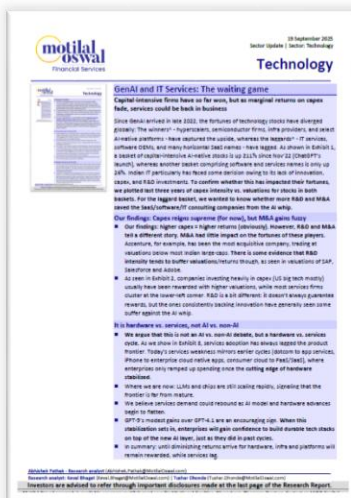


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**EXTEL POLL
2025**



Time to buy the next cycle

AI services spends to inflect from mid-2026, and valuations are enticing. Upgrade estimates, ratings, and target multiples across coverage

We have argued earlier that the IT sector's re-rating depends on a new AI services cycle emerging, and this is largely a waiting game until the AI capex cycle moderates (see our report dated 19th Sep'25: [GenAI and IT Services: The waiting game](#)). We believe the wait may now be ending. Similar to the cloud build-out phase from 2016 to 2018, the store, compute and infra layer are now in place; and while capex may still continue, we expect incremental spends on AI and services to pick up. New LLMs and chips now show only gradual improvements (Exhibits 7 & 8), meaning we may now see notable investments in AI software and platforms.

Lessons from the 2016-18 cloud build-out cycle: IT services' organic YoY cc growth flatlined during this phase, and as spends moved from hardware to services, growth rates picked up (Exhibit 3). We expect AI services to reach an inflection point over the next 6-9 months and revenue for 2HFY27 and FY28 to show meaningful acceleration.

Valuations and setup enticing: We note that IT services' share in Nifty profits has been stable at 15% for the past four years, whereas its weight in the benchmark index is now at a decadal low of 10% (vs. 19% peak in Dec'21).

We believe we are at the bottom and the risks skew to the upside. Our analysis suggests outsized gains if this plays out, whereas the current levels already bake in the status quo (GenAI-led deflation, demand apathy). We upgrade our growth estimates to factor in the growth recovery, which will start reflecting in growth rates in 2HFY27, taking full shape in FY28 as enterprises enter full-scale AI deployment. We thus roll over our target prices to FY28E EPS and upgrade the target multiples by ~20%. **We upgrade Infosys, Mphasis, and Zensar to BUY and Wipro to Neutral.**

Hardware to services transition in near term

- AI spending has so far been focused on infrastructure, mainly data center build-out — this was phase one. The second phase, where enterprises move from experimentation to deployment, begins when the incremental benefit of more hardware begins to flatten.
- As shown in Exhibits 7 and 8, hardware improvements are no longer exponential across LLMs and chips. The combination of moderating capex growth and diminishing hardware productivity gains indicates that the inflection point is near. Historically, this is the point at which Indian IT's revenue cycles bottom and begin to recover.
- GenAI stack is now built up to a large extent, shifting focus from infra build-out to modernization programs.

Lessons from the cloud build-out: Headwind, then a huge tailwind

- **The present AI investment cycle closely resembles the early cloud build-out period (2016-18), where cloud initially acted as a headwind for Indian IT services.** During those years, cloud migration and platform consolidation eliminated several traditional service lines (infrastructure management, legacy hosting, on-prem ops) and triggered pricing pressure in adjacent portfolios.
- However, once the cloud infra build-out stabilized, the next phase created an entirely new set of revenue pools: application modernization, cloud-native development, re-architecture of legacy estates, data engineering, DevOps, managed services, and security.
- These work streams ultimately more than offset the services that cloud displaced, leading to **a multi-year technology services upcycle.**

AI services to lift growth for IT services

We expect the AI cycle to follow the same pattern.

- The current infrastructure-heavy phase is compressing certain revenue streams (legacy ADM, testing), **but the deployment phase will create new categories of spending.**
- Just as in the cloud cycle, **the net effect is likely to be positive**, with a larger and more durable services opportunity emerging once infrastructure stabilizes (see Exhibits 5 and 6).
- As shown in Exhibits 3 and 4, organic YoY cc growth rates for IT services vendors recovered once capex intensity moderated. Capex growth for the last two years has been high at 50% and 66%. While it could still be high next year, we believe services spend will finally pick up in the coming year. We expect growth rates across the IT services pack to recover as a result of this.

Global peers showing early signs of enterprise AI spend

- EPAM and Globant, both leaders at the application layer of digital engineering, have provided improving commentary for the last two quarters: deal pipelines are stabilizing, discretionary budgets are returning, and early AI integration work is beginning to appear.
- These companies acted as leading indicators in the cloud cycle and are playing the same role now. Their improvement is consistent with the early stages of a services-led deployment cycle.

How we expect the next three years to play out

- **0-3 months (near-term):** Furloughs and deal deferrals continue, with clients waiting for 2026 budgets to firm up. Little incremental demand is expected until Jan'26 when planning cycles reset. The sector remains in limbo, but the market will likely look through this.
- **3-9 months (2H CY26):** Enterprises begin scaling AI services beyond pilots. Deal activity improves, with rising TCVs in application modernization, data engineering, and integration-led work. This marks the first tangible evidence of the transition from hardware to services.
- **2H FY27:** AI-related deal conversion begins to show up in revenue. This is also when AI-linked productivity deflation begins to be offset by new AI services work. Large-cap revenue growth rates start improving toward the 6-7% range.

- **FY28:** AI services move into full deployment mode. Industry revenue growth rates materially accelerate to 8-9% (vs. 3-4% today) as AI modernization, data workloads, and enterprise integration scale up. This supports a sector-wide re-rating as growth visibility improves.

Time to buy: IT at decadal-low index weight in Nifty; business cycle has bottomed out

- We note that IT services' share in Nifty profits has been stable at 15% for the past four years, whereas its weight in the benchmark index is now at a decadal low of 10% (vs. 19% peak in Dec'21). **This presents an enticing opportunity: our analysis suggests outsized gains if this plays out, whereas the current levels already bake in the status quo (GenAI-led deflation, demand apathy).**
- We upgrade our growth estimates to factor in a growth recovery, which will start reflecting in 2HFY27, taking full shape in FY28 as enterprises enter full-scale AI deployment.
- We thus roll over our target prices to FY28E EPS, and upgrade target multiples by ~20%.
- **We upgrade Infosys to BUY**, as we believe its Topaz suite of AI services and full-stack app services capabilities will be back in vogue.
- We believe Infosys will be a key beneficiary of enterprise-wide AI spends, and at the current valuations, we believe upside risks outweigh downside risks. Accordingly, we upgrade Infosys to BUY from Neutral.
- We have raised our FY27/FY28 EPS estimates by 2.9%/8.5%. Infosys is now expected to deliver 5.5%/8.6% YoY CC growth in FY27/FY28, supported by a demand recovery from 2HFY27 and further acceleration in FY28. We expect Infosys to report EBIT margins of 20.9%/21.0% in FY27/FY28, remaining within the guided range.
- We also upgrade our target multiple by ~20% and roll forward our valuation to FY28E EPS. Our target price of INR2,150 (39% upside) is based on 26x FY28E EPS (earlier 22x Jun'27E EPS).
- **We also upgrade Mphasis to BUY.** Its USD528m TCV in 2Q (up 155% YoY) pushed 1HFY26 TCV above the full-year FY25 level (USD1.3b). Further, large client issues in logistics have largely normalized, and we believe BFSI is likely to lend support in current uncertainty, with steady ramp-ups.
- Over FY25-28, we forecast a USD revenue CAGR of ~10.0% and an INR PAT CAGR of ~13.5%. We have raised our FY27/FY28 EPS estimates by 4.0%/9.4%. We value the stock at 30x FY28E EPS (earlier 26x Jun'27E EPS), arriving at a TP of INR4,100 (49% upside).
- In line with sector multiple upgrades, we also upgrade Wipro to Neutral and Zensar to BUY (exhibit 2).
- **Our top picks to play the next AI wave:** Hexaware and Coforge in mid-tier and HCLT and TECHM in large-caps.

Margins a key risk as industry moves to outcome-based pricing

- Between FY15 and FY19, large-cap IT vendors saw a steady increase in fixed-price contracts – Infosys's mix rose from 41% to 53%, HCLT from 44% to 49%, and Wipro from 49% to 59%. This coincided with decelerating revenue growth, while most other external factors (currency, macro, etc.) remained broadly stable. Importantly, sector EBIT margins declined by ~150bp over this four-year period, suggesting that the pivot to fixed-price models carried a clear margin drag.
- As seen in Exhibit 17, the industry was hiring in line with revenue growth, and employee productivity basically flatlined in these years.
- The winners who avoid this fate will likely be companies with the readiness to disrupt their models and sell services as software.

Exhibit 1: Valuations and change in estimates

	Target Price (INR)	Upside/Downside (%)	Revised TM	YoY cc Gr. – earlier (%)			Revised YoY cc Gr. (%)			EBIT Margin – earlier (%)		Revised EBIT Margin (%)		EPS earlier (INR)		Revised EPS (INR)		EPS Change (%)		Revised EPS YoY Gr. (%)	
				FY26	FY27	FY28	FY26	FY27	FY28	FY27	FY28	FY27	FY28	FY27	FY28	FY27	FY28	FY27	FY28	FY27	FY28
TCS	4,400	40	26	-1.5	3.9	4.6	-1.5	4.5	7.2	24.8	24.7	24.8	25.0	149	156	153	168	2.2	7.8	7.8	10.2
Infosys	2,150	39	26	2.9	3.9	5.2	2.9	5.5	8.6	20.9	21.0	20.9	21.0	72	77	75	83	2.9	8.5	7.8	11.7
Wipro	275	13	20	0.3	2.6	3.3	0.3	3.1	4.5	16.5	16.5	16.6	16.6	13	13	13	14	2.3	5.2	3.5	6.5
HCLT	2,150	34	26	4.0	4.7	6.2	4.0	5.6	8.9	17.8	17.8	17.8	17.8	74	77	74	83	1.2	7.6	15.5	11.3
TechM	2,425	66	26	0.9	4.6	5.8	0.9	4.7	8.4	14.4	15.1	14.7	15.4	78	86	81	93	3.9	8.1	34.9	15.2
HEXT	1,100	54	32	7.1	7.9	11.2	7.1	11.4	14.4	14.8	15.2	14.8	15.2	27	31	28	34	5.4	10.9	21.8	21.6
LTIM	7,950	34	32	5.7	9.9	10.5	5.7	9.9	12.6	15.8	16.2	15.8	16.2	207	234	211	249	2.1	6.2	13.8	17.6
MPHL	4,100	49	30	6.5	9.1	8.7	6.5	11.9	14.0	15.5	16.1	15.5	15.8	111	125	116	136	4.0	9.4	15.3	18.0
PSYS	8,250	31	45	17.6	19.1	19.3	17.6	19.1	22.2	16.2	16.0	16.2	16.0	147	173	149	184	1.4	6.3	25.2	23.1
COFORGE	3,000	67	38	29.6	22.3	23.9	29.6	22.1	24.9	14.0	14.2	14.0	14.4	59	74	59	79	1.3	5.9	26.8	32.2
ZENT	1,050	48	26	3.8	4.5	5.7	3.8	6.0	9.7	13.8	14.2	14.0	14.2	34	37	35	40	3.7	9.2	11.4	12.9

Source: MOFSL

Exhibit 2: Changes in stock ratings

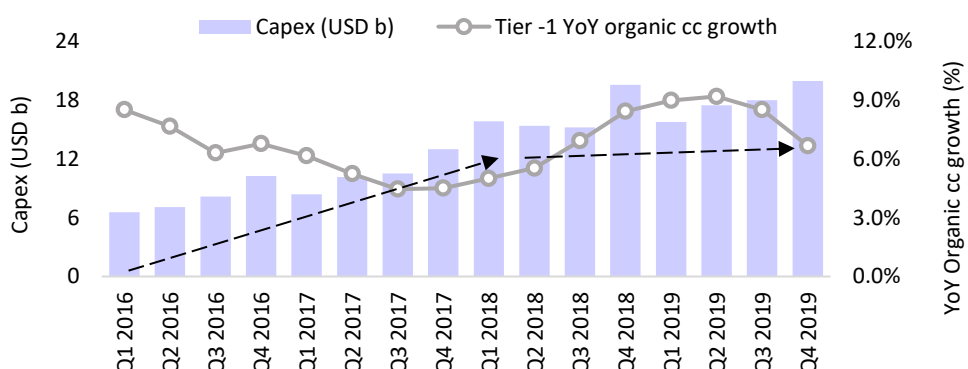
	Earlier Rating	Revised rating
TCS	Buy	Buy
Infosys	Neutral	Buy
Wipro	Sell	Neutral
HCLT	Buy	Buy
TechM	Buy	Buy
HEXT	Buy	Buy
LTIM	Buy	Buy
MPHL	Neutral	Buy
PSYS	Buy	Buy
COFORGE	Buy	Buy
ZENT	Neutral	Buy
LTTS	Neutral	Neutral
CYL	Sell	Sell
KPIT	Buy	Buy
TELX	Sell	Sell
TTL	Sell	Sell

Lessons from the cloud hyperscaler build-out

- As shown in Exhibit 3, organic YoY cc growth rates for IT services vendors recovered once capex intensity moderated.
- Capex growth over the past two years has been exceptionally high at 50% and 66%, and for CY26, Amazon, Alphabet, Meta, and Microsoft are all signaling another step-up in capex, driven largely by AI and cloud-infrastructure demand. While absolute levels will remain elevated, we believe the pace of increase will begin to moderate, creating room for services spend to finally re-accelerate. We expect growth rates across the IT services pack to recover as a result of this.
- During the cloud infrastructure build-out in 1QCY16–1QCY18, hyperscaler capex increased sharply and organic YoY growth for the top 5 Indian IT services firms decelerated. However, once cloud capex growth flattened, revenue momentum for these vendors improved almost immediately as seen in the broad-based acceleration seen from 2QCY18 through 3QCY19.
- In our view, as AI-related capex intensity moderates, services spending should re-accelerate, supporting a cyclical recovery across the IT services.

