution focus and large-deal momentum under the new CEO Venu Lambu. Leadership churns post the LTI-Mindtree merger had constrained growth, but recent structural changes — including the creation of a strategic-deals unit under Nachiket Deshpande — are beginning to yield results, highlighted by LTIM's largest-ever \$450m agribusiness win in 1QFY26. With a strong orderbook (\$1.6bn), Book-to-bill ratio at 1.43x, and conversion metrics flashing green (exhibit xx), we model LTIM 1.5–2% ahead of consensus revenues over FY26–28. Margins, however, remain structurally pressured due to rising employee costs, worsening pyramid (median salaries growing faster than average), higher software/hardware expenses (up from ~1.9% to ~2.8% of revenues), and the dilutive impact of vendor-consolidation and Middle East JV deals. We are therefore 90–150 bps below consensus EBIT margins through FY26–28E, leaving limited scope for re-rating. Valuations already discount much of the revenue upside, with LTIM trading at ~29x 1-yr fwd. PE; we value the stock at 30x 2QFY27–1QFY28 EPS of Rs 184.4, arriving at a TP of Rs 5,531, and see limited upside absent margin recovery.

**New leadership to focus on lacking execution:** LTIM has gone through multiple senior-level changes post the LTI-Mindtree merger, slowing growth momentum. The appointment of Venu Lambu as CEO marks a pivot to tighter execution discipline and focus on stability at top. Simultaneously, the firm created a strategic-deals unit under Nachiket Deshpande, tasked with driving mega-deals, AI-led services, and client consolidation mandates. These moves realign LTIM towards scale and repeatability, setting the foundation for sustained large deal wins.

**Orderbook strong; conversion metric in green:** The orderbook stood at \$1.6bn in 1QFY26 including LTIM's largest-ever \$450m deal in 1QFY26 underscoring its capability to compete for global-scale mandates. Deal themes are dominated by vendor consolidation and cost takeouts, with AI integration as a differentiator. Our deal-conversion framework (Exhibit 5) shows LTIM's book-to-bill and revenue correlations alignment improving in 1QFY26, giving us higher confidence in immediate deal monetization. Therefore, we forecast LTIM's FY26–28 revenue growth to be 1.5–2% above consensus. Client additions in the \$1m+ and \$5m+ buckets also improved in 1QFY26, suggesting better client mining. However, execution risk remains — multi-tower deals typically involve transition costs and higher onsite intensity, which could slow near-term margin realization.

**Margins & Valuation: Structural Headwinds Persist:** Margins tell a different story. EBIT margins have declined steadily over the past four years (Exhibit 52, Margin section), primarily due to (a) employee costs — median salaries rose from ₹9.4L (FY21) to ₹17.4L (FY25), growing faster than average salaries (₹22.2L to ₹29.7L), weakening the pyramid; and (b) other operating costs (software/hardware) rising from ~1.9% to ~2.8% of revenues. Upcoming vendor-consolidation deals, high subcontracting during ramps, and the planned JV in Saudi Arabia (structurally lower margin geography) add to the drag. Multiple failures to achieve the guided band of 17–18% (EBIT Margin) in the past don't give us confidence either (Exhibit 7). We model 90–150bps lower EBIT margins than consensus for FY26–28, even as revenues are higher.

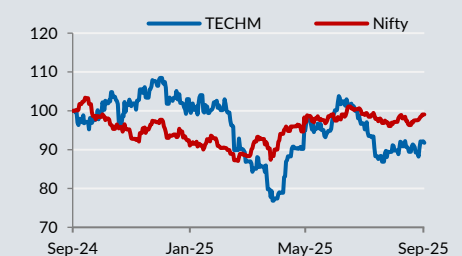
**Valuations discounting the growth ahead:** Valuation multiples already discount much of the growth. LTIM trades at ~30x 1-yr fwd P/E, well above the sector median. Applying a 30x multiple to 2QFY27–1QFY28 EPS of ₹184.4, we derive a TP of ₹5,531, implying 3.5% upside given no margin expansion and revenue growth only modestly above its five-year average.

Reco	: <b>NEUTRAL</b>
CMP	: Rs 5,342
Target Price	: Rs 5,531
Potential Return	: +3.5%

### Stock data (as on Sep 15, 2025)

Nifty	25,069
52 Week h/l (Rs)	6768 / 3802
Market cap (Rs/USD mn)	1580531 / 17934
Outstanding Shares (mn)	296
6m Avg t/o (Rs mn):	1,601
Div yield (%):	1.2
Bloomberg code:	LTIM IN
NSE code:	LTIM

### Stock performance



	1M	3M	1Y
Absolute return	4.6%	-1.6%	-16.7%

### Shareholding pattern (As of Jun'25 end)

Promoter	68.6%
FII+DII	22.8%
Others	8.6%

### Financial Summary

(Rs mn)	FY25	FY26E	FY27E
Net Rev.	380,081	415,281	454,590
YoY Gr.	7.0	9.3	9.5
EBITDA	64,949	68,161	74,686
EBITDA (%)	17.1	16.4	16.4
EBIT	55,034	57,999	63,493
EBIT (%)	14.5	14.0	14.0
PAT	45,987	48,913	52,672
YoY Gr.	0.36	6.36	7.68
ROE	21.5	21.3	21.7
EPS	155.1	165.0	177.6
P/E	34.4	32.4	30.1

### SHUBHAM AGRAWAL

Lead Analyst

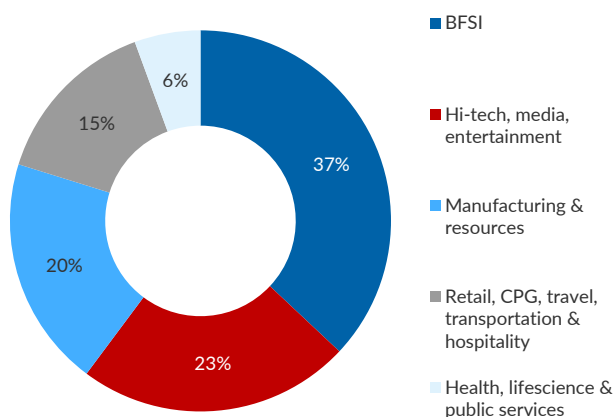
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AARSHA BIJU, Associate

