

IT Sector

More of the same is good news

IT sector (coverage universe) continues to transition from a protracted IT upgrade cycle and low discretionary spending to some normalisation in H2FY25E which is our 'base' case. We believe that the growth/earnings cut cycle has bottomed out, but the pace of recovery remains uncertain, especially with lingering macro events over the next couple of quarters. The relative under-ownership in the sector can still provide tactical opportunities, even as valuations relative to benchmarks are not compelling enough in aggregate—remain selective with preference for TCS within tier-1 and Persistent Systems within mid-tier IT.

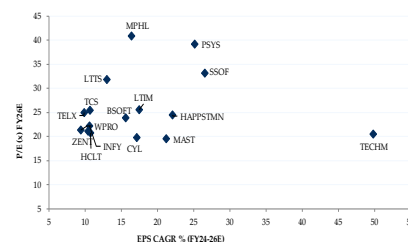
Growth divergence to continue in Q1FY25E: For Q1FY25E, revenue growth divergence continues and is expected to range from -2.2% to +1.5% QoQ (-4.6% to +4.8% in YoY terms) for tier-1 IT. Q1 growth expectations for mid-tier IT ranges from -1.6% QoQ to +4.9% QoQ. Within tier-1 IT, Infosys and LTIM are expected to lead growth at +1.4% and +1.5% QoQ, followed by +0.6/0.3% QoQ growth for TCS/TECHM and sequential decline for HCL Tech and Wipro. Within mid-tier IT, growth is expected to be led by Persistent Systems at 4.9% QoQ and Tata Elxsi at 3% QoQ (Transportation vertical). Q1 growth laggards are expected to be ER&D services such as LTTS (SWC seasonality and Industrial Products) and Cyient. The negative cross-currency impact is largely due to the weakening of Yen. Deal bookings have been steady with fewer mega deals (Wipro – Communications deal) and deal share gains vs. global peers have continued.

Unchanged guidance: We expect the companies to retain their revenue outlook for FY25E - Infosys to retain its guidance of 1 to 3% CC growth for FY25E (excluding in-tech acquisition), HCL Tech at 3 to 5% for FY25E, and L&T Tech at 8 to 10% organic for FY25E. Wipro is expected to guide -0.5 to +1.5% revenue growth for Q2FY25E. Margins during the quarter are expected to be subdued and impacted by higher visa costs, pricing pressure and wage hikes (TCS). We expect margins to gradually recover in H2FY25E with operating leverage and a favourable supply-side scenario.

Outlook: We expect IT sector growth at 4.0% in FY25E following 2.6% in FY24. Importantly, profit growth is expected to accelerate to a high single digit for FY25E following mid-single digit over the past two years. We raise target multiples for Wipro, Tech Mahindra, and Persistent, given improving growth/trajectories with a mega deal aiding visibility for Wipro (REDUCE), growth momentum in Persistent (BUY), and margin recovery track in Tech Mahindra (REDUCE). Valuation multiples have re-rated, on average, by ~10% over the past month with no change in earnings estimates (mid-single digit cuts over the past 3/6 months). NIFTY IT index valuations are above the historical premium/discount to NIFTY and Accenture valuations (near peak valuation premium) despite large strides by Accenture on GenAI. The current valuations at 27x are >10% over the 5Y average and ~30% above the 10Y average, which limits the upside case.

| Company | CMP* (INR) | RECO | TP (INR) |
|----------|------------|--------|----------|
| TCS | 4,017 | ADD | 4,420 |
| INFO | 1,621 | ADD | 1,610 |
| HCLT | 1,481 | ADD | 1,525 |
| WPRO | 538 | REDUCE | 465 |
| LTIM | 5,474 | ADD | 5,340 |
| TECHM | 1,472 | REDUCE | 1,220 |
| PSYS | 4,502 | BUY | 4,600 |
| LTTS | 5,025 | REDUCE | 4,260 |
| MPHL | 2,506 | REDUCE | 2,210 |
| TELX | 7,058 | REDUCE | 6,550 |
| CYL | 1,846 | ADD | 2,050 |
| BSOFT | 709 | ADD | 775 |
| SSOF | 630 | ADD | 600 |
| ZENT | 751 | ADD | 815 |
| HAPPSTMN | 831 | ADD | 900 |
| MAST | 2,757 | ADD | 2,800 |

*CMP as on 2nd Jul 2024



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Exhibit 1: IT Services: Q1FY25E Quarterly Financial Summary

| Company | NET SALES (USD mn) | | | NET SALES (INR bn) | | | EBIT (INR bn) | | | EBIT Margin (%) | | | APAT (INR bn) | | | Adj. EPS (INR) | | |
|-----------|--------------------|---------|---------|--------------------|---------|---------|---------------|---------|---------|-----------------|-----------|-----------|---------------|---------|---------|----------------|---------|---------|
| | Q1 FY25E | QoQ (%) | YoY (%) | Q1 FY25E | QoQ (%) | YoY (%) | Q1 FY25E | QoQ (%) | YoY (%) | Q1 FY25E | QoQ (bps) | YoY (bps) | Q1 FY25E | QoQ (%) | YoY (%) | Q1 FY25E | Q4 FY24 | Q1 FY24 |
| TCS | 7,409 | 0.6 | 2.5 | 617.90 | 0.9 | 4.1 | 151.01 | (5.1) | 9.8 | 24.4 | -156 | 127 | 119.12 | (4.2) | 7.6 | 32.9 | 34.4 | 30.6 |
| INFO | 4,630 | 1.4 | 0.3 | 386.15 | 1.8 | 1.8 | 79.93 | 4.9 | 1.3 | 20.7 | 60 | -10 | 62.21 | (3.9) | 4.6 | 15.0 | 15.6 | 14.4 |
| HCLT | 3,353 | (2.2) | 4.8 | 279.66 | (1.9) | 6.4 | 47.74 | (4.9) | 7.0 | 17.1 | -54 | 11 | 37.17 | (6.7) | 5.2 | 13.7 | 14.7 | 13.0 |
| WPRO | 2,651 | (0.2) | (4.6) | 222.19 | 0.0 | (2.7) | 36.23 | 2.1 | 4.8 | 16.3 | 32 | 116 | 29.83 | 5.2 | 3.9 | 5.7 | 5.4 | 5.2 |
| LTIM | 1,085 | 1.5 | 2.5 | 90.49 | 1.8 | 4.0 | 13.55 | 3.5 | (6.6) | 15.0 | 25 | -170 | 11.60 | 5.4 | 0.7 | 39.2 | 37.2 | 39.0 |
| TECHM | 1,553 | 0.3 | (3.0) | 129.55 | 0.6 | (1.6) | 10.32 | 9.0 | 15.7 | 8.0 | 61 | 119 | 9.73 | 0.4 | 40.5 | 11.0 | 10.9 | 7.8 |
| PSYS | 326 | 4.9 | 15.3 | 27.21 | 5.0 | 17.2 | 3.75 | 0.3 | 8.3 | 13.8 | -66 | -113 | 3.04 | (3.7) | 14.6 | 19.7 | 20.5 | 17.2 |
| LTTS | 302 | (0.9) | 8.0 | 25.23 | (0.6) | 9.6 | 4.29 | 0.1 | 8.5 | 17.0 | 12 | -18 | 3.47 | 1.8 | 11.6 | 32.8 | 32.3 | 29.4 |
| MPHL | 415 | 1.0 | 4.2 | 34.58 | 1.3 | 6.3 | 5.22 | 2.8 | 4.6 | 15.1 | 22 | -25 | 4.00 | 1.8 | 1.0 | 21.4 | 21.0 | 21.1 |
| TELX | 112 | 3.0 | 8.3 | 9.34 | 3.1 | 9.9 | 2.24 | (4.3) | (2.8) | 23.9 | -186 | -312 | 1.88 | (4.5) | (0.4) | 30.2 | 31.6 | 30.3 |
| CYL | 176 | (1.6) | (0.3) | 14.73 | (1.1) | 1.2 | 2.21 | (7.4) | (5.5) | 15.0 | -102 | -106 | 1.59 | (8.5) | (1.8) | 14.4 | 15.7 | 14.8 |
| BSOFT | 166 | 1.0 | 7.8 | 13.81 | 1.3 | 9.3 | 2.06 | 2.8 | 20.0 | 14.9 | 21 | 133 | 1.66 | (1.0) | 20.7 | 6.0 | 6.1 | 5.0 |
| SSOF | 83 | 2.0 | 7.8 | 6.95 | 2.4 | 9.7 | 1.32 | 12.8 | (1.1) | 19.0 | 174 | -209 | 1.29 | 16.5 | 7.1 | 4.6 | 3.9 | 4.3 |
| ZENT | 152 | 2.5 | 1.7 | 12.67 | 3.0 | 3.2 | 1.84 | 2.6 | (2.0) | 14.5 | -6 | -78 | 1.68 | (3.3) | 7.2 | 7.3 | 7.6 | 6.8 |
| HAPPSTMN | 55 | 10.1 | 15.9 | 4.60 | 10.2 | 17.6 | 0.45 | (33.7) | (39.7) | 9.9 | -652 | -936 | 0.36 | (42.0) | (38.0) | 2.8 | 4.8 | 4.0 |
| MAST | 96 | 2.3 | 8.8 | 8.05 | 3.3 | 11.1 | 1.03 | 5.4 | (4.1) | 12.8 | 25 | -202 | 0.75 | (18.6) | 6.9 | 23.7 | 29.1 | 22.7 |
| Aggregate | 22,565 | 0.4 | 1.5 | 1,883.10 | 0.7 | 3.1 | 363.19 | (1.3) | 5.9 | 19.3 | -39 | 52 | 289.37 | (3.0) | 6.6 | | | |

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

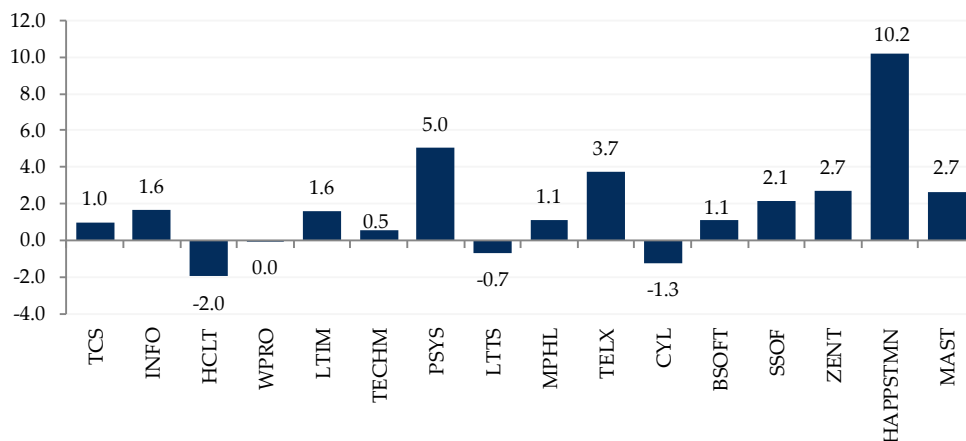
Exhibit 2: Q1FY25E revenue growth expectation (QoQ CC)

Infosys has contribution from InSemi (semiconductor design services ~900 employees) acquisition at <0.1% in Q1

Wipro has contribution from Aggne Global (consulting & managed services in P&C insurance/ Duck Creek) 0.3% QoQ impact on growth

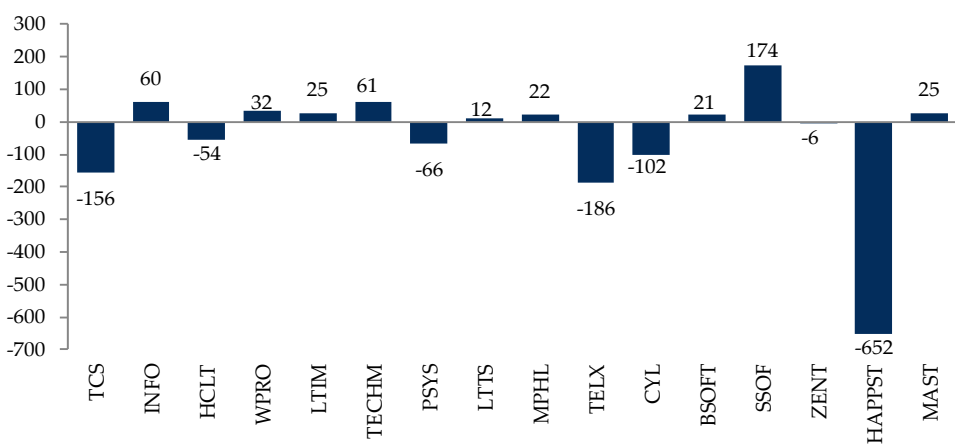
TECHM has contribution from Orchid Cybertech (TPG Telecom Philippines captive ~2,950 employees) or 0.2% QoQ impact on growth