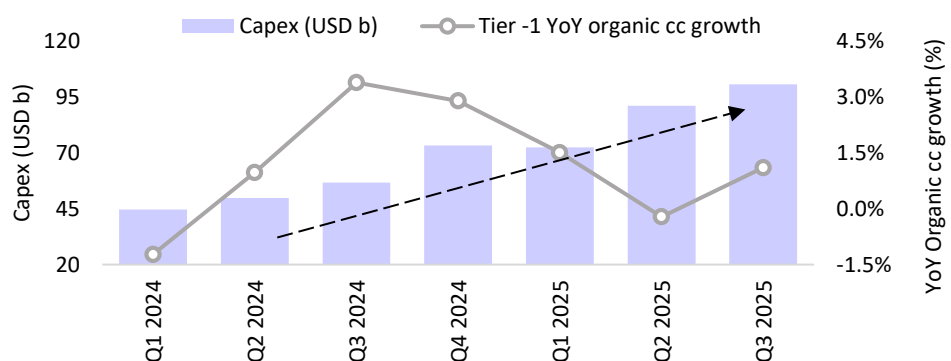
Exhibit 3: During the early cloud build-out phase (2016–17), hyperscaler capex expansion initially acted as a revenue headwind for Indian IT services; once the capex cycle normalized, industry growth re-accelerated.

Capex increase → services revenue growth decelerates;
capex flattens → services revenue growth starts accelerating again.



Source: Bloomberg, MOFSL; Note: Capex represents combined spending by AMZN, GOOGL, MSFT, ORCL and META; YoY organic cc growth is for top-5 IT services TCS, INFO, HCLT, WPRO and TECHM.

Exhibit 4: We believe the AI-infra build-out is mirroring the earlier cloud cycle, with elevated capex likely preceding a recovery in services demand



Source: Bloomberg, MOFSL

Exhibit 5: Service lines lost and created during the cloud build-out era

Displaced (Legacy IMS Era)	Created/Expanded (Cloud-Native Era)
❖ DBA services (on-premise RDBMS management)	❖ Data engineering & lakehouse management (e.g., Snowflake, Databricks)
❖ Physical server management	❖ DevOps & Site Reliability Engineering (SRE)
❖ Ticket-based infrastructure support	❖ CloudOps & FinOps (cost observability, optimization, governance)
❖ Data center migration teams	❖ Cloud migration & re-platforming specialists
❖ Legacy app maintenance (e.g., COBOL, Mainframe)	❖ Cloud-native app development & containerization
❖ Custom stack build (on-prem)	❖ Platform-as-a-Service (e.g., Azure App Services, GCP Cloud Run)

Source: MOFSL

Exhibit 6: Service lines lost and emerging in the AI cycle

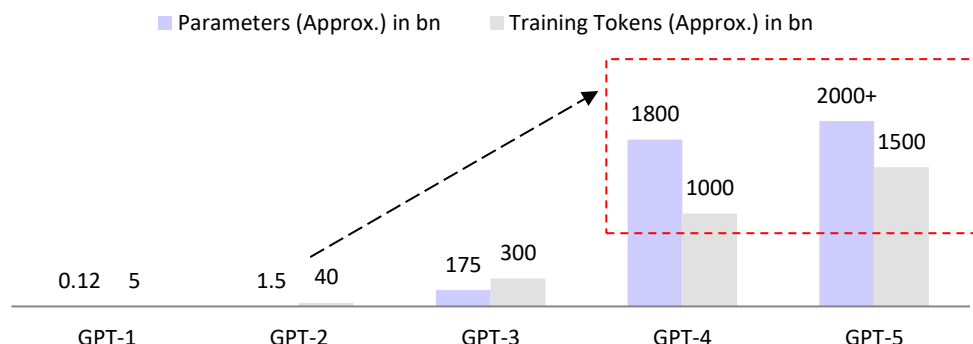
Displaced/Compressed (Deflationary Impact)	Created/Expanded (Accretive Services)
❖ Manual testing roles	❖ AI-assisted testing & autonomous QA (GenAI-based test script generation, defect prediction)
❖ L1 helpdesk and basic support	❖ Chatbot-led self-service portals, AI agent orchestration
❖ Low level coding	❖ Prompt engineers, model integrators, Copilot-guided devs
❖ Data labeling and manual cleansing	❖ Automated data pipelines, synthetic data generation, data QA at scale
❖ Basic documentation	❖ AI-based content ops, fine-tuning content engines, compliance QA

Source: MOFSL

Hardware to services transition in near term

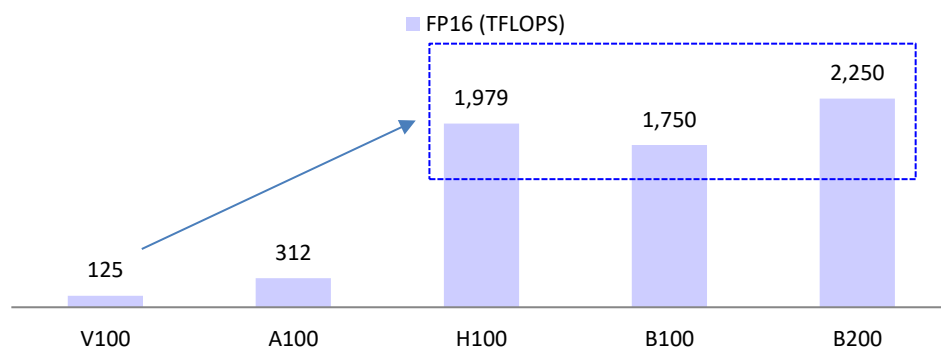
- AI spending has so far been focused on infrastructure, mainly data center build-out. This was phase one. The second phase, where enterprises move from experimentation to deployment, begins when the incremental benefit of more hardware begins to flatten.
- As shown in Exhibits 7 and 8, hardware improvements are no longer exponential across LLMs and chips. The combination of moderating Capex growth and diminishing hardware productivity gains indicates that the inflection point is near. Historically, this is the point at which Indian IT's revenue cycles bottom out and begin to recover.
- Over the last 14-16 months, GenAI has moved from early experimentation to meaningful ecosystem formation. We believe the GenAI stack spanning core models, vector databases, orchestration frameworks, guardrails, and cost-optimized inference infrastructure is now built to a large extent. As Exhibit 9 highlights, this stack sits natively on the cloud ecosystem, making hyperscaler alignment a critical differentiator for IT services vendors.
- With hardware stabilizing, we believe the industry is approaching the early stages of the GenAI inflection point. **While productivity gains may put pressure on low-value coding and BPO revenue pools, the scale of GenAI-driven modernization should more than offset these headwinds for IT services, in our view.**

Exhibit 7: Limited productivity uplift in GPT-5 may be an early sign that the curve is flattening



Note: Estimates for GPT4/5 are by industry experts as OpenAI hasn't published details. Source: MOFSL

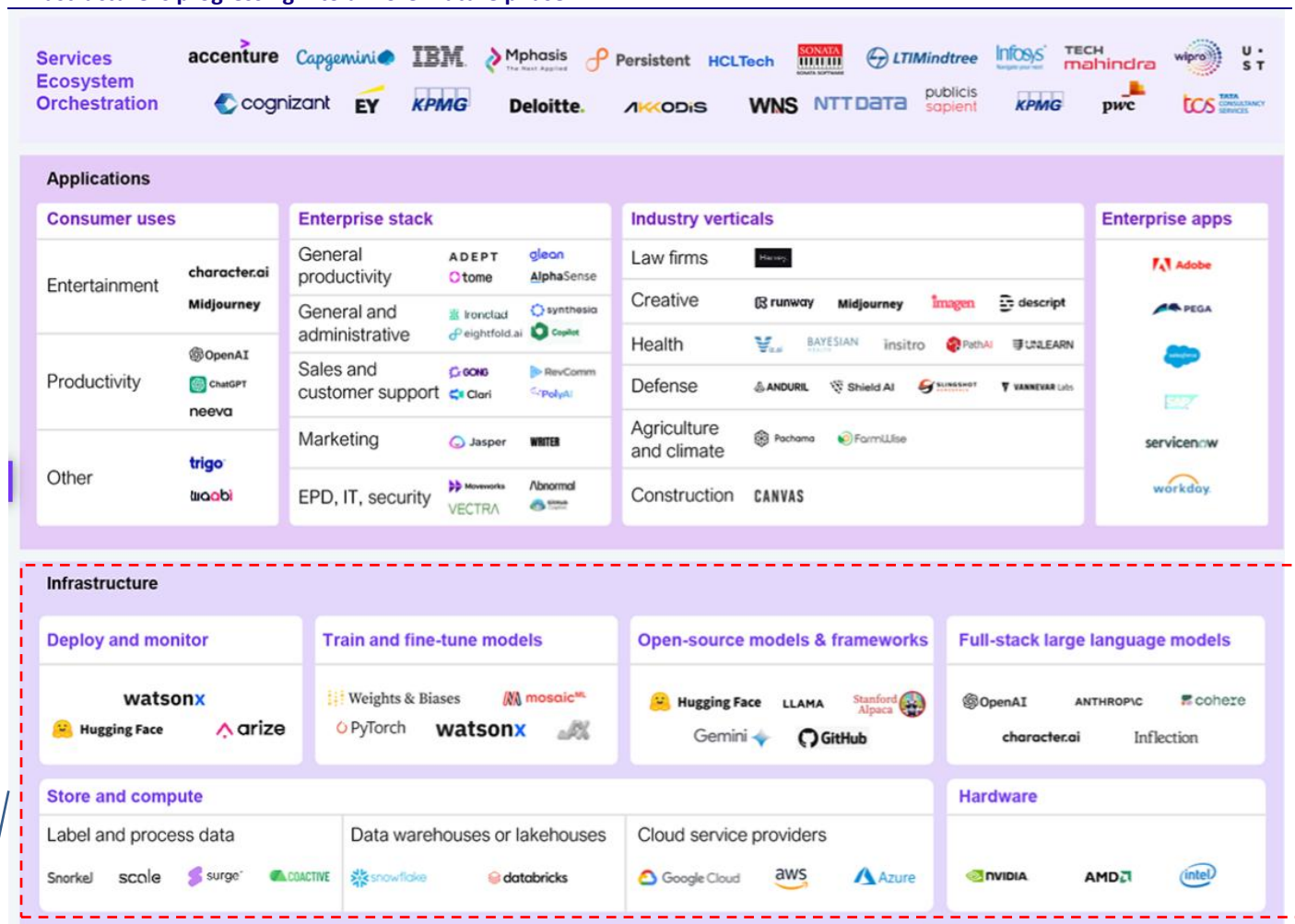
Exhibit 8: We see improvements flattening in chips as well



Note: The above compute precisions (FP16) are tensor core which is specifically designed for AI and deep learning workloads.

Source: NVIDIA website, MOFSL

Exhibit 9: GenAI stack spanning core models, hardware, storage and compute, guardrails, and cost-optimized inference infrastructure is progressing into a more mature phase



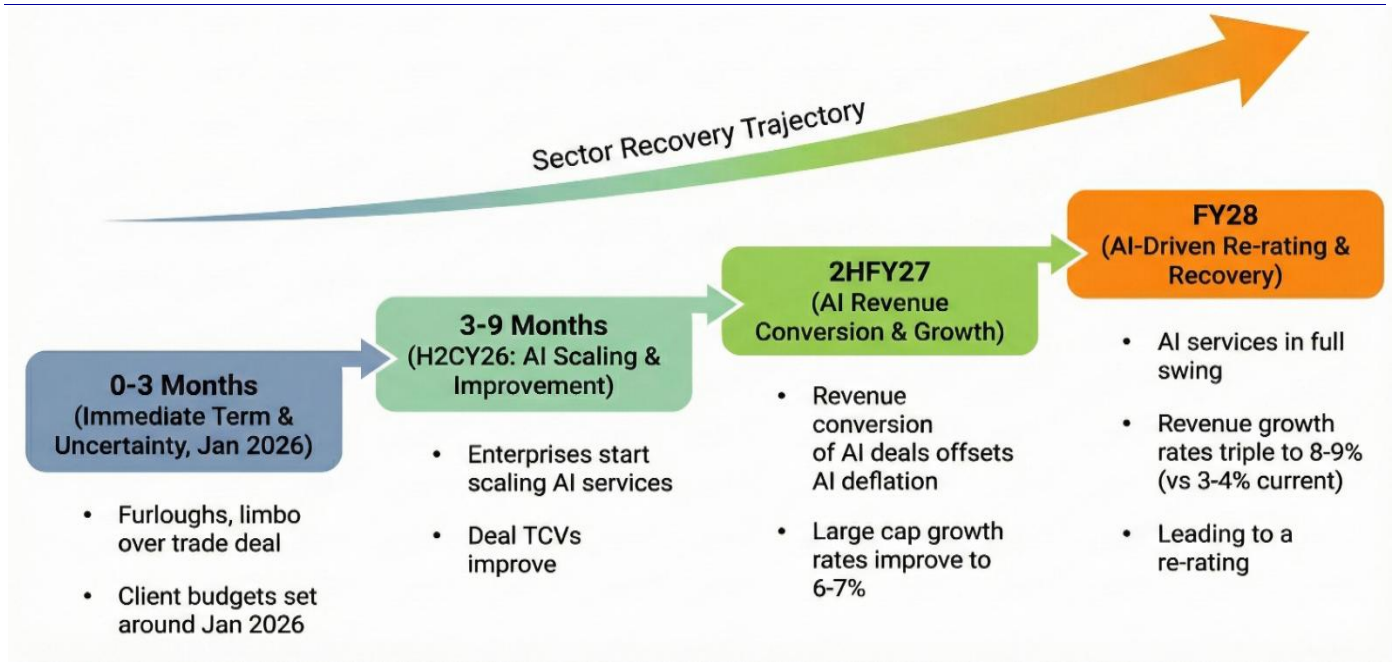
Source: HFS Research

This is almost built:
GenAI stack spanning core models, hardware, storage & compute is now in a more mature stage.

How we expect the next three years to play out

- **0-3 months (near-term):** Furloughs and deal deferrals continue, with clients waiting for 2026 budgets to firm up. Little incremental demand is expected until Jan'26 when planning cycles reset. The sector remains in limbo, but the market will likely look through this.
- **3-9 months (2HCY26):** Enterprises begin scaling AI services beyond pilots. Deal activity improves, with rising TCVs in application modernization, data engineering, and integration-led work. This marks the first tangible evidence of the transition from hardware to services.
- **2HFY27:** AI-related deal conversion begins to show up in revenue. This is also when AI-linked productivity deflation begins to be offset by new AI services work. Large-cap revenue growth rates start improving toward the 6-7% range.
- **FY28:** AI services move into full deployment mode. Industry revenue growth rates materially accelerate to 8-9% (vs. 3-4% today) as AI modernization, data workloads, and enterprise integration scale up. This supports a sector-wide re-rating as growth visibility improves.