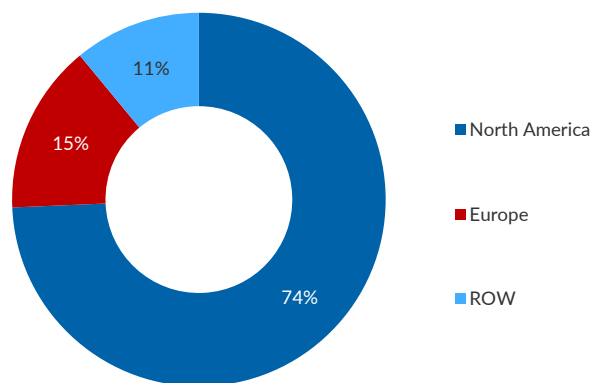
## STORY IN CHARTS

**Exhibit 1: Revenue Mix by Vertical (Q1FY26)**



Source: Company, YES Sec

**Exhibit 2: Revenue Mix by Geography (Q1FY26)**



Source: Company, YES Sec

**Exhibit 3: Service Line Revenue Mix (% of Total Revenue)**

Service Line	TCS	Infosys	Wipro	HCLT	TechM	LTIM
Application development and maintenance	52	47	47	33	37	48
Infrastructure management services	11	8	25	46	13	4
Business Process Outsourcing	8	4	8	5	5	0
Cloud migration and SaaS implementation	18	32	12	12	29	46
Consulting	11	9	8	5	17	2

Source: Company, YES Sec

**Exhibit 4: LTIM – Senior Management Tenure Profile**

Name	Designation	Date of Joining	Tenure (Years)
Venu Lambu	CEO & Managing Director	2020	5.6
Nachiket Deshpande	President – Global AI Services	2018	6.7
Ram Khizamboor	Chief Delivery Officer	2021	4.6
Chetana Patnaik	Chief Human Resources Officer	2012	13.1
Vipul Chandra	Chief Financial Officer	2013	11.8
<b>Average</b>			<b>8.36</b>
<b>Median</b>			<b>6.70</b>

Source: Company, YES Sec



### Exhibit 5: Leadership Changes

Date	Name	Designation	Appointment/ Resignation	Remarks/ Reason
March, 2023	Suresh Bethavandu	Chief People Officer	Resignation	Post-merger leadership exit
March, 2023	Suresh HP	Global Delivery Head - Industry Groups	Resignation	Post-merger leadership exit
March, 2023	Radhakrishnan Rajagopalan	SVP & Global Head of Technology Services	Resignation	Post-merger leadership exit
June, 2023	Siddharth Bohra	Chief Business Officer - Digital Business	Resignation	Post-merger leadership exit
September, 2023	Dinesh Bajaj	Senior VP & Business Officer	Resignation	Post-merger leadership exit
October, 2023	Paresh Vankar	Chief Marketing Officer	Resignation	Post-merger leadership exit
April, 2024	Vinit Teredesai	CFO	Resignation	Joined Persistent Systems as its CFO; He was the CFO of Mindtree before merger
April, 2024	Pankaj Chugh	Executive vice president, global sales	Resignation	
April, 2024	Gregory Dietrich	Executive vice president, global sales	Resignation	
January, 2025	Sudhir Chaturvedi	President of global markets	Resignation	Joined NTT Data as Global Chief Growth Officer & N.America CEO
February, 2025	Nachiket Deshpande	President and Executive Board Member	Role Change	Previously COO and Executive Board Member
June, 2025	Venu Lambu	CEO & MD	Appointment	Joined from Randstad Digital

Source: Company, YES Sec

### Exhibit 6: LTIM: Conversion improving

Headers	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26
TTM Book-to-bill [A]	1.32	1.35	1.23	1.40	1.30	1.29	1.19	1.52	1.44	1.43
Revenue growth (YoY) [B]	11.94%	8.09%	5.25%	3.53%	1.13%	3.54%	4.75%	5.08%	5.76%	5.21%
Correlation between [A] and [B] with [B] lagging by:										
0 quarters						-0.23	-0.09	0.03	0.17	0.26
1 quarter						-0.47	-0.46	-0.34	0.00	0.12
2 quarters						-0.07	-0.07	-0.08	-0.20	0.15
3 quarters						-0.73	-0.17	-0.18	-0.20	-0.30
4 quarters						-0.18	-0.56	0.07	0.02	-0.01