Happiest Minds has contribution from PureSoft (BFSI, Healthcare vertical ~1,200 employees) and Aureus (Insurance vertical ~140 employees) at 8.5% QoQ impact on growth



Source: HSIE Research; Inorganic growth for Wipro is 0.3% QoQ, TECHM is 0.2% QoQ and HAPPSTMN is 8.5% QoQ

Exhibit 3: Q1FY25E EBITM QoQ bps expectation



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

Exhibit 4: IT Services: valuation metrics

| Company | MCAp (INR bn) | CMP (INR) | TP (INR) | RECO | EPS (INR) | | | | P/E (x) | | | | RoE (%) | | | | USD Rev CAGR% FY24-26E | EPS CAGR% FY24- 26E |
|------------------|---------------------|--------------|-------------|--------|-----------|-------|-------|-------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|------------------------------|------------------------------|
| | | | | | FY23 | FY24 | FY25E | FY26E | FY23 | FY24 | FY25E | FY26E | FY23 | FY24 | FY25E | FY26E | | |
| TCS | 14,700 | 4,017 | 4,420 | ADD | 116.5 | 128.9 | 142.0 | 157.8 | 34.5 | 31.2 | 28.3 | 25.5 | 46.9 | 51.6 | 55.4 | 58.2 | 6.5 | 10.7 |
| Infosys | 6,727 | 1,621 | 1,610 | ADD | 58.2 | 59.7 | 63.1 | 73.0 | 27.9 | 27.1 | 25.7 | 22.2 | 32.0 | 30.3 | 29.1 | 32.1 | 5.6 | 10.6 |
| HCL Tech | 4,018 | 1,481 | 1,525 | ADD | 54.7 | 57.9 | 59.2 | 69.3 | 27.1 | 25.6 | 25.0 | 21.4 | 23.3 | 23.5 | 23.1 | 26.1 | 6.4 | 9.4 |
| Wipro | 2,818 | 538 | 465 | REDUCE | 21.7 | 21.1 | 22.7 | 25.9 | 24.8 | 25.5 | 23.8 | 20.8 | 15.8 | 14.4 | 15.5 | 17.0 | 3.5 | 10.7 |
| LTIMindtree | 1,618 | 5,474 | 5,340 | ADD | 149.1 | 155.0 | 173.9 | 213.7 | 36.7 | 35.3 | 31.5 | 25.6 | 28.6 | 25.0 | 23.9 | 25.5 | 10.3 | 17.4 |
| TechM | 1,299 | 1,472 | 1,220 | REDUCE | 57.5 | 31.9 | 49.5 | 71.7 | 25.6 | 46.1 | 29.8 | 20.5 | 18.5 | 10.3 | 16.1 | 22.4 | 5.7 | 49.8 |
| Persistent | 693 | 4,502 | 4,600 | BUY | 61.3 | 73.4 | 89.2 | 114.9 | 73.4 | 61.3 | 50.4 | 39.2 | 25.1 | 24.5 | 25.5 | 27.9 | 17.8 | 25.1 |
| L&T Tech | 531 | 5,025 | 4,260 | REDUCE | 110.8 | 123.5 | 133.0 | 157.7 | 45.3 | 40.7 | 37.8 | 31.9 | 25.7 | 25.4 | 24.4 | 25.0 | 10.9 | 13.0 |
| Mphasis | 469 | 2,506 | 2,210 | REDUCE | 87.6 | 83.1 | 86.5 | 100.4 | 28.6 | 30.1 | 29.0 | 25.0 | 22.0 | 18.6 | 17.8 | 19.2 | 7.5 | 9.9 |
| Tata Elxsi | 440 | 7,058 | 6,550 | REDUCE | 121.3 | 127.2 | 144.8 | 172.4 | 58.2 | 55.5 | 48.8 | 40.9 | 41.0 | 34.5 | 33.3 | 34.0 | 13.6 | 16.4 |
| Cyient | 204 | 1,846 | 2,050 | ADD | 51.2 | 67.8 | 73.9 | 93.0 | 36.1 | 27.2 | 25.0 | 19.9 | 17.2 | 19.4 | 18.3 | 20.8 | 11.5 | 17.1 |
| Birlasoft | 195 | 709 | 775 | ADD | 16.3 | 22.2 | 24.7 | 29.7 | 43.4 | 31.9 | 28.7 | 23.9 | 17.9 | 22.3 | 20.7 | 21.5 | 11.0 | 15.6 |
| Sonata | 177 | 630 | 600 | ADD | 16.1 | 17.2 | 19.9 | 25.7 | 39.1 | 36.6 | 31.6 | 24.5 | 37.7 | 35.7 | 36.1 | 38.6 | 13.0 | 22.1 |
| Zensar | 172 | 751 | 815 | ADD | 14.3 | 29.1 | 31.1 | 35.5 | 52.4 | 25.8 | 24.2 | 21.2 | 11.3 | 20.0 | 18.1 | 18.3 | 9.0 | 10.4 |
| Happiest Minds | 127 | 831 | 900 | ADD | 15.5 | 15.6 | 17.9 | 25.0 | 53.7 | 53.2 | 46.3 | 33.2 | 31.3 | 20.5 | 17.5 | 21.5 | 29.8 | 26.5 |
| Mastek | 85 | 2,757 | 2,800 | ADD | 86.6 | 96.2 | 112.2 | 141.3 | 31.8 | 28.6 | 24.6 | 19.5 | 19.4 | 16.1 | 15.8 | 17.3 | 12.3 | 21.2 |
| IT AVG | | | | | | | | | 39.9 | 36.4 | 31.9 | 25.9 | 25.9 | 24.5 | 24.4 | 26.6 | 10.9 | 17.9 |
| IT Median | | | | | | | | | 36.4 | 31.5 | 28.8 | 24.2 | 24.2 | 22.9 | 21.9 | 23.7 | 10.6 | 16.0 |

Source: HSIE Research, CMP as on 2nd Jul 2024

Exhibit 5: Global IT Peers: valuation metrics

| Company | MCAp (USD bn) | CMP USD | TP | RECO | EPS | | | | P/E (x) | | | | RoE (%) | | | | USD Rev CAGR% FY24-26E | EPS CAGR% FY24- 26E |
|-----------------------------|---------------------|------------|----|------|------|------|-------|-------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|------------------------------|------------------------------|
| | | | | | FY23 | FY24 | FY25E | FY26E | FY23 | FY24 | FY25E | FY26E | FY23 | FY24 | FY25E | FY26E | | |
| Accenture | 203.2 | 303 | NA | NR | 11.7 | 11.9 | 12.8 | 14.1 | 25.9 | 25.4 | 23.6 | 21.4 | 28.8 | 27.6 | 27.1 | 26.2 | 6.3 | 8.9 |
| Cognizant | 33.5 | 68 | NA | NR | 4.4 | 4.6 | 4.6 | 5.0 | 15.3 | 14.9 | 14.7 | 13.7 | 18.8 | 16.7 | 16.6 | 16.3 | 2.3 | 4.4 |
| Capgemini [^] | 32.9 | 188 | NA | NR | 9.1 | 12.4 | 12.3 | 13.3 | 20.7 | 15.1 | 15.3 | 14.2 | 17.0 | 16.5 | 17.7 | 17.6 | 3.8 | 3.2 |
| EPAM | 10.6 | 186 | NA | NR | 7.3 | 10.6 | 10.1 | 11.0 | 25.4 | 17.5 | 18.4 | 16.9 | 15.3 | 12.9 | 15.4 | 14.4 | 3.1 | 1.9 |
| Globant | 7.7 | 176 | NA | NR | 3.6 | 5.7 | 6.4 | 7.5 | 49.7 | 30.7 | 27.7 | 23.4 | 10.6 | 9.8 | 14.6 | 15.2 | 16.1 | 14.6 |
| TietoEVRY [^] | 2.2 | 18 | NA | NR | 1.6 | 2.1 | 2.0 | 2.3 | 11.5 | 8.5 | 8.9 | 8.1 | 10.7 | 10.3 | 11.8 | 13.2 | 2.4 | 2.5 |
| Global IT AVG | | | | | | | | | 24.7 | 18.7 | 18.1 | 16.3 | 16.9 | 15.6 | 17.2 | 17.2 | 5.6 | 5.9 |
| Global IT Median | | | | | | | | | 23.0 | 16.3 | 16.8 | 15.5 | 16.1 | 14.7 | 16.0 | 15.8 | 3.4 | 3.8 |

Source: Bloomberg consensus, HSIE Research, CMP as on 2nd Jul 2024, [^] in EUR

Exhibit 6: Change in estimates

| Company | Revenue USD Mn (NEW) | | Change (%) | | EBIT % (NEW) | | Change (bps) | | EPS (INR) NEW | | Change (%) | |
|----------|----------------------|--------|------------|-------|--------------|-------|--------------|-------|---------------|-------|------------|-------|
| | FY25E | FY26E | FY25E | FY26E | FY25E | FY26E | FY25E | FY26E | FY25E | FY26E | FY25E | FY26E |
| TCS | 30,542 | 32,995 | -1.3% | -1.4% | 25.6 | 26.0 | 12 | -6 | 142.0 | 157.8 | -0.7% | -1.7% |
| INFO | 19,138 | 20,697 | 0.3% | 0.6% | 21.0 | 22.0 | -14 | 4 | 63.1 | 73.0 | -0.1% | 0.8% |
| HCLT | 13,764 | 15,029 | -1.2% | -1.3% | 18.0 | 19.0 | -6 | -2 | 59.2 | 69.3 | -1.5% | -1.5% |
| WPRO* | 10,854 | 11,568 | -0.2% | 0.2% | 15.7 | 16.9 | 10 | 16 | 22.7 | 25.9 | 0.5% | 1.1% |
| LTIM | 4,560 | 5,213 | 0.0% | 0.0% | 15.8 | 17.0 | -16 | 0 | 173.9 | 213.7 | -0.6% | 0.0% |
| TECHM | 6,373 | 7,010 | -0.2% | -0.2% | 9.6 | 13.2 | -93 | -30 | 49.5 | 71.7 | -5.1% | 1.1% |
| PSYS | 1,389 | 1,646 | 1.1% | 1.0% | 14.6 | 15.8 | -69 | -60 | 89.2 | 114.9 | -3.3% | -2.2% |
| LTTS | 1,268 | 1,432 | 0.9% | 1.0% | 16.4 | 17.1 | 6 | -23 | 133.0 | 157.7 | 0.5% | -0.3% |
| MPHL | 1,690 | 1,858 | 0.0% | 0.0% | 15.0 | 15.5 | -3 | 0 | 86.5 | 100.4 | -0.2% | 0.0% |
| TELX | 479 | 553 | 0.0% | 0.0% | 27.0 | 27.5 | 0 | 0 | 144.8 | 172.4 | 0.0% | 0.0% |
| CYL | 931 | 1,072 | -2.1% | -1.5% | 14.6 | 15.5 | -36 | -18 | 73.9 | 93.0 | -4.8% | -2.7% |
| BSOFT | 687 | 785 | -3.0% | -3.7% | 14.6 | 15.3 | -3 | -24 | 24.7 | 29.7 | 0.3% | -3.5% |
| SSOF* | 354 | 413 | 0.0% | 0.1% | 19.5 | 21.5 | -220 | -86 | 19.9 | 25.7 | -5.8% | -3.3% |
| ZENT | 631 | 704 | 0.3% | 0.5% | 14.9 | 15.1 | 14 | 0 | 31.1 | 35.5 | 2.2% | 2.3% |
| HAPPSTMN | 263 | 331 | 0.0% | 0.0% | 16.1 | 17.8 | 2 | 0 | 17.9 | 25.0 | 0.4% | 0.0% |
| MAST | 405 | 465 | -1.1% | -1.0% | 14.2 | 15.2 | -62 | -26 | 112.2 | 141.3 | -5.1% | -1.7% |