Exhibit 10: IT services sector recovery: a three-year outlook



Source: MOFSL, Industry, Company

Global peers showing early recovery in discretionary spend

- We analyzed the latest management commentaries of EPAM and Globant, both leaders at the application layer of digital engineering. They have reported several quarters of improving commentary: deal pipelines are stabilizing, discretionary budgets are returning, and early AI integration work is beginning to appear.
- We are seeing early stages of AI monetization, led by shifting of POC projects to full-scale transformation programs. Clients are shifting spending toward AI infrastructure, prioritizing data modernization.
- These companies acted as leading indicators in the cloud cycle and are playing the same role now. Their improvement is consistent with the early stages of a services-led deployment cycle.

Exhibit 11: Globant management commentary over last four quarters

Parameter	4Q24 (Dec-24 call)	1Q25 (May-25 call)	2Q25 (Aug-25 call)	3Q25 (Nov-25 call)
Client conversations (PoC to deployment)	❖ Early but broad AI-led transformation positioning; AI Studios already critical in winning large projects.	❖ Narrative shifts to how AI is delivered (AI pods, subscription model); early client traction (YPF, JM Family, etc.), but still framed as a new model gaining traction rather than scaled deployments.	❖ Very explicit pivot to pilot to scale language; Enterprise AI 2.0, Station and agent marketplace are framed as enablers for scaled deployment.	❖ Management now clearly says projects have shifted from exploratory to transformational; implies many AI projects in production/scaled .
Demand tone (overall & AI-related)	❖ Strong pipeline growth to USD3.3b ; long-term demand is increasing and should convert to bookings and revenue, but macro not fully benign.	❖ Macro is clearly tougher (higher recession risk, tariffs, softer consumer), but pipeline up 20% YoY and AI at core of strategy; more emphasis on resilience and long-term demand .	❖ Described as a “ more tempered demand environment ” with extended sales cycles; business optimization to protect profitability while funding AI strategy.	❖ Clear upshift: pipeline at all-time high USD3.7b (+30% YoY) ; AI demand described as having moved from hype to tangible adoption.

Source: Company, MOFSL

Exhibit 12: EPAM management commentary over last four quarters

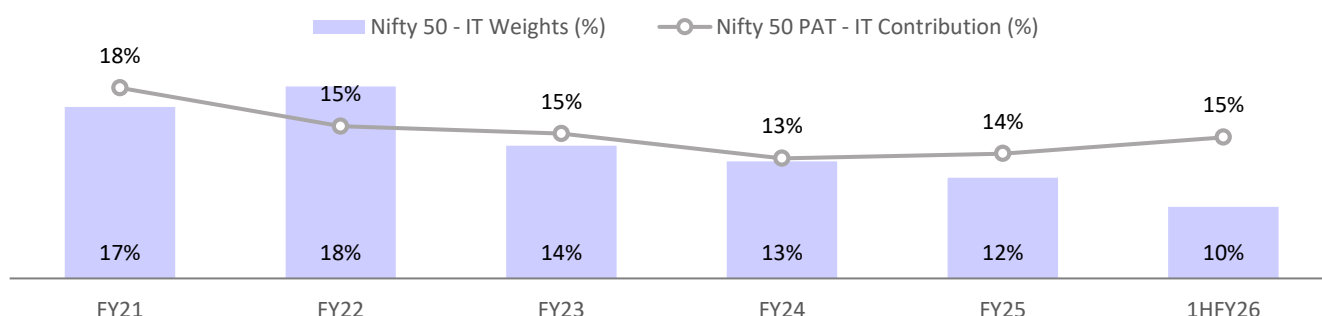
Parameter	4Q24 (Feb-25 call)	1Q25 (May-25 call)	2Q25 (Aug-25 call)	3Q25 (Nov-25 call)
Client conversations (PoC to deployment)	❖ AI projects described as early-stage but scaling up: thousands of new use cases turning into agentic AI pilots and mid-sized projects; high probability of transforming into full programs.	❖ Client conversations shifting from productivity pilots to “more comprehensive AI-native transformation programs”; PoC vs deployment still not quantified, but directionally moving to larger programs.	❖ Clear step-up: vast majority of Top 100 clients have moved beyond experimental PoCs to medium/large programs; programs “growing in scale”.	❖ Now quantified: Out of hundreds of AI-native projects, 60-70% have expanded into larger programs from PoCs, and some reach tens of millions in size.
Monetization of AI	❖ They call out ~USD50m of AI-native program revenue in 4Q, up from single-digit millions in 1H24 – first explicit size disclosure.	❖ AI is cited as a key contributor to better-than-expected growth; incremental demand for AI capabilities drives broader transformation, but no fresh number yet.	❖ AI-native revenue clearly ramping up: “AI-native revenue is growing in double digits sequentially, up from strong double-digits last quarter.”	❖ AI-native revenue now has a track record: third consecutive quarter of double-digit sequential growth; AI foundational work also a core revenue driver.
Demand tone (overall & AI-related)	❖ 2024 described as year of uneven demand but improving stabilization; modestly more positive demand vs. 90 days ago, but with multiple pockets of caution and cost sensitivity.	❖ 1Q beats expectations; third consecutive quarter of outperformance; baseline demand improving faster than anticipated; no material slowdown in spending.	❖ EPAM now talks about accelerating growth in advanced AI-native offerings and improving YoY growth; AI attention “triggering incremental demand”.	❖ 3Q shows another quarter of double-digit revenue growth; AI continues to trigger incremental demand and increase investments to production; demand environment said to be improving.

Source: Company, MOFSL

Valuation and setup: IT at decadal-low index weight

- We believe we are **at the bottom and the risks skew to the upside**. Our analysis suggests outsized gains if this plays out, whereas the current levels already bake in the status quo (GenAI-led deflation, demand apathy).
- We **upgrade Infosys to BUY**, as we believe its Topaz suite of AI services and full-stack app services capabilities will be back in vogue. Infosys and TCS are down 16%/23% over the last year vs. Nifty IT is down 11%, as markets have already priced in macro uncertainty, GenAI-led deflation concerns, and the lack of a new tech-spending cycle.
- With GenAI capex expected to moderate, we believe AI-led application modernization should pick up – an area where Infosys's Topaz and full-stack ADM strengths are well aligned. At current valuations, we believe upside risks outweigh downside risks, and accordingly, we upgrade Infosys to BUY from Neutral.
- **We also upgrade Mphasis to BUY** on the back of strong TCV growth, normalization of large-client issue and consistent conversion, which provide visibility for the near-term revenue momentum. EBIT margins will remain within the guided band.
- In line with sector multiple upgrades, we also upgrade Wipro to Neutral and Zensar to BUY. **Our top picks to play the next AI wave:** Hexaware and Coforge in mid-tier and HCLT and TECHM in large-caps.
- We also note that IT services' share in Nifty profits has been stable at 15% over the past four years, whereas its share in the benchmark index is now at a decadal low of 10% (from 19% peak in Dec'21).

Exhibit 13: IT services' profit share remains steady at 15%, but Nifty 50-IT weight has fallen to a decadal low of 10% from 19%



Source: HFS Research

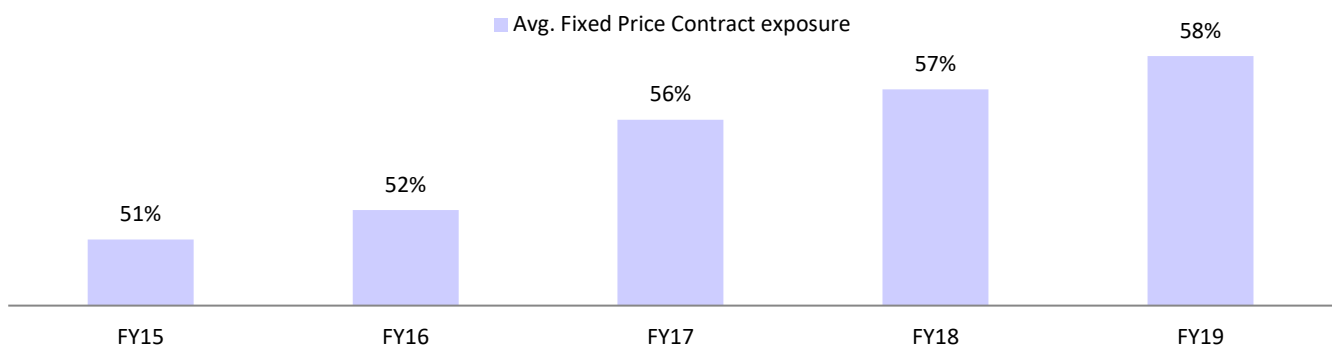
Exhibit 14: Changes in stock ratings

	Earlier Rating	Revised rating
TCS	Buy	Buy
Infosys	Neutral	Buy
Wipro	Sell	Neutral
HCLT	Buy	Buy
TechM	Buy	Buy
HEXT	Buy	Buy
LTIM	Buy	Buy
MPHL	Neutral	Buy
PSYS	Buy	Buy
COFORGE	Buy	Buy
ZENT	Neutral	Buy
LTTS	Neutral	Neutral
CYL	Sell	Sell
KPIT	Buy	Buy
TELX	Sell	Sell
TTL	Sell	Sell

Margins a key risk

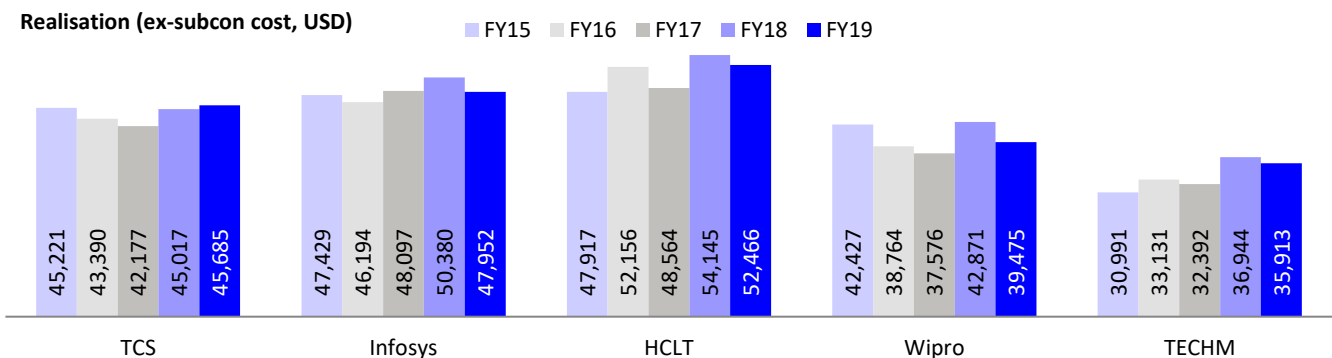
- Between FY15 and FY19, large-cap IT vendors saw a steady increase in fixed-price contracts – Infosys's mix rose from 41% to 53%, HCLT from 44% to 49%, and Wipro from 49% to 59%. This coincided with decelerating revenue growth, while most other external factors (currency, macro, etc.) remained broadly stable. Importantly, sector EBIT margins declined by ~150bp over this four-year period, suggesting that the pivot to fixed-price models carried a clear margin drag.
- As seen in Exhibit 17, the industry was hiring in line with revenue growth, and employee productivity basically flatlined in these years.
- The winners who avoid this fate will likely be companies with the readiness to disrupt their models and sell services as software.

Exhibit 15: Accelerated pivot from T&M to fixed-price models across large-cap IT firms during FY15-19



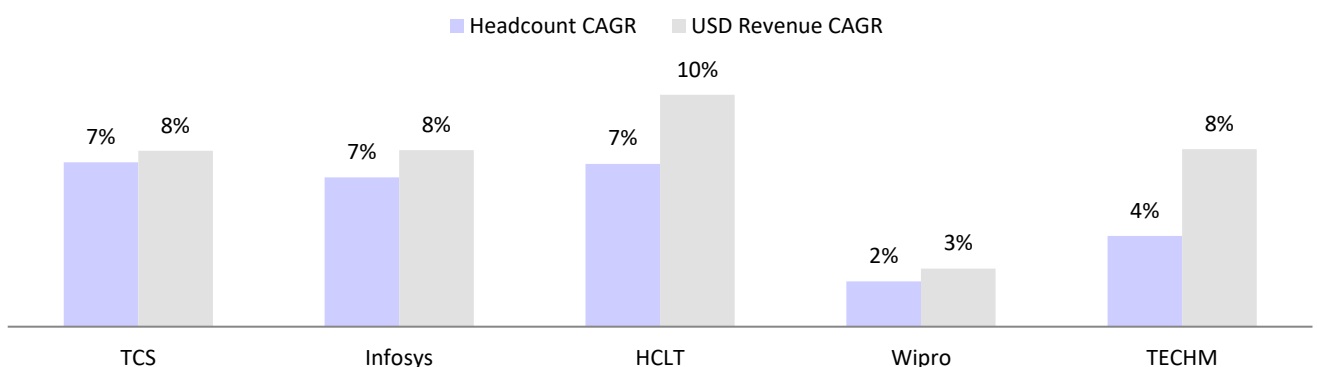
Source: MOFSL, Company; Note: *INFO, HCLT and WPRO is considered for this chart.