Source: Company, YES Sec

## Exhibit 7: LTIM Operating Margin Performance v/s Management Commentary

Quarter	Actual Margin	Aspirational Margin Band	How They Aim to Achieve It	Other Margin Related Commentary
Q3 FY21	15% (PAT)	Stable 14–15% PAT band	Efficiency, growth, capability building, offshoring	High margin; wage hike impact of 160–170 bps in Q4; SG&A to rise back to 12–14% from 10%
Q4 FY21		Around 14% PAT for FY22 (previously 14–15%)	Efficiencies, transformation, cost optimization, sustain utilization	Adjusted PAT margin 14.9% excluding ₹571 mn earn-out; salary hikes from April 1; seasonal pass-through in Q1 FY22
Q1 FY22		14–15% PAT for FY22	Growth with stable margins, technology for efficiency, pyramid rationalization	340 bps wage hike impact absorbed (320 bps direct, 20 bps SG&A); margins in line with expectations
Q2 FY22		Stable 14–15% PAT	Productivity, pricing, reinvest for growth (Snowflake, consulting)	Sequential growth 8.9% CC; attrition 19.6%; cost impact from headcount; H2 expected stronger
Q3 FY22	15.1% (PAT)	Stable 14–15% PAT	Growth, efficiencies, stable pricing, M&A, client engagement	Sequential growth 9.2% CC; attrition 22.5%; SG&A flat; about 2% pass-throughs
Q4 FY22		Guided 14–15% PAT for FY23	Growth as main lever, pricing pockets, recover wage hikes through productivity and pyramid	Wage hikes from April 1; Q1 FY23 impact about 290 bps; onsite attrition affected Q4 volumes (2–4%); fresher hiring target 6,500+
Q1 FY23		Guided 14–15% PAT for FY23	Recover wage hikes through productivity, pyramid rationalization	Margin decline due to wage hikes, lower productivity, INR depreciation, absence of pass-throughs; senior-level hikes to add 10 bps in Q2
Q2 FY23		Guided 14–15% PAT for FY23	Cost optimization, pyramid rationalization, align with client spending	Higher employee cost and lower utilization offset by currency benefit; Hi-Tech softness due to offshore shift
Q3 FY23	13.3% (PAT)	Target of 200 bps merger synergy in 4–5 years; return to industry growth	Pyramid optimization, cost optimization, utilization	First quarter as LTIM; integration cost 100 bps; wage hike 220 bps in October; seasonal impact 130 bps
Q4 FY23		Aspiration to return to 17–18% EBIT with gradual uptick in FY24	Operational efficiency, margin program	Margins expanded 200–250 bps sequentially (80 bps from working days, 80 bps integration, 90 bps efficiency); wage hike planned Q2 FY24
Q1 FY24		Confident of 17–18% exit margin for FY24	Cost management, operational efficiencies, utilization, pyramid	1,000 staff shifted to sales (120 bps gross margin, 160 bps utilization); visa cost 20 bps; marketing spend 20 bps; delays in ramp-ups and freezes
Q2 FY24		Confident of 17–18% exit margin FY24; 200 bps higher by FY27	Margin program, pyramid rationalization, optimization	Wage hikes 200 bps absorbed; utilization improvement 60 bps; operational efficiency 70 bps; SG&A increased
Q3 FY24	15.7% (EBIT)	17–18% margin delayed; long-term intact	Optimization, reinvest growth, pyramid rationalization, leverage deals	Furloughs impacted; Q4 expected similar; utilization 87.4% (high, may lower); payout 35–40% annually
Q4 FY24		17–18% intact for longer term; FY25 to see improvement	Operational efficiencies, pyramid correction, AI adoption, span control	FY24 EBIT 15.7% vs 16.2% in FY23; Q4 EBIT flat at 13.8% despite revenue decline; 80 bps BFSI project cancellations; SG&A and depreciation 60 bps higher
Q1 FY25		Margin to improve gradually; target deferred	Pyramid correction, spend reduction, margin program	In line with expectations; utilization above 88%; visa costs; wage hikes expected in Q3; target deferred
Q2 FY25		17–18% elongated due to environment	Account mining, cross-sell, cost and pyramid optimization	EBIT improved 50 bps sequentially; wage hikes full impact; Q3 furlough headwinds; discretionary spend muted
Q3 FY25	14.5%	Margin recovery with double-digit growth	Pyramid, utilization, cost optimization	EBIT declined 170 bps QoQ from 200 bps wage hike; mitigated by cost controls; recovery expected in 2–3 quarters; Hi-Tech pass-through benefit
Q4 FY25		Fit4Future program to support margins FY26; 17–18% intact longer term	Fit4Future (AI, pyramid, productivity, sales, span reduction)	FY25 EBIT 14.5% (120 bps lower YoY); Q4 margin stable due to operational efficiencies; Hi-Tech pass-through ended; capex remained high
Q1 FY26		17–18% aspirational band in medium term.	Fit4Future, BFSI focus, sales transformation	EBIT improved 50 bps sequentially from Fit4Future; Hi-Tech margin down 200 bps from ramp-ups; utilization 88.1%; SG&A higher; Saudi JV margins below average

Source: Company, YES Sec

## Exhibit 8: Top 30 US Clients of LTIM (based on 10 quarters sum)

Client Name	Sector	Client Description
Citibank	BFSI	A leading global bank offering retail, commercial, and investment banking solutions.
Travelers	BFSI	A major US insurer providing property, casualty, and specialty insurance products.
Chevron Global Services	Manufacturing & Resources	A Chevron subsidiary providing shared services and support for global energy operations.
Lincoln Financial	BFSI	A life insurance and retirement solutions provider serving individuals and institutions.
Microsoft	Hi-Tech, Media & Entertainment	A global leader in software, cloud, and enterprise solutions.
Otis Elevator	Manufacturing & Resources	A leading manufacturer and service provider of elevators, escalators, and moving walkways.
Johnson & Johnson	Health, LifeScience & Public Services	A multinational healthcare company engaged in pharmaceuticals, medical devices, and consumer health.
American Honda Motor	Manufacturing & Resources	The US arm of Honda, responsible for automobile, motorcycle, and power equipment sales.
Northwestern Mutual	BFSI	A financial services company providing life insurance, annuities, and wealth management solutions.
Hartford Fire Insurance	BFSI	A division of The Hartford specializing in property and casualty insurance products.
Cisco Systems	Hi-Tech, Media & Entertainment	A global provider of networking, cybersecurity, and IT infrastructure solutions.
Carrier	Manufacturing & Resources	A global provider of HVAC, refrigeration, and building automation solutions.
Bank of America	BFSI	One of the largest US banks offering retail, commercial, and investment banking solutions.
Southwest Airlines	Retail, CPG, Travel, Transportation & Hospitality	A major US airline providing passenger air travel and cargo services.
Paramount Global (ViacomCBS)	Hi-Tech, Media & Entertainment	A media and entertainment company with operations in TV, film, streaming, and digital content.
The ACT 1 Group (Agile-1)	Retail, CPG, Travel, Transportation & Hospitality	A workforce solutions company specializing in staffing, workforce management, and procurement services.
Procter & Gamble	Retail, CPG, Travel, Transportation & Hospitality	A global consumer goods company with brands in personal care, home care, and hygiene.
Ingram Micro	Hi-Tech, Media & Entertainment	A global distributor of IT products and services, cloud platforms, and supply chain solutions.
Equifax	BFSI	A consumer credit reporting agency providing data, analytics, and technology solutions.
Honeywell	Manufacturing & Resources	A diversified technology and manufacturing company serving aerospace, building systems, and industrial markets.
Truist Insurance Holdings	BFSI	The insurance subsidiary of Truist Financial offering P&C and employee benefits solutions.
Onsemi	Hi-Tech, Media & Entertainment	A semiconductor manufacturer providing power management, analog, and sensor solutions.
First Citizens Bank	BFSI	A US bank offering retail, commercial, and small business banking services.
BNY Mellon	BFSI	A global financial institution specializing in asset servicing, custody, and investment management.
Eversource Energy	Manufacturing & Resources	A utility company providing electricity, natural gas, and water services in the US.
Marriott International	Retail, CPG, Travel, Transportation & Hospitality	A global hotel chain offering lodging, hospitality, and travel services.
Disney	Hi-Tech, Media & Entertainment	A diversified entertainment company with businesses in film, TV, streaming, and theme parks.
ConocoPhillips	Manufacturing & Resources	A global energy company engaged in oil and natural gas exploration and production.
Avis Budget Group	Retail, CPG, Travel, Transportation & Hospitality	A leading provider of vehicle rental services under the Avis, Budget, and Zipcar brands.
BPX Energy	Manufacturing & Resources	A US-based oil and gas exploration and production company, part of BP.