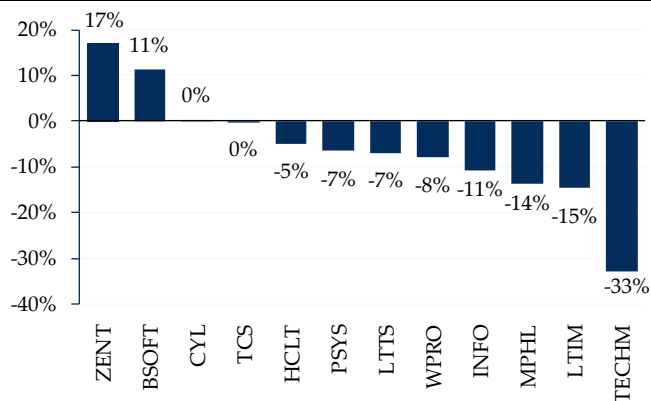
Source : Company, HSIE Research; * Wipro is IT Services USD revenue and Sonata is IITS revenue & IITS EBITDA margin

Exhibit 7: Change in TP & Rating

| Companies | M-cap (INR bn) | CMP (INR) | TP Old (INR) | New TP (INR) | Old Rating | New Rating | Old multiple (x) | New multiple (x) | 5Y Avg (x) | 10Y Avg (x) |
|-----------|----------------|-----------|--------------|--------------|------------|------------|------------------|------------------|------------|-------------|
| TCS | 14,700 | 4,017 | 4,500 | 4,420 | ADD | ADD | 28 | 28 | 27 | 23 |
| INFY | 6,727 | 1,621 | 1,595 | 1,610 | ADD | ADD | 22 | 22 | 23 | 20 |
| HCLT | 4,018 | 1,481 | 1,545 | 1,525 | ADD | ADD | 22 | 22 | 18 | 16 |
| WPRO^ | 2,818 | 538 | 435 | 465 | REDUCE | REDUCE | 17 | 18 | 19 | 17 |
| LTIM | 1,618 | 5,474 | 5,340 | 5,340 | ADD | ADD | 25 | 25 | 28 | 24 |
| TECHM^ | 1,299 | 1,472 | 1,135 | 1,220 | REDUCE | REDUCE | 16 | 17 | 18 | 16 |
| PSYS^ | 693 | 4,502 | 4,110 | 4,600 | BUY | BUY | 35 | 40 | 29 | 22 |
| LTTS | 531 | 5,025 | 4,270 | 4,260 | REDUCE | REDUCE | 27 | 27 | 31 | 27 |
| MPHL | 469 | 2,506 | 2,210 | 2,210 | REDUCE | REDUCE | 22 | 22 | 23 | 18 |
| TELX | 440 | 7,058 | 6,550 | 6,550 | REDUCE | REDUCE | 38 | 38 | 43 | 33 |
| CYL | 204 | 1,846 | 2,100 | 2,050 | ADD | ADD | 22 | 22 | 16 | 15 |
| BSOFT | 195 | 709 | 800 | 775 | ADD | ADD | 26 | 26 | 18 | 13 |
| SSOF | 177 | 630 | 610 | 600 | ADD | ADD | 23 | 23 | 19 | 15 |
| ZENT^ | 172 | 751 | 625 | 815 | ADD | ADD | 18 | 23 | 16 | 14 |
| HAPPSTMN | 127 | 831 | 900 | 900 | ADD | ADD | 36 | 36 | 53 | NA |
| MAST | 85 | 2,757 | 2,850 | 2,800 | ADD | ADD | 20 | 20 | 17 | 14 |

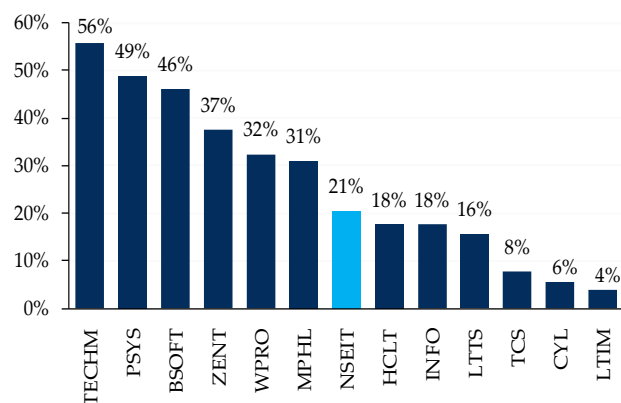
Source : Company, HSIE Research, CMP as on 2nd Jul 2024, ^ indicates multiple upgrade/downgrade

Exhibit 8: Consensus FY25E Earnings upgrade/downgrade



Source: Bloomberg, HSIE Research, Note: change from Jun'23 till Jun'24

Exhibit 9: Consensus P/E multiple rerating/derating



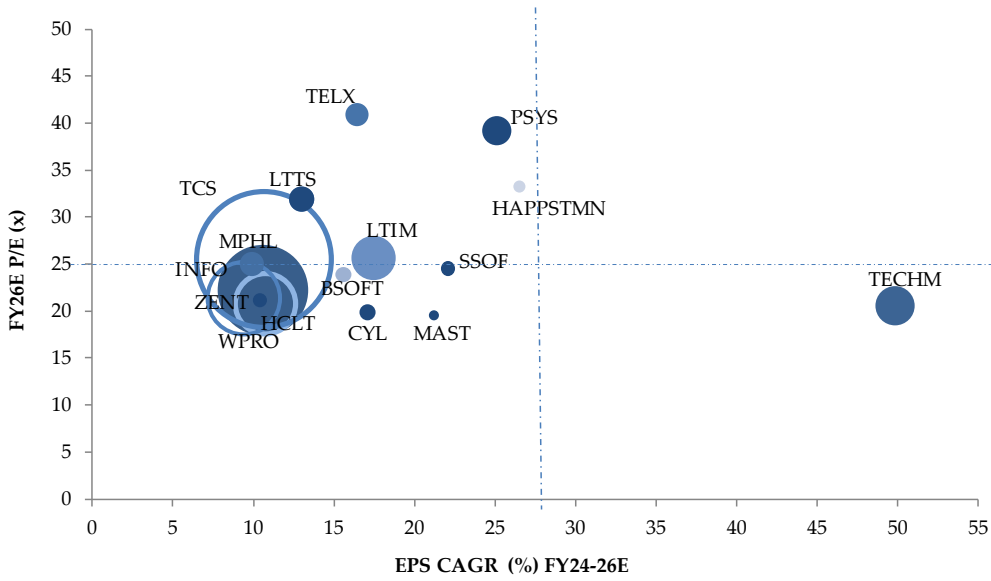
Source: Bloomberg, HSIE Research, Note: change from Jun'23 till Jun'24

Exhibit 10: IT Services stock performance (%) – ZENT, TECHM, PSYS, LTIM and WPRO led the outperformance in last 3M

| Company | M-cap (USD bn) | CMP (INR) | 1W (%) | 1M (%) | 3M (%) | 6M (%) | 1Y (%) | 3Y (%) | 5Y (%) | YTD (%) |
|--------------|----------------|-----------|--------|--------|--------|--------|--------|--------|--------|---------|
| TCS | 174.2 | 4,017 | 5 | 9 | 3 | 6 | 22 | 21 | 78 | 6 |
| INFO | 80.6 | 1,621 | 5 | 15 | 9 | 6 | 21 | 3 | 119 | 5 |
| HCLT | 48.1 | 1,481 | 2 | 12 | -3 | 1 | 25 | 50 | 179 | 1 |
| WPRO | 33.7 | 538 | 8 | 23 | 12 | 15 | 38 | 0 | 89 | 14 |
| LTIM | 19.4 | 5,474 | 7 | 16 | 12 | -11 | 5 | 35 | 210 | -13 |
| TECHM | 17.2 | 1,472 | 3 | 20 | 19 | 15 | 30 | 35 | 107 | 16 |
| PSYS | 8.3 | 4,502 | 13 | 32 | 13 | 23 | 80 | 207 | 1372 | 22 |
| LTTS | 6.4 | 5,025 | 4 | 12 | -10 | -3 | 28 | 75 | 191 | -4 |
| MPHL | 5.7 | 2,506 | 4 | 10 | 2 | -6 | 32 | 16 | 158 | -9 |
| TELX | 5.3 | 7,058 | -1 | 2 | -8 | -19 | -7 | 59 | 666 | -19 |
| CYL | 2.5 | 1,846 | -1 | 6 | -8 | -20 | 23 | 111 | 242 | -20 |
| BSOFT | 2.3 | 709 | 2 | 17 | -8 | 3 | 98 | 78 | 680 | -2 |
| SSOF | 2.1 | 630 | 9 | 22 | -14 | -11 | 25 | 123 | 376 | -15 |
| ZENT | 2.0 | 751 | 0 | 23 | 25 | 27 | 94 | 124 | 194 | 23 |
| HAPPSTMN | 1.5 | 831 | 0 | 5 | 3 | -9 | -15 | -30 | 401 | -7 |
| MAST | 1.0 | 2,757 | 3 | 16 | 7 | 2 | 42 | 18 | 482 | -2 |
| NSE IT Index | | | 5 | 15 | 7 | 6 | 26 | 29 | 132 | 5 |
| NIFTY | | | 2 | 7 | 7 | 11 | 26 | 53 | 103 | 11 |
| Nasdaq | | | 1 | 7 | 10 | 21 | 30 | 22 | 120 | 19 |

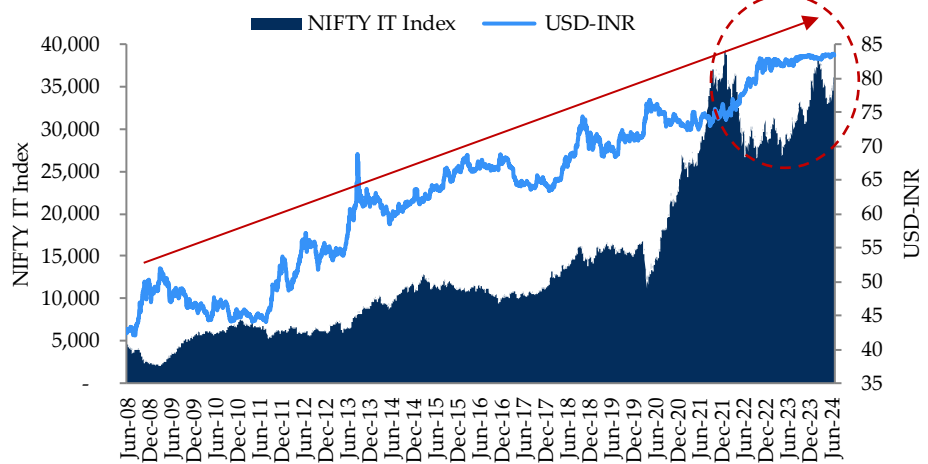
Source: Bloomberg, HSIE Research, CMP as on 2nd Jul 2024