Exhibit 16: Realizations remained steady across all large-caps as contracts moved to fixed-price mechanism



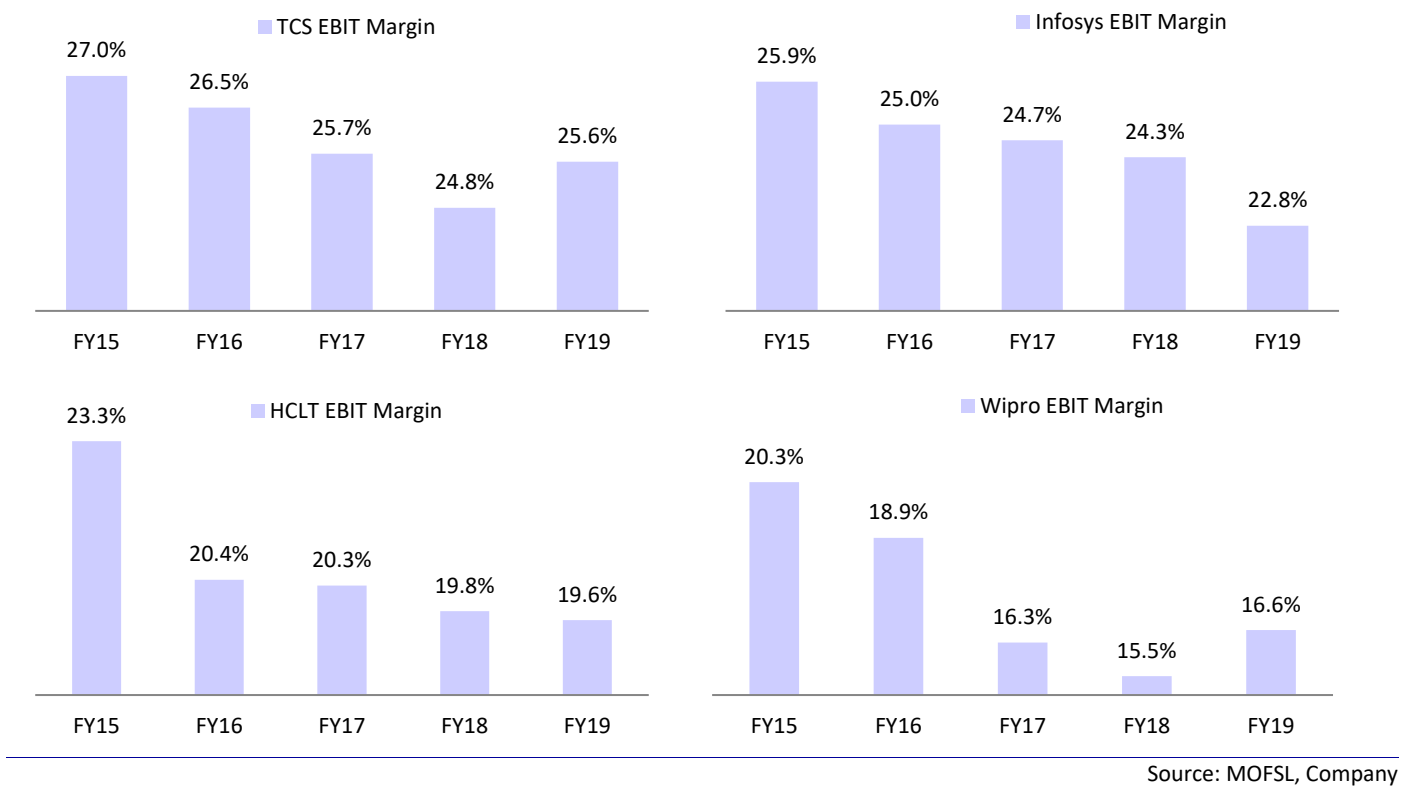
Source: MOFSL, Company

Exhibit 17: Linearity between revenue and headcount growth was observed, which may not be the case going forward



Source: MOFSL, Company

Exhibit 18: Eroding margins during FY15-19 as shift to fixed-price models raised delivery overruns and scope changes risk



Infosys

BSE SENSEX
85,232

S&P CNX
26,068

Infosys

Bloomberg	INFO IN
Equity Shares (m)	4154
M.Cap.(INRb)/(USD\$)	6418.6 / 71.8
52-Week Range (INR)	2007 / 1307
1, 6, 12 Rel. Per (%)	4/-7/-27
12M Avg Val (INR M)	12498

Financials & Valuations (INR b)

Y/E Mar	FY26E	FY27E	FY28E
Sales	1,763	1,910	2,119
EBIT Margin (%)	21.0	20.9	21.0
PAT	287	309	346
EPS (INR)	69.1	74.5	83.3
EPS Gr. (%)	8.3	7.8	11.7
BV/Sh. (INR)	232	232	233

Ratios

RoE (%)	29.9	32.2	35.9
RoCE (%)	24.7	26.3	29.0
Payout (%)	85.0	85.0	85.0

Valuations

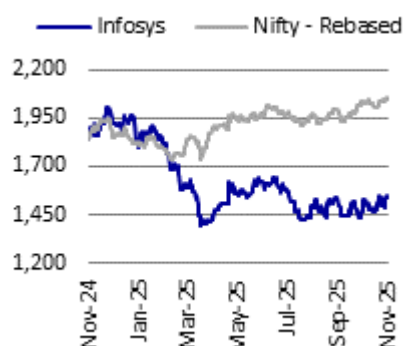
P/E (x)	22.3	20.7	18.6
P/BV (x)	6.7	6.7	6.6
EV/EBITDA (x)	15.2	13.9	12.4
Div Yield (%)	3.8	4.1	4.6

Shareholding pattern (%)

As On	Sep-25	Jun-25	Sep-24
Promoter	13.1	13.1	13.1
DII	38.0	35.4	34.5
FII	36.4	39.4	39.9
Others	12.5	12.2	12.6

FII Includes depository receipts

Stock Performance (1-year)



CMP: INR1,545 TP: INR2,150 (+39%) Upgrade to buy

We downgraded Infosys on 11th Mar'25 (see our note: [Recovery stuck in second gear](#)) amid heightened macro uncertainty, muted deal velocity, weak discretionary spending and increased risks to near-term growth estimates.

With limited catalysts at that time and valuations offering little support, we moved the stock to Neutral. Since then, the overall setup has improved. We now upgrade Infosys to **BUY**, as we believe:

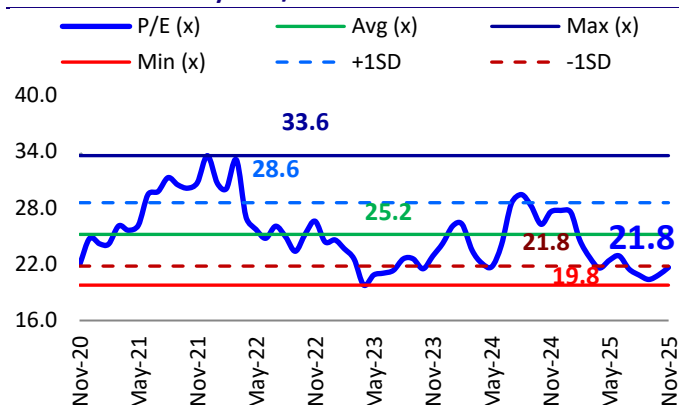
- 1) The transition from hardware-led capex to services-led spending should meaningfully benefit Infosys's discretionary-heavy portfolio, positioning the company as a key beneficiary of enterprise-wide AI investments. 2) Its proprietary AI stack, Topaz suite and full-stack application services capabilities should come back into favor as clients scale broader modernization and AI programs. 3) At current valuations (Exhibits 19 and 20), **INFO trades near its 10-year average P/E and at a 13% discount to its 5-year average**. We believe upside risks outweigh the potential downside, offering an attractive risk-reward setup.
- Infosys has raised the lower end of its guidance in both quarters of 1HFY26 (from 0-3% initially to 2-3% now), indicating a steady demand environment and better visibility. Additionally, the quality of revenue is set to be superior vs. last year, with pass-through revenue expected to remain low. This, along with efficiency gains from Project Maximus, should support a healthier margin trajectory.
- BFSI (~27% of revenue) remains relatively resilient, with spending in US BFSI centered on tech modernization, risk, and compliance. We also expect contributions from other verticals to improve over the next few quarters.

Valuation and view

- We have raised our FY27/FY28 growth estimates. Infosys is now expected to deliver 5.5%/8.5% YoY CC growth in FY27/FY28, supported by a demand recovery from 2HFY27 and further acceleration in FY28. We expect Infosys to report EBIT margins of 20.9%/21.0% in FY27/FY28, remaining within the guided range. We also upgrade our target multiple by ~20% and roll forward our valuation to FY28E EPS. Our target price of INR2,150 is based on 26x FY28E EPS, and we upgrade the stock to **BUY**.

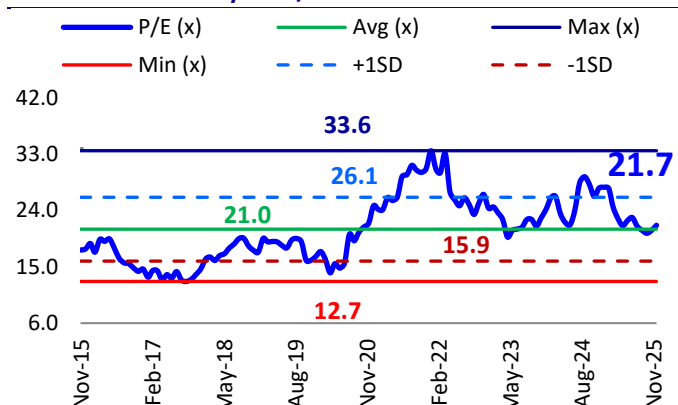
Story in charts

Exhibit 19: INFY 5-year P/E band chart



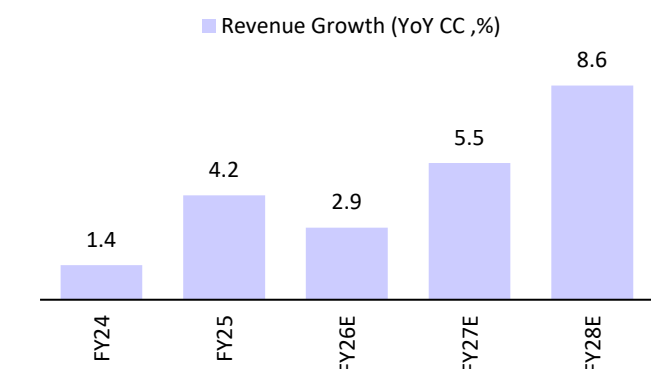
Source: Bloomberg, MOFSL

Exhibit 20: INFY 10-year P/E band chart



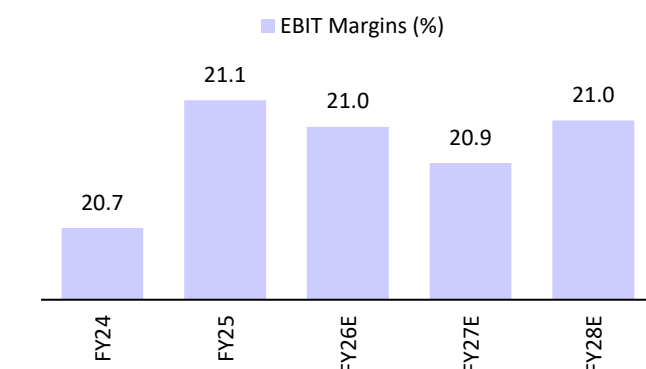
Source: Bloomberg, MOFSL

Exhibit 21: Expect INFO to deliver 5.5/8.6% CC growth in FY27/28



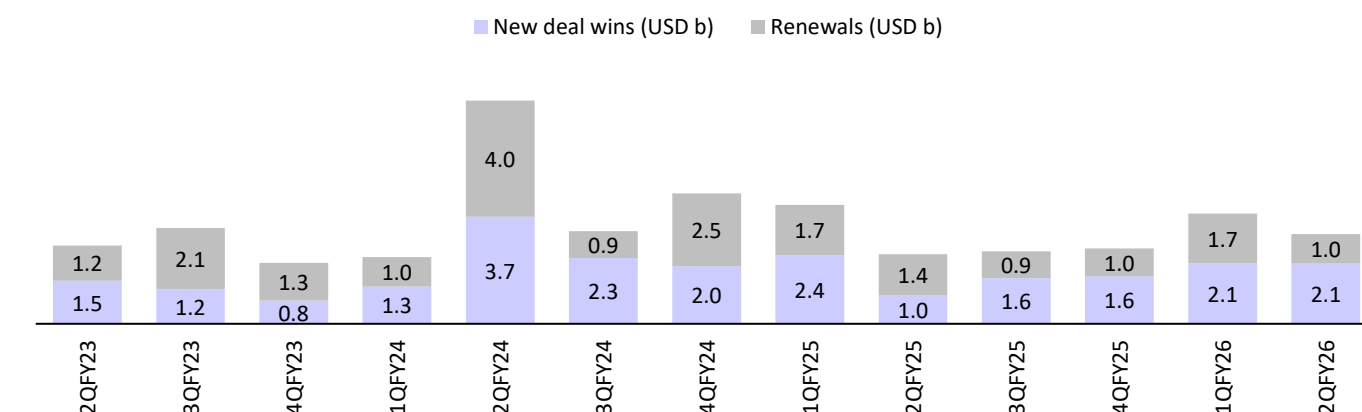
Source: Company, MOFSL

Exhibit 22: EBIT margins are expected to remain within guided range



Source: Company, MOFSL

Exhibit 23: Deal TCV has picked up in recent quarters, with new deal wins consistently accounting for over 50% of wins



Source: Company, MOFSL

Financials and valuations

Income Statement (INR b)								
Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Sales	1,005	1,216	1,468	1,537	1,630	1,763	1,910	2,119
Change (%)	10.7	21.1	20.7	4.7	6.1	8.2	8.3	11.0
Software Develop. Exp.	654	820	1,024	1,074	1,133	1,222	1,318	1,468
Selling and Mktg. Exp.	0	0	0	0	0	0	0	0
Gross Profit	351	396	444	463	496	541	592	651
SGA Expenses	104	116	135	145	152	170	193	205
EBITDA	279	315	351	364	392	422	462	516
% of Net Sales	27.8	25.9	23.9	23.7	24.1	23.9	24.2	24.3
Depreciation	33	35	42	47	48	51	63	70
EBIT	246	280	309	317	344	371	399	446
% of Net Sales	24.5	23.0	21.1	20.7	21.1	21.0	20.9	21.0
Interest	0	0	0	0	0	0	0	0
Other Income	20	21	24	23	29	31	31	34
PBT	266	301	333	341	373	401	430	480
Tax	72	80	92	97	108	114	120	134
Rate (%)	27.0	26.4	27.7	28.5	28.9	28.4	28.0	28.0
Minority Interest	1	0	0	0	0	0	0	0
Extraordinary Items	0	0	0	-19	0	0	0	0
Adjusted PAT	194	221	241	243	265	287	309	346
Change (%)	16.7	14.2	9.0	1.0	8.8	8.4	7.8	11.7