Source: Company, YES Sec, U.S. Department of Labor

## VALUATION

**Exhibit 9: Y-Sec vs consensus**

	Y-Sec Estimates			Consensus estimates			Difference		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenues (Rsm)	415,281	454,590	501,924	409,013	448,803	494,368	1.53%	1.29%	1.53%
Ebit (Rsm)	57,999	63,493	72,296	60,813	70,126	78,460	-4.63%	-9.46%	-7.86%
Ebit margin	13.966%	13.97%	14.40%	14.868%	15.625%	15.871%	-90 bps	-166 bps	-147 bps
Net Income (Rsm)	48,913	52,672	60,348	51,422	59,070	66,319	-4.88%	-10.83%	-9.00%
EPS (Rs)	164.9	177.6	203.5	173.4	199.3	224	-4.90%	-10.89%	-9.21%

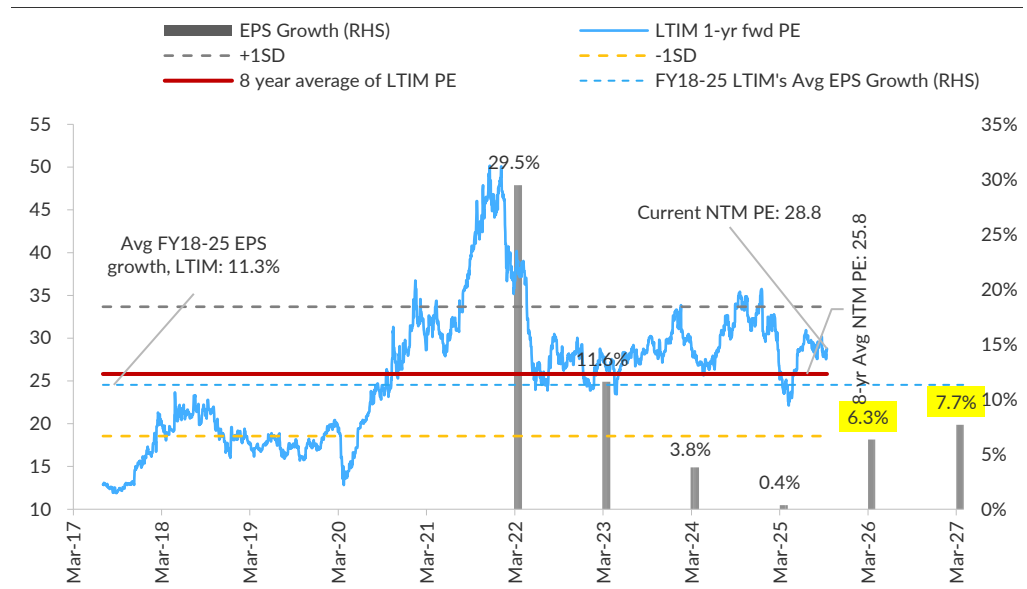
Source: Company, YES Sec, Bloomberg

**Exhibit 10: Valuation table**

Header	Value	Rationale	Value	Rationale
Base Case	Worst case			
Q5-Q8 EPS (Rs)	184.4		184.4	
Target Multiple	30x	No upside from current multiple	29x	FCF Yield based analysis (Exhibit 6)
Target price (Rs)	5531		5531	
Rating	NEUTRAL			