Exhibit 11: IT Sector P/E and EPS Growth



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

Exhibit 12: USD-INR vs IT index trend

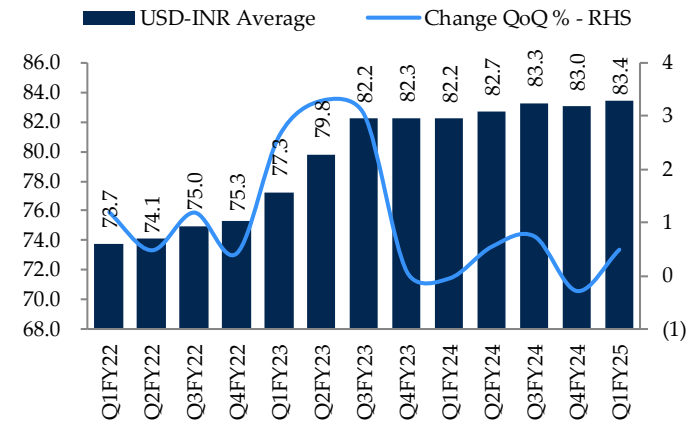


Source: Bloomberg

Exhibit 13: Currency trends

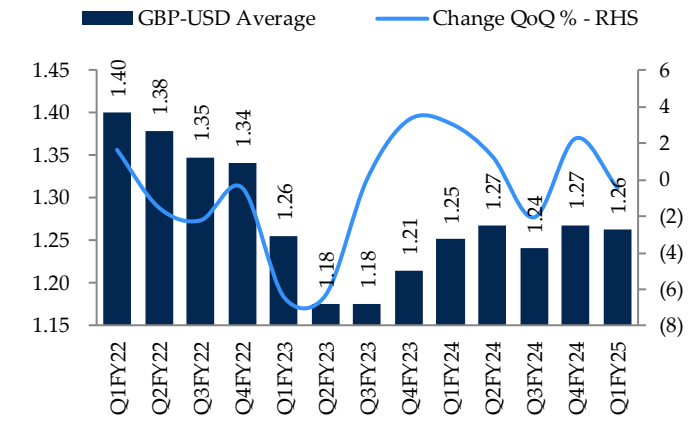
Unfavourable movement of GBP, EUR and JPY led negative cross currency impact in Q1

USD-INR trend



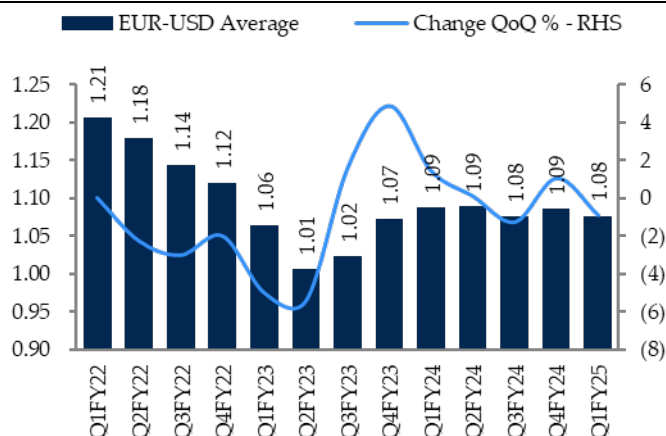
Source: NSE, Bloomberg, HSIE Research

GBP-USD trend



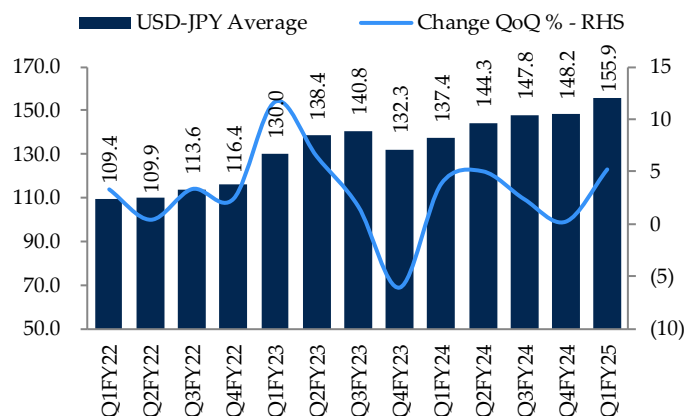
Source: NSE, Bloomberg, HSIE Research

EUR-USD trend



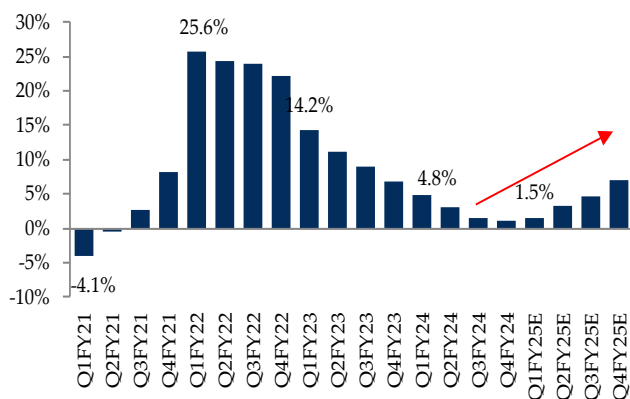
Source: NSE, Bloomberg, HSIE Research

USD-JPY trend



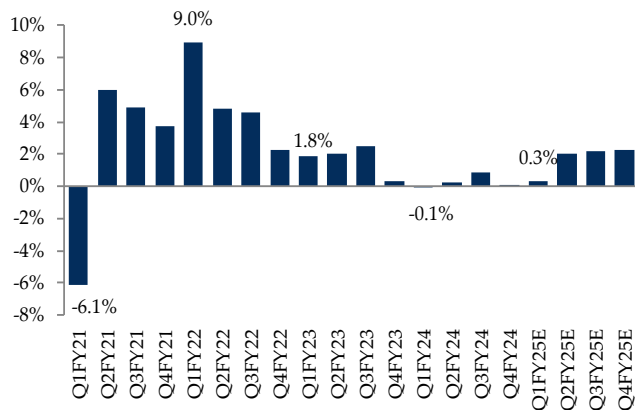
Source: NSE, Bloomberg, HSIE Research

Exhibit 14: IT Sector YoY revenue growth bottomed-out in Q1FY25



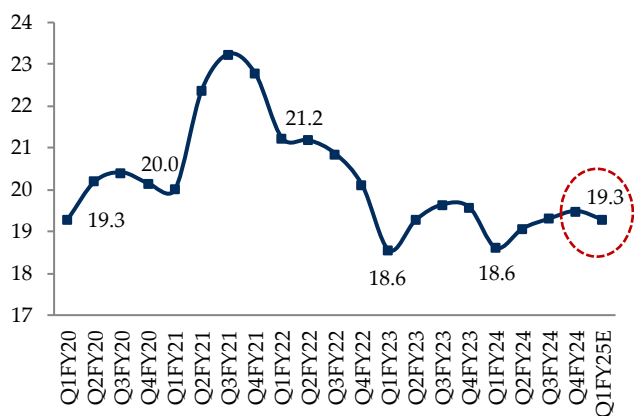
Source: Company, HSIE Research

Exhibit 15: IT Sector QoQ revenue growth remains soft due to weakness in discretionary IT spend



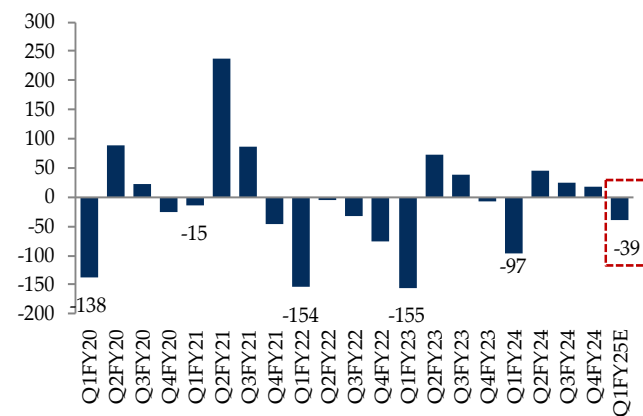
Source: Company, HSIE Research

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



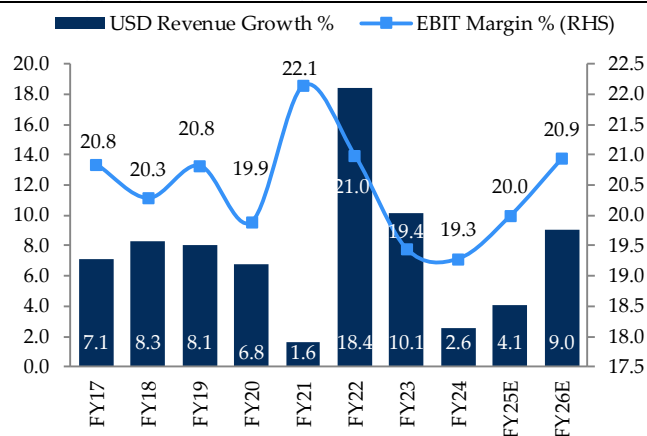
Source: Company, HSIE Research

Exhibit 17: Margins moderated in Q1FY25E



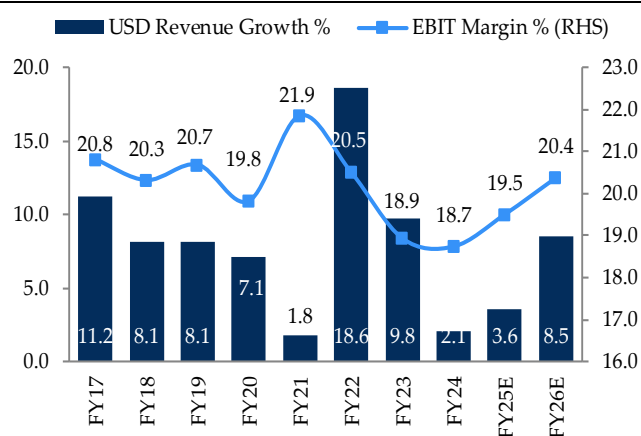
Source: Company, HSIE Research

Exhibit 18: Base case growth recovery from H2FY25E - IT Sector aggregate revenue growth and EBITM trend



Source: Company, HSIE Research

Exhibit 19: Tier -1 IT revenue growth and margin trend



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

Exhibit 20: Key deals announced in Q1FY25

| Company | Client | Vertical | Region | Services |
|----------|--------------------------------------|---------------------------|-----------|--|
| TCS | Burgan Bank | BFSI | Kuwait | Consolidation of legacy applications |
| | Xerox | Technology & Services | US | Cloud & GenAI |
| Infosys | ABB FIA Formula E World Championship | Public Services (Sports) | US | Three year deal for AI & Digital experience services |
| | First Abu Dhabi Bank | BFSI | UAE | IT infrastructure services modernisation |
| | Telstra | Communication | Australia | AI-led Engineering transformation |
| | Commerzbank | BFSI | Germany | Unified trading platform |
| HCL Tech | Nihon Chouzai | Life sciences | Japan | Mobile app development – telemedicine services |
| | State Bank of India | BFSI | India | Five year digital transformation deal |
| | Olympus | Life science & Healthcare | Japan | Engineering and R&D services |
| Wipro | apoBank | BFSI | Germany | Managed services |
| | Nokia | Communication | Finland | Digital Workplace Services |
| | Close Brothers | BFSI | UK | IT operations & modernisation |
| | Hanesbrands Inc NA | Consumer Business Unit | US | Digital transformation |
| LTTS | NA | Communication | US | USD 500mn managed services deal |
| | FORVIA | Transportation | France | EUR 45mn deal for 5 yrs of Engineering development service |
| | Airbus | Transportation | Europe | Establishing Centre of Excellence |