Balance Sheet (INR b)								
Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Share Capital	21	21	21	21	21	21	21	21
Reserves	742	733	733	860	937	759	761	764
Net Worth	764	754	754	881	958	780	782	784
Capital Employed	845	843	866	990	1,061	908	920	937
Gross Block	479	511	587	618	703	751	810	876
Less: Depreciation	213	248	290	337	385	437	500	570
Net Block	266	263	297	281	318	314	310	306
Investments & Other Assets	211	244	253	203	200	249	255	266
Curr. Assets	607	672	709	894	971	793	829	881
Debtors	268	343	407	430	440	435	471	523
Cash & Bank Balance	247	175	122	148	245	128	119	106
Investments	23	67	69	129	125	125	125	125
Other Current Assets	69	88	111	188	162	106	115	127
Current Liab. & Prov	239	336	392	388	429	448	475	516
Net Current Assets	369	336	317	506	542	345	354	365
Application of Funds	845	843	866	990	1,061	908	920	937

Financials and valuations

Ratios

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Basic (INR)								
EPS	45.6	52.4	57.6	63.3	63.8	69.1	74.5	83.3
Cash EPS	53.3	60.7	67.7	74.6	75.4	81.6	89.7	100.1
Book Value	180.0	179.0	180.4	212.9	231.4	188.2	188.6	189.2
DPS	27.0	31.0	33.5	46.0	43.0	58.8	63.3	70.8
Payout %	106.7	59.0	96.7	78.2	67.2	85.0	85.0	85.0
Valuation (x)								
P/E	33.9	29.5	26.8	24.4	24.2	22.3	20.7	18.6
Cash P/E	29.0	25.5	22.8	20.7	20.5	18.9	17.2	15.4
EV/EBITDA	23.5	20.7	18.4	17.6	16.3	15.2	13.9	12.4
EV/Sales	6.5	5.3	4.4	4.2	3.9	3.6	3.4	3.0
Price/Book Value	8.6	8.6	8.6	7.3	6.7	8.2	8.2	8.2
Dividend Yield (%)	1.7	2.0	2.2	3.0	2.8	3.8	4.1	4.6
Profitability Ratios (%)								
RoE	27.3	29.2	32.0	29.8	28.8	33.0	39.6	44.1
RoCE	23.0	24.4	26.2	24.5	23.9	26.9	31.4	34.6
Turnover Ratios								
Debtors (Days)	97	103	101	102	99	90	90	90
Fixed Asset Turnover (x)	3.8	4.6	4.9	5.5	5.1	5.6	6.2	6.9

Cash Flow Statement

(InR b)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
CF from Operations	235	261	295	312	360	335	361	403
Cash for Working Capital	6	-12	-65	-52	-3	58	-15	-20
Net Operating CF	241	250	230	261	357	392	346	383
Net Purchase of FA	-21	-22	-26	-22	-22	-44	-48	-53
Free Cash Flow	220	228	204	239	335	348	299	330
Net Purchase of Invest.	-63	-53	8	-37	3	0	0	0
Net Cash from Invest.	-84	-75	-18	-59	-19	-44	-48	-53
Proceeds from Equity	0	0	0	0	0	0	0	0
Others	-7	-8	-15	-28	-39	0	0	0
Dividend Payments	-91	-127	-137	-147	-203	-285	-307	-343
Buyback of Shares	0	-111	-115	0	0	-180	0	0
Cash Flow from Fin.	-98	-246	-267	-175	-242	-465	-307	-343
Net Cash Flow	60	-72	-54	27	96	-117	-9	-13
Effect of Forex on Cash Flow	1	-1	1	-1	1	0	0	0
Opening Cash Bal.	186	247	175	122	148	245	128	119
Add: Net Cash	61	-72	-53	26	97	-117	-9	-13
Closing Cash Bal.	247	175	122	148	245	128	119	106

Mphasis

BSE SENSEX 82,366
S&P CNX 25,236



Bloomberg	MPHL IN
Equity Shares (m)	190
M.Cap.(INRb)/(USDb)	523.1 / 5.9
52-Week Range (INR)	3240 / 2025
1, 6, 12 Rel. Per (%)	-1/2/-13
12M Avg Val (INR M)	1752

Financials & Valuations (INR b)

Y/E Mar	FY26E	FY27E	FY28E
Sales	157.2	180.4	210.2
EBIT Margin (%)	15.4	15.5	15.8
PAT	19.2	22.1	26.1
EPS (INR)	100.3	115.7	136.5
EPS Gr. (%)	12.4	15.3	18.0
BV/Sh. (INR)	546.4	592.8	647.7

Ratios

RoE (%)	19.1	20.4	22.1
RoCE (%)	16.7	18.1	19.8
Payout (%)	60.3	60.3	60.3

Valuations

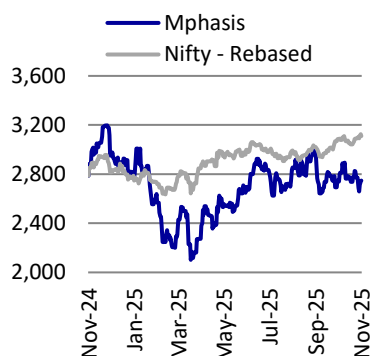
P/E (x)	27.3	23.6	20.0
P/BV (x)	5.0	4.6	4.2
EV/EBITDA (x)	16.9	14.4	12.0
Div Yield (%)	2.2	2.5	3.0

Shareholding pattern (%)

As On	Sep-25	Jun-25	Sep-24
Promoter	40.1	40.1	40.3
DII	37.1	36.5	37.0
FII	18.5	19.0	18.3
Others	4.3	4.4	4.4

FII Includes depository receipts

Stock Performance (1-year)



CMP: INR2,734 TP: INR4,100 (+49%) Upgrade to Buy

We upgrade Mphasis to **BUY** from Neutral, supported by a sharp improvement in deal momentum, normalization of key client issues in logistics, consistent revenue conversion and margin stability, which provide a clearer foundation for earnings over the next 12-18 months. While near-term furloughs may temper 3Q performance, we expect a healthier recovery in 4Q as large deals begin to scale up.

- **Strong TCV momentum improving growth visibility:** MPHL reported USD528m in TCV in 2QFY26 (up 155% YoY), taking **1HFY26 TCV above the full-year FY25 level (USD1.3b)**. Deal wins were broad-based across BFSI, Insurance, and TMT, with steady deal conversions. We believe BFSI exposure (60% of revenue), in particular, lends support amid macro uncertainty, driving steady ramp-ups in FY27.
- **Total revenue growth to track ex-logistics growth in FY27:** Large-client issues in logistics have largely normalized. As seen in Exhibit 26, we expect overall growth to begin converging with the ex-logistics trajectory, with management guiding for sequential improvement from 3Q onward in the vertical driven by ongoing deal ramp-ups. A more sustained pickup over the next couple of quarters would further strengthen confidence in the vertical's stability.
- **EBIT margins stable within the guided band:** EBIT margins should remain within the 14.75-15.75% guided range, supported by operational efficiencies, and delivery transformation. One-time logistics-client investments should normalize from 3Q. We expect margins to remain stable at **15.4%/15.5%** for FY26/FY27.

Valuation and Estimates

- We are positive on the BFSI exposure as it remains relatively resilient amid current uncertainties. With strong TCV growth in 1H and large-client issues now normalized, we see improving visibility on revenue growth over the next few quarters. Over FY25-28, we forecast a USD revenue CAGR of ~10.0% and an INR PAT CAGR of ~13.5%. We value the stock at 30x FY28E EPS, arriving at a TP of INR4,100. With improving fundamentals and a more balanced risk-reward, we upgrade the stock to **BUY**.

Story in Charts

Exhibit 24: MPHL 5-year P/E band chart

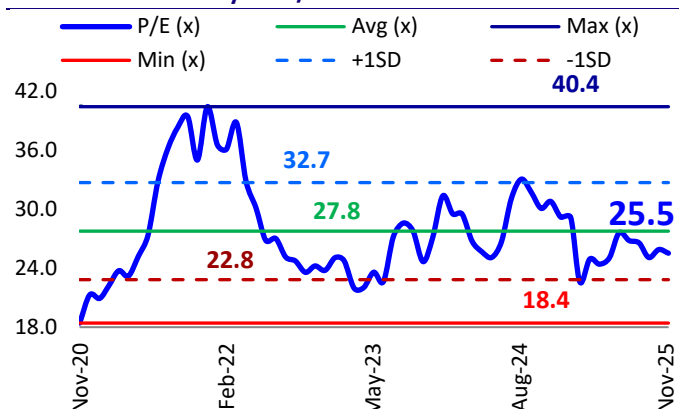


Exhibit 25: MPHL 10-year P/E band chart

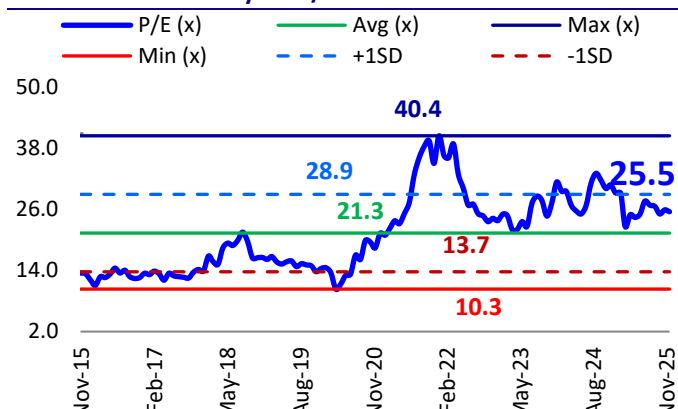


Exhibit 26: With logistics client-issue stabilizing, overall growth should align with ex-logistics growth trajectory

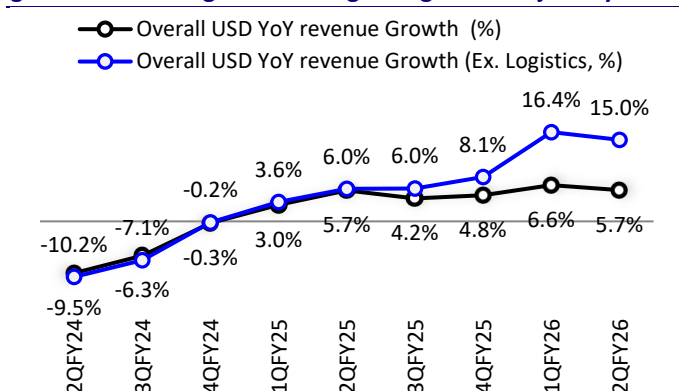


Exhibit 27: Total 1HFY26 TCV above FY25 TCV of USD1.3b

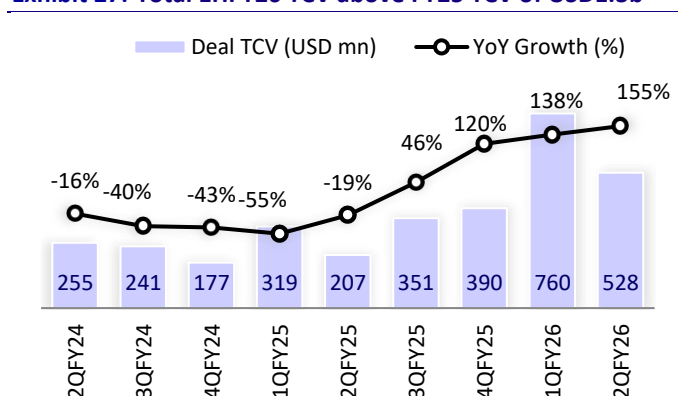


Exhibit 28: MPHL is expected to revert to its growth path

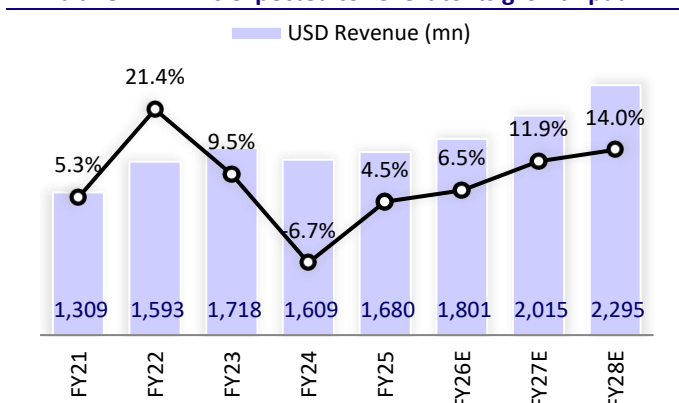
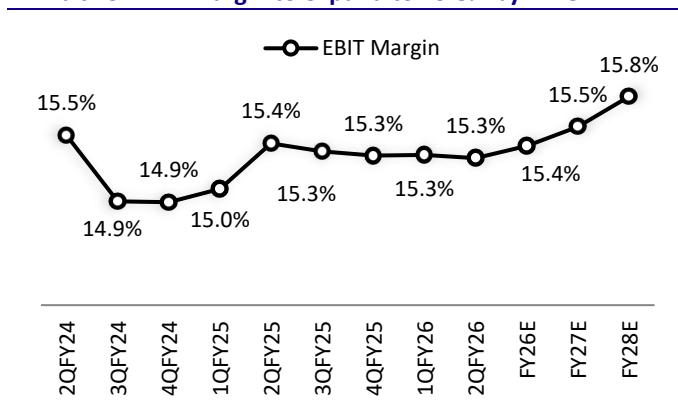


Exhibit 29: EBIT margin to expand to 15.8% by FY28



Financials and valuations

Income Statement

(INR m)

Y/E	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Revenues	97,222	1,19,616	1,37,985	1,32,785	1,42,301	1,57,232	1,80,383	2,10,209
Change (%)	9.9	23.0	15.4	-3.8	7.2	10.5	14.7	16.5
Cost of Goods Sold	67,723.0	84,664	98,128	92,772	97,602	1,07,980	1,25,169	1,45,723
Gross Profit	29,499	34,952	39,857	40,013	44,699	49,252	55,215	64,486
SG&A Expenses	11,472	13,570	15,517	15,793	18,227	19,814	21,518	24,974
EBITDA	18,027	21,382	24,340	24,220	26,472	29,437	33,697	39,512
% of Net Sales	19	17.9	17.6	18.2	18.6	18.7	18.7	18.8
Depreciation	2,418	2,906	3,253	4,106	4,762	5,266	5,666	6,298
EBIT	15,609	18,476	21,087	20,114	21,710	24,171	28,031	33,214
% of Net Sales	16	15.4	15.3	15.1	15.3	15.4	15.5	15.8
Other Income	696	861	644	570	894	1,490	1,348	1,469
PBT	16,305	19,337	21,731	20,684	22,604	25,661	29,380	34,684
Tax	4,139	4,870	5,351	5,135	5,580	6,501	7,274	8,598
Rate (%)	25	25.2	24.6	24.8	24.7	25.3	24.8	24.8
Adjusted PAT	12,166	14,467	16,380	15,549	17,024	19,160	22,106	26,086
Change (%)	2.5	18.9	13.2	-5.1	9.5	12.5	15.4	18.0