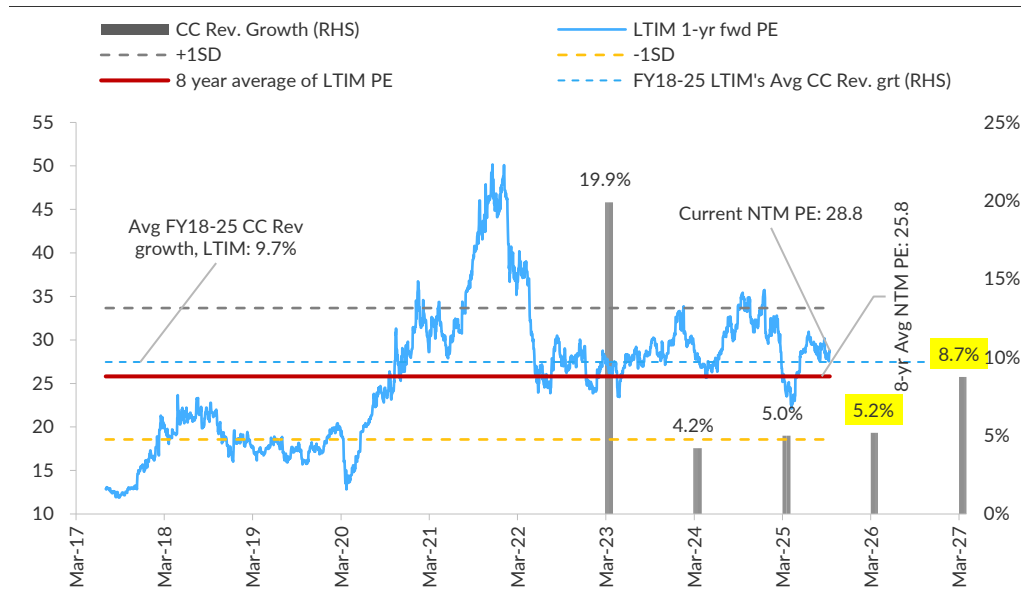
Source: Company, YES Sec

**Exhibit 1: 1-yr forward PE v/s EPS growth**



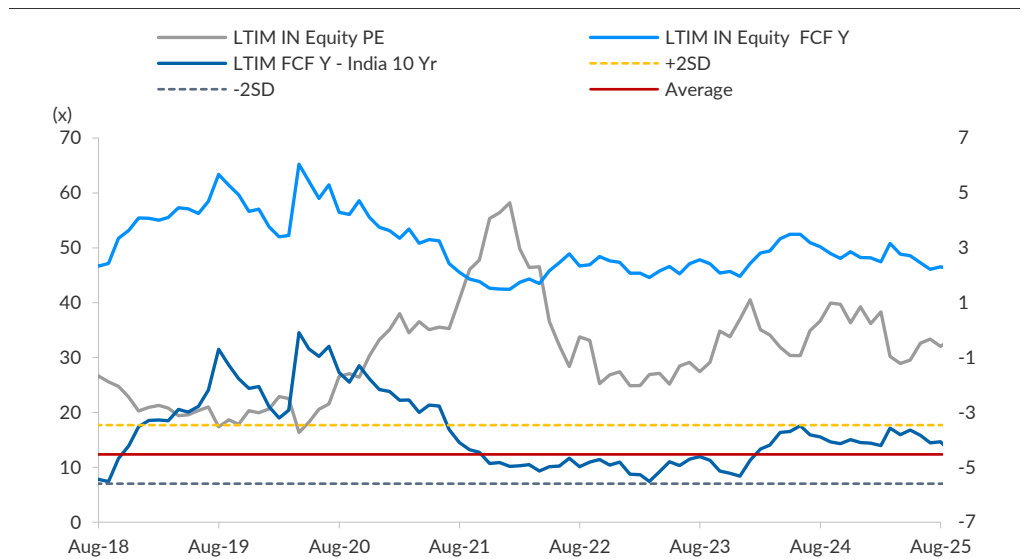
Source: Company, YES Sec

**Exhibit 2: 1-yr forward PE v/s CC Revenue Growth**



Source: Company, YES Sec

**Exhibit 3: P/E vs FCF Yield Spread**

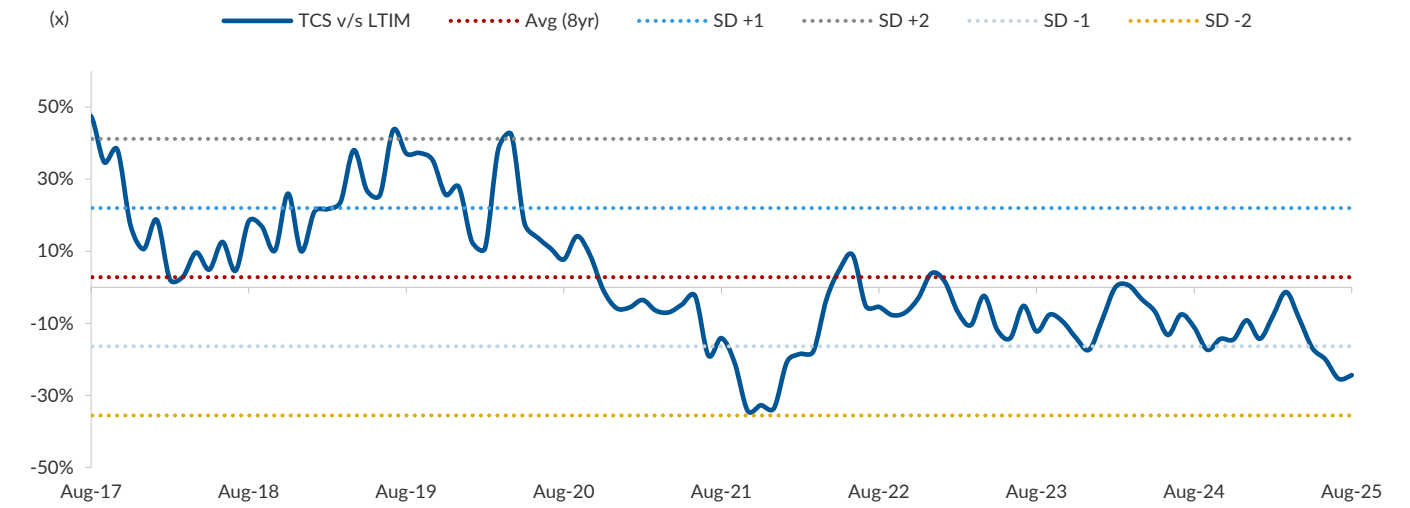


Source: Company, YES Sec

LTIM currently trades at 29x 1-year forward P/E, above its 8-year average of 25.8x. The free cash flow (FCF) yield analysis indicates that the spread is already near the +2 standard deviation band. Historically, whenever the spread hit such peak levels, LTIM's P/E traded within the 29-30x band, implying limited downside from current levels. Moreover, FCF yield has not shown material improvement in recent years.

The current valuation of 29x forward P/E, suggests that much of the anticipated growth is already factored into valuations. With limited margin expansion potential and revenue growth only slightly above its 5-year average, we assign a 30x multiple to LTIM.