Source: Company, HSIE Research

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

| USD Rev (QoQ CC %) | Q2FY22 | Q3FY22 | Q4FY22 | Q1FY23 | Q2FY23 | Q3FY23 | Q4FY23 | Q1FY24 | Q2FY24 | Q3FY24 | Q4FY24 | Q1FY25E |
|--------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------|
| TCS | 4.0 | 3.0 | 2.6 | 3.5 | 4.0 | 2.3 | 0.6 | 0.0 | 0.1 | 1.0 | 1.1 | 1.0 |
| INFO | 6.3 | 7.0 | 1.2 | 5.5 | 4.0 | 2.4 | -3.2 | 0.4 | 2.3 | -1.0 | -2.2 | 1.6 |
| HCLT | 3.5 | 7.6 | 1.1 | 2.7 | 3.8 | 5.0 | -1.2 | -1.3 | 1.0 | 6.0 | 0.3 | -2.0 |
| WPRO | 8.1 | 3.0 | 3.1 | 2.1 | 4.1 | 0.6 | -0.6 | -2.8 | -2.0 | -1.7 | -0.3 | 0.0 |
| LTIM | 10.6 | 7.5 | 3.2 | 5.0 | 5.5 | 1.9 | 0.7 | 0.1 | 1.7 | 0.7 | -1.3 | 1.6 |
| TECHM | 7.2 | 4.7 | 5.4 | 3.5 | 2.9 | 0.2 | 0.3 | -4.2 | -2.4 | 1.1 | -0.8 | 0.5 |
| PSYS | 9.5 | 9.6 | 9.3 | 12.0 | 6.6 | 3.5 | 3.5 | 2.9 | 3.2 | 3.1 | 3.4 | 5.0 |
| LTTS | 6.0 | 4.2 | 3.6 | 4.7 | 4.5 | 0.0 | 2.2 | -2.9 | 3.2 | 0.9 | 5.1 | -0.7 |
| MPHL | 6.6 | 7.8 | 4.8 | 2.0 | 1.8 | -2.5 | -4.5 | -3.5 | 0.0 | 1.0 | 2.1 | 1.1 |
| TELX | 7.4 | 6.5 | 7.4 | 6.5 | 4.7 | 3.5 | 1.6 | 1.2 | 3.4 | 3.0 | -0.6 | 3.7 |
| CYL | 5.5 | 4.4 | 1.6 | 6.5 | 12.3 | 11.9 | 3.2 | 0.3 | 1.0 | 1.1 | -0.5 | -1.3 |
| BSOFT | 6.6 | 4.7 | 2.1 | 2.3 | 1.1 | 0.0 | 3.1 | 1.7 | 3.0 | 1.8 | 1.6 | 1.1 |
| SSOF | 11.0 | 8.6 | 4.7 | 3.9 | 3.3 | 3.9 | 8.0 | 17.4 | 5.2 | 3.0 | -2.2 | 2.1 |
| ZENT | 12.3 | 4.7 | 4.2 | 3.1 | 1.6 | -5.3 | 0.4 | 1.3 | 0.2 | -3.2 | 2.0 | 2.7 |
| HAPPSTMN | 8.0 | 5.5 | 5.5 | 5.9 | 5.0 | 2.1 | 1.4 | 3.6 | 3.3 | 0.8 | 1.4 | 10.2 |
| MAST | 3.9 | 3.7 | 5.3 | -0.1 | 10.7 | 3.1 | 5.3 | 0.4 | 4.4 | 2.7 | -1.4 | 2.7 |

Source: Company, HSIE Research, Wipro is IT services rev and Sonata is IITS Rev, SSOF is USD rev growth from Q2FY22 to Q4FY22, HAPPSTMN is USD rev growth from Q2FY22 to Q2FY23; Inorganic growth for Wipro is 0.3% QoQ, TECHM is 0.2% QoQ and HAPPSTMN is 8.5% QoQ

Exhibit 22: Quarterly EBIT Margin trend (%)

| EBIT Margin (%) | Q2FY22 | Q3FY22 | Q4FY22 | Q1FY23 | Q2FY23 | Q3FY23 | Q4FY23 | Q1FY24 | Q2FY24 | Q3FY24 | Q4FY24 | Q1FY25E |
|-----------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------|
| TCS | 25.6 | 25.0 | 25.0 | 23.1 | 24.0 | 24.5 | 24.5 | 23.2 | 24.3 | 25.0 | 26.0 | 24.4 |
| INFO | 23.6 | 23.5 | 21.6 | 20.1 | 21.5 | 21.5 | 21.0 | 20.8 | 21.2 | 20.5 | 20.1 | 20.7 |
| HCLT | 19.0 | 19.1 | 18.0 | 17.0 | 17.9 | 19.6 | 18.2 | 17.0 | 18.5 | 19.7 | 17.6 | 17.1 |
| WPRO | 17.8 | 17.6 | 17.0 | 15.0 | 15.1 | 16.3 | 16.3 | 16.0 | 16.1 | 16.0 | 16.4 | 16.7 |
| LTIM | 17.5 | 18.5 | 18.1 | 17.4 | 17.5 | 13.9 | 16.4 | 16.7 | 16.0 | 15.4 | 14.7 | 15.0 |
| TECHM | 15.2 | 14.8 | 13.2 | 11.0 | 11.4 | 12.0 | 11.2 | 6.8 | 4.7 | 5.4 | 7.4 | 8.0 |
| PSYS | 13.9 | 14.0 | 14.0 | 14.3 | 14.6 | 15.4 | 15.4 | 14.9 | 13.7 | 14.5 | 14.5 | 13.8 |
| LTTS | 18.4 | 18.6 | 18.6 | 18.3 | 18.1 | 18.7 | 18.7 | 17.2 | 17.1 | 17.2 | 16.9 | 17.0 |
| MPHL | 15.1 | 15.1 | 15.2 | 15.3 | 15.3 | 15.3 | 15.3 | 15.4 | 15.5 | 14.9 | 14.9 | 15.1 |
| TELX | 28.6 | 31.0 | 30.1 | 30.5 | 26.8 | 27.6 | 27.3 | 27.1 | 27.1 | 26.8 | 25.8 | 23.9 |
| CYL | 14.0 | 13.9 | 14.5 | 11.5 | 11.9 | 12.9 | 14.2 | 14.7 | 14.6 | 14.3 | 14.4 | 13.4 |
| BSOFT | 13.1 | 13.4 | 14.0 | 13.0 | 13.1 | -1.1 | 11.9 | 13.6 | 14.2 | 14.4 | 14.7 | 14.9 |
| SSOF | 24.9 | 24.1 | 23.0 | 24.5 | 23.5 | 21.8 | 20.7 | 21.1 | 23.1 | 22.6 | 17.3 | 19.0 |
| ZENT | 10.9 | 10.1 | 10.1 | 7.2 | 4.6 | 7.1 | 11.6 | 15.3 | 15.7 | 14.6 | 14.6 | 14.5 |
| HAPPSTMN | 19.7 | 21.0 | 20.9 | 23.5 | 22.7 | 21.7 | 21.0 | 19.2 | 16.7 | 16.1 | 16.4 | 9.9 |
| MAST | 19.2 | 19.1 | 18.7 | 17.2 | 14.4 | 14.3 | 14.9 | 14.8 | 13.3 | 14.2 | 12.5 | 12.8 |

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

Exhibit 23: Financial Snapshot**TCS (M-cap INR 14,700bn, CMP 4017, TP 4420, ADD)**

| INR bn | FY20 | FY21 | FY22 | FY23 | FY24 | FY25E | FY26E |
|------------------------|----------|----------|----------|----------|----------|----------|----------|
| Revenue (USD mn) | 22,032 | 22,174 | 25,707 | 27,927 | 29,080 | 30,542 | 32,995 |
| Revenue | 1,569.49 | 1,641.77 | 1,917.54 | 2,254.58 | 2,408.93 | 2,557.29 | 2,804.56 |
| EBIT | 385.80 | 424.81 | 484.53 | 542.37 | 593.11 | 654.27 | 728.28 |
| APAT | 323.40 | 333.56 | 383.27 | 421.47 | 466.35 | 513.70 | 571.03 |
| AEPS (INR) | 89.4 | 92.2 | 105.9 | 116.5 | 128.9 | 142.0 | 157.8 |
| EBIT margin (%) | 24.6 | 25.9 | 25.3 | 24.1 | 24.6 | 25.6 | 26.0 |
| USD Revenue growth (%) | 5.4 | 0.6 | 15.9 | 8.6 | 4.1 | 5.0 | 8.0 |
| EPS growth (%) | 2.8 | 3.1 | 14.9 | 10.0 | 10.6 | 10.2 | 11.2 |
| P/E (x) | 44.9 | 43.6 | 37.9 | 34.5 | 31.2 | 28.3 | 25.5 |
| EV/EBITDA (x) | 33.5 | 30.2 | 26.4 | 23.7 | 21.9 | 19.9 | 17.9 |
| RoE (%) | 37.3 | 39.1 | 43.7 | 46.9 | 51.6 | 55.4 | 58.2 |

INFO (M-cap INR 6,727bn, CMP 1621, TP 1610, ADD)

| INR bn | FY20 | FY21 | FY22 | FY23 | FY24 | FY25E | FY26E |
|------------------------|--------|----------|----------|----------|----------|----------|----------|
| Revenue (USD mn) | 12,781 | 13,562 | 16,310 | 18,212 | 18,562 | 19,138 | 20,697 |
| Revenue | 907.91 | 1,004.73 | 1,216.41 | 1,467.67 | 1,536.71 | 1,602.43 | 1,759.21 |
| EBIT | 193.74 | 246.22 | 280.15 | 309.06 | 317.47 | 337.29 | 387.11 |
| APAT | 164.04 | 193.51 | 221.11 | 240.95 | 247.50 | 261.50 | 302.58 |
| AEPS (INR) | 39.6 | 46.7 | 53.4 | 58.2 | 59.7 | 63.1 | 73.0 |
| EBIT margin (%) | 21.3 | 24.5 | 23.0 | 21.1 | 20.7 | 21.0 | 22.0 |
| USD Revenue growth (%) | 8.3 | 6.1 | 20.3 | 11.7 | 1.9 | 3.1 | 8.1 |
| EPS growth (%) | 4.0 | 18.0 | 14.3 | 9.0 | 2.7 | 5.7 | 15.7 |
| P/E (x) | 40.9 | 34.7 | 30.4 | 27.9 | 27.1 | 25.7 | 22.2 |
| EV/EBITDA (x) | 29.0 | 22.7 | 20.2 | 18.3 | 17.4 | 16.5 | 14.4 |
| RoE (%) | 25.2 | 27.3 | 29.2 | 32.0 | 30.3 | 29.1 | 32.1 |

HCLT (M-cap INR 4,018bn, CMP 1481, TP 1525, ADD)

| INR bn | FY20 | FY21 | FY22 | FY23 | FY24 | FY25E | FY26E |
|------------------------|--------|--------|--------|----------|----------|----------|----------|
| Revenue (USD mn) | 9,936 | 10,176 | 11,537 | 12,586 | 13,270 | 13,764 | 15,029 |
| Revenue | 706.78 | 753.79 | 856.51 | 1,014.56 | 1,099.13 | 1,152.46 | 1,277.42 |
| EBIT | 138.53 | 160.71 | 162.04 | 184.84 | 200.27 | 207.00 | 242.83 |
| APAT | 110.62 | 124.62 | 134.99 | 148.52 | 157.02 | 160.71 | 187.98 |
| AEPS (INR) | 40.8 | 45.9 | 49.7 | 54.7 | 57.9 | 59.2 | 69.3 |
| EBIT margin (%) | 19.6 | 21.3 | 18.9 | 18.2 | 18.2 | 18.0 | 19.0 |
| USD Revenue growth (%) | 15.1 | 2.4 | 13.4 | 9.1 | 5.4 | 3.7 | 9.2 |
| EPS growth (%) | 9.3 | 12.7 | 8.3 | 10.0 | 5.7 | 2.3 | 17.0 |
| P/E (x) | 36.3 | 32.2 | 29.8 | 27.1 | 25.6 | 25.0 | 21.4 |
| EV/EBITDA (x) | 23.6 | 19.4 | 18.8 | 17.0 | 15.6 | 14.9 | 13.0 |
| RoE (%) | 23.8 | 22.4 | 22.1 | 23.3 | 23.5 | 23.1 | 26.1 |

WPRO (M-cap INR 2,818bn, CMP 538, TP 465, REDUCE)

| INR bn | FY20 | FY21 | FY22 | FY23 | FY24 | FY25E | FY26E |
|-----------------------------|--------|--------|--------|--------|--------|--------|--------|
| ITS Revenue (USD mn) | 8,256 | 8,137 | 10,356 | 11,147 | 10,805 | 10,854 | 11,568 |
| Revenue | 610.23 | 619.43 | 790.93 | 904.88 | 897.60 | 913.66 | 988.50 |
| EBIT | 101.42 | 120.14 | 133.75 | 135.13 | 135.76 | 143.32 | 166.89 |
| APAT | 97.22 | 107.95 | 122.19 | 113.50 | 110.45 | 118.61 | 135.47 |
| AEPS (INR) | 18.6 | 20.6 | 23.3 | 21.7 | 21.1 | 22.7 | 25.9 |
| IT Services EBIT margin (%) | 18.1 | 20.2 | 17.8 | 15.7 | 16.1 | 16.1 | 17.3 |
| USD Revenue growth (%) | 1.7 | (1.4) | 27.3 | 7.6 | (3.1) | 0.5 | 6.6 |
| EPS growth (%) | 7.0 | 11.0 | 13.2 | (7.1) | (2.7) | 7.4 | 14.2 |
| P/E (x) | 29.0 | 26.1 | 23.1 | 24.8 | 25.5 | 23.8 | 20.8 |
| EV/EBITDA (x) | 21.0 | 17.4 | 16.1 | 15.3 | 15.1 | 14.3 | 12.4 |
| RoE (%) | 17.3 | 19.4 | 20.2 | 15.8 | 14.4 | 15.5 | 17.0 |