Balance Sheet

(INR m)

Y/E	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Share capital	1,870	1,878	1,884	1,890	1,901	1,901	1,901	1,901
Reserves	63,397	67,553	77,464	86,056	94,383	1,02,047	1,10,890	1,21,324
Net Worth	65,267	69,431	79,348	87,946	96,284	1,03,948	1,12,790	1,23,225
Loans	5,135	5,272	1,985	15,436	11,159	11,159	11,159	11,159
Other long-term liabilities	7,285	9,030	8,768	11,310	8,295	7,930	8,115	8,354
Capital Employed	77,687	83,734	90,101	1,14,692	1,15,739	1,23,038	1,32,065	1,42,738
Net Block	8,869	10,388	11,281	14,011	14,908	10,325	5,741	915
CWIP	31	110	55	137	2	2	2	2
Goodwill	21,326	27,348	29,586	41,793	42,907	42,907	42,907	42,907
Investments	3,114	3,778	3,848	4,971	4,238	4,238	4,238	4,238
Other assets	9,246	8,774	11,794	14,066	17,151	19,257	21,364	24,078
Curr. Assets	51,403	57,164	59,531	66,324	69,861	73,667	89,200	1,07,174
Debtors	18,505	22,270	25,207	24,256	28,407	28,862	33,111	38,586
Cash	9,098	9,494	10,534	8,144	16,126	13,114	19,239	26,247
Investments	16,870	14,351	13,679	25,928	17,844	21,844	25,844	29,844
Other current assets	6,929	11,048	10,111	7,997	7,484	9,848	11,005	12,496
Current Liab. & Prov	16,302	23,828	25,993	26,610	33,328	27,358	31,387	36,576
Sundry Liabilities	15,806	22,744	23,573	23,818	30,220	26,101	29,944	34,895
Provisions	497	1,084	2,420	2,792	3,108	1,258	1,443	1,682
Net Current Assets	35,100	33,336	33,538	39,714	36,534	46,309	57,813	70,598
Application of Funds	77,687	83,734	90,102	1,14,692	1,15,739	1,23,038	1,32,065	1,42,738

Financials and valuations

Ratios

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
EPS	64.2	75.1	86.9	81.8	89.3	100.3	115.7	136.5
Cash EPS	77.0	90.2	104.2	103.3	114.2	127.8	145.3	169.4
Book Value	349.3	365.3	421.2	466.1	508.3	546.4	592.8	647.7
DPS	65.0	45.7	52.2	49.4	53.9	60.4	69.7	82.3
Payout %	101.2	60.8	60.0	60.5	60.4	60.3	60.3	60.3
Valuation (x)								
P/E	42.6	36.4	31.4	33.4	30.6	27.3	23.6	20.0
Cash P/E	35.5	30.3	26.2	26.5	23.9	21.4	18.8	16.1
EV/EBITDA	27.2	23.4	20.2	20.5	18.7	16.9	14.4	12.0
EV/Sales	5.0	4.2	3.6	3.7	3.5	3.2	2.7	2.3
Price/Book Value	7.8	7.5	6.5	5.9	5.4	5.0	4.6	4.2
Dividend Yield (%)	2.4	1.7	1.9	1.8	2.0	2.2	2.5	3.0
Profitability Ratios (%)								
RoE	19.7	21.5	22.0	18.6	18.5	19.1	20.4	22.1
RoCE	16.8	18.3	19.1	16.1	16.0	16.7	18.1	19.8
Turnover Ratios								
Debtors (Days)	69	68	67	67	73	67	67	67
Fixed Asset Turnover (x)	11.0	12.4	12.7	10.5	9.8	12.5	22.5	63.2

Cash Flow Statement

(INR m)

Y/E March	FY21	FY2	FY23	FY24	FY25	FY26E	FY27E	FY28E
CF from Operations	14,999	18,497	20,397	17,769	21,393	22,937	26,423	30,914
Chg. in Wkg. Capital	-453	-1,501	-5,779	4,028	-2,341	-11,259	-3,301	-4,252
Net Operating CF	14,545	16,996	14,618	21,797	19,052	11,677	23,123	26,662
Net Purchase of FA	-1,252	-1,192	-1,112	-916	-599	-683	-1,082	-1,471
Free Cash Flow	13,293	15,805	13,506	20,881	18,453	10,994	22,041	25,190
Net Purchase of Invest.	-6,967	-1,629	2,936	-23,905	1,039	-2,510	-2,652	-2,531
Net Cash from Invest.	-8,219	-2,820	1,825	-24,821	441	-3,193	-3,734	-4,002
Proceeds from Equity	268	442	271	301	575	0	0	0
Proceeds from LTB/STB and Others	-2,356	-2,152	-7,153	9,898	-1,564	0	0	0
Dividend Payments	-6,527	-12,177	-8,652	-9,427	-10,401	-11,496	-13,264	-15,651
Net CF from Financing	-8,615	-13,887	-15,534	772	-11,389	-11,496	-13,264	-15,651
Net Cash Flow	-2,288	289	908	-2,252	8,103	-3,012	6,125	7,008
Exchange Difference	120	107	132	-139	-121	0	0	0
Opening Cash Balance	11,267	9,098	9,494	10,534	8,144	16,126	13,113	19,239
Add: Net Cash	-2,169	396	1,040	-2,391	7,982	-3,012	6,125	7,008
Closing Cash Balance	9,098	9,494	10,534	8,144	16,126	13,113	19,239	26,247

Wipro

BSE SENSEX
85,232

S&P CNX
26,068



Bloomberg	WPRO IN
Equity Shares (m)	10484
M.Cap.(INRb)/(USD\$)	2563.3 / 28.7
52-Week Range (INR)	325 / 225
1, 6, 12 Rel. Per (%)	1/-8/-24
12M Avg Val (INR M)	3058

Financials & Valuations (INR b)

Y/E Mar	FY26E	FY27E	FY28E
Sales	923	980	1,045
EBIT Margin (%)	16.3	16.6	16.6
PAT	131	136	145
EPS (INR)	12.5	12.9	13.8
EPS Gr. (%)	(0.2)	3.5	6.5
BV/Sh. (INR)	80.5	82.0	83.7

Ratios

RoE (%)	15.7	15.9	16.6
RoCE (%)	11.8	12.7	13.2
Payout (%)	70.0	70.0	70.0

Valuations

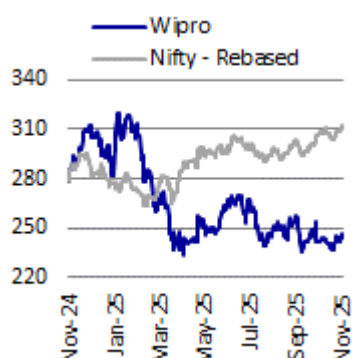
P/E (x)	19.5	18.9	17.7
P/BV (x)	3.0	3.0	2.9
EV/EBITDA (x)	12.0	10.9	12.3
Div Yield (%)	3.6	3.7	4.0

Shareholding pattern (%)

As On	Sep-25	Jun-25	Sep-24
Promoter	72.7	72.7	72.8
DII	7.9	7.8	8.7
FII	10.9	11.0	9.7
Others	8.6	8.5	8.8

FII Includes depository receipts

Stock Performance (1-year)



CMP: INR244 TP: INR275 (+13%) Upgrade to Neutral

We previously had a Sell rating on Wipro due to weak revenue growth, softer trends across key verticals, and slower deal conversion. Since then, the broader IT setup has become more supportive, with early signs of stabilization in BFSI/Europe and sustained deal activity in the last few quarters providing a firmer base for recovery. In line with broader sector multiple upgrades, we value Wipro at 20x FY28E EPS, arriving at a TP of INR 275 (earlier 16x Jun'27E EPS). We upgrade the stock to Neutral:

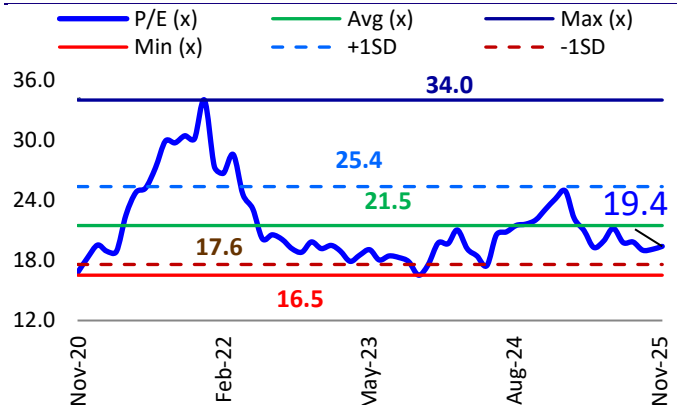
- **Deal momentum sustained:** Deal TCV remained healthy at USD9.5b in 1H, with good traction in BFSI and healthcare vertical. Deal activity has picked up meaningfully over the last few quarters, growing 48%/131%/90% YoY in 4QFY25/1Q/2QFY26. This provides a healthier deal TCV base heading into 1HFY26 and FY27, even though revenue conversion is likely to remain gradual in the near term.
- **BFSI/Europe showing early improvement:** The Phoenix deal is set to ramp up through 3QFY26, supporting stability in the BFSI vertical. Trends in Europe and APMEA also look incrementally better. While Consumer and ENRU remain soft due to tariff-driven caution, the early signs in BFSI/Europe offer incremental comfort even as a broad-based recovery is still forming.
- **Margins stable, though near-term dilution likely:** Large-deal ramp-ups and pricing pressure in consolidation programs may cap near-term upside. Further, the Harman DTA acquisition (expected to close in 3Q) is likely to dilute margins by ~60bp. We estimate 16.6% EBIT margin for both FY26/27E.

Valuation and view

- We have raised our FY27/FY28 growth estimates, with Wipro now expected to deliver 3.1%/4.5% YoY CC growth in FY27/FY28. While this remains below large-cap peers, the combination of stable TCV, improving traction in BFSI/Europe, and a bottoming industry cycle moves the risk-reward into a more balanced zone. Over FY25–28, we forecast a USD revenue CAGR of ~2.5% and an INR PAT CAGR of ~3.5%. In line with broader sector multiple upgrades, we value Wipro at 20x FY28E EPS, arriving at a TP of INR 275 (earlier 16x Jun'27E EPS). We upgrade the stock to Neutral.

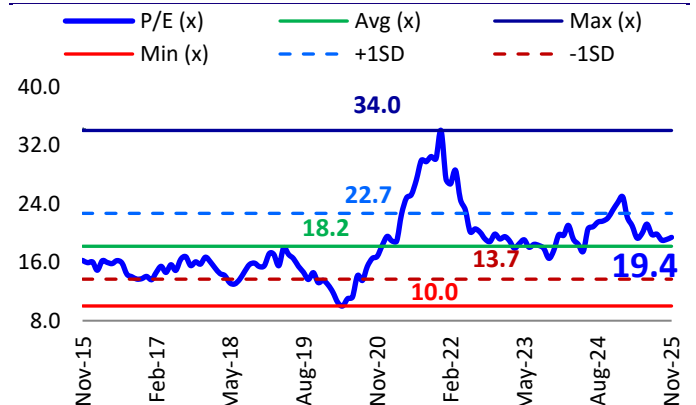
Story in charts

Exhibit 30: WPRO 5-year P/E band chart



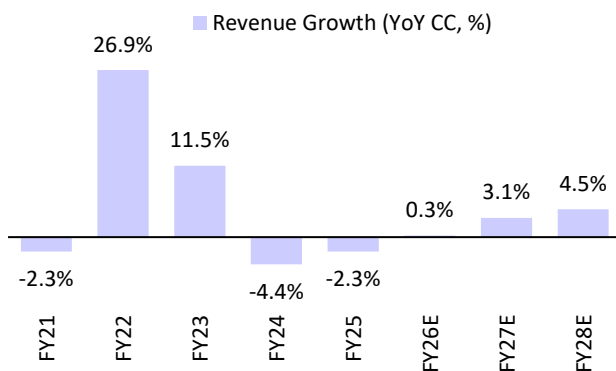
Source: Bloomberg, MOFSL

Exhibit 31: WPRO 10-year P/E band chart



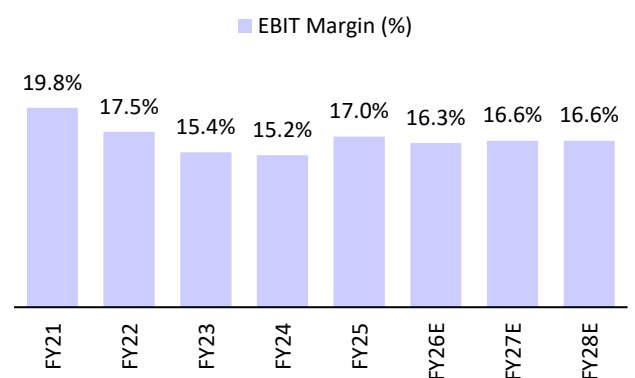
Source: Bloomberg, MOFSL

Exhibit 32: Expect WPRO to deliver 3.1%/4.5% CC growth in FY27/28



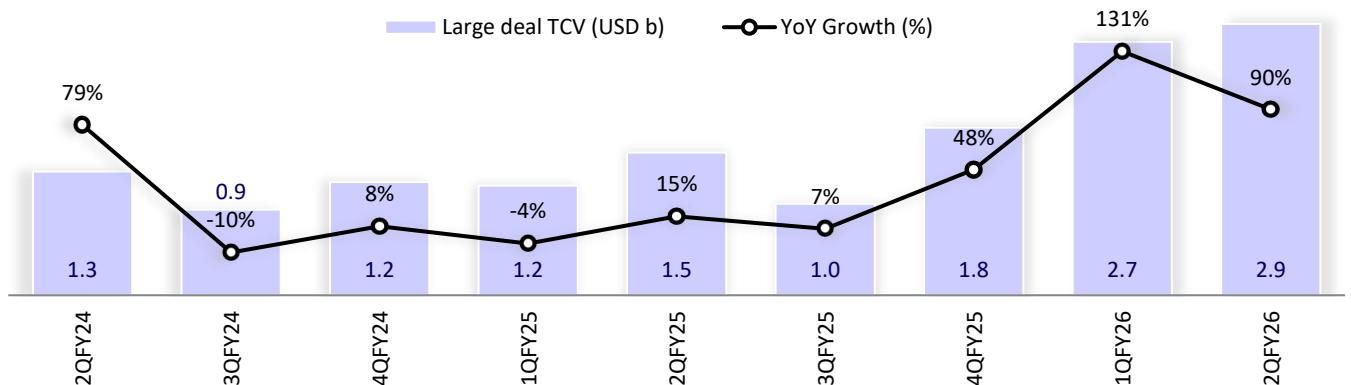
Source: Company, MOFSL

Exhibit 33: We expect modest improvement of 30bp in EBIT margins over FY26-FY28



Source: Company, MOFSL

Exhibit 34: Large deal TCV has picked up in recent quarters with good traction in BFSI and healthcare vertical