**Exhibit 4: TCS/LTIM: 1-year forward P/E (x) chart**



## FINANCIALS

**Exhibit 5: Income Statement**

(Rs mn)	FY22	FY23	FY24	FY25	FY26E	FY27E
Con. Revenues (USD mn)	3,502	4,106	4,287	4,493	4,768	5,186
% growth	27.5	17.2	4.4	4.8	6.1	8.8
% CC growth	-	19.9	4.2	5.0	5.2	8.7
Exchange rate (INR/USD)	75	81	83	85	87	88
Con. Revenues (Rs mn)	261,087	331,830	355,170	380,081	415,281	454,590
% growth	28.4	27.1	7.0	7.0	9.3	9.5
Costs of revenues	159,892	208,799	227,323	246,226	269,799	297,072
Gross Profit	101,195	123,031	127,847	133,855	145,482	157,518
Gross margin	38.8	37.1	36.0	35.2	35.0	34.7
SG&A costs	48,709	61,954	63,973	68,906	77,321	82,831
EBITDA	52,486	61,077	63,874	64,949	68,161	74,686
EBITDA margin	20.1	18.4	18.0	17.1	16.4	16.4
% growth (bps)	-25.2	-4.6	71.5	75.3	-67.5	1.6
D&A Expense	5,971	7,227	8,189	9,915	10,162	11,193
EBIT	46,515	53,850	55,685	55,034	57,999	63,493
EBIT margin	17.8	16.2	15.7	14.5	14.0	14.0
% growth (bps)	-27.2	-12.7	96.2	71.1	-51.3	0.1
Other Income	6,424	4,065	4,802	7,108	8,397	7,657
Profit before tax	52,939	57,915	60,487	62,142	66,396	71,151
Tax	13,439	13,812	14,641	16,122	17,463	18,459
Minority Interest	17	20	25	33	20	20
Net PAT	39,483	44,083	45,821	45,987	48,913	52,672
PAT margin	15.1	13.3	12.9	12.1	11.8	11.6
EPS (Rs)	133.4	148.9	154.6	155.1	165.0	177.6

Source: Company, YES Sec

**Exhibit 6: Balance Sheet**

(Rs mn)	FY22	FY23	FY24	FY25	FY26E	FY27E
Share capital	296	296	296	296	296	296
Reserves and Surplus	142,633	165,696	199,968	226,819	231,962	253,554
Total Equity	142,929	165,992	200,264	227,115	232,258	253,850
<b>Liabilities</b>						
Short-term borrowings	519	1,253	407	23	12	12
Lease liabilities	2,056	2,287	3,027	3,394	3,618	3,618

(Rs mn)	FY22	FY23	FY24	FY25	FY26E	FY27E
Provisions	6,292	8,134	8,486	9,691	10,948	11,984
Trade payables	13,250	12,938	14,939	15,499	15,319	16,769
Other current liabilities	28,806	30,214	30,573	31,052	34,497	37,763
<b>Total Current Liabilities &amp; Prov.</b>	<b>50,923</b>	<b>54,826</b>	<b>57,432</b>	<b>59,659</b>	<b>64,394</b>	<b>70,146</b>
Lease liabilities	11,336	11,872	17,272	18,456	18,645	18,645
Other long-term liabilities	636	2,271	662	1,070	1,702	1,863
<b>Total Long-Term Liabilities</b>	<b>11,972</b>	<b>14,143</b>	<b>17,934</b>	<b>19,526</b>	<b>20,347</b>	<b>20,508</b>
<b>Total Liabilities &amp; Equity</b>	<b>205,824</b>	<b>234,961</b>	<b>275,630</b>	<b>306,300</b>	<b>316,999</b>	<b>344,503</b>
<b>Assets</b>						
Cash & other bank balance	18,373	29,320	28,160	35,882	30,582	44,402
Current investments	53,971	47,418	67,534	73,740	68,113	68,113
Sundry debtors	45,574	56,234	57,060	58,676	68,231	74,689
Unbilled revenues	10,697	16,011	13,261	18,206	17,717	19,394
Other financial assets	4,807	1,830	2,635	2,736	2,695	2,695
Other current assets	15,964	21,045	19,563	20,062	22,108	24,201
<b>Total Current Assets</b>	<b>149,386</b>	<b>171,858</b>	<b>188,213</b>	<b>209,302</b>	<b>209,446</b>	<b>233,494</b>
Deferred tax assets	2,605	6,143	5,471	5,380	5,358	5,358
Intangible assets (incl. Goodwill)	14,861	15,452	15,078	14,212	14,568	14,568
Net fixed assets	13,772	17,823	21,224	25,406	28,258	30,933
Lease Assets	11,124	12,539	19,013	20,043	20,437	20,437
Other non-current investments	6,513	7,165	19,902	24,706	30,675	30,675
Other non-current assets	7,563	3,981	6,729	7,251	8,257	9,039
<b>Total Assets</b>	<b>205,824</b>	<b>234,961</b>	<b>275,630</b>	<b>306,300</b>	<b>316,999</b>	<b>344,503</b>

Source: Company, YES Sec

## Exhibit 7: Cash Flow

(Rs mn)	FY22	FY23	FY24	FY25	FY26E	FY27E
<b>Profit for the year</b>	<b>39,500</b>	<b>44,103</b>	<b>45,846</b>	<b>46,020</b>	<b>48,913</b>	<b>52,672</b>
Depreciation and amortisation expense	5,971	7,227	8,189	9,915	10,162	11,193
Others	12,702	12,478	12,392	10,700	9,066	10,802
<b>Operating profit before working capital changes</b>	<b>58,173</b>	<b>63,808</b>	<b>66,427</b>	<b>66,635</b>	<b>68,141</b>	<b>74,666</b>
Changes in working capital	(12,188)	(17,645)	5,975	(4,803)	(6,549)	(7,690)
Cash generated from operations	45,985	46,163	72,402	61,832	61,593	66,976
Net Income taxes paid	(13,577)	(15,217)	(15,707)	(16,374)	(17,736)	(18,748)
<b>Net cash provided by operating activities</b>	<b>32,408</b>	<b>30,946</b>	<b>56,695</b>	<b>45,458</b>	<b>43,856</b>	<b>48,228</b>
Capex (Net)	(10,529)	(9,346)	(8,330)	(9,336)	(13,370)	(13,868)
Amount paid for acquisitions	(1,428)	(990)	-	-	-	-
Other investing activities	(4,496)	7,027	(30,791)	(8,046)	-	-
<b>Net cash used in investing activities</b>	<b>(16,453)</b>	<b>(3,309)</b>	<b>(39,121)</b>	<b>(17,382)</b>	<b>(13,370)</b>	<b>(13,868)</b>
Buyback/ issuance of shares	-	-	-	-	-	-
Dividend paid	(13,277)	(15,627)	(17,753)	(19,246)	(31,080)	(31,080)