LTIM (M-cap INR 1,618bn, CMP 5474, TP 5340, ADD)

| INR bn | FY22 | FY23 | FY24 | FY25E | FY26E |
|------------------------|--------|--------|--------|--------|--------|
| Revenue (USD mn) | 3,502 | 4,106 | 4,287 | 4,560 | 5,213 |
| Revenue | 261.09 | 331.83 | 355.17 | 381.81 | 443.06 |
| EBIT | 46.52 | 53.85 | 55.69 | 60.50 | 75.11 |
| APAT | 39.50 | 44.10 | 45.85 | 51.44 | 63.22 |
| AEPS (INR) | 133.5 | 149.1 | 155.0 | 173.9 | 213.7 |
| EBIT margin (%) | 17.8 | 16.2 | 15.7 | 15.8 | 17.0 |
| USD Revenue growth (%) | 27.5 | 17.2 | 4.4 | 6.4 | 14.3 |
| EPS growth (%) | 29.5 | 11.6 | 4.0 | 12.2 | 22.9 |
| P/E (x) | 41.0 | 36.7 | 35.3 | 31.5 | 25.6 |
| EV/EBITDA (x) | 29.5 | 25.3 | 23.9 | 21.4 | 17.3 |
| RoE (%) | 30.5 | 28.6 | 25.0 | 23.9 | 25.5 |

TECHM (M-cap INR 1,299bn, CMP 1472, TP 1220, REDUCE)

| INR bn | FY20 | FY21 | FY22 | FY23 | FY24 | FY25E | FY26E |
|------------------------|--------|--------|--------|--------|--------|--------|--------|
| Revenue (USD mn) | 5,182 | 5,111 | 5,998 | 6,606 | 6,277 | 6,373 | 7,010 |
| Revenue | 368.68 | 378.55 | 446.46 | 532.90 | 519.96 | 533.58 | 595.86 |
| EBIT | 42.80 | 53.89 | 65.00 | 60.72 | 31.47 | 51.38 | 78.59 |
| APAT | 42.51 | 44.79 | 55.66 | 50.68 | 28.16 | 43.64 | 63.22 |
| AEPS (INR) | 48.2 | 50.8 | 63.1 | 57.5 | 31.9 | 49.5 | 71.7 |
| EBIT margin (%) | 11.6 | 14.2 | 14.6 | 11.4 | 6.1 | 9.6 | 13.2 |
| USD Revenue growth (%) | 4.3 | (1.4) | 17.3 | 10.1 | (5.0) | 1.5 | 10.0 |
| EPS growth (%) | (1.1) | 5.4 | 24.3 | (8.9) | (44.4) | 55.0 | 44.9 |
| P/E (x) | 30.5 | 29.0 | 23.3 | 25.6 | 46.1 | 29.8 | 20.5 |
| EV/EBITDA (x) | 21.6 | 17.4 | 15.3 | 15.5 | 25.0 | 17.3 | 12.4 |
| RoE (%) | 20.2 | 19.2 | 21.5 | 18.5 | 10.3 | 16.1 | 22.4 |

PSYS (M-cap INR 693bn, CMP 4502, TP 4600, BUY)

| INR bn | FY20 | FY21 | FY22 | FY23 | FY24 | FY25E | FY26E |
|------------------------|-------|-------|-------|-------|-------|--------|--------|
| Revenue (USD mn) | 502 | 566 | 766 | 1,036 | 1,186 | 1,389 | 1,646 |
| Revenue | 35.66 | 41.88 | 57.11 | 83.51 | 98.22 | 116.29 | 139.90 |
| EBIT | 3.27 | 5.07 | 7.92 | 12.47 | 14.15 | 17.01 | 22.13 |
| APAT | 3.59 | 4.51 | 6.90 | 9.43 | 11.30 | 13.73 | 17.68 |
| AEPS (INR) | 23.3 | 29.3 | 44.9 | 61.3 | 73.4 | 89.2 | 114.9 |
| EBIT margin (%) | 9.2 | 12.1 | 13.9 | 14.9 | 14.4 | 14.6 | 15.8 |
| USD Revenue growth (%) | 4.3 | 12.9 | 35.2 | 35.3 | 14.5 | 17.1 | 18.5 |
| EPS growth (%) | (1.8) | 25.6 | 53.2 | 36.6 | 19.8 | 21.5 | 28.8 |
| P/E (x) | 193.0 | 153.7 | 100.3 | 73.4 | 61.3 | 50.4 | 39.2 |
| EV/EBITDA (x) | 137.6 | 98.5 | 70.1 | 44.5 | 39.2 | 32.7 | 25.2 |
| RoE (%) | 14.4 | 17.4 | 22.4 | 25.1 | 24.5 | 25.5 | 27.9 |

LTTS (M-cap INR 531bn, CMP 5025, TP 4260, REDUCE)

| INR bn | FY20 | FY21 | FY22 | FY23 | FY24 | FY25E | FY26E |
|------------------------|-------|--------|-------|-------|-------|--------|--------|
| Revenue (USD mn) | 786 | 737 | 880 | 990 | 1,164 | 1,268 | 1,432 |
| Revenue | 56.19 | 54.50 | 65.70 | 80.14 | 96.47 | 106.15 | 121.75 |
| EBIT | 9.28 | 7.89 | 12.01 | 14.79 | 16.47 | 17.36 | 20.81 |
| APAT | 7.51 | 6.27 | 9.57 | 11.70 | 13.04 | 14.03 | 16.64 |
| AEPS (INR) | 71.1 | 59.4 | 90.7 | 110.8 | 123.5 | 133.0 | 157.7 |
| EBIT margin (%) | 16.5 | 14.5 | 18.3 | 18.5 | 17.1 | 16.4 | 17.1 |
| USD Revenue growth (%) | 8.7 | (6.3) | 19.5 | 12.4 | 17.6 | 8.9 | 13.0 |
| EPS growth (%) | 9.3 | (16.5) | 52.7 | 22.2 | 11.4 | 7.7 | 18.6 |
| P/E (x) | 70.6 | 84.6 | 55.4 | 45.3 | 40.7 | 37.8 | 31.9 |
| EV/EBITDA (x) | 47.1 | 51.0 | 36.1 | 29.4 | 26.3 | 24.1 | 19.9 |
| RoE (%) | 28.6 | 20.1 | 25.1 | 25.7 | 25.4 | 24.4 | 25.0 |

MPHL (M-cap INR 469bn, CMP 2506, TP 2210, REDUCE)

| INR bn | FY20 | FY21 | FY22 | FY23 | FY24 | FY25E | FY26E |
|------------------------|-------|-------|--------|--------|--------|--------|--------|
| Revenue (USD mn) | 1,240 | 1,309 | 1,593 | 1,718 | 1,609 | 1,690 | 1,858 |
| Revenue | 88.44 | 97.22 | 119.62 | 137.99 | 132.79 | 141.54 | 157.97 |
| EBIT | 14.19 | 15.61 | 18.27 | 21.09 | 20.11 | 21.20 | 24.54 |
| APAT | 11.42 | 12.17 | 14.46 | 16.38 | 15.55 | 16.17 | 18.77 |
| AEPS (INR) | 61.1 | 65.0 | 77.3 | 87.6 | 83.1 | 86.5 | 100.4 |
| EBIT margin (%) | 16.0 | 16.1 | 15.3 | 15.3 | 15.1 | 15.0 | 15.5 |
| USD Revenue growth (%) | 10.8 | 5.6 | 21.7 | 7.8 | (6.3) | 5.0 | 9.9 |
| EPS growth (%) | 6.4 | 6.5 | 18.9 | 13.2 | (5.1) | 4.0 | 16.1 |
| P/E (x) | 41.0 | 38.5 | 32.4 | 28.6 | 30.1 | 29.0 | 25.0 |
| EV/EBITDA (x) | 27.4 | 24.8 | 21.2 | 18.3 | 18.5 | 17.0 | 14.8 |
| RoE (%) | 20.6 | 19.7 | 21.5 | 22.0 | 18.6 | 17.8 | 19.2 |

TELX (M-cap INR 440bn, CMP 7058, TP 6550, REDUCE)

| INR bn | FY20 | FY21 | FY22 | FY23 | FY24 | FY25E | FY26E |
|------------------------|-------|-------|-------|-------|-------|-------|-------|
| Revenue (USD mn) | 227 | 247 | 331 | 390 | 429 | 479 | 553 |
| Revenue | 16.10 | 18.26 | 24.71 | 31.45 | 35.52 | 40.14 | 47.00 |
| EBIT | 3.00 | 4.78 | 7.10 | 8.80 | 9.47 | 10.82 | 12.90 |
| APAT | 2.71 | 3.68 | 5.50 | 7.55 | 7.92 | 9.02 | 10.73 |
| AEPS (INR) | 43.6 | 59.1 | 88.3 | 121.3 | 127.2 | 144.8 | 172.4 |
| EBIT margin (%) | 18.6 | 26.2 | 28.8 | 28.0 | 26.7 | 27.0 | 27.5 |
| USD Revenue growth (%) | (0.9) | 8.8 | 34.3 | 17.7 | 9.9 | 11.8 | 15.4 |
| EPS growth (%) | (6.4) | 35.6 | 49.3 | 37.4 | 4.9 | 13.8 | 19.1 |
| P/E (x) | 162.0 | 119.4 | 80.0 | 58.2 | 55.5 | 48.8 | 40.9 |
| EV/EBITDA (x) | 126.2 | 82.3 | 56.0 | 44.4 | 40.6 | 35.3 | 29.5 |
| RoE (%) | 26.7 | 30.1 | 37.2 | 41.0 | 34.5 | 33.3 | 34.0 |

CYL (M-cap INR 204bn, CMP 1846, TP 2050, ADD)

| INR bn | FY20 | FY21 | FY22 | FY23 | FY24 | FY25E | FY26E |
|------------------------|-------|--------|--------|-------|-------|-------|-------|
| Revenue (USD mn) | 625 | 557 | 608 | 746 | 863 | 931 | 1,072 |
| Revenue | 44.27 | 41.32 | 45.34 | 60.16 | 71.47 | 78.08 | 91.69 |
| EBIT | 4.08 | 4.16 | 6.30 | 7.67 | 10.36 | 11.38 | 14.18 |
| APAT | 3.73 | 3.72 | 5.22 | 5.65 | 7.49 | 8.16 | 10.26 |
| AEPS (INR) | 33.8 | 33.7 | 47.3 | 51.2 | 67.8 | 73.9 | 93.0 |
| EBIT margin (%) | 9.2 | 10.1 | 13.9 | 12.8 | 14.5 | 14.6 | 15.5 |
| USD Revenue growth (%) | (5.3) | (10.9) | 9.2 | 22.7 | 15.6 | 7.9 | 15.2 |
| EPS growth (%) | 17.2 | 13.1 | (24.0) | (0.2) | 40.5 | 8.2 | 32.5 |
| P/E (x) | 54.7 | 54.8 | 39.0 | 36.1 | 27.2 | 25.0 | 19.9 |
| EV/EBITDA (x) | 33.5 | 31.7 | 23.8 | 20.1 | 15.3 | 13.9 | 11.2 |
| RoE (%) | 14.5 | 13.5 | 17.2 | 17.2 | 19.4 | 18.3 | 20.8 |