Source: Company, MOFSL

Financials and valuations

Income Statement								(INR b)
Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Sales	619	791	905	896	891	923	980	1,045
Change (%)	1.5	27.7	14.4	-0.9	-0.6	3.6	6.1	6.6
Operating Costs	423	556	645	631	618	655	687	731
Gross Profit	196	235	259	266	273	268	293	314
SG&A	73	97	120	130	122	117	131	141
EBITDA	151	169	173	170	181	182	195	208
% of Net Sales	24.3	21.4	19.1	19.0	20.3	19.7	19.9	19.9
Depreciation & Amort.	28	31	33	34	30	31	33	35
EBIT	123	138	140	136	151	151	162	173
% of Net Sales	19.8	17.5	15.4	15.2	17.0	16.3	16.6	16.6
Other Income	16	13	8	11	24	21	18	19
PBT	139	151	148	147	175	171	180	192
Tax	30	29	34	36	43	40	43	47
Rate (%)	21.8	19.1	23.0	24.5	24.5	23.1	24.0	24.2
Extraordinary items	0	0	0	0	0	0	0	0
Minority Interest	1	0	0	1	1	1	1	1
Adjusted PAT	108	122	114	110	131	131	136	145
Change (%)	11.0	13.2	-7.1	-2.9	19.2	-0.2	3.6	6.5

Balance Sheet								(INR b)
Y/E March	FY21	FY21	FY22	FY23	FY24	FY26E	FY27E	FY28E
Share Capital	11	11	11	10	21	21	21	21
Reserves	542	647	770	739	807	823	839	856
Net Worth	553	658	781	750	828	843	860	877
Minority Interest & others	41	56	66	88	108	58	61	65
Loans	83	152	150	141	162	152	142	132
Capital Employed	677	866	997	979	1,098	1,053	1,062	1,074
Gross Block	299	338	369	395	432	450	470	491
Less : Depreciation	198	228	262	296	325	356	389	423
Net Block	102	110	107	100	106	94	81	67
Investments	12	20	22	23	28	28	28	28
Intangible Assets	152	291	351	349	352	352	352	352
Other non-current assets	42	38	35	31	22	52	55	59
Curr. Assets	523	621	661	651	778	799	831	869
Debtors	121	176	187	174	182	195	207	220
Inventories	1	1	1	1	1	1	1	1
Cash & Bank Balance	170	104	92	97	122	96	92	92
Adv., Other Current Assets	55	98	72	68	62	75	80	84
Investments	176	242	309	311	411	431	451	471
Current Liab. & Prov	154	213	179	173	188	272	285	301
Net Current Assets	369	408	482	477	589	527	546	568
Application of Funds	677	866	997	979	1,098	1,053	1,062	1,074

Financials and valuations

Ratios

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Basic (INR)								
EPS	9.4	11.0	10.4	10.2	12.5	12.5	12.9	13.8
Cash EPS	12.0	14.0	13.4	13.5	15.3	15.4	16.0	17.1
Book Value	49.0	60.2	71.3	70.9	79.2	80.5	82.0	83.7
DPS	0.5	3.0	0.5	0.0	6.0	8.7	9.1	9.6
Payout %	93.3	26.9	4.8	1.6	47.8	70.0	70.0	70.0
Valuation (x)								
P/E	26.0	22.3	23.6	23.9	19.5	19.5	18.9	17.7
Cash P/E	20.4	17.5	18.2	18.0	15.9	15.8	15.2	14.3
EV/EBITDA	16.6	14.6	14.0	13.6	12.1	12.0	10.9	12.3
EV/Sales	4.0	3.1	2.7	2.6	2.4	2.4	2.2	2.4
Price/Book Value	5.0	4.1	3.4	3.4	3.1	3.0	3.0	2.9
Dividend Yield (%)	0.2	1.2	0.2	0.0	2.5	3.6	3.7	4.0
Profitability Ratios (%)								
RoE	19.4	20.2	15.8	14.4	16.6	15.7	15.9	16.6
RoCE	16.0	16.3	12.8	11.3	12.0	11.8	12.7	13.2
Turnover Ratios								
Debtors (Days)	72	81	75	71	75	77	77	77
Asset Turnover (x)	0.8	0.8	0.8	0.8	0.7	0.7	0.7	0.8
Leverage Ratio								
Debt/Equity Ratio(x)	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2

Cash Flow Statement

Y/E March	FY21	FY21	FY22	FY23	FY24	FY26E	FY27E	FY28E
CF from Operations	125	147	145	158	159	162	168	179
Cash for Wkg. Capital	23	-36	-15	19	10	-23	-3	-2
Net Operating CF	148	111	131	176	169	139	165	178
Net Purchase of FA	-19	-19	-14	-6	-13	-18	-20	-21
Other change in investments	27	-205	-70	18	-68	-20	-20	-20
Net Cash from Invest.	8	-224	-84	12	-81	-38	-40	-41
Issue of Shares/Other adj	0	0	0	0	0	0	0	0
Proceeds from LTB/STB	-122	53	-28	-177	-1	-19	-19	-19
Dividend Payments	-6	-7	-33	-6	-63	-107	-111	-118
Net CF from Finan.	-129	47	-61	-183	-64	-126	-130	-137
Free Cash Flow	129	91	116	170	156	120	146	157
Net Cash Flow	26	-67	-14	5	25	-26	-4	0
Forex difference	-1	1	2	0	0	0	0	0
Opening Cash Bal.	142	168	102	90	95	120	95	91
Add: Net Cash	26	-66	-12	5	25	-26	-4	0
Closing Cash Bal.	168	102	90	95	120	95	91	90

Zensar

BSE SENSEX 85,232
S&P CNX 26,068

zensar

An **RPG** Company

Bloomberg	ZENT IN
Equity Shares (m)	227
M.Cap.(INRb)/(USDb)	161.3 / 1.8
52-Week Range (INR)	985 / 536
1, 6, 12 Rel. Per (%)	-10/-20/-12
12M Avg Val (INR M)	990

Financials & Valuations (INR b)

Y/E Mar	FY26E	FY27E	FY28E
Sales	57.4	62.6	70.2
EBIT Margin (%)	13.7	14.0	14.2
PAT	7.3	8.1	9.2
EPS (INR)	31.7	35.4	39.9
EPS Gr. (%)	11.8	11.4	12.9
BV/Sh. (INR)	194.3	211.1	230.0

Ratios

RoE (%)	17.2	17.6	18.3
RoCE (%)	13.4	13.8	14.5
Payout (%)	45.9	45.9	45.9

Valuations

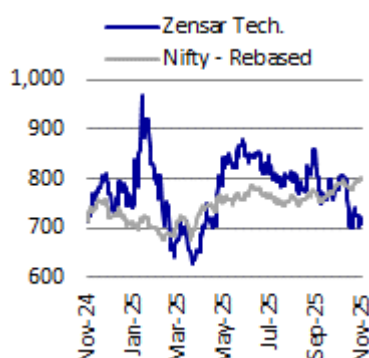
P/E (x)	22.3	20.1	17.8
P/BV (x)	3.6	3.4	3.1
EV/EBITDA (x)	15.6	13.7	11.7
Div Yield (%)	2.1	2.3	2.6

Shareholding pattern (%)

As On	Sep-25	Jun-25	Sep-24
Promoter	49.0	49.1	49.1
DII	22.2	20.5	19.1
FII	13.3	14.6	14.8
Others	15.4	15.9	17.0

FII Includes depository receipts

Stock Performance (1-year)



CMP: INR709 TP: INR1,050 (+48%) Upgrade to Buy

We upgrade Zensar to BUY from Neutral as the business now enters a more stable phase, supported by easing pressures in the TMT vertical, improving deal quality with a rising share of AI-led transformation programs, and resilient margins with further tailwinds from an improving offshore mix.

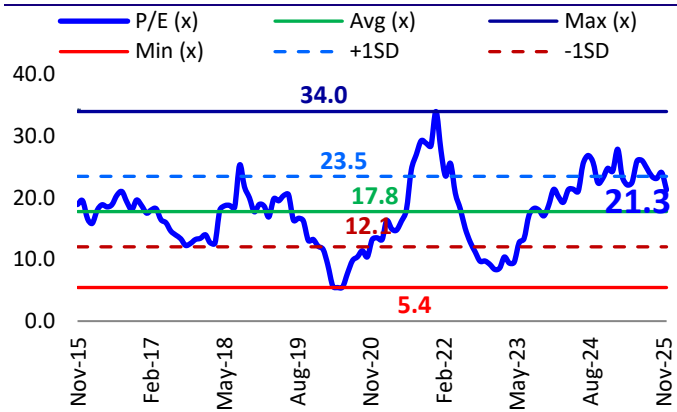
- **TMT stabilizing; growth outlook improving:** ZENT's exposure to the TMT vertical has been a key overhang through the cycle, but management now believes the worst is behind. This stabilization, combined with steady performance in other verticals such as BFSI and manufacturing shall help ZENT to deliver better growth in near-term. We estimate ZENT to deliver 6.0/9.7% YoY CC growth in FY27/FY28e.
- **AI-led transformation driving deal mix; pipeline remains healthy:** Although deal TCV softened in 1HFY26, ZENT continues to see a rising contribution from managed services and AI-led transformation programs (~30% of deal wins). Further a reasonable portion of order book consists of net-new deals. The deal pipeline remains healthy, and we expect steadier conversion as macro conditions improve, supporting a more predictable revenue trajectory into FY27/FY28.
- **Margins resilient with further upside as growth resumes:** ZENT has retained its mid-teens margin guidance despite margin headwinds in 1HFY26. We believe margin resilience will continue, aided by an improving offshore mix and ongoing cost-optimization initiatives. As growth normalizes, these levers should support EBITDA margins of 15.8%/16% for FY27E/FY28E, with room for further expansion over the medium term.

Valuation and Estimates

- We are constructive on Zensar's portfolio mix, with the TMT vertical now stabilizing and BFSI & Manufacturing providing a relatively resilient base shall help ZENT for better growth in FY27/FY28. With improving AI led transformation deals & healthy pipeline, we see visibility on revenue recovery over the next few quarters. Over FY25–28, we forecast a USD revenue CAGR of ~7% and an INR PAT CAGR of ~12%. We upgrade the stock to Buy from Neutral and value the stock at 26x FY28E EPS, arriving at a target price of INR 1,050.

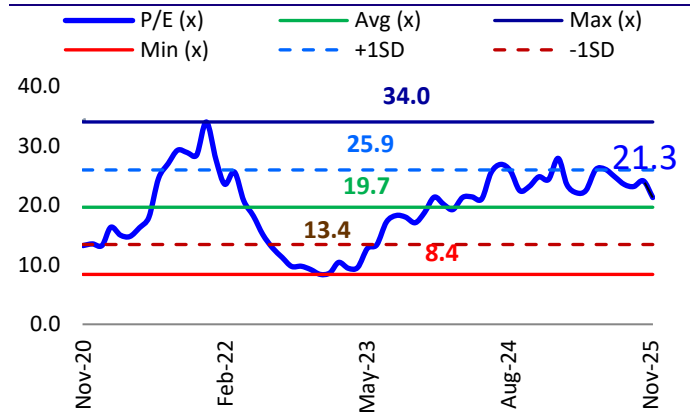
Story in Charts

Exhibit 35: Zensar 10- year PE band chart



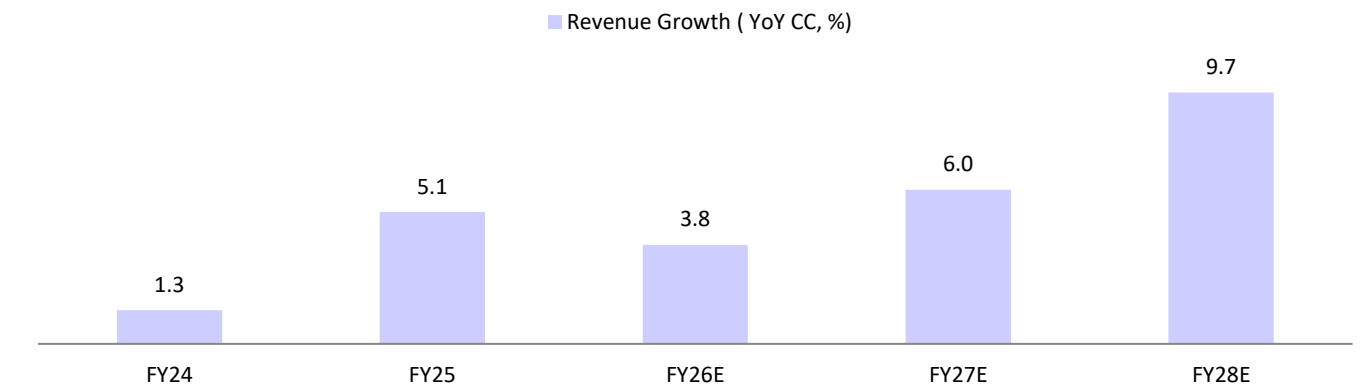
Source: Bloomberg, MOFSL

Exhibit 36: Zensar 5-year PE band chart



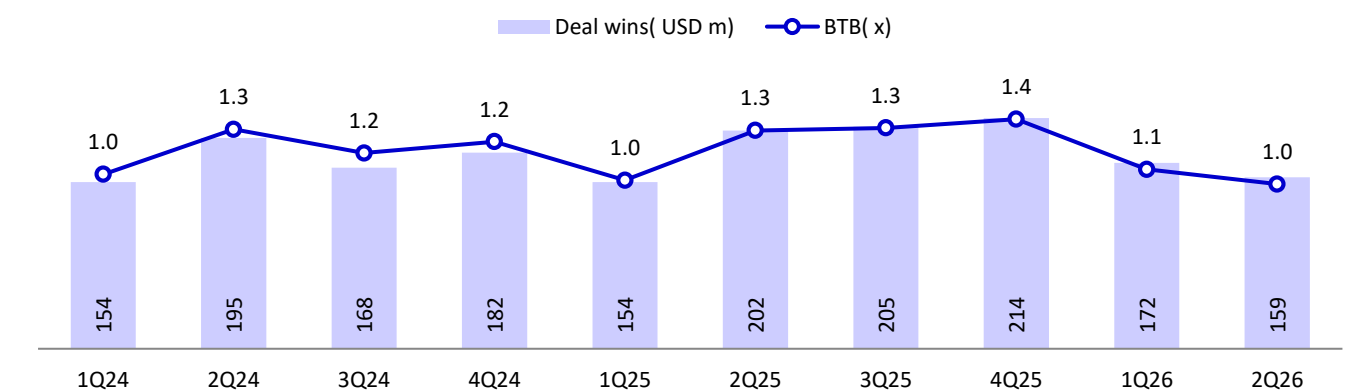
Source: Bloomberg, MOFSL

Exhibit 37: We expect ZENT to deliver 6.0/9.7 % YoY CC growth as demand improves



Source: MOFSL, Company

Exhibit 38: ZENT has been able to hold BTB at 1.0x and deal velocity remain active