(Rs mn)	FY22	FY23	FY24	FY25	FY26E	FY27E
Other financing activities	(3,527)	(3,690)	(4,935)	(6,498)	-	-
<b>Net cash used in financing activities</b>	<b>(16,804)</b>	<b>(19,317)</b>	<b>(22,688)</b>	<b>(25,744)</b>	<b>(31,080)</b>	<b>(31,080)</b>
Net change in cash and cash equivalents	(849)	8,320	(5,114)	2,332	(594)	3,281
Cash and cash equivalents at the beginning of the year	15,191	14,363	23,278	18,101	20,524	19,930
Exchange difference on translation of foreign currency cash and cash equivalents	21	595	(63)	91	-	-
Book overdraft	-	-	-	-	-	-
<b>Cash and cash equivalents at the end of the year</b>	<b>14,363</b>	<b>23,278</b>	<b>18,101</b>	<b>20,524</b>	<b>19,930</b>	<b>23,211</b>

Source: Company, YES Sec

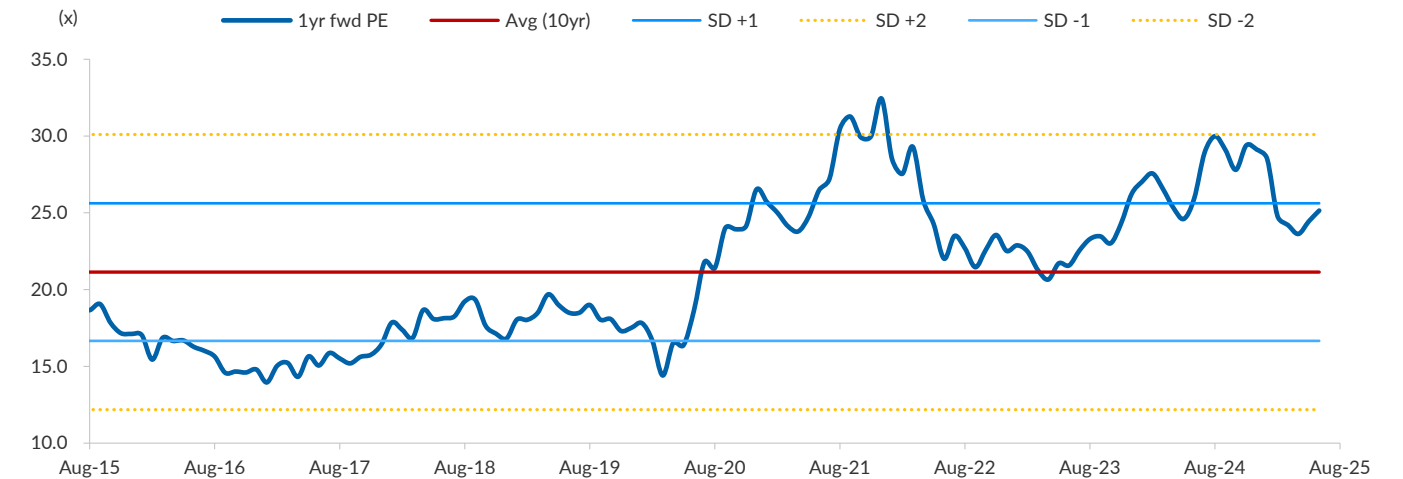
## Exhibit 8: Ratios

(%)	FY22	FY23	FY24	FY25	FY26E	FY27E
<b>Per share numbers (Rs)</b>						
Reported earnings	133.4	148.9	154.6	155.1	165.0	177.6
Dividend	20.4	60.0	85.0	130.0	105.0	105.0
Book Value	482.8	560.4	675.2	765.6	783.0	855.8
<b>Valuations (x)</b>						
P/E	40.0	35.9	34.6	34.4	32.4	30.1
EV / EBITDA	28.8	24.7	23.3	22.7	21.8	19.7
EV/Sales	5.8	4.5	4.2	3.9	3.6	3.2
<b>Profitability Ratios</b>						
Gross margin	38.8	37.1	36.0	35.2	35.0	34.7
EBITDA margin	20.1	18.4	18.0	17.1	16.4	16.4
PAT margin	15.1	13.3	12.9	12.1	11.8	11.6
<b>Return Ratios</b>						
ROCE (pre-tax)	67.6	61.8	54.1	45.4	44.3	46.3
ROA	16.8	16.1	14.7	13.2	13.1	13.2
ROE	30.5	28.5	25.0	21.5	21.3	21.7
<b>Turnover ratios</b>						
Debtors days	55.3	56.0	58.2	55.6	55.8	57.4
<b>Cash Conversion Ratios</b>						
OCF/EBITDA	61.7	50.7	88.8	70.0	258.1	302.7
FCF/PAT	55.4	49.0	105.6	78.5	243.7	316.6