BSOFT (M-cap INR 195bn, CMP 709, TP 775, ADD)

| INR bn | FY20 | FY21 | FY22 | FY23 | FY24 | FY25E | FY26E |
|------------------------|-------|-------|-------|-------|-------|-------|-------|
| Revenue (USD mn) | 464 | 480 | 555 | 595 | 637 | 687 | 785 |
| Revenue | 32.91 | 35.56 | 41.30 | 47.95 | 52.78 | 57.53 | 66.71 |
| EBIT | 3.09 | 4.49 | 5.64 | 4.38 | 7.51 | 8.43 | 10.19 |
| APAT | 2.24 | 3.21 | 4.64 | 4.50 | 6.11 | 6.80 | 8.17 |
| AEPS (INR) | 8.1 | 11.7 | 16.8 | 16.3 | 22.2 | 24.7 | 29.7 |
| EBIT margin (%) | 9.4 | 12.6 | 13.6 | 9.1 | 14.2 | 14.6 | 15.3 |
| USD Revenue growth (%) | (2.2) | 3.4 | 15.7 | 7.2 | 7.1 | 7.9 | 14.2 |
| EPS growth (%) | (5.3) | 43.1 | 44.5 | (3.0) | 36.0 | 11.2 | 20.1 |
| P/E (x) | 87.0 | 60.8 | 42.1 | 43.4 | 31.9 | 28.7 | 23.9 |
| EV/EBITDA (x) | 48.1 | 34.7 | 28.5 | 35.3 | 21.2 | 18.7 | 15.2 |
| RoE (%) | 12.4 | 15.8 | 19.5 | 17.9 | 22.3 | 20.7 | 21.5 |

SSOF (M-cap INR 177bn, CMP 630, TP 600, ADD)

| INR bn | FY20 | FY21 | FY22 | FY23 | FY24 | FY25E | FY26E |
|------------------------|-------|--------|-------|-------|-------|-------|--------|
| Revenue (USD mn) | 181 | 160 | 203 | 241 | 324 | 354 | 413 |
| Revenue | 37.43 | 42.28 | 55.53 | 74.49 | 86.13 | 95.79 | 111.17 |
| EBIT | 3.36 | 3.40 | 4.16 | 5.45 | 5.96 | 6.97 | 9.11 |
| APAT | 2.77 | 2.44 | 3.76 | 4.52 | 4.83 | 5.59 | 7.20 |
| AEPS (INR) | 9.9 | 8.7 | 13.4 | 16.1 | 17.2 | 19.9 | 25.7 |
| IITS EBITDA margin (%) | 22.0 | 24.1 | 23.0 | 20.9 | 21.0 | 19.5 | 21.5 |
| EBIT margin (%) | 9.0 | 8.0 | 7.5 | 7.3 | 6.9 | 7.3 | 8.2 |
| USD Revenue growth (%) | 12.2 | (11.3) | 26.6 | 18.7 | 34.3 | 9.4 | 16.8 |
| EPS growth (%) | 12.3 | (11.9) | 54.3 | 20.0 | 6.9 | 15.6 | 28.9 |
| P/E (x) | 63.8 | 72.4 | 46.9 | 39.1 | 36.6 | 31.6 | 24.5 |
| EV/EBITDA (x) | 47.0 | 45.4 | 36.9 | 30.4 | 25.6 | 22.0 | 17.1 |
| RoE (%) | 38.5 | 31.0 | 37.6 | 37.7 | 35.7 | 36.1 | 38.6 |

ZENT (M-cap INR 172bn, CMP 751, TP 815, ADD)

| INR bn | FY20 | FY21 | FY22 | FY23 | FY24 | FY25E | FY26E |
|------------------------|--------|--------|-------|--------|-------|-------|-------|
| Revenue (USD mn) | 566 | 494 | 569 | 604 | 592 | 631 | 704 |
| Revenue | 40.10 | 36.68 | 42.44 | 48.48 | 49.02 | 52.92 | 59.86 |
| EBIT | 3.47 | 5.11 | 4.72 | 3.69 | 7.38 | 7.87 | 9.02 |
| APAT | 2.63 | 2.52 | 4.16 | 3.28 | 6.65 | 7.10 | 8.11 |
| AEPS (INR) | 11.5 | 15.3 | 18.2 | 14.3 | 29.1 | 31.1 | 35.5 |
| EBIT margin (%) | 8.7 | 13.9 | 11.1 | 7.6 | 15.0 | 14.9 | 15.1 |
| USD Revenue growth (%) | 1.6 | (12.7) | 15.3 | 6.1 | (2.0) | 6.5 | 11.6 |
| EPS growth (%) | (22.4) | 33.0 | 19.0 | (21.3) | 103.0 | 6.7 | 14.2 |
| P/E (x) | 65.3 | 49.1 | 41.3 | 52.4 | 25.8 | 24.2 | 21.2 |
| EV/EBITDA (x) | 32.6 | 23.0 | 24.0 | 27.7 | 16.9 | 16.0 | 13.5 |
| RoE (%) | 12.7 | 15.7 | 16.3 | 11.3 | 20.0 | 18.1 | 18.3 |

HAPPSTMN (M-cap INR 127bn, CMP 831, TP 900, ADD)

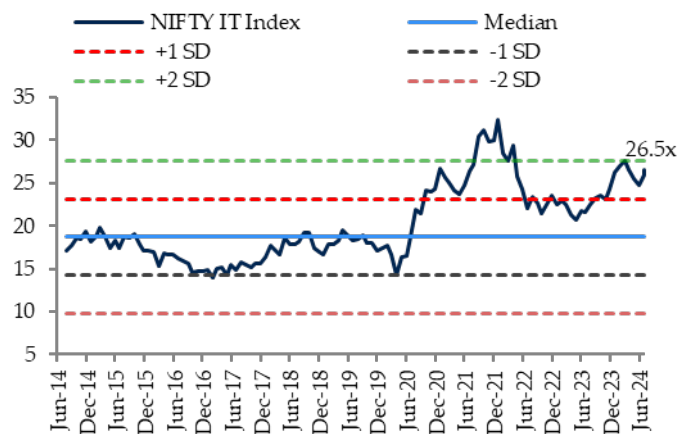
| INR bn | FY20 | FY21 | FY22 | FY23 | FY24 | FY25E | FY26E |
|------------------------|-------|------|-------|-------|-------|-------|-------|
| Revenue (USD mn) | 93 | 104 | 147 | 178 | 196 | 263 | 331 |
| Revenue | 6.98 | 7.73 | 10.94 | 14.29 | 16.25 | 22.01 | 28.09 |
| EBIT | 0.77 | 1.69 | 2.25 | 3.17 | 2.78 | 3.55 | 4.99 |
| APAT | 0.83 | 1.62 | 1.86 | 2.36 | 2.38 | 2.73 | 3.81 |
| AEPS (INR) | 5.4 | 10.7 | 12.2 | 15.5 | 15.6 | 17.9 | 25.0 |
| EBIT margin (%) | 11.0 | 21.8 | 20.6 | 22.2 | 17.1 | 16.1 | 17.8 |
| USD Revenue growth (%) | 8.5 | 12.2 | 41.0 | 21.3 | 10.3 | 34.0 | 25.8 |
| EPS growth (%) | 195.5 | 96.5 | 14.3 | 26.9 | 1.0 | 14.8 | 39.4 |
| P/E (x) | 153.0 | 77.9 | 68.1 | 53.7 | 53.2 | 46.3 | 33.2 |
| EV/EBITDA (x) | 129.7 | 64.0 | 47.4 | 34.6 | 35.0 | 26.9 | 19.8 |
| RoE (%) | 83.0 | 40.0 | 30.6 | 31.3 | 20.5 | 17.5 | 21.5 |

MAST (M-cap INR 85bn, CMP 2757, TP 2800, ADD)

| INR bn | FY20 | FY21 | FY22 | FY23 | FY24 | FY25E | FY26E |
|------------------------|-------|-------|-------|--------|-------|-------|-------|
| Revenue (USD mn) | 151 | 232 | 293 | 318 | 368 | 405 | 465 |
| Revenue | 10.71 | 17.22 | 21.84 | 25.63 | 30.55 | 34.04 | 39.51 |
| EBIT | 1.32 | 3.20 | 4.20 | 3.88 | 4.19 | 4.83 | 5.99 |
| APAT | 1.33 | 2.09 | 2.95 | 2.68 | 3.06 | 3.55 | 4.47 |
| AEPS (INR) | 46.7 | 73.5 | 96.6 | 86.6 | 96.2 | 112.2 | 141.3 |
| EBIT margin (%) | 12.3 | 18.6 | 19.2 | 15.2 | 13.7 | 14.2 | 15.2 |
| USD Revenue growth (%) | 2.2 | 53.6 | 26.3 | 8.6 | 15.8 | 10.0 | 14.7 |
| EPS growth (%) | 31.7 | 57.5 | 31.5 | (10.4) | 11.2 | 16.6 | 26.0 |
| P/E (x) | 59.1 | 37.5 | 28.5 | 31.8 | 28.6 | 24.6 | 19.5 |
| EV/EBITDA (x) | 49.8 | 19.9 | 16.9 | 18.9 | 17.2 | 14.5 | 11.4 |
| RoE (%) | 17.6 | 25.4 | 30.6 | 19.4 | 16.1 | 15.8 | 17.3 |