Source: MOFSL, Company

Financials and valuations

Income Statement								(INR m)
Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Sales	36,681	42,437	48,483	49,018	52,806	57,415	62,610	70,220
Change (%)	(8.5)	15.7	14.2	1.1	7.7	8.7	9.0	12.2
Cost of Services	24,417	29,214	35,000	33,434	37,111	39,945	43,590	48,921
Gross Profit	12,264	13,223	13,483	15,584	15,695	17,470	19,020	21,299
SG&A Expenses	5,422	6,659	7,960	6,869	7,529	8,586	9,140	10,077
EBITDA	6,842	6,564	5,523	8,715	8,166	8,884	9,880	11,222
% of Net Sales	18.7	15.5	11.4	17.8	15.5	15.5	15.8	16.0
Depreciation	1,732	1,849	1,830	1,338	1,019	1,012	1,127	1,264
EBIT	5,109	4,715	3,693	7,377	7,147	7,873	8,753	9,958
% of Net Sales	13.9	11.1	7.6	15.0	13.5	13.7	14.0	14.2
Interest	536	354	278	209	173	176	298	351
Other Income	367	907	642	1,583	1,962	1,740	2,191	2,458
Forex	-113	470	386	5	-359	169	43	0
PBT	4,828	5,738	4,443	8,756	8,577	9,606	10,690	12,065
Tax	1,261	1,525	1,166	2,107	2,079	2,316	2,571	2,900
Rate (%)	26.1	26.6	26.2	24.1	24.2	24.1	24.0	24.0
Minority Interest	70	53	0	0	0	0	0	0
Adjusted PAT	3,497	4,160	3,277	6,649	6,498	7,290	8,119	9,165
Change (%)	33.0	19.0	-21.2	102.9	-2.3	12.2	11.4	12.9

Balance Sheet								(INR m)
Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Share Capital	451	452	453	453	454	454	454	454
Reserves	23,423	26,417	29,309	35,166	40,243	43,663	47,472	51,771
Net Worth	23,874	26,869	29,762	35,619	40,697	44,117	47,926	52,225
Loans	-	0	0	0	0	0	0	0
Other liabilities	3,526	3,544	2,866	2,319	2,210	2,210	2,210	2,210
Capital Employed	27,401	30,413	32,628	37,938	42,907	46,327	50,136	54,435
Net Block	11,330	12,858	11,735	10,393	11,709	11,497	11,170	10,707
Other LT Assets	3,076	3,226	6,291	10,144	6,874	7,011	7,165	7,391
Curr. Assets	19,928	22,628	23,184	25,941	33,146	37,373	42,222	48,029
Current Investments	7,410	5,141	7,045	9,315	17,265	19,265	21,265	23,265
Inventories	0	0	0	0	0	0	0	0
Debtors	5,888	7,967	7,298	7,320	7,901	9,438	10,292	11,543
Cash & Bank Balance	3,492	5,054	4,744	4,432	2,708	2,938	4,414	6,210
Other Current Assets	3,138	4,466	4,097	4,874	5,272	5,732	6,251	7,011
Current Liab. & Prov	6,933	8,299	8,582	8,540	8,822	9,555	10,422	11,692
Trade payables	2,201	3,164	2,772	3,095	3,437	3,699	4,037	4,531
Other liabilities	4,732	5,135	5,810	5,445	5,385	5,855	6,385	7,161
Net Current Assets	12,994	14,329	14,602	17,401	24,324	27,819	31,800	36,337
Application of Funds	27,400	30,413	32,628	37,938	42,907	46,327	50,136	54,435

Financials and valuations

Ratios

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
EPS	15.3	18.3	14.4	29.1	28.4	31.7	35.4	39.9
Cash EPS	22.9	26.5	22.4	35.0	32.8	36.1	40.3	45.4
Book Value	105.7	119.0	131.5	157.3	179.4	194.3	211.1	230.0
DPS	6.4	5.0	5.0	7.0	13.0	14.6	16.2	18.3
Payout %	41.8	27.3	34.8	24.0	45.8	45.9	45.9	45.9

Valuation (x)

P/E	46.3	38.7	49.4	24.3	25.0	22.3	20.1	17.8
Cash P/E	31.0	26.8	31.7	20.3	21.6	19.6	17.6	15.6
EV/EBITDA	21.8	22.8	26.9	16.8	17.2	15.6	13.7	11.7
EV/Sales	4.1	3.5	3.1	3.0	2.7	2.4	2.2	1.9
Price/Book Value	6.7	6.0	5.4	4.5	4.0	3.6	3.4	3.1
Dividend Yield (%)	0.9	0.7	0.7	1.0	1.8	2.1	2.3	2.6

Profitability Ratios (%)

RoE	15.5	16.4	11.6	20.3	17.0	17.2	17.6	18.3
RoCE	14.1	12.0	8.6	15.9	13.4	13.4	13.8	14.5

Turnover Ratios

Debtors (Days)	59	69	55	55	55	60	60	60
Fixed Asset Turnover (x)	3.0	3.5	3.9	4.4	4.8	4.9	5.5	6.4

Cash Flow Statement

(INR m)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
CF from Operations	5,432	5,774	5,030	6,901	6,201	6,568	7,309	8,322
Cash for Working Capital	3,148	-2,427	2,113	-480	-551	-1,402	-659	-967
Net Operating CF	8,580	3,347	7,143	6,421	5,650	5,166	6,650	7,355
Net Purchase of FA	-393	-373	-334	-151	-353	-800	-800	-800
Free Cash Flow	8,187	2,974	6,809	6,270	5,297	4,366	5,850	6,555
Net Purchase of Invest.	-4,890	400	-4,941	-4,600	-4,445	-91	235	458
Net Cash from Invest.	-5,283	27	-5,275	-4,751	-4,798	-891	-565	-342
Proc. from equity issues	15	32	4	1	2	0	0	0
Proceeds from LTB/STB	-4,505	-1,260	-1,058	-726	-606	-176	-298	-351
Dividend Payments	-271	-881	-1,132	-1,246	-2,041	-3,870	-4,310	-4,865
Cash Flow from Fin.	-4,761	-2,109	-2,186	-1,971	-2,645	-4,046	-4,608	-5,216
Exchange difference	-20	14	8	-11	69	0	0	0
Net Cash Flow	-1,483	1,279	-310	-312	-1,724	230	1,476	1,796
Opening Cash Bal.	5,258	3,775	5,054	4,744	4,432	2,708	2,937	4,414
Add: Net Cash	-1,483	1,279	-310	-312	-1,724	230	1,476	1,796
Closing Cash Bal.	3,775	5,054	4,744	4,432	2,708	2,937	4,414	6,210

P/E band charts

Exhibit 39: TCS 10-year PE band

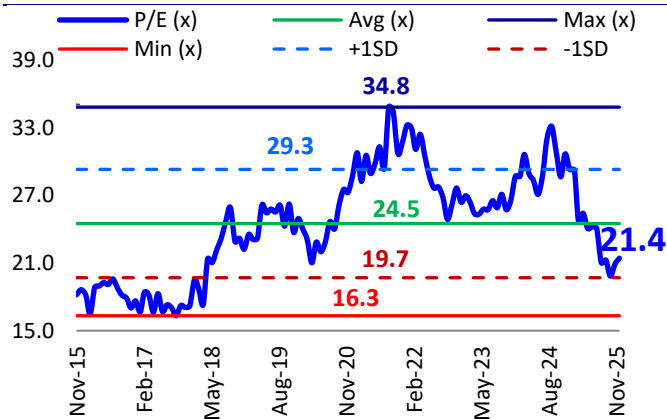


Exhibit 40: TECHM 10-year PE band

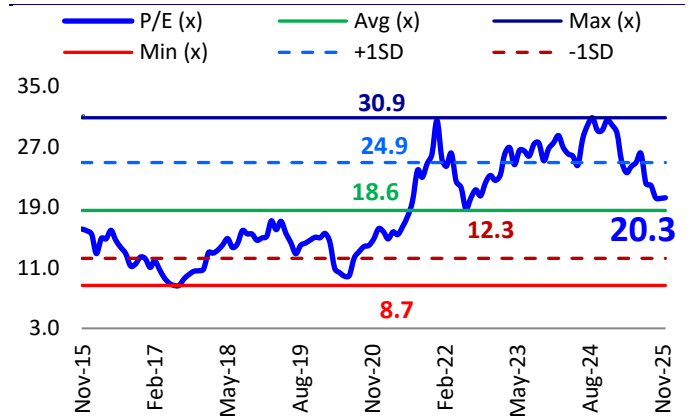


Exhibit 41: HCLT 10-year PE band

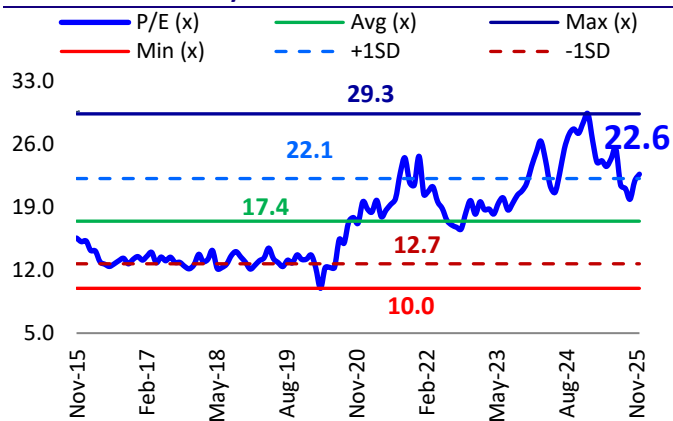


Exhibit 42: Persistent 10-year PE band

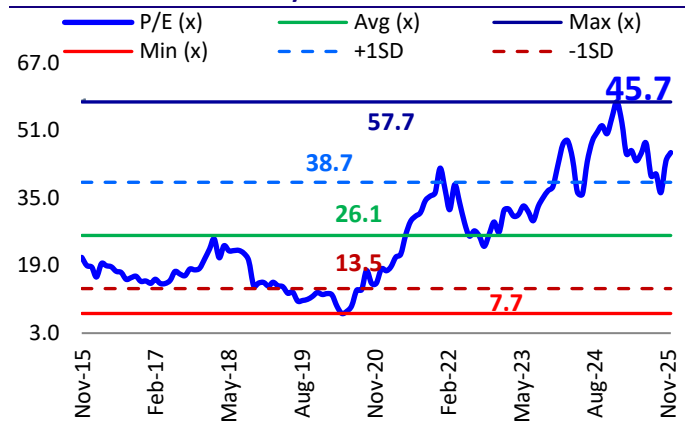


Exhibit 43: Coforge 10-year PE band

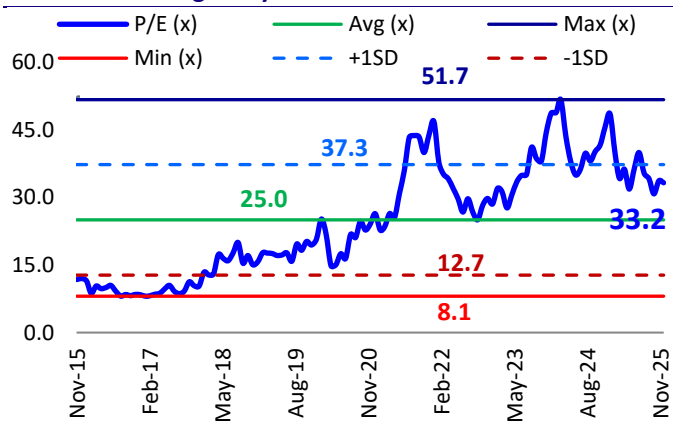
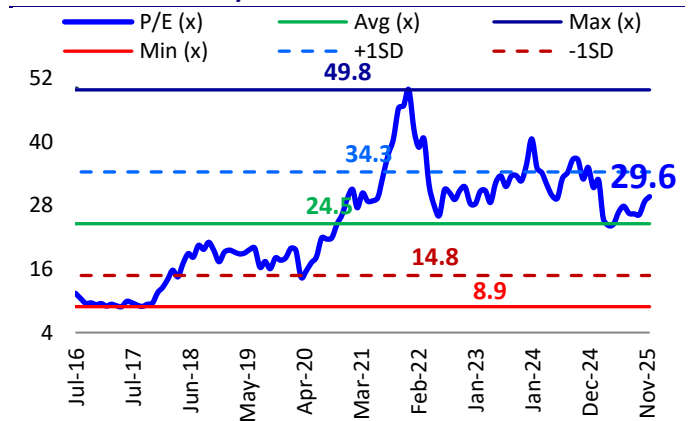


Exhibit 44: LTIM 10-year PE band



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