Source: Company, YES Sec

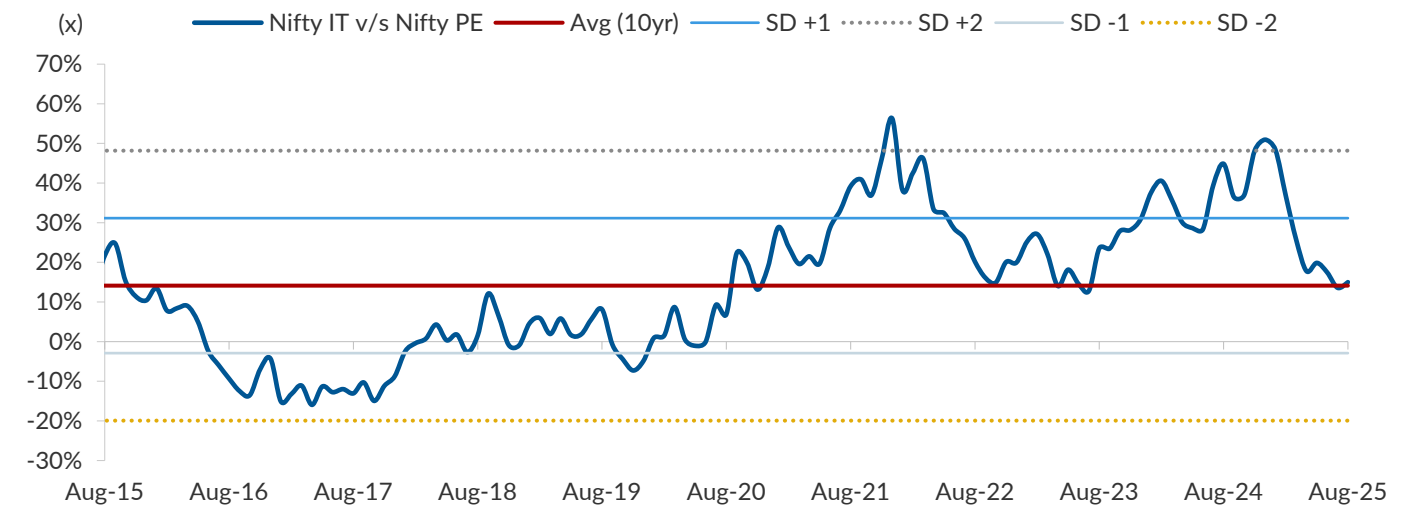
## VALUATION CHARTS

**Exhibit 73: NIFTY IT: 1-year forward P/E (x) chart**



Source: Company, YES Sec

**Exhibit 74: NIFTY IT/NIFTY: 1-year forward P/E (x) chart**



Source: Company, YES Sec

**Exhibit 75: Comp Sheet**

Company	US\$ revenue (USD mn)			EBIT Margins			ROE (%)		
	FY26	FY27	FY28	FY26	FY27	FY28	FY26	FY27	FY28
TCS	30,465	32,578	34,841	24.8%	24.8%	25.4%	55.9%	55.8%	49.9%
Infosys	20,126	21,330	22,991	20.8%	20.9%	21.1%	32.3%	36.5%	35.3%
HCL Tech	14,710	15,687	16,772	17.4%	17.9%	18.0%	25.1%	27.3%	28.1%
Wipro	10,483	11,156	12,000	17.6%	17.8%	17.6%	18.1%	19.5%	20.3%
TechM	6,458	6,984	7,563	12.0%	13.9%	14.3%	19.0%	23.5%	25.8%
LTIM	4,768	5,186	5,726	14.0%	14.0%	14.4%	21.3%	21.7%	22.5%

Source: Company, YES Sec

## Exhibit 76: Comp Sheet (Continuation)

Company	Recommendation	CMP (Rs)	Mcap (INR bn)	Target price	Upside/ (downside)	FY26	FY27	FY28	FCF Yield (%)
TCS	BUY	3,112	11,337	3,900	25%	21.8	20.1	17.4	4.32
Infosys	BUY	1,508	6,324	1,841	22%	22.0	20.5	18.7	5.47
HCL Tech	NEUTRAL	1,467	3,975	1,592	9%	22.8	20.6	19.2	5.42
Wipro	ADD	251	2,638	290	15%	19.3	18.4	17.7	6.76
TechM	BUY	1,520	1,494	1,905	25%	25.7	20.7	18.6	3.96
LTIM	NEUTRAL	5,342	1,581	5,531	4%	32.4	30.1	26.2	2.25

Source: Company, YES Sec

## Channel Check Note:

Jul-06, 2023

**SECTOR OUTLOOK** | Sector: Information Technology

### India IT

#### Channel checks across Indian IT

We tried to answer key questions facing Indian IT firms. To get primary information, we conducted a survey among developers & talked to senior developers & architects at IT firms, hyperscaler partners and AI/ML engineer at NVIDIA. Questions being: 1 - The level of productivity gains being realized by developers at Indian IT; 2 - Why doesn't billions of AI spend by NVIDIA and hyperscalers reach IT firms? and 3 - Why are mid-cap players gaining market share away from their larger peers?

1 - The GenAI led developer productivity: Software development has been one of the most affected fields with the advent of GenAI, with developer productivity being a key promise. Initial studies in 2023 promised more than 50% gains in controlled environment ([GitHub copilot study](#)). However, real life implementation at scale faced toothing challenges of change management, training, and low-quality code ([Dev-ops study on GenAI](#)). Multiple players like TechM, Capgemini, BT Group etc. pointed towards ~20-35% real world productivity gains in 2024 during their earnings calls. Our channel checks indicate divergence in gains realized. Highly skilled developers and AI/ML specialists are already realizing more than 50% effort saving at personal level. Hyperscalers dealing with IT partners also see ~50% savings being baked into the deals. However, mid/lower tier developers are not getting significant gains due to lack of training. To counter this, IT players are now making GenAI training mandatory across organization.

Scaling law in LLM development still holds (Exhibit 2). The law states that the error in output scales down as a power-law with model size, dataset size, and the amount of compute used for training. Therefore, billions continue to pour in to develop, train and scale LLMs (2025 capex target of \$7.9bn by Google, \$3500bn run rate at AWS, and \$800n targeted by Microsoft). However, the GenAI tools are still not reliable enough. Therefore, scaling wars will continue in 2026 as well.

2 - But why doesn't this spend flow to IT Services? *Traditional wisdom* states that ~\$5 trn to cloud providers over four years for every dollar spent on NVIDIA (partly waste). However, this may be true when cloud providers act as partners to NVIDIA and not end customers. With the advent of GenAI, more than 80% of NVIDIA's revenue comes from largest tech firms trying to scale their own AI solutions. And barely anything flows to IT services who sit further downstream (just 7.5% of GenAI deals in Q4'23 orderbook for Accenture).

One answer to this puzzle could be unreliability and low relevance of GenAI pilots floating around. Gartner says over 40% of agentic AI projects will be cancelled by the end of 2027. IT services players, being implementation partners will have to wait till the point where solutions become reliable enough for enterprise level scale-up.

3 - Mid-cap IT/Niche players gaining market share from large cap IT (Exhibit 1). We talked to a sales manager at a large hyperscaler handling Indian IT firms.

*Re-evaluation after covid and GenAI:* Enterprises are increasingly outbidding the quality and value delivered by large IT services firms. These firms also offer less flexibility and control compared to mid and small-sized players, which are often more specialized and agile in responding to client needs.

*Increasing confidence in own capabilities:* With the easy availability of well-trained talent, clients now prefer to orchestrate large scale projects with the help of niche players, hyperscaler partners, and their own internal team. Example being a large retail client shifting its SAP implementation from an IT consultant to a team of niche partner, underlying hyperscaler, and an internal team led by its own CTO.

**YES SECURITIES**  
INSTITUTIONAL EQUITIES

Survey among IT workers on how much real-world productivity gains they are realizing with GenAI tools such as Copilot

Source: YES Sec, Reddit

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