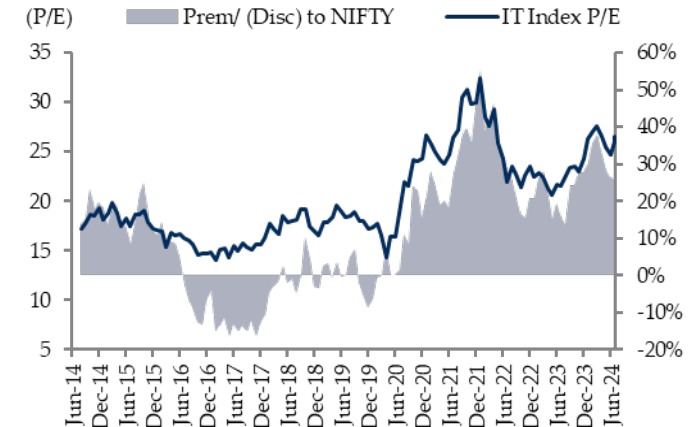
Exhibit 24: Valuation charts

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



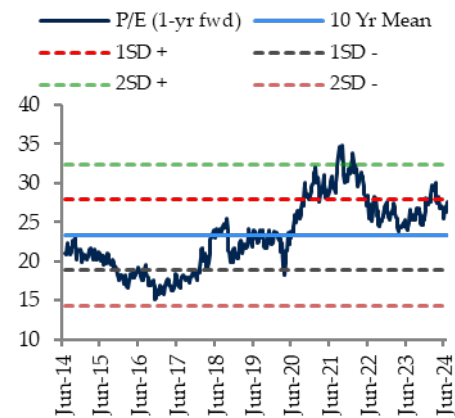
Source: Bloomberg, HSIE Research

IT Index Valuation Trend vs NIFTY



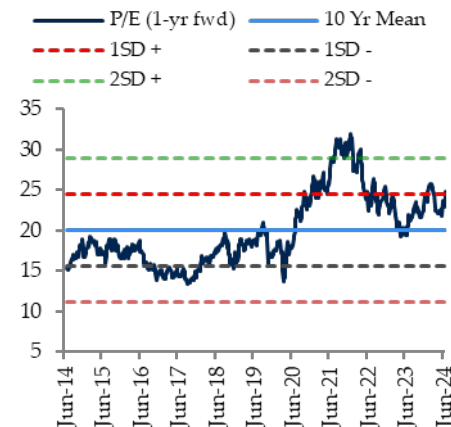
Source: Bloomberg, HSIE Research

TCS P/E (1-yr fwd) Trend

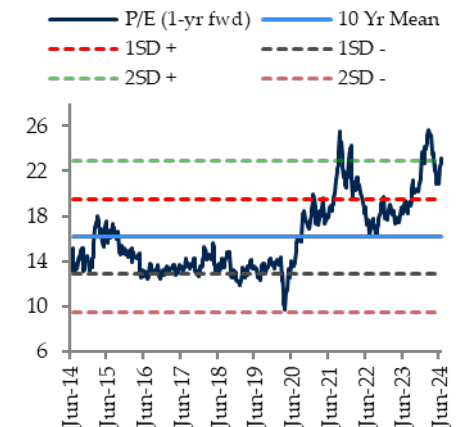


Source: Bloomberg, HSIE Research

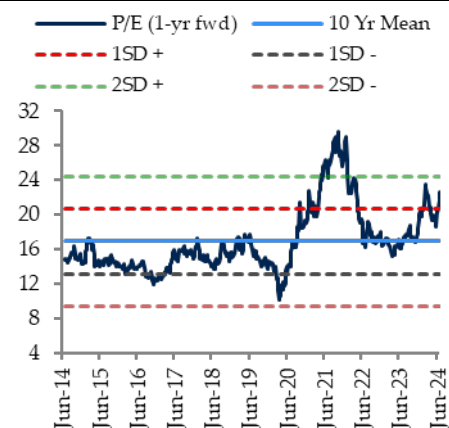
INFO P/E (1-yr fwd) Trend



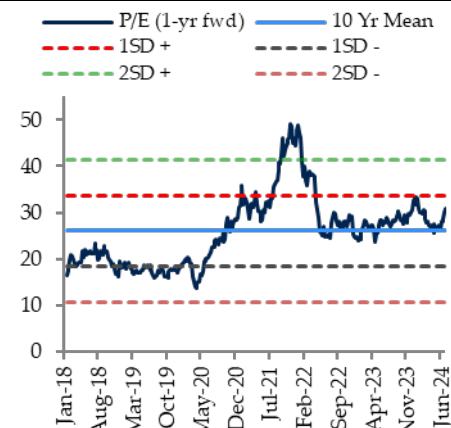
HCLT P/E (1-yr fwd) Trend



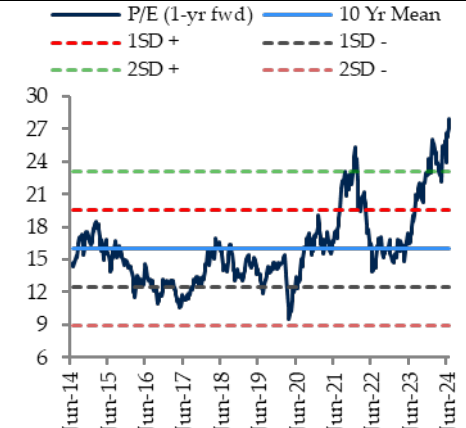
WPRO P/E (1-yr fwd) Trend



LTIM P/E (1-yr fwd) Trend

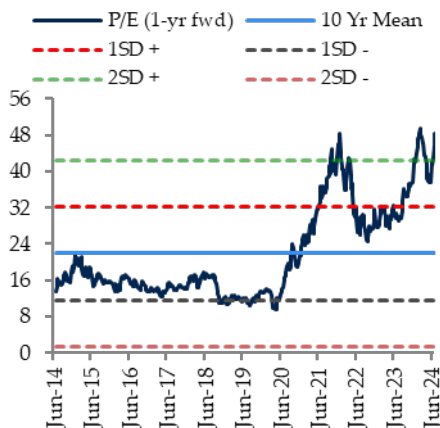


TECHM P/E (1-yr fwd) Trend

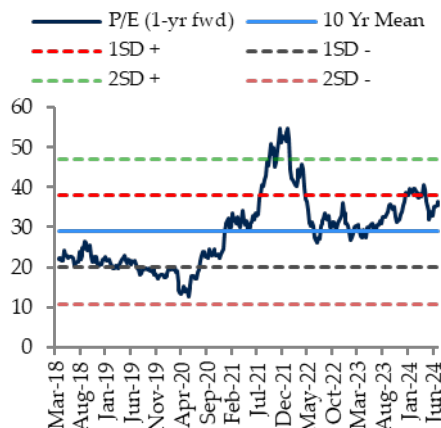


Source: Bloomberg, HSIE Research

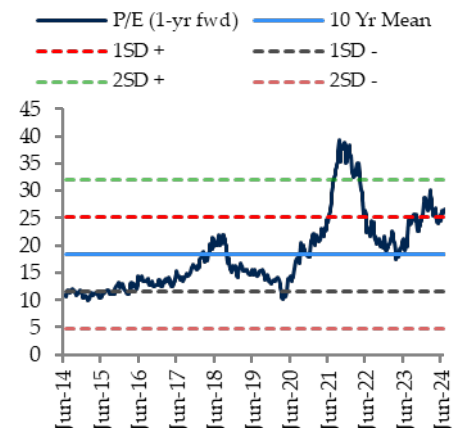
PSYS P/E (1-yr fwd) Trend



LTTS P/E (1-yr fwd) Trend



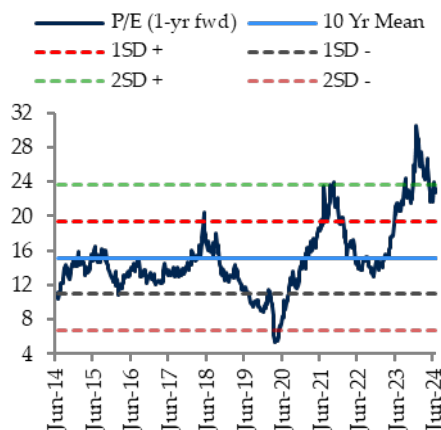
MPHL P/E (1-yr fwd) Trend



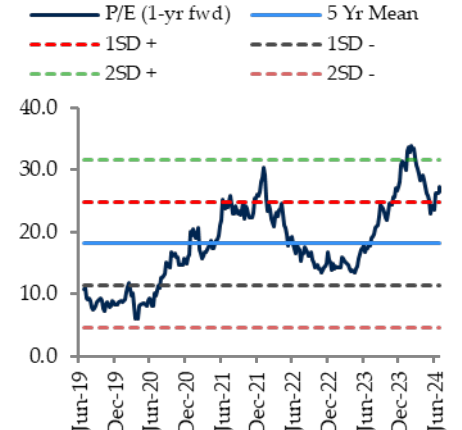
TELX P/E (1-yr fwd) Trend



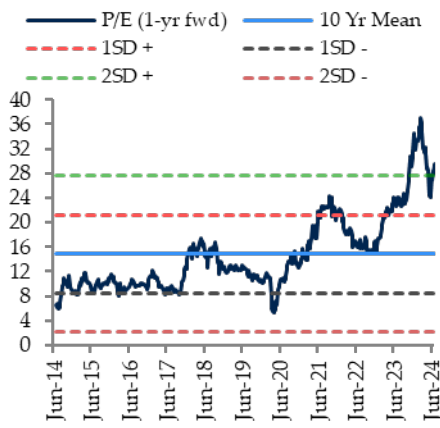
CYL P/E (1-yr fwd) Trend



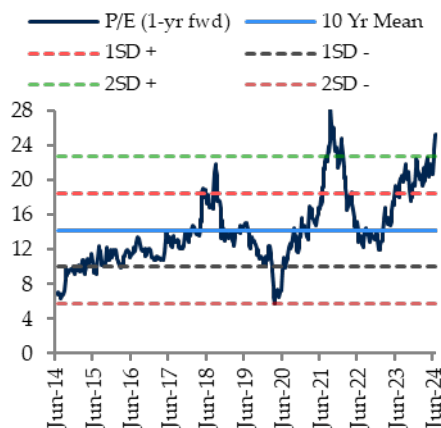
BSOFT P/E (1-yr fwd) Trend



SSOF P/E (1-yr fwd) Trend



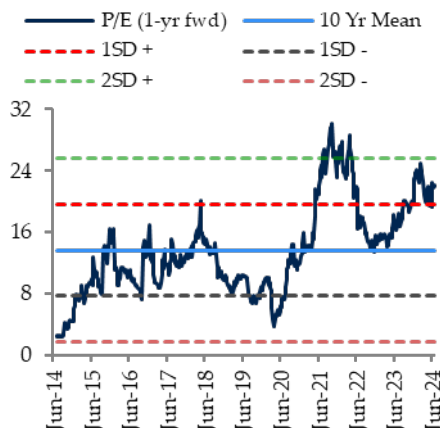
ZENT P/E (1-yr fwd) Trend



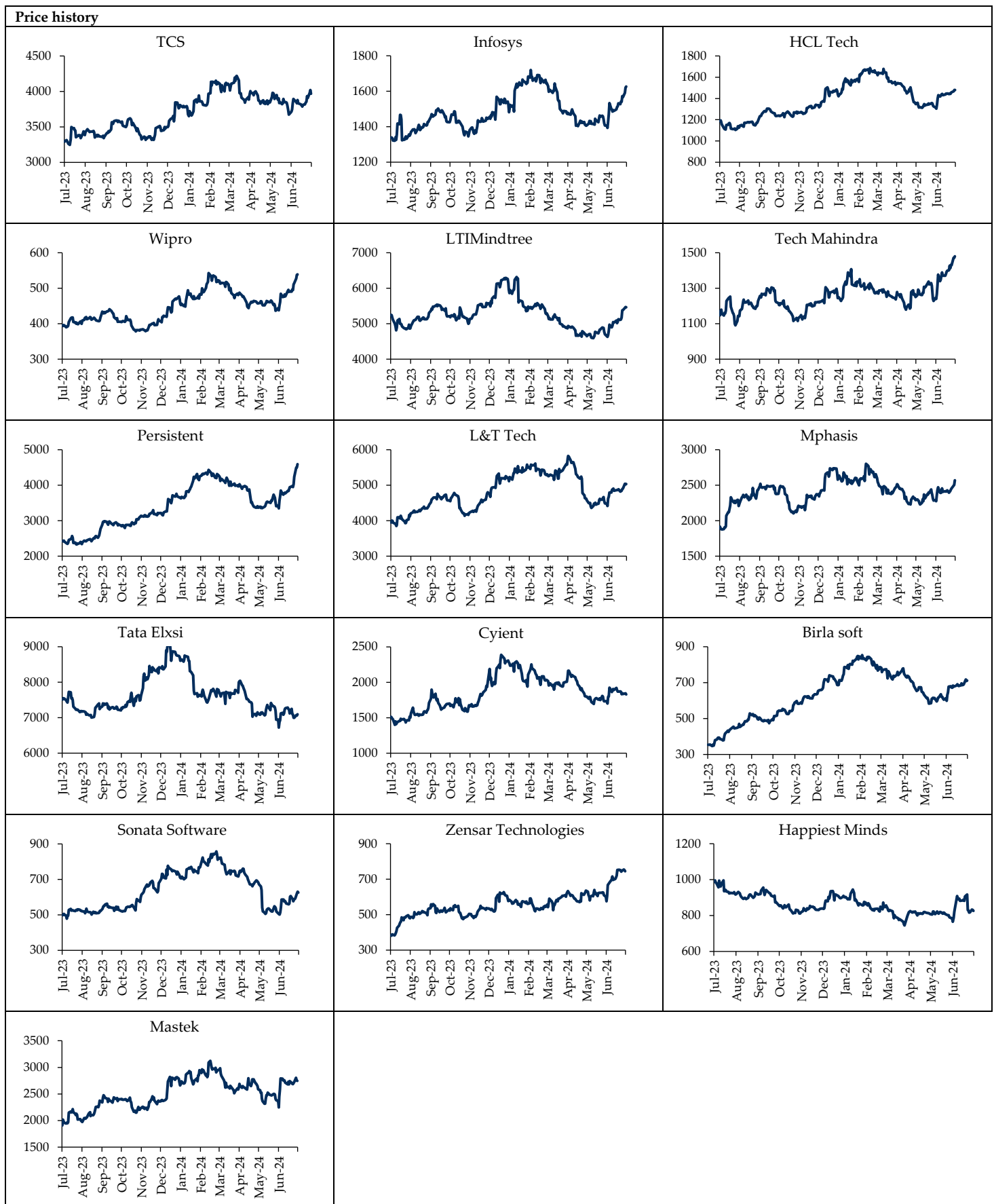
HAPPSTMN P/E (1-yr fwd) Trend



MAST P/E (1-yr fwd) Trend



Source: Bloomberg, HSIE Research



Rating Criteria

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